



# NFIB Small Business Survey: A Record 2017

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of Advisor Perspectives

The latest issue of the NFIB Small Business Economic Trends came out this morning. The headline number for December came in at 104.9, down 2.6 from the previous month. The index is at the 96th percentile in this series. Today's number came in below the Investing.com forecast of 108.4.

Here is an excerpt from the opening summary of the news release.

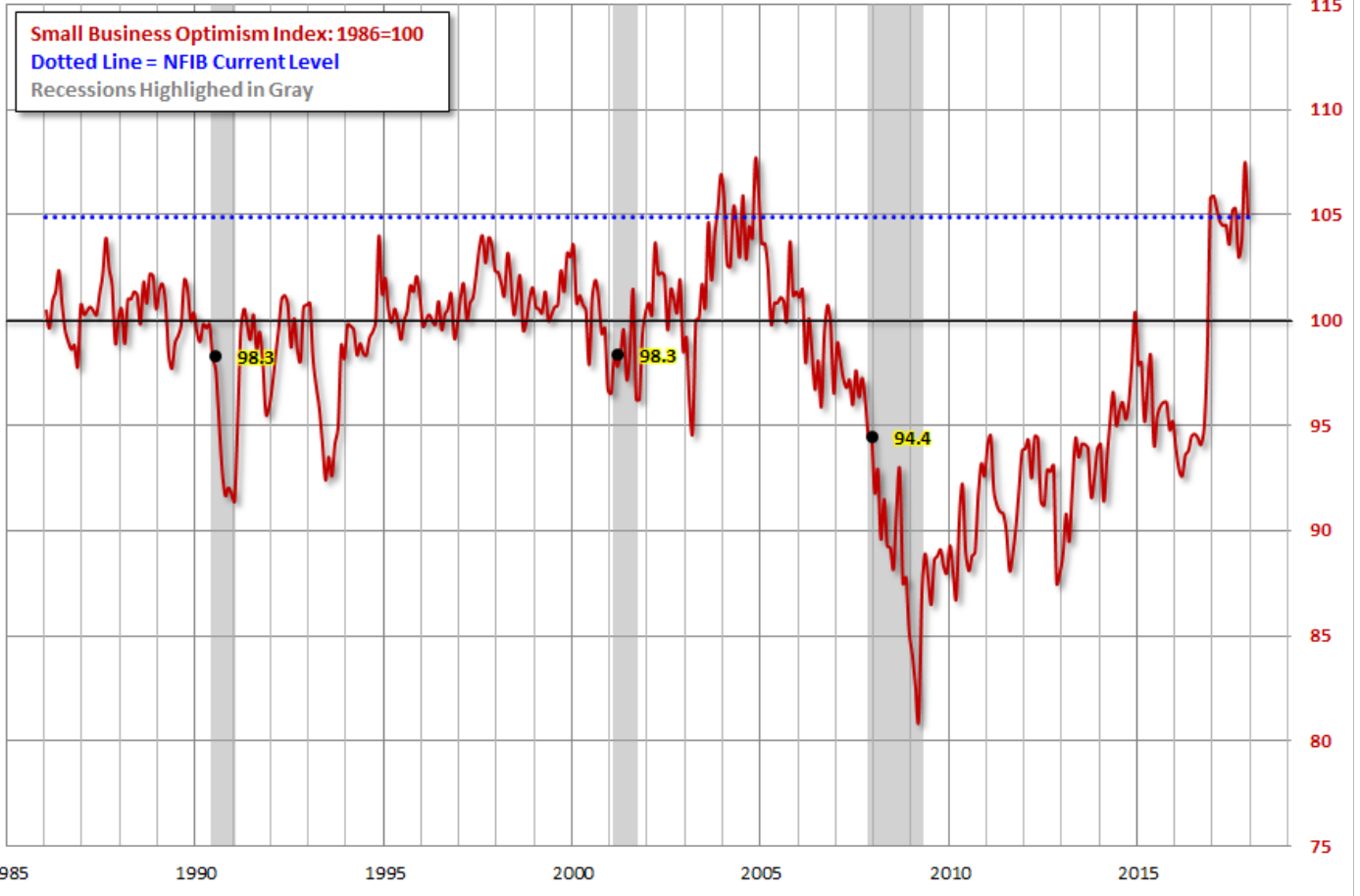
Small business confidence blasted off the day after the 2016 election and remained in the stratosphere for all of 2017, making last year an all-time record setter for the **NFIB Index of Small Business Optimism**, released today.

