

Embargoed until 10:45am – 5 October 2007

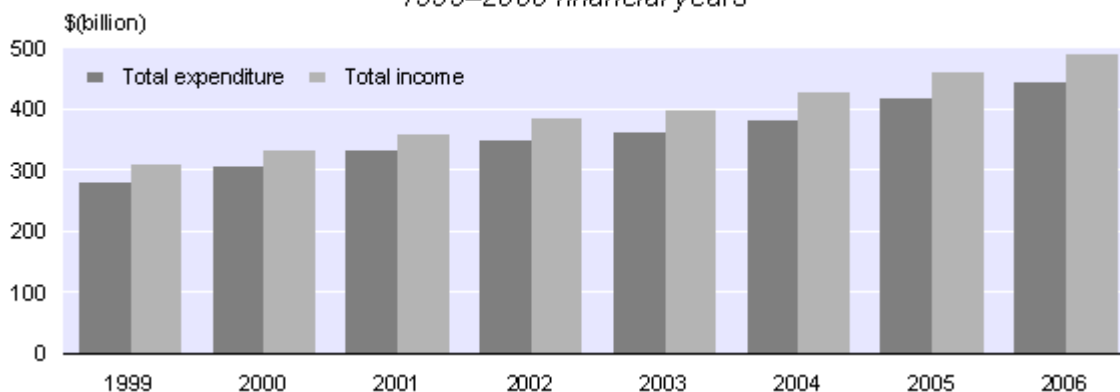
## Annual Enterprise Survey: 2006 financial year (provisional)

### Highlights

- Total income for all industries for the 2006 financial year increased by 6.5 percent to \$492.2 billion.
- Total salaries and wages paid to employees across all industries increased by \$4.7 billion (7.4 percent) in the 2006 financial year to \$67.7 billion.
- Total expenditure for the 2006 financial year increased by 6.2 percent to \$445.0 billion.
- Surplus before income tax across all industries is \$53.1 billion. This is an increase of \$4.2 billion from the 2005 financial year.

### All Industries: Income and Expenditure

1999–2006 financial years



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There is a companion Media Release published – [Annual Enterprise Survey: 2006 financial year \(provisional\)](#).

# Commentary

## Introduction

The Annual Enterprise Survey (AES) is New Zealand's most comprehensive source of financial statistics and provides annual financial performance and financial position information about industry groups operating within New Zealand. The industries covered in the survey contribute approximately 90 percent of New Zealand's gross domestic product (GDP). AES is an important source of data for GDP as it is used to calculate detailed annual National Accounts.

Data used in this survey is collected from a number of sources, including:

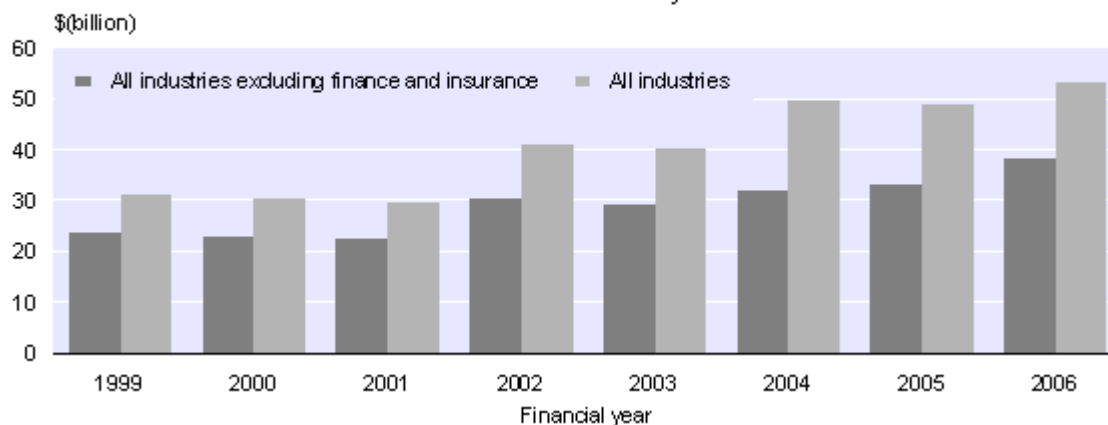
- Administrative data from Inland Revenue (IR 10)
- Central government data from the Treasury's Crown Financial Information System (CFIS)
- Superannuation data from the New Zealand Companies Office (Ministry of Economic Development)
- Local government data from Statistics New Zealand's Local Authority Statistics
- A sample survey of business financial data representing the rest of the population.

