

NFIB Monthly Economic Report – June 2022

Small Business Economic Trends

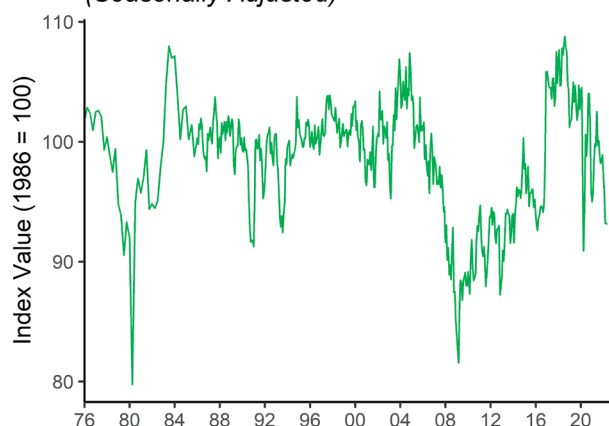
The NFIB Small Business Optimism Index was 93.1 in May, a decrease of 0.1 point from April and another month below the 48-year average of 98. The Index has declined every month this year through May. The NFIB Uncertainty Index decreased 10 points to 59, indicating that small business owners are more certain of their view of current economic conditions.¹ Key findings include:

- Twenty-eight percent of owners reported that inflation was their single most important problem in operating their business, a decrease of 4 points from April, but still #1.
- Owners expecting better business conditions over the next six months decreased 4 points to a net negative 54 percent, the lowest level recorded in the 48-year-old survey. Expectations for better business conditions have deteriorated every month since January.
- Fifty-one percent of owners reported job openings that could not be filled, up 4 points from April, a record high level.
- The net percent of owners raising average selling prices increased 2 points to a net 72 percent seasonally adjusted, the highest reading in the 48-year-history of the survey and 32 points higher than May 2021. The highest reading in the mid-70s, the last time inflation was a serious problem, was 67 percent in Q4 1974.
- The net percent of owners who expect real sales to be higher decreased 3 points from April to a net negative 15 percent, a very negative outlook.

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.

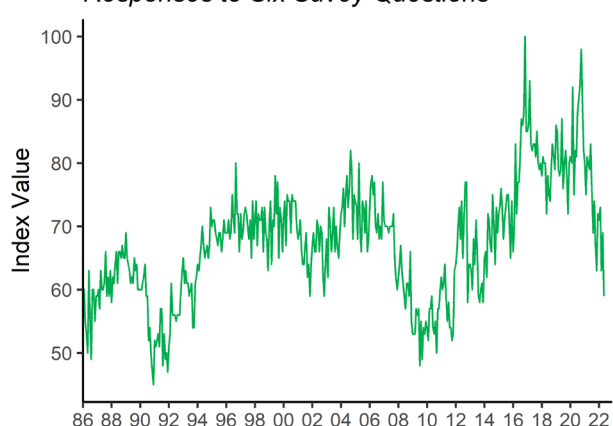
Small Business Optimism Index

*Based on Ten Survey Indicators
(Seasonally Adjusted)*



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

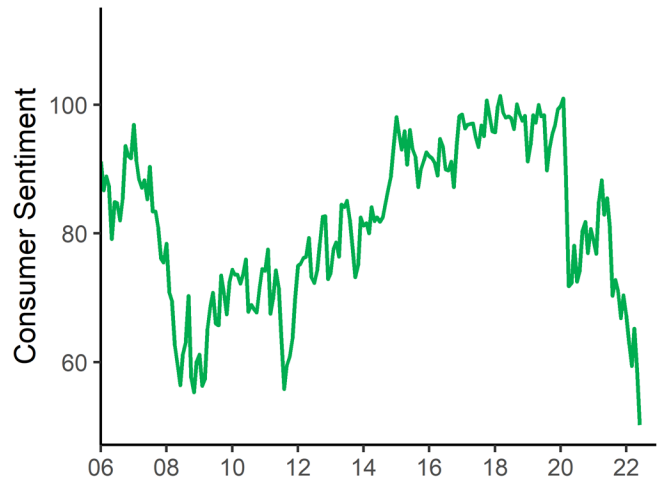
| | Most Recent | Previous Month | One Year Ago | 5 Years Ago |
|------------------------|-------------|----------------|--------------|-------------|
| NFIB Optimism Index | 93.1 | 93.2 | 102.5 | 103.6 |
| NFIB Uncertainty Index | 59 | 69 | 83 | 83 |
| Unemployment Rate | 3.6% | 3.6% | 5.9% | 4.3% |
| Consumer Sentiment | 50.2 | 58.4 | 85.5 | 95.0 |
| CPI Inflation Rate | 1.0% | 0.3% | 0.9% | 0.1% |
| Prime Rate of Interest | 4.75% | 4.0% | 3.25% | 4.13% |
| Retail Sales Change | -0.3% | 0.7% | 0.6% | 0.5% |
| Housing Starts (000) | 1549 | 1810 | 1643 | 1232 |

