



TEXAS

SMALL BUSINESS

ECONOMIC TRENDS

January 2026



Texas Small Business Economic Trends

Introduction

Each month, NFIB publishes the Small Business Economic Trends (SBET) report, which tracks economic activity among small businesses in the US. The survey measures changes in sales, employment, investment, financing, and economic sentiment. While this is a useful country-wide snapshot, no state can be defined by national numbers alone. Therefore, the NFIB Research Center has produced state-specific numbers in our new, semi-annual "State of the States" SBET report for some of the largest states in the US. To create statistically meaningful numbers, responses from six monthly surveys are pooled together, creating summer (April-September) and winter (October-March) datapoints. These reports help signal the unique challenges and strengths of each state covered.

Texas

Texas has a rich history and a huge economy. It has cities—two of the top five largest American cities by MSA population and another two in the top 25—and the most rural of rural land, with wide swaths of nearly unpopulated land. It's a diverse, complex place that cannot be summarized by national numbers alone.

Contextual Data

GDP: \$2.88 Trillion (2nd)

Per capita income: \$72,463 (26th)

Unemployment rate: 4.1% (31st)

3.3 million small businesses

4.9 million small business employees

As you might guess, Texas has one of the largest economies in the US, ranking second behind California. With a middle-of-the-road (26 highest) per capita income, its economic size reflects the size of the state population rather than any particular wealth. Bureau of Labor Statistics data shows a fairly healthy labor market with just slightly higher than the 50-state median unemployment rate (31).

Optimism Index

Where the contextual data is middling, the small business data is clearly above average. In NFIB's Small Business Optimism Index, Texas is at 101.1, 3.2 points ahead of the national average (Table 1).

Small Business Optimism Index			
Seasonally Adjusted (1986=100)			
Table 1	Current (TX)	Current (US)	*
Optimism Index	101.1	97.9	3.2

Digging beneath the surface, we see a broad array of factors contributing to the several point advantage for Texas small businesses. The Optimism Index is a composite of 10 different components, which are displayed in Table 2. All gaps range between 0 and 8, meaning Texas is behind on no metric but also not ahead by a wide margin on any metric.

The largest advantage is in sales expectations, with 8 points more positive expectations in Texas than the US overall. Earnings trends and employment plans are close behind, with a positive gap of 6 points. Then there are a few additional categories with smaller positive gaps in Texas, including economic expectations (4 points), current job openings (3 points), and plans to increase inventories (3 points).

Optimism Index Components			
Component (Seasonally Adjusted)	Current (TX)	Current (US)	*
Current Inventory (Too Low)	-4%	-4%	0
Current Job Openings	36%	33%	3
Earnings Trends	-15%	-21%	6
Expect Economy to Improve	29%	25%	4
Expect Real Sales Higher	13%	5%	8
Expected Credit Conditions	4%	-5%	1
Now a Good Time to Expand	13%	12%	1
Plans to Increase Employment	20%	14%	6
Plans to Increase Inventories	3%	0%	3
Plans to Make Capital Outlays	15%	13%	2

Table 2

One notable point among all these gaps is that the two labor metrics are toward the higher end. Texas has a slightly higher unemployment level than the 50-state median, which would suggest a slightly weaker labor market, whereas the NFIB labor data signals a slightly tighter labor market. However, the unemployment rate is still quite low, so it's not at all inconsistent with these small business-specific metrics.

The history of the Small Business Optimism Index shows that Texas has often fluctuated above and below national numbers. The current positive gap has lasted a year and comes on the heels of several years of high similarity (Figure 1). Historically, there are two periods when Texas had significant gaps from the national numbers, one higher and one lower. Texas was higher in the several years around the start of the Great Recession, when high oil prices and a more stable housing market helped Texas fare better than the rest of the country. The negative gap is in the second half of the 80s, when the oil bust strained the TX economy.

