

# Overhaul of the system for calculating business births

The system used to calculate business births statistics underwent a radical change following the release of the January 2022 issue of *Informations Rapides*.

The new calculation, which leads to an increase marginally in excess of 5% in the number of businesses created in 2021, is complemented by a recalculation of businesses created since 2012, carried out using the new system.

## An overhaul aiming at a better coverage of the scope of business statistics

The new process aims to align the calculation of the number of business start-ups with the concepts defining the coverage of structural business statistics for the Esane system (Elaboration of annual statistics of companies), which is central to the system used at INSEE for producing annual business statistics and which provides, in particular, the major accounting aggregates concerning the fabric of French production (turnover, value added, etc.). This alignment is also a requirement of the new European Business Statistics Regulation.

As a result, statistics for business births now cover all non-agricultural businesses in the market sector (selling goods or services at an economically significant price) that produce goods or services. This definition no longer recognises whether the businesses are “operating” or “non-operating”. Businesses deemed “non-operating”, i.e. businesses that provide means of production to another productive unit, are therefore recorded among business start-ups, unlike previously. These businesses can generate value added and are therefore adequately covered by business statistics.

## An upward re-estimate of the number of business births

Mainly due to the concepts being aligned, this new method of calculating business start-ups leads to an upward revision of the previously published number of business start-ups, increasing by marginally more than 5% in 2021, i.e. approximately 55,000 additional births out of a total of just over 1,050,000. To ensure temporal consistency across the series, a new retrospective calculation of all business start-up series – dating back to 2012 – was carried out using the new system. Every seasonal adjustment model has also been revised and adjusted to correlate with each new series.

A number of aggregate series at national level have been backcast to 2000: the number of business start-ups estimated using the previous system between 2000 and 2012 has been adjusted upwards on the basis of the change observed in 2012 between the old and new methods. The new business start-up series therefore cover 10 years for all French departmental and regional series, and more than 20 years for major national aggregates.

## The three main reasons for these changes

There are three main reasons for the upward revisions in the number of business births as calculated using the new method.

First, the tally of business start-ups now includes a number of individual businesses that were previously excluded. The vast majority of these businesses are conventional sole proprietorships operating in the door-to-door sales sector (APE code: 4799A). The number of start-ups in this group reached almost 48,000 in 2020 having increased over the preceding decade. These businesses were not included in the

business start-up statistics but were included in the structural statistics, notably in the Esane system. Those businesses are now included among business births for the sake of consistency and account for most of the variance observed in the figures.

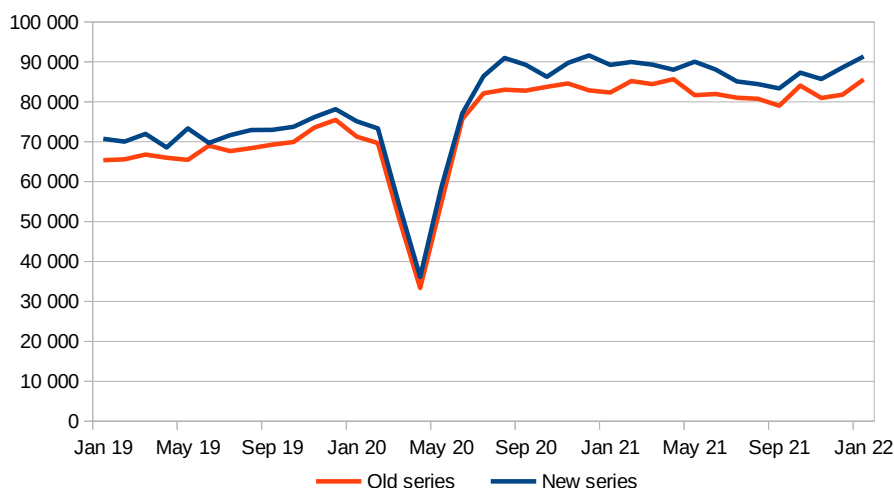
Second, “non-operating” productive businesses are now counted in business start-ups (see above). However, as these businesses often became later “operating”, they were counted in the business births, albeit with a time lag, when they went on to operate. Thus, the effects of this conceptual shift tend to offset each other, and its overall impact remains limited, with just over 10,000 additional start-ups each year.

