



NFIB Monthly Economic Newsletter

JULY 2025



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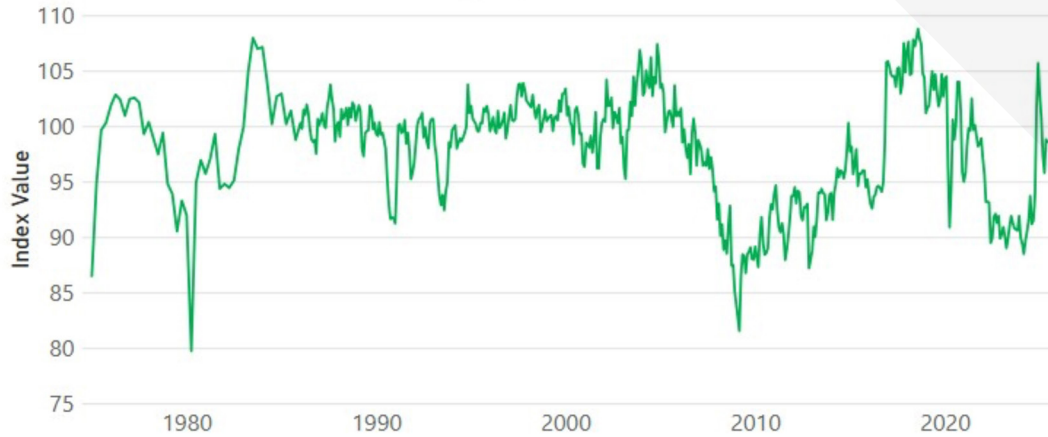
Small Business Economic Trends

The Small Business Optimism Index declined by 0.2 of a point in June to 98.6, slightly above the 51-year average of 98. Of the 10 Optimism Index components, four increased, four decreased, and two remained unchanged. Inventory satisfaction contributed the most to the decline in the Index. The Uncertainty Index decreased by 5 points from May to 89.

- In June, 19% of small business owners reported taxes as their single most important problem, up 1 point from May and ranking as the top problem. The last time taxes reached 19% was in July 2021.
- In June, there was a notable decline in the percent of small business owners rating the overall health of their business as excellent or good. When asked to rate the overall health of their business, 8% reported excellent (down 6 points), and 49% reported good (down 6 points). Thirty-five percent reported the health of their business was fair (up 7 points), and 7% reported poor (up 3 points).
- In June, 36% (seasonally adjusted) of all owners reported job openings they could not fill in the current period, up 2 points from May.
- Eleven percent of owners reported that inflation was their single most important problem in operating their business (higher input costs), down 3 points from May and the lowest reading since September 2021.
- A net negative 5% (seasonally adjusted) of owners viewed current inventory stocks as “too low” in June (meaning more say stocks are too high), down 6 points from May. This component contributed the most to the Optimism Index’s decline.
- A net negative 5% of all owners (seasonally adjusted) reported higher nominal sales in the past three months, up 8 points from May. This is the highest reading since January 2023 and the largest monthly jump since April 2021.
- Fifty percent of small business owners reported capital outlays in the last six months, down 6 points from May and the lowest reading since August 2020.
- Seasonally adjusted, a net 33% reported raising compensation, up 7 points from May and the largest monthly increase since January 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	98.6	98.8	91.5	100.6
NFIB Uncertainty Index	89	94	82	81
Unemployment Rate	4.1%	4.2%	4.1%	11.1%
Jobs Added (000)	147	144	87	4631
Consumer Sentiment	61.8	60.7	66.4	72.5
CPI Inflation Rate (12-month percent change)	2.7%	2.4%	3.0%	0.6%
Prime Rate of Interest	7.50%	7.50%	8.50%	3.25%
Retail Sales Change	0.6%	-0.9%	-0.2%	8.4%
Housing Starts (000)	1321	1263	1329	1269

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.

