Third Quarter 2026 BusinessPulse

July 2026

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Key findings

SMALL BUSINESS

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

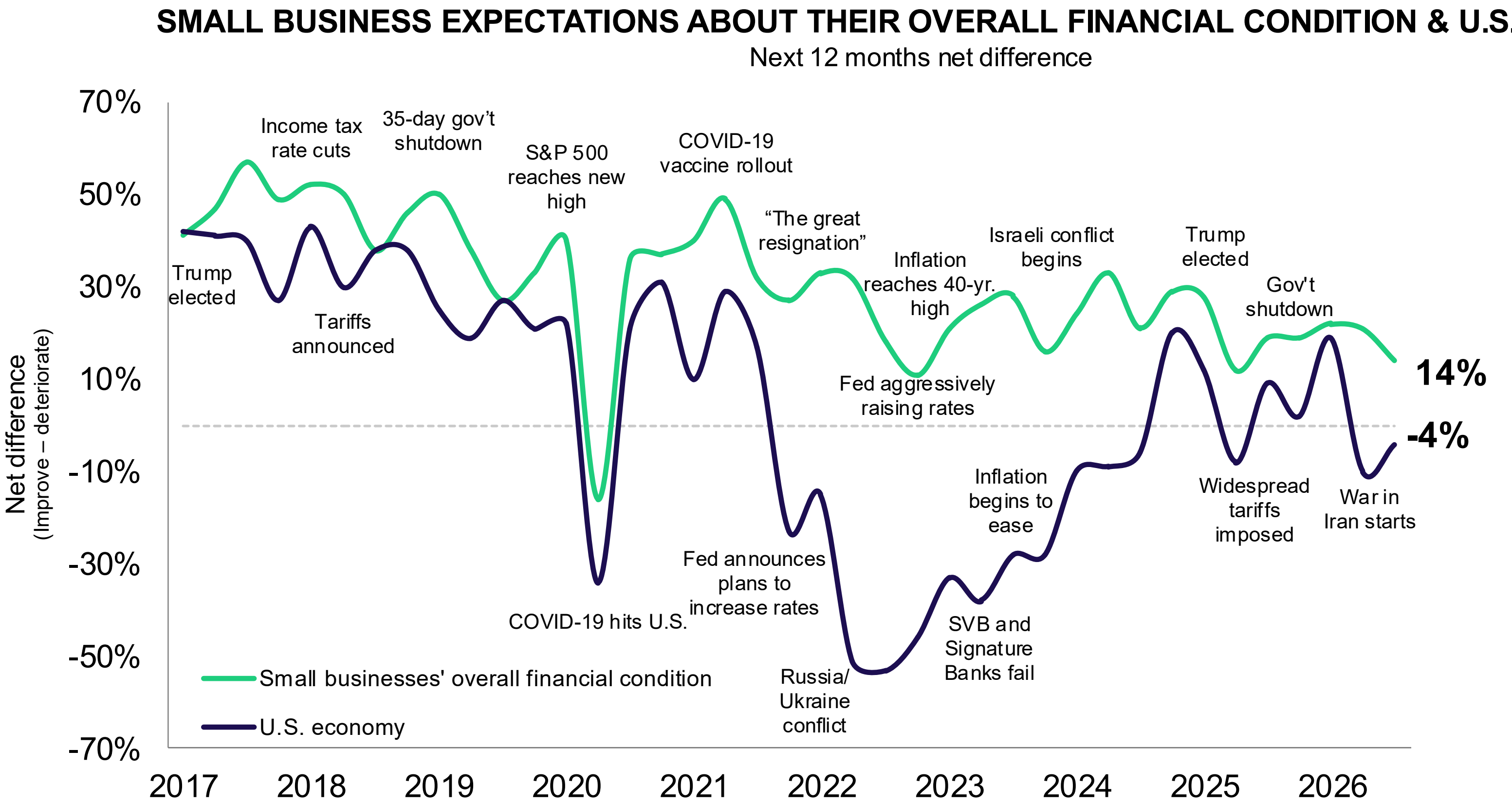
1. Small business' financial state weakened in the third quarter. Businesses experienced softer sales, weaker profitability, and a sharp deterioration in excess cash reserves. Concerns about the cost of doing business remain high and worries about slowing customer demand increased substantially, reflecting growing pressure on operating margins.
2. Confidence about the next 12 months also softened, and four in ten businesses now expect to fall short of their financial goals this year. Expectations for future sales, profits and cash reserves all deteriorated compared with last quarter. Persistent cost pressures and uncertain demand are limiting expectations for stronger financial improvement.
3. Demand for additional credit rebounded after reaching historically low levels earlier in the year. Small business are also modestly more likely to borrow in the next 12 months, with working capital and business growth serving as the primary reasons for seeking financing. Roughly one-third of prospective borrowers indicated they would consider applying through a non-primary bank.

MIDDLE MARKET

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

1. Middle market companies showed meaningful improvement in their overall financial condition in the third quarter. Stronger sales helped lift overall performance, although higher operating costs continued to compress profit margins and excess cash reserves remained under pressure.
2. Financial condition optimism about the next 12 months remained relatively stable. Expectations for future sales strengthened considerably. However, many continue to anticipate elevated operating costs which temper profit expectations and broader optimism. While most companies still expect to meet or exceed their financial goals, expectations softened slightly, suggesting businesses remain optimistic but increasingly cautious.
3. Demand for additional credit increased during the third quarter. Credit availability continues to be favorable, with the overwhelming majority of applicants receiving either full or partial approval. Looking ahead, companies planning to borrow continue to favor their primary bank and expect to use financing primarily for working capital or business growth.

Small business optimism fell to its lowest point in 2026



Third quarter 2026 defining event:

Fragile Middle East ceasefire

Q: During the next 12 months, do you expect…
$100K-<$10MM
BusinessPulse Quarterly Trending Data (ending 3Q2026)

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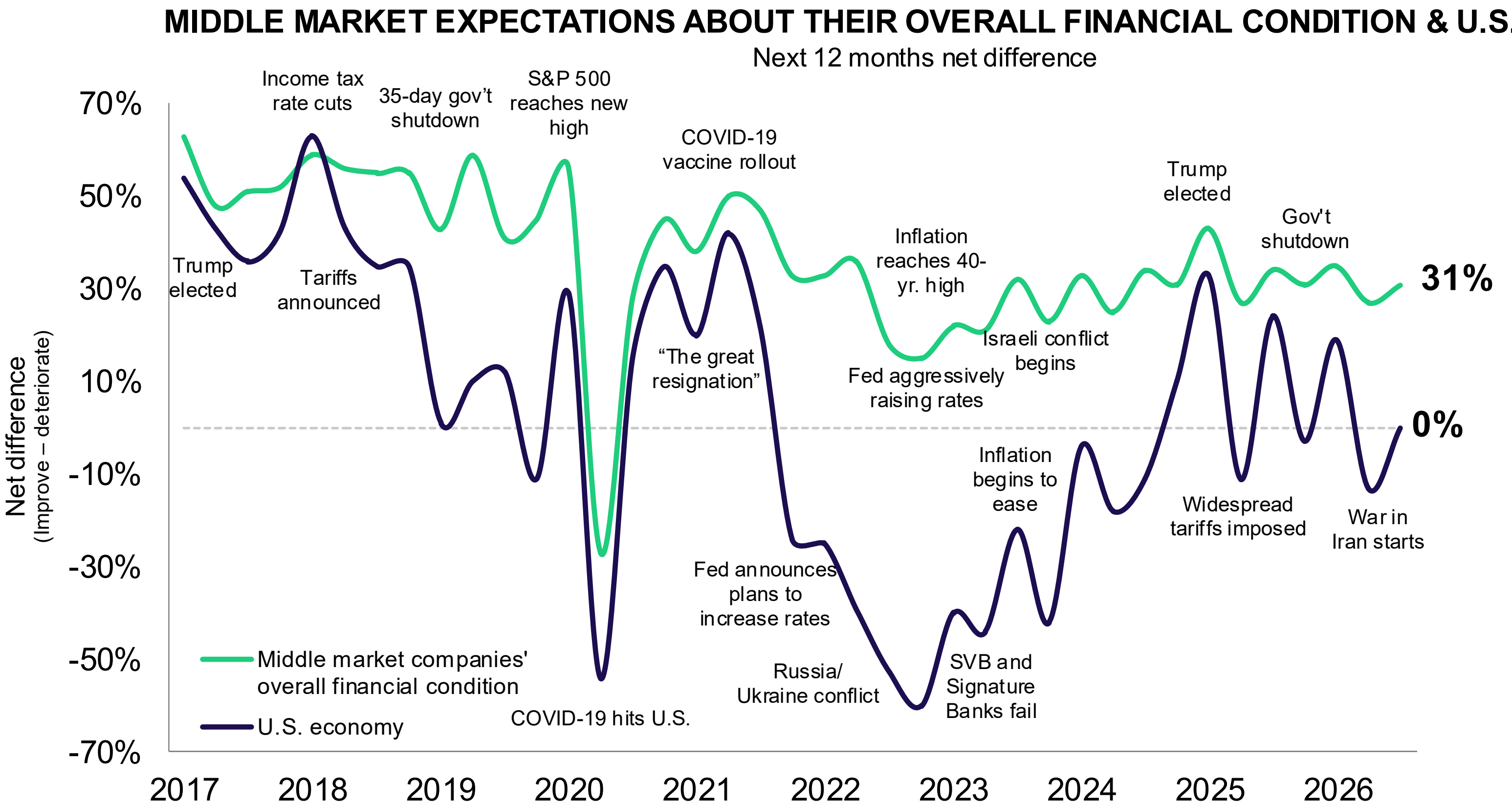
Middle market financial confidence and expectations about the U.S. economy improved



Third quarter 2026 defining event:

Fragile Middle East ceasefire

Q: During the next 12 months, do you expect…
$10MM-<$500MM
BusinessPulse Quarterly Trending Data (ending 3Q2026)

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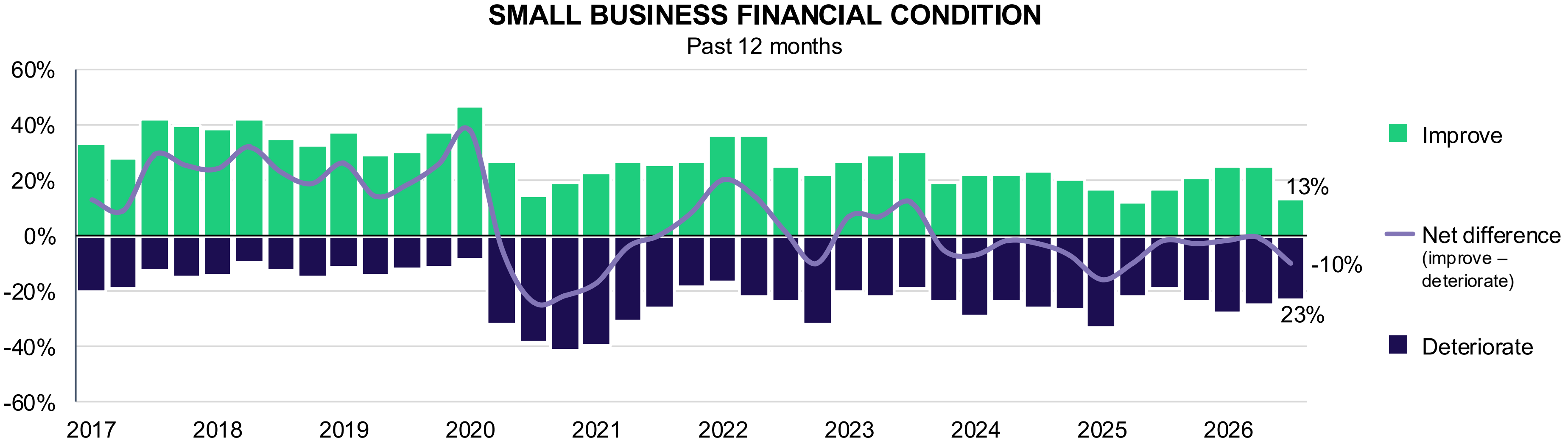
01

Retrospective economic position

Few small businesses (13%) indicated that their overall financial condition improved over the last 12 months



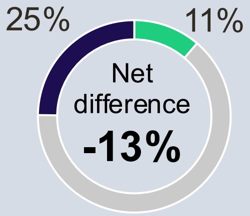
Net difference

-10%

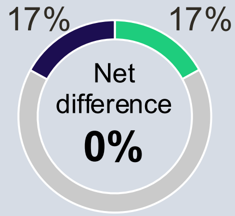
-9 pts. from last quarter

-8 pts. from one year ago

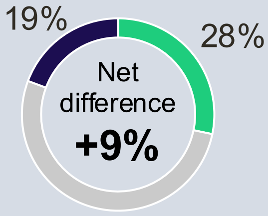
$100K-<$500K



$500K-<$2.5MM



$2.5MM-<$10MM



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

$100K-<$10MM

BusinessPulse Quarterly Trending Data (ending 3Q2026)

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Diminished financial conditions were a function of decreased sales, profits and excess cash reserves

