



## Business demography, 2015

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### Introduction

The number of active enterprises increased at a higher rate than in the previous year, by 2.6% from 2014 to 2015. The growth resulted from a 6.4% increase in the number of private entrepreneurs, while the number of business partnerships fell by 0.2%.

56.7% of active enterprises were business partnerships and 43.3% of them were private entrepreneurs.

Most enterprises were in the sections of wholesale and retail trade; repair of motor vehicles and professional scientific and technical activities.

As in the previous years, almost all enterprises employed less than 50 persons.

The regional distribution of enterprises by the location of the head office has hardly changed since the first survey of 1999, though a slight shift can be observed in the direction of Central Hungary.

In 2015, the average number of active enterprises was 68 per thousand inhabitants.

The number of new enterprises was 11.6% more than in the previous year.

In the case of business partnerships as well as private entrepreneurs increased the number of new enterprises.

Business partnerships have a better ability to survive: 45% of business partnerships registered in 2010 were also in operation five years later, while it was only 27% for private entrepreneurs.

Enterprises dealing with financial and insurance activities saw the highest staff turnover. The proportion of both new enterprises and enterprise deaths was the highest in this section.

In 2013, the number of enterprise deaths<sup>1</sup> decreased by 23.5% compared to the previous year, so the ratio of business deaths to active businesses fell significantly.

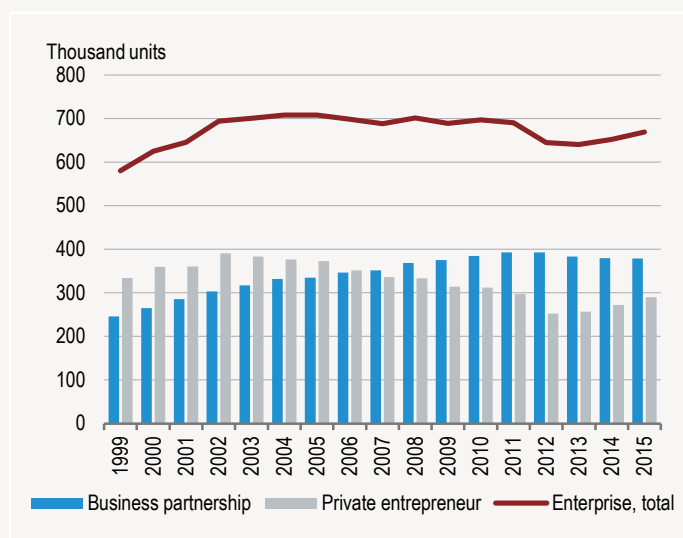
### Active enterprises

In 2015, the number of active enterprises was about 669 thousand, consisting of 379 thousand business partnerships and 290 thousand private entrepreneurs. The observed period saw a decrease of 700 in the number of business partnerships while the number of private

entrepreneurs rose by 17.5 thousand compared to the previous year. After the decrease of 2011–2013, the number of active enterprises continued to increase in 2014 and in 2015 as well: by 12 thousand and 17 thousand, respectively.

Figure 1

Changes in the number of active business partnerships and in that of private entrepreneurs



Seven tenths of all business partnerships was private limited liability company and a further, more than a quarter was limited partnerships. The growth in the number of private limited liability companies – lasting continuously since the turn of the millennium – temporarily stopped in 2013, but their number started to increase again in 2014. The growth continued in 2015 as well, it was 0.7%, 0.5 percentage point higher than in the previous year. The increase in the number of limited companies – lasting for several years – continued, it was 3.6% more in 2015 compared to the previous year. As in the previous years, the number of limited partnerships and general partnerships continued to decrease by 2.8% and 6.7%, respectively.

