



NFIB Monthly Economic Newsletter

▶ JUNE 2026



Small Business Economic Trends



The Small Business Optimism Index for May was 95.3, down 0.6 points from April, remaining below its 52-year average of 98.0. Of the 10 Optimism Index components, three increased, six decreased, and one was unchanged. The labor-related components

(unfilled job openings and hiring plans) declined notably but were offset by improvements in earnings trends and inventory plans. The Uncertainty Index rose 3 points from April to 91, remaining well above its historical average of 68.



Small Business Economic Trends (cont.)

- ▶ The Employment Index remained essentially flat, registering 100.3 in May after measuring 100.4 in April. This is the third consecutive month in which the Index has declined. The current reading is below the 2025 average of 101.2 but slightly above the historical average of 100.0.
- ▶ In May, job openings and hiring plans fell notably to the lowest levels in six years. Twenty-nine percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, down 5 points from April and marking the lowest level since May 2020. A seasonally adjusted net 9% of owners plan to create new jobs in the next three months, down 4 points from April, also marking the lowest level since May 2020.
- ▶ In May, 13% of small business owners cited labor quality as their single most important problem, down 5 points from April and marking the lowest level since December 2016.
- ▶ Fourteen percent of business owners reported labor costs as their single most important problem, up 5 points from April and the highest reading in the survey's history.
- ▶ Sixteen percent (seasonally adjusted) of small business owners plan to make capital outlays in the next six months, down 1 point from April and the lowest level since March 2009.
- ▶ Reports of supply chain disruptions picked up in May, with a shift from those reporting no disruptions to those reporting mild or moderate disruptions. Seventy percent of small business owners reported that supply chain disruptions affected their business to some extent, up 6 points from April.
- ▶ In May, reports of both actual and planned price increases rose significantly. The net percent of owners raising average selling prices went up 6 points from April to a net 36% (seasonally adjusted), marking the highest reading since March 2023. A net 34% (seasonally adjusted) plan to increase prices, up 7 points from April and marking the highest reading since July 2022.
- ▶ Eighteen percent of business owners cited inflation as their single most important business problem, up 2 points from April and marking the highest reading since December 2024. Inflation ranks as the second top problem.

