NFIB Monthly Economic Newsletter

SEPTEMBER 2025

NFIB RESEARCH CENTER

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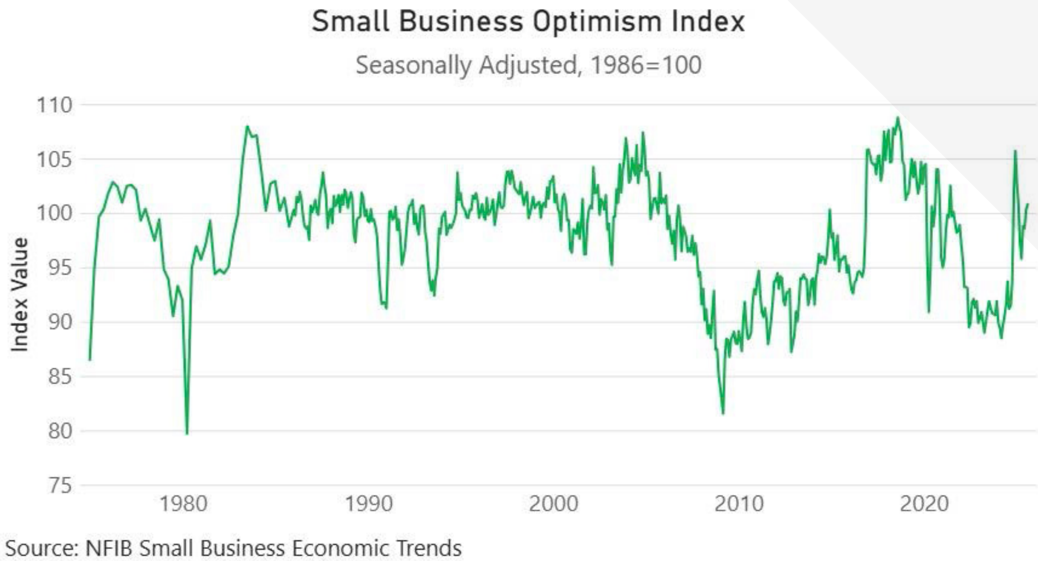
NFIB Monthly Economic Newsletter - September 2025

Small Business Economic Trends

The Small Business Optimism Index rose 0.5 points in August to 100.8, nearly 3 points above the 52-year average of 98. Of the 10 Optimism Index components, four increased, four decreased, and two were unchanged. The increase in those expecting real sales to be higher contributed the most to the rise in the Optimism Index. While optimism increased in August, the level of uncertainty fell. The Uncertainty Index fell 4 points to 93, although it was the 11th highest reading in over 51 years. The decline was due to a decrease in uncertainty about financing expectations and planned capital expenditures.

- In August, there was a notable improvement in overall business health. When asked to evaluate the overall health of their business, 14% reported it as excellent (up 1 point), and 54% reported it as good (up 2 points). Twenty-seven percent reported the health of their business as fair (down 4 points), and 4% reported it as poor (unchanged).
- The percent of small business owners reporting labor quality as the single most important problem for their business remained unchanged from July at 21%, continuing to rank as the top problem.
- In August, 32% (seasonally adjusted) of all owners reported job openings they could not fill in the current period, down 1 point from July. The last time unfilled job openings fell below 32% was in July 2020 (Covid).
- The net percent of owners expecting higher real sales volumes rose 6 points from July to a net 12% (seasonally adjusted). This component contributed the most to the Optimism Index's increase.
- A net 0% (seasonally adjusted) of owners viewed current inventory stocks as "too low" in August, up 3 points from July.
- The net percent of owners raising average selling prices fell 3 points from July to a net 21% (seasonally adjusted), the lowest reading of this year.
- The frequency of reports on positive profit trends improved 3 points to a net -19% (seasonally adjusted). August's reading was the best since March 2023.
- In August, the average rate paid on short maturity loans was 8.1%, down 0.6 points from July and the lowest reading since May 2023.
- Twenty-three percent of all owners reported borrowing on a regular basis, down 2 points from July. November 2021 was the last time the percent of business owners borrowing on a regular basis was below 23%.



