

SMALL BUSINESS

UPDATED FROM 2026 RELEASE OF 2025 SURVEY | NATIONAL

Asani Sarkar

Takeaways | Small Business

- Profitability increased in December 2024 as firms reported profits 13 percentage points more often than losses. However, this number remains far below the pre-pandemic differential of 46 percentage points in December 2019. For the smallest firms (defined as those with 1-9 employees), profitability was the highest in 2024 since the COVID-19 pandemic year of 2020.
- Improved profits were not reflective of higher revenues. More respondents reported lower than higher revenues in 2025, with the smallest firms entirely driving the lower revenues. Notably, revenue expectations for 2026 worsened by 6 percentage points year-over-year for all size groups. Post-pandemic recovery in revenue growth has been slower and less sustained than profit recovery, with the net share of firms reporting higher revenues remaining well below that in 2019. Pricing power was lower for the smallest firms in 2025 as they were less likely to raise prices and more likely to report weaker sales than larger firms.
- Consistent with declining inflation, fewer firms reported higher input and wage costs as a financial challenge in recent years.
- Unlike revenue changes, year-over-year employment growth increased for small firms in 2025 and decreased for larger firms. Indeed, larger firms have exhibited weakening recovery in employment after 2022, with year-over-year employment growth declining (while remaining positive). Mirroring revenue expectations, lower shares of all firms expected higher employment growth in 2026 relative to recent years. Smaller shares of firms of all sizes reported downsizing and facing difficulties hiring qualified workers in 2025.
- Debt per employee was about \$70,000 in 2025, similar to prior years. Lower shares of firms received less than the full amount of credit that they applied for and a higher fraction of firms reported that did not apply for credit because they did not need funds, suggesting that credit supply was not a major constraint in 2025.
- In 2025, the share of firms reporting supply chain issues increased slightly for small firms, while remaining well below its 2021 peak. Reports of difficulties with utilizing technology such as cybersecurity, e-commerce, and social media remained stable.

Full Report Highlights through April 2026

▪ INFLATION

- In a reversal, Hispanic, Black, low and middle-income, non-college, rural, Northeastern and Midwestern households saw higher inflation than the national average, in part from higher gasoline prices since March 2026.
- AAPI, high-income, college-educated, young and Southern households saw lower inflation than the average.

▪ EARNINGS

- Black and Hispanic workers experienced a decrease in earnings ratio to white workers relative to December 2025.
- Workers without a college degree earned more as a fraction of the earnings of workers with a degree than they did during most of the past six years.
- Women workers' earnings have held steady as a share of men's earnings since December 2025.
- Earnings of workers in large-sized businesses have grown at a higher rate than earnings of workers in medium-sized and small businesses.

▪ EMPLOYMENT

- Employment losses and unemployment increases have leveled off for Black workers, though employment remains low and unemployment remains high for them relative to the post-pandemic period.
- Employment gaps between college graduates and nongraduates are close to pre-pandemic levels.
- Workers with disabilities were much less (nearly half as) likely to participate in the labor force and be employed, and more than twice as likely to be unemployed than workers without disabilities.
- Employment has grown faster at large businesses than at small and medium-sized businesses.

Full Report Highlights through April 2026 (continued)

▪ **CONSUMER SPENDING**

- Real gas spending and real retail ex auto spending have fallen for nearly all groups as a result of the March 2026 gas price shocks.
- Lower-income groups generally reduced real gas spending by more than higher-income groups, which in turn increased nominal gas spending by more than lower-income groups.
- Since 2023, high-income households have increased nominal consumption by a higher percentage than have middle-income and low-income households.
- Consumption growth in nominal and real terms since 2023 has also been higher for college graduate relative to nongraduate households, AAPI and white relative to Hispanic and Black households and young relative to old households.

▪ **WEALTH**

- Growth in wealth after 2019 was faster for some groups with little wealth growth relative to population.
- This growth did not meaningfully reduce stark wealth inequalities across demographic groups.
- Financial assets have been growing strongly, raising net worth across the board but particularly for high-income and high-wealth groups.
- Real liquid assets grew rapidly for most groups in 2025:Q4, including Hispanic, noncollege and Black households, but did not grow for households in the bottom income quintile.

Full Report Highlights through April 2026 (continued)

- **SMALL BUSINESS**

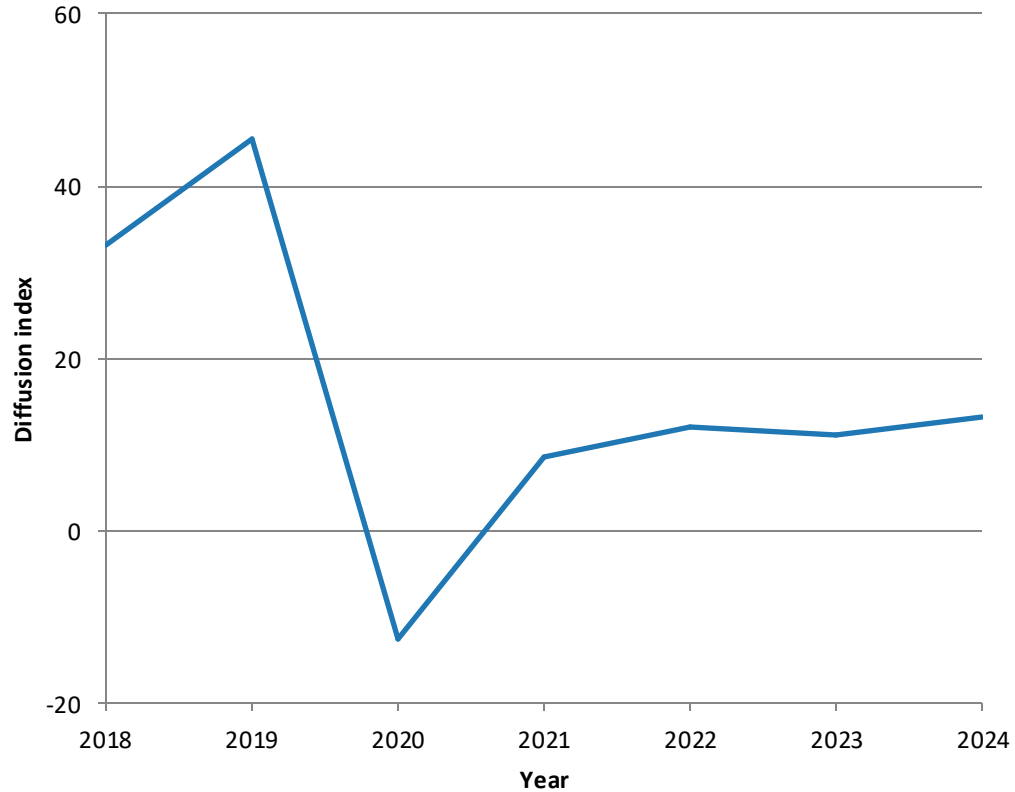
- Small business profitability and employment improved, but revenue growth declined this year. Employment and revenue expectations for 2026 worsened. Trends in revenue and employment varied by firm size: the smallest firms reported decreased revenue growth and increased employment growth, while larger firms had the opposite experience.

Data & Methods

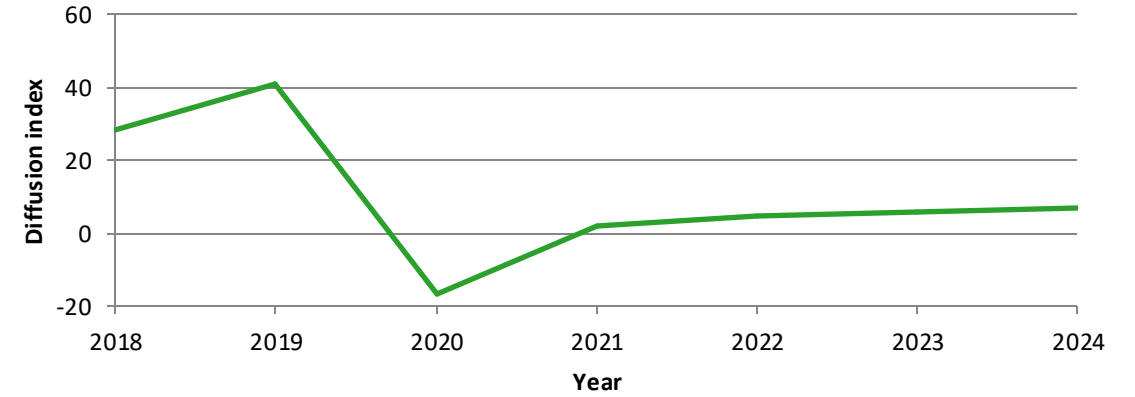
- Outcomes are reported from the Small Business Credit Survey (SBCS), a national survey of firms with fewer than 500 employees administered by the 12 Federal Reserve Banks annually between September and November of each year.
- Profitability questions refer to profit levels for year-end before the survey year, which is reflected in the profitability charts. For example, the 2024 survey responses refer to profit levels at the end of 2023. All other questions refer to the 12 months preceding the survey.
- The core survey questions remain consistent from year to year, covering firm demographics, performance, and financing. The questionnaire follows a "branching process," in which firms are directed to complete different modules based on previous answers.
- This analysis focuses on the subsample of "employer" firms that have at least one part-time employee on payroll in addition to the business owner.
- Because the sample includes a non-random set of firms contacted directly by community organizations, the survey responses are weighted by industry, location, and demographics so that the adjusted sample distribution of firms mirrors the U.S. population of small firms.

Profitability, End of Year

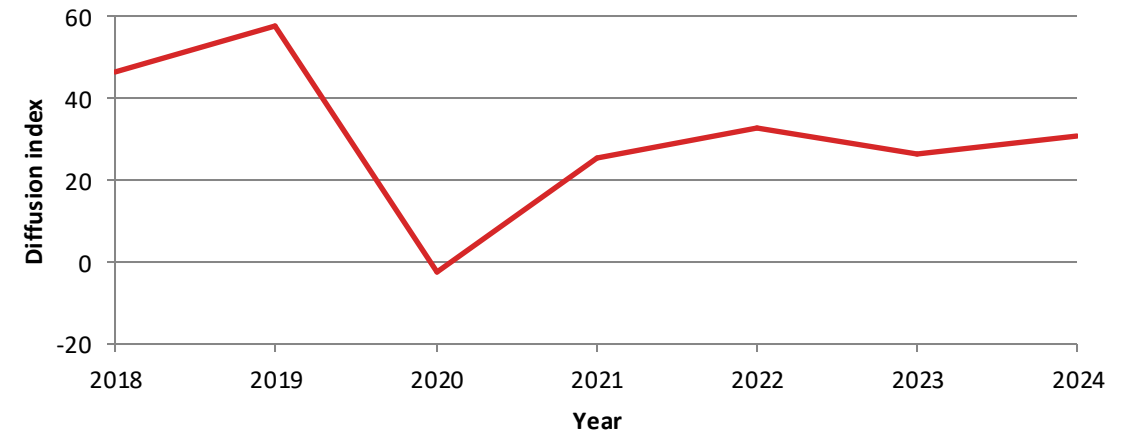
All Businesses



1-9 Employees



10+ Employees



Sources: Federal Reserve Banks, 2019-2025 Small Business Credit Surveys.

