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Economy

Small Business Checkpoint: A little stocking and some hiring

15 May 2025

Key takeaways

- There is little evidence of small firms rushing to increase inventories overall. However, some sectors, such as manufacturing and services, do appear to be stocking their shelves at an accelerated rate, according to Bank of America internal data, likely as they attempt to get ahead of tariff-related disruptions.
- Meanwhile, hiring plans for small businesses are muddled, though our alternative hiring analysis suggests some pick-up in April versus March. Small business payments to hiring firms were up almost 6% from 2019 average levels – with the caveat that this might reflect extra spending on recruitment because of trouble finding staff.
- Across the country, small business payroll growth has largely come down from last year, although cities in the South are generally faring better than cities in the Northeast, according to Bank of America internal data. However, labor supply constraints from shifting economic and immigration policies could pose a risk to certain sectors and regions.

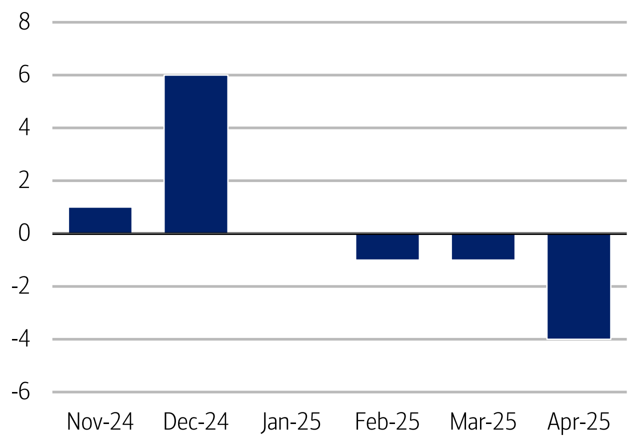
Small Business Checkpoint is a regular publication from Bank of America Institute. It aims to provide a real-time assessment of small business spending activities and financial well-being, leveraging the depth and breadth of Bank of America's proprietary data. Such data is not intended to be reflective or indicative of, and should not be relied upon as, the results of operations, financial condition or performance of Bank of America.

No evidence of "out of stock" signs just yet

Despite tariffs adding to economic uncertainty, small businesses do not appear to be overstocking inventory just yet.

Last month, we found that small businesses appeared to be pulling back on advertising spending but increasing spending on categories such as dealer floor plans (read more on this in the [April Small Business Checkpoint]). Given that this is an example of inventory financing, does it imply firms will have elevated levels of inventory in the coming months?

Exhibit 1: A net negative 4% of business owners plan to invest in inventory in the coming months
Respondents planning to add to inventories (seasonally adjusted, %)



Source: National Federation of Independent Business

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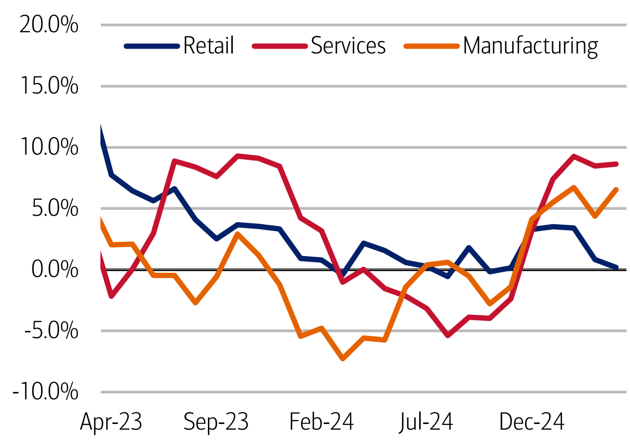
Exhibit 2: Manufacturing and services small businesses' inventory payments growth has increased relative to retail
Inventory payments by sector through April (3-month moving average, YoY%)



Source: Bank of America internal data
Note: Inventory payments include those to distributors, storage, truck/freight logistics, and delivery services.

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For retailers, we doubt it. In our view, any surge in imports over the last couple of months has likely been mostly offset with "buying ahead" by consumers. And, in fact, although there has been a surge in imports of consumer goods into the US in recent months, the ratio of retailers' inventories to their monthly sales was not especially high in recent data to begin with. Bank of America internal data on retailers' payments to transportation and shipping companies also does not suggest a big ramp-up in inventories in this sector (read more on this topic in May's [Retail inventories](#)).

Moreover, consumers have also been front loading purchases of durables to get ahead of potential tariff-related price increases in March, with signs that this largely ran its course over April (read the [May 2025 Consumer Checkpoint](#) for more), likely meaning that both demand and supply for imported retail goods has been elevated recently. So, overall, in our view, retailers will not necessarily have elevated inventory in coming months.

