Economy

Business Checkpoint: Bigger and better

24 September 2026

Key takeaways

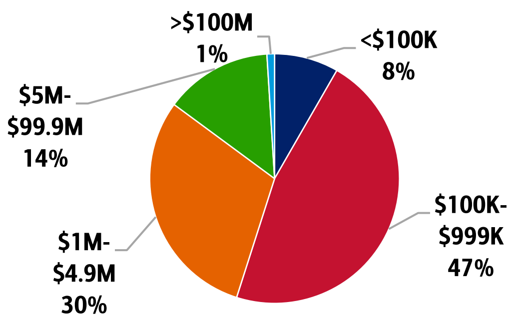
- Bank of America Institute's Business Checkpoint is a new evolution of our Small Business Checkpoint, broadening the data set from firms with <$5M in annual revenue to those with <$50M. Not only does this increase the number of businesses in our dataset, but mid-sized firms generate more than double the share of revenue of smaller firms, according to Census Bureau data.
- Since May, small business profitability growth has exceeded that of mid-sized firms, with hiring-related payments also improving, while mid-sized firms have shown more modest gains across both measures in August, according to Bank of America business account data.
- Meanwhile, payroll growth in August has strengthened among mid-sized firms despite weaker employment gains, while both small and mid-sized businesses have exhibited accelerated AI-related spending growth, suggesting firms are adapting to the current environment in different ways depending on their size.

Business Checkpoint is a new, regular publication from Bank of America Institute. It provides a real-time view of the financial health, opportunities and challenges facing small and mid-sized businesses across the US economy, leveraging the depth and breadth of Bank of America's proprietary data. By analyzing activity among both small and mid-sized firms, Business Checkpoint offers timely insights into business profitability, hiring, investment and spending trends. 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.

Not just small anymore: Expanding the data pool

Business Checkpoint is designed to provide a broader view of the forces shaping business performance in the US economy. While our previous Small Business Checkpoint focused on firms with less than $5 million in annual revenue (i.e. small firms), this expanded analysis also incorporates firms with annual revenues between $5 million and $50 million (i.e. mid-sized). Together, these businesses offer a more complete picture of profitability, hiring and investment trends across Main Street.

Exhibit 1: Around 15% of establishments generate >$5M in annual operating revenue
Share of establishments that operated for an entire year by annual operating revenue (%)



Source: Census Bureau

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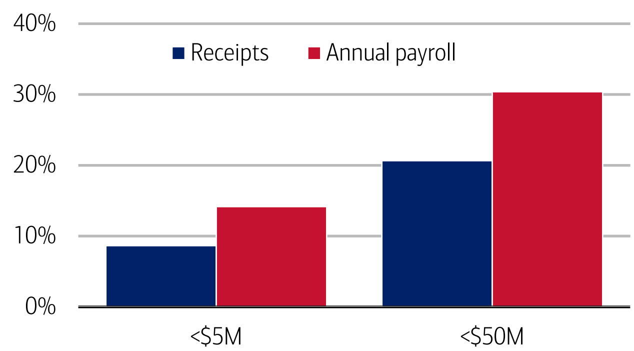
Exhibit 2: More than 20% of annual receipts come from those enterprises with <$50M in annual revenue
Share of receipts and annual payroll by enterprise size (% of total, 2022)



Source: Census Bureau
Note: Gross receipts are the total amounts the organization received from all sources during its annual accounting period, without subtracting any costs or expenses.

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Census Bureau data shows that while very small firms remain numerous, a significant share of establishments generate annual revenues above $5 million (Exhibit 1). While mid-size firms account for a smaller share of business establishments than small firms, they often serve as a bridge between local businesses and large corporations and more than 20% of receipts come from those enterprises with <$50M in annual revenue, according to Census Bureau data (Exhibit 2). This is more than twice as much as those with <$5M.

