

A male tailor with a beard, wearing a white shirt and dark suspenders, is focused on hand-sewing a pair of grey trousers. He is leaning over a white worktable. In the background, another person is visible working at a similar station. The room is well-lit, and various sewing tools and materials are scattered on the table.

Small Business Economic Trends Industry Report

JULY 2022

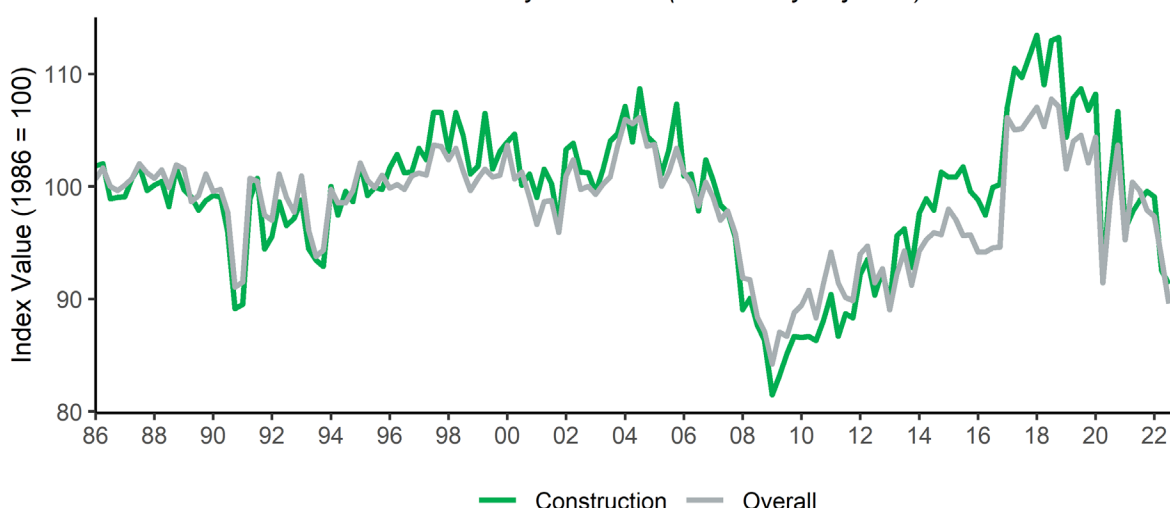
The Industry data are aggregated and seasonally adjusted through the nfib-sbet.org website.

The “overall” data are as published [here](#) and may differ slightly from website results due to rounding and seasonal adjustment differences.

CONSTRUCTION

NFIB Small Business Optimism Index

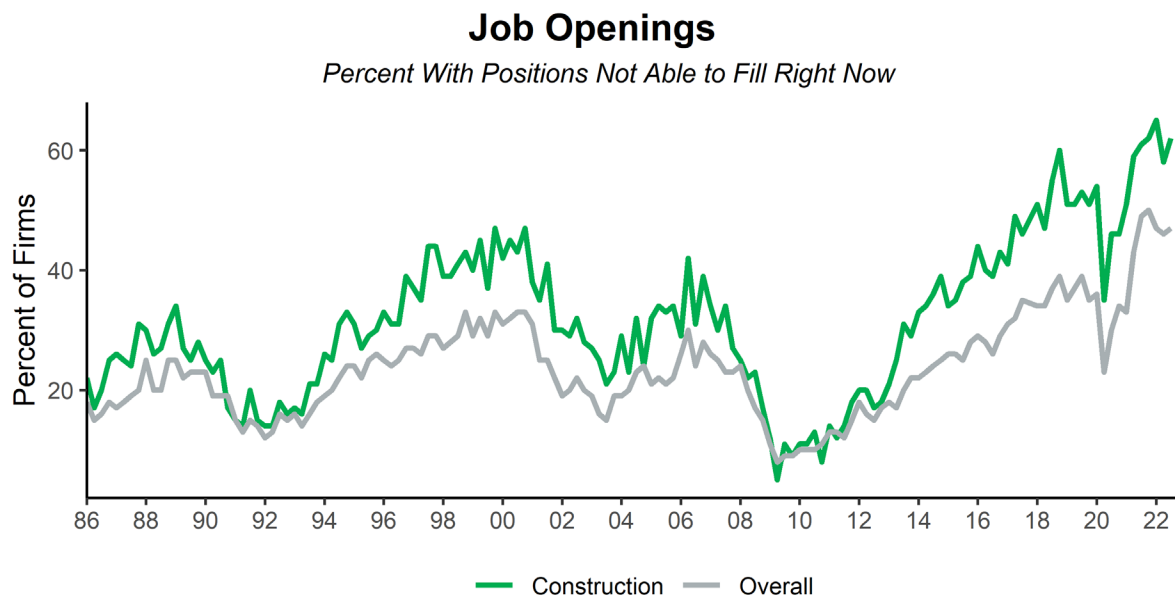
Based on Ten Survey Indicators (Seasonally Adjusted)



