

Business Demography, 2014



Coverage: **UK**

Date: **24 November 2015**

Geographical Area: **Local Authority and County**

Theme: **Business and Energy**

Main points

- The number of UK business births increased by 1.2% from 346,000 to 351,000 between 2013 and 2014, a birth rate of 13.7% compared with a rate of 14.1% in 2013.
- The 351,000 business births in 2014 were the highest recorded since comparable records began in 2000.
- The number of UK business deaths increased by 3.5% from 238,000 to 246,000 between 2013 and 2014, compared with the decrease of 5.9% in 2013 (from 252,000 to 238,000).
- The total UK business birth rate was 13.7% and the death rate was 9.6%. London was the region with the highest birth rate at 17.7% and the highest death rate at 10.6%.
- In broad industry terms, business administration and support services had the highest business birth rate at 20.7% and accommodation and food services had the highest death rate at 13.1%.

Summary

The starting point for the calculation of business demography data is the concept of active businesses in a reference year. These are defined as businesses that had either turnover or employment at any time during the reference period. New business registrations are referred to as business births and the birth rate is calculated using the number of births as a proportion of the active enterprises.

In 2014, there were 351,000 business births in the UK. The birth rate decreased from 14.1% to 13.7% between 2013 and 2014.

Businesses that have ceased to trade (identified through de-registration of the administrative units, that is, VAT and PAYE) are referred to as business deaths and the death rate is calculated using the

number of deaths as a proportion of the active enterprises. The death rate decreased from 9.7% to 9.6% between 2013 and 2014, the lowest death rate in the UK since 2008.

Business births and deaths, 2009 to 2014

Figure 1 shows that, following the economic downturn of 2008 to 2009, the rate of business births increased in 2011 and has exceeded death rates since. This is reflected in the growing number of active enterprises since 2011. As the economy reached the trough of the downturn in 2009, businesses were born at a rate which was 1.7 percentage points lower than the death rate. This was likely to reflect uncertainty around the economic outlook at that time combined with constrained access to finance as the financial sector adjusted to the global shock. As the economy began to emerge from the downturn in 2010, this gap narrowed until 2011 when business births grew at a rate higher than business deaths.

