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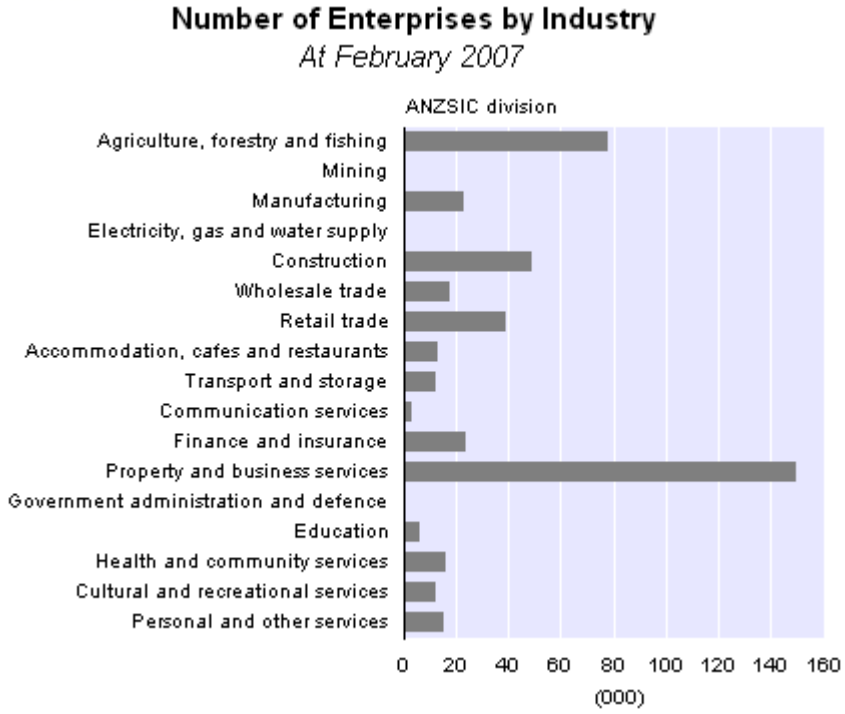
New Zealand Business Demography Statistics (Structural): At February 2007

Highlights

- At February 2007, the total number of businesses was 463,380, up 2.0 percent compared with February 2006.
- More than three-quarters of businesses were located in the North Island, with 31 percent in the Auckland region.
- Around one-third of all enterprises were engaged in property and business services, with 149,860 enterprises and approximately 230,100 employees.
- The manufacturing sector continues to be the largest employer, with approximately 266,700 employees in February 2007.



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There is a companion Media Release published – *New Zealand Business Demography Statistics (Structural): At February 2007*.

Commentary

New business demography series

This is the first official publication of an improved set of business demography statistics based on a recently developed statistical resource, the Longitudinal Business Frame (LBF). To enable trends to be studied, the new series has been backcast to February 2000 and released on a provisional basis.

The Business Demography series now covers all industries, and includes an expanded coverage of New Zealand businesses. Basing statistics on the LBF has addressed previous limitations in the identification of enterprise births and deaths. Newly developed methods make it possible to identify with greater certainty the level of real enterprise births and deaths, as opposed to enterprise entries and exits that include dormant enterprises, reactivations, and administrative churn (such as company restructuring and ownership changes). Further statistics on business birth, death and survival rates will be published on 26 March 2008.

The table below summarises the main differences between the new and old business demography series. There is further information on interpreting the new business demography series in the Technical notes of this release.

	New series	**Old series**
Population source	Longitudinal Business Frame (LBF)	Business Frame (BF)
Industry coverage	All industries	Excludes agriculture production (ANZSIC subdivision A01)
Business size measure	Employee count, sourced from the Linked Employer-Employee Database	Employee count, sourced from the BF
Businesses covered	All economically significant businesses	All economically significant businesses, except for those added as part of the change in BF maintenance strategy in 2003 and 2004
Updates to business demography data	Data released as provisional and updated in future releases	Data treated as final and only updated upon identification of significant changes or errors

Business demography statistics

Business demography statistics provide an annual snapshot (as at February) of the structure and characteristics of New Zealand businesses. The series covers economically significant individual, private-sector and public-sector enterprises that are engaged in the production of goods and services in New Zealand. This generally includes all enterprises with GST turnover greater than $30,000 per year.

