

SMALL BUSINESS ECONOMIC BULLETIN

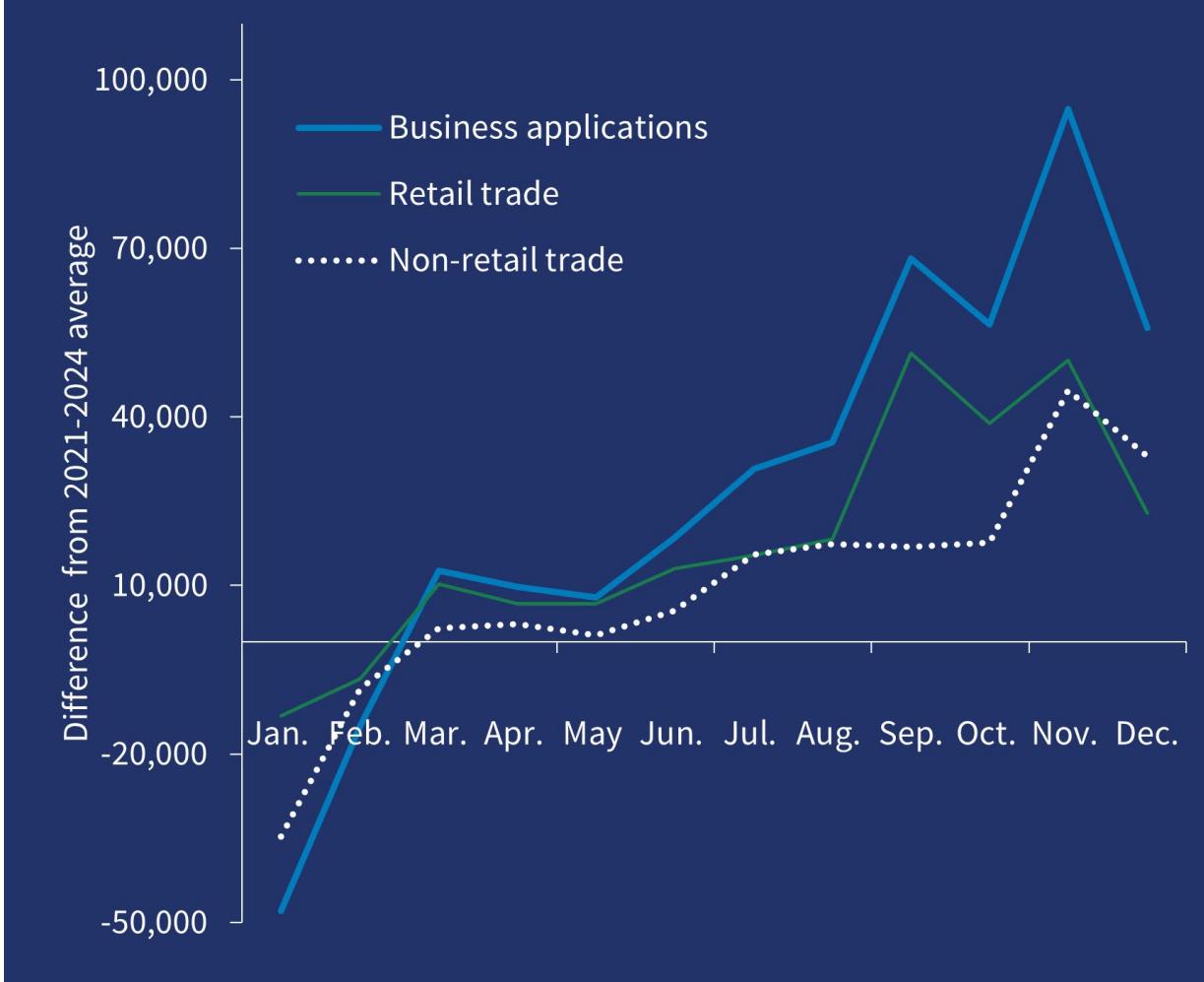
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OVERVIEW

Several small business metrics have shown positive trends in 2025, including an increase in business formation applications and income. Additionally, community bankers' positive outlook on regulatory relief remains high. However, despite improvements in credit availability, the approval rate for small business lending continues to be low, potentially creating challenges for small business borrowers.

Entrepreneurs must obtain Employer Identification Numbers (EINs) before hiring. Chart 1 shows how EIN applications for each month of 2025 relate to the monthly average for the previous four years. Applications were elevated for most of the year. Although the trend softens from November to December, the December 2025 applicants were still higher (at 497,046) than the 2021–2024 monthly average.

CHART 1. 2025 CHANGES IN BUSINESS BIRTH APPLICATIONS



Source: U.S. Census Bureau, Business Formation Statistics.
Retrieved January 15, 2026, from [Business Formation Statistics](#)

The increase in applications was driven disproportionately by applications for retail businesses. From 2021 to 2024, retail business applications averaged 78,063 per month. In 2025, the monthly average of retail business applications received was 95,855. While retail applications still accounted for only 20.5 percent of 2025 applications, they accounted for 65.3 percent of the rise in total applications.

