HISPANIC BUSINESSES & ENTREPRENEURS DRIVE GROWTH IN THE NEW ECONOMY

5TH ANNUAL REPORT 2017

AN INTELLIGENCE BRIEFING BROUGHT TO YOU BY:

Geoscape
Although the current rhetoric from the White House about immigration and wall-building diminishes the perceptions of immigrants and specifically Hispanics, it is imperative that we take into account how Hispanic businesses have become a strategic growth opportunity for the U.S. economy. Hispanics are younger, better educated and more entrepreneurial than many might expect. In fact, we see compelling evidence that Hispanic entrepreneurs are driving job creation, income growth and new business formation for the entire country. This is why Geoscape produces this annual report. Businesses owned and managed by Hispanic professionals are increasingly likely to employ American workers of all backgrounds and contribute progressively more to the tax revenue of local, state and federal government entities – enabling our economy to stay strong. Furthermore, the well-being of Hispanic businesses is in the interest of all Americans and others who depend on the U.S. economy. That is, as the non-Hispanic white population ages, retires and depends on social security, pensions and Medicare, Hispanic entrepreneurs will begin to bear more of the burden to propel the economy forward. Hispanic entrepreneurs are vigorously youthful, connected digitally and more engaged socially than non-Hispanics overall. However, this asset must not be neglected; it is in everyone’s interest to support the prosperity of Hispanic businesses because the multiplier effect of their growth will fuel more American jobs and income into the foreseeable future. In the face of difficult circumstances gaining employment in corporations, Hispanics create their own path to wealth through entrepreneurship – this is an American value that Hispanics embrace wholeheartedly.

In this report, you’ll find that Hispanic businesses are growing at more than twice the rate of all U.S. firms. You will also see that Hispanic businesses contribute over $700 billion in revenue to the national economy in 2017 - that number will continue to increase. Additionally, you will find that the regions of growth may not be those you would expect, as Hispanic households and businesses spread throughout the nation. We look forward to your comments on this report so that we may continue to evolve this publication into a more useful resource that guides decision making at all levels.
The United States Hispanic Chamber of Commerce (USHCC) is the country’s largest Hispanic business organization, advocating on behalf of 4.4 million Hispanic-owned businesses through our network of more than 200 chambers as well as over 260 major corporate partners nationwide.

Once again, the USHCC is proud to partner with Geoscape, one of the nation’s leading business intelligence firms, to launch this installment of our Hispanic Business and Entrepreneurs report.

While the contributions made by Hispanic-owned firms are evident in the American economy, this annual study is paramount in presenting the impact Hispanic enterprises have on all aspects of our nation’s economic wellbeing, including household earnings and purchasing power.

In this report, Geoscape has provided updated, unbiased data that highlights the expanding influence of America’s Hispanic business community. The findings presented here serve as an accurate source of information for policy makers, corporate executives, the media, and researchers who seek a complete and insightful understanding of the Hispanic market and its thriving entrepreneurial segment.

At the USHCC, while we are proud to advocate on behalf of business owners who happen to be of Hispanic descent, we never forget that we are first and foremost American businesses. Every tax bill we pay, every job we create, every product we manufacture and every service we provide goes to benefit our nation’s economy.

The significance of this study cannot be overstated. The insights presented here showcase the expansion of this vibrant entrepreneurial sector of the American economy.
Immigrants have always been vital to the U.S. economy and contribute greatly to the nation's economic output and tax revenue. According to the 2012 U.S. Census Bureau Survey of Business Owners, foreign born Hispanics accounted for 53 percent of Hispanic-owned firms. Economists have found that immigrants complement native-born workers and increase the standard of living for all Americans. Accordingly, Hispanic-owned businesses play an increasingly important role in our economy. Between 2012 and 2017, the number of U.S. Hispanic-owned businesses increased 31.6 percent compared to 13.8 percent for all firms and faster than any other race or ethnic group. In 2017, Hispanics own and lead 4.37 million firms generating over $700 billion in revenue to the U.S. economy. By comparison, population trends for the Hispanic adult population in the U.S. between 2010 and 2017 show an increase of 21 percent to 40.5 million, accounting for 16 percent of the total U.S. adult population - in other words, Hispanic business are growing at an even faster rate than the Hispanic workforce.
During the last five years, the South Atlantic Census Division has experienced explosive growth in the number of Hispanic-owned businesses surpassing the Pacific Census Division. Specifically from 2012 to 2017, the South Atlantic Division grew 42.8 percent to a projected 1,141,328 Hispanic-owned firms. During this same period, the Pacific Census Division grew 27.3 percent representing a projected 1,102,631 Hispanic-owned firms.

