Datanote: US NFIB Survey, June

In one line: A slight improvement from a weak base, but challenges remain.

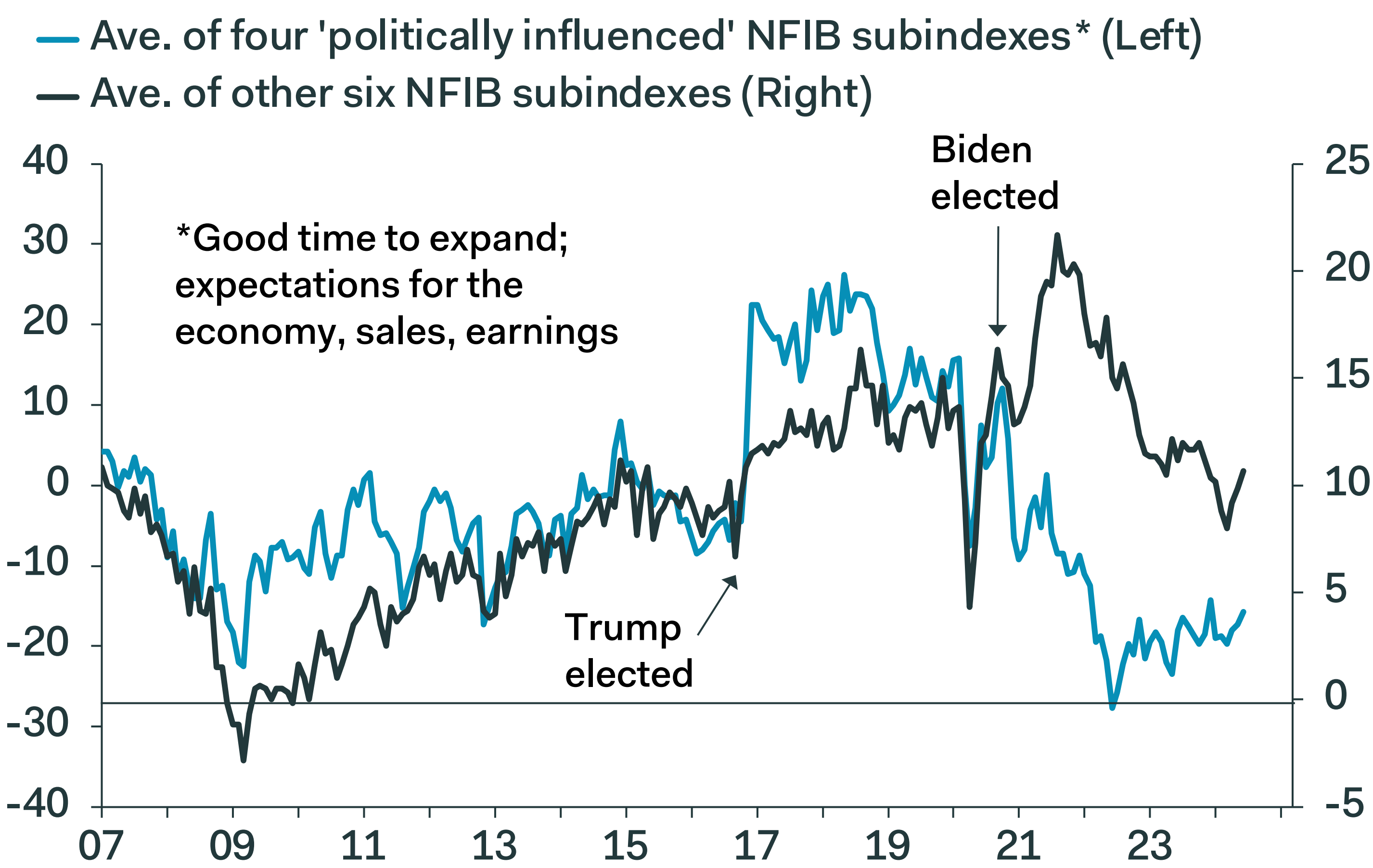
- The headline index of the NFIB survey rose to 91.5 in June, from 90.5, above the consensus, 90.2.

The unexpected increase in the headline index is its third consecutive rise, taking it to the highest level since December. Roughly half of the jump was due to a five-point surge in the economic expectations index, to -25 from -30; this component is sensitive to swings in stock prices and political events. Along the less stock market-sensitive components, the two inventory measures surged, but they still look a bit soft compared to their levels in the couple of years before the pandemic. In any event, the inventory measures have been a poor guide to the hard data in recent years. Small businesses are being weighed down by high rates and tight credit conditions, limiting their plans for hiring and inventment.