SMALL BUSINESS NET DIFFERENCE CHANGES

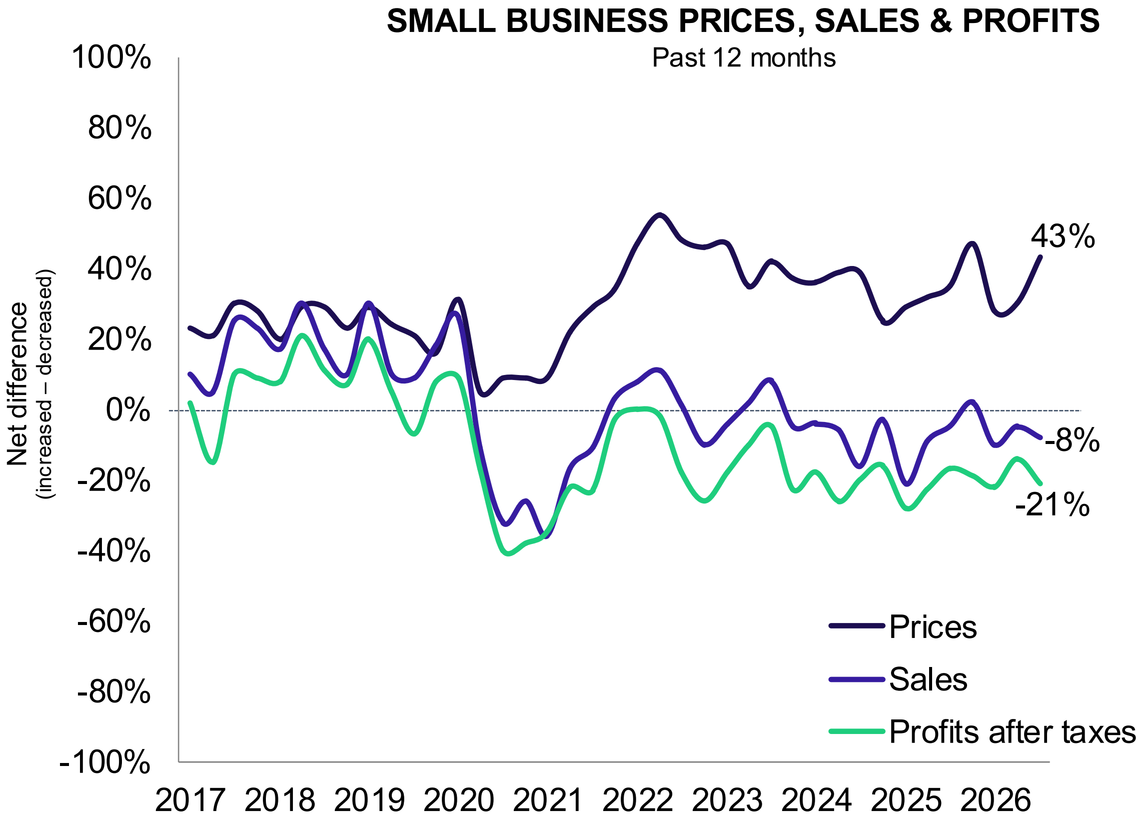
Past 12 months

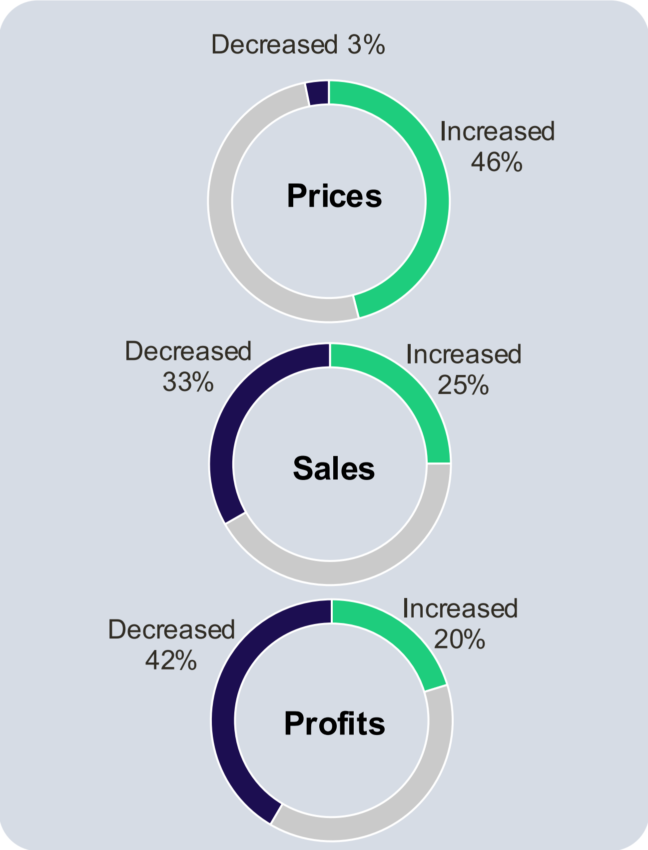
	Prices	Sales	Profits	Full-time employees	Capital expenditures	Excess cash reserves
Change from previous quarter	+13 pts.	-3 pts.	-7 pts.	+3 pts.	+3 pts.	-20 pts.
Change from previous year	+8 pts.	-3 pts.	-4 pts.	+1 pts.	+4 pts.	-19 pts.

Net difference: increased – decreased

Q: During the last 12 months, did your company's…
$100K-<$10MM
BusinessPulse Quarterly Trending Data (ending 3Q2026)

Small business net difference prices spiked back up after a low point in the second quarter





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

$100K-<$10MM

BusinessPulse Quarterly Trending Data (ending 3Q2026)

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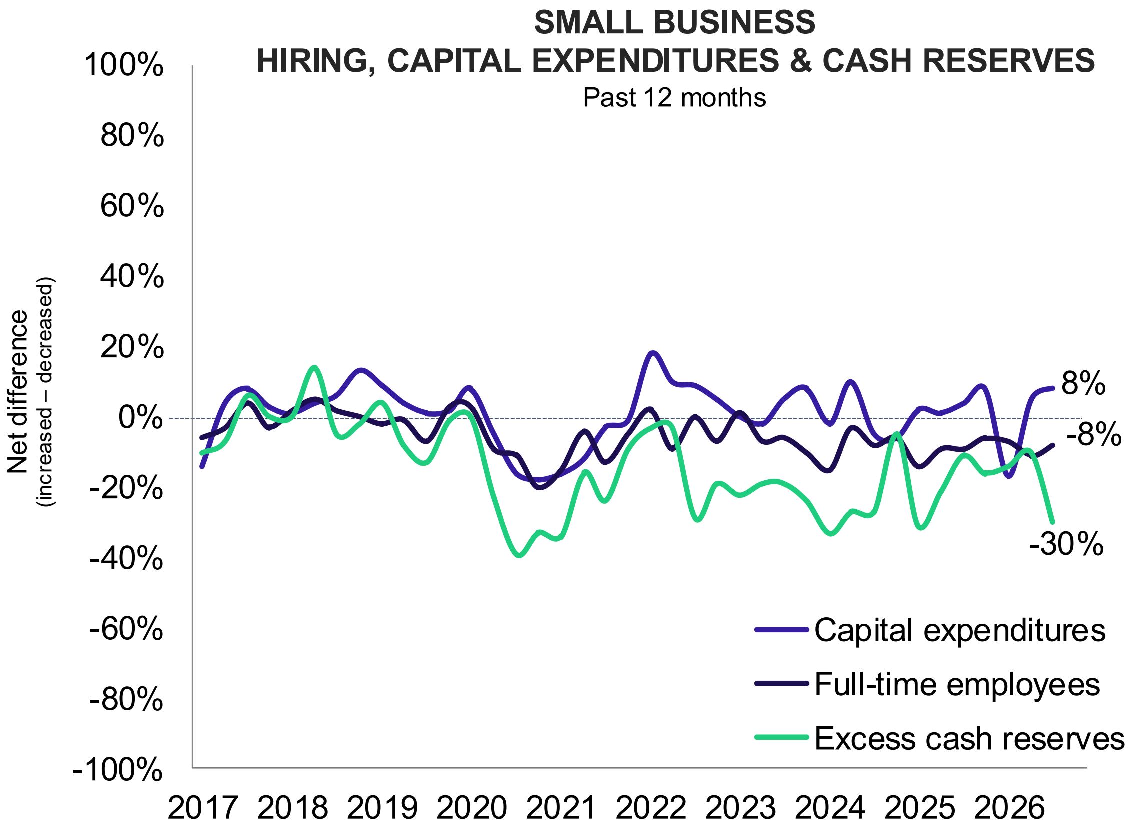
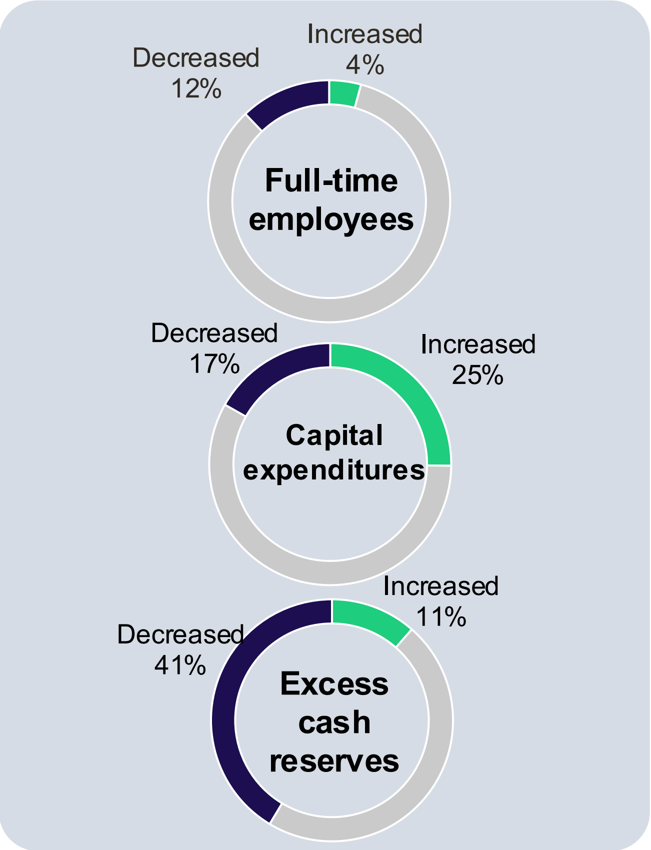
Excess cash reserves fell to their lowest levels since the beginning of 2025

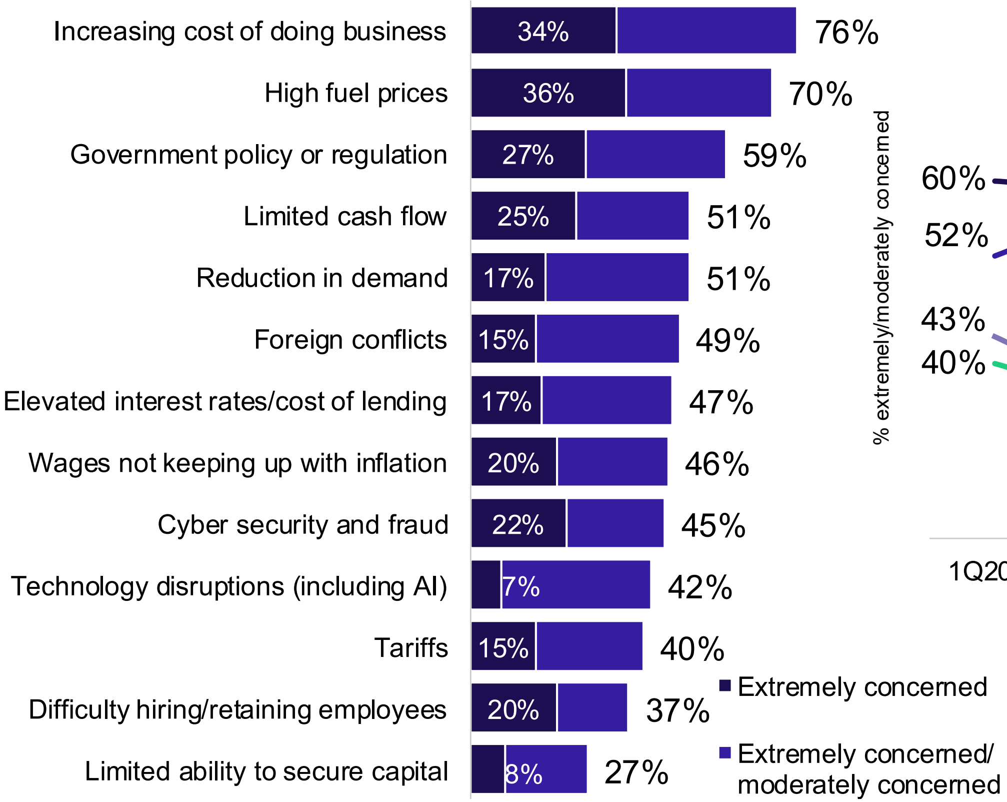


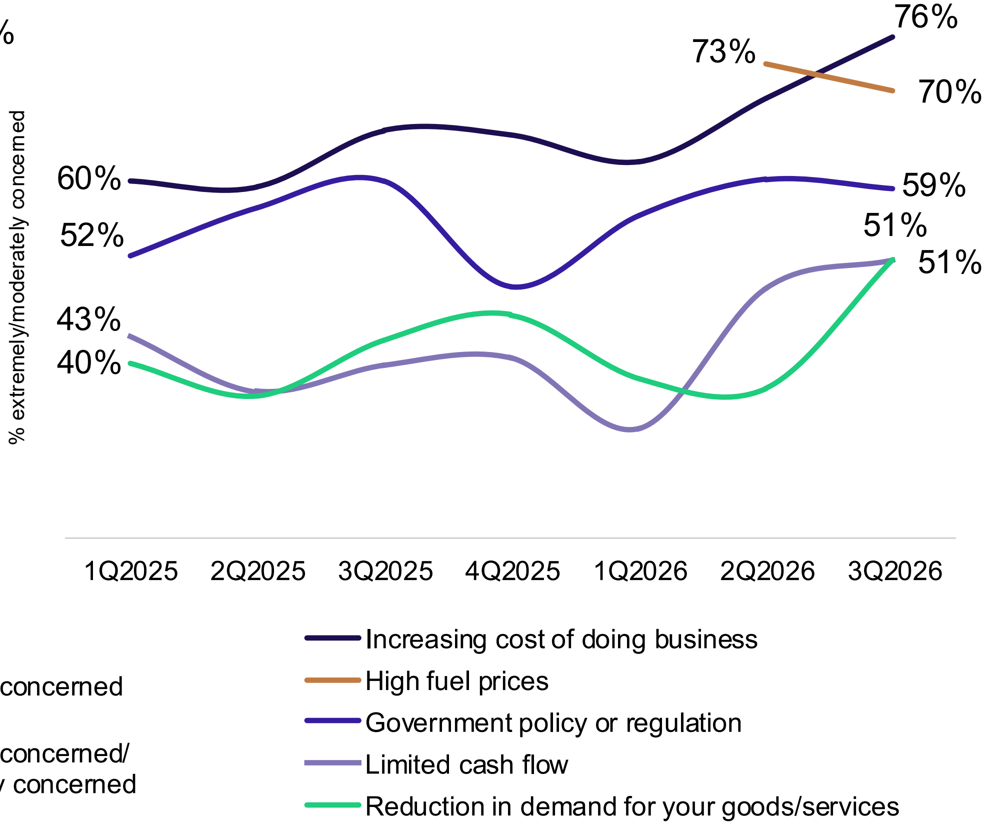


Q: During the last 12 months, did your company's…
$100K-<$10MM
BusinessPulse Quarterly Trending Data (ending 3Q2026)

Small businesses are increasingly concerned about the cost of doing business, and there is elevated concern over a reduction in demand

