

Business Demography, 2011



Coverage: **UK**

Date: **13 December 2012**

Geographical Area: **Local Authority and County**

Theme: **Business and Energy**

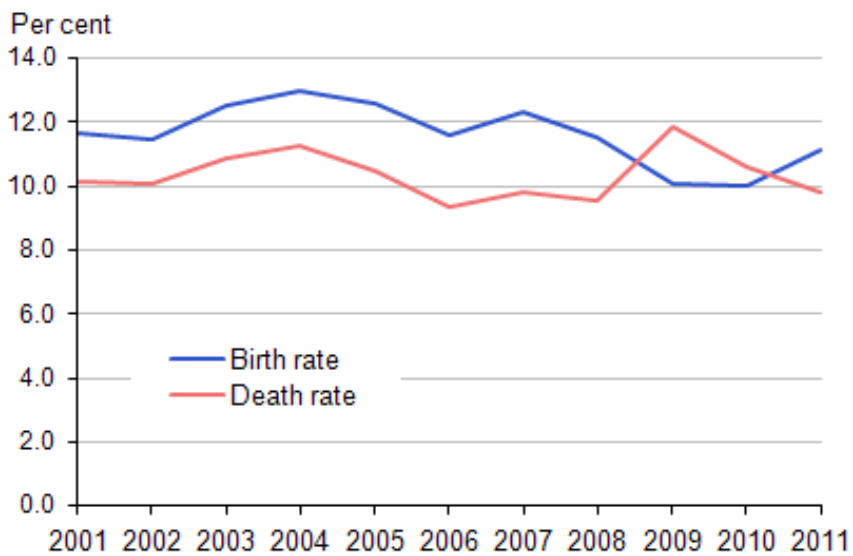
Headline figures

- The number of business births increased by 26,000 (11.2 per cent) between 2010 and 2011.
- The number of business deaths fell by 20,000 (7.9 per cent) between 2010 and 2011.
- London had the highest business birth rate at 14.6 per cent. The North West had the highest business death rate at 10.7 per cent.

Summary

In 2011 there were 261,000 business births, that is new registrations, in the UK, a birth rate of 11.2 per cent. This was compared with 235,000 births in 2010, a birth rate of 10.0 per cent. In 2011 there was also an 11.2 per cent increase in the number of business births.

Provisionally for 2011 there were 230,000 business deaths i.e. business de-registrations, a death rate of 9.8 per cent. This compares with 250,000 business deaths in 2010 and a death rate of 10.6 per cent. In 2011 there was a 7.9 per cent decrease in the number of business deaths.

Figure 1: Business birth and death rates

Source: Office for National Statistics

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There were approximately 2.34 million active businesses in the UK during 2011, a decrease of 8,800 on 2010. Estimates for 2011 are available in greater geographical and industrial detail from the tables published on the Office for National Statistics website.

Table 1 - Business birth and death rates 2002 -2011

Counts given to the nearest thousand

	Active (000s)	Births (000s)		Deaths (000s)	
		Count	Rate (%)	Count	Rate (%)
2002	2,115	243	11.5	213	10.1
2003	2,136	267	12.5	232	10.9
2004	2,159	280	13.0	244	11.3
2005	2,183	275	12.6	228	10.5
2006	2,207	256	11.6	207	9.4
2007	2,280	281	12.3	224	9.8
2008	2,326	267	11.5	223	9.6
2009	2,342	236	10.1	277	11.8
2010	2,351	235	10.0	250	10.6
2011	2,343	261	11.2	230	9.8

Table source: Office for National Statistics

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Business births and deaths by broad industry group

In 2011 the highest rate of business births occurred in information & communication with 14.8 per cent. This was followed by professional; scientific & technical with a birth rate of 14.3 per cent and business administration & support services with a birth rate of 14.1 per cent. In terms of the overall number of births, professional; scientific & technical created the highest number of businesses at 59,000.

The highest business death rate, at 11.9 per cent, was in business administration and support services. This was followed by finance and insurance at 11.5 per cent. In terms of the overall number of deaths, professional; scientific & technical had the highest at 39,000 followed by construction at 35,000 and business administration and support services at 25,000.