“2017 was the most remarkable year in the 45-year history of the NFIB Optimism Index,” said **NFIB President and CEO Juanita Duggan**. “With a massive tax cut this year, accompanied by significant regulatory relief, we expect very strong growth, millions more jobs, and higher pay for Americans.”

The first chart below highlights the 1986 baseline level of 100 and includes some labels to help us visualize that dramatic change in small-business sentiment that accompanied the Great Financial Crisis. Compare, for example, the relative resilience of the index during the 2000-2003 collapse of the Tech Bubble with the far weaker readings following the Great Recession that ended in June 2009.

# NFIB Small Business Optimism Index

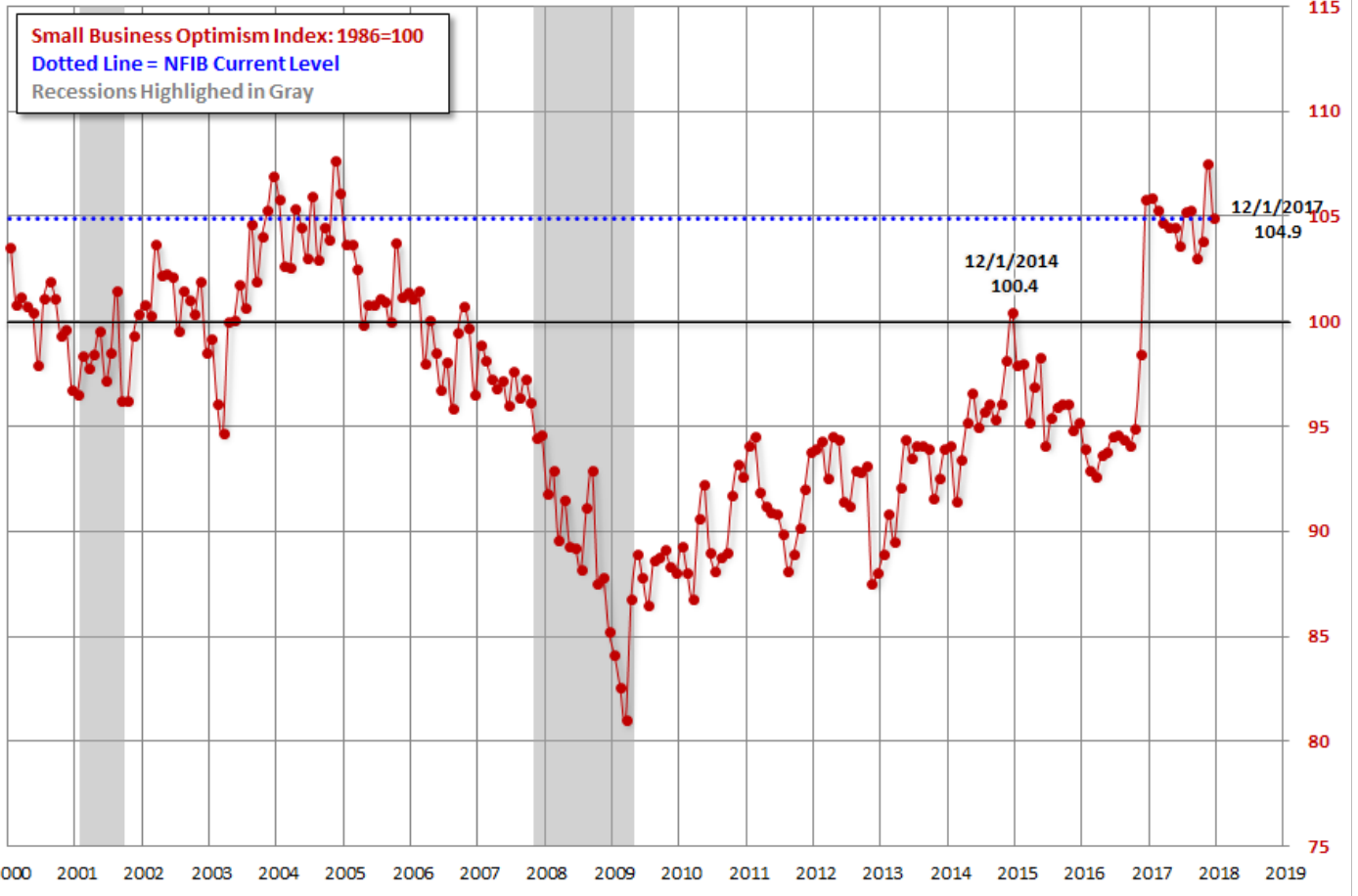
..... Current Level is now at 104.9      ● Recession Starts



