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NFIB Monthly
Economic
Newsletter

September 2024

NFIB Monthly Economic Newsletter – September 2024

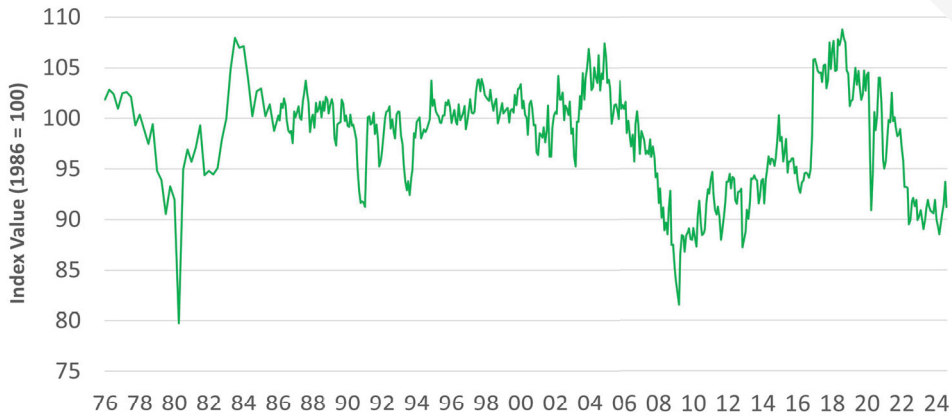
Small Business Economic Trends

The Optimism Index fell 2.5 points in August to 91.2, erasing all of July's gain. This is the 32nd consecutive month below the 50-year average of 98. The last time the Optimism Index was at or above the average of 98 was in December 2021. Of the 10 Index components, 2 increased and 8 decreased. In August, the Uncertainty Index was 92, up 2 points from July and the highest since October 2020.

- The frequency of reports of positive profit trends was a net negative 37 percent (seasonally adjusted), 7 points worse than in July and the lowest since March 2010.
- Twenty-four percent of owners reported that inflation was their single most important problem in operating their business (higher inputs and labor costs), down 1 point from July. From January 1986 to June 2020, an average of 3 percent reported inflation as their most important business problem. From July 2020 to date, the average is 24 percent!
- The net percent of owners expecting higher real sales volumes fell 9 points to a net negative 18 percent (seasonally adjusted). Real sales volume expectations were the largest contributor to the decline in the Optimism Index, along with earning trends and expected business conditions.
- A seasonally adjusted net 20 percent plan to raise compensation in the next three months, up 2 points from July.
- The net percent of owners raising average selling prices fell 2 points from July to a net 20 percent seasonally adjusted.
- Forty percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, up 2 points from July.

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	91.2	93.7	91.3	103.1
Unemployment Rate	4.2%	4.3%	3.8%	3.7%
Consumer Sentiment	69.0	67.9	68.1	93.2
CPI Inflation Rate (monthly)	0.2%	0.2%	0.6%	0.1%
Prime Rate of Interest	8.00%	8.50%	8.50%	5.00%
Retail Sales Change	0.1%	1.1%	0.8%	0.4%
Housing Starts (000)	1356	1237	1505	1375

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

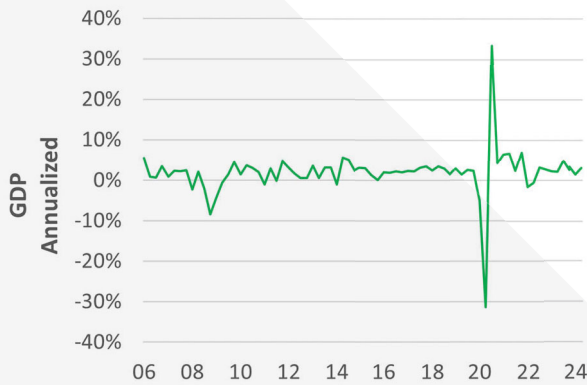
Consumer Sentiment (Univ. of Michigan)

The University of Michigan Surveys 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.

