



NFIB Monthly Economic Newsletter

November 2024





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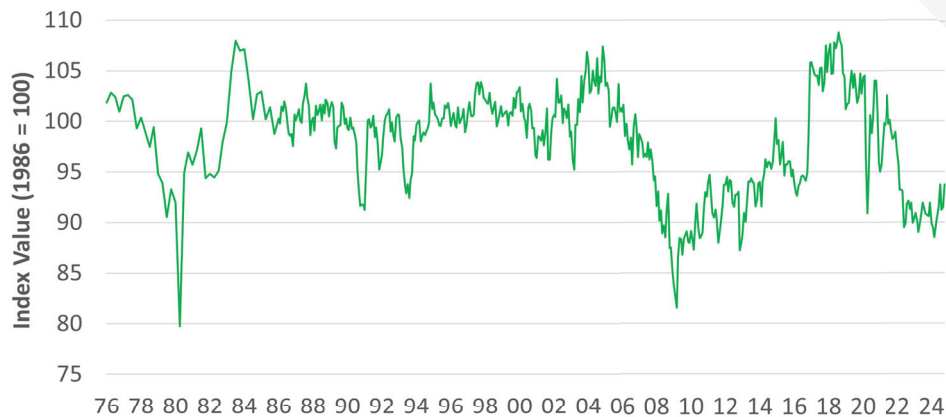
Small Business Economic Trends

The Optimism Index rose by 2.2 points in October to 93.7. This is the 34th consecutive month below the 50-year average of 98. The last time the Optimism Index was at or above the 50-year average of 98 was December 2021. Of the 10 Optimism Index components, nine increased, zero decreased, and one was unchanged. The Uncertainty Index rose 7 points to 110, the highest reading recorded. With the election over, this may all change for the better as owners are more certain about future conditions.

- A net negative 20% of all owners (seasonally adjusted) reported higher nominal sales in the past three months, down 3 points from September and the lowest reading since July 2020. Sales are trending weaker.
- Seasonally adjusted, a net 31% reported raising compensation, down 1 point from September. The last time it was this low was in April 2021. However, this is still a historically strong reading and problematic for fighting inflation.
- The net percent of owners expecting higher real sales volumes rose 5 points to a net negative 4% (seasonally adjusted). This is the highest reading of this year, but still, very pessimistic.
- A net 5% of owners reported paying a higher rate on their most recent loan, down 7 points from September and the lowest reading since January 2022. Loan rates have stopped rising.
- Thirty-five percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, up 1 point from September. Positions are available but owners can't get them filled.
- Twenty-three percent of owners reported that inflation was their single most important problem in operating their business (higher input and labor costs), unchanged from September and remaining the top issue. Prices aren't rising as quickly but they remain high and show little inclination to fall.

Small Business Optimism Index

Based on Ten Survey Indicators
(Seasonally Adjusted)



