

New Zealand Business Demography Statistics: At February 2012

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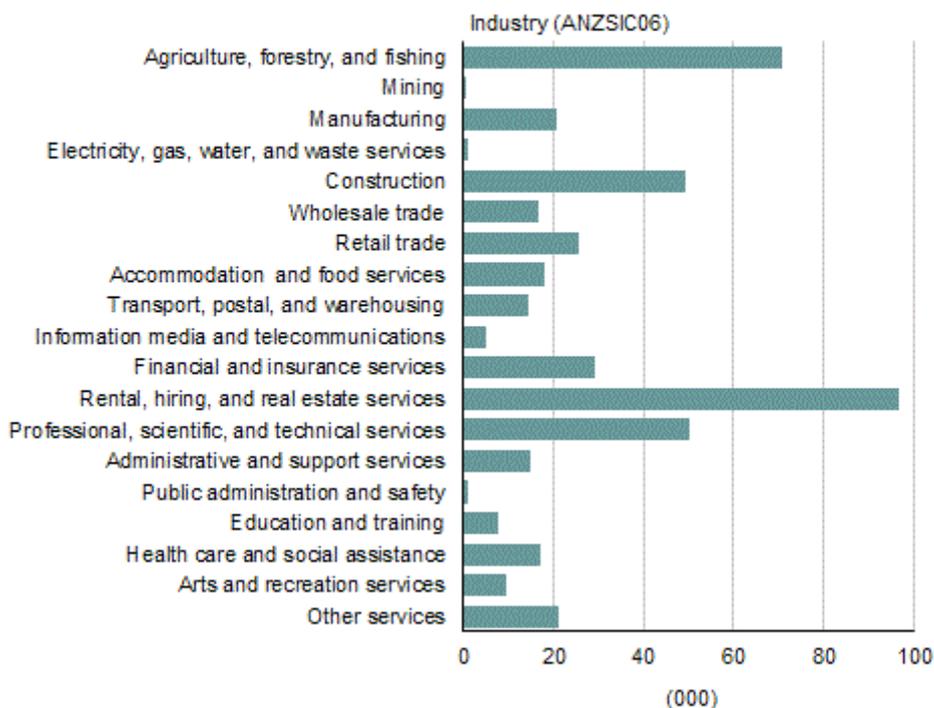
Key facts

Compared with February 2011, provisional figures at February 2012 showed:

- There were 469,120 enterprises in New Zealand, a decrease of 0.8 percent.
- Enterprise deaths exceeded enterprise births for the third consecutive year.
- There were 1.93 million paid employees (not an official employment statistic), an increase of 0.7 percent.
- Manufacturing remained the largest employer (224,200 employees) but the number of enterprises in this industry fell 1.8 percent.
- Non-employing enterprises continued to dominate enterprise numbers, accounting for 69 percent of the total.
- The number of paid employees in enterprises with 100 or more employees rose 1.1 percent.
- The number of business locations in the Christchurch central business district fell 34.6 percent, but the city as a whole had only a 2.5 percent decline.

Number of enterprises

By industry
At February 2012



Source: Statistics New Zealand

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Commentary

- Number of enterprises decreases for third consecutive year
- Enterprise numbers fall across most industries
- Business locations decrease across all regions except Wellington
- Christchurch businesses show resilience overall following earthquakes
- More employees in large businesses
- Enterprise groups have 40 percent of all employees
- Enterprise deaths exceed enterprise births for third consecutive year

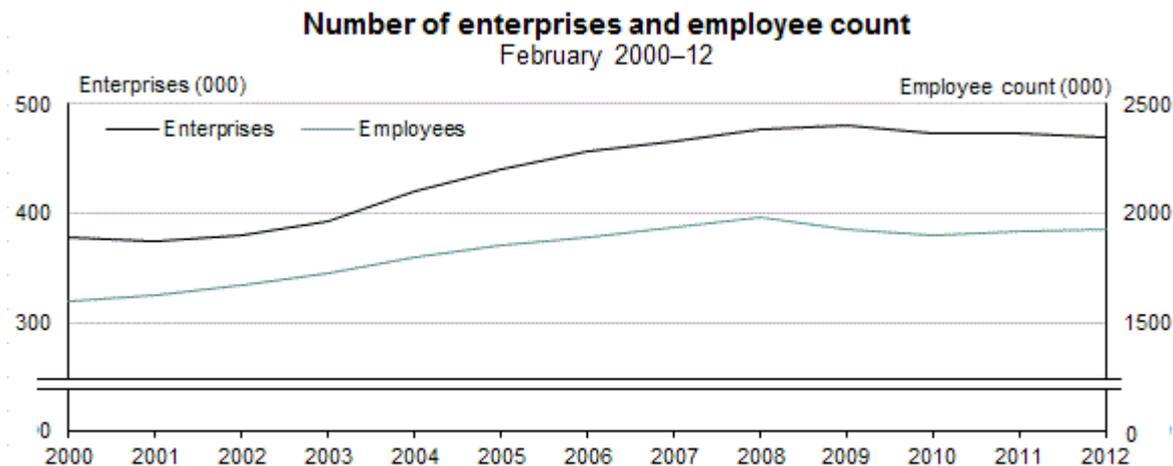
Note: Please note that all figures in this release are provisional and the time series is revised back to 2000.

Number of enterprises decreases for third consecutive year

At February 2012, the total number of enterprises in New Zealand was 469,120, a decrease of 3,860 (0.8 percent) from 2011. This was the third consecutive year in which the number of enterprises declined. During the eight-year period between 2002 and 2009, the number of enterprises increased every year.

The total number of business locations (geographic units) associated with these enterprises was 504,380 at February 2012. This was a decrease of 3,920 (0.8 percent) from 2011.

These enterprises had a total of 1,926,600 paid employees at February 2012, an increase of 12,700 employees (0.7 percent) compared with February 2011. (The number of paid employees, or employee count, is treated in this series as a business size measure, not as an official employment statistic).



Source: Statistics New Zealand

Enterprise numbers fall across most industries

The number of enterprises decreased in 12 of the 19 industries between February 2011 and February 2012. The five industries with significant decreases were as follows.

Financial and insurance services had the largest decrease in enterprise numbers across all industries at February 2012. There were 29,180 enterprises in this industry, a decrease of 1,070 (3.5 percent), and 57,300 employees, an increase of 1,900 (3.4 percent) compared with February 2011.

Agriculture, forestry, and fishing had 70,570 enterprises at February 2012, a decrease of 990 (1.4 percent). Since 2003, the number of enterprises in this industry has declined every year. This industry had 108,200 employees at February 2012, down 2,200 (2.0 percent) from the previous year. The agriculture, forestry, and fishing support services industry subdivision contributed most to this employment decrease (down 1,700).

