

NFIB Monthly Economic Report – December 2021

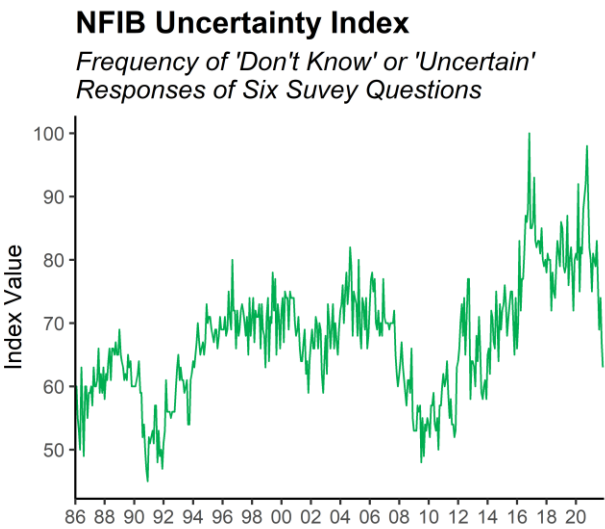
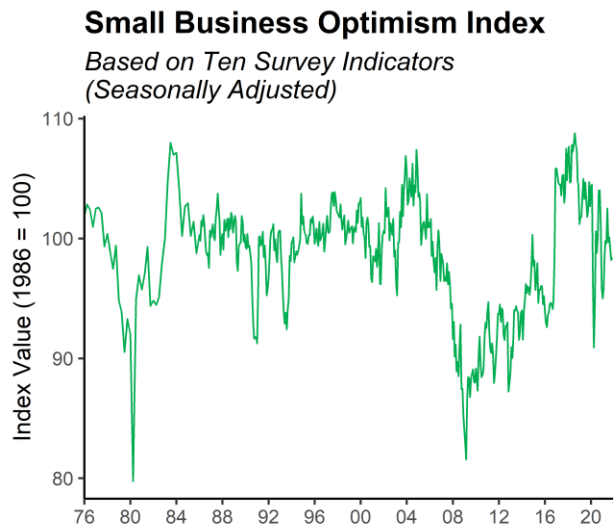
Small Business Economic Trends

The NFIB Small Business Optimism Index rose slightly by 0.2 points in November to 98.4. Four of the 10 Index components improved, four declined, and two were unchanged. The NFIB Uncertainty Index decreased four points to 63.

Other key findings include:

- Owners expecting better business conditions over the next six months decreased one point to a net negative 38%, tied for a the 48-year record low reading. This indicator has declined 18 points over the past four months to its lowest reading since November 2012.
- The net percent of owners raising selling prices increased six points to a net 59% (seasonally adjusted), the highest reading since October 1979.
- Seasonally adjusted, a net 54% of owners plan price hikes, up three points from October and a 48-year record high reading.

As reported in NFIB’s monthly jobs report, 48% of small business owners (seasonally adjusted) reported job openings they could not fill in the current period, down one point from October. A net 44% of owners (seasonally adjusted) reported raising compensation, unchanged from October and a 48-year record high reading.



Source: NFIB Small Business Economic Trends Survey
 @NFIBResearch

Read the latest full report: nfib.com/sbet

Macroeconomic Indicators

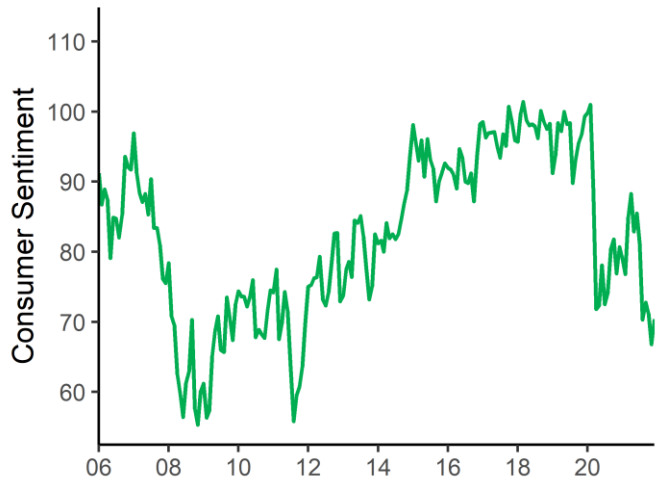
	Most Recent	Previous Month	One Year Ago	5 Years Ago
NFIB Optimism Index	98.4	98.2	95.9	105.8
NFIB Uncertainty Index	63	67	82	85
Unemployment Rate	4.2%	4.6%	6.7%	4.7%
Consumer Sentiment	70.4	67.4	80.7	98.2
CPI Inflation Rate	0.8%	0.9%	0.2%	0.1%
Prime Rate of Interest	3.25%	3.25%	3.25%	3.75%
Retail Sales Change	0.3%	1.8%	-1.4%	-0.3%
Housing Starts (000)	1679	1502	1553	1150

*Most recent available data for Retail Sales and Housing Starts from November 2021

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.