Source: NFIB Small Business Economic Trends Survey

Read the latest full report: nfib.com/sbet

Macroeconomic Indicators

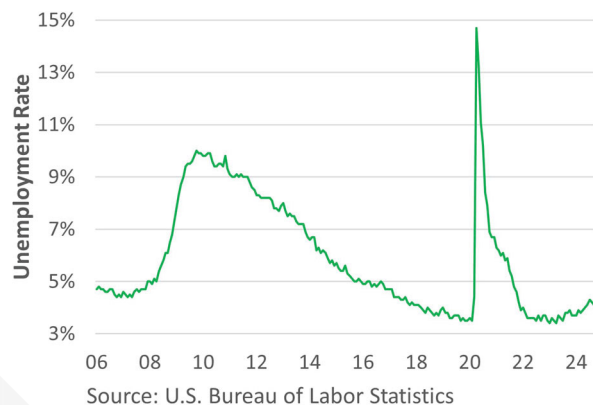
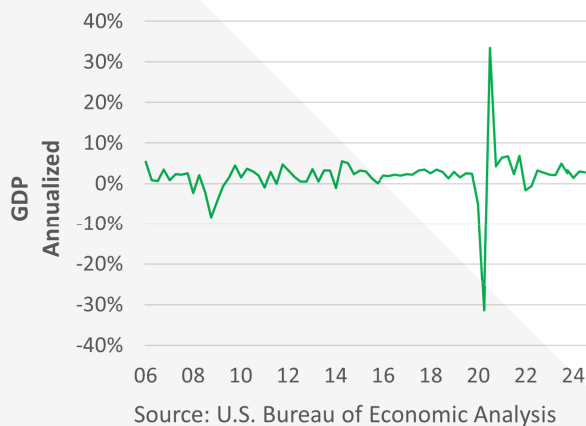
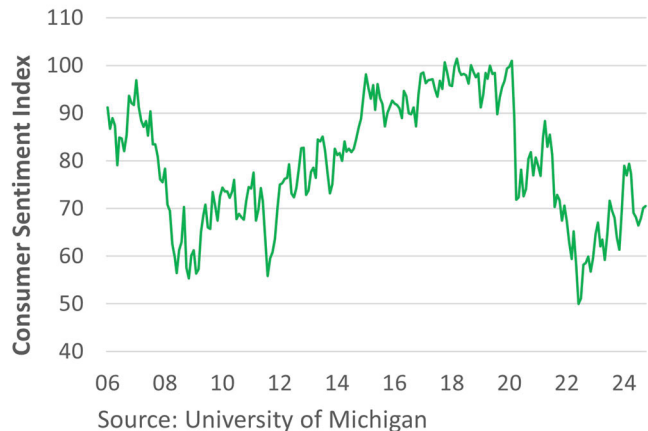
	Most Recent	Previous Month	1 Year Ago	5 Years Ago
NFIB Optimism Index	93.7	91.5	90.7	102.4
Unemployment Rate	4.1%	4.1%	3.9%	3.6%
Consumer Sentiment	73.0	70.5	61.3	96.8
CPI Inflation Rate (12-month percent change)	2.6%	2.4%	3.2%	1.8%
Prime Rate of Interest	7.75%	8.00%	8.50%	4.75%
Retail Sales Change	0.4%	0.8%	-0.2%	0.5%
Housing Starts (000)	1311	1353	1359	1340

*Most recent available data for Retail Sales and Housing Starts from October 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 improved for the fourth consecutive month, rising 2.5 points in November to a preliminary value of 73.0. This is the highest reading in six months. November's reading is 50% above the low in June 2022, although it remains below pre-pandemic readings. Personal finance expectations increased, and long-run business conditions increased to their best reading in nearly four years.



Gross Domestic Product (GDP)

GDP increased in the third quarter of 2024 by 2.8% (advanced estimate), down from the second quarter's reading of 3.0%. The third quarter GDP growth was due to increases in consumer spending, exports, and federal government spending. For consumer spending, there were increases in both goods and services. The greatest contributors for goods were other nondurable goods and motor vehicles and parts. Within services, health care as well as food services and accommodations. The increase in exports reflected a rise in capital goods, excluding automotive, and federal government spending was led by defense spending. Compared to the second quarter, the slowdown in GDP in the third quarter

reflected a decrease in private inventory investment as well as residential fixed investment. The second estimate for the third quarter of 2024 will be released on November 27, 2024.

Unemployment

The U.S. economy added 12,000 jobs in October, significantly lower than economists had forecasted (100,000). The low reading was mostly due to the hurricanes in the Southeast and the Boeing strike. Combined revisions for August and September totaled a decrease of 112,000 jobs reported.

Growth occurred in health care and government, while employment declined in temporary help services and manufacturing (due to Boeing strike). The unemployment rate remained at 4.1%, in line with expectations.



