



2025 State of U.S. Small Business

Fresh insights into how American
entrepreneurs navigated 2025



Table of contents

Introduction	3
Key insights	4
Navigating business challenges	5
Tariffs and trade turbulence	5
Riding inflation and interest-rate waves	6
Where are the customers?	8
Keeping business costs down	8
Work-life (im)balance	9
Financial health and satisfaction	10
So, what works going into 2026?	12



Introduction

Entrepreneurs are the heartbeat of our economy—resilient, resourceful, and relentlessly optimistic. At FreshBooks, we're proud to champion their journey.

Drawing on data collected in August 2025, FreshBooks' 2025 State of U.S. Small Business offers a clear view of how owners are entering 2026—more digital, more resilient, and ready to grow in a new economic era. This report captures the grit and ingenuity of small business owners and solo operators as they navigate a landscape shaped by inflation, tariffs, shifting customer habits, and evolving technology.

What stands out most? Their quiet confidence.

Despite the headwinds, 76% say they're satisfied with their business situation, and many are doubling down on growth. From Gen Z's credit-fueled hustle to seasoned owners fine-tuning their pricing strategies, we see a community that's adapting, not retreating. Whether it's managing costs, finding new customers, or reclaiming time, entrepreneurs are making smart moves.

We hope these insights spark ideas, affirm your challenges, and remind small businesses that they are not alone in this.



Faye Pang
Chief Growth Officer at FreshBooks



Key insights



Customer acquisition remained the biggest growth challenge

47%

of small business owners say finding new customers was a bigger challenge than in previous years—consistent with 2024's response.



Time management and organization

57%

of small business owners said that work-life balance and time management got harder in 2025 compared to previous years.



Satisfied and resilient

76%

of respondents expressed satisfaction with their business situation, despite the economic challenges of 2025. This was a slight increase from 73% in 2024—signalling steady resilience in the face of ongoing pressures.



Tariffs hit manufacturing and product-driven businesses hardest

30%

of all small businesses and solo operators surveyed saw their supply costs increase, and that number rose to 45% for those businesses most reliant on imported supplies and inventory.



Higher costs for businesses and customers

43%

of small businesses raised prices to offset their increased costs, with only 33% of solo operators doing so. These numbers are nearly unchanged from 2024, with a minimal decrease of 2% and 1%, respectively, indicating that cost pressures remain elevated and owners continue to grapple with rising expenses.

