BFII | BUSINESS FORMATION INTELLIGENCE INDEX™

Q2 - 2026

A Framework for Interpreting Business Formation

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The Business Formation Intelligence Index™ (BFII) is an independent research publication intended to provide objective analysis of U.S. business formation activity. Interpretations, commentary, and conclusions are those of Crosslists Data.

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Publisher's Note

The Business Formation Intelligence Index™ (BFII) was created to provide business leaders, financial institutions, policymakers, researchers, and organizations serving the small business economy with a clearer understanding of how entrepreneurship is evolving across the United States.

While business formation statistics are publicly available, understanding what those numbers mean—and why they matter—requires context. The BFII combines objective measurement with evidence-based analysis to examine not only the level of business formation, but also the structural shifts, regional trends, industry dynamics, and emerging patterns shaping the entrepreneurial economy.

Each quarterly edition builds upon prior observations while incorporating the latest available Business Formation Statistics from the U.S. Census Bureau. Our goal is to produce a consistent, independent research publication that helps readers interpret one of the earliest measurable indicators of future business activity.[1]

Contents

BFII Snapshot — Q2 2026

Business formation remained historically strong during the second quarter of 2026, with the Composite BFII reaching its highest level since Q2 2021. While employer-intent formation continued to improve, overall business formation accelerated more rapidly, resulting in a renewed widening of the Divergence Spread. Regional and industry performance remained broadly positive, reinforcing that elevated entrepreneurial activity continues across much of the U.S. economy.

Metric	Q2 2026	Q1 2026	Change
Composite BFII Momentum: Composite BFII has risen for 5 consecutive quarters	**156.0**	**152.5**	▲ **+3.5**
Four Quarter Rolling Average	151.9	148.6	▲ +3.3
Formation Volume Index (FVI)	177.8	172.2	▲ +5.6
Employer Formation Index (EFI)	134.2	132.9	▲ +1.3
Divergence Spread	43.6	39.3	▲ +4.3

This Quarter's Takeaways

- Composite BFII reached a new cycle high.
- Business formation strengthened across multiple measures.
- Employer-intent formation continued improving.
- The Divergence Spread widened after narrowing in Q1.
- Regional and industry strength remained broad-based.

Executive Summary

Q2 2026 Reinforces a Strong but Evolving Entrepreneurial Economy

Business formation in the United States remained historically strong during the second quarter of 2026. The Composite Business Formation Intelligence Index (BFII) increased for the fifth consecutive quarter, reaching its highest level since Q2 2021 and continuing to operate well above its pre-pandemic baseline.

The headline result, however, tells only part of the story.

While both overall business formation and employer-intent business formation strengthened during Q2, they did so at different rates. Formation Volume accelerated more rapidly than Employer Formation, widening the BFII Divergence Spread after its temporary narrowing in the previous quarter. Importantly, employer-intent formation did not weaken; it continued to improve alongside overall business formation.

Rather than reporting business application counts alone, the BFII examines business formation through multiple analytical lenses to better understand how entrepreneurship is changing over time. The Q2 results reinforce that looking beyond the headline numbers provides a more complete understanding of today's entrepreneurial economy.

Every business follows its own path. Every business begins with formation.

What Changed

Four developments define the second quarter.

The composite index's five-quarter climb continued, underscoring that current levels of entrepreneurial activity are not a one-quarter anomaly.

Formation Volume and Employer Formation advanced at different speeds, widening the Divergence Spread for the first time since Q1's brief narrowing—a shift examined in detail later in this report.

Entrepreneurial activity remained broadly distributed across all four Census regions and across a diverse range of industries, suggesting that current strength reflects a national expansion rather than isolated pockets of growth.

Taken together, these findings describe an entrepreneurial environment that remains resilient while continuing to evolve in its composition.

Why It Matters

The Business Formation Intelligence Index was created to move beyond reporting business application counts and instead provide a structured interpretation of how entrepreneurship is changing over time.

Business formation continues to provide one of the earliest measurable indicators of future economic activity[1] and remains an important signal for organizations that serve emerging businesses.

The relationship between Formation Volume and Employer Formation also continues to evolve. The Business Formation Statistics measure new business applications rather than how businesses ultimately operate, and they cannot by themselves explain why the Divergence Spread changes over time. The BFII interprets the current pattern as evidence that the structure of new business formation may be evolving, while recognizing that alternative explanations remain possible and should continue to be evaluated as additional data become available.

Most importantly, the significance of business formation has not changed. Every entrepreneurial journey begins with formation. By measuring business creation at its earliest observable stage, the BFII provides organizations with timely insight into how the entrepreneurial economy is evolving and where future opportunities may emerge.

Looking Ahead

The second half of 2026 will be shaped less by whether business formation remains elevated than by how its composition continues to evolve.

Future editions of the BFII will monitor whether the Composite BFII extends its current momentum, whether the Divergence Spread stabilizes or widens further, and how regional and industry leadership continues to change over time.

The objective remains unchanged: to provide business leaders with a clearer understanding of where entrepreneurship is occurring, how it is evolving, and what those changes may mean for organizations that depend on emerging businesses for future growth.

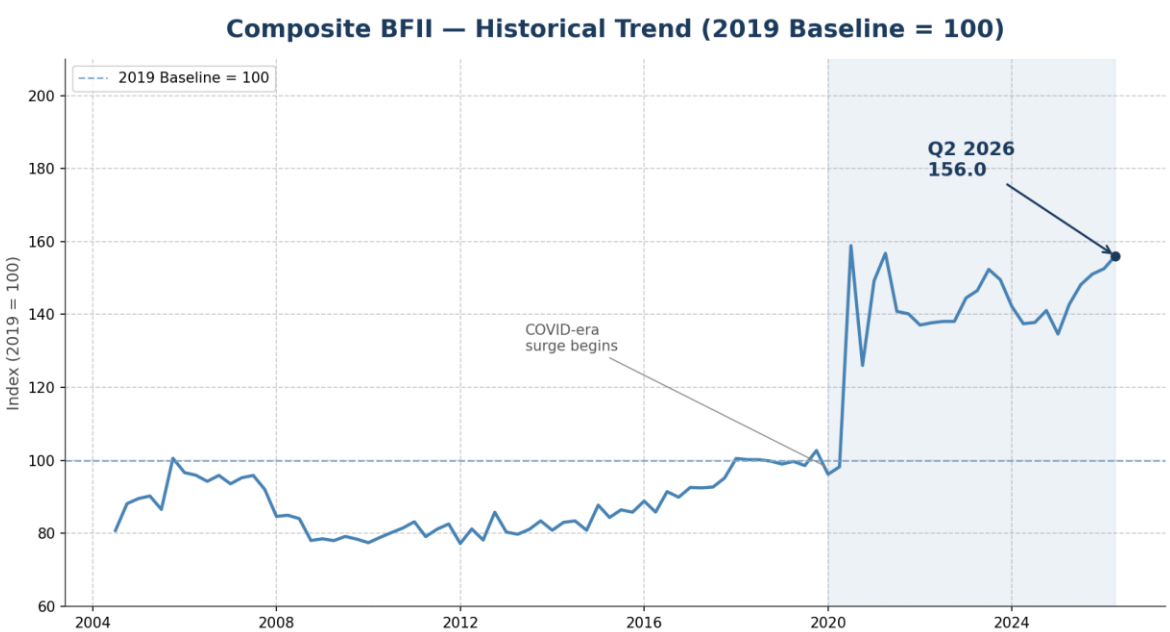
The Composite Business Formation Intelligence Index

Business Formation Continued to Strengthen in Q2 2026

KEY TAKEAWAY: *The Composite BFII reached its highest level since Q2 2021, extending a five-quarter streak that suggests elevated business formation has become a sustained feature of today's entrepreneurial economy.*

The Composite Business Formation Intelligence Index (BFII) increased from 152.5 in Q1 2026 to 156.0 in Q2 2026, marking its highest reading since Q2 2021. The continued rise in the Index reinforces that business formation remains well above its pre-pandemic baseline and continues to demonstrate sustained resilience despite a dynamic economic environment.

