



# NFIB Monthly Economic Newsletter

October 2024



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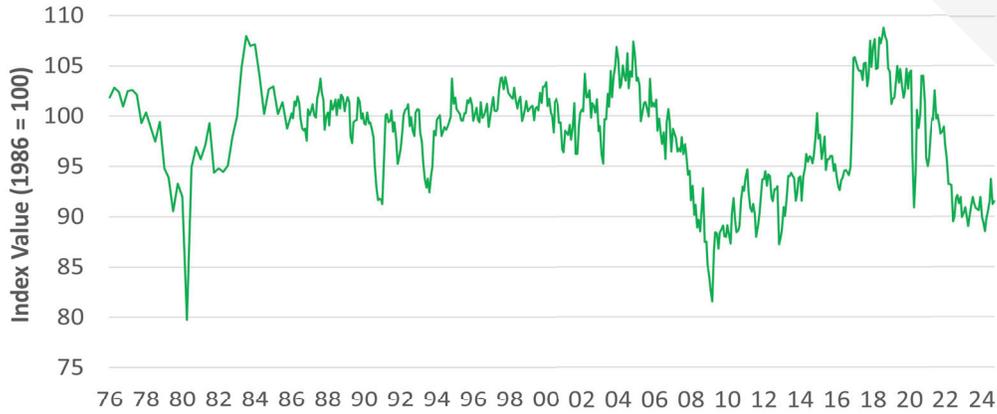
### Small Business Economic Trends

The Optimism Index rose by 0.3 of a point in September to 91.5. This is the 33<sup>rd</sup> consecutive month (almost three years) below the 50-year average of 98. The last time the Optimism Index was at or above the 50-year average of 98 was December 2021. The Uncertainty Index rose 11 points to 103, a record-high reading. Of the 10 Optimism Index components, five increased, three decreased, and two were unchanged.

- The net percent of owners reporting inventory gains fell 4 points to a net negative 13% (seasonally adjusted), the lowest reading since June 2020.
- The average rate paid on short-maturity loans was 10.1%, up 0.6 of a point from August. The last time it was this high was February 2001.
- Thirty-four percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, down 6 points from August and the lowest reading since January 2021.
- A net 12% of owners reported paying a higher rate on their most recent loan, down 3 points from August and the lowest reading since March 2022.
- Fifty-one percent reported capital outlays in the last six months, down 5 points from August. The last time it was this low was July 2022.
- Seasonally adjusted, a net 32% reported raising compensation, down 1 point from August and remaining as the lowest reading since April 2021.
- Twenty-three percent of owners reported that inflation was their single most important problem in operating their business (higher input and labor costs), down 1 point from August but remaining the top issue.

### Small Business Optimism Index

Based on Ten Survey Indicators  
(Seasonally Adjusted)



Source: NFIB Small Business Economic Trends Survey

Read the latest full report: [nfib.com/sbet](https://nfib.com/sbet)

## Macroeconomic Indicators

	Most Recent	Previous Month	1 Year Ago	5 Years Ago
NFIB Optimism Index	91.5	91.2	90.8	101.8
Unemployment Rate	4.1%	4.2%	3.8%	3.5%
Consumer Sentiment	68.9	70.1	63.8	95.5
CPI Inflation Rate (12-month percent change)	2.4%	2.5%	3.7%	1.7%
Prime Rate of Interest	8.00%	8.50%	8.50%	4.75%
Retail Sales Change	0.4%	0.1%	0.9%	-0.4%
Housing Starts (000)	1354	1361	1346	1266

\*Most recent available data for Retail Sales and Housing Starts from September 2024

