NFIB RESEARCH CENTER



NFIB Monthly Economic Newsletter

JULY 2026

Small Business Economic Trends



SMALL BUSINESS OPTIMISM PICKS UP IN JUNE

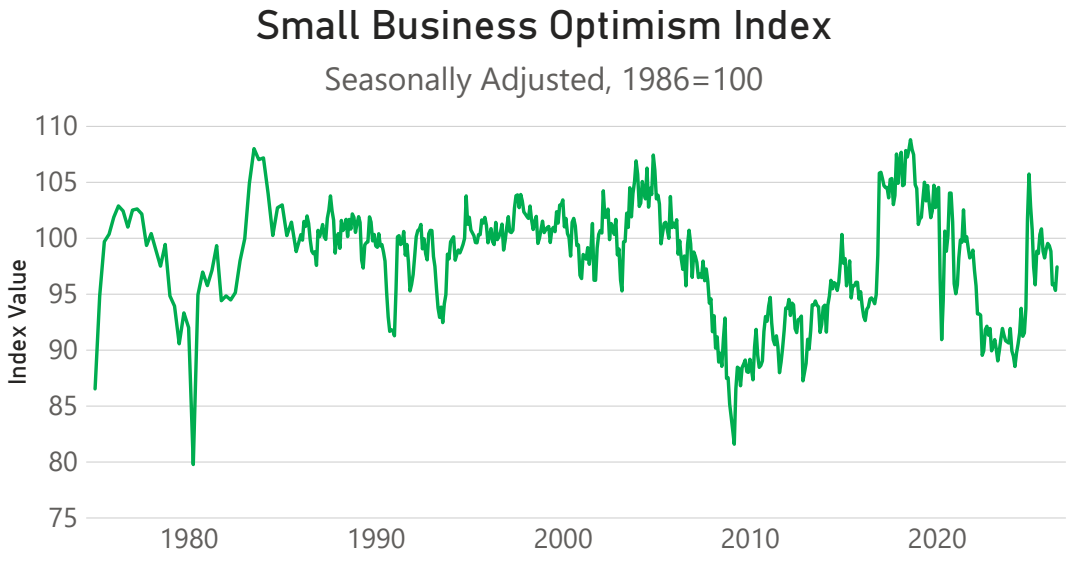
The Small Business Optimism Index for June was 97.4, up 2.1 points from May, nearing its 52-year average of 98.0. This marks the fourth consecutive month that the Index is below its historical average, though only by less than 1 point now. Of the 10 Optimism Index components, seven increased, and three decreased. Expectations for better business conditions and real sales expectations improved substantially from May and were the primary drivers of the improved Index. As optimism rose in June, uncertainty edged downward. The Uncertainty Index fell 2 points from May to 89, remaining well above its historical average of 68. The decline was driven solely by fewer owners reporting uncertainty about capital expenditure plans.

Small Business Economic Trends (cont.)

- In June, job openings and hiring plans rebounded. Thirty-two percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period (up 3 points), and a seasonally adjusted net 11% of owners plan to create new jobs in the next three months (up 2 points). The May numbers declined substantially in these categories, so the improvement here is something of a correction from a particularly bad month.
- Twenty-one percent of business owners cited inflation as their single most important business problem, up 3 points from May and marking the highest reading since October 2024. Inflation ranks as the top problem.
- The net percent of owners raising average selling prices rose 2 points from May to a net 38% (seasonally adjusted). This is the fourth consecutive month that actual price increases have risen, marking the highest level since January 2023.
- There was good news on the forward-looking inflation metric, as the share of owners planning to raise prices in the near future declined. Looking forward to the next three months, a net 32% (seasonally adjusted) plan to increase prices, down 2 points from May's highest reading since July 2022.
- In June, expectations for better business conditions improved for the first time this year. The net percent of owners expecting better business conditions in the next six months rose 10 points from May to a net 13% (seasonally adjusted).
- The net percent of owners expecting higher real sales volumes over the next quarter rose 8 points from May to a net 9% (seasonally adjusted).
- Twenty percent (seasonally adjusted) of small business owners plan to make capital outlays in the next six months, up 4 points from May and the highest reading of the year.
- A net 0% (seasonally adjusted) of owners viewed current inventory stocks as "too low" in June, up 4 points from May and marking the highest level since May 2025.
- The average interest rate paid on short-maturity loans was 7.4% in June, down 0.4 points from May and the lowest level since October 2022.
- Twenty-two percent of all owners reported borrowing regularly, down 5 points from May. June's reading is 12 points below the historical average of 34%.



