NFIB Monthly Economic Newsletter

MARCH 2026

NFIB RESEARCH CENTER

NFIB Monthly Economic Newsletter - March 2026

Small Business Economic Trends

The Small Business Optimism Index for February was 98.8, down 0.5 points from January. The Index remains slightly above its 52-year average of 98 but marks the second consecutive monthly decline. Of the 10 Optimism Index components, three increased, four decreased, and three were unchanged. Only one component saw a substantial increase, with earnings trends increasing 7 points. This larger gain was counterbalanced by a decline in sales expectations, which fell just below its December level after a substantial January gain. While small business optimism edged down slightly in February, uncertainty declined more meaningfully. The Uncertainty Index fell 3 points from January to 88. A decline in owners reporting uncertainty about whether to make capital expenditures was the primary driver of the lower Uncertainty Index.

- The Employment Index ticked up nearly a point in February to 103.5. This level is 3.5 points above its historical average of 100 and 2.3 points above its 2025 average. The gain was driven primarily by its compensation-related components rather than its employee count related ones.
- Fifteen percent of small business owners cited labor quality as their single most important problem, down 1 point from January and the fourth consecutive monthly decline. The last time labor quality, reported as the single most important problem, was this low was April 2020.
- A net 1% of all owners (seasonally adjusted) reported higher nominal sales in the past three months, up 7 points from January. The percent reporting actual sales gains is now close to the historical average of a net 0%. This is the highest level of actual sales since May 2022.
- In February, 59% of small business owners reported that supply chain disruptions impacted their business to some extent, a decrease of 3 points from January.
- The net percent of owners raising average selling prices fell 2 points from January to a net 24% (seasonally adjusted). This marked the third consecutive month that actual price increases slowed, though the changes remain well above the historical average.
- Seasonally adjusted, a net 34% reported raising compensation, up 2 points from January and the highest level since March 2025.
- The frequency of reports of positive profit trends rose 7 points from January to a net -14% (seasonally adjusted). The last time earning trends were this high was in December 2021.

- When asked to evaluate the overall health of their business, 12% rated their business health as excellent (down 2 points), 55% as good (up 1 point), 26% as fair (down 1 point), and 5% as poor (up 1 point).
- Eight percent reported competition from large businesses as their single most important problem, up 2 points from January. The last time competition from large businesses, reported as the single most important problem, was this high was in May 2021.

Small Business Optimism Index

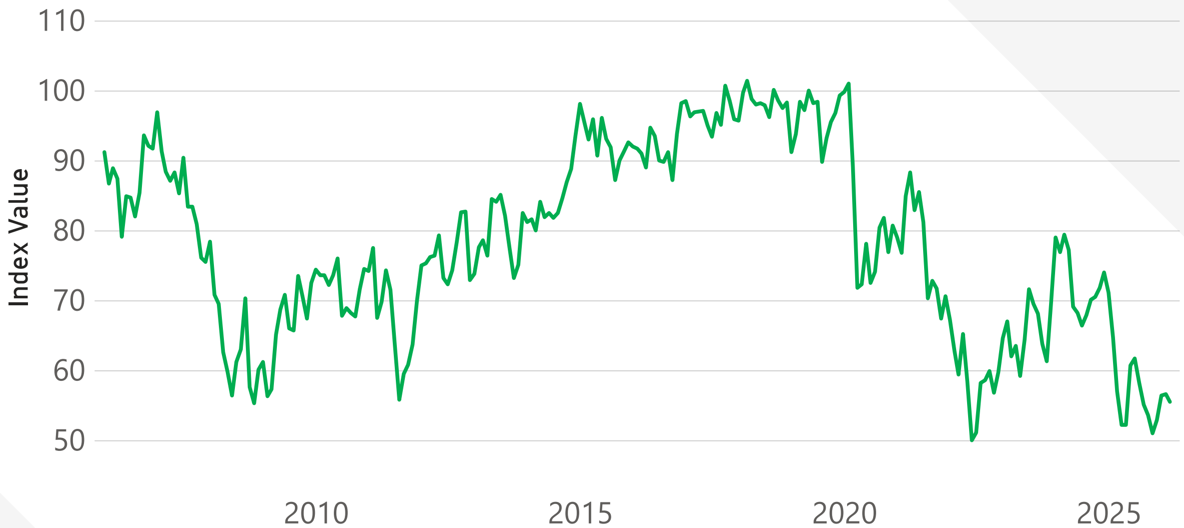
Seasonally Adjusted, 1986=100

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	99.3	100.7	95.8
NFIB Uncertainty Index	88	91	104	75
Unemployment Rate	4.4%	4.3%	4.1%	6.2%
Jobs Added (000)	-92	126	102	509
Consumer Sentiment	55.5	56.6	57.0	84.9
CPI Inflation Rate (12-month percent change)	2.4%	2.4%	2.8%	1.7%
Prime Rate of Interest	6.75%	6.75%	7.50%	3.25%
Retail Sales Change	-0.2%	0.0%	-1.2%	7.6%
Housing Starts (000)	1,487	1,387	1,350	1,602