In July, the Index of Consumer Sentiment increased slightly to a preliminary reading of 61.8. Although July's reading is the highest in five months, consumer sentiment remains

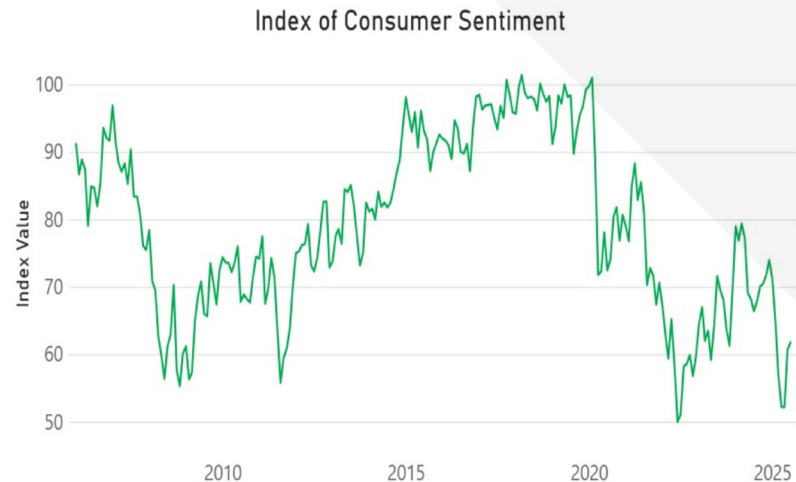
below its historical average of 84.4. For consumer sentiment to improve, trade policy stabilization is crucial.

"At this time, the interviews reveal little evidence that other policy developments [excluding trade policy], including the recent passage of the tax and spending bill, moved the needle much on consumer sentiment," writes Director Joanne Hsu.

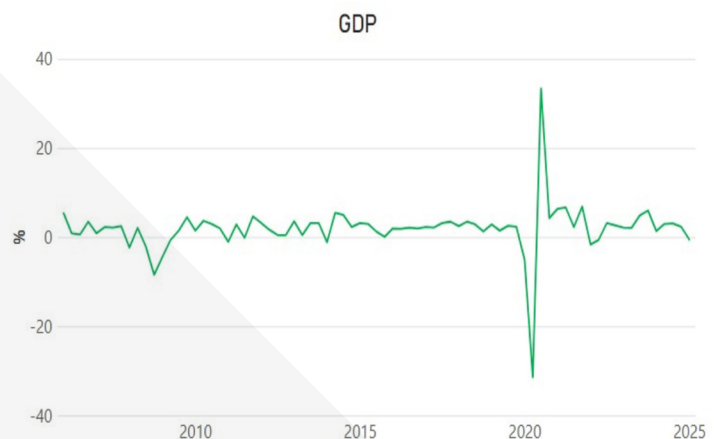
One-year inflation expectations fell for the second consecutive month to 4.4%, and long-run inflation expectations (five years) fell to 3.6% (the third decline in three consecutive months). Both readings are the lowest since February.

Gross Domestic Product (GDP) GDP decreased by 0.5% (third estimate) in the first quarter of 2025, lower than the previous estimate of a 0.2% decrease. This marks the weakest economic growth in three years. The first quarter's reading 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



Source: University of Michigan Surveys of Consumers



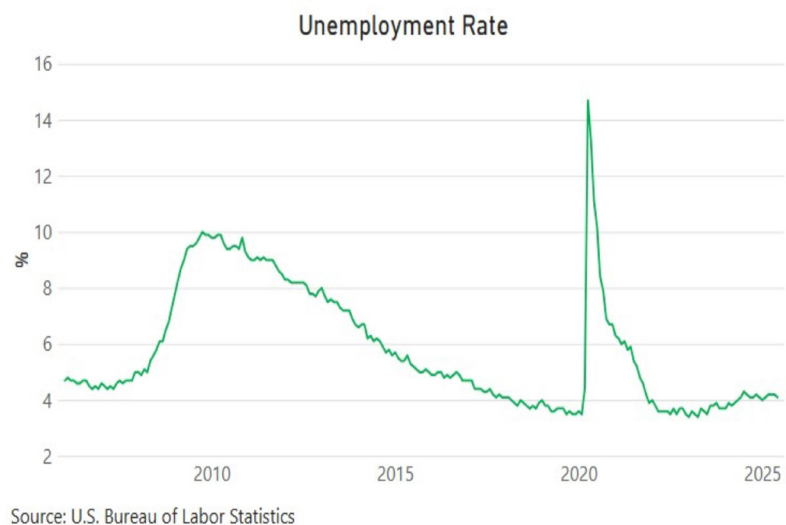
Source: Bureau of Economic Analysis

response to a change in U.S. trade policy. This decline was also due to a decrease in government spending. Increases in investment and consumer spending partly offset these changes.

The advance estimate for the second quarter of 2025 will be released on July 30. A second consecutive quarter of GDP decline often signals a recession. However, the official determination is made by the National Bureau of Economic Research (NBER), which considers other indicators, such as employment, income, and retail sales.