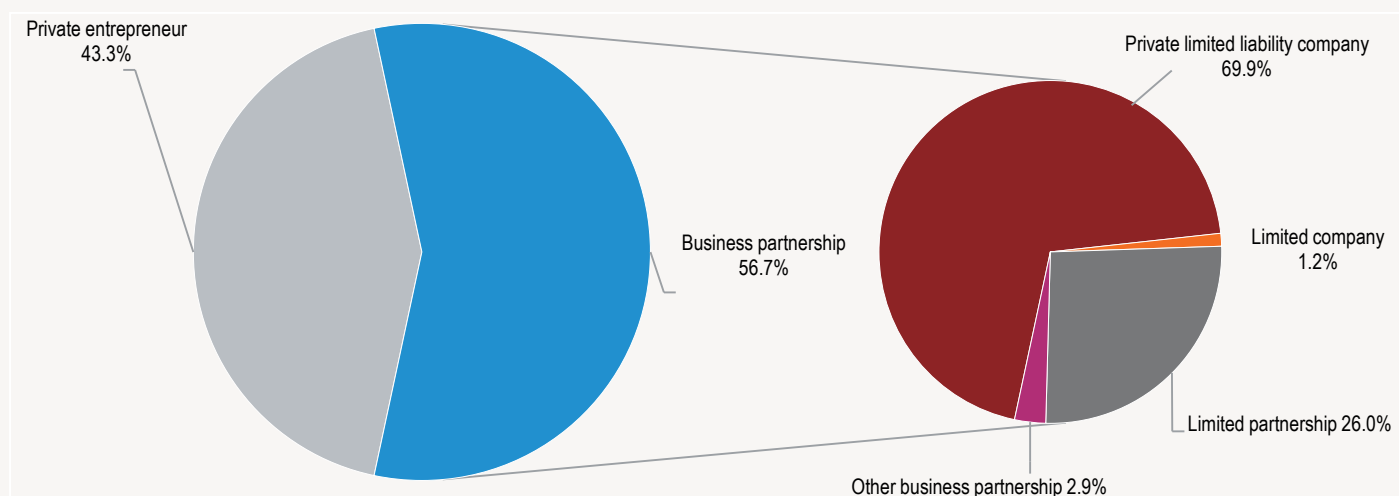
In previous years the number of business partnerships – between 2000 and 2011 – rose year-by-year, while the number of private entrepreneurs after an increase in the period between 1999 and 2002 steadily declined until 2012. Their number started to increase since 2013, and it was 6.4% higher in 2015 compared to the previous year.

As a result of processes mentioned earlier, the proportion of business partnerships continued to grow gradually until 2012, as opposed to the proportion of private entrepreneurs. In 2012, the rate of business partnerships in percentage of the total number of enterprises was 60.9%, this rate diminished to 56.7% in 2015.

<sup>1</sup> Real dead enterprises. See: Enterprise deaths.

Figure 2

## Distribution of active enterprises, 2015



Full-time and part-time private entrepreneurs as well as pensioner private entrepreneurs accounted for 53%, 39% and 8%, respectively of all private entrepreneurs. The number of full-time and part-time private entrepreneurs increased (by 7.1% and 7.9%, respectively), however the number of pensioner private entrepreneurs decreased by 4.3%.

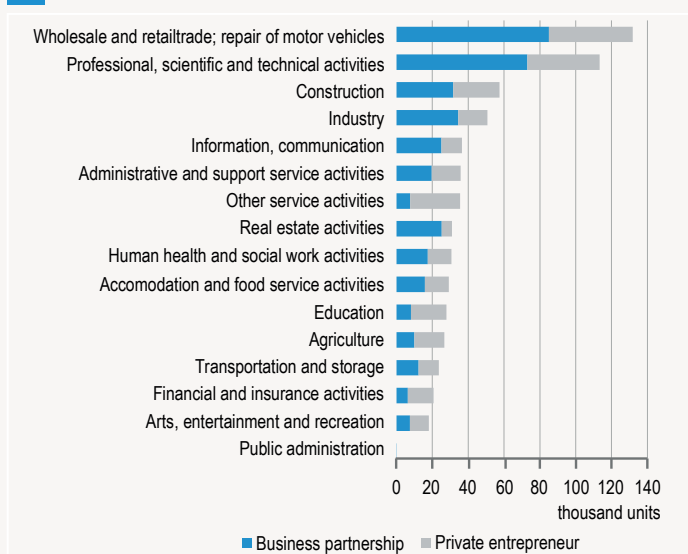
In 2015, as in the previous year, 99.2% of active enterprises were small enterprises with a staff of fewer than 50 people (within this the proportion of micro enterprises with fewer than 10 people was 94.9%, this is the usual proportion in most of the EU member states). The proportion of medium-sized enterprises with a staff of 50–249 people was 0.7%, and that of large enterprises with a staff of at least 250 people was only 0.1%.