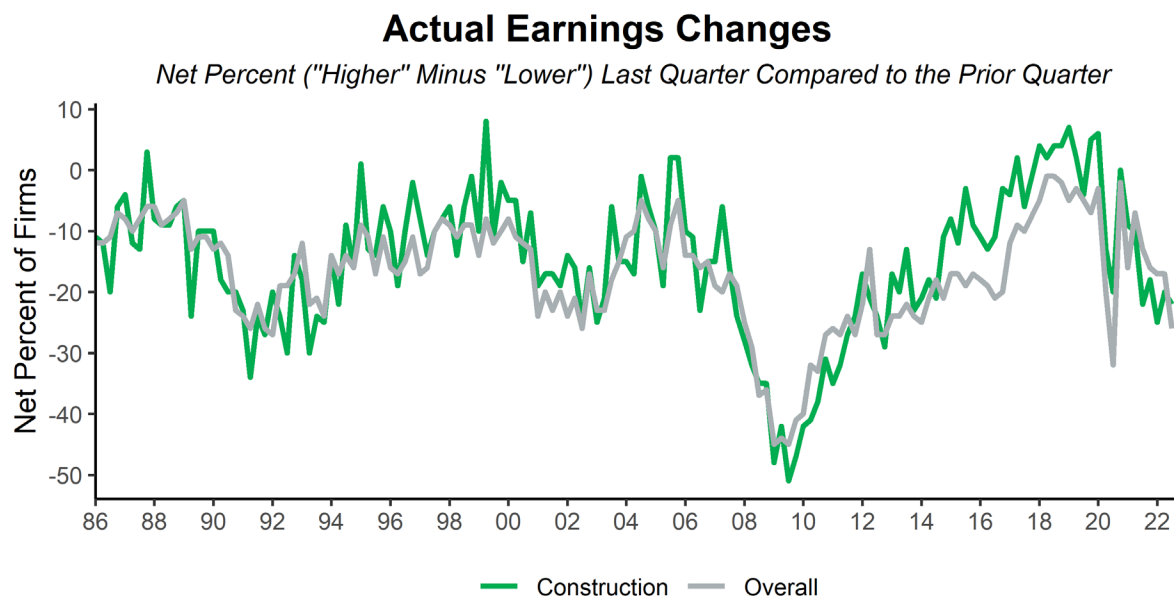
Index Components (Seasonally Adjusted)	Construction	Change from Last Quarter	Overall
Plans to Increase Employment	27%	3	20%
Plans to Make Capital Outlays	18%	-7	22%
Plans to Increase Inventories	-2%	0	1%
Expect Economy to Improve	-55%	3	-52%
Expect Real Higher Sales	-30%	-9	-29%
Current Inventory (Too Low)	0%	-9	2%
Current Job Openings	62%	4	49%
Expected Credit Conditions	-5%	-2	-7%
Now a Good Time to Expand	4%	2	4%
Earnings Trends	-22%	-2	-26%
Optimism Index	91.3	-1.2	89.9

The Optimism Index for construction in July was 91.3, down 1.2 points from April's quarterly report and higher than the overall Optimism Index by 1.4 points. Owners in construction had the highest percentage of unfilled job openings among all industries at 62 percent, up 4 points from April.

