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LATEST STATISTICS FROM STATISTICS NEW ZEALAND



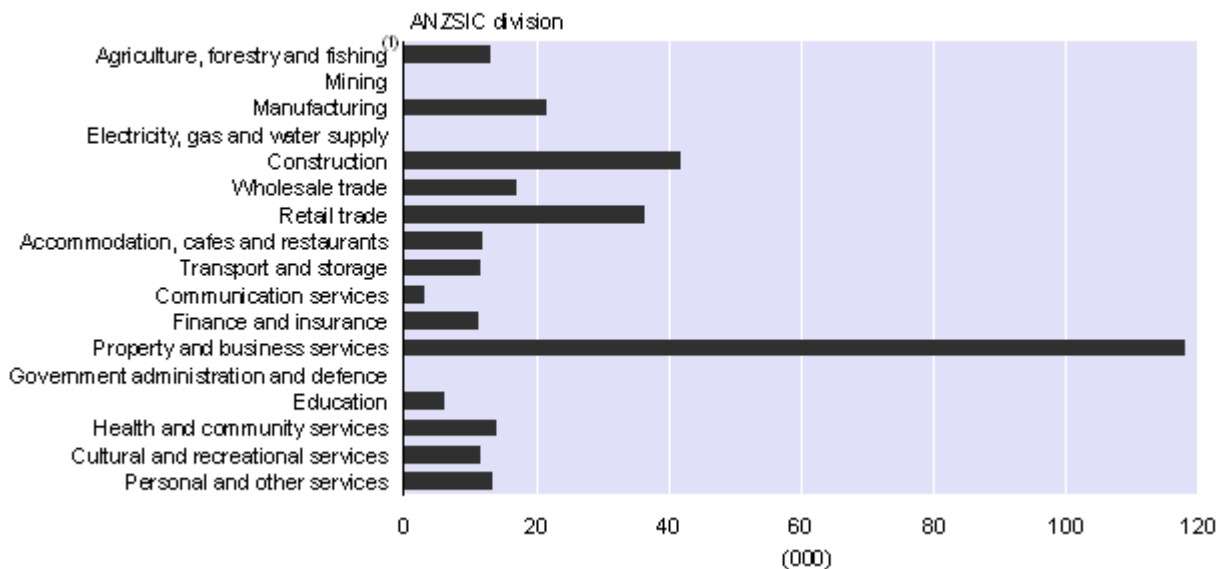
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New Zealand Business Demography Statistics At February 2005

Highlights

- **At February 2005, the total number of non-farming businesses was 334,340**, up 3.1 percent compared with February 2004.
- **The manufacturing sector was the largest employer**, with approximately 268,200 employees in February 2005.
- **More than a third of all enterprises were engaged in property and business services**, with 118,210 enterprises and approximately 212,300 employees.
- **Over a third of New Zealand's business locations were in the Auckland region.**

Number of Enterprises by Industry
As at February 2005



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Government Statistician

21 November 2005
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There is a companion Media Release published – [New Zealand Business Demographic Statistics: At February 2005](#).

Commentary

Introduction

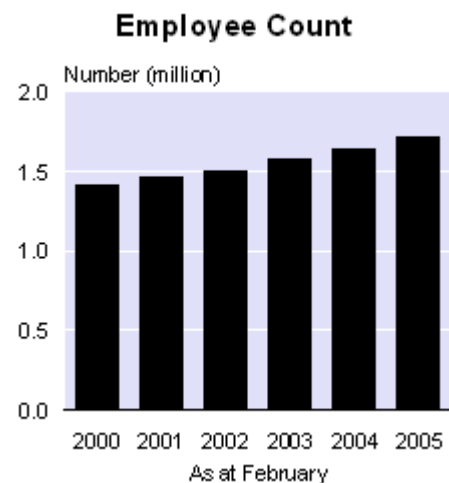
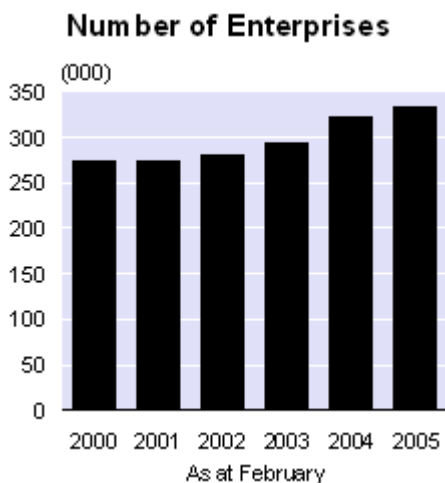
Business demographic statistics provide an annual snapshot (as at February) of the structure and characteristics of New Zealand businesses. Statistics are available on a range of variables, including industry, region, institutional sector, business type and size (employment levels), and degree of overseas ownership. Data can also be produced on the dynamics of businesses, by examining the entry and exit of firms (commonly referred to as births and deaths) between reference points. There is a guide for interpreting business demography statistics in the technical notes of this release.

