NFIB RESEARCH CENTER

PENNSYLVANIA 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.

PENNSYLVANIA

Perhaps the most important state in our nation's founding, Pennsylvania remains an important and layered state today. It has major cities on the east and west sides of the state, as well as extensive rural areas. Historically, it was a core driver of the industrial revolution, sourcing coal, oil, and, of course, steel. Today, its economy has evolved and diversified, with its five largest industries by GDP including real estate, health care, manufacturing, professional services, and finance. In this report, we spotlight Main Street, highlighting how small businesses are faring in the Keystone State.

Contextual Data

GDP:	$1.08 Trillion (6th)
Per capita income:	$75,400 (19th)
Unemployment rate:	4.2% (26th)

1.2 million
small businesses

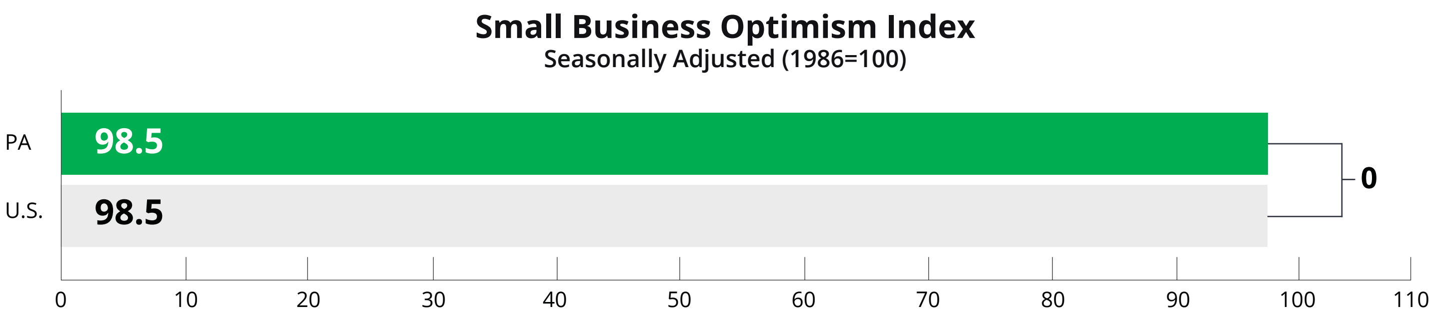
2.5 million
small business employees

Pennsylvania is one of just six states with a GDP of over $1 trillion, placing it among the largest economies in the U.S., and even on the larger side among countries worldwide. On other metrics, Pennsylvania ranks closer to the typical state. Its per capita income is just above the national median, ranking 19th. Its unemployment rate is right at the median, ranking 26th. To add another layer, the unemployment rate increased from July 2023 to July 2025 but has since reversed and started to edge down in 2026.

Optimism Index

As we focus on Main Street, NFIB's Small Business Optimism Index shows limited differences between Pennsylvania and the U.S. over time. For the most recent period (Oct 2025-Mar 2026), the two geographies were both at 98.5, slightly above the long-term national average of 98.0 (Figure 1). That indicates decent conditions in both state and country.

Looking back into the past data, Pennsylvania has often been in line with the country. A few extended divergences stand out, including underperformance by the state in the mid-1990s and mid-2000s, and a period of overperformance in the late 1980s.



