

# Recent Trends in New Firm Creations and Bankruptcies

## 1. Recent developments

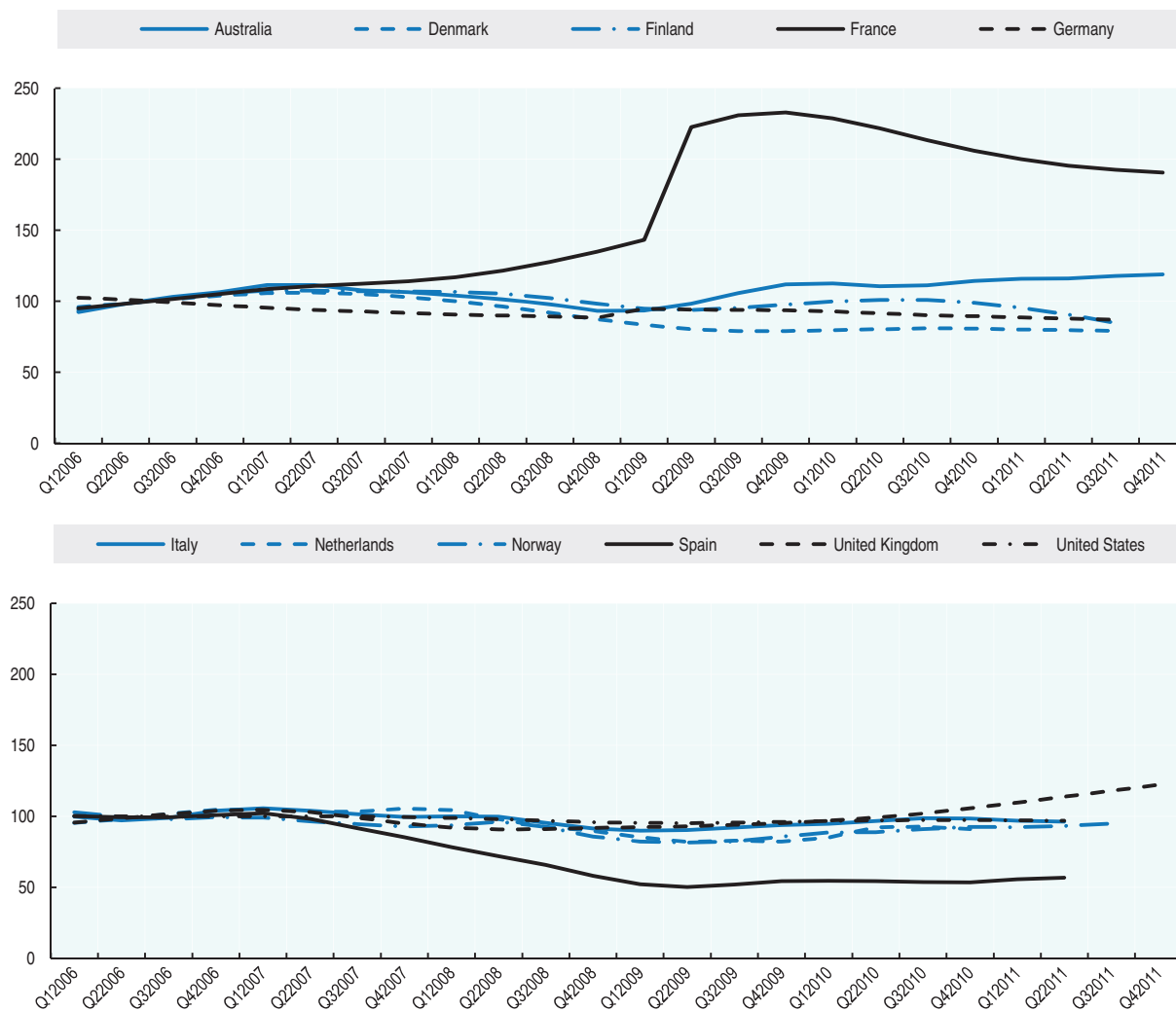
Start-ups are an important source of job creation in OECD economies. Monitoring them provides an important, timely, indicator of entrepreneurialism in an economy, particularly when coupled with other information, for example, the state of the overall labour market or measures introduced by governments to stimulate self-employment. It is important to note, when interpreting the data, that “push” factors (i.e. high structural unemployment) and “pull” factors (e.g. increased opportunities) can both play a role in high start-up rates.

