NFIB RESEARCH CENTER

MICHIGAN SMALL BUSINESS ECONOMIC TRENDS

Winter 2026

Introduction

Each month, NFIB publishes the Small Business Economic Trends (SBET) report, which tracks economic activity among small businesses in the U.S. 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 U.S. To create statistically meaningful numbers, responses from six monthly surveys are pooled together, creating data points for summer (April-September) and winter (October-March). These reports help signal the unique challenges and strengths of each state covered.

MICHIGAN

The birthplace and long-time home of the modern automobile industry has been through a lot over the years. If Michigan didn't evolve, it would be in a truly difficult place today. But Michigan is resilient, with a growing economy that has moved beyond the autocentric model that brought it so much. Manufacturing is still its top industry—not common for U.S. states—but sectors such as Real Estate and Professional and Business Services are close behind. The evolution and diversification of its economy have been deeply impactful, though the state still faces some challenges. Here, we spotlight the small business sector, which is showing moderate strength in Michigan, on par with the country overall.

Contextual Data

GDP:	\$747 Billion (14th)
Per capita income:	\$67,500 (38th)
Unemployment rate:	5.0% (44th)

983,079
small businesses

1.9 million
small business employees

Though it is the tenth largest state by population, Michigan ranks 14th in total economic output (as measured by GDP). The gap reflects that the state is on the lower side of average income in comparison to other states. Ranking 38th among states for per capita income, the more blue collar, middle/working class image of the state remains accurate. However, a bigger challenge for the state is high unemployment, languishing at 44th in the country. There is a silver lining though in the shape of a positive trend: Despite a few flat months recently, the last year and change has seen Michigan's unemployment rate improve even as U.S. unemployment has netted out slightly higher.

Optimism Index

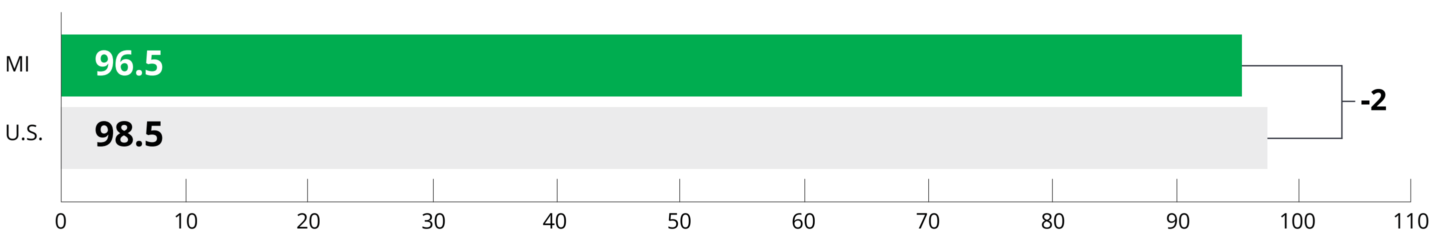
Throughout the survey's history, Michigan has had several sustained periods where its Small Business Optimism Index—NFIB's core measure of the small business environment—has been above or below the national figures. The early 1980s saw consistent underperformance while in the late 1980s, Michigan overperformed the U.S. overall. The late 1990s were the best years for Michigan with the largest sustained gap, but the biggest gap in any direction was the 2008-09 Great Recession, when Michigan was hit earlier and harder than the U.S. overall (Figure 1).

However, since that recession, Michigan has stayed remarkably close to the national average. Certain periods have seen clear positive or negative gaps, but those have reliably vanished in the next period.

To emphasize, 15 years of on-U.S. trend performance is an exceptionally sustained period of parity.

That is a long introduction to contextualize the current level of the Optimism Index, which suggests underperformance: 96.5 for Michigan against 98.5 for the U.S. That two-point deficit puts Michigan under the historical average of 98.0. However, last period Michigan had a 1.8-point advantage over the U.S., scoring well above the historical average at 100.4. Add in the 15 prior years of matching the U.S. and the takeaway should be that the small business environment is roughly as healthy in Michigan as it is in the U.S. overall. More months of data are needed before this period's negative result is seen as a trend.

