

The GoDaddy/UCLA Anderson Forecast Microbusiness Activity Index 2024 Annual Update

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In July 2021, the UCLA Anderson Forecast, in partnership with GoDaddy Inc., launched a new Microbusiness Activity Index (MAI) that analyzes the formation, growth, and dynamics of online microbusinesses, using data provided by GoDaddy.¹ The MAI demonstrates a strong correlation with key economic indicators, including employment, unemployment, GDP, and offers timely insights into local economic activity. The report, featuring commentary, analysis, and the latest indices, continues to be published annually.

Highlights of 2024 report

- Recent months have seen a rise in the MAI, driven by increased microbusiness engagement and Generative AI tool adoption, enabling entrepreneurs with limited resources to boost productivity and compete effectively with larger companies.
- After controlling for various factors, we find evidence that the MAI, and its sub-indices: the infrastructure index and participation index are associated with local job growth.
- On average, we find evidence that an additional entrepreneur is correlated with an increase of 7.4 local jobs. Microbusiness participation also contributes positively to local labor force participation.

This annual report on the U.S. Microbusiness Activity Index² (MAI) provides an update on microbusinesses, incorporating data up to March 2024. It covers the national, states, metropolitan areas, and counties. The MAI increased to 104.1 in March 2024, up from 103.4 in December 2023. In general, the recent MAI figures are higher than those in 2023 (blue line in Figure 1).

The dynamics of the MAI largely reflect broader trends and sentiments in the U.S. economy. In March 2022, the Federal Reserve initiated a monetary tightening cycle to mitigate inflation, leading to a peak in the MAI at 105.6 in April 2022, coinciding with the start of the tightening cycle. Subsequently, facing the challenges of rising and high interest rates, the MAI declined over the following year. The Fed ceased its interest rate hikes in mid-2023 in response to easing inflation, allowing microbusiness activities to stabilize and begin recovery, adjusting to the higher interest rate environment.

The MAI comprises three sub-indices:

(1) The *Infrastructure* sub-index encompasses human capital and digital infrastructure elements like broadband and computer accessibility (black line in Figure 1). These are long-term factors that show minimal change quarter-to-quarter. Data for this sub-index are sourced from the American Community Survey and updated annually. The 2023 update shows an increase in the U.S. from 104.2 in 2022 to 105.6 in 2023/2024,

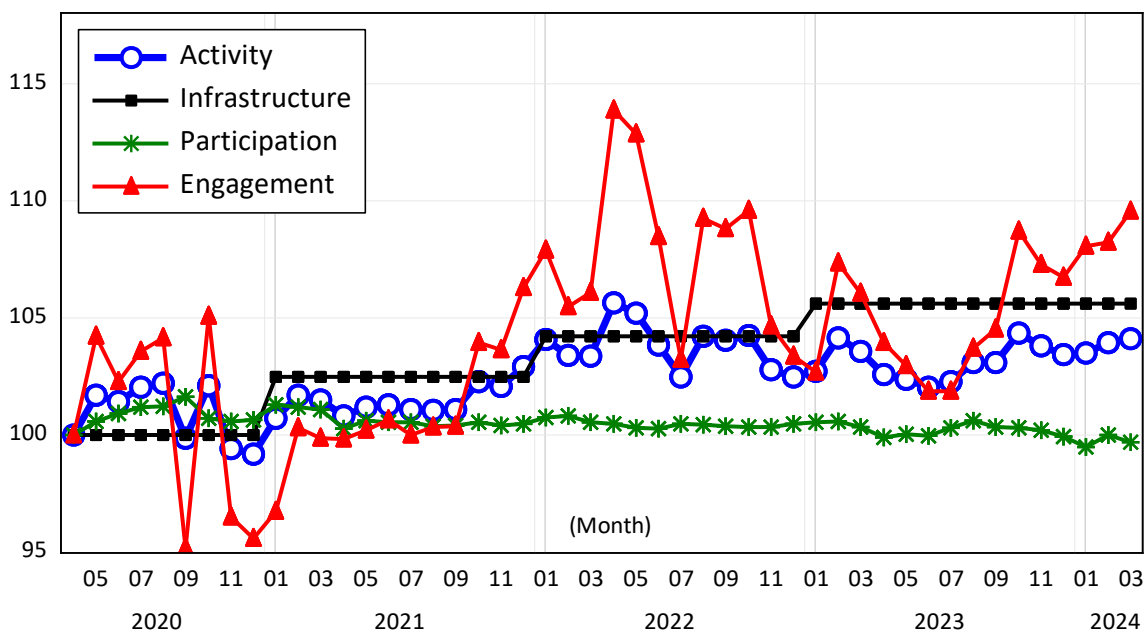
¹ See <https://www.anderson.ucla.edu/about/centers/ucla-anderson-forecast/projects-and-partnerships/godaddy>

² See also <https://www.godaddy.com/ventureforward/explore-the-data/microbusiness-index/>

indicating improvements in educational attainment and enhanced access to digital resources. The 2021 Infrastructure Investment and Jobs Act, which enhanced broadband investment, continues to contribute further increase of this index, particularly in rural regions.

