

## Small Business Profile: ARIZONA

Small businesses are the heart of Arizona's economy. Research by the Office of Advocacy shows that small businesses create most of the nation's net new jobs, and they bring dynamic ideas, innovative services, and new products to the marketplace. They account for almost all of the nation's employer firms and generate half of non-farm private output. New business creation is key to a state's ability to increase its gross state product, state personal income, and total state employment.<sup>1</sup> This small business profile uses the most recent data available to demonstrate the valuable contributions that small businesses make to Arizona's economic health.

**Number of Businesses.** Arizona had an estimated total of 473,000 small businesses.<sup>2</sup> Employer firms totaled 128,800 in 2006, up 9.0 percent from the previous year. Of this total, an estimated 97.3 percent, or 125,300 were small. Self-employment (incorporated and unincorporated) totaled 280,400 in 2006, a decrease from 301,000 in 2005. Non-employer firms totaled 358,100 in 2005, an increase of 7.0 percent since 2004. (Sources: U.S. Dept. of Labor, Employment and Training Administration; U.S. Dept. of Commerce, Census Bureau; U.S. Dept. of Labor, Bureau of Labor Statistics.)

**Women-owned Firms.** In 2002, businesses owned by women numbered 109,700, represented 28.8 percent of the state's 381,200 businesses, and generated \$15.8 billion in revenues. Employer firms owned by women totaled 15,700, an increase of 10.0 percent since 1997. Women numbered 97,500 or 34.8 percent of the state's self-employed persons in 2006, a decrease of 8.5 percent from the previous year. (Sources: U.S. Dept. of Labor, Bureau of Labor Statistics; U.S. Dept. of Commerce, Census Bureau.)

**Minority-owned Firms.**<sup>3</sup> In 2002, Asian-owned firms totaled 10,200, and 3,200 of them were employer firms; Black-owned firms numbered 6,300, and 600 were employer firms; Hispanic-owned firms totaled 35,100, and 5,000 were employer firms. American Indian and Alaska Native-owned

firms numbered 6,500, and 500 of them were employer firms; while Native Hawaiian and other Pacific Islander-owned businesses numbered 350, and 100 were employer firms. (Source: U.S. Dept. of Commerce, Census Bureau.)

**Business Turnover.** An estimated 21,555 new employer firms were created in 2006, which is 1.0 percent more than the number created in 2005. Business bankruptcies totaled 261 in 2006, down from 525 the previous year, while business terminations increased from 18,200 in 2005 to 52,400 in 2006. (Sources: U.S. Dept. of Labor, Employment and Training Administration; Administrative Office of the U.S. Courts; U.S. Dept. of Commerce, Census Bureau.)

**Employment.** Small firms employed 49.0 percent of the state's non-farm private labor force in 2004, which was below the national average of 50.9 percent.<sup>4</sup> These 98,400 firms accounted for 97.3 percent of the state's employer businesses, and they employed 1.0 million people (Table 1). Small businesses added a total of 64,200 net new jobs between 2003 and 2004 (Table 2). (Source: U.S. Dept. of Commerce, Census Bureau, Statistics of U.S. Businesses.)

**Small Business Income.** Non-farm proprietors' income, which is a share of small business income, increased by 4.0 percent, from \$15.1 billion in 2005 to \$15.7 billion in 2006.<sup>5</sup> (Source: U.S. Dept. of Commerce.)

**Finance.** Commercial banks and savings institutions continued to be important sources of small business financing. The number of lending institution branches in the state increased in 2006 (Table 3). For a list of financial institutions in the state that make the most loans to small businesses, visit [www.sba.gov/advo/research/lending.html](http://www.sba.gov/advo/research/lending.html).

To learn more about the Office of Advocacy's data and analyses of small business, visit [www.sba.gov/advo/research](http://www.sba.gov/advo/research), call (202) 205-6533, or email [advocacy@sba.gov](mailto:advocacy@sba.gov).

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<sup>1</sup> Small businesses are defined as having fewer than 500 employees. Their economic contribution is documented in research published by the Office of Advocacy: [www.sba.gov/advo/research](http://www.sba.gov/advo/research).

<sup>2</sup> This estimate is based on the percent that small businesses are of the state's total businesses (see Table 1, 2004 firm size data). This percentage is multiplied by the total number of employer businesses in 2006 (Dept. of Labor). The 2005 number of non-employer firms is added to this total (Census Bureau).

