

Business births and deaths trends in Nelson-Tasman to September 2021



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Foreword

This report provides timely insights about the number of businesses that are starting up and failing during the COVID-19 pandemic, as well as characteristics about these businesses.

This update report compares the local area against the rest of New Zealand, with analysis of the following:

- Recent business births using the companies register:
 - o How many businesses were started each month up to September 2021?
 - o Which industries were these new businesses in?
- Recent business deaths using the companies register:
 - o How many businesses became inactive each month up to September 2021?
 - o Which industries were these business deaths in?

About the dataset

Monthly business births and deaths data is based on a bulk data feed of New Zealand Business Numbers (NZBN) from the Companies Office, while the business stock context is derived from Statistics New Zealand's Business Demography database (up to February 2020).

Registered companies only, which represent close to 90% of new business structures are considered in the monthly feed. Companies leave a footprint in the administrative data from day dot so are conducive to regular and timely monitoring, while sole traders typically only enter the register in March each year as an accountant formalises the sole trading structure in preparation of their first set of accounts. Companies that were known to be a holding company in the month they started are excluded.

The NZBN register is a complex dataset of more than 1,000,000 entries that has dynamic changes each month as businesses enter the register or update their status. Our system identifies changes to the register and geocodes entities to local areas. Changes are attributed to business births or deaths, depending on the nature of the change. Reporting is based on companies' characteristics as at the month the data was extracted, but being a dynamic register, subsequent changes to each company may occur.

Key findings

- Entrepreneurship in Nelson-Tasman remained resilient in the September 2021 quarter, despite the uncertainty of the most recent Covid-19 outbreak and associated lockdown.
- In the September 2021 quarter there were 324 new businesses, compared to 332 a year ago.
- People's willingness to start a business has been resilient throughout the COVID-19 pandemic - even during the strictest period of lockdown in April 2020, there were still 60 new businesses started. Cumulatively throughout the September 2021 year the businesses that have started in Nelson-Tasman have been equivalent to 9.0% of the business stock, compared to 11.1% of the business stock nationally. Nelson-Tasman's slightly lower startup rate is consistent with long-term trends and is not uncommon in regional New Zealand.
- A large volume of financial and insurance service, as well as professional, scientific, and technical service businesses have been started. These types of businesses are a 'weightless' good where proximity to customers does not matter.
- High numbers of new agricultural, forestry and fishing businesses are consistent with elevated commodity prices for most of Nelson-Tasman's key primary sector exports.
- Strong housing demand and sharp increases to property prices have led to a flurry of new businesses in hiring and real estate, and construction.
- Business deaths spiked to their highest in September 2020 (184 closures) immediately following the end of some aspects of the government's extraordinary support, including 'safe harbour' protection for directors of businesses facing liquidity problems.
- The number of business deaths declined to very low levels during the early stages of 2021.
- More recently, business closures have risen again, particularly as the most recent lockdown hit in August. The sudden lockdown was the final nail in the coffin for some struggling businesses.
- Recent closures have been within industries that have also had large numbers of new businesses. This observation indicates that creative destruction has been occurring, a process where new, potentially more innovative enterprises replace those that have found themselves in a less competitive position.

The road ahead

Over the months ahead, the composition of industries and places in which businesses start may change. As we move towards a new normal, opportunities will emerge unevenly across industries. Not only is the crisis affecting patterns of customer demand, but business practices and supply chains will look different to before the crisis.

This process of change is a friend of entrepreneurship, with new gaps that emerge driving potential business ideas.

However, change will also leave some existing businesses in a position they are unable to adapt from. As a result, there will be an increasing number of business deaths that emerge during the rest of the year.

The lessons from the Global Financial Crisis showed that there is a lagged response for business deaths, as business owners survive as long as they can. But the GFC also showed that entrepreneurial spirit to give something new a go persisted throughout, with business startup rates remaining surprisingly high at all stages of the crisis. When faced with reduced other prospects, the opportunity cost of failure for budding entrepreneurs is less. This flexibility to adapt is something that can help drive New Zealand's economic recovery.

