

Economy

Small Business Checkpoint: Glass half full

18 June 2026

Key takeaways

- Small businesses continue to contribute to job growth, supported by strong hiring activity and external boosts such as FIFA World Cup 2026™ demand in select sectors. However, Bank of America data shows payrolls per small business client declined more than 2% year-over-year (YoY) in May, suggesting that recent hiring strength may be masking underlying softness.
- Despite resilient consumer spending, small business profitability continues to wane, with the inflow-to-outflow ratio declining further in May, according to Bank of America small business account data. Cost pressures, including elevated fuel expenses, are outpacing revenue growth, particularly for firms with <\$500K in annual revenue, which are experiencing the largest drag on margins.
- As profitability tightens, small businesses are increasingly adjusting prices and relying on credit to manage operations. National Federation of Independent Business (NFIB) data in May shows a rise in actual and planned price increases, reflecting efforts to offset higher costs. At the same time, utilization rates suggest firms still have some borrowing capacity.

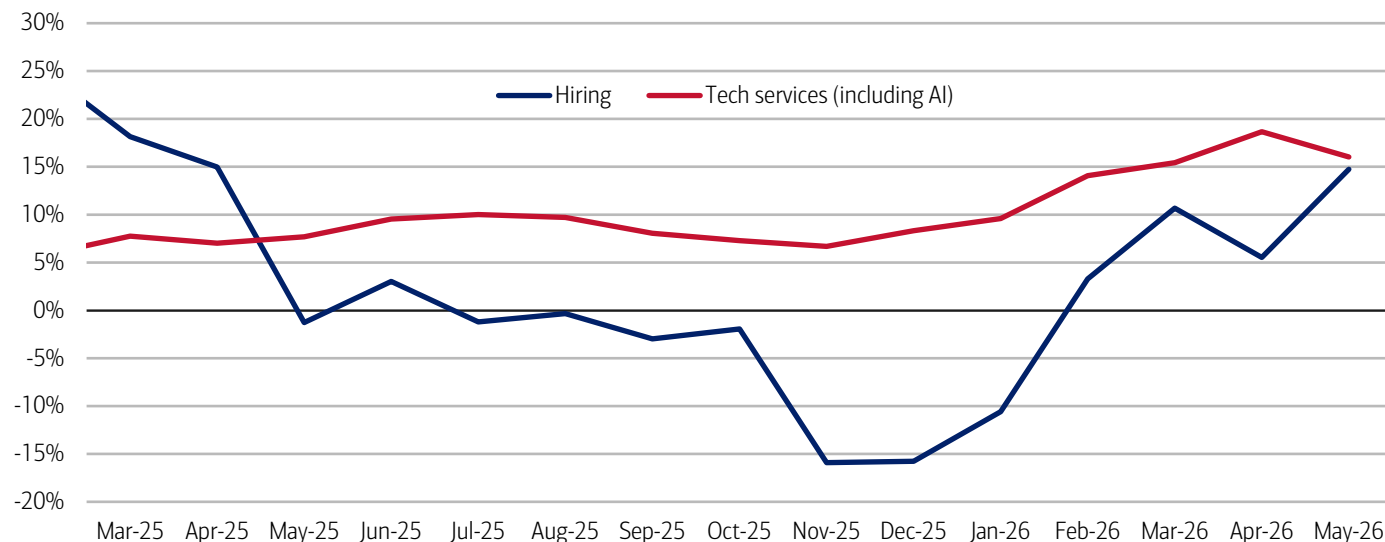
Small business labor market: A little heat

Small business hiring has picked up steam. Our alternative hiring indicator – which has a one-month lead on the Job Openings and Labor Turnover Survey (JOLTS) – was up nearly 15% year-over-year (YoY) in May – the strongest reading in over a year (Exhibit 1).

This corroborates what official payroll data from the Bureau of Labor Statistics shows with nonfarm payrolls posting solid gains in May and Bank of America Institute’s payrolls estimate (see the [May Institute Employment Report](#)). Plus, Automated Data Processing (ADP) estimated that businesses with fewer than 50 employees accounted for more than half of total job gains last month.