Viewed individually, quarterly changes provide only a limited perspective on entrepreneurial activity. Viewed collectively, the sustained upward trajectory suggests that elevated business formation may be becoming a lasting characteristic of the current entrepreneurial landscape rather than a short-lived response to temporary economic conditions. While future quarters will determine whether this pattern continues, the persistence of the current trend is one of the report's most significant findings.



The Composite BFII increased for the fifth consecutive quarter, reaching its highest level since Q2 2021 and continuing to operate well above the 2019 baseline.

Source: U.S. Census Bureau Business Formation Statistics (BFS); BFII calculations.

Interpreting the Trend

The Index has now increased for five consecutive quarters, reinforcing the durability of the current entrepreneurial cycle and marking one of the longest uninterrupted periods of improvement in the BFII historical series.

The Q2 reading remains substantially above the 2019 baseline, indicating that today's level of business formation continues to exceed pre-pandemic norms by a meaningful margin.

The consistency of the trend may ultimately prove more significant than the magnitude of any individual quarterly increase. Sustained improvement over multiple quarters provides stronger evidence of a structural shift in entrepreneurial activity than any single reporting period can offer.

The BFII interprets these findings as evidence that business formation has established a higher operating baseline than existed prior to 2020. While future data will ultimately determine the durability of this pattern, the current trajectory suggests that elevated entrepreneurial activity has become an enduring characteristic of the post-pandemic economy.

Strategic Implication

If sustained, elevated business formation expands the pipeline of future businesses entering the economy. Organizations that depend on emerging businesses should view continued strength in the Composite BFII as an early indicator of future customer creation rather than simply a measure of current entrepreneurial activity.

Business formation provides the broadest view of entrepreneurial activity. Understanding why the Composite BFII increased during Q2 requires examining the two indexes that comprise it—the Formation Volume Index and the Employer Formation Index—which together reveal how the composition of business formation continues to evolve.

Formation Components

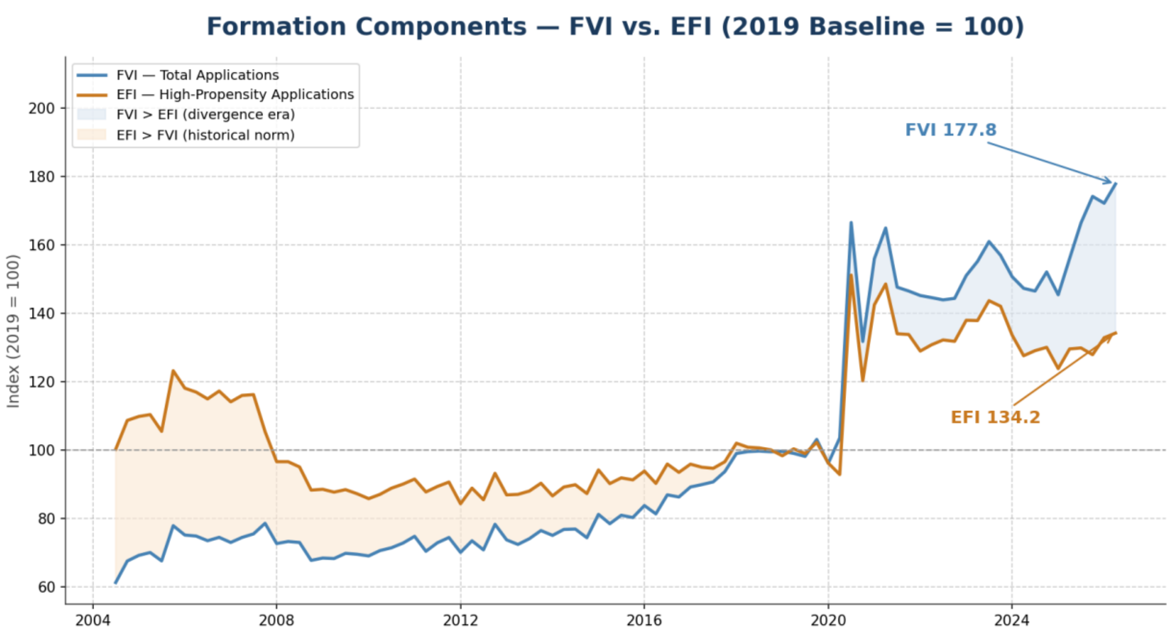
Understanding the Relationship Between FVI and EFI

KEY TAKEAWAY: *Both Formation Volume and Employer Formation strengthened during Q2 2026. The Composite BFII increased because both measures advanced—even though overall business formation grew more rapidly than employer-intent formation.*

The Composite BFII is built from two complementary measures: the Formation Volume Index (FVI) and the Employer Formation Index (EFI). While the Composite Index summarizes overall business formation activity, examining these two components separately provides a clearer understanding of how entrepreneurship is evolving.

During Q2 2026, both indexes moved higher. The Formation Volume Index increased from 172.2 to 177.8, establishing a new high for the BFII series. The Employer Formation Index also advanced, rising from 132.9 to 134.2. Together, these gains lifted the Composite BFII to its highest level since Q2 2021.

Although both measures strengthened, they did so at different rates. Formation Volume increased by approximately 3.3 percent during the quarter, while Employer Formation increased by approximately 1.0 percent. This reversed the pattern observed in Q1, when employer-intent formation improved more rapidly than overall business formation.



Both BFII components strengthened during Q2 2026. Formation Volume reached a new series high while Employer Formation continued to improve, lifting the Composite BFII to its strongest reading since Q2 2021.

Source: U.S. Census Bureau Business Formation Statistics (BFS); BFII calculations.

Interpreting the Components

Viewed together, the Formation Volume Index and Employer Formation Index provide a more complete understanding of business formation than either measure alone.

The Formation Volume Index captures the breadth of entrepreneurial activity entering the marketplace. The Employer Formation Index measures the portion of those new businesses that the U.S. Census Bureau identifies as having a higher likelihood of becoming employer firms.[3]

The Q2 results demonstrate that employer-oriented business formation continues to strengthen even as overall business formation accelerates more rapidly. The Business Formation Statistics do not explain why the two measures are growing at different rates. The BFII interprets this pattern as evidence that the composition of new business formation continues to evolve, while recognizing that multiple factors may contribute to changes in the relationship between the two indexes over time.

Rather than viewing one index as more important than the other, the BFII treats them as complementary measures, each capturing a different dimension of the same underlying activity.

> **Strategic Implication**
>
> Organizations that depend on emerging businesses should read Formation Volume and Employer Formation as two views of the same national trend rather than a single number: rising volume signals a larger overall applicant pool, while the widening gap between the two indexes signals that a growing share of that pool may look different from the employer-track businesses of the past.