Total number of enterprises and geographic units

At February 2005, the number of non-farming enterprises on Statistics New Zealand's Business Frame was 334,340. The number of geographic units (business locations) corresponding to these enterprises was 366,130. These businesses engaged a total of 1.73 million employees.

When comparing February 2005 with February 2004, the number of enterprises in New Zealand increased by 3.1 percent (up 10,050 enterprises). Industries showing significant growth were property and business services (up 3,970), followed by construction (up 2,680). The number of business locations in all regional council areas increased between February 2004 and February 2005.

The number of employees engaged grew 5.2 percent (up 85,700) in February 2005 compared with February 2004.



Industry statistics

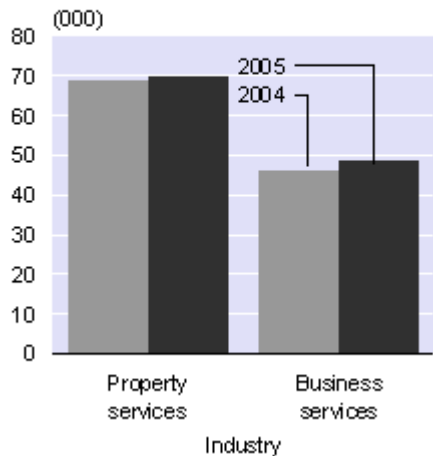
Property and business services

The property and business services industry has the largest number of enterprises (118,210), representing over a third of all enterprises in New Zealand, as at February 2005. This industry also had the largest increase in the number of enterprises, up 3,970 or 3.5 percent, between February 2004 and 2005. Non-employed enterprises contributed over half (2,160 or 55 percent) this growth.

Of the overall increase in the property and business services industry, business services contributed 61 percent. Enterprises in this industry are mainly involved in scientific research, technical services (architecture, surveying and consultant engineering), computer services, legal and accounting services, and marketing and business management services.

There were approximately 212,300 employees engaged in the property and business services industry in February 2005, compared with 197,100 in February 2004 (up 15,200 or 7.7 percent). About 46 percent of this increase was in enterprises with 100 or more employees.

Number of Enterprises in Property and Business Services



Construction

There were 42,060 enterprises predominantly engaged in the construction industry in February 2005, an increase of 2,680 (6.8 percent) compared with February 2004. More than half this increase was from enterprises with one to five employees.

The construction industry engaged approximately 108,100 employees in February 2005, up 14,800 (16 percent) from the previous year. This rise in employment numbers was shared evenly between firms involved in general construction, and construction trade services.

Retail trade

The number of enterprises predominantly involved in the retail trade industry was 36,620 (up 860 or 2.4 percent) in February 2005. Firms mainly engaged in personal and household goods retailing (up 400 or 2.4 percent) contributed 46 percent of the overall increase in the number of enterprises engaged in retail trade.

The retail trade industry engaged approximately 226,100 employees in February 2005, up 10,400 (4.8 percent) when compared with February 2004. Personal and household goods retailing contributed 61 percent of this increase. Over 40 percent of all employees in the retail trade industry were employed in personal and household goods retailing.

