BUSINESS DEMOGRAPHY
BY 31st OF DECEMBER 2017

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 number of active enterprises, number of newborn enterprises, proportion of survived enterprises and data on changes in employment figures at specific moment in time.

Until 2008 the data for business demography of enterprises in EU were collected on European level voluntarily bounded by gentlemen's agreement. Bulgaria has taken part in the harmonized data collection for business demography 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 was the legal foundation and the general framework for collecting, preparation, presentation and evaluation of harmonized statistical data for business demography in EU.
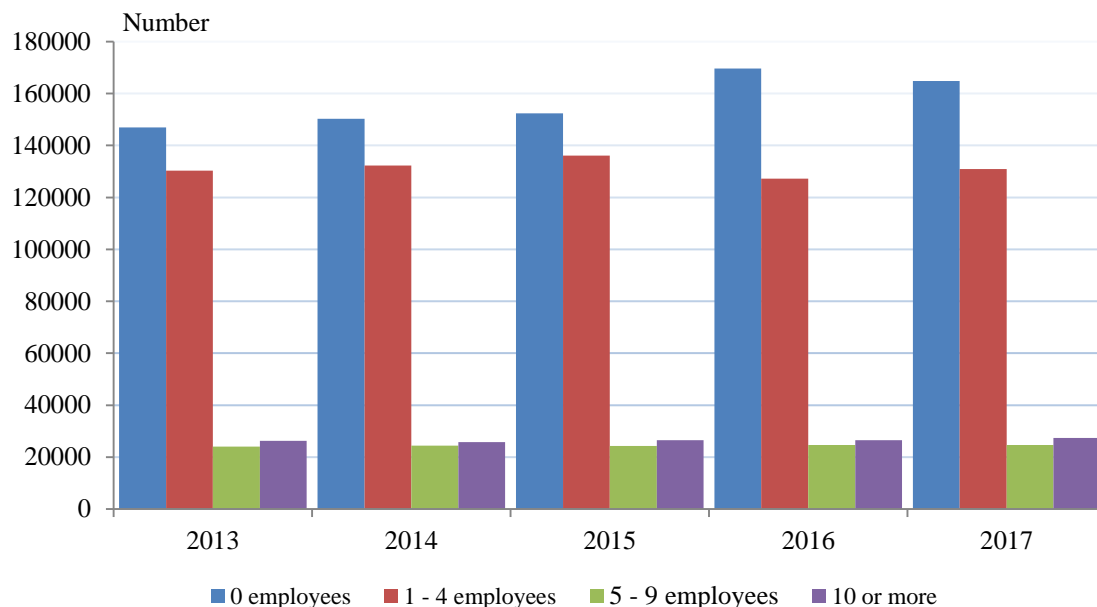
This press release presents information gathered by the study of business demographic events among the enterprises in Bulgaria for 2017 and follows their dynamics for the 5 year study period.

General Review of the Active Enterprises and Employment

The study includes enterprises classified in selected by Eurostat sectors[1] of the classification of economic activities NACE Rev. 2 with the exception of group 64.2 or activity of holding companies as they are defined in EU Regulation 295/2008 for Structural Business Statistics. In 2017 there were 347 730 active[2] enterprises which are almost with 0.1% less than the previous 2016.

Figure 1. Active Enterprises by Size

The active enterprises with zero employees (Figure 1) represent the largest proportion of the population of all active enterprises during the whole (2013 - 2017) period. In 2017 their number is 164 876 which are 47.4% of all active enterprises. There are 130 873 enterprises in the next '1 - 4 employees' group which is 37.6% of the total number for 2017. The enterprises in the '5 - 9 employees' group represent the smallest proportion of all. On average for the whole period, this proportion is 7.2%, while in the '10 or more employees' group on average for the five year period this proportion is 7.8% of the active enterprises.