The relationship between these two indexes explains more than how the Composite BFII changed during Q2. It also reveals an important shift in the composition of business formation. The next section examines that relationship directly through the BFII Divergence Spread.

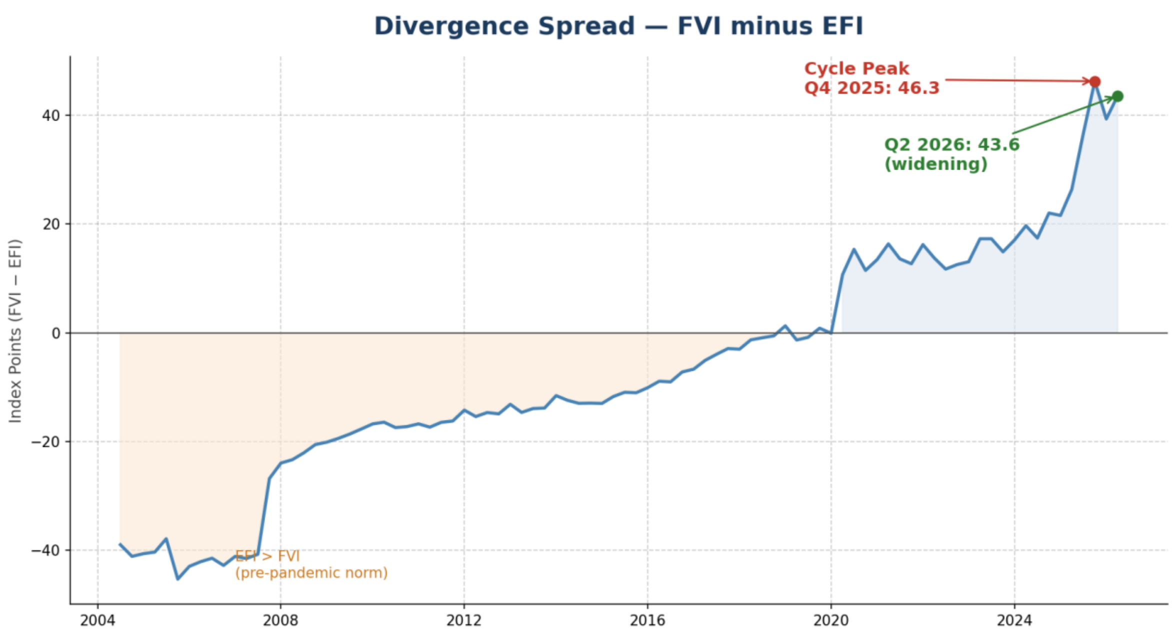
Formation Divergence

Understanding the Changing Composition of Entrepreneurship

KEY TAKEAWAY: *The Divergence Spread widened during Q2 2026, not because employer-intent business formation weakened, but because overall business formation accelerated more rapidly. The BFII interprets this relationship as an important indicator of how the composition of entrepreneurship may be evolving.*

The BFII Divergence Spread measures the difference between the Formation Volume Index (FVI) and the Employer Formation Index (EFI). Rather than evaluating the strength or quality of entrepreneurship, it measures the changing relationship between overall business formation and employer-intent business formation over time.

During Q2 2026, the Divergence Spread widened from 39.3 in Q1 to 43.6. Importantly, this change was not driven by declining employer formation. Both indexes continued to strengthen during the quarter. The spread widened because overall business formation increased more rapidly than employer-intent formation.



The Divergence Spread widened during Q2 2026 as Formation Volume increased more rapidly than Employer Formation. Both indexes continued to strengthen, but the relationship between them remains structurally different from the pre-2020 period.

Source: U.S. Census Bureau Business Formation Statistics (BFS); BFII calculations.

Interpreting the Divergence

As illustrated in the chart above, the relationship between the Formation Volume Index and Employer Formation Index differs meaningfully from the pattern that existed before 2020. Prior to the pandemic, employer-oriented business formation generally tracked more closely with overall business formation. Since 2020, the gap between the two measures has remained consistently wider, even as both indexes have continued to recover and strengthen.

The Business Formation Statistics identify that this relationship has changed, but they do not identify why.

Several plausible explanations have been suggested by researchers[4,1] studying entrepreneurship and small business formation, including:

- continued growth of owner-operated and single-member businesses;
- increased use of LLC structures for liability protection rather than immediate hiring;
- technology enabling businesses to operate efficiently with smaller workforces;
- greater reliance on contractors, freelancers, and outsourced services; and
- delayed hiring while new businesses establish operations in an uncertain economic environment.

The BFII does not attempt to determine which of these explanations, if any, is primarily responsible for the Divergence Spread. Instead, it treats the changing relationship itself as an important analytical signal that warrants continued observation.

The BFII interprets the persistence of this pattern as evidence that the structure of business formation may be evolving. This interpretation remains provisional and will continue to be evaluated as additional quarterly data become available.

Strategic Implication

The Divergence Spread is not a measure of business quality. It is a measure of business composition.

Organizations that serve emerging businesses should monitor the Divergence Spread alongside the Composite BFII rather than relying on overall business application volume alone. Changes in the relationship between total business formation and employer-intent formation provide additional context about how the population of newly formed businesses may be evolving over time.

Strategic View

What the Divergence Spread Means for How You Read “New Business” Data

The widening Divergence Spread is a reminder that “new business formation” is not one uniform category. Some of the businesses behind this quarter’s Formation Volume gains will hire employees quickly. Others—sole proprietors, LLCs formed for liability protection, contractor-supported operations—may never generate payroll at all, without that changing their significance as economic activity.

For organizations that use business formation data to identify prospects or size a market, this shift matters even when working from total formation counts alone. As the composition of new applications continues to move away from the employer-track pattern common before 2020, strategies built on year-over-year volume comparisons should account for the fact that today's applicant pool looks structurally different than it did five years ago—not just larger or smaller.

The next section examines whether this composition shift reflects a durable pattern by analyzing the momentum behind the current business formation cycle.

Formation Momentum

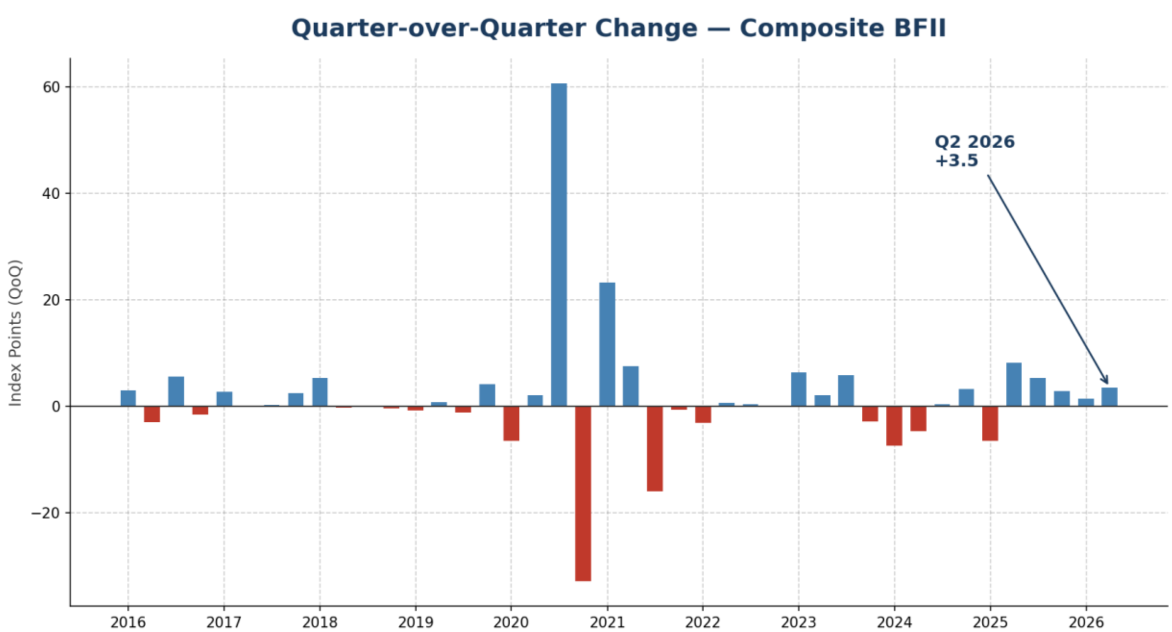
Distinguishing Short-Term Improvement from Sustained Trend

