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## TD Economics

### Data Release: Small business confidence surges to 12-year high on post-election euphoria

- The NFIB's small business optimism index jumped 7.3 points to 105.8 in December, marking the third consecutive monthly gain and trumping expectations calling for a modest gain to 99.5. This level of small business confidence has not been recorded since 2004.
- Under the hood, the details of the report were broadly encouraging as seven of the ten subcomponents rose on the month, one remained unchanged and two fell.
- Most notably, two of the worst-performing sub-indicators this year recorded massive improvements in December. The share of firms expecting the economy to improve climbed 38 points to 50 percent, while the share of firms expecting higher real sales rose 20 points to 31 percent. Capital outlay plans also improved 5 points to 29 percent.
- Labor market indicators remained generally supportive. Although unfilled job openings retreated two points, they remain well-elevated at 29 percent, while the share of firms planning to increase employment rose 1 point to 16 percent – the highest level since January 2007.
- Earnings metrics were also upbeat, with the share of firms 'raising' and 'planning to raise' worker compensation reversing last month's slump and rising 5 points apiece.
- The uncertainty sub-index fell 15 points but remains elevated with a reading of 85.

### Key Implications

- Overall, this was a very solid report, with the improvement in the economic outlook – boosted by pledges to cut taxes and reduce regulation – the most encouraging development.
- Nevertheless, the surge in confidence in the election's aftermath continues to be accompanied by a heightened level of uncertainty, with readings above 85 in the sub-index only ever recorded in the last few months.
- More clarity should continue to emerge as the new administration begins to implement its vision starting later on this month. Keeping up with the recent momentum in optimism will depend on how quickly and how much the new administration can deliver on its pledges, but is likely to prove a challenge judging by the typically slow nature of the political process.

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