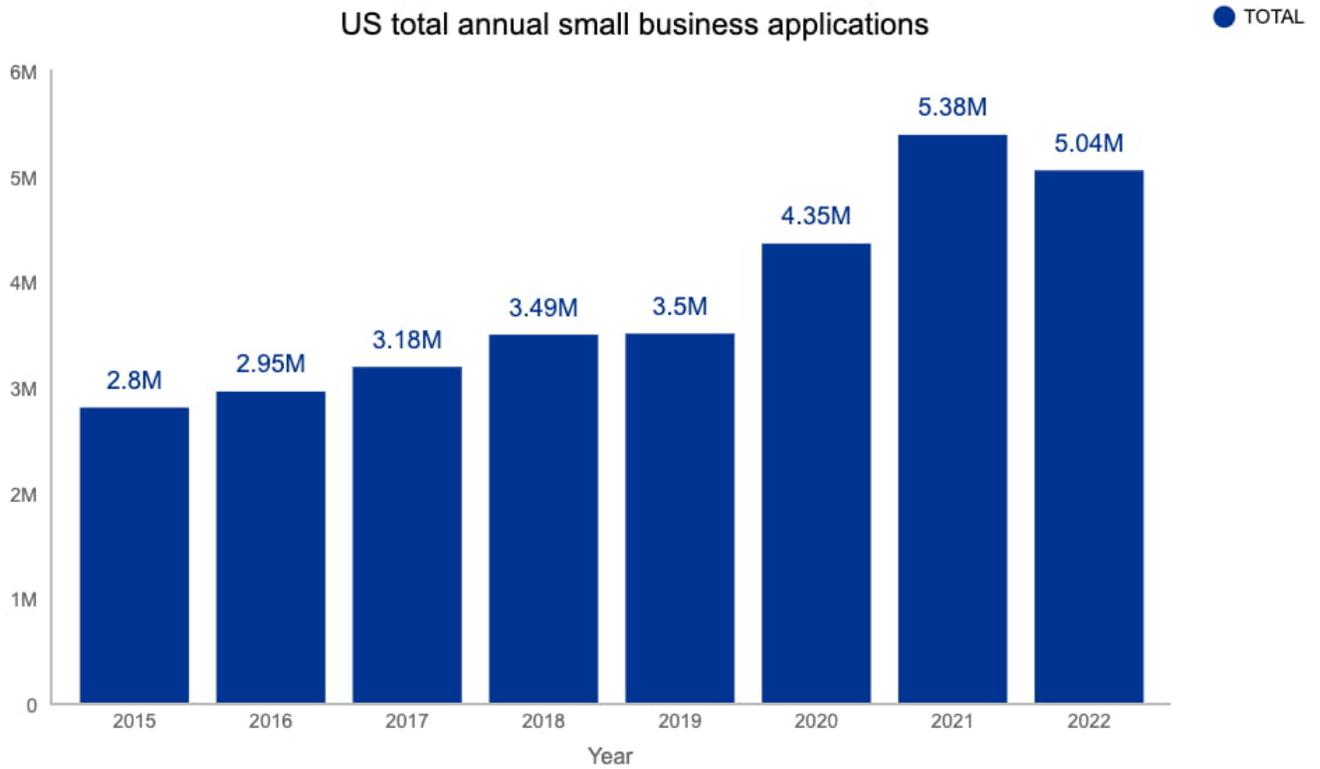


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How Many New Businesses Are Started Each Year? Data Reveals the Answer.



Data from the US Census Bureau shows that **5,044,748 new businesses were started in 2022**. The onset of the pandemic in 2020 has driven a surge in new business creation, so the number of new businesses is trending up.

On average, there are **4.4 million businesses are started every year**. That average is from the past five years of business formation data in the United States. And according to **data** from the US Census Bureau, 5.4 million new business applications were filed in 2021, which is the highest of any year on record and a 53% increase from 2019.

How many businesses are created each year?

Year	Number of New Business Applications	% Change vs. the Prior Year
2022	5.0 million	-7.4%
2021	5.4 million	22.7%
2020	4.4 million	25.7%
2019	3.5 million	0%
2018	3.5 million	9.4%
2017	3.2 million	6.7%
2016	3.0 million	7.1%
2015	2.8 million	3.7%