Optimism Index



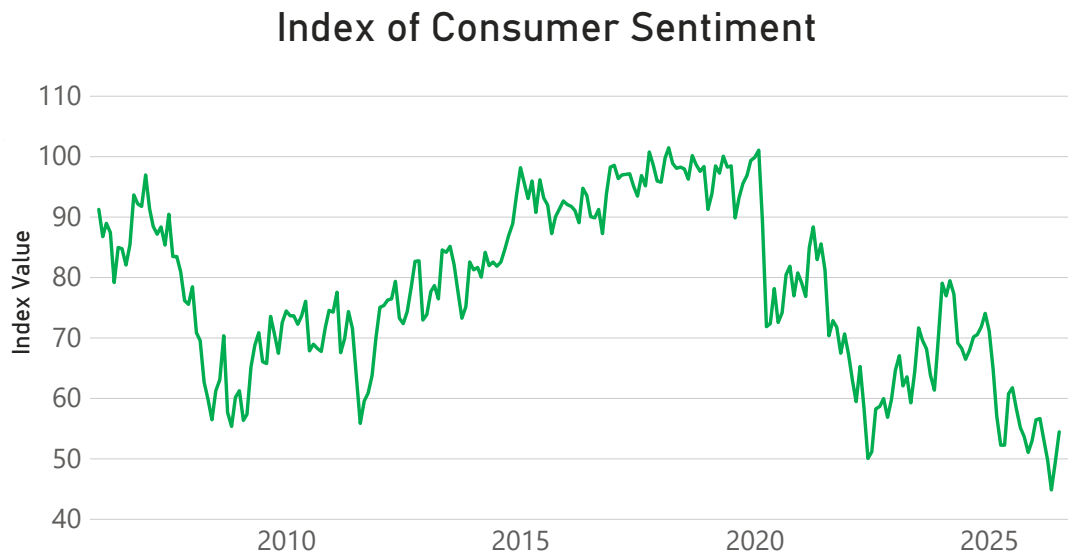
Source: NFIB Small Business Economic Trends

Read the latest full report: nfib.com/sbet

Macroeconomic Indicators

	Most Recent	Previous Month	1 Year Ago	5 Years Ago
NFIB Optimism Index	97.4	95.3	98.6	102.5
NFIB Uncertainty Index	89	91	89	83
NFIB Employment Index	100.2	100.3	100.9	106.7
Unemployment Rate	4.2%	4.3%	4.1%	5.9%
Jobs Added (000)	57	129	-20	755
Consumer Sentiment	54.4	49.5	61.7	81.2
CPI Inflation Rate (12-month percent change)	3.5%	4.2%	2.7%	5.4%
Prime Rate of Interest	6.75%	6.75%	7.50%	3.25%
Retail Sales Change	0.2%	1.0%	0.9%	0.6%
Housing Starts (000)	1,427	1,199	1,379	1,664

Consumer Sentiment



Source: University of Michigan Surveys of Consumers

Consumer Sentiment (Univ. of Michigan)

THE MOOD OF CONSUMERS

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. Since consumer spending accounts for roughly two-thirds of GDP, consumer sentiment is an important indicator of the economy.

