FOR RELEASE AT 10:00 AM EDT, MAY 12, 2023

BUSINESS FORMATION STATISTICS, APRIL 2023

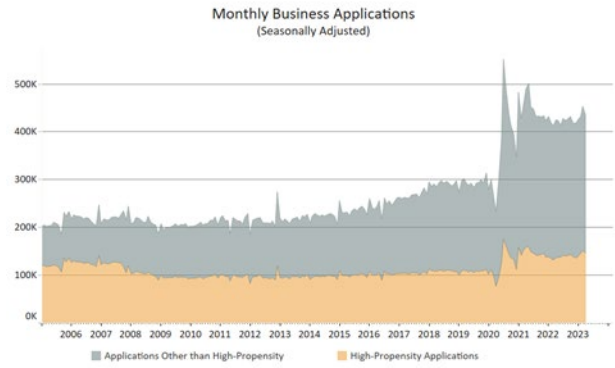
Release Number: CB23-73

May 12, 2023 — The U.S. Census Bureau announced the following seasonally adjusted business application and formation statistics for April 2023. The Business Application Series describe the business applications for tax IDs as indicated by applications for an Employer Identification Number (EIN) through filings of the IRS Form SS-4. The Business Formation Series describe employer business formations as indicated by the first instance of payroll tax liabilities for the corresponding business applications.

BUSINESS APPLICATIONS

U.S. Business Applications:	APR 2023	APR 2023 / MAR 2023
Total	433,894	-4.2%°
High-Propensity	145,305	-3.8%°
With Planned Wages	49,803	-4.6%°
From Corporations	49,663	0.9%°

Next release: June 20, 2023
(°) Statistical significance is not applicable or not measurable.
Data adjusted for seasonality.
Source: U.S. Census Bureau, Business Formation Statistics, May 12, 2023



Source: U.S. Census Bureau, Business Formation Statistics, May 12, 2023

Business Applications - At a Glance

		US	Northeast	Midwest	South	West
Total	APR 2023	433,894	63,352	68,937	200,522	101,083
	APR 2023 / MAR 2023	-4.2%	-4.2%	-3.5%	-2.7%	-7.2%
High-Propensity	APR 2023	145,305	23,331	22,314	64,400	35,260
	APR 2023 / MAR 2023	-3.8%	-4.6%	-4.5%	-1.7%	-6.7%
With Planned Wages	APR 2023	49,803	6,751	8,551	22,083	12,418
	APR 2023 / MAR 2023	-4.6%	-5.1%	-3.9%	-3.2%	-7.0%
From Corporations	APR 2023	49,663	10,953	6,035	18,256	14,419
	APR 2023 / MAR 2023	+0.9%	-2.3%	-0.4%	+3.0%	+1.3%

Details may not equal totals due to rounding. Regions defined by Census Bureau Geography Program. Statistical significance is not applicable or not measurable.
Data adjusted for seasonality. Green Percentage changes are greater than zero (+). Red Percentage changes are less than zero (-). Z = absolute value < 0.05.

Business Applications

Business Applications for April 2023, adjusted for seasonal variation, were 433,894, a decrease of 4.2 percent compared to March 2023.

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BUSINESS FORMATIONS

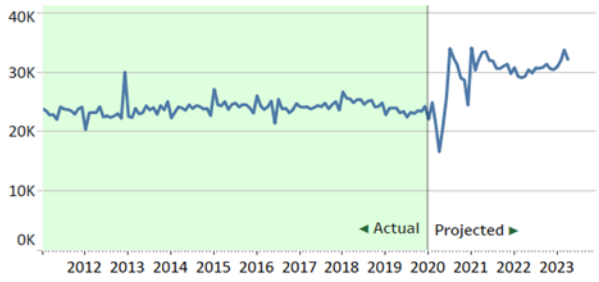
U.S. Total Projected Business Formations:	APR 2023	APR 2023 / MAR 2023
Within 4 Quarters	32,132	-4.7%°
Within 8 Quarters	41,376	-4.0%°

Next release: June 20, 2023

(°) Statistical significance is not applicable or not measurable.

Spliced - Data adjusted for seasonality.

