

NFIB Monthly Economic Report – October 2022

Small Business Economic Trends

The Optimism Index rose 0.3 points in September to 92.1. This is the ninth consecutive month below the 48-year average of 98, but does reverse some of the deterioration in the first half of the year. From a historical perspective, these readings are “recessionary.”

- Of the 10 index components, 5 increased, 5 decreased, and 0 were unchanged.
- Thirty percent of owners reported that inflation was their single most important problem in operating their business, 1 point above last month but 7 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 44 percent, very “negative.”
- Forty-six percent of owners reported job openings that were hard to fill, down 3 points 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 2 points to a net 51 percent seasonally adjusted, still a very inflationary level.
- The net percent of owners who expect real sales to be higher increased 9 points from August to a net negative 10 percent, a very bearish outlook but far better than the previous two months.

Small Business Optimism Index

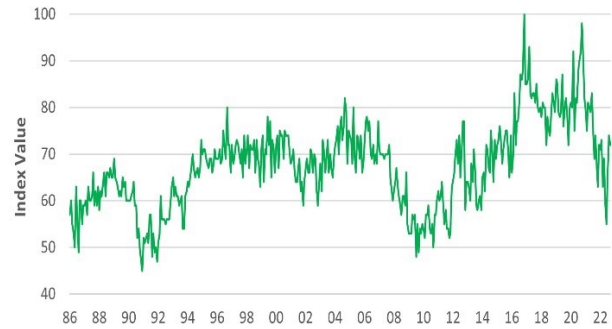
Based on Ten Survey Indicators
(Seasonally Adjusted)



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	92.1	91.8	99.1	107.9
NFIB Uncertainty Index	72	74	74	79
Unemployment Rate	3.5%	3.7%	4.7%	3.7%
Consumer Sentiment	59.8	58.6	71.7	98.6
CPI Inflation Rate	0.4%	0.1%	0.4%	0.1%
Prime Rate of Interest	6.25%	6.25%	3.25%	5.25%
Retail Sales Change	0.0%	0.4%	0.7%	-0.1%
Housing Starts (000)	1437	1566	1559	1236

*Most recent available data for Retail Sales and Housing Starts from September 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 increased slightly to a preliminary value of 59.8 (slightly above September’s final reading of 58.6).

Although consumers’ sentiment improved in October, it 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 decreased in the second quarter of 2022 by 0.6% (third estimate), after a decrease of 1.6% in the first quarter. The decrease was largely due to decreases in private inventory investments (specifically in retail trade), residential fixed investment, nonresidential fixed investment, and federal and state and local government spending. These decreases were

partly offset by increases in consumer spending and exports. The advance estimate of GDP for the third quarter of 2022 will be released October 27.

Unemployment

The U.S. economy added 263,000 jobs in September and the unemployment rate decreased to 3.5%, a historically low level.



Source: U.S. Department of Labor

The most recent Job Openings and Labor Turnover Survey (JOLTS)

produced by the Department of Labor found there were 10.1 million available jobs, 1.1 million less than last month. The largest decreases in job openings were in health care and social assistance, other services, and retail trade. 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 September SBET survey found 46% of owners with “hard to fill” job openings, down 3 points from August, but 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 September month-to-month after rising 0.1% in August. Over the last 12 months the all items index increased 8.2% in September (a 0.1 point decrease from August’s 8.3% increase).

The largest contributors to the monthly all items increase were in the shelter, food, and medical care indexes. However, these increases were partly offset by the decline in the gasoline index (4.9%).

The energy index fell 2.1% over the month as the gasoline index fell, although the indexes for electricity and natural gas increased. The food index increased 0.8% over the month and the food at home index rose 0.7%, the same as August. 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 September 2021 to September 2022, fuel oil remained the category with the greatest increase over the last 12 months, with a 58.1% increase (68.8% in August).

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

Categories	September 2021 to September 2022
Fuel oil	58.1%
Airline fare	42.9%
Natural gas (piped)	33.1%
Energy	19.8%
Energy services	19.8%
Energy commodities	19.7%
Gasoline (all types)	18.2%
Cereals and bakery products	16.2%
Dairy and related products	15.9%

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 51% of owners raised prices over the past three months, a decrease of 2 points 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 31% of owners plan to raise prices in the coming months, a decrease of 1 point from August.

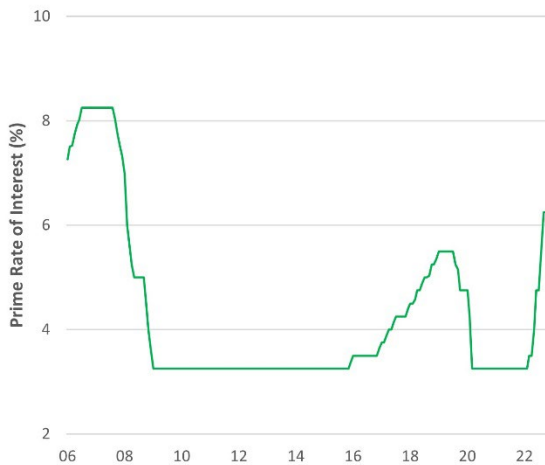
Retail Sales

The Monthly Retail Trade Report measures consumer spending at retail stores and food services. Retail sales increased by 0.0% in September from the previous month and was 8.2% above September 2021, according to advance estimates of U.S. retail and food services. Sales at gasoline stations were up 20.6% from last year, while nonstore retailers were up 11.6%. Data for October will be released November 16, 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 late-September, the Fed raised the prime rate by 3/4ths of a point, pushing it from 5.50% (July) to 6.25% 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 well raise interest rates several more times this year by significant amounts. The next FOMC meeting is scheduled for November 1-2. Currently, the Federal Funds rate range is 3.0%-3.25%.



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. September's New Residential Construction report found a level of 1.439 million units started down from August's revised report of



1.566 million units started. September's estimate was 7.7% below last year's rate of 1.559. House prices continue to rise as demand outpaces supply. Supply chain problems (workers, lumber, appliances, building codes to name a few) continue to slow new home construction and completions. Data for September will be released October 19, 2022. Permits (to start building) fell 10%, which will lead to fewer starts in future months.

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

fred.stlouisfed.org

Upcoming Economic Indicator Releases

October 27	GDP, 3rd Quarter 2022 (Advance Estimate)
October 28	Michigan Consumer Sentiment (Final data)
November 1	Job Openings and Labor Turnover (JOLTS)
November 1-2	Federal Open Market Committee Meeting
November 3	NFIB Jobs Report
November 4	BLS Employment Situation Report (Unemployment Rate)
November 8	NFIB Small Business Economic Trends
November 10	Consumer Price Index
November 16	Monthly Retail Trade Report
November 17	Housing Starts

Additional NFIB Research and Media

Podcast: Planet Money (NPR) – Breaking Down the Price of Gasoline (September 2)
<https://www.npr.org/2022/08/31/1120422634/breaking-down-the-price-of-gasoline>

The Economic Outlook for Federal Reserve Policy. William Dunkelberg (September 23)
<https://www.forbes.com/sites/williamdunkelberg/2022/09/23/the-economic-outlook-for-federal-reserve-policy/?sh=10756c73282c>

Podcast: The Journal (WSJ) – Are Rotisserie Chickens ‘Inflation-Proof?’ (October 10)
<https://www.wsj.com/podcasts/the-journal/are-rotisserie-chickens-inflation-proof/0429fb64-b744-45ed-a5cf-01838afe573b>

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