New Zealand business demography statistics are provided in two separate releases.

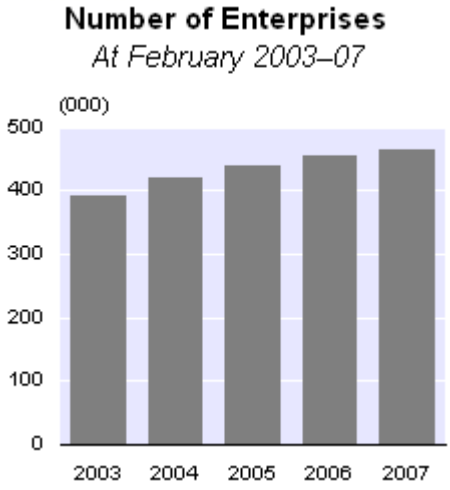
- This structural release provides an annual snapshot (as at February) of the structure and characteristics of New Zealand businesses. It includes statistics on a range of variables including industry, region, institutional sector, business type, size (employment levels), and degree of overseas ownership.
- An additional release in March will present business dynamics statistics. Business dynamics count the number of enterprise births and deaths that occurred over the previous 12 months, and analyse the survival of new births over time.

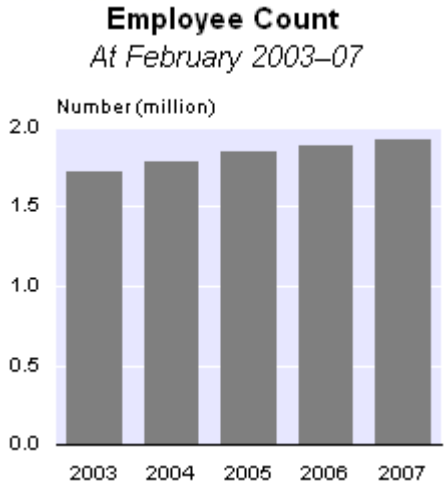
The business demography data contained in this release can be accessed through Table Builder on the Statistics New Zealand website. The tables now have data available to area unit, added as part of the making more information freely available initiative.

Total number of enterprises and geographic units

At February 2007, the number of enterprises on Statistics NZ's LBF was 463,380. The number of geographic units (business locations) corresponding to these enterprises was 499,940. These businesses engaged a total of 1.923 million employees.

When comparing February 2007 with February 2006, the number of enterprises in New Zealand increased by 2.0 percent (up 8,880). Industries showing significant growth were property and business services (up 6,890), followed by finance and insurance (up 1,890) and construction (up 1,260). The largest decline was in the agriculture, forestry and fishing industry (down 1,860). The number of business locations increased in all regional council areas between February 2006 and February 2007. The number of employees engaged grew 2.3 percent (up 42,400) in February 2007 compared with February 2006.





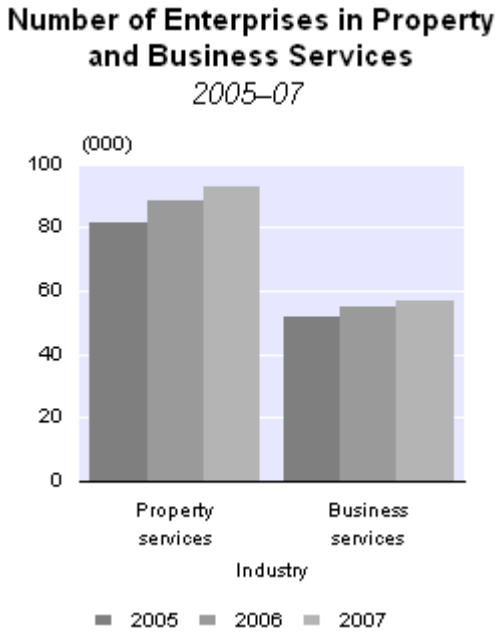
Industry statistics

Property and business services

The property and business services industry had the largest number of enterprises (149,860), representing 32 percent of all enterprises in New Zealand, as at February 2007. This industry also had the largest increase in the number of enterprises, up 6,890 or 4.8 percent, between February 2006 and 2007. Most of this growth (88 percent) was from non-employing enterprises.

