

Economy

Small Business Checkpoint: Holiday gains, hiring freeze

16 December 2025

Key takeaways

- Small business profits stayed positive in November, supported by events like Small Business Saturday, which owners estimate accounts for 20% of annual sales. However, year-over-year (YoY) profitability growth fell below zero for the first time in 18 months, signaling pressure despite seasonal gains.
- The share of small business owners raising prices jumped 13 points to 34% - the largest monthly rise in National Federation of Independent Business survey history. This suggests businesses are passing on tariff and inflation-related costs. Wholesale trade, especially durables like electronics and furniture, registered the steepest profitability declines.
- Payments to hiring firms fell 4.6% YoY in November, according to Bank of America small business account data - confirming a weaker small business job market. Still, optimism on next year was up, while AI adoption dominates the outlook for the next five years, according to the 2025 Bank of America Business Owner Report.

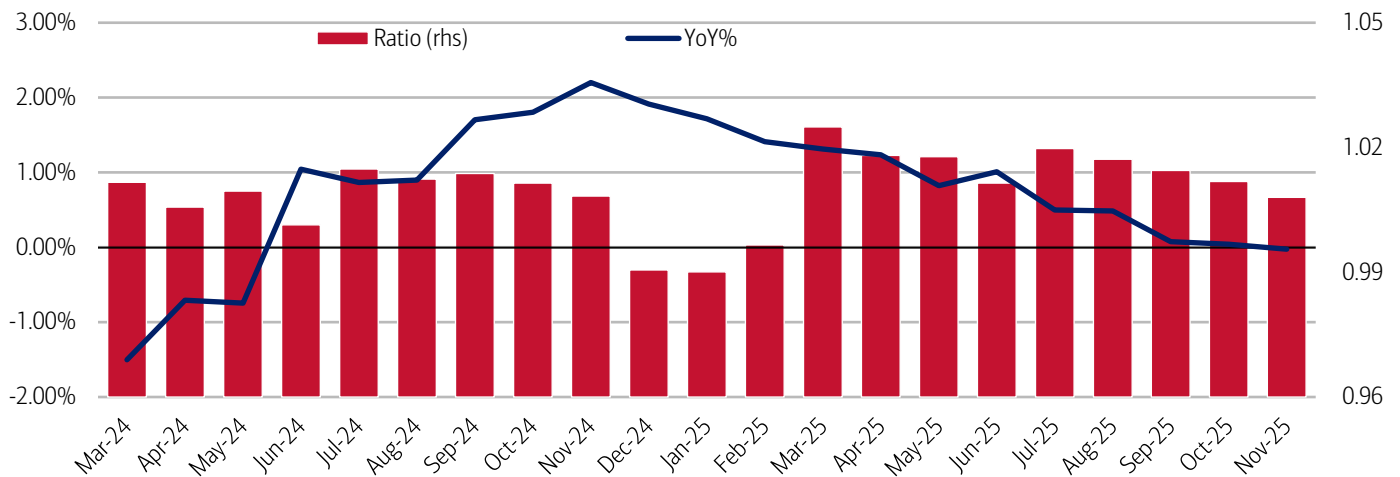
Tidings of good profits

Small business profits – measured by the Bank of America small business account inflow-to-outflow ratio – remained positive in November, though continued to moderate from peak levels (Exhibit 1). It’s likely holiday shopping provided a small boost, as Small Business Saturday, which fell on November 29 this year, has grown into a major event for small retailers. On average, business owners estimate the day will generate 20% of their annual sales.¹

Another positive sign was the rising net percent of owners expecting higher real sales volumes: up nine points from October to a net 15% (seasonally adjusted) in November. This component contributed the most to the rise in the National Federation of Independent Business (NFIB) Optimism Index.

Exhibit 1: Profits remain positive for small firms, but YoY% profitability growth has turned negative for the first time in 18 months

Small business account inflow-to-outflow ratio (year-over-year % change, monthly, three-month moving average, left hand side (lhs)) (three-month moving average ratio, right hand side (rhs))



Source: Bank of America internal data

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¹ Verdon, J. (2025, November 24) How Any Business Can Make the Most of Small Business Saturday. US Chamber of Commerce.