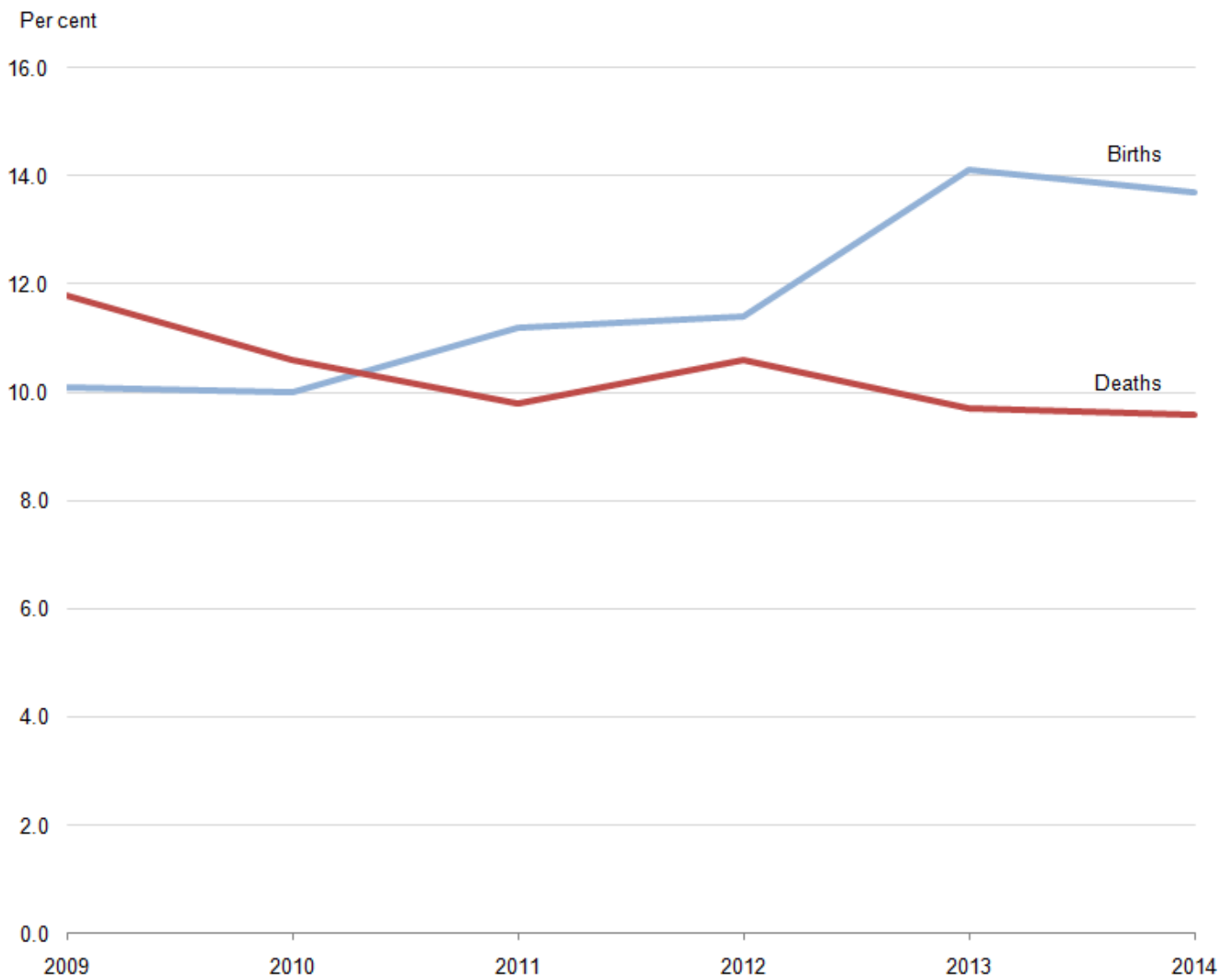
The strengthening in the rate of business births is consistent with the strengthening of the labour market from an employment rate of 70.1% in September 2011 to 73.2% at the end of 2014. The [September 2015 Economic Review](#) highlighted the strength of the recovery in the employment rate following the economic downturn. As the labour market began to recover in 2012, job-to-job moves – an indicator of labour market confidence – rose sharply and this improvement may have given workers the confidence they need to move between employers and also the confidence to start new businesses.

Gross domestic product (GDP) performed relatively strongly in 2011 and 2013 and is reflected in the widening gap between the business birth and business death rates during these years. However, the gap between birth and death rates narrowed slightly in 2014 despite GDP reaching its highest growth rate since the recession. The most recent data shows that the rate of business births is 13.7%, down from its peak of 14.1% in 2013. The rate of business deaths has fallen to 9.6%, down from 9.7% in its lowest level since 2008.

The improvement in birth rates over time can possibly be explained by a range of broader economic indicators. During the economic downturn, interest rates were cut to a record low of 0.5%. This could encourage an increase in the business birth rate; however the rationing of credit may have curbed new business births during this period. [When the availability of credit to businesses began to improve in late 2012](#), an increase in corporate borrowing may have supported the growth in the business birth rate.

Figure 1: Birth and death rates of businesses

UK, 2009 to 2014



Source: Office for National Statistics

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There were approximately 2.55 million active businesses in the UK during 2014, an increase of 102,000 on 2013. Estimates for 2014 are available in greater geographical and industrial detail from the [tables](#) published on our website.

Table 1: Business birth and death rates

UK, 2009 to 2014


Counts given to the nearest thousand

	Active	Births		Deaths	
	Count	Count	Rate (per cent)	Count	Rate (per cent)
2009	2,342	236	10.1	277	11.8
2010	2,351	235	10.0	249	10.6
2011	2,343	261	11.2	230	9.8
2012	2,373	270	11.4	252	10.6
2013	2,449	346	14.1	238	9.7
2014	2,551	351	13.7	246	9.6

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

1. The deaths counts provided in this table for 2013 and 2014 are provisional. For more details please refer to the background notes.
2. Please note that figures are rounded individually therefore the sum of component items may be slightly different to the totals shown.

