



# NFIB Monthly Economic Newsletter

March 2024



## NFIB Monthly Economic Newsletter – March 2024

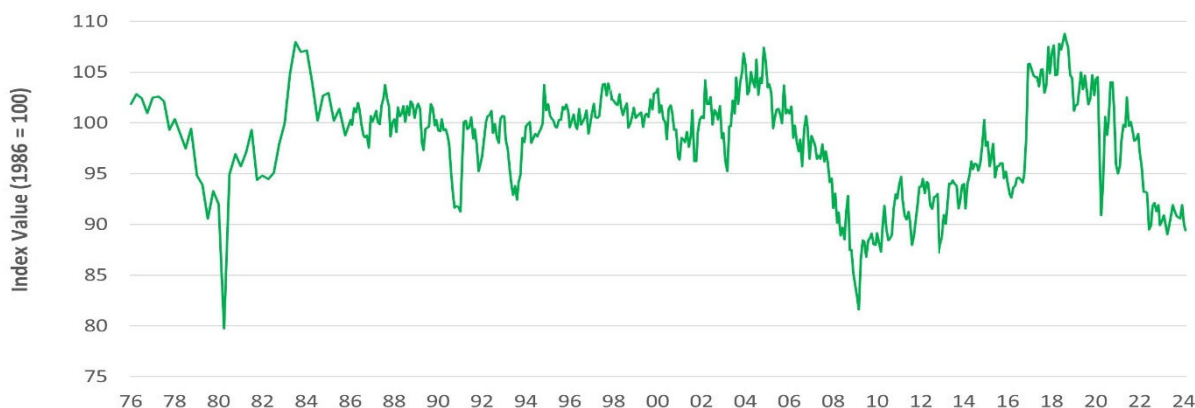
### Small Business Economic Trends

The Optimism Index decreased by half of a point in February to 89.4. This is the 26th 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, 7 decreased, and 1 was unchanged.

- Reports of labor quality as the single most important problem for business owners decreased 5 points to 16 percent, the lowest reading since April 2020. Labor quality as small business owners' top problem has eased considerably over the last quarter.
- The net percent of owners who expect real sales to be higher increased 6 points from January to a net negative 10 percent (seasonally adjusted), an improvement from last month.
- Twenty-three percent of owners reported that inflation was their single most important problem in operating their business (higher input and labor costs), up 3 points from last month and replacing labor quality as the top problem.
- Owners' plans to fill open positions continue to slow, with a seasonally adjusted net 12 percent planning to create new jobs in the next three months, down 2 points from January and the lowest level since May 2020.
- Thirty-seven percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, down 2 points from January and the lowest reading since January 2021.
- The net percent of owners raising average selling prices declined 1 point from January to a net 21 percent seasonally adjusted, the lowest reading since January 2021.

### 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	89.4	89.9	90.9	101.7
Unemployment Rate	3.9%	3.7%	3.6%	3.8%
Consumer Sentiment	76.5	76.9	62.0	98.4
CPI Inflation Rate (monthly)	0.4%	0.3%	0.4%	0.2%
Prime Rate of Interest	8.5%	8.5%	8.0%	5.5%
Retail Sales Change	0.6%	-1.1%	-0.2%	-0.7%
Housing Starts (000)	1521	1374	1432	1149