Small Business Optimism Index
Seasonally Adjusted (1986=100)



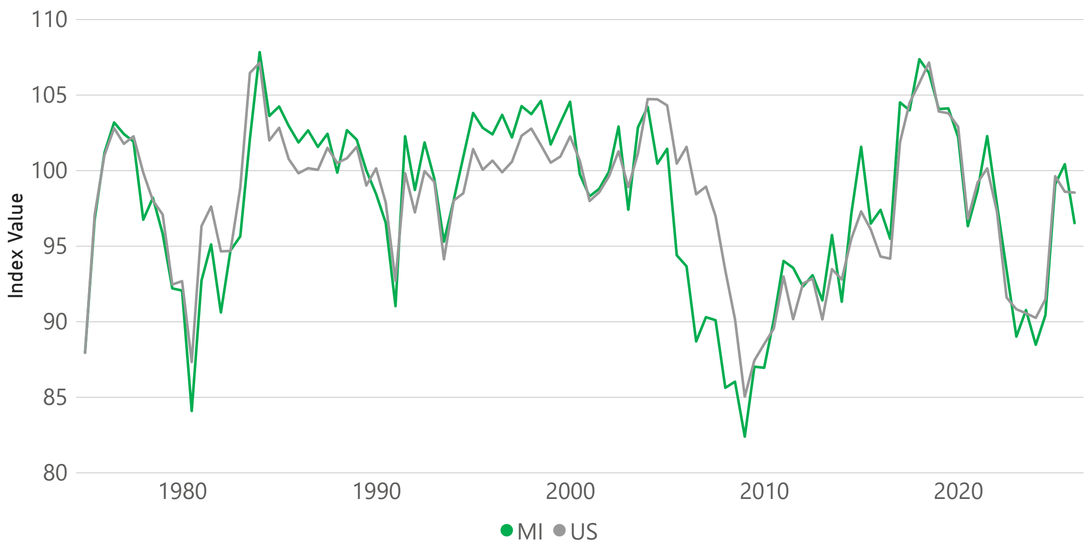


Figure 1

Optimism Index (cont.)

The Optimism Index is composed of ten components, which add a layer of detail to the headline number. Among these components, five have gaps that are too small to merit attention, one has a positive gap, and four have negative gaps. The positive gap is in perhaps the ideal component: Earnings trends, the profit category, which has a 6-point advantage. If you're going to outperform anywhere, profits is a great choice!

On the negative side, sales expectations has the biggest gap of any category (-8 points). Economic expectations also sees lower positivity in Michigan (-5 points). The final two negative categories both reflect inventory, with current inventory looking too high for more Michigan small businesses, and likely relatedly, lower plans to expand inventory (both -6 points).

Given the fifteen years of parity, it followed that the current gap in the Overall Index deserved patience and more data before reading too much into it. So too with the individual components. The ones with greater gaps deserve particular attention going forward, but more data must precede any significant concern.

Optimism Index Components

Component (Seasonally Adjusted)	Current (MI)	Current (U.S.)	Difference (Rounded)
Plans to Increase Employment	14.6	15.4	-1
Current Openings	34.5	32.0	2
Expected Credit Conditions	-5.9	-4.2	-2
Expect Economy to Improve	14.2	18.9	-5
Expect Real Sales Higher	2.6	10.6	-8
Earnings Trends	-15.3	-21.4	6
Current Inventory (Too Low)	-8.6	-2.6	-6
Plans to Increase Inventory	-8.6	-2.4	-6
Now a Good Time to Expand	11.5	13.2	-2
Plans to Make Capital Outlays	17.8	19.4	-2

Table 1

"Given the fifteen years of parity, it followed that the current gap in the Overall Index deserved patience and more data before reading too much into it. So too with the individual components."

Business Health

In early 2025, NFIB added a question directly asking owners about the health of their small business. This offers a concrete, point-in-time complement to the more comprehensive and forward-looking Optimism Index. Currently, it adds further support for the conclusion of similarity between Michigan and the U.S. overall.

Numerically, Michigan has 2 percentage points more small businesses in excellent health and 2 points fewer in poor health (Fig. 2). Good news. But it has 4 fewer percentage points in good health and 4 more in fair health. Not good news. Altogether, the net difference is pretty small. For additional context, Michigan also had a similar distribution to the U.S. last period. In sum, the business health data boosts confidence in the theory that Michigan is retaining its parity with the U.S, and the underperformance in the Optimism Index might be a temporary blip rather than a true break from the 15-year trend of equality.