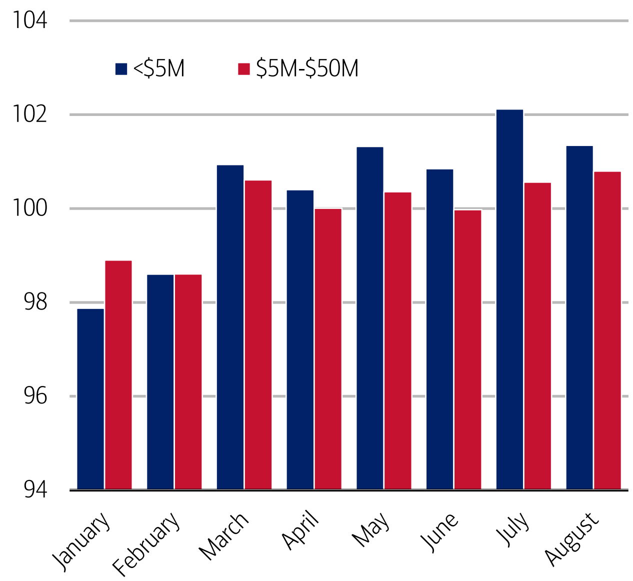
Does more revenue mean higher profits?

A recent defining trend for small firms has been the recovery in profitability growth over the summer following a period in which firms faced a succession of pressures, including weather-related disruptions and tariffs (read more on this in the April Small Business Checkpoint). Does this trend apply to larger companies?

Using Bank of America business account data, the profitability ratio for both firm sizes was above their 2025 average in August (Exhibit 3). For mid-sized firms, we find profitability growth has also improved in the last few months but remained below small firms' growth in August (Exhibit 4).

The reversal is notable because small businesses spent much of the past year under greater pressure, and their recent outperformance suggests some of the most acute headwinds facing smaller firms may be beginning to ease. Although, actual sales worsened in August, according to the September National Federation of Independent Business (NFIB) report. This was down from July and the lowest reading since November 2025.

Exhibit 3: In August, the profitability ratios for both revenue tiers of businesses were above the 2025 average
Inflow-to-outflow ratio by annual revenue (monthly, three-month moving average, indexed, 2025 average = 100)



Source: Bank of America internal data

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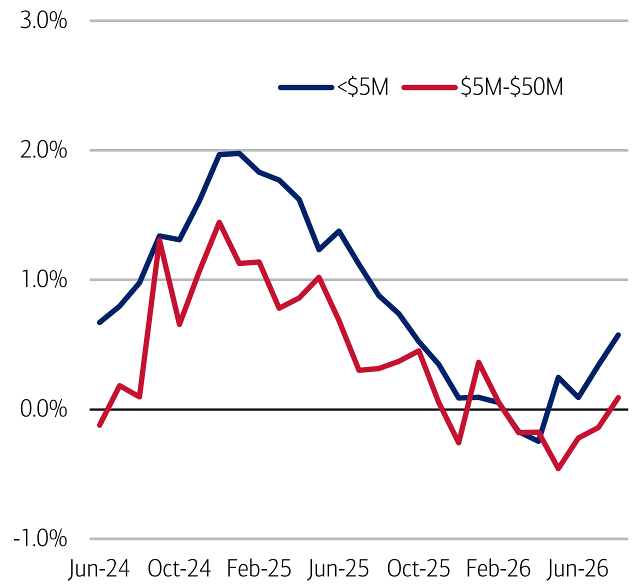
Exhibit 4: Small business profitability growth continued to outpace mid-sized business profitability growth in August
Inflow-to-outflow ratio by annual revenue (monthly, six-month moving average, year-over-year (YoY)%)



Source: Bank of America internal data

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Tariff refunds may offset only part of rising cost pressures

One tailwind for firms' cash buffers is the ongoing tariff refund dispersal. According to Bank of America account data, around 44% of estimated IEEPA-related (International Emergency Economic Powers Act) tariff payment amounts have been refunded to firms with <$50M in annual revenue as of August (Exhibit 5). This is up from around 5% in May, suggesting tariff refunds are reaching firms relatively quickly and potentially providing a near-term boost to cash buffers for some businesses.

However, these refunds may provide only temporary relief if input costs continue to rise faster than revenues. The August Producer Price Index (PPI) data indicated that producer prices are increasing faster year-over-year (YoY) than consumer prices, suggesting firms remain exposed to ongoing margin pressure.

The divergence is especially evident in energy-related inputs, with diesel prices up nearly 80% YoY in August (Exhibit 6). As a result, firms within agriculture, transportation or construction may face prolonged cost pressures (read more on rising fuel costs impacting small business margins in the June Small Business Checkpoint).

