

2016 Business Formations in Missouri



Top Ten Business Formations

Professional, Scientific and Technical Services accounted for 17 percent of new business formations in 2016. Retail Trade accounted for 12 percent of Missouri's 2016 new business formations.

Below is a list of the top ten industries for new business formations (excluding *Individual and Family Services**):

1. Professional, Scientific, Technical Services
2. Retail Trade
3. Other Services**
4. Administrative and Support Services
5. Construction
6. Wholesale Trade
7. Accommodation and Food Services
8. Health Care and Social Services

* *Individual and Family Services* consist of care-takers.

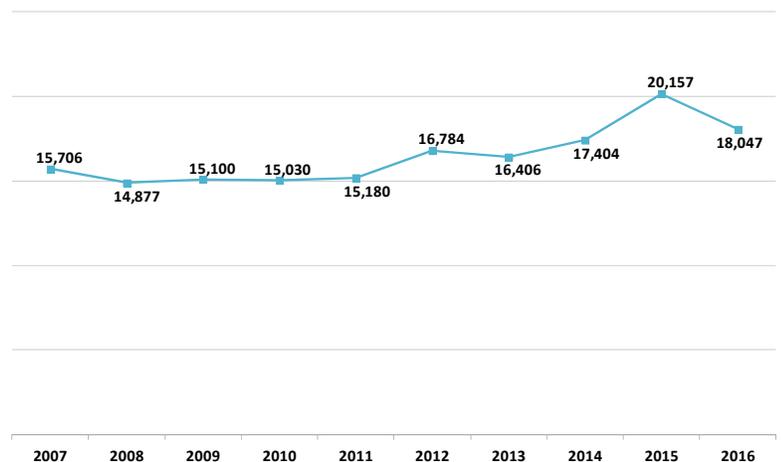
***Other Services* consists of firms engaged in equipment repair, social and advocacy organizations, and providing personal care and cleaning services, among others.

New businesses bring job growth to a state and can lead to innovation in an economy. Research has consistently shown a positive relationship between levels of entrepreneurial activity and economic growth.

18,047 Business Formations

Missouri had 18,047 new non-farm payroll business formations in 2016, which was down from 20,157 in 2015. From 2011 through 2016, the annual growth rate of start-ups has increased 2.9 percent annually. The large increase from 2014 to 2015 was part of a national trend. The Kauffman Foundation found that for the US, 2014 to 2015 represents the largest year-over-year increase in the last twenty years. It appears the start-up rate has returned to a more gradual growth in 2016, a trend that started in Missouri in 2010, at the end of the "Great Recession".

Business Formation Trends, 2007- 2016



Nearly 5,000 of the 18,047 business formations in 2016 were in the *Individual and Family Services* industry. This industry was excluded from the remainder of this analysis as often these are individuals performing contract work for existing firms to provide care for individuals and do not intend to operate as an independent business.

When excluding the *Individual and Family Services* business formations, Missouri had 13,084 new businesses form in 2016, and over the past five years, grew at an average rate of 2.0 percent.

Business Formations by County

As shown in the maps below, business formations tended to be higher in counties that are part of a metropolitan area. The counties that make up the St. Louis metropolitan area had the highest number of total business formations with Kansas City and Springfield following.

When normalized for population, metro areas continue to show higher concentrations of business formations. For all metro areas, 2.3 new businesses formed per 1,000 people; in non-metro areas, 1.7 new businesses formed per 1,000 people.