Statistics New Zealand would like to thank respondents for their contribution to this survey. We also acknowledge the cooperation of Inland Revenue, the Treasury and the New Zealand Companies Office for providing administrative data that enables us to lower the size of the postal sample and thereby reduce compliance costs on the business community.

## Overview of results

- Total income for all industries for the 2006 financial year increased by 6.5 percent to \$492,152 million. All 16 industry groups recorded increases in income in 2006.
- Surplus before income tax, which is total income less total expenditure (excluding salaries and wages to working proprietors) across all industries is \$53,181 million. This is an increase of \$4,208 million from the 2005 financial year.
- Salaries and wages paid to employees across all industries increased by \$4,659 million (7.4 percent) in the 2006 financial year. This compares to increases of 8.1% in 2005, and 8.5% in 2004.
- Total expenditure for the 2006 financial year increased by 6.2 percent to \$444,956 million.
- The level of investment in fixed assets grew by 12.0 percent to \$43,071 million in the 2006 financial year. This is similar to the 12.1 percent increase which was recorded in 2005.
- The current ratio, which measures current assets to current liabilities, is 82.1 percent in the 2006 financial year. This is down on the 83.2 percent recorded in 2005.

**Surplus Before Income Tax**  
*1999–2006 financial years*



## Detailed industry data availability

Data collected in the AES is available at various levels of detail. The tables included in this release are at ANZSIC division level (16 industries), and a further disaggregation is contained in the supplementary tables, available on the Statistics New Zealand website (40 industries). A finer level is available on request, subject to confidentiality and quality constraints. Depending on the detail and type of analysis required, there are a number of available options. Statistics New Zealand will advise on the most appropriate data to suit a user's needs. The focus of the remainder of this commentary is on providing information to help users understand more about the AES and how it can be used.

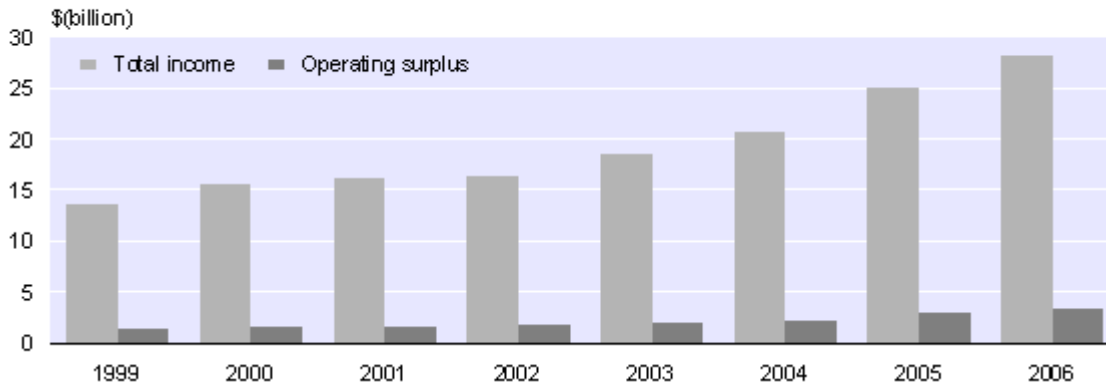
Data on the construction industry provides an example of the range of information available.

