

Statistical bulletin

Business demography, quarterly experimental statistics, UK: April to June 2020

Experimental quarterly statistics on business creations or births and closures or deaths from the Inter-Departmental Business Register (IDBR) with high-level breakdowns by industry and region.

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1 . Main points

- The number of businesses removed from the Inter-Departmental Business Register (IDBR) (business closures) in the UK in Quarter 2 (Apr to June) 2020 was slightly lower than the average in Quarter 2 of the past three years.
- Business closures do not appear to have yet increased as a result of the coronavirus (COVID-19) pandemic; this is because of the time it takes for a business to close, delays in the reporting process and government support for businesses.
- The number of businesses added to the IDBR (business creations) in the UK in Quarter 2 2020 was slightly lower than in Quarter 2 of the past three years.
- Business creations tend to experience shorter lags than business closures, so the slowdown in Quarter 2 2020 relative to previous years is more likely to be a result of the coronavirus pandemic as well as a slowdown in processing.
- Consistent with the data in this release, other indicators also suggest that the number of business creations and business closures in the UK were lower than usual in Quarter 2 2020.
- Indicators from other countries also show no increase in business closures or insolvencies relative to previous years.
- Data in this release are [experimental](#) and produced rapidly to support understanding of the impact of the coronavirus pandemic on the economy; our [annual business demography publication](#) remains the best source of information on business demography.

Quarterly data in this release are not entirely consistent with the annual business demography publication, which is a more accurate reflection of business births and deaths. The quarterly data in this release are broadly in line and provide new evidence using new methods.

2 . Trends in business closures

Business closures are those removed from the Inter-Departmental Business Register (IDBR) – a database of all businesses in the UK registered for Value Added Tax (VAT) and/or the Pay As You Earn (PAYE) Income Tax system, used as a sampling frame for Office for National Statistics (ONS) business surveys. A business is removed from the IDBR if its turnover and employment are zero for several periods or the ONS is notified that the business has ceased trading through an administrative source. These are referred to as business deaths in our [annual business demography publication](#) and other data. For more information, see [Section 6: Measuring the data](#) and [Section 5: Glossary](#).

The number of business closures in the UK in Quarter 2 (Apr to June) 2020 was slightly lower than in Quarter 2 2019 but similar to the number of closures in Quarter 2 of the past three years taken together (Figure 1). As such, there has not yet been an increase in business closures, which may have been expected as a result of the coronavirus (COVID-19) pandemic.

There are notable lags in the removal of a business from the IDBR because of economic, legal and statistical processes. As such, increased business closures resulting from the coronavirus pandemic may not yet be visible in these statistics and may be reflected in data in subsequent quarters.

It takes a long time for a business to be removed from the IDBR, which may happen several months after the effective closure of the business. The legal and statistical processes are complex and are explained in more detail in [Section 6: Measuring the data](#) and [Section 7: Strengths and limitations](#).

These lags in the process may explain why business closures have not increased substantially in Quarter 2 2020. As well as the usual lags, processing may be further delayed at present based on government interventions that make it more difficult to file paperwork and process. Additionally, government support to businesses and easements at Companies House ([such as an extended period to file their accounts](#)) may have prevented or postponed some business closures. More details are provided by The Insolvency Service in their monthly publication of [data on company insolvencies](#).