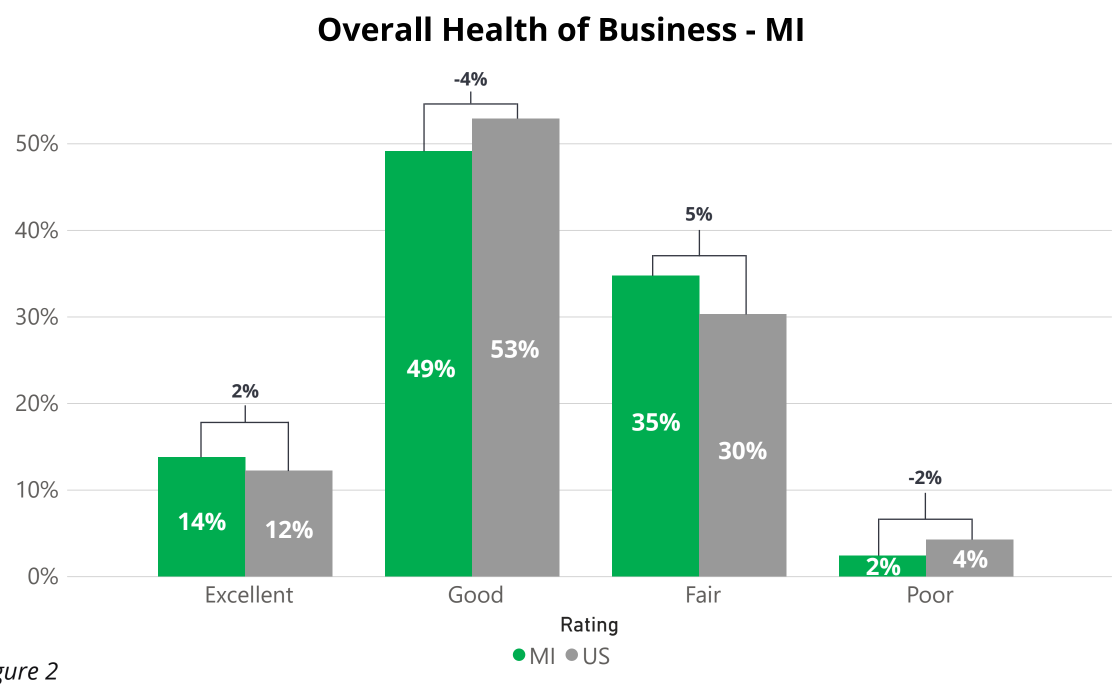


Figure 2

Employment Index

The new Small Business Employment Index bucks the trend of sameness to offer Michigan some good news: The state is at a higher level than the rest of the country and has been for most recent periods. First, a bit of background on the Index: Introduced earlier this year, it combines a suite of job count and pay-related components into a single number that measures the pulse of the small business job market. The long-run average is 100.0, and higher numbers represent a tighter labor market where workers are harder to hire and retain, and lower numbers represent a weaker labor market where hiring and retention are easier.

Michigan currently has a 2.6-point advantage over the country as a whole, 104.2 vs. 101.6 (Fig. 3). That is similar to last period, when it was 104.3 vs. 101.2 for the U.S. overall. Now, per the contextual data, Michigan has higher unemployment, so why would its Small Business Employment Index be high? Part of the reason could be a difference between small businesses and the rest of the economy (larger businesses)—in other words, a stronger small business labor market. However, the components show that the advantage primarily reflects wage pressure rather than hiring. The pressure to retain talent is more prominent than increasing their workforce. In addition, keep in mind the recent improvement of the Michigan unemployment rate: Growing demand for workers would drive up the Employment Index here. The latter reasons—the strength in compensation and the directional movement of Michigan unemployment—are the likely causes why the Small Business Employment Index is high despite weakness in the Michigan unemployment rate.