The construction industry (Division E) in 2006 has continued its trend of increasing its sales of goods and services, and its surplus before income tax. In the 2006 financial year the construction industry has shown a 12.4% increase in sales of goods and services and a 10.7% increase in surplus before income tax. These increases seen in 2006 were not as significant as that seen in 2005, when the industry experienced a 20.5% increase in sales of goods and services, and a 29.4% increase in operating surplus, which were the largest increases seen in this industry in the last eight years.

Salaries and wages paid to employees in the construction industry increased by \$587 million (15%) in the 2006 financial year to \$4,492 million. This was the largest percentage movement of all 16 divisions in 2006.

The construction industry had the highest return on total assets ratio out of all divisions measured in the Annual Enterprise Survey, with a ratio of 26.9 percent.

**Construction Industry: Total Income and Operating Surplus**  
*1999–2006 financial years*



## Changes introduced in the Annual Enterprise Survey 2006

There have been no significant changes to the Annual Enterprise Survey in 2006. However, there are a few events which have impacted tables in this release, which should be noted by users of this data.

## **Factors effecting time-series in the Annual Enterprise Survey 2006**

Several large one-off restructuring transactions have been netted out in the mining industry (ANZSIC Division B) to preserve respondent confidentiality.

Certain financial position variables in the cultural and recreational services industry (ANZSIC Division Q) have been affected by large one-off transactions which have resulted from a known industry restructure. The impact of these transactions is such that the values shown for those variables cannot be compared with their equivalents in other years.

### **The introduction of new accounting standards**

New Zealand International Financial Reporting Standards (NZIFRS) are the New Zealand equivalent to International Financial Reporting Standards (IFRS). These standards replace the Financial Reporting Standards (FRS) and Statements of Standard Accounting Practice (SSAP). NZIFRS are modified to suit New Zealand entities and include public benefit entities.

New Zealand entities have the choice of when to adopt the new standards. They can adopt them from their financial year beginning in 2005 but must adopt them in their financial year beginning 2007 at the latest. AES 2006 is the first year in which we have seen an impact as a result of entities adopting new standards, this impact is expected to spread across the 2007 and 2008 surveys as remaining entities adopt the new standards.

Part of the requirements to adopting the standards is for entities to show the effect of transition to NZIFRS. The AES has been able to use this information to identify some of the impact on financial results. The degree and nature of the impact varies across entities and industries. Footnotes have been added to the tables within this publication where there is significant known impact. The standards that have had the most impact are:

- NZ IFRS 3: Business combinations
- NZ IAS 32: Financial instruments: disclosure and presentation
- NZ IAS 38: Intangible assets
- NZ IAS 39: Financial instruments: recognition and measurement
- Various fair value measurements.

### **Further information for users**

The AES provides a wealth of information that can assist in understanding the structure and performance of industries within the New Zealand economy. When using AES data, it is important to be aware that there are a number of design issues that may impact on results. These are discussed below.

1. Results in the AES can be affected by how companies structure themselves and therefore how they are captured and reported in the AES. Large corporates often set up separate entities to manage different divisions of their business. These divisions are classified based on their predominant activity. For example, their administration (head office) and their asset-owning activities may be classified to other business services (Division L) and financial asset investors (Division K), respectively. This may mean that a manufacturing unit will not have these support activities recorded in the manufacturing industry.

If a business is divided into different divisions, this may mean that the AES results will include inter-company flows between divisions. These flows are referred to as gross flows.

2. The time series of the AES can be affected by the restructuring of companies. For example, if the various divisions within a company were to be restructured or amalgamated, then the following would happen:

- The consolidation of these units would remove the gross flows and leave net flows.
- The industrial classification of the resulting unit would be determined by predominant activity and the activity in the other industries would disappear.
- Value-added would remain the same in both options.

The reverse may also occur, when restructuring results in net flows being represented in a gross form.