At the height of the global economic crisis, start-up rates fell precipitously in all OECD countries where data are available. In subsequent quarters, start-up rates began picking up, toward pre-crisis levels, spectacularly so in France in response to the introduction of a simplified procedure to start-up an individual enterprise, namely the “*régime de l’auto-entrepreneur*”. In the first half of 2011, however, this momentum appeared to have stalled or slowed in most countries, but remained above the lows seen at the height of the crisis in all countries except Germany. In Spain, start-up rates continued to show a modest acceleration but they remained significantly below pre-crisis levels.

Tentative signs have emerged of a pick-up in the most recent periods, albeit based on data for only a few countries, with rates continuing to show relatively robust growth in Australia and the United Kingdom in the fourth quarter of 2011, and steady growth in Norway in the third quarter.

Bankruptcy rates can also provide timely indicators of entrepreneurship, although as is the case with timely start-up rates, some caveats are needed in interpretation and in comparing rates across countries and time. Indeed, different regulatory environments and insolvency procedures can distort comparisons and create lags between the time of an event that may lead to a bankruptcy and the actual recorded time of the bankruptcy. Despite these caveats, it is clear that the recent global crisis had an observable impact on the number of bankruptcies. Between the first quarter of 2008 and the second quarter of 2009 the number of bankruptcy procedures increased considerably in most countries for which data are available, and remained at relatively high levels throughout the first half of 2010. In Denmark and the United States the increase was exceptional, but rates have since begun to slow, albeit remaining at levels significantly above pre-crisis levels. In

Figure 0.1. **New enterprises, selected countries**  
 Number of new enterprises, trend-cycle, 2006 = 100