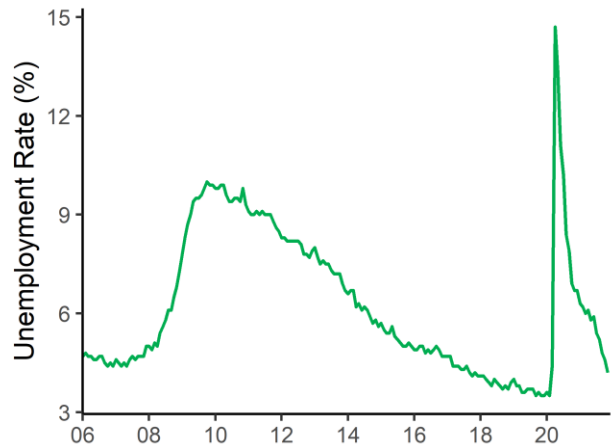
The Index of Consumer Sentiment increased in December to 70.4 even as consumers dealt with rising prices. Seventy-six percent reported that inflation was a more serious problem facing the nation than unemployment.



Source: University of Michigan



Source: U.S. Bureau of Economic Analysis



Source: U.S. Bureau of Labor Statistics

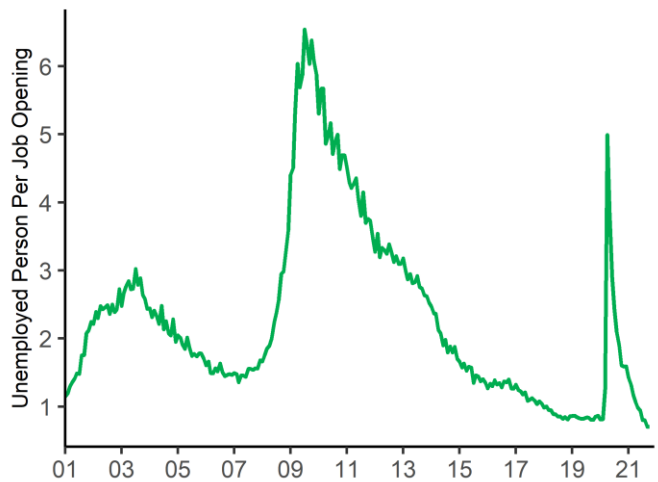
Gross Domestic Product (GDP)

The U.S. economy grew in the third quarter of 2021 by 2.1% (second estimate), after an increase of 6.7% in the second quarter. The third estimate of GDP for the third quarter of 2021 will be released December 22, likely little changed from the second. Most forecasters, including the Federal Reserve, expect growth to strengthen in the fourth quarter.

Unemployment

The U.S. economy added 210,000 jobs in November and the unemployment rate fell 0.4 points to 4.2%.

The most recent Job Openings and Labor Turnover Survey (JOLTS) produced by the Department of Labor found there were 11 million available jobs. The ratio of unemployed workers to job openings has fallen below one, indicating that there are more open positions than people seeking work.

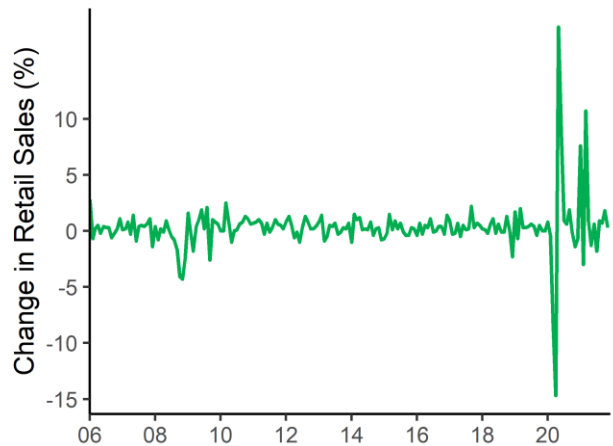


Source: U.S. Department of Labor

NFIB’s November SBET found 48% of owners with “hard to fill” job openings.