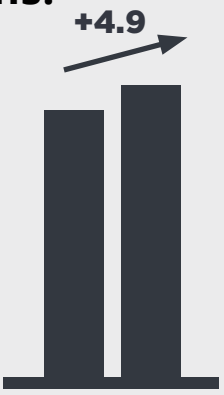
In July, the Index of Consumer Sentiment rose 4.9 points from June to 54.4 (preliminary reading), marking the second consecutive month of gains. Sentiment is at its highest level since February, though it is down nearly 12% from a year ago. Sentiment in July improved due to a temporary decline in gas prices, but this may not be sustained. Seventy percent of respondents were interviewed before the resumption of US strikes against Iran, which pushed gas prices back up. Sentiment improved across age groups, education levels, income brackets, and political views. Notably, those without a bachelor's degree showed particularly significant increases.

Inflation concerns remained historically elevated. One-year inflation expectations decreased from 4.6% in June to 4.2% in July. Long-term inflation expectations (five years) remained at 3.3%.

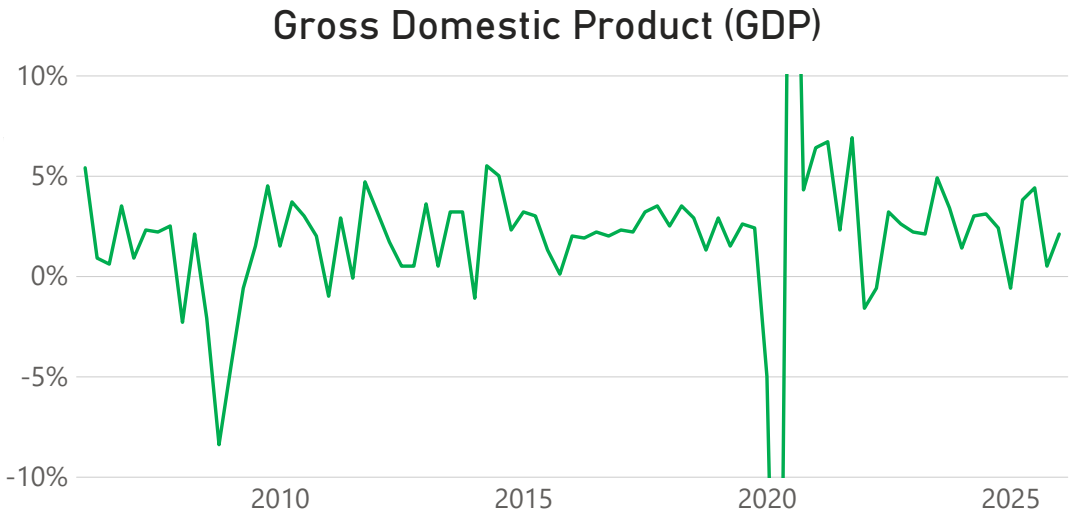
In July, Consumer Sentiment rose 4.9 points from June to

54.4

the second consecutive month of gains.



Gross Domestic Product



Source: U.S. Bureau of Economic Analysis

**Annual GDP Growth Rate was -31.4% in Apr. 2020 and 33.4% in July 2020*

Gross Domestic Product (GDP)

THE ECONOMY'S OPENING ACT

Gross Domestic Product (GDP) measures the total market value of final goods and services and is one of the economic indicators used to measure economic growth.

U.S. GDP increased at an annual rate of 2.1% (third estimate) in the first quarter of 2026, following a 0.5% increase in the fourth quarter of 2025. Growth was driven by investment, exports, consumer spending (particularly in services), and government spending. Investment was largely driven by AI-related capital spending and technology.

The third estimate increased from the second (1.6%), mainly due to a downward revision to imports (a subtraction in the calculation of GDP), which was partially offset by a downward revision to consumer spending. The revision to imports was primarily concentrated in both goods (led by consumer goods) and services (led by transportation services), while the consumer spending revision was mainly in financial services and insurance.

The industries that contributed the most to GDP growth were information; federal government; professional, scientific, and technical services; and durable goods manufacturing. By contrast, the retail trade, wholesale, and finance and insurance industries declined.

In the first quarter of 2026, GDP increased in 46 states and the District of Columbia. The greatest growth occurred in Washington and California, while the lowest growth occurred in South Dakota and Nebraska.

GDP Increased by

2.1%

in Q1 2026.



