



NFIB Monthly Economic Newsletter

January 2024



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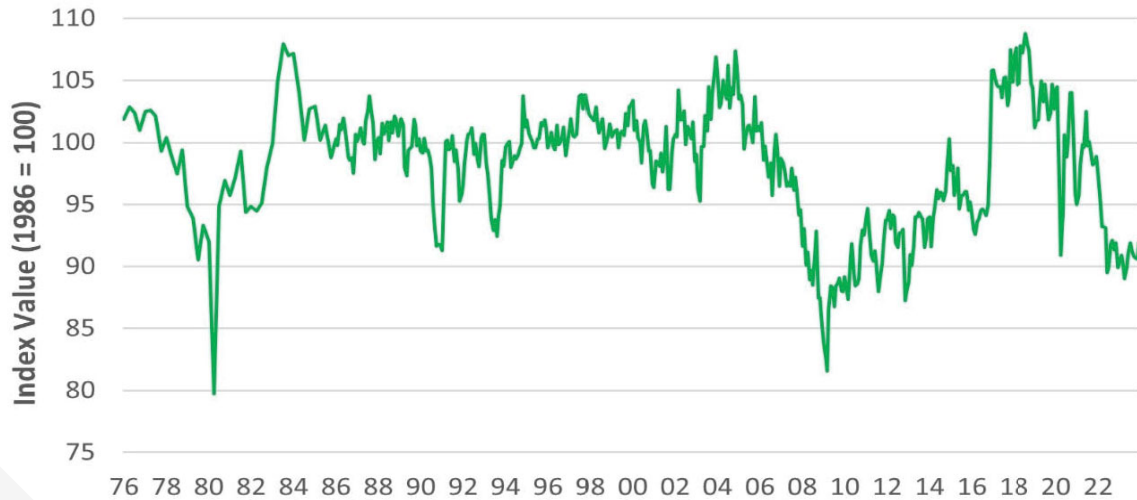
Small Business Economic Trends

The Optimism Index increased by 1.3 points in December to 91.9. This is the 24th consecutive month below the 50-year average of 98. The last time the Index was at or above the average was in December 2021. The Index hovered around the “90” level all last year. Of the 10 index components, 5 increased, 3 decreased, and 2 were unchanged.

- Twenty-three percent of owners reported that inflation was their single most important problem in operating their business, up 1 point from last month and replacing labor quality as the top concern.
- Owners expecting better business conditions over the next six months improved 6 points from November to a net negative 36 percent seasonally adjusted, but 25 percentage points better than last June’s reading of net negative 61 percent.
- Seasonally adjusted, a net 29 percent plan to raise compensation in the next three months, down 1 point from November. This will put pressure on price hikes needed to protect the bottom line.
- The net percent of owners raising average selling prices was unchanged from November at a net 25 percent seasonally adjusted. Still too high to lower inflation on Main Street.
- The net percent of owners who expect real sales to be higher improved 4 points from November to a net negative 4 percent (seasonally adjusted), the highest reading since January 2022.

Small Business Optimism Index

*Based on Ten Survey Indicators
(Seasonally Adjusted)*



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	1 Year Ago	5 Years Ago
NFIB Optimism Index	91.9	90.6	89.9	104.4
Unemployment Rate	3.7%	3.7%	3.5%	3.9%
Consumer Sentiment	78.8	69.7	64.9	91.2
CPI Inflation Rate (monthly)	0.3%	0.4%	0.1%	0%
Prime Rate of Interest	8.5%	8.5%	7.75%	5.5%
Retail Sales Change	0.6%	0.3%	-1.1%	-2.3%
Housing Starts (000)	1460	1525	1371	1142

*Most recent available data for Retail Sales and Housing Starts from December 2023

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 rose 13% in January to a preliminary value of 78.8 (69.7 in December), reaching its highest level since July 2021. Consumer sentiment has risen approximately 60% above the lowest reading in June 2022.



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 2023 by 4.9% (third estimate), after an increase of 2.1% in the second quarter. The increase in the third quarter was largely due to increases in consumer spending, private inventory investment, exports, state and local government spending, federal government spending, residential fixed investment, and nonresidential fixed investment. The advance estimate of GDP for the fourth quarter of 2023 and year 2023 will be released January 25.

Unemployment

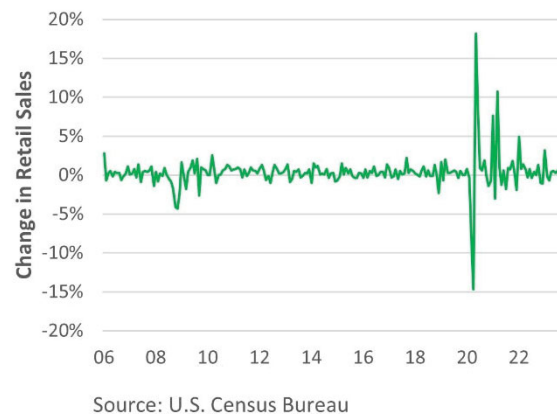
The U.S. economy added 216,000 jobs in December, after an increase of 199,000 in November. The unemployment rate remained at 3.7%, slightly below the 3.8% expectation. Job gains occurred in government, health care, social assistance, and construction.

