Huntington

WEALTH MANAGEMENT

# STATE OF BUSINESS SENTIMENT

## 2025 BEYOND BUSINESS REPORT UPDATE

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## An Introduction

This Beyond Business Report Update builds on original insights from our 2025 Beyond Business Report, offering a timely macroeconomic and business sentiment update in partnership with Barlow Research Associates, Inc. Based on national survey data from business owners and financial decision makers[‡], it reveals how evolving economic conditions and trade policies are reshaping sentiment, growth strategies, and risk perceptions. Chief Economist Olu Omodunbi, PhD, breaks down the key drivers behind these shifts to help businesses navigate the road ahead.

## Meet Our Expert

Olu Omodunbi, PhD
Chief Economist

With vast global experience and a deep commitment to community service, Olu's economic analyses and forecasts help our clients and business owners understand current trends and conditions.

## Methodology

The Business Sentiment Tracking Study is fielded quarterly by Barlow Research Associates. Barlow uses an online survey tool to collect data from small business and middle market financial decision makers.

The Q1 study was fielded from March 4 – March 6, 2025, and included responses from 313 Small Businesses ($100K-<$10MM) and 309 Middle Market companies ($10MM-<$500MM). Participants are nationwide and represent a variety of industries.

## About Beyond Business.

Our "2025 Beyond Business Report" is an annual study focused on understanding business owner mindset and macroeconomic trends directly from the voice of business owners and financial decision-makers. To read our annual report, visit huntington.com/beyondbusiness.

## SMALL BUSINESSES ($100K-<$10MM)

### Small business sentiment drops amid economic uncertainty

Recent shifts in economic policy – particularly surrounding tariffs and trade – have introduced new layers of uncertainty for business owners, with sentiment showing a notable decline in the first quarter of 2025, dropping 12.3 points after it reached a high point in the fourth quarter of 2024 (Figure 1). Heightened concerns over inflation and supply chain disruptions have weighed heavily on small business confidence, with 63% of surveyed small business owners noting increased prices and the cost of doing business as their top concern. Reduction in sentiment was primarily due to increased pessimism about the U.S. economy with 37% of surveyed small businesses expecting the state of the U.S. economy to be worse over the next 12 months and 23% expecting the economy to be worse over the next five years.

Figure 1:
Small Business Sentiment Index

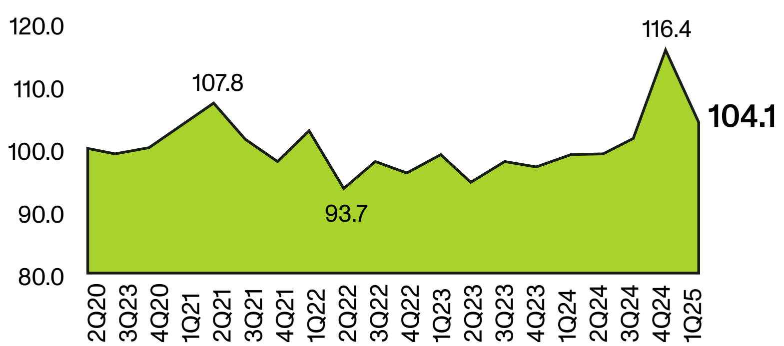
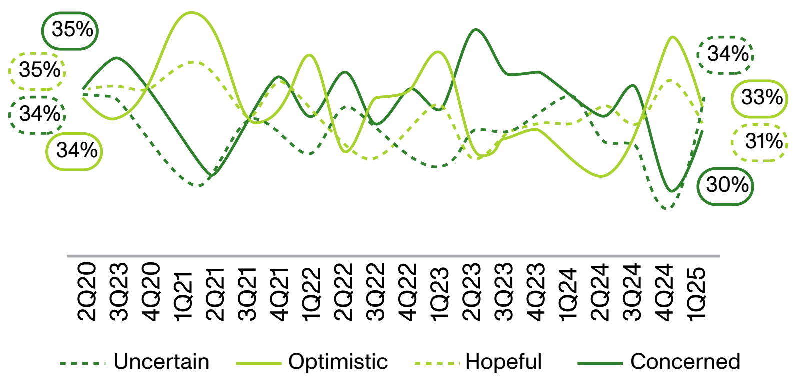