Here is a closer look at the indicator since the turn of the century. We are now at a post-recession high.

# NFIB Small Business Optimism Index

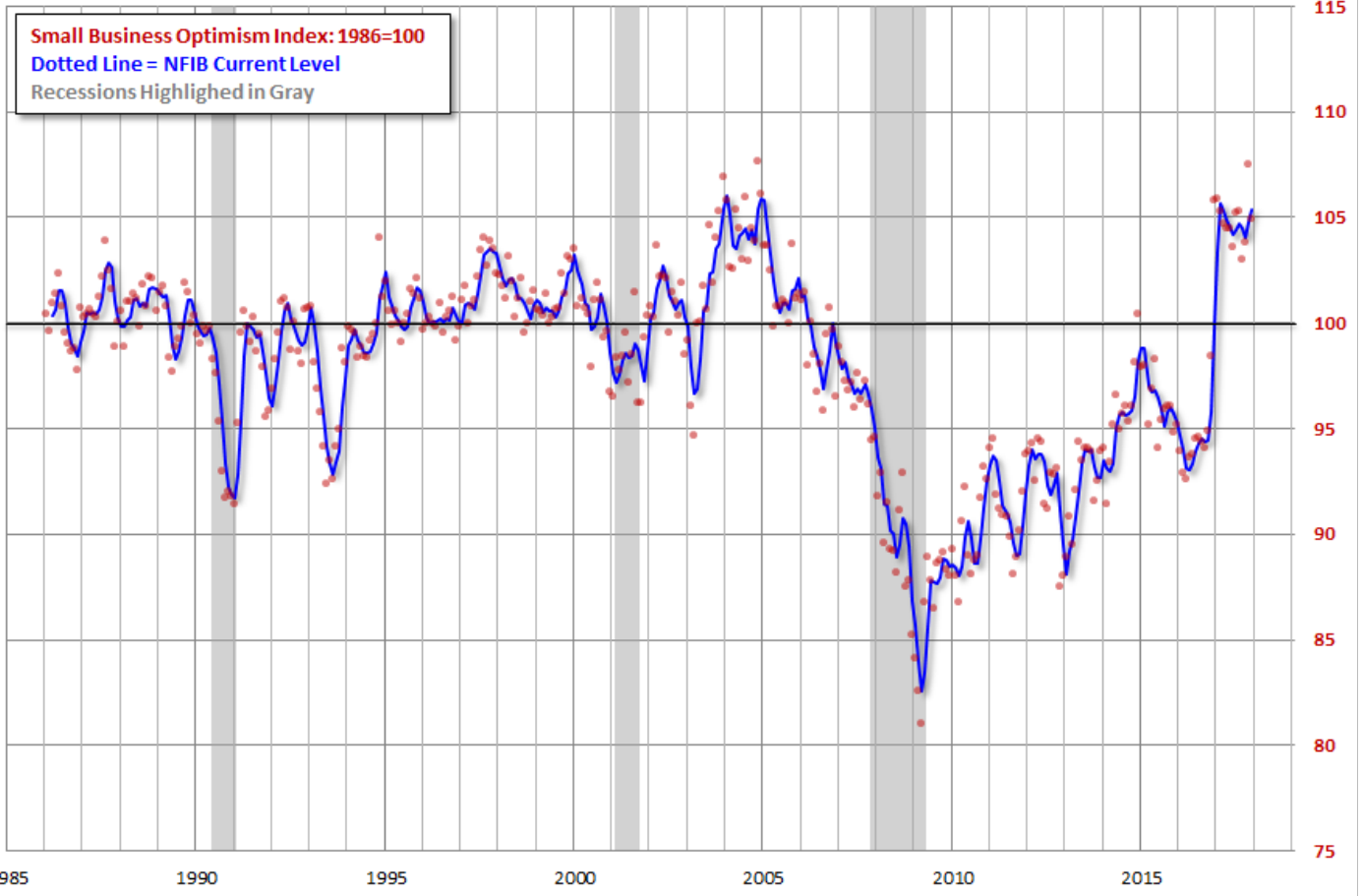
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The average monthly change in this indicator is 1.3 points. To smooth out the noise of volatility, here is a 3-month moving average of the Optimism Index along with the monthly values, shown as dots.