Across other sectors, small firms are also not rushing to stock their inventories, according to the National Federation of Independent Business (NFIB; Exhibit 1). However, using Bank of America internal data on small business inventory payments growth (see Note in Exhibit 2), we do see some signs of an increase in manufacturing and services – which might reflect firms in these sectors making some attempts to secure supplies ahead of any tariff-related disruption.

Small business hiring plans remain muddled

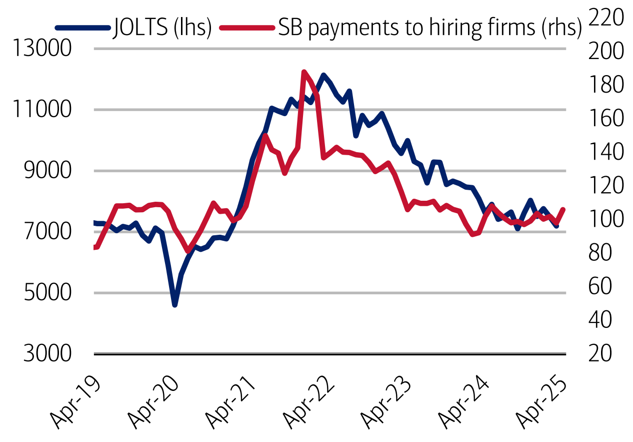
What about small business hiring prospects over the coming months? Our updated alternative hiring analysis (which tracks small business payments to hiring firms; see Methodology) shows that overall job posting payments for April 2025 were up almost 6% above 2019 levels, an increase from last month's -2% (Exhibit 3).

But there's a caveat: advertising a job does not necessarily lead to filling it. In fact, the rise in such payments may reflect the increasing difficulty some companies are having filling job openings. Seasonally adjusted, 34% of business owners reported having job openings they could not fill in April, according to the NFIB. The last time that job openings were below this level was in January 2021.

Markedly, there has been a muted trend of hiring over the last six months, and hiring during the first quarter of the year has been mixed: February's strength was largely due to the number of processing days and weather effects. In the past two months, small business hiring growth has turned negative (Exhibit 4).

Exhibit 3: In April, the volume of small business payments to hiring firms was almost 6% above the 2019 average

JOLTS Job Openings (seasonally adjusted, thousands, monthly, left hand side) and small business payments to hiring firms (indexed, 2019 average = 100, 3-month moving average, monthly, right hand side)



Source: Bank of America internal data

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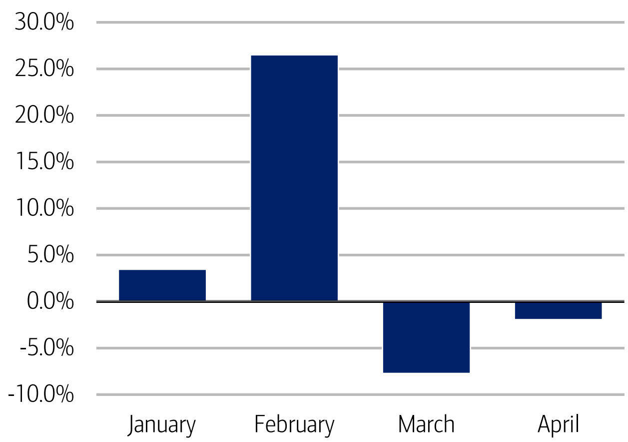
Exhibit 4: Small business hiring payments growth has slowed in the last two months

Small business payments to hiring firms (YoY%, monthly, 2025)



Source: Bank of America internal data

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Cities in the South have stronger small business payroll growth

Overall, payroll growth per small business client was up 5.3% year over year (YoY) in April, though it was only up 0.9% YoY on a three-month moving average.

Looking across the country, there are mixed signals with hiring. The April Beige Book (from the Federal Reserve) found that employment was little changed to up slightly in most districts, although this was a slight deterioration from the previous report, with a few more districts reporting declines.

