

2026 Middle Market Trends Report

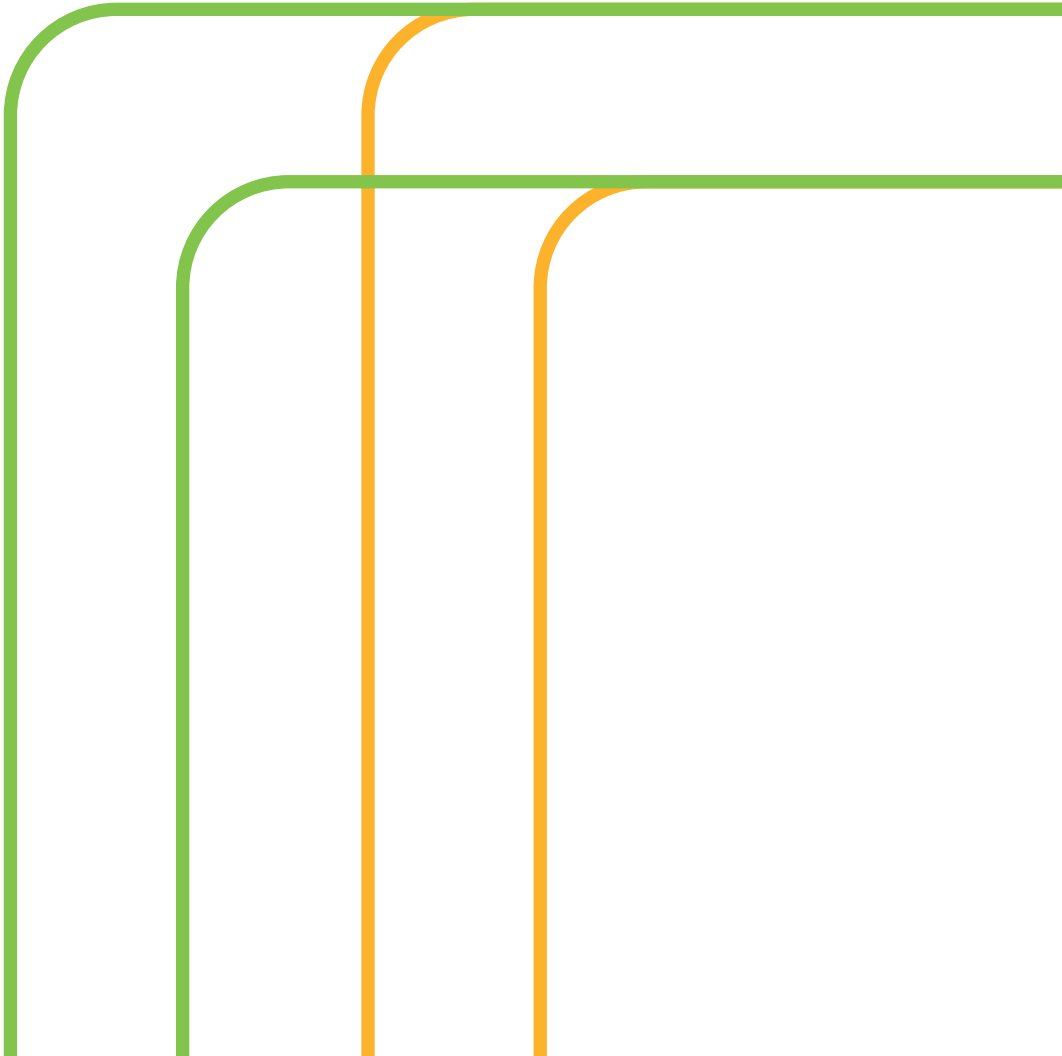
Insights from Business Owners





Contents

Economic Outlook & Market Conditions	3
Strategic Planning & Organizational Change	7
Tax Strategy & Financial Planning	8
Workforce & Talent Strategy	10
Technology, Cybersecurity & AI	12



After an unusual and volatile 2025, middle market business owners are cautiously optimistic about 2026. Uncertainty remains constant, and factors like inflation, geopolitical concerns, and tariffs will significantly impact the year ahead. Middle market business owners have shared their outlook for 2026.

The results reflect cautious optimism, strategic planning, and emerging technologies as companies position themselves for the year ahead.

Executive Summary

UHY's 2026 Middle Market Survey gathered insight from hundreds of middle market business owners from various industries, including automotive, construction, energy, financial services, health care, real estate, staffing, and technology. Most participants represented companies with revenues between several million and more than \$500 million and ranged in size from 20 to more than 1,000 employees across the United States.**

Responses show that businesses prioritize innovation, cost efficiency, and talent while navigating workforce retention, cybersecurity, and AI adoption challenges. The results show a large segment of the economy adapting quickly to change while keeping a close eye on risk and opportunity.

The following is a high-level summary of the significant trends from the 2026 Middle Market Survey.