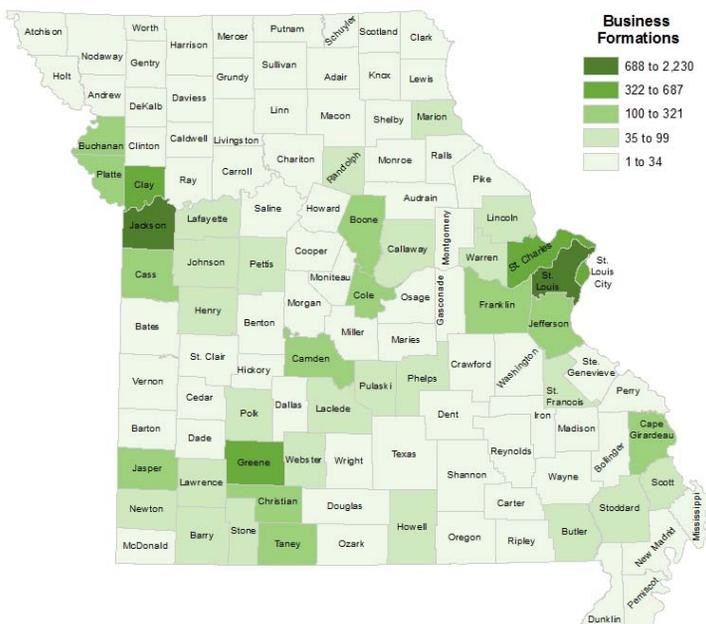
There were some non-metro counties that did produce a high number of new businesses relative to their population. Camden County, with 3.8 new business formations per 1,000 people, Mercer County (3.0) and Taney County (2.9), all non-metro counties, ranked one through three respectively in new businesses started per 1,000 people among all Missouri counties. Montgomery County (2.4) and Howell County (2.3) were other non-metro counties that ranked within the top 15.

Camden County and Taney County have consistently ranked high among Missouri counties in normalized business formations. Camden County has ranked first or second from 2013 through 2016 and never below fifth since 2011. Camden County ranked within the top three from 2011 through 2016.

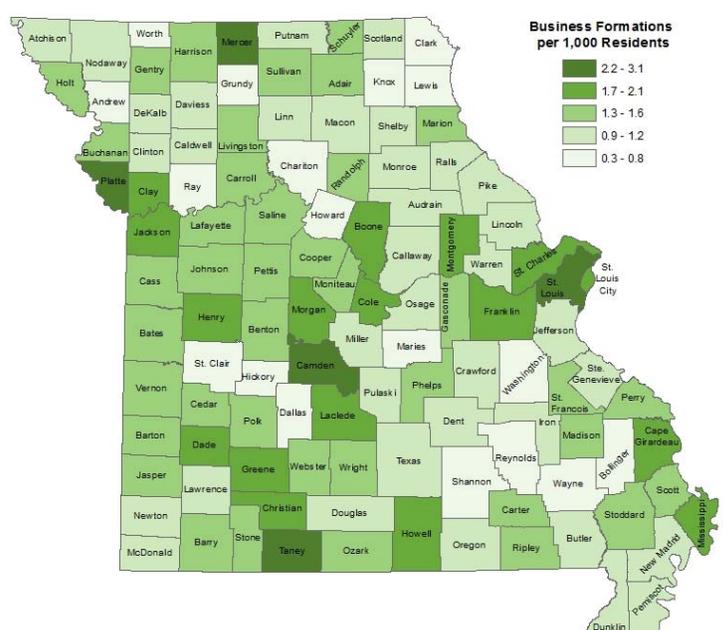
Tourism-related industries may be the driver of the high level of new business formations in these counties. Industries associated with tourism such as *Retail Trade*, *Arts and Entertainment* and *Accommodations and Food Services* were created at a higher rate than the state average in these two counties.

Among counties from a metro area, Platte County led the way with 2.9 business formations per 1,000 people—ranking fourth among all Missouri counties. St. Louis County created 2.8 businesses per 1,000 people and Jackson County created 2.6—ranking fifth and sixth respectively among Missouri counties in 2106.

Business Formations



Business Formations per 1,000 People



Business Formations by Metropolitan Area

Researchers from the New York Federal Reserve, among others, help explain the trends of higher concentrations of entrepreneurial activity within metropolitan areas. The Reserve economists found that population size has a positive effect on entrepreneurial activity, especially among service-oriented businesses.