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

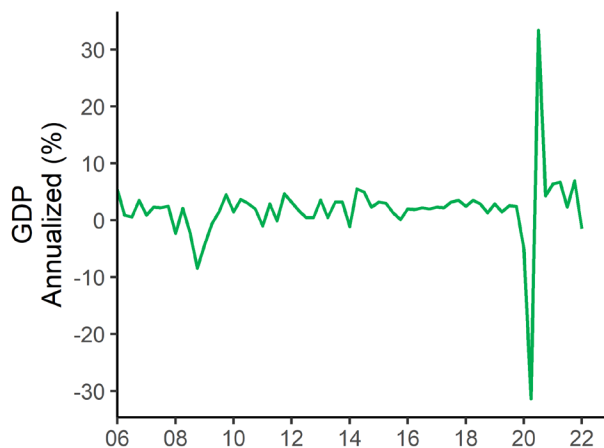
Consumer Sentiment (University of Michigan)

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.

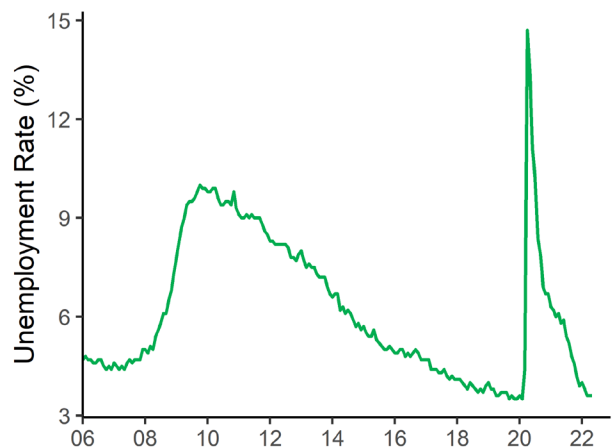
The Index of Consumer Sentiment weakened in June falling to a preliminary value of 50.2, the lowest recorded value in 50 years. All index components fell in June, with the year-ahead outlook in business conditions having the steepest decline, as was the case for business owners. Consumers' assessments of their personal financial situation worsened about 20% and about half of consumers attributed their negative views to inflation. Gas prices were also a concern, weighing heavily on consumers.



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 1.5% (second 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

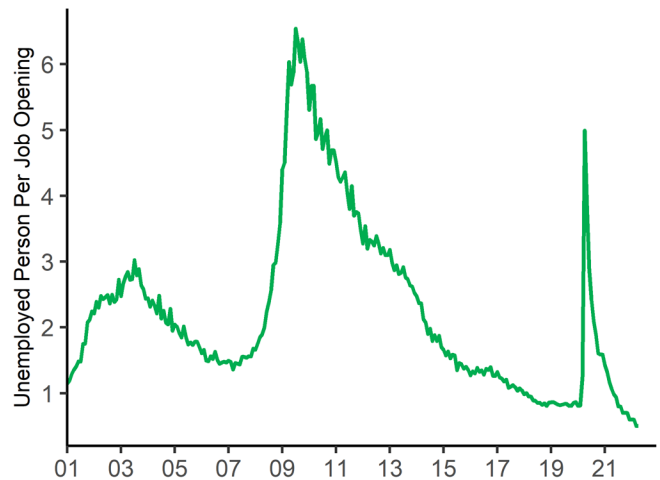
and state and local government spending. The third estimate of GDP for the first quarter of 2022 will be released June 29.

Unemployment

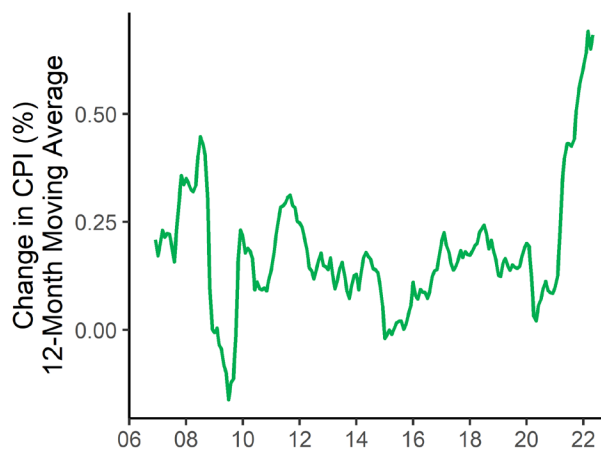
The U.S. economy added 390,000 jobs in May and the unemployment rate was unchanged at 3.6%, a historically low level.

The most recent Job Openings and Labor Turnover Survey (JOLTS) produced by the Department of Labor found there were 11.4 million available jobs, 100,000 less than last month. The industries with the largest increases in job openings were transportation, warehousing, and utilities; nondurable goods manufacturing; and durable goods manufacturing. Decreases in job openings occurred in health care and social assistance; retail trade; and accommodation and food services. 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.