- Middle market business owners are optimistic for 2026, expecting higher economic performance than 2025.
- Most survey respondents believe that inflation will stabilize around 2%.
- Tariffs have caused price increases for most middle market business owners.
- Interest rate reductions are expected to close out 2025 into 2026.
- Growth expectations are higher for 2026 than in 2025.
- Talent retention is overwhelmingly the top workforce challenge.
- More than half of participants are utilizing artificial intelligence to some degree.
- Cyber breaches and cybercrimes are on the rise; more than half of survey participants indicated that they have been victimized.
- Economic uncertainty was business owners' most significant external concern, followed by international tensions and supply chain disruptions.

***Data collection for this survey took place in 2025. Due to rounding within the data collection platform, some percentages in this report may appear to be more or less than exactly 100%.*

Economic Outlook & Market Conditions

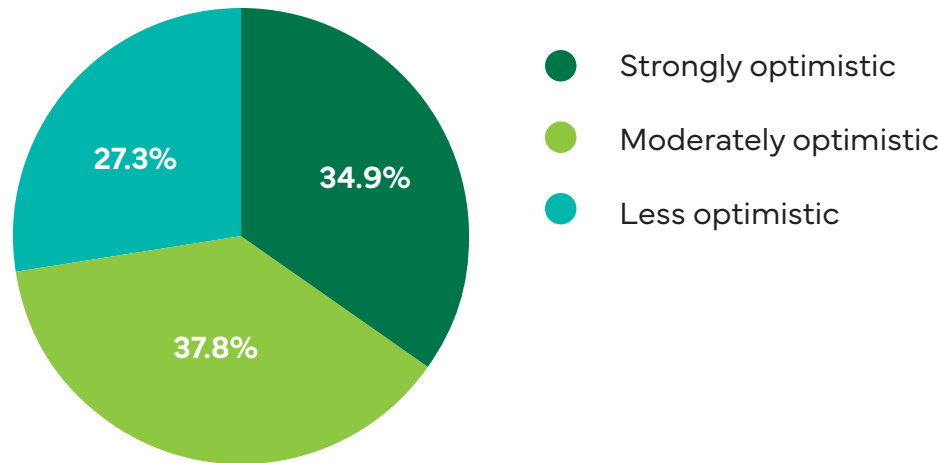
Middle market business leaders continue to navigate a volatile economic environment, balancing optimism with inflation, interest rates, and global uncertainty concerns. While most respondents see positive momentum heading into 2026, economic headwinds are influencing everything from growth expectations to investment planning.

Morgan Stanley and Wells Fargo's midyear outlooks expect a tariff-induced slowdown for the second half of 2025 but still expect a soft landing. Wells Fargo believes that tax cut extensions from the recent tax legislation will be a cushion for the slowdown. Overall, both forecast some form of economic growth in 2026.¹

Middle Market Businesses Remain Slightly Optimistic About the Economy in 2026

More than 72% of respondents report some level of optimism for the U.S. economy in 2026, though confidence is slightly more restrained than in previous years. Over a third remain strongly optimistic, while roughly 27% express concerns about broader economic conditions.

Level of Optimism for the U.S. Economy in 2026



Outlook by industry

Participants from the automotive, technology, construction, manufacturing, and banking and financial services industries all expressed a high degree of optimism (greater than 75%).

