



MINNESOTA

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 summer (April-September) and winter (October-March) datapoints. These reports help signal the unique challenges and strengths of each state covered.

MINNESOTA

Land of ten thousand lakes and of community-oriented, civic-minded joiners, Minnesota is a special place. Though it may be lumped into the “flyover” state category sometimes, it has a rich and vibrant economy that includes the headquarters of much more than its fair share of Fortune 500 companies. But that’s big business—what about small business?

Contextual Data

GDP:	\$543 Billion (20 th)
Per capita income:	\$79,200 (15 th)
Unemployment rate:	4.5% (32 nd)



560,428
small businesses



1.3 million
small business employees

Minnesota is not a particularly large economy by U.S. standards, ranking just 20th at \$543 billion. But population-wise, it is also not a particularly large state, with the 22nd largest population. The higher-ranking GDP than population implies an above average income, and, indeed, Minnesota is comfortably above the median for per capita income (15). Its unemployment is near the national average and median state, ranking 32 at 4.5% (as compared to 4.3% for the U.S. rate in the same period). While the level is close enough to the national average, the trend is a bit concerning. Minnesota’s unemployment rate has increased rapidly over the past two years. Like the national rate, it was unsustainably low during the post-pandemic recovery but has since cooled. The softening trend should ideally end now.



Optimism Index

Small businesses are generally not identifiable in government data, leaving NFIB's Small Business Optimism Index as the key indicator of the small business environment in the U.S. Right now, the Index is telling us that small businesses are doing okay nation-wide—just above the national average. And in Minnesota? Very similar.

Figure 1 shows the history of the Optimism Index for Minnesota and the U.S. The two series have mostly been quite close. Minnesota had a tough period of underperformance in the late 80s and didn't climb quite as high in the late 2010s, but it has otherwise remained closely matched overall. In the current period,

Minnesota's Optimism Index is actually a bit below the national average, 97.2 vs. 98.5. That puts Minnesota below the historical average of 98.0.

The current underperformance is worrying at first glass, but the context of recent data limits concern. Last period, Minnesota had a nearly equal-sized advantage to the current disadvantage, 100.1 vs. 98.6. And for at least the six periods prior to that, Minnesota Optimism has fluctuated right around the national average. That recent sameness softens the current negative result; more data is needed before it the deficit should drive meaningful anxiety.

Small Business Optimism Index
Seasonally Adjusted (1986=100)