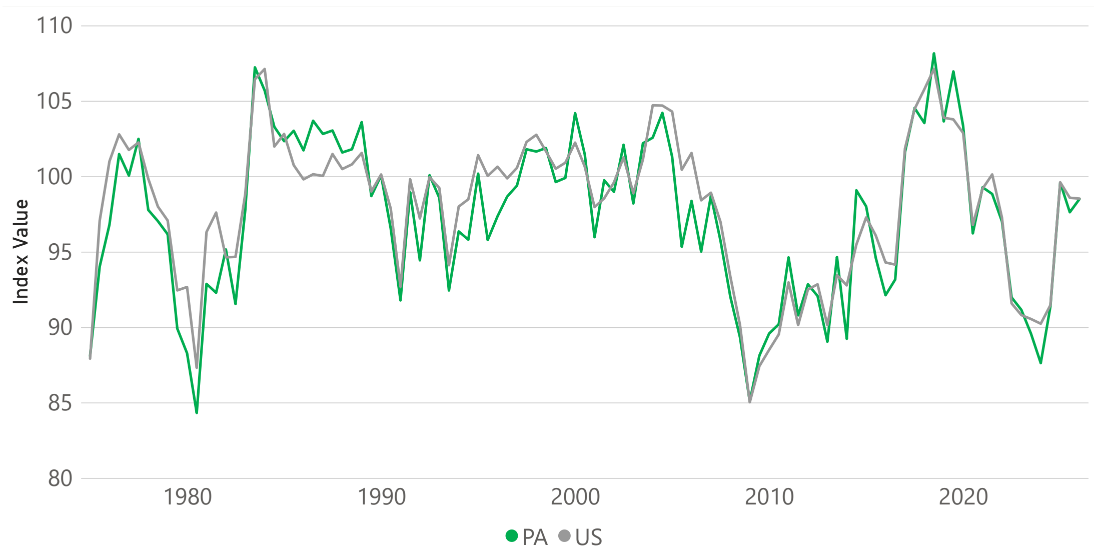


Figure 1

Optimism Index (cont.)

The Optimism Index is calculated as a function of 10 underlying components, the details of which add a color to the comparison between Pennsylvania and the U.S. That said, there is not a great deal of distinction between these components. Nearly all have differences of the one- or two- points, too small to draw any real conclusion (Table 1). One category does stand out though: Plans to make capital outlays. This forward-looking category is significantly lower in Pennsylvania, 6 points below the national level. One single negative number is not enough to cause major concern, but it will be something to monitor in the next data release.

Optimism Index Components

Component (Seasonally Adjusted)	Current (PA)	Current (U.S.)	Difference (Rounded)
Plans to Increase Employment	13.1	15.4	-2
Current Openings	33.4	32.0	1
Expected Credit Conditions	-2.1	-4.2	2
Expect Economy to Improve	20.8	18.9	2
Expect Real Sales Higher	9.3	10.6	-1
Earnings Trends	-18.2	-21.4	3
Current Inventory (Too Low)	-0.3	-2.6	2
Plans to Increase Inventory	-2.9	-2.4	-1
Now a Good Time to Expand	12.4	13.2	-1
Plans to Make Capital Outlays	13.1	19.4	-6

Table 1

Business Health

NFIB recently added a second measure of the small business environment asking owners the health of their business. This new question serves as a concrete, point-in-time complement to the broader, more forward-looking Optimism Index.

The Business Health data show little difference between Pennsylvania and the U.S., just as the Optimism Index did. There is a touch more texture here. One point fewer businesses report "Excellent" health in Pennsylvania, but that is counterbalanced by 2 points fewer businesses reporting "Fair" health. Instead, 4 points more businesses report "Good" health (the numbers do not balance exactly due to rounding). On net, these results indicate that Pennsylvania small businesses are in very similar health to the ones in the country as a whole.