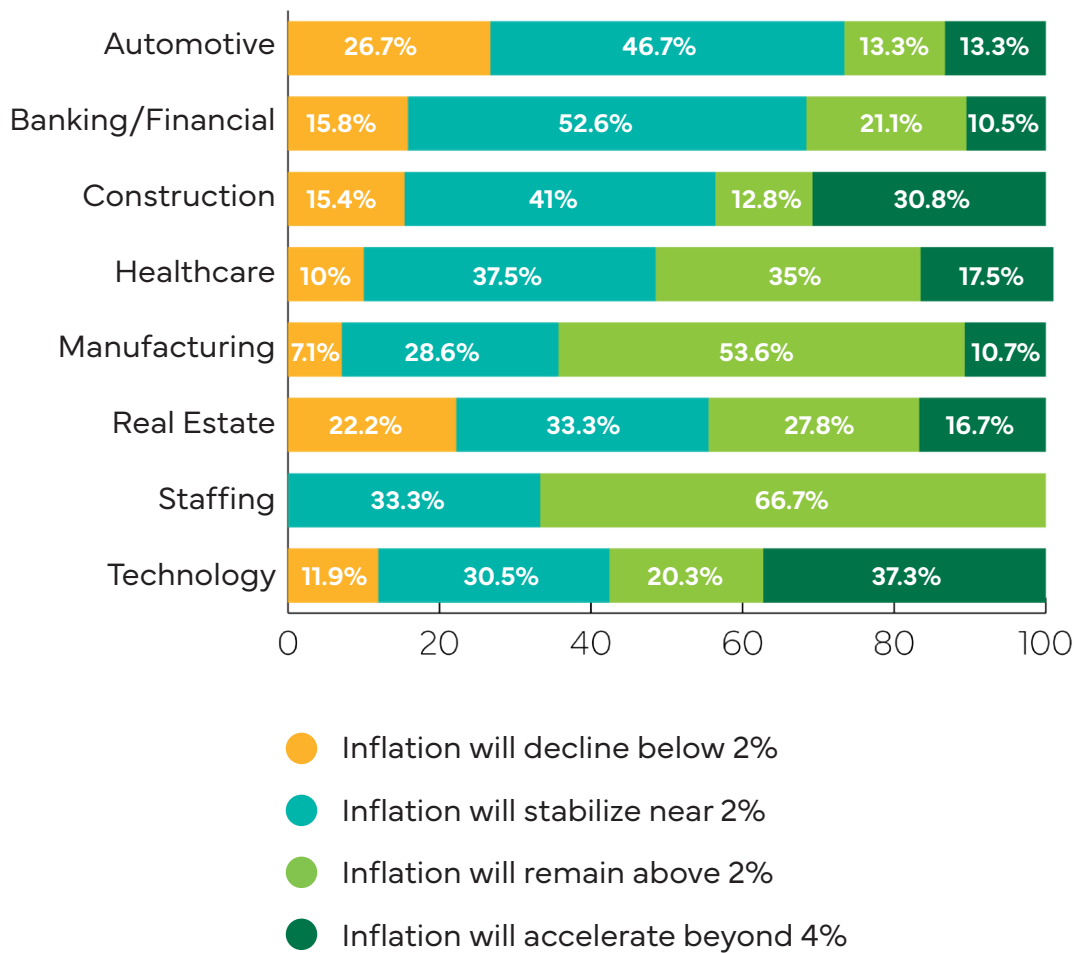
Healthcare and real estate participants expressed less optimism (lower than 70%).

Inflation is Expected to Remain “Sticky,” Potentially Worsen

Respondents shared a variety of opinions on the state of inflation. While 39% of participants believe inflation will stabilize near 2%, almost half (48%) expect it to remain above 3% or accelerate, indicating uncertainty around price pressures and their operational impact. The smallest population (12%) is most optimistic, believing that inflation will fall below 2%.

We have broken down those expectations by industry.

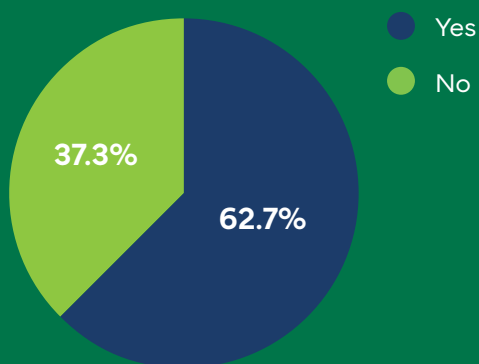
Inflation Outlook for the U.S. Economy in 2026 by Industry



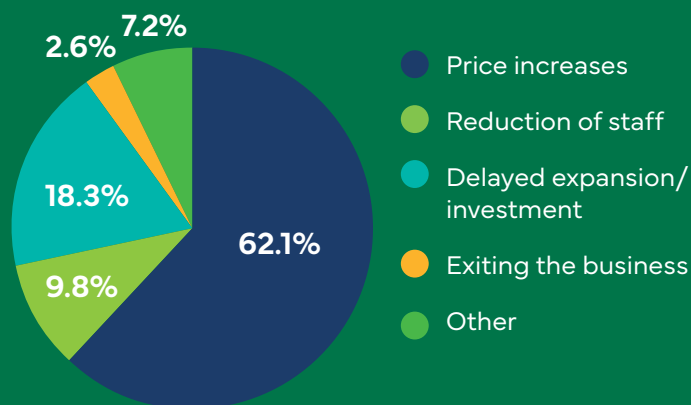
Middle Market Businesses Feel the Pain of Tariffs

Approximately 63% of businesses report feeling the effects of tariffs or other economic policies. These impacts are most commonly reflected in increased prices (62%) and delayed investments (18%), showing how policy can strain margins and delay growth strategies. Other tariff impacts were staff reduction (9%), exiting the business (2%), or other (8%).

