

Statistical bulletin

Business demography, UK: 2017

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 has decreased for the first time since 2010, from 414,000 to 382,000 between 2016 and 2017, a birth rate of 13.1% compared with a rate of 14.6% in 2016.
- The number of UK business deaths increased from 288,000 to 357,000 between 2016 and 2017, a death rate of 12.2% compared with a rate of 10.2% in 2016.
- The North West was the region with the highest business birth rate at 15.9%, whereas London had the highest death rate at 14.2%.
- In broad industry terms, transport and storage (including postal) had the highest business birth rate at 18.5%, and education had the highest death rate at 18.8%.

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, Value Added Tax (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 Eurostat and Organisation for Economic Co-operation and Development (OECD) manual on business demography recommends waiting for two years after the reference period to allow for reactivations before deaths figures are calculated. In this release, we 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 of the datasets](#) 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 also be a sole legal unit.

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

We recommend treating the data with caution when it is broken down to a lower geographical level. In recent years multiple registrations at a single postcode have caused large fluctuations in the data. A paper [Multiple registrations at a single postcode](#) has been produced regarding this issue.

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 in wider economic context

While the trend of increasing business death rates has continued since 2014, there is a sharp fall in the rate of business births in 2017, leading to a shrinking of the gap between the two rates (Figure 1). Despite this, the rate of business births has continued to exceed the rate of deaths. However, the gap in rates in 2017 is the smallest since 2012.

Potential uncertainty related to the UK's future relationship with the EU [could have been a cause](#) for the sharp decline in the rate of business births in 2017. Evidence for a softening in business investment intention has been reported by [the Bank of England's agents](#).

The broader economy has also been slowing with gross domestic product (GDP) growing at 1.7% in 2017 compared with 1.8% in 2016. This is below the average growth of GDP of 2.1% from 2012 to 2017. The business investment component of GDP grew at 1.8% in 2017, below the 3.4% average growth from 2012 to 2017, but above the negative 0.2% growth in 2016. However, the labour market continued to show strength, with the employment rate at a record high of 75.0% in 2017 compared with 74.4% in 2016.

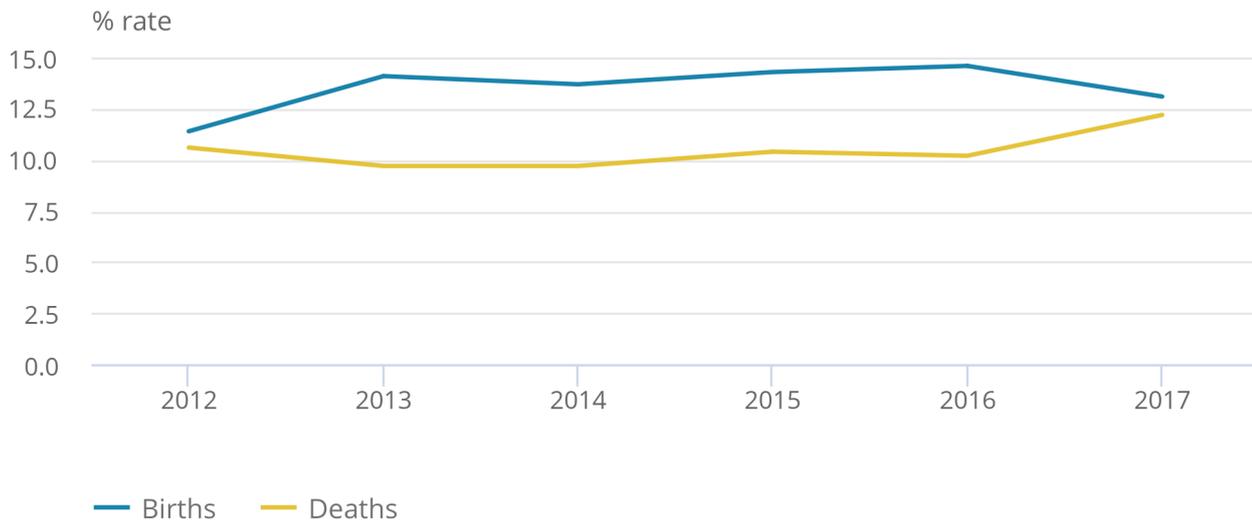
Depreciation of sterling following the EU referendum result, feeding into higher raw materials and import prices, could have also discouraged birth of new businesses and/or led to deaths of existing businesses. The Bank of England also increased the bank rate by 0.25 percentage points from 0.25% to 0.50% in November 2017. While an increase in the bank rate can deter the creation of smaller businesses because of an increase in cost of borrowing, the bank rate remained historically low and a small increase in the cost of borrowing may not have heavily influenced the birth and death rates of businesses.