Labor Market

Labor Market

WHO'S HIRING, WHO'S WORKING?

The most recent Employment Situation report from the Bureau of Labor Statistics (BLS) found that the U.S. economy added 57,000 jobs in June, lower than May's level of 129,000 and worse than economists expected. Revisions to the April and May data totaled 74,000 fewer jobs than initially reported.

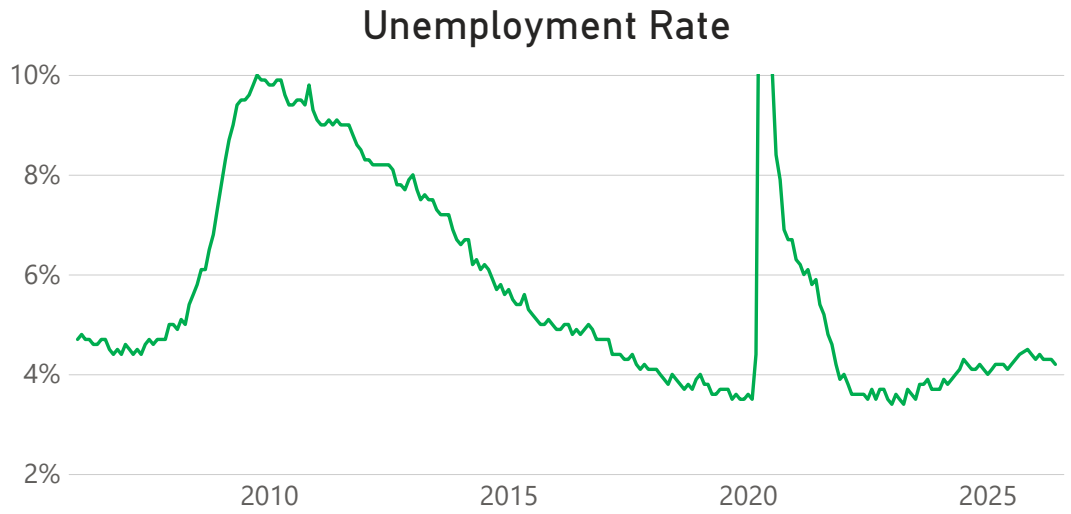
Job growth occurred in professional and business services (36,000), social assistance (25,000), and healthcare (22,000). Employment in leisure and hospitality decreased by 61,000, indicating slower-than-usual seasonal hiring, despite expectations of strong gains from the World Cup.

The unemployment rate declined to 4.2% in June, and the number of unemployed people totaled 7.1 million. The decline was primarily attributed to a drop in the labor force participation rate, which fell to 61.5%, the lowest level since March 2021.

In June, NFIB's Employment Index remained essentially flat, registering 100.2 after measuring 100.3 in May. This marks the fourth consecutive month of decline. The current reading is below the 2025 average of 101.2 but remains slightly above the historical average of 100.0.

Reports of unfilled job openings and hiring rebounded in June. A seasonally adjusted 32% of owners reported job openings they could not fill in the current period, up 3 points from May. Twenty-seven percent have openings for skilled workers (unchanged), and 12% have openings for unskilled labor (up 3 points). Looking ahead, a seasonally adjusted net 11% of owners plan to create new jobs over the next three months, up 2 points from May.

