

Entrepreneurship in regions

On average, 11% of firms in OECD regions were created within the previous 12-month period, with regional differences in a country of up to 13 percentage points.

Creations of new firms and closures of existing, but unsuccessful, firms are quintessential components of a functioning economy. New firms generate employment, spur competition and foster innovation, and the replacement of old unprofitable firms typically contributes to a more efficient allocation of resources within regional economies.

Each year the business environment in the OECD area is characterised by considerable changes as new firms replace old ones. In 2015, almost 10.8 % of firms with at least one employee in OECD regions consisted of newly created firms. At the same time, around 9.4% of existing firms with employment were closed in 2015. The net creation rate of firms, the difference between creation and closure rates, was 1.4%, which was 2 percentage points higher than in 2014. Across OECD countries, regional firm creations differ significantly. While the average regional firm creation rate was below 5% in Belgium and Norway, in several Eastern European countries, such as the Czech Republic, Estonia or Hungary, the regional average surpassed 10% (Figure 1.21). Similarly, average regional net firm creation rates range from more than 4% in the United Kingdom to -2.7% in the Slovak Republic.

Most countries have large spatial differences in the rates of firm creations and firm closures. In five countries – Austria, Spain, France, the United Kingdom, and Italy – the interregional range is particularly large (Figure 1.23). In each case, the most dynamic region records a firm creation rate that is over double that of the firm creation rate in the least dynamic region (Figure 1.21). Overall, the United Kingdom, Italy and France display the largest regional disparities. Firm closure rates also vary widely within countries. For example, Seine-Saint-Denis in France recorded a firm

closure rate of more than 15%, the highest regional rate in the OECD (Figure 1.22). In contrast, only around 8% of firms were closed in Haute-Marne, France, resulting in an interregional gap of more than 7 percentage points. With regard to net firm creation rates, regional differences are largest in Denmark, Portugal, and Italy, where net creations differ up to 6 percentage points.

Firm creations and firm closures are closely linked. Regions with higher share of new firms also experience relatively more firm closures. With regards to both firm closures and firm creations, capital regions are often particularly dynamic. Capitals such as Vienna (Austria), Brussels (Belgium), Copenhagen (Denmark), or Lisbon (Portugal) are the regions with the highest business churn in their respective countries.

Source

OECD (2018), OECD Regional Statistics (database), <http://dx.doi.org/10.1787/region-data-en>.

OECD (2017), *The Geography of Firm Dynamics: Measuring Business Demography for Regional Development*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264286764-en>.

Reference years and territorial level

2015 or latest available year.

TL2 regions in Australia, Canada, Belgium, Israel, Mexico, the Netherlands, the United States. TL3 regions in all other countries.

Further information

OECD/Eurostat (2007), *Eurostat-OECD Manual on Business Demography Statistics*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264041882-en>.

Ahmad, N. (2008), “A proposed framework for business demography statistics”, in *Measuring Entrepreneurship*, Springer US, pp. 113-174.

