Macro Roundup Article

Headline: Business Formation Boom

Article Link: https://business.bofa.com/content/dam/flagship/bank-of-america-institute/economic-insights/small-business-checkpoint-september-2023.pdf

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Publication	Bank of America
Publication Date	September 19, 2023

Tweet: New business applications by firms that are likely to hire workers remain elevated relative to pre-pandemic; in July 2023, they were 40% higher than the mean 2019 level. @BankofAmerica

Summary: The pandemic led to a surge in new business formations. What is striking to us is that this elevated level has continued post-Covid. According to data from the Census Bureau, in July, high-propensity business applications, which include all those that are more likely to become businesses with a payroll, were 40% higher than the average level in 2019. While not all of these businesses survive (the number of business deaths also rose in 2022 according to the Bureau of Labor Statistics), the net impact still points to strong growth in business formation. Business applications each year seem to be driven by a different sector. At the start of the pandemic, retail trade saw the biggest surge, driven largely by the growing demand for e-commerce, according to commentaries from the Census Bureau.

Related Articles: Surging Business Formation in the Pandemic: Causes and Consequences and The Startup Surge Continues: Business Applications on Track for Second-Largest Annual Total on Record and Creative Destruction After the Pandemic

Primary Topic: Incentives/Risk-Taking

Topics: Business Cycle, GDP, Incentives/Risk-Taking, Other Source, Productivity, Weekly

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