Figure 1: Birth and death rates of businesses

UK, 2012 to 2017

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UK, 2012 to 2017



Source: Office for National Statistics

Notes:

1. 2013 – The growth in Pay As You Earn (PAYE) schemes coincided with the introduction of HM Revenue and Customs' (HMRC's) Real Time PAYE report system.

There were approximately 2.93 million active businesses in the UK during 2017, an increase of 92,000 on 2016 (Table 1). Estimates for 2017 are available in greater geographical and industrial detail from the [datasets](#).

Table 1: Business birth and death rates, UK, 2012 to 2017

Count to nearest thousand

	Active	Births		Deaths	
	Count	Count	Rate (%)	Count	Rate (%)
2012	2,373	269	11.4	252	10.6
2013	2,449	346	14.1	237	9.7
2014	2,551	350	13.7	246	9.7
2015	2,699	383	14.3	282	10.4
2016	2,834	414	14.6	288	10.2
2017	2,926	382	13.1	357	12.2

Source: Office for National Statistics.

Notes:

1. The deaths counts provided in this table for 2016 and 2017 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 . Which industries have the highest business births and deaths?

Following on from the spike in business births in 2016, the births in 2017 have returned to a level more consistent with previous years.

While the highest rate of business births occurred in transport and storage (including postal) at 18.5%, there was still a fall from the previous rate of 23% in 2016. One of the main contributors to this is freight transport by road, where business births grew substantially between 2012 and 2016 but started to decrease in 2017. There was a marked increase in the number of single employee limited companies in the transport industry, which accounted for 52% in 2012, rose to 65% in 2016 and decreased slightly to 63% in 2017.

The highest rate of business deaths was observed in the education sector at 18.8%, compared with a rate of 9.1% in 2016. Again, in the previous period, this industry showed a spike in the number of single employee limited companies. In 2012, these made up 56% of the overall births in education, which grew to 83% in 2016 and decreased to 63% in 2017. Another notable increase in business deaths was in the health industry and this again showed a similar pattern in relation to single employee limited companies.

The fluctuation observed in specific industries regarding single employee limited companies in recent years coincided with the [amendment made by HM Revenue and Customs \(HMRC\) to the Intermediaries Legislation \(IR35\)](#), concerning “off-payroll” working in the public sector.

Table 2: Business birth and death rates by broad industry group, UK, 2017

Counts given to the nearest thousand

	Active	Births		Deaths	
	Count	Count	Rate (%)	Count	Rate (%)
Production	173	18	10.3	17	9.6
Construction	378	53	14.1	39	10.3
Motor trades	84	8	9.8	7	8.5
Wholesale	116	10	8.4	10	8.8
Retail	234	36	15.5	24	10.1
Transport & storage (inc. postal)	132	24	18.5	20	15.3
Accommodation & food services	180	28	15.3	24	13.4
Information & communication	251	31	12.5	28	11.0
Finance & insurance	47	6	11.9	6	13.8
Property	116	14	12.1	12	10.2
Professional; scientific & technical	551	66	12.0	71	12.9
Business administration and support services	289	51	17.7	51	17.7
Education	50	6	11.4	9	18.8
Health	133	12	9.1	21	16.1
Arts; entertainment; recreation and other services	192	19	9.7	17	8.9
Total	2,926	382	13.1	357	12.2

Source: Office for National Statistics

Notes:

1. The deaths counts provided in this table for 2017 are provisional. For more details please refer to section 2 of this statistical bulletin.

