



SMALL AND MIDSIZE BUSINESS OUTLOOK

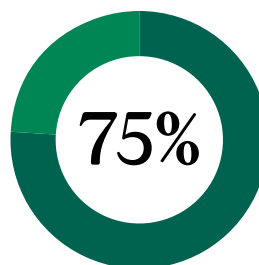
Businesses *navigate growth* amid economic uncertainty

New Citizens research shows how U.S. business leaders are pursuing growth while managing external pressures.

Business leaders are entering the second half of 2026 with growing confidence in their own prospects, even as their optimism in the broader economy slips. In a new Citizens survey,¹ 75% of businesses with annual revenue of \$5M or more expect revenue to grow in the next three months, yet only half say they are confident in the U.S. economy. External financial pressures continue to create headwinds, but businesses are responding with disciplined planning and targeted investments. Leaders are leaning on technology, banking relationships and digital cash management tools to support growth.

Revenue optimism remains strong even as economic confidence slips.

Seventy-five percent of \$5M+ businesses expect revenue growth over the next three months. While down slightly from Q1, when 86% projected revenue growth, expectations remain strong.



■ Increase

■ No real change

of \$5M+ businesses expect revenue growth.

Confidence in the U.S. economy has slipped to 50%, down 18 percentage points from Q1.

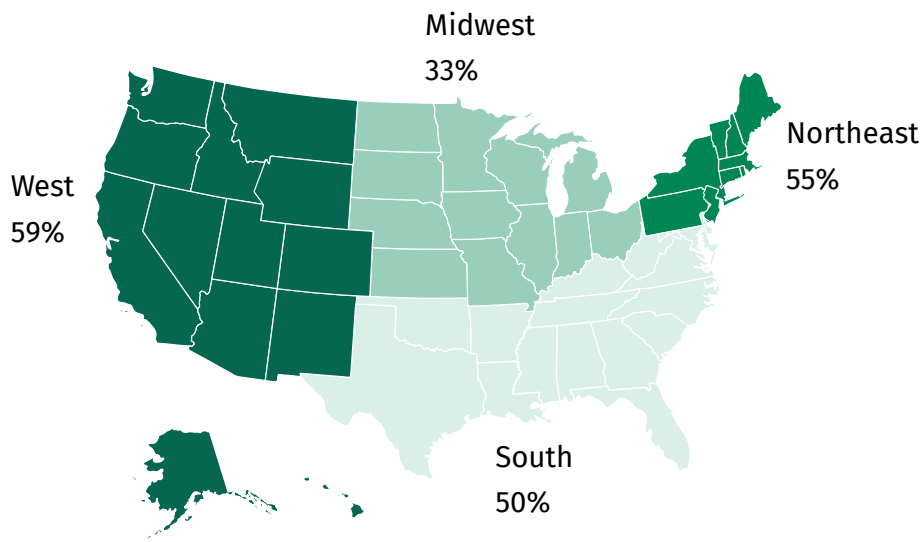


50%

are extremely or very confident in the U.S. economy.

Businesses in the West report the highest levels of confidence, while the Midwest reports the lowest. Thirty percent of Midwest leaders admit feeling “not too confident.” These differences may be attributable to industry mix and concentrated supply chain vulnerabilities.

Business leaders surveyed who are extremely or very confident in the U.S. economy



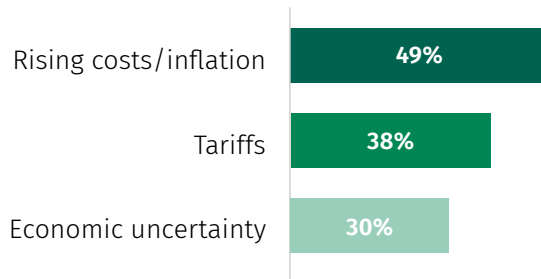
“ Business leaders are separating what they can control from what they can’t. While uncertainty about the broader economy has grown, businesses remain confident in their own ability to execute, invest strategically and pursue growth.”

Mark Valentino
Head of Business Banking

Rising costs/inflation and tariffs are creating a backdrop of external pressure.

Inflation and rising costs remain the top challenge, cited by nearly half of businesses. Tariffs follow at nearly 40%, with broader economic uncertainty cited by about 30% of businesses. Seasonal businesses report feeling that pressure most acutely, citing tariffs as their top challenge.

Most cited challenges among \$5M+ businesses:



Top 5 business challenges (\$5M+ businesses Q3):

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

As businesses navigate external pressures, they are strengthening financial discipline by improving cash flow management and increasing visibility into their financial position. Slightly more businesses in Q3 than in Q1 say they are concerned about managing cash flow, and many are taking steps to better understand their cash position.

Top five actions businesses are taking to improve cash flow visibility:

1. Use digital cash management tools for real-time visibility.
2. Automate payments and receivables processes.
3. Conduct cash flow forecasting to monitor volatility.
4. Increase frequency of account reconciliation to identify issues earlier. (tied with #5)
5. Work with our banker or financial advisor to model/stress test cash flow scenarios.