SMALL BUSINESS CONCERNS



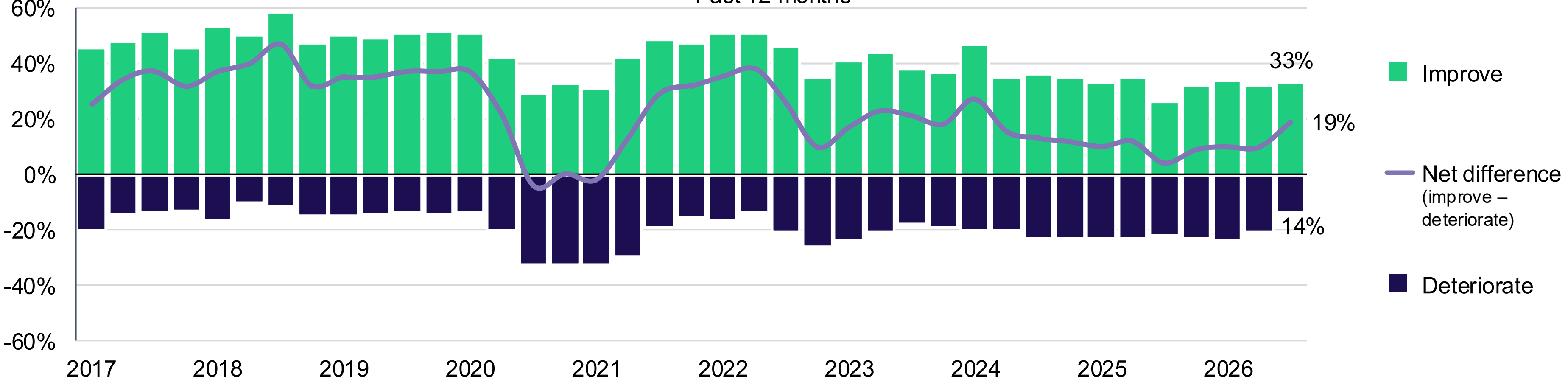


Q: How concerned are you about the following issues negatively impacting your business?
$100K-<$10MM
BusinessPulse Quarterly Trending Data (ending 3Q2026)

For the first time in 2026, middle market net difference financial conditions improved

MIDDLE MARKET FINANCIAL CONDITION

Past 12 months



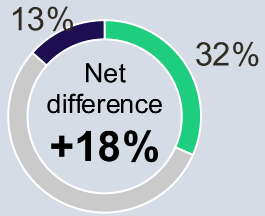
Net difference

+19%

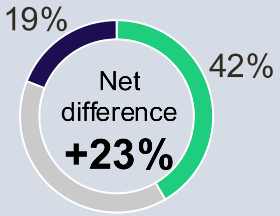
+9 pts. from last quarter

+15 pts. from one year ago

$10MM-<$50MM



$50MM-<$500MM



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

$10MM-<$500MM

BusinessPulse Quarterly Trending Data (ending 3Q2026)

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Improved sales have helped fuel positivity

MIDDLE MARKET NET DIFFERENCE CHANGES

Past 12 months

	Prices	Sales	Profits	Full-time employees	Capital expenditures	Excess cash reserves
Change from previous quarter	+2 pts.	+4 pts.	-4 pts.	-4 pts.	-8 pts.	-3 pts.
Change from previous year	+8 pts.	+11 pts.	+14 pts.	0 pts.	-3 pts.	+5 pts.

Net difference: increased – decreased

Q: During the last 12 months, did your company's…
$10MM-<$500MM
BusinessPulse Quarterly Trending Data (ending 3Q2026)

LiveOakBank.
BUSINESSPULSE
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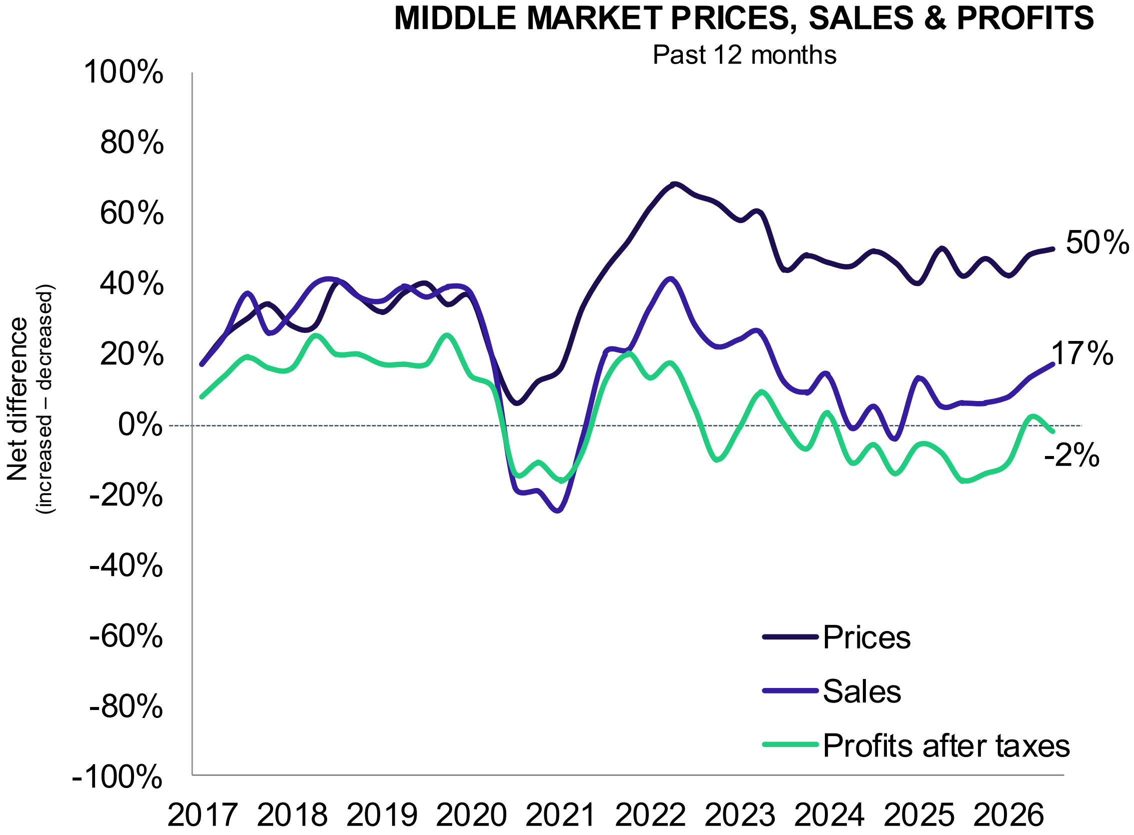
Although sales have improved, the elevated cost of doing business appears to be stifling margins



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

$10MM-<$500MM

BusinessPulse Quarterly Trending Data (ending 3Q2026)

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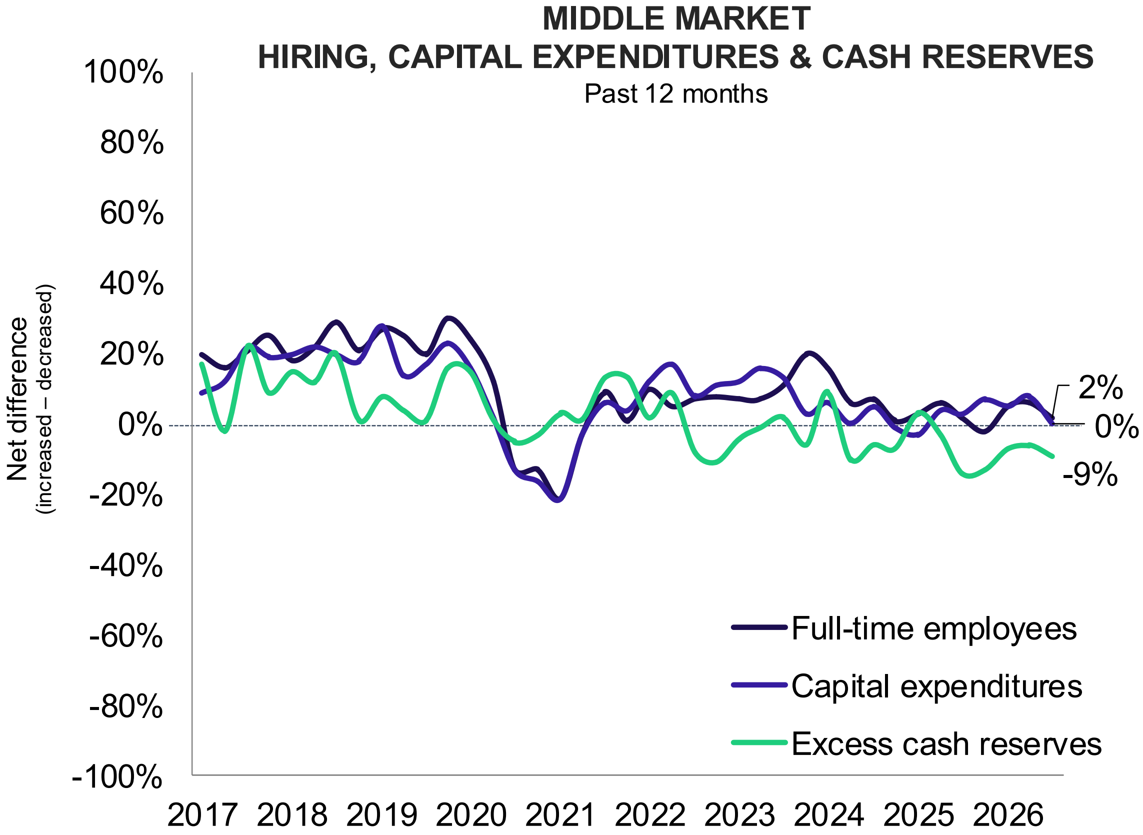
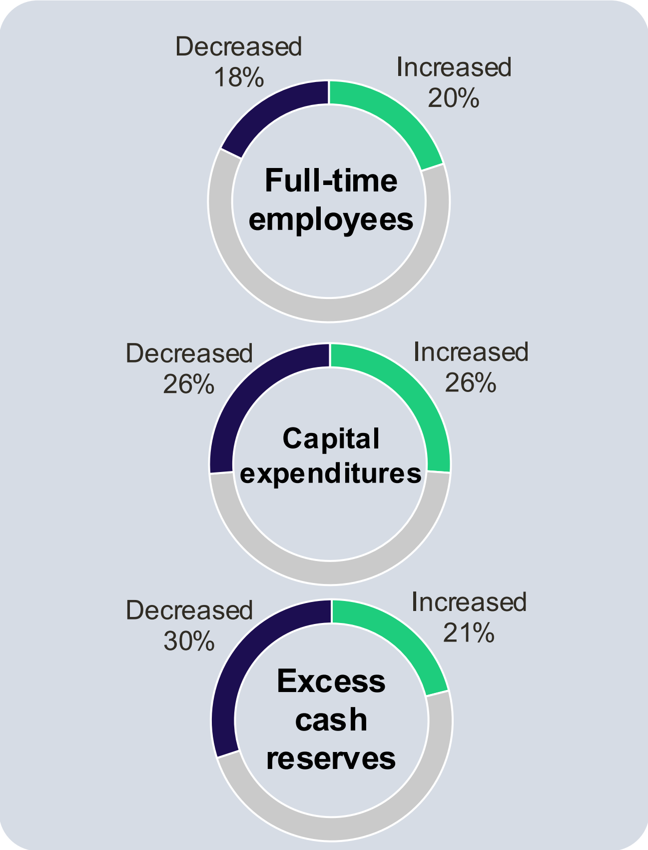
Net difference excess cash remains negative, signifying further depletion of reserves





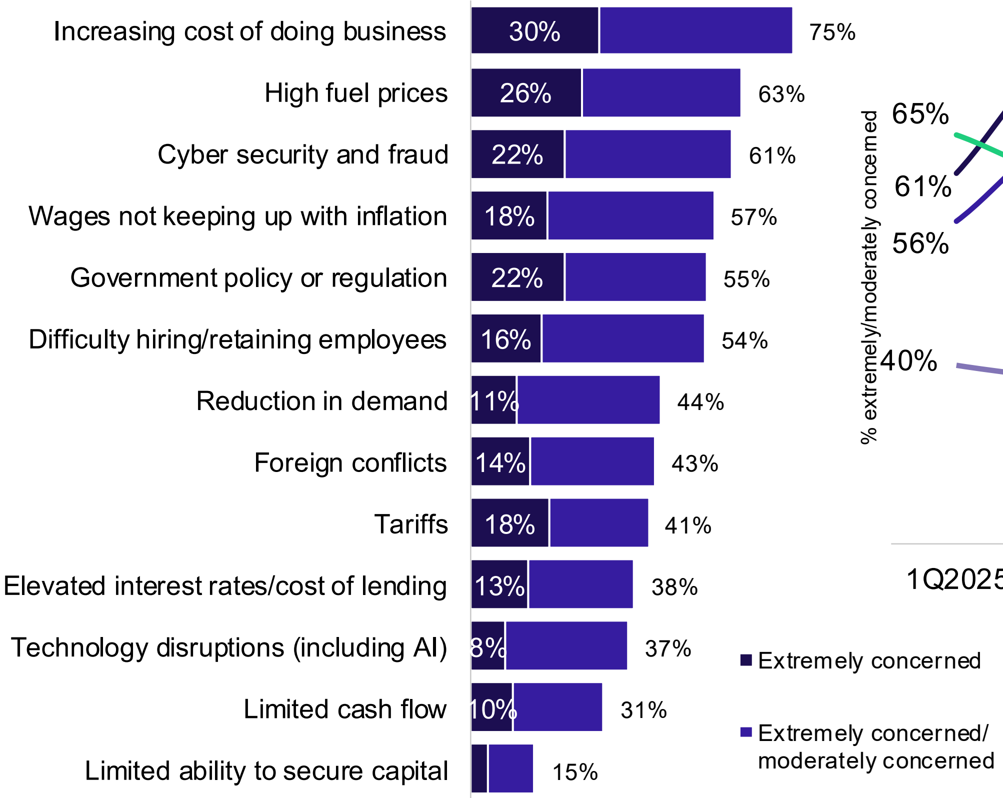
Q: During the last 12 months, did your company's…

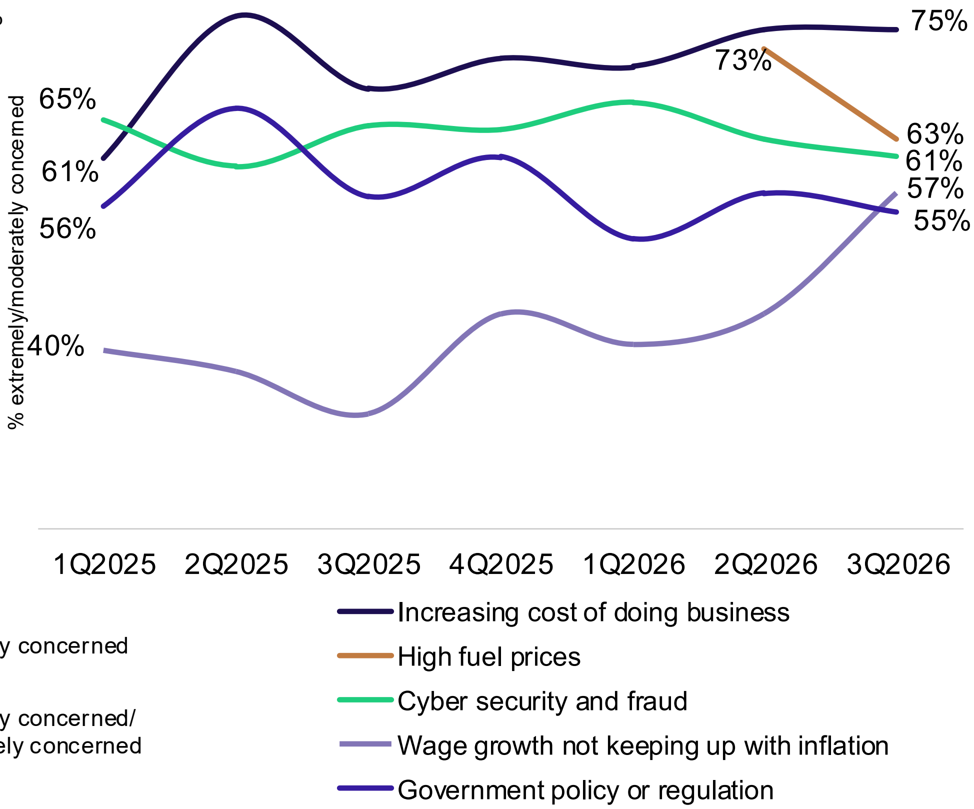
$10MM-<$500MM

BusinessPulse Quarterly Trending Data (ending 3Q2026)