Manufacturing

There were 21,830 enterprises predominantly engaged in manufacturing in February 2005, about the same number as in February 2004. Of these enterprises, 25 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 2005, with approximately 268,200 employees. Between February 2004 and 2005, the number of employees in manufacturing increased by 9,600 (3.7 percent). Despite contributing only 7.6 percent of the total number of enterprises in the manufacturing industry, the food, beverage and tobacco industry had 30 percent of all manufacturing employees.

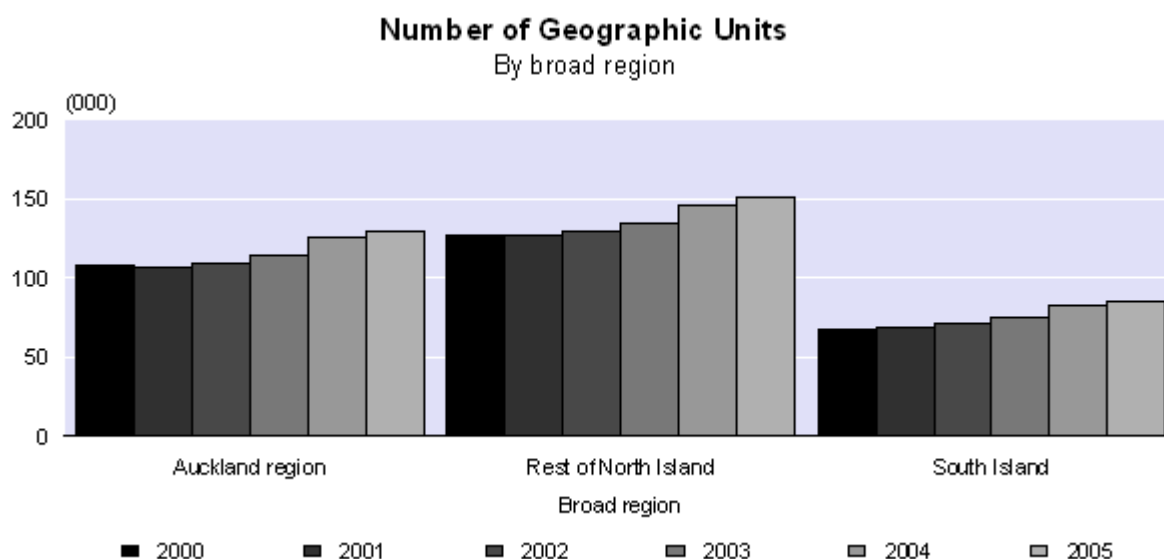
Regional statistics

Auckland region

Excluding farming, more than a third of all geographic units (business locations) in New Zealand are in the Auckland region. Over a third all of employees were engaged by these geographic units.

There were 129,590 geographic units in the Auckland region in February 2005, up 3.4 percent from February 2004. Industries recording significant increases were property and business services (up 1,740 or 3.8 percent), followed by construction (up 770 or 5.3 percent) and retail trade (up 670 or 4.7 percent).

In February 2005, there were approximately 587,300 employees associated with businesses located in the Auckland region, up 5.7 percent from February 2004. The industries with large increases were property and business services (up 6,600 or 7.5 percent), followed by construction (up 4,200 or 15 percent) and retail trade (up 3,800 or 5.5 percent).



Remainder of North Island

Excluding the Auckland region, there were 150,540 non-farming geographic units located in the remaining regions of the North Island in February 2005. This was an increase of 2.9 percent when compared with February 2004. These geographic units engaged approximately 710,400 employees in February 2005, a 5.2 percent increase from February 2004.

Regions showing significant increases in the number of business locations established were Wellington (up 1,040 geographic units), Waikato (up 1,010 geographic units) and Bay of Plenty (up 770 geographic units). In both the Wellington and Waikato regions, the property and business services industry contributed over a third of the increase.

South Island

Excluding farming, there were 85,850 geographic units in the South Island in February 2005. This was an increase of 3,230 (3.9 percent) from February 2004. These business locations engaged approximately 428,200 employees, an increase of 18,300 (4.5 percent) when comparing February 2005 with February 2004.