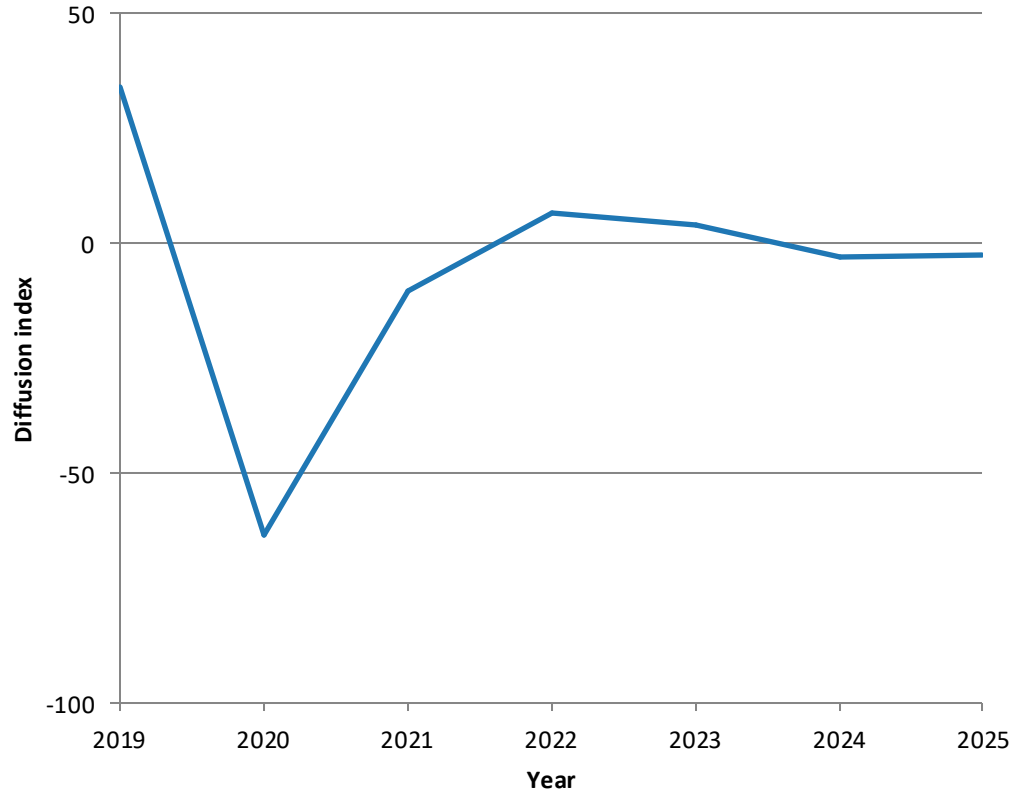
Notes: The figure plots the diffusion index (% At a profit - % At a loss) of responses to the question: "At the end of [this] year, was your business operating at a profit, break-even, or loss?"

Total number of respondents by year: 2018, 4942; 2019, 9225; 2020, 10,213; 2021, 7503; 2022, 5913; 2023, 7340; 2024, 6280

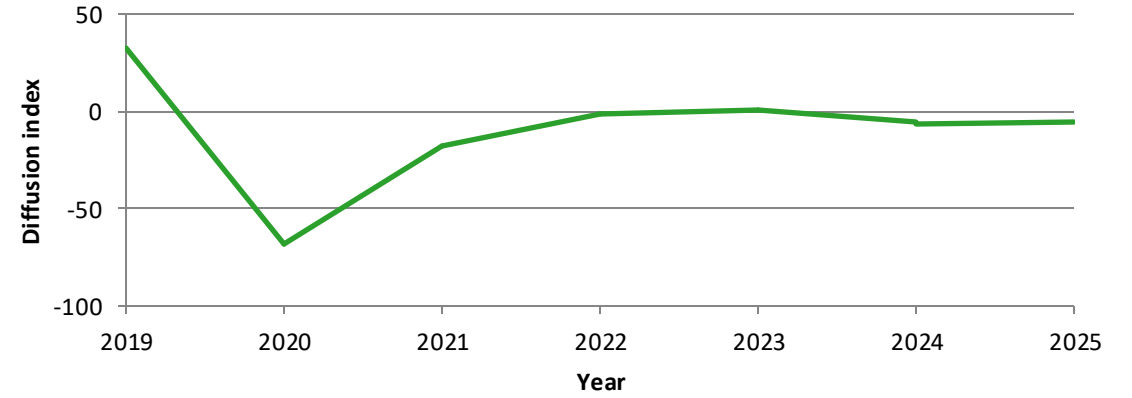
Number of respondents with 1-9 employees by year: 2018, 3022; 2019, 6302; 2020, 6676; 2021, 4945; 2022, 3789; 2023, 4721; 2024, 3935

Revenue, Past 12 Months

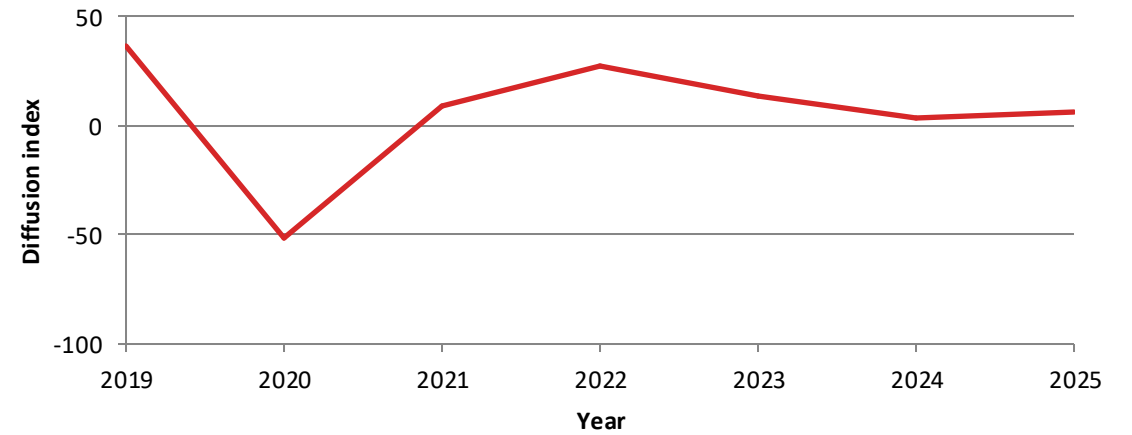
All Businesses



1-9 Employees



10+ Employees



Sources: Federal Reserve Banks, 2019-2025 Small Business Credit Surveys.

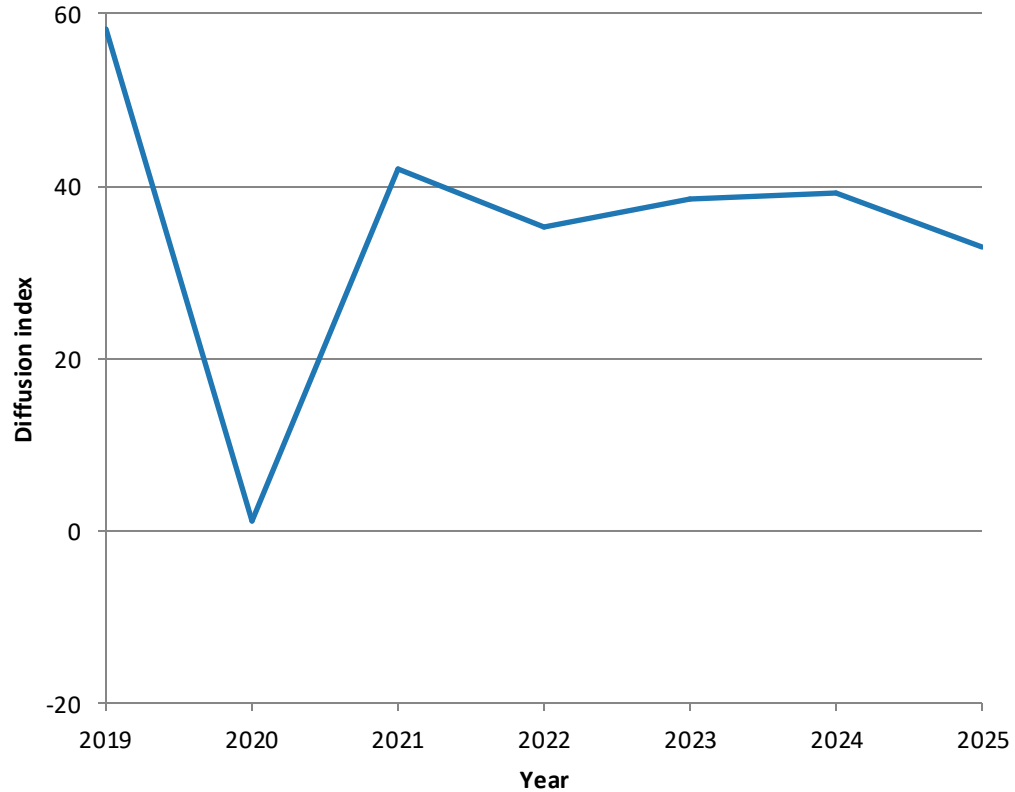
Notes: The chart plots the diffusion index (% Increase - % Decrease) of responses to the question: "How did your revenue change over the past 12 months?"

Total number of respondents by year: 2019, 4983; 2020, 9561; 2021, 10,617; 2022, 7589; 2023, 5856; 2024, 7344; 2025, 6288

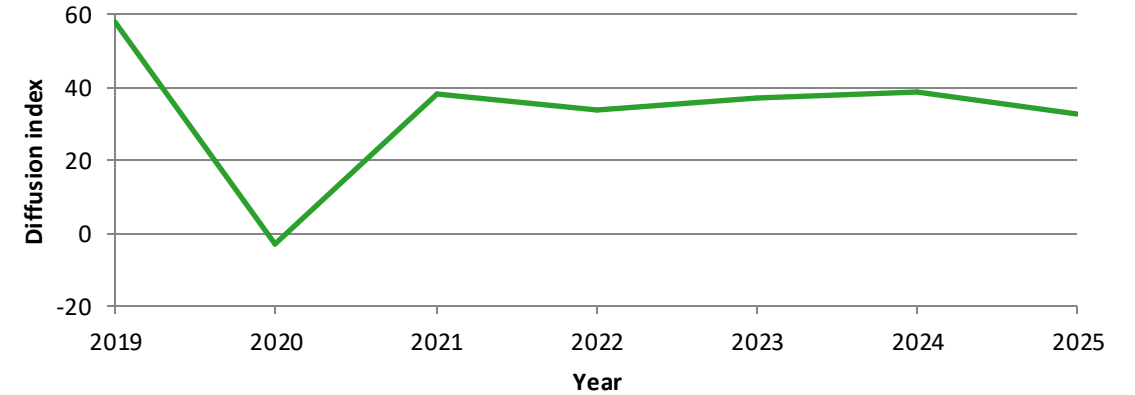
Number of respondents with 1-9 employees by year: 2019, 3064; 2020, 6588; 2021, 7005; 2022, 5043; 2023, 3778; 2024, 4762; 2025, 3972

