

Economy

Small Business Checkpoint: In OK-shape

18 November 2025

Key takeaways

- The largest businesses have been leading the charge in job creation, painting a picture of a “K-shaped” recovery. Within Bank of America small business account data, there has been a deviation in profitability growth between those firms of the highest and lowest revenues.
- According to Bank of America’s 2025 Business Owner Report, many business owners are approaching the next 12 months with cautious optimism, with nearly three out of four expecting revenue increases. But compared to last year, more small business owners expect sales to decrease over the next 12 months, while fewer who run medium-sized firms expect that to occur.
- With the holidays around the corner, there are crosscurrents for small businesses. On one hand, consumer spending on holiday items was off to a strong start; on the other, tariff-related costs have surged for small businesses. Despite the pressure, inventory payments per small business client were up 0.6% year-over-year in October, though seasonal retail hiring remains below last year’s levels.

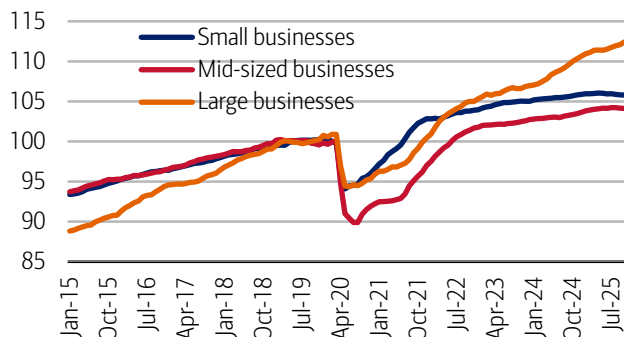
Spot the “K”

There is growing evidence of a K-shaped recovery emerging between large companies and small firms, which indicates a split in which some groups improve while others fall behind. Within nonfarm private payrolls, businesses with >500 employees have largely driven payroll increases since the second half of 2024 – up 12% from the 2019 average – while those with 1-49 employees rose just 6% in October, according to Automatic Data Processing (ADP) payroll services firm (Exhibit 1).

Within Bank of America small business account data, profitability growth – as proxied by movements of inflows and outflows into small business accounts – for the smallest firms (annual revenues <\$500K) has declined since August after showing outsized growth through most of the last year (Exhibit 2). Meanwhile, by the same measure, profitability growth remains positive for the highest grossing small firms (annual revenue >\$1M).

Exhibit 1: Large businesses have largely driven payroll increases since the second half of 2024

ADP nonfarm private payroll by business size (indexed, 2019 average = 100, monthly)



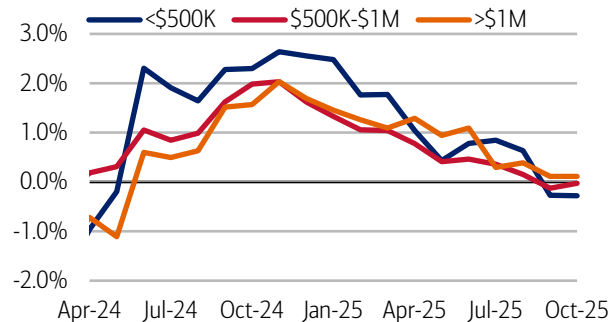
Source: Haver Analytics

Note: Small businesses are defined as those with 1-49 employees; mid-sized as 50-499 employees; large as >500 employees

BANK OF AMERICA INSTITUTE

Exhibit 2: After a strong year of growth, profitability growth for those small businesses with less than \$500K in revenue has turned negative

Small business account inflow-to-outflow ratio by revenue tier (year-over-year (YoY)%, 3-month moving average, monthly)



