

## **BUSINESS DEMOGRAPHY FOR 2018**

### **Introduction**

Similar to statistics of human population, business demography describes the life cycle of the enterprises; their birth, survival and development until death. More specifically business demography supplies data on active enterprises, newborn enterprises, proportion of survived enterprises and data on changes in employment figures.

Until 2008 the data for business demography of enterprises in EU were collected voluntarily bounded by gentlemen's agreement. Bulgaria has taken part since 2006 which includes the development of enterprises born in 2003 and in 2004. In 2010 for the first time the statistics are calculated using the new classification of economic activities NACE Rev. 2.

The creation of EP and Council Regulation (No. 295/2008 of 11 of March, 2008) concerning the structural business statistics developed the general framework for collecting, preparation, presentation and evaluation of harmonized statistical data for business demography in EU.

This press release presents information gathered by the study of business demographic events among the enterprises in Bulgaria for 2018 and follows their dynamics for period of 5 years (2014 – 2018).

## General Review of the Active Enterprises and Employment

The study includes enterprises classified in selected by Eurostat sectors<sup>1</sup> of NACE Rev. 2 with the exception of group 64.2 (activity of holding companies) as they are defined in EU Regulation 295/2008 for Structural Business Statistics. In 2018 there were 352 592 active<sup>2</sup> enterprises which are 1.4% more compared to 2017.

**Figure 1. Active Enterprises by Size class**



The active enterprises with zero employees (Figure 1) represent the largest proportion of the population of all active enterprises during the whole (2014 – 2018) period. In 2018 their number is 168 848 which are 47.1% of all active enterprises. There are 131 816 enterprises in the next ‘1 - 4 employees’ group which is 37.4% of the total number of active enterprises for 2018. The enterprises in the ‘5 - 9 employees’ group represent the smallest proportion of all - 7.2%.

The number of persons employed in ‘10 or more employees’ group represents 69.4% of all employees for the 2014 - 2018 period while the proportion of the enterprises in this group is 7.8% of all active enterprises.

<sup>1</sup>

- B - Mining and quarrying
- C - Manufacturing
- D - Electricity, gas, steam and air conditioning supply
- E - Water supply; sewerage, waste management and remediation activities
- F - Construction
- G - Wholesale and retail trade; repair of motor vehicles and motorcycles
- H - Transportation and storage
- I - Accommodation and food service activities
- J - Information and communication
- K - Financial and insurance activities
- L - Real estate activities
- M - Professional, scientific and technical activities
- N - Administrative and support service activities

<sup>2</sup> Active enterprises are those enterprises performing economic activity with or without employers during the reference period on the country territory.

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And 6.8% of the total number of employees in the country corresponds to the large number of active enterprises in the zero employees group which is 47.1% of the total number of enterprises (Figure 2).

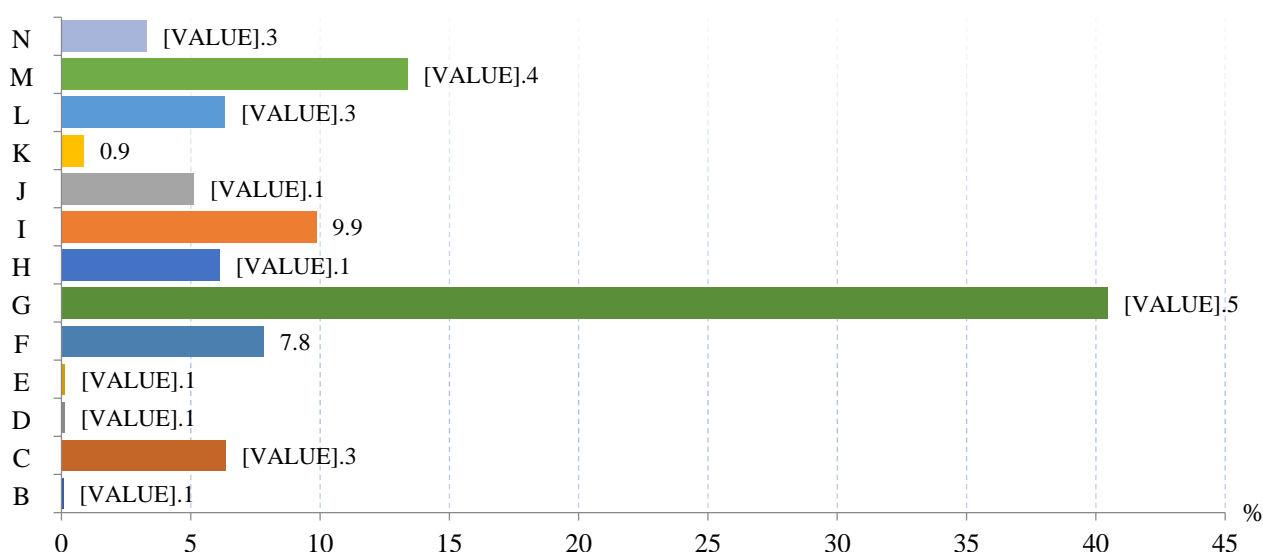
**Figure 2. Employed Persons in Active Enterprises by Size class**