KEY TAKEAWAY: *Five consecutive quarters of improvement suggest that elevated business formation reflects a sustained trend rather than a series of isolated quarterly gains.*

Quarterly changes provide important insight into the direction of business formation, but individual reporting periods rarely tell the complete story. Seasonal influences, economic events, and temporary market conditions can all affect quarter-to-quarter results without fundamentally changing longer-term entrepreneurial trends.

The BFII Momentum analysis examines business formation over multiple quarters to distinguish temporary fluctuations from sustained directional change. Rather than focusing on the size of any single quarterly increase, Momentum evaluates whether the underlying trajectory of business formation is strengthening, weakening, or remaining stable over time.

During Q2 2026, the Composite BFII increased for the fifth consecutive quarter, extending one of the longest sustained periods of improvement in the BFII historical series.



The Composite BFII increased for the fifth consecutive quarter, reinforcing the persistence of elevated business formation.

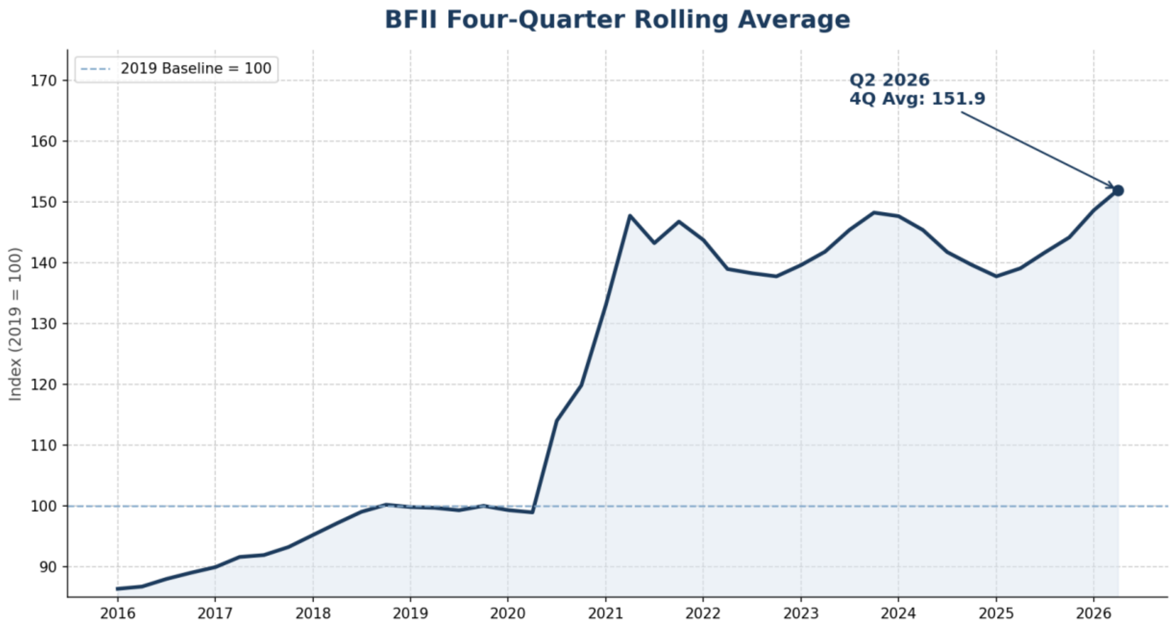
Source: U.S. Census Bureau Business Formation Statistics (BFS); BFII calculations.

Interpreting the Trend

The significance of the current momentum lies less in the magnitude of any single quarterly increase than in the consistency of the broader pattern.

Five consecutive quarterly increases in the Composite BFII and a continued increase in the rolling four-quarter average provide growing evidence that elevated entrepreneurial activity has persisted beyond isolated quarterly fluctuations.

The BFII interprets this sustained pattern as evidence that current entrepreneurial activity continues to demonstrate unusual persistence relative to shorter-term business cycles. This interpretation remains provisional and will continue to be evaluated as additional quarterly data become available.



The rolling four-quarter average continued to increase during Q2 2026, reinforcing the longer-term direction of business formation while smoothing quarter-to-quarter variation.

Source: U.S. Census Bureau Business Formation Statistics (BFS); BFII calculations.

The rolling four-quarter average increased from 148.6 in Q1 to 151.9 in Q2, providing additional confirmation that the broader direction of business formation continues to strengthen even as individual quarterly results fluctuate. By smoothing quarter-to-quarter variation, the rolling average helps distinguish sustained momentum from temporary movements.

Strategic Implication

Momentum helps distinguish durable trends from isolated quarterly movements. Organizations making long-term decisions regarding customer acquisition, market expansion, product investment, hiring, or resource allocation should monitor sustained business formation trends rather than reacting to individual quarterly changes.

Momentum does not predict future business formation. It provides a disciplined framework for evaluating whether observed changes are becoming more or less persistent over time.

The next section examines how these national trends varied across the four U.S. Census regions, highlighting where business formation remained strongest during Q2 2026.