Small Business Optimism Index

Seasonally Adjusted (1986=100)

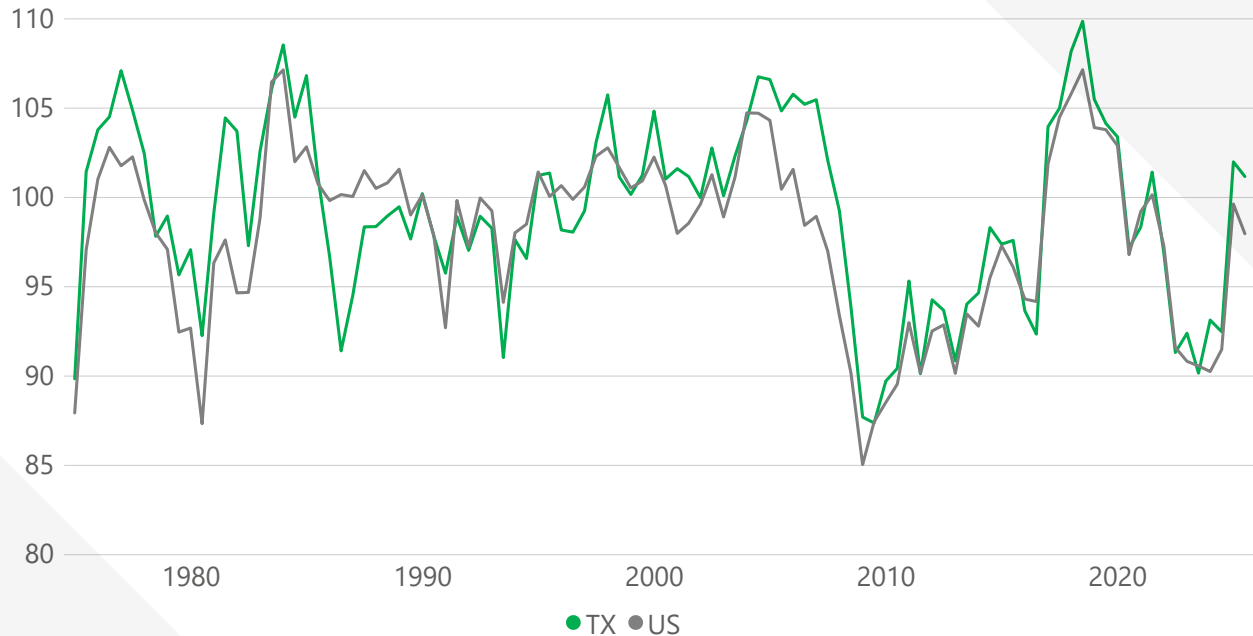


Figure 1

Business Health

In 2025, NFIB introduced a question on the health of small business owners' businesses. While the Optimism Index is comprehensive, it includes broader categories such as economic expectations, if it is a good time to expand, and plans for the future. The direct, point-in-time business health assessment serves as a complementary second measure of the small business environment.

The business health data suggest that Texas small businesses are performing modestly better than the rest of the country, perhaps slightly less than the Optimism Index would suggest. The only real gap between the two geographies is that 6 percentage points more TX small businesses report excellent health, at the expense of 6 fewer points reporting good health. A 6-point difference is not a small margin, but the impact is diminished because shifting to "Excellent" from "Good" is less beneficial than moving from "Fair" or "Poor." In sum, the health data align with the Optimism Index that Texas small businesses are outperforming the rest of the country, though not necessarily by quite the same margin as the Index suggests.

Overall Health of Business - TX			
Rating	Current (TX)	Current (US)	*
Excellent	17%	11%	6
Good	48%	54%	-6
Fair	29%	29%	0
Poor	6%	5%	1

Table 3

Single Most Important Problem

The environment for small business is so much more than evaluating metric levels as “higher” or “lower” than the national average. Each month, NFIB asks respondents to identify the single most important problem (SMIP) for their small business, which adds color and nuance to the Texas economic landscape.

As compared to the US overall, Texas small businesses have one problem that is most challenging for more owners: labor quality. Labor quality is the top issue for substantially more small businesses in Texas than in the rest of the country (28% in TX vs 19% in the US). It is the only issue that is meaningfully worse in Texas than in the US.

On the other hand, there are a couple of issues where Texas outperforms the rest of the country. The biggest gap is government regulation, as just 3% of TX small businesses identify it as their SMIP, compared to 8% nationwide. TX also has a small, 3-point gap in labor cost with fewer owners in TX reporting it as their top issue compared to the US.

