

## Business demography, 2007

(Correction notification)

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### Introduction

As a harmonized data collection of Eurostat, the survey on business demography provides comparable data on businesses in the member states of the European Union and the European Free Trade Association (EFTA).

To carry out a harmonized data collection, Eurostat worked out a uniform methodology that is applied by all participating countries. Data collection on business demography, based on a uniform methodology, provides comparable data on business births and deaths as well as on the survival of business start-ups.

Data collection on business demography deals with data on market oriented enterprises. HCSO involved companies/partnerships as well as sole proprietors with a business licence in the scope of observation. Neither private individuals with a tax number nor budgetary and nonprofit organizations are covered by this survey.

A primary data source for business demography is the business register set up and operated by HCSO, whose data are supplemented with data originating from statistical data collections and administrative sources. As in many member states, individual data on all enterprises may be obtained from taxation data in Hungary too, while information is available on larger enterprises from the business surveys of HCSO.

When determining real births and deaths, HCSO took data from the official company register on legal predecessors and successors. In several cases we carried out an item-by-item revision to reveal unreported predecessor-successor relationships as well as to control outstanding changes in staff and turnover.

Data of business demography are actual reference year data taken subsequently from statistical and taxation sources, therefore it is highly time-consuming to produce and process them.

### Number of active enterprises

In 2007, the number of active enterprises was 688 thousand – 352 thousand partnerships/companies and 336 thousand sole proprietors with a business licence. From 2006 to 2007, their number decreased by 10 thousand, 1.4%, exceeding the level of 2000 by 63 thousand, 10.1%. Between 2000 and 2004, the number of businesses increased, since 2005 it has decreased at a low year-on-year rate.

### Changes in the number of active enterprises

Table 1

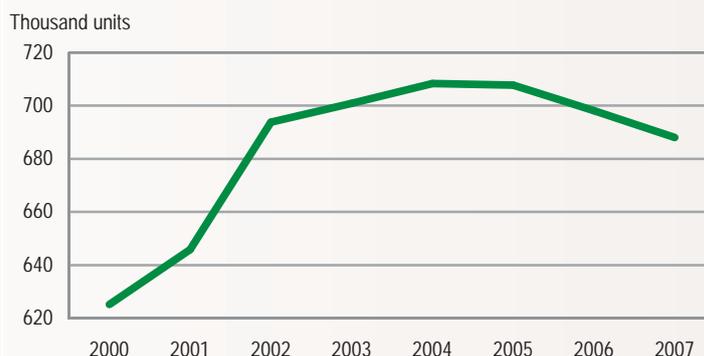
(Previous year = 100.0%)

Legal form	2000	2001	2002	2003	2004	2005	2006
Companies and partnerships	6,6	7,7	6,6	6,3	6,7	6,9	8,8
Of this:							
Limited liability company	11,3	11,9	11,7	11,9	13,0	10,5	10,2
Joint stock company	5,2	4,8	3,9	3,1	3,6	3,3	4,0
Unlimited partnership	16,4	14,7	12,0	10,5	9,0	7,0	6,5
Sole proprietors	13,8	13,0	17,6	9,7	9,5	9,3	8,8
<b>Total enterprises</b>	<b>13,8</b>	<b>13,0</b>	<b>15,0</b>	<b>10,2</b>	<b>10,1</b>	<b>9,0</b>	<b>8,6</b>

In spite of the fact that there has been a slump in the number of active enterprises in the last three years, the **number of partnerships**, in 2007, increased by 1.6%, 5 and half thousand on the year earlier, exceeding by 87 thousand, 32.7% the level of 2000. While the number of partnerships has increased year by year since 2000, the number of sole proprietorships increased between 2000 and 2002 and then decreased.

### Changes in the number of active enterprises, 2000–2007

Figure 1



In 2007, the number of **sole proprietors** fell by 15 and half thousand, 4.4%: being 24 thousand, 6.6% below the level of 2000 as a result of a decrease since 2003. A primary cause for an outstanding increase of 30 thousand in 2002 was a compulsory re-registration for sole proprietors: probably many previously incorporated, but not active sole proprietors registered themselves to be taxed.

