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Business demography, 2009

Contents

Introduction

The survey on business demography is a harmonized data collection of Eurostat providing comparable data on businesses in the member states of the European Union and the European Free Trade Association (EFTA). The data collection on business demography is to deal with data of market oriented businesses. Companies and partnerships as well as sole proprietors with a business licence are subject to this HCSO survey. Neither private individuals with a tax number nor budgetary and nonprofit organizations are covered by this survey.

Active enterprises

The number of active enterprises saw a nearly 2% decrease from 2008 to 2009. This fall resulted from a 5.7% decrease in the number of sole proprietors and a further 1.8% increase in the number of companies and partnerships so there was a further increase in the proportion of companies and partnerships against that of sole proprietors.

In 2009, the number of active enterprises was 689 thousand, 375 thousand companies and partnerships and 314 thousand sole proprietors with a business licence. The observed period saw an increase of more than 6 and half thousand in the number of companies and partnerships along with a 19 thousand decrease in the number of sole proprietors. After a rise in 2008, there was a further increase of 12 thousand in the number of active enterprises as a whole.

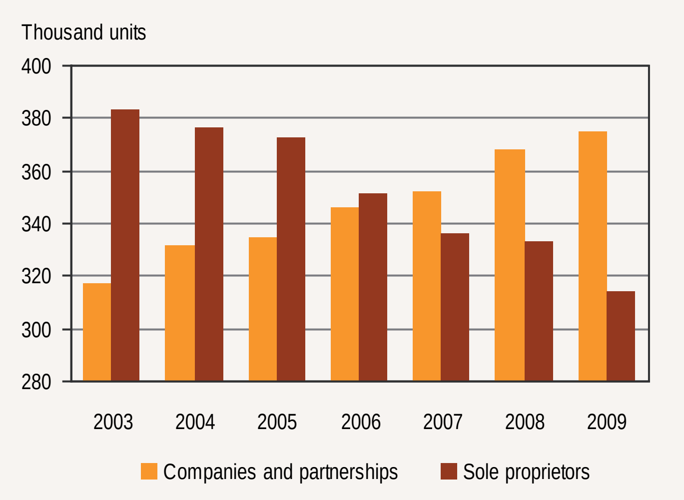
Limited Liability Company was the most popular legal form for companies and partnerships, the number of which was over 222 thousand in 2009. The number of unlimited partnerships – as the other most popular legal form – decreased to 137 thousand. There is an increase in the number of incorporated businesses along with a decrease in that of unincorporated ones. The number of limited liability companies increased at an outstanding rate of 7.7%. Joint stock companies saw an above average expansion of 2.4%. A decrease in minimum share capital required resulted in an increase in the popularity of these two legal forms. On 1 September 2007, the minimum share capital required for the incorporation of a limited liability company decreased from HUF 3 million to HUF 500 thousand, while the minimum share capital required for the incorporation of a private company limited by shares (co. ltd.) decreased from HUF 20 million to HUF 5 million.

There was a slight decrease in the number of sole proprietors with a small increase in the rate of decrease in 2009. This decrease may result from the fact that the economic crisis exerted a stronger impact on the less well-capitalized sole proprietors.

As a result of the mentioned processes, the number of companies and partnerships continued to grew gradually against that of sole proprietors. In 2009, the proportion of companies and partnerships was 54.4% against 42.4% in 1999.

Figure 1

Changes in the number of active companies and partnerships and in that of sole proprietors



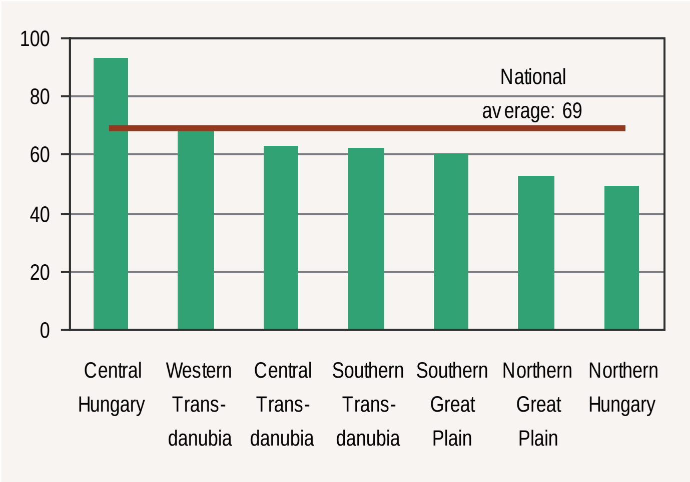
By staff categories, in 2009, 99.2% of active enterprises were small enterprises with a staff of fewer than 50 people (within this, the proportion of micro enterprises with fewer than 10 people was 95.4%). The proportion of medium sized enterprises with a staff of 50-249 people was 0.7%, the proportion of enterprises employing more than 250 people was only 0.1%.