(2) The *Participation* sub-index (green line in Figure 1) factors in the density and growth rate of online microbusinesses and their owners. Unlike the more volatile engagement index, the participation index remained relatively stable. The index decreased slightly from 100.3 in March 2023 to 99.7 in March 2024. This decrease is attributed to aforementioned high interest rates dampening consumer spending, which in turn limits microbusiness expansion.

Figure 1. Microbusiness Activity and Sub-Indices (Even-Weight, U.S.)



(3) The *Engagement* sub-index (red line in Figure 1) tracks various metrics related to online interactions between microbusiness owners and their customers. This index rose from 106 in March 2023 to 109.5 in March 2024. We suggest that a significant driver of this increase is the enhanced AI capabilities in new products like ChatGPT, which have led to broader adoption and innovative applications of AI tools. GoDaddy has also started providing AI tools to help microbusiness owners boost their websites' engagement levels. The widespread integration of AI is expected to boost the activity and productivity of online microbusinesses by enabling entrepreneurs with limited resources to effectively compete with larger companies.

The MAI, Local Job Growth and Labor Participation

In our previous reports, we presented evidence that demonstrates significant positive correlations between the MAI index, entrepreneurs, and indicators of local economic activity, such as employment growth. Supported by GoDaddy's national survey data, we suggest a positive causal relationship between microbusiness activity and local economic prosperity. Here we plan to revisit this analysis with additional and updated data to confirm if these relationships persist.

From April 2020 to March 2024, we conducted several panel regressions, detailed in Models 1 through 3. Each model consistently demonstrated a significant correlation between the MAI and changes in county employment levels. Using Model 1 as a baseline, the significant coefficient of five for the MAI variable suggests that a one-point increase in the MAI is associated with an increase of five jobs in a county, after controlling for all relevant factors. Model 2 shows that a one-point increase in the participation index correlates with an increase of 5.2 jobs in a county, similar to the MAI's impact. Model 3 reveals that a one-point increase in the infrastructure index corresponds to an increase of 89 jobs in a county.

Model 1: MAI with County and Month Fixed Effect and Lag 1

Adjusted R-squared: 0.22; Observations: 120,149

Emp: County household-survey employment; Emp Change: Monthly change in employment

$$\text{Emp Change (t)} = 0.05 * \text{Emp Change (t-1)} - 0.07 * \text{Emp (t)} + 5 * \text{MAI Change (t)}$$

(t-value) (42) (-111) (2.1)

Model 2: The Participation Index with County and Month Fixed Effect and Lag 1

Adjusted R-squared: 0.23; Observations: 120,149

$$\text{Emp Change (t)} = 0.05 * \text{Emp Change (t-1)} - 0.07 * \text{Emp (t)} + 5.2 * \text{Participation Index Change (t)}$$

(t-value) (42) (-111) (2.7)

Model 3: The Infrastructure Index with County and Month Fixed Effect and Lag 1

Adjusted R-squared: 0.22; Observations: 120,397

$$\text{Emp Change (t)} = 0.05 * \text{Emp Change (t-1)} - 0.07 * \text{Emp (t)} + 89 * \text{Infrastructure Index Change (t)}$$

(t-value) (42) (-110) (7.6)

To probe deeper into the causal relationships between microbusiness, entrepreneurs, and local economic activities, we also conducted additional panel regressions from April 2020 to March 2024. The results from Model 4 indicate that, after controlling for all relevant factors, there is a significant correlation between new ventures and local job creation: every 10 additional ventures are associated with an increase of 0.45 jobs. Model 5 shows that each additional entrepreneur is associated with an increase of 7.4 local jobs.

Further, we observed a positive correlation between microbusiness activities, entrepreneurs, and the local labor force participation rate. Model 6 reveals that a one-percentage point increase in GoDaddy's microbusiness venture density is associated with a 0.02-percentage point increase in the labor force

participation rate. Model 7 indicates that a one-percentage point increase in GoDaddy’s entrepreneur density correlates with a 0.17-percentage point increase in the labor force participation rate. Extending these findings to the national level, a one-percentage point increase in entrepreneur density could potentially bring 451,000 individuals into the labor force.