The number of persons employed in '10 or more employees' group represents 69.4% of all employees for the 2013 - 2017 period while the proportion of the enterprises in this group is 7.8% of all active enterprises. And, reversely - 6.6% of the total number of employees in the country corresponds to the large number of active enterprises in the zero employees group which is 46.3% of the total number of enterprises (Figure 2).
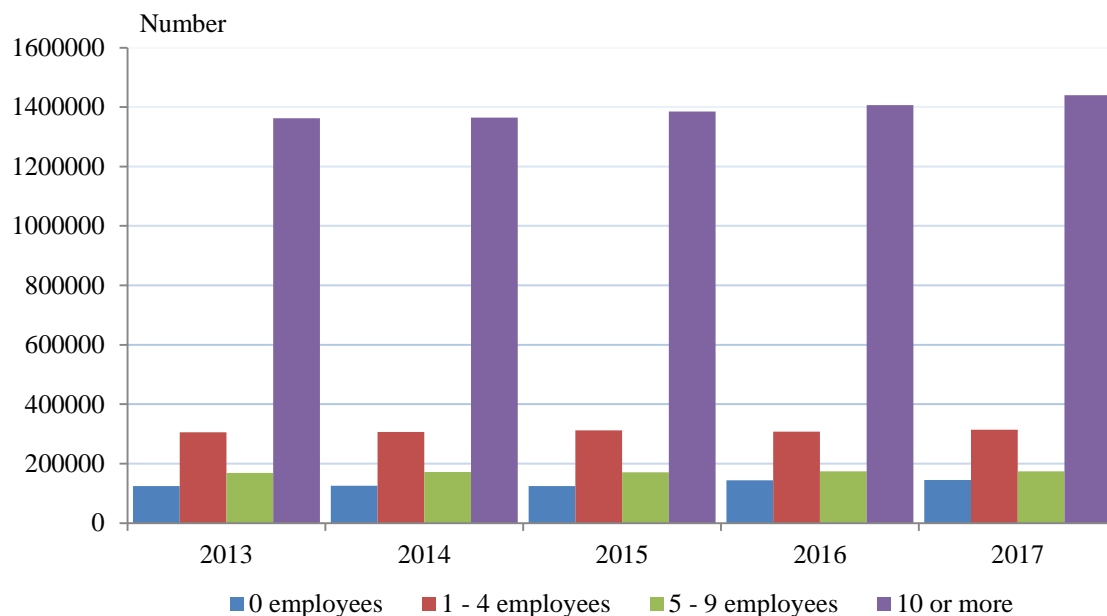
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[1]

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

[2] Active enterprises are those enterprises performing economic activity with or without employers during the reference period on the country territory.
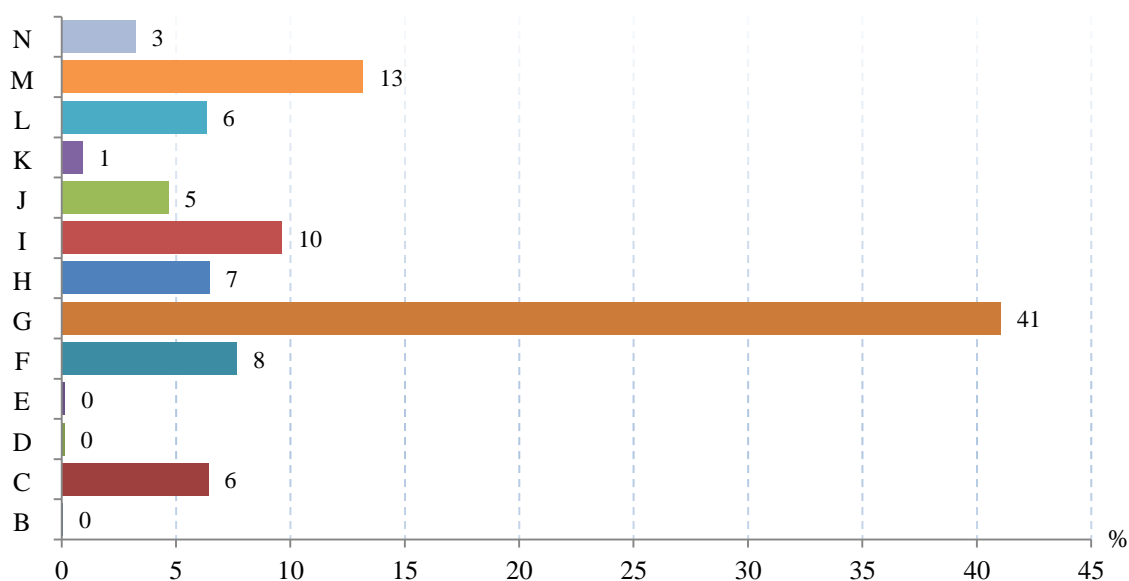
Figure 2. Employed Persons in Active Enterprises by Size

