

Weekly indicators of company creations and closures from Companies House methodology

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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1 . Introduction

Since the onset of the coronavirus (COVID-19) pandemic, Office for National Statistics (ONS) has been publishing timely indicators to show the impact the disease and resulting government restrictions have had on the UK economy and society in our [Economic activity and social change in the UK, real-time indicators](#) bulletin.

These real-time indicators now include weekly measures of company creation (company incorporations) and closures (voluntary dissolution applications and compulsory dissolution first gazettes) based on data supplied by Companies House, who operate the official register of all limited companies in the UK and track the creation and closure of these over time. We receive these data from Companies House on a weekly basis.

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" and "compulsory dissolution first gazettes".

What is a company?

The Companies House register includes the following company types:

- Public limited company (PLC)
- Private limited company by share
- Private unlimited company
- Private limited company by guarantee (no share capital)
- Limited liability partnership
- International companies

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.

The data on voluntary dissolutions applications in the Real-Time 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 (the second gazette). This makes them a timelier indicator of economic activity. However, this can still be after the company has stopped trading, and companies can withdraw the application at any time before dissolving.

Compulsory dissolutions

The process for compulsory dissolutions is triggered when the Companies House registrar has reasonable cause to believe that a company is no longer in business or operation. This process is usually commenced when a company fails to file the required financial accounts and/or confirmation statements, which they are required to do annually. Companies House will then send a series of letters to the company and its officers to enquire whether it is operational and, if no contact is received, then a first gazette notice is published in the Gazette, giving notice of the Registrar's intention to dissolve the company.

Additionally, in rarer cases, the compulsory dissolution process is triggered by a company going six months without any registered directors, or when Companies House are not able to contact the company following a complaint.

If Companies House receives no contact from the company and finds no evidence that it is operational then they issue a first gazette, publicly highlighting their intention to remove the company from the register. This provides its directors an additional opportunity to confirm their business is operational, whilst also giving creditors notice to appeal the dissolution in order to more easily recover any funds owed to them. If no contact is received following the first gazette within 79 days then Companies House issue a second gazette, confirming that the company has been dissolved. Users should note that approximately only two thirds of companies issued with first gazettes go on to be removed from the Companies House register.

The data on compulsory dissolutions in the Real-Time Indicators publication are based on the time at which the company in question is issued with a first gazette, for example when Companies House have investigated and it has been deemed that there is sufficient cause to believe the company is no longer operational. This takes place approximately 7 weeks after Companies House begins its investigation. Users should note that the issuing of first gazettes were paused between 16 April and 10 October 2020 and between 21 January and 8 March 2021. See Section 3 for more detail.

Users should therefore exercise caution when interpreting compulsory dissolution figures. Firstly, not all companies that are issued with a first gazette by Companies House go on to be dissolved meaning the figures for first gazettes are likely to overstate the true level of company closures in the UK. Secondly, because of filing deadlines occurring annually, a company issued with a first gazette could theoretically have closed down over a year beforehand. Therefore, compulsory dissolution figures for a given week could include companies that had closed down a considerable amount of time beforehand, or not have closed down at all.

Reporting periods

For incorporations and voluntary dissolution applications, weekly data are based on weeks commencing Saturdays and ending on Fridays. 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 incorporations and 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 processed by staff during the following weeks. Again, weeks commencing Saturday are the most appropriate measure.

For compulsory dissolutions, weekly data are based on weeks commencing on Wednesdays. This is because of first gazettes for compulsory dissolutions only being published once a week on a Tuesday. Please note that voluntary dissolution applications and compulsory dissolution first gazettes relate to different stages of the dissolution process, and hence cannot be combined into an overall measure of dissolution activity.

3 . 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 compulsory dissolution first gazette data. This section sets out a brief overview of these changes, with more detail available through the links provided.

In response to the coronavirus (COVID-19) pandemic, Companies House put in place a series of measures related to their filings and other processes. The first of these was an auto-extension to filing deadlines, as part of the [Corporate Insolvency and Governance act](#), which aimed to relieve the burden on companies during the pandemic to allow them to focus on core business operations. This extended filing deadlines for all companies if they were originally due to file within the period of 27 June 2020 to 5 April 2021. This will likely have pushed back the issuing of compulsory dissolution first gazettes for some companies, as it will have delayed the point at which Companies House will have begun to have reasonable cause to believe they were no longer operational.

