The GoDaddy Small Business Research Lab/UCLA Anderson Forecast
Microbusiness Activity Index 2025 Annual Update

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Since July 2021 the UCLA Anderson Forecast, in partnership with GoDaddy Inc., has published the Microbusiness Activity Index (MAI). Drawing on GoDaddy data, the MAI tracks the formation, growth and engagement of online microbusinesses and has proved to be a timely barometer of local economic conditions, correlating strongly with employment, unemployment and GDP movements. The report, featuring commentary, analysis, and the latest indices, continues to be published annually.

Highlights of 2025 report

- **Microbusiness momentum breaks records:** The Engagement sub-index jumped from 106.6 to 124.9 in just one year—its sharpest increase on record—likely driven by the widespread adoption of generative AI tools like Claude, ChatGPT, and GoDaddy's Airo, which enhance productivity and customer interaction for online entrepreneurs. The Infrastructure sub-index is steadily improving nationwide. Meanwhile, the Participation sub-index has remained stable, indicating that the entrepreneurial mindset and activity levels held constant, and since that measure is per capita, the rate of entrepreneurship is keeping pace with population growth.
- **Microbusiness entrepreneurs fuel household incomes and jobs**: A one-percentage -point rise in the number of ventures is associated with a 6% boost in household income at the county-level. Similarly, 1% increase in the number of entrepreneurs corresponds with a 2% income gain. Furthermore, each new entrepreneur in a county is linked to the creation of about 8 new jobs.
- **Traditional tech-forward cities lead, but other metros are gaining ground:** San Jose, San Francisco, and Washington DC remain leaders in overall MAI scores, while cities like Dallas, Charlotte, and Kansas City showed the largest annual increases. Miami, Los Angeles, and San Jose top the Participation Index, pointing to dynamic entrepreneurial activity in diverse and digitally-connected metros.
- **The ecosystem gap is closing:** Although leading metros like San Jose still top the rankings, the gap in MAI scores between top and bottom-tier cities has narrowed. This convergence is driven not by changes in participation but by infrastructure catch-up. Expanding digital infrastructure and support systems are helping previously lagging metros foster local entrepreneurship and narrow the economic divide.

This annual report on the U.S. Microbusiness Activity Index[1] (MAI) provides an updated analysis of microbusiness trends, incorporating data through March 2025. It includes coverage at the national, state, metropolitan, and county levels.

The MAI (blue line in Figure 1) rose to 108.8 in March 2025, up from 103.4 in March 2024. The index reached a historical peak of 110.5 in January 2025, reflecting the seasonality of new year, new venture starts

[1] See also https://www.godaddy.com/research/microbusiness-datahub/#u-s-microbusiness-activity-index/

and perhaps greater optimism driven by stabilizing inflation and declining interest rates. However, the MAI declined slightly in February and March, potentially signaling uncertainty surrounding new federal spending and trade policies under the Trump administration. Nevertheless, recent MAI levels remain above those observed in 2023 and early 2024.

The MAI comprises three sub-indices:

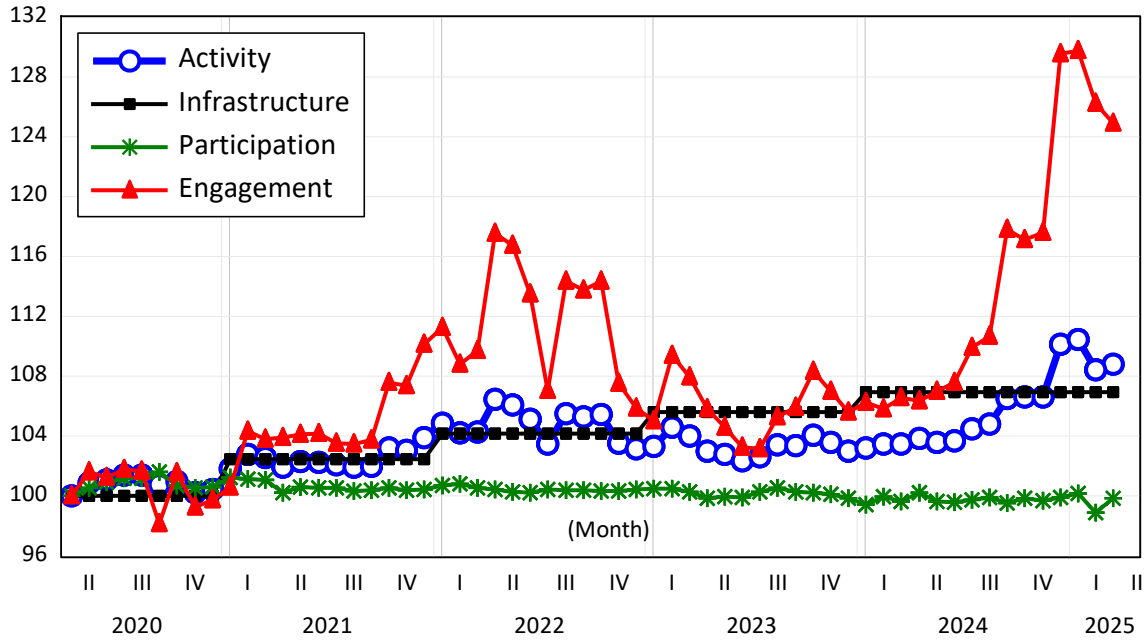
(1) The *Infrastructure* sub-index (black line in Figure 1)