Applications provide a leading indicator of business formation. However, not all applications lead to businesses. Applications likely to lead to businesses with employees are classified by the Census Bureau as "high propensity." The upward trends in Chart 1 are also present for high propensity applications. We focus on total applications rather than high propensity applications because the Census Bureau plans to change which applications are classified as high propensity.

FINANCE

Bankers maintain a positive outlook regarding relief from burdensome regulations. Regulatory burden has remained elevated for the last four quarters, with the highest level reached in March 2025 since the survey began in 2019. The overall community bank sentiment index (not shown in the chart) has reached its highest level to date, driven by improvements in monetary policy (Chart 2).

The Senior Loan Officer Opinion Survey serves as an indicator of credit availability and economic conditions by providing information on changes in the standards and terms of bank lending policies. The share of banks reporting tighter lending standards has decreased, while the demand for small business loans is rising (Chart 3).

The loan approval rate for small businesses with annual revenues under \$5 million has gradually leveled off and is currently lower than rates before the pandemic. While the number of new applications per bank has shown a slight increase, it still falls short of pre-pandemic levels (Chart 4).

The outstanding amount of business loans has stabilized for both small business loans and total loans (Chart 5).

Chart 2. Community Bank Sentiment, Regulatory Relief Index



Source: [The Community Bank Sentiment Index](#).

Chart 3. Small Business Loan Supply and Demand



Source: Federal Reserve Board of Governors, Senior Loan Officer Opinion Survey.

Chart 4. Small Business Lending



Source: Federal Reserve Bank of Kansas City, Small Business Lending.

Chart 5. Outstanding Business Loans



Source: Federal Deposit Insurance Corporation, Quarterly Banking Profile.

BUSINESS DYNAMICS

The number of firms with sales increases seems to be stabilizing. The number of manufacturing firms reporting sales growth showed fluctuations during the first half of 2025 (Chart 6).

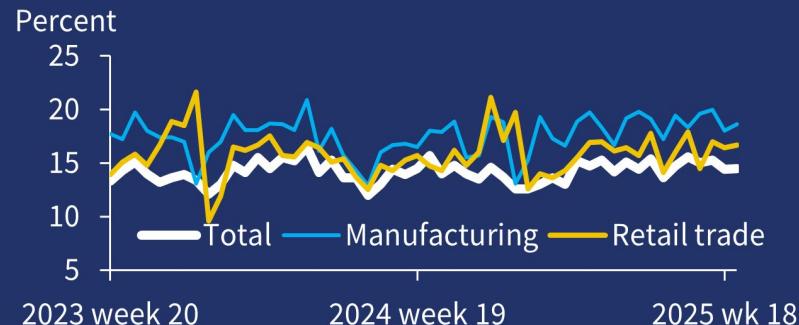
In the past few years, the number of establishment location openings with employees has been greater than the number of closings, except for the second quarter of 2024 (Chart 7).

The trend in the number of private sector job openings, hirings, and separations is driven mostly by businesses with fewer than 250 employees. The number of job vacancies, hirings, and separations have declined in the last few years (Chart 8).

Proprietors' income remains high and has steadily increased in the last twelve quarters following a decline in 2020 and some fluctuations afterward (Chart 9).

Disclaimer: Data used in this bulletin are the latest available at time of preparation covering small businesses.

Chart 6. Firms with Sales Increases in the Last Two Weeks



Source: U.S. Census Bureau, Business Trends and Outlook Survey.

Chart 7. Establishment Opening and Closing



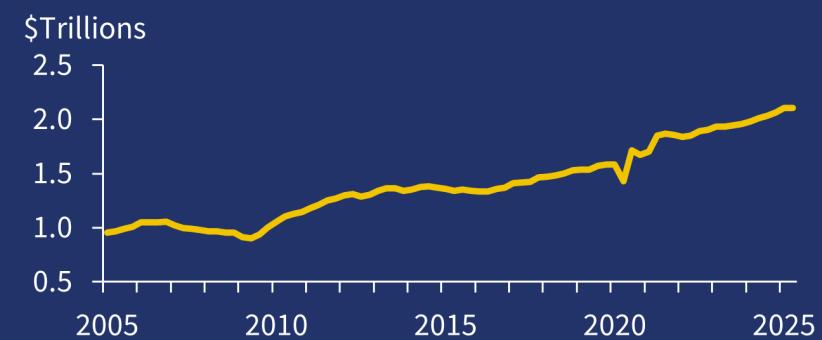
Source: U.S. BLS, Business Employment Dynamics.

Chart 8. Job openings, Hires and Separations



Source: U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey, seasonally adjusted.

Chart 9. Annualized Proprietors' Income



Source: U.S. Bureau of Economic Analysis.