Exhibit 1: Payments to small business hiring firms and tech services both grew in May

Payments to small business hiring firms and tech services (including AI) per small business client (YoY%, monthly, three-month moving average)



Source: Bank of America internal data

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Is AI playing a role in small business hiring?

There is growing discussion around the elephant in the hiring room: AI. While small businesses are increasingly investing in tech services (Exhibit 1), there are still limited signs that AI is replacing jobs (read more on this in our publication: [Adaptability is the new job security: AI and the future of work](#)). At the same time, new business formation is rising, in part reflecting productivity gains associated with AI investment (read more on this in the [March Small Business Checkpoint](#)).

Plus, a report from the Organisation for Economic Co-operation and Development (OECD) found that more intensive AI adoption remains limited globally. Only 6% of small and mid-sized enterprises reported direct investment to create or acquire tailored machine-learning algorithms for business use.¹

Short-term hiring may be masking small business payroll weakness

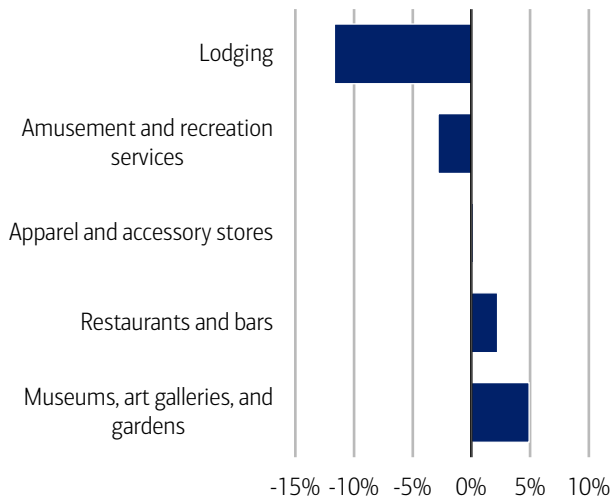
Despite the uptick in small business hiring payments in recent months, some of this might just be short-term, especially in industries that support FIFA World Cup 2026™ activity. Exhibit 2 shows that for cultural attractions and restaurants, small business payroll growth increased in May, and recent data from Gusto shows that hospitality hiring in FIFA World Cup 2026™ host metros rose roughly 30% in May relative to earlier months, even as hiring declined in non-host markets.²

This temporary boost might mask an underlying trend: small business payroll growth per client was down more than 2% YoY in May on a three-month moving average, according to Bank of America small business payments data (Exhibit 3).

Additionally, a seasonally adjusted net 9% of owners planned to create new jobs in the next three months, down four points from April and marking the lowest level since May 2020, according to the NFIB. And it is no longer solely a qualified worker problem – 13% of small business owners cited labor quality as their single most important problem, marking the lowest level since December 2016.

Exhibit 2: Despite some signs of temporary hiring pickup for the summer, payroll growth for small hotels was down more than 11% YoY in May

Small business payroll per client by industry in May (YoY%, three-month moving average)

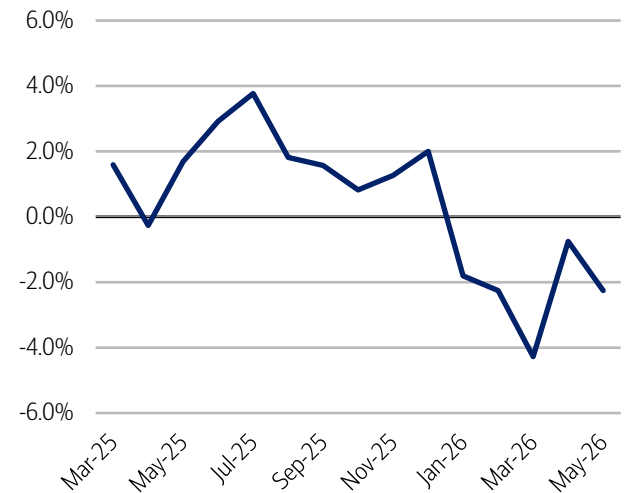


Source: Bank of America internal data

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Exhibit 3: Small business payroll growth was down more than 2% YoY in May

Small business payroll per client (YoY%, monthly, three-month moving average)



Source: Bank of America internal data

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Profitability pressures persist

In addition to hesitancy in hiring, small business margins remain squeezed. Plus, uncertainty around the economic outlook has underpinned the below average small business optimism reading in the NFIB report for many months now.