### Newborn Enterprises

Almost 11.4% of the total numbers of enterprises in the selected economic sectors are newborn in 2018. For the last five years the annual average percent for newborn enterprises was 11.9% of the number of active enterprises during this period.

**Figure 3. Structure of Enterprises Born in 2018 by Economic Sectors**



The structure of the newborn enterprises by economic sectors remains stable for the five-year period. For the 2014 - 2018 period the highest share of newborn enterprises is in sector G - 'Wholesale and retail trade; repair of motor vehicles and motorcycles' - 41.1%. At the same time the smallest share of newborn enterprises is in sector B - 'Mining and quarrying' with less than 0.1% on average for the whole period. This tendency remains intact in 2018 as well (Figure 3).

For the period, the number of newborn enterprises that did not hire employees is the highest (Figure 4). In the zero employees group in 2018 there are 27 118 newborn enterprises followed by the '1 - 4 employees' group with 11 719 enterprises. The newborn enterprises with 10 or more employees are only 528.

**Figure 4. Structure of Enterprises Born in 2018 by Number of Employees**

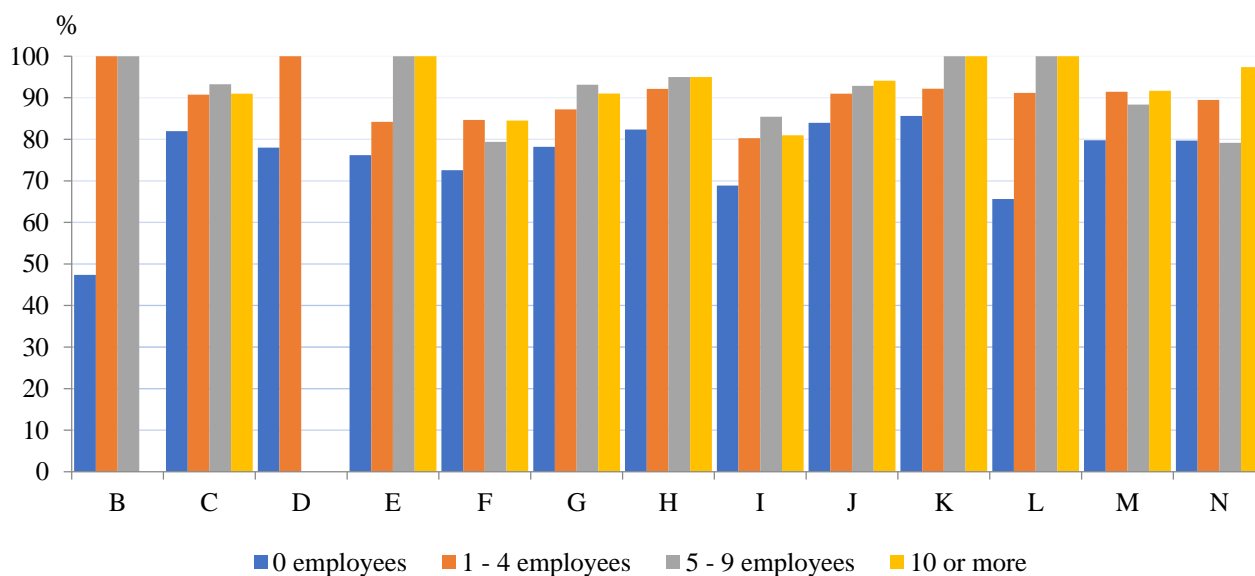


### Survived Enterprises

Almost 80.6% of the enterprises born in 2017 survive one year later, as in the group of '5 - 9 employees' this share is 88.4%.

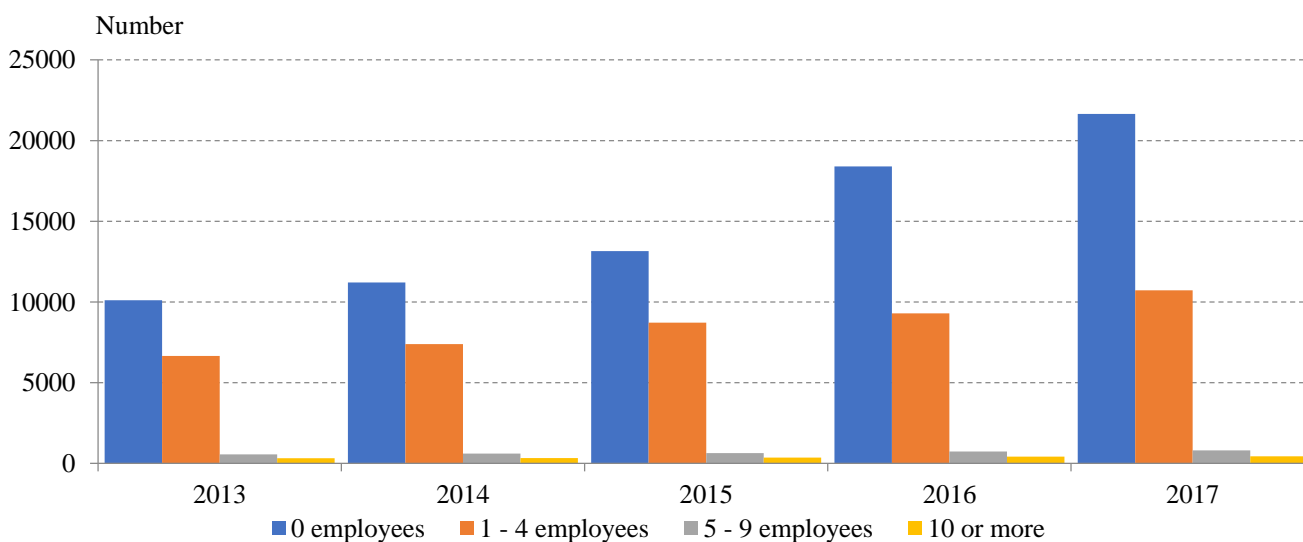
In 2017 the newborn enterprises are 41 723 and 33 613 of them successfully survived to 2018. The highest share of survived enterprises is in sector K - 'Financial and insurance activities, excluding activities of holding companies' - 87.6%. The lowest share is in sector B - 'Mining and quarrying' - 56.5% (Figure 5).