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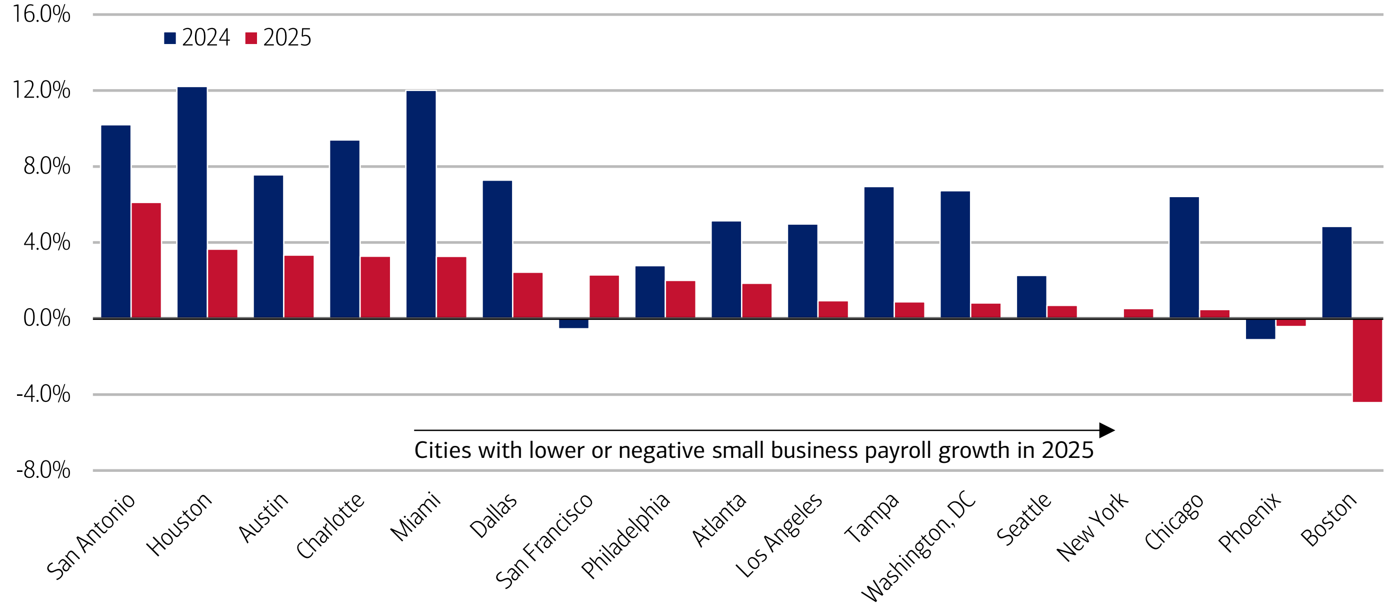
Additionally, several districts – including Boston and New York – reported that firms were taking a wait-and-see approach to employment, pausing or slowing hiring until there is more clarity on economic conditions.

Using Bank of America internal data, we find that small business payroll growth in April cooled in most cities since April 2024 (Exhibit 5).

However, there were notable regional differences: cities in the South had stronger growth than those in the Northeast in April. For example, the top three cities were all in Texas: San Antonio, Houston, and Austin. Interestingly, Phoenix and Boston had negative YoY% growth, possibly due to constraints on labor supply, resulting from shifting economic and immigration policies in certain sectors and regions.

Exhibit 5: Southern cities have generally seen stronger small business payroll growth in April 2025 than other cities

Payroll payments by core-based statistical area in April by year (3-month moving average, YoY%)



Source: Bank of America internal data

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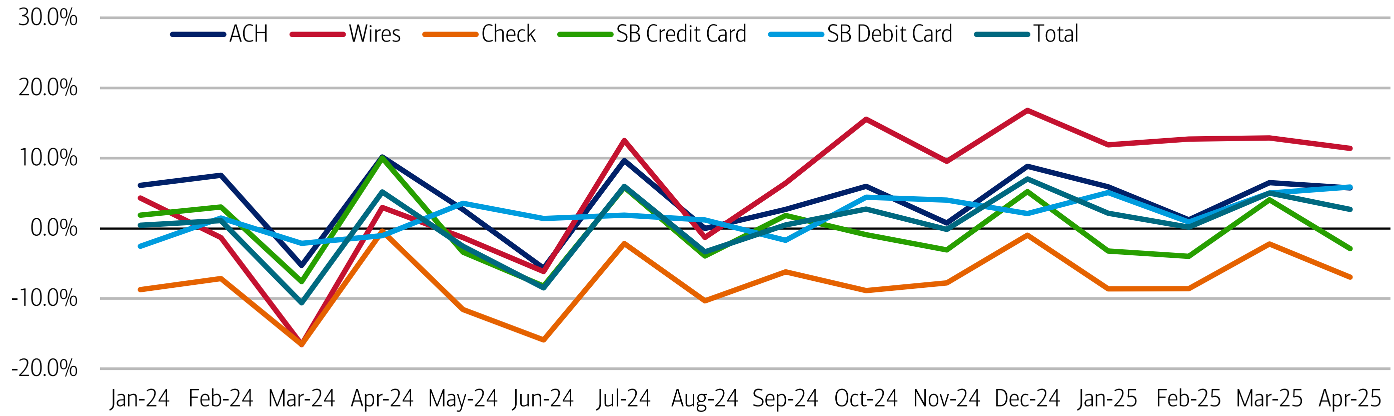
Monthly payments update

Looking more broadly at small business activities in April, total payments for such clients were up 2.7% YoY, down from last month, according to Bank of America internal data (Exhibit 6). Notably, small business credit card and check payments were both negative in April, whereas wires continued to show the strongest growth, up 11.4% YoY.

Exhibit 6: Total payments per small business client were up 2.7% YoY in April

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



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 **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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