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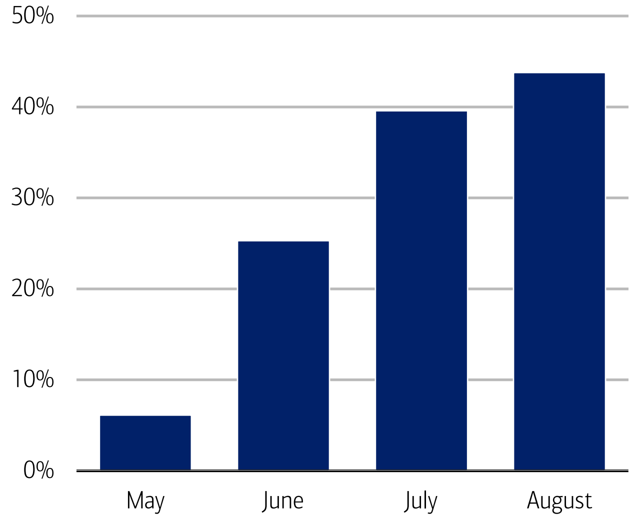
Exhibit 5: Around 44% of estimated IEEPA-related tariff payment amounts have been refunded to firms with <$50M in annual revenue as of August

Share of IEEPA-related tariff* payments refunded for firms with <$50M in annual revenue (%, monthly)



Source: Bank of America internal data

Note: IEEPA-related tariffs are proxied by identifying tariff payments to Customs and Border Protection during the April 2025-February 2026 time period minus the previous 12-month rolling average.

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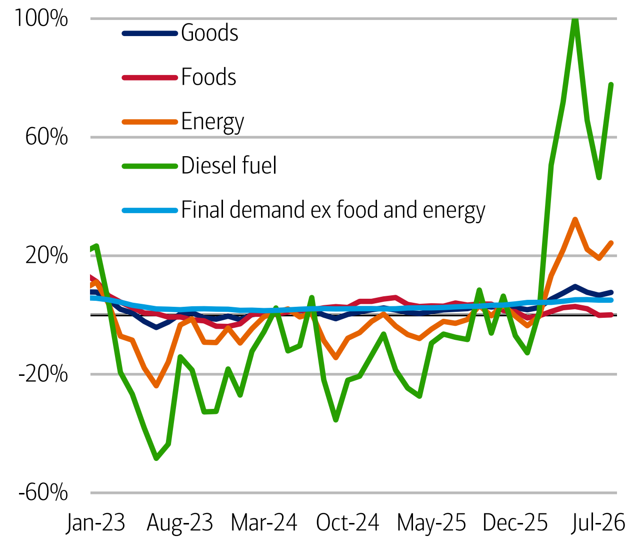
Exhibit 6: Diesel costs within the Producer Price Index were up nearly 80% YoY in August

Final demand PPI (monthly, YoY%, seasonally adjusted)



Source: Haver Analytics

Note: Final demand ex (excluding) food and energy is overall final demand PPI excluding those categories.

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The labor market looks to be broadening

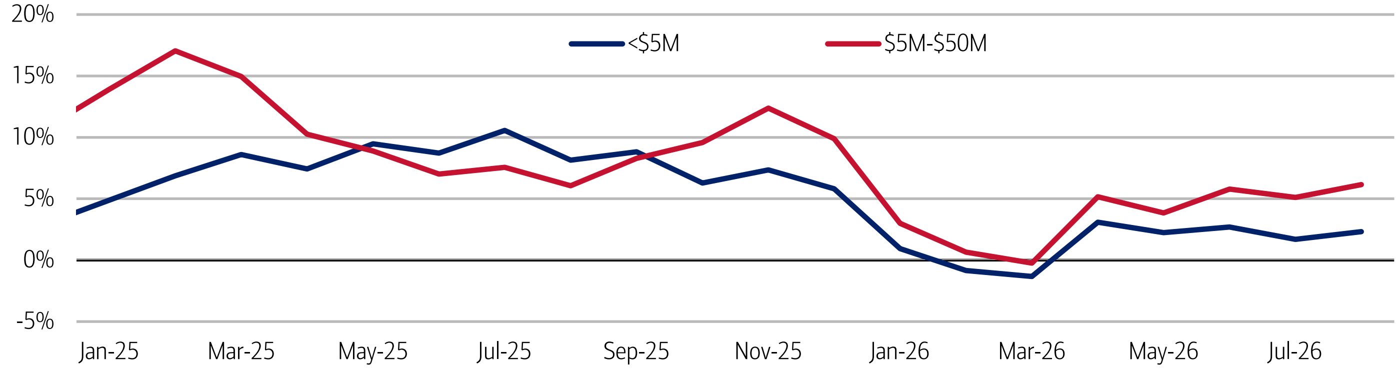
Business profitability and hiring often move together, but not always at the same pace. As firms navigate slower growth and elevated operating costs, both official employment data and Bank of America payment flows offer insight into whether firms are expanding their workforce, maintaining staffing levels, or becoming more cautious about future hiring.

