



NFIB Monthly Economic Newsletter

JANUARY 2025

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NFIB Monthly Economic Newsletter - January 2025

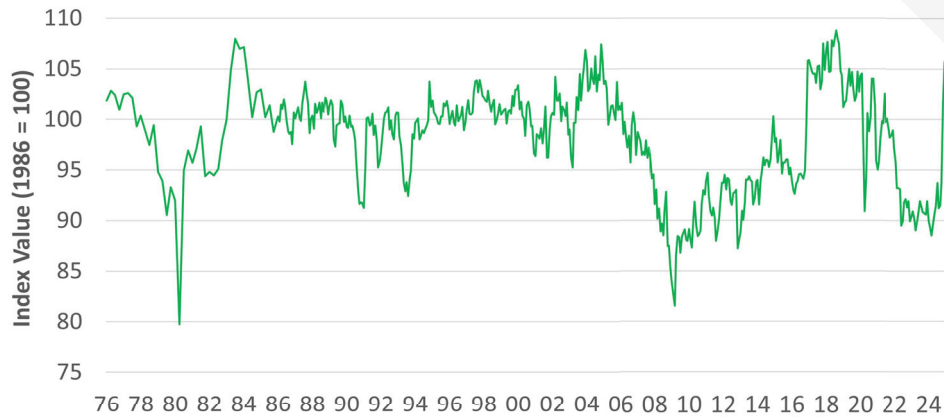
Small Business Economic Trends

Small business optimism expands on an improved economic outlook post-election. The Optimism Index rose by 3.4 points in December to 105.1, the second consecutive month above the 51-year average of 98. This is the highest reading since October 2018. Of the 10 Optimism Index components, seven increased, two decreased, and one was unchanged. The Uncertainty Index declined 12 points to 86, as business owners became more certain about economic policies following the election.

- The net percent of owners expecting the economy to improve rose 16 points from November to a net 52% (seasonally adjusted), the highest since the fourth quarter of 1983.
- The percent of small business owners believing it is a good time to expand their business rose 6 points to 20% , seasonally adjusted. This is the highest reading since February 2020.
- The net percent of owners expecting higher real sales volumes rose 8 points to a net 22% (seasonally adjusted). This is the highest reading since January 2020.
- A net 6% (seasonally adjusted) of owners plan inventory investment in the coming months, up 5 points from November and the highest reading since December 2021.
- Seasonally adjusted, a net 29% reported raising compensation, down 3 points from November and the lowest reading since March 2021.
- A net 1% of owners reported paying a higher rate on their most recent loan, down 4 points from November and the lowest reading since September 2021.
- Twenty percent of owners reported that inflation was their single most important problem in operating their business (higher input and labor costs), unchanged from November and leading labor quality as the top issue by 1 point.

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	105.1	101.7	91.9	102.7
Unemployment Rate	4.1%	4.2%	3.7%	3.6%
Consumer Sentiment	73.2	74.0	79.0	99.8
CPI Inflation Rate (12-month percent change)	2.9%	2.7%	3.4%	2.3%
Prime Rate of Interest	7.50%	7.50%	8.50%	4.75%
Retail Sales Change	0.4%	0.8%	0.4%	0.0%
Housing Starts (000)	1499	1294	1562	1601

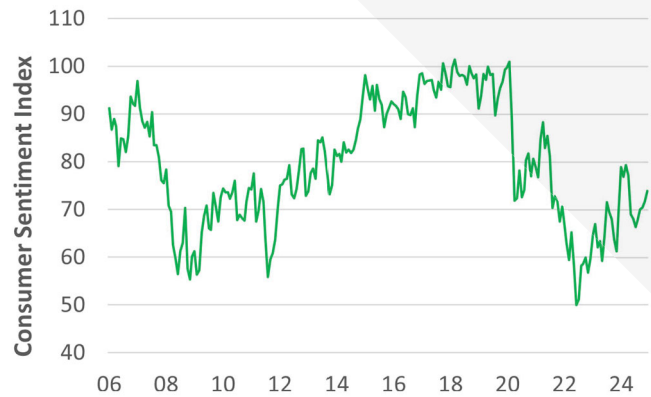
*Most recent available data for Retail Sales and Housing Starts from December 2024

Consumer Sentiment (Univ. of Michigan)

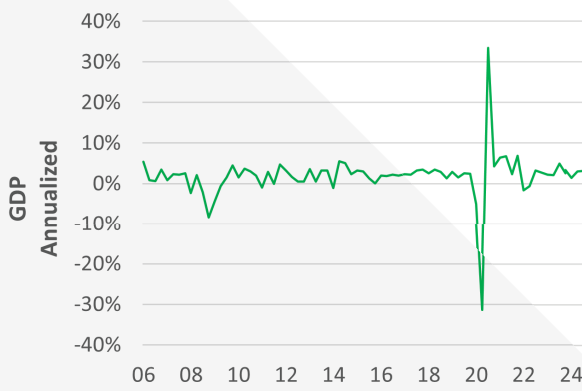
The University of Michigan Surveys of Consumers measures consumer sentiment with questions about expected personal finances, business conditions, and buying conditions, asked of a random sample of U.S. consumers.