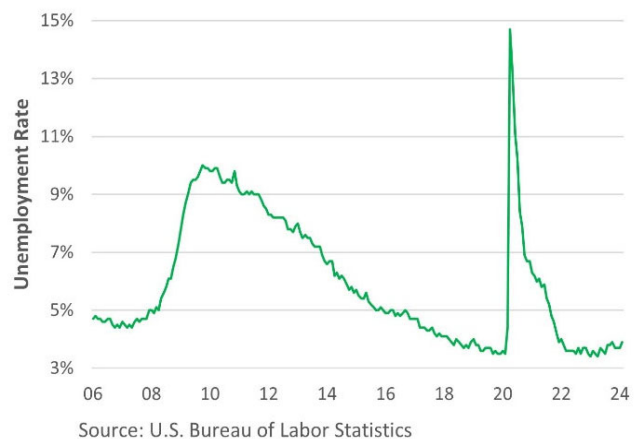
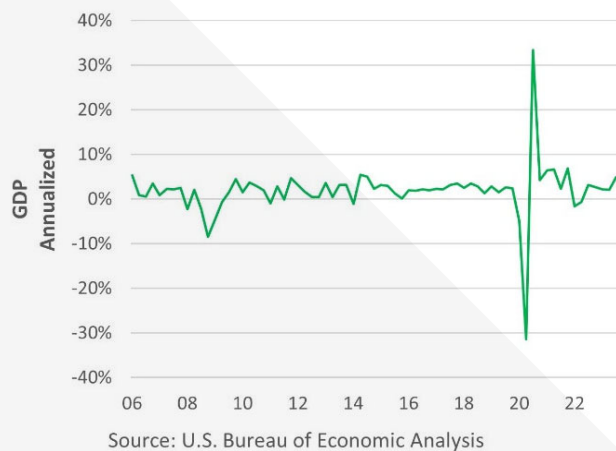
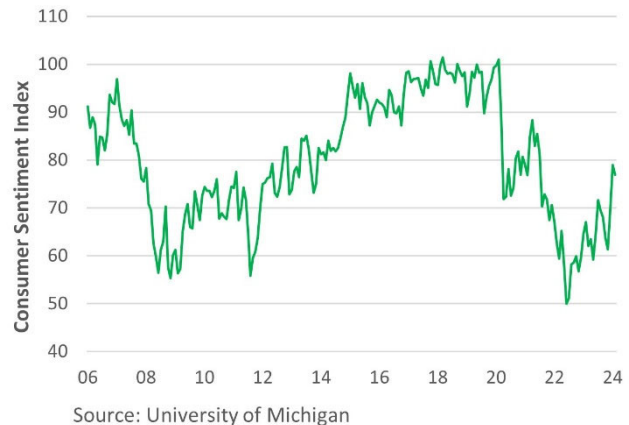
\*Most recent available data for Retail Sales and Housing Starts from February 2024



### 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 March to a preliminary value of 76.5 (76.9 in February). Consumer sentiment is about halfway between the historic low in June 2022 and pre-pandemic readings. Consumer inflation outlook over the next year remained the same as the previous month at 3%.



### Gross Domestic Product (GDP)

GDP increased in the fourth quarter of 2023 by 3.2% (second 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. The second estimate reflected a downward revision to private inventory investment and upward revisions to state and local government spending and consumer spending. GDP increased 2.5% in

2023, compared to 1.9% in 2022. The third estimate for the fourth quarter of 2023 and the year 2023 will be released on March 28.

## Unemployment

The U.S. economy added 275,000 jobs in February, more than what economists had predicted and above the monthly average gain of 230,000 over the last 12 months. The unemployment rate increased to 3.9% , the first increase in four months. Job gains occurred in health care, government, food services and drinking places, social assistance, and transportation and warehousing.

The most recent Job Openings and Labor Turnover Survey (JOLTS) produced by the Department of Labor found there were 8.9 million available jobs, hardly changed from the prior month. Job openings increased in nondurable goods manufacturing and decreased in private educational services. The annual average job openings level in 2023 was 9.4 million, 1.8 million less than in 2022. The ratio of unemployed workers to job openings continues to be below one, indicating that there are more open positions than people seeking work, in a very tight labor market.

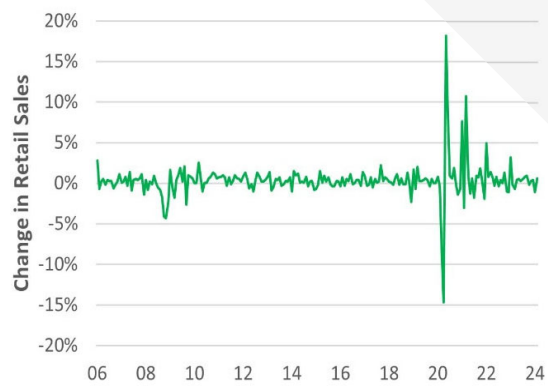


Source: U.S. Department of Labor

NFIB's February SBET survey found 37% (seasonally adjusted) of owners with "hard to fill" job openings, down 2 points from January, but still historically very high. Owners hope to fill some of those openings with solid hiring plans, with a net 12% (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 0.4% in February month-to-month after rising 0.3% in January. Over the last 12 months, the all-items index increased 3.2%, slightly higher than the 12 months ending in January (3.1%) and higher than economists' expectations.

The shelter index and gasoline index both increased in February and combined accounted for over 60% of the monthly increase. The energy index increased 2.3% over the month and all its component indexes increased as well. Both the food index and food at home index were unchanged, while the food away from home index rose 0.1%.

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 February 2023 to February 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, February 2024, not seasonally adjusted**

Categories	Feb. 2023 to Feb. 2024
Motor vehicle insurance	20.6%
Transportation services	9.9%
Tobacco and smoking products	7.1%
Motor vehicle maintenance and repair	6.7%
Hospital services	6.1%
Owners' equivalent rent of residences	6.0%
Rent of primary residence	5.8%
Shelter	5.7%
Limited service meals and snacks	5.2%

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 21% (seasonally adjusted) of owners raised prices over the past three months, down 1 point 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 30% (seasonally adjusted) of owners plan to raise prices in the coming months, down 3 points from January.

