

# First Quarter 2026 BusinessPulse

January 2026



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# Key findings

## SMALL BUSINESS

Businesses with \$100K-  
<\$10MM in annual sales

1. Small businesses continue to face financial strain, with noticeably decreased sales and profits. Rising operating costs remain a top concern, and limited capital expenditures reflect cautious decision-making amid an uncertain economic environment.
2. As of early 2026, only half of small businesses expect to meet their financial goals. While optimism about their future financial condition has improved slightly, fewer businesses are confident about achieving sales and profit growth over the next 12 months.
3. Businesses are more likely to renew or extend existing credit lines yet demand for new or additional financing remains flat. Although the overall need for credit has trended down, a growing number of businesses expect to apply for additional credit in the year ahead.

## MIDDLE MARKET

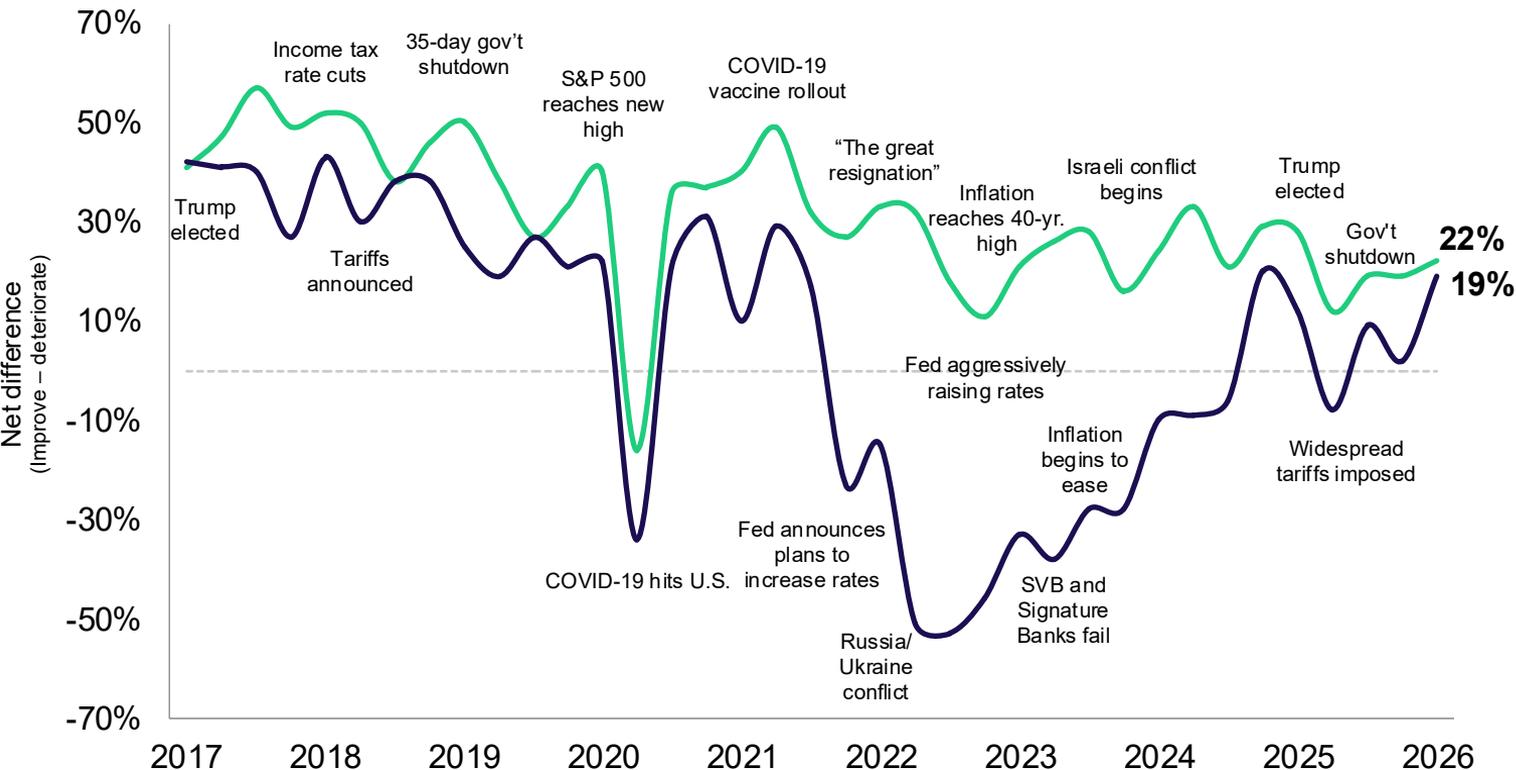
Businesses with \$10MM-  
<\$500MM in annual sales

1. Middle market companies reported stable overall financial conditions in the first quarter of 2026. While sales trends remained flat, more businesses continued to report declining profits rather than gains. Notably, concern over cybersecurity has risen to nearly match concern about rising operational costs.
2. Financial outlook for the next 12 months saw modestly improvements. While a growing number of companies expect to raise prices, profit expectations are trending upward. Additionally, net difference excess cash expectations are showing consistent growth in the middle market.
3. Middle market demand for additional credit continued to increase, reaching its highest point since PPP. Furthermore, expectations to apply for additional credit remained mostly flat from the previous quarter. Among those expecting to apply for additional credit, working capital was the top need.

# Small businesses' optimism about their own financial conditions ticked up slightly, and many grew more positive about the outlook for the U.S. economy

## SMALL BUSINESS EXPECTATIONS ABOUT THEIR OVERALL FINANCIAL CONDITION & U.S. ECONOMY

Next 12 months net difference

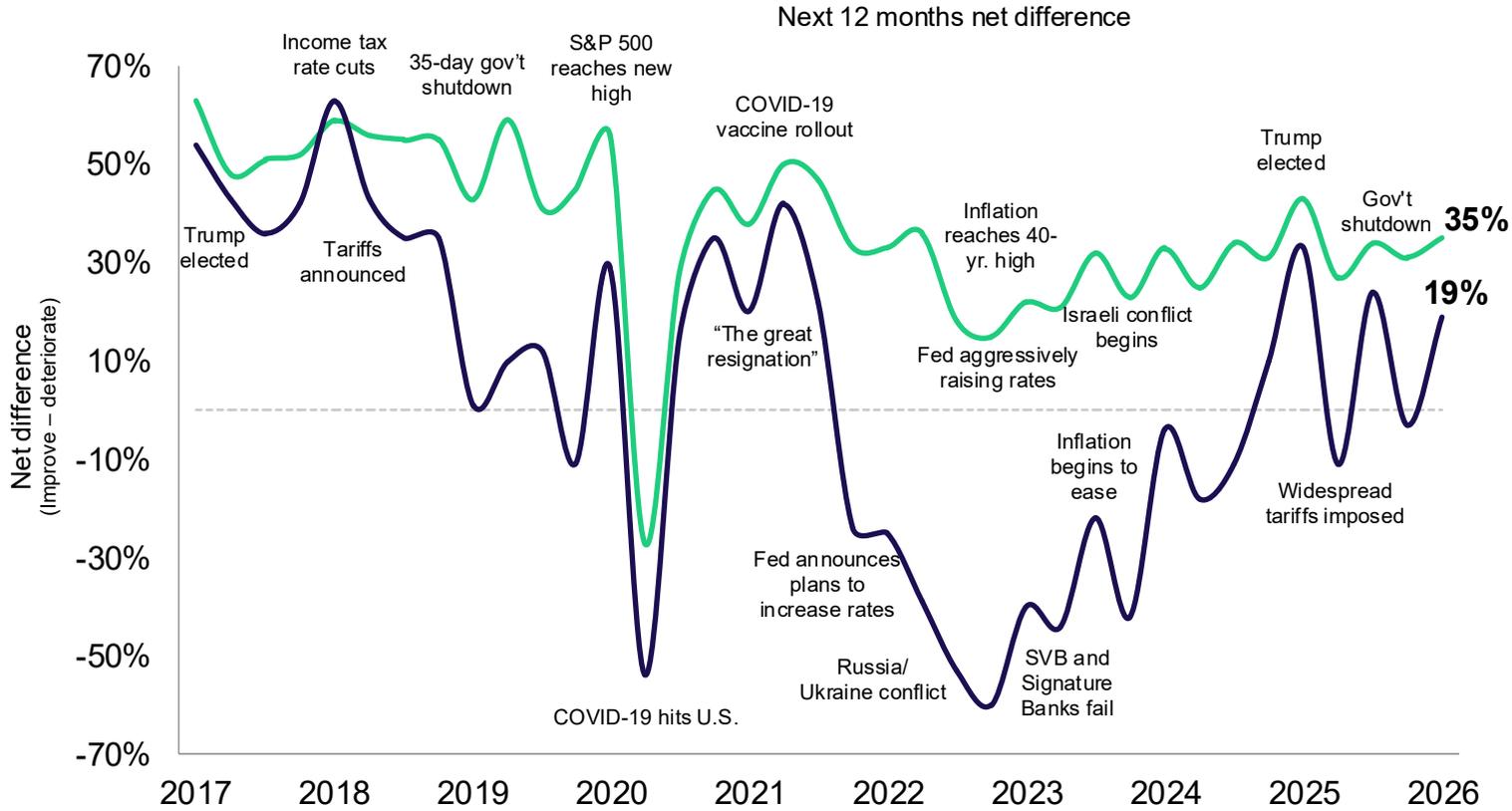


First quarter 2026 defining event:  
  
Third consecutive rate reduction

Q: During the next 12 months, do you expect...  
\$100K- <\$10MM  
BusinessPulse Quarterly Trending Data (ending 1Q2026)

# Likewise, middle market companies grew slightly more optimistic about their financial conditions and much more optimistic about the U.S. economy

## MIDDLE MARKET EXPECTATIONS ABOUT THEIR OVERALL FINANCIAL CONDITION & U.S. ECONOMY



First quarter 2026 defining event:

Third consecutive rate reduction

Q: During the next 12 months, do you expect...  
 \$10MM-<\$500MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2026)

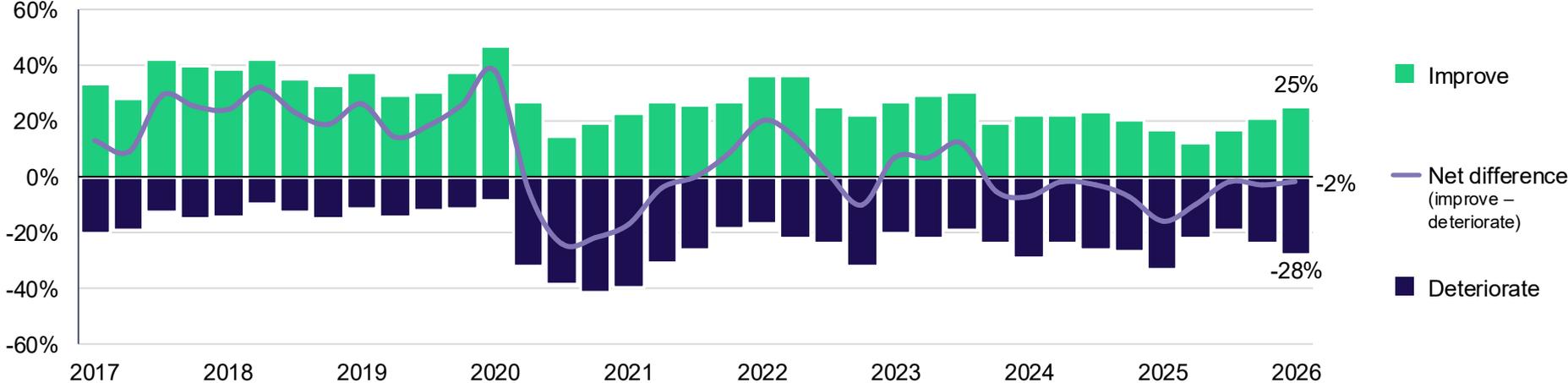
01

# Retrospective economic position

# When reflecting on the past 12 months, overall financial conditions continued to remain flat and at a negative net difference

## SMALL BUSINESS FINANCIAL CONDITION

Past 12 months



Net difference

**-2%**

↑ +1 pts. from last quarter

↑ +14 pts. from one year ago

\$100K-<\$500K

28% Improve, 25% Deteriorate

Net difference: **-3%**

\$500K-<\$2.5MM

28% Improve, 25% Deteriorate

Net difference: **-3%**

\$2.5MM-<\$10MM

24% Improve, 31% Deteriorate

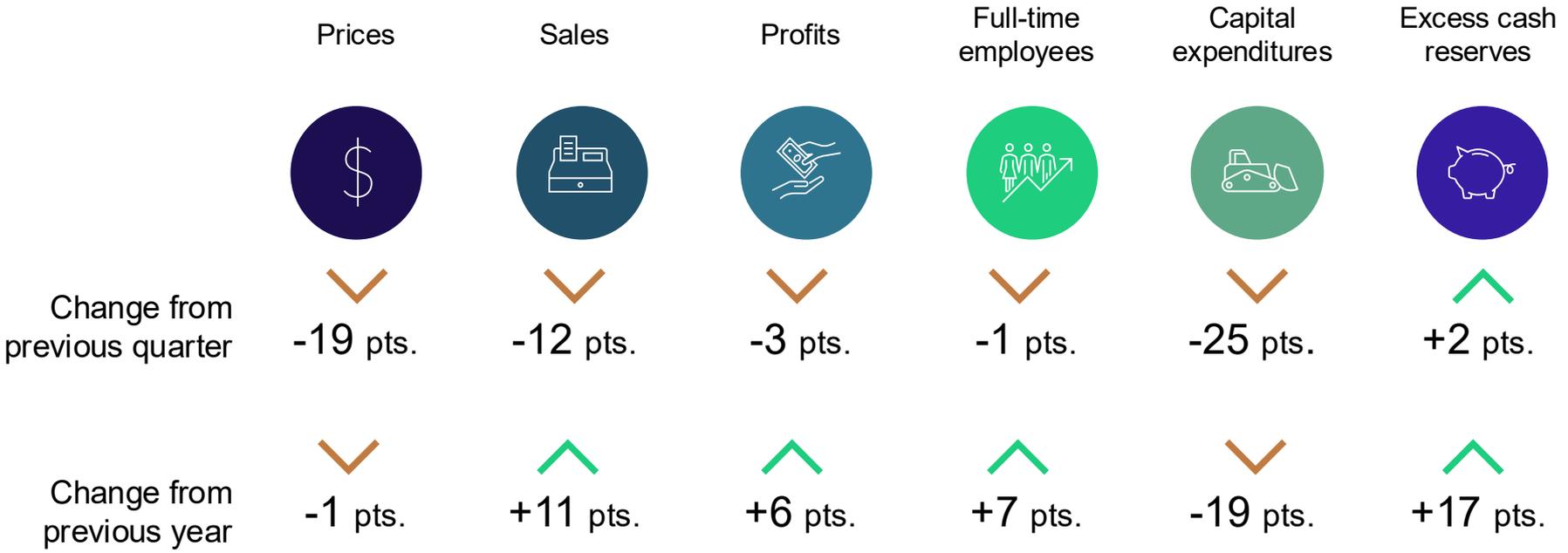
Net difference: **7%**

Q: During the last 12 months, did your company's overall financial condition...  
 \$100K-<\$10MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2026)

# Although price increases have slowed, small businesses have seen lower sales and profits, resulting in a large decrease in capital spending