Unemployment

The U.S. economy added 147,000 jobs in June, according to the Employment Situation report conducted by the Bureau of Labor Statistics (BLS). June's level was stronger than expected and higher than May's revised reading (144,000). June's reading was close to the 12-month average monthly job gain of 146,000. Revisions for April and May combined totaled 16,000 more jobs than previously reported.



Job growth was not widespread, as the industries with the greatest job gains were the ones least affected by tariffs. Most of June's job gains were in healthcare (+58,600), leisure and hospitality (+20,000), and state and local government (+80,000). Employment in the federal government continued to decline. Notably, employment in the manufacturing industry fell by 7,000 jobs.

The unemployment rate slightly decreased to 4.1%, with 7.0 million people unemployed. It has remained between 4.0% and 4.2% since May 2024.

The latest Job Openings and Labor Turnover Survey (JOLTS) showed there were 7.8 million available jobs, up from the previous month's reading of 7.4 million. The ratio of unemployed workers to job openings fell to 0.9.

NFIB's June Small Business Economic Trends survey found that 36% (seasonally adjusted) of owners had unfilled job openings, an increase of 2 points from May. A seasonally adjusted net 13% of owners plan to create new jobs in the next three months, up 1 point from May.

Consumer Price Index (Inflation Rate)

The Consumer Price Index (CPI) measures the average change over time in the cost of a basket of consumer goods commonly purchased by households. In June, the CPI rose 0.3% on a month-over-month basis, following a 0.1% increase in May. Over the past 12 months, the all-items index increased 2.7%, which was in line with the Dow Jones consensus, and up from last month's reading of 2.4%. June's reading was the highest since February.

From June 2024 to June 2025, the categories with the greatest price increases were natural gas (piped), tobacco and smoking products, and motor vehicle insurance. Conversely, the categories with the most significant price decreases were gasoline (-8.3%) and fuel oil (-4.7%).

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

Categories	June 2024 to June 2025
Natural gas (piped)	14.2%
Tobacco and smoking products	6.3%
Motor vehicle insurance	6.1%
Electricity	5.8%
Meats, poultry, fish, and eggs	5.6%
Motor vehicle maintenance and repair	5.2%
Nonalcoholic beverages and beverage materials	4.4%
Hospital services	4.2%
Owners' equivalent rent of residences	4.2%
Full-service meals and snacks	4.0%

Source: U.S. Bureau of Labor Statistics

NFIB's June Small Business Economic Trends report showed that a net 29% (seasonally adjusted) of owners raised prices over the past three months, an increase of 4 points from May. The highest reading occurred in the mid-1970s, when a net 67% of owners raised prices in the fourth quarter of 1974. Additionally, a net 32% (seasonally adjusted) of owners plan to raise prices in the coming months, up 1 point from May and the highest reading since March of last year.

Retail Sales

The Advanced Monthly Retail Trade Survey measures consumer spending at retail and food services stores. Consumer spending, a key indicator of economic growth, accounts for approximately two-thirds of the country's GDP. Retail and food services sales increased 0.6% in June from the prior month, a strong rebound from the 0.9% decline in May and stronger than economists had expected. Retail sales are up 3.9% from June 2024.



Source: U.S. Census Bureau

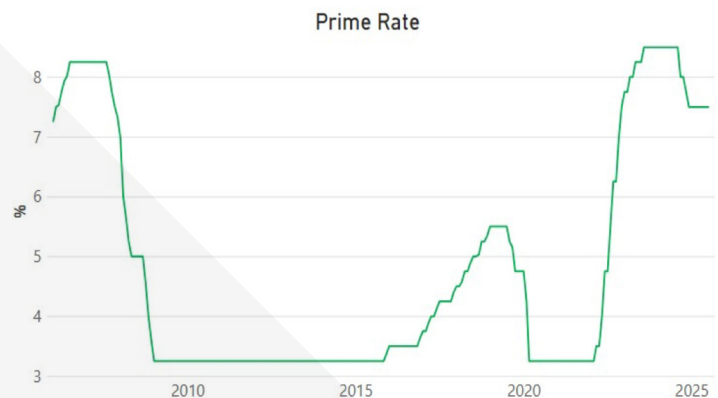
Retail trade sales were up 0.6% from May, and up 3.5% from a year ago. Non-store retailers were up 4.5% from last year, and food service and drinking places were up 6.6%.

Data for July will be released on August 15. These figures are seasonally adjusted but not adjusted for inflation (e.g., gas dollar volumes rise as gas prices increase, 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 part of the Federal Reserve, meets eight times to set the direction of monetary policy.

