B2B Economy Bulletin

A Quarterly Look at Business Spending & Sentiment

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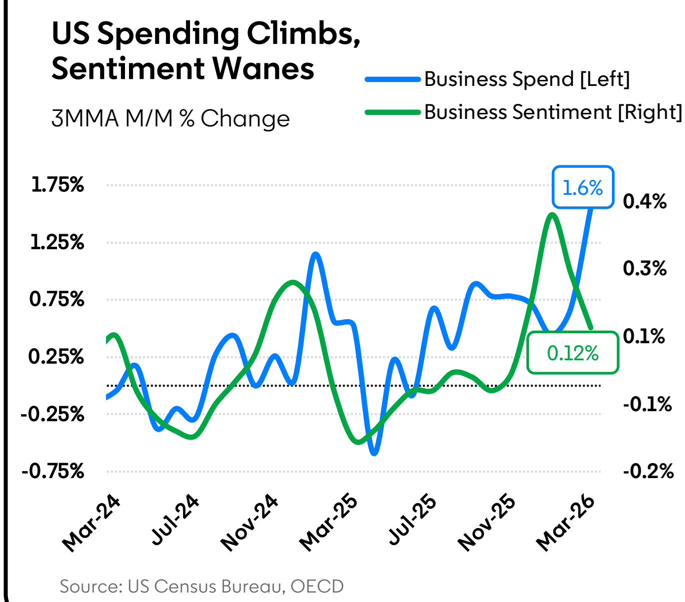


SPENDING SURGES AS CONFIDENCE WEAKENS

- US capital goods orders surged 3.4% in March, the sharpest monthly increase in years, lifting Q1 growth well above pre-pandemic trends despite little improvement business sentiment. Gains across equipment tied to technology infrastructure and manufacturing capacity drove spending.
- Business sentiment has improved since the end of 2025, but improvement has recently slowed as geopolitical tensions intensified, even with accelerated spending.
- Marketing budgets remain constrained while sales hiring fluctuates; marketing roles trail sales hiring in the US and Germany.
- The US small business outlook has deteriorated this year: only 7% say it is a good time to expand—the lowest since October 2024—while large firms continue investing, widening the gap by firm size.

KEY DEVELOPMENTS

- Business spending accelerated sharply in Q1—especially in March, with the largest increase since January 2022. In contrast, sentiment gains peaked in January and stalled by March, with the slowdown beginning alongside escalating geopolitical tensions in the Middle East. Despite a weakening outlook, firms continued to invest, suggesting either long lead times for capital projects or a disconnect between strategic decisions and sentiment surveys. For B2B companies, this creates a planning challenge: buyers are executing budgets approved in late 2025, but weakening sentiment introduces challenges going forward.
- US capital-goods orders have risen steadily since April 2025, surging 3.4% in March (1.6% on a 3MMA basis), up sharply from 0.71% in December 2025. Gains were broad-based across equipment categories tied to technology infrastructure and manufacturing capacity. The pattern suggests firms are completing investment projects initiated in 2025 rather than pulling back despite weaker sentiment. Atlanta Fed survey data show sales growth expectations easing to 5.30% in April (from 5.38% in March) as uncertainty edged higher.

- Recent BEA estimates show that business spending on equipment and structures surged 10.4% in Q1—the strongest growth since Q2 2023. The US economy grew at a 2% annual rate, supported by record investment in AI. Census Bureau data indicate that about 20% of US firms currently use AI, a share projected to approach one-quarter within six months. Adoption varies widely by sector—about 40% in information technology and professional services versus around 13% in manufacturing and retail.

- The April 2026 Senior Loan Officer Survey shows diverging credit conditions across loan categories. In commercial real estate, banks have eased or left most terms unchanged over the past year, citing competition from other lenders. By contrast, standards for commercial and industrial loans have remained unchanged or tightened modestly, with banks citing economic uncertainty and borrower credit risk. Overall, this creates a two-tiered environment: firms seeking property financing face increasingly favorable terms as lenders compete for deals. Firms seeking operating or working capital face stable-to-tighter conditions.

- The Chicago Fed National Financial Conditions Index showed brief tightening through mid-March, with the adjusted index rising from mid-December through late March. Conditions loosened again in April, with the adjusted index falling back to late 2025 levels. The brief tightening appears driven by geopolitical risk rather than underlying credit conditions or monetary policy. Throughout, conditions remained well below historical averages as negative readings indicate easier-than-normal access to credit and lower risk premiums. For large enterprises, financing remains readily available and relatively inexpensive. Whether this extends to middle-market firms—less fully captured by the index—remains unclear.