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Macroeconomic Indicators				
	Most Recent	**Previous Month**	**1 Year Ago**	**5 Years Ago**
NFIB Optimism Index	100.8	100.3	91.2	100.2
NFIB Uncertainty Index	93	97	92	90
Unemployment Rate	4.3%	4.2%	4.2%	8.4%
Jobs Added (000)	22	79	71	1,564
Consumer Sentiment	55.4	58.2	70.1	80.4
CPI Inflation Rate (12-month percent change)	2.9%	2.7%	2.5%	1.3%
Prime Rate of Interest	7.25%	7.50%	8.00%	3.25%
Retail Sales Change	0.6%	0.6%	0.1%	0.6%
Housing Starts (000)	1,307	1,429	1,356	1,373

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.

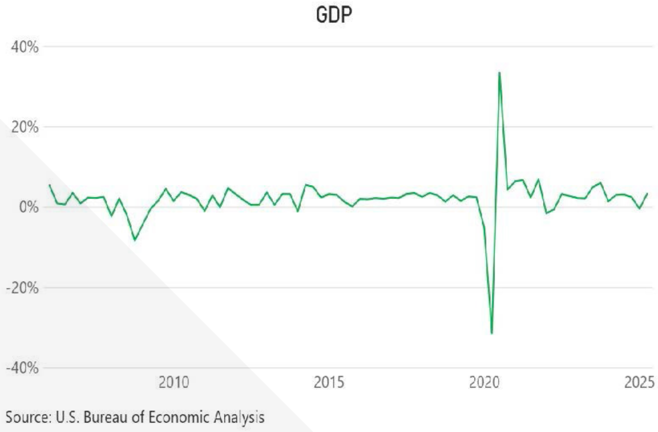
In September, the Index of Consumer Sentiment fell for the second straight month to a preliminary reading of 55.4, the lowest level since May.

"Consumers continue to note multiple vulnerabilities in the economy, with rising risks to business conditions, labor markets, and inflation," stated Joanne Hsu, director of the survey.

Concerns about long-term inflation (five years) increased for the second consecutive month, to 3.9%. One-year inflation expectations head steady at 4.8% in September.

Gross Domestic Product (GDP)

GDP rose at an annual rate of 3.3% (second estimate) in the second quarter of 2025, rebounding from the 0.5% decline in the first quarter (which was the weakest economic growth in three years). The second estimate included an upward revision of 0.3%.



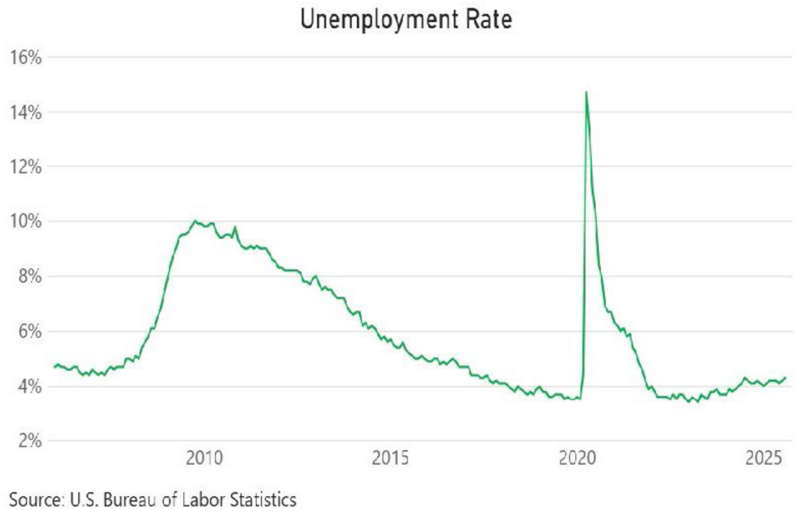
The increase in the second quarter was primarily due to a decrease in imports (a subtraction in calculating GDP) and an increase in consumer spending. Decreases in investment and exports partly offset these changes. The third estimate for the second quarter of 2025 will be released on September 25.

Unemployment

The most recent Employment Situation report, released by the Bureau of Labor Statistics (BLS), found that the U.S. economy added just 22,000 jobs in August. This was below economists' expectations of 75,000 and added to the signs that the labor market is weakening. Additionally, the unemployment rate rose to 4.3%, the highest level since 2021.

August's report also included a downward revision of 13,000 jobs in June. This is the first month since December 2020 that there has been negative job growth. It also signals the end of the second longest period of employment growth recorded.

