



NFIB Monthly Economic Newsletter

DECEMBER 2025



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Small Business Economic Trends

The Small Business Optimism Index for November was 99.0, up 0.8 points from October and remaining above its 52-year average of 98. Of the 10 Optimism Index components, six increased, three decreased, and one was unchanged. An increase in those expecting real sales to be higher contributed most to the rise in the Optimism Index.

As optimism rose in November, so did the level of uncertainty. The Uncertainty Index rose 3 points from October to 91. An increase in owners reporting uncertainty about capital expenditure plans over the next three to six months was the primary driver of the rise in the Uncertainty Index.

- In November, the net percent of owners raising average selling prices rose 13 points from October to a net 34% (seasonally adjusted), the highest reading since March 2023 and the largest monthly jump in the survey's history.
- In November, 21% of small business owners cited labor quality as their single most important problem, down 6 points, erasing most of October's sudden increase. Labor quality ranked as the top problem, 6 points ahead of inflation, which ranked second.
- The net percent of owners expecting higher real sales volumes rose 9 points from October to a net 15% (seasonally adjusted). This component contributed the most to the rise in the Optimism Index.
- The average rate paid on short maturity loans was 7.9% in November, down 0.8 points from October and the lowest level since May 2023.
- When asked to evaluate the overall health of their business, 11% reported it as excellent (down 1 point), and 53% reported it as good (up 2 points). Thirty percent reported the health of their business as fair (down 3 points), and 5% reported it as poor (up 1 point).
- In November, 64% of small business owners reported that supply chain disruptions were affecting their business to some degree, up 4 points from October.
- The net percent of owners expecting better business conditions fell 5 points from October to a net 15% (seasonally adjusted). Expectations for better business conditions have fallen by 32 points since January.

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	99.0	98.2	101.7	101.4
NFIB Uncertainty Index	91	88	103	90
Unemployment Rate	4.6%	–	4.2%	6.7%
Jobs Added (000)	64	-105	261	270
Consumer Sentiment	53.3	51.0	74.0	80.7
CPI Inflation Rate (12-month percent change)	2.7%	–	2.7%	1.2%
Prime Rate of Interest	6.75%	7.00%	7.50%	3.25%
Retail Sales Change	0.0%	0.1%	0.5%	-0.1%
Housing Starts (000)	1,307	1,429	1,356	1,373

Consumer Sentiment (Univ. of Michigan)

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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 December, the Index of Consumer Sentiment increased by 2.3 points from November to a preliminary reading of 53.3. Despite this gain, consumer sentiment is 28% below its December 2024 level.



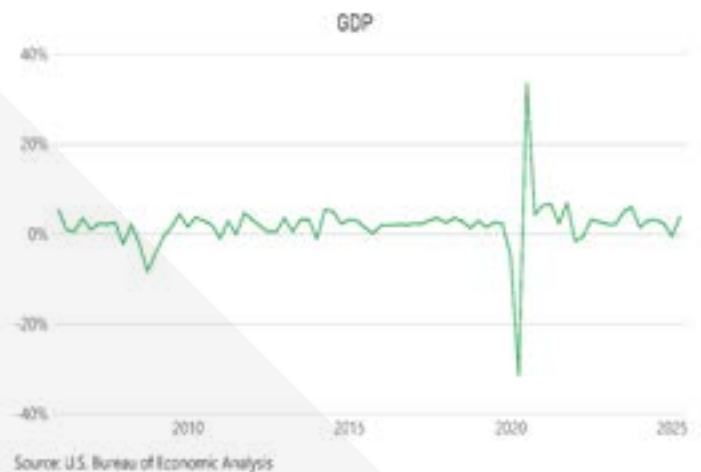
Views of current economic conditions remained largely unchanged, while consumer expectations increased by 4 points.

Concerns about long-term inflation (five years) fell from 3.4% in November to 3.2% in December. One-year inflation expectations dropped to 4.1% in December, the lowest reading since January 2025 and the fourth consecutive month of decline.

Gross Domestic Product (GDP)

GDP rose at an annual rate of 3.8% (third estimate) in the second quarter of 2025, rebounding from the 0.6% decline in the first quarter, which was the weakest economic growth in three years. The third estimate included an upward revision of 0.5%, reflecting an increase in consumer spending.

The growth in the second quarter was primarily due to a decrease in imports (a subtraction in calculating GDP) and a rise in consumer spending. Declines in investment and exports partly offset these changes. The advance estimate for the third quarter of 2025 will be released on December 23.