5 . Which regions have the highest business births and deaths?

Within regions, the North West had the highest business birth rate at 15.9%, followed by London and Wales. The North West saw an increase of 78% between 2012 and 2017, with the transport and storage (including postal), and retail industries contributing the most to this increase. Scotland was the region to increase the least in the five years to 2017, by only 24%.

London was the region with the highest number of business births and deaths at 92,000 and 86,000 respectively.

The region with the highest business death rate was London at 14.2%, followed by the East at 12.8%. Since 2012, the health, and transport and storage (including postal) industries contributed the most to the business death increases in London, whereas the business deaths in the retail industry have decreased from 8.8% to 5.5%. Single employee limited businesses in London have increased by 18% since 2012.

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 limited 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 reflects the management company or virtual office rather than the individual business.

Table 3: Business birth and death rates by region, UK, 2017

Counts given to the nearest thousand

	Active	Births		Deaths	
	Count	Count	Rate (%)	Count	Rate (%)
North East	76	10	12.6	9	12.0
North West	298	47	15.9	36	12.2
Yorkshire and The Humber	198	23	11.4	24	12.1
East Midlands	190	23	11.9	23	12.0
West Midlands	230	31	13.4	26	11.4
East	295	37	12.5	38	12.8
London	608	92	15.2	86	14.2
South East	447	52	11.6	48	10.8
South West	239	25	10.6	30	12.6
Wales	103	14	13.7	11	10.4
Scotland	182	22	11.9	20	11.2
Northern Ireland	61	7	11.3	5	8.2
Total	2,926	382	13.1	357	12.2

Source: Office for National Statistics.

Notes:

1. The deaths counts provided in this table for 2017 are provisional. For more details please refer to section 2 of this statistical bulletin.

6 . The South West continues to have the highest five-year survival rate

The survival rates show the percentage of businesses that survived into 2017. In recent years, comparisons of survival rates between years have shown little change year-on-year.

The UK five-year survival rate for businesses born in 2012 and still active in 2017 was 43.2%. Since 2012, the region with the highest five-year survival rate has been the South West at 45.8%. In 2017, the industry with the highest five-year survival rate was health at 55%. By comparison, the UK one-year survival rate for businesses born in 2016 was 91.5%. The region with the highest survival rate was the East at 93.6% and the highest surviving industry was education at 96%. However, interestingly, in 2017 education was the industry with the highest business death rate.

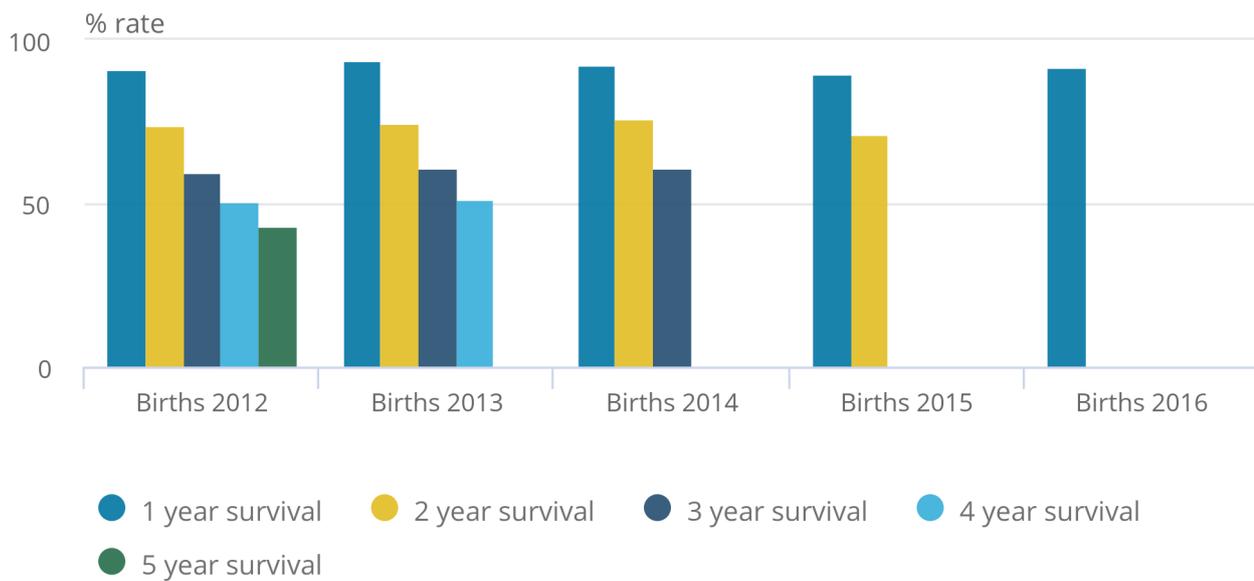
The region with the lowest five-year survival rate was London at 39.3%. London has been the lowest region since the publication began in 2009. The lowest five-year survival rate for industry was in accommodation and food services at 34.2%. Comparing this with the one-year survival rates shows that the region with the lowest one-year survival rate was Northern Ireland at 88.5% and the lowest surviving industry was finance and insurance at 74.8%.

