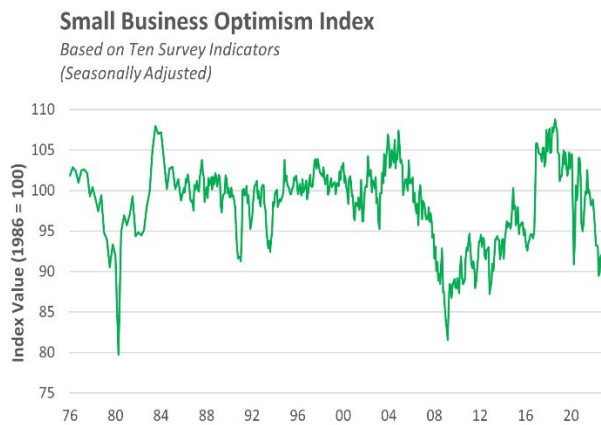


NFIB Monthly Economic Report – November 2022

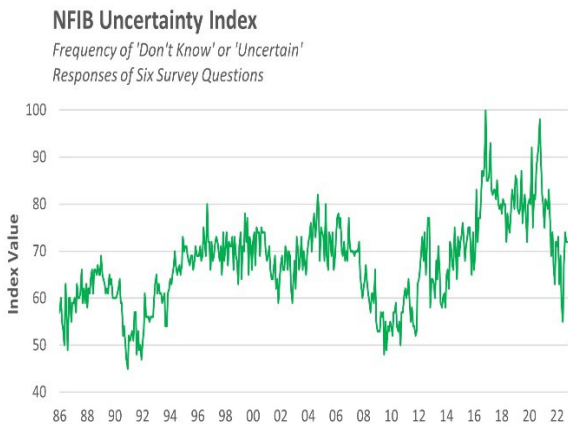
Small Business Economic Trends

The Optimism Index declined 0.8 points in October to 91.3. This is the tenth consecutive month below the 48-year average of 98, but does reverse some of the deterioration in the first half of the year.

- Of the 10 index components, 2 increased, 7 decreased, and 1 was unchanged.
- Thirty-three percent of owners reported that inflation was their single most important problem in operating their business, 3 points above last month and 4 points lower than July’s highest reading since 1979 Q4.
- Owners expecting better business conditions over the next six months decreased 2 points from September to a net negative 46 percent, very “negative.”
- Forty-six percent of owners reported job openings that were hard to fill, unchanged from August, remaining historically very high. Even though the economy contracted in the first half of the year and views about future sales growth and business conditions are dismal, owners still want to hire and make money.
- The net percent of owners raising average selling prices decreased 1 point to a net 50 percent seasonally adjusted. The number did decline but the net percent still raising prices is very inflationary.
- The net percent of owners who expect real sales to be higher decreased 3 points from September to a net negative 13 percent, a very bearish outlook but far better than June and July.



Source: NFIB Small Business Economic Trends Survey
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Read the latest full report: nfib.com/sbet

Macroeconomic Indicators

	Most Recent	Previous Month	One Year Ago	5 Years Ago
NFIB Optimism Index	91.3	92.1	98.2	107.4
NFIB Uncertainty Index	72	72	67	83
Unemployment Rate	3.7%	3.5%	4.6%	3.8%
Consumer Sentiment	54.7	59.9	67.4	97.5
CPI Inflation Rate	0.4%	0.4%	0.9%	0.3%
Prime Rate of Interest	7.0%	6.25%	3.25%	5.25%
Retail Sales Change	1.3%	0.0%	1.8%	1.3%
Housing Starts (000)	1425	1488	1563	1211

*Most recent available data for Retail Sales and Housing Starts from October 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 fell to a preliminary value of 54.7 (below October’s final reading of 59.9).

Consumers’ sentiment remains historically very low, in recession territory.



Source: University of Michigan



Source: U.S. Bureau of Economic Analysis



Source: U.S. Bureau of Labor Statistics

Gross Domestic Product (GDP)

GDP increased in the third quarter of 2022 by 2.6% (advance estimate), after a decrease of 0.6% in the second quarter. The increase was largely due to increases in exports, consumer spending, nonresidential fixed investment, federal government spending, and state and local spending. These were partly offset by a decline in residential fixed investment and private inventory investment. The second estimate of GDP for the third quarter of 2022 will be released November 30.

Unemployment

The U.S. economy added 261,000 jobs in October and the unemployment rate increased to 3.7%. Significant job gains appeared in healthcare, professional and technical services, and manufacturing.

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 million more than last month. The largest increases in job openings were in accommodation and food services, health care and social assistance, and transportation, warehousing, and utilities. 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.



Source: U.S. Department of Labor

NFIB’s October SBET survey found 46% of owners with “hard to fill” job openings, unchanged from September, and historically very high.



