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SPECIAL REPORT

What Industry Rankings Alone Don't Tell Us

Q2 2026 Industry Analysis

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About BFII Special Reports

Alongside its quarterly flagship edition, the Business Formation Intelligence Index™ (BFII) publishes a Special Report series. Each Special Report takes one topic — a region, an industry, a specific measure — and follows it in depth only a single-topic report allows, using the same data and the same editorial standards as every other BFII publication.

The flagship BFII covers a full quarter: national trends, regional performance, industry dynamics, and the relationship between total and employer-intent formation. Special Reports extend that same analysis, applying it to one part of the picture at a time.

Special Reports are meant to be read alongside the flagship, not instead of it. Together, they make up the BFII's ongoing research record on U.S. business formation.

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What Industry Rankings Alone Don't Tell Us

The Q2 2026 BFII industry rankings showed us which industries are the largest, which are growing fastest, and which industries drove the quarter's improvement. Read on their own, rankings like these invite one natural conclusion: that the strongest-ranked or fastest-growing industry is the safest bet.

The Q2 flagship itself notes that industry performance is best read through multiple lenses — leadership, momentum, contribution, and breadth — rather than any single ranking. This report follows that lead, applying it in more depth to three things the same data shows: how concentrated the quarter's improvement really was, how many industries moved in the opposite direction, and whether an industry's growth is broadly aligned with employer-oriented formation or reflects a more volatile mix of business types.

THE ARGUMENT: *Industry rankings by level and by momentum are accurate, and like any ranking, they summarize. This report extends that summary with three things that matter to how the data should be used: growth was carried by three industries far more narrowly than the top-line 78% figure suggests, ten of nineteen industries declined even as the national trend strengthened, and the fastest-growing industry (Information) shows the least uniform growth composition of any industry, while a modestly-growing one (Health Care) shows the most uniform.*

What the Rankings Show

The Q2 2026 BFII flagship reported that *Management of Companies & Enterprises* (corporate holding companies and headquarters establishments, not management consulting) remained the highest-level industry (274.9), that industry leadership was stable with the same five industries holding the top five positions as in Q1, and that *Information* (publishing, broadcasting, telecommunications, and software) posted the fastest quarter-over-quarter momentum of any industry (+9.6%).

Those numbers are accurate, and the flagship is explicit that they're one view among several: it states that “*industry performance should be evaluated through multiple analytical dimensions rather than rankings alone,*” and names leadership, momentum, contribution, and breadth as the complementary lenses it uses. This report applies that same approach in more depth, to three questions the flagship's industry section didn't have the space to answer in full.

Evidence One: How Concentrated the Improvement Really Was

The flagship reported that three industries, *Professional, Scientific & Technical Services*, *Retail Trade*, and *Accommodation & Food Services*, accounted for approximately 78% of the classified-sector composite's net increase. That figure describes the net result only after those that posted declines are subtracted. Viewed industry by industry, the concentration comes into sharper focus: positive contributors' shares come to roughly 115% of net classified-sector change, balanced by ten industries moving the other way.

Industry	Share of Net Change	Direction
Professional, Scientific & Technical Services	+35.7%	Improved
Retail Trade	+25.4%	Improved
Accommodation & Food Services	+17.1%	Improved
Health Care & Social Assistance	+10.0%	Improved
Construction	+9.8%	Improved
Information	+7.4%	Improved
Wholesale Trade	+5.5%	Improved
Other Services	+3.9%	Improved
Mining, Quarrying & Oil/Gas Extraction	+0.04%	Improved
Transportation & Warehousing	-4.8%	Declined
Arts, Entertainment & Recreation	-2.3%	Declined
Finance & Insurance	-2.0%	Declined
Agriculture, Forestry, Fishing & Hunting	-1.8%	Declined
Manufacturing	-1.3%	Declined
Real Estate, Rental & Leasing	-1.0%	Declined
Management of Companies & Enterprises	-0.8%	Declined
Administrative & Support Services	-0.8%	Declined
Utilities	-0.2%	Declined
Educational Services	+0.1% ¹	Declined

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

¹ Educational Services posted a small positive Share of Net Change despite an overall point decline this quarter (see Evidence Two) — its Business Applications and High-Propensity Business Applications point contributions moved in opposite directions and nearly offset. It is classified as Declined here to match its net BFII change, consistent with the rest of this report.

The Composite BFII still reached a five-quarter high, and industry leadership stayed stable, just as the flagship reported — this analysis doesn't change either finding. The 78% figure is accurate on its own terms: it measures net contribution among the industries that improved. Looking at all nineteen industries side by side adds detail that figure isn't made to carry on its own — specifically, how many industries moved in the other direction while that 78% was building.

Evidence Two: The Industries the Rankings Don't Flag

Rankings by level or momentum are built to surface industries that are large or fast. As a summary, they aren't built to flag an industry that's declining unless it shrinks enough to fall out of the top ranks entirely. Ten of nineteen classified industries declined in Q2, spanning both cyclically sensitive industries and industries not usually considered cyclical.

Industry	Point Change	QoQ %	Note
Utilities	-13.26	-6.9%	Largest point decline of any industry
Management of Companies & Enterprises	-7.61	-2.7%	Still the highest-level industry overall (274.9) — a decline from an elevated base
Agriculture, Forestry, Fishing & Hunting	-6.46	-7.8%	Largest percentage decline of any industry
Arts, Entertainment & Recreation	-4.31	-3.5%	
Transportation & Warehousing	-2.81	-2.1%	
Manufacturing	-1.91	-1.7%	
Finance & Insurance	-1.88	-1.5%	
Administrative & Support Services	-1.51	-1.1%	
Real Estate, Rental & Leasing	-1.20	-1.0%	
Educational Services	-0.56	-0.4%	Smallest decline — closer to flat than falling

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

Management of Companies & Enterprises is a good illustration of why level and momentum are different measurements, not competing verdicts. The segment posted the second-largest point decline of any industry in Q2 (behind only Utilities), yet at 274.9 it's still the highest-level industry in the entire index. A momentum ranking calls it weak. A level ranking calls it the strongest industry in the country. Both are correct — they're just answering different questions.