Profitability growth, as measured by Bank of America small business accounts' inflow-to-outflow ratio, dropped further in May (Exhibit 4). This is despite consumer discretionary spending growth remaining resilient in Bank of America aggregated credit and debit card data (read more on this in the [June Consumer Checkpoint](#)).

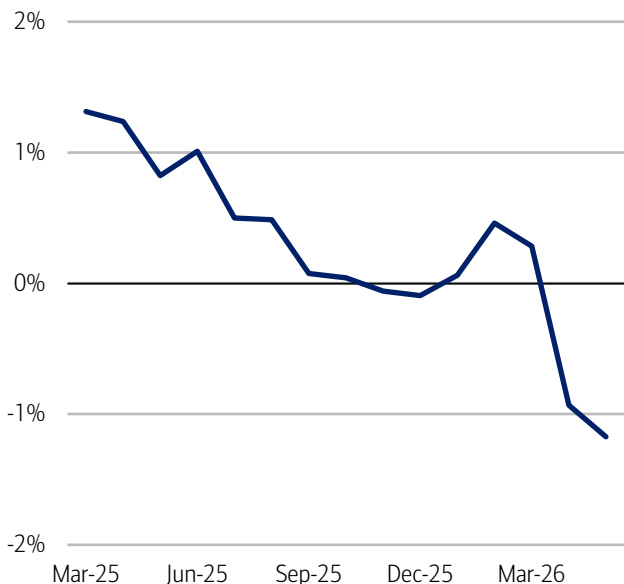
¹ Bianchini, M., Cusmano, L., Lasheras Sancho, M. (2025, August). *From Gaps to Growth: Accelerating SME Digitalisation for a Sustainable Digital Future*. Centre for Entrepreneurship, SMEs, Regions and Cities Organisation for Economic Co-operation and Development.

² Terrazas, A. (2026, June 11). *Small Businesses are Staffing Up for the FIFA World Cup 2026*. Gusto.

For newer firms, this presents a particular challenge. Firms with <\$500K in annual revenue have seen the largest drag in profitability growth year-to-date (YTD), according to Bank of America small business account data (Exhibit 5). Against this backdrop, companies are pushing through price increases. NFIB survey data shows a marked increase in both actual and planned price increases in May, with the share of firms raising selling prices reaching the highest level since early 2023 and plans to raise prices surging to the highest level since mid-2022. This suggests that, as margins remain under pressure, these businesses are increasingly passing through price increases.

Exhibit 4: Overall small business profitability fell in May

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

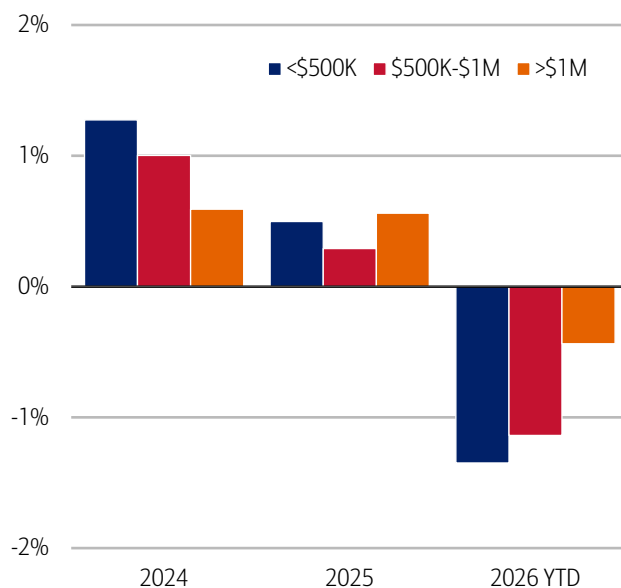


Source: Bank of America internal data

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Exhibit 5: Firms with <\$500K in annual revenue appear to feel the strongest margin squeeze so far this year