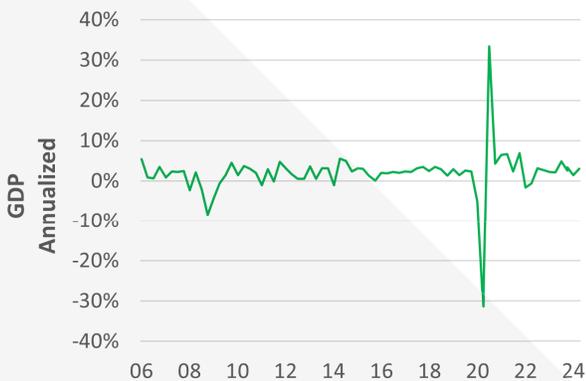
### Consumer Sentiment (Univ. of Michigan)

The University of Michigan Surveys of Consumers measures consumer sentiment with questions about expected personal finances, business conditions, and buying conditions, asked of a random sample of U.S. consumers.

The Index of Consumer Sentiment fell 1.2 points in October to a preliminary value of 68.9 after two months of gains. October's reading was 8% higher than a year ago and 40% above the lowest reading in June 2022. Current and expected personal finances fell slightly; however, long-run business conditions rose to the highest level in six months. Consumers continue to be frustrated over high prices.



Source: University of Michigan



Source: U.S. Bureau of Economic Analysis



Source: U.S. Bureau of Labor Statistics

### Gross Domestic Product (GDP)

GDP increased in the second quarter of 2024 by 3.0% (third estimate and the same as the second estimate), up from the first quarter's reading of 1.6% (revised). The upward revisions from the advance estimates support the notion that the U.S. economy will continue to expand at a moderate pace over the next year.

The second quarter GDP growth was due to increases in consumer spending, private inventory investment, and nonresidential fixed investment. The update reflected upward revisions to private inventory investment and federal government spending. These were

offset by downward revisions to nonresidential fixed investment and exports. Additionally, imports were revised up (a negative for GDP). The advance estimate for the third quarter of 2024 will be released on October 30, 2024.

### Unemployment

The U.S. economy added 254,000 jobs in September, almost double what economists had forecasted (140,000). Prior monthly estimates were revised, adding 72,000 more jobs, and reversing a trend of negative adjustments that reduced prior job gains by over 800,000 workers. Growth occurred in food services and drinking places, health care, government, social assistance, and construction.

The unemployment rate dropped slightly to 4.1%. Economists had expected the unemployment rate to remain unchanged at 4.2%.

The most recent Job Openings and Labor Turnover Survey (JOLTS)

produced by the U.S. Department of Labor found 8.0 million available jobs, down by 1.3 million over the year. Job openings increased in construction and state and local government (excluding education). Job openings decreased in other services. The ratio of unemployed workers to job openings remains under one (0.9), indicating more open positions than people seeking work.

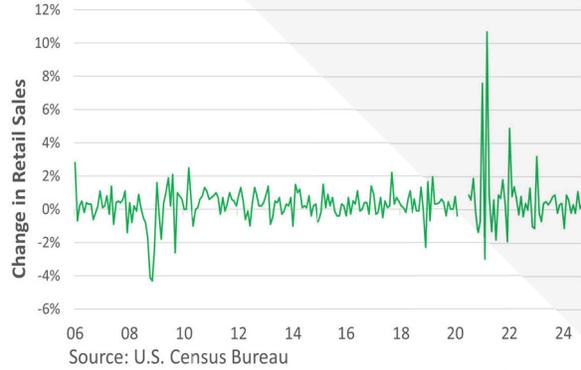
The NFIB September Small Business Economic Trends survey found 34% (seasonally adjusted) of owners with “hard to fill” job openings, down 6 points from August and the lowest since January 2021 (weaker employment demand). Owners hope to fill some of those openings with solid hiring plans, with a net 15% (seasonally adjusted) planning to hire in the coming months, up 2 points from August.



Source: U.S. Department of Labor



\*Data from 12/21 to 11/22 are omitted. CPI reached 9.1% in June 2022.



\*Data from 3/20 to 6/20 are omitted. Retail sales were -14.7% in April 2020 and 18.2% in May 2020.