Projected Percent Increase in Number of Hispanic-Owned Businesses from 2012 to 2017*

<table>
<thead>
<tr>
<th>Census Division Number</th>
<th>Census Division Name</th>
<th>ECONOMIC CENSUS 2012</th>
<th>GEOSCAPE PROJECTED 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td># of Firms</td>
<td># of Hispanic Owned Firms</td>
</tr>
<tr>
<td>1</td>
<td>New England</td>
<td>1,376,035</td>
<td>66,234</td>
</tr>
<tr>
<td>2</td>
<td>Middle Atlantic</td>
<td>3,776,529</td>
<td>396,658</td>
</tr>
<tr>
<td>3</td>
<td>East North Central</td>
<td>3,785,958</td>
<td>151,295</td>
</tr>
<tr>
<td>4</td>
<td>West North Central</td>
<td>1,793,012</td>
<td>40,145</td>
</tr>
<tr>
<td>5</td>
<td>South Atlantic</td>
<td>5,640,169</td>
<td>799,114</td>
</tr>
<tr>
<td>6</td>
<td>East South Central</td>
<td>1,491,607</td>
<td>29,161</td>
</tr>
<tr>
<td>7</td>
<td>West South Central</td>
<td>3,330,227</td>
<td>727,590</td>
</tr>
<tr>
<td>8</td>
<td>Mountain</td>
<td>1,998,705</td>
<td>245,752</td>
</tr>
<tr>
<td>9</td>
<td>Pacific</td>
<td>4,615,762</td>
<td>866,305</td>
</tr>
<tr>
<td>U.S. Total Firms</td>
<td></td>
<td>27,808,004</td>
<td>3,322,254</td>
</tr>
</tbody>
</table>
Among the fastest growing regions for Hispanic-owned businesses is the East South Central Division, which is projected to grow by 41 percent from 2012 to 2017, followed by West North Central and West South Central Divisions expanding 33 percent and 31 percent, respectively.

The West South Central Census Division which includes Texas, Oklahoma and Louisiana and Arkansas is projected to have the largest percentage of Hispanic-owned businesses comprising approximately one quarter of all firms within the Division.
While men owned over 56 percent of Hispanic businesses in 2012, women now drive more of the growth. Between 2007 and 2012, the number of female Hispanic-owned businesses grew an incredible 87 percent, from 800,000 to 1.5 million firms. This is the largest increase in female business ownership of any race or ethnic group.

Owners of Hispanic businesses are relatively young. More than half (55.4 percent) of firm owners are between ages 35 and 54, compared to 44.7 percent for firms owned by non-Hispanics. Owners under 25 to 34 years old account for 20.4 percent of all Hispanic business owners, larger than the 13 percent share for non-Hispanic firms. In other words, this pattern of business ownership echoes the general age distribution of Hispanics in the country, which is relatively young.

Source: Census Bureau, Survey of Business Owners, 2012
American community Survey, 2012
As the U.S. population becomes more diverse, the entrepreneurial landscape also is shifting to represent the “New American Mainstream”. The most recent data from the Kauffman Foundation shows that between 2015 and 2016, Asians and Hispanics experienced the largest increases in the rate of new entrepreneurship, whereas Blacks experienced a slight decrease in rates with the White Non-Hispanic rate of new entrepreneurs decreasing during this same period. By the end of 2016, the Hispanic share of new entrepreneurs represented 24 percent of all firms, compared to 10 percent a decade ago - a staggering 140 percent increase. The rapid growth of U.S. Hispanic-owned businesses outpaces the growth of other demographic groups and exceeds the overall U.S. Hispanic population growth.

**RATE OF NEW ENTREPRENEURS BY RACE (1996-2016)**

Source: Kauffman Foundation calculations from CPS. For an interactive version, please see: www.kauffmanindex.org
Hispanics have become increasingly critical to America’s economic growth. Based on a recent study commissioned through the Stanford Latino Entrepreneurship Initiative, between 2007 and 2012, 86 percent of the growth in all small businesses in the U.S. can be attributed to Hispanic-owned businesses.

The U.S. Hispanic population is growing, young, increasingly educated, employed, connected, entrepreneurial, and upwardly mobile in terms of income as well as consumption. Hispanics are 1.5 times more likely than the general population to start a business, according to the Kauffman Index of Entrepreneurial Activity. Sales from Hispanic-owned businesses will contribute more than $700 billion to the U.S. economy in 2017 - a 32 percent increase since 2012.
DATA SOURCES

Geoscape, American Marketscape DataStream, Series 2017
The Kauffman Index Startup Activity National Trends, May 2017
Robert Fairlie, Arnobio Morelix, Inara Tareque
State of Latino Entrepreneurship 2016, Stanford Latino Entrepreneurship Initiative
State of Latino Entrepreneurship 2015, Stanford Latino Entrepreneurship Initiative
U.S. Census Bureau, Survey of Business Owners 2002
U.S. Census Bureau, Survey of Business Owners 2007
U.S. Census Bureau, Survey of Business Owners 2012
U.S. Census Bureau, Economic Census Summary 2002
U.S. Census Bureau, Economic Census Summary 2007
U.S. Census Bureau, Economic Census Summary 2012
U.S. Census Bureau, Non-employer Statistics 2015, May 2017
U.S. Census Bureau, 2015 County Business Patterns, April 2017
U.S. Department of Commerce, Bureau of Economic Analysis
Gross Domestic Product, Comprehensive Revision, Q2-2013

For more information about this report or to find out about other Geoscape products and services, contact Geoscape at: 1-888-211-9353 or visit us at www.geoscape.com