The most recent Job Openings and Labor Turnover Survey (JOLTS) produced by the Department of Labor found there were 8.8 million available jobs, barely changed from the prior month (8.7 million). Job openings decreased in transportation, warehousing, and utilities, and in the federal government. Job openings increased in wholesale 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 December Small Business Economic survey found 40% (seasonally adjusted) of owners with "hard to fill" job openings, unchanged from November, but historically very high. Owners hope to fill some of those openings with solid hiring plans, with a net 16% (seasonally adjusted) planning to hire in the coming months, down 2 points from the prior month.



Consumer Price Index (Inflation Rate)

The Consumer Price Index (CPI) measures the price level of a basket of consumer goods commonly purchased by households. The CPI increased 0.3% in December month-to-month after rising 0.1% in November. Over the last 12 months the all items index increased 3.4%, slightly higher than the 12 months ending in November (3.1%).

The shelter index continued to increase in December and contributed over half of the all items monthly increase. The energy index rose 0.4% over the month and the food index rose 0.2%. 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 December 2022 to December 2023, motor vehicle insurance and transportation services remained the categories with the greatest increases.

12-month percent change, Consumer Price Index, selected categories, December 2023, not seasonally adjusted

Categories	Dec. 2022 - Dec. 2023
Motor vehicle insurance	20.3%
Transportation services	9.7%
Tobacco and smoking products	7.8%
Motor vehicle maintenance and repair	7.1%
Rent of primary residence	6.5%
Owners' equivalent rent of residences	6.3%
Shelter	6.2%
Limited service meals and snacks	5.9%
Hospital services	5.5%

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 Small Business Economic Survey report found a net 25% (seasonally adjusted) of owners raised prices over the past three months, unchanged from last month. The highest reading was in the mid-1970s, the last time inflation was a serious problem, 67% in Q4 1974. A net 32% (seasonally adjusted) of owners plan to raise prices in the coming months down 2 points from November.

Retail Sales

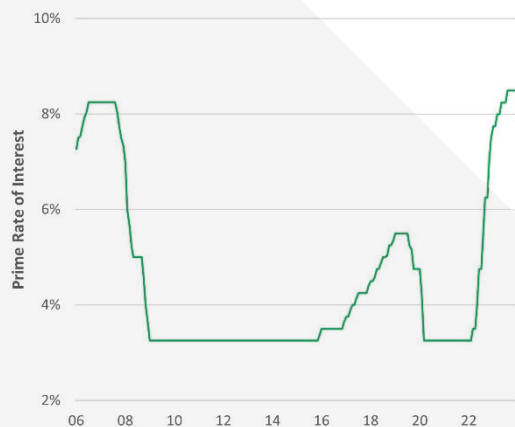
The Monthly Retail Trade Report measures consumer spending at retail stores and food services. Retail and food services sales were up 0.6% in December from the previous month after an increase of 0.3% in November (revised) and was 5.6% above December 2022. December's reading was better than the 0.4% increase economists expected. Retail

trade sales were also up 0.6% from the previous month and nonstore retailers were up 9.7% from last year. Food services and drinking places were up 11.1% from December 2022.

Data for January will be released on February 15, 2024. These figures are not adjusted for inflation (e.g., gas dollar volumes rise as gas prices rise, actual gallons purchased increase by smaller percentages).

Prime Lending Rate

The prime rate is the price of short-term loans available to qualified businesses. Each year the Federal Open Market Committee (FOMC), a committee of the Federal Reserve, meets eight times to determine the direction of monetary policy. In mid-December, the Fed announced it would hold rates steady for the third consecutive meeting. The prime lending rate remains at 8.5% and the federal funds rate, 5.25%-5.50%. It is expected that there will be cuts in the year ahead. The next FOMC meeting is scheduled for January 30-31.



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. December's New Residential Construction report found a level of 1.460 million units started, down from November's revised report of 1.525 million units started, although 7.6% above the December 2022 rate. This is the first time in four months that housing starts were down. Supply chain problems (workers, lumber, appliances, building codes to name a few) continue to slow new home construction and completion along with severe winter conditions. Data for January will be released on February 16, 2024.

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

fred.stlouisfed.org

Upcoming Economic Indicator Releases

January 25	GDP, 4th Quarter 2023 and Year 2023 (Advance Estimate)
January 30	Job Openings and Labor Turnover (JOLTS)
January 30-31	Federal Open Market Committee Meeting
February 1	NFIB Jobs Report
February 2	BLS Employment Situation Report (Unemployment Rate)
February 2	Michigan Consumer Sentiment (Final Estimate)
February 13	NFIB Small Business Economic Trends
February 13	Consumer Price Index
February 15	Monthly Retail Trade Report
February 16	Housing Starts

Additional NFIB Research and Media

A Happy New Year for Small Business? William Dunkelberg (January 17).

<https://www.forbes.com/sites/williamdunkelberg/2024/01/17/a-happy-new-year-for-small-business/?sh=294dda13aa36>

Podcast: The Indicator from Planet Money - Higher Wages, Fewer Temp Workers and Indicators of the Year Results (January 5).

<https://www.npr.org/2024/01/05/1197959369/jobs-friday-report-higher-wages-temp-workers>

Still Hiring. James Freeman (January 4). <https://www.wsj.com/articles/still-hiring-c54f3ac6?st=sk1a4h42h89u52r>

NFIB Research Center Financing Sales Survey – December 2023.

<https://strgnfibcom.blob.core.windows.net/nfibcom/Financing-Sales-Survey.pdf>

Whiplash. William Dunkelberg (December 21).

<https://www.forbes.com/sites/williamdunkelberg/2023/12/21/whiplash/?sh=75dc72f84182>



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