



Umpqua Bank

Business Barometer

2025

A nationwide survey of U.S. business owners and leaders conducted annually to assess their sentiment on the economy, key business priorities and strategic plans.

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We are pleased to share the results of Umpqua Bank's seventh annual **Business Barometer**, our nationwide study exploring the outlook for U.S. small and middle market businesses. This year's study was conducted at the height of global trade tensions and once again reminds us why these businesses are the backbone of our economy.

This year, we surveyed decision-makers across the country about their top concerns, expectations and plans for growth, investment priorities and keys to success. We also dove deeper into timely challenges, including the impact of tariffs on their outlook and decision-making, as well as cybersecurity preparedness and the workforce impact of AI adoption.

In contrast to the shifting terrain of news headlines about potential tariffs, inflation, interest rates and government policy, business leaders remain steady in their outlook and measured in their response to challenges. Amid continued uncertainty, middle market companies remain optimistic and growth-oriented overall. More are focused on managing financial pressures, and they are leaning into technology's potential to improve efficiency and protect

working capital. Small businesses' outlook and plans are trending upward compared to a year ago. Still cautious and cash-conscious, more are focused on growth opportunities and investing in AI and other tools to stay competitive.

Businesses of all sizes are concerned about tariffs and related inflation. However, having weathered the global pandemic, businesses appear more prepared to manage the potential operational challenges tariffs pose. They're taking measured, forward-thinking steps to minimize supply chain disruption

and cost increases for their customers, among other strategies.

This year's study offers compelling evidence that many small and middle market businesses have been previously tested and proven during a remarkable period of disruption. They continue to demonstrate resiliency and steadfastness as they look to the future. We hope you find this year's report valuable and wish you and your business continued success.

Sincerely,



Tory Nixon
Commercial Bank President



Chris Merrywell
Consumer Bank President

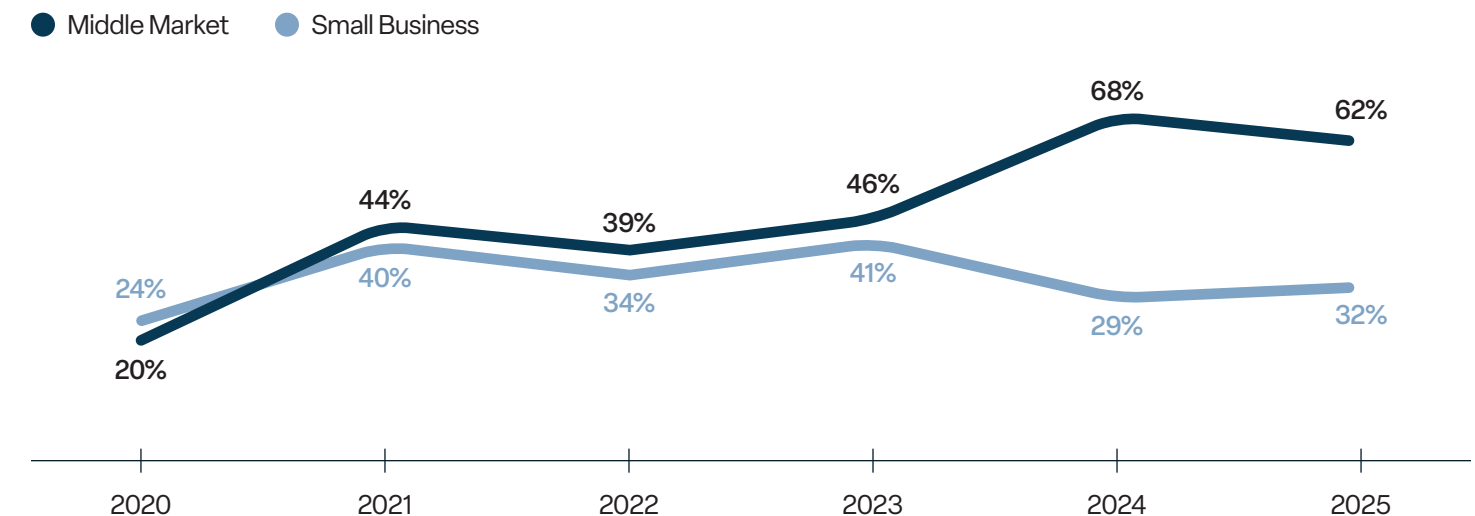
The Economy

Views on the current state of the economy remain steady compared to a year ago. Middle market optimism, which spiked to an all-time high in 2024, remains strong, and the number of small businesses rating today's economy "excellent/good" ticked up slightly from last year.

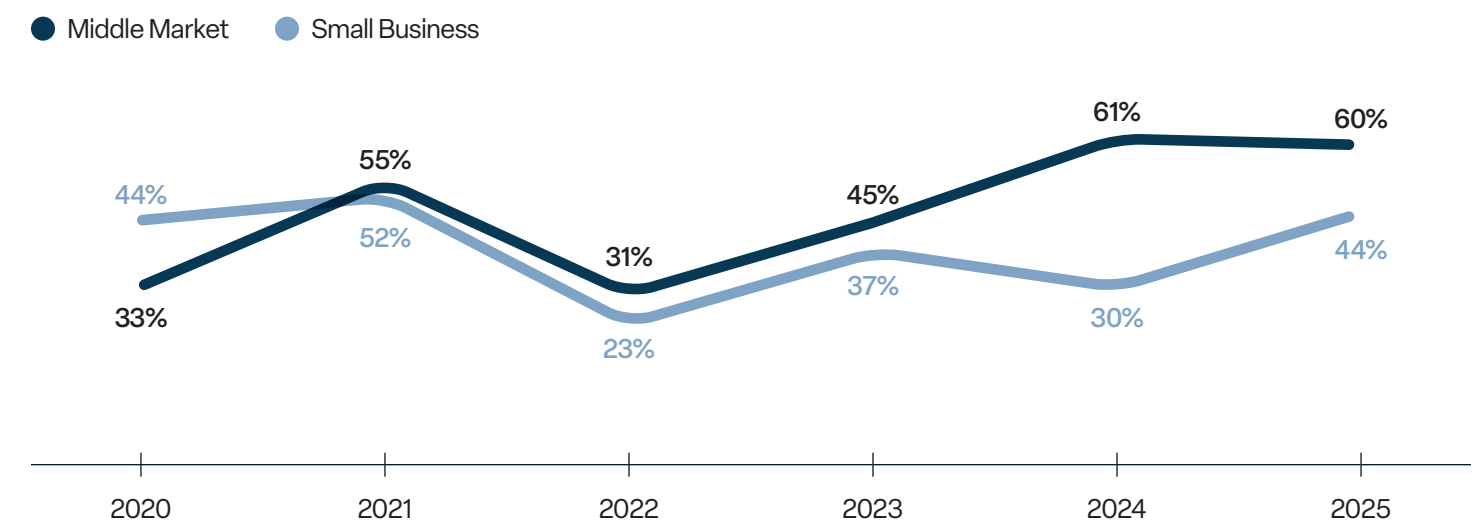
Looking ahead, expectations that the economy will further improve in the next 12 months are near or at four-year highs for both segments. The trend towards a more positive outlook is especially pronounced among small businesses, with 44% expecting the economy to improve—up 14 percentage points this year and the highest since 2021, when the economy began emerging from the pandemic-era shutdown. 6 in 10 middle market companies also anticipate improved economic conditions in the coming months.