Small business account inflow-to-outflow ratio (YoY%, YTD average)



Source: Bank of America internal data

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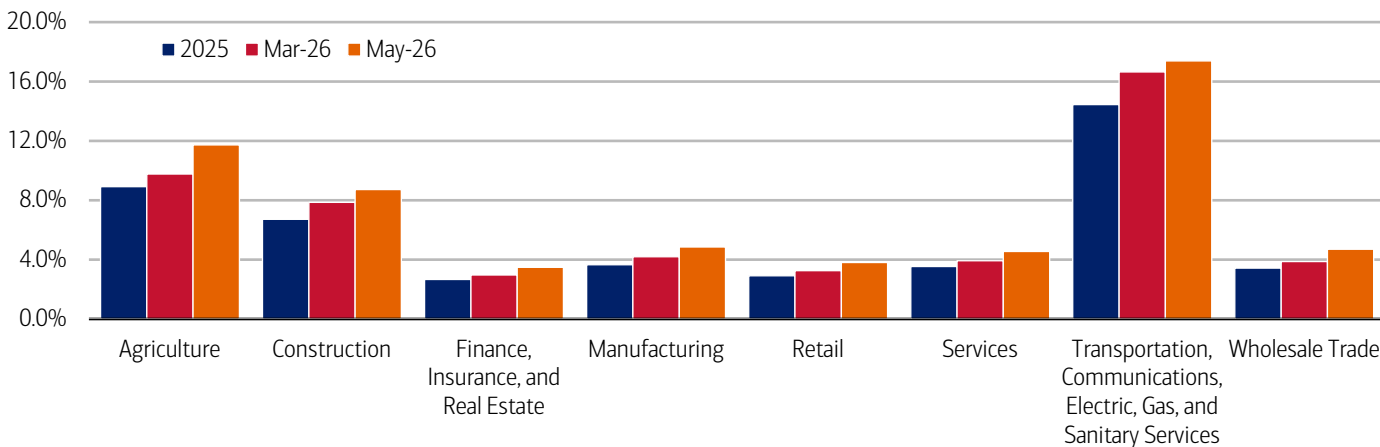
Gasoline shock still hitting small firms

Most recently, the surge in gas prices has pressured small business spending, with Bank of America small business aggregated credit and debit card gas spending per client up 34% YoY in May.

While this impact is evident across industries, some are more pressured than others (read more on this in the [April Small Business Checkpoint](#)). For example, the share of gasoline in total small business credit and debit card spending was more than 17% for small transportation firms (Exhibit 6). And while small companies in industries such as retail and wholesale trade account for a lower share, it has increased and now has become a third of the total card spending share.

Exhibit 6: Gasoline spending makes up the largest share of total card spending for small transportation firms

Share of small business gasoline spending in total card spending by industry (%)



