



NFIB Monthly Economic Newsletter

JANUARY 2026



NFIB Monthly Economic Newsletter - January 2026

Small Business Economic Trends

The Small Business Optimism Index for December was 99.5, up 0.5 points from November, remaining above its 52-year average of 98. Of the 10 Optimism Index components, two increased, three decreased, and five were unchanged. An increase in those expecting better business conditions primarily drove the rise in the Optimism Index.

As optimism increased in December, uncertainty decreased. The Uncertainty Index fell 7 points from November to 84, the lowest reading since June 2024. Fewer owners reported being uncertain about whether it is generally a good time for businesses to expand, which was the primary driver of the fall in the Uncertainty Index. After the highest Uncertainty Index levels recorded last year, last month's decline is welcome—especially when accompanied by above average and improving Optimism.

- Twenty percent of small business owners reported taxes as their single most important problem, up 6 points from November and ranking as the top problem. This is the highest reading since May 2021. In general, taxes are one of the most consistent issues for small businesses; it ranks first when other issues (inflation, labor quality, poor sales, etc.) decline in importance.
- In December, both actual and planned prices fell from the previous month. The net percent of owners raising average selling prices fell 4 points from November to a net 30% (seasonally adjusted). However, this metric had increased dramatically in November, so the December level is still high compared to prior months despite the four-point drop. A net 28% (seasonally adjusted) plan to increase prices in the next three months (down 2 points).
- A net -3% of owners reported paying a higher interest rate on their most recent loan, down 5 points from November and the lowest reading since January 2021.
- The net percent of owners expecting better business conditions rose 9 points from November to a net 24% (seasonally adjusted), contributing the most to the rise in the Optimism Index. This was the first increase since July.
- When asked to evaluate the overall health of their business, 9% rated it excellent (down 2 points), 54% rated it good (up 1 point), 34% rated it fair (up 4 points), and 3% rated it poor (down 2 points).
- The net percent of owners reporting inventory gains rose 6 points to a net -1% (seasonally adjusted), the highest reading of the year.
- In December, 64% of small business owners reported that supply chain disruptions were impacting their business to some degree, unchanged from November
- Beneath the simple yes/no response, the data showed a positive shift from those reporting a significant impact to those reporting a moderate or mild impact.