Inflation and a potential recession remain top lingering concerns, and the introduction of new tariffs is now top-of-mind for businesses of all sizes. Amid the uncertainty, overall performance expectations for middle market companies remain strong, though down slightly from last year. Expectations for small businesses are also holding steady, and more decision-makers are focusing on growth opportunities and less on managing financial concerns compared to a year ago.

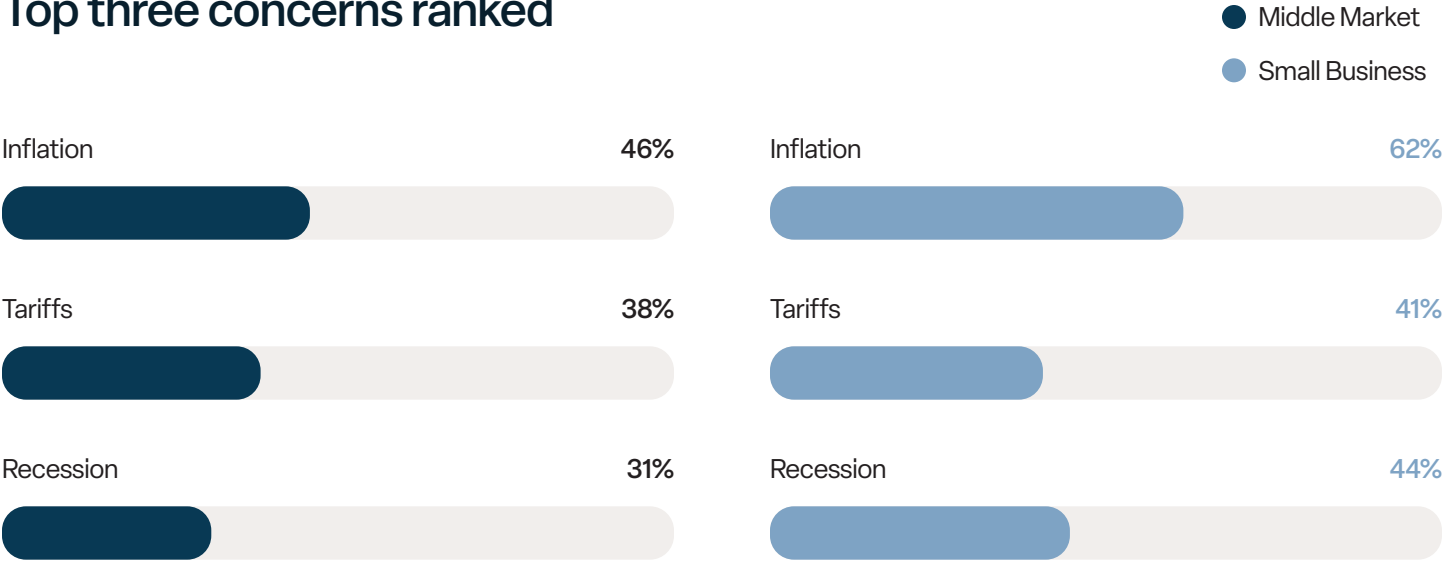
Positive view on economy over time



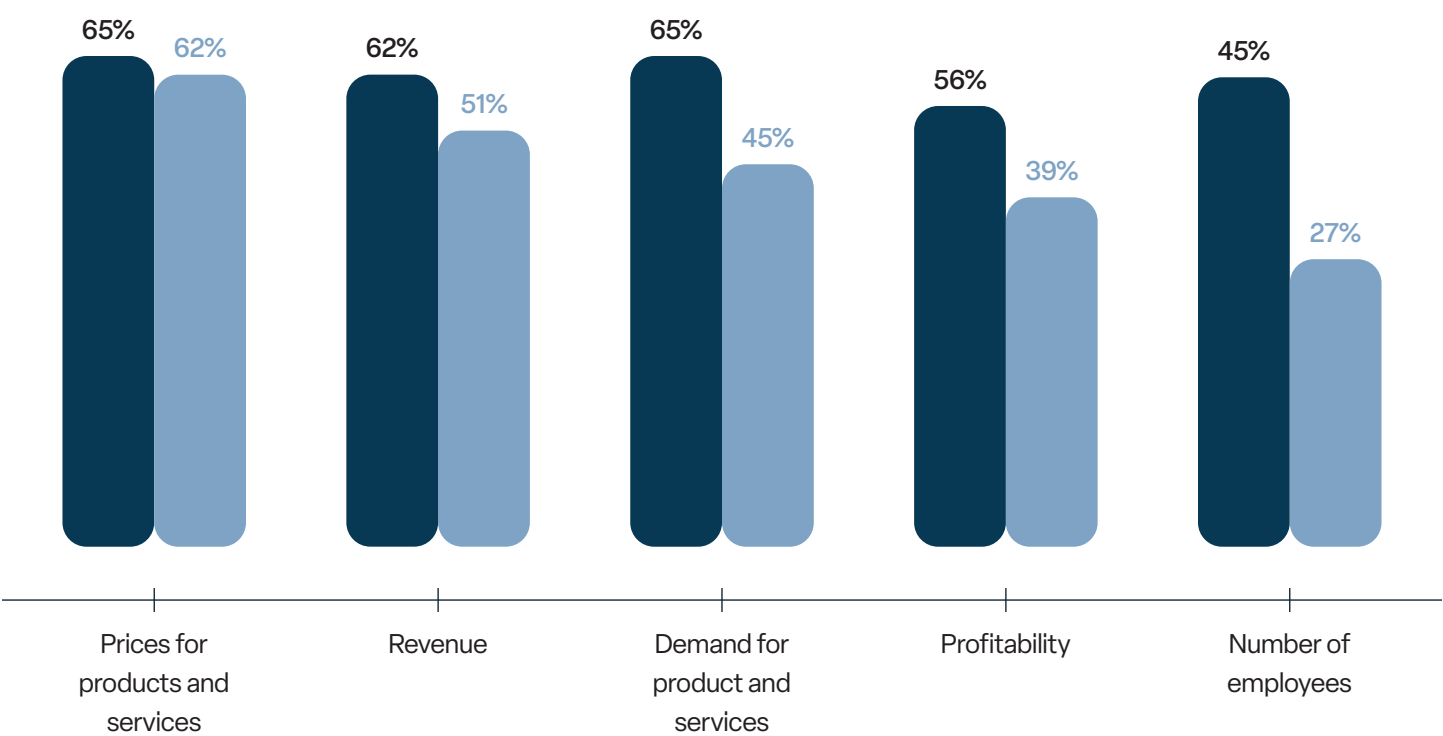
Expect the economy will improve



Top three concerns ranked



Anticipated growth over the next 12 months



“Many middle market companies are balancing their disposition toward optimism and growth with caution over the uncertain impacts of tariffs on costs, pricing and supply chains. It’s important for decision-makers to have a strong banking partner that can help them act quickly in response to changing market dynamics.”

Richard Cabrera
Head of Commercial Banking at Umpqua Bank



Leaders on the year ahead

Umpqua Bank held multiple focus group conversations to dive deeper into factors impacting decision-makers' priorities. Here's some of what they shared:

“I see opportunities to grow market share due to international supply chain challenges displacing some of our competition.”

