

The Trump Bump: Small Business Optimism Soars

Joseph A. Lavorgna
Chief US Economist
SMBC Nikko

(212)-893-1528
Joseph.Lavorgna@smbcnikko-si.com
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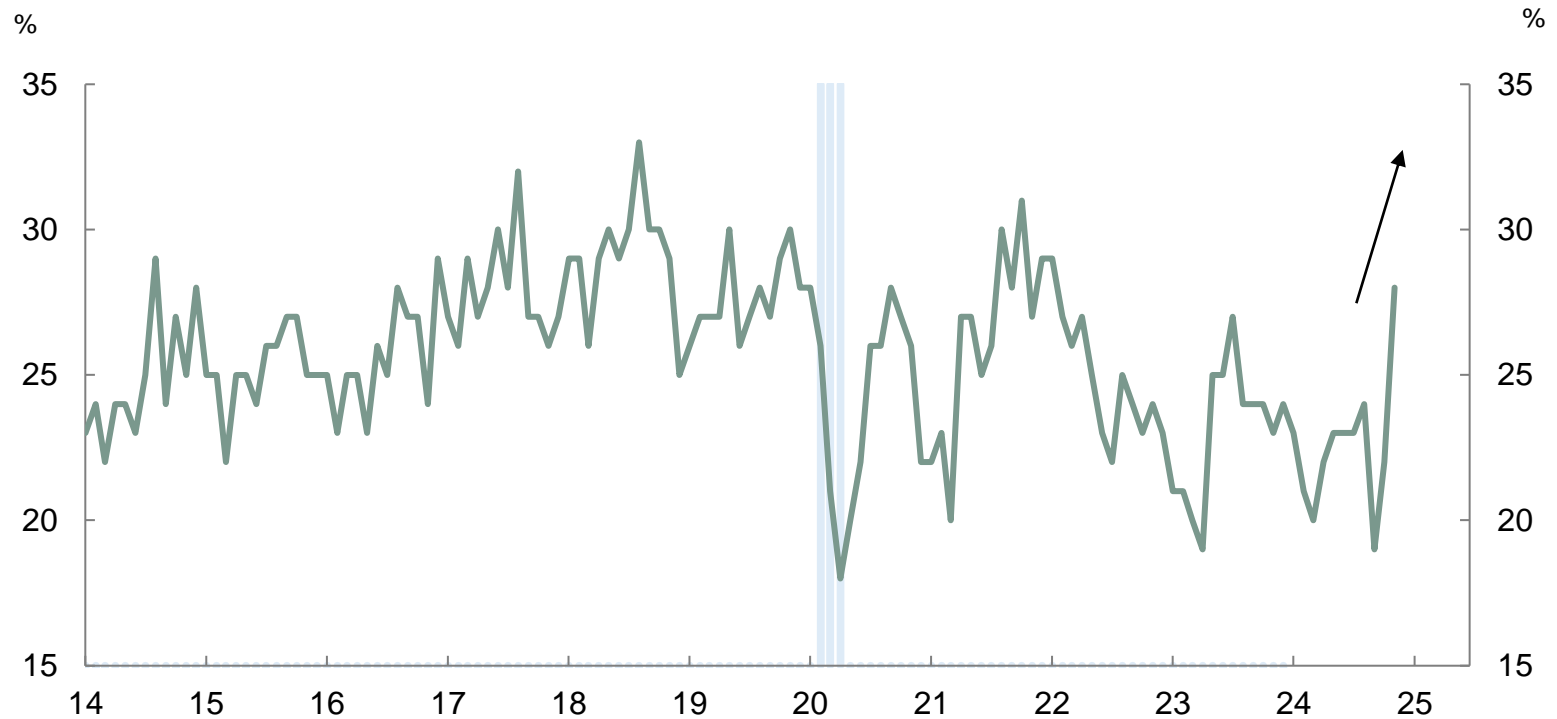
Executive Summary

- Low taxes, energy costs, and government regulation are a boon to small business sentiment. Because the latter account for approximately 40% of all US employment and arguably are the most dynamic entities in the labor market. Our 2025 outlook has turned dramatically positive since the Election.
- During President Trump's first term, small business optimism soared, averaging a record reading of 113.4 including the pandemic year. This is the highest average reading for any President, Republican or Democrat. As we demonstrate in the following half dozen slides, the economy's "animal spirits" have been rejuvenated, which is the primary reason we are projecting 3%-plus real GDP growth and a resumption of lower inflation by the middle of next year toward 2%.
- As we discussed in an earlier note, Five Pillars of Trumponomics 5.0, uncertainty around the Fed's policy response to the incoming Administration's legislative actions is potentially the biggest known risk in 2025. We worry that the Fed's Phillips Curve/Output Gap driven approach to policymaking, which focuses nearly exclusively on the demand-side of the economy, will keep interest rates higher than they otherwise should be.
- In the meantime, the expectation of pro-growth supply-led policies should keep the economy expanding at a solid pace and put a floor under asset prices.