Demand for new construction remains solid, but is softening due to the doubling of mortgage rates and a shortage of homes available for sale. The Federal Reserve moves to increase interest rates are likely to further temper home sales going forward. The struggle to hire qualified workers has led to an inability to form work teams and begin permitted projects to meet demand. Sixty percent of the job openings in construction are for skilled workers, up 6 points from last quarter. Sixty-seven percent of construction firms reported few or no qualified applicant, up 3 points from April.



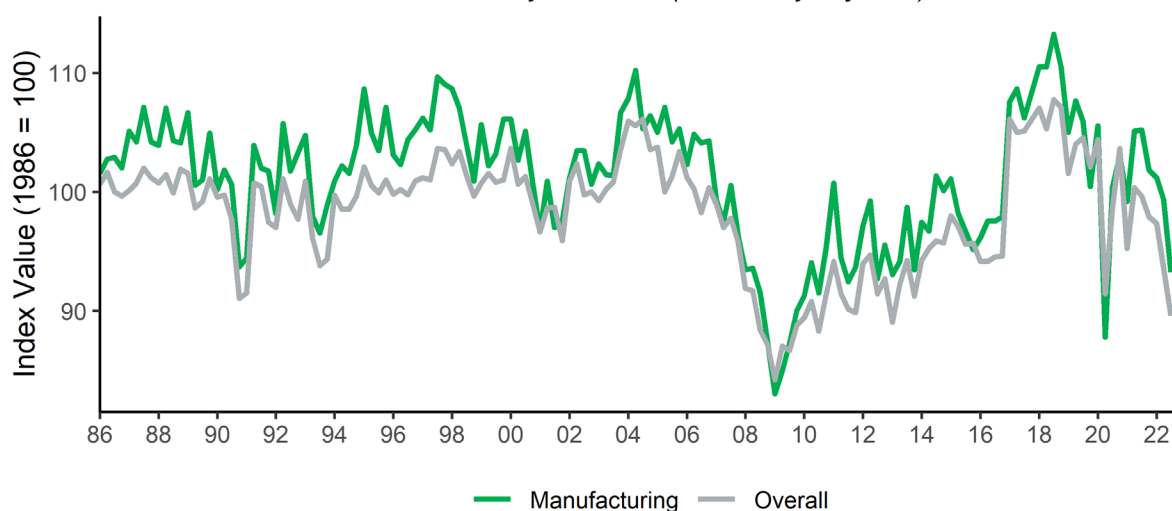
The price of materials (lumber, copper, etc.) has also increased the cost of production. Seventy-three percent of construction firms reported raising prices in July, down 8 points from last quarter but historically very high. Earnings trends in construction fell by 2 points from the previous quarter to a net negative 22 percent.



MANUFACTURING

NFIB Small Business Optimism Index

Based on Ten Survey Indicators (Seasonally Adjusted)



Index Components (Seasonally Adjusted)	Manufacturing	Change from Last Quarter	Overall
Plans to Increase Employment	28%	0	20%
Plans to Make Capital Outlays	22%	-16	22%
Plans to Increase Inventories	9%	6	1%
Expect Economy to Improve	-52%	-25	-52%
Expect Real Higher Sales	-29%	-28	-29%
Current Inventory (Too Low)	-3%	-7	2%
Current Job Openings	59%	6	49%
Expected Credit Conditions	-6%	-3	-7%
Now a Good Time to Expand	6%	-2	4%
Earnings Trends	-17%	0	-26%
Optimism Index	93.2	-6.2	89.9

The manufacturing sector continues to be more optimistic compared to other industries in its recovery from the pandemic. The Optimism Index for manufacturing in July was 93.2, down from 99.4 in April but 3.3 points above the overall Optimism Index.

