

## 70% of New Companies Fail in Brazil

Contributed by Flávia Villela  
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Between 2000 and 2006 726,600 companies were established each year, in average, in Brazil. That's what shows the 2006 Company Demography Research disclosed at the end of last month, by the Brazilian Institute of Geography and Statistic (IBGE). In the meantime, 493,800 were closed.

The average annual balance of surviving companies was 233,000, equivalent to 32.07% of all new establishments.

The average annual growth in the total of companies active in the period was 5.7%. In 2006, there were little more than 5 million companies active in the country.

According to the report, the greater number of companies in 2001 was the result both of greater entry of companies in the period analyzed (829,302) and due to a lower number of companies leaving (330,276). The low growth in 2006, in turn, was the result of average new entries of (710,868), and a greater number of exits in the period (664,489).

The study also shows that the average rate of entry of companies in the market, between 2000 and 2006, was 16.9%, whereas average exits were 11.2%.

Activities related to agriculture, livestock farming, wood, forestry exploration, fisheries and services represented the greatest rates of company entries. The lowest rates were identified in industrial activities.

The IBGE study also shows that business established between 2001 and 2006 was responsible for 46.5% of formal employment in companies in the period.

Of every ten formal jobs created by new companies (with up to five years in operation), between 2000 and 2006, an average of four were in trade, three in the service sector and three in industry. With regard to company size, five of these posts were established in micro companies, three in small ones, one in medium ones and one in large ones.

The study analyzed 5.1 million establishments among the 5.7 million companies and other organizations active in the 2006 Central Company Registry.