In February 2005, over half of all geographic units (44,670) and employees (approximately 233,350) in the South Island were located in the Canterbury region. Compared with February 2004, Canterbury recorded increases of 1,890 geographic units and approximately 11,500 employees in February 2005. The region contributed significantly towards the overall South Island growth in geographic units (58 percent) and number of employees (63 percent).

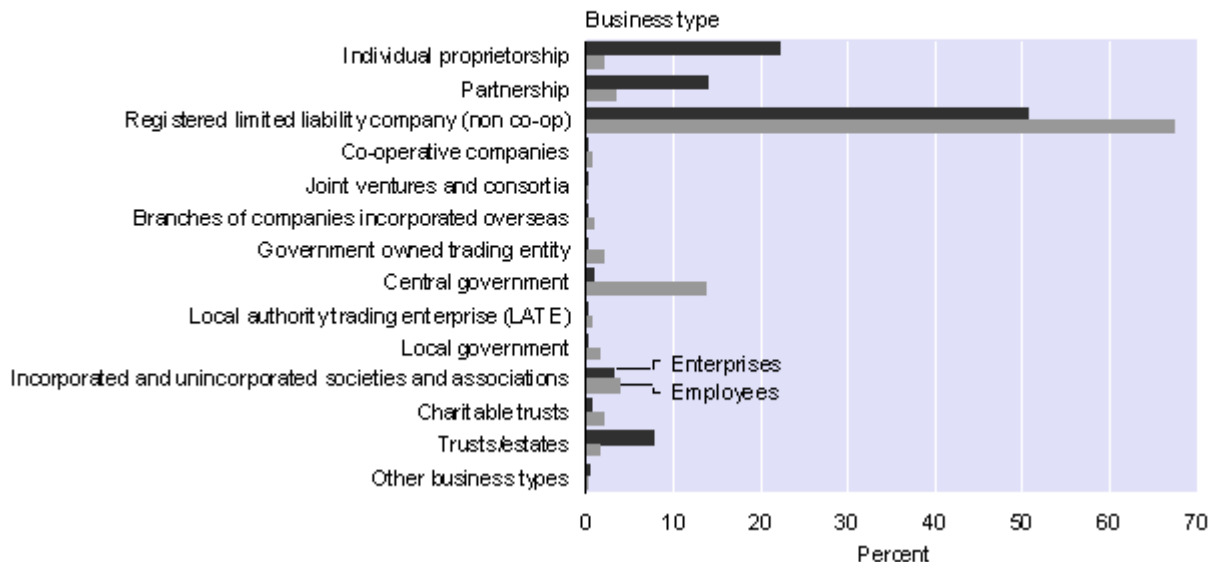
The increases in Canterbury were mainly in property and business services, construction, and retail trade. Together these industries contributed 69 percent of the overall increase in geographic units and 56 percent of the increase in the number of employees.

Business type

Of the total number of enterprises in New Zealand in February 2005, 51 percent (169,290) were registered limited liability companies, 22 percent (74,660) were individual proprietorships, and 14 percent (46,240) were partnerships. Of the total number of employees engaged, registered limited liability companies contributed 67 percent (1,165,300), while the central government contributed 14 percent (237,500).

Total Enterprises and Total Employees

By business type
At February 2005



In February 2005, registered limited liability companies were mainly involved in the property and business services industry (32 percent), the retail trade industry and the construction industry (both 13 percent). However, employees of registered limited liability companies were mainly involved in the manufacturing industry (21 percent), followed by the retail trade industry (18 percent) and property and business services (15 percent).

Business size

Excluding farming, most enterprises in New Zealand (96 percent) had fewer than 20 employees in February 2005. However, these enterprises only accounted for 30 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 47 percent of the total number of employees.

In February 2005, 63 percent (211,171) of all enterprises were non-employing enterprises, down from 65 percent in February 2004. In terms of industrial activity, 46 percent of these enterprises were predominantly involved in property and business services, 12 percent in construction, and 7 percent in retail trade.