Job growth continued in healthcare (+31,000) and social assistance (+16,000). This growth was offset by a decline in jobs in the federal government (-15,000), and mining, quarrying, and oil and gas extraction (-6,000), and wholesale (-12,000). Additionally, jobs in the manufacturing sector continued to decline (12,000), and have fallen by 78,000 jobs over the year.

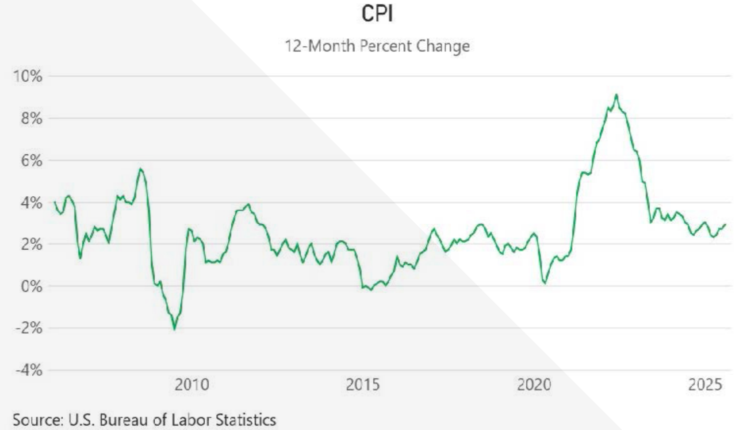


The latest Job Openings and Labor Turnover Survey (JOLTS) showed there were 7.2 million jobs available, down from the previous month's reading of 7.4 million. The ratio of unemployed workers to job openings is now at 1.0.

NFIB's July Small Business Economic Trends survey found that 32% (seasonally adjusted) of owners had unfilled job openings, down 1 point from July. The last time job openings fell below 32% was in July 2020. A seasonally adjusted net 15% of owners plan to create new jobs in the next three months, up 1 point from July.

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 August, the CPI rose 0.4% on a month-over-month basis, and 2.7% over the past 12 months. This marks the highest reading since January.



The shelter index rose 0.4% and was the main contributor to the all-items monthly increase.

From August 2024 to August 2025, the categories with the largest price increases were natural gas (piped), motor vehicle maintenance and repair, tobacco and smoking products, and electricity. On the contrary, the categories with the most significant price decreases remained unchanged from July: gasoline (-6.6%) and fuel oil (-0.5%).

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

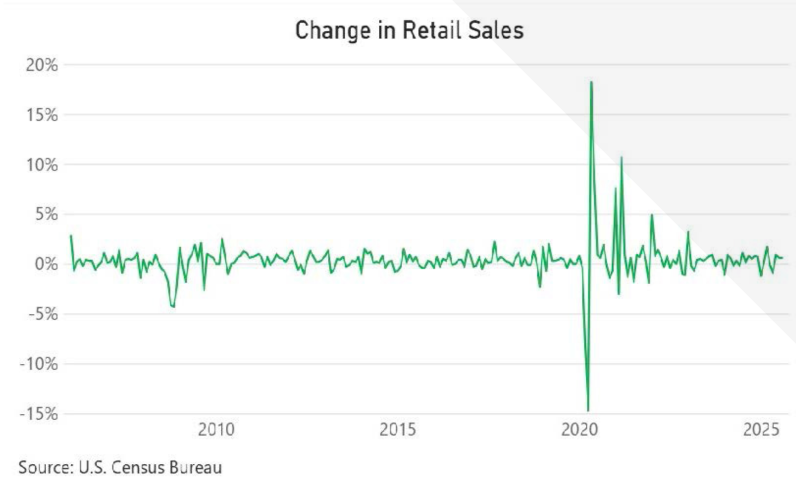
Categories	Aug. 2024 to Aug. 2025
Natural gas (piped)	13.8%
Motor vehicle maintenance and repair	8.5%
Tobacco and smoking products	6.3%
Electricity	6.2%
Used cars and trucks	6.0%
Meats, poultry, fish, and eggs	5.6%
Motor vehicle insurance	4.7%
Full-service meals and snacks	4.6%
Nonalcoholic beverages and beverage materials	4.6%
Owners' equivalent rent of residences	4.0%

Source: U.S. Bureau of Labor Statistics

NFIB's August Small Business Economic Trends report showed that a net 21% (seasonally adjusted) of owners raised prices over the past three months, a decrease of 3 points from July and the lowest reading of the year. Additionally, a net 26% (seasonally adjusted) of owners plan to raise prices in the coming months, down 2 points from July.