As a result of the mentioned processes, partnerships/companies steadily increased in proportion against sole proprietorships – in 2007, these had a proportion of 51.1% against 42.4% in 2000.

Figure 2

Changes in the number of active enterprises, 2000–2007

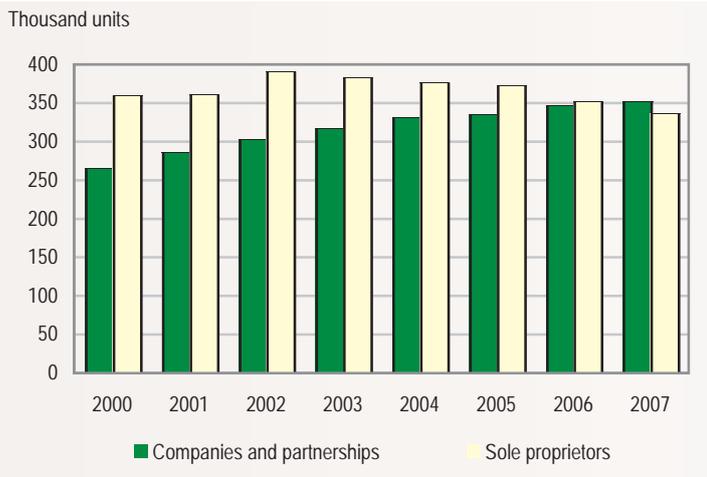
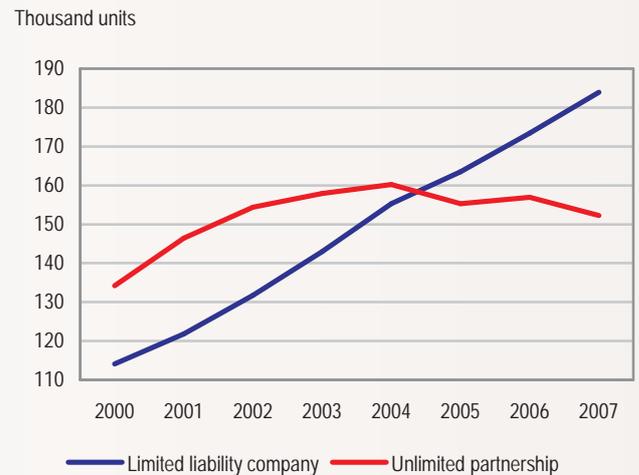


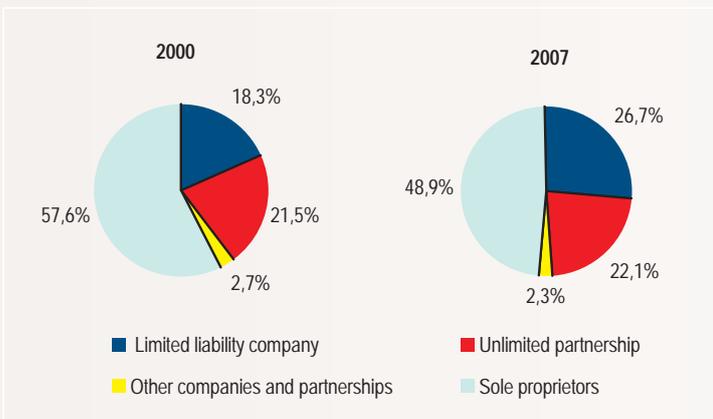
Figure 4

Changes in the number of active limited liability companies and unlimited partnerships, 2000–2007



