

NFIB Monthly Economic Report – April 2022

Small Business Economic Trends

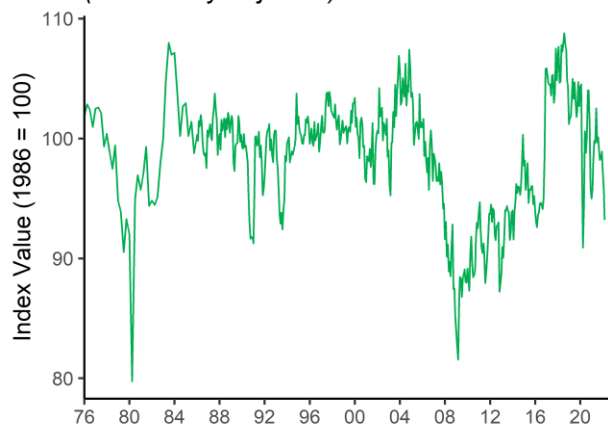
The NFIB Small Business Optimism Index declined 2.4 points in March to 93.2, still below the 48-year average of 98. The NFIB Uncertainty Index fell ten points to 63.

Key findings include:

- Two of the 10 Index components improved, five declined, and three were unchanged.
- Thirty-one percent of owners reported that inflation was their single most important problem encountered in operating their business, a 5 point increase from February. This is the highest reading since Q1 1981 and has replaced “labor quality” as the top problem.
- Owners expecting better business conditions over the next six months decreased 14 points to a net negative 49 percent, the lowest level recorded in the 48-year-old survey.
- Forty-seven percent of owners reported job openings that could not be filled, a decrease of 1 point from February.
- The net percent of owners raising average selling prices increased 4 points to a net 72 percent seasonally adjusted, the highest reading in the 48-year-history of the survey. The highest reading in the mid-70s, the last time inflation was a serious problem, was 67 percent in Q4 1974.

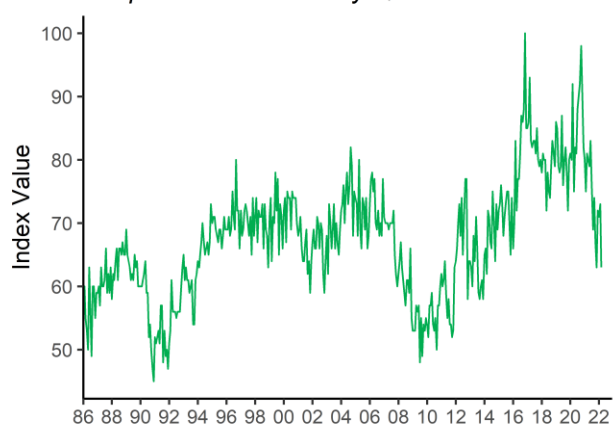
Small Business Optimism Index

*Based on Ten Survey Indicators
(Seasonally Adjusted)*



NFIB Uncertainty Index

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



Source: NFIB Small Business Economic Trends Survey
@NFIBResearch

Read the latest full report: nfib.com/sbet

Macroeconomic Indicators

	Most Recent	Previous Month	One Year Ago	5 Years Ago
NFIB Optimism Index	93.2	95.7	99.8	104.5
NFIB Uncertainty Index	63	73	80	83
Unemployment Rate	3.6%	3.8%	6.1%	4.4%
Consumer Sentiment	65.7	59.4	88.3	97.0
CPI Inflation Rate	1.2%	0.8%	0.8%	0.1%
Prime Rate of Interest	3.50%	3.25%	3.25%	4.0%
Retail Sales Change	0.5%	0.8%	0.9%	0.7%
Housing Starts (000)	1793	1788	1514	1152

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

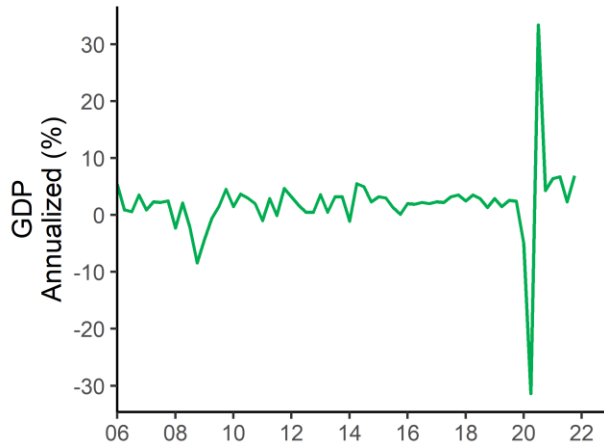
Consumer Sentiment (University of Michigan)

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.

