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NFIB Monthly
Economic
Newsletter

APRIL 2024



NFIB Monthly Economic Newsletter – April 2024

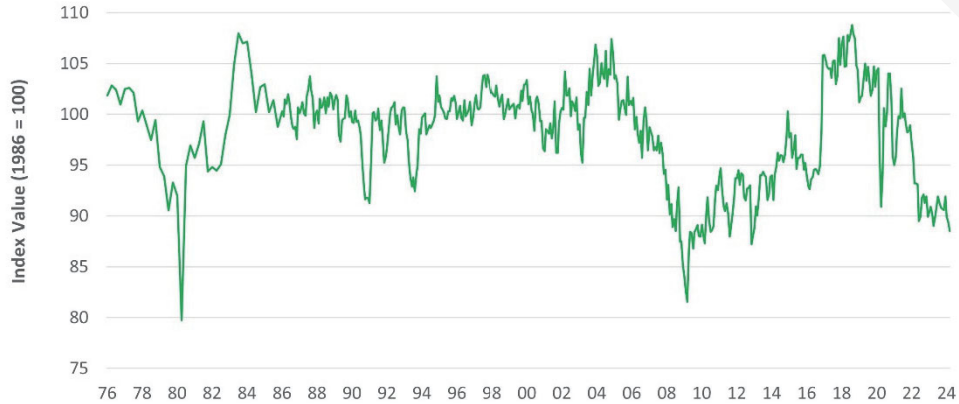
Small Business Economic Trends

The Optimism Index decreased by 0.9 of a point in March to 88.5, the lowest level since December 2012. This is the 27th consecutive month below the 50-year average of 98. The last time the Index was at or above the average was in December 2021. Of the 10 index components, 2 increased, 6 decreased, and 2 were unchanged.

- The net percent of owners who expect real sales to be higher decreased 8 points from February to a net negative 18 percent (seasonally adjusted).
- Twenty-five percent of owners reported that inflation was their single most important problem in operating their business (higher input and labor costs), up 2 points from February.
- Owners' plans to fill open positions continue to slow, with a seasonally adjusted net 11 percent planning to create new jobs in the next three months, down 1 point from February and the lowest level since May 2020.
- Seasonally adjusted, a net 38 percent reported raising compensation, up 3 points from February's lowest reading since May 2021.
- Thirty-seven percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, unchanged from February and the lowest reading since January 2021.
- The net percent of owners raising average selling prices rose 7 points from February to a net 28 percent seasonally adjusted.

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](https://www.nfib.com/SBET)

Macroeconomic Indicators

	Most Recent	Previous Month	1 Year Ago	5 Years Ago
NFIB Optimism Index	88.5	89.4	90.1	101.8
Unemployment Rate	3.8%	3.9%	3.5%	3.8%
Consumer Sentiment	77.9	79.4	63.5	97.2
CPI Inflation Rate (monthly)	0.4%	0.4%	0.1%	0.4%
Prime Rate of Interest	8.5%	8.5%	8.0%	5.5%
Retail Sales Change	0.7%	0.9%	-0.7%	2.0%
Housing Starts (000)	1321	1549	1372	1199

*Most recent available data for Retail Sales and Housing Starts from March 2024

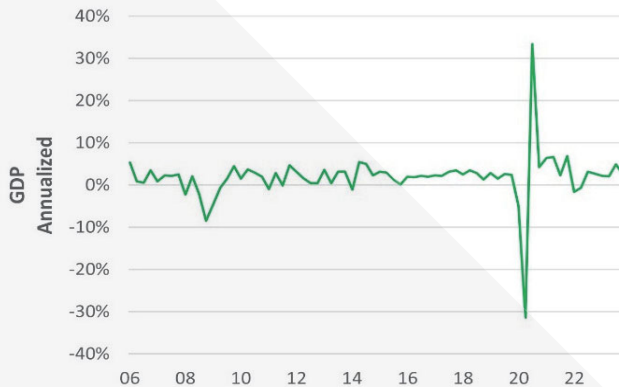
Consumer Sentiment (Univ. of Michigan)

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 slightly in April to a preliminary value of 77.9. Since the beginning of this year, the Index has remained within a narrow point range, well under what is considered a statistically significant difference in readings. Although sentiment showed little change, inflation expectations over the next year indicated increased concerns about a rising cost of living.



