



NFIB Monthly Economic Newsletter

JUNE 2025



NFIB Monthly Economic Newsletter - June 2025

Small Business Economic Trends

The Small Business Optimism Index increased by 3 points in May to 98.8, slightly above the 51-year average of 98. Of the 10 Optimism Index components, seven increased, two decreased, and one was unchanged. Expected business conditions and sales expectations contributed the most to the rise in the Index. The Uncertainty Index rose 2 points from April to 94, the historical average is 68.

- Eighteen percent of small business owners reported taxes as their single most important problem, up 2 points from April and ranking as the top problem. The last time taxes were ranked as the top single most important problem was in December 2020, when it tied for first with labor quality.
- The percent of small business owners reporting labor quality as the single most important problem for their business fell 3 points from April to 16%. The last time complaints about labor quality fell below 16% was in April 2020.
- A net 1% (seasonally adjusted) of owners viewed current inventory stocks as “too low” in May, up 7 points from April and the highest reading since August 2022. This was the largest monthly increase in the survey’s history.
- When asked to rate the overall health of their business, 14% reported excellent (up 1 point), and 55% reported good (down 1 point). Twenty-eight percent reported the health of their business was fair (up 1 point), and 4% reported poor (unchanged).
- The net percent of owners expecting higher real sales volumes rose 11 points from April to a net 10% (seasonally adjusted). This component contributed the most to the Optimism Index’s improvement.
- The net percent of owners expecting better business conditions rose 10 points from April to a net 25% (seasonally adjusted).
- Seasonally adjusted, a net 26% reported raising compensation, down 7 points from April and the lowest reading since February 2021. This was the largest monthly decline since April 2020.

Small Business Optimism Index

Seasonally Adjusted, 1986=100



Source: NFIB Small Business Economic Trends

Read the latest full report: nfib.com/sbet

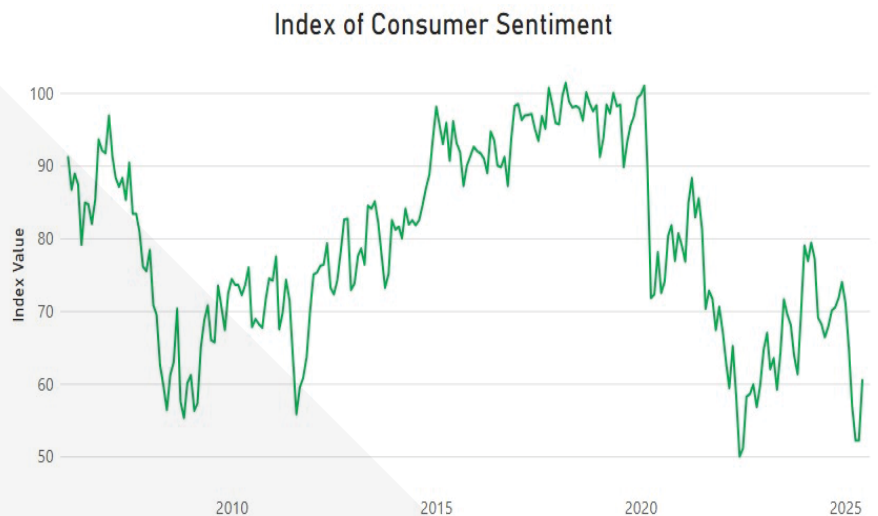
Macroeconomic Indicators

| | Most Recent | Previous Month | 1 Year Ago | 5 Years Ago |
|--|-------------|----------------|------------|-------------|
| NFIB Optimism Index | 98.8 | 95.8 | 90.5 | 94.4 |
| NFIB Uncertainty Index | 94 | 92 | 85 | 82 |
| Unemployment Rate | 4.2% | 4.2% | 4.0% | 13.2% |
| Jobs Added (000) | 139 | 147 | 193 | 2616 |
| Consumer Sentiment | 60.5 | 52.2 | 68.2 | 78.1 |
| CPI Inflation Rate (12-month percent change) | 2.4% | 2.3% | 3.3% | 0.1% |
| Prime Rate of Interest | 7.50% | 7.50% | 8.50% | 3.25% |
| Retail Sales Change | -0.9% | -0.1% | 0.3% | 18.2% |
| Housing Starts (000) | 1256 | 1392 | 1314 | 1055 |

Consumer Sentiment (Univ. of Michigan)

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

The Index of Consumer Sentiment rose for the first time in six months, to a preliminary reading of 60.5 in June. June's reading was well ahead of the Dow Jones estimate of 54 and May's final reading of 52.2.