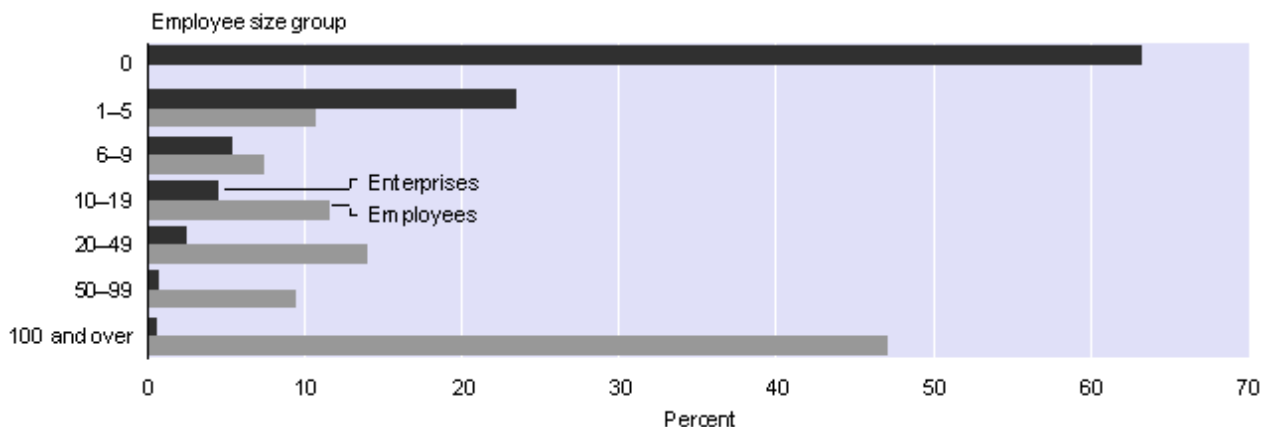
Of the total growth in enterprises to February 2005, 63 percent (6,330 enterprises) was in enterprises with one to five employees. This compares with 4 percent (1,160) to February 2004. Significant contributors to this increase were the construction industry (up 1,550 or 25 percent), property and business services (up 1,440 enterprises or 23 percent) and retail trade (up 1,120 or 18 percent).

In terms of employment size, businesses employing 100 or more employees contributed 45 percent of the overall growth, followed by firms with one to five employees, and 10 to 19 employees (both 16 percent), when comparing February 2005 with 2004. Together these groups accounted for 76 percent of the overall increase in the total number of employees.

Total Enterprises and Total Employees

By employee size group

At February 2005



Revision

As a result of new information received, revisions have been made to estimates in earlier years.

The series were revised for the following years and predominant industrial activity:

Year (at February)	Industry
2000	<ul style="list-style-type: none">• Business administrative services• Dairy product manufacturing
2001	<ul style="list-style-type: none">• Business administrative services• Dairy product manufacturing
2003	<ul style="list-style-type: none">• Financial asset investors• Newspaper printing and publishing• Book and magazine wholesaling

Future developments

Statistics New Zealand, in collaboration with Inland Revenue and the Department of Labour, has been engaged in the development of Linked Employer-Employee Data (LEED) since 2002. The LEED project is an innovative new development aimed at successfully integrating existing employer and employee information to provide new insights into the operation of the labour market and its relationship to business performance. LEED draws on existing administrative data sourced from the taxation system, together with business data from Statistics New Zealand's Business Frame. The LEED data is created by linking a longitudinal employer series from the Business Frame to a longitudinal series of Employer Monthly Schedule payroll data drawn from Inland Revenue. Official release of the LEED data is scheduled for the end of February 2006.

The longitudinal employer series (or longitudinal Business Frame) attempts to identify births and deaths of enterprises due to administrative churn (such as company restructuring and changes of ownership). This allows genuine business start-ups and closures to be identified. A project looking into the feasibility of producing a new range of business population statistics from the longitudinal Business Frame is currently being undertaken by Statistics New Zealand. An experimental series is now expected to be produced in May 2006.

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Technical notes

Business demography statistics

Business demography statistics provide an annual snapshot (as at February) of the structure and characteristics of New Zealand businesses. Statistics are available on a range of variables, including industry, region, institutional sector, business type, degree of overseas ownership and employment levels.