Construction, with 49,100 enterprises at February 2012, also recorded a decrease of 800 enterprises (1.6 percent) from February 2011. This industry had 117,800 employees at February 2012, up 3,000 (2.6 percent) from the previous year. The most significant employment increases were from two industry subdivisions: construction services (1,500 or 2.3 percent) and heavy and civil engineering construction (1,000 or 3.7 percent).

Rental, hiring, and real estate services continued to be the industry with the largest number of enterprises (96,820 at February 2012), representing 21 percent of the total number of enterprises. Between February 2011 and 2012, this industry recorded a small decrease in the number of enterprises (down 200 or 0.2 percent). The majority of enterprises in this industry (95 percent at February 2012) were non-employing businesses. In comparison, only 69 percent of businesses across all industries were non-employing. The property operators and real estate services industry subdivision accounted for 95 percent of enterprises in this industry.

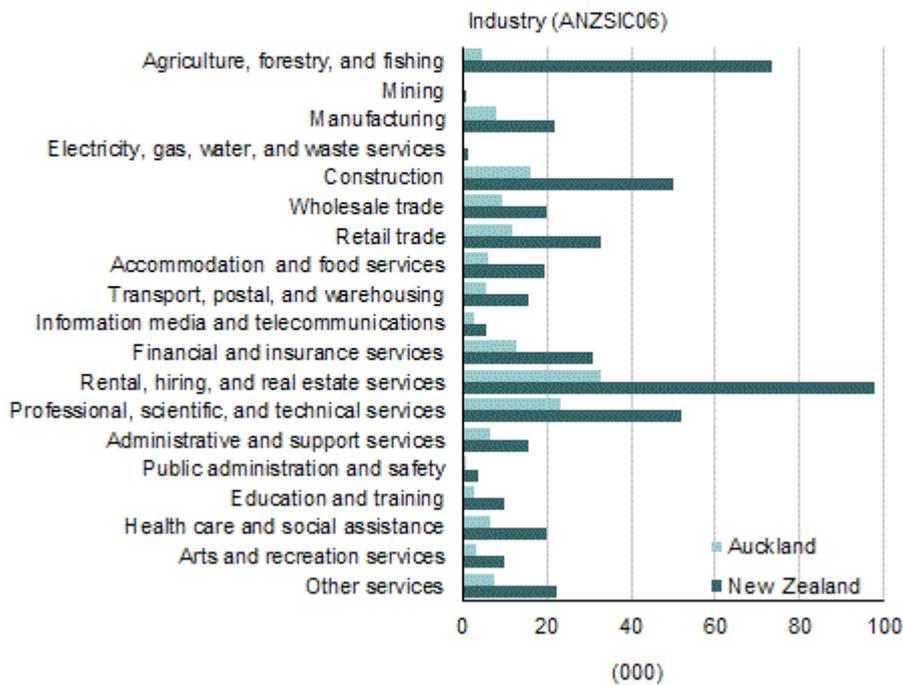
Manufacturing had 20,580 enterprises, a 1.8 percent decrease in the year to February 2012. For the last six years the number of enterprises in this industry decreased. However, the industry continued to have the largest number of employees (224,200 at February 2012) representing 12 percent of the total number of employees.

Business locations decrease across all regions except Wellington

In all regions of New Zealand except Wellington, the number of business locations (geographic units) decreased between February 2011 and February 2012. The number of business locations in Wellington increased only slightly (less than 0.1 percent). The number of employees increased in 7 of the 16 regions, with Auckland (up 2.3 percent), Waikato (up 1.4 percent), and Southland (up 1.1 percent) recording the largest increases.

Number of business locations in Auckland region and New Zealand

By industry
At February 2012



Source: Statistics New Zealand

Auckland region

At February 2012, the Auckland region accounted for 32 percent of all business locations in New Zealand and 33 percent of all paid employees.

There were 161,150 business locations in Auckland at February 2012, down 0.3 percent from February 2011. At industry level the significant movements were for:

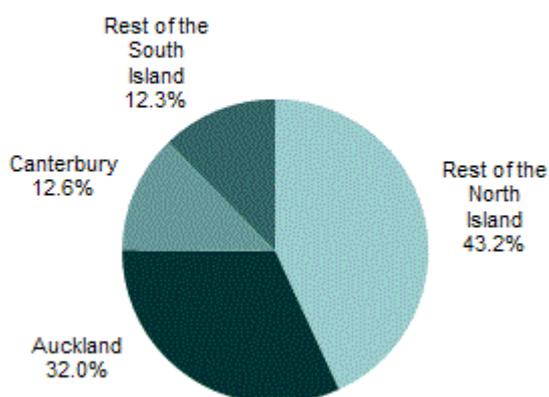
- financial and insurance services (down 550 or 4.1 percent)
- construction (down 400 or 2.4 percent)
- accommodation and food services (up 140 or 2.4 percent)
- retail trade (up 120 or 1.0 percent).

At February 2012, business locations in Auckland had 642,900 employees, up 2.3 percent from February 2011. The industries with the largest increases in employee numbers were:

- accommodation and food services (up 2,300 or 5.9 percent)
- financial and insurance services (up 2,000 or 7.9 percent)
- professional, scientific, and technical services (up 1,600 or 2.5 percent)
- information media and telecommunications (up 1,500 or 8.5 percent).

Number of business locations

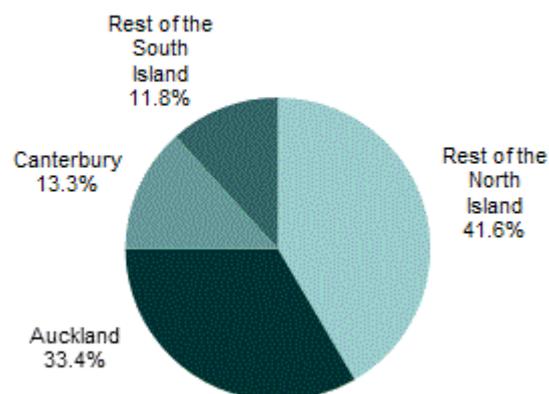
By broad region
At February 2012



Source: Statistics New Zealand

Employee count

By broad region
At February 2012



Source: Statistics New Zealand

Remainder of North Island

Excluding Auckland, there were 217,640 business locations in the remaining regions of the North Island at February 2012, a decrease of 1.0 percent from February 2011. These business locations had 801,500 employees at February 2012, a 0.4 percent decrease from February 2011.

The regions with the largest decreases in number of business locations were Waikato (down 510 or 1.0 percent) and Bay of Plenty (down 480 or 1.5 percent). Excluding Auckland, employee count decreased in all the remaining regions of the North Island except Waikato (up 2,300 or 1.4 percent) and Taranaki (up 300 or 0.7 percent). The largest decrease was in Bay of Plenty (down 2,100 or 1.9 percent).