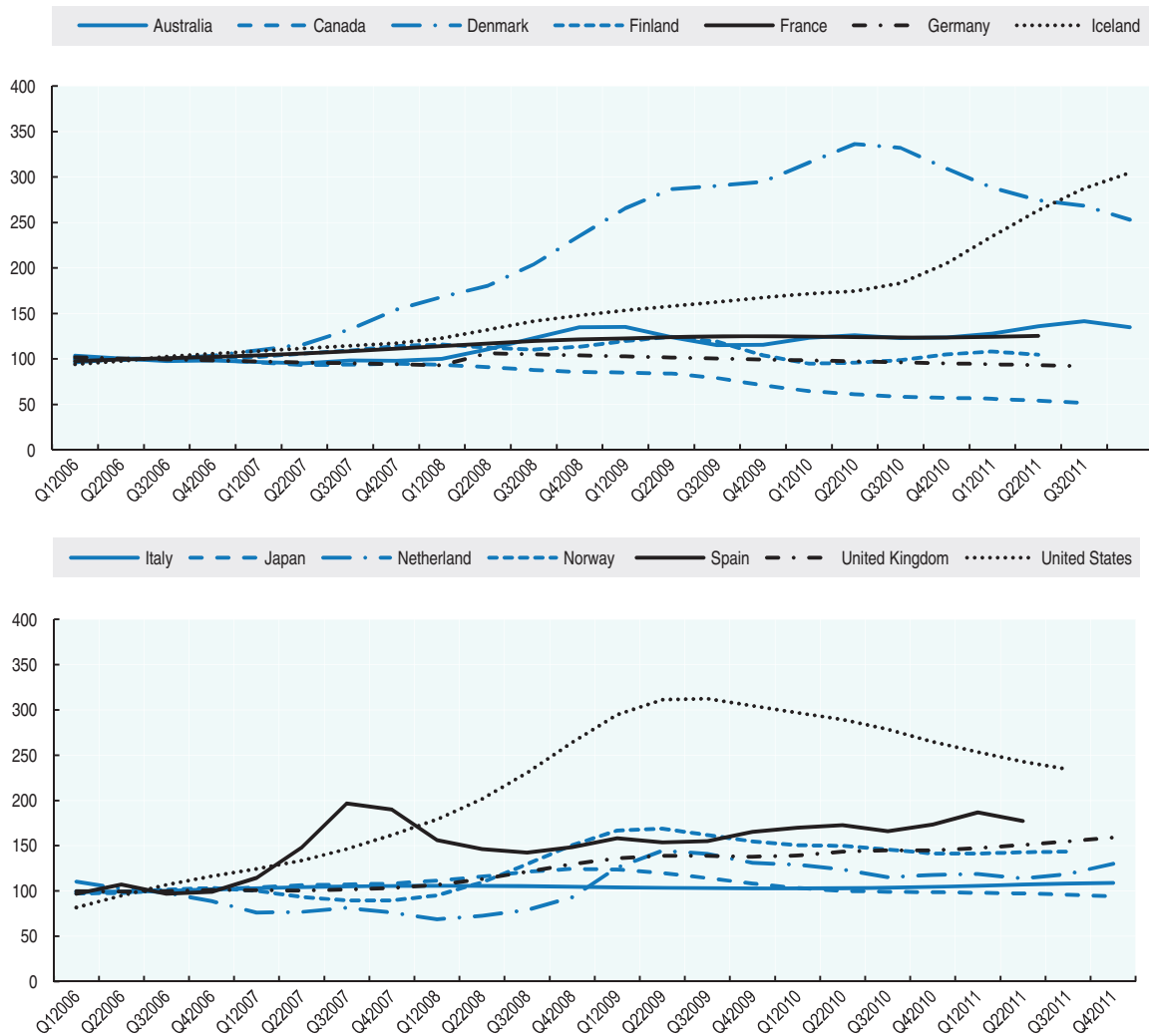



StatLink  <http://dx.doi.org/10.1787/888932596669>

Iceland, however, rates have continued to grow significantly in recent periods. Rates have also continued to increase, albeit more modestly, in the United Kingdom and the Netherlands. Canada saw a steady downward trend in bankruptcy rates that even started before the crisis.

Figure 0.2. **Bankruptcies, selected countries**

Number of bankruptcies, trend-cycle, 2006 = 100

StatLink  <http://dx.doi.org/10.1787/888932596688>

## 2. Definitions and methodology

The global crisis heightened interest in entrepreneurship as an essential element to foster economic recovery and employment growth. In order to analyse the impacts of economic cycles on new firm creation, policy makers and analysts need as recent data as possible. The OECD “timely indicators of entrepreneurship” respond to this need and are the result of a new data collection process. They are designed to complement the harmonised business demography indicators from the OECD Structural and Demographic Business Statistics (SDBS) database. Their main purpose is to provide timely information, although this involves limitations in terms of cross-country comparability.

The Timely Indicators of Entrepreneurship (TIE) database uses data based on national definitions only. When possible, adjustments are made to get as close as possible to the Eurostat-OECD Manual on Business Demography Statistics standard definitions (for example by removing agriculture and public companies, excluding inactive companies, etc.). However, since a single source is used, rather than the multiple sources used for

national business registers, the population of enterprises is often incomplete. Depending on the country, the chosen single source may not cover certain legal forms of enterprises (e.g. sole proprietor) or sectors of activity (e.g. education) or enterprises below a certain turnover or employment threshold.

In the timely indicators database:

- An enterprise creation refers to the emergence of a new production unit. This can be either due to a real birth of the unit, or the result of a merger, break-up, split-off or reactivation.
- Bankruptcy is used as an indicator for enterprise deaths.

The concepts of enterprise “creation” and “failure” reflected in the data series differ across countries. Some of the national sources selected for the timely indicators use the concept of enterprise birth, while others use the broader concept of enterprise creation. The concept of enterprise birth is more restrictive than the concept of creation as it refers to a legal entity that appears for the first time with no other enterprise involved in the creation process. It excludes firm creations resulting from mergers or changes of name, type of activity or ownership.

