

Statistical bulletin

# Business demography, UK: 2016

Change in the number of UK businesses broken down by sector of the economy.



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# 1 . Main points

- The number of UK business births continued to increase from 383,000 to 414,000 between 2015 and 2016, a birth rate of 14.6% compared with a rate of 14.3% in 2015.
- The number of UK business deaths also increased from 283,000 to 328,000 between 2015 and 2016, a death rate of 11.6% compared with a rate of 10.5% in 2015.
- London was the region with the highest birth rate at 17.5% and the highest death rate at 14%.
- In broad industry terms, business administration and support services had the highest business birth rate at 23.1% and finance and insurance had the highest death rate at 17%.

## 2 . Things you need to know about this release

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 businesses.

Businesses that have ceased to trade (identified through de-registration of the administrative units, that is, VAT and Pay As You Earn (PAYE) are referred to as business deaths. The death rate is calculated using the number of deaths as a proportion of the active businesses.

The Business Demography publication reference period records the number of active businesses over a year. Up to this point this has been measured from a single point in November one year to a single point in November the following year. For example the 2015 publication measured the number of active businesses taken from a specific date in November 2014 to the same date in November 2015. For this 2016 release and in the future the reference period has moved to December. The reference points for this publication are December 2015 to December 2016.

The Eurostat and OECD manual recommends waiting for two years after the reference period to allow for reactivations before deaths figures are calculated. We have departed from the manual at this point. 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 two years in the publication are considered to be provisional and subject to revision. [Table 8](#) shows the adjustments made to the death data for reactivations.

For the purpose of this release the term “business” is used to represent an enterprise. An enterprise can be defined as the smallest combination of legal units (generally based on VAT and/or PAYE records) that is an organisational unit producing goods or services, which benefits from a certain degree of autonomy in decision-making, especially for the allocation of its current resources. An enterprise carries out one or more activities at one or more locations. An enterprise may be a sole legal unit.

To support this release a set of [datasets](#) in greater geographical and industrial detail have been produced.

Please note that all data are rounded to protect confidentiality. The figures in the tables are rounded individually therefore the sum of component items may be slightly different to the totals shown.

### 3 . Business births and deaths, 2011 to 2016

Since 2011, the rate of business births has continued to exceed the rate of deaths and the gap in rates has continued to widen in recent years until the beginning of 2016 (Figure 1). From 2015 to 2016 the gap has shrunk. Following continued economic improvements since the economic downturn of 2008 and 2009, the rate of business births has continued to outpace business deaths. However, the larger increase in the business death rate may reflect the uncertainty around the economic outlook towards the end of 2016, following the UK's EU referendum's results.

The improvement in the rate of business births continues due to increased employment and strengthening of the labour market. In 2016, the employment rate rose to a record high of 74.4%, though the annual increase of 0.7 percentage points in 2016 was smaller relative to the increase of 0.8 percentage points to 73.7% in 2015. Lower interest rates have persisted and were cut to a record low of 0.25% in August 2016, following the EU referendum in June 2016. This further reduced financing costs for businesses and potentially offset some of the speculative uncertainty.

