



Asian Pacific American Chamber of Commerce

**Economic Impact of Asian Pacific
American Owned Businesses on
Michigan's Economy**

**by David Littmann
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ECONOMIC IMPACT OF ASIAN PACIFIC AMERICAN OWNED BUSINESSES ON MICHIGAN'S ECONOMY

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As of 2006, Michigan had an estimated 817,695 businesses registered within her borders. Of these businesses, 187,373, or 23 percent, were deemed small employers (each with under 500 employees) and 3,038, or 0.4 percent, were considered large employers with more than 500 employees. The remainder, 627,284, or 76.6 percent, were sole proprietors and individual contractors. These numbers, the latest figures available as of March 2010, have changed in the past four years, but they provide a marker for evaluating the economic impact of Asian American owned businesses in Michigan.

Similar to the nation as a whole, the Asian-owned segment of Michigan's business communities constitute a small, but growing, portion of aggregate population and economic activity. Let's examine the commercial impact of Asian Americans, putting the Michigan impact in perspective.

First, let's consider the national perspective. Using the latest 2009 data (prior to 2010's census numbers to be released in 2011), we discover that 14.1 million Americans, or 4.6 percent of the U.S. population, claim Asian ancestry. Yet this group comprised only 2.9 and 3.8 percent of U.S. population as of the prior 1990 and 2000 decennial census dates, respectively. Thus, Asian-American growth, whether immigration or birth rate driven, surpasses the 0.7 percent average annual national increase over this time period.

Faster-than-average growth in population and economic impact certainly matters. If it continues, the nation's Asian buying power could quadruple in less than two decades. That would be considerably faster than buying power for non-Asian Americans who currently represent far larger proportions demographically and marketwise. Growing economic and financial clout attracts attention from other businesses and advertisers.

Economists know from many decades of research that income levels and education levels are highly correlated variables. Thus, the fact that Asian-American buying power has grown faster than that of most other ethnic groups is no accident. Nor is it likely to be some fluke statistic of a single decade. After all, Asian Americans are often well educated and hold top-level positions in management or professional specialties, according to the Census Bureau's March 2000 Current Population Survey. It reveals, for example, that 44 percent of Asians and Pacific Islanders ages 25 and over have a bachelor's degree or higher, compared with 26 percent of the total U.S. population. These high achievement levels for Asian-Pacific Americans persist.

Another significant economic catalyst that is likely to propel and assure continuity of Asian-American dominance of buying-power growth is the inexorable trend away from agricultural-manufacturing employment. Increasingly, technology, personal services, and information-based enterprises propel prosperity, global trade, and value-added comparative advantages. To the extent the preponderance of Asian-American firms, both in Michigan and nationally, are categorized as health care, professional, and retail, or information-science and technology rooted, there should be a proverbial "leg up" on competing aggregates in the U.S. population of firms and individuals.

Michigan, for nearly a century, has been a manufacturing-dominated state. That's why, despite being among the most populous states in the nation, our Asian-American representation (as of 2002) has been proportionally small. In 2002, for example, the Asian portion of the population was 2.4 percent of the state, compared with nearly double that proportion for the U.S. Likewise, Asian-American owned firms in Michigan, 15,299, were just 2.1 percent of all Michigan firms, versus 4.8 percent (1,104,000) for the U.S. (See Tables 1 & 2)

Despite some growth of Michigan's Asian-American firms, their actual share of the state's commerce has remained modest, owing largely to the types of industries represented by Asian-Americans compared with Michigan's traditional and overwhelming dedication to transportation equipment manufacturing and its immense supplier base. Thus, as of 2002, the value of sales receipts from Michigan's Asian American owned firms reached \$5.5 billion, or only 1.8 percent of total personal income in the state. Yet, viewed nationwide, it should be added that the entire value of sales by Asian-American firms during 2002 matched Michigan's entire Gross State Product of \$343 billion.

Between 2002 and 2008, Michigan's Gross State Product (GSP) increased from \$350 to \$383 billion, or 9.4 percent. Even if Michigan's economy remains at the same level between 2009-10, it is safe to assume that "direct" contributions of sales, income, and output from Asian-Pacific American-owned Michigan businesses account for two percent, or \$7.6 billion, annually in GSP. Add to this, the so-called "indirect" effects of those dollars being re-spent on Michigan-based non-Asian Pacific businesses, and the total Michigan GSP economic impact (with a multiplier of 1.48) is \$11.2 billion to \$11.5 billion annually.