Small Business Optimism Index

Seasonally Adjusted, 1986=100

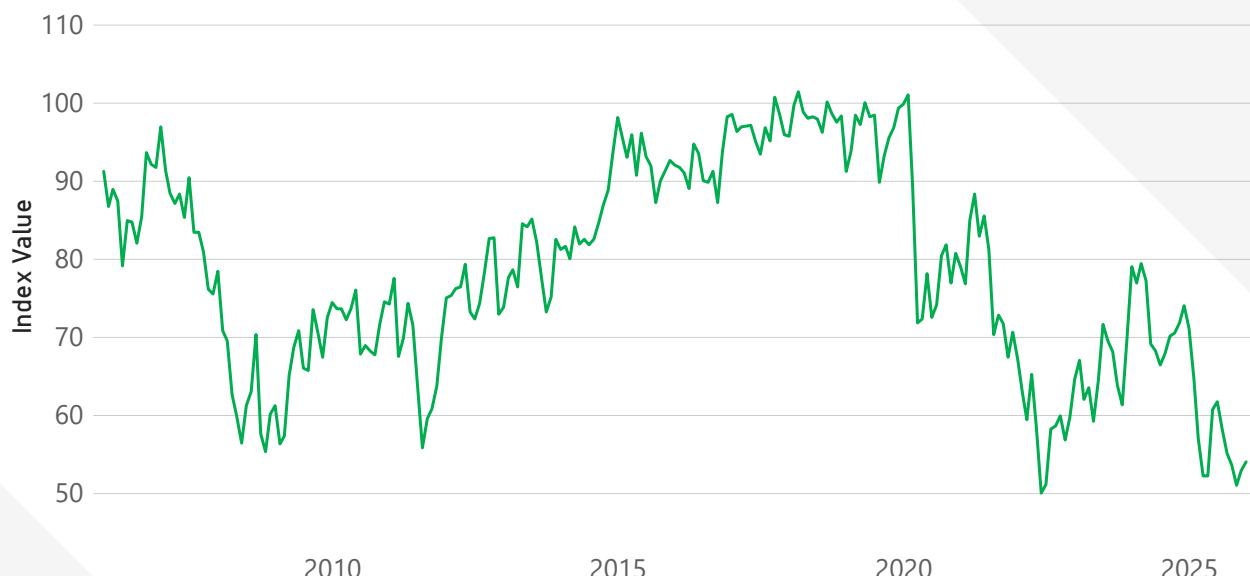


Source: NFIB Small Business Economic Trends

Read the latest full report: nfib.com/sbet

Macroeconomic Indicators				
	Most Recent	Previous Month	1 Year Ago	5 Years Ago
NFIB Optimism Index	99.5	99.0	105.7	95.9
NFIB Uncertainty Index	84	91	86	82
Unemployment Rate	4.4%	4.5%	4.1%	6.7%
Jobs Added (000)	50	56	323	-183
Consumer Sentiment	54.0	52.9	71.1	79.0
CPI Inflation Rate (12-month percent change)	2.7%	2.7%	2.9%	1.4%
Prime Rate of Interest	6.75%	6.75%	7.50%	3.25%
Retail Sales Change	0.6%	-0.1%	0.8%	-1.4%
Housing Starts (000)	1,246	1,306	1,312	1,530

Index of Consumer Sentiment



Source: University of Michigan Surveys of Consumers

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 January, the Index of Consumer Sentiment increased by 1.1 points from December to a preliminary reading of 54.0. This is the second consecutive month of improvement and is the highest reading since September 2025. Despite this gain, consumer sentiment is 24.7% below its January 2025 level.

Views of current economic conditions rose by 2.0 points, and consumer expectations increased by 0.4 points. Concerns about long-term inflation (five years) rose slightly to 3.4% in January. One-year inflation expectations remained unchanged at 4.2%.



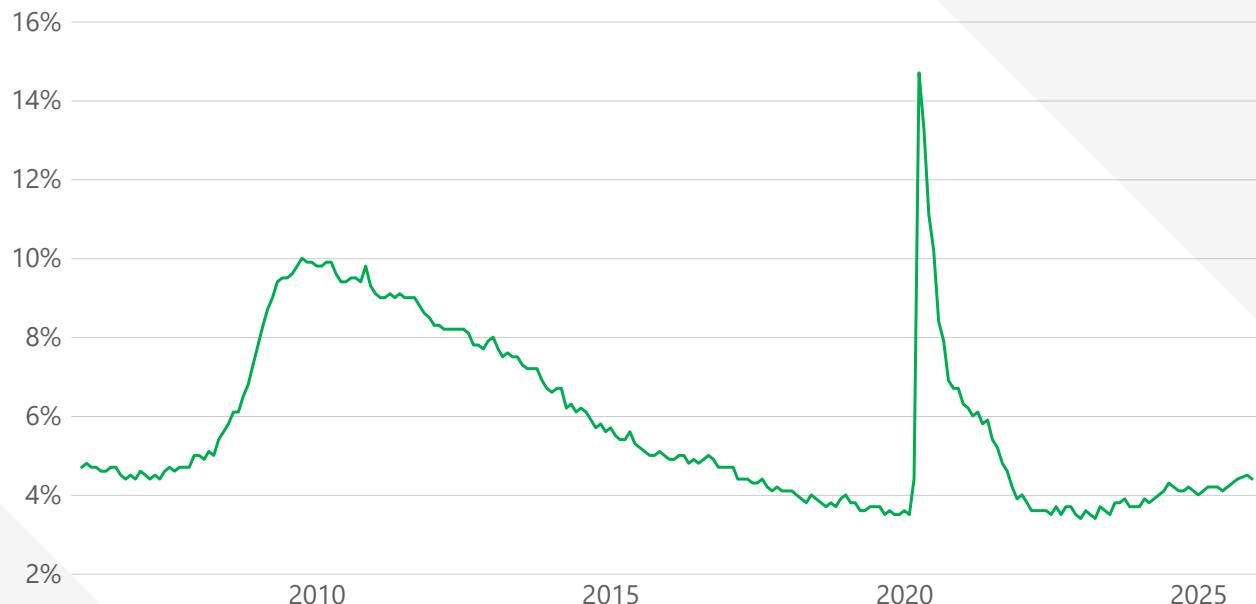
Gross Domestic Product (GDP)

GDP rose at an annual rate of 4.4% (updated estimate) in the third quarter, marking the strongest growth in two years and faster than expected. In the second quarter, GDP increased 3.8%.