Source: Bank of America internal data

BANK OF AMERICA INSTITUTE

The 2025 Bank of America Business Owner Report

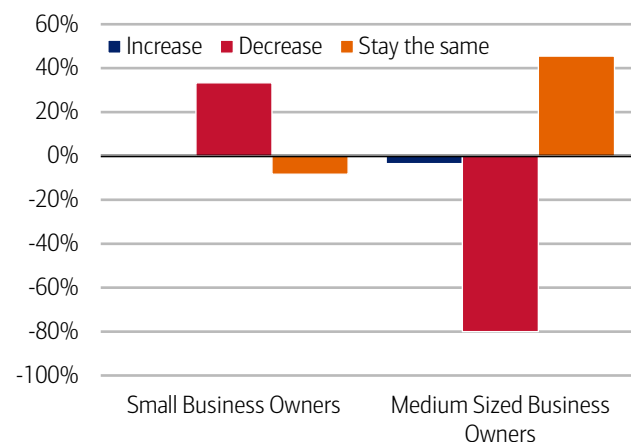
The [2025 Bank of America Business Owner Report](#) also sheds light on the nuances between business size. Many business owners are approaching the next 12 months with cautious optimism, with nearly three out of four surveyed business owners expecting revenue increases. But looking year-over-year on revenue, more small business owners expect sales to decrease over the next 12 months compared with last year's survey, while fewer who run medium-sized firms expect that to occur (Exhibit 3).

Rising cost pressures may be contributing to small businesses' cautious outlook on future revenue. According to the survey, on average, these companies reported shouldering higher costs over the past 12 months compared to their peers at medium-sized firms (Exhibit 4). However, overall, owners of medium-sized companies were more likely to report cost increases, with vendors increasing rates and employee wages taking the top spots (Exhibit 5).

Though some costs equal investment. AI has become essential to business owners, with 77% having integrated it into their operations in the past five years. Of those, they are using it for marketing (50%), content production (38%), customer service (37%) and inventory management (28%). According to Bank of America small business account data, small business payments to tech services, including AI, were up nearly 8% YoY in October.

Exhibit 3: Overall, more small businesses expect revenue over the next 12 months to decrease compared to last year

Looking at the next 12 months, which of the following best describes your revenue expectations? Revenue will... (% of respondents by owner type, YoY%)

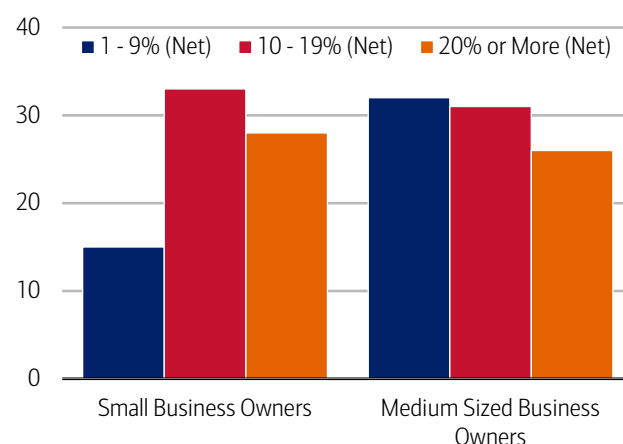


Source: 2025 Bank of America Business Owner Report

BANK OF AMERICA INSTITUTE

Exhibit 4: Medium sized business owners more often reported an increase in costs, although small business owners had a greater magnitude

Over the past 12 months, how much have your business costs increased? (% of respondents by owner type)