Source: U.S. Census Bureau, Business Formation Statistics, May 12, 2023



Source: U.S. Census Bureau, Business Formation Statistics, May 12, 2023

Projected Business Formations - At a Glance

		US	Northeast	Midwest	South	West
Within 4 Quarters	APR 2023	32,132	4,994	5,081	13,098	8,959
	APR 2023 / MAR 2023	-4.7%	-5.5%	-3.0%	-4.0%	-6.3%
Within 8 Quarters	APR 2023	41,376	6,558	6,426	16,871	11,521
	APR 2023 / MAR 2023	-4.0%	-4.8%	-4.1%	-2.7%	-5.4%

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Data adjusted for seasonality. Green Percentage changes are greater than zero (+). Red Percentage changes are less than zero (-). Z = absolute value < 0.05.

Business Formations

Projected Business Formations (within 4 quarters) for April 2023, adjusted for seasonal variation, were 32,132, a decrease of 4.7 percent compared to March 2023. The projected business formations are forward looking, providing an estimate of the number of new business startups that will appear from the cohort of business applications in a given month. It does not provide an estimate of the total number of business startups that appeared within a specific month. In other words, the Census Bureau is projecting that 32,132 new business startups with payroll tax liabilities will form within 4 quarters of application from all the business applications filed during April 2023. The 4.7 percent decrease indicates that for April 2023 there will be 4.7 percent fewer businesses projected to form within 4 quarters of application, compared to the analogous projections for March 2023.

Statistics on actual business formations are available up to the latest quarter for which administrative data identifies employer business startup activity based on first payroll observation, currently the fourth quarter of 2020. Given the forward-looking nature of business formations, the Census Bureau can only state actual business formations within 4 quarters up to December 2019, and business formations within 8

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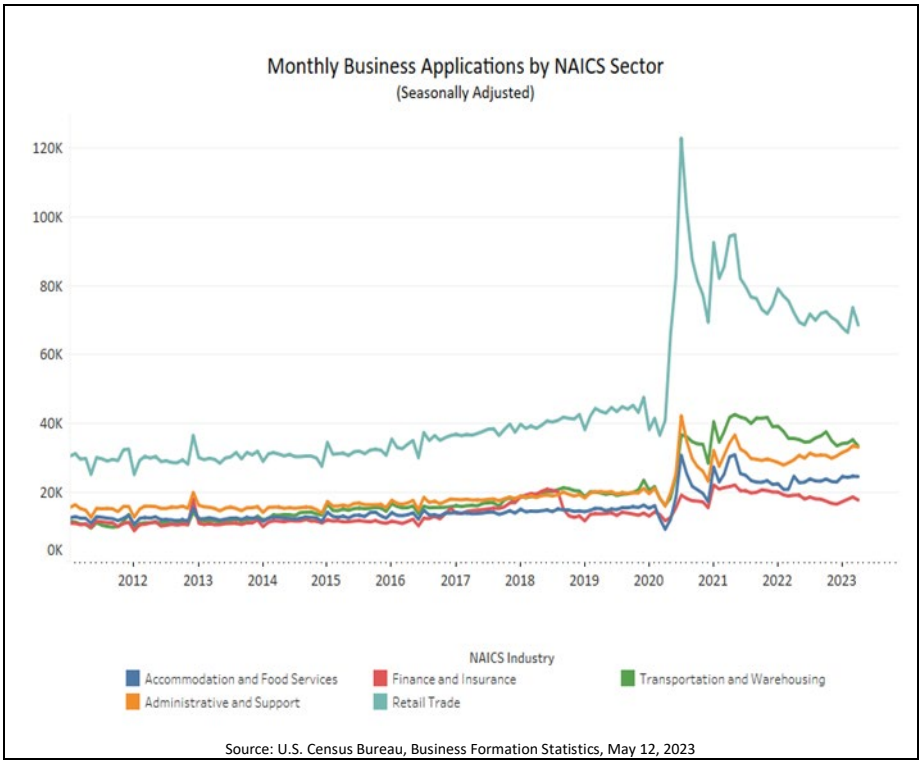
quarters up to December 2018. Projected business formations within 4 quarters start in January 2020 and projected business formations within 8 quarters start in January 2019 and both end in April 2023. The most recent quarter for which administrative data on payroll is available is updated annually in the twelfth month based on new data on actual business formations.

For more information, see the explanatory notes later in this release or visit <https://www.census.gov/econ/bfs/technicaldocumentation/methodology.html>.



