



# Hot Off The Press

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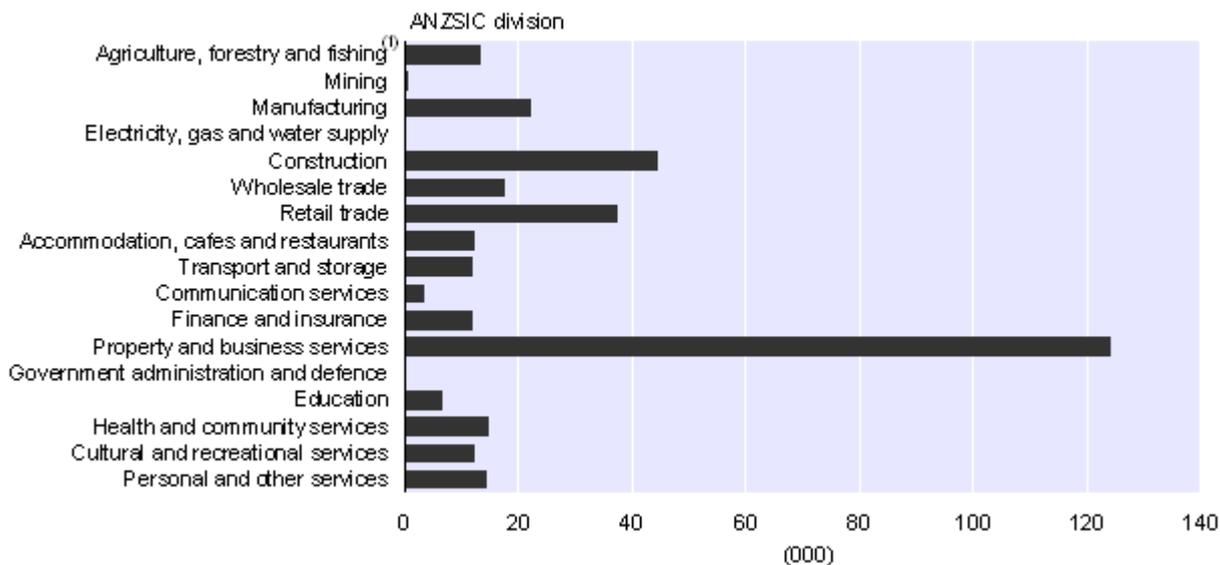
## New Zealand Business Demography Statistics

### At February 2006

### Highlights

- **At February 2006, the total number of non-farming businesses was 346,090**, up 3.5 percent compared with February 2005.
- **More than three-quarters of businesses were located in the North Island**, with 35 percent in the Auckland region.
- **More than one-third of all enterprises were engaged in property and business services**, with 124,110 enterprises and approximately 221,600 employees.
- **The manufacturing sector continues to be the largest employer**, with approximately 263,700 employees in February 2006.

**Number of Enterprises by Industry**  
At February 2006



Brian Pink  
Government Statistician

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There is a companion Media Release published – [New Zealand Business Demography Statistics: At February 2006](#).

# Commentary

## Introduction

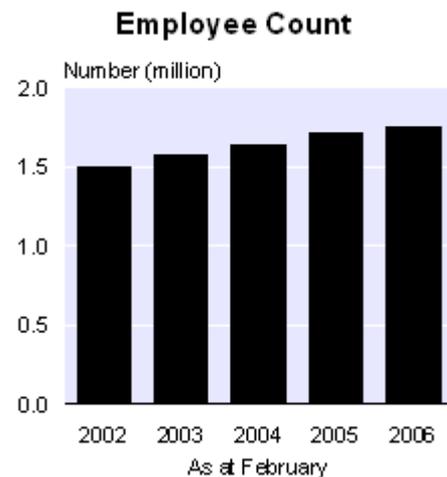
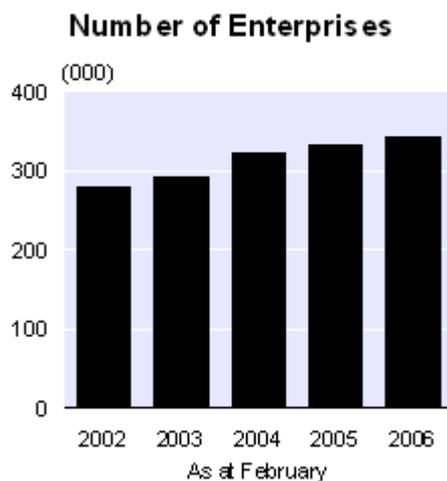
Business demography statistics provide an annual snapshot (as at February) of the structure and characteristics of New Zealand businesses. Statistics are available on a range of variables, including industry, region, institutional sector, business type, size (employment levels), and degree of overseas 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 2006, the number of non-farming enterprises on Statistics New Zealand's Business Frame was 346,090. The number of geographic units (business locations) corresponding to these enterprises was 378,430. These businesses engaged a total of 1.765 million employees.