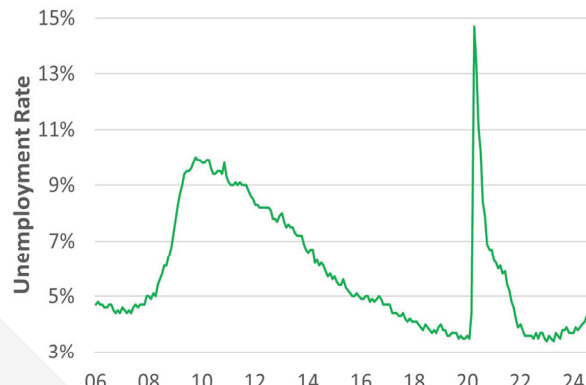
The Index of Consumer Sentiment rose in September to a preliminary value of 69.0, the highest reading since May 2024. September's reading was the second consecutive month of an increase and was 2% above August. Year-ahead inflation expectations fell for the fourth consecutive month and are the lowest since December 2020. Long-run inflation expectations changed little from last month, at 3.1%.



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 2024 by 3.0% (second estimate), higher than the advance estimate of 2.8% and up from the first quarter's reading of 1.4%. The increase in the second quarter was due to increases in consumer spending, private inventory investment, and nonresidential fixed investment. The update reflected an upward revision in consumer spending. The third estimate for the second quarter of 2024 will be released on September 26, 2024.

Unemployment

The U.S. economy added 142,000 jobs in August, weaker than economists had forecasted (160,000) and signaling that the labor market is easing. Job gains occurred in construction and healthcare.

The unemployment rate eased slightly to 4.2%, down from July's highest level since September 2021 (4.3%).

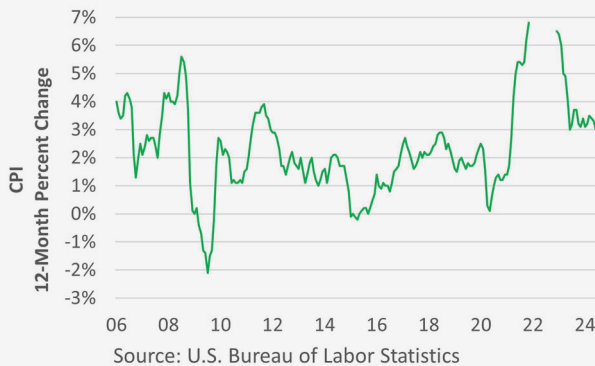
The most recent Job Openings and Labor Turnover Survey (JOLTS) produced by the Department of Labor found there were 7.7 million available jobs. Job openings decreased in healthcare and social assistance, state and local government (excluding

education), and transportation, warehousing, and utilities. Job openings increased in professional and business services, and in the federal government. The ratio of unemployed workers to job openings continues to be under one (0.9), indicating that there are more open positions than people seeking work.

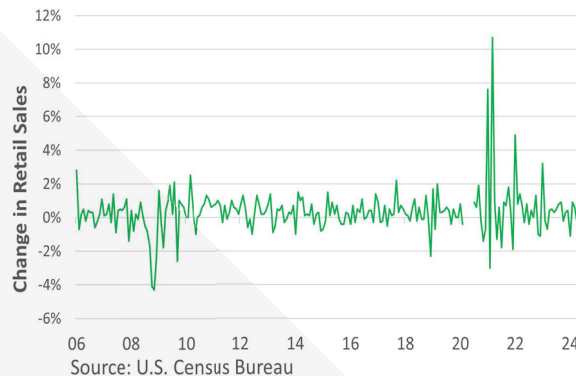
NFIB's August SBET survey found 40% (seasonally adjusted) of owners with "hard to fill" job openings, up 2 points from July and still historically high. Owners hope to fill some of those openings with solid hiring plans, with a net 13% (seasonally adjusted) planning to hire in the coming months, down 2 points from July.