Single Most Important Problem - TX			
Single Most Important Problem	Current (TX)	Current (US)	*
Taxes	18%	17%	1
Quality of Labor	28%	19%	9
Poor Sales	8%	10%	-2
Inflation	12%	13%	-1
Gov. Regulation	3%	8%	-5
Fin. & Interest Rates	3%	4%	-1
Cost/Avail. of Insurance	10%	9%	1
Cost of Labor	6%	9%	-3
Comp. from Large Bus.	6%	6%	0

Table 4

The two gaps on labor issues—more reporting quality, fewer reporting cost—bring some clarity to the Texas labor market. Clearly, Texas has people seeking employment, but not necessarily for the types of jobs small businesses are seeking to fill. This helps answer the earlier question of why Texas businesses had higher job openings and greater labor investment plans despite a higher unemployment rate: those unemployed workers don't quite match the skills that small businesses need.

Historical comparison adds context and further insight. Over 50 years of nine categories of data is a wealth of information, so much that altogether on a single graph makes a spaghetti plate rather than a useful resource. So instead, we graph the nine categories in three trios starting with three of the most consistent categories: regulation, taxes, and competition from big businesses.

These category trends are not constantly the same, though they tend to shift at an evolutionary pace. The historical data shows that taxes have almost always been a bigger problem than regulation (Figure 2). This differentiates Texas from some other states and, to a lesser extent, the rest of the country. Unlike Texas, some other states regularly see regulation rank ahead of taxes. In the country overall, regulation is typically behind taxes, though less often than we see in TX. From a regulatory perspective, Texas is clearly business-friendly.