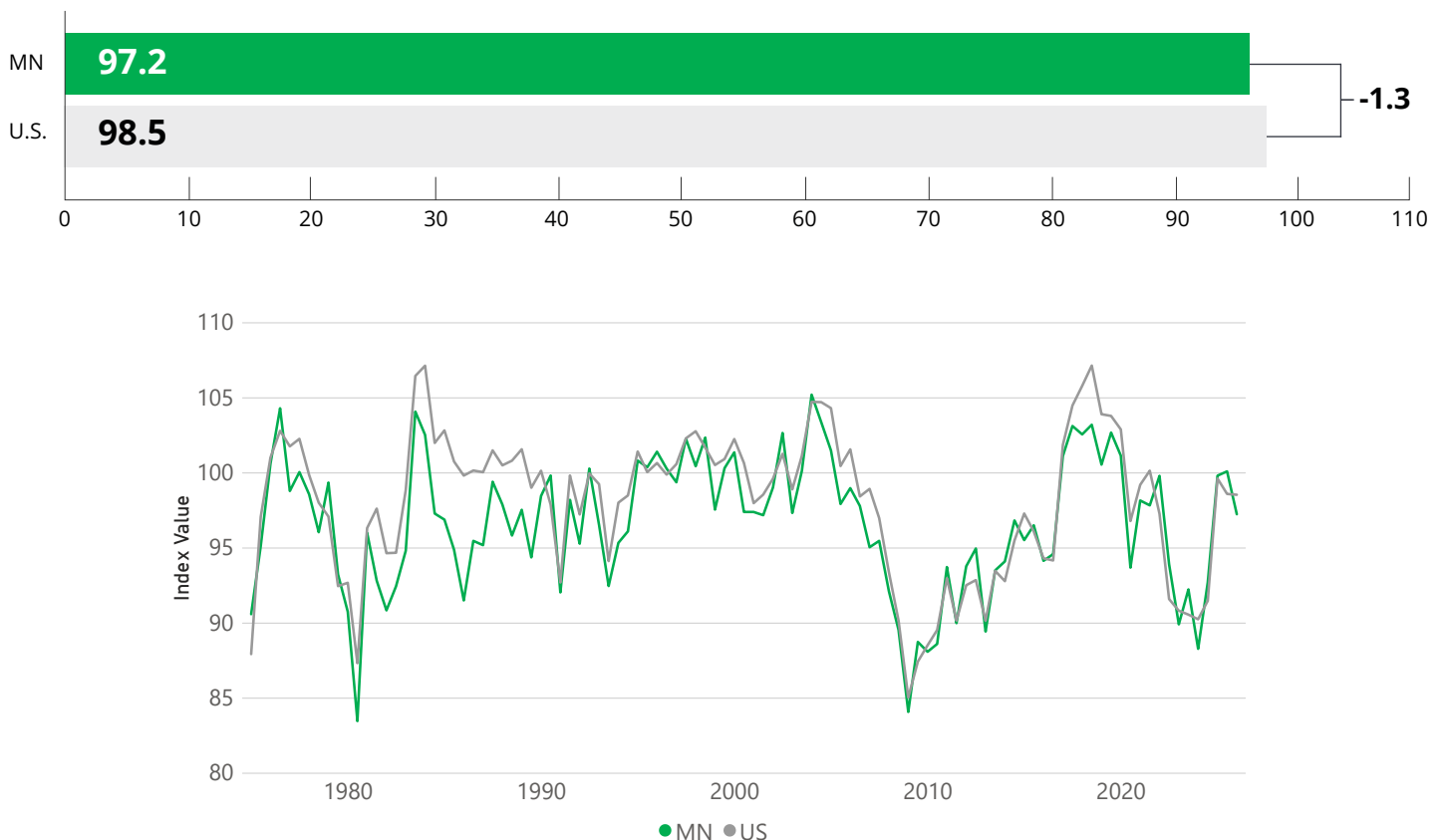


Figure 1



Optimism Index (cont.)

The Optimism Index is calculated from ten components, the details of which add nuance to the picture in Minnesota. While four of the components are roughly the same as the U.S. (within a 2-point difference), six are more pronounced. These differences send three notable signals. One, Current Openings are down in Minnesota (-6 points), which aligns with the negative trend in Minnesota's

unemployment rate. Two, the more vibes-based components were down in Minnesota, Economic Expectations at -5 and Good Time to Expand at -3. Three, the inventory metrics are down, both Current Inventory (-3) and Inventory Plans (-4). On the bright side, Minnesota small business owners reported substantially more plans for capital outlays (+8) compared to the U.S.

Optimism Index Components

Component (Seasonally Adjusted)	Current (MN)	Current (U.S.)	Difference (Rounded)
Plans to Increase Employment	15.1	15.4	0
Current Openings	25.9	32.0	-6
Expected Credit Conditions	-5.5	-4.2	-1
Expect Economy to Improve	14.1	18.9	-5
Expect Real Sales Higher	9.2	10.6	-1
Earnings Trends	-19.0	-21.4	2
Current Inventory (Too Low)	-5.9	-2.6	-3
Plans to Increase Inventory	-6.4	-2.4	-4
Now a Good Time to Expand	10.0	13.2	-3
Plans to Make Capital Outlays	27.0	19.4	8

Table 1

“While four of the components are roughly the same as the U.S. (within a 2-point difference), six are more pronounced. These differences send three notable signals.”

Business Health

In early 2025, NFIB introduced a new question asking owners about the health of their small business. This provides a concrete, point-in-time complement to the more comprehensive and forward-looking Optimism Index. This new series further assuages any concerns from Minnesota's current underperformance in the Optimism Index.