Model 4: Ventures with County and Month Fixed Effect and Lag 1

Adjusted R-squared: 0.22; Observations: 120,517

Venture Change: Monthly change in the number of GoDaddy’s microbusiness ventures

$$\text{Emp Change (t)} = 0.05 * \text{Emp Change (t-1)} - 0.07 * \text{Emp (t)} + 0.045 * \text{Ventures Change (t)}$$

(t-value) *(41)*
(-106)
(9.4)

Model 5: Entrepreneurs with County and Month Fixed Effect and Lag 1

Adjusted R-squared: 0.23; Observations: 120,517

Entrepreneurs Change: Monthly change in the number of GoDaddy’s entrepreneurs

$$\text{Emp Change (t)} = 0.04 * \text{Emp Change (t-1)} - 0.04 * \text{Emp (t)} + 7.4 * \text{Entrepreneur Change (t)}$$

(t-value) *(27)*
(-42)
(46)

Model 6: Venture Density with County and Month Fixed Effect and Lag 1

Adjusted R-squared: 0.99; Observations: 120,757

Venture Density: Number of GoDaddy’s Ventures in County / County Population

$$\text{Labor Force Participation (t)} = 0.02 * \text{Labor Force Participation (t-1)} + 0.02 * \text{Venture Density (t)}$$

(t-value) *(45)*
(3.8)

Model 7: Entrepreneur Density with County and Month Fixed Effect and Lag 1

Adjusted R-squared: 0.99; Observations: 120,757

Entrepreneur Density: Number of GoDaddy’s Entrepreneurs in County / County Population

$$\text{Labor Force Participation (t)} = 0.02 * \text{Labor Force Participation (t-1)} + 0.17 * \text{Entrepreneur Density (t)}$$

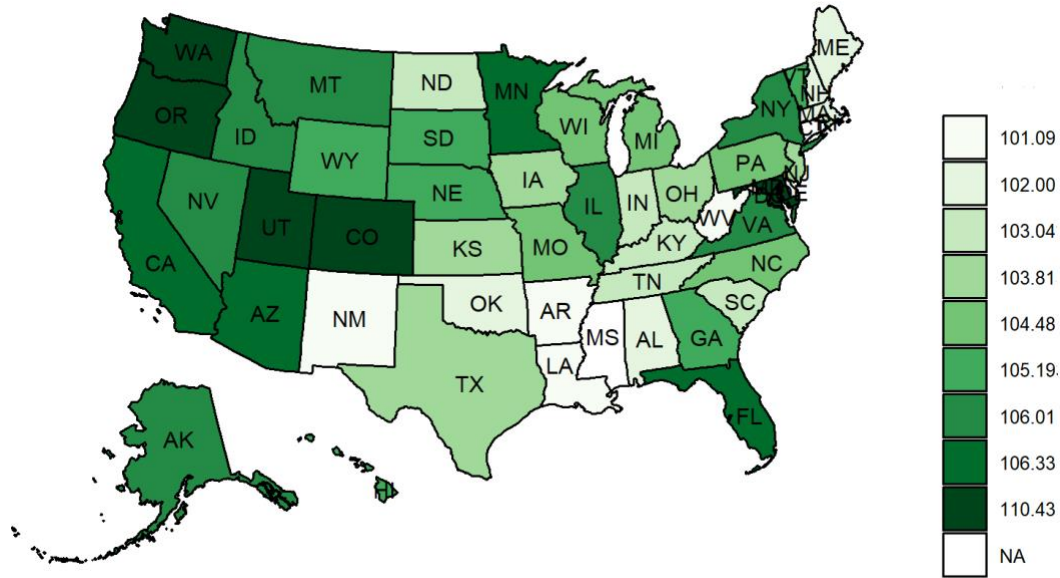
(t-value) *(45)*
(2.1)

The Microbusiness Activity Index Across the State, Metro, and County

Figure 2 shows the level of the MAI by state in March 2024. The darker the green color, the higher the activity index. Washington DC (110.4), Utah (108.2), Colorado (108), Oregon (106.6), Maryland (106.6), and Washington (106.3) had the highest levels on the index. Arkansas (100.4), West Virginia (99.8), and Mississippi (98.6) had the lowest levels. Figure 3 shows the change in the MAI by state from March 2023 to March 2024, with the intensity of the blue color indicating a larger increase or a smaller decline. We can see Rhode Island (+1.3), Alaska (+1.1), Massachusetts (+1), Nebraska (+1), and Wyoming (+1) experienced largest increases in the index over the past year. Illinois (-0.3), North Dakota (-0.3), and Delaware (-1.1) experienced larger declines on the other end.

