

Fourth Quarter 2025 BusinessPulse

October 2025



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Key findings



SMALL BUSINESS

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

1. Small business financial conditions continued to sit at a negative net difference (now for a second consecutive year), though slightly improved from one year ago. While sales gains helped offset earlier declines, rising prices continued to weigh on profits. Capital expenditures climbed to their highest point since mid-2024, signaling cautious reinvestment despite ongoing cost pressures.
2. Confidence in future financial conditions flattened in the fourth quarter, ending the year ten points below the level one year ago. About half of small businesses expect to meet or exceed financial goals, reflecting steady but subdued optimism.
3. Only a small share of small businesses applied for additional credit in the past year, but expectations to apply increased modestly from third-quarter lows. Most prospective borrowing is intended for working capital.



MIDDLE MARKET

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

1. Financial conditions improved modestly from third-quarter lows. Although profits remained deflated, sales stabilized and capital expenditures trended up, indicating that middle market companies are gradually regaining footing.
2. Expectations about their future financial conditions changed little from 3Q2025 even though middle market companies became substantially less optimistic about the future of the U.S. economy. Profit expectations continued to rise as sales and pricing expectations stabilized.
3. Credit demand strengthened further, with approvals remaining high. Most middle market applications were fully approved, and working capital remained the leading purpose for expected borrowing. Expectations to seek additional credit remained steady.



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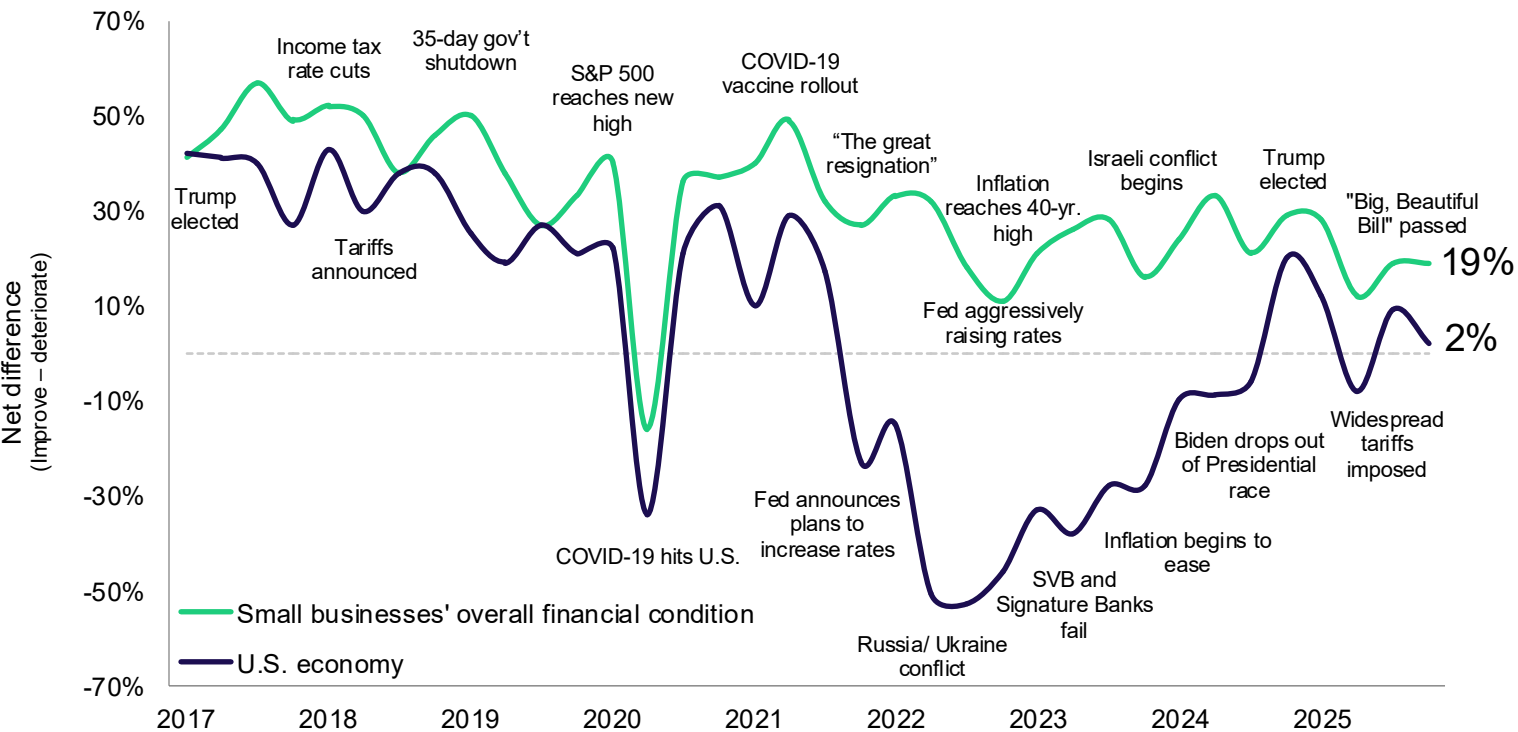
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Small businesses' optimism about their future financial condition flattened out in the fourth quarter of 2025

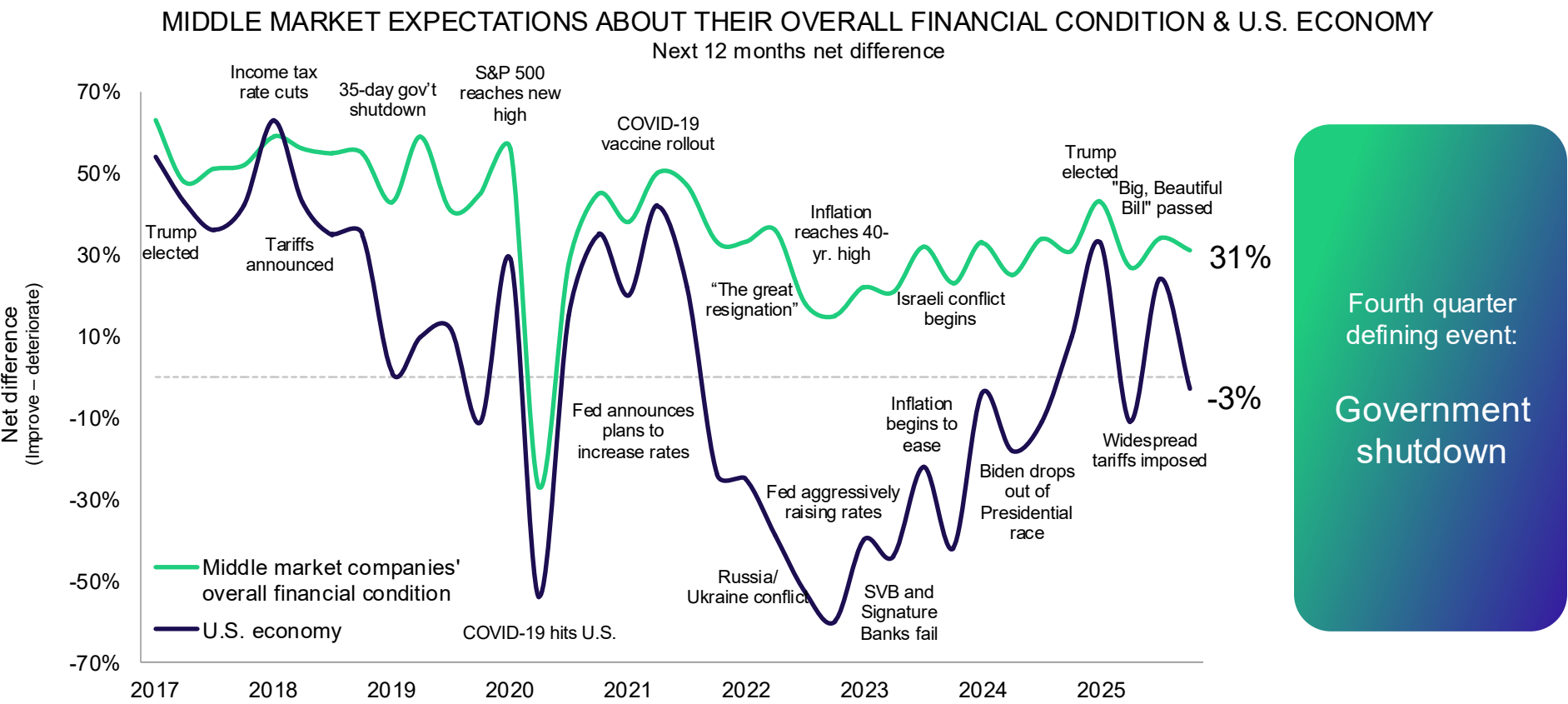
SMALL BUSINESS EXPECTATIONS ABOUT THEIR OVERALL FINANCIAL CONDITION & U.S. ECONOMY
Next 12 months net difference



Fourth quarter defining event:
Government shutdown

Q: During the next 12 months, do you expect...
\$100K-<\$10MM
BusinessPulse Quarterly Trending Data (ending 4Q2025)

Middle market companies became substantially less optimistic about the future of the U.S. economy



Fourth quarter defining event:

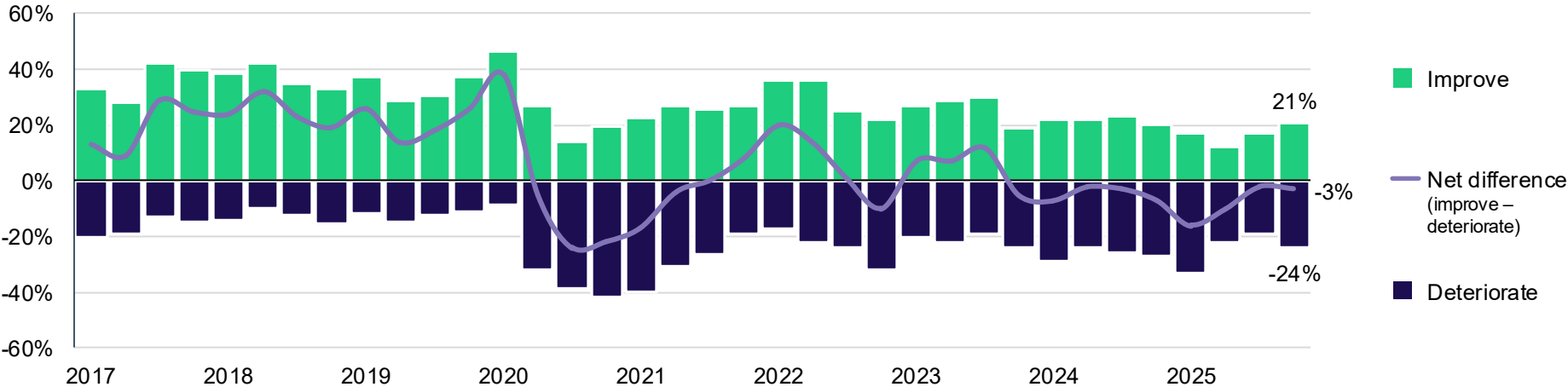
Government shutdown

01

Retrospective economic position

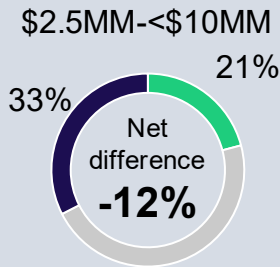
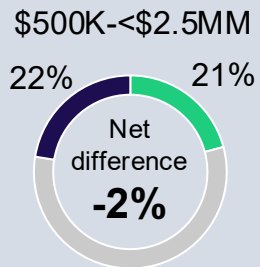
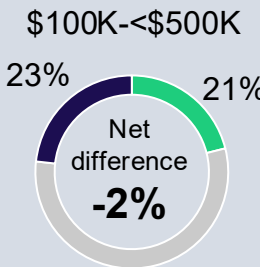
Overall financial conditions have remained at a negative net difference for two consecutive years