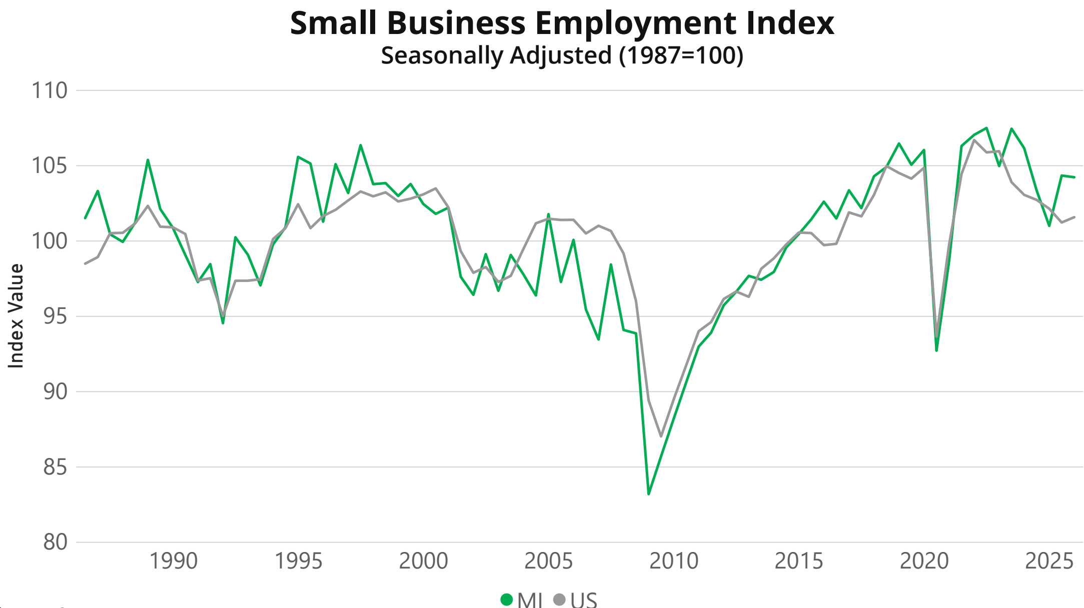


Figure 3

Uncertainty Index

Michigan's Uncertainty Index tells a similar story to the Optimism Index. As with the Optimism Index, the current period shows worse uncertainty for the state, though not by a huge margin. Past periods showed an advantage for Michigan, though only minimally last period (Fig. 4).

There are two concerns here: First is that Uncertainty is high everywhere. Both geographies have come down from their peak two periods ago but are at levels that would set records before the recent spike. High uncertainty challenges the ability of owners to plan and invest in their businesses. The second concern is that Michigan's uncertainty is not coming down at the same rate as the U.S. While the U.S. is substantially down from its peak, Michigan remains largely unchanged from its (lower) peak. This is not a 'lie awake at night' worry, but it is something to watch.