Index of Consumer Sentiment



Source: University of Michigan Surveys of Consumers

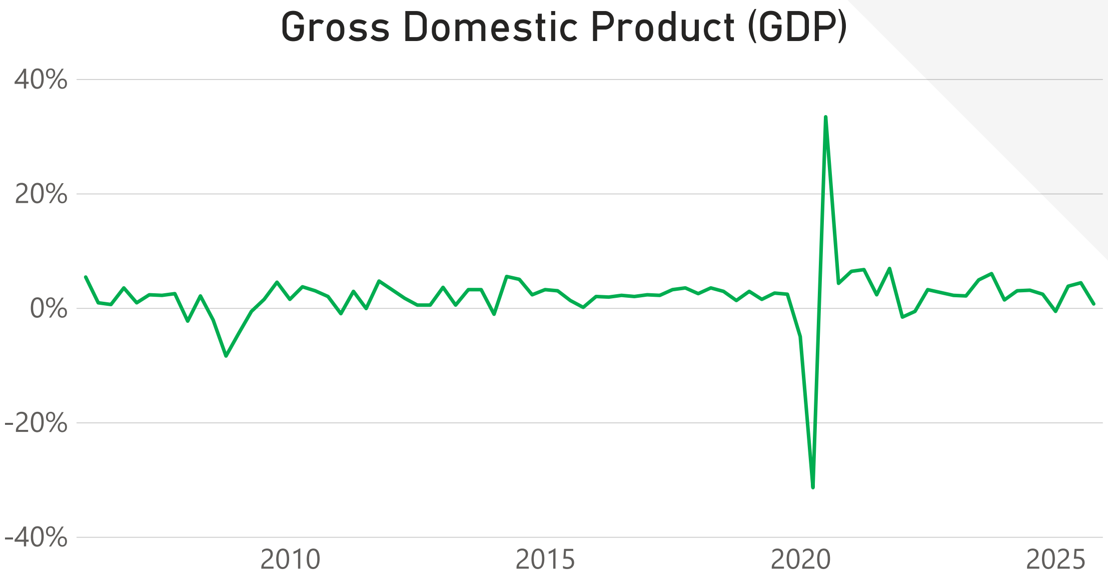
Consumer Sentiment (Univ. of Michigan)

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 March, the Index of Consumer Sentiment fell about 2% from February to 55.5, marking the year's lowest level. An improvement in sentiment was reported by consumers surveyed before the Iran conflict. However, this increase was erased by the lower sentiment reported in the days that followed.

Consumers reported lower expectations for their personal finances amid rising gasoline prices and ongoing uncertainty. Concerns about long-term inflation (five years) dropped to 3.2%, while one-year inflation expectations remained at 3.4% after six consecutive months of decline.

NFIB RESEARCH CENTER



Source: U.S. Bureau of Economic Analysis

Gross Domestic Product (GDP)

U.S. Real Gross Domestic Product (GDP) increased at an annual rate of 0.7% (second estimate) in the fourth quarter of 2025.

This marked a significant slowdown from 4.4% in the third quarter and 3.8% in the second quarter. Additionally, the second estimate was revised downward from the initial estimate of 1.4%.

The fourth-quarter GDP growth was driven by increases in consumer spending and investment, but it was somewhat offset by declines in government spending and exports. Imports also decreased.

In 2025, GDP grew by 2.1% primarily due to increases in consumer spending and investment. GDP growth in 2025 was lower than in 2024 (2.8%) and 2023 (2.9%).

Source: U.S. Bureau of Labor Statistics

Unemployment

The latest Employment Situation report from the Bureau of Labor Statistics (BLS) showed that the U.S. economy lost 92,000 jobs in February, following a gain of 126,000 jobs the previous month. The report also revised the data downward for December and January. Total employment for these months was 69,000 lower than initially reported. Job losses occurred in health care (-28,000), information (-11,000), and the federal government (-10,000), while employment increased in social assistance (+9,000). The unemployment rate increased to 4.4%, with 7.6 million people unemployed. The unexpected number of job losses, along with the rise in the unemployment rate, indicate a slowdown in the labor market.

