

17 December 2019

Statistical Unit Enterprise

The INE adapts the statistical concept of ‘enterprise’ to measure the economic activity of enterprise groups with greater precision

The modification, which is carried out in a coordinated manner in the European Statistical System, will have a statistical effect on 3.1% of enterprises

By agreement of the European Statistical System (ESS), from the data with reference to the year 2018, the *Statistical Exploitation of the Central Companies Directory (CCD)*, the *Harmonised Demographics of Companies* and the *Structural Business Statistics* will establish a new practical application of the statistical concept of ‘enterprise’. These operations will gradually incorporate other structural economic surveys of the INE.

Until 2018, the INE, like most of the European Union’s statistics offices, has been identifying, for operational purposes, the statistical unit enterprise with the legal unit (in the Spanish case, through the NIF). Thus, existing regulations were complied with and the economic activity of the country was adequately reflected.

However, the progressive complexity of the way in which groups of enterprises operate internally nowadays has made the ESS decide to search for an improvement as regards the way in which the activity of these groups is reflected in enterprises’ official statistics.

Following this modification of the statistical concept, which is explained in detail in the “Procedure for the calculation of enterprises within the ESS” section of this press release, most enterprises will remain, as until now, independent legal units. The change will only affect legal units (LU) that are part of enterprise groups (3.1% of the total).

This new concept will be included in the aforementioned statistics following the previously announced publication schedule, and for each one, the INE will offer data revealing the impact of the change.

Need for the adaptation of the statistical unit enterprise

The statistical definition of an enterprise is established by a regulation of the European Union (696/93) that defines it as the smallest combination of legal units that produces goods or services and that enjoys a certain degree of decision-making autonomy, especially for the allocation of its current resources. Thus, an enterprise can carry out more than one economic activity, it can be present in more than one location and it can be composed of one or more legal units.

The objective of this definition and its adoption as a regulation in the European Union is for all countries to use it in the same way, a basic requirement for the statistical results to be fully comparable.

However, the way in which enterprise groups operate internally means the legal units pertaining to said groups have seen their decision-making capacity regarding the employment of their resources reduced.

Sometimes, these units are responsible for a single factor of production or provide services exclusively within the group, without being market orientated or having the power to decide on the whole production process.

In the context of economic globalisation, the legal units of a group can be managed from one country whilst accounting can be carried out from another and production in another or others. For this reason, coherence and cooperation between all countries is essential to reach not only national but European aggregates. It should not be forgotten that enterprises' statistics produced by the INE serve both European and national purposes.

Procedure for the calculation of enterprises within the ESS

A series of operational rules have been adopted to refine the implementation in practice of the definition given by Regulation 696/93 and achieve a comparable application in all countries of the European Union.

The INE has been working in recent years on the implementation of these rules to ensure the quality of its enterprise statistics and data consistency with other countries.

The result of the application of these rules is as follows:

- For legal units that do not belong to enterprise groups, which are the vast majority of those operating in Spain, it does not imply any change. A statistical enterprise will remain equivalent to a legal unit.
- In enterprise groups, legal units have been grouped according to various criteria.

For example, if in an enterprise group different legal units carry out different stages of the same production process and the outputs of one are the inputs of another, all of them form a single enterprise, for statistical purposes. A case of this type may be a group that manufactures wardrobes and, in order for them to do so, a legal unit of the group that manufactures wardrobe doors sells all its production to another unit of the same group (the one that assembles the wardrobes): both legal units will belong to one enterprise instead of being two as before.

Another case may occur when legal units provide services or ancillary activities to other legal units of the group (employ staff, maintain accounts or transportation). The enterprise will then be formed by all of them together. The statistical unit enterprise thus formed will have a main economic activity to which all economic variables will be assigned (employment, turnover, purchases, investment, etc.).

For further information you can access the methodology at:

https://www.ine.es/metodologia/t37/t3730200_profiling.pdf

Impact of statistical unit change

Since the change in the statistical unit is focused on enterprise groups, the effect will be greater or lesser depending on the importance they have in each sector of activity.

The change will also be different depending on the variables. Thus, in the number of units (enterprises versus legal unit) the change of statistical unit will not be significant.

Distribution of legal units in groups by sections of the CNAE

	Total of Legal Units	Legal Units in Groups	Percentage of units (%)
TOTAL	3,414,966	104,168	3.1
B. Mining and quarrying	2,276	380	16.7
C. Manufacturing	181,308	10,287	5.7
D. Electricity, gas, steam and air conditioning supply	16,754	5,734	34.2
E. Water supply; sewerage, waste management and remediation activities	7,281	934	12.8
F. Construction	429,092	11,687	2.7
G. Wholesale and retail trade; repair of motor vehicles and motorcycles	748,680	18,271	2.4
H. Transportation and storage	196,715	4,517	2.3
I. Accommodation and food service activities	282,440	4,874	1.7
J. Information and communication	70,153	4,667	6.7
K. Financial and insurance activities	78,563	3,000	3.8
L. Real estate activities	186,493	10,550	5.7
M. Professional, scientific and technical activities	430,965	14,629	3.4
N. Administrative and support service activities	202,107	7,888	3.9
P. Education	106,914	1,265	1.2
Q. Human health and social work activities	166,810	2,265	1.4
R. Arts, entertainment and recreation	102,434	2,114	2.1
S. Other service activities	205,981	1,106	0.5

For the rest of the economic variables, the impact on the different statistics will be known when they are published in accordance with the INE's schedule.

For further information see **INEbase**: www.ine.es/en/ Twitter: [@es_ine](https://twitter.com/es_ine)

All press releases at: www.ine.es/en/prensa/prensa_en.htm

Press office: Telephone numbers: (+34) 91 583 93 63 /94 08 – gprensa@ine.es

Information Area: Telephone number: (+34) 91 583 91 00 – www.ine.es/infoine/?L=1