To look at the numbers in detail, compared to the U.S., Minnesota has a bit less

businesses reporting excellent health, a bit more reporting good health, a tiny bit less in fair health, and a bit more in poor health. Translation: Very similar. One period ago, Minnesota's performance was slightly better relative the U.S. overall, but not so much that it would suggest a major difference or change over time. Again: The data here supports the idea that Minnesota small businesses are faring similarly to those in the U.S. overall.

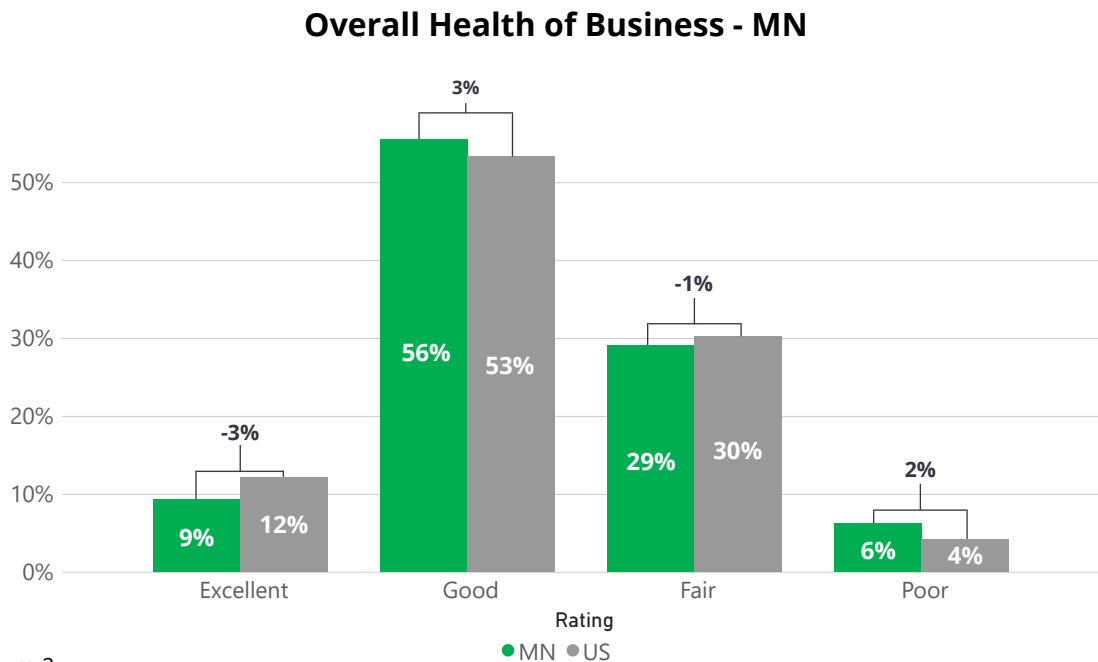


Figure 2



Employment Index

In early 2026, NFIB introduced a new index to illuminate the health of the small business job market. This Employment Index is a composite of six components which fall into two categories: Job count-related and compensation-related. In the Index, higher values generally signal a tighter labor market where workers are harder to hire and retain, and lower values generally signal a weaker labor market where hiring and retention are easier. The historical average is 100.0.

For Minnesota, both current and recent data suggest a tighter labor market than in the U.S. overall (Fig. 3). At least for the recent data period, the tightness is unsurprising. Per the contextual data, Minnesota had an even lower unemployment rate during the peak overheated labor market in the post-pandemic

recovery. However, the unemployment rate has now cooled to the point where it is slightly worse than the national average. So why is Minnesota's Employment Index still slightly above the U.S.? The underlying components clarify: The job count related components are slightly below national averages, but the compensation components are above. In other words, Minnesota small businesses are hiring less but giving out more raises than those in the rest of the country. The higher raises could reflect lingering catch-up from the higher peak tightness during the post-pandemic recovery, while the lower hiring reflects the climbing unemployment rate. It could also reflect the new paid family and medical leave mandate in Minnesota, forcing higher compensation.