Revenue, Next 12 Months

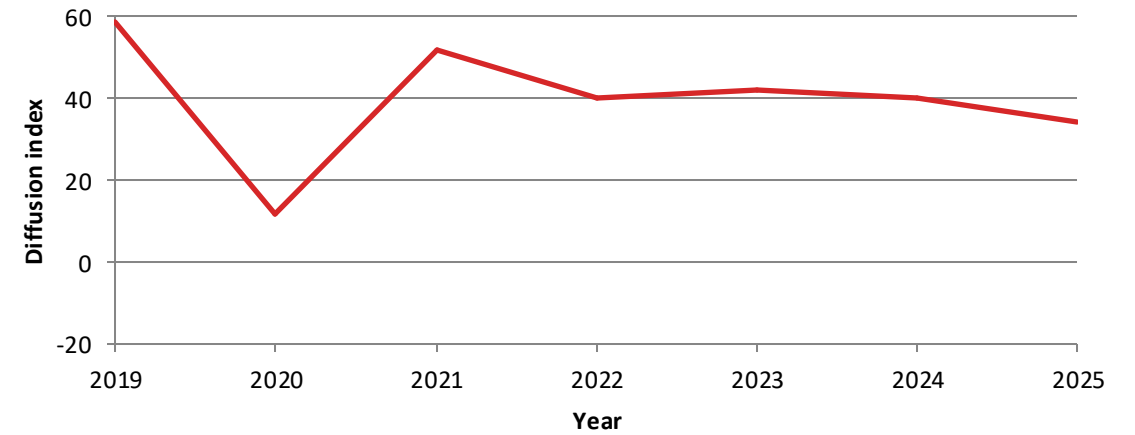
All Businesses



1-9 Employees



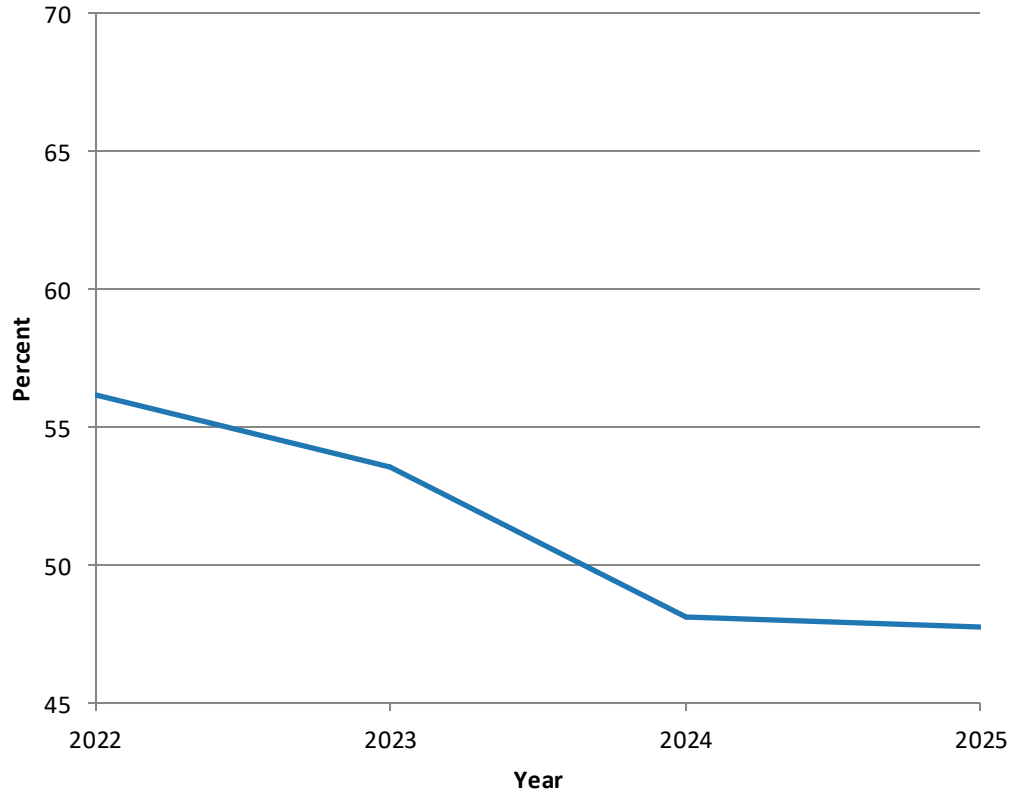
10+ Employees



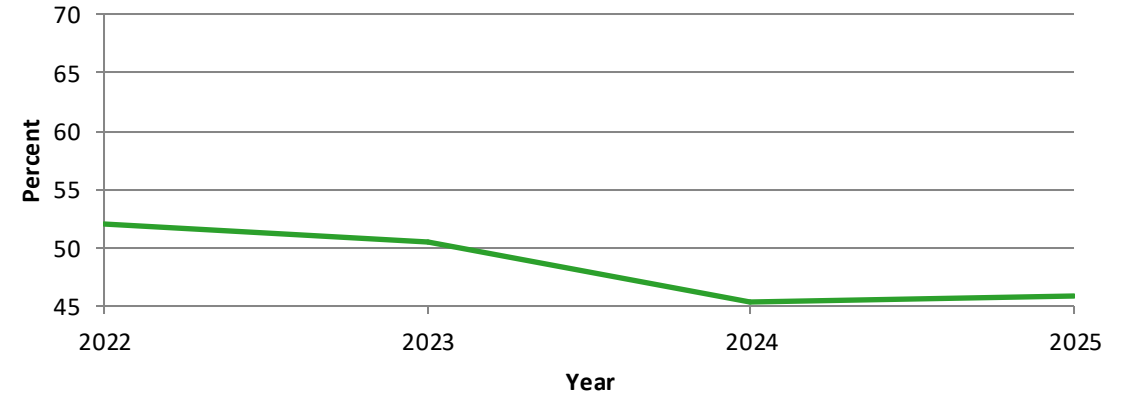
Sources: Federal Reserve Banks, 2019-2025 Small Business Credit Surveys.
 Notes: The figure plots the diffusion index (% Increase - % Decrease) of responses to the question: "How does your business expect its revenue to change over the next 12 months?"
 Total number of respondents by year: 2019, 4967; 2020, 9616; 2021, 10,692; 2022, 7674; 2023, 5945; 2024, 7456; 2025, 6389
 Number of respondents with 1-9 employees by year: 2019, 3070; 2020, 6624; 2021, 7050; 2022, 5100; 2023, 3833; 2024, 4838; 2025, 4036

Raised Prices

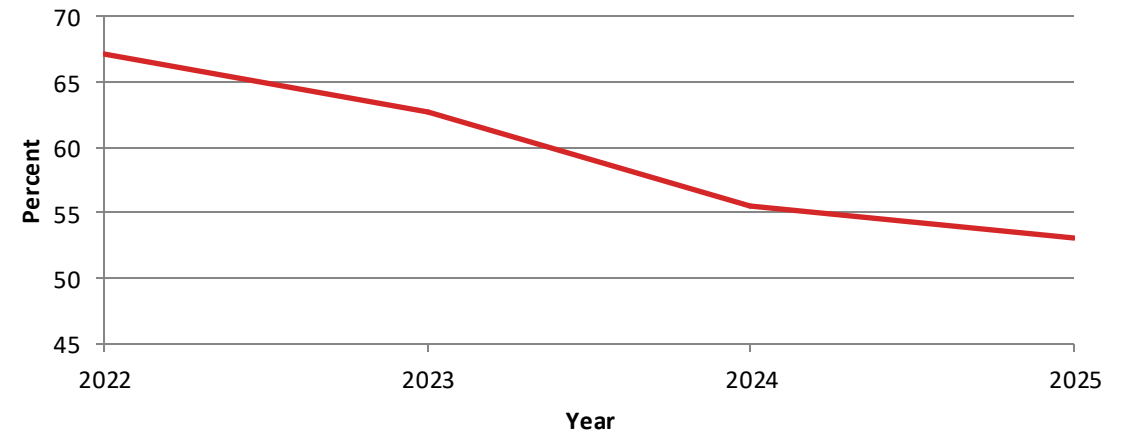
All Businesses



1-9 Employees



10+ Employees



Sources: Federal Reserve Banks, 2022-2025 Small Business Credit Surveys.

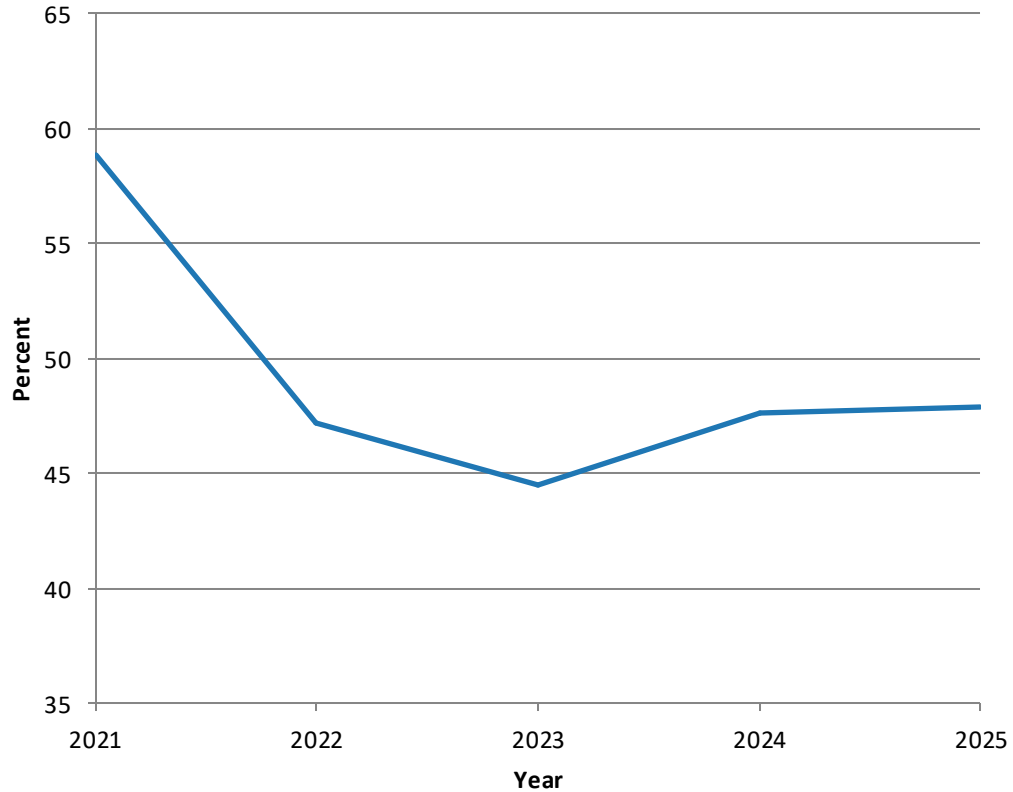
Notes: The figure plots the percentage of firms selecting "raised prices the business charges" as an action taken to deal with financial challenges during the past 12 months.

Total number of respondents by year: 2022, 7493; 2023, 5777; 2024, 7179; 2025, 6183

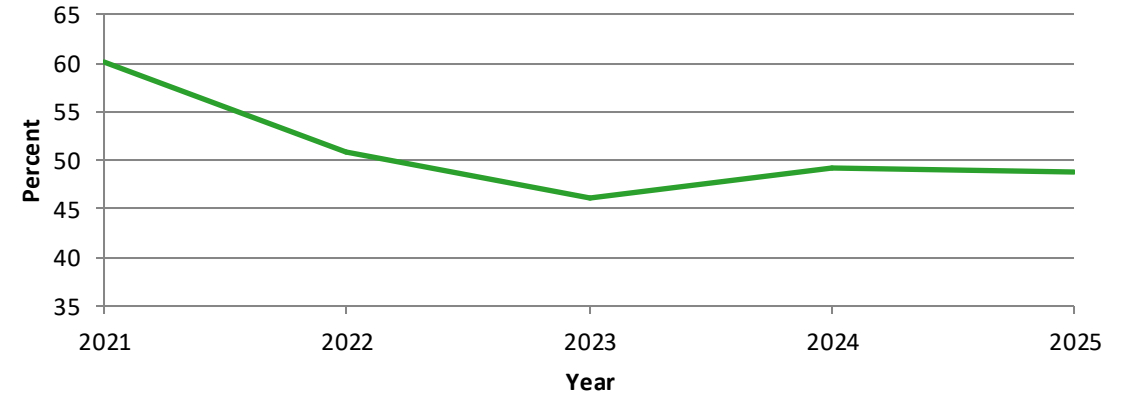
Number of respondents with 1-9 employees by year: 2022, 5005; 2023, 3742; 2024, 4651; 2025, 3905