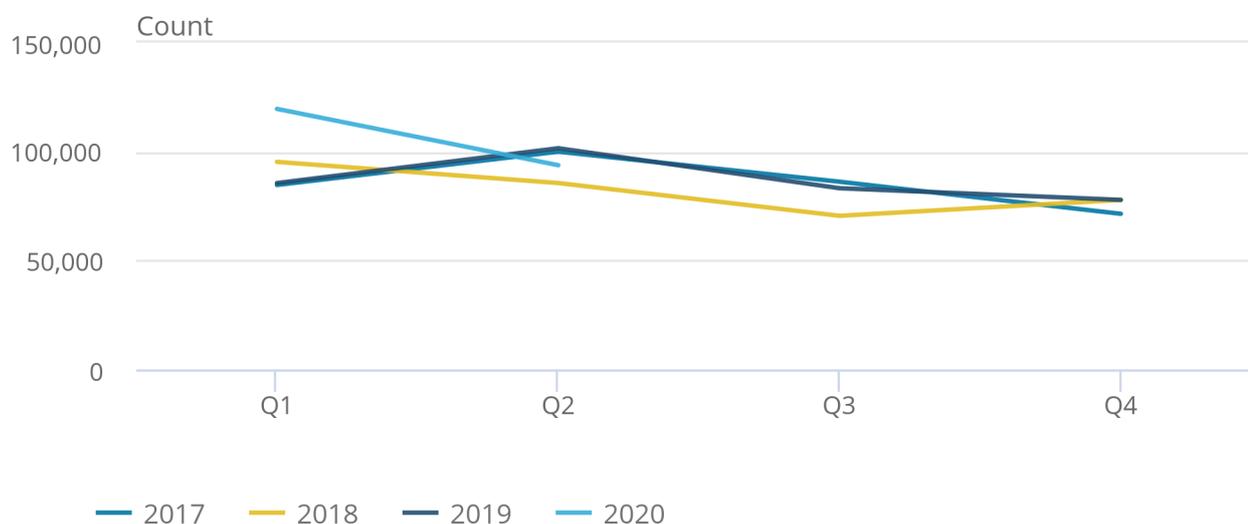
Data from our annual business demography publication demonstrate that many businesses are added to, and removed from, the IDBR every year, so it is the extent to which this figure is greater than expected that we are interested in to identify an impact of the pandemic. As Figure 1 shows, there was not a substantial increase in business closures in Quarter 2 2020, immediately following the lockdown introduced on 23 March 2020 in response to the pandemic.

Figure 1: Business closures were lower in Quarter 2 2020 than in Quarter 2 2019

Number of businesses removed from the Inter-Departmental Business Register (IDBR), quarterly, UK, Quarter 1 (Jan to Mar) 2017 to Quarter 2 (Apr to June) 2020

Figure 1: Business closures were lower in Quarter 2 2020 than in Quarter 2 2019

Number of businesses removed from the Inter-Departmental Business Register (IDBR), quarterly, UK, Quarter 1 (Jan to Mar) 2017 to Quarter 2 (Apr to June) 2020



Source: Office for National Statistics – Inter-Departmental Business Register (IDBR)

Characteristics of business closures

The types of businesses that were removed from the IDBR in Quarter 2 2020 were not much different to previous quarters. The breakdowns by industry, region and size of businesses were similar to business closures in previous years. This may change if the pandemic leads more businesses than usual to close in subsequent quarters.

There is some seasonality in business closures: there tend to be more in the first half of the year than in the second half. This is likely to be because of the end of the financial year and is true for most industries and regions, to a greater or lesser extent.

Businesses in the information and communication industry (SIC07 section J), transport and storage industry (SIC07 section H) and agriculture industry (SIC07 section A) made up a larger proportion of all businesses removed from the IDBR in Quarter 2 2020 than in Quarter 2 2019. In spite of being the industries most adversely impacted by the pandemic in the short term, businesses in the accommodation and food services industry; retail, wholesale and motor trades industry; and construction industry made up a smaller proportion of business closures than previously. This could be a result of processing delays or government support, and businesses closures in these industries may increase in future quarters.

Businesses in London and the West Midlands made up slightly more of the businesses removed from the IDBR in Quarter 2 2020 than in Quarter 2 2019, but the regional distribution remained reasonably stable.

