

## NFIB Monthly Economic Report – August 2022

### Small Business Economic Trends

The NFIB Small Business Optimism Index was 89.9 in July, an increase of 0.4 points from June and another month below the 48-year average of 98. The Index has declined every month this year through June and July wasn't significantly better. The NFIB Uncertainty Index increased 12 points to 67, indicating that small business owners are more uncertain of their view of current economic conditions.<sup>1</sup> Key findings include:

- Of the 10 index components, 4 increased and 6 decreased.
- Thirty-seven percent of owners reported that inflation was their single most important problem in operating their business, an increase of 3 points from June and the highest level since 1979 Q4.
- Owners expecting better business conditions over the next six months increased 9 points from June's record low level for the 48-year survey to a net negative 52 percent. Expectations for better business conditions have deteriorated every month from January to June of this year and remain historically very weak.
- Forty-nine percent of owners reported job openings that could not be filled, down 1 point from June, but historically very high. They fear future economic conditions but still want to hire more workers
- The net percent of owners raising average selling prices decreased 7 points to a net 56 percent seasonally adjusted. The decline is significant but the net percent raising prices is still very inflationary.
- The net percent of owners who expect real sales to be higher decreased 1 point from June to a net negative 29 percent, a very bearish outlook.
- The Uncertainty Index increased 12 points from last month to 67.

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<sup>1</sup> The Uncertainty Index measures respondents' firmness or certainty about their views, regardless of whether they are negative or positive. The index is the percent of owners across 6 questions that respond "don't know", "uncertain", "not sure", etc.

### Small Business Optimism Index

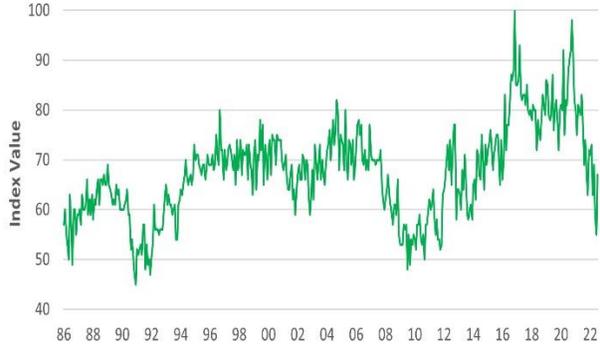
Based on Ten Survey Indicators  
(Seasonally Adjusted)



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	89.9	89.5	99.7	107.9
NFIB Uncertainty Index	67	55	76	75
Unemployment Rate	3.5%	3.6%	5.4%	3.9%
Consumer Sentiment	55.1	51.5	70.3	96.2
CPI Inflation Rate	1.3%	1.3%	0.5%	0.2%
Prime Rate of Interest	5.0%	4.75%	3.25%	5.0%
Retail Sales Change	0%	0.8%	-1.8%	0.6%
Housing Starts (000)	1446	1559	1573	1184

\*Most recent available data for Retail Sales and Housing Starts from July 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 increased slightly to a preliminary value of 55.1 (slightly above July’s final reading of 51.5).

Although all components of the expectations index improved this month, the share of consumers attributing inflation for their diminished living standards remained near 48%.



Source: University of Michigan



Source: U.S. Bureau of Economic Analysis



Source: U.S. Bureau of Labor Statistics

### Gross Domestic Product (GDP)

GDP decreased in the second quarter of 2022 by 0.9% (advance estimate), after a decrease of 1.6% in the first quarter. The decrease was largely due to decreases in private inventory investments (specifically in retail trade), residential fixed investment, nonresidential fixed investment, and federal and state and local government spending. These decreases were

partly offset by increases in consumer spending and exports. The second estimate of GDP for the second quarter of 2022 will be released August 25.

### Unemployment

The U.S. economy added 528,000 jobs in July and the unemployment rate decreased to 3.5%, a historically low level.



Source: U.S. Department of Labor

The most recent Job Openings and Labor Turnover Survey (JOLTS) produced by the Department of Labor found there were 10.7 million available jobs, 600,000 fewer than last month. The largest decreases in job openings were in retail trade, wholesale trade, and state and local government education. 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 July SBET survey found 49% of owners with “hard to fill” job openings, down 1 point from June and down 2 points from May’s 48-year record high (also in September).



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, was unchanged at 1.3% month-over-month in July. Over the last 12 months the all items index increased 8.5% in July (a 0.6 point decrease from June’s 9.1% increase).

The gasoline index decreased 7.7% and offset the increases in the food and shelter indexes, resulting in the index being unchanged from last month. The energy index fell 4.6% over the month, although the index for electricity increased. The food index increased 1.1% over the month and the food at home index rose 1.3%. The index for all items less food and energy rose 0.3% in July. 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 July 2021 to July 2022, the top six categories with the greatest percent change were unchanged from June. The category with the greatest increase over the last 12 months, fuel oil, rose 75.6% in July (98.5% in June).

