WELLS FARGO

Commercial Banking

Mid-Year 2026 Middle Market Indicator

A look at the trends shaping middle market businesses

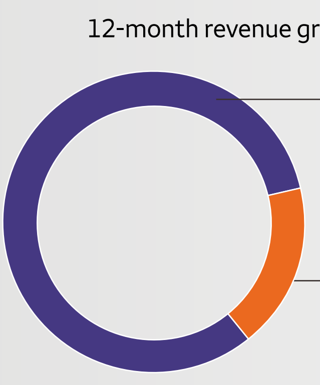
Resilient and reinvesting defines the readout from middle market firms at mid-year 2026. Revenue growth moderated to 11.0% and hiring to 7.2%, but both remain well above their long-run averages. Confidence held steady and investment appetite hit its highest level since 2019. Executives are contending with inflation, tariffs, geopolitical tensions, and regulatory uncertainty, yet continue to invest despite the headwinds.

Revenue growth and economic sentiment

While still positive, revenue growth softened slightly, as did 12-month revenue growth expectations measured year over year.

Economic confidence remained fairly steady, though respondents have greater confidence in their local economies than in the macro economy.

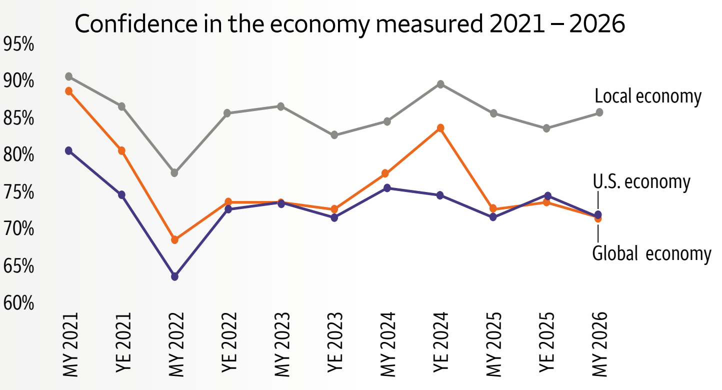
12-month revenue growth MY 2025 to MY 2026



82% of respondents indicated revenue growth over the last 12 months, with **49% indicating double-digit growth**

18% flat or declining, with **7% reporting a decline**

Confidence in the economy measured 2021 – 2026



Employment growth and employee productivity

Hiring continues to moderate with both the percentage of firms hiring and the number of new hires shrinking. With workforce costs contributing to the overall business cost structure, focus has shifted to increasing the productivity of existing employees.

12-month workforce growth MY 2025 to MY 2026

MY 2026	
Decrease	6%
No change	41%
Increase	53%

Impact of workforce-related costs on overall cost structure

Significant	15%
Moderate	51%
Minimal	26%
None	8%

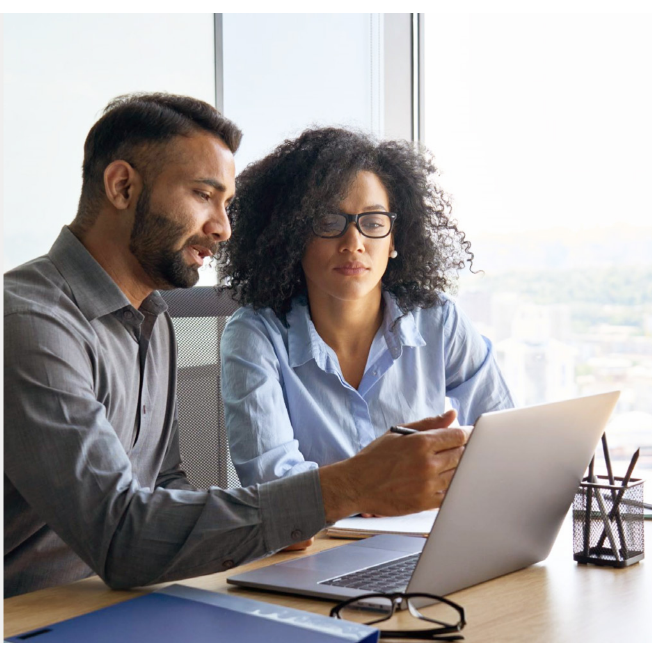
Priority actions to improve employee productivity and efficiency

Increasing employee training and upskilling	**58%**
Improving processes and workflows	51%
Investing in technology or automation	46%
Hiring additional staff	41%
Improving cost and expense management	39%
Outsourcing or using third-party services	17%

Strategic priorities

Growth continues to be top priority, along with investment in future capabilities.

