

## Economy

# Small Business Checkpoint: Watching and waiting

17 July 2025

### Key takeaways

- Halfway through the year and small businesses remain in fair shape, with profitability up 1.8% year-over-year (YoY) in June, the highest level so far this year, according to Bank of America small business account data. However, there are signs of a slowdown in the labor market, and small business payments to hiring firms fell 3.4% YoY in June.
- Seasonal hiring in the leisure and hospitality sector has also slowed, with payments to hiring firms by restaurants having fallen from Q1 to Q2 for the first time since the pandemic. Economic uncertainty has spurred small firms to pause hiring.
- Uncertainty appears to be driving change on the credit front as well. Banks are tightening credit standards and small businesses are turning to credit cards, leading to a rise in average utilization rate, according to Bank of America small business account data. But the YoY% growth in the share of these business accounts that are making minimum payments has come down significantly in June since the start of the year.

*Small Business Checkpoint* is a regular publication from Bank of America Institute. It aims to provide a real-time assessment of small business spending activities and financial well-being, leveraging the depth and breadth of Bank of America's proprietary data. 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.

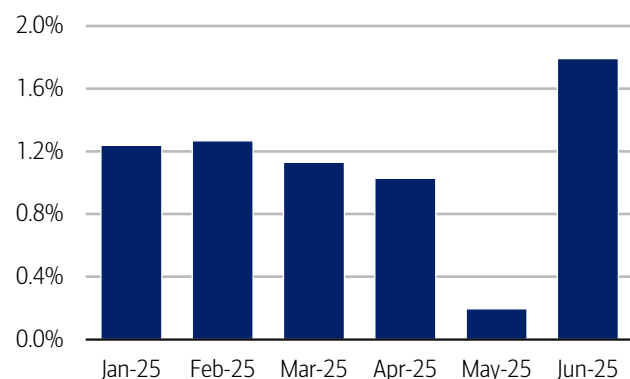
### Small business profitability is up, but hiring has moderated from last year

Halfway through the year, small business profitability persists. It rose 1.8% year-over-year (YoY) in June, the highest level this year, according to Bank of America small business account data (Exhibit 1). And there's more good news in the sector: the small business labor market remains in fair shape, providing a solid foundation for the rest of the economy given that such companies employ nearly half of the US population.

In fact, according to the National Federation of Independent Business (NFIB), in June 2025, a seasonally adjusted net 13% of owners said they plan to create new jobs in the next three months, up one point from May. However, in our view there are some cracks in the picture: hiring has slowed in the face of economic uncertainty, and labor costs are reemerging as a top concern for small businesses.

#### Exhibit 1: Small business profitability rose 1.8% YoY in June to the highest level this year

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



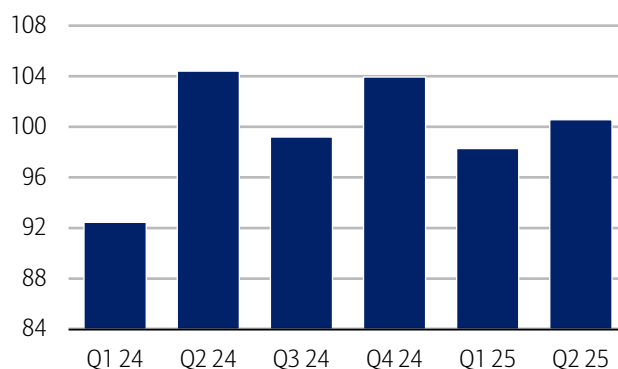
Source: Bank of America internal data

Note: A ratio less than 1 means inflow less than outflow

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#### Exhibit 2: Small business hiring was roughly equivalent to the 2024 average level in Q2 2025, and improved from Q1 2025

Small business payments to hiring firms (quarterly, indexed, 100 = 2024 average)



Source: Bank of America internal data

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Small business payments to hiring firms were down 3.4% YoY in June on a three-month moving average, though remain relatively equal to the 2024 average level (Exhibit 2). However, on a month-over-month (MoM) basis, in June, such payments rose 2.2% from May on a three-month moving average.