The high cost of doing business is the most common concern, and middle market companies are increasingly worried about wage growth

MIDDLE MARKET CONCERNS





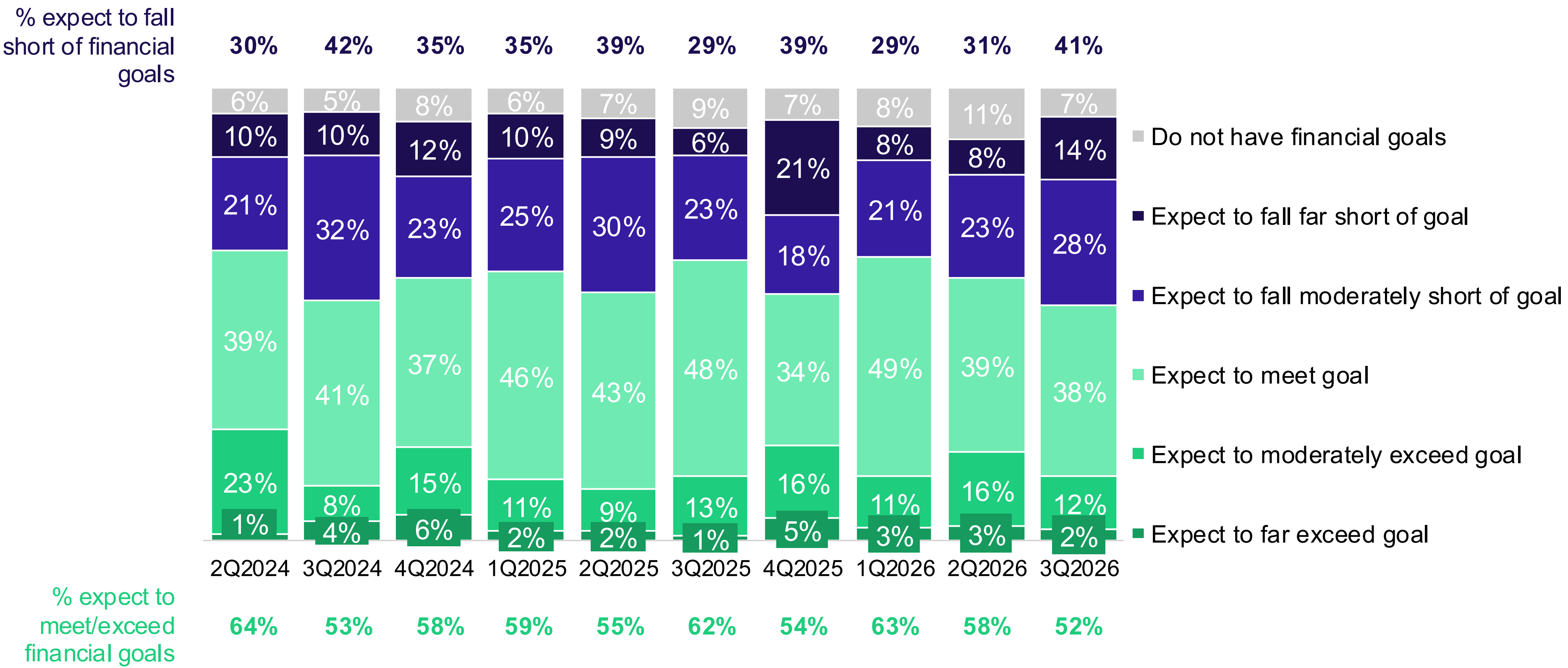
Q: How concerned are you about the following issues negatively impacting your business?
$10MM-<$500MM
BusinessPulse Quarterly Trending Data (ending 3Q2026)

02

Expected economic position

Four in ten small businesses anticipate falling short of their financial goals this year

MEETING FINANCIAL GOALS: SMALL BUSINESS



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 3Q2026)

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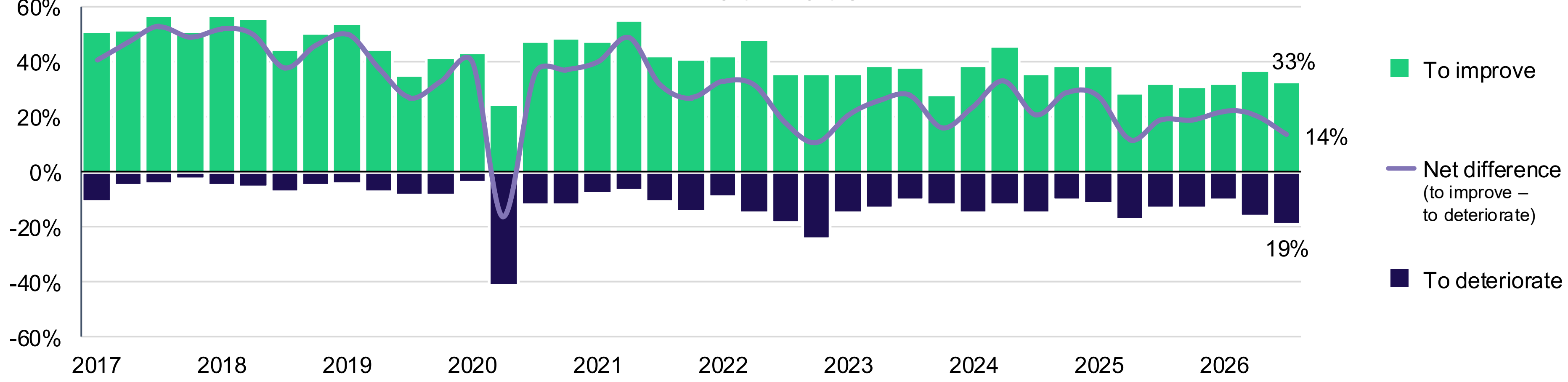
Overall financial condition confidence ticked down in the third quarter

SMALL BUSINESS FINANCIAL CONDITION

Next 12 months



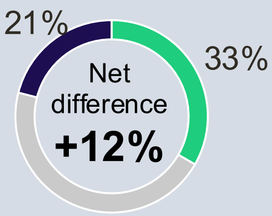
Net difference

+14%

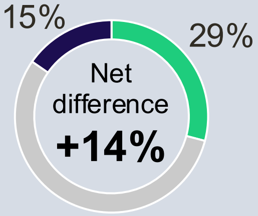
-7 pts. from last quarter

-5 pts. from one year ago

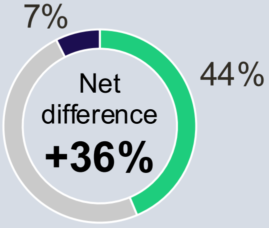
$100K-<$500K



$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 3Q2026)

Small businesses are more likely to expect their sales, profits and excess cash to decrease compared to 2Q2026

SMALL BUSINESS NET DIFFERENCE CHANGES

Next 12 months

	Prices	Sales	Profits	Full-time employees	Capital expenditures	Excess cash reserves
Change from previous quarter	+3 pts.	-6 pts.	-6 pts.	+5 pts.	+5 pts.	-21 pts.
Change from previous year	-2 pts.	-3 pts.	+5 pts.	+4 pts.	+2 pts.	-8 pts.

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 3Q2026)

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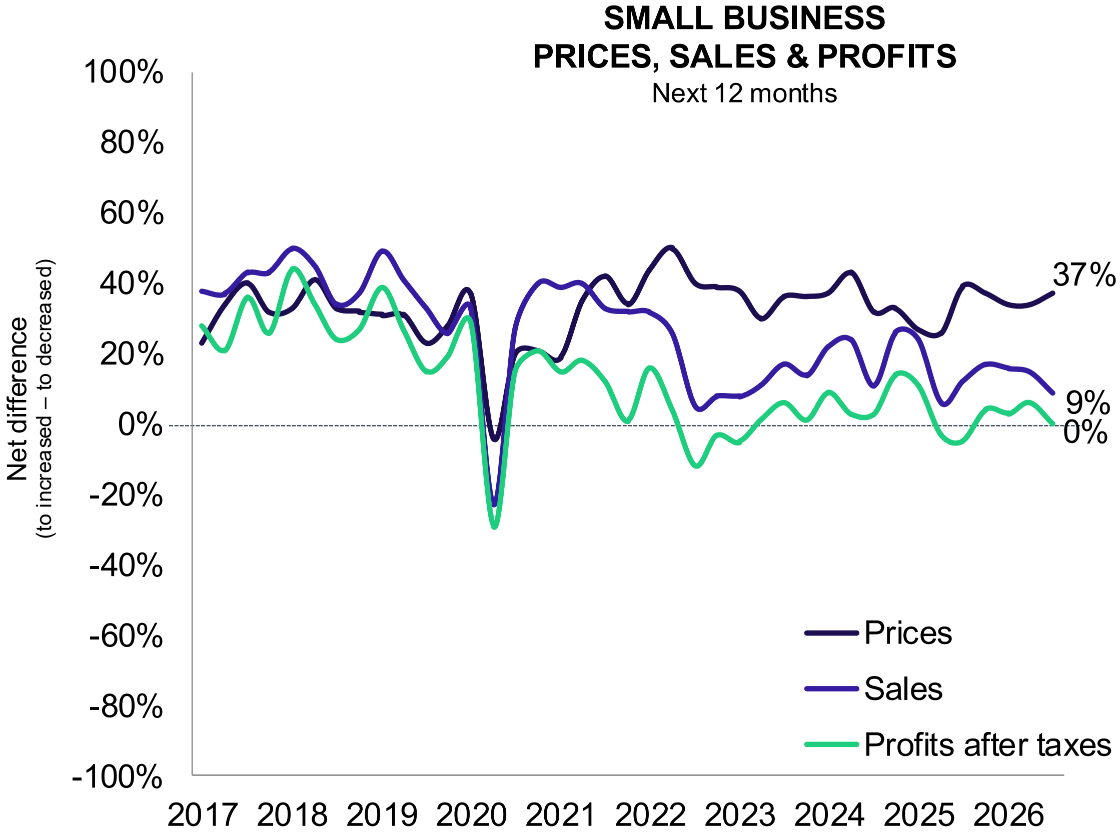
After flattening out over the first half of 2026, net difference price expectations once again began to elevate



Q: During the next 12 months, do you expect your company's…

$100K-<$10MM

BusinessPulse Quarterly Trending Data (ending 3Q2026)

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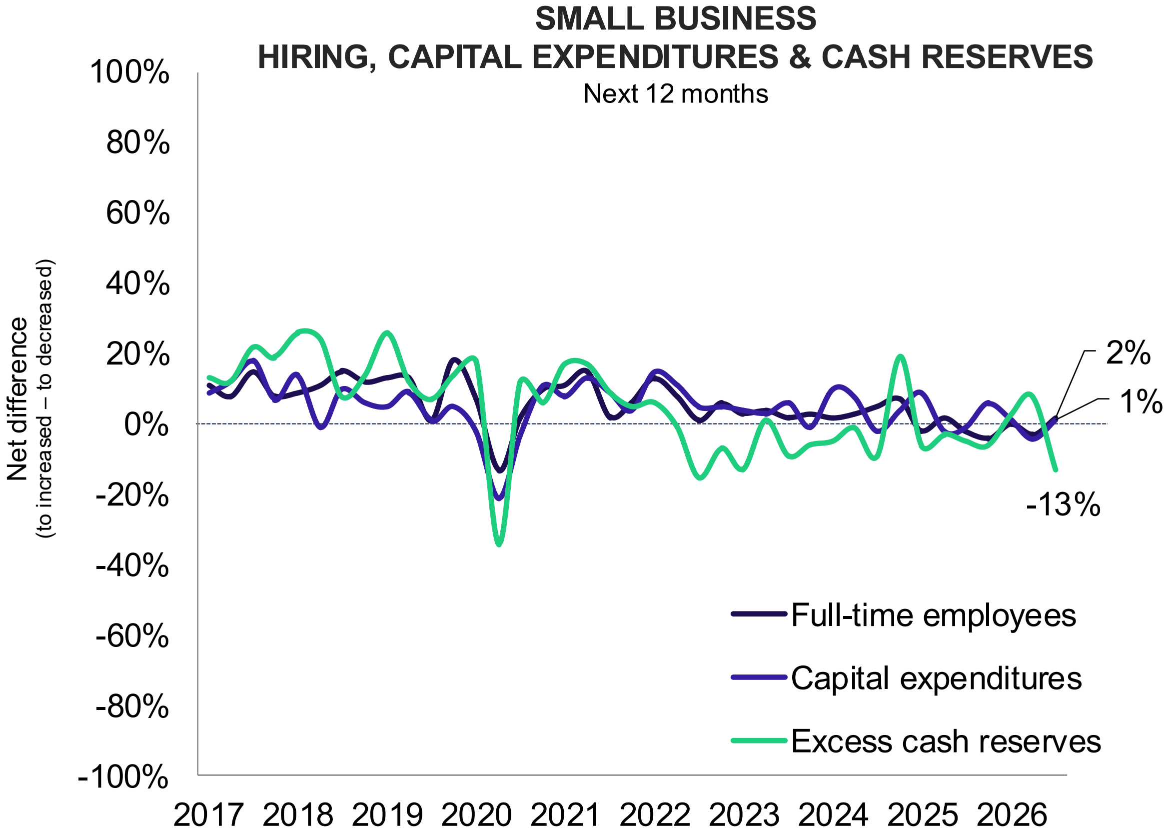
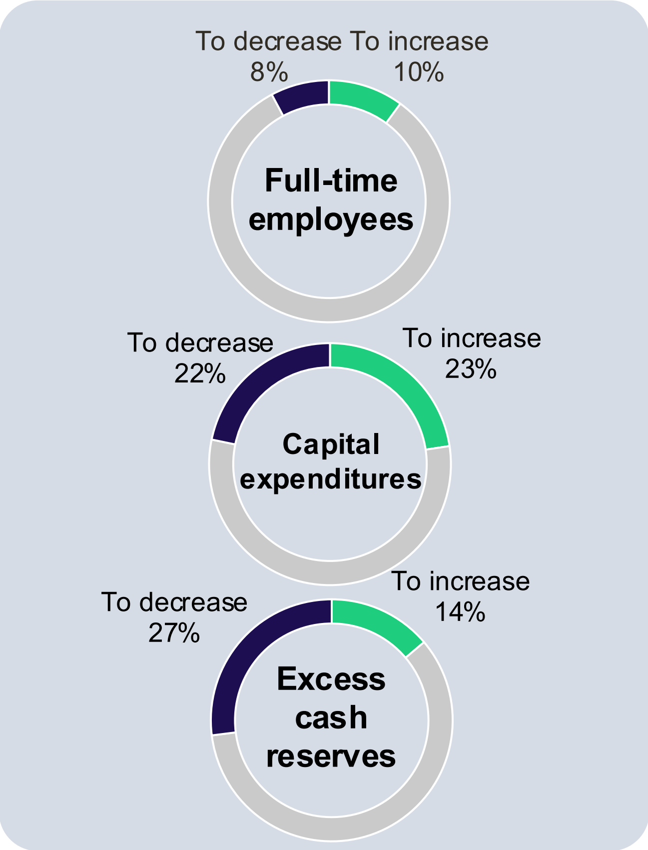
Net difference excess cash reserve expectations fell sharply after recent positive gains