SMALL BUSINESS FINANCIAL CONDITION
Past 12 months



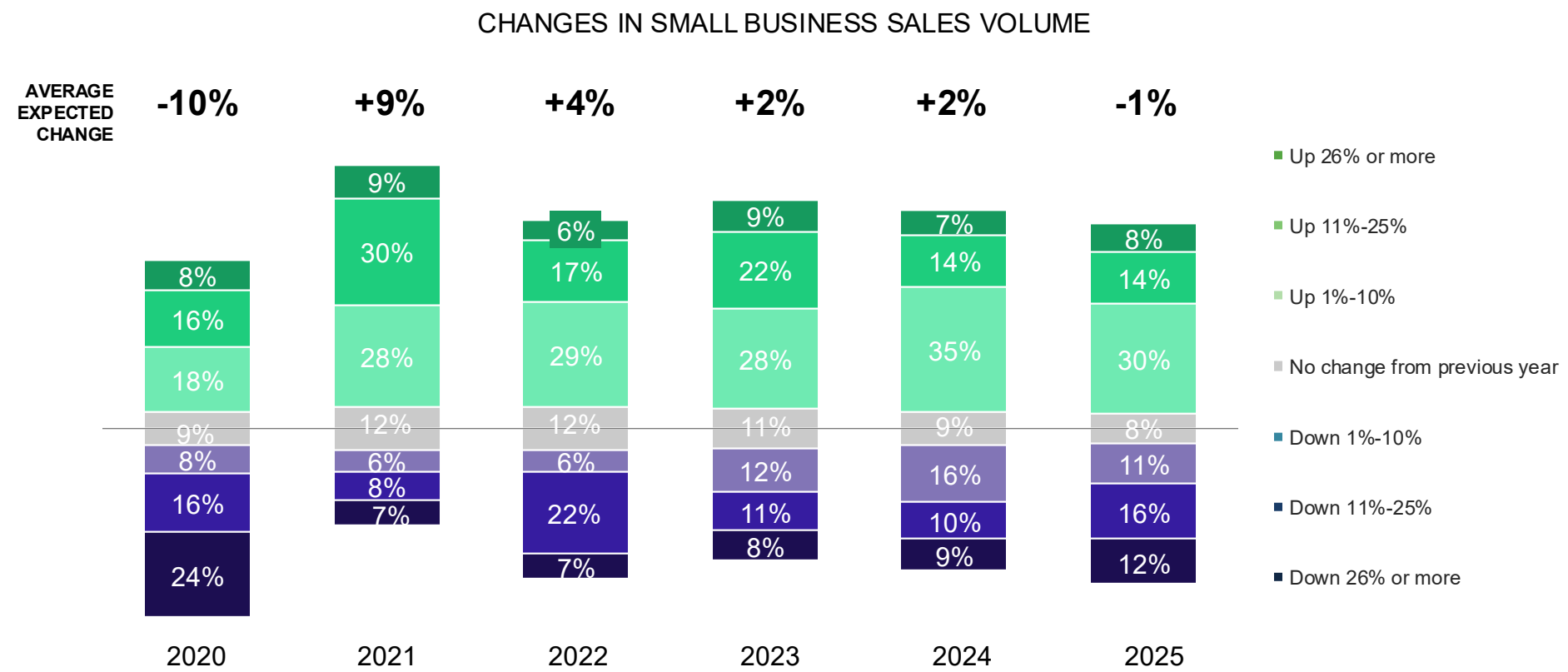
Net difference
-3%

▼ -1 pts. from last quarter
▲ +4 pts. from one year ago



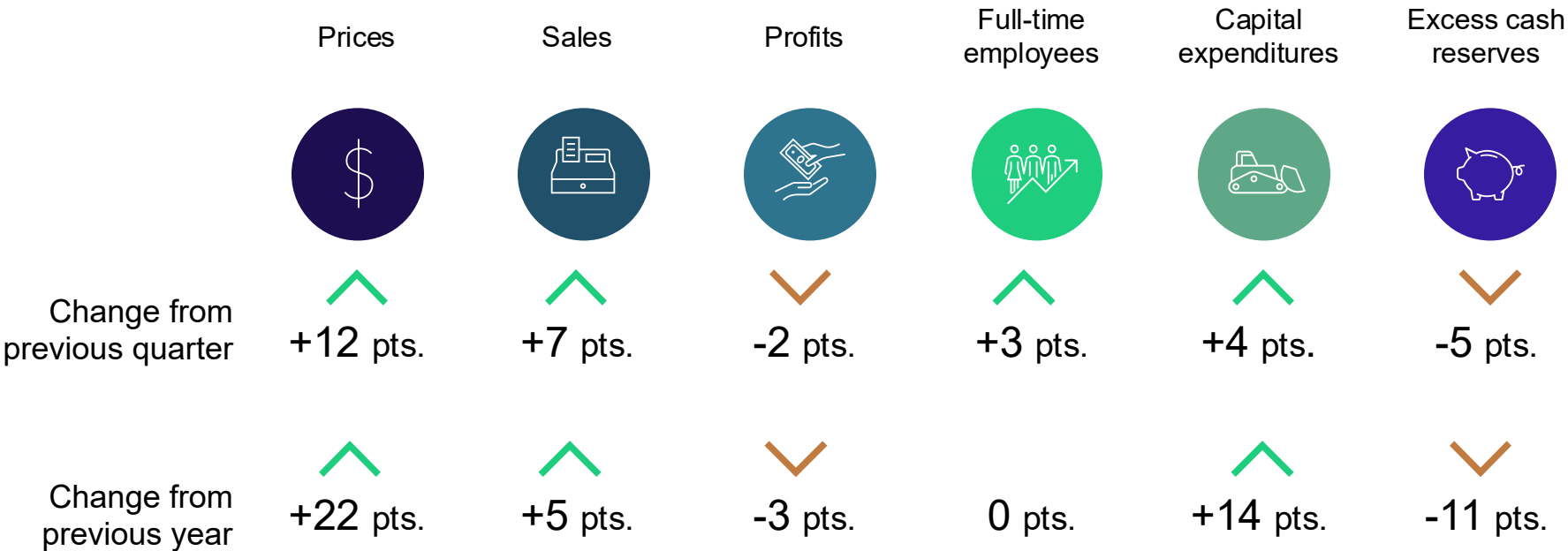
Q: During the last 12 months, did your company's overall financial condition...
\$100K-<\$10MM
BusinessPulse Quarterly Trending Data (ending 4Q2025)

When comparing their sales volume to 2024, a higher percentage of small businesses will see a decrease by more than 10% at the end of 2025



Many small businesses have been increasingly focused on raising their prices

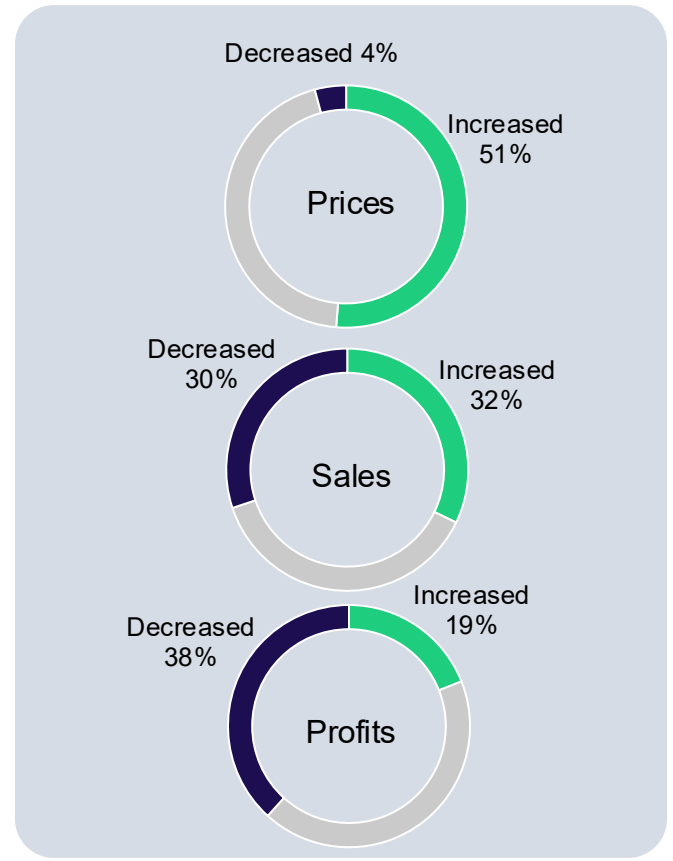
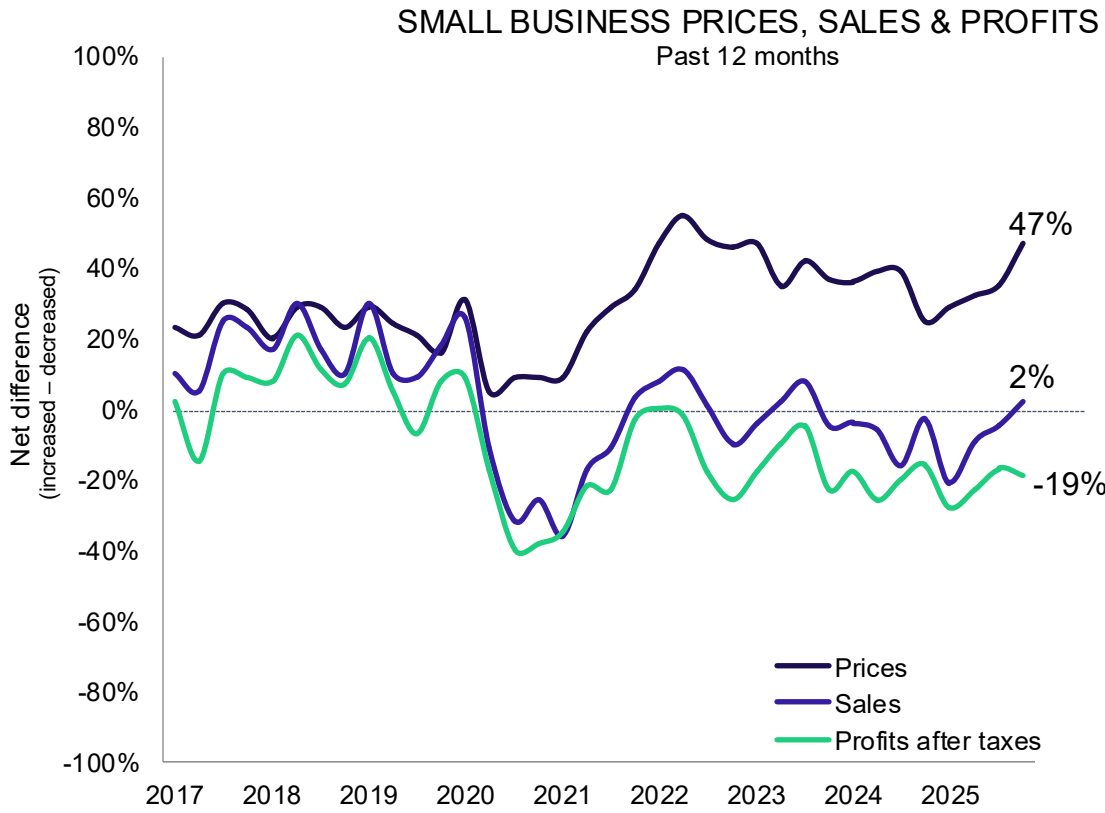
SMALL BUSINESS NET DIFFERENCE CHANGES Past 12 months



Net difference: increased – decreased

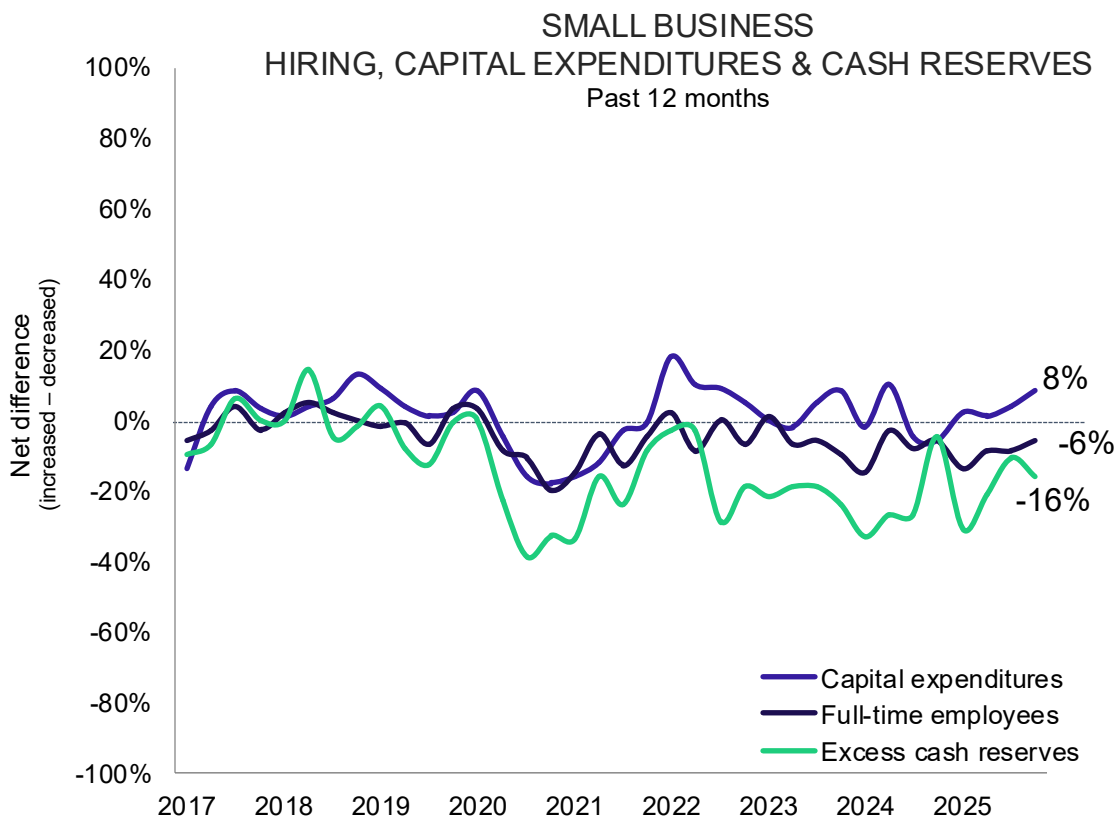
Q: During the last 12 months, did your company's...
\$100K-<\$10MM
BusinessPulse Quarterly Trending Data (ending 4Q2025)

Overall, net difference sales have improved in the fourth quarter, but elevated prices have kept profits deflated



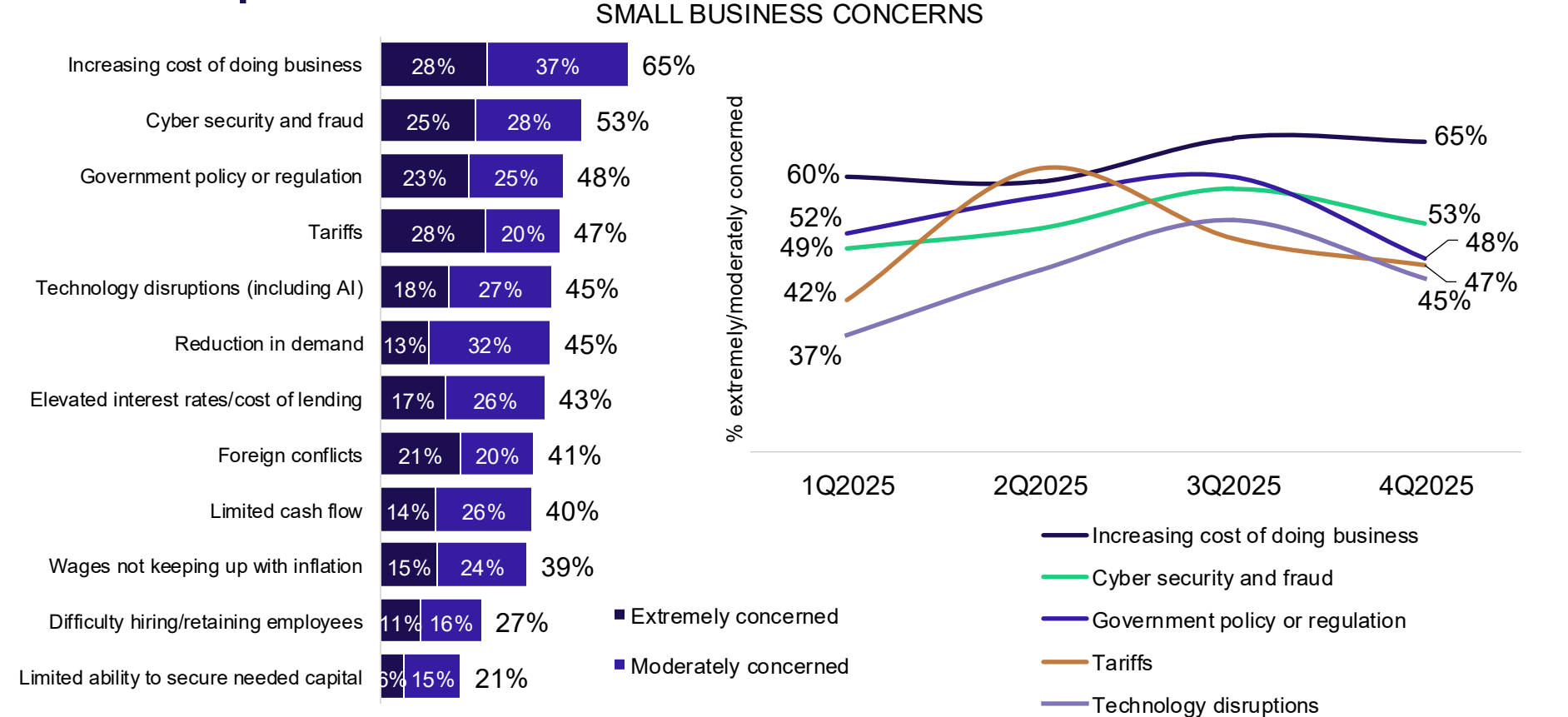
Q: During the last 12 months, did your company's...
\$100K-<\$10MM
BusinessPulse Quarterly Trending Data (ending 4Q2025)

Capital expenditures increased again, reaching their highest point since the second quarter of 2024



Q: During the last 12 months, did your company's...
\$100K-<\$10MM
BusinessPulse Quarterly Trending Data (ending 4Q2025)

