CarbonArc

The infrastructure for the AI economy

JULY 2026 — SMB PAYROLLS

A Mild Summer Dip as the Annual Trend Firms

An early read on July SMB payrolls shows a shallow, seasonal dip in the workforce, with annual growth firming and gains broadening across sectors.

–0.28%
WORKFORCE M/M

+1.67%
WORKFORCE Y/Y

17 of 19
SECTORS GROWING Y/Y

EXECUTIVE SUMMARY

The SMB Workforce’s Summer Dip Was Mild as Annual Growth Firmed

The SMB workforce edged down 0.28% M/M in July, a mild and seasonal decline that ran far shallower than the past two Julys. Y/Y growth firmed to 1.67%, its strongest July reading since 2023.

WORKFORCE

+1.67% Y/Y

The SMB workforce dipped just 0.28% M/M, a mild seasonal move and far shallower than the past two Julys, while Y/Y growth firmed to 1.67%, the strongest reading for a July since 2023.

REGIONS

9 of 9

Every Census Division posted positive annual growth, up from seven in June, as the steep monthly declines shrank to shallow dips.

SECTORS

17 of 19

Almost all sectors grew year over year, still led by production and distribution. Only Information and seasonally quiet Education lagged.

WAGES

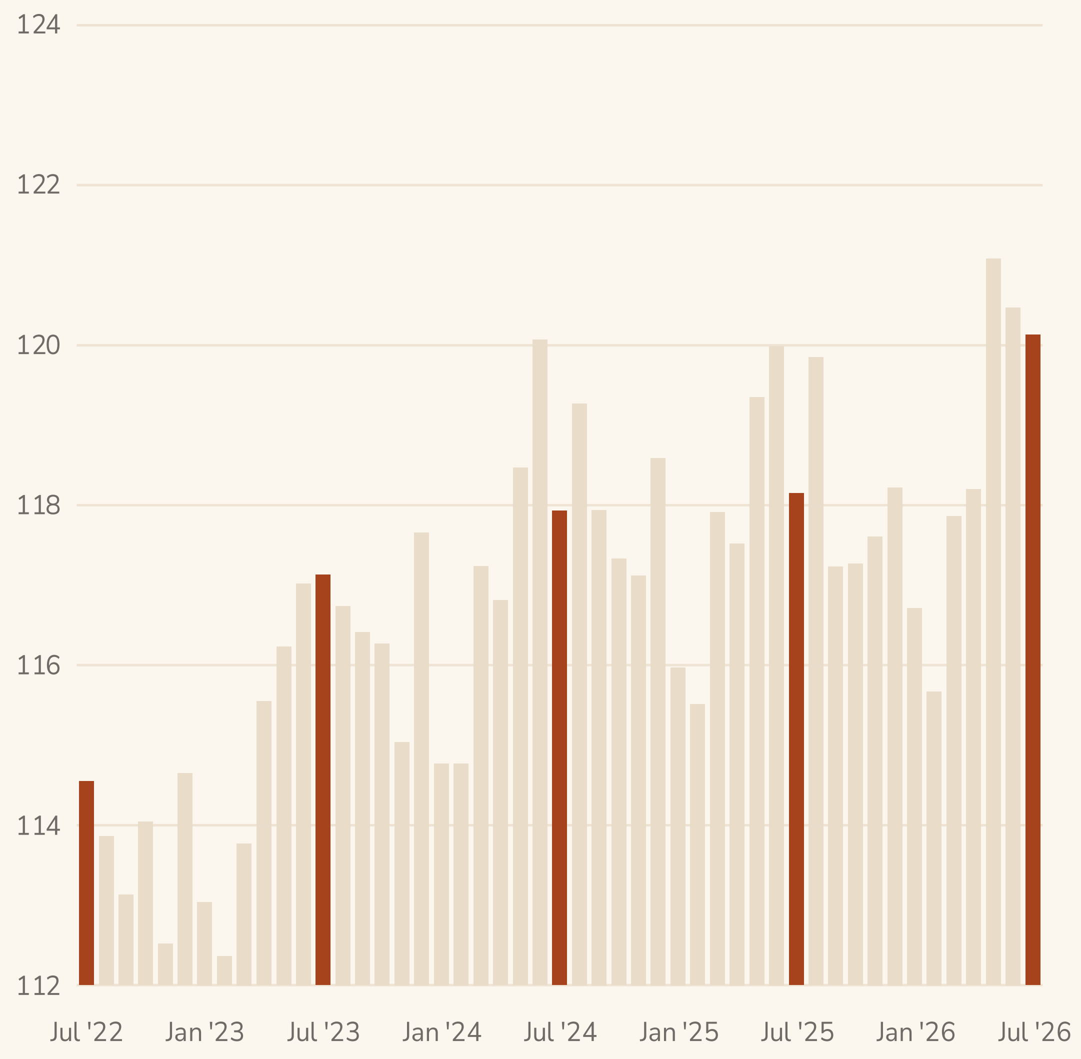
Diverging

A steady 3.1% national average masks opposite moves by region: the highest-growing North Central divisions and the Pacific continue to ease, while the slower-growing South Atlantic and Middle Atlantic divisions edged up.

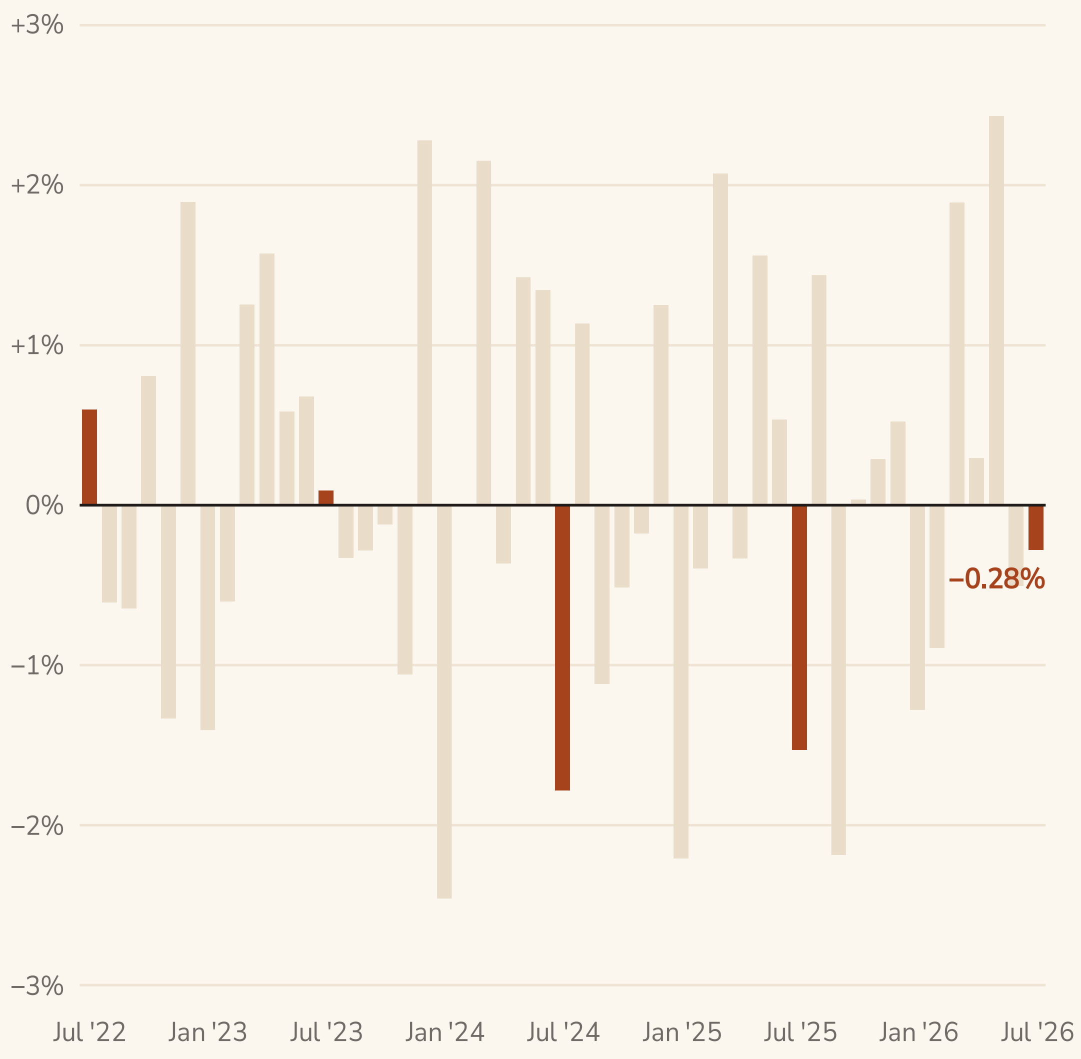
SMB Workforce Dipped Only Slightly in July as the Annual Trend Strengthened