**Figure 5. Share of Enterprises Born in 2017 and Survived to 2018 by Number of Employees and Economic Sectors**



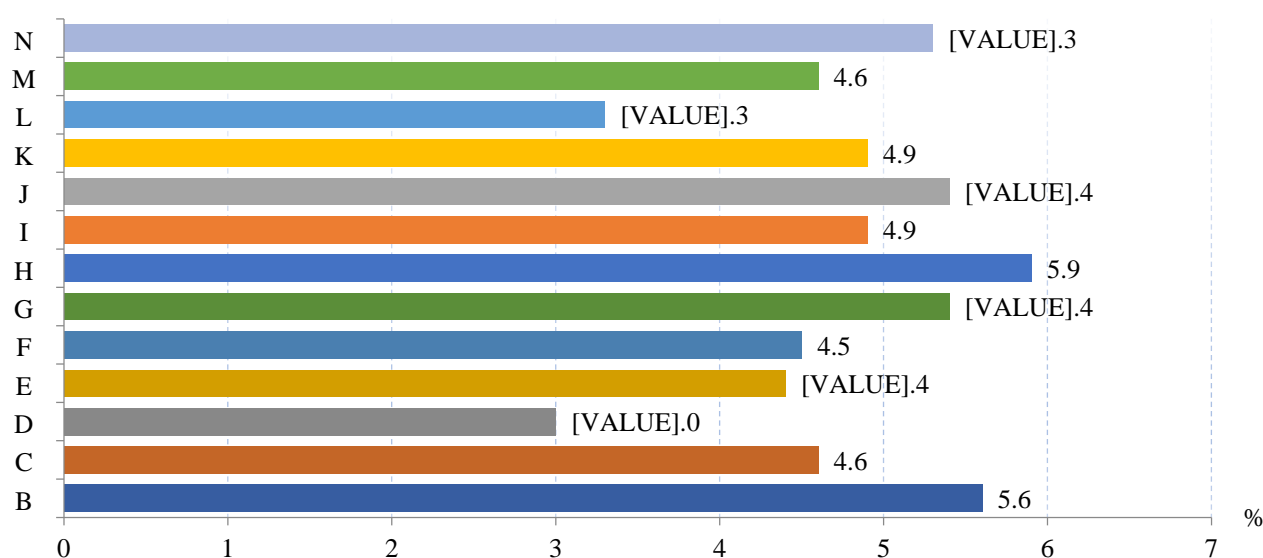
Since 2013, when moving away from year of birth, there is a trend of decreasing the number of survived enterprises for the four employee’s size classes. In 2018 the share of enterprises born in 2013 and still active five years later is 5.0%, when the share of the newborn enterprises in 2017 and still active in 2018 is 80.6% (Figure 6).

**Figure 6. Enterprises Born during period 2013 - 2017 and Survived to 2018**



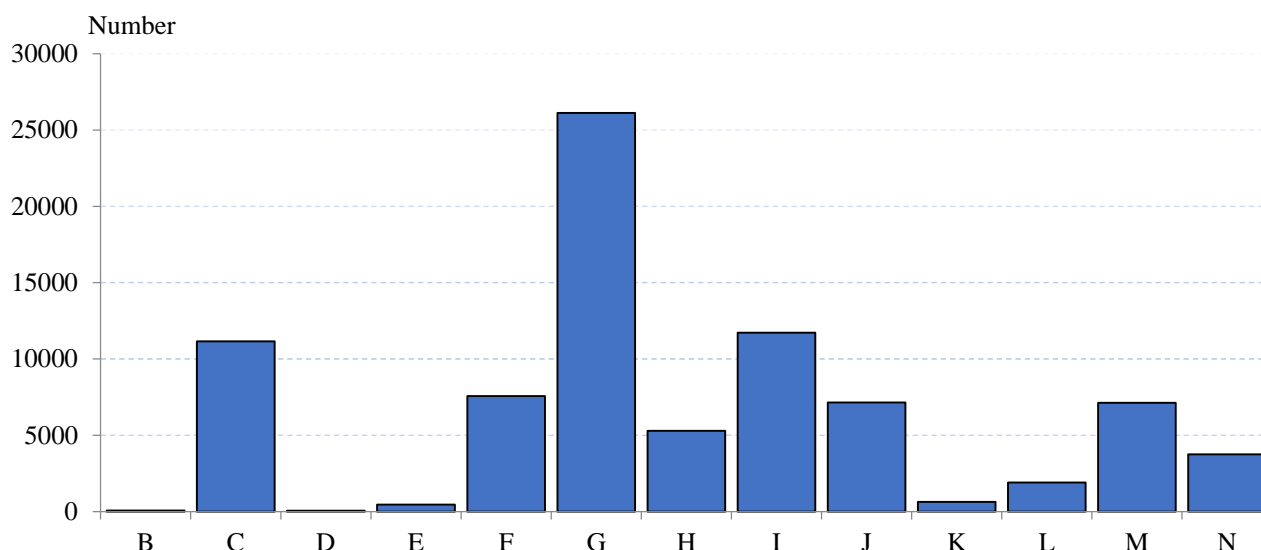
The most viable are enterprises in sector H - ‘Transport, warehousing and post office’, where the share of enterprises successfully survived the five-year period is 5.9%. On the opposite side are enterprises in sector D - ‘Electricity, gas, steam and air conditioning supply’, where the value of this indicator is 3.0% (Figure 7).