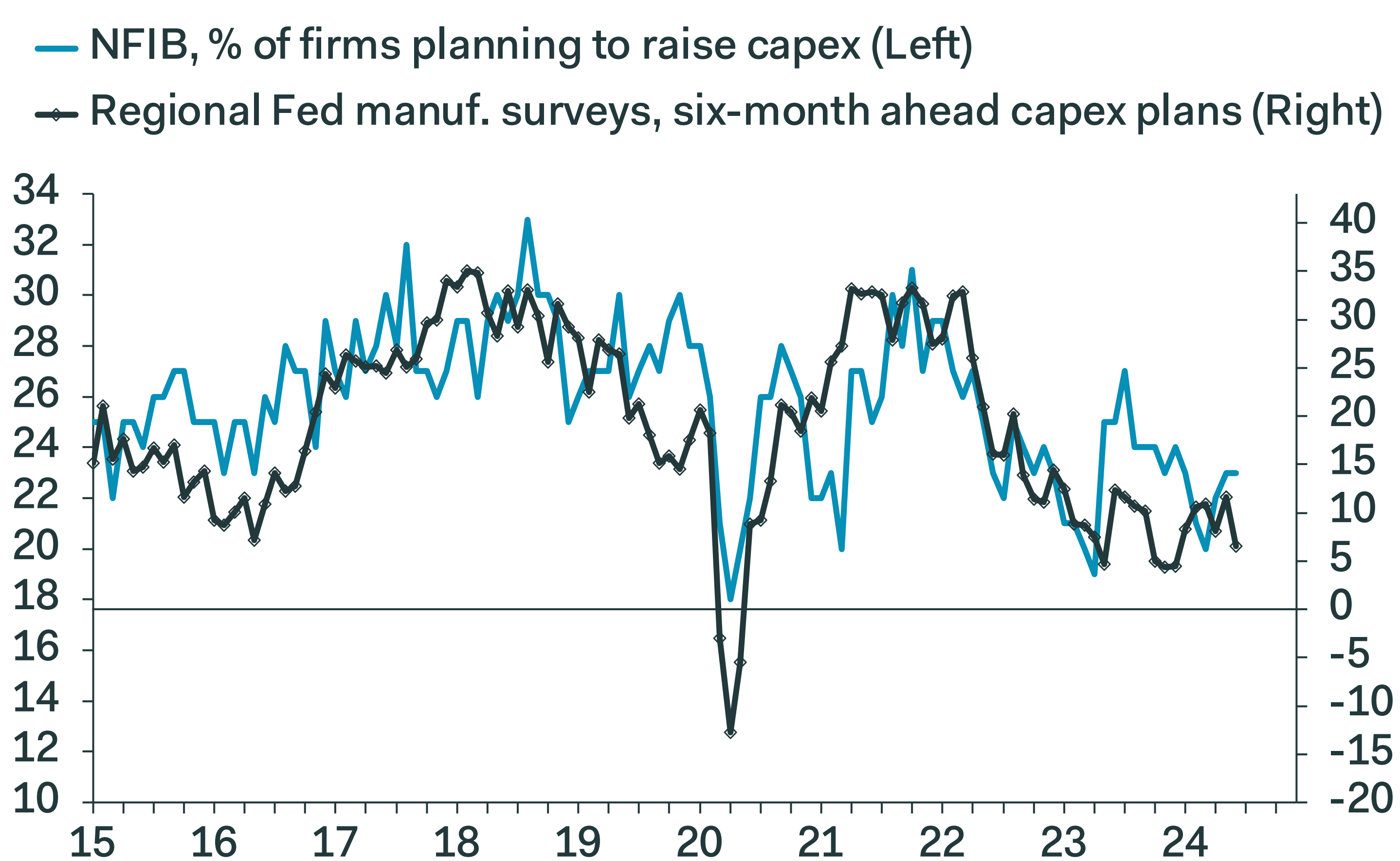
The capex intentions component held steady at 23, and our seasonally adjusted version was also little changed. That leaves NFIB capex plans a bit stronger than their counterparts in the regional Fed manufacturing surveys, but still subdued and consistent with tepid growth in equipment investment.

The labor market numbers in this report are not new; the data were released last week ahead of the payroll report, as usual. The hiring intentions index held steady at 15 last month, but after adjusting for residual seasonality we estimate that the index ticked up slightly. Even so, that higher level is still consistent with monthly growth in private payrolls of barely 100K. Although the hiring intentions index has slightly overstated payroll growth in the past couple of months, we would be unsurprised if subsequent revisions bring the official numbers closer in line with the level implied by the NFIB. In another sign of a looser labor market, the net share of small businesses reporting that jobs were hard to fill dropped by five points, to 37 from 42.

