Small Business Optimism Bounces Back In June

The NFIB Small Business Optimism Index jumped 6.2 points to 100.6 in June, as business re-openings bolstered expectations and hiring. Attitudes have likely grown more cautious since the survey was taken, however.

Small Business Optimism May Be a Bit Premature
- The bounce back in Small Business Optimism to the 100 level is heartening, but we fear it may be a bit premature. The survey likely came too early to reflect the sustained rise in new COVID cases, which have now elicited a new round of shutdowns.
- Sales expectations surged 37 points, swinging from -24% to 13%. The proportion of business owners that expect the economy to improve rose 5 points to 39% and plans to hire doubled to 16%.

A Great Deal of Caution Behind the Upbeat Headlines
- The rise in the NFIB is tempered by the declining share of firms showing earnings improvement, which fell 9 points to -35%.
- Capital spending plans edged higher, climbing 2 pts to 22%. The rise may reflect needs to invest in personal protection equipment.
- June’s rise in Small Business Optimism appears to have gotten a temporary assist from prior business re-openings, modifications and expansions to the PPP, and the buoyant stock market.

Source: National Federation of Independent Business, Bloomberg LP and Wells Fargo Securities