Small Business Optimism



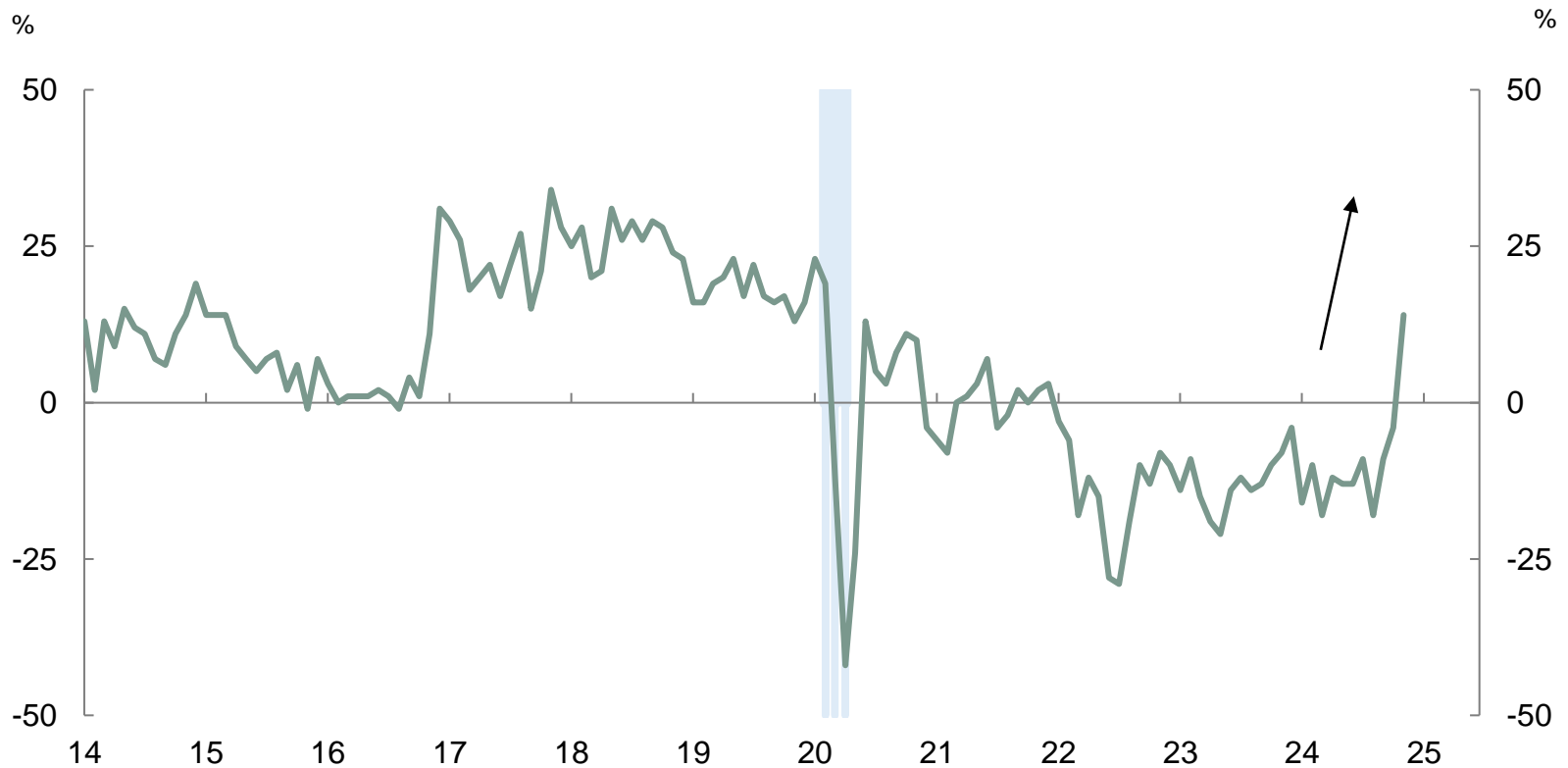
Percent of Firms Planning to Make Capital Outlays



