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NFIB Monthly
Economic
Newsletter

August 2024



NFIB Monthly Economic Newsletter – August 2024

Small Business Economic Trends

The Optimism Index rose 2.2 points in July to 93.7, the highest reading since February 2022. However, this is the 31st consecutive month below the 50-year average of 98. The last time the Index was at or above the average of 98 was in December 2021. Of the 10 index components, 5 increased, 2 decreased, and 3 were unchanged.

Twenty-five percent of owners reported that inflation was their single most important problem in operating their business, up 4 points from June and remaining the top problem.

Seasonally adjusted, a net 33 percent reported raising employee compensation, down 5 points from June and the lowest reading since April 2021.

A net 2 percent (seasonally adjusted) of owners plan inventory investment in the coming months, up 4 points from June. The last time inventory investment plans were positive was in October 2022.

The net percent of owners expecting higher real sales volumes rose 4 points to a net negative 9 percent (seasonally adjusted), the highest reading of this year.

The net percent of owners raising average selling prices fell 5 points from June to a net 22 percent seasonally adjusted.

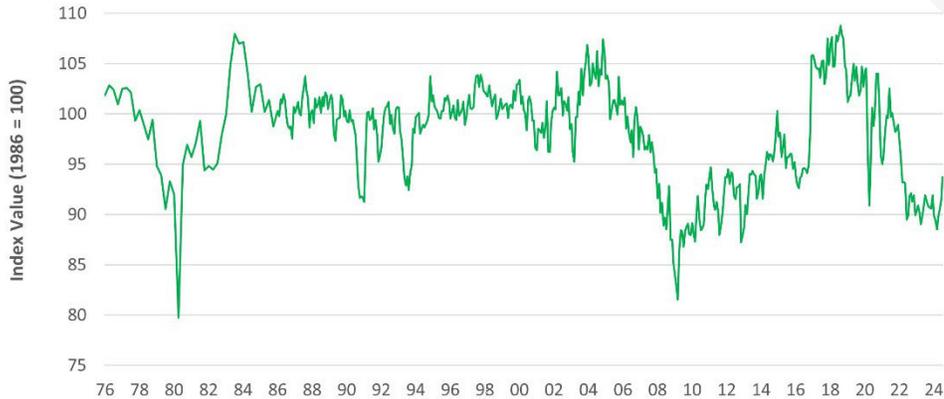
Seasonally adjusted, a net 24 percent plan price hikes in July (down 2 points). This is the lowest reading since April 2023.

Thirty-eight percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, up 1 point from June.

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	93.7	91.5	91.9	104.7
Unemployment Rate	4.3%	4.1%	3.5%	3.7%
Consumer Sentiment	67.8	66.4	69.5	89.8
CPI Inflation Rate (monthly)	0.2%	-0.1%	0.2%	0.3%
Prime Rate of Interest	8.50%	8.50%	8.25%	5.50%
Retail Sales Change	1.0%	-0.2%	0.5%	0.6%
Housing Starts (000)	1238	1329	1447	1204

*Most recent available data for Retail Sales and Housing Starts from July 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 rose in August to a preliminary value of 67.8, up from 66.4 in July. August’s reading was the first increase in five months. Year-ahead inflation expectations were the same as the prior month at 2.9%. Long-run inflation expectations came in at 3.0%.



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 second quarter of 2024 by 2.8% (advance estimate), up from the first quarter’s reading of 1.4% and outpacing the forecast of 2.1%. The second quarter’s increase was due to increases in consumer spending, private inventory investment, and nonresidential fixed investment. The second estimate for the second quarter of 2024 will be released on August 29, 2024.

Unemployment

The U.S. economy added 114,000 jobs in June, fewer than economists expected (175,000). Employment numbers combined in May and June were revised down by 29,000 workers. The unemployment rate rose to 4.3%, up from 4.1% last month and the highest level since September 2021. Job gains occurred in health care, construction, transportation, and warehousing. Jobs in information decreased.

The most recent Job Openings and Labor Turnover Survey (JOLTS) the Department of Labor produced found 8.2 million available jobs. Job openings decreased in durable goods manufacturing and the federal government. Categories with increased job openings were accommodation and food services and state and local government (excluding education). The ratio of unemployed workers to job openings continues to be under one (0.8), indicating that there are more open positions than people seeking work.



Source: U.S. Department of Labor

NFIB’s July SBET survey found 38% (seasonally adjusted) of owners with “hard to fill” job openings, up 1 point from June and still historically very high. Owners hope to fill some of those openings with solid hiring plans, with a net 15% (seasonally adjusted) planning to hire in the coming months, unchanged from June.



Source: U.S. Bureau of Labor Statistics

*Data from 12/21 to 11/22 are been omitted. CPI reached 9.1% in June 2022.



Source: U.S. Census Bureau

*Data from 3/20 to 6/20 are omitted. Retail sales were -14.7% in April 2020 and 18.2% in May 2020.

Consumer Price Index (Inflation Rate)

The Consumer Price Index (CPI) measures the cost of a basket of consumer goods commonly purchased by households. The CPI rose 0.2% in July month-to-month, after declining 0.1% in June. Over the last 12 months, the all-items index increased 2.9%, slower than expected. This was the smallest 12-month increase since March 2021. The energy index was unchanged over the month, and the index for food increased by 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 July 2023 to July 2024, motor vehicle insurance, tobacco and smoking products, hospital services, and owners’ equivalent rent of residences were the categories with the greatest increase.

