



NFIB Monthly Economic Newsletter

December 2024



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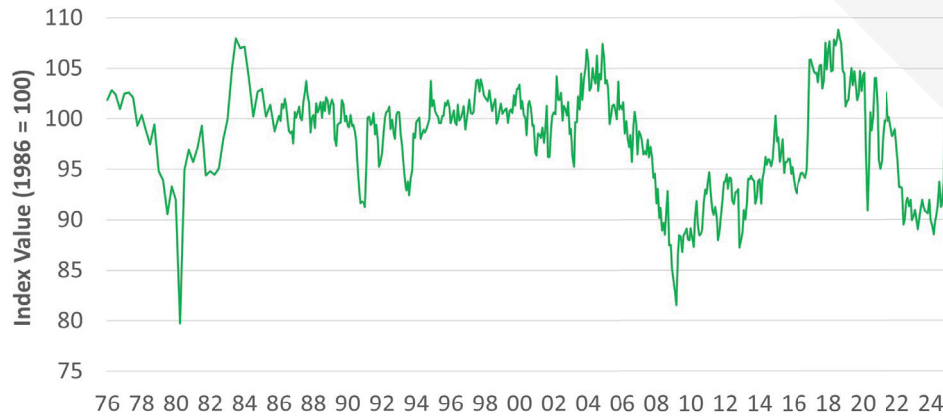
Small Business Economic Trends

The Optimism Index rose by 8 points in November to 101.7, after 34 months of remaining below the 50-year average of 98. This is the highest reading since June 2021 and the largest monthly increase in the survey's history. Of the 10 Optimism Index components, nine increased, none decreased, and one was unchanged. Following last month's record high of 110, the Uncertainty Index declined 12 points as business owners became more certain following the election.

- The net percent of owners expecting the economy to improve rose 41 points from October to a net 36%, the highest since June 2020. This component had the greatest impact on the overall increase in the Optimism Index.
- The percent of small business owners believing it is a good time to expand their business rose 8 points to 14%. This is the highest reading since June 2021.
- The net percent of owners expecting higher real sales volumes rose 18 points to a net 14% (seasonally adjusted), the highest reading since February 2020.
- A net 5% of owners reported paying a higher rate on their most recent loan, unchanged from October's lowest reading since January 2022. Rates are likely to fall in the near future.
- Twenty-eight percent (seasonally adjusted) plan capital outlays in the next six months, up 6 points from October. This is the highest reading since January 2022.
- The frequency of reports of positive profit trends was a net negative 26% (seasonally adjusted), up 7 points from October and the best reading of this year.
- Twenty percent of owners reported that inflation was their single most important problem in operating their business (higher input and labor costs), down 3 points from October and surpassing labor quality as the top issue by 1 point.
- Thirty-six percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, up 1 point from October.

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

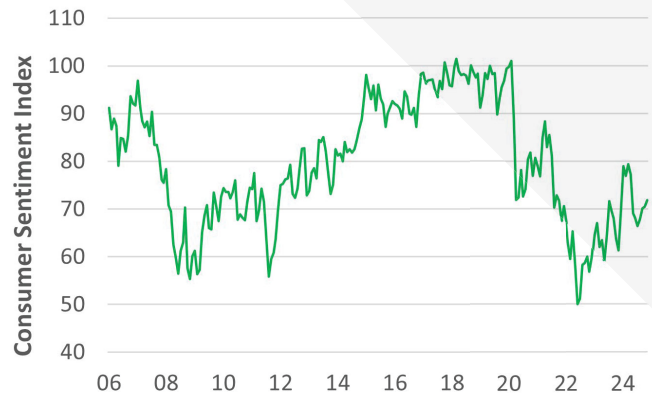
	Most Recent	Previous Month	1 Year Ago	5 Years Ago
NFIB Optimism Index	101.7	93.7	90.6	104.7
Unemployment Rate	4.2%	4.1%	3.7%	3.6%
Consumer Sentiment	74.0	71.8	69.7	99.3
CPI Inflation Rate (12-month percent change)	2.7%	2.6%	3.1%	2.1%
Prime Rate of Interest	7.50%	7.75%	8.50%	4.75%
Retail Sales Change	0.7%	0.5%	0.3%	0.0%
Housing Starts (000)	1289	1312	1525	1381

