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Economy

Small Business Checkpoint: A summer rebound

18 August 2026

Key takeaways

- Small business hiring has shown strength this summer. Our alternative hiring indicator was up 21% year-over-year in July, according to Bank of America small business payments data. And hiring plans reported in the July National Federation of Independent Business survey reached their highest level since 2022.
- The buoyancy in small business hiring comes alongside a strengthening in profitability growth. Profits increased in July to their highest level this year, with the strongest boosts for industries such as transportation and manufacturing.
- With small businesses seemingly on firmer footing, spending has increased, though some due to inflation. For example, while the number of travel-related small business transactions rose only modestly in July, total spending increased substantially, likely reflecting higher prices, as well as businesses taking bigger or longer trips than a year ago.

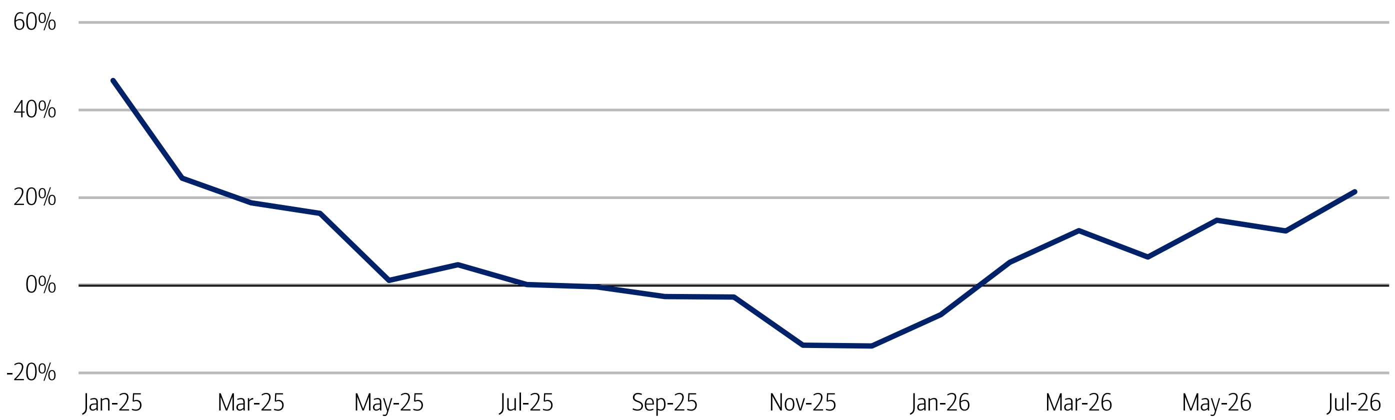
Small business hiring looks strong, but labor availability is a hiccup

Small business hiring plans are at their highest level since October 2022, according to the National Federation of Independent Business (NFIB), and, according to Bank of America small business payments data, our alternative hiring indicator was up more than 20% year-over-year (YoY) in July on a three-month moving average (Exhibit 1). This is in contrast to the July nonfarm payrolls print from the US Bureau of Labor Statistics, underscoring the nuance in labor market resilience (read more on this in the July Employment Report). Looking ahead, a seasonally adjusted net 20% of owners plan to create new jobs over the next three months, up nine points from June.[1]

However, the small business labor market is facing a new hiccup. According to the NFIB survey, in July, the top reported issue was labor quality or availability. Of all owners reporting job openings, 36% reported they could not fill them in the current period – the highest reading in over a year.

Exhibit 1: Small business hiring growth continued to increase in July

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



Source: Bank of America internal data

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[1] National Federation of Independent Business. (11 August 2026). *Small Business Economic Trends*. NFIB.

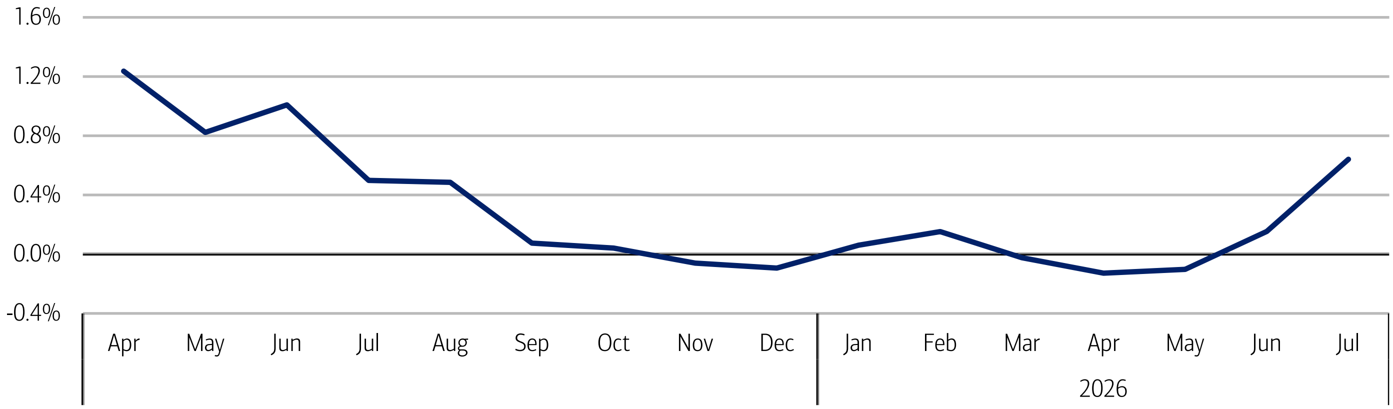
Profits increased to their highest level in over a year

