High-growth enterprises - statistics

Statistics Explained

Highlights

Data on the growth of firms can offer many interesting insights:

- What can we learn from observing the growth trajectories of small and medium-sized enterprises (SMEs)?

- How does growth change with enterprise age?

- Do firms form particularly strong growth clusters in specific regions or sectors?

Official statistics on high-growth enterprises (HGEs) can help to answer such questions by informing about their economic and sectoral characteristics. As such, this type of data is a key guidepost for many policy areas , from cohesion to employment and social policy, or from industrial to innovation policy.

After introducing these policy areas, this article gives an overview of the data on high-growth enterprises available at Eurostat, also referring to news items, explanatory articles, glossary entries and databases on this topic. By presenting relevant statistical definitions embedded in broader statistical domains and policy areas, the article aims to guide the reader through Eurostat's broad range of data about HGEs.

High-growth enterprises in the context of European policymaking

High-growth enterprises (HGEs) play an important role in job creation and innovation in the EU's single market. As drivers of employment, industrial renewal and sectoral productivity, they are at the heart of European entrepreneurship and economic growth. Statistical information about high-growth enterprises can support several European initiatives. In policy discourse, terms like 'startups' and 'scale-ups' are often associated with enterprises which exhibit high growth rates. Policies and projects under the Commission's Startup Europe initiative, funding by the European Innovation Council (EIC) or initiatives within the Single Market Programme are designed to support (highly innovative) companies in scaling their growth. They aim at boosting competitiveness, in particular for small and medium-sized enterprises (SMEs), whose central role as the backbone of Europe's economy is reflected in the European Commission's SME strategy . Intended to improve business conditions for 'startups' and 'scale-ups', such policies range from easing access to finance to reducing administrative burdens, in particular for SMEs.

In the context of the EU's twin green and digital transitions, there are also sector- and technology-specific accelerator programmes for 'start-ups' and 'scale-ups', for example by the European Institute of Innovation and Technology (EIT) or the European Startup prize . The Digital Europe Programme provides funding for key areas of the digital economy, including super-computing, artificial intelligence and cyber-security. A network of European Digital Innovation Hubs (EDIHs) provides a support infrastructure of knowledge hubs to aide companies with challenges arising from the digital transformation. Their roll-out across different regions of the EU aims to embed innovation at a regional level. Similarly, the European Entrepreneurial Region (EER) as well as the Startup Europe regions network highlight the importance of supporting entrepreneurial activity, in particular of 'start-ups' and 'scale-ups', as an investment in regional competitiveness.

Indicators available at Eurostat at a glance

To describe high-growth enterprises, Eurostat's statistics on the structure and dynamics of European businesses, in particular in the domain of business demography , offer relevant indicators. Unlike some of the terms used synonymously for 'high-growth enterprises' in popular and policy discourse, the term 'high-growth enterprise' in official statistics has a clear definition specified in the Implementing Regulation of the European Business Statistics Regulation [1]: 'a high-growth enterprise is an enterprise with an average annualised growth in employees that is greater than 10% over a 3 year period, whereby the enterprise must have at least 10 employees at the beginning of said growth period'.

Based on this **employment-based definition** laid down in the Regulation, Eurostat publishes the following indicators, for which data collection is mandatory in all EU countries:

- number of high-growth enterprises and number of young high-growth enterprises

- number of employees in high-growth enterprises and number of employees in young high-growth enterprises

- average size of high-growth enterprises

- share of high-growth enterprises in the population of active enterprises with 10 employees and over

- employment share of high-growth enterprises in the population of active enterprises with 10 employees and over .

The data collection according to the definition based on employment covers all EU countries.

An alternative to the employment-based definition presented above relies on turnover to distinguish high-growth enterprises. According to this definition, a high-growth enterprise is an enterprise with an average annualised growth in turnover that is greater than 10% over a 3 year period, whereby the enterprise must have at least 10 employees at the beginning of said growth period. Based on this **turnover-based definition** , 2 indicators are available:

- number of high-growth enterprises

- share of high-growth enterprises in the population of active enterprises with 10 employees and over .

As the data collection according to the definition based on turnover is voluntary, country coverage of these variables is incomplete, with data available for less than half of the EU countries.

Additional business demography indicators, such as death and survival rates are not available for high-growth enterprises. For further details about calculations and coverage, the methodological section of this article offers more in-depth explanations. The table below shows links to databases, which contain one or more of these indicators:

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[1]Commission Implementing Regulation (EU) 2020/1197 laying down technical specifications and arrangements pursuant to the Regulation of the European Parliament and of the Council (EU) 2019/2152 on European business statistics ('EBS Regulation').

