

NFIB RESEARCH CENTER

Small Business Economic Trends

OCTOBER 2026

Quarterly Industry Report

Highlights



The Industry data are aggregated and seasonally adjusted through the nfib-sbet.org website. The "overall" (all firms) data are published here and may differ slightly from website results due to rounding and seasonal adjustment differences. "All industries" refers to the four industries reported in this report (construction, manufacturing, retail, and services). The exception is the Supply Chain and Business Health sections, which compare all nine industries.

Highlights (cont.)

In October, the Optimism Index declined from the previous quarter for all reported industries except manufacturing. Manufacturing firms were the most optimistic and exceeded the historical average. The retail and services industries were the least optimistic, reporting the lowest levels of optimism of the four.

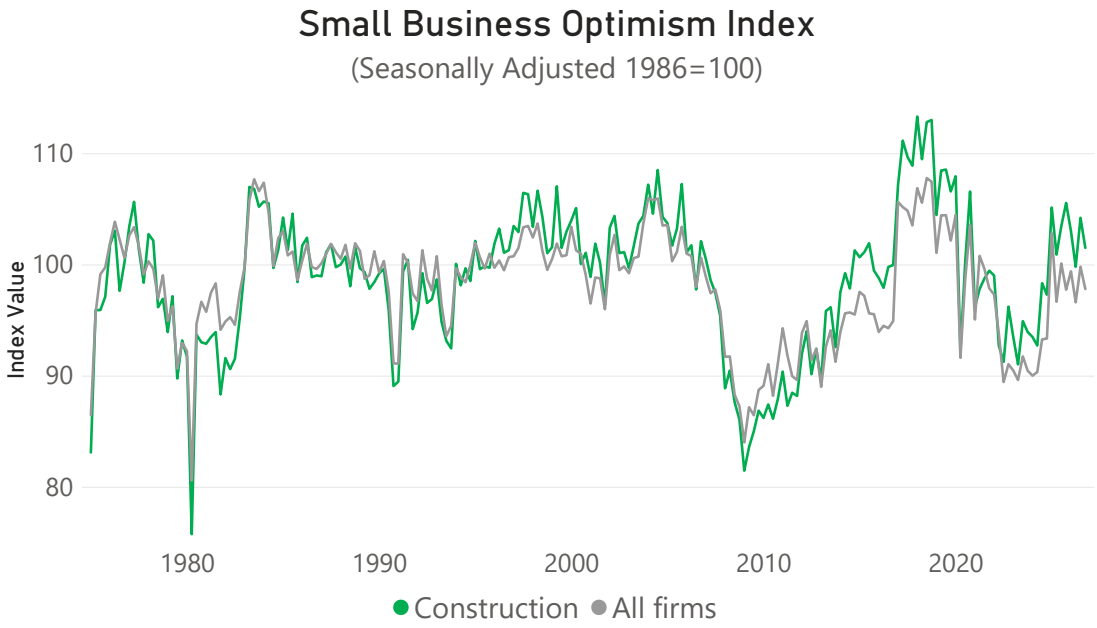
- The Optimism Index for the construction industry fell 2.7 points from July to 101.5, though it remains above the historical average and the overall Optimism Index. The decline was widespread among the 10 components, led by decreases in inventory plans, expected business conditions, and reports that it is a good time to expand. All index components declined from July except for earnings trends.
- In construction, the only index component to improve from the previous quarter was earnings trends, rising 4 points to a net -15% (seasonally adjusted). Construction firms reported the strongest earnings trends of all industries and were 8 points above the level for all firms.
- The Optimism Index for the manufacturing industry rose 1.6 points in October, reaching 105.9, the highest of all industries and the only Index to increase from July. Real sales expectations, expected business conditions, and reports that it was a good time to expand contributed most to the increase. These gains were partly offset by a 16-point decline in earnings trends.
- The outlook components, expected business conditions, and reports that it was a good time to expand helped drive the rise in optimism among manufacturers, and were the highest of all industries. A net 18% (seasonally adjusted) of small business owners in the manufacturing industry expect business conditions to improve over the next six months (up 7 points from July), and 19% (seasonally adjusted) reported that it is a good time to expand their business (up 7 points from July).
- In October, the retail industry's Optimism Index dropped 1.6 points from July to 93.2, remaining below its historical average of 96.0. Lower inventory investment plans and fewer job openings drove the decline, while stronger real sales expectations partly offset the drop. Retailers were less optimistic than businesses in the other three industry categories.
- Expectations for better business conditions in the services industry fell 9 points from July to a seasonally adjusted net 6%, the largest decline of the other industries. October's drop reversed the improvement seen from April to July and largely drove the decline in optimism.
- In October, 65% of all small business owners reported that supply chain disruptions impacted their business (up 2 points from July). Supply chain disruptions were most prevalent in the wholesale industry (85%), and least prevalent in the professional services (26%) and finance (21%) industries.
- Overall, 69% of small business owners rated their business's overall health as excellent or good in October (unchanged from July). Reports were highest in professional services (78%) and lowest in transportation (52%).

Construction **Optimism Index**

In October, the Optimism Index for the construction industry fell 2.7 points from July to 101.5. All index components declined, except earnings trends, which rose 4 points. The decline was widespread, led by decreases in inventory plans, expected business conditions, and reports that it was a good time to expand. Despite the decline, the Index remains above the industry's historical average of 98.7 and is 3.7 points higher than the overall Index.

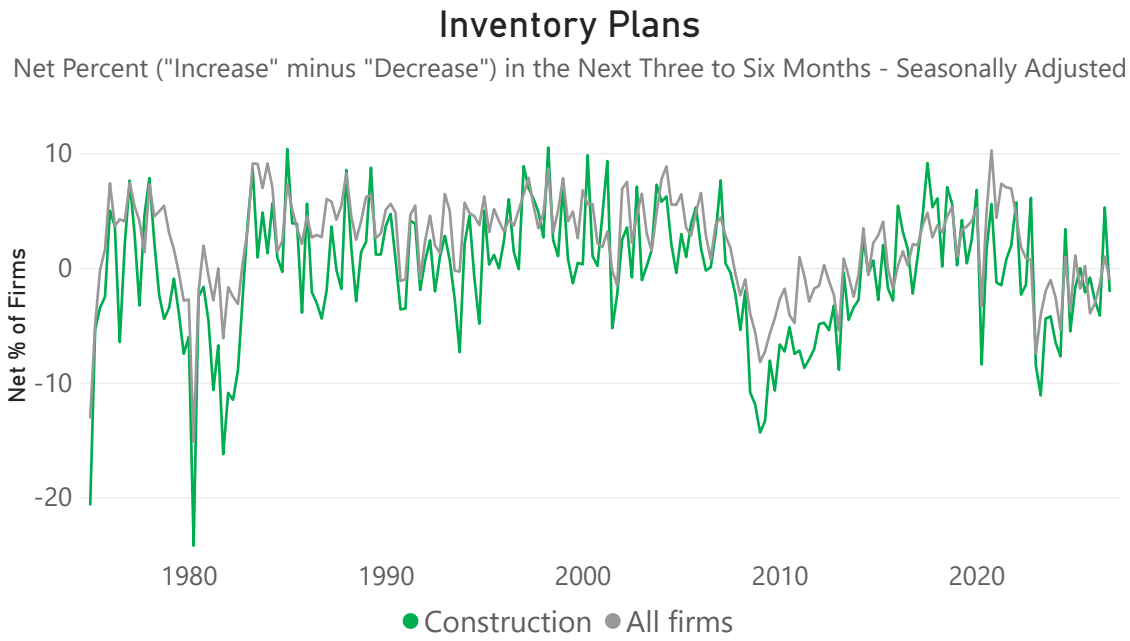


Optimism Index (cont.)