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Business Applications by Industry - At a Glance

		US
11: Agriculture	APR 2023	3,587
	APR 2023 / MAR 2023	-1.3%
21: Mining	APR 2023	493
	APR 2023 / MAR 2023	-13.1%
22: Utilities	APR 2023	641
	APR 2023 / MAR 2023	+4.6%
23: Construction	APR 2023	42,040
	APR 2023 / MAR 2023	-2.4%
31-33: Manufacturing	APR 2023	6,138
	APR 2023 / MAR 2023	-3.5%
42: Wholesale Trade	APR 2023	9,375
	APR 2023 / MAR 2023	-4.2%
44-45: Retail Trade	APR 2023	68,600
	APR 2023 / MAR 2023	-6.9%
48-49: Transportation and Warehousing	APR 2023	33,469
	APR 2023 / MAR 2023	-5.3%
51: Information	APR 2023	8,053
	APR 2023 / MAR 2023	-3.0%
52: Finance and Insurance	APR 2023	17,839
	APR 2023 / MAR 2023	-4.5%
53: Real Estate	APR 2023	23,790
	APR 2023 / MAR 2023	-4.6%
54: Professional Services	APR 2023	60,125
	APR 2023 / MAR 2023	-2.6%
55: Management of Companies	APR 2023	4,095
	APR 2023 / MAR 2023	+1.1%
56: Administrative and Support	APR 2023	33,176
	APR 2023 / MAR 2023	-1.1%
61: Educational Services	APR 2023	6,053
	APR 2023 / MAR 2023	-3.6%
62: Health Care and Social Assistance	APR 2023	27,041
	APR 2023 / MAR 2023	-4.1%
71: Arts and Entertainment	APR 2023	14,362
	APR 2023 / MAR 2023	-3.3%
72: Accommodation and Food Services	APR 2023	24,635
	APR 2023 / MAR 2023	-0.3%
81: Other Services	APR 2023	37,620
	APR 2023 / MAR 2023	-3.5%
Unclassified	APR 2023	12,764
	APR 2023 / MAR 2023	-17.0%

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Business Applications by Industry

The Census Bureau classifies BFS data by industry using the North American Industry Classification System (NAICS). NAICS codes are assigned using a variety of sources. A Census Bureau-developed automated industry-coding program first attempts to assign NAICS codes to all new EIN applications received from the IRS. The automated industry-coding program is based on established patterns in the business name and descriptions provided on the EIN applications. This auto-coding process assigned NAICS codes to over 80% of all incoming EIN applications in 2020. For applications that did not receive a NAICS code during the auto-coding process, BFS staff use a Census-developed machine learning algorithm to assign NAICS codes where possible. NAICS codes are revised each year for the previous five years as part of the BFS annual update process when more accurate and detailed NAICS codes may be available from the Social Security Administration, the Bureau of Labor Statistics, and the Census Bureau's Business Register. There are a small number of EIN applications where there is not enough information available to assign a NAICS code through any source.

For more information on the Census Bureau automated industry-coding program, please visit <https://www.census.gov/econ/bfs/pdf/naics_improvement.pdf>. For more information on the machine learning algorithm, please visit <https://www.census.gov/content/dam/Census/newsroom/press-kits/2019/jsm/Using%20Machine%20Learning%20to%20Assign%20North%20American%20Industry%20Classification%20System%20Codes%20to%20Establishments_Dumbacher.pdf>.

GENERAL INFORMATION

On May 13, 2019, the IRS implemented a change in Form SS-4 requiring a social security number (SSN) or an individual taxpayer identification number (ITIN) for the responsible party indicated in the EIN application. The change will prevent entities using their existing EINs to apply for additional EINs. For more information on the requirement change, please visit <https://www.irs.gov/newsroom/irs-revises-ein-application-process-seeks-to-enhance-security>. The form field that the change applies to is not one that the Census Bureau receives and it is not used in the analysis. As a result, we cannot necessarily draw any conclusions on the impact of this change on BFS.

Release Schedule

The May 2023 Business Formation Statistics Report is scheduled for release on June 20, 2023.
View the full schedule in the Economic Briefing Room: < https://www.census.gov/economic-indicators/>.

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Further information on BFS, including additional series and the full time span of the series listed above, can be found at < https://www.census.gov/econ/bfs>.

EXPLANATORY NOTES

Business Formation Statistics (BFS) are a standard data product of the U.S. Census Bureau developed in research collaboration with economists affiliated with Board of Governors of the Federal Reserve System, Federal Reserve Bank of Atlanta, University of Maryland, and University of Notre Dame.

