

TEXAS

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 United States. 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.

TEXAS

The great state of Texas is unlike any other. Its size, diversity, growth, and so much more distinguish it not only from its neighbors but from the nation overall. With an economy led by professional and business services, real estate, and manufacturing, Texas is a mix of white collar and blue collar, urban and rural, and everything in between.

Contextual Data

GDP:	\$2.97 Trillion (2 nd)
Per capita income:	\$73,100 (25 th)
Unemployment rate:	4.3% (28 th)



3.3 million
small businesses



4.9 million
small business employees

The Texas economy is the second largest in the U.S. and big enough to rank in the top 10 countries globally. It is middle-income by the (high) U.S. standards, though it snuck up a ranking into the top half between the previous report and this current one (passing Montana). Its unemployment rate is right on the national average and ranks 28 among states.



Optimism Index

In its first state-specific report last period, Texas had a large advantage over the U.S. on Small Business Optimism. In this second report, Texas once again has a favorable advantage. The latest data (Oct 2025-Mar 2026) shows the Optimism Index at 101.7

for TX, 2.2 points ahead of the 98.5 Index of the U.S. overall. Both are above the Index's historical average of 98.0 (Fig. 1). This is nearly the same as last period, when Texas was at 102.0 and the U.S. was at 98.6.

Small Business Optimism Index Seasonally Adjusted (1986=100)