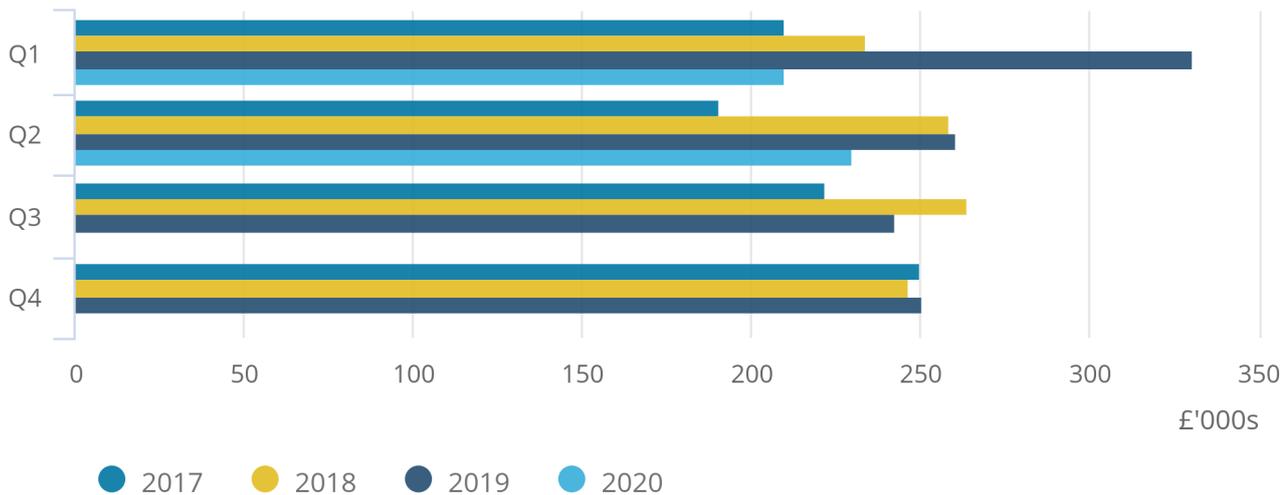
The average size of businesses that were removed from the IDBR in Quarter 2 2020, based on their turnover and employment, was smaller than in previous quarters (Figure 2). As a result, the total turnover and employment of business closures in Quarter 2 2020 was lower than in Quarter 2 2019.

Figure 2: The average turnover of business closures in Quarter 2 2020 was lower than in previous quarters

Average turnover of businesses removed from the Inter-Departmental Business Register (IDBR), quarterly, UK, Quarter 1 (Jan to Mar) 2017 to Quarter 2 (Apr to June) 2020

Figure 2: The average turnover of business closures in Quarter 2 2020 was lower than in previous quarters

Average turnover of businesses removed from the Inter-Departmental Business Register (IDBR), quarterly, UK, Quarter 1 (Jan to Mar) 2017 to Quarter 2 (Apr to June) 2020



Source: Office for National Statistics – Inter-Departmental Business Register (IDBR)

The data included in the [accompanying dataset](#) provide the number of businesses removed from the IDBR per quarter as well as the total employment and turnover of those businesses, based on the most recent values for these held on the IDBR.

Other data on business closures

Data from Companies House and The Insolvency Service are consistent with the data in this release, showing no marked increase in company closures, from insolvencies or any other type, in Quarter 2 2020.

Monthly data from The Insolvency Service show that company insolvencies (one way for a business to cease trading) were [50% lower in June 2020 than in June 2019](#). This follows similarly low levels in May and April.

Research by the BBC using data from the London Gazette also reports [lower rates of insolvencies between April and June 2020](#), compared with the same months in 2019. As in Figure 1, the analysis by the BBC shows an elevated number of insolvencies in Quarter 1 (Jan to Mar) 2020, although insolvencies historically make up a fairly small proportion of all business closures.

[Quarterly data from Companies House](#) show that company dissolutions from all causes were down substantially in Quarter 2 2020 compared with Quarter 2 2019, in large part because of the range of easements in place from Companies House in response to the pandemic. We have also published new weekly indicators of voluntary dissolutions (one way for a business to cease trading) using data from Companies House in our [weekly faster indicators publication](#), which show similarly low levels in the weeks of Quarter 2 2020.

Other countries have likewise not seen a substantial increase in company closures. For instance, [Statistics Netherlands](#) reports no substantial change to the level of business bankruptcies in the months to June 2020, the [Bank of France](#) reports a substantial fall in corporate bankruptcies in April and May 2020, and [Destatis](#) (the German statistical office) also reported a fall in business insolvencies in April 2020. Meanwhile, [bankruptcies in the US are a little higher in May and June than in previous years](#), although [the US system is very different to that of the UK](#).

3 . Trends in business creations

Business creations are new enterprise entries onto the Inter-Departmental Business Register (IDBR). These are referred to as business births in our [annual business demography publication](#) and other data. For more information, see [Section 6: Measuring the data](#) and [Section 5: Glossary](#).