The number of enterprises decreased in all staff categories except for one-man businesses at a rate of around 8-10%. Enterprises with a staff of 5-9 people saw a slightly smaller decrease of 6%.

Examining the number of active enterprises per 1000 people, in 2009, there were 69 enterprises per 1000 inhabitants nationally, this indicator was 93 in Central Hungary, 65 in Transdanubia and 54 in the greater regions of Great Plain and North. Of sub-regions, Budaörs (110) and Budapest (109) are the best, but in the micro regions of Balatonfüred (97) and Szentendre (97) the number of enterprises was also high in comparison with the number of population. In this respect the sub-region of Bodrogköz is invariably the most backward.

Figure 2

Active enterprises per 1000 inhabitants by region, 2009



New enterprises

In 2009, the number of new enterprises, in case of both the number of companies and partnerships and that of sole proprietors, was lower than in 2008.

63 110 new enterprises were established in 2009 (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 new enterprises). Newly established enterprises accounted for 9.2% of all active enterprises, a 1 percentage point decrease compared with a year earlier.

New enterprises accounted for 9.6% of companies and partnerships, a 0.7% decrease on 2008. This proportion was 8.6% for sole proprietors. The proportion of newly established enterprises was the highest at limited liability companies (14.3%) and the lowest at unlimited partnerships (1.3%) as in the previous year. The high proportion of limited liability companies resulted from the previously mentioned decrease in minimum share capital requirements.

Table 1

Proportion of new enterprises in the percentage of the active ones

Legal form	2003	2004	2005	2006	2007	2008	2009
Companies and partnerships	10.9	10.7	8.7	8.3	8.4	10.3	9.6
Of which:							
Limited liability companies	11.9	13.0	10.5	10.2	11.0	15.4	14.3
Joint stock companies	3.1	3.6	3.3	4.0	4.8	6.8	6.6
Limited partnerships	10.5	9.0	7.0	6.5	5.6	3.6	2.5
Sole proprietors	9.7	9.5	9.3	8.8	9.3	10.0	8.6
Enterprises total	10.2	10.1	9.0	8.6	8.9	10.2	9.2

By staff categories, nearly all new enterprises are small enterprises (99.9%). Within this, the proportion of enterprises with a staff of 10–49 people in year 1 of their operation was only 1.1%.

Enumerating new enterprises by principal activity, the industry sectors of financial and insurance activities (19.8%) and agriculture (10.7%) accounted for the highest proportion. This proportion was the lowest in the industry sectors of health services (6.6%) and industry (5.6%).

The areas of wholesale and retail trade: repair of motor vehicles as well as of professional, scientific and technical activities accounted for 21.0% and 12.4% respectively of more than 63 thousand new enterprises. The industry sectors of health services, arts and entertainment had the fewest enterprises.

In 2009, in terms of proportions, the most new enterprises were in Northern Hungary (9.7%) and in Northern Great Plain (9.6%). Of counties, the county of Szabolcs-Szatmár-Bereg was outstanding, where 10.2% of active enterprises were established in 2009. In this ranking the county of Tolna was the worst with 8.1%.

Central Hungary accounted for four-tenths of new enterprises, other regions for 8.4–12.1%.

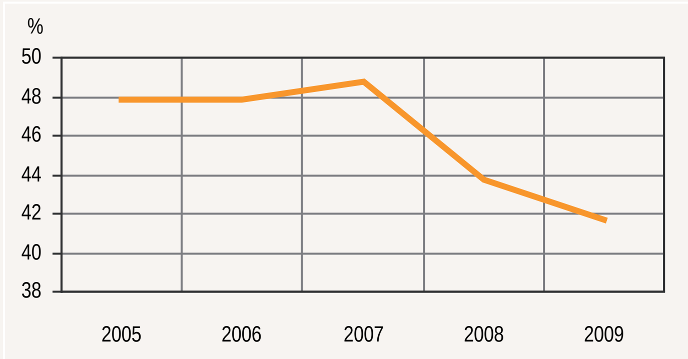
Survival of new enterprises

When analyzing the survival of enterprises, the life course of enterprises qualified as new in 2004 was followed until 2009. 41.6% of the 71 220 businesses registered in 2004 were also in operation in 2009.

There are five data series to analyze the five-year survival rate of real new enterprises. This indicator varied at 48-49% in 2005–2007, while 2008–2009 saw a smaller fall.

