CHASE for BUSINESS®

SMALL BUSINESS PULSE

Profitability rises, payroll growth steadies, and AI usage expands

AUGUST 2026

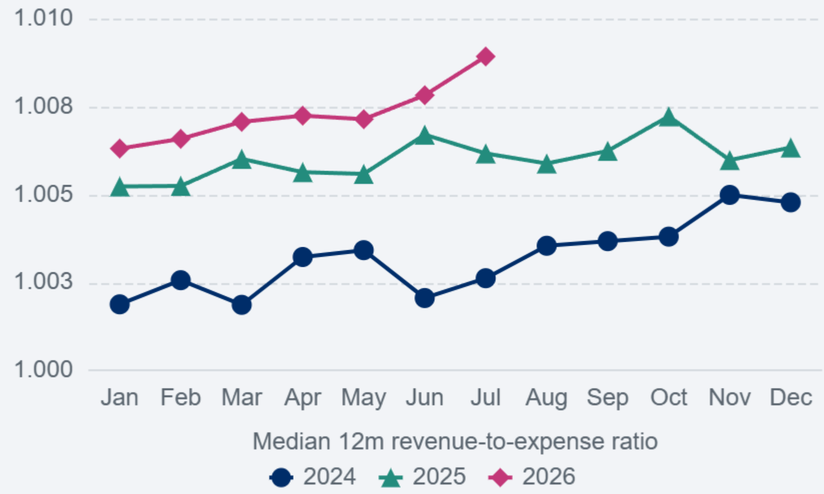
The Big Picture

Small business profitability continued improving in July, signaling stronger overall financial health. Payroll growth moderated, consistent with a cooling labor market. We also take a closer look at how small businesses are beginning to incorporate AI into day-to-day operations—and what may be shaping the pace of adoption.

What We're Seeing

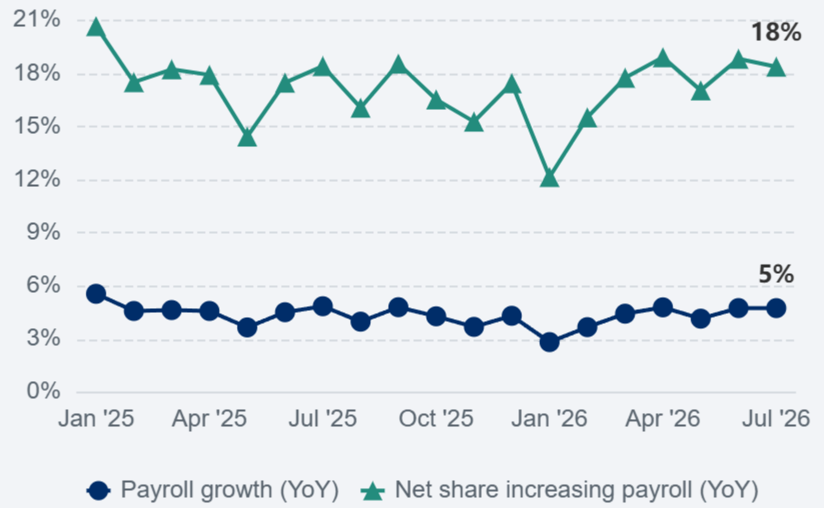
- **Profitability ascends in July:** Our proxy for business profitability continued trending higher in July, pointing to a sustained improvement in the financial health of small businesses.
- **Payroll growth remains steady:** The net share of businesses expanding payrolls year-over-year remained essentially unchanged from June (18%), and median payroll growth came in at 5%. Despite accelerating through April, payroll growth appears to have stabilized, consistent with the national jobs numbers that point to a labor market that's losing steam.
- **Small businesses are using AI:** AI is now common in small business workflows, most often supporting marketing and research tasks. Owners see clear upside for efficiency and competitiveness, but privacy and security concerns and limited trust potentially slow deeper use. Paid usage is lower than overall self-reported usage, suggesting a potential reliance on free/bundled tools and mostly small-scale spend.