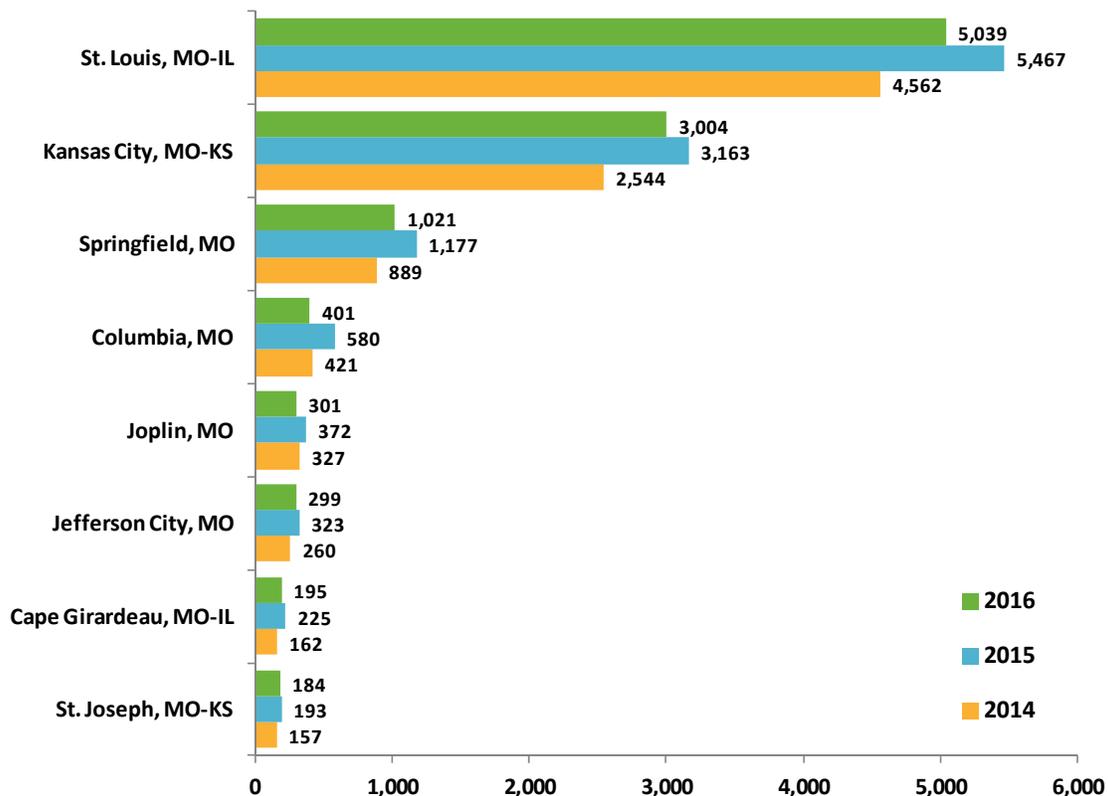
Kansas City and St. Louis led the way in new business formations in metro areas in 2016, creating 2.4 new businesses per 1,000 people. Columbia created 2.3 new businesses per 1,000 people and Springfield created 2.2.

From 2011 to 2016, Jefferson City had the highest new business establishment growth rate, with an annual rate of 4.8 percent. Kansas City also had high levels of new business formation growth relative to other metro areas in the state, with an annual growth rate of 4.3 percent.

For all metro areas in Missouri, business formations declined in 2015 to 2016. The following table provides the total number of new business formations by metropolitan area from 2014 to 2016.

Kansas City and St. Louis had higher percentages of new businesses coming from *Professional, Scientific and Technical Services* relative to other metro areas in Missouri. Jefferson City ranked highest among Missouri metros in new businesses in the *Administrative and Support Services* industry.

New Business Formations by Metro Area



Business Formations by Industry

The table below shows the share of new business formations by major industry. The *Professional, Scientific, and Technical Services* industry represents 17 percent of all business formations, consisting of 2,200 new establishments in 2016. It has been the number one industry for new business formations in Missouri since 2010, when excluding *Individual and Family Services*. Of the 2,200 total new establishments created within the industry, over 600 came from *Computer Systems Design and Related Services* and over 450 were started in *Management, Scientific and Technical Consulting Services*.