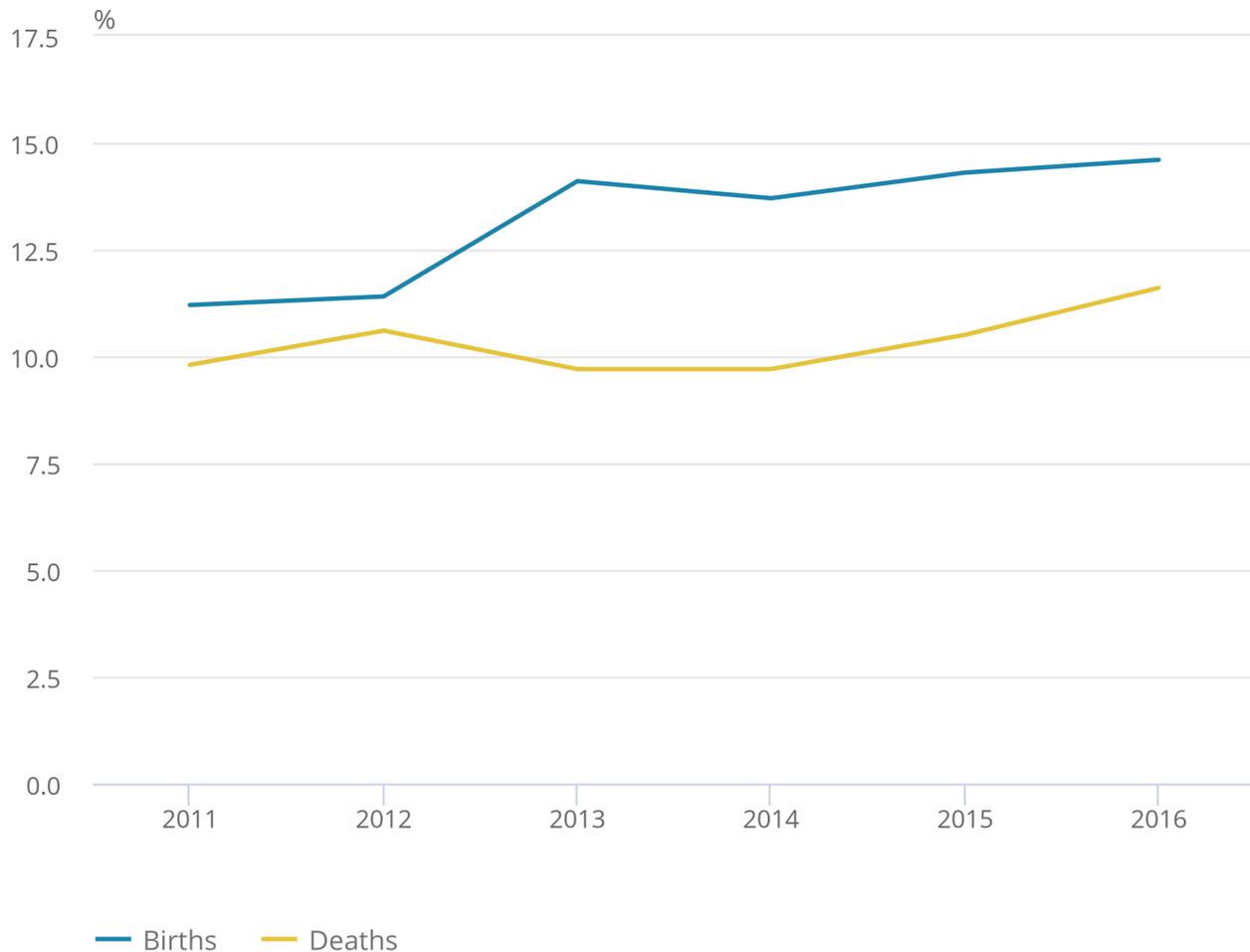
The death rate increase is in line with consumer price inflation, which consistently grew over 2016 and the depreciation of sterling, which fed through to higher raw materials and import prices. The combination of these two factors may have discouraged the birth of new businesses.

The broader economic backdrop is indicative of why business creation has continued to grow. Gross domestic product (GDP) has continued to grow for a seventh successive year in 2016 continuing to drive the business births' rate up. The [April 2017 Economic review](#) highlights that the UK had strong economic growth over 2016 at 1.8%. The slight decline in GDP growth from 2.2% in 2015 may be indicative of why the growth in the business birth rate was the smallest in four years and why the rate of business deaths has continued to increase.

Combined, the recent trends in economic growth and the labour market suggest a slower but still improving economy.

**Figure 1: Births and death rates of businesses, UK, 2011 to 2016**

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Source: Office for National Statistics

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**Notes:**

1. 2013 - The growth in PAYE schemes coincided with the introduction of HMRCs Real Time PAYE reporting system.

There were approximately 2.83 million active businesses in the UK during 2016, an increase of 135,000 on 2015 (Table 1). Estimates for 2016 are available in greater geographical and industrial detail from the [datasets](#).

**Table 1: Business birth and death rates, UK, 2011 to 2016**

Counts given to the nearest thousand

	Active	Births		Deaths	
	Count	Count	Rate (%)	Count	Rate (%)
2011	2,343	261	11.2	230	9.8
2012	2,373	270	11.4	252	10.6
2013	2,449	346	14.1	237	9.7
2014	2,551	351	13.7	246	9.7
2015	2,699	383	14.3	283	10.5
2016	2,834	414	14.6	328	11.6

Source: Office for National Statistics

Notes:

1. The deaths counts provided in this table for 2015 and 2016 are provisional. For more details please refer to section 2 of this statistical bulletin.

