A COLLABORATION WITH Office for National Statistics

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Business Formation Statistics: from Research to Production

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Starting at 12.30 PM

ESCoE ECONOMIC MEASUREMENT WEBINARS

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Any opinions and conclusions expressed herein are those of the authors and do not represent the views of the U.S. Census Bureau

Business Formation Statistics (BFS)

Fills a gap in the availability of high frequency, timely data on new business formation in the U.S.

- Other data products measure new business activity with a lag
- BFS focuses on measuring early-stage business activity with shorter lag and with more frequent updates
- Began as a Center of Economic Studies research collaboration with economists at Board of Governors of the Federal Reserve System, Federal Reserve Bank of Atlanta, University of Maryland, and University of Notre Dame

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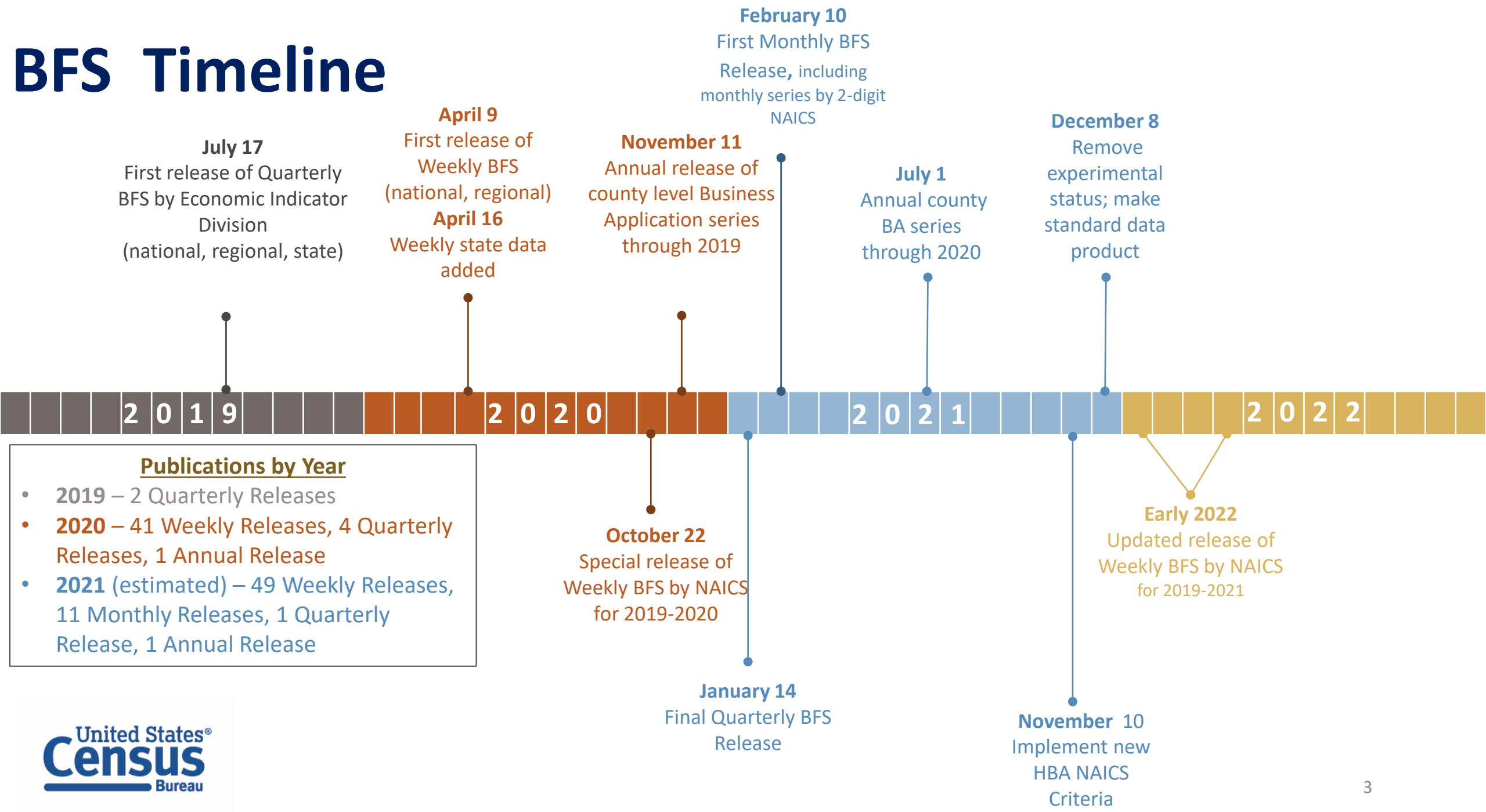
BFS Timeline



