

Business demography 2008

Enterprise births, deaths and survival



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Coverage: United Kingdom **Theme:** The Economy

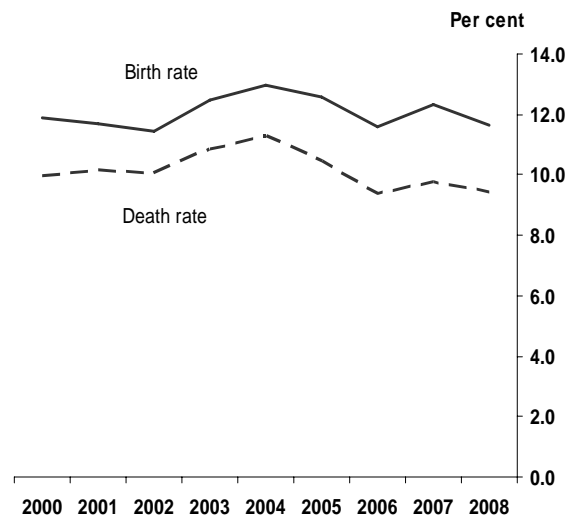
Summary

In 2008 there were 270,000 business births in the UK, a birth rate of 11.6 per cent. This was compared with 281,000 births in 2007, a birth rate of 12.3 per cent. In 2008 there was a 3.7 per cent decrease in the number of business births.

In 2008 there were provisionally 219,000 business deaths, a death rate of 9.4 per cent. This compares with 223,000 business deaths in 2007 and a death rate of 9.8 per cent. In 2008 there was a 1.8 per cent decrease in the number of business deaths.

There were over 2.3 million active businesses in the UK during 2008, an increase of 46,000 on 2007. Estimates for 2008 are available in greater geographical and industrial detail via the link given in Background Notes 1.

Business birth and death rate



	Active (000s)	Births		Deaths	
		000s	rate (per cent)	000s	rate (per cent)
2000	2,041	242	11.9	203	10.0
2001	2,084	243	11.7	212	10.2
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	223	9.8
2008	2,326	270	11.6	219	9.4

Business births and deaths by broad industry group

In 2008 the highest rate of business births occurred in business administration and support services with 16.2 per cent. This was followed by professional; scientific & technical with a birth rate of 14.7 per cent and information & communication with a birth rate of 14.6 per cent. In terms of the overall number of births, professional; scientific & technical created the highest number of businesses at over 54,000. The highest business death rate, at 13.1 per cent, was in accommodation & food services. This was followed by finance & insurance at 11.0 per cent, and business administration and support services at 10.8 per cent. In terms of the overall number of deaths, construction had the highest at 33,000 followed by professional; scientific & technical at over 32,000.

	Active (000s)	Births (000s)		Deaths ¹ (000s)	
		Count	Rate (per cent)	Count	Rate (per cent)
Production	156	12	7.6	12	7.8
Construction	338	40	11.7	33	9.7
Motor trades	75	6	8.3	5	7.3
Wholesale	120	10	8.3	10	8.2
Retail	223	22	10.0	23	10.2
Transport & storage (inc. postal)	83	8	10.1	8	9.9
Accommodation & food services	166	22	13.0	22	13.1
Information & communication	170	25	14.6	17	10.0
Finance & insurance	30	4	12.2	3	11.0
Property	85	10	11.8	6	7.6
Professional; scientific & technical	368	54	14.7	32	8.7
Business administration and support services	207	34	16.2	22	10.8
Education	32	3	9.4	3	8.1
Health	84	7	7.9	6	7.0
Arts; entertainment; recreation and other services	189	15	7.7	16	8.7
Total	2,326	270	11.6	219	9.4

¹ The deaths counts reported in this table are provisional. For more details please refer to Background Notes point 7.

