

Positive Economic Indicators for Small Business

By Brian Headd, Economist
Small Business Quarterly Bulletin
 First Quarter 2014

After almost five years of gradual economic recovery, we are seeing increasingly positive signs from small businesses.

The establishment birth rate (the share of the average of the previous and current total number of establishments) has been showing slow, relatively steady increases (Figure 1). And the number of employers is on the rise, which is apparent in the increasing gap between establishment birth and death rates (Figure 2). Above all, prosperity is most evident in the upward trend of proprietors' income (Figure 3), which has increased more than a third in recent years after a lackluster performance earlier in the decade.

Small businesses' net labor gains are also accumulating (Figure 4). And the slow steady increases in labor turnover rates spell good news for small businesses looking to hire (Figure 5). They are a sign that fluidity is finally returning to the labor market. The pickup in labor market activity could explain the slight downward trend in self-employment (Figure 6) because some of these individuals may be choosing wage work as the labor market strengthens.

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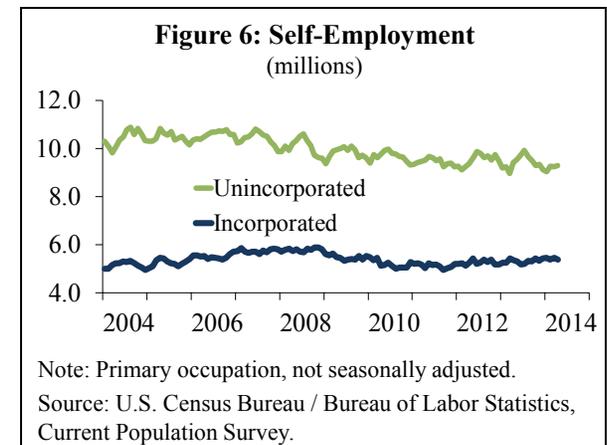
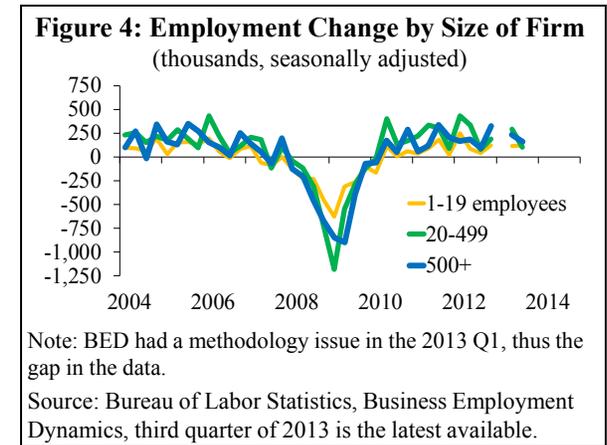
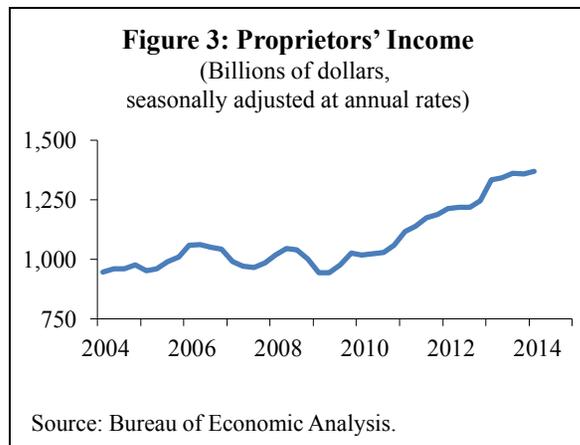
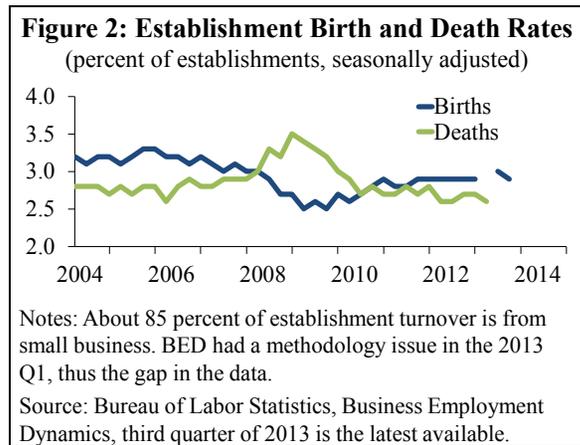
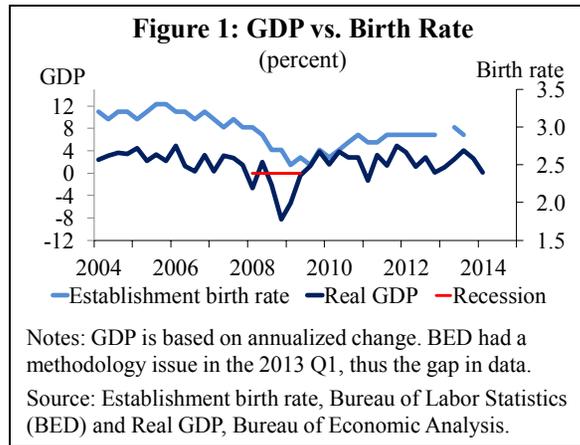


