

# The \$152 Billion Engine

*The U.S. Hispanic economy is bigger than Colombia's GNP. In five years, receipts have more than doubled.*

■ By Rick Mendosa

**F**ernando Espinosa is one of the reasons why revenues of Hispanic-owned companies increased so fast between 1987 and the recently-released 1992 Census of Hispanic-owned businesses. Sales by his company, Miami-based Andes Chemical Corp., nearly tripled in that period, from \$6 million to \$17.1 million. This year Mr. Espinosa predicts revenues will reach \$25 million.

A wholesale chemical distributor, Andes Chemical makes three-fourths of its sales to the house paint industry. And it is wholesalers in Florida like Mr. Espinosa who are fueling much of the revenue growth in the Hispanic economy.

Revenues of Hispanic companies grew from \$32.8 billion to \$76.8 billion between 1987 and 1992, a 134 percent growth rate. By comparison, U.S. companies owned by African Americans generated \$32.2 billion in receipts in 1992, according to the Census.

What are Hispanic company revenues today? Keeping in line with the 1987-1992 growth rate, **HISPANIC BUSINESS** magazine estimates revenues generated by Hispanic-

owned companies in 1996 hit \$152 billion. That's more than the gross national product (GNP) of Colombia at \$136.5 billion.

Three sectors of the Hispanic economy — wholesale trade, retail trade, and services — together accounted for \$27 billion of the \$44 billion increase between 1987 and 1992. While the dollar increase posted by each of those three sectors was very

close, it was wholesale trade that racked up the biggest percentage growth.

Receipts of wholesale businesses shot up 248 percent. Growth of the service industry, while rapid by any standard, lagged at 124 percent, and retail trade followed at 71 percent.

These figures include both detailed



Andes Chemical's  
Fernando Espinosa

California continued to lead second-ranking Florida in revenues, that lead narrowed considerably. Revenues of California-based companies went to \$19.6 billion from \$8.1 billion. Florida-based companies had revenues of \$16.1 billion in 1992, up from \$4.9 billion five years earlier.

California, with 34 percent of the U.S. Hispanic population in the Census Bureau's estimate for 1992, accounted for 27 percent of the revenues of Hispanic-owned companies in that year. By contrast, Florida had just 7 percent of the country's Hispanic population, but 22 percent of revenues generated by Hispanic companies.

Wholesale trade has emerged as Florida's dominant sector, replacing retail trade in the number 1 position. From \$800 million in 1987 to \$4.7 billion in 1992, wholesale revenues were up 447 percent.

In California, on the other hand, retail trade continued to be the top industrial sector with revenue of \$4.87 billion. The service industry was close behind at \$4.85 billion, while wholesale trade was third at \$2.4 billion.

By ethnicity (including both detailed counts and undercoverage in both 1987 and 1992), companies owned by Mexican Americans accounted for 39 percent of the revenues of Hispanic-owned companies in 1992, while Mexican Americans represented 61 percent of the Hispanic popula-

## Top 10 States by Receipt Size of Hispanic-owned Companies

Rank	State	Number of Companies	Receipts (in \$1,000)
<b>U.S. Total</b>		<b>771,708</b>	<b>\$72,824,270</b>
1	California	249,717	\$19,552,637
2	Florida	118,208	\$16,127,202
3	Texas	155,909	\$11,796,301
4	New York	50,601	\$4,732,279
5	New Jersey	22,198	\$2,827,937
6	Illinois	18,368	\$1,950,685
7	New Mexico	21,586	\$1,479,650
8	Arizona	17,835	\$1,298,084
9	Colorado	13,817	\$1,212,137
10	Virginia	7,654	\$957,962

Source: U.S. Census Bureau, "Survey of Minority-owned Business Enterprises - Hispanic 1992 (MB92-2)"  
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counts of businesses and those the Census Bureau says that it missed from its detailed counts in both 1987 and 1992 but found in a supplemental sample. Census provided enough information to combine the detailed counts with the supplemental sample to calculate revenue growth by industry division, but not by state.

In the detailed counts by state, while Cal-

tion in the 1990 Census. Hispanics of Cuban origin were just 5 percent of all Hispanics, but accounted for 21 percent of the sales of companies owned by Hispanics. Puerto Ricans, who comprised 12 percent of the total U.S. Hispanic population, had 6 percent of revenues.

While Cubans comprised only 43 percent of the Hispanics in Florida, they account for

he could, while his American competitors couldn't communicate as well.

"We started being successful because every time my customers received the merchandise from Europe it would take them six to eight weeks," Mr. Espinosa recalls. "From the United States it takes them much less time to get it. So little by little I convinced them that I could lower

receipts of Hispanic-owned businesses are \$200 billion today. "This figure is estimated to surpass \$500 billion by the year 2000," he says.