Publications by Year

- **2019** – 2 Quarterly Releases
- **2020** – 41 Weekly Releases, 4 Quarterly Releases, 1 Annual Release
- **2021** (estimated) – 49 Weekly Releases, 11 Monthly Releases, 1 Quarterly Release, 1 Annual Release

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Types of BFS Series

BFS consists of

- 4 Business Application Series
- 8 Business Formation Series (formations are applications that become employer businesses)

BFS Publications			
Frequency	**Weekly**	**Monthly**	**Annual**
Availability	Week 1, 2006-Week 48, 2021	July 2004-November 2021	2005-2020
Series	4 Application series, not seasonally adjusted	4 Application series 8 Formation series, seasonally adjusted and not seasonally adjusted	1 Application Series
Geography	National, Regional, State	National, Regional, State	County
Other	Annual release of weekly data by 2- and 3-digit NAICS from 2019 to 2020 Week 40	National industry series	

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Business *Application* Series

Several criteria applied to the entire set of EIN applications to generate business application series

Business Applications (BA) - The core series that includes all EIN applications made in the U.S. (50 states + DC) except those filed without a business intent:

- Trusts, estates, tax-liens
- Public entities
- Some other filings with little or no business intent (e.g. personal tax/finance related filings, some household activities, etc.)

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Business *Application* Series

High-Propensity Business Applications (HBA): Applications that have a relatively high likelihood of becoming employer businesses

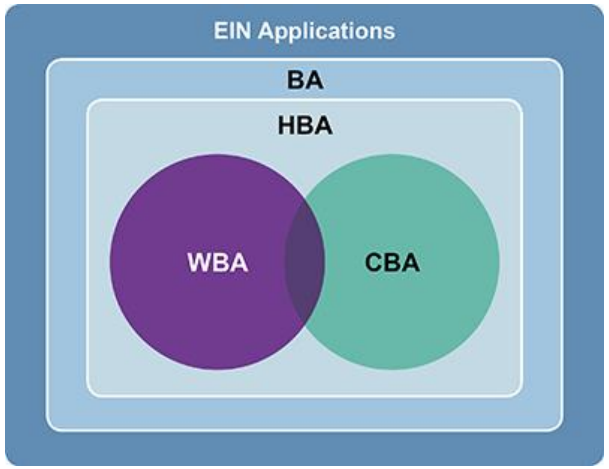
- From corporate entities
- Indicate hiring employees, purchasing a business or changing organizational type
- Provide a date for first-wages paid/planned
- Classified in certain industries:
  - 2004-2011 In manufacturing (NAICS 31-33), part of retail (NAICS 44), health care (NAICS 62), and accommodation and food services (72)
  - 2012 to present: Accommodation and food services (NAICS 72), parts of professional, scientific, and technical services (5411, 5413), educational services (6111), construction (237, 238), manufacturing (312, 321, 322, 332), retail (442, 443, 444, 445, 446, 447, 452), and health care (621, 623)

Business Applications with Planned Wages (WBA) – a subset of HBA

Provide a date for first-wages paid/planned

Business Applications from Corporations (CBA) – a subset of HBA

From corporate entities



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Business *Formation* Series

Use Census Bureau's Longitudinal Business Database (LBD) to identify new employer firm (EIN) births from business applications and the timing (quarter) of these births

Business Formations within 4 Quarters (BF4Q):

Employer businesses that originate from Business Applications (BA) within a four quarter window from the quarter of application

Projected Business Formations within 4 Quarters (PBF4Q):

- Projected employer businesses that originate from Business Applications (BA) within a four-quarter window from the quarter of application
- Provides estimates for the quarters for which actuals are not yet available
- Estimates based on a model of employer birth indicator as a function of application characteristics

Series that piece together actual and projected formations, and series that measure average duration from application to formation (SBF4Q,DUR4Q)

All series also provided for an 8-quarter window (**BF8Q, PBF8Q, SBF8Q, DUR8Q**)