The SMB workforce edged down 0.28% M/M in July 2026, a smaller decline than June and well short of the summer drop seen in each of the past two Julys. Y/Y growth firmed to 1.67%, its strongest July reading since 2023, indicating the underlying trend continued to strengthen even as the index followed its usual seasonal pattern lower.

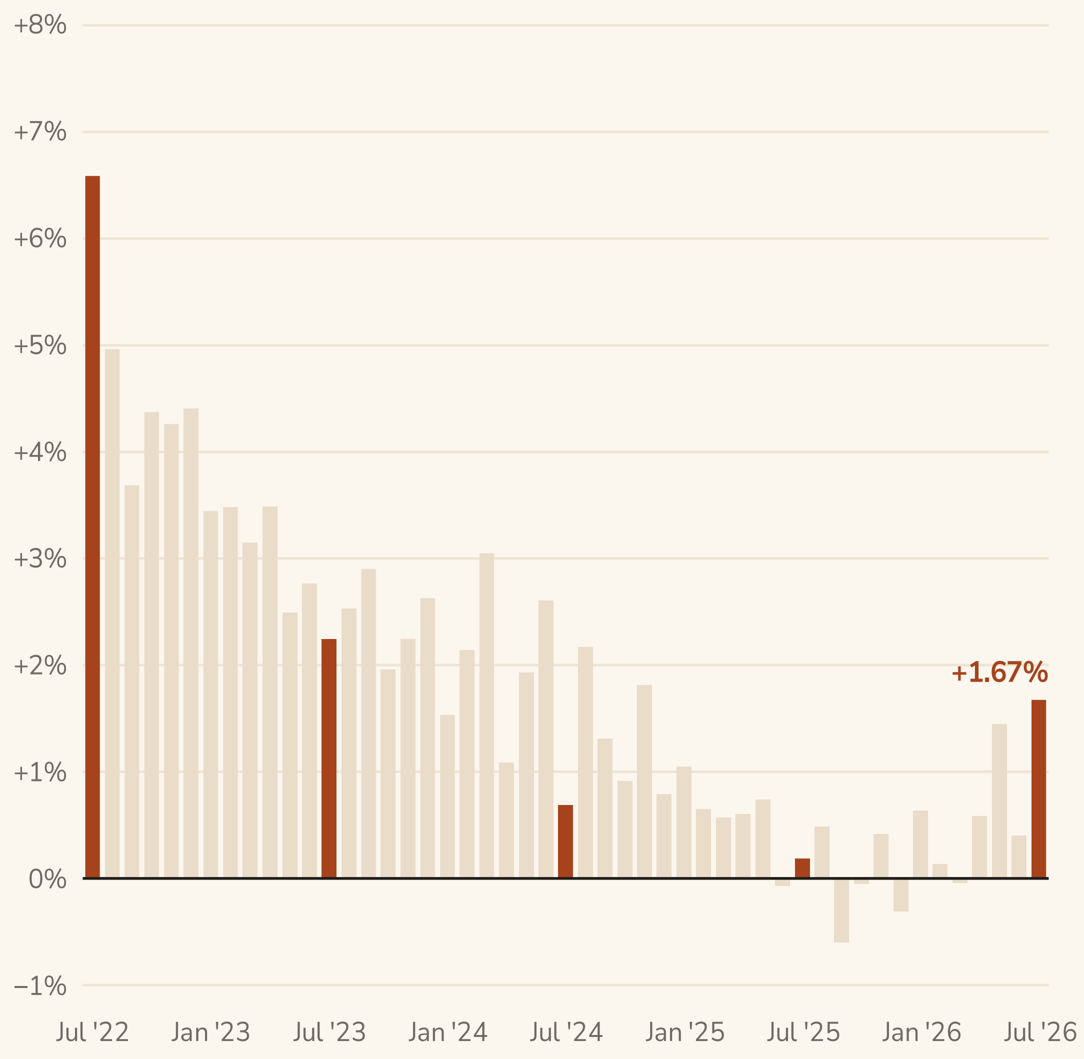
Indexed unique workers



M/M change



Y/Y change



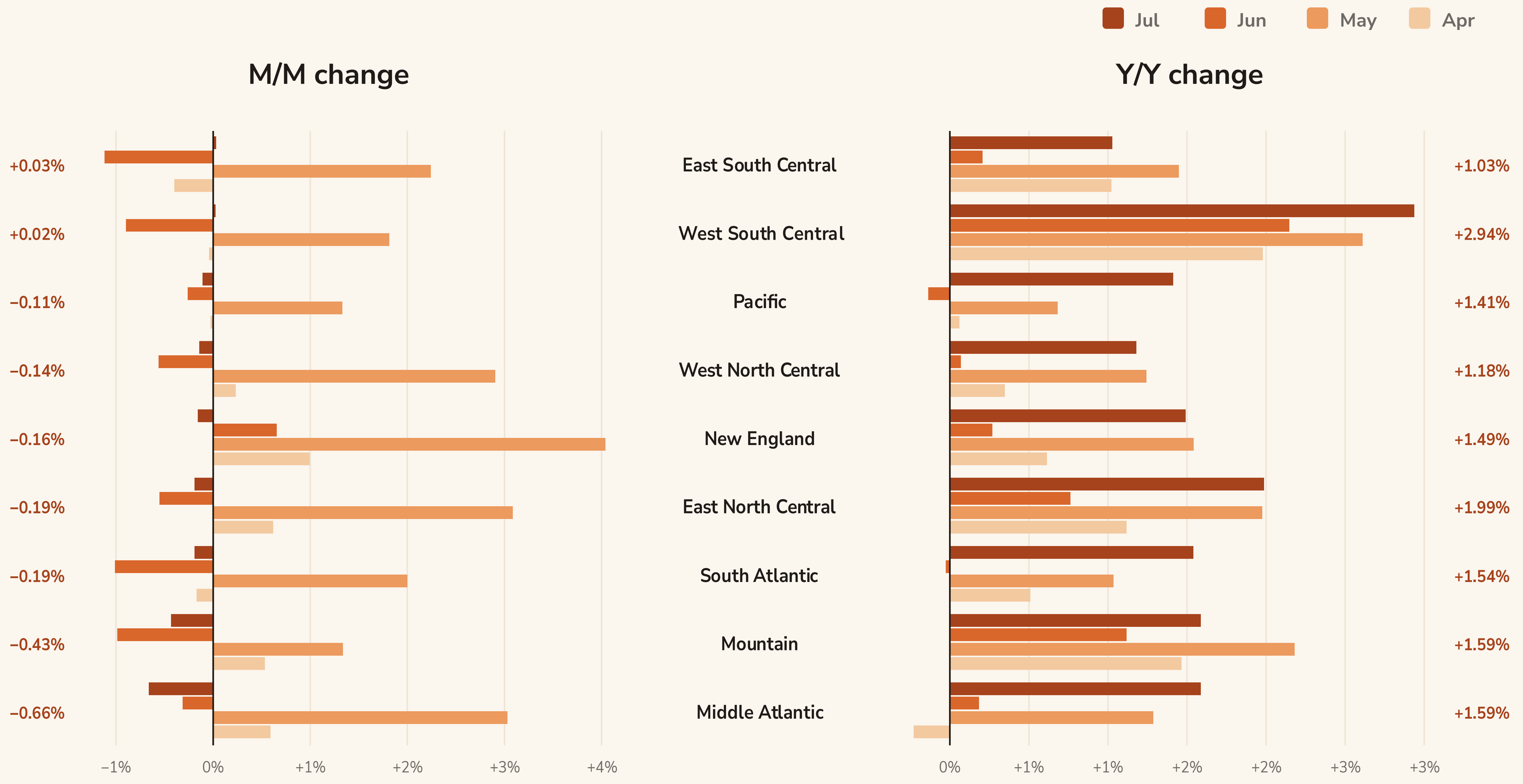
July (highlighted for year-over-year comparison)