The number of business creations in the UK in Quarter 2 (Apr to June) 2020 was slightly lower than in Quarter 2 2019 (Figure 3). This is broadly in line with expectations for a fall in business creation resulting from the coronavirus (COVID-19) pandemic, although the decline is not that pronounced.

There is strong seasonality in business creation: there tend to be more in the first half of the year than in the second half, especially in Quarter 1 (Jan to Mar), as more businesses open around the start of the financial year. This is true for most industries and regions, to a greater or lesser extent, but especially true for businesses in the financial and insurance and real estate industries.

There is typically a shorter lag in adding businesses to the IDBR after the effective creation of the business than there is for businesses removed from the IDBR and their effective closure. As such, the slowdown in business creation in Quarter 2 2020 relative to the same quarter in previous years is more likely to be because of the coronavirus pandemic, along with a degree of slowdown in the processing of company registrations by Companies House and HM Revenue and Customs (HMRC) owing to the pandemic.

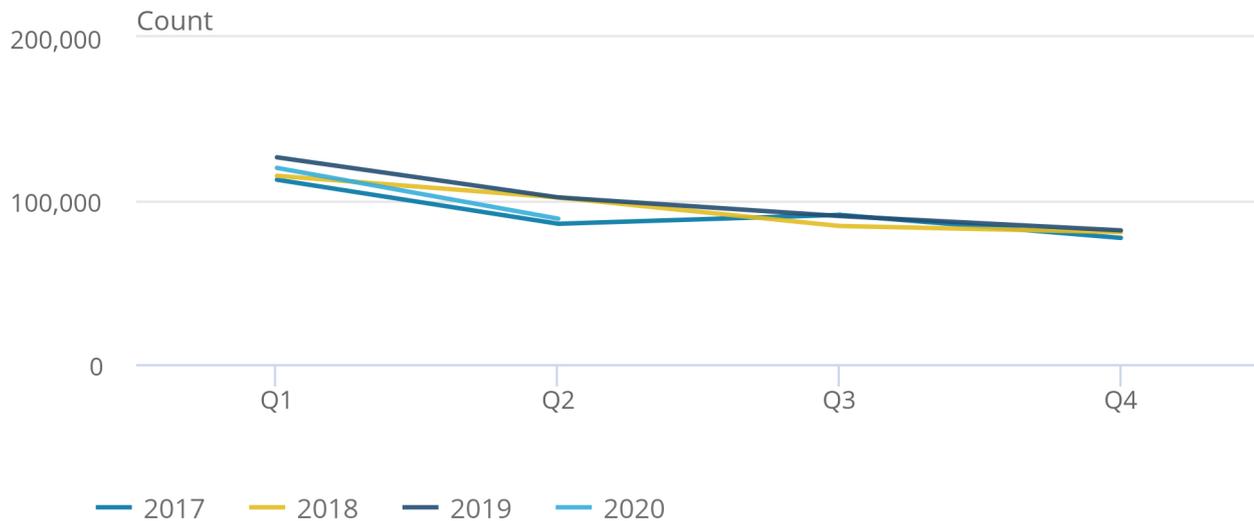
Business creations also slowed during the economic downturn of 2008 to 2009, and this may reflect increased uncertainty, a lack of good market opportunities or other factors that make starting a business unattractive at present.

Figure 3: Business creations in Quarter 2 2020 were slightly lower than in Quarter 2 2019

Number of businesses added to the Inter-Departmental Business Register (IDBR), quarterly, UK, Quarter 1 (Jan to Mar) 2017 to Quarter 2 (Apr to June) 2020

Figure 3: Business creations in Quarter 2 2020 were slightly lower than in Quarter 2 2019

Number of businesses added to the Inter-Departmental Business Register (IDBR), quarterly, UK, Quarter 1 (Jan to Mar) 2017 to Quarter 2 (Apr to June) 2020



Source: Office for National Statistics – Inter-Departmental Business Register (IDBR)

Characteristics of business creations

The types of businesses created during Quarter 2 2020 were broadly consistent with Quarter 2 in previous years, with some notable exceptions.

