



BUSINESS STARTS AND STOPS

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BUSINESS DYNAMISM

Business dynamism refers to the pace at which people start new businesses and expand, contract, and close existing ones. This "churning" process allows stronger businesses to replace weaker ones, thus putting capital and labor to better use.

Economists measure business dynamism by calculating the ratio of business starts to stops. The extent to which business starts outpace business stops helps drive economic growth.

Data about business starts and stops is available in the Secretary of the State's *Business Starts and Stops Index* and the Census Bureau's *Business Dynamics Statistics*.

Many federal, state, and nonprofit programs aim to stimulate business dynamism. These include the Department of Commerce's Small Business Administration; Connecticut Innovations, Inc.; and the Connecticut Community Economic Development Fund. For more information, see [2015-R-0184](#).

ISSUE

Describe the number of Connecticut business starts and stops from 2005-2014 and identify trends during these years.

SUMMARY

From January 1, 2005 to May 31, 2015, 289,700 businesses started in Connecticut and 126,736 stopped (ended), according to the Secretary of the State. During this period, the number of business starts were 3.09 times greater than stops in 2005 compared with 1.73 times greater in 2013. The average for the period was 2.3 times greater. Attachment 1 provides annual totals and ratios of business starts to stops from January 2005 to May 2015.

TRENDS

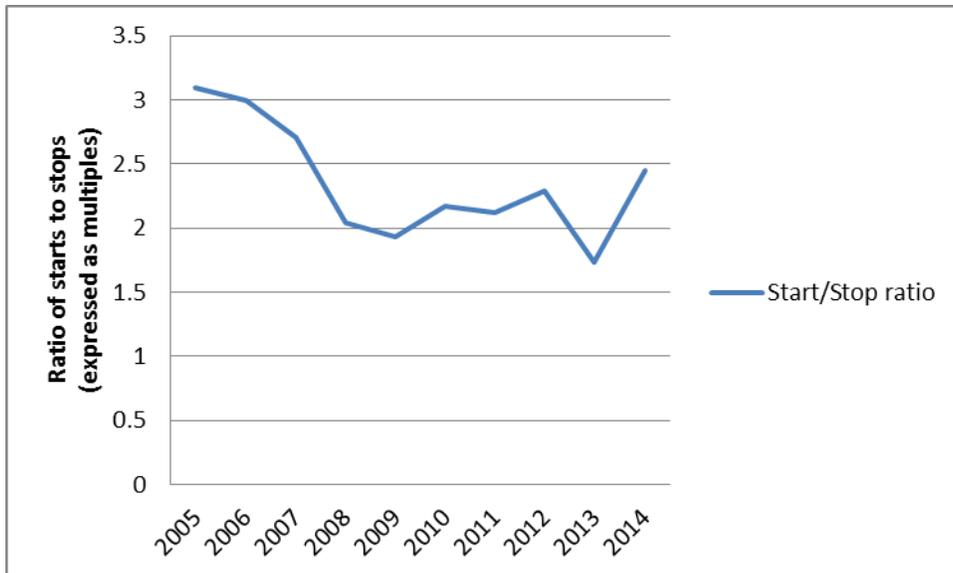
Figure 1 shows annual trends in business starts and stops from 2005 to 2014. From 2005 to 2014, starts increased from 29,600 in 2005 to 30,800 in 2007, then dropped to 25,220 in 2010 before climbing to over 27,000 annually in 2012-2014. Business stops also increased from 2005-2008, climbing from 9,600 in 2005 to 13,400 in 2009 before dropping to 11,600 in 2010. Business stops subsequently increased to 12,000 in 2011 and 2012, jumped to 15,770 in 2013, and dropped to 11,220 in 2014.

Figure 1: Business Starts and Stops



Figure 2 shows annual changes in the business start/stop ratio from 2005 to 2014. Business start-ups were 3.09 times greater than stops in 2005 but dropped to 1.93 times greater in 2009, climbed to 2.29 times greater in 2012, dropped to 1.73 times greater in 2013, and climbed to 2.45 times greater in 2014. For January to May, 2015, start-ups were 2.03 times greater than stops.

Figure 2: Start/Stop Ratio



Attachment 1: Business Starts and Stops by Year, 2005-2015

Year	Total Business Starts	Total Business Stops	Ratio of Business Starts to Business Stops (expressed as multiples)
2005	29,695	9,603	3.09
2006	30,621	10,242	2.99
2007	30,868	11,372	2.71
2008	27,483	13,456	2.04
2009	25,891	13,414	1.93
2010	25,266	11,657	2.17
2011	25,793	12,188	2.12
2012	27,515	12,041	2.29
2013	27,345	15,774	1.73
2014	27,491	11,220	2.45
2015 (through May)	11,732	5,769	2.03
Totals	289,700	126,736	Not Applicable

Source: Secretary of the State, [Business Starts and Stops Index](#)

JR:bs