



NFIB Monthly Economic Newsletter

MAY 2025



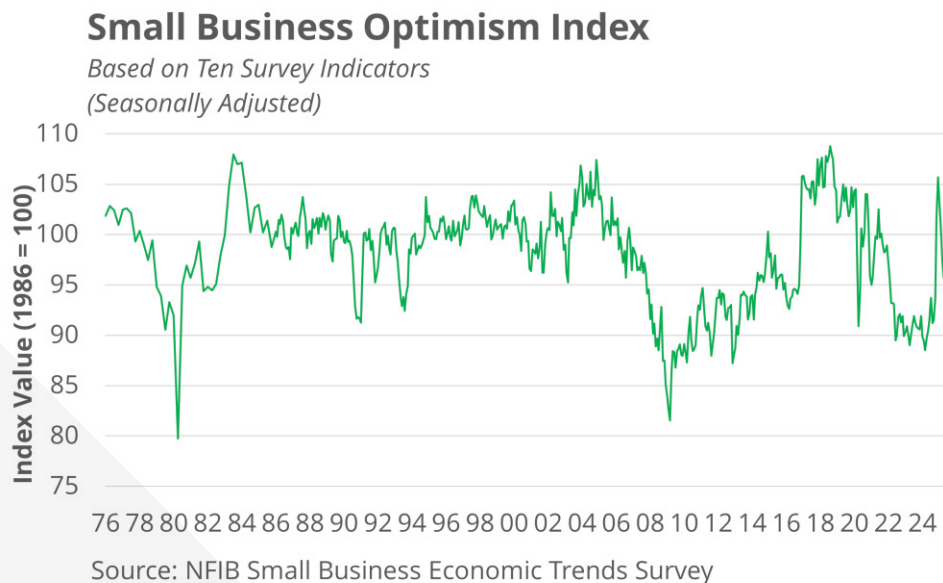
NFIB Monthly Economic Newsletter - May 2025

Small Business Economic Trends

The Small Business Optimism Index fell by 1.6 points in April to 95.8, the second consecutive month below the 51 components, three increased, six decreased, and one was unchanged. Expected business conditions and unfilled job openings contributed the most to the decline in the Index. The Uncertainty Index fell 4 points from March to 92.

- In April, 34% (seasonally adjusted) of all owners reported job openings they could not fill in the current period, down 6 points from March. The last time job openings were below 34% (seasonally adjusted) was in January 2021 (Covid recession).
- The percent of small business owners reporting labor quality as the single most important problem for business was unchanged for the third consecutive month at 19%. This is also the third consecutive month that labor quality was ranked as the top problem.
- Eighteen percent (seasonally adjusted) plan capital outlays in the next six months, down 3 points from March. The last time the percent of firms planning capital outlays was this low was in April 2020 (Covid recession).
- Fourteen percent of owners reported that inflation was their single most important problem in operating their business, down 2 points from March and the lowest reading since September 2021. Inflation is now ranked in third place as the single most important problem.
- In April, 10% of small business owners reported the cost or availability of insurance as their single most important problem, up 2 points from March. The last time it was this high was in March 2020.
- The net percent of owners expecting higher real sales volumes fell 4 points from March to a net negative 1% (seasonally adjusted). This is the fourth consecutive month real sales expectations declined.
- A net negative 4% (seasonally adjusted) of owners plan inventory investment in the coming months, down 3 points from March and the lowest reading in eleven months.

- The net percent of owners expecting better business conditions fell 6 points from March to a net 15% (seasonally adjusted), the lowest since last October. This component, along with unfilled job openings, contributed the most to the Optimism Index's decline.
- When asked to rate the overall health of their business, 13% reported excellent (up 2 points), and 56% reported good (up 3 points). Twenty-seven percent reported the health of their business was fair (down 4 points) and 4% reported poor (unchanged).



Read the latest full report: nfib.com/sbet

Macroeconomic Indicators

	Most Recent	Previous Month	1 Year Ago	5 Years Ago
NFIB Optimism Index	95.8	97.4	89.7	90.9
NFIB Uncertainty Index	92	96	78	75
Unemployment Rate	4.2%	4.2%	3.9%	14.7%
Jobs Added (000)	177	185	118	-2.047
Consumer Sentiment	50.8	52.2	69.1	72.3
CPI Inflation Rate (12-month percent change)	2.3%	2.4%	3.4%	0.3%
Prime Rate of Interest	7.50%	7.50%	8.50%	3.25%
Retail Sales Change	0.1%	1.7%	-0.2%	-14.7%
Housing Starts (000)	1361	1339	1352	938

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 to a random sample of U.S. consumers.