### Consumer Price Index (Inflation Rate)

The Consumer Price Index (CPI) is a measure of the average change over time in the cost of a basket of consumer goods commonly purchased by households. The CPI rose 0.2% in September on a month-over-month basis, the same increase as the previous two months. Over the last 12 months, the all items index increased 2.4%. This was lower than the 2.5% reported in August, although it was higher than economists had expected. This is the lowest level since February 2021 moving the Fed to lower interest rates by half a point with more cuts likely on the way.

The index for shelter and index for food both increased month-over-month. Combined, they contributed over 75% of the monthly all items increase. Additionally, the food at home index and food away from home index increased while the energy index fell.

From September 2023 to September 2024, motor vehicle insurance, tobacco and smoking products, and owners' equivalent rent of residences remained the categories with the greatest increase. The categories with the greatest decline were fuel oil (-22.4%) and gasoline (-15.3%).

### 12-month percent change, Consumer Price Index, selected categories, September 2024, not seasonally adjusted

Categories	Sept. 2023 to Sept. 2024
Motor vehicle insurance	16.3%
Tobacco and smoking products	8.2%
Owners' equivalent rent of residences	5.2%
Motor vehicle maintenance and repair	4.9%
Rent of primary residence	4.8%
Hospital services	4.5%
Limited-service meals and snacks	4.1%

Source: U.S. Bureau of Labor Statistics

The NFIB September Small Business Economic Trends survey found a net 22% (seasonally adjusted) of owners raised prices over the past three months, up 2 points from August and too high for needed reductions in inflation. The highest reading was in the mid-1970s, 67% in Q4 1974. A net 25% (seasonally adjusted) of owner's plan to raise prices in the coming months, unchanged from August.

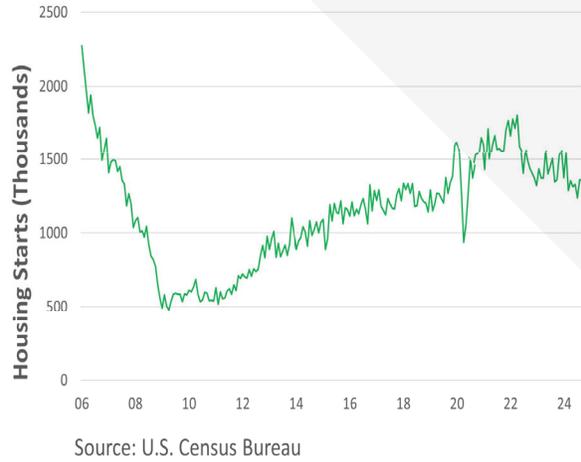
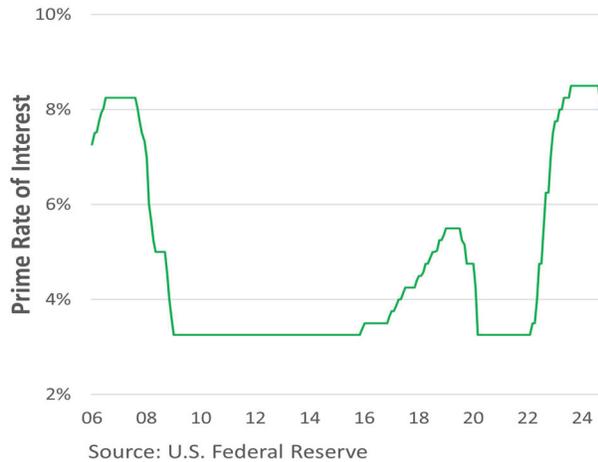
### **Retail Sales**

The Advanced Monthly Retail Trade Survey measures consumer spending at retail and food services stores. Consumer spending is an important metric of economic growth, as it makes up about two-thirds of GDP. Retail and food services sales rose 0.4% in September from the previous month, higher than in August and better than the Dow Jones forecast of 0.3%. September's reading was 1.7% above September 2023. The increase indicates that consumers are still spending despite high interest rates (although eased in September) and inflation. Retail trade sales were up 1.4% from a year ago, and non-store retailers were up 7.1%. Food services and drinking places were up 3.7% from September 2023.

