

The Trump Bump: Small Business Optimism Soars

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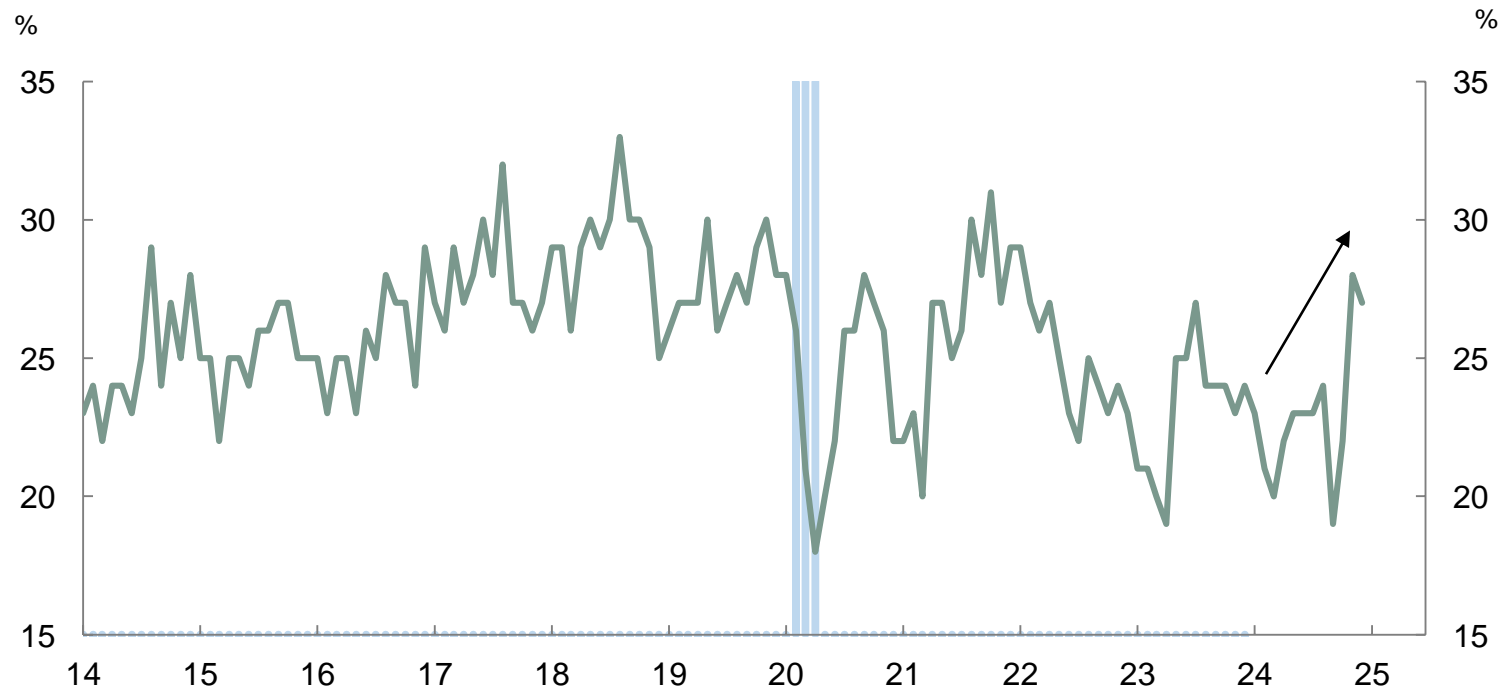
Executive Summary

- Low taxes, energy costs, and government regulation are all a boon to small business sentiment. This is important because small businesses account for approximately 40% of all US employment and are arguably the most dynamic entities in the labor market. The outlook has brightened considerably since the Presidential 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 set of 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%.
- 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