Business profitability remains strong, with noticeable month-over-month increases



Source: Chase business deposit account data

Small business payrolls remain steady in July



Source: Chase business deposit account data

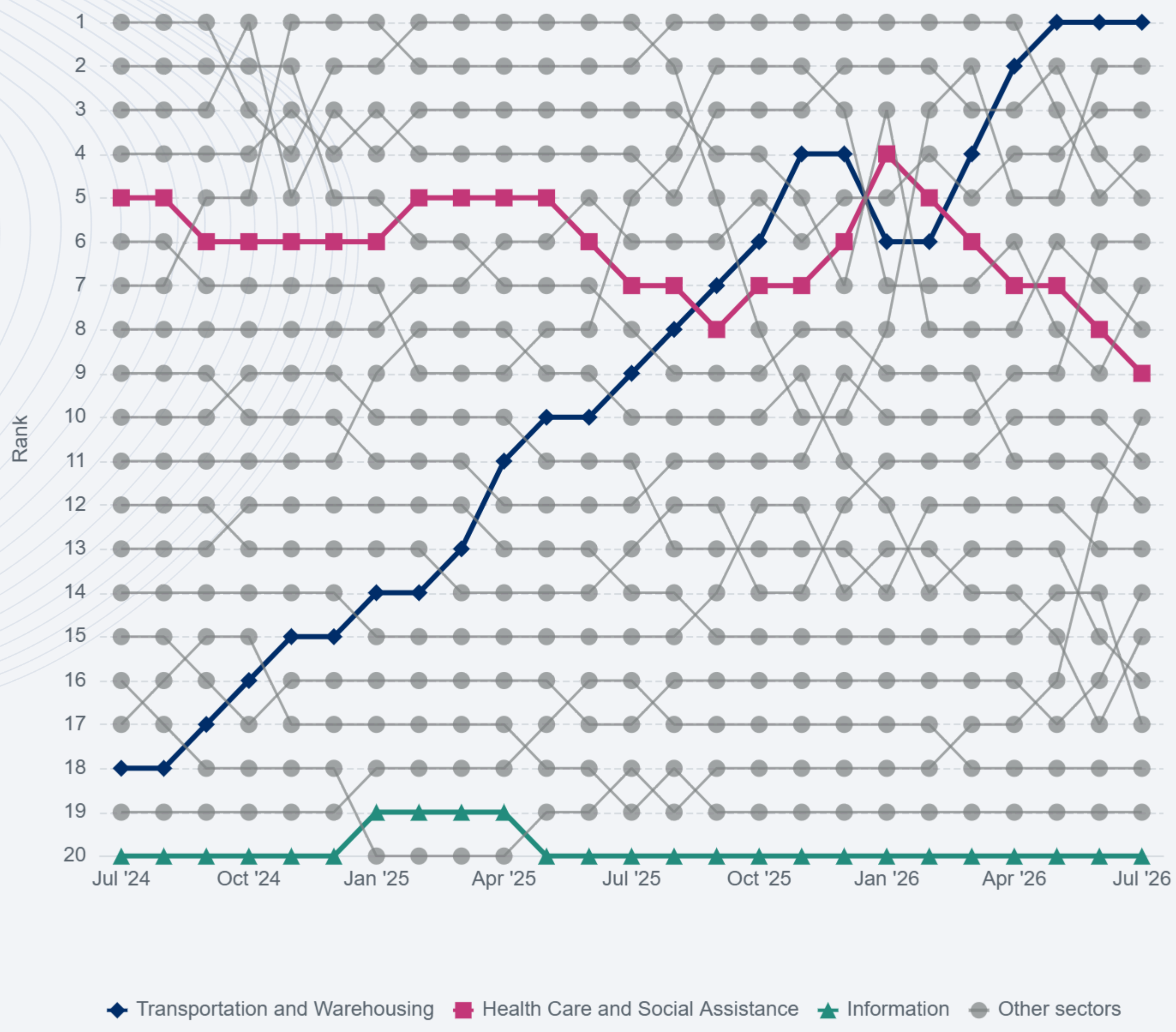
Payroll growth diverges across sectors as supply chain firms lead and tech lags

In just a few years, median year-over-year payroll growth in Transportation and Warehousing surged past all other sectors and remained the fastest-growing in recent months. This recent consistency suggests sustained payroll expansion among small businesses connected to moving goods and supporting supply chains. Given that this sector can be sensitive to operating costs—especially fuel—its continued strength stands out. Diving deeper into the industry subsectors, General Freight Trucking appears to be an important contributor to the sector's improvement.

