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**NFIB Monthly
Economic
Newsletter**

December 2023

NFIB Monthly Economic Newsletter – December 2023

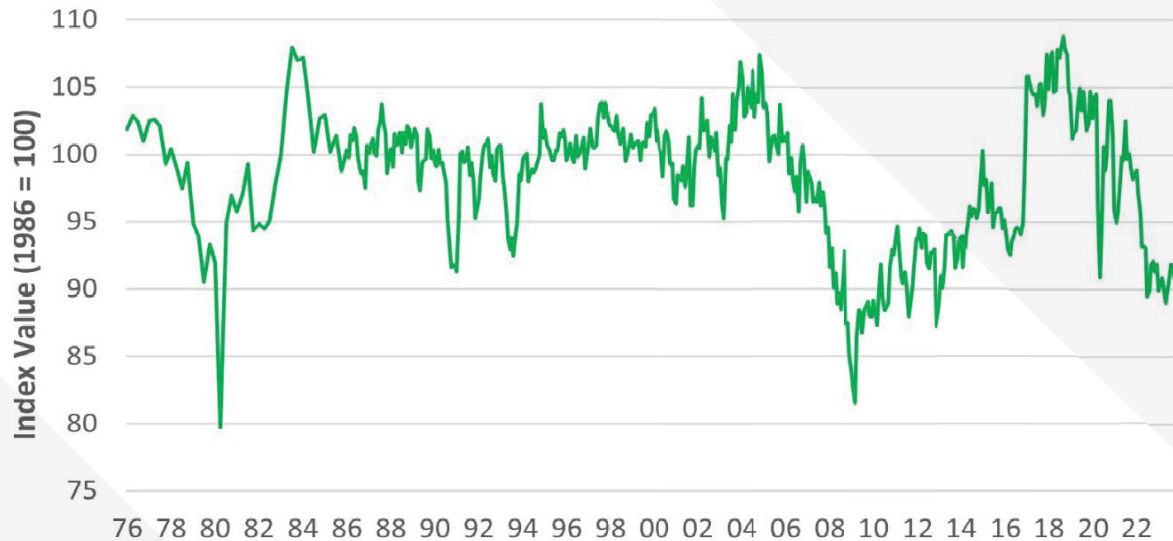
Small Business Economic Trends

The Optimism Index decreased by 0.1 points in November to 90.6. This is the 23rd 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 has hovered around the “90” level all year. Of the 10 index components, five increased, four decreased, and one was unchanged.

- Twenty-two percent of owners reported that inflation was their single most important problem in operating their business, unchanged from last month but 10 points lower than this time last year. Inflation is lower, but still a problem.
- Owners expecting better business conditions over the next six months improved by one point from October to a net negative 42 percent seasonally adjusted, still very low but 19 percentage points better than last June’s reading of net negative 61 percent and at recession levels.
- A net negative 17 percent of all owners (seasonally adjusted) reported higher nominal sales in the past three months, unchanged from October and the lowest reading since July 2020, very inconsistent with government reports on economic growth.
- Forty percent (seasonally adjusted) of owners reported job openings that were hard to fill, down 3 points from October but remaining historically very high.
- Seasonally adjusted, a net 30 percent plan to raise compensation in the next three months, up 6 points from October and the highest since December 2021. These costs will be passed on to consumers at higher selling prices if demand will support the price hikes.
- The net percent of owners raising average selling prices decreased 5 points from October to a net 25 percent seasonally adjusted, evidence of continuing disinflation.
- The net percent of owners who expect real sales to be higher increased 2 points from October to a net negative 8 percent (seasonally adjusted). This is not a promising outlook, not supportive of business investment.