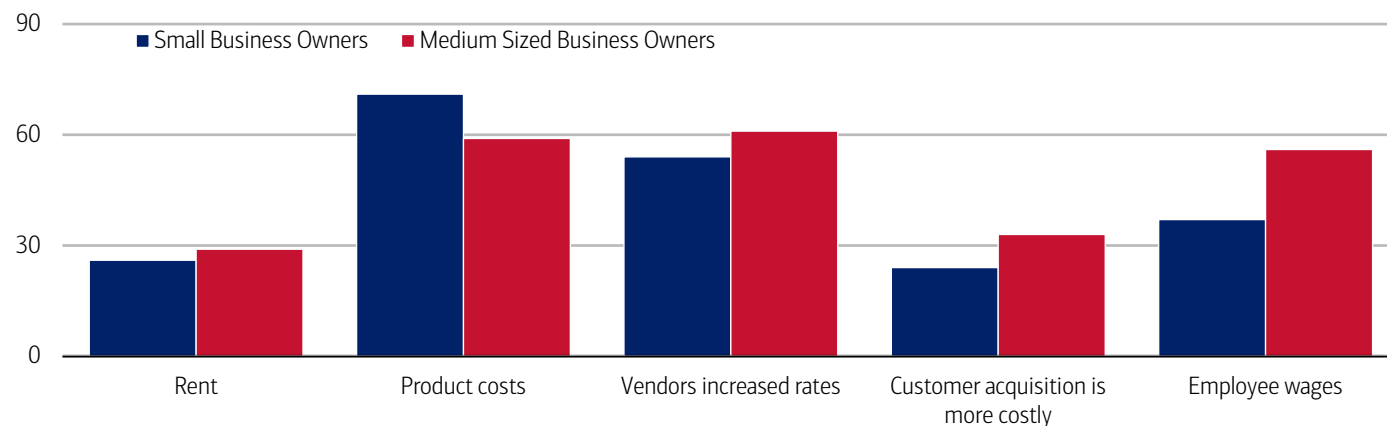


Source: 2025 Bank of America Business Owner Report

BANK OF AMERICA INSTITUTE

Exhibit 5: More small business owners reported rising product costs while medium-sized business owners cited vendors and wages

Why have your business costs increased? (% of respondents by owner type)



Source: 2025 Bank of America Business Owner Report

BANK OF AMERICA INSTITUTE

Are small businesses ready for the holiday season?

As the holidays near, small businesses are seeing some positive activity. Consumer spending growth on holiday items per household surged 5.7% YoY through October (read more on this in the [November Consumer Checkpoint](#)) – marking a fast start to the season.

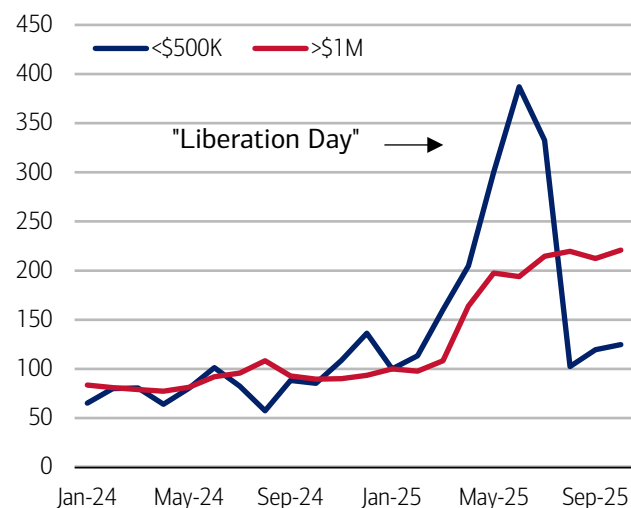
One of the reasons this year's holidays will stand out from previous years will be the tariff impact to small firms. When we look by revenue tier, small business account data shows that immediately following "Liberation Day" on April 2, of the small subset of clients making direct payments to Customs and Border Protection (CBP), those firms with <\$500K in annual revenue saw a more than 100% increase in such remittances compared to January 2025 – with the level peaking 287% in June (Exhibit 6).

For those firms with annual revenues of >\$1M, tariff payments have continued to climb and were up more than 120% in October. Interestingly, such payments from firms with lower revenues have declined since July, possibly because they frontloaded inventories prior to the holiday season, mirroring the uptick in the number of respondents increasing inventory around that time from the most recent NFIB report (Exhibit 7).

Inventory payments growth among small business clients has risen marginally in the past few months, up 0.6% YoY in October on a three-month moving average (3-mma).

