



**Economic and Social
Council**

Distr.
GENERAL

ECE/CES/GE.42/2009/17
17 September 2009

ENGLISH ONLY

ECONOMIC COMMISSION FOR EUROPE

STATISTICAL COMMISSION

CONFERENCE OF EUROPEAN STATISTICIANS

Group of Experts on Business Registers

Eleventh session

Luxembourg, 6-7 October 2009

Item 4 of the provisional agenda

SOURCES FOR IDENTIFICATION OF ENTERPRISE GROUPS (BEFORE PROFILING)

Project for the elaboration of the National Directory of Economic Units in Mexico

Note by the National Statistical Office of México (INEGI)

I. ACTUAL PANORAMA

1. Mexico does not have a system that takes advantage of the administrative registers about the existing establishments and enterprises as well as those which are created, those which does not exist anymore or those which suffer changes in their location, legal status or the activities they perform; a system that allows to know in any moment and with certain security the productive plant of the country.

2. There are many administrative registers; for example, for the tax payment, enterprises make a registration in the Office of the Tax System (SAT); to register their employees, in the Mexican Institute of Social Security (IMSS); the enterprises have to register in the Federal Electricity's Office in order to have electricity; so, we have a lot of administrative registers in order to know the new enterprises. However, those registers are not complete at all because a lot of enterprises neither make their registers nor register their changes, besides the registers are not efficient when we talk about the deaths of enterprises or establishments or the changes that occur on them.

3. The country has also other two directories that are very important because they are derived from two fundamental national projects: the Economic Censuses and the Agricultural

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Censuses, both made by the National Institute of Statistics and Geography (Instituto Nacional de Estadística y Geografía, INEGI), of Mexico.

4. However, these directories have full effect only a short time because the mobility of the economic units is very high and it takes a long time to make the next census in order to have a new directory (INEGI makes economic census each five years and agricultural census each 10 years).

5. Besides, continuous surveys (they are also realized by INEGI) give to the directory of the Economic Census a certain feedback when we talk about the largest establishments, but not as for medium and the small ones, which are those who have the most mobility; that is the main reason the directory becomes obsolete very fast.

6. An additional problem is that the several of the sources that could feed the unique directory are not connected with each other, neither conceptually nor in an operative way, not as for the information of the directories could be shared and compared between the institutions which produce them.

II. LEGAL ASPECTS

7. Recently, new conditions have been created; these ones make easier the transit to the creation of the National Directory of Economic Units and its permanent updating: the new autonomy of INEGI lead to a complete change in the law that governs the statistical and geographical aspects of Mexico (the Law of the National System of Statistical and Geographical Information), in which there is as a mandate the creation of a National Directory of Economic Units.¹ For this task, this law gives to INEGI the responsibility to build, govern and operate the directory,² as well as coordinate all the institutions that deal with administrative registers about enterprises or establishments. The participation of all the institutions is obligatory by law.³

¹ 23rd ARTICLE. The National Subsystem of Economic Information, will have an infrastructure of data that has as minimum, a geo-statistical frame and a National Directory of Economic Units.

The Directory mentioned in the previous paragraph and its economic classifications are of compulsory use for the organization of administrative registers that could be useful in order to obtain information of national interest.

² 94th ARTICLE. The Institute will establish, operate and govern the stock and the directory mentioned in the 20th and 23rd articles, and it will establish, operate and govern other necessary registers for statistical and geographical purposes.

³ 95th ARTICLE. The individual entities with business activities and the legal entities, except those of the public sector, are forced to register in the National Directory of Economic Units in charge by the Institute, and to keep updated the registration, in accordance with the regulations made by the Institute.

The units in charge of the administrative registers that allow getting information of national interest should proportionate to the Institute the information required for the creation and updating of the National Directory of Economic Units.