In contrast, the Information sector has consistently shown the weakest payroll growth, pointing to more restrained hiring among tech/IT-oriented small businesses. Health Care and Social Assistance has remained closer to the middle of the pack, indicating steady and relatively durable payroll growth rather than a sharp acceleration or pullback. Overall, the last few years have shown clear divergence across sectors: Transportation and Warehousing strengthening materially, Information staying soft, and Health Care maintaining a stable path.

Transportation and Warehousing ascends to the top in recent months

Median Payroll YoY Growth (3M Moving Average), Ranked by NAICS2



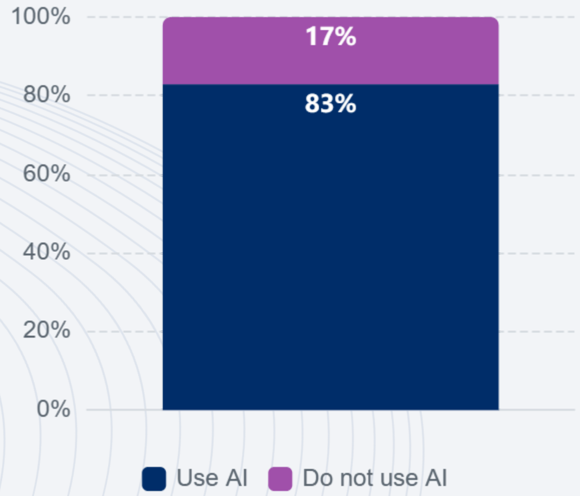
Source: Chase business deposit account data

Small businesses report AI usage, but caution remains

Chase survey and platform data suggest that AI is already widely present in small business workflows, even as paid usage remains more limited. In Chase's July Survey of Business Owners (SBO), 83% of owners report "using AI" (including standalone tools and AI features embedded in software) in their business, and usage is often habitual—44% say they use AI daily. Owners report using or considering AI most for marketing and content (92%) and research, analysis, and strategy (91%), signaling that value is concentrated in customer-facing communications and knowledge work.

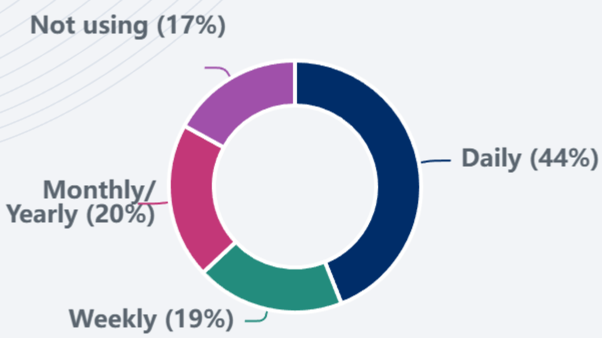
Owners' attitudes are broadly optimistic: 63% believe AI will help their business operate more efficiently, and 58% say AI will be essential for competitiveness. At the same time, trust and risk perceptions may be slowing deeper integration. Only 43% trust AI to handle important tasks, while 60% are concerned about data privacy and security.