Source: University of Michigan Surveys of Consumers

All five Index components increased, particularly short and long-run expected business conditions. Although consumers have somewhat recovered from the shock of the high

tariffs announced in April, consumer sentiment remains about 20% lower than it was in December 2024. One-year inflation expectations fell from 6.6% in May to 5.1% in April. Long-run inflation expectations (five years) fell from 4.2% to 4.1%. Both readings are the lowest in three months.

Gross Domestic Product (GDP)

GDP decreased by 0.2% (second estimate) in the first quarter of 2025, marking the weakest economic growth in three years. The reading for the first quarter was significantly lower than the 2.4% increase in the fourth quarter of 2024.

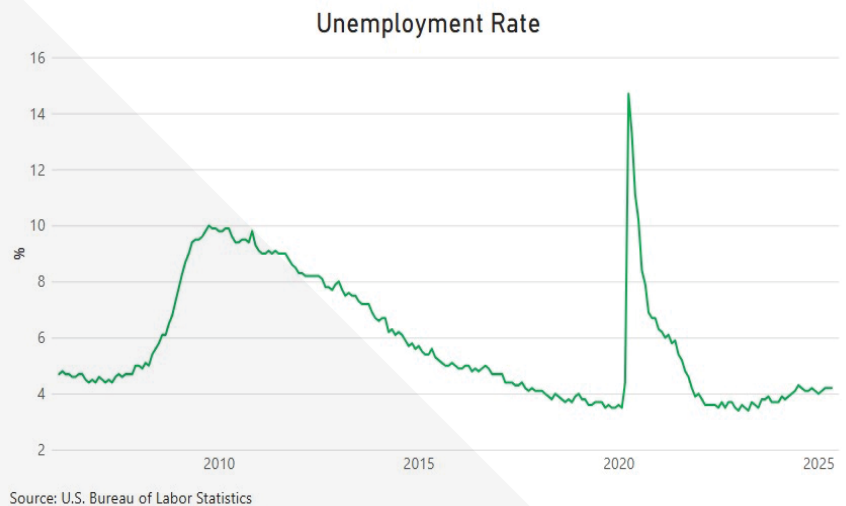
The GDP decline in the first quarter resulted from a sharp increase in imports (a subtraction from GDP) as businesses stocked up on inventory in response to a change in U.S.

trade policy. This decline was also due to a decrease in government spending. Increases in business investment, consumer spending, and exports partly offset these changes. Also, consumer spending reached its weakest level since the second quarter of 2023. The third estimate for the first quarter of 2025 will be released on June 26.



Unemployment

The U.S. economy added 139,000 jobs in May, according to the Employment Situation report conducted by the Bureau of Labor Statistics (BLS). May's level was higher than expected, although lower than in April (147,000). May's reading was close to the 12-month average monthly job gain of 149,000. Combined revisions for March and April totaled 95,000 fewer than previously reported.



Job growth continued to increase in healthcare (+62,000), leisure and hospitality (+48,000), and social assistance (+16,000). In May, federal government employment continued to decline (-22,000) and is down by 59,000 since January.