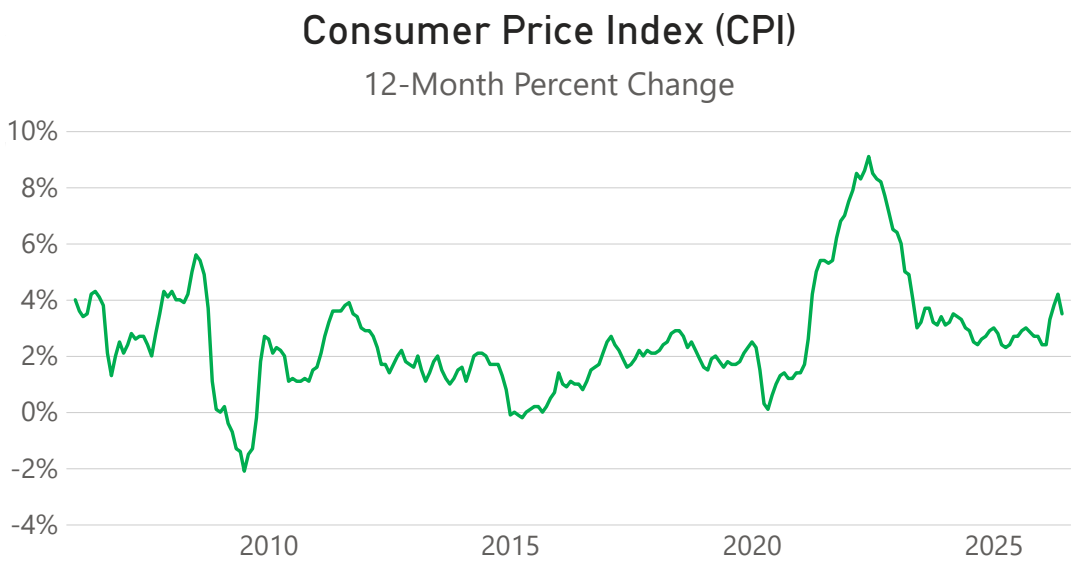
In June, 19% of owners cited "labor quality or availability" as their single most important problem, up 6 points from May's lowest level since December 2016. While reports of labor quality and availability as the top issue rose in June, reports of labor costs eased. Eight percent of business owners cited labor costs as their single most important problem, down 6 points from May's historic high.



Source: U.S. Bureau of Labor Statistics

**The Unemployment Rate was 14.7% in Apr. 2020, 13.3% in May 2020, and 11.1 in June 2020*

Consumer Price Index



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (Inflation Rate)

INFLATION WATCH

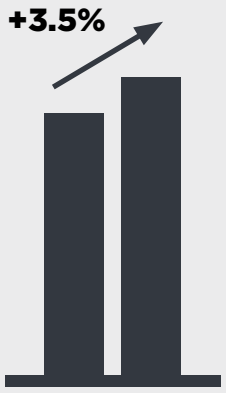
The Consumer Price Index (CPI) measures the average change over time in the cost of a basket of goods commonly purchased by households.

In June, the CPI fell 0.4% on a monthly basis, after rising 0.5% in May. This marked the largest one-month decline since April 2020, when it fell 0.8%. June's rate was below expectations and signaled a significant improvement from May as energy costs declined. The energy index was the largest contributor to June's decline, down 5.7% from the previous month but 15.7% above June 2025.

Annually, the CPI increased by 3.5% after reaching a three-year peak in May (4.2%). Year-over-year, prices for energy, shelter, and food all increased.

Between June 2025 and June 2026, the largest price increases occurred in fuel oil, gasoline (all types), and airline fares. Conversely, motor vehicle insurance (-4.1%) and medical care commodities (-2.1%) saw the largest declines.

In June the CPI rose 3.5% marking an improvement from May.



Consumer Price Index (cont.)

NFIB's June SBET report found that 21% of owners cited inflation as their single most important problem in operating their business, up 3 points from May and marking the highest reading since October 2024. Inflation ranks as the top problem. Reports of small businesses raising average selling prices increased in June, although there was good news on the forward-looking inflation metric. The net percent of owners raising average selling prices rose 2 points from May to a net 38% (seasonally adjusted). June's reading marked the fourth consecutive month that actual price increases have risen and the highest level since January 2023. Meanwhile, plans to increase prices declined. Looking ahead to the next three months, a net 32% (seasonally adjusted) plan to increase prices, down 2 points from May.