With the exception of large enterprises with a staff of 250 people and above, the number of enterprises increased in all staff categories, the growth was the highest in the number of enterprises with a staff of 10–19 people (7.8%), but an increase of above 5% was recorded in the categories of 5–9 people and 20–49 people, as well.

There was no significant change in the distribution of enterprises by main activity compared to previous years. Most enterprises continued to operate in the wholesale and retail trade; repair of motor vehicles and motorcycles (19.7%), it was followed by the professional scientific and technical activities (17.0%), the construction (8.6%) and the industry (7.6%).

Figure 3

## Distribution of enterprises by main activity, 2015



With the exception of financial and insurance activities as well as accommodation and food service, the number of active enterprises rose in all sections. The most significant growth occurred in the field of agriculture (11.8%), other service activities (7.8%) and arts, entertainment and recreation (6.6%).

The regional distribution of enterprises by location of head office has slightly changed since the first survey in 1999. Central Hungary accounted for an outstandingly high share of 41.7%, in the other regions this rate was between 8.0% and 11.5%. The significant share of Central Hungary resulted from an outstandingly high proportion of business partnerships in that region, which was due to the capital-centric economy and infrastructure of the country. More than half of business partnerships were registered in Central Hungary and 6.5–9.2% of them in other regions. The distribution of private entrepreneurs was much more balanced: the 28% share of Central Hungary was followed by the 10–15% shares of the other regions.

All counties and regions saw a growth in the number of active enterprises in 2015. The highest increase was measured in Szabolcs-Szatmár-Bereg county (4.3%), in Pest county (4.0%) and in Bács-Kiskun county (3.2%).

Out of districts, in the examined year, Csenger district and Fehérgyarmat district stood out due to the dynamic increase in the number of their enterprises (11.2% and 9.1%, respectively). (The highest growth was measured in the Enying district, which is resulted from the fact that the jurisdictional areas of the districts were changed. The Polgárdi district was ceased on 31 December 2014. The affected settlements party belonged to the Enying district and Székesfehérvár district.) The number of enterprises decreased to the highest extent in the Selye district and Makó district (by 3.7% and 1.8%, respectively).

In 2015, there were 68 active enterprises per thousand inhabitants on national average, this indicator was 93 in Central Hungary, 62 in Transdanubia and 53 in the greater regions of Great Plain and North. Out of districts the districts of Budapest were the best, among them the District V stood out where there were 276 active enterprises per thousand inhabitants. Besides Budapest, the number of active enterprises was high in the districts of the agglomeration of the capital city and of the catchment area of Lake Balaton. In the Budkeszi (113), Szentendre (98) and Balatonfüred (98) districts the ratio of enterprises to the number of population was the highest. In this respect the district of Cigánd with 16 enterprises, is invariably the most backward.

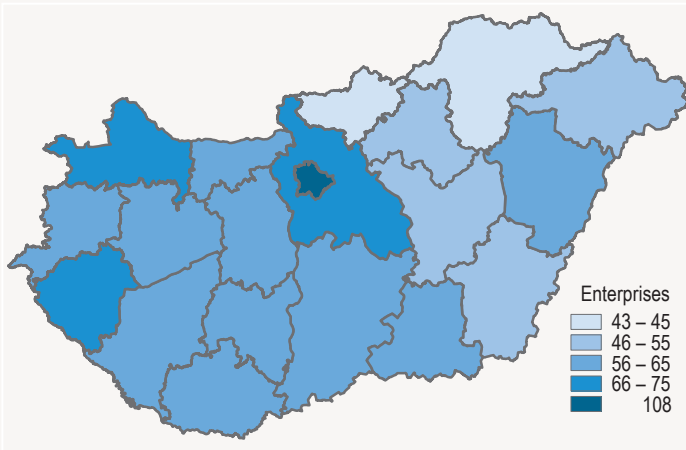
The number of high growth enterprises<sup>2</sup> was 4026 in 2015, their ratio to the number of all enterprises was 0.60%. This proportion rose year-by-