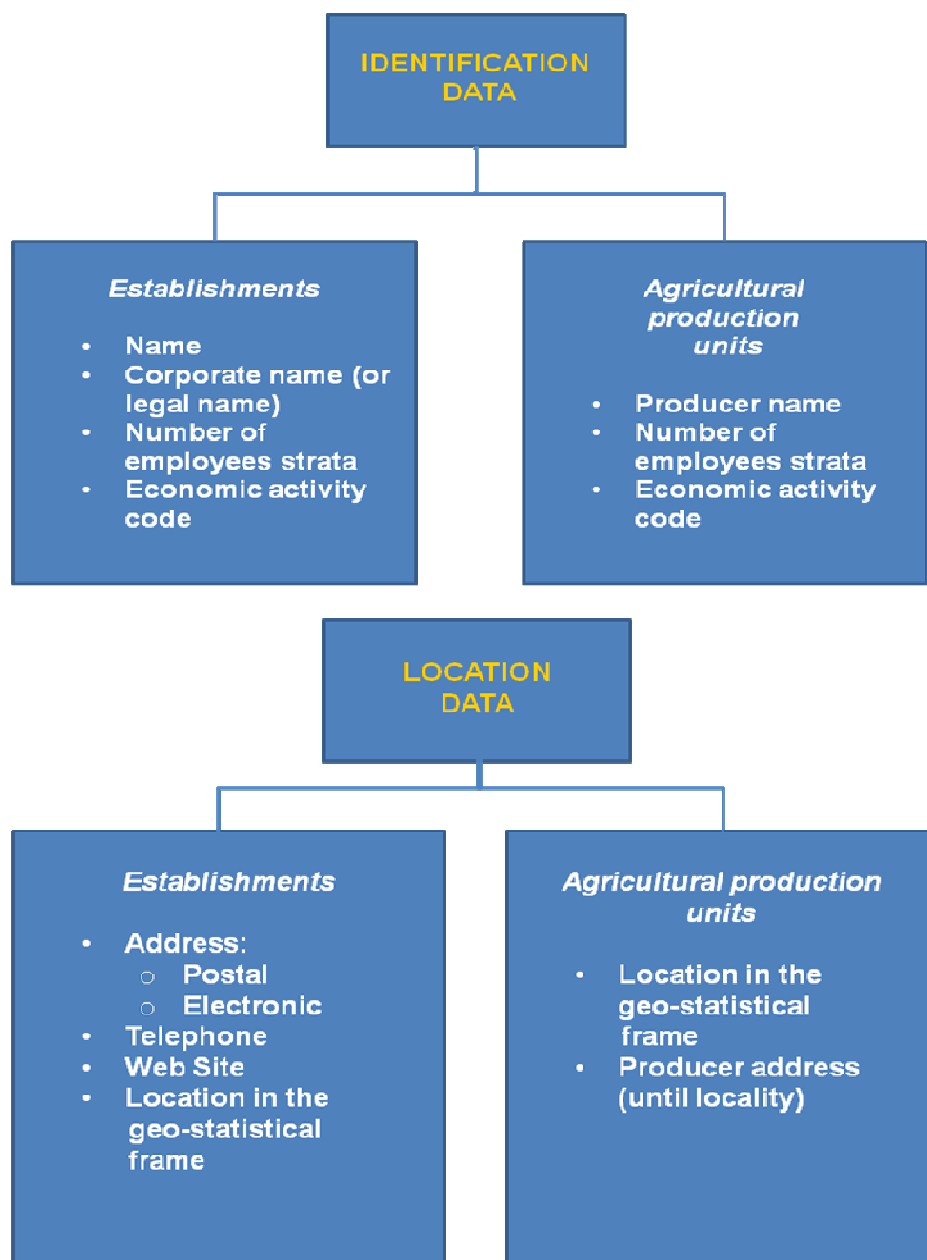
III. UNITS COMPONENTS OF THE NATIONAL DIRECTORY OF ECONOMIC UNITS

8. An aspect that is necessary to establish with clarity is what are the economic units to which this national directory will refer. Ideally, observational units in the directory will must refer to the entities with less size in which occur the substantial or auxiliary economic activities of each enterprise, considering that from these basic units it should be possible to reconstruct the aggregate units of biggest order, such as the enterprise, the group of enterprises, etc.

9. In order to have the exact geographical location of the economic activity, the establishment is more convenient than the enterprise; that is because the directory must show in first place the address of the units in which occur the economic activity, that does not correspond always with the address of the central offices, or the corporative or the fiscal address, which are frequently associated with the enterprise address.

In this sense, economic units of the directory should be, in first place, the establishments (or production units, in the case of agricultural activity).

10. The requested data to the economic units are the following:

DATA WITHIN THE DIRECTORY**IV. THE MOBILITY OF THE ECONOMIC UNITS IN MÉXICO**

11. The mobility of the establishments (births, deaths, changes) in Mexico is huge, overall in the small establishments.

12. If we examine the year of the beginning of the activities registered by the establishments in the questionnaires of the census, we see that more than a half were created during the last five

years. The next picture was obtained with the data of the economic census 2009 (with preliminary data); it shows the high percentages of the establishments that began their activities during the same year of the data compilation and during the previous eight years.