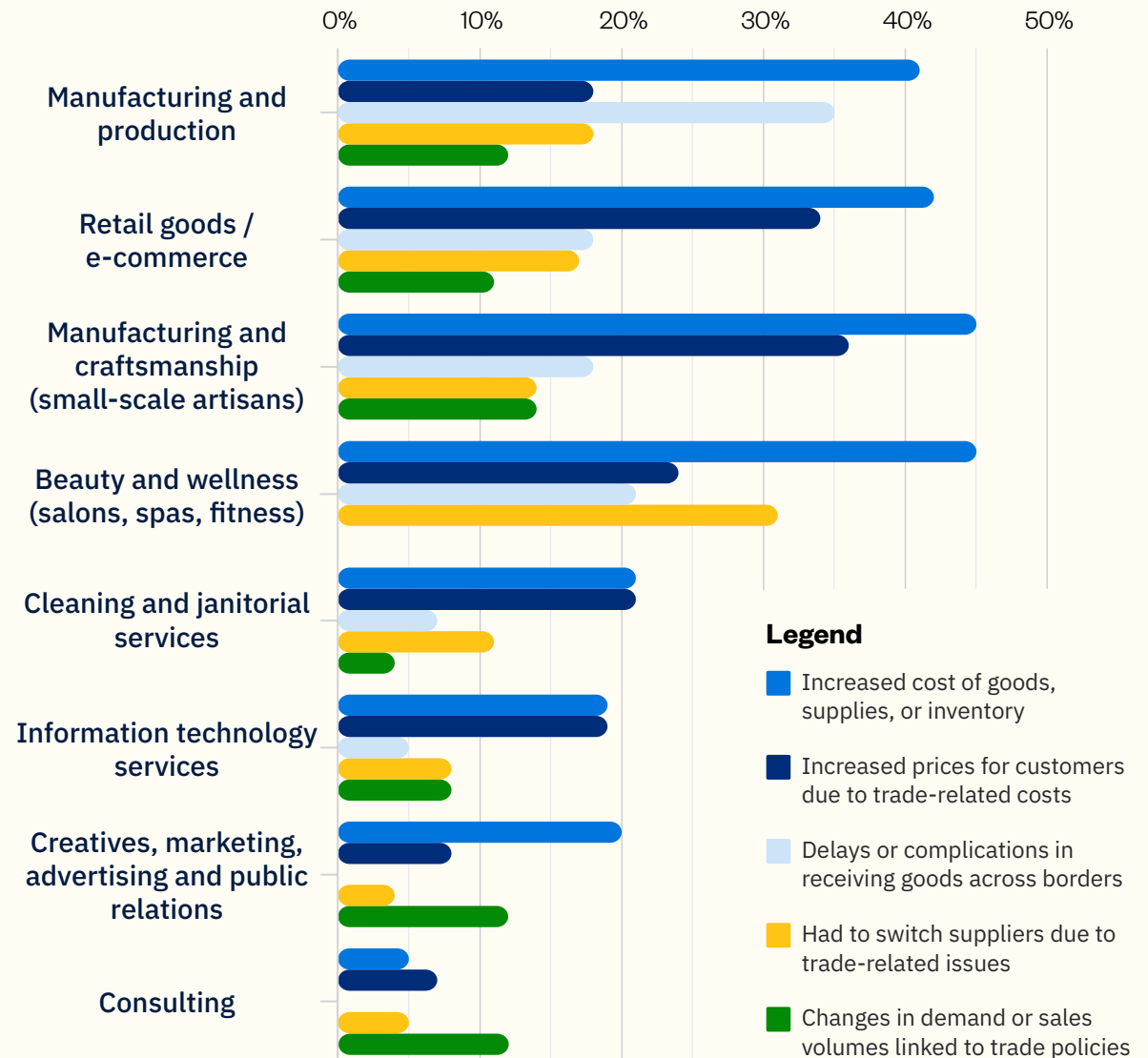
Navigating business challenges

Tariffs and trade turbulence

Tariffs took center stage in 2025, and the fallout was anything but evenly spread.

Small business owners were more likely to report increased costs (31%) and price-hikes for customers (22%), compared to 20% and 15% for solo operators, respectively.

Businesses that made or moved physical goods—think manufacturing, retail, product-based service and trade businesses—felt the pinch hardest: higher input costs, supplier switches, and delivery delays all cut into margins. Digital and knowledge-based firms, such as consulting and IT service providers, were more insulated, but many still suffered from the domino effect of decreased demand as clients tightened budgets.



Riding inflation and interest-rate waves

The good news: Overall interest-rate stress eased slightly in 2025 versus 2024. The not-so-good news: Younger owners aren't feeling that relief. Among Gen Z respondents, 27% said rising rates made their work more stressful (up from 16% in 2024), perhaps because this cohort also leads in credit use (18% use business cards or loans to help run their business).



KEY INSIGHT:

Tariffs and inflation squeezed product-focused small business owners hardest—they were more likely to raise prices, while solo operators often couldn't or wouldn't, perhaps hesitant to risk any impact on demand and market share. Gen Z owners were also among the most vulnerable, given their higher reliance on credit and sensitivity to interest rate changes.



We're seeing small business owners walk a tightrope—they may feel pressure to raise prices to stay afloat, but not so much that customers leave them. It's a delicate balancing act. Consumers understand that businesses need to offset their cost increases, but in a market where the consumer is feeling pinched as well, there's limited tolerance for higher prices. Everyone is feeling the squeeze.

– Faye Pang, Chief Growth Officer at FreshBooks





40%

of all respondents raised prices to offset inflation: 43% of small business owners versus 33% of solo operators, who may have been more hesitant to risk any impact on demand and market share.