Source: U.S. Department of Labor

The most recent Job Openings and Labor Turnover Survey (JOLTS)

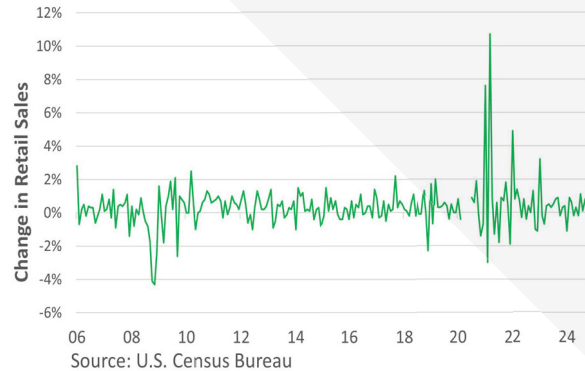
produced by the U.S. Department of Labor found 7.4 million available jobs, although down by 1.9 million over the year. Job openings increased in finance and insurance, and decreased in health care and social assistance, state and local government (excluding education), and federal government. The ratio 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 October SBET survey found 35% (seasonally adjusted) of owners with "hard to fill" job openings, up 1 point from September's lowest reading since January 2021. Owners hope to fill some of those openings with solid hiring plans, with a net 15% (seasonally adjusted) planning to hire in the coming months, unchanged from September.



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 average change over time in the cost of a basket of consumer goods commonly purchased by households. The CPI rose 0.2% in October on a month-over-month basis, the same increase as the previous three months. Over the past 12 months, the all items index increased 2.6%, meeting forecasts. This was higher than the 2.4% reported in September. The index for shelter rose 0.4% and accounted for over half of the monthly increase. Additionally, the food index increased 0.2% over the month. The energy index remained unchanged over the month, after declining 1.9% in September.

From October 2023 to October 2024, motor vehicle insurance, tobacco and smoking products, and motor vehicle maintenance and repair were the categories with the greatest increase. The categories with the greatest decline were fuel oil (-20.8%) and energy commodities (-12.4%).

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

Categories	Oct. 2023 to Oct. 2024
Motor vehicle insurance	14.0%
Tobacco and smoking products	6.8%
Motor vehicle maintenance and repair	5.8%
Owners' equivalent rent of residences	5.2%
Rent of primary residence	4.6%
Electricity	4.5%
Airline fare	4.1%

Source: U.S. Bureau of Labor Statistics

NFIB's October SBET report found a net 21% (seasonally adjusted) of owners raised prices over the past three months, down 1 point from September. The highest reading was in the

mid-1970s, 67% in Q4 1974. A net 26% (seasonally adjusted) of owners plan to raise prices in the coming months, up 1 point from September.

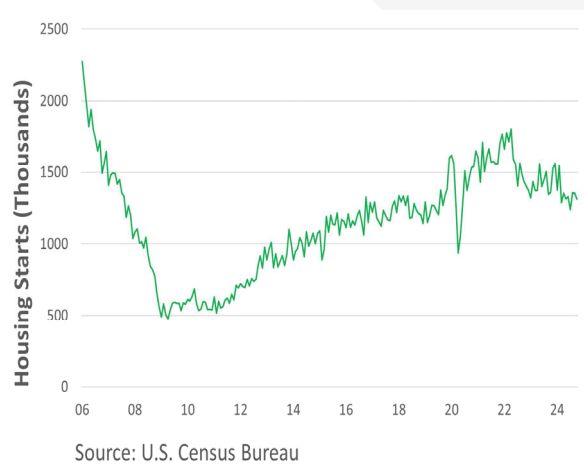
Retail Sales

The Advanced Monthly Retail Trade Survey measures consumer spending at retail and food services stores. Consumer spending is an important metric of economic growth, as it makes up about two-thirds of GDP. Retail and food services sales rose 0.4% in October from the previous month, lower than September's revision (0.8%) although slightly higher than expected. October's reading was 2.8% above October 2023. The increase indicates that consumers are still spending and points to a steadily growing economy. Retail trade sales were up 2.6% from a year ago and nonstore retailers were up 7.0%. Food services and drinking places were up 4.3% from October 2023.