Most business owners report using AI



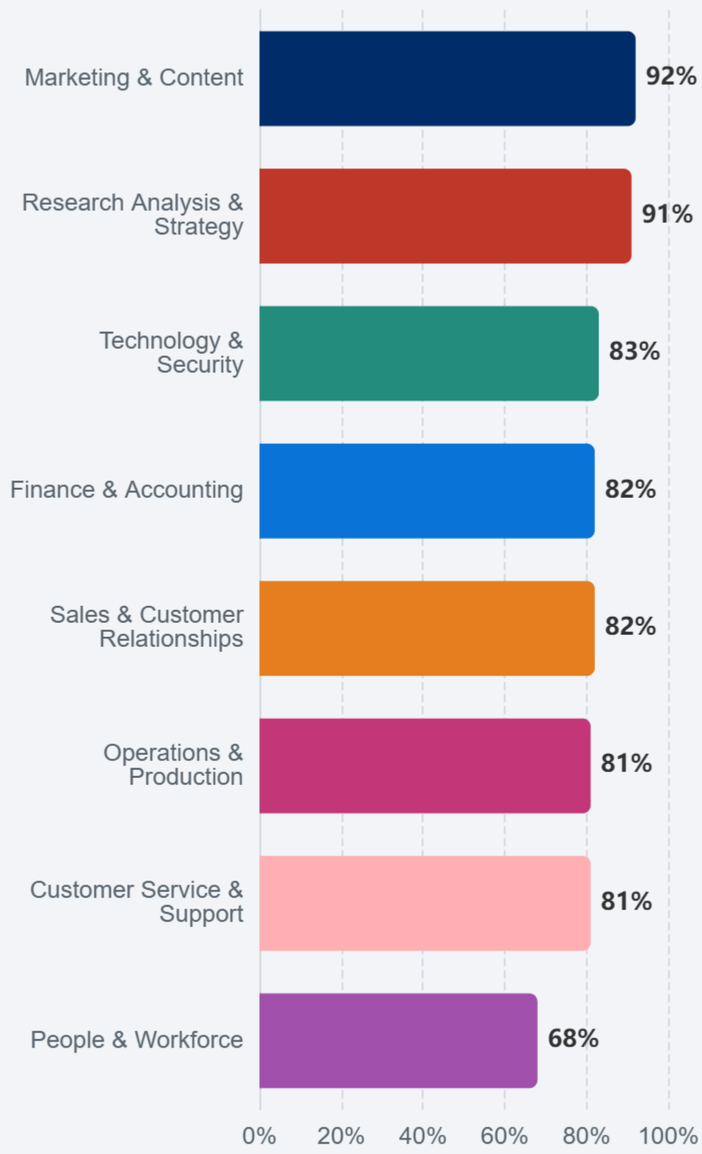
Source: Chase Survey of Business Owners (SBO), July 2026.

Daily usage is the most common cadence



Source: Chase Survey of Business Owners (SBO), July 2026.

Where AI Is Used or Considered



Source: Chase Survey of Business Owners (SBO), July 2026.

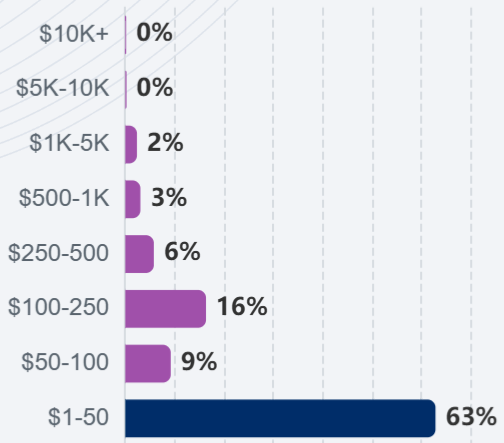
Paid AI use appears to be rising, but still limited

Chase small business platform data underscore the gap between "using AI" and "paying for AI." In July, approximately 16% of Chase small businesses paid for AI tools using a Chase business credit card, up from less than 1% at the start of 2023. While some businesses might be using AI tools purchased through other channels, such as personal cards or non-card payment rails, this gap in AI usage and observed paid usage suggests that many firms may rely on free versions, trials, or AI features embedded in existing software rather than purchasing standalone AI subscriptions. Paid usage also varies by segment and business maturity: the highest paid usage rate was in the Information sector (34%), and businesses 5–10 years old showed the strongest paid usage (17%) compared with businesses at least 20 years old (13%). Among firms that did pay, most spent no more than $50 in July, suggesting small-scale purchases, targeted pilots, or selective use cases rather than enterprise-wide rollout.