Hiring is also a challenge for manufacturing firms. Fifty-nine percent of firms reported unfilled job openings, second only to the construction industry and 10 percentage points higher than for all firms. A net 28 percent of firms plan to create new jobs in the next three months, unchanged from April and 8 percentage points higher than the overall small business economy.

Sales Expectations

Net Percent ("Higher" Minus "Lower") in the Next Three Months

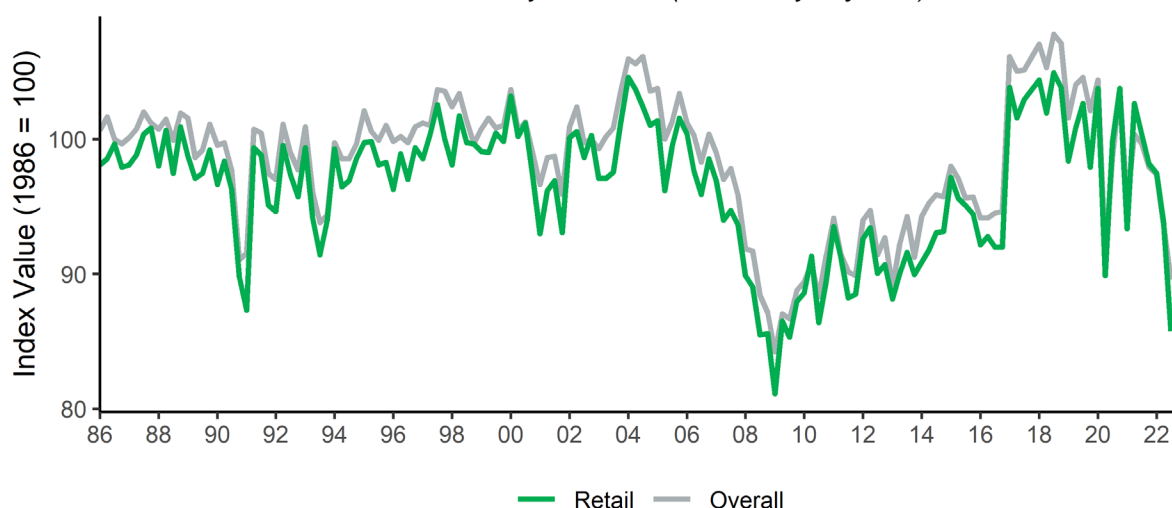


Future sales expectations declined 28 points in July from April's quarterly report. A net negative 29 percent of manufacturing owners expect higher sales in the next three months, the same as the overall small business economy, a very pessimistic outlook.

RETAIL

NFIB Small Business Optimism Index

Based on Ten Survey Indicators (Seasonally Adjusted)