This component measures the foundation on which microbusinesses rely—principally human capital (educational attainment) and digital readiness (household broadband, in other words, fast and reliable internet and computer access). Because such structural factors change slowly, the index is updated once a year using the American Community Survey. The index edged up from 104.2 in 2022 to 105.6 in 2023, and further to 107.0 in the 2024/2025 release, signaling incremental nationwide gains in educational levels and in the reach of high-speed internet.

(2) The *Participation* sub-index (green line in Figure 1)

This gauge reflects the density of online microbusinesses and the rate at which new entrepreneurs enter the market. Participation tends to move gradually as it accounts for both the number of business owners and the local population fluctuations. The national measure inched from 99.7 (March 2024) to 99.9 (March 2025). The near-flat reading indicates that, on balance, microbusiness formation neither accelerated nor retreated over the past year relative to their communities. Juxtaposed with the stronger structural progress captured in the Infrastructure component, these movements suggest that as the underlying capacity to support microbusinesses is improving, some entrepreneurs remain in a wait-and-see posture, while others are investing more into their existing businesses, as demonstrated by the sharp growth in the Engagement sub-index, and scaling faster.

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



(3) The *Engagement* sub-index (red line in Figure 1)

This component captures the maturity level of microbusinesses' online footprint or development, including website traffic, click-throughs, some digital transactions, business tenure, secure connection/valid SSL certificates, and frequency of content updates made by the entrepreneur. Over the past year it posted its sharpest increase on record, climbing from 106.6 in March 2024 to 124.9 in March 2025. A pivotal catalyst could have been the rapid spread of generative-AI tools. The public launch of ChatGPT lowered the technical barrier for personalized chatbots, marketing copy, and product recommendations. Building on that momentum, GoDaddy introduced Airo in 2024—an AI assistant that writes web content, optimizes SEO, and suggests design tweaks at the click of a button among other features. For resource-constrained entrepreneurs these capabilities translate directly into greater activity such as longer site visits, higher conversion rates, and more repeat customers, all of which feed into the Engagement score.

Household Income Gains and Local Job Growth

Our earlier reports documented a strong, positive link between the Microbusiness Activity Index (MAI), GoDaddy small business entrepreneurs, and local economic vitality—especially employment growth. Drawing on GoDaddy's internal survey data[2], we argued that this relationship could be causal: higher microbusiness activity might cause stronger local economies. In the present study, we extend this analysis by introducing another key economic indicator—median household income—to examine whether ventures,

[2] For example, in GoDaddy's survey, entrepreneurs using its services reported earning income and hiring additional employees to varying degrees.

entrepreneurs, and MAI are associated with both income and employment using the latest data[3].

We begin by analyzing county-level annual data from 2020 to 2023, focusing on median household income. Model 1 suggests that a 1% increase in the number of ventures corresponds to a 6% rise in household income, while the same proportional rise in the number of entrepreneurs is associated with a 2% income gain. Nationally, median household income rose by 18.5%, from $68,010 in 2020 to $80,610 in 2023. Based on our estimate, a 1% increase in ventures would translate to an income boost of approximately $4,400 in 2023.

Model 2 shows that a one-point rise in overall MAI is linked to a 4% rise in median household income based on data from 2020 to 2023. Given the national median household income of $74,580 in 2022, this 4% increase translates to an average income gain of approximately $3,000. This finding reinforces the link between microbusiness activity and improved living standards. When we decompose the MAI, Model 3 indicates that a one-point increase in the Participation index is associated with a 1% boost in household income and a one-point increase in the Infrastructure index is linked with a 2% boost in household income, whereas the Engagement index does not display a statistically significant relationship.

These findings suggest that in a period of rising costs and inflation, the online microbusiness model remains affordable and effective and generates overall community wealth. New ventures and entrepreneurs appear to raise local incomes through owner earnings, contracting, productivity gains, and access to broader markets.

***Model 1: Ventures and Entrepreneurs** with Year Fixed Effect*

Adjusted R-squared: 0.36; Observations: 10,461
Log Mhincome: Log of Median Household Income of a County
Log Ventures: Log of the number of GoDaddy's microbusiness ventures
Log Entrepreneurs: Log of the number of GoDaddy's entrepreneurs

Log Mhincome (t) = 0.06 * Log Ventures (t) + 0.02 * Log Entrepreneurs (t)
(t-value) (7.6) (2.2)

***Model 2: MAI** with Year Fixed Effect*

Adjusted R-squared: 0.57; Observations: 10,451

Log Mhincome (t) = 0.04 * MAT (t)
(t-value) (109)

[3] The annual median household income data by county is sourced from the American Community Survey (ACS) conducted by the U.S. Census Bureau, with the latest data available for 2023. The monthly county-level employment data comes from the Household Survey—also known as the Current Population Survey (CPS)—conducted jointly by the U.S. Census Bureau and the Bureau of Labor Statistics (BLS).