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

Categories	July 2023 to July 2024
Motor vehicle insurance	18.6%
Tobacco and smoking products	7.9%
Hospital services	6.1%
Owners’ equivalent rent of residences	5.3%
Rent of primary residence	5.1%
Electricity	4.9%
Motor vehicle maintenance and repair	4.6%

Source: U.S. Bureau of Labor Statistics

The latest NFIB SBET report found a net 22% (seasonally adjusted) of owners raised prices over the past three months, down 5 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 24% (seasonally adjusted) of owners plan to raise prices in the coming months, down 2 points from June.

Retail Sales

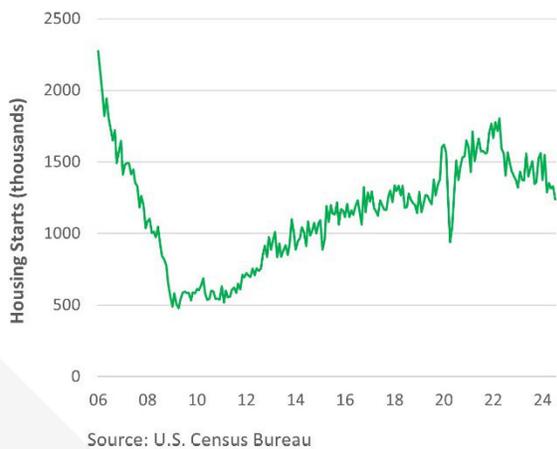
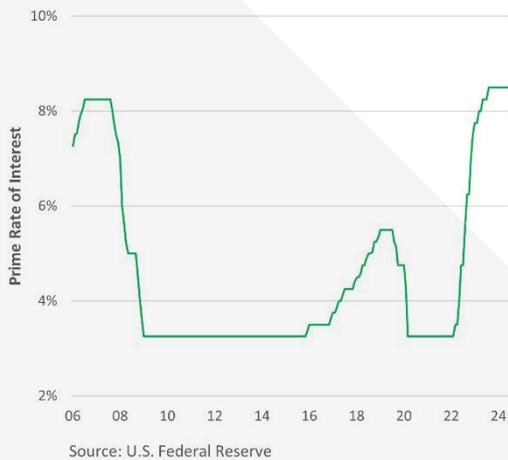
The Monthly Retail Trade Report measures consumer spending at retail and food services stores. Consumer spending is an important metric of economic growth since it makes up about two-thirds of GDP. Retail and food services sales increased 1.0% in July from the previous month after June’s

downward revision of -0.2%. July's reading was 2.7% above July 2023, surpassing Wall Street's estimates. Retail trade sales were up 2.6% from a year ago, and nonstore retailers were up 6.7%. Food services and drinking places were up 3.4% from July 2023.

Data for August will be released on September 17, 2024. These figures are not adjusted for inflation (e.g., gas dollar volumes rise as gas prices rise, and 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 late July, the Fed announced it would hold rates steady, the ninth time in the last 10 meetings. The prime lending rate remains 8.5%, and the federal funds rate target, 5.25%-5.50%. Many economists expect the Fed to lower rates at its next meeting in September. The next FOMC meeting is scheduled for September 17-18.





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. July's New Residential Construction report found that 1.238 million units were started, 6.8% below June's revised estimate of 1.329. This was 16% below the July 2023 rate of 1.473. Supply chain problems (workers, lumber, appliances, building codes, to name a few) continue to slow new home construction and completion. NFIB's July SBET report found that over half (55%) of small businesses in the construction industry have a job opening they cannot fill. Data for August will be released on September 18, 2024.

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

Upcoming Economic Indicator Releases

August 29	GDP, 2nd Quarter 2024 (Second Estimate)
August 30	Michigan Consumer Sentiment (Final Estimate)
September 4	Job Openings and Labor Turnover (JOLTS)
September 5	NFIB Jobs Report
September 6	BLS Employment Situation Report (Unemployment Rate)
September 10	NFIB Small Business Economic Trends
September 11	Consumer Price Index
September 17	Monthly Retail Trade Report
September 17-18	Federal Open Market Committee Meeting
September 18	Housing Starts

Additional NFIB Research and Media

Fiscal Policy And Main Street: Trouble? William Dunkelberg. (August 20). <https://www.forbes.com/sites/william-dunkelberg/2024/08/20/fiscal-policy-and-main-street-trouble/>

Monetary Policy: A Major Concern For Small Firms. William Dunkelberg. (August 15). <https://www.forbes.com/sites/williamdunkelberg/2024/08/15/monetary-policy-a-major-concern-for-small-firms/>

NFIB Small Business Problems & Priorities, 11th edition. Holly Wade and Madeleine Oldstone. (August 14). <https://strgnfibcom.blob.core.windows.net/nfibcom/2024-Small-Business-Problems-Priorities.pdf>

Podcast: Planet Money – Summer School 6: China, Taiwan and how nations grow rich. (August 14). <https://www.npr.org/2024/08/14/1197961332/east-asian-economic-transformation>

Bloomberg: The Close, featuring Holly Wade. (August 13). <https://www.youtube.com/watch?v=M6AmaYGjgn-M&t=4408s>

Yahoo Finance: Small Business Optimism Rising- What It Indicates For Prices, featuring Holly Wade. (August 13). <https://finance.yahoo.com/video/small-business-optimism-rising-indicates-165049965.html>

Still Hiring. James Freeman. (August 1). <https://www.wsj.com/articles/still-hiring-d487290a>

Will Small Business Recover From Its “Depression”? William Dunkelberg. (July 25). <https://www.forbes.com/sites/williamdunkeberg/2024/07/25/will-small-business-recover-from-its-depression/>



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