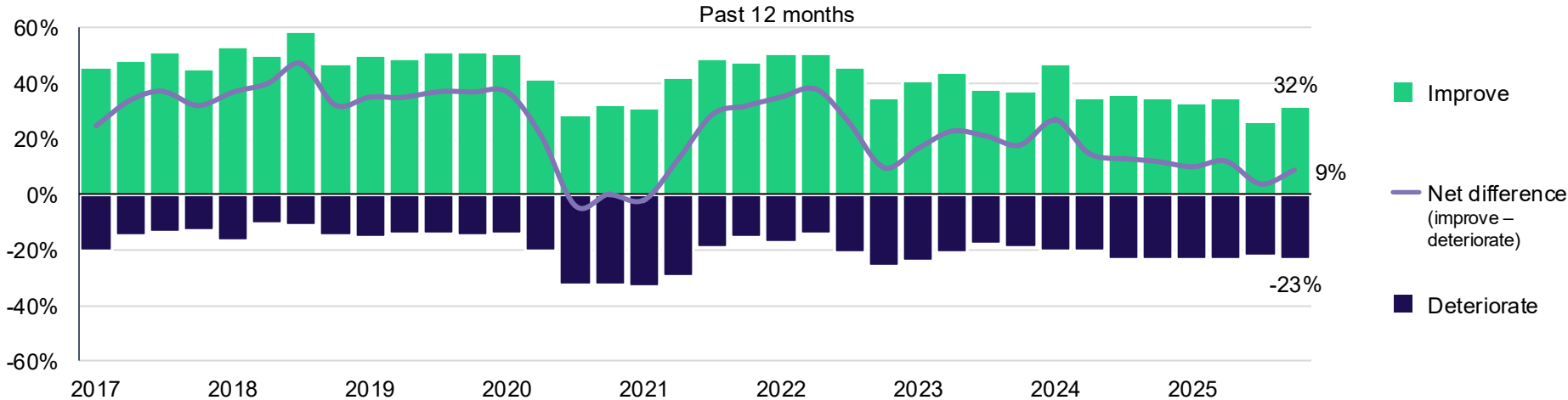
The cost of doing business clearly remains the most concerning factor in the fourth quarter of 2025



Q: How concerned are you about the following issues negatively impacting your business?
\$100K-<\$10MM
BusinessPulse Quarterly Trending Data (ending 4Q2025)

Middle market financial conditions improved slightly from a low point in the third quarter

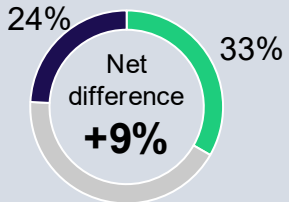
MIDDLE MARKET FINANCIAL CONDITION



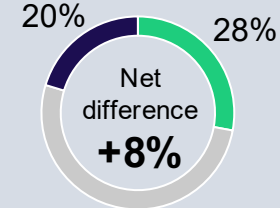
Net difference
+9%

▲ +5 pts. from last quarter
▼ -3 pts. from one year ago

\$10MM-<\$50MM

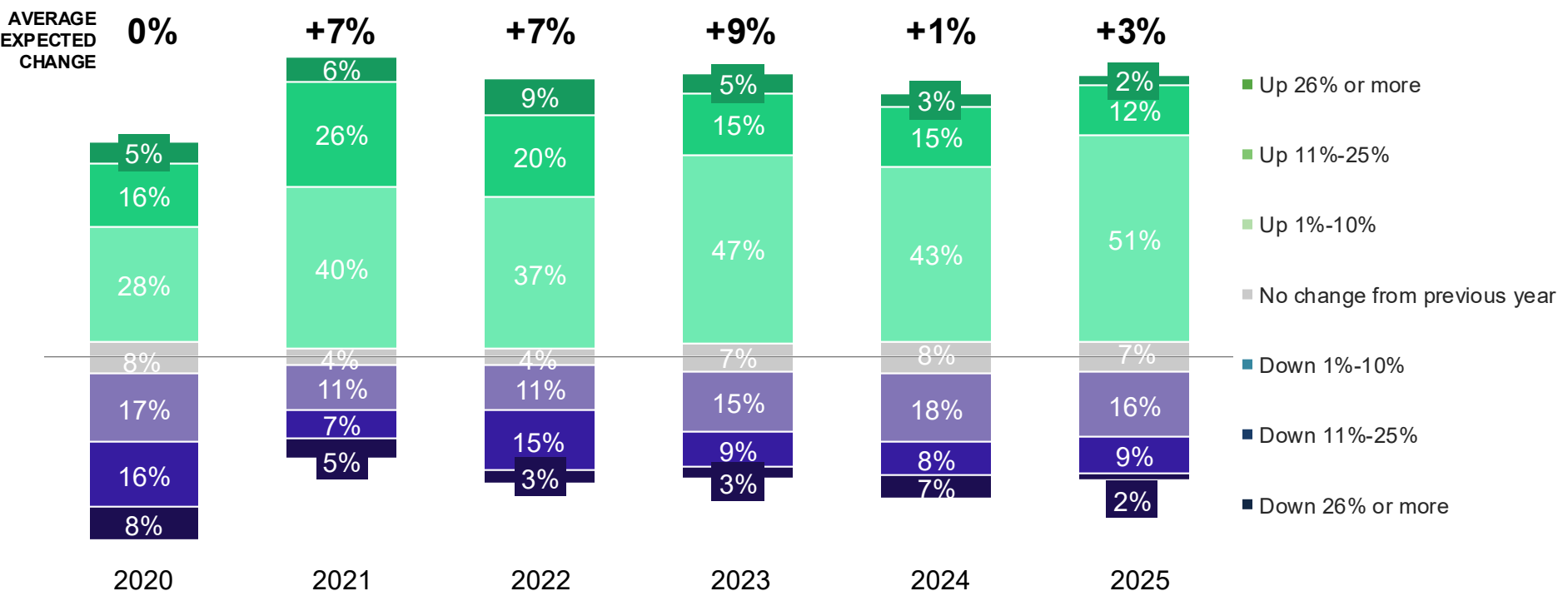


\$50MM-<\$500MM



Approximately half of middle market companies anticipate their sales volume will increase by 1%-10% from 2024

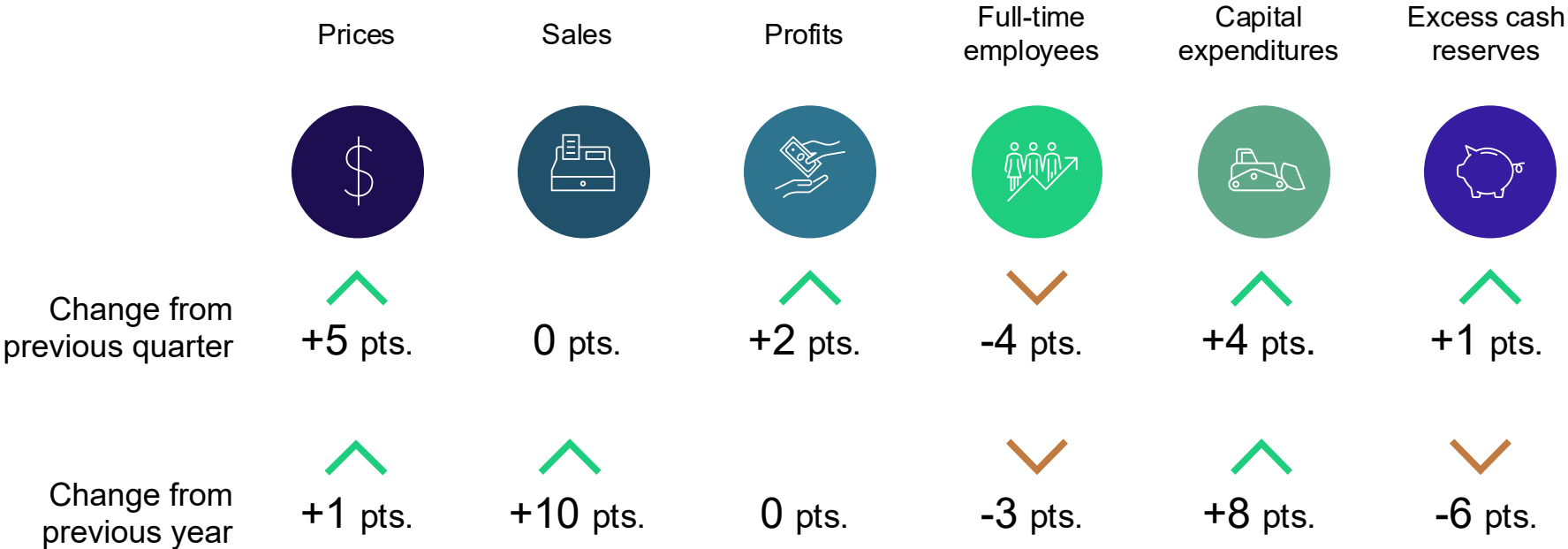
CHANGES IN MIDDLE MARKET SALES VOLUME



Q: By the end of 2025, how much higher or lower do you expect your annual sales or revenue to be compared to the end of 2024?
\$10MM-<\$500MM
BusinessPulse Fourth Quarter Trending Quarterly Data

Net difference capital expenditures have trended up

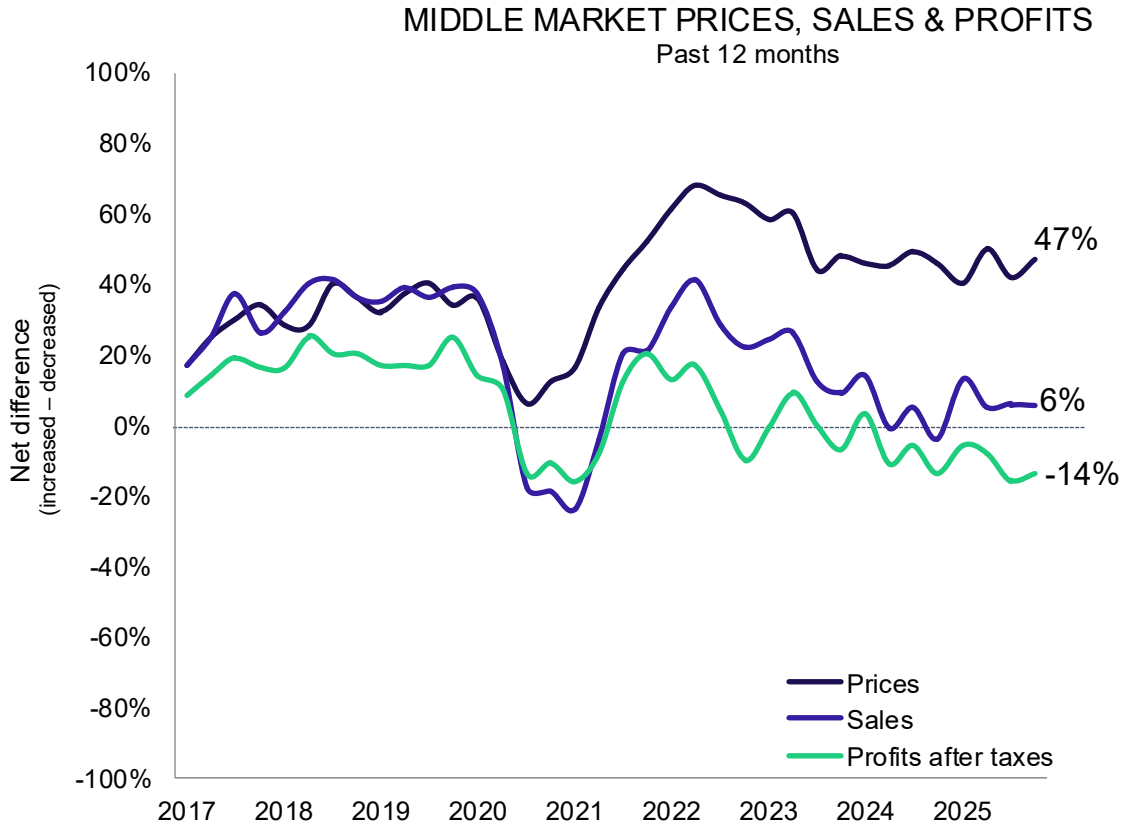
MIDDLE MARKET NET DIFFERENCE CHANGES Past 12 months



Net difference: increased – decreased

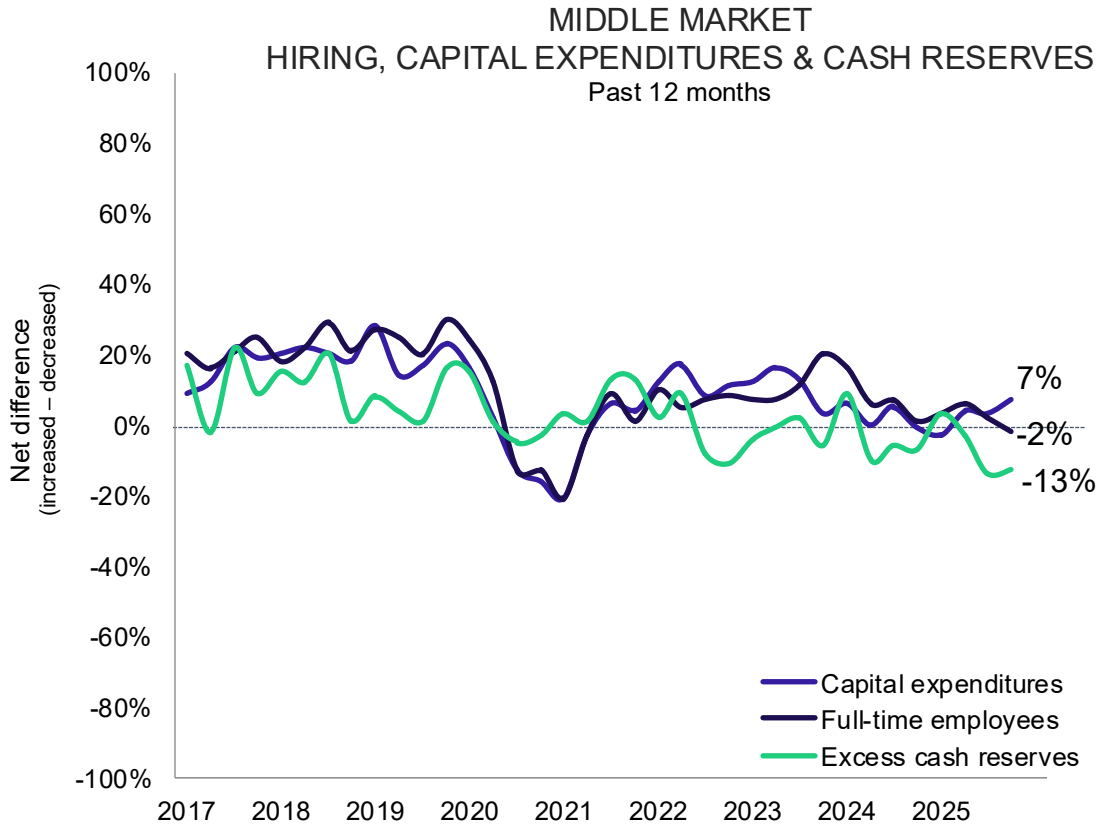
Q: During the last 12 months, did your company's...
\$10MM-<\$500MM
BusinessPulse Quarterly Trending Data (ending 4Q2025)

Middle market sales have stabilized at the end of 2025 although profits have remained deflated