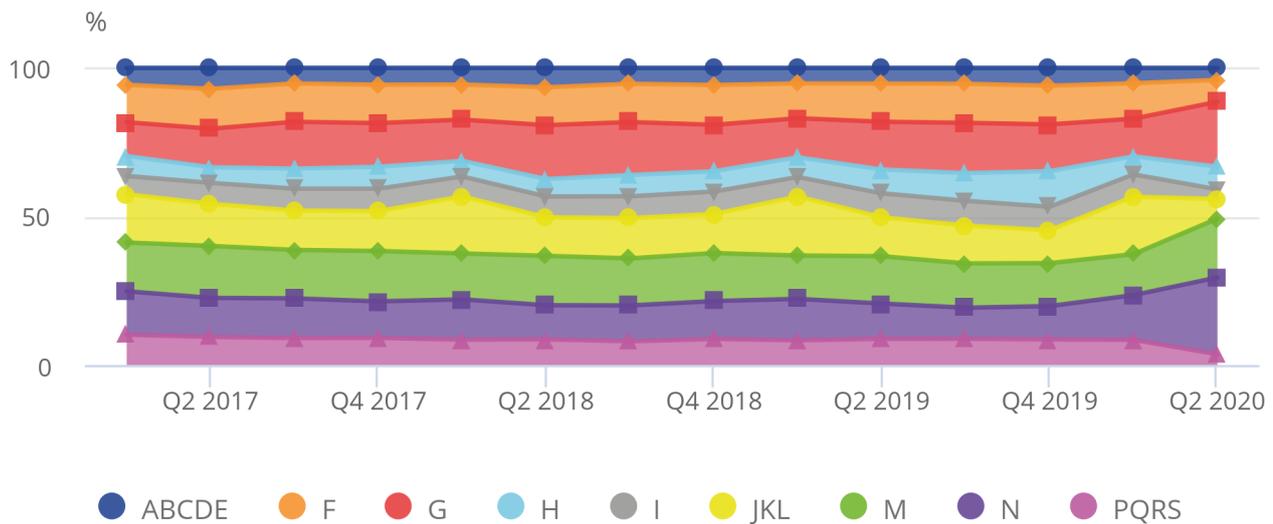
Businesses in the professional, scientific and technical industry (SIC07 section M), administrative support services industry (SIC07 section N) and retail industry (SIC07 division 47) made up a far larger proportion of businesses added to the IDBR in Quarter 2 2020 than in Quarter 2 2019 (Figure 4). Most other industries made up a smaller proportion of business creations in Quarter 2 2020 compared with the same quarter in 2019, with notable declines seen for businesses in the accommodation and food services industry (SIC07 section I), health care industry (SIC07 section Q) and construction industry (SIC07 section F). These trends are broadly consistent with the impact felt by different industries from the coronavirus pandemic. More detail industry breakdowns are available in the accompanying [dataset](#).

Figure 4: Industries worst hit by the coronavirus pandemic made up a smaller proportion of business creations in Quarter 2 2020 than in Quarter 2 2019

Proportion of businesses added to the Inter-Departmental Business Register (IDBR) by Standard Industrial Classification (SIC) 2007 industry, quarterly, UK, Quarter 1 (Jan to Mar) 2017 to Quarter 2 (Apr to June) 2020

Figure 4: Industries worst hit by the coronavirus pandemic made up a smaller proportion of business creations in Quarter 2 2020 than in Quarter 2 2019

Proportion of businesses added to the Inter-Departmental Business Register (IDBR) by Standard Industrial Classification (SIC) 2007 industry, quarterly, UK, Quarter 1 (Jan to Mar) 2017 to Quarter 2 (Apr to June) 2020



Source: Office for National Statistics – Inter-Departmental Business Register (IDBR)

Notes:

- ABCDE - Agriculture, mining, manufacturing, energy, water and waste services
- F - Construction
- G - Wholesale, retail and motor trades
- H - Transportation and storage
- I - Accommodation and food services
- JKL - Information and communications, finance and insurance, real estate
- M - Professional, scientific and technical activities
- N - Administrative support services
- PQRS - Education, health and social care, arts and other services

The proportion of business creations in each country and region of the UK was similar in Quarter 2 2020 to Quarter 2 2019. The share was slightly higher for businesses based in London and Wales, and it was slightly lower for other regions and countries, especially so for businesses based in Scotland and the West Midlands.

Businesses added to the IDBR in Quarter 2 2020 were a similar size, based on turnover and employment, as in Quarter 2 of 2019 and previous years. These data are in part based on predictions made when the company is registered.