Businesses Impacted by Tariffs or Other Economic Policies



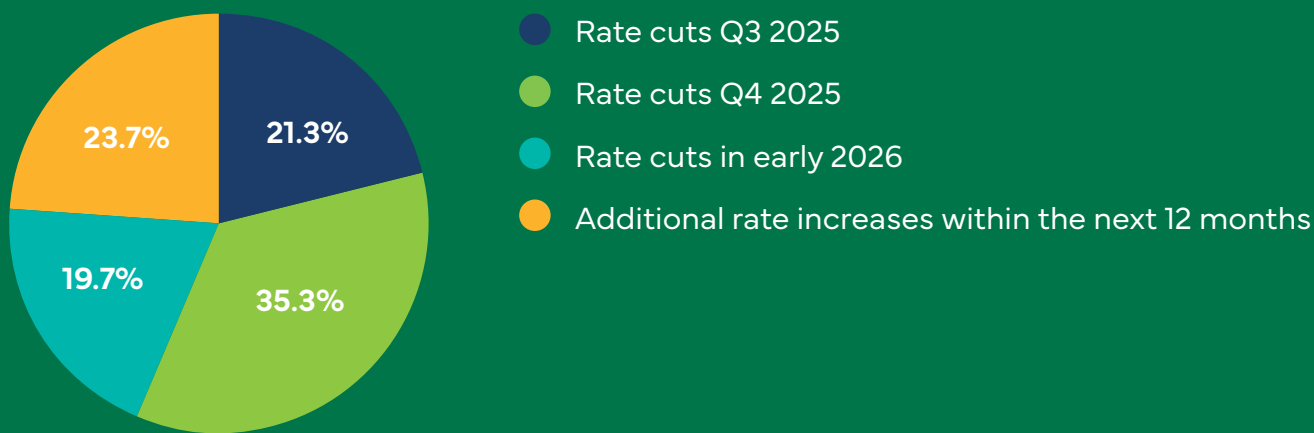
Tariff Impact on Middle Market Businesses



Most Project Q4 Fed Rate Cuts

Similarly to inflation, interest rate expectations vary widely. Most (56%) anticipate rate cuts between late 2025 and early 2026. Roughly 20% see cuts happening later, in early 2026. However, nearly a quarter (23%) still foresee additional hikes, revealing uncertainty around the pace of monetary easing.**

Federal Funds Rate Cut Forecasts

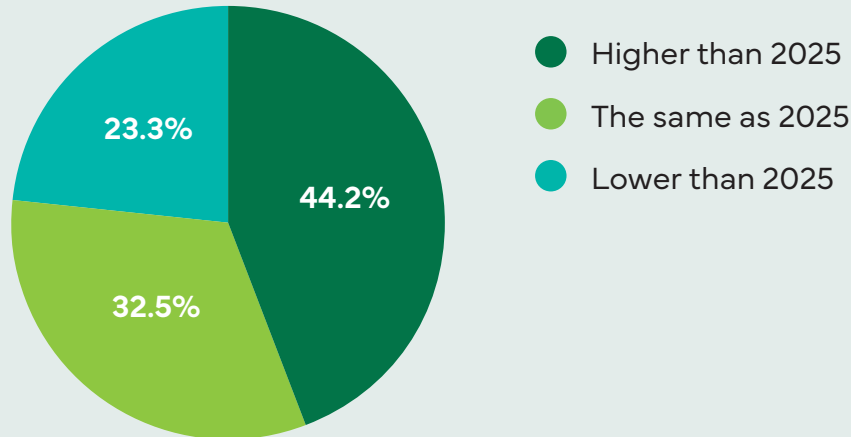


**Survey collection took place in Summer 2025, data was analyzed prior to Federal Reserve rate reduction in September.

Tempered Optimism on Growth Expectations in 2026

Roughly 44% of companies expect higher growth in 2026 compared to 2025, with another 33% projecting similar performance to 2025. Only 23% expect lower growth, reinforcing cautious optimism across the middle market.

Projected Growth in 2026 vs 2025



Growth expectations lower than 2023-2025 surveys

Data from our 2025 survey showed 88% expecting growth to be higher than in 2024. Each of the previous two surveys revealed just shy of 85% of participants expecting growth.

Economic Uncertainty Tops the List of External Risks

Economic uncertainty remains the top external concern for nearly 48% of respondents, followed by international conflict (25%) and supply chain disruptions (16%). The remaining responses varied from cybersecurity risks to environmental crises.

Strategic Planning & Organizational Change

As markets evolve, middle market businesses adapt their strategies to remain competitive. While efficiency and expansion top the list of priorities, many companies are also working to strengthen internal change readiness in response to emerging technologies and shifting talent demands.

Many businesses are preparing for change, with a focus on operational improvements to increase efficiency and reduce costs and expanding. Assessing the drivers of change and your organization's readiness could be the difference between wasted resources and a successful change. According to a survey from Arthur J. Gallagher & Co., "change fatigue" has been listed as a top five barrier, signaling the importance of a full assessment before embarking on a new technology implementation journey.

Focus On Reducing Cost and Becoming More Efficient

Cost reduction/efficiency and expansion into new markets are the top strategic priorities, followed closely by product innovation, talent acquisition, and retention.