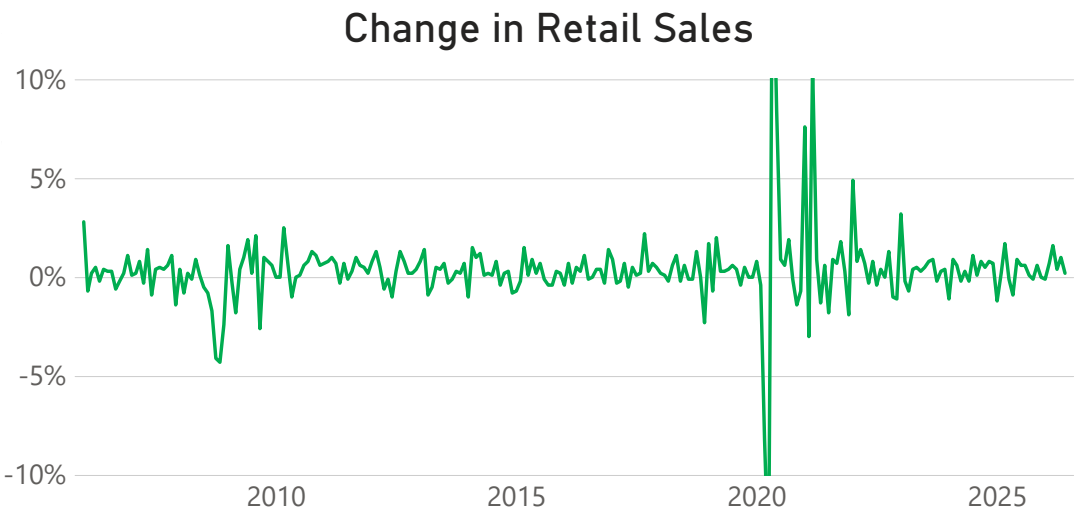
12-month percent change, Consumer Price Index, selected categories, June 2026, not seasonally adjusted

Category	June 2025 to June 2026
Fuel oil	42.9%
Gasoline (all types)	26.7%
Airline fare	26.5%
Motor vehicle maintenance and repair	7.0%
Tobacco and smoking products	6.5%
Fruits and vegetables	5.3%
Hospital services	5.1%
Electricity	4.0%
Apparel	3.9%
Full-service meals and snacks	3.7%

Source: U.S. Bureau of Labor Statistics



Retail Sales



Source: U.S. Census Bureau

**Retail Sales were -14.7% in Apr. 2020 and 18.2% in May 2020*

Retail Sales

FOLLOWING THE CONSUMER DOLLAR

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 May, NFIB's SBET report showed that 24% of small businesses in the retail industry reported labor quality or availability as their single most important problem

In June, retail and food services sales totaled $768.6 billion, up 0.2% from May and up 6.7% from June 2025. June's reading was the smallest gain in five months and marked a steep decline from May's revised reading of 1.0%. Sales growth was highest among motor vehicle and parts dealers (1.9%), non-store retailers (1.9%), and sporting goods, hobby, musical instrument, and bookstores (1.3%). Gasoline station sales fell 5.3% due to lower gas prices.

In June, NFIB's SBET report found that retail firms cited labor quality or availability and labor costs as their single most important problems to a greater extent than all firms. Twenty-four percent of owners in the retail industry cited labor quality or availability as their single most important problem (5 points higher), and 15% cited labor costs (7 points higher).

