



U.S. Businesses Lean on Talent and Tech to Power Growth Amid Rising Costs

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Employers focus on technology investments, workforce stability, and cash flow while navigating a softened economic outlook

DES MOINES, Iowa--(BUSINESS WIRE)--Nov. 19, 2025-- Rising costs of business expenses and economic uncertainty are testing the resilience of U.S. businesses. The latest [Principal Financial Well-Being IndexSM](#) finds optimism among business leaders has declined, with confidence dipping to 6.5 out of 10 in October 2025 from a slight rebound of 6.8 in July 2025. The Index reveals a widening outlook gap between small to midsized businesses (SMBs) and large businesses, as small to midsized employers manage day-to-day pressures from rising costs, realized tariffs, and shifting economic conditions.

Less than half (45%) of U.S. business decision-makers are optimistic about the overall economic outlook for the next 12 months. Optimism among SMBs (40%) remains lower than larger employers (53%), as SMBs continue to absorb a greater share of rising business expenses compared to large employers.

Even with a softer economic outlook, SMBs are confident in their own growth. About six in ten (61%) expect to grow over the next year, despite feeling less optimistic about the broader local and national economy. Only 26% anticipate growth in their local economy in the next year, and just 19% expect the U.S. economy to grow.

“The impacts of cost increases and economic uncertainty are influencing how businesses across the country are planning for growth in the coming year,” said Amy Friedrich, president of Benefits and Protection at Principal[®]. “They’re realistic about the challenges in the broader economy while focusing on what they can control — building strong balance sheets, supporting their employees, and positioning their businesses for growth.”

Staffing is stable in the private sector with AI impacts yet to be seen

The employment outlook remains largely stable in the private sector with 91% of businesses maintaining staff levels (44%) or increasing headcount (47%) over the past three months. Looking ahead, two-thirds (66%) of employers, including 72% of SMBs, say they do not expect to reduce staff over the next year.

Although AI adoption has not yet emerged as a primary driver of staffing decisions, its potential impact on the workforce is gaining attention. Across all businesses, 60% expect AI to influence wage increases and 23% expect it to influence staffing increases in the next 1-2 years. Both large and small businesses are viewing AI adoption as a force for expansion. However, businesses do not expect AI adoption to lead to reduced labor costs overall, with just six percent of all business leaders surveyed expecting to see both staffing and wages decline.

Costs come into focus as businesses look to 2026

After six consecutive months of rising expenses, businesses are entering 2026 with a sharper focus on cost control. In the past three months, nearly three quarters (73%) of employers report higher expenses --unchanged from July. Healthcare costs remain the leading concern for business decision makers, cited by 62% of employers, a 12-point increase since July 2025. Beyond healthcare, labor costs, inflation, and economic stability continue to be major concerns.

With cost pressures weighing heavily, many business leaders are taking a disciplined approach to growth in the year ahead. More than half plan to upgrade technology or infrastructure (53%) and reinvest cash on hand (50%), while others are preparing by building cash reserves (48%) and paying down debt (46%).

“The story of 2025 is that many businesses are primed for growth, but broader conditions haven’t caught up yet,” said Friedrich. “Employers are ready to modernize, engage their teams, and grow, while diligently planning for multiple scenarios amid ongoing uncertainty.”

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¹ As of September 30, 2025

² Ethisphere, 2025

About the Principal Financial Well-Being IndexSM

[The Principal Financial Well-Being IndexSM](#) (WBI) Wave 3 (September 29 – October 17, 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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