



OVERVIEW

Community bankers’ outlook on regulatory relief surged between September 2024 and December 2024 to historic levels. Optimism reached levels well above those in 2019. Bankers’ confidence for a lower future regulatory burden remained high in quarter 2 of 2025. Other small business indicators show growth in self-employment and income through early 2025, while data shows small business job growth was muted in 2024.

REGULATORY BURDEN

Community bankers continue to have a positive outlook on future regulatory burden (Chart 1). In quarterly polling conducted by the Conference of State Bank Supervisors, community banks were asked, “How do you expect the regulatory burden on your bank to change over the next 12 months?” The Community Bank Sentiment Index for the second quarter of 2025 is near its all-time high, driven by the regulatory burden component of the index which remained above 100 in March 2025, indicating bankers’ optimism about fewer regulations.

According to a recent survey conducted by the National Small Business Association, federal regulations are the most burdensome for small business respondents (Chart 2). Their difficulty and complexity take valuable resources from the business (Chart 3).

Chart 1. Community Bank Sentiment, Regulatory Relief Index

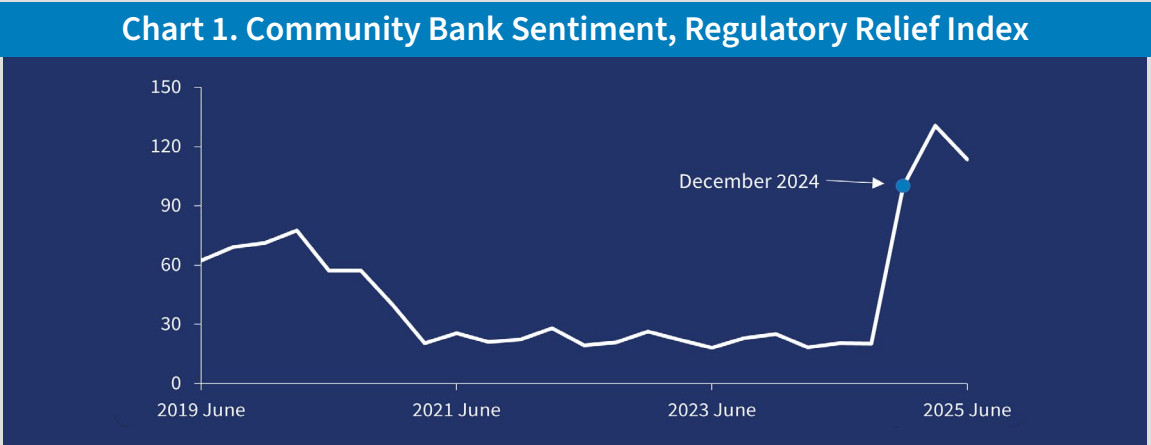


Chart 1 depicts the regulatory burden component of the CBSI. Community bankers were asked, “How do you expect the regulatory burden on your bank to change over the next 12 months?” Values above 100 indicate positive sentiment about a lower future regulatory burden. Source: [The Community Bank Sentiment Index](#). Data covers Q2 2019 to Q2 2025.

Chart 2. Burdensome Business Regulation

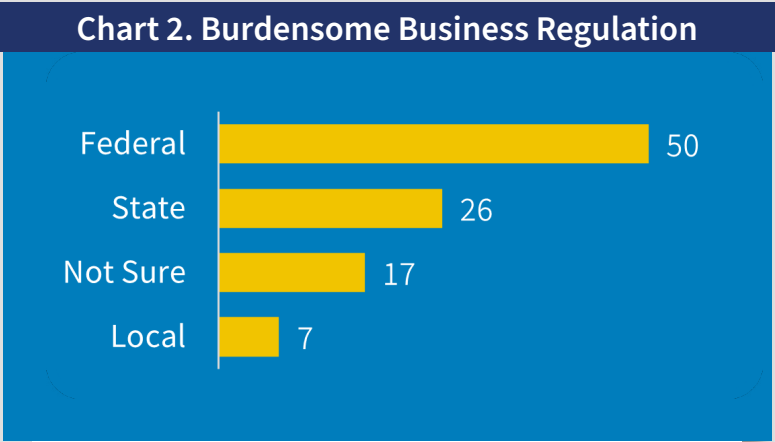


Chart 2 question of respondents: “Which source of regulation is most relevant to your business?” Source: [2025 Small Business Regulations Survey](#), NSBA. Data covers May 13 to June 13, 2025.