## SMALL BUSINESS NET DIFFERENCE CHANGES

Past 12 months



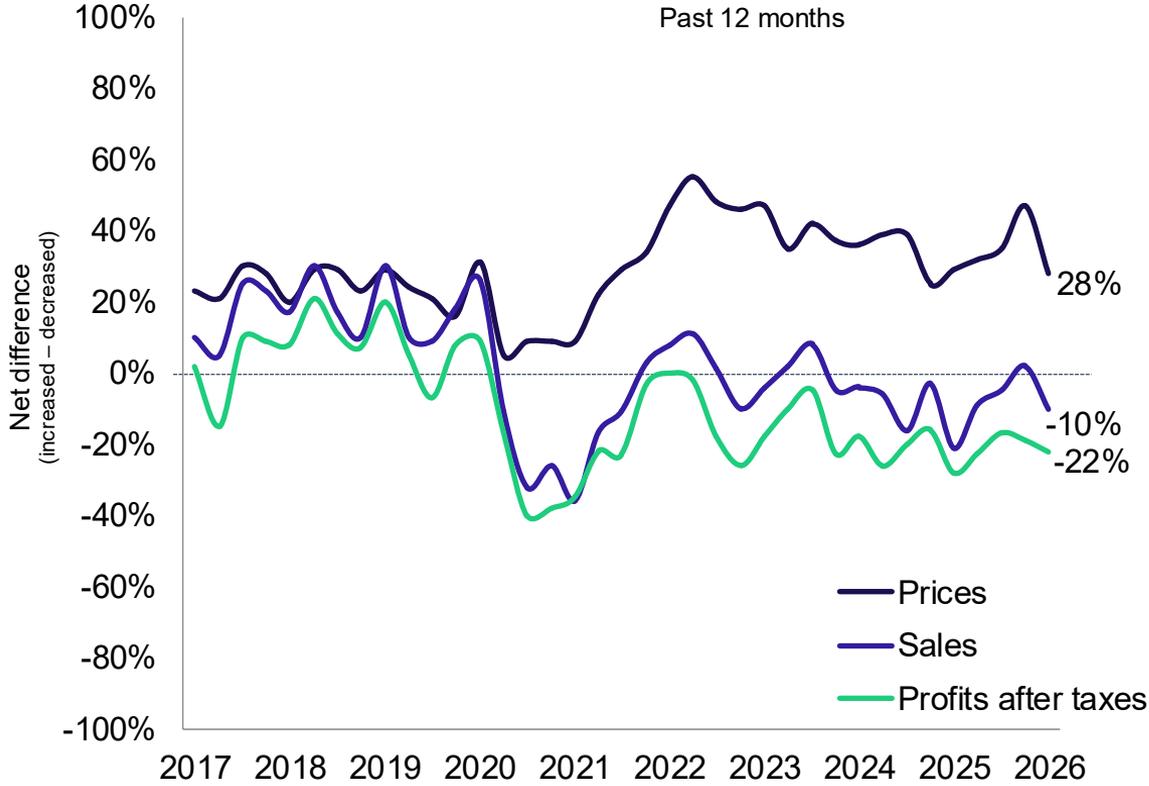
Net difference: increased – decreased

Q: During the last 12 months, did your company's...  
 \$100K-<\$10MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2026)

# Small business sales have returned to negative territory, with only one in four reporting increased sales

## SMALL BUSINESS PRICES, SALES & PROFITS

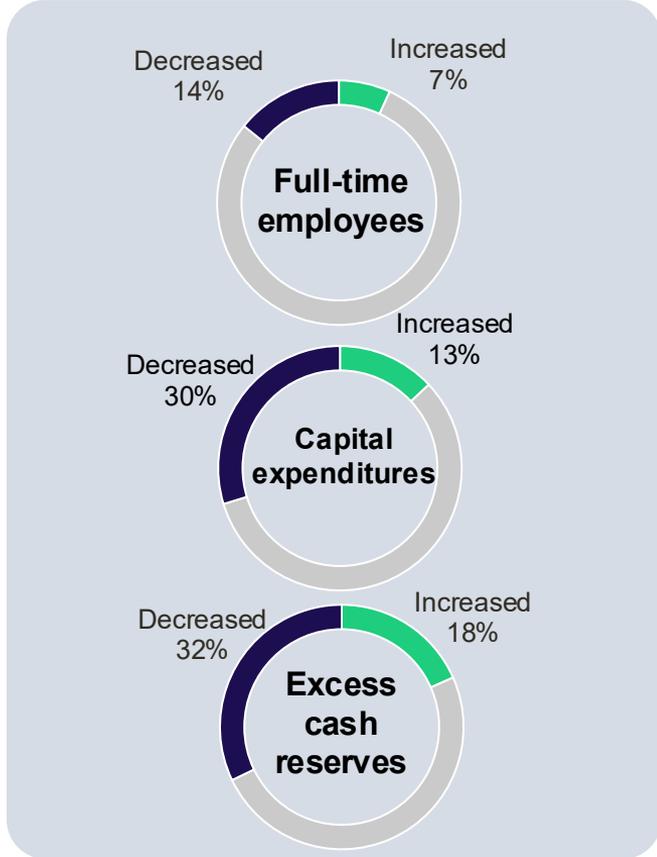
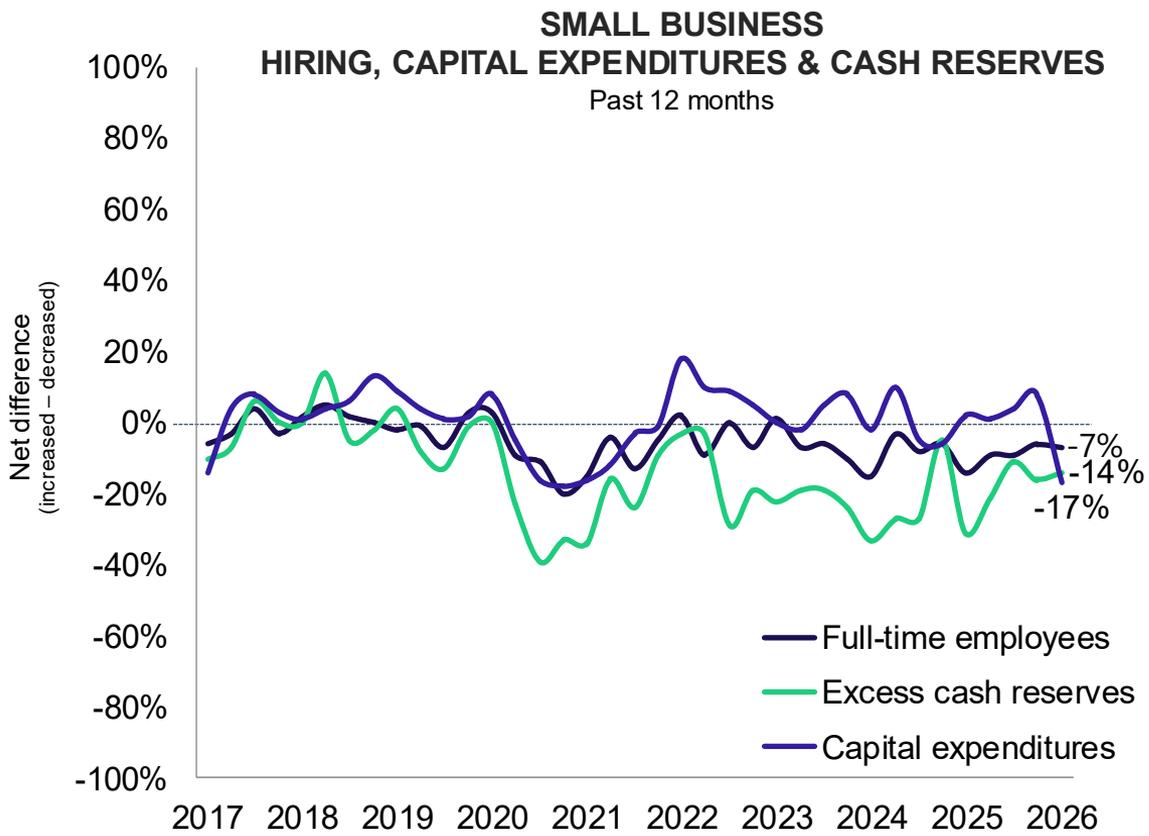
Past 12 months



Q: During the last 12 months, did your company's...

\$100K-~\$10MM  
BusinessPulse Quarterly Trending Data (ending 1Q2026)

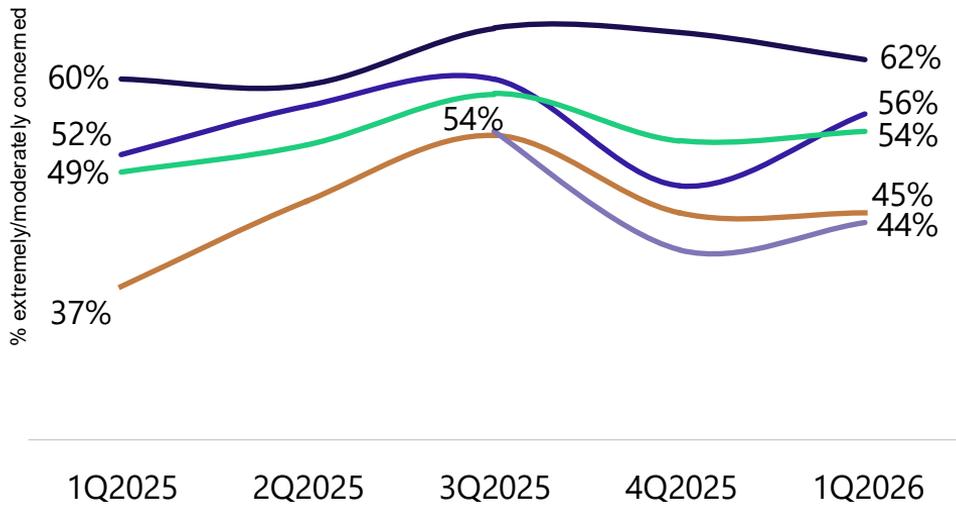
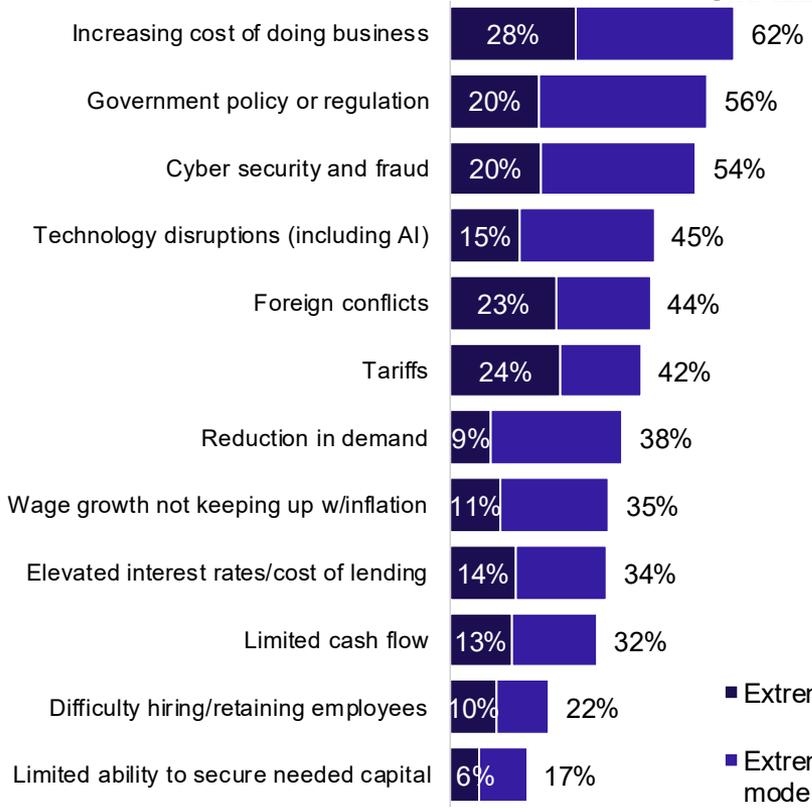
# After four consecutive quarters of increased spending, small businesses dramatically curbed their capital expenditures in 1Q2026



**Q: During the last 12 months, did your company's...**  
 \$100K-<\$10MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2026)

# Government policy/regulation (not including tariffs) once again became one of the top concerns in the small business segment

## SMALL BUSINESS CONCERNS



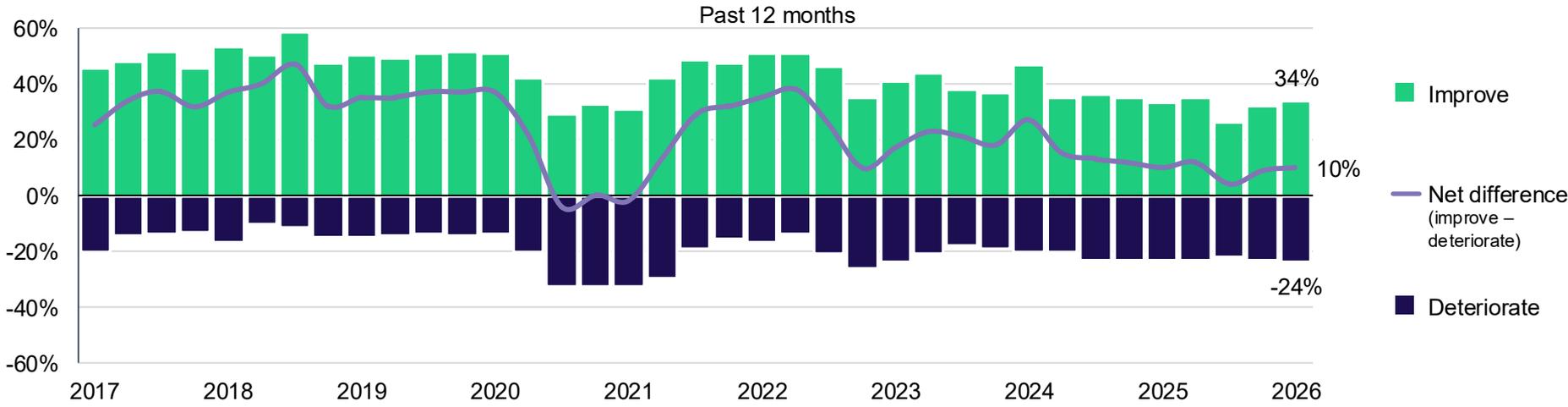
■ Extremely concerned  
 ■ Extremely concerned/moderately concerned

— Increasing cost of doing business  
 — Government policy or regulation  
 — Cyber security and fraud  
 — Technology disruptions  
 — Foreign conflicts

**Q: How concerned are you about the following issues negatively impacting your business?**  
 \$100K-<\$10MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2026)

# Middle market financial conditions stabilized in the first quarter of 2026

## MIDDLE MARKET FINANCIAL CONDITION



Net difference

# +10%

▲ +1 pts. from last quarter

0 pts. from one year ago

\$10MM-<\$50MM

Net difference **+7%**

\$50MM-<\$500MM

Net difference **+20%**

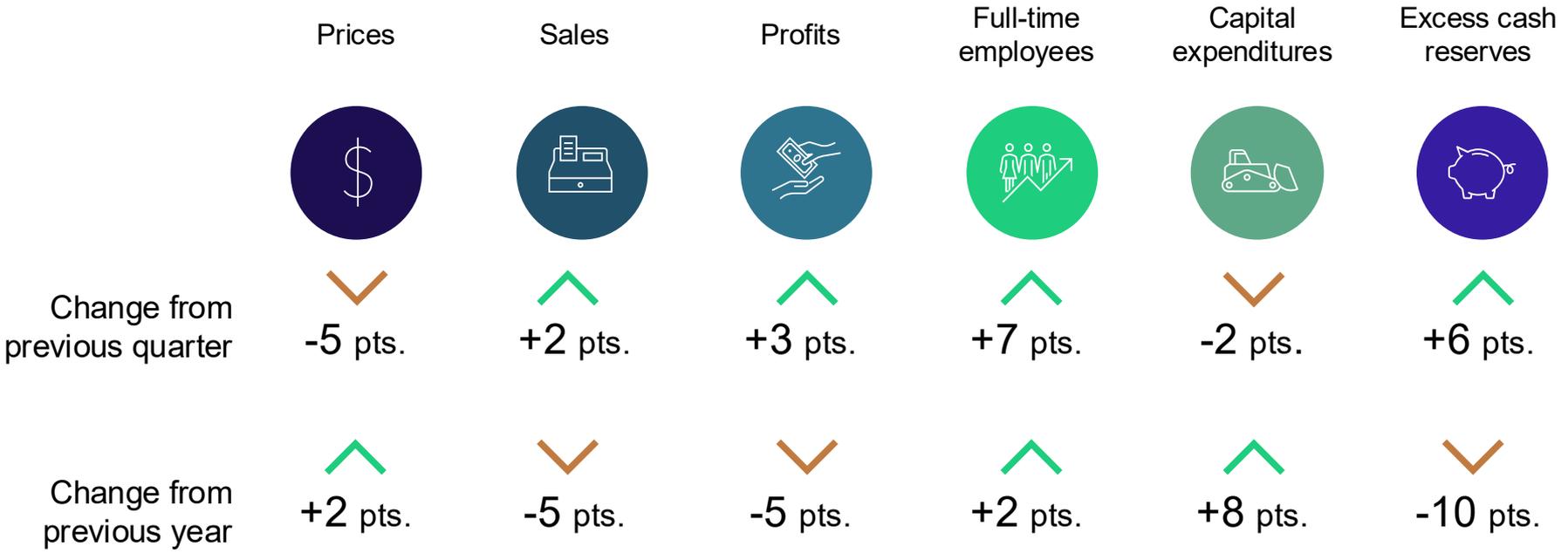
Q: During the last 12 months, did your company's overall financial condition...