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 0.4% in October month-to-month the same increase as in September. Over the last 12 months the all items index increased 7.7% in October (a 0.5 point decrease from September’s 8.2% increase).

The largest contributors to the monthly all items increase were in shelter costs (over half of the monthly increase), gasoline, and food indexes.

The energy index increased 1.8% over the month as the gasoline index and electricity index rose. However, the natural gas index decreased. The food index increased 0.6% over the month and the food at home index rose 0.4%, lower than September. The index for all items less food and energy rose 6.6% over the last 12 months. 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 October 2021 to October 2022, fuel oil remained the category with the greatest increase over the last 12 months, with a 68.5% increase (58.1% in September). Fuel oil, airline fares, and natural gas (piped) remained the top three categories with the greatest increases.

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

Categories	October 2021 to October 2022
Fuel oil	68.5%
Airline fare	42.9%
Natural gas (piped)	20.0%
Energy commodities	19.3%
Energy	17.6%
Gasoline (all types)	17.5%
Cereal and bakery products	15.9%
Energy services	15.6%
Dairy and related products	15.5%

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 50% of owners raised prices over the past three months, a decrease of 1 point 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 34%

of owners plan to raise prices in the coming months, an increase of 3 points from September.

Retail Sales

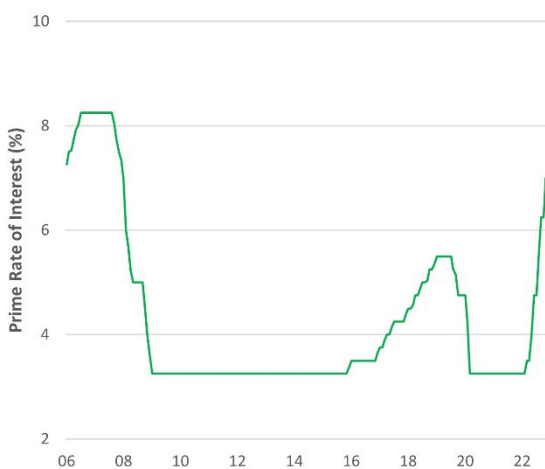
The Monthly Retail Trade Report measures consumer spending at retail stores and food services. Retail sales increased by 1.3% in October from the previous month and was 8.3% above October 2021, according to advance estimates of U.S. retail and food services. Sales at gasoline stations were up 17.8% from last year, while food services and drinking places were up 14.1%. Data for November will be released December 15, 2022. These figures are not adjusted for inflation (e.g., gas dollar volumes rise as gas prices rise, actual gallons purchased are lower).

Prime Lending Rate

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

In early-November, the Fed raised the prime rate by 3/4ths of a point, pushing it from 6.25% (September) to 7.0% 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 continue to raise interest rates but that there will come a time to slow the pace of rate increases. There are concerns that these increases will pull the economy into a recession. The next FOMC meeting is scheduled for December 13-14. The Federal Funds rate increased 3/4th of a point to 3.75%-4.0% at the last meeting, more rate hikes are expected.



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 has started to decline. October's New Residential Construction report found a level of 1.425 million units started, down from September's revised report of 1.488 million units started. October's estimate was 10.1% below last year's rate of 1.698. Supply chain problems (workers, lumber, appliances, building codes to name a few) continue to slow new home construction and completions. Data for November will be released December 20, 2022.

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

fred.stlouisfed.org

Upcoming Economic Indicator Releases

November 23	Michigan Consumer Sentiment (Final data)
November 30	GDP, 3rd Quarter 2022 (Second Estimate)
November 30	Job Openings and Labor Turnover (JOLTS)
December 1	NFIB Jobs Report
December 2	BLS Employment Situation Report (Unemployment Rate)
December 13	NFIB Small Business Economic Trends
December 13	Consumer Price Index
December 13-14	Federal Open Market Committee Meeting
December 15	Monthly Retail Trade Report
December 20	Housing Starts

Additional NFIB Research and Media

Recession Signs Receding or Rising on Main Street? William Dunkelberg (October 26)
<https://www.forbes.com/sites/williamdunkelberg/2022/10/26/recession-signs-receding-or-rising-on-main-street/?sh=5620db425132>

Podcast: The Journal (WSJ) – How High Will Interest Rates Go? (October 31)
<https://www.wsj.com/podcasts/the-journal/how-high-will-interest-rates-go/c725996d-01bb-42f4-8e02-115eca0c91aa>

Small Businesses are Worried about Inflation and Hiring in that Order. Sabri Ben-Achour (November 8) <https://www.marketplace.org/2022/11/08/small-businesses-are-worried-about-inflation-and-hiring-in-that-order/>

Inflation, A Sneaky Tax on Everything and Everyone. William Dunkelberg (November 17)
<https://www.forbes.com/sites/williamdunkelberg/2022/11/17/inflation-a-sneaky-tax-on-everything-and-everyone/?sh=5cb5cdee6413>



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