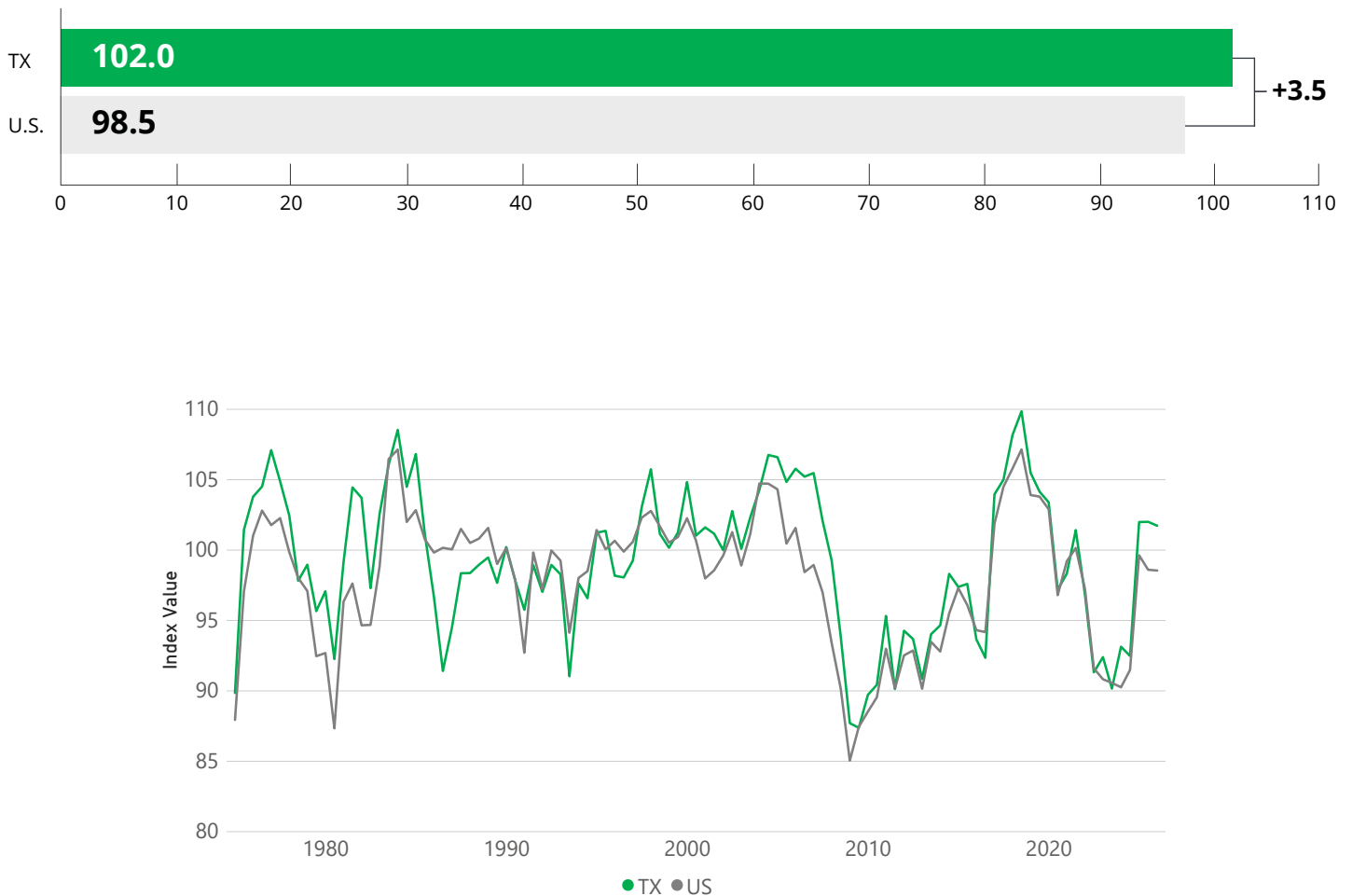


Figure 1



Optimism Index (cont.)

The Index is a composite of 10 underlying questions, and those components illustrate a surprising picture for Texas. Five of the components have almost no difference, one is somewhat meaningfully worse, three are meaningfully better, and one is enormously better.

The three categories that are meaningfully better for Texas are economic expectations, with an 8-point gap, and the two inventory categories, which each have a 5-point gap

(Table 1). The category that is enormously better is real sales expectations — a particularly concrete category that is nice to see performing well — with an 18-point gap (Table 1). To stress, this is a very unusually large gap. On the other hand, the slightly worse category is also a concrete category that you want to see performing well: earnings (profit) trends, which has a 3-point deficit. That combo shows great news and slightly bad news.

Optimism Index Components

Component (Seasonally Adjusted)	Current (TX)	Current (U.S.)	Difference (Rounded)
Plans to Increase Employment	16.9	15.4	1
Current Openings	32.4	32.0	0
Expected Credit Conditions	-5.1	-4.2	-1
Expect Economy to Improve	27.3	18.9	8
Expect Real Sales Higher	28.1	10.6	18
Earnings Trends	-24.8	-21.4	-3
Current Inventory (Too Low)	2.8	-2.6	5
Plans to Increase Inventory	2.3	-2.4	5
Now a Good Time to Expand	14.6	13.2	1
Plans to Make Capital Outlays	19.3	19.4	0

Table 1

How do you reconcile the majorly overperforming real sales expectations and the slightly underperforming earnings expectations, which deserves additional attention, especially when they are reasonably similar metrics that are pointing in such different directions? A possible answer is the rising costs of inflation: The business might be selling more (real sales go up), but their costs are rising too fast for profits to keep up.

That said, the sales vs. earning gap still seems extreme, so looking at additional data is worthwhile. What did last period's numbers say? Real sales expectations outperformed by eight points, and earnings trends outperformed by six. That evens out the latest data. Together, both periods suggest that sales genuinely are performing much better in Texas, though by less than 18 points, and earnings trends are not doing as well as sales, but they're very likely better than the three-point deficit observed here.

Business Health

In early 2025, NFIB added a new question to its survey to ask owners about the health of their small businesses. This gives a concrete, point-in-time complement to the more comprehensive and forward-looking Optimism Index. Generally, the two metrics point in the same direction: If one is above the national average, the other is too. That was the case last period, when Texas had the aforementioned gap in the Optimism Index and also fared better on business health. This period, however, the two measures point in different directions.

While the Optimism Index was clearly more positive for Texas than the U.S. overall, small business health is a bit worse. About four

percentage points fewer Texas owners rated their small business as being in good health, while a slightly larger portion rated their small business as being in fair health. Now, this gap is not large, and it's only between the somewhat similar good and fair categories (as opposed to, say, a shift from excellent to poor). Still, it is a disappointing off note compared to the positivity observed in the Optimism Index. The negativity here is no reason to panic or throw away the positive result on Optimism. That said, it does limit the positivity for Texas in this report and put pressure on future data to further inform the picture of just how well small businesses are doing in Texas.

