

Statistical bulletin

Business demography, quarterly experimental statistics, UK: October to December 2021

Experimental quarterly statistics on business births and deaths from the Inter-Departmental Business Register with high-level breakdowns by industry and region.

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To be announced

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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 4 (Oct to Dec) 2021 was 14% higher than in Quarter 4 2020.
- There was an increase in closures in 15 out of 16 main industrial groups in Quarter 4 2021 compared with Quarter 4 2020 with the largest increase in the transport and storage industry.
- The number of businesses added to the IDBR (business creations) in the UK in Quarter 4 2021 was 4% lower than in Quarter 4 2020.
- Construction saw the largest increase in creations in Quarter 4 2021 compared with Quarter 4 2020, while retail saw the largest decrease year on year.
- Data in this release are [experimental](#) and produced rapidly to support understanding of the impact of the coronavirus (COVID-19) 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 . Business closures

Business closures are those removed from the Inter-Departmental Business Register (IDBR). A business is removed from the IDBR if its turnover and employment are zero for several periods, or if the Office for National Statistics (ONS) is notified that the business has ceased trading through an administrative or survey source.

The number of business closures in the UK in Quarter 4 (Oct to Dec) 2021 was 102,700. This is 14% higher than in Quarter 4 2020, with all industrial groups except for finance and insurance showing an increase in closures. A significant increase in closures came in the transport and storage industry (up 69%). Freight transport by road and courier activities (unlicensed carriers) are the two main industries contributing to the increase in closures within transport and storage. These closures come after significant increases in creations throughout 2020 and 2021 in those industries.

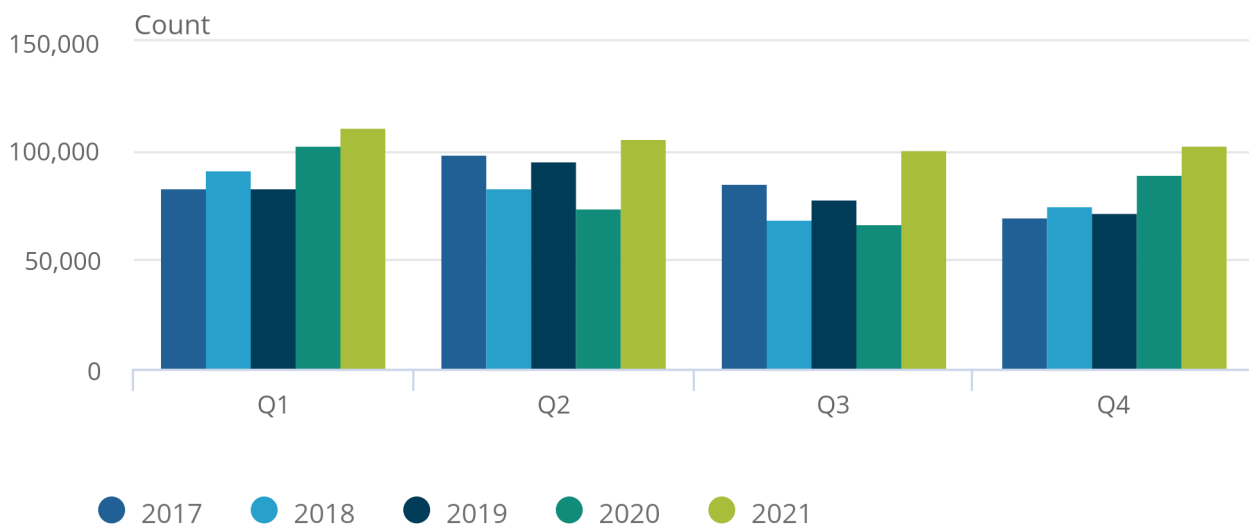
The number of closures in Quarter 4 2021 is the highest Quarter 4 figure since the start of the series in 2017 and the fourth highest figure out of all the quarters. Closures in the whole of 2021 are high in comparison to previous years; they are 26% higher than closures in 2020 and 28% higher than average closures in the four years 2017 to 2020.

Figure 1: Business closures were higher in Quarter 4 (Oct to Dec) 2021 than in any Quarter 4 since 2017

Number of businesses removed from the Inter-Departmental Business Register (IDBR), quarterly, UK, Quarter 1 (Jan to Mar) 2017 to Quarter 4 2021

Figure 1: Business closures were higher in Quarter 4 (Oct to Dec) 2021 than in any Quarter 4 since 2017

Number of businesses removed from the Inter-Departmental Business Register (IDBR), quarterly, UK, Quarter 1 (Jan to Mar) 2017 to Quarter 4 2021



Source: Inter-Departmental Business Register

Businesses closing in Quarter 4 2021 were smaller than those which closed in the fourth quarters of 2017 to 2020. The average size of business which closed in Quarter 4 2021 by employment was 2.4 employees. This was around 14% smaller than the average size of business which closed in the fourth quarter over the period 2017 to 2020.

3 . 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 the [Measuring the data](#) and [Glossary](#) sections of this bulletin.

The number of IDBR business creations in the UK in Quarter 4 (Oct to Dec) 2021 was 83,720. This figure is 4% lower than Quarter 4 2020. There was a decrease in the number of births in 9 of the 16 industry groups when compared with the same quarter a year ago, with large falls in retail (down 32%) and transport and storage (down 18%). There was a significant increase in creations on the same quarter a year ago in Construction (up 24%).