***Model 3: The MAI Sub-Indices** with Year Fixed Effect*

Adjusted R-squared: 0.67; Observations: 10,449

Log Mhincome (t) = 0.01*Participation Index (t) + 0.02*Infrastructure Index (t) + 0.0003*Engagement Index (t)
(t-value) (9.7) (93) (1.4)

Using county-level panel data from April 2020 to March 2025, we estimated several additional regression specifications. The results demonstrated a correlation between the MAI and changes in county employment levels. Using Model 4 as a baseline, the marginally significant coefficient of 3.4 for the MAI variable suggests that a one-point increase in the MAI is associated with an increase of 3.4 jobs in a county, after controlling for all relevant factors.

Model 5 using all three components of MAI shows that a one-point increase in the Participation index correlates with an increase of 3.4 jobs in a county, similar to the MAI's impact. A one-point increase in the Infrastructure index correlates with an increase of 76 jobs in a county. These results suggest that both microbusiness formation (Participation) and foundational digital and human capital (Infrastructure) are key drivers of local employment growth. It is puzzling that the Engagement Index shows a negative correlation with local job growth during this new time period, in contrast to prior analyses[4]. We will monitor whether this pattern persists and plan to investigate further.

***Model 4: MAI** with County and Month Fixed Effect and Lag 1*

Adjusted R-squared: 0.20; Observations: 151,660
Emp: County household-survey employment; Emp Change: Monthly change in employment

Emp Change (t) = 0.05 * Emp Change (t-1) - 65* Emp (t) + 3.4 * MAI Change (t)
(t-value) (38) (-118) (1.7)

***Model 5: The MAI Sub-Indices** with County and Month Fixed Effect and Lag 1*

Adjusted R-squared: 0.20; Observations: 151,957

Emp Change (t) = 0.05 * Emp Change (t-1) - 65* Emp (t) + 3.4 * Participation Index Change (t)
(t-value) (38) (-118) (2)

+ 76 * Infrastructure Index Change (t) - 7 * Engagement Index Change (t)
(7.7) (-3.4)

[4] For example, in our special report "How Does AI Impact Microbusiness and Local Economic Activity?" published in January 2025 (https://www.godaddy.com/ventureforward/wp-content/uploads/2025/01/GoDaddyUCLA-Anderson_The-Impact-of-AI-on-Microbusinesses_20250211.pdf), we analyzed GoDaddy's data and found that in the post-Airo period, a higher Engagement Index was linked to a greater increase in job creation for each additional website launched.

To better understand how microbusiness activity contributes to local prosperity, we estimated two additional county-level panel regressions using data from April 2020 through December 2024. Model 6 underscores the importance of the entrepreneurial talent pool: each additional entrepreneur is associated with approximately 7.6 new local jobs.

In contrast, Model 7 reveals a much weaker relationship between the number of new ventures and job creation—just 0.05—suggesting that the mere proliferation of websites or business entities does not automatically lead to significant hiring. In short, within the Participation component of the MAI, people—not platforms—are the key drivers of employment growth.

***Model 6: Entrepreneurs** with County and Month Fixed Effect and Lag 1*

Adjusted R-squared: 0.23; Observations: 133,000

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

Emp Change (t)	**=**	**0.03 * Emp Change (t-1)**	**- 0.04* Emp (t)**	**+ 7.6* Entrepreneurs Change (t)**
(t-value)		*(26)*	*(-43)*	*(52)*