Small wholesale trade firms feeling the tariff squeeze

However, small business year-over-year (YoY) profitability growth turned negative for the first time since May 2024 on a three-month moving average basis in November. While the reading was just below zero (at -0.02%), this highlights the pressure some small businesses are under. And consumer holiday shopping seemed to lose some momentum over the Black Friday long weekend ([read more on this in the December Consumer Checkpoint](#)), suggesting holiday spending and the related boost to small firms may not be as robust as hoped.

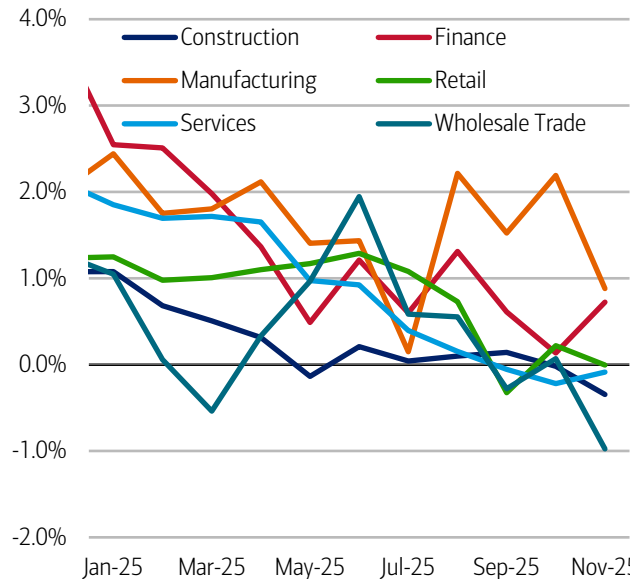
One issue may be that some small businesses are hiking prices due to the need to pass through more of the cost increases from tariffs and other pressures. In November, the net percent of owners raising average selling prices increased 13 points from October to a net 34% (seasonally adjusted), the highest reading since March 2023 and the largest monthly jump in the NFIB survey's history.

This is also evident in Bank of America small business profitability growth by sector, where wholesale trade has declined the most over the year, down 1% in November (Exhibit 2). And within wholesale, durables (i.e., electronics and furniture) have driven most of the decline in the second half of the year, although non-durables like apparel are also down so far this quarter (Exhibit 3).

Construction and services declined in November, too. Small manufacturers have grown the most, although they face crosscurrents ([read more on this in November's Midwestern pop](#)).

Exhibit 2: Wholesale trade profitability declined the most across small business sectors

Small business inflow-outflow ratio by sector (monthly, YoY%)

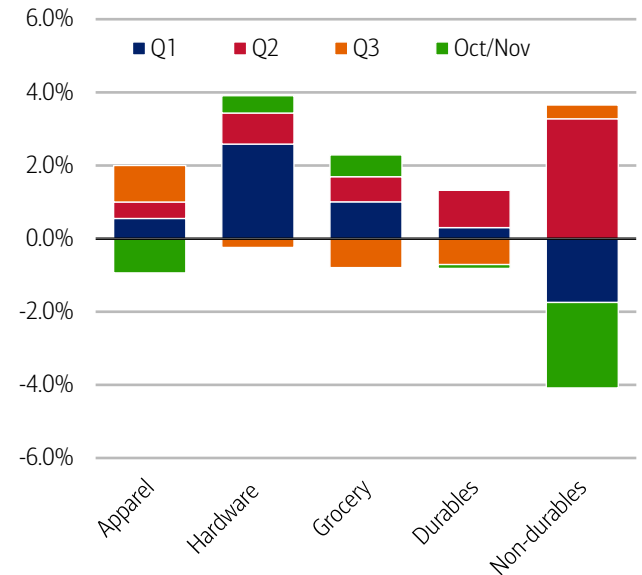


Source: Bank of America internal data

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Exhibit 3: For durables, the second half of the year brought negative profitability growth

Small business inflow-to-outflow ratio by subsector (quarterly, YoY%)



Source: Bank of America internal data

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Hiring for small businesses has been weak in the second half of the year

