August Small Business Optimism: *Mainstreet Holds Its Ground as Sales Expectations Rise*

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Small Business Sentiment Rises Modestly

- NFIB Small Business Optimism Index rose **0.5 points to 100.8**, nearly **3 points above** its long-term average (98).
- A net **12% of owners expect higher real sales**, the strongest since early 2023 and the main driver of August's increase.
- Sentiment boosted by the **Republican tax bill** and progress on **bilateral trade agreements**, which reduced policy uncertainty.
- **Labor remains a hurdle,** with **21% of owners citing labor quality** as their top issue, which was unchanged from July and remains the leading challenge on Main Street.
- Firms raising prices dropped to **21%**, the **lowest level of 2025**, though tariff-related costs might still resurface later.
- **Job openings softened, with 32% reporting unfilled positions**, the lowest since July 2020.
- Average **short-term loan rate fell to 8.1%**, the **lowest since May 2023.**
- *The **August NFIB** survey depicts a **Main Street economy finding its footing.** Rising sales expectations and **reduced uncertainty** point to a **more stable backdrop**, while easing prices suggest gradual normalization.*

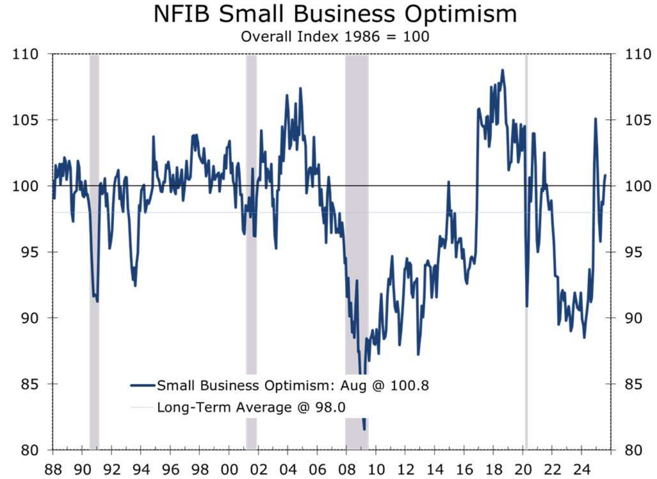
Sentiment Improves as Sales Expectations Strengthen

The August NFIB survey showed **modest but meaningful improvement in small business sentiment**. The Optimism Index rose to **100.8**, its highest reading of the year and almost three points above its long-term average of 98. The biggest boost came from rising sales expectations: a **net 12% of owners now expect higher real sales volumes**, up six points from July and the **strongest reading since early 2023**.

Much of the improvement in the overall index was driven by **"soft" components**—expectations about future conditions—bolstered by the **Republican tax-and-spending bill**, which provided clarity around the tax treatment of business investment. Small businesses also gained confidence from progress on **bilateral trade agreements** with key trading partners, which eased tariff-related uncertainty. Both reflect a lessening of headwinds rather than an increase in optimism. Anticipation of **near-term Fed rate cuts** is also likely boosting sentiment.

Optimism rises to its highest level of 2025, on stronger sales prospects and less policy uncertainty.

The **NFIB Uncertainty Index fell by four points to 93**, reflecting reduced concern about public policy and trade, which should lift capital spending. This signals that Main Street is moving past the peak of policy anxiety that followed earlier tariff and public policy swings.



Source: National Federation of Independent Business (NFIB)

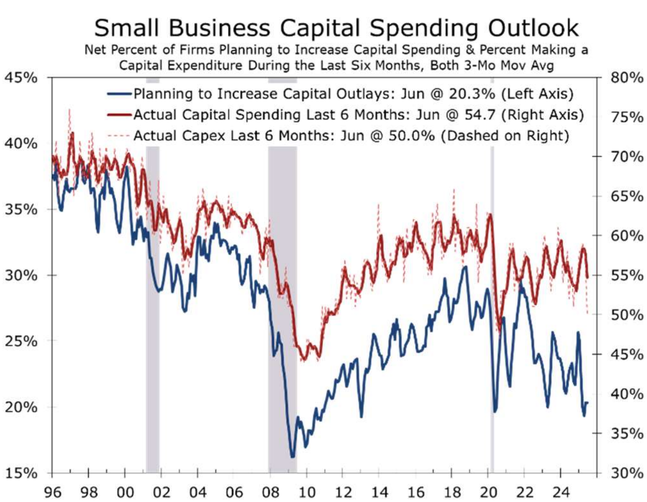
Rising sales expectations are encouraging, but business expansion remains limited. Only 14% of owners see now as a good time to expand, down two points. Taxes (17%) and regulations (9%) remain key headwinds. Optimism is being fueled by expectations of policy relief, not by actual improvements in day-to-day operating conditions.

Labor Market Cooling, but Skills Gap Persists

Small businesses continue to face labor challenges, though conditions are gradually easing. In August, **32% of owners reported job openings they could not fill**, down one point from July and the lowest since July 2020. The drop suggests a **softening in labor demand**, especially in construction, where unfilled openings fell sharply to 49%—down 11 points from last year.

Job openings fall to their lowest since 2020, signaling cooling yet resilient labor conditions.

Hiring plans ticked higher, with a **net 15% planning to create new jobs** over the next three months. While historically low, this marks the third consecutive monthly increase. The rise is a rare bit of good news on the employment front. Pessimism may be a bit overdone. Wage growth is **slowing but not collapsing**, and there has been a gradual increase in labor market **slack, not the sudden surge typically seen going into a downturn**.



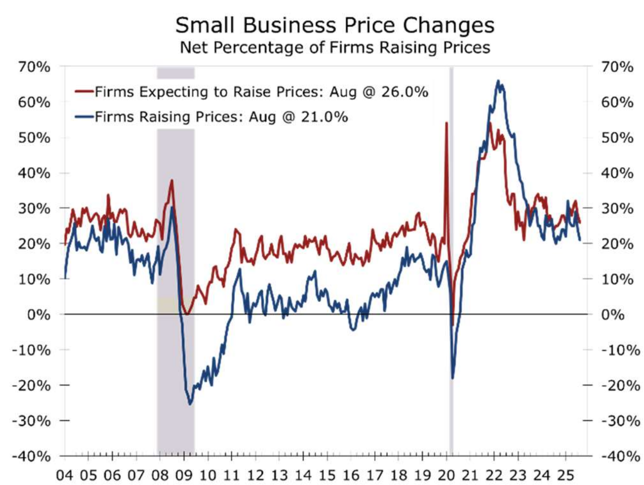
Source: National Federation of Independent Business (NFIB)

Many small business owners view a "qualified" applicant as more than just technically skilled. Owners have **poured their heart, soul, and personal capital** into building their businesses, expecting employees to act as partners in growth.

Workers, however, increasingly seek **defined roles, predictable hours, and competitive pay**, norms shaped by corporate workplaces and post-pandemic labor trends. This mismatch has been magnified by cultural shifts toward work-life balance and the rise of remote and gig work.

Firms are being squeezed from costs they cannot pass on and higher interest rates.

Small business price pressures eased in August, with **just 21% raising prices—the lowest of 2025**—signaling stabilizing inflation. **Plans to raise prices fell to 26%**, down two points, while **11% still cite inflation as their top concern**. Price trends bear watching as stockpiles built up ahead of tariffs are depleted. Borrowing conditions are also improving, with **Average short-term loan rate** fell 0.6 points to 8.1%, the **lowest since May 2023**. Slower price increases and falling borrowing costs are **giving small businesses breathing room**.



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