**Figure 7. Share of Enterprises Born in 2013 and survived to 2018 in the Active Enterprises for 2018 by Economic Sectors**



The total number of persons employed in enterprises born in 2017 and survived in 2018 for the economic sectors concerned is 83 020. Almost 59.1% of the employed people are concentrated in the following three sectors: G - ‘Wholesale and retail trade; repair of motor vehicles and motorcycles’- 31.5%; I - ‘Accommodation and food service activities’ – 14.1% and C - ‘Manufacturing’ - 13.4% (Figure 8).

**Figure 8. Employed Persons in Enterprises Born in 2017 and Survived to 2018 by Economic Sectors**



In 2018 the distribution of employees in enterprises born in 2017 and survived to 2018 is as followed:

- 1 - 4 employees – 37.6%
- 0 employees – 32.5%
- 10 and more employees – 20.9%
- 5 - 9 employees – 9.0%

### Dead Enterprises

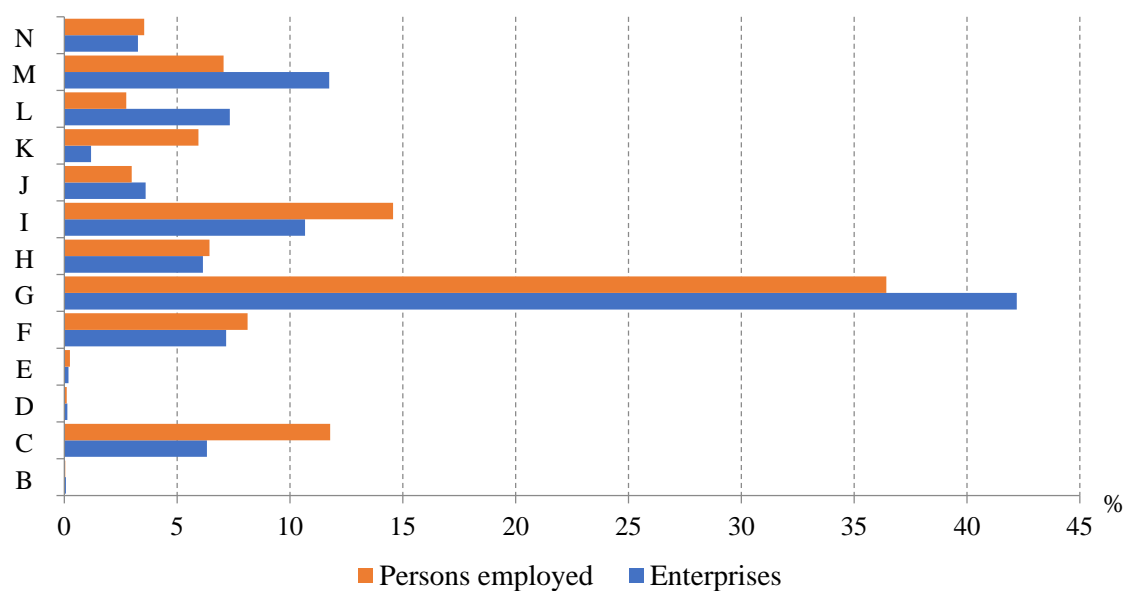
Data on dead enterprises in 2017 are preliminary due to the specific<sup>3</sup> methodology. In 2017 the number of dead enterprises is 35 116 or 10.1% of the total number of active enterprises during the year. As a result of their death, 2.46% of the employees lost their jobs during the year.