Q: During the next 12 months, do you expect your company's…

$100K-<$10MM

BusinessPulse Quarterly Trending Data (ending 3Q2026)

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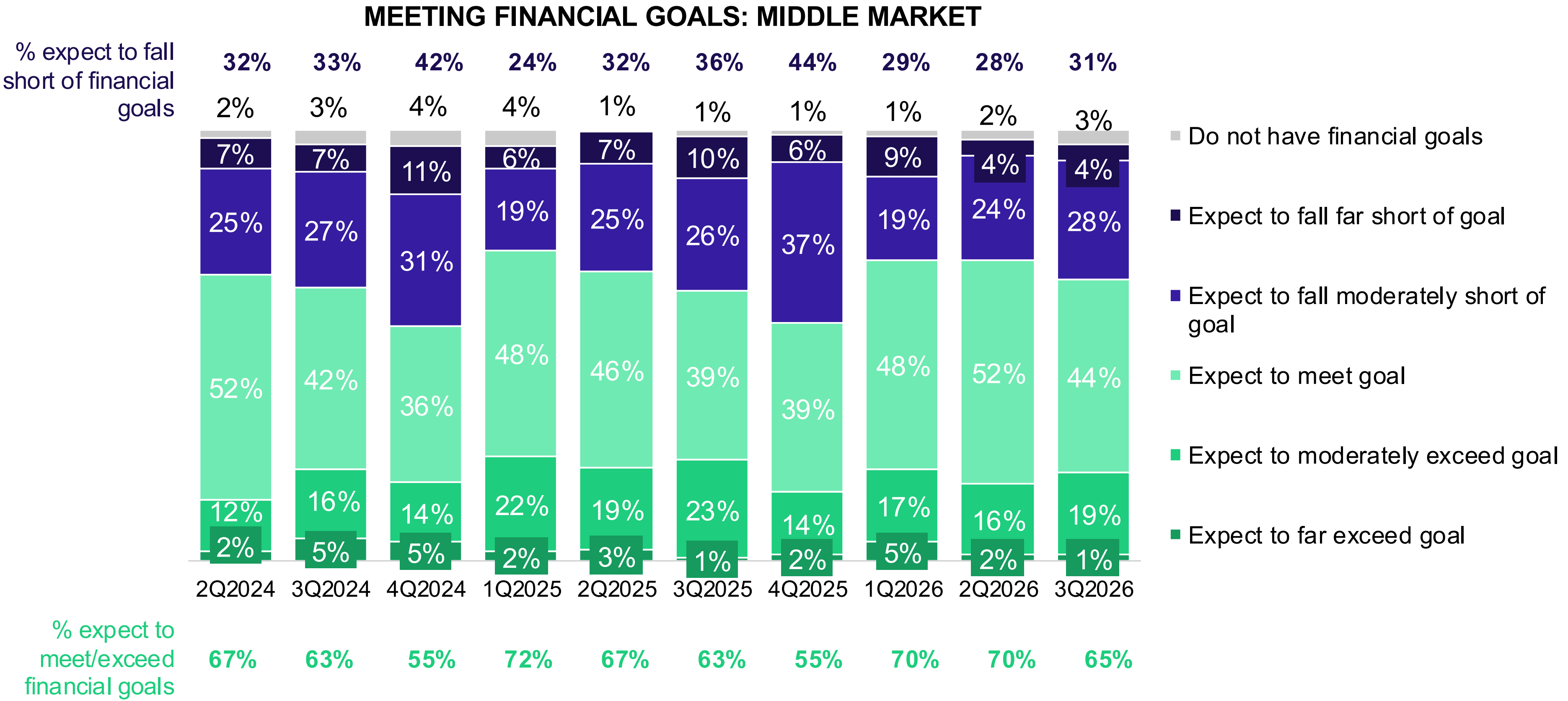
Slightly fewer middle market companies anticipate meeting or exceeding their financial goals

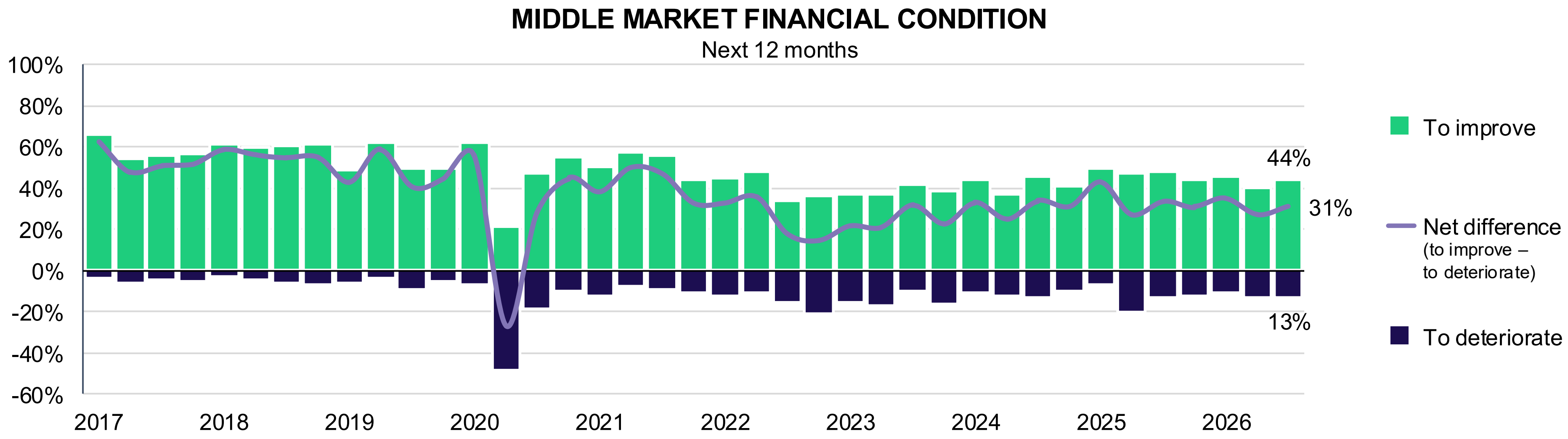


Q: Do you expect that your company will exceed, meet or fall short of its financial goals by the end of your current fiscal year?

$10MM-<$500MM

BusinessPulse Quarterly Trending Data (ending 3Q2026)

Middle market financial condition confidence changed little from the second quarter



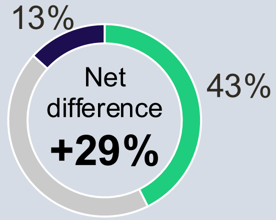
Net difference

+31%

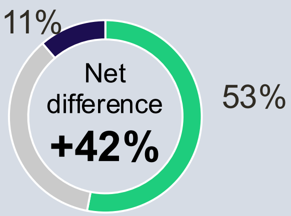
+4 pts. from last quarter

-3 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 3Q2026)

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Middle market sales expectations have improved

MIDDLE MARKET NET DIFFERENCE CHANGES

Next 12 months

	Prices	Sales	Profits	Full-time employees	Capital expenditures	Excess cash reserves
Change from previous quarter	-2 pts.	+14 pts.	+5 pts.	-2 pts.	+5 pts.	+6 pts.
Change from previous year	-2 pts.	+4 pts.	-2 pts.	-10 pts.	-2 pts.	+3 pts.

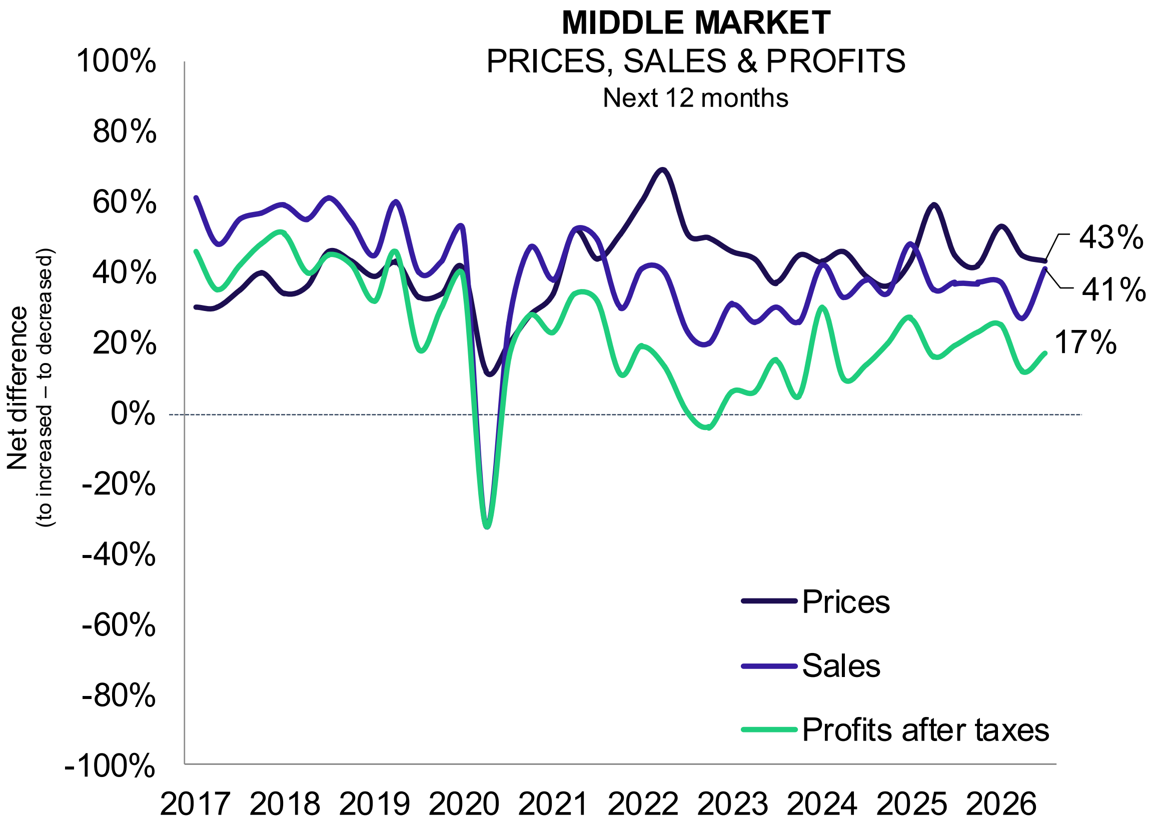
Net difference: to increase – to decrease

Q: During the next 12 months, do you expect your company's…

$10MM-<$500MM

BusinessPulse Quarterly Trending Data (ending 3Q2026)

…yet, elevated costs have tempered profit expectations



Q: During the next 12 months, do you expect your company's…

$10MM-<$500MM

BusinessPulse Quarterly Trending Data (ending 3Q2026)

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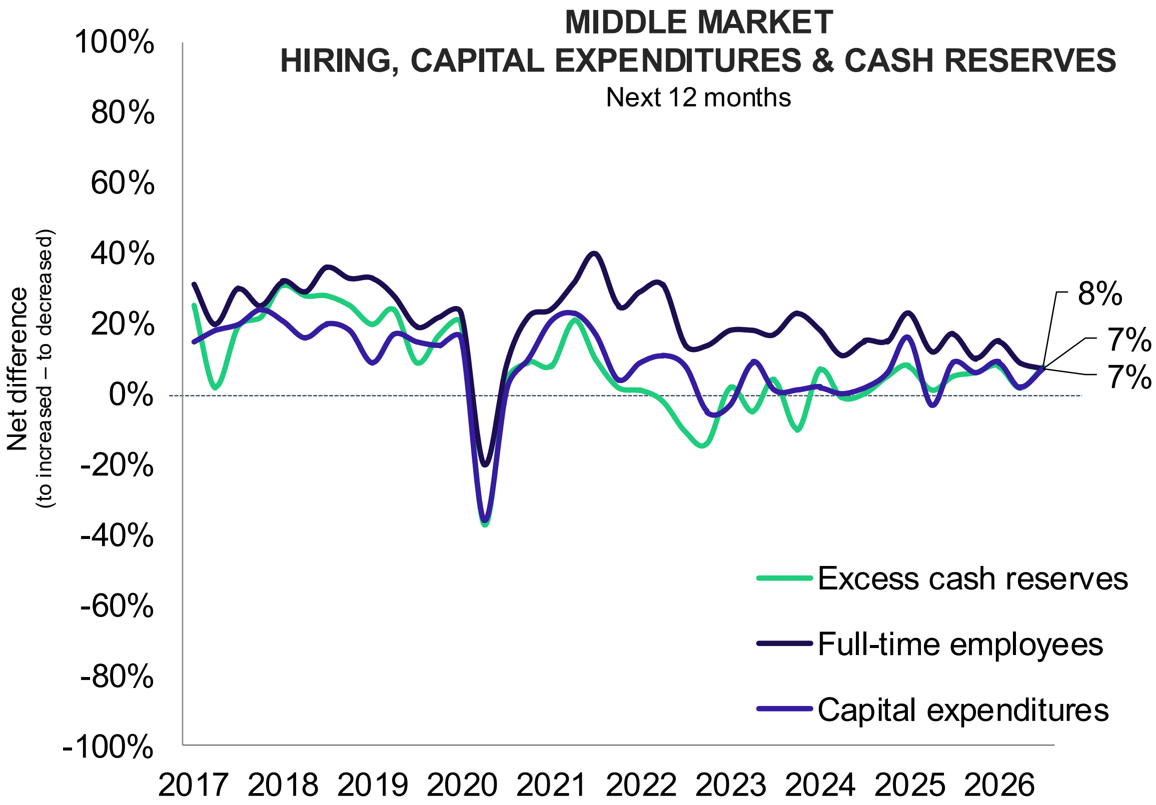
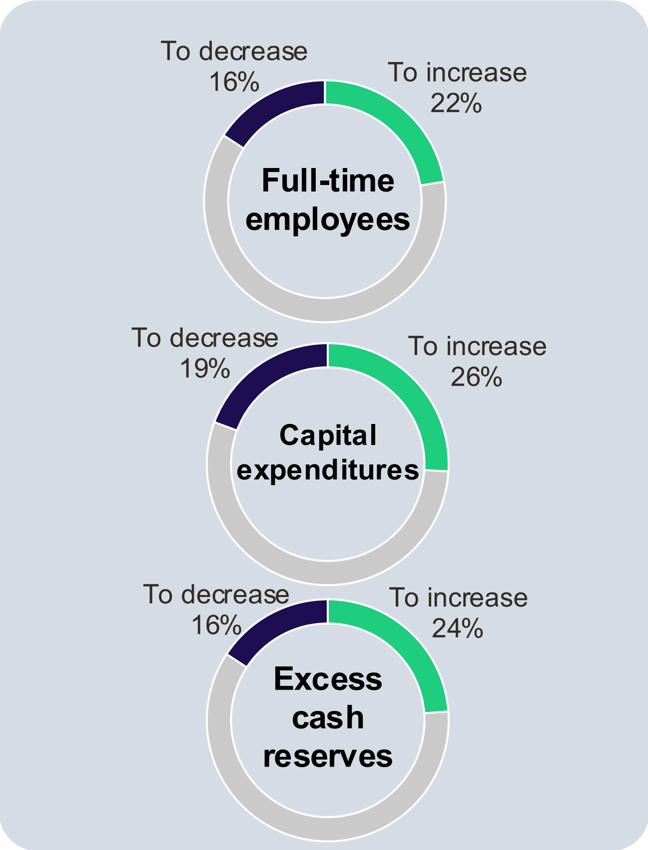
Net difference hiring, capital spending and excess cash reserve expectations converged