Exhibit 6: Of the small subset of small business clients making CBP payments directly, those with >\$1M in annual revenue saw such remittances jump 120% in October

Payments to CBP per small business client by revenue tier (monthly, indexed, January 2025 = 100)

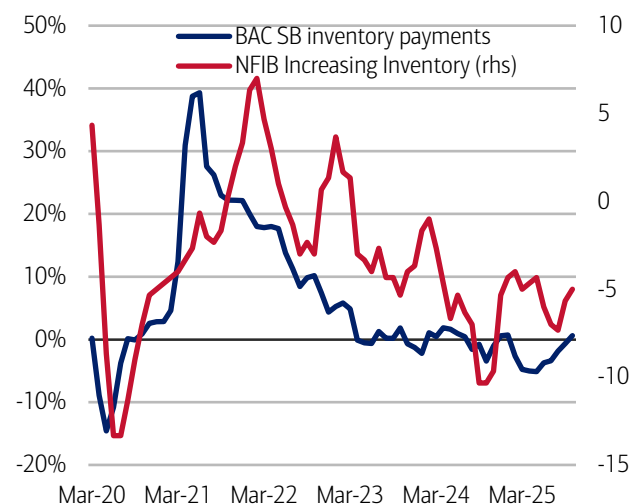


Source: Bank of America internal data

BANK OF AMERICA INSTITUTE

Exhibit 7: Inventory payments growth per small business client was up 0.6% YoY in October

Inventory payments per small business client (left-hand side, 3-mma, monthly, YoY%) and NFIB respondents increasing inventory (right-hand side, % of respondents, monthly, 3-mma)



Source: Bank of America internal data, Haver Analytics

Note: Inventory payments include payments to distributors, delivery services, storage, and truck/freight logistics.

BANK OF AMERICA INSTITUTE

Seasonal hiring could frost over

This holiday season could also look different for small business (SB) hiring. Overall hiring was down around 6% in October from the 2024 average, roughly in line with the previous month (Exhibit 8). Similar to the consumer labor market landscape (read more on this in the [Institute October Employment Report](#)), we saw signs of continued cooling, but no outright deterioration of hiring activity for small firms.

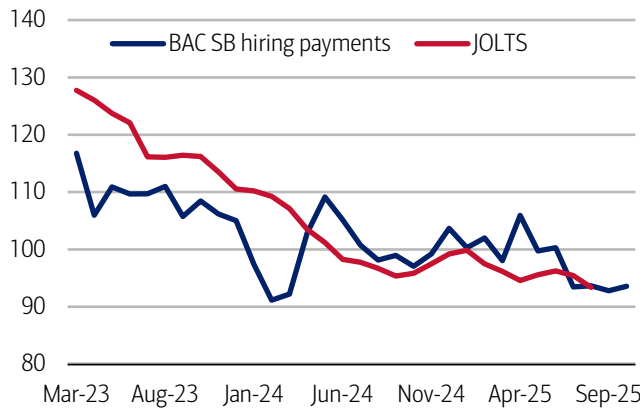
However, retailers – which usually bring on additional employees during the holidays – are expected to hire fewer than 500,000 workers this season, according to Challenger, Gray and Christmas, down from more than 543,000 last year. The firm noted that while there could be a late hiring push if holiday sales increase, the cautious pace of announcements so far suggests that companies are not betting on a big seasonal surge.¹

Exhibit 9 shows that according to Bank of America internal data, small retailers have scaled back hiring this year, including in the summer months, which are also notable for seasonal hiring. And while there was a spike last October, this year remained flat. Still, according to the 2025 Business Owner Report, over half of medium-sized business owners and 37% of small business owners, plan to hire in the next 12 months.

¹ Challenger, Gray & Christmas. (2025, September 25). *Seasonal Retail Hiring 2025 Outlook*. Challenger, Gray & Christmas.

Exhibit 8: Small business hiring hasn't deteriorated further in October

Small business payments to hiring firms and JOLTS Job Openings (monthly, indexed, 2024 average = 100, 3-mma)

