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HUNGARIAN CENTRAL STATISTICAL OFFICE

# Business demography, 2013

**Contents**



## *Introduction*

The survey on business demography is a harmonised data collection of the statistical office of the European Union (Eurostat) providing 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 a 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. Companies and partnerships as well as private entrepreneurs are subject to this HCSO survey. Neither private individuals with a tax number nor budgetary and non-profit organizations 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.

## *Summary*

The number of active enterprises saw a 10.1% decrease from 2012 to 2013. This fall resulted from a 17.9% decrease in the number of private entrepreneurs and a 5.1% decrease in the number of companies and partnerships.

The share of companies and partnerships further increased. Their share has continued to rise since 1999: in 2013 64.3% of businesses were already companies and partnerships, while this value was 42.2% 14 years ago.

The downturn mostly affected those active in the fields of accounting and auditing activities as well as – similarly to the previous year – of hairdresser and insurance brokerage activities.

By contrast there was a substantial increase in the number of people engaged in tobacco retail activities due to the opening of tobacco shops on 1 July 2013.

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.

A clear link was observed again in 2013 between the legal amendments tightening up rules on company registration introduced in 2012 and the number of new enterprises.

In case of companies and partnerships as well as individual entrepreneurs the number of new enterprises was lower than in 2012.

Companies and partnerships have a better ability to survive, almost half of companies and partnerships registered in 2008 were also in operation five years later, while it was only a quarter 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.

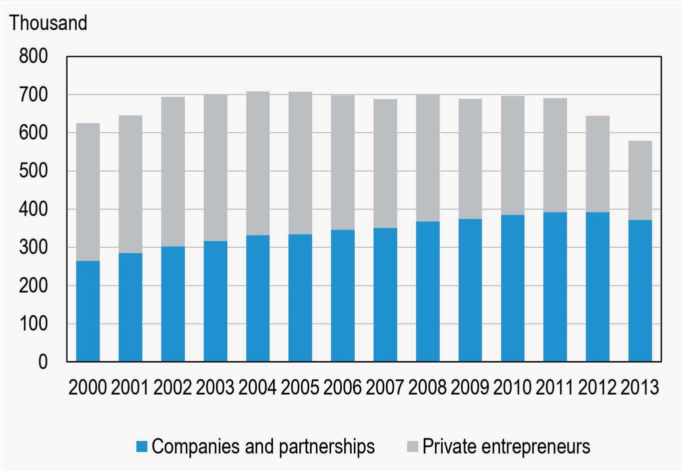
Both private entrepreneurs as well as companies and partnerships saw an increase in the ratio of business deaths to active businesses compared to 2010.

## *Active enterprises*

In 2013, the number of active enterprises was 580 thousand, consisting of 373 thousand companies and partnerships and 207 thousand private entrepreneurs. The observed period saw a decrease of 20 thousand in the number of companies and partnerships, and the number of private entrepreneurs – similarly to the previous year – also decreased by 45 thousand. The number of active enterprises continued to decrease similarly to the previous three years; it was 65 thousand fewer in total than in 2012. The last time when there were so few active businesses was 1999, i.e. the first year of the survey.

