

NFIB Monthly Economic Report

Small Business Economic Trends

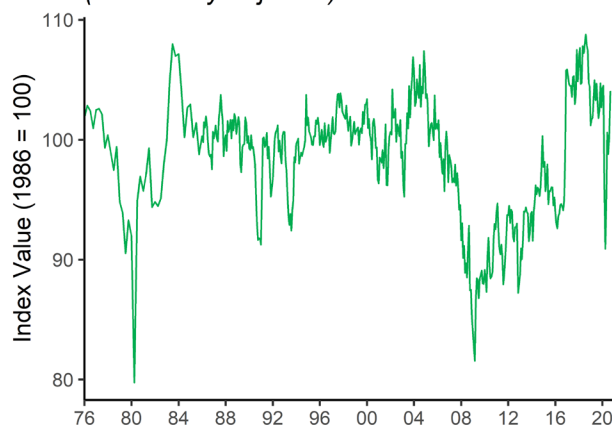
The NFIB Optimism Index remained at 104.0 in October, unchanged from September and a historically high reading. Four of the 10 components improved, 5 declined, and 1 was unchanged. A 6-point increase in the NFIB Uncertainty Index to 98 was driven by uncertainty about the election and conditions in future months due to the COVID-19 pandemic and possible government mandated shutdowns. The uncertainty reading was the highest since November 2016.

Other key findings include:

- Earnings trends over the past three months improved 9 points to a net negative 3% reporting higher earnings, a stunning improvement.
- Earnings trends have improved to pre-crisis levels, up 32 points since June.
- Inventory investment plans for the next three to six months increased 1 point to a net 12%, a record high.
- Real sales expectations in the next three months increased 3 points to a net 11% expecting gains.
- Owners expecting better business conditions over the next six months declined 5 points to a net 27%, reflecting the uncertainties faced by small business owners.

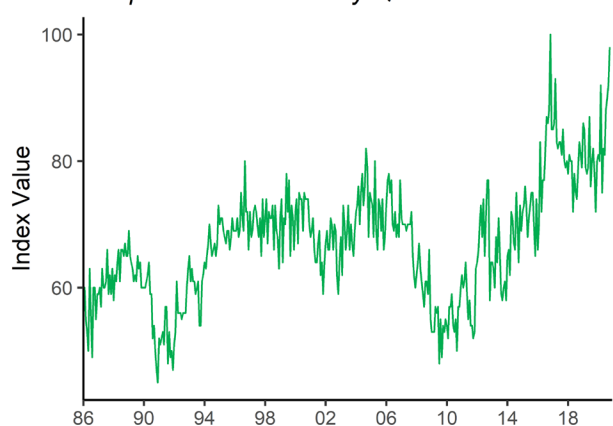
Small Business Optimism Index

*Based on Ten Survey Indicators
(Seasonally Adjusted)*



NFIB Uncertainty Index

*Frequency of 'Don't Know' or 'Uncertain'
Responses of Six Survey Questions*



Source: NFIB Small Business Economic Trends Survey
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Read the latest full report: nfib.com/sbet

Macroeconomic Indicators

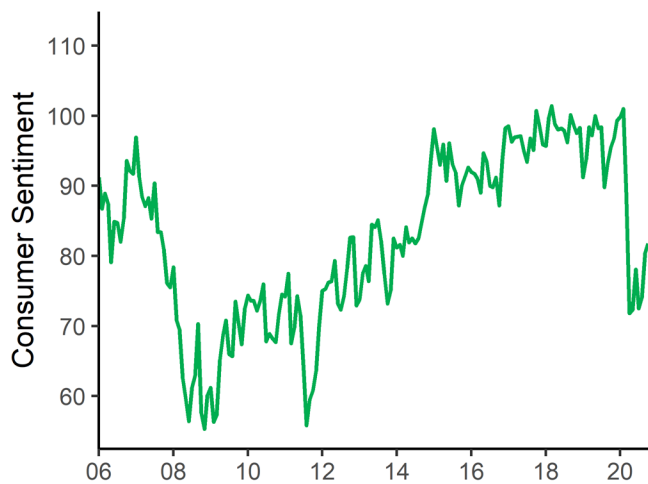
	Most Recent	Previous Month	One Year Ago	5 Years Ago
NFIB Optimism Index	104.0	104.0	102.4	96.0
NFIB Uncertainty Index	98	92	78	70
Unemployment Rate	6.9%	7.9%	3.6%	5.0%
Consumer Sentiment	81.8	80.4	95.5	90.0
CPI Inflation Rate	0.2%	0.3%	0.4%	0.1%
Prime Rate of Interest	3.25%	3.25%	4.75%	3.25%
Retail Sales Change	1.9%	0.6%	0.5%	-0.4%
Housing Starts (000)	1415	1388	1340	1062

