

Statistical bulletin

Business demography, quarterly experimental statistics, UK: October to December 2022

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

Contact:
Mark Williams
idbrdas@ons.gov.uk
+44 1633 456728

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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) 2022 was 5% lower than in Quarter 4 2021.
- There was a decrease in closures in 6 out of 16 main industrial groups in Quarter 4 2022 compared with Quarter 4 2021, with the most significant decrease coming from transportation and storage, and the most significant increase from construction.
- The number of businesses added to the IDBR (business creations) in the UK in Quarter 4 2022 was 13% lower than in Quarter 4 2021; it is the second lowest figure since the start of this series in 2017.
- Transport and storage saw the most significant decrease in creations in Quarter 4 2022 compared with Quarter 4 2021; the most significant increase came in business administration and support services.
- Data in this release are [experimental statistics](#); 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 with the annual publication 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) 2022 was 82,390. This is 5% lower than in Quarter 4 2021, with 6 out of 16 main industrial groups showing a decrease in closures.

The most significant decrease in closures came in the transportation and storage industry (down 35%). Construction saw the largest year-on-year increase in closures (up 16%).

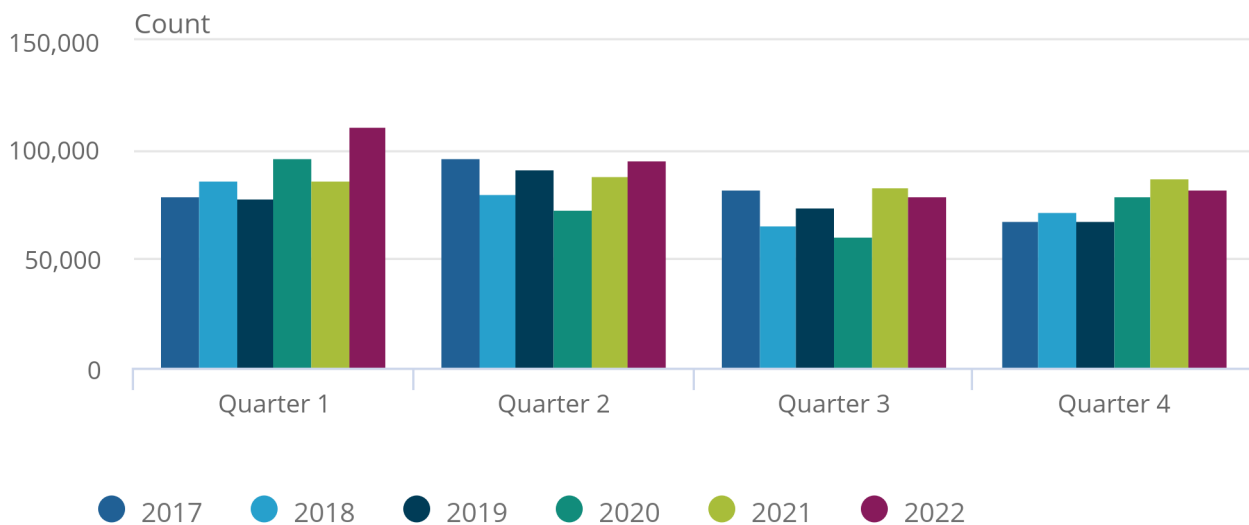
The number of closures in Quarter 4 2022 is the second highest Quarter 4 figure since the start of the series in 2017, with only Quarter 4 2021 at a higher level. It is also the sixth quarter in a row where there have been more closures than creations.

Figure 1: Business closures were lower in Quarter 4 (Oct to Dec) 2022 than in Quarter 4 2021

Number of businesses removed from the Inter-Departmental Business Register (IDBR), quarterly, UK, Quarter 1 (Jan to Mar) 2017 to Quarter 4 2022

Figure 1: Business closures were lower in Quarter 4 (Oct to Dec) 2022 than in Quarter 4 2021

Number of businesses removed from the Inter-Departmental Business Register (IDBR), quarterly, UK, Quarter 1 (Jan to Mar) 2017 to Quarter 4 2022



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

The average size of businesses that closed in Quarter 4 2022, by employment, was 2.6 employees. This was 5% smaller than the average size of businesses that closed in the fourth quarter over the period 2017 to 2021, but 7% larger than the average size of businesses that closed in Quarter 4 2021. This shows that the size of businesses that have closed since the coronavirus (COVID-19) pandemic began is smaller than those that closed before it began. However, the trend towards increasingly smaller businesses closing may be ending.

3 . Business creations

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

The number of IDBR business creations in the UK in Quarter 4 (Oct to Dec) 2022 was 69,445. This figure is 13% lower than in Quarter 4 2021 and is the second lowest number of business creations since the start of this series in 2017.

The number of business creations decreased in 13 of the 16 industry groups this quarter when compared with Quarter 4 2021. The most significant decrease came in the transport and storage industry, where business creations were down by 30%. The transport and storage industry has seen large numbers of business creations since Quarter 4 2020, but this is the third quarter in a row where the number of creations has gone below 9,000 since then.

