

Economics Group

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Small Business Optimism Remains Strong in February

The NFIB Small Business Optimism index fell 0.6 points in February to 105.3 but held onto most of its post-election surge. Small business confidence has remained above 105 for the past three months.

Small Business Owners Detect an Improvement in Sales

The National Federation of Independent Business (NFIB) Small Business Optimism Index fell 0.6 points to 105.3 in February but remains near its all-time high. Small business owners remain optimistic about the economic environment and hopeful that tax cuts will be enacted later this year and the burdensome regulations will be scaled back. Six of the ten index components fell in February. Three components increased and one component was unchanged. Most of the changes were relatively small.

Most of the improvement in small business confidence has been in attitudes about the business environment. The proportion of business owners stating that the next three months are a good time to expand their business more than doubled in the aftermath of the election and has held there for the past three months. The proportion of business owners that feel conditions will be better six months from now increased even more dramatically, surging from -7 in October to 50 in December and essentially holding at that level for the past three months.

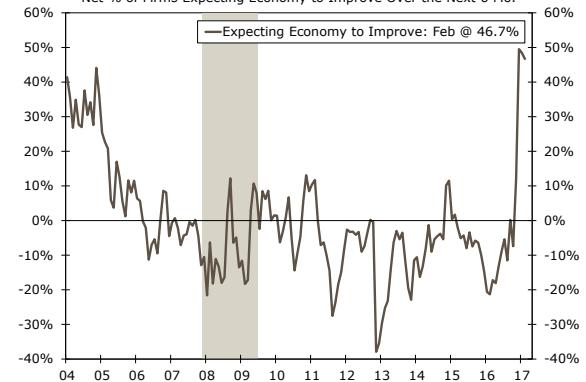
The dramatic improvement in expectations has outpaced gains in actual conditions. More business owners continue to report that earnings have fallen over the past three months than those reporting they have increased, although the gap between the two has narrowed over the past three months. Small business owners also feel more optimistic about sales. The proportion of firms reporting that sales increased slightly outpaced the number reporting declines for the first time since May 2015. Expectations for sales during the coming three months have improved even more dramatically, surging by 30 points from October to December and essentially holding steady there for the past two months.

Small businesses also remain relatively upbeat about hiring additional staff. The proportion of firms with current job openings rose 1 point to 32, the highest reading since the recession. Hiring plans for the next three months eased a bit, however, falling 3 points in February to 15—more or less where the series has been for the past four months and consistent with strong job growth. One of the biggest challenges for small businesses is finding and retaining qualified workers. Seventeen percent of small business owners stated that finding qualified staff was their number one problem.

Businesses are also relatively upbeat about capital spending. The proportion of firms reporting they made a capital expenditure over the past six months rose 3 points in February to 62 percent, which is the second highest reading since 2007. Business owners also report little difficulty accessing credit, with just 2 percent of firms ranking access to credit as their top business concern.

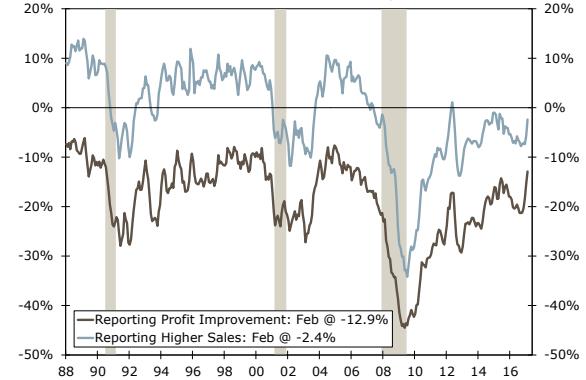
Firms Expecting Economy to Improve

Net % of Firms Expecting Economy to Improve Over the Next 6 Mo.



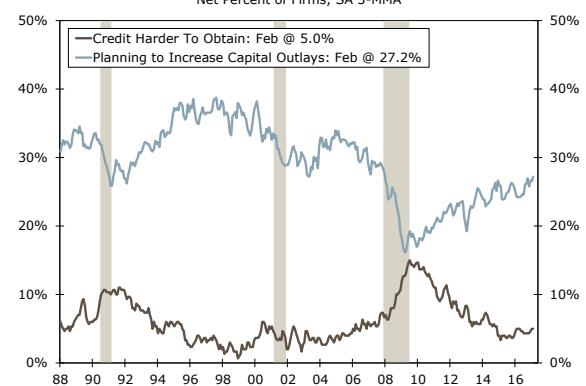
Small Business Profits and Sales

Net Percent of Firms over Past 3 Months, SA 3-MMA



Small Bus. Credit & Capital Investment

Net Percent of Firms, SA 3-MMA



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