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

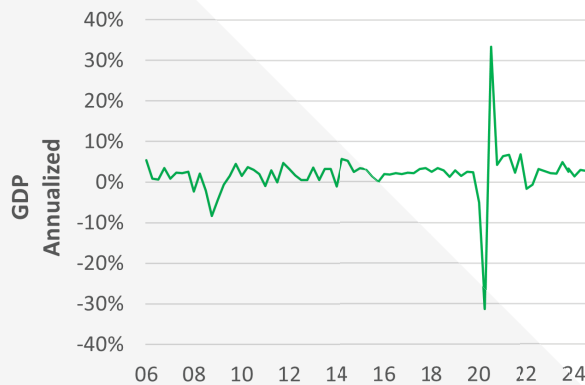
Consumer Sentiment (Univ. of Michigan)

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 to a preliminary reading of 74.0 in December, surpassing the Wall Street Journal expectation of 73.0. This was the fifth consecutive month of improvement and the highest reading in seven months. The Index of Current Economic Conditions also improved, rising more than 20% from November to 77.7. This was due to a surge in the buying conditions index for durables. Year-ahead inflation expectations rose to 2.9%, the highest reading in six months.



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 third quarter of 2024 by 2.8% (second estimate), down from the second quarter's reading of 3.0% and in line with expectations. The third quarter's GDP growth was due to increases in consumer spending, exports, federal government spending, and non-residential fixed investment. The second estimate reflects upward revisions to private inventory investment, nonresidential fixed investment, state and local government spending, and residential fixed investment. Downward revisions were made to exports, consumer spending, and federal government spending.

For consumer spending, there were increases in both goods and services. The greatest contributors for goods were nondurable goods and motor vehicles and parts. Within services, healthcare as well as food services and accommodations had the largest increases. The third estimate for the third quarter of 2024 will be released on December 19, 2024.

Unemployment

The U.S. economy added 227,000 jobs in November, higher than expected and rebounded from October's revised reading of 36,000 jobs. The rebound in November was due to a recovery from hurricane and strike disruptions in October. Combined revisions for September and October totaled an increase of 56,000 jobs reported.

Job growth occurred in health, leisure and hospitality, government, and social assistance, while employment declined in retail trade. The unemployment rate rose slightly to 4.2%, remaining higher than the 3.7% rate from a year ago.

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

produced by the U.S. Department of Labor found there were 7.7 million available jobs, higher than last month although down by 941,000 over the year. Job openings increased in professional and business services, accommodation and food services, and information. The number of jobs decreased 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 November SBET survey found 36% (seasonally adjusted) of owners with "hard to fill" job openings, up 1 point from October. 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, up 3 points from October.

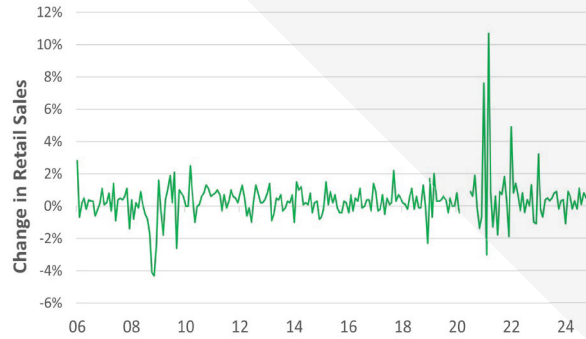


Source: U.S. Department of Labor



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) is a measure of the average change over time in the cost of a basket of consumer goods commonly purchased by households. The CPI rose 0.3% in November on a month-over-month basis, after four consecutive months of rising 0.2%. Over the past 12 months the all-items index increased 2.7%, in line with expectations. November's reading was higher than the 2.6% reported in October. The index for shelter rose 0.3% and accounted for nearly 40% of the monthly all items increase. Additionally, the food index increased 0.4% over the month and the energy index increased 0.2%.

From November 2023 to November 2024, motor vehicle insurance, tobacco and smoking products, and motor vehicle maintenance and repair remained the categories with the greatest increases. The categories with the greatest declines were fuel oil (19.5%) and gasoline (-8.1%).