Three things could explain the broader ten-industry decline, and they aren't mutually exclusive: 1) real contraction in those industries; 2) a pullback from unusually high prior levels (true of *Management of Companies & Enterprises* specifically); or 3) formation activity shifting into the three leading industries as businesses register under different codes. Future quarters may help distinguish among these explanations. If *Management of Companies & Enterprises* moves back toward its prior level, that would be more consistent with a temporary pullback from an elevated base; continued declines would make a broader contraction interpretation more plausible.

Evidence Three: Momentum That Isn't What It Looks Like

The flagship's national Divergence Spread — the gap between the Formation Volume Index (FVI) and Employer Formation Index (EFI) — measures how business formation composition is evolving. That measure has not previously been calculated at the individual industry level.

Doing so adds a dimension the national figure doesn't capture on its own: *Information* posted the fastest QoQ momentum of any industry (+9.6%) and the widest Divergence Spread (103.9) of any industry. *Health Care & Social Assistance*, with a Divergence Spread of 7.2, posted modest growth and has the narrowest spread of any industry where the measure reflects something meaningful. *Accommodation & Food Services* is excluded from that comparison — see the methodology note below.

Industry	Divergence Spread (FVI – EFI)	QoQ Momentum
Information	103.9	+9.6%
Utilities	98.0	–6.9%
Administrative & Support Services	88.4	–1.1%
Arts, Entertainment & Recreation	78.4	–3.5%
Transportation & Warehousing	78.0	–2.1%
Professional, Scientific & Technical Services	77.4	+6.2%
Other Services	75.2	+0.6%
Educational Services	72.6	–0.4%
Retail Trade	67.4	+3.8%
Real Estate, Rental & Leasing	55.7	–1.0%
Agriculture, Forestry, Fishing & Hunting	48.2	–7.8%
Finance & Insurance	43.9	–1.5%
Manufacturing	37.0	–1.7%
Management of Companies & Enterprises	35.0	–2.7%
Mining, Quarrying & Oil/Gas Extraction	32.5	+0.4%
Wholesale Trade	24.2	+8.3%
Construction	16.6	+2.1%
Health Care & Social Assistance	7.2	+2.6%
Accommodation & Food Services	0.0	+3.7%

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

Methodology Note: Accommodation & Food Services

Accommodation & Food Services shows a Divergence Spread of exactly 0.0 this quarter, narrower than any other industry's. That isn't a sign of unusually pure employer-intent growth. It's a byproduct of how the U.S. Census Bureau classifies High-Propensity Business Applications (HBA).

Census's own methodology flags an application as high-propensity if it meets any of four conditions: it's a corporate entity, it indicates hiring plans or an organizational change, it states a planned first wages-paid date, or it carries a NAICS industry code in *manufacturing*, *retail stores*, *health care*, or *restaurants/food service*. That fourth condition is a blanket, industry-level override: an application in one of those four groups is flagged as high-propensity automatically, regardless of anything else on the form.

For *Accommodation & Food Services*, that override applies to the entire published industry series with no exceptions — every application in this sector has carried an identical Business Applications (BA) and High-Propensity Business Applications (HBA) count in every month of Census's published data since 2004. *Health Care* and *Retail Trade* are named in the same rule but don't show the same effect, because the automatic-qualifying code in each of those cases appears to be narrower than the full published sector, so only part of each series gets the automatic flag.

The practical result: the high-propensity metric doesn't discriminate anything within *Accommodation & Food Services*. A single-location food truck with no plans to hire anyone is counted as high-propensity purely because of its industry code, the same as a growing regional restaurant chain. That's why this industry is set aside in the composition comparison below, not because its growth is unusually low-quality, but because the metric used to assess composition has no ability to measure it for this sector specifically.

Health Care & Social Assistance has the narrowest Divergence Spread of any industry where the spread can vary. *Accommodation & Food Services* is removed from that comparison: its spread is fixed at 0.0 by definition, not by measurement, for the reasons noted above. A momentum ranking puts *Information* well ahead of *Health Care*. A composition-weighted view flips that order — without either industry's raw numbers changing.

Why the two industries differ this much is an open question. It could be how the two NAICS codes capture business activity, a wave of speculative formation tracking current interest in the sector, or a real difference in how uniform each industry's formation is. This isn't settled by a single quarter of data: if *Information's* spread narrows over the next two or three quarters, that would be more consistent with a temporary dynamic cooling off than with a lasting structural feature of the sector. If it stays wide quarter after quarter, a structural explanation becomes more likely. Neither pattern would rule out the other explanations entirely, but the trend is worth tracking as more data becomes available.

Strategic Implication

A ranking by level answers which industry is largest. A ranking by momentum answers which is growing fastest. Concentration and composition, covered in this report, answer two different questions: how many industries are moving in the same direction, and whether that growth is broadly aligned with employer-oriented formation. Organizations using industry rankings to guide capital, underwriting, or hiring decisions get the most reliable read by using level and momentum together with these two measures, rather than any single one on its own.

Later this year, the Regional Deep-Dive will apply this same composition lens by geography.

This is a BFII Special Report, part of the Business Formation Intelligence Index research series. For the full national composite, regional analysis, and formation methodology, see the [Q2 2026 BFII](#) flagship edition.

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