



**WASHINGTON**

**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.

# WASHINGTON

From coastal rainforests to glaciated mountains to the arid east, natural beauty and diversity abound in Washington. So too in its economy, with its iconic companies in tech (Amazon, Microsoft), manufacturing (Boeing), and retail/food (Costco, Starbucks). Industry-wise, its GDP is led by the tech-centric Information industry, with additional major contributions from Real Estate and Professional and Business Services. Retail and Manufacturing round out the top five. But while the state has a large, diverse economy, the environment for small business is challenging.

## Contextual Data

<b>GDP:</b>	\$910 Billion (10 <sup>th</sup> )
<b>Per capita income:</b>	\$90,700 (4 <sup>th</sup> )
<b>Unemployment rate:</b>	5.1% (45 <sup>th</sup> )



**695,695**  
small businesses



**1.5 million**  
small business employees

With an economy just shy of \$1 trillion, Washington is an economic behemoth. And given its top five ranked per capita income, Washington is a prosperous state too. But that prosperity is not shared equally, as its unemployment rate is well above the national average and ranks 45th among states.



# Optimism Index

The best single metric on the health of the small business environment is NFIB's Small Business Optimism Index. While this metric currently rates conditions in the U.S. overall as decent, slightly above the historical average, it is flashing a bright red warning sign for the state of Washington. The latest data shows the Washington Index at 94.5, 4 points below the U.S. level of 98.5 and 3.5 points below the historical national average (Fig. 1).

The current negative reading is no sudden anomaly. Last period, the gap was even worse, with 93.6 for Washington vs. 98.6 for the U.S. Looking deeper into history, Washington has not always had such negative conditions relative to the U.S. In the earliest data (the late 1970s), Washington had a consistent advantage, as it did in the early 1990s. On the other hand, Washington has also had periods of consistent underperformance, such as in the years around 2000.