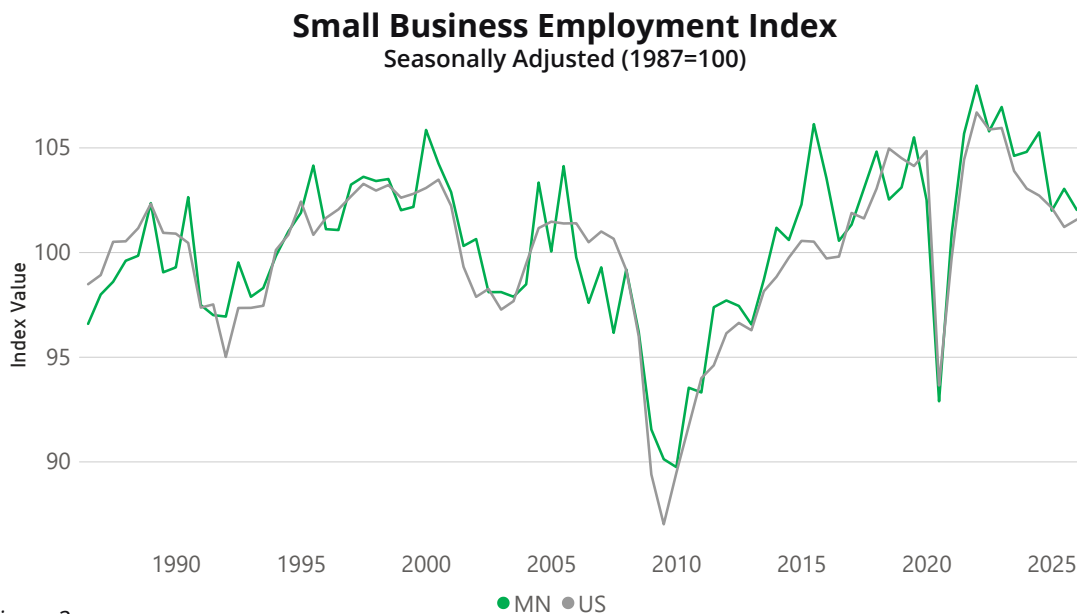


Figure 3

? Uncertainty Index

One of the biggest issues for small businesses over the past two years has been uncertainty. The NFIB Uncertainty Index for the U.S. spiked to an all-time high for the Oct. 2024-Mar. 2025 period, and, though it has since eased, it remains at a level that would have been the record high before the current spike (Fig. 4).

That story is equally true for Minnesota. The Uncertainty Index adds another layer to the story of sameness between state and country for the current small business environment. In both levels and trends, Minnesota and the U.S. are experiencing the same high but declining uncertainty.