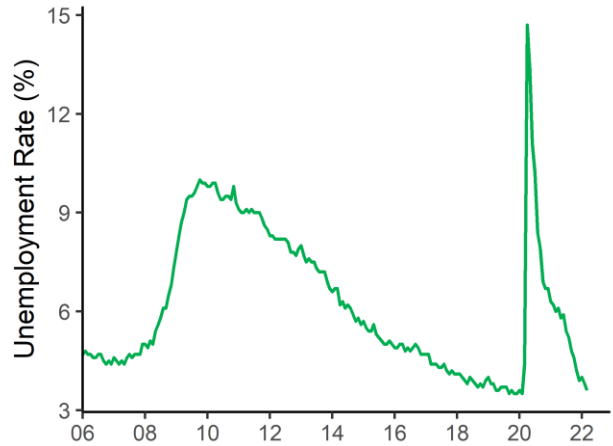
The Index of Consumer Sentiment increased in April to a preliminary value of 65.7. Although this was an increase of 6.3 points, there are still sources of significant uncertainty such as the economic impact from Russia’s war and the potential impact of new Covid variants.



Source: University of Michigan



Source: U.S. Bureau of Economic Analysis



Source: U.S. Bureau of Labor Statistics

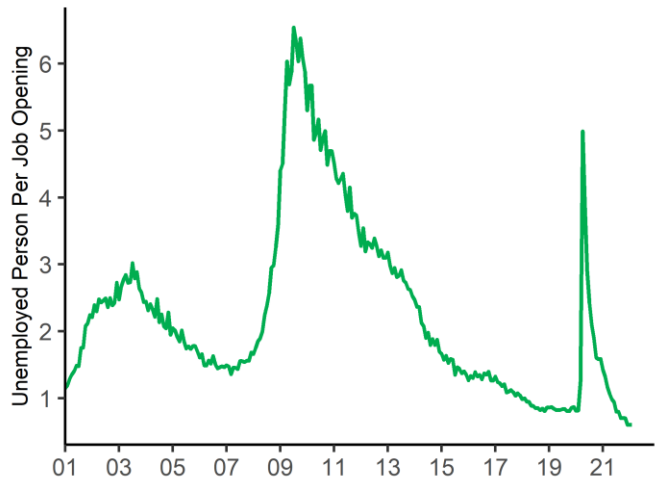
Gross Domestic Product (GDP)

The U.S. economy grew in the fourth quarter of 2021 by 6.9% (third estimate), after an increase of 2.3% in the third quarter. The increase was largely due to increases in private inventory investment, exports, PCE, and nonresidential fixed investment. The advance estimate of GDP for the first quarter of 2022 will be released April 28.

Unemployment

The U.S. economy added 431,00 jobs in March and the unemployment rate decreased 0.2 points to 3.6%.

The most recent Job Openings and Labor Turnover Survey (JOLTS) produced by the Department of Labor found there were 11.3 million available jobs, unchanged from last month. The industries with the largest job openings increased in arts, entertainment, and recreation, educational services, and federal government. Decreases in job openings occurred in finance and insurance, and nondurable goods manufacturing. The ratio of unemployed workers to job openings continues to be under one, indicating that there are more open positions than people seeking work.

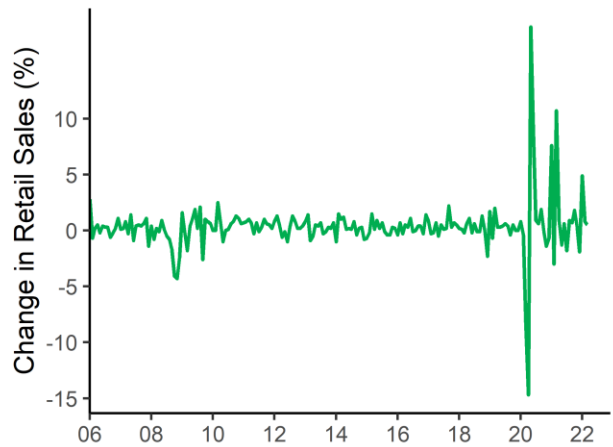


Source: U.S. Department of Labor

NFIB’s March SBET survey found 47% of owners with “hard to fill” job openings, a decrease of one point from February.



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 1.2% month-over-month in March, increasing to an annualized rate of 8.5%. This was the largest 12 month increase since December 1981.

The main contributors to the higher index include gasoline, shelter, and food. The food index rose 1.0% and the food at home index increased 1.5%. Other energy component indexes also increased in March. The gasoline index rose 18.3% and accounted for over half of all items increase. 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 March 2021 to March 2022, fuel oil, energy commodities, and gasoline (all types), all had the greatest percent change. The category with the greatest increase, fuel oil, went from 43.6% last month to 70.1% in March.