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Business births and deaths by broad industry group

In 2014, the highest rate of business births continued to occur in business administration and support, at 20.7%, the same rate as 2013. (The increase in births in this sector was driven by an increase of 5,000 births in business support service activities.) The second highest rate occurred in finance and insurance at 17.6%, compared with 16.9% in 2013.

Within the overall number of business births, professional, scientific and technical had the largest number of businesses at 78,000. Within professional, scientific and technical, the largest contributing industry was management consultancy activities, with 30,000 births (this was an increase of 1,000 on the 2013 figure).

The highest business death rate, at 13.1%, was accommodation and food services (previously the second highest rate at 12.7% in 2013). This was followed by business administration and support, at 11.0%, compared with 10.7% in 2013. Within the overall number of business deaths, professional, scientific and technical had the largest number, at 45,000 (of which 17,000 came from management consultancy activities) followed by construction, at 31,000.

Table 2: Birth and death rates by broad industry group

UK, 2014

Counts given to the nearest thousand

	Active	Births		Deaths	
	Count	Count	Rate (per cent)	Count	Rate (per cent)
Production	158	17	10.6	14	8.7
Construction	317	41	12.9	31	9.9
Motor trades	78	7	8.6	6	8.1
Wholesale	117	11	9.1	10	8.9
Retail	219	23	10.7	24	10.9
Transport and storage (inc. postal)	89	16	17.5	9	10.2
Accommodation and food services	168	24	14.1	22	13.1
Information and communication	214	34	16.0	21	9.8
Finance and insurance	39	7	17.6	3	7.8
Property	100	11	10.8	7	7.0
Professional, scientific and technical	483	78	16.1	45	9.4
Business administration and support services	237	49	20.7	26	11.0
Education	39	5	11.9	3	8.6
Health	111	12	11.0	8	7.3

	Active	Births		Deaths	
	Count	Count	Rate (per cent)	Count	Rate (per cent)
Arts, entertainment, recreation and other services	182	17	9.5	15	8.4
Total	2,551	351	13.7	246	9.6

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 17.7%, followed by the North East (14.0%) and North West (13.7%). Northern Ireland had the lowest birth rate, at 8.7%.

The region with the highest business death rate was London at 10.6%, followed by the North East, at 10.2%. The highest number of births and deaths were in London, at 89,000 and 53,000 respectively.

Table 3: Birth and death rates by region

UK, 2014

Counts given to the nearest thousand

	Active	Births		Deaths	
	Count	Count	Rate (per cent)	Count	Rate (per cent)
North East	69	10	14.0	7	10.2
North West	249	34	13.7	25	10.1
Yorkshire and The Humber	177	24	13.4	17	9.8
East Midlands	167	22	13.2	16	9.4
West Midlands	199	26	12.9	19	9.6
East of England	254	33	12.8	24	9.3
London	501	89	17.7	53	10.6
South East	403	51	12.7	37	9.1
South West	216	25	11.7	19	8.9
Wales	92	11	12.3	8	9.2
Scotland	168	21	12.7	16	9.3
Northern Ireland	55	5	8.7	5	8.3
Total	2,551	351	13.7	246	9.6

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 5-year survival rate for businesses born in 2009 and still active in 2014 was 41.7%.

By region, the highest 5-year survival rate was in the South West, at 45.0%, while the lowest was in London, at 38.6%.

By broad industry, some notably high 5-year survival rates include health, with a survival rate of 51.8% and education, with a survival rate of 50.9%. Accommodation and food services was the lowest, with only 33.4% of businesses surviving for 5 years (also the highest death rate for 2014).

Survival rates are available from 1-year to 5-year in greater geographical and industrial detail via the [tables](#) published on our website.