Figure 1

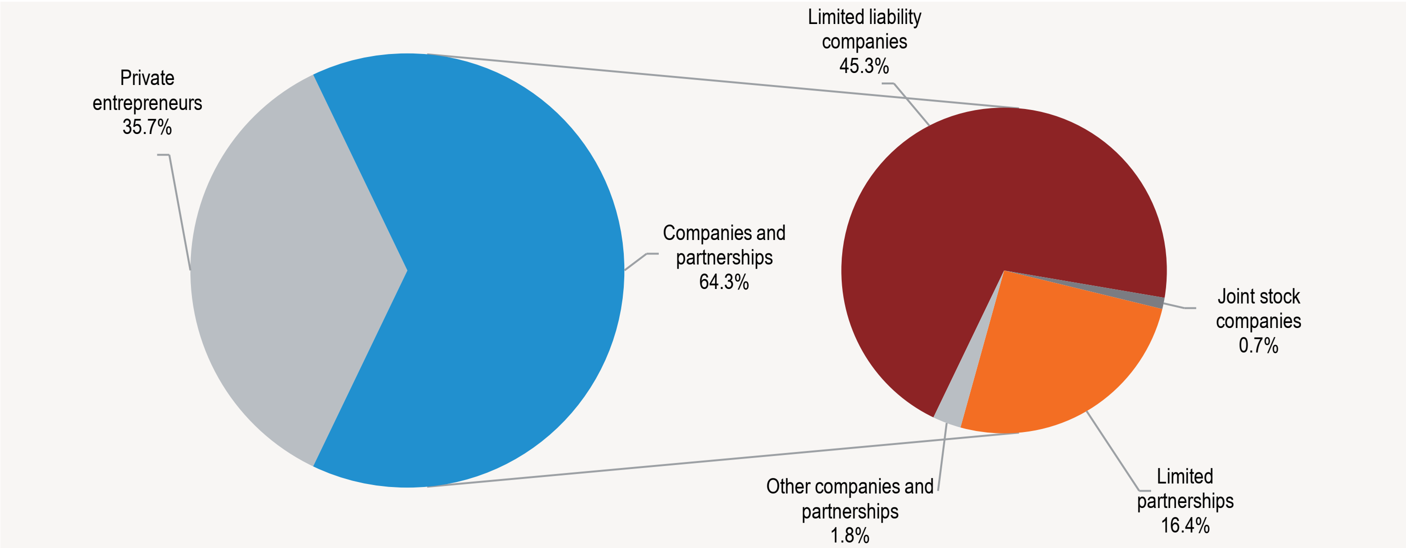
**Changes in the number of active companies and partnerships and in that of private entrepreneurs**




The number of limited liability companies, accounting for nearly seven tenths of all companies and partnerships, was 263 thousand, while for limited partnerships, accounting for a further quarter it was 95 thousand.

Figure 2

## Distribution of active enterprises, 2013




As in the previous years, an increase was seen in the number of companies with legal entity and a decrease in that of companies without legal entity. In 2013, their number decreased in both cases, the former by 0.8% and the latter by 15.3%. Only the number of joint stock companies rose in 2013 (by 1.5%), the number of limited liability companies, which is the most popular legal form fell by 0.7% and the number of limited partnerships decreased by 15.2%.

In previous years, the number of companies and partnerships rose year-by-year, while the number of private entrepreneurs – after an increase in the period between 1999 and 2002 – steadily declined in recent years. In 2013, the rate of decline (17.9%) once again exceeded (by 2.7 percentage points) the rate of decline in the previous year. The economic crisis exerted a stronger impact on the less well-capitalised private entrepreneurs.

As a result of the processes mentioned earlier the proportion of companies and partnerships continued to grow gradually, in 2013, it was 64.3%; while during the first survey 42.2% was registered in 1999.

Full-time and part-time private entrepreneurs as well as pensioner private entrepreneurs accounted for 49%, 41% and 10% respectively of all private entrepreneurs. The number of part-time private entrepreneurs has been rising for years, the smallest decline was recorded among them (10%), while the number of full-time and pensioner private entrepreneurs – similarly to the previous year – fell again by more than one fifth compared to the previous year's level.

In 2013, as in the previous year, 99.1% 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 94.7%, 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 0.8%, the proportion of large enterprises employing more than 250 people was only 0.2%.

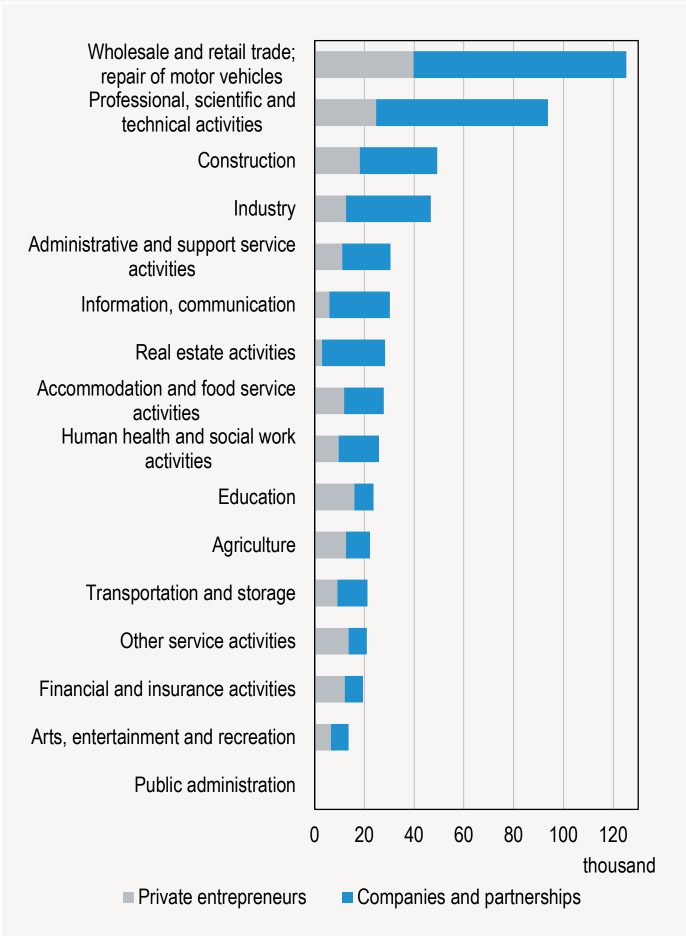
The number of small enterprises with a staff of more than 20 people increased, there was no change in that of large enterprises, while all the other categories show a decrease in number. The number of small enterprises with a staff of 1–4 people dropped the most (by 11.1%), this is related to a decrease in the number of private entrepreneurs. 96.9% of private entrepreneurs operate in this category.