Weak Sales

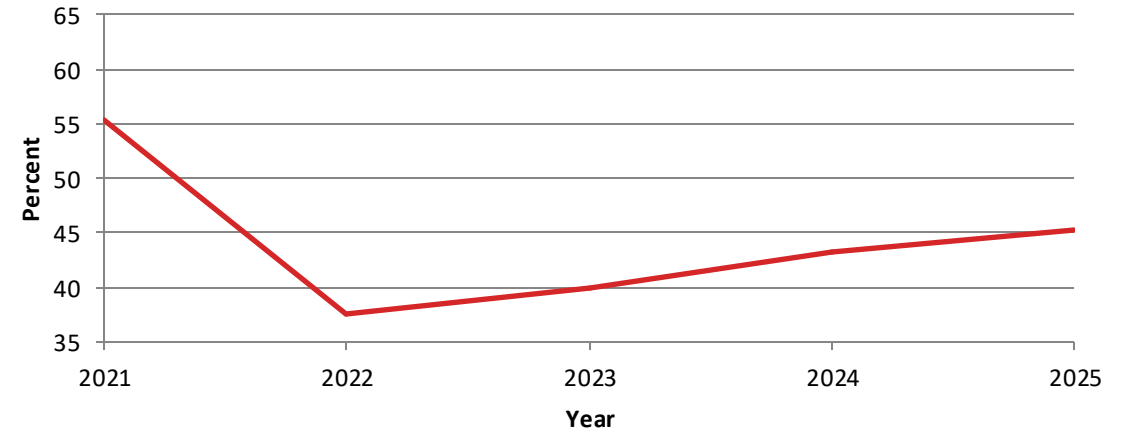
All Businesses



1-9 Employees



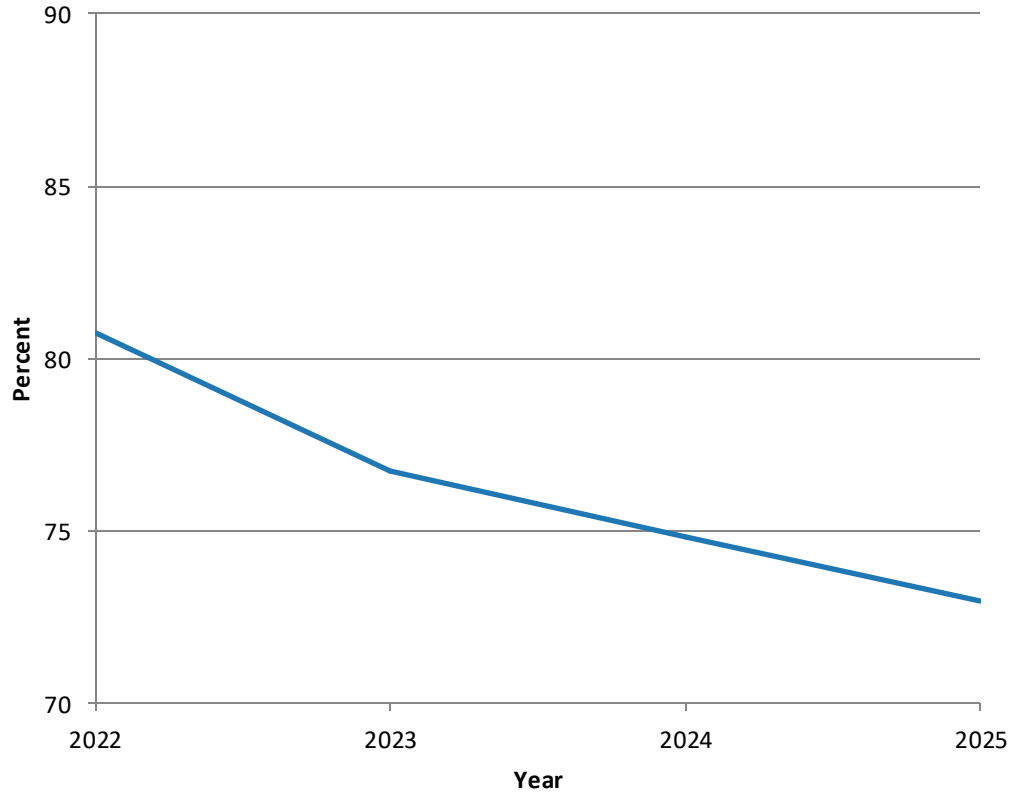
10+ Employees



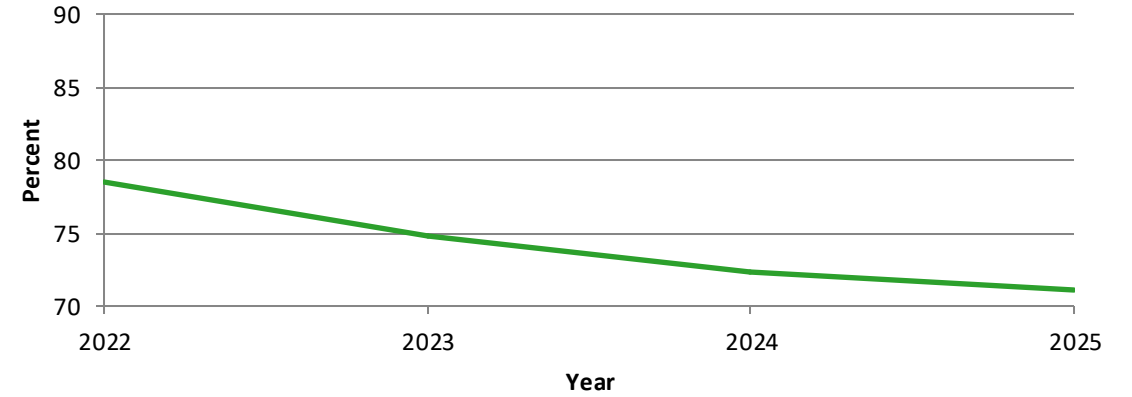
Sources: Federal Reserve Banks, 2021-2025 Small Business Credit Surveys.
 Notes: The chart plots the percentage of firms selecting "weak sales" as a challenge experienced during the past 12 months.
 Total number of respondents by year: 2021, 10,851; 2022, 7,837; 2023, 6,103; 2024, 7,625; 2025, 6,500
 Number of respondents with 1-9 employees by year: 2021, 7,186; 2022, 5,213; 2023, 3,947; 2024, 5,944; 2025, 4,114

Increased Costs

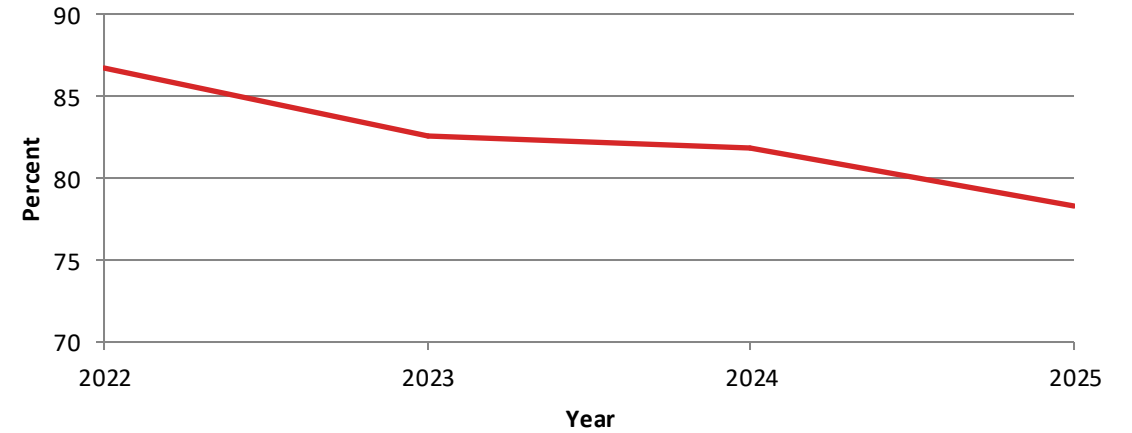
All Businesses



1-9 Employees



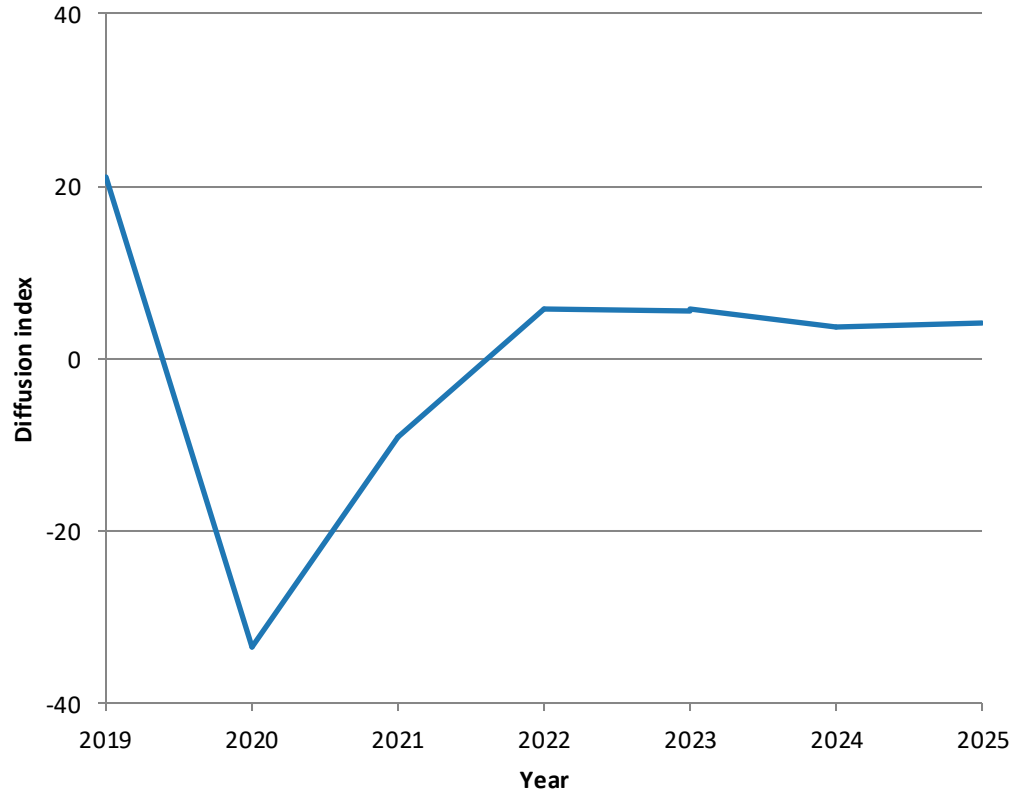
10+ Employees



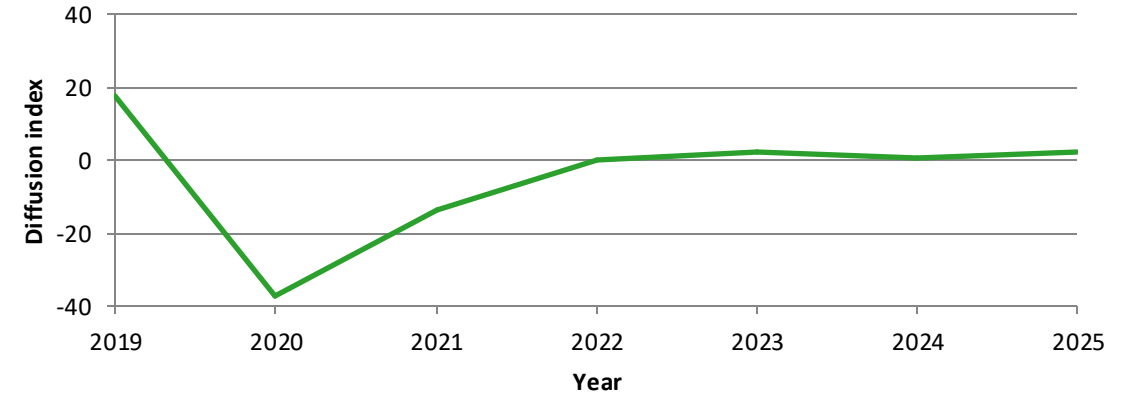
Sources: Federal Reserve Banks, 2022-2025 Small Business Credit Surveys.
 Notes: The chart plots the percentage of firms selecting "increased cost of goods, services, and/or wages" as a challenge experienced during the past 12 months.
 Total number of respondents by year: 2022, 7837; 2023, 6103; 2024, 7625; 2025, 6500
 Number of respondents with 1-9 employees by year: 2022, 5213; 2023, 3947; 2024, 4944; 2025, 4114