Table 4: Survival rates of businesses born between 2009 and 2013

	Rate (per cent)				
	Births 2009	Births 2010	Births 2011	Births 2012	Births 2013
1-year survival	90.8	86.7	93.1	91.2	93.5
2-year survival	73.8	72.5	75.6	73.8	:
3-year survival	59.6	57.1	60.5	:	:
4-year survival	48.9	48.1	:	:	:
5-year survival	41.7	:	:	:	:

Table source: Office for National Statistics

Table notes:

1. The symbol : denotes not available.

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Focus on employer demography

An alternative measure of business demography uses “employer enterprises” – enterprise with at least 1 employee.

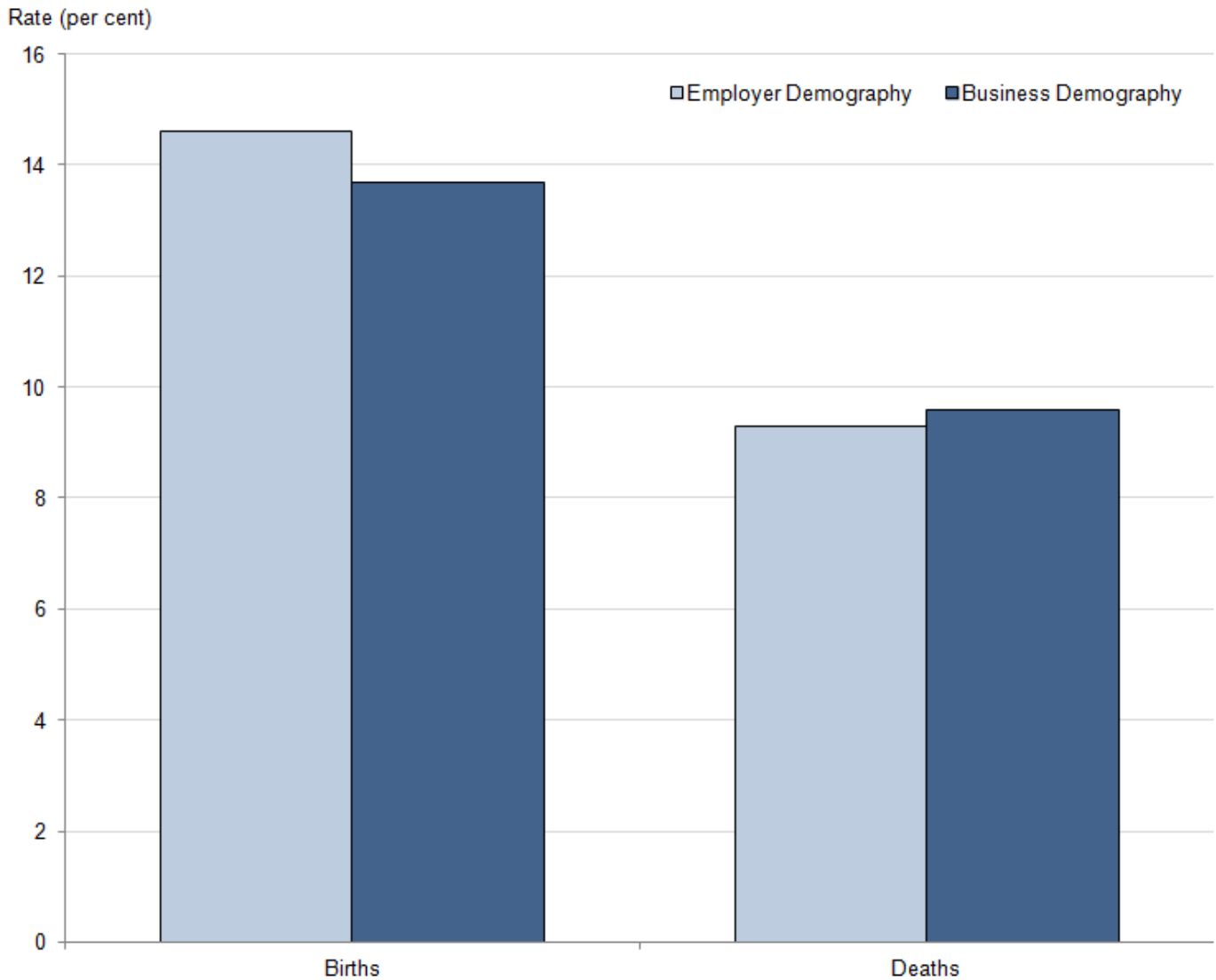
In this section, new data on employer enterprises are contrasted for the first time with the harmonised business demography data which includes both employer and non-employer enterprises.