Further to this, a set of easements were announced by Companies House on 16 April 2020. They included the temporary pause of the strike off process (voluntary and compulsory) to give companies affected by the COVID-19 outbreak and national lockdown measures the time they needed to update their records filed with Companies House and help them avoid being struck off the register. The impact of this announcement was that compulsory dissolutions from 2 April 2020 onwards were temporarily paused, as was the final stage of voluntary dissolutions. As a result, no compulsory dissolution first gazettes were recorded between 16 April and 10 October 2020.

In response to the ongoing COVID-19 pandemic, there was a second pause of the voluntary and compulsory strike off processes on 21 January 2021. Companies House temporarily paused the strike off processes so that companies and creditors would not be adversely affected by processing delays. The release of paused compulsory dissolutions began on 8 March 2021. The impact of pausing the issuing of first gazettes and the auto-extension of filing deadlines introduced by Companies House are shown in Figure 1, which plots weekly cumulative company compulsory dissolution first gazettes in 2018, 2019, 2020 and 2021. It clearly shows the pause in compulsory dissolution first gazettes that took place between 16 April and 10 October 2020, and then between 21 January and 8 March 2021, represented by the cumulative number of first gazettes not increasing over these periods.

Compulsory dissolution first gazettes were issued at a faster rate when they were restarted after 10 October 2020 and 8 March 2021, as Companies House worked through the backlog of companies awaiting first gazettes that had built up during the pauses. Users should bear this in mind when interpreting compulsory dissolution figures, as although at first glance it may suggest more companies were going out of business, in actual fact the rise in compulsory dissolution first gazettes here simply reflects Companies House working through an administrative backlog.

Figure 1: Cumulative compulsory dissolution first gazettes in 2018, 2019, 2020 and 2021

UK, 2018 to 2021

Source: Companies House

It is also important to highlight that 2020 compulsory dissolution first gazettes never appear to have caught up with their level in non-pandemic years, trailing behind cumulative figures for both 2018 and 2019. Companies House attribute this to the impact of auto-extension of filing deadlines as well as the pause in issuing first gazettes between 16 April and 10 October 2020, and between 21 January and 8 March 2021. They estimate that around 81,000 corporate bodies were prevented from being issued with a first gazette because of the pause to strike-off activity. Please note that these figures form part of Companies House management information and hence is unaudited and subject to change.

As a result users should interpret compulsory dissolution first gazette figures with caution, as if in the latter half of 2021 their number exceed their level in the corresponding weeks of 2018 and 2019, this may be because of the impact of the auto-extension to filing deadlines and pauses in issuing first gazettes as opposed to more UK companies closing down. However, if cumulative compulsory dissolution first gazette volumes in 2021 begin to substantially exceed their level in 2018 and 2019 whilst making up for the lower levels of company closures observed in 2020, then this may be evidence that more companies are indeed closing down.

The shortfall in compulsory dissolution first gazettes in 2020 may also be in part because of state support, as the UK government have implemented a range of financial support measures to support businesses in response to the COVID-19 pandemic, including the Coronavirus Job Retention Scheme (furlough scheme), loans for small businesses, and tax holidays, amongst others. These financial support measures may have supported businesses to stay solvent during the pandemic, postponing or preventing business closures that may have otherwise occurred. Once these measures are reduced or removed, businesses may then experience financial difficulty and may close.

ONS and Companies House will continue to monitor cumulative compulsory dissolution first gazettes in 2021 and will highlight if these substantially exceed their 2018 and 2019 levels in the [Economic activity and social change in the UK, real-time indicators](#) bulletin.

4 . Comparisons with other data

The real-time indicators publication provides 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 the quarterly figures 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 categories. They are also based on the date on which the company is actually removed from the register and, as noted in Section 3, register strike-offs were paused between 16 April 2020 and 10 October 2020, and then again between 21 January 2021 and 8 March 2021. This means that for Quarter 2 (Apr to June) 2020 and Quarter 1 (Jan to Mar) 2021, the number of compulsory dissolutions recorded in the quarterly official statistics were low compared with previous years, but the number of companies in the process of being removed increased substantially. Therefore, during these periods the weekly indicator of voluntary dissolution applications (first gazettes) and compulsory dissolution first gazettes were a more timely indicator of company closures, although users should note that this indicator only covers one type of dissolution.

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, whilst 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.