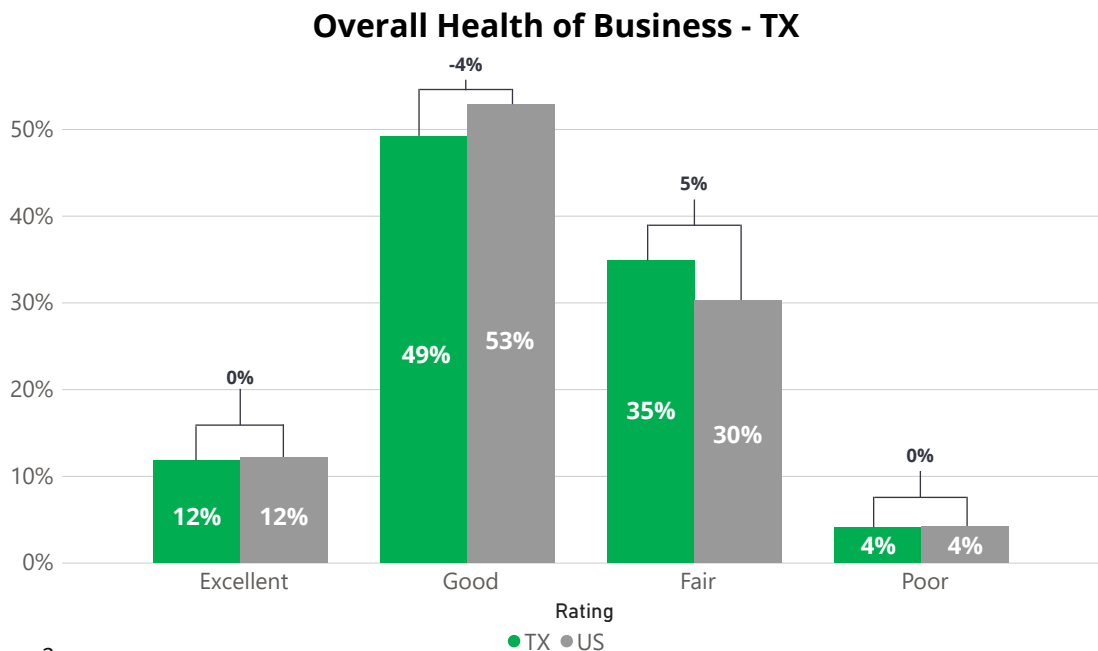


Figure 2

“ About four percentage points fewer Texas owners rated their small business as being in good health, while a slightly larger portion rated their small business as being in fair health. ”



Employment Index

In early 2026, NFIB introduced a metric to better explain the health of the small business job market. The new indicator, now known as the Employment Index, combines six components centered on job counts and compensation change to create a single, useful number. For this Index, higher values signal a tighter labor market where it is more difficult to hire and retain workers, while lower ones signal a weaker market where workers are comparatively easier to hire and retain.

Unfortunately, the latest Employment Index data shows meaningful underperformance for Texas, with an Index of 99.5 vs. a 101.5 mark for the U.S. overall (Fig. 3). That puts Texas just below the historical average of 100.0. The good news is that the index has fluctuated significantly in recent periods. In fact, over the last period, Texas had a positive gap even greater than the current negative one (three points, 104.2 vs 101.2). But then if you look back at yet another period, the comparison is once again negative: (99.5 vs 102.1).

What should you make of this fluctuating data? The short answer is not to read anything too dramatic into the results. The current and recent past negative gaps are disappointing, but they are at least partially counterbalanced by the positive gap last period. Averaging across the three makes the overall picture on employment slightly negative, as does the approach to weight the current result most heavily. So, the takeaway here is indeed negative, but not so much as the two-point deficit would suggest.