Also, bankruptcy laws differ across countries. In some countries a declaration of bankruptcy means that the enterprise must stop trading immediately. In other countries, enterprises can declare themselves as bankrupt but can still continue trading with receivers in operational control. This results in the winding-up of the enterprise as it goes into liquidation but sometimes the enterprise is able to continue operating, albeit with more restrictive operations and under new management. This means that some enterprises on business registers may be active but also bankrupt, making it very difficult to use a concept of deaths based on bankruptcy, particularly as some nominally bankrupt companies may recover.

On the other hand, firm closures can be due to different reasons, and only some consist of liquidations following bankruptcy. The financial literature has highlighted that countries differ in terms of the probabilities of firms being involved in bankruptcy or other insolvency procedures, and also in the final results of these procedures. The proportion of bankruptcy procedures that end up in actual liquidations of the companies, and not in re-organisations, varies across countries depending on the bankruptcy code.

Finally, the timely indicators of entrepreneurship are meant to be used for comparisons across countries in terms of trends and are presented as trend-cycle data. The *trend-cycle* is the underlying path or general direction reflected in data over the longer term, i.e. the combined long-term (trend) and medium-to-long-term (cycle) movements in the original series. In a time series, the *trend-cycle* is the component that represents variations of low frequency, the high frequency fluctuations having been filtered out. This component can be viewed as those variations with a period longer than a chosen threshold (usually 1 1/2 years is considered as the minimum length of the business cycle). In practice, the estimation of the trend-cycle is done by estimating and removing the seasonal and irregular components from the original non-adjusted data.

### 3. Sources of data on new creations and bankruptcies

The OECD Timely Indicators of Entrepreneurship database is available on <http://dotstat.oecd.org/Index.aspx>. Sources and definitions for enterprise entries and bankruptcies used in the database are described in Tables 0.1 and 0.2 respectively.