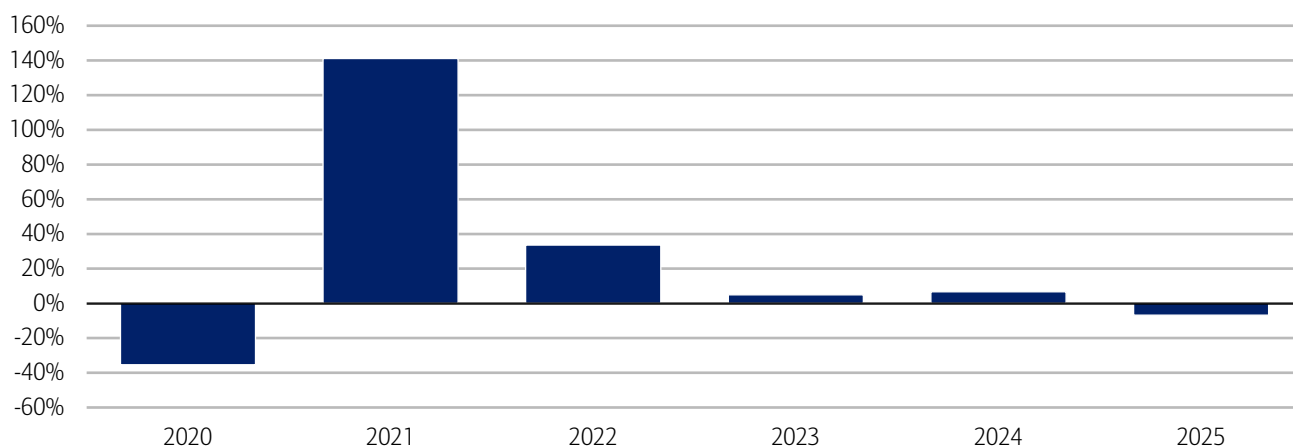
### Searching for a summer job isn't so hot right now

For seasonal workers, summer is a peak hiring period at small firms, particularly those in the leisure and hospitality sector.<sup>1</sup> This is especially true for young people, though recently, evidence is emerging that they're struggling on the job front. Teenagers are projected to fill one million jobs in May, June and July, the lowest tally since 2010, according to estimates by outplacement firm Challenger, Gray & Christmas.<sup>2</sup>

Notably, the restaurant industry is typically the nation's second-largest creator of seasonal jobs during the summer months, ranking only behind the construction industry.<sup>3</sup> Using Bank of America small business payments data, we find small business payments to hiring firms by restaurants fell from Q1 to Q2 for the first time since the pandemic (Exhibit 3).

#### Exhibit 3: Hiring by small restaurants has slowed and fell from Q1 to Q2 for the first time since 2020

Small business payments to hiring firms by restaurants (quarter-over-quarter, %, annual)



Source: Bank of America internal data

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There are several reasons this might be happening. For one, small business owners are having difficulty hiring workers. A seasonally adjusted 36% of all such owners said they had job openings they could not fill in June, an increase of two points from May, according to the NFIB. And of the 58% of owners hiring or trying to hire in June, 86% reported few or no qualified applicants, suggesting lack of qualified labor could be plaguing the restaurant industry as well.

Another reason: These businesses are freezing or cutting seasonal positions over concerns about ebbing consumer confidence and fears that consumer spending could slow further in the face of tariffs (read more about these concerns in our [June Consumer Checkpoint](#) and our [July Consumer Checkpoint](#)).

However, it is possible hiring will increase later in the summer. Employment typically rises for 16- to 19-year-olds during June, July, and August with food preparation and serving occupations<sup>4</sup> becoming prevalent during that period. But if the ever-changing timeline of tariffs continues, hiring will likely have to be driven primarily by consumer demand.

### Does small business spending hold up amid economic uncertainty?

Despite recent economic uncertainty, are small businesses still spending? It's a bit of a mixed picture.

According to Bank of America aggregated small business credit card data, total credit card spending per small business client inched into positive territory in June, up 1.6% YoY on a three-month moving average (Exhibit 4). This growth coincides with another metric that has also trended up over the past few months: NFIB respondents reporting that now is a good time to expand.

<sup>1</sup> Career Outlook. (2018). *Summer surge: Strong-growth industries with seasonal employment spikes*. U.S. Bureau of Labor Statistics.