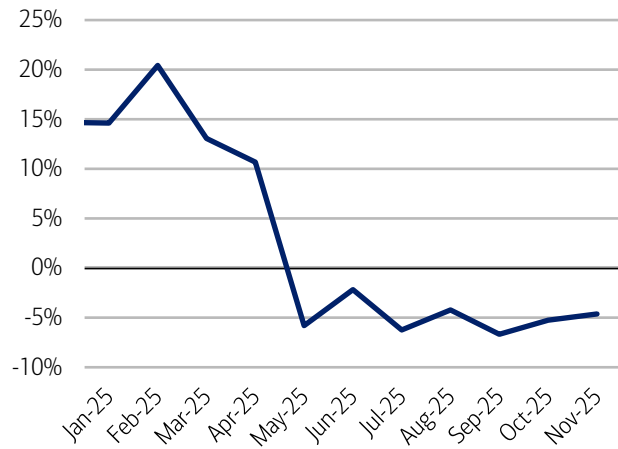
The [November Institute Employment Report](#) and Automatic Data Processing (ADP) Employment Report revealed a decline in payrolls, with small business job losses driving most of the pullback. With nearly half of the US workforce employed by such firms, this underscores the importance of the small business bedrock.

As discussed in our [November Small Business Checkpoint](#), Bank of America data suggested small business hiring has cooled, but not collapsed. This month, we find that small business payments to hiring firms fell 4.6% YoY on a three-month moving average basis in November (Exhibit 4).

But not all small businesses are slashing payroll or putting the brakes on hiring. In fact, the percentage of NFIB respondents reporting plans to increase hiring remains above the 20-year historical average. Some 9% of owners plan to create new jobs in the next three months, up four points from October and the highest reading of the year (Exhibit 5). The last time hiring plans reached this level was in December 2024, when uncertainty was lower, and optimism was higher, suggesting nuanced small business sentiment drivers.

Exhibit 4: Hiring demand has been weak for smaller firms in the second half of the year

Small business payments to hiring firms per small business client (monthly, YoY%, three-month moving average)



Source: Bank of America internal data

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Exhibit 5: The percentages of small businesses unable to fill job openings or with plans to increase employment are above the 20-year historical averages

Respondents planning to increase employment and not able to fill job openings (indexed to 20-year average = 100)



Source: Haver Analytics

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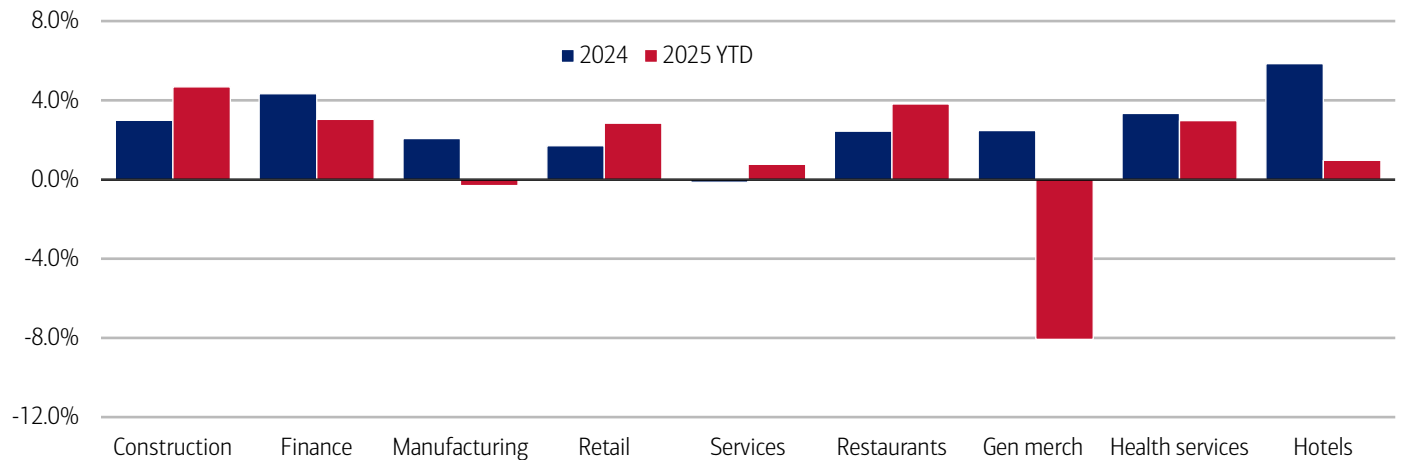
Stronger payroll growth in sectors with staff shortages