<sup>2</sup> High growth enterprises are those enterprises which have more than 10% average annual growth concerning the number of their employees in the three years prior to the reference year. The examination covered the enterprises employing 10 or more persons.

year, it was only 0.42% in 2010. The proportion of high growth enterprises was the highest in the sector of industry (2.15%) and transportation (1.50%). Out of the counties Komárom-Esztergom county (0.81%), Bács-Kiskun county (0.67%) and Budapest (0.67%) had outstanding proportions.

Figure 4

**Active enterprises per thousand inhabitants by region, 2015**



**New enterprises**

In 2015, 76,227 real new enterprises were established, 11.6% more than one year earlier.<sup>3</sup> The number of both new business partnerships and new private entrepreneurs increased compared to the previous year: by 8.6% and 13.4%, respectively. Newly established enterprises accounted for 11.4% of all active enterprises, which was 0.9 percentage point higher than in 2014.

New enterprises accounted for 7.3% of business partnerships, which was 0.6 percentage point more than in 2014. This proportion was 16.8% among private entrepreneurs against 15.8% in the previous year. Among enterprises the proportion of newly established enterprises was the highest at private limited liability companies (8.3%) and the lowest at general partnerships (3.1%) similarly to previous years.

The proportion of new enterprises rose significantly in the case of limited partnerships in 2013–2015, however it is still relatively low. This resulted from the opening of the national tobacco shops on 1 July 2013, since only private entrepreneurs as well as enterprises with at least one unlimited liability member can be licensed as tobacco retailers.

Table 1

**Proportion of new enterprises in the percentage of the active ones**

Legal form	2010	2011	2012	2013	2014	2015
Business partnerships	9.7	10.1	8.2	7.6	6.7	7.3
Of which:						
Private limited liability company	14.1	14.2	11.1	9.1	8.0	8.3
Limited company	5.7	7.7	6.8	6.1	6.2	7.0
Limited partnership	2.0	1.7	1.7	4.0	3.2	4.4
Private entrepreneur	10.4	9.9	9.8	14.4	15.8	16.8
<b>Enterprises total</b>	<b>10.0</b>	<b>10.0</b>	<b>8.8</b>	<b>10.3</b>	<b>10.5</b>	<b>11.4</b>

With the exception of co-operatives, the number of newly established enterprises became higher. In 2015, the number of new enterprises in the case of limited partnerships, limited companies and private limited liability

companies increased by 30.6%, 17.1% and 5.0%, respectively compared to the previous year.

At the establishment of an enterprise the simple rules of the registration, the amount of the initial capital and the level of the liability are important points. The drop – occurred in the three years prior to the reference period – in the number of new enterprises registered as private limited liability companies was on the one hand a result of the legal amendments tightening up rules on company registration introduced in 2012, on the other hand by the entry into force of the new Hungarian Civil Code (15 March 2014) the initial capital rose to 3 million forints again. The number of the registered private limited liability companies showed that the number of registrations decreased due to the changes of these legislations. However in the year of the registration only little more than a half of the enterprises started their operations. In 2015, almost 52% of private limited liability companies which are real new enterprises (22,060) started their operations in the reference year.

Almost all new enterprises started their operations as small enterprises (99.9%), the medium-sized enterprises accounted for a proportion of 0.1%, and similarly to the previous years the number of new enterprises launched their businesses with a staff of at least 250 people is low (there were almost 4 in 2015). The number of enterprises started their operations rose in the staff category of micro and small enterprises, contrary to this decreased in the categories of medium-sized enterprises, employing more than 50 people, and of large enterprises.

In 2015, the sections of financial and insurance activities (20.6%), agriculture (20.2%) as well as other services (16.5%) accounted for the highest proportions of new enterprises within the active enterprises. This proportion was the lowest in industry (8.0%) and health services (8.2%).