Table 2 - Births and death rates by broad industry group, 2011 - UK

Counts given to the nearest thousand

	Active (000s)		Births (000s)			Deaths (000s)		
	Count	Count	Rate (%)	Count	Rate (%)	Count	Rate (%)	
Production	149	12	8.2	13	8.5			
Construction	315	30	9.5	35	11.1			
Motor trades	75	6	8.4	6	7.6			
Wholesale	117	10	8.7	11	9.0			
Retail	217	23	10.5	21	9.7			
Transport & storage (inc. postal)	78	8	10.4	8	10.6			
Accommodation & food services	160	19	12.1	18	11.3			
Information & communication	178	26	14.8	18	9.8			
Finance & insurance	34	4	10.2	4	11.5			
Property	88	8	9.1	8	9.6			
Professional; scientific & technical	409	59	14.3	39	9.6			
Business administration and support services	207	29	14.1	25	11.9			
Education	35	3	9.4	3	8.7			
Health	95	8	8.2	6	6.4			
Arts; entertainment; recreation and other services	185	16	8.5	16	8.6			
Total	2,343	261	11.2	230	9.8			

Table source: Office for National Statistics**Table notes:**

1. The deaths counts provided in this table are provisional. For more details please refer to the background notes.

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Business births and deaths by UK region

Within the regions, London had the highest business birth rate at 14.6 per cent followed by the North East (11.2 per cent) and North West (11.1 per cent). The region with the highest business death rate was the North West at 10.7 per cent, narrowly followed by London at 10.4 per cent. Northern Ireland had the lowest birth and death rates at 6.5 per cent and 8.6 per cent respectively. The highest number of births and deaths were seen in London, at 61,000 and 44,000 respectively.

Table 3 - Birth and death rates by region, 2011 - UK

Count given to the nearest thousand

	Active (000s)		Births (000s)		Deaths (000s)	
	Count	Count	Rate (%)	Count	Rate (%)	
North East	63	7	11.2	9	9.9	
North West	231	26	11.1	25	10.7	
Yorkshire and The Humber	165	17	10.5	16	10.0	
East Midlands	155	16	10.3	15	9.8	
West Midlands	187	20	10.5	19	10.0	
East	237	25	10.5	23	9.6	
London	421	61	14.6	44	10.4	
South East	376	41	10.8	36	9.5	
South West	205	20	9.6	19	9.2	
Wales	89	8	9.3	8	9.5	
Scotland	156	17	10.9	14	9.1	
Northern Ireland	57	4	6.5	5	8.6	
Total	2,343	261	11.2	230	9.8	

Table source: Office for National Statistics**Table notes:**

1. The deaths counts provided in this table are provisional. For more details please refer to the background notes.

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Business survivals

The UK five-year survival rate for businesses born in 2006 and still active in 2011 was 45.0 per cent. By region, the highest five-year survival rate was in Northern Ireland at 50.5 per cent, while the lowest was in London at 41.8 per cent. By broad industry, some notably high five-year survival rates include health with a survival rate of 60 per cent and education with a survival rate of 52.8 per cent. Hotels & catering was the lowest with only 35.7 per cent of businesses surviving for five years.

Survival rates are available from one-year to five-year in greater geographical and industrial detail via the tables published on the Office for National Statistics website.

Table 4 - Survival rates of businesses born between 2006 and 2010, UK

	Rate (per cent)				
	Births 2006	Births 2007	Births 2008	Births 2009	Births 2010
One year survival	96.5	95.4	92.0	90.8	86.7
Two year survival	80.7	81.1	74.0	73.8	..
Three year survival	66.2	63.0	58.0
Four year survival	53.2	52.0
Five year survival	45.0

Table source: Office for National Statistics

Table notes:

1. .. Data not available.

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Background notes

1. Demography data source

To support this release a set of reference tables in greater geographical and industrial detail have been produced and are available.