Figure notes

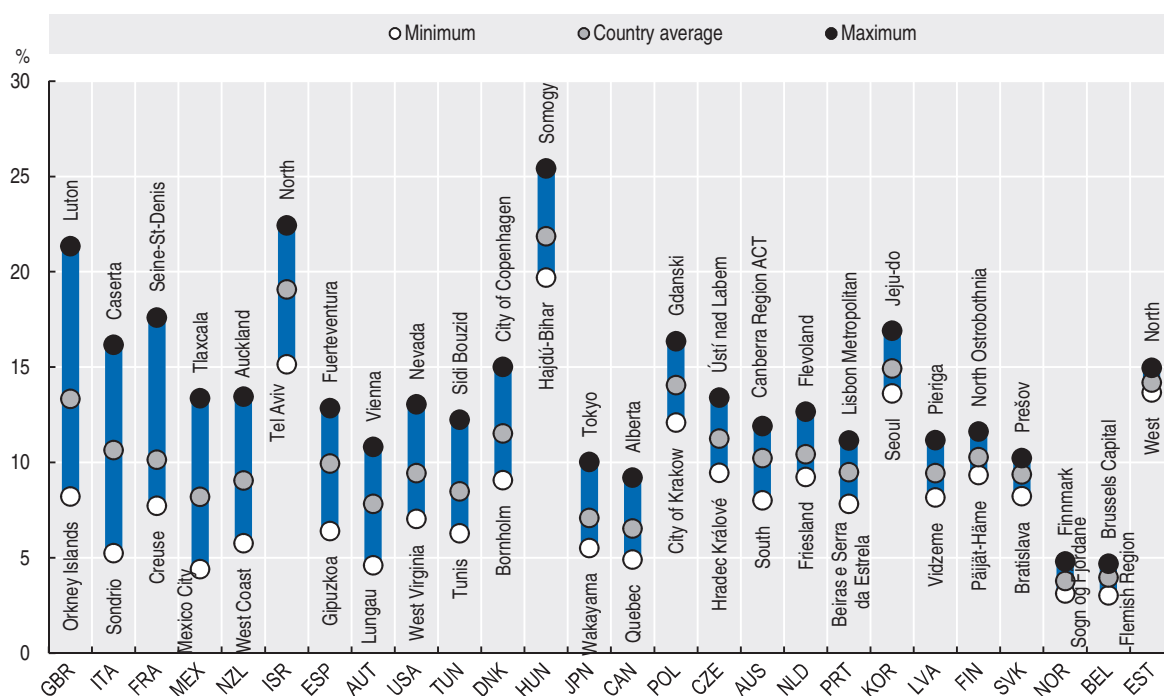
1.21-1.24: 2016 or latest available year: New Zealand and Norway, 2016; Estonia, Israel, Japan, Latvia, Mexico and United States, 2014; Denmark, 2013; Poland, 2010. TL3 regions, except TL2 regions in Australia, Belgium, Israel, Mexico, Netherlands, and United States. Statistics are based on employer firms where such data are available. In Israel, Korea, Netherlands, Poland, and Tunisia all firms including non-employer firms are considered. In Japan, Mexico, New Zealand, and United States, statistics are derived from establishment data. Statistics are calculated for ISIC Rev. 4 sectors B to S. For Australia statistics are calculated for sectors A to S, additionally including agriculture as no separate data are available for sectors B to S.

Definition

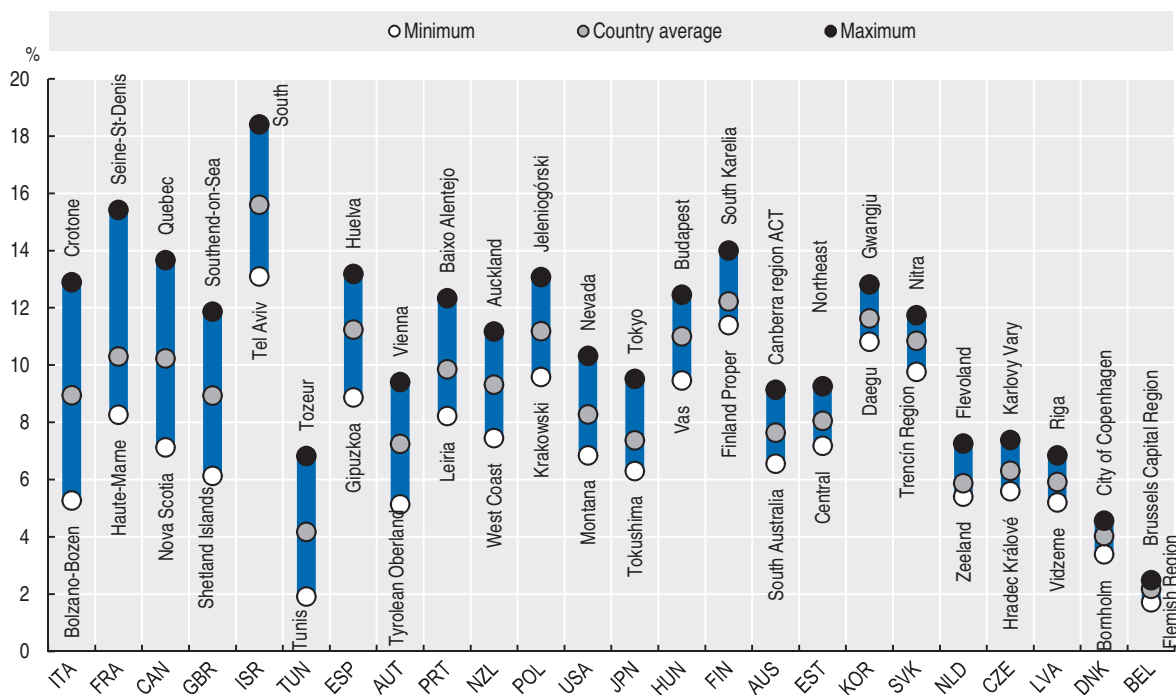
Enterprise birth: Creation of a combination of production factors with the restriction that no other enterprise is involved in the event. Excludes entries in the business population due to reactivations, mergers, break-ups, split-offs and restructuring. Firm birth rate is the ratio of new firms to active firms

Enterprise death: Dissolution of a combination of production factors with the restriction that no other enterprises are involved in the event. Excludes exits from the population due to mergers, take-overs, break-ups and restructuring of a set of enterprises. Firm death rate is the number of firm deaths relative to active firms.