2. For the purpose of this bulletin the actives figure for 2015 has been recalculated using the new December to December reference period. This was in order to produce a revised death rate on the same basis.

## 4 . Business births and deaths by broad industry group

In 2016, the highest rate of business births continued to occur in business administration and support, at 23.1%, compared with a rate of 20.4% in 2015. The second-highest rate occurred in transport and storage at 23.0%, compared with 20.3% in 2015 (Table 2).

Within the overall number of business births, professional, scientific and technical had the largest number of businesses at 86,000. Within professional, scientific and technical, the largest contributing industry was management consultancy activities, with 36,000 births, the same as the 2015 figure.

The highest business death rate, at 17.0%, was finance and insurance compared with 13.3% in 2015. This was followed by business administration and support, at 15.4%, compared with 10.1% in 2015. Within the overall number of business deaths, professional, scientific and technical had the largest number, at 62,000 (of which 26,000 came from management consultancy activities) followed by business administration and support, at 43,000.

**Table 2: Business birth and death rates by broad industry group, UK, 2016**

Counts given to the nearest thousand

	Active	Births		Deaths	
	Count	Count	Rate (%)	Count	Rate (%)
Production	169	18	10.9	18	10.8
Construction	358	52	14.4	40	11.1
Motor trades	83	9	10.4	7	8.7
Wholesale	116	10	8.4	12	10.3
Retail	221	27	12.3	23	10.5
Transport & storage (inc. postal)	119	27	23.0	13	10.9
Accommodation & food services	176	26	14.7	24	13.7
Information & communication	243	34	13.8	27	11.1
Finance & insurance	45	6	12.5	8	17.0
Property	111	13	11.5	17	15.2
Professional; scientific & technical	548	86	15.7	62	11.3
Business administration and support services	278	64	23.1	43	15.4
Education	48	9	19.8	4	9.1
Health	131	17	12.8	12	9.1
Arts; entertainment; recreation and other services	188	17	9.0	18	9.5
<b>Total</b>	<b>2,834</b>	<b>415</b>	<b>14.6</b>	<b>328</b>	<b>11.6</b>

Source: Office for National Statistics

Notes:

1. The deaths counts provided in this table are provisional. For more details please refer to section 2 of this statistical bulletin.

## 5 . Business births and deaths by UK region

Within the regions, London had the highest business birth rate at 17.5%, followed by the East (15.8%) and West Midlands (15.5%). Northern Ireland had the lowest birth rate, at 10.2% (Table 3).

The region with the highest business death rate was London at 14.0%, followed by Scotland at 11.8%. Northern Ireland had the lowest death rate, at 9.2%.

The highest number of births and deaths were in London, at 102,000 and 82,000 respectively.

When using this release please use lower geography data with caution. Factors like umbrella companies or virtual offices can cause large volatility to the data year-on-year. This affects mainly single employee businesses. Large numbers of businesses can be registered at a single address and therefore distort the geographical location and industry of the businesses, as well as business demography changes. This is because the classification and the location of the individual businesses reflect the management company or virtual office rather than the individual business.

**Table 3: Business birth and death rates by region, UK, 2016**

Counts given to the nearest thousand

	Active	Births		Deaths	
	Count	Count	Rate (%)	Count	Rate (%)
North East	74	10	13.7	9	11.5
North West	277	42	15.2	32	11.7
Yorkshire and The Humber	196	27	13.9	22	11.3
East Midlands	183	25	13.4	19	10.6
West Midlands	224	35	15.5	24	10.8
East	288	45	15.8	30	10.4
London	585	102	17.5	82	14.0
South East	438	56	12.8	48	11.1
South West	234	32	13.6	24	10.2
Wales	98	12	12.3	10	10.5
Scotland	178	22	12.5	21	11.8
Northern Ireland	58	6	10.2	5	9.2
<b>Total</b>	<b>2,834</b>	<b>414</b>	<b>14.6</b>	<b>328</b>	<b>11.6</b>

Source: Office for National Statistics

Notes:

1. The deaths counts provided in this table are provisional. For more details please refer to section 2 of this statistical bulletin.

## 6 . Business survivals

The UK five-year survival rate for businesses born in 2011 and still active in 2016 was 44.1% (Figure 2).