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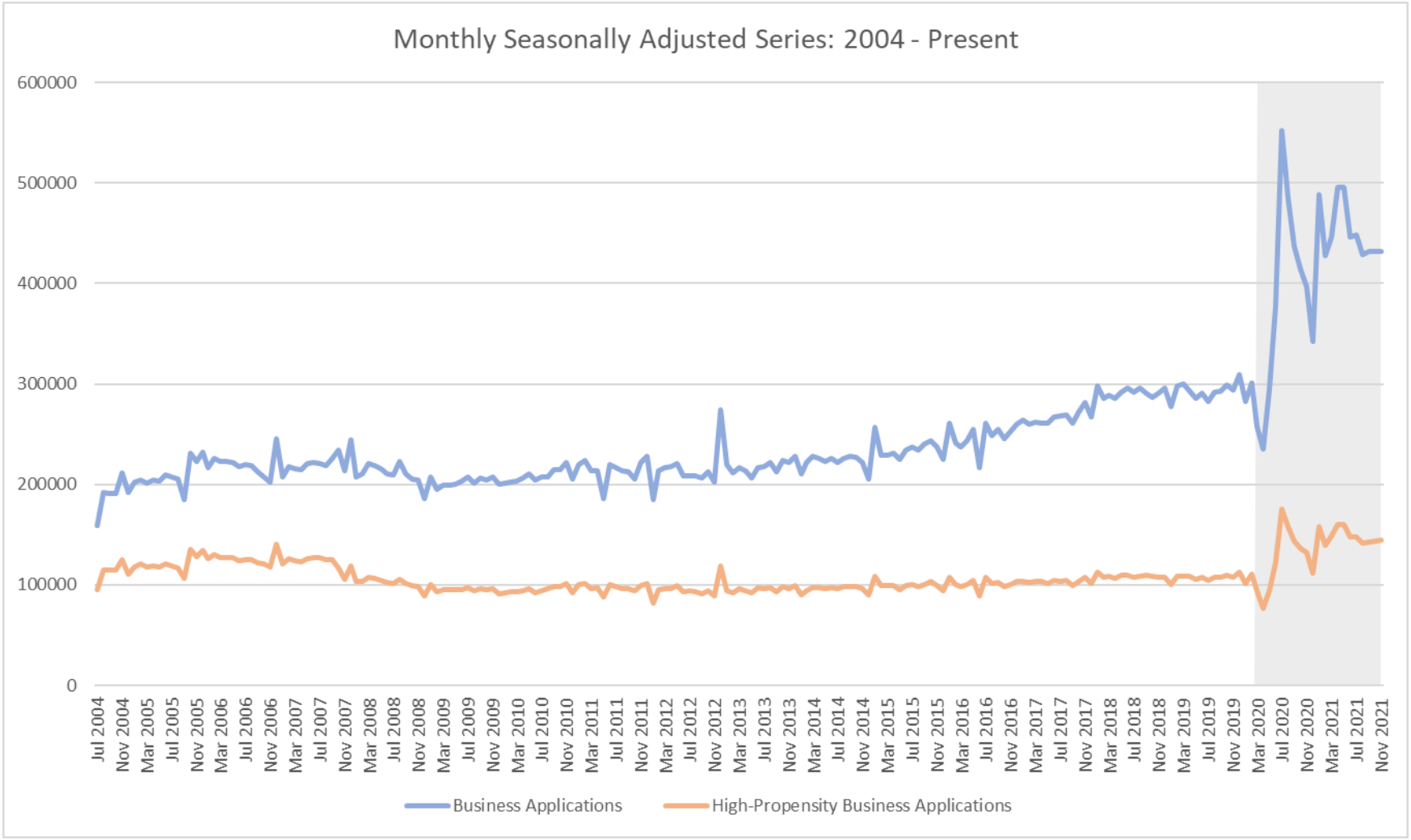
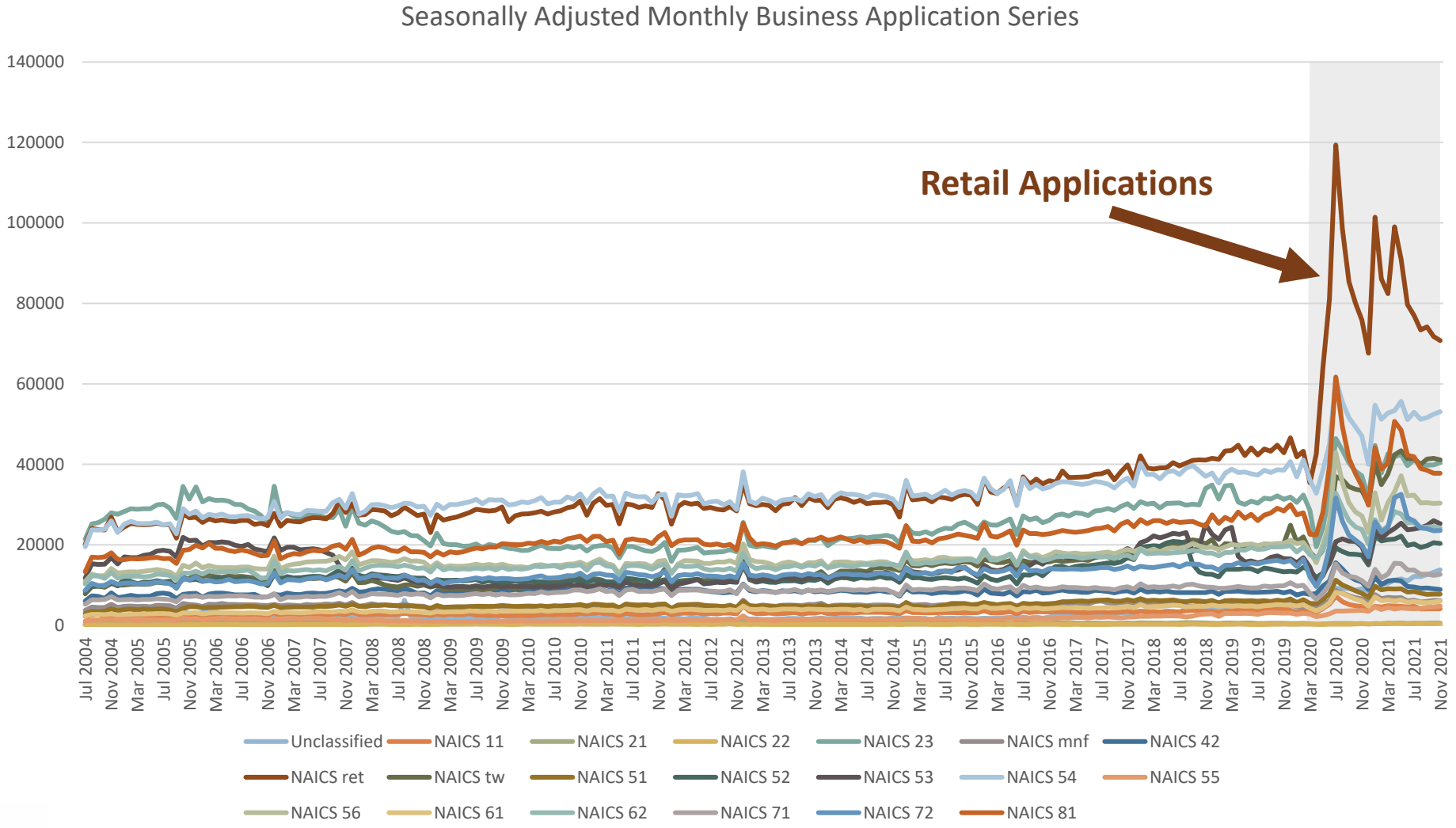
Applications hit pandemic record highs