Christchurch businesses show resilience overall following earthquakes

Note: The data for Christchurch city territorial authority for February 2011 in this release closely reflects the business demographics of Christchurch just before the February 2011 earthquake. Separate analysis done on Christchurch with January 2011 as the reference period showed that there were no significant differences between the data for January 2011 and February 2011. See the [Data quality](#) section for more details.

At February 2011, there were 37,340 business locations operating within the Christchurch city (territorial authority) area. The number of business locations at February 2012 was 36,420, which was a 2.5 percent drop compared with February 2011.

The number of employees engaged by Christchurch businesses at February 2012 also fell, but only by 0.8 percent (from 185,600 to 184,000). A detailed analysis of Christchurch data revealed significant variations across industries, and there were marked differences in how various areas of Christchurch city fared following the disaster.

More construction-related businesses in Christchurch but fewer cafes and bars

As expected, the changes in the number of business locations and employees were more pronounced in some industries than in others. Some of the more affected industries (at the detailed ANZSIC06 class level) are highlighted below (data relates to the whole Christchurch territorial authority):

- painting and decorating services
 - business locations up 37.5 percent, to 470
 - employees up 83.3 percent, to 1,200
- house construction
 - business locations up 11.2 percent, to 1,190
 - employees up 49.3 percent, to 2,200
- other construction services
 - business locations up 14.5 percent, to 130
 - employees up 38.9 percent, to 500
- auxiliary insurance services
 - business locations up 19.8 percent, to 280
 - employees up 13.0 percent, to 500
- cafes and restaurants
 - business locations down 19.1 percent, to 550
 - employees down 14.7 percent, to 4,700
- pubs, taverns, and bars
 - business locations down 13.5 percent, to 120
 - employees down 3.1 percent, to 1,300
- accommodation
 - business locations down 8.8 percent, to 320
 - employees down 35.9 percent, to 2,100.

Christchurch CBD badly affected but more business locations and employees in the west

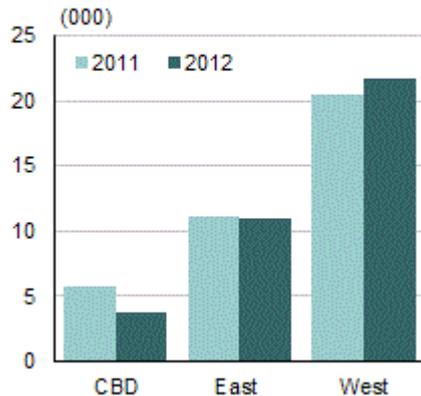
Note: The Christchurch central business district (CBD), regarded here as consisting of three area units – Cathedral Square, Avon Loop, and Hagley Park – had a high concentration of businesses and was severely affected by the February 2011 earthquake. The eastern suburbs of Christchurch also sustained more damage and disruption compared with suburbs in the west. Analysis of data for these three 'zones' (see the [Definitions](#) section for a full list of area units included in each of these zones) revealed how differently the business demographics have changed for these areas over this 12-month period.

The CBD had 5,710 business locations operating at February 2011. By February 2012, this number had decreased 34.6 percent. At February 2011, the eastern suburbs of Christchurch had 11,190 business locations. By February 2012, this number had fallen 1.7 percent. The western suburbs, on the other hand, had 6.1 percent more business locations at February 2012 (21,690).

A similar pattern was observed for the number of employees engaged by businesses in these three zones. The CBD saw a 38.4 percent decrease in the number of employees between February 2011 and February 2012 (from 47,500 to 29,300). The employee numbers in the eastern suburbs, at February 2012 were almost at the same level as at February 2011 (32,900). By contrast, the western suburbs, which had 105,100 employees at February 2011, added another 15.9 percent by February 2012.

Number of business locations in Christchurch by zone

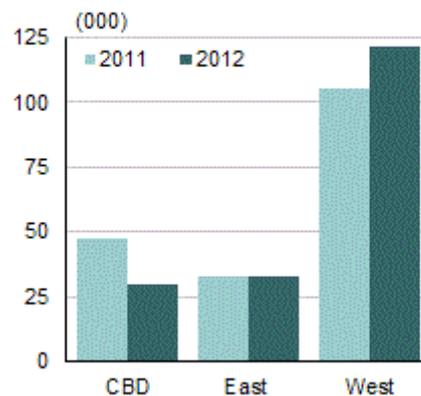
At February 2011–12



Source: Statistics New Zealand

Number of employees in Christchurch by zone

At February 2011–12



Source: Statistics New Zealand

An analysis by industry (at ANZSIC06 subdivision level) showed that between February 2011 and February 2012 the number of business locations and employees in the western suburbs had increased across most industries – substantially for some. The reverse was true in the CBD for nearly all industries. Some highlights in February 2012 were:

- The building construction industry had 2,500 employees (up 41.9 percent) in the western suburbs.
- Construction services had 4,500 employees (up 24.1 percent) in the western suburbs.
- The number of employees in food and beverage services dropped 2,400 (76.7 percent) in the CBD but increased 1,500 (32.0 percent) in the western suburbs.
- The number of employees in the professional, scientific, and technical services industry fell 57.4 percent (to 2,400) in the CBD but rose 71.8 percent (to 7,300) in the western suburbs.

Canterbury region

At February 2012, the Canterbury region accounted for 51 percent of all business locations and 53 percent of all paid employees in the South Island.

There were 63,470 business locations in Canterbury at February 2012, down 1.5 percent from February 2011. Of the 19 industry divisions, 15 recorded decreases. Industries contributing to the decrease included retail trade (down 270 or 6.4 percent), and accommodation and food services (down 220 or 8.3 percent).

At February 2012, Canterbury region had 256,600 employees, up 0.8 percent from February 2011. At industry level the significant movements were for:

- construction (up 4,200 or 26.0 percent) with the largest contribution from industry class house construction
- administrative and support services (up 1,500 or 12.3 percent) with the largest contribution from industry class labour supply services
- accommodation and food services (down 1,900 or 10.5 percent)
- education and training (down 900 or 4.1 percent).

Remainder of South Island

Excluding Canterbury, there were 61,930 business locations in the remaining regions of the South Island at February 2012, a decrease of 0.5 percent compared with February 2011. All these regions recorded a decrease in the number of business locations. These business locations had 225,300 employees at February 2012, showing no significant change from February 2011.

