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NFIB Monthly Economic Report

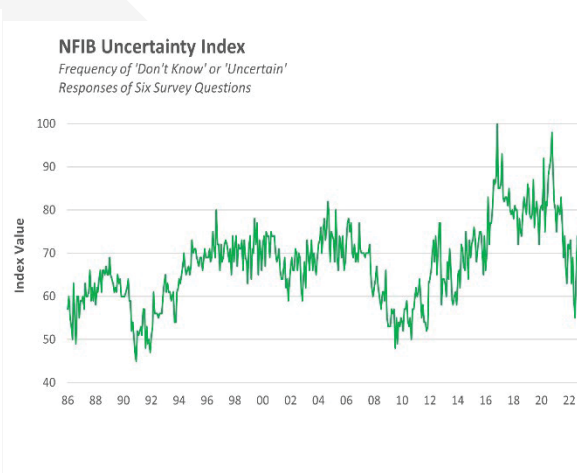
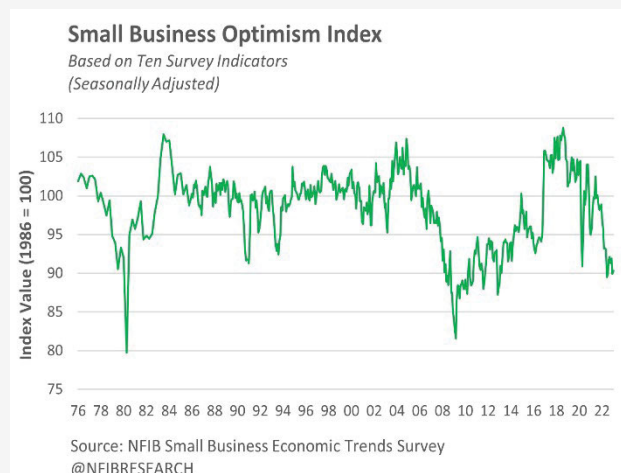
February 2023

NFIB Monthly Economic Report – February 2023

Small Business Economic Trends

The Optimism Index increased 0.5 points in January to 90.3. This is the thirteenth consecutive month below the 49-year average of 98. The last time the Index was at or above the average was December 2021.

- Of the 10 index components, 6 increased and 4 decreased.
- Twenty-six percent of owners reported that inflation was their single most important problem in operating their business, down 6 points from last month and 11 points lower than July's highest reading since 1979 Q4. Evidence of some easing in inflation pressure.
- Owners expecting better business conditions over the next six months improved 6 points from December to a net negative 45 percent, 16 percentage points better than June's reading of net negative 61 percent. But still very negative.
- Forty-five percent of owners reported job openings that were hard to fill, up 4 points from December, remaining historically very high. With owners' views about future sales growth and business conditions dismal, owners still want to hire and make money from still solid consumer spending.
- The net percent of owners raising average selling prices decreased 1 point to a net 42 percent seasonally adjusted, still a very inflationary level.
- The net percent of owners who expect real sales to be higher worsened 4 points from December to a net negative 14 percent, a bearish outlook but far better than the June and July numbers.



Read the latest full report: nfib.com/sbet

Macroeconomic Indicators

	Most Recent	Previous Month	One Year Ago	5 Years Ago
NFIB Optimism Index	90.3	89.8	97.1	101.2
NFIB Uncertainty Index	76	71	71	86
Unemployment Rate	3.4%	3.5%	4.0%	4.0%
Consumer Sentiment	66.4	64.9	62.8	93.8
CPI Inflation Rate	0.5%	0.1%	0.6%	0%
Prime Rate of Interest	7.75%	7.50%	3.25%	5.50%
Retail Sales Change	3%	-1.1%	4.9%	1.7%
Housing Starts (000)	1309	1371	1666	1291

*Most recent available data for Retail Sales and Housing Starts from January 2023

Consumer Sentiment (Univ. of Michigan)

The University of Michigan's Survey of Consumers measures consumer sentiment with questions about expected personal finances, business conditions, and buying conditions asked of a random sample of U.S. consumers.

The Index of Consumer Sentiment rose slightly to a preliminary value of 66.4 (1.5 percentage points above January's final reading of 64.9). This is the third consecutive monthly increase. Although consumer sentiment is 6% above a year ago, it is 14% below two years ago.