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

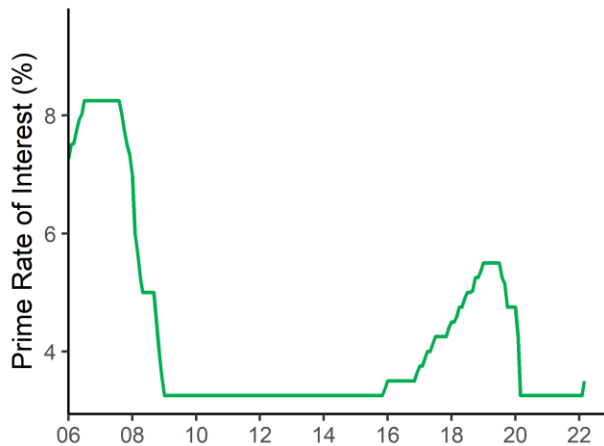
Categories	Mar 2021 to Mar 2022
Fuel oil	70.1%
Energy commodities	48.3%
Gasoline (all types)	48.0%
Used cars and trucks	35.3%
Energy	30.0%
Airline fare	23.6%
Natural gas (piped)	21.6%
Meats, poultry, fish, and eggs	13.7%
Energy services	13.5%

Source: U.S. Bureau of Labor Statistics

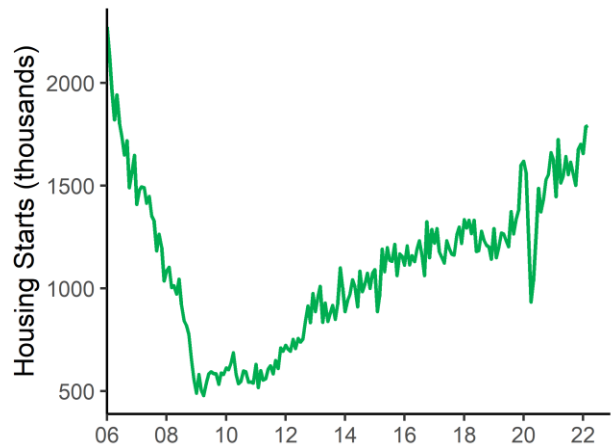
Small business owners continue to report raising average selling prices, at levels unseen since the early 1980s. The latest NFIB SBET report found a net 72% of owners raised prices over the past three months, a four-point increase from February and a 48-year record high reading. A net 50% of owners plan to raise prices in the coming months, a four-point increase from February.

Retail Sales

The Monthly Retail Trade Report measures consumer spending at retail stores and food services. Retail sales increased 0.5% in March, according to advance estimates of U.S. retail and food services. Retail trade sales were down 0.4% from February, and up 5.5% above last year. Gasoline stations were up 37.0% from March 2021, and food services and drinking places were up 19.4% from last year.



Source: U.S. Federal Reserve



Source: U.S. Census Bureau

Prime Lending Rate

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

In mid-March, the Fed raised the prime rate from 3.25% to 3.50% to help fight against strong inflation pressures. Additionally, the Fed has indicated that it may well raise interest rates six more times this year. The next FOMC meeting is scheduled for May 3-4. Currently, the Federal Funds rate is at the near zero bound and has been for the past two years since March 2020.

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 continues to be strong. March's New Residential Construction report found an increased level of 1793 million units, up from February's revised report of 1.788 million units were started. March's estimate was 13.0% lower than March 2021 (1.497 million). However, house prices continue to rise as demand outpaces supply. Supply chain problems (workers, lumber, appliances to name a few) continue to slow new home construction. Data for April will be released May 18, 2022.

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

fred.stlouisfed.org

Upcoming Economic Indicator Releases

April 28	GDP, 1 st Quarter 2022 (Advance Estimate)
April 29	Michigan Consumer Sentiment (Final data)
May 3	Job Openings and Labor Turnover (JOLTS)
May 3-4	Federal Open Market Committee Meeting
May 5	NFIB Jobs Report
May 6	BLS Employment Situation Report (Unemployment Rate)
May 10	NFIB Small Business Economic Trends
May 11	Consumer Price Index
May 17	Monthly Retail Trade Report
May 18	Housing Starts

Additional NFIB Research and Media

Supplier Prices Rose Sharply In March, Keeping Upward Pressures on U.S. Inflation.
Gwynn Guilford (April 13)

https://www.wsj.com/articles/supplier-prices-jumped-in-march-keeping-upward-pressure-on-u-s-inflation-11649854297?mod=hp_lead_pos3

Podcast: The Ezra Klein Show – I Keep Hoping Larry Summers Is Wrong. What if He’s Not?
(March 29)

<https://podcasts.google.com/feed/aHR0cHM6Ly9mZWVkcY5zaW1wbGVjYXN0LmNvbS84MkZlMzVQeA/episode/ZjlyOGZlZmEtYzZlZC00Zjk5LTkxN2YtODQ0ZDQ2NTdjNjJh?hl=en&ved=2ahUKEwiP18DS6P32AhWuDzQIHezOC0AQjrkEegQIBBAL&ep=6>

Inflation Expectations: Are They Embedded? William Dunkelberg (April 12)

<https://www.forbes.com/sites/williamdunkelberg/2022/04/12/inflation-expectations-are-they-imbedded/?sh=31b7db9c117b>



Who's in Charge of the Economy? The Virus. William Dunkelberg (March 24)
<https://www.forbes.com/sites/williamdunkelberg/2022/03/24/whos-in-charge-of-the-economy-the-virus/?sh=1da19847747a>

Podcast: The Journal – The Supply Chain Saga at One Port (March 28, 2022)
<https://www.wsj.com/podcasts/the-journal/the-supply-chain-saga-at-one-port/d3776dae-89dc-4403-846f-ef43a3ec7c1e>

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