Other data on business creation

Data from Companies House and Value Added Tax (VAT) records are broadly consistent with the data in this release, showing a slight slowing in company creations in Quarter 2 2020.

The Office for National Statistics (ONS) publishes [the number of new VAT reporters monthly in the faster indicators release](#). These show a stronger decline in VAT registrations in April, May and June 2020, relative to previous months, than is apparent in the data in this release.

[Quarterly data from Companies House](#) show a similar number of company incorporations in Quarter 2 2020 as in Quarter 2 2019. The reason for the difference in data from the IDBR and VAT returns, which show a fall in Quarter 2 2020, may be a result of differences in methodology and definition. Some types of companies are present with Companies House but not on the IDBR or in VAT returns, such as single-person limited companies.

We have also published new weekly indicators of company incorporations using Companies House data in our [weekly faster indicators publication](#). These show incorporations were lower than usual in April and May 2020 but higher than usual in June and July.

4 . Business demography, quarterly experimental statistics data

[Business demography, quarterly experimental statistics, UK](#)

Dataset | Released 6 August 2020

Experimental quarterly statistics on business creations or births and closures or deaths from the Inter-Departmental Business Register (IDBR) with high-level breakdowns by industry and region.

5 . Glossary

Business

For this release, the term “business” is used to represent an enterprise. An enterprise can be defined as the smallest combination of legal units (generally based on Value Added Tax (VAT) and/or Pay As You Earn (PAYE) records) that is an organisational unit producing goods or services, which benefits from a certain degree of autonomy in decision-making, especially for the allocation of its current resources. An enterprise carries out one or more activities at one or more locations. An enterprise may also be a sole legal unit.

Business creations

Often referred to as business births, we refer to enterprises added to the Inter-Departmental Business Register (IDBR) as business creations in this release. Enterprises are added to the IDBR when a new business is identified from administrative sources, usually the VAT or PAYE systems.

Business closures

Business closures are removals from the IDBR. A business is removed from the IDBR if its turnover and employment are zero for several periods or the Office for National Statistics (ONS) is notified the business has ceased trading through an administrative source. These are referred to as business deaths in our [annual business demography publication](#) and other data.

This should not be confused with temporary business closures resulting from the coronavirus (COVID-19) pandemic, whereby a business pauses trading but is still an active business.

Inter-Departmental Business Register (IDBR)

The IDBR is a database of all businesses in the UK registered for VAT and/or the PAYE Income Tax system. There are approximately 2.7 million businesses on the IDBR. The IDBR is the register of UK businesses used as a sampling frame for ONS business surveys.

6 . Measuring the data

This section outlines important information about the data in this release. This is a new release of [experimental](#) statistics, and the information in this section is important to correctly interpret it.

Time of recording

Business creations and closures in these data are based on the date on which the action occurs on the Inter-Departmental Business Register (IDBR). Data for this release are extracted from the IDBR weekly and are allocated to quarters according to the date of the Friday of that week, since most major updates to the IDBR occur at the end of the working week. This may lead to some misallocation between quarters.

The date a business is added to the IDBR is generally on the same day, or within a few days, of the legal creation of the business as a company with Companies House. However, this can be several weeks after the effective birth of the business.

For business closures, the registration process can take a little longer, as the death of a business may be long and complex. The “effective” death of a business may occur several months before its actual death from a legal perspective. A business is removed from the IDBR if information from HM Revenue and Customs (HMRC), Office for National Statistics (ONS) business surveys, Companies House or The Insolvency Service indicates it is no longer active. The ONS proves deaths by contacting companies if necessary.

Frequency of data

The IDBR is updated from four main sources:

- Value Added Tax (VAT)
- Pay As You Earn (PAYE)
- ONS business surveys
- Companies House

The updates occur in various frequencies from daily to annual. Because the important PAYE update is quarterly, a shorter time period analysis of business creations and closures would be very volatile. As such, this source is best suited to quarterly publications.

Turnover and employment data

The turnover data on the IDBR is mostly derived from VAT or ONS business survey records. Employment data on the IDBR is derived from PAYE or ONS business survey records. In some cases, values are imputed from administrative data. The turnover data are updated annually, every September, from available data. Employment data are updated more frequently for some businesses but at least annually for all businesses.