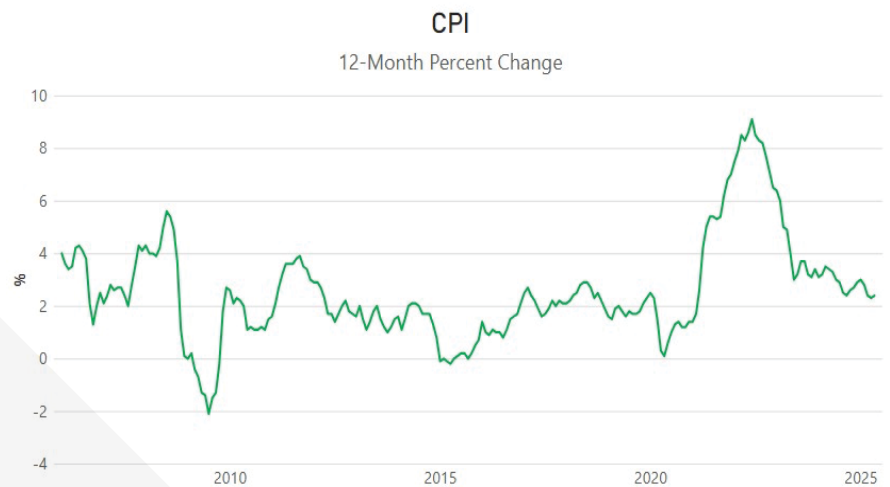
The unemployment rate remained at 4.2%, with 7.2 million people unemployed. It has stayed within the range of 4.0% and 4.2% since May 2024.

The most recent Job Openings and Labor Turnover Survey (JOLTS) found there were 7.4 million available jobs, up from the previous month. The ratio of unemployed workers to job openings stayed at 1.0.

NFIB's May Small Business Economic Trends survey found that 34% (seasonally adjusted) of owners had unfilled job openings, unchanged from April. The last time unfilled job openings were this low was in January 2021. A seasonally adjusted net 12% of owners plan to create new jobs in the next three months, down 1 point from April.

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 May, the CPI rose 0.1% on a month-over-month basis after a 0.2% increase in April. Over the past 12 months, the all-items index increased to 2.4%, which was lower than expected but up from last month. Although May's reading was relatively tame, the inflationary impact from Trump's tariff policy will likely show up over the next few months.



Source: U.S. Bureau of Labor Statistics

The shelter index rose 0.3% in May and was the primary contributor to the all-items monthly increase. The food index also increased 0.3%, as its major components, food away from home and food at home, both rose. In contrast to the shelter index and food index, the energy index declined 1.0% over the month.

From May 2024 to May 2025, the categories with the greatest price increases were natural gas (piped), motor vehicle insurance, and tobacco and smoking products. Conversely, the

categories that experienced the most notable price decreases were gasoline (-12.0%) and airline fares (-7.3%).

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

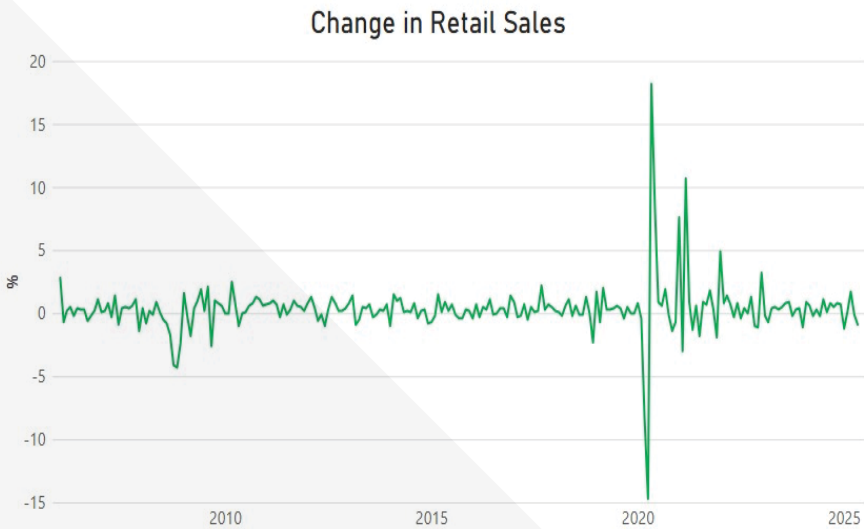
| Categories | May 2024 to May 2025 |
|---------------------------------------|----------------------|
| Natural gas (piped) | 15.3% |
| Motor vehicle insurance | 7.0% |
| Tobacco and smoking products | 6.3% |
| Meats, poultry, fish, and eggs | 6.1% |
| Motor vehicle maintenance and repair | 5.1% |
| Electricity | 4.5% |
| Full-service meals and snacks | 4.2% |
| Owners' equivalent rent of residences | 4.2% |
| Rent of primary residence | 3.8% |
| Hospital services | 3.6% |

Source: U.S. Bureau of Labor Statistics

NFIB’s May Small Business Economic Trends report found a net 25% (seasonally adjusted) of owners raised prices over the past three months, unchanged from April. The highest reading occurred in the mid-1970s when a net 67% of owners raised prices in Q4 1974. Additionally, a net 31% (seasonally adjusted) of owners plan to raise prices in the coming months, up 3 points from April.