Number

Legend: ■ 0 employees ■ 1 - 4 employees ■ 5 - 9 employees ■ 10 or more

Newborn Enterprises

Almost 12.0% of the total numbers of enterprises in the selected economic sectors are newborn in 2017. For the last five years the annual average percent for newborn enterprises was 12.03% of the number of active enterprises during this period.

Figure 3. Structure of Enterprises Born in 2017 by Economic Sectors (NACE Rev. 2)

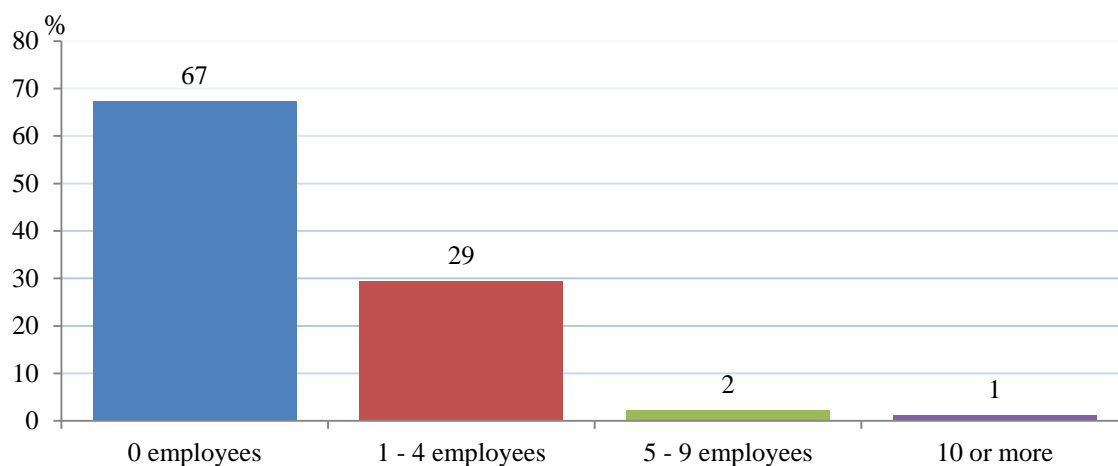| Sector	%
N	3
M	13
L	6
K	1
J	5
I	10
H	7
G	41
F	8
E	0
D	0
C	6
B	0

For the 2013 - 2017 period the highest share of newborn enterprises is in sector G - 'Wholesale and retail trade; repair of motor vehicles and motorcycles' with an average of 42.2% for the five-year period. 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 2017 as well (Figure 3). As a whole the structure of the newborn enterprises by economic sectors remains stable for the five-year period.