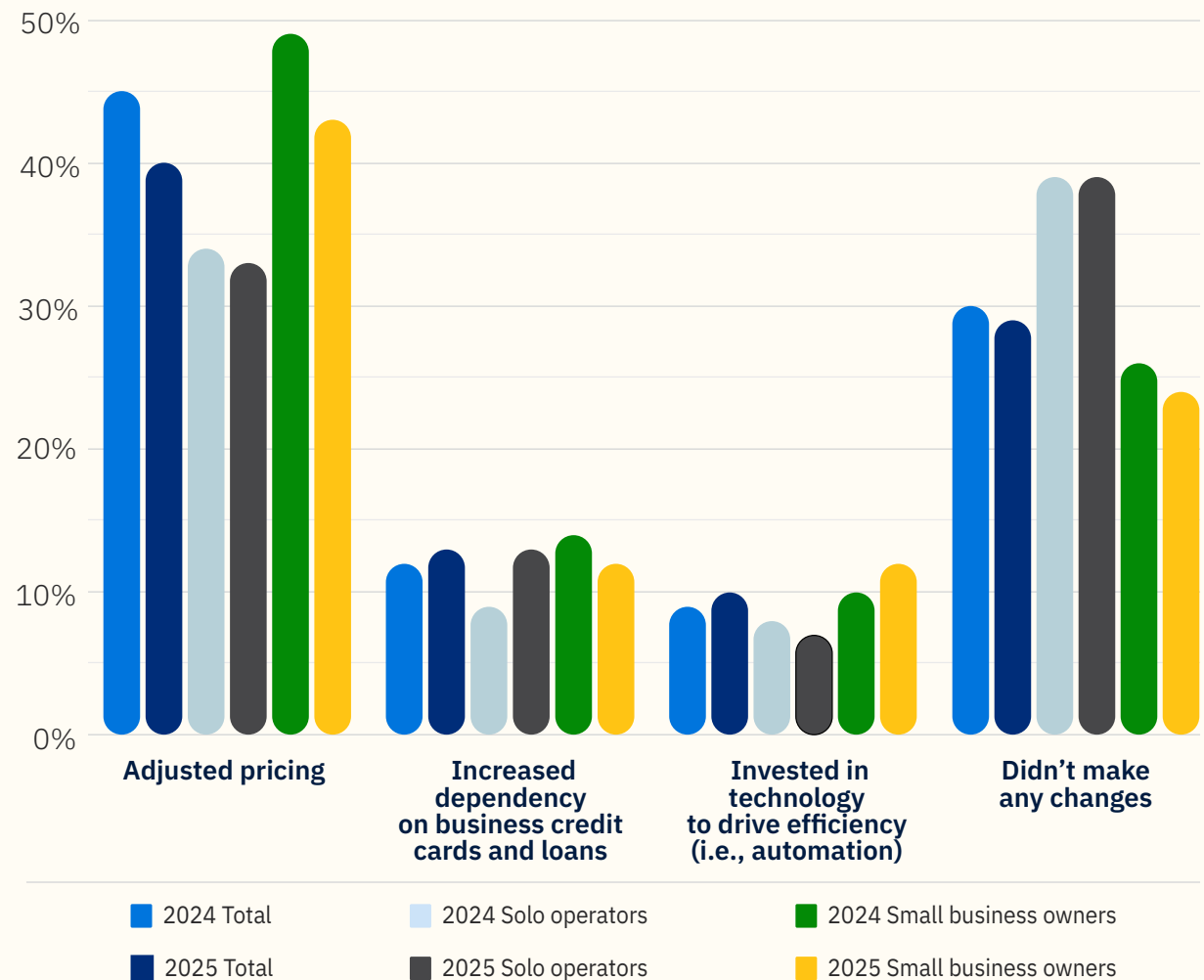
39%

of solo operators made no changes at all to offset costs, compared with 24% of small businesses—suggesting solo operators may have been more cautious or lacked the flexibility to adjust.



13%

reported an increased reliance on business credit to cover rising costs, with Gen Z respondents at 18%.



Where are the customers?

For the second year running, finding new customers was the top headache for small businesses and solo operators. Almost half of respondents (47%) said it was their biggest challenge in 2025 (up slightly from 46% in 2024). With competition fierce and the pathways potential customers use to discover businesses changing quickly, acquisition was the choke point for growth.

Keeping business costs down

43% of all respondents ranked managing business costs as their second-biggest challenge, up 2% from 2024. This remained a particular issue for small business owners, of whom 47% cited keeping costs down as a bigger challenge in 2025 than in previous years, compared with 35% of solo operators.



Discovery is shifting: The rise of AI-driven search, new content formats, and changing ad dynamics in 2025 mean old playbooks don't always work. Being AI-literate is table stakes. Testing new formats is not about chasing trends, but about experimenting with clearer, more helpful ways to be discovered, and then backing that visibility with fundamentals like timely follow-up and strong customer relationships.

