

Economy

A new generation of business formation

21 July 2026

Key takeaways

- Business formation continues to trend higher, suggesting entrepreneurial activity remains resilient despite economic uncertainty. Bank of America data indicates households are still willing to take on risk and pursue new business opportunities.
- Gen X remain the largest group of business founders, according to Bank of America payments data. Yet Gen Z are contributing disproportionately to recent growth, with application growth in June more than double that of Millennials and Gen X, suggesting a new generation of entrepreneurs is emerging.
- Recently, there has been a divergence between overall business applications and those that signal planned wages. This is most evident within the information sector, suggesting AI is likely playing a role in new business formation.

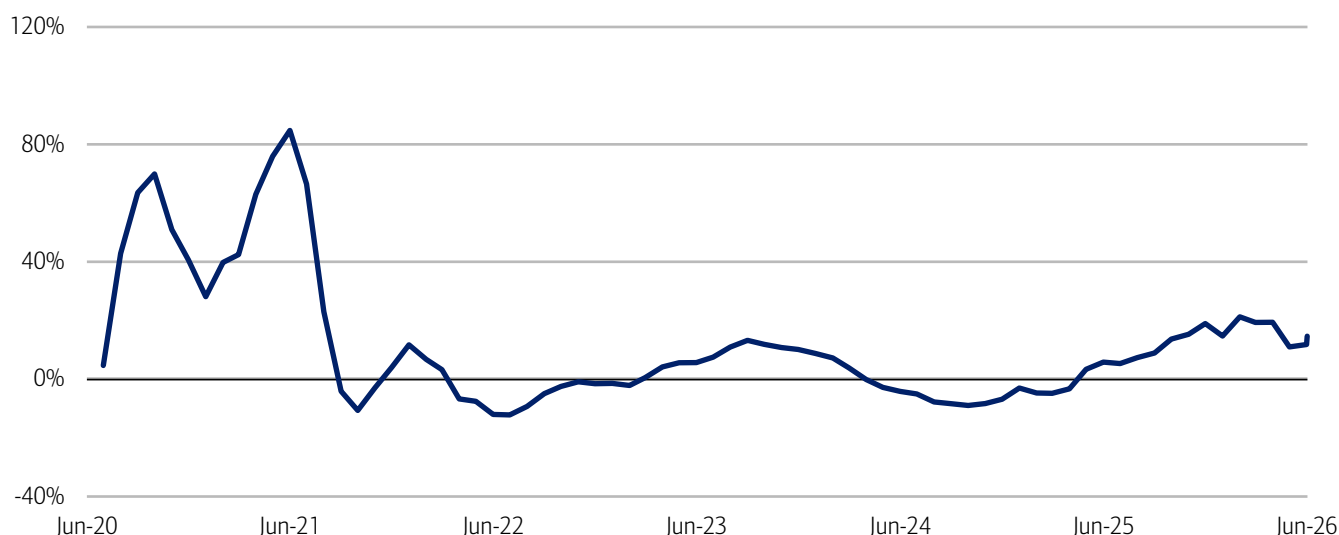
New business formation reaches new heights

New business formation is often viewed as a barometer of economic dynamism. Entrepreneurs create jobs and introduce new products and services, which can help drive productivity growth. The recent acceleration in business applications therefore suggests that households remain willing to take on risk and pursue new opportunities despite an environment of elevated interest rates and economic uncertainty.

In June, growth in business applications was up nearly 15% year-over-year (YoY) on a three-month moving average, according to data from the Bureau of Labor Statistics (BLS) (Exhibit 1).

Exhibit 1: Since mid-2025, growth in business applications has largely trended upward

The number of business applications from the BLS (monthly, three-month moving average, YoY%)



Source: BLS

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Deciphering the demographics: Gen X lead but Gen Z are catching up

So, who is starting these businesses? Using Bank of America payments data, we measure the number of new business applications by identifying customers who made a payment to open an LLC (limited liability company) and other relevant

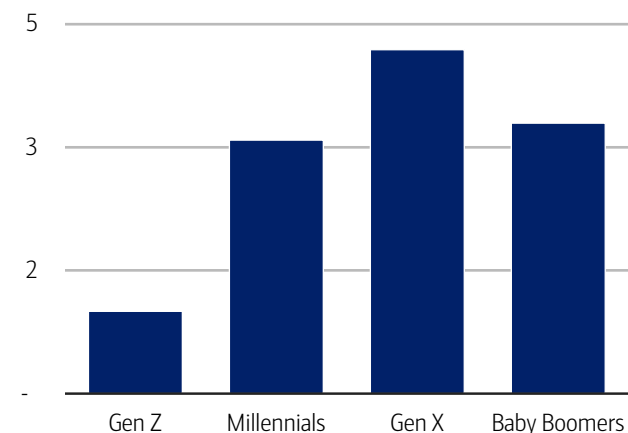
business formation-related names. Note that this may not capture all business structures such as sole proprietorships (see Methodology) or those who file through a third-party, but it does allow us to better understand the demographics of founders.