Table 1. Small Business Quarterly Bulletin

First Quarter 2014

	2011	2012				2013				2014	2000	2005	2009	2010	2011	2012	2013
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1							
Self-employed (000) * †																	
Unincorporated	9,252	9,232	9,875	9,702	9,502	8,964	9,720	9,486	9,122	9,249	10,214	10,464	9,831	9,681	9,449	9,529	9,408
Incorporated	5,199	5,130	5,206	5,263	5,175	5,419	5,170	5,310	5,433	5,462	4,459	5,254	5,466	5,191	5,127	5,253	5,311
Businesses, turnover																	
Establishments (000)																	
Births	202	201	197	201	201	578	226	215	–	–	826	867	702	741	782	800	–
Deaths	191	181	184	185	182	–	–	–	–	–	759	737	877	755	752	732	–
Business bankruptcies*	11,149	10,998	10,374	9,248	9,231	8,512	8,874	8,119	7,556	6,992	35,472	39,201	60,837	56,282	47,806	40,075	33,212
Employment																	
Nonfarm payroll (millions) §	133.63	131.97	134.42	134.16	135.86	134.03	136.63	136.53	138.27	136.26	132.02	134.01	131.23	130.28	131.84	134.10	136.37
Net private-sector job creation (000)																	
Total‡	368	847	613	233	709	914	666	421	–	–	1,905	2,148	-5,514	1,254	2,085	2,061	–
<20 employees	23	247	84	40	122	186	116	121	–	–	275	479	-1,310	23	329	394	–
20-499 employees	92	432	333	77	187	305	293	105	–	–	185	217	-2,135	542	336	934	–
500+ employees	206	167	187	96	328	707	234	160	–	–	905	910	-2,212	451	713	656	–
Finance, sales & income (\$billion unless noted)																	
C&I loan average interest rate	3.83	3.78	3.77	3.72	3.64	3.59	3.59	3.53	3.42	3.44	9.65	7.01	3.97	4.05	3.83	3.64	3.42
Manufacturing & trade sales §	1,218	1,240	1,240	1,249	1,265	1,277	1,281	1,296	1,312	1,313	833	1,005	982	1,077	1,194	1,249	1,292
Proprietors' income †	1,188	1,214	1,218	1,220	1,248	1,335	1,342	1,361	1,359	1,371	758	979	973	1,033	1,155	1,225	1,349
Economy (percent)																	
Real GDP change †	4.9	3.7	1.2	2.8	0.1	1.1	2.5	4.1	2.6	0.1	4.1	3.1	-2.8	2.5	1.8	2.8	1.9
Chained CPI †	2.9	2.6	1.6	1.8	1.5	1.4	1.5	1.0	1.3	1.4	2.6	2.9	2.5	1.3	2.9	1.5	1.3
Unemployment rate †	8.5	8.2	8.2	7.8	7.9	7.5	7.5	7.2	6.7	6.7	4.0	5.1	9.3	9.6	8.9	8.1	7.4

* Not seasonally adjusted.

† Annualized quarterly figures, from last month of quarter where applicable.

‡ Totals may not add because of indeterminate firm sizes.

§ Monthly averages.

|| Loans between \$100,000 and \$999,999.

Sources: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Bureau of Labor Statistics (Business Employment Dynamics), Administrative Office of the U.S. Courts, Federal Reserve Board of Governors (Senior Loan Officer Survey, Assets & Liabilities of Commercial Banks in the United States, Survey of Terms of Business Lending), U.S. Census, Bureau and Bureau of Economic Analysis.