Source: Census Bureau Monthly BFS

Surge in retail applications led the increase



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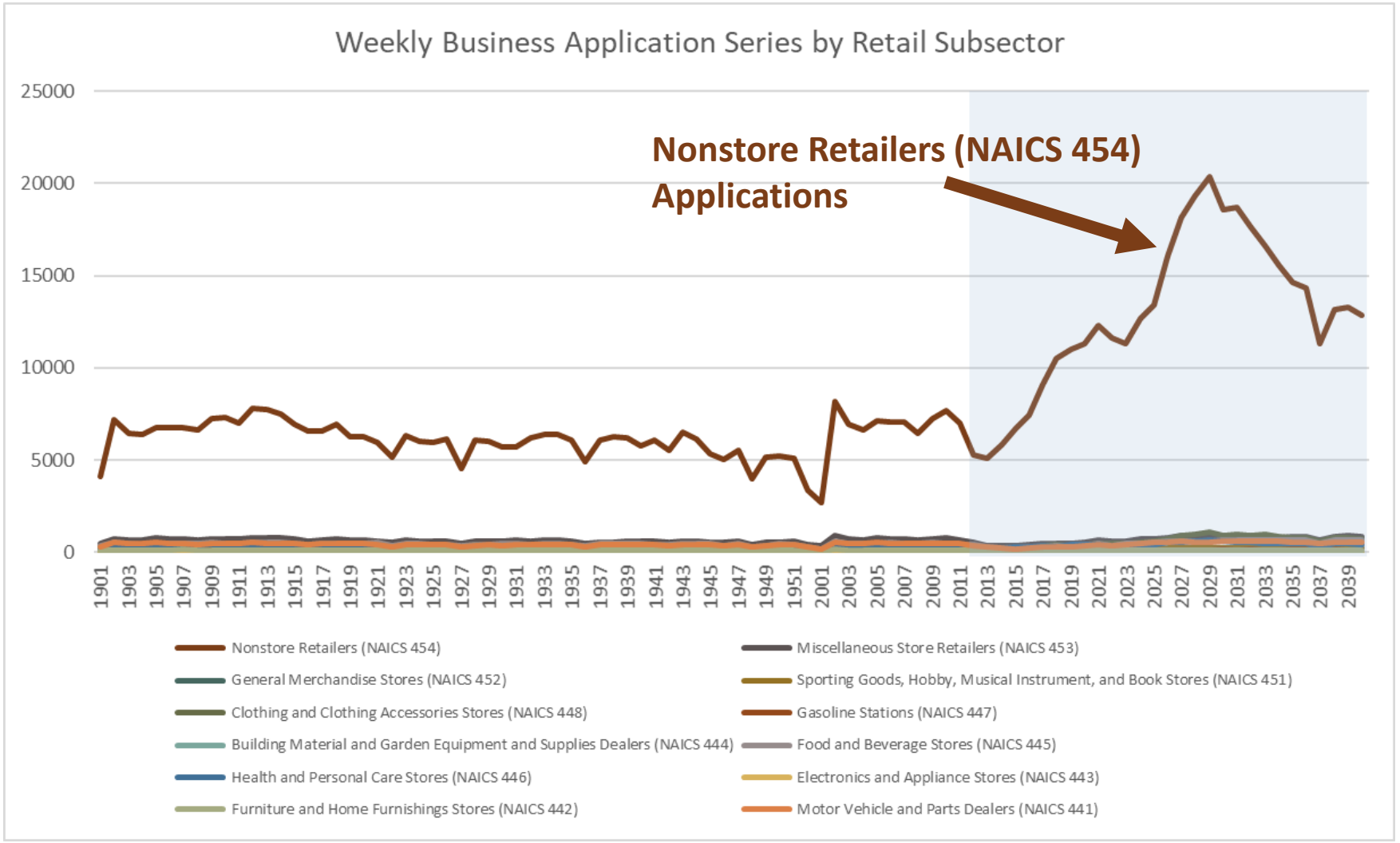
Source: Census Bureau Monthly BFS

