

Profitability up, payroll growth down in January 2026

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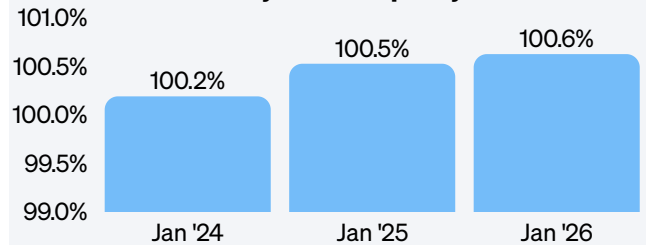
The Big Picture

Small business owners entered 2026 feeling more confident about their business compared to most of 2025. This positive sentiment may stem from the fact that profitability is still up year-over-year for January 2026, while other metrics measuring businesses' financial cushions continue to be relatively unchanged. Despite this overall resilient financial picture, businesses' payroll growth continued to slow, and businesses with greater cash flow volatility faced greater challenges.

What We're Seeing

- **Profitability stabilizes:** Profitability remains positive and up year-over-year for the median Chase business, indicating that businesses are still well-positioned to weather financial shocks.
- **Sentiment stays elevated:** Small business optimism surged last December and is still high in January relative to last year.
- **Payroll growth declines:** While payroll growth ticked up in December, growth slowed in January. Caution is still needed to assess a true labor market recovery.
- **Volatile cash flows pose risk to businesses:** Cash flow volatility among all businesses has stayed fairly steady the past year, but those with greater volatility face a greater array of financial challenges.

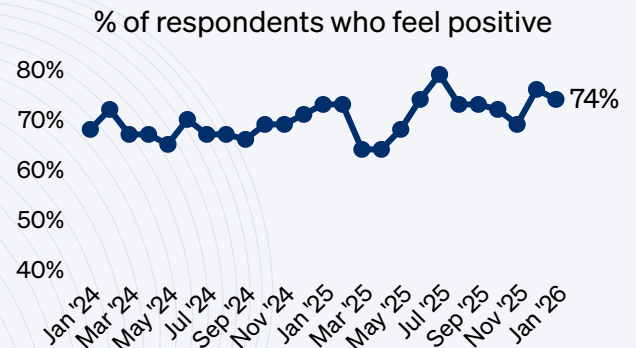
Median profitability for Chase businesses up in January 2026 vs. past years



Median Chase business's revenue-to-expense ratio, 12m moving average

Source: Chase business deposit accounts, 2024-2026

Overall, how are you feeling about the state of your business?

