HUNGARIAN CENTRAL STATISTICAL OFFICE

STATISTICAL REFLECTIONS

10 August 2019

Business demography, 2017

- **Most sectors of the economy saw a rise in the number of enterprises**
- **Almost all new enterprises started as small enterprises**
- **Survival of enterprises has improved significantly**
- **Fewer enterprises were liquidated in 2015**

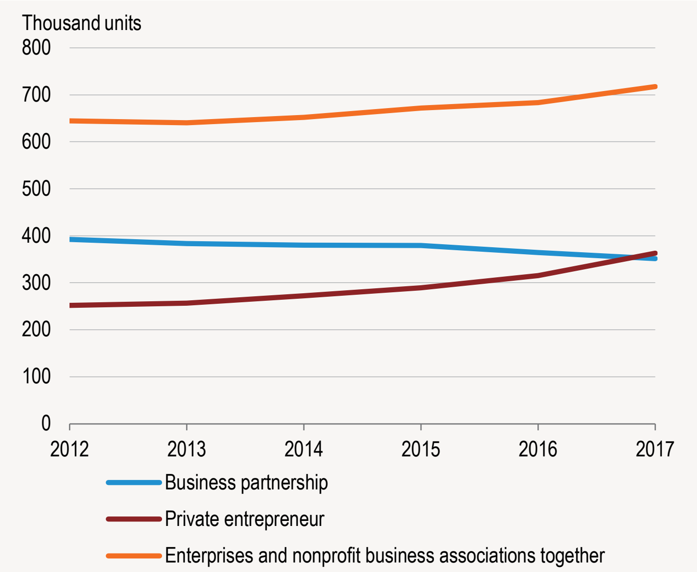
Most sectors of the economy saw a rise in the number of enterprises[1]

The number of active enterprises[2] in 2017 was 717 thousand, including 351 thousand business partnerships, 363 thousand private entrepreneurs and 3 thousand non-profit business associations. Compared to 2016, the number of business partnerships decreased by 13 thousand, while that of private entrepreneurs increased by 48 thousand.

After a decline in 2011–2013, the number of active enterprises has increased again since 2014, by 34 thousand in 2017.

Figure 1

Number of active enterprises*

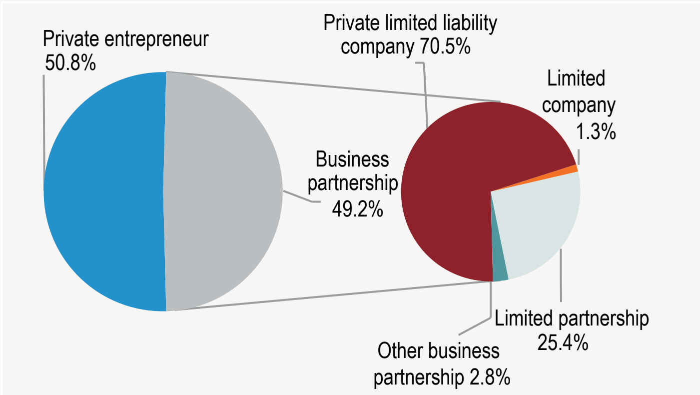


* From 2015, data includes the number of non-profit business associations.

Between 2012 and 2017, the number of business partnerships decreased year by year, while the number of private entrepreneurs continued to grow. For the first time since 2006, private entrepreneurs have once again become the majority.

Figure 2

Distribution of active enterprises in 2017



In 2017, as in previous years,

- more than 99% of active enterprises were small enterprises with fewer than 50 employees (95% of them were micro-enterprises with fewer than 10 employees, typical of most EU countries),
- the share of medium-sized enterprises with 249 employees was 0.7%,
- while that of large enterprises with at least 250 employees was 0.1%.

The number of active enterprises decreased by 5.0% in the staff categories of 3–4 and 5–9 people, slightly fell in the staff categories of 50–99 and 100–149 people and increased in other staff categories.

The distribution of enterprises by main activity did not change significantly in 2017 compared to previous years. Most enterprises continued to operate in the field of wholesale and retail trade and repair of motor vehicles and motorcycles (17.6%), followed by science and technology (16.9%), construction (9.3%) and industry (7.2%).

The number of enterprises increased in most sectors of the economy, with a slight decrease in wholesale and retail trade and repair of motor vehicles and motorcycles (3.0%) and catering (1.5%). A significant decline occurred only in the areas of public administration, defence, compulsory social security, with only 42 companies operating in 2017, 66% less than a year earlier.