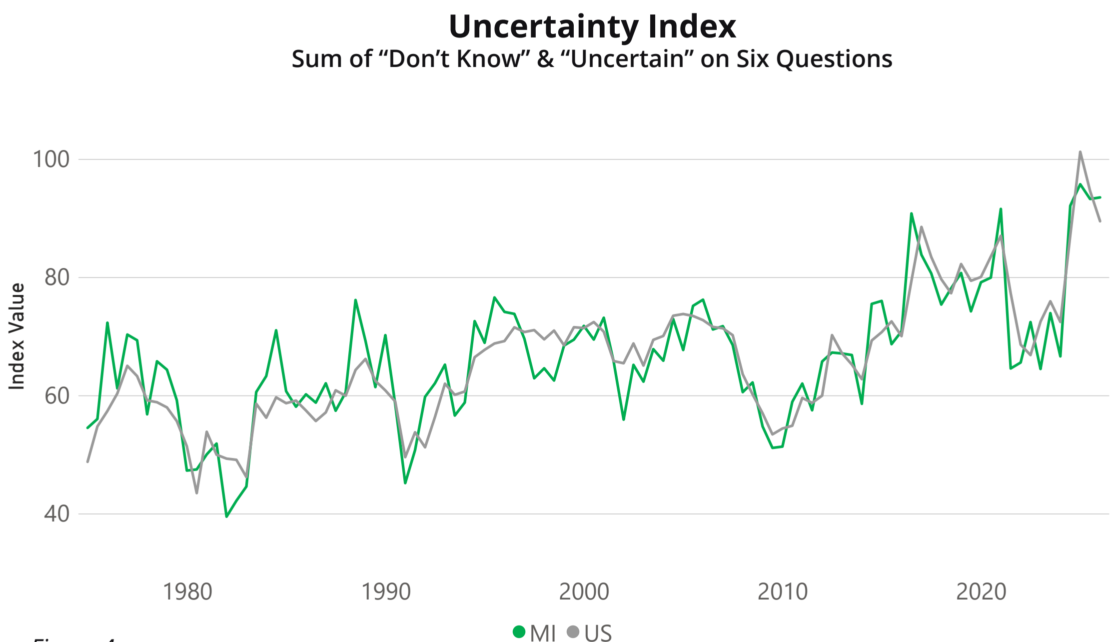


Figure 4

Top Issues

Sameness has been the name of the game for Michigan so far, for Optimism, Business Health, and Uncertainty. But these metrics are more single-dimension good/bad-type indicators. They grade the Michigan small business environment, but they do not illustrate it. For more color, survey results from the single most important problem question can help. What differences are hiding beneath the surface?

Not much! Indeed, just as for most other questions, Michigan is remarkably similar to the U.S. overall in terms of top issues. Of the nine responses, just one has a gap that reaches the threshold where it might be worth mentioning: Poor sales, which comes in 3 points better in Michigan. To emphasize, a 3-point difference is the absolute smallest we would mention given the inevitable contribution of noise in surveys. So, what the latest top problem data reveals is that Michigan is extremely similar to the U.S. (Table 2).

Currently, the top issue is labor quality, closely followed by taxes. Many other issues also make up part of the picture, with the next three being inflation, government regulation, and the cost of labor.

Single Most Important Problem	Current (MI)	Current (U.S.)	Difference (Rounded)
Competition from Big Business	5.3	5.7	0
Labor Cost	8.9	8.5	0
Financing & Interest Rates	3.0	2.9	0
Government Regulation	8.9	8.2	1
Inflation	14.8	12.6	2
Labor Quality	19.5	19.9	0
Taxes	18.9	17.3	2
Poor Sales	6.5	9.8	-3
Cost or Availability of Insurance	7.7	9.9	-2

Table 2

Top Issues (cont.)

Since this is the first ever Michigan-specific Small Business Economic Trends report, a review of the history of this question has value. The next three graphs cover the historical data for all nine issues, with three on each graph to avoid overcrowding. The first graph (Fig. 5) shows three of the most consistent issues: Taxes, Government Regulation, and Competition from Large Businesses. While these do change over time, they tend to do so much more slowly than the other problems.

The data confirms the consistency of these series, with much more steadiness than the series in the subsequent graphs. However, there is one inconsistency: Taxes ranged around the upper 20s for the first 25 years of the data before moving downward to around 20 percent of owners selecting it as their top problem for most of the last 25 years. The shift happened around 2000, when two major tax reforms occurred: A phased income tax reduction and the phaseout of the Single Business Tax (SBT). The SBT phaseout was mostly cancelled, but the income tax rate did go down by a double-digit percentage. Since most small businesses are legally structured where they pay taxes on business profits at the individual income tax rate, such an income tax reduction directly benefits owners. That makes the income tax shift a good hypothesis why taxes declined in the top problem data.

