

NFIB Monthly Economic Report – September 2022

Small Business Economic Trends

The NFIB Small Business Optimism Index was 91.8 in August, an increase of 1.9 points from July and another month below the 48-year average of 98. The NFIB Uncertainty Index increased 7 points to 74, indicating that small business owners are more uncertain of their view of current economic conditions.¹ Key findings include:

- Of the 10 index components, 7 increased, 2 decreased, and 1 was unchanged.
- Twenty-nine percent of owners reported that inflation was their single most important problem in operating their business, a decrease of 8 points from July's highest reading since 1979 Q4.
- Owners expecting better business conditions over the next six months improved 10 points from July to a net negative 42 percent, the highest level since February when views were substantially more negative.
- Forty-nine percent of owners reported job openings that were hard to fill, unchanged from July, 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 very negative, owners still want to hire and make money.
- The net percent of owners raising average selling prices decreased 3 points to a net 53 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 increased 10 points from July to a net negative 19 percent, a very bearish outlook but far better than the previous two months.

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	91.8	89.9	100.1	108.8
NFIB Uncertainty Index	74	67	69	74
Unemployment Rate	3.7%	3.5%	5.2%	3.8%
Consumer Sentiment	59.5	58.2	72.8	100.1
CPI Inflation Rate	0.1%	1.3%	0.3%	0.1%
Prime Rate of Interest	6.25%	5.5%	3.25%	5.03%
Retail Sales Change	0.3%	-0.4%	0.9%	-0.1%
Housing Starts (000)	1575	1404	1576	1279

*Most recent available data for Retail Sales and Housing Starts from August 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 59.5 (slightly above August’s final reading of 58.2).

Although consumers’ sentiment improved in September, 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% (second 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 third estimate of GDP for the second quarter of 2022 will be released September 29.

Unemployment

The U.S. economy added 315,000 jobs in August and the unemployment rate increased to 3.7%, a historically low level.



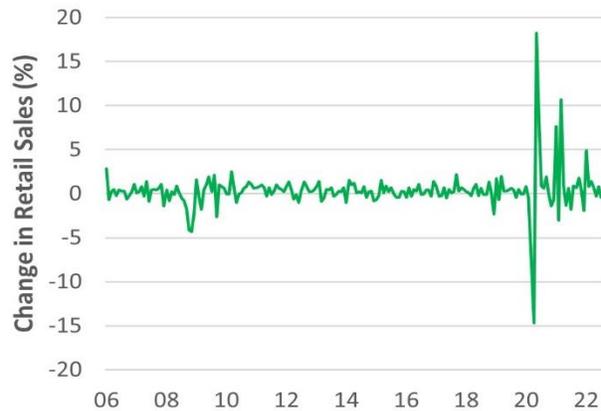
Source: U.S. Department of Labor

The most recent Job Openings and Labor Turnover Survey (JOLTS) produced by the Department of Labor found there were 11.2 million available jobs, 500,000 more than last month. The largest increases in job openings were in 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.

NFIB’s August SBET survey found 49% of owners with “hard to fill” job openings, unchanged from July and down 2 points from May’s 48-year record high (also in September).



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 0.1% in August month-to-month after being unchanged at 1.3% in July. Over the last 12 months the all items index increased 8.3% in July (a 0.2 point decrease from July's 8.5% increase).

The largest contributors to the monthly all items increase were in the shelter, food, and medical care indexes. However, these increases were mainly offset by the decline in the gasoline index (10.6%).

The energy index fell 5.0% over the month, although the index 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 index for all items less food and energy rose 6.3% 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 August 2021 to August 2022, fuel oil remained the category with the greatest increase over the last 12 months, with a 68.8% increase (75.6% in July).

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

Categories	August 2021 to August 2022
Fuel oil	68.8%
Airline fare	33.4%
Natural gas (piped)	33.0%
Energy Commodities	27.1%
Gasoline (all types)	25.6%
Energy	23.8%
Energy Services	19.8%
Other food at home	16.7%
Cereals and bakery products	16.4%

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 53% of owners raised prices over the past three months, a decrease of 3 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 32% of owners plan to raise prices in the coming months, a decrease of 5 points from July. The

seasonal adjustments for price plans and actual prices were revised. The data presented in this report reflect those changes.

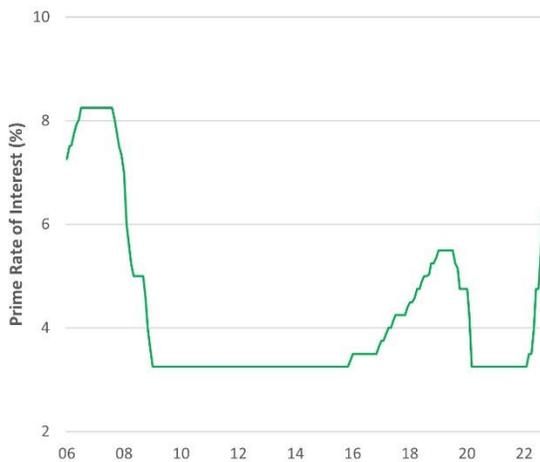
Retail Sales

The Monthly Retail Trade Report measures consumer spending at retail stores and food services. Retail sales increased by 0.3% in August from the previous month and was 9.1% above August 2021, according to advance estimates of U.S. retail and food services. Sales at gasoline stations were up 29.3% from last year, while nonstore retailers were up 11.2%. Data for September will be released October 14, 2022.

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 continues to be strong. August's New Residential Construction report found a level of 1.575 million units started up from July's revised report of 1.404 million units started. August's estimate was 0.1% below last year's rate of 1.576. 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

September 29	GDP, 2 nd Quarter 2022 (Third Estimate)
September 30	Michigan Consumer Sentiment (Final data)
October 4	Job Openings and Labor Turnover (JOLTS)
October 6	NFIB Jobs Report
October 7	BLS Employment Situation Report (Unemployment Rate)
October 11	NFIB Small Business Economic Trends
October 13	Consumer Price Index
October 14	Monthly Retail Trade Report
October 18	Housing Starts
November 1-2	Federal Open Market Committee Meeting

Additional NFIB Research and Media

Main Street Signaled The Inflation Rate. William Dunkelberg (September 8)
<https://www.forbes.com/sites/williamdunkelberg/2022/09/08/main-street-signaled-the-inflation-rate/?sh=3c56f0ac7039>

Podcast: IMF Podcasts – Carlo Pizzinelli on How Consumers Chart Inflation (September 8)
<https://www.imf.org/en/News/Podcasts/All-Podcasts/2022/09/08/carlo-pizzinelli-inflation>

Main Street And Monetary Policy. William Dunkelberg (September 9)
<https://www.forbes.com/sites/williamdunkelberg/2022/09/09/main-street-and-monetary-policy/?sh=32a74a36cc9f>

Podcast: The Journal (WSJ) - The Fed's Plan to Curb Inflation
<https://www.wsj.com/podcasts/the-journal/the-fed-plan-to-curb-inflation/798993DE-3658-4E9E-87F2-8AE0B57DD2B9>



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