Recent business births using the companies register

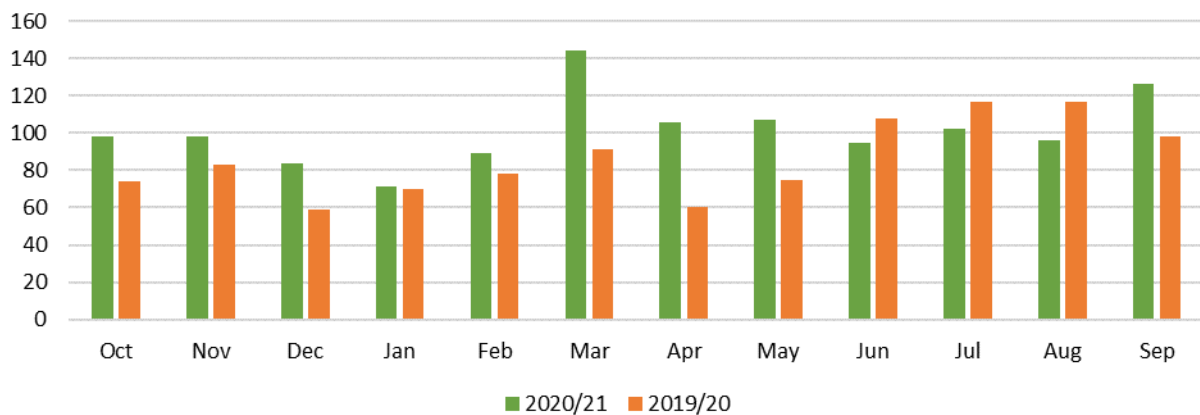
This section gives recent monthly trends in business births over the September 2020 and September 2021 years using data from the Companies Office.

How many businesses were started in the September 2021 year?

The following chart shows monthly business births trends over the September 2021 year, compared with the same months a year earlier.

Graph 1

New businesses started in Nelson-Tasman New businesses added to the companies register each month



Entrepreneurship in Nelson-Tasman remained resilient in the September 2021 quarter, despite the uncertainty of the most recent Covid-19 outbreak and associated lockdown. During the September 2021 quarter there were 324 new businesses started, compared to 332 a year ago.

People's willingness to start a business has been resilient throughout the COVID-19 pandemic - even during the strictest period of lockdown in April 2020, there were still 60 new business started. This result was higher than the 59 businesses started in December 2019 before the pandemic.

The relative resilience of the New Zealand economy has given many people the confidence to be entrepreneurial. Additionally, the rapid structural changes occurring in the economy have created opportunities for some new business ventures, while other businesses have been created by people who lost their jobs in industries that suffered because of the pandemic. This flexibility to adapt is something that can help drive New Zealand's economic recovery.

The following table summarises the number of businesses started each month across the September 2021 year, compared to the same month a year earlier.

Table 1

New businesses started in Nelson-Tasman*New businesses added to the companies register*

Month	2020/21	2019/20
Oct	98	74
Nov	98	83
Dec	84	59
Jan	71	70
Feb	89	78
Mar	144	91
Apr	106	60
May	107	75
Jun	95	108
Jul	102	117
Aug	96	117
Sep	126	98
Total	1,216	1,030

How do recent business births compare to New Zealand?

Entrepreneurship in Nelson-Tasman held at a slightly lower level than New Zealand throughout the past year. This finding is consistent with long-term trends and is not uncommon in regional New Zealand.

Cumulatively throughout the September 2021 year the businesses that have started in Nelson-Tasman have been equivalent to 9.0% of the business stock, compared to 11.1% of the business stock nationally.

These trends are summarised in the following table.

Table 2

Business births during September 2021 year as share of existing business stock*Companies register births as % of stock in Stats NZ business demography (Feb-20 estimate)*

Month	Nelson-Tasman	New Zealand
Oct	0.7%	0.9%
Nov	0.7%	0.9%
Dec	0.6%	0.7%
Jan	0.5%	0.8%
Feb	0.7%	0.9%
Mar	1.1%	1.2%
Apr	0.8%	1.0%
May	0.8%	1.0%
Jun	0.7%	1.0%
Jul	0.8%	0.9%
Aug	0.7%	0.9%
Sep	0.9%	0.8%
Cumulative	9.0%	11.1%

Which industries have recent business births been in?

Business births over recent months have been across a range of industries. The following table summarises the industry breakdown of business births over the past three months.

A large volume of financial and insurance service, as well as professional, scientific, and technical service businesses have been started. These types of businesses are a 'weightless' good where proximity to customers does not matter. An increase in these types of businesses have been evident in many other parts of regional New Zealand that are attractive for people to locate themselves in for lifestyle reasons. The increase in such businesses is also aligned to increased levels of agricultural and real estate activity.

High numbers of new agricultural, forestry and fishing businesses are consistent with elevated commodity prices for most of Nelson-Tasman's key primary sector exports.

High housing demand and sharp increases to property prices have led to a flurry of new businesses in hiring and real estate, and construction.

There have also been many new retail businesses.

