CHASE for BUSINESS®

SMALL BUSINESS PULSE

Profitability and payrolls improve as owners manage costs and plan ahead

JULY 2026

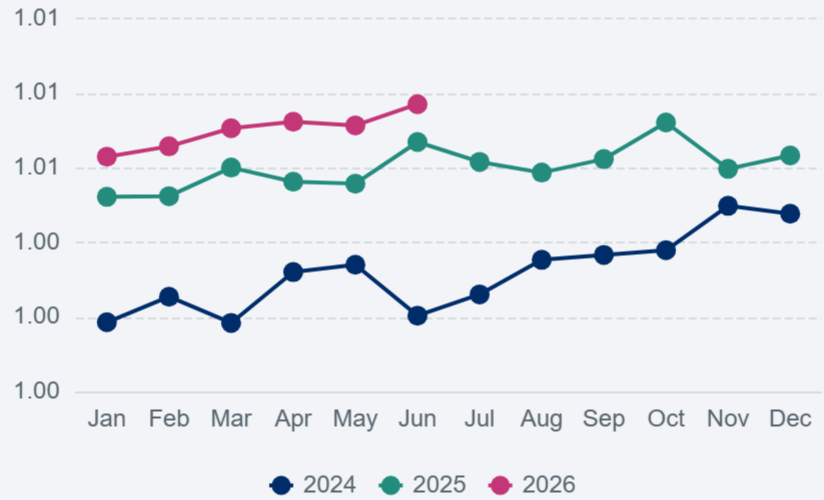
The Big Picture

Profitability strengthened in June and payroll growth firmed slightly, pointing to steady business momentum and continued year-over-year improvement. Meanwhile, cost pressures remain elevated and are expected to rise further, prompting owners to protect margins through pricing actions and tighter operations.

What We're Seeing

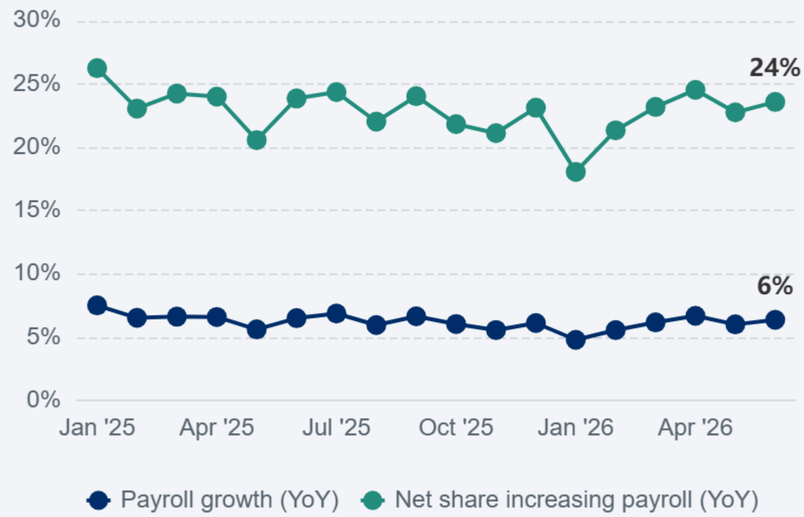
- **Profitability edges up in June:** Our proxy for business profitability continued trending higher in June after a slight moderation in May, pointing to a continued gradual improvement in the financial health of small businesses.
- **Payroll growth picks up slightly:** After May's pullback, the net share of businesses expanding payrolls year-over-year ticked up to 24% and median payroll growth came in at 6%. Both metrics are roughly in line with year-ago levels, suggesting hiring and wage growth remain steady but not accelerating.
- **Cost pressures remain front and center:** With more owners expecting higher prices and expenses ahead, many are moving quickly to defend margins. Small businesses are responding with pricing and fee adjustments, tighter spending and supplier changes, and operational tweaks to staffing and hours. When those steps don't fully close the gap, owners are more likely to lean on liquidity and postpone investments.