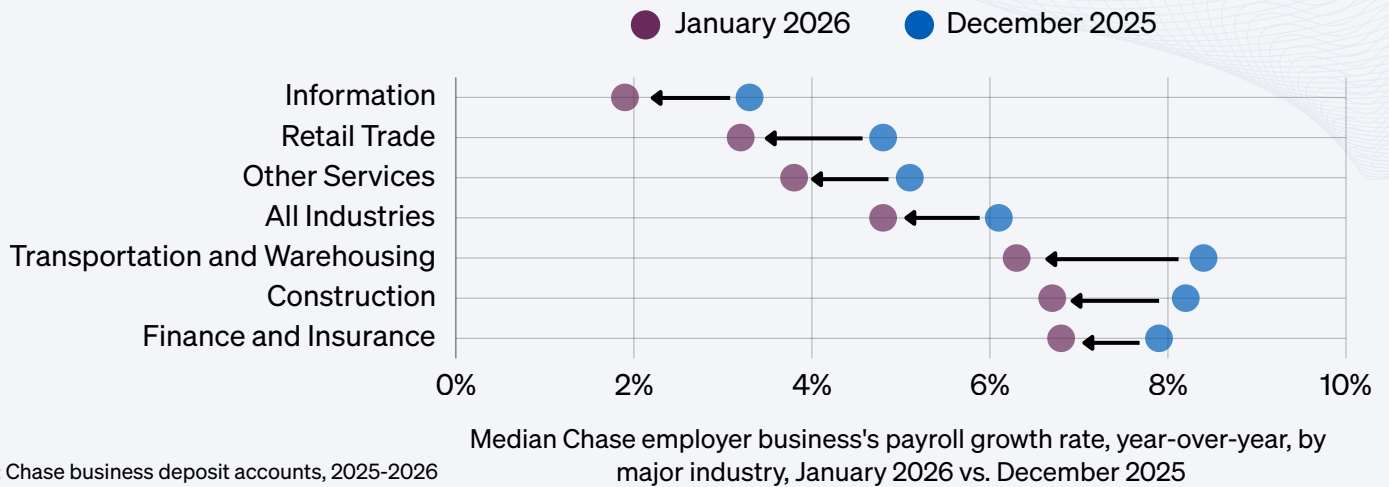


Source: Chase survey of small business owners, January 2026

Payroll growth slows across all industries

Despite a more upbeat BLS report for January, **payroll growth slowed across major industries in January**. Finance, construction and transportation continued to outperform, likely reflecting upward wage pressures as some of these sectors contend with labor shortages and quality constraints. **Layoff intentions for the next month remain low, pointing to a low-fire, low-hire environment**. Strengthening the job market will hinge on investment-led growth and better employer-worker matching in high-demand sectors such as construction.

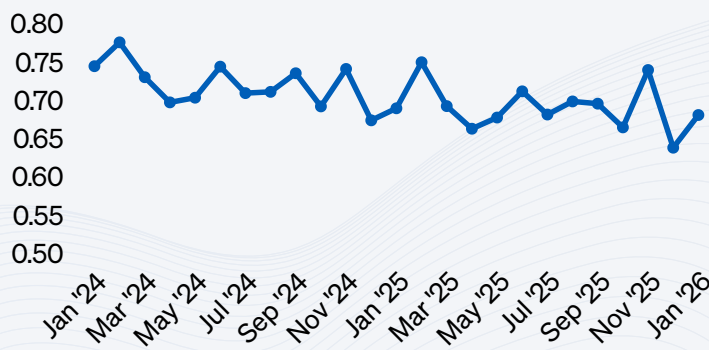
Finance, construction and transport lead payroll growth while tech, retail and personal services lag



Business balances normalize and cash flows hold steady

Owners are watching rising costs, but **Chase data show only a slight decline in financial cushions over the past two years**; businesses' cash buffers also remain largely normalized relative to pre-Covid norms. Cash flow volatility, another aspect of financial stability, has also remained steady. Recent macro concerns, including tariffs, has not materially affected average volatility. Revenues are more volatile than expenses, but both have changed little over time.

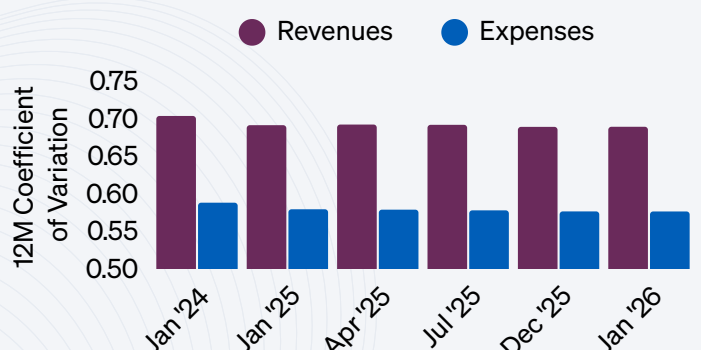
Median Chase business's balances slightly decline from 2024 but still normalized



Median Chase business's ratio of monthly average balances to expenses

Source: Chase business deposit accounts, 2024-2026

Revenues more volatile than expenses, but both have changed little since 2024



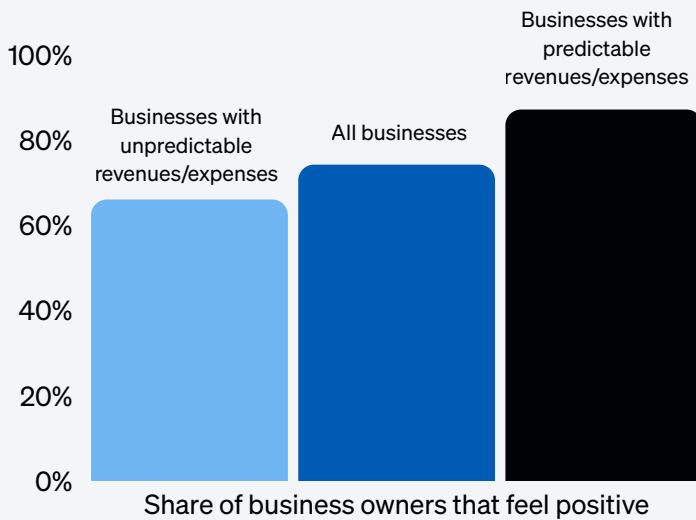
Average monthly revenue/expense volatility among Chase businesses