*Most recent available data for CPI, Retail Sales, and Housing Starts from September 2020

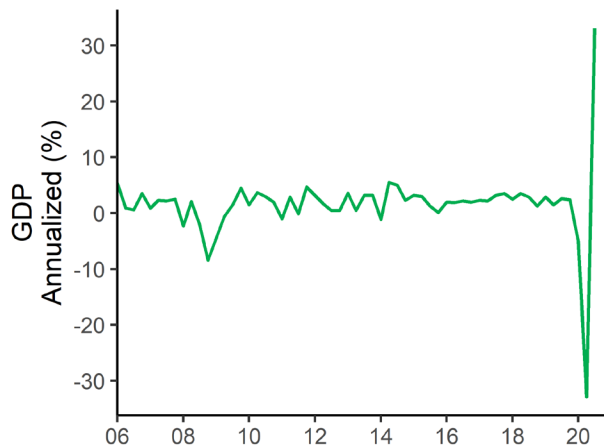
Consumer Sentiment (University of Michigan)

The University of Michigan's Survey 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.

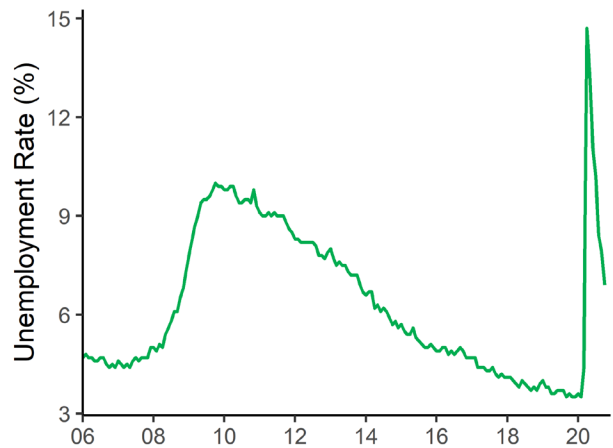
Consumer Sentiment improved in October by 1.4 points to 81.8, the third straight month with an increase, but still below levels prior to March. The current [report](#) notes the partisan split among respondents, as Democrats were more optimistic about future conditions. Furthermore, overall consumer optimism remains tied to mitigation of the pandemic.



Source: University of Michigan



Source: U.S. Bureau of Economic Analysis



Source: U.S. Bureau of Labor Statistics

Gross Domestic Product (GDP)

In the third quarter of 2020, the U.S. economy grew at a 33.1 percent annual rate and 7.4 percent quarter-to-quarter, the largest growth rate on record. About two-thirds of the GDP lost in the first and second quarter has been recovered. The recession in the first half of the year was a sharp contraction driven by business closures followed by a sharp uptick as businesses were allowed to reopen. However, it will likely take a longer period of time to recover the remaining one-third of economic output that was lost in the contraction. A second estimate of Q3 GDP will be released on November 25.

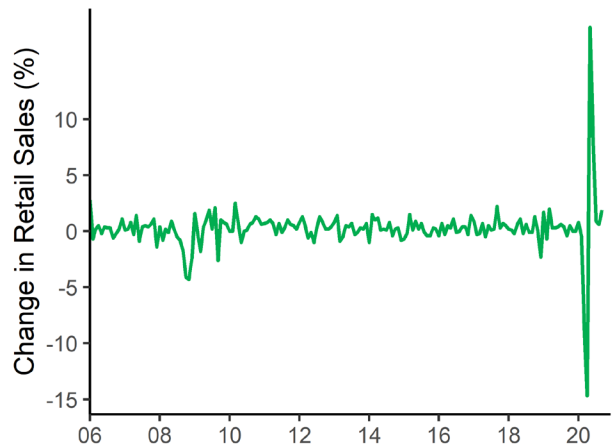
Unemployment

The unemployment rate declined by 1.0 percentage point in October to 6.9 percent. The labor force participation rate increased in October by 0.3 percentage points to 61.7 percent. There were 638,000 jobs created in October, the sixth month of job gains as the economy has continued to grow after non-essential business closures. However, the unemployment rate remains about double what it was pre-crisis of 3.5 percent in February.