Of the overall increase in the property and business services industry, property services contributed 71 percent. Enterprises in this industry are mainly property developers and operators, real estate agents, non-financial asset investors, and machinery and equipment hiring services.

There were approximately 230,100 employees engaged in the property and business services industry in February 2007, compared with 217,200 in February 2006 (up 12,900 or 5.9 percent). About 63 percent of this increase was in enterprises with 100 or more employees.



Agriculture, forestry and fishing

There were 78,010 enterprises predominantly engaged in the agriculture, forestry and fishing industry in February 2007, a decrease of 1,860 (2.3 percent) compared with February 2006. Most of this decrease (72 percent) was from non-employing enterprises.

The agriculture, forestry and fishing industry engaged approximately 113,800 employees in February 2007, up 1,500 (1.3 percent) from the previous year. This rise in employment numbers was mainly from services to agriculture industries.

Construction

There were 49,170 enterprises predominantly engaged in the construction industry in February 2007, an increase of 1,260 (2.6 percent) compared with February 2006. About 46 percent of this increase was from non-employing enterprises.

The construction industry engaged approximately 123,000 employees in February 2007, up 5,900 (5.1 percent) from the previous year. This rise in employment numbers was shared between firms involved in construction trade services and general construction.

Finance and insurance

There were 23,880 enterprises predominantly engaged in the finance and insurance industry in February 2007, an increase of 1,890 (8.6 percent) compared with February 2006. Most of this increase (92 percent) was from non-employing enterprises.

The finance and insurance industry engaged approximately 56,200 employees in February 2007, up 1,900 (3.5 percent) from the previous year. This rise in employment numbers was spread across enterprises engaged in insurance industries, finance, and services to finance and insurance.

Manufacturing

There were 23,100 enterprises predominantly engaged in manufacturing in February 2007, almost the same as in February 2006. Of these enterprises, 26 percent were involved in machinery and equipment manufacturing, while 16 percent were involved in metal product manufacturing.

The manufacturing industry was the largest employer in February 2007, with approximately 266,700 employees. Between February 2006 and 2007, the number of employees in manufacturing decreased by 3,900 (down 1.5 percent). All manufacturing industries at the ANZSIC subdivision level recorded a decrease in employment. The largest decrease was in printing, publishing and recorded media, followed by textile, clothing, footwear and leather manufacturing.