The improvement in small business hiring comes as small business profits pick up. In Bank of America small business account data, the inflow-to-outflow ratio grew to the highest level in over a year, suggesting the profitability backdrop for small businesses may be stabilizing after a difficult start to the year (Exhibit 2).

Expenses appear to be growing less quickly than earlier in 2026 compared to revenue growth (read more on small business deposits in July's Small Business Checkpoint). Plus, Bank of America small business account data shows that of those firms that have made tariff payments directly to US Customs and Border Protection (CBP), an estimated 42.6% of them have been returned as of July. As a result, small businesses may be regaining some financial flexibility, potentially improving their ability to invest, hire workers or absorb future cost increases.

Exhibit 2: Small business profitability growth continued to climb in July

Small business account inflow-to-outflow ratio (monthly, YoY%, three-month moving average)



Source: Bank of America internal data

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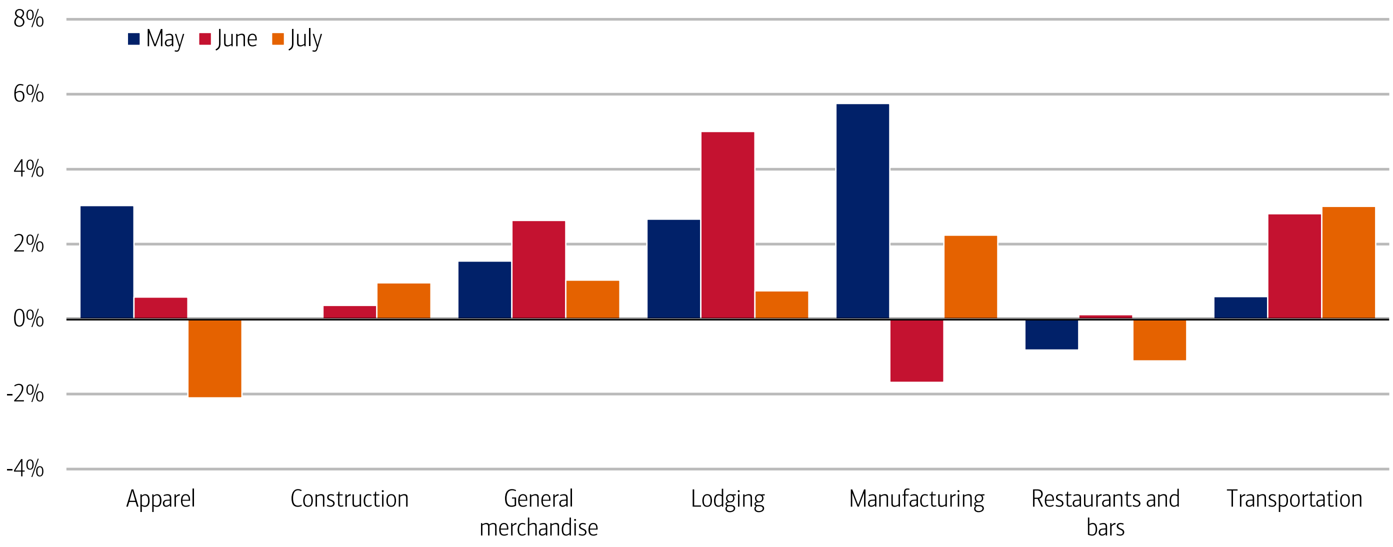
Small manufacturing and transportation firms see boost

However, the improvement in profitability is not uniform across industries. Small transportation and manufacturing firms posted some of the strongest gains in July, while apparel and restaurants posted declines (Exhibit 3). However, other consumer-facing small businesses like lodging and cultural attractions seemed to benefit from a World Cup-related boost (read more on small business income from World Cup spending in August's On the Ball report).

This divergence suggests sector-specific dynamics – including input costs, transportation demand and consumer spending patterns – are increasingly influencing the financial health of small firms.

