

Unfilled Job Openings Hit a 48-Year Record High as Small Businesses are Feeling Less Optimistic

There are over 30 million small businesses in the United States, according to the Small Business Administration and small businesses comprise about 99% of all U.S. businesses.

Further, about half of all Americans – 48% – are employed by small businesses, meaning almost 60 million employees in the U.S. work for a smaller company.

Small Businesses Feeling Less Optimistic

On August 10th, the National Federation of Independent Businesses reported that “the NFIB Small Business Optimism Index decreased in July to 99.7, a decrease of 2.8 points, reversing June’s 2.9-point gain. Six of the 10 components declined, three improved, and one was unchanged. The NFIB Uncertainty Index decreased seven points to 76, indicating owners’ views are held with more certainty than in earlier months.

Other key findings include:

- Sales expectations over the next three months decreased 11 points to a net negative 4% of owners.
- Owners expecting better business conditions over the next six months decreased eight points to a net negative 20%.
- Earnings trends over the past three months decreased eight points to a net negative 13%.

As reported in the NFIB’s monthly jobs report, 49% of owners reported job openings that could not be filled, a 48-year record high. Owners’ plans to fill open positions remain at record high levels, with a seasonally adjusted net 27% planning to create new jobs in the next three months, down one point from June’s record high reading.

Fifty-five percent of owners reported capital outlays in the last six months, up two points from June but historically a below average reading. Of those making expenditures, 39% reported spending on new equipment, 23% acquired vehicles, and 14% improved or expanded facilities. Six

percent of owners acquired new buildings or land for expansion and 11% spent money for new fixtures and furniture. Twenty-six percent of owners are planning capital outlays in the next few months. At some point, owners will have to step up capital spending to acquire and improve the quality of capital available to support new hires.”

This is Inflation

While there are lots of data points that can lead to declining optimism, inflation is one of them as the NFIB’s report found that:

- 46% of owners (seasonally adjusted) reported raising average selling prices.
- 52% of owners reported raising average selling prices, two points higher than June. Price increases in wholesale and retail trades posted significant declines. The largest increases in price-raising activity were in the non-professional services and transportation.
- Price hikes were the most frequent in wholesale (73% higher, 0% lower), manufacturing (61% higher, 6% lower), and retail (57% higher, 7% lower).
- Seasonally adjusted, 44% plan price hikes.

Maybe a silver lining (depending on your perspective of course) is the fact that a net 38% of owners (seasonally adjusted) reported raising compensation, down one point from June’s record high of 39%.

Plus, a net 27% plan to raise compensation in the next three months, up one point from June and a 48-year record high reading.

More Data Later in the Week

More economic data will be released later this week, including CPI data on Wednesday, Jobless Claims on Thursday and Consumer Sentiment on Friday.

Sources: nfib.com