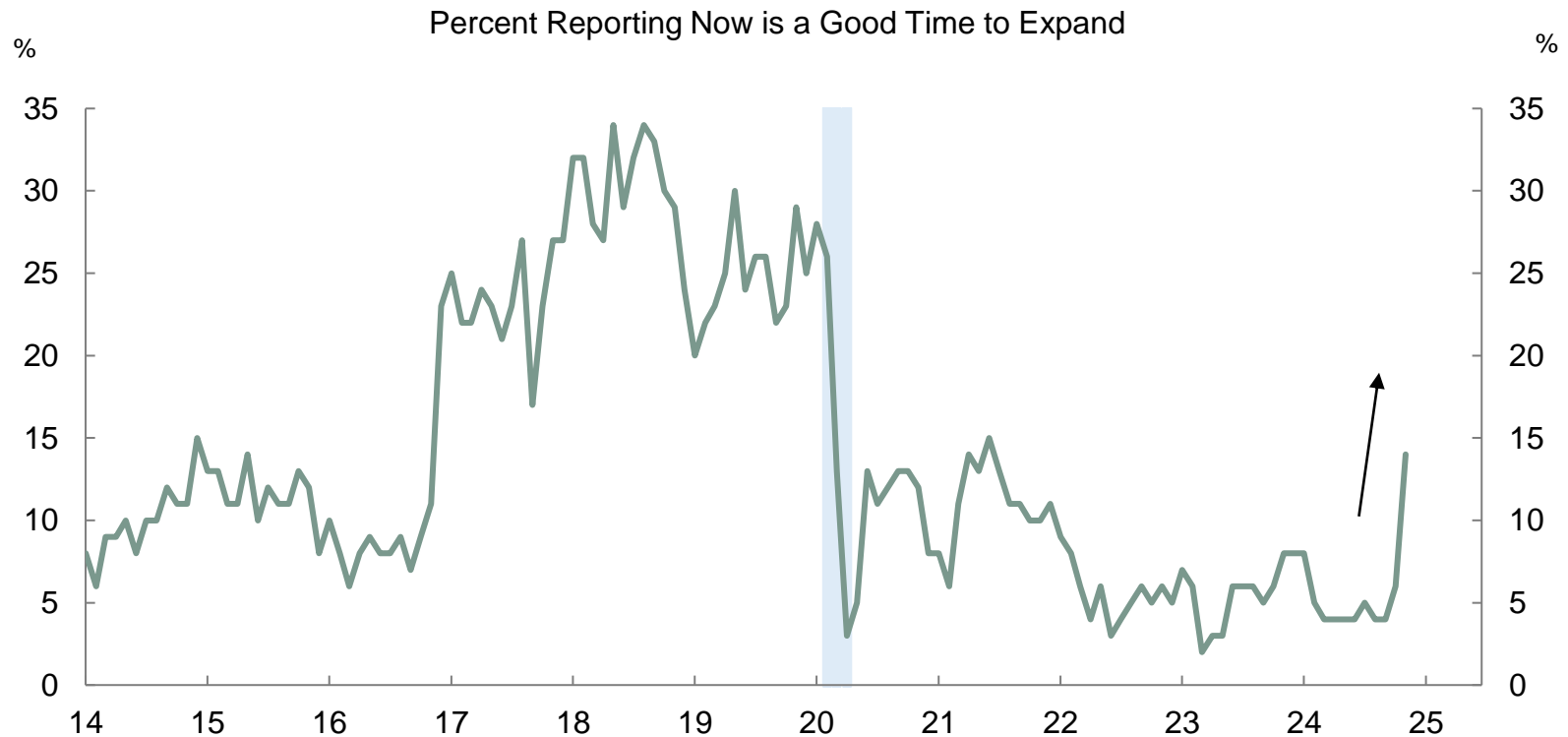
Percent of Firms Expecting Economy to Improve



Percent of Firms Expecting Higher Real Sales in 6-Months



Percent of Firms Reporting Now is a Good Time to Expand



Biography: Joseph A. Lavorgna



Joseph A. LaVorgna

Managing Director

Chief Economist

SMBC Nikko Securities America, Inc.

*277 Park Avenue
New York, NY 10017*

Office: +1-212-893-1528

joseph.lavorgna@smbcnikko-si.com

Joseph (Joe) Lavorgna is a Managing Director and Chief Economist for SMBC Nikko Securities America, Inc. Joe joined the firm in September 2022 and is based in New York. Joe has spent more than 25 years in the financial services industry.

He was previously the Chief Economist for the Americas at Natixis. While there, Joe took a one-year leave of absence to serve at the White House, where he was Special Assistant to the President, and Chief Economist of the National Economic Council.

Prior to Natixis, Joe spent 20 years with Deutsche Bank Securities in the Global Markets Division, where he was considered one of the leading Wall Street economists. His team was perennially ranked in the prestigious *Institutional Investor* All-Star Fixed Income Survey.

Joe is also a Senior Fellow at the America First Policy Institute, a Washington, D.C.-based think tank. He holds a Bachelor of Arts degree in economics from Vassar College and did graduate work at New York University.

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