The areas of wholesale and retail trade; repair of motor vehicles as well as of professional scientific and technical activities accounted for 16.0% and 15.1%, respectively of the more than 76 thousand new enterprises. The fewest enterprises were launched in the sections of health services and arts and entertainment.

The ratio of new enterprises to active enterprises by region varied between 10.3% and 12%. Among counties – similarly to previous years – Szabolcs-Szatmár-Bereg county stands out (12.6%), while Zala county is in the last place (9.9%).

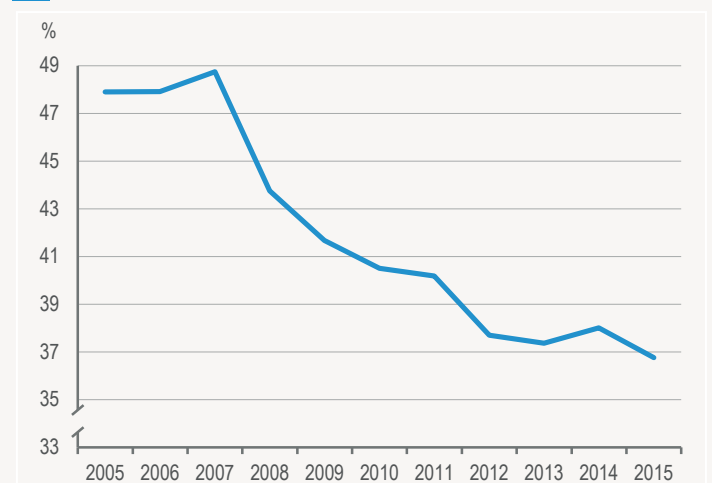
Four tenths of the new enterprises located in Central Hungary and 7.5–11.8% of them started their operations in other regions in 2015.

**Survival of new enterprises**

When analysing the survival of enterprises, the life of enterprises qualified as new in 2010 were followed until 2015. 36.7% of the 69,903 businesses registered in 2010 were also in operation in 2015.

Figure 5

**Five-year survival rate of enterprises**



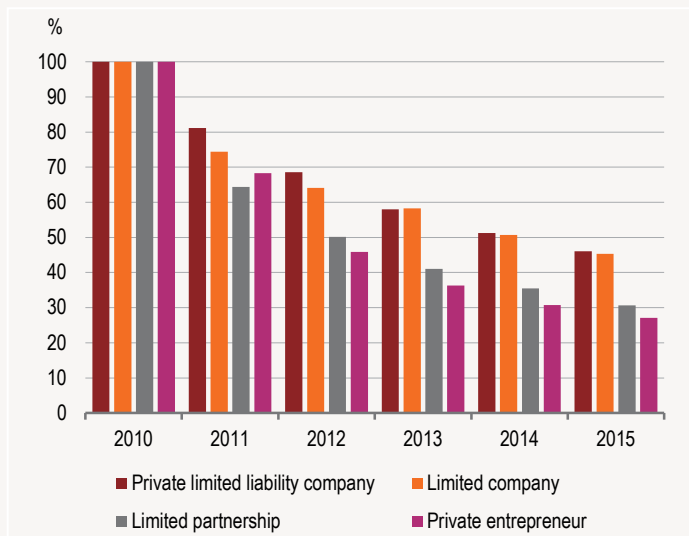
<sup>3</sup> A real new enterprise is not regarded as an enterprise being active in the prior two years and has no predecessor. Hereinafter real new enterprises are called as new enterprises.

There are relatively long data series to analyse the five-year survival rate of real new enterprises. This indicator was around 48–49% in 2005–2007, it fell in 2008–2009, and the decrease continued until 2013, however at a lower rate. In 2014 the indicator started to increase temporarily, but in 2015 a slight decrease was recorded again.

Business partnerships have a better ability to survive: 45.1% of the 37,373 business partnerships and 27.1% of the 32,524 private entrepreneurs both registered in 2010 were also in operation in 2015. Among business associations with legal entity the proportion of businesses with a five-year plus survival rate was the highest in the case of private limited liability companies and limited companies (46.0% and 45.3%, respectively), and it was the lowest in the case of limited partnerships (30.7%). Co-operatives have a much lower five-year survival rate (26.4%).