In mid-June, the Federal Reserve announced that it would hold rates steady for the fourth consecutive meeting, following three cuts in 2024. The prime lending rate (the interest rate at which commercial banks charge borrowers) remains at 7.50%, and the federal

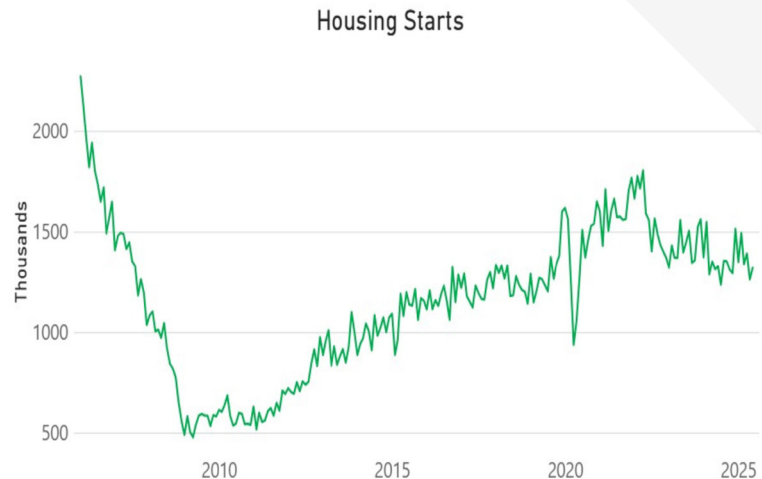


Source: U.S. Federal Reserve

funds rate (the interest rate at which commercial banks borrow and lend their excess reserves to each other) target is 4.25-4.50%. The Federal Reserve continues to monitor the potential economic impact of the administration's policies, including those related to tariffs, immigration, and taxes. 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 for the foundations of both single-family and multi-family housing units. June's New Residential Construction report found that 1.321 million units were started, 4.4% above May's reading, but 0.5% lower than a year ago.



Source: U.S. Census Bureau

NFIB's June Small Business Economic Trends report found

that 53% of small businesses in the construction industry have a job opening they cannot fill, the highest among all industries. Job openings in the construction industry increased by 5 points from May and by 2 points from a year ago.

Supply chain disruptions continue to be a problem for the construction industry, with 69% reporting disruptions to some extent, down 3 points from May but 4 points higher than the overall reading of 65%. The construction industry experienced the second highest level of supply disruptions among all industries, following wholesale (95%) and matching manufacturing. June's housing starts data will be released on August 19.

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

Upcoming Economic Indicator Releases

July 29	Job Openings and Labor Turnover Survey (JOLTS)
July 29-30	Federal Open Market Committee Meeting
July 30	GDP, 2nd Quarter 2025 (Advance Estimate)
July 31	NFIB Jobs Report
August 1	BLS Employment Situation Report
August 1	Michigan Consumer Sentiment (Final Estimate for June)
August 12	NFIB Small Business Economic Trends
August 12	Consumer Price Index
August 15	Monthly Retail Trade Report
August 19	Housing Starts

Additional NFIB Research and Media

Investment Made by U.S. Small Businesses. William Dunkelberg. (July 16).

<https://www.forbes.com/sites/williamdunkelberg/2025/07/16/investment-made-by-us-small-businesses/>

NFIB's Chief Economist William Dunkelberg Discusses June's SBET Data with Yahoo!

Finance (July 8). https://www.youtube.com/watch?si=IhG-wD8bLedF80jn&t=3109&v=9_26qkeL9FU&feature=youtu.be

Still a Good-Not-Great Job Market at Small Firms. James Freeman. (July 2).

https://www.wsj.com/opinion/still-a-good-not-great-job-market-at-small-firms-3a74260f?mod=opinion_lead_pos12

Sales Trends on Main Street. William Dunkelberg. (June 26).

<https://www.forbes.com/sites/williamdunkelberg/2025/06/26/sales-trends-on-main-street/>

CNBC Features NFIB's Small Business and Technology Survey (June 24).

<https://www.cnbc.com/2025/06/24/small-business-ai-use.html>



NFIB Research Center

Holly Wade

Executive Director

Holly.Wade@NFIB.org

Peter Hansen

Director, Research Policy Analysis

Peter.Hansen@NFIB.org

Madeleine Oldstone

Senior Policy Analyst

Maddi.Oldstone@NFIB.org

Swaroop Bhagavatula

Senior Policy & Data Analyst

Swaroop.Bhagavatula@NFIB.org

William Dunkelberg

Chief Economist

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