In 2017, 42.2% of dead enterprises, were classified in sector G - ‘Wholesale and retail trade; repair of motor vehicles and motorcycles’.

The most viable were the enterprises in the following sectors: B - ‘Mining and quarrying’, E - ‘Water supply; sewerage, waste management and remediation activities’, D - ‘Electricity, gas, steam and air conditioning supply’, where dead enterprises are less than 0.5% (Fig. 9).

<sup>3</sup> An enterprise can be considered as dead when two consequent years it is inactive.

**Figure 9. Structure of the Dead Enterprises in 2017 and of Employed Persons by Economic Sectors**





## Methodological notes

### Study Objective

The study targets statistical units of the type ‘enterprise’ defined by Council Regulation No. 696/93 of March 15, 1993. The enterprise is described as ‘... an enterprise is the smallest combination of legal units that is an organizational unit producing goods or services, which benefits from a certain degree of autonomy in decision-making, especially for the allocation of its current resources ...’.

### Study Goal

The main goal of the study is focused on business demography and the evaluation of the number of active enterprises and the number of employees. This study provides very important information on the enterprises’ length of life by type and size, number and type of dead enterprises, rate of growth of the enterprises, and annual survival coefficients. These data complement the structural business statistics and form the foundation for weighting and computing other statistics for the enterprises.

### Criteria for Inclusion in the Study

Business demography data are based on data from the Business register maintained by the Bulgarian NSI. The Register includes all active enterprises on the territory of the Republic of Bulgaria. There were no limitations for inclusion in the study, including no limitations for the number of employees or turnover. The demographic data in the study are based solely on enterprises which were registered and active at least in one year of the study period.

### Classifications Used in the Study

- **Classification of Economic Activities (NACE Rev. 2)**
  - B Mining and quarrying
  - C Manufacturing
  - D Electricity, gas, steam and air conditioning supply
  - E Water supply; sewerage, waste management and remediation activities
  - F Construction
  - G Wholesale and retail trade; repair of motor vehicles and motorcycles
  - H Transportation and storage
  - I Accommodation and food service activities
  - J Information and communication
  - K Financial and insurance activities, excluding activities of holding companies (NACE Rev. 2 – 64.2)
  - L Real estate activities
  - M Professional, scientific and technical activities
  - N Administrative and support service activities
- **Employee size class**
  - 1 - 0
  - 2 - 1 to 4
  - 3 - 5 to 9
  - 4 - 10 or more

## Terms used

**Employees** - in the context of SBS employees are those who work for an employer on the basis of a contract of employment and receive compensation in the form of salary, fee or remuneration in kind.

**Persons employed** - in the context of SBS persons employed in an enterprise covers all employees and self-employed.

**Enterprise births** - the population of enterprise births covering all newly active economic entities during the reference period, regardless of whether they are employer or not.

**Employer enterprise births** - the population of employer enterprise births consist of enterprises with at least one employee. This population consists of newly created enterprises that have at least one employee in the year of birth of the enterprise, or that existed last year, but was below the threshold of one employee.

**Surviving enterprises** - survivors are those enterprises that are active both before and after a specific demographic event. The enterprise can be changed in some way, for example in terms of economic activity, size class, ownership or place in which operates, but it continues to be active.

**Enterprise dead** - the population of the dead enterprises cover all economic operators during the study period, regardless of whether they are employer or not.

**Employer enterprise dead** - the population of ceased employer enterprises consist of enterprises with at least one employee. This population consists of ceased enterprises that have at least one employee in the year of closure and those which run below the threshold of one employee for at least two consecutive years.