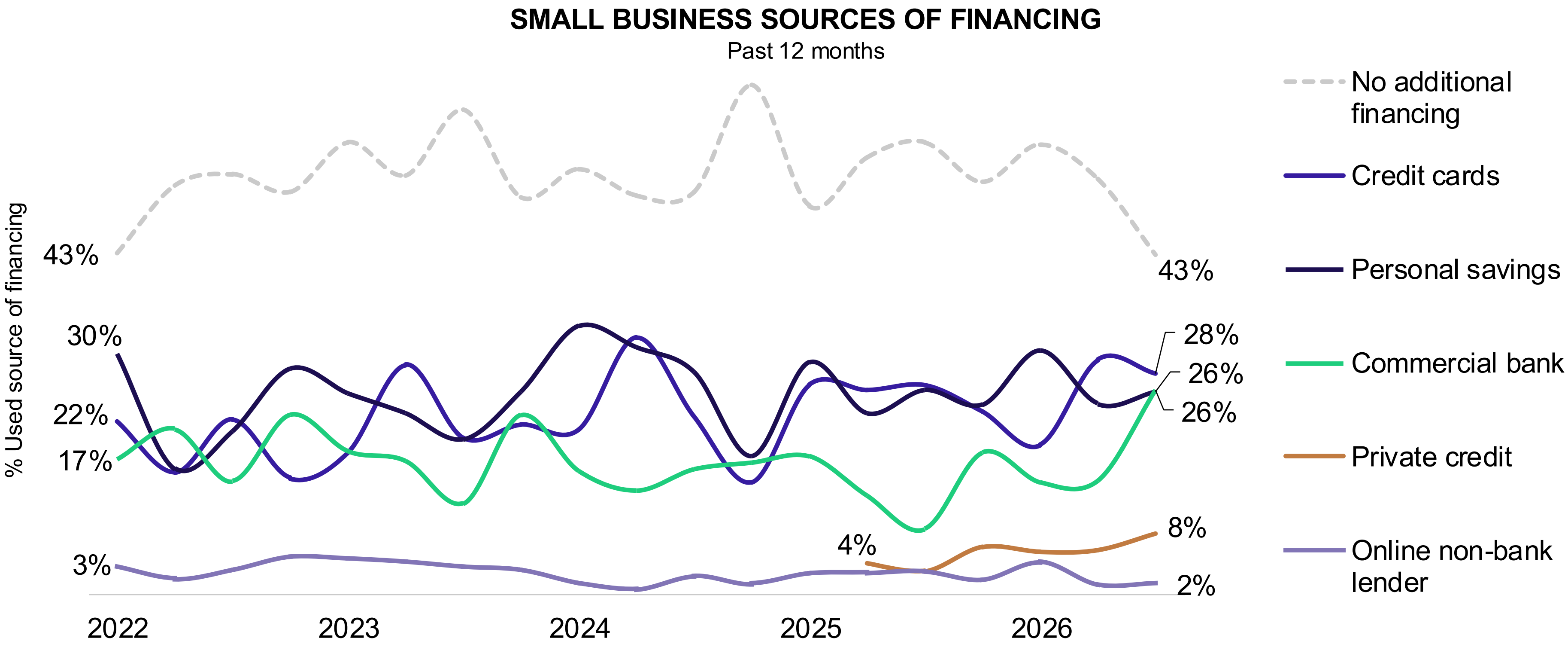


Q: During the next 12 months, do you expect your company's…
$10MM-<$500MM
BusinessPulse Quarterly Trending Data (ending 3Q2026)

03

Credit outlook

Small businesses became more reliant on commercial banks to finance their operations



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 3Q2026)

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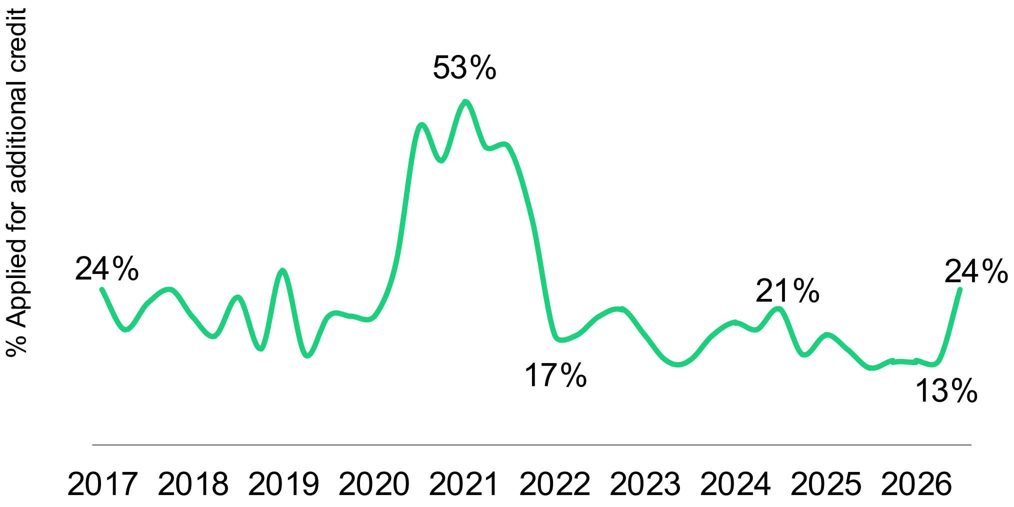
Demand for additional credit increased substantially in the third quarter of 2026

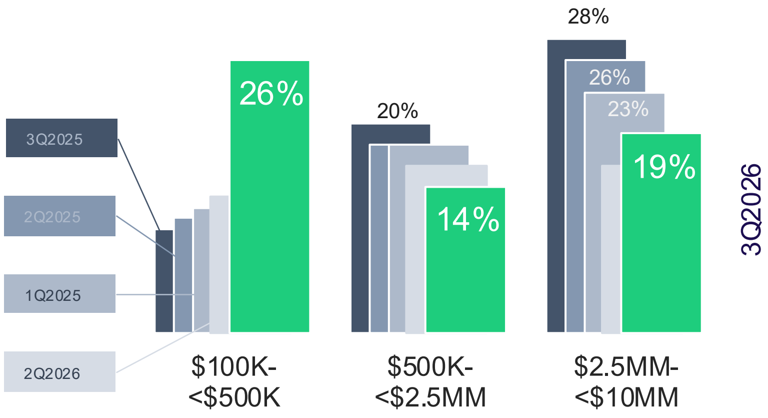
SMALL BUSINESS APPLICATIONS FOR ADDITIONAL CREDIT

Past 12 months

ADDITIONAL CREDIT APPLICATION TREND



CHANGE FROM 3Q2025



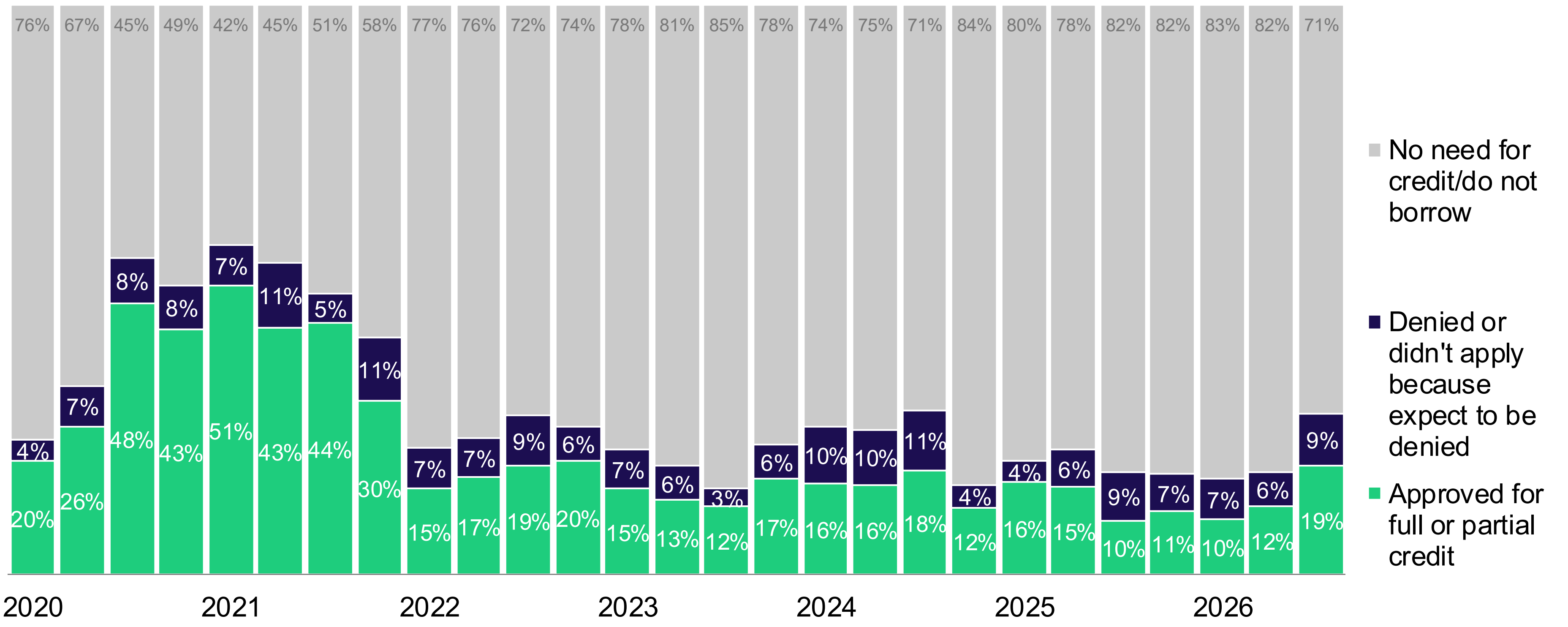
Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution?

$100K-<$10MM

BusinessPulse Quarterly Trending Data (ending 3Q2026)

Although demand increased, most small businesses continue to have no need for credit

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 3Q2026)

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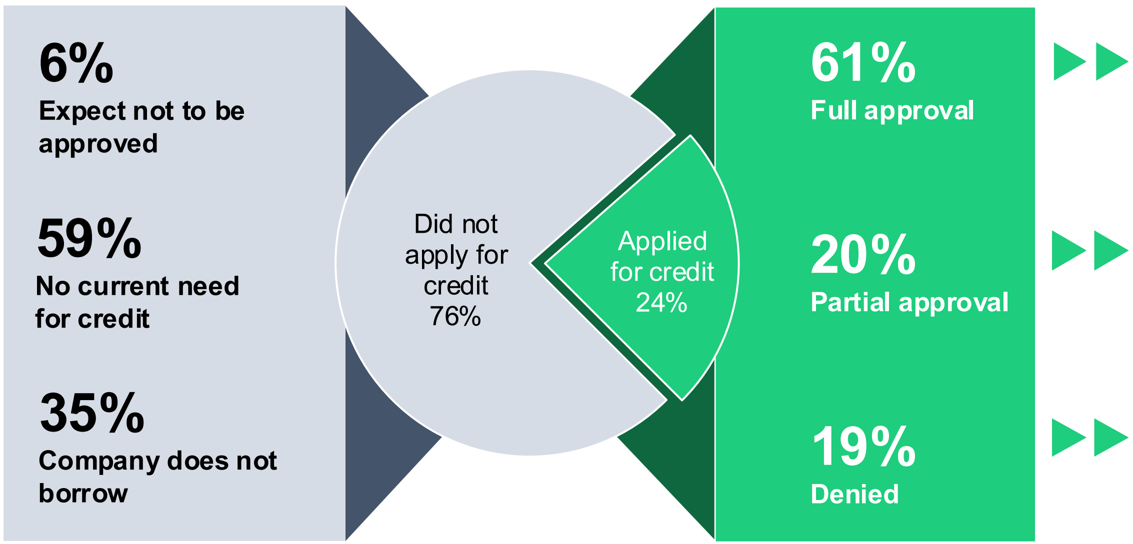
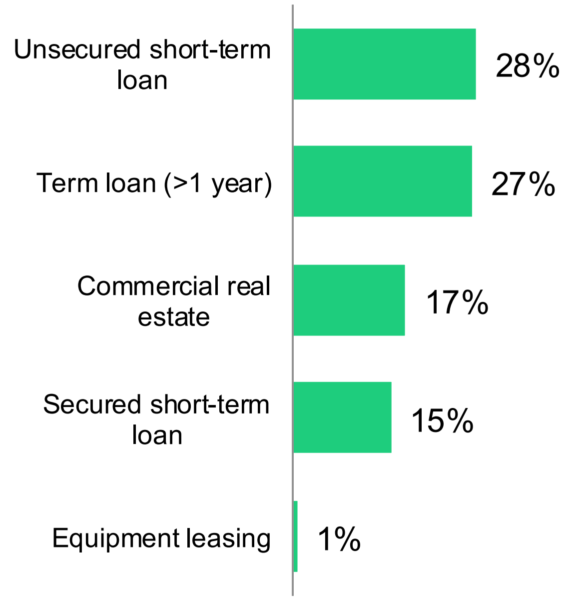
Credit denials were elevated in the small business segment

SMALL BUSINESS CREDIT APPLICATION OUTCOME



TYPE OF ADDITIONAL CREDIT ATTEMPTING TO ACQUIRE*



Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution?
Q: What kind(s) of additional credit was your company attempting to acquire?

