



 **NFIB**
RESEARCH
CENTER

NFIB Monthly Economic Report

March 2023

NFIB Monthly Economic Report – March 2023

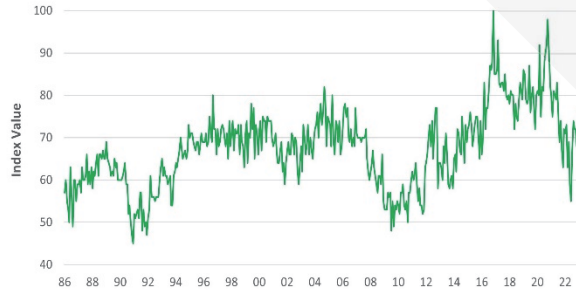
Small Business Economic Trends

The Optimism Index increased 0.6 points in February to 90.9. This is the fourteenth 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, 5 increased, 4 decreased, and 1 was unchanged.

- Twenty-eight percent of owners reported that inflation was their single most important problem in operating their business, up 2 points from last month but 9 points lower than July 2021, the highest reading since 1979 Q4, evidence of some easing in inflation pressure.
- Owners expecting better business conditions over the next six months deteriorated 2 points from January to a net negative 47 percent, although 14 percentage points better than last June's reading of net negative 61 percent. A very pessimistic outlook.
- Forty-seven percent of owners reported job openings that were hard to fill, up 2 points from January, remaining historically very high. With owners' views about future sales growth and business conditions dismal, owners still want to hire and make money from still solid (but now slowing) consumer spending.
- The net percent of owners raising average selling prices decreased 4 points to a net 38 percent seasonally adjusted, still a very inflationary level. The Fed's policies have not started to effectively slow spending. However, price cutting is rising in frequency.
- The net percent of owners who expect real sales to be higher improved 5 points from January to a net negative 9 percent, a bearish outlook but far better than the June and July numbers.

Small Business Optimism Index
*Based on Ten Survey Indicators
(Seasonally Adjusted)*


Source: NFIB Small Business Economic Trends Survey
@NFIBRESEARCH

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

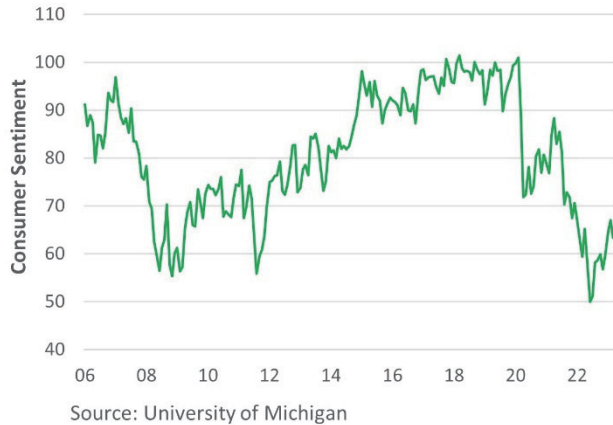
	Most Recent	Previous Month	One Year Ago	5 Years Ago
NFIB Optimism Index	90.9	90.3	95.7	101.7
NFIB Uncertainty Index	71	76	73	85
Unemployment Rate	3.6%	3.4%	3.8%	3.8%
Consumer Sentiment	63.4	67	59.4	98.4
CPI Inflation Rate (monthly)	0.4%	0.5%	0.8%	0.2%
Prime Rate of Interest	8%	7.75%	3.5%	5.5%
Retail Sales Change	-0.4%	3.2%	0.8%	-0.7%
Housing Starts (000)	1450	1321	1777	1149

*Most recent available data for Retail Sales and Housing Starts from February 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 to a preliminary value of 63.4 (3.6 percentage points below February’s final reading of 67). This was the first time in four months that it declined. Although consumer sentiment is about 5% below last month, it is 7% above a year ago.