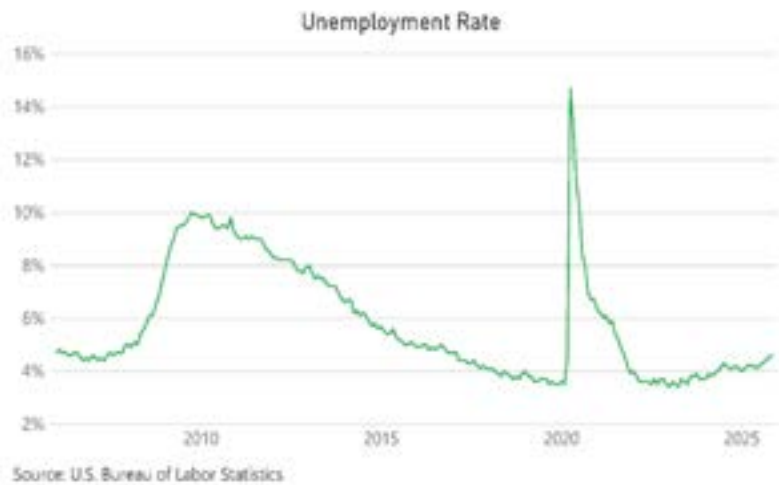


Unemployment

The most recent Employment Situation report from the Bureau of Labor Statistics (BLS) found that the U.S. economy lost 105,000 jobs in October and added 64,000 jobs in November. November's report also showed downward revisions to August and September data. Total employment during these months was 33,000 lower than initially reported. Since April, there has been little net change in employment.

Job growth occurred in health care (+46,000), construction (+28,000), and ambulatory health care services (+24,000), while it declined in transportation and warehousing (-18,000). Federal government employment continues to decline, with 162,000 jobs lost in October and 6,000 in November. Since peaking in January, federal government employment is down by 271,000 jobs.

The unemployment rate rose to 4.6%, up from September (4.4%) and from a year ago (4.2%). October's data was not collected due to the government shutdown. November's rate was above economists' expectations and is the highest level since September 2021. The small number of jobs added, coupled with the rising unemployment rate, shows a slowing labor market.



The most recent Job Openings and Labor Turnover Survey (JOLTS) reported 7.7 million job openings in October, unchanged from September. The ratio of unemployed workers to job openings remains at 1.0.

NFIB's November Small Business Economic Trends survey found that 33% (seasonally adjusted) of owners had unfilled job openings, up 1 point from October, and the first increase since June. Unfilled job openings remain above the historical average of 24% (seasonally adjusted). Additionally, a seasonally adjusted net 19% of owners plan to create new jobs in the next three months, up 4 points from October. Twenty-one percent of small business owners cited labor quality as their single most important problem, down 6 points from October and ranking as the top problem. Labor costs, reported as the single most important problem, remained at 8%.

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 November, the CPI increased 0.2% over the past two months (October's data was not collected due to the government shutdown) and 2.7% over the past year. November's annual reading was lower than expected (3.1%), signaling that inflation may be cooling more than anticipated.

However, economists may be cautious about reading too much into the report, as the inflation figures may have been distorted by the government shutdown (October's data were not collected).

Over the past 12 months, the energy index increased 4.2%, and the food index increased 2.6%. The shelter index increased 3.0% from November 2024.

From November 2024 to November 2025, the categories with the largest price increases were fuel oil and natural gas (pipelined). Electricity, tobacco and smoking products, and motor vehicle maintenance and repair also increased. On the contrary, the categories with the largest price decreases were airline fares (-5.4%) and dairy and related products (-1.6%).



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

Categories	Nov. 2024 to Nov. 2025
Fuel Oil	11.3%
Natural gas (piped)	9.1%
Electricity	6.9%
Tobacco and smoking products	6.9%
Motor vehicle maintenance and repair	6.9%
Hospital Services	5.7%
Meats, poultry, fish, and eggs	4.7%
Nonalcoholic beverages and beverage materials	4.3%
Full-service meals and snacks	4.3%

Source: U.S. Bureau of Labor Statistics

NFIB's November Small Business Economic Trends report found that a net 34% (seasonally adjusted) of owners raised prices over the past three months, a 13-point increase from October. November's reading was the highest since March 2023 and marked the largest monthly jump in the survey's history. Looking forward to the next three months, a net 30% (seasonally adjusted) plan to increase prices, unchanged from October. Additionally, 15% of owners reported that inflation was their single most important problem in operating their business, up 3 points from October and ranking second after labor quality.

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 about two-thirds of the country's GDP. These figures are seasonally adjusted but not adjusted for inflation.

In October, retail and food services sales were unchanged from September, above the 0.1% estimate. October's data indicate that consumers moderated their spending as inflation remains high and economic uncertainty persists.

Retail trade sales were up 0.1% from September, and up 3.4% from a year ago. Non-store retailers were up 9.0% from last year, and food service and drinking places were up 4.1%.