More employees in large businesses

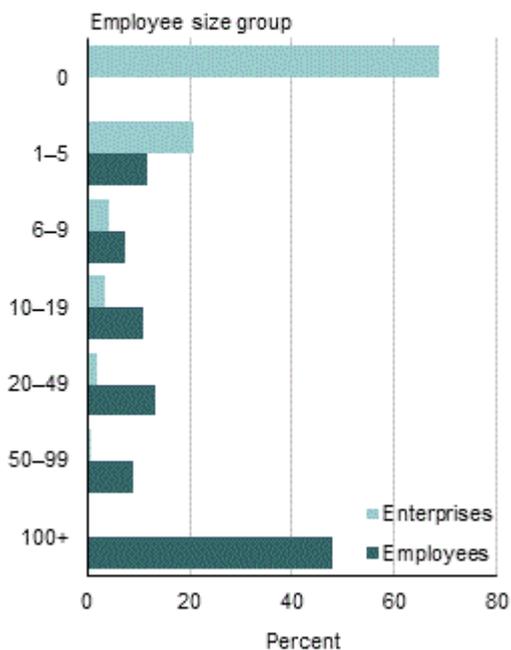
At February 2012, there were 2,150 enterprises with 100 or more employees. These enterprises accounted for 48 percent of the total number of employees. Between February 2011 and February 2012, the number of enterprises in this size group increased 1.1 percent. This follows a 1.8 percent increase in the previous reference year. There were 1.1 percent more employees in this category of enterprises at February 2012 compared with February 2011.

Of the 146,230 employing enterprises, 133,020 (91 percent) had fewer than 20 employees. For small employers (those with 1–5 employees) there was a drop in both the number of enterprises and employees during this period (down 0.8 and 0.1 percent, respectively).

At February 2012, 69 percent of all enterprises were not engaging any paid employees. Rental, hiring, and real estate services was the industry with the highest percentage (95 percent) of non-employing businesses, while education and training recorded the lowest percentage (30 percent) of non-employing businesses.

Number of enterprises and employees

By employee size group
At February 2012



Source: Statistics New Zealand

Enterprise groups have 40 percent of all employees

At February 2012, there were 8,220 enterprise groups consisting of 21,090 enterprises. These represented only 4 percent of the total number of enterprises, but they employed 40 percent of the total number of employees.

There were 5,100 **all-resident** enterprise groups (groups composed of enterprises all resident in New Zealand). These consisted of 14,640 enterprises with 305,100 employees.

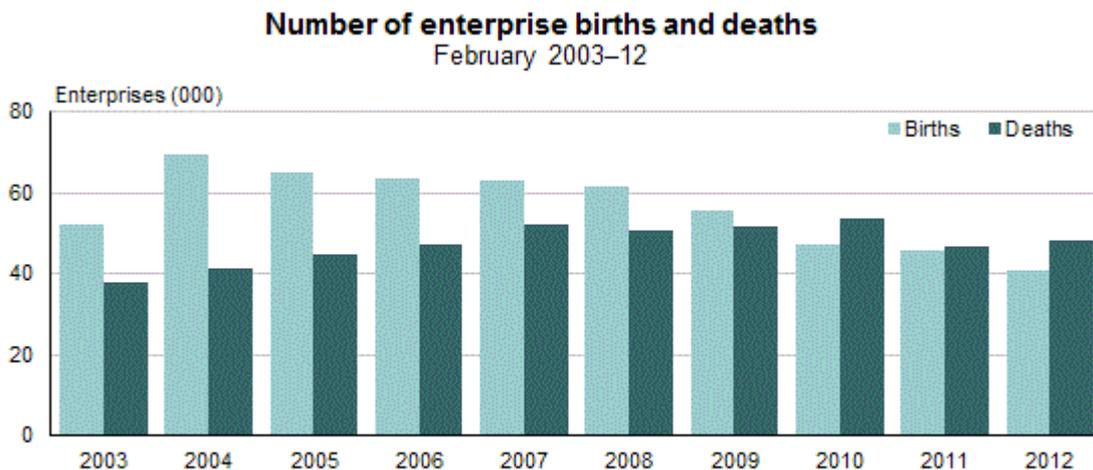
There were 2400 **foreign-controlled** enterprise groups (multinational groups controlled by a group head with headquarters outside New Zealand. These had 3,980 enterprises with 268,800 employees.

There were 720 **domestically controlled** enterprise groups (multinational groups controlled by a group head with headquarters in New Zealand). These consisted of 2,470 enterprises with 193,500 employees.

Enterprise deaths exceed enterprise births for third consecutive year

In the February 2012 year, 40,690 new enterprises started operation (births). This was 11.2 percent lower than the number of enterprise births in the 2011 year and the lowest annual number of births recorded in the current series, which goes back to 2000.

During the February 2012 year, 47,940 enterprises ceased operation (deaths). The number of enterprise deaths has now exceeded enterprise births for the third consecutive year.



Source: Statistics New Zealand

Enterprise birth and death rates vary significantly across industries

The total number of enterprise births in the February 2012 reference year reflected an annual birth rate of 9 percent (number of births as a percentage of the total number of enterprises). However, the enterprise birth rate showed significant variation across industries.

The agriculture, forestry, and fishing industry had 3,180 enterprise births in 2012. This 5 percent birth rate was the lowest among all industries. Manufacturing had a birth rate of 7 percent, whereas professional, scientific, and technical services recorded an above-average birth rate of 13 percent. Information media and telecommunications continued to have one of the highest birth rates at 14 percent.

Similarly, an analysis of enterprise deaths by industry showed that for the February 2012 year, the agriculture, forestry, and fishing industry recorded the lowest death rate of 6 percent. This compares with an overall death rate (for all industries) of 10 percent for this period. By contrast, administrative and support services recorded the highest death rate of 15 percent.

Non-employing enterprises have higher birth and death rates

Non-employing enterprises had a higher than average birth rate of 11 percent for the February 2012 year. Employing enterprises recorded a lower birth rate of 4 percent.

A similar pattern was observed for the number of deaths by employee size group. The death rate for non-employing enterprises was 14 percent. In contrast, employing enterprises had a much lower death rate of 3 percent.

The resulting turnover rate (sum of the birth rate and death rate) for non-employing enterprises was a high 25 percent. In contrast, employing enterprises had a much lower turnover rate of 7 percent.

Four in five enterprise births survive at least one year

Of the 45,810 births recorded in the February 2011 year, 37,840 survived until February 2012, showing an 83 percent survival rate for the first year. Analysis of the survival of enterprise births over the period 2001 to 2011 showed that the survival rate for births for the first year has been consistent at 81 to 83 percent.

Only 28 percent of enterprise births are likely to survive to the 10th year

Of the enterprise births in the February 2002 year, only 28 percent survived the full 10-year period to 2012. This long-term survival rate seemed to vary across industries. For example, the 10-year survival rate for an enterprise birth in the healthcare and social assistance industry was 39 percent, whereas the survival rate for transport, postal, and warehousing was a much lower 21 percent.