Business Formation Statistics (BFS) provide timely and high-frequency data on business applications and employer business formations. BFS measure business initiation activity (Business Application Series) as indicated by applications for an Employer Identification Number (EIN) on the IRS Form SS-4. BFS also provide information on actual and projected employer business formations (Business Formation Series) that originate from these applications, based on the record of first payroll tax liability for an EIN. In addition, BFS contain measures of delay in business starts as indicated by the average duration between the application for an EIN and the transition to an employer business.

BFS currently cover the period starting from July 2004 onwards at a monthly frequency. The data are available nationally, regionally, and by individual states.

Business Application Series

These series describe the business applications for tax IDs as indicated by applications for an Employer Identification Number (EIN) through filings of IRS Form SS-4. Business applications are presented in four different series reflecting different subsets of the applications for an EIN. All business applications series cover the period from July 2004 onwards.

- **Business Applications (BA)**: The core business applications series that correspond to a subset of all applications for an EIN. This series includes all applications for an EIN, except for applications for tax liens, estates, and trusts, applications outside of the 50 states and the District of Columbia or those with no state-county geocodes, applications with certain NAICS codes in sector 11 (agriculture, forestry, fishing and hunting) or 92 (public administration) that have low transition rates, and applications in certain industries (i.e. private households, certain financial services, civic and social organizations).
- **High-Propensity Business Applications (HBA)**: Business Applications (BA) that have a high-propensity of turning into businesses with payroll. The identification of high-propensity applications is based on the characteristics of applications revealed on the IRS Form SS-4 that

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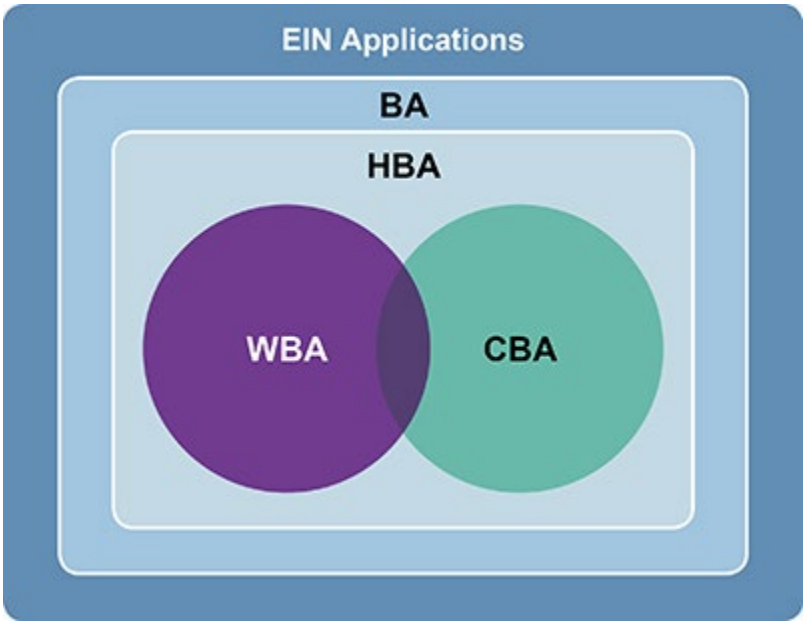
are associated with a high rate of business formation. High-propensity applications include applications: (a) from a corporate entity, (b) that indicate they are hiring employees, (c) that provide a first wages-paid date (planned wages); or (d) that have a NAICS industry code in accommodation and food services (72) or in portions of construction (237, 238), manufacturing (312, 321, 322, 332), retail (44, 452), professional, scientific, and technical services (5411, 5413), educational services (6111), and health care (621, 623).

- **Business Applications with Planned Wages (WBA)**: High-Propensity Business Applications (HBA) that indicate a first wages-paid date on the IRS Form SS-4. The indication of a wages-paid date is associated with a high likelihood of transitioning into a business with payroll.
- **Business Applications from Corporations (CBA)**: High-Propensity Business Applications (HBA) from a corporation or personal service corporation, based on the legal form of organization stated in the IRS Form SS-4. Similar to the WBA series, this series is important primarily because it consists of a set of applications that have a high rate of transitioning into businesses with payroll.

The following is a graphical representation (Venn diagram) of the relationship between the four business applications series (BA, HBA, WBA, CBA) and EIN applications. This graph does not represent the actual relative sizes of different groups.