# NFIB Small Business Optimism Index

— Three-Month MA is now at 105.4



Here are some excerpts from the report.

## Labor Markets

Job creation was slow in the small-business sector as owners reported a seasonally adjusted average employment change per firm of 0.01 workers. Clearly, a lack of “qualified” workers is impeding the growth in employment.

## Inflation

How effective has the Fed's monetary policy been in lifting inflation to its two percent target rate?

The net percent of owners raising average selling prices fell 2 points to a net 8 percent seasonally adjusted, ending a steady but modest uptrend in the frequency of reported price

increases. Clearly, inflation is not “breaking out” across the country as the Federal Reserve hoped. Seasonally adjusted, a net 23 percent plan price hikes (up 1 point), although far fewer will report actually doing so in the following months.

## **Credit Markets**

Has the Fed's zero interest rate policy and quantitative easing had a positive impact on Small Businesses?

Three percent of owners reported that all their borrowing needs were not satisfied, down 1 point and historically low. Thirty-two percent reported all credit needs met (unchanged) and 52 percent said they were not interested in a loan, up 4 points.

## **NFIB Commentary**

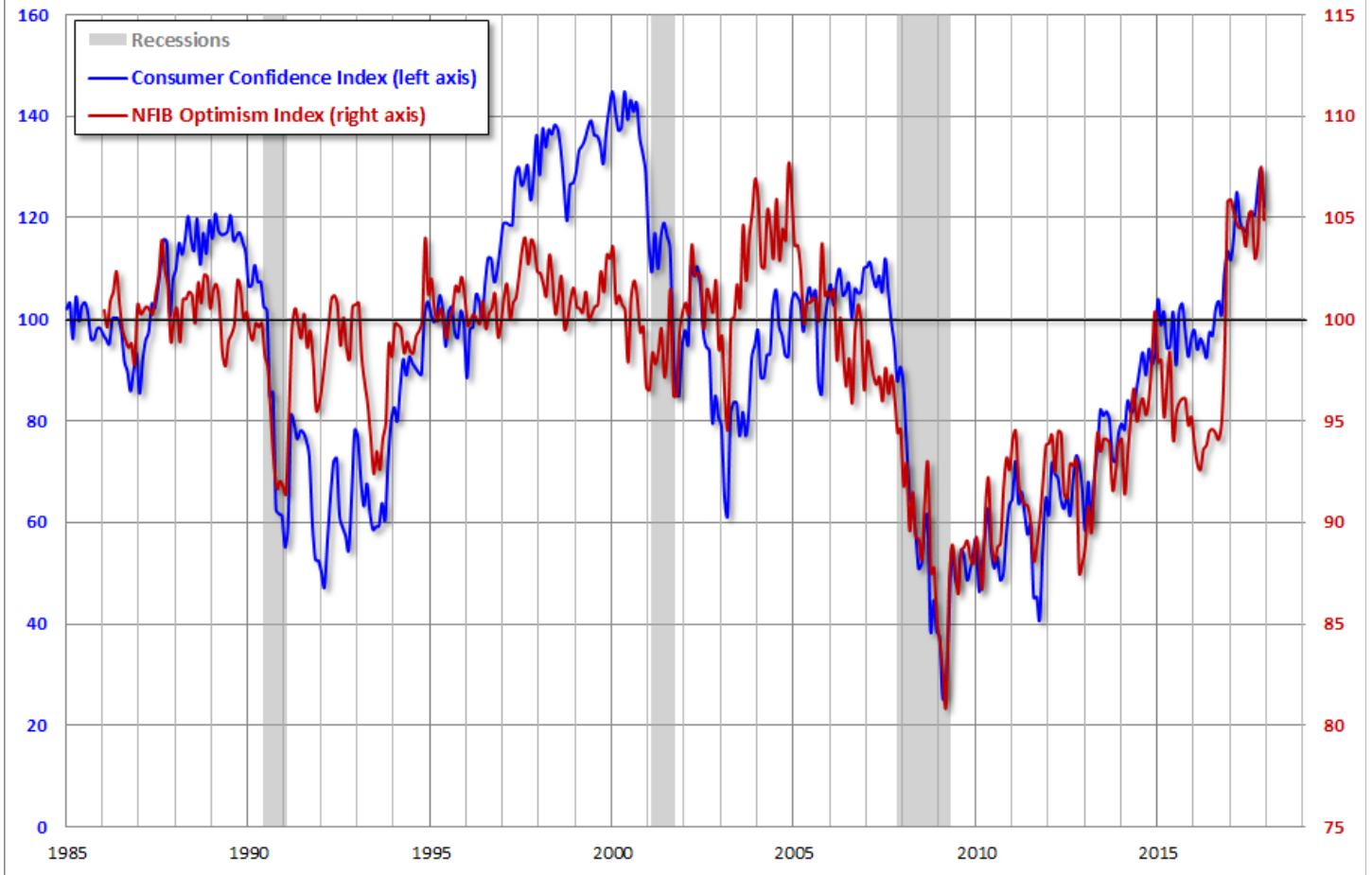
This month's "Commentary" section includes the following observations and opinions:

The NFIB indicators clearly anticipate further upticks in economic growth, perhaps pushing up toward 4 percent for the fourth quarter of 2017. This is a dramatically different picture than owners presented during the 2009-16 recovery under President Obama. The change in the management team in Washington dramatically improved expectations, and that began to translate into increased sales and hiring. Owners did not know exactly what the tax bill would look like, but believed that whatever it looked like, it would be a significant improvement over what was currently in force. That was enough to “bet on”.

## **Business Optimism and Consumer Confidence**

The next chart is an overlay of the Business Optimism Index and the Conference Board Consumer Confidence Index. The consumer measure is the more volatile of the two, so it is plotted on a separate axis to give a better comparison of the two series from the common baseline of 100.

## Conference Board Consumer Confidence Index NFIB Small Business Optimism Index



These two measures of mood have been highly correlated since the early days of the Great Recession. The two diverged after their previous interim peaks, but have recently resumed their correlation. A decline in Small Business Sentiment was a long leading indicator for the last two recessions.