According to Bank of America payments data, there are nearly four Gen X founders for every Gen Z one in the rolling twelve months to June (Exhibit 2). Meanwhile, for every one Gen Z-led new business, there are nearly three Millennial and Baby Boomer ones. This suggests to us that entrepreneurship still skews to older generations.

However, Bank of America internal data suggests founders are getting significantly younger, especially compared to levels seen during the pandemic. In June 2020, there were about 26 Gen X founders for every Gen Z one, and Millennial entrepreneurs outnumbered Gen Z businesses by nearly 12 to one (Exhibit 3).

Exhibit 2: There are over four Gen X founders for every one Gen Z founder...

Share of business applications by generation (rolling twelve month sum to June 2026, Gen Z average = 1)

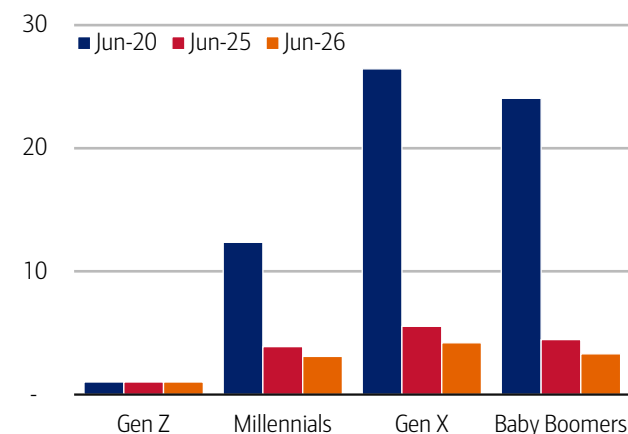


Source: Bank of America internal data

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Exhibit 3: ...but this is a significant improvement from June 2020, when there were 26 Gen X founders for every one Gen Z-led new business

Share of business applications by generation (rolling twelve month sum, Gen Z average every year = 1)



Source: Bank of America internal data

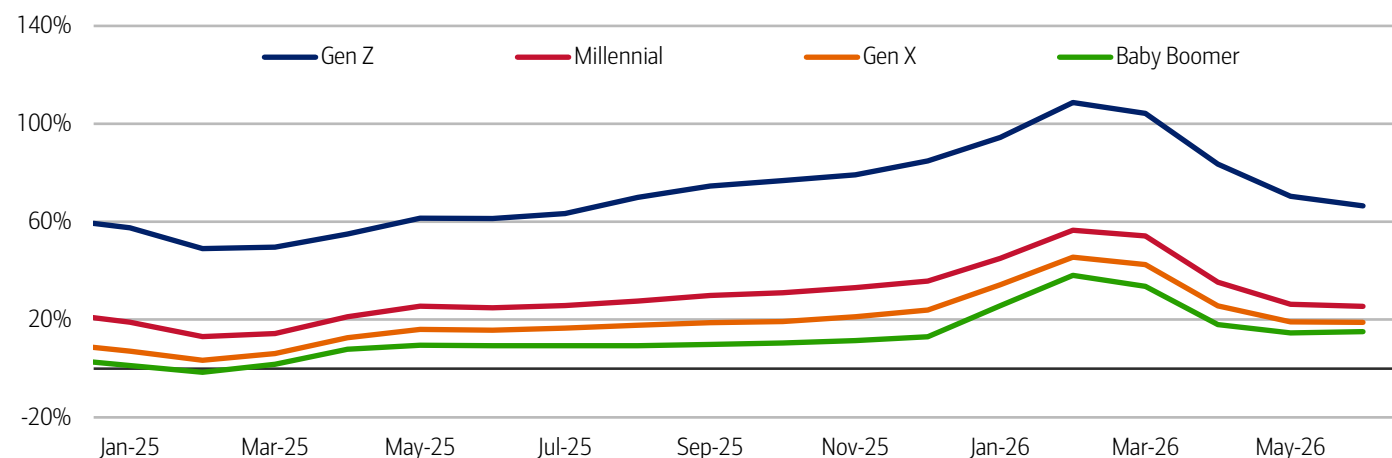
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Gen Z bring a new wave of entrepreneurs

Despite representing a smaller share of new business formation activity compared to older cohorts, Gen Z are now contributing meaningfully to YoY growth in such filings (Exhibit 4). In June, Gen Z surpassed all other generations in application growth. With younger workers navigating a tough labor market, starting a business may be viewed as an alternative path to income growth and career advancement.

