

The background of the entire page is a photograph of two women working in a greenhouse. The woman in the foreground is wearing a green long-sleeved shirt, a blue apron, and grey work gloves. She has red-rimmed glasses perched on her head and is focused on a task. The woman in the background is wearing a white long-sleeved shirt and is also working. The scene is filled with green plants and flowers, and the lighting is bright and natural.

**Small Business  
Economic Trends**  
Quarterly Industry Report  
July 2020

# Small Business Economic Trends

## Quarterly Industry Report

### July 2020

## CONSTRUCTION

### NFIB Small Business Optimism Index

Based on Ten Survey Indicators (Seasonally Adjusted)



Index Components (Seasonally Adjusted)	Construction	Change from Last Quarter	Overall
Plans to Increase Employment	24%	22	18%
Plans to Make Capital Outlays	25%	3	26%
Plans to Increase Inventories	1%	9	4%
Expect Economy to Improve	18%	-2	25%
Expect Real Higher Sales	-8%	42	5%
Current Inventory Satisfaction	2%	7	1%
Current Job Openings	46%	11	30%
Expected Credit Conditions	-3%	1	-5%
Now a Good Time to Expand	13%	10	11%
Earnings Trends	-20%	-7	-32%
<b>Optimism Index</b>	<b>100.6</b>	<b>9.1</b>	<b>98.8</b>

The July Optimism Index for construction was 100.6, up 9.1 points from April's quarterly report and 1.8 points higher than the overall Index of all firms. Demand for new construction has remained high, fueled by record-low mortgage rates and a shortage of houses to buy due to a lack of qualified employees to assemble work teams to meet demand. As a result, the construction industry has a better than average outlook than the rest of the economy. The COVID-19 restrictions were less restrictive for construction, a mostly outdoor activity.

The demand for new workers in construction remains high as the industry had higher than average job openings and plans to increase employment. A net 24 percent plan to increase their workforce in the next three months.

### Hiring Plans

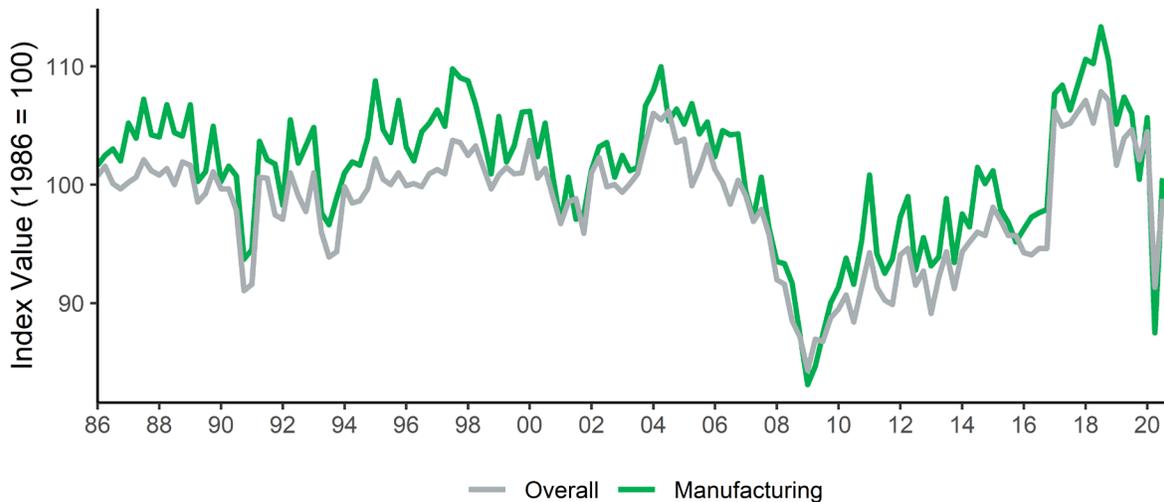
*Net Percent ("Increase" Minus "Decrease") in the Next Three Months*



## MANUFACTURING

### NFIB Small Business Optimism Index

Based on Ten Survey Indicators (Seasonally Adjusted)



Index Components (Seasonally Adjusted)	Manufacturing	Change from Last Quarter	Overall
Plans to Increase Employment	26%	34	18%
Plans to Make Capital Outlays	31%	14	26%
Plans to Increase Inventories	3%	11	4%
Expect Economy to Improve	31%	11	25%
Expect Real Higher Sales	17%	64	5%
Current Inventory Satisfaction	-6%	-1	1%
Current Job Openings	31%	7	30%
Expected Credit Conditions	-1%	8	-5%
Now a Good Time to Expand	12%	11	11%
Earnings Trends	-46%	-19	-32%
<b>Optimism Index</b>	<b>100.5</b>	<b>13.1</b>	<b>98.8</b>

The manufacturing industry was particularly hard hit by supply chain disruptions and business closures in the early months of the COVID-19 pandemic. In July, the Optimism Index for the manufacturing industry recovered, a 13.1point increase from April.

