

NFIB Monthly Economic Report – July 2022

Small Business Economic Trends

The NFIB Small Business Optimism Index was 89.5 in June, a decrease of 3.6 points from May and another month below the 48-year average of 98. The Index has declined every month this year through June. The NFIB Uncertainty Index decreased 4 points to 55, indicating that small business owners are more certain of their view of current economic conditions.¹ Key findings include:

- All 10 Index components declined.
- Thirty-four percent of owners reported that inflation was their single most important problem in operating their business, an increase of 6 points from May and the highest level since 1980 Q4.
- Owners expecting better business conditions over the next six months decreased 7 points to a net negative 61%, the lowest level recorded in the 48-year survey. Expectations for better business conditions have deteriorated every month since January.
- Fifty percent of owners reported job openings that could not be filled, down 1 point from May, but historically very high.
- The net percent of owners raising average selling prices decreased 3 points to a net 69% seasonally adjusted, following May's record high 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% in Q4 1974.
- The net percent of owners who expect real sales to be higher decreased 13 points from May to a net negative 28%, a severe decline.

¹ 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

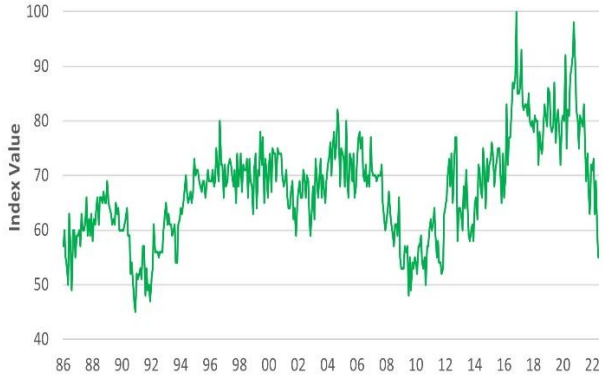
Based on Ten Survey Indicators
(Seasonally Adjusted)



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

Macroeconomic Indicators

	Most Recent	Previous Month	One Year Ago	5 Years Ago
NFIB Optimism Index	89.5	93.1	102.5	103.6
NFIB Uncertainty Index	55	59	83	83
Unemployment Rate	3.6%	3.6%	5.9%	4.3%
Consumer Sentiment	51.1	50.0	81.2	93.4
CPI Inflation Rate	1.3%	1.0%	0.9%	0.1%
Prime Rate of Interest	4.75%	4.75%	3.25%	4.25%
Retail Sales Change	1.0%	-0.3%	0.6%	0.5%
Housing Starts (000)	1559	1591	1664	1232

*Most recent available data for Retail Sales and Housing Starts from June 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 was relatively unchanged at a preliminary value of 51.1 (slightly above June’s lowest recorded value in 50 years, 50.0).

Consumers’ assessments of their personal financial situation continued to worsen in June. Forty-nine percent of consumers blame inflation for diminishing their living standards, matching the all-time high during the Great Recession. Although, inflation expectations have remained steady of somewhat improved.



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 first quarter of 2022 by 1.6% (third estimate), after an increase of 6.9% in the fourth quarter of 2021. The decrease was largely due to decreases in private inventory investments (specifically in the wholesale and retail trades), exports, and federal and state and local government spending. Although there was a decrease in exports,

imports increased which was led by an increase of goods. The advance estimate of GDP for the second quarter of 2022 will be released July 28.

Unemployment

The U.S. economy added 372,000 jobs in June and the unemployment rate remained at 3.6%, a historically low level.

The most recent Job Openings and Labor Turnover Survey (JOLTS) produced by the Department of Labor

found there were 11.3 million available jobs, 100,000 less than last month. The largest decreases in job openings were in professional and business services, durable goods manufacturing, 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, remaining a very tight labor market.

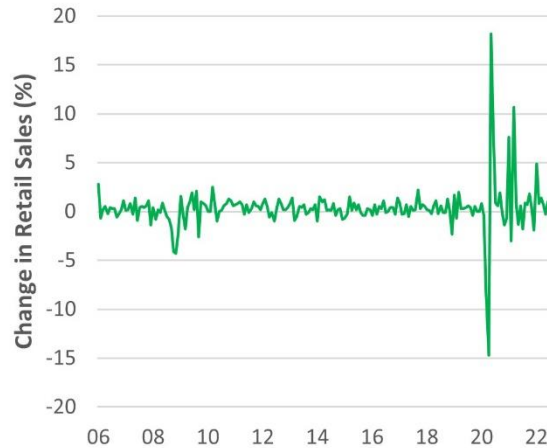
NFIB’s June SBET survey found 50% of owners with “hard to fill” job openings, down 1 point from last month’s 48-year record high (also in September).