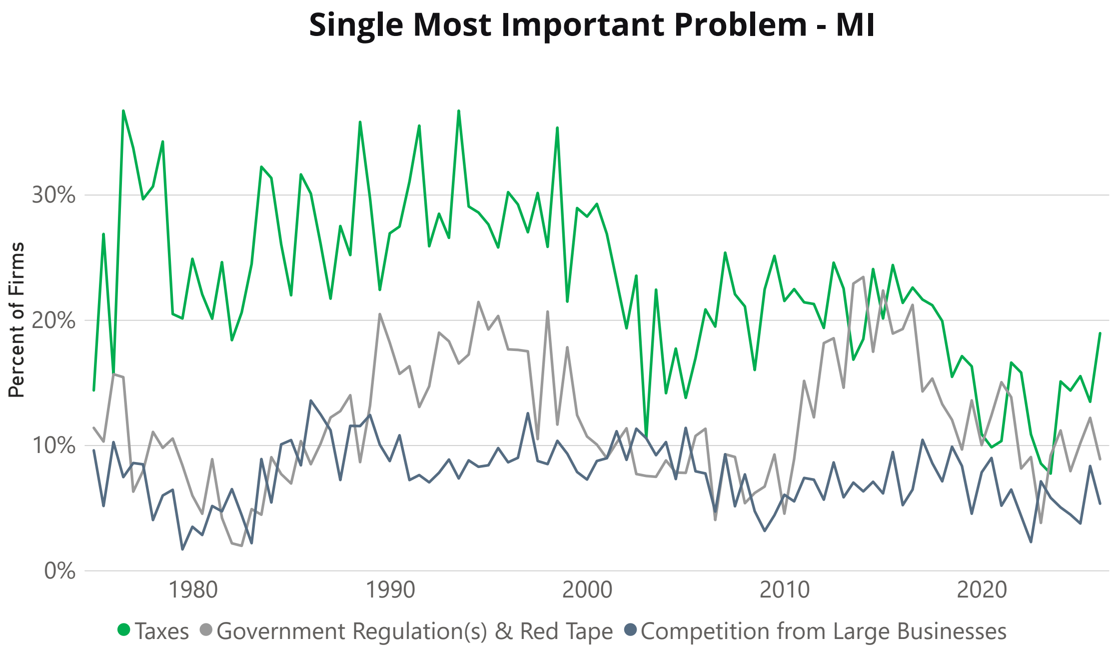


Figure 5

Top Issues (cont.)

The next trio of issues illustrates what less consistent problems look like. These issues—poor sales, labor quality, and labor cost—all fluctuate substantially with the booms and busts of the business cycle. Poor sales spikes when the economy turns south, and the highest level of any issue for Michigan was poor sales during the Great Recession (Fig. 6). On the other hand, labor quality and labor cost become most difficult when the economy is booming and workers are in high demand, which is why labor quality reached its peak in the strong economy immediately prior to the pandemic.

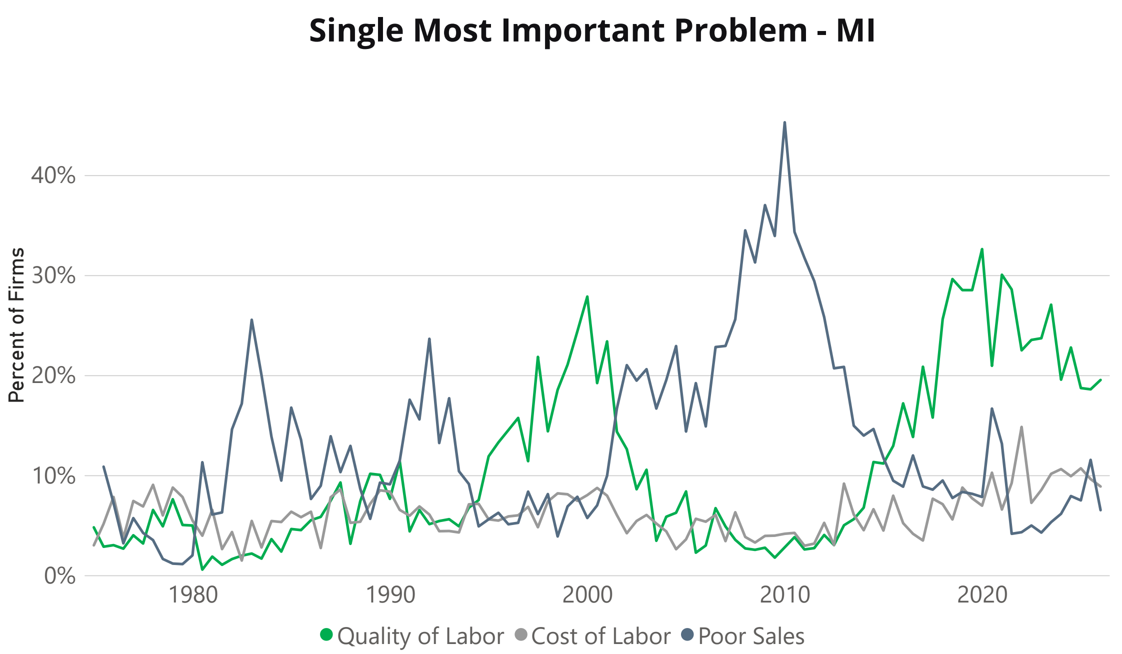


Figure 6

Top Issues (cont.)