____ CFO, healthcare company

“The smaller players in the consulting space are being squeezed out right now. The opportunity for us would be to go in and swoop up some of their areas.”

____ CFO, consulting firm

“There's a big sense of uncertainty. An opportunity for us is creating products that are stickier but less commoditized.”

____ VP, information technology company

“Restaurants have been closing, and buildings have been emptied, but for us, discounted real estate is an opportunity for expansion.”

____ Managing director, food and beverage company

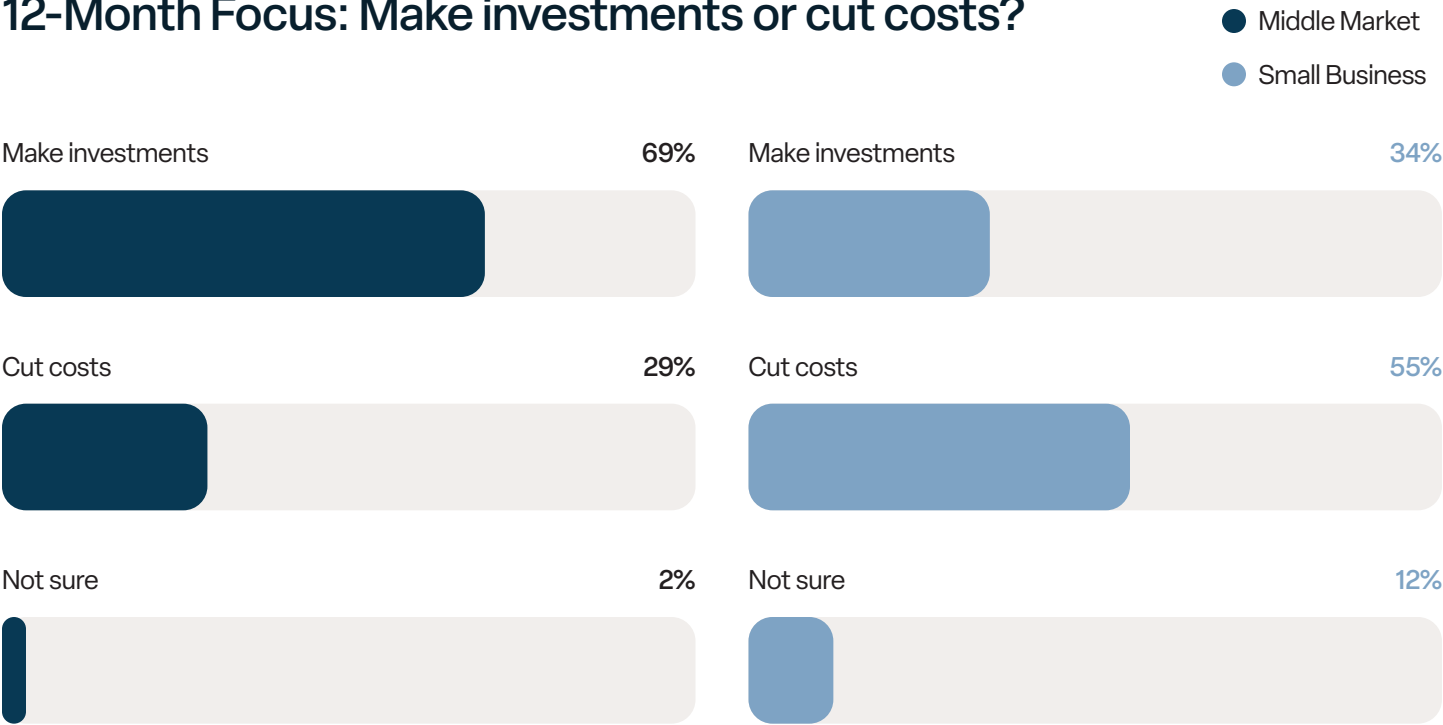
Investment & Growth

Businesses of all sizes surveyed are planning to invest in strategic areas that will improve their efficiency, strengthen margins and pave the way for potential growth in the year ahead.

While small businesses are more likely to cut costs this year than make investments, they are also more likely this year than last to focus on growth opportunities and significantly less likely to prioritize managing financial concerns. Their improved mindset bears out across key growth indicators as more plan to finance expansion, invest in digitization and financial safeguards, add real estate and either merge or acquire another business.

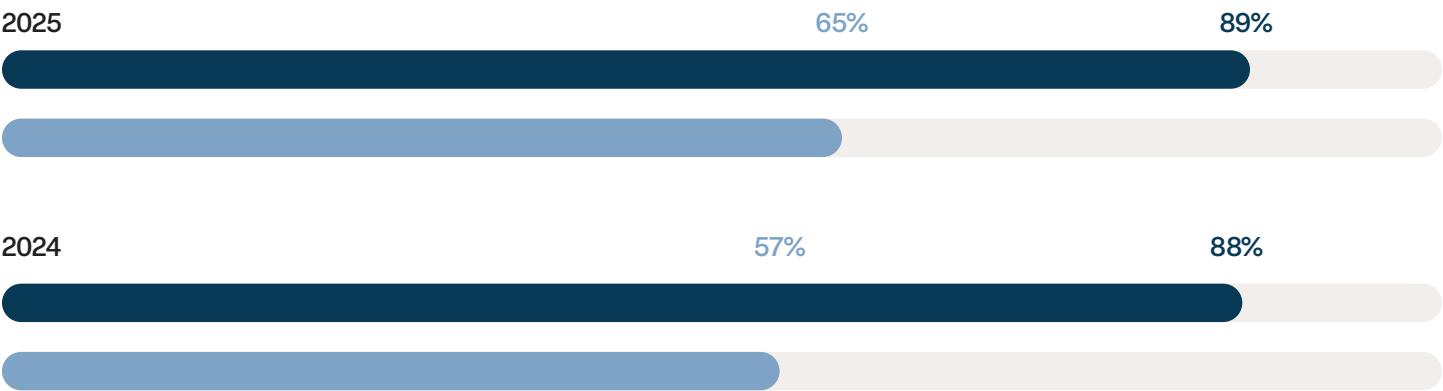
By contrast, a strong majority of middle market companies will prioritize investments over cost-cutting, though more this year are also focused on managing financial challenges primarily due to increased concern over tariffs and other external factors. About 5 in 10 middle market companies’ investment priorities focus on technology, and AI remains at the top of that list for the second year in a row.

12-Month Focus: Make investments or cut costs?