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 fourth quarter of 2023 by 3.4% (third estimate), after an increase of 4.9% in the third quarter. This was higher than previous expectations. The increase in the fourth quarter was largely due to increases in consumer spending, exports, state and local government spending, nonresidential fixed investment, federal government spending, and residential fixed investment. The third estimate reflected upward revisions to consumer spending and nonresidential fixed investment. GDP increased 2.5% in 2023, compared to 1.9% in 2022. The advance estimate for the first quarter of 2024 will be released on April 25, 2024.

Unemployment

The U.S. economy added 303,000 jobs in March, well above the Dow Jones expectation of 200,000 and marking an acceleration in the pace of hiring. The unemployment rate fell to 3.8%, the 26th consecutive month under 4%. Job gains occurred in health care (72,000), government (71,000), and construction (39,000). Monthly figures are subject to major revisions.

The most recent Job Openings and Labor Turnover Survey (JOLTS) produced by the Department of Labor found 8.8 million available jobs, slightly down from the prior month (8.9 million). Job openings increased in finance and insurance; state and local government, excluding education; and arts, entertainment, and recreation. Job openings decreased in information and the federal government. The ratio of unemployed workers to job openings continues to be under one (0.7), indicating that there are more open positions than people seeking work, in a very tight labor market.



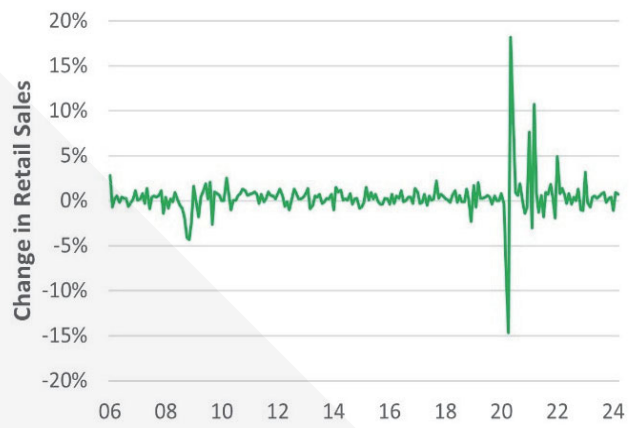
Source: U.S. Department of Labor

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NFIB’s March Small Business Economic Trends survey found 37% (seasonally adjusted) of owners with “hard to fill” job openings, unchanged from February, and historically very high. Owners hope to fill some of those openings with solid hiring plans, with a net 11% (seasonally adjusted) planning to hire in the coming months, down 1 point from February.



Source: U.S. Bureau of Labor Statistics



Source: U.S. Census Bureau

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 0.4% in March month-to-month, the same increase as February. Over the last 12 months, the all-items index increased 3.5%, higher than February (3.2%) and economists' expectations. The shelter index and gasoline index both increased in March and combined contributed to over half of the monthly increase. The energy index increased 1.1% over the month and the food index increased 0.1%.

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 March 2023 to March 2024, motor vehicle insurance, transportation services, and motor vehicle maintenance and repair were the categories with the greatest increases.

12-month percent change, Consumer Price Index, selected categories, March 2024, not seasonally adjusted

Categories	Mar. 2023 to Mar. 2024
Motor vehicle insurance	22.2%
Transportation services	10.7%
Motor vehicle maintenance and repair	8.2%
Hospital services	7.5%
Tobacco and smoking products	6.8%
Owners' equivalent rent of residences	5.9%
Rent of primary residence	5.7%
Shelter	5.7%
Services less energy services	5.4%

Source: U.S. Bureau of Labor Statistics

The latest NFIB Small Business Economic Trends report found a net 28% (seasonally adjusted) of owners raised prices over the past three months, up 7 points from the prior month. The highest reading was in the mid-1970s, the last time inflation was a serious problem, 67% in Q4 1974. A net 33% (seasonally adjusted) of owners plan to raise prices in the coming months, up 3 points from February.