Chart 3. Small Business Regulatory Difficulty

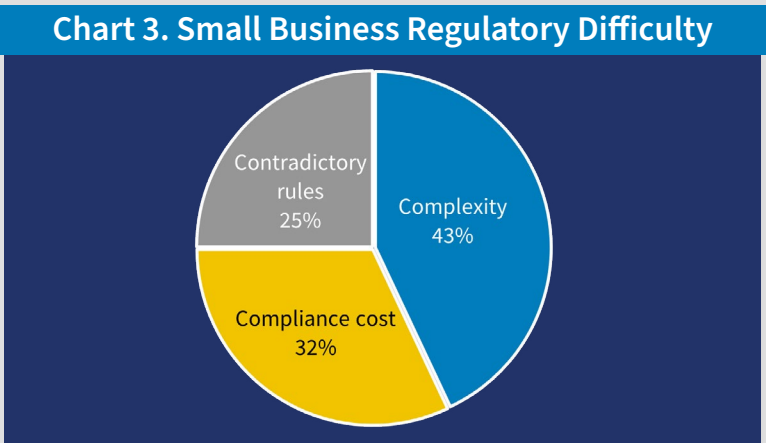


Chart 3 question of respondents: “Please select which of the following is the biggest cause of regulatory difficulty for your business?” Source: [2025 Small Business Regulations Survey](#), NSBA. Data covers May 13 to June 13, 2025.

# SELF-EMPLOYMENT & DYNAMICS

Proprietors' income, a partial measure of small business income, continues to grow after a dip in 2020 (Chart 4).

Self-employed business ownership, as a primary occupation, continues to trend upward, remaining above the 2007 peak (Chart 5).

Total birth applications remain elevated since 2020. Manufacturing birth applications appear to have stabilized after a decline in early 2024 (Chart 6).

Small business (fewer than 500 employees) job gains have been reasonably persistent over time, accounting for 62.8 percent new private sector jobs from 2005 to the first half of 2024. In the first three quarters of 2024, job creation by large firms surpassed that of small firms, which had negative net job growth (Chart 7).

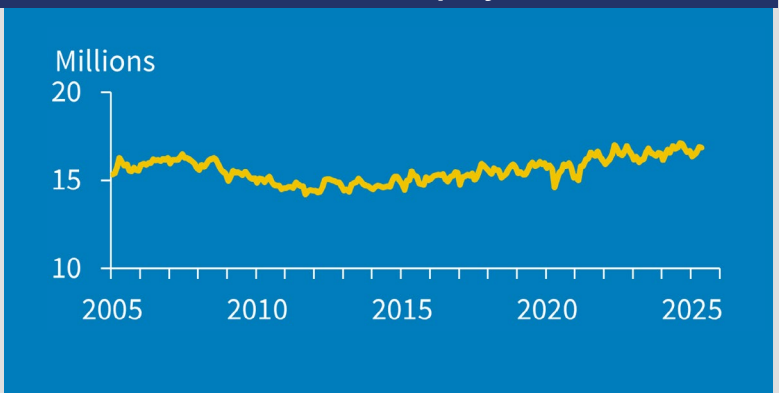
*Self-employed business ownership, as a primary occupation, continues to trend upward.*

Chart 4. Annualized Proprietors' Income



Source: U.S. Bureau of Economic Analysis. Data covers Q1 2005 to Q1 2025.

Chart 5. Self-Employment



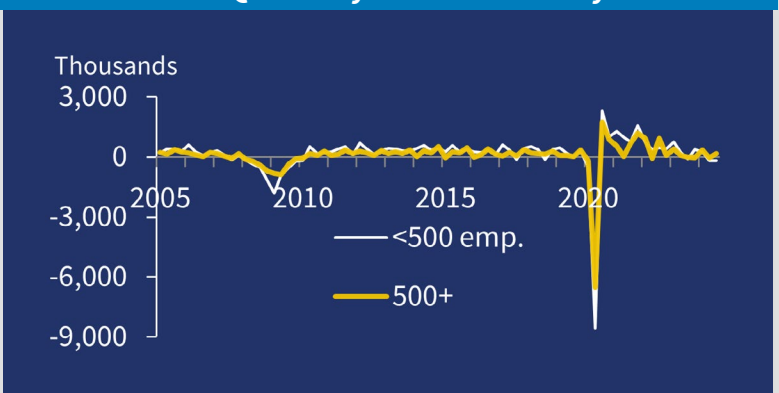
Source: U.S. Bureau of Labor Statistics, Current Population Survey (primary occupation, incorp. & unincorp.). Data covers January 2005 to May 2025.

Chart 6. Business Birth Applications



Source: U.S. Census Bureau, Business Formation Statistics. Data covers Q1 2005 to Q1 2025.

Chart 7. Quarterly Job Creation by Size



Source: U.S. Bureau of Labor Statistics, Business Employment Dynamics. Data covers Q1 2015 to Q3 2024.

