Better economy births start-ups

Entrepreneurs create companies as other sectors pick up

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American entrepreneurs are emerging from their Great Recession bunkers.

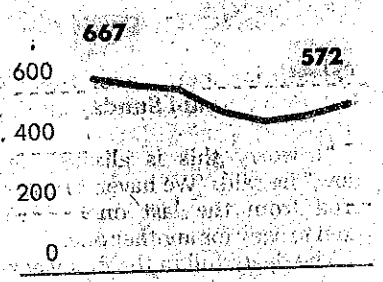
Business formation is picking up, early indicators show, as banks ease credit conditions and rising home and stock prices offer would-be entrepreneurs more investment assets. "It seems like it has bottomed out and it's starting to increase," says E.J. Reedy, research and policy director for the Kauffman Foundation, which studies entrepreneurship.

Business start-ups are vital to employment growth as they tend to add jobs much faster than other companies. New firms typically account for about half of total job gains in recoveries, the Federal Reserve Bank of San Francisco says in a research paper.

The number of new business establishments fell from 656,000 in 2007 to 507,000 in 2010, rising only gradually in 2011 and 2012, Labor Department figures show.

NEW BUSINESS SLOWDOWN

The number of new business locations fell sharply in the recession and has been slow to recover. In thousands.



Sources Bureau of Labor Statistics, Kauffman Foundation
ALEJANDRO GONZALEZ, USA TODAY

Data for the latter part of 2013 and 2014 are not available, but other reports are providing early signs of at least a modest comeback in entrepreneurship.

▶ The number of franchise locations launched by first-time franchisees is expected to rise to about 5,700 this year from 4,700 in 2013, according to FRANdata, a consulting and research firm for the franchising industry. "As credit has eased, you're seeing more people that want to control their own destiny," says Steve Caldeira, CEO of the International Franchise Association.

▶ Businesses with 19 or fewer employees accounted for 27% of job gains since January 2013, vs. 26% in 2012 and 24% in 2011, figures from Moody's Analytics and payroll processor ADP show.

▶ Approval rates of small business loans by big banks hit a post-recession high of 20% in June, says Biz2Credit, an online lending broker. About 4% of the approvals are for start-ups this year.

One reason banks are more receptive to hopeful business owners is the rebound in housing. Many aspiring entrepreneurs tap home equity to start businesses.