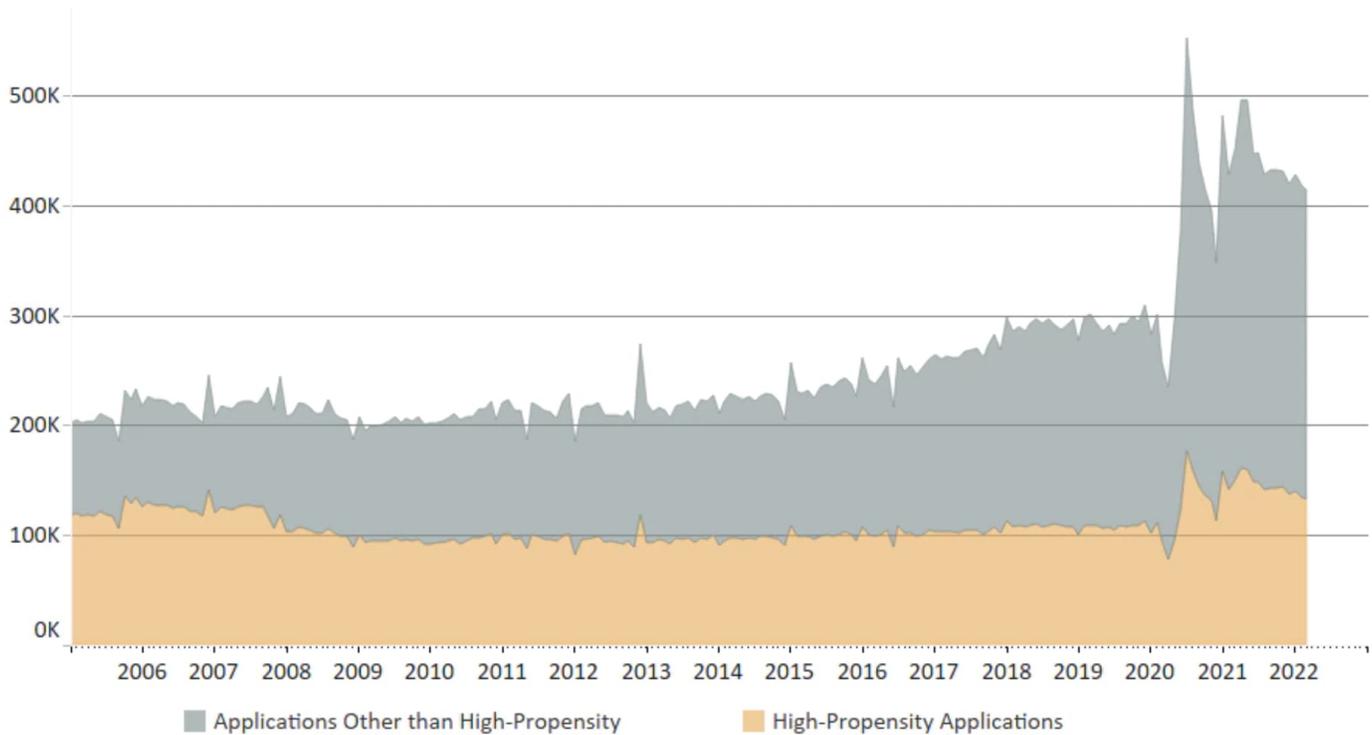
Of course, not all of these newly formed businesses will stick around—many won't even last past their first year. In fact, research from the US Small Business Administration shows that the average failure rate for new businesses is the following:

- 70% of new businesses survive beyond two years
- 50% of new businesses survive beyond five years
- 30% of new businesses survive beyond ten years
- 25% of new businesses survive beyond fifteen years

So as we can see, the number of new business applications and the number of new businesses that survive more than a few years are quite different. However, the actual survival rate of new businesses is much better than the commonly-cited myth that 50% of businesses fail in the first year.

New businesses started during the pandemic

Monthly Business Applications (Seasonally Adjusted)



The increase in small business applications has continued into 2022 after the surge brought about by the pandemic: **5 million businesses were started in 2022**. Although the pace of new business creation has slowed slightly, the rate of new businesses being created is still far higher in 2022 than it was prior to the pandemic.

During Q1 2022, from January to March, there were 1.46 million new business applications in the US. That's a 33.5% increase in new business formations compared to Q1 2020 and a 31% compared to Q1 2019.

However, the data shows new formations are cooling down, as the number of new business applications in Q1 2022 is 8.1% lower than in Q1 2021. This data can be pulled [here](#).

Number of new businesses created every quarter

Year	Q1 New Business Formations	Q2 New Business Formations	Q3 New Business Formations	Q4 New Business Formations
2022	1,459,056	1,324,054	1,196,136	1,065,502
2021	1,568,892	1,505,508	1,219,264	1,070,361
2020	965,077	934,629	1,480,413	964,976
2019	1,001,711	912,961	814,788	767,003
2018	1,003,458	916,296	827,528	739,280
2017	904,358	825,780	752,698	699,060
2016	844,544	741,881	718,755	643,409
2015	752,198	725,798	720,241	598,478

Why have so many new businesses been created in the past two years? The prevailing theory after the numbers started to rise was that there was a backlog of business applications held up by the pandemic.

That was slightly true, but the number of backlogged cases was small and not the main driver of the increase. An analysis published by *The Economist* argued that the pandemic provided both the motive to start (with millions of people losing their jobs) and the means to start (via stimulus checks and high unemployment insurance) that drove this entrepreneurial awakening.

The 2022 numbers show that the increase in new business formations was not a temporary trend, but we'll need more time to determine what the new baseline

is this year and beyond.

The first chart was created by the Economic Impact Group and can be found [here](#). The second chart was created by the US Census Bureau and can be found [here](#).

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