3. The all industries table is a summation of divisional tables and therefore includes gross flows.

4. AES results are presented for a nominal March year. However, the data is collected from businesses with balance dates between 1 October 2005 and 30 September 2006. Table 1.01 below lists, for each industry, the predominant balance date by total income.

Table 1.01

**Predominant balance dates by industry**

<b>Industry</b>	<b>Year ended</b>
A - Agriculture, forestry and fishing	March
B - Mining	December
C - Manufacturing	March
D - Electricity generation and supply, gas and water supply	June
E - Construction	March
F - Wholesale trade	March
G - Retail trade	March
H - Accommodation, cafes and restaurants	March
I & J - Transport, storage and communication	June
K - Finance and insurance	September
L - Property and business services	March
M - Government administration and defence	June
N - Education	December
O - Health and community services	June
P - Cultural and recreational services	June
Q - Personal and other community services	March

Note: This table has been produced using weighted data and therefore reflects the population as it is represented in the AES. The count of predominant balance dates is dominated by the small businesses sourced from IR 10s. However, because these units have small values, it is possible for the industry to have a different predominant balance date when looking at total income.

5. In the postal collection, additions and disposals of fixed assets are specifically requested. However, in the administrative data source (IR 10), only the closing book value of fixed assets and depreciation are requested. Where IR 10s are used, the net additions value is modelled using a simple fixed asset equation:

net additions = closing book value - opening book value + depreciation - net gain on sale

**where:**

Opening book value is taken from the previous year's IR 10

Positive net additions are reflected as 'additions' and negative values as 'disposals'.

There are three points to note:

- Revaluations on sale should be accounted for and will impact on results if they are significant.
- Only net additions are recorded; total additions and disposals are not available.
- Net additions are calculated for total fixed assets and then apportioned by closing book values of each asset type.

6. Statistics New Zealand has a legal obligation to protect companies' privacy and industry-sensitive information. It is for this reason that all tables released have confidentiality rules applied to protect the information supplied by an individual company. Once all confidential financial items have been identified, further items are suppressed to complete the protection of the confidential value.

## Use of Annual Enterprise Survey data

In addition to its use in the National Accounts, the AES is also a data source for a number of other existing and upcoming Statistics New Zealand outputs, including:

- Longitudinal Research of Business Dynamics project
- Non-profit Satellite Account
- Business Price Indexes

Since the last redesign of AES, there has been increased demand for non-standard output from users. Statistics New Zealand is providing more input into research surrounding these requests. Examples include:

- The Reserve Bank of New Zealand's use of financial position data in its Financial Stability Report
- The Centre for Advanced Engineering has established a set of national key performance indicators (KPIs) for the construction industry, one of which is a profitability indicator for which AES data is used
- Ad hoc requests from other government departments such as the Ministry of Economic Development
- Requests by turnover bands, which can add significant analytical value and are a popular request
- Requests from businesses for financial data to gauge their performance against industry averages
- Value-added per employee count, and turnover per employee count.

Note that any release of information is subject to confidentiality and may have caveats placed on the data.

## Future enhancements

### New industrial classification for 2007

This will be the last publication produced based on the Australia New Zealand Standard Industrial Classification (ANZSIC) 1996. The *Annual Enterprise Survey 2007* publication, which will be released in October 2008, will be published using an updated version of the ANZSIC classification (ANZSIC 2006) that replaces the ANZSIC 1996. The AES 2007 featuring the new classification, will be published along with backcast values for AES 2006 and AES 2005.

The development of a new version of ANZSIC has been driven by changes in the structure, composition and organisation of industrial and business activities in Australia and New Zealand. Significant technological changes since ANZSIC 1996 was developed have affected the way industry and businesses operate. In addition, industries undertaking new activities have emerged, requiring a review of ANZSIC 1996 and the development of a more contemporary version of the classification to better reflect the new economy. Further information please to the description on our website linked below:

<http://www.stats.govt.nz/statistical-methods/classifications/anzsic-2006-manual.htm>

### Review of annual financial statistics

The AES was last redeveloped in 1999 largely to meet requirements for national accounting purposes. Statistics New Zealand is conducting a review of the survey against current and future user needs. Included in this review are methods for improving data quality and business processes and options for reducing respondent load through increased use of administrative data.