The Index of Consumer Sentiment fell for the fifth consecutive month in May to a preliminary reading of 50.8 (52.2 in April). This is the second-lowest reading historically, following June 2022. Consumer sentiment is about 30% lower than it was in January. Nearly three-quarters of consumers mentioned tariffs in May, up from 60% in April.



Source: University of Michigan

Although most index components hardly changed, current assessments of personal finances fell nearly 10% due to deteriorating incomes.

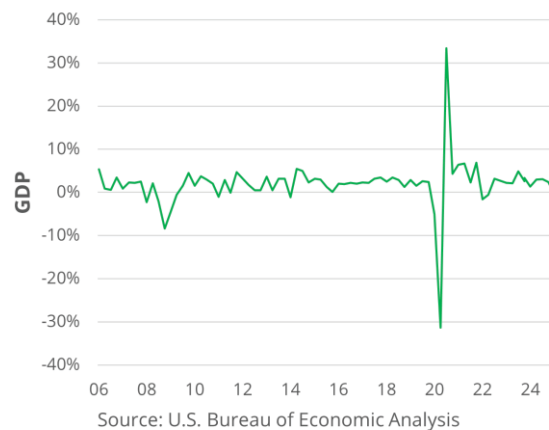
One-year inflation expectations rose from 6.5% in April to 7.3% in May. Long-run inflation expectations (five years) also increased, from 4.4% to 4.6%. The interviews for this survey were conducted between April 22 and May 13, closing two days after the announcement that the tariffs on China were paused.

Gross Domestic Product (GDP)

GDP decreased in the first quarter of 2025 by 0.3% (advance estimate), the weakest economic growth in three years. The first quarter's reading was lower than expected and significantly lower than the 2.4% increase in the fourth quarter of 2024.

The first quarter's GDP decline was due to an increase in imports (a subtraction from GDP), and a decrease in government spending (federal). These changes were partly offset by increases in business investment, consumer spending, and exports.

The largest contributor to the increase in investment was private inventory investment (when consumers slow spending and goods pile up unsold). Within consumer spending, both services and goods increased. Increases were widespread among services, with spending on healthcare, housing, and utilities leading the way. Within goods, nondurable goods increased but were partly offset by a decrease in durable goods.

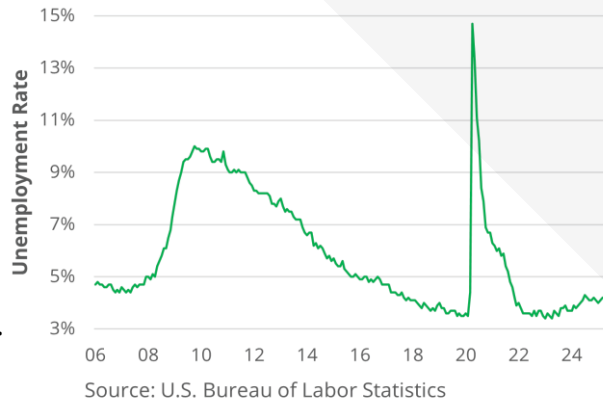


The second estimate for the first quarter of 2025 will be released on May 29.

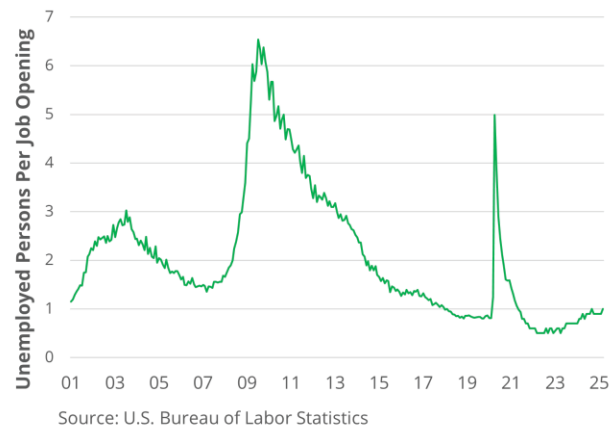
Unemployment

The U.S. economy added 177,000 jobs in April, according to the Employment Situation report conducted by the Bureau of Labor Statistics (BLS). April's level was

higher than expected, although slightly lower than in March (185,000). Over the past 12 months, the average monthly job gains were 152,000. Combined revisions for February and March totaled 58,000 lower than previously reported. Job growth occurred in healthcare (+51,000), transportation and warehousing(+29,000), financial activities (+14,000), and social assistance (+8,000). Employment declined by 9,000 in the federal government and is down 26,000 since January. The unemployment rate remained at 4.2%, with 7.2 million people unemployed. It has remained between 4.0% to 4.2% since May 2024.