Index Components	Construction	Change from Last Quarter	All Firms
Plans to Increase Employment (net)	27%	-1	18%
Plans to Make Capital Outlays	24%	-2	21%
Plans to Increase Inventories (net)	-2%	-7	-1%
Expect Economy to Improve (net)	11%	-5	8%
Expect Real Higher Sales (net)	12%	-3	9%
Current Inventory – too low (net)	-1%	-4	-3%
Current Job Openings	50%	-3	36%
Expected Credit Conditions (net)	-7%	-3	-5%
Good Time to Expand	12%	-6	11%
Earnings Trends (net)	-15%	4	-23%
Optimism Index	101.5	-2.7	97.8

Inventory Plans

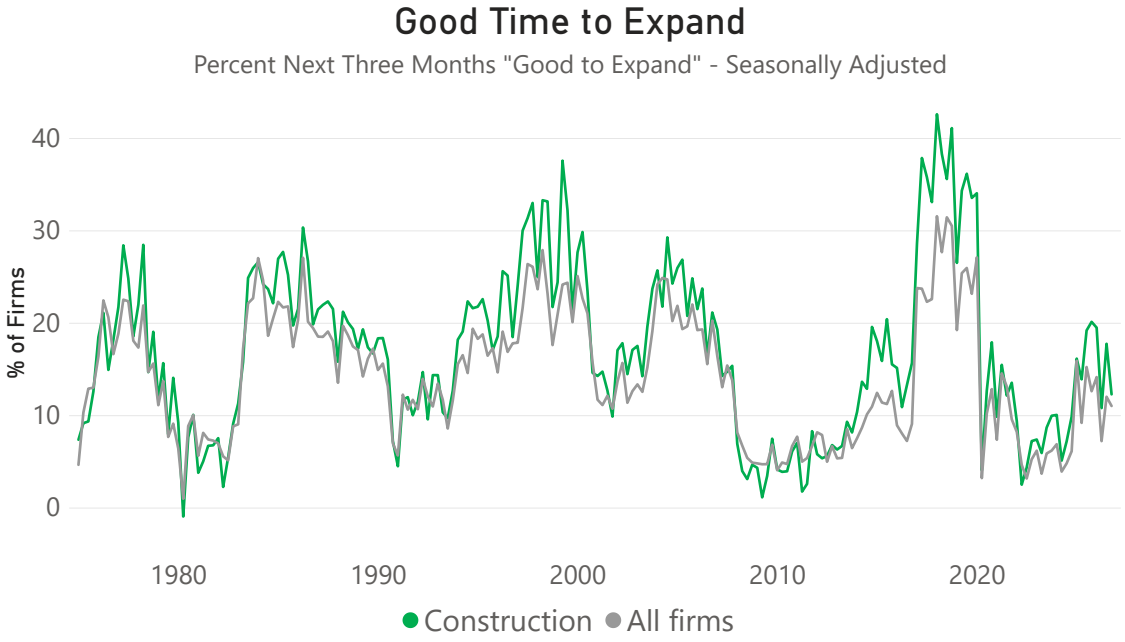


A net -2% (seasonally adjusted) of small business owners in the construction industry plan to increase inventories in the next three to six months, down 7 points from July. Despite this decline, inventory plans for the construction industry are near the level for all firms.



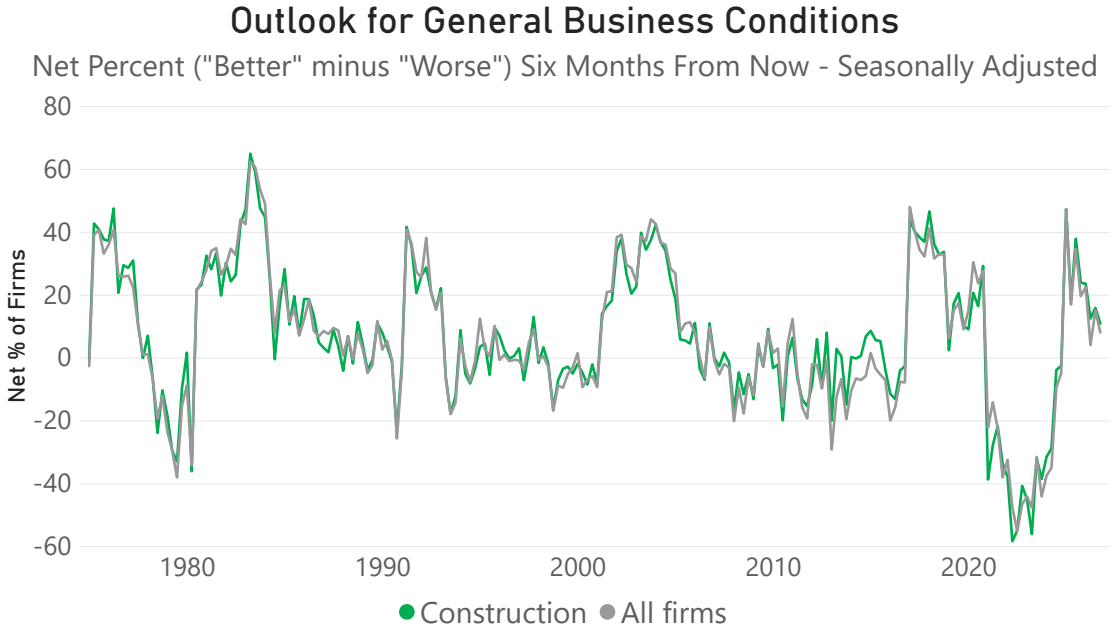
Good Time to Expand

In October, fewer construction owners reported that it was a good time to expand their business than in the previous quarter. Twelve percent (seasonally adjusted) of construction owners reported that it was a good time to expand, down 6 points from July and below its historical average of 17%. When asked why it was not a good time to expand, the primary reason was economic conditions.



Business Conditions Expectations

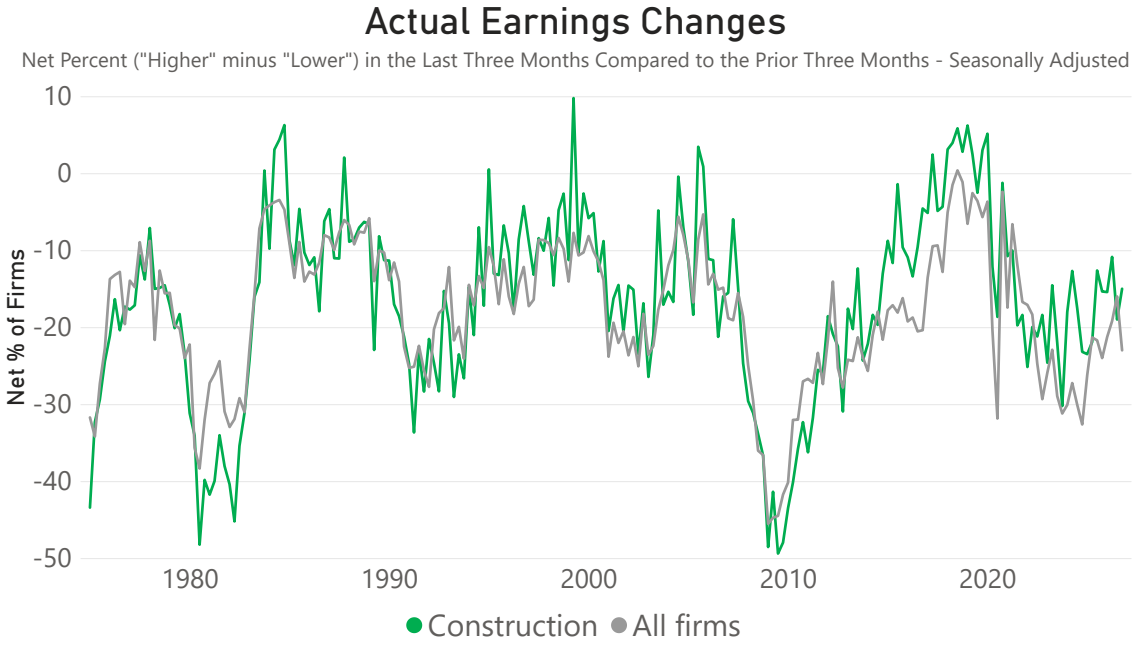
As with the other outlook components, expectations for better business conditions in the construction industry declined in October. A net 11% (seasonally adjusted) of small business owners in the construction industry expect better business conditions in the next six months, down 5 points from July, but 3 points above the level for all firms.