The employer enterprise birth rate, as a proportion of all active employer enterprises, for 2014 was 14.6%, compared with a birth rate of 13.7% for all enterprises, as a proportion of all active enterprises.

The employer enterprise death rate for 2014 was 9.3%, compared with a rate for all enterprise deaths of 9.6%.

Figure 2: Comparison of employer enterprise and all enterprise birth and death rates

UK, 2014



Source: Office for National Statistics

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Breakdown by broad industry group

When looking at the breakdown by activity, the highest employer enterprise birth rate for 2014 was recorded in business administration and support services, at 22.3%, followed by transport and storage, at 20.3%.

The employer birth rates were mainly consistent with the all enterprise birth rates across the industry groups, with the exception of transport and storage, and finance and insurance.

Transport and storage had the largest difference between the employer birth rate and all enterprise birth rate with 20.3% compared with 17.5%; finance and insurance was the only group with a lower employer birth rate (15.0%) than the all enterprises birth rate (17.6%).

Employer enterprise death rates by broad industry group were mainly consistent with the all enterprise death rates apart from 3 categories: Construction, retail, and transport and storage. In each of these categories the employer death rates are lower than the all enterprises death rates. Construction shows an employer death rate of 8.9% compared with the all enterprises death rate of 9.9%; Retail 10.0% compared with 10.9% and transport and storage 9.1% compared with 10.2%.

Table 5: Employer and business demography, birth and death rates by broad industry group

UK, 2014

Rate (per cent)

	Births		Deaths	
	Employer Demography	Business Demography	Employer Demography	Business Demography
Production	11.0	10.6	8.4	8.7
Construction	13.3	12.9	8.9	9.9
Motor trades	9.8	8.6	7.8	8.1
Wholesale	9.7	9.1	8.4	8.9
Retail	11.6	10.7	10.0	10.9
Transport and storage (inc. postal)	20.3	17.5	9.1	10.2
Accommodation and food services	14.5	14.1	13.1	13.1
Information and communication	16.6	16.0	9.2	9.8
Finance and insurance	15.0	17.6	8.0	7.8
Property	12.1	10.8	7.0	7.0
Professional, scientific and technical	17.4	16.1	9.2	9.4
Business administration and support services	22.3	20.7	11.2	11.0
Education	12.1	11.9	8.3	8.6
Health	11.0	11.0	7.2	7.3
Arts, entertainment, recreation and other services	10.2	9.5	8.2	8.4
Total	14.6	13.7	9.3	9.6

Table source: Office for National Statistics

Table notes:

1. For further information on employer demography please see background note 13.

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Breakdown by region

Within the regions, London had the highest employer enterprise birth rate at 18.6%, with Northern Ireland having the lowest rate, at 11.5%. For all regions, with the exception of Northern Ireland, the rates were mainly consistent. In Northern Ireland the employer birth rate was 11.5% compared with the all enterprise birth rate of 8.7%.

Employer enterprise deaths by region were mainly consistent with the all enterprise death rates, with all regions having a lower employer death rate of between 0.2 and 0.7 percentage points.

Table 6: Employer and business demography, birth and death rates by region

UK, 2014

Rate (per cent)

	Births		Deaths	
	Employer Demography	Business Demography	Employer Demography	Business Demography
North East	14.6	14.0	9.5	10.2
North West	14.4	13.7	9.7	10.1
Yorkshire and The Humber	14.2	13.4	9.3	9.8
East Midlands	14.0	13.2	8.9	9.4
West Midlands	13.8	12.9	9.2	9.6
East	13.7	12.8	9.0	9.3
London	18.6	17.7	10.4	10.6
South East	13.6	12.7	8.8	9.1
South West	12.5	11.7	8.5	8.9
Wales	13.3	12.3	8.8	9.2
Scotland	13.4	12.7	9.0	9.3
Northern Ireland	11.5	8.7	7.7	8.3