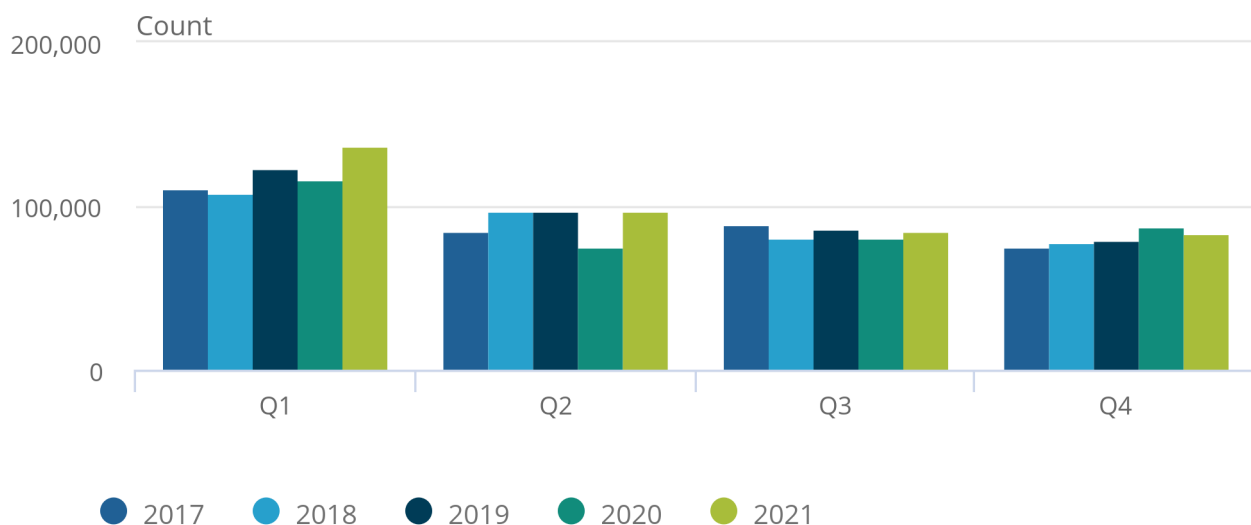
Although the number of creations in Quarter 4 2021 was lower than Quarter 4 2020, the number of business creations in Quarter 4 2021 was 4% higher than the average number of business creations in Quarter 4 between 2017 and 2020. There were 9% more creations for the whole of 2021 than the average number of creations in the years 2017 to 2020.

Figure 2: Business creations in Quarter 4 (Oct to Dec) 2021 were 4% lower than those seen in Quarter 4 2020.

Number of businesses added to the Inter-Departmental Business Register (IDBR), quarterly, UK, Quarter 1 (Jan to Mar) 2017 to Quarter 4 2021

Figure 2: Business creations in Quarter 4 (Oct to Dec) 2021 were 4% lower than those seen in Quarter 4 2020.

Number of businesses added to the Inter-Departmental Business Register (IDBR), quarterly, UK, Quarter 1 (Jan to Mar) 2017 to Quarter 4 2021



Source: Inter-Departmental Business Register

Between 2017 and 2020, the average new business created in Quarter 4 had around 3.4 employees. The average number of employees in Quarter 4 2021 was 22% lower, at 2.7 employees. Businesses which have been created since the coronavirus (COVID-19) pandemic tend to be smaller in terms of employment than those created prior to the pandemic.

4 . Business demography, quarterly experimental estimates data

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

Dataset | Released 27 January 2022

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 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.

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

The Inter-Departmental Business Register (IDBR)

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.

Turnover and employment data

The turnover data on the IDBR are mostly derived from VAT or Office for National Statistics (ONS) business survey records. Employment data on the IDBR are 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 HM Revenue and Customs (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.

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.

Additional geographical breakdowns

From the Quarter 4 2021 release, additional geographical breakdowns of business creations and closures have been made available in order to meet user needs. An unspecified geography category has also been introduced to deal with the distorting effect of multiple registrations at the same site. These apply where there are 250 or more creations or closures at the same postcode. Any creations or closures that happen at one of these postcodes are taken out of their geography and placed into the unspecified category. These cases still count towards the UK totals. The figures are provided in the data workbook published as part of this statistical release.

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 quarterly.

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 or Companies House indicates it is no longer active. The ONS proves deaths by contacting businesses 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. A shorter time period analysis of business creations and closures would be very volatile because the important PAYE update is quarterly. As such, this source is best suited to quarterly publications.

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. However, these data will not be entirely consistent with our [annual publication](#), and that remains the superior measure of business demography.

More detail about the [IDBR](#) and the [annual official statistics on business demography](#) is available.

7 . Related links

[Business demography UK: 2020](#)

Bulletin | Released 18 November 2021

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

[Business insights and impact on the UK economy](#)

Bulletin | Released 13 January 2022

The impact of challenges facing the economy and other events on UK businesses. Based on responses from the voluntary fortnightly business survey (BICS) to deliver real-time information to help assess issues impacting UK businesses and economy, including financial performance, workforce, trade, and business resilience.

[Multiple business registrations at a single postcode: 2020](#)

Article | Released 18 November 2021

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

[Business dynamism in the UK economy: Quarter 1 \(Jan to Mar\) 1999 to Quarter 4 \(Oct to Dec\) 2019](#)

Bulletin | Released 15 October 2020

Experimental statistics on business dynamism at a firm level using the Inter-Departmental Business Register (IDBR). The analysis includes changes in quarterly job creation and destruction by different firm characteristics since 1999 to 2019 for the UK.