Business profitability remains strong, with modest month-over-month increase



Source: Chase business deposit account data

Small Business payrolls edge up modestly in June



Source: Chase business deposit account data

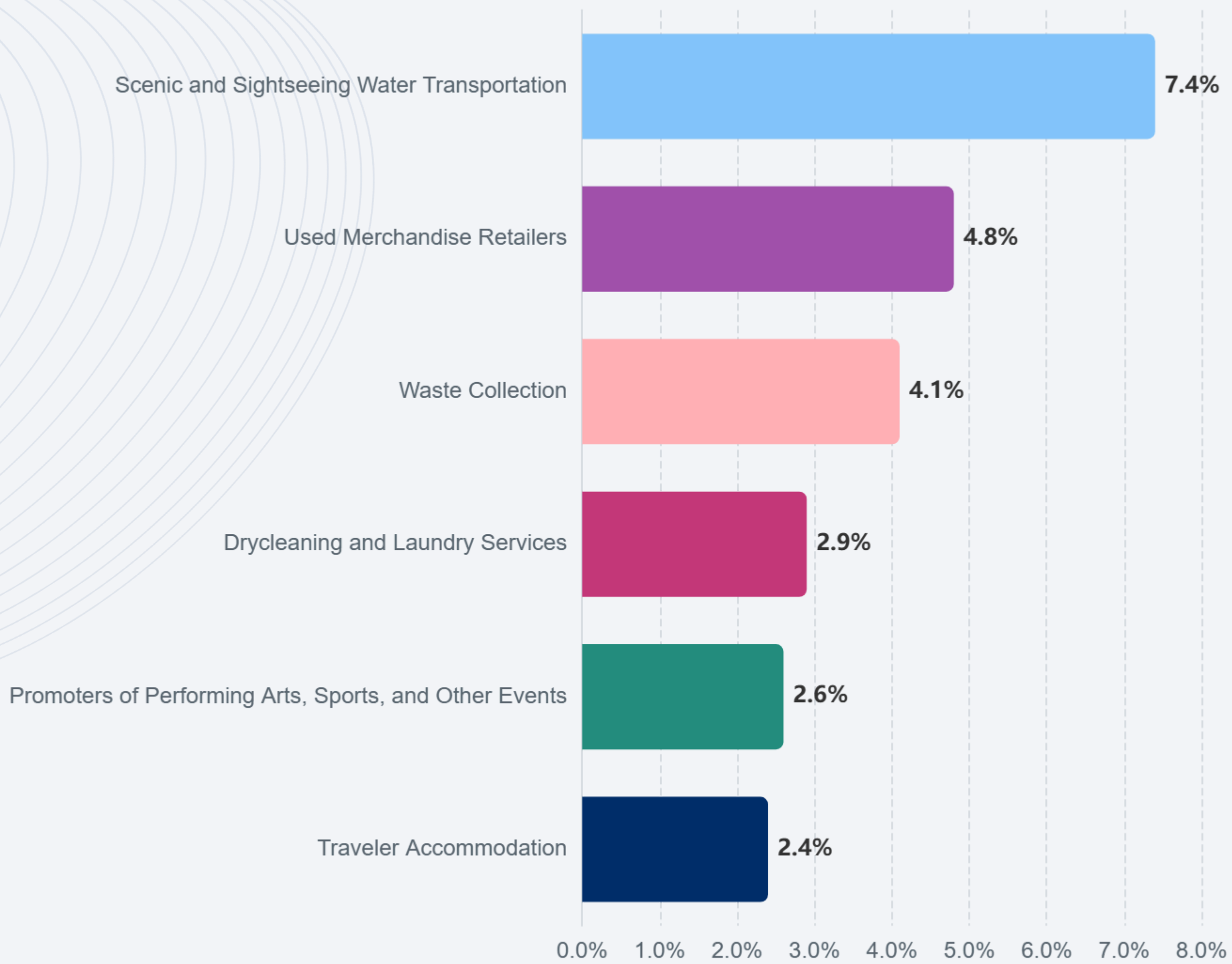
Payroll expansion picks up in summer tourism, live events, and core local services

Payroll expansion in June surfaced across industries, but several categories posted meaningful gains in the net share of businesses expanding payroll year-over-year. Some of the largest month-over-month movers among businesses expanding payroll include:

- **Scenic and Sightseeing Water Transportation** — a seasonal staffing ramp as summer leisure travel gets underway
- **Used Merchandise Retailers** — continued strength in resale/value shopping as consumers stay price-conscious
- **Waste Collection** – continued hiring in an essential, local service that tends to track steady residential and commercial activity
- **Drycleaning and Laundry Services** — steady local-service demand tied to work routines, events, and travel
- **Promoters of Performing Arts, Sports, and Other Events** — a packed live-events calendar, including major soccer tournaments, plus concerts and festivals that pull staffing across venues and vendors
- **Traveler Accommodation** — staffing gains aligned with seasonal bookings and higher occupancy

Labor demand accelerates m/m for Tourism, Live Events, and Local Services

M/M change (%) in Net Share of Businesses Expanding Payroll, y/y (%)



Source: Chase business deposit account data

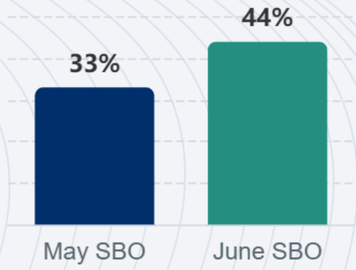
Small businesses navigate elevated costs with pricing and operational adjustments

Chase's June Survey of Business Owners (SBO) revealed that more business owners expect near-term increases in their prices (44% vs 33% in May) and expenses (54% vs 49% in May). Despite elevated costs, many small businesses aren't waiting for costs to normalize. The most common response is revenue recovery: 36% have increased prices and 20% have added fees on top of their prices to offset higher inputs and overhead while protecting margins.

They're also adjusting the cost base and the supply chain. Over the past six months, 24% negotiated different supplier terms and 22% changed suppliers. Inside the four walls, owners are tightening spending. Nearly one in four business owners are cutting expenses while also adjusting how the business runs day-to-day: 19% changed staffing hours and 18% changed operating hours, signaling operational flexibility in labor and capacity.