The final trio of issues includes inflation, financing costs, and insurance. There are a few peaks worth noting for these: Inflation was at its highest in the late 1970s into the early 1980s, before the Federal Reserve spiked interest rates to bring it under control. That interest rate spike led to record levels of owners identifying financing costs as their top issue, though it has been more of a background issue ever since. Inflation had another peak in the post-COVID era; it has come down substantially but remains much higher than usual. For somewhat unclear reasons, Insurance had a major spike in the mid-2000s. Reinsurance costs increased after 9/11, and health care premiums increased rapidly in the early 2000s, but it's not clear that this is the true explanation. Some of the spike may reflect that the other eight issues were milder in the era, allowing insurance to rise by default.

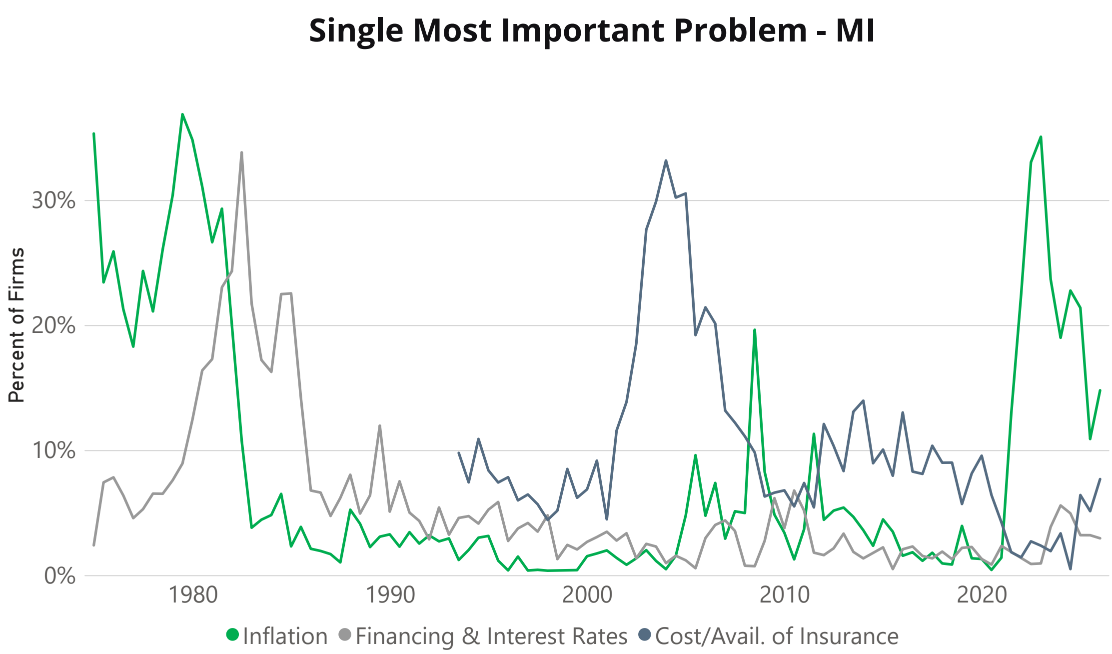


Figure 7

Conclusion

Michigan's story may come as a surprise: Remarkable parity with the U.S. overall. In four out of the five series covered here—Optimism Index, Business Health, Uncertainty Index, and Single Most Important Problem—Michigan is essentially the same as the U.S. For Optimism in particular, the parallel has been incredibly enduring. The only series with a noteworthy difference is the Employment Index, which shows more tightness in the Michigan labor market compared to the U.S. That reflects wage pressure as well as the positive trend in the (still high) Michigan unemployment rate. All told, the data sums up to a reasonably positive story for Michigan. Sure, things could be better. Many states are comfortably ahead of the national average in Optimism, Business Health, etc. But Michigan's consistently similar performance is a solid result.

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 has run monthly from 1986 through the present. As this is a national survey, the number of responses from an individual state is 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 winter 2026, Michigan had 169 total responses.