- The National Federation of Independent Business Small Business Optimism Index remained below its 52-year average for a second straight month in April. More concerning, forward-looking indicators weakened sharply. Only 7% of small business owners said it was a good time to expand. Expected business conditions fell 7 points to a net 4%—the fourth consecutive monthly decline. Sales also weakened, with a net 8% reporting lower nominal sales. Employment plans softened as the index fell below its 2025 average, though still slightly above the historical norm.

- OECD data show overall business confidence in the US and EU rose from December 2025 to April 2026, nearing long-term averages after most of 2025 below them. Shared improvement in confidence across regions points to common drivers—likely monetary policy normalization, easing inflation, and expectations around AI—simplifying scenario planning for B2B businesses. However, momentum has begun to stall as surging energy prices threaten this progress. LinkedIn's Executive Confidence Index is flat year-over-year in the US and declining in Europe. US executives' confidence in profitability has fallen to a four-year low and hiring intentions have reached record lows across all seniority levels, even as more plan to increase investment in employee learning and development, prioritizing productivity over headcount growth. Taken together, these patterns suggest a shift from a "wait-and-see" stance in 2025 to a more selective and cautious form of optimism—where firms remain constructive on the outlook but increasingly defensive in how they allocate resources.

- LinkedIn's Economic Graph shows that sales hiring relative to overall hiring in the US weakened notably in Q1 2026 and is back on par with its 2024-2025 relative pace. In the US, marketing hiring has stabilized relative to overall hiring, while in Germany it deteriorated further before recovering modestly. The gap between the two functions has narrowed slightly as sales hiring has not kept pace with overall hiring. This shift suggests firms are constraining both revenue-generating capacity and top-of-funnel investment, signaling broader caution about growth prospects.

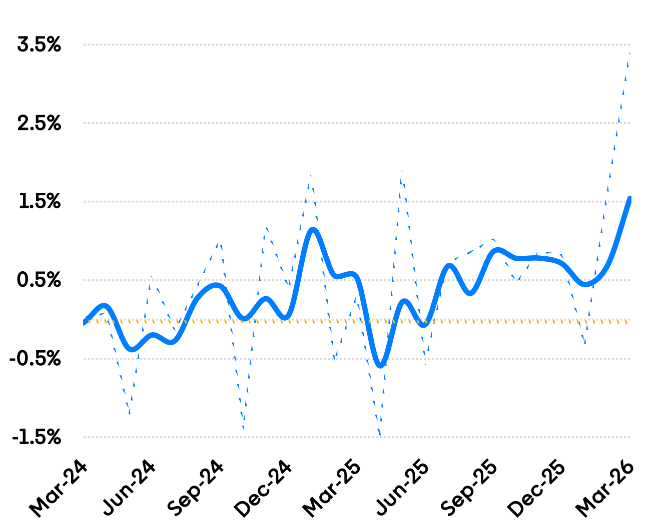
THE OUTLOOK

Q1 2026 ended with business investment at its strongest pace in over a year, even as improvements in sentiment stalled. The surge in capital goods orders suggests firms are executing investment plans, but forward-looking indicators point to more cautious positioning for the rest of the year. Small businesses, in particular, face growing pressure. Their sentiment remains below long-term averages; expansion appetite has fallen to post-pandemic lows, and borrowing activity continues to decline. This contrasts with large enterprises, where spending has accelerated and financing remains readily available.

The bifurcation in B2B markets seen in Q4 2025 has widened. Companies selling capital equipment and technology infrastructure benefited from the Q1 2026 surge, but its sustainability depends on whether sentiment recovers or spending adjusts downward to match current outlooks. Firms serving small and middle-market customers should prepare for sustained budget discipline and longer sales cycles. The key question for mid-2026 is whether spending will continue to outpace sentiment—or whether sentiment will ultimately pull spending lower.