Source: Chase business deposit accounts, 2024-2026

Businesses with more volatile cash flows face greater issues

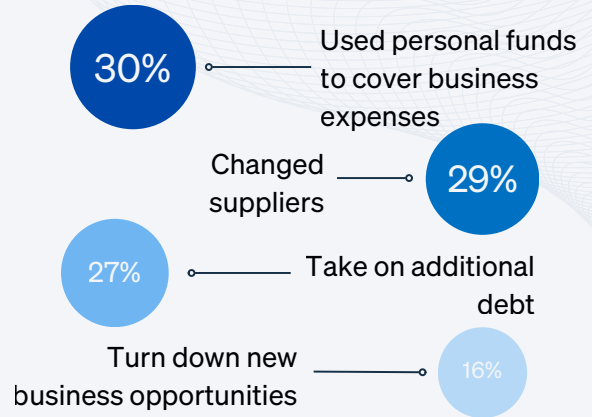
In our January survey, **61% of small businesses reported facing relatively unpredictable revenue or expense payments in the past six months.** These owners were also statistically less likely to feel as positive about the state of their business and report downturns in revenue. Unpredictable cash flows can push business owners to take decisions that negatively impact both their personal wealth and financial picture in the long term.

Businesses with more volatile cash flows less optimistic



Source: Chase survey of small business owners, January 2026

What have unpredictable cash flows caused you to do?

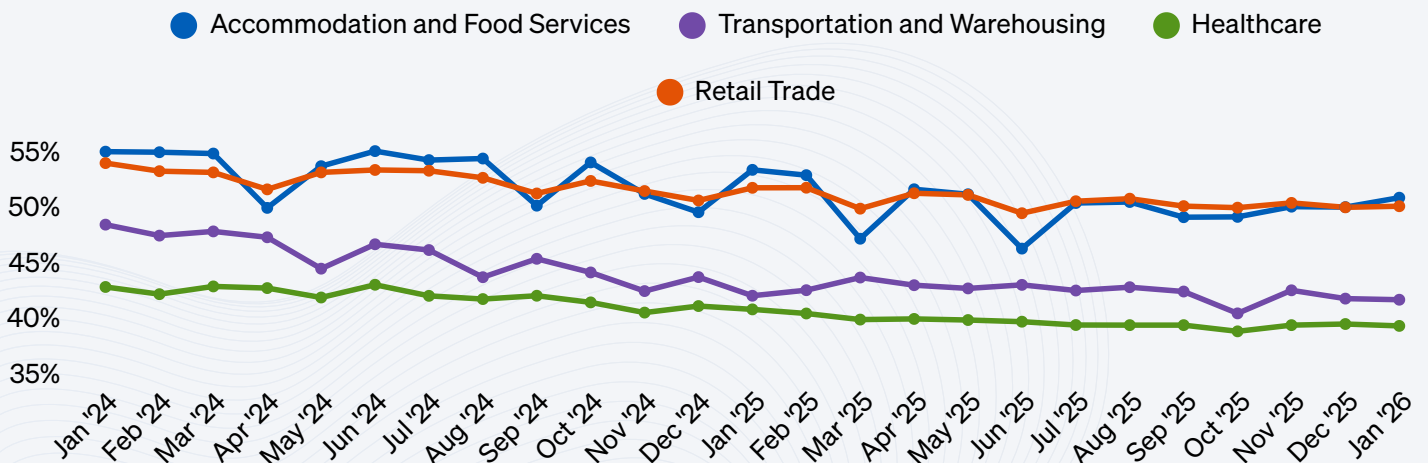


Source: Chase survey of small business owners, January 2026

Profitability and volatility vary across industry

Health care has the lowest share of businesses operating at a loss. Retail has a higher share of loss-making firms and lower average profitability, but with less volatility. Accommodation and food services show both higher volatility and a larger share of loss-making firms. **In short, financial risk differs by both average profitability and its variability across industries.**

Share of Chase businesses with negative annual earnings, select industries



Source: Chase business deposit accounts, 2024-2026



So What?

Businesses remain financially stable

Despite multiple macro headwinds, increased cost drivers and policy uncertainty, businesses have overall adapted to this environment.

Caution still needed on labor market

Overall data points on the labor market in January from public and other private sources trended positive, but our Chase data points to small businesses still slowing down on payroll growth. We'll closely monitor layoff trends and payroll growth to see if the hiring environment picks up among small businesses later this year.

Outlook is cautiously optimistic

Elevated business sentiment indicates that business owners are confident about the future. Expectations of tax cuts and investment incentives may help spur small business growth this year and maintain economic dynamism.

Methodology: Chase surveyed approximately 500 small business owners across the nation in mid-January 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.

Keywords:

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

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