Source: Bank of America internal data

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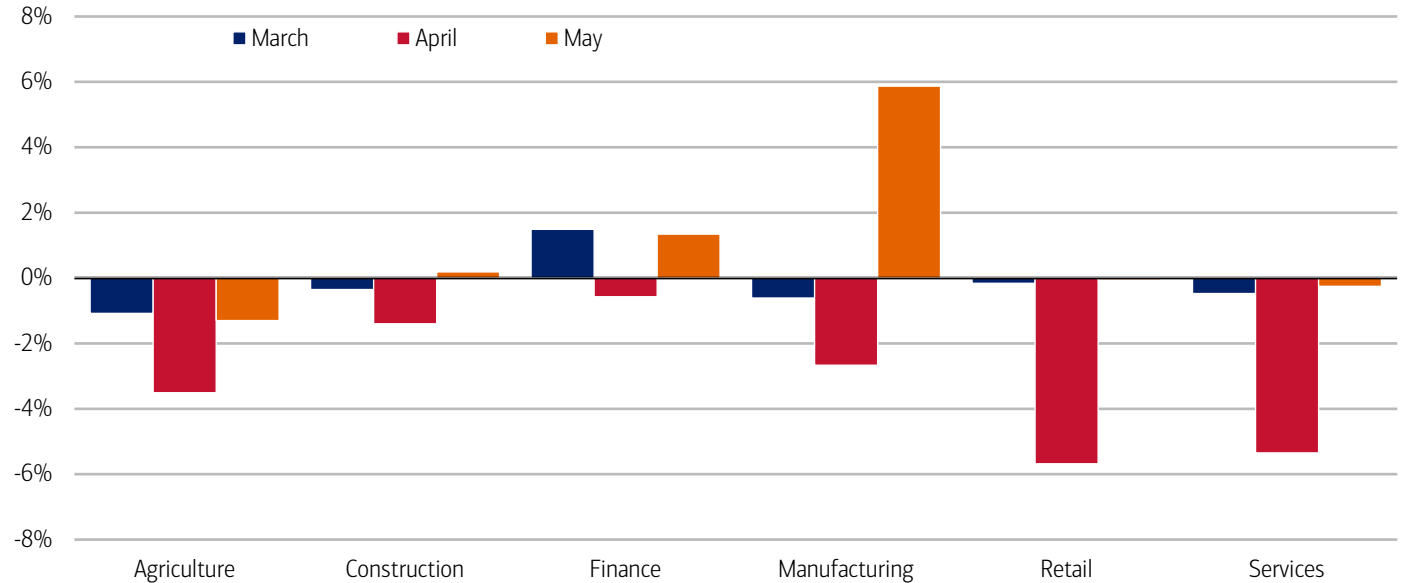
Tariff refunds bring relief to some small firms

There are some bright spots in this picture as some sectors have seen a modest improvement in inflow-to-outflow dynamics in recent months (Exhibit 7). Small manufacturing firms' improvement is a marked positive for overall economic growth and could also signify some benefit from tariff refunds.

In fact, within Bank of America small business account data, tariff refunds per client jumped significantly in April and May. Applications for refunds totaling \$85 billion were accepted for processing as of May 22, according to Customs and Border Protection.

Exhibit 7: Small manufacturing firms' profitability growth jumped in May

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



Source: Bank of America internal data

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Small businesses curb capex spending

Still, with costs mounting, only 16% of small business owners plan to make capital outlays in the next six months, marking the lowest level since March 2009, according to the latest NFIB report. This could weigh on their expansion plans and their desire to access credit.

An increased reliance on credit cards remains a notable feature of small business balance sheets, but the data suggests that leverage is being managed relatively cautiously. Bank of America small business data shows that small business credit card balances were approximately 15% above their 2019 average in May, while utilization rates were only modestly higher (Exhibit 8).

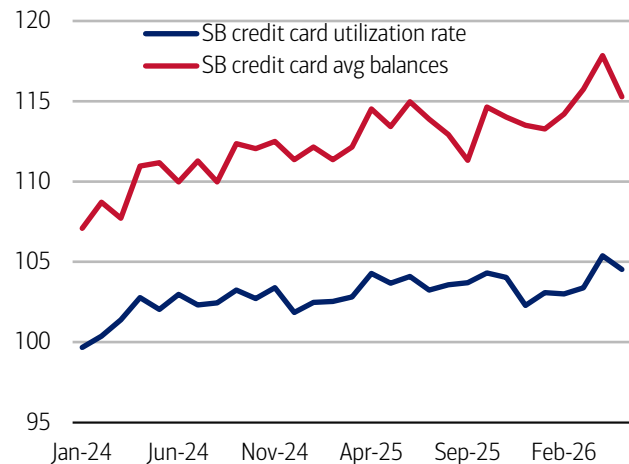
Demand for credit seems stable

The relative stability in utilization rates suggests that while such businesses are using credit cards more than they did before the pandemic, they are not maxing out their credit – meaning they still have some room to borrow if needed. And demand for commercial and industrial (C&I) loans among small firms has shown a gradual improvement over the past two years (Exhibit 9).

Importantly, the increase in loan demand does not appear to signal overheating or financial strain, but rather a measured use of available credit. That said, higher debt levels can become more burdensome when interest rates are elevated. So while credit use today looks manageable, it may still add pressure on businesses over time, especially if margins stay tight or borrowing costs remain high.

