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**NFIB Monthly
Economic
Newsletter**

February 2024



NFIB Monthly Economic Newsletter – February 2024

Small Business Economic Trends

The Optimism Index decreased by 2 points in January to 89.9. This is the 25th 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 declined 12 points from December to a net negative 16 percent (seasonally adjusted), a very negative shift in expectations.
- The frequency of reports of positive profit trends was a net negative 30 percent, 5 points worse than December, and a very poor reading.
- Twenty percent of owners reported that inflation was their single most important problem in operating their business, down 3 points from last month and 1 point behind labor quality as the top problem.
- Owners' plans to fill open positions softened, with a seasonally adjusted net 4 percent planning to create new jobs in the next three months, down 2 points from December and the lowest level since May 2020.
- Thirty-nine percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, down 1 point from December and the lowest reading since January 2021.
- Seasonally adjusted, a net 39 percent reported raising compensation, up 3 points from December.
- The net percent of owners raising average selling prices declined 3 points from December to a net 22 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

Macroeconomic Indicators

	Most Recent	Previous Month	One Year Ago	5 Years Ago
NFIB Optimism Index	89.9	91.9	90.3	101.2
Unemployment Rate	3.7%	3.7%	3.4%	4.0%
Consumer Sentiment	79.6	79.0	67.0	93.8
CPI Inflation Rate (monthly)	0.3%	0.2%	0.5%	0.0%
Prime Rate of Interest	8.5%	8.5%	7.75%	5.5%
Retail Sales Change	-0.8%	0.4%	3.2%	1.7%
Housing Starts (000)	1331	1562	1321	1291

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

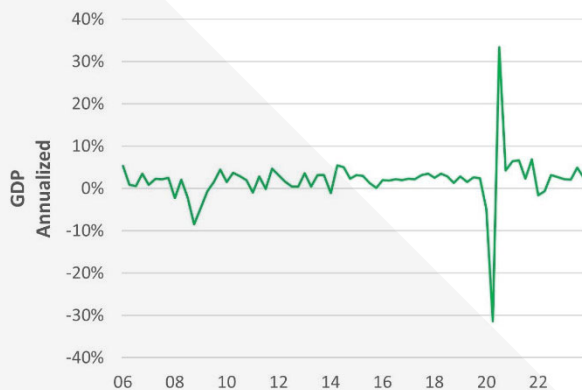
Consumer Sentiment (Univ. of Michigan)

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 slightly in February to a preliminary value of 79.6 (79.0 in January), however slightly below what economists expected. Consumer sentiment is about 30% above November 2023 and approximately 6% below the historical average since 1978.



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 3.3% (advance estimate), after an increase of 4.9% in the third quarter. This was well above the 2% economists expected. 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, private inventory investment, and residential fixed investment. GDP increased 2.5% in 2023, compared to an increase of 1.9% in 2022. The second estimate of GDP for the fourth quarter of 2023 and the year 2023 will be released on February 28.

Unemployment

The U.S. economy added 353,000 jobs in January, nearly twice what economists had predicted. December's revision (333,000) showed that last year was even stronger than previously reported. The unemployment rate remained at 3.7% which is the 24th consecutive month under 4%. Job gains occurred in professional and business services, health care, retail trade, and social assistance. Employment decreased in the mining, quarrying, and oil and gas extraction industries.

The most recent Job Openings and Labor Turnover Survey (JOLTS) produced by the Department of Labor found there were 9.0 million available jobs, a small increase from the prior month. Job openings increased in professional and business services but decreased 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.

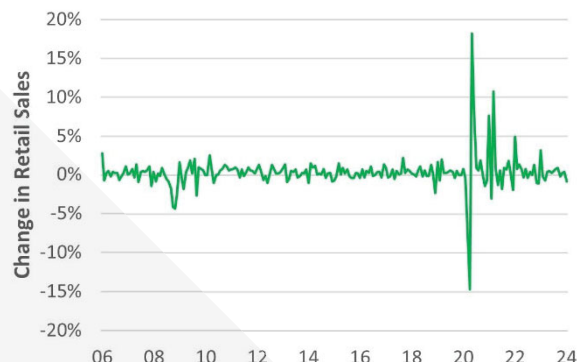


Source: U.S. Department of Labor

NFIB's January SBET survey found 39% (seasonally adjusted) of owners with "hard to fill" job openings, down 1 point from December, but still historically very high. Owners hope to fill some of those openings with solid hiring plans, with a net 14% (seasonally adjusted) planning to hire in the coming months, down 2 points 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 0.3% in January month-to-month after rising 0.2% in December. Over the last 12 months, the all-items index increased 3.1%, slightly lower than the 12 months ending in December (3.4%).

