Citizens

SMALL & MIDSIZE BUSINESS OUTLOOK

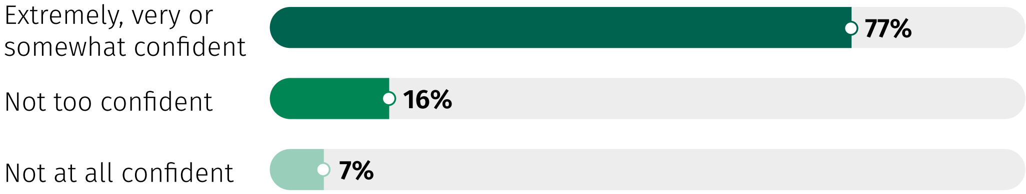
Navigating *inflation*, *tariffs* and *talent* in today's economy

Insights from 500 founders, CEOs, partners, presidents and principals at U.S. companies generating $500K to $100M+ annually reveal how businesses plan to increase revenue, improve efficiency and prepare for succession in Q1.

Q1 2026: Revenue, optimism and challenges

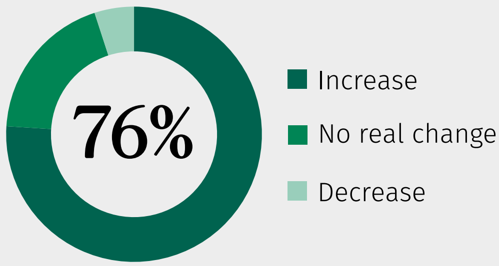
New research from Citizens* finds that U.S. business leaders remain confident in their prospects and the broader economy, despite ongoing volatility.

Confidence in the U.S. economy over the next three months



77%

confident in the U.S. economy



of businesses expect revenue to increase in the next three months

> “Despite challenging economic conditions, business leaders are planning for success and charting a clear path forward in Q1. In true entrepreneurial style, they are combining creativity, resilience and determination with the right tools to deliver what customers want.”

Mark Valentino
Head of Business Banking

Q1 business challenges

1. Managing rising costs/inflation
2. Managing the impact of tariffs
3. Coping with uncertainty about the economy
4. Finding and keeping customers
5. Finding and integrating technology

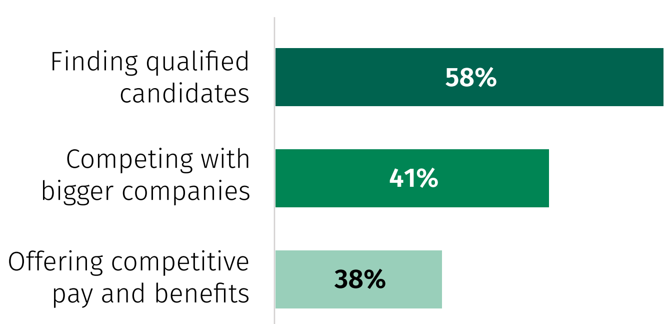
Top ways businesses respond to inflation**

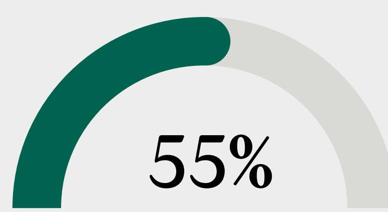
1. Raising prices
2. Absorbing cost increases
3. Switching to lower-cost supplies

Staffing: A central priority for Q1 plans

Staffing is a focus for Q1; 68% of companies say they’ll hire full-time, part-time or contract employees this quarter.

Key hiring challenges

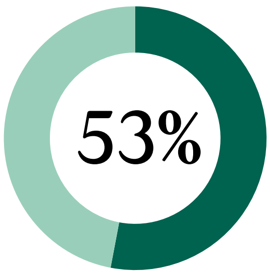




of businesses plan to increase full-time staff in Q1 2026

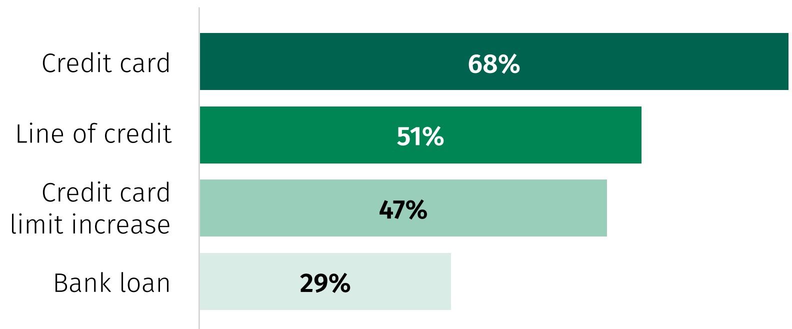
Q1 growth: Supported by credit, driven by efficiency and technology