The most recent Job Openings and Labor Turnover Survey (JOLTS) reported 6.9 million job openings in January, with growth in finance and insurance. The ratio of unemployed workers to job openings is 1.1.

In February, NFIB's Employment Index ticked up nearly a point from January to 103.5, showing further tightness in the labor market. The current reading is 2.3 points above the 2025 average of 101.2 and 3.5 points above the historical average of 100. Additionally, 33% (seasonally adjusted) of small business owners had unfilled job openings, up 2 points from January and remaining above the historical average of 24%. Twenty-eight percent had openings for skilled workers (up 3 points) and 10% had openings for unskilled labor (unchanged). Looking ahead to the next three months, a seasonally adjusted net 12% of owners plan to create new jobs, down 4 points from January.

Fifteen percent of small business owners cited labor quality as their single most important problem, down 1 point from January and marking the fourth consecutive monthly decline. This is the lowest reading since April 2020. Labor costs, reported as the single most important problem, stayed at 9%.

Consumer Price Index (CPI)

12-Month Percent Change

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 goods commonly purchased by households.

In February, the CPI increased 0.3% month over month, mainly driven by shelter. Additionally, the energy index increased. Over the past year, the CPI rose 2.4%, the same increase for the 12 months ending in January. February's reading aligned with economists' expectations.

From February 2025 to February 2026, the categories with the largest price increases were natural gas (piped) and tobacco and smoking products. Meanwhile, the category with the largest price decrease was gasoline (all types) at -5.6%.

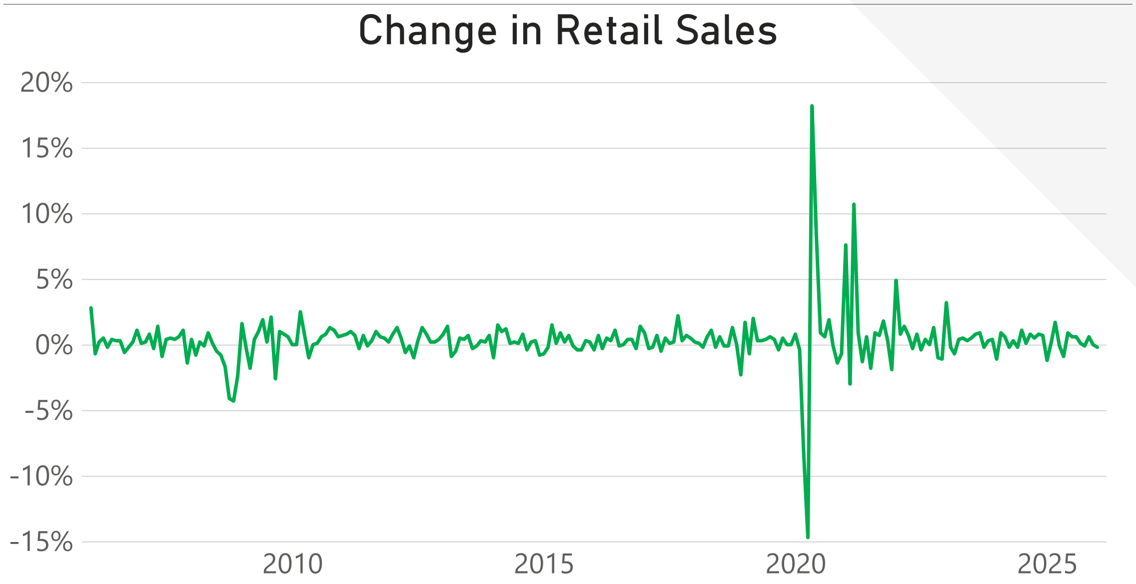
12-month percent change, Consumer Price Index, selected categories, February 2026, not seasonally adjusted

Categories	Feb. 2025 to Feb. 2026
Natural gas (piped)	10.9%
Tobacco and smoking products	8.0%
Airline fare	7.1%
Hospital services	7.1%
Fuel oil	6.2%
Motor vehicle maintenance and repair	5.6%
Nonalcoholic beverages and beverage materials	5.6%
Electricity	4.8%
Full-service meals and snacks	3.2%

Source: U.S. Bureau of Labor Statistics

NFIB's February SBET report found that 12% of owners identified inflation as their single most important problem in operating their business, unchanged from January. Additionally, reports of actual price increases and planned price hikes declined: a seasonally adjusted net 24% of small business owners raised average selling prices (down 2 points), and a seasonally adjusted net 28% plan to increase prices in the next three months. Actual price increases declined for the third consecutive month.

