



NFIB Monthly Economic Newsletter

FEBRUARY 2025



NFIB Monthly Economic Newsletter - February 2025

Small Business Economic Trends

The Optimism Index fell by 2.3 points in January to 102.8, the third consecutive month above the 51-year average of 98. Of the 10 Optimism Index components, one increased, seven decreased, and two were unchanged. The Uncertainty Index rose 14 points to 100 (third highest reading in the 51-year history of the survey), after two months of decline.

- The net percent of owners expecting the economy to improve fell 5 points from December to a net 47% (seasonally adjusted).
- Eighteen percent of owners reported that inflation was their single most important problem in operating their business, down 2 points from December and matching labor quality as the top issue. The last time it was this low was November 2021.
- The net percent of owners raising average selling prices fell 2 points from December to a net 22% seasonally adjusted.
- Seasonally adjusted, a net 26% plan price hikes in January (down 2 points).
- Thirty-five percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, unchanged from December.
- Twenty percent (seasonally adjusted) plan capital outlays in the next six months, down 7 points from December.
- A net 3% reported their last loan was harder to get than in previous attempts (down 1 point). The last time it was this low was June 2022.
- A net 0% (seasonally adjusted) of owners plan inventory investment in the coming months, down 6 points from December's highest reading since December 2021.

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

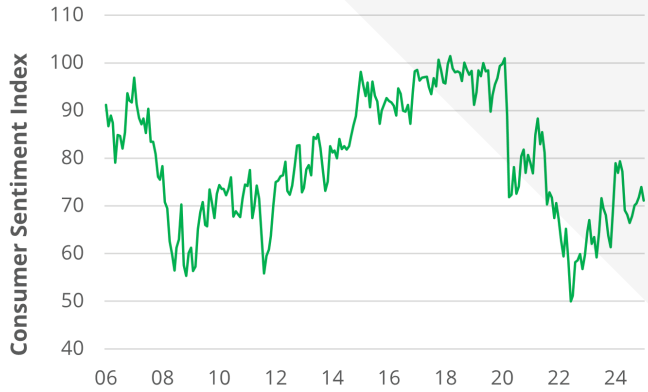
	Most Recent	Previous Month	1 Year Ago	5 Years Ago
NFIB Optimism Index	102.8	105.1	89.9	104.3
Unemployment Rate	4.0%	4.1%	3.7%	3.5%
Consumer Sentiment	67.8	71.1	76.9	101.0
CPI Inflation Rate (12-month percent change)	3.0%	2.9%	3.1%	2.5%
Prime Rate of Interest	7.50%	7.50%	8.50%	4.25%
Retail Sales Change	-0.9%	0.7%	-1.1%	0.8%
Housing Starts (000)	1366	1515	1374	1619

*Most recent available data for Retail Sales and Housing Starts from January 2025

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 fell for the second consecutive month in February to a preliminary reading of 67.8 (71.1 in January). February's reading was about 5% lower than the previous month and is the lowest reading since July 2024.



Source: University of Michigan

One-year inflation expectations increased from 3.3% in January to 4.3% this month. This is the highest reading since November 2023 and the second consecutive month of unusually large increases. Additionally, it is only the fifth time in 14 years that one-year inflation expectations increased 1 point or more. Long-run inflation expectations also increased, from 3.2% in January to 3.3% this month. The reading remains elevated relative to the range seen in the two years before the pandemic (2.2-2.6%).



Source: U.S. Bureau of Economic Analysis



Source: U.S. Bureau of Labor Statistics

Gross Domestic Product (GDP)

GDP increased in the fourth quarter of 2024 by 2.3% (advance estimate), down from the third quarter's reading of 3.1% and slower than expected. The fourth quarter's GDP growth was due to increases in consumer spending and government spending. Compared to the

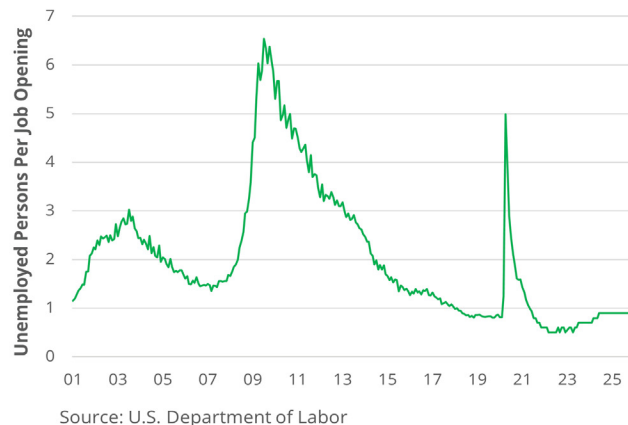
third quarter, the decline in GDP growth was due to decreases in investment and exports. For consumer spending, there were increases in both goods and services. The leading contributors for goods were recreational goods and vehicles, as well as motor vehicles and parts. Within services, health care was the greatest contributor.

In 2024, GDP increased 2.8% which was slightly lower than in 2023 (2.9%). The increase in GDP for the year 2024 reflected increases in consumer spending, investment, government spending, and exports. The second estimate for the fourth quarter of 2024 and the year 2024 will be released on February 27.

Unemployment

The U.S. economy added 143,000 jobs in January, falling short of expectations and down from 307,000 in December. Combined revisions for November and December totaled 100,000 more jobs than previously reported. Job growth occurred in healthcare, retail trade, and social assistance, and declined in the mining, quarrying, and oil and gas industry. The unemployment rate dropped from 4.1% to 4.0%, the lowest level since May 2024.