	Births		Deaths	
	Employer Demography	Business Demography	Employer Demography	Business Demography
Total	14.6	13.7	9.3	9.6

Table notes:

1. For further information on employer demography please see background note 13.

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Background notes

1. To support this release a set of [reference tables](#) in greater geographical and industrial detail have been produced and are available on our website.
2. It is possible to get multiple business registrations at a single address and this can distort data for smaller geographical areas.
3. 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.
4. In 2013, Her Majesty's Revenue and Customs (HMRC) information shows growing numbers of PAYE schemes and a rise in numbers of new scheme registrations. Those that are allied to company registration data have fuelled an increase in numbers of enterprises on the business register. While the growth in PAYE schemes coincides with the introduction of the Real Time PAYE reporting system (RTI), HMRC have indicated there are no technical reasons associated with RTI alone which would have increased the number of enterprises on the register during the period. HMRC have no evidence of behavioural changes in the timing of PAYE scheme registrations through the year.
5. 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](#).
6. The main difference between this release and the statistics produced by Eurostat is that an adjustment has been made to the deaths data to allow for reactivations, which enables more accurate estimates to be published. Managed-service companies are excluded from this release. In previous years they were provided in the data sent to Eurostat.
7. 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.

8. More information about how this release relates to other business population statistics and guidance on how to use each product can be found in the [Guide to the business population and demographics statistics publications \(196.9 Kb Pdf\)](#).
9. In order to publish estimates within a year of the reference period, we have 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 2 years of death are treated as if they have continued to trade throughout the period.
10. We have departed from the Eurostat/OECD manual at this point. The manual recommends waiting for 2 years after the reference period to allow for reactivations before deaths are calculated. Instead, we have estimated the number of reactivations and adjusted the data accordingly 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 2 years in the publication are considered to be provisional and subject to revision. Table 7 shows the adjustments made to the death data for reactivations.

Table 7: Adjustment made to deaths figures to account for reactivation of businesses

UK, 2012 to 2014

Counts given to the nearest thousand

	First estimate			Second estimate			Final estimate
	unadjusted	estimated reactivations	adjusted	unadjusted	estimated reactivations	adjusted	
2012	271	17	255	256	3	253	252
2013	253	15	238	240	3	238	:
2014	262	16	246	:	:	:	:

Table source: Office for National Statistics

Table notes:

1. The symbol : denotes not available.

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11. Managed service companies

Managed service companies have been excluded from this release. We exclude 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. Table 8 shows the number of managed service companies excluded in each year.

12. [Comparable data for EU countries](#) are available via the Eurostat website. The UK totals published on the Eurostat website for reference years 2012 and earlier may differ slightly to those published here due to the treatment of managed service companies.

Table 8: Number of managed service companies excluded from business demography

UK, 2009 to 2014

Counts given to the nearest thousand

	Active	Births	Deaths
2009	79	3	47
2010	29	2	12
2011	20	2	5
2012	15	1	3
2013	12	1	2
2014	11	1	2

Table source: Office for National Statistics**Download table****XLS** [XLS format](#)

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13. Employer demography

Business demography focuses on enterprise births and deaths, survival rates and active stock for all enterprises regardless of their sizes.

Data limited to “employer enterprises” – enterprises with at least 1 employee – has been introduced as a result of the joint [Eurostat-OECD Entrepreneurship Indicators Programme \(EIP\)](#).

Employer demography allows the measurement of movement between size classes (a non-employer enterprises that becomes an employer enterprise, or vice-versa). Employer enterprise

births include new enterprises with at least 1 employee as well as existing non-employer enterprises that have become employer enterprises (entry by growth), while deaths are enterprises with at least 1 employee, that die, as well as enterprises that cease to employ staff (exit by decline).

14. Revisions

The latest 2 years' estimates on births, deaths and survivals are subject to revision. Revisions would normally be made in the following year's publication.

15. 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.

16. 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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