Growth indicators hold steady for middle market, improve for small business

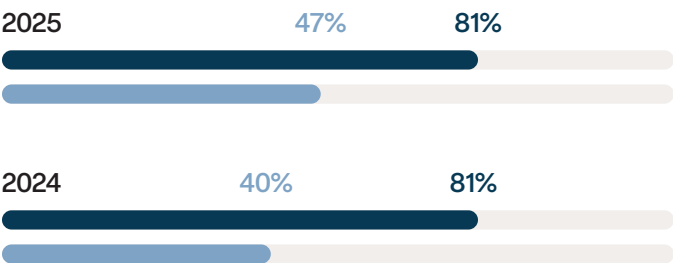
Likelihood to digitize new areas of the business to improve efficiency



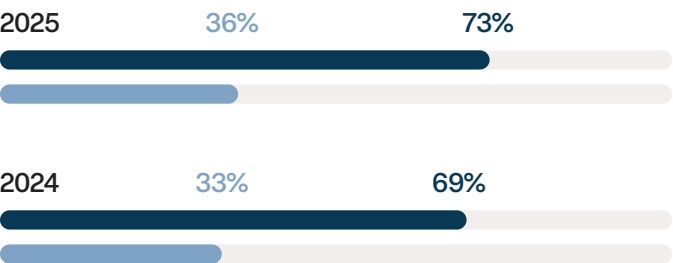
Growth indicators hold steady for middle market, improve for small business

- Middle Market
- Small Business

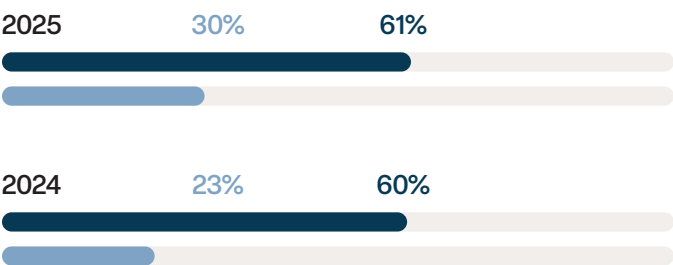
Likelihood to invest in financial tools to protect payments systems



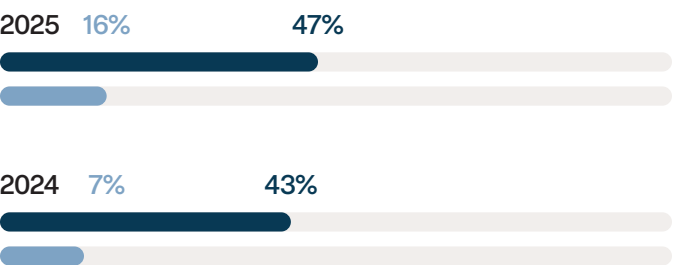
Likelihood to make significant changes to products/services



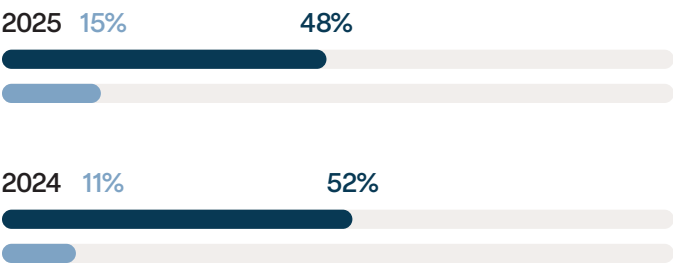
Likelihood to expand real estate footprint



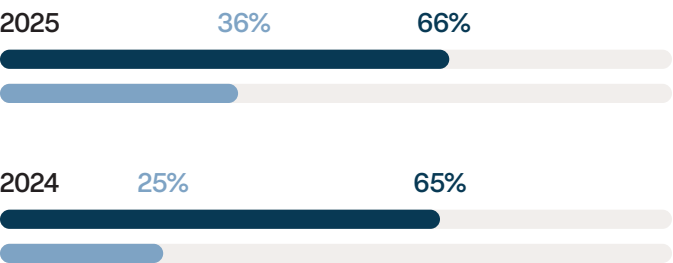
Likelihood to merge with another business



Likelihood to acquire another business



Likelihood to borrow to expand the business



“While small businesses have prioritized cost-cutting over investments, there’s a noticeable repositioning toward measured growth. We’re helping decision-makers manage spending in areas that will accelerate growth down the road.”

Dave Hansen
Head of Retail Banking at Umpqua Bank



Tariff & Trade

Tariffs rank as a top three concern for all businesses surveyed, and decision-makers believe trade levies are more likely than not to adversely impact their enterprise. In response, many have taken proactive steps to manage potential impacts.

Rather than making wholesale changes to foreign operations or supply chains, businesses have been planning for a range of modest actions including price adjustments, negotiating costs with suppliers, looking for additional sources both domestically and internationally and accelerating sales timelines, among other strategies.

For those with facilities or sourcing operations abroad, the prospect of tariffs

is having limited impact on near-term decisions to reshore operations or source materials domestically. In fact, more than 7 in 10 leaders surveyed still plan to maintain or increase their current levels of foreign trade activity and exposure. A majority of middle market companies also indicate it would take three or more years to reshore all their manufacturing. Among small businesses, 1 in 5 say such a move would not be possible or practical.

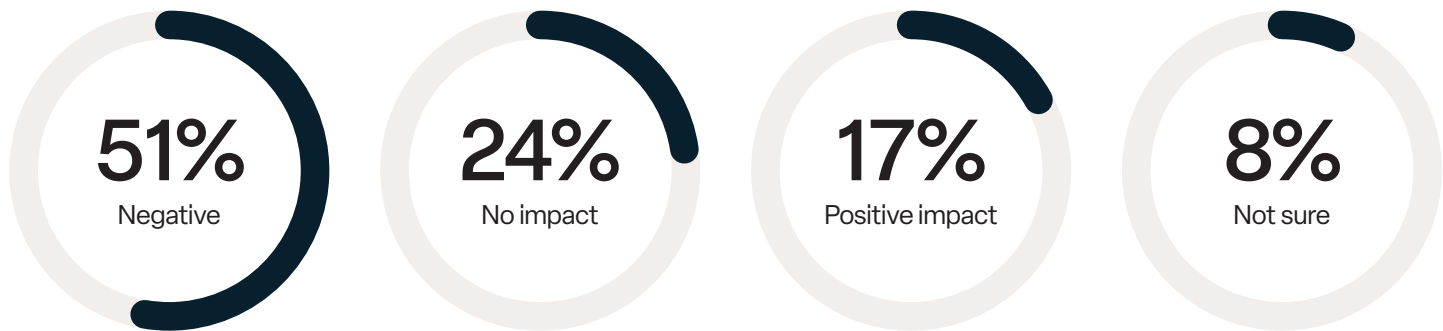
Businesses rank tariffs as one of their top three concerns

