

A Positive Outlook

Entrepreneurship: Key to Nevada's Economic Rebound



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**APPLIED
ANALYSIS**

All across the country, entrepreneurship is in decline. Nobody really knows why for sure—whether it's lingering caution since the economic crisis, overwhelming student debt among the young, tighter access to investment capital, or some other underlying cause. Whatever the reason, the reality is that the number of American companies being created each year is near a four-decade low.

Thankfully, Nevada is not like the rest of the nation when it comes to the entrepreneurial spirit. Business startup activity in the Silver State remains among the nation's best, and small businesses remain key drivers for our state's economy and its resurgent job market. Since 2010, the number of businesses in Nevada has surged by more than 11,200, and businesses with under 100 employees have accounted for an overwhelming majority of those, at 10,800.

This is a terrific sign for Nevada, as entrepreneurship is the highest order of broad economic development, often reflecting a coveted mix of investment and innovation. Some of the largest and most successful companies in the world today—Amazon, Apple, Google, Starbucks, Microsoft and Mattel, just to name a few—were started in a garage or a neighborhood storefront by founders with a dream and some drive.

However, a small business doesn't have to rise into the Fortune 500 to make an impact. The majority of small businesses have employees, and as a collective, businesses with under 100 employees in Nevada employ more than 613,500 workers, which is more than their large-business counterparts. That wasn't always the case. As recently as 2005, large businesses in the state had more workers than small businesses (558,600 vs. 549,100).

The Great Recession and subsequent economic downturn wreaked havoc on Nevada's economy, causing businesses of all sizes to cut back and costing the state tens of thousands of jobs. The state economy has since rebounded into a period of sustained expansion, and small businesses have been integral in the recovery. Those small businesses not only lost fewer jobs than large businesses through the depths of the downturn, they have recovered lost jobs faster. Since 2010, small businesses have led the way by adding roughly 96,000 new jobs through the end of 2016, which is more than the 93,000 jobs added by large businesses. When compared to peak pre-recession employment levels, small businesses today employ more than 28,000 additional Nevadans. Meanwhile, large businesses remain 20,000 jobs short of pre-recession employment peaks.

Thanks to that resurgence, today small businesses account for more than 53 percent of Nevada's private sector jobs.

Nevada has long fostered a spirit of entrepreneurship by enacting policies that support and encourage new ventures. The state continues to rank among the nation's top five in the Tax Foundation's annual Business Tax Climate Index, and Nevada routinely places among the country's most favorable for business in terms of regulation and certainty in the courts. The result: Nevada's startup activity ranked first among the 25 smallest states, and Las Vegas ranked fifth among all of the nation's metropolitan areas, in the annual Kauffman Foundation Startup Activity rankings released last month.

Nevada's entrepreneurs were a key ingredient in our state's economic success in our state's earliest years, and our future will rely on ambitious men and women who take the risk of starting their own business and pursuing their own version of the American dream. Preserving their ability to do so is something we should protect vigorously.

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