Retail Trade consisted of 12 percent (1,567) of the new business formations in 2016. Over 400 of the 1,567 *Retail Trade* establishments opened in 2016 were *Pharmacies and Drug Stores*. *Other Services* consisted of 9 percent (1,149) of the total new businesses. The *Private Household* industry accounts for 437 of the 1,149 new businesses set up within *Other Services*. The

Private Household industry includes caretakers, among other occupations, hired by private households to perform various tasks (home health care, cooking, cleaning, gardening, maintenance, etc.). These patterns seem consistent with the fact that the U.S. and Missouri has an aging population.

Although not listed within the top 10 in total new business establishments in Missouri, the *Information* industry was the fastest growing in regards to business formations from 2011 to 2016. The *Information* industry has shown a annual growth rate of 20 percent for new business formations from 2011 to 2016.

While most industries saw little to no growth in business formations from 2015 to 2016, the *Information* industry grew 52 percent, creating 160 more new businesses than the previous year. *Telecommunication Carriers* led the way for the *Information* industry with 186 new business establishments in 2016.

New Business Formations by Industry

Industry	2011	2016	CAGR* 2011-2016	2016 Industry as Pct of Total
	Business Formations	Business Formations		
Professional, Scientific, and Technical Services	1,668	2,200	5%	17%
Retail Trade	1,249	1,567	4%	12%
Other services	738	1,149	8%	9%
Admin and Support and Waste Management	1,282	1,061	-3%	8%
Construction	1,126	1,041	-1%	8%
Wholesale Trade	1,068	1,027	-1%	8%
Accommodation and Food Services	1,074	974	-2%	7%
Health Care and Social Assistance	869	942	1%	7%
Finance and Insurance	782	810	1%	6%
Real Estate and Rental and Leasing	361	528	7%	4%
Information	154	468	20%	4%
Transportation and Warehousing	458	431	-1%	3%
Manufacturing	280	329	3%	3%
Arts, Entertainment, and Recreation	160	173	1%	1%
Educational Services	164	150	-1%	1%
Agriculture, Forestry, Fishing and Hunting	67	113	9%	1%
Management of Companies and Enterprises	94	88	-1%	1%
Mining	14	20	6%	0%
Utilities	17	13	-4%	0%
TOTAL	11,625	13,084	2%	100%

*CAGR = Compound Annual Growth Rate

About the Data

The Missouri Economic Research and Information Center (MERIC) monitors new payroll business formations through the Quarterly Census of Employment and Wages (QCEW) micro data. This is a cooperative program between the Bureau of Labor Statistics (BLS) and the Missouri Economic Research and Information Center (MERIC).

The QCEW produces a comprehensive tabulation of establishment, employment and wage information for workers covered by State unemployment insurance (UI) laws and Federal workers covered by the Unemployment Compensation for Federal Employees (UCFE) program. This data includes start-up date information which was used as the determining factor for new business formations.

QCEW data typically includes a county code. Roughly 20 percent of the data does not have a county code associated with the data, so those business were distributed proportionally among the counties based on known new business establishments.

The methodology for this brief is a change from previous business formations briefs released by MERIC.

References

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Farilie, R. W., Morelix, A., Reey, E. J., & Russell, J. *The Kauffman Index Startup Activity National Trends*. (May 2017).

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Rosenthal, S. and W. Strange. "The Geography of Entrepreneurship in the New York Metropolitan Area." *Economic Policy Review* (December 2005). New York Federal Reserve.

Other Data Sources for Business and Entrepreneurial Activity

Business Employment Dynamics (BED). This dataset is based on QCEW. BED data are produced quarterly, available by major industry and reported at the state geography. BED measures job gains and job losses in an industry as well as the number of establishment openings and closings.

<http://www.bls.gov/bdm/>

Business Dynamics Statistics (BDS). This is a collaborative effort of the Kaufman Foundation, Census Bureau, and Small Business Administration. BDS measures employment in firms and establishments, changes in number of establishments (openings and closings) and changes in the number of firms (startups and shutdowns). The BDS data are annual and available at the state and metro geography.

<http://www.census.gov/ces/dataproducts/bds/>

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