\$10MM-<\$500MM  
BusinessPulse Quarterly Trending Data (ending 1Q2026)

# Sales and profits moved little from the previous quarter, but are down from a high point in 1Q2025

## MIDDLE MARKET NET DIFFERENCE CHANGES

Past 12 months

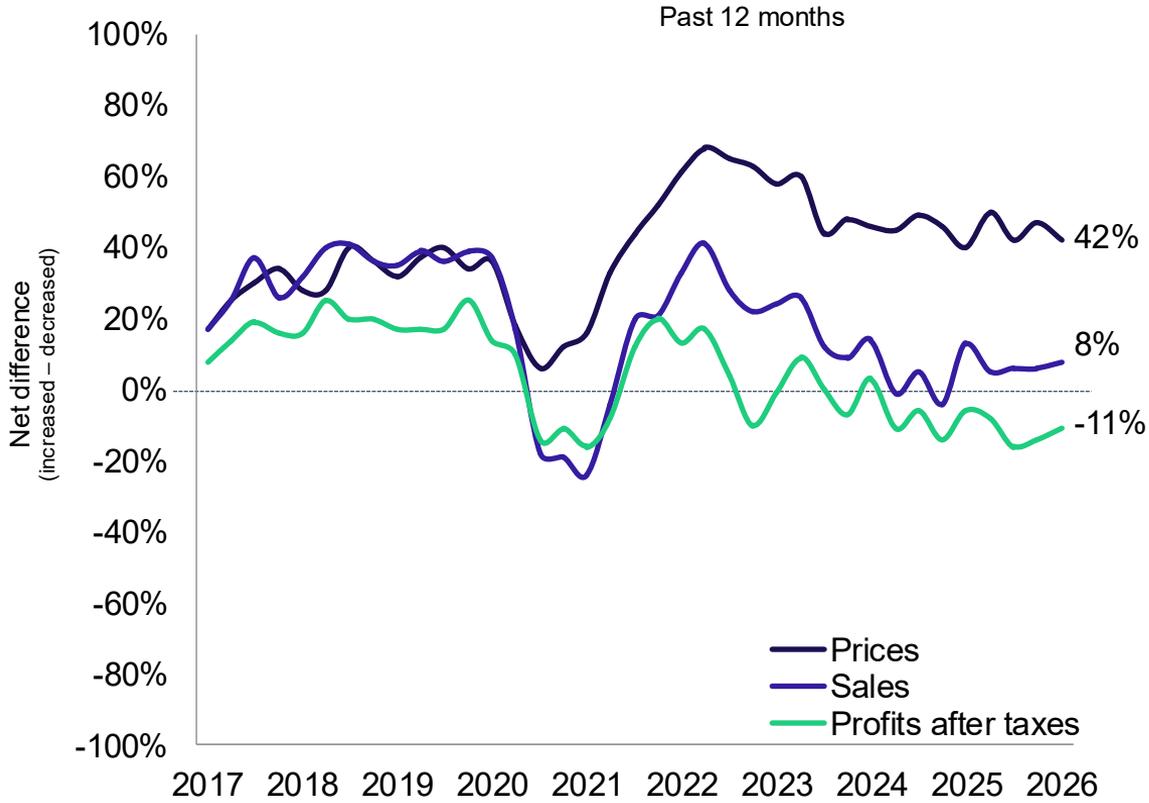


Net difference: increased – decreased

Q: During the last 12 months, did your company's...  
 \$10MM-<\$500MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2026)

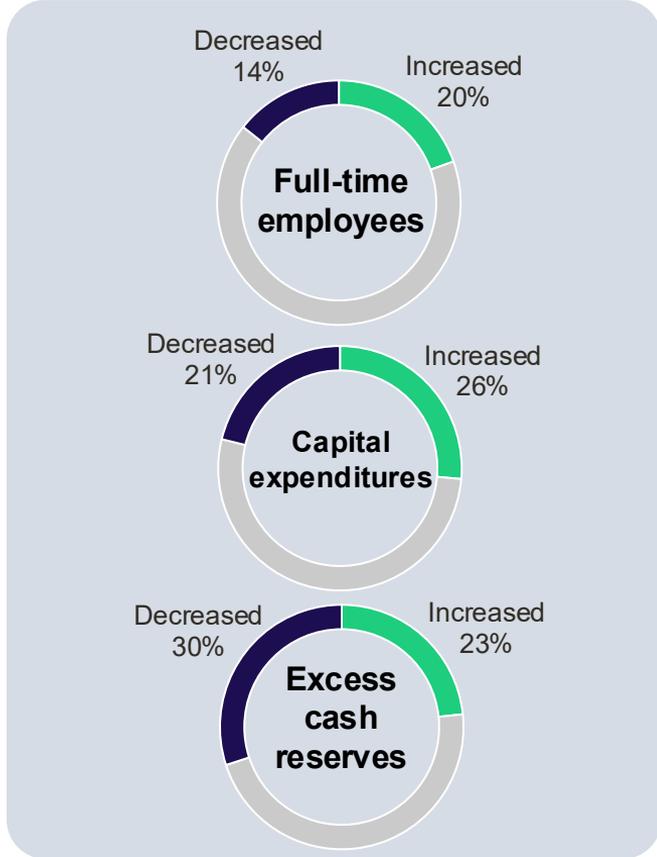
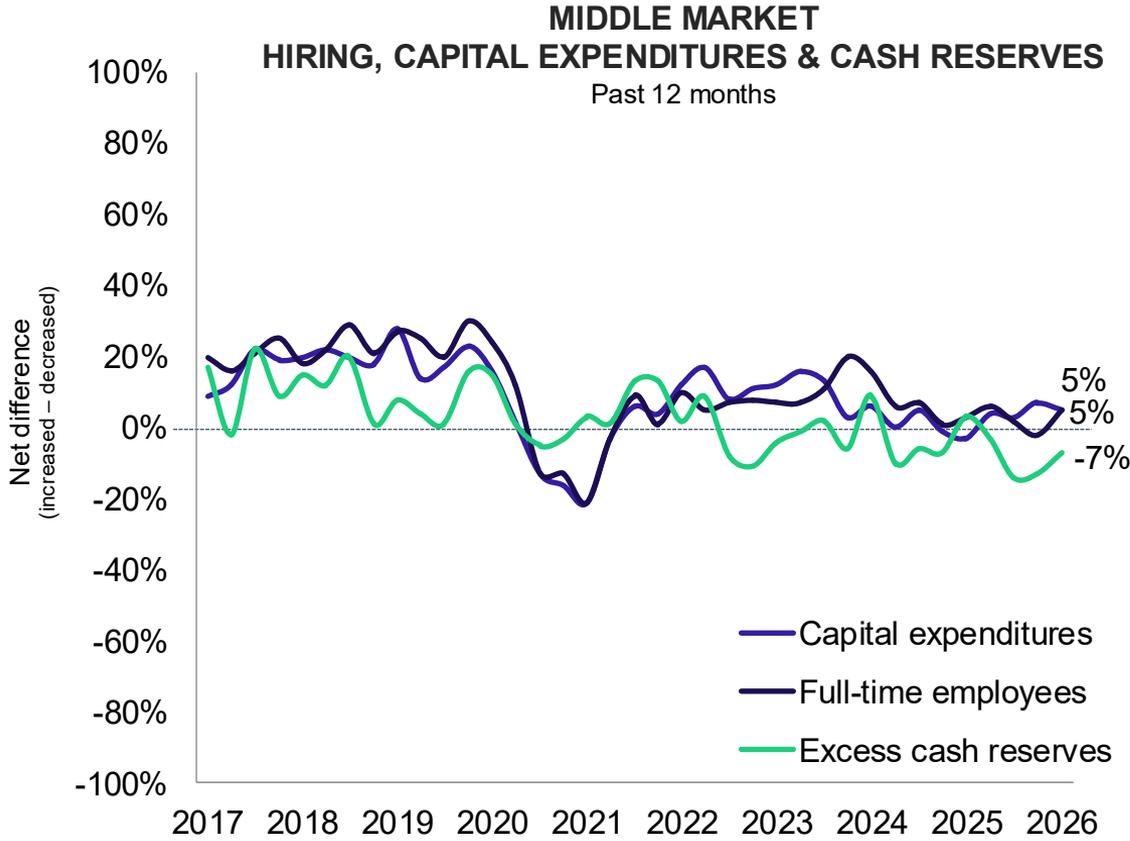
# Sales may have stabilized, but more middle market companies had decreased profits than increased profits

## MIDDLE MARKET PRICES, SALES & PROFITS



Q: During the last 12 months, did your company's...  
 \$10MM-<\$500MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2026)

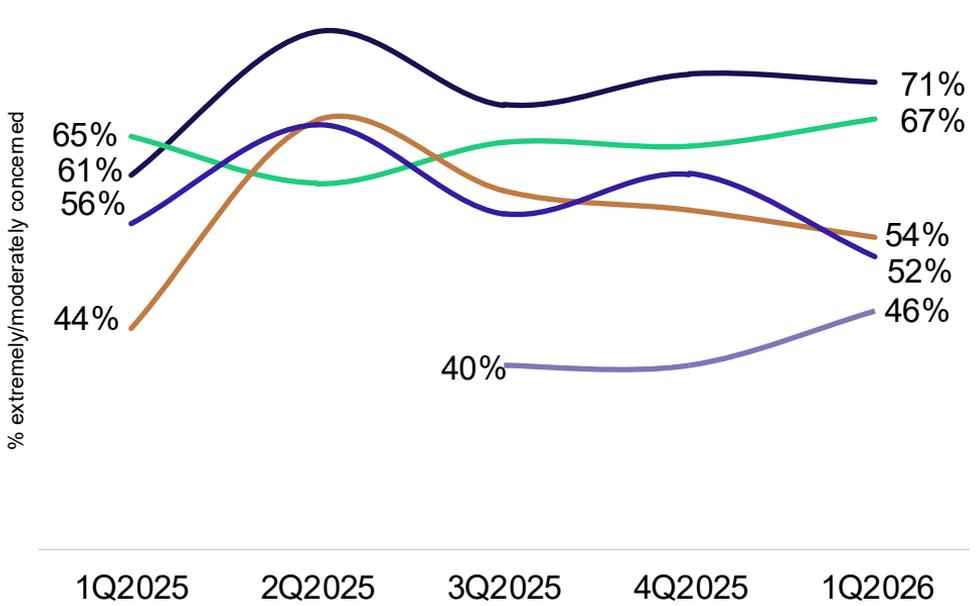
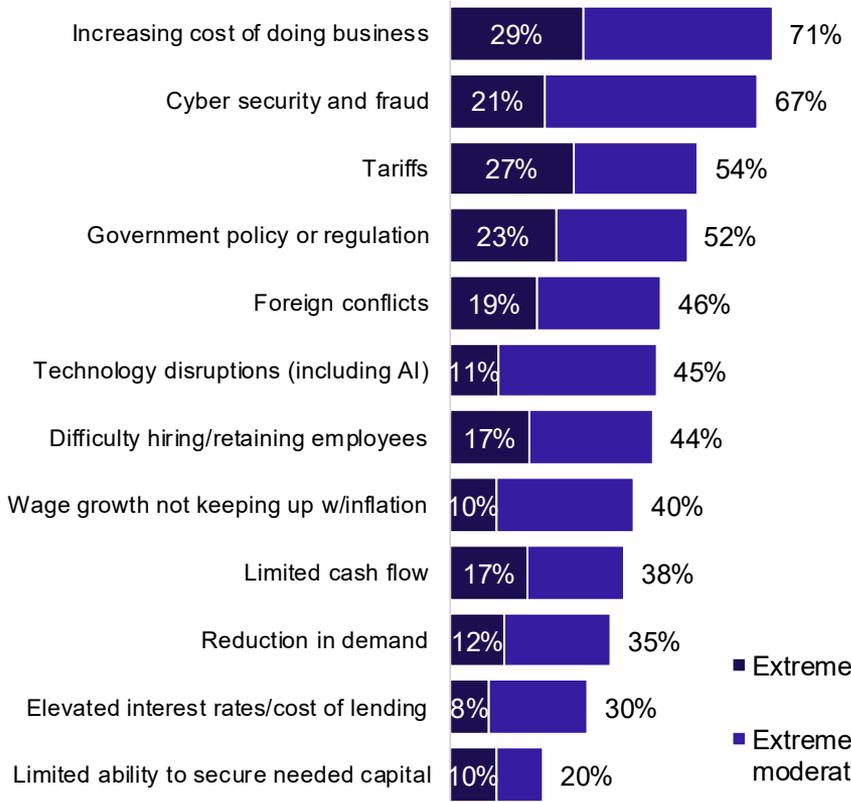
# Excess cash reserves continue to sit at a negative net difference, with nearly one in three indicating their reserves have decreased



**Q: During the last 12 months, did your company's...**  
 \$10MM-<\$500MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2026)

# There are now nearly as many middle market companies concerned about cyber security as there are about increased costs

MIDDLE MARKET CONCERNS



Q: How concerned are you about the following issues negatively impacting your business?