The distribution of business partnerships by main activity is similar to that of all enterprises, in the order of the most significant sectors:

- wholesale and retail trade; repair of motor vehicles and motorcycles (21.8%),
- professional, scientific and technical activities (19.1%),
- industry (9.2%),
- construction (8.8%).

In case of private entrepreneurs, other service activities were also among the most important branches of the national economy, with a slightly more balanced distribution:

- professional, scientific and technical activities (14.8%),
- wholesale and retail trade; repair of motor vehicles and motorcycles (13.7%),

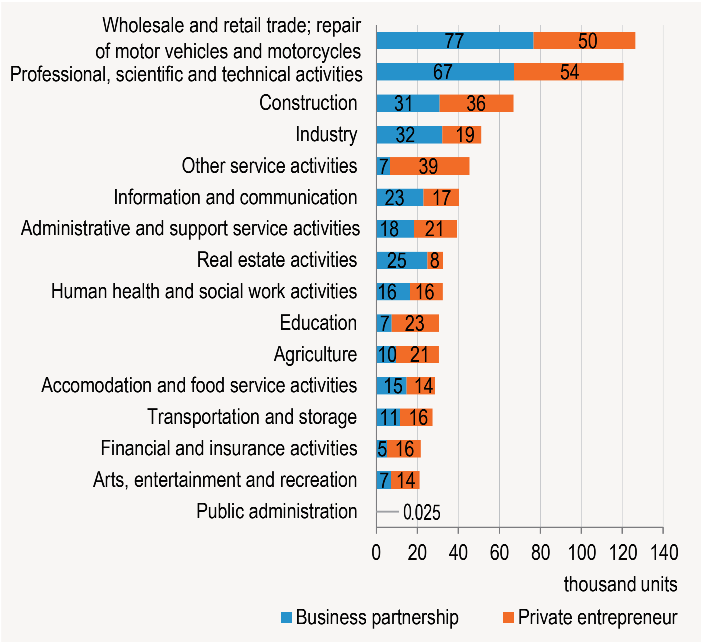
[1] According to European Union methodological rules, the most recent data were available for 2017 at the time of publication. Real dead enterprises are those enterprises that did not appear among the active enterprises in the two years following the reference year and whose activities are not carried out by any legal successor.
[2] In the following, active enterprises also include non-profit business associations.

- other service activities (10.7%),
- construction (9.9%).

In 2017, most business partnerships (77 thousand) were in wholesale and retail trade; repair of motor vehicles and motorcycles, and the majority of private entrepreneurs (54 thousand) were in professional, scientific and technical activities. The number of business partnerships in the above two sectors, as well as in the fields of industry, information, communication, real estate and catering, exceeded that of private entrepreneurs.

Figure 3

Composition of active enterprises by main activity and legal form, 2017



The territorial distribution of enterprises by headquarter has hardly changed since the first demographic survey of enterprises in 1999. The share of Budapest and Pest regions was extremely high, with 27.7% and 13.9% respectively in 2017. In addition, the share of the Northern and Southern Great Plains exceeded 11%, while the share of the other regions ranged from 8% to 10%. Central Hungary's significant share was due to the extremely high proportion of business partnerships, which can be explained by the capital-centred economy of the country and the developed infrastructure of the region.

More than half of business partnerships were in Budapest and the Pest region (36.6% in the capital, 15.1% in Pest), while other regions accounted for 7–9%. In case of private entrepreneurs, the distribution is much more balanced: Budapest accounted for 19.1% and other regions for 9–14% each.

In 2017, the number of active enterprises increased in all counties and regions. The largest growth was measured in Vas county (8.0%), while similar growth was observed in Fejér, Veszprém and Győr-Moson-Sopron counties, at 6.5–7.0%. Pest, Central and Western Transdanubia were the most prominent regions (6-7%).

The number of enterprises increased most dynamically in the Gárdony district (11.6%). Significant expansion was also seen in the districts of Kőszeg (10.6%), Hajdúhadháza (10.6%) and Kiskunmajsa (10.5%). The number of enterprises decreased only in three districts, in District V of Budapest, as well as in the districts of Bélapátfalva (both by 1.8%) and Záhony (by 0.8%).