When comparing February 2006 with February 2005, the number of enterprises in New Zealand increased by 3.5 percent (up 11,750). Industries showing significant growth were property and business services (up 5,900), followed by construction (up 2,320). The number of business locations increased in all regional council areas between February 2005 and February 2006.

The number of employees engaged grew 2.2 percent (up 37,500) in February 2006 compared with February 2005.



## Industry statistics

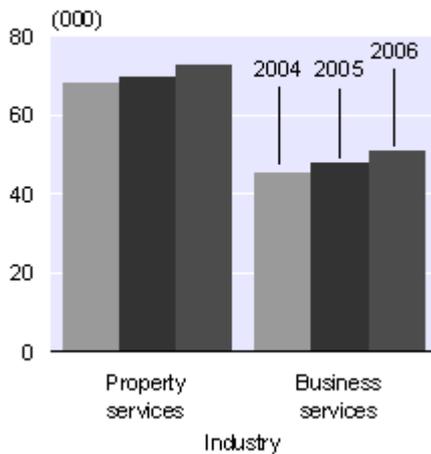
### Property and business services

The property and business services industry has the largest number of enterprises (124,110), representing 36 percent of all enterprises in New Zealand, as at February 2006. This industry also had the largest increase in the number of enterprises, up 5,900 or 5 percent, between February 2005 and 2006. Most of this growth (83 percent) was from non-employed enterprises.

Of the overall increase in the property and business services industry, property services contributed 52 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 221,600 employees engaged in the property and business services industry in February 2006, compared with 212,300 in February 2005 (up 9,300 or 4.4 percent). About 51 percent of this increase was in enterprises with 100 or more employees.

### Number of Enterprises in Property and Business Services



### Construction

There were 44,380 enterprises predominantly engaged in the construction industry in February 2006, an increase of 2,320 (5.5 percent) compared with February 2005. More than half of this increase was from non-employed enterprises.

The construction industry engaged approximately 115,800 employees in February 2006, up 7,700 (7 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 37,120 (up 500 or 1.4 percent) in February 2006. Firms mainly engaged in personal and household goods retailing (up 230 or 1.3 percent) contributed 45 percent of the overall increase in the number of retailers, and firms engaged in motor vehicle retailing contributed 42 percent.

The retail trade industry engaged approximately 232,300 employees in February 2006, up 6,200 (2.7 percent), when compared with February 2005. Personal and household goods retailing contributed 55 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 22,060 enterprises predominantly engaged in manufacturing in February 2006, 230 or 1 percent more than in February 2005. 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 2006, with approximately 263,700 employees. Between February 2005 and 2006, the number of employees in manufacturing decreased by 4,500 (down 1.7 percent). Despite contributing only 7.8 percent of the total number of enterprises in the manufacturing industry, the food, beverage and tobacco industry engaged 31 percent of all manufacturing employees.