Previous consultations with users have identified a demand for the following:

- The ability to measure the performance of sub-populations of interest, for example, non-profit institutions
- Longitudinal micro-data analysis of financial data
- Data integration with other Statistics New Zealand datasets, such as Balance of Payments
- A sample design that supports the measurement of financial position data by industry.

For more information on this review contact Emma Doets: [info@stats.govt.nz](mailto:info@stats.govt.nz).

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## Technical notes

### What the Annual Enterprise Survey measures

The Annual Enterprise Survey (AES) provides financial information by industry and sector groups. This includes measures of financial performance and financial position. Output variables include income, expenditure, profit, purchases of fixed assets and equity. From this data, economic ratios such as the return on assets and profit margin on sales can be derived. The AES data also forms the basis of national accounting variables such as value-added, gross output and gross fixed capital formation.

The information contained in the tables in this release is only a sample of the information available. Further information is available on Statistics New Zealand's website (<http://www.stats.govt.nz>) or on request.

### Population

The target population for AES is all economically significant businesses (see definition below) operating within New Zealand. However, some industries are excluded on pragmatic grounds. In total, AES is estimated to cover approximately 90 percent of New Zealand's Gross Domestic Product (GDP).

The Australia and New Zealand Standard Industrial Classification (ANZSIC) 1996 industry exclusions are:

- Residential property operators nec (L771100-90)
- Foreign government representation (M813000)
- Religious organisations (Q961000)
- Private household employing staff (Q970000).

### Design of the Annual Enterprise Survey

The current design of the AES was introduced in the 1999 financial year. The AES was designed as the principal collection vehicle of data used in the compilation of New Zealand's National Accounts. The data collected feeds into the calculation of the economy's GDP, through the current price annual industry accounts, which are compiled within an input-output framework.

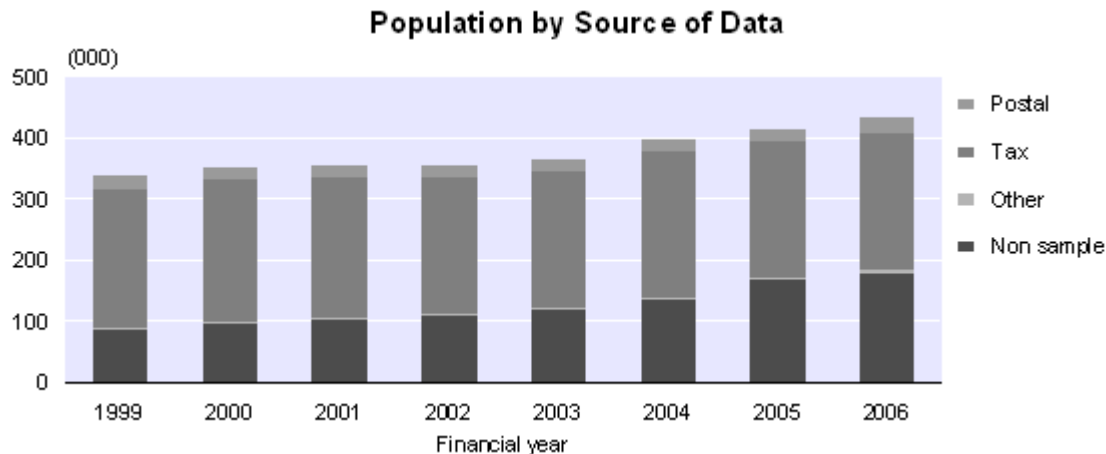
The AES collects financial data for most of the industries operating in the New Zealand economy. The AES industries are based on the ANZSIC. The AES survey is designed at approximately the four-digit ANZSIC level, or 107 industries. Data at lower levels can also be produced (subject to confidentiality constraints) but it may have considerably higher sample errors. In addition, limited analysis has been conducted at this level.