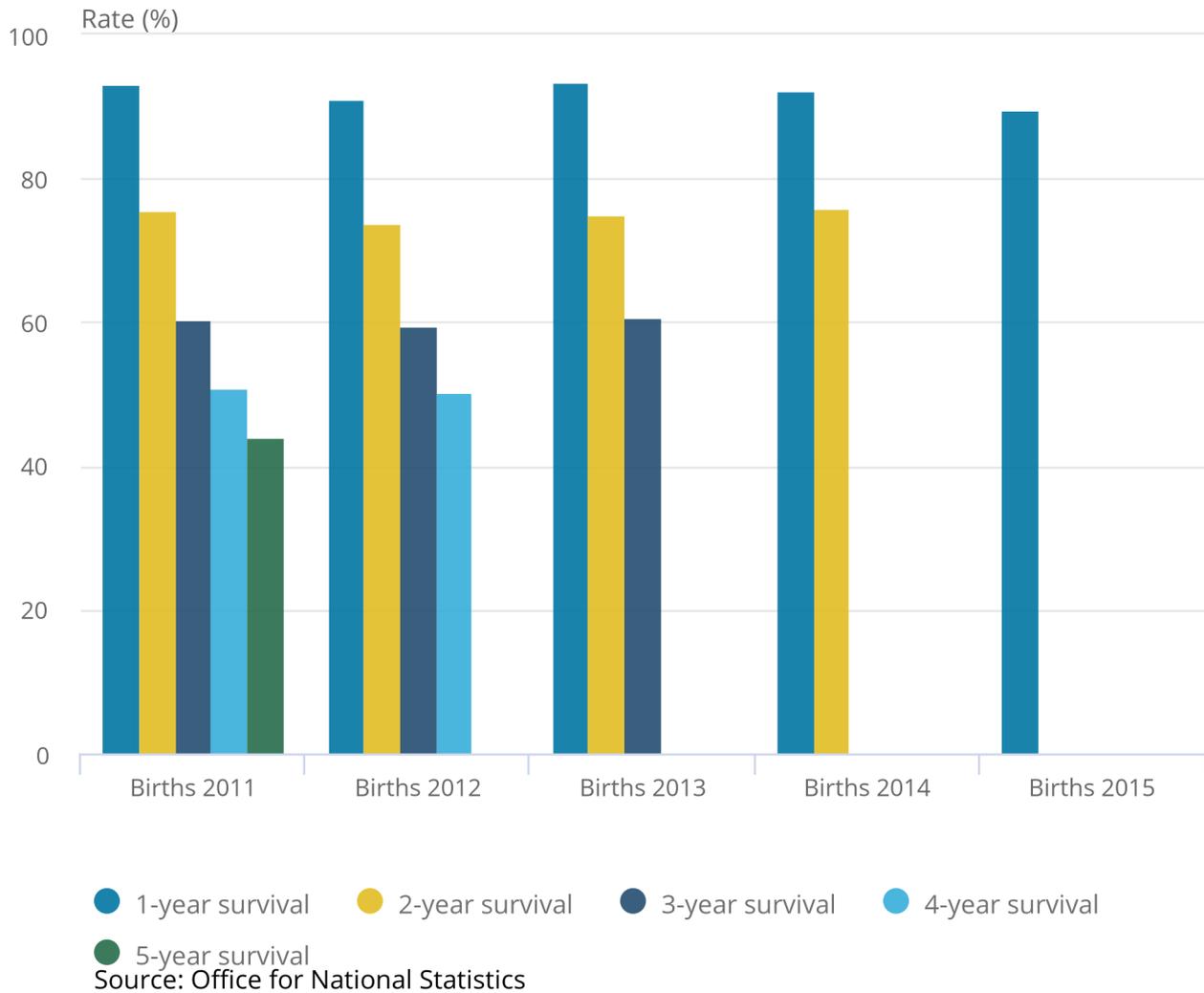
By region, the highest five-year survival rate was in the South West, at 47.0%, while the lowest was in London, at 41.7%.

By broad industry, some notably high five-year survival rates include health, with a survival rate of 54.1% and property, with a survival rate of 51.1%. Accommodation and food services were the lowest, with only 34.6% of businesses surviving for five years.

