Economy

Small Business Checkpoint: Profits growing, jobs slowing

16 October 2025

Key takeaways

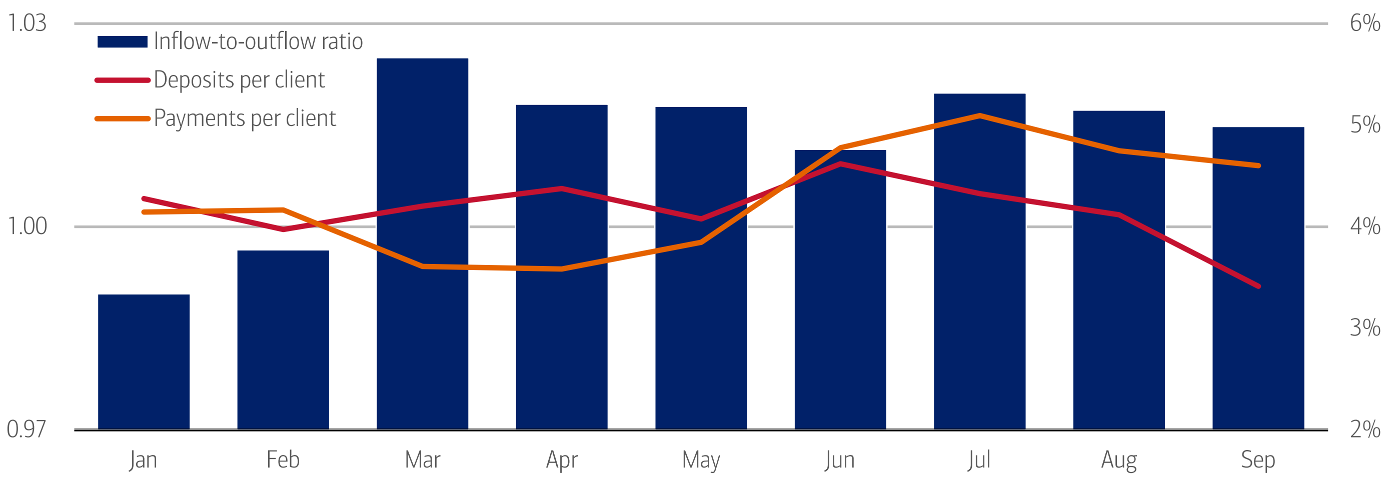
- Our measure of profitability for small businesses, the inflow-to-outflow ratio, held at 1.01 in September. However, moderating deposit growth per small business client could be a sign of weaker revenue growth for small firms as payment growth outpaces, according to Bank of America small business account data.
- Meanwhile, Bank of America's small business alternative hiring indicator dropped 7% in September from the 2024 average, with an even sharper drop of 12.9% quarter-over-quarter for services firms. Furthermore, business applications with planned wages - often a signal of real job creation - have dropped below pre-pandemic norms, pointing to labor market softness.
- Credit card balances per small business client rose by 3% in September vs the 2024 average, faster than the utilization rate, suggesting some firms are carrying debt forward. Even so, tightening of lending standards from banks has eased, with fewer banks reporting stricter lending to small firms than large ones, indicating that credit access remains relatively resilient.

Small Business Checkpoint is a regular publication from Bank of America Institute. It aims to provide a real-time assessment of small business spending activities and financial well-being, leveraging the depth and breadth of Bank of America's proprietary data. Such data is not intended to be reflective or indicative of, and should not be relied upon as, the results of operations, financial condition or performance of Bank of America.

Small business profits still up

Despite small business uncertainty reaching the fourth-highest reading in over 51 years,[1] in September, small business profits were still positive according to Bank of America small business account data, with the inflow-to-outflow ratio at 1.01 (Exhibit 1). Though this is down from both the March peak and August, it signals some cushion for small firms, with profitability growth up 0.1% year-over-year (YoY) on a three-month moving average (3-mma).

Exhibit 1: Small business profitability remains positive, although payments growth now outpaces deposits growth per small business client
Inflow-to-outflow ratio for small businesses, based on Bank of America internal data (monthly, ratio less than 1 means inflow less than outflow, 3-mma, left-hand side (lhs)) and deposits per small business client (monthly, 3-mma, YoY%), right-hand side (rhs)) and payments per small business client (monthly, 3-mma, YoY%, rhs)



Source: Bank of America internal data
Note: A ratio less than 1 means inflow was less than outflow

BANK OF AMERICA INSTITUTE

[1] NFIB. (2025, October 14). *September Small Business Economic Trends Report*. NFIB.