The Index of Consumer Sentiment was essentially unchanged in January at a preliminary reading of 73.2 (74.0 in December). January's reading was well below levels reached before 2020.

One-year inflation expectations increased 3.3%, the highest level since May 2024, and above the 2.3%-3.0% range that occurred two years before the COVID-19 pandemic. Additionally, long-run inflation expectations jumped to 3.3%, the highest level since June 2008.



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 3.1% (second estimate), down from the second quarter's reading of 3.0% and above forecasts. The third quarter's GDP growth was due to increases in consumer spending, exports, business investment, and federal government spending. The third estimate reflects upward revisions to exports and consumer spending. Downward revisions were made to private inventory investment.

For consumer spending, there were increases in both goods and services. The greatest contributors for goods were durable goods (led by other transportation equipment) and nondurable goods manufacturing. Within services, retail trade (led by motor vehicles and part dealers), healthcare and social assistance, and information had the greatest increases. The advance estimate for the fourth quarter of 2024 and year 2024 will be released on January 30.

Unemployment

The U.S. economy added 256,000 jobs in December, much higher than the expectation of 155,000 jobs and ending 2024 strong. Combined revisions for October and November totaled 8,000 fewer jobs than previously reported. Job growth occurred in healthcare, government, and social assistance. Retail trade also added jobs, after suffering a loss in November.

The unemployment rate dropped slightly to 4.1%, slightly higher than the 3.8% rate of the year prior.

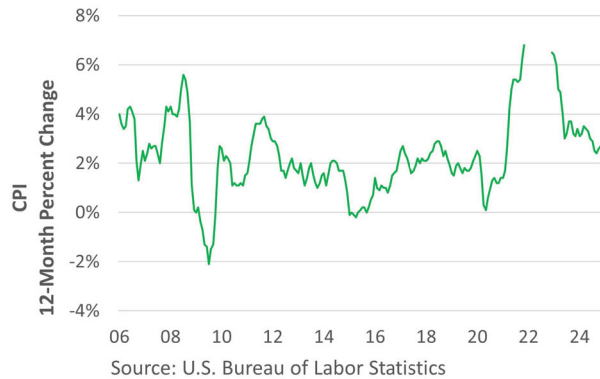
The most recent Job Openings and Labor Turnover Survey (JOLTS) produced by the U.S. Department of Labor found there were 8.1 million available jobs, higher than last month but down by 833,000 over the year. Job openings increased in professional and business services, finance and insurance, and private education services. The number of jobs decreased in information.

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. This is the sixth consecutive month at this level.

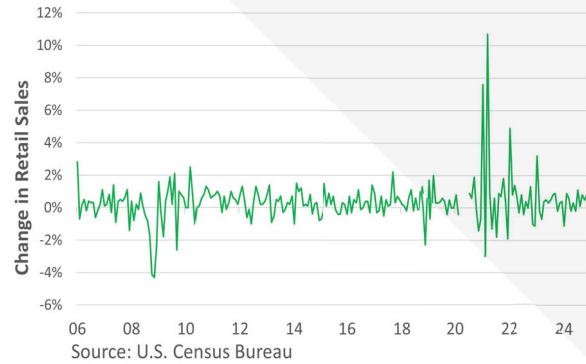
NFIB's December Small Business Economic Trends survey found 35% (seasonally adjusted) of owners with "hard to fill" job openings, down 1 point from November. Owners hope to fill some of those openings with solid hiring plans, with a net 19% (seasonally adjusted) planning to hire in the coming months, up 1 point from November.



Source: U.S. Department of Labor



*Data from 12/21 to 11/22 are omitted. CPI reached 9.1% in June 2022.



*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 0.4% in December on a month-over-month basis, after rising 0.3% in November. Over the past 12 months, the all-items index increased 2.9%, in line with expectations. December's reading was higher than the 2.7% reported in November. The index for energy rose 2.6%, accounting for over 40% of the month all items increase. The gasoline index increased 4.4% and the index for food rose 0.3%.

From December 2023 to December 2024, motor vehicle insurance, airline fare, and tobacco and smoking products were the categories with the greatest increases. The categories with the greatest declines were fuel oil (-13.1%) and used cars and trucks (-3.3%).

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

Categories	Dec. 2023 to Dec. 2024
Motor vehicle insurance	11.3%
Airline fare	7.9%
Tobacco and smoking products	6.7%
Motor vehicle maintenance and repair	6.2%
Natural gas (piped)	4.9%
Owners' equivalent rent of residences	4.8%
Rent of primary residence	4.3%
Meats, poultry, fish, and eggs	4.2%

Source: U.S. Bureau of Labor Statistics

NFIB's December Small Business Economic Trends report found a net 24% (seasonally adjusted) of owners raised prices over the past three months, unchanged from November.