One silver lining: Much of the current above average level of the national Employment Index is due to wages rising more rapidly than historical norms. That reflects both labor market tightness and the impact of inflation. Some of Texas's lower number is due to lower wage pressure, which could in turn be caused by lower inflation in Texas.

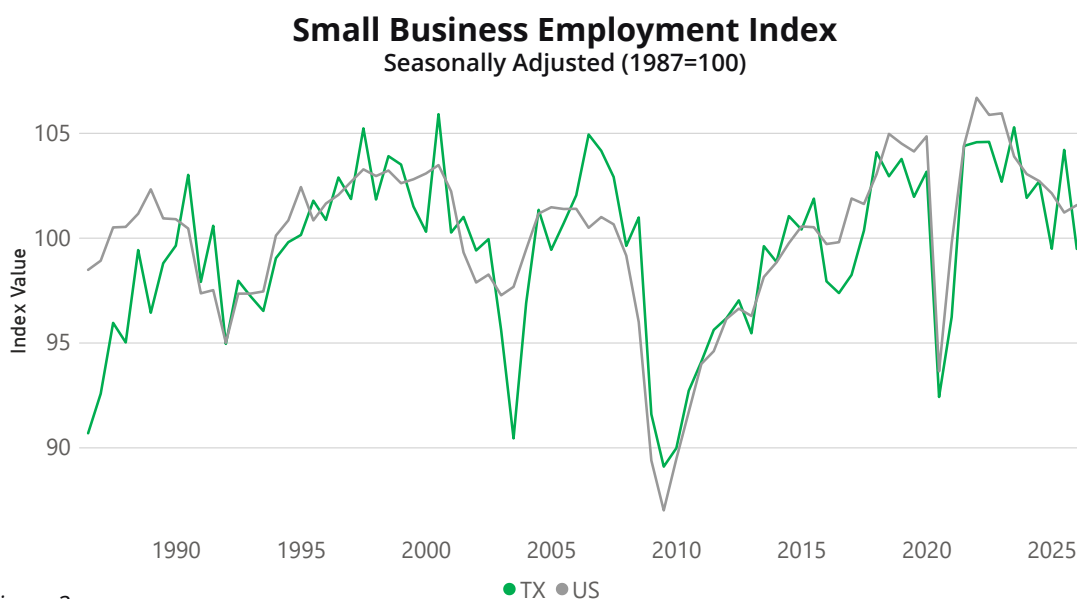
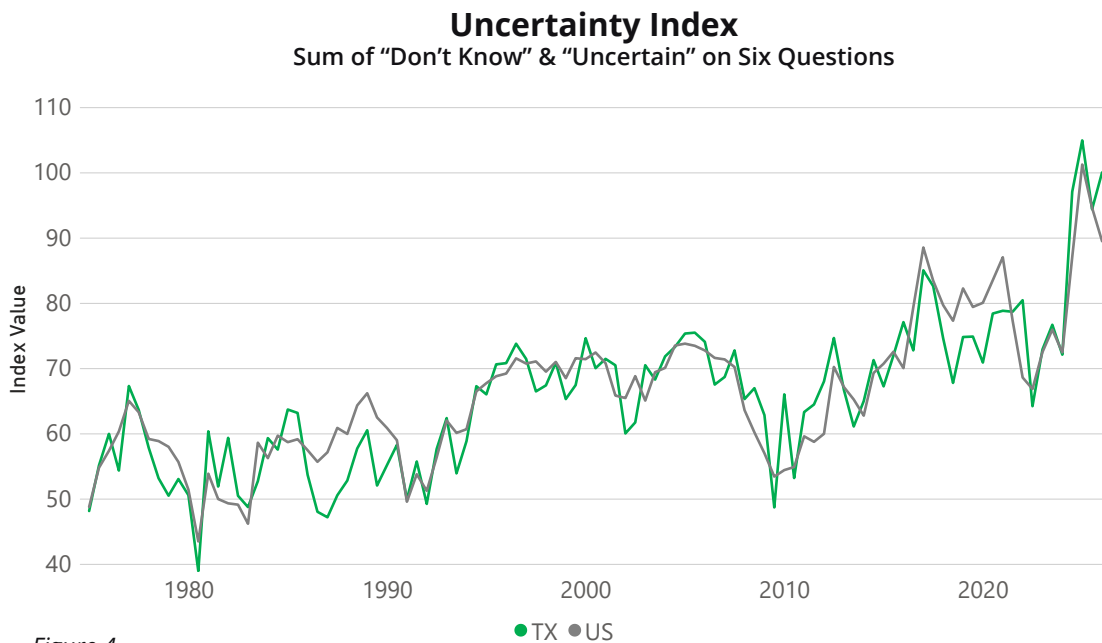


