



## U.S. business confidence drops to lowest level since November 2020

June 5, 2025

*Concerns about inflation, recession, and the overall stability of the U.S. economy are driving down business confidence in the first half of 2025*

DES MOINES, Iowa--(BUSINESS WIRE)--Jun. 5, 2025-- New research from Principal® finds the [Principal Financial Well-Being Index<sup>SM</sup>](#) at 6.02 out of 10, down sharply from 7.8 in November 2024, and the lowest level recorded since November 2020. The Index is scored on a 0 to 10 scale, where 0 reflects no confidence in business health and outlook, and 10 reflects complete confidence. Though the drop in optimism mimics the sentiment of businesses during the COVID pandemic, unique macroeconomic concerns of today and lessons learned during the pandemic continue to shape employer response. For example, surveyed employers are focused on retaining staff with cuts potentially coming from discretionary spending or services.

While just 16% of employers believe the U.S. economy is currently growing—a 24-point decline from June 2024—most remain cautiously optimistic about their own business performance. A majority (56%) report growth in their individual business, and 29% believe their local economy is growing. However, both of those figures have declined steadily since late 2024, pointing to a broader pullback in optimism.

### Macroeconomic uncertainty drives down growth and optimism for SMBs

The latest Principal Financial Well-Being Index (Index) reveals that small and mid-sized employers are remaining stable, even as their concerns about business growth and the future reach levels not seen since the COVID-19 pandemic in 2020. The small-to-mid-sized business (SMB) index—calculated on perceptions of current financial health, year-over-year comparisons, and future business and economic outlook—dropped 14%, from 7.38 to 5.69, marking the steepest decline on record in the Index. Historically, businesses of this size have remained locally focused and somewhat insulated from broader economic volatility. But current data shows that macroeconomic uncertainty is increasingly shaping decisions on Main Street.

The Index shows growing concern among SMBs about the state of the U.S. economy, with over half describing it as either declining (49%) or struggling (5%). Top concerns include economic inflation (55%), U.S. economic stability (55%), and the possibility of a recession (49%). These issues are taking a clear toll on optimism, with just 36% of SMBs reporting they are optimistic about the year ahead, a sharp drop from 59% in November 2024.

“Uncertainty is pulling business owners out of a growth mindset and into stability mode,” said Amy Friedrich, president of Benefits and Protection at Principal. “After months of delays and mixed signals, what this market craves is certainty. Clear, sensible moves on tax and trade policy will give Main Street the confidence to move forward.”

### Despite uncertainty, employers hold steady on staffing

Even with economic headwinds, employers are holding the line on staffing. A full 90% report they’re either maintaining or growing their workforce, offering a clear sign they’re investing in their people rather than pulling back. Instead of resorting to layoffs, employers are sharpening their focus on operational efficiency. Nearly one in five (18%) are implementing cost-control measures, while 13% are making targeted staffing adjustments through selective hiring, reorganization, or enhanced retention efforts. Others have adjusted supply chain strategies to navigate persistent logistical and materials challenges.

“Businesses haven’t forgotten the hard lessons of the pandemic era. They’re doing everything they can to preserve staffing, benefits, and wages because they remember just how difficult it was to attract and retain talent as they began to ramp up their growth after the last economic downturn,” said Friedrich.

While staffing remains steady, additional challenges and considerations remain. The rising cost of healthcare (58%) and providing employee benefits (51%) remain top concerns for business decision-makers. At the same time, a striking 95% of employers report being affected by inventory or supply chain disruptions. In response, many are cutting non-essential spending like travel and events, reducing overhead, and streamlining processes to manage costs without compromising their workforce or customer experience.

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<sup>1</sup>As of March 31, 2025

<sup>2</sup>Ethisphere, 2025

<sup>3</sup>Pensions & Investments, 2023

### **About the Principal Financial Well-Being Index<sup>SM</sup>**

The Principal Financial Well-Being Index<sup>SM</sup> (WBI) Wave 1 (April 14–25, 2025) is recurring research used to track sentiment around repeated financial health measures and timely issues relevant to businesses. Business owners, decision makers, and business leader participants who represent companies with between 2 to 10,000 employees (n=1,000) provide information by completing a 15-minute online survey. Access to sample is provided by ROI Rocket, a third-party research panel provider.

In 2025, the WBI added a formal index. The index number in the WBI is calculated by taking responses from 6 perceptual measures evaluating current financial health, financial comparisons year over year, and future projections for business and economic outlook. The percentages of respondents who answered positively for each measure are averaged and standardized to a 0-10 scale, with perceptions of business / company, local economic, and U.S. economic growth weighted 60%, 20%, and 20% respectively within their aggregate measure.

Small businesses = 2–499 employees Large businesses = 500–10,000 employees

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