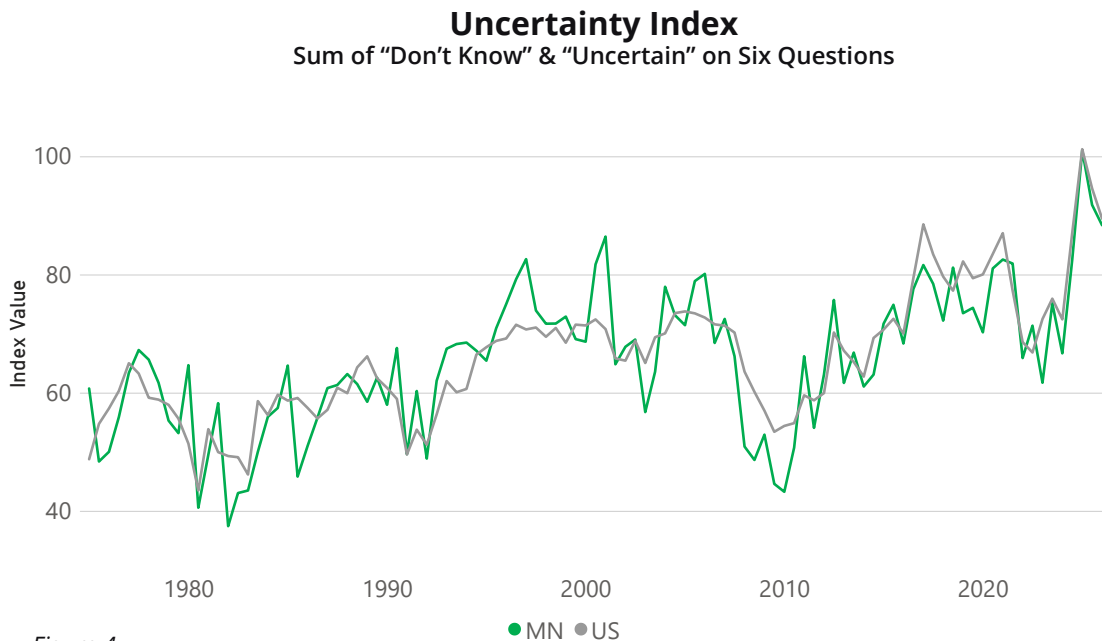


Figure 4

“In both levels and trends, Minnesota and the U.S. are experiencing the same high but declining uncertainty.”



Top Issues

The previous sections have covered data that measures small businesses along more a good/bad axis rather than identifying specific headwinds. To add nuance, a particularly useful set of data points is the single most important problem for small business owners. Understanding their top pain points can illuminate the underlying strengths and weaknesses beneath the general picture of parity seen between Minnesota and the U.S. overall.

In an environment of such sameness on the Optimism Index, Business Health, Uncertainty Index, and even the Employment Index, you would not necessarily expect much difference in small business problems. Now, the differences between the top issues in Minnesota and the U.S. are not huge. But they're not the same, not at all like most of the previous series. And the differences are quite illuminating.

Start with the largest difference: Quality of labor, which is the top issue for fewer Minnesota small businesses compared to the U.S. (an 8-point gap). As seen from the Employment Index and from the Job Openings component of the Optimism Index, small businesses are hiring less in Minnesota, making the search for talent less critical. But that's not all good: Minnesota small businesses are struggling more with inflation (by 4 points), which is likely related to rising wages.

Two other categories also had meaningful differences, one better than the U.S. overall and one worse. On the up side, insurance was less of an issue, faring 4 points better. On the negative side, government regulations were 5 points worse. It is nice to see insurance doing better (even if still a significant issue) but concerning to see the additional pain from regulation.

Single Most Important Problem	Current (MN)	Current (U.S.)	Difference (Rounded)
Competition from Big Business	7.4	5.7	2
Labor Cost	7.4	8.5	-1
Financing & Interest Rates	4.3	2.9	1
Government Regulation	13.5	8.2	5
Inflation	16.6	12.6	4
Labor Quality	11.7	19.9	-8
Taxes	19.6	17.3	2
Poor Sales	11.0	9.8	1
Cost or Availability of Insurance	6.1	9.9	-4

Table 2



Top Issues (cont.)

Historical context can further illuminate the meaning of these issues. Each of the next three graphs cover three of the nine issues for their entire history (split to avoid a single overcrowded and illegible graph), starting with the trio of taxes, government regulation, and competition. Generally, these issues are steady, with evolutionary change rather than sudden movement. Taxes have been the worst of these three issues, typically hovering around the 20-25% range of owners

identifying it as their biggest problem (Fig. 5). Government regulations have occasionally ranked worse but more often in second place. This issue has fluctuated a bit more widely than taxes around a historical average of 15%. Competition from large businesses is not one of the biggest issues for small businesses as a whole, though it is still the top challenge for some. Historically, it has ranged closer to 10%, though a bit lower in recent decades.