Finally, the NFIB selling prices measure is sensitive to swings in commodity prices in the short term. Adjusting for this effect, our version of the index ticked up slightly in June but remains roughly in line with its pre-Covid average, and consistent with a further moderation in underlying services inflation over the next couple of quarters.



NFIB, % of firms reporting credit harder to get (Left)
Ave. interest rate paid on short-term loans, % (Right)
Both series are three-month averages,
shaded bars mark recessions
18
16
14
12
10
8
6
4
2
0
16
14
12
10
8
6
4
86
91
96
01
06
11
16
21



NFIB, % of firms planning to raise capex (Left)
Regional Fed manuf. surveys, six-month ahead capex plans (Right)
34
32
30
28
26
24
22
20
18
16
14
12
10
40
35
30
25
20
15
10
5
0
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23
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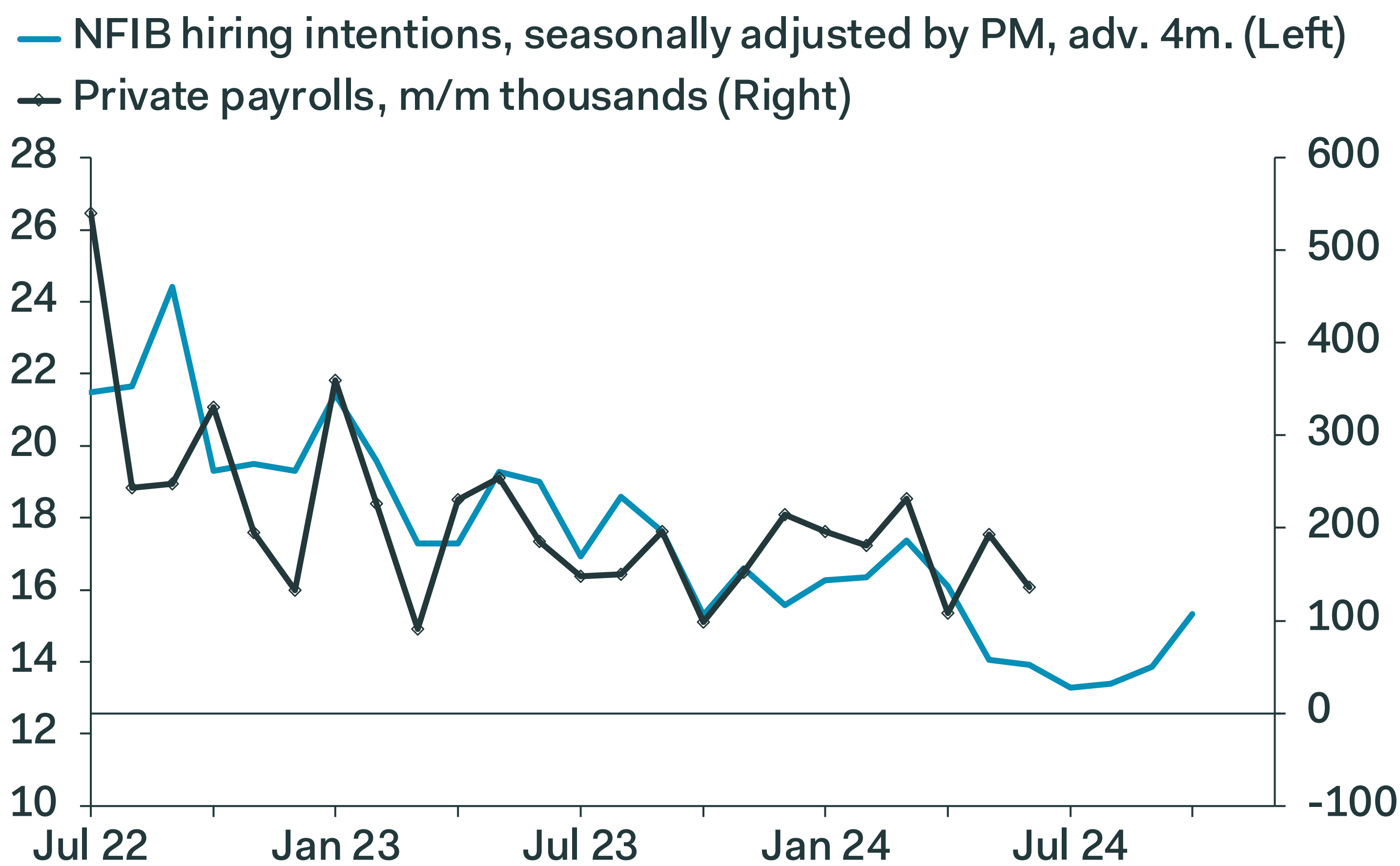
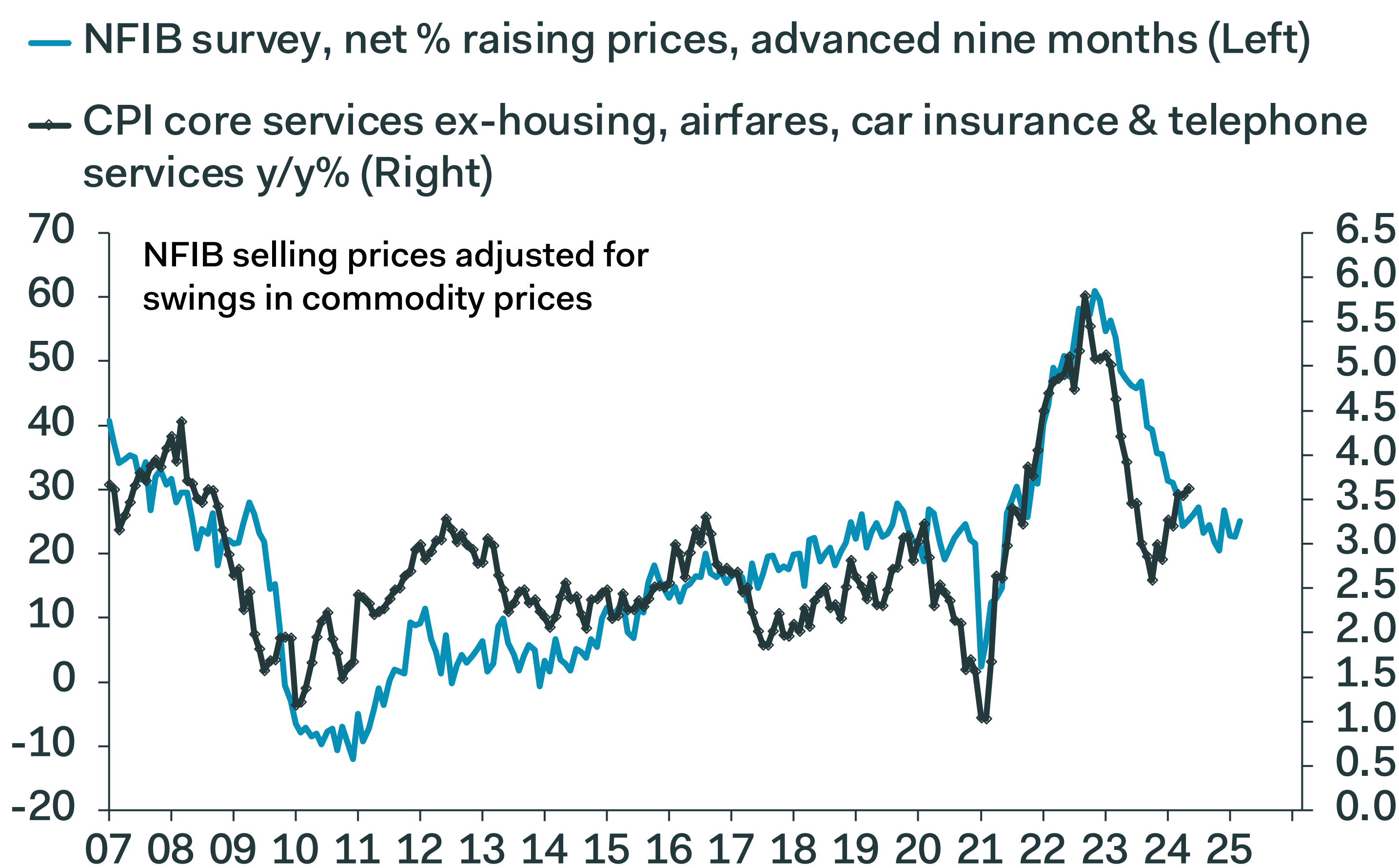

NFIB hiring intentions, seasonally adjusted by PM, adv. 4m. (Left)
Private payrolls, m/m thousands (Right)
28
26
24
22
20
18
16
14
12
10
600
500
400
300
200
100
0
-100
Jul 22
Jan 23
Jul 23
Jan 24
Jul 24


NFIB survey, net % raising prices, advanced nine months (Left)
CPI core services ex-housing, airfares, car insurance & telephone services y/y% (Right)
NFIB selling prices adjusted for swings in commodity prices
70
60
50
40
30
20
10
0
-10
-20
6.5
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25