The survival pattern for enterprise births also varied according to the employee size group. Only 1 in 4 non-employing enterprises that started in 2002 survived the full 10 years to 2012. By comparison, almost half the enterprise births in 2002 that had 6–49 employees survived to 2012.

Note: Enterprise and geographic unit counts in this section have been rounded to the nearest 10. Employee counts have been rounded to the nearest 100. For more detailed data, see the Excel tables in the 'Downloads' box.

Definitions

About Business Demography Statistics

Business Demography Statistics provides an annual snapshot (at February) of the structure and characteristics of New Zealand businesses. The series covers economically significant enterprises that are engaged in the production of goods and services in New Zealand.

This is the sixth publication of a new business demography statistics series, based on the Longitudinal Business Frame (LBF). The first publication, [New Zealand Business Demography Statistics \(Structural\): At February 2007](#) includes more background about the new series.

Definition of terms

ANZSIC: Australian and New Zealand Standard Industrial Classification. A business is normally assigned to an ANZSIC category according to the predominant activity it is engaged in. ANZSIC is a hierarchical classification with four levels: division, subdivision, group, and class.

Birth: a new enterprise starting operation. A birth is the creation of a combination of production factors, with the restriction that no other national businesses are involved in the event. Births do not include entries into the population due to reactivations, mergers, break-ups, split-offs, or other restructuring of a group of businesses linked by ownership or control. Births also exclude entries into a population resulting from changes to characteristics of existing businesses (this is largely based on, and fully consistent with, the Eurostat definition of enterprise births). To be considered a birth in the business demography population, the enterprise and associated geographic units existed at neither time T-1 year nor time T-2 years. For more information, see [Reference period for births and deaths](#).

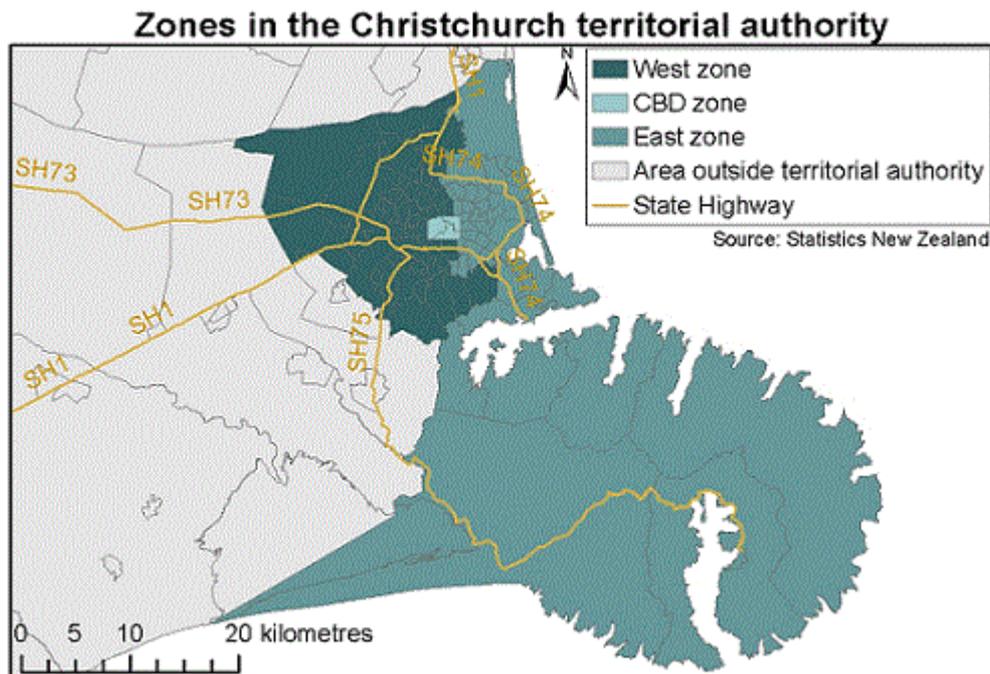
Christchurch 'zones': an informal grouping of area units of the Christchurch city territorial authority based on the severity of the impact of the 22 February 2011 earthquake. The area units included in these zones are listed below (also see map):

CBD zone – Avon Loop, Cathedral Square, Hagley Park.

East zone – Akaroa, Akaroa Harbour, Aranui, Avondale, Avon-Heathcote Estuary, Avonside, Banks Peninsula Eastern Bays, Beckenham, Bexley, Bromley, Burwood, Dallington, Diamond Harbour, Edgware, Ensors, Ferrymead, Governors Bay, Heathcote Valley, Linwood, Linwood East, Linwood North, Little River, Lyttelton, Mairehau, Mairehau North, Marshland, Moncks Bay, Mt Pleasant, New Brighton, North Beach, Opawa, Parklands, Phillipstown, Port Levy, Rawhiti, Richmond North, Richmond South, Shirley East, Shirley West, South Brighton, St Martins, Styx, Sumner, Travis, Travis Wetland, Waimairi Beach, Wainoni, Waltham, Westhaven, Woolston South, Woolston West.

West zone – Addington, Aidanfield, Aorangi, Avonhead, Avonhead West, Barrington North, Barrington South, Belfast, Belfast South, Bishopdale, Bishopdale North, Broomfield, Bryndwr, Burnside, Casebrook, Cashmere East, Cashmere West, Deans Bush, Fendalton, Halswell Domain, Halswell South, Halswell West, Harewood, Hawthornden Hendersons Basin, Hillmorton, Holmwood, Hoon Hay, Hoon Hay South, Hornby North, Hornby South, Ilam, Islington, Jellie Park, Kennedys Bush, Mcleans Island, Merivale, Merrin Middleton, Mona Vale, Northcote, Oaklands East, Oaklands West, Papanui, Papanui, Paparua, Rapaki Track, Redwood North, Redwood South, Riccarton, Riccarton South, Riccarton West, Russley, Rutland, Sawyers Arms, Sockburn, Somerfield, Spreydon, St Albans East, St Albans West, Strowan, Styx Mill, Sydenham,

Templeton, Upper Riccarton, Wairarapa, Westburn, Westmorland, Wharenui, Wigram, Yaldhurst.



Death: an enterprise ceasing operation. A death is the dissolution of a combination of production factors, with the restriction that no other domestic businesses are involved in the event. Deaths do not include exits from the population due to temporary inactivity, mergers, takeovers, break-ups, or other restructuring of a group of businesses linked by ownership or control. Deaths also exclude exits from a population resulting from changes to characteristics of businesses which remain active (this is largely based on, and fully consistent with, the Eurostat definition of enterprise deaths). To be considered a death in the business demography population, the enterprise and associated geographic units exist at neither time T year nor time T+1 year. For more information, see [Reference period for births and deaths](#).