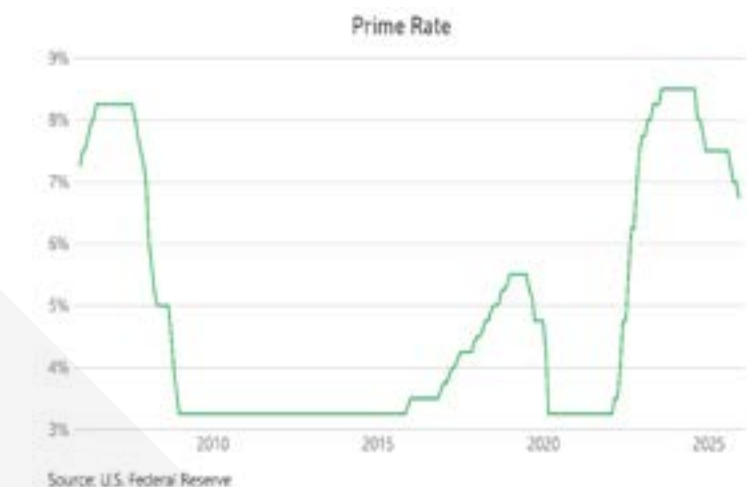
It is unclear when November's data will be released because of disruptions caused by the government shutdown.



Prime Lending Rate

The prime rate is the interest rate banks charge for short-term loans. Each year, the Federal Open Market Committee (FOMC), a part of the Federal Reserve, meets eight times to determine monetary policy and policy interest rates.

In mid-December, the Federal Reserve lowered interest rates by a quarter of a point (25 basis points), marking the third cut of 2025. The prime lending rate (the interest rate at which commercial banks charge borrowers) fell to 6.75%, and the federal funds rate (the interest rate at which commercial banks borrow and lend their excess reserves to each other) fell to 3.50%-3.75%.



Concerns about the labor market, including weak hiring and rising unemployment, drove the rate cut.

The Fed's decision was split: two members opposed lowering rates, while one advocated for a half-point rate cut. The last time there were three dissents was in September 2019. The next FOMC meeting is scheduled for January 27-28.

Housing Starts

The Census Bureau reports monthly housing starts, defined as the start of excavation for the foundations of both single-family and multifamily housing units.

Due to the government shutdown, the most recent data is from August. The next data release hasn't been announced.

In August, the Monthly New Residential Construction report found that housing starts fell 8.5% from July to 1.307 million units. A decrease in single-family home starts primarily drove the decline. August's reading fell short of expectations and was 6.0% lower than last year.

NFIB's November Small Business Economic Trends report found that nearly half (44%) of small businesses in the construction

industry have a job opening they cannot fill, down 8 points from October. Supply chain disruptions remain challenging for small businesses, with 64% experiencing some level of disruption in November, up 4 points from October. Seven percent reported a significant impact (up 3 points), 19% reported a moderate impact (up 2 points), 38% reported a mild impact (down 1 point), and 35% reported no impact (down 4 points).



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

Upcoming Economic Indicator Releases

December 18	Michigan Consumer Sentiment (Final Estimate for December)
December 23	GDP, 3rd Quarter 2025 (Advance Estimate)
January 7	Job Openings and Labor Turnover Survey (JOLTS)
January 8	NFIB Jobs Report
January 9	BLS Employment Situation Report
January 13	Consumer Price Index
January 13	NFIB Small Business Economic Trends
January 27-28	Federal Open Market Committee Meeting
TBA	Monthly Retail Trade Report
TBA	Housing Starts

Additional NFIB Research and Media

Affordability: What Does That Mean? William Dunkelberg. (December 16).

<https://www.nfib.com/news/research-blog/affordability-what-does-that-mean/>

The Inflation Conundrum. William Dunkelberg. (December 16).

<https://www.nfib.com/news/research-blog/the-inflation-conundrum/>

VIDEO: NFIB's Holly Wade Joins Bloomberg: The Close to Discuss Latest SBET Findings. (December 10). <https://www.youtube.com/watch?v=Luyg7tyjcNs&t=4189s>

Podcast: NFIB Small Business by the Numbers - Small Business Optimism Increases in November Data. (December 9). <https://www.nfib.com/small-business-by-the-numbers-podcast/>

NFIB Small Business Economic Trends Quarterly Industry Report – October 2025. (November 25). <https://www.nfib.com/news/press-release/new-nfib-survey-shows-industry-specific-optimism-trends/>

Feast or Famine? Inventory Cycles. William Dunkelberg. (November 24).

<https://www.forbes.com/sites/williamdunkelberg/2025/11/24/feast-or-famine-inventory-cycles/>

Podcast: NFIB Small Business Rundown- Quick Tips for Finding, Hiring, and Retaining Qualified Employees. (October 30). <https://www.nfib.com/podcasts-small-business-rundown/>



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