Source: University of Michigan



Source: U.S. Bureau of Economic Analysis



Source: U.S. Bureau of Labor Statistics

Gross Domestic Product (GDP)

GDP increased in the fourth quarter of 2022 by 2.9% (advance estimate), after an increase of 3.2% in the third quarter. The increase in the fourth quarter was largely due to increases in private inventory investment, consumer spending, federal government spending, state and local government spending, and nonresidential fixed investment. These were partly offset by a decline in residential fixed investment and exports. GDP increased 2.1% in all of 2022 according to the advance estimate. This was low compared to 5.9% in 2021.

The second estimate of GDP for the fourth quarter of 2022 and for year 2022 will be released February 23.

Unemployment

The U.S. economy added 517,000 jobs in December, over double that of last month (223,000), and the unemployment rate was changed little at 3.4%. Significant job gains appeared in leisure and hospitality, professional and business services, and health care. Additionally, employment increased in government due to the return of workers from a strike.

The most recent Job Openings and Labor Turnover Survey (JOLTS) produced by the Department of Labor found there were 11.0 million available jobs, 500,000 more than last month.

Job openings increased in accommodation and food services, retail trade, and construction. Jobs openings decreased in information. The ratio of unemployed workers to job openings continues to be under one, indicating that there are more open positions than people seeking work, a very tight labor market.

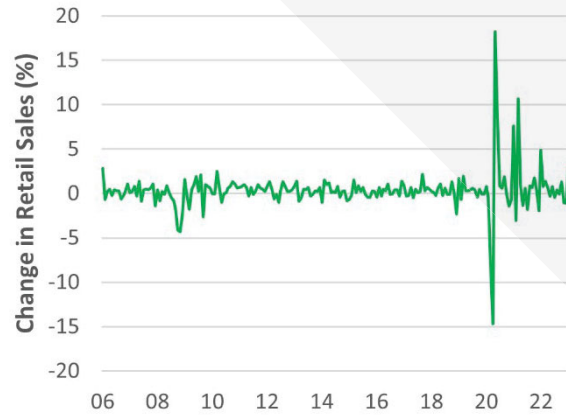
NFIB's December SBET survey found 45% of owners with "hard to fill" job openings, up 4 points from December, and historically very high.



Source: U.S. Department of Labor



Source: U.S. Bureau of Labor Statistics



Source: U.S. Census Bureau

Consumer Price Index (Inflation Rate)

The CPI measures the price level of a basket of consumer goods commonly purchased by households. The Consumer Price Index, measured by the change in the cost of the entire basket of goods, rose 0.5% in January month-to-month after an increase of 0.1% in December. Over the last 12 months the all items index increased 6.4% in January (a 0.1 point decrease from December's 6.5% increase). This was the smallest 12-month increase since the period ending October 2021.

The largest contributor to the monthly all items increase was the shelter index, accounting for almost half of the increase. The indexes for good, gasoline, and natural gas also contributed. The food index increased 0.5% over the month and the energy index increased 2%. The index for all items less food and energy rose 5.6% over the last 12 months. The Federal Reserve Bank of San Francisco which [monitors](#) inflation sensitivity to Covid-19, finds that sectors sensitive to the disruptions caused by the pandemic account for most of the price increases.

From January 2022 to January 2023, fuel oil remained the category with the greatest increase, with a 27.7% increase (41.5% in December).

12-month percent change, Consumer Price Index, selected categories, January 2023, not seasonally adjusted

Categories	January 2022 to January 2023
Fuel oil	27.7%
Natural gas (piped)	26.7%
Airline fare	25.6%
Cereals and bakery products	15.6%
Energy services	15.6%
Motor vehicle insurance	14.7%
Transportation services	14.6%
Motor vehicle maintenance and repair	14.2%
Dairy and related products	14.0%

Source: U.S. Bureau of Labor Statistics

Small business owners continue to report raising average selling prices, at levels unseen since the early 1980s. The latest NFIB SBET report found a net 42% of owners raised prices over the past three months, a decrease of 1 point from last month and the lowest since May 2021. The highest reading in the mid-70s, the last time inflation was a serious problem, was 67% in Q4 1974. A net 29% of owners plan to raise prices in the coming months, up 5 points from December.