Retail Sales

The Advanced Monthly Retail Trade Survey measures consumer spending at retail and food services stores. Consumer spending is a key indicator of economic growth, accounting for approximately two-thirds of the country's GDP. Retail and food services sales fell 0.9% in May from the prior month, mainly due to a drop in auto sales. This was the largest decrease since January. May’s reading was lower than expected and worse than April’s reading of -0.1%. Despite the poor reading, May’s level was up 3.3% from a year ago.



Source: U.S. Census Bureau

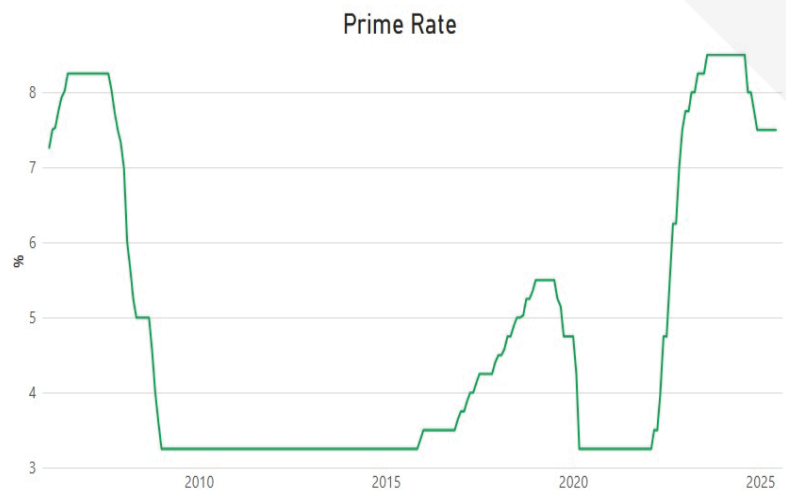
Retail trade sales were down 0.9% from April, and up 3.0% from a year ago. Non-store retailers were up 8.3% from last year, and goods, service, and drink places were up 5.3%.

Data for June will be released on July 17. These figures are seasonally adjusted but not adjusted for inflation (e.g., gas dollar volumes rise as gas prices rise, resulting in actual gallons purchased increasing 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-June, the Federal Reserve announced it would hold rates steady for the fourth consecutive meeting, following three cuts in 2024. The prime lending rate (the interest rate at which



Source: U.S. Federal Reserve

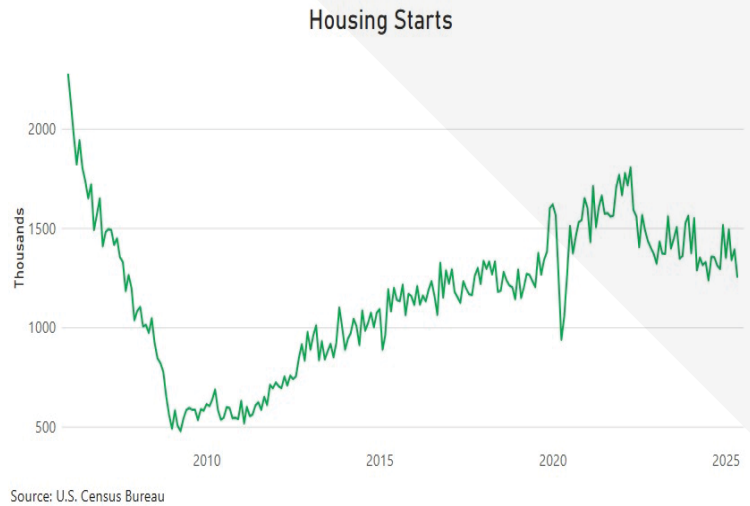
commercial banks charge borrowers) remains at 7.50%, and the federal funds rate (the interest rate that commercial banks borrow and lend their excess reserves to each other) target, 4.25-4.50%. The Federal Reserve is closely monitoring the potential economic impact of the administration's policies on tariffs, immigration, and taxes. Jerome Powell emphasized that at some point tariffs will lead to higher inflation; however, the uncertainty surrounding the current tariff policies has made it challenging to predict the extent. The next FOMC meeting is scheduled for July 29-30.