<sup>2</sup> Fewer Teens Are Working in 2025; Economic Uncertainty May Hold Teen Jobs at Bay | Challenger, Gray & Christmas, Inc. | Outplacement & Career Transitioning Services

<sup>3</sup> Analysis & Commentary. National Restaurant Association

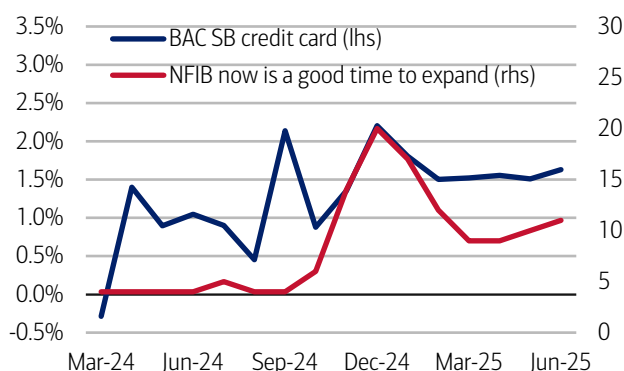
<sup>4</sup> Career Outlook. (2017). *Summer employment: A snapshot of teen workers*. U.S. Bureau of Labor Statistics.

Small businesses appear to be increasingly turning to credit cards for spending. The average small business credit card utilization rate is up almost 2% from the 2024 average and has steadily increased since the beginning of the year (Exhibit 5).

It's possible increased credit tightening has incentivized small firms to become more reliant on cards. In fact, according to the latest Senior Loan Officer Opinion Survey, on balance, respondents reported tighter lending standards and weaker demand for commercial and industrial (C&I) loans to firms of all sizes in Q1 2025, having cited a less favorable or more uncertain economic outlook as a major contributing factor.

#### Exhibit 4: Credit card spending growth is increasing alongside the number of firms saying now is a good time to expand

Small business credit card spending per client (monthly, 3-month moving average, YoY%, left-hand side (lhs)) and respondents reporting now is a good time to expand (% monthly, right-hand side (rhs))

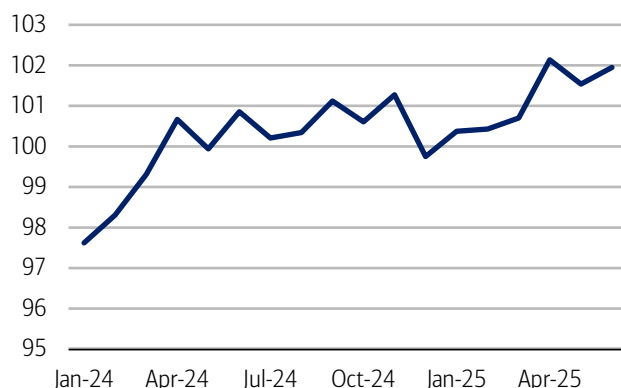


Source: Bank of America internal data, NFIB

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#### Exhibit 5: Average small business credit card utilization has inched above the 2024 average level in June

Small business average credit card utilization rate (monthly, indexed, 2024 average = 100)



Source: Bank of America internal data

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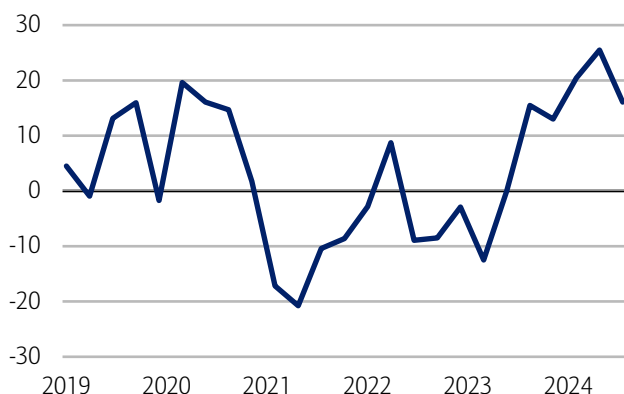
### Credit health check

But is increased credit card use indicative of a wider problem on the credit front? In our view, not necessarily. It's true, that by one measure, the data is negative. The Kansas City Small Business Lending Survey found that at the end of Q1 2025, about 9% of survey respondents reported a decrease in applicant credit quality for the twelfth consecutive quarter.

And though the Board of Governors of the Federal Reserve reported that delinquency rates on business loans remained up and were at 16.1% YoY in the first quarter of 2025, this growth has slowed (Exhibit 6). Additionally, the YoY% change in the share of accounts consisting of minimum due payers in Bank of America small business data has decreased significantly from the end of last year (Exhibit 7).