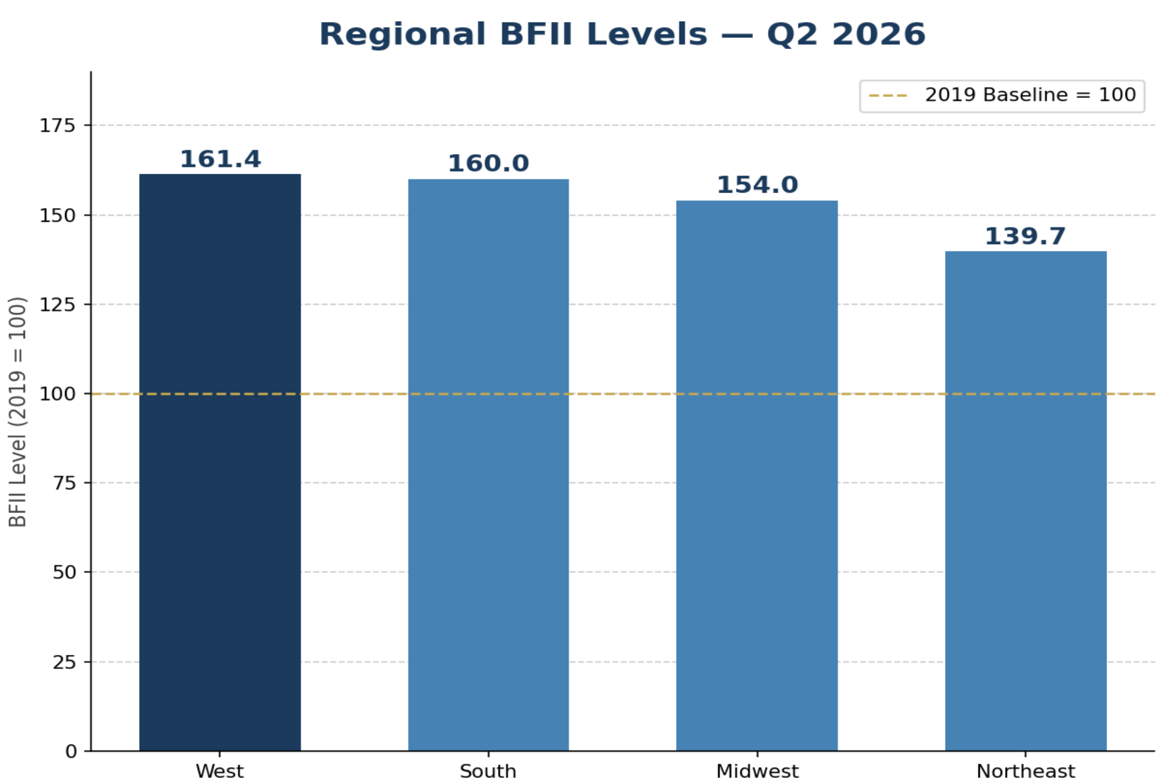
Regional Analysis

Business Formation Strengthened Across All Four U.S. Census Regions

KEY TAKEAWAY: *All four U.S. Census regions recorded BFII gains during Q2 2026. The West remained the nation's highest-performing region, while the Northeast posted the strongest quarterly improvement, reinforcing that elevated business formation continues to reflect a broad national trend.*

Regional analysis complements the national Composite BFII by showing how entrepreneurial activity is distributed across the United States. While the Composite Index measures overall business formation, regional analysis helps determine whether that strength reflects broad national participation or is concentrated within a limited number of geographic markets.

During Q2 2026, every Census region recorded a higher BFII reading than in the previous quarter. The West remained the highest-performing region with a BFII of 161.4, followed by the South at 160.0. The Midwest increased to 154.0, while the Northeast recorded the quarter's largest gain, rising 5.1 points to 139.7.



All four Census regions recorded higher BFII readings during Q2 2026. The West remained the highest-performing region, while the Northeast recorded the largest quarter-over-quarter improvement.

Source: U.S. Census Bureau Business Formation Statistics (BFS); BFII regional calculations.

Interpreting the Regional Results

Regional differences are an expected characteristic of the U.S. economy. Industry composition, demographic trends, migration patterns, and local economic conditions all influence entrepreneurial activity across the country.

The Q2 results nevertheless demonstrate that business formation strength was not confined to a single region. The BFII interprets the simultaneous improvement across all four Census regions as additional evidence that elevated business formation continues to reflect a broadly distributed national entrepreneurial environment.

The quarter also highlights an important distinction between regional leadership and regional momentum. The West maintained the nation's highest overall BFII reading, while the Northeast generated the strongest quarterly acceleration. Together, these measures provide a more complete understanding of regional business formation than regional rankings alone.

> **Strategic Implication**
>
> Organizations serving emerging businesses should treat regional position and regional momentum as separate inputs for resource allocation and market prioritization—the strongest markets today aren't always where growth is accelerating fastest, and expansion decisions built on either measure alone will miss half the picture.

Regional Performance

West

The West remained the nation's highest-performing region with a BFII of 161.4, reflecting continued strength across a diverse regional economy and maintaining its leadership entering the second half of 2026.

South

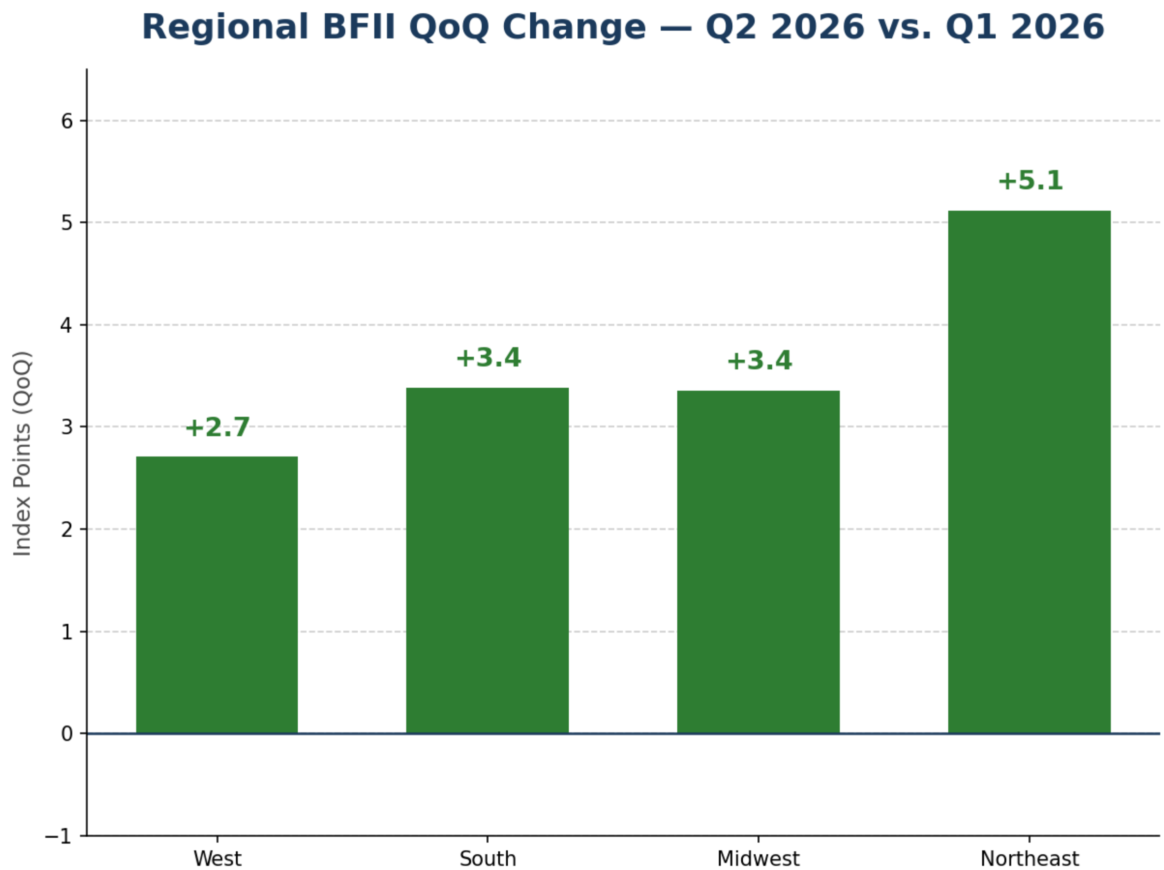
The South increased to a BFII of 160.0, continuing to rank among the nation's strongest entrepreneurial regions while demonstrating strong state-level participation across the region.

Midwest

The Midwest advanced to a BFII of 154.0, with three-quarters of Midwestern states recording quarter-over-quarter improvement, reinforcing that state-level improvement extended well beyond a handful of individual markets.

Northeast

The Northeast delivered the quarter's strongest momentum, increasing 5.1 BFII points to 139.7. Notably, all nine Northeastern states recorded quarter-over-quarter improvement, making it the broadest regional advance observed during Q2.