Figure 3

? Uncertainty Index

Uncertainty has been a major challenge for the entire country over the past 18 months. The Index hit a record high during the winter period last year (Oct. 2024-Mar. 2025) for Texas and the U.S. alike. Since then, U.S. uncertainty has steadily declined, though

remaining at a level that would have been a record before this spike. Texas uncertainty has not fared quite so well (Fig. 4). Initially (last period), it declined in line with the U.S. However, this period it kicked back up again, though not to the peak from last year.



In NFIB data, high uncertainty is not the worst possible news. NFIB's Uncertainty Index is a true midpoint between positive and negative, so a decline can come from small business owners deciding things are good, and it can come from them deciding things are bad. As covered earlier, the Optimism Index was essentially stable, meaning the increase in Uncertainty here represents folks from both

sides (good and bad) accumulating in the middle (don't know/uncertain). This movement is not the worst possible outcome — it's much, much better to see above average on Optimism and Uncertainty than to see below average on both — but it's another small disappointment below the headline positive Optimism.



Top Issues

So far, the Texas economic picture has been complicated. Optimism was positive, small business health was disappointing, and the Employment Index and Uncertainty Index disappointed too. What is driving these results? One way small business owners add color to these pulse checks is through their responses on the most important problem facing their business.

In the latest data, Texas small business owners reported faring worse on one issue (insurance), while doing just a bit better on three other issues (inflation, labor cost, and government regulation). Insurance was five points worse in Texas than in the national average (Table 2), and five points worse in the current period than in the previous one. Given that the gap is recent and only moderate, for now it is a point that deserves attention more than actual concern. Among the issues that scored better in Texas, the positive result in labor cost could indicate some of the reasons why the Employment

Index is lower in Texas: If compensation is less competitive, those components would be lower in Texas. That said, this does not cancel out the disappointment in the Employment Index. For one, the employee count components were roughly equal contributors to Texas's underperformance as compared to the compensation ones. In addition, less competition on compensation is generally downstream of a weaker labor market. So, there is a signal here that might help explain the Employment Index disappointment, but only partially and not in a way that negates it.

The other two issues where Texas outperforms the U.S. are pure positives. Inflation has been a major issue over the past five years, so it's great to see both the reasonably low levels and that Texas is faring better than the U.S. Government regulation is a constant thorn in the side of small business, but it is a bit less severe in Texas than the country overall.

Single Most Important Problem	Current (TX)	Current (U.S.)	Difference (Rounded)
Competition from Big Business	7.1	5.7	1
Labor Cost	5.6	8.5	-3
Financing & Interest Rates	2.0	2.9	-1
Government Regulation	5.1	8.2	-3
Inflation	9.7	12.6	-3
Labor Quality	20.4	19.9	0
Taxes	19.4	17.3	2
Poor Sales	11.2	9.8	1
Cost or Availability of Insurance	14.8	9.9	5

Table 2

Conclusion

The current data tells a net positive but certainly mixed story for the small business environment in Texas. The Optimism Index is again a bright spot, but the other key indicators (small business health, the Employment Index, and the Uncertainty Index) are each a bit disappointing. Looking at the single most important problem, the data reveal one area

of possible concern (Insurance) alongside two bright spots (Inflation and Regulation). While this isn't a bad report by any stretch, it is not as positive as the previous one. The next data period will be of particular interest to see if this more neutral profile is backed up, or if there is a reversion to the better results seen before.



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, which means six months of data, and in the quarterly era, which means two quarters of data. For winter 2026, Texas had 196 total responses.