Earnings trends over the last quarter were weaker in manufacturing than other industries, a net negative 46 percent of firms experienced lower earnings over the last quarter. However, future sales expectations rebounded, a 64-point increase since April to a net 17 percent. Sales growth will be the key driver of earnings changes, and manufacturing firm

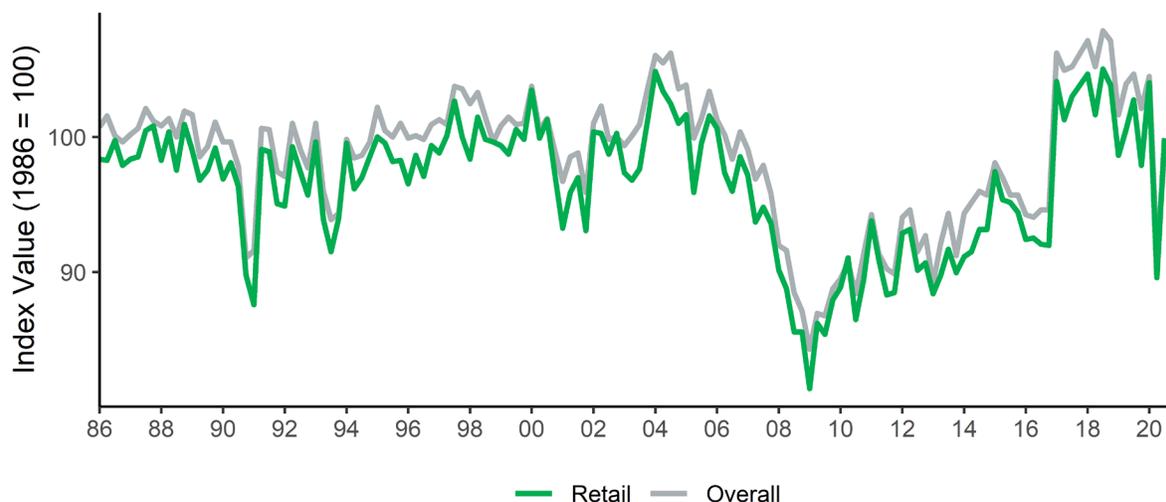
owners are expecting a strong recovery from record low levels experienced earlier this year.



## RETAIL

### NFIB Small Business Optimism Index

Based on Ten Survey Indicators (Seasonally Adjusted)



Index Components (Seasonally Adjusted)	Retail	Change from Last Quarter	Overall
Plans to Increase Employment	16%	15	18%
Plans to Make Capital Outlays	22%	8	26%
Plans to Increase Inventories	13%	14	4%
Expect Economy to Improve	24%	-1	25%
Expect Real Higher Sales	7%	41	5%
Current Inventory Satisfaction	10%	20	1%
Current Job Openings	27%	9	30%
Expected Credit Conditions	-5%	1	-5%
Now a Good Time to Expand	8%	6	11%
Earnings Trends	-30%	-2	-32%
<b>Optimism Index</b>	<b>99.9</b>	<b>10.3</b>	<b>98.8</b>

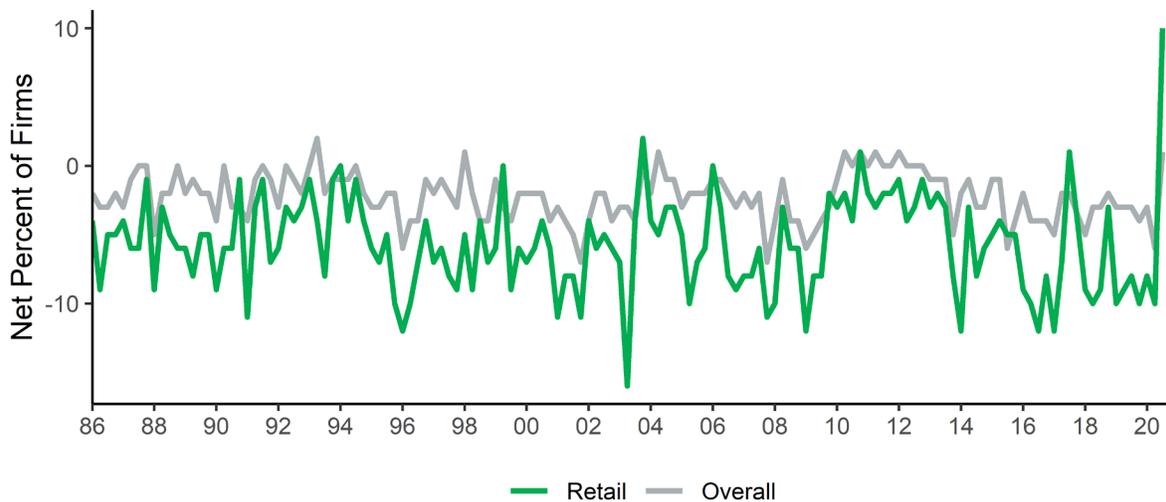
Retail sales most closely track the overall economy with an industry Optimism Index of 99.9, 10 points better than last quarter. Consumer spending (consumption) drives 70% of GDP. The personal savings rate out of income received rose to 33% in May, a dramatic increase from its more typical level around 5% or 6%. Income has been supported by stimulus checks sent to consumers by the U.S. Treasury, and unemployment benefits to over 20 million were enhanced by an extra \$600 per week. However, consumers have been limited to what they can spend the money on due to government restrictions and the fear