\$10MM-<\$500MM  
BusinessPulse Quarterly Trending Data (ending 1Q2026)

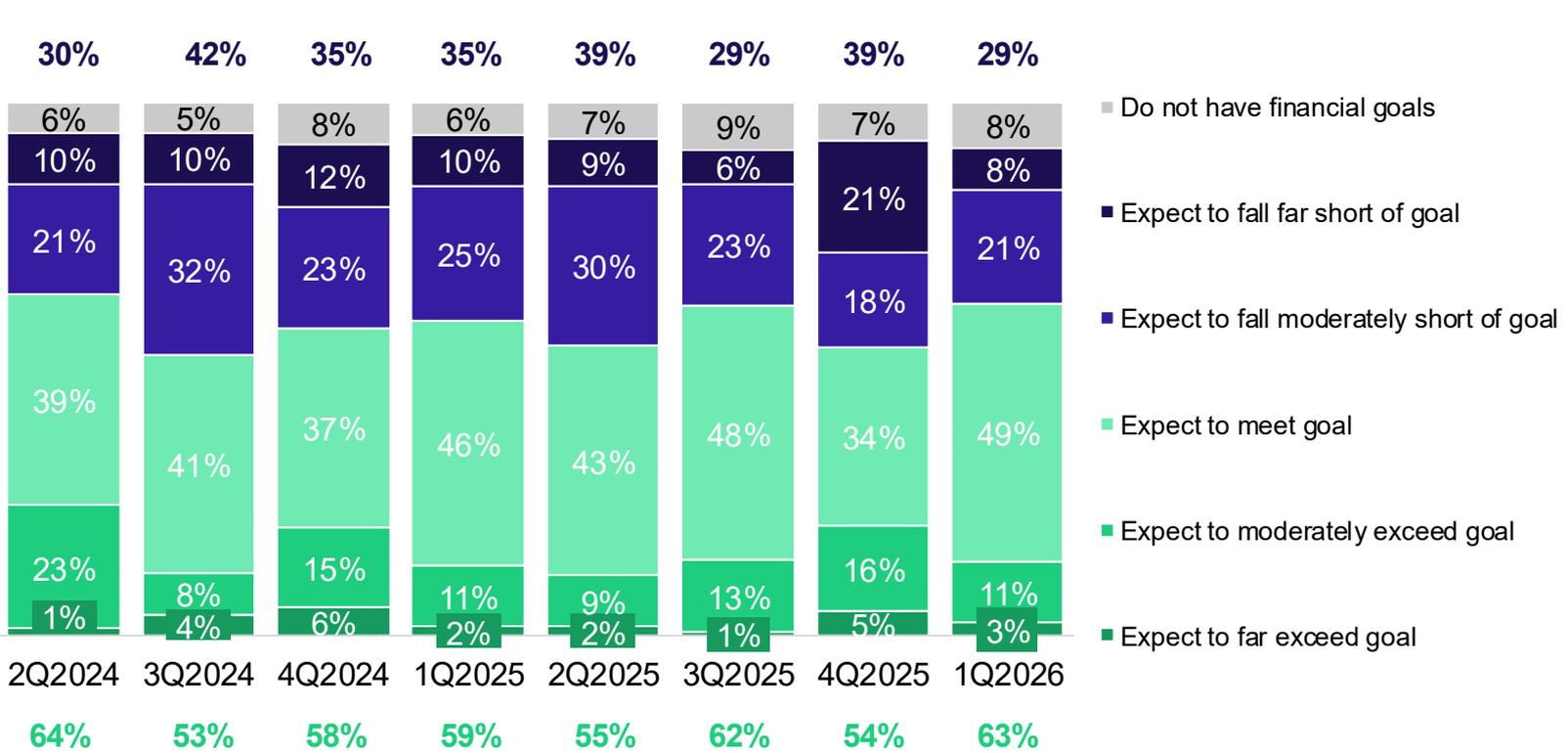
02

# Expected economic position

# At the beginning of 2026, half of small businesses expect to meet their financial goals

## MEETING FINANCIAL GOALS: SMALL BUSINESS

% expect to fall short of financial goals

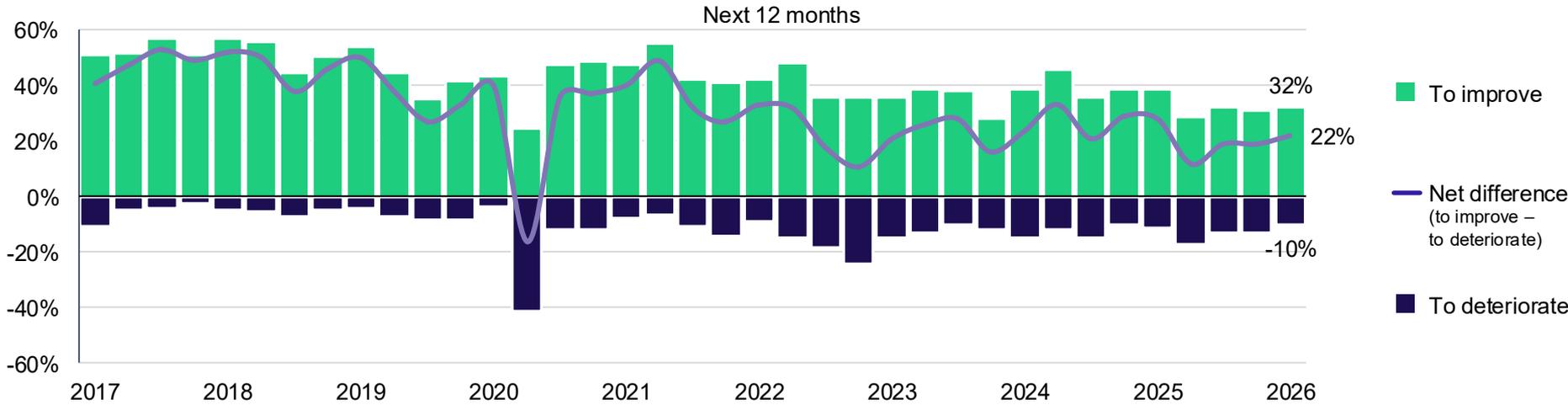


% expect to meet/exceed financial goals

**Q: Do you expect that your company will exceed, meet or fall short of its financial goals by the end of your current fiscal year?**  
 \$100K-<\$10MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2026)

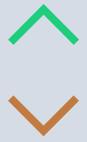
# ...and financial condition optimism has slowly improved

## SMALL BUSINESS FINANCIAL CONDITION



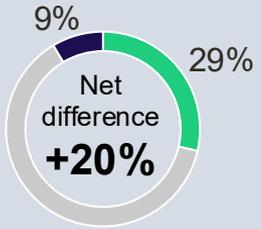
Net difference

**+22%**

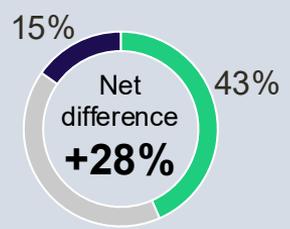


+3 pts. from last quarter  
-6 pts. from one year ago

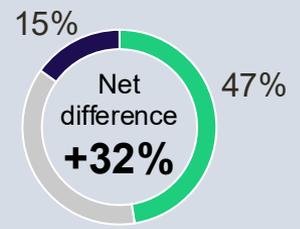
\$100K-<\$500K



\$500K-<\$2.5MM



\$2.5MM-<\$10MM



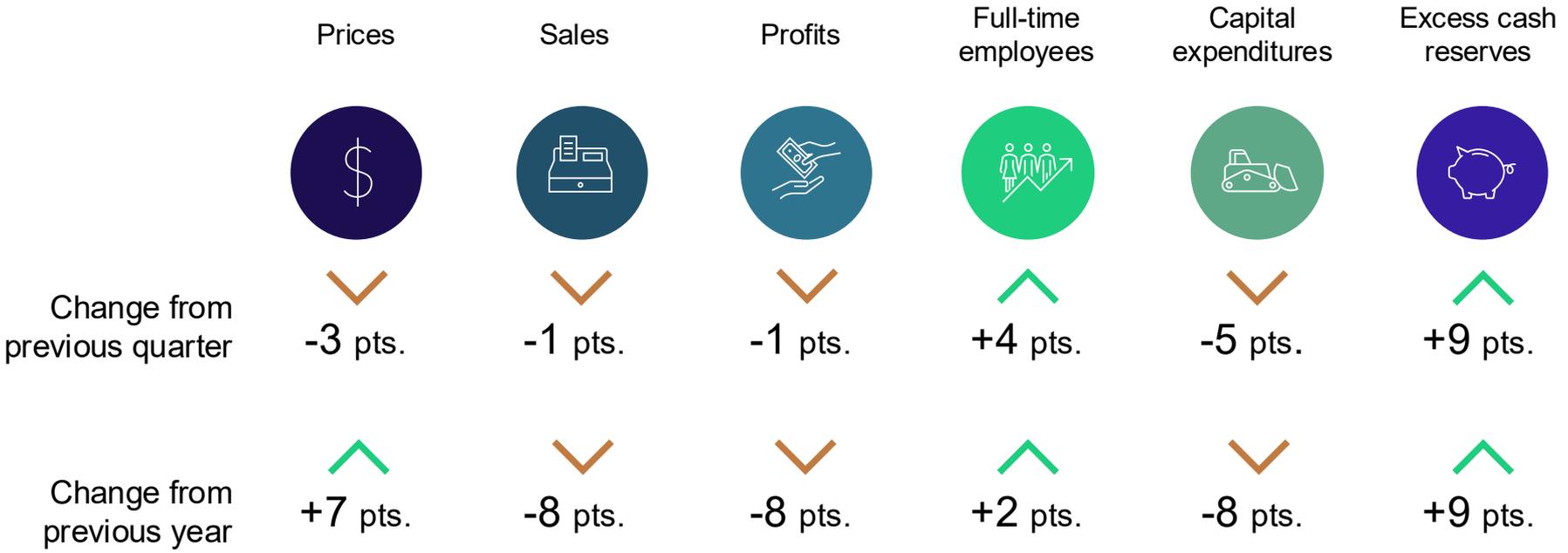
Q: During the next 12 months, do you expect your company's overall financial condition to...

\$100K-<\$10MM  
BusinessPulse Quarterly Trending Data (ending 1Q2026)

# Yet many small businesses are not overly optimistic about growth in sales and profits over the next 12 months

## SMALL BUSINESS NET DIFFERENCE CHANGES

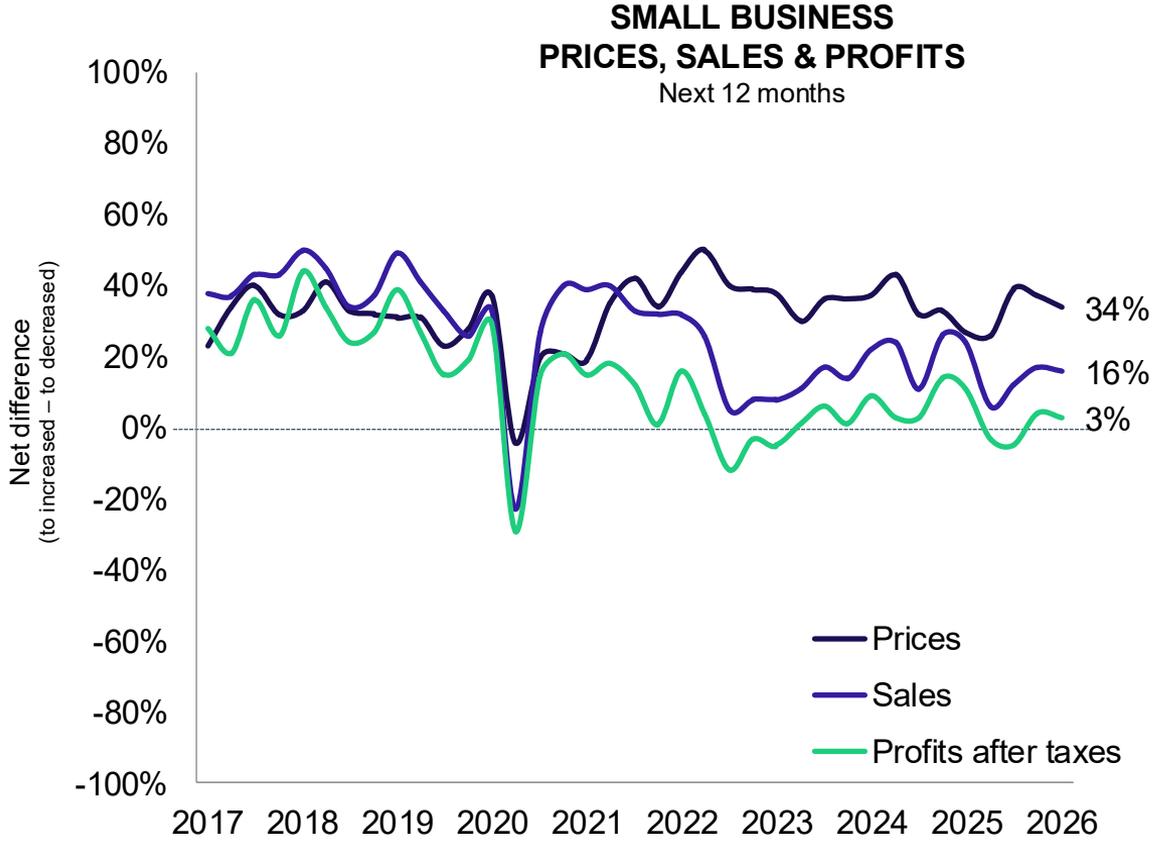
Next 12 months



Net difference: to increase – to decrease

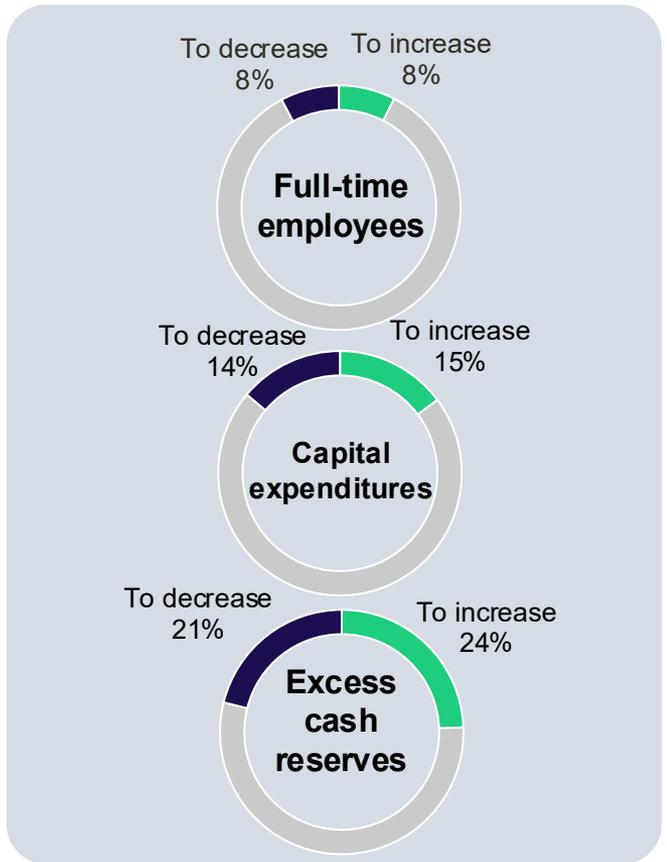
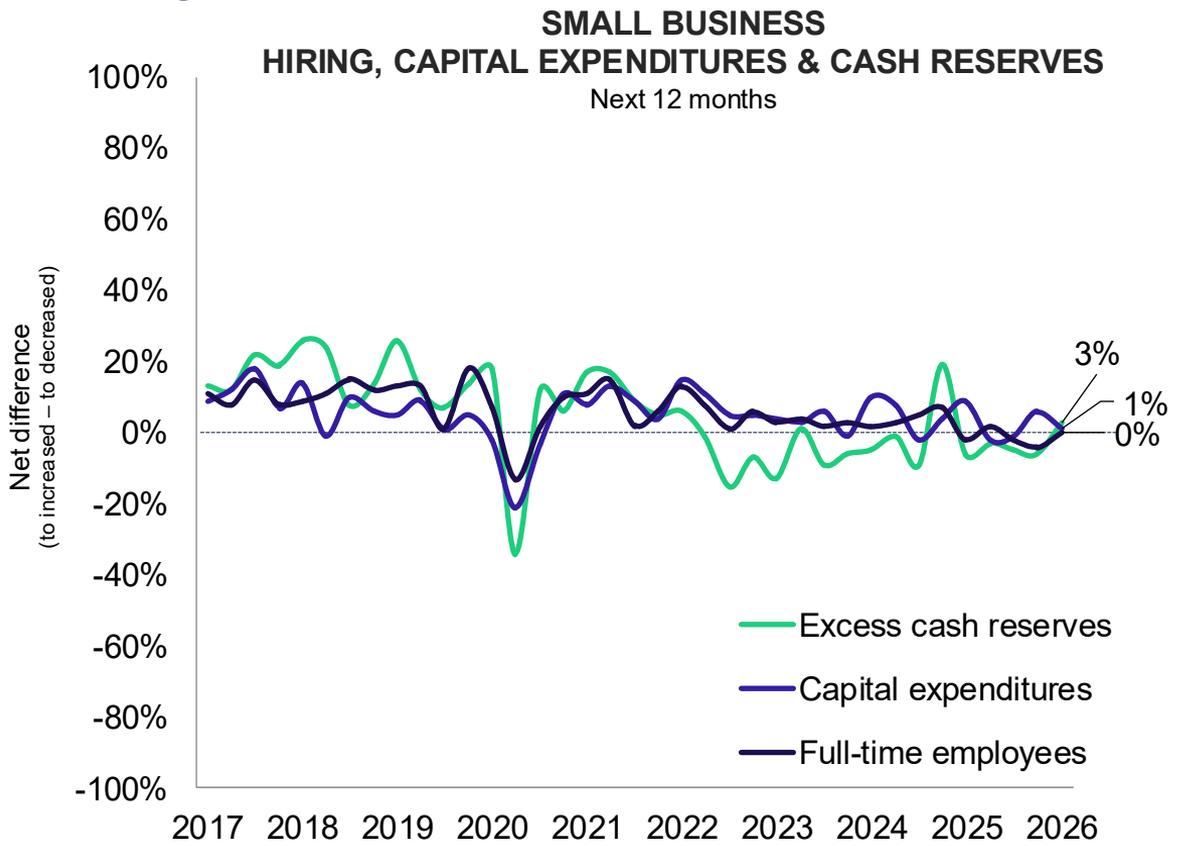
Q: During the next 12 months, do you expect your company's...  
 \$100K-<\$10MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2026)