Top Strategic Priorities in 2026

1 Cost reduction and efficiency improvements

4 Talent acquisition and retention

2 Expansion into new markets

5 Mergers and acquisitions

3 Product/service innovation

Ready for Change

Just under 63% feel somewhat or very prepared to manage significant change like M&A or restructuring. However, over a third of respondents are either neutral or underprepared, exposing gaps in organizational agility.

Digital Transformation and AI Rank as Lead Change Drivers

Digital transformation and AI adoption are cited as the primary forces driving organizational change (33%), followed by market expansion or restructuring (20%), workforce or cultural shifts (19%), and regulatory developments (15%). The remaining 12% cited M&A or a combination of market-based decisions or no change at all.

Tax Strategy & Financial Planning

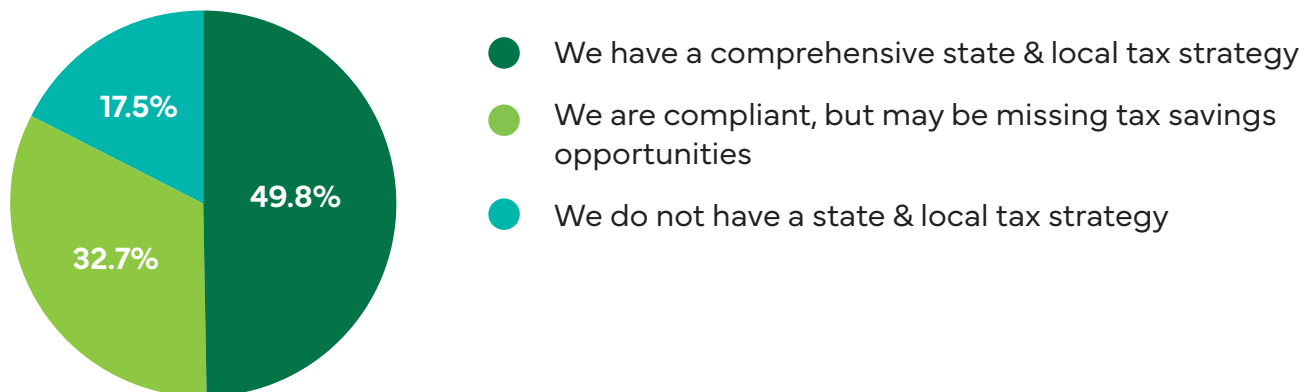
As businesses evaluate their financial strategies, tax efficiency and capital planning remain key priorities. The survey reveals opportunity gaps in state/local tax optimization and federal incentive utilization, with room for stronger financial planning.

Economic uncertainty remains the primary external concern for business owners, which puts an added emphasis on financial strategy, which includes M&A aspirations, capital raising plans, and tax strategy.

Varying Levels of State & Local Tax Preparedness

Only 50% report having a comprehensive approach, leaving businesses at risk of unnecessary costs or compliance issues. Half of the respondents may be missing opportunities or lack a formal state and local tax strategy altogether.

Status of State & Local Tax Strategy



Elevated Need for Tax Incentive Expertise and Guidance

Over 50% believe they fully leverage available incentives like R&D credits or 179D deductions. However, just less than half either lack expertise or are unaware of what they qualify for, signaling a need for better education and strategic support.

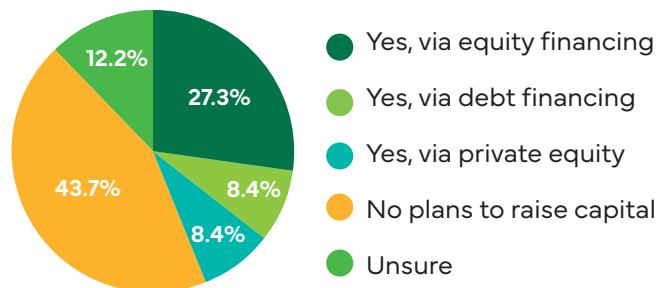
Utilization of Federal Tax Incentives



Cautious Approach to Capital Raising

While 44% have no plans to raise capital in 2026, over a quarter of businesses plan to do so—primarily through equity (27%), private equity and debt financing (both at 8%). A smaller sample (12%) was unsure. These financing strategies suggest continued growth planning, albeit with caution.

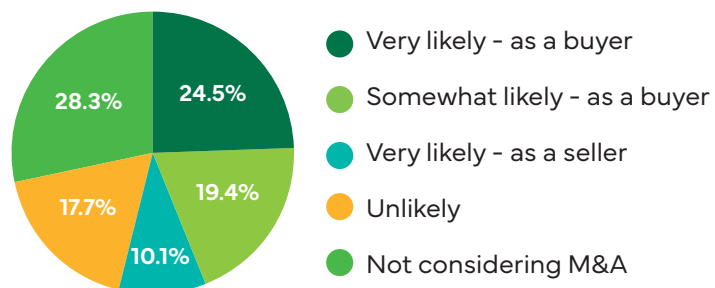
Intentions to Raise Capital in 2026



Many Considering M&A as Buyers and Sellers

Nearly 54% of businesses are considering M&A in the next year, 44% as buyers and 10% as sellers. Just higher than 45% say that M&A is unlikely or that they are not considering M&A at all.

