

Statistical bulletin

Business Demography, UK: 2013

Change in the number of UK businesses broken down by sector of the economy.



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1 . **Headline figures**

- The number of UK business births increased by 28.5% from 270,000 to 346,000 between 2012 and 2013
- The number of UK business deaths decreased by 6% from 253,000 to 238,000 between 2012 and 2013
- The total UK business birth rate was 14.1% and the death rate was 9.7%. London was the region with the highest birth rate at 17.9% and the highest death rate at 10.6%
- In broad industry terms, business administration and support services had the highest business birth rate at 20.7% and finance and insurance had the highest death rate at 13.1%

2 . **Summary**

The starting point for the calculation of business demography data is the concept of active businesses in a reference year. These are defined as businesses that had either turnover or employment at any time during the reference period. New business registrations are referred to as business births and the birth rate is calculated using the number of births as a proportion of the active enterprises.

In 2013 there were 346,000 business births in the UK. The birth rate increased from 11.4% to 14.1% between 2012 and 2013. This was caused by an increase of 28.5% in the number of births between 2012 and 2013. This rise coincides with the new Pay As You Earn (PAYE) Real Time Information (RTI) system, which was rolled out across businesses during 2013. (Please see background note 3 for more details.)

Businesses that have ceased to trade are referred to as business deaths and the death rate is calculated using the number of deaths as a proportion of the active enterprises. The death rate decreased from 10.7% to 9.7% between 2012 and 2013, the lowest death rate in the UK since 2008. This was caused by a 6% decrease in the number of deaths, from 253,000 to 238,000.

3 . **Business births and deaths, 2004 - 2013**

Figure 1 shows that in recent years the rate of business births per year has usually been higher than the rate of business deaths. This was the case leading up to the 2007 global financial market shock and subsequent economic downturn in 2008/09. Gross Domestic Product (GDP) grew by 2.6% in 2007, before falling by 0.3% in 2008 and by 4.3% in 2009.

As economic conditions worsened, the rate of business births began to fall in 2008 on a trend that continued into 2010, from a high of 12.3% to a low of 10.0%. This is likely to reflect uncertainty around the economic outlook at that time and constrained access to finance as the financial sector adjusted to the global shock.

The death rate of businesses in the UK fell slightly in 2008 before increasing sharply in 2009, rising above the birth rate. One factor behind this initial fall could be that a number of businesses continued to trade in the expectation that economic growth would resume quickly while benefiting from lower interest rates during this period. However, GDP growth did not return until 2010, by which time some of those businesses had ceased trading.

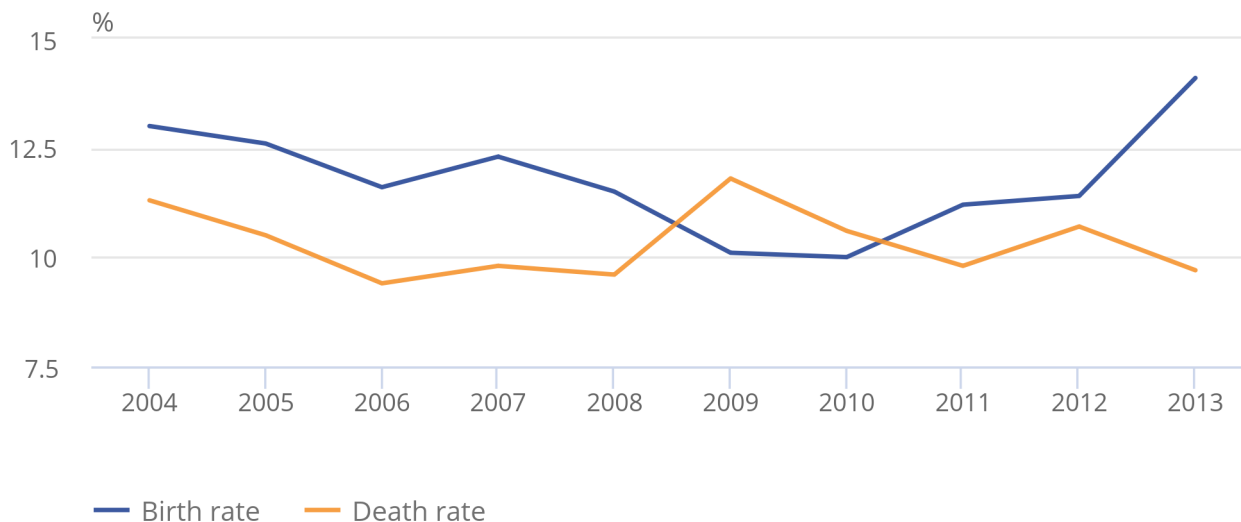
The rate of business births returned to a level higher than the rate of business deaths in 2011. This pick-up followed the economy's emergence from the downturn and is consistent with the strengthening of the labour market since the end of 2011, with the employment rate increasing from its trough of 70.1% in September of that year.