Figure 3A shows there is a correlation between the participation index by state and state GDP growth, in which the horizontal axis represents the change of the state participation index between March 2023 and March 2024 and the vertical axis represents the state real GDP growth from 2023Q1 to 2023Q4.

Figure 2. Microbusiness Activity Index by State, March 2024



Note: Base month year is April 2020

Figure 3. Microbusiness Activity Index Change by State, March 2023 to March 2024

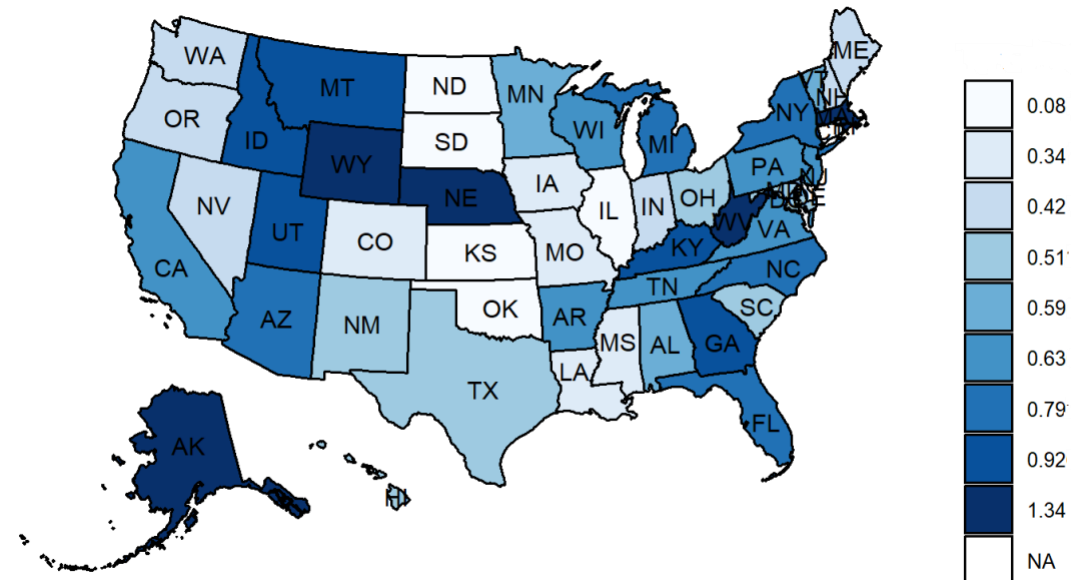


Figure 3A. Correlations between State Participation Index Change and GDP Growth

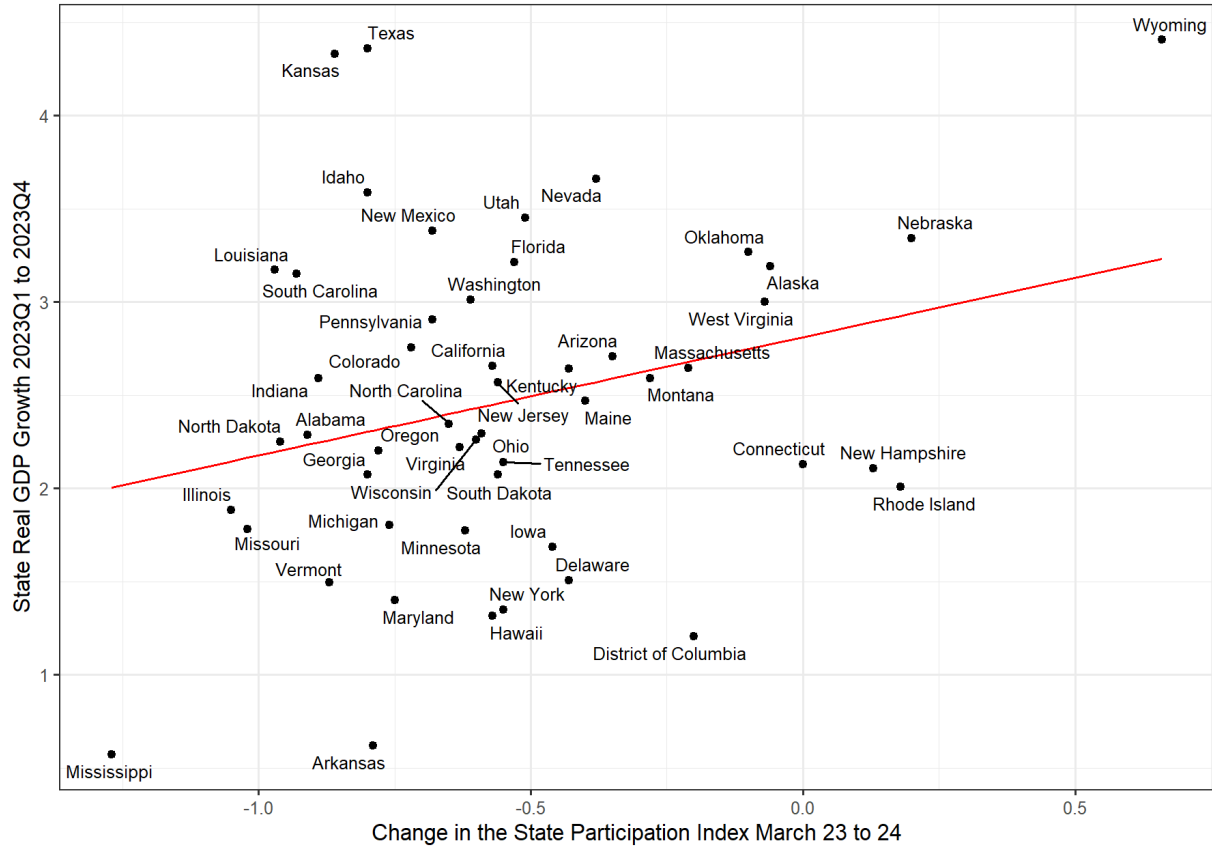


Figure 4 displays the MAI by county in March 2024. The colors go from dark blue, representing the highest index values, to dark red, indicating the lowest values. The variation across counties mirrors patterns observed in previous months. Coastal regions and major urban centers generally score higher on the index, whereas inland and rural regions typically register lower values. The regions with highest MAI are San Francisco (118.2), Arlington County, VA (118.1), Fairfax, VA (118), and Howard County, MD (117.8). Figure 5 depicts the shift in MAI by county from March 2023 to March 2024. The colors go from dark blue for the highest increase in index values to dark red for the highest decline in index values³.

³ The 10 counties with highest level of MAI in March 2024 are: San Francisco CA, Arlington VA, Fairfax City VA, Howard MD, Falls Church VA, Hamilton IN, Gunnison CO, Wake NC, Charlottesville VA, and Fairfax VA. The 10 counties with lowest level of MAI in March 2024 are: Sheridan ND (74.7), Kenedy TX, Lamar TX, Menifee KY, Quitman GA, Greeley NE, Tallahatchie MS, Pulaski GA, Claiborne LA, and Clark MO. The 10 counties with largest increase of MAI from March 2023 to March 2024 are: Oliver ND (+23), Gilliam OR, Robertson KY, Clark KS, Calhoun AR, Clay TN, Dallas AR, Nance NE, Randolph AL, and Wayne TN. The 10 counties with largest decline of MAI from March 2023 to March 2024 are: Sheridan ND (-25), Greeley NE, Lamar TX, Steele ND, Calhoun IL, Uvalde TX, Lee AR, Wilson KS, Terrell GA, and Grant KS.