Description	Database name	Code	Available indicators	Aggregation levels
High-growth enterprises and related employment by countries and economic activities	High growth enterprises and related employment by NACE Rev. 2 activity	bd_hg	All indicators listed above, breakdown of young high-growth enterprises (gazelles)	NACE levels 1 to 3, Country level + EU aggregates
High-growth micro enterprises (growth by more than 3.31 employee over 3 years) and related employment by countries and economic activities	High growth micro enterprises and related employment by NACE Rev. 2 activity	bd_hg_micro	Number of high-growth micro enterprises and employees in them, breakdown of young high-growth micro enterprises Share in all active enterprises	NACE levels 1 to 3, Country level
High-growth enterprises by regions and economic activities	Business demography and high growth enterprises by NACE Rev. 2 activity and NUTS 3 region	bd_hgnace_r	Number of high-growth enterprises (employment-based definition) and Share of high-growth enterprises in the population of active enterprises with 10 employees and more	NACE level 1, Country level, NUTS levels 1 to 3
High-growth enterprises by territorial typology (e.g. urban, rural, coastal etc.) and economic activities	Business demography and high growth enterprises by NACE Rev. 2 activity and other typologies	urt_bd_hgn	Number of high-growth enterprises (employment-based definition) and Share of high-growth enterprises in the population of active enterprises with 10 employees and more	NACE level 1, Country level, Territorial typology (urban – rural, coastal – mountain, island/non-island, border/non-border)
High-growth enterprises by metropolitan regions and economic activities	Business demography and high growth enterprises by NACE Rev. 2 activity and metropolitan regions	met_bd_hgn	Number of high-growth enterprises (employment-based definition) and Share of high-growth enterprises in the population of active enterprises with 10 employees and more	NACE level 1, Country level, Metropolitan regions (aggregated from NUTS 3 level)

eurostat

Table 1: Table showing links to available databases bd_hg, bd_hg_micro, bd_hgnace_r, urt_bd_hgn, met_bd_hgn

Gazelles: Young high-growth enterprises

In the context of enterprise maturity, it is possible to distinguish sub-populations amongst high-growth enterprises based on their age. The EBS Regulation defines young high-growth enterprises ('gazelles') as 5 and 4 year old enterprises with at least 10 employees at the beginning of their growth period (for the full statistical definition, see methodological section of this article). Some of the indicators listed above are also available for the gazelle subpopulation, based on both the employment and the turnover definition of high-growth enterprises:

- number of young high-growth enterprises (gazelles)

- share of young high-growth enterprise (gazelles) in the population of active enterprises with 10 employees and over .

The data collection for employment-based gazelles is mandatory. So full data coverage by countries is available. Some countries provide voluntarily also turnover-based data on gazelles. For the relevant database, please consider the overview table above. Additional business demography indicators, such as death and survival rates are not available for gazelles. From reference year 2021 onwards, the data collection on the gazelle sub-population according to the employment-based definition is compulsory. Available indicators are:

- number of gazelles

- number of employees in gazelles

- average size of gazelles

- share of gazelles in the population of active enterprises with 10 employees and over

- employment share of gazelles in the population of active enterprises with 10 employees and over .

A geographical perspective: High-growth enterprises by regional and territorial units

To explore the spatial distribution of high-growth enterprises, Eurostat also offers a geographical breakdown for some of the variables, which are collected as part of the compulsory data collection. This breakdown is available at different levels of granularity, from the national level down to small regions, defined at the NUTS 3 level . The relevant database is listed in the overview table above.

A complement to this is a breakdown by territories, i.e. a classification of geographical units by their territorial nature rather than their location alone. This typology distinguishes between urban and rural regions as well as between coastal and mountainous regions, allowing for a closer analysis of high-growth enterprises by territory. Like the geographical breakdown, only some of the compulsory, employment-based variables are available at this granularity. The relevant database is listed in the overview table above.

Finally, high-growth enterprises can be analysed from a spatial economy perspective in a breakdown by metropolitan regions. For this breakdown, 2 variables from the employment-based compulsory collection are available: i) the number of high-growth enterprises and ii) the share of high-growth enterprises in the population of active enterprises with at least 10 employees. The relevant database is listed in the overview table above.

A sectoral perspective: High-growth enterprises by economic activity

For sector-specific analysis, high-growth enterprises can be broken down by economic activity, a perspective particularly relevant for guiding sector-specific policy measures. The indicators presented above are available for different economic activities as recorded by NACE Rev. 2, at different levels of granularity, from the first level (sections) to the third level (groups) . Not all indicators have coverage of all economic activities at the highest level of granularity. For ratio-based indicators in particular, coverage is determined by the coverage of the denominator. For further information, the Statistical definitions and methodological notes offers a more in-depth explanation. While it is possible to combine the sectoral and the geographical perspective, economic breakdowns of geographical units beyond the country are available at section level only.

High-growth micro enterprises

Currently, statistics on high-growth enterprises cover enterprises with 10 and over employees at the beginning of growth. To extend the data collection to enterprises that are very small at the beginning of their growth (for the full statistical definition, see methodological section of this article), a pilot project was created to cover micro enterprises with 1 to 9 employees based on similar methodological principles as the data collection on high-growth enterprises.