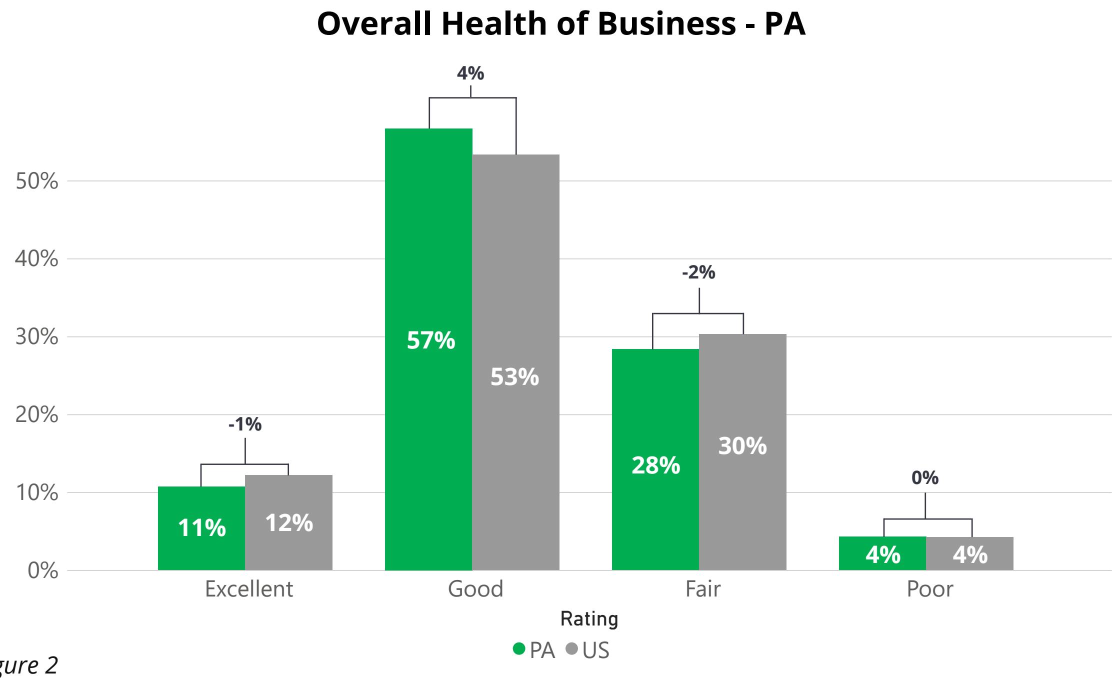


Figure 2

Employment Index

In January 2026, NFIB introduced a new index whose purpose is to gauge the health of the small business job market. Like the Optimism Index, the Employment Index combines a series of underlying components to create one single number. For the Employment Index, higher numbers signal a tighter labor market where workers are harder to hire and retain, and lower numbers indicate a weaker labor market where workers are comparatively easier to find and keep.

This new data point does not show the degree of similarity that the previous two overall business indicators did. Instead, it shows Pennsylvania with a weaker labor market than the U.S. overall. In the latest data, Pennsylvania registered 100.6 while the U.S. overall was 101.6 (Fig. 3). That puts Pennsylvania modestly above the historical national average of 100.0 while the U.S. overall was comfortably above.

The Employment Index is a function of components that fall into two categories, hiring and compensation. Looking at the components that the underperformance was due to the compensation-related categories while the hiring-related ones were actually just slightly above the national average. That is consistent with a picture where Pennsylvania's state unemployment rate is declining even as the national unemployment rate is closer to flat.