## FINANCE

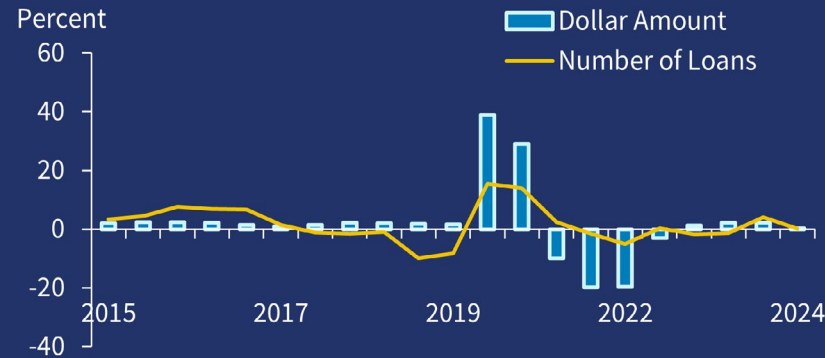
Since 2021, the number and amount of small business loans has flattened (Chart 8).

The changes in the standards and terms on lending policies is a key indicator of bankers' risk tolerance. Bankers on net, reported tighter lending standards for commercial and industrial loans in the first quarter to all firms, and report weaker loan demand across all firms (Chart 9).

Since the beginning of the year, fewer small businesses are behind on their bill payments, as shown by both delinquency indices for 31-90 and 91-180 days passed due. While increasing slightly since 2022, delinquencies as a whole remained relatively unchanged (Chart 10).

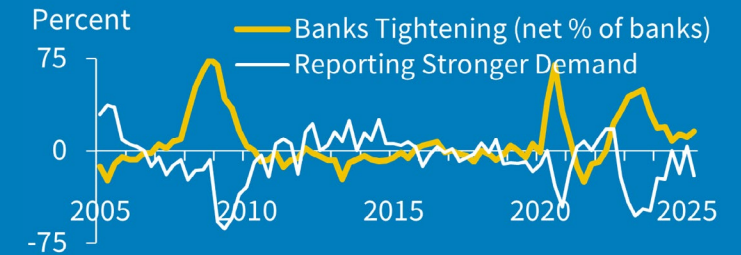
The Community Bank Sentiment Index had the biggest increase between September and December of 2024. It reached its all-time high in March 2025 and remained positive in quarter 2 of 2025, driven mostly by the regulatory burden relief outlook. However, bankers are concerned about planning for the future, as shown in the lower business conditions indicator (Chart 11).

**Chart 8. Annual Change in Small Business Lending**



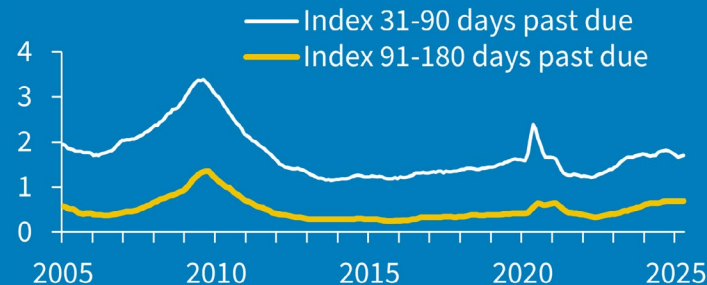
Source: Federal Deposit Insurance Corporation, Quarterly Banking Profile. Data covers June 2015 (Q2), to December 2024 (Q4).

**Chart 9. Small Business Loan Supply and Demand**



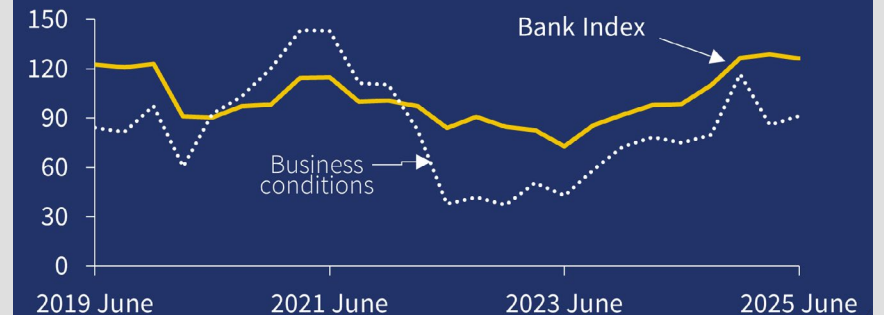
Source: Federal Reserve Board of Governors, Senior Loan Officer Opinion Survey. Data covers Q1 2005 to Q1 2025.

**Chart 10. Small Business Delinquency Index**



Source: Thomson Reuters/Paynet. Data covers January 2005 to April 2025.

**Chart 11. Community Bank Sentiment Index and Business Conditions**



Source: [The Community Bank Sentiment Index](#). Data covers Q2 2019 to Q2 2025.