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**NFIB Monthly
Economic
Newsletter**

July 2024



NFIB Monthly Economic Newsletter – July 2024

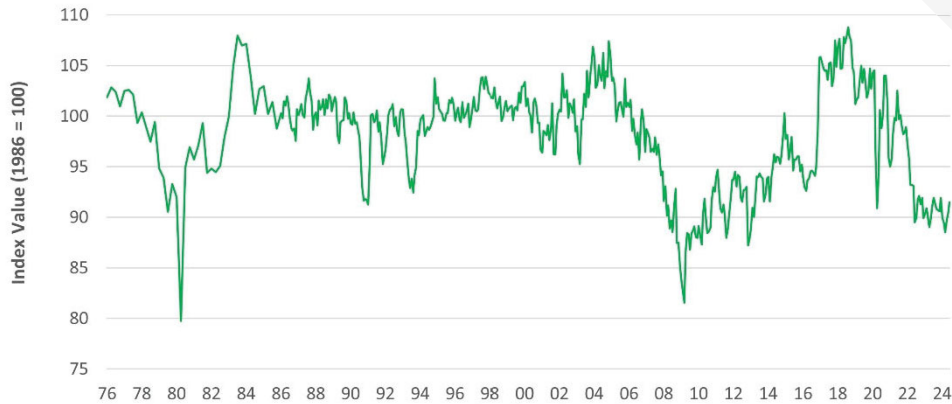
Small Business Economic Trends

The Optimism Index rose 1 point in June to 91.5, the highest reading of 2024. The last time it was higher was December 2023, when it reached 91.9. However, this is the 30th 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, 4 increased, 1 decreased, and 5 were unchanged.

- Twenty-one percent of owners reported that inflation was their single most important problem in operating their business, down 1 point from May, but still the top problem.
- A seasonally adjusted net 22 percent plan to raise compensation in the next three months, up 4 points from May. Eventually, those labor cost increases will be passed on to consumers at higher selling prices.
- A net negative 2 percent (seasonally adjusted) of owners viewed current inventory stocks as “too low” in June (more report higher stocks), up 6 points from May’s lowest reading since October 1981. Inventory disinvestment negatively affects GDP growth.
- A net negative 2 percent (seasonally adjusted) of owners plan inventory investment in the coming months, up 4 points from May.
- Thirty-seven percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, down 5 points from May. The job market is cooling.
- Fifty-two percent reported capital outlays in the last six months, down 6 points from May and the lowest reading since August 2022.
- Four percent of owners reported that all their borrowing needs were not satisfied, up 1 point from May and the highest reading since August 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	91.5	90.5	91.0	103.3
Unemployment Rate	4.1%	4.0%	3.6%	3.6%
Consumer Sentiment	66.0	68.2	71.6	98.4
CPI Inflation Rate (monthly)	-0.1%	0.0%	0.2%	0.1%
Prime Rate of Interest	8.5%	8.5%	8.25%	5.5%
Retail Sales Change	0.0%	0.3%	0.3%	0.4%
Housing Starts (000)	1353	1314	1398	1233

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

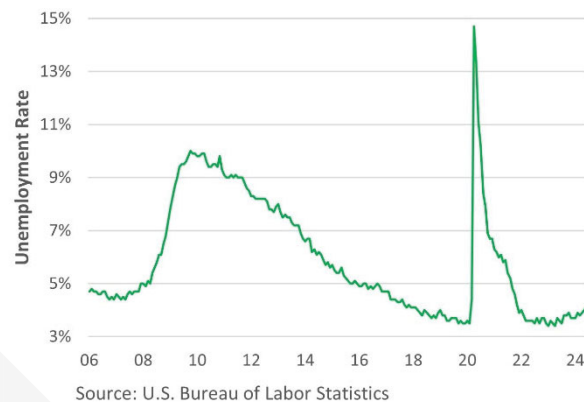
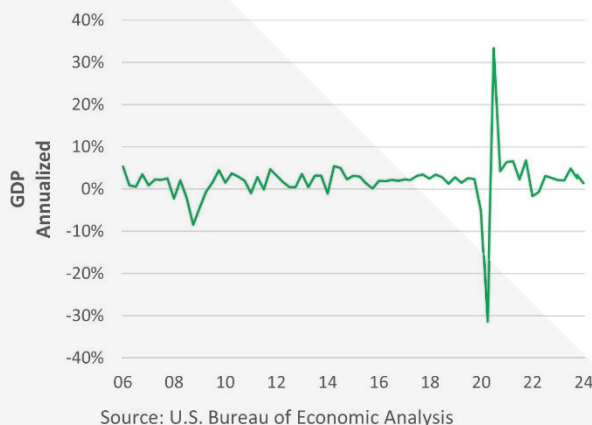
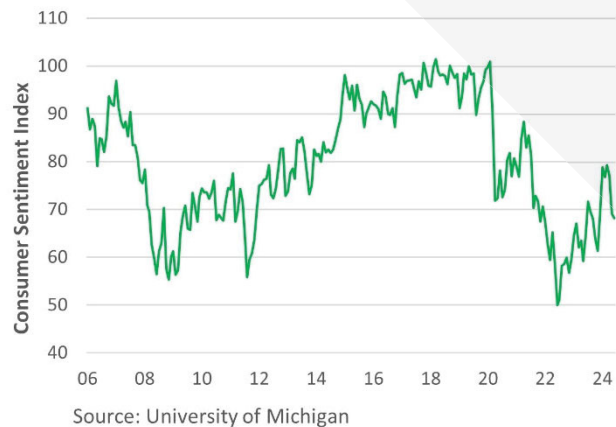
Consumer Sentiment (Univ. of Michigan)

The University of Michigan's Survey of Consumers measures consumer sentiment by asking a random sample of U.S.

consumers questions about expected personal finances, business conditions, and buying conditions.