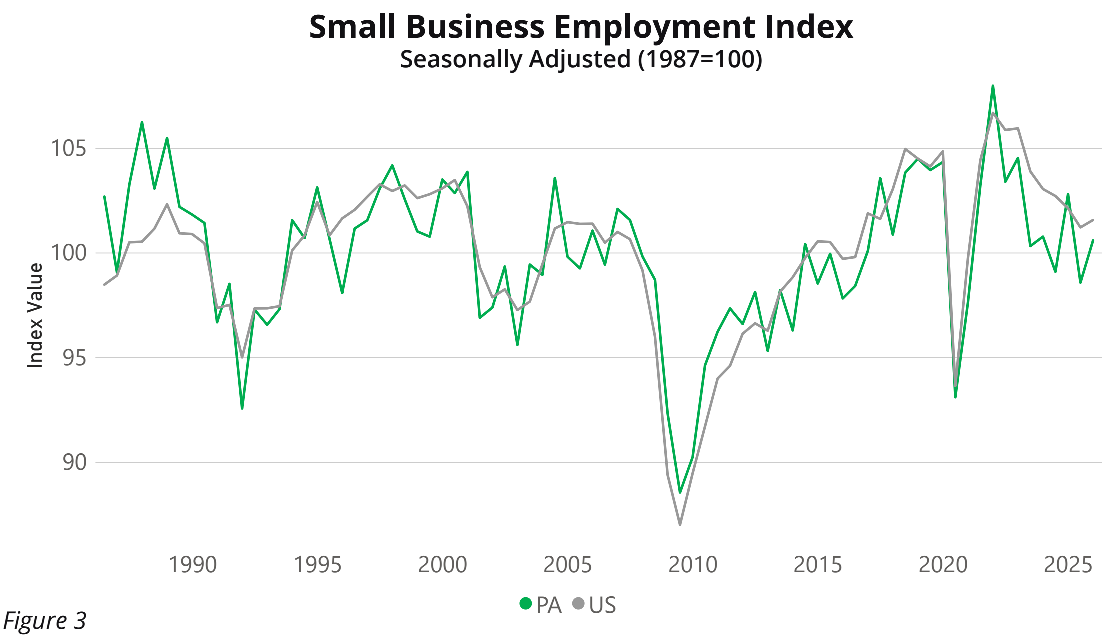


Figure 3

One more way the unemployment data between the state and the U.S. aligns with the Employment Index: Improvement from last period. In the review of the contextual data, we noted that Pennsylvania's unemployment rate improved in 2026 after a couple years of trending upward. It follows then that the Employment Index for the same period—i.e., the latest data here—would also improve. Indeed, for most of the past five years, Pennsylvania has had a significantly lower Employment Index than the U.S. overall. Between the recent improvement in the state's unemployment rate and the Employment Index, it will be particularly interesting to see how the data progresses next period.

Uncertainty Index

Another place of less parity: Uncertainty. Over the past three periods, the U.S. has experienced a historic wave of uncertainty. The national Uncertainty Index hit a record in the period from Oct. 24-Mar. 25, and though it has subsided in each of the most recent two six-month periods, it remains at a level that would have previously set a record.

Pennsylvania has been somewhat similar, somewhat different. The state also had a record in that Oct. 24-Mar. 25 period, but it hit a level much higher than the U.S. (Fig. 4). Then, instead of dropping, it ticked ever so slightly higher last period. Now, in the most recent data, the Uncertainty Index has finally improved, falling more than 20 points. However, Pennsylvania's level remains substantially higher than the U.S.'s, 94.7 vs. 89.5. The continuously elevated uncertainty is particularly harmful for businesses seeking to make long-term investments and could explain why the capital outlays component was the lone significant underperformer among the Optimism Index components.