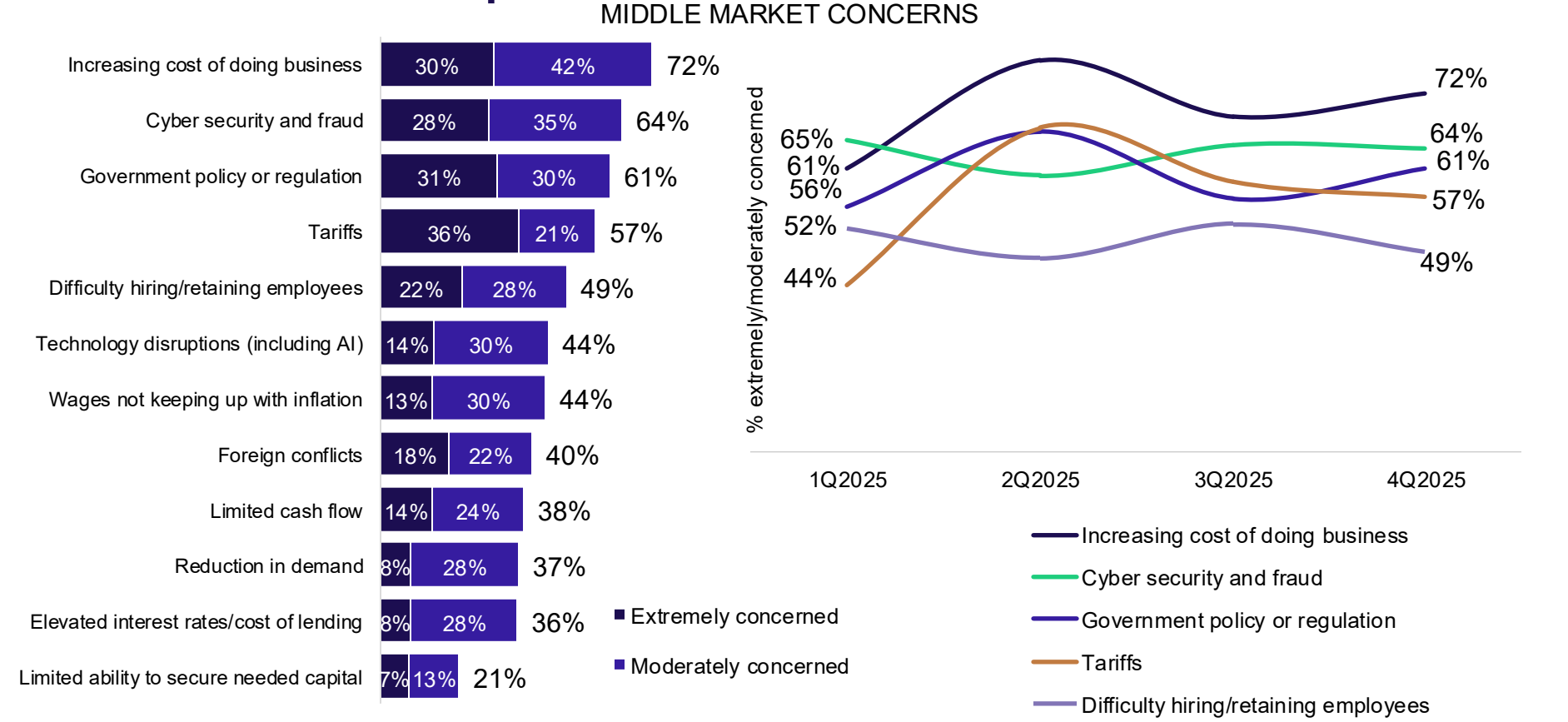
Q: During the last 12 months, did your company's...
\$10MM-<\$500MM
BusinessPulse Quarterly Trending Data (ending 4Q2025)

Middle market companies have slowly become more comfortable investing in capital expenditures



Q: During the last 12 months, did your company's...
\$10MM-<\$500MM
BusinessPulse Quarterly Trending Data (ending 4Q2025)

The high cost of doing business remained a top concern among seven in ten middle market companies



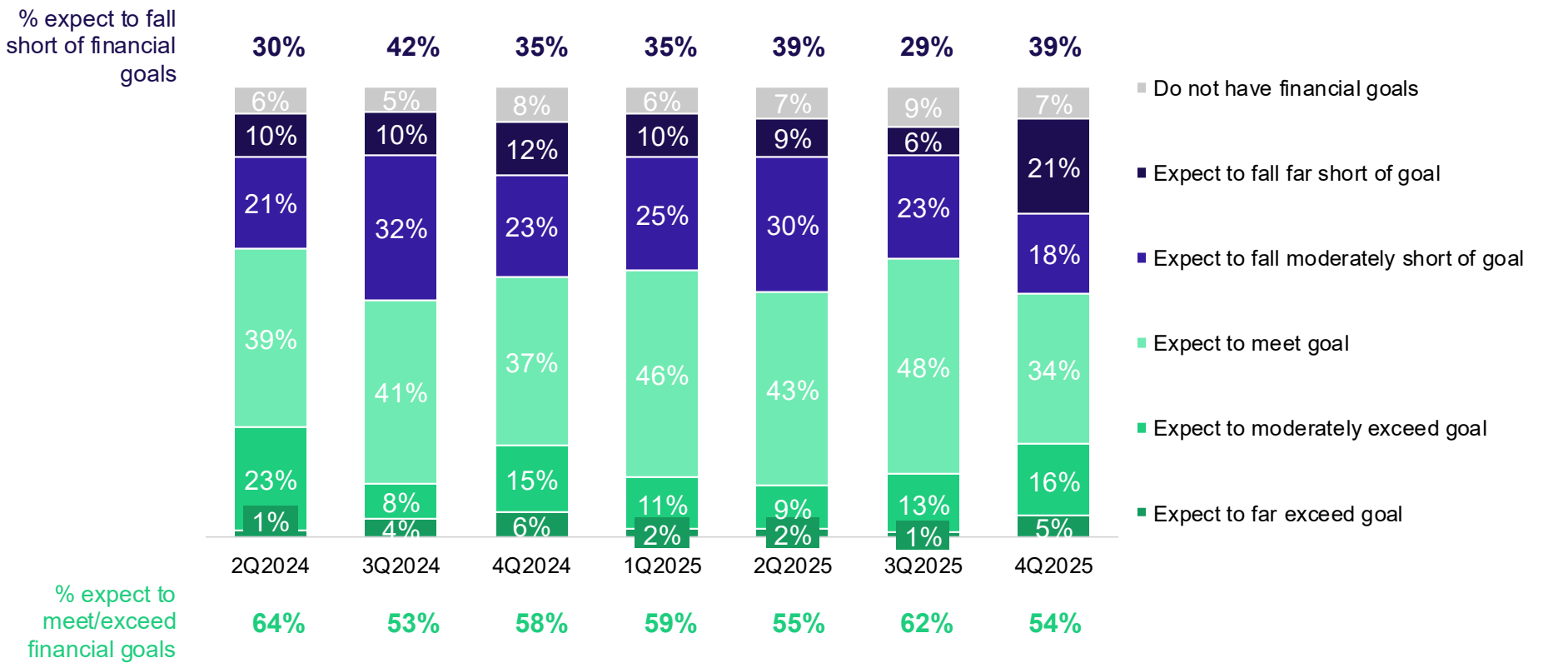
Q: How concerned are you about the following issues negatively impacting your business?
\$10MM-<\$500MM
BusinessPulse Quarterly Trending Data (ending 4Q2025)

02

Expected economic position

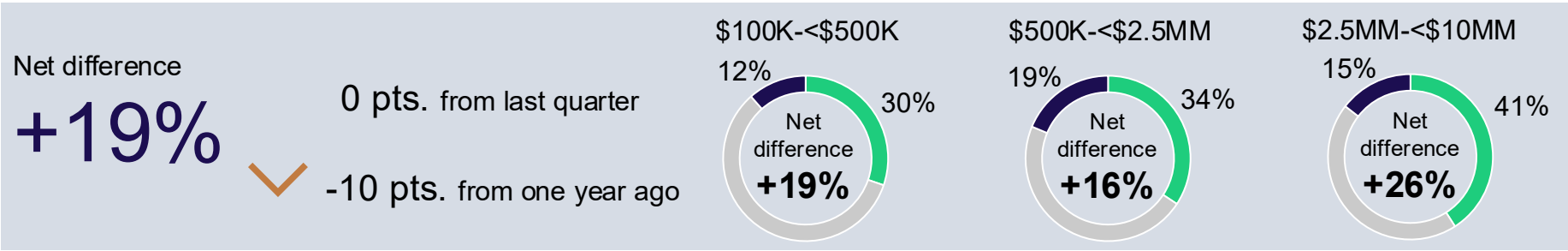
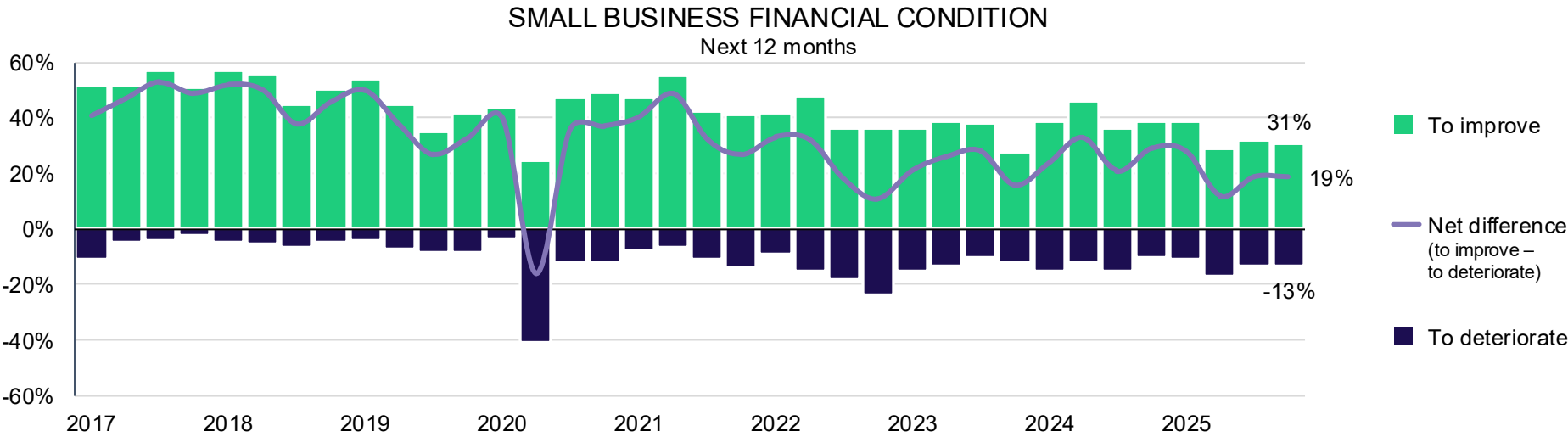
Just over half of small businesses expect to meet or exceed their financial goals

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 4Q2025)

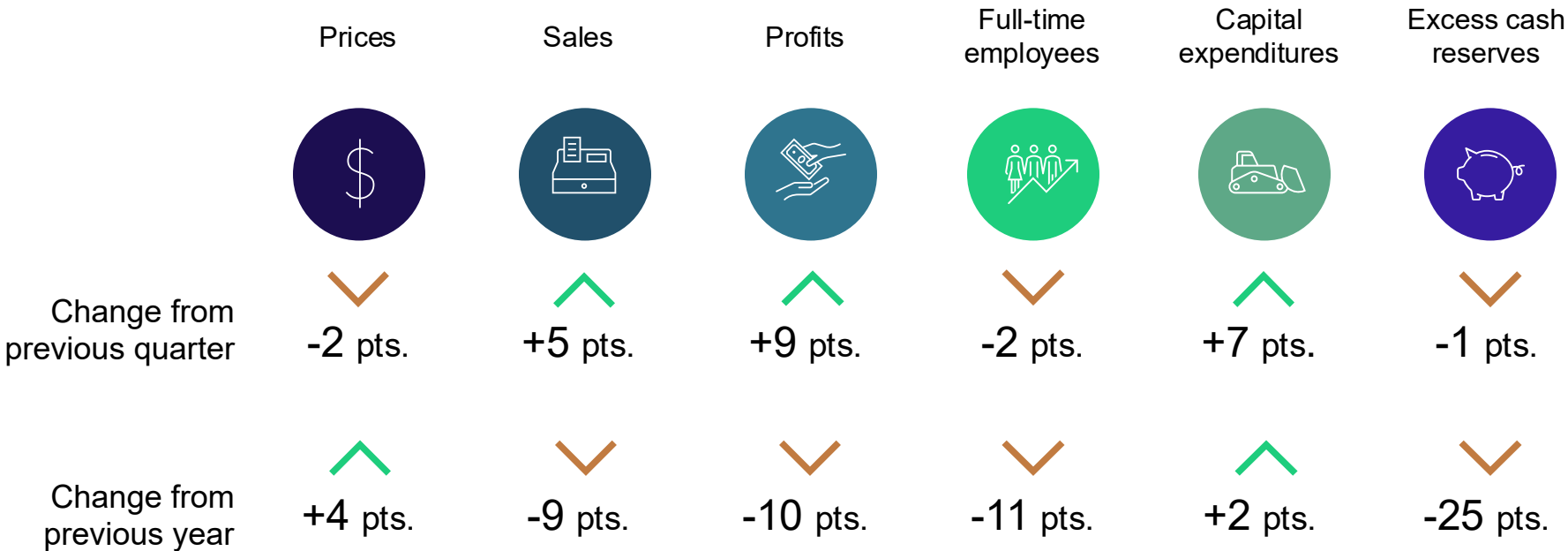
Financial condition optimism stalled in 4Q25, resting 10 points lower than one year ago



Q: During the next 12 months, do you expect your company's overall financial condition to...
\$100K-<\$10MM
BusinessPulse Quarterly Trending Data (ending 4Q2025)

Small businesses have lower net difference hiring expectations

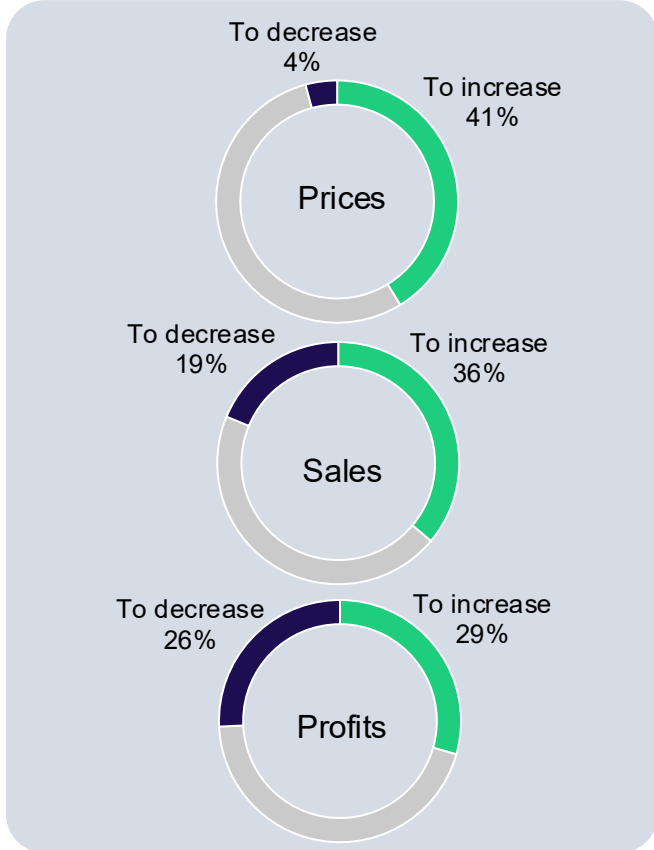
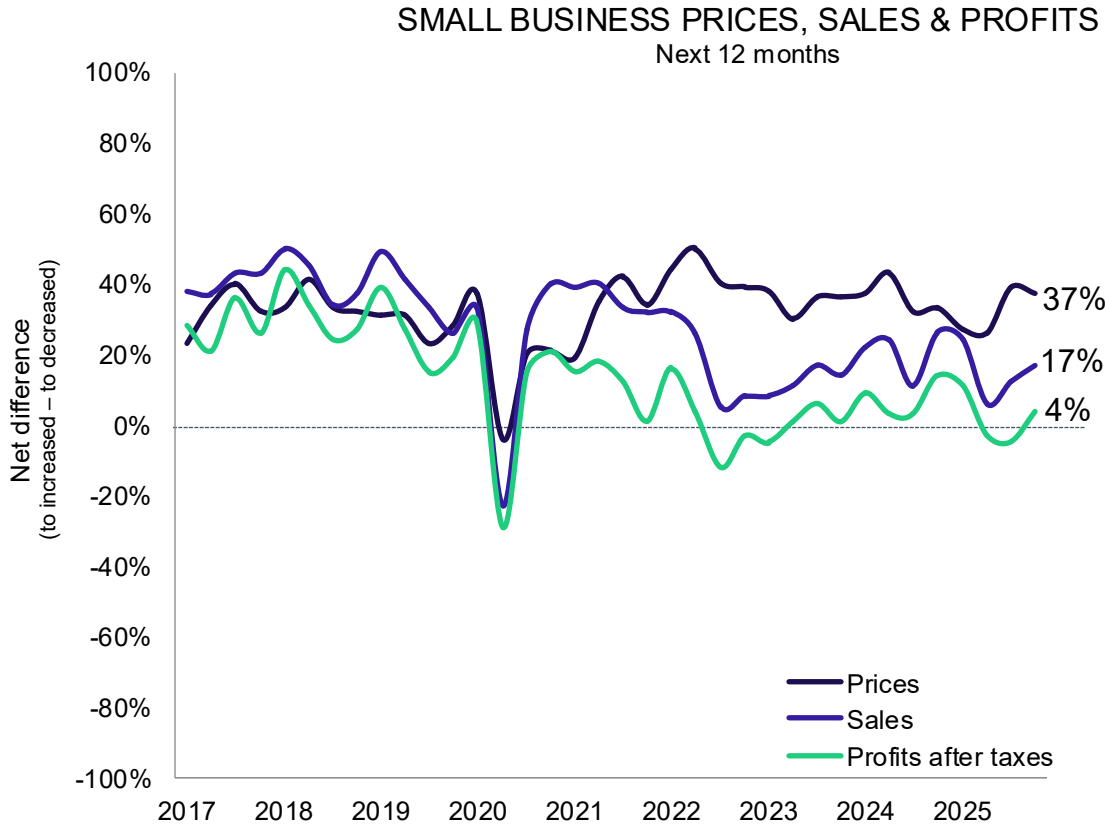
SMALL BUSINESS NET DIFFERENCE CHANGES Next 12 months