Prime Rate

Prime Lending Rate

THE RATE THAT SETS THE PACE

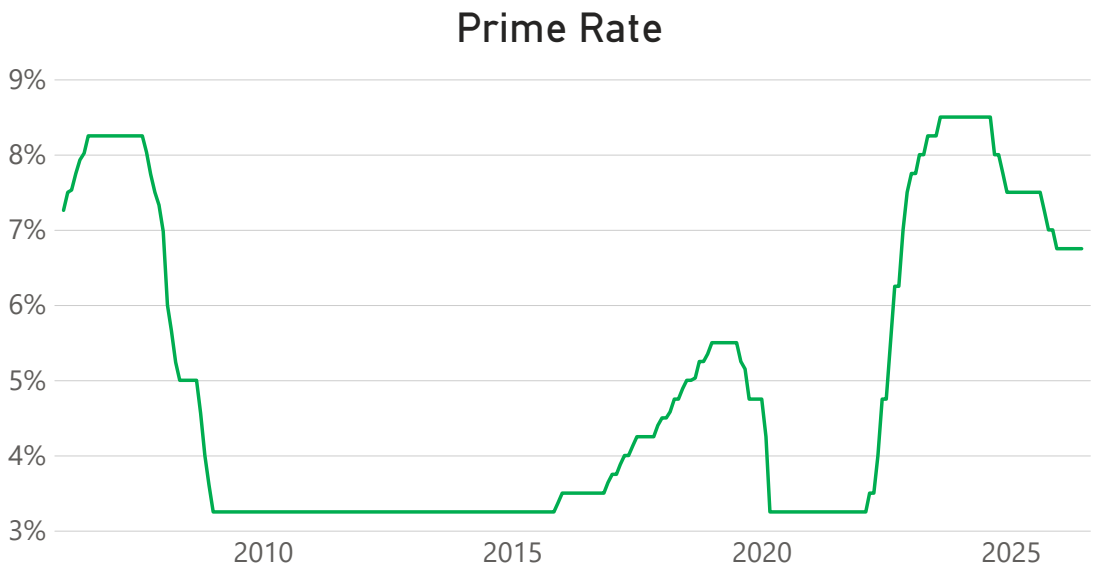
The prime rate is the interest rate banks charge for short-term loans. Each year, the Federal Open Market Committee (FOMC), part of the Federal Reserve, meets eight times to set monetary policy and interest rates.

In mid-June, the Federal Reserve voted unanimously to keep rates unchanged for the fourth consecutive meeting. The prime lending rate (the interest rate at which commercial banks charge borrowers) remains at 6.75%, and the federal funds rate (the interest rate at which commercial banks borrow and lend their excess reserves to each other) remains at 3.50%-3.75%.

June's decision marked the first meeting led by the new Fed Chairman, Kevin Warsh. Unlike former Fed Chairman Powell, Warsh did not offer guidance on future rate decisions and issued a shorter statement. The new chairman also announced the creation of five task forces to examine the central bank's operations and potential policy and process reforms.

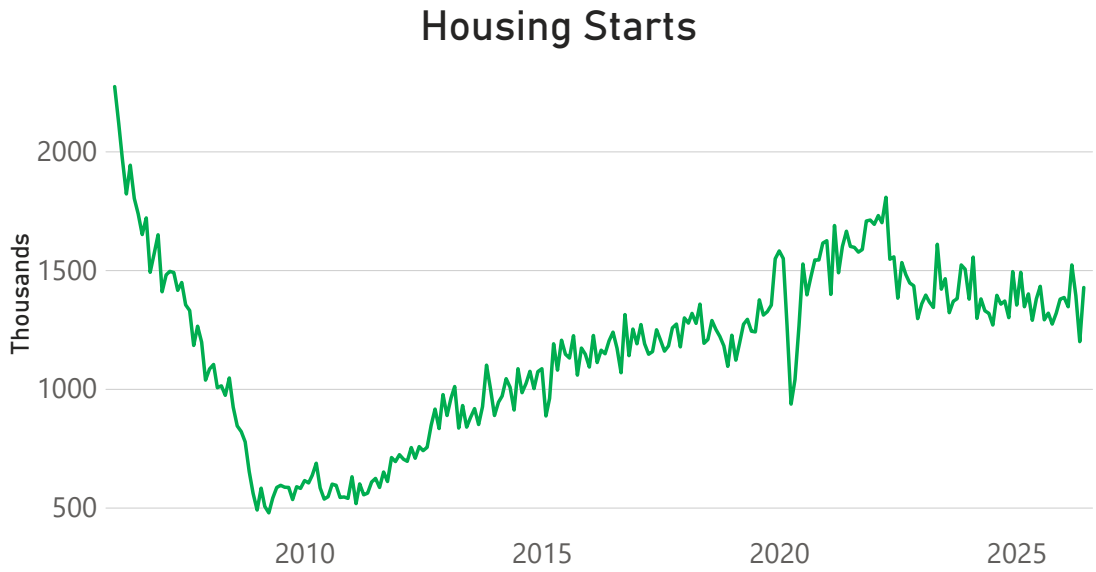
June's positive inflation reading lowered expectations for a July rate hike. The Fed is expected to raise rates at least once this year. The next FOMC meeting is scheduled for July 28-29.