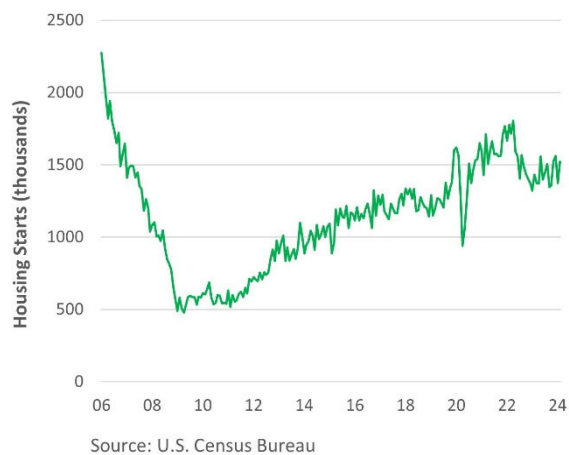
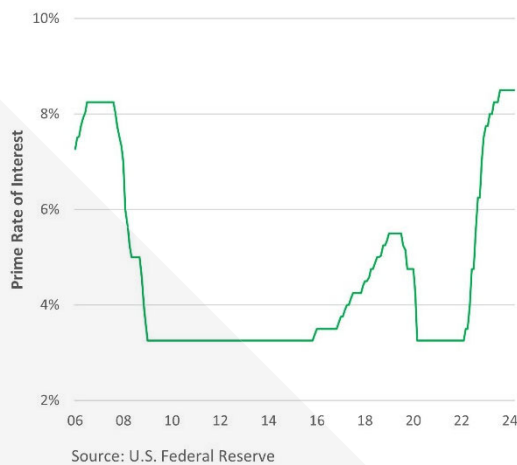
### **Retail Sales**

The Monthly Retail Trade Report measures consumer spending at retail stores and food services. Retail and food services sales were up 0.6% in February from the previous month after a decrease of 1.1% in January (revised). February's reading was 1.5% above February 2023 and lower than the 0.8% increase that economists expected. Retail trade sales were up 0.6% from the previous month and nonstore retailers were up 6.4% from last year. Food services and drinking places were up 6.3% from February 2023.

Data for March will be released on April 15, 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-March, the Fed announced it would hold rates steady for the fifth consecutive meeting. The prime lending rate remains at 8.5% and the federal funds rate is 5.25%-5.50%. It is forecasted that the Fed will have three rate cuts this year. The next FOMC meeting is scheduled for April 30- May 1.



## 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. February's New Residential Construction report found an increased level of 1.521 million units started, up from January's revised report of 1.374 million units started and higher than economists had expected. The reading was 5.9% above the February 2023 rate of 1.436 million. February's rebound was the largest gain in nine months, although still below December's level. 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 March will be released on April 16, 2024.

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

[fred.stlouisfed.org](https://fred.stlouisfed.org)



## Upcoming Economic Indicator Releases

March 28	GDP, 4th Quarter 2023 and Year 2023 (Third Estimate)
March 28	Michigan Consumer Sentiment (Final Estimate)
April 2	Job Openings and Labor Turnover (JOLTS)
April 4	NFIB Jobs Report
April 5	BLS Employment Situation Report (Unemployment Rate)
April 9	NFIB Small Business Economic Trends
April 10	Consumer Price Index
April 15	Monthly Retail Trade Report
April 16	Housing Starts
April 30 - May 1	Federal Open Market Committee Meeting

## Additional NFIB Research and Media

Can Prices Really Fall? William Dunkelberg (March 20).

<https://www.forbes.com/sites/williamdunkelberg/2024/03/20/can-prices-really-fall/?sh=7f3333141974>

Small Firms Have an Easier Time Finding Workers. James Freeman (March 7).

<https://www.wsj.com/articles/small-firms-have-an-easier-time-finding-workers-dfa94c34?st=8yolcca7sqqagrl>

Will Optimism Finally Catch Up with the Performance of the Economy? William Dunkelberg (March 6).

<https://www.forbes.com/sites/williamdunkelberg/2024/03/06/will-optimism-finally-catch-up-with-the-performance-of-the-economy/?sh=18fdcced13ff>

Podcast: Planet Money – Is Dynamic Pricing Coming to a Supermarket Near You? (March 3).

<https://www.npr.org/2024/03/06/1197958433/dynamic-pricing-grocery-supermarkets>



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