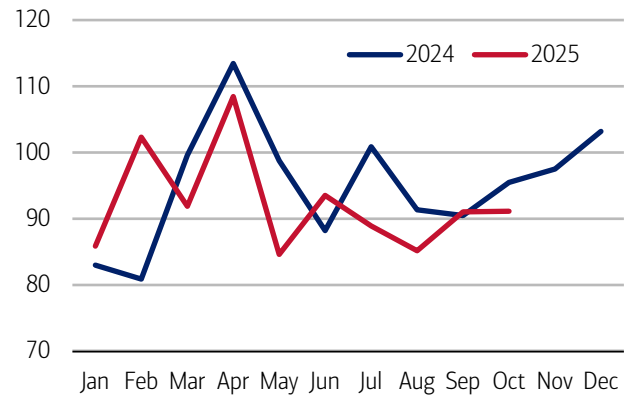


Source: Bank of America internal data, Haver analytics

BANK OF AMERICA INSTITUTE

Exhibit 9: Small retailers are tracking below 2024 levels of hiring, with a below average seasonal summer

Small business payments to hiring firms by retailers (monthly, indexed, annual average = 100)



Source: Bank of America internal data

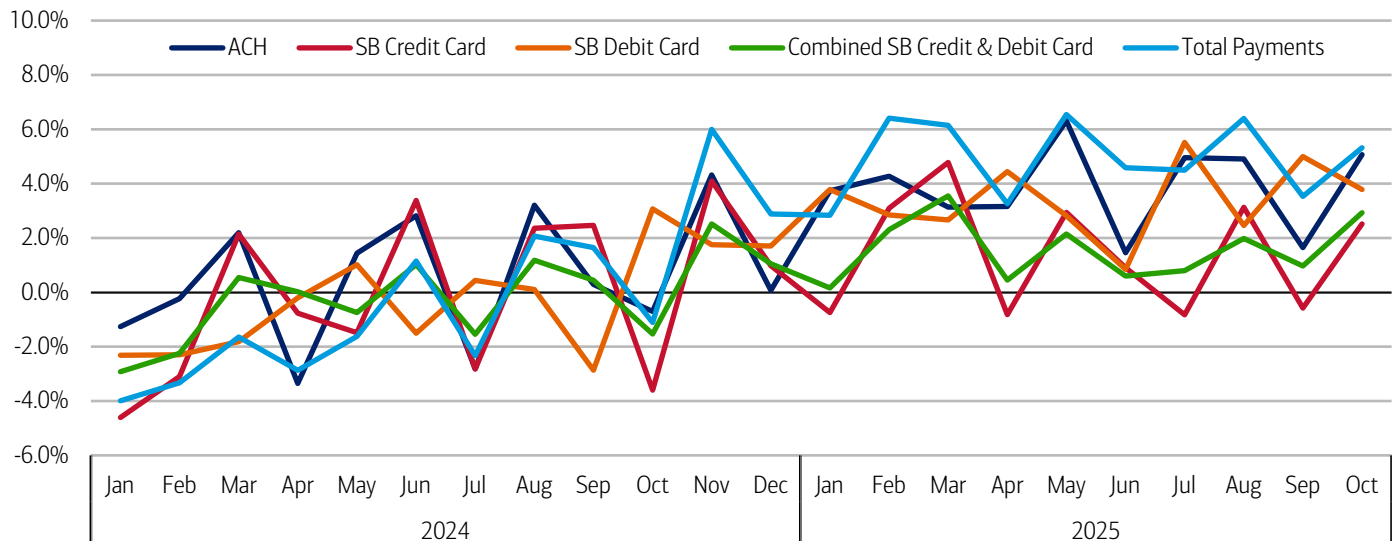
BANK OF AMERICA INSTITUTE

Monthly payments update

Looking more broadly at small business activities in October, total payments among small business clients increased 5.3% YoY, up from the prior month, according to Bank of America internal data (Exhibit 10). Among major components, Automated Clearing House (ACH) rose the most, up 5.1% YoY, and SB debit card moderated from last month, the only channel to do so.

Exhibit 10: Total payments per small business client increased 5.3% YoY in October

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



Source: Bank of America internal data

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 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.

Contributors

Taylor Bowley

Economist, Bank of America Institute

Sources

Patrick Williams

Senior Vice President, Analytics, Modeling, and Insights

Kevin Burdette

Vice President, Consumer and Small Business

Vivek Siwatch

Vice President, Business Banking

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. Copyright 2025 Bank of America Corporation. All rights reserved.