Exhibit 4: Gen Z business applications grew around 66% YoY in June

Number of business applications by generation (monthly, rolling twelve month sum, YoY%)



Source: Bank of America internal data

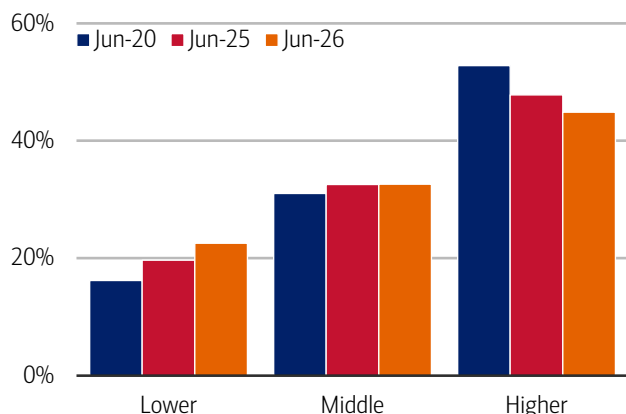
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Lower- and middle-income households drive most of business formation growth

In our view, it's also possible that the increase in younger founders explains some of the shifting income dynamics of business formations. Most notably, lower-income households comprise nearly one out of every four business formations, up from just below one out of every five in June 2020 (Exhibit 5). Also, lower- and middle-income households are driving the majority of business creation YoY growth (Exhibit 6). Still, more than two out of every five businesses are started by higher-income households as of June 2026.

Exhibit 5: Lower-income households now account for one out of every four new business applications

Share of business applications by income (rolling twelve-month sum, %)

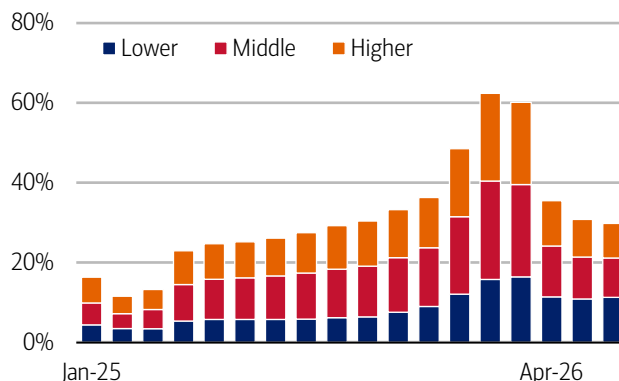


Source: Bank of America internal data

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Exhibit 6: Lower- and middle-income households are major contributors to the growth in business applications

Percentage point contribution to overall YoY growth in business applications (rolling twelve-month sum, percentage points)



Source: Bank of America internal data

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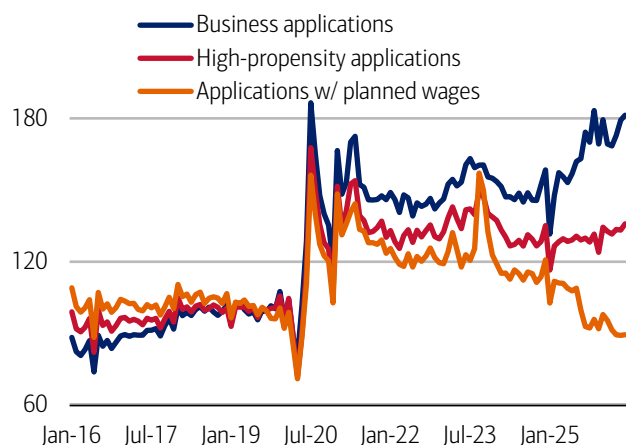
Starting up in the AI era

One factor that could be driving more diverse growth in business formation could be that more companies are being started with leaner operating models. In fact, there has been a stark divergence between the overall number of business applications and those that signal plans to pay wages (i.e., that plan to hire workers), according to the BLS (Exhibit 7). And that difference is widest within the information sector, according to BLS data (Exhibit 8).

If AI or other digital tools can help founders automate administrative tasks, bookkeeping or content creation, the upfront need for employees could be lower than in past startup cycles. That would help explain why headline applications can rise even as those with planned wages lag, though it also means the near-term payroll impact may be smaller than the business formation data alone would imply.

Exhibit 7: There has been a stark divergence between the number of business applications and those applications with planned wages

Applications by type (monthly, indexed, 2019 average = 100)

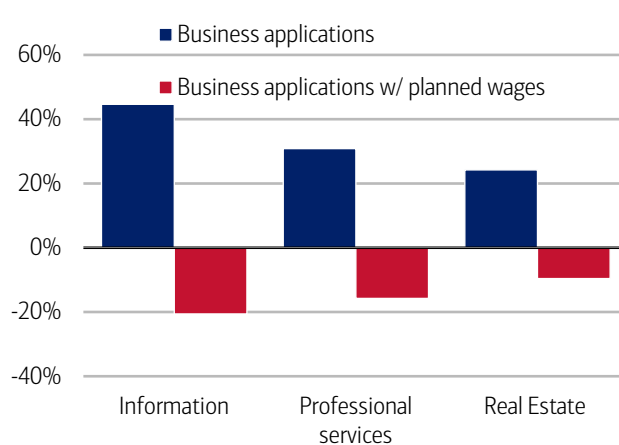


Source: Haver Analytics

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Exhibit 8: In white-collar industries, business application growth remains strong, but those with planned wages has fallen in June