Survival rates are available from one-year to five-year in greater geographical and industrial detail via the [datasets](#)

**Figure 2: Survival rates of businesses born between 2011 and 2015, UK, 2011 to 2016**

Figure 2: Survival rates of businesses born between 2011 and 2015, UK, 2011 to 2016



Source: Office for National Statistics

**Notes:**

1. There was a change in the reference period for the 2016 data. This will have had an effect on the one year survival rates for businesses born in 2015. They will have had to survive for an extra month as the reference period for 2016 has moved from November to December.

## 7 . Focus on employer demography

An alternative measure of business demography uses “employer businesses” – businesses with at least one employee.

The employer business demography data collection was set up to enable the collection of internationally comparable statistics. It is regulated by law in the European Statistical System and forms the most important data source for the [entrepreneurial performance indicators](#).

Employer enterprise births include new enterprises with at least one employee as well as existing non-employer enterprises that have become employer enterprise. Deaths are enterprises that died with at least one employee, as well as enterprises that cease to employ staff.

The employer business birth rate, as a proportion of all active employer businesses, for 2016 was 15.3% and the employer business death rate for 2016 was 11.5%.

## **Breakdown by broad industry group**

When looking at the breakdown by activity, the highest employer business birth rate for 2016 was recorded in transport and storage, at 24.7%, followed by business administration and support services at 24.2% (Table 4).

The highest employer business death rate for 2016 was recorded by finance and insurance, at 17.1%, followed by property at 16.9%. Property was the industry where the death rate increased the most from 2015 to 2016 with a difference of 9.3%. The retail industry had the least increase with a difference of only 0.5%.

**Table 4: Employer demography, birth and death rates by broad industry group, UK, 2016**

Counts given to the nearest thousand

	Active	Births		Deaths	
	Count	Count	Rate (%)	Count	Rate (%)
Production	155	18	11.4	17	10.8
Construction	309	45	14.7	33	10.5
Motor trades	70	8	11.3	6	8.4
Wholesale	104	9	8.8	11	10.1
Retail	191	25	13.1	19	10.1
Transport & storage (inc. postal)	100	25	24.7	10	10.4
Accommodation & food services	170	26	15.1	23	13.6
Information & communication	233	33	14.1	26	11.0
Finance & insurance	44	6	12.7	8	17.1
Property	91	12	12.9	15	16.9
Professional; scientific & technical	506	84	16.6	57	11.3
Business administration and support services	261	63	24.2	41	15.6
Education	46	9	20.1	4	8.9
Health	130	17	12.8	12	9.1
Arts; entertainment; recreation and other services	167	16	9.4	15	9.1
<b>Total</b>	<b>2,577</b>	<b>394</b>	<b>15.3</b>	<b>296</b>	<b>11.5</b>

Source: Office for National Statistics

Notes:

1. Please note that figures are rounded individually therefore the sum of component items may be slightly different to the totals shown.

## Breakdown by region

Within the regions, London had the highest employer business birth rate at 18.0%, which is a decrease of 1.5% compared with 2015. Wales had the lowest birth rate at 12.9%, which is the same birth rate as 2015 (Table 5) .

The region with the highest death rate was London at 14.1%, which subsequently has risen by 3.8% compared with 2015. Northern Ireland had the lowest death rate at 9.1%, which is an increase of 2.3% compared with 2015.

**Table 5: Employer demography, birth and death rates by region, UK, 2016**

Counts given to the nearest thousand

	Active	Births		Deaths	
	Count	Count	Rate (%)	Count	Rate (%)
North East	68	10	14.2	8	11.5
North West	255	40	15.7	30	11.6
Yorkshire and The Humber	177	25	14.4	20	11.1
East Midlands	166	23	14.0	17	10.4
West Midlands	204	33	16.3	22	10.7
East	260	43	16.6	27	10.3
London	544	98	18.0	77	14.1
South East	397	52	13.2	43	10.9
South West	208	30	14.3	21	10
Wales	87	11	12.9	9	10.4
Scotland	163	21	13.0	19	11.7
Northern Ireland	49	7	13.5	4	9.1
<b>Total</b>	<b>2,577</b>	<b>394</b>	<b>15.3</b>	<b>296</b>	<b>11.5</b>

Source: Office for National Statistics

Notes:

1. Please note that figures are rounded individually therefore the sum of component items may be slightly different to the totals shown.

## 8 . Quality and methodology

The [Business demography Quality and Methodology Information](#) report contains important information on:

- the strengths and limitations of the data and how it compares with related data
- users and uses of the data
- how the output was created
- the quality of the output including the accuracy of the data