## Regional statistics

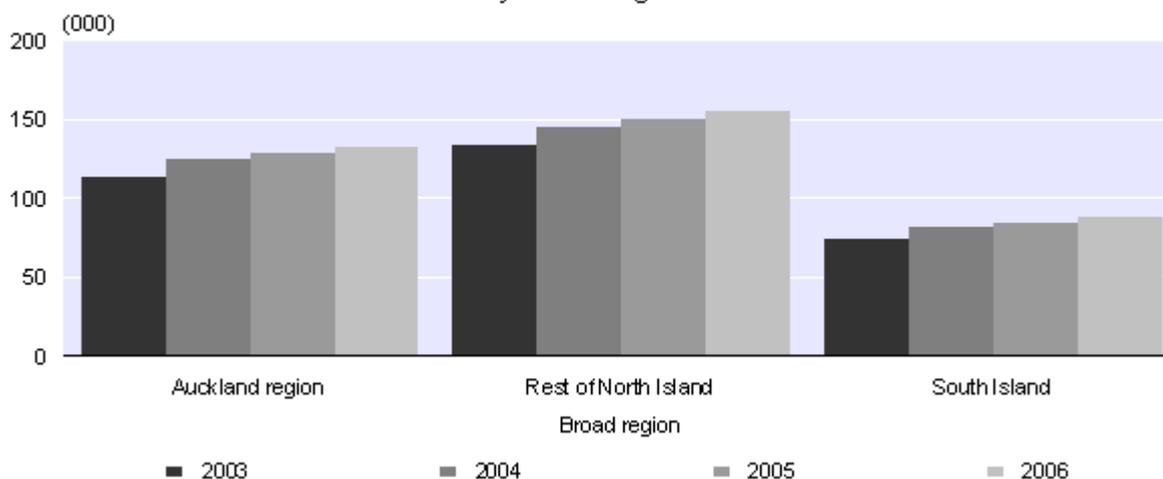
### Auckland region

Excluding farming, more than one-third (35 percent) of all geographic units (business locations) in New Zealand are in the Auckland region. Over one-third of all employees (34 percent) were engaged by these geographic units.

There were 132,640 geographic units in the Auckland region in February 2006, up 2.4 percent from February 2005. Industries recording significant increases in the Auckland region were property and business services (up 1,840 or 3.9 percent), followed by construction (up 370 or 2.4 percent) and retail trade (up 250 or 1.7 percent).

In February 2006, there were approximately 602,200 employees associated with businesses located in the Auckland region, up 3 percent from February 2005. The industries with large increases in employee numbers were property and business services (up 8,900 or 9.4 percent), followed by retail trade (up 1,900 or 2.7 percent), and health and community services (up 1,900 or 4 percent). The largest reduction of employees occurred in the manufacturing industry (down 900 or 1 percent).

**Number of Geographic Units**  
*By broad region*



### Remainder of North Island

Excluding the Auckland region, there were 156,260 non-farming geographic units located in the remaining regions of the North Island in February 2006. This was an increase of 3.8 percent when compared with February 2005. These geographic units engaged approximately 727,100 employees in February 2006, a 2 percent increase from February 2005.

Regions showing significant increases in the number of business locations established were Wellington (up 1,370 geographic units), Waikato (up 1,080) and Bay of Plenty (up 980). In these three regions, the property and business services industry contributed most to the increase (52 percent in Wellington and 40 percent both in Waikato and Bay of Plenty).

In the Wellington region, the highest increase in employment occurred in government administration and defence (up 2,800 employees or 12.3 percent), although the number of business locations in government administration and defence in Wellington decreased by 20 (down 5.1 percent).

**South Island**

Excluding farming, there were 89,390 geographic units in the South Island in February 2006. This was an increase of 3,540 (4.1 percent) from February 2005. These business locations engaged approximately 433,600 employees, an increase of 5,000 (1.2 percent) when comparing February 2006 with February 2005.

In February 2006, over half of all geographic units (46,640) and employees (approximately 237,000) in the South Island were located in the Canterbury region. Compared with February 2005, Canterbury recorded increases of 1,960 geographic units and approximately 3,100 employees in February 2006. The region contributed significantly towards the overall South Island growth in geographic units (56 percent) and number of employees (62 percent).

The increases in Canterbury were mainly in property and business services, construction and retail trade. Together, these industries contributed 72 percent of the overall increase in geographic units in the region and 70 percent of the increase in the number of employees. The largest reduction of employees in Canterbury occurred in the manufacturing industry (down 1,100 or 2.7 percent).