Small Business Optimism Index

Based on Ten Survey Indicators
(Seasonally Adjusted)



Read the latest full report: nfib.com/SBET

Macroeconomic Indicators

	Most Recent	Previous Month	1 Year Ago	5 Years Ago
NFIB Optimism Index	90.6	90.7	91.9	104.7
Unemployment Rate	3.7%	3.9%	3.7%	3.6%
Consumer Sentiment	69.4	61.3	59.7	99.3
CPI Inflation Rate (monthly)	0.4%	0.4%	0.1%	0.3%
Prime Rate of Interest	8.5%	8.5%	7.5%	4.75%
Retail Sales Change	0.3%	-0.2%	-1.0%	0%
Housing Starts (000)	1560	1359	1401	1381

*Most recent available data for Retail Sales and Housing Starts from November 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 December to a preliminary value of 69.4 (61.3 in November), after declining for four consecutive months. The increase was primarily due to consumers becoming less worried about inflation. Consumer sentiment is now about 39% above the all-time low in June 2022, however still below pre-pandemic levels.



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 5.2% (second estimate), after an increase of 2.1% in the second quarter. This was the fastest growth in nearly two years. 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 third estimate of GDP for the third quarter of 2023 will be released December 21.

Unemployment

The U.S. economy added 199,000 jobs in November, after an increase of 150,000 in October. The unemployment rate declined to 3.7%, after the prior month's highest level since January 2022. Job gains occurred in health care, government, and manufacturing, signaling the return of workers from strikes.

The most recent Job Openings and Labor Turnover Survey (JOLTS), produced by the Department of Labor, found there were 8.7 million available jobs, a decrease from the prior month (9.6 million). Job openings decreased in health care and social assistance, finance and insurance, and real estate and rental and leasing. Job openings increased in information. 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.

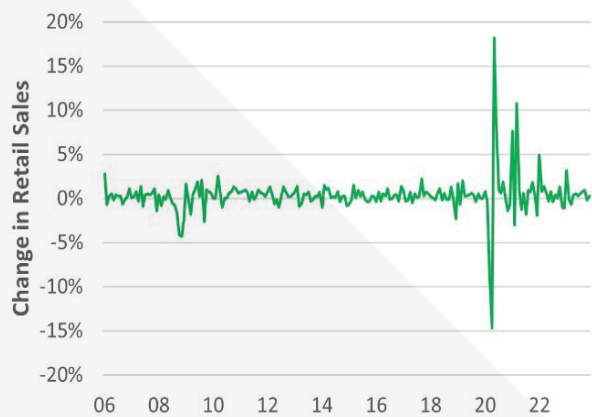


Source: U.S. Department of Labor

NFIB's November Small Business Economic Trends Survey found 40% (seasonally adjusted) of owners with "hard to fill" job openings, down 3 points from October, but historically very high. Owners hope to fill some of those openings with solid hiring plans, with a net 18% (seasonally adjusted) planning to hire in the coming months, up 1 point from the prior month.



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 0.1% in November month-to-month after being unchanged in October. Over the last 12 months the all items index increased 3.1%, slightly lower than the 12 months ending in October (3.2%).

The shelter index continued to increase in November and offset a decline in the gasoline index. The indexes for food, food at home, and food away from home all increased over the month. Indexes that declined include fuel oil, utility (piped) gas service, apparel, used cars and trucks, apparel, and recreation. 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 November 2022 to November 2023, motor vehicle insurance, transportation services, and motor vehicle maintenance and repair remained the categories with the greatest increases.

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

Categories	Nov. 2022 - Nov. 2023
Motor vehicle insurance	19.2%
Transportation services	10.1%
Motor vehicle maintenance and repair	8.5%
Tobacco and smoking products	7.7%
Rent of primary residence	6.9%
Owners' equivalent rent of residences	6.7%
Shelter	6.5%
Hospital services	6.3%
Limited service meals and snacks	6.0%

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 Trends report found a net 25% (seasonally adjusted) of owners raised prices over the past three months, a decrease of five points 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 34% (seasonally adjusted) of owners' plan to raise prices in the coming months, up one point from October. Labor costs will continue to put pressure on owners to raise selling prices to cover rising costs.