“ Persistent cost pressures and policy uncertainty are making financial discipline and flexibility increasingly important. Businesses that have a clear understanding of their cash position and access to the right financial tools are often better prepared to adapt as conditions change.”

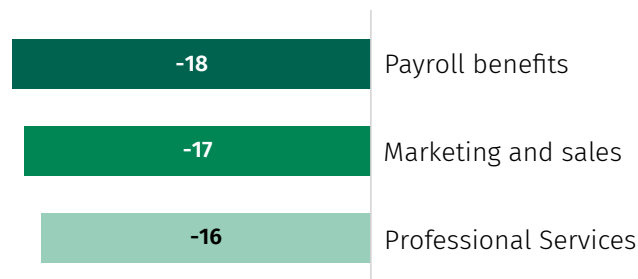
Steve Woods

Vice Chair and Head of Middle Market Banking, Citizens Financial Group

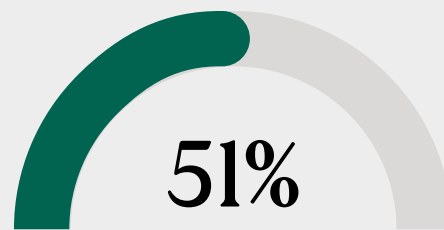
Business leaders show discipline on spending.

Planned spending on business products and services, an indicator of business confidence, has moderated since Q1. Fewer businesses plan on increasing their spend in key categories in Q3. The findings suggest businesses are becoming more selective in where they invest, reflecting a broader emphasis on financial discipline rather than broad spending reductions.

Categories in which spend increases have slowed the most:



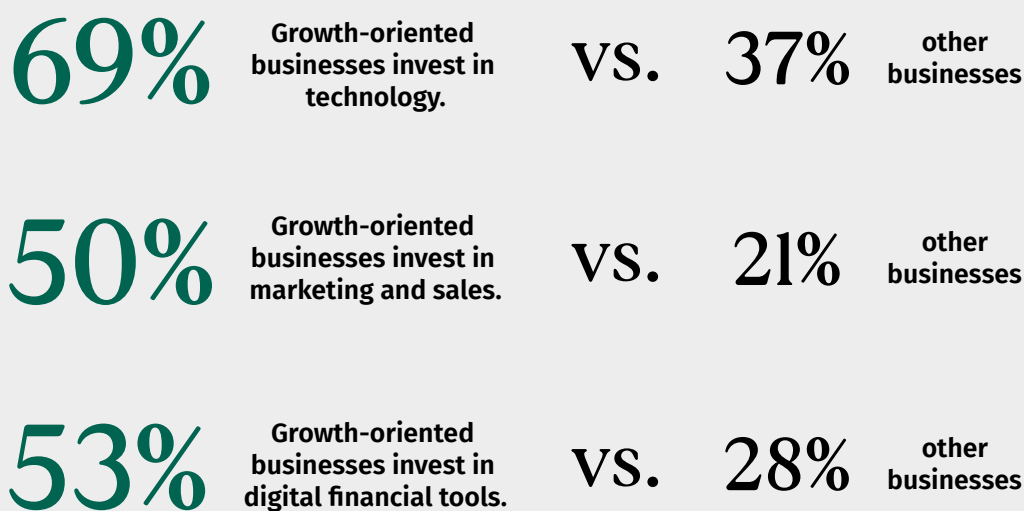
Hiring plans are stabilizing rather than retreating from last quarter. Half of business leaders expect to maintain current staffing levels over the next three months.



of \$5M+ leaders plan to keep full-time headcount the same.

Growth-oriented businesses continue to out-invest their peers.

Leaders of \$5M+ businesses anticipating revenue growth in the next three months are out-investing their peers.



These growth-oriented businesses are more than twice as likely as other businesses to plan increased credit use.

Citizens' most recent survey shows that business leaders are balancing optimism with financial discipline, so that they can continue to invest in growth. They are carefully managing spending, cash flow and external risks to reach ambitious business goals. Companies that can adapt while staying focused on long-term priorities may be positioned to navigate whatever comes next.

53%
of growth-oriented
businesses plan
increased credit use.

Key takeaways

For Q3 2026, business leaders are:

Growth focused. Q3 is a time to balance discipline and growth. Businesses remain optimistic about their own growth prospects despite declining confidence in the broader economy.

Risk aware. Inflation, tariffs and economic uncertainty continue to shape decision-making.

Financially disciplined. Businesses are emphasizing financial discipline through more selective spending and greater attention to cash flow visibility.

Strategically investing. Companies expecting growth continue to invest more heavily in technology, financial tools and strategic capabilities.

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

Please note: Citizens Business Banking products and services are offered in the following states: Connecticut, Delaware, Florida, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Vermont, Virginia and Washington, D.C.

¹Data 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 June 1 to June 18, 2026. Data in this report highlights the 174 respondents with \$5M+ in annual revenue.

²Q3 Citizens Small and Midsize Business Outlook: www.citizensbank.com/learning/q3-small-midsize-business-outlook.aspx.

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