Table 0.1. **National sources and definitions of enterprise creations**

Sources and definitions of enterprise creations	
Australia	<p><i>Source:</i> Australian Securities and Investments Commission (ASIC). New company registrations. Monthly data. Incorporated companies only <a href="http://www.asic.gov.au/asic/ASIC.NSF/byHeadline/Insolvencies%2C%20terminations%20%26%20new%20reg%20stats%20portal%20page">www.asic.gov.au/asic/ASIC.NSF/byHeadline/Insolvencies%2C%20terminations%20%26%20new%20reg%20stats%20portal%20page</a></p>
Belgium	<p><i>Source:</i> SPF Économie, DGSIE, Dynamique de la population des entreprises. <i>Primo-assujettissements à la TVA.</i> Monthly data. <a href="http://statbel.fgov.be/fr/statistiques/chiffres/economie/entreprises/vie_entreprises/assuj/dynamique/index.jsp">http://statbel.fgov.be/fr/statistiques/chiffres/economie/entreprises/vie_entreprises/assuj/dynamique/index.jsp</a></p>
Denmark	<p><i>Source:</i> Statistics Denmark. Quarterly data. <a href="http://www.statbank.dk/statbank5a/default.asp?w=1280">www.statbank.dk/statbank5a/default.asp?w=1280</a></p>
Finland	<p><i>Source:</i> Statistics Finland. Quarterly data. These statistics are derived from data in Statistics Finland's Business Register. They cover those enterprises engaged in business activity that are liable to pay value-added tax or act as employers. Excluded are foundations, housing companies, voluntary associations, public authorities and religious communities. The statistics cover enterprises of the state but not those of municipalities. Data are provided for the number of enterprise "openings". <a href="http://pxweb2.stat.fi/Database/StatFin/Yri/aly/aly_fi.asp">http://pxweb2.stat.fi/Database/StatFin/Yri/aly/aly_fi.asp</a></p>
France	<p><i>Source:</i> INSEE, sirene. Monthly data. Number of births. Data are based on the Eurostat definition. A birth amounts to the creation of a combination of production factors with the restriction that no other enterprises are involved in the event. Data exclude registrations of self-employed in order to mitigate the bias due to the implementation in 2009 of a new enterprise status (<i>régime de l'auto-entrepreneur</i>). Excluding data on agriculture. <a href="http://www.insee.fr/fr/themes/indicateur.asp?id=41">www.insee.fr/fr/themes/indicateur.asp?id=41</a></p>
Germany	<p><i>Source:</i> Statistisches Bundesamt – Destatis. Monthly data. Number of new establishments (main offices and secondary establishments). Small units and auxiliary activities are not included. Transformation, take-over and change in ownership are excluded. New enterprises coming from abroad are also removed from the data on birth. All activities are taken into account. <a href="https://www.destatis.de/DE/ZahlenFakten/GesamtwirtschaftUmwelt/UnternehmenHandwerk/UnternehmenHandwerk.html;jsessionid=097D062C21371DA040D380D3C14D01CC.cae2">https://www.destatis.de/DE/ZahlenFakten/GesamtwirtschaftUmwelt/UnternehmenHandwerk/UnternehmenHandwerk.html;jsessionid=097D062C21371DA040D380D3C14D01CC.cae2</a></p>
Iceland	<p><i>Source:</i> Statistics Iceland. Monthly data. New registrations of limited liability companies. All activities are taken into account. <a href="http://www.statice.is/Statistics/Enterprises-and-turnover/Enterprises">www.statice.is/Statistics/Enterprises-and-turnover/Enterprises</a></p>
Italy	<p><i>Source:</i> InfoCamere, Movimprese – <i>Registre d'entreprises des chambres de commerce italiennes.</i> Quarterly data. Number of entries (<i>iscritte</i>). All legal forms and all activities are taken into accounts. <a href="http://www.infocamere.it/movimprese.htm">www.infocamere.it/movimprese.htm</a></p>
Netherlands	<p><i>Source:</i> Centraal Bureau voor de Statistiek (CBS) – <i>Registre d'entreprises.</i> Quarterly data. Number of establishment births (<i>i.e.</i> excluding mergers, take-over, change of name, change of legal form, change of ownership, gradual change of activities, nationalisation). Data are only available for Industry, trade and market services. Items A,B,E,J,K70,K73,L,M,N,O91,O92 are excluded <a href="http://statline.cbs.nl/StatWeb/dome/?LA=NL">http://statline.cbs.nl/StatWeb/dome/?LA=NL</a></p>
Norway	<p><i>Source:</i> Statistics Norway. Quarterly data. Number of newly established enterprises. Excluding primary industries <a href="http://statbank.ssb.no/statistikbanken/Default_FR.asp?PXSid=0&amp;nvl=true&amp;PLanguage=1&amp;tilside=selectable/hovedtabellHjem.asp&amp;KortnavnWeb=foretak">http://statbank.ssb.no/statistikbanken/Default_FR.asp?PXSid=0&amp;nvl=true&amp;PLanguage=1&amp;tilside=selectable/hovedtabellHjem.asp&amp;KortnavnWeb=foretak</a></p>

Table 0.1. **National sources and definitions of enterprise creations** (cont.)

Countries	Sources and definitions of enterprise creations
Spain	<p><i>Source:</i> Instituto Nacional de Estadística de España (INE). The Mercantile Companies (MC) for monthly data. Number of entries. The “Mercantile Companies” register includes information on incorporated enterprises (natural persons or sole proprietors are excluded). Created “mercantile companies” may not be active and “dissolved mercantile companies” might be removed from the register without having ever been active. <a href="http://www.ine.es/jaxi/menu.do?type=pcaxis&amp;path=%2Ft30%2Fp151&amp;file=inebase&amp;L=1">www.ine.es/jaxi/menu.do?type=pcaxis&amp;path=%2Ft30%2Fp151&amp;file=inebase&amp;L=1</a></p>
Sweden	<p><i>Source:</i> Swedish Agency for Growth Analysis. Quarterly data. Number of new enterprises (genuine new businesses, <i>i.e.</i> births). <a href="http://www.tillvaxtanalys.se/sv/statistik/">www.tillvaxtanalys.se/sv/statistik/</a></p>
United Kingdom	<p><i>Source:</i> Companies House. Monthly data. New registrations (number of entries). All limited companies in England, Wales, Northern Ireland and Scotland are registered at Companies House. Entries reflect the appearance of a new enterprise within the economy, whatever the demographic event, be that a merger, renaming, split-off... or birth. <a href="http://www.companieshouse.gov.uk/about/businessRegisterStat.shtml">www.companieshouse.gov.uk/about/businessRegisterStat.shtml</a></p>
United States	<p><i>Source:</i> Bureau of Labor Statistics (BLS) – Business Employment Dynamics (BED). Quarterly data. Number of establishments with at least one employee. <a href="http://www.bls.gov/bdm/">www.bls.gov/bdm/</a></p>