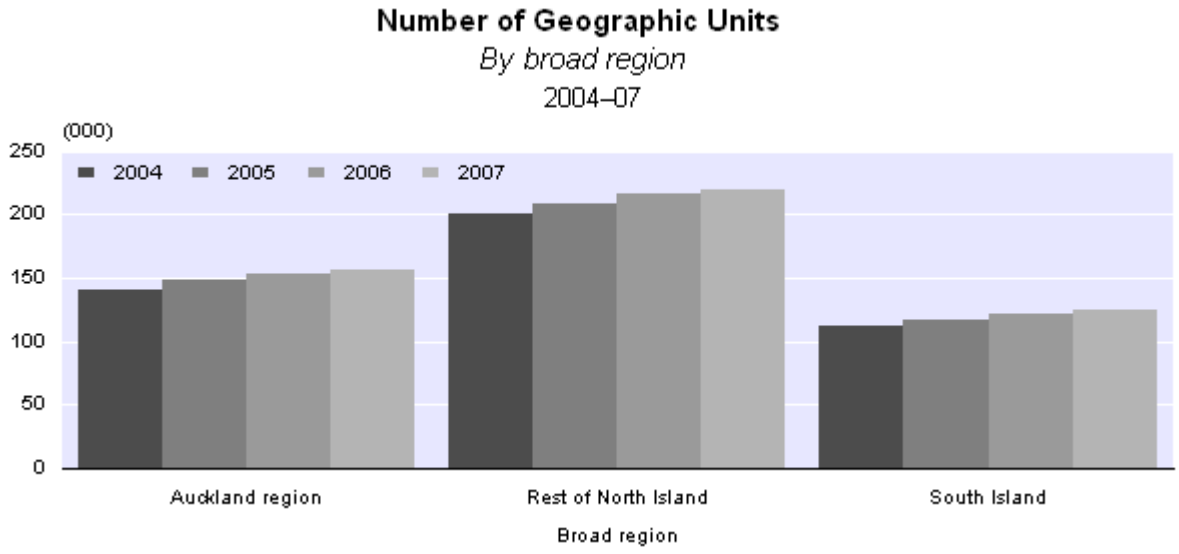
Regional statistics

Auckland region

Almost one-third (31 percent) of all geographic units (business locations) in New Zealand are in the Auckland region. One-third of all employees (33 percent) were engaged by these geographic units.

There were 156,140 geographic units in the Auckland region in February 2007, up 1.8 percent from February 2006. Industries recording significant increases in the Auckland region were property and business services (up 2,130 or 3.8 percent), followed by finance and insurance (up 760 or 7.3 percent) and health and community services (up 200 or 3.4 percent).

In February 2007, there were approximately 627,200 employees associated with businesses located in the Auckland region, up 2.5 percent from February 2006. The industries with large increases in employee numbers were property and business services (up 5,600 or 5.6 percent), followed by education (up 3,100 or 6.6 percent), and retail trade (up 2,200 or 2.9 percent). The largest reduction of employees occurred in the manufacturing industry (down 2,000 or 2.2 percent).



Remainder of North Island

Excluding the Auckland region, there were 219,700 geographic units located in the remaining regions of the North Island in February 2007. This was an increase of 1.9 percent when compared with February 2006. These geographic units engaged approximately 814,100 employees in February 2007, a 2.6 percent increase from February 2006.

Regions showing significant increases in the number of business locations established were Waikato (up 1,130 geographic units), Wellington (up 1,060) and Bay of Plenty (up 730). In these three regions, the property and business services industry contributed most to the increase (62 percent in Waikato, 88 percent in Wellington and 50 percent in Bay of Plenty).

In the Waikato and Wellington regions, the highest increase in employment occurred in property and business services (up 1,400 employees or 8.2 percent and up 2,000 employees or 5.3 percent respectively).

South Island

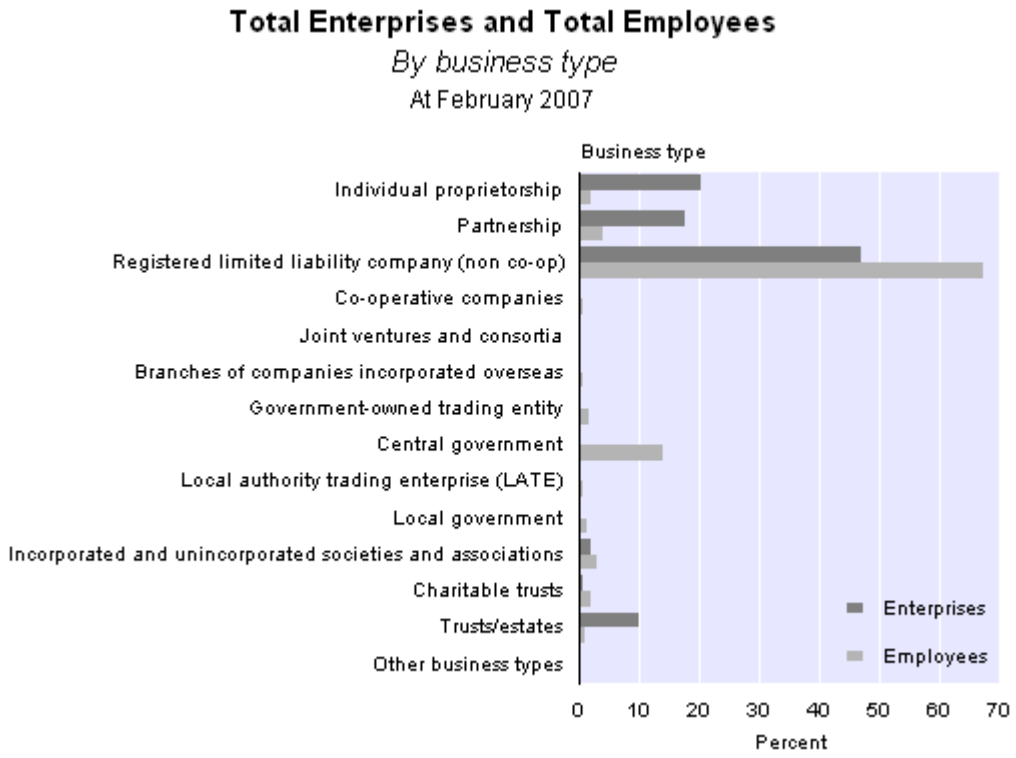
There were 123,900 geographic units in the South Island in February 2007. This was an increase of 2,530 (2.1 percent) from February 2006. These business locations engaged approximately 481,600 employees, an increase of 6,600 (1.4 percent) when comparing February 2007 with February 2006.