But what's driving the underlying trend for positive profits – fewer costs or higher revenue? Bank of America deposit growth per small business client suggests the answer is the latter. However, revenue has trended downwards since June, though remains positive, which might suggest weaker revenue growth for small firms going forward.

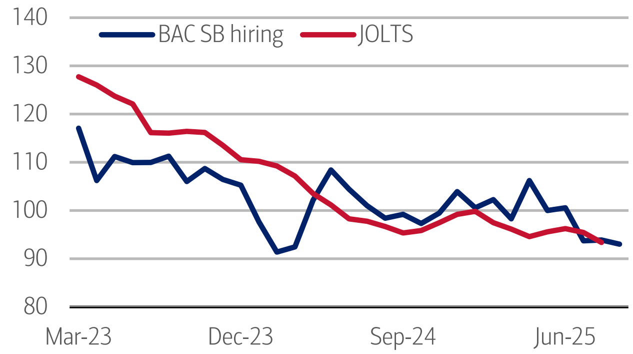
This is further supported by the September National Federation of Independent Business (NFIB) report, which found that while most owners evaluate their own business as currently healthy, they are having to manage rising inflationary pressures, slower sales expectations, and ongoing labor market challenges.[2]

Small business labor market is slowing

Notably, there are further signs of a slowdown in the small business labor market. Our proprietary alternative hiring indicator based on Bank of America small business (SB) payments data (see Methodology below) was down 7% in September (Exhibit 2). This is consistent with the narrative of hiring deceleration presented in the Job Openings and Labor Turnover Survey (JOLTS) August reading.

For small services firms, hiring was down 12.9% quarter-over-quarter (QoQ), reversing the gains from the previous quarter (Exhibit 3), which may have been reflective of some seasonal summer hiring. Additionally, wholesale and retail trade – both sectors more exposed to tariffs – have continued to pull back on hiring, though there was slight improvement from Q2.

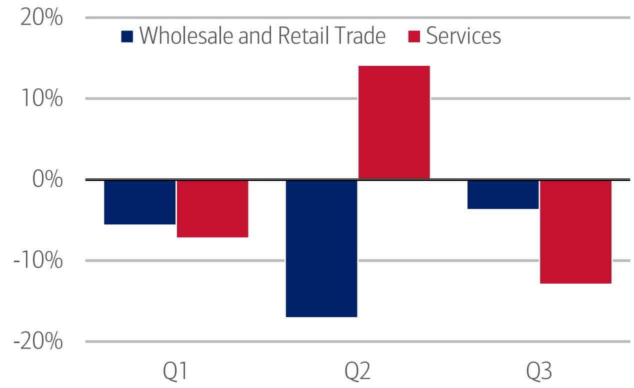
Exhibit 2: Small business payments to hiring firms fell 7% from the 2024 average in September
SB payments to hiring firms (monthly, 3-mma, indexed, 2024 average = 100) and JOLTS (monthly, 3-mma, indexed, 2024 average = 100)



Source: Bank of America internal data, Haver analytics

BANK OF AMERICA INSTITUTE

Exhibit 3: Both services as well as wholesale and retail trade small firms pulled back on hiring in Q3 2025
Small business payments to hiring firms by industry (QoQ%, quarterly)