**Small Business Optimism Index**  
Seasonally Adjusted (1986=100)

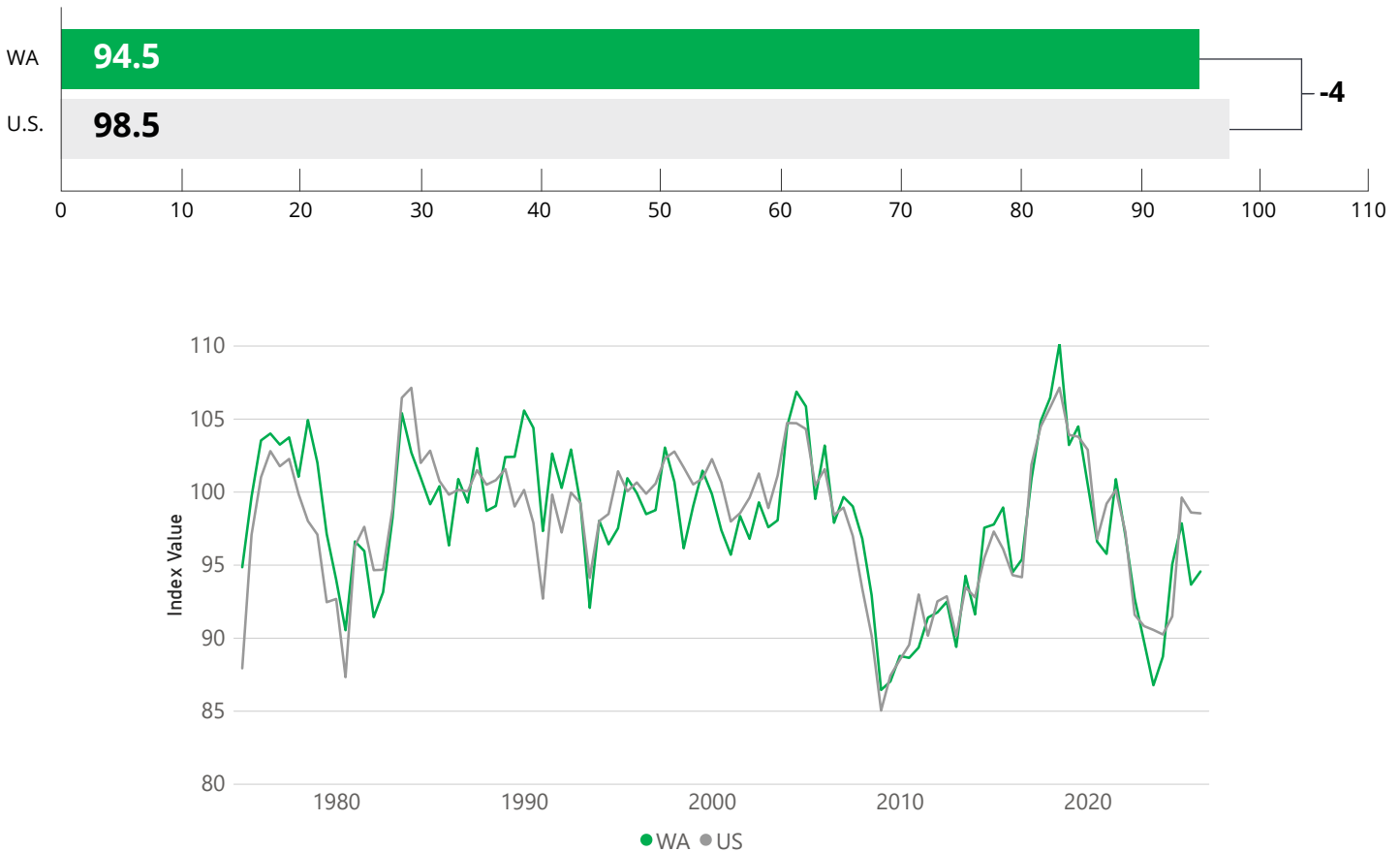


Figure 1



# Optimism Index (cont.)

The 10 underlying components add more detail to this story of underperformance. There are three takeaways here: First, the underperformance is broad-based, with seven of 10 components lower than the national average against just one above the U.S. Second, employment is a key center of weakness. Current job openings are much lower (-8

points), as are plans to increase employment (-10 points). Third, the more sentiment-like components are also much lower, as economic expectations is 11 points lower and good time to expand is 6 points lower. Sales expectations and earnings (profit) trends are also lower, but by modest margins (-3 and -4 points, respectively).

## Optimism Index Components

Component (Seasonally Adjusted)	Current (WA)	Current (U.S.)	Difference (Rounded)
Plans to Increase Employment	5.3	15.4	-10
Current Openings	24.1	32.0	-8
Expected Credit Conditions	-4.3	-4.2	0
Expect Economy to Improve	7.8	18.9	-11
Expect Real Sales Higher	7.2	10.6	-3
Earnings Trends	-25.4	-21.4	-4
Current Inventory (Too Low)	-5.1	-2.6	-2
Plans to Increase Inventory	-1.3	-2.4	1
Now a Good Time to Expand	7.2	13.2	-6
Plans to Make Capital Outlays	19.6	19.4	0

Table 1

# Business Health

Recently, NFIB introduced a new question directly inquiring about the health of owners' small businesses. This provides a more concrete, point-in-time complement to the comprehensive and forward-looking Optimism Index. For Washington, the hope would be that, because the sentiment-focused Index components were key underperformers, the more concrete small business health might better.

No such luck. In line with the Optimism Index, Washington substantially underperforms

the U.S. on small business health. Half as many Washington businesses report being in excellent health as businesses in the rest of the country (6% vs. 12%), and the gap is made up by more small businesses reporting fair (+5 percentage points) and poor (+1 percentage point) health (Fig. 2).

As with Optimism Index, past data only confirms the disappointment. Last period, Washington underperformed on both excellent and good health, while again over-indexing on fair and poor health.