Table 3

Industry breakdown of business births over past three months

Companies office registrations by industry in Nelson-Tasman, July 2021 to September 2021

Industry	New Companies	Share
Financial and Insurance Services	56	17.6%
Agriculture, Forestry and Fishing	53	16.7%
Construction	36	11.3%
Professional, Scientific and Technical Services	34	10.7%
Rental, Hiring and Real Estate Services	28	8.8%
Retail Trade	22	6.9%
Manufacturing	14	4.4%
Accommodation and Food Services	14	4.4%
Other Services	12	3.8%
Transport, Postal and Warehousing	10	3.1%
Arts and Recreation Services	10	3.1%
Administrative and Support Services	9	2.8%
Wholesale Trade	8	2.5%
Information Media and Telecommunications	5	1.6%
Health Care and Social Assistance	5	1.6%
Education and Training	2	0.6%
Mining	0	0.0%
Electricity, Gas, Water and Waste Services	0	0.0%
Public Administration and Safety	0	0.0%
Not stated	6	-
Total	324	100%

The industry breakdown of business starts has remained relatively similar over the past year. A notable exception is agriculture, forestry and fishing, which one year ago had a much lower level of new businesses. The sustained period of higher commodity prices since then has buoyed confidence in the primary sector.

The following table gives the industry breakdown of new businesses over the September 2020 quarter.

Table 4

Industry breakdown of business births over past three months

Companies office registrations by industry in Nelson-Tasman, July 2020 to September 2020

Industry	New Companies	Share
Financial and Insurance Services	62	18.8%
Rental, Hiring and Real Estate Services	50	15.2%
Professional, Scientific and Technical Services	47	14.3%
Construction	35	10.6%
Retail Trade	29	8.8%
Manufacturing	24	7.3%
Accommodation and Food Services	14	4.3%
Administrative and Support Services	13	4.0%
Agriculture, Forestry and Fishing	12	3.6%
Wholesale Trade	10	3.0%
Other Services	10	3.0%
Transport, Postal and Warehousing	8	2.4%
Health Care and Social Assistance	8	2.4%
Arts and Recreation Services	4	1.2%
Education and Training	3	0.9%
Mining	0	0.0%
Electricity, Gas, Water and Waste Services	0	0.0%
Information Media and Telecommunications	0	0.0%
Public Administration and Safety	0	0.0%
Not stated	3	-
Total	332	100%

Recent business deaths using the companies register

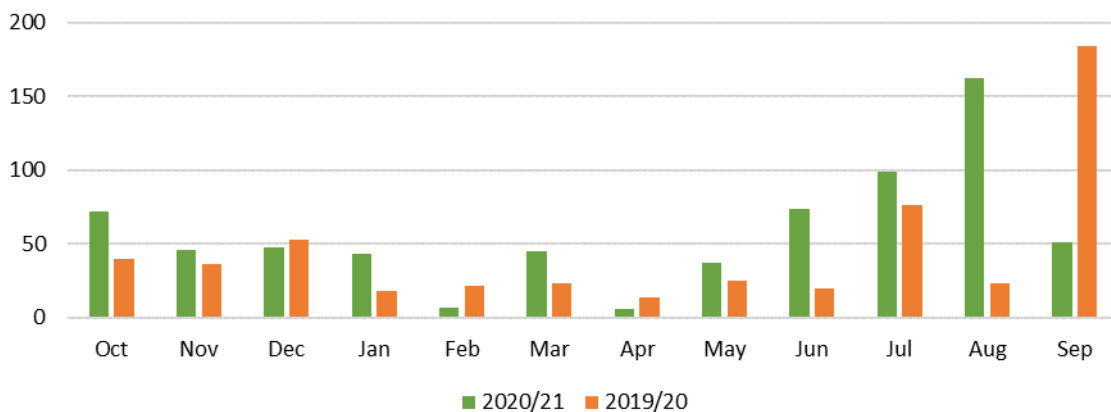
This section gives monthly trends in business deaths across the September 2021 year using data from the Companies Office. Business deaths are defined as companies that have been removed from the register or are in liquidation, receivership, or voluntary administration. The information can help show the number of businesses that have actioned a formal decision to cease operations in the period since the COVID-19 pandemic started. There can be a lag between when a business owner decides to shutdown and the date on which their accountant formalises that action by updating the business' Companies Office record.

How did monthly business deaths evolve in the September 2021 year?

The following chart shows monthly business deaths trends across the September 2021 year compared to the previous year.

Graph 2

Business deaths in Nelson-Tasman *Businesses removed from the companies register each month*



Business deaths spiked to their highest in September 2020 (184 closures) immediately following the end of some aspects of the government's extraordinary support, including 'safe harbour' protection for directors of businesses facing liquidity problems.