In February 2007, over half of all geographic units (63,090) and employees (approximately 255,500) in the South Island were located in the Canterbury region. Compared with February 2006, Canterbury recorded increases of 1,410 geographic units and approximately 2,800 employees in February 2007. The region contributed significantly towards the overall South Island growth in geographic units (56 percent) and number of employees (43 percent).

The increases in Canterbury in geographic units were mainly in property and business services, finance and insurance, and construction. The increases in the number of employees in the region were mainly in construction; property and business services; and accommodation, cafes and restaurants. The largest reduction of employees in Canterbury occurred in the manufacturing industry (down 500 or 1.2 percent).

Business type

Of the total number of enterprises in New Zealand in February 2007, 47 percent (218,100) were registered limited liability companies, 20 percent (94,700) were individual proprietorships and 18 percent (82,600) were partnerships. Of the total number of employees engaged, registered limited liability companies contributed 67 percent (approximately 1.298 million), while central government contributed 14 percent (approximately 269,200).



In February 2007, most registered limited liability companies were in the property and business services industry (32 percent), construction (13 percent) and retail trade (12 percent). Employees working for registered limited liability companies were mainly involved in the manufacturing industry (19 percent), followed by the retail trade industry (17 percent), and property and business services (14 percent).

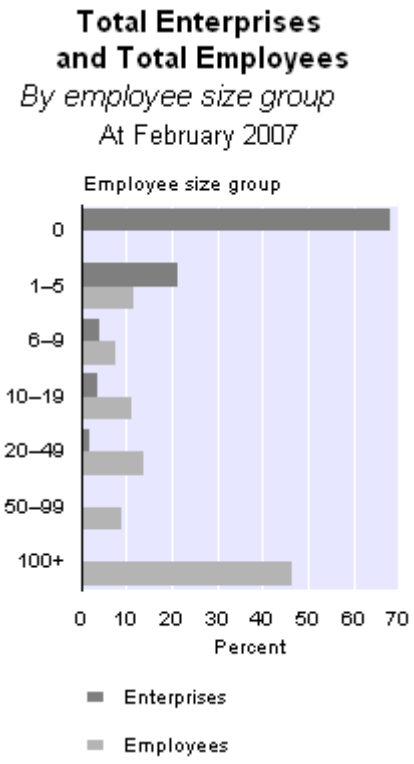
Business size

Most enterprises in New Zealand (97 percent) had fewer than 20 employees in February 2007. However, these enterprises accounted for only 31 percent of all employees. Conversely, enterprises with 100 or more employees made up 0.5 percent of the total number of enterprises in New Zealand but employed 46 percent of the total number of employees.

In February 2007, 68 percent (315,050) of all enterprises were non-employing enterprises, which is the same percent in February 2006. In terms of industrial activity, 40 percent of these enterprises were predominantly involved in property and business services, 18 percent in agriculture and 10 percent in construction.

Of the total growth in enterprises, 83 percent or 7,370 were non-employing at February 2007, whereas in the year before non-employing enterprises contributed 85 percent or 13,510.