Source: Carbon Arc SMB Workforce — CA0055
Price: requires row-level Block data access, available on request

REGIONS

Regional Trends Stabilized in July, With Annual Growth Positive Across the Board

Regional momentum steadied in July. The steep, near-universal monthly declines of June gave way to only shallow dips, and Y/Y growth returned to positive territory in all nine Census Divisions, a marked improvement from the prior month.



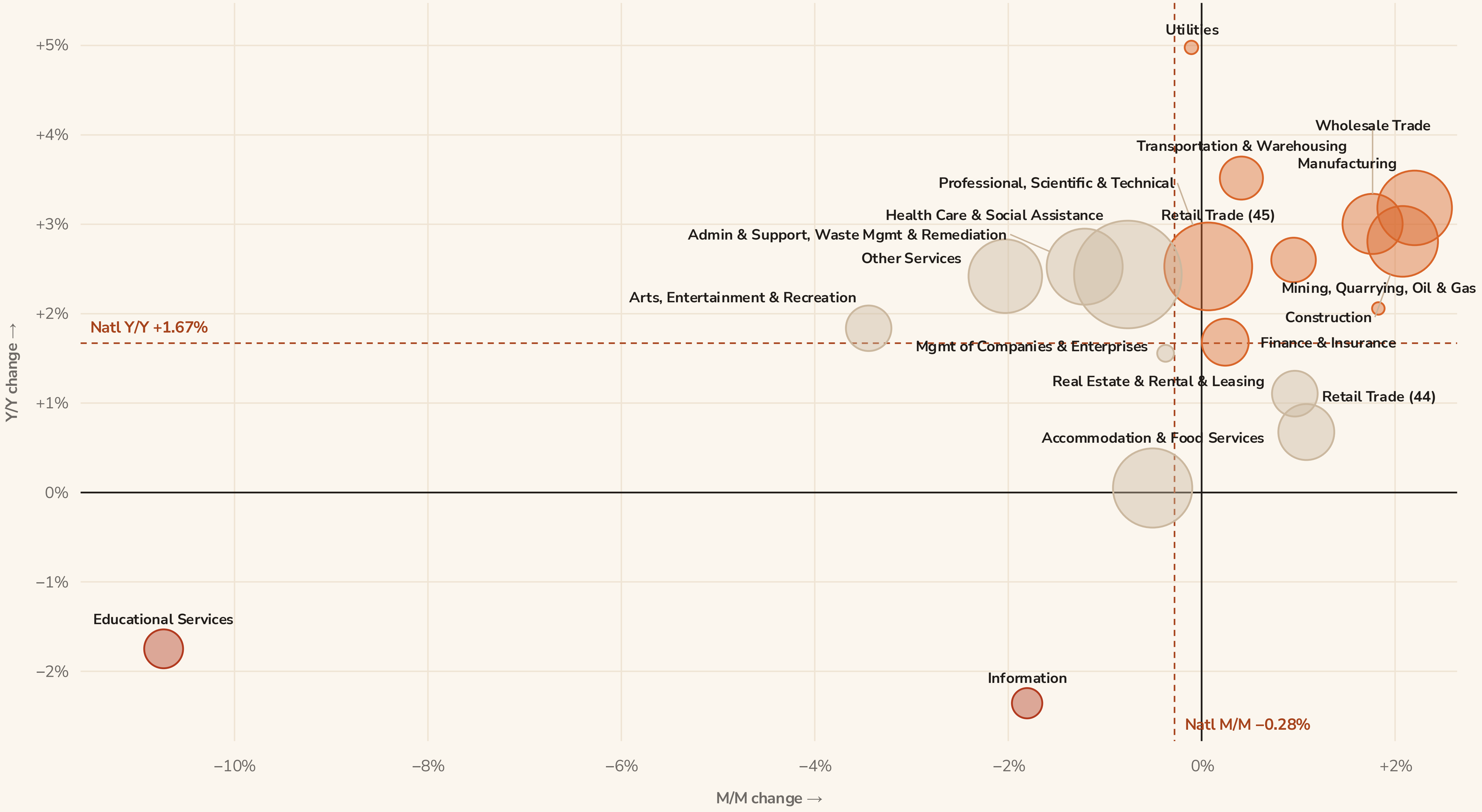
KEY TAKEAWAYS

- The monthly pullback narrowed sharply. Most divisions posted only slight M/M declines, with East South Central and West South Central edging positive, a broad improvement from June's steep and universal drop.
- Annual growth strengthened across every division and is now firmly positive everywhere, led by West South Central. The Pacific and South Atlantic, both negative on a Y/Y basis in June, rebounded to solidly positive readings.

SECTORS

Production and Distribution Kept Leading as Sector Breadth Firmed

Y/Y (y-axis) and M/M (x-axis) change by NAICS-2 sector · bubble size = employment · dotted lines = national levels



KEY TAKEAWAYS

- Construction, Manufacturing, Wholesale Trade, and Mining stayed strongly positive M/M and continued to lead on a Y/Y basis, extending a theme that has held for several months.
- The headline monthly decline was concentrated in Educational Services, which fell sharply on the summer academic calendar, alongside softer Arts, Entertainment & Recreation and Other Services.
- Annual growth was positive in all but two sectors, with most posting readings between roughly 1.5% and 3.5% Y/Y, a broader base of strength than in prior months.
- Information remained the clear laggard, the only non-heavily seasonally influenced sector negative on both an M/M and Y/Y basis.

