



# NFIB Monthly Economic Report

May 2023

## NFIB Monthly Economic Report – May 2023

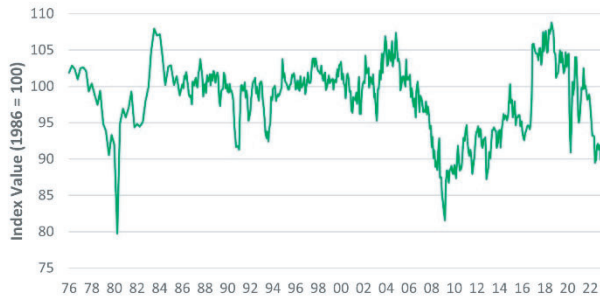
### Small Business Economic Trends

The Optimism Index decreased 1.1 points in April to 89.0. This is the sixteenth consecutive month below the 49-year average of 98. The last time the Index was at or above the average was December 2021. Of the 10 index components, 4 increased, 6 decreased.

- Twenty-three percent of owners reported that inflation was their single most important problem in operating their business, down 1 point from last month and 14 points lower than last July's highest reading since 1979 Q4. Evidence of an easing in inflation pressure.
- Owners expecting better business conditions over the next six months declined 2 points from March to a net negative 49 percent, although 12 percentage points better than last June's reading of net negative 61 percent.
- Forty-five percent of owners reported job openings that were hard to fill, up 2 points from March, remaining historically very high. With owners' views about future sales growth and business conditions dismal, owners want to hire and make money from still solid consumer spending.
- The net percent of owners raising average selling prices decreased 4 points to a net 33 percent seasonally adjusted, still a very inflationary level but trending down.
- The net percent of owners who expect real sales to be higher deteriorated 4 points from March to a net negative 19 percent, a bearish outlook but far better than the June and July numbers last year.

### Small Business Optimism Index

Based on Ten Survey Indicators  
(Seasonally Adjusted)



Source: NFIB Small Business Economic Trends Survey  
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### NFIB Uncertainty Index

Frequency of 'Don't Know' or 'Uncertain'  
Responses of Six Survey Questions



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## Macroeconomic Indicators

	Most Recent	Previous Month	One Year Ago	5 Years Ago
NFIB Optimism Index	89.0	90.1	93.2	103.5
NFIB Uncertainty Index	72	74	69	78
Unemployment Rate	3.4%	3.5%	3.6%	3.6%
Consumer Sentiment	57.7	63.5	58.4	100.0
CPI Inflation Rate (monthly)	0.4%	0.1%	0.3%	0.3%
Prime Rate of Interest	8.25%	8.0%	4.0%	5.5%
Retail Sales Change	0.4%	-0.7%	0.7%	0.3%
Housing Starts (000)	1401	1372	1805	1270

\*Most recent available data for Retail Sales and Housing Starts from April 2023

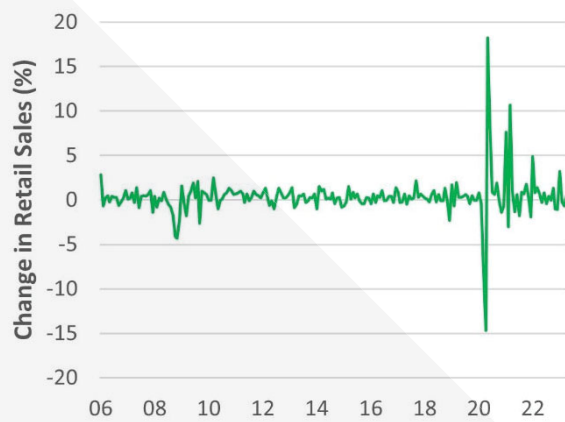
## Unemployment

The U.S. economy added 253,000 jobs in March, after an increase of 236,000 jobs last month. The prior two months' estimates were revised down by 78,000 and 71,000 jobs. The unemployment rate changed little at 3.4%. Significant job gains continued in professional and business services, health care, leisure and hospitality, and social assistance.

The most recent Job Openings and Labor Turnover Survey (JOLTS) produced by the Department of Labor found there were 9.6 million available jobs, 300,000 less than last month.

Job openings decreased in transportation, warehousing, and utilities. Job openings increased in educational services. 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.

NFIB's April SBET survey found 45% of owners with "hard to fill" job openings, up 2 points from March, and historically very high. Owners hope to fill some of those openings with solid hiring plans.



### 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 rose 0.4% in April month-to-month after an increase of 0.1% in March. Over the last 12 months the all items index increased 4.9% in April (a 0.1 point decrease from March). The largest contributor to the monthly all items increase was the shelter index.

The index for all items less food and energy rose 0.4% in April, the same as last month. The indexes which increased in April were shelter, used cars and trucks, motor vehicle insurance, recreation, household furnishing and operations, and personal care. The index for airline fares and the index for new vehicles decreased.

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 April 2022 to April 2023, motor vehicle insurance was the category with the greatest increase.