***Model 7: Ventures** with County and Month Fixed Effect and Lag 1*

Adjusted R-squared: 0.21; Observations: 133,000

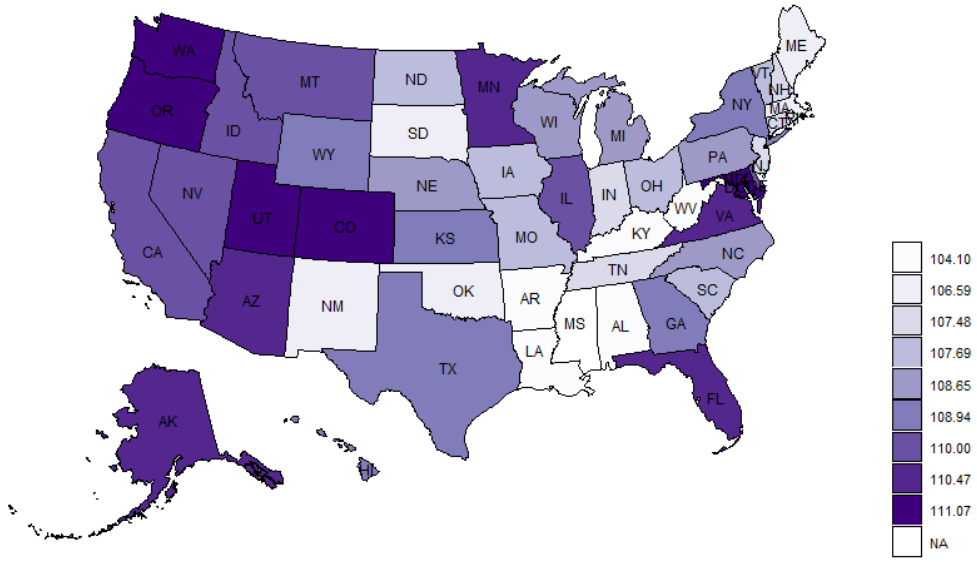
Ventures Change: Monthly change in the number of GoDaddy's microbusiness ventures

Emp Change (t)	**=**	**0.05 * Emp Change (t-1)**	**- 0.07* Emp (t)**	**+ 0.05* Ventures Change (t)**
(t-value)		*(42)*	*(-115)*	*(11)*

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

Figure 2 displays the MAI levels by state in March 2025, with darker shades of purple indicating higher activity. The highest index values were observed in Washington DC (114.4), Colorado (112.5), Utah (112.1), Maryland (111.6), Oregon (111.2), and Washington State (106.3). In contrast, Louisiana (105.9), West Virginia (105.5), and Mississippi (104.1) recorded the lowest levels. Figure 3 illustrates the year-over-year change in the MAI from March 2024 to March 2025, where deeper blue represents larger increases or smaller declines. Delaware (+7.7), Maine (+6.4), New Mexico (+6.2), Arkansas (+6.0), and Mississippi (+6.0) saw the most significant gains. On the lower end, Washington DC (+4.7), Nebraska (+4.4), and South Dakota (+2.7) recorded the smallest increases.

Figure 2. Microbusiness Activity Index by State, March 2025



Note: Base month year is April 2020

Figure 3. Microbusiness Activity Index Change by State, March 2024 to March 2025

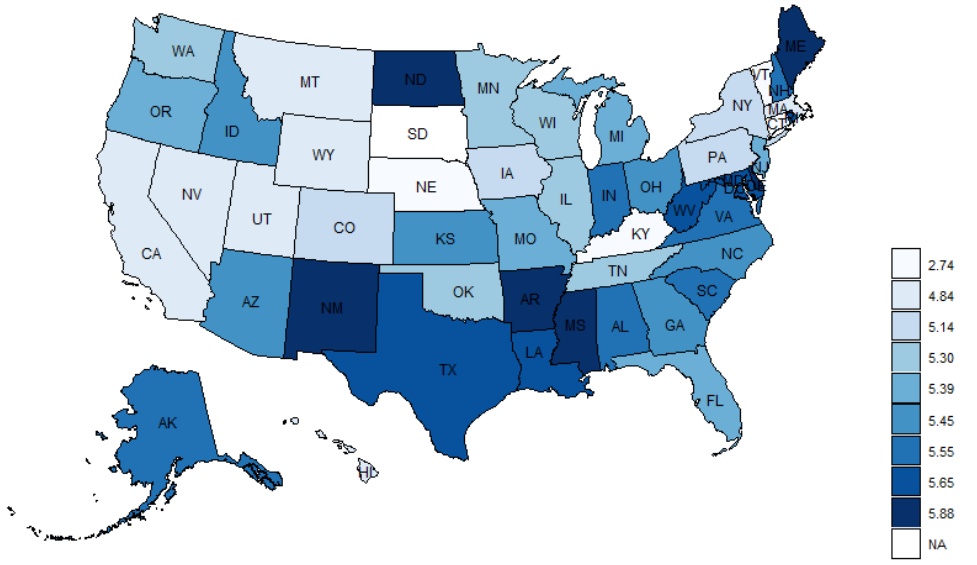


Figure 4 presents the MAI by county in March 2025, with colors ranging from dark blue (indicating the highest index values) to dark red (indicating the lowest). The county-level variation reflects patterns seen in prior years: coastal areas and major urban centers tend to have higher index values, while inland and rural regions generally show lower scores. The counties with the highest MAI include San Francisco (123), Howard County, MD (122.3), Gunnison County, CO (122.2), Ouray County, CO (122.2), and Fairfax County, VA (122). Figure 5 shows the change in MAI by county from March 2024 to March 2025. Here, dark blue indicates the largest increases in index values, while dark red represents the largest declines.