Net difference: to increase – to decrease

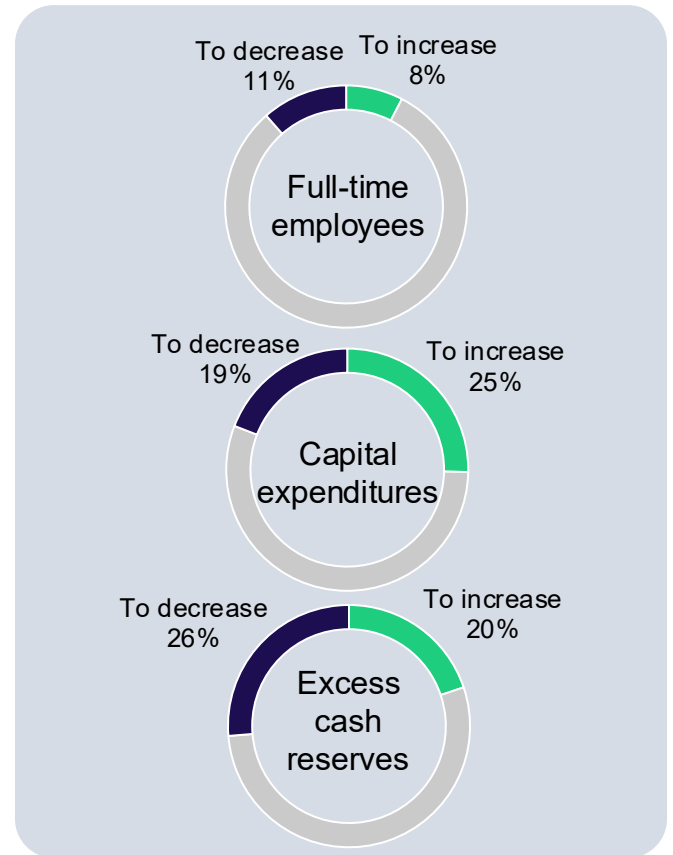
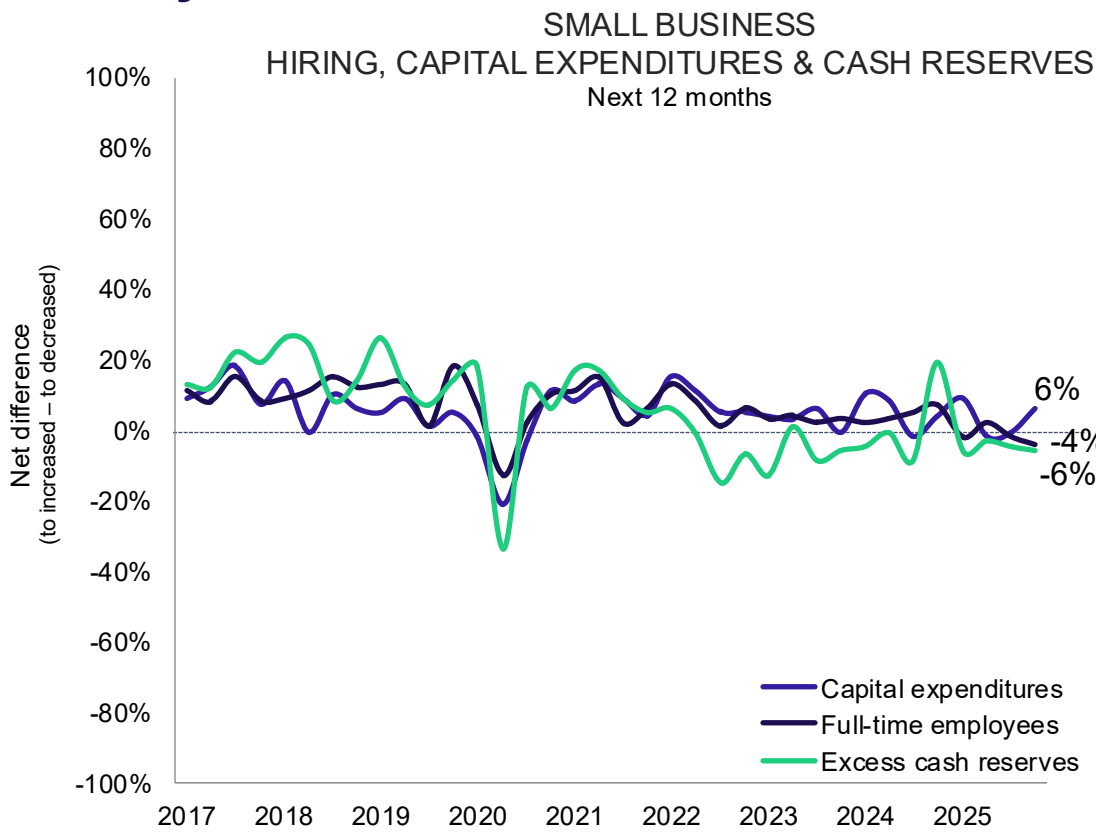
Q: During the next 12 months, do you expect your company's...
\$100K-<\$10MM
BusinessPulse Quarterly Trending Data (ending 4Q2025)

Small businesses had improved sales and profit expectations compared to low points earlier in 2025



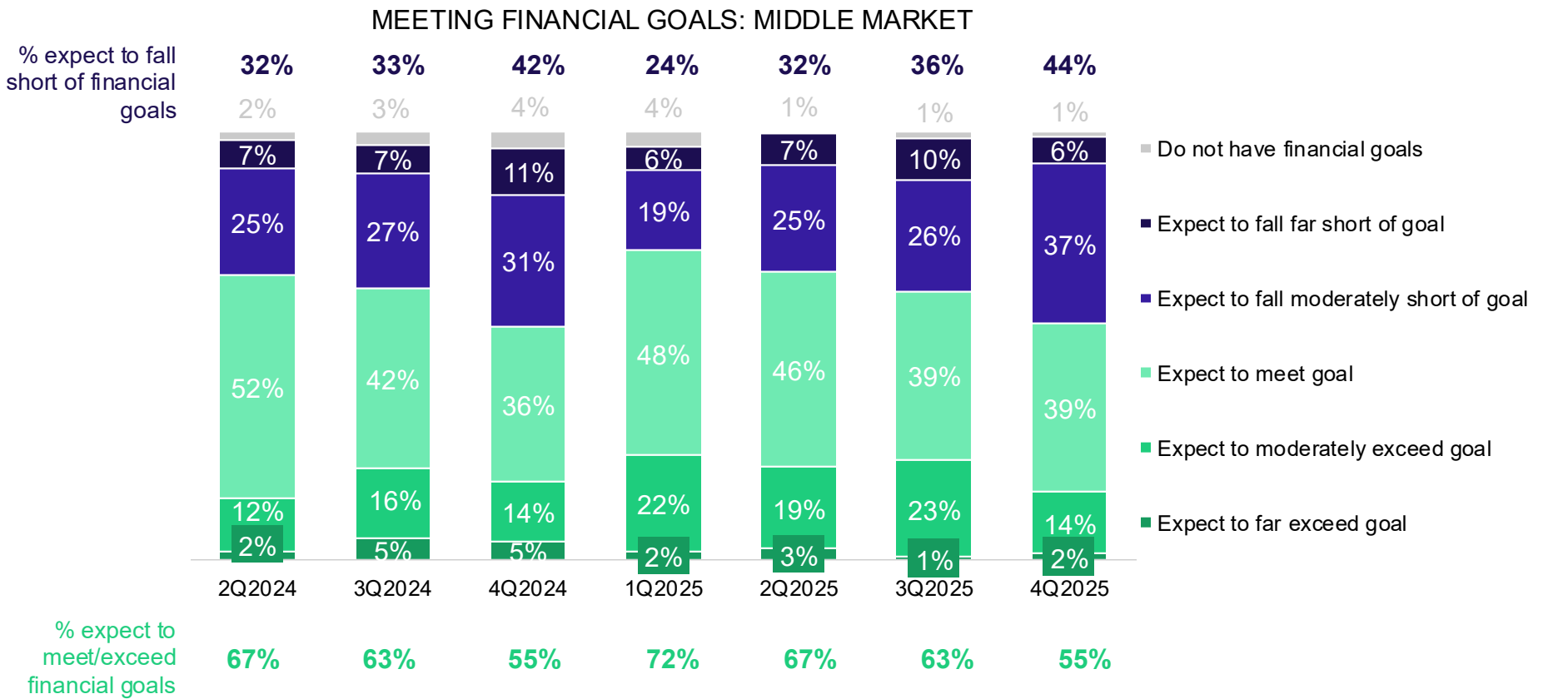
Q: During the next 12 months, do you expect your company's...
\$100K-<\$10MM
BusinessPulse Quarterly Trending Data (ending 4Q2025)

Net difference capital expenditure expectations returned to positive territory



Q: During the next 12 months, do you expect your company's...
\$100K-<\$10MM
BusinessPulse Quarterly Trending Data (ending 4Q2025)

The percentage of middle market companies expecting to meet or exceed financial goals returned to the same level as 4Q2024

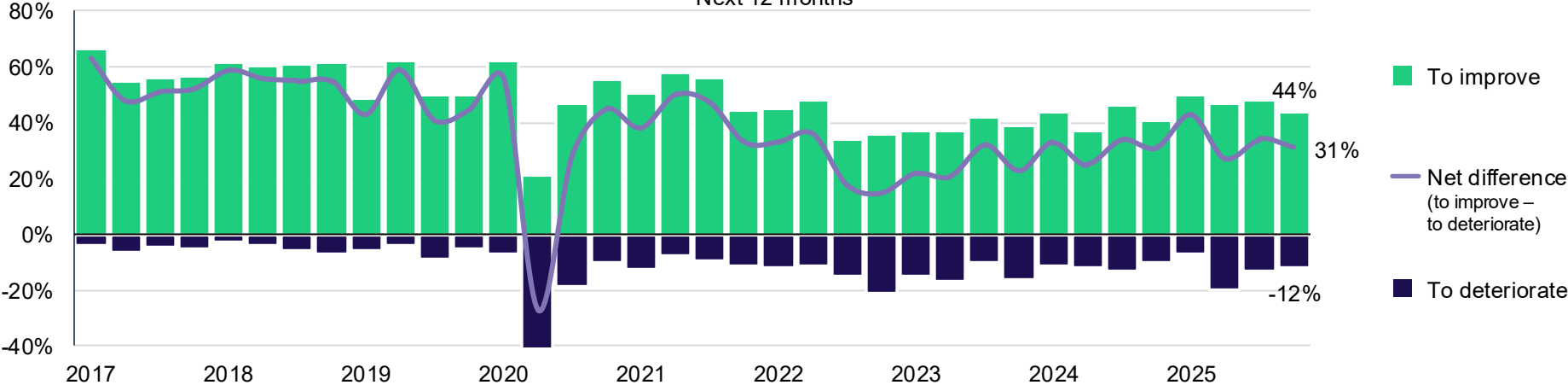


Q: Do you expect that your company will exceed, meet or fall short of its financial goals by the end of your current fiscal year?
\$10MM-<\$500MM
BusinessPulse Quarterly Trending Data (ending 4Q2025)

Middle market expectations about their financial condition over the next 12 months remained relatively flat from the previous quarter

MIDDLE MARKET FINANCIAL CONDITION

Next 12 months



Net difference

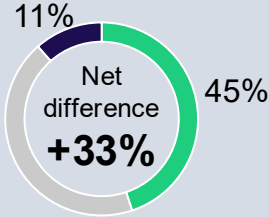
+31%



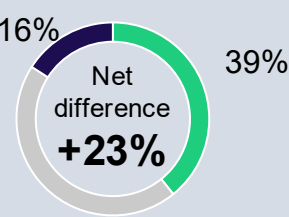
-3 pts. from last quarter

0 pts. from one year ago

\$10MM-<\$50MM



\$50MM-<\$500MM

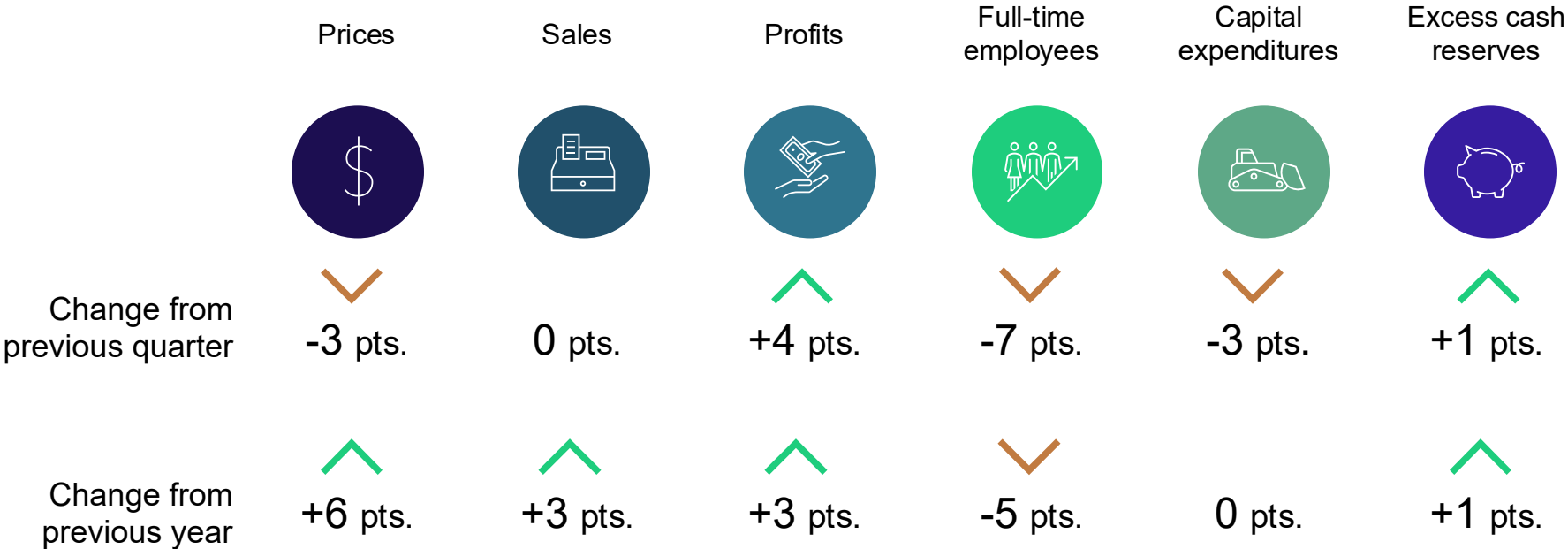


Q: During the next 12 months, do you expect your company's overall financial condition to...

