Small Business Bulletin

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Small Businesses Cautiously Optimistic About 2026



To start the year, small business owners are navigating a landscape that blends optimism with caution. A recent survey from Comerica Bank, a financial services company, reveals that while confidence remains strong, challenges such as inflation, tariffs and labor shortages continue to shape decision-making.

Bank Comerica's Small Business Pulse Index shows that 80% of small business owners feel "somewhat or very confident" about their prospects for the year ahead. Nearly 80% anticipate revenue growth, projecting an average increase of 7.9%. Despite this upbeat outlook, significant pressures persist. Inflation tops the list of concerns, cited by nearly a quarter of respondents, followed by tariffs and labor challenges. Tariffs have already impacted 42% of businesses, particularly in manufacturing and retail. Rising labor costs and ongoing workforce shortages are prompting many owners to rethink hiring strategies, with some opting for freezes or scaled-back plans.

"Small businesses have navigated a year filled with challenges, from tariffs and inflation to a prolonged government shutdown, yet their optimism remains unwavering," said Larry Franco, Comerica Bank executive vice president and national director of Retail & Small Business Banking. "This spirit speaks volumes about the adaptability and determination of America's entrepreneurs as they prepare for growth in 2026."

To counter these headwinds, small businesses are focusing on investment and efficiency. More than half of surveyed businesses plan to make capital investments in 2026, averaging $109,000 per firm, with technology companies leading the charge. Nearly half of the respondents are prioritizing operational improvements, including the adoption of new technologies to streamline processes and reduce costs. To manage tariff-related pressures, businesses are employing strategies such as securing new credit lines, delaying investments and tapping personal savings.

Interest rate cuts by the Federal Reserve have provided a silver lining. More than half of surveyed owners report positive impacts from lower rates, with many using this opportunity to invest strategically or take calculated risks. Small businesses should continue to monitor market trends and consider what they mean for their workforce.

Employer Takeaway

For small business owners, 2026 is a year to strike a balance between ambition and adaptability. Confidence may be high, but external pressures encourage proactive planning. Employers should consider safeguarding cash flow, investing in technology to boost efficiency, and maintaining flexibility in hiring and operations. By staying informed and agile, small businesses can turn challenges into opportunities and position themselves for sustainable growth in the year ahead.

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Cost-cutting Tips for Small Businesses

Employers of all sizes are actively seeking innovative ways to reduce costs and maximize efficiency as they navigate ongoing economic uncertainty and an ever-changing labor market. Rather than resorting to random budget cuts or unnecessary layoffs, organizations are identifying areas where they can reduce expenses without sacrificing productivity or long-term growth. Cost control remains critical for every business, but it's especially vital for small companies, which often operate with tighter margins and fewer resources than larger employers.

The following are five cost-cutting tips for small businesses:

1. **Invest in new technology.** Technology enables organizations to streamline or automate manual, error-prone tasks. Adopting new technologies, such as software, automation and artificial intelligence, may decrease costs by streamlining operations and increasing efficiency. Technologies for small businesses may include project management software, HR information systems, delivery and packaging systems, and automated inventory management.
2. **Improve retention.** Employee turnover can be detrimental to small businesses due to the costs associated with replacing employees, decreased productivity and lost profits. To avoid this, small businesses can prioritize retention efforts by providing employees with learning and development opportunities, focusing on cultivating a healthy workplace culture, offering flexible working arrangements and providing evolving employee benefits to meet workers' needs.
3. **Manage health care costs.** For small businesses that offer health care benefits, costs can add up quickly. Solutions may include reevaluating plan designs and offerings, directing employees to cost-effective services and improving employee health care literacy. Small businesses can better manage health care costs by adopting several cost-cutting strategies without sacrificing employees' needs.
4. **Consider outsourcing.** For small businesses that offer health care benefits, costs can add up quickly. Solutions may include reevaluating plan designs and offerings, directing employees to cost-effective services and improving employee health care literacy. Small businesses can better manage health care costs by adopting several cost-cutting strategies without sacrificing employees' needs. Outsourcing these tasks can enable employees to focus on areas that directly impact a small business's bottom line and potential growth.
5. **Review expenses.** Regularly reviewing expenses can be an effective way to reduce and even eliminate extra costs. Employers should consider negotiating with providers, suppliers and vendors to potentially defer payments, reduce fees, improve rates and receive additional services to help during difficult times. By establishing and fostering relationships with these individuals and entities, organizations can cultivate allies and acquire strategic partners, which can pay dividends by creating cost-saving solutions and opportunities. Additionally, periodic audits of contracts and expenses can identify excess spending that is no longer necessary.

Employer Takeaway

Employers can implement several strategies to reduce costs and impact their bottom line. Which strategies are feasible will vary by small business, but a proactive approach to cost-cutting may allow for a larger budget to reinvest in the core of the business and its employees.

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