Figure 4. Microbusiness Activity Index by County, March 2025

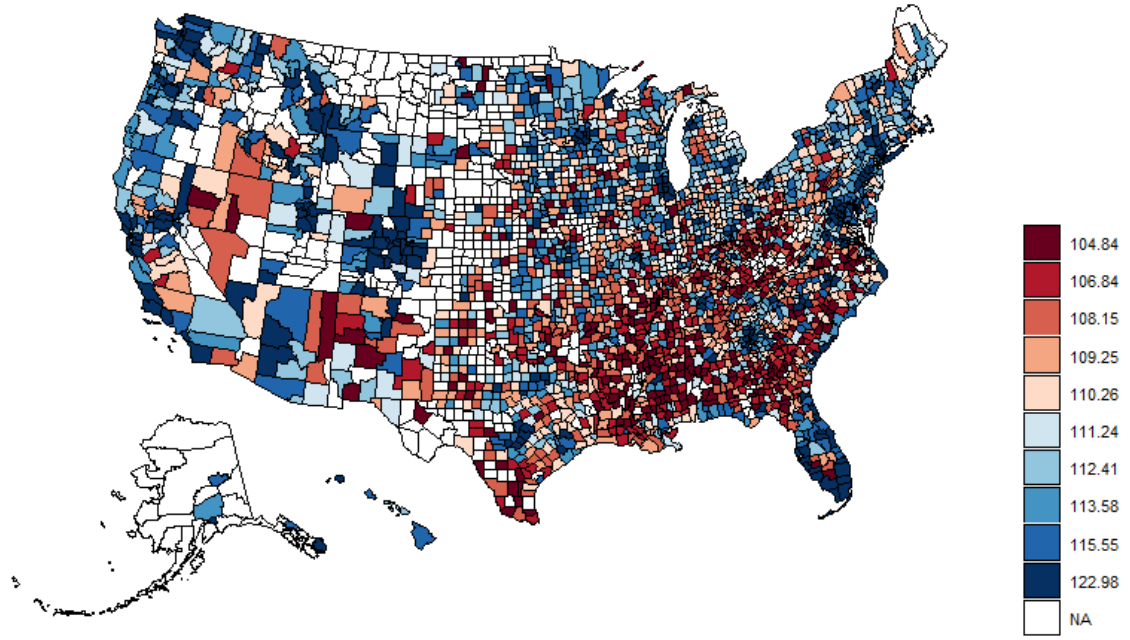


Figure 5. Microbusiness Activity Index Change by County, March 2024 to March 2025

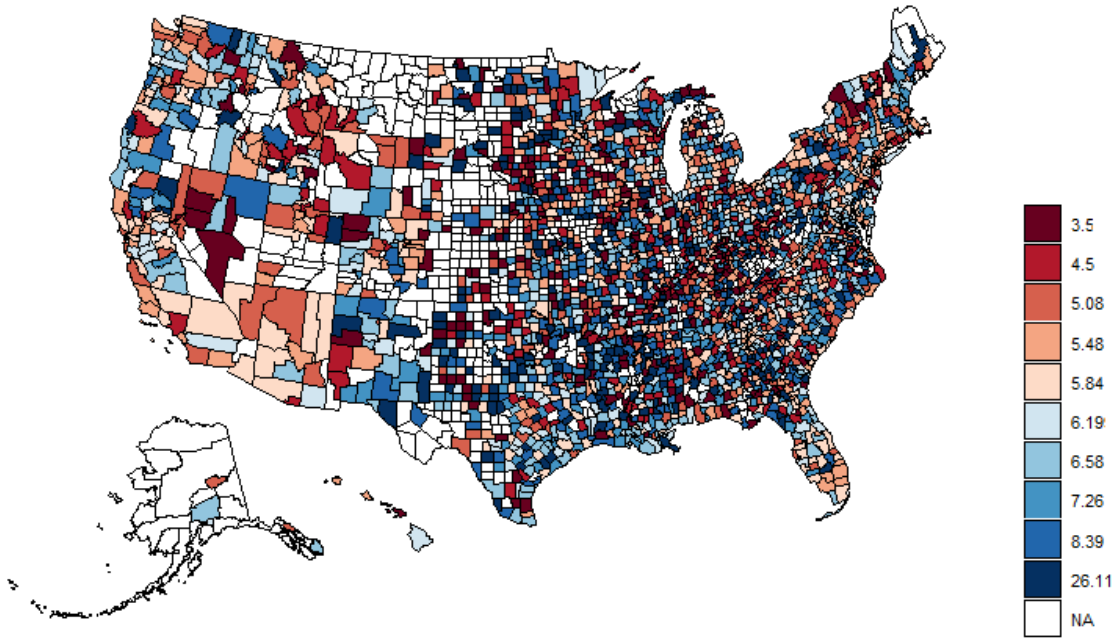


Figure 6 displays the MAI for 30 selected Metropolitan Statistical Areas (MSAs) in April 2020, March 2024, and March 2025. By March 2025, San Jose (Silicon Valley) recorded the highest activity index (118.9), followed by San Francisco (117.6), Washington DC (117), Austin (116), Denver (116), and Seattle (115.8).

