

# NFIB Monthly Economic Report – January 2022

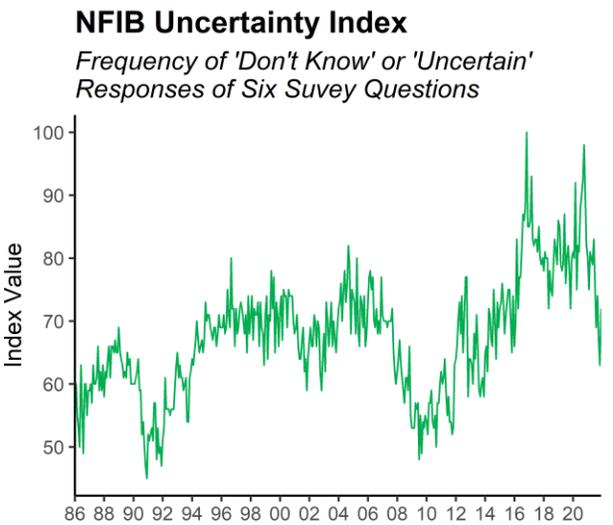
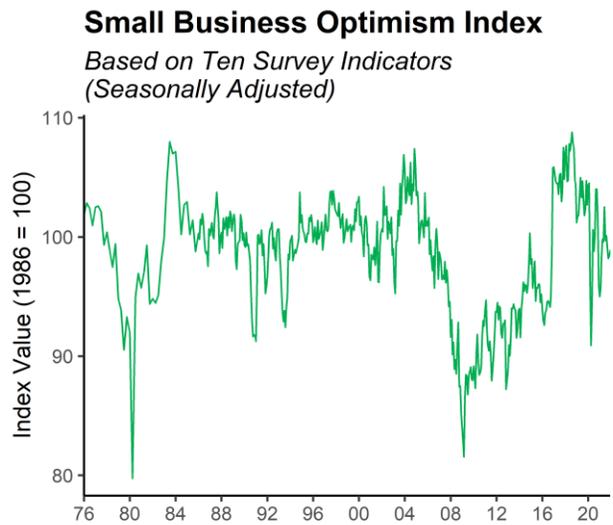
## Small Business Economic Trends

The NFIB Small Business Optimism Index rose slightly by 0.5 points in December to 98.9, close to the 48-year average. The NFIB Uncertainty Index increased nine points to 72.

Other key findings include:

- Twenty-two percent report inflation as the single most important problem operating their business, a 20-point increase from the beginning of 2021 and the highest level since Q4 1981.
- Owners expecting better business conditions over the next six months increased three points to a net negative 35%. Owners remain pessimistic about future economic conditions as this indicator has declined 23 points over the past six months.
- Forty-nine percent of owners reported job openings that could not be filled, an increase of one point from November.

As reported in NFIB’s monthly jobs report, a net 48% (seasonally adjusted) of owners reported raising compensation, up four points from November and a 48-year record high reading. A net 32% plan to raise compensation in the next three months. Compensation is a significant component of operating costs for small firms and a source of pressure for higher selling prices.



Source: NFIB Small Business Economic Trends Survey  
 @NFIBResearch

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	98.9	98.4	95.0	105.9
NFIB Uncertainty Index	72	63	80	85
Unemployment Rate	3.9%	4.2%	6.3%	4.7%
Consumer Sentiment	68.8	70.6	79.0	98.5
CPI Inflation Rate	0.5%	0.8%	0.3%	0.4%
Prime Rate of Interest	3.25%	3.25%	3.25%	3.75%
Retail Sales Change	-1.9%	0.2%	7.6%	0.9%
Housing Starts (000)	1702	1678	1625	1221

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

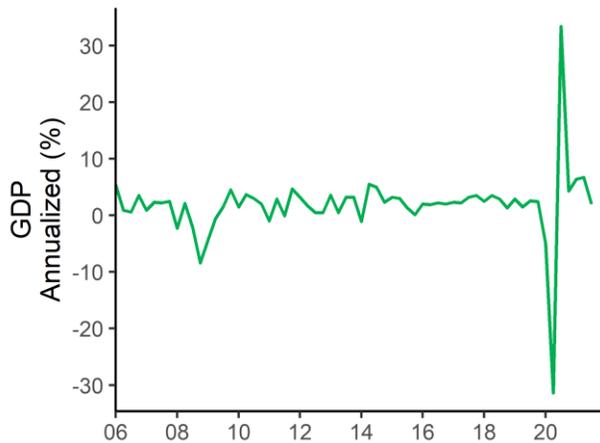
### Consumer Sentiment (University of Michigan)

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.