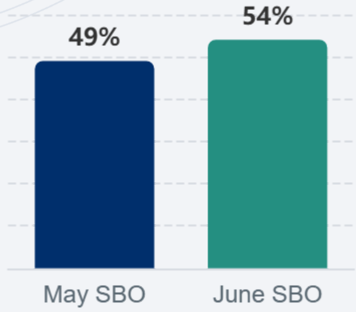
And when operational fixes aren't enough, businesses are turning to liquidity. To bridge the gap, 25% of business owners used personal funds, 20% dipped into the business' cash reserves, and 21% took out loans or lines of credit. The tradeoff shows up in longer-term decisions too, with 15% delaying or cancelling investments to preserve cash. These moves reflect both resilience and strain: owners are finding ways to keep operating, but they're doing it by pulling forward cash, tightening operations, and leaning on credit to stay ahead of the expense curve.

Share of owners expecting month-ahead increases to their prices



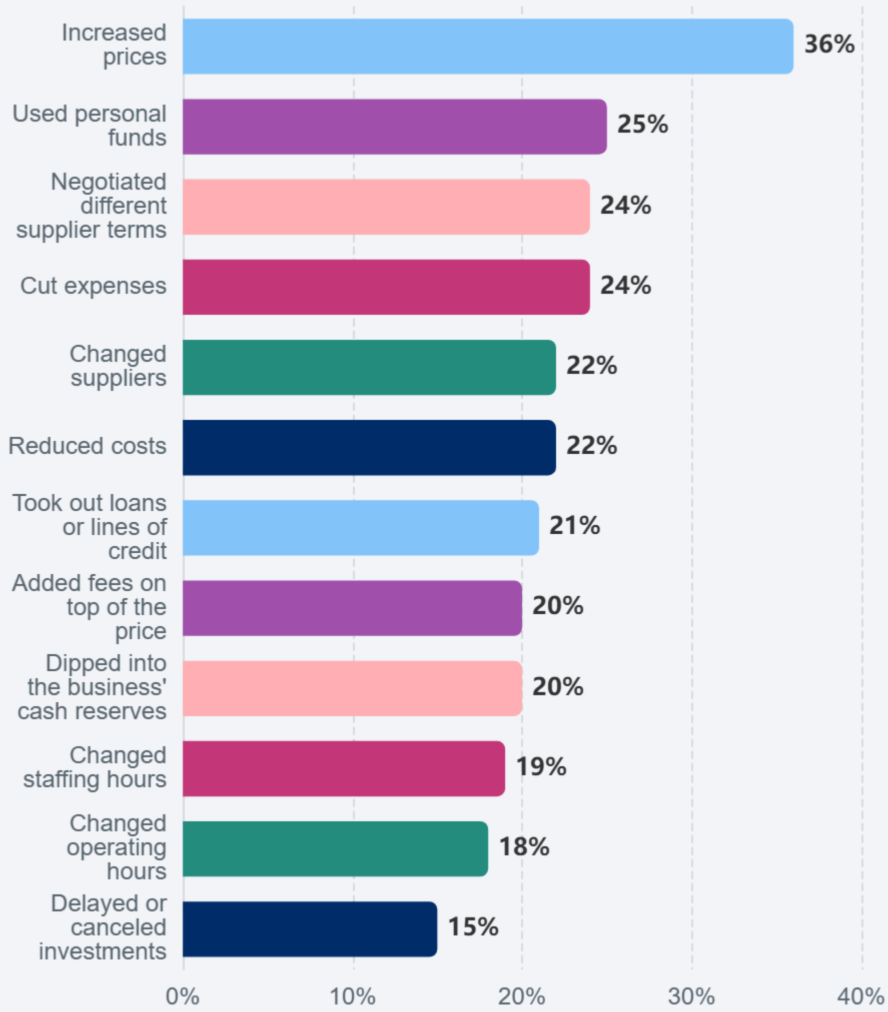
Source: Chase Survey of Business Owners, June 2026

Share of owners expecting month-ahead increases to their expenses



Source: Chase Survey of Business Owners, June 2026

Which of the following actions have you taken to manage higher costs in the last six months?



Source: Chase Survey of Business Owners, June 2026

Why This Matters

Profitability resilience holds

Profitability edged up in June month-over-month and remains positive year-over-year, evidence of continued small business resilience versus last year.

Payrolls grow modestly

Payroll growth picked up slightly after May's pullback, suggesting hiring and wage growth remain steady.

Business owners make decisions amid costs and uncertainty

Cost and demand pressures are shaping strategy—owners raise prices, renegotiate supplier terms, and sometimes tap into personal funds.

Methodology:

Chase surveyed approximately 1000 small business owners across the nation in mid-May 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 excludes businesses that have fewer than $500 in inflows or fewer than 10 total transactions over the last 12 months. Y/y comparisons require two years' worth of data.

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