Those projections may be generous. If receipts continued to grow at the same compound annual growth rate of 18.6 percent that they did between 1987 and 1992, total revenues of Hispanic-owned companies in 1996 would be \$152 billion. They would reach \$300 billion in the year 2000.

Noting that "opportunity and access to capital continue to remain key concerns for Hispanic entrepreneurs," Mr. Niño applauds the growing revenues of Hispanic firms in many industries. However, he observes, "there are many business sectors where Hispanic entrepreneurs are virtually nonexistent."

These sectors, Mr. Niño says, include finance, insurance, and real estate — which Census lumps together as one sector — and manufacturing. Revenues of \$5 billion from the finance, insurance, and real estate sector comprised only 7 percent of all sales of Hispanic-owned firms. By comparison, revenues of the finance, insurance, and real estate sector comprises 10 percent of the total sales of all U.S. firms. And just 8 percent of the revenues of Hispanic-owned companies came from manufacturing, compared with 14 percent for all U.S. companies.

And in spite of the big gains posted by Hispanic-owned wholesalers, they were still somewhat underrepresented compared with all U.S. companies. Just 16 percent of revenues of Hispanic-owned businesses came from companies in this sector versus 19 percent for all U.S. companies.

That means Hispanics are overrepresented in several other sectors. These include retail trade, services, and construction.

While the overwhelming number of Hispanic businesses are individual proprietorships, S corporations — which until recently could have no more than 35 shareholders — earned almost half the money. This is a big change from the 1987 Economic Census, where this type of corporation earned 29 percent of the revenues of Hispanic-owned businesses. Sole proprietorships were 89 percent of the total number of Hispanic-owned companies, partnerships another 4 percent, and S corporations were 7 percent. The Census did not include regular corporations, known as C corporations, in the survey. **HB**

## Top 10 States by Receipt Growth of Hispanic-owned Companies, 1987-1992

Rank	State	Number of Companies	1992 Receipts (in \$1,000)	1987 Receipts (in \$1,000)	1987 to 1992 Receipt Growth
	<b>U.S. Total</b>	<b>771,708</b>	<b>72,824,270</b>	<b>24,731,600</b>	<b>194.5%</b>
1	Delaware	497	\$109,088	\$6,230	1,651.0%
2	South Carolina	1,057	\$146,620	\$15,997	816.5%
3	South Dakota	239	\$35,050	\$4,262	722.4%
4	Mississippi	660	\$93,585	\$12,490	649.3%
5	Virginia	7,654	\$957,962	\$140,917	579.8%
6	Iowa	859	\$128,915	\$20,210	537.9%
7	Kentucky	752	\$104,438	\$16,562	530.6%
8	New Hampshire	487	\$80,227	\$12,818	525.9%
9	Vermont	351	\$33,033	\$5,383	513.7%
10	Minnesota	1,583	\$171,368	\$29,061	489.7%

Source: U.S. Census Bureau, "Survey of Minority-owned Business Enterprises - Hispanic 1992 (MB92-2)" and "Survey of Minority-owned Business Enterprises - Hispanic 1987 (MB87-2)"  
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68 percent of the revenues of Hispanic-owned businesses in that state. Mr. Espinosa is one of 40 wholesalers in Florida on the **HISPANIC BUSINESS 500**, and the Miami-based wholesaler who came to this country from Cuba in 1960, is an excellent example why revenues of Hispanic-owned businesses have grown so rapidly.

The reason is foreign trade. "I sell 99.9 percent internationally," Mr. Espinosa says. "The only sales that we do domestically are those that eventually ship international. Our customers are in the Caribbean, Central America, and parts of South America."

When he started Andes Chemical in 1986, Mr. Espinosa's competitors were European firms staffed with Spanish-speaking employees and American firms with English-speaking staff. The European firms couldn't deliver the goods as fast as

their inventories."

Meanwhile, the dollar weakened, "so our prices in the United States became more competitive in our market against the Europeans," Mr. Espinosa continues. More competitive prices, better communication, and faster shipments explain why Miami has become the hotbed of Hispanic foreign trade.

The 1992 Economic Census does not break out foreign trade revenues separately from domestic trade. Still, it seems clear that foreign trade, driven by huge sales gains in the wholesale sector, accounts for much of the tremendous growth that Hispanic companies recorded between 1987 and 1992.

That growth has undoubtedly continued at a rapid rate. Jose Niño, CEO of the U.S. Hispanic Chamber of Commerce in Washington, D.C., estimates that annual