Distribution of active enterprises in 2000 and 2007

Figure 3



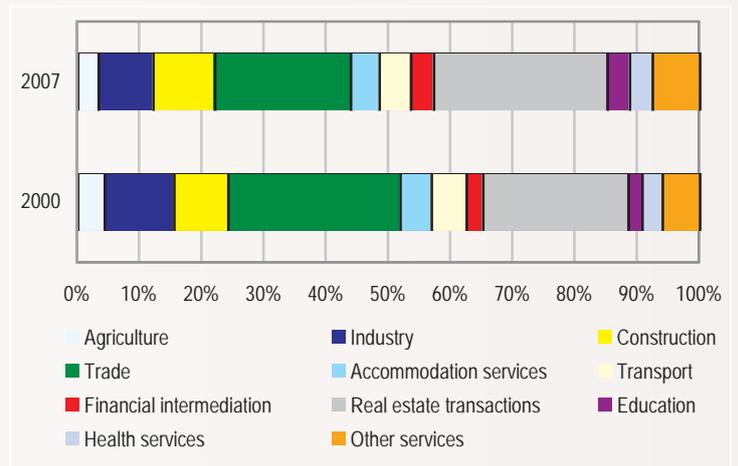
**Analysing by principal activity**, 27.9% of enterprises were in the industry of real estate, renting and business activities, 21.8% of them in the industry of 'wholesale and retail trade: repair of motor vehicles and household goods'. Half of enterprises operated in these two industries. Proportions of further sections: construction 10%, industry 8.8%, other community, social and personal service activities 7.6%. In the two industries with the largest proportions the number of enterprises has been changing in opposite directions since 2000: there was an increase in the number of enterprises of real estate, renting and business activities up to 2006 along with year-on-year decreases in that of the industry of 'wholesale and retail trade: repair of motor vehicles and household goods'. In 2007, however, there was a slight fall (1.1%) in real estate, renting and-business activities.

In 2007, concerning legal form, partnerships/companies preferred to be limited liability companies; their number approximated 184 thousand, which was followed by unlimited partnerships at 152 thousand. These two legal forms amounted to 95.5% of all partnerships/companies. In 2007, the number of limited liability companies increased by 10 and half thousand, 6.1%, along with a decrease of 4 and half thousand, 3% in the number of partnerships. A significant factor in the popularity of limited liability companies is the fact that there was a sharp reduction in value at the minimum share capital. Along with limited liability companies, in 2007, joint stock companies increased in number by 2.3%, at the same time there was a further decrease in the number of cooperatives and limited partnerships (by 11.4 and 6.8%, respectively).

**Analysing by employment size band**, in 2007, small enterprises with fewer than 50 employees accounted for 99.2% of active enterprises (within this 95% were for micro enterprises with fewer than 10 employees). 0.7% was for medium enterprises with 50–249 people and only 0.1% was for large enterprises with more than 250 employees. In 2007, there was an increase in the number of medium-sized enterprises with 50–249 people as well as of large enterprises, while there was a decrease in the number of small enterprises. In the category of small enterprises, both micro enterprises with 1–9 people and enterprises employing 10–19 people as well as 20–49 people fell in number – in a series, by 1.4, 3.0 and 3.6%, respectively.

Figure 5

Distribution of active enterprises by principal activity



In 2007, enterprises grew in number in only two industries with a lesser proportion: in health and social work (by 1.3%) as well as in financial intermediation (by 0.9%). These industries have shares of 3.7 and 3.6%, respectively. The steepest falls were observed in industry (3.8%) as well as in agriculture and construction (2.5%). In other industries, rates of decreases in the number of enterprises varied between 0.4% and 2.3%. **Analysing the territorial distribution** of active enterprises by head office,

Central Hungary accounts for an outstanding proportion of 39.4%. Other regions accounted for 8.6-11.5% of active enterprises. The territorial distribution has been nearly unchanged since 2000.

In 2007, the number of active enterprises decreased in all regions. The lowest fall was observed in Central Hungary (0.4%) while the highest one in Northern Great Plain (3.2%). In other regions, enterprises decreased in number by 1.1-2.6%. Analysing at county level, enterprises increased in number (by 1%) only in Pest County, in other counties decreases of 0.4-4.6% were observed. Both the lowest and the highest fall were observed in the region of Southern Great Plain (Bács-Kiskun 0.4%, Békés 4.6%). Among micro-regions Veresegyház plays an outstanding role, here enterprises increased in number by 5.8%. Rates of decrease were highest in micro-regions of Polgár and Sellye: 9.3 and 7.9%, respectively.

