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NFIB Monthly Economic Newsletter

October 2023



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Small Business Economic Trends

The Optimism Index decreased half of a point in September to 90.8. This is the 21st consecutive month below the 49-year average of 98. The last time the Index was at or above average was December 2021. Of the 10 index components, five increased, four decreased, and one was unchanged.

- Twenty-three percent of owners reported that inflation was their single most important problem in operating their business, unchanged from last month and tied with labor quality as the top concern.
- Owners expecting better business conditions over the next six months deteriorated 6 points from August to a net negative 43 percent seasonally adjusted, however, 18 percentage points better than last June's reading of net negative 61 percent and at recession levels.
- Forty-three percent (seasonally adjusted) of owners reported job openings that were hard to fill, up 3 points from August and remaining historically very high.
- Seasonally adjusted, a net 23 percent plan to raise compensation in the next three months, down 3 points from August.
- The net percent of owners raising average selling prices increased 2 points to a net 29 percent seasonally adjusted, still a very inflationary level.
- The net percent of owners who expect real sales to be higher increased 1 point from August to a net negative 13 percent (seasonally adjusted), still a very dismal posture.

Small Business Optimism Index

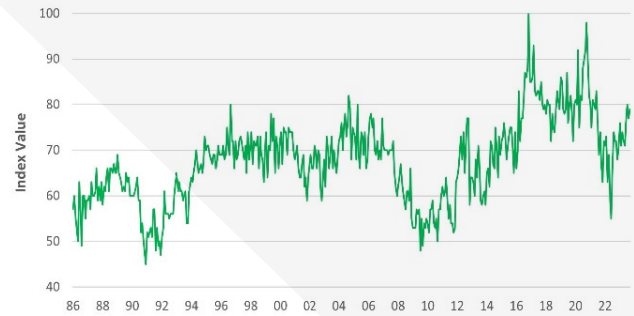
Based on Ten Survey Indicators
(Seasonally Adjusted)



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



Read the latest full report: nfib.com/sbet

Macroeconomic Indicators

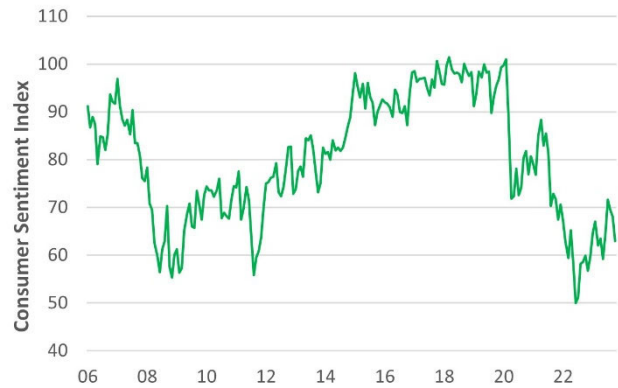
	Most Recent	Previous Month	1 Year Ago	5 Years Ago
NFIB Optimism Index	90.8	91.3	92.1	101.8
Unemployment Rate	3.8%	3.8%	3.5%	3.5%
Consumer Sentiment	63.0	68.1	59.9	95.5
CPI Inflation Rate (monthly)	0.4%	0.6%	0.4%	0.0%
Prime Rate of Interest	8.5%	8.5%	6.25%	4.75%
Retail Sales Change	0.7%	0.8%	0.0%	-0.4%
Housing Starts	1358	1269	1488	1266

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

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 declined 7.5% from last month to a preliminary value of 63.0 (68.1 in September). The index is 5.2% higher than it was a year ago. This is the lowest level since May, after two months of little change. Consumers' expectations for inflation surged to 3.8% (3.2% in September).



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 second quarter of 2023 by 2.1% (third estimate), after an increase of 2.2% (revised) in the first quarter. The increase in the second quarter was largely due to increases in consumer spending, nonresidential fixed investment, and state and local government spending. These were partly offset by exports, nonresidential fixed investment, and inventory investment. Imports were revised down. The advance estimate of GDP for the third quarter of 2023 will be released October 26.

Unemployment

The U.S. economy added 336,000 jobs in September, exceeding the Dow Jones consensus estimate of 170,000. The unemployment rate was unchanged at 3.8%, still at the highest level since February 2022. Significant job gains occurred in leisure and hospitality; government; health care; professional, scientific, and technical services; 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, an increase from the prior month. Job openings increased in professional and business services, finance and insurance, state and local government education, nondurable goods manufacturing, and federal government.



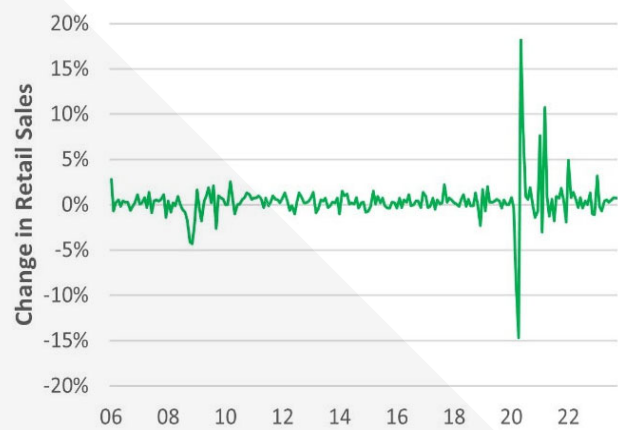
Source: U.S. Department of Labor

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 September SBET survey found 43% (seasonally adjusted) of owners with "hard to fill" job openings, up 3 points from August, and historically very high. Owners hope to fill some of those openings with solid hiring plans, with a net 18% (seasonally adjusted) planning to hire in the coming months.