Employee count (EC): head count of salary and wage earners sourced from taxation data. EC data is available on a monthly basis. The EC count used for the derivation of business demography statistics is for the February month.

Employment size groups: employee count (EC) data in this release has been summarised into seven employment size groups:

- 0 EC
- 1–5 EC
- 6–9 EC
- 10–19 EC
- 20–49 EC
- 50–99 EC
- 100+ EC.

Enterprise: a business operating in New Zealand. It can be a company, partnership, trust, estate, incorporated society, producer board, local or central government organisation, voluntary organisation, or self-employed individual.

Enterprise group: a grouping of enterprises in the Business Frame linked by common ownership. Generally, the Business Frame only records links of over 50 percent shareholding between enterprises. Types of enterprise groups are:

- **All resident enterprise group** – an enterprise group composed only of enterprises that are all resident in New Zealand.
- **Multinational enterprise group** – an enterprise group that contains one or more enterprises resident outside of New Zealand.
- **Foreign controlled enterprise group** – a multinational enterprise group controlled by a group head that has its headquarters outside of New Zealand.
- **Domestically controlled enterprise group** – a multinational enterprise group controlled by a group head that has its headquarters in New Zealand.

Entries: enterprises that are present in the business demography population at the end of the reference period, but were not present at the start of the reference period.

Exits: enterprises that are present in the business demography population at the start of the reference period, but are not present at the end of the reference period.

Geographic unit or business location: a separate operating unit engaged in New Zealand in one, or predominantly one, kind of economic activity from a single physical location or base.

Pure births: births with a recent birth date. That is, the birth dates of all geographic units and the enterprise are more recent than the February snapshot of time T-2 in the business demography population. Pure births generally exclude reactivations (enterprises dormant for a period of time that come back into the population). For more information, see [Reference period for births and deaths](#).

Reactivations: enterprises dormant for a period of time that come back into the business demography population.

Surviving births: births that survive at least one period (until time T+1 reference period) in the business demography population. For more information, see [Reference period for births and deaths](#).

Short-lived births: births that disappear by the time T+1 reference period in the business demography population, either due to death or dormancy. For more information, see [Reference period for births and deaths](#).

Survival rates: survival rates are calculated as the percentage of births in each reference period that survive into future reference periods in the business demography population (surviving births divided by total births for a particular reference period). To be considered a survivor, the birthed enterprise must have existed at every reference period between its birth year and the given reference period.

Related links

Upcoming releases

New Zealand Business Demography Statistics: At February 2013 will be released in October 2013.

[Subscribe to information releases](#), including this one, by completing the online subscription form.

[The release calendar](#) lists all our upcoming information releases by date of release.

Past releases and media releases

[NZ Business Demography Statistics](#) has links to past releases.

Related information

[Australian and New Zealand Standard Industrial Classification \(ANZSIC\) 2006](#) provides more details about the industrial classification used in this release.

Data quality

Period-specific information

Information about data that has changed since the last information release.

- [Impact of the February 2011 Christchurch earthquake](#)

General information

Information about data that does not generally change between releases.

- [Coverage](#)
- [Employee count data](#)
- [Business births and deaths](#)
- [Interpreting time series data](#)
- [Data limitations](#)

Period-specific information

This is the sixth publication of a new business demography statistics series based on the Longitudinal Business Frame (LBF). The first publication, [New Zealand Business Demography Statistics \(Structural\): At February 2007](#) includes more background about the new series.

Regional data throughout this release use the 2011 area boundaries.

Impact of the February 2011 Christchurch earthquake

In this release (see the [Commentary](#) section), we have attempted to capture the impact of the 22 February 2011 earthquake on businesses in Christchurch city. This was done by comparing February 2011 data for the Christchurch city territorial authority area with February 2012 data.

The earthquake occurred in the annual reference period (February) for this statistical series. Still, the data for the February 2011 reference period in this release closely reflects the business demographics of Christchurch just before earthquake. A separate analysis done on Christchurch using the same data source, with January 2011 as the reference period, showed that there were no significant differences between the aggregate data for January 2011 and February 2011.

General information

Coverage

Businesses covered

The coverage of business demography statistics is limited to economically significant enterprises that are engaged in the production of goods and services in New Zealand. They must meet at least one of the following criteria:

- annual expenses or sales subject to GST of more than \$30,000
- 12-month rolling mean employee count of greater than three
- part of a group of enterprises

- registered for GST and involved in agriculture or forestry
- over \$40,000 of income recorded in the IR10 annual tax return (this includes some units in residential property leasing and rental).

Enterprises recorded on Inland Revenue's client registration file are continually monitored to determine whether they meet the 'economic significance' requirements for inclusion. These enterprises maintained on the Business Frame (source of the Longitudinal Business Frame (LBF)) represent the target population from which Statistics NZ's economic surveys are selected.

All non-trading or dormant enterprises, as well as enterprises outside of New Zealand, are excluded from business demography statistics.

Provisional nature of business demography data

Data on the Business Frame (BF) is updated continually to maintain the latest information on businesses. Updates can affect the history of businesses as well. The LBF is constructed monthly from all current and historic BF data, taking into account all updates that have occurred on the BF since the last construction. This means that statistics based on the LBF can change if they are recreated from an updated version of the LBF.

From the 2007 release onwards, business demography statistics are released provisionally to allow for updates to the series to be incorporated. The largest revisions are expected to occur in the most recent reference periods, with smaller changes earlier in the time series. This is mainly due to the lags associated with the processing of administrative data, which are a key component of the BF maintenance strategy.

How businesses are represented as statistical units

Businesses are represented in the BF and the business demography statistics as statistical units. Two types of statistical units are used:

- The **enterprise unit** represents the legal business entity, for example a limited company, a partnership, a trust, an incorporated society. Where there is a group of limited companies linked by share ownership, each individual limited company is recorded in the statistics as a separate enterprise.
- The **geographic unit** represents a business location engaged in one, or predominantly one, kind of economic activity at a single physical site or base (eg a factory, a farm, a shop, an office). Geographic units are unique to enterprises and an enterprise unit can have from one to many geographic units (business locations). Typically an enterprise unit only has a single geographic unit, unless the enterprise has paid employees permanently working at more than one location. Geographic units can be transferred between enterprises, for example enterprise B purchases a factory (a geographic unit on the BF) as a going concern from enterprise A.

Employee count data

The employee count data published in the business demography statistics and Linked Employer-Employee Database (LEED) is sourced from the Employer's Monthly Schedule (EMS) tax form. There are a number of conceptual differences between the business demography employee count size measures and the published LEED employment statistics. Major differences include:

- Business demography includes employees of all ages (LEED statistics exclude employees aged under 15 years).