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

Categories	Nov. 2023 to Nov. 2024
Motor vehicle insurance	12.7%
Tobacco and smoking products	6.6%
Motor vehicle maintenance and repair	5.7%
Owners' equivalent rent of residences	4.9%
Airline fare	4.7%
Rent of primary residence	4.4%
Hospital services	3.8%

Source: U.S. Bureau of Labor Statistics

NFIB's November SBET report found a net 24% (seasonally adjusted) of owners raised prices over the past three months, up 3 points from October. The highest reading was in

the mid-1970s, 67% in Q4 1974. A net 28% (seasonally adjusted) of owners plan to raise prices in the coming months, up 2 points from October.

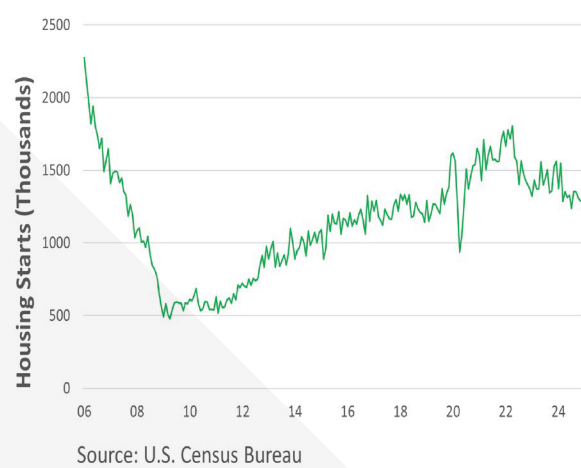
Retail Sales

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 0.7% in November from the previous month. This was higher than October's revision of 0.5% and what economists had expected. November's reading was 3.8% above November 2023. The increase indicates that consumers are still spending and points to a steadily growing economy. Retail trade sales were up 4.1% from a year ago and nonstore retailers were up 9.8%. Motor vehicle and parts dealers were up 6.5% from November 2023.

Data for December will be released on January 16, 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 mid-December, the Federal Reserve announced it would cut their policy rate by a quarter point (or 25 basis points), the third cut this year. The prime lending rate dropped to 7.50% and the federal funds rate target, 4.25%-4.50%. The committee will meet in January, and it is expected to hold rates steady. The next FOMC meeting is scheduled for January 28-29.





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. November's New Residential Construction report found that 1.289 million units were started. The reading is 1.8% below October's revised estimate of 1.312 and 14.6% below the reading from a year ago.

NFIB's November SBET report found that over half (54%) of small businesses in the construction industry have a job opening they cannot fill, up 5 points from October. Supply chain disruptions continue to be problematic for the construction industry. December's housing starts data will be released on January 17, 2024.

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

fred.stlouisfed.org

Upcoming Economic Indicator Releases

December 19	GDP, 3rd Quarter 2024 (Second Estimate)
December 20	Michigan Consumer Sentiment (Final Estimate)
January 7	Job Openings and Labor Turnover (JOLTS)
January 9	NFIB Jobs Report
January 10	BLS Employment Situation Report (Unemployment Rate)
January 14	NFIB Small Business Economic Trends
January 15	Consumer Price Index
January 16	Monthly Retail Trade Report
January 17	Housing Starts
January 28-29	Federal Open Market Committee Meeting

Additional NFIB Research and Media

VIDEO: NFIB President Brad Close Discusses Rising Small Business Optimism on Bloomberg's The Close. (December 17). <https://www.youtube.com/watch?v=F56xXqXsfFo>

VIDEO: NFIB's Holly Wade Joins NYSE TV to Discuss November's SBET Survey. (December 11). <https://www.youtube.com/live/0ixBAFqTCso?t=728s>

VIDEO: NFIB's Holly Wade Talks Main Street Optimism on Yahoo! Finance. (December 11). <https://finance.yahoo.com/video/small-business-optimism-jumps-highest-173047900.html?guccounter=1>

Still Hiring. James Freeman. (December 5). <https://www.wsj.com/opinion/still-hiring-20d1dde4>

Podcast: NFIB Small Business Rundown- Episode 49: Tips to Hire Qualified Employees in a Tight Labor Market. (November 28). <https://www.nfib.com/SmallBusinessRundownPodcast/>



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