

COVID-19 Missouri Economy Indicators

Business Applications, Survivability and Churn

ISSUE 15, 19 OCTOBER 2020

As past Missouri Economy Indicators briefs have shown, most small businesses have reopened since COVID-related disruptions emerged this spring, and revenue has begun to recover. However, firms still face challenges, including earning less in sales or deciding whether to close permanently. Even in these difficult times, entrepreneurs have continued to seek opportunities and file applications to start new businesses.

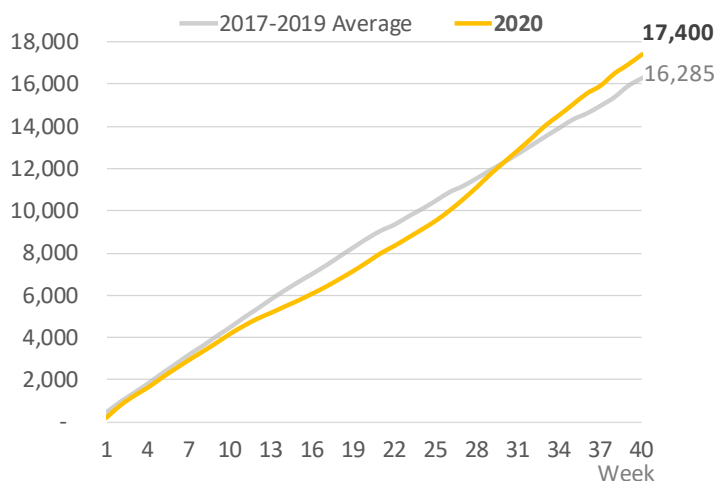
Payroll Business Applications Are Up

In the first 40 weeks of 2020, Missouri had 5.9% more applications filed to start new businesses likely to hire paid employees than it had in 2019's first 40 weeks, according to the U.S. Census Bureau. The 2020 new business application filing rate through early October bested the same period's average from 2017 to 2019, despite COVID negatively affecting application filings earlier this spring. (See chart).

The U.S. Census Bureau tracks weekly new business application filings and separately reports data for applicants likely to have payroll, such as corporations or firms indicating they are hiring workers, and all other applicants.

Total Weekly Missouri Business Applications

Filed by Likely Employers in 2020 vs. 3-Year Average



U.S. Census. Cumulative Total of High-Propensity Businesses for Employment Applications by Week 40.

Relative to Missouri's 5.9% increase in payroll business applications, the nationwide increase was 13%. In both cases, growth in this metric occurred at a time when many existing firms have struggled to survive or closed permanently. By late September, the percent of Missouri small businesses that were open, according to data from Womply.com, was 19.5% lower than January 2020 levels. Many of these firms have only temporarily closed, but the risk of permanent failure will persist as COVID-19 health concerns continue.

Business Survivability

An impressive number of new companies start in Missouri every year. But past survivability data suggests that about half of those businesses will close within five years; this mirrors the U.S. trend. Employment in young firms is also turbulent. Of the nearly 5,700 Missouri businesses that were five years old in 2019, more than four in 10 contracted employment, and overall jobs for this group of businesses declined that year. The churn in business starts and failures is part of normal turnover in the economy, but COVID-19 has accelerated it in 2020. Although the pandemic has been particularly hard on restaurants, business churn data from previous years provide additional insights into which sectors typically experience higher turnover activity.

Business Churn

Isolating establishment openings and closings, and related job changes, can illuminate the dynamic churn of Missouri's businesses (See chart).

The annual average from 2014 to 2019 shows that most sectors had similar openings and closures. Exceptions were *Health Care & Other* and *Prof. & Business Services*; both had higher openings than closings. These sectors also added, and lost, more jobs than most sectors because they are larger parts of the economy. *Health Care & Other* includes the health care and smaller private education industries.

Leisure & Hospitality, which is

mostly restaurants, was notable for the large job churn given the smaller number of opening and closing businesses compared with the *Health Care & Other* and *Professional & Business Services* sectors. Clearly, the competitive churn of restaurants has a sizable job impact in Missouri.

In upcoming weeks, a new research series titled *Missouri Small Business Insights*, will more closely explore industries with high employment growth. The initial briefs will focus on stage 2 businesses—those with 10 to 99 employees—that saw high job growth during the past five years in Missouri communities.

Additional Resources and Data Sources

- **U.S. Census Business Formation Statistics** provides weekly information on business applications and year-over-year growth. Data available at <https://www.census.gov/econ/bfs/index.html>
- **U.S. Bureau of Labor Statistics Business Employment Dynamics** has business age, survivability and churn information by state. Data available at <https://www.bls.gov/bdm/bdmstate.htm>

This brief is the 15th in a series meant to explore economic indicators associated with the COVID-19 pandemic. Future updates will be available at tinyurl.com/ExceedEconomyIndicators

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The Missouri SBDC is funded in part through a Cooperative Agreement with the U.S. Small Business Administration and is a University of Missouri Extension partner. All opinions, conclusions, and/or recommendations expressed herein are those of the author(s) and do not necessarily reflect the views of the SBA.



Average Annual Opening & Closing Missouri Establishments with Jobs

2014-2019 Average of Businesses by Sector with Job Gains or Losses. Sectors with 50,000 or more jobs. Bureau of Labor Statistics

