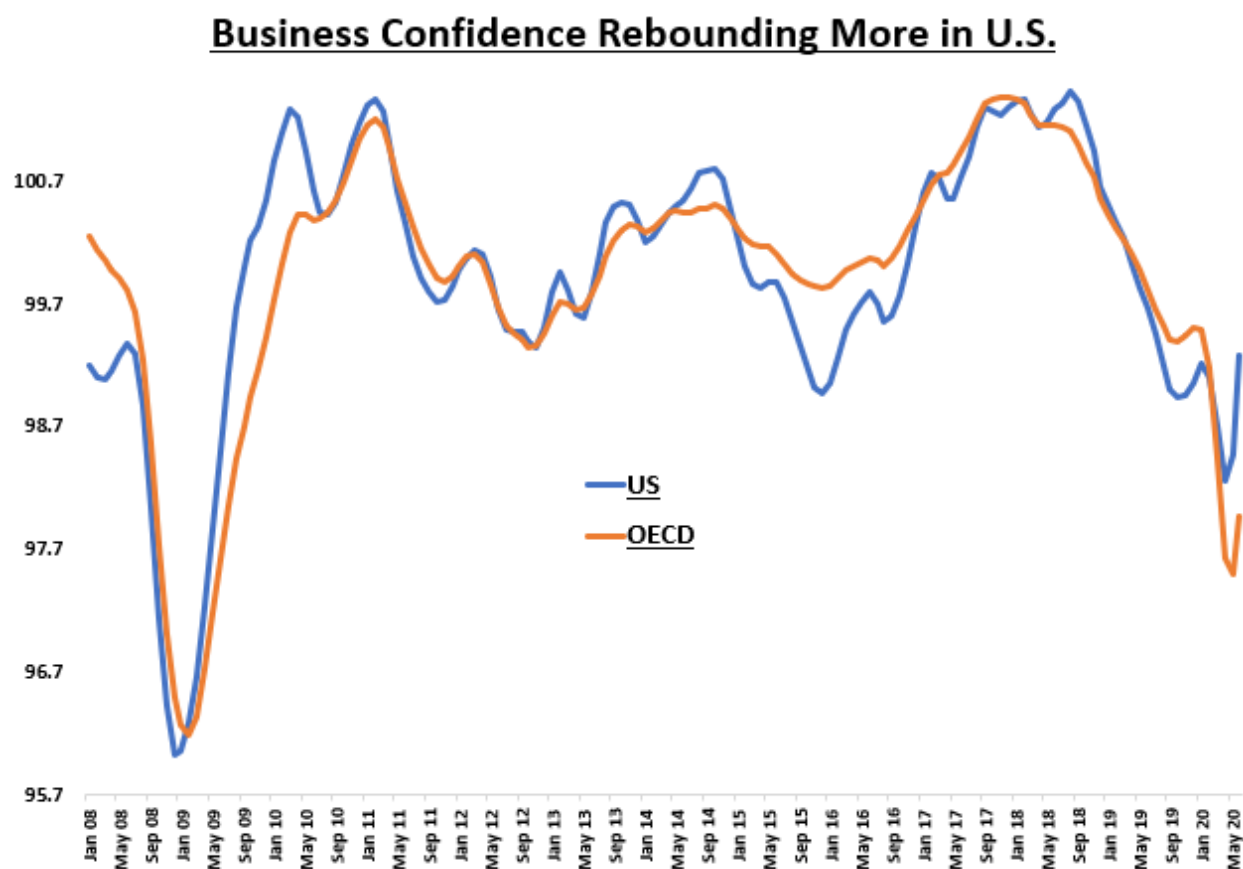


# Business Confidence is Rebounding

Business confidence will play an important role in the economy's recovery. The more confident businesses are that their future sales will improve, the more they will hire, raise workers' wages, and invest to increase production.