Figure 2:
Small businesses have become more uncertain and concerned

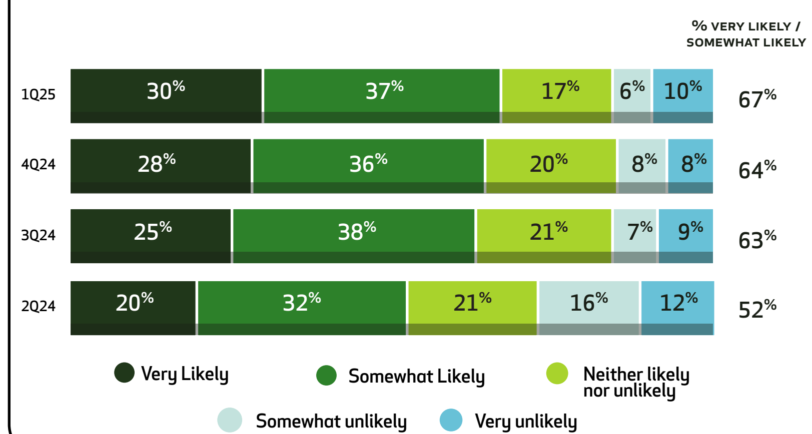



Words that best describe feelings about the future of their business


### Economic headwinds strengthen, and recession fears grow

Recent economic indicators point to a loss in momentum in early 2025. Real gross domestic product (GDP) contracted in the first quarter of 2025, the first decline since 2022. While consumer spending, business investment and inventories contributed to the U.S. economy in the first quarter, government spending and trade negatively impacted the economy. The contraction of the U.S. economy was primarily driven by a surge in imports as consumers and businesses rushed to buy foreign goods ahead of tariffs. Additionally, the pace of hiring slowed in recent months. The average monthly job gain in the first four months of 2025 was 120,000 compared with an average monthly gain of 168,000 in 2024. Over 56% of small businesses surveyed noted that the overall impact of inflation continues to be detrimental. Most (67%) small businesses were likely to increase their prices over the next three to six months (Figure 3).

Figure 3:
Small Business likelihood to increase prices over the next 3-6months



Small businesses were split in their support of planned tariffs as 43% either strongly or moderately disapproved while 47% either strongly or moderately supported planned tariffs. About 50% of the businesses in the study were concerned about a possible recession, the highest percentage since the fourth quarter of 2023.

> **"Our baseline outlook calls for slower real GDP growth in 2025, compared with 2024. Increased household wealth, low household debt burdens and a healthy labor market are all positives for consumers and the U.S. economy. Risks to our baseline outlook are tilted to the downside given the changing tariff landscape."**
>
> **- Olu Omodunbi, PhD, Chief Economist**

## Small businesses find resilience through innovation

When asked about factors that have helped to improve the state of business over the last three to six months, the small businesses surveyed indicated growing customer bases (30%) and improved efficiency (27%) as the top positive factors supporting business (Figure 4). Despite economic policy uncertainty, consumer spending grew in the first quarter of 2025. Many consumers likely front-loaded spending in the first quarter in anticipation of tariffs. Recent economic indicators point to some weakness in consumer spending. Retail sales rose only 0.1% in April after jumping 1.7% in March. Control retail sales, which goes into the calculation of GDP, fell 0.2% in April following a 0.5% increase in March. Productivity growth and labor force expansion were drivers of economic growth in recent years. Many small businesses have increased efficiencies, and have been able to do more with less, improving their bottom lines.

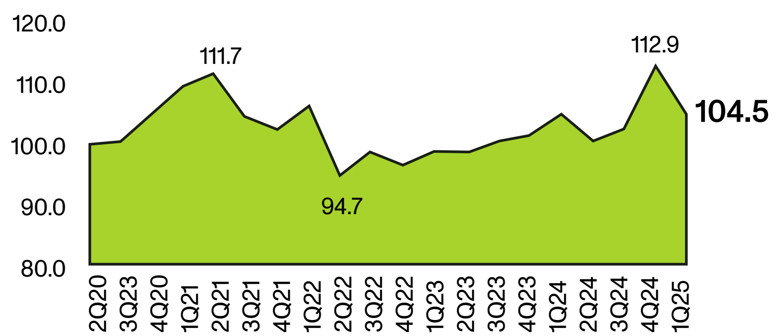
**Figure 4:**
Small business factors that have helped improve business in the last 3-6 months


# MIDDLE MARKET SENTIMENT ($10MM-<$25MM)

## Middle market sentiment drops amid economic uncertainty

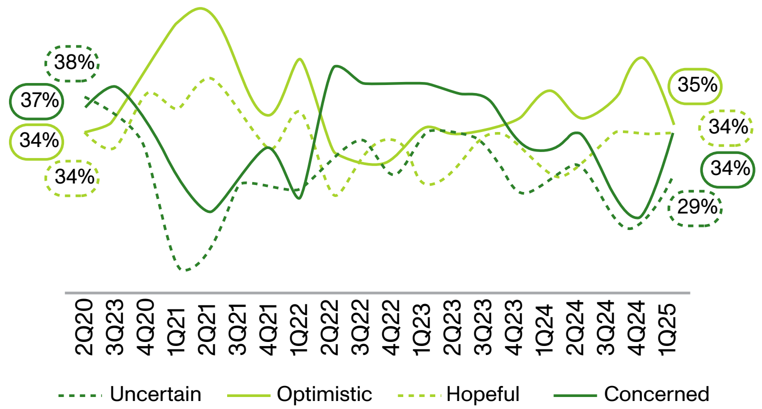
Similar to small businesses, middle market sentiment declined in the first quarter after reaching its highest point in the fourth quarter of 2024. The decline in sentiment in the first quarter of this year was the first reduction since the first quarter of 2024 (Figure 5).