# Fewer plan to increase prices, and one in five expect their sales and profits to decrease in 2026



Q: During the next 12 months, do you expect your company's...  
 \$100K-<\$10MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2026)

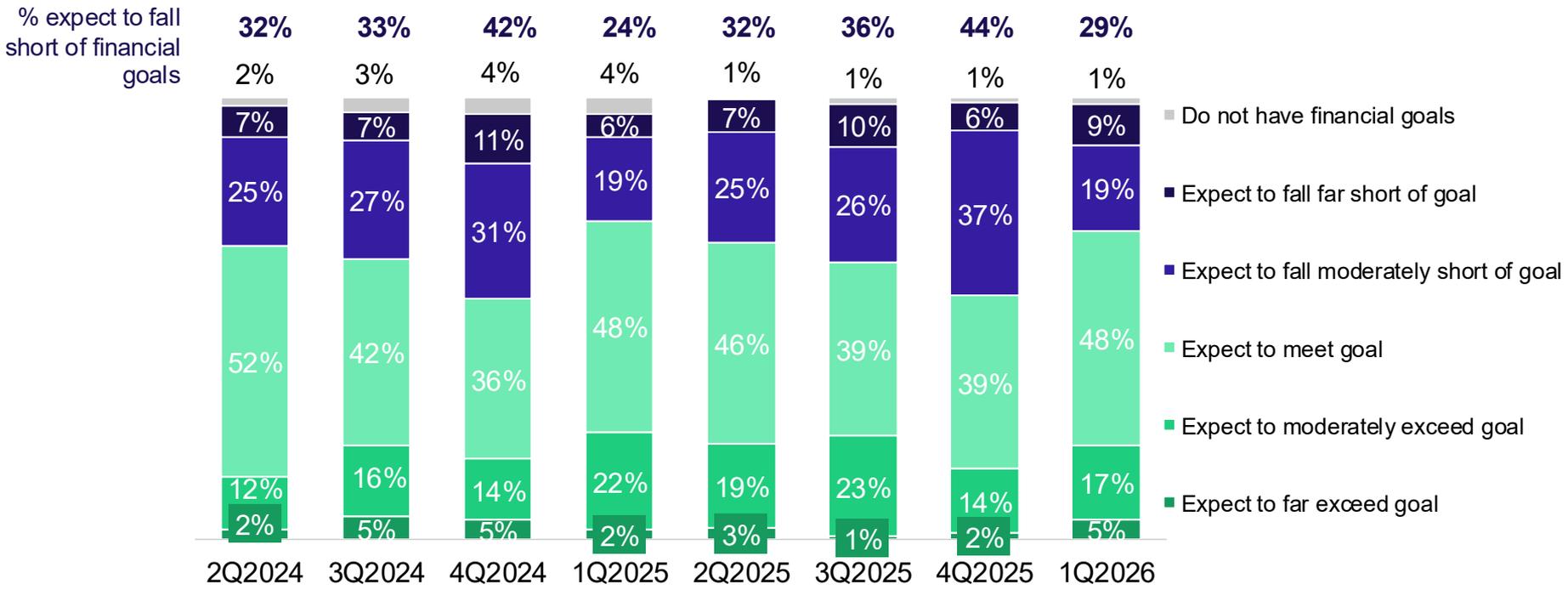
# Net difference excess cash reserve expectations returned to positive territory for the first time since 4Q2024



Q: During the next 12 months, do you expect your company's...  
 \$100K-<\$10MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2026)

# Like the first quarter of 2025, seven in ten middle market companies anticipate meeting or exceeding their financial goals

## MEETING FINANCIAL GOALS: MIDDLE MARKET

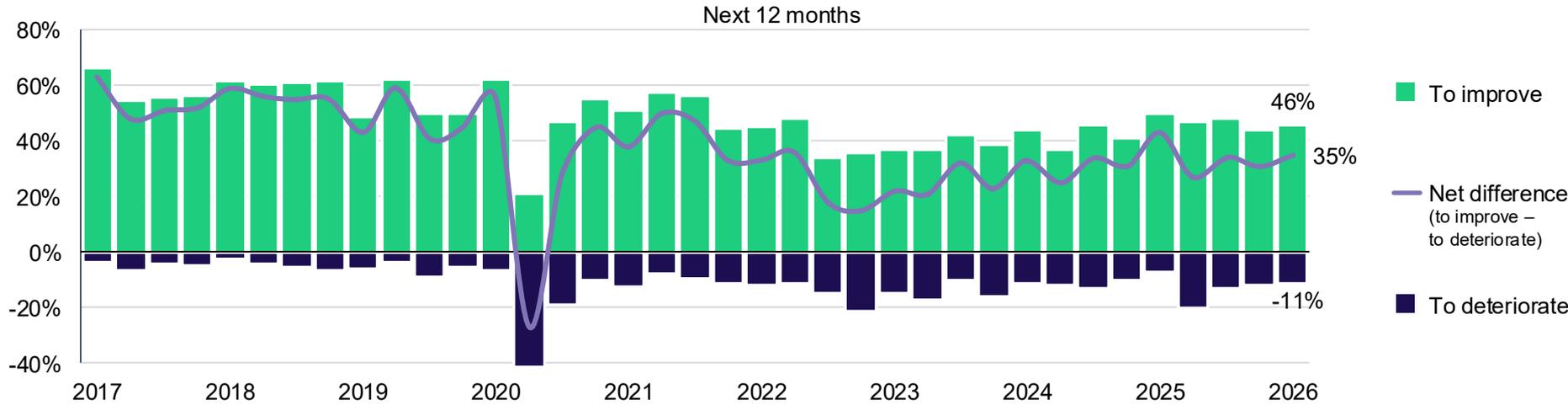


Q: Do you expect that your company will exceed, meet or fall short of its financial goals by the end of your current fiscal year?

\$10MM-<\$500MM  
BusinessPulse Quarterly Trending Data (ending 1Q2026)

# Middle market expectations about their financial condition over the next 12 months improved in the first quarter

## MIDDLE MARKET FINANCIAL CONDITION



Net difference

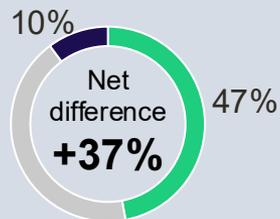
**+35%**



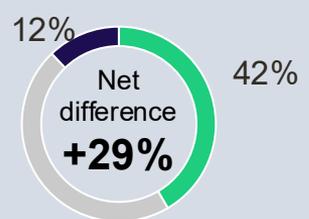
+4 pts. from last quarter

-8 pts. from one year ago

\$10MM-<\$50MM



\$50MM-<\$500MM



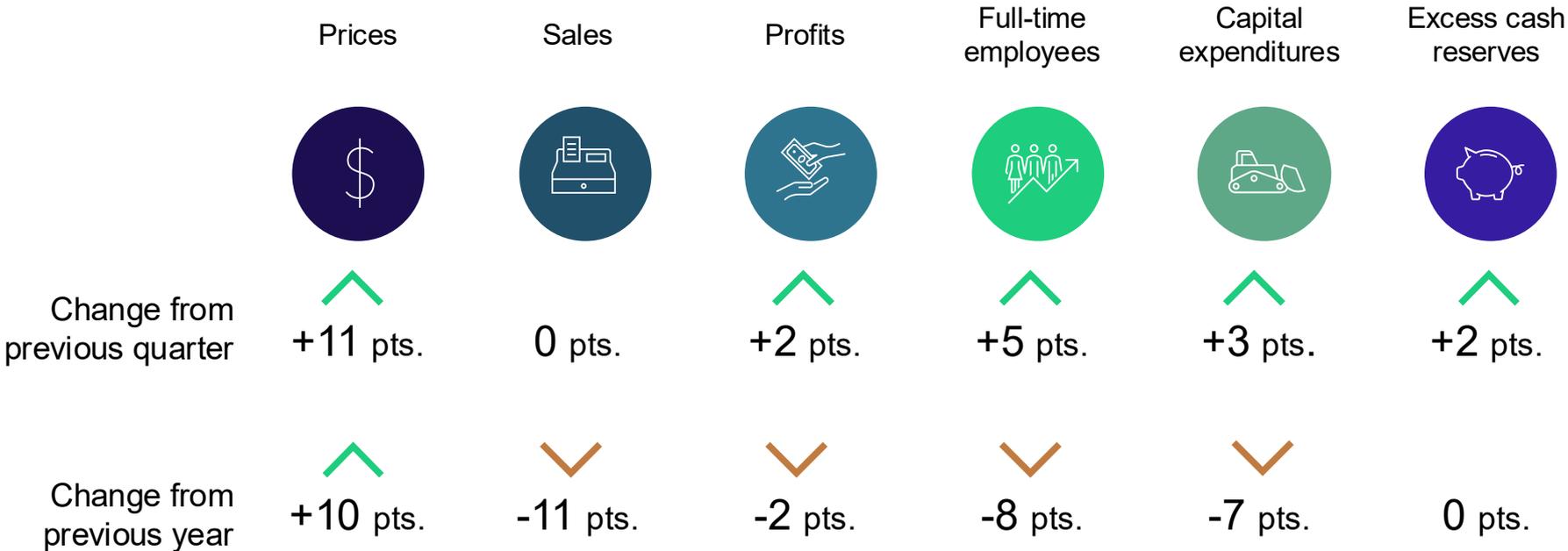
Q: During the next 12 months, do you expect your company's overall financial condition to...

\$10MM-<\$500MM  
BusinessPulse Quarterly Trending Data (ending 1Q2026)

# Middle market price expectations increased in the first quarter

## MIDDLE MARKET NET DIFFERENCE CHANGES

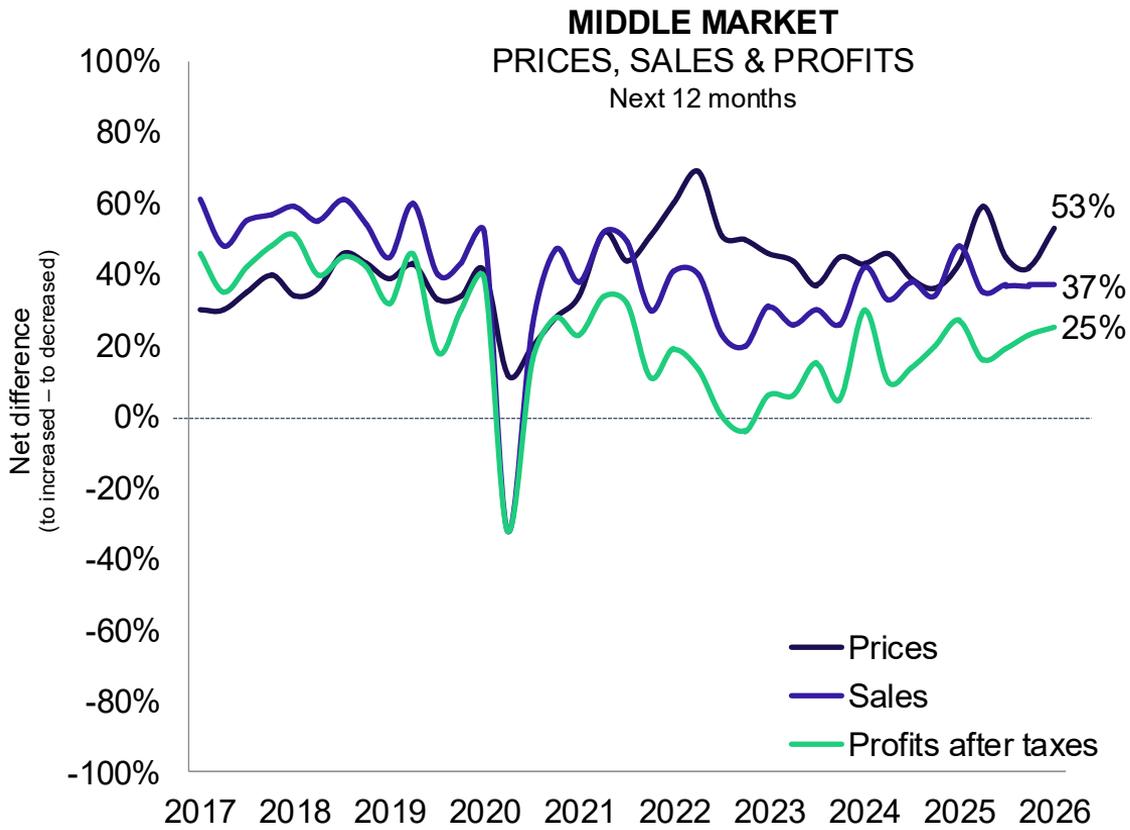
Next 12 months



Net difference: to increase – to decrease

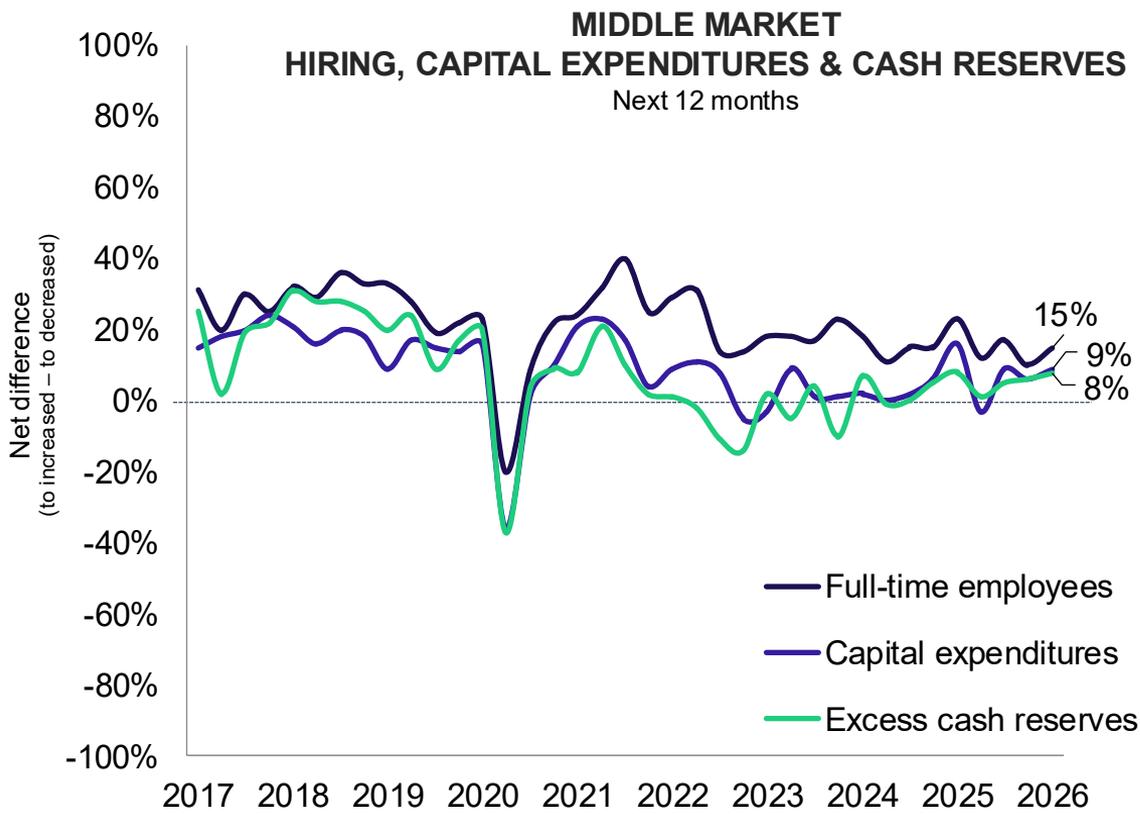
Q: During the next 12 months, do you expect your company's...  
 \$10MM-<\$500MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2026)