Single Most Important Problem - MN

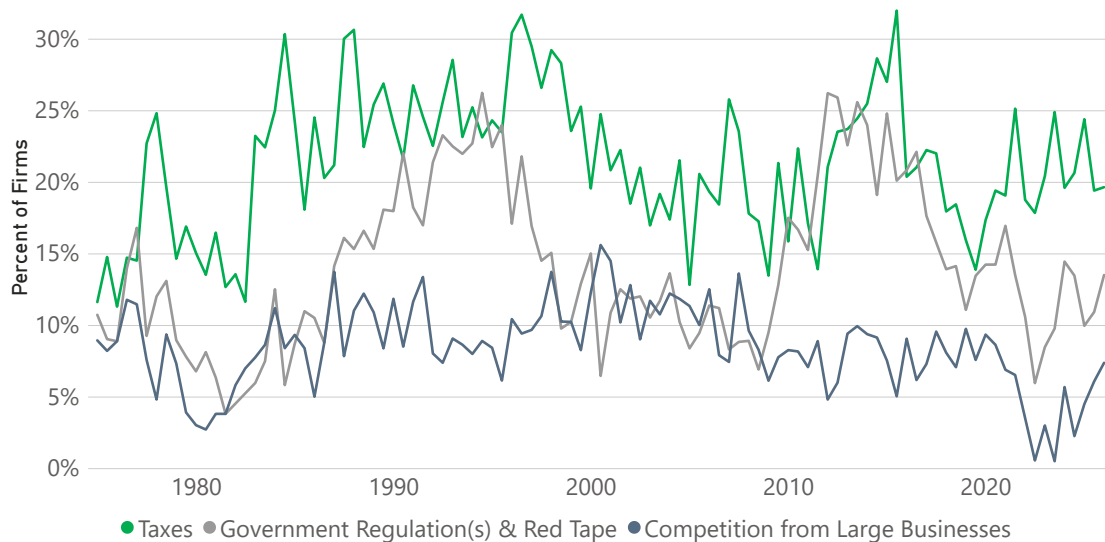


Figure 5



Top Issues (cont.)

Not all issues are quite so steady. The next trio of issues are ones that fluctuate with the business cycle, making them vary quite dramatically at times. Poor Sales is the most dynamic, peaking during recessions and swiftly falling during recoveries. Labor Quality and Labor Cost move opposite to poor sales, with troughs in recessions and peaks during

economic booms. Poor Sales unsurprisingly peaked during the Great Recession (Fig. 6). Labor Quality had its peak in the tight labor markets before and during the rapid recovery from the pandemic recession. Labor Cost was also an issue then—particularly post-pandemic—though its peak actually occurred during the late 1970s stagflation.

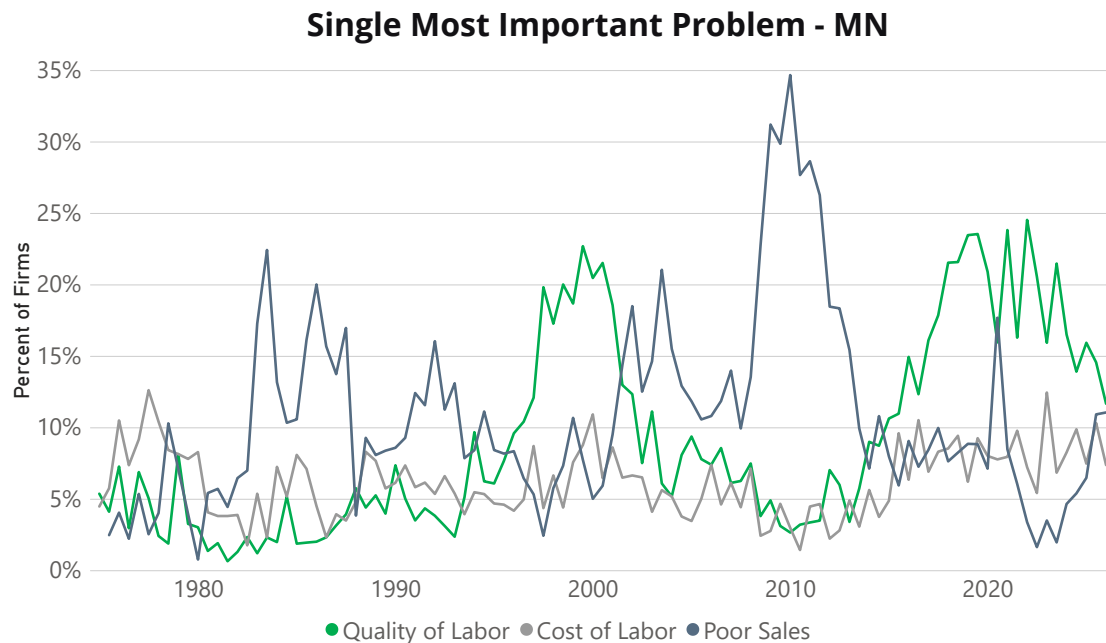


Figure 6



Top Issues (cont.)