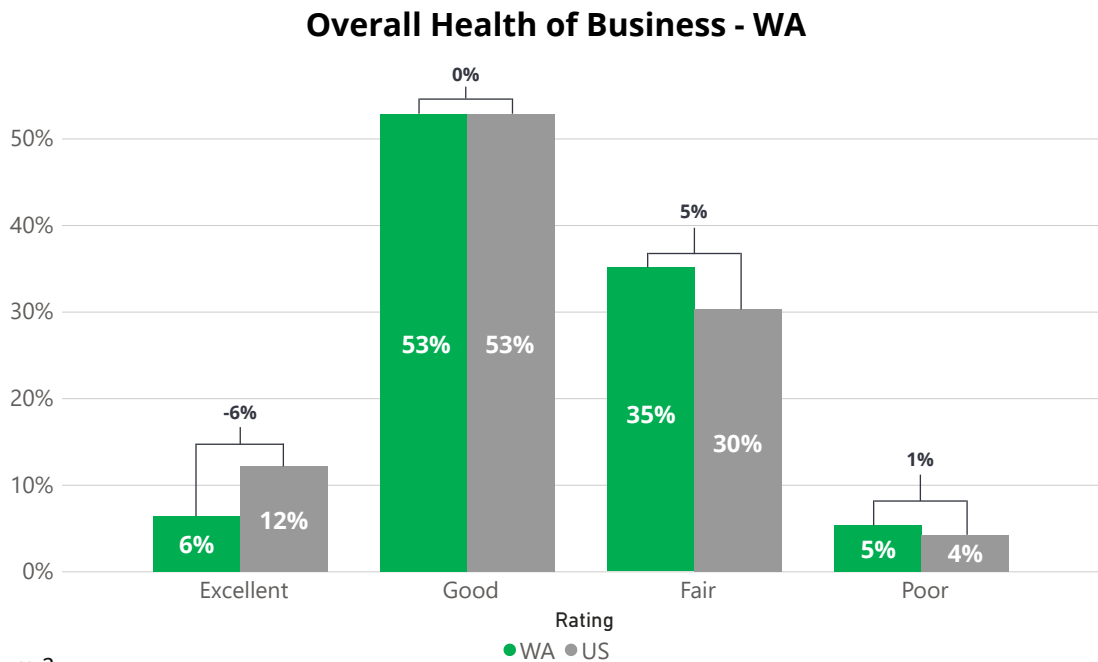


Figure 2

**“ As with the Optimism Index, past data only confirms the disappointment. ”**



# Employment Index

At the start of 2026, NFIB introduced a new index to measure the pulse of the small business job market. The Employment Index is composed of components related to job count and compensation, which are combined into a single data point. The Employment Index's historical average is 100, and higher numbers represent tighter labor markets where hiring and retention are more difficult, while lower numbers represent weaker labor markets where it is generally easier to hire and retain workers.

Based on the labor metrics covered so far, employment is already an area of concern for Washington: Its unemployment rate is well above the U.S. average, and the job-related components of the Optimism Index stood out as significant underperformers. What does the Employment Index say?

Job market troubles confirmed: Washington's Employment Index is 99.8, 1.8 points below the U.S. level and 0.2 points below the historical U.S. average (Fig. 3). This deficit is not new, as the Employment Index was 98.6 last period, 2.6 points below the national level of 101.2.