# Profit expectations continue to improve as expected sales flattened out



Q: During the next 12 months, do you expect your company's...  
 \$10MM-<\$500MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2026)

# Net difference excess cash expectations are showing consistent growth in the middle market



Q: During the next 12 months, do you expect your company's...  
 \$10MM-<\$500MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2026)

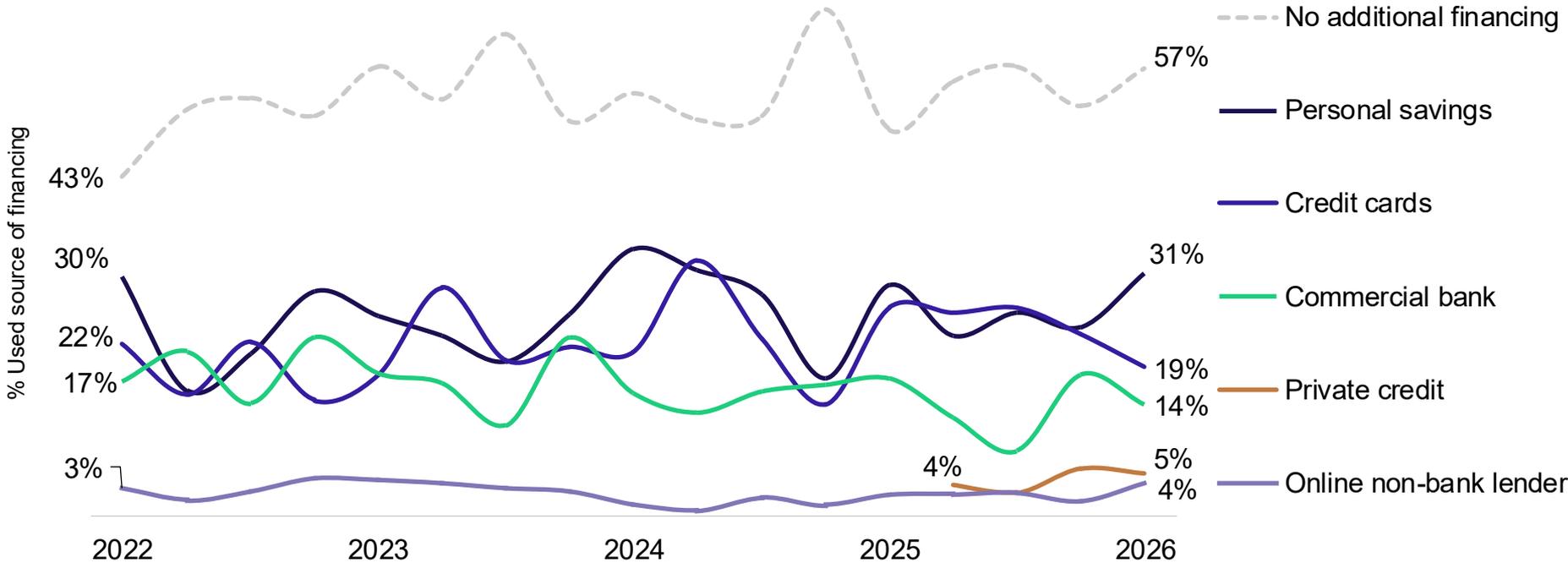
03

# Credit outlook

# Small businesses grew less reliant on credit cards and more reliant on personal savings to finance their operations

## SMALL BUSINESS SOURCES OF FINANCING

Past 12 months



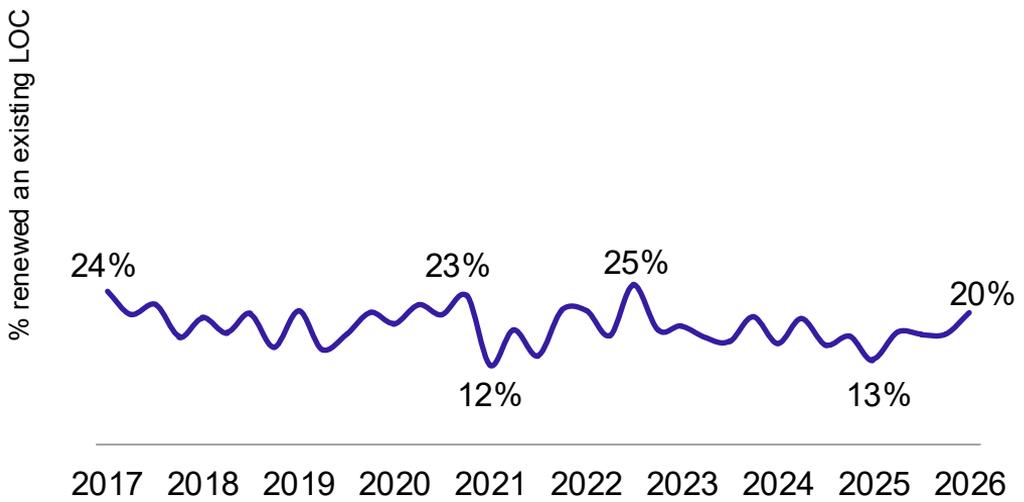
Q: During the *last 12 months*, in addition to company equity and cash flow, how has your company financed its business operations? (select all that apply)

\$100K-<\$10MM  
BusinessPulse Quarterly Trending Data (ending 1Q2026)

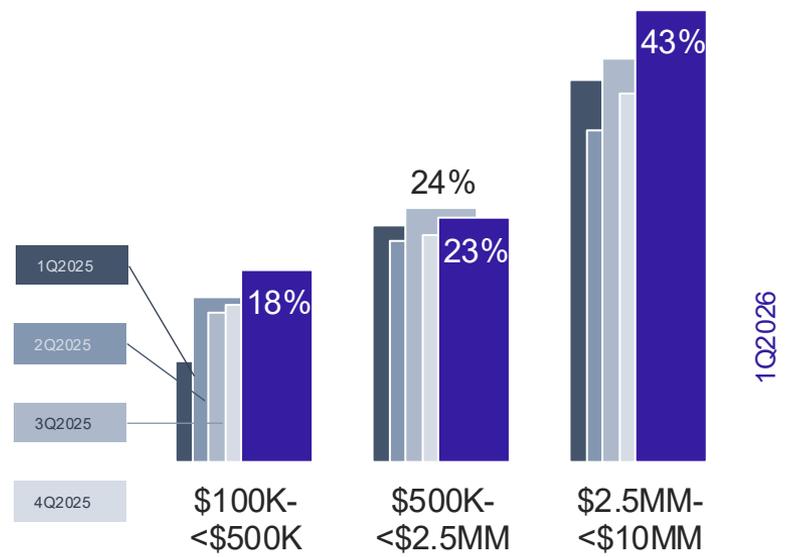
# Small businesses are increasingly likely to renew or extend existing lines of credit

## SMALL BUSINESS LOC RENEWALS/EXTENSIONS Past 12 months

### LOC RENEWAL/EXTENSION TREND



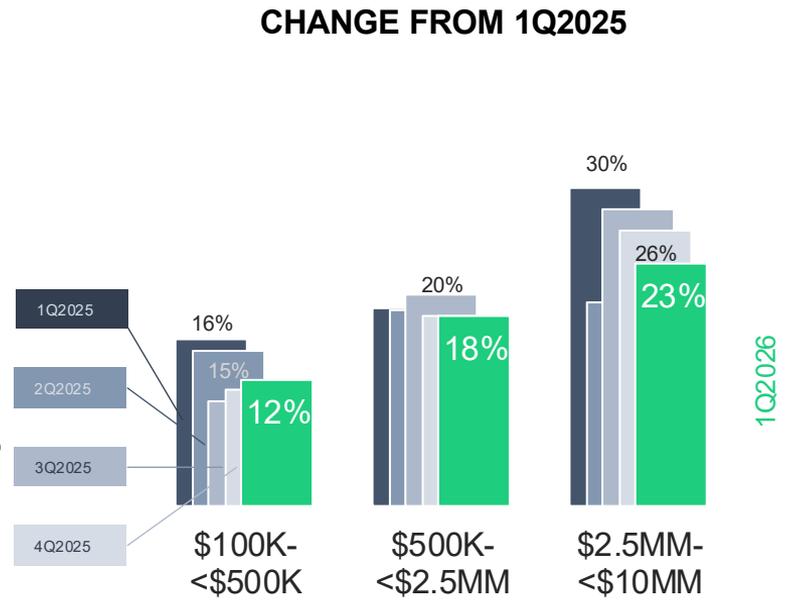
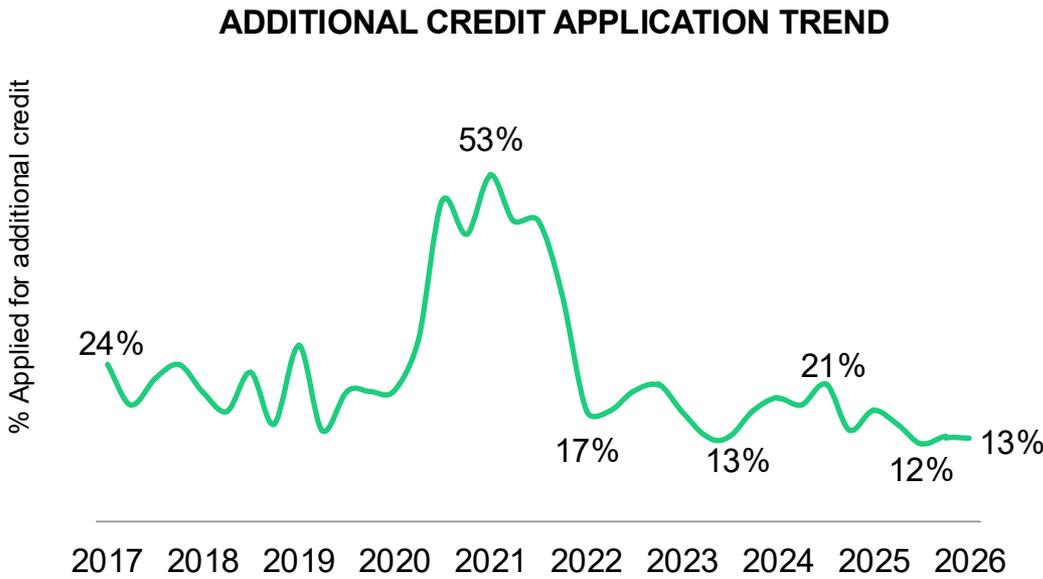
### CHANGE FROM 1Q2025



**Q: During the last 12 months, has your company extended/renewed an existing line of credit?**  
 \$100K- <\$10MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2026)

# ...meanwhile, demand for new/additional credit remains flat and limited

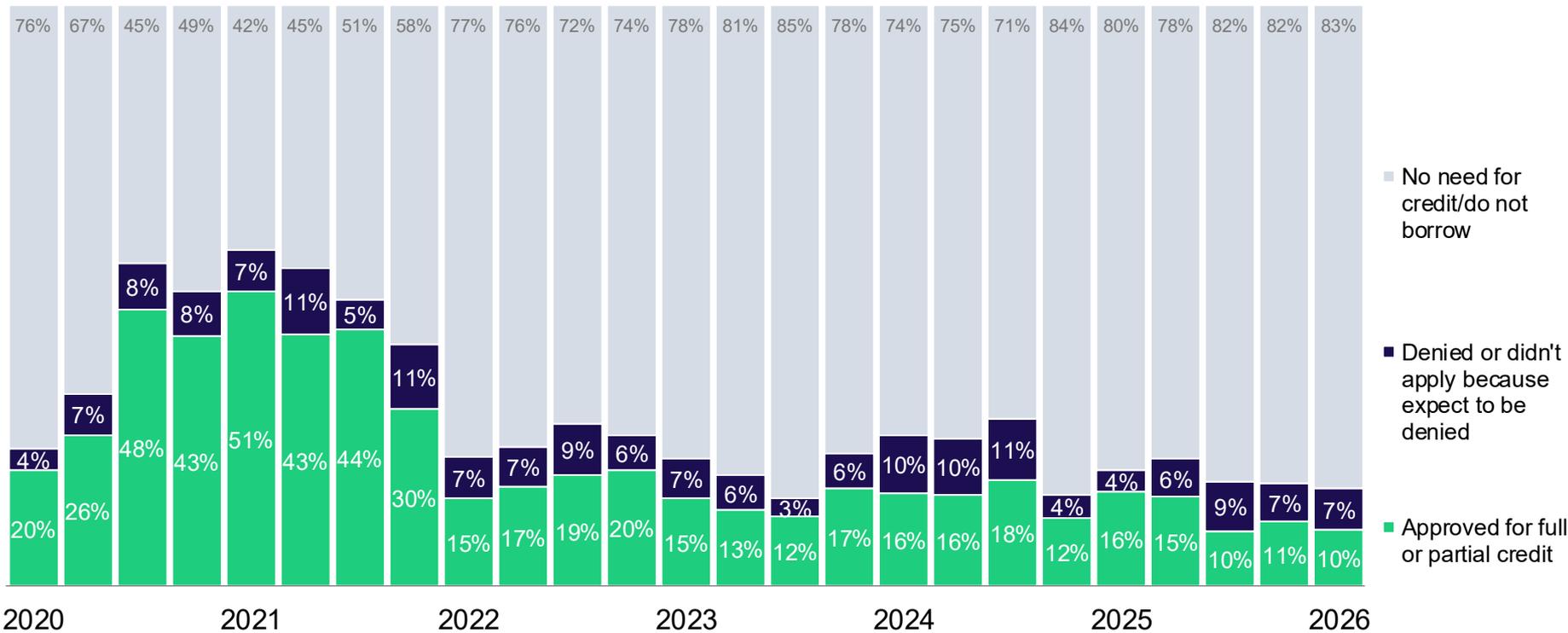
## SMALL BUSINESS APPLICATIONS FOR ADDITIONAL CREDIT Past 12 months



**Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution?**  
 \$100K- <\$10MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2026)