*Base: those that applied for additional credit
$100K-<$10MM
BusinessPulse Quarterly Data (3Q2026)

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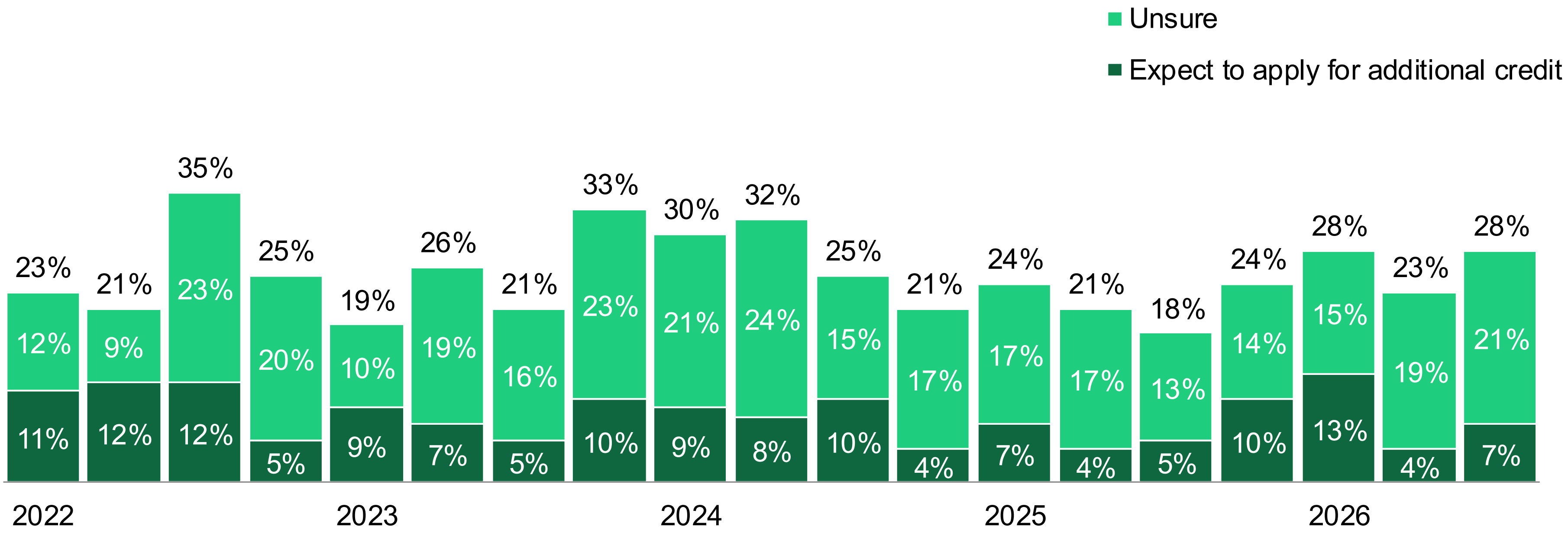
The expected need for additional credit ticked back up after falling in the second quarter

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 3Q2026)

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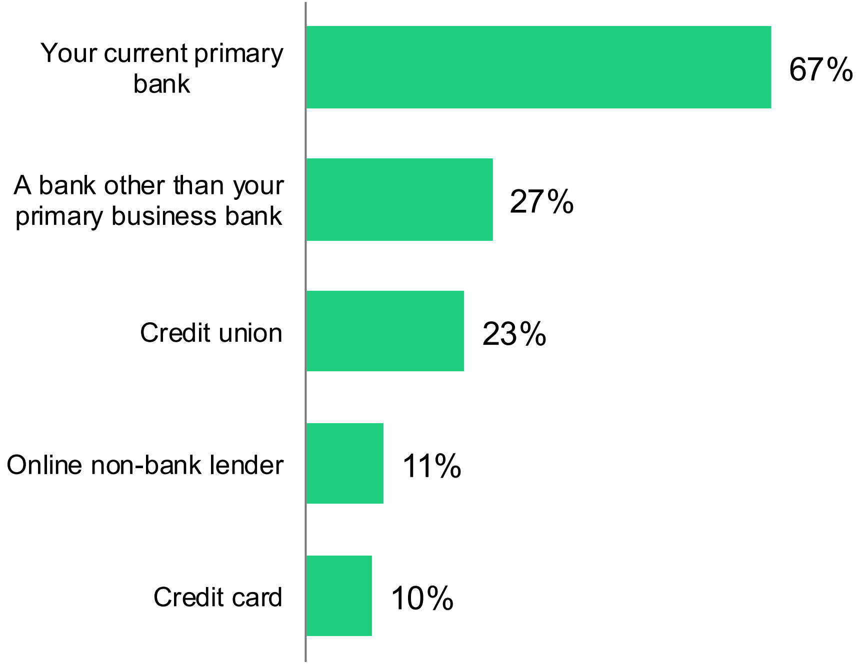
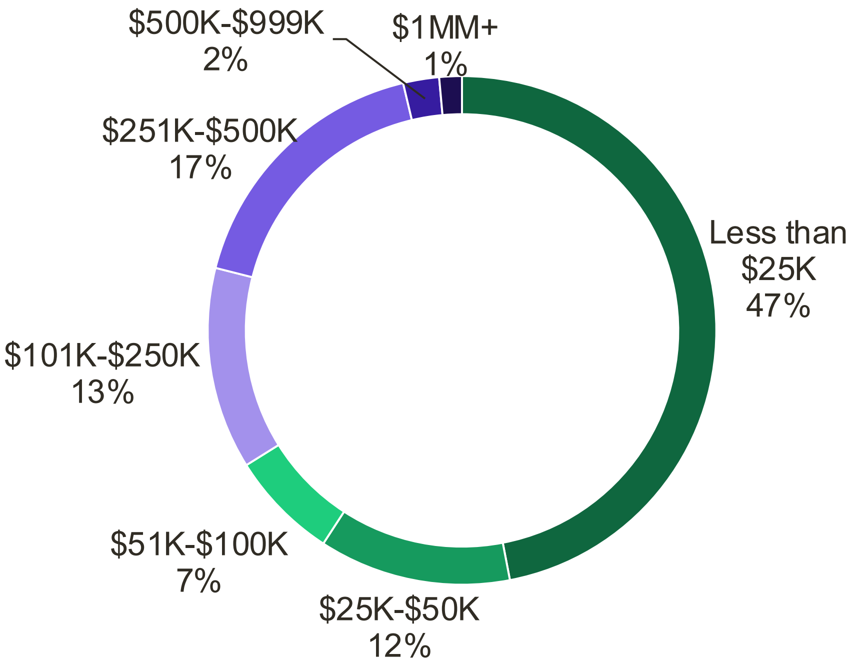
A third of small businesses that expect to borrow plan on using a non-primary bank

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
BusinessPulse Quarterly Data (3Q2026)

Small businesses that anticipate applying for additional credit were most likely to need working capital

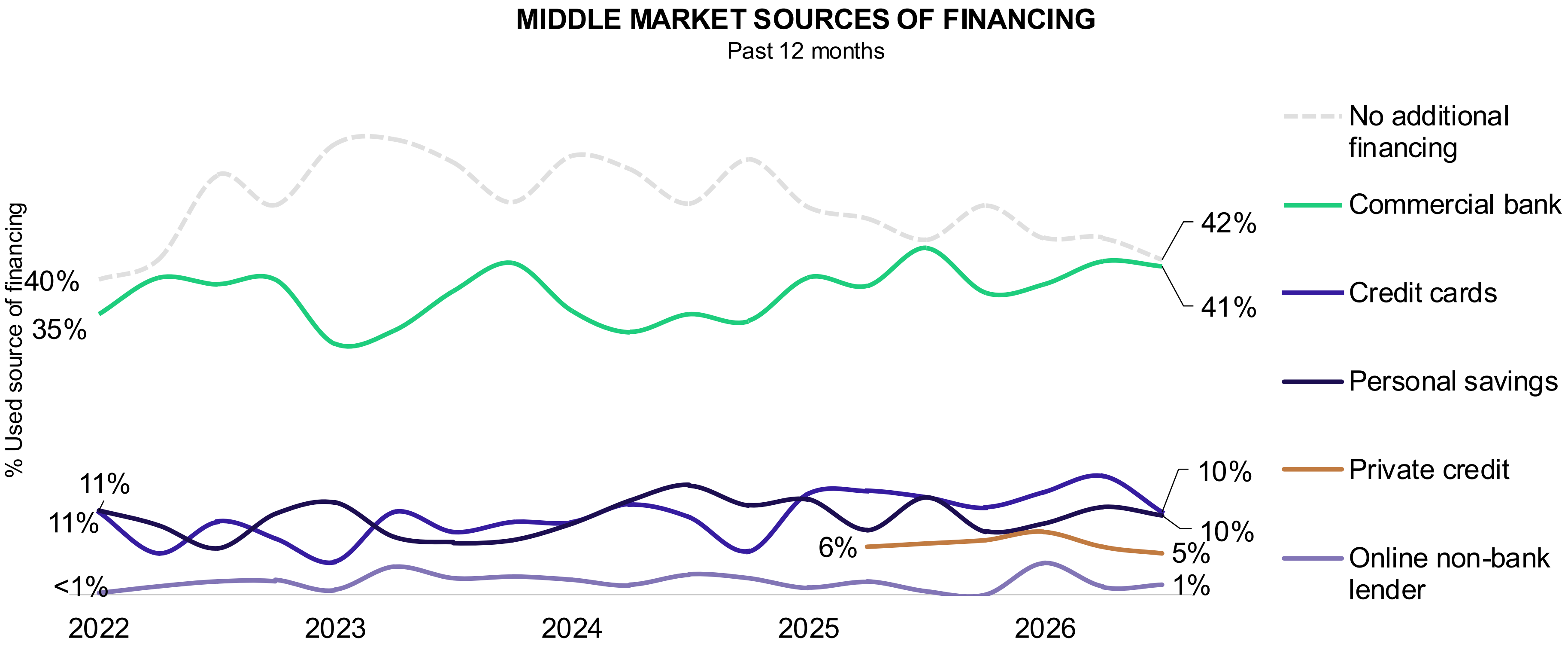
SMALL BUSINESSES' REASONS FOR EXPECTING TO APPLY FOR ADDITIONAL CREDIT*

Working capital	To support growth	Equipment purchase	Debt consolidation	Fund an acquisition
45%	33%	24%	17%	10%

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 (3Q2026)

LiveOakBank. BUSINESSPULSE
Powered by Barlow Research Associates, Inc.

Commercial banks remain the top source of financing in the middle market



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-<$500MM
BusinessPulse Quarterly Trending Data (ending 3Q2026)

LiveOakBank. BUSINESSPULSE
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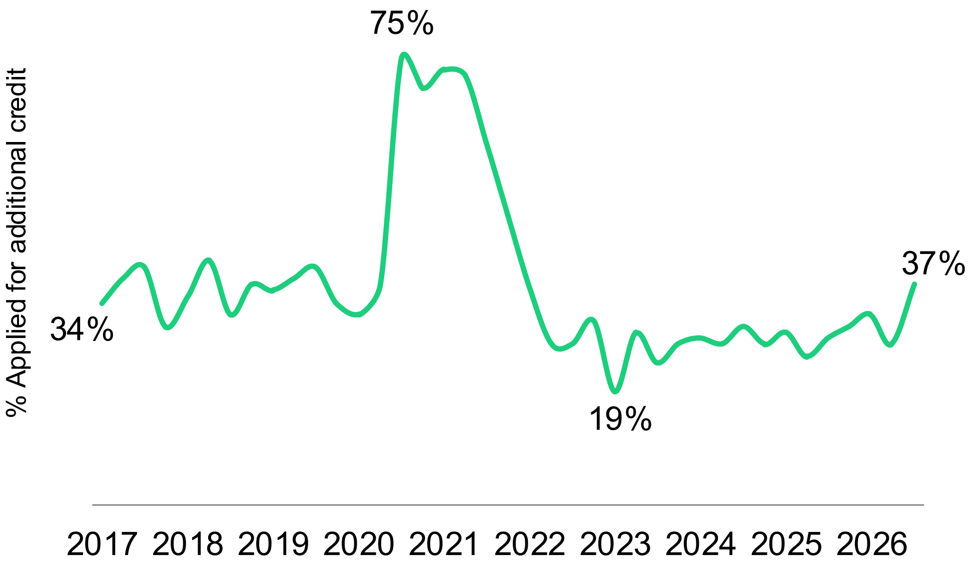
The middle market saw growth in demand for additional credit

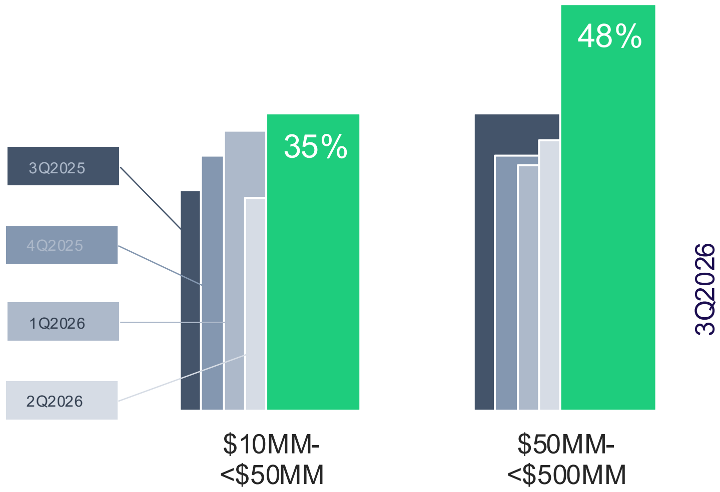
MIDDLE MARKET APPLICATIONS FOR ADDITIONAL CREDIT

Past 12 months

ADDITIONAL CREDIT APPLICATION TREND



CHANGE FROM 3Q2025



Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution?