There was no significant change in the distribution of enterprises by main activity compared to previous years. Most enterprises continued to operate in the section of 'wholesale and retail trade; repair of motor vehicles and motorcycles', its share was 21.6% and it was followed by professional, scientific and technical activities with a share of 16.2%. Other major sections were construction (8.5%) and industry (8.1%).

The number of active enterprises decreased in all sections. The most significant decline was in the field of other services (21.4%) and professional, scientific activities (12.8%), while the smallest one in that of agriculture (1.7%) and real estate activities (5%).

Figure 3

## Distribution of enterprises by main activity, 2013



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 41.4%, in the other regions this share was between 8.1% and 11.6%. The significant share of Central Hungary resulted from an outstandingly high proportion of companies and partnerships in that region, which was due to the capital-centric economy and infrastructure of the country. More than half of companies and partnerships were registered in Central Hungary and 6.7–9.3% of them in the other regions. The distribution of private entrepreneurs was more balanced: the 23.5% share of Central Hungary was followed by the 10–16% shares of the other regions.

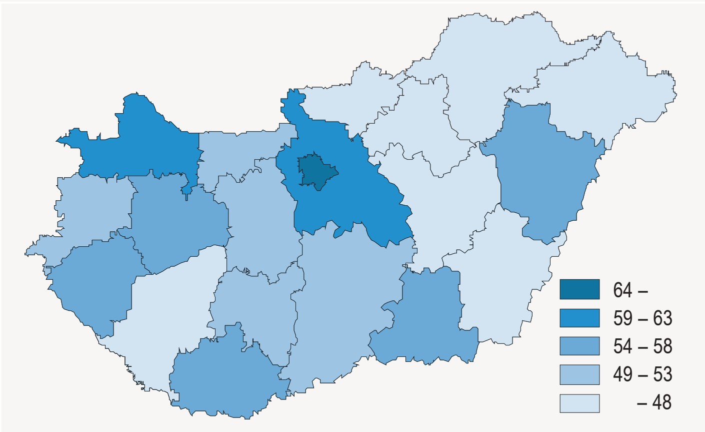
All counties and regions saw a drop in the number of active enterprises in 2013. The smallest drop was measured in Szabolcs-Szatmár-Bereg county (7.9%), and the highest one in Somogy county (13.1%).

Contrary to the previous years, the number of businesses fell in all micro-regions in 2013. It fell the least (by 3%) in the Encs micro-region, and the most (by 16.6%) in the Letenye micro-region.

In 2013, there were 59 active enterprises per 1000 inhabitants on average, this indicator was 81 in Central Hungary, 53 in Transdanubia and 46 in the greater regions of Great Plain and North. Of the micro-regions, the Budaörs (98), Budapest (94) and Szentendre (84) micro-regions were the best, where the ratio of enterprises to the number of population was the highest. In this respect the micro-region of Bodrogköz with 15 enterprises, is invariably the most backward.

Figure 4

**Active enterprises per 1000 inhabitants by region, 2013**




## *New enterprises*

In 2013, 48,614 real new enterprises were established.[1] The number of new companies and partnerships fell by 12.5% and the number of new private entrepreneurs fell by 16.4% year-on-year. Newly established enterprises accounted for 8.4% of all active enterprises.

