

Small Business Profile: MINNESOTA

Small businesses make a significant contribution to the U.S. economy, and in 2003, they were the engine of Minnesota's economic performance. Nationally, half of U.S. non-farm private output and employment is generated by small firms with 500 or fewer employees; in Minnesota, small business owners—including women, minorities, and home based individuals—were leaders in the state's economy in 2003. The Office of Advocacy's *Small Business Profile* reports on small businesses in the state using the most currently available data.

Number of Businesses. The estimated total number of small businesses in Minnesota in 2003 was 455,600.¹ Of the 133,419 employer firms in 2003, 97.9 percent or an estimated 130,600 were small firms. The estimated number of employer businesses increased by 1.3 percent in 2003. The most recent data available show that non-employer businesses numbered 324,967 in 2001. Self-employment decreased by 9.6 percent, from 246,379 in 2002 to 222,707 in 2003. (Source: 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 Businesses. Self-employment by women decreased by 5.7 percent, from 92,494 in 2002 to 87,230 in 2003 and represented 39.8 percent of self-employed persons in the state. Women-owned businesses generated \$13.5 billion in revenues, employed 124,616 workers, and constituted 108,400 firms or 26.4 percent of all firms in 1997. (Sources: U.S. Dept. of Labor, Bureau of Labor Statistics; U.S. Dept. of Commerce, Census Bureau.)

Minority-Owned Businesses. In 1997, 19 percent or 2,900 of the minority-owned businesses in the state were employer firms, and they generated 85.1 percent of the total minority-owned business revenue of \$3.1 billion. There were 3,600 Hispanic-owned businesses; 4,000 Black-owned businesses; 5,400 Asian and Pacific Islander-owned businesses; and 2,400 American Indian and Alaskan Native-owned businesses in 1997. (Source: U.S. Dept. of Commerce, Census Bureau.)

Business Turnover. The estimated number of new employer businesses was 14,652 in 2003, which is 7.1 percent more than

the previous year. Business bankruptcies decreased by 20.2 percent, and totaled 1,379 in 2003. Business terminations increased by 39.5 percent and numbered 17,928 in 2003. (Source: 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 businesses with fewer than 500 employees numbered 114,536 in 2001 and employed 1,225,740 people or 50.7 percent of the state's non-farm private workforce (Table 1).² Total net employment gain in the state amounted to 22,944 between 2000 and 2001. Of that number, 17,623 are attributable to MSAs (metropolitan statistical areas). During the same time period, firms with fewer than 20 employees gained 21,725 jobs. (Source: U.S. Dept. of Commerce, Census Bureau, Statistics of U.S. Businesses. Note: Urban (MSA) and rural (non-MSA) employment data is available at: www.sba.gov/advo/stats/data.html.)

Small Business Income. Small business proprietors' income in 2003 increased by 7.5 percent, from \$11.2 billion in 2002 to \$12 billion in 2003. (Source: U.S. Dept. of Commerce.)

Finance. Small firms typically use commercial bank lenders and rely on local bank services. Over the last five years there has been a gradual decline in the number of banks in Minnesota (Table 3). The Office of Advocacy has identified banks in each state that make the most loans to small businesses. This information is available in its banking studies available at www.sba.gov/advo/stats.

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

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¹ The Office of Advocacy's estimate of the total number of state small businesses is based on the percent of small businesses (2001 Census Bureau firm size data) multiplied by the total number of employer businesses in 2003 (Dept. of Labor). To this total, we add the 2001 number of non-employer firms (Census Bureau).

² The number of employers listed in Table 1 is not directly comparable to the figures listed in the *Number of Businesses* section due to different data sources.

Table 1. Firms and Employment in Minnesota by Industry and Firm Size, 2001 (Thousands)

Industry	Non-employer Firms	Employer Firms			Employment		
		Total	< 100	< 500	Total	< 100	< 500
Total	324.97	117.02	111.89	114.54	2,418.16	852.3	1,225.74
Agriculture, forestry, fishing, and hunting	4.48	0.49	0.49	0.49	2.35	*	2.26
Mining	0.12	0.14	0.12	0.13	6.68	*	0.7
Utilities	0.33	0.11	0.09	0.09	12.93	1.53	2.66
Construction	39.82	15.32	15.14	15.24	117.51	83.35	99.01
Manufacturing	6.97	7.53	6.59	7.07	373.59	88.4	159.75
Wholesale trade	7.5	8	7.11	7.46	140.18	7.11	86.64
Retail trade	36.91	14.81	14.07	14.37	315.88	14.07	152.94
Transportation and warehousing	15.22	3.74	3.52	3.61	79.09	3.52	32.12
Information	4.38	1.76	1.53	1.59	66.32	14	20.81
Finance and insurance	14.53	5.96	5.58	5.7	139.83	32.02	43.54
Real estate; rental and leasing	29.97	4.76	4.56	4.65	36.07	19.22	36.07
Professional, scientific, and technical services	44.92	14.51	14.06	14.25	123.65	68.79	88.56
Management of companies and enterprises	N/A	0.73	0.23	0.42	100.73	1.96	9.53
Admin., support, waste mngt., and remed., services	17.39	6.27	5.89	6.05	145.83	5.89	63
Educational services	6.74	1.35	1.24	1.31	51.21	15.5	26.53
Health care and social assistance	32.1	8.11	7.54	7.97	331.94	75.31	154.5
Arts, entertainment, and recreation	17.16	2.24	2.16	2.21	40.76	16.41	24.49
Accommodation and food services	3.22	7.82	7.47	7.67	194.85	95.32	126.03
Other services	43.2	13.94	13.69	13.82	122.25	91.56	104.57
Auxiliary, except corp, subsidiary, and regional managing offices	N/A	0.17	0.03	0.06	15.24	*	0.8
Unclassified	N/A	1.22	1.22	1.3	1.3	*	1.3

*Data suppressed to protect the confidentiality of individual firms.

Source: U.S. Department of Commerce, Census Bureau.

Table 2. Non-farm Establishment Job Gains and Losses by Firm Size, 2000–2001 (Thousands)

	Firm Size (Number of Employees)			
	Total	1–19	1–499	500+
Job Gains:				
New establishments	126.64	31.37	65.24	61.4
Expanding establishments	224.91	56.56	129.56	95.36
Job Losses:				
Downsized establishments	-221.23	-37.71	-107.96	-113.27
Closed establishments	-107.38	-28.5	-62.68	-44.71
Net change in employment	22.94	21.73	24.16	-1.22

Source: U.S. Department of Commerce, Bureau of the Census, Statistics of U.S. Businesses, 2001.

Table 3. Number of Banks in Minnesota by Asset Size, 1995 – 2003

Number of Banks Per Year					Number of Banks by Asset Size, 2003				
1995	2000	2001	2002	2003	Below \$100M	\$100M–\$500M	\$500–\$1B	\$1B–\$10B	Over \$10B
539	501	486	472	464	340	116	4	2	2

Source: U.S. Small Business Administration, Office of Advocacy, from data collected by the Federal Reserve Board.

The full list of small-business-friendly banks can be found on the Office of Advocacy's website at www.sba.gov/advo/lending.