At the lower end of the range were Philadelphia (112.8), New York (112.7), and San Antonio (112.1). Most metro areas experienced an increase in their MAI over the past year, with Dallas (+6.1), San Jose (+6.0), Charlotte (+6.0), and Kansas City (+6.0) showing the largest gains—indicating notable momentum in local microbusiness activity.

Importantly, the growth in MAI has been geographically broad-based, spanning the East Coast, West Coast, Midwest, and South.

Figures 7 to 9 provide a breakdown of key MAI components by metro. In March 2025, Miami led the nation in the participation index (106.4), followed by Los Angeles (106.2) and San Jose (106.0). These high scores reflect strong entrepreneurial formation and growth in large, diverse population centers where residents actively pursue microbusiness opportunities, particularly through online platforms.

San Jose also led in the infrastructure index (125.2), ahead of Washington DC (124.7), San Francisco (123.0), and Seattle (122.5), reflecting robust digital and logistical support systems for small enterprises. Over the past two years, San Antonio (+1.7), Philadelphia (+1.6), and Las Vegas (+1.6) showed the largest gains in infrastructure, signaling recent improvements in support for business formation and online commerce. Figure 8 highlights San Jose again as the top performer in the engagement index (125.4), followed closely by Minneapolis (125.0), St. Louis (124.3), and San Francisco (123.6).

Despite the high costs of living and doing business in the Bay Area, both San Jose and San Francisco continue to rank at the top of the MAI. This underscores Silicon Valley's dual identity as both a global center for established tech giants and a fertile ground for innovative startups. The return-to-office trend has gradually replaced fully remote work, drawing more talent back to the Bay Area. Additionally, many AI companies are concentrated in the region. Meanwhile, high participation scores in Miami and Los Angeles reflect the vibrancy of their large entrepreneurial communities and the growing importance of digital microbusiness models in major urban areas.

Finally, Figure 6 reveals an encouraging trend: the gap in MAI scores between leading metros (e.g., San Jose) and lagging ones (e.g., San Antonio) has narrowed over the past several years. As shown in Figure 7, this convergence is not driven by the Participation Index, which continues to show wide variation across metros. Instead, as Figure 8 demonstrates, the narrowing gap is largely due to bottom-tier metros catching up in infrastructure. This suggests that investments in digital infrastructure—such as broadband access, e-commerce tools, and support services—are enabling more equitable microbusiness growth across the country. If this trend continues, it could lead to a more geographically balanced entrepreneurial landscape, reducing regional disparities in economic opportunity.

Figure 6. Microbusiness Activity Index, Selected 30 Metros, April 2020, March 2024, and March 2025

