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**NFIB Monthly**  
**Economic**  
**Newsletter**

**June 2024**

## NFIB Monthly Economic Newsletter – June 2024

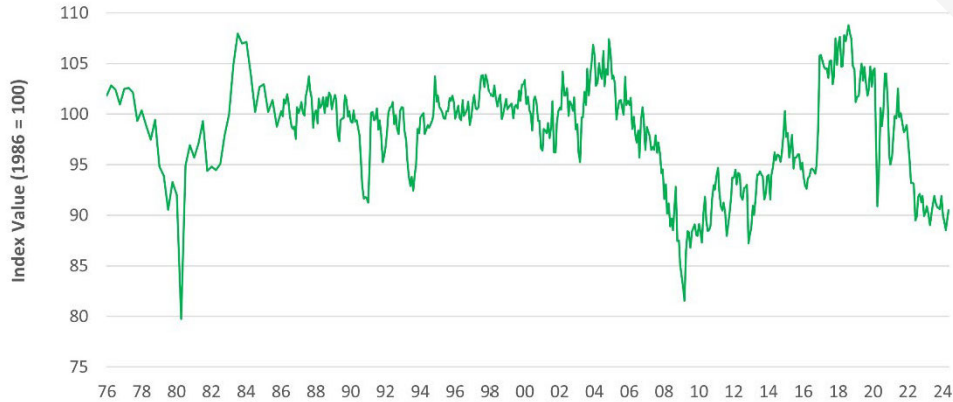
### Small Business Economic Trends

The Optimism Index rose 0.8 of a point in May to 90.5, the highest reading of this year. But this is the 29<sup>th</sup> 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 Uncertainty Index rose 9 points to 85, the highest reading since November 2020. Of the 10 index components, 5 increased, 3 decreased, and 2 were unchanged.

- A net negative 8 percent (seasonally adjusted) of owners viewed current inventory stocks as “too low” in May, down 4 points from April and the lowest reading since October 1981. Owners will be working to reduce unnecessary stocks over the next few months.
- Twenty-two percent of owners reported that inflation was their single most important problem in operating their business, unchanged from April.
- Owners’ plans to hire rose 3 points in May to a seasonally adjusted net of 15 percent, the year's highest reading.
- Seasonally adjusted, a net 28 percent plan price hikes in May, up 2 points from April.
- A seasonally adjusted net 18 percent plan to raise compensation in the next three months, down 3 points from April and the lowest reading since March 2021.
- Forty-two percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, up 2 points from April, remaining stubbornly high.
- Six percent reported that financing was their top business problem in May, up 2 points from April. The last time financing as a top business problem ranked this high was in June 2010.

### Small Business Optimism Index

Based on Ten Survey Indicators  
(Seasonally Adjusted)



Source: NFIB Small Business Economic Trends Survey  
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## Macroeconomic Indicators

	Most Recent	Previous Month	1 Year Ago	5 Years Ago
NFIB Optimism Index	90.5	89.7	89.4	105.0
Unemployment Rate	4.0%	3.9%	3.7%	3.6%
Consumer Sentiment	65.6	69.1	64.4	98.2
CPI Inflation Rate (monthly)	0.0%	0.3%	0.1%	0.1%
Prime Rate of Interest	8.5%	8.5%	8.25%	5.5%
Retail Sales Change	0.1%	-0.2%	0.5%	0.3%
Housing Starts (000)	1277	1352	1559	1264

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

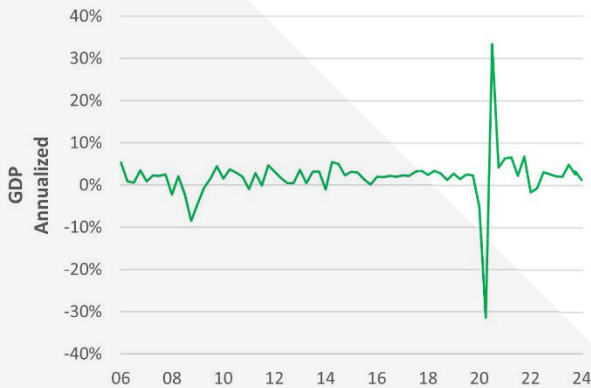
### Consumer Sentiment (Univ. of Michigan)

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 June to a preliminary value of 65.6. June’s reading was the lowest in seven months and lower than economists’ expectations (72.0). Consumer sentiment is about 31% above June 2022, when inflation was much higher. Assessments of personal finance fell, and year-ahead inflation expectations were unchanged this month.



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 first quarter of 2024 by 1.3% (second estimate), after an increase of 3.4% in the fourth quarter of 2023. This was a slower pace than initially expected in the first quarter. The increase in the first quarter was largely due to increases in consumer spending, residential fixed investment, nonresidential fixed investment, and state and local government spending. These were partly offset by a decrease in private inventory investment. The third estimate for the first quarter of 2024 will be released on June 27, 2024.

## Unemployment

The U.S. economy added 272,000 jobs in May, much higher than the Dow Jones expectation of 190,000. The unemployment rate rose slightly to 4.0% but remains historically low gains occurred in health care; government; leisure and hospitality; and professional, scientific, and technical services.

Monthly figures are subject to major revisions.

The most recent Job Openings and Labor Turnover Survey (JOLTS) produced by the Department of Labor found there were 8.1 million available jobs, a very small change from the prior month (8.4 million). Job openings decreased in health insurance social assistance, and state and local government education. However, openings increased in private educational services

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.