Most importantly, its growth criterion to distinguish high-growth micro enterprises was derived from the high-growth enterprise population with at least 10 employees. For these, annualised growth of more than 10% over a 3 year period entails an employee count of more than 13.31 employees after 3 years. Analogously, micro enterprises with 1 to 9 employees at the beginning of growth need to grow by more than 3.31 employees over 3 years to be called high-growth micro enterprises.

On these high-growth micro enterprises, 12 countries submitted data to Eurostat as part of the pilot project[2]. The following variables were collected: number of enterprises, employees, persons employed, turnover and finally gross value added. Additionally, a breakdown into 2 size classes is available, distinguishing between enterprises with 1 to 4 employees and those with 5 to 9 employees. Due to the non-mature nature of these statistics, the data collected in this study is published under the category experimental statistics . A thematic deep dive into high-growth micro enterprises based on the data collected in the pilot study can be found in this Statistics Explained article .

After the conclusion of the pilot project, a new data collection on high-growth micro enterprises was launched in which EU countries can transmit data to Eurostat on a voluntary basis. The relevant database is listed in the overview table above.

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[2]The reference year, for which the pilot study collected data, was 2017. The countries which participated in the pilot study are Austria, Bulgaria, Croatia, Denmark, Estonia, Finland, Iceland, Lithuania, Netherlands, Norway, Portugal and Sweden.

Statistical definitions and methodological notes

As described above, the statistical definition of high-growth enterprises is laid down in the EBS legislative framework[3]. Specifically, Variable 210103, defining the number of high-growth enterprises includes the statistical definition of high-growth enterprises: "[. . .] enterprises, having at least 10 employees in t − 3, with average annualised growth in number of employees greater than 10% per annum, over a 3 year period (t − 3 to t). It does not include enterprises, as defined in variable 210201 'enterprise births', in t − 3."[4]

In other words, for a given reference year, the definition of high-growth enterprises includes all enterprises which were a) active but b) not born 3 years before the reference year, c) had at least 10 employees 3 years before the reference year and d) exhibit an average annualised growth in employees which is greater than 10% in the 3 year period leading up to the reference year. EU countries are legally obliged to use this definition in their compulsory annual data collections in this area. An alternative definition, based on which additional data can be submitted to Eurostat on a voluntary basis, refers to the turnover rather than employment to measure growth. By this definition, high-growth enterprises are those with an average annualised growth in turnover that is greater than 10% over a 3 year period, with the size threshold of 10 and over employees still applicable. As such, high-growth enterprises according to the turnover-based definition must also have at least 10 employees in t − 3, and those which are born in t − 3 are excluded from the high-growth population of t, even if they satisfy all the other conditions.

The rationale for excluding enterprises, which were born in t − 3, in both the employment-based and the turnover-based definition, is to make sure that all enterprises in the population have the same average period of activity for each year considered for the growth period. For new-born enterprises, the average period of activity in the first year of operation varies, depending on the month in which they were founded.

For more detailed methodological notes, the 2007 Eurostat-OECD Manual on Business Demography Statistics as well as the UN guidelines on the use of statistical business registers for business demography and entrepreneurship statistics provide more in-depth explanations. It is important to note that the Eurostat-OECD Manual uses a different growth threshold for high-growth enterprises, namely 20%. This threshold has since been reduced to 10% for international data reporting, based on results from pilot studies. The UN guidelines also recommend 10%. For Eurostat data, the 10% threshold is a legal requirement laid down in the Implementing Regulation of the European Business Statistics Regulation .

Regarding data coverage, it is important to note that not all indicators cover all economic activities at the highest level of granularity. For ratio-based indicators in particular, coverage is determined by the lower granularity component of the fraction. Since count variables for high-growth enterprises are available down to the NACE group level, this lower granularity component is usually the denominator, which depends on the active enterprise population of enterprises with 10 employees and over.

Footnotes

Explore further

Other articles

- Structural business statistics (SBS) - theme entry page

- Business demography statistics - overview article

- Quarterly registrations of new businesses and declarations of bankruptcies - statistics

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[3]Commission Implementing Regulation (EU) 2020/1197 laying down technical specifications and arrangements pursuant to the Regulation of the European Parliament and of the Council (EU) 2019/2152 on European business statistics ('EBS Regulation').

[4] Commission Implementing Regulation (EU) 2020 of 30 July 2020 laying down technical specifications and arrangements pursuant to Regulation (EU) 2019/2152 of the European Parliament and of the Council on European business statistics repealing 10 legal acts in the field of business statistics (europa.eu).

- European Business Statistics - overview article on EBS regulation

Database

- Structural business statistics (sbs) (New activity classification (NACE Rev. 2)), see:

Business demography statistics - all activities (bd)

Thematic section

- Structural business statistics

Methodology

- Business demography (bd) : Reference metadata in Single Integrated Metadata Structure (SIMS)
- Eurostat-OECD Manual on Business Demography Statistics

External links

- European Commission - Enterprise and Industry - Small and medium-sized enterprises (SMEs) - Promoting Entrepreneurship