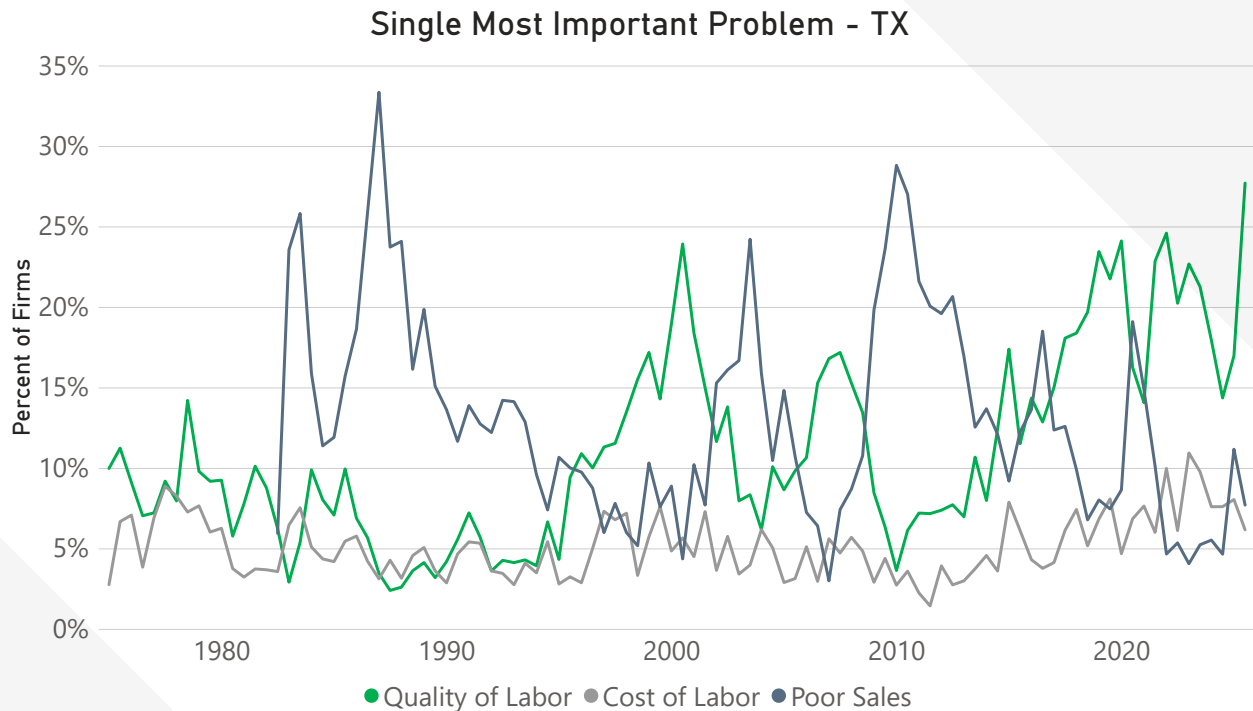


Figure 2

The next trio are among the least consistent problems: poor sales, labor quality, and labor cost (Figure 3). Their levels fluctuate because they are deeply related to the business cycle, with economic booms (like the post-pandemic recovery) creating labor issues, and economic busts (like the Great Recession) creating significant sales issues. Texas is atypical here in two ways. One is that labor costs consistently rank low as a top issue; while elsewhere it fluctuates more than it does in TX. Texas also splits from the norm in poor sales trends. Almost everywhere else, the biggest spike in the percentage of owners reporting poor sales as their top problem is during the 2008-09 Great Recession. In Texas, the biggest spike is in the late 80s oil bust. Meanwhile, the Great Recession spike is less severe than the rest of the country.

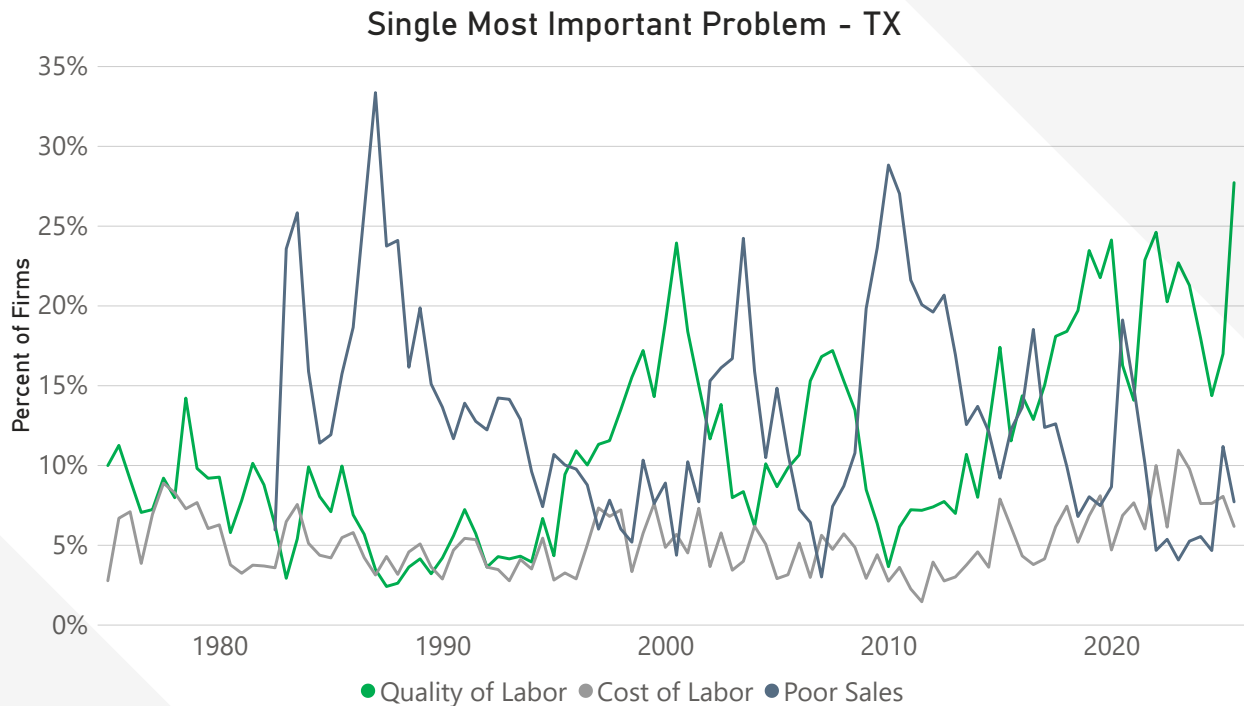


Figure 3

The final trio of issues are inflation, financing costs, and insurance costs. These issues are often background issues well down in the single-digit percentages of respondents, but occasionally, they are substantial. Inflation in particular hit the highest level of any issue ever during the peak era of the 1970s and early 80s inflation crisis (Figure 4). It also had a major spike during the post-COVID recovery. Finance had one severe spike in the early 80s when the Federal Reserve dramatically boosted interest rates to end the inflation crisis. Insurance costs are generally a major issue for small business owners, but not a top issue, hovering around 10%. However, insurance did have a window in the mid-2000s when it was much more significant.