In some sectors, small businesses continue to find it difficult to fill job openings, and payroll growth per small business client within Bank of America data remained positive in November. Inflation was cited as the single most important problem in operating businesses, according to the NFIB, but that’s not particularly evident in wages.

Looking by sector reveals evidence of labor shortages driving some wage gains, particularly within construction and restaurants (Exhibit 6). They were two of four sectors that increased payroll growth overall compared to 2024, whereas all other sectors moderated or, in some cases, like small general merchandisers and manufacturers, pulled back.

Exhibit 6: Small retail firms increased payroll growth compared to last year, along with small construction firms and restaurants

Payroll growth per small business client by sector (annual average, YoY%)



Source: Bank of America internal data

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Taking stock halfway through the decade

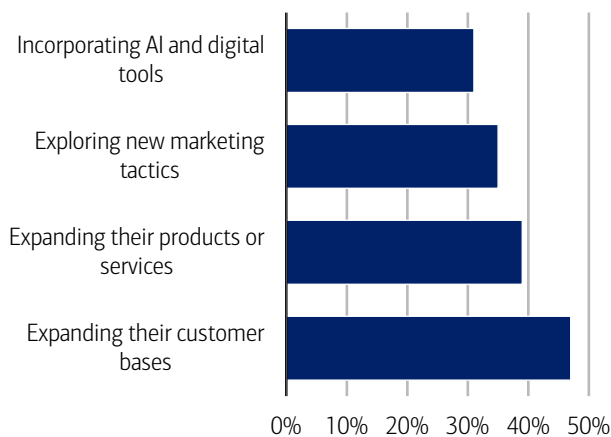
Taking a mid-decade pulse, nearly four in five mid-sized and small business owners reported that revenues had increased or stayed the same over the last five years, according to the [2025 Bank of America Business Owner Report](#).

Looking to the next five years, expanding their customer base and/or products and services is top of mind for many business owners (Exhibit 7). On hiring, roles in marketing and administrative support dominate (Exhibit 8). And when it comes to

succession planning, a majority (70%) are not focused on exiting in the next five years. Of those who are, transitioning the business to a family member was the top response.

Exhibit 7: Over the next five years, expanding their customer base and/or products and services is top of mind for business owners

Respondents top of mind “next five years” topics (%)

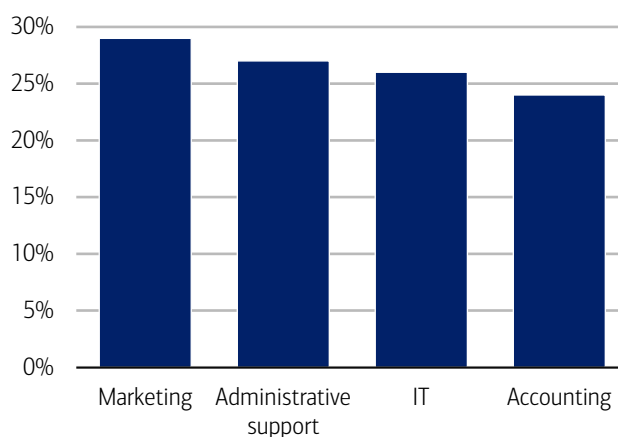


Source: 2025 Bank of America Business Owner Report

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Exhibit 8: Of the 28% of business owners planning to hire more staff, marketing roles are most popular

Types of roles to fulfill business hiring plans (%)