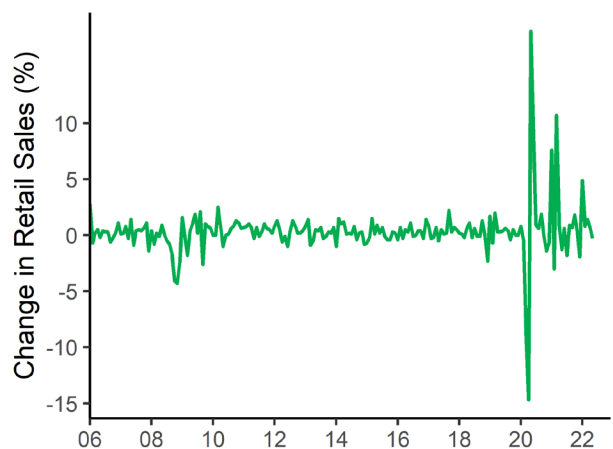
NFIB's May SBET survey found 51% of owners with "hard to fill" job openings, up 4 points from April, at historically high levels and in agreement with government numbers.



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 1.0% month-over-month in May, increasing to an annualized rate of 8.6%.

The main contributors to the increase include the indexes for shelter, gasoline, and food. The food index rose 1.2% and the food at home index increased 1.4%. The energy index increased 3.9% in May, after declining in April. The index for gasoline rose 4.1%. 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 May 2021 to May 2022, the top six categories with the greatest percent change were unchanged from April (fuel oil, energy commodities, gasoline (all types), airline fares, energy, natural gas (piped)).

The category with the greatest increase, fuel oil, rose 106.7% in May (80.5% in April).

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

| Categories | May 2021 to May 2022 |
|--------------------------------|-------------------------|
| Fuel oil | 106.7% |
| Energy commodities | 50.3% |
| Gasoline (all types) | 48.7% |
| Airline fare | 37.8% |
| Energy | 34.6% |
| Natural gas (piped) | 30.2% |
| Energy services | 16.2% |
| Used cars and trucks | 16.1% |
| Meats, poultry, fish, and eggs | 14.2% |

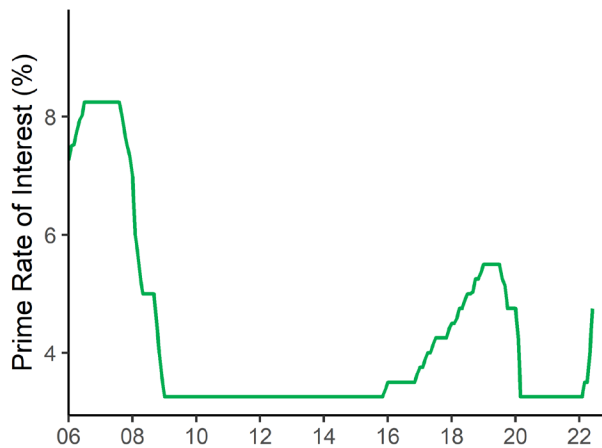
Source: U.S. Bureau of Labor Statistics

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 two-point increase from last month and a 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 47% of owners plan to raise prices in the coming months, a one-point increase from April.

Retail Sales

The Monthly Retail Trade Report measures consumer spending at retail stores and food services. Retail sales decreased 0.3% in May, according to advance estimates of U.S. retail and food services. However, it was 8.1% above May 2021. Sales at gasoline stations were up 43.2% from last year, while food services and drinking places were up 17.5%.



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-June, the Fed raised the Federal Funds rate by 3/4ths of a point, pushing the prime rate from 4.0% (last month) 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%.

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. May's New Residential Construction report found a level of 1.549 million units, down from April's revised report of 1.810 million units started. May's estimate was 3.5% below last year's rate of 1.605. 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 June will be released July 19, 2022.

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

fred.stlouisfed.org

Upcoming Economic Indicator Releases

| | |
|------------|---|
| June 24 | Michigan Consumer Sentiment (Final data) |
| June 29 | GDP, 1 st Quarter 2022 (Third Estimate) |
| July 6 | Job Openings and Labor Turnover (JOLTS) |
| July 7 | NFIB Jobs Report |
| July 8 | BLS Employment Situation Report (Unemployment Rate) |
| July 12 | NFIB Small Business Economic Trends |
| July 13 | Consumer Price Index |
| July 15 | Monthly Retail Trade Report |
| July 19 | Housing Starts |
| July 26-27 | Federal Open Market Committee Meeting |

Additional NFIB Research and Media

The Storm Is Coming. William Dunkelberg (June 8)

<https://www.forbes.com/sites/williamdunkelberg/2022/06/08/the-storm-is-coming/?sh=205d0eb327bb>

Podcast: The Journal – Biden’s Plan to Bring Down Inflation (June 6, 2022)

<https://www.wsj.com/podcasts/the-journal/bidens-plan-to-bring-down-inflation/30f99183-d77a-4c94-905f-af3679044cfa>

Major U.S. Averages Close Mixed After Choppy Ride Ahead Of Fed Rate Decision. RTTNews (June 14) <https://www.nasdaq.com/articles/major-u.s.-averages-close-mixed-after-choppy-ride-ahead-of-fed-rate-decision>

Podcast: The Daily – The Claws of a Bear Market (June 15)

<https://www.nytimes.com/2022/06/15/podcasts/the-daily/bear-market-recession.html>



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