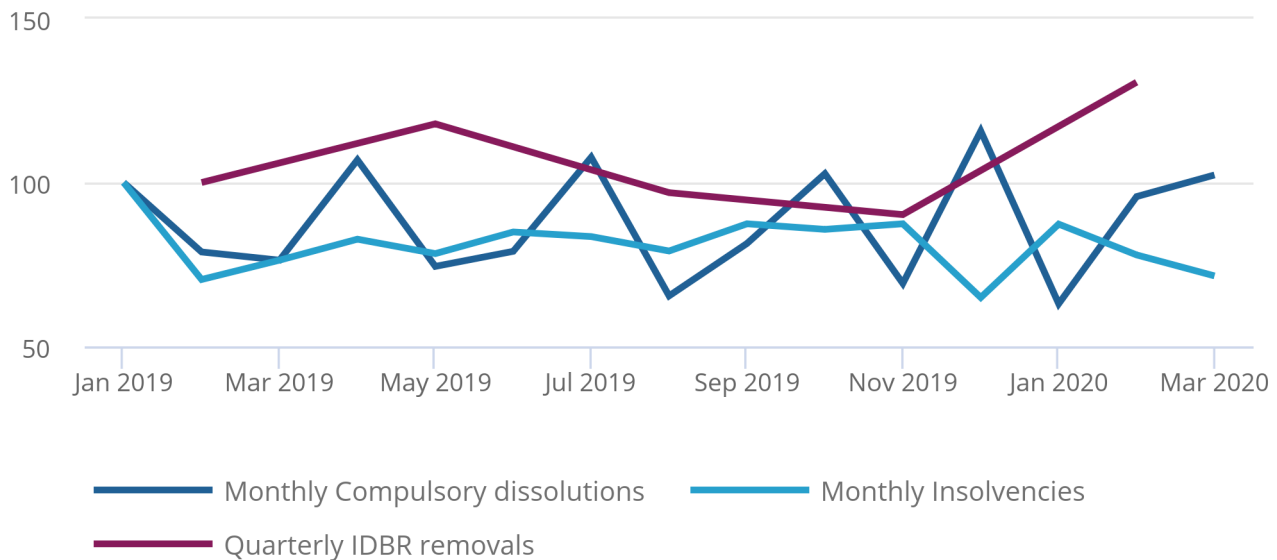
Figure 2 plots monthly compulsory dissolution first gazettes, monthly insolvencies and quarterly IDBR removals for the period January 2019 to March 2020. It demonstrates that all three data sources portray similar trends over the time period.

Figure 2: Comparison of monthly compulsory dissolution first gazettes, monthly insolvencies, and quarterly IDBR removals (Index: 100 = first month or quarter of 2020)

UK, January 2019 to March 2020

Figure 2: Comparison of monthly compulsory dissolution first gazettes, monthly insolvencies, and quarterly IDBR removals (Index: 100 = first month or quarter of 2020)

UK, January 2019 to March 2020



Source: Office for National Statistics and Companies House, Insolvencies Service

Companies and businesses are not the same in these statistics. Companies are legal entities, as registered with Companies House; businesses are statistical entities, registered 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 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 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.

5 . Company incorporations and dissolutions as economic indicators

Company incorporations are a useful although imperfect measure (see Section 2) of business creation within the UK economy. New businesses are generally thought to be more innovative than incumbents, entering markets to take advantage of innovations that allow them to outcompete existing firms and grow quickly. Therefore, an increase in company incorporations may indicate rising innovation within the UK economy, resulting in improved productivity and higher potential economic growth rates.

Conversely, company voluntary dissolution applications and compulsory dissolution first gazettes are proxies for business destruction in the UK. A moderate level of business destruction would be viewed as beneficial for an economy, as it suggests that innovative new firms entering markets are outcompeting less productive incumbents. This implies that resources, in the form of capital and labour, are being reallocated from less productive incumbents to more innovative new firms, resulting in higher output per worker and thus improved living standards.

However, a high level of business destruction could be seen as a negative sign for the economy, as it could suggest that firms are being forced out of markets for reasons other than being outcompeted by more productive new entrants. In this case, previous employed workers may not be able to quickly find new jobs and may end up in long-term unemployment, leading to labour market scarring and reduced economic growth. This is especially pertinent now because of coronavirus (COVID-19) pandemic, as previously productive and profitable businesses may be forced to close down and lay-off their workforce, which could affect the economy long beyond the end of the pandemic.

Taken together, company incorporation, company voluntary dissolution applications and compulsory dissolution first gazettes are therefore important and useful metrics for assessing the impact of COVID-19 on the UK economy, providing real-time insights into business demography.

6 . 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.
- Compulsory dissolution figures may reflect company closures that took place over a year before the reporting period.

7 . 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