Within Michigan, most Asian-American population, firms, and employees are located in southeast Michigan (see Tables 3 and 4). The leading counties with Asian-American business activity are generally Oakland, Wayne, Macomb, and Washtenaw, followed by Kent (Grand Rapids) in the case of employment, sales, and number of firms, and by Genesee (Flint) when it comes to total dollar payrolls. In each instance, southeast Michigan accounts for at least two-thirds of the state's overall Asian American owned activity.

The most significant feature of APACC's presence in Michigan is its representation of an economically vigorous membership of firms, entrepreneurs, and households with their links to the most rapidly developing part of the global economy (see Table 5). Michigan and our return path to prosperity will increasingly depend upon our recognition of and constructive attachment to these Asian-Pacific Growth vectors.

While it is true that between 2000 and 2005, Michigan experienced a 26 percent gain in its Asian population — the largest jump of an immigrant group statewide — intervening tough times for Detroit's auto makers over the past five years have adversely affected this trend. Loss of population in general had tangential effects on all business sectors.

In recent years, many new startup operations in the automotive industry have migrated to southern states, especially Texas, Tennessee, Georgia, Alabama, Mississippi, and South Carolina. Michigan has had to work hard to attract state-of-the-art technologies in both engineering and health care-related industries.

What is the outlook for Asian-Pacific American owned businesses in Michigan?

To the extent the state's business climate becomes more favorable to capital, job-providers, investment, and entrepreneurship, Michigan will have an economic and financial future conducive to the services and ingenuity that Asian-American-owned enterprises inherently bring to every marketplace on earth.

Fortunately, stemming from growth in the first half of this decade, we now have a solid foundation of Asian-Pacific human talent within our borders. Our financial fortunes and opportunities will pivot on our ability to leverage our future on sounder, more business-friendly policies toward firms, regardless of size, location, or the ethnic identity of their owners.

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TABLES:

TABLE 1: U.S. ASIAN- PACIFIC OWNED FIRMS, 2002 TOP 5 CATEGORIES OF ACTIVITY (of a Total 1,104,189 Firms)	Number of Firms	Category %
Gen. Services: (Physical Therapy, Repair, Maintenance)	188,673	17.10%
Professional, Scientific, & Technical Services	154,235	14.00%
Retail Trade	151,551	13.70%
Health Care & Social Assistance	123,689	11.20%
Accommodation & Food Services	104,978	9.50%
Other	381,063	34.51%
Total	1,104,189	100%

**TABLE 2: MICHIGAN'S TOP SIX ASIAN
ETHNICITIES OWNING BUSINESSES, 2002**

1. Indian
 2. Chinese
 3. Korean
 4. Vietnamese
 5. Filipino
 6. Japanese
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TABLE 3: TOP 12 SOUTHEAST MICHIGAN CENTERS OF ASIAN-AMERICAN POPULATION (AND GROWTH, 2000-2005)

	Population	Growth %
Canton(Plymouth)	13,162	100%
Troy	11,092	7%
Farmington Hills	8,136	42%
Sterling Heights	7,198	11%
Warren	6,907	59%
Rochester Hills	6,678	45%
Lansing	4,164	30%
Livonia	3,103	47%
Westland	2,958	25%
Pontiac	2,401	56%
Dearborn	2,258	61%
Clinton Twp (Mt. Clemens)	2,175	22%

Source: American Communities Survey

[Note: excludes Ann Arbor, Detroit, Southfield, and Shelby Twp (Utica)]

TABLE 4: CRAIN'S LIST OF LARGEST ASIAN-OWNED BUSINESSES (BY 2008 REVENUES)

	Firm Revenue (\$million)
1. NYX Inc., Livonia	232.0
2. Saturn Electronics & Engineering Inc., Rochester Hills	151.0
3. Acro Service Corp., Livonia	105.0
4. Synova Inc., Southfield	92.0
5. HTC Global Services Inc., Troy	85.0
6. KC Integrated Services LLC, Romulus	79.0
7. Saturn Electronics, Romulus	26.0
8. Ebinger Mfg/Jets Mfg. Co., Brighton	24.7
9. Ramsoft Systems, Southfield	20.5
10. Roy Smith Co., Detroit	20.0

Listed here as reprint from Crain's Detroit Business, Dec. 28, 2009

TABLE 5: ASIAN OWNED BUSINESSES IMPACT ON MICHIGAN

Asian population in Michigan	2.4%
Asian-owned businesses in Michigan	2.1%
Asian economic impact on Michigan GSP	\$11.5 billion
Michigan employment of Asian-owned firms	44,857