For the period 2013 - 2017, the number of newborn enterprises that did not hire employees is the highest (Figure 4). In the zero employees group in 2017 there are 28 064 newborn enterprises followed by the '1 - 4 employees' group with 12 661 enterprises. In the same year the newborn enterprises with 10 or more employees are only 537.
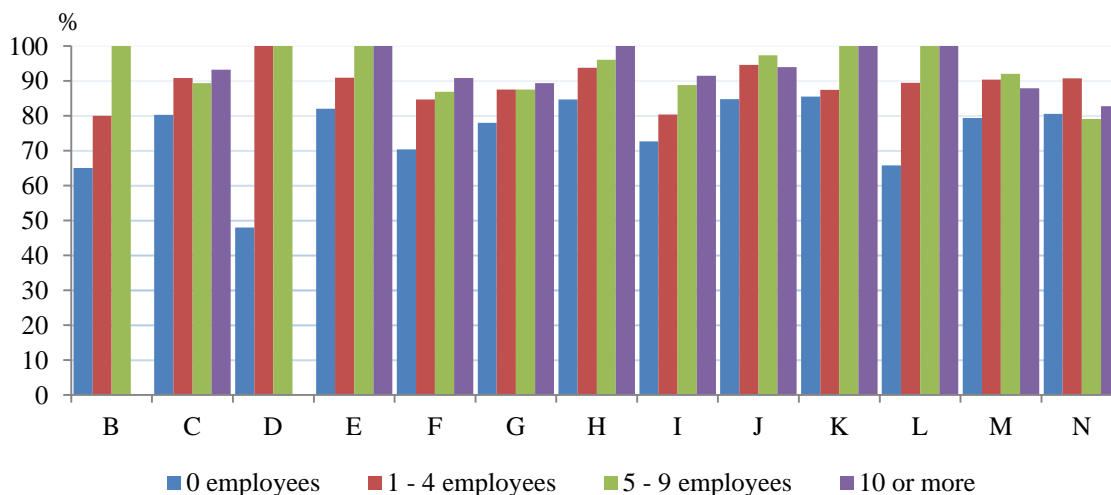
**Figure 4. Structure of Enterprises Born in 2017
by Number of Employees**

Survived Enterprises

Almost 79.4% of the enterprises born in 2016 survive one year later, as in the group of '5 - 9 employees' this share is 88.8% (Fig. 5).

**Figure 5. Share of Enterprises Born in 2016 and Survived to 2017 by
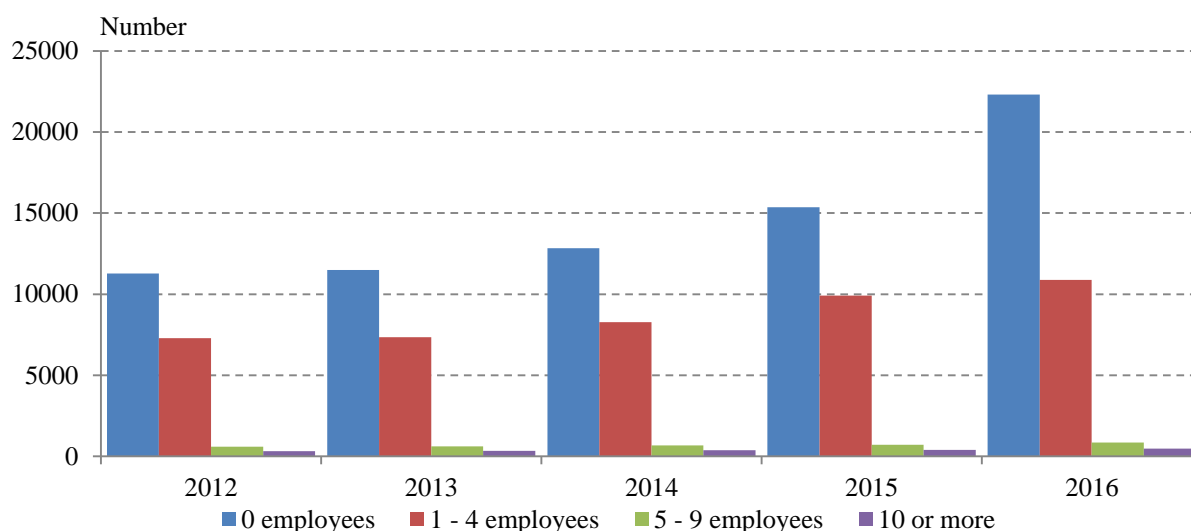Number of Employees and Economic Sectors (NACE Rev. 2)**