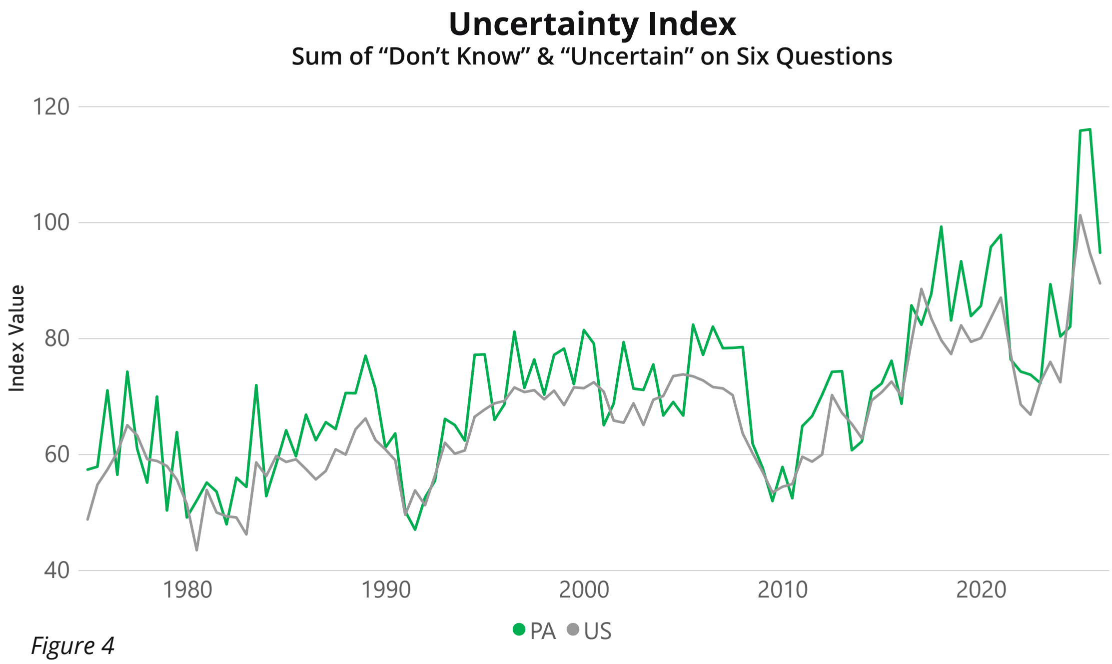


Figure 4

Top Issues

To add color to the overall metrics, NFIB also asks small businesses to identify the single most important problem impacting their business. The responses illustrate the various factors affecting Main Street, whether broad economic currents, labor, or government related. This question does not show major differences between Pennsylvania and the U.S., but there are a few insights among the current differences and the history of the Pennsylvania data.

Right now, the top issue in Pennsylvania is Taxes, which scores 4 points worse in the state than in the U.S. In contrast to Taxes, there are two areas where Pennsylvania scores modestly better: Poor Sales and Insurance, both of which were the top issue for 3 points fewer Pennsylvania small business owners than U.S. ones. The former is particularly positive, as Poor Sales is a major recession indicator.

Single Most Important Problem	Current (PA)	Current (U.S.)	Difference (Rounded)
Competition from Big Business	4.7	5.7	-1
Labor Cost	10.0	8.5	1
Financing & Interest Rates	3.2	2.9	0
Government Regulation	7.4	8.2	-1
Inflation	14.2	12.6	2
Labor Quality	20.5	19.9	1
Taxes	21.1	17.3	4
Poor Sales	6.3	9.8	-3
Cost or Availability of Insurance	6.8	9.9	-3

Table 2

Top Issues (cont.)

Since this is the first Pennsylvania-specific report, it is worthwhile to look at the historical data for these issues. The next three figures cover the 50-year history of these nine categories, with three in each graph to avoid overcrowding. The first figure covers three of the more consistent issues, taxes, government regulation, and competition from big business. While these issues do change over time, they tend to evolve rather than shift dramatically.

A few findings stand out. To start, Taxes have generally been the highest among these three, with one key shift: The significant decrease from the 1990s to 2000s. Long-time Pennsylvania small business owners will note that that corresponds to the major cuts to the Capital Stock and Franchise Tax. At the time, those cuts were billed as the biggest in state history. So, not surprisingly, NFIB's data shows that the tax cuts had a meaningful positive impact on small businesses.

A second finding worth noting is the decade-plus decline in Regulations as the most important problem. In the early 2010s, Regulations were the top issue for 27% of Pennsylvania small businesses, ranking above taxes. Since then, they have steadily declined to the point where, now, they are the top issue for only 7% of small businesses. That's still well above zero, but it is also much lower than 27%.