Table 0.2. **National sources and definitions of bankruptcies**

Countries	Sources and definitions of bankruptcies
Australia	<p><i>Source:</i> Australian Securities and Investments Commission (ASIC). Monthly data. Insolvency statistics – Companies entering external administration. The statistics on “Companies entering external administration” show the number of companies entering into a form of external administration for the first time. ASIC advises that a company will be included only once in these statistics, regardless of whether it subsequently enters into another form of external administration. The only exception occurs where a company is taken out of external administration, for example as the result of a court order, and at a later date re-enters external administration. Members voluntary windings up are excluded. May include provisional data. <a href="http://www.asic.gov.au/asic/ASIC.NSF/byHeadline/Insolvencies,%20terminations%20&amp;%20new%20reg%20stats%20portal%20page">www.asic.gov.au/asic/ASIC.NSF/byHeadline/Insolvencies,%20terminations%20&amp;%20new%20reg%20stats%20portal%20page</a></p>
Canada	<p><i>Source:</i> Office of the Superintendent of Bankruptcy Canada. Monthly data. A business bankruptcy is defined as the state of a business that has made an assignment in bankruptcy or against whom a bankruptcy order has been made. A business is defined as any commercial entity or organisation other than an individual, or an individual who has incurred 50 percent or more of total liabilities as a result of operating a business. <a href="http://osb.ic.gc.ca">http://osb.ic.gc.ca</a></p>
Denmark	<p><i>Source:</i> Statistics Denmark. Registry-based method from January 2009 onwards, “simple count” method before. The number of announcements of bankruptcies is counted excluding units from the Faroe Islands and Greenland. When using the “simple count method”, bankruptcies of both enterprises and individuals (personal bankruptcies) were counted. After the implementation of the registry-based method, only bankruptcies of enterprises are counted, <i>i.e.</i> bankruptcies associated with a “CVR”-number. <a href="http://www.statbank.dk/statbank5a/default.asp?w=1280">www.statbank.dk/statbank5a/default.asp?w=1280</a></p>
Finland	<p><i>Source:</i> Statistics Finland. Quarterly data. They cover those enterprises engaged in business activity that are liable to pay value-added tax or act as employers. Excluded are foundations, housing companies, voluntary associations, public authorities and religious communities. The statistics cover enterprises of the state but not those of municipalities. <a href="http://pxweb2.stat.fi/Database/StatFin/Yri/aly/aly_fi.asp">http://pxweb2.stat.fi/Database/StatFin/Yri/aly/aly_fi.asp</a></p>

Table 0.2. **National sources and definitions of bankruptcies** (cont.)