#### **12-month percent change, Consumer Price Index, selected categories, March 2023, not seasonally adjusted**

<b>Categories</b>	<b>April 2022 to April 2023</b>
Motor vehicle insurance	15.5%
Motor maintenance and repair	13.3%
Cereals and bakery products	12.4%
Transportation services	11.0%
Other food at home	10.4%
Nonalcoholic beverages and beverage materials	9.5%
Rent of primary residence	8.8%
Food away from home	8.6%
Electricity	8.4%

*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 33% of owners raised prices over the past three months, a decrease of 4 points from last month. The highest reading in the mid-70s, the last time inflation was a serious problem, was 67% in Q4 1974. A net 21% of owners plan to raise prices in the coming months, down 5 points from March.



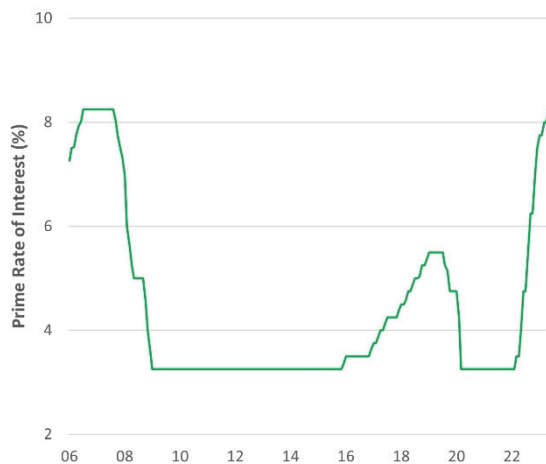
## Retail Sales

The Monthly Retail Trade Report measures consumer spending at retail stores and food services. Retail sales increased by 0.4% in March after a decrease of 0.7% last month (revised), according to advance estimates of U.S. retail and food services. This was 1.6% above April 2022. April's increase was the first increase since January. Retail trade sales were up 0.4% from March 2023 and food services and drinking places were up 9.4% from last year. Nonstore retailers were up 8% from last year.

Data for May will be released June 15, 2023. These figures are not adjusted for inflation (e.g., gas dollar volumes rise as gas prices rise, actual gallons purchased increased by smaller percentages).

## Prime Lending Rate

The prime rate is the price of short-term loans available to qualified businesses. In early May, the Fed raised the prime rate by a quarter of a percentage point, pushing it from 8.0% (April) to 8.25% to help mitigate strong inflation pressures. Additionally, the Federal Funds rate increased a quarter of a percentage point to 5.0%-5.25%. This was the tenth consecutive increase since the Fed began tightening policy, although the Fed has signaled that it may pause rate hikes. The next FOMC meeting is scheduled for June 13-14.



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. April's New Residential Construction report found a level of 1.401 million units started, up from March's revised report of 1.371 million units started. April's estimate was 22.3% below last year's rate of 1.803. Supply chain problems (workers, lumber, appliances, building codes to name a few) continue to slow new home construction and completion. Data for May will be released June 20, 2023.

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

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

## Upcoming Economic Indicator Releases

May 25	GDP, 1st Quarter 2023 (Second Estimate)
May 26	Michigan Consumer Sentiment (Final Estimate)
May 31	Job Openings and Labor Turnover (JOLTS)
June 1	NFIB Jobs Report
June 2	BLS Employment Situation Report (Unemployment Rate)
June 13	Consumer Price Index
June 13	NFIB Small Business Economic Trends
June 13-14	Federal Open Market Committee Meeting
June 15	Monthly Retail Trade Report
June 20	Housing Starts

## Additional NFIB Research and Media

**The Battle Against Inflation: Update From The Front Line, Main Street.** William Dunkelberg. (May 16). <https://www.forbes.com/sites/williamdunkelberg/2023/05/16/the-battle-against-inflation-update-from-the-front-line-main-street/?sh=1b83a66426de>

**Optimism Low On The West Coast.** William Dunkelberg. (May 15). <https://www.forbes.com/sites/williamdunkelberg/2023/05/15/optimism-low-on-the-west-coast/?sh=e62c9c55294c>

**Taxes (Incentives) Matter.** William Dunkelberg. (May 9). <https://www.forbes.com/sites/williamdunkelberg/2023/05/09/taxes-incentives-matter/?sh=27b7f4b86e46>

**NFIB Small Business Rundown Podcast – Episode 8: U.S. Debt Limit Explained.** (May 4). <https://www.nfib.com/SmallBusinessRundownPodcast/>

**NFIB Banking Survey.** (May 3). <https://strgnfibcom.blob.core.windows.net/nfibcom/Banking-Survey-2023.pdf>





## Additional NFIB Research and Media (Continued)

Podcast: The Journal – America’s Biggest Bank Just Got Bigger (May 2).

<https://www.wsj.com/podcasts/the-journal/america-biggest-bank-just-got-bigger/80ac5118-002c-486e-b002-086d0838e1a1>

The Small Business Credit Experience Amid “Issues.” William Dunkelberg. (April 24).

<https://www.forbes.com/sites/williamdunkelberg/2023/04/24/the-small-business-credit-experience-amid-issues/?sh=440568fb7068>



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