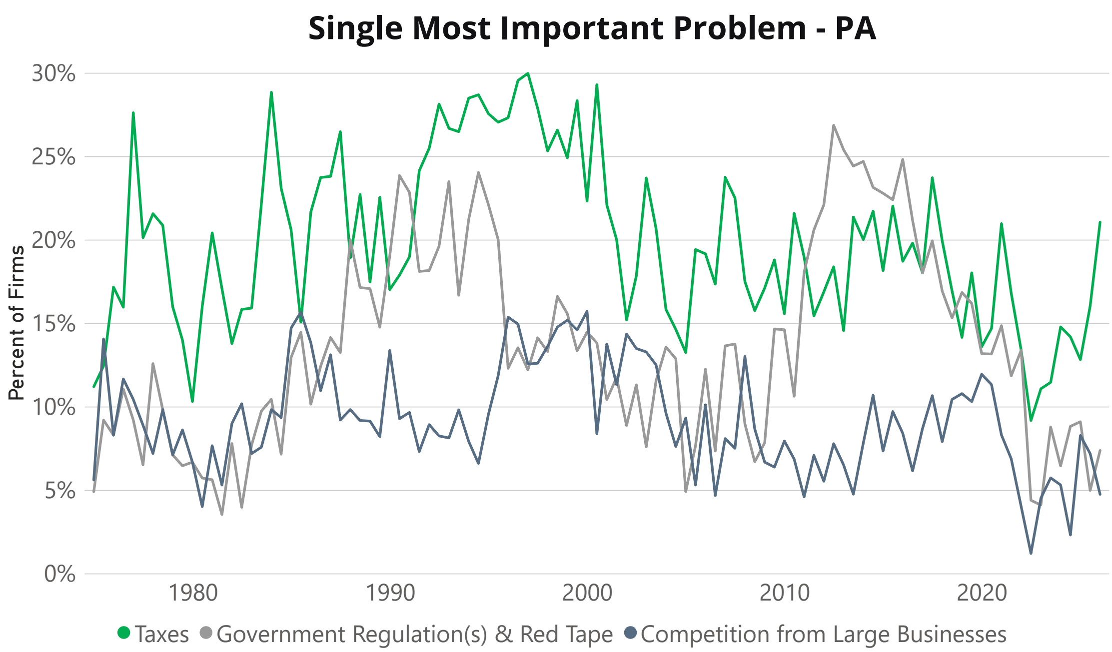


Figure 5

Top Issues (cont.)

The next graph shows three less consistent problems, Poor Sales, Labor Quality, and Labor Cost. These factors are each subject to the business cycle, with Poor Sales spiking during recessions while the labor issues rise during booms. Poor Sales hit the highest level of the three issues, peaking at over 30% of owners reporting it as their biggest problem during the Great Recession. Labor Quality hit its highest point in the tight labor market pre-pandemic and has been elevated for most of the post-pandemic era as well. Labor Cost tends to be lower than Labor Quality and, interestingly, hasn't had any meaningful or sustained spike in Pennsylvania.

Single Most Important Problem - PA

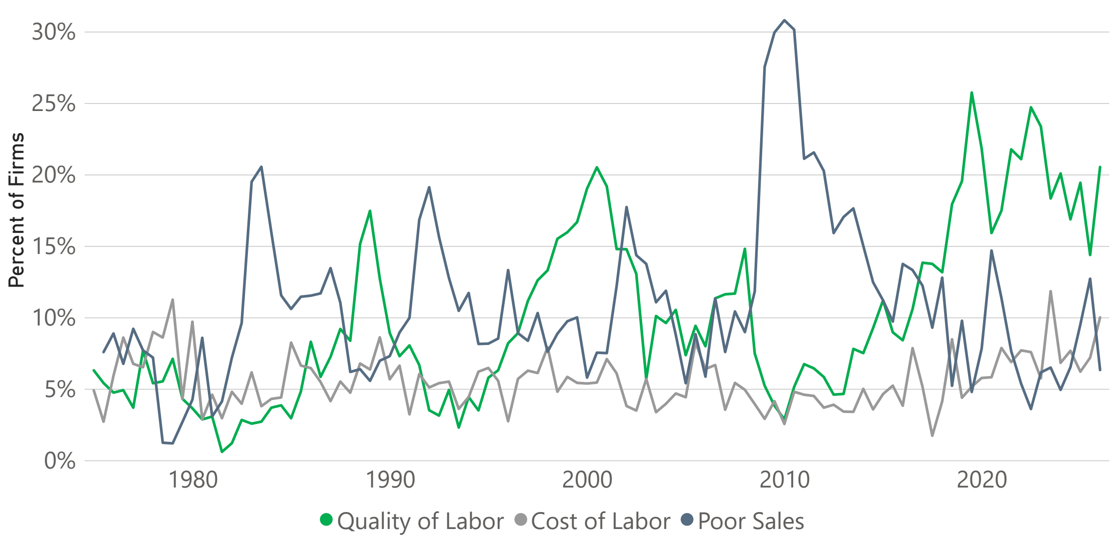


Figure 6

Top Issues (cont.)