New enterprises accounted for 7.5% of companies and partnerships, which was 0.7 percentage point less than in 2012. This proportion was 10% among private entrepreneurs against 9.8% in the previous year. Among enterprises the proportion of newly established enterprises was the highest at limited liability companies (9.1%) and the lowest at unlimited partnerships (2%) similarly to previous years.

The number of new start-up enterprises increased fourfold in case of cooperatives. Limited and unlimited partnerships showed a significant growth as well. These latter ones 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. The drop in the number of new enterprises registered as limited liability companies was the result of the entry into force of the legal amendments tightening up rules on company registration introduced in 2012.

Table 1

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

| Legal form | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|
| Companies and partnerships | 10.3 | 9.6 | 9.7 | 10.1 | 8.2 | 7.5 |
| Of which: | | | | | | |
| Limited liability company | 15.4 | 14.3 | 14.1 | 14.2 | 11.1 | 9.1 |
| Joint stock company | 6.9 | 6.6 | 5.7 | 7.7 | 6.8 | 6.1 |
| Limited partnership | 3.6 | 2.5 | 2.0 | 1.7 | 1.7 | 3.3 |
| Private entrepreneur | 10.0 | 8.6 | 10.4 | 9.9 | 9.8 | 10.0 |
| **Enterprises total** | **10.2** | **9.2** | **10.0** | **10.0** | **8.8** | **8.4** |

Almost all new enterprises started their operations as small enterprises (99.8%), the medium-sized enterprises accounted for a proportion of 0.2% and only four new enterprises launched their businesses with a staff of more than 250 people.

Despite the overall decrease in the number of new enterprises, there was a year-on-year fall only in the categories of small enterprises with a staff of 1–4 and 20–49 people and a growth in the category of those with 5–19 people. The categories of medium-sized and large enterprises grew by 38.5% and 33.3% respectively.

The sections of financial and insurance activities (15.9%), agriculture (12.9%), other services (10.8%) as well as accommodation and catering services (10.3%) accounted for the highest proportions of new enterprises. This proportion was the lowest in health services and industry (5.2% and 5.7% respectively).

The areas of ‘wholesale and retail trade; repair of motor vehicles’ as well as of professional, scientific and technical activities accounted for 25.8% and 11.2% respectively of the 48.6 thousand new enterprises. The fewest enterprises were launched in the sections of health services and arts and entertainment.

The number of new enterprises in wholesale and retail trade and agriculture increased year on year, but there was a drop in other sections.

There were only slight differences among regions in the ratio of new enterprises to active enterprises, it varied between 7.7 and 9.5%. Among counties – similarly to previous years – Szabolcs-Szatmár-Bereg county stands out with its share of 10.7%, and Vas county is in the last place with its 7.3% share.

In the counties of Nógrád and Szabolcs-Szatmár-Bereg, the number of new enterprises increased by almost 1% and it decreased in other regions, especially in Southern Transdanubia where there were a quarter less new enterprises than in 2012.

Nearly four tenths of new companies are located in Central Hungary, 7.7% to 13.2% of them started their operations in other regions.

## *Survival of new enterprises*

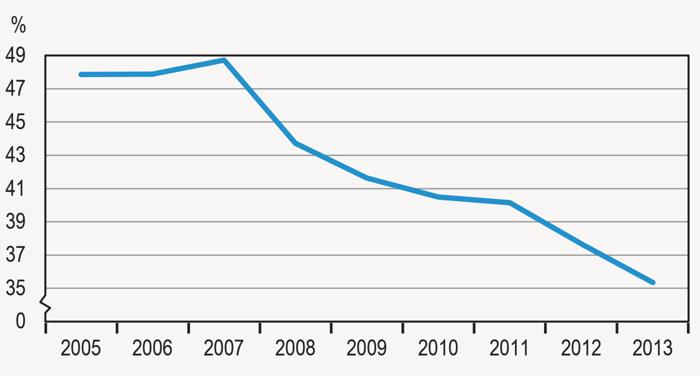
When analysing the survival of enterprises, enterprises qualified as new in 2008 were followed until 2013. 35.3% of the 71,334 businesses registered in 2008 were also in operation in 2013.

There are nine data series to analyse the five-year survival rate of real new enterprises. This indicator was around 48–49% in 2005–2007, while since 2008 – following a bigger fall – the five-year survival rates have showed a decreasing trend.

[1] 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.