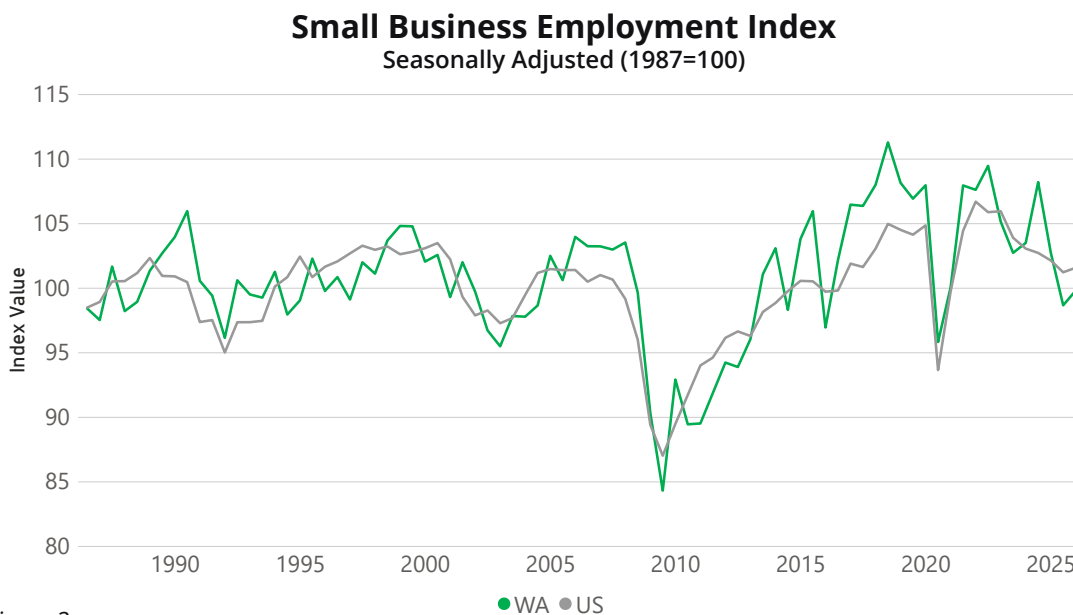


Figure 3

A silver lining though is that these gaps are smaller than those in the Optimism Index. And, if you look further into the past, you see many periods of overperformance for Washington, including for most of the past decade. As described at the outset, the Employment Index's components fall into two categories: job count and compensation.

Studying these components shows that Washington is much worse on the job count components while slightly higher on compensation. In other words, small businesses in Washington are weak on the hiring front even as they face employee cost pressures on par with the rest of the country.

# ? Uncertainty Index

One major difficulty for small businesses nationally over the past two years is uncertainty. In NFIB's Uncertainty Index, U.S. levels hit a record high two periods ago before moderately declining through the current period (though the current U.S. level would have been a record before the recent spike). This section offers some neutral-to-potentially positive news for Washington, as the data shows a lower uncertainty level for the state (Fig. 4)

For each of the past four periods, Washington has had a meaningfully lower uncertainty level than the U.S. However, the state still set a record two periods ago, just as the U.S. did, and is still above its long-term average.

The reason that this is not purely good news is the nature of NFIB's Uncertainty Index. Unlike many other "uncertainty" indexes that actually measure volatility, NFIB's Uncertainty Index is a true midpoint index, where it increases when more respondents cannot say if conditions are good or bad, so instead say, "Don't know" or "Uncertain." As a result, lower uncertainty can be a double-edged sword. Respondents may be less uncertain because they have decided things are better or less uncertain because they have decided things are worse. Given that the Optimism Index is substantially underperforming, the benefits of lower Uncertainty are weakened by the fact that fewer businesses are saying "Don't know" because they are instead saying conditions are worsening.