Employment, Past 12 Months

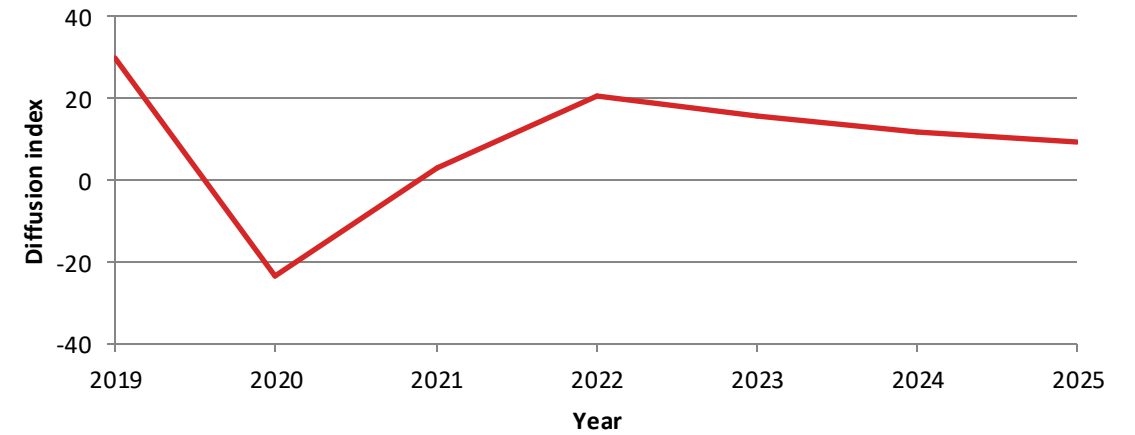
All Businesses



1-9 Employees



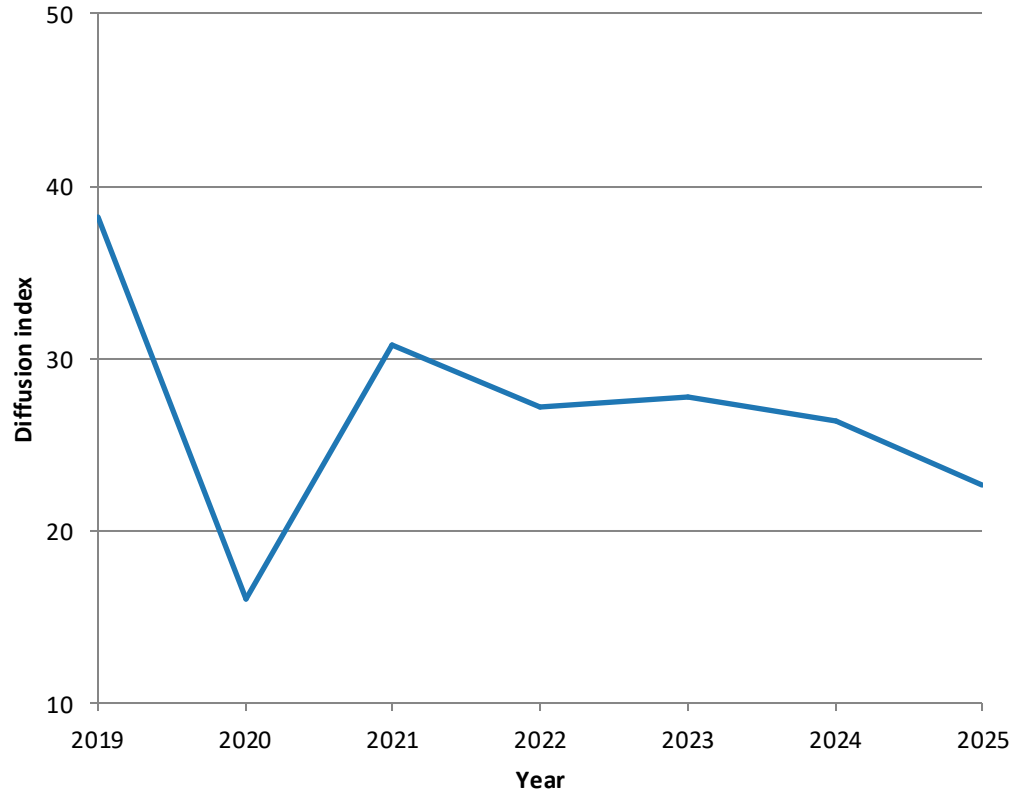
10+ Employees



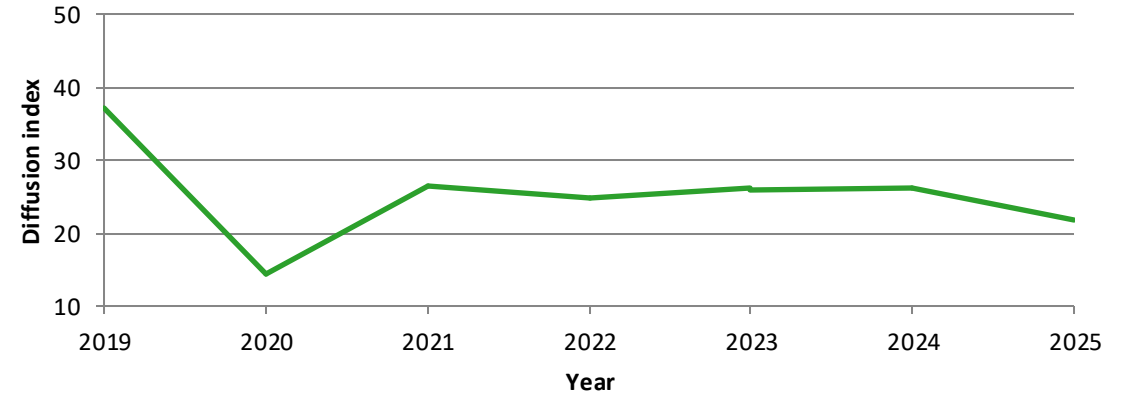
Sources: Federal Reserve Banks, 2019-2025 Small Business Credit Surveys.
 Notes: The chart plots the diffusion index (% Increase - % Decrease) of responses to the question: "How did your number of employees change over the past 12 months?"
 Total number of respondents by year: 2019, 4810; 2020, 9392; 2021, 10,571; 2022, 7538; 2023, 5995; 2024, 7625; 2025, 6361
 Number of respondents with 1-9 employees by year: 2019, 2939; 2020, 6436; 2021, 6931; 2022, 4958; 2023, 3859; 2024, 4799; 2025, 4004

Employment, Next 12 Months

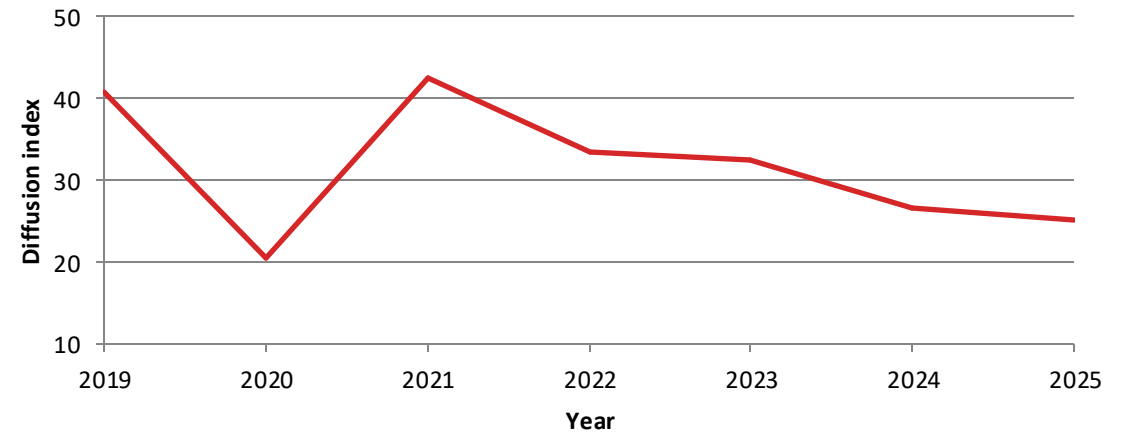
All Businesses



1-9 Employees



10+ Employees



Sources: Federal Reserve Banks, 2019-2025 Small Business Credit Surveys.

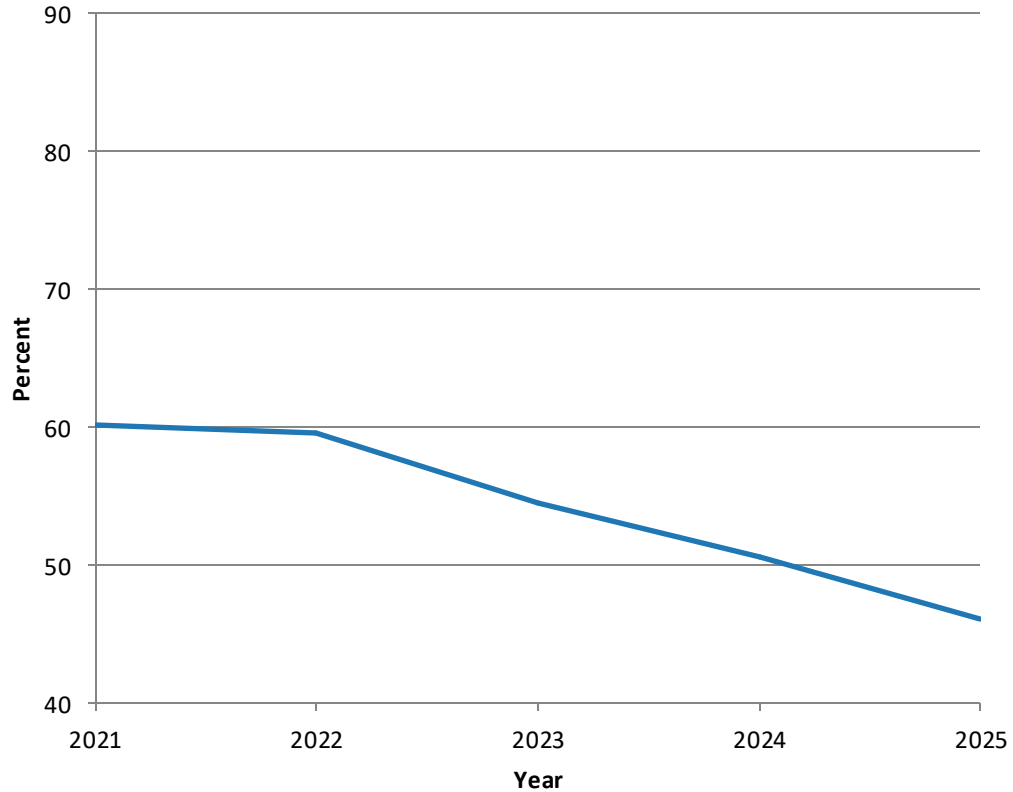
Notes: The chart plots the diffusion index (% Increase - % Decrease) of responses to the question: "How does your business expect its number of employees change over the next 12 months?"

Total number of respondents by year: 2019, 5024; 2020, 9412; 2021, 10,635; 2022, 7599; 2023, 6033; 2024, 7480; 2025, 6421

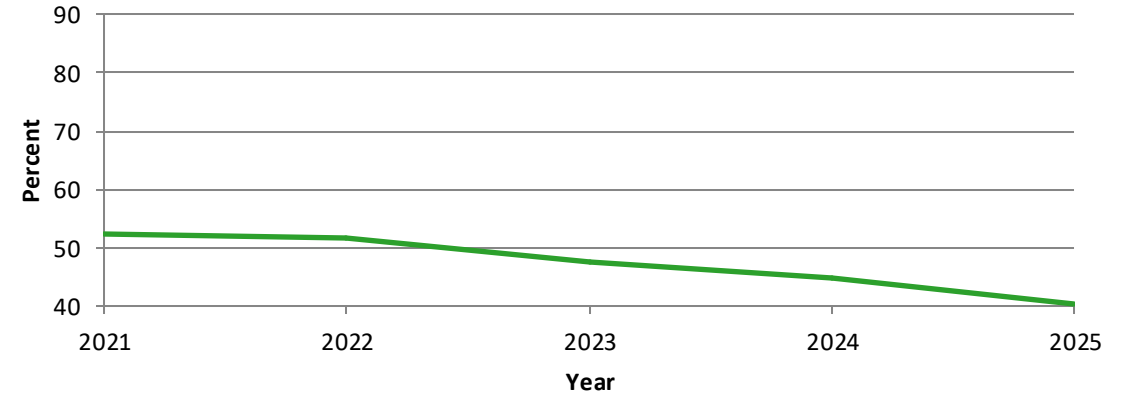
Number of respondents with 1-9 employees by year: 2019, 3095; 2020, 6456; 2021, 6982; 2022, 5003; 2023, 3886; 2024, 4826; 2025, 4052