"In general terms, the economy and tariffs affect the labor sector, making any project difficult to predict. This is especially true in the construction sector." **– CONSTRUCTION, TX**

Earnings Trends

Earnings trends were the only index component to improve from the previous quarter. The net percent of construction owners reporting positive profit trends increased 4 points to a net -15% (seasonally adjusted). This marked an improvement from the 8-point decline seen from April to July. Among owners reporting higher profits, the top reasons were increased sales volume and seasonal change. Compared with other industries, construction had the highest reading in October and was 8 points above the level for all firms.



"We need new vehicles, but they are too expensive to afford or not available, so maintenance and downtime are up, and production is down as well as net income..."
– CONSTRUCTION, WY

MEMBER QUOTES

"The business is heavily influenced by escalating diesel prices. It is becoming a significant hardship." **– Construction, MN**

"Rising material costs are a big problem. It's hard to keep passing the entire cost on to our customers because interest is higher, and every other living expense is up." **– Construction, MI**

"Fuel prices are becoming so drastically high that we will have to start adding fuel surcharges when billing. This will be the first time in our almost 28 years in business. Fuel prices are affecting everything! Our ability to turn a profit can heavily lead back to fuel prices, especially due to our heavy use of equipment." **– Construction, ME**

"I fear the lack of skilled labor in the current marketplace; the work is getting harder to do. Not enough people, wages are up for skilled labor, and margins are lower. Frustrating! I would like to do more work, but without qualified labor, expansion is not an option at this time." **– Construction, MA**

"It is very difficult to hire skilled workers, which limits the volume of work that can be done." **– Construction, PA**

"It is hard to find skilled employees and retain them." – Construction, GA
"It has been very challenging to find good help, and it seems to continue as the trend." **– Construction, MA**

"Our company has found it very hard to find qualified candidates to work in the construction inspection field. Candidates are either terminated for non-performance or quit after a few months." **– Construction, PA**

"Tariffs are driving up our costs. Labor costs are also increasing, but tariffs are the most costly." **– Construction, SC**

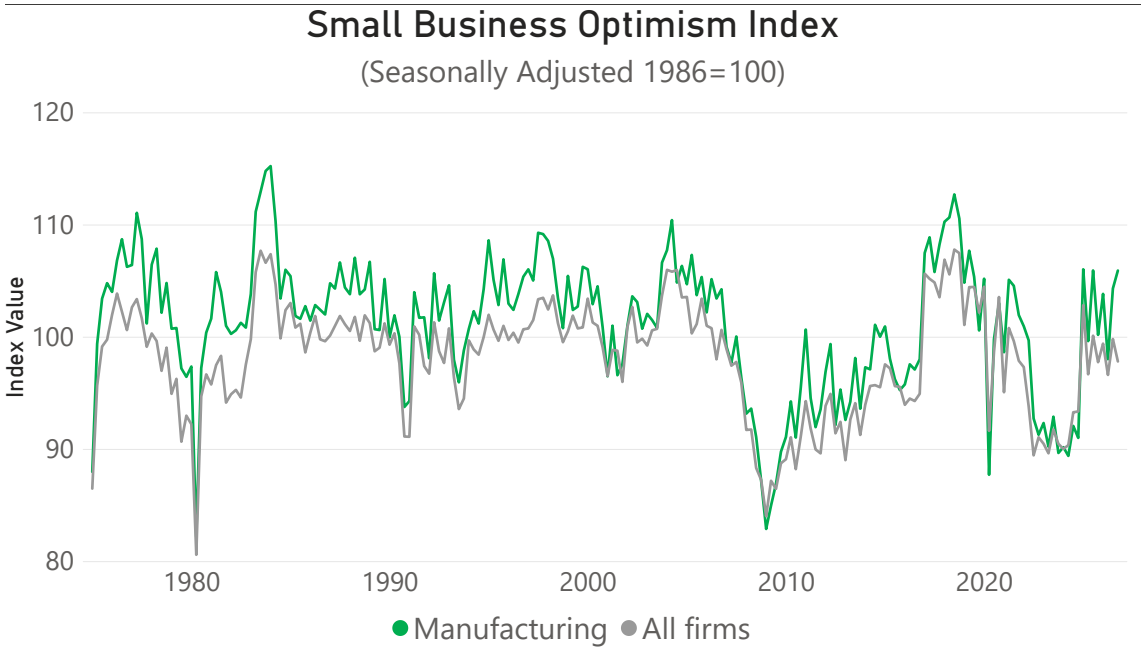
"Business is good, with a mix of commercial and residential work. We would like to expand but are afraid of the financial and political climate. I find taxes and insurance too high!" **– Construction, NJ**

Manufacturing **Optimism Index**

The Optimism Index for the manufacturing industry rose 1.6 points in October to 105.9, remaining above its historical average of 101.2. Manufacturing firms were the most optimistic of all industries and the only industry whose Index increased from July. The components contributing most to the Index's increase were real sales expectations, expected business conditions, and reports that it was a good time to expand, all of which were higher than those for all firms. These gains were partially offset by a 16-point decline in earnings trends.



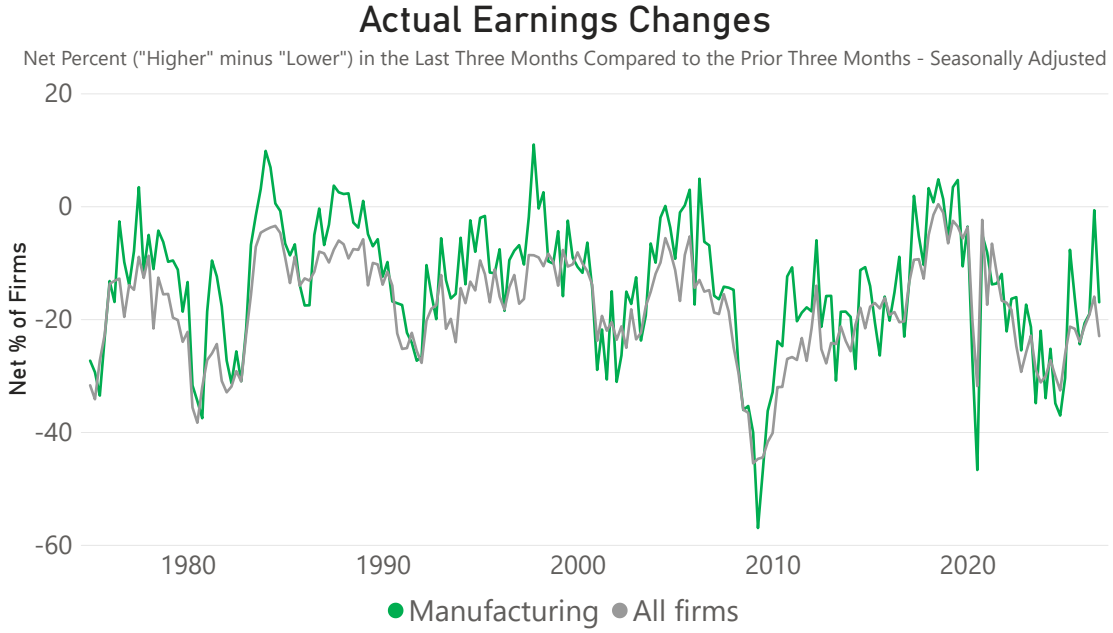
Optimism Index (cont.)