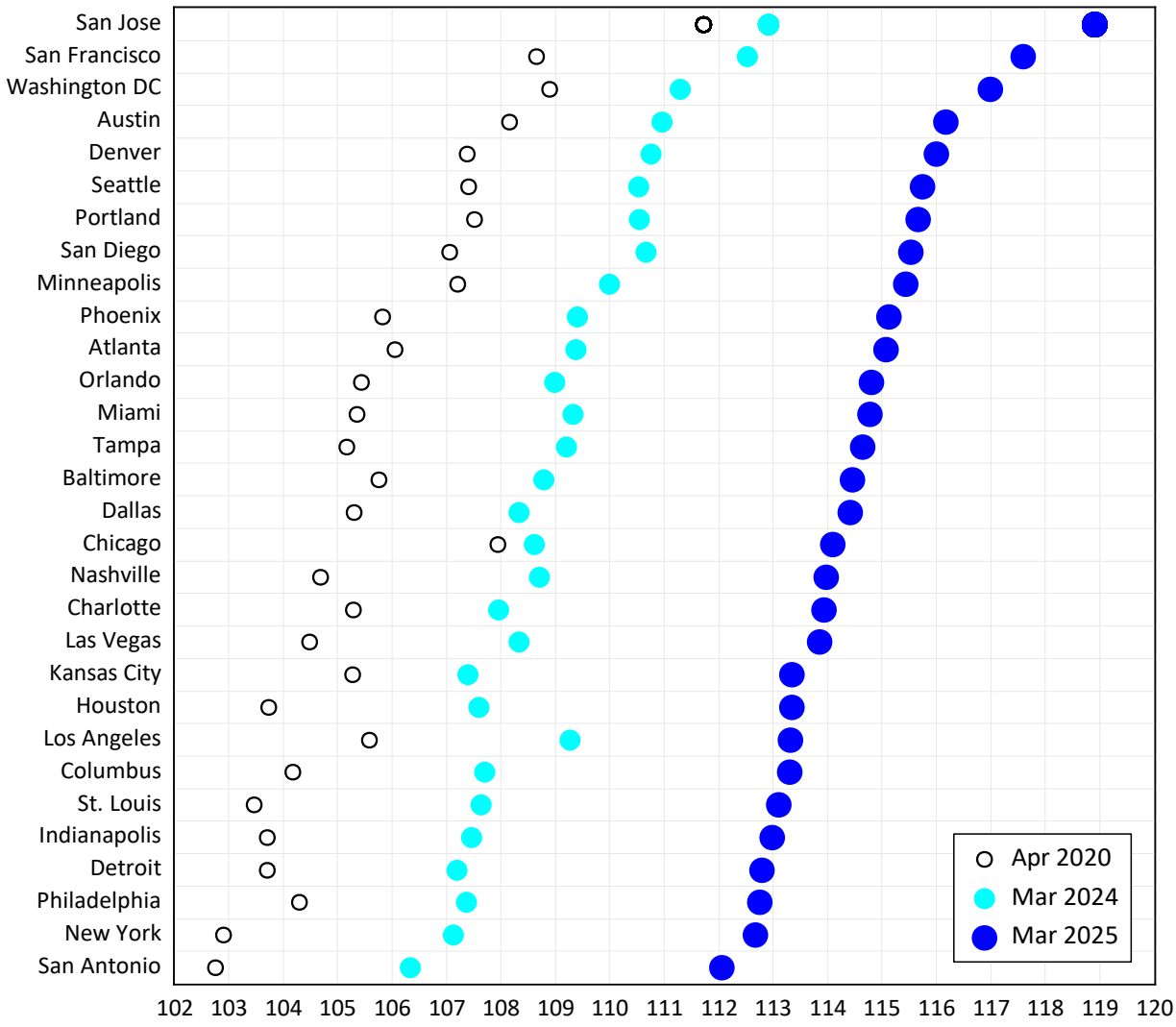


Figure 7. Microbusiness Participation Index, Selected 30 Metros, April 2020, March 2024, and March 2025

