



1998 SMALL BUSINESS PROFILE

SMALL BUSINESS: HEART OF THE UNITED STATES ECONOMY

The importance of small business to the United States is apparent in the 1998 Small Business Profile. This year's findings, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, indicate that small businesses are vital to the U.S. economy. Not only do small businesses play a critical role by efficiently reallocating resources and injecting new ideas into the economy with business starts and stops, but their diversity and composition provide the work force with many opportunities.

Number of Businesses - In 1995, the United States had 5,369,068 businesses with employees; 99.7 percent of the businesses were small businesses (percent based on 1995 data for businesses with fewer than 500 workers). In addition to the number of employer businesses, the U.S. also had 10,507,000 self-employed persons in 1997.

Small Business Income - The income of sole proprietors and partners rose 4.3 percent to \$503.8 billion in 1997, while wage-and-salary income rose 6.8 percent. The U.S. exported \$687.6 billion of goods in 1997. (In 1992, 95.7 percent of the exporters in the U.S. were small businesses.)

Women-Owned Businesses - According to The National Foundation for Women Business Owners, as of 1996, there were 7,951,000 women-owned businesses in the U.S., including part-time firms, employing 18,543,000 people and generating \$2.3 trillion in sales. Between 1987 and 1996, the number of women-owned businesses increased 77.6 percent.

Minority Businesses - According to the latest Bureau of the Census data, the number of black-owned firms, including part-time firms, increased 46.4 percent from 1987 to 1992, totaling 620,912 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 82.7 percent during the same time period with 771,708 firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 376,711 in 1987, to 606,438 in 1992, representing a 61.0 percent increase.

Business Turnover - Between 1996 and 1997, the number of new firms increased 5.1 percent, while new business incorporations increased 1.6 percent. Financial difficulties leading to business bankruptcies increased by 1.2 percent and business failures increased by 15.9 percent.

Finance - An SBA Office of Advocacy study found that the number of banks in the U.S. decreased from 10,706 in 1994 to 9,293 in 1997. Small businesses seeking loans should consider banks that participate in SBA loan programs. To locate an SBA preferred or certified lender near you, call 1-800-8-ASK-SBA.

Job Growth - From 1992 to 1996, small businesses (fewer than 500 employees) created all of the net new jobs. The figures below indicate the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	5,807,181	2,273,223	1,417,267	2,326,038	(642,791)	11,180,915
Manufacturing	165,742	241,089	181,309	363,680	(1,055,132)	(103,312)
Retail Trade	957,903	269,003	250,746	243,845	(423,376)	1,298,122
Services	3,077,236	1,114,216	799,528	1,377,706	1,130,633	7,499,312
Other	1,606,287	648,926	185,684	340,801	(294,912)	2,486,796

Industries - Small firms in the U.S. are represented in many industries. The Eating & Drinking Places industry is the largest small business employer, followed by Health Services. The fastest growing industry for small business is Holding & Other Investment Offices (represents industries that were at least 0.25 percent of the 1995 total). The following three tables provide information about the small business sector.

Table 1, Top Five Industries by Employment, 1995

Industry	SIC	Total Empl.	Percent of total	Percent small
Total - All Industries	1	100,314,946	100.0	52.5
Health Services	8000	10,991,224	11.0	40.7
Eating & Drinking Places	5800	7,302,917	7.3	65.6
Business Services	7300	6,951,775	6.9	48.0
Wholesale Trade - Durable Goods	5000	3,885,894	3.9	71.0
Food Stores	5400	3,353,859	3.3	37.0

Table 2, Top Small Business Industries by Employment, 1995

Industry	SIC	Small Bus. Empl.	Percent of total	Percent Small
Total - All Industries	1	52,652,510	100.0	52.5
Eating & Drinking Places	5800	4,792,416	7.3	65.6
Health Services	8000	4,470,376	11.0	40.7
Business Services	7300	3,338,638	6.9	48.0
Special Trade Contractors	1700	2,904,440	3.1	93.7
Wholesale Trade - Durable Goods	5000	2,757,279	3.9	71.0

Table 3, Fastest Growing Industries in Employment for Small Business, 1994 - 1995

Industry	SIC	Small Bus. Empl. 1995	Net change	Percent change
Total - All Industries	1	52,652,510	1,644,822	3.1
Holding & Other Investment Offices	6700	136,783	13,785	10.1
Special Trade Contractors	1700	2,904,440	222,431	7.7
Agricultural Services	700	535,118	35,902	6.7
Transportation Services	4700	300,178	19,890	6.6
Transportation By Air	4500	85,902	5,568	6.5

Sources: Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation for Women Business Owners, and Cognetics, Inc.