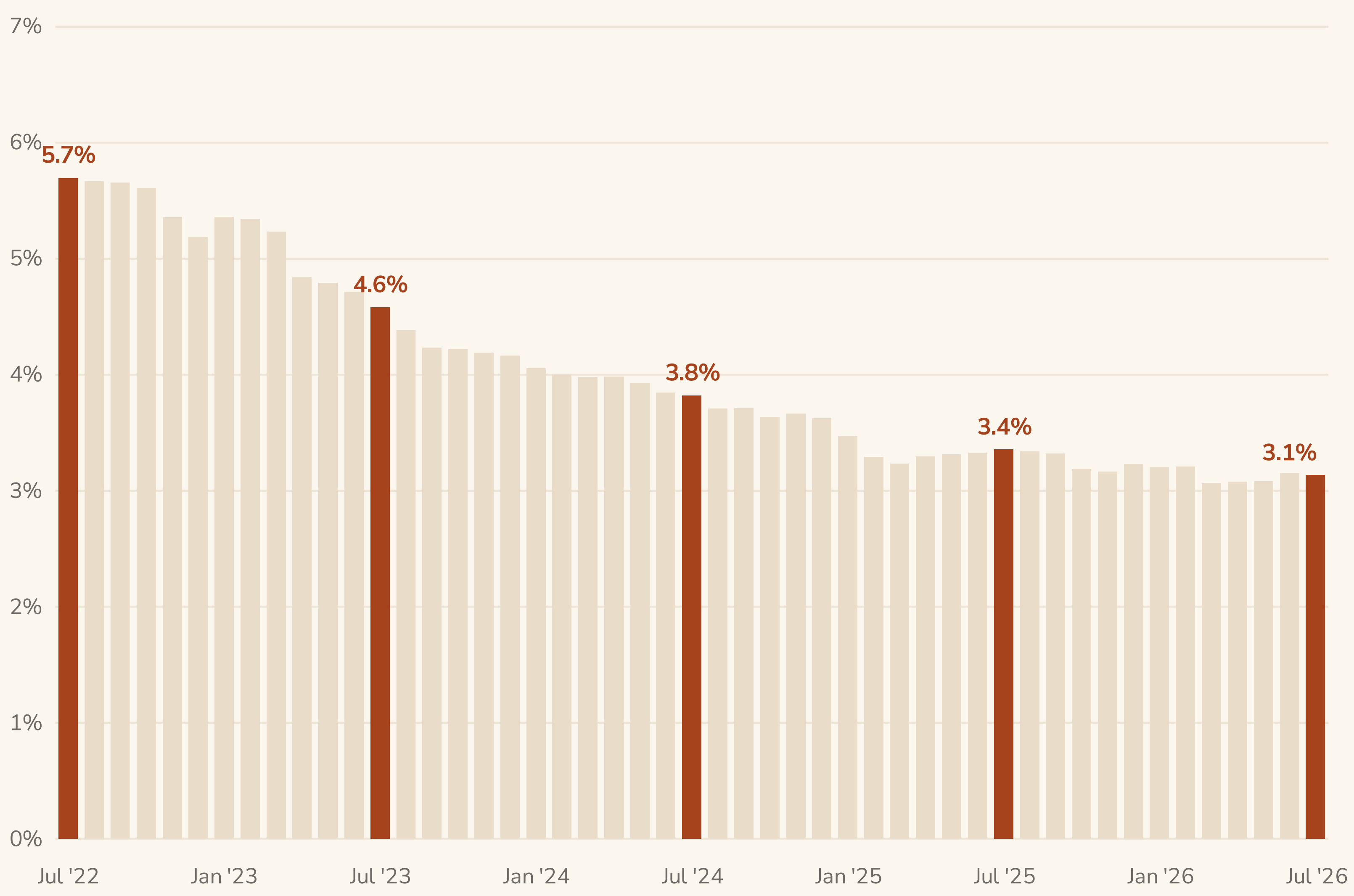
Source: Carbon Arc SMB Workforce — CA0055
Price: requires row-level Block data access, available on request