The population for the AES 2006 financial year is 433,880 units and consists of:

- 225,223 (51.9 percent) sourced from IR 10 information
- 24,298 (5.6 percent) sourced from the postal survey
- 3,166 (0.7 percent) sourced from other Statistics New Zealand surveys
- 729 units (0.2 percent) sourced from Ministry of Economic Development data
- 180,464 (41.6 percent) non-sample units.

IR 10s sourced from Inland Revenue are used for sole traders and partnerships, as well as to represent all businesses in the agriculture industries (A011-A016).

The 24,298 postal survey unit responses are weighted to represent the 180,464 non-sample units. The corporate response rate required for the postal collection is set at 85 percent of the industry's Goods and Services Tax (GST) sales. In 2006, this response rate was 89 percent, compared with 90 percent in 2005.



The population for this survey is selected from the Statistics New Zealand Business Frame.

The Business Frame is a database of all known individual private and public sector businesses and organisations engaged in the production of goods and services in New Zealand that meet significance criteria. The Business Frame provides a consistent reference to standard classifications, which facilitates the integration of statistical outputs and allows it to be used as a classification tool. It also provides links to all economic and financial survey data and the tax system, which allows more effective use of tax data to reduce respondent load.

The structure of each business on the Business Frame consists of an enterprise, a kind-of-activity unit (KAU) and a geographic unit. These are collectively referred to as statistical units. Larger or more complex businesses may have a number of statistical units. Each of the statistical units is given an industry classification based on its predominant activity. Different divisions of a company may be spread across several industries, depending on how the company has been structured. The collection unit for the AES is the KAU. By definition, a KAU is engaged in predominantly one activity for which a single set of accounting records is available.

Sample design:

- The AES is a stratified sample. Each industry contains between one and four strata, defined by size of turnover (sourced from GST information) and rolling mean employment. Each industry has a full coverage strata made up of large units with significant economic activity within their industry group. Most industries also have a tax strata where IR 10 information is used for self-employed individuals and partnerships up to a level of \$10 million turnover. The remaining strata contain a sample of medium-sized units, which are weighted to represent non-sampled units. For example, a unit may have a weight of five, meaning it represents itself and four other businesses. Smaller businesses have less chance of being selected, and consequently when selected have larger weights representing more units.
- Selection of sample. Every unit on the Business Frame is given a random number, which is used to determine the sample. The random number is allocated at the enterprise level. Currently, the AES has a limit on the number of units sampled each year, and one method of maintaining this is to adjust the range of the random number line.

- The AES has a two-component design which is effectively two sample designs for one survey.
  - Component one collects financial position data, and is designed to provide accurate estimates for total assets and total liabilities for institutional sector accounts.
  - Component two collects financial performance and fixed asset data, and is designed to provide accurate estimates of value-added, total income and gross fixed capital formation by industry and for institutional sectors.
  - The two-component design aims to reduce respondent load by limiting the number of respondents that have to complete the full set of questions.
- The wide range of activities undertaken by New Zealand businesses makes it necessary to have different types of questionnaires. These different questionnaires are referred to as formtypes. Formtypes ask for similar information, but the format and wording of the questionnaires are tailored to suit groups of businesses.
- Currently, three different lengths of formtype are sent to businesses selected in the sample. The most comprehensive of these questionnaires, for units selected in both components, asks for financial performance, position, and fixed assets. The other two questionnaires ask specifically for component one or two information.
- The AES is designed to measure industry levels for a given year. Incremental improvements in measurement, sample design, classification and data collection may influence the inter-period movements, particularly over longer time periods. Work has been done to minimise the impact of these changes and present a consistent time series in the published tables.

Data on an ANZSIC basis is only available back to 1996 at the time of writing.