\$10MM-<\$500MM
BusinessPulse Quarterly Trending Data (ending 4Q2025)

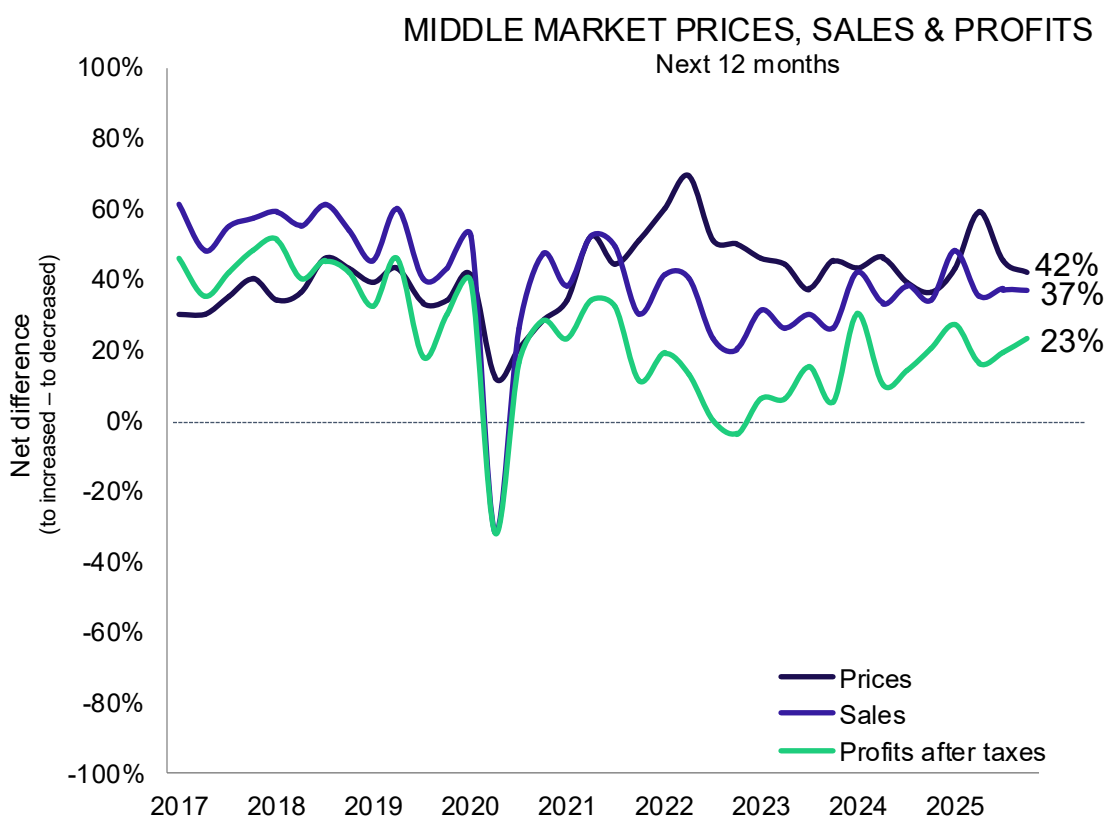
Middle market profit expectations continued to improve

MIDDLE MARKET NET DIFFERENCE CHANGES Next 12 months



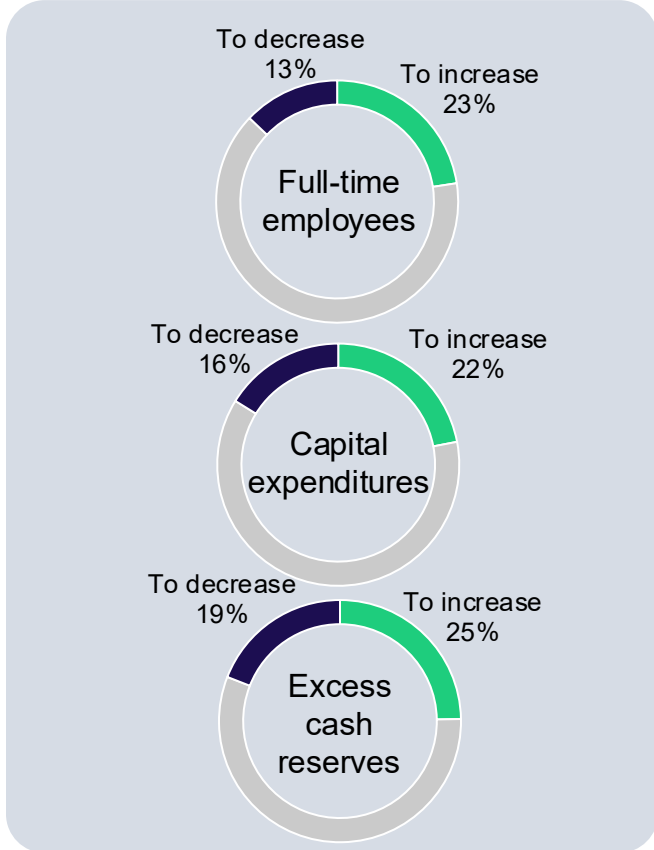
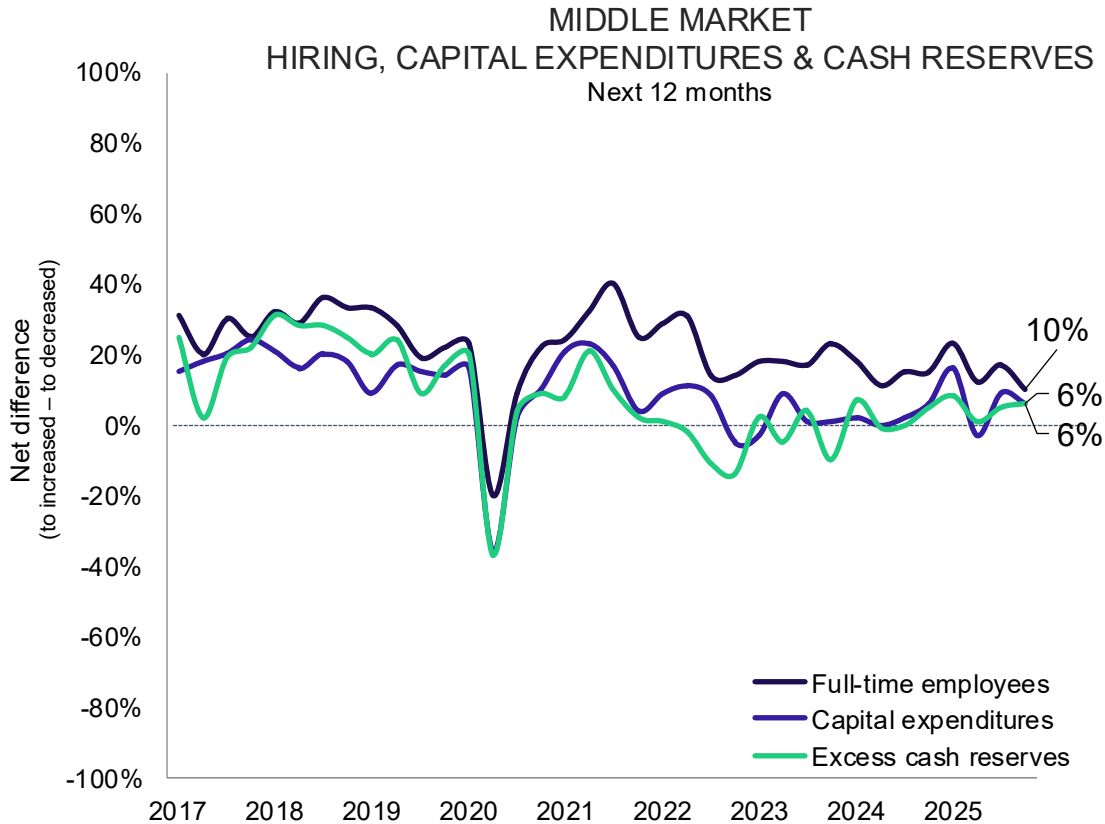
Net difference: to increase – to decrease

Profit expectations improve as sales and price expectations stabilize



Q: During the next 12 months, do you expect your company's...
\$10MM-<\$500MM
BusinessPulse Quarterly Trending Data (ending 4Q2025)

Net difference hiring expectations continued to trend down from the beginning of 2025

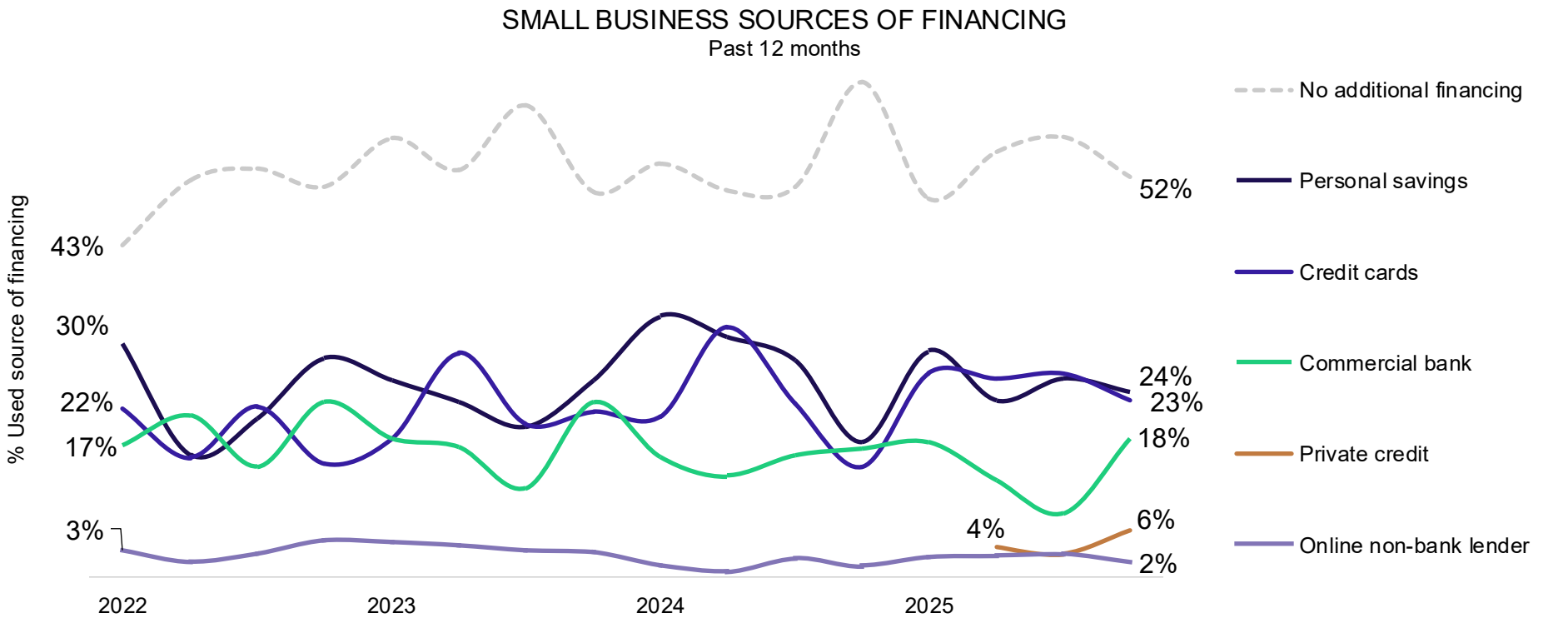


Q: During the next 12 months, do you expect your company's...
\$10MM-<\$500MM
BusinessPulse Quarterly Trending Data (ending 4Q2025)

03

Credit outlook

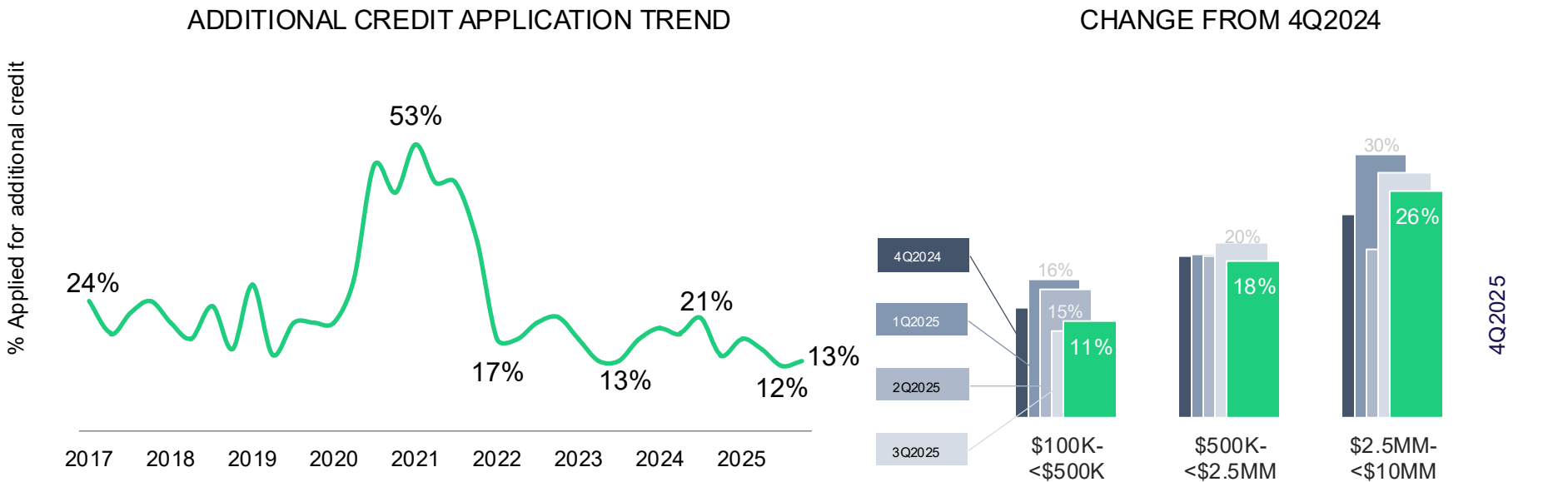
The use of commercial banks as a source of financing returned after a low point in the third quarter



