

Weekly indicators of company creations and closures from Companies House methodology: August 2020

Quality and methodology information for weekly indicators of company creations and closures from Companies House. These are experimental data created as part of the faster indicators release in response to the coronavirus (COVID-19) pandemic.

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Release date:
6 August 2020

Next release:
To be announced

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1 . Introduction

During the coronavirus (COVID-19) pandemic, we have been providing timely indicators of the effect of the disease on the UK economy and society in our [Coronavirus and the latest indicators for the UK economy and society bulletin](#).

These faster indicators now include weekly indicators of company creation and closures based on data from [Companies House](#), working in collaboration with us. These include weekly series of the number of company incorporations (creations) and voluntary dissolutions applications (one type of closure) per working day in that week, along with a quarterly back series to Quarter 1 (Jan to Mar) 2019.

We receive these data from Companies House on a weekly basis. Companies House operate the official register of all limited companies in the UK and track the number of additions and removals from that register over time.

As [Experimental Statistics](#), these data are subject to revisions as our methodology and systems are refined. The [official statistics from Companies House](#), including the [quarterly publication on Incorporated companies in the UK](#), provide a more robust and detailed set of data on register activities, but on a less frequent basis.

2 . About the data source

We measure company creations using the number of "incorporations" and company closures using the number of "voluntary dissolutions applications".

What is a company?

The Companies House register only includes Private Limited, Private Unlimited and Public Limited Companies that have incorporated with Companies House. Companies are business entities where the shareholders', or owners', liability is limited to what they invest in the company. Put another way, a company has a separate legal identity from those who own or run it. The Companies House register doesn't include sole traders, business partnerships, government departments, or some types of charity.

A company is a specific type of legal form of business, covering those businesses that are registered (incorporated) at Companies House. Some companies are set up for purposes that are not directly related to economic activity, such as the protection of names, or by clubs or societies.

There are more than four million limited companies registered with Companies House in the UK. This compares with around three million businesses on the Inter-Departmental Business Register (IDBR) and around six million private sector businesses in the UK according to the official Business Population Estimates (BPE). [The BPE include an estimate of unregistered businesses \(PDF, 73.8KB\)](#), including some self-employed persons, who fall below that Value Added Tax (VAT) threshold and therefore are not included on the IDBR.

The IDBR includes only "active" businesses, as the main purpose of the IDBR is to be used as a sampling frame for our business surveys. It therefore excludes "dormant" companies (those that are still legal entities but are not economically active) and those UK-registered companies whose economic activity all occurs abroad, whereas these are included on the Companies House register. The IDBR also combines information from Companies House and other government departments to create "enterprises", to make business units that better reflect economic activity; in some cases this may combine several Companies House registrations. As such, the Companies House register can be seen to be broader than the IDBR in some respects.

Incorporations

Company incorporations are when a company is added to the Companies House register of limited companies. This can also include where an existing business applies to become a limited company, where it wasn't one before.

The data on incorporations are based on the date when the company is actually added to the register. This is often on the same day it is requested and is rarely more than a few days after the company applies to be incorporated.

Incorporation applications can be filed online or by post, but are processed by people working for Companies House, usually on weekdays. Applications over the weekend are generally processed before the next weekend, and applications received on weekdays are generally processed on the same day, or within the week.

Please note that Companies House quarterly official statistics include figures for Community Interest Company (CIC) incorporations, which are not included in the weekly series. Typically, these account for less than 1% of incorporations.

Voluntary dissolutions applications

There are many ways for a business to close down, including various legal routes.

Dissolution is the act of removing an incorporated company from the Companies House register, and may happen for several reasons, including: the result of insolvency proceedings; compulsory dissolution by Companies House on the belief that it is no longer operational; a request to be removed by the owners. These are described in more detail in [the Companies House guide to their official statistics](#).