Figure 5

## Five-year survival rate of enterprises




Companies and partnerships have a better ability to survive: 44.7% of the 37,959 companies and partnerships registered in 2008 were also in operation in 2013, this indicator was only 24.7% for private entrepreneurs. Of companies and partnerships, the proportion of businesses with a five-year plus survival rate was the highest among joint stock companies and limited liability companies (49 and 46.3% respectively) as well as the lowest among cooperatives where in 2013 only 22 were in operation out of the 84 cooperatives registered in 2008 (26.2%).

Figure 6

## Survival rate of enterprises registered in 2008 by legal form


Micro enterprises have the weakest ability to survive (35.3%), within them enterprises with a staff of 1 person and of 20-49 people pulled down the average. At the same time almost half of the medium-sized enterprises were still in operation five years later and one third of large enterprises established in 2008 survived by 2013.

One of the highest survival rates was shown in the sections of health services, social work (60.1%) as well as of professional, scientific and technical activities (47.8%), though the survival rate increased in the sections of agriculture (48.3%) and information, communication (48.6%) 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 14.4%. 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 78.6%, the section of financial and insurance activities – mainly enterprises dealing with ancillary activities (e.g. private entrepreneurs dealing with activities of an insurance agent) – has an only 52.7% 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, although they decreased year on year. An enterprise could survive with a bigger chance in Central Hungary and in Western Transdanubia: where the five-year survival rates were 37.5% and 35.4% respectively, while in the other regions this indicator was around 32.7–34.8%. Győr-Moson-Sopron county had the highest (36.2%) and Fejér county had the lowest (30.7%) of this rate.

### *Business deaths*

The preliminary data of 2012 is the last available data for real dead enterprises[2] (not appearing among active enterprises in a period of two years after the reference year and have no successors). Data of 2012 will be finalized after the closure and processing of 2014.

In 2011, according to the finalized data, there were 100,985 business deaths. Business deaths accounted for 14.6% of active enterprises, this proportion shows a 3.9 percentage points increase compared to 2010.

In 2011, the business deaths of companies and partnerships accounted for 8.5% of the active ones. Sole proprietorships were less stable, the proportion of their business deaths was 22.8%. Although the number of business deaths of limited liability companies and joint stock companies increased, but their ratio to the active ones dropped in 2011 as a result of the high number of start-ups among them. In 2011 – before the tightening – companies could have been established with a lower initial capital and even within an hour.

Table 2

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

| Legal form | 2007 | 2008 | 2009 | 2010 | 2011 | 2012+ |
|---|---|---|---|---|---|---|
| Companies and partnerships | 7.1 | 8.1 | 7.9 | 8.3 | 8.5 | 13.4 |
| Of which: | | | | | | |
| Limited liability company | 6.9 | 8.5 | 8.5 | 9.0 | 8.8 | 11.5 |
| Joint stock company | 3.7 | 5.1 | 4.4 | 5.2 | 5.0 | 6.1 |
| Limited partnership | 7.6 | 7.7 | 7.3 | 7.3 | 8.0 | 18.1 |
| Private entrepreneur | 11.9 | 12.9 | 10.8 | 13.6 | 22.8 | 26.8 |
| **Enterprises total** | **9.5** | **10.4** | **9.2** | **10.7** | **14.6** | **18.6** |

+ Preliminary data.

The proportion of business deaths was 14.7% among small enterprises, within this micro enterprises accounted for 15.2%. This indicator was 1.3% for medium-sized enterprises and 0.5% for large enterprises.

Small enterprises accounted for 99.9% and middle-size enterprises accounted for 0.1% of the 101 thousand dissolutions, and only five large enterprises were wound up.

Similarly to previous years, the proportion of business deaths was one of the highest in the section of financial and insurance activities (26.5%). This section showed the highest fluctuation in case of both start-ups and business deaths. In 2011, the proportion of business deaths was also high in the sections of other services (35.5%) and transport (25.8%). Proportionately, the fewest business deaths were in health services (5.5%).

Of discontinued businesses, 17.4% were in the sections of wholesale and retail trade and repair of motor vehicles, 12.9% in other services and 12% in construction. The number of business deaths was the lowest in the sections of health services, agriculture and arts and entertainment.

There was no significant difference among regions in the proportion of business deaths; this indicator was between 13.7% and 15.8%. There were no outliers at county level as well.

2 Hereinafter real dead enterprises are called dead enterprises.

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

Tables

Tables (Stadat)

Methodology

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