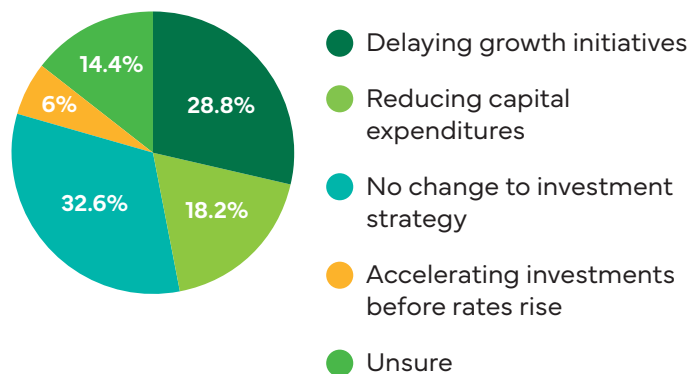
Plans for M&A Activity



Cost of Capital Still Inhibiting Aspirations

Over 50% of participants state that the cost of capital affects their plans—either delaying growth, reducing spending, or accelerating investments. The remaining portion (47%) states that the cost of capital is not impacting their investment strategy or that they are unsure.

Cost of Capital Impact



Workforce & Talent Strategy

Middle market businesses remain heavily focused on workforce management, balancing hiring needs, leadership planning, and retention strategies. The survey highlights ongoing challenges with turnover, hiring timelines, and leadership readiness.

There are countless variables within hiring and the labor market, but most business owners are pessimistic. The Wall Street Journal reports that one in five U.S. employers surveyed by the Conference Board plans to slow hiring in the second half of the year, which could bleed over into 2026.

Mixed Opinions on Talent Acquisition

Just over 57% of respondents are actively hiring or planning to do so within the next 6–12 months. The remaining participants state that they have no plans to hire within that period.

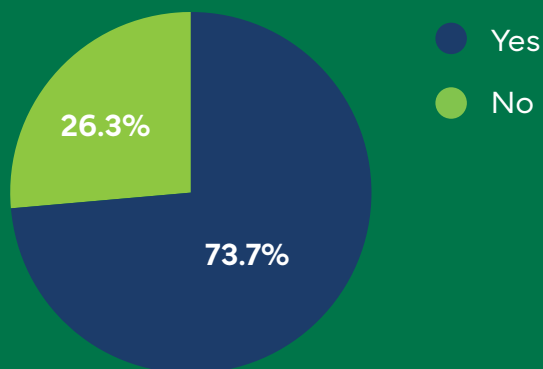
Hiring Outlook



Companies Turning to External Resources to Find Talent

A significant majority (74%) have sought external recruiting help, suggesting ongoing challenges in filling roles and maintaining pipelines for qualified candidates.

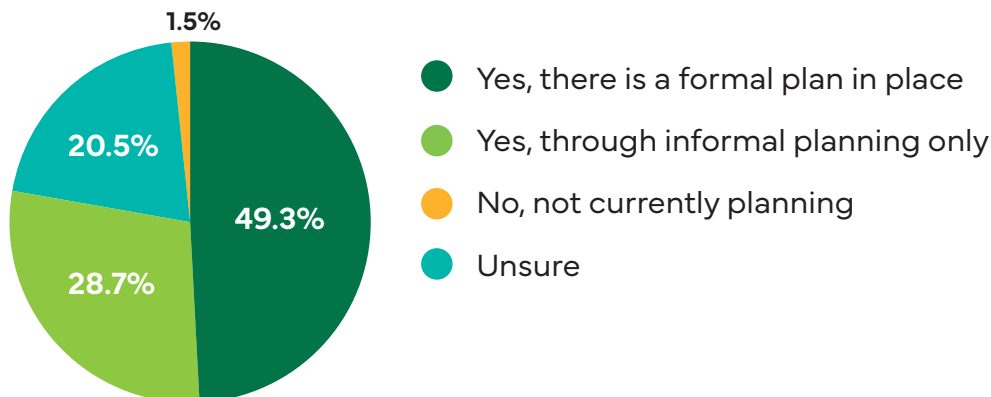
Use of Recruiting Assistance



Succession Planning Remains Uneven

While 49% have a formal plan, 29% rely on informal approaches, and 21% are not planning at all, which poses risks as key executives transition out of leadership.