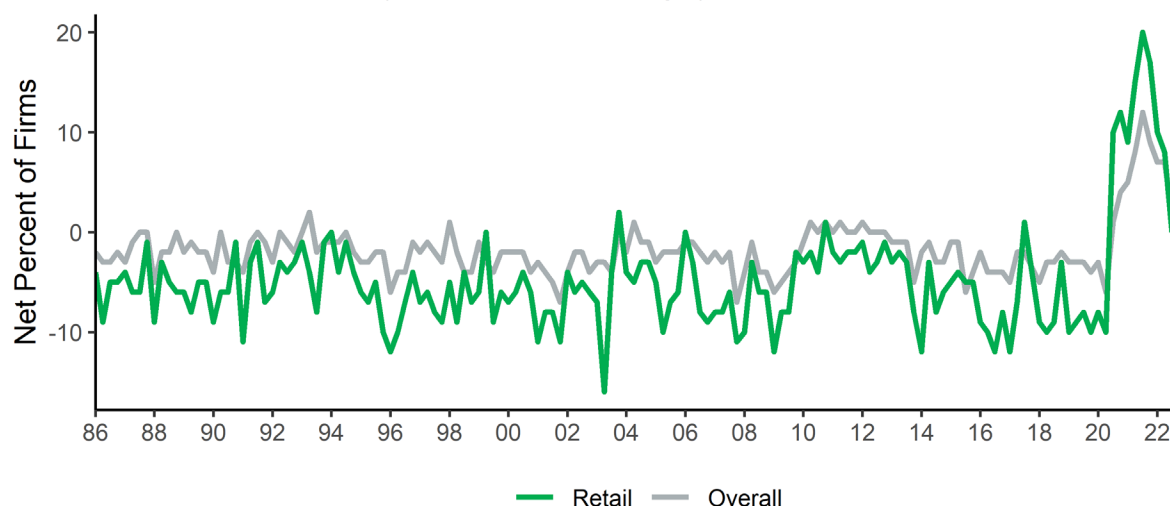
Index Components (Seasonally Adjusted)	Retail	Change from Last Quarter	Overall
Plans to Increase Employment	14%	-7	20%
Plans to Make Capital Outlays	16%	-6	22%
Plans to Increase Inventories	-6%	-11	1%
Expect Economy to Improve	-53%	-7	-52%
Expect Real Higher Sales	-42%	-26	-29%
Current Inventory (Too Low)	0%	-8	2%
Current Job Openings	43%	-9	49%
Expected Credit Conditions	-5%	0	-7%
Now a Good Time to Expand	2%	-2	4%
Earnings Trends	-33%	-15	-26%
Optimism Index	85.8	-8	89.9

Retailers exhibited a notably lower level of optimism than the average for all firms in July with an industry Optimism Index of 85.8, down 8 points from April.

Earnings trends in retail fell 15 points from the previous quarter to a net negative 33 percent meaning 33 percentage points more of them reported earnings headed down than increasing. Retail owners' expectations about economic conditions over the next six months declined 7 points to a net negative 53 percent. Supply chain disruptions and staffing shortages are limiting sales opportunities for small retailers, unable to take full advantage of stronger consumer spending. Overall, retailers have a very negative outlook for their business conditions environment.

Inventory Satisfaction

Net Percent ("too low" minus "too large") in the Next Three Months

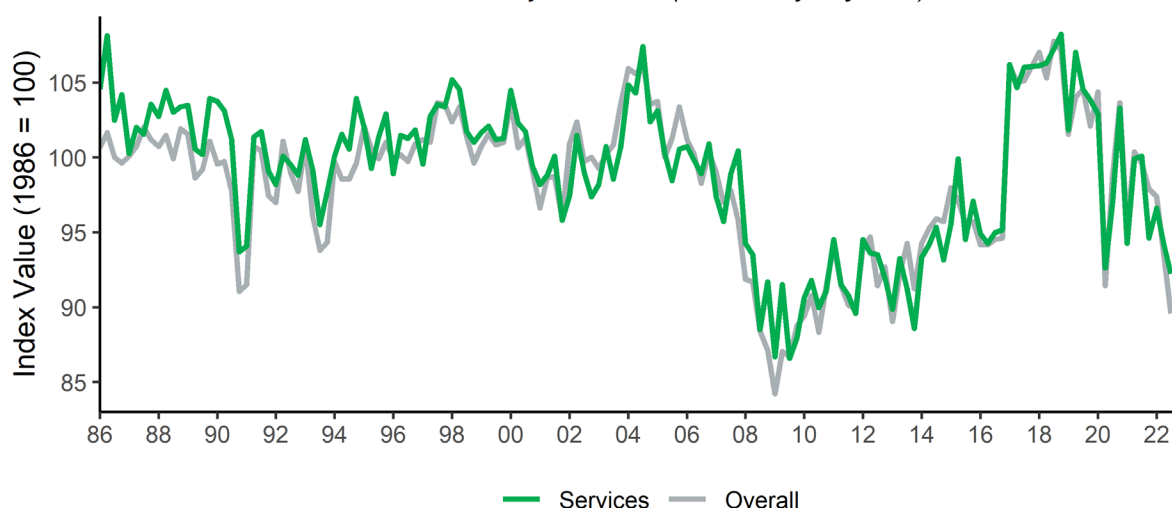


Zero percent of retailers report current inventory levels "too low", compared to 2 percent (net) of all small businesses. Retailers have decreased inventory levels, and a net negative 6 percent plan to increase inventories over the next three to six months, 7 points below all firms.