Nonstore Retailers drove retail surge



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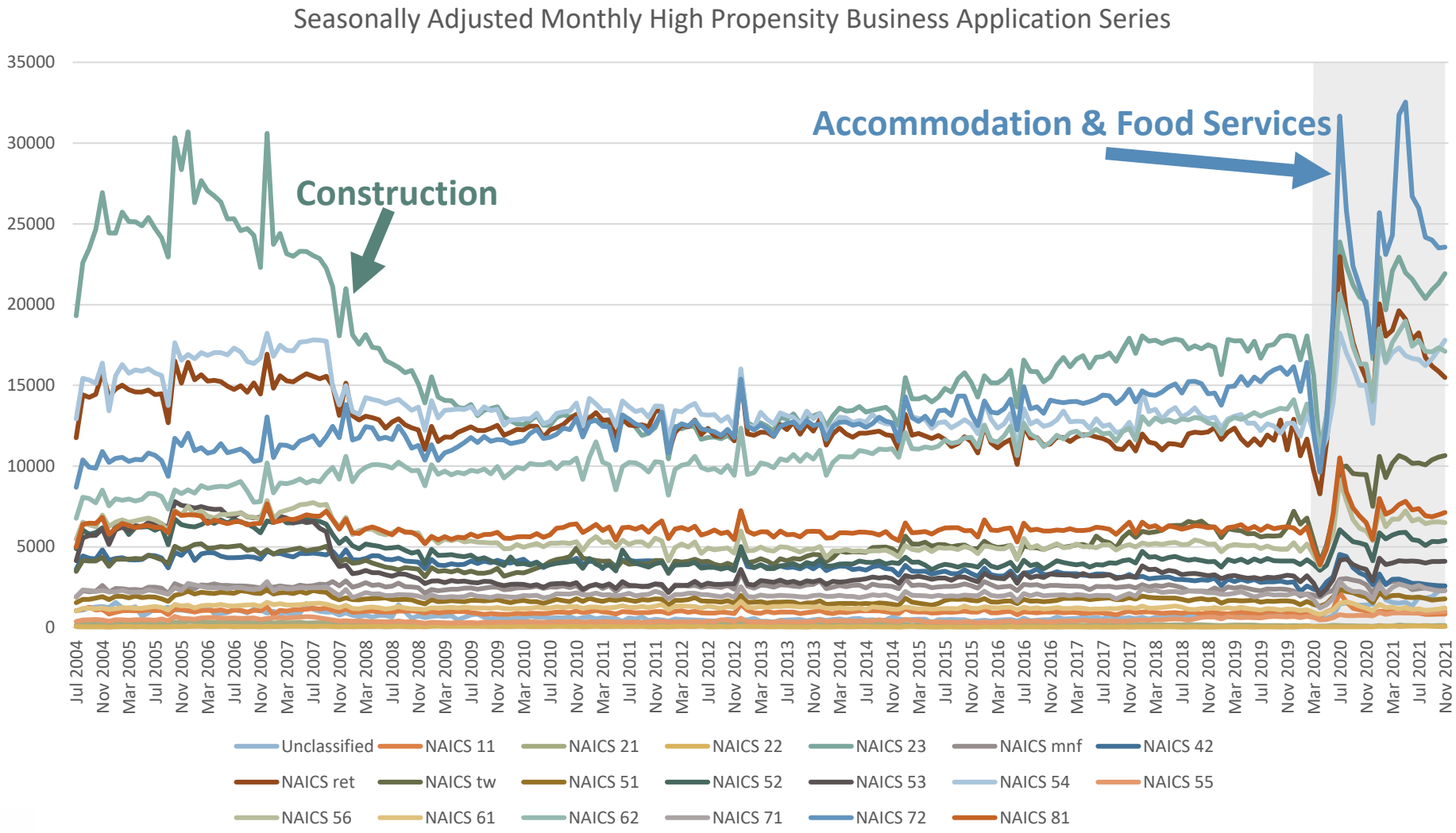
Source: Census Bureau Weekly BFS Special NAICS Publication