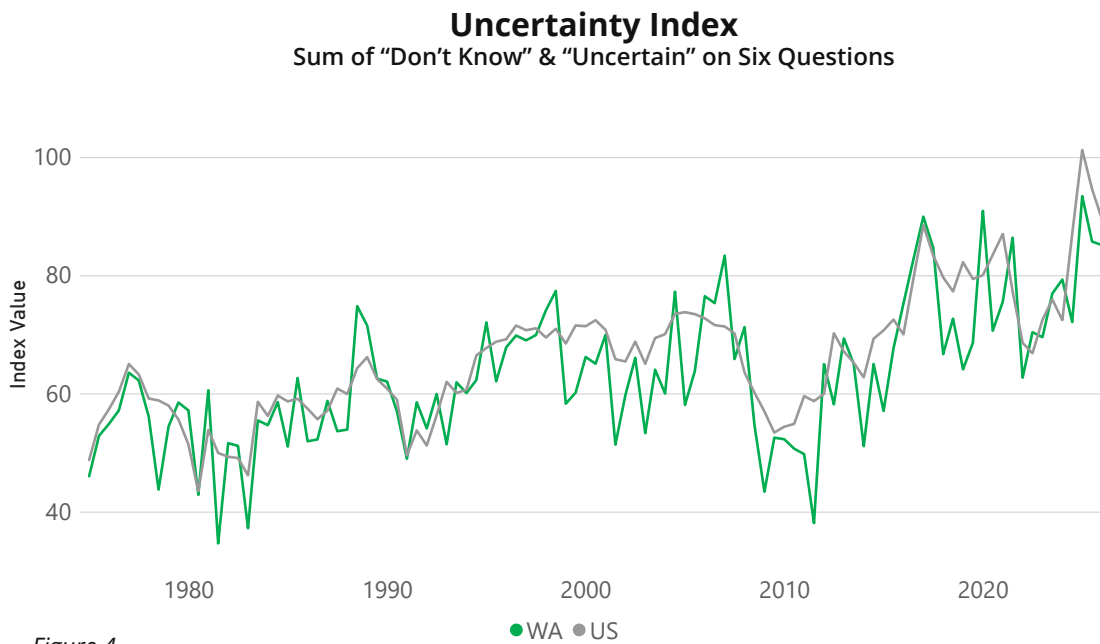


Figure 4



# Top Issues

So far, we have seen bad news on Optimism, Business Health, and Employment, and so-so news on Uncertainty. That raises the critical question: Why? Why is Washington underperforming on all the most important small business metrics?

One key question that adds color and nuance to the Indexes is the owners' single most important problem. This question shows a different profile of difficulties for Washington small businesses vs. those in the rest of the country. Those differences serve as the telltale sign of why Washington is so tough for small business.

The biggest standout is labor. We have already noted Washington's underperformance on unemployment, job-related Optimism Index components, and the Employment Index. Here, we see that Washington faces a dramatically different profile of labor difficulties than the U.S. Specifically, labor cost is dramatically worse in Washington than in the U.S. overall, with more than twice as many respondents ranking it as

their top problem (19% vs. 9%). That makes labor cost the second most severe issue in Washington, while it ranks just sixth (of nine) in the U.S. overall. On the other hand, labor quality is significantly less of an issue in Washington, identified as the top issue by 12% of state respondents vs 20% in the U.S.

One key takeaway is that Washington small businesses find it exceptionally difficult to afford help. Why are their hiring plans lower? Why is Washington's unemployment rate higher? The data here give a simple answer: It is too expensive to hire in Washington.

One other category is substantially worse in Washington: Government regulation, which is 7 points higher in the state than in the country. That makes regulation the third biggest problem in Washington while it is the seventh worst in the U.S.

The final issue that Washington fares worse on is taxes, with a 3-point gap. A small gap beats a large gap, but any deficit is bad news.

Single Most Important Problem	Current (WA)	Current (U.S.)	Difference (Rounded)
Competition from Big Business	3.2	5.7	-2
Labor Cost	19.1	8.5	11
Financing & Interest Rates	2.1	2.9	-1
Government Regulation	14.9	8.2	7
Inflation	10.6	12.6	-2
Labor Quality	11.7	19.9	-8
Taxes	20.2	17.3	3
Poor Sales	8.5	9.8	-1
Cost or Availability of Insurance	6.4	9.9	-4

Table 2



# Top Issues (cont.)

Other than labor quality, one other issue has a modestly lower percentage in Washington: Insurance, by four points. Despite the lower number, insurance continues to weigh heavily on Washington’s small businesses.

Since this is the first Washington state report, reviewing the data’s history has value. The next graphs cover all nine issues over time, split into three groups of three to avoid overcrowding. The first trio are among the most consistent issues: Taxes, Government Regulation, and Competition from Large Business. While these issues do change over time, they tend to do so at an evolutionary rather than rapid pace.

As shown in Figure 5, the current high level of Government Regulation is nothing new. In fact, the current level is actually lower than the past two periods as well as most of the 2010s. Regulation has long been a particularly severe issue in Washington. For taxes, the story is similar. Taxes have consistently been a bigger problem in Washington and often been at exceptionally high levels of owners reporting it as their top issue; For example, the percentages in the 30s observed in the 1990s are much higher than you see in the U.S. overall. On the other hand, Competition from Large Businesses has consistently ranked as a less significant problem.