SERVICES

NFIB Small Business Optimism Index

Based on Ten Survey Indicators (Seasonally Adjusted)



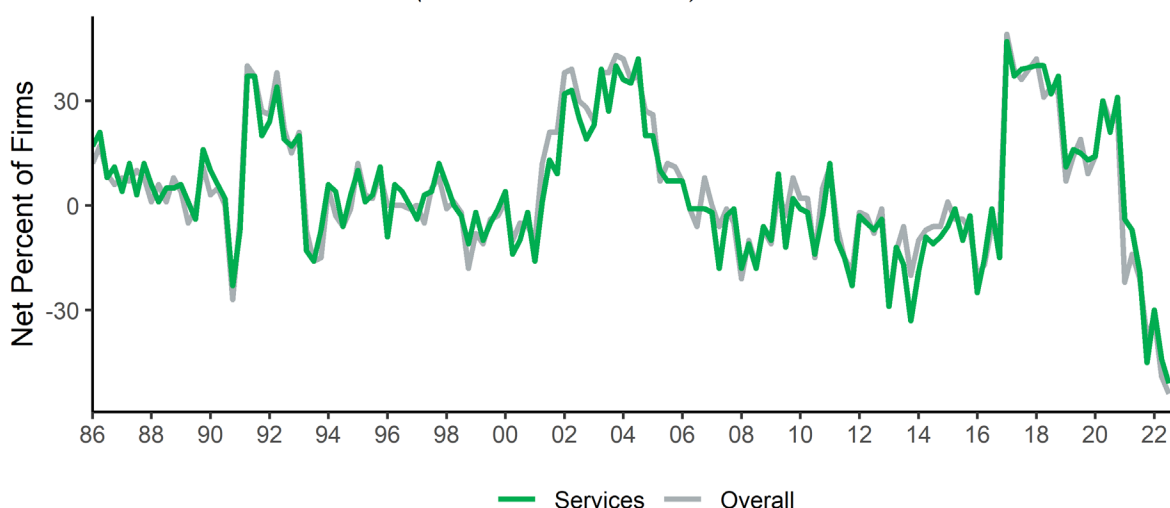
Index Components (Seasonally Adjusted)	Services	Change from Last Quarter	Overall
Plans to Increase Employment	16%	-11	20%
Plans to Make Capital Outlays	15%	-10	22%
Plans to Increase Inventories	1%	0	1%
Expect Economy to Improve	-51%	-7	-52%
Expect Real Higher Sales	-8%	0	-29%
Current Inventory (Too Low)	6%	0	2%
Current Job Openings	51%	6	49%
Expected Credit Conditions	-3%	1	-7%
Now a Good Time to Expand	3%	-5	4%
Earnings Trends	-21%	2	-26%
Optimism Index	92.2	-2	89.9

The service sector Optimism Index decreased in July by 2 points to 92.2 and is 2.3 points above the overall index.

Most of the decrease in service sector optimism was driven by a decrease in expectations that the economy will improve and expectations of real higher sales. Service businesses concern about future sales over the next three months was unchanged from April at a net negative 8 percent of owners. The reappearance of Covid and the confusion about policy from Washington D.C. have dampened hopes for continued economic growth.

Outlook for General Business Conditions

Net Percent ("Better" Minus "Worse") Six Months From Now



EXTRA

July 2022

Single Most Important Problem - Inflation

% of small business owners reporting that inflation is their single most important problem operating their business, lowest for firms that have more control over their prices.