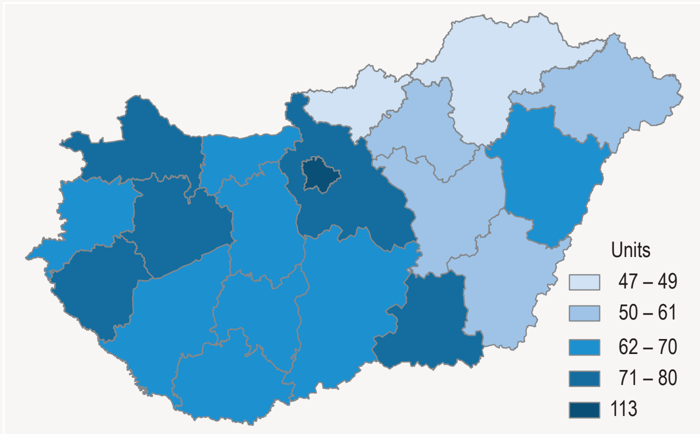
In 2017, there were **73 active enterprises per thousand residents** nationwide, 99 in Central Hungary, 68 in Transdanubia and 57 in Great Plain and North.

Of the regions, Budapest and Pest were the most prominent: 113 and 80 enterprises per thousand inhabitants, while Northern Great Plain (56) and Northern Hungary (50) had the lowest entrepreneurial activity.

In terms of counties, Győr-Moson-Sopron (74), Veszprém (72) and Zala (72) stand out, while in Borsod-Abaúj-Zemplén and Nógrád counties there were 47 active enterprises per thousand inhabitants.

Figure 4

Number of active enterprises per thousand inhabitants by county, 2017



Of the districts, the Budapest districts were the leaders, with 273 enterprises operating per thousand inhabitants within District V. Besides Budapest, there was a high level of entrepreneurial activity in the districts of the Budapest agglomeration and the attraction area of Lake Balaton. The enterprises to population ratio was highest in the districts of Budakeszi (120), Szentendre (107) and Balatonfüred (109). As in previous years, the district of Cigánd (18) remains the most backward in this respect.

The number of high growth enterprises[3] in 2017 was over 4,200, or 0.59% of all enterprises. This ratio increased year by year, it was only 0.42% in 2010. By distribution, such enterprises are mainly working in industry (2.07%), transport and storage (1.26%) and accommodation services (1.04%) and primarily located in Budapest (0.72%), Komárom-Esztergom (0.65%) and Bács-Kiskun (0.63%).

Almost all new enterprises started as small enterprises

In 2017, nearly 100 thousand real new enterprises[4] started operations, 27% more than a year earlier. While the number of new ventures among private entrepreneurs increased by 40% compared to the previous year, the number of new business partnerships decreased by 6.0%.

The proportion of new enterprises within the total number of active enterprises – up by 2.4 percentage points on 2016 – was 14%. 6.0% of business partnerships were in this category, 0.1 percentage points less than in 2016. The proportion of private entrepreneurs increased from 17% in the previous year to 21%.

[3] High-growth enterprises are those that have increased their number of employees by more than 10% a year on average in the three years prior to the year under review. The study was performed on organizations employing 10 or more persons.

[4] A real new enterprise or non-profit business association is one that has not been operating in the previous two years and has no legal predecessor. Hereinafter, real new enterprises and non-profit business associations are referred to as new enterprises.

As in previous years, the proportion of new enterprises among business associations was

- the highest for private limited liability companies (6.7%),
- the lowest for general partnerships (1.5%) and
- 3.5% for limited partnerships. (The share of new enterprises among limited partnerships increased significantly between 2013 and 2015, decreased to 3.0% in 2016, then increased again in 2017). The increase can be explained by the launch of tobacco stores on 1 July 2013.

Table 1

Ratio of new enterprises to existing enterprises, %

Legal form	2010	2011	2012	2013	2014	2015	2016	2017
Business partnerships	9.7	10.1	8.2	7.6	6.7	7.3	6.0	5.9
Of which:								
Private limited liability company	14.1	14.2	11.1	9.1	8.0	8.3	7.1	6.7
Limited company	5.7	7.7	6.8	6.1	6.2	7.0	7.1	6.9
Limited partnership	2.0	1.7	1.7	4.0	3.2	4.4	3.0	3.5
Private entrepreneur	10.4	9.9	9.8	14.4	15.8	16.8	17.4	21.2
Enterprises total	**10.0**	**10.0**	**8.8**	**10.3**	**10.5**	**11.4**	**11.3**	**13.7**
Non-profit business associations	..	..	..	..	..	**8.1**	**8.4**	**6.4**
Enterprises and non-profit business associations together	**10.0**	**10.0**	**8.8**	**10.3**	**10.5**	**11.4**	**11.3**	**13.7**

Private entrepreneurs accounted for the majority of new enterprises: 55 thousand new entrepreneurs were registered in 2016, rising to 77 thousand in 2017, well above the average (40%). Among new enterprises, the number of limited partnerships (13%), limited companies (5.8%) and cooperatives (1.5%) also increased. At the same time, the number of new private limited liability companies decreased by 8.2%, and the number of new non-profit business associations decreased significantly by 27%.

