

# Business profile

Briefing note for Ruapehu District Council

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## Background

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## Business profile

- Business unit numbers have been falling across the last decade with 2014 having 161 less business units than 2004, this has come about mainly from farm mergers
- In 2014 the primary sector has the most business units with 641 or 36 percent of all business units
- The number of new businesses created a year has more than halved since 2004, while business deaths have only declined slightly
- Two business units in Ruapehu District employ more than 100 people in 2014, while a further nine employ more than 50
- Owner-operator, self-employed and family run businesses without any employees make up around 60 percent of all business units in the district.

The purpose of this briefing note is to identify the profile and characteristics of businesses within the Ruapehu District, and to examine whether and how this has changed over the last ten years, by focussing on the number of business units present within each of the eight main sectors of the economy.<sup>1</sup> The analysis in this briefing note is confined to the eight sectors due to the limitations of the available data and to allow for meaningful analysis to be presented.

Table 1 provides a summary of the number of business units registered in Ruapehu District in 2014, and over the last ten years. The past decade saw the number of businesses registered in the district fall by 0.9 percent per annum, from 1,926 business units in 2004 to 1,765 business units in 2014. However the construction, business services, and arts and recreation services sectors bucked this trend, showing marked growth.

**Table 1 Summary of business units, Ruapehu District, 2004 to 2014**

Sector	Business Units (number)				%pa change		
	2004	2012	2013	2014	2013	2014	2004 to 2014
Primary	837	692	658	641	-4.9	-2.6	-2.6
Manufacturing	44	36	36	38	0.0	5.6	-1.5
Construction	115	136	137	133	0.7	-2.9	1.5
Wholesale and Distribution	85	85	77	74	-9.4	-3.9	-1.4
Retail Trade and Services	287	267	259	258	-3.0	-0.4	-1.1
Business Services	377	416	432	450	3.8	4.2	1.8
Arts and Recreation Services	44	52	47	50	-9.6	6.4	1.3
Social Services	137	125	120	121	-4.0	0.8	-1.2
<b>Ruapehu District</b>	<b>1,926</b>	<b>1,809</b>	<b>1,766</b>	<b>1,765</b>	<b>-2.4</b>	<b>-0.1</b>	<b>-0.9</b>
<b>New Zealand</b>	<b>454,826</b>	<b>504,381</b>	<b>507,908</b>	<b>523,043</b>	<b>0.7</b>	<b>3.0</b>	<b>1.4</b>

Source: BERL Regional Database, 2014

With 641 business units, the primary sector contained the largest number of business units (or 36 percent of all business units) in 2014; however it also experienced the largest decline over the past decade with numbers declining steadily throughout the period. Without the decline in primary

<sup>1</sup> See appendix A for Statistics New Zealand criteria on business units.

business units over the past decade, the number of businesses in Ruapehu District would be similar in 2014 to what was seen in 2004.

The decline in business units in the primary sector is in line with the general trend seen nationally. This is mainly occurring because farming businesses are merging to gain economies of scale, and lower their costs of production. In 2014, this decline in business units may have also been a residual effect of the drought experienced during the year which saw one of the lowest lamb crops in 60 years. Business service units on the other hand have shown some resurgence in numbers, particularly since 2012.

Figure 1 breaks down the number of business units registered in Ruapehu District in 2014 into eight sectors. Just over three-quarters of all business registered in the district belonged to three sectors: the primary sector (36 percent), the business services sector (25 percent) and the retail trade and services sector (15 percent). This very closely reflects the figures for 2013, with the exception of the decrease in primary units and increase in business services as outlined above.