- Business demography counts employees employed at any time during the February month (LEED statistics only count employees employed on the 15th of the reference month).
- Business demography uses the EMS data before all the returns are finalised. At the time of the business demography publication, the EMS data is considered robust enough to provide an accurate indicator for business size.

Business demography does not provide official statistics on employment levels. The employee count data in business demography is primarily used to support business size measure statistics.

- Business demography revisions each year can include updates to the employee count (EC) data for previous years.
- Interpreting time series data and Data limitations in this section apply to the EC statistics as well as to the counts of statistical unit statistics.
- The timing of seasonal business activity (eg horticultural crop harvesting) can influence the time series for some industries and regions.
- The EC statistics include all employees that were paid during the month, irrespective of the number of hours worked or the number of days employed. If an individual had multiple jobs during a month with different employers, all jobs are counted.
- The EC statistics at the geographic unit level for multi geographic unit (many business locations) enterprises are calculated by a process that includes some estimation. Enterprise unit EC data is proportioned out to the constituent geographic units by using survey data and administrative records on employee locations.
- Generally the employee count for a geographic unit is all paid employees working at that business location. However, for industries with employees who do not work at a fixed location, the employees are counted at the geographic unit that represents the base, administrative, or head office of their employer. Examples include the building and construction industry, transport industry, contract labour industry, health care and assistance, gardening, agriculture contracting, cleaning, etc.
- Caution and an understanding of the factors influencing EC statistics are required in interpreting changes over time.

The employee count data does not include working owners unless they are paid a salary or wage by the enterprise that is subject to PAYE. So enterprises in the zero employee count size category may have:

- working owners
- labour provided by other businesses or contractors
- business activity that requires no labour (eg passive investment).

Business births and deaths

Identification of business births and deaths

To observe business dynamics such as births and deaths over time from administrative data sources, it is crucial to be able to link continuing businesses if their identifiers change in the source data. A business may undergo several changes in its lifetime, in addition to birth and death. For example, legal or administrative entities may close down or emerge due to breakups, mergers, split-offs, takeovers, or restructuring. Any of these events can result in the business obtaining a new unique identifier (an IRD number) in the tax reporting system and subsequently on the BF. A business would then appear as a death and subsequent birth in these systems. However, neither administrative changes nor the events mentioned above necessarily indicate the occurrence of a birth or death of the underlying business activity in the real world.

The methods used to identify business births and deaths and continuing businesses in the business demography dataset are in line with recommendations from the Organisation for Economic Co-operation and Development (OECD) and Eurostat. The theoretical criteria used to define business births and deaths and continuing businesses are based on a combination of factors of production (land, labour, capital). A birth is an assembly of new factors of production. A death is a disassembly of factors of production.

In practice, the information used as proxies for these factors of production to identify continuing businesses are:

- whether a business holds a majority of its original geographic units (business locations)
- if a business keeps the same trading name
- if a business is in the same industry
- if a business continues to operate from the same location
- whether a business continues to employ most of its former employees.

In contrast, indicators for a new business (birth) are whether a business formed new geographic units, has a new trading name, and mostly recruits new employees.

The processes used to identify continuing businesses on the LBF (longitudinal links) are described in the [Business Demographic Statistics Review Report](#).

Reference period for births and deaths

Births and deaths are presented on an annual basis, as at February. For a birth or death to be counted in a reference period, it must have occurred at some stage during the year (start of March to the end of February), and not have a changed status by the February reference point. For example, an enterprise that ceased operation at some stage during the year, and then recommenced operation before February, will not be counted as a death.

According to the recommendations of Eurostat for enterprise births and deaths, a reactivation (an existing enterprise which has been dormant for a period of time and come back into the business demography population) after less than two years of inactivity is not counted as a death and subsequent birth. To identify births at time (T), it is therefore necessary to check movements in the enterprise population over more than one period (a year) – that is, at least back to time T-2 years. Looking back in time further than just one period to determine the status of an enterprise also helps to filter out temporary movements in and out of scope (as determined by the economic significance of an enterprise, which may change from one period to the next). The number of periods we can look back for births, or forward for deaths, is limited by the start and end points of the available data (the LBF holds data from April 1999 to the current month). For enterprise births in 2001, the snapshots of April 1999 and February 2000 were used as reference points. For all other birth and death reference periods, only snapshots for February were used as reference points.

Identification of enterprise births in business demography

Total entries of period T are all enterprises whose identifiers exist at time T but not at time T-1 year. Of these, **real births** are all enterprises whose geographic units existed at neither time T-1 year nor time T-2 years.

- If an enterprise consists of more than one geographic unit, it is only considered a real birth if none of its units existed in the previous two years.

- Entries other than real births are enterprises that experience administrative changes or movements in and out of scope.

Once real births have been identified on the LBF using the methods above, they can be analysed further by splitting real births of period T into:

- **pure births** (birth dates of all geographic units and the enterprise are more recent than the February snapshot of time T-2 years)
- **other births** (birth dates are not recent, and are therefore likely to be reactivations)
- **surviving births** (survive at least one period until time T+1 year)
- **short-lived births** (disappear by time T+1 year, either due to death or dormancy).

Identification of enterprise deaths in business demography

Total exits of period T are all enterprises whose identifiers exist at time T-1 year but not at time T. Of these, **real deaths** are all enterprises whose geographic units exist at neither time T nor time T+1 year.

- If an enterprise consists of more than one geographic unit, it is only considered a death if all of its units disappear in the following two years.
- Exits other than real deaths are enterprises that experience administrative changes or movements in and out of scope.
- If data for time T+1 year are not available, the number of real deaths will be preliminary until it can be revised after the next snapshot is available. Therefore, deaths for the more recent reference periods should be treated with caution.

Identification of geographic unit births and deaths in business demography

These statistics are available by regional council and territorial local authority. The rules for identifying geographic unit births and deaths mirror those of enterprise units, as described above, except that the enterprise unit to geographic unit linkages are irrelevant. Existing geographic units moving between regions are not considered to be births or deaths.

Survival of enterprise births

The longitudinal nature of the LBF allows enterprise births in any reference period to be tracked over subsequent years. Survival rate statistics can be used to analyse the rate of survival of new births, by both industry and business size. Survival rates are calculated as the percentage of births in each reference period that survive into future reference periods in the business demography population (surviving births divided by total births for a particular reference period). To be considered a survivor, the enterprise must have existed at every reference period between its birth year and the given reference period.

International comparability

The OECD study on international comparability of business start-up rates found that although enterprise birth rates are considered key economic indicators, their availability and definition varies considerably from country to country. Therefore, comparisons of birth or start-up rates between countries should be treated with caution. Eurostat and the OECD are currently working on standard models for business populations and standardised definitions for key indicators. The definitions and methods used in New Zealand business demography statistics align well with the best practice models presented in the [OECD study](#). Further detail is available in the [Business Demographic Statistics Review Report](#).