The shelter index continued to increase in January and contributed over two-thirds of the all-items monthly increase. The energy index fell 0.9% over the month mostly due to the decline in the gasoline index, while the food index rose 0.4%. 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 January 2023 to January 2024, motor vehicle insurance, transportation services, and tobacco and smoking products remained the categories with the greatest increases.

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

Categories	Jan. 2023 - Jan. 2024
Motor vehicle insurance	20.6%
Transportation services	9.5%
Tobacco and smoking products	7.4%
Hospital services	6.7%
Motor vehicle maintenance and repair	6.5%
Owners' equivalent rent of residences	6.2%
Rent of primary residence	6.1%
Shelter	6.0%
Limited service meals and snacks	5.8%

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 SBET report found a net 22% (seasonally adjusted) of owners raised prices over the past three months, down 3 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 1 point from December.

Retail Sales

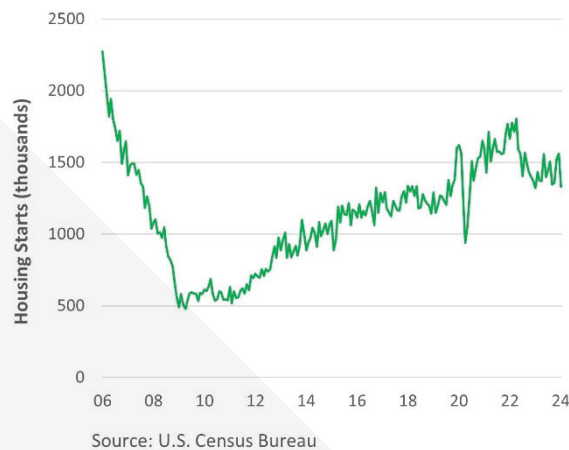
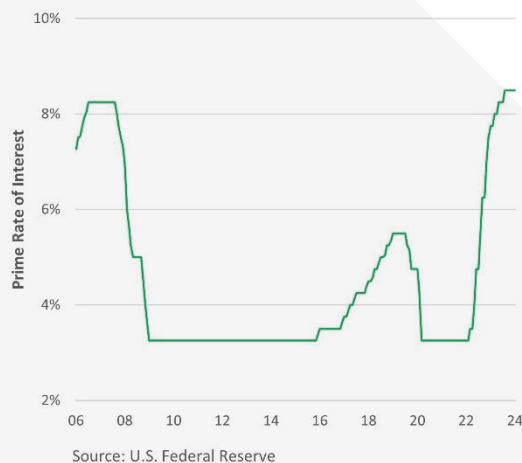
The Monthly Retail Trade Report measures consumer spending at retail stores and food services. Retail and food services sales were down 0.8% in January from the previous month after an increase of 0.4% in December (revised). January's reading was 0.6% above

January 2023. Retail trade sales were down 1.1% from the previous month and nonstore retailers were up 6.4% from last year. Food services and drinking places were up 6.3% from January 2023.

Data for February will be released on March 14, 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 late January, the Fed announced it would hold rates steady for the fourth consecutive meeting. The prime lending rate remains at 8.5% and the federal funds rate is 5.25%-5.50%. It is expected that there will be cuts in the year ahead. The next FOMC meeting is scheduled for March 19-20.





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. January's New Residential Construction report found a level of 1.331 million units started, down from December's revised report of 1.562 million units started, and 0.7% below the January 2023 rate. 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 February will be released on March 19, 2024.

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

fred.stlouisfed.org

Upcoming Economic Indicator Releases

February 28	GDP, 4th Quarter 2023 and Year 2023 (Second Estimate)
March 1	Michigan Consumer Sentiment (Final Estimate)
March 6	Job Openings and Labor Turnover (JOLTS)
March 7	NFIB Jobs Report
March 8	BLS Employment Situation Report (Unemployment Rate)
March 12	NFIB Small Business Economic Trends
March 12	Consumer Price Index
March 14	Monthly Retail Trade Report
March 19	Housing Starts
March 19-20	Federal Open Market Committee Meeting

Additional NFIB Research and Media

Strong Job Growth Missing on Main Street? William Dunkelberg (February 22).
<https://www.forbes.com/sites/williamdunkelberg/2024/02/22/strong-job-growth-missing-on-main-street/?sh=1e06fa849e05>

NFIB Small Business Rundown Podcast: Episode 29 (February 22).
<https://www.nfib.com/smallbusinessrundownpodcast/>

Main Street and the Inflation Rate? William Dunkelberg (February 14).
<https://www.forbes.com/sites/williamdunkelberg/2024/02/14/main-street-and-the-inflation-rate/?sh=6efa660840b4>

Small Business Optimism Dips in January. CNBC Kate Rogers (February 13).
<https://www.cnbc.com/video/2024/02/13/small-business-optimism-dips-in-january.html>

Where the Jobs Are Now...but May Not Be Later. James Freeman (February 1).
<https://www.wsj.com/articles/where-the-jobs-are-now-but-may-not-be-later-421a663a>



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