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Business Formation Series

These series describe employer business formations as indicated by the first instance of payroll tax liabilities for the corresponding business applications. The business formation series are forward-looking in the sense that they measure new business formations from the month of business application in any given quarter. Two series are provided: the first describes transitions within the next four quarters (12 months), and the second within the next eight quarters (24 months). Payroll information is only available on a quarterly basis so it is only possible to look ahead in terms of quarters. All business formation series start in July 2004, the earliest month for which the data on business applications are available.

- **Business Formations within 4 Quarters (BF4Q)**: This series provides the number of employer businesses that originate from Business Applications (BA) within four quarters from the month of application. By definition, the end-point of this series is determined by the most recent quarter for which the administrative data identifies employer business startup activity based on first payroll observation.
- **Projected Business Formations within 4 Quarters (PBF4Q)**: The projected number of employer businesses that originate from Business Applications (BA) within four quarters from the month of application. The projections are based on an econometric model that generates estimates of the likelihood that a business application turns into an employer business. For the details of the model, see the working paper <https://www.census.gov/library/working-papers/2018/adrm/bfs_FEB2018.html>. The projected business formation series cover the period for which the actual number of business formations within 4 quarters is not yet available. Combining the projected series with the actual business formations (the BF4Q series) results in an up-to-date, forward-looking business formation series.
- **Spliced Business Formations within 4 Quarters (SBF4Q):** This series combines (splices) BF4Q and PBF4Q to provide the entire time series for the actual and projected business formations within 4 quarters.
- **Business Formations within 8 Quarters (BF8Q)**: The number of employer businesses that originate from Business Applications (BA) within eight quarters from the month of application, similar to the BF4Q series. Again, the end-point of this series is determined by the most recent quarter for which the administrative data identifies employer business startup activity based on first payroll observation.

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- **Projected Business Formations within 8 Quarters (PBF8Q)**: The projected number of employer businesses that originate from Business Applications (BA) within eight quarters from the month of application, similar to the PBF4Q series. The projected business formation series cover the period for which the actual business formations within 8 quarters are not yet available.
- **Spliced Business Formations within 8 Quarters (SBF8Q):** This series combines (splices) BF8Q and PBF8Q to provide the entire time series for the actual and projected business formations within 8 quarters.
- **Average Duration (in Quarters) from Business Application to Formation within 4 Quarters (DUR4Q)**: A measure of delay between business application and formation, measured as the average duration (in quarters) between the quarter in which the month of business application falls and the quarter of business formation, conditional on business formation within four quarters. These series span the same period as BF4Q.
- **Average Duration (in Quarters) from Business Application to Formation within 8 Quarters (DUR8Q)**: A measure of delay between business application and formation, similar to the DUR4Q series. The difference is that the window for business formation is eight quarters, rather than four. The series span the same period as BF8Q.

Description of Seasonal Adjustment

Because of strong seasonality detected in most of the business application and formation series, all series are provided with and without seasonal adjustment. In the case of the duration series (DUR4Q and DUR8Q), seasonality is not significant in general. Therefore, no seasonally adjusted duration series are provided. All data, with the exception of the industry data, is seasonally adjusted at the state level and summed to create seasonally adjusted United States total and regional data. Industry data, except for Utilities (22), is seasonally adjusted at the national level to create adjusted United States total data. Seasonal adjustment is performed using the X-13ARIMA-SEATS seasonal adjustment program of the US Census Bureau. Users can implement their own seasonal adjustment methods using the unadjusted data.

Reliability of Estimates

The statistics presented in this release are based on administrative data and therefore are not subject to sampling error. There is also projection error associated with the projected business formation series. The statistics may also be subject to non-sampling error. Non-sampling error occurs because accurate information cannot always be obtained. There are many potential contributors to nonsampling error –

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misreporting, mistakes in recording and coding responses, misinterpretation of questions, and other errors of collection, response, coverage, or processing. Though nonsampling error is not measured directly, the Census Bureau employs quality control procedures throughout the process to minimize this type of error.

Notes

Technical documentation for these statistics and specific recommendations for interpreting these statistics are described on the product's webpage < https://www.census.gov/econ/bfs>.

RESOURCES

API

The Census Bureau's application programming interface lets developers create custom apps to reach new users and makes key demographic, socio-economic and housing statistics more accessible than ever before.

<https://www.census.gov/developers/>

FRED Mobile App

Receive the latest updates on the nation's key economic indicators by downloading the FRED App <https://fred.stlouisfed.org/fred-mobile/> for both Apple and Android devices. FRED, the signature database of the Federal Reserve Bank of St. Louis, now incorporates the Census Bureau's 13 economic indicators.

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