Middle Market

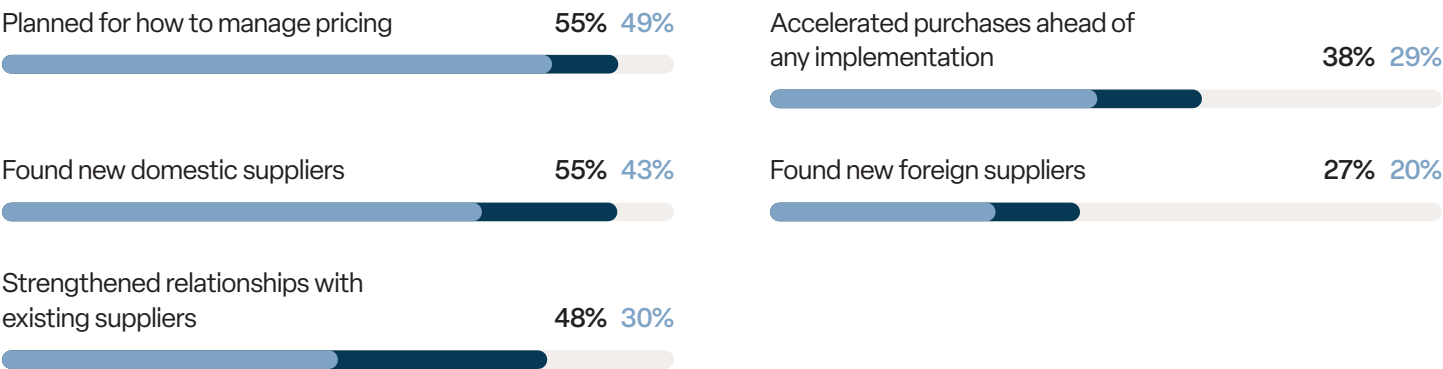
Small Business



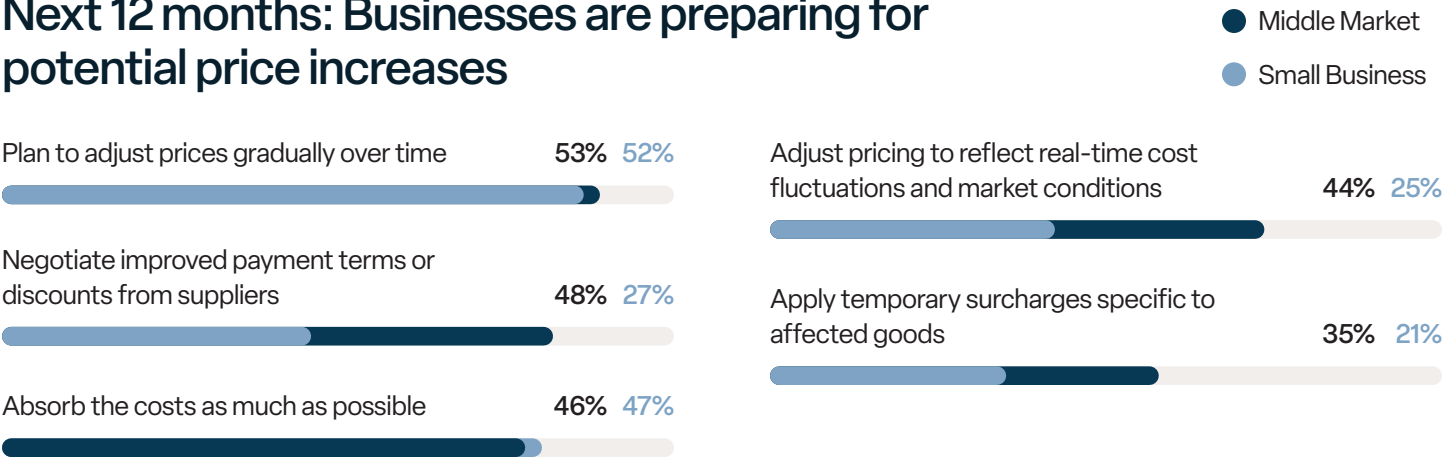
Leaders anticipate impact of tariffs on their business will be:



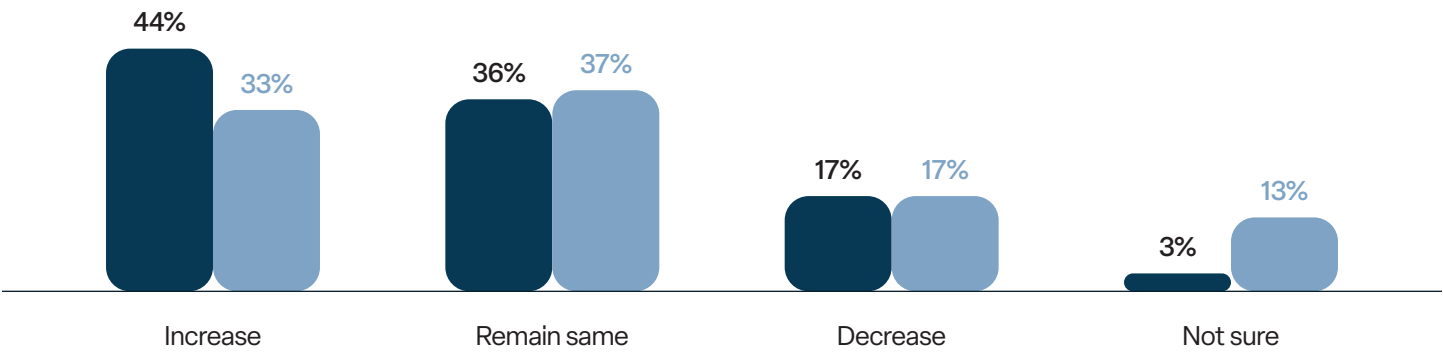
Past 12 months: Businesses are responding to tariffs with action



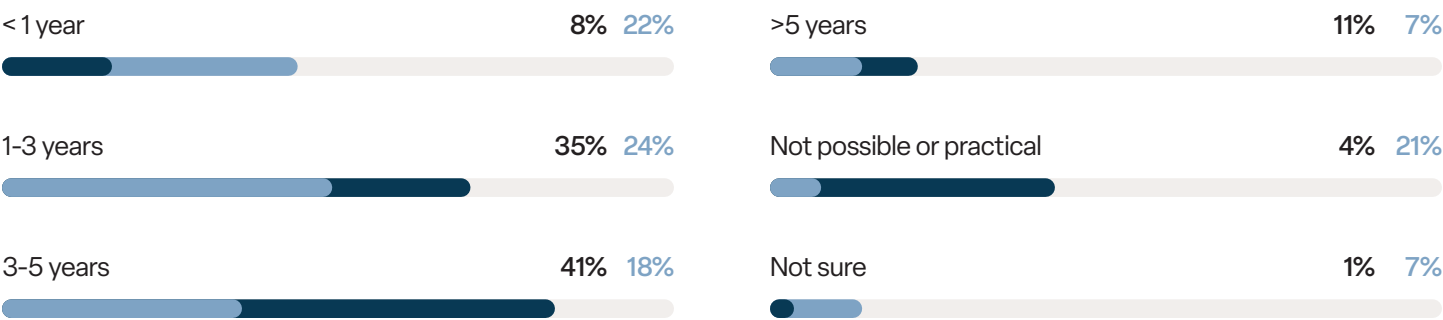
Next 12 months: Businesses are preparing for potential price increases



Next 12 months: Businesses impacted by tariffs say their foreign-based manufacturing will...



Time companies say it will take to reshore manufacturing



“The good news is that our backlog is strong. The impact of the tariffs, currently comprised, has been fairly minimal to us.”

CFO, manufacturing company

“Tariffs are going to crush our margins, which will require either doubling our business or cutting back significantly on overhead.”

CEO, construction company

“The tariffs create an issue, where you can’t replace a part for a part. As a solutions-oriented equipment business with domestic supply, we see opportunity to support new customers.”