### Single Most Important Problem - WA

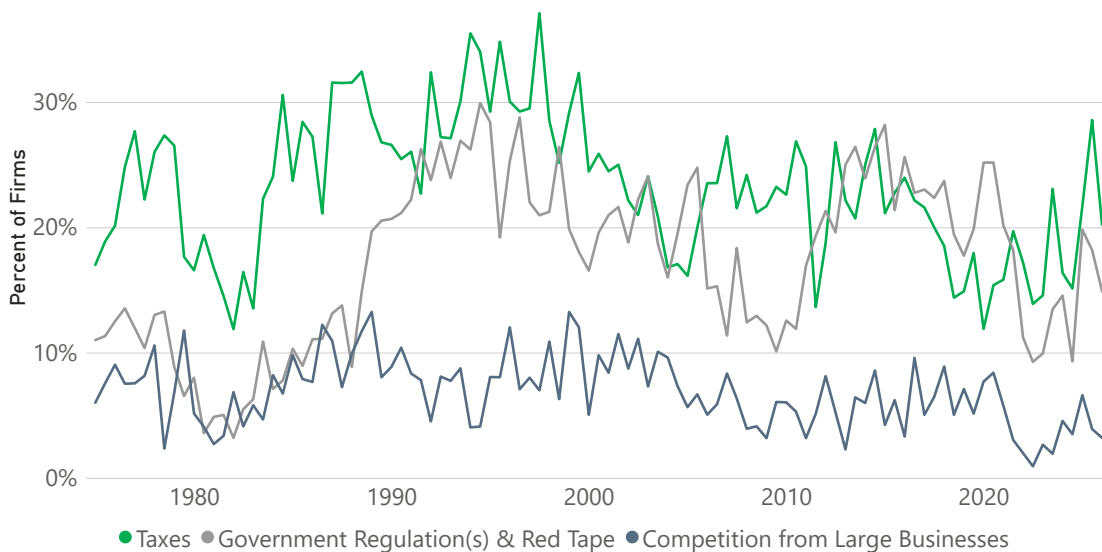


Figure 5



# Top Issues (cont.)

The next trio of issues are ones that move in response to the business cycle, making them much less consistent: Poor Sales, Labor Quality, and Labor Cost. Just as for the previous graph, the historical data here shows that current levels are not anomalous. Labor Cost has been at or above Labor Quality for the last three periods (Fig. 6). That comes after nearly 10 years where Labor Cost was close to

the level of Labor Quality. This is exceptional. In the rest of the country, Labor Quality is reliably much worse than Labor Cost — especially when the economy is in good health. Looking back through history, Labor Cost was at its worst in the strong market of the late 2010s, Labor Quality was at its peak in the post-pandemic overheated recovery, and Poor Sales was worst during the Great Recession.