Difficulty Hiring Staff

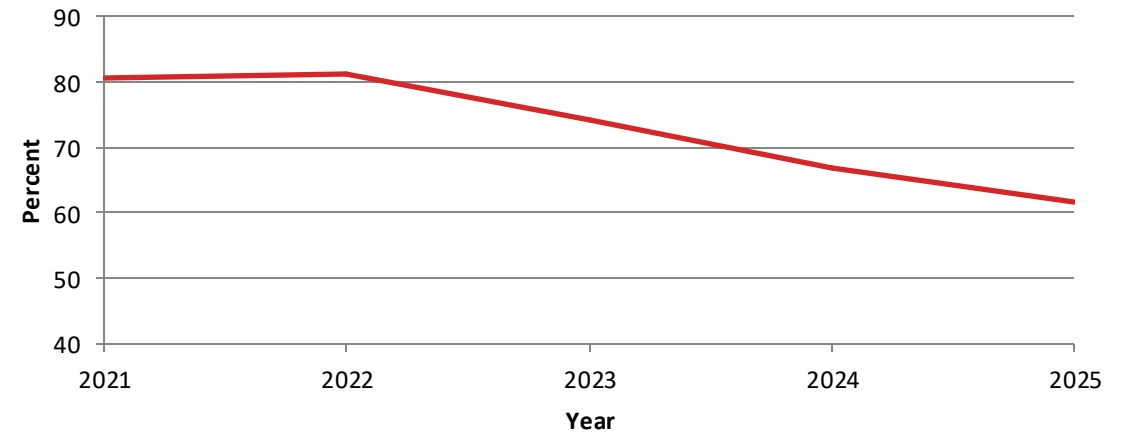
All Businesses



1-9 Employees



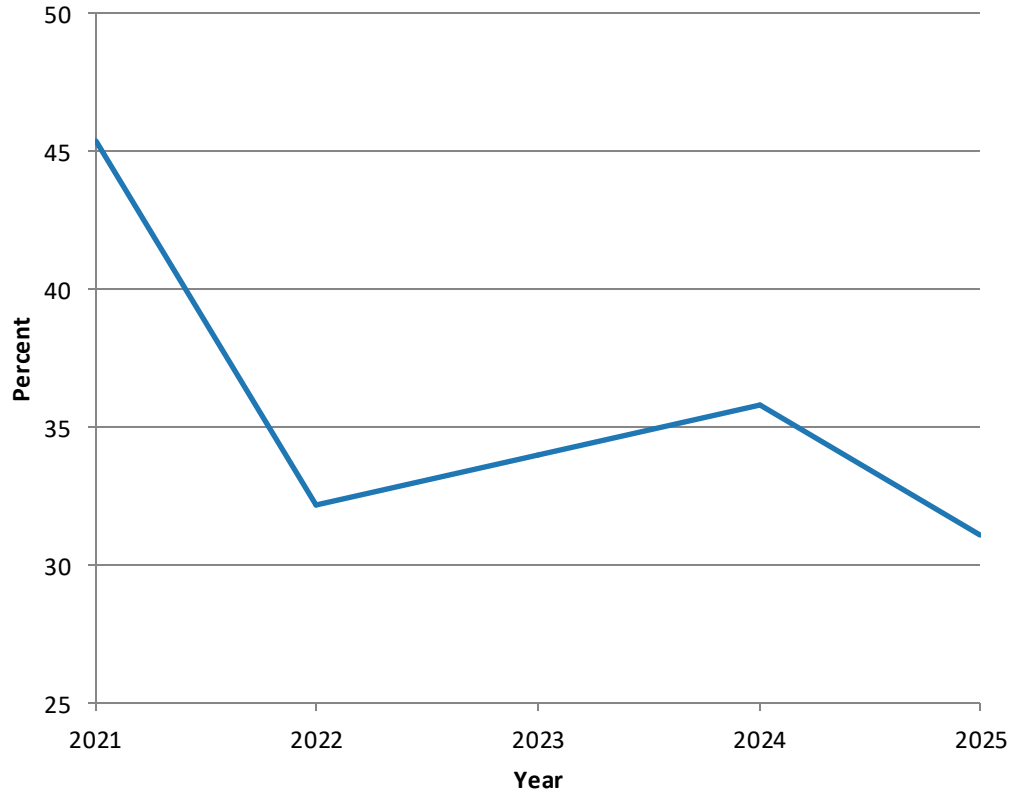
10+ Employees



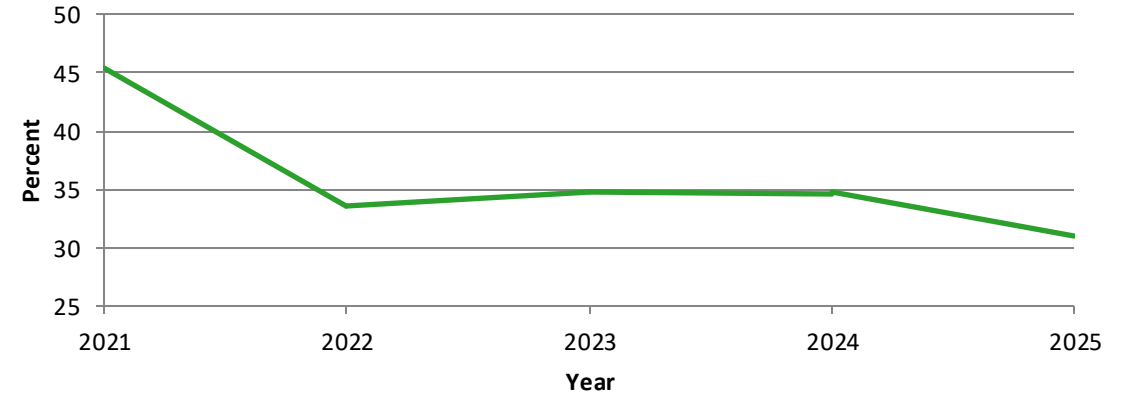
Sources: Federal Reserve Banks, 2021-2025 Small Business Credit Surveys.
 Notes: The chart plots the percentage of firms selecting "hiring or retaining qualified staff" as a challenge experienced during the past 12 months.
 Total number of respondents by year: 2021, 10,870; 2022, 7,817; 2023, 6,056; 2024, 7,545; 2025, 6,425
 Number of respondents with 1-9 employees by year: 2021, 7,178; 2022, 5,188; 2023, 3,905; 2024, 4,887; 2025, 4,054

Downsized

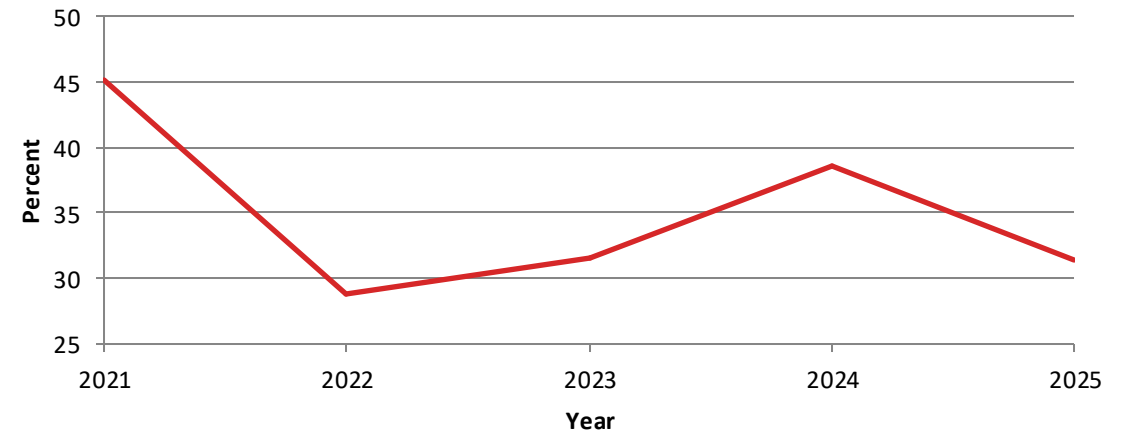
All Businesses



1-9 Employees



10+ Employees



Sources: Federal Reserve Banks, 2021-2025 Small Business Credit Surveys.

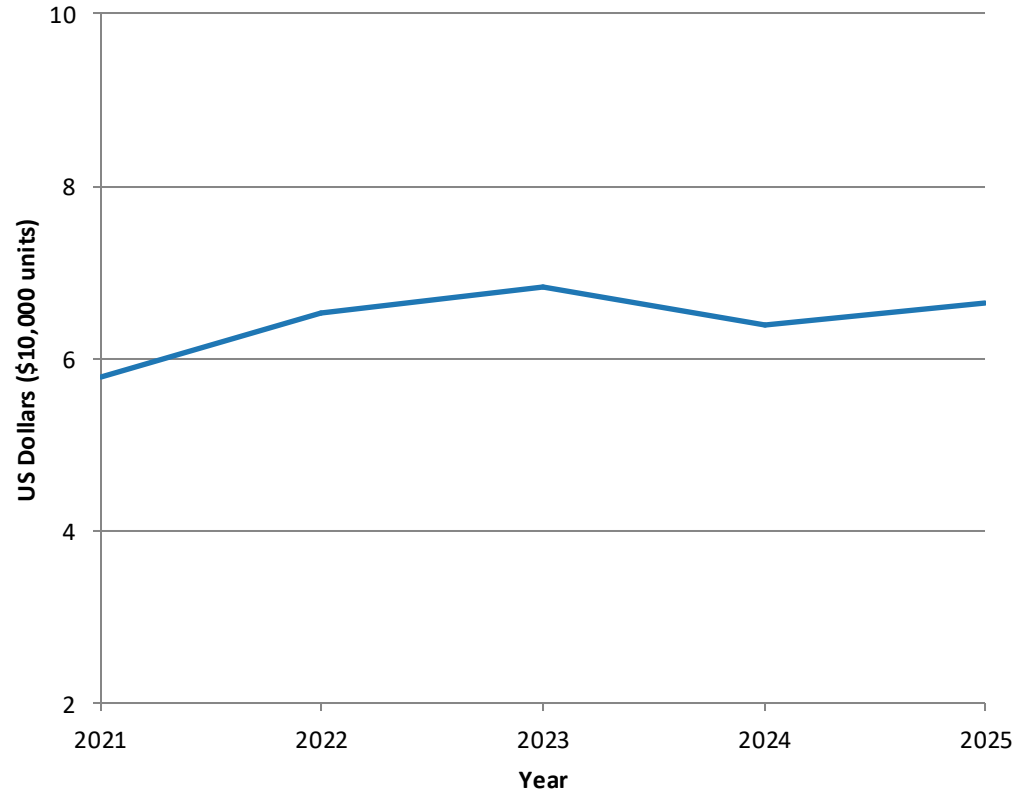
Notes: The chart plots the percentage of firms selecting "cut staff, hours, and/or downsized operations" as an action taken to deal with financial challenges during the past 12 months.

Total number of respondents by year: 2021, 9537; 2022, 7493; 2023, 5777; 2024, 7179; 2025, 6183

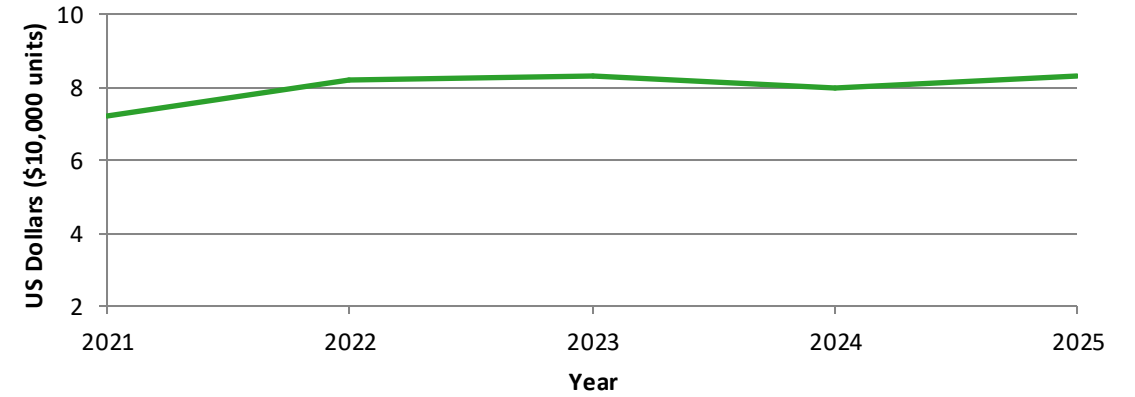
Number of respondents with 1-9 employees by year: 2021, 6452; 2022, 5005; 2023, 3472; 2024, 4651; 2025, 3905

