



TD Economics

January 13, 2015

Data Release: Small business confidence returns to pre-recession highs

- The NFIB's small business optimism index rose 2.3 points to 100.4 in December, bringing it to the highest level since October 2006. Today's headline print came in well ahead of market expectations, which called for the index to rise more modestly to 98.5.
- The gains were widespread, with eight out of ten sub-components rising on the month. The biggest gainer was in expectations for higher real sales, which rose 6 points following a 5 point gain in November. Plans to increase employment and plans to make capital outlays both rose by 4 points.
- The one area of the index to pullback was the percentage of firms expecting the economy to improve. However, this fell just 1 point, compared to a 16 point gain in November. As the NFIB commentary noted, "the 1 percentage point decline simply confirmed the very strong gain in November."

Key Implications

- This is undoubtedly a great report. The strength is prevalent in both expectations components and the harder "intentions to hire and invest" subcomponents. This bodes well for the economic outlook for 2015. Small businesses are less exposed to economic troubles abroad and will provide a strong base to keep the American economy humming through the next year.
- The improvement in the labor market indicators is further confirmation that the job market recovery runs deep and should be expected to continue. The net percent of firms raising worker compensation and the net percent with "plans to increase employment" are both above their long-term averages and back to highs observed prior to the Great Recession. Wage growth was moribund in December, but stronger growth can't be too far away.

**James Marple,
Senior Economist**

DISCLAIMER

This report is provided by TD Economics. It is for informational and educational purposes only as of the date of writing, and may not be appropriate for other purposes. The views and opinions expressed may change at any time based on market or other conditions and may not come to pass. This material is not intended to be relied upon as investment advice or recommendations, does not constitute a solicitation to buy or sell securities and should not be considered specific legal, investment or tax advice. The report does not provide material information about the business and affairs of TD Bank Group and the members of TD Economics are not spokespersons for TD Bank Group with respect to its business and affairs. The information contained in this report has been drawn from sources believed to be reliable, but is not guaranteed to be accurate or complete. This report contains economic analysis and views, including about future economic and financial markets performance. These are based on certain assumptions and other factors, and are subject to inherent risks and uncertainties. The actual outcome may be materially different. The Toronto-Dominion Bank and its affiliates and related entities that comprise the TD Bank Group are not liable for any errors or omissions in the information, analysis or views contained in this report, or for any loss or damage suffered.