Index Components	Manufacturing	Change from Last Quarter	All Firms
Plans to Increase Employment (net)	33%	3	18%
Plans to Make Capital Outlays	31%	0	21%
Plans to Increase Inventories (net)	6%	6	-1%
Expect Economy to Improve (net)	18%	7	8%
Expect Real Higher Sales (net)	34%	10	9%
Current Inventory – too low (net)	-4%	-1	-3%
Current Job Openings	43%	2	36%
Expected Credit Conditions (net)	-4%	-1	-5%
Good Time to Expand	19%	7	11%
Earnings Trends (net)	-17%	-16	-23%
Optimism Index	**105.9**	**1.6**	**97.8**

Earnings Trends

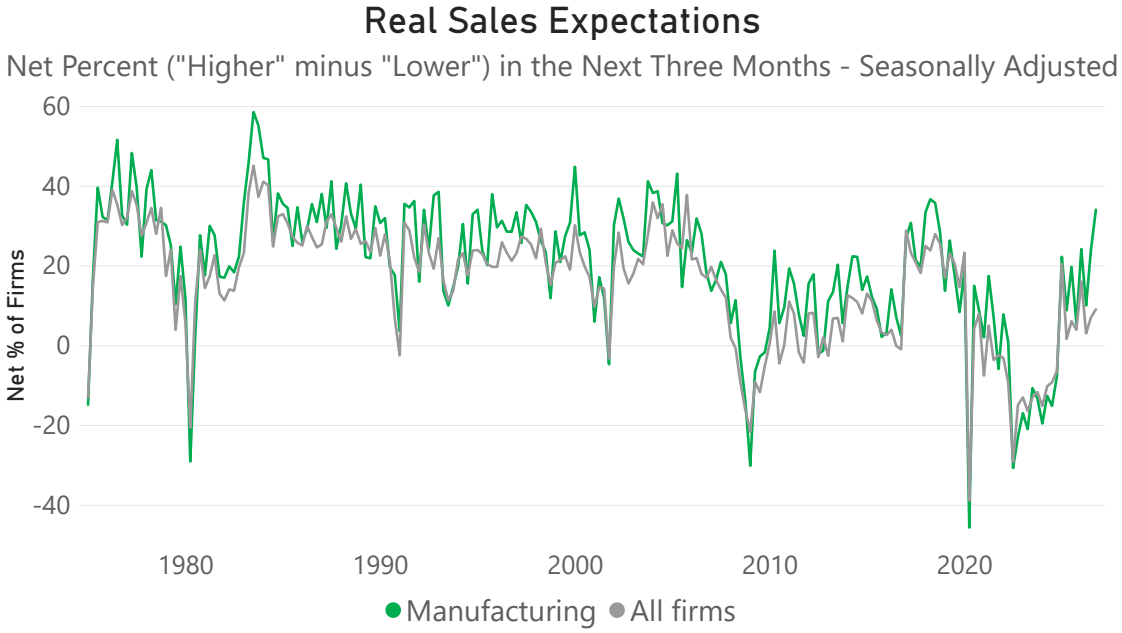
Although the manufacturing industry saw the greatest increase in optimism, earnings trends worsened considerably from July. Earnings trends in manufacturing fell 16 points from July to a net -17% (seasonally adjusted), marking the largest decline of all industries. October's reading fell below the historical average of a net -14% (seasonally adjusted). Despite weaker earnings, manufacturing firms posted the second-highest reading of all industries (after construction) and were 6 points above the level for all firms.



"Things have been hard. We have fewer people coming in regularly and are taking longer to sign contracts, and we only have had enough money to cover payroll and taxes. Sales have picked up over the last few weeks, but winter is traditionally our slow period, so I'm a little worried." **– MANUFACTURING, PA**

Real Sales Expectations

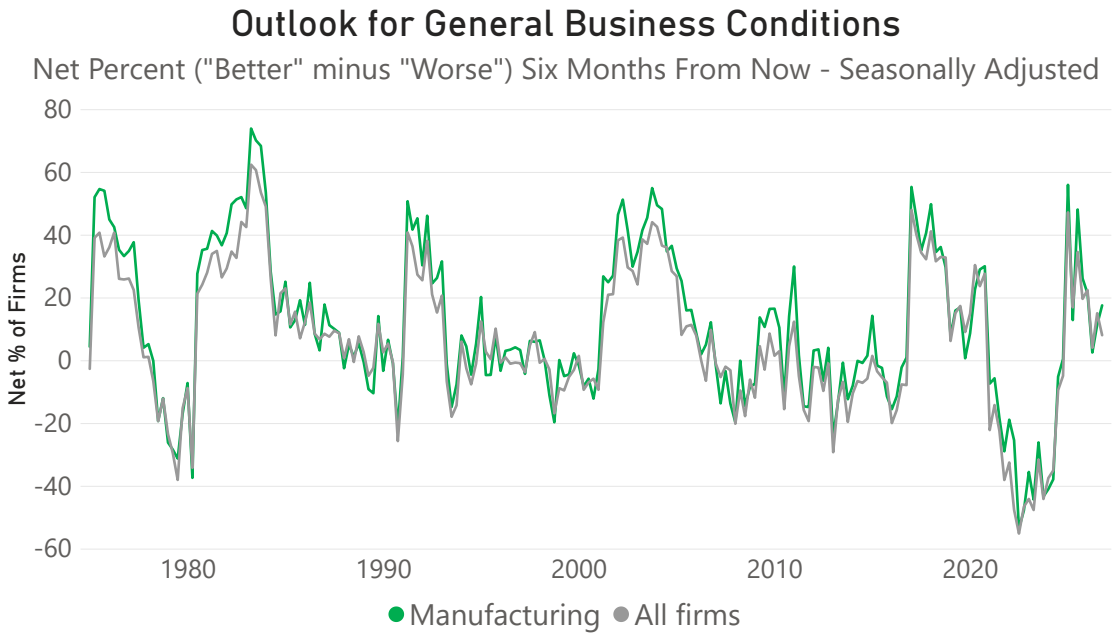
The component that contributed most to the increased optimism among manufacturers in October was real sales expectations. The net percent of small manufacturing firms expecting real sales to increase in the next three months rose 10 points from July to a net 34% (seasonally adjusted). Real sales expectations were highest in the manufacturing industry and significantly exceeded the level for all firms by 25 points.



"Overall business has been steady and very busy."
– MANUFACTURING, OH

Business Conditions Expectations

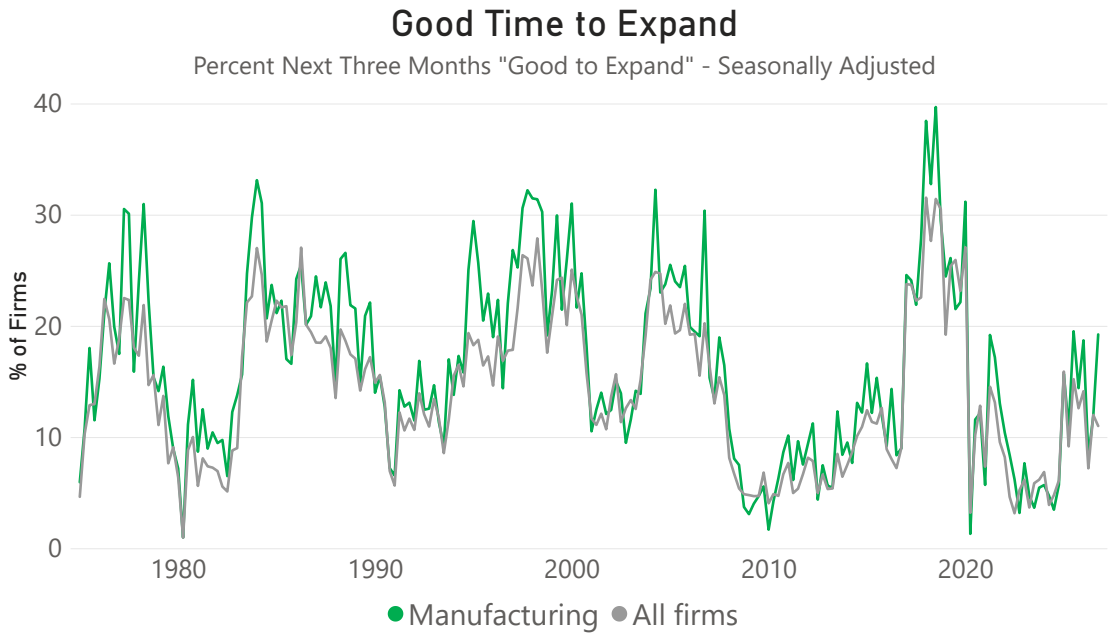
Expectations for better business conditions improved for small manufacturers for the second consecutive month. A net 18% (seasonally adjusted) of small business owners in the manufacturing industry expect business conditions to improve over the next six months, up 7 points from July. Manufacturing posted the highest reading of all industries and was the only one to post positive gains in October.