Debt Per Employee

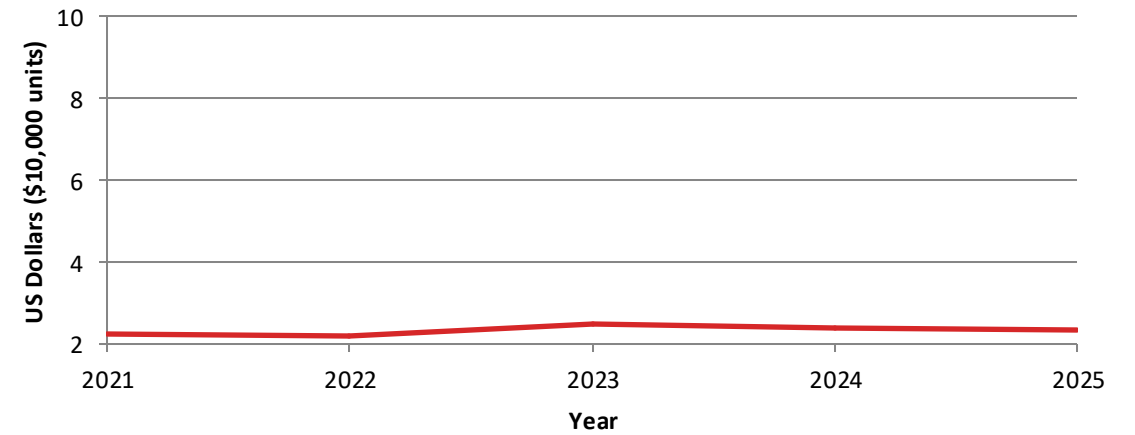
All Businesses



1-9 Employees



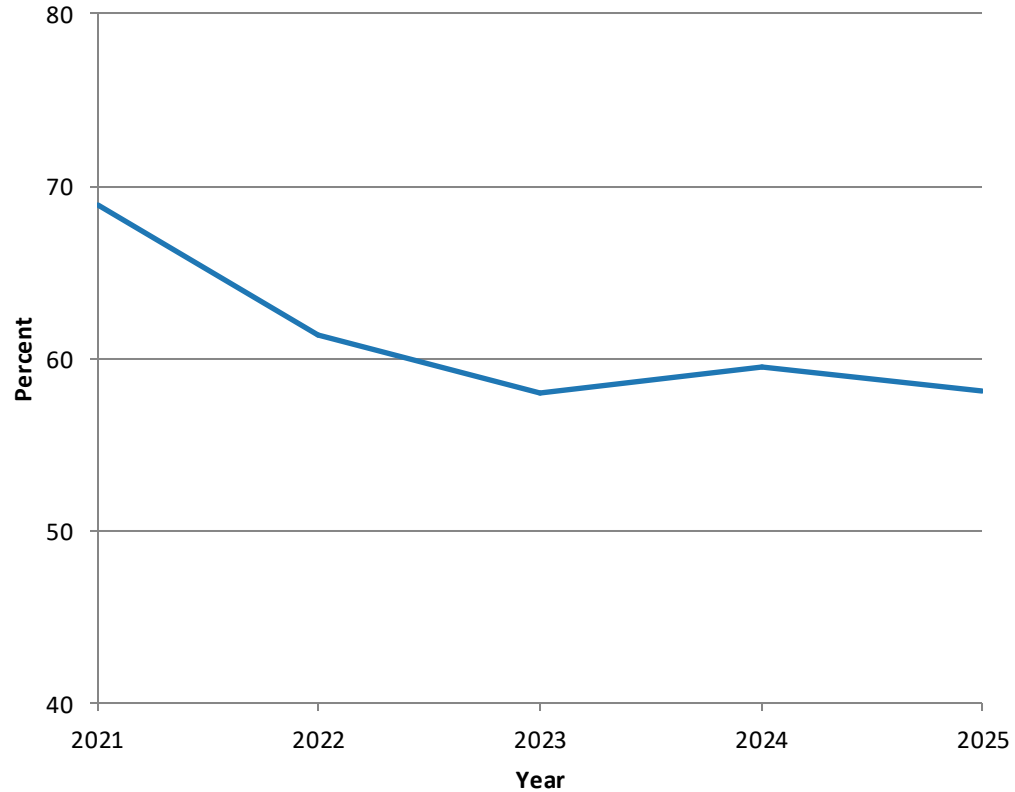
10+ Employees



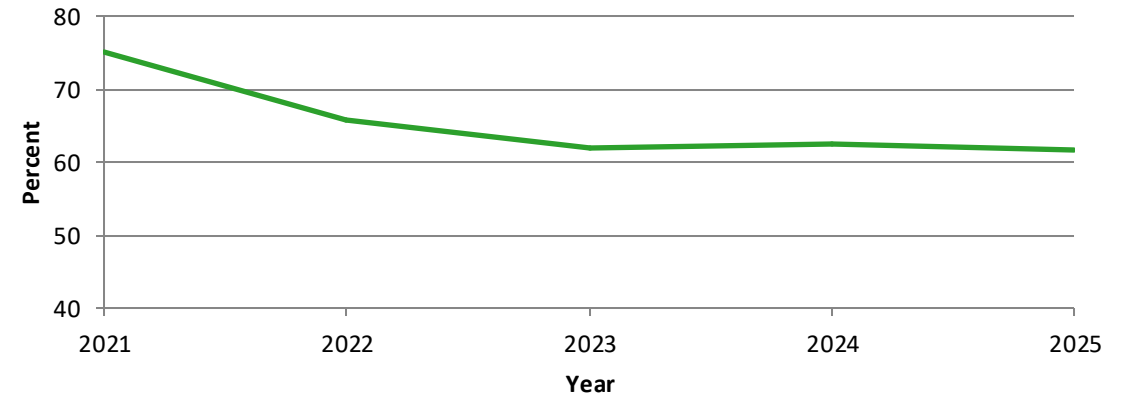
Sources: Federal Reserve Banks, 2021-2025 Small Business Credit Surveys.
 Notes: The chart plots the average total debt outstanding divided by number of employees.
 Total number of respondents by year: 2021, 8168; 2022, 5900; 2023, 4583; 2024, 5705; 2025, 4678
 Number of respondents with 1-9 employees by year: 2021, 5272; 2022, 3901; 2023, 2944; 2024, 3613; 2025, 2893

Received Less Than Full Amount of Financing Requested

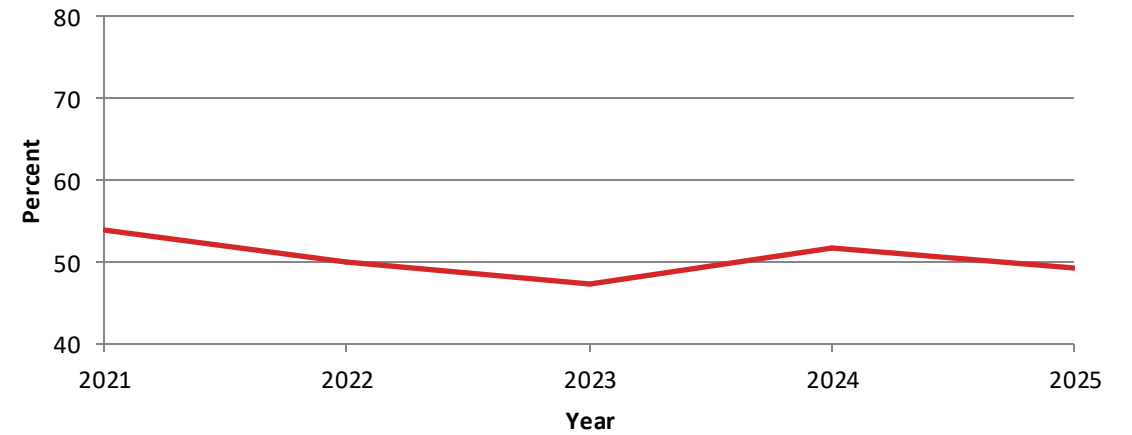
All Businesses



1-9 Employees



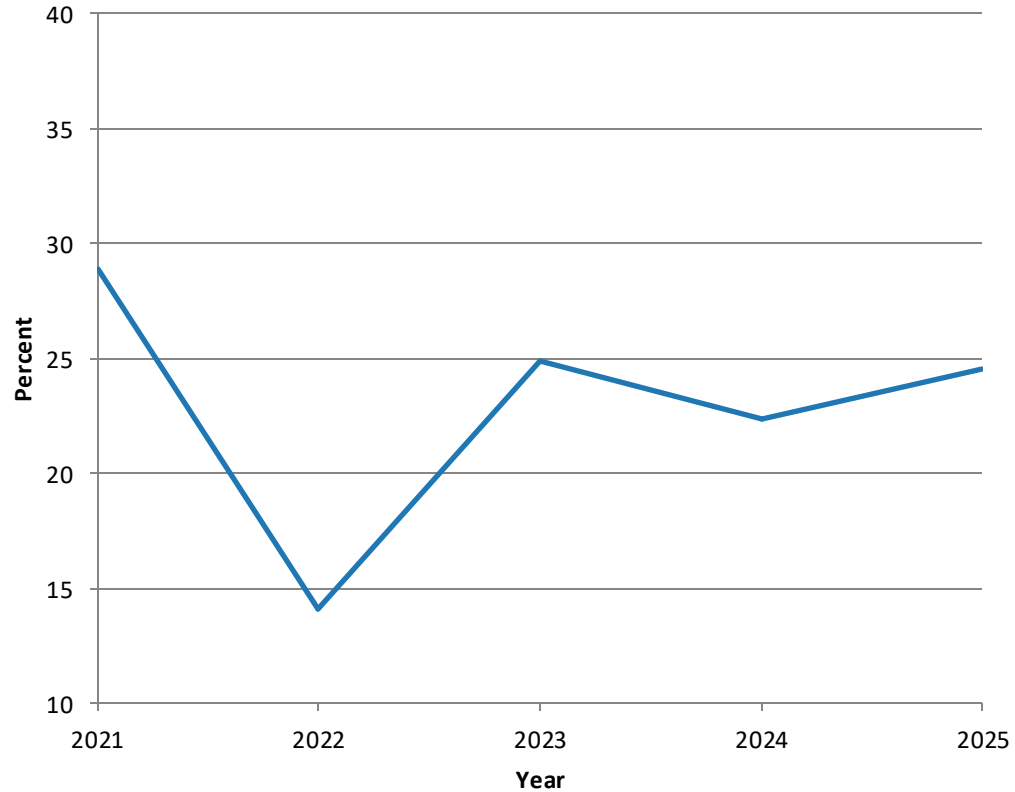
10+ Employees



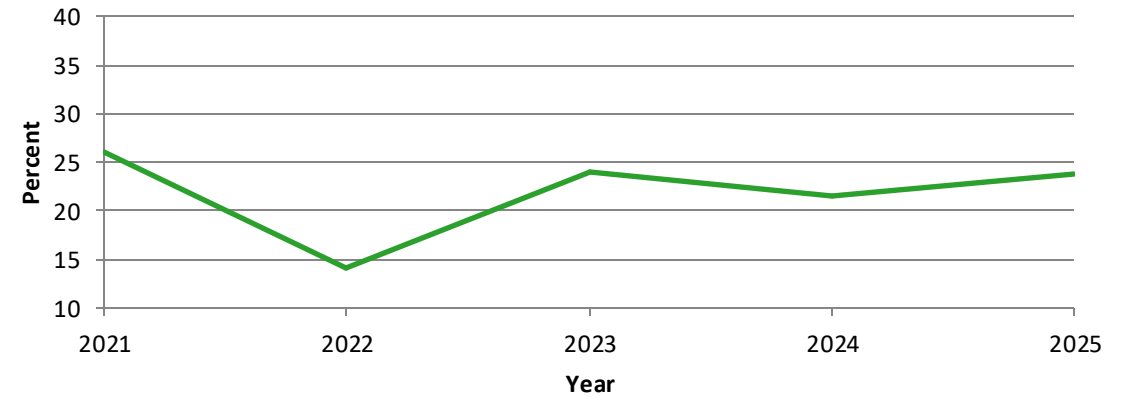
Sources: Federal Reserve Banks, 2021-2025 Small Business Credit Surveys.
 Notes: The chart plots the percentage of firms that applied for financing in the past 12 months who received less than 100% of the total financing dollars sought.
 Total number of respondents by year: 2021, 3602; 2022, 5140; 2023, 3399; 2024, 4284; 2025, 3654
 Number of respondents with 1-9 employees by year: 2021, 2329; 2022, 3347; 2023, 2148; 2024, 2662; 2025, 2220

Nonapplicants With No Need for Funds

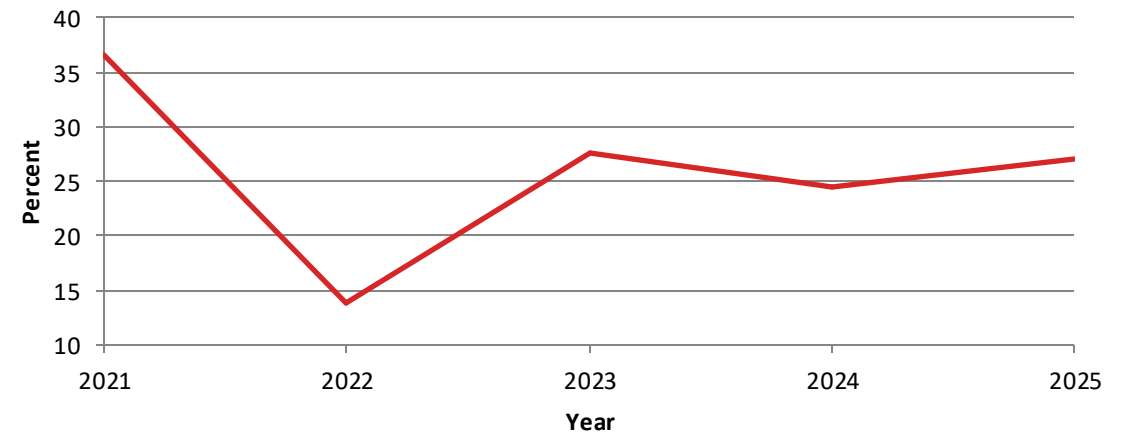
All Businesses



1-9 Employees



10+ Employees



Sources: Federal Reserve Banks, 2021-2025 Small Business Credit Surveys.