Source: 2025 Bank of America Business Owner Report

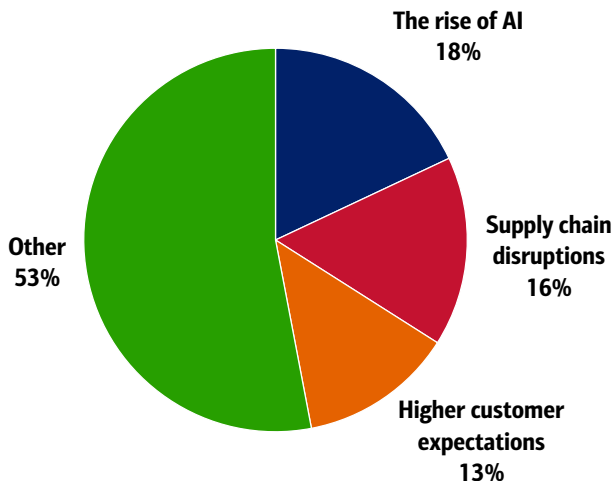
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Digital transformation underway

AI is also having a profound effect on business owners (Exhibit 9). Of the 91% who plan to utilize digital tools over the next five years, 50% plan to implement AI. Further, within Bank of America small business payments data, per small business (SB) client spending on tech services, including AI, was up 6.2% YoY in November on a three-month moving average basis.

Exhibit 9: The rise of AI was selected as the change that had the greatest impact on business owners over the past five years

Changes to the business landscape with the greatest impact (%)



Source: 2025 Bank of America Business Owner Report

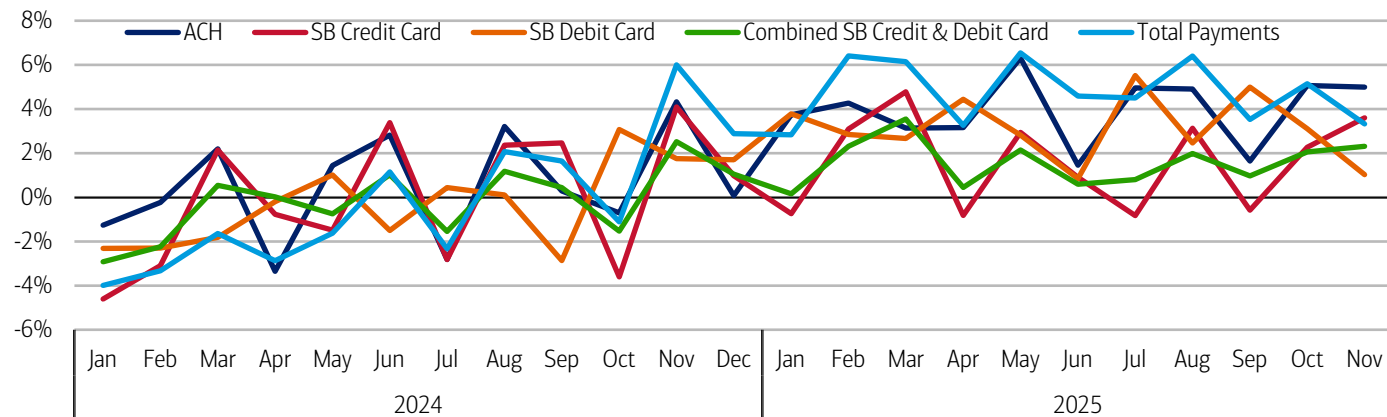
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Monthly payments update

Looking more broadly at small business activities in November, total payments among small business clients increased 3.3% YoY, down from the prior month, according to Bank of America internal data (Exhibit 10). Among major components, Automated Clearing House (ACH) payments rose the most, up 5.0% YoY, and SB debit card continued to moderate from last month.

Exhibit 10: Total payments per small business client was up 3.3% YoY in November

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

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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 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.

Ipsos conducted the 2025 Bank of America Business Owner Report survey online between September 11 and September 23, 2025, using a pre-recruited online sample of business owners. Ipsos contacted a national sample of 819 small business owners in the United States with annual revenue between \$100,000 and \$4,999,999 and employing between two and 99 employees. Ipsos also interviewed a national sample of 253 medium-sized business owners in the United States with annual revenue between \$5,000,000 and \$49,999,999 and employing between two and 499 employees. The final results for the national small, medium-sized, and combined (small and medium-sized) business owner samples were weighted to their respective national benchmark standards for size, revenue and region.

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

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