The most recent Job Openings and Labor Turnover Survey (JOLTS) found there were 7.2 million available jobs, slightly lower than the prior month, but down by 901,000 over the year. The number of job openings decreased in the federal government. The ratio of unemployed workers to job openings rose to 1.0.



NFIB’s April Small Business Economic Trends survey found 34% (seasonally adjusted) of owners with “hard to fill” job openings, down 6 points from March. The last time unfilled job openings was this low was in January 2021. A seasonally adjusted net 13% of owners plan to create new jobs in the next three months, up 1 point from March.

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. In April, inflation cooled, with the CPI rising 0.2% on a month-over-month basis after falling 0.1% in March. Over the past 12 months the all-items index slowed to 2.3%, lower than expected and the lowest since February 2021. While April's reading was relatively steady, the impact of President Trump's tariffs on inflation remains unclear. The inflationary impact from tariffs will likely show up over the next few months.

The shelter index rose 0.3% in April, accounting for more than half of the all-items monthly increase. Additionally, the energy index also increased over the month, rising 0.7%; increases in the natural gas index (3.7%) and electricity index (0.8) offset a decline in the gasoline index (-0.1) and fuel oil index (-1.3). In contrast to the rise in the shelter index and energy index, the index for food fell 0.1% in April. The food at home index fell 0.4% and the food away from home index increased 0.4% over the month. From April 2024 to April 2025, natural gas (piped), tobacco and smoking products, and meats, poultry, fish, and eggs, were the categories with the greatest price increases. The categories with the greatest decreases were gasoline (all types) (-11.8%), and airline fare (-7.9%).



Source: U.S. Bureau of Labor Statistics

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

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

Categories	April 2024 to April 2025
Natural gas (piped)	15.7%
Tobacco and smoking products	7.1%
Meats, poultry, fish, and eggs	7.0%
Motor vehicle insurance	6.4%
Motor vehicle maintenance and repair	5.6%
Full-service meals and snacks	4.3%
Owners' equivalent rent of residences	4.3%
Rent of primary residence	4.0%
Electricity	3.6%
Hospital services	3.6%

Source: U.S. Bureau of Labor Statistics

NFIB's April Small Business Economic Trends report found a net 25% (seasonally adjusted) of owners raised prices over the past three months, down 1 point from March. 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, down 2 points from March.

Retail Sales

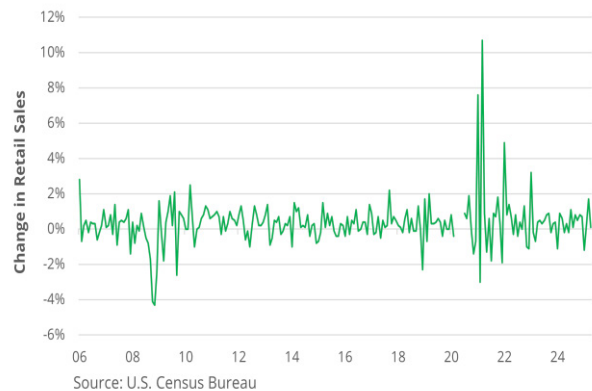
The Advanced Monthly Retail Trade Survey measures consumer spending at retail and food services stores. Consumer spending is an important metric of economic growth, as it makes up about two-thirds of GDP. Retail and food services sales rose 0.1% in April from the prior month, after rising 1.7% in March.

April's reading was up 5.2% from a year ago.

Retail trade sales were down 0.1% from March, and up 4.7% from a year ago. Motor vehicle and parts dealers were up 9.4% from a year ago, and food service and drinking places increased 7.8%.

Data for May will be released on June 17.

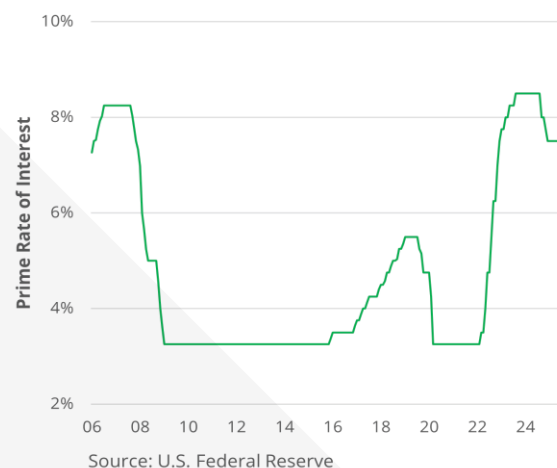
These figures are seasonally adjusted but not adjusted for inflation (e.g., gas dollar volumes rise as gas prices rise, actual gallons purchased increase by smaller percentages).



