

TRENDS in ENTREPRENEURSHIP SERIES

Reporting on data from a wide range of sources to measure, track, and compare trends related to entrepreneurship | 2020, No. 8

NEW BUSINESS APPLICATIONS IN THE HEARTLAND: EARLY 2020 WEEKLY TRENDS DURING THE COVID-19 PANDEMIC

Geography and time can play an important role in how entrepreneurs and potential entrepreneurs respond to crises in the external environment. Business responses to COVID-19 are rapid and can change quickly. This brief takes a closer look at how new business applications vary by geography in four Heartland states (Iowa, Kansas, Missouri, and Nebraska) between mid-January and late May 2020.

The overall trends show that entrepreneurs respond quickly – even on a weekly basis, and sometimes sharply – to changes in the COVID-19 environment.

Heartland trends in new business applications

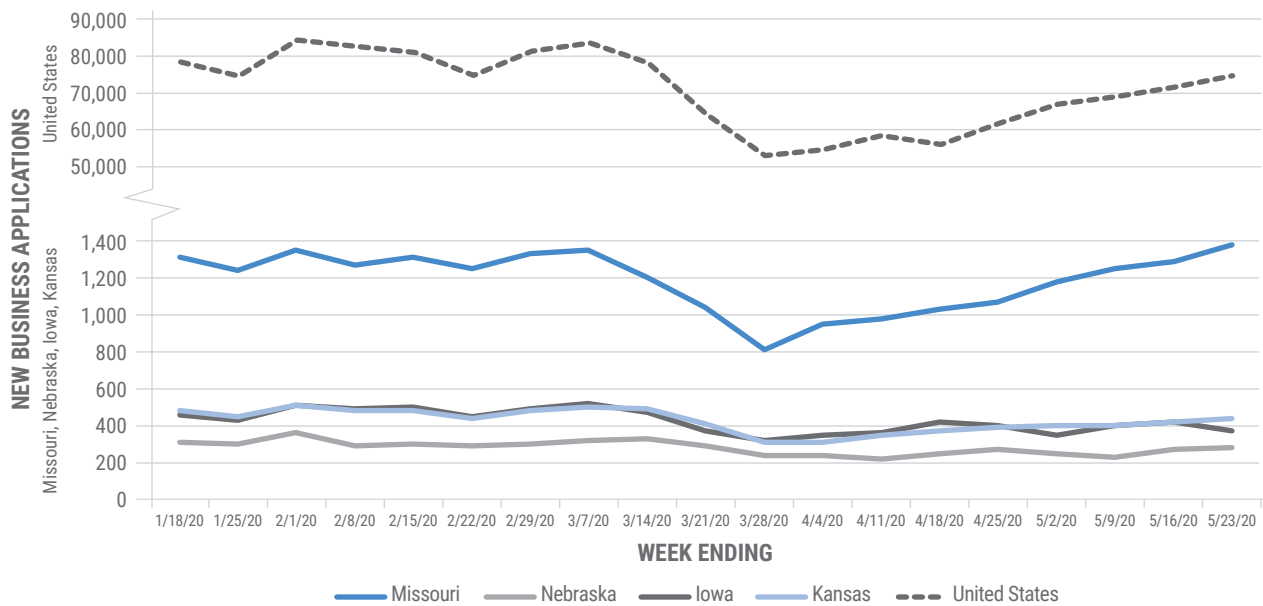
We examine the trend in new business applications over 19 weeks, from the weeks ending January 18 and May 23, 2020. This period comprises many shifts in the nature, media coverage, public health, and economic dimensions related to managing COVID-19. This brief begins with the week ending January 18 to capture the week prior to what was, at the time, the first reports of COVID-19 patients in the United States, the week of January 20.

From the first to last week in the 19-week period, new business applications increased by 5.34% in Missouri and declined by 19.57% in Iowa, 8.33% in Kansas, and 9.68% in Nebraska. This compares to an overall national decline of 4.81% over the same period.



NEW BUSINESS APPLICATIONS					
Week Ending	MISSOURI	NEBRASKA	IOWA	KANSAS	UNITED STATES
1/18/20	1,310	310	460	480	78,850
1/25/20	1,240	300	430	450	75,050
2/1/20	1,350	360	510	510	84,730
2/8/20	1,270	290	490	480	83,100
2/15/20	1,310	300	500	480	81,340
2/22/20	1,250	290	450	440	75,180
2/29/20	1,330	300	490	480	81,740
3/7/20	1,350	320	520	500	83,990
3/14/20	1,200	330	470	490	78,530
3/21/20	1,040	290	370	410	64,680
3/28/20	810	240	320	310	53,510
4/4/20	950	240	350	310	55,090
4/11/20	980	220	360	350	58,900
4/18/20	1,030	250	420	370	56,550
4/25/20	1,070	270	400	390	62,270
5/2/20	1,180	250	350	400	67,430
5/9/20	1,250	230	400	400	69,410
5/16/20	1,290	270	420	420	72,050
5/23/20	1,380	280	370	440	75,060

FIGURE 1: Heartland Trends in New Business Applications



However, a closer look reveals important changes within the 19 weeks, and that the week-to-week variation can be substantial.

For Iowa, Kansas, and Missouri, the lowest point for new business applications happened at the same time: by the week ending March 28, new business applications had declined by 30.43% in Iowa, 35.42% in Kansas, and 38.17% in Missouri. The low point in Kansas lasted two weeks. The national low point during the period was also in the week ending March 28, this was a decline of 32.14% from the start of the period. In Nebraska, the lowest point came two weeks later. In the week ending April 11, new business applications declined by 29.03% from the start of the period.

Takeaways:

- Missouri has more new business registrations than the other three states, which is not surprising given the size of the state economy and population.
- New business applications respond quickly, with substantial week-to-week variation that is not apparent when examining the overall trends.
- Kansas and Missouri largely trend in the same direction with the national trend.
- Since their low points within the 19-week period, new business applications have been increasing weekly in Kansas and Missouri. This is in contrast to both increases and decreases since the same low point nationally and in Iowa. There have also been increases and decreases in new business applications in Nebraska since its low point during the 19-week period.

The trend in new business applications is a useful marker of how economic activity is unfolding under COVID-19 conditions. Given that the pandemic creates multiple health and economic priorities, new business applications should not be treated as a linear marker of economic performance. Mitigation measures to improve public health could restrict business activity and reflect in fewer new business applications in the short term, but be important to managing the pandemic.

The national low point during the period was in the week ending March 28, a decline of 32.14% from the start of the period.

About the Data

The data comes from weekly new business applications reported in the Business Formation Statistics (BFS) of the U.S. Bureau of the Census. A new business application is an application for an Employer Identification Number, and reflects a core set of applications identified in the BFS data (see <https://www.census.gov/econ/bfs/index.html>).

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