**Figure 1 Share of business units, Ruapehu District, 2014**

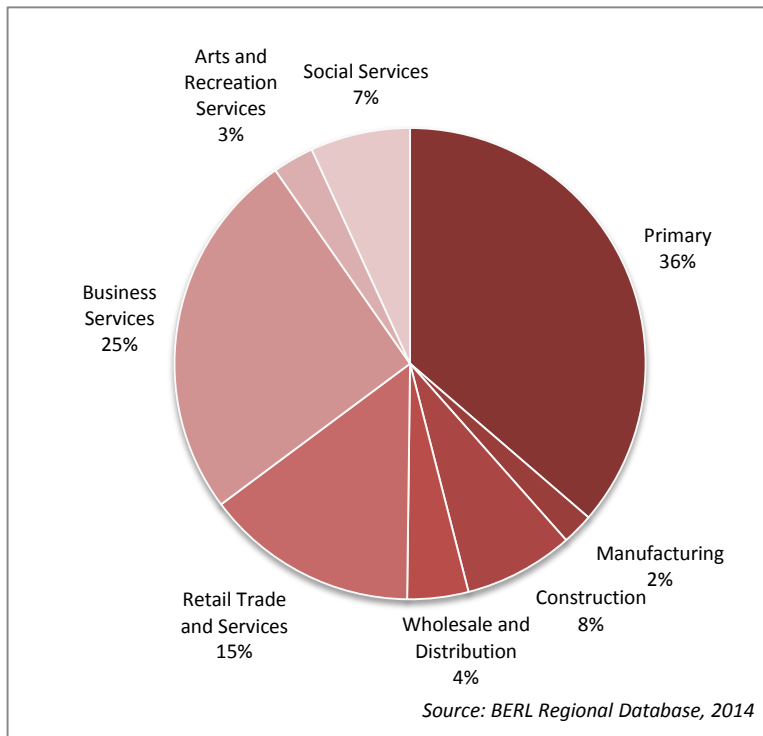


Table 2 summarises business births (i.e. number of businesses opening) within the district for the eight main industries. Over the past decade the annual number of business births fell by 7.3 percent, with all sectors seeing a drop in the number of births. While there were fluctuations within each of the eight sectors between 2013 and 2014, overall the number of business births in the district was the same as in 2013, at 87. What is interesting to note however is the strong growth in both the wholesale and distribution, and in particular the retail trade and services sectors with 150 percent and 400 percent increases respectively over the past year.

**Table 2 Summary of business births, Ruapehu District, 2004 to 2014<sup>2</sup>**

Sector	Business Births (number)				%pa change		
	2004	2012	2013	2014	2013	2014	2004 to 2014
Primary	48	18	24	18	33.3	-25.0	-9.3
Manufacturing	9	0	6	3	na	na	-10.4
Construction	15	12	9	9	-25.0	0.0	-5.0
Wholesale and Distribution	33	12	6	15	-50.0	150.0	-7.6
Retail Trade and Services	24	15	3	15	-80.0	400.0	-4.6
Business Services	75	45	36	27	-20.0	-25.0	-9.7
Arts and Recreation Services	0	3	0	6	-100.0	na	na
Social Services	0	6	0	3	-100.0	na	na
<b>Ruapehu District</b>	<b>186</b>	<b>99</b>	<b>87</b>	<b>87</b>	<b>-12.1</b>	<b>0.0</b>	<b>-7.3</b>

Source: Statistics NZ, BERL Calculations

Table 3 provides a summary of the number of business deaths within each of the eight sectors over the last decade. The total number of business deaths in the district decreased quite significantly, from 174 in 2004 to 111 business deaths in 2014. The primary and business services sectors are the two main sources of business births in the district, and they are also the main sectors affected by business deaths. Together they jointly contributed just over 62 percent of all business deaths.

**Table 3 Summary of business deaths, Ruapehu District, 2004 to 2014<sup>3</sup>**

Sector	Business Deaths (number)				%pa change		
	2004	2012	2013	2014	2013	2014	2004 to 2014
Primary	90	27	45	36	66.7	-20.0	-8.8
Manufacturing	3	3	3	3	0.0	0.0	0.0
Construction	6	15	12	12	-20.0	0.0	7.2
Wholesale and Distribution	18	27	24	18	-11.1	-25.0	0.0
Retail Trade and Services	15	24	18	18	-25.0	0.0	1.8
Business Services	51	42	33	33	-21.4	0.0	-4.3
Arts and Recreation Services	0	6	6	3	0.0	-50.0	na
Social Services	3	6	6	3	0.0	-50.0	0.0
<b>Ruapehu District</b>	<b>174</b>	<b>132</b>	<b>132</b>	<b>111</b>	<b>0.0</b>	<b>-15.9</b>	<b>-4.4</b>

Source: Statistics NZ, BERL Calculations

Business births continue to be outpaced by business deaths, with 111 businesses closing in 2014 and 87 opening. As a ratio this means that for every new business that opened, 1.3 businesses closed. This is a well below the figures of a decade ago, when the district had 186 business openings and 174 closings. However, over the past year, the number of business births was stable, with the same number of births in 2014 as 2013. On a positive note, there were no or fewer business deaths across all 8 sectors compared to 2013. This may reflect the improving conditions for the primary sector in particular over the year, which saw higher international prices and export volumes for dairy, meat and wool, and forestry.

<sup>2</sup> Note that figures for 2013 and preceding years were revised by Statistics NZ in 2014 which means that they may differ slightly from those presented in the BERL report *Business profile: Briefing note for Ruapehu District Council*, July 2014, reference no. 5523.