Analysing the **number of active enterprises per 1000 residents**, in 2007, there were 94 enterprises per 1000 residents in Central Hungary. This number was 69 in Western Transdanubia, 64 in Central Transdanubia, 61 in Southern Transdanubia, 59 in Southern Great Plain, 52 in Northern Great Plain, while 49 in Northern Hungary. At county level, Győr-Moson-Sopron (73) and Pest (71) County play an outstanding role, while Nógrád (47) and Borsod-Abaúj-Zemplén counties have the fewest enterprises per 1000 residents. Of micro-regions, Budapest (110) and Budaörs (110) plays a leading role, further significant micro-regions: Balatonfüred (100) and Szentendre (97). Concerning the number of enterprises per 1000 residents the Bodrogköz micro-region is the most backward, with 17 enterprises.

### New enterprises

In 2007, 60 968 real new enterprises – which were not regarded as active enterprises in the previous two years – came into being. New enterprises accounted for a proportion of 8.9% of all active enterprises. This proportion, compared with the first available proportion of 13.8% in 2000, decreased year by year, but in 2007 a slight rate of increase was observed. In 2002 an outstanding figure was recorded at new enterprises, the primary cause of which was a compulsory re-registration for sole proprietors.

Analysing new enterprises **by legal form**, in case of partnerships and companies, the proportion of new ones in active enterprises fell from 13.7% in 2000 to 8.4% in 2007: there was a continuous decrease up to 2006, but in 2007 an increase occurred.

Between 2000 and 2006, the proportion of new sole proprietorships decreased from 13.8% to 8.8%, however, it increased again in 2007 (9.3%). In 2002 – primarily as a result of the previously mentioned administrative causes – this proportion was 17.6%. Among enterprises, in 2007, the proportion of new enterprises was the highest at limited liability companies (11%), while the lowest in case of general partnerships (2.4%).

Table 2

### Proportion of new enterprises as a percentage of active enterprises

Legal form	2000	2001	2002	2003	2004	2005	2006	2007
Companies and partnerships	13,7	13,1	11,6	10,9	10,7	8,7	8,3	8,4
Of this:								
Limited liability company	11,3	11,9	11,7	11,9	13,0	10,5	10,2	11,0
Joint stock company	5,2	4,8	3,9	3,1	3,6	3,3	4,0	4,8
Unlimited partnership	16,4	14,7	12,0	10,5	9,0	7,0	6,5	5,6
Sole proprietors	13,8	13,0	17,6	9,7	9,5	9,3	8,8	9,3
<b>Total enterprises</b>	<b>13,8</b>	<b>13,0</b>	<b>15,0</b>	<b>10,2</b>	<b>10,1</b>	<b>9,0</b>	<b>8,6</b>	<b>8,9</b>

**Analysing by employment size band**, new enterprises are nearly exclusively small enterprises (99.9%). Within this, micro enterprises with fewer than 10 employees in year 1 of the operation account for a proportion of 98.9% compared with the total of new enterprises.

Among small enterprises employing no more than 49 people, in 2007, actual new enterprises accounted for a proportion of 8.9%, in the category of medium sized enterprises with 50-249 people this was 1.1%, in case of large enterprises with more than 250 employees 0.5%.

Analysing new enterprises **by principal activity**, the industries of financial intermediation (25.9), hotels and restaurants (9.4%) as well as other community, social and personal service activities (9.4%) account for the highest proportions. This proportion was the lowest at the sections of industry (4.7%) as well as of health and social work (6.2%).

28.6% of the nearly 31 thousand new enterprises came into existence in the industry of real estate, renting and business activities and 20.6% in 'wholesale and retail trade: repair of motor vehicles and household goods': while the fewest in the area of agriculture as well as of health and social work (2.6-2.6%).

**Analysing by territorial distribution**, in 2007, in terms of proportion, most of the new enterprises were in Northern Great Plain (9.5%) and in Northern Hungary (9.3%), the fewest in Southern Transdanubia (8.4%) as well as in Western Transdanubia (8.6%). Of the counties, Szabolcs-Szatmár-Bereg County plays an outstanding role, where new enterprises account for 10.2% of active enterprises.

The region of Central Hungary accounted for 38.6% of real new enterprises in 2007, it was followed by the regions of Northern Great Plain (by 12.3%) and Southern Great Plain (by 11.4%), while Southern Transdanubia accounted for only 8.2%.

