

NEWS RELEASE
GOVERNOR STEVE BULLOCK
STATE OF MONTANA

FOR RELEASE: April 22, 2013

CONTACT: John Rogers, 444-5470, or Judy Beck, 444-9725

Bullock: Kauffman Index Ranks Montana First in Nation for Entrepreneurs

HELENA – Governor Steve Bullock today noted that a report released last week shows that Montana has the highest ranking for entrepreneurial activity of all 50 states, with 530 entrepreneurs for every 100,000 adults.

“The Number 1 ranking confirms what I see when I meet with people in communities all across Montana,” Governor Bullock said “Whether I’m talking with an optics firm in Bozeman, a software developer in Polson or a ‘green’ bio-products company in Missoula, it’s clear that the economic strength of Montana lies in our small businesses.

“The quality of life we enjoy in Montana, and the quality of our workforce and our education system, all contribute to attracting and inspiring people with a strong entrepreneurial spirit.”

The annual ranking was published by the Kauffman Index of Entrepreneurial Activity, a leading indicator of new business creation in the United States.

In its report, the Kauffman Foundation found that the 2012 business start-up rate had declined slightly – from 0.32 percent of American adults per month starting businesses in 2011, to 0.30 percent in 2012.

The Kauffman Foundation’s article, available at <http://www.kauffman.org/newsroom/entrepreneurial-activity-declines-as-jobs-rise-in-2012-according-to-kauffman-report.aspx>, follows:

Media Contacts:

Rose Levy, 646-660-8641, rose@goldinsolutions.com, Goldin Solutions

Barbara Pruitt, 816-932-1288, bpruitt@kauffman.org, Kauffman Foundation

Improving labor market could be cause of drop in total new business creation rate in 2012

Interactive data of annual entrepreneurial activity nationally, by state and select MSAs since 1996 is available at www.kauffman.org/kiea

(KANSAS CITY, Mo.), April 17, 2013 – As the unemployment rate fell in 2012, another economic indicator dropped too: the overall business creation rate.

According to the annual Kauffman Index of Entrepreneurial Activity released today, the 2012 rate declined slightly from 0.32 percent of American adults per month starting businesses in 2011 to 0.30 percent in 2012.

That translates to approximately 514,000 new business owners per month in 2012 compared to 543,000 the year before. The 2012 business creation rate is slightly higher than pre-recessionary and long-term levels.

"It's likely not a coincidence that the number of new businesses created dropped when the economy improved last year. While a stronger economy is good for business growth, it also means the unemployed find jobs instead of starting firms," said Dane Stangler, director of research at the Ewing Marion Kauffman Foundation, which conducts the annual study. "During the Great Recession when the labor market was at its weakest, [business creation rates rose to record highs](#). The 2012 rates are a return to longer-term levels."

The Kauffman Index of Entrepreneurial Activity is a leading indicator of new business creation in the United States. It provides the only national measure of business creation by specific demographic groups. The 2012 data allow for an update to annual reports dating back to 1996. Interactive data spanning all 16 years is available at www.kauffman.org/kiea.

The overall decline in business creation rates was entirely driven by a significant decline in rates among men, from 0.42 percent in 2011 to 0.38 percent in 2012. Entrepreneurial activity remained unchanged in 2012 for women at 0.23 percent, though men still held a substantially higher rate than women.

Entrepreneurship rates for all races and ethnicities declined from 2011 to 2012. The Latino business-creation rate declined from 0.52 percent in 2011 to 0.40 percent in 2012, but remained at a high level relative to previous years and other demographic groups. The Asian entrepreneurial activity rate decreased slightly from 0.32 percent in 2011 to 0.31 percent in 2012.

The youngest age group (ages 20–34) experienced a large decrease in business creation rates, dropping from 0.27 percent in 2011 to 0.23 percent in 2012. The 45–54 age group also experienced declining rates from 2011 to 2012. From 2011 to 2012, both the 35–44 and 55–64 age groups experienced slight increases in rates.

"Examining entrepreneurial activity rates by demographics can point us to inefficiencies or changes in the economy," said Robert W. Fairlie, the study's author and director of graduate programs in Economics at the University of California, Santa Cruz. "The fact that the rate for men starting businesses dropped so significantly in 2012, when unemployment also went down, suggests that men were getting jobs so they didn't feel the pressure to start businesses as a last resort."

Geographically, entrepreneurial activity rates decreased in all U.S. regions. Rates remain highest in the West and lowest in the Midwest.

Among states, Montana had the highest entrepreneurial activity rate, with 530 per 100,000 adults creating businesses each month during 2011.

Rounding out the top five highest rates were Vermont (520 per 100,000 adults), New Mexico (520 per 100,000 adults), Alaska (430 per 100,000 adults), and Mississippi (430 per 100,000 adults).

The states with the lowest rates of entrepreneurial activity were Minnesota (150 per 100,000 adults), Nebraska (170 per 100,000 adults), Michigan (180 per 100,000 adults), Wisconsin (180 per 100,000 adults), and Ohio (190 per 100,000 adults).

For the first time in this series, entrepreneurship rates are reported by veteran status. In 2012, the business creation rate was 0.28 percent for veterans, a decline from 0.30 percent in 2011. The non-veteran entrepreneurship rate was 0.30 percent.

Over the last seventeen years, veteran entrepreneurship rates generally have been higher than non-veteran entrepreneurship rates.

Over the past four years, however, veteran rates have been lower. The share of all new entrepreneurs represented by veterans was 12.3 percent in 1996 but has steadily decreased to 5.7 percent by 2012.

This is due to the decline in the Korean and Vietnam War veteran share of the working-age population over the past seventeen years.

The complete report plus interactive data of annual entrepreneurial activity nationally, by state and select MSAs since 1996 is available at www.kauffman.org/kiea.

###