# The overall need for additional credit continues to trend down

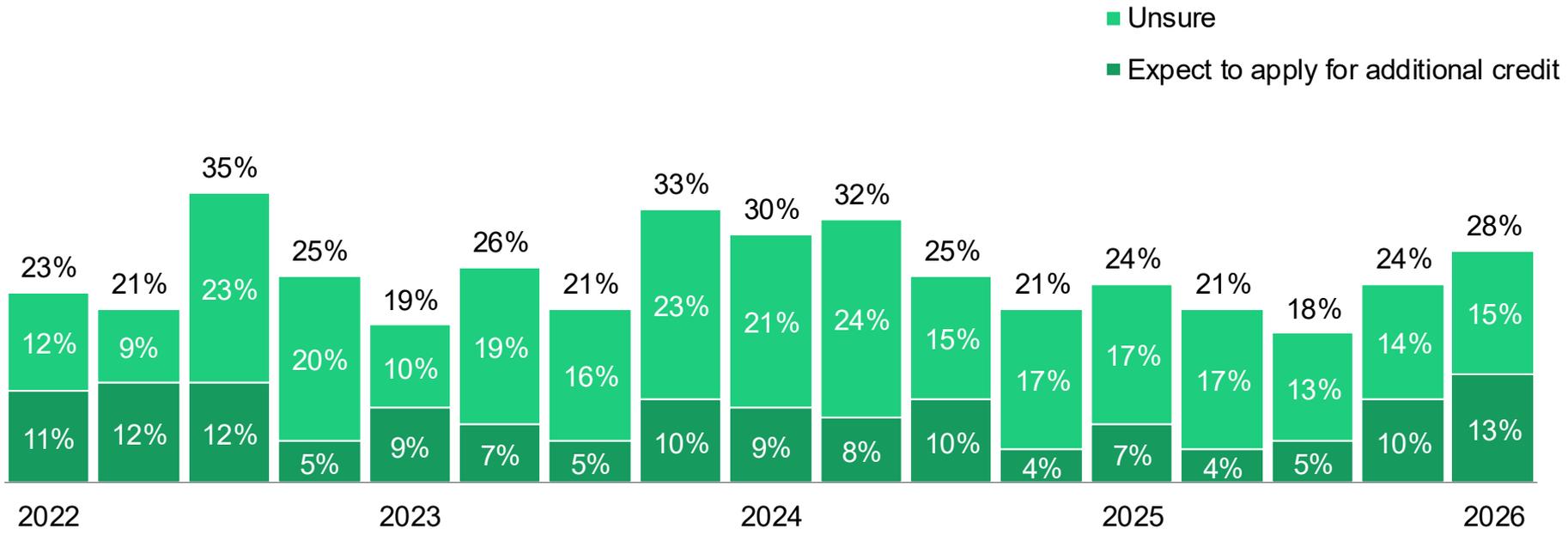
## SMALL BUSINESS OUTCOMES FOR ADDITIONAL CREDIT



Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution?  
 \$100K-<\$10MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2026)

# However, the expected need for additional credit appears to be growing

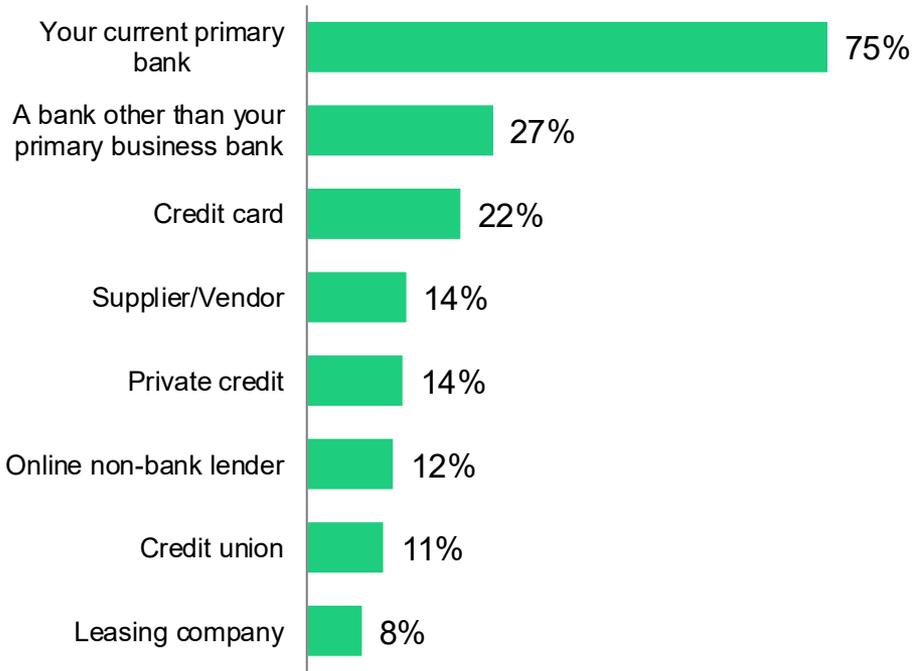
## SMALL BUSINESS EXPECTATIONS TO APPLY FOR ADDITIONAL CREDIT



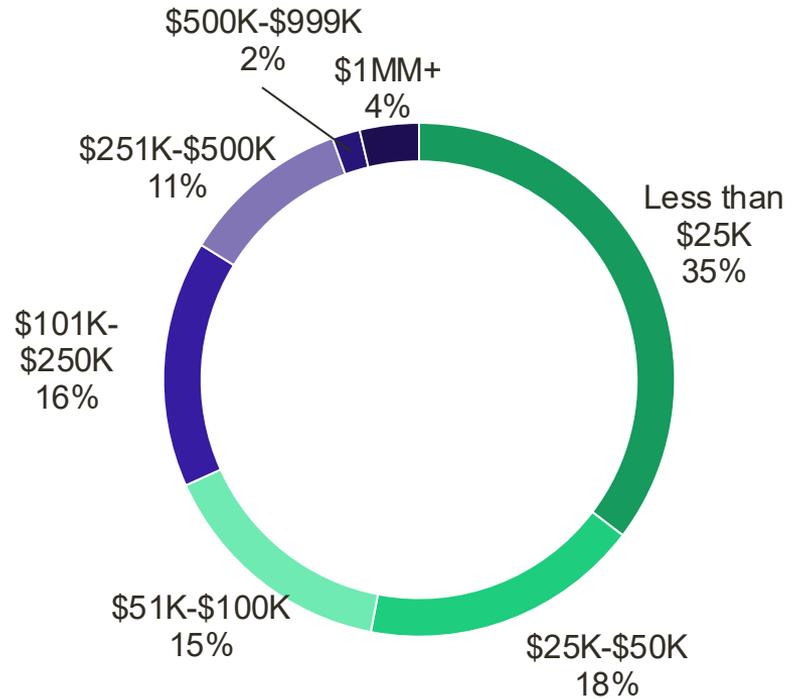
Q: During the next 12 months, do you expect your company to apply for additional credit or loans from any financial institution?  
 \$100K-<\$10MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2026)

# Most small businesses that expect to borrow anticipate using their primary bank and borrowing less than \$50K

**WHERE SMALL BUSINESSES EXPECT TO APPLY FOR ADDITIONAL CREDIT\***



**AMOUNT OF ADDITIONAL CREDIT SMALL BUSINESSES ANTICIPATE BORROWING\***



Q: Where do you expect to apply for additional credit? (select all that apply)

Q: If you expect your company to apply for additional credit or loans in the next 12 months or are unsure, approximately how much do you anticipate borrowing?

\*Based to those that expect to apply for additional credit or are unsure \$100K-<\$10MM

# Small businesses primarily anticipate applying for additional credit for working capital

## SMALL BUSINESSES' REASONS FOR EXPECTING TO APPLY FOR ADDITIONAL CREDIT\*



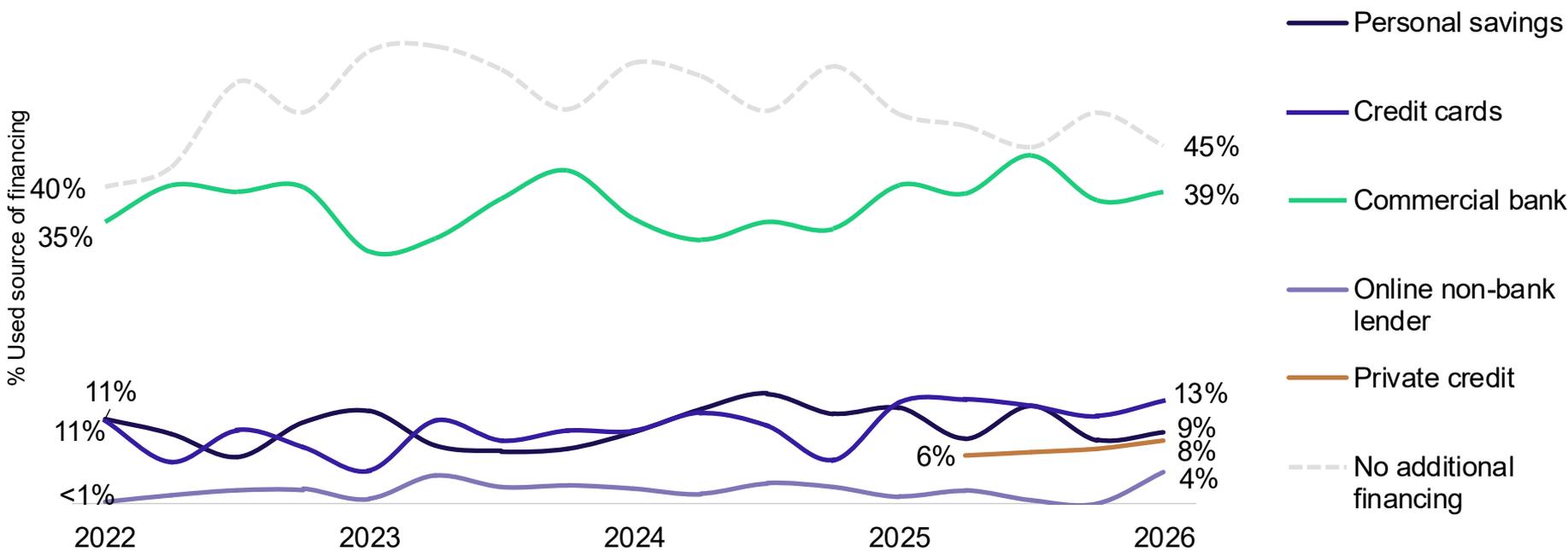
Q: For what reason(s) would you expect to borrow? (select all that apply)

\*Based to those that expect to apply for additional credit or are unsure \$100K-<\$10MM

BusinessPulse Quarterly Data (1Q2026)

# Commercial banks remain the top source of financing, although all other sources saw some lift as well in the first quarter

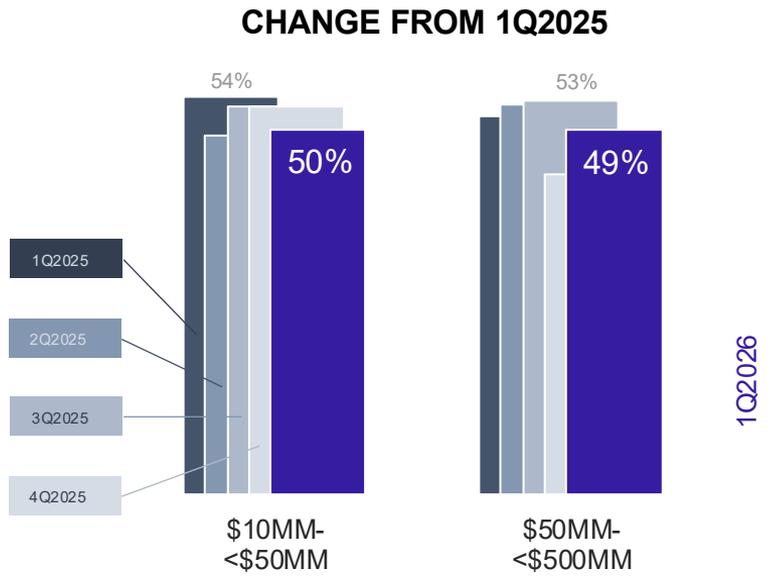
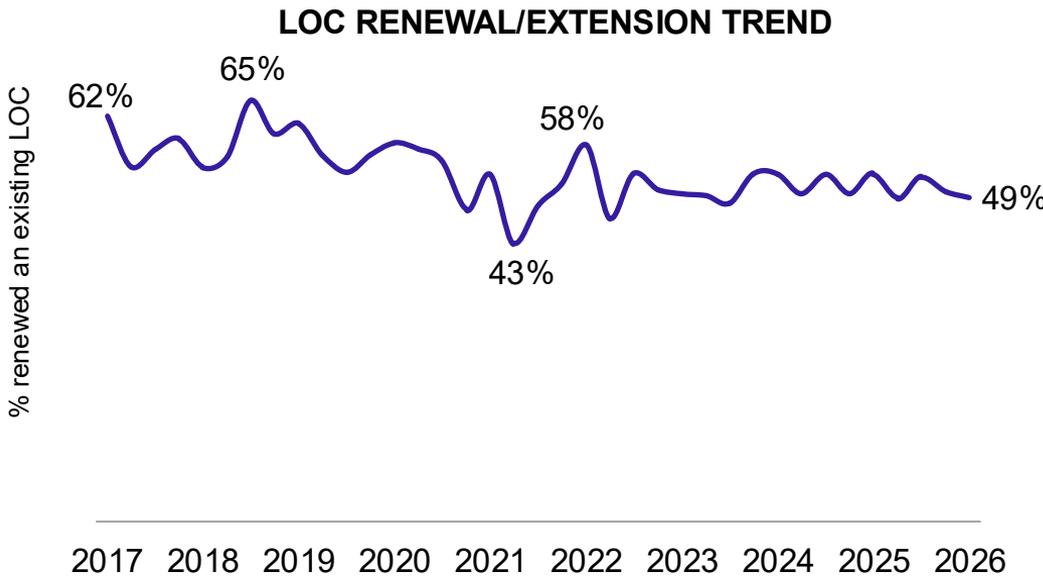
**MIDDLE MARKET SOURCES OF FINANCING**  
Past 12 months



**Q: During the last 12 months, in addition to company equity and cash flow, how has your company financed its business operations? (select all that apply)**  
 \$10MM-<math><500\text{MM}</math>  
 BusinessPulse Quarterly Trending Data (ending 1Q2026)

# Line of credit renewals have remained relatively stable in the middle market since 2023

## MIDDLE MARKET LOC RENEWALS/EXTENSIONS Past 12 months

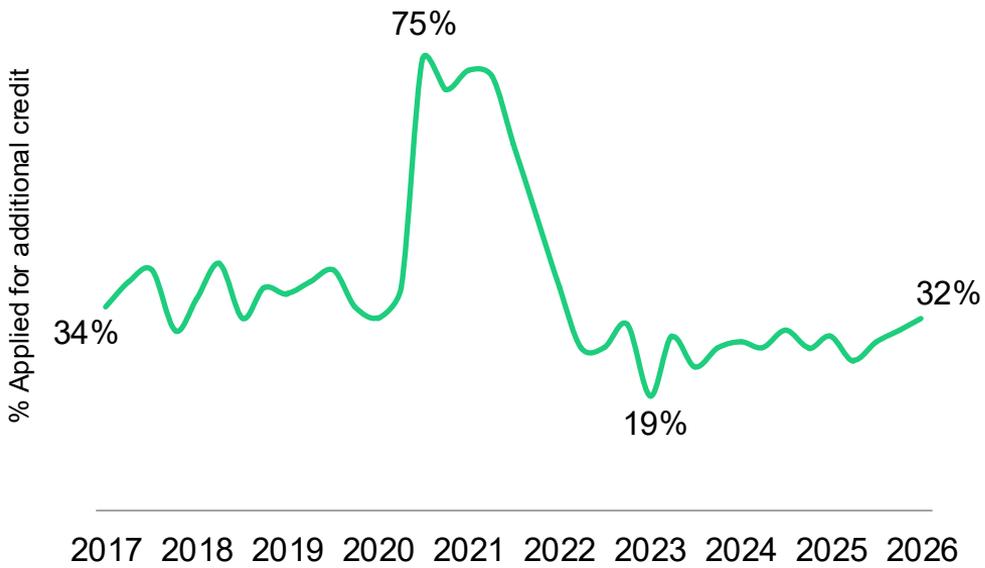


**Q: During the last 12 months, has your company extended/renewed an existing line of credit?**  
 \$10MM-<\$500MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2026)