Figure 5:
Middle Market Business Sentiment Index




Roughly a third (31%) of surveyed middle market companies expect the U.S. economy to get worse over the next 12 months; yet most remain optimistic about the longer term as 56% expect economic conditions over the next five years to improve. Sentiment was slightly higher among middle market companies compared to smaller businesses.

Figure 6:
Middle market businesses have become more concerned and less optimistic

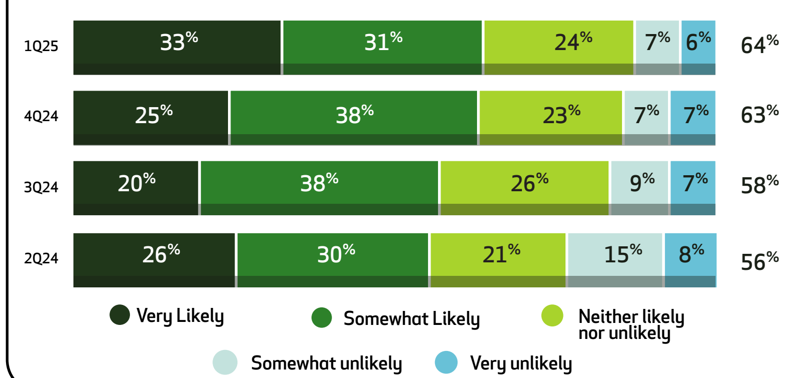



Words that best describe feelings about the future of their business


## Middle market businesses may be better positioned to weather the storm

Compared to 67% of surveyed small businesses, a slightly lower percentage (64%) of middle market companies were likely to increase their prices over the next three to six months (Figure 7). Many companies proactively increased inventory levels in early 2025 before tariffs took effect. Inventory investment increased in the first quarter of 2025 as businesses prepared themselves for potential price increases and potential supply chain disruptions.

Figure 7:
Middle Market likelihood to increase prices over the next 3-6months



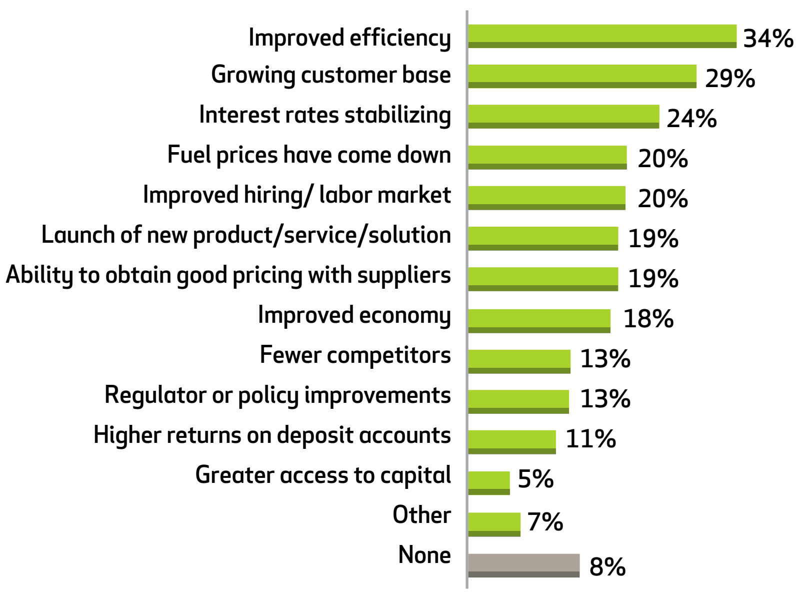

Larger companies are better positioned to handle the changing policy landscape given better access to capital and labor. Additionally, larger companies tend to have more diverse supply chains and may be able to absorb higher costs longer than smaller businesses.

Middle market companies noted that the recent regulation and tariff policy changes have been detrimental. A smaller percentage of middle market companies compared to small businesses (40% versus 47%) either strongly or moderately supported the planned tariffs while about the same percentage (44%) either strongly or moderately disapproved of the planned tariffs.

## Efficiency fuels growth and resilience in the middle market

Improved efficiency was also a top factor helping larger companies with 34% of surveyed middle market businesses noting it as the top factor for helping improve business over the last three to six months. Given the labor shortages in recent years, many businesses have relied more on automation and artificial intelligence (AI), improving productivity growth. The U.S. has experienced stronger productivity growth compared to other countries due to easier access to capital, increased adoption of AI, and increased investment focus on research and development.

Figure 8:
Middle Market factors that have helped improve business in the last 3-6 months




## Getting the advice you may need

At Huntington, we remain committed to helping our clients navigate changing economic landscapes through personalized advice delivered by local wealth teams. Our holistic approach to planning ensures your financial strategy evolves with changing conditions.

To learn more, please contact your Huntington advisor or visit a Huntington branch for more information on our wealth management services.

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†Barlow Research Associates, Inc. 2025. "Business Sentiment Tracking Study: First Quarter 2025." May 2025.

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