A voluntary dissolution application is when a company applies to begin dissolution proceedings. As such, they effectively chose to be removed from the Companies House register. For a company to be eligible to voluntarily dissolve, it should not have completed any trading activity for a period of three months.

Companies may choose to voluntarily dissolve for a range of reasons, such as: retirement of the owner; the end of the useful life of the company from a legal perspective; an unsuccessful business venture; the expectation of a compulsory dissolution or insolvency in due course. Companies choosing to voluntarily dissolve can be solvent (have sufficient cash flow) and therefore may be less indicative of companies "forced out of business" by economic trading conditions.

Voluntary dissolutions historically make up around half of all companies removed from the Companies House register. Compulsory dissolutions make up most of the other half. Insolvencies typically account for less than 10% of all businesses removed from the register in the past two decades, although they are often the most high-profile.

All forms of strike-off, including compulsory dissolutions, have been suspended by Companies House during the coronavirus pandemic - see [Section 4](#) for more on the impact of the coronavirus pandemic on these statistics. The weekly figures presented are for voluntary applications, however, Companies House will not be striking companies applying for voluntary dissolution applications off the register until 10 September 2020 (see [here](#) for more information on this process). Monthly insolvencies data are available from the Insolvency Service - see [Section 5](#) for more on other data sources.

The data on voluntary dissolutions applications in the Faster Indicators publication are based on the time at which they are accepted by Companies House, not the point at which they are removed from the register. This makes them a more appropriate indicator of economic activity as it happens. However, this can still be after the "effective" death of the company, and companies can be restored to the register by court order after voluntary dissolution applications.

Working days

We present indicators of company incorporations and voluntary dissolutions applications per working day. We do this to allow comparison between quarterly and weekly data on the same scale, to see the variation of the weekly data from the "usual" level.

Quarterly data on incorporations are taken from the official statistics release from Companies House, while quarterly data on voluntary dissolutions applications are provided by Companies House to Office for National Statistics.

Working days are defined as weekdays other than Bank Holidays. This also smooths some of the fluctuations in the weekly data caused by Bank Holidays, especially during April and May 2020.

Weeks

Weekly data are based on week commencing Saturdays. This is because applications received over the weekend are processed during the subsequent week. Staff at Companies House occasionally work overtime on weekends, processing incorporation applications received over that weekend, which tends to lead to lower numbers processed in the subsequent week. As such, weeks commencing Saturday are more appropriate to avoid re-allocating processing between weeks based on overtime.

Additionally, a new online system allows some voluntary dissolution applications that meet certain criteria to be accepted automatically. This happens on all days of the week, including weekends. Any applications received over the weekend which are not automatically accepted are processing by staff during the following weeks. Again, weeks commencing Saturday are the most appropriate measure.

3 . Strengths and limitations

Strengths

- Present a high frequency indicator of company creation and closure – the only weekly data on this available for the UK.
- Available only six days after the reference period, making them a very timely indicator.
- Based on the Companies House register, a comprehensive database of Private Limited, Private Unlimited and Public Limited Companies in the UK.
- Data follow broadly consistent trends with other indicators based on available data.

Limitations

- Experimental data based on a new processing system at Companies House, data subject to revision, and not entirely consistent with quarterly official statistics publication from Companies House.
- No breakdowns by industry or region possible at present.
- Only includes some types of company death (removal from the Companies House register) – see [Section 2](#) for more details.
- May not entirely represent economic activity by businesses, as may include companies set up for other reasons – see [Section 2](#) for more details.
- No information on size of companies closing.

4 . Impact of the coronavirus pandemic

The coronavirus pandemic has led to some changes to the normal processes at Companies House and other government agencies, which affects the interpretations of these data. This section provides a brief overview, with more detail available through the links provided.

In response to the pandemic, [the government announced a set of easements on 16 April 2020 for companies relating to their filings and other processes with Companies House](#). This included the temporary pause of strike-offs from the register to give businesses affected by the pandemic more time to update their records and help them avoid being struck-off. As a result, compulsory dissolutions were paused from 2 April 2020, and the total number of dissolutions is therefore much lower than the same time last year.