ECONOMIC CENSUS 2009. PYMES GROUP. PRELIMINARY FIGURES.

ECONOMIC UNITS AND PARTICIPATION PERCENTAGES BY YEAR OF BEGINNING AND
OCCUPIED PERSONNEL LEVELS

<i>Year of operations beginning</i>	<i>Establishment size</i>	<i>Number of economic units</i>	<i>Percentage related to the year of beginning</i>	<i>Percentage related to the national total (micro, small, medium, large)</i>
NATIONAL		4124159	100	
	1) Micro	3953762	95.87	100
	2) Small	146696	3.56	100
	3) Medium	15484	0.38	100
	4) Large	8217	0.2	100
1) 2009		420564	100	
1) 2009	1) Micro	419416	99.73	10.61
1) 2009	2) Small	1074	0.26	0.73
1) 2009	3) Medium	51	0.01	0.33
1) 2009	4) Large	23	0.01	0.28
2) 2008		703882	100	
2) 2008	1) Micro	694761	98.7	17.57
2) 2008	2) Small	8206	1.17	5.59
2) 2008	3) Medium	666	0.09	4.3
2) 2008	4) Large	249	0.04	3.03
3) 2007		385404	100	
3) 2007	1) Micro	377116	97.85	9.54
3) 2007	2) Small	7394	1.92	5.04
3) 2007	3) Medium	638	0.17	4.12
3) 2007	4) Large	256	0.07	3.12
4) 2006		286206	100	
4) 2006	1) Micro	278782	97.41	7.05
4) 2006	2) Small	6591	2.3	4.49
4) 2006	3) Medium	618	0.22	3.99
4) 2006	4) Large	215	0.08	2.62
5) 2005		245191	100	
5) 2005	1) Micro	237907	97.03	6.02
5) 2005	2) Small	6437	2.63	4.39

5) 2005	3) Medium	631	0.26	4.08
5) 2005	4) Large	216	0.09	2.63
6) 2004		215405	100	
6) 2004	1) Micro	208492	96.79	5.27
6) 2004	2) Small	6076	2.82	4.14
6) 2004	3) Medium	628	0.29	4.06
6) 2004	4) Large	209	0.1	2.54
7) 2003		134942	100	
7) 2003	1) Micro	129440	95.92	3.27
7) 2003	2) Small	4829	3.58	3.29
7) 2003	3) Medium	500	0.37	3.23
7) 2003	4) Large	173	0.13	2.11
8) 2002		122510	100	
8) 2002	1) Micro	117373	95.81	2.97
8) 2002	2) Small	4545	3.71	3.1
8) 2002	3) Medium	447	0.36	2.89
8) 2002	4) Large	145	0.12	1.76
9) RESTO		1610055	100	
9) RESTO	1) Micro	1490475	92.57	37.7
9) RESTO	2) Small	101544	6.31	69.22
9) RESTO	3) Medium	11305	0.7	73.01
9) RESTO	4) Large	6731	0.42	81.92

13. The stratification of the establishments was made in basis of the occupied personnel, as we show in the following table.

Size of the establishments	Sector			
	Classification in basis of the occupied personnel number			
	Manufactures	Commerces	Services	Rest of the economic sectors
MICRO	0-10	0 - 10	0-10	0 - 15
SMALL	11-50	11 - 30	11-50	16-100
MEDIUM	51-250	31 - 100	51-100	101-250
LARGE	More than 250	More than 100	More than 100	More than 250

14. In the next picture we see other figures that show the mobility of the economic units in a period of time.

YEAR OF THE CENSUS		REFERENCE YEAR OF THE DATA		% *
1994		1993		20.8
1999		1998		18.6
2004		2003		22.6
2009		2008		17.5

Average
19.9% *

15. The percentages of the third column represent the establishments that were created the previous year of the census, regarding all the establishments which information was compiled (the total of these registered establishments does not include those establishments that were created during the year of the census), and that are currently operating in the year of the census; the average is 19.9 per cent. This average does not mean that the number of establishments grows almost 20 per cent every year, because the establishments created are more, but many of them disappear in the same year in which they were born. According with the last economic census (in 2009), in this year they will have born 1,664,996 establishments, representing 31.5 per cent of the new establishments, but this estimation parts from a period of three months, in which the establishments have not had the same opportunity to disappear than they do when a year has passed.