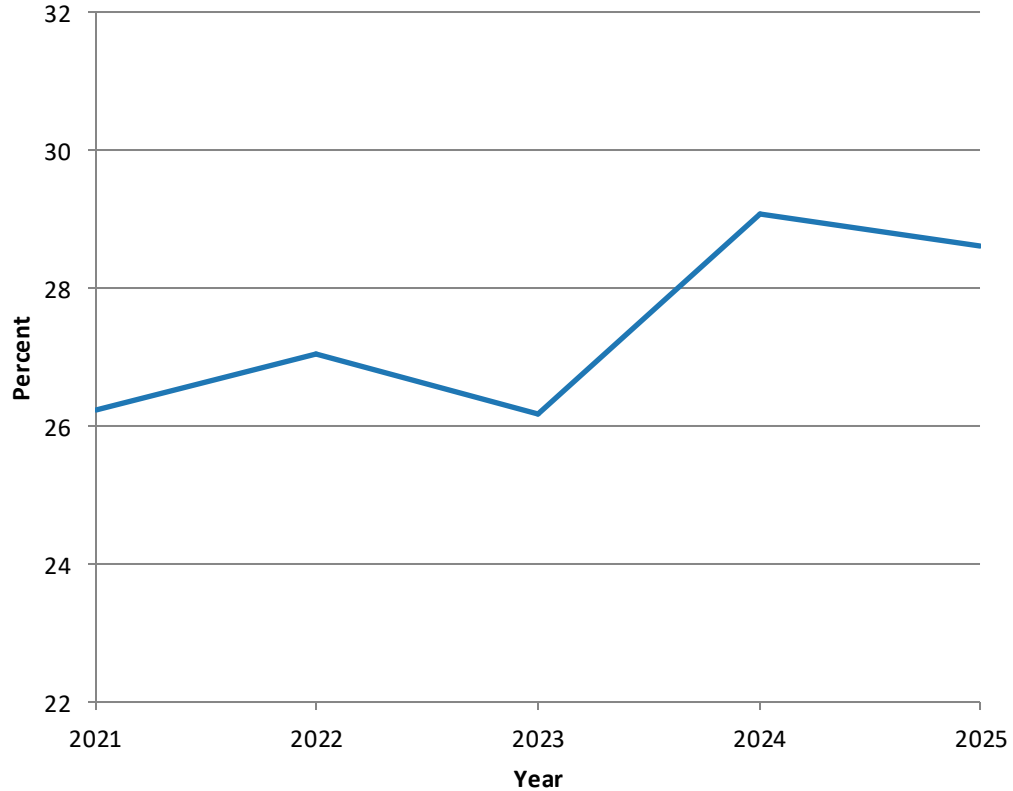
Notes: The chart plots the percentage of firms who selected that financing was "not needed" and thus did not apply for any type of financing.

Total number of respondents by year: 2021, 10,914; 2022, 7,864; 2023, 6,131; 2024, 7,653; 2025, 6,525

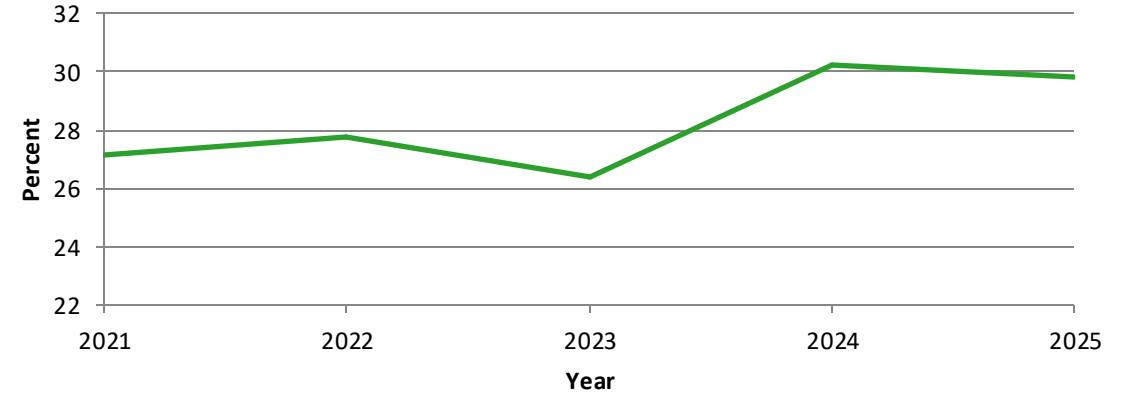
Number of respondents with 1-9 employees by year: 2021, 7,217; 2022, 5,228; 2023, 3,963; 2024, 4,962; 2025, 4,125

Technological Difficulties

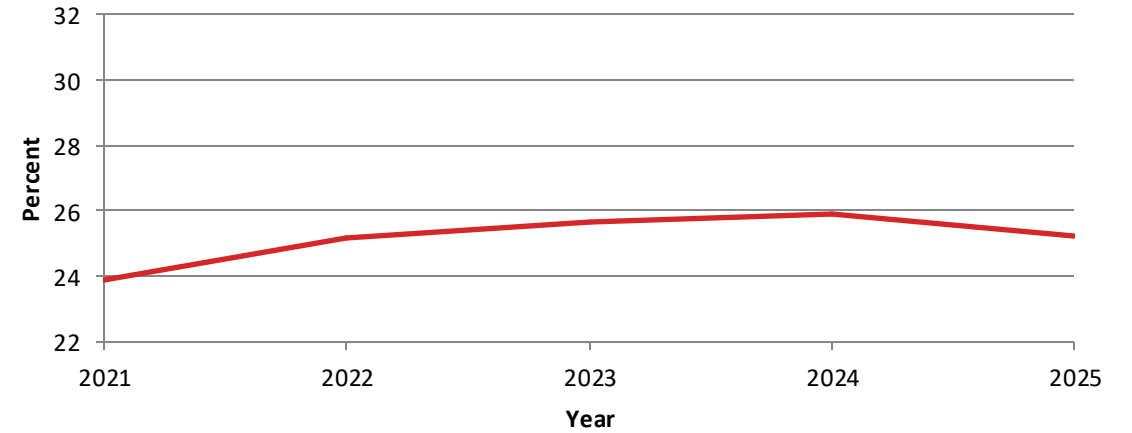
All Businesses



1-9 Employees



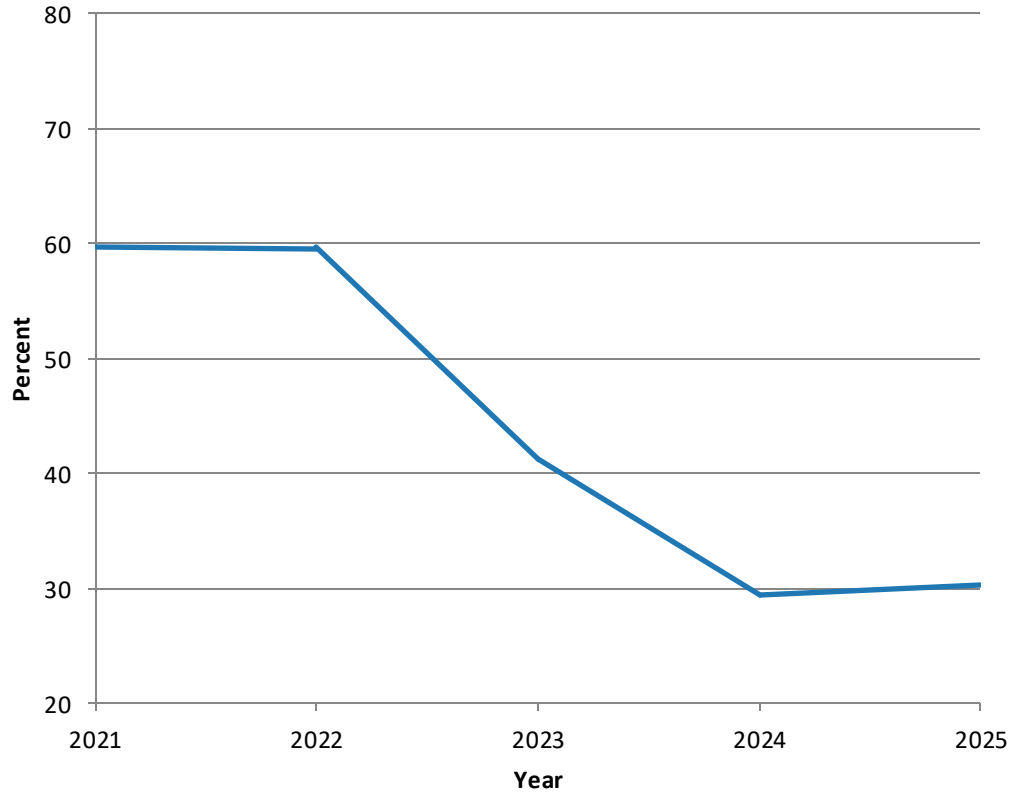
10+ Employees



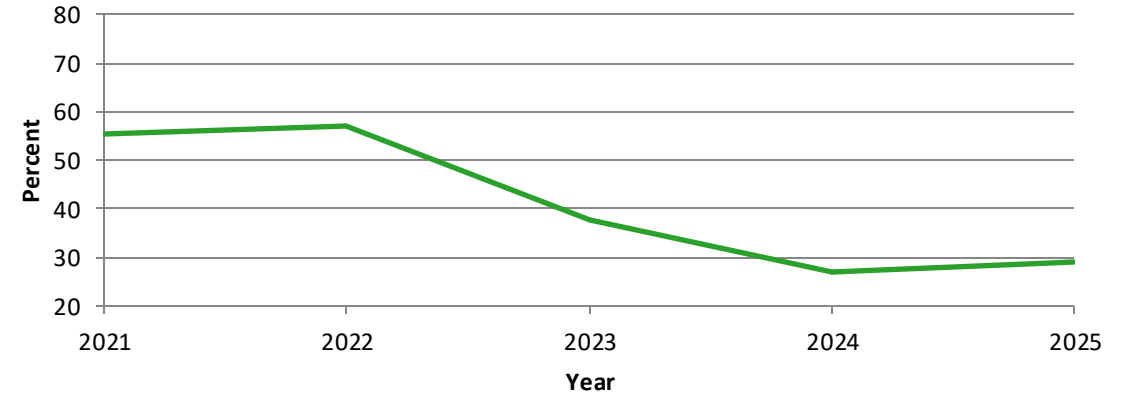
Sources: Federal Reserve Banks, 2021-2025 Small Business Credit Surveys.
 Notes: The chart plots the percentage of firms selecting "utilizing technology (e.g., website, social media, ecommerce, cybersecurity)" as a challenge experienced during the past 12 months.
 Total number of respondents by year: 2021, 10,870; 2022, 7,817; 2023, 6,131; 2024, 7,653; 2025, 6,425
 Number of respondents with 1-9 employees by year: 2021, 7,178; 2022, 5,188; 2023, 3,905; 2024, 4,887; 2025, 4,054

Supply Chain Difficulties

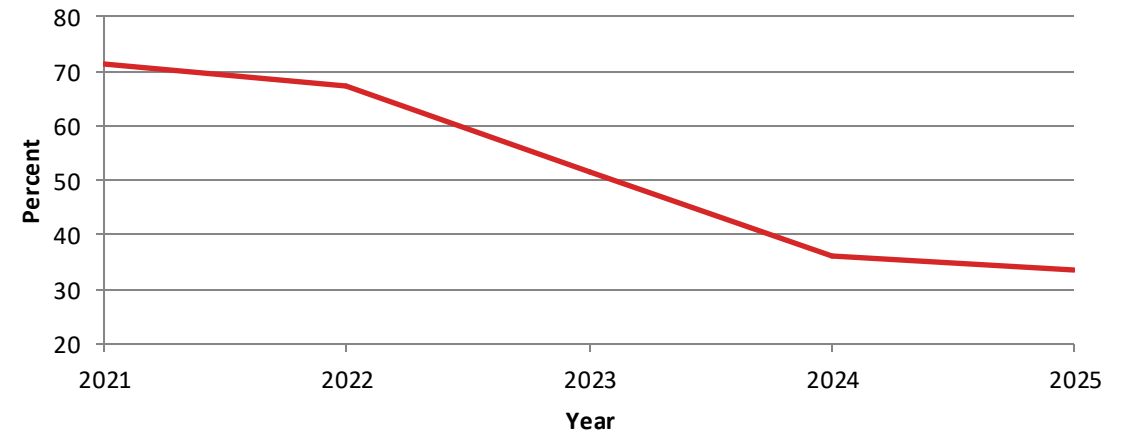
All Businesses



1-9 Employees



10+ Employees



Sources: Federal Reserve Banks, 2021-2025 Small Business Credit Surveys.
 Notes: The chart plots the percentage of firms selecting "supply chain issues" as a challenge experienced during the past 12 months.
 Total number of respondents by year: 2021, 10,870; 2022, 7,817; 2023, 6,131; 2024, 7,653; 2025, 6,425
 Number of respondents with 1-9 employees by year: 2021, 7,178; 2022, 5,188; 2023, 3,905; 2024, 4,887; 2025, 4,054