The increase in GDP in the third quarter was driven by increases in consumer spending, exports, government spending, and investment. Imports (a subtraction in calculating GDP) decreased.

The first estimate for the fourth quarter of 2025 and the year 2025 will be released on February 20.

Unemployment Rate



Source: U.S. Bureau of Labor Statistics

Unemployment

The most recent Employment Situation report from the Bureau of Labor Statistics (BLS) showed that the U.S. economy added 50,000 jobs in December. The report also revised downward the data for October and November. Total employment for these months was 76,000 lower than initially reported. The unemployment rate was 4.4%, a slight decrease from November's 4.5%.

Job growth occurred in food services and drinking places (+27,000), health care (+21,000), and social assistance (+17,000), while jobs were lost in retail trade (-25,000). Federal government employment was little changed in December. Since its January 2025 peak, federal government employment has declined by 271,000 jobs, or 9.2%.

In 2025, only 584,000 jobs were added, far below 2024's level of 2 million. 2025 experienced the weakest annual job growth since 2023. Over the year, job gains were predominantly in health care and hospitality, while manufacturing, retail, and federal government lost jobs.

The most recent Job Openings and Labor Turnover Survey (JOLTS) reported 7.1 million job openings in November, down from 7.4 million in October. The ratio of unemployed workers to job openings is now 1.1.

NFIB's December Small Business Economic Trends survey found that 33% (seasonally adjusted) of owners had unfilled job openings, unchanged from November and above the monthly average of 24%. Additionally, a seasonally adjusted net 17% of owners plan to create new jobs in the next three months, down 2 points from November. Nineteen percent of small business owners cited labor quality as their single most important problem, down 2 points from November and ranking second, 1 point behind taxes. Labor costs, reported as the single most important problem, rose 1 point to 9%.



Source: U.S. Bureau of Labor Statistics

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 December, the CPI increased 0.3% month over month. The largest factor in the monthly increase was shelter, which rose 0.4%. Additionally, the energy index rose 0.3%.

Over the past year, the CPI rose 2.7%, unchanged from the previous month and in line with expectations. Although inflation isn't accelerating, it remains above the Federal Reserve's 2.0% target.

From December 2024 to December 2025, the categories with the largest price increases were natural gas (piped) and fuel oil. Tobacco and smoking products, electricity, and hospital services also increased. By contrast, the categories with the largest price decreases were airline fares (-3.4%) and gasoline (all types) (-3.4%).

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

Categories	Dec. 2024 to Dec. 2025
Natural gas (piped)	10.8%
Fuel Oil	7.4%
Tobacco and smoking products	6.8%
Electricity	6.7%
Hospital Services	6.6%
Motor vehicle maintenance and repair	5.4%
Nonalcoholic beverages and beverage materials	5.1%
Full-service meals and snacks	4.9%
Meats, poultry, fish, and eggs	3.9%

Source: U.S. Bureau of Labor Statistics

NFIB's December Small Business Economic Trends report found that both actual and planned prices fell from the previous month. A net 30% (seasonally adjusted) of owners raised prices, down 4 points from November. Price increases remain well above the monthly average of a net 13%, indicating continued inflationary pressure. In addition, November recorded a substantial increase in this net percent, so despite the December decline, the level remains well above the typical level for the last two years. Looking forward to the next three months, a net 28% (seasonally adjusted) plan to increase prices, down 2 points from November. Twelve percent of owners reported that inflation was their single most important problem in operating their business, down 3 points from November and ranking third after taxes and labor quality.