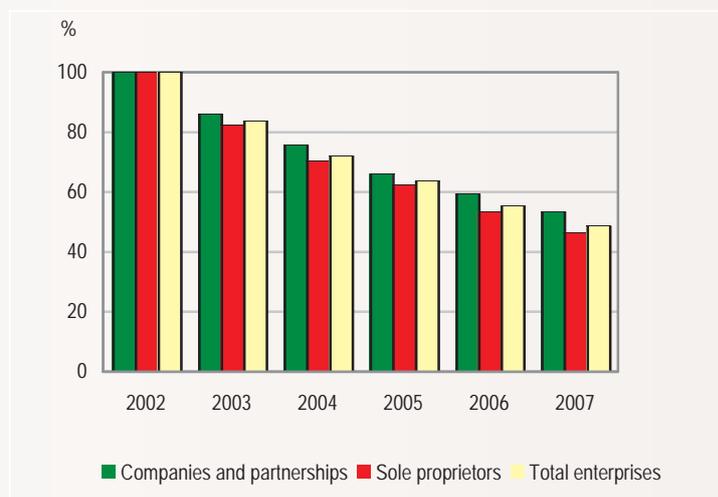
### Survival of new enterprises

When we analysed the survival of enterprises, operation was tracked up to 2007 at enterprises regarded as "new" in 2002. At the 103 994 enterprises that came into existence in 2002 83.6% worked in 2003, 72.2% in 2004, 63.7% in 2005, 55.5% in 2006 and 48.7% in 2007.

Analysing **by legal form**, companies and partnerships has a stronger ability to survive: at companies and partnerships established in 2002 53.5% operated in 2007, at sole proprietors this proportion was 46.3%. Among enterprises the proportion of entities with a 5-year survival was the highest at limited liability companies (56.5%), while the lowest at cooperatives (38.6%).

Figure 6

### Survival of those enterprises, which were regarded as "new" in 2002



Analysing the survival of new enterprises **by principal activity**, the industries of health and social work (71.3%), other community, social and personal service activities (60.4%) accounted for the highest survival rate: in contrast with this five-year survival rates were the lowest in the industries of hotels and restaurants (42.6%) as well as of financial intermediation (22.1%). In financial intermediation, sole proprietors dealing with ancillary activities, e.g. activities of an insurance agent were the least stable: between 2000 and 2007, 35-45% of those sole proprietors who worked in the given year terminated their activity already in the next year.

**By territorial distribution** the survival rate shows a small difference, in the majority of regions 45-51% of new enterprises of 2002 operated in 2007: this proportion was the highest in Western Transdanubia and Central Hungary (51.4% as well as 10.6%) and the lowest in Northern Great Plain (44.6%).

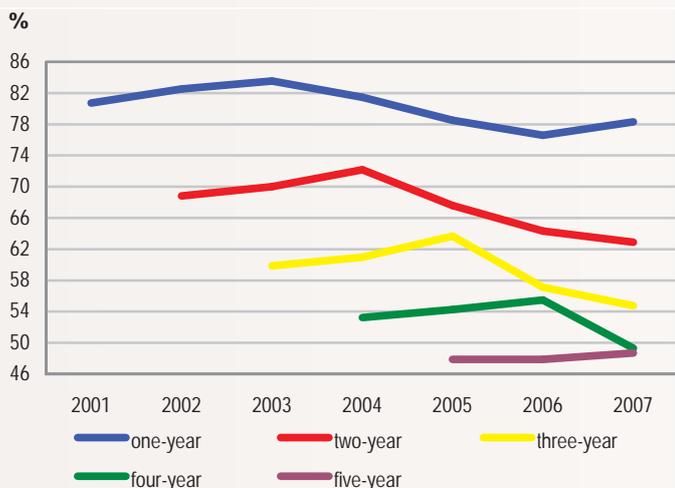
The **one-year survival rate** of new enterprises increased by 2.9 percentage points between 2001 and 2003, since then it has decreased by 2-3 percentage points year by year, but it increased again in 2007, the survival rate was 78.3% at that time. The **two-year survival rate** showed a decrease between 2002 and 2004, since then there has been a fall, the two-year survival rate was only 62.9% in 2007 against 72.2% in 2004.