Retail Sales

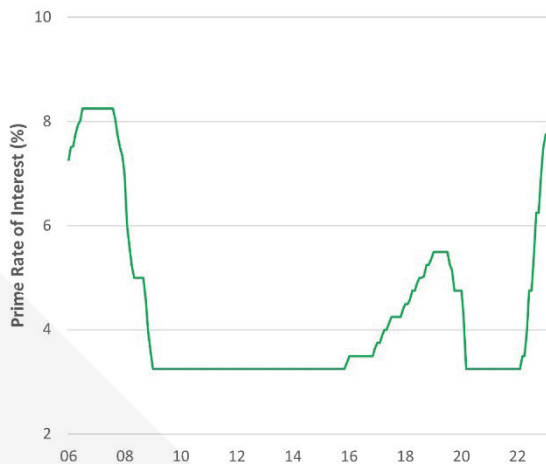
The Monthly Retail Trade Report measures consumer spending at retail stores and food services. Retail sales increased by 3% in January from the previous month, higher than expected, according to advance estimates of U.S. retail and food services. This was 6.4% above January 2022. Retail trade sales were up 3.9% from January 2022 and food services and drinking places were up 25.2%. General merchandise stores were up 4.5% from last year.

Data for February will be released March 15, 2023. These figures are not adjusted for inflation (e.g., gas dollar volumes rise as gas prices rise, actual gallons purchased increased by smaller percentages).

Prime Lending Rate

The prime rate is the price of short-term loans available to qualified businesses. In early February, the Fed raised the prime rate by a quarter of a percentage point, pushing it from 7.5% (December) to 7.75% to help mitigate strong inflation pressures. Higher mortgage rates have reduced housing demand by raising the cost of ownership.

The Fed has indicated that it may continue to raise interest rates but there will be small rate hikes. The next FOMC meeting is scheduled for March 21-22. The Federal Funds rate increased a quarter of a percentage point to 4.5%-4.75% at the last meeting, more rate hikes are expected.



Source: U.S. Federal Reserve



Source: U.S. Census Bureau

Housing Starts

The Census Bureau reports monthly housing starts measured as the start of excavation on foundations of both single and multi-family housing units.

The demand for housing has continued to decline. January's New Residential Construction report found a level of 1.309 million units started, down from December's revised report of 1.371 million units started. This was the fifth consecutive month housing starts declined. January's estimate was 21.4% below last year's rate of 1.666. Supply chain problems (workers, lumber, appliances, building codes to name a few) continue to slow new home construction and completions. Data for February will be released March 16, 2022.

Access more economic data at the St. Louis Fed's FRED Database

fred.stlouisfed.org

Upcoming Economic Indicator Releases

February 23	GDP, 4th Quarter 2022 and Year 2022 (Advance Estimate)
February 24	Michigan Consumer Sentiment (Final)
March 2	NFIB Jobs Report
March 8	Job Openings and Labor Turnover (JOLTS)
March 10	BLS Employment Situation Report (Unemployment Rate)
March 14	NFIB Small Business Economic Trends
March 14	Consumer Price Index
March 15	Monthly Retail Trade Report
March 16	Housing Starts
March 21-22	Federal Open Market Committee Meeting

Additional NFIB Research and Media

Inflation Pressures Vary Significantly Among Small Firms. William Dunkelberg (February 16)
<https://www.forbes.com/sites/williamdunkelberg/2023/02/16/inflation-pressures-vary-significantly-among-small-firms/?sh=29c2b98a4320>

Podcast: The Indicator (Planet Money) – Unwinding the Wage-Price Spiral (February 14)
<https://www.npr.org/2023/02/14/1156876594/unwinding-the-wage-price-spiral>

The Gap Between Main Street and Wall Street Over the Economy, Recession and Inflation is Widening. Eric Rosenbaum (February 9) <https://www.cnbc.com/2023/02/09/many-of-americas-small-businesses-are-in-their-own-private-recession.html>

Hiring, Firing, And Wage Strategies On Main Street. William Dunkelberg (January 23)
<https://www.forbes.com/sites/williamdunkelberg/2023/01/23/hiring-firing-and-wage-strategies-on-main-street/?sh=5af9fa0346ff>



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