VP, healthcare company

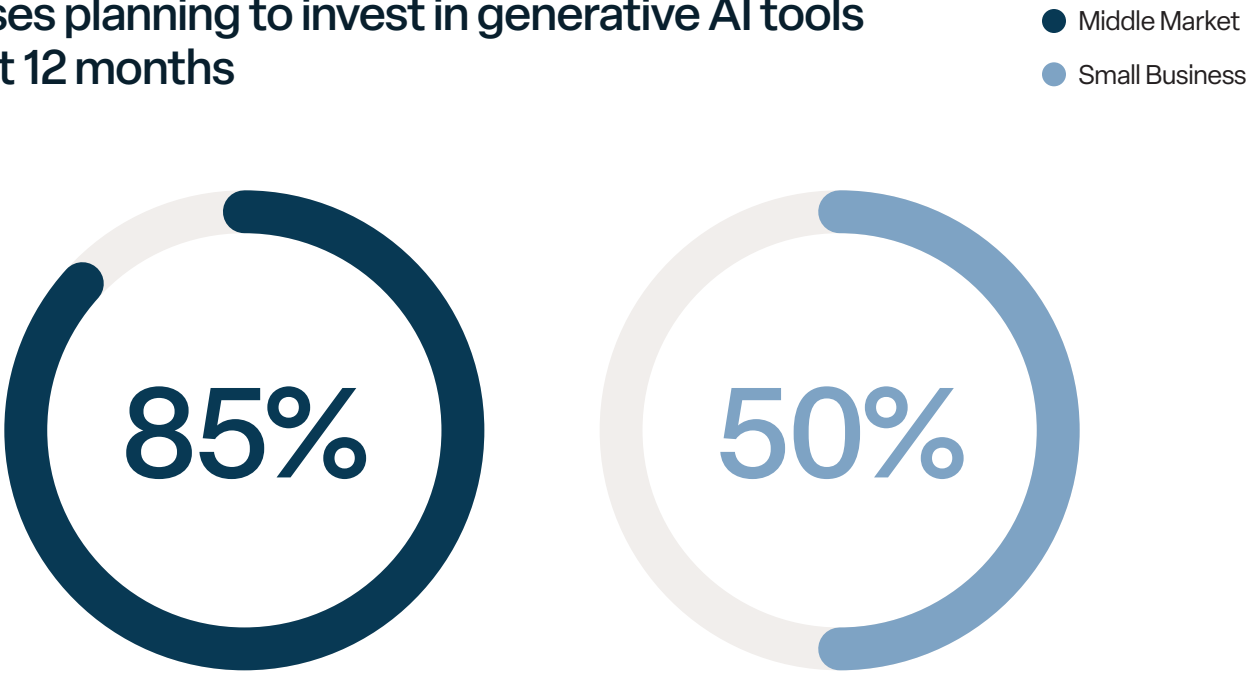
AI Progress & Impact

Companies across both small business and middle market segments are embracing the potential of generative AI. Nearly 9 in 10 middle market companies are likely to invest over the next 12 months, and half of small businesses plan to do the same—a sign that adoption of the evolving technology continues accelerating.

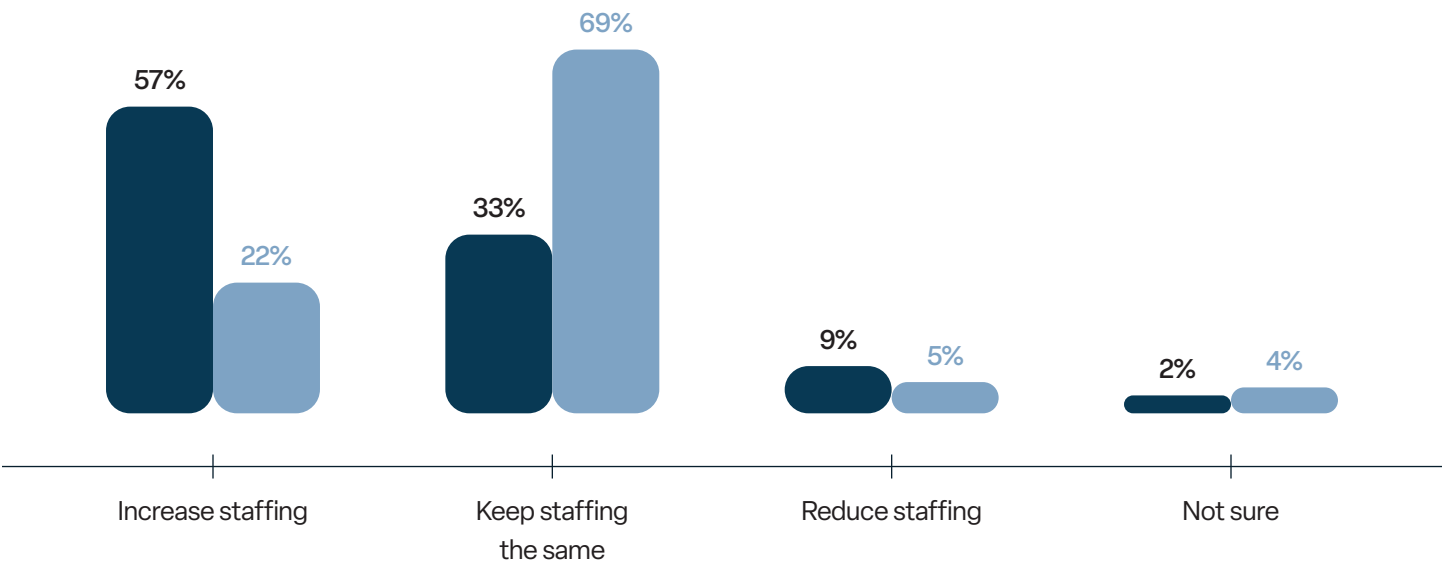
Nearly two-thirds of all businesses say AI isn't affecting staffing levels. In its current form, generative AI is leading businesses to increase rather than decrease hiring. This is especially true among middle market

companies. Decision-makers say improved productivity, better decision-making and stronger performance and profits due to AI are enabling them to increase overall staffing levels.