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 rose 0.4% in September month-to-month, after increasing 0.6% in August. Over the last 12 months, the all items index increased 3.7%, the same increase as the 12 months ending in August.

The largest contributor to the monthly all items increase was the shelter index, accounting for over half of the increase. The gasoline index also, contributed and while the major energy components indexes were mixed, the energy index rose 1.5% over the month. 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 September 2022 to September 2023, motor vehicle insurance, motor vehicle maintenance and repair, and transportation services remained the categories with the greatest increases.

12-month percent change, Consumer Price Index, selected categories, September 2023, not seasonally adjusted

Categories	12-month Sept. Percent Change
Motor vehicle insurance	18.9%
Motor vehicle maintenance and repair	10.2%
Transportation services	9.1%
Rent of primary residence	7.4%
Owners' equivalent rent of residences	7.1%
Shelter	7.1%
Limited service meals and snacks	6.4%
Food away from home	6.0%
Services less energy services	5.7%

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 29% (seasonally adjusted) of owners raised prices over the past three months, an increase of 2 points from last 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, unchanged from August.

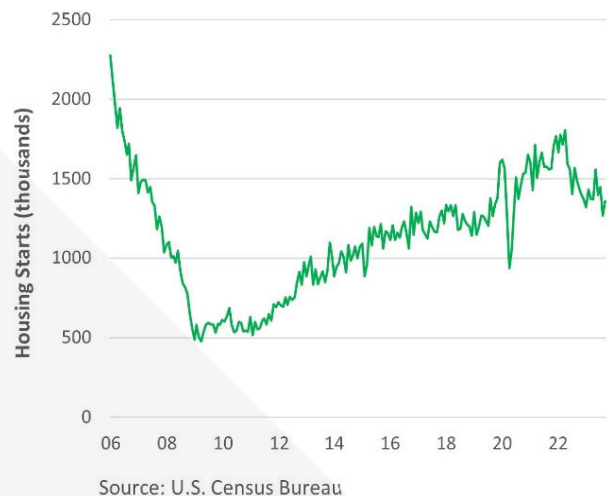
Retail Sales

The Monthly Retail Trade Report measures consumer spending at retail stores and food services. Retail and food services sales increased by 0.7% in September from last month after an increase of 0.8% in August (revised). This was 3.8% above September 2022 and marks the six-straight month of growth. Retail trade sales were also up 3.0% from last year and non-store retailers were up 8.4%. Food services and drinking places were up 9.2% from September 2023.

Data for October will be released on November 15, 2023. 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. In late September, the Fed announced it would not raise rates, although there may be some hikes later in the year. The prime lending rate remains at 8.5% and the federal funds rate is between 5.25%-5.50%. The next FOMC meeting is scheduled for October 31 - November 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. September's New Residential Construction report found a level of 1.358 million units started, up from August's revised report of 1.269 million units started. September's estimate is 7.2% below the September 2022 rate. Supply chain problems (workers, lumber, appliances, building codes to name a few) continue to slow new home construction and completion. Data for October will be released on November 17, 2023.

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

fred.stlouisfed.org

Upcoming Economic Indicator Releases

October 26	GDP, 3rd Quarter 2023 (Advance Estimate)
October 27	Michigan Consumer Sentiment (Final Estimate)
October 31- Nov 1	Federal Open Market Committee Meeting
November 1	Job Openings and Labor Turnover (JOLTS)
November 2	NFIB Jobs Report
November 3	BLS Employment Situation Report (Unemployment Rate)
November 14	NFIB Small Business Economic Trends
November 14	Consumer Price Index
November 15	Monthly Retail Trade Report
November 17	Housing Starts

Additional NFIB Research and Media

Trust Has Gone Missing – Except on Main Street. William Dunkelberg (October 17).
<https://www.forbes.com/sites/williamdunkelberg/2023/10/17/trust-has-gone-missingexcept-on-main-street/?sh=251f306547d7>

NFIB's Holly Wade Discusses SBET, State of Small Business on Bloomberg Markets (October 10). <https://www.youtube.com/watch?v=l2VbrhlvIXc>

America Still Has a Worker Shortage. James Freeman (October 5).
<https://www.wsj.com/articles/america-still-has-a-worker-shortage-d0c65166?st=6jz1gs5gwpifrm>

Fluctuations In the Economy and Small Business Optimism. William Dunkelberg (October 2). <https://www.forbes.com/sites/williamdunkelberg/2023/10/02/fluctuations-in-the-economy-and-small-business-optimism/?sh=37d36f0d3811>

Banks, Important Small Business Partners. William Dunkelberg (September 28).
<https://www.forbes.com/sites/williamdunkelberg/2023/09/28/banks-important-small-business-partners/?sh=8ca822f67a2b>



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