Interpreting time series data

The published time series of business demography data has several significant changes caused by improved Statistics NZ processes. Due to data constraints, no attempt has been made in the series to remove the influence of these changes, but they are described here so that users can understand the time series:

- Agriculture units (ANZSIC 2006 subdivision A01) – for a period of time before 2002 the agricultural units on the BF were maintained to a lower quality level than other units on the BF as there was no agricultural production statistics programme in place. Following the reintroduction of a programme of annual agricultural production statistics in 2002, there were consequential improvements in the BF quality, with business demography data for the agriculture industry considered more robust from 2004. However, feedback on the BF from the agriculture programme cycle can still result in some volatility in the agriculture series. Some of the changes in business demography statistics for agriculture therefore reflect quality improvements in the BF, rather than actual changes.
- The business demography series shows a small drop in the total number of enterprises from 2000 to 2001. This was influenced by a change in June 2000 to the methodology used to add new units to the BF. Under the new methodology, units were only added to the BF after administrative data sources reported that they displayed sufficient activity to meet the BF economic significance conditions. Previously, non-employed units had been added to the frame before they met the economic significance conditions. The change only affected non-employed businesses.
- The business demography series shows a significant increase in the number of enterprises in 2004, particularly in ANZSIC 2006 divisions K (financial and insurance services) and L (rental, hiring, and real estate services). This was largely a consequence of improved use of administrative data to maintain the BF. Most of the enterprises added were non-employed businesses.

Other factors related to the representation of businesses on the BF can also influence time series data:

- Business demography time series statistics can be influenced by structural changes in businesses, such as business mergers, one business taking over another business, or a business selling part of its activities. This can cause a significant movement in an industry (ANZSIC) time series of employee count data. For example, in a business takeover where one enterprise is absorbed into another enterprise, the employees of the smaller enterprise will typically become classified to the ANZSIC of the larger enterprise.
- Regional business demography time series statistics can be influenced by changes in how an enterprise with many business locations is represented on the BF as geographic unit(s). For example a move to a less granular or more detailed geographic unit structure on the BF, due to changes in a way a business reports regional information, can influence regional time series.
- Many enterprises undertake a range of business activities simultaneously. For example, they manufacture and wholesale goods and their activities can be over a range of commodities that cross ANZSIC boundaries. Enterprises are classified to ANZSIC on the BF according to its predominant activity. Movements in time series of ANZSIC data can be caused by the predominant activity of enterprises changing. This can cause what appears to be a significant change in an industry time series. These changes need to be interpreted with caution, because the business activity may be largely continuing under a different predominant industry classification.

Data limitations

There are a number of limitations associated with business demography data. These limitations include:

- Non-coverage of 'small' enterprises that fall below the economic significance criteria.
- Partial coverage of enterprises in the gap between the BF economic significance condition of \$30,000 of sales subject to GST and the compulsory GST registration threshold of \$60,000 (applied from 1 April 2009). The level of this partial coverage cannot be quantified, but some businesses do register for GST when their activity is below the compulsory GST registration threshold.
- The residential property operators industry (ANZSIC 2006 class L6711) contains only partial coverage, so must be analysed with caution.
- Lags in recording enterprise births and deaths.
- The published time series is subject to revision each year as the latest data from the LBF is incorporated for relevant years. Revisions of any significance will typically be confined to the last end points of the series.
- The business demography statistics on the number of business births and deaths and surviving businesses rely on a variety of data sources to identify a continuing business (which for example undergoes a change of legal ownership and restructuring) as well as genuine business start-ups and closures. These data sources are not comprehensive and are of lower quality for small non-employed businesses. When businesses register for GST and are added (or 'birthed') onto the BF, they are given a new reference number. Company restructuring or changes of ownership can result in a new GST registration being filed, even though it relates to an existing business. Both the BF and the LBF have procedures in place to identify links between new and existing businesses, but there is no guarantee that all links will be identified. There will also be some false positive links identified. So some caution is required in the interpretation and use of these statistics.
- Non-availability of overseas ownership information for some of the units on the BF.
- Information on enterprise ownership links (needed for identifying BF enterprise groups) being limited to administrative data sources with only large businesses being covered by direct surveys.
- Difficulties in maintaining industrial and geographic classifications for medium and smaller enterprises (that are primarily maintained on the BF using administrative data).
- Fine-level regional and industry business demography data needs to be used with caution. The BF, which is the main source of data for the business demography series, is designed to support quality national-level and aggregate industry-level statistics. It is not designed to provide quality fine-level regional or industry statistics. Particularly for small and medium-sized enterprises, the BF update sources can have timing lags and less robust information. These quality weaknesses can be highlighted in fine-level business demography statistics.
- Some caution is required with the use of back-cast ANZSIC 2006 statistics as some of the classification data has been imputed (estimated).

Rounding

Enterprise and geographic unit counts in the tables in this release are unrounded. Employee count data has been randomly rounded. Due to rounding, individual employment figures may not always sum to the stated total(s). Derived figures (eg percentage changes) have been calculated using unrounded data.

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Tables

The following tables are available in Excel format from the 'Downloads' box. If you have problems viewing the files, see [opening files and PDFs](#).

1. Enterprises, geographic units, and employee count by industry (ANZSIC06), at February 2012
2. Geographic units and employee count, by region, at February, 2003–12
3. Number of enterprises, enterprise births, and enterprise deaths, at February, 2003–12
4. Breakdown of enterprise births, at February, 2003–12
5. Enterprise births by industry (ANZSIC06), at February, 2003–12
6. Enterprise deaths by industry (ANZSIC06), at February, 2003–12
7. Enterprise births by employee count size group, at February, 2003–12
8. Enterprise deaths by employee count size group, at February, 2003–12
9. Employee count of enterprise births and deaths, by employee count size group, at February, 2003–12
10. Average employee count of enterprise births and deaths, at February, 2003–12
11. Survival rate of enterprise births by industry (ANZSIC06), at February, births in 2002–10
12. Survival rate of enterprise births by employee count size group, at February, births in 2002–10
13. Enterprises by enterprise group membership, at February 2012
14. Enterprises by type of enterprise group, at February 2012
15. Enterprises by industry (ANZSIC06) and type of enterprise group, at February 2012
16. Enterprises by type of enterprise group and employee count size group, at February 2012
17. Geographic units in Christchurch City 'zones' by industry (ANZSIC06), at February, 2011–12

Access more data on Table Builder

Use [Table Builder](#), a free, online tool that enables you to extract the information you want. Business demography statistics include a range of statistics for enterprises and geographic units (business locations). Regional data is available only for geographic units. To access the release on Table Builder, select the following tables from the homepage.

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