Data for November will be released on December 17, 2024. These figures are seasonally adjusted but 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 early November, the Federal Reserve announced it would cut their policy rate by a quarter point (or 25 basis points), after its last cut of half a point. The prime lending rate dropped to 7.75% and the federal funds rate target, 4.50%-4.75%. This was the second rate cut since the beginning of the Covid-19 pandemic in 2020, although a smaller increase from the last meeting. The Fed's decision to cut rates was reflective of the cooling job market and slower inflation. The committee will meet one more time this year and it is expected to cut rates again. Rate cuts are also expected in 2025, although how many cuts will depend on the economic impact of policies enacted by the new Administration. The next FOMC meeting is scheduled for December 17-18.



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. October's New Residential Construction report found that 1.311 million units were started. The reading is 0.6% below September's revised rate and 4.0% below October 2023.

NFIB's October SBET report found that nearly half (49%) 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 and are more severe than the overall small business population. Seventy-six percent of small businesses in the construction industry reported supply chain disruptions having some degree of an impact on their business. November's housing starts data will be released on December 18, 2024.

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

fred.stlouisfed.org

Upcoming Economic Indicator Releases

November 22	Michigan Consumer Sentiment (Final Estimate)
November 27	GDP, 3rd Quarter 2024 (Second Estimate)
December 3	Job Openings and Labor Turnover (JOLTS)
December 5	NFIB Jobs Report
December 6	BLS Employment Situation Report (Unemployment Rate)
December 10	NFIB Small Business Economic Trends
December 11	Consumer Price Index
December 17	Monthly Retail Trade Report
December 17-18	Federal Open Market Committee Meeting
December 18	Housing Starts

Additional NFIB Research and Media

Weather Muddies Small Business Outlook. William Dunkelberg. (November 19).
<https://www.forbes.com/sites/williamdunkelberg/2024/11/19/weather-muddies-small-business-outlook/>

NFIB Small Businesses' Contribution to the Community Survey. (November 18).
<https://nfib.com/wp-content/uploads/2024/11/2024-Small-Business-Contribution-to-the-Community-05.pdf>

The Economy: As Unpredictable as the Election. William Dunkelberg. (November 18).
<https://www.forbes.com/sites/williamdunkelberg/2024/11/18/the-economy-as-unpredictable-as-the-election/>

Podcast: The Journal- The Mysterious Fees Inflating Your Grocery Bill. (November 18).
<https://www.wsj.com/podcasts/the-journal/the-mysterious-fees-inflating-your-grocery-bill/f5272772-0109-4351-88f0-cf0343e3cbd2>



Podcast: NFIB Small Business Rundown- Episode 48: Tax Survey Results, Small Business Owners Voice Uncertainty & Concerns. (November 14).

<https://www.nfib.com/SmallBusinessRundownPodcast/>

VIDEO: NFIB's Holly Wade Discusses Main Street's Increasing Optimism on Yahoo! Finance. (November 14). <https://stg-nfibcom-staging.kinsta.cloud/news-article/video-nfibs-holly-wade-discusses-main-streets-increasing-optimism-on-yahoo-finance/>

VIDEO: NFIB's Holly Wade Discusses Small Business Optimism on NYSE TV. (November 12).

<https://www.youtube.com/watch?v=GPR8V-4oIRk>

Not a Bad Job Market. James Freeman. (October 31). https://www.wsj.com/opinion/not-a-bad-job-market-7b185be1?mod=latest_headlines

Elections and the Fed Take Uncertainty to Record Levels. William Dunkelberg. (October 25).

<https://www.forbes.com/sites/williamdunkelberg/2024/10/25/elections-and-the-fed-take-uncertainty-to-record-levels/>



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