The Small Business Health Index remained practically unchanged with the index value standing at 88.3, only 0.2 points below its value last month. This month’s reading breaks the increasing trend the index has been on for the past 3 months. All sectoral indices show small changes this month, with automotive, business services, and financial services showing minor improvements while all others declined. All subcomponents of the overall index also moved slightly on a M/M basis. The Y/Y changes for all indices were more substantial. Small business credit card utilization continued to increase on a Y/Y basis. Delinquency rates have trended lower, showing good payment performance.

The U.S. labor market is expected to add about 145K jobs in October 2023 – far more subdued compared to last month’s 336K which elevated the average monthly gains in 2023 (YTD) by about 10K jobs. It is unlikely that there will be another report of similar magnitude during the remaining months of the year. Supporting this notion is the data released by the Department of Labor for the week that ended on October 28. The report showed that initial unemployment claims increased for the second consecutive week. The latest increment compared to last week was about 5000 claims, signaling some weakness despite the strong headline gains.
The Overall Business Health Index followed the SBHI in registering very slight upward movement in the overall index (0.06% M/M), its value practically remaining unchanged over the latest reporting period. All indices moved very slightly on a Y/Y basis as well and remained on the same trend. The delinquency outlook for U.S. businesses continued to decline with slightly higher overall delinquency rates predicted in the next 12 months. Viability, or business activity, is also expected to see a slight downturn over the same time frame. While a recession remains unlikely in Q4 2023 and early 2024, a sustained reacceleration is also not expected.

* February 2023 marks the last comprehensive historical revision to the Overall Business Health Index with subsequent planned revisions occurring during February of each year.

The October Tracker presents a tentative environment, with both indicators remaining unchanged over the current reporting period, signaling slower growth in the final quarter of the current year and in early 2024. The labor market continues to moderate, with both initial unemployment and continued unemployment claims on the rise indicating increased slack in the labor market. Thus far, the labor market has been strong enough to support healthy consumer spending, but rising unemployment may put a downward pressure on wages within some sectors which would in turn curb spending. On the other hand, core inflation continues to stabilize, and a slower economy will lower CPI inflation to the vicinity of the Federal Reserve’s target rate of 2%. Interest rates remain at record highs, but the Fed’s hiking cycle may be complete. Nevertheless, easing may not be a possibility in the near-term.

Based on our proprietary indicators and other macroeconomic data, we continue to anticipate a growth slowdown to take hold and continue into 2024. As some macroeconomic risk factors like high core inflation and interest rates begin to mitigate and stabilize, others have emerged as downside risks to economic activity in recent months. These include a significant auto and entertainment workers strike, a likely government shutdown, and the restart of student loan payments from October. Globally, the Israel-Hamas war has emerged as a key downside risk as an escalation of the conflict could significantly weigh on the U.S. and global economy, with a spike in oil prices and sharp tightening of financial conditions.

To learn more, visit https://www.dnb.com/perspectives/analytics/us-business-economic-trends.html

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