1.21. Regional variation in firm creation rates, 2015

StatLink <http://dx.doi.org/10.1787/888933816744>

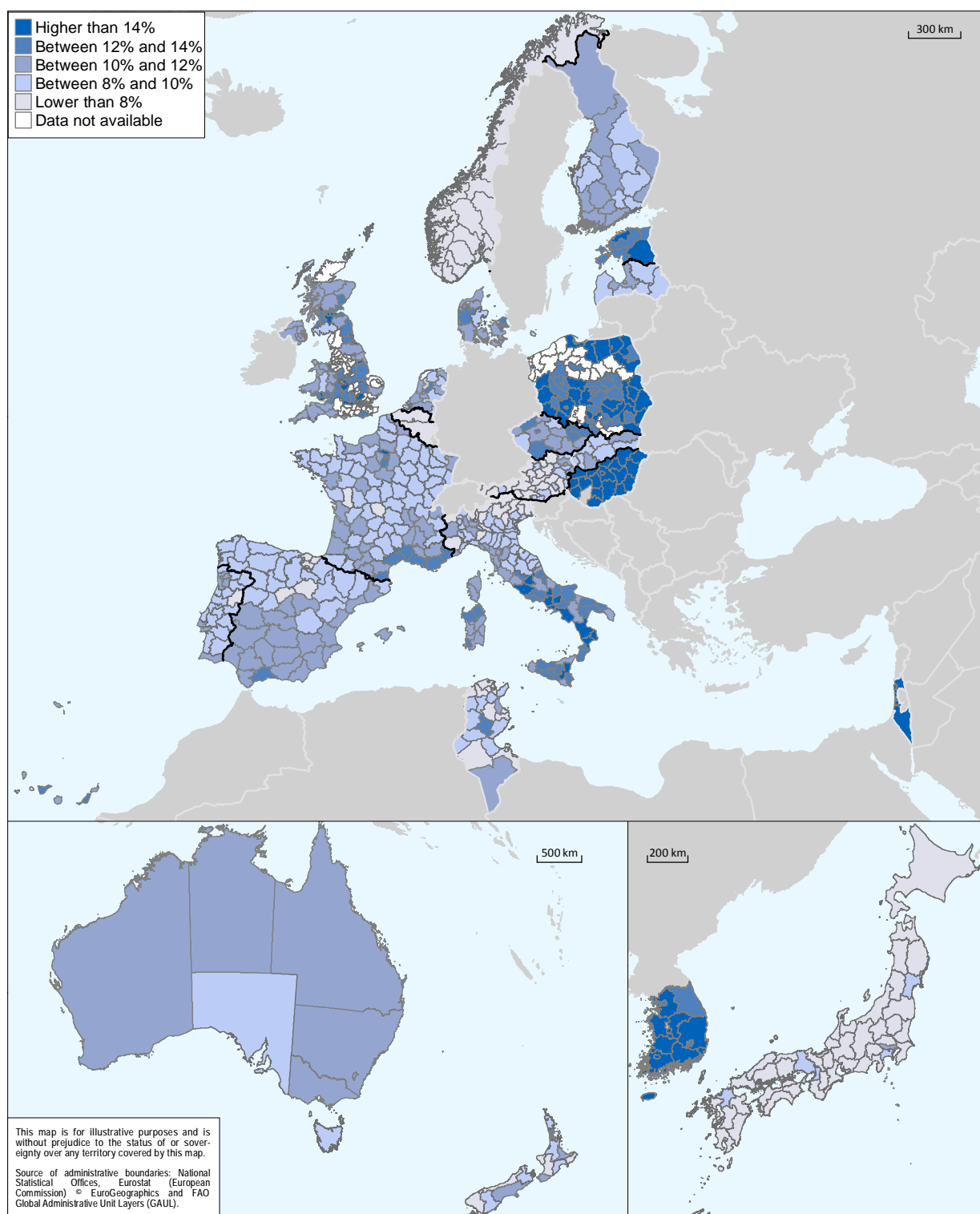
1.22. Regional variation in firm closure rates, 2015