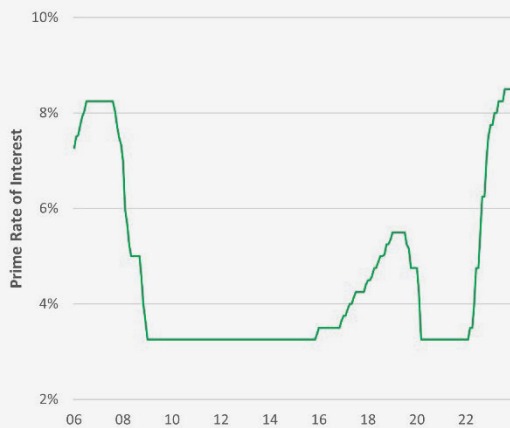
Retail Sales

The Monthly Retail Trade Report measures consumer spending at retail stores and food services. Retail and food services sales were up 0.3% in November from the previous month after a decrease of 0.2% in October (revised) and was 4.1% above November 2022. November’s reading was better than economists expected, after October’s decline. Retail trade sales were up 0.1% from the previous month and nonstore retailers were up 10.6% from last year. Food services and drinking places were up 11.3% from November 2022.

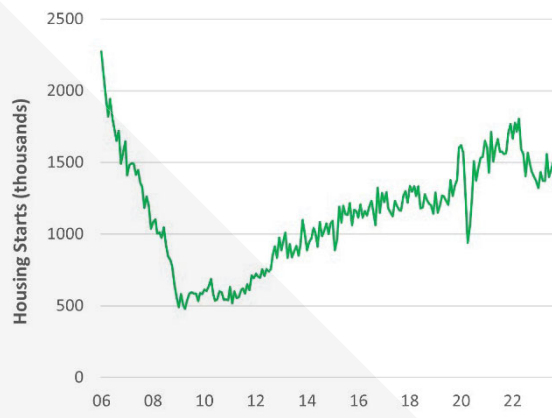
Data for December will be released on January 17, 2024. These figures are not adjusted for inflation (e.g., gas dollar volumes rise as gas prices rise, actual gallons purchased increase by smaller percentages).

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. November's New Residential Construction report found a level of 1.560 million units started, up from October's revised report of 1.359 million units started. The last time housing starts were at this level was May 2023. November's estimate is 9.3% above the November 2022 rate of 1,427,000. Supply chain problems (workers, lumber, appliances, building codes to name a few) continue to slow new home construction and completion. Data for December will be released on January 18, 2023.

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

fred.stlouisfed.org

Upcoming Economic Indicator Releases

December 21	GDP, 3rd Quarter 2023 (Third Estimate)
December 22	Michigan Consumer Sentiment (Final Estimate)
January 3	Job Openings and Labor Turnover (JOLTS)
January 4	NFIB Jobs Report
January 5	BLS Employment Situation Report (Unemployment Rate)
January 9	NFIB Small Business Economic Trends
January 11	Consumer Price Index
January 17	Monthly Retail Trade Report
January 18	Housing Starts
January 30-31	Federal Open Market Committee Meeting

Additional NFIB Research and Media

NFIB's Holly Wade Joins CNBC's Small Business Playbook – Main Street Outlook: 2024. (December 14). <https://www.cnbc.com/video/2023/12/14/main-street-outlook-2024.html>

Podcast: The Journal - Janet Yellen on Inflation and the U.S. Economy (December 12). <https://www.wsj.com/podcasts/the-journal/janet-yellen-on-inflation-and-the-us-economy/9356d0d9-160e-4e90-9474-cb1c6fc50a07>

Worker Shortage Eases a Little at Small Firms. James Freeman (December 7). https://www.wsj.com/articles/worker-shortage-eases-a-little-at-small-firms-9d80afad?st=jpmriauod2w2t0t_

Podcast: Planet Money – Why Are We So Bummed About the Economy? (December 1). <https://www.npr.org/2023/12/01/1197955840/planet-money-consumer-sentiment>



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