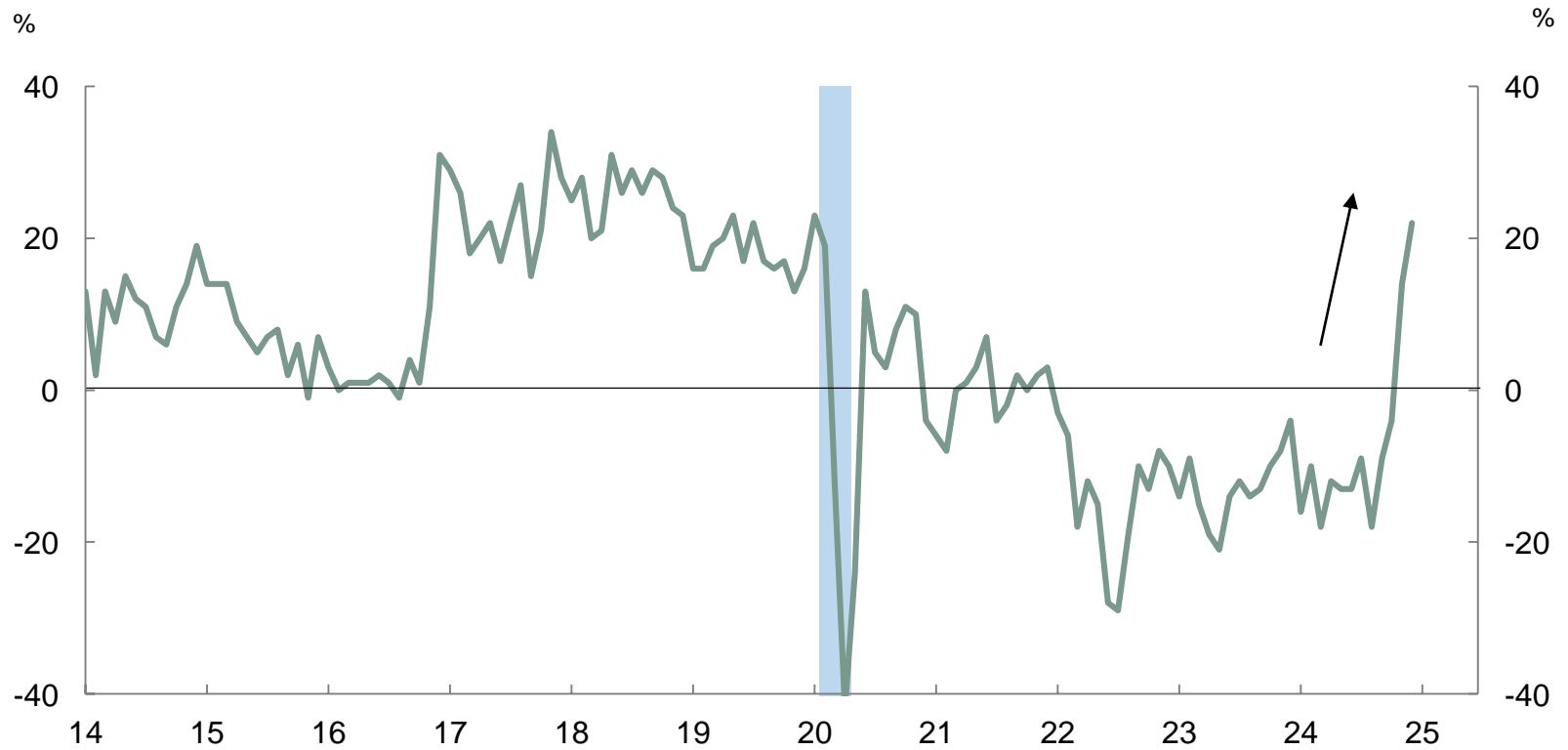


Percent of Firms Expecting Economy to Improve



Source: NFIB, Haver, SMBC Nikko

Percent of Firms Expecting Higher Real Sales in 6-Months

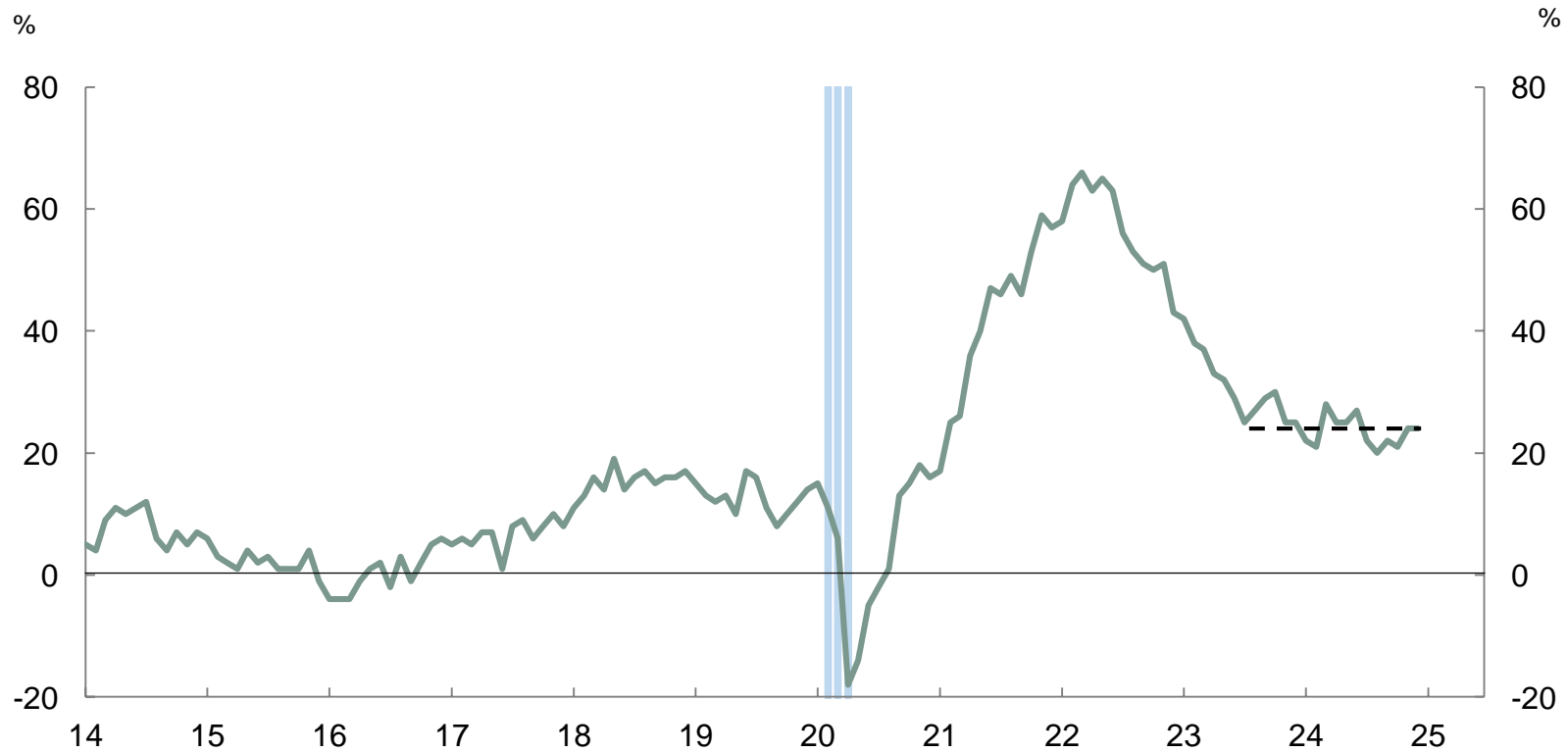


Percent of Firms Reporting Now is a Good Time to Expand



Source: NFIB, Haver, SMBC Nikko

Percent of Firms Raising Average Selling Prices



Source: NFIB, Haver, SMBC Nikko

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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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