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. May's New Residential Construction report found that 1.256 million units were started, 9.8% lower than April's revised rate of 1.392 million. After the monthly increase, May's reading was 4.6% below where it was the year prior.

NFIB's May Small Business Economic Trends report found that 48% of small businesses in the construction industry have a job opening they cannot fill, the largest of all industries. Job openings in the construction industry were down 9 points from last month and down 6 points from a year ago.

Supply chain disruptions also continue to be problematic for the construction industry with 72% reporting disruptions to some degree, up 5 points from April and 8 points higher than the overall reading of 64%. The construction industry had the third highest level of supply disruptions of all industries, following retail (80%) and manufacturing (73%). June's housing starts data will be released on July 18.



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

Upcoming Economic Indicator Releases

| | |
|------------|---|
| June 26 | GDP, 1st Quarter 2025 (Third Estimate) |
| June 27 | Michigan Consumer Sentiment (Final Estimate for June) |
| July 1 | Job Openings and Labor Turnover Survey (JOLTS) |
| July 3 | NFIB Jobs Report |
| July 3 | BLS Employment Situation Report (Unemployment Rate) |
| July 8 | NFIB Small Business Economic Trends |
| July 15 | Consumer Price Index |
| July 17 | Monthly Retail Trade Report |
| July 18 | Housing Starts |
| July 29-30 | Federal Open Market Committee Meeting |

Additional NFIB Research and Media

NFIB 2025 Small Business and Technology Survey. (June 25). <https://www.nfib.com/wp-content/uploads/2025/06/2025-NFIB-Technology-Survey.pdf>

The Enormous Weight of Taxes on Small Business. Peter Hansen. (June 19). https://www.realclearmarkets.com/2025/06/19/the_enormous_weight_of_taxes_on_small_business_1117520.html?utm_source=dlvr.it&utm_medium=twitter

Economic Health of Main Street Firms. William Dunkelberg. (June 17). <https://www.forbes.com/sites/williamdunkelberg/2025/06/17/economic-health-of-main-street-firms/>

Main Street's Number One Concern is Taxes. The One Big Beautiful Bill Cuts Them. U.S House Committee on Ways & Means. (June 17). <https://waysandmeans.house.gov/2025/06/17/main-streets-number-one-concern-is-taxes-the-one-big-beautiful-bill-cuts-them/>

Job Growth Sputters. William Dunkelberg. (June 12). <https://www.forbes.com/sites/williamdunkelberg/2025/06/12/job-growth-sputters/>

VIDEO: NFIB's Holly Wade Joins *NYSE Live* to Discuss May's SBET Report. (June 12). <https://www.youtube.com/watch?v=5yHfEvxnzml>

Additional NFIB Research and Media

VIDEO: NFIB's Holly Wade Joins *Yahoo! Finance* - Small Business Optimism Index: Taxes are Now Top Concern. (June 10). <https://finance.yahoo.com/video/small-business-optimism-index-taxes-171212782.html?guccounter=1>

Fewer Raises at Small Companies. James Freeman. (June 5).
https://www.wsj.com/opinion/fewer-raises-at-small-companies-4a99a23d?mod=author_content_page_1_pos_1

Uncertainty Equals Confusion. William Dunkelberg. (June 4).
<https://www.forbes.com/sites/williamdunkelberg/2025/06/04/uncertainty-equals-confusion/>

Investment in the Small Business Community. William Dunkelberg. (May 30).
<https://www.forbes.com/sites/williamdunkelberg/2025/05/30/investment-in-the-small-business-community/>



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