All four Census regions advanced during Q2 2026, with the Northeast recording the largest quarter-over-quarter increase.

Source: U.S. Census Bureau Business Formation Statistics (BFS); BFII regional calculations.

Viewed together, the regional results demonstrate that elevated business formation remained broadly distributed across the United States while revealing meaningful differences in regional momentum. The distinction between where business formation is strongest today and where it is accelerating most rapidly provides additional context for organizations planning market expansion, customer acquisition, and resource allocation strategies.

The next section examines business formation by industry, identifying which sectors contributed most significantly to entrepreneurial activity during Q2 2026.

Industry Analysis

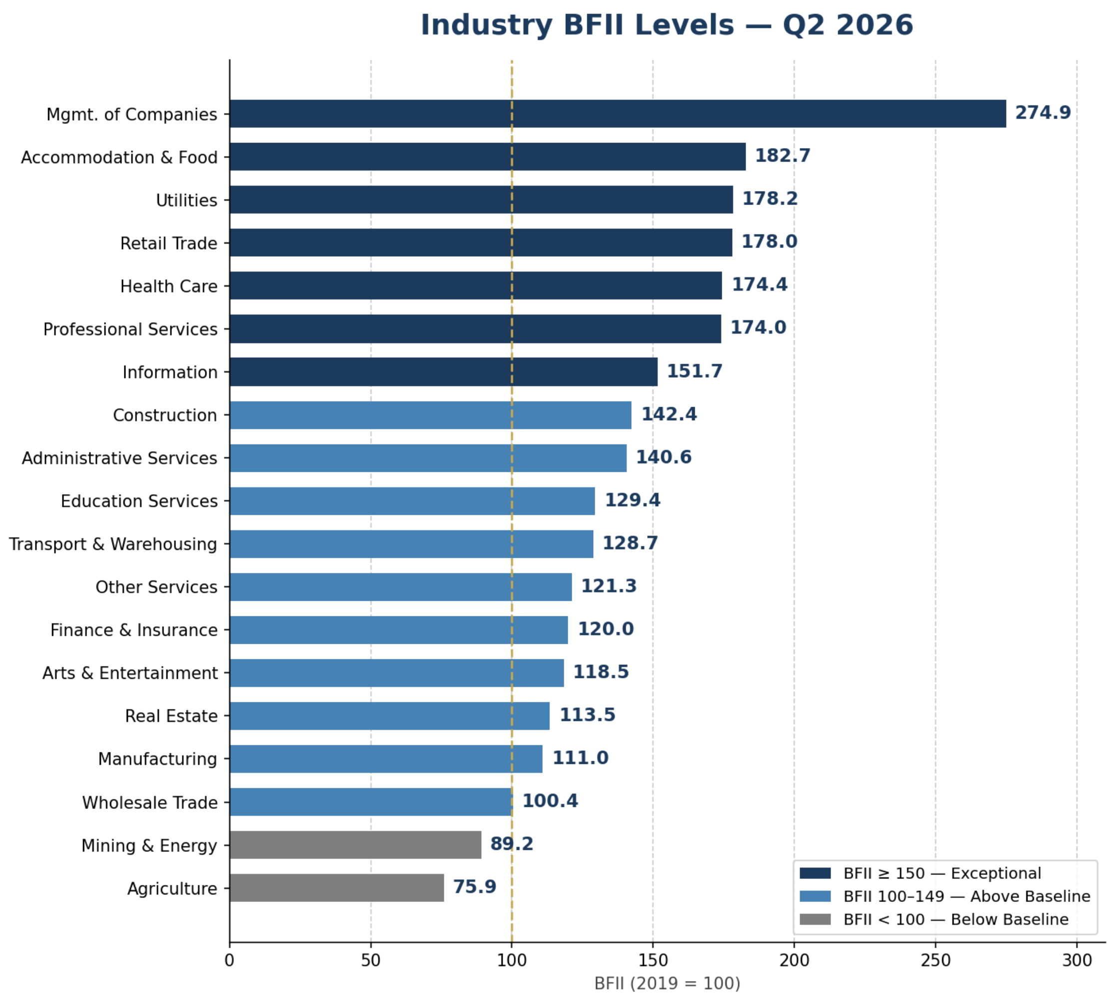
Industry Leadership Remained Stable While Entrepreneurial Momentum Shifted Beneath the Surface

KEY TAKEAWAY: *Industry leadership remained remarkably stable during Q2 2026, but entrepreneurial momentum continued to evolve beneath the surface. The same industries maintained leadership positions while a different group generated the strongest quarterly acceleration and contributed disproportionately to the quarter's overall improvement.*

Industry analysis provides an additional dimension to the Composite BFII by examining how entrepreneurial activity is distributed across the U.S. economy. While the Composite Index measures the overall pace of business formation, industry analysis reveals where entrepreneurial activity is strongest, where it is accelerating, which industries contributed most to quarterly change, and how broadly entrepreneurial gains were distributed across the economy.

During Q2 2026, leadership among major industries remained largely unchanged. Management of Companies & Enterprises retained the highest BFII reading at 274.9, while the composition of the Top Five industries remained unchanged from the previous quarter. Although Accommodation & Food Services and Utilities exchanged positions, no industries entered or exited the Top Five, indicating that industry leadership continued to reflect structural strength rather than short-term volatility.

At the same time, entrepreneurial momentum shifted beneath the surface. Information recorded the strongest quarter-over-quarter improvement (+9.6%), while several other industries posted meaningful gains despite remaining outside the highest-ranked group. These results demonstrate that the industries experiencing the fastest acceleration are not necessarily those generating the highest overall levels of entrepreneurial activity.



Industry leadership remained stable during Q2 2026, with the same five industries maintaining their leadership positions while momentum shifted within the broader economy.

Source: U.S. Census Bureau Business Formation Statistics (BFS); BFII industry calculations.

Interpreting the Industry Results

Industry performance should be evaluated through multiple analytical dimensions rather than rankings alone. The BFII evaluates industry performance through four complementary perspectives:

- Leadership — where entrepreneurial activity is strongest.
- Momentum — which industries are improving most rapidly.
- Contribution — which industries exerted the greatest influence on quarterly change.
- Breadth — how widely entrepreneurial gains were distributed across classified industries.

Viewed together, these perspectives provide a more complete understanding of entrepreneurial activity than any single metric alone.

The BFII interprets the Q2 results as evidence that entrepreneurial activity continues to strengthen through a combination of stable industry leadership, evolving sector-level momentum, concentrated contribution, and selective breadth. This interpretation remains provisional and will continue to be evaluated as additional quarterly data become available.

Industry Contribution

Although only 9 of 19 classified industries recorded quarter-over-quarter improvement, the quarter's net gain was driven disproportionately by a relatively small number of sectors.

Professional, Scientific & Technical Services accounted for 35.7% of the classified-sector composite's net increase, followed by Retail Trade (25.4%) and Accommodation & Food Services (17.1%). Together, these three industries generated approximately 78% of the quarter's positive movement among classified sectors.