# Middle market demand for additional credit continued to increase, reaching its highest point since PPP

## MIDDLE MARKET APPLICATIONS FOR ADDITIONAL CREDIT Past 12 months

### ADDITIONAL CREDIT APPLICATION TREND



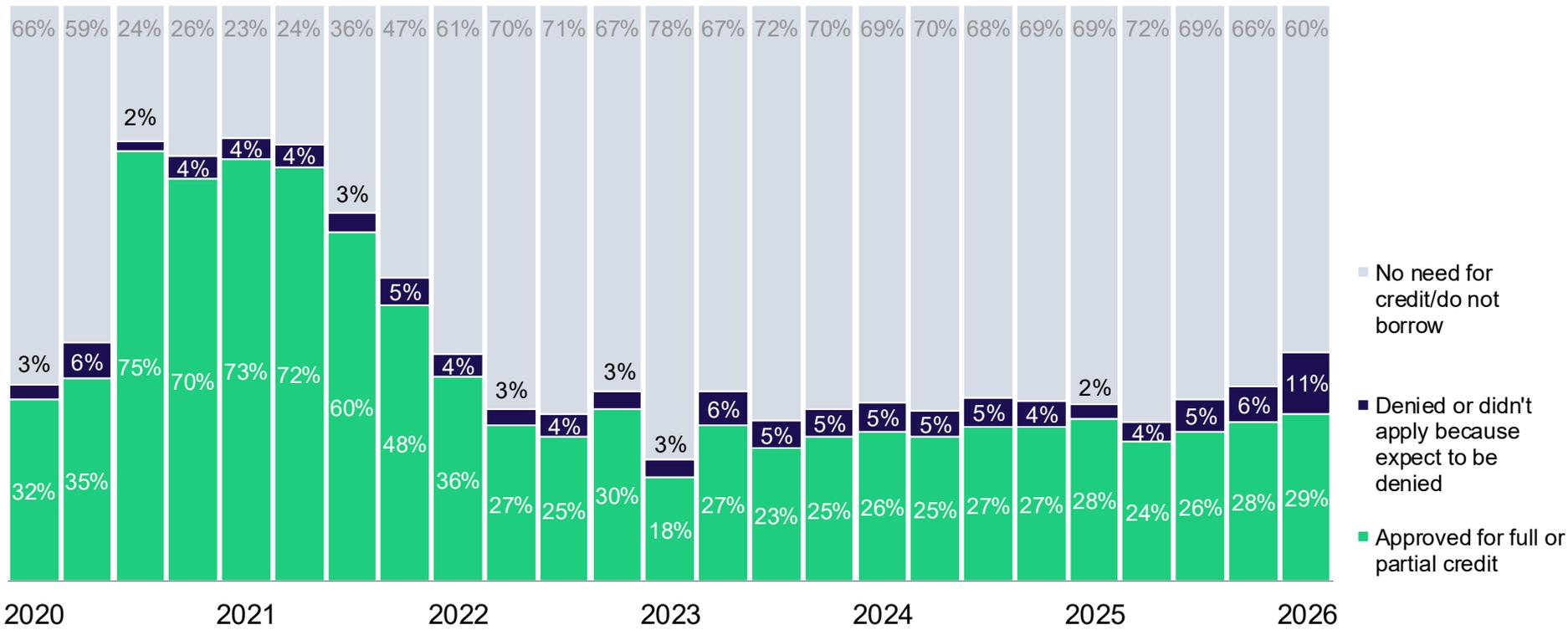
### CHANGE FROM 1Q2025



**Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution?**  
 \$10MM-<\$500MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2026)

# A decreasing percentage of middle market companies have no need for credit/do not borrow

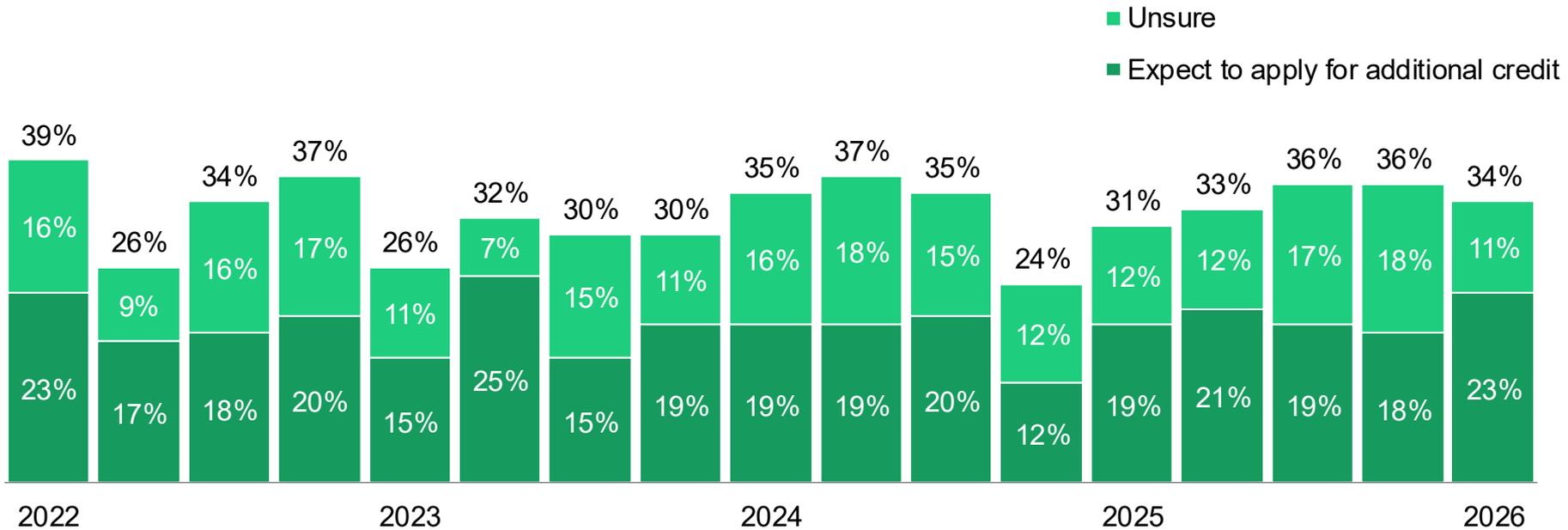
MIDDLE MARKET OUTCOMES FOR ADDITIONAL CREDIT



Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution?  
 \$10MM-<\$500MM  
 BusinessPulse Quarterly Trending Data (ending 1Q2026)

# Expectations to apply for additional credit remained mostly flat from the previous quarter

## MIDDLE MARKET EXPECTATIONS TO APPLY FOR ADDITIONAL CREDIT

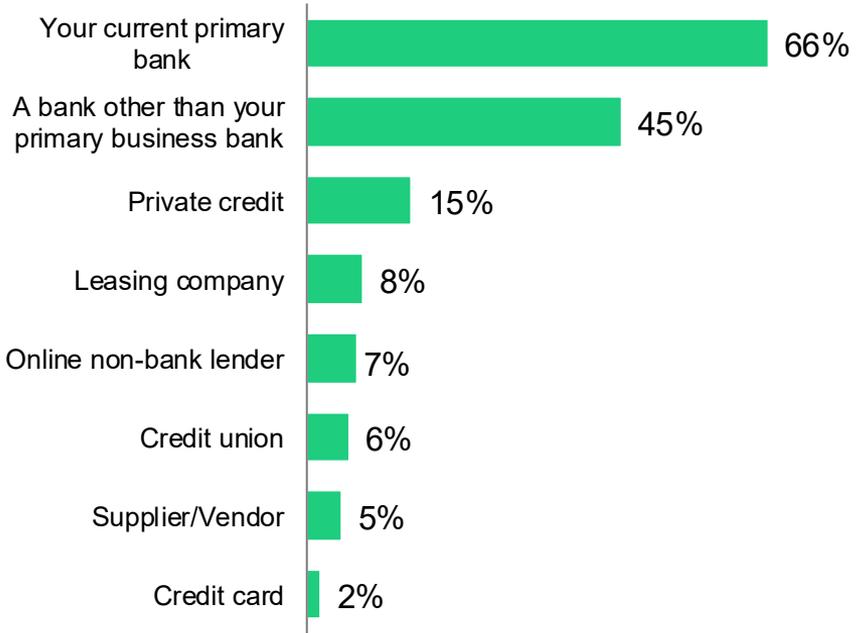


Q: During the next 12 months, do you expect your company to apply for additional credit or loans from any financial institution?

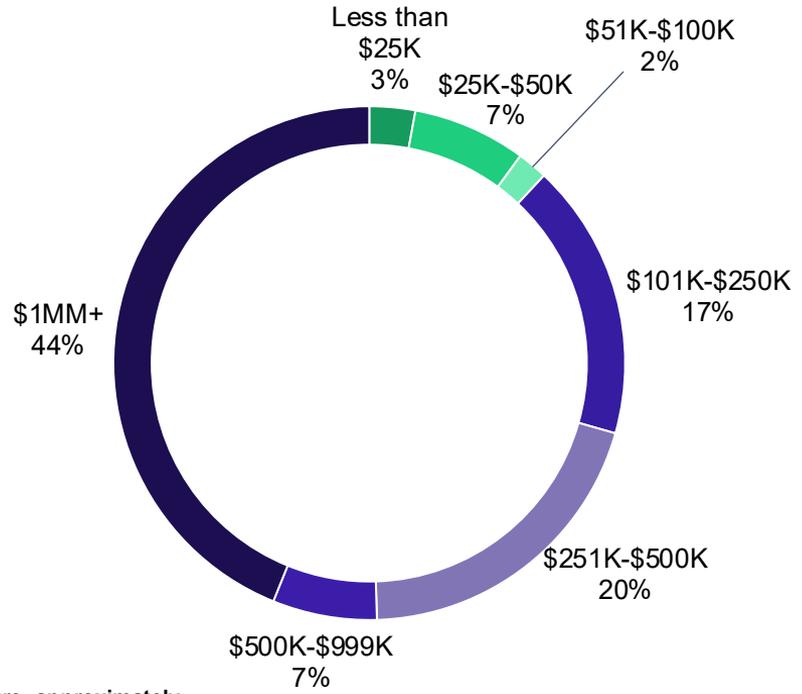
\$10MM-<\$500MM  
BusinessPulse Quarterly Trending Data (ending 1Q2026)

# Among those planning to apply for additional credit, primary banks and other commercial banks were the most expected sources

**WHERE MIDDLE MARKET COMPANIES EXPECT TO APPLY FOR ADDITIONAL CREDIT\***



**AMOUNT OF ADDITIONAL CREDIT MIDDLE MARKET COMPANIES ANTICIPATE BORROWING\***

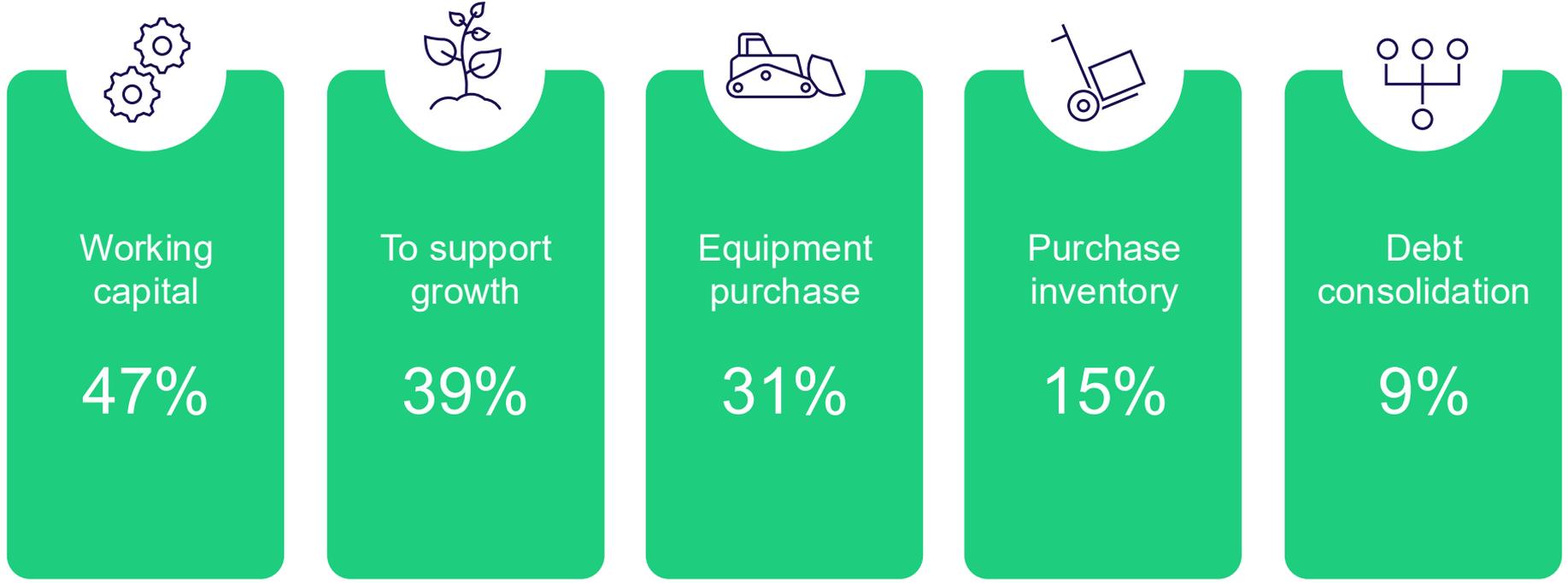


Q: Where do you expect to apply for additional credit? (select all that apply)  
 Q: If you expect your company to apply for additional credit or loans in the next 12 months or are unsure, approximately how much do you anticipate borrowing?

\*Based on those that expect to apply for additional credit or are unsure  
 \$10MM-<\$500MM  
 BusinessPulse Quarterly Data (1Q2026)

# Additional credit will likely be for working capital

## MIDDLE MARKET COMPANIES' REASONS FOR EXPECTING TO APPLY FOR ADDITIONAL CREDIT\*



Q: For what reason(s) would you expect to borrow? (select all that apply)

\*Based to those that expect to apply for additional credit or are unsure \$10MM-<\$500MM

BusinessPulse Quarterly Data (1Q2026)

# Methodology

This BusinessPulse report contains data from surveys conducted in the first quarter of 2026 by Barlow Research, involving a sample of 396 small businesses and 302 middle market companies. Companies surveyed include all SIC categories except depository institutions, U.S. postal services, private households, bank holding companies and commercial non-physical research. (All Pulse Survey respondents previously participated in Barlow Research's small business or middle market banking surveys.)

## Small Business (\$100K-<\$10MM)

**396**      **34.7%**  
Respondents      Response rate  
by mail or online

**±4.92% at 95%**  
Max error factor

### Fielding period

January 7, 2026 – January 19, 2026

## Middle Market (\$10MM-<\$500MM)

**302**      **26.5%**  
Respondents      Response rate  
by mail or online

**±5.64% at 95%**  
Max error factor

### Weighted

By geography and sales volume



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