Business births and deaths by UK region

Within the regions, London had the highest business birth and death rates at 15.0 per cent and 10.3 per cent respectively. Northern Ireland had the lowest birth and death rates at 9.5 per cent and 7.3 per cent respectively. The highest number of births and deaths were seen in London, at nearly 59,000 and 40,000 respectively. In 2008, all regions had higher numbers of business births than deaths.

	Active (000s)	Births (000s)		Deaths ¹ (000s)	
		Count	Rate (per cent)	Count	Rate (per cent)
North East	63	8	12.2	6	9.9
North West	235	28	11.8	23	9.8
Yorkshire and The Humber	167	19	11.3	17	10.2
East Midlands	158	17	10.7	15	9.3
West Midlands	191	21	10.8	18	9.3
East	236	26	11.1	22	9.3
London	393	59	15.0	40	10.3
South East	373	41	10.9	33	9.0
South West	207	21	10.2	18	8.8
Wales	92	9	10.1	9	9.5
Scotland	149	16	11.0	13	8.7
Northern Ireland	60	6	9.5	4	7.3
Total	2,326	270	11.6	219	9.4

¹ The deaths counts reported in this table are provisional. For more details please refer to Background Notes point 7.

Business survivals

The UK five-year survival rate for businesses born in 2003 and still active in 2008 was 46.6 per cent. By region, the highest five-year survival rate was in Northern Ireland at 56.2 per cent, while the lowest was in London at 39.4 per cent. By industry, some notably high five-year survival rates include health with a survival rate of 63.0 per cent and education with a survival rate of 60.3 per cent. Hotels & catering was the lowest with only 34.2 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 link given in Background Notes 1.

	Rate (per cent)				
	Births 2003	Births 2004	Births 2005	Births 2006	Births 2007
One year survival	92.6	94.2	94.3	96.5	95.5
Two year survival	78.0	78.7	79.8	80.7	..
Three year survival	63.6	65.3	64.7
Four year survival	54.3	54.7
Five year survival	46.6

.. Data not available

Background Notes

Demography data source

1. To support this release a set of reference tables in greater geographical and industrial detail have been produced and are available via the following link:
<http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=15186>
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, using the guidelines found in the Eurostat/OECD manual on Business Demography. The data excludes central government and local authorities.
4. This release replaces the Business Innovation and Skills (BIS) release *VAT registrations and de-registrations*, which was published for the last time in 2008 and can be found at the following link:
<http://stats.berr.gov.uk/UKSA/ed/sa20081128.htm>
There are a number of methodological differences between these which are explained in the accompanying article:
http://www.statistics.gov.uk/downloads/theme_commerce/Intro-Bus-Demography.pdf
5. 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 up to date 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.
6. 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.

Adjustments to deaths to anticipate reactivations

7. 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.
8. 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.

	Adjusted Deaths 000s	Estimated Re-activations 000s	Un-adjusted Deaths 000s
2007	223	3	226
2008	219	13	232

Managed service companies

9. 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.

	Active 000s	Births 000s	Deaths 000s
2004	51	28	3
2005	73	24	8
2006	95	28	12
2007	133	51	33
2008	135	37	54

Revisions

10. 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.

Publication policy

11. Details of the policy governing the release of new data are available from the press office. Also available are a list of names of those given pre-publication access to the contents of this release.
12. 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. © Crown copyright 2009

1. Births, deaths and active stock

	Active	Births		Deaths	
		Count	Rate (per cent)	Count	Rate (per cent)
2000	2,041,280	242,485	11.9	203,275	10.0
2001	2,084,105	243,430	11.7	211,930	10.2
2002	2,115,915	242,540	11.5	213,345	10.1
2003	2,136,405	267,000	12.5	232,385	10.9
2004	2,158,555	280,080	13.0	243,765	11.3
2005	2,182,755	274,855	12.6	228,155	10.5
2006	2,207,290	255,530	11.6	207,125	9.4
2007	2,280,215 ^r	280,730 ^r	12.3	223,060 ^p	9.8
2008	2,325,770	270,215	11.6	219,105 ^p	9.4

p = provisional, r = revised

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