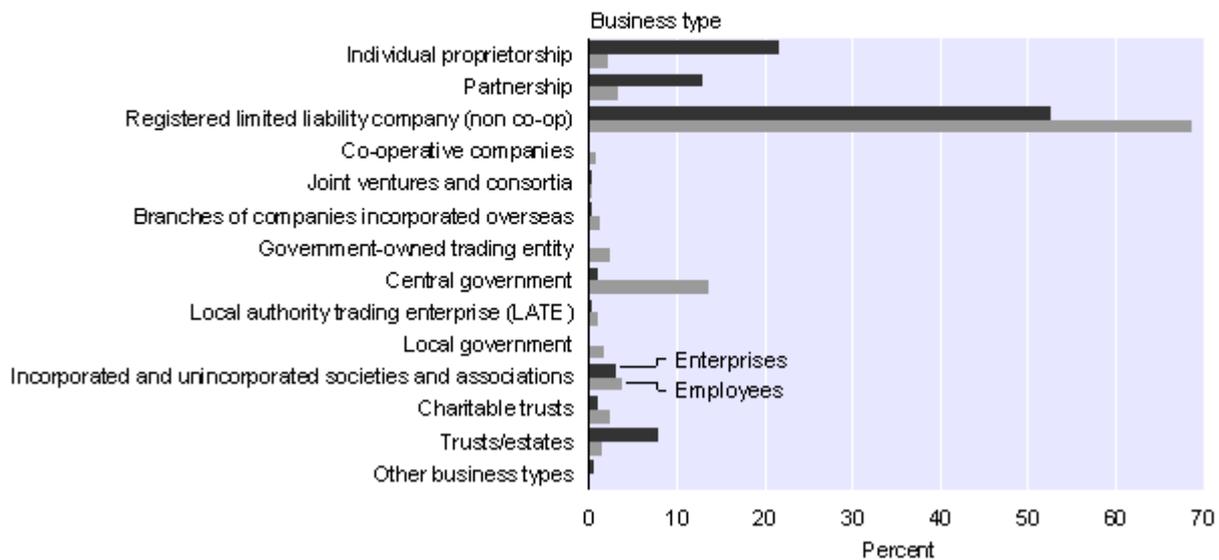
**Business type**

Of the total number of enterprises in New Zealand in February 2006, 52 percent (181,320) were registered limited liability companies, 22 percent (74,460) were individual proprietorships and 13 percent (44,370) were partnerships. Of the total number of employees engaged, registered limited liability companies contributed 68 percent (approximately 1,207,000), while central government contributed 14 percent (approximately 237,500).

**Total Enterprises and Total Employees**

*By business type*

At February 2006



In February 2006, most individual proprietorships were in the property and business services industry (35.5 percent), construction (19 percent) and retail (8.4 percent). Employees working for registered limited liability companies were mainly involved in the manufacturing industry (20 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 (96.4 percent) had fewer than 20 employees in February 2006. However, these enterprises accounted for only 29.6 percent of all employees. Conversely, enterprises with 100 or more employees made up 0.6 percent of the total number of enterprises in New Zealand but employed 47.8 percent of the total number of employees.

In February 2006, 64 percent (219,960) of all enterprises were non-employing enterprises, up from 63 percent in February 2005. In terms of industrial activity, 47 percent of these enterprises were predominantly involved in property and business services, 12 percent in construction and 7 percent in retail trade.

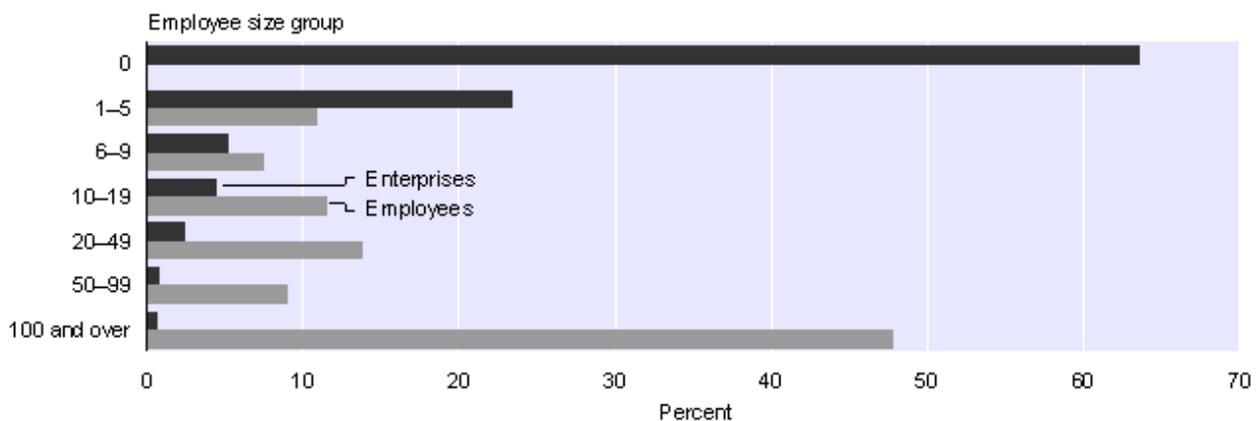
Of the total growth in enterprises, to February 2006, 75 percent or 8,790 were non-employing, whereas in the year before, enterprises with one to five employees contributed most to growth, with 63 percent or 6,330.