Other regulatory measures from the government to support companies during the pandemic include [a three-month extension to file accounts with Companies House for companies affected by the pandemic](#) from 25 March 2020, and a subsequent [automatic extension of deadlines for filing accounts from 27 June 2020](#).

[The Insolvency Service also notes a number of factors that may help to explain lower than usual insolvencies during April to June 2020](#). As well as the factors listed above, they note that reduced operational running of the courts and reduced HMRC enforcement activity since UK lockdown was applied on 23 March 2020 could contribute.

The government have also implemented a range of financial support measures to support businesses, including the Coronavirus Job Retention Scheme (furlough scheme), loans for small businesses, and tax holidays, amongst others. These financial support measures may support businesses to stay solvent during the pandemic, postponing or preventing business closures that may otherwise occur. Once these measures are reduced or removed, businesses may then experience financial difficulty and may close.

5 . Comparisons with other data

This publication provides the first weekly indicators of company creations and closures for the UK, based on data from Companies House. 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. The weekly indicators in Faster Indicators are broadly consistent with the quarterly official statistics, but those should be treated as more robust, and provide more detail than the weekly indicators.

In the quarterly official statistics, dissolutions are not broken down into compulsory and voluntary. They are also based on the date on which the company is actually removed from the register and register strike-offs have been paused since 2 April 2020, as described in [Section 4](#). This means that for Quarter 2 (Apr to June) 2020, the number of dissolutions recorded in the quarterly official statistics are low compared with previous years, but the number of companies in the process of being removed increased substantially. The weekly indicator of voluntary dissolutions applications is a more timely and frequent indicator of the number of dissolutions as they happen.

There are many ways for a business to be removed from the Companies House register, of which "insolvency" is only one. Insolvencies include liquidations (where assets are sold off to pay creditors) and company rescue packages (administrations and company voluntary arrangements). Insolvencies typically account for less than 10% of all companies removed from the Companies House register in the past two decades, although they tend to be the highest profile. Data from the Insolvency Service on company insolvencies therefore does not reflect all business closures.

[The Insolvency Service publish monthly data on the number of companies entering insolvency proceedings](#). The Insolvency Service get much of their data for this from Companies House, supplemented with their own data, and making some adjustments. Insolvencies and voluntary dissolutions applications are different processes, so while the trends are similar, they are non-overlapping.

We have also published quarterly experimental statistics on business demography using the Inter-Departmental Business Register (IDBR). These include the number of businesses removed from the IDBR (business closures) and added to the IDBR (business creations).

The quarterly experimental business demography statistics are similar to 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 the quarterly publication and follows international guidance.

Companies and businesses are not the same in these statistics - companies are legal entities, as registered with Companies House; businesses are statistical entities, arranged 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 VAT returns, such as single-person limited companies. See [Section 2](#) for more details.

Data from the Business Impact of Coronavirus Survey (BICS) include estimates of the proportion of surveyed businesses that have "temporarily ceased trading". Businesses that are still active but temporarily ceased trading due to the coronavirus pandemic are not reflected in the weekly voluntary dissolution applications data unless they later file for voluntary dissolution applications.

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 other data are preferred for this purpose.

6 . Related links

[Information about Companies House](#)

[Definitions of terms used in Companies House statistics](#)

[Companies House quarterly official statistics - Incorporated companies in the UK, April to June 2020](#)

[Companies House annual official statistics - Company register activities: statistical release 2019 to 2020](#)

[Business demography, experimental quarterly statistics](#)

[Business demography annual National Statistics - UK, 2018](#)

[Insolvency Service monthly insolvency statistics, June 2020](#)

[Guide to differences between UK business demography statistics](#), including Business Population Estimates, IDBR business demography statistics, and Companies House official statistics