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Figure 2 displays the total number of business births and deaths in Ruapehu District over the past decade. Business deaths have outweighed the total number of business births since 2007 in the district, though the size of this gap has closed somewhat over the past year with no change in the number of new business births but fewer business deaths. This could indicate that the total amount of new investment in Ruapehu District may have started to pick up again reflecting the nationwide trend which has seen the total number of business units increasing steadily over the past year.

**Figure 2 Summary of total business births and deaths, Ruapehu District, 2004 to 2014**

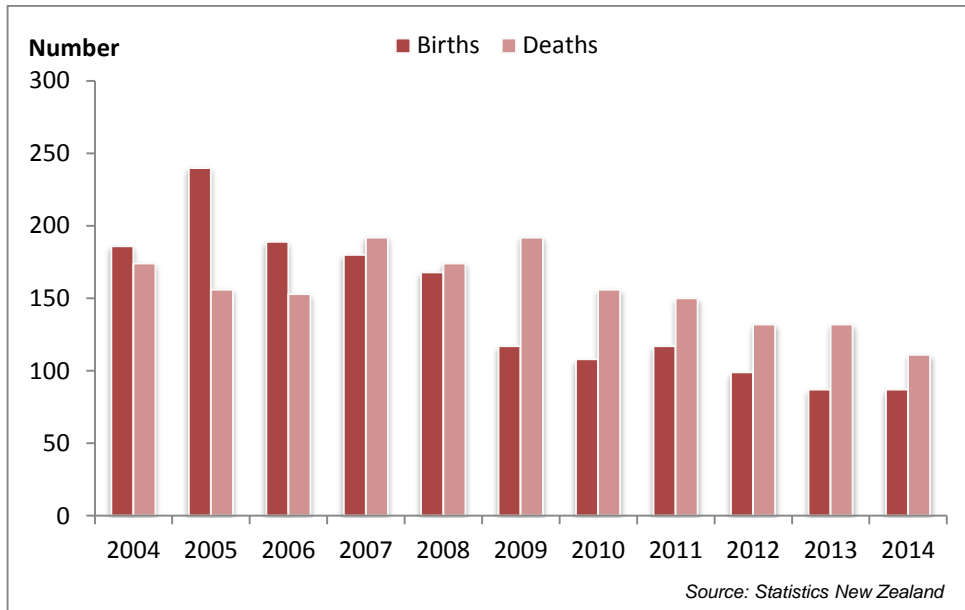


Table 4 provides a summary of business sizes by total employee count in Ruapehu District in 2014. It indicates that most businesses in the district are small owner operated enterprises with nearly 62 percent of all business units indicating that they had zero employees.<sup>4</sup> The second largest group based on total employee size was the 1 to 5 group which recorded 461 business units; however this was down from 483 in 2013. The 6 to 9 group saw a marked increase of nearly 20 percent over the year, which was largely accounted for by increases in the retail trade and services industry. The decrease in the 1 to 5 group and increase in 6 to 9 group may suggest that some businesses may have expanded over the year, or possibly amalgamated. At the other end of the scale, the district still had only two businesses which employed 100 or more people.

**Table 4 Summary of business size by employee count, Ruapehu District, 2014<sup>5</sup>**

Industry	Employee size (number)						
	Zero	1 to 5	6 to 9	10 to 19	20 to 49	50 to 99	100+
Primary	414	179	21	20	6	1	0
Manufacturing	21	12	2	1	C	1	1
Construction	75	40	7	4	7	C	C
Wholesale and Distribution	33	26	11	3	1	0	0
Retail Trade and Services	104	94	33	20	5	2	0
Business Services	372	62	5	9	1	1	0
Arts and Recreation Services	34	11	1	1	3	C	C
Social Services	34	37	23	14	8	4	1
<b>Total</b>	<b>1087</b>	<b>461</b>	<b>103</b>	<b>72</b>	<b>31</b>	<b>9</b>	<b>2</b>

Source: Stats NZ, BERL Calculations 2014

<sup>4</sup> It is worth noting that zero employees is the Statistics New Zealand definition of any business which does not have a single paid employee regardless of the number of people who are associated with the business as an owner. For instance a family run business may have several family members working within the business but if it doesn't employ anyone it will be counted as a business with zero employees.

<sup>5</sup> Statistics New Zealand uses a C to mark cells where data has been made confidential to protect individual businesses from being identified.

## Appendix A Business unit coverage criteria

The coverage of business demography statistics is limited to economically significant enterprises that are engaged in the production of goods and services in New Zealand. They must meet at least one of the following criteria:

- annual expenses or sales subject to GST of more than \$30,000
- 12-month rolling mean employee count of greater than three
- part of a group of enterprises
- registered for GST and involved in agriculture or forestry
- over \$40,000 of income recorded in the IR10 annual tax return (this includes some units in residential property leasing and rental).