Change in Retail Sales



Source: U.S. Census Bureau

Retail Sales

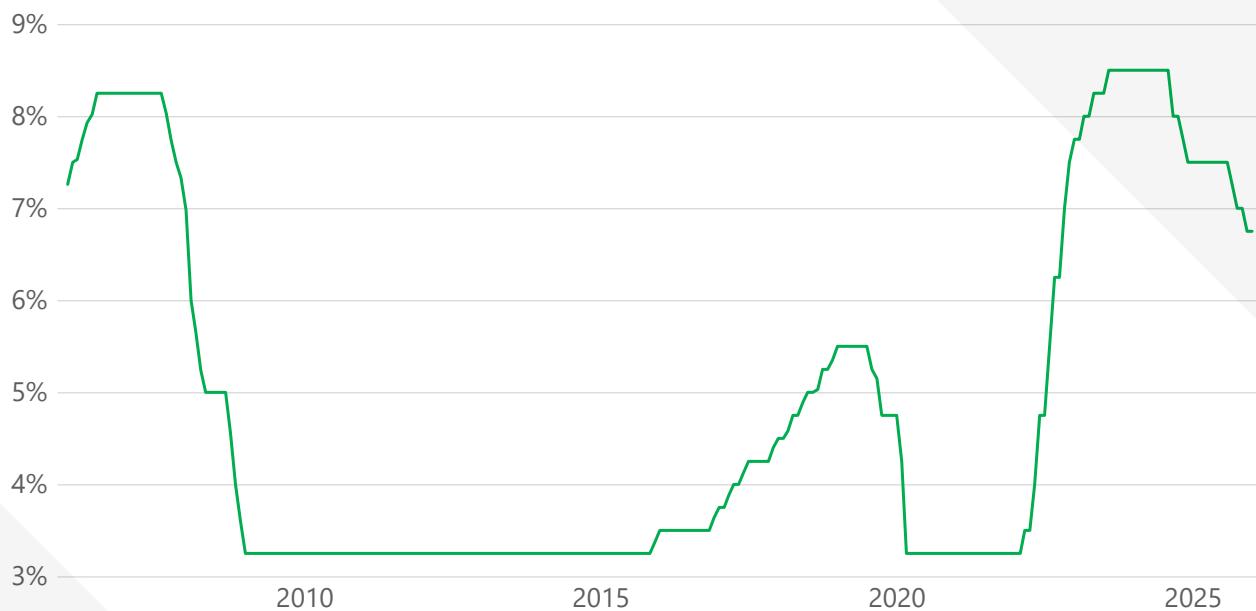
The Advanced Monthly Retail Trade Survey measures consumer spending at retail and food services stores. Consumer spending, a key indicator of economic growth, accounts for about two-thirds of the country's GDP. These figures are seasonally adjusted but not adjusted for inflation.

In November, retail and food services sales were \$735.9 billion, up 0.6% from October. November's increase was an improvement from October's -0.1% reading and exceeded economists' expectations. On an annual basis, sales were up 3.3%, indicating that consumer spending remains strong despite weakness in the labor market.

Retail trade sales were up 3.1% from last year; non-store retailers were up 7.2%; and food service and drinking places were up 4.9%. The types of businesses experiencing the greatest sales increases were miscellaneous store retailers (16.3%), sporting goods, hobby, musical instrument, bookstores (7.8%), and clothing and clothing accessories stores (7.5%). Sales declined for building materials (-2.8%) and furniture stores (-1.4%).

The release date for December's data has not yet been scheduled due to the government shutdown.