In 2016 the newborn enterprises are 43 434 and 34 508 of them successfully survived to 2017. The highest share of survived enterprises is in sector H - 'Transportation and storage' - 87.3%. The lowest share is in sector D - 'Electricity, gas, steam and air conditioning supply' - 52.1%.
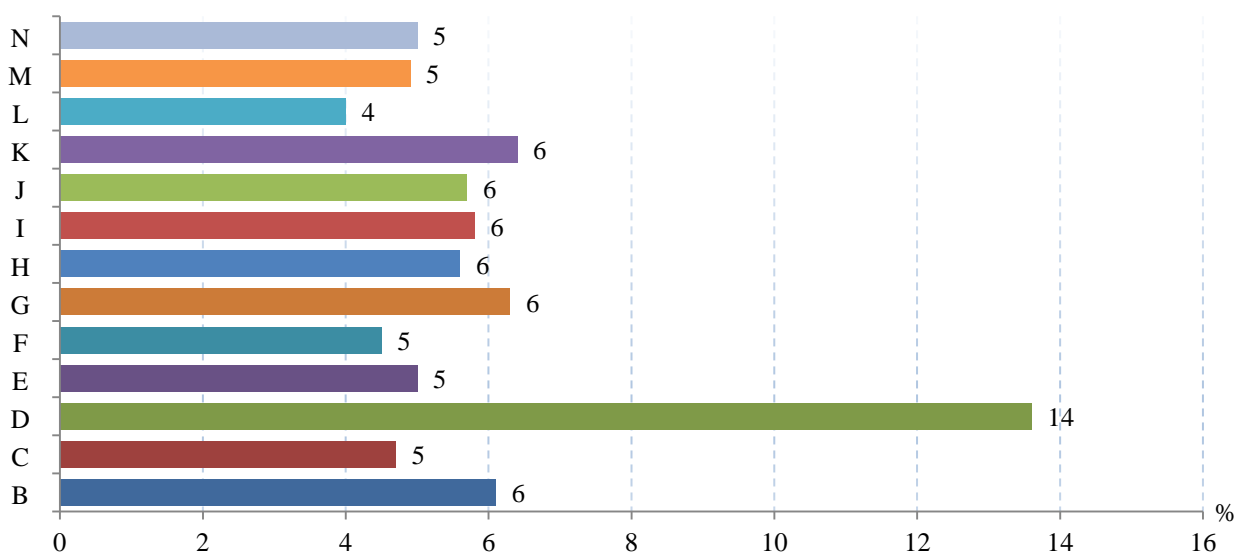
Since 2012, when moving away from year of birth, there is a trend of decreasing the number of survived enterprises for the four employees' groups (Figure 6).

Figure 6. Enterprises Born during period 2012 - 2016 and Survived to 2017

In 2017 the share of enterprises born in 2012 and still active five years later is 5.6%. The most viable are enterprises in sector D - 'Electricity, gas, steam and air conditioning supply', where the share of enterprises successfully survived the five-year period is 13.6%. At the other extreme are enterprises in sector L - 'Real estate activities', where the value of this indicator is 4.0% (Figure 7).
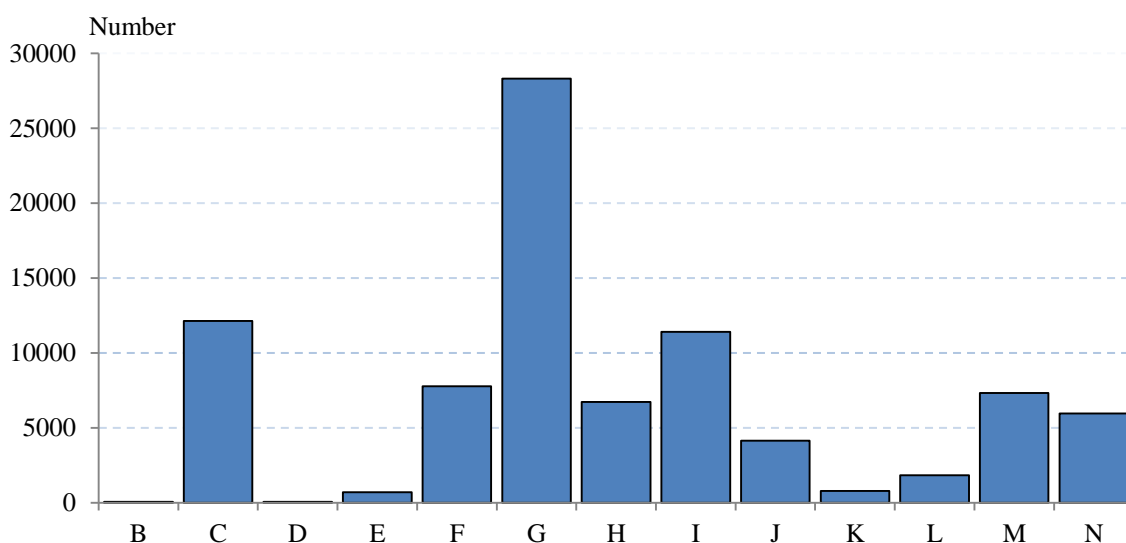
Figure 7. Share of Enterprises Born in 2012 and survived to 2017 in the Active Enterprises for 2017 by Economic Sectors (NACE Rev. 2)