The next trio of problems are Inflation, Financing Costs, and Insurance. These three issues have fluctuated dramatically in history, with Inflation above 40% at three separate points over the history of the survey (twice in the first decade of data collection and once in the post-COVID recovery), and Insurance above 40% once in the mid-2000s amidst soaring health insurance premiums and general repricing post 9/11. Financing Costs have had just one high period, in the early 1980s when the Federal Reserve dramatically hiked interest rates to end the years of high inflation.

Single Most Important Problem - WI

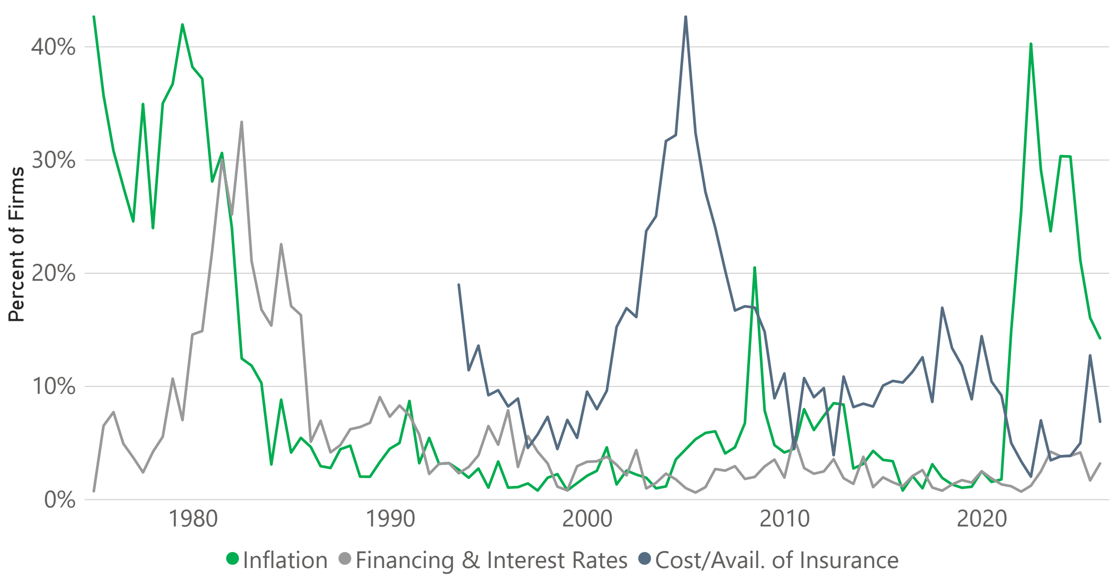


Figure 7

Conclusion

On overall small business metrics—namely, the Optimism Index and Business Health—Pennsylvania is in line with the U.S. overall. That's similar for business problems, where there are limited differences between state and country. One interesting finding in the issue data is the shift coinciding with the Capital Stock and Franchise Tax reform in 2000, which looks like it had a notably positive impact on small businesses in the state. Two indexes showed differences between Pennsylvania and the U.S., the Employment Index and the Uncertainty Index. Fortunately, these indexes both shifted in a more positive direction in this data release, so it will be interesting to see how they progress from here. Overall, the data points to decent conditions for small businesses in Pennsylvania—though decent conditions do leave plenty of room for improvement!

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). For Winter 2025-26, Pennsylvania had 190 total responses.