According to June's SBET report, 22% of small business owners reported borrowing regularly, down 5 points from June and 12 points below the historical average of 34%. A net 3% reported that obtaining a loan was more difficult than in previous attempts, down 1 point from June. The average interest rate paid on short-maturity loans was 7.4%, down 0.4 points from June and marking the lowest level since October 2022. Compared with other issues facing small business owners, financing and interest rates had the lowest percent of owners citing them as their single most important problem (3%).



Source: U.S. Federal Reserve

Housing Starts



Source: U.S. Census Bureau

Housing Starts

LAYING THE FOUNDATION FOR GROWTH

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

June's Monthly New Residential Construction report showed that housing starts increased 19.0% from May to 1.427 million units, surpassing expectations. The current level is 3.5% below the level a year ago. June's increase was primarily due to an increase in multifamily housing starts (defined as projects with five or more units), which rose 76.3% to 513,000 units. Single-family housing starts declined 0.2% from May to 895,000.

The rising costs of building materials, driven by inflation linked to tariffs and the war in Iran, are making it difficult for homebuilders. Additionally, mortgage rates have been rising, with the 30-year fixed rate up 50 basis points since the war began.

According to June's SBET report, small business owners in the construction industry evaluated their overall current business health more positively than all firms. Seventy-eight percent of owners in the construction industry evaluated the health of their business as "excellent" or "good," 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

July 28-29	Federal Open Market Committee Meeting
July 30	GDP (Advance Estimate), 2nd Quarter 2026
July 31	Michigan Consumer Sentiment (Final Data for July)
August 4	Job Openings and Labor Turnover Survey (JOLTS)
August 6	NFIB Jobs Report
August 7	BLS Employment Situation Report
August 11	NFIB Small Business Economic Trends
August 12	Consumer Price Index
August 14	Advance Monthly Sales for Retail and Food Services
August 18	Housing Starts

Additional NFIB Research and Media

- **Research Center Executive Director Holly Wade joined *NYSE Live* to discuss NFIB's June SBET survey.** (July 15). https://www.youtube.com/live/j6nqulZpnhA?t=1997s
- **Research Center Executive Director Holly Wade joined *Bloomberg: The Close* to share data from NFIB's June SBET survey.** (July 14). https://www.youtube.com/watch?v=4ZM67Y5Kltg&t=1082s
- **Podcast: NFIB *Small Business by the Numbers* – June Data: Small Business Optimism Improves, Inflation Ranks as Top Problem.** (July 14). https://www.nfib.com/small-business-by-the-numbers-podcast/
- **NFIB State-Specific SBET Reports – Winter 2026 (CA, FL, IL, MI, MN, NY, OH, PA, TX, WA, WI).** https://www.nfib.com/news/monthly_report/state-sbet/
- **NFIB Research Highlighted in a Publication by The Federal Reserve Bank of Boston – The Large Role Small Businesses Play in Employment in New England. Nini Lu, Riley Sillivan, & Jeffrey P. Thompson.** (July 8). https://www.bostonfed.org/publications/new-england-public-policy-center-regional-briefs/2026/large-role-of-small-businesses-new-england
- **NFIB's June Jobs Report data featured in *The Wall Street Journal* - Job Market at Small Firms Still Slightly Better Than Average. James Freeman.** (June 2). https://www.wsj.com/opinion/job-market-at-small-firms-still-slightly-better-than-average-d521c00e?mod=author_content_page_1_pos_1
- **Main Street is Okay – For Now. Peter Hansen.** (June 23). https://www.nfib.com/news/research-blog/main-street-is-okay-for-now/

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

William Dunkelberg
Chief Economist

Follow us on X @NFIBResearch