An important aspect when starting a business is the ease of setting up, the amount of capital required for registration and the degree of responsibility. The decline in the number of new enterprises as private limited liability companies can be partly explained by the stricter company foundation legislation introduced in 2012 and by the increase of the initial share capital to HUF 3 million with the entry into force of the new Civil Code (15 March 2014). The number of registered private limited liability companies also showed that the number of registrations decreased as a result of these legislative changes.

The new enterprises were almost exclusively (99.9%) small enterprises, the share of medium-sized enterprises was 0.1% and the number of enterprises with at least 250 employees remains small as in previous years. In the small business headcount categories:

- the number of enterprises with 1–4 persons increased by 28%,
- that of enterprises with 5–9 and 10–19 persons decreased by 11–12% and
- that of enterprises with 20–49 persons decreased by 30%.

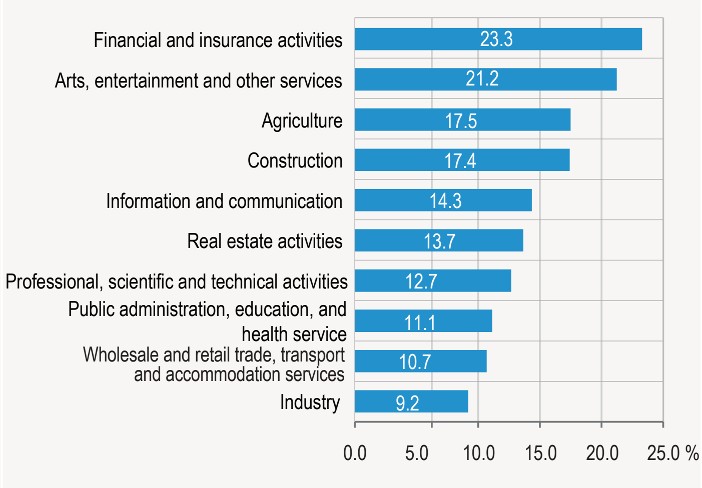
In the category of medium-sized companies with over 50 employees, the number of new enterprises dropped by almost half (48%) (from 58% in 2016 to 28%).

Of the more than 98 thousand new enterprises, 14% started their economic activities in science and technology, 12% in construction, 11% in wholesale and retail trade and repair of motor vehicles and motorcycles. The smallest number of enterprises were started in health care, arts and leisure and catering. In 2017, no new business was launched in the areas of public administration, defence and compulsory social security.

The ratio of new enterprises to active enterprises was highest in the following areas: other services (23%), financial and insurance activities (23%), transport and storage (20%), agriculture (17%) and construction (17%).

Figure 5

The ratio of new enterprises to active enterprises by aggregated industry group, 2017



43% of the new enterprises started operations in Central Hungary, 30% in Great Plain and North, and 27% in Transdanubia.

The proportion of new enterprises within active enterprises ranged from 13% to 14% by region. Fejér was the most prominent of the counties (14%), and Zala (12%) was at the end of the ranking.

The number of new enterprises increased in all counties, with the highest increase in Vas county (37%), followed by Bács-Kiskun, Baranya and Hajdú-Bihar (36-36%).