*Data from 3/20 to 6/20 are omitted. Retail sales were -14.7% in April 2020 and 18.2% in May 2020.

Prime Lending Rate

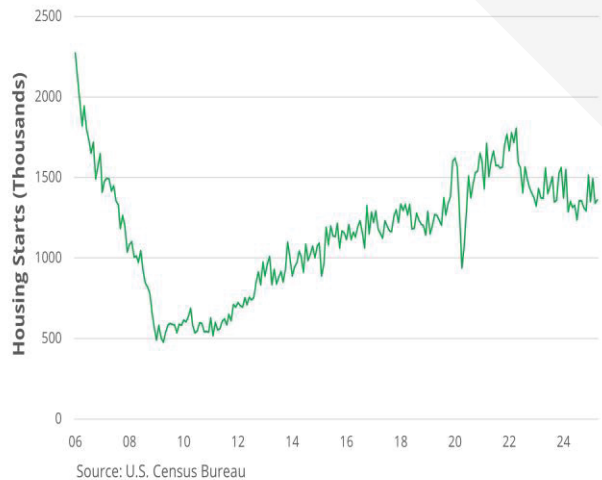
The prime rate is the price of short-term loans available to qualified businesses. Each year the Federal Open Market Committee (FOMC), a committee of the Federal Reserve, meets eight times to determine the direction of monetary policy. In early May, the Federal Reserve announced it would hold its rate steady, after three cuts in 2024. The prime lending rate (the interest rate that commercial banks charge borrowers) remains at 7.50% and the federal funds rate (the interest rate that commercial



banks borrow and lend their excess reserves to each other) target, 4.25-4.50%. The Federal Reserve emphasized that the risk of higher unemployment and inflation has risen. Additionally, it reported that uncertainty about economic conditions has also increased. The next FOMC meeting is scheduled for June 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. April's New Residential Construction report found that 1.361 million units were started, 1.6% higher than March's revised rate of 1.339 million. After the monthly increase, April's reading was 1.7% below where it was the year prior.



NFIB's April Small Business Economic Trends report found that 55% of small businesses in the construction industry have a job opening they cannot fill, 21 points higher than the overall small business community and the largest of all industries. Job openings in the construction industry were down 1 point from March and the same reading as a year ago.

Supply chain disruptions also continue to be problematic for the construction industry with 67% reporting disruptions to some degree, down 3 points from March and 5 points higher than the overall reading of 62%. The construction industry had the third highest level of supply disruptions of all industries, following retail (76%), and wholesale (74%). May's housing starts data will be released on June 18.

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

fred.stlouisfed.org

Upcoming Economic Indicator Releases

May 29	GDP, 1st Quarter 2025 (Second Estimate)
May 30	Michigan Consumer Sentiment (Final Estimate for May)
June 3	Job Openings and Labor Turnover Survey (JOLTS)
June 5	NFIB Jobs Report
June 6	BLS Employment Situation Report (Unemployment Rate)
June 10	NFIB Small Business Economic Trends
June 11	Consumer Price Index
June 17	Monthly Retail Trade Report
June 17 - 18	Federal Open Market Committee Meeting
June 18	Housing Starts

Additional NFIB Research and Media

Video: NFIB's Holly Wade Joins *Yahoo! Finance* to Discuss April's jobs report. (May 7).

<https://finance.yahoo.com/video/small-business-challenges-mattel-earnings-163455131.html?guccounter=1>

Podcast: Planet Money – What “Made in China” Actually Means. (May 7).

<https://www.npr.org/2025/05/07/1249592921/tariff-customs-made-in-america-china-france>

Few Small Firms Report Job Openings. James Freeman. (May 1).

https://www.wsj.com/opinion/fewer-small-firms-report-job-openings-60a89619?mod=hp_opin_pos_2#cxrecs_s

Sentiment Surveys, A Slippery Terrain to Navigate. William Dunkelberg. (April 28).

<https://www.forbes.com/sites/williamdunkelberg/2025/04/28/sentiment-surveys-a-slippery-terrain-to-navigate/>

Many Problems, What's Most Important? William Dunkelberg. (April 24).

<https://www.forbes.com/sites/williamdunkelberg/2025/04/24/many-problems-whats-most-important/>



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