WAGES

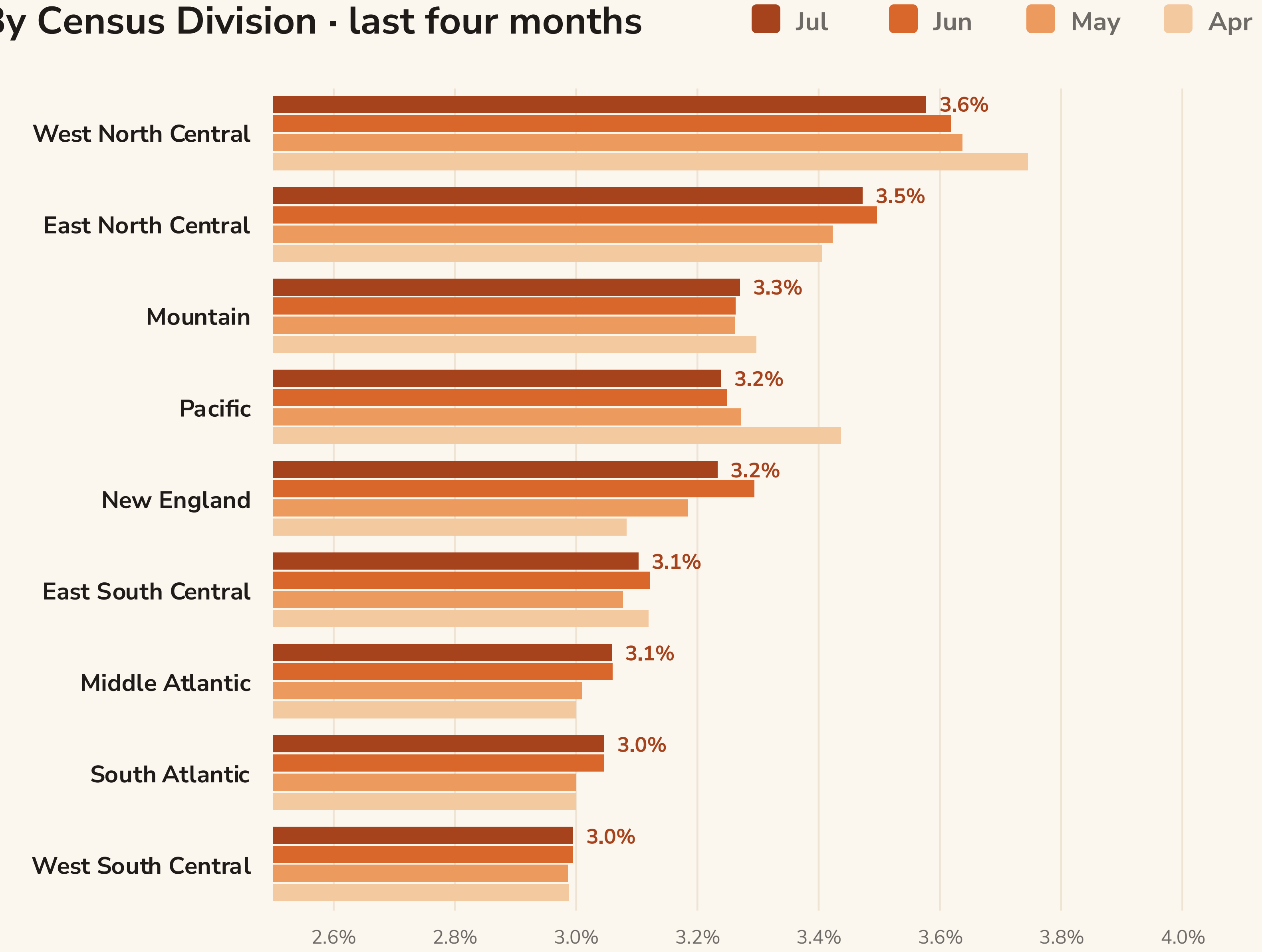
Wage Growth Held Steady as Regional Trends Diverge

Y/Y wage growth for consistently employed full-time workers held near 3.1% in July, but the steady national average masked opposite regional moves. The highest-growing North Central divisions and the Pacific eased, while the lower-growing South Atlantic and Middle Atlantic divisions edged up, narrowing the spread.

Rolling 3-month Y/Y change in median full-time wages



By Census Division · last four months



Source: Carbon Arc SMB Workforce — CA0055
Price: requires row-level Block data access, available on request