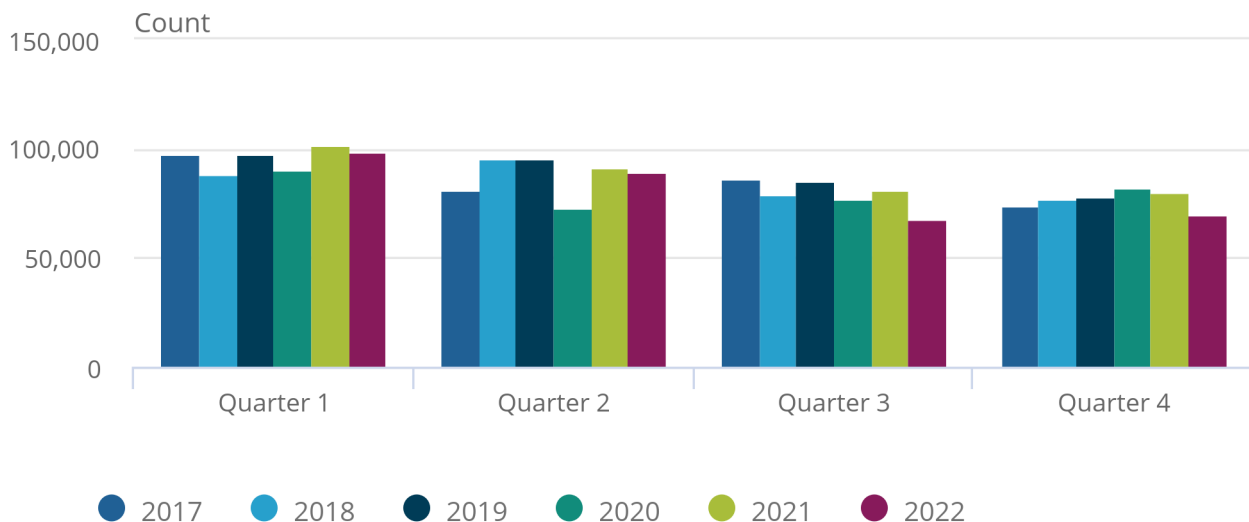
Out of the three industry groups that saw an increase in the number of business creations this quarter, the most significant increase came from business administration and support, which rose by 7%.

Figure 2: Business creations in Quarter 4 (Oct to Dec) 2022 were 13% lower than Quarter 4 2021

Number of businesses added to the Inter-Departmental Business Register (IDBR), quarterly, UK, Quarter 1 (Jan to Mar) 2017 to Quarter 4 2022

Figure 2: Business creations in Quarter 4 (Oct to Dec) 2022 were 13% lower than Quarter 4 2021

Number of businesses added to the Inter-Departmental Business Register (IDBR), quarterly, UK, Quarter 1 (Jan to Mar) 2017 to Quarter 4 2022



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

Between 2017 and 2021, the average new business created in Quarter 4 had 3.5 employees. The average number of employees in businesses created in Quarter 4 2022 was 27% lower at 2.6 employees. Businesses that have been created since the coronavirus (COVID-19) pandemic began tend to be smaller in terms of employment than those created before the coronavirus pandemic.

4 . Business demography, quarterly experimental estimates data

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

Dataset | Released 2 February 2023

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.

[Business demography, quarterly experimental statistics, low-level geographic breakdown, UK](#)

Dataset | Released 2 February 2023

Experimental quarterly statistics on business creations or births and closures or deaths from the Inter-Departmental Business Register (IDBR) a low-level geographic breakdown for the UK.

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 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 Value Added Tax (VAT) or pay as you earn (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. These are referred to as business deaths in our [annual Business Demography, UK bulletins](#) and other data.

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 2.8 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 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 this is 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 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 should be used for this. Data points are generally current for larger businesses, but less current for smaller businesses.

6 . Measuring the data

Experimental Statistics

The statistics presented are [Experimental Statistics](#), so care needs to be taken when interpreting them.

Please note that in this bulletin, we have used the term "most significant" to mean changes that have been identified by weighting percentage movements of business creations and closures by the absolute difference in the change and ordering them by industry.

An improvement has been made to the data shown in this publication. For all of the years covered in this release (2017 to 2022), businesses that do not have either Value Added Tax (VAT) or pay as you earn (PAYE), but do have a live company number, have been removed from the figures. They have been removed because they can misrepresent business creation and closure figures.

We create these enterprises on the Inter-Departmental Business Register (IDBR) to monitor them, usually because they help to give the full picture on the enterprise group. Often these businesses do not have employment or turnover figures, but have some role in the enterprise group, such as the parent of the enterprise group. The majority of our business surveys exclude these cases, and they are now also excluded from both annual and quarterly business demography results.

Additional geographical breakdowns

From the Quarter 4 (Oct to Dec) 2021 release, additional geographical breakdowns of business creations and closures have been made available 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 over 250 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 because 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 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 [annual Business Demography, UK bulletins](#) 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 timelier 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 bulletin, and that remains the superior measure of business demography.

Comparison with the deaths figures produced for the 2021 annual demography figures, published by the ONS on 17 November 2022, showed that the quarterly figures were overestimating deaths as a result of reactivations. Reactivations arise as later information on business turnover or employment is received. From the Quarter 4 2022 release, we have introduced a method to take account of reactivations in business deaths. A similar, but smaller, issue occurs with births, when false births are removed by later IDBR processes. Using revised datasets taken a year after the original data was extracted from the IDBR we have calculated an average reduction percentage to create more accurate early estimates. For this release we have applied a 12.3% reduction to business closures and a 3.6% reduction to business creations for all Quarters of 2022. This has led to revisions to the births and deaths figures from 2020 onwards.

More detail about the IDBR and our annual official statistics on business demography is available in our [Business demography QMI \(Quality and methodology information\) article](#).

7 . Related links

[Business demography UK: 2021](#)

Bulletin | Released 17 November 2022

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

[Business insights and impact on the UK economy: 26 January 2023](#)

Bulletin | Released 26 January 2023

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 affecting UK businesses and economy, including financial performance, workforce, trade, and business resilience.

[Multiple business registrations at a single postcode: 2021](#)

Article | Released 17 November 2022

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.

8 . Cite this statistical bulletin

Office for National Statistics (ONS), released 2 February 2023, ONS website, statistical bulletin, [Business demography, quarterly experimental statistics, UK: October to December 2022](#)