1WEST

Q3 2026 Edition
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SMALL BUSINESS HEALTH INDEX

The Confidence Gap, Still Open. And Now the Applicants Are Cooling Too.

65.2 / 100

Q3 2026 SBHI score. Q2: 69.1. Q1: 68.9.

AVG REVENUE	CREDIT SCORE	TIME IN BUSINESS
$738K	650	8.34 yrs
Down about 20% vs Q2	New basis*	Edging up

CREDIT READINESS	APPLICATIONS	DATA WINDOW
66.7%	48,975	Q3 2026
Down 2.2 pts vs Q2	Record volume	Jul 1 to Sep 30

EXECUTIVE SUMMARY

Demand keeps rising. Strength is starting to soften.

The 1West Small Business Health Index closed Q3 2026 at 65.2 out of 100, down 3.9 points from 69.1 in Q2 and the first decline since the index launched. Demand kept climbing, with a record 48,975 applications, but the applicants themselves cooled. Average revenue fell about 20% from its Q2 peak to $738K and Credit Readiness slipped to 66.7%. Time in business held above eight years, so these are still seasoned operators.

The Confidence Gap we named in Q1 has not closed. What is new is a harder question: if applicants are cooling too, is this still only a story about access to capital? One quarter is a data point, not a pattern. We will keep measuring.

SECTION 01

Applicant Health Overview

For two quarters, applicant strength held at record levels. In Q3 it held in some places and softened in others. Time in business stayed above eight years, so these are still seasoned operators. Revenue and Credit Readiness are where the cooling shows.

$738K
Average Annual Revenue
Down about 20% from Q2, but still well above the $439K to $583K annual averages of 2022 through 2025 (current data).

66.7%
Credit Readiness
Down 2.2 points from 68.9% in Q2, the lowest reading since Q4 2025.

650
Average Credit Score
Calculated on a new basis this quarter, so it is not directly comparable to Q1 and Q2. On this basis, annual averages have sat between 650 and 653 every year since 2022.

8.34 yrs
Average Time in Business
Edging up from 8.33 in Q1 and Q2. Applicants are experienced, with track records, not startups chasing early capital.

QUARTER	APPLICATIONS	AVG REVENUE	AVG CREDIT	TIME IN BUSINESS	CREDIT READINESS
Q1 2025	32,922	$786K	592	7.51 yrs	61.9%
Q2 2025	29,275	$742K	590	7.20 yrs	60.6%
Q3 2025	39,130	$795K	590	8.38 yrs	67.1%
Q4 2025	34,480	$773K	591	7.51 yrs	63.0%
Q1 2026	46,001	$926K	602	8.33 yrs	69.7%
Q2 2026	46,412	$948K	601	8.33 yrs	68.9%
Q3 2026	**48,975**	**$738K**	**650***	**8.34 yrs**	**66.7%**

*Q3 2026 credit score is calculated on a new basis (see Methodology). Earlier quarters are shown as originally published.

SECTION 02

Funding Activity

Demand did not cool. Q3 applications reached 48,975, up about 6% from Q2 and about 25% above the 39,130 logged in Q3 2025. It is the highest single-quarter volume in our dataset. More small businesses are asking for capital than ever. They are arriving a little less strong than the cohort before them.

48,975
Application Volume
A third straight quarter of rising volume, and the highest on record. Demand for small business capital keeps building.

65.2 / 100
Applicant Quality
Down 3.9 points from Q2. Strong by any historical measure, but the first step back since the index began.

3 quarters
Of Rising Demand
46,001 in Q1, 46,412 in Q2, 48,975 in Q3. The direction on demand is unambiguous.

"More applicants. Less cushion. A gap that is still open."

In an easy market, record demand would mean record funding. That is not what the data shows, and it is the same tension we reported in Q1 and Q2. What changed this quarter is that the pressure is starting to show up in the applicants too.

SECTION 03

The Confidence Gap, Still Open

The Confidence Gap we introduced in Q1 is the distance between demonstrated readiness and actual access to capital. It did not close in Q3. Applicants arrived in record numbers, with more than eight years in business on average, and access to capital did not widen to meet them.

Q3 also adds a complication we want to be honest about. For two quarters, the strength of the applicant pool was the cleanest part of this story, and the problem sat on the capital side. This quarter the applicant side moved too. Revenue cooled. Credit Readiness slipped. The index fell 3.9 points.

That does not erase the gap. It changes the question. If strong applicants meet tight capital, that is an access problem. If the applicants themselves are softening as well, some of what we are seeing may be the squeeze showing up in the businesses themselves. One quarter is a data point, not a pattern. We will keep measuring, and we will say plainly what we find.

The longer view

Zoom out and the picture is steadier than one quarter suggests.

141,775
Applications, Jan 1 to Sep 30, 2026
Current data. Already ahead of all of 2025, which totaled about 128,000.

8.34 yrs
Time in Business, Q3 2026
Versus an average of about 6.5 years across 2022 through 2025.

$796K
Average Revenue, Jan 1 to Sep 30, 2026
Current data. Versus annual averages of $439K to $583K from 2022 through 2025.

Longer-view figures use current data as of Oct 14, 2026, so they will not sum exactly to the originally published quarterly figures in the table. Prior-year Q3 average revenue on current data: $441K (2022), $688K (2023), $490K (2024), $734K (2025). Q2-to-Q3 swings of 18% to 68% occurred in 2023 through 2025, and Q2 2026 was unusually high.

A Note From Our CEO: Honest numbers. Open doors.

For two quarters, we told you the businesses coming to us were ready. They still are. Applications hit a record this quarter. The average applicant has more than eight years behind them. These are the operators who keep their towns running.

But this quarter, the picture got more honest, and more complicated. Revenue cooled. Credit Readiness slipped. The index came in at 65.2.

The old way would bury a number like that. We would rather show it to you. Owners deserve the real picture, not the flattering one.

Small businesses are the backbone of the economy. When they soften, it matters to all of us. And when capital stays tight around strong businesses, they soften faster. We do not yet know whether Q3 is a pause or a turn. We will keep measuring. We will keep saying what we see.

The Confidence Gap is still open. We are still working to close it, one funded business at a time.

Kunal Bhasin, Founder and CEO, 1West

METHODOLOGY

The 1West Small Business Health Index is a quarterly composite score measuring the financial health and financing readiness of small businesses seeking capital through 1West's marketplace. The SBHI draws exclusively from 1West's internal application data, anonymized and aggregated, to provide a consistent, comparable benchmark across quarters. Data for Q3 2026 reflects applications received July 1 through September 30, 2026. All figures are averages across the applicant pool, with clearly invalid outlier records removed before averaging (27 records reporting annual revenue above $100 million were excluded this quarter). Individual outcomes vary. Each component is normalized to a 0 to 10 value against fixed absolute ranges, then weighted and summed to produce the final SBHI score on a 0 to 100 scale. The ranges and weights are locked to those established at launch in Q1 2026 so that quarters remain directly comparable.

40%	25%	25%	10%
Credit Readiness	Avg Annual Revenue	Avg Credit Score	Avg Time in Business

Revenue is normalized against a $0 to $1M range, Credit Score against the standard FICO range of 300 to 850, Time in Business against 0 to 20 years, and Credit Readiness against 0 to 100%.

***A note on credit score**

Beginning in Q3 2026, Average Credit Score is calculated directly from every applicant credit score on file for the quarter. Q1 and Q2 2026 figures (602 and 601) were calculated on a different basis and are shown as originally published, so the Q3 reading is not directly comparable to them. The new basis added roughly two points to the Q3 composite relative to the prior basis. Published Q1 and Q2 scores are unchanged.