Retail Sales

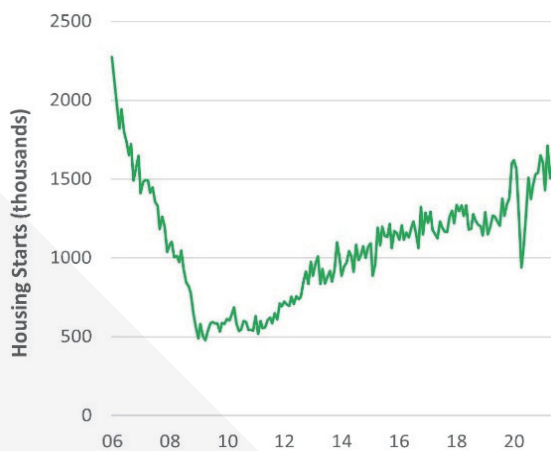
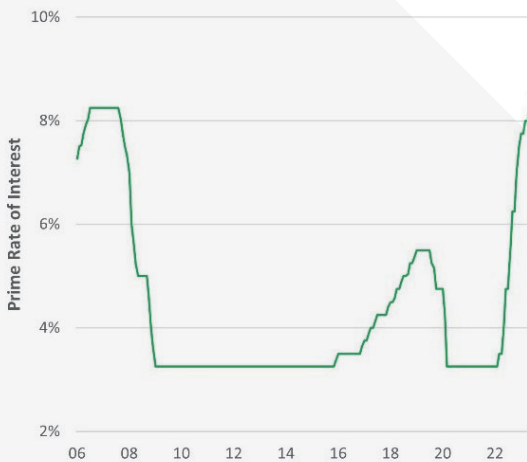
The Monthly Retail Trade Report measures consumer spending at retail and food services stores. Retail and food services sales were up 0.7% in March from the previous month after February's upward revision of 0.9%. March's reading was 4% above March 2023 and higher

than the 0.4% increase that economists expected. Retail trade sales were up 3.6% from a year ago and nonstore retailers were up 11.3%. Food services and drinking places were up 6.5% from March 2023.

Data for April will be released on May 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-March, the Fed announced it would hold rates steady for the fifth consecutive meeting. The prime lending rate remains at 8.5% and the federal funds rate target, 5.25%-5.50%. It is expected that the Fed will cut rates later this year, although the March CPI report pushed back economists' expectations on the timing of the first-rate cut (7 cuts were expected at the start of the year, now only 2). The next FOMC meeting is scheduled for April 30- May 1.





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. March's New Residential Construction report found that 1.321 million units started, a 14.7% decline from February and lower than economists' expectations. The reading was 4.3% below the March 2023 rate of 1.380 million. Supply chain problems (workers, lumber, appliances, building codes to name a few) continue to slow new home construction and completion along with harsh weather conditions. Data for April will be released on May 16, 2024.

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

fred.stlouisfed.org

Upcoming Economic Indicator Releases

April 25	GDP, 1st Quarter 2024 (Advance Estimate)
April 26	Michigan Consumer Sentiment (Final Estimate)
April 30 - May 1	Federal Open Market Committee Meeting
May 1	Job Openings and Labor Turnover (JOLTS)
May 2	NFIB Jobs Report
May 3	BLS Employment Situation Report (Unemployment Rate)
May 14	NFIB Small Business Economic Trends
May 15	Consumer Price Index
May 15	Monthly Retail Trade Report
May 16	Housing Starts

Additional NFIB Research and Media

Sticky Wages Are Not Transitory. William Dunkelberg (April 18).

<https://www.forbes.com/sites/williamdunkelberg/2024/04/18/sticky-wages-are-not-transitory/?sh=5f9b10087394>

Podcast: The Journal - How Employer-Funded Child Care Can Work (April 11).

<https://www.wsj.com/podcasts/the-journal/how-employer-funded-child-care-can-work/f64ff8a0-6b00-4191-8786-81913ead1c67>

NFIB Executive Director Gives Insight into US Small Business Struggles. Don Ma (April 9).

https://www.ntd.com/nfib-executive-director-gives-insight-into-us-small-business-struggles_985029.html

More Small Firms are Handing Out Raises...But Owners Keep Scaling Back Growth Plans.

James Freeman (April 4).

<https://www.wsj.com/articles/more-small-firms-are-handing-out-raises-a811f615?st=zdnd55xkjtvofff>

The Proposed \$50 Minimum Wage Bill in California Would Crush Small Businesses? William Dunkelberg & Swaroop Bhagavatula (March 26).

<https://www.forbes.com/sites/williamdunkelberg/2024/03/26/the-proposed-50-minimum-wage-bill-in-california-would-crush-small-businesses/?sh=7098504f4653>



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