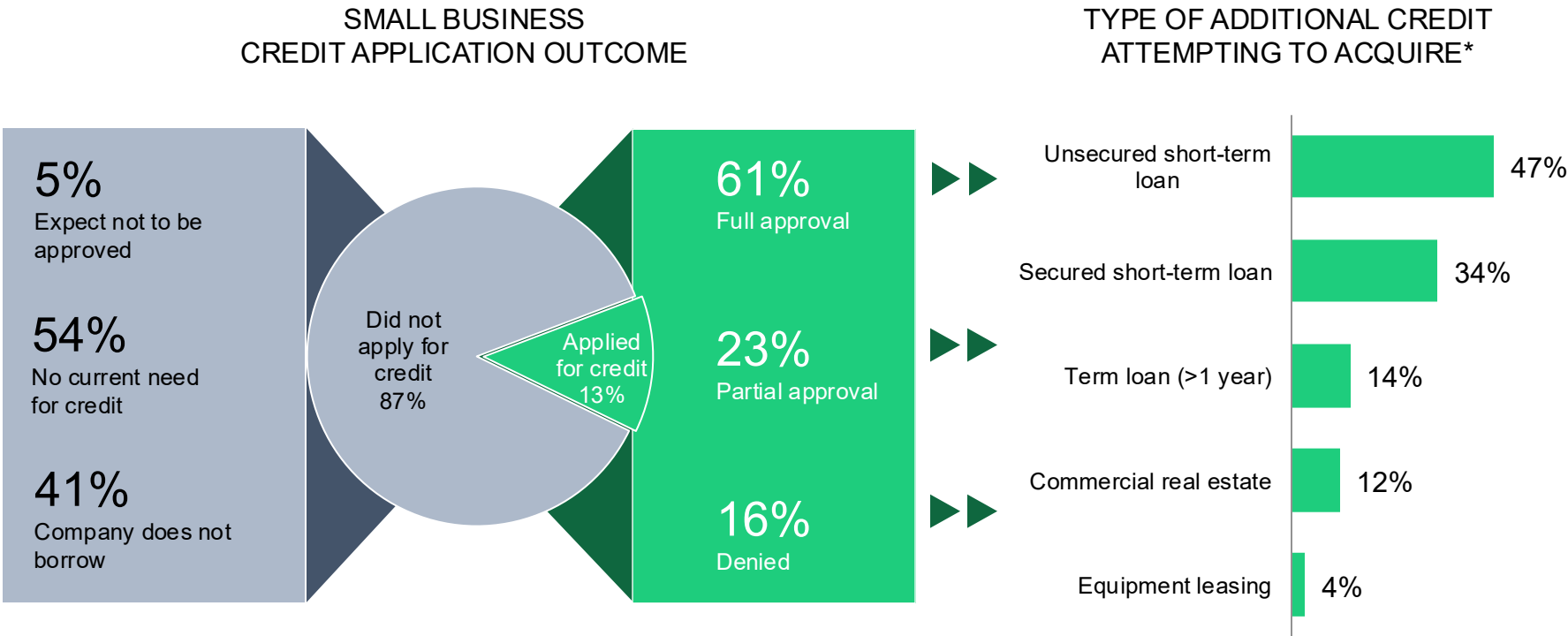
Q: During the last 12 months, in addition to company equity and cash flow, how has your company financed its business operations? (select all that apply)
\$100K-<\$10MM
BusinessPulse Quarterly Trending Data (ending 4Q2025)

Demand for additional credit remained limited

SMALL BUSINESS APPLICATIONS FOR ADDITIONAL CREDIT Past 12 months



Small businesses most commonly applied for unsecured short-term loans

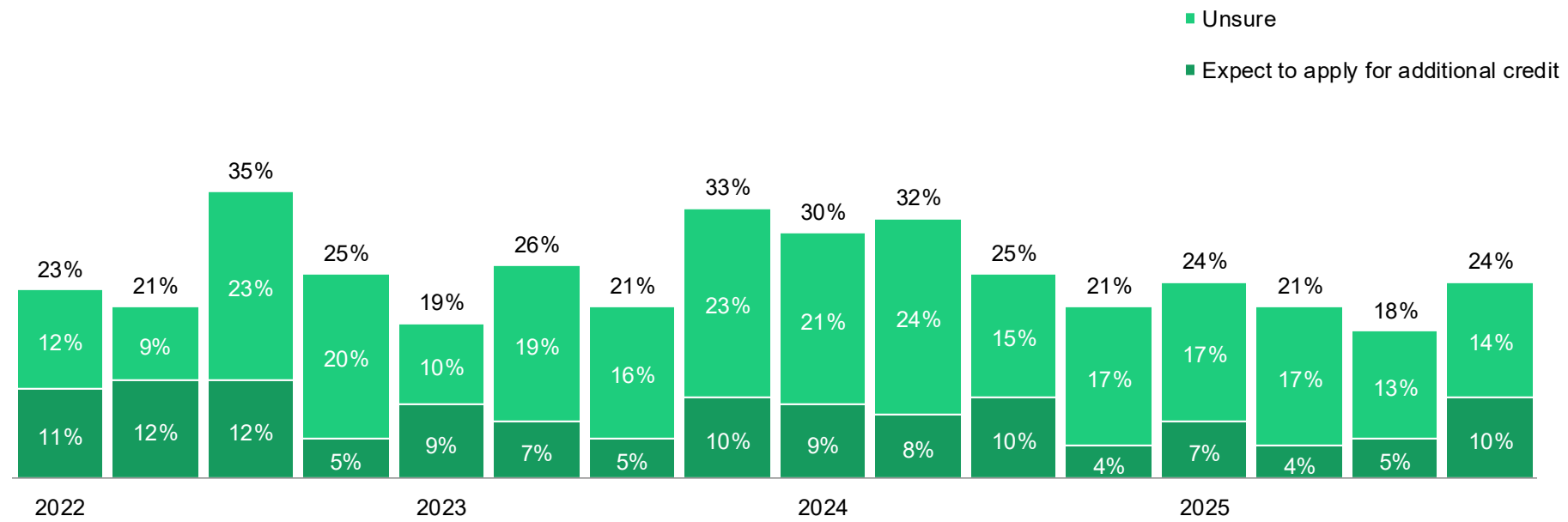


Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution?
Q: What kind(s) of additional credit was your company attempting to acquire?

*Base: those that applied for additional credit
\$100K-<\$10MM
BusinessPulse Quarterly Data (4Q2025)

Small businesses became increasingly likely to expect to apply for additional credit (or were unsure) after low points in the second and third quarters

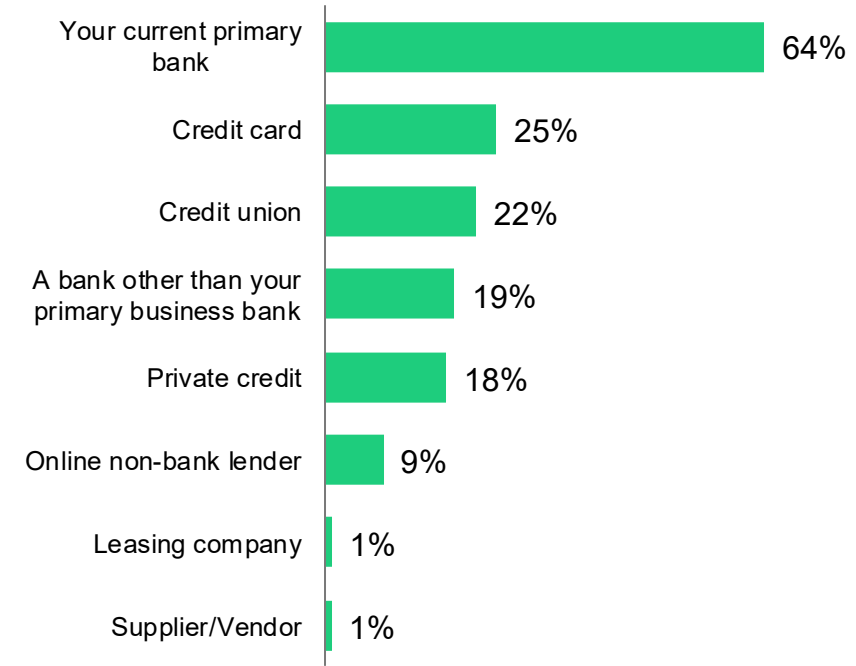
SMALL BUSINESS EXPECTATIONS TO APPLY FOR ADDITIONAL CREDIT



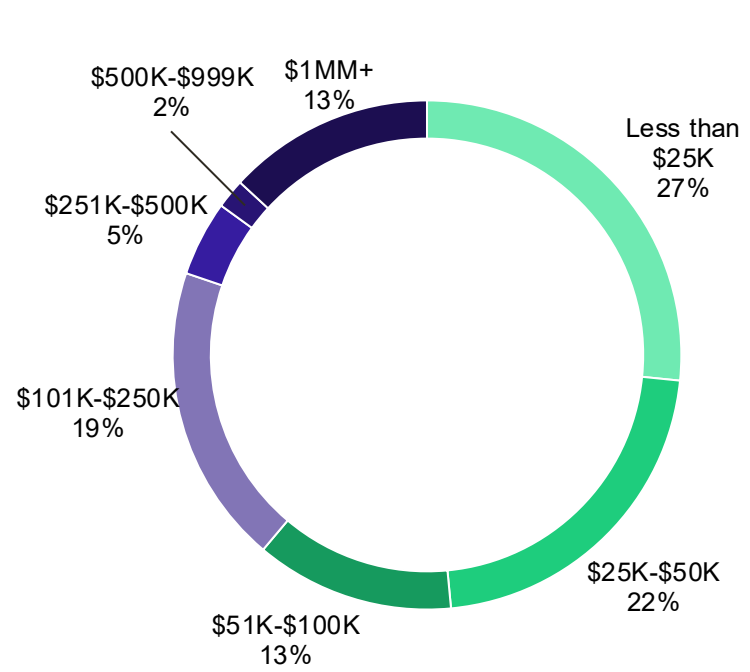
Q: During the next 12 months, do you expect your company to apply for additional credit or loans from any financial institution?
\$100K-<\$10MM
BusinessPulse Quarterly Trending Data (ending 4Q2025)

Primary banks are the top source for additional credit; yet credit cards, credit unions, non-primary banks and private credit are also viable options

WHERE SMALL BUSINESSES EXPECT TO APPLY FOR ADDITIONAL CREDIT*



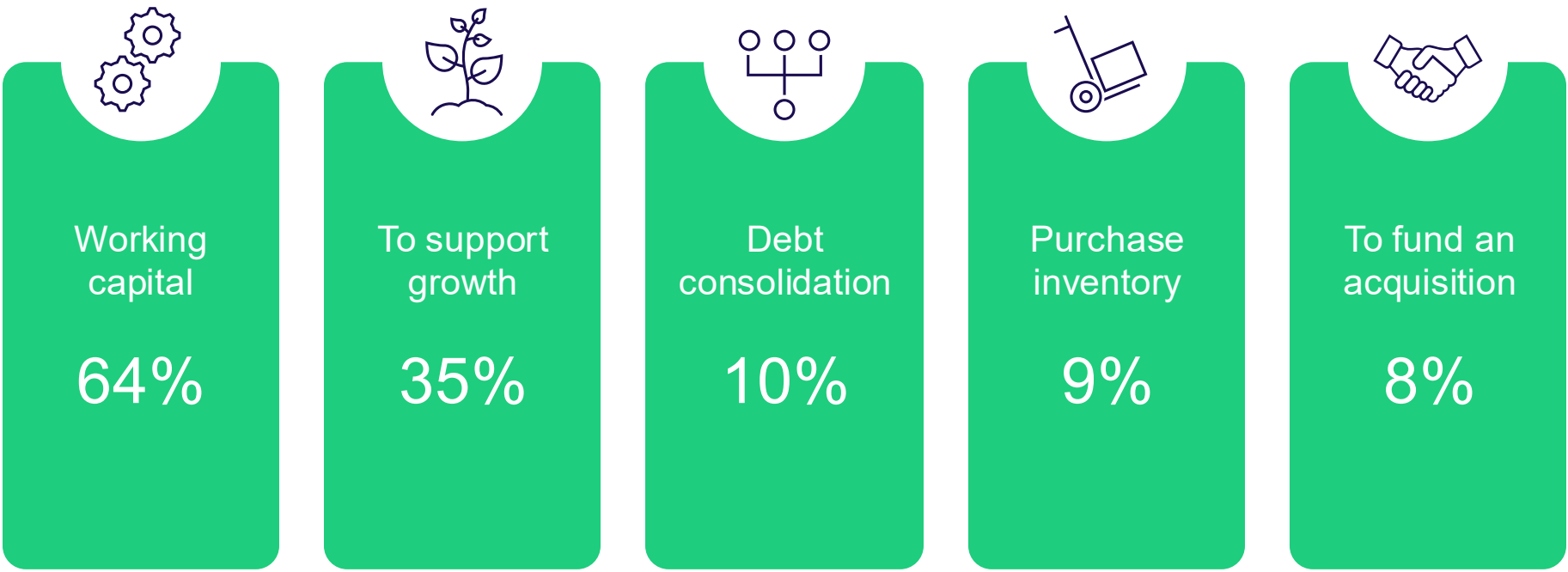
AMOUNT OF ADDITIONAL CREDIT SMALL BUSINESSES ANTICIPATE BORROWING*



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 (4Q2025)

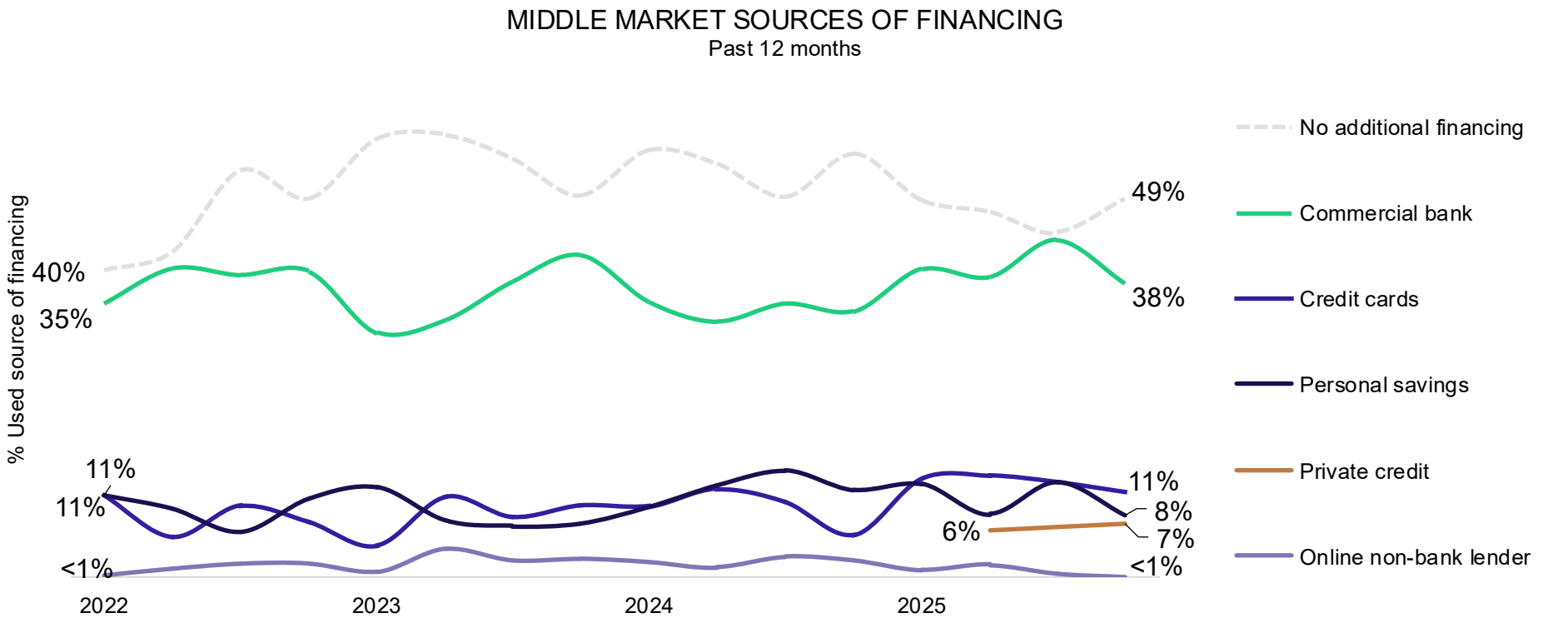
Small businesses primarily anticipate applying for additional credit for working capital