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

<b>Categories</b>	<b>July 2021 to July 2022</b>
Fuel oil	75.6%
Energy commodities	44.9%
Gasoline (all types)	44.0%
Energy	32.9%
Natural gas (piped)	30.5%
Airline fare	27.7%
Other food at home	15.8%
Cereals and bakery products	15.0%
Diary and related products	14.9%

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 56% of owners raised prices over the past three months, a decrease of 7 points from last month. The highest reading in the mid-70s, the last time inflation was a serious problem, was 67% in Q4 1974. A net 37% of owners plan to raise prices in the coming months, a decrease of 12 points from June. The seasonal adjustments for price plans and actual prices were revised. The data presented in this report reflect those changes.

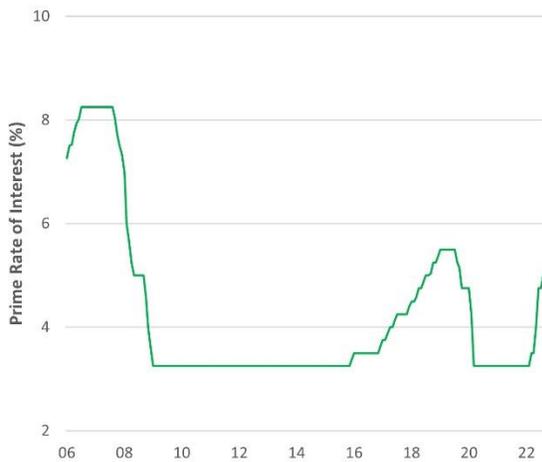
## Retail Sales

The Monthly Retail Trade Report measures consumer spending at retail stores and food services. Retail sales was virtually unchanged in July from the previous month and was 10.3% above July 2021, according to advance estimates of U.S. retail and food services. Sales at gasoline stations were up 39.9% from last year, while nonstore retailers were up 20.2%. Data for August will be released September 15, 2022.

## Prime Lending Rate

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

In late-July, the Fed raised the Federal Funds rate by 3/4ths of a point, pushing the prime rate from 4.75% (June) to 5.0% 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 well raise interest rates several more times this year by significant amounts. The next FOMC meeting is scheduled for September 20-21. Currently, the Federal Funds rate range is 2.25%-2.5%.



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 continues to be strong. July's New Residential Construction report found a level of 1.446 million units started down from June's revised report of 1.599 million



units started. July's estimate was 8.1% below last year's rate of 1.573. However, house prices continue to rise as demand outpaces supply. Supply chain problems (workers, lumber, appliances, building codes to name a few) continue to slow new home construction and completions. Data for August will be released September 20, 2022.

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

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

## Upcoming Economic Indicator Releases

August 25	GDP, 2 <sup>nd</sup> Quarter 2022 (Second Estimate)
August 26	Michigan Consumer Sentiment (Final data)
August 30	Job Openings and Labor Turnover (JOLTS)
September 1	NFIB Jobs Report
September 2	BLS Employment Situation Report (Unemployment Rate)
September 13	Consumer Price Index
September 13	NFIB Small Business Economic Trends
September 15	Monthly Retail Trade Report
September 20	Housing Starts
September 20-21	Federal Open Market Committee Meeting

## Additional NFIB Research and Media

The Small Business Labor Dilemma. William Dunkelberg (July 25)

<https://www.forbes.com/sites/williamdunkelberg/2022/07/25/the-small-business-labor-dilemma/?sh=3611a0b5433d>

Podcast: The Macrocast – A Conversation with Megan Greene on the Anti-Inflation Toolkit (July 26)

<https://open.spotify.com/episode/11iR1RNiNfBoPLmyQV1yM1?si=ln6P1QGtSlyO4pAb4rcrxw&nd=1>

Podcast: Planet Money – Two Recession Indicators (July 29)

<https://www.npr.org/2022/07/29/1114601655/two-recession-indicators>

Podcast: The Dishcast – Larry Summers on Inflation and Mistakes (July 29)

[https://andrewsullivan.substack.com/p/larry-summers-on-inflation-and-mistakes?r=r90nj&s=r&utm\\_campaign=post&utm\\_medium=email](https://andrewsullivan.substack.com/p/larry-summers-on-inflation-and-mistakes?r=r90nj&s=r&utm_campaign=post&utm_medium=email)



Inflation, The Insidious Tax. William Dunkelberg (August 15)

<https://www.forbes.com/sites/williamdunkelberg/2022/08/15/inflation-the-insidious-tax/?sh=5fd5e268ceeb>

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