During the year to February 2006, the strongest growth in employment (up 30,000 employees or 3.7 percent) came from businesses with 100 or more employees, followed by firms with one to five employees (up 5,300 employees or 2.9 percent). Employment in businesses engaging 50 to 99 employees decreased by 1.2 percent (1,900 fewer employees).

### Total Enterprises and Total Employees

*By employee size group*

At February 2006



## Revision

Some estimates of 2005 have been revised as a result of new information received. Affected were two industries, surveying services (ANZSIC code L782200) and defence (ANZSIC code M820000). More information on revisions is available upon request.

## Future developments

Statistics New Zealand, in collaboration with Inland Revenue and the Department of Labour, has been engaged in the development of the Linked Employer-Employee Data (LEED) since 2002. The LEED project is an innovative new development 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. LEED 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. The first official release of LEED statistics was in February 2006.

The longitudinal employer series (or longitudinal Business Frame) attempts to identify births and deaths of enterprises solely 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 resulted in the publication of an experimental series in May 2006. The Business Demographic Statistics Review Report is available from Statistic New Zealand's website. The first official release of business population statistics based on the longitudinal Business Frame is expected in October 2007.

For technical information contact:  
Trudy Grienauer or Litia Tapu  
Christchurch 03 964 8700  
**Email:** [info@stats.govt.nz](mailto:info@stats.govt.nz)

# 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.

At February 2006, there were 346,091 non-farming enterprises on the Business Frame. Although they represent just over half of the enterprises on Inland Revenue's client registration file, they are estimated to represent more than 99 percent of non-farming GST sales. All non-trading and dormant companies 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 '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 (BF), from which business demography statistics are sourced. This strategy involves greater use of administrative data to maintain the BF. A summary of the changes that have resulted from the change in strategy include:

- changed employment measure on the BF from a full-time equivalent persons engaged (FTE) measure to employee count (EC)
- increased coverage of the BF to include all employing businesses – with the exception of individuals that are employers but are not registered for GST – and reactivation of previously ceased businesses that are showing GST activity
- reduced compliance costs by decreasing the reliance on survey-sourced information to maintain the BF
- improved coverage of GST-exempt industries by making greater use of tax data (sourced from the EMS and IR10 tax returns)
- faster processing of the births and deaths of enterprises to more accurately reflect real-world changes
- inclusion of farming businesses in the maintenance strategy (previously excluded)
- definition of boundaries for maintenance of enterprises on the BF on the basis of business size – larger enterprises continue to be primarily updated using annual maintenance survey data and tax 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 faster processing 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 are 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 from the 2004 release onwards has been that the indicator of business size (employment levels) now used is 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 back-cast to the year 2000.

The EC is sourced primarily from 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 surveys.

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 BF after being excluded in recent years. Business demography statistics on the farming industry are available to users on request
- improved accuracy – the attributes of businesses on the BF will now be updated more regularly, improving accuracy as a result.

The following table summarises the main differences between EC and FTE:

	<b>Employee Count (EC)</b>	<b>Full-time Equivalent (FTE)</b>
<b>Source</b>	Mainly sourced from the IRD Employer Monthly Schedule (there are a small number of enterprises whose employee count is collected by Statistics New Zealand surveys)	Was updated on the Business Frame using survey feedback from respondents
<b>Business Frame maintenance</b>	Updated monthly on the Business Frame	Was updated annually, as at February, on the Business Frame
<b>Measure</b>	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
<b>Full-time/part-time split</b>	Not available	Available
<b>Sex breakdown</b>	Not available	Available
<b>Availability</b>	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 includes 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 the 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 industrial coverage consistent with recent releases of business demography data. Business demography data for the agriculture production industry is available on request.

### **2004 to date**

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)  
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)  
daycare 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)  
sporting and recreational clubs (NZSIC subgroup 94402).

## **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 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 New Zealand website.

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**Next release**

*New Zealand Business Demography Statistics: At February 2007* will be released in October 2007.

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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

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