Good Time to Expand

With more owners in the manufacturing industry expecting higher real sales and better business conditions, more owners report that it is a good time to expand their business. Nineteen percent (seasonally adjusted) of small business manufacturers reported that it was a good time to expand their business, up 7 points from July and above its historical average. Reports that it was a good time to expand the business were highest in manufacturing of all industries and exceeded the level for all firms by 8 points. Additionally, the manufacturing industry experienced the greatest improvement from the previous quarter of all industries.



MEMBER QUOTES

"Energy and labor cost increases are major headwinds. Uncertainty around fuel costs, incoming freight, and tariffs is problematic and challenging to manage." **– Manufacturing, CT**

"Some products we need for production are hard to get timely and all of the supplies and products we need to produce our products continue to rise in price. We can't raise our prices enough to cover all of our additional costs." **– Manufacturing, TX**

"The lack of skilled labor is very constricting in manufacturing. Our family owns several different businesses, so the workforce is a problem across most positions." **– Manufacturing, AZ**

"Customers are paying more slowly; thus, we are paying vendors more slowly." **– Manufacturing, PA**

"Sales have decreased exponentially since the COVID-19 pandemic. The business lost a lot of customers. Although the company is slowly starting to rebuild, it is very difficult to receive customer payments... The company has greatly suffered due to the pandemic and the state of the economy." **– Manufacturing, WI**

"Tariffs have cost us a lot of money. We have lost vendors and have had to raise prices more often." – Manufacturing, OK
"We see tariffs on aluminum and steel hurting our customers more." **– Manufacturing, UT**

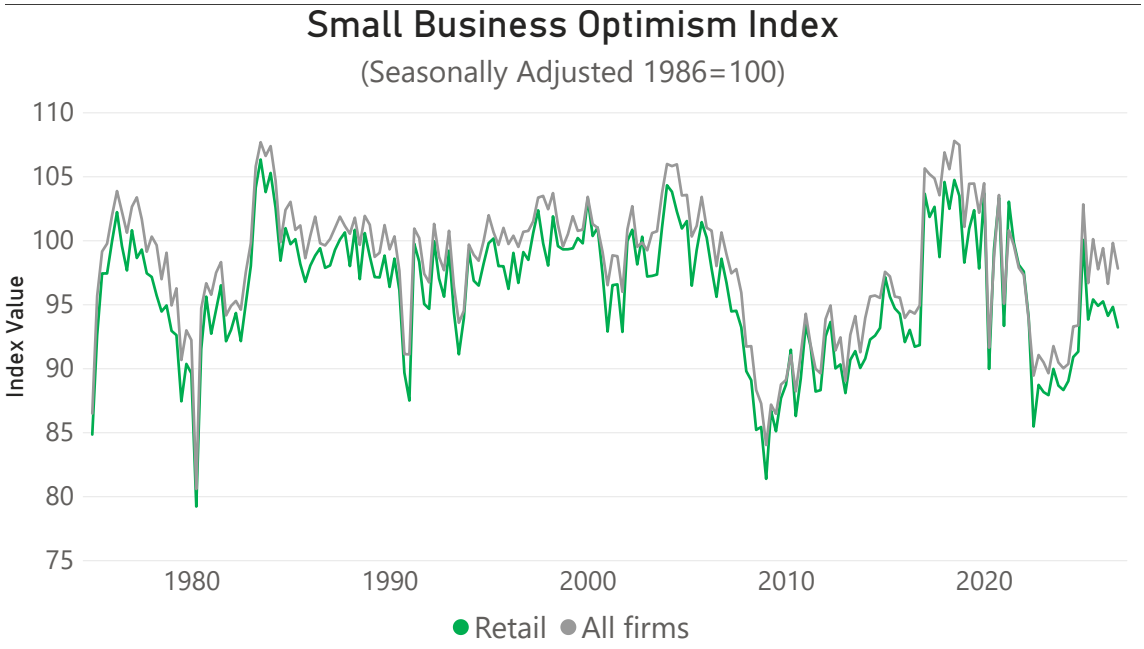
"The cost of insurance of all types has been rising so much that it is the primary driver of our price increase. The worst of all is California's workers' compensation." **– Manufacturing, CA**

Retail **Optimism Index**

In October, the retail industry's Optimism Index fell 1.6 points from July to 93.2, remaining below its historical average of 96.0. Declines in inventory investment plans and job openings pulled the Index down, while higher real sales expectations partly offset the drop. Retailers were less optimistic than businesses in any other industry.

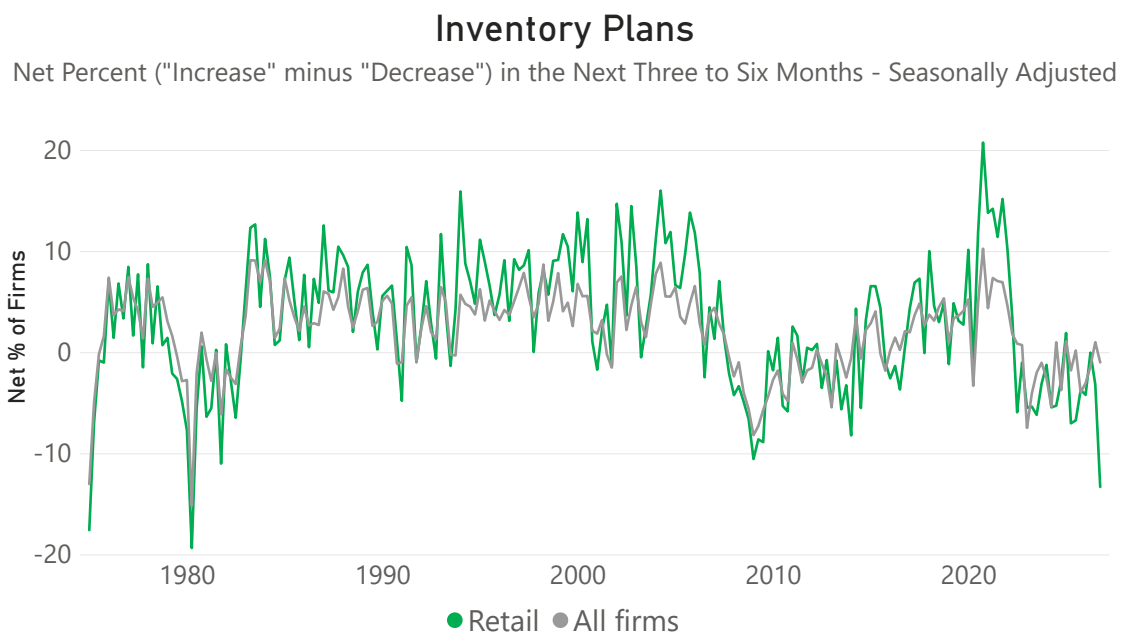


Optimism Index (cont.)



Index Components	Retail	Change from Last Quarter	All Firms
Plans to Increase Employment (net)	17%	2	18%
Plans to Make Capital Outlays	17%	-3	21%
Plans to Increase Inventories (net)	-13%	-10	-1%
Expect Economy to Improve (net)	4%	-3	8%
Expect Real Higher Sales (net)	1%	8	9%
Current Inventory – too low (net)	-11%	-1	-3%
Current Job Openings	28%	-10	36%
Expected Credit Conditions (net)	-5%	-1	-5%
Good Time to Expand	7%	-4	11%
Earnings Trends (net)	-27%	0	-23%
Optimism Index	**93.2**	**-1.6**	**97.8**

Inventory Plans



Plans to increase inventories among small retailers fell in October, driving the Index's decline. A net -13% (seasonally adjusted) of owners in the retail industry plan to invest in inventory over the next three to six months, down 10 points from July. This is the lowest quarterly reading since April 1980 and 10 points below the historical average. Among reported industries, plans to increase inventories were lowest in retail. Additionally, retail firms' inventory investment plans were 12 points lower than the level for all firms.