Bank of America payroll payments per business client show a significant improvement at these firms compared with a year ago, with small business payroll growth still positive but not as strong (Exhibit 7). Yet, according to Automated Data Processing (ADP), firms with 50-499 employees have lagged with adding headcount over the course of this year compared to last.

If these firms have added fewer jobs, why has their payroll growth accelerated? There are a few reasons for this, as payroll growth reflects more than headcount. For one, payroll growth could reflect providing larger raises to existing workers, rather than adding workers. This could also be why Bank of America internal deposit data shows workers across the income spectrum, especially in lower-income households, have seen notable wage growth recently (read more on this in the [August Institute Employment Report]).

Exhibit 7: Mid-sized businesses' payroll growth was up 6.2% YoY compared to small firms' growth of 2.3% YoY

Payroll growth per business client by annual revenue (YoY%, three-month moving average, monthly)



Source: Bank of America internal data

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Small businesses outpace mid-sized firms' hiring momentum

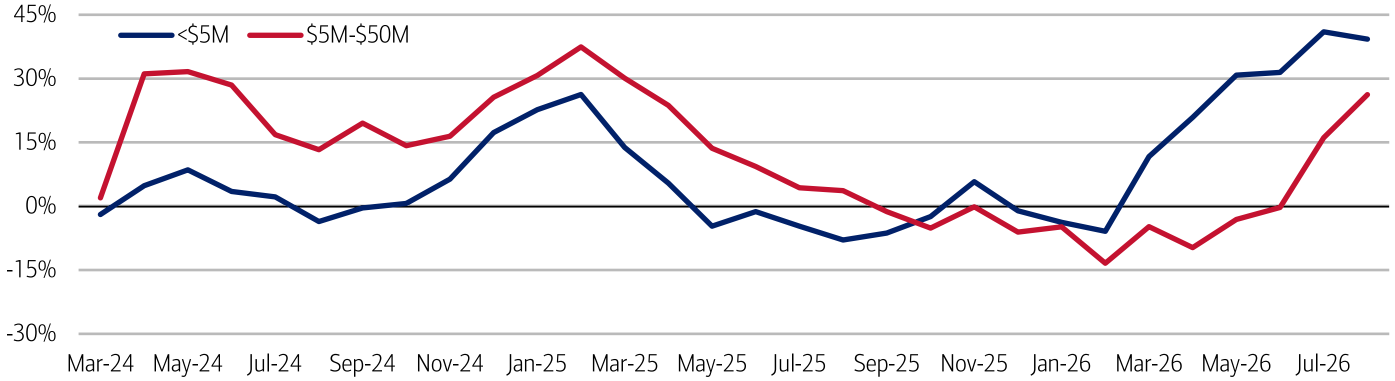
A firm could keep employment unchanged, increase overtime or raise average weekly hours and still generate faster payroll growth (read more on weekly-paid workers' wage gains from job switching in September's Switching 9 to 5s). This often happens when firms are uncertain about demand and, instead of hiring new workers, they ask existing workers to work more.

In fact, looking at Bank of America business payments to hiring firms, small business hiring activity has improved in recent months, while hiring-related payments among mid-sized firms just recently started to improve in July (Exhibit 8).

According to the most recent NFIB survey, concerns about labor quality and availability and labor costs eased in August, with the share of owners citing labor costs as their single most important problem falling to its lowest level since March 2021.