Figure 4. Microbusiness Activity Index by County, March 2024

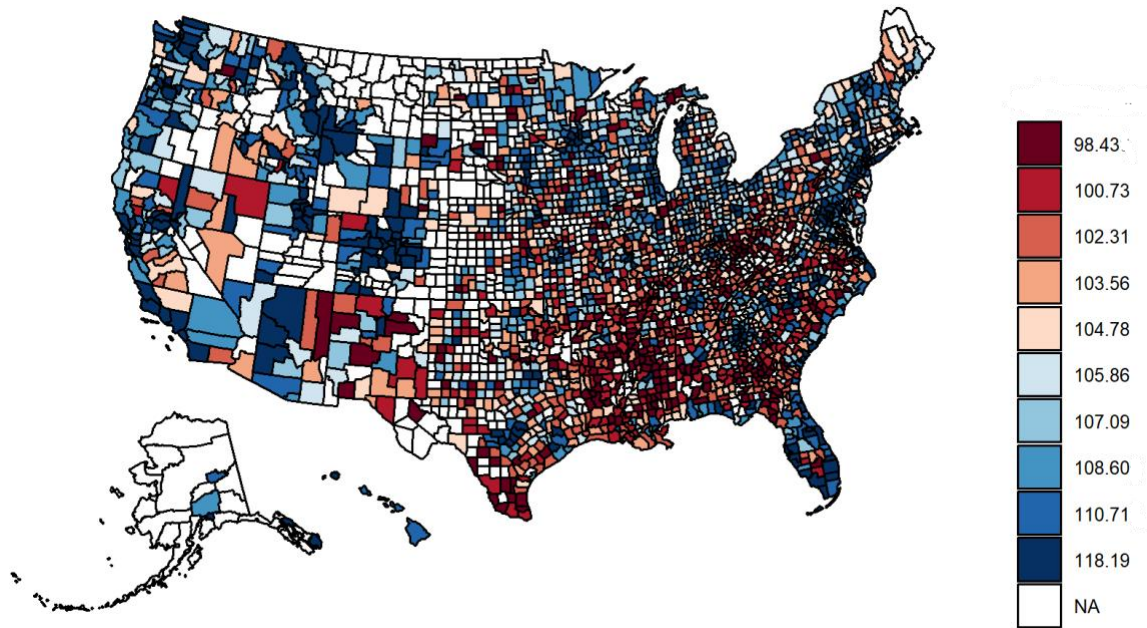


Figure 5. Microbusiness Activity Index Change by County, March 2023 to March 2024

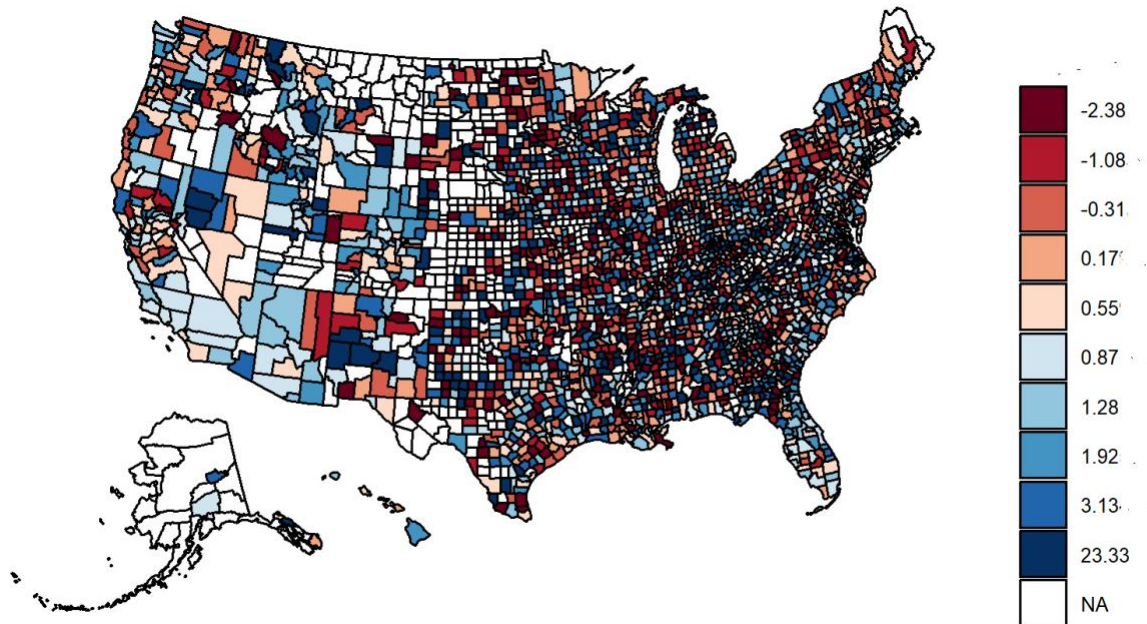


Figure 6 shows the MAI for 30 selected MSAs (Metropolitan Statistical Areas) in April 2020, March 2023, and March 2024. In March 2024, San Jose (Silicon Valley) had the highest activity index value (113.6), followed by San Francisco (113.2), Washington DC (112), Austin (111.7), San Diego (111.5), and Denver (111.3). On the other hand, Kansas City (107.8), Philadelphia (107.4), and San Antonio (106.6) had the lowest activity values. Over the past year, the MAI increased across most metros. Atlanta (+0.9), San Francisco (+0.9), Austin (+0.9), and Detroit (+0.8) had the largest decreases in the value of their activity indices.