Job Openings

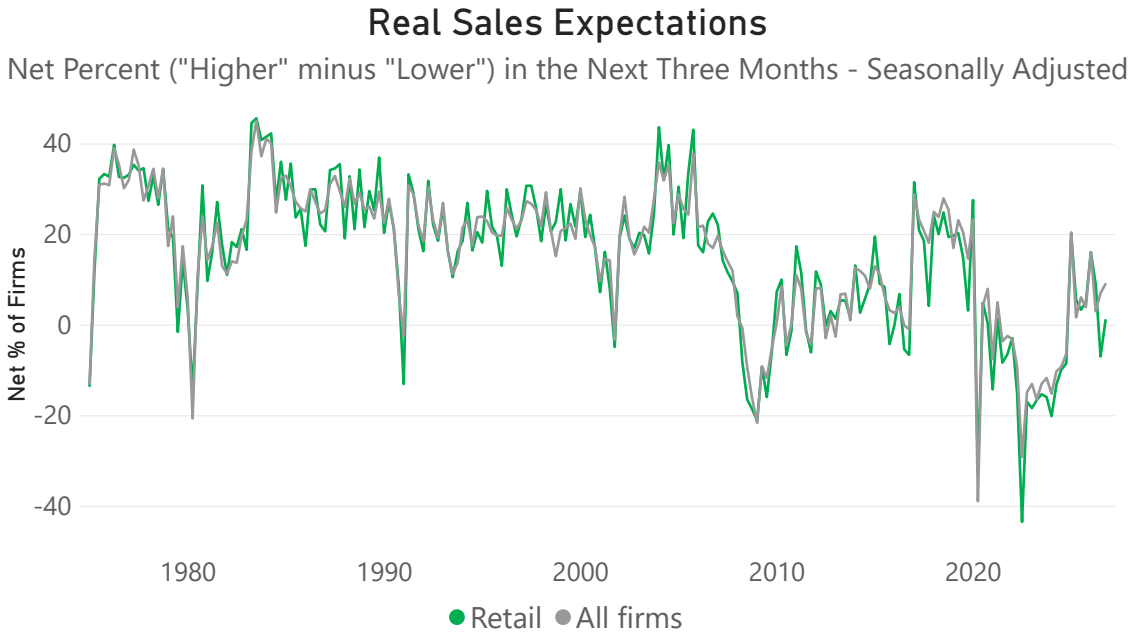
In October, 28% (seasonally adjusted) of retailers reported unfilled job openings, down 10 points from July and erasing the April-to-July gain. Despite the large decline, October's reading remains 6 points above its historical average. Unadjusted, 19% of openings are for skilled workers (down 7 points), and 22% are for unskilled workers (up 2 points). Additionally, reports of few or no qualified workers decreased in October. Fifty-five percent of retail firms reported few or no qualified applicants, down 5 points from July.



"Rising labor costs have made it harder to hire and retain quality employees, so we have been understaffed." **– RETAIL, AL**

Real Sales Expectations

Real sales expectations partially offset the declines in job openings and inventory plans. The net percent of retailers expecting real sales to be higher in the next three months rose 8 points from July to a net 1% (seasonally adjusted). This remains a historically weak reading, as October's reading is 14 points below the industry's historical average of a net 15%. Real sales expectations for retailers were also 8 points below the level for all firms.



MEMBER QUOTES

"Fuel prices are affecting everything. Insurance on everything is too high. Government regulations and requirements for environmental issues are out of control. Small businesses can't afford these costs and can't stay in business, making it harder and harder to compete with big corporations and chain stores." **– Retail, WA**

"I am not optimistic about the next few months if prices continue increasing at the current rate. It is very hard in a small town to price menu items appropriately relative to costs. I expect to have lower margins in Q4-Q1. Rising labor costs have made it harder to hire and retain quality employees, so we have been understaffed." **– Retail, AL**

"Flowers are a luxury, so I can't increase prices when everything else is going up in price. My profits are much less, but it is better than going out of business. There seem to be so many more people around, and yet it is so much harder to find employees." **– Retail, GA**

"Fuel prices need to come down." **– Retail, UT**

"My cost of doing business goes up, but margins stay the same or lower." **– Retail, CT**

"We need to cap credit card fees." **– Retail, NY**

"We operate a retail meat-processing plant, where we have seen an incredible demand for services in custom processing of carcasses. Although retail sales remain strong, there is a definite trend in purchasing habits gravitating toward cheaper proteins and sale items." **– Retail, MN**

"2022 was our best year ever in 26 years of owning the business. Revenue has dropped dramatically over the past four years, and the costs of everything have increased by the same proportion." **– Retail, NJ**

MEMBER QUOTES
(CONT.)

"Due to a lack of Canadian trade, we expect steady declines in product availability and customer purchases." **– Retail, NY**

"Banks are still not lending, and when they do it's an enormous undertaking." **– Retail, OH**

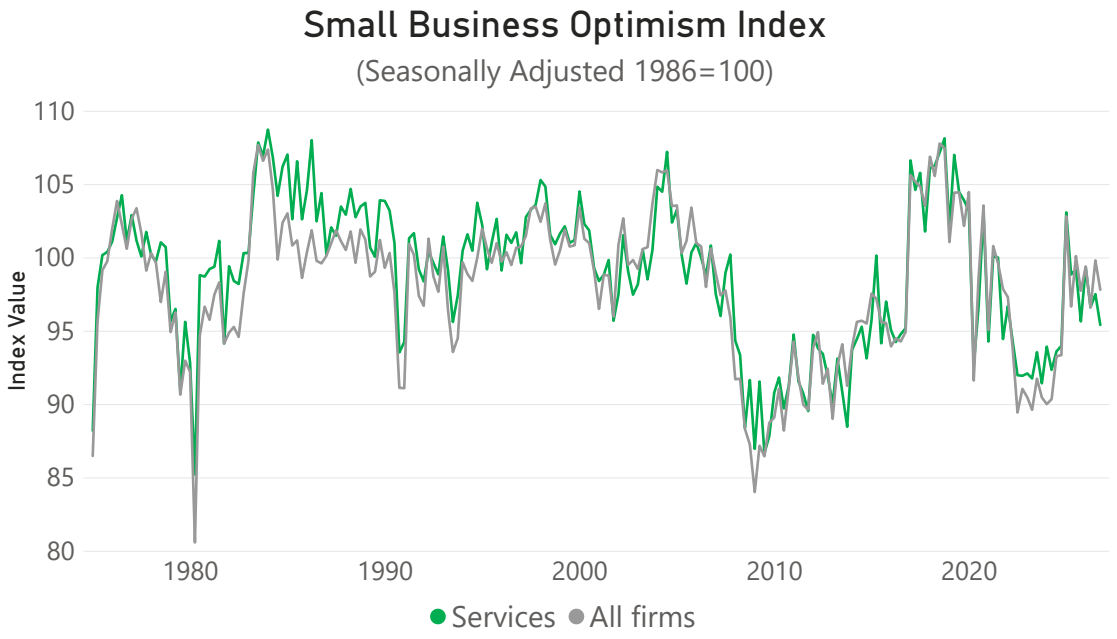
"Small businesses will benefit from tax breaks. Taxes are too high." **– Retail, NY**

Services **Optimism Index** (cont.)

In October, the Optimism Index for the services industry fell 2.1 points from July to 95.4, remaining below its historical average of 99.0. Earnings trends and expectations for better business conditions declined notably, driving the drop in optimism. The employment components, hiring plans and job openings, increased from the previous quarter. Small businesses in the services industry were less optimistic than all firms.