Gross Domestic Product (GDP)

GDP increased in the fourth quarter of 2022 by 2.7% (advance estimate), after an increase of 3.2% in the third quarter. The increase in the fourth quarter was largely due to increases in private inventory investment, consumer spending, federal government spending, state and local government spending, and nonresidential fixed investment. These were partly offset by a decline in residential fixed investment and exports. GDP increased 2.1% in all of 2022 according to the second estimate. This was low compared to 5.9% in 2021.

The third estimate of GDP for the fourth quarter of 2022 and for year 2022 will be released March 30.

Unemployment

The U.S. economy added 311,000 jobs in February, after an unexpected increase of 517,000 jobs last month. The unemployment rate increased slightly to 3.6%. Significant job gains appeared in leisure and hospitality, retail trade, government, and health care. Employment decreased in information and in transportation and warehousing.

The most recent Job Openings and Labor Turnover Survey (JOLTS) produced by the Department of Labor found there were 10.8 million available jobs, 200,000 less than last month.

Job openings decreased in construction, accommodation and food services, and finance and insurance.

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 February SBET survey found 47% of owners with "hard to fill" job openings, up 2 points from January, and historically very high. Owners hope to fill some of those openings with solid hiring plans.



Source: U.S. Department of Labor



Source: U.S. Bureau of Labor Statistics



Source: U.S. Census Bureau

Consumer Price Index (Inflation Rate)

The CPI measures the price level of a basket of consumer goods commonly purchased by households. The Consumer Price Index, measured by the change in the cost of the entire basket of goods, rose 0.4% in February month-to-month after an increase of 0.5% in January. Over the last 12 months the all items index increased 6.0% in February (a 0.4 point decrease from January’s 6.4% increase). This was the smallest 12-month increase since the period ending September 2021.

The largest contributor to the monthly all items increase was the shelter index, accounting for over 70% of the increase. The indexes for food, recreation, and household furnishing and operations also contributed. The indexes for used cars and trucks and for medical care decreased over the month. The food index increased 0.4% over the month and the energy index decreased 0.6%. The index for all items less food and energy rose 5.5% over the last 12 months. 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 2022 to February 2023, airline fares were the category with the greatest increase.

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

Categories	February 2022 to February 2023
Airline fares	26.5%
Cereal and bakery products	14.6%
Transportation services	14.6%
Motor vehicle insurance	14.5%
Natural gas (piped)	14.3%
Energy services	13.3%
Electricity	12.9%
Motor vehicle maintenance and repair	12.5%
Other food at home	12.4%

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 38% 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 25% of owners plan to raise prices in the coming months, down 4 points from January.