of contracting COVID-19. Small businesses depend on foot traffic, so many small businesses will continue to struggle until business restrictions are lifted and COVID-19 fears are eased.

A net 10 percent of retailers report current inventory levels “too low”, compared to only 1 percent of all small firms. Shortages of some goods, like paper products, were created by a rapid uptick in demand and supply chain problems. Stores could not get new inventory quickly. Retailers plan to increase inventories more than average as a net 13 percent plan to increase their current inventory levels.

### Inventory Satisfaction

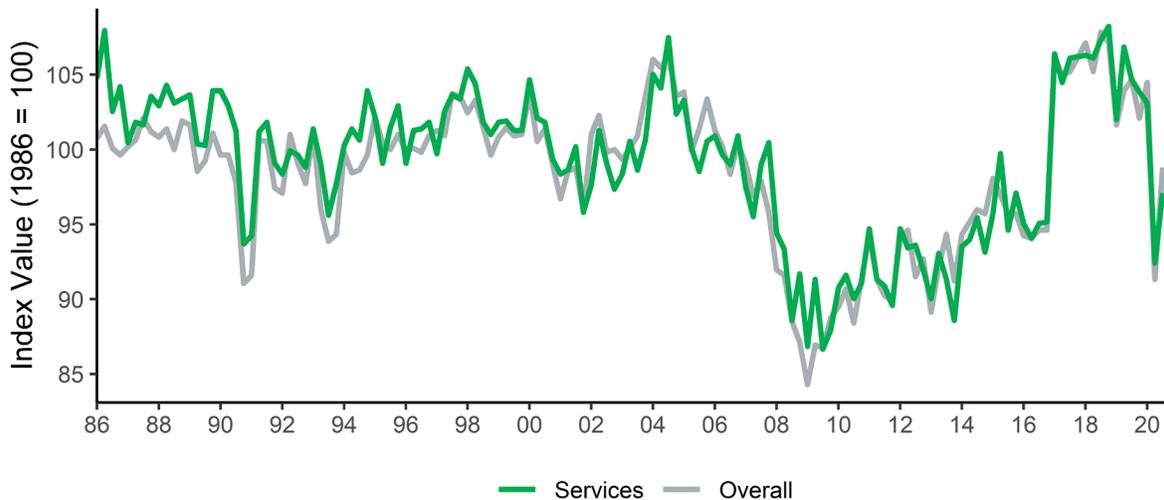
*Net Percent (“too low” minus “too large”) in the Next Three Months*



## SERVICES

### NFIB Small Business Optimism Index

Based on Ten Survey Indicators (Seasonally Adjusted)



Index Components (Seasonally Adjusted)	Services	Change from Last Quarter	Overall
Plans to Increase Employment	16%	11	18%
Plans to Make Capital Outlays	14%	-2	26%
Plans to Increase Inventories	3%	3	4%
Expect Economy to Improve	21%	-9	25%
Expect Real Higher Sales	11%	49	5%
Current Inventory Satisfaction	0%	0	1%
Current Job Openings	27%	3	30%
Expected Credit Conditions	-3%	1	-5%
Now a Good Time to Expand	8%	5	11%
Earnings Trends	-37%	-13	-32%
<b>Optimism Index</b>	<b>97.1</b>	<b>4.7</b>	<b>98.8</b>

The service sector Optimism Index remains below the overall at 97.1 in July. Services have not recovered as much as other industries after a smaller decline in optimism in April than the rest of the economy. Services firms were more frequently classified as non-essential and had to stay closed, including business-to-business service sector firms. As was the case for many firms, owners became more optimistic about economic trends and decided they needed to “staff up,” increasing the percent of service firms with hiring plans. The service sector reported a 46-point increase in the percent expecting higher real sales.

## Hiring Plans

*Net Percent ("Increase" Minus "Decrease") in the Next Three Months*