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



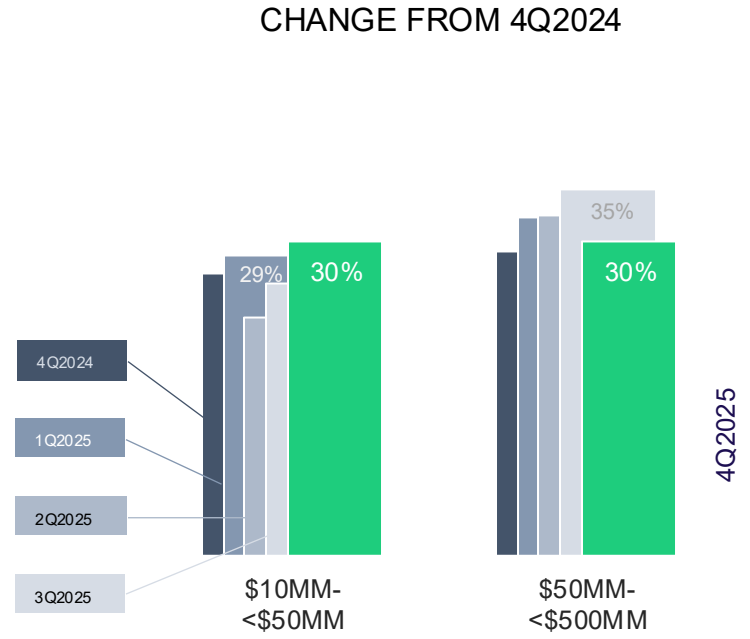
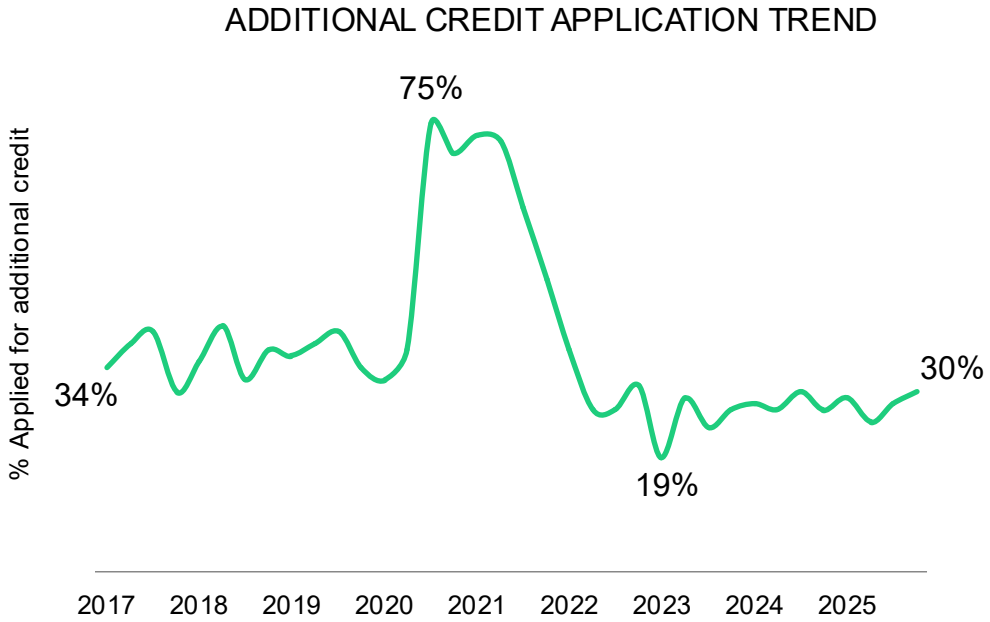
Q: For what reason(s) would you expect to borrow? (select all that apply)
*Based to those that expect to apply for additional credit or are unsure
\$100K-<\$10MM
BusinessPulse Quarterly Data (4Q2025)

Commercial banks remain the top source of financing for middle market companies, even though fewer used them in 4Q2025



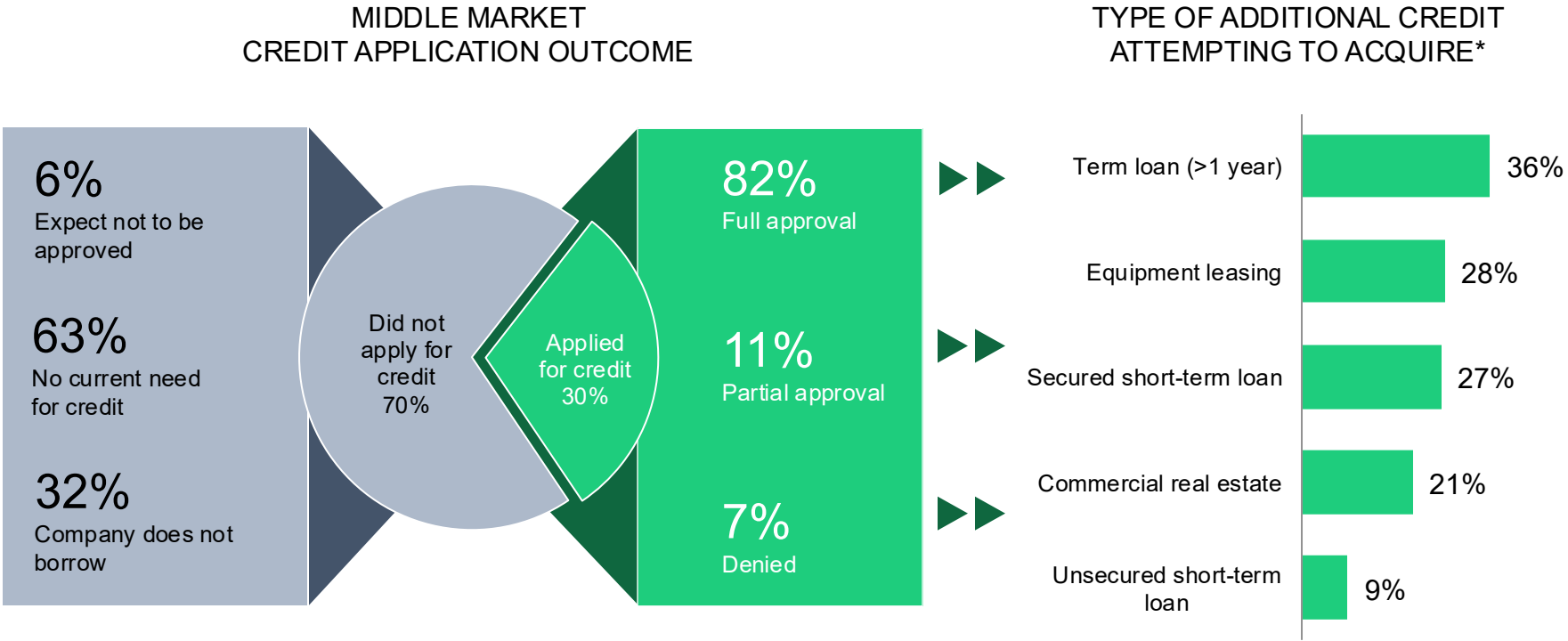
Middle market demand for additional credit continued to increase at the end of 2025

MIDDLE MARKET 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?
\$10MM-<\$500MM
BusinessPulse Quarterly Trending Data (ending 4Q2025)

Few of the middle market companies that applied for additional credit were denied

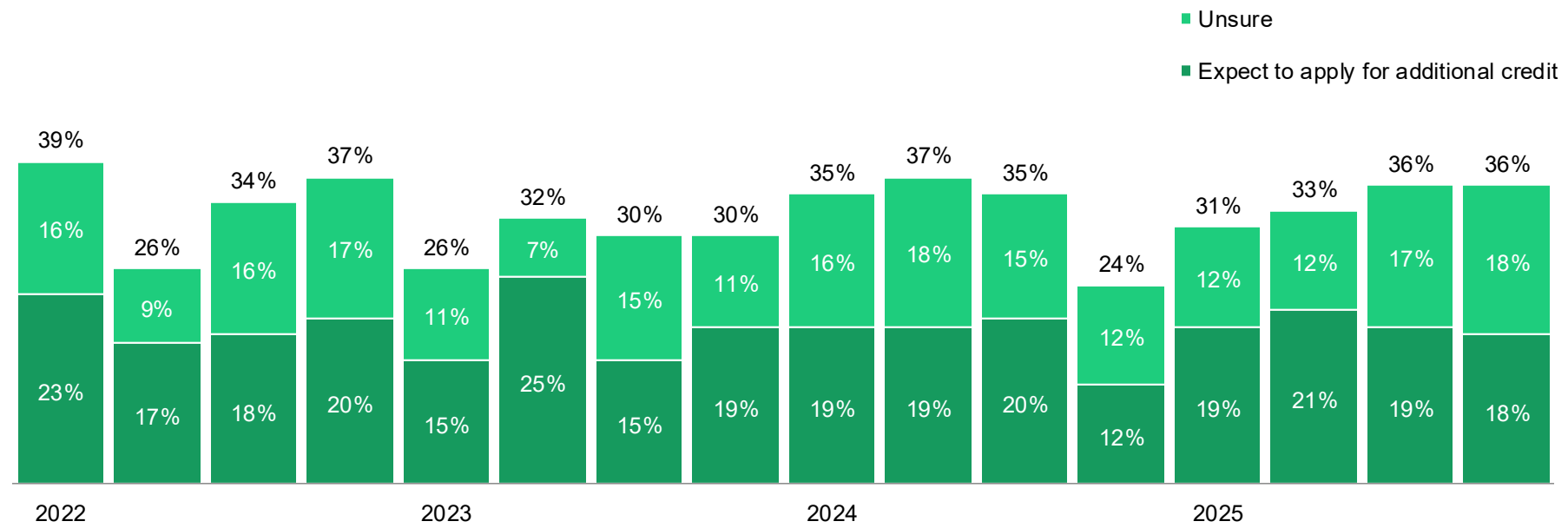


Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution?
Q: What kind(s) of additional credit was your company attempting to acquire?

*Base: those that applied for additional credit
\$10MM-<\$500MM
BusinessPulse Quarterly Data (4Q2025)

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

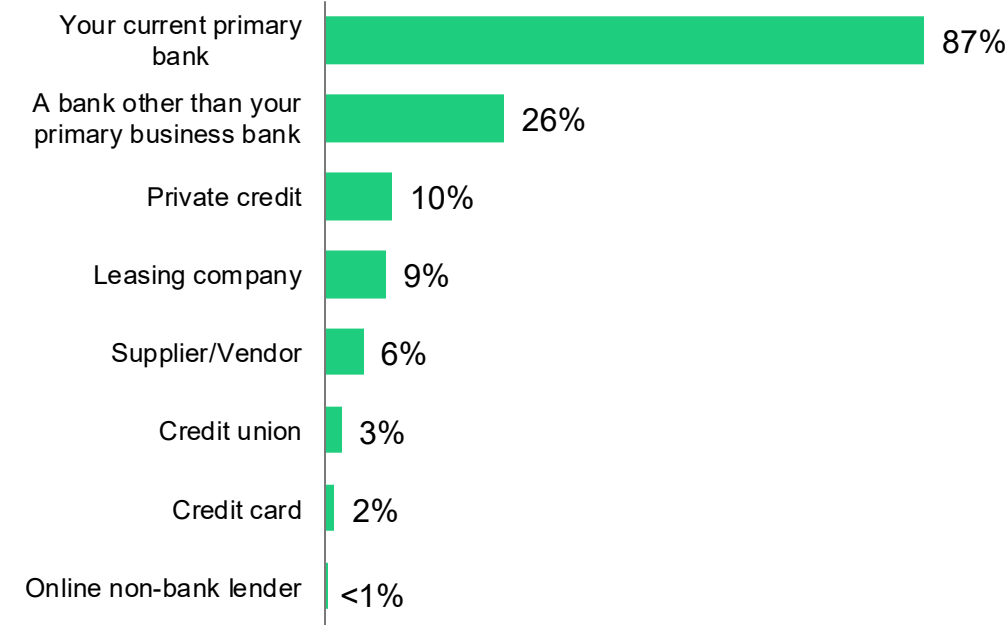
MIDDLE MARKET EXPECTATIONS TO APPLY FOR ADDITIONAL CREDIT



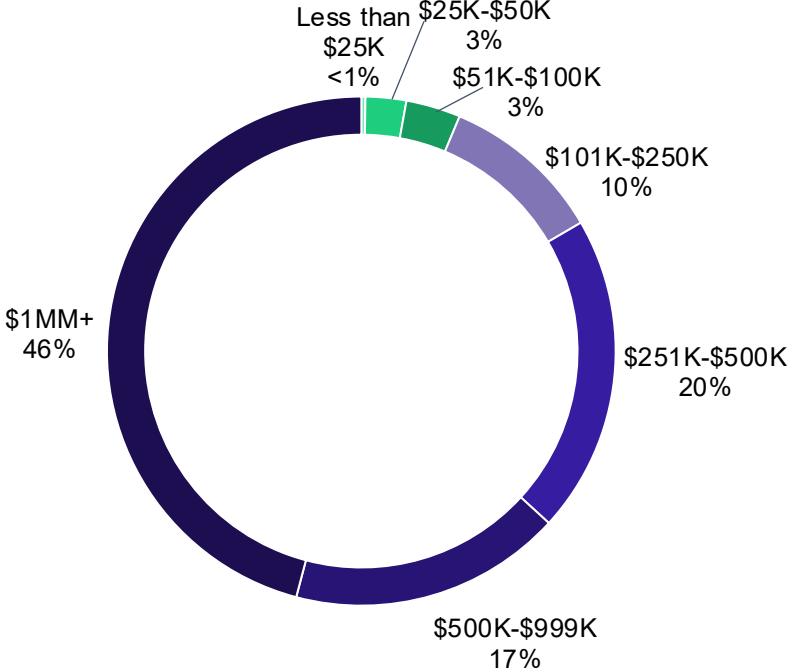
Q: During the next 12 months, do you expect your company to apply for additional credit or loans from any financial institution?
\$10MM-<\$500MM
BusinessPulse Quarterly Trending Data (ending 4Q2025)

Few middle market companies expect to apply for additional credit through a source other than their bank

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 (4Q2025)

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 (4Q2025)

Methodology

This BusinessPulse report contains data from surveys conducted in the fourth quarter of 2025 by Barlow Research, involving a sample of 369 small businesses and 362 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)

369

Respondents
by mail or online

32.4%

Response rate

±5.10% at 95%
Max error factor

Fielding period

October 10, 2025 – October 17, 2025

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

362

Respondents
by mail or online

31.8%

Response rate

±5.15% at 95%
Max error factor

Weighted

By geography and sales volume



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Voice of the business customer