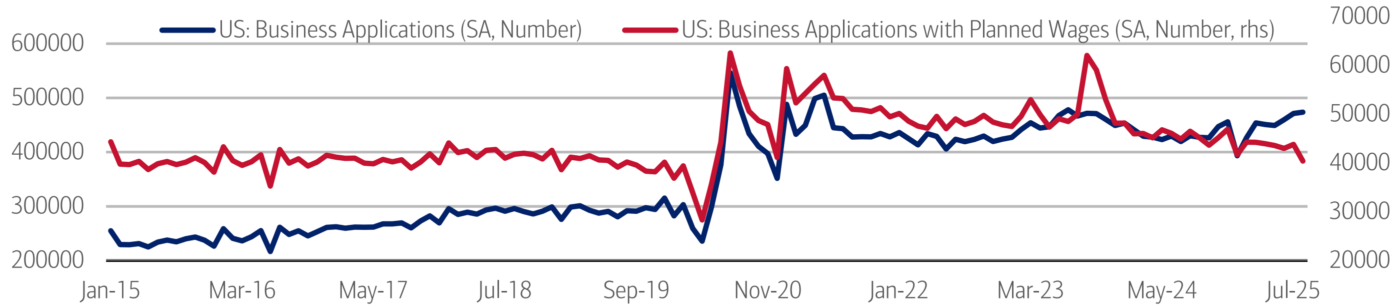
Source: Bank of America internal data

BANK OF AMERICA INSTITUTE

More businesses, but not necessarily more jobs

Do more businesses translate into more jobs? Not necessarily. The number of business applications has picked up from the start of the year and was at the highest level in over two years in August (Exhibit 4). However, the number of business applications with planned wages (i.e. the most promising subset of business formation that may turn into an established business) has fallen below the 2015-2019 average and has trended down this year.

Exhibit 4: The number of applications with planned wages has fallen significantly this year despite overall business applications picking up
Number of business applications (seasonally adjusted (SA), monthly, left-hand side (lhs)) and business applications with planned wages (seasonally adjusted (SA), monthly, right-hand side (rhs))



Source: Haver analytics

BANK OF AMERICA INSTITUTE

[2] NFIB. (2025, October 14). *September Small Business Economic Trends Report.* NFIB.

This is in line with softening job growth (read the September 2025 Institute Employment Report) and underscores that more businesses don't necessarily translate into more jobs. It's also possible the rise in AI could supplement some jobs, but, according to BofA Global Research, AI is currently more of a positive for capex and overall economic growth than it is a source of job destruction.

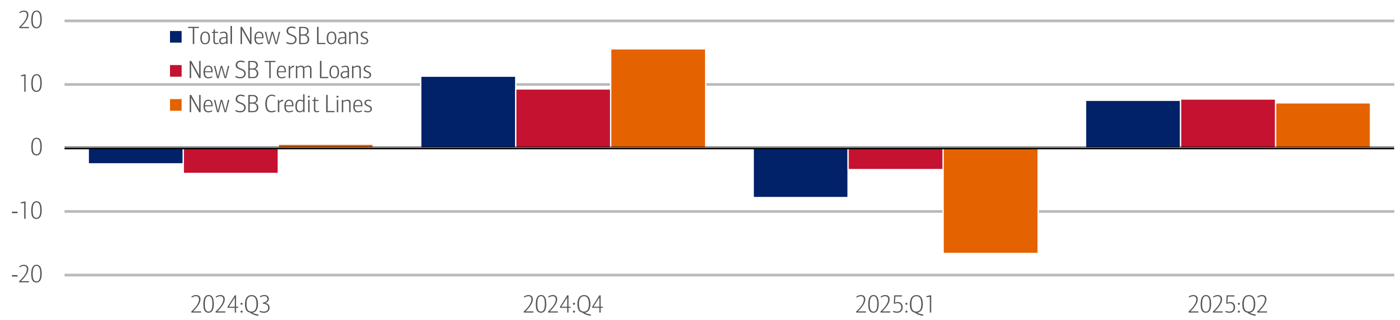
Small business credit conditions are cautiously optimistic

Although hiring has slowed, signs of capex growth are still positive overall, though small business credit appetite is nuanced. According to the Kansas City Fed, in the second quarter, new small business lending increased by 7.5% compared to both the previous quarter and the same period in 2024 (Exhibit 5).

However, of the more than $71 billion in small business loans reported, survey respondents stated that credit quality of those seeking loans had declined, continuing a long-term trend.[3] Over the next 12 months, respondents expect trade policy, labor costs and inflation to negatively impact loan demand. Conversely, tax policy, interest rates, technology and banking regulations are expected to have a positive effect.

Exhibit 5: In Q2 2025, new small business lending increased by 7.5% compared to the previous quarter, with term loans outpacing credit lines

Small business (SB) loan growth (quarterly, QoQ%)



Source: Federal Reserve Bank of Kansas City

Note: Items are calculated using a subset of 121 respondents that completed the FR 2028D for the last five quarters surveyed. All loan types referenced refer to small business lending.