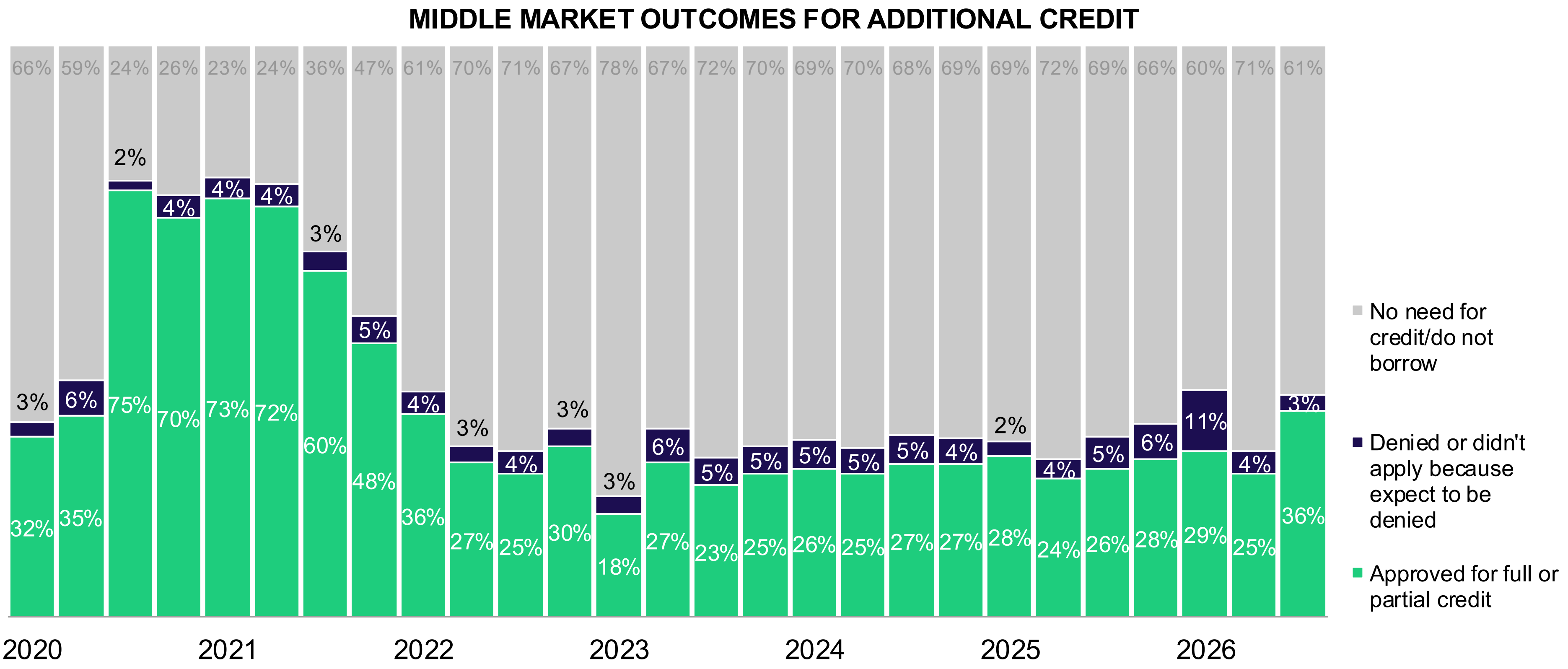
$10MM-<$500MM

BusinessPulse Quarterly Trending Data (ending 3Q2026)

LiveOakBank. BUSINESSPULSE

Powered by Barlow Research Associates, Inc.

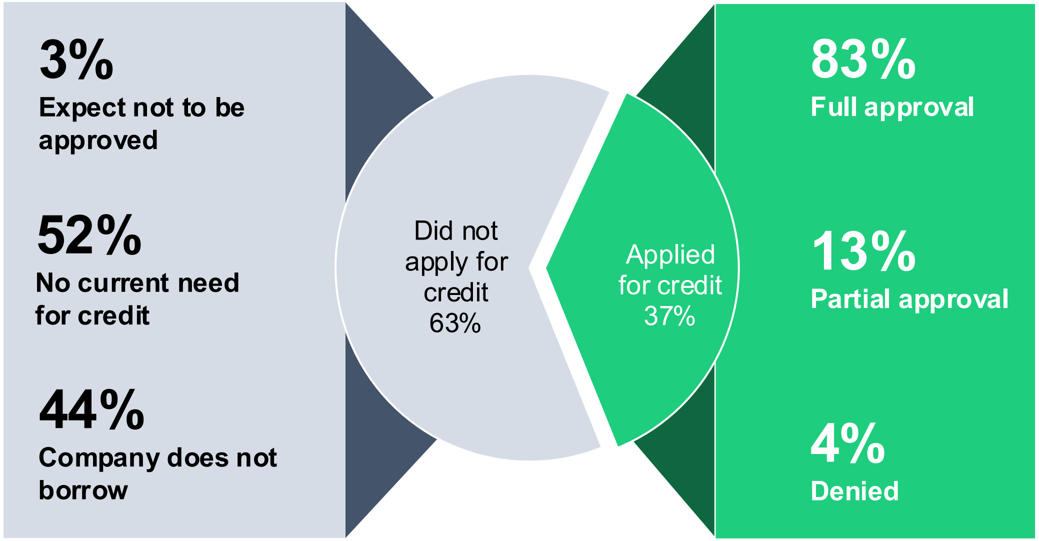
Very few middle market companies were denied or didn't apply because they expected to be denied



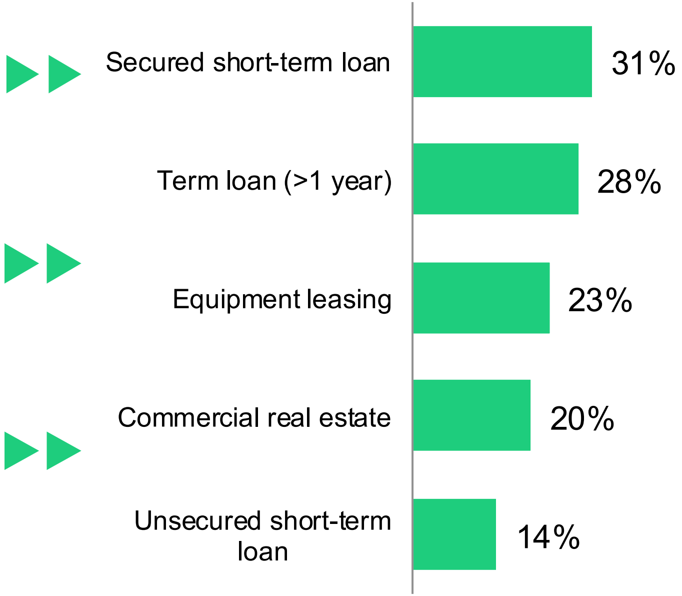
Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution?
$10MM-<$500MM
BusinessPulse Quarterly Trending Data (ending 3Q2026)

Short-term loans and term loans were the most common types of credit that middle market companies were attempting to acquire

MIDDLE MARKET CREDIT APPLICATION OUTCOME



TYPE OF ADDITIONAL CREDIT ATTEMPTING TO ACQUIRE*



Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution?
Q: What kind(s) of additional credit was your company attempting to acquire?
*Base: those that applied for additional credit
$10MM-<$500MM
BusinessPulse Quarterly Data (3Q2026)

LiveOakBank. BUSINESSPULSE
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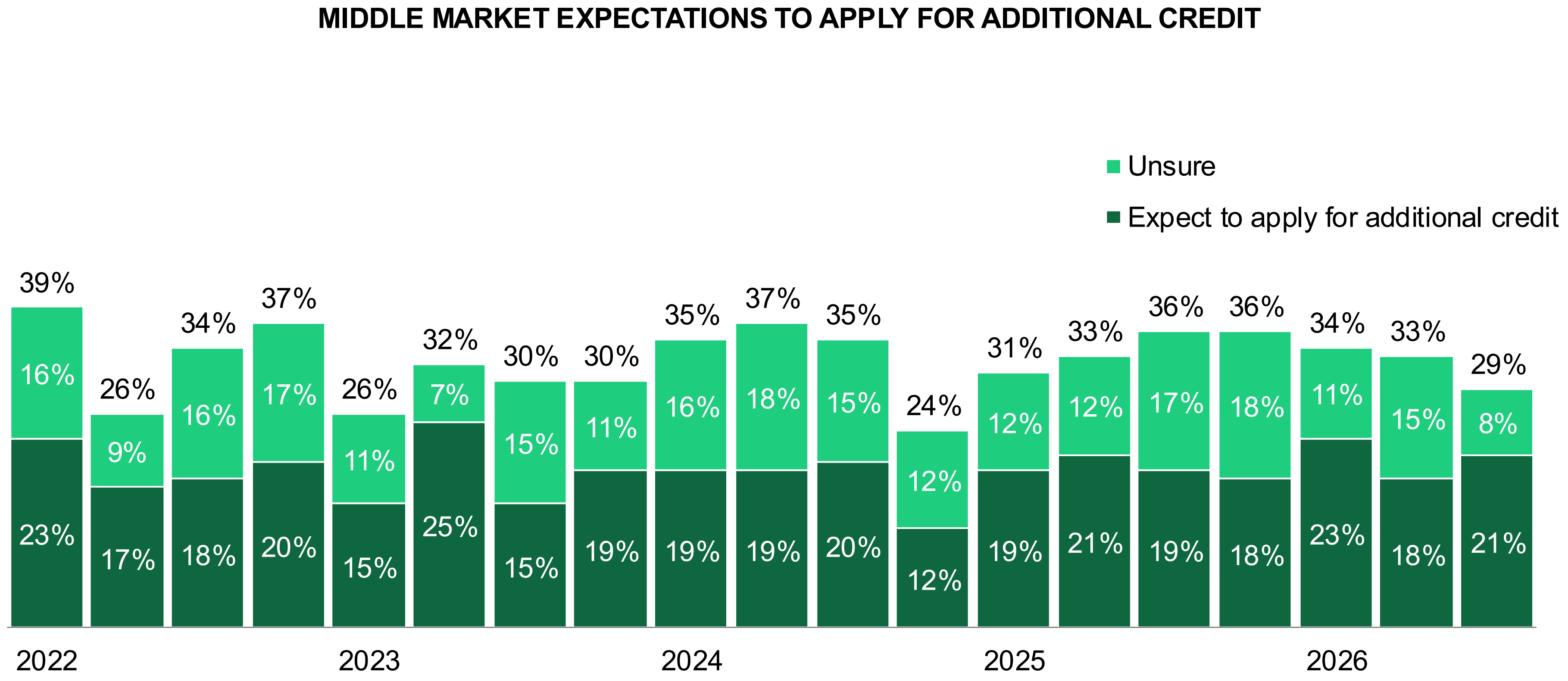
The percentage of companies expecting to apply for additional credit (or that were unsure) has gradually decreased in 2026



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

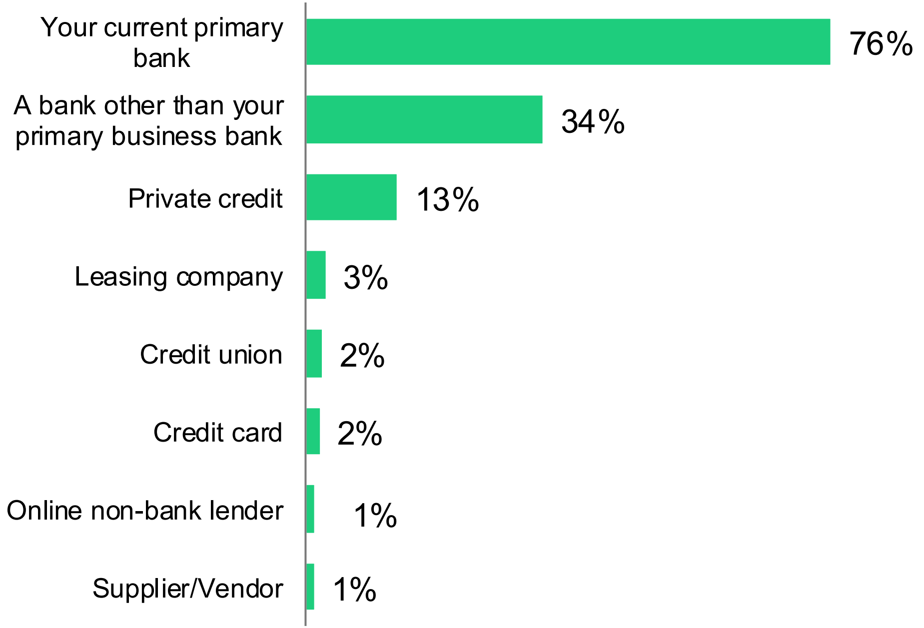
$10MM-<$500MM

BusinessPulse Quarterly Trending Data (ending 3Q2026)

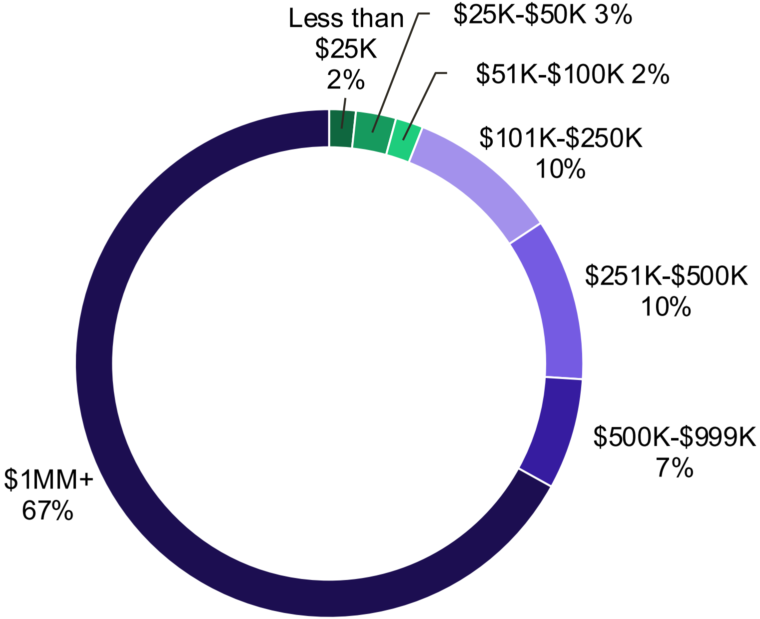
LiveOakBank. BUSINESSPULSE Powered by Barlow Research Associates, Inc.

Among those planning to apply for additional credit, primary banks were likely to be used and most anticipate borrowing $1MM+

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 to those that expect to apply for additional credit or are unsure
$10MM-<$500MM
BusinessPulse Quarterly Data (3Q2026)

Those anticipating to apply for additional credit will most likely need it for working capital or growth

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

Working capital	41%
To support growth	37%
Equipment purchase	20%
Purchase inventory	20%
Fund an acquisition	17%

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 (3Q2026)

Methodology

This BusinessPulse report contains data from surveys conducted in the third quarter of 2026 by Barlow Research, involving a sample of 285 small businesses and 312 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)

285
Respondents by mail or online

25.0%
Response rate

±5.81% at 95%
Max error factor

Fielding period
June 29, 2026 – July 13, 2026

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

312
Respondents by mail or online

27.4%
Response rate

±5.55% at 95%
Max error factor

Weighted
By geography and sales volume

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Voice of the business customer