Lastly, there are differences in the monthly records, which are associated with registration dates that may differ slightly in the new process. The registration dates are what are taken into account in short-term statistics publications concerning business start-ups, with a delay of several days being observed on account of business registration taking place in the so-called SIRUS statistical business register as opposed to the National Enterprise and Establishment Register Database (SIRENE register) used previously. This means that start-ups recorded during the final few days of a given month may actually be counted during the subsequent month according to the recalculation.

## An upwardly revised number of start-ups and a slightly more dynamic progression over ten years

The graph below shows the comparison between the old and new monthly business births series (seasonally adjusted series, with all business types combined). The upward revision of business start-ups (+6.7% on average from 2012 to 2021 inclusive) has no significant impact on the series’ recent trends (Graph 1): what deviations exist mainly result from the different date on which business start-ups are recorded and from the seasonally adjusted models being updated.

**Graph 1: working day and seasonally adjusted data showing business births per month in France, all business types and sectors combined.**



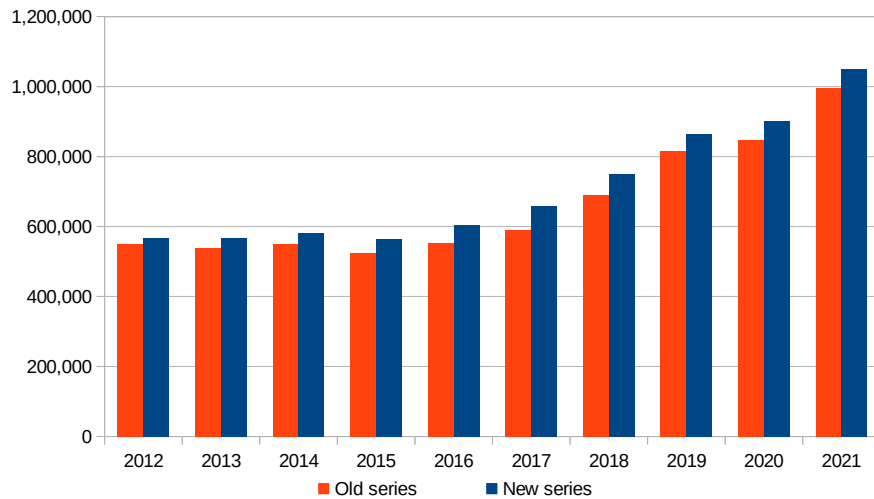
Reading Note: when adjusted by working day and season, there are 88,600 business births in total (all business types and sectors combined) in December 2021 under the new system – an increase on the figure of 81,700 according to the previous calculation.

Sources: INSEE, REE (SIRENE)

Among business start-ups, the proportion of conventional sole proprietorships increases to 12.6% in 2021 (compared to 8.4% according to the previous calculation), mainly due to the new conventional sole proprietorships included in door-to-door sales. Conversely, the proportion of micro-entrepreneurs' registrations falls slightly (60.8% in 2021 according to the new calculation compared to 64.4% according to the previous one), as does the proportion of corporations (26.6% compared to 27.2%).

Over the long term (Graph 2), the increase in business births is slightly more pronounced under the new system (+87% between 2012 and 2021, instead of +81%), in part due to the growth of business start-ups in the door-to-door sales sector, something which the new series takes into account more effectively.

**Graph 2: raw data showing business births per year in France, all business types and sectors combined**



Reading Note: when the data combines all business types and sectors, there are 1,051,000 business births in 2021 under the new system – an increase on the figure of 995,900 according to the previous calculation.

Sources: INSEE, REE (SIRENE)