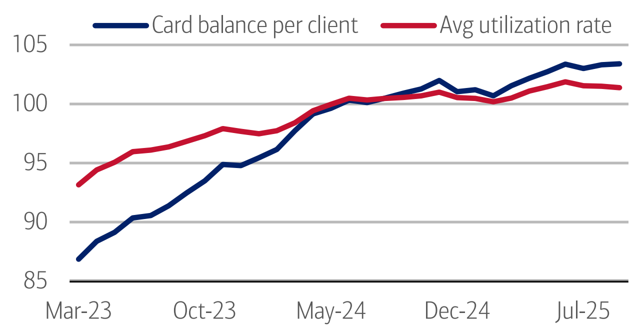
BANK OF AMERICA INSTITUTE

Signs of some credit stress, but tightening conditions have improved

Using Bank of America internal data, credit card balances per small business client were up 3% in September from the 2024 average, surpassing the indexed average credit card monthly utilization rate for small businesses (Exhibit 6). This suggests that some small businesses are carrying over balances, or delaying payments, which could be a sign of some distress.

Exhibit 6: The average small business credit card utilization rate was only up 1% from the 2024 average

Small business credit card balance per client (monthly, indexed, 2024 average = 100, 3-mma) and average small business credit card utilization rate (monthly, 3-mma, indexed, 2024 average = 100)

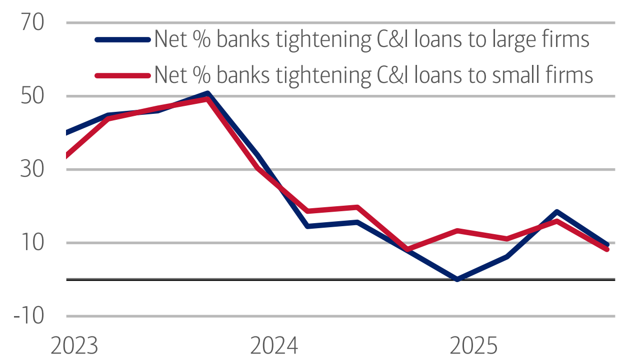


Source: Bank of America internal data

BANK OF AMERICA INSTITUTE

Exhibit 7: The latest reading of SLOOS data shows tightening standards have eased slightly for small firms since January 2025

Reported banks tightening commercial and industrial (C&I) loans: large banks vs. small banks (%, quarterly)



Source: Haver Analytics

BANK OF AMERICA INSTITUTE

[3] Harbour, D. Jamison, C. (2025, September 25). *New Small Business Lending Increases as Most Interest Rates Begin to Decline.* Federal Reserve Bank of Kansas City.

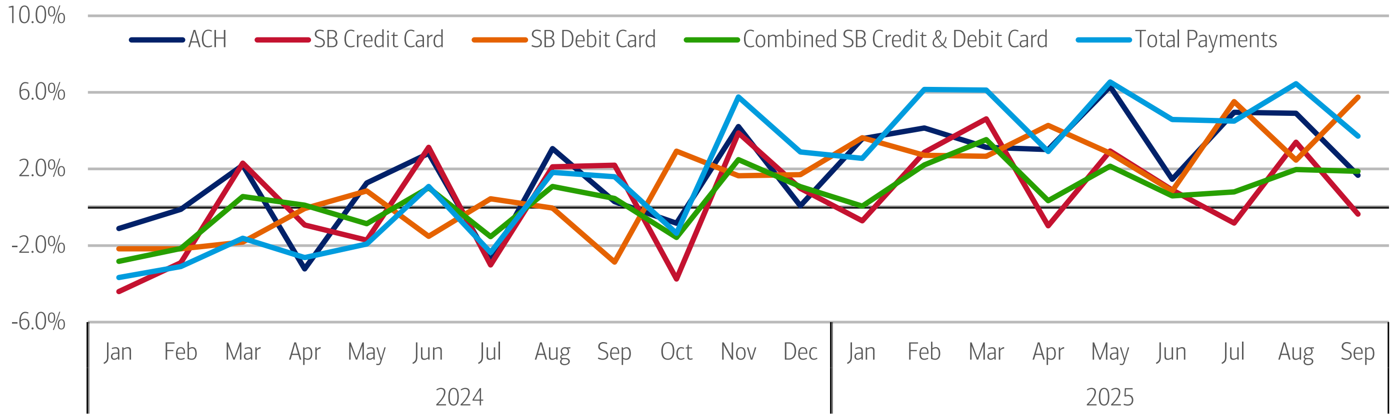
However, this looks minimal for now and, according to the latest Senior Loan Officer Opinion Survey (SLOOS), the net percentage of respondents reporting credit tightening for small firms is below that of larger firms (Exhibit 7). This was in line with Q3 2024 levels.