StatLink <http://dx.doi.org/10.1787/888933816763>

1. REGIONS AS DRIVERS OF NATIONAL COMPETITIVENESS

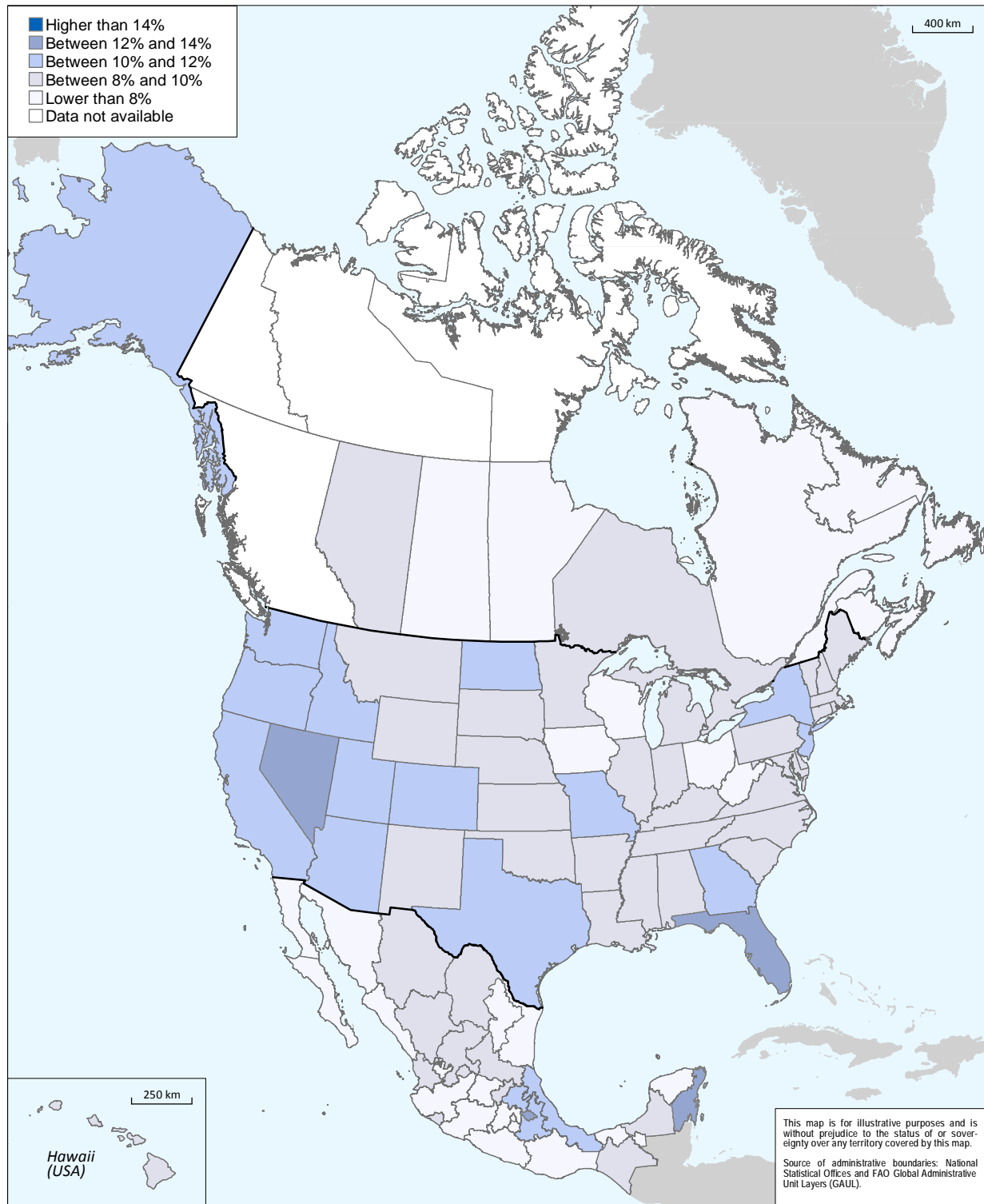
Entrepreneurship in regions

1.23. Firm creation rates in Europe, Asia, Australia, and Tunisia, 2015

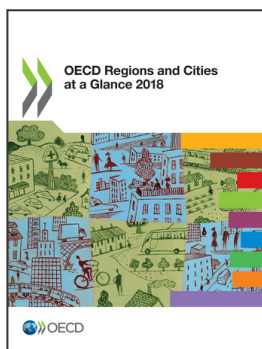


StatLink  <http://dx.doi.org/10.1787/888933816782>

1.24. Firm creation rates in North America, 2015



StatLink  <http://dx.doi.org/10.1787/888933816801>



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