

System
Indicators

Demographics and Economy



Business Churn (2008)

September 2011

Business Churn (for a Portion of the SNC Region)

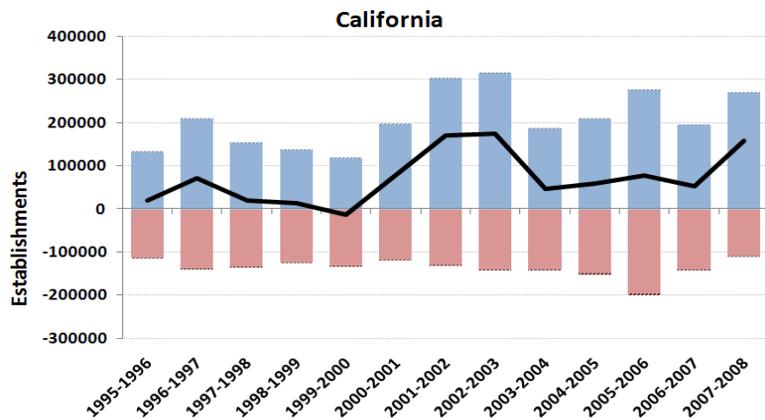
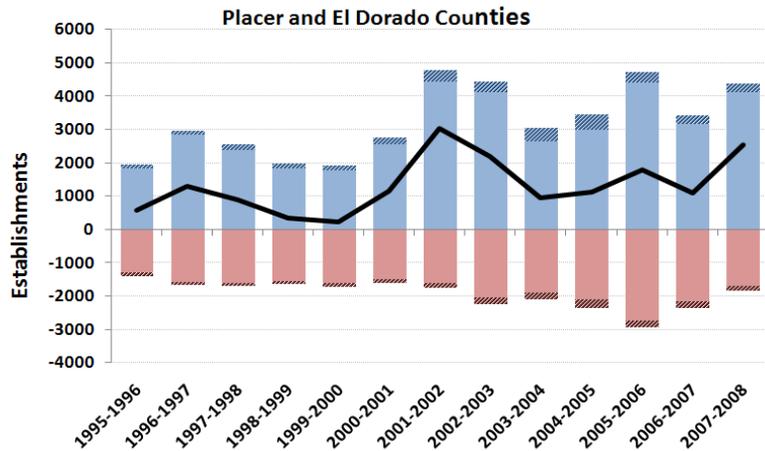
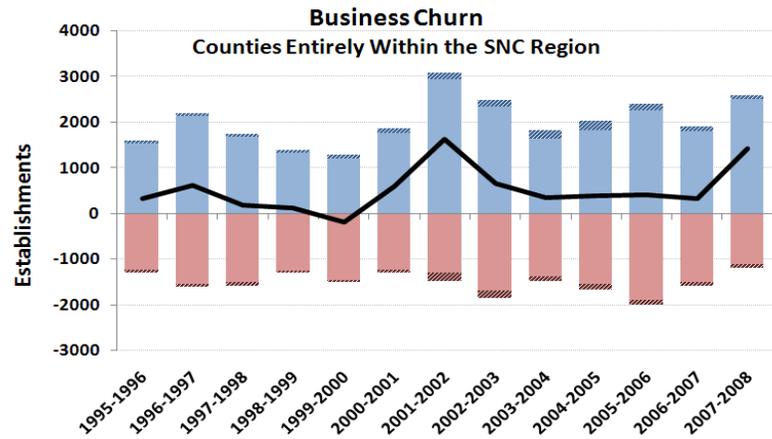


Business churn, the pattern of how businesses start and fail and relocate, reflects the dynamism of the economy.

An economy “churns” as business establishments open, close, move in, and move out of the area. A dynamic, healthy economy usually has a high rate of churn with more firms opening and moving in, than closing and moving out of the area.

What is true for the SNC Region and California overall is that almost all of the net new business establishments are the product of business creation rather than firms moving into the region. In other words, business relocations are a very small proportion of the churn in the Region’s and the State’s economies. The growth in business establishments is based almost entirely on how much greater the number of company openings are than business shutdowns.

The annual number of business openings in counties entirely within the SNC Region has grown faster over the last decade than the number of business closings. Openings have exceeded closings—sometimes by large margins—every year since 2000. Between 1995 and 2008, these counties gained from 2,000 to 4,500



Geographic Definition: County
 Source: National Establishment Time Series Database (NETS)
 Analysis: Collaborative Economics



establishments annually due to businesses opening or moving in, while losing an average of 1,500 to 3,000 establishments annually due to businesses closing or moving out. The annual net gain was typically about 500 businesses per year.

Placer and Eldorado Counties have experienced even greater churn and higher net gains (though the majority of these were likely outside of the SNC Region).

The churn in the counties within the SNC Region, as well as Placer and El Dorado Counties, produced an overall net gain in jobs in every year between 1995 and 2008 except for 1999-2000. Since the latest data available is 2008, the recent recession will likely impact this trend.

In terms of how this churn relates to the total number of business establishments in a region or the state, for the counties entirely within the SNC Region, 500 establishments represents about two percent of the total number of establishments. The average net change in Placer and El Dorado Counties has typically been closer to three percent of total establishments. California has averaged around two percent annual net gain in these years. In this sense, the counties in the Sierra Nevada are not much different in business creation than California as a whole.

There has been a change in the relationship between California and the rest of the U.S. in terms of migration of businesses since 1995. For the counties entirely within the SNC Region, in 1995-96 only 3 percent of businesses moving into these counties relocated from outside of California, and 15 percent of those moving out of the Region relocated out of state. By 2007-08, 15 percent of relocations to the Region came from outside California, and 29 percent of existing businesses moved to other states. The pattern for Placer and El Dorado Counties was not much different.

Business Migration Summary					
Counties Entirely Within the SNC Region					
		Establishments		Jobs	
		1995-1996	2007-2008	1995-1996	2007-2008
% of Total Moving In	From Rest of California	97%	85%	98%	91%
	From Rest of U.S.	3%	15%	2%	9%
% of Total Moving Out	To Rest of California	85%	71%	88%	93%
	To Rest of U.S.	15%	29%	12%	7%
Placer & El Dorado Counties					
		Establishments		Jobs	
		1995-1996	2007-2008	1995-1996	2007-2008
% of Total Moving In	From Rest of California	95%	86%	97%	91%
	From Rest of U.S.	5%	14%	3%	9%
% of Total Moving Out	To Rest of California	78%	64%	88%	65%
	To Rest of U.S.	22%	36%	12%	35%