Exhibit 8: Small business (SB) credit card balances were up 15% from the 2019 average in May but utilization levels remain just 5% above

Small business credit card utilization rate and balances (indexed, 2019 average = 100, monthly)

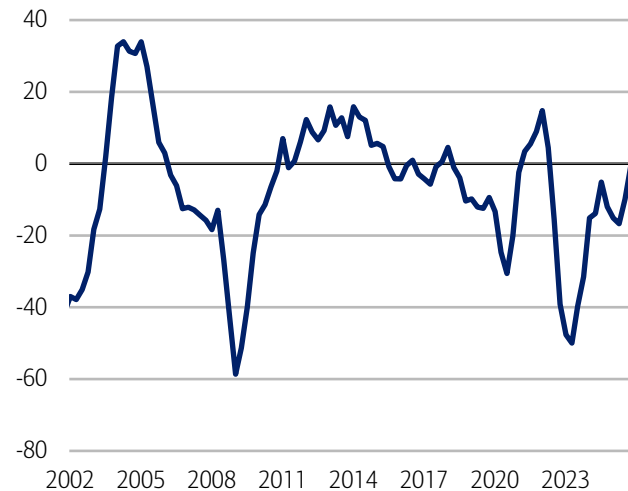


Source: Bank of America internal data

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Exhibit 9: The share of banks reporting stronger demand for C&I loans from small firms has improved over the past two years

Demand for C&I Loans among small firms (% quarterly, three-quarter moving average)



Source: Haver Analytics

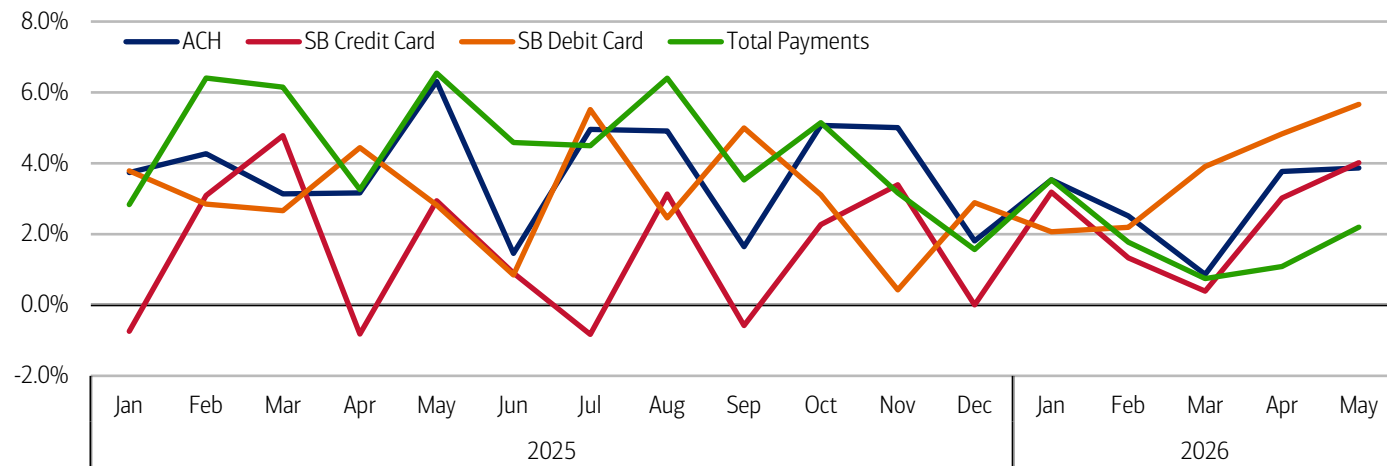
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Monthly payments update

Looking more broadly at small business payment activities in May, total payments among such clients increased by 2.2% YoY, up from the prior month, according to Bank of America payments data (Exhibit 10). Among major components, all categories increased from April, with SB debit card up nearly 6% YoY.

Exhibit 10: Total payments per small business client were up 2.2% YoY in May

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



Source: Bank of America internal data

* 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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