AI usage rate has reached the mid-teens

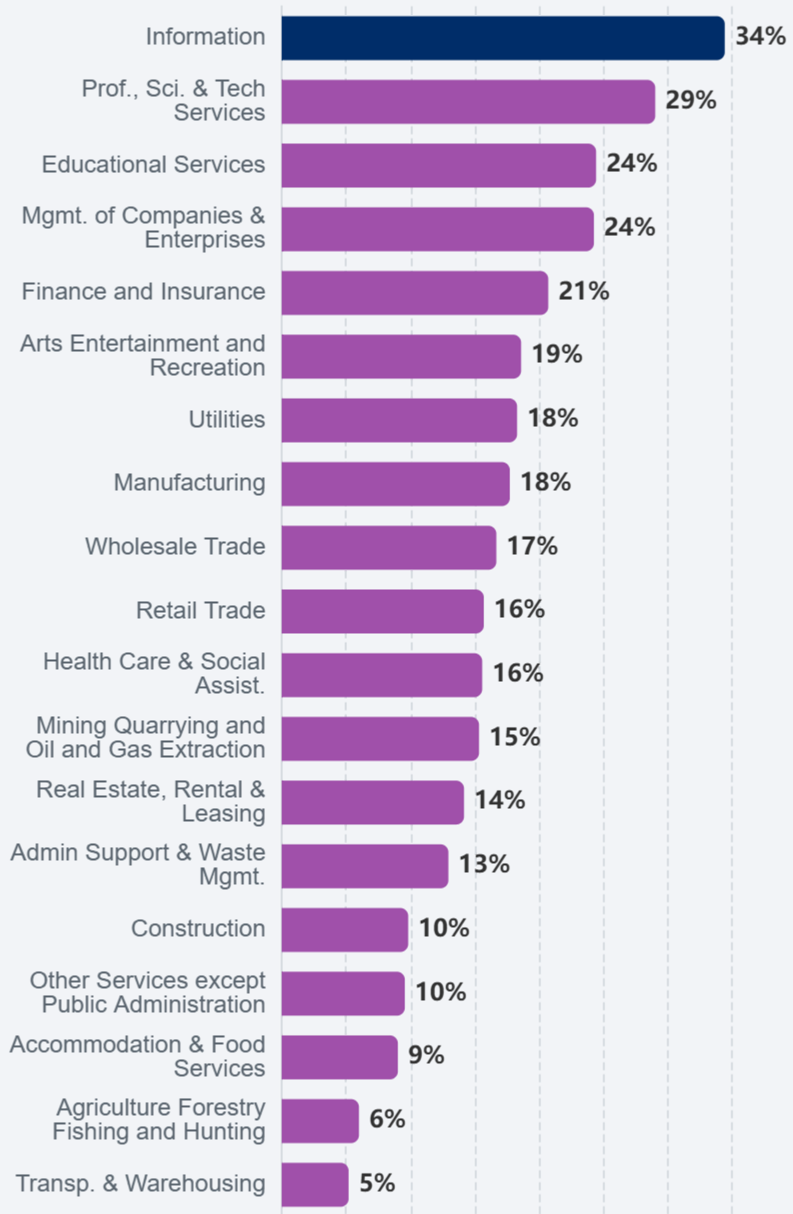
Source: Chase business card spending data, July 2026.

Most AI spend concentrates in low monthly dollar bands



Source: Chase business card spending data, July 2026.

Information leads AI usage across industries



Source: Chase business card spending data, July 2026.

Why This Matters

Profitability moves higher

Despite operating in an economic environment with higher costs and elevated uncertainty, small businesses have found ways to manage and maintain their margins.

Payroll growth moderates

After marching higher in the first quarter, the moderation in small-business payroll activity points to a return to selective hiring.

Small businesses report AI use, but paid usage lags

AI is becoming part of everyday operations, but most businesses are still in an early stage—testing and integrating tools without making large paid commitments.

Methodology:

Chase surveyed approximately 700 small business owners across the nation in mid-July 2026. Respondents include both Chase and non-Chase customers.

A Chase business is defined as an employer business if within the past 12 months, they had 6 or more months of observed payroll expenses. Expenses are tagged as payroll-related if they are associated with a selection of major payroll processors.

Chase business data includes households that have at least 2 years of account history and have at least 3 months with >$500 in outflows and 10+ transactions over the prior year. Y/y comparisons require two years' worth of data.

AI spend is identified using a combination of string tagging on the credit card transaction description and the transaction amount. To calculate the percent of businesses that spent on AI each month, we take the share of businesses with any card spend that had spent at our tagged AI merchants.

Disclaimer: We have refined our payroll flows methodology, resulting in minor revisions to historical levels. Figures in this and future reports may not be directly comparable to those in prior publications. Underlying trends and key findings remain consistent.

Keywords:

small business performance, small business revenue growth, cash flow, cash flow volatility, inflation, labor market, small business hiring, small business owner concerns, small business economic outlook, SMB Pulse report