During the year to February 2007, the strongest growth in employment came from businesses with 100 or more employees (up 27,300 employees or 3.2 percent), followed by firms with 50–99 employees (up 4,500 employees or 2.7 percent).



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Technical notes

Business demography statistics

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New business demography series

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The table below summarises the main differences between the new and old business demography series:

	New series	**Old series**
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Businesses covered	All economically significant businesses	All economically significant businesses, except for those added as part of the change in BF maintenance strategy in 2003 and 2004
Updates to business demography data	Data released as provisional and updated in future releases	Data treated as final and only updated upon identification of significant changes or errors

The LBF contains data from two main sources: Statistics New Zealand's Business Frame (BF), and payroll tax records drawn from the Linked Employer-Employee Database (LEED). Of these, the BF is the predominant source, it covers businesses that are registered with Inland Revenue and meet the criteria for economic significance (described in the 'Businesses covered' section below). All economically significant enterprises and their attributes such as industry or region are registered in both the BF and LBF.

The main difference between the two is that the BF only shows the latest available data on businesses, while the LBF records their attributes over time. The main function of the BF is to provide an accurate and timely population source for economic and financial surveys so that robust economic and financial statistics can be produced. The BF is maintained using administrative data from Inland Revenue, such as goods and services tax (GST) registrations and Employee Monthly Schedule (EMS) returns (IR348 form), Companies Office information, as well as Statistics NZ survey information.

The LBF is an offshoot of the LEED integration project. The LBF is a more statistically robust data source for business demography in terms of its maintenance and the enterprises covered, providing a rich panel dataset of monthly information on all active business units. It holds historical data back to April 1999 and is updated monthly. It facilitates the creation of a consistent time series for business demography from 2000 without methodological breaks, and allows for updates of previously published data.

Change in business size measure

An important change in the new and old series is the business employment size measure used. The new series uses employee counts sourced from the LEED database, while the old series used employee counts from the BF. Both employee count measures are mainly sourced from the Inland Revenue EMS, and are a head count of salary and wage earners for the February reference month. The key difference between the measures is the methodology used to apportion employee counts from the enterprise to the geographic units (or business locations) for those with multiple locations. The BF measure uses data sourced from the respondent, while the LEED measure uses algorithms based on a series of factors associated with the business and the employees. This includes the distance between an individual’s address and the employer’s geographic location.

Although both are sourced from the LEED database, there are a number of conceptual differences between the business demography size measures and the published LEED employment statistics. A few of the major differences include:

- Business demography includes employees of all ages (LEED statistics exclude employees aged under 15 years).
- Business demography counts employees employed at any time during the February month (LEED statistics only count employees employed on the 15th of the reference month).
- Business demography uses the EMS data before all returns are finalised. At the time of the business demography publication, the data is considered robust enough to provide an accurate indicator for business size. Business demography does not provide official statistics on employment levels.

Change in Business Frame maintenance strategy

In 2003 and 2004, there was a significant change in the strategy used to maintain the BF. This strategy involves greater use of administrative data to maintain the BF. The changes in business coverage included:

- increased coverage of the BF to include all employing businesses, with the exception of individuals that are employers but are not registered for GST
- reactivation of previously ceased businesses that are showing current GST activity
- improved coverage of GST exempt industries by making greater use of tax data sourced from the EMS and IR10 tax returns
- inclusion of agriculture businesses (ANZSIC subdivision A01) in the maintenance strategy.

Previously, the coverage of these businesses resulting solely from the change in strategy used to maintain the BF have been excluded from business demography statistics. This was to ensure a greater level of consistency with previously published business demography statistics.

The new series based on the LBF includes these businesses to more accurately reflect the coverage of businesses in the New Zealand economy. This has added approximately 40,000 enterprises to the business demography population. However, these enterprises are typically small, and in total account for approximately 0.5 percent of the total employee count.

Updates to business demography data

Data on the BF is updated continually to maintain the latest information on businesses. Updates can affect the history of businesses as well. The LBF is constructed monthly from all current and historic data, taking into account all updates that have occurred since the last construction. This means that statistics based on the LBF can change if they are recreated from an updated version of the LBF.