Shift in high propensity business applications



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Source: Census Bureau Monthly BFS

Data widely featured during pandemic

For New Congress And Administration: State Of Small Business And Entrepreneurship — Forbes, 2/4/21

Business Startups Surged Amid Covid-19 Pandemic — Insurance Journal, 1/19/2021

Americans' Shift to Be Their Own Bosses Is Lasting in Pandemic — Bloomberg, 7/13/21

U.S. applications to start a business rise steadily in May — Reuters, 6/10/21

People are quitting their jobs at record rates. That's a good thing for the economy. — CBS News, 6/21/21

Entrepreneurship during economic uncertainty: Why millions of people started a business during the pandemic — NBC News, 9/14/21

What America's Startup Boom Could Mean For The Economy — NPR, 6/29/21

Shopify's Secret Weapon Is Thousands of New Business Owners — Wall Street Journal, 2/16/21

With small businesses suffering, women turning to entrepreneurship — Greater Baton Rouge Business Report, 1/26/21

Start-Up Boom in the Pandemic Is Growing Stronger — The New York Times, 8/19/21

New Business Formation Tells Of A Brighter Immediate Economic Outlook — Forbes, 9/7/21

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Current BFS Research Projects

Properties of BFS as an early indicator of economic activity

- by Asturias, Dinlersoz, Haltiwanger, and Hutchinson
- Compares BFS monthly series with economic indicators generated by Census Bureau and other agencies

Understanding non-employer business activity that originates from business applications, and predicting both non-employer and employer business formation from applications

- by Dinlersoz and Luque
- Leverages the work done in the context of Non-employer Statistics presented earlier by Adela Luque to connect business applications with non-employer business formations

Exploring local origins of business applications and transitions to employer status: the effects of local characteristics

- by Dinlersoz, Dunne, Haltiwanger, and Penciakova
- Uses ACS, Decennial and other data from Census Bureau to relate business applications/formations to demographics and business conditions at the local level

Sectoral shifts and reallocation in business applications and formations during recessions

- by Dinlersoz, Dunne, Haltiwanger, and Penciakova

The short and long-run effects of weather events on business applications and formations - modeling and predicting the impact of local weather events on entrepreneurship

- Joint with EID and NASA researchers Batuhan Osmanoglu and Arif Albayrak
- Combines satellite weather data and BFS micro-data at the local level to study the connection between strength of weather events and business applications

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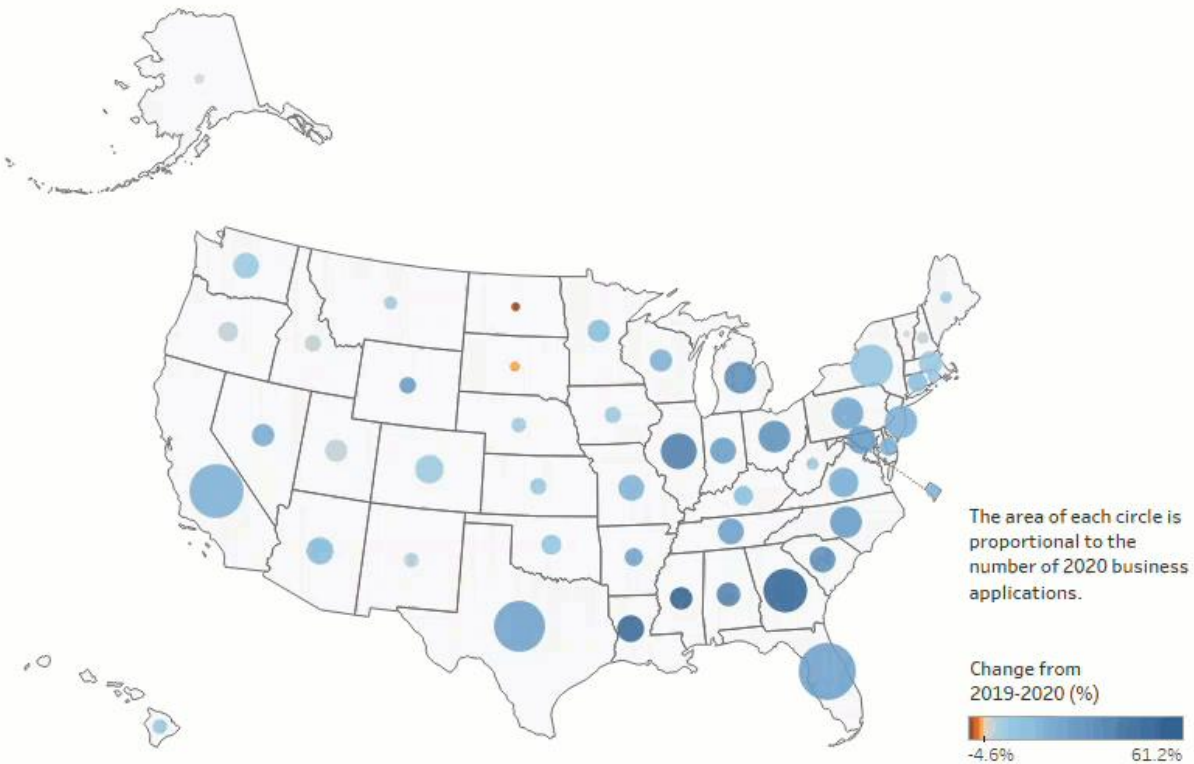
Annual Business Applications by State and County