Credit will help businesses move quickly to seize opportunities and outpace the competition to reach Q1 goals.



of businesses plan to increase credit usage in Q1

Credit tools for Q1: Businesses increasing credit



“A business line of credit has been a great security blanket; as a small business, I know that I need to be careful with money, but I also need to be comfortable with taking risks, so I can grow with support to keep moving in the right direction.”

Ian Duryea
Duryea Electric

Business leaders are sharpening operations and investing in efficiency to attract customers and keep them loyal. Technology is the #1 tool they'll use.

46%

plan to spend more on digital financial tools

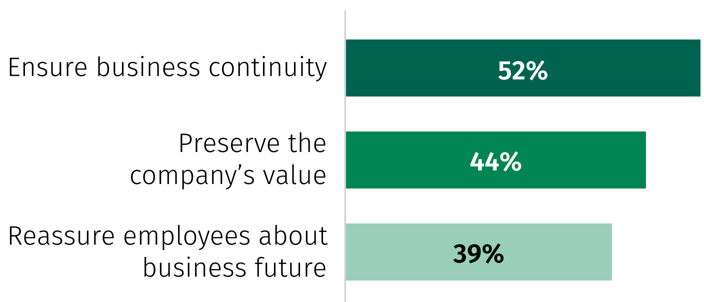
“Q1 business leader plans demonstrate that they understand the impact of investing in the right tools to propel them toward important ambitious goals. With increased company and team efficiency, a business can focus on the customer, which is where growth potential ultimately lies.”

Meline Gasparyan
Head of Business Banking Treasury Solutions

Succession planning: A Q1 focus for what comes next

Business leaders are prioritizing succession planning to map out the transition of leadership, resources and knowledge when it’s time to hand over management.

Top reasons businesses are committed to succession planning



71%

of business owners currently have or are working on a succession plan

77% **of young company CEOs (ages 18-24) have an exit plan**

vs.

61% ages 45-60

55% ages 61+

At Montville Florist, each generation has devoted itself to ensuring that important operational knowledge, commitment to customer satisfaction, and a connection to the community are carried forward.

“Eventually, I’d like to step back from the business a bit, and I’m confident [my daughter] will be more than ready to take over when the time comes.”

Leah Van Ness
Montville Florist

Key takeaways: Q1 is a time to optimize and outpace

Citizens research shows that small and middle market companies are optimistic, forward thinking and grounded in economic reality.

For Q1 2026, business leaders are:

Optimistic. Roughly three-quarters of businesses in the survey expect revenue increases soon and believe in the strength of the U.S. economy.

Customer focused. 65% of companies cite more customers as the reason revenues will increase in Q1.

Optimized for efficiency. 60% of businesses cite improved efficiency or systems as the way they'll achieve Q1 revenue goals.

Technology enabled. Technology investments are a #1 priority, and AI will help with efficiency and customer acquisition and retention.

Leaning on tools. 53% of companies will use more credit to reach business goals in Q1, and 46% plan to increase spending on digital financial tools.

Planning for succession. Business leaders are planning ahead to protect what they've built when it's time to hand off company management.

Ready to turn these takeaways into action? Get in touch with our team.

You have the vision for your business. We can help you bring it into focus with confidence. **Talk with a Citizens Business Banker today at citizensbank.com/bizbanking**

Contact Us

*Data is from an online survey of 500 principals (Owner, Founder, Partner, CEO, President, etc.) of U.S.-based businesses with up to 1,000 employees. The survey was conducted by market research company Bredin from November 1 through November 18, 2025. This report focuses on unweighted data from 304 respondents with $500,000+ in revenue.

**An online survey of 500 SMB principals at U.S. companies with 1-500 employees fielded August 20-September 2, 2025, conducted by Bredin.