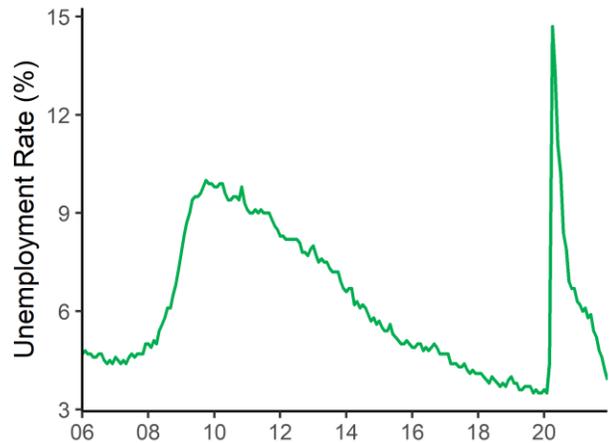
The Index of Consumer Sentiment decreased in January to 68.8, falling to the second lowest level in a decade. Three-fourths reported that inflation was a more serious problem facing the nation than unemployment.



Source: University of Michigan



Source: U.S. Bureau of Economic Analysis



Source: U.S. Bureau of Labor Statistics

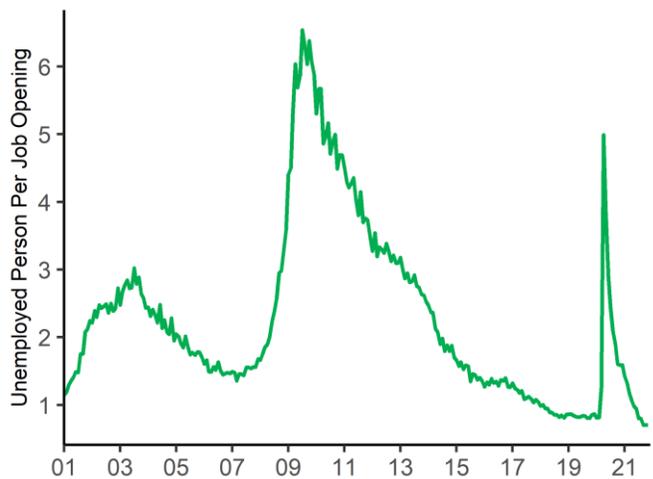
### Gross Domestic Product (GDP)

The U.S. economy grew in the third quarter of 2021 by 2.3% (third estimate), after an increase of 6.7% in the second quarter. The advance estimate of GDP for the fourth quarter of 2021 and the year 2021 will be released January 27. The increase reflects the continued economic impact of the pandemic (new restrictions, government assistance programs, personal consumption expenditures, etc.).

### Unemployment

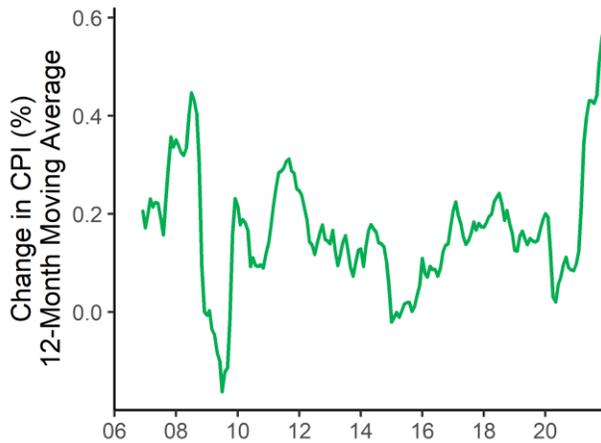
The U.S. economy added 199,000 jobs in December and the unemployment rate fell 0.3 points to 3.9%.

The most recent Job Openings and Labor Turnover Survey (JOLTS) produced by the Department of Labor found there were 10.6 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. Overall, total employment remains over 3.5 million below the January 2020 level, just ahead of the start of the Pandemic.

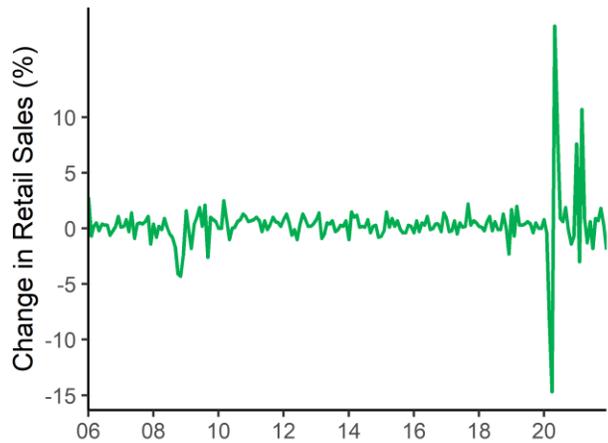


Source: U.S. Department of Labor

NFIB’s December SBET found 49% of owners with “hard to fill” job openings, an increase of one point from November.



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 0.5% month-over-month in December, increasing to an annualized rate of 7%. Prices continue to increase, and December’s report showed the largest 12-month increase since June 1982.

