



# NFIB Monthly Economic Report

January 2023

## NFIB Monthly Economic Report – January 2023

### Small Business Economic Trends

The Optimism Index declined 2.1 points in December to 89.8. This is the twelfth consecutive month below the 49-year average of 98. The last time the Index was at or above the average was December 2021. And that's not a great reading for the economy.

- Of the 10 index components, 1 increased, 8 decreased, and 1 was unchanged.
- Thirty-two percent of owners reported that inflation was their single most important problem in operating their business, unchanged from last month and 5 points lower than July's highest reading since 1979 Q4.
- Owners expecting better business conditions over the next six months worsened 8 points from November to a net negative 51 percent, but 10 percentage points better than June's reading of net negative 61 percent.
- Forty-one percent of owners reported job openings that were hard to fill, down 3 points from November, but 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 8 points to a net 43 percent seasonally adjusted, still a very inflationary level but headed down.
- The net percent of owners who expect real sales to rise worsened 2 points from November to a net negative 10 percent, a bearish outlook but far better than the June and July numbers.

#### Small Business Optimism Index

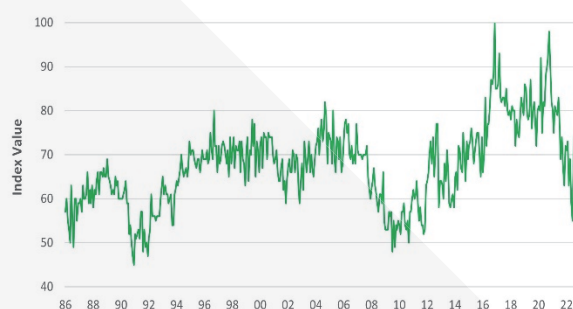
Based on Ten Survey Indicators  
(Seasonally Adjusted)



Source: NFIB Small Business Economic Trends Survey  
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#### NFIB Uncertainty Index

Frequency of 'Don't Know' or 'Uncertain'  
Responses of Six Survey Questions



Read the latest full report: [nfib.com/sbet](https://nfib.com/sbet)

## Macroeconomic Indicators

	Most Recent	Previous Month	One Year Ago	5 Years Ago
NFIB Optimism Index	89.8	91.9	98.9	104.4
NFIB Uncertainty Index	71	68	72	79
Unemployment Rate	3.5%	3.7%	3.9%	3.9%
Consumer Sentiment	64.6	59.7	67.2	91.2
CPI Inflation Rate	-0.1%	0.1%	0.6%	0%
Prime Rate of Interest	7.5%	7.0%	3.25%	5.35%
Retail Sales Change	-1.1%	-1.0%	-1.9%	-2.3%
Housing Starts (000)	1382	1401	1768	1142

\*Most recent available data for Retail Sales and Housing Starts from December 2022

### 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 to a preliminary value of 64.6 (4.9 percentage points above December's final reading of 59.7). Although all components of the index improved, consumers' sentiment remains low from a historical perspective.



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 third quarter of 2022 by 3.2% (third estimate), after a decrease of 0.6% in the second quarter. The increase for the third quarter was largely due to increases in exports, consumer spending, nonresidential fixed investment, federal government spending, and state and local spending. These were partly offset by a decline in residential fixed investment and private inventory investment. The advance estimate of GDP for the fourth quarter of 2022 and for year 2022 will be released January 26.

## Unemployment

The U.S. economy added 223,000 jobs in December and the unemployment rate decreased to 3.5%. Significant job gains appeared in leisure and hospitality, health care, construction, and social assistance. Employment showed little change in other major industries such as wholesale trade, information, and financial activities.

The most recent Job Openings and Labor Turnover Survey (JOLTS) produced by the Department of Labor found there were 10.5 million available jobs, 200,000 more than last month.

Job openings increased in professional and business services and in nondurable goods manufacturing. The largest decreases in job openings were in finance and insurance, and in federal government. 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.

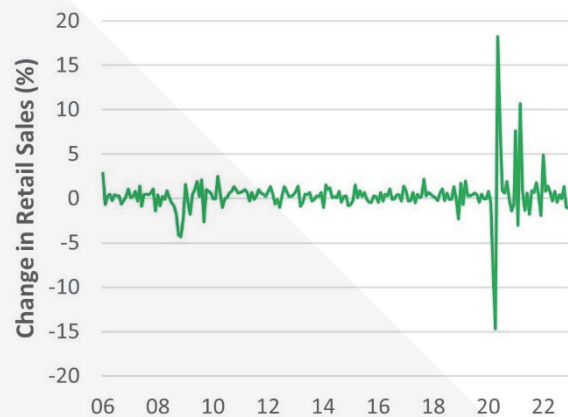
NFIB's December SBET survey found 41% of owners with "hard to fill" job openings, down 3 points from November, but historically very high.



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, declined 0.1% in December month-to-month after an increase of 0.1% in November. Over the last 12 months the all items index increased 6.5% in December (a 0.6 point decrease from November's 7.1% increase). This was the smallest 12-month increase since the period ending October 2021.

The largest contributor to the monthly all items decrease was the gasoline index, which offset increases in shelter indexes.

The energy index decreased 4.5% over the month as the gasoline index declined, although other major energy component indexes increased over the month. The food index increased 0.3% over the month and the food at home index increased 0.2%. The index for all items less food and energy rose 5.7% 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 December 2021 to December 2022, fuel oil remained the category with the greatest increase, with a 41.5% increase (65.7% in November). Fuel oil and airline fares remained the top two categories with the greatest increases.