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, rose 1.3% month-over-month in June, increasing to an annualized rate of 9.1%.

The main contributors to the increase include the indexes for gasoline, shelter, and food. The energy index increased 7.5% over the month and accounted for nearly half of the all items increase, with the Gasoline index rising 11.2%. The food index and food at home index both increased 1.0% in June. 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 June 2021 to June 2022, the top three categories with the greatest percent change were unchanged from May (fuel oil, energy commodities, gasoline (all types)).

The category with the greatest increase over the last 12 months, fuel oil, rose 98.5% in June (106.7% in May).

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

Categories	June 2021 to June 2022
Fuel oil	98.5%
Energy commodities	60.6%
Gasoline (all types)	59.9%
Energy	41.6%
Natural gas (piped)	38.4%
Airline fare	34.1%
Energy services	19.4%
Other food at home	14.4%
Cereals and bakery products	13.8%

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 69% of owners raised prices over the past three months, a decrease of 3 points from last month’s 48-year record high reading. The highest reading in the mid-70s, the last time inflation was a serious problem,

was 67% in Q4 1974. A net 44% of owners plan to raise prices in the coming months, a decrease of 3 points from May.

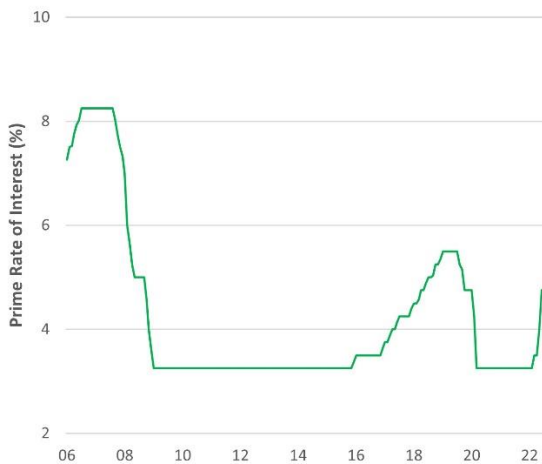
Retail Sales

The Monthly Retail Trade Report measures consumer spending at retail stores and food services. Retail sales increased 1.0% in June from the previous month and was 8.4% above June 2021, according to advance estimates of U.S. retail and food services. Sales at gasoline stations were up 49.1% from last year, while food services and drinking places were up 13.4%.

Prime Lending Rate

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

In mid-June, the Fed raised the Federal Funds rate by 3/4ths of a point, pushing the prime rate from 4.0% (May) to 4.75% to help fight against strong inflation pressures. 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 July 26-27. Currently, the Federal Funds rate is just over 1.5%.



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. June's New Residential Construction report found a level of 1.559 million units, down from May's revised report of 1.591 million units started. June's estimate was 6.3% below last year's rate of 1.664. 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 and completions. Data for July will be released August 16, 2022.

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

fred.stlouisfed.org

Upcoming Economic Indicator Releases

July 26-27	Federal Open Market Committee Meeting
July 28	GDP, 2 nd Quarter 2022 (Advance Estimate)
July 29	Michigan Consumer Sentiment (Final data)
August 2	Job Openings and Labor Turnover (JOLTS)
August 4	NFIB Jobs Report
August 5	BLS Employment Situation Report (Unemployment Rate)
August 9	NFIB Small Business Economic Trends
August 10	Consumer Price Index
August 16	Housing Starts
August 17	Monthly Retail Trade Report

Additional NFIB Research and Media

Podcast: Planet Money – Recession Referees (June 24, 2022)
<https://www.npr.org/2022/06/24/1107581150/recession-referees>

Recession? You Decide! William Dunkelberg (July 13)
<https://www.forbes.com/sites/williamdunkelberg/2022/07/13/recession-you-decide/?sh=7c00dd3dee37>

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