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Source: U.S. Census Bureau, Business Formation Statistics

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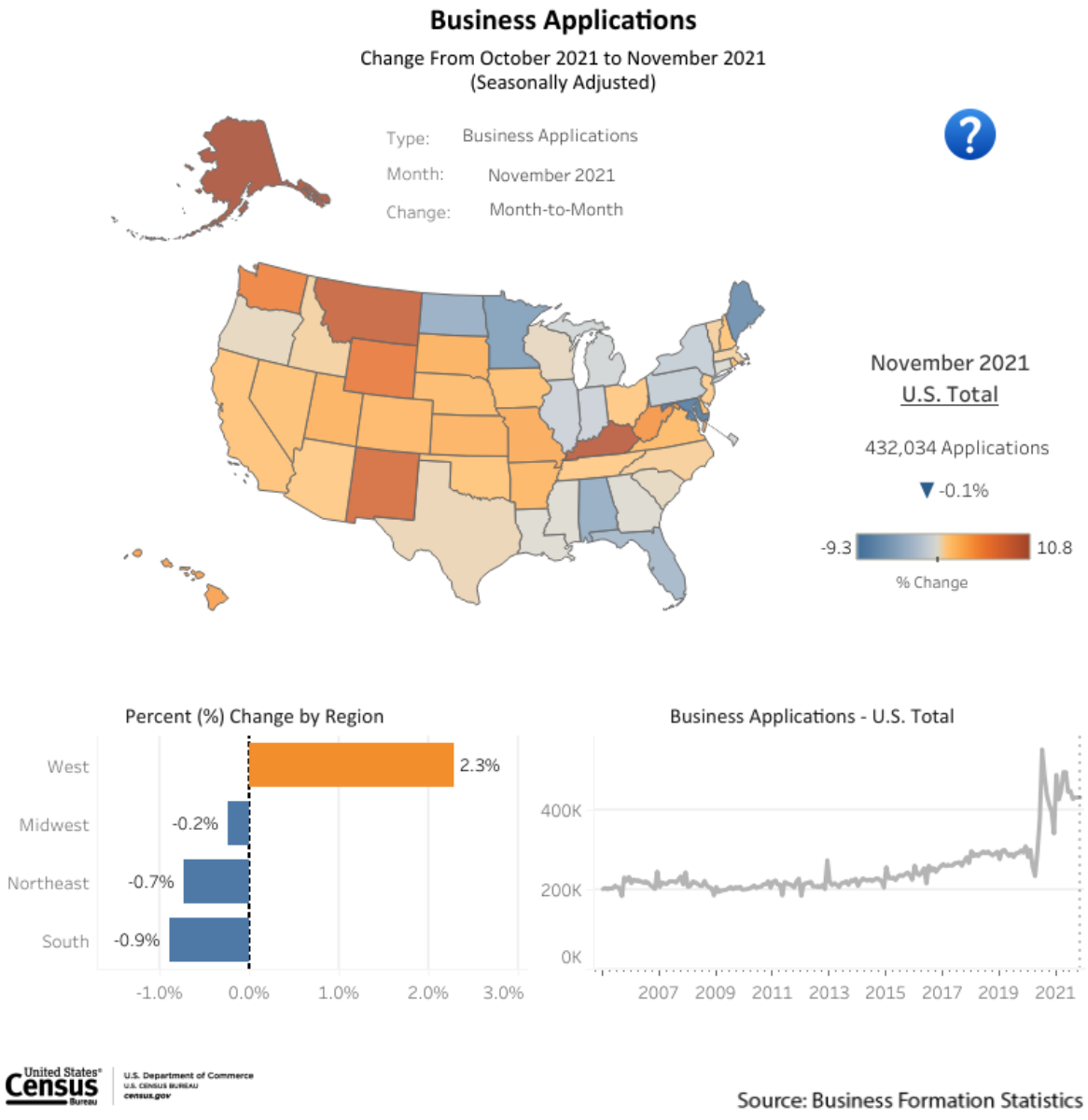
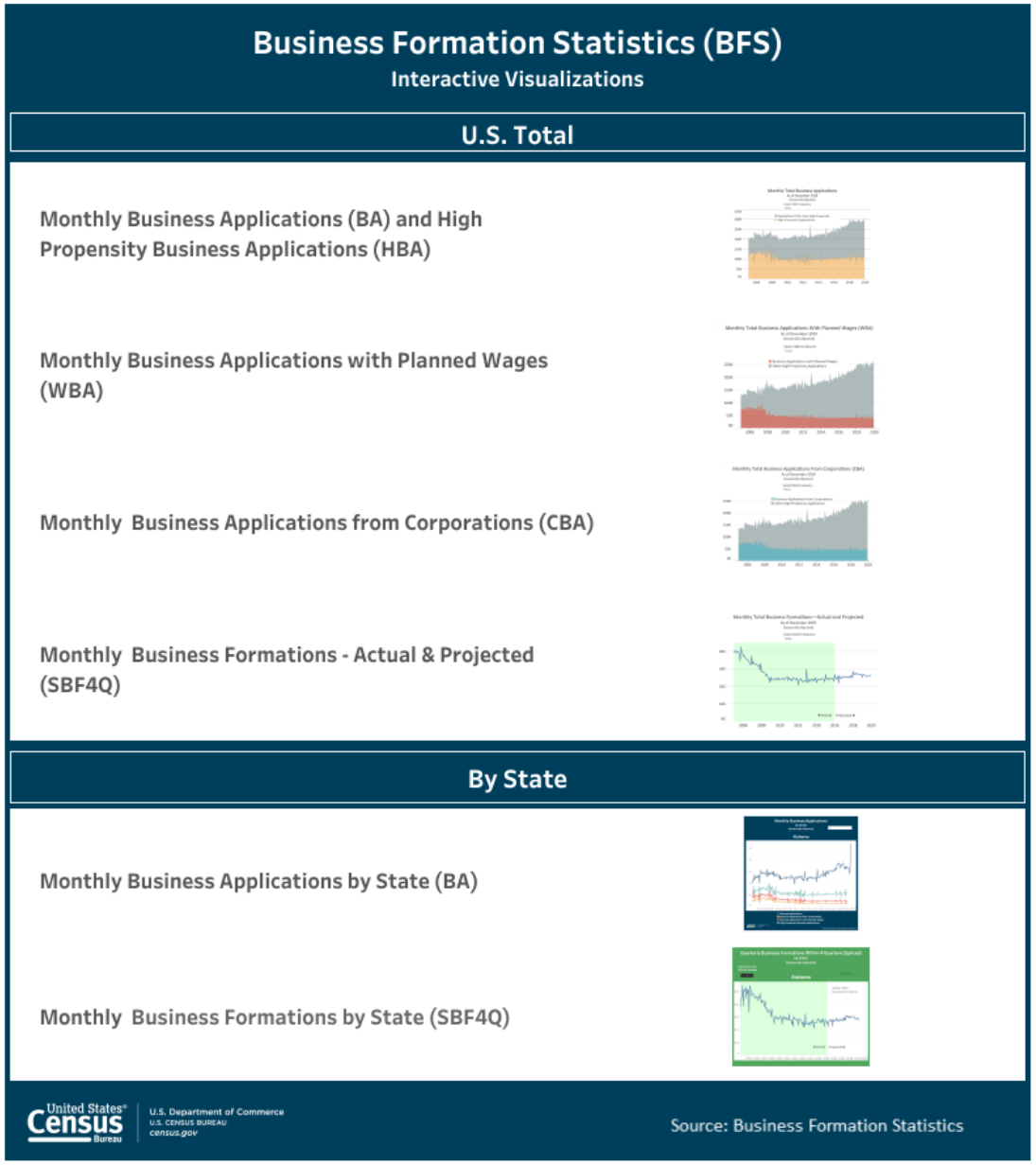
Source: [Business Applications by County Visualization]





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Source: Monthly Geographical Visualization & Monthly Interactive Graphs

BFS Contact Information

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