The turnover and employment data for business closures are the stored values at the last update while the business was active on the IDBR, often the last annual update. These figures are not adjusted for inflation, so the average turnover would be expected to rise slowly over time in line with inflation.

For business creations, the value for turnover is usually that estimated by the business upon registration with HMRC for VAT. The employment value is the number of actually registered employees on their PAYE scheme if they have one, and it is imputed if they do not. This value is revised on the IDBR when more up-to-date data are received, but it is not revised in these statistics.

Data on turnover and employment on the IDBR should not be used to measure economic growth or the growth of the labour market; other ONS sources are preferred for these purposes. Data points are generally reasonably current for larger businesses, but they are less so for smaller businesses.

Feedback

The ONS welcomes feedback from users on whether they find this release on business creations and closures to be helpful. Please email us at idbrdas@ons.gov.uk regarding whether you would like to see an ongoing quarterly release of these figures.

Other releases

Alongside this release, we have introduced a weekly indicator of company incorporations and dissolutions with Companies House in our [weekly faster indicators publication](#). There is also a blog available that explains some of the important things to bear in mind about these data.

7 . Strengths and limitations

Timeliness

In line with international guidance from Eurostat and the Organisation for Economic Co-operation and Development (OECD), our [official statistics](#) on business demography are published a year after the reference period to allow for reactivations before deaths figures are calculated. We have published these quarterly data to provide a more timely indicator of business creations and closures to support understanding of the impact of the coronavirus (COVID-19) pandemic on the UK economy, but these data will not be entirely consistent with our [annual publication](#), and that remains the superior measure of business demography.

More detail about the [Inter-Departmental Business Register \(IDBR\)](#) the [annual official statistics on business demography](#) is available.

Relationship with other data

This publication provides the first quarterly estimates of businesses added to, and removed from, the IDBR. However, there are many other publications drawing on other data sources to provide estimates of either business creation or business closures at different frequencies. These are briefly outlined in this section.

Quarterly official statistics from Companies House include the number of company incorporations, dissolutions and removals from their register. Companies and businesses are not the same in these statistics – companies are legal entities, as registered with Companies House; businesses are statistical entities, arranged by the Office for National Statistics (ONS) on the IDBR, which better reflect their economic activity. Some types of company are present with Companies House but not on the IDBR or in Value Added Tax (VAT) returns, such as small single-person limited companies.

We have published new weekly indicators of company incorporations and voluntary dissolutions using data from Companies House in our [faster indicators publication](#), but this covers only one route for a business to be removed from the IDBR.

There are many ways for a business to close or die, of which “insolvency” is only one. Data from the Insolvency Service on company insolvencies therefore do not reflect all business closures – insolvencies typically account for a small fraction of business closures, although they tend to be the highest profile.

Data from the Business Impact of Coronavirus (COVID-19) Survey (BICS) include estimates of the proportion of surveyed businesses that have “temporarily ceased trading”. Businesses that are still active but temporarily ceased trading because of the coronavirus pandemic are not removed from the IDBR and therefore are not reflected in the data in this release.

BICS also reports data on the proportion of responding businesses that have permanently ceased trading. This is based on a filter question in the survey to reduce burden for those businesses that have closed down, as the survey is not relevant for them. As such, those estimates are not intended to capture business closures, so the data in this release are preferred.

The data in this release are most similar to the concepts of business births and deaths in the [annual business demography statistics](#), which are badged as [National Statistics](#). The calculation of business births and deaths in the annual publication is more robust than in this publication and follows international guidance. The data in this release have been created rapidly to provide insight on the coronavirus pandemic, and they should be treated with caution.

8 . Related links

[Business demography UK: 2018](#)

Bulletin | Released 19 November 2019

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

[Coronavirus and the economic impacts on the UK](#)

Bulletin | Released fortnightly

The indicators and analysis presented in this bulletin are based on responses from the voluntary fortnightly business survey, which captures businesses' responses on how their turnover, workforce prices, trade and business resilience have been affected.

[Multiple business registrations at a single postcode: 2018](#)

Article | Released 19 November 2019

Business demography explainer covering additional information on the impact of multiple registrations at a single postcode.