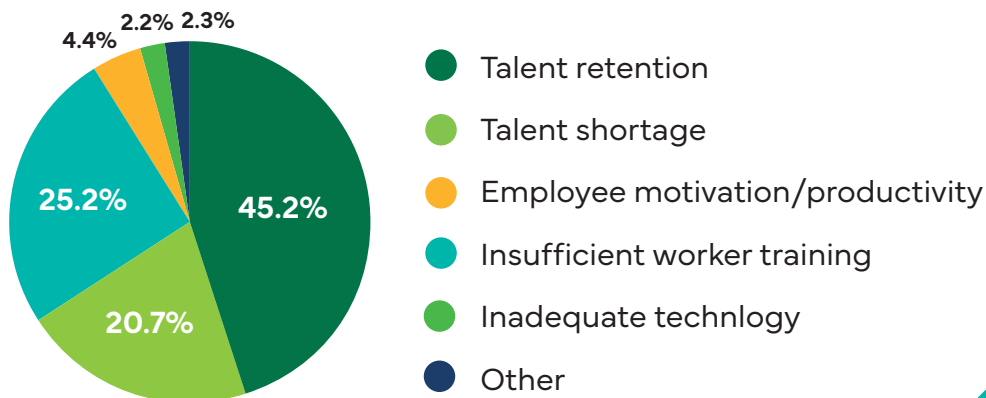
Planning for Succession



Strong Desire to Retain Top Talent and Increase Utilization

Talent retention (45%) and employee productivity (25%) are the top concerns for 2026. Talent shortages, training, and technology concerns also surfaced, pointing to the need for more comprehensive workforce development strategies.

Workforce Concerns



Technology, Cybersecurity & AI

Technology adoption continues to transform the middle market, led by rising AI usage and increased cybersecurity investment. Businesses are finding value in digital tools but are also grappling with evolving threats and internal resistance.

While global cybersecurity and risk management spending is projected to reach \$240 billion by 2026, cyberattacks are expected to cost a staggering \$11.9 trillion in the same period. The drastic difference between investment and cost of cyber incidents indicates that just as companies are acting to mitigate risk, threats are evolving to cause even more damage.

Cybercrime is Becoming Even More Common

Cyber threats are widespread, with 65% of respondents reporting attempted breaches or attacks. These threats are increasingly viewed as enterprise-level risks requiring active defense strategies.

65%

Have Experienced a
Cyber Incident

35%

Have **Not** Experienced a
Cyber Incident

Cyberattacks increased by more than 10% from 2025 survey

The 2025 Middle Market Survey reported that 51% of participants experienced an attempted network breach or cybercrime, and the number of reported breaches hovered around 50% for the past few years.

More Companies are Increasing Cybersecurity Investment

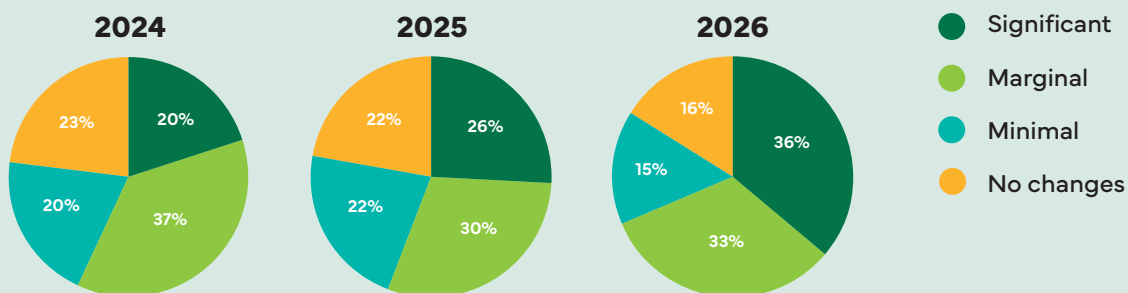
Over 80% of participants reported increasing cybersecurity budgets, with 36% planning significant increases of over 20%. This trend reflects growing recognition of the importance of data security and risk mitigation. This response shows further year-over-year growth in companies increasing their cybersecurity investment.

- 36% plan to increase their investment significantly (greater than 20%)
- 33% plan to increase their investment marginally (5 to 20%)
- 15% plan to increase their investment minimally (1 to 4%)
- The remainder (roughly 16%) are not planning to change their investment

Cybersecurity investment remains a key priority.

When asked this question in previous surveys, participants indicated that cybersecurity investment is a critical issue. This year, the largest percentage of participants significantly increased their cybersecurity investment.