NFIB RESEARCH CENTER



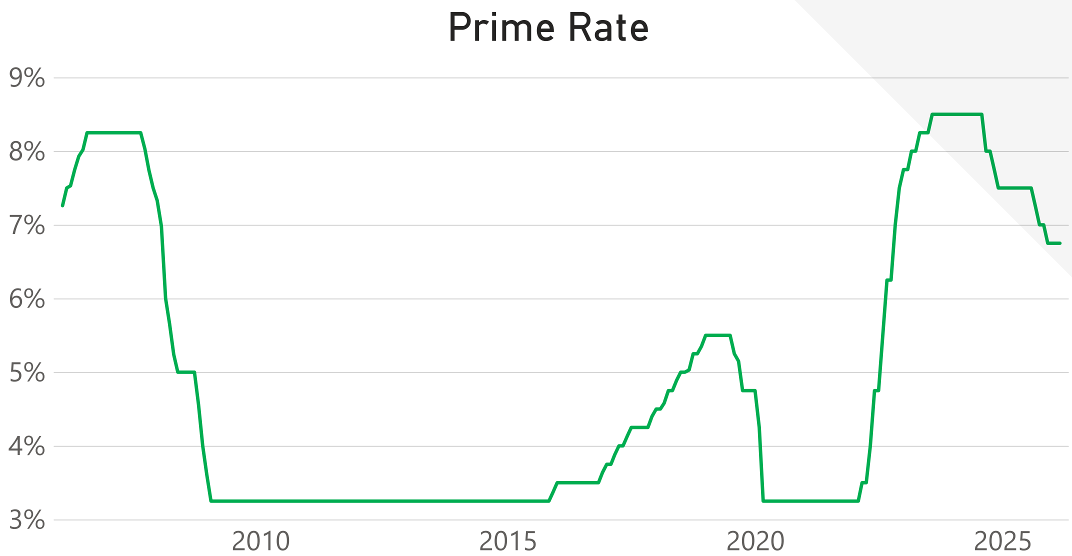
Source: U.S. Census Bureau

Retail Sales

The Advance Monthly Retail Trade Survey tracks 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 January, retail and food services sales totaled $733.5 billion, down 0.2% from December but 3.2% higher than January 2025. Retail trade sales increased by 3.0% from the previous year; non-store retailers were up 10.9%, and food service and drinking places rose by 3.9%.

In February, NFIB's SBET report showed that 17% of small businesses in the retail industry reported poor sales as their single most important problem, which was 6 points higher than the overall small business community.



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), part of the Federal Reserve, meets eight times to set monetary policy and interest rates.

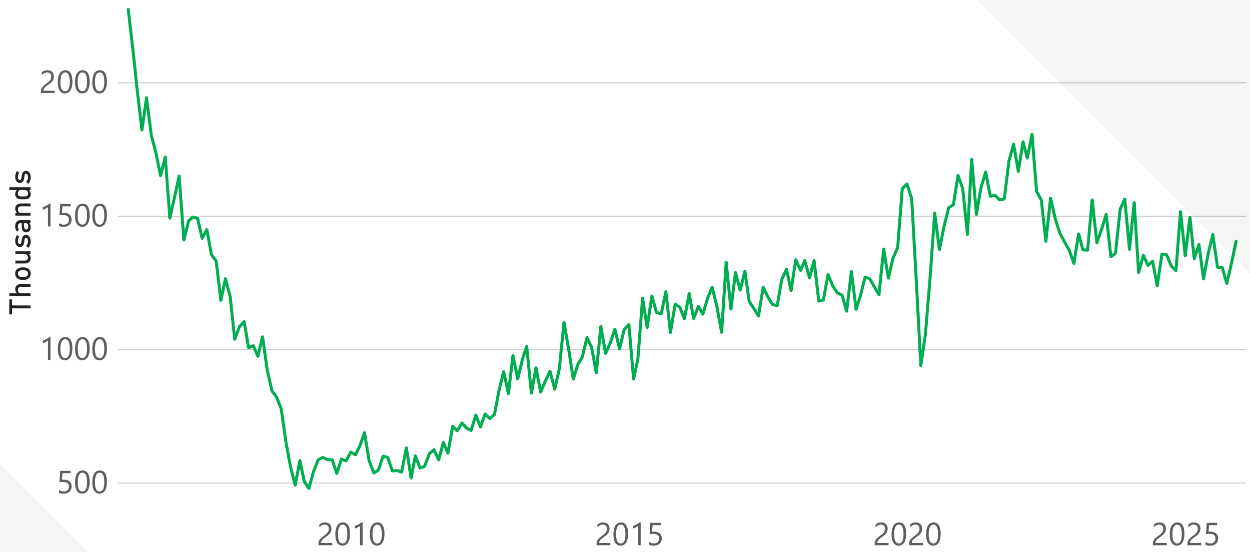
In mid-March, the Federal Reserve kept its rate steady, which was expected after February's poor jobs report. The prime lending rate (the interest rate at which commercial banks charge borrowers) was 6.75%, and the federal funds rate (the interest rate at which commercial banks borrow and lend their excess reserves to each other) was 3.50%-3.75%.

