

Jack Gutt: Opening remarks - Demographics are Not Destiny: Fostering Conditions to Advance Latino Business Growth

Opening remarks by Mr Jack Gutt, Executive Vice President and Head of the Communications and Outreach Group of the Federal Reserve Bank of New York, at "Demographics are Not Destiny: Fostering Conditions to Advance Latino Business Growth", New York City, 13 November 2018.

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As prepared for delivery

Good morning and welcome to the New York Fed for this important conversation on "Demographics are not Destiny: Fostering Conditions to Advance Latino Business Growth." My name is Jack Gutt and I am fortunate to head the New York Fed's Communications and Outreach group.

I'd like to thank all of my colleagues and our partners from the Stanford Latino Entrepreneurship Initiative (SLEI) and Interise for their efforts in developing the report, "Latino Owned Businesses: Shining a Light on National Trends," issued today, and for organizing this conference.

I'd also like to thank all of you for joining us and our panelists for their participation. This is an impressive group and I, and my colleagues, very much look forward to hearing and learning from you.

Before going any further, I need to point out that what I say here today reflects my own views and not necessarily that of the New York Fed or the Federal Reserve System.

As I said at the outset, this is an important conversation. Why? Because, for the first time since launching the Small Business Credit Survey, we are able to identify and discuss the specific experiences of Latino small business owners. And that, in turn, matters as Latinos are the fastest growing demographic in our nation and Latino-owned businesses are growing in number and importance.

The total Latino population in the United States was around 18 percent in 2017 and that number is expected to rise significantly in the coming decades. Amid lagging business start-up rates, immigrant and Latino business expansion has bolstered small business growth nationally, outpacing that of other demographic groups.

Between 2014 and 2016, Latino-owned businesses grew by 13% compared with less than 3% for non-Latino businesses. Today, one in four new businesses is Latino owned, contributing more than \$700 billion in annual sales and employing millions of workers. On top of that, the Latino population is among the youngest of all demographic groups and its entrepreneurial class is equally young. In fact, nearly half of Latino owned businesses were started less than six years ago, all of which points to the continued growth and importance of this entrepreneurial sector.

But why do we care about small business in the first place? Well, it's quite simple. The Federal Reserve System, as the nation's central bank, has important roles to play in supporting the vitality of our economy and promoting community development. Small businesses are the primary driver of job growth in the United States, they create economic opportunity in local communities, and they help drive innovation across the economy.

The New York Fed and fellow Reserve Banks are supporting small business in a number of ways. First, by producing the annual Small Business Credit Survey, which is fielded by all 12 Reserve Banks, to provide timely information on the sector, how they are doing, their financing needs and their access to credit. Second, by providing a one-stop resource of all of our insights

and analysis to policymakers, community leaders, and service providers through the Fed Small Business website. Third, through regular meetings of our small business advisory councils, to get an understanding of real conditions on the ground. Fourth, through our Access to Capital Workshops, which provide technical assistance on access to credit for small businesses, covering topics like traditional lending, alternative and emerging sources of capital, and export financing. And, finally, through meetings like these.

So, since small businesses matter to the health of our economy, and Latino-owned small businesses are the fastest growing, what do we know about them? The report, which will help inform much of today's discussion, combines the results from the Federal Reserve's Small Business Credit Survey, SLEI's Survey of US Latino Business Owners and interviews conducted by SLEI and Interise, to offer a unique and unprecedented perspective into this entrepreneurial class. The report examines the business conditions and credit environment for Latino-owned businesses, and compares Latino firms to non-Latino firms, as well as how their experiences vary across major metro areas.

While I don't want to get ahead of my colleague, Claire Kramer, and our partners from SLEI and Interise who will present the results of the report shortly, there are a couple of themes that caught my attention.

First, Latino small business owners face significant financial barriers even after accounting for performance factors, including a disproportionate reliance on high-interest credit products. Those impediments manifest themselves at all stages of the business growth, from start-up to scale-up and beyond.

Second, Latino small businesses are more concentrated in a few industries and significantly underrepresented in the professional, scientific and technical services sectors, which also tend to be the most lucrative.

Third, the size of the Latino population in a given metro area does not mean that there is a larger share of Latino-owned businesses in the same—which is, to me, somewhat counterintuitive.

Digging into and understanding the causes of these issues and identifying possible paths forward is not only an imperative but an opportunity, and of course the focus of much of today's agenda. It is clear that there is a pressing need for expanding technical support, diversifying sources of financing, especially at the micro level, and, in the case of the geographic conundrum, further collaborating on policy and community advocacy.

I very much look forward to today's discussion and thank you again for your participation.

It is now my pleasure to introduce Nancy Lee of Interise, Marlene Orozco from SLEI, and Claire Kramer from the New York Fed.