### 12-month percent change, Consumer Price Index, selected categories, December 2022, not seasonally adjusted

Categories	December 2021 to December 2022
Fuel oil	41.5%
Airline fare	28.5%
Natural gas (piped)	19.3%
Cereals and bakery products	16.1%
Energy services	15.6%
Dairy and related products	15.3%
Transportation services	14.6%
Electricity	14.3%
Motor vehicle insurance	14.2%

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 43% of owners raised prices

over the past three months, a decrease of 8 points 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 24% of owners plan to raise prices in the coming months, down 10 points from November, a sign that inflation pressures are easing.

## Retail Sales

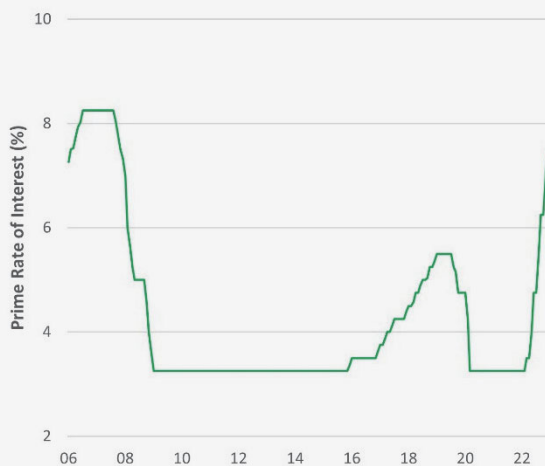
The Monthly Retail Trade Report measures consumer spending at retail stores and food services. Retail sales decreased by 1.1% in December from the previous month but was 6.0% above December 2021, according to advance estimates of U.S. retail and food services. Sales at nonstore retailers were up 13.7% from last year, while food services and drinking places were up 12.1%. Data for January will be released February 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

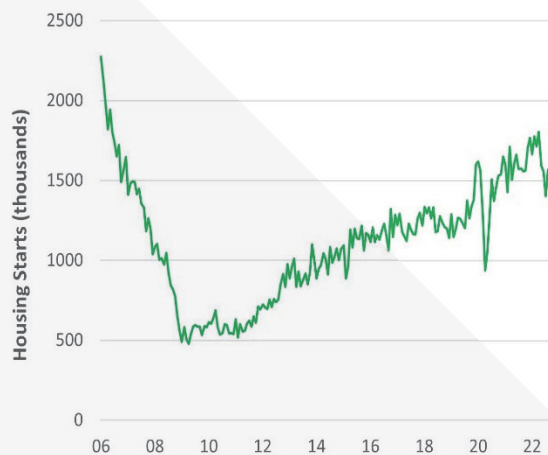
The prime rate is the price of short-term loans available to qualified businesses.

In mid-December, the Fed raised the prime rate by half of a percentage point, pushing it from 7.0% (November) to 7.5% to help mitigate strong inflation pressures. Higher mortgage rates have reduced housing demand by raising the cost of ownership.

Additionally, the Fed has indicated that it may continue to raise interest rates but that there will come a time to slow the pace of rate increases. There are concerns that these increases will pull the economy into a recession. The next FOMC meeting is scheduled for January 31-February 1. The Federal Funds rate increased half of a percentage point to 4.25%-4.5% 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. December's New Residential Construction report found a level of 1.382 million units started, down from November's revised report of 1.401 million units started. This was the fourth consecutive month housing starts declined. December's estimate was 21.8% below last year's rate of 1.768. Supply chain problems (workers, lumber, appliances, building codes to name a few) continue to slow new home construction and completions. Data for January will be released February 16, 2022.

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

[fred.stlouisfed.org](https://fred.stlouisfed.org)

## Upcoming Economic Indicator Releases

<b>January 26</b>	GDP, 4th Quarter 2022 and Year 2022 (Advance Estimate)
<b>January 27</b>	Michigan Consumer Sentiment (Final)
<b>January 31/Feb 1</b>	Federal OpenMarket Committee Meeting
<b>February 1</b>	Job Openings and Labor Turnover (JOLTS)
<b>February 2</b>	NFIB Jobs Report
<b>February 3</b>	BLS Employment Situation Report (Unemployment Rate)
<b>February 14</b>	NFIB Small Business Economic Trends
<b>February 14</b>	Consumer Price Index
<b>February 15</b>	Monthly Retail Trade Report
<b>February 16</b>	Housing Starts

## Additional NFIB Research and Media

The Uneven Inflation Experience. William Dunkelberg (January 13)  
<https://www.forbes.com/sites/williamdunkelberg/?sh=33bd4eda40d5>

Inflation: Cost Push Or Demand Pull? William Dunkelberg (January 10)  
<https://www.forbes.com/sites/williamdunkelberg/2023/01/10/inflation-cost-push-or-demand-pull/?sh=623989b45dc1>

COVID-19 Small Business Survey Part 23: Supply Chain Disruptions, Staffing Shortages, Paid Leave, and Payments. NFIB Research Center (January 6)  
<https://assets.nfib.com/nfibcom/Covid-Survey-23.pdf>

The Inflation Tax. William Dunkelberg (January 5)  
<https://www.forbes.com/sites/williamdunkelberg/2023/01/05/the-inflation-tax/?sh=4c9f17ab2f03>

Podcast: The Indicator (Planet Money) – Listener Questions Airline Tickets, Grocery Pricing and the Fed. (January 4) <https://www.npr.org/2023/01/03/1146826911/listener-questions-airline-tickets-grocery-pricing-and-the-fed>



**NFIB Research Center**

**Holly Wade**

*Executive Director*

holly.wade@nfib.org | (202) 314-2022

**Madeleine Oldstone**

*Policy Analyst*

maddi.oldstone@nfib.org

**William Dunkelberg**

*Chief Economist*

**Follow us on Twitter @NFIBResearch**