Figure 6

#### Survival rate of enterprises registered in 2010 by legal form



The highest survival rates were measured in the section of health services, social work (59.1%), but the rate was also above the average in the sections of agriculture (46.9%), industry (45.3%) and information, communication (47.9%) as well. Similarly to previous years, start-up enterprises dealing with financial and insurance activities had the lowest ability to survive, with a five-year survival rate of only 16.6%. In this section, the share of enterprises with a one-year survival rate was significantly lower than in other sections. While in the other sections, the one-year survival rate of enterprises showed an average of 75%, the section of financial and insurance activities – mainly as a result of the low survival rate of enterprises dealing with ancillary activities, e.g. private enterprises dealing with activities of an insurance agent – has an only 54% one-year survival rate.

In the five-year survival rate of enterprises, there were no significant differences among regions, but differences in the economic development level could be observed. The highest survival rate was recorded in the case of Central Hungary (38.3%), but it was also above the average in Southern Great Plain (37.8%), in Northern Great Plain (37.6%) and in the Western Transdanubia (37.5%). In the other regions this indicator was around 32–34%. In the case of the counties the highest survival rate of enterprises was observed in Hajdú-Bihar county (39.6%), while the lowest rate was recorded in Tolna county (29.9%).

#### Enterprise deaths

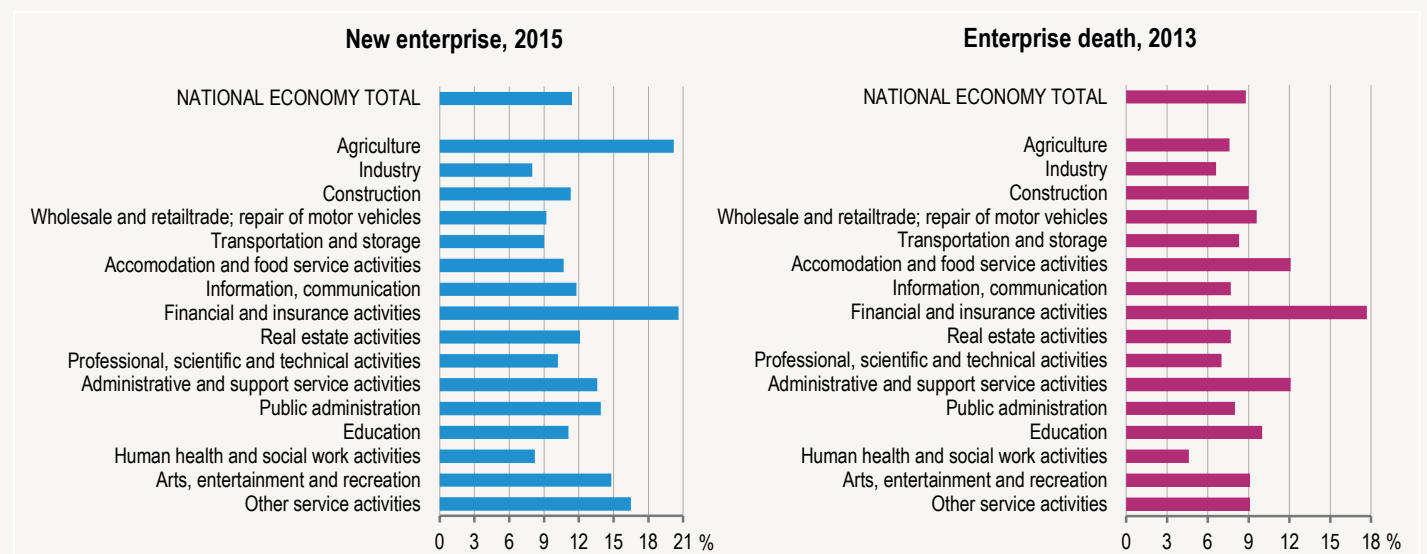
Real dead enterprises are those enterprises which do not appear among active enterprises in the period of two years after the reference year and have no successors. The preliminary data of 2014 is the last available data, which are determined on the basis of the information of 2015. Data of 2014 will be finalised after the closure and processing of 2016.<sup>4</sup>

In 2013, according to the finalised data, there were 56,487 business deaths, 23.5% less compared to the previous year. Hereinafter this year can be considered as the reference period of our analysis. Business deaths account for 8.8% of active enterprises, this proportion shows a 2.7 percentage points decrease compared to 2012.