From the 2007 releases onwards, business demography statistics will be released provisionally to allow updates to the series to be incorporated. It is expected the largest revisions will occur in the most recent reference periods, with smaller changes earlier in the timeseries. This is mainly due to the lags associated with the processing of administrative data, which are a key component of the BF maintenance strategy.

This policy differs from previous releases of business demography statistics, where data was treated as final and only updated upon identification of significant changes or errors.

Businesses covered

In order to understand what business demography statistics measure, it is important to take into account the coverage of businesses in the published series. The coverage of business demography statistics is limited to economically significant individual, private-sector and public-sector enterprises that are engaged in the production of goods and services in New Zealand. They must meet at least one of the following criteria:

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

At February 2007, there were 463,380 economically significant enterprises on the LBF. They were estimated to represent 99 percent of all GST sales. All non-trading and dormant companies, as well as companies outside of New Zealand, are excluded from business demography statistics.

All GST registered enterprises recorded on Inland Revenue's client registration file are continually monitored to determine whether they meet the 'economic significance' requirements for inclusion. A buffer zone of $25,000 to $35,000 has been established to prevent enterprises switching repeatedly in and out of the economic significance group. The enterprises maintained on the BF represent the target population from which Statistics NZ's economic surveys are selected.

Business dynamics

To observe enterprise dynamics over time from administrative data sources, it is crucial to be able to link continuing businesses if their identifiers change in the source. A business may undergo several changes in its lifetime, in addition to birth and death. For example, legal or administrative entities may close down or emerge due to breakups, mergers, split-offs, takeovers, or restructuring. Any of these events can result in the business obtaining a new unique identifier (for example, an IRD number) in the tax reporting system and subsequently in the BF. A business would then appear as a death and subsequent birth in these systems. However, neither administrative changes nor the events mentioned above necessarily indicate the occurrence of a birth or death in the real world.

The LBF system is designed to set up longitudinal links between businesses, and thereby allows real economic births and deaths to be separated from administrative reshuffles. The method used to identify births and deaths in the business demography dataset is in line with recommendations from the Organisation for Economic Co-operation and Development (OECD) and Eurostat, and is further explained in the Business Demographic Statistics Review Report.

Statistics on enterprise births and deaths and related employment will be produced by industry and size and released separately in March 2008. Business dynamics statistics also include an analysis of the survival of new births over time.

Guide to interpreting time series data

The time series of business demography data published with this release has several significant changes caused by improved Statistics NZ processes. Due to data constraints, no attempt has been made in the series to remove the influence of these changes, rather they are described here so that users can understand the time series.

- Agriculture units (ANZSIC 96 subdivision A01) – For a period of time prior to 2002 the agricultural units on the BF were maintained to a lower quality level than other units on the BF. From 2002 a programme of annual agricultural production statistics was reintroduced with consequential improvements in the BF quality. From 2004 the quality of the agricultural units on the BF is considered robust. Prior to this, some of the changes in business demography statistics for agriculture reflect quality improvements in the BF, rather than actual changes.
- The residential property operators industry (ANZSIC 96 class L7711) contains only partial coverage, so must be analysed with caution.
- The business demography series shows a small drop in the total number of enterprises from 2000 to 2001. This was influenced by a change in June 2000 to the methodology used to add new units to the BF. New non-employing units were only added to the BF after administrative data sources reported that they displayed sufficient activity to met the BF economic significance conditions previously, and that had been added to the frame at an earlier date. The change only affected non-employing businesses.
- The business demography series shows a significant increase in the number of enterprises in 2004, particularly in ANZSIC divisions K (finance and insurance) and L (property and business services). This was largely a consequence of improved use of administrative data to maintain the BF (further described in ‘Change in Business Frame maintenance strategy' section). Most of the enterprises added were non-employing businesses.

Other factors related to the representation of businesses on the BF can also influence time series data.