Applications by industry in June (YoY%, seasonally adjusted)



Source: BLS

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This could have broader implications for job growth and productivity, although labor market outcomes depend more on an economy's ability to adapt through skills, institutions and workforce quality, according to BofA Global Research (read more on this [in May's AI and the future of work](#)).

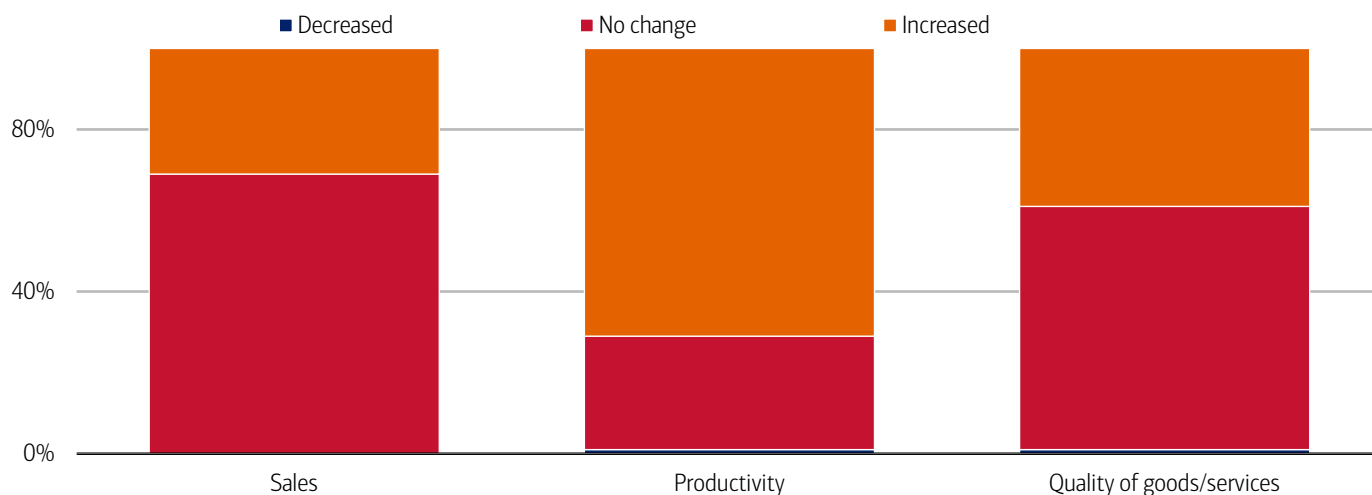
For small employer firms, AI impact on productivity is visible

Data from the Cleveland Fed's Small Business Credit Survey indicates that small employer firms have seen some AI impact on their business. In fact, many of these business owners reported an increase in productivity resulting from AI adoption (Exhibit 9).

Though AI could be enabling new business formation and we continue to see small business spending on AI (read more on this in [June's Small Business Checkpoint](#)), the productivity payoff depends on whether these smaller and potentially younger companies can convert their nascent operations into revenue growth, hiring and durable efficiency gains. For now, we think evidence suggests that AI may be making it easier to form a business rather than a proven driver of broad-based small business productivity gains.

Exhibit 9: A majority of small firms reported an increase in productivity resulting from AI use

Changes at small employer firms resulting from AI use (%)



Source: 2026 Small Business Credit Survey

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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.

The number of new business formations is proxied using aggregated and anonymized Bank of America payments data based on household debit and credit card data, small business credit card data and check data. Potential business formation activity is identified through customer payments to Secretary of State offices and other entities related to business formation activities (e.g., "Division of Corporations") associated with LLC registration activity during the month. This measure is intended to serve as a proxy for business formation activity and would not necessarily capture all business types or legal structures. This would also not capture any third-party payments towards a new business formation.

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.

The 2026 Small Business Credit Survey was fielded from September 3 to November 14, 2025. It yielded 6,525 responses from a nationwide convenience sample of small employer firms with 1–499 full- or part-time employees across all 50 states and the District of Columbia. This report includes findings about the performance, challenges, and credit-seeking experiences of businesses across the United States.

Generations, if discussed, are defined as follows:

1. Gen Z, born after 1995
2. Younger Millennials: born between 1989-1995
3. Older Millennials: born between 1978-1988
4. Gen Xers: born between 1965-1977
5. Baby Boomer: 1946-1964
6. Traditionalists: pre-1946

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

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