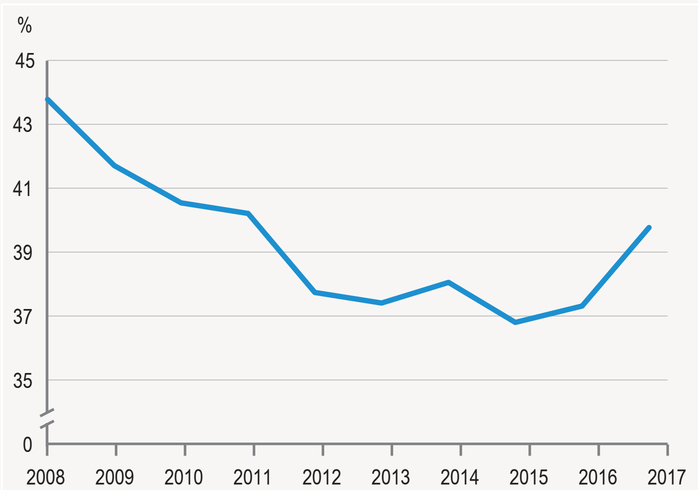
Survival of enterprises has improved significantly

Surveys on the survival of enterprises followed the career path of 57 thousand new businesses between 2012 and 2017, when 40% of them were still in operation.

Following the global economic crisis of 2008–2009, thanks to economic policy measures, the five-year survival rate of real new enterprises started to increase for the first time in 2014.

Figure 6

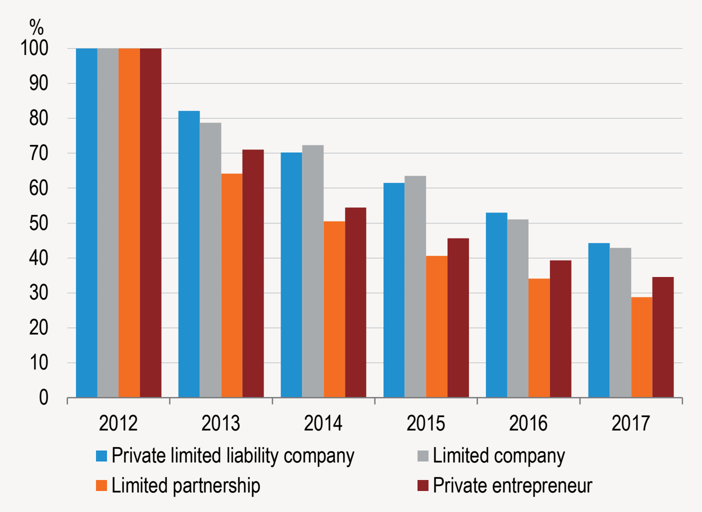
The five-year survival rate of enterprises



Business partnerships have a stronger survival ability: in 2017, 43.3% of the 31,998 business partnerships and 34.6% of the 24,678 private entrepreneurs formed in 2012 were active in 2017. Among business associations, the share of organizations surviving 5 years was the highest for private limited liability companies and limited companies (44.3% and 42.9%) and the lowest for general partnerships (4.4%). Cooperatives and limited partnerships had almost the same five-year survival rate (29%).

Figure 7

Survival rates of new enterprises in 2012 by major legal forms



The survival rate continued to be the highest for enterprises specialized in health and social work services (57.6%) and was well above average for those specialized in industrial, professional, scientific, information and communication activities (above 45%). The average survival rate was also above 40% in agriculture, transport and storage, entertainment, real estate and education sectors.

As in previous years, enterprises dealing in financial and insurance activities had the lowest survival capacity, with only 13% of them operating in the fifth year after their formation. In this sector, the proportion of enterprises that survived the first year was significantly lower than in other sectors. While the average one-year survival rate of all companies is 79%, only 57% of them were active in the financial, insurance sector after one year of their formation, mainly due to the low survival rate of sole proprietorships engaged in ancillary activities such as insurance brokerage.

There was no significant difference in the five-year survival rate of enterprises by large region: it was slightly above average for Transdanubia as well as Great Plain and North (40.6% and 40.8%, respectively) and below average (38.0%) for Central Hungary. Significant differences were already observed by county: Vas (44.9%) and Győr-Moson-Sopron counties (43.1%) were more prominent, while Komárom-Esztergom and Nógrád counties closed the survival rankings with a rate below 37%.

Fewer enterprises were liquidated in 2015

According to the latest available data, 55 thousand enterprises were liquidated in 2015, down 3.9% from a year earlier. The ratio of enterprise closures to active enterprises slightly decreased, falling by 0.6 percentage point to 8.2% in one year.[5]

In 2015, the proportion of liquidated business partnerships within operating companies was 6.8%, 0.6 percentage points less than in 2014. Self-employment was less stable, with the rate of closures being 9.9%, down 0.8% compared to the previous year. All in all, the number of enterprise closures in 2015 has decreased or stagnated in most legal forms.