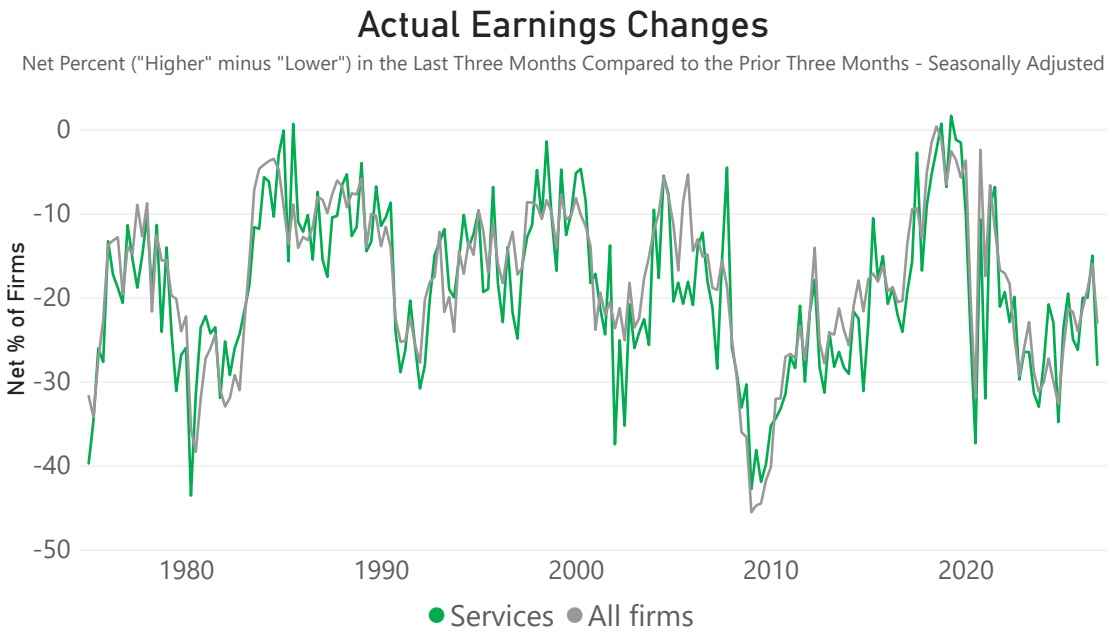


Optimism Index (cont.)



Index Components	Services	Change from Last Quarter	All Firms
Plans to Increase Employment (net)	15%	5	18%
Plans to Make Capital Outlays	18%	-3	21%
Plans to Increase Inventories (net)	-4%	-1	-1%
Expect Economy to Improve (net)	6%	-9	8%
Expect Real Higher Sales (net)	-2%	-6	9%
Current Inventory – too low (net)	-7%	-5	-3%
Current Job Openings	40%	8	36%
Expected Credit Conditions (net)	-3%	-2	-5%
Good Time to Expand	10%	2	11%
Earnings Trends (net)	-28%	-13	-23%
Optimism Index	**95.4**	**-2.1**	**97.8**

Earnings Trends



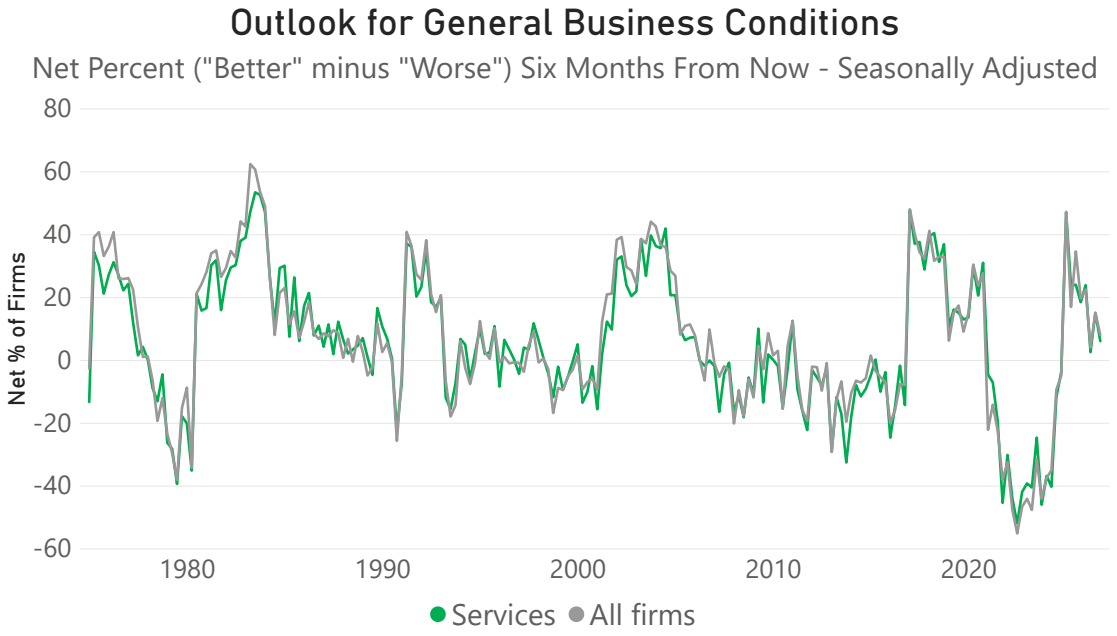
A deterioration in earnings trends among small businesses in the services industry contributed the most to the decline in optimism. The frequency of reports of positive profit trends fell 13 points from July to a net -28% (seasonally adjusted). Compared to other industries, services had the poorest reading. Owners' main reasons for lower earnings were weaker sales and higher material costs.

"This year has been rough to say the least. Overall, I'm behind last year's numbers by roughly 30%. We have tried many different things to bring sales up, but nothing is working." **– SERVICES, OR**

"Profits are continuing to decrease." **– SERVICES, KS**

"My cost of doing business goes up, but margins stay the same or are lower." **– SERVICES, CT**

Business Conditions Expectations



As earnings declined, fewer small business owners in the services industry expect better business conditions over the next six months than in July. Expectations for better business conditions in the services industry fell 9 points from July to a net 6% (seasonally adjusted).

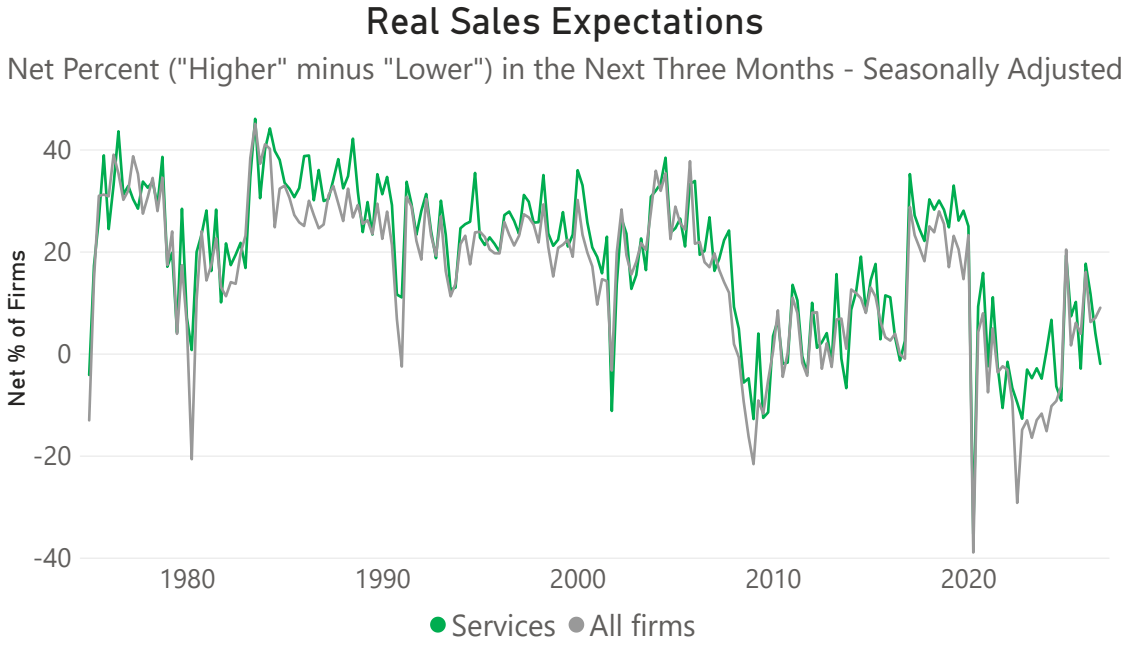
October's decline marks a reversal of the April-to-July improvement. The services industry recorded the largest decline in expected business conditions among all industries and posted the second-lowest reading, behind retail.