1. Growing revenue/increasing sales
2. Improving profitability/margins
3. Expanding customer base
4. Reducing operational costs
5. Investing in technology
6. Digital transformation (AI, automation, cybersecurity)



Top business challenges at mid-year 2026

Cost pressures and economic uncertainty continue to dominate the business landscape.

Priority of challenges	% pt change MY 2025 to MY 2026
1. Inflation and rising costs (materials, services, inputs)	+1
2. Economic uncertainty	-2
3. Impact of tariffs and trade policy	-6
4. Attracting and hiring qualified talent	-3
5. Retaining skilled employees	-1
6. Cybersecurity threats/ Data privacy and security	+1
7. Adopting/Integrating new technology	+3
8. Rising labor costs/Wage pressure/Compensation demand	-4

Capital investment and business expansion

Businesses continue to prioritize investment in their firms over saving incremental dollars.

Capital investment

Action likely to be taken with additional $

34% will save

66% will spend

Saving priorities

1. Save for financial investment
2. Hold cash

Spending priorities

1. AI Transformation
2. Information Technology
3. Real Estate/Plant/Equipment

Business operations investment

Top areas for operational investment

		% pt change MY 2025 to MY 2026
Sales growth/customer acquisition	79%	+1
Customer retention/improving customer experience	77%	+5
Technology implementation/upgrades (ERP, CRM, AI)	70%	+5
Cash flow & financial forecasting accuracy	67%	+1
Process improvement/cost reduction initiatives	67%	-2
Cybersecurity measures/infrastructure/training	65%	+4

Business expansion

Likelihood of expansion over next 12 months

Product/service introduction	U.S. market expansion	New plant/ facility	International market expansion	Make acquisition
59%	56%	37%	34%	31%

Artificial Intelligence (AI)

Use of AI has now become mainstream. The majority of businesses have now operationalized AI across core business functions with internal efficiency and cost pressure as the leading driver.

Use of Artificial Intelligence

Generative AI/Large language models for drafting, summarization, analysis, or coding	53%
Predictive analytics, forecasting, or scoring models	49%
Conversational AI/Chatbots for customer or employee interaction	41%
Machine learning for pattern recognition, classification,or recommendation	34%
Computer vision	27%
Robotics or physical automation	22%
Not using AI in any way	9%

+8 % pt increase in AI usage reported by respondents between YE 2025 and MY 2026

Primary driver behind AI adoption

Internal efficiency/cost pressure	30%
Leadership conviction/strategic bet	19%
Customer or partner expectations	14%
Competitive threat or pressure from peers	13%
Regulatory or contractual requirement	9%
Talent attraction or retention	8%
Board, investor, or owner pressure	7%

Current state of adoption by firms using AI

Experimental: Informal exploration only	4%
Early stage: Pilots or limited testing, not yet in production	25%
Established: AI is in production for one or more use cases	52%
Advanced: AI is scaled across multiple functions and in core workflows	19%

71% of responding companies have operationalized AI across one or more functions

64% **of respondents expect to increase their investment in AI over the next 12 months**

62% **of respondents utilizing AI believe they are receiving financial return on AI investment to date**

Click here to read the full report.

Contact us to discuss Wells Fargo's comprehensive financial solutions to keep your business moving forward.

The Mid-Year 2026 Middle Market Indicator study captured real-time insights from 1,005 C-suite leaders at U.S. companies with $10M to <$1B in revenue. The bi-annual study tracks key metrics — growth, performance, economic confidence, and outlook — offering a clear view into what financial decision makers are thinking and planning. The survey is conducted by RTi Research on behalf of the National Center for the Middle Market with funding support from Wells Fargo, Chubb, and Visa.