The total number of persons employed in enterprises born in 2016 and still surviving in 2017 for the thirteen sectors of NACE Rev. 2 concerned is 87 229. Almost 59.5% of the employed people are concentrated in the following three sectors: G - 'Wholesale and retail trade; repair of motor vehicles and motorcycles'- 32.5%; C - 'Manufacturing' - 13.9% and I - 'Accommodation and food service activities' - 13.1% (Figure 8).

Figure 8. Employed Persons in Enterprises Born in 2016 and Survived to 2017 by Economic Sectors (NACE Rev. 2)

In 2017 the biggest share of persons employed (38.0%) worked in '1 - 4 employees' group. The rest of employed persons are distributed as follows: 34.8% in zero employees group; 17.8% in enterprises with '10 and more employees' and 9.5% in '5 - 9 employees' group.
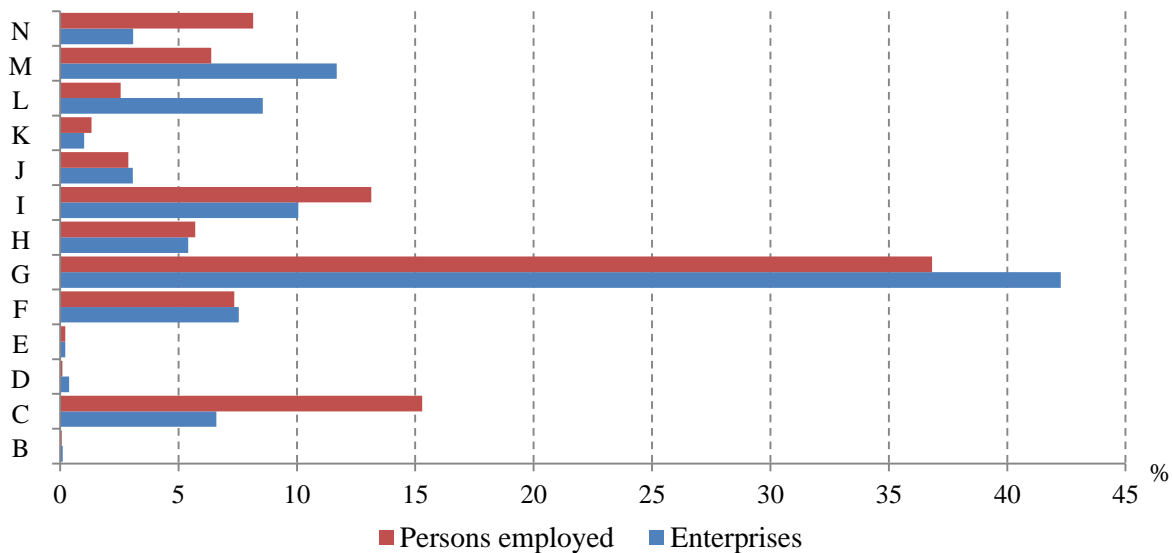
Dead Enterprises

Data on dead enterprises in 2016 are preliminary due to the specific[3] methodology and definition. In 2016 the number of dead enterprises is 41 611 or 11.9% of the total number of active enterprises during the year. As result of their death 3.2% of the employees lost their jobs during the year.

In 2016, 42.3% 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 1% (Fig. 9).

Figure 9. Structure of the Dead Enterprises in 2016 and of Employed Persons by Economic Sectors (NACE Rev. 2)

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[3] An enterprise can be considered as dead when two consequent years is inactive or it is under the threshold of one employee.

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 '… a*n 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.