Table 2

Proportion of dead enterprises in the percentage of the active ones

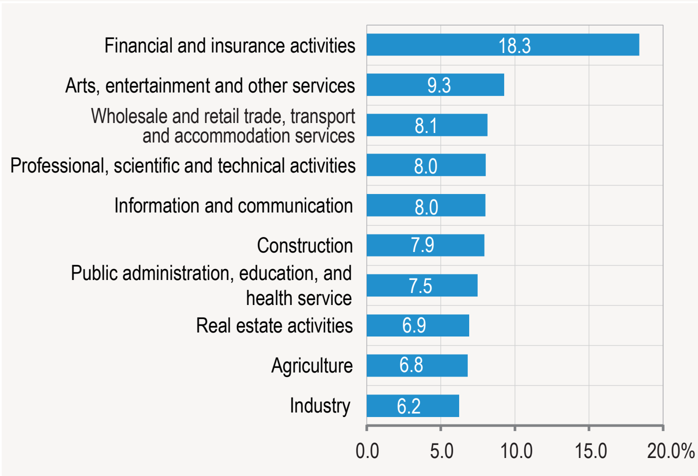
Legal form	2009	2010	2011	2012	2013	2014	2015
Business partnerships	7.9	8.3	8.4	9.5	7.6	7.4	6.8
Of which:							
Private limited liability company	8.5	9.0	8.8	9.9	8.0	7.7	7.2
Limited company	4.4	5.2	5.0	4.9	4.3	4.3	4.3
Limited partnership	7.3	7.3	7.8	8.7	6.7	6.7	6.0
Private entrepreneur	10.8	13.6	21.1	14.5	10.7	10.7	9.9
Enterprises total	**9.2**	**10.7**	**13.9**	**11.5**	**8.8**	**8.8**	**8.2**
Non-profit business associations	..	..	..	..	..	..	**7.6**
Enterprises and non-profit business associations together	**9.2**	**10.7**	**13.9**	**11.5**	**8.8**	**8.8**	**8.2**

The number of liquidated business partnerships decreased by 7.8% and that of private entrepreneurs by 1.3% in 2015 compared to a year earlier. Among business partnerships, the number of liquidated enterprises decreased by 24% for general partnerships, 12% for limited partnerships and 6.4% for private limited liability companies and increased by 2.1% for limited companies and 41% for cooperatives.

The rate of enterprise closures was 8.2% for small enterprises and 8.5% for micro enterprises. In 2015, 0.6% of medium-sized enterprises and 0.4% of large enterprises were liquidated. 99.9% of the 55 thousand liquidated enterprises were small and 0.1% were medium-sized enterprises, besides 4 large enterprises. Similarly to previous years, the rate of liquidation was the highest in the field of financial and insurance activities (18%), where we experienced the greatest movement in both enterprise births and deaths. The proportion of enterprise deaths was the smallest in health and social care (5%).

Figure 8

The ratio of enterprise deaths to active enterprises by aggregated industry group, 2015



[5] Hereinafter, real business deaths – that is to say, those enterprises which do not appear among the active enterprises in the two years following the year in question and whose activities are not carried on by any legal successor - will be referred to as "business deaths".

19% of the enterprises that were closed in 2015 were in wholesale and retail trade and repair of motor vehicles and motorcycles, 15% in scientific and technical activities and 8.3% in construction.

The rate of enterprise closures within active enterprises ranged from 6.9% to 9.3% by region. Among the counties, Nógrád county (9.3%) was in the lead, followed by Borsod-Abaúj-Zemplén (9.2%), Budapest and Heves counties (8.8-8.8%).

43% of the liquidations were in Central Hungary, 31% in the Great Plain and the North, and 26% in Transdanubia.

Methodological notes

The survey on business demography is a harmonised data collection of Eurostat, providing comparable data on businesses in the member states of the European Union and the European Free Trade Association (EFTA). For its implementation, Eurostat has developed a single methodology applied by all participating countries. The resulting business demographic data collection provides comparable data on active enterprises, enterprise births and enterprise deaths, as well as on survival of new enterprises.

From 2017, non-profit business associations have been included in the business demographic data collection. According to the methodological specifications, HCSO included business partnerships and private entrepreneurs in the scope of observation. The survey does not cover individuals with tax number, budgetary organizations and other organizations. Business demographic data are actual reference year data subsequently compiled from statistical and tax sources, therefore their production and processing is very time-consuming.

Further information, data (links):

Tables

Tables (stadat)

Methodology

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