Data for September will be released on November 15, 2024. These figures are seasonally adjusted but not adjusted for inflation (e.g., gas dollar volumes rise as gas prices rise, actual gallons purchased increase by smaller percentages).

### **Prime Lending Rate**

The prime rate is the price of short-term loans available to qualified businesses. Each year, the Federal Open Market Committee (FOMC), a committee of the Federal Reserve, meets eight times to determine the direction of monetary policy. In mid-September, the Federal Reserve announced it would cut their policy rate by half a point (or 50 basis points), after seven meetings with no change. The prime lending rate dropped to 8.0%, and the federal funds rate target was 4.75%-5.00%. This was the first cut since the beginning of the COVID-19 pandemic in 2020, a significant shift for the U.S. economy. While there was a consensus among economists that there would be a cut, many were divided on whether the Fed would reduce rates by a quarter of a point or half a point. The Fed will meet two more times this year, and it is expected that there will be more cuts. The next FOMC meeting is scheduled for November 6-7.



### Housing Starts

The Census Bureau reports monthly housing starts measured as the start of excavation on foundations of both single and multi-family housing units. September’s New Residential Construction report found that 1.354 million units were started. The reading is 0.5% below August’s estimate and 0.7% below September 2023.

The NFIB September Small Business Economics Trends survey found that over half (53%) of small businesses in the construction industry have a job opening they cannot fill. It also found that the construction industry continues to have supply chain disruptions. Seventy-four percent of small businesses in the construction industry reported supply chain disruptions having some degree of an impact on their business. October’s housing starts data will be released on November 19, 2024.

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

[fred.stlouisfed.org](https://fred.stlouisfed.org)

## Upcoming Economic Indicator Releases

October 25	Michigan Consumer Sentiment (Final Estimate)
October 29	Job Openings and Labor Turnover (JOLTS)
October 30	GDP, 3rd Quarter 2024 (Advance Estimate)
October 31	NFIB Jobs Report
November 1	BLS Employment Situation Report (Unemployment Rate)
November 6-7	Federal Open Market Committee Meeting
November 12	NFIB Small Business Economic Trends
November 13	Consumer Price Index
November 15	Monthly Retail Trade Report
November 19	Housing Starts

## Additional NFIB Research and Media

Market Power is Bad for Consumers. William Dunkelberg. (October 21).  
<https://www.forbes.com/sites/williamdunkelberg/2024/10/21/market-power-is-bad-for-consumers/>

Podcast: NFIB Small Business Rundown- Episode 46: EY Reveals Magnitude of the 20% Small Business Deduction. (October 17).  
<https://www.nfib.com/SmallBusinessRundownPodcast/>

VIDEO: NFIB's Holly Wade Discusses Main Street's Increasing Uncertainty on Yahoo! Finance. (October 9). <https://www.nfib.com/content/press-release/homepage/video-nfibs-holly-wade-discusses-main-streets-increasing-uncertainty-on-yahoo-finance/>

Here We Go Again, Uncertainty Rises Like In 2020. William Dunkelberg. (September 27).  
<https://www.forbes.com/sites/williamdunkelberg/2024/09/27/here-we-go-again-uncertainty-rises-like-in-2020/>



Inflation Continues to Rank as the Top Problem for Small Business. William Dunkelberg. (September 24). <https://www.forbes.com/sites/williamdunkelberg/2024/09/24/inflation-continues-to-rank-as-the-top-problem-for-small-business/>

Podcast: The Daily – How the Cost of Housing Became So Crushing. (September 24). <https://www.nytimes.com/2024/09/24/podcasts/the-daily/housing-crisis-michigan.html>

Small Business Taxes: Let Me Count the Ways. William Dunkelberg. (September 20). <https://www.forbes.com/sites/williamdunkelberg/2024/09/20/small-business-taxes-let-me-count-the-ways/>



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