#### Exhibit 6: After peaking in Q3 2024, the growth in delinquency rates for all business loans has slowed the past two quarters

Delinquency rates for all business loans (quarterly, YoY%)

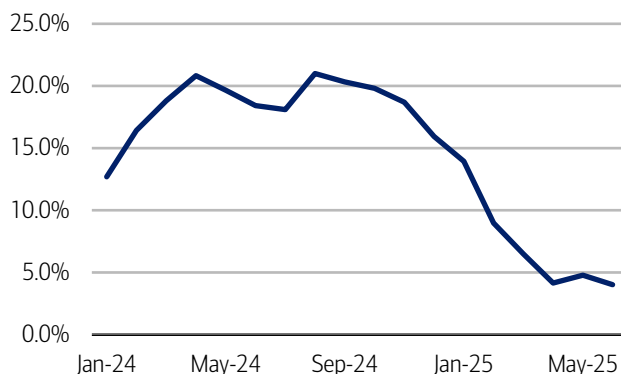


Source: Board of Governors of the Federal Reserve System

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#### Exhibit 7: The growth in the share of small business minimum due payers has come down significantly since the end of last year

Share of Bank of America small business accounts consisting of minimum due payers (monthly, YoY%)



Source: Bank of America internal data

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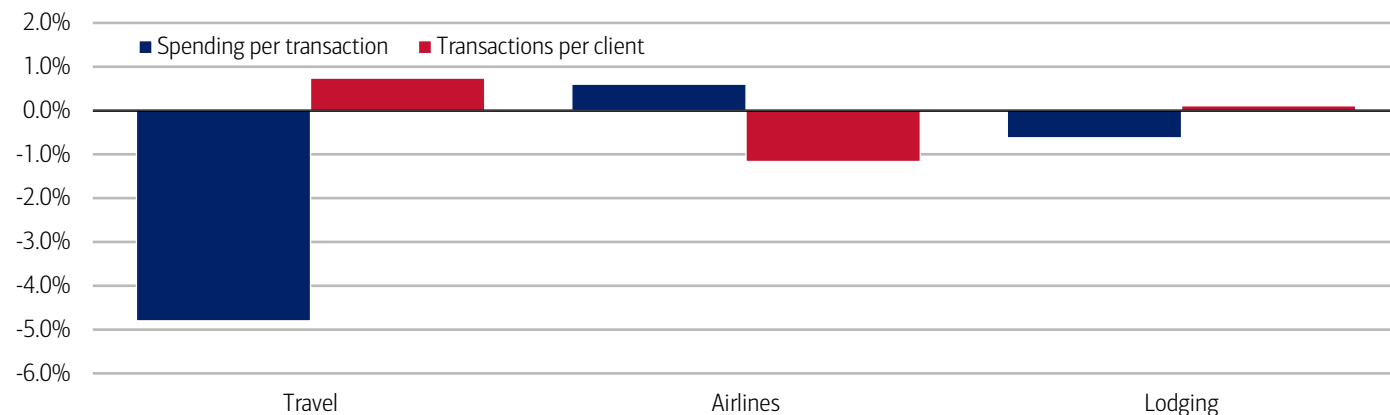
### Business travel is a mixed bag

In [March's Small Business Checkpoint](#), we reported that small businesses were pulling back on spending. That trend is continuing, particularly when it comes to business travel (Exhibit 8). In fact, they are turning away from travel at the same time consumers have increasingly slowed outlays on more discretionary services (read more on this in our [July Consumer Checkpoint](#)).

Spending growth per transaction on travel fell in June by almost 5%. When it comes to spending on airlines, growth increased but transaction volume declined. This may reflect that fewer firms are making business trips, but their employees are continuing to fly in premium classes as airfares – as well as lodging rates – have come down. This reinforces the narrative seen among consumers – economic uncertainty can be a catalyst for more nuanced demand (read more on this in July’s [Chowing down on the cheap](#)).

#### Exhibit 8: Airlines spending growth increased in June, but lodging and overall travel fell

Small business credit card spending in June by category (YoY%, 3-month moving average)



Source: Bank of America internal data

Note: Travel includes categories such as airlines, rental cars, gasoline, travel services and lodging.

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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 or Paycheck Protection Program 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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