The Federal Reserve cut rates three times in late 2025 and might lower them again later this year if labor market indicators improve and inflation approaches its 2% target. The upcoming FOMC meeting is scheduled for April 28-29.

According to February's SBET report, a quarter of small business owners reported borrowing regularly, unchanged from January. Although there was no monthly change, historically small businesses are borrowing at lower levels, with the 52-year average being 34%.

A net 5% reported that obtaining a loan was more difficult than in previous attempts, up 2 points from January. Although loans were reported as more difficult to acquire in February, the reading remains just below its historical average. Compared to other issues facing small business owners, financing and interest rates had the lowest percent of respondents citing them as their single most important problem (4%).

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 multifamily housing units.

In January, the Monthly New Residential Construction report showed that housing starts increased 7.2% from December to 1.487 million units, surpassing expectations. January's reading marked the third consecutive month of improvement and the highest level in 11 months.

NFIB's February SBET report showed that small businesses in the construction industry continue to struggle with filling jobs. Forty-four percent of small construction firms have a job opening they cannot fill, up 4 points from January and 13 points higher than the overall small business sector. Additionally, supply chain disruptions remain exceptionally challenging for construction firms, with 70% experiencing some level of disruption in February. This was 8 points higher than in January and 11 points higher than for all firms.

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

Upcoming Economic Indicator Releases

March 27	Michigan Consumer Sentiment (Final Data for March)
March 31	Job Openings and Labor Turnover Survey (JOLTS)
April 2	NFIB Jobs Report
April 3	BLS Employment Situation Report
April 9	GDP, 4th Quarter 2025 and Year 2025 (Third Estimate)
April 10	Consumer Price Index
April 14	NFIB Small Business Economic Trends
April 28-29	Federal Open Market Committee Meeting
TBA	Advance Monthly Sales for Retail and Food Services
TBA	Housing Starts

Additional NFIB Research and Media

Inflation? Look on Main Street. William Dunkelberg. (March 20). https://www.nfib.com/news/research-blog/inflation-look-on-main-street/

Sales and Profits – Whose Got Them? William Dunkelberg. (March 20). https://www.nfib.com/news/research-blog/sales-and-profits-whose-got-them/

Small Business Owners Predict the Unemployment Rate. William Dunkelberg. (March 11). https://www.nfib.com/news/research-blog/small-business-owners-predict-the-unemployment-rate/

Video: NFIB's Holly Wade Discusses Small Business Optimism on NYSE Live. (March 11). https://www.nfib.com/news/press-release/video-nfibs-holly-wade-discusses-small-business-optimism-on-nyse-live-2/

Podcast: NFIB Small Business by the Numbers – February Data Shows Balanced Labor Market. (March 10). https://www.nfib.com/small-business-by-the-numbers-podcast/

New York Small Business Economic Trends – January 2026. (March 3). https://www.nfib.com/wp-content/uploads/2026/02/New-York-SBET-Final.pdf

Ohio Small Business Economic Trends – January 2026. (March 3). https://www.nfib.com/wp-content/uploads/2026/01/NFIB-Jan.-2026-Ohio-SBET-Report.pdf

California Small Business Economic Trends – January 2026. (March 2). https://www.nfib.com/wp-content/uploads/2026/03/California-SBET-Final.pdf

NFIB RESEARCH CENTER

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

Follow us on X @NFIBResearch