Figure 3

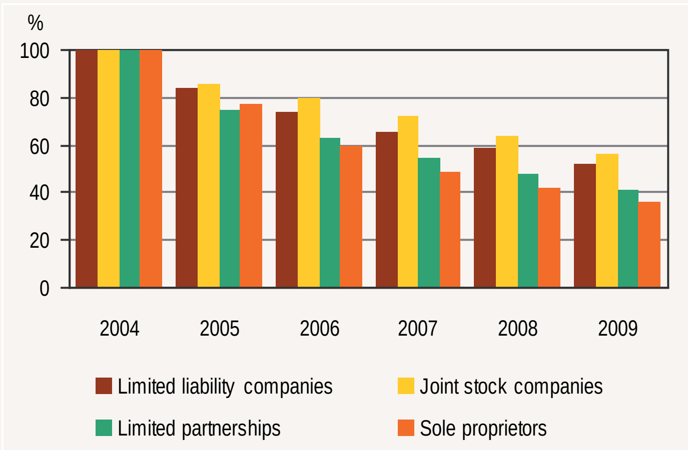
Five-year survival rate of enterprises



Companies and partnerships have a better ability to survive: 47.5% of the 35451 companies and partnerships registered in 2004 were also in operation in 2009; this indicator was only 35.8% for sole proprietors. Of companies, the proportion of businesses with a five-year plus survival rate was the highest among joint stock companies and limited liability companies (56.6 and 52.1% respectively) as well as the lowest among unlimited partnerships where in 2009 only 90 were in operation out of the 250 companies registered in 2004 (36%).

Figure 4

Survival rate of enterprises registered in 2004 by legal form



Analyzing the survival of new enterprises, the industry sectors of health and social work (67.5%) as well as of professional, scientific and technical activities (52.2%) showed the highest rates of survival between 2004 and 2009. Similarly to previous years, start-up enterprises dealing with financial and insurance activities had the lowest five-year survival rate of only 17.4%. In this industry sector, the number of enterprises with a one-year survival rate was significantly lower than in other industry sectors. While in the other sectors, the proportion of enterprises with a one-year survival varied at 77–87%, the industry sector of financial and insurance activities – mainly involving sole proprietors dealing with ancillary activities, e.g. activities of an insurance agent – has an only 60% one-year survival rate

There was no significant discrepancy in the five-year survival rate of enterprises by region. Western Transdanubia saw the highest proportion, while Northern Great Plain the lowest one.

Dead enterprises

Sole proprietors saw a decrease, while companies and partnerships an increase in the ratio of dead enterprises to active enterprises.

The preliminary data of 2008 is the last available data for real dead enterprises – not appearing among active enterprises in a period of two years after the reference year and have no successors. Data of 2008 will be finalized after the closure and processing of 2010. (Hereinafter, real dead enterprises will be called as dead enterprises.)

In 2007, according to finalized data, there were 65 038 closures, closures accounted for 9.5% of active enterprises. Analyzing by legal form, in 2007, closures accounted for 7.1% of active companies and partnerships. This proportion has varied between 6.5 and 7% since the introduction of the demographic survey, which is a slight increase. This proportion was 9.7% according to the preliminary data of 2008. Sole proprietorships were less stable with a double rate of closures. Table 2 shows the ratio of dead enterprises to the active ones by major legal forms.

Table 2

Proportion of dead enterprises in the percentage of the active ones

Legal form	2003	2004	2005	2006	2007	2008+
Companies and partnerships	6.3	6.7	6.9	6.8	7.1	9.7
Of which:						
Limited liability companies	5.6	6.1	6.7	6.5	6.9	10.1
Joint stock companies	4.2	3.5	3.9	3.4	3.7	5.9
Limited partnerships	6.9	7.4	7.3	7.3	7.6	9.4
Sole proprietors	10.5	10.1	13.5	12.2	11.9	13.9
Enterprises total	8.6	8.5	10.4	9.6	9.5	11.7

Analyzing dead enterprises by staff categories, their proportion was 9.5% among small enterprises and 9.9% among micro enterprises. This indicator was 0.8% for middle sized enterprises and 0.1% for large enterprises. In 2007, all of the three staff categories saw a year-on-year decrease in the proportion of dead enterprises.

Similarly to previous years, the proportion of closures by principal activity was the highest in the industry sector of financial and insurance activities (22.1%). This industry sector showed the highest fluctuation in case of both start-up businesses and closures. Proportionately, the fewest closures were in health care (3.5%).

There was no significant discrepancy in the proportion of closures by region, this indicator varied between 8.9 and 10.2%. No outlier was observed at the level of counties.

Further information, data (links):

Tables
Methodology
Open database of Eurostat in English
Further information in English on the website of Eurostat

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