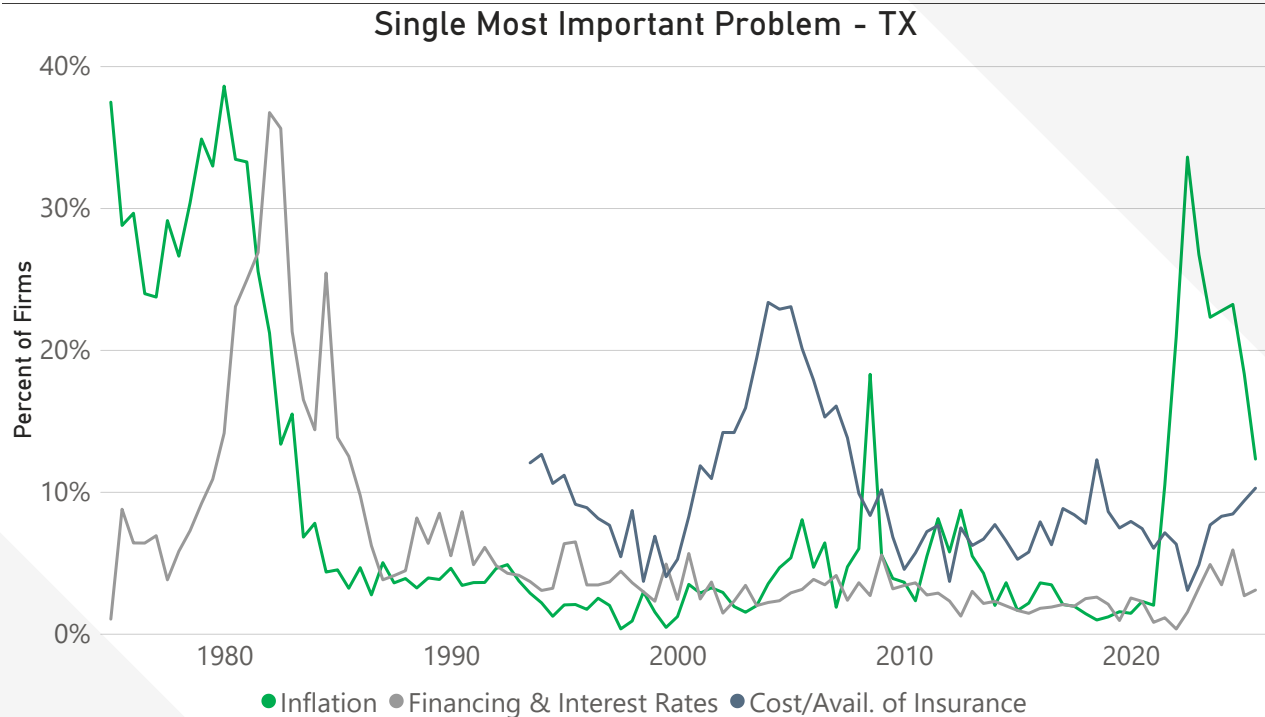


Figure 4

Uncertainty Index

In addition to overall business health and top issues, uncertainty can add color to the environment for small businesses. This is, unfortunately, an area of bad news for Texas and the US alike, as uncertainty has risen dramatically over the past year to record high levels (Figure 5). Business investment is a product of both optimism and confidence, so businesses saying, “Don’t know” or “Uncertain” (as this index measures) is an economic headwind.

The one silver lining of the NFIB Uncertainty Index is that, unlike some other “uncertainty” indexes that are really more volatility indexes, this Index is a true midpoint between good and bad. The direction elevated uncertainty levels come from is also helpful. High uncertainty is better when economic conditions are moving from “lower” or “worse” to “uncertain” but concerning when coming from the opposite direction. That said, it’s still negative to see such high uncertainty for both Texas and the US overall.