Furthermore, the overall job growth in October was the lowest one-month gain since May, an indication that the pace of job growth may be slowing. Some of the job loss was due to the 147,000 census workers that lost employment due to the end of the census.



Source: U.S. Bureau of Labor Statistics



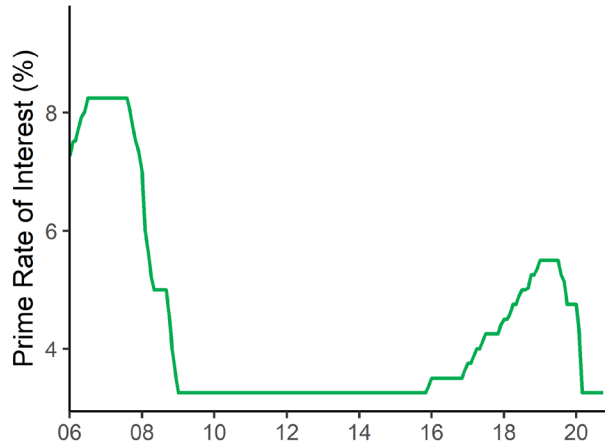
Source: U.S. Census Bureau

Consumer Price Index

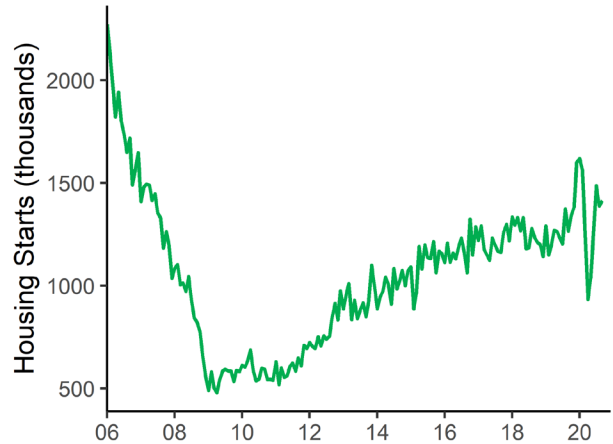
The CPI measures the price level of a basket of consumer goods commonly purchased by households. The Consumer Price Index increased by 0.2 percent in September following a 0.3 increase in August. While prices have increased over the past several months, the annual inflation rate is 1.4 percent.

Retail Sales

The Monthly Retail Trade Report measures consumer spending at retail stores and food services. Retail spending increased by 1.9 percent in September, the fifth consecutive month with increased overall sales. Sales have now surpassed pre-pandemic levels.



Source: U.S. Federal Reserve



Source: U.S. Census Bureau

Prime Lending Rate

The prime rate is the price of short-term loans available to qualified businesses.

The Federal Reserve has maintained the Federal Funds rate at the near zero bound since March after a series of emergency meetings on March 4 and March 15. The current prime rate remains at 3.25 percent. Interest rates will remain at historic lows for the foreseeable future.

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.

Housing demand remains strong reflected by a sustained increase in building new housing units. September had an increase of 1.9 percent over August, as 1,415,000 new units were started. The housing market is driving much of the economic recovery aided by low interest rates.

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

fred.stlouisfed.org

Upcoming Economic Indicator Releases

November 12	Consumer Price Index
November 17	Retail Sales
November 18	Housing Starts
November 25	Michigan Consumer Sentiment GDP, 3 rd Quarter (2 nd Estimate)
December 3	NFIB Jobs Report
December 4	BLS Employment Situation Report (Unemployment Rate)
December 8	November NFIB Small Business Economic Trends
December 15-16	Federal Open Market Committee Meeting

NFIB Research in the Media

[MarketWatch](#) covers the monthly Small Business Economic Trends survey, noting the Optimism Index was unchanged with an increase in owners' uncertainty.

[Yahoo! Finance](#) cites the monthly NFIB jobs report as small businesses reported increased hiring in October but still have trouble finding qualified employees.

Economics News of Interest

Freakonomics podcast featuring NFIB Member, Janice Jucker, co-owner of Three Brothers Bakery Inc: [Many Businesses Thought They Were Insured for a Pandemic. They Weren't.](#)



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