Exhibit 8: Small business payments to hiring firms have accelerated since March 2026, whereas mid-sized picked up in the last two months

Business payments to hiring firms per client by annual revenue (YoY%, monthly, three-month moving average)



Source: Bank of America internal data

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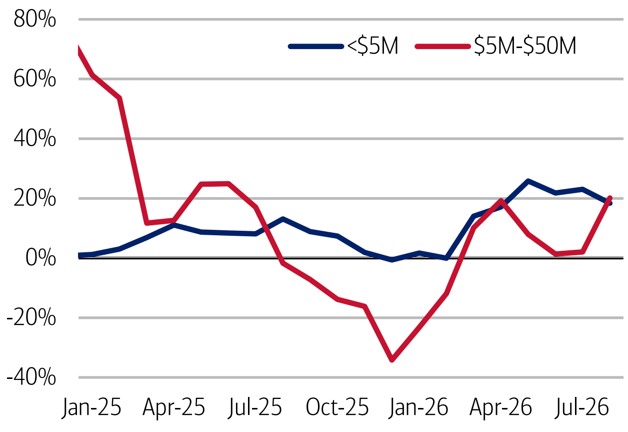
AI-related spending growth is ramping up across firms

In addition to ramping up hiring, AI-related spending growth (see Methodology) among mid-sized firms has recently exceeded that of small businesses – 20.1% YoY compared to 18.4% YoY in August – suggesting firms may be moving quickly this year to adopt productivity-enhancing technologies (Exhibit 9). For businesses operating with lean staffing models and facing continued cost pressures, AI tools may provide a relatively inexpensive way to automate routines, expand capabilities and support growth.

Exhibit 9: Both small and mid-sized businesses' Ai-related spending growth was around 20% YoY in August

AI-related spending per business client by business size (YoY%, monthly, three-month moving average)



Source: Bank of America internal data

Note: AI-related spending is comprised of both AI companies and technology firms with AI capabilities.

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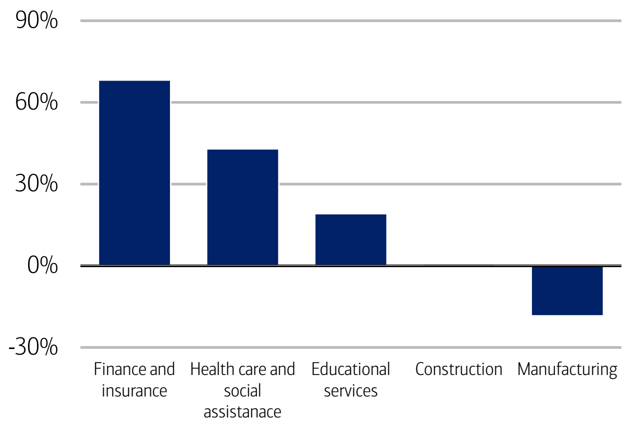
Exhibit 10: Among mid-sized firms, finance and insurance as well as health and education services have seen the strongest AI-related spending growth

AI-related spending growth per mid-sized client by industry in August (YoY%, three-month moving average)



Source: Bank of America internal data

Note: AI-related spending is comprised of both AI companies and technology firms with AI capabilities.

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Importantly, rising AI-related spending has coincided with improving hiring activity among both small and mid-sized firms. The combination of stronger AI-related spending and improving hiring activity suggests these technologies may be complementing, rather than replacing, labor (read more on AI's near-term impact in May's Adaptability is the new job security: AI and the future of work).

Previously, Bank of America data showed this kind of spending growth was strongest among small firms operating in the retail space (read more on this in the March Small Business Checkpoint). Interestingly, among mid-sized firms, the strongest adoption appears concentrated in service-oriented industries where administrative work, analysis, documentation and communication are common tasks where AI tools can augment productivity and help employees complete work more efficiently (Exhibit 10).

Higher rates may test business borrowing

Spending on AI has become a fast-growing component of small business capital expenditure (capex), and Bank of America data has recently pointed to stronger lending activity among small firms (read more on this in the July Small Business Checkpoint).

Plus, in the September NFIB survey, the net share of owners expecting easier credit conditions rose two percentage points to negative 2% - the highest reading since December 2024. Similarly, the July 2026 Senior Loan Officer Opinion Survey indicated that demand for commercial and industrial (C&I) loans was largely unchanged, suggesting firms remain willing to borrow despite an uncertain economic backdrop.