These improvements in business birth and death rates mirrored a revival in broader labour market indicators. The [October 2014 Economic Review](#) identified a rise in the number of job to job flows over this period, largely as a consequence of increasing job mobility and a larger number of voluntary moves, both between industries and occupational groups. The improvements also coincided with a marked rise in the number of self-employed workers, which grew sharply from the middle of 2011. These trends may signal increasing employer and employee confidence, which may in turn have been reflected in the rising birth rate and falling death rate of businesses.

The relatively strong performance of GDP in 2011 and 2013 is reflected in the widening gap between the business birth rate and death rate in these years. The most recent data shows that the rate of business births has risen to 14.1%, its highest level since comparable records began in 2004, while the rate of business deaths has fallen to 9.7%, its lowest level since 2008.

Figure 1: Business birth and death rates, 2004 - 2013

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Source: Office for National Statistics

There were approximately 2.45 million active businesses in the UK during 2013, an increase of 76,000 on 2012. Estimates for 2013 are available in greater geographical and industrial detail from the [tables \(1.72 Mb Excel sheet\)](#) published on the Office for National Statistics (ONS) website.

Table 1: Business birth and death rates 2004 -2013

Counts given to the nearest thousand

	Active (000s)	Births (000s)		Deaths (000s)	
		Count	Rate (%)	Count	Rate (%)
2004	2,159	280	13.0	244	11.3
2005	2,183	275	12.6	228	10.5
2006	2,207	256	11.6	207	9.4
2007	2,280	281	12.3	224	9.8
2008	2,326	267	11.5	223	9.6
2009	2,342	236	10.1	277	11.8
2010	2,351	235	10.0	249	10.6
2011	2,343	261	11.2	230	9.8
2012	2,373	270	11.4	253	10.7
2013	2,449	346	14.1	238	9.7

Source: Office for National Statistics

4 . Business births and deaths by broad industry group

In 2013 the highest rate of business births occurred in business administration and support, at 20.7%. (The increase in births in this sector was driven by an increase of 12,000 births in business support service activities.) This was followed by professional, scientific and technical, at 17%.

Within the overall number of business births, professional, scientific and technical had the largest number of businesses at 77,000. Within professional, scientific and technical, the largest contributing industry was management consultancy activities, with 29,000 births (this was an increase of 8,000 on the 2012 figure.) There was also an increase of 5,000 births in architectural and engineering activities and related technical consultancy.

The highest business death rate, at 13.1%, was in finance and insurance. This was followed by accommodation and food services, at 12.7%. Within the overall number of business deaths, professional, scientific and technical had the largest number, at 42,000 (of which 16,000 came from management consultancy activities) followed by construction, at

Table 2: 2013 Births and death rates by broad industry group

Counts given to the nearest thousand

	Active (000s)		Births (000s)		Deaths (000s)	
	Count	Rate (%)	Count	Rate (%)	Count	Rate (%)
Production	158	11.4	18	11.4	13	8.5
Construction	309	12.4	38	12.4	33	10.6
Motor trades	77	9.0	7	9.0	6	8.4
Wholesale	117	10.1	12	10.1	11	9.1
Retail	220	12.4	27	12.4	22	10.2
Transport & storage (inc. postal)	82	15.1	12	15.1	8	10.3
Accommodation & food services	166	15.3	25	15.3	21	12.7
Information & communication	200	16.8	34	16.8	20	9.8
Finance & insurance	36	16.9	6	16.9	5	13.1
Property	95	11.1	11	11.1	7	7.0
Professional; scientific & technical	453	17.0	77	17.0	42	9.3
Business administration and support services	216	20.7	45	20.7	23	10.6
Education	38	12.5	5	12.5	3	9.2
Health	104	11.4	12	11.4	7	6.9
Arts; entertainment; recreation and other services	180	10.0	18	10.0	16	8.7

Source: Office for National Statistics

Notes:

1. The deaths counts provided in this table are provisional. For more details please refer to the background notes

5 . Business births and deaths by UK region

Within the regions, London had the highest business birth rate at 17.9%, followed by the North East (14.7%) and North West (14.7%). Northern Ireland had the lowest birth rate, at 8.7%.