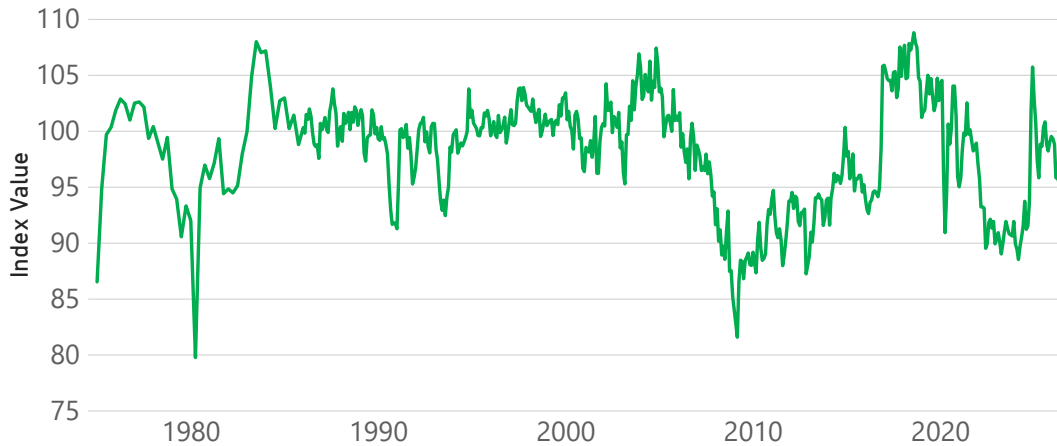




Optimism Index

Small Business Optimism Index

Seasonally Adjusted, 1986=100



Source: NFIB Small Business Economic Trends

Read the latest full report: nfib.com/sbet

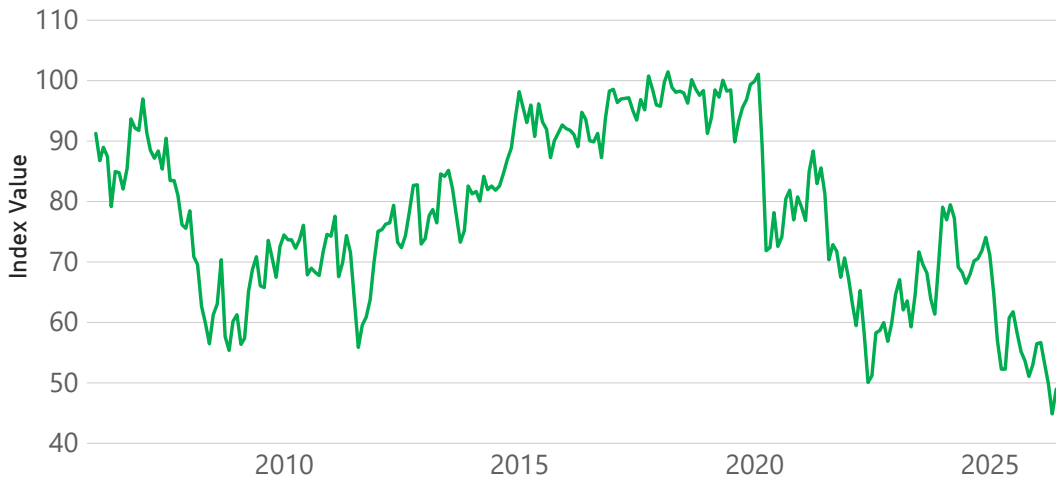
Macroeconomic Indicators

	Most Recent	Previous Month	1 Year Ago	5 Years Ago
NFIB Optimism Index	95.3	95.9	98.8	99.6
NFIB Uncertainty Index	91	88	94	79
NFIB Employment Index	100.3	100.4	99.6	103.2
Unemployment Rate	4.3%	4.3%	4.2%	5.8%
Jobs Added (000)	172	179	13	478
Consumer Sentiment	48.9	44.8	60.7	85.5
CPI Inflation Rate (12-month percent change)	4.2%	3.8%	2.4%	5.0%
Prime Rate of Interest	6.75%	6.75%	7.50%	3.25%
Retail Sales Change	0.9%	0.4%	-0.9%	-1.3%
Housing Starts (000)	1,177	1,392	1,263	1,605



Consumer Sentiment

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

In June, the Index of Consumer Sentiment rose 4.1 points from May to 48.9 (preliminary reading), ending a three-month decline that had pushed it to historical lows. Lower gas prices in early June helped lift the Index. The improvement in sentiment was widespread across age groups, education levels, and political affiliations. Lower-income consumers, who are disproportionately affected by gas prices, saw a larger recovery in sentiment. Despite this improvement, sentiment is 19% below where it was a year ago. Also rising in June were the indices for current economic conditions and consumer expectations.

Inflation concerns eased in June but remain historically elevated. One-year inflation expectations fell from 4.8% in May to 4.6% in June. Long-term inflation expectations (five years) also declined, from 3.9% in May to 3.4% in June.

In June, Consumer Sentiment rose 4.1 points from May to

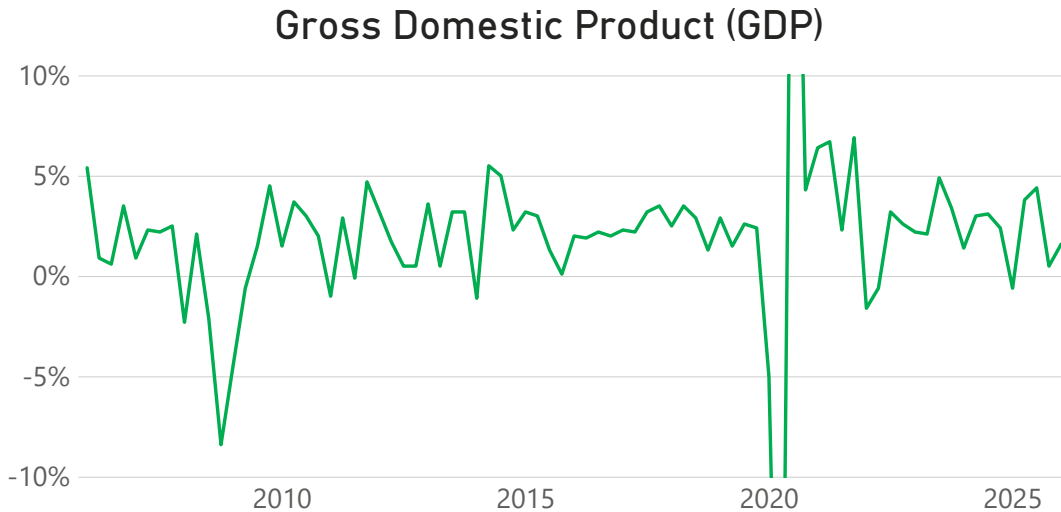
48.9

ending a three-month decline.





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)

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 1.6% (second 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 and technology.

