The NFIB survey of small business confidence in the United States has sent some encouraging signals in May. The index rose to 94.4, marking a sixth increase in the past seven months. To the extent that hiring decisions are guided by a rise in demand, sales prospects represent a key element for future employment growth. In this regard, the survey revealed that the net percentage of firms expecting an increase in sales continued to rise in May, to reach its highest level in nearly a year. It is also one of the highest levels in the past five years (graph 1). The percentage of companies planning to increase their workforce declined slightly, from 6% to 5%, but the good news is that most of the solid improvement of April was maintained.

Moreover, the message sent by the survey of small businesses in recent months provides counterweight to the one conveyed by the employment components of the ISM manufacturing and non-manufacturing indexes (graph 2). That said, taking a broader perspective, the hiring outlook from the survey of small businesses remains depressed compared to pre-crisis levels. A sustained improvement in this area would provide greater confidence in the sustainability of the recovery in the U.S. labor market.

**Implications:** The U.S. picture has been mixed lately, with strength in consumer spending and consumer sentiment, weakness in inflation and just average employment dynamics. The good news is that small-business sentiment currently appears to be influenced by consumer sentiment, which in turn is bolstered by the twin wealth effect (rising house prices and equity markets). Even though the U.S. economy is still facing some obstacles in the short term, there is reason to be cautiously optimistic for the future and we expect an acceleration of U.S. growth in the second half of the year. In this context, the Federal Reserve should begin to reduce the pace of its monthly asset purchases this coming fall.