In March 2024, Miami had the highest value on the participation index (106), followed by San Jose (105.9) and Los Angeles (105.8). Meanwhile, San Jose has the highest value on the infrastructure index (124.8), followed by Washington DC (124.2), San Francisco (122.7), and Seattle (121.7). According to Figure 7, Over the past two years, San Antonio (+1.7), Miami (+1.6), and Detroit (+1.5) had the largest increase in the infrastructure index. The investments and improvements in these metropolitan areas are promising, suggesting that they are moving in the right direction toward fostering job growth and reducing poverty and inequality. Figure 8 shows that in March 2024, Minneapolis led with the highest engagement index value at 109.8, followed by San Francisco (109), Indianapolis (108.8), and St. Louis (108.6).

Despite the high costs of living and doing business, San Jose and San Francisco have consistently ranked high in the MAI. This reflects Silicon Valley's unique dual character: a global center for major tech firms and a thriving hub for innovative startups. Austin, with its vibrant culture and lower cost of living compared to its coastal counterparts, has become a magnet for tech companies and creative minds alike, earning it the nickname "Silicon Hills". The region continues to attract a diverse pool of talents and ideas, maintaining its status as a primary driver of technological progress.

Figure 6. Microbusiness Activity Index, Selected 30 Metros, April 2020, March 2023, and March 2024

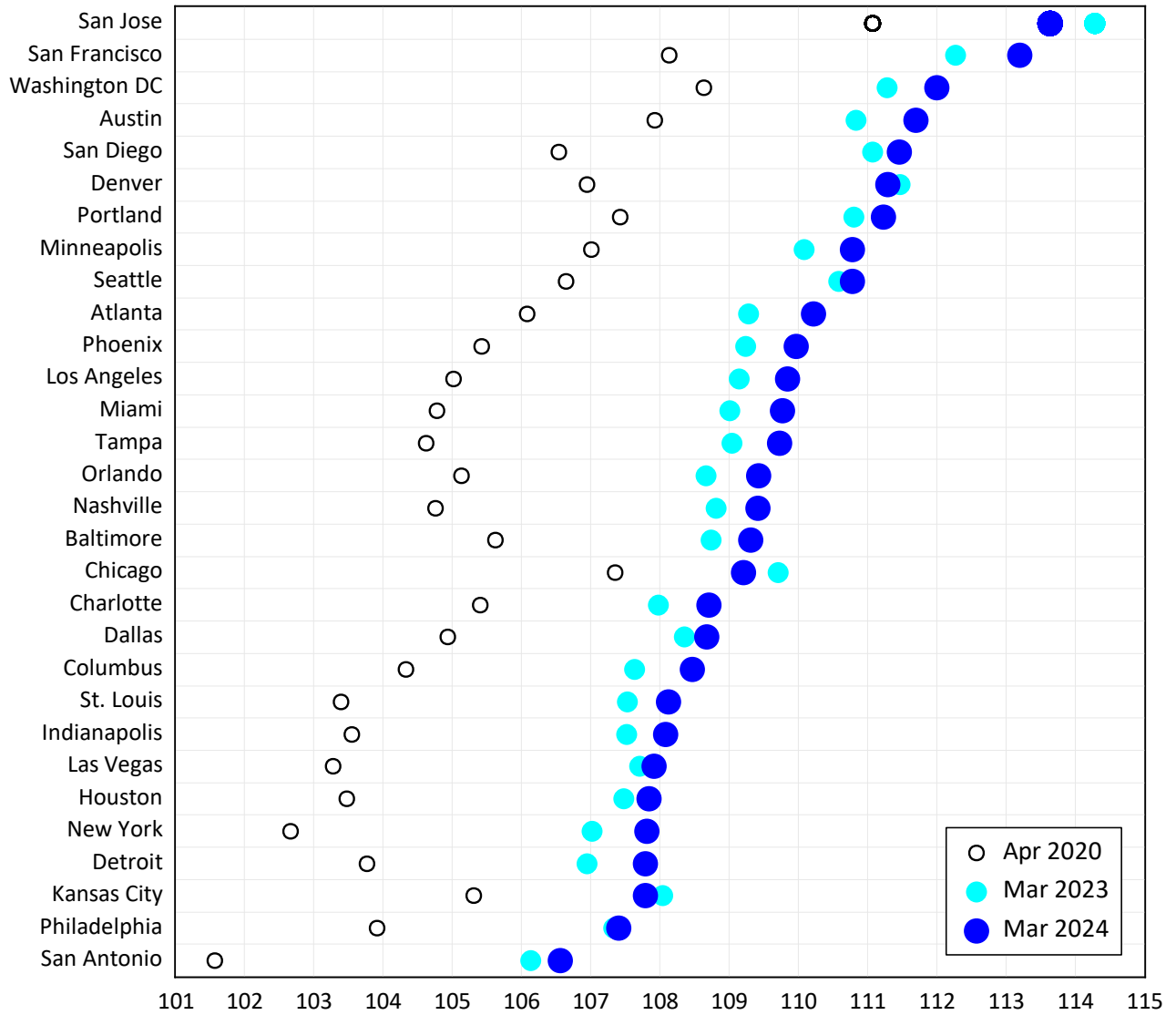


Figure 7. Microbusiness Infrastructure Index, Selected 30 Metros, April 2020, March 2022, and March 2024