Single Most Important Problem - WA

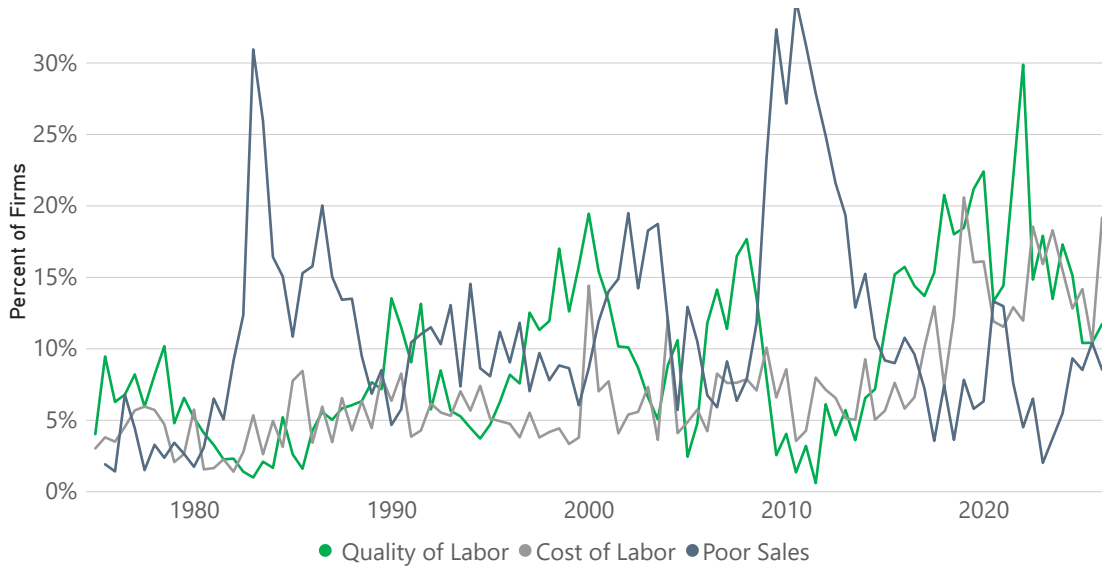


Figure 6



# Top Issues (cont.)

The final trio of issues are Inflation, Financing Costs, and Insurance. Inflation has had two bad periods in history, the worst in the late 1970s stagflation period, and the second worst post-pandemic (Fig. 7). Financing Costs had one severe spike, in the early 1980s when the Federal Reserve dramatically hiked interest

rates to squash persistently high inflation. Insurance has mostly been a lower-level issue comparatively, though it had a bad period in the mid-2000s when post 9/11 reinsurance pricing and a major runup in health insurance costs brought that issue to the fore.

### Single Most Important Problem - WA

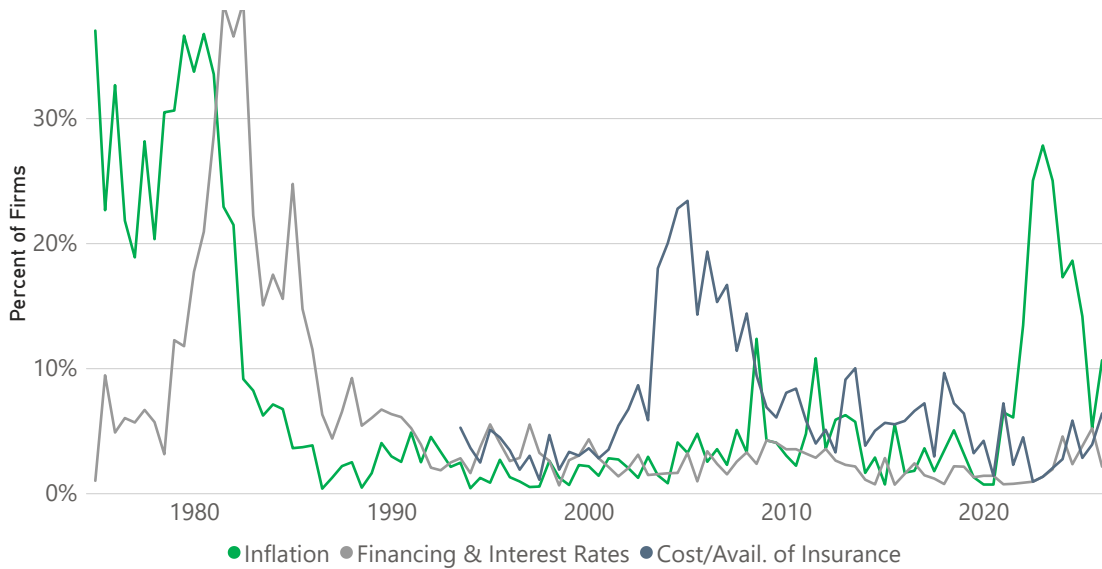


Figure 7

# Conclusion

Washington is a beautiful, high-income, and diverse state. But it has challenges. Its unemployment rate is high and rising, and its small businesses are struggling. Its Small Business Optimism Index is much worse than the U.S. overall, and Washington owners report worse small business health. When you try to understand why, two major problems stand out. At the top of the list is labor. Small

businesses are not hiring, and a major reason why is because it is much more costly to do so in Washington than in the rest of the country. A second reason for their struggles is regulation, which the data suggests is much more challenging for Washington small businesses than for those elsewhere. Washington is a difficult place to operate a small business right now, and the data sends clear signals why.



## 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, Wisconsin had 94 total responses.