The Index of Consumer Sentiment dropped in July to a preliminary value of 66.0. July's reading was the lowest level in eight months and lower than expectations (68.5).

Consumer sentiment is about 30% above June 2022, when inflation was much higher. Year-ahead inflation expectations fell for the second month to 2.9%. Long-run inflation expectations also came in at 2.9%, remaining generally stable over the last three years.



Gross Domestic Product (GDP)

GDP increased in the first quarter of 2024 by 1.4% (third estimate), slightly higher than the second estimate of 1.3% due to a downward revision to imports. This is the slowest quarterly growth since the second quarter of 2022. The increase in the first quarter was largely due to consumer spending, residential fixed investment, nonresidential fixed investment, and state and local government spending. These were partly offset by decreased residential fixed investment and higher imports. The first estimate for the second quarter of 2024 will be released on July 25, 2024.

Unemployment

The U.S. economy added 206,000 jobs in June, slightly higher than the Dow Jones forecast of 200,000. The unemployment rate rose slightly to 4.1%, still low but the highest rate since November 2021. 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 8.1 million available jobs. Job openings decreased in accommodation and food services, and private educational services. Categories with an increased level of job openings were state and local government (excluding education), durable goods manufacturing, and the federal government. 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 June SBET survey found 37% (seasonally adjusted) of owners with "hard to fill" job openings, down 5 points from May but 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 May.



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 fell 0.1% in June on a month-to-month basis, after being unchanged in May. Over the last 12 months the all-items index increased 3.0%, a smaller increase than in May. Both were better than economists had expected (0.1% and 3.1% respectively). The energy index increased 3.3% from a year ago and the food index increased 2.2%.

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 June 2023 to June 2024, motor vehicle insurance, hospital services, and motor vehicle maintenance and repair, were the categories with the greatest increase for the second consecutive month.

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

Categories	June 2023 to June 2024
Motor vehicle insurance	19.5%
Hospital services	6.9%
Motor vehicle maintenance and repair	6.0%
Owners' equivalent of rent of residences	5.4%
Rent of primary residence	5.1%
Electricity	4.4%

Source: U.S. Bureau of Labor Statistics

The latest NFIB SBET report found a net 27% (seasonally adjusted) of owners raised prices over the past three months, up 2 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 26% (seasonally adjusted) of owners plan to raise prices in the coming months, down 2 points from May.

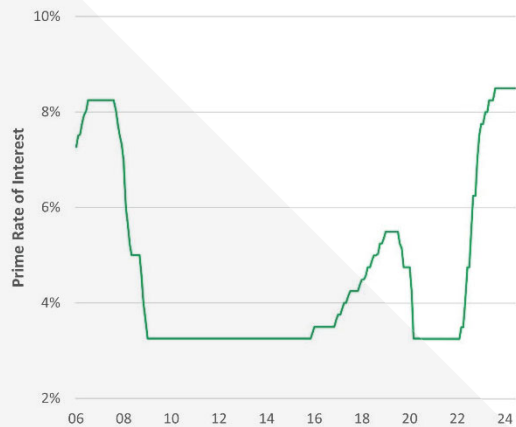
Retail Sales

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 were unchanged in June from the previous month after May's upward revision of 0.3%. June's reading was 2.3% above June 2023 and better than expected. Retail trade sales were up 2.0% from a year ago and nonstore retailers were up 8.9%. Food services and drinking places were up 4.4% from June 2023.

Data for July will be released on August 15, 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 mid-June, the Fed announced it would hold rates steady at a 23-year high. The prime lending rate remains at 8.5%, and the federal funds rate target 5.25%-5.50%. The Fed said it may take longer than expected for interest rates to lower inflation but signaled that one cut is expected before the end of the year. The next FOMC meeting is scheduled for July 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. June's New Residential Construction report found that 1.353 million units started, 3.0% above May's revised estimate of 1.314. Despite the rise, the reading was 4.4% below the June 2023 rate of 1.415 million. Supply chain problems (workers, lumber, appliances, building codes, to name a few) continue to slow new home construction and completion. NFIB's June SBET report found that over half (51%) of small businesses in the construction industry have a job opening they cannot fill. Data for July will be released on August 16, 2024.

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

fred.stlouisfed.org

Upcoming Economic Indicator Releases

July 25	GDP, 2nd Quarter 2024 (First Estimate)
July 26	Michigan Consumer Sentiment (Final Estimate)
July 30	Job Openings and Labor Turnover (JOLTS)
July 30-31	Federal Open Market Committee Meeting
August 1	NFIB Jobs Report
August 2	BLS Employment Situation Report (Unemployment Rate)
August 13	NFIB Small Business Economic Trends
August 14	Consumer Price Index
August 15	Monthly Retail Trade Report
August 16	Housing Starts

Additional NFIB Research and Media

Mixed Messages Confuse Main Street. Willaim Dunkelberg. (July 22).

<https://www.forbes.com/sites/williamdunkelberg/2024/07/22/mixed-messages-confuse-main-street/>

Business Investment, Part of GDP, Reflects the Level of Optimism. Market Place, featuring Holly Wade. (July 22).

<https://www.marketplace.org/2024/07/22/business-investment-can-tell-us-about-economic-growth-gdp/>

Uncertainty Clouds the Future. William Dunkelberg. (July 16).

<https://www.forbes.com/sites/williamdunkelberg/2024/07/16/uncertainty-clouds-the-future/>

Wages Are Rising at Small Firms, But Employment Isn't. James Freeman. (July 3).

<https://www.wsj.com/articles/wages-are-rising-at-small-firms-but-employment-isnt-54fdf30f?st=n68gnbp1vjv387>



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