16. Summarizing, we could say that:

(a) In one year, a little more than 30 per cent of establishments that exist in a given moment were created, and the following year only two third parts of them survive;

(b) Talking concretely, the difference between 31.5 per cent and 19.9 per cent (the 11.6 per cent) represents the percentage of establishments that disappear the same year they emerged.

17. On the other hand, the administrative registers of other Mexican institutions, as the Office of the Taxes System, will provide useful information, but it does not show neither all the new establishments nor all those which do not exist anymore which, as it is observed, represent an important part of the universe.

V. STRATEGY FOR BUILDING THE NATIONAL DIRECTORY OF ECONOMIC UNITS

18. Due to the great mobility of the economic units in our country, the directories of all of them become obsolete very fast. The challenge is to build a directory that, over the time, could be permanently updated. For this reason, we have established that the Directory has different levels of updating.

Updating levels of the directory

<i>Groups of establishments</i>	<i>Coverage</i>
Large establishments group	100% in a permanent way
Specific sectors: branches/classes	100% in a permanent way
Medium establishments group	80% in a permanent way
Micro and small establishments group	Births and deaths in the number of establishments and 100% updating in each census

19. Specific actions will be taken for the updating of each group, even though the complete universe would be benefited by general measures as the continuous contact with the economic development institutions of each state and other offices of each state in order that they inform INEGI about the new enterprises; for the permanent feedback received by the offices that will share their directories with INEGI, and also by the complete feedback that is given by each census.

20. Regarding the particular measures for each sub universe, in the case of the large establishments, the directory would be updated in a permanent way, and the same for some specific activities such as mining, financial services, education, beer elaboration, cement production, between others. About medium establishments, we plan to have a high percentage of updating, about 80 per cent, but not necessarily in a permanent way but annually, using field revisions of the units included in the directory. Finally, for small and micro units, we will make studies about their births, deaths and changes. These studies will allow to know what the mobility level of this segment is and hence the obsolescence level of the directory itself.

21. The main central aspect for the updating, as it is observed, will come from the diverse administrative registers.

22. The initial point for the construction of the National Directory of Economic Units will be to join the directory of the Economic Census and the directory of the Agricultural, Livestock and

Communal Census. These directories will have technological advantages implemented by the censuses that guarantee the correct location of the establishments and agricultural production units. It will be assigned a code to each economic unit of the initial directory (we refer to a business statistical code, named in Spanish as Clave Estadística Empresarial, CLEE). After that, the data of the initial directory will be matched with the data of the directories of offices foreigners than INEGI, with a previous homogeneity of these ones.

23. The following thing will be to make a “continuous feedback” with all the national institutions, starting with the Office of the Taxes System, the Mexican Institute of Social Security, the Federal Electricity’s Office, etc. For this purpose, we will make a procedure and an automated system handled by Internet in order that all the offices would be able to search the establishment’s CLEE in the initial directory, or create a new code for those which are not in the directory. We will assure that each establishment knows their CLEE; it could be with the help of other national institutions at the moment that an establishment registers a change like change of address, change of owner, legal status, or economic activity, or at the moment of the Economic Census 2014. For all the establishments that have to realize an arrangement, the office in charge will ask for the CLEE, as a condition to make the administrative process; with this procedure we will assure that the establishment knows its code and the use of it. If the establishment does not have its CLEE, the office will ask for a new one to the automated system, in Internet, and it will give it to the establishment. If the establishment does not remember it, the office will look for the code in the system, and in case that the office find it, it will give it to the establishment. If it does not find it, it will generate a new register with a new provisional CLEE and it will give it to the establishment, because it will be necessary in order to make other administrative process. All the offers of updating will be stored in the main database, in charge by INEGI, and it will be validated before the directory is modified. The updating will be known by all the institutions through the automated system.

24. In addition, the internal work of INEGI will deal with the following aspects:

- (a) To make specific studies of “births and deaths” after the Economic Censuses and Agricultural Censuses, in order to reinforce the knowledge about the demography of the establishments, overall the micro and the small ones;
- (b) To feedback the directory with the National Economic Surveys in a constant way;
- (c) To take advantage of the INEGI’s presence in every state in Mexico, in order to know the births and deaths of the establishments on each entity of the country, for medium and large establishments.

25. We hope that in a medium term there are coming to fruition the dissemination actions of this project between the productive plant of the country, and also the benefits of the negotiations with the different participating institutions, in order to build an updated directory of the economic units in the country supported in solid bases and with the INEGI’s managing.