Business demography statistics are derived from the Statistics New Zealand Business Frame. The Business Frame is a list of individual, private and public-sector businesses and organisations that are engaged in the production of goods and services in New Zealand. It provides an accurate and timely population source for economic and financial surveys so that they produce robust economic and financial statistics. The Business Frame is maintained using information from Inland Revenue, such as Goods and Services Tax (GST) registrations and Employee Monthly Schedule (EMS) returns, as well as Statistics New Zealand survey information.

Businesses covered

In order to understand what business demography statistics measure, it is important to take into account the coverage of businesses and the characteristics of the Business Frame.

The initial source of information about enterprises is the Inland Revenue's client registration file. Currently there are more than 575,000 taxpayers registered for GST on the client registration file.

The analysis of business demography is limited to economically significant enterprises – those that 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.

(Note that all non-trading and dormant companies are excluded from business demography statistics.)

At February 2005, there were 334,340 non-farming enterprises on the Business Frame. Although they represent just over half of enterprises on Inland Revenue's client registration file, they are estimated to represent more than 99 percent of non-farming GST sales.

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 'birth' onto the Business Frame. A buffer zone of \$25,000 to \$35,000 has been established to prevent enterprises switching excessively from 'being maintained on the Business Frame' to 'not being maintained on the Business Frame'. The enterprises maintained on the Business Frame represent the target population from which Statistics New Zealand's economic surveys are selected.

Change in Business Frame maintenance strategy

In 2003, there was a significant change in the strategy used to maintain the Business Frame. This involves the greater use of administrative data. A summary of the changes that have resulted from the change in strategy includes:

- change in the employment measure on the Business Frame from the full-time equivalent employee (FTE) measure to the employee count (EC) (see below)
- increasing the coverage of the Business Frame to include all employing businesses, and reactivating previously ceased businesses that are showing GST activity
- reducing compliance costs by decreasing the reliance on survey-sourced information to maintain the Business Frame
- improving coverage of GST-exempt industries by making greater use of tax data (sourced from the Employer Monthly Schedule and IR10 tax returns)
- speeding up the processing of birthing and ceasing of enterprises to more accurately reflect real world changes
- including farming businesses in the maintenance strategy (previously excluded)
- defining boundaries for maintenance of enterprises on the Business Frame on the basis of business size. The larger enterprises continue to be primarily updated using annual maintenance survey data, while smaller enterprises are principally maintained using tax data.

The effect of these changes on business demography statistics has been examined. The outcomes of this work can be summarised as follows:

- Births and reactivations of enterprises identified solely as a result of changes in the maintenance strategy have been excluded to ensure comparability of statistics with previous years.
- The speeding up of births and deaths had a minimal impact on business demography statistics, so no adjustments were made.
- The farming industry has been excluded in the release of business demography statistics to ensure comparability of results with recent years. Statistics on the farming industry will be made available to users on request.

The outcome of changing the business size measure in business demography statistics from FTE to EC is discussed below.

Changes in employment data

An important change in the 2004 release was that the indicator of business size is 'employee count' (EC). This replaces the previously available FTE measures (including full-time and part-time employees and working proprietors). To enable trends to be studied, the EC measure has been backcast to the year 2000.

The EC is sourced primarily from the Inland Revenue's IR348 form – the EMS. This form is required to be completed on a monthly basis by employers, and allows for the number of salary and wage earners to be derived. The EC used for the business demography statistics is for the February month. There are a small number of enterprises whose employee count is collected by Statistics New Zealand survey.

The change to the EC measure has the following benefits:

- reduced compliance load for small- and medium-sized businesses
- improved coverage – information on businesses involved in farming is now maintained on the Business Frame after being excluded in recent years; business demography statistics on the farming industry have not been produced with this release, but are available to users on request
- improved accuracy – the attributes of businesses on the Business Frame will now be updated more regularly, improving accuracy as a result.