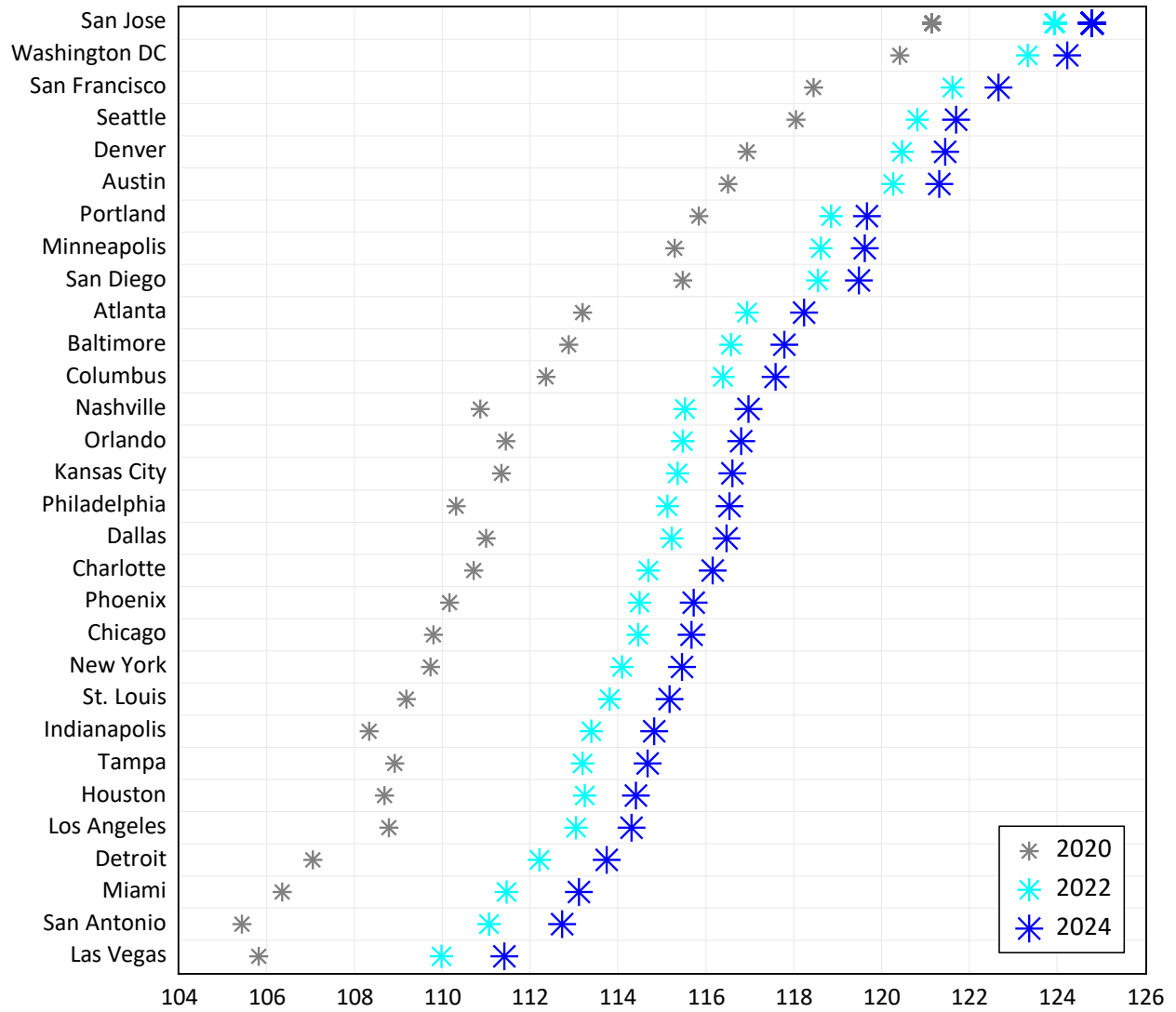


Figure 8. Microbusiness Engagement Index, Selected 30 Metros, April 2020, March 2023, and March 2024