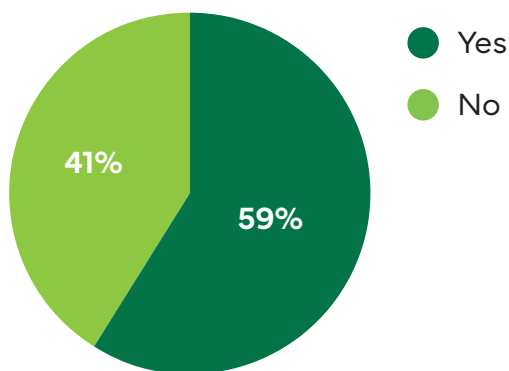
Cybersecurity Investment Trends



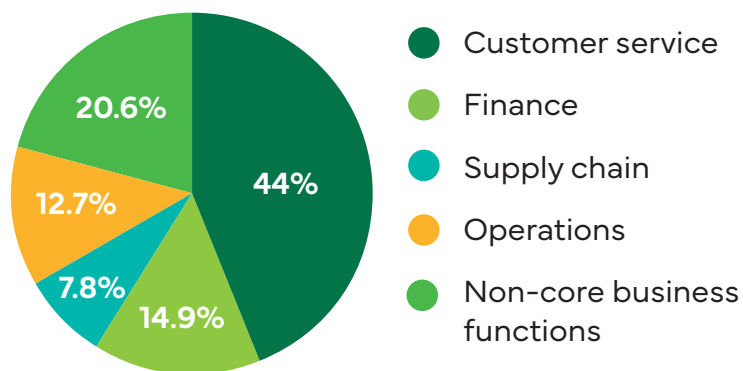
Mixed Opinions on AI, Application Varies

Just shy of 60% of respondents use AI today, with customer service and non-core business functions like marketing, social media, and design being the most common applications. AI is moving from experimentation to operational utility across industries.

Business Owners Using AI



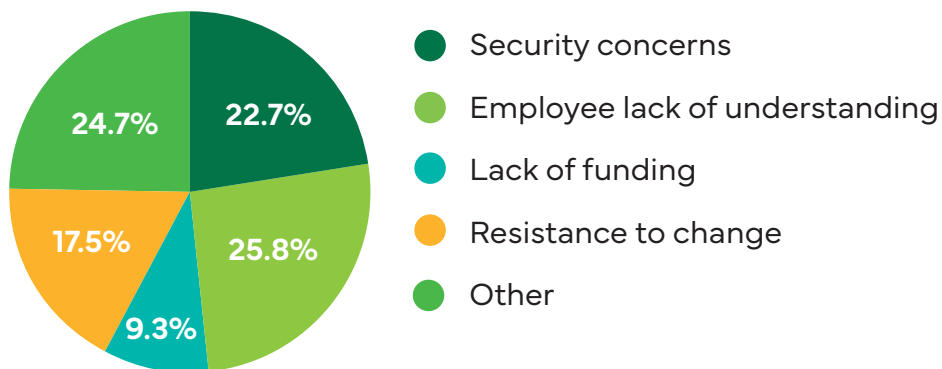
Applications of AI



Barriers to AI Utilization Still Exist

Lack of employee understanding (26%) and security concerns (23%) are the top barriers to broader AI use. Resistance to change and funding limitations also remain obstacles. Nearly 25% of participants responded "other," with some being unimpressed with AI, some not knowing how to utilize it, and some citing inaccuracies from the AI.

Barriers to AI Utilization



Address Critical Business Issues to Connect to Possibility

At UHY, we don't just interpret trends, we translate them into tailored strategies for growth, resilience, and long-term value creation. We understand the nuance and pace of the middle market because we are built to serve it. Whether your goals are bold or incremental, short-term, or generational, we'll meet you where you are and help you get where you want to go.

No matter what challenges your business is facing, UHY has the depth of resources and expertise to help you move forward with confidence. From tax and assurance to strategy, advisory, and beyond, our professionals collaborate with you to turn complexity into opportunity.

UHY is prepared to help business owners minimize risk while capitalizing on opportunities for growth. As one of the nation's largest professional services firms we provide audit, tax, consulting, and advisory services to clients primarily in the dynamic middle market.

We are innovators who bring our experience from working within numerous industries to our clients so that we can provide them with a 360-degree view of their businesses. Together with our clients, UHY works collaboratively to develop flexible, innovative solutions that meet our clients' business challenges.

Research Methodology

Participants received the 2026 Middle Market Survey via email, were completely anonymous, and were independent of UHY or its affiliates.



NATIONAL U.S. OFFICES

uhy-us.com/locations

GLOBAL MEMBER FIRMS

uhy.com/locations

866-993-6723

info@uhy-us.com

"UHY" is the brand name under which UHY LLP and UHY Advisors, Inc. provide professional services. The two firms operate as separate legal entities in an alternative practice structure. UHY LLP is a licensed independent CPA firm that performs attest services. UHY Advisors, Inc. provides tax and business consulting services through wholly owned subsidiary entities. UHY Advisors, Inc. and UHY LLP are U.S. members of Urbach Hacker Young International Limited (UHY International), a UK company, and form part of the international UHY network of legally independent accounting and consulting firms. Any services described herein are provided by UHY Advisors and/or UHY LLP (as the case may be) and not by UHY International or any other member firm of UHYI. Neither UHY International nor any member of UHY International has any liability for services provided by other members.