A summary of the main differences between EC and FTE:

	Employee Count (EC)	Full-time Equivalent (FTE)
Source	Mainly sourced from the IRD Employer Monthly Schedule (there are a small number of enterprises whose employee count is collected by Statistics New Zealand survey).	Updated on the Business Frame using survey feedback from respondents.
Business Frame maintenance	Updated monthly on the Business Frame.	Updated annually, as at February, on the Business Frame.
Measure	Head count of all salary and wage earners for the reference month. This is mostly employees, but can include working proprietors who pay themselves a salary or wage.	The total number of employees and working proprietors working full-time, plus half the number of employees and working proprietors working part-time.
Gender breakdown	Not available.	Available.
Availability	From 2000 to date.	Discontinued in 2003.

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
- exclusion of enterprises involved in farming (Australian and New Zealand Standard Industrial Classification (ANZSIC) subdivision A01 Agriculture). However, data for the farming industry is available from 2004 on request; it was excluded from this release to allow for comparison of data produced for recent business demography releases (which excluded farming)
- lags in recording businesses that have ceased trading or whose activity has dropped below the economic significance threshold
- difficulties in maintaining industrial and business classifications for smaller firms (this is primarily maintained using administrative data)

- data produced on the entry and exit of firms include administrative changes (such as company restructuring and changes of ownership) as well as genuine business start-ups and closures. When businesses register for GST and are added (or 'birthed') onto the Business Frame, 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. Births and deaths of businesses can be identified in business demography statistics by matching the GST registration reference numbers for one year with those of the previous year. These counts of births and deaths therefore include administrative as well as genuine business start-ups and closures.

Industry coverage

Below is a summary of the industry coverage available in business demography statistics, dating back to 1994.

The coverage of the business demography statistics has changed in recent years, as more industries have been included in the population. Historically, most of these industries were excluded because they contained a large proportion of enterprises that were not registered for GST, or a large proportion of enterprises that fell below the threshold of economic significance.

Since 1997, the selection criteria and standard published industry categories for the business demography statistics have been based on the Australian and New Zealand Standard Industrial Classification (ANZSIC). In 1996, the statistics were published using ANZSIC, but the selection criteria were based on the New Zealand Standard Industrial Classification (NZSIC).

The statistics in this release exclude agriculture production (ANZSIC subdivision A01) to ensure consistent industrial coverage with recent releases of business demography data. Business demography data for the agriculture production industry is available on request.

2004–2005

All industrial activity covered.

1999–2003

Excludes agriculture production (ANZSIC subdivision A01).

1998

All industrial activity covered.

1997

Excludes: agriculture production (ANZSIC subdivision A01).

1996

Excludes: agriculture production (NZSIC major group 111), residential property leasing and rental (NZSIC subgroup 83121), religious organisations (NZSIC subgroup 93910), social and related community services (NZSIC 93990) and sporting and recreational clubs (NZSIC subgroup 94402).

1994–1995

Excludes: agriculture production (NZSIC major group 111), residential property leasing and rental (NZSIC subgroup 83121), commercial property leasing and rental (NZSIC subgroup 83123), day care centres and crèches (NZSIC subgroup 93402), other welfare institutions (NZSIC subgroup 93403), business, professional and labour associations (NZSIC subgroup 93500), religious organisations (NZSIC subgroup 93910), social and related community services (NZSIC 93990) and sporting and recreational clubs (NZSIC subgroup 94402).

Availability of information

Standard outputs from the business demography statistics can be used to analyse the industrial activity, location, business type, institutional sector and degree of overseas ownership of New Zealand businesses. Data is available for any of the years 1994–2004 (economically significant enterprise basis) or 1987–1994 (compulsory GST basis). Changes in industry coverage between 1994 and 2004 can be taken into account to produce a consistent time series.

Customised analyses to meet specific user requirements are available on request.

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.

NZSIC

New Zealand Standard Industrial Classification.

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 are 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.

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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 ...

New Zealand Business Demography Statistics: At February 2006 will be released in October 2006.

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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.

List of tables

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

Supplementary Tables

[This is a link to business demography tables in the Table Builder facility on Statistics New Zealand's website.](#)