An analysis on the **three-year survival rate** at new enterprises also indicates a declining tendency; in 2007 this indicator was at 54.7%.

To analyse the **five-year survival rate** at real new enterprises three data series are available. This indicator did not change in 2005 and 2006 (47.9%), in 2007 a small increase of 0.8% was recorded.

Survival rate of enterprises, 2001-2007

Figure 6



### Dead enterprises

At real deaths – at those enterprises, which do not appear among active enterprises in two consecutive years – 2006 is the latest year for which data is available. (Data from 2006 will be finalized after the closing and processing of those from 2008). In 2006, based on preliminary data, 80 829 enterprises ceased to exist. These accounted for a proportion of 11.6% of all active enterprises: their share, since the first available data in 1999, has been fluctuating around 9–10% year by year. In 2005, a forecast of 11.7% based on preliminary data became 10.4% according to

the final data. As expected, final data from 2006 will also be lower than the published preliminary data.

Analysing by legal forms, in 2006, in case of companies and partnerships dead enterprises accounted for a proportion of 8.8%. This proportion in the period of 2001-2003 decreased from 7.7% to 6.3%; in 2005 it was 6.9% according to final data. Sole proprietorships proved to be much less stable: terminations accounted for a significantly higher proportion of 14.3% according to preliminary data from 2006. Concerning sole proprietors, terminations accounted for a steadily decreasing proportion of active enterprises up to 2004; a proportion of 13.5%, according to final data from 2005, shows a significant increase. Among enterprises, the proportion of dead enterprises, based on preliminary data, was the highest among unlimited partnerships (9.7%), while the lowest in case of joint stock companies (4.2%).

Table 3

Proportion of dead enterprises as a percentage of active ones

Legal form	2000	2001	2002	2003	2004	2005	2006 <sup>+</sup>
Companies and partnerships	6,6	7,7	6,6	6,3	6,7	6,9	8,8
Of this:							
Limited liability company	6,5	6,9	5,7	5,6	6,1	6,7	8,1
Joint stock company	4,3	4,5	3,7	4,2	3,5	3,9	4,2
Unlimited partnership	6,5	8,3	7,2	6,9	7,4	7,3	9,7
Sole proprietors	11,9	12,4	10,9	10,5	10,1	13,5	14,3
<b>Total enterprises</b>	<b>9,6</b>	<b>10,3</b>	<b>9,0</b>	<b>8,6</b>	<b>8,5</b>	<b>10,4</b>	<b>11,6</b>
+ Preliminary data							

Analysing dead enterprises by employment size band, among small enterprises with fewer than 50 employees dead enterprises accounted for a proportion of 11.8% of active enterprises, within this in case of micro enterprises for 12%.

In the category of medium sized enterprises with 50-249 people this proportion was 1.8%, among large enterprises employing more than 250 people 0.3%.

**By principal activity**, terminations in the highest proportion were concentrated to the service industries. In 2006, dead enterprises accounted for the highest proportion of the industry of financial intermediation (27%) and for the lowest proportion of health and social work (6%). Since 2000, the ratio of dead enterprises to active ones has not changed significantly in case of single industries. Distribution of the number of previously estimated wind-ups changed similarly to start-ups: most enterprises ceased to exist in the industries of real estate, renting and business activities (28.4%) as well as of 'wholesale and retail trade: repair of motor vehicles and household goods' (20.2%), while the fewest in the sections of health and social work (1.9%) as well as of agriculture (3.1%).

By territorial distribution, based on preliminary data from 2006, dead enterprises accounted for the highest proportion in Northern Great Plain (13.3%) and the lowest proportion in Western Transdanubia (10.6%). Concerning counties, the highest termination rate was observed in Szabolcs-Szatmár-Bereg County (15.3%), while the lowest in Bács-Kiskun (9.8%).

Further information, data (links):

[Tables](#)

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Dear User!

The data of table 3 were corrected, corrections are marked with **green**.