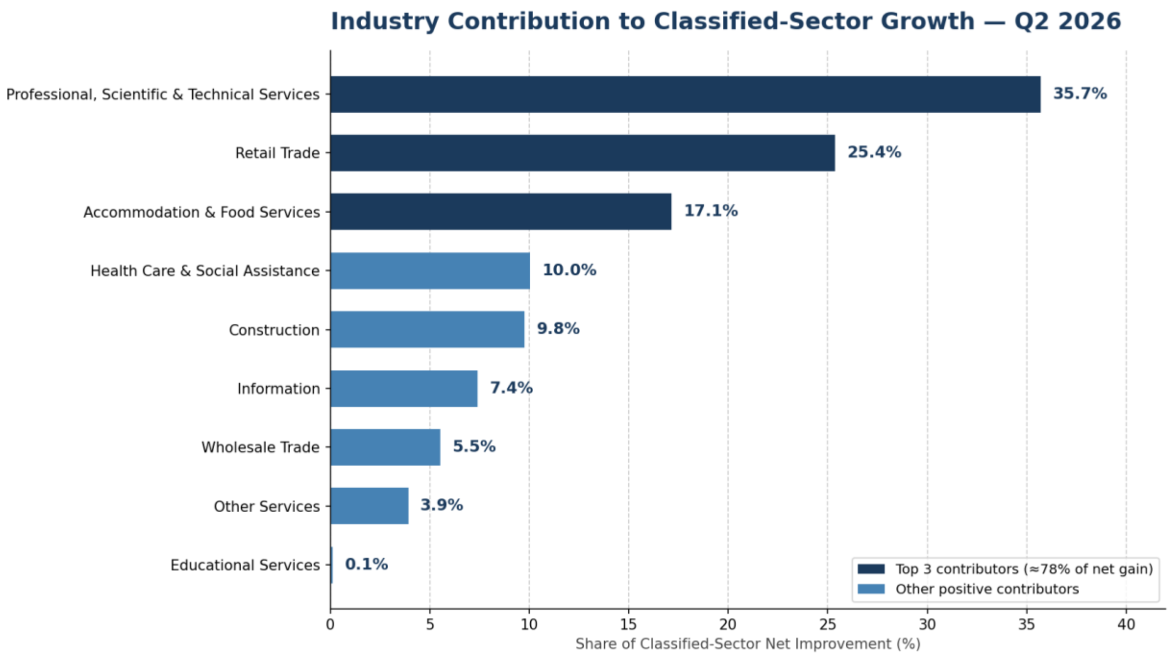
This concentration of contribution demonstrates that changes in the entrepreneurial environment are influenced not only by how many industries improve, but also by which industries improve and the magnitude of their contribution.

BFII Insight

The industries generating the strongest entrepreneurial momentum are not always the industries exerting the greatest influence on the national business formation environment. During Q2 2026, Information recorded the fastest entrepreneurial momentum, while Professional, Scientific & Technical Services contributed the largest share of overall classified-sector growth, illustrating why leadership, momentum, and contribution should be evaluated together rather than independently.

Strategic Implication

Organizations targeting emerging businesses should monitor leadership, momentum, and contribution together. Established high-formation industries continue to provide scale, while rapidly improving industries may signal emerging opportunities before they become evident through leadership rankings alone.



Three industries accounted for approximately 78% of the classified-sector composite's net improvement during Q2 2026, illustrating that contribution, leadership, and momentum represent distinct dimensions of entrepreneurial activity.

Source: U.S. Census Bureau Business Formation Statistics (BFS); BFII industry calculations.

The underlying structure of entrepreneurial activity continued to evolve during Q2 2026. Evaluating industry performance through the complementary perspectives of leadership, momentum, contribution, and breadth provides additional insight into how the entrepreneurial economy is changing beneath the surface. Together, these dimensions help distinguish stable industry leadership from emerging areas of opportunity and identify the sectors exerting the greatest influence on the broader business formation environment.

The next section examines the Business Formation Outlook, evaluating the conditions and indicators that may influence entrepreneurial activity during the second half of 2026.

Looking Ahead

Questions That Will Shape the Entrepreneurial Economy

The BFII is designed to measure how the entrepreneurial economy is evolving—not to predict future business formation. While Q2 2026 provides additional evidence of sustained entrepreneurial activity, the results also raise several important questions that will shape future editions of the Index.

Rather than forecasting outcomes, the BFII identifies the developments most likely to influence the structure, composition, and momentum of business formation in the quarters ahead.

Will Employer-Oriented Business Formation Continue to Strengthen?

Employer-oriented business formation continued to strengthen during Q2 2026, extending the gradual improvement observed over recent quarters.

Unlike the Divergence Spread, which measures the relationship between employer-oriented and overall business formation, the Employer Formation Index measures the absolute level of businesses that indicate an intention to hire employees.

Future BFII releases will monitor whether employer-oriented business formation continues strengthening on its own terms. Sustained improvement in this measure would provide additional evidence that businesses planning to build payrolls continue to represent an important component of the evolving entrepreneurial economy.

Will the Divergence Spread Continue to Widen—or Begin to Stabilize?

The Divergence Spread remains one of the BFII's most important structural indicators because it measures the changing relationship between overall business formation and employer-oriented business formation.

Whether the spread continues to widen, stabilizes, or begins to narrow over future quarters will provide additional evidence regarding how the structure of entrepreneurship is evolving. The BFII will continue evaluating this relationship as additional quarterly data become available while recognizing that multiple explanations may contribute to changes in the pattern over time.

Will Entrepreneurial Strength Remain Broadly Distributed?

One of the defining characteristics of Q2 2026 was the broad distribution of entrepreneurial activity across the country.

All four Census regions recorded quarter-over-quarter improvement, while business formation continued across a diverse range of industries.

Future BFII releases will evaluate whether this broad participation continues or whether entrepreneurial activity begins concentrating within a smaller number of regions or industries.

Will Emerging Momentum Become Tomorrow's Industry Leadership?

Industry Analysis demonstrated that the fastest-growing industries were not always those exerting the greatest influence on the entrepreneurial economy.

Future editions of the BFII will monitor whether industries currently demonstrating strong momentum ultimately emerge as the next generation of entrepreneurial leaders or whether established leadership continues to dominate overall business formation.

Will Today's Momentum Become a Lasting Trend?

Composite BFII and Momentum Analysis both suggest that elevated entrepreneurial activity has persisted across multiple quarters. Future editions of the BFII will continue evaluating whether this sustained pattern represents a durable structural shift in entrepreneurial activity or a continuation of the current business cycle.

Additional quarters of data will provide important evidence regarding whether the current trajectory continues, stabilizes, or begins to moderate over time.

What External Developments Should Organizations Watch?

The BFII intentionally focuses on observed business formation rather than attempting to attribute changes to individual economic events.

Nevertheless, organizations evaluating emerging business markets should continue monitoring broader developments that may influence entrepreneurial activity, including:

- Interest rate policy
- Access to capital
- Labor market conditions
- Technology adoption and automation
- Regulatory and tax policy affecting small businesses
- Consumer spending and business confidence

The BFII will continue assessing how business formation evolves alongside these broader developments without assuming direct causal relationships.

Strategic Perspective

The value of the BFII lies not in predicting the future, but in helping organizations recognize meaningful changes as they emerge. By monitoring entrepreneurial activity through multiple analytical dimensions—including composition, momentum, regional distribution, industry leadership, contribution, and breadth—the BFII provides a disciplined framework for understanding how the entrepreneurial economy is evolving over time.

The questions explored in this report will continue to shape future editions of the BFII as additional quarterly data become available. Each new release will build upon the historical record established here, strengthening the Index's ability to identify meaningful changes in the entrepreneurial landscape while maintaining a disciplined distinction between observation, interpretation, and prediction.