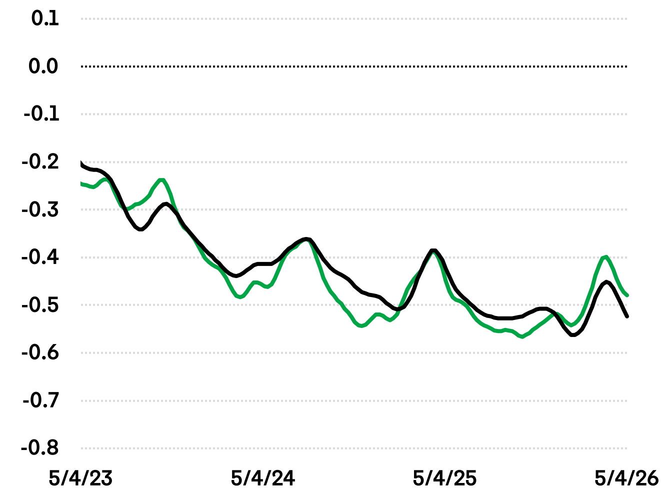
Solid US Capital Spend Growth

M/M % Change



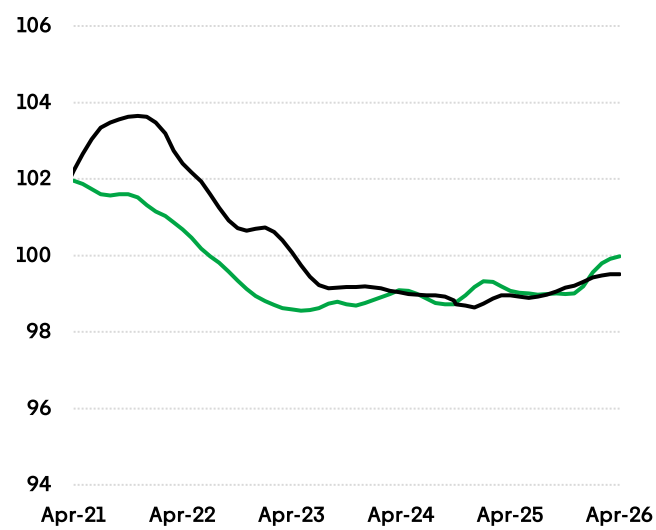
Source: US Census Bureau

US Financial Conditions Hold Steady



Source: Federal Reserve Bank of Chicago

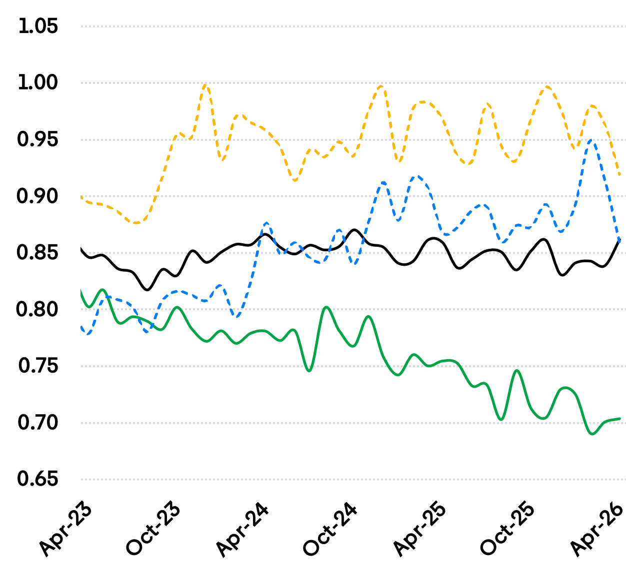
Business Confidence Recovery Stalls



Source: OECD

US Sales Tracks Overall Hiring

Relative LinkedIn Hiring Rate



Source: LinkedIn

ABOUT THIS BULLETIN

The LinkedIn Economic Graph's B2B Economy bulletin provides a quarterly look at key developments in business sentiment and spending.

Why business spending matters. Spending on assets like machinery, buildings, equipment, intellectual property, and technology accounts for about 10% of GDP in both the US and EU. Economists call such expenditures "fixed investment." It serves as one of the broadest measures of the size of the B2B economy and plays an immense role in driving business cycles.

Why business sentiment matters. Business confidence can provide an early signal on near-term economic developments and turning points in business cycles. Improving confidence is often correlated with improvements in the economic outlook and may be indicative of changes in sales targets, deal cycles, and marketing budgets.

GLOSSARY

3MMA. 3-month moving average.

M/M % Change. Month-over-month percent change.

Fixed Investment. Fixed investment by businesses, also known as "nonresidential investment", includes spending by businesses on structures, equipment, and intellectual property products (including but not limited to software). It accounts for 10% to 12% of GDP in the US and EU. A major category of business spending that is not included is inventories (stock-building). It also excludes spending on residential structures, whether single-family homes or apartment buildings. Business fixed investment plus residential fixed investment tallies up to about 20% of GDP in the US and EU.

LinkedIn Hiring Rate. The count of hires (LinkedIn members in who added a new employer to their profile in the same month the new job began), divided by the total number of LinkedIn members in the U.S. By only analyzing the timeliest data, we can make accurate month-to-month comparisons and account for any potential lags in members updating their profiles. This number is indexed to the average month in 2016; for example, an index of 1.05 indicates a hiring rate that is 5% higher than the average month in 2016.

Relative LinkedIn Hiring Rate. The LinkedIn Hiring Rate for a subnational group indexed to the national LinkedIn Hiring Rate. For example, an index of 1.05 indicates a hiring rate that is 5% higher than the national hiring rate.