<sup>3</sup> The groups should not be added together or double counting will result, since owners may belong to more than one minority group.

<sup>4</sup> The latest year for which data by firm size exist.

<sup>5</sup> Income data for 2006 are based on preliminary data.

**Table 1. Firms and Employment in Arizona by Industry and Firm Size, 2004 and 2005 (Non-farm, Thousands)**

Industry	Non-Employer Firms (2005)	Employer Firms (2004)			Employment (2004)		
		Total	1-99 Employees	1-499 Employees	Total	1-99 Employees	1-499 Employees
<b>Total</b>	<b>358.10</b>	<b>101.20</b>	<b>95.95</b>	<b>98.45</b>	<b>2,044.13</b>	<b>697.76</b>	<b>1,001.95</b>
Agriculture, forestry, fishing, and hunting	2.01	0.22	0.21	0.22	*	*	*
Mining	0.32	0.18	0.15	0.16	*	1.50	*
Utilities	0.30	0.16	0.13	0.14	*	*	*
Construction	31.65	13.92	13.56	13.80	184.90	112.15	154.44
Manufacturing	5.83	4.60	4.08	4.30	167.48	49.68	74.22
Wholesale trade	7.00	5.68	4.90	5.19	91.85	35.94	51.08
Retail trade	33.71	10.98	10.27	10.54	295.68	72.30	100.73
Transportation and warehousing	13.34	2.48	2.19	2.29	72.34	15.07	21.42
Information	5.07	1.31	1.09	1.15	50.85	8.06	11.16
Finance and insurance	14.77	5.00	4.52	4.68	121.39	19.98	29.42
Real estate, and rental and leasing	61.52	6.41	6.18	6.27	43.92	21.88	27.92
Professional, scientific, and technical services	54.11	13.85	13.31	13.53	116.46	59.06	72.94
Management of companies and enterprises	N/A	0.57	0.17	0.32	*	*	*
Admin., support, waste mgt., and remed. serv.	23.32	6.51	5.98	6.22	194.12	46.64	80.66
Educational services	7.77	1.36	1.27	1.33	36.02	16.25	24.11
Health care and social assistance	28.18	10.75	10.32	10.57	242.11	75.13	117.14
Arts, entertainment, and recreation	16.81	1.50	1.38	1.46	42.97	12.54	26.27
Accommodation and food services	4.17	7.35	6.93	7.17	222.83	88.84	126.01
Other services	48.29	9.20	8.95	9.09	81.44	58.46	71.05
Unclassified	N/A	0.60	0.60	0.60	*	*	*

Source: U.S. Dept. of Commerce, Census Bureau. See [www.sba.gov/advo/research/data.html](http://www.sba.gov/advo/research/data.html).

\*Data suppressed to protect the confidentiality of individual firms. N/A = not available.

**Table 2. Job Gains and Losses in Arizona by Firm Size, 2003–2004 (Non-farm, Thousands)**

	Total	Firm Size (Number of Employees)		
		1-19	1-499	500+
Job gains:				
New establishments	140.9	38.9	79.1	61.9
Expanding establishments	240.3	60.3	133.4	106.8
Job losses:				
Downsized establishments	-202.9	-32.8	-87.9	-115.0
Closed establishments	-130.9	-31.5	-60.4	-70.5
<b>Net change in jobs</b>	<b>47.3</b>	<b>34.9</b>	<b>64.2</b>	<b>-16.8</b>

Source: U.S. Dept. of Commerce, Census Bureau, Statistics of U.S. Businesses. See [www.sba.gov/advo/research/data.html](http://www.sba.gov/advo/research/data.html).

Note: Components may not sum to totals because of rounding.

**Table 3. Number of Bank and Savings Institution Branches in Arizona, 2002–2006**

2002	2003	2004	2005	2006
960	993	1,071	1,140	1,219

Source: U.S. Small Business Administration, Office of Advocacy, from data collected by the Federal Deposit Insurance Corporation, Statistics on Banking.

Note: Data for year ending June 30. A full list of small business lending banks collected by the Federal Reserve Board can be found on the Office of Advocacy's website at [www.sba.gov/advo/research/lending.html](http://www.sba.gov/advo/research/lending.html).