- Business demography time series statistics can be influenced by structural changes in businesses, such as business mergers, one business taking over another business, or a business selling part of its activities. This can cause a significant movement in an industry (ANZSIC) time series of employee count data. For example, in a business takeover where one enterprise is absorbed into another enterprise, the employees of the smaller enterprise will typically become classified to the ANZSIC of the larger enterprise.
- Many enterprises undertake a range of business activities simultaneously. For example, they manufacture and wholesale goods and their activities can be over a range of commodities that cross ANZSIC boundaries. Enterprises are classified to ANZSIC on the BF on the basis of predominant activity. Movements in time series of ANZSIC data can be caused by the predominant activity of enterprises changing. This can cause what appears to be a significant change in an industry time series. These changes need to be interpreted with caution, because the business activity may be largely continuing under a different predominant industry classification.

Limitations of business demography data

There are a number of limitations associated with business demography data. These limitations include:

- Non-coverage of 'small' enterprises that fall below the economic significance criteria.
- Lags in recording business births and deaths.
- Difficulties in maintaining industrial and business classifications for smaller firms (that are primarily maintained using administrative data).
- The business demographic statistics on the number of business births, deaths and continuing business rely on a variety of data sources to identify a continuing business that for example undergoes a change of legal ownership and restructuring in administrative data sources as well as genuine business start-ups and closures. These data sources are not comprehensive and are of lower quality for small non employing businesses. When businesses register for GST and are added (or 'birthed') onto the BF, they are given a new reference number. Company restructuring and changes of ownership can result in a new GST registration being filed, even though it relates to an existing business. Both the BF and the LBF have procedures in place to identify links between new and existing businesses, but there is no guarantee that a link will be identified. So caution is required in the interpretation and use of these statistics.
- Non availability of overseas ownership information for all the units on BF.
- Fine-level regional and industry business demography data needs to be used with caution. The BF, which is the main source of data for the business demography series, is designed to support quality national level statistics. It is not designed to provide quality fine level regional or industry statistics. Particularly for small and medium-sized businesses, the BF update sources can have timing lags and less robust information. These quality weaknesses can be highlighted in fine-level business demography statistics.

Rounding

Enterprise and geographic unit counts in the tables attached to this release are unrounded. Employee count data has been rounded. This may result in a total differing slightly from the sum of its components. Derived figures (for example percentage changes) have been calculated using unrounded data.

Terms and definitions

ANZSIC

Australian and New Zealand Standard Industrial Classification. A geographic unit is assigned to an ANZSIC category according to the predominant activity in which it is engaged. The enterprise ANZSIC is derived from the ANZSIC and employment levels of the geographic unit(s) belonging to that enterprise.

Ancillary industry

When a geographic unit predominantly provides services to other geographic units in the same enterprise or group of enterprises, it is assigned an ancillary ANZSIC. This indicates the predominant industrial activity of the units to which the services are provided. For example, an office serving several factory units would have a primary industry reflecting the administration activity, while the ancillary industry would reflect the factory activity. The business demography statistics in this release use the ancillary industry when one exists, and the primary industry otherwise.

Employee count (EC)

Head count of salary and wage earners sourced from taxation data. EC data is available on a monthly basis. The EC count used for the derivation of business demography statistics is for the February month.

Employment size groups

EC data in this release has been summarised into six employment size groups:

- 0 EC
- 1–5 EC
- 6–9 EC
- 10–19 EC
- 20–49 EC
- 50–99 EC
- 100+ EC

Enterprise

A business operating in New Zealand. It can be a company, partnership, trust, estate, incorporated society, producer board, local or central government organisation, voluntary organisation or self-employed individual.

Geographic unit / Business location

A separate operating unit engaged in New Zealand in one, or predominantly one, kind of economic activity from a single physical location or base.

More information

For more information, follow the link from the Technical notes of this release on the Statistics NZ website.

Copyright

Liability

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 NZ. Statistics NZ accepts no responsibility for any such delays.

Next release...

New Zealand Business Demography Statistics (Structural): At February 2008 will be released in October 2008.

Statistics New Zealand: The first source of independent information for your key decisions.

Tables

The following table can be downloaded from the Statistics New Zealand website in Excel format. If you do not have access to Excel, you may use the Excel file viewer to view, print and export the contents of the file.

1 Enterprises, geographic units and employee count, by ANZSIC division

Supplementary tables

More business demography tables can be found in the Table Builder facility on Statistics New Zealand's website.