

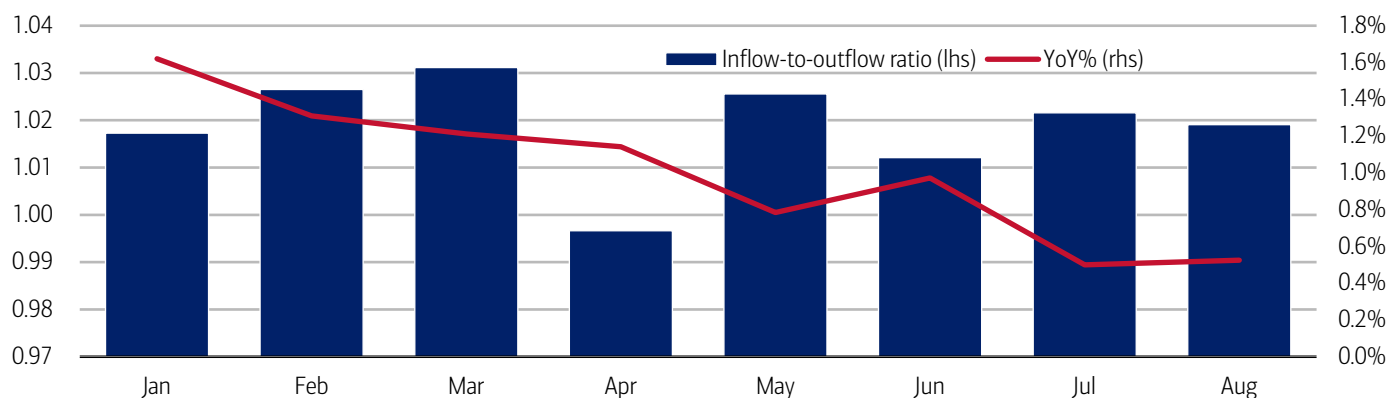
Institute Daily Insights

Small business profitability holds steady

16 September 2025

Small business profitability remains positive, and growth was up 0.5% year-over-year (YoY) in August

Inflow-to-outflow ratio for small businesses, based on Bank of America internal data (monthly, ratio less than 1 means inflow less than outflow), ratio (left-hand side (lhs), monthly) and YoY% (right-hand side (rhs), monthly)



Source: Bank of America internal data

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

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Despite signals of a slowdown in certain corners of the economy, small business profitability is holding up. In August, profitability was up 0.5% year-over-year and unchanged from the prior month. This aligns with a report from the National Federation of Independent Business, which revealed a small rise in optimism for this cohort, largely due to more owners reporting stronger sales expectations and improved earnings.

Still, small businesses operate on thinner profit margins, and profitability growth has more than halved since the start of this year, likely as a result of tariffs and wage inflation pressures.

For more, read [Small Business Checkpoint: Staying the course](#).

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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Disclosures

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