The main contributors to the higher index include shelter, used cars and trucks, and food. The energy index declined in December. 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 price increases.

From December 2020 to December 2021, gasoline, used cars and trucks, and energy, all had the greatest percent change.

**12-month percent change in the Consumer Price Index for All Urban Consumers, selected items, not seasonally adjusted**

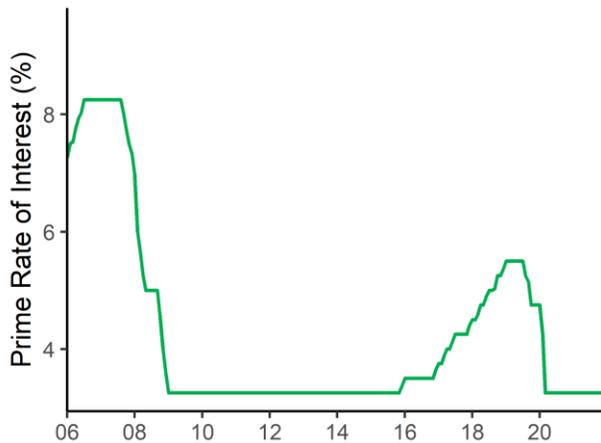
Categories	Dec 2020 to Dec 2021
Gasoline (all types)	49.6%
Used cars and trucks	37.3
Energy	29.3
Utility (piped) gas service	24.1
Meats, poultry, fish, and eggs	12.5
New vehicles	11.8
Tobacco and smoking products	9.0
Household furnishings and operations	7.4
All items	7.0

**Source: U.S. Bureau of Labor Statistics**

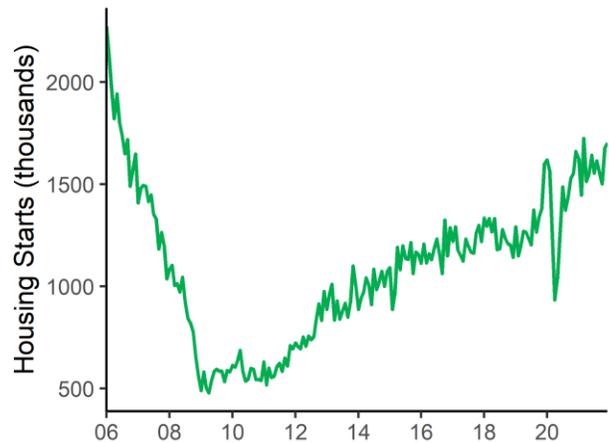
Small business owners continue to report raising price levels unseen since the early 1980s. The latest NFIB SBET report found a net 57% of owners raised prices over the past three months, a decrease of 2 points from November. A net 49% of owners plan to raise prices in the coming months, a five-point decrease from November’s record high reading.

**Retail Sales**

The Monthly Retail Trade Report measures consumer spending at retail stores and food services. Retail sales are estimated to have decreased 1.9% in December, according to advance estimates of U.S. retail and food services. Retail trade sales were down 2.1% from November, and up 14.4% above last year. Gasoline stations were up 41% from December 2020, due primarily to higher prices, and food services and drinking places were up 41.3% 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.

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 1.702 million units, up from November's revised report of 1.678 million units were started. December's estimate was 2.5% higher than a year ago (1.661 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 January will be released February 17, 2022.

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

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

### Upcoming Economic Indicator Releases

January 25-26	Federal Open Market Committee Meeting
January 27	GDP, 4 <sup>th</sup> Quarter and Year 2021 (Advance Estimate)
January 28	Michigan Consumer Sentiment
February 1	Job Openings and Labor Turnover (JOLTS)
February 3	NFIB Jobs Report
February 4	BLS Employment Situation Report (Unemployment Rate)
February 8	NFIB Small Business Economic Trends
February 10	Consumer Price Index
February 16	Monthly Retail Trade Report
February 17	Housing Starts

### Additional NFIB Research and Media

U.S. Inflation Hit 7% in December, Fastest Pace Since 1982, Gwynn Guilford (January 12)  
[https://www.wsj.com/articles/us-inflation-consumer-price-index-december-2021-11641940760?mod=hp\\_lead\\_pos1](https://www.wsj.com/articles/us-inflation-consumer-price-index-december-2021-11641940760?mod=hp_lead_pos1)

Explainer: Why US inflation is so high, and when it may ease, Paul Wiseman (January 12, 2022)  
<https://apnews.com/article/why-is-inflation-so-high-5f69bed77f98221f9936ae99f96fd361>

Podcast: The Indicator from Planet Money- Inland Port Priority (January 10, 2022)  
<https://www.npr.org/2022/01/10/1071932095/inland-port-priority>

Podcast: The Indicator from Planet Money- How do you measure inflation? (Indicator favorite) (December 30, 2021)  
<https://www.npr.org/2021/12/29/1068853249/how-do-you-measure-inflation-indicator-favorite>



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