2. Estimates presented in this release and the associated published tables are rounded to prevent disclosure. Differences may exist in totals across tables due to disclosure methods used.
3. This release is produced from an extract taken from the Inter-Departmental Business Register (IDBR) recording the position of units as at November of the reference year, and excludes central government and local authorities. The data is produced using the guidelines found in the [Eurostat/OECD manual on Business Demography](#).
4. There are two key differences between this release and the statistics produced by Eurostat. Firstly, in this release an adjustment has been made to the deaths data to allow for reactivations, which enables more accurate estimates to be published. Secondly, managed-service companies are excluded from this release, but included in the data supplied to Eurostat. These differences are explained more fully below.
5. Although the statistics in this release are derived from the IDBR, the total stock of active businesses is greater than the UK Business: Activity, Size and Location publication. This is mainly because the definition of an active business is based on activity at any point in the year, whereas UK Business: Activity, Size and Location is based on an annual snapshot at a point in time.
6. Adjustments to deaths to anticipate reactivations

In order to publish estimates within a year of the reference period, ONS has made an adjustment to the deaths figures in this release to allow for reactivations. Reactivations occur due to lags in the administrative sources (VAT/PAYE), which mean it is possible that a business that is continuing to trade can appear to cease on the IDBR. If an old VAT scheme is de-registered and there is a delay in the creation and/or matching of the new VAT scheme it can leave the enterprise without a live administrative source resulting in it being automatically flagged as a death. Additionally, VAT based units where turnover drops to zero are automatically made dead on IDBR, but will rebirth if turnover is then reported in a later period. These units will appear to move from the active stock into the death counts then come live again as births. In order to prevent distortion in these figures, those businesses that 'reactivate' on the register within two years of death are treated as if they have continued to trade throughout the period.

7. ONS has departed from the Eurostat/OECD manual at this point. The manual recommends waiting for two years after the reference period to allow for reactivations before deaths are calculated. Instead, ONS has estimated the number of reactivations. This adjustment has been applied to all industries, by removing units from the death data. This can lead to different percentage adjustments at the lowest level of aggregation. Since the level of reactivations is subject to some uncertainty, the latest two years in the publication are considered to be provisional and subject to revision. The table below shows the adjustments made to the death data for reactivations.

Table 5 - Adjustment made to deaths figures to account for reactivation of businesses, UK

	First Estimate			Second estimate			Final estimate
	unadjusted	estimated	adjusted	unadjusted	estimated	adjusted	
	reactivations			reactivations			
2009	297	18	279	281	4	277	277
2010	315	18	297	253*	3	250*	:
2011	244	14	230	:	:	:	:

Table source: Office for National Statistics

Table notes:

- * A separate revision, not related to reactivations occurred in 2010. Please see background note on revisions.
- : This symbol represents 'not applicable'.

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8. Managed service companies

Managed service companies have been excluded from this release, but are included in the statistics published by Eurostat for Business Demography. ONS excludes these companies from all outputs because they are registered at the address of a service company provider, and therefore distort the geographical location and industry of the businesses as well as business demography changes. The table below shows the number of managed service companies excluded in each year.

Table 6 - Number of managed service companies excluded from business demography, UK

Counts given to the nearest thousand

	Active (000s)	Births (000s)	Deaths (000s)
2005	73	24	8
2006	95	28	12
2007	133	51	33
2008	135	37	54
2009	79	3	47
2010	29	2	12
2011	20	2	5

Table source: Office for National Statistics

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9. Revisions

The latest two years' estimates on births, deaths and survivals are subject to revision. Revisions would normally be made in the following year's publication.

Revisions to 2010 have been larger than usual. The deaths data are always subject to revision due to the estimation of reactivations, but in 2010 there is a further revision. Approximately 50,000 of the 2010 revision is caused by the way new businesses identified by improvements to HMRC systems, have been processed on the IDBR. This change has also led to a 50,000 revision to the 2010 active business count.

10. National Statistics are produced to high professional standards set out in the Code of Practice for Official Statistics. They undergo regular quality assurance reviews to ensure they meet customer needs. They are produced free from any political interference.

11. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

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