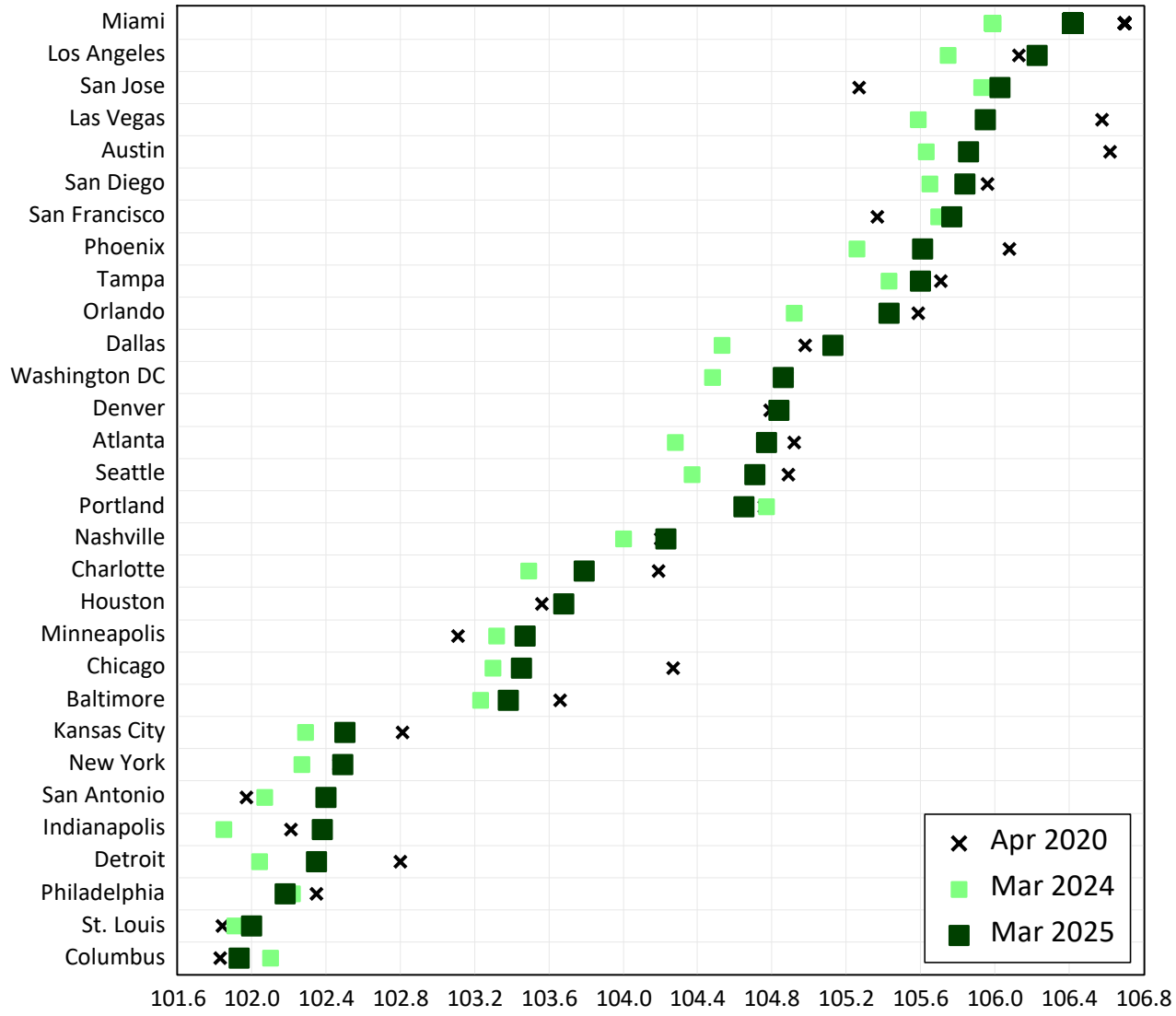


Figure 8. Microbusiness Infrastructure Index, Selected 30 Metros, April 2020, March 2023, and March 2025

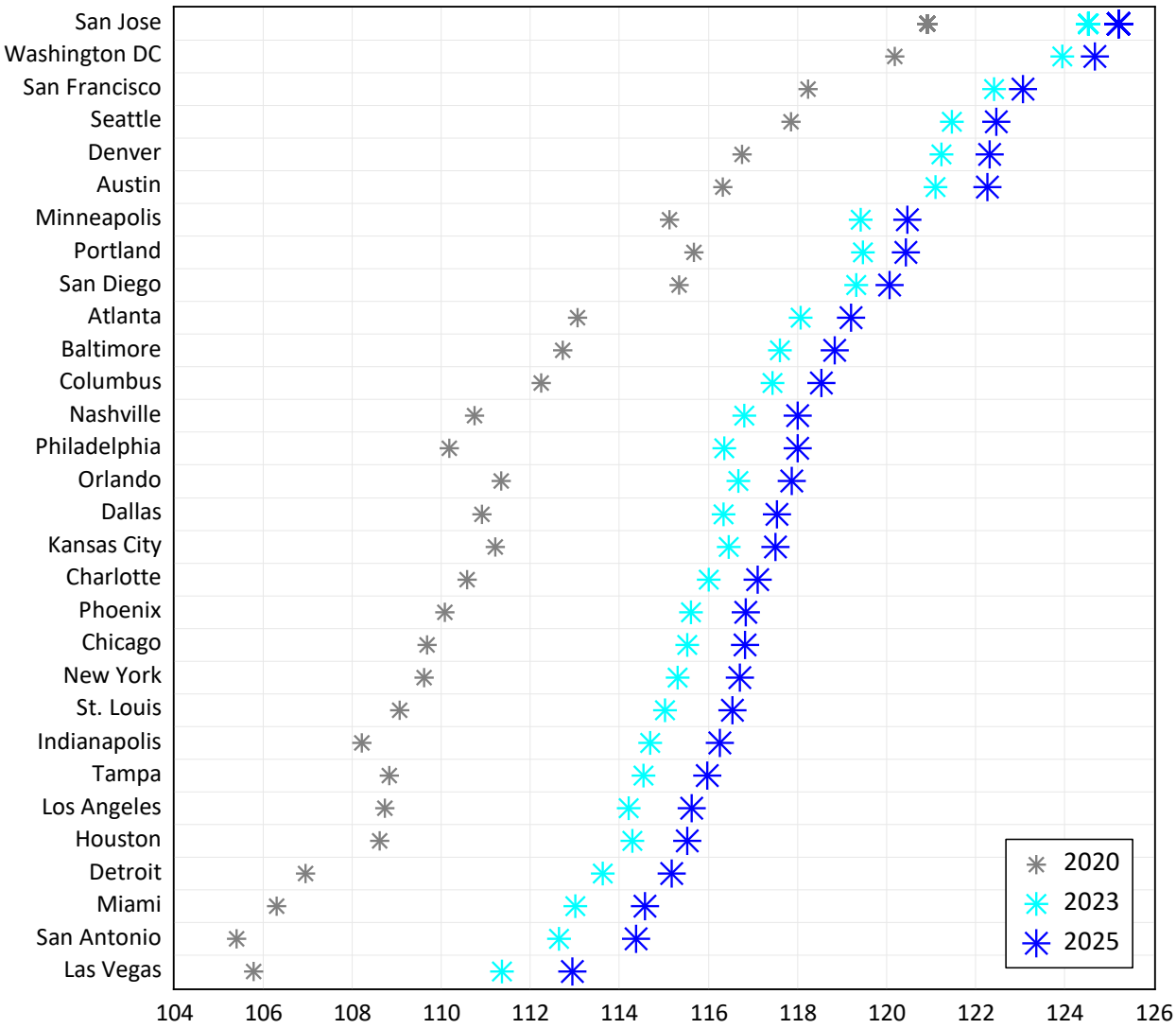


Figure 9. Microbusiness Engagement Index, Selected 30 Metros, April 2020, March 2024, and March 2025