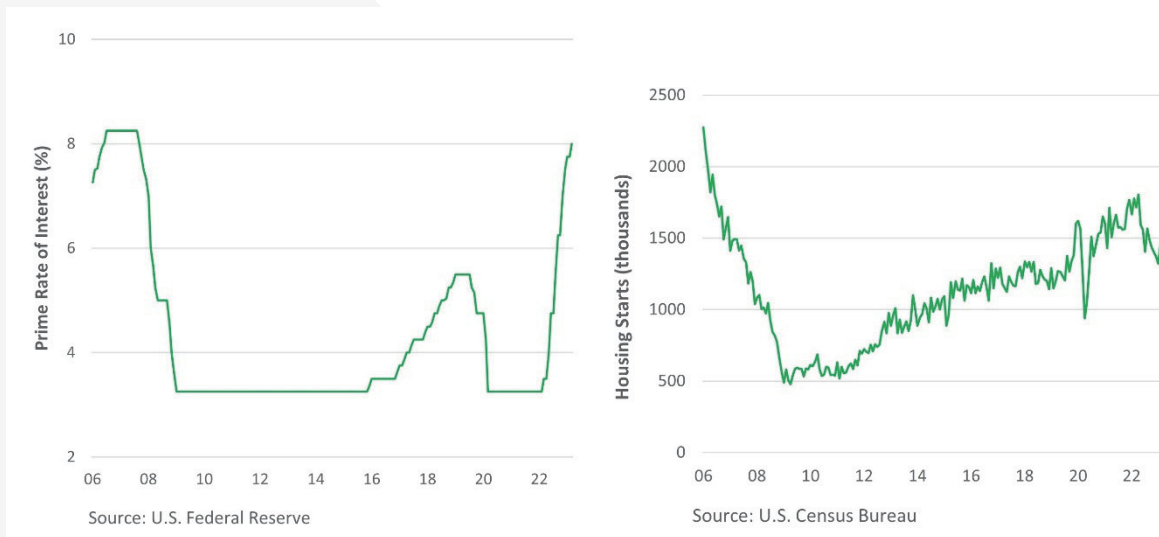
Retail Sales

The Monthly Retail Trade Report measures consumer spending at retail stores and food services. Retail sales decreased by 0.4% in February from January, which posted very strong gains, according to advance estimates of U.S. retail and food services. This was 5.4% above February 2022. Retail trade sales were up 4% from February 2022 and food services and drinking places were up 15.3%. General merchandise stores were up 10.5% from last year.

Data for March will be released April 14, 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 late March, the Fed raised the prime rate by a quarter of a percentage point, pushing it from 7.75% (February) to 8% to help mitigate strong inflation pressures. Higher mortgage rates have reduced housing demand by raising the cost of ownership. The Fed has indicated that it may continue to raise interest rates but there will be small rate hikes. The next FOMC meeting is scheduled for May 2-3. The Federal Funds rate increased a quarter of a percentage point to 4.75%-5% at the last meeting, more rate hikes are expected.



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.



The demand for housing has slightly increased. February's New Residential Construction report found a level of 1.450 million units started, up from January's revised report of 1.321 million units started. February's estimate was 18.4% below last year's rate of 1.777. Supply chain problems (workers, lumber, appliances, building codes to name a few) continue to slow new home construction and completions. Data for March will be released April 18, 2023.

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

fred.stlouisfed.org

Upcoming Economic Indicator Releases

March 30	GDP, 4th Quarter 2022 and Year 2022 (Third Estimate)
March 31	Michigan Consumer Sentiment (Final Estimate)
April 4	Job Openings and Labor Turnover (JOLTS)
April 6	NFIB Jobs Report
April 7	BLS Employment Situation Report (Unemployment Rate)
April 11	NFIB Small Business Economic Trends
April 12	Consumer Price Index
April 14	Monthly Retail Trade Report
April 18	Housing Starts
May 2-3	Federal Open Market Committee Meeting

Additional NFIB Research and Media

Another Puzzling Call on Jobs. William Dunkelberg (February 28).
<https://www.forbes.com/sites/williamdunkelberg/2023/02/28/another-puzzling-call-on-jobs/?sh=3251e36259bd>

Sticky Wages, Stickier Inflation. William Dunkelberg (February 24).
<https://www.forbes.com/sites/williamdunkelberg/2023/02/24/sticky-wages-stickier-inflation/?sh=7516a5951d48>

Podcast: The Journal – Mass Layoffs or Hiring Boom – Which Is It? (February 17).
<https://www.wsj.com/podcasts/the-journal/mass-layoffs-or-hiring-boom-which-is-it/064c0368-5381-4e8e-9d6b-9ee5cc48e6d6>

NABE Panel Expresses Disparate Views Regarding U.S. Economic Outlook. National Association for Business Economics (February).
https://nabe.com/NABE/Surveys/Outlook_Surveys/February_2023_Outlook_Survey_Summary.aspx



NFIB Research Center

Holly Wade

Executive Director

holly.wade@nfib.org | (202) 314-2022

Madeleine Oldstone

Policy Analyst

maddi.oldstone@nfib.org

William Dunkelberg

Chief Economist

Follow us on Twitter @NFIBResearch