The most recent Job Openings and Labor Turnover Survey (JOLTS) produced by the U.S. Department of Labor found there were 7.6 million available jobs, lower than the prior month. Job openings were down by 1.3 million over the year. Job openings increased in arts, entertainment, and recreation. The number of jobs decreased in professional and business services, healthcare and social assistance, and finance and insurance.



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 seventh consecutive month at this level.

NFIB’s January Small Business Economic Trends survey found 35% (seasonally adjusted) of owners with “hard to fill” job openings, unchanged from December. 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, down 1 point from December.



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 0.5% in January on a month-over-month basis, after rising 0.4% in December. This was the fastest pace since August 2023. Over the past 12 months the all-items index increased 3.0%, higher than expectations and December’s reading of 2.9%.

Over the month, the shelter index rose 0.4% and accounted for nearly 30% of the monthly all items increase. The energy index rose 1.1%, the gasoline index increased 1.8%, and the food index rose 0.4%. The indexes for food at home and food away from home also increased.

From January 2024 to January 2025, motor vehicle insurance, airline fare, and tobacco and smoking products remained the categories with the greatest increases. The categories with the greatest declines were fuel oil (-5.3%) and new vehicles (-0.3%).

12-month percent change, Consumer Price Index, selected categories, January 2025, not seasonally adjusted

Categories	Jan. 2024 to Jan. 2025
Motor vehicle insurance	11.8%
Airline fare	7.1%
Tobacco and smoking products	6.8%
Meats, poultry, fish, and eggs	6.1%
Motor vehicle maintenance and repair	5.9%
Natural gas (piped)	4.9%
Owners’ equivalent rent of residences	4.6%
Rent of primary residence	4.2%

Source: U.S. Bureau of Labor Statistics

NFIB's January Small Business Economic Trends report found a net 22% (seasonally adjusted) of owners raised prices over the past three months, down 2 points from December. The highest reading was in the mid-1970s when a net 67% of owners raised prices in Q4 1974. A net 26% (seasonally adjusted) of owners plan to raise prices in the coming months, down 2 points from December.

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 fell 0.9% in January from the prior month but were up 4.2% from January 2024. This was much lower than December's revision of 0.7% and well below Wall Street's forecast of -0.1%. Additionally, this was the largest drop in nearly two years.

Retail trade sales were up 4.0% from a year ago and nonstore retailers were up 4.7%. Motor vehicle and parts dealers were up 6.4% and food service and drinking places were up 5.4% over the year.

Data for February will be released on March 17, 2025. 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 late January, the Federal Reserve announced it would not change its policy rate, after three cuts in 2024. The prime lending rate remains at 7.50% and the federal funds rate target, 4.25-4.50%. January's CPI increase suggests that a new Fed rate cut may be delayed to the latter half of the year. The Federal Reserve will be looking at the impact of the new policies created by the Trump administration. The next FOMC meeting is scheduled for March 18-19.



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. January’s New Residential Construction report found that 1.366 million units were started, about 10% higher than December’s revised rate of 1.515 million. The reading is 0.7% below the reading from a year ago.

NFIB’s January Small Business Economic Trends report found that 45% of small businesses in the construction industry have a job opening they cannot fill, up 4 points from December but down 2 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 March 18, 2025.

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

fred.stlouisfed.org

Upcoming Economic Indicator Releases

February 21	Michigan Consumer Sentiment (Final Estimate)
February 27	GDP, 4th Quarter 2024 and Year 2024 (Second Estimate)
March 6	NFIB Jobs Report
March 7	BLS Employment Situation Report (Unemployment Rate)
March 11	Job Openings and Labor Turnover (JOLTS)
March 11	NFIB Small Business Economic Trends
March 12	Consumer Price Index
March 17	Monthly Retail Trade Report
March 18	Housing Starts
March 18-19	Federal Open Market Committee Meeting

Additional NFIB Research and Media

Did Consumer Sentiment Really Fall? Willaim Dunkelberg. (February 21).

<https://www.forbes.com/sites/williamdunkelberg/2025/02/21/did-consumer-sentiment-really-fall/>

Expansion Plans Accelerate For 2025. William Dunkelberg. (February 19).

<https://www.forbes.com/sites/williamdunkelberg/2025/02/19/expansion-plans-accelerate-for-2025/>

VIDEO: NFIB's Holly Wade Joins NYSE TV to Discuss January's SBET Survey. (February 12).

<https://grabien.com/file/getmedia?id=2797842&key=962065936414f6499fd780d4a04c7a93&userid=18283>

Optimism in Federal Reserve Districts and Census Regions. William Dunkelberg. (February 11). <https://www.forbes.com/sites/williamdunkelberg/2025/02/11/optimism-in-federal-reserve-districts-and-census-regions/>



The Trump Business Uncertainty Principle. WSJ Editorial Board. (February 11).
<https://www.wsj.com/opinion/nfib-small-business-index-uncertainty-donald-trump-economy-04d7c328?page=1>

NFIB's Small Business Rundown Podcast- New Report: Ways Small Businesses Give Back. (February 6). <https://www.nfib.com/podcasts/>

Help Still Wanted at Small Firms. James Freeman. (February 6).
<https://www.wsj.com/opinion/help-still-wanted-at-small-firms-e7f9f900>

The Election and Small Business Owner Expectations. William Dunkelberg. (January 22).
<https://www.forbes.com/sites/williamdunkelberg/2025/01/22/the-election-and-small-business-owner-expectations/>



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