Countries	Sources and definitions of bankruptcies
France	<p><i>Source:</i> BODACC (<i>bulletin officiel d'annonces civiles et commerciales</i>) data processed by INSEE.</p> <p>Monthly data.</p> <p>Business failures.</p> <p>A business failure is defined as the opening of insolvency proceedings. The statistics on business failures cover both the opening of insolvency proceedings and direct liquidations. They do not reflect the outcome of the proceedings: continuation, take-over or liquidation.</p> <p><a href="http://www.insee.fr/en/themes/indicateur.asp?id=71">www.insee.fr/en/themes/indicateur.asp?id=71</a></p>
Germany	<p><i>Source:</i> Statistisches Bundesamt – Destatis – Unternehmen und Arbeitsstätten, Gewerbeanzeigen.</p> <p>Monthly data.</p> <p>Statistics are based on business registers. Small units and auxiliary activities are not included. Transformation, take-over and change in ownership are excluded. All activities are taken into account.</p> <p><a href="https://www.destatis.de/DE/ZahlenFakten/GesamtwirtschaftUmwelt/UnternehmenHandwerk/UnternehmenHandwerk.html;jsessionid=097D062C21371DA040D380D3C14D01CC.cae2">https://www.destatis.de/DE/ZahlenFakten/GesamtwirtschaftUmwelt/UnternehmenHandwerk/UnternehmenHandwerk.html;jsessionid=097D062C21371DA040D380D3C14D01CC.cae2</a></p>
Iceland	<p><i>Source:</i> Statistics Iceland.</p> <p>Monthly data.</p> <p>Insolvencies of Icelandic enterprises by field of activity, including personal.</p> <p><a href="http://www.static.is/Statistics/Enterprises-and-turnover/Enterprises">www.static.is/Statistics/Enterprises-and-turnover/Enterprises</a></p>
Italy	<p><i>Source:</i> InfoCamere, Movimprese – <i>Registre d'entreprises des chambres de commerce italiennes</i>.</p> <p>Quarterly data.</p> <p>Number of exits (<i>cessate</i>).</p> <p>All legal forms and all activities are taken into account.</p> <p><a href="http://www.infocamere.it/movimprese.htm">www.infocamere.it/movimprese.htm</a></p>
Japan	<p><i>Source:</i> Japan Small Business Research Institute (JSBRI)</p> <p>Monthly data.</p> <p>Number of Bankruptcies.</p> <p>Those statistics compiled by the JSBRI are from the Ministry of Economy, Trade and Industry Small and Medium Enterprise Agency Business Environment Department Planning Division Research Office.</p> <p>Bankruptcies are counted for companies where “bankruptcy” represents more than USD 10 million of the total liabilities. Are included under the definition of “bankruptcy”: default on due payments, legal and corporate reorganisation, company organised by the Commercial Code of Composition Act, <i>hasan</i>, special liquidation. However, closed, out of business, dissolution, personnel cutbacks, such as cases jump bail are excluded.</p> <p><a href="http://www.jsbri.or.jp/new-hp/statistics/s1.html#s1-4">www.jsbri.or.jp/new-hp/statistics/s1.html#s1-4</a></p>
Netherlands	<p><i>Source:</i> Centraal Bureau voor de Statistiek (CBS) –</p> <p>Quarterly data.</p> <p>Number of bankruptcies pronounced by Dutch courts.</p> <p>Excluding individuals without a sole proprietorship.</p> <p><a href="http://www.cbs.nl/en-GB/menu/themas/bedrijven/cijfers/default.htm?Languageswitch=on">www.cbs.nl/en-GB/menu/themas/bedrijven/cijfers/default.htm?Languageswitch=on</a></p>
Spain	<p><i>Source:</i> Instituto Nacional de Estadística de España (INE) –</p> <p>The Mercantile Companies (MC). For Monthly data.</p> <p>Number of exits.</p> <p>The “Mercantile Companies” register includes information on incorporated enterprises (natural persons or sole proprietors are excluded). “Created mercantile companies” may not be active and “dissolved mercantile companies” might be removed from the register without having ever been active</p> <p><a href="http://www.ine.es/jaxi/menu.do?type=pcaxis&amp;path=%2Ft30%2Fp151&amp;file=inebase&amp;L=1">www.ine.es/jaxi/menu.do?type=pcaxis&amp;path=%2Ft30%2Fp151&amp;file=inebase&amp;L=1</a></p>
United Kingdom	<p><i>Source:</i> Companies House.</p> <p>Monthly data.</p> <p>Incorporated companies only.</p> <p>Total insolvencies. Including compulsory liquidations, creditors’ voluntary liquidations, and administrative orders converted to Cred. Excluding Members’ voluntary liquidations.</p> <p><a href="http://www.companieshouse.gov.uk/about/companiesRegActivities.shtml">www.companieshouse.gov.uk/about/companiesRegActivities.shtml</a></p>
United States	<p><i>Source:</i> United States Courts.</p> <p>Quarterly data.</p> <p>Statistics on bankruptcy petition filings – total business filings (Chapters 7, 11 and 13).</p> <p><a href="http://www.uscourts.gov/Statistics/BankruptcyStatistics.aspx">www.uscourts.gov/Statistics/BankruptcyStatistics.aspx</a></p>





PART I

# Measuring Entrepreneurship





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