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.

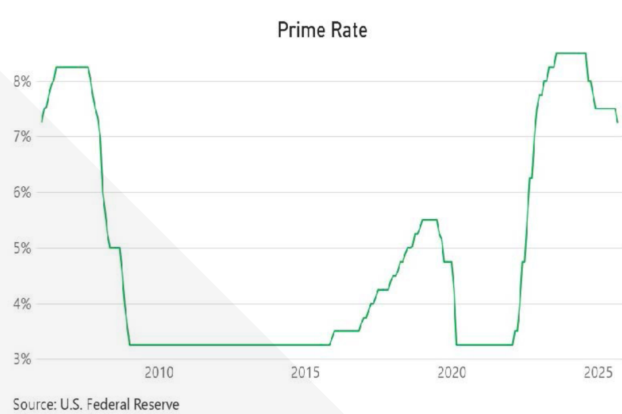


Retail and food services sales increased 0.6% in August from the previous month, above the expectation of 0.2%. This marks the third consecutive month retail sales have risen after declining in May and April. Retail trade sales were up 0.6% from July, and up 4.8% from a year ago. Non-store retailers increased by 10.1% from last year, and food service and drinking places rose by 6.5%.

Data for September will be released on October 16. 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 and policy interest rates.



In mid-September, the Federal Reserve lowered interest rates by a quarter of a point, the first cut since December. The prime lending rate (the interest rate at which commercial banks charge borrowers) fell to 7.25%, and the federal funds rate (the interest rate at which commercial banks borrow and lend their excess reserves to each other) fell to 4.0%-4.25%.

The Fed's decision wasn't unanimous, with one Fed governor backing a half-point cut. The Federal Reserve continues to monitor the potential economic impact of the administration's policies, including those related to tariffs, immigration, and taxes. It is forecasted that there could be two more cuts this year. The next FOMC meeting is scheduled for October 28-29.

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. August's New Residential Construction report found that 1.307 million units were started, 8.5% above July's revised reading of 1.429, and 6.0% lower than a year ago.

Source: U.S. Census Bureau

NFIB's August Small Business Economic Trends report found that nearly half (49%) of small businesses in the construction industry have a job opening they cannot fill, down 6 points from July and 11 points below last year's level.

Supply chain disruptions continue to be a challenge for small businesses, with 54% experiencing some level of disruption. Three percent reported a significant impact (down 1 point), 15% reported a moderate impact (down 2 points), 36% reported a mild impact (down 7 points), and 44% reported no impact (up 8 points). Although over half continue to report disruptions, there was an improvement (10-point decline) from the prior month.

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

Upcoming Economic Indicator Releases

September 25	GDP, 2nd Quarter 2025 (Third Estimate)
September 26	Michigan Consumer Sentiment (Final Estimate for September)
September 30	Job Openings and Labor Turnover Survey (JOLTS)
October 2	NFIB Jobs Report
October 3	BLS Employment Situation Report
October 14	NFIB Small Business Economic Trends
October 15	Consumer Price Index
October 16	Monthly Retail Trade Report
October 17	Housing Starts
October 28-29	Federal Open Market Committee Meeting

Additional NFIB Research and Media

Podcast: WSJ – Why This Economist Says Government Economic Surveys Can't Be Replaced. (September 7). https://www.wsj.com/podcasts/whats-news/why-this-economist-says-government-economic-surveys-cant-be-replaced/0fb5166a-2e4e-4cd4-b30f-8fa18f4bbd56

Everyone Wants Lower Interest Rates, Right? William Dunkelberg. (September 2). https://www.forbes.com/sites/williamdunkelberg/2025/09/02/everyone-wants-lower-interest-rates-right/

Competition In the Small Business Sector. William Dunkelberg. (August 27). https://www.forbes.com/sites/williamdunkelberg/2025/08/27/competition-in-the-small-business-sector/

NFIB Small Business Economic Trends Quarterly Industry Report – July 2025. (August 26). https://www.nfib.com/wp-content/uploads/2025/08/SBET-Industry-Report-July-2025.pdf

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