



TD Economics

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Data Release: Small business optimism up in August, but hiring intentions pull back

- The NFIB's small business optimism index rose 0.4 points in August to 96.1, just ahead of expectations for 96.0. The index sits shy of its recent cycle high of 96.6, reached in May of this year.
- Gains were led by "plans to make capital outlays," which rose 4 percentage points to a net 27% of firms reporting.
- The percent of firms expecting the economy to improve rose 3 percentage points, but still sits in negative territory at -3%.
- Plans to increase employment fell to a net 10% of firms, from 13% in August.

Key Implications

- Small business confidence continues to inch ahead although the gains among components continue to be choppy. The direction is more important than the level and appears consistent with ongoing improvement in the pace of small business growth.
- The rise in plans for capital outlays is encouraging. The share of businesses planning to increase investment now sits at the highest level of the recovery to-date and gives support to our expectation for business investment to be an important contributor to economic growth over the next year.
- The setback in plans to increase hiring is a minor disappointment, but this has been one of the most encouraging components of the NFIB index over the past several months. Small and medium sized businesses (with fewer than 500 employees) have represented 74% of the jobs created over the last year, according to the ADP, and will remain an important contributor to job growth over the next several years.

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