The second estimate was below the initial estimate of 2.0%, largely due to downward revisions to investment and consumer spending. The investment revision was primarily concentrated in private nonfarm inventory, while the consumer spending revision was mainly in services (particularly healthcare).

In 2025, GDP grew by 2.1% to about \$30.76 trillion, driven primarily by increases in consumer spending and investment. This growth was lower than in 2024 (2.8%) and 2023 (2.9%).

GDP Increased by
1.6%
in Q1 2026.





Labor Market

Labor Market

The latest Employment Situation report from the Bureau of Labor Statistics (BLS) found that the U.S. economy added 172,000 jobs in May, following an increase of 179,000 in April. Revisions to the March and April data added 93,000 jobs to the initial reports. Job growth occurred in leisure and hospitality (70,000), local government (55,000), and healthcare (35,000). Employment declined in financial activities (-22,000). In May, the unemployment rate remained at 4.3%, and the number of unemployed people was 7.3 million.

The most recent Job Openings and Labor Turnover Survey (JOLTS) reported 7.6 million job openings in April, unchanged from March. The ratio of unemployed persons to job openings is 1.0.

In May, NFIB's Employment Index remained essentially flat, registering 100.3 after measuring 100.4 in April. This marks the third consecutive month of decline. The current

reading is below the 2025 average of 101.2 but still slightly above the historical average of 100.0.

Reports of unfilled job openings and hiring plans fell notably in May, reaching their lowest levels since May 2020. A seasonally adjusted 29% of owners reported job openings they could not fill in the current period, down 5 points from April. Twenty-seven percent have openings for skilled workers (down 2 points), and 9% have openings for unskilled labor (down 4 points). Looking ahead, a seasonally adjusted net 9% of owners plan to create new jobs in the next three months, down 4 points from April.

Thirteen percent of owners cited labor quality as their single most important problem, down 5 points from April and the lowest level since December 2016. While reports of labor quality declined in May, reports of labor costs rose to 14%, marking the highest reading in the survey's history.



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

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 May, the CPI rose 0.5%, down from April's 0.6% increase. The main factor was higher energy costs driven by the conflict in Iran, with the energy index climbing 3.9% and accounting for over 60% of the monthly rise. Over the past 12 months, the CPI increased by 4.2%, up from 3.8% in April, reaching a three-year peak. Year-over-year, prices for energy, shelter, and food all increased.

Between May 2025 and May 2026, the biggest price hikes occurred in fuel oil, gasoline (all types), and airline fares. Conversely, used cars and trucks (-2.0%), along with motor vehicle insurance (-2.0%), saw the largest declines.

In May, the CPI rose
4.2% reaching
a three-year high.





Consumer Price Index (cont.)

NFIB's May SBET report found that 18% of owners cited inflation as their single most important problem in operating their business, up 2 points from April and marking the highest reading since December 2024. Inflation ranks as the second top problem.

In May, reports of actual and planned price increases rose significantly. The net percent

of owners raising average selling prices rose 6 points from April to a net 36% (seasonally adjusted), marking the highest level since March 2023. A net 34% (seasonally adjusted) plan to increase prices in the next three months, up 7 points and the highest reading since July 2022.

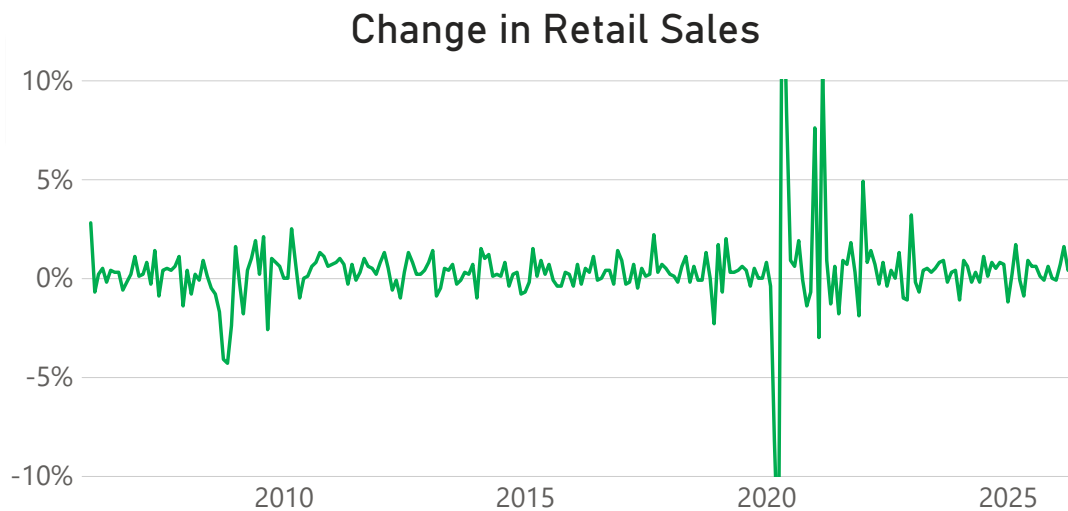
12-month percent change, Consumer Price Index, selected categories, May 2026, not seasonally adjusted

Category	May 2025 to May 2026
Fuel oil	58.9%
Gasoline (all types)	40.5%
Airline fare	26.7%
Tobacco and smoking products	7.8%
Fruits and vegetables	6.1%
Motor vehicle maintenance and repair	6.1%
Electricity	5.9%
Nonalcoholic beverages and beverage materials	5.8%
Hospital services	5.7%

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

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 18% of small businesses in the retail industry reported labor costs as their single most important problem

In May, retail and food services sales totaled \$763.7 billion, up 0.9% from April's revised reading of 0.4%. May's reading exceeded expectations and marked the fourth consecutive monthly increase. Retail sales are up 6.9% from a year ago. May's report showed that despite high oil prices and inflation, consumers continue to spend.

Sales growth was highest at gas stations (3.4%), reflecting higher fuel prices due to the war in Iran. Also increasing were miscellaneous store retailers (2.3%), nonstore retailers (1.5%), and motor vehicle and parts dealers (1.2%). Sales fell at electronics and appliance stores (-0.5%).

In May, NFIB's SBET report showed that retail firms cited labor costs and competition from large businesses as their single most important problems to a greater extent than for all firms; 18% of retail firms cited labor costs as their single most important problem (4 points higher), and 13% cited competition from large businesses (7 points higher).



Prime Rate

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.

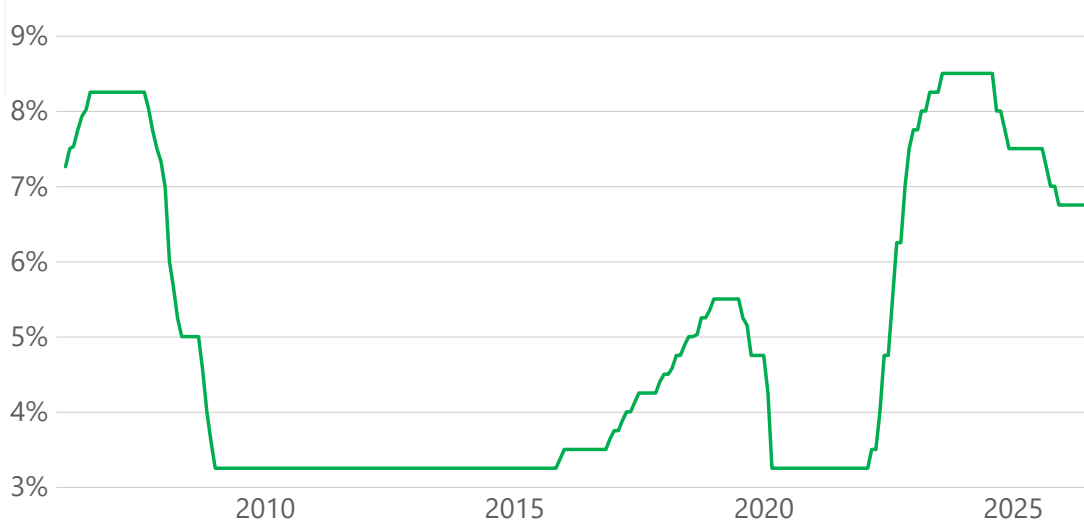
In mid-June, the Federal Reserve voted unanimously to keep rates unchanged for the fourth consecutive meeting. The prime lending rate (the interest rate at which commercial banks charge borrowers) remains at 6.75%, and the federal funds rate (the interest rate at which commercial banks borrow and lend 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. The Federal Reserve cut rates three times in late 2025, and nearly half of the Fed's policymakers now believe they will need to raise rates at least once this year. The next FOMC meeting is scheduled for July 28-29.

According to May's SBET report, 27% of small business owners reported borrowing regularly, up 5 points from April. A net 4% reported that obtaining a loan was more difficult than in previous attempts, up 1 point from April. The average interest rate paid on short-maturity loans was 7.8%, down 0.5 points from April. Compared with other issues facing small business owners, financing and interest rates had the lowest percent of respondents citing them as their single most important problem (2%).

Prime Rate

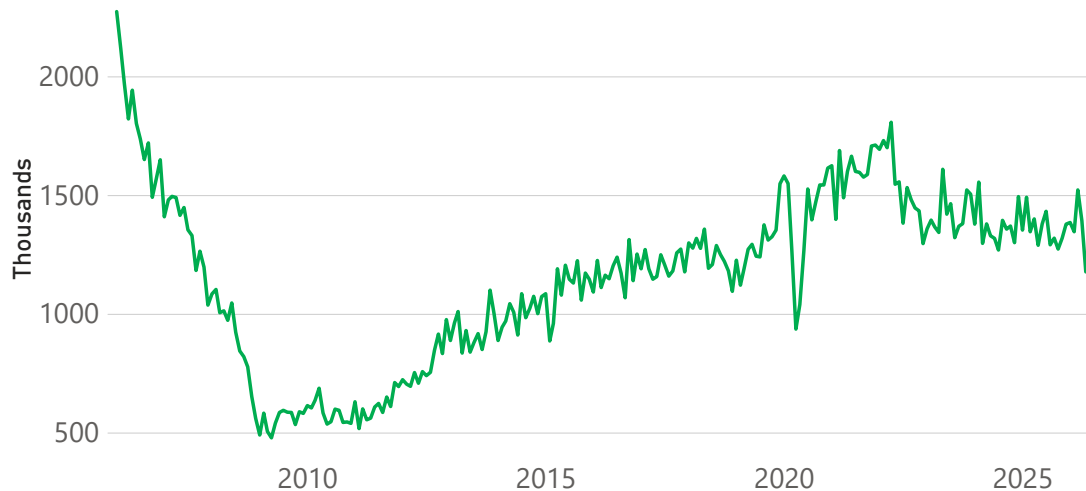


Source: U.S. Federal Reserve



Housing Starts

Housing Starts



Source: U.S. Census Bureau

Housing Starts

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.

May's Monthly New Residential Construction report showed that housing starts declined 15.4% from April to 1.177 million units. The current level is 8.7% below the level a year ago. Most of the homebuilding in May was for single-family homes, with 882,000 new single-family housing starts, the lowest level in eight months. Multifamily housing starts, defined as projects with five or more units, totaled 284,000.

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 beginning of the war.

Labor-related issues continue to be a challenge in the construction industry. According to May's SBET report, 41% of small businesses in the construction industry have a job opening they cannot fill, 11 points higher than for all firms. Additionally, small business owners in the construction industry reported labor quality and labor costs as their single most important problem, at a higher rate than for all firms. Eighteen percent of construction firms cited labor quality as their single most important problem and 16% cited labor costs.

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

fred.stlouisfed.org

Upcoming Economic Indicator Releases

June 25	GDP, 1st Quarter 2026 (Third Estimate)
June 26	Michigan Consumer Sentiment (Final Data for June)
July 28-29	Federal Open Market Committee Meeting
June 31	Job Openings and Labor Turnover Survey (JOLTS)
July 2	NFIB Jobs Report
July 2	BLS Employment Situation Report
July 14	Consumer Price Index
July 14	NFIB Small Business Economic Trends
July 16	Advance Monthly Sales for Retail and Food Services
July 17	Housing Starts

Additional NFIB Research and Media

- ▶ **Research Center Executive Director Holly Wade spoke with *The New York Times* – The U.S. Economy is Leaving These Companies Behind.** (June 17).
<https://www.nytimes.com/2026/06/17/business/economy/small-business-strain-economy.html>
- ▶ **Research Center Executive Director Holly Wade joined “Market Domination” on *Yahoo! Finance* – Small Business Optimism Falls to Lowest Level Since October 2024.** (June 10).
<https://finance.yahoo.com/video/small-business-optimism-falls-to-lowest-level-since-october-2024-201206847.html?guccounter=1>
- ▶ **Research Center Executive Director Holly Wade spoke with *The National News Desk* – Despite Hot Jobs Report, Small Businesses Pull Back on Hiring Amid Cost Concerns.** (June 9).
<https://thenationaldesk.com/news/americas-news-now/despite-hot-jobs-report-small-businesses-pull-back-on-hiring-amid-cost-concerns-national-federation-of-independent-business-nfib-may-2026-small-business-optimism-index-jobs-market-economy>
- ▶ **Podcast: NFIB Small Business by the Numbers - Headline Indexes Hold Steady, but the Underlying Data Reveals More.** (June 9).
<https://www.nfib.com/small-business-by-the-numbers-podcast/>
- ▶ **NFIB Small Business Economic Trends Quarterly Industry Report – April 2026.**
<https://www.nfib.com/wp-content/uploads/2026/05/April-26-SBET-Quarterly-Industry-Report.pdf>



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