The highest reading was in the mid-1970s when a net 67% of owners raised prices in Q4 1974. A net 28% (seasonally adjusted) of owners plan to raise prices in the coming months, unchanged from November.

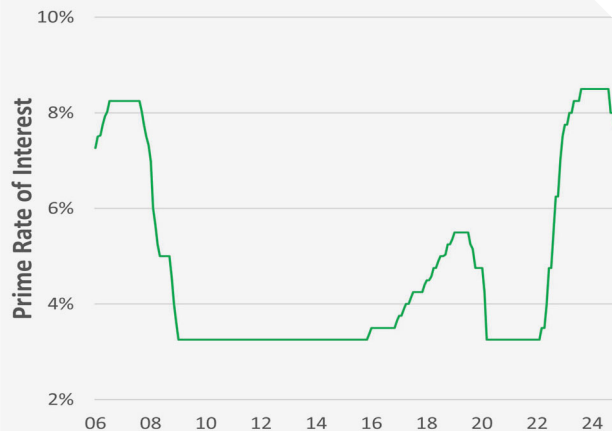
Retail Sales

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 December from the prior month and were up 3.9% from December 2023. This was lower than November's revision of 0.4% and slightly below Wall Street's forecast. Retail trade sales were up 4.2% from a year ago and nonstore retailers were up 6.0%. Motor vehicle and parts dealers were up 8.4% from December 2023.

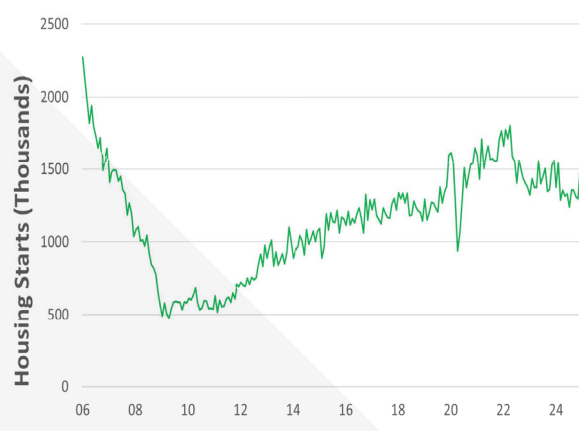
Data for January will be released on February 14, 2024. These figures are seasonally adjusted but not adjusted for inflation (e.g., gas dollar volumes rise as gas prices rise, actual gallons purchased increase by smaller percentages).

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 its policy rate by a quarter point (or 25 basis points), the third cut in 2024. 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.



Source: U.S. Federal Reserve



Source: U.S. Census Bureau

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. December's New Residential Construction report found that 1.499 million units were started, about 16% higher than November's revised rate of 1.294 million. The reading is 4.4% below the reading from a year ago.

NFIB's December Small Business Economic Trends report found that 41% of small businesses in the construction industry have a job opening they cannot fill, down 13 points from November and down 17 points from the prior year. Supply chain disruptions continue to be problematic for the construction industry with 64% reporting it to some degree. January's housing starts data will be released on February 19, 2025. Hurricane and fire destruction will boost housing starts in many states.

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

fred.stlouisfed.org

Upcoming Economic Indicator Releases

January 24	Michigan Consumer Sentiment (Final Estimate)
January 28-29	Federal Open Market Committee Meeting
January 30	GDP, 4th Quarter 2024 and Year 2024 (Advance Estimate)
February 4	Job Openings and Labor Turnover (JOLTS)
February 6	NFIB Jobs Report
February 7	BLS Employment Situation Report (Unemployment Rate)
February 11	NFIB Small Business Economic Trends
February 12	Consumer Price Index
February 14	Monthly Retail Trade Report
February 19	Housing Starts

Additional NFIB Research and Media

Small Business Sales Expectations Return to Normal. William Dunkelberg. (January 17).

<https://www.forbes.com/sites/williamdunkelberg/2025/01/17/small-business-sales-expectations-return-to-normal/>

Small Business Optimism Boosted by The Election. William Dunkelberg. (January 16).

<https://www.forbes.com/sites/williamdunkelberg/2025/01/16/small-business-optimism-boosted-by-the-election/>

VIDEO: NFIB's Holly Wade Joins Yahoo! Finance to Discuss December's SBET Survey.

(January 14). <https://finance.yahoo.com/video/inflation-still-top-challenge-small-192000754.html>

Fewer Raises at Small Firms. James Freeman. (January 9).

<https://www.wsj.com/opinion/fewer-raises-at-small-firms-be70894a>



Regulatory Rush. William Dunkelberg. (December 19).

<https://www.forbes.com/sites/williamdunkelberg/2024/12/19/regulatory-rush/>

The Journal Podcast – How to Make a \$12.98 T-Shirt in the U.S.

<https://www.wsj.com/podcasts/the-journal/how-to-make-a-1298-t-shirt-in-the-us/E1DC765A-F118-482B-871A-4A434F0C310B>



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