Source: U.S. Department of Labor



Source: U.S. Bureau of Labor Statistics
*Data from 12/21 to 11/22 are omitted. CPI reached 9.1% in June 2022.



Source: U.S. Census Bureau
*Data from 3/20 to 6/20 are omitted. Retail sales were -14.7% in April 2020 and 18.2% in May 2020.

Consumer Price Index (Inflation Rate)

The Consumer Price Index (CPI) measures the cost of a basket of consumer goods commonly purchased by households. The CPI rose 0.2% in August on a month-to-month basis, after rising 0.2% in July. Over the last 12 months, the all-items index increased 2.5%, lower than the 2.9% reported in July. This is the lowest level since February 2021 moving the Fed to lower interest rates by half a point with more cuts on the way. The index for shelter increased 0.5% and was the main factor for August’s increase.

From August 2023 to August 2024, motor vehicle insurance, tobacco and smoking products, and owners’ equivalent rent of residences were the categories with the greatest increase.

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

Categories	Aug. 2023 to Aug. 2024
Motor vehicle insurance	16.5%
Tobacco and smoking products	8.4%
Owners’ equivalent rent of residences	5.4%
Rent of primary residence	5.0%
Limited service meals and snacks	4.3%
Motor vehicle maintenance and repair	4.1%
Food away from home	4.0%

Source: U.S. Bureau of Labor Statistics

NFIB’s August SBET report found a net 20% (seasonally adjusted) of owners raised prices over the past three months, down 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 25% (seasonally adjusted) of owners plan to raise prices in the coming months, up 1 point from July.

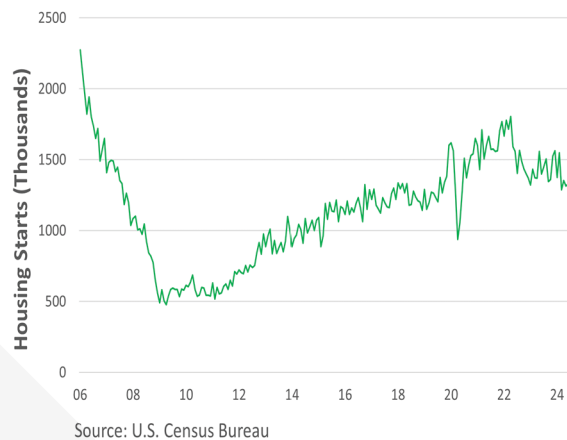
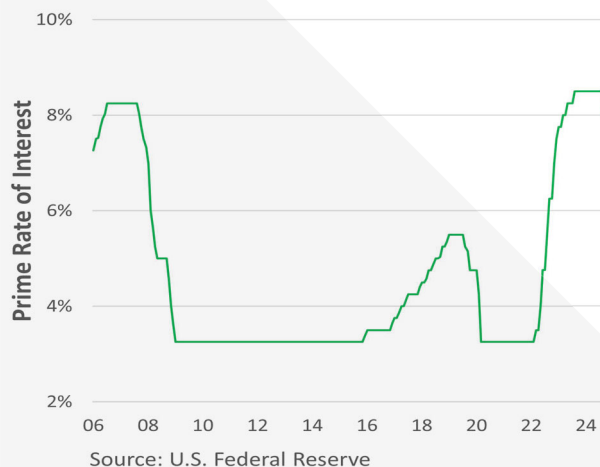
Retail Sales

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 rose 0.1% in August from the previous month after July’s upward revision of 1.1%. August’s reading was 2.1% above August 2023. The increase indicates that consumers are still spending despite higher interest rates and inflation. Retail trade sales were up 2.0% from a year ago and nonstore retailers were up 7.8%. Food services and drinking places were up 2.7% from August 2023.

