



# information notice

## **Methodological Review and Updated Series Business Demography and Structural Business Statistics**

### **(1) Background**

The CSO is about to introduce an updated definition for what constitutes an active enterprise in its annual series on Business Demography (BD) and Structural Business Statistics (SBS). This will mean a revised series from 2008 to 2012 and a break in series between 2007 and 2008. Data for 2013 and 2014 will also be published on the new basis for the first time.

While the revisions will increase the number of enterprises reported in these statistics, their economic impact is relatively small as the broader definition of active enterprise mainly relates to small business units.

The revisions will bring about closer coherence between the BD and SBS data series and the related National Accounts (Income Method) series for Gross Value Added (GVA). The National Accounts figures are not affected by these revisions.

The CSO BD and SBS data series present annual information on the number of enterprises active in Ireland and details such as the sectoral breakdown, economic contribution and employment of these enterprises. Standards and definitions for these series are set down in EU Regulation 177/2008<sup>1</sup> (BD) and EU Regulation 58/97<sup>2</sup> (SBS).

The CSO has conducted a review of the methodology used to compile these series, looking in particular at the following points:

- The definition of an active enterprise in current EU business statistics regulations;
- Coherence between the data sources (administrative and survey data) used in business and national accounts statistics, and coherence between the respective statistical series compiled from these sources. In broad terms, the number of enterprises reported in the Business Demography and SBS series should match and the estimates of Gross Value Added (GVA) from the SBS series should in turn be coherent with related GVA estimates from the National Accounts.

The primary outcome of this methodological review is a broadening of the definition of an enterprise for the purposes of BD and SBS statistics; more enterprises will now be reported in these statistics and revised series are being prepared for the years 2008 to 2012. These revisions primarily relate to small enterprises and their economic impact is small. Further details are described in Part A below. The review also incorporated a number of other changes in scope and compilation methodology for SBS, which are described in Part B below.

This review has minimal impact on the National Accounts (Income Method) series for GVA.

### **(a) What constitutes an active enterprise and how it should be measured**

The starting point for all CSO enterprise surveys is our Business Register. This register contains the active population of enterprises and is updated principally using administrative data as received by CSO from the Revenue Commissioners. The various Revenue Income Tax, Corporation Tax, VAT and PREM Employment (P35)

<sup>1</sup> [EU Regulation 177/2008](#)

<sup>2</sup> [EU Regulation 58/97](#)

datasets as received at varying points over a calendar year provide the essential update information for the creation of the active population of enterprises which need to be measured for economic activity. This information is, in turn, supplemented by information received from the Companies Registration Office (for example on the legal form of the enterprise) and from updates received as part of the surveying of enterprises.

The historic definition of what constitutes an active enterprise outlined that an enterprise was active if it met any one of the following criteria:

- Paid VAT during the reference year
- Have employees during the reference year
- File a Corporation Tax return for the reference year
- File an Income Tax return for the reference year with turnover of over €50,000.

Furthermore, Eurostat rules allowed some flexibility to interpret the above and outlined that:

*“If there is insufficient information on turnover or employment to determine whether or not an enterprise is active, then national methods leading to this aim will be accepted”.*

A new EU definition of what constitutes an active enterprise has recently been agreed at EU level and will likely achieve full legislative effect (via what is known as the FRIBS legislative package<sup>3</sup>) within a few years. This definition is a much clearer outline of what constitutes an active enterprise. An enterprise is now considered to be only active if:

*“in a certain period it generates turnover, employs staff or makes investments in the period”*

Over time, the application of the above historic rules has led to some enterprises being counted as active when they were not (overcoverage on the Business Register) and some enterprises not being counted when they should have been (undercoverage). Introducing the new definition of what constitutes an active enterprise will result in an increased population of active enterprises in Ireland.

#### **(b) Other methodological changes - these impact on the SBS series (Industry, Services & Distribution, Construction)**

These changes principally cover the following areas:

*(i) the new active population of enterprises as determined by BD will result in the SBS series also measuring these enterprises* - what is considered an active enterprise per BD will determine its measurement in the SBS series, with no application of any thresholds based on size class for example.

*(ii) updates in our National Accounts series* - as part of the introduction of new rules for the compilation of EU National Accounts (ESA 2010<sup>4</sup>), including for Ireland, a number of data series have been updated. As relevant to the SBS series, these adjustments principally concern the new aircraft leasing and Research & Development (R&D) data series.

*(iii) non-response treatment* - as part of the methodological review we have examined our methodology for non-response treatment. Aligning our non-response methodology more closely to the use of available administrative data (tax data) will change how we estimate for non-response.

*(iv) other adjustments* - the review has also take the opportunity to update the series for some sectoral NACE adjustments (enterprises being reclassified from one particular NACE to another) and an update to some Multinational Enterprise data as measured by our National Accounts Large Cases Unit.

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<sup>3</sup> FRIBS is a comprehensive legislative package dealing with the updating of national and EU enterprise statistics in a range of areas.

Further information can be found as follows: [FRIBS - Framework Regulation for the Integration of Business Statistics](#)

<sup>4</sup> [ESA 2010](#)

## **(2) Impacts on the Business Demography & Structural Business Statistics series**

**Business Demography series** - this series provides information on active enterprises in Ireland, the number of enterprise 'births' (formation) & 'deaths' (cessation) in a year, as well as other information. The implementation of the new definition of what constitutes an active enterprise will result in an increase in the active population of enterprises in Ireland. The revised Business Demography series will be for the period 2008-12 and will also include the publication of data for 2013 & 2014 for the first time. There will therefore be a significant break in the time series pre and post 2008.

**Structural Business Statistics series** - in general, the new population of active enterprises and the other methodological changes as outlined above will result in an upward revision to the measure of economic activity as provided by the SBS series. **It is important to note, however, that the impact on the National Accounts series is quite minimal as the process for the compilation of the National Accounts (Income method) relies on a parallel process involving use of administrative data and so the SBS survey revisions will not impact on the National Accounts series.** The SBS and National Accounts series, as seen through the measure of Gross Value Added, measure different but complementary things. The revised SBS series to be published will contain a note outlining the differences between the two measures (SBS and National Accounts) of GVA and an outline of which measure is most appropriate to use in certain circumstances. The revised SBS series will be for the period 2008-12 and will also include the publication of data for 2013 & 2014 for the first time. There will therefore be a significant break in the time series pre and post 2008. The SBS series is also used as for weighting purposes in the Short-term business statistics series. The SBS revisions will impact on these weights and will be incorporated into the STS series at the next STS rebasing.

## **(3) Publication timetable**

The following is the timetable for publication of the revised series:

- Information note on methodological changes - published today June 24th
- Business Demography 2008-14 series – will be published in the week of 4th July
- Structural Business Statistics 2008-14 series - August 2016
- Business in Ireland (a thematic e-publication providing additional analyses) - September 2016

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