– Faye Pang, Chief Growth Officer at FreshBooks



Gen Z and millennials struggled when it came to managing finances—about a third said they found it difficult to keep track of income and expenses, to balance money coming in with expenses so they could avoid shortages, and to set prices that both covered their costs and generated profit.



Work-life (im)balance

Flexibility was the dream, but the reality was a lot more hustle than leisure. For the second consecutive year, career control and a better work-life balance topped the list of reasons people go solo. But that balance was harder to maintain: 57% reported that work-life balance or time management was a bigger challenge in 2025 than in prior years.

It's a trade-off. Owners chose the freedom of self-employment, but they may end up working longer hours handling clients and the behind-the-scenes admin nobody warned them about.



Everyone dreams of flexibility, but the reality is that time management is tougher than ever. Technology can be a game-changer, yet only 10% of business owners are investing in technology to address time and financial management challenges. It's more important than ever for entrepreneurs to explore new tools and strategies to reclaim their time.

– **Faye Pang**, Chief Growth Officer at FreshBooks



57%

of survey respondents said that work-life balance or time management got tougher in 2025, yet just 10% invested in tools that could help lighten their financial workload.



Financial health and satisfaction

Despite all the challenges facing small business owners and solo operators in 2025, they weren't going anywhere. Most owners didn't fold—they doubled down. Only 5% of respondents said they planned to leave their business in 2025 (that share rose to 9% among 60- to 69-year-olds, who were most likely eyeing retirement). The overall figure was down from 9% in the previous year's survey, when 10% of both Gen Z and millennial respondents said they were looking to get back into the traditional job market.

Despite price pressures and supply shocks, most small businesses and solo operators felt financially steady—and a large share were actively pursuing growth strategies that didn't require big hiring moves.

The best news? Satisfaction was high. Three-quarters of respondents reported their financial health was the same or better than a year ago—32% said it was the same, and 43% said it was better. Overall optimism was up in 2025, too: 56% felt somewhat or very positive about their business finances, compared with 46% in 2024.

Here's a snapshot:



76% reported they were satisfied with their current business situation.



75% of survey respondents said their financial health was the same (32% in 2025 vs 35% in 2024) or better (43% in 2025 vs 36% in 2024) than a year prior.



Overall, respondents' sentiment about their businesses' financial health remained strong: 56% were somewhat or very positive vs 46% in 2024, and 25% were neutral (vs 30% in 2024).



Ambition for growth, by generation



Millennials were the most ambitious in 2025

50%

were trying to grow revenue without adding headcount, and 18% were looking at hiring.



Gen Z was close behind

45%

focused on earning more while staying the same size, and 19% looking to hire.



Gen X still scaled. In which case

40%

tried to grow revenue while keeping the same number of workers, with 19% looking to hire.



So, what works going into 2026?

2025 may have been messy, but it was far from a lost year. Entrepreneurs navigated price hikes, supply snags, and fewer customers coming through the doors—and most did it with elbow grease and smart choices. Three out of four business owners said they were satisfied, only 5% planned to quit, and optimism ticked up year over year.

That doesn't mean everything was easy: Finding customers and controlling costs remained part of the daily grind.

So, what works going into 2026? Focus on the basics: Stay close to your books, double down on customer acquisition, and adopt technology or processes that buy back time.



Business owners have met head-on the challenges they've faced in 2025. Entrepreneurs are pivoting, pricing smart, and finding ways to thrive. In a year that tested patience and endurance, small business owners' confidence in their businesses held firm. This year's data shows persistence, adaptability, and confidence, even as the environment remains tough. They are proving that resilience does not come from perfect conditions, but from steady decision-making under pressure.

– **Faye Pang**, Chief Growth Officer at FreshBooks





Methodology

This report is based on a FreshBooks online survey conducted in August 2025, which included approximately 750 small business owners and solo operators from the United States. Participants represented a diverse range of industries, revenue levels, and employment sizes. The study examined financial and economic sentiment, challenges, and areas of positivity among some daunting economic headwinds. Margin of error: $\pm 4.4\%$ at a 95% confidence interval.



FreshBooks

About FreshBooks

FreshBooks is a leader in small business management software that is purpose-built to help small business owners simplify the financial complexity of running their business—from invoicing and expenses to payroll and payments—bringing together the tools they need to manage finances, save time, and stay organized. Headquartered in Canada, FreshBooks supports small business owners around the world.

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