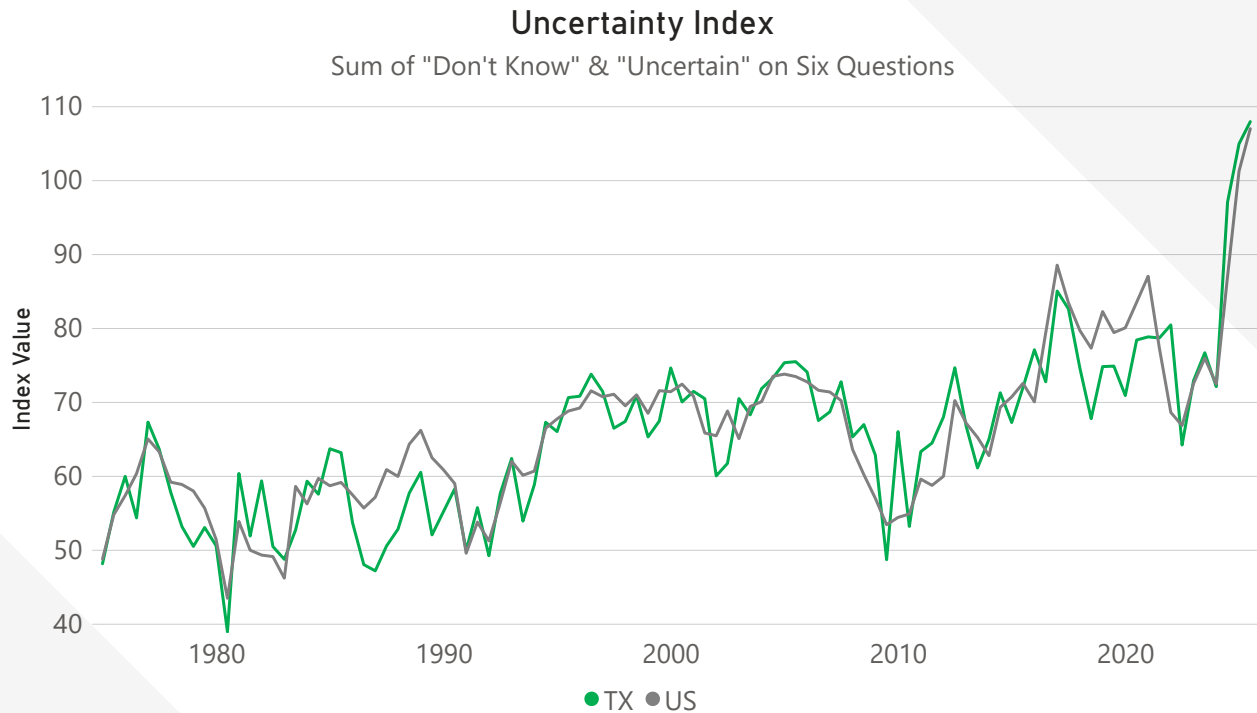


Figure 5

Conclusion

The second largest economy, Texas, is average on some overall metrics (unemployment rate, personal income) and above average on some key NFIB small business metrics. NFIB's Optimism Index is elevated in TX compared to the US, as is business health (though by a smaller margin). Texas is particularly struggling with labor quality issues but has a decisively more business-friendly regulatory environment. A weakness for Texas is uncertainty, where it is faring poorly—just like the US overall. That said, the most important result is the Optimism Index, where it is 3.2-points higher than the rest of the country, sending a positive signal about the fortunes of small businesses in Texas.

Methodology

The data for this report is sourced from our Small Business Economic Trends Survey, which polls a random sample of NFIB members. The survey ran quarterly from 1973 to 1985 and monthly from 1986 through the present. As this is a national survey, the number of responses from an individual state are not necessarily statistically meaningful in a given month. To create this new state-specific report, we pooled data from multiple surveys into a weighted average for a given season (Apr-Sep for summer and Oct-Mar for winter). In the monthly era, that means six months of data, and in the quarterly era, that means two quarters of data. For summer 2025, Texas had 195 total responses.