## Availability of results

The supplementary tables contain a selection of tables available. Data is available at the design level (107 industries) upwards, subject to confidentiality. Tables at an even less aggregated level may also be available.

This is the first release of AES results for the 2006 financial year. These results are provisional. They may be revised as further information becomes available over the next two years.

## Confidentiality

Data collected and information contained in this publication must conform to the provisions of the Statistics Act 1975. This requires that published information maintains the confidentiality of individual respondents.

## Definitions

Detailed information on the following, and other terms, is available on our website or on request.

### Economically significant

An enterprise that meets at least one of the following criteria:

- has greater than \$30,000 annual GST expenses or sales
- has RMEs greater than two
- is in a GST-exempt industry (except residential property leasing and rental)
- is part of a group of enterprises
- is a new GST registration that is compulsory, special or forced
- is registered for GST and involved in agriculture or forestry.

## **Enterprise**

A single business entity operating in New Zealand either as a legally constituted body such as a company, partnership, trust, local or central government trading organisation, incorporated society, or a self-employed individual.

## **Kind-of-activity unit (KAU)**

A subdivision of an enterprise engaged in predominantly one activity and for which a single set of accounting records is available. This is the statistical unit used in the AES.

## **Australian and New Zealand Standard Industrial Classification (ANZSIC) 1996**

The ANZSIC has been developed for use in Australia and New Zealand for the production and analysis of industry statistics. The AES has been designed using the ANZSIC classification, with some subdivisions and groups re-aggregated to reflect New Zealand operations.

## **Employee count (EC)**

Head count of salary and wage earners sourced from taxation data. EC data is available on a monthly basis. This is mostly employees but can include a small number of working proprietors (who pay themselves a salary or wage).

## **Rolling mean employment (RME)**

RME is a 12-month moving average of the monthly employee count figure, which replaces the numbers of full-time and part-time employees in the AES.

## **Full-time equivalent (FTE) persons engaged**

The total number of full-time employees and working proprietors plus half the number of part-time employees and working proprietors.

## **Surplus before income tax**

Total income less total expenditure (excluding salaries and wages to working proprietors).

## **Surplus per RME**

Surplus before income tax divided by rolling mean employment.

## **Current ratio**

Current assets divided by current liabilities.

## **Quick ratio**

Current assets less closing stocks divided by current liabilities.

## **Margin on sales of goods for resale**

Sales of goods not further processed less purchases of goods bought for resale, as a percentage of sales of goods not further processed.

## **Return on equity**

Surplus before income tax divided by shareholders' funds.

## **Return on total assets**

Surplus before income tax divided by total assets.

## **Liabilities structure**

Shareholders' funds divided by total capital and liabilities.

For more information, follow the [link](#) from the Technical notes of this release on the Statistics New Zealand website.

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## **Timing**

Timed statistical releases are delivered using postal and electronic services provided by third parties. Delivery of these releases may be delayed by circumstances outside the control of Statistics New Zealand. Statistics New Zealand accepts no responsibility for any such delays.

## **Next release**

*Annual Enterprise Survey: 2007 financial year (provisional)* will be released in October 2008.

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## Tables

The following tables can be downloaded from the Statistics New Zealand website in Excel 97 format. If you do not have access to Excel 97 or higher, you may use the [Excel file viewer](#) to view, print and export the contents of the file.

*Table 1.01 is contained within the Commentary.*

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### Supplementary tables

#### Balance dates

- 1.01 Predominant balance dates by ANZSIC division
- 1.02 Predominant balance dates by industry

#### Industry tables

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- 3.13 Wood product manufacturing
- 3.14 Paper and paper product manufacturing
- 3.15 Printing, publishing and recorded media
- 3.16 Petroleum, coal and basic chemical manufacturing
- 3.17 Rubber, plastic and other chemical product manufacturing
- 3.18 Non-metallic mineral product manufacturing
- 3.19 Basic metal, structural, sheet and fabricated metal product manufacturing
- 3.20 Transport equipment manufacturing

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