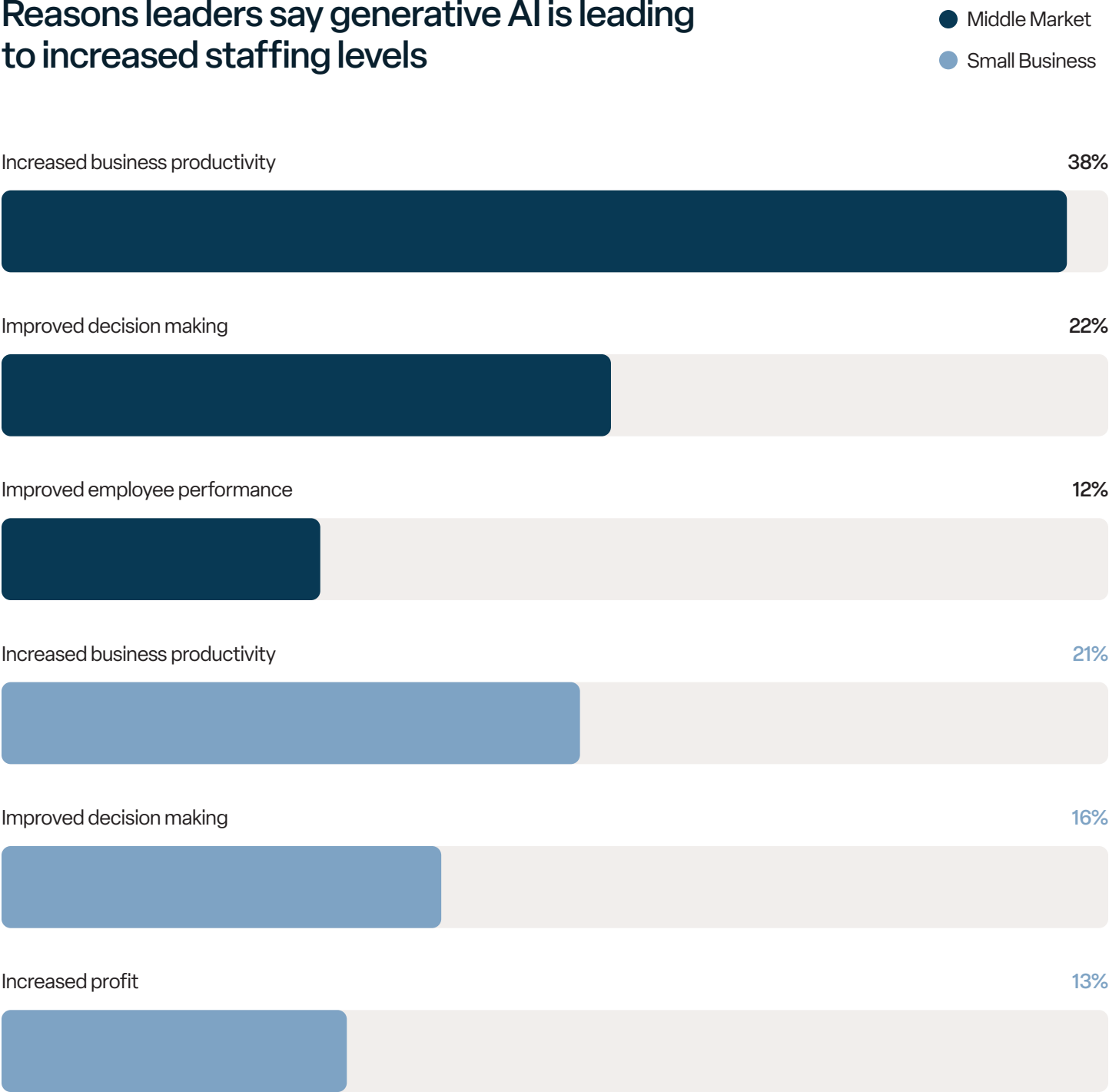
Businesses planning to invest in generative AI tools over next 12 months



Generative AI is having a positive/neutral impact on staffing levels



Reasons leaders say generative AI is leading to increased staffing levels



“50% of our new hires will have some if not intimate involvement in AI given our roadmap.”

Chief branch officer, manufacturing company

“It’s really all AI all of the time. We’re using generative AI throughout our marketing and customer support.”

VP, information technology company

“It’s getting things done, sometimes, 10 times faster. I have much more personal oversight.”

EVP, media marketing company

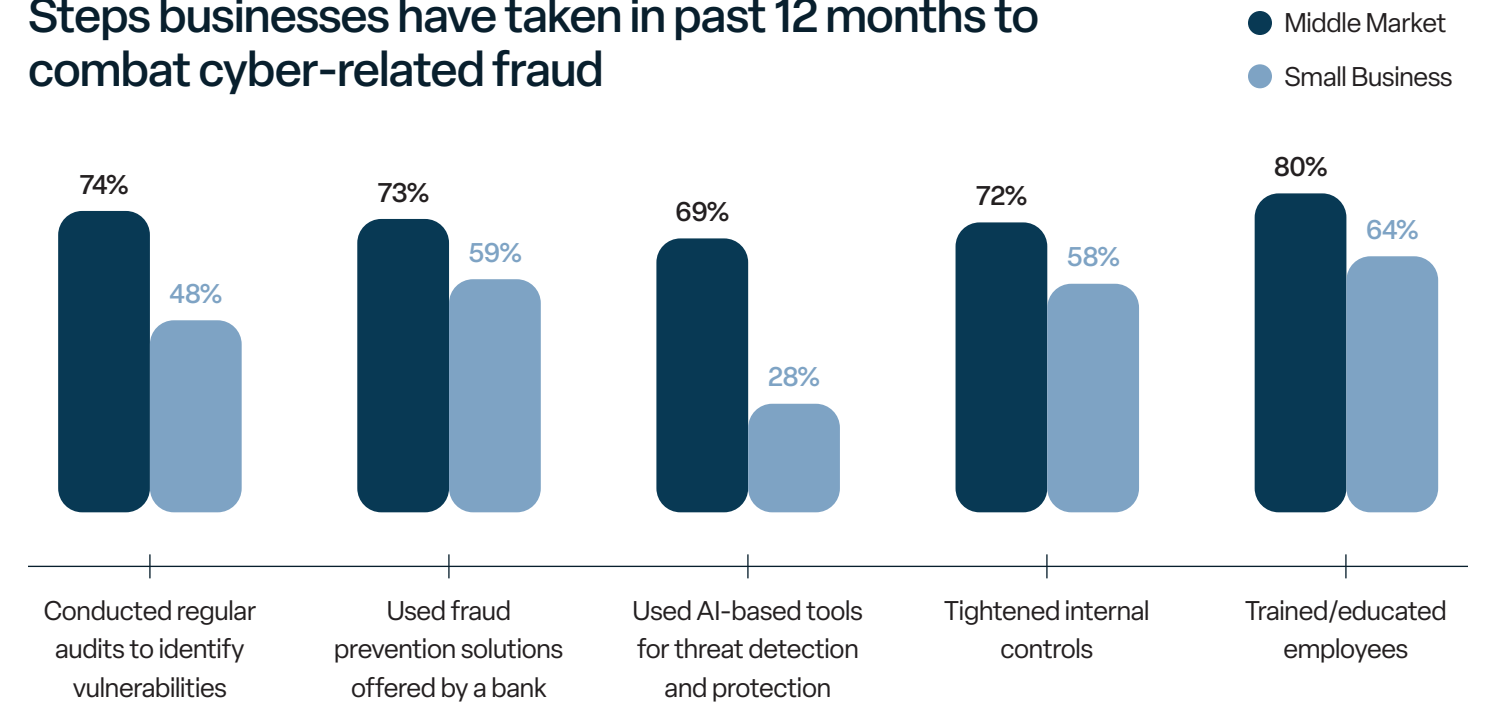
“Pretty much every business decision is made with AI. We have customer service chatbots. We’re leveraging inventory management with AI. It’s dominant in our day-to-day.”