Monthly payments update

Looking more broadly at small business activities in September, total payments among small business clients increased 3.7% YoY, down from the prior month, according to Bank of America internal data (Exhibit 8). Among major components, SB debit card rose the most, up 5.8% YoY, and SB credit card fell 0.4% YoY.

Exhibit 8: Total payments per small business client was up 3.7% YoY in September

Payments* per small business client by channel (monthly, per day volume, YoY%)



Source: Bank of America internal data

*Payments are adjusted for the number of processing days in a month

BANK OF AMERICA INSTITUTE

Methodology

Selected Bank of America transaction data is used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used is not comprehensive; it is based on **aggregated and anonymized** selections of Bank of America data and may reflect a degree of selection bias and limitations on the data available.

Any **Small Business** payments data represents aggregate spend from Small Business clients with a deposit account or a Small Business credit card. Payroll payments data include channels such as ACH (automated clearing house), bill pay, checks and wire. Bank of America per Small Business client data represents activity spending from active Small Business clients with a deposit account or a Small Business credit card and at least one transaction in each month. Small businesses in this report include business clients within Bank of America and are generally defined as under $5mm in annual sales revenue.

Unless otherwise stated, data is not adjusted for seasonality, processing days or portfolio changes, and may be subject to periodic revisions.

Revenue tiers are determined by the combination of following factors: 1) stated revenue on small businesses credit applications, 2) actual account inflow into Bank of America Deposit Accounts, and 3) third party revenue estimation.

The alternative hiring indicator consists of payments from Bank of America small business clients to small business-focused hiring firms which include both direct deposits through Automated Clearing House (ACH) and payments via credit and debit cards.

Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the North American

BANK OF AMERICA INSTITUTE

Industry Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

Additional information about the methodology used to aggregate the data is available upon request.

Contributors

Taylor Bowley

Economist, Bank of America Institute

Sources

Pat Williams

Senior Vice President, Analytics, Modeling and Insights

Kevin Burdette

Vice President, Consumer and Small Business

Vivek Siwatch

Vice President, Specialty Lending & Banking

Stephen Juneau

US Economist, BofA Global Research

Anna Zhou

China & Asia Economist, BofA Global Research

Disclosures

These materials have been prepared by Bank of America Institute and are provided to you for general information purposes only. To the extent these materials reference Bank of America data, such materials are not intended to be reflective or indicative of, and should not be relied upon as, the results of operations, financial conditions or performance of Bank of America. Bank of America Institute is a think tank dedicated to uncovering powerful insights that move business and society forward. Drawing on data and resources from across the bank and the world, the Institute delivers important, original perspectives on the economy, sustainability and global transformation. Unless otherwise specifically stated, any views or opinions expressed herein are solely those of Bank of America Institute and any individual authors listed, and are not the product of the BofA Global Research department or any other department of Bank of America Corporation or its affiliates and/or subsidiaries (collectively Bank of America). The views in these materials may differ from the views and opinions expressed by the BofA Global Research department or other departments or divisions of Bank of America. Information has been obtained from sources believed to be reliable, but Bank of America does not warrant its completeness or accuracy. These materials do not make any claim regarding the sustainability of any product or service. Any discussion of sustainability is limited as set out herein. Views and estimates constitute our judgment as of the date of these materials and are subject to change without notice. The views expressed herein should not be construed as individual investment advice for any particular person and are not intended as recommendations of particular securities, financial instruments, strategies or banking services for a particular person. This material does not constitute an offer or an invitation by or on behalf of Bank of America to any person to buy or sell any security or financial instrument or engage in any banking service. Nothing in these materials constitutes investment, legal, accounting or tax advice.