The number of business deaths declined thereafter to very low levels during the early stages of 2021.

More recently, business closures have risen again, particularly when the most recent lockdown hit in August. The sudden and prolonged lockdown was the final nail in the coffin for some struggling businesses. For example, during August 2021 there were 162 business closures, compared to just 23 in August last year. Across the whole September 2021 quarter there were 312 business closures, compared to 283 a year ago.

The following table summarises the monthly numbers of business deaths across the September 2021 year.

Table 5

Business deaths in Nelson-Tasman		
<i>Removed from the companies register</i>		
Month	2020/21	2019/20
Oct	72	40
Nov	46	36
Dec	48	53
Jan	43	18
Feb	7	22
Mar	45	23
Apr	6	14
May	37	25
Jun	74	20
Jul	99	76
Aug	162	23
Sep	51	184
Total	690	534

How do recent business deaths compare to New Zealand?

Business death rates as a proportion of the existing business stock in Nelson-Tasman have been at a lower level than the rest of the country over the past year. This finding is consistent with historical trends and is not uncommon in regional New Zealand.

Cumulatively throughout the September 2021 year the businesses that have closed down in Nelson-Tasman have been equivalent to 5.1% of the business stock, compared to 6.5% of the business stock nationally.

These trends are summarised in the following table.

Table 6

Business deaths during September 2021 year as share of existing business stock		
<i>Companies register deaths as % of stock in Stats NZ business demography (Feb-20 estimate)</i>		
Month	Nelson-Tasman	New Zealand
Oct	0.5%	0.6%
Nov	0.3%	0.4%
Dec	0.4%	0.5%
Jan	0.3%	0.5%
Feb	0.1%	0.1%
Mar	0.3%	0.5%
Apr	0.0%	0.2%
May	0.3%	0.4%
Jun	0.6%	0.6%
Jul	0.7%	0.7%
Aug	1.2%	1.6%
Sep	0.4%	0.5%
Cumulative	5.1%	6.5%

Which industries have recent business deaths been in?

Business deaths over recent months have been across a range of industries. The following table summarises the industry breakdown of business deaths over the past three months.

More recent closures have been within industries that have also had large numbers of new businesses. This observation indicates that creative destruction has been occurring, a process where new, potentially more innovative enterprises replace those that have found themselves in a less competitive position.

Table 7

Industry breakdown of business deaths over past three months

Companies office deaths by industry in Nelson-Tasman, July 2021 to September 2021

Industry	Number	Share
Professional, Scientific and Technical Services	26	14.6%
Retail Trade	25	14.0%
Rental, Hiring and Real Estate Services	23	12.9%
Construction	19	10.7%
Accommodation and Food Services	16	9.0%
Financial and Insurance Services	14	7.9%
Agriculture, Forestry and Fishing	10	5.6%
Manufacturing	9	5.1%
Other Services	8	4.5%
Transport, Postal and Warehousing	5	2.8%
Administrative and Support Services	5	2.8%
Wholesale Trade	4	2.2%
Health Care and Social Assistance	4	2.2%
Education and Training	3	1.7%
Arts and Recreation Services	3	1.7%
Mining	1	0.6%
Electricity, Gas, Water and Waste Services	1	0.6%
Information Media and Telecommunications	1	0.6%
Public Administration and Safety	1	0.6%
Not stated	134	-
Total	312	100%

There have been no discernible changes in the pattern of the industry breakdown of business closures over the past year. The following table summarises the industry breakdown of business deaths over the September 2020 quarter a year ago.

Table 8

Industry breakdown of business deaths over past three months*Companies office deaths by industry in Nelson-Tasman, July 2020 to September 2020*

Industry	Number	Share
Professional, Scientific and Technical Services	34	17.3%
Retail Trade	26	13.3%
Rental, Hiring and Real Estate Services	26	13.3%
Construction	18	9.2%
Accommodation and Food Services	15	7.7%
Financial and Insurance Services	14	7.1%
Agriculture, Forestry and Fishing	11	5.6%
Other Services	9	4.6%
Manufacturing	8	4.1%
Transport, Postal and Warehousing	7	3.6%
Health Care and Social Assistance	7	3.6%
Administrative and Support Services	6	3.1%
Arts and Recreation Services	5	2.6%
Education and Training	4	2.0%
Wholesale Trade	3	1.5%
Information Media and Telecommunications	2	1.0%
Electricity, Gas, Water and Waste Services	1	0.5%
Mining	0	0.0%
Public Administration and Safety	0	0.0%
Not stated	87	-
Total	283	100%