In 2013, the business deaths of business partnerships accounted for 7.6% of the active ones. Private enterprises were less stable the

Figure 7

#### The proportion of new and dead enterprises in the percentage of the active ones



<sup>4</sup> Hereinafter real dead enterprises are called dead enterprises.

proportion of their business deaths was 10.7%. In 2013, the proportion of enterprise deaths decreased in all legal forms.

Table 2

### Proportion of dead enterprises in the percentage of the active ones

Legal form	2009	2010	2011	2012	2013	2014 <sup>+</sup>
Business partnerships	7.9	8.3	8.4	9.5	7.6	8.9
Of which:						
Private limited liability company	8.5	9.0	8.8	9.9	8.0	9.2
Limited company	4.4	5.2	5.0	4.9	4.3	5.6
Limited partnership	7.3	7.3	7.8	8.7	6.7	8.4
Private entrepreneur	10.8	13.6	21.1	14.5	10.7	11.9
<b>Enterprises total</b>	<b>9.2</b>	<b>10.7</b>	<b>13.9</b>	<b>11.5</b>	<b>8.8</b>	<b>10.2</b>

<sup>+</sup> Preliminary data.

The proportion of business deaths was 8.9% among small enterprises, within this micro enterprises accounted for 9.2%. In 2013, this indicator was 1.8% for medium-sized enterprises and 0.5% for large enterprises. Small enterprises accounted for 99.9% and middle-sized enterprises accounted for 0.1% of the 56.5 thousand business deaths, only 4 large enterprises belonged to them.

Similarly to previous years, the proportion of business deaths was the highest in the section of financial and insurance activities (17.7%), where the highest fluctuation was observed in the case of both start-ups and business deaths. Proportionately, the fewest business deaths were in health services (4.6%).

In 2013, out of enterprise deaths 22.4% were in the sections of wholesale and retail trade; repair of motor vehicles, 13.2% in professional, scientific and technical activities and 7.4% in administrative and support service activities. The number of business deaths was the lowest in the

sections of health services, arts and entertainment, and agriculture.

The proportion of business deaths in the percentage of the active ones was between 8.0% and 9.8% in the regions. Among counties, Nógrád county stands out (10.7%), while Győr-Moson-Sopron county has the most favourable indicator, where the proportion of business deaths in the percentage of the active ones was 7.8% in 2013.

### Methodology

The survey on business demography on the basis of the harmonised data collection of Eurostat, provide comparable data on businesses in the member states of the European Union and the European Free Trade Association (EFTA).

To accomplish the harmonised data collection, Eurostat developed a single methodology applied by all member states. The data collection on business demography based on harmonised methodology provides comparable data on active enterprises, new enterprises, enterprise deaths and the survival of new enterprises.

The data collection on business demography is to deal with the data of market oriented businesses. According to the methodology, business partnerships and as well as private entrepreneurs are subject to this HCSO survey. Neither private individuals with a tax number nor budgetary and non-profit organisations are covered by this survey.

The business demography data are actual reference year data subsequently compiled from statistical and tax sources, therefore their production and processing is very time-consuming.

Legislative changes are always traceable in how the number of economic organisations changes. The New Civil Code (Act V of 2013) entered into force on 15 March 2014 made it necessary to change the classification of farming methods (GFO). The most significant change is that limited partnerships and general partnerships were reclassified as businesses with legal personality, as well as non-profit limited partnerships and non-profit general partnerships – similarly to the above – were included among the non-profit organisations with legal personality.

Our publication was made on the basis of the latest GFO classification, therefore the data of the different legal-form categories differ from data previously published on the basis of the prior GFO classification.

#### Further information, data (links):

[Tables](#)

[Tables \(stadat\)](#)

[Methodology](#)

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