"The biggest problem with our business, which is auto repair, paint, and bodywork, is the economy. Supply prices have doubled in the last six months, but our pay rates are the same, and insurance will not let us raise our rates. The second biggest problem is finding qualified help – it just doesn't exist anymore." **– SERVICES, TN**

"Business insurance rates went up 50% in the past six months. The availability of parts, the reliability of goods, and the overall quality of such have dropped drastically in the last six months. We are being taxed to death, and small businesses are struggling! The economy is horrible!" **– SERVICES, AR**

Real Sales Expectations

Expectations for higher real sales also contributed to the decline in optimism for services firms. The net percent of small businesses in the services industry expecting real sales to increase fell 6 points from July to a net -2% (seasonally adjusted). Real sales expectations are currently 21 points below the historical average of a net 19% and 11 points lower than those for all firms. Compared with other industries, services posted the lowest level of real sales expectations.





MEMBER QUOTES

"The availability of tradesmen is a huge problem for business growth." **– Services, CA**

"Our biggest hindrance to growth is finding quality employees." **– Services, WV**

"We are lacking skilled auto body and paint employees. We need more trade schools in this field." **– Services, CA**

"Insurance companies do not keep up with the cost of doing business or the cost of goods. They control our pay scale market and are trying to starve us down." **– Services, FL**

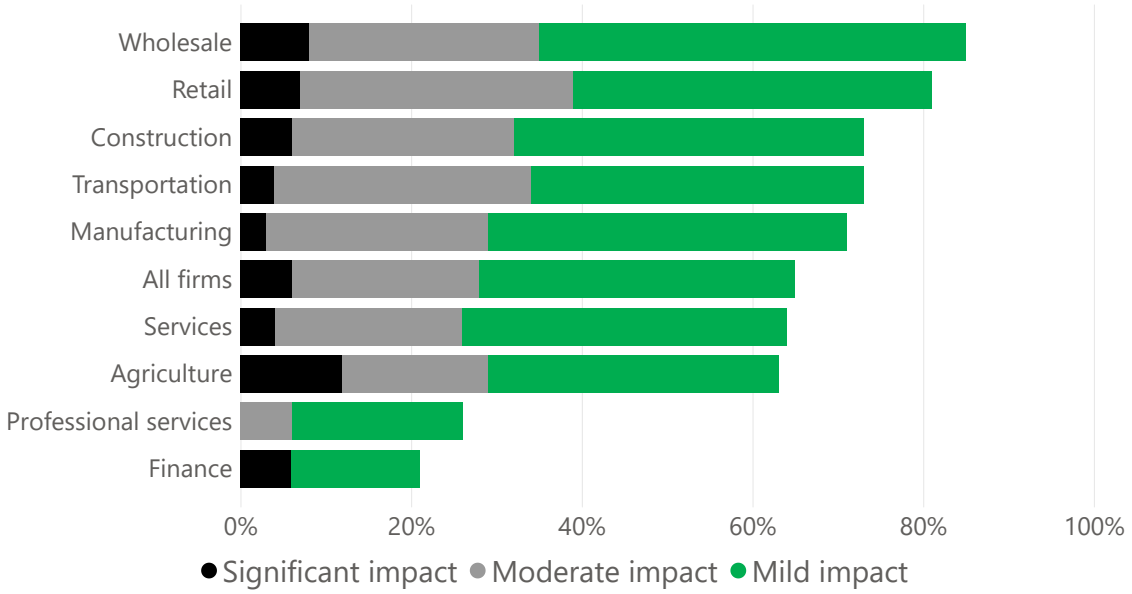
"Property taxes and liability insurance for company vehicles make up the vast majority of our overhead costs." **– Services, TX**

Supply Chain Disruptions

In October, 65% of all small business owners reported that supply chain disruptions impacted their business (up 2 points from July). Six percent reported a significant impact (unchanged), 22% a moderate impact (up 4 points), 37% a mild impact (down 2 points), and 33% reported no impact (down 3 points).

Supply chain disruptions were most prevalent in the wholesale and retail industries. Eighty-five percent of small business owners in the wholesale industry and 81% in the retail industry reported that supply chain disruptions impacted their business. By comparison, firms in the professional services (26%) and finance (21%) industries were significantly less affected.

Are Supply Chain Disruptions Impacting Your Business?



"Due to lack of Canadian trade, we expect steady declines in product availability and customer purchases." **– RETAIL, NY**

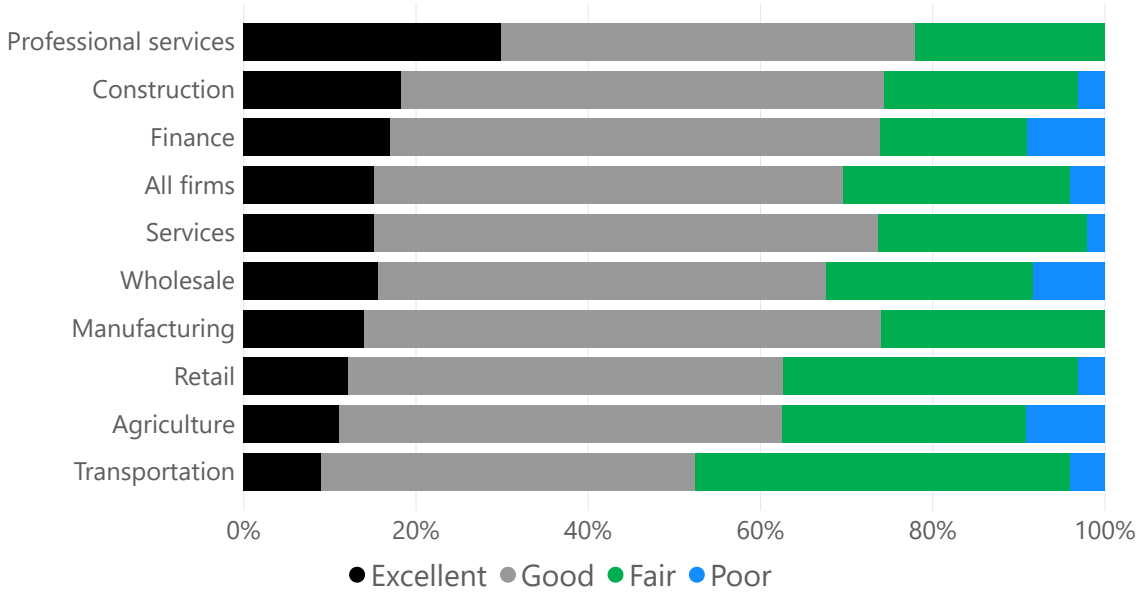
"Some products we need for production are hard to get timely, and all of the supplies and products we need to produce our products continue to rise in price. We can't raise our prices enough to cover all of our additional costs." **– MANUFACTURING, TX**

Overall Health of Business

Overall, 69% of small business owners rated their business's overall health as excellent or good in October (unchanged from July). Fifteen percent rated it excellent (up 1 point), and 54% rated it good (down 1 point). Twenty-six percent rated it fair (unchanged), and 4% rated it poor (unchanged).

All industries had more than half of small business owners rate their overall business health as excellent or good. Seventy-eight percent of small business owners in the professional services industry rated their business health as excellent or good, the highest of all industries. By contrast, 52% of owners in the transportation industry reported their business health as excellent or good, the lowest of all industries.

How Would You Rate The Overall Health of Your Business Today?



"The climate for my business in our area of operation is remaining strong. We are maintaining a competitive presence with larger companies and those of similar sizes by shopping suppliers, providing timely service, and maintaining communication with our customers." **– CONSTRUCTION, NC**

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