Closing Perspective

Measuring More Than Business Formation

Business formation is often discussed as a single statistic—a quarterly total that rises or falls over time. Q2 2026 illustrates why that view is incomplete: a record Composite BFII, a widening Divergence Spread, and broad-based regional and industry participation are three distinct developments that a single headline number would have missed entirely.

Throughout this report, the BFII has approached business formation from a different perspective. Rather than focusing solely on how many businesses are being created, it examines how the composition of entrepreneurship is evolving, where activity is occurring, which industries are driving change, and whether emerging patterns are becoming more persistent over time.

No single measure can fully describe the entrepreneurial economy. Viewing business formation through multiple analytical dimensions provides a broader understanding of how entrepreneurship is evolving than any single index or quarterly statistic alone.

The BFII does not attempt to predict future business formation or explain every factor influencing entrepreneurial activity. Instead, it offers a disciplined approach to observing change and interpreting emerging patterns while maintaining a consistent methodology from quarter to quarter—the same methodology that allows this quarter's Divergence Spread, regional breadth, and momentum findings to be compared directly against future editions.

For organizations that serve emerging businesses, understanding these changes is increasingly important. Decisions about market opportunities, customer acquisition, resource allocation, and long-term strategy are often made before broader economic trends become fully visible. Evaluating business formation through multiple analytical dimensions provides additional context for those decisions while avoiding conclusions that extend beyond what the data support.

The entrepreneurial economy will continue to evolve. New industries will emerge, regional patterns will shift, employer-oriented business formation will strengthen or weaken, and the relationship between different forms of entrepreneurship will continue to change. Q2 2026 is one data point in that longer record—meaningful on its own terms, and more meaningful still in the context future editions will continue to build.

Index Construction & Methodology

Methodology

The Business Formation Intelligence Index (BFII) is a quarterly analytical framework developed by Crosslists Data to measure and interpret trends in U.S. business formation. The Index is designed to provide business leaders, marketers, financial institutions, investors, policymakers, and researchers with a clearer understanding of how entrepreneurial activity is evolving over time.

The Business Formation Intelligence Index (BFII) is derived from the U.S. Census Bureau's Business Formation Statistics (BFS), which analyzes business applications for Employer Identification Numbers (EINs) submitted to the Internal Revenue Service (IRS).[2] These applications provide one of the earliest measurable indicators of new business activity in the United States.[1]

The Composite BFII consists of two equally weighted components:

- **Formation Volume Index (FVI) —** Measures overall business application activity relative to the 2019 baseline.
- **Employer Formation Index (EFI) —** Measures business applications identified by the U.S. Census Bureau as having a high propensity to become employer businesses.

Each component is indexed to 2019 = 100. The Composite BFII is calculated as the simple average of the two component indexes.

In addition to the Composite BFII, this report analyzes:

- Formation Components (FVI and EFI)
- Divergence Spread (FVI − EFI)
- Formation Momentum
- Regional BFII
- Industry BFII

Together, these measures provide a more complete understanding of the level, composition, and momentum of U.S. business formation.

Data Source

All business formation data are derived from the U.S. Census Bureau's Business Formation Statistics (BFS), which are based on business applications for Employer Identification Numbers filed with the Internal Revenue Service. Unless otherwise noted, all quarterly values reflect seasonally adjusted data available as of the Q2 2026 release.

Index Construction

The BFII is constructed using the following methodology:

- **Baseline Year:** 2019 = 100
- **Formation Volume Index (FVI):** Indexed from the Census Bureau's Total Business Applications (BA_BA) series.
- **Employer Formation Index (EFI):** Indexed from the Census Bureau's High-Propensity Business Applications (BA_HBA) series.
- **Composite BFII:** Calculated as 50% FVI + 50% EFI.
- **Divergence Spread:** Calculated as FVI − EFI.
- **Regional BFII:** Calculated independently using Census regional Business Formation Statistics.
- **Industry BFII:** Calculated using two-digit NAICS Business Formation Statistics. “Unclassified” industries are excluded from published rankings and comparisons to maintain consistency with prior BFII editions.

Data Governance

BFII values are locked upon publication. Although the U.S. Census Bureau may subsequently revise historical Business Formation Statistics, previously published BFII values are not retroactively changed.

This policy preserves continuity between quarterly editions, maintains the integrity of published reports, and ensures that each edition reflects the information available at the time of publication. Internal revision tracking is maintained separately for analytical purposes but does not alter published BFII history.

Data Revisions

Once a BFII edition is published, historical BFII values are frozen and serve as the official historical record for subsequent reports. Underlying Census BFS revisions are not incorporated into previously published BFII values unless a documented methodological revision or material calculation error requires restatement.

About Interpretation

The BFII measures patterns in business formation activity. While the report provides analysis and interpretation of observed trends, it does not attempt to predict future economic conditions or establish causal relationships.

About the Business Formation Intelligence Index

The Business Formation Intelligence Index™ (BFII) is a framework for interpreting business formation through disciplined analysis of official U.S. Census Bureau Business Formation Statistics (BFS).

Rather than simply reporting business application volumes, the BFII combines official U.S. Census Bureau Business Formation Statistics (BFS) with independent analysis and historical context to help executives better understand how entrepreneurship is evolving over time.

Each quarterly edition examines national trends, regional performance, industry dynamics, and the changing relationship between total business formation and employer-intent formation. Together, these perspectives provide a more comprehensive understanding of the entrepreneurial economy than any single measure alone.

The BFII is designed to answer three fundamental questions:

- What changed?
- Why does it matter?
- What emerging patterns warrant continued observation as the entrepreneurial economy evolves?

By focusing on interpretation rather than simply reporting statistics, the BFII seeks to provide business leaders, researchers, financial institutions, policymakers, and organizations serving emerging businesses with practical insight into one of the earliest measurable indicators of future economic activity.[1]

The Business Formation Intelligence Index (BFII) is published quarterly by Crosslists Data.

About Crosslists Data

Crosslists Data is a provider of Market-Ready Data® and business intelligence focused on the earliest stages of the business lifecycle. With more than two decades of experience tracking new business activity across the United States, Crosslists processes millions of business formation records annually using official business registration data, proprietary data preparation processes, and business event intelligence to help organizations better understand U.S. business formation activity.

Crosslists supports organizations across financial services, insurance, professional services, and other B2B industries by helping them identify, understand, and engage emerging businesses as they enter the marketplace and continue to evolve—supporting customer acquisition, underwriting, market development, and strategic decision-making.

Published as part of Crosslists Data's ongoing research program, the Business Formation Intelligence Index™ (BFII) applies a consistent methodology and evidence-based editorial standards to help executives interpret changes in U.S. business formation over time.

In addition to publishing the BFII, Crosslists provides specialized business intelligence, including formation data, business change intelligence, sector-specific datasets, and geographic market intelligence. Organizations with data needs beyond the BFII are welcome to contact Crosslists directly.

Additional information about Crosslists Data, the Business Formation Intelligence Index™, and Market-Ready Data® is available at www.crosslists.com.

References

[1] Asturias, J., Dinlersoz, E., Haltiwanger, J., & Hutchinson, R. (2021). *Business Applications as Economic Indicators.*

[2] U.S. Census Bureau. *Business Formation Statistics (BFS) Methodology.*

[3] U.S. Census Bureau. *Business Formation Statistics Definitions.*

[4] U.S. Census Bureau. *Business Formation Statistics Research Library.*