Exhibit 3: Small transportation and manufacturing firms saw the biggest jump in profitability growth in July

Small business account inflow-to-outflow ratio by industry (monthly, YoY%)



Source: Bank of America internal data

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Business travel picks up but so have prices

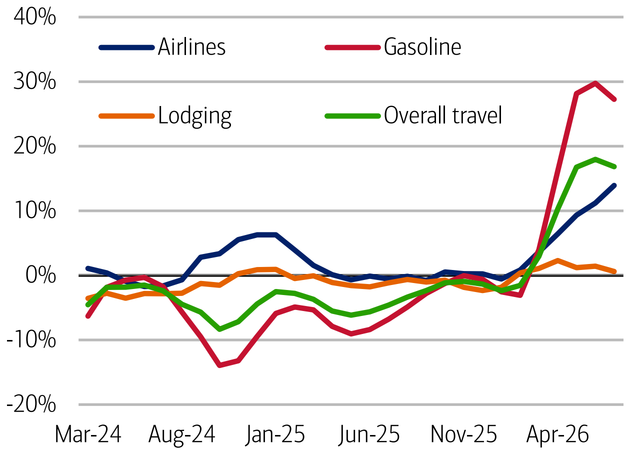
With small businesses seemingly on firmer footing, expenditures have ramped up. We highlight travel in particular. However, we wonder if this is due to increased demand or increased prices? Our data suggests likely a mix of both, but weighted more to the latter.

The gap between spending growth and transaction growth suggests rising travel expenditures are being driven by more than an uptick in travel activity (Exhibits 4 and 5). While the number of travel-related transactions rose only modestly in July, total spending increased substantially, indicating that the average amount spent per transaction also increased. This could reflect higher airfares and other travel-related prices, as well as businesses taking bigger or longer trips than a year ago.

Airlines and gasoline appear to be driving much of the increase. Lodging transaction activity remained relatively flat, while airline spending accelerated sharply, suggesting transportation costs may be contributing more to overall travel inflation than accommodation spending.

Exhibit 4: Overall travel spending per small business client grew almost 17% YoY in July...

Small business credit card spending per client by category (monthly, YoY%)



Source: Bank of America internal data

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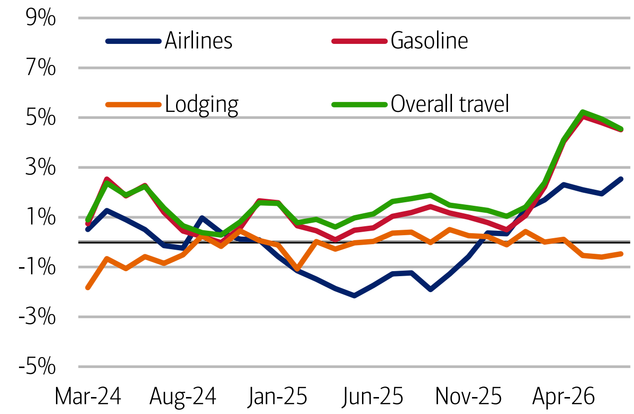
Exhibit 5: ...but the number of travel-related transactions per small business client only grew 4.5% YoY in July

Small business credit card transactions per client by category (monthly, YoY%)



Source: Bank of America internal data

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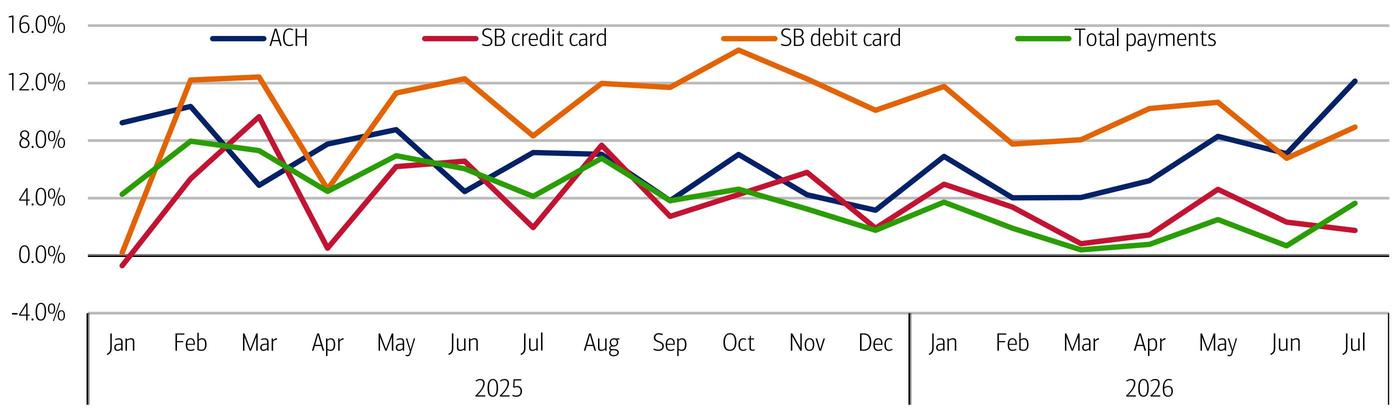
Monthly payments update

Looking more broadly at small business payment activities in July, the total increased by 3.6% YoY and rose from the prior month, according to Bank of America data (Exhibit 6). Among major components, automated clearing house (ACH) has now surpassed small business debit card.

Exhibit 6: Total payments per small business client were up 3.6% YoY in July

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



Source: Bank of America internal data

*Note: 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.

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

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Disclosures