However, there are also signs that small business debt pressure may be beginning to build. Average small business credit card balances were up more than 11% above their 2024 average in August, while utilization rates were up just 2%, suggesting a greater share of firms may be carrying balances from month-to-month (Exhibit 12). Consistent with this view, the share of Bank of America small business credit card clients making only the minimum payment each month has also risen this year, mirroring a similar trend among consumers (read more on this in the August Consumer Checkpoint).

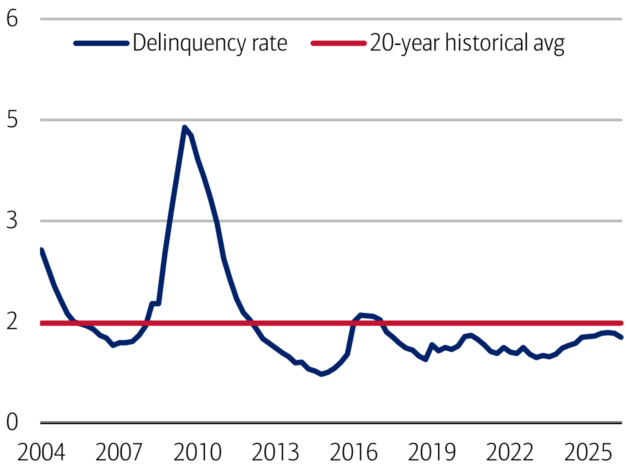
Delinquency rates remain below 20-year historical average

With the Fed raising interest rates, what does this mean for businesses? Historically, Fed rate hikes have been a headwind for small business borrowing because higher interest rates raise financing costs and tend to weigh on both the supply and demand for credit. Mid-sized businesses would likely continue to face this headwind as well, in our view.

The silver lining is that delinquency rates on C&I loans remained below their 20-year historical average and declined slightly in the second quarter of 2026 (Exhibit 11). This suggests firms generally remain in a position to absorb higher borrowing costs, though a higher-rate environment could weigh on future investment, hiring and capex plans.

Exhibit 11: In the second quarter of 2026, delinquency rates for C&I loans ticked down slightly relative to the start of the year

C&I loans delinquency rate (%, quarterly, seasonally adjusted)



Source: Haver Analytics

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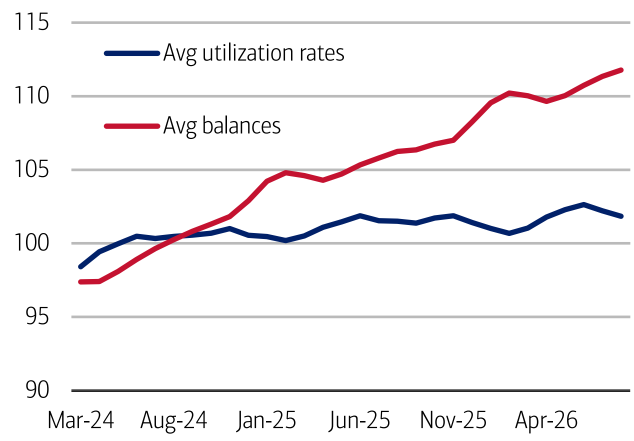
Exhibit 12: Average small business credit card balances were up more than 11% above their 2024 average in August, while utilization rates were up just 2%

Bank of America small business credit card averages (monthly, indexed, 2024 average = 100, three-month moving average)



Source: Bank of America internal data

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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 **Business** payments data represents aggregate spend from Small Business and/or Business Banking 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 Business client data represents activity spending from active 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. Mid-sized businesses in this report include business clients within Bank of America and are generally defined as $5mm-$50mm 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 business clients to business-focused hiring firms which include both direct deposits through Automated Clearing House (ACH) and payments via credit and debit cards.

AI-related spending is comprised of both AI companies and technology firms with AI capabilities. These are identified from merchant names and MCC codes.

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.

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 & Insights

Kristen Jensen

Senior Vice President, Analytics, Modeling & Insights

Kevin Burdette

Vice President, Small Business Strategy

Kartik Sinha

Vice President, Global Risk Analytics

Mike Lutz

Senior Vice President, Global Strategy and Platforms

Vivek Siwatch

Vice President, Global Strategy and Platforms

Julie Smith

Director, Analytics, Modeling & Insights

Disclosures