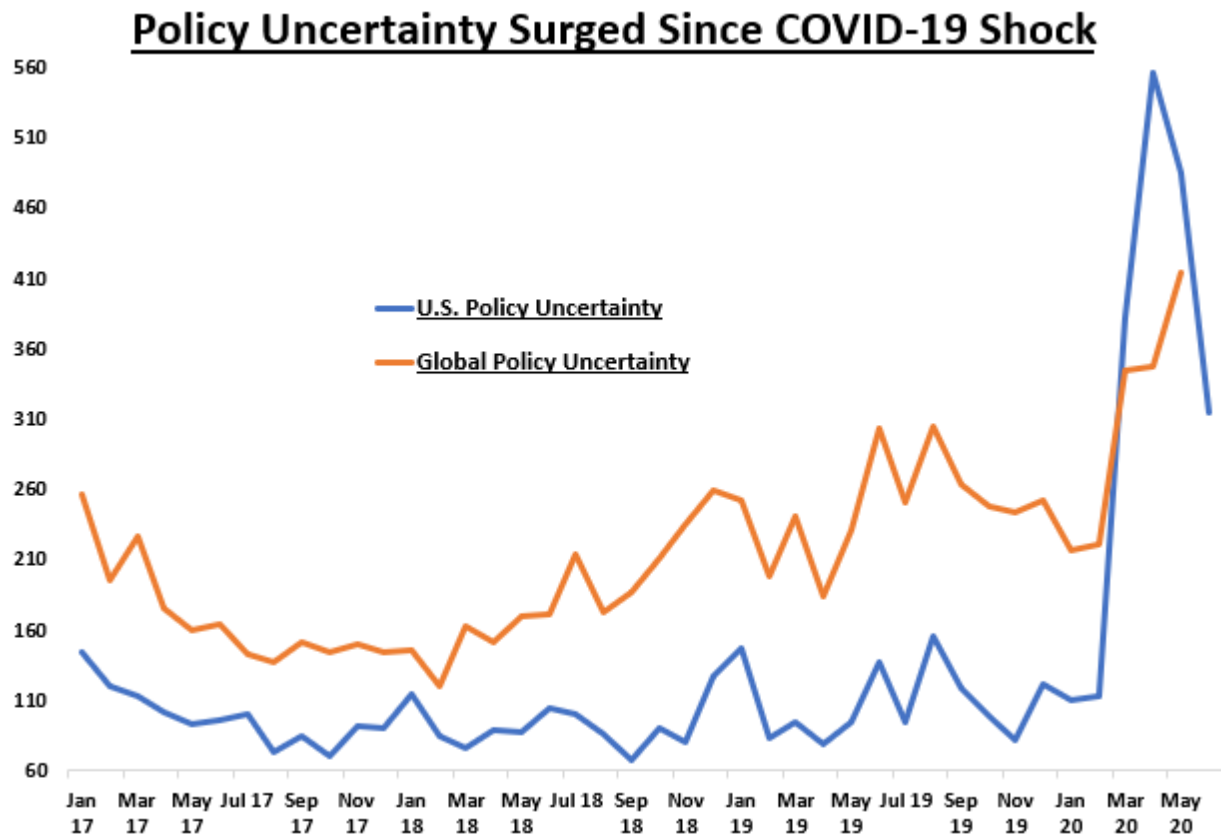
Unsurprisingly, [business confidence as measured by the Organization of Economic Cooperation and Development](#) (OECD) has fallen to depths it has not hit since the Great Recession of 2007-2009. However, it has bounced back in recent months, a good sign for the recovery. Although it still lags where it was before COVID-19. The bounce back in the U.S. has been stronger than in the other developed countries that make up the OECD.



Interestingly, business confidence had been declining globally and in the U.S. since its peak in early 2018. This decline was driven in large part by the global trade war that had been going on until early 2020. COVID-19 served to prolong that fall just as the trade war was beginning to wane.

Multiple factors influence business confidence. One of those is policy uncertainty. Businesses hold off on taking action when they are uncertain what policies governments will enact in the near future. Policy uncertainty skyrocketed in March and April in the U.S. and globally as the pandemic accelerated and businesses were unsure how policymakers would react. It has fallen some since then, but not to pre-

pandemic levels. It has fallen more in the U.S. than globally.



For confidence to fully rebound policy uncertainty will need to continue to improve. Another round of virus relief from Washington will likely help certainty since businesses and markets expect more legislation before the end of July.

The recent increases in confidence and certainty are encouraging, but these readings come before the more recent spike of COVID-19 cases in the U.S. That increase could cause both measures to dip in the coming months. That would be a sign that the economic recovery has been slowed by the uptick in cases. As the virus goes, so too does the economy.

—Curtis Dubay, Senior Economist, U.S. Chamber of Commerce