Speaking of stagflation, the next three issues are Inflation, Financing Cost, and Insurance. The first two both hit their all-time peak in the stagflation era, with Inflation at its worst in the 1970s. Financing Costs was highest in the early 1980s after the Federal Reserve spiked interest rates to end the persistent inflation. Inflation hit another peak in the overheated

post-pandemic recovery, but not quite to the high seen in the 1970s. Insurance costs have been a lesser issue for Minnesota, though they did escalate as the top problem in the mid-2000s due to a combination of repricing post-9/11, rapidly increasing health insurance rates, and generally good conditions that made the other problems crop up less.

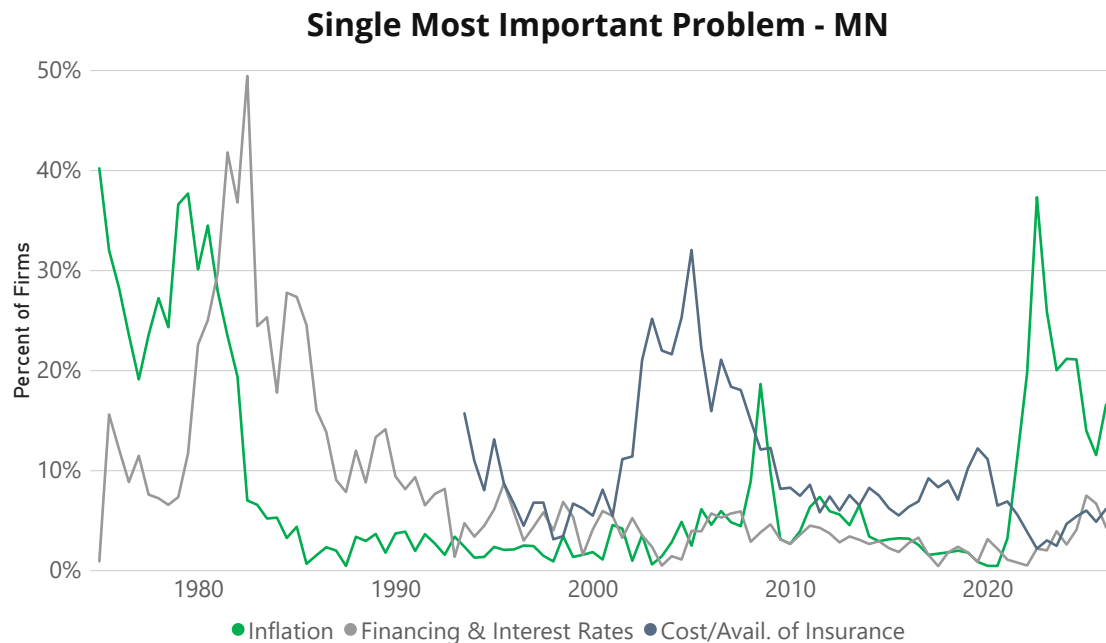


Figure 7

Conclusion

In the topline metrics, Minnesota's small business environment looks very similar to the U.S. overall. The Optimism Index, Business Health, and Uncertainty all point to parity, and the gap in the Employment Index is small. But that does not mean the environment is exactly the same. The Single Most Important Problem data reveals that Minnesota has some struggles with sluggish hiring and more

problematic inflation pressures as compared to the U.S. overall. Government Regulation is also a challenge, while Insurance is less so comparatively. In total, the news is pretty good. In a national environment that is above average for the core metrics, parity is positive. But that is no call for complacency, especially as a closer look at the details reveals areas where improvement is needed.



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 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 winter 2026, Minnesota had 163 total responses.