



Economics Group

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Small Business Optimism Rises Modestly in October

Small Business Optimism rose 0.8 points in October, recovering a large part of September’s hurricane-related 2.3-point drop. Expectations for sales improved and more business owners feel now is a good time to expand.

Small Business Optimism Rebounds in October

The National Federation of Independent Business (NFIB) Small Business Optimism rose 0.8 points in October to 103.8, essentially regaining a little more than one-third of the prior month’s drop. The September data were likely impacted by Hurricane Harvey and Hurricane Irma, which devastated parts of Texas and Florida – two states where small businesses are particularly prominent. While only 4 of the 10 index components increased in October, the two that fell most harshly in September – the proportion of business owners stating that now is a good time to expand and the proportion expecting higher sales – both rebounded solidly, with each rising by 6 points. The NFIB survey suggests that the aftermath of the late summer hurricanes is still weighing on small businesses somewhat but the impact is diminishing.

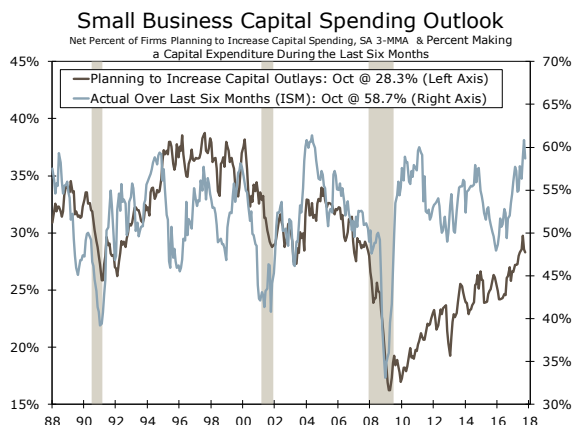
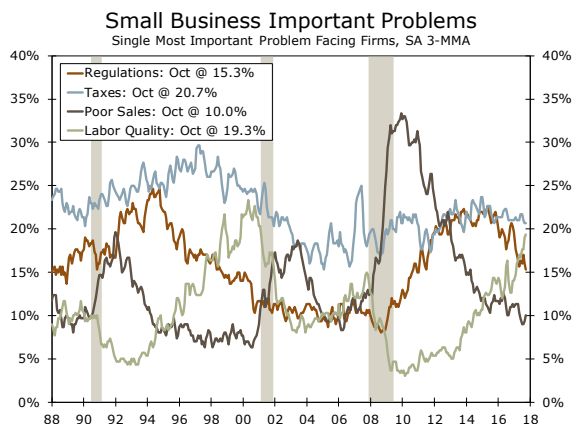
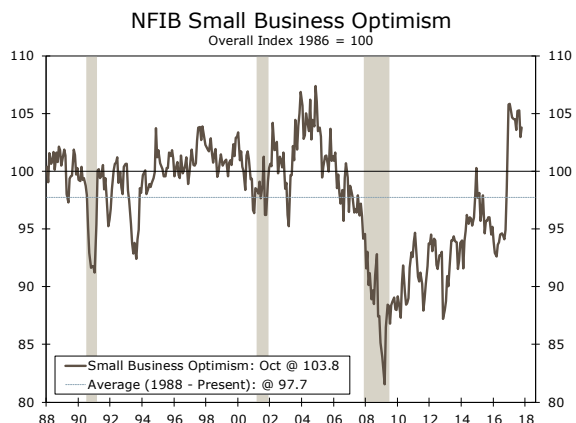
The labor market is becoming increasingly tight for many small businesses. While the proportion of business owners stating they plan to add staff in the next three months fell 1 point to 18 percent, the series is running even with its average for the past six months and is near its high for this cycle. Moreover, 59 percent of business owners stated they either hired or tried to hire workers during October. Unfortunately many business owners are having difficulty finding qualified workers; 52 percent of small business owners and 88 percent of those hiring or trying to hire workers reported few or no qualified applicants for the positions they were trying to fill.

The difficulty finding qualified workers has risen to become the second greatest problem facing business owners today, behind business owners’ perennial nemesis – taxes. Within industries, the inability to hire qualified workers was the top problem for construction firms, cited by 31 percent of owners, and manufacturers, cited by 27 percent.

The proportion of business owners that stated the next three months were a good time to expand their business rose 6 points to 23 percent. While that did not bring the series back to its prior high of 27, reached in August, the series remains slightly above its average for the past six months and is consistent with solid economic growth.

Plans to increase capital spending were unchanged in October but remain just shy of their average for the past six months, which is a period where capital spending has been fairly strong. Plans to purchase vehicles and equipment are both running slightly ahead of their year ago levels but plans to add buildings and furnishing are little changed.

One of the more significant shifts this past year is the decline in the proportion of firms stating that burdensome regulations are their most important problem. Lessening regulatory headwinds have likely contributed to the uptick in capital spending which may have more room to run.



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