Data for September will be released on October 17, 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-September, the Federal Reserve announced it would cut interest rates by half a point (or 50 basis points), after seven meetings of no change. The prime lending rate dropped to 8.0% and the federal funds rate target, was 4.75%-5.00%. This was the first cut since the beginning of the COVID-19 pandemic in 2020, a significant shift for the U.S. economy. While there was a general consensus among economists that there would be a cut, many were divided on whether the Fed would reduce rates by a quarter of a point or half a point. The Fed will meet two more times this year and it is expected that there will be more cuts. The next FOMC meeting is scheduled for November 6-7.



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. August's New Residential Construction report found that 1.356 million units were started, the fastest pace since April. The reading was 9.6% above July's revised estimate of 1.237 and 3.9% above the August 2023 reading of 1.305.



NFIB's August SBET report found that over half (60%) of small businesses in the construction industry have a job opening they cannot fill. It also found that the construction industry continues to have supply chain disruptions. Eighty-three percent of small businesses in the construction industry reported supply chain disruptions having some degree of an impact on their business, 10 points higher than the overall reading. September's housing starts data will be released on October 18, 2024.

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

fred.stlouisfed.org

Upcoming Economic Indicator Releases

September 26	GDP, 2nd Quarter 2024 (Third Estimate)
September 27	Michigan Consumer Sentiment (Final Estimate)
October 1	Job Openings and Labor Turnover (JOLTS)
October 3	NFIB Jobs Report
October 4	BLS Employment Situation Report (Unemployment Rate)
October 8	NFIB Small Business Economic Trends
October 10	Consumer Price Index
October 17	Monthly Retail Trade Report
October 18	Housing Starts
November 6-7	Federal Open Market Committee Meeting

Additional NFIB Research and Media

2024 NFIB Tax Survey. (September 12).

<https://strgnfibcom.blob.core.windows.net/nfibcom/2024-NFIB-Tax-Survey.pdf>

2024 EY Small Business Deduction Macroeconomic Analysis. (September 12).

<https://strgnfibcom.blob.core.windows.net/nfibcom/EY-NFIB-Macroeconomic-analysis-of-permanently-extending-the-section-199A-on-small-businesses.pdf>

NFIB's Holly Wade Testifies on Employer-Sponsored Health Benefits Before U.S. House Education and the Workforce Subcommittee. (September 11).

https://edworkforce.house.gov/uploadedfiles/9.10.24_help_hearing_on_erisa_anniversary_wade_testimony.pdf

VIDEO: NFIB's Bill Dunkelberg Discusses Main Street Uncertainty on Yahoo! Finance. (September 10). <https://www.youtube.com/watch?v=py7NgqAi0EQ>



NFIB Small Business Economic Trends Industry Report – July 2024. (September 4). <https://strgnfibcom.blob.core.windows.net/nfibcom/NFIB-Industry-SBET-July-2024.pdf>

There's Nothing Magic About 2% Inflation. William Dunkelberg. (September 3). <https://www.forbes.com/sites/williamdunkelberg/2024/09/03/theres-nothing-magic-about-2-inflation/>

Podcast: Planet Money – How Mortgage Interest Rates Work (and Why They're Currently Out of Whack). (August 28). <https://www.npr.org/2024/08/28/1197972299/mortgage-interest-rates-treasury-bond>

How to Control Prices. William Dunkelberg. (August 28). <https://www.forbes.com/sites/williamdunkelberg/2024/08/28/how-to-control-prices/>

Tax the Fellow Behind the Tree? William Dunkelberg. (August 23). <https://www.forbes.com/sites/williamdunkelberg/2024/08/23/tax-the-fellow-behind-the-tree/>

Podcast: NFIB Small Business Rundown- Episode 42: Taxes, Regulations, and Small Business Priorities. (August 22). <https://www.nfib.com/smallbusinessrundownpodcast/>



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Holly Wade

Executive Director

Holly.Wade@NFIB.org | (202) 314-2022

Madeleine Oldstone

Policy Analyst

Maddi.Oldstone@NFIB.org

Swaroop Bhagavatula

Senior Policy & Data Analyst

Swaroop.Bhagavatula@NFIB.org

William Dunkelberg

Chief Economist

Follow us on X @NFIBResearch