VP, retail industry leader

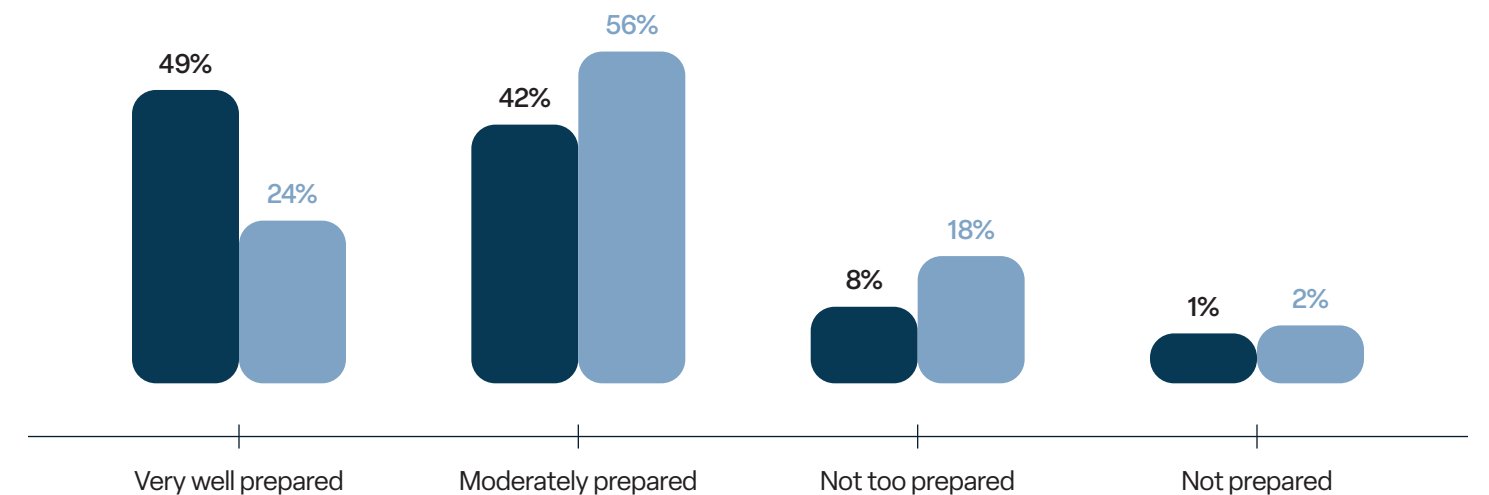
Cybersecurity & Fraud

Cybersecurity remains a growing area of concern. 1 in 4 middle market companies and 1 in 6 small businesses were impacted by cybersecurity-related fraud in the past year. Both segments are taking a number of steps to strengthen their safeguards, including regular audits to assess vulnerability and taking advantage of fraud prevention solutions offered by their bank. While more than 8 in 10 businesses feel very or moderately well prepared, just 3 in 10 feel very well prepared to prevent a cyberattack.

Steps businesses have taken in past 12 months to combat cyber-related fraud



How they rank their preparedness for cyber-related fraud

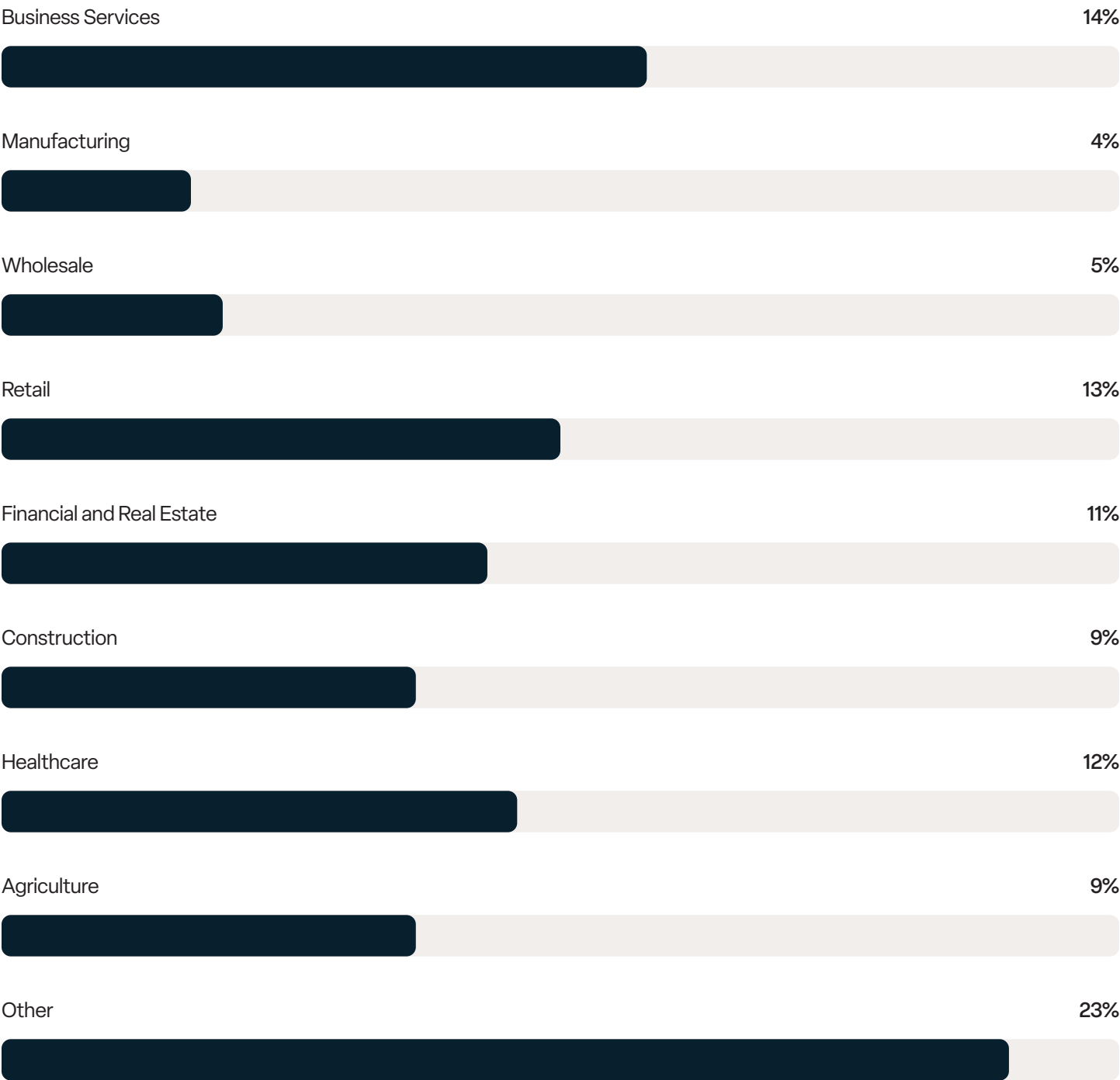


“When it comes to cybersecurity and fraud, you can never be too prepared. Regularly train employees on the latest schemes. Look at your internal controls, conduct regular audits to identify vulnerabilities, and use bank fraud prevention solutions. There’s no room for complacency in today’s environment.”

Kathryn Albright
Head of Global Payments and Deposits at Umpqua Bank



2025 Business Barometer: Distribution by Industry



Methodology

On behalf of Umpqua Bank, DHM Research conducted an online survey of 1,290 owners, executives, and financial decision makers at U.S. small and middle market businesses during April 22–May 2, 2025. Of middle market respondents, 22% are minority-owned businesses, while 19% of small business respondents are certified woman-owned and 15% minority-owned. The margin of error is $\pm 2.7\%$.

Umpqua Bank offers a premier banking experience for customers across the West. Our team of expert bankers act as financial partners, working closely to understand business customers' needs, goals and opportunities. We craft solutions and build relationships that last.



Find out how Umpqua Bank can help your business