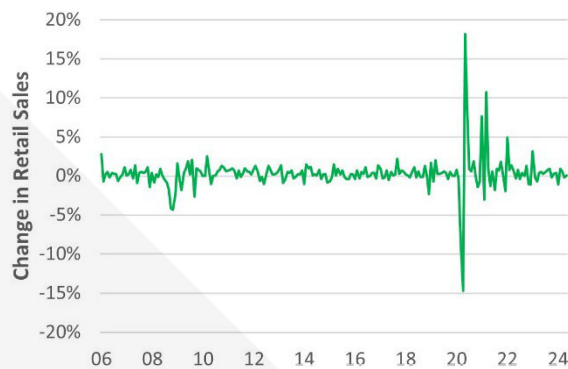
NFIB's April SBET survey found 20% (seasonally adjusted) of owners with "hard to fill" openings, up 2 points from April and historically very high. Owners hope to fill some of those openings with solid hiring plans, with a net 15% (seasonally adjusted) planning to hire in the coming months, up 3 points from April.



Source: U.S. Department of Labor



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 was unchanged in May on a month-to-month basis, after rising 0.3% in April, and over the last 12 months the all-items index increased 3.3%. Both were below the Dow Jones’ estimates. The energy index increased 3.7% from a year ago and the food index increased 2.1%.

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 May 2023 to May 2024, motor vehicle insurance, hospital services, and motor vehicle maintenance and repair were the categories with the greatest increase.

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

Categories	May 2023 to May 2024
Motor vehicle insurance	20.3%
Hospital services	7.2%
Motor vehicle maintenance and repair	7.2%
Electricity	5.9%
Owners’ equivalent of rent of residences	5.7%
Rent of primary residence	5.3%

Source: U.S. Bureau of Labor Statistics

The latest NFIB SBET report found a net 25% (seasonally adjusted) of owners raised prices over the past three months, unchanged 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 28% (seasonally adjusted) of owners plan to raise prices in the coming months, up 2 points from April.

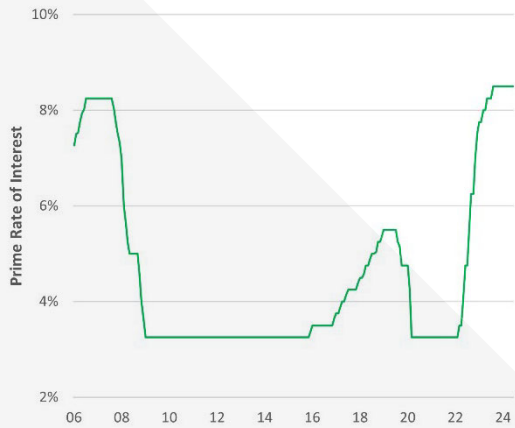
### Retail Sales

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 up 0.1% in May from the previous month after April’s downward revision of -0.2%. May’s reading was 2.3% above May 2023 but lower than economists’ expectations. Retail trade sales were up 2% from a year ago and nonstore retailers were up 6.8%. Food services and drinking places were up 3.8% from May 2023.

Data for June will be released on July 16, 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-May, 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 is 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. May's New Residential Construction report found that 1.277 million units started, 5.5% below April's revised estimate of 1.352. This was the lowest level in four years and well below economists' expectations. The reading was 19.3% below the May 2023 rate of 1.583 million. Supply chain problems (workers, lumber, appliances, building codes to name a few) continue to slow new home construction and completion. NFIB's May SBET report found that over half (54%) of small businesses in the construction industry have a job opening they cannot fill. Data for May will be released on July 17, 2024.

**Access more economic data at the St. Louis Fed's FRED Database**  
[fred.stlouisfed.org](https://fred.stlouisfed.org)



## Upcoming Economic Indicator Releases

June 27	GDP, 1st Quarter 2024 (Third Estimate)
June 28	Michigan Consumer Sentiment (Final Estimate)
July 2	Job Openings and Labor Turnover (JOLTS)
July 4	NFIB Jobs Report
July 5	BLS Employment Situation Report (Unemployment Rate)
July 9	NFIB Small Business Economic Trends
July 11	Consumer Price Index
July 16	Monthly Retail Trade Report
July 17	Housing Starts
July 30-31	Federal Open Market Committee Meeting

## Additional NFIB Research and Media

Wages and Prices: The Chicken or the Egg? (June 17).

<https://www.forbes.com/sites/williamdunkelberg/2024/06/17/wages-and-prices-the-chicken-or-the-egg/>

Podcast: NFIB Small Business Rundown Podcast – Five Ways to Help Small Businesses Fight Inflation. (June 13).

[https://www.nfib.com/smallbusinessrundownpodcast/?gclid=EAlaIQobChMIuJyFqcjIhgMVG09HAR2qBAJ5EAAYASAAEgJPcvD\\_BwE](https://www.nfib.com/smallbusinessrundownpodcast/?gclid=EAlaIQobChMIuJyFqcjIhgMVG09HAR2qBAJ5EAAYASAAEgJPcvD_BwE)

Podcast: Planet Money – Bringing a Tariff to a Graphite Fight. (June 12).

<https://www.npr.org/2024/06/12/1197959267/graphite-batteries-tariffs-china>

Who Should We Believe? William Dunkelberg. (June 12).

<https://www.forbes.com/sites/williamdunkelberg/2024/06/12/who-should-we-believe/>

Demand for Workers Rises at Small Firms... James Freeman. (June 6).

<https://www.wsj.com/articles/demand-for-workers-rises-at-small-firms-6f65c575>

Podcast: The Daily – Was the 401(k) a Mistake? (May 20).

<https://www.nytimes.com/2024/05/20/podcasts/the-daily/401k-retirement.html>



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