Prime Rate



Source: U.S. Federal Reserve

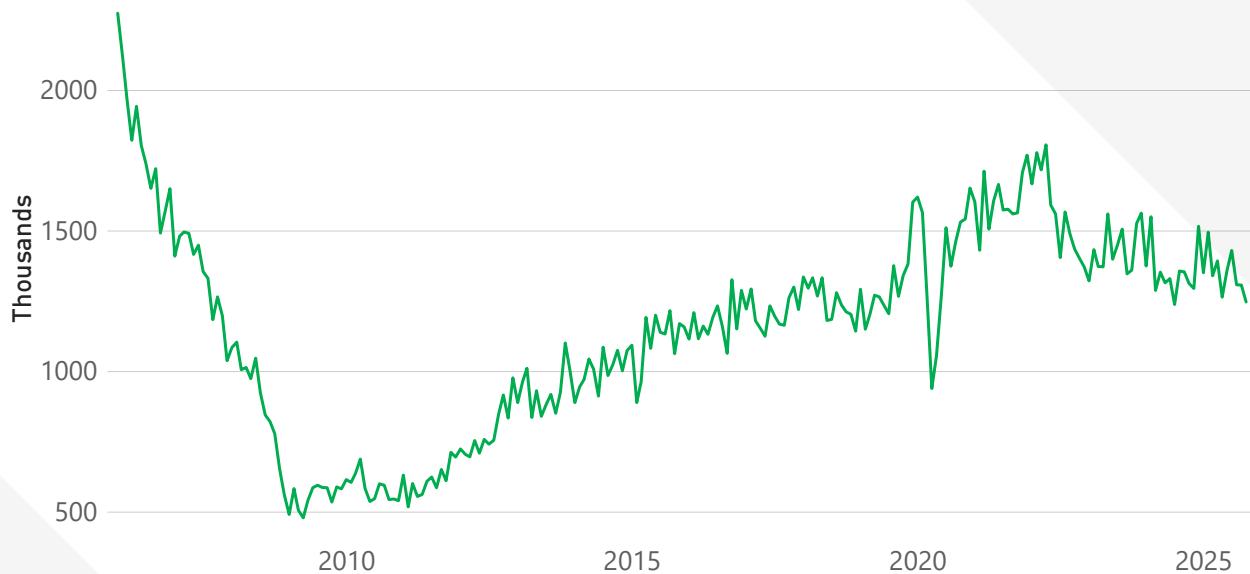
Prime Lending Rate

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



Source: U.S. Census Bureau

Housing Starts

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

Due to the government shutdown, the most recent data is from October. The next data release has not yet been announced.

In October, the Monthly New Residential Construction report showed that housing starts rose 4.6% from September to 1.246 million units. While single-family housing starts bounced back from the previous month, building permits fell. October's level is 7.8% below the October 2024 rate of 1.352 million.

NFIB's December Small Business Economic Trends report found that about a third (34%) of small businesses in the construction industry have a job opening they cannot fill, down 10 points from November. Supply chain disruptions remain challenging for small businesses, with 64% experiencing some level of disruption in December, unchanged from November. Three percent reported a significant impact (down 4 points), 21% reported a moderate impact (up 2 points), 40% reported a mild impact (up 2 points), and 35% reported no impact (unchanged).

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

Upcoming Economic Indicator Releases

January 23	Michigan Consumer Sentiment (Final Estimate for January)
January 27-28	Federal Open Market Committee Meeting
February 3	Job Openings and Labor Turnover Survey (JOLTS)
February 5	NFIB Jobs Report
February 6	BLS Employment Situation Report
February 10	NFIB Small Business Economic Trends
February 11	Consumer Price Index
February 20	GDP, 4th Quarter 2025 and Year 2025 (First Estimate)
TBA	Monthly Retail Trade Report
TBA	Housing Starts

Additional NFIB Research and Media

VIDEO: NFIB's Holly Wade Analyzes End-of-Year SBET Survey on Bloomberg, The Close. (January 15). https://www.youtube.com/watch?si=FaXk_CxgmEp7T6J&t=3643&v=r9GyOcmBZzI&feature=youtu.be

Podcast: NFIB Small Business by the Numbers – December 2025 and Look-ahead for 2026. (January 13). <https://www.nfib.com/small-business-by-the-numbers-podcast/>

Small Businesses in 'Comfortable Position' Heading into 2026: NFIB. The National News Desk. (January 13). <https://thenationaldesk.com/news/americas-news-now/small-businesses-in-comfortable-position-heading-into-2026-nfib-national-federation-of-independent-business-december-optimism-index>

More Small Firms Raising Pay. James Freeman. (January 8). https://www.wsj.com/opinion/more-small-firms-raising-pay-a44e3087?mod=author_content_page_1_pos_1

Podcast: NFIB Small Business by the Numbers – The History of NFIB Small Business Data. (January 8). <https://www.nfib.com/small-business-by-the-numbers-podcast/>

Podcast: NFIB Small Business Rundown- Small Business Economy Explained in New Podcast. (January 8). <https://www.nfib.com/podcasts-small-business-rundown/>



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