

# Small Business Facts

## EARLY DATA SHOW SEVERE DISRUPTIONS

April 2020 · By Daniel Wilmoth, PhD



### Administrative data reveal recent disruptions

When economic conditions are changing rapidly, data collected in the course of administering government programs can provide valuable information about recent developments. Timely data about economic conditions during the coronavirus pandemic have been provided by initial unemployment insurance claims and applications related to new businesses. These administrative data reveal severe economic disruptions in recent weeks.

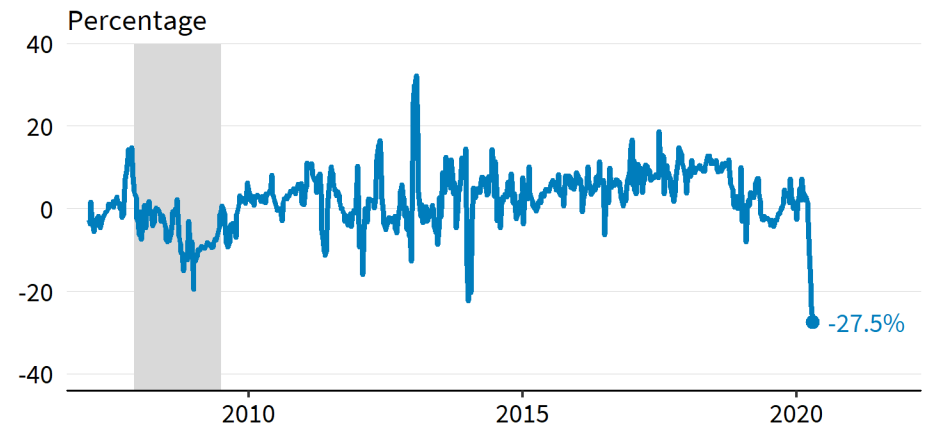
### Business applications have plummeted

New businesses with employees must obtain Employer Identification Numbers from the Internal Revenue Service. Applications fall when the business environment becomes more challenging and business formation slows. However, not all applications are related to business formation, and some applications would be received even if new business formation stopped. Recent changes in volume can be compared to previous changes to assess the effect of the pandemic on the business environment. In the five weeks following the issuance of a declaration of a national emergency on March 13, 2020, applications fell by over 27 percent relative to the previous year, the largest decline in the history of the data series.

### Unemployment claims have soared

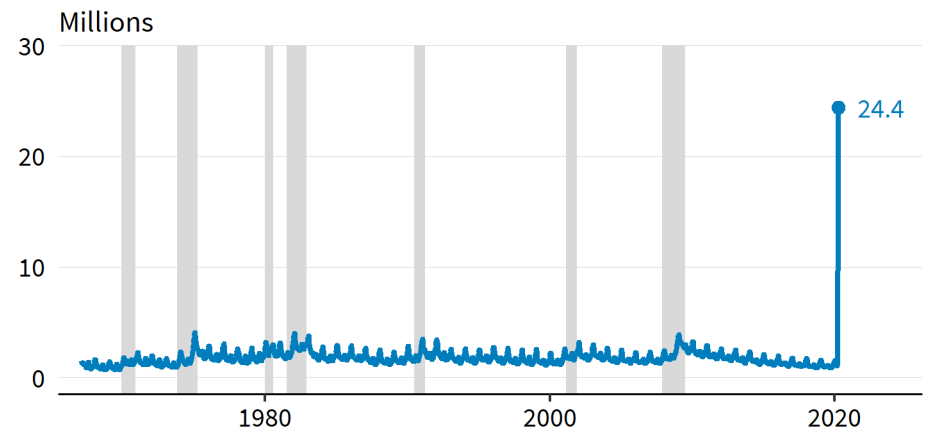
Newly unemployed workers submit initial unemployment insurance claims to state program offices. In the five weeks following the issuance of a declaration of a national emergency, initial unemployment insurance claims soared, reaching a total of over 24 million. The highest total observed for any period of five weeks preceding the pandemic was about 4 million. Small businesses employ about half of all workers, and early data suggest a disproportionate impact of the pandemic on small businesses and their employees. For example, estimates from the [ADP National Employment Report](#) released in early April indicate that job losses through the first half of March were concentrated among small businesses.

### Change in total business applications



Applications summed over 5 weeks. Change from 52 weeks prior. Shading indicates a recessionary period. Source: Business Formation Statistics, Census Bureau

### Total initial unemployment claims over 5 weeks



Shading indicates recessionary periods. Source: US Employment and Training Administration via FRED