The region with the highest business death rate was London at 10.6%, followed by the North West, at 10.0%. All the regions experienced a decrease in the death rate between 2012 and 2013. The highest number of births and deaths were in London, at 84,000 and 50,000 respectively.

Table 3: 2013 birth and death rates by region

	Counts given to the nearest thousand				
	Active (000s)	Births (000s)		Deaths (000s)	
		Count	Rate (%)	Count	Rate (%)
North East	66	10	14.7	6	9.8
North West	240	35	14.7	24	10.0
Yorkshire and The Humber	170	23	13.7	17	9.8
East Midlands	161	22	13.7	15	9.3
West Midlands	192	26	13.4	18	9.6
East	245	33	13.3	23	9.5
London	466	84	17.9	50	10.6
South East	390	51	13.1	37	9.4
South West	210	26	12.2	19	9.1
Wales	90	11	12.6	8	9.1
Scotland	162	22	13.3	15	9.2
Northern Ireland	56	5	8.7	5	9.2
Total	2,449	346	14.1	238	9.7

Source: Office for National Statistics

Notes:

1. The death counts reported in this table are provisional. For more details please refer to the background notes

6 . Focus on London

London has the highest number of active businesses in the UK and usually has the highest birth rate.

In 2013 London had 19% of active enterprises in the UK, compared with 16.6% before the economic downturn (2007). London experienced the highest birth rate in 2013, an increase of 3.1% percentage points compared with 2012. The increase in birth rate was due to an increase in the number of births across all districts of London, with inner London having a 9,500 increase and outer London having a 9,100 increase.

London may have the highest birth rate (17.9%), but it also has the highest death rate, of 10.6%. This means London has the highest turnover of enterprises (churn rate), which is supported by the survival figures.

London has consistently had relatively low 1 year survival rates in comparison with other UK regions. 89.7% of enterprises born during 2012 survived through to 2013, lower than the 1 year survival rates of the UK as a whole during the same period (91.2%). Similarly, London had low 5 year survival rates, with only 37.1% of business born in 2008 surviving through to 2013, compared with 41.3% in the UK as a whole.

7 . Business survivals

The UK 5 year survival rate for businesses born in 2008 and still active in 2013 was 41.3%.

By region, the highest 5 year survival rate was in the South West, at 45.5%, while the lowest was in London at 37.1%, which mirrors the churn rate seen in the business birth and death data.

By broad industry, some notably high 5 year survival rates include health, with a survival rate of 53.4% and education, with a survival rate of 51.7%. Finance and insurance was the lowest, with only 31.4% of businesses surviving for 5 years.

Survival rates are available from 1 year to 5 year in greater geographical and industrial detail via the [tables published on the ONS website \(1.72 Mb Excel sheet\)](#).

Table 4: Survival rates for businesses born between 2008 and 2012

	Rate (%)				
	Births 2008	Births 2009	Births 2010	Births 2011	Births 2012
1 year survival	92.0	90.8	86.7	93.1	91.2
2 year survival	74.0	73.8	72.5	75.6	..
3 year survival	58.0	59.6	57.1
4 year survival	48.9	48.9
5 year survival	41.3

Source: Office for National Statistics

Notes:

1. .. Data not available

8. Background notes

1. To support this release a set of reference tables in greater geographical and industrial detail have been produced and are available [on the ONS website \(1.72 Mb Excel sheet\)](#). However, for various reasons, it is possible to get multiple business registrations at a single address and this can distort data for smaller geographical areas.
2. Estimates presented in this release and the associated published tables are rounded to prevent disclosure. Differences may exist in totals across tables due to disclosure methods used.
3. In 2013 Her Majesty's Revenue and Customs (HMRC) information shows growing numbers of PAYE schemes and a rise in numbers of new scheme registrations. Those that are allied to company registration data have fuelled an increase in numbers of enterprises on the business register. While the growth in PAYE schemes coincides with the introduction of the Real Time PAYE reporting system (RTI), HMRC have indicated there are no technical reasons associated with RTI alone which would have increased the number of enterprises on the register during the period. HMRC have no evidence of behavioural changes in the timing of PAYE scheme registrations through the year.
4. This release is produced from an extract taken from the Inter-Departmental Business Register (IDBR) recording the position of units as at November of the reference year, and excludes central government and local authorities. The data is produced using the guidelines found in the [Eurostat/OECD manual on Business Demography](#).
5. There are two key differences between this release and the statistics produced by Eurostat. Firstly, in this release, an adjustment has been made to the deaths data to allow for reactivations, which enables more

accurate estimates to be published. Secondly, managed-service companies are excluded from this release, but included in the data supplied to Eurostat. These differences are explained more fully in the following notes.

6. Although the statistics in this release are derived from the IDBR, the total stock of active businesses is greater than the UK Business: Activity, Size and Location publication. This is mainly because the definition of an active business is based on activity at any point in the year, whereas UK Business: Activity, Size and Location is based on an annual snapshot at a point in time.
7. More information about how this release relates to other business population statistics and guidance on how to use each product can be found in the [Guide to the business population and demographics statistics publications. \(196.9 Kb Pdf\)](#)
8. In order to publish estimates within a year of the reference period, ONS has made an adjustment to the deaths figures in this release to allow for reactivations. Reactivations occur due to lags in the administrative sources (VAT/PAYE), which mean it is possible that a business that is continuing to trade can appear to cease on the IDBR. If an old VAT scheme is de-registered and there is a delay in the creation and/or matching of the new VAT scheme, it can leave the enterprise without a live administrative source resulting in it being automatically flagged as a death. Additionally, VAT-based units where turnover drops to zero are automatically made dead on IDBR, but will rebirth if turnover is then reported in a later period. These units will appear to move from the active stock into the death counts then come live again as births. In order to prevent distortion in these figures, those businesses that 'reactivate' on the register within two years of death are treated as if they have continued to trade throughout the period.
9. ONS has departed from the Eurostat/OECD manual at this point. The manual recommends waiting for two years after the reference period to allow for reactivations before deaths are calculated. Instead, ONS has estimated the number of reactivations. This adjustment has been applied to all industries, by removing units from the death data. This can lead to different percentage adjustments at the lowest level of aggregation. Since the level of reactivations is subject to some uncertainty, the latest two years in the publication are considered to be provisional and subject to revision. Table 5 shows the adjustments made to the death data for reactivations.

Table 5: Adjustment made to deaths figures to account for reactivation of businesses

	Counts given to the nearest thousand							Final estimate
	First Estimate			Second estimate				
	Unadjusted	Estimated reactivations	Adjusted	Unadjusted	Estimated reactivations	Adjusted		
2011	244	14	230	233	3	230	230	
2012	271	17	255	256	3	253	:	
2013	253	15	238	:	:	:	:	

Source: Office for National Statistics

Note:

1. This symbol : represents not applicable

10. Managed service companies

Managed service companies have been excluded from this release, but are included in the statistics published by Eurostat for Business Demography. ONS excludes these companies from all outputs because they are registered at the address of a service company provider, and therefore distort the geographical location and industry of the businesses, as well as business demography changes. Table 6 shows the number of managed service companies excluded in each year.

Table 6: Number of managed service companies excluded from business demography

Counts given to the nearest
thousand

	Active	Births	Deaths
2005	73	24	8
2006	95	28	12
2007	133	51	33
2008	135	37	54
2009	79	3	47
2010	29	2	12
2011	20	2	5
2012	15	1	3
2013	12	1	2

Source: Office for National Statistics

11. Revisions

The latest two years' estimates on births, deaths and survivals are subject to revision. Revisions would normally be made in the following year's publication.

12. National Statistics are produced to high professional standards set out in the Code of Practice for Official Statistics. They undergo regular quality assurance reviews to ensure they meet customer needs. They are produced free from any political interference.
13. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk