



## Business Growth Indicator - Definition and Descriptions

The Business Growth Indicator (BGI) provides an overall measure of how a region's (state, CBSA, county) growing economy ranks against all other similar regions in the U.S. [Your-economy.org](http://Your-economy.org) (YE) considers the different ways economies can grow by breaking down the BGI into 3 Business Activity Categories consisting of *11 Growth Components chosen to have a strong correlation to business and jobs growth.*

### Growth Components

YE has developed 11 Growth Components that correlate to business and jobs growth.

In addition to traditional growth indicators (birth, death, expansion, contraction etc.), YE has uniquely devised two prominent growth areas where establishments exist in all economic communities across the country and are found in several growth components used to develop the BGI:

- External Trade - industries that concentrate in particular regions but sell products or services across regions and states. External Trade industries are associated with higher average wages and higher average productivity than local industries (industries that sell products or services within a region).
- Resident Second Stage - businesses with employees in the 10-99 range that are standalone establishments or have a Headquarters (HQ) in the same region being examined. YE has shown that typically most jobs are found in the 10-99 range, and Resident businesses participate in, and are influenced more, by their local communities.

We combine External Trade and Resident Second Stage metrics with other growth characteristics that make up the 11 Growth Components that are individually calculated relative percentage values totaled into 3 Business Activity Categories:

#### **Startups**

1. Net New Jobs from Startups: (job births - job deaths)/total jobs
2. External Trade Startups: External Trade births/total businesses
3. Five Year Survival Rate - out of businesses born in the 2012 (base year), the number still alive in 2017 (current year):  $\text{base year}/\text{current year}=\text{survival rate}$

#### **Business Productivity**

4. Business expansion: all businesses that have job growth (expansion) =  $\text{business expansion}/\text{total businesses}$
5. External Trade Business expansion: External Trade businesses that have job growth (expansion) =  $\text{External Trade businesses with jobs expansion}/\text{total businesses}$
6. Resident Second Stage Business Expansion: resident businesses that have job growth =  $\text{Resident Second Stage businesses with jobs expansion}/\text{total businesses}$
7. External Trade Sales per Employee (Productivity):  $\text{external trade businesses sales}/\text{external trade businesses jobs}$

#### **Jobs**

8. Jobs Gained: (total job gain/total jobs)
9. Net New Jobs from Expansion: (job expansion - job contraction/total jobs)
10. Job Gain from External Trade companies:  $\text{total External Trade job gain}/\text{total job gain}$
11. Job Gain from Resident Second Stage companies:  $\text{gain second stage jobs}/\text{total job gain}$

The 11 growth components and 3 Business Activity Categories relative values are then assigned a score (percentile) between 1 and 100 based on its regional rank.

## Business Growth Indicator

The BGI is measured by averaging the 3-individual Business Activity Categories relative values and assigned a score (percentile) between 1 and 100 based on its regional rank.

Regions shown on YE are states, counties, and CBSA metro areas. Each individual region's BGI, Business Activity Category, and growth components indicators are shown by three performance groups:

- **High:** Typical of regions with a pattern of growth. By scoring in this range, a region shows all strong growth components in at least one Business Activity Category compared to other regions and appears well positioned for growth going forward. Although there still may be growth components where you can further strengthen your performance.
- **Middle:** The middle range is typically where a majority of the growth components will show compared to other regions. It consists of some strong growth components while others are outliers at the bottom of the Middle or Low ranges. If your score is in this range, you should have several options to improve your likelihood of growth.
- **Low:** Typical of the regions with slow or no growth. Regions that score in this range show several growth components at the bottom of the Middle or Low ranges and have few or no growth components in the High range compared to other regions. If your score is in this range, there are likely to be clear options to improve the BGI in the near term.

## About the Data

The 11 growth components, 3 Business Activity Categories, and BGI are based on statistical trends found within the Your-economy Time Series (YTS) database. YTS contains over 41 million businesses across the U.S. focusing on establishments that are "in- business" meaning they are intent on conducting commercial activities.

YTS tracks all establishments (and their jobs and sales), including for-profit (both privately-owned and publicly-traded), non-profits, and government entities.