Source: U.S. Bureau of Labor Statistics



Source: U.S. Census Bureau

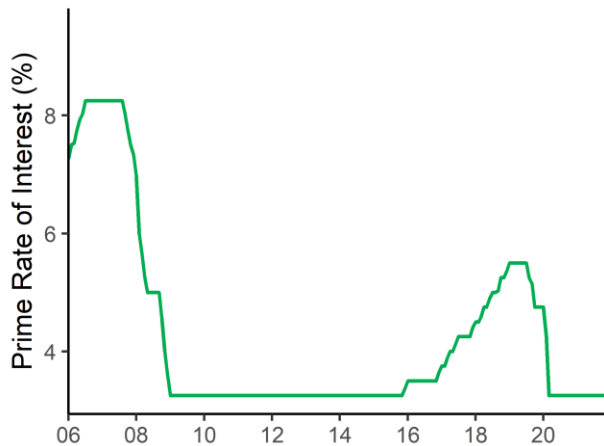
Consumer Price Index (Inflation Rate)

The CPI measures the price level of a basket of consumer goods commonly purchased by households. The Consumer Price Index rose 0.8% month-over-month in November, increasing to an annualized rate of 6.8%. Prices continue to increase, and November’s report showed the largest 12-month increase since June 1982. The main contributors to the higher index include gasoline, shelter, food, used cars and trucks, and new vehicles. The Federal Reserve Bank of San Francisco which [monitors](#) inflation sensitivity to Covid-19, continues to find that sectors sensitive to the disruptions caused by the pandemic account for most price increases.

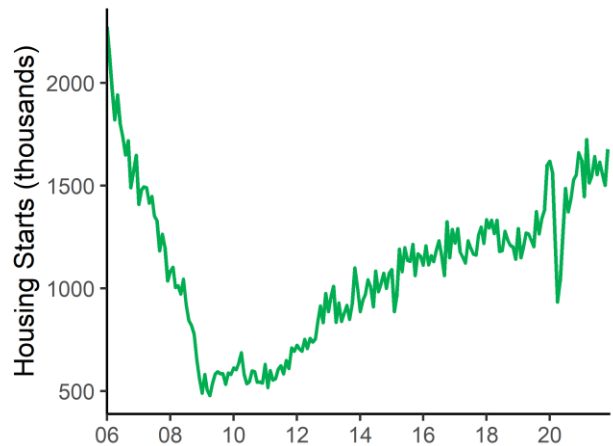
Small business owners continue to report raising price levels unseen since the early 1980s. The latest NFIB SBET report found a net 59% of owners raised prices over the past three months, the highest reading since October 1979. A net 54% of owners plan to raise prices in the coming months, the highest reading in the 48-year history of the survey.

Retail Sales

The Monthly Retail Trade Report measures consumer spending at retail stores and food services. Retail sales are estimated to rise 0.3% in November, according to advance estimates of U.S. retail and food services. Retail trade sales were up 0.2% from October, and up 16.1% above last year. Gasoline stations are predicted to increase sales 52.3% from November 2020, due primarily to higher prices, and food services and drinking places were up 37.4% from last year, due mostly to “re-opening” although price hikes are pervasive as well.



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.

The Federal Reserve has maintained the Federal Funds rate at the near zero bound for the past year, since March 2020. The current prime rate remains at 3.25%. The Federal Reserve now indicates that it may well raise interest rates three times in 2022 to start its fight against inflation. Meanwhile, small businesses are reporting paying the lowest interest rates in 47 years on their bank loans.

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. November's New Residential Construction report found an increased level of 1.679 million units, down from October's revised report of 1.502 million units were started. November's estimate was 8.3% higher than a year ago (1.551 million). However, house prices continue to rise, demand is strong. Supply chain problems (workers, lumber, appliances to name a few) continue to slow home construction.

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

fred.stlouisfed.org

Upcoming Economic Indicator Releases

December 22	GDP, 3 rd Quarter (Third Estimate)
December 23	Michigan Consumer Sentiment
January 4	Job Openings and Labor Turnover (JOLTS)
January 6	NFIB Jobs Report
January 7	BLS Employment Situation Report (Unemployment Rate)
January 11	NFIB Small Business Economic Trends
January 12	Consumer Price Index
January 14	Monthly Retail Trade Report
January 19	Housing Starts
January 25-26	Federal Open Market Committee Meeting

Additional NFIB Research and Media

Amid huge shortage, new truck drivers train for some of supply chain's toughest jobs, David Lynch (December 16, 2021)

<https://www.washingtonpost.com/business/2021/12/16/amid-huge-shortage-new-truck-drivers-train-some-supply-chains-toughest-jobs/>

Three Myths of the Great Resignation, Derek Thompson (December 8, 2021)

<https://www.theatlantic.com/ideas/archive/2021/12/great-resignation-myths-quitting-jobs/620927/>

The Journal from WSJ (podcast) on Inflation with Jerome Powell

<https://www.wsj.com/podcasts/the-journal/the-fed-shifting-inflation-message/d1490ed0-8c1c-41c1-98c1-ef44a9742ef8>

The Journal from WSJ (podcast) on Elon Musk and the Labor Shortage

<https://www.wsj.com/podcasts/the-journal/elon-musk-on-why-he-wants-more-robots-and-less-government/2504773d-8111-494c-a4e6-1f708d2526f8>



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