Figure 2: Survival rates of businesses born between 2012 and 2016

UK, 2012 to 2016

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UK, 2012 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 moved from November to December.

7 . Focus on employer demography

The employer business demography is an alternative measure of business demography based on businesses with at least one employee. It 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 enterprises. 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 2017 was 13.4% and the employer business death rate for 2017 was 12.0%.

Breakdown by broad industry group

When looking at the breakdown by activity, the highest employer business birth rate for 2017 was recorded in transport and storage (including postal), at 18.7%, followed by business administration and support services at 18.3% (Table 4).

The highest employer business death rate for 2017 was recorded by education at 18.6%, followed by business administration and support services at 17.9%. Education was the industry where the death rate increased the most from 2016 to 2017, with a difference of 9.7 percentage points. Property had the largest percentage increase in deaths last year, but this year had the largest percentage decrease of 6.2 percentage points.

Table 4: Employer demography, birth and death rates by broad industry group, UK, 2017

Counts given to the nearest thousand

	Active	Births		Deaths	
	Count	Count	Rate (%)	Count	Rate (%)
Production	158	16	10.4	15	9.5
Construction	328	46	14.0	31	9.6
Motor trades	72	7	10.2	6	8.0
Wholesale	104	9	8.5	9	8.4
Retail	205	33	16.3	19	9.5
Transport & storage (inc. postal)	112	21	18.7	17	14.9
Accommodation & food services	175	27	15.6	23	13.4
Information & communication	242	31	12.7	26	10.6
Finance & insurance	46	6	12.1	6	13.9
Property	96	13	13.4	10	10.7
Professional; scientific & technical	509	63	12.4	66	12.9
Business administration and support services	272	50	18.3	49	17.9
Education	49	6	11.4	9	18.6
Health	133	12	9.1	21	16.1
Arts; entertainment; recreation and other services	170	17	10.1	14	8.1
Total	2,668	357	13.4	321	12.0

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, the North West had the highest employer business birth rate at 16.3%, which is an increase of 0.6 percentage points compared with 2016. The South West had the lowest birth rate at 10.7%, which is a decrease of 3.6 percentage points compared with 2016 (Table 5).

The region with the highest death rate was London at 14.2%, which is broadly unchanged from 2016. Northern Ireland had the lowest death rate at 8%, which is a decrease of 1.1% compared with 2016.

Table 5: Employer demography, birth and death rates by region, UK, 2017

Counts given to the nearest thousand

	Active	Births		Deaths	
	Count	Count	Rate (%)	Count	Rate (%)
North East	69	9	12.9	8	11.7
North West	276	45	16.3	33	12.0
Yorkshire and The Humber	180	21	11.6	21	11.8
East Midlands	170	21	12.1	20	11.8
West Midlands	210	29	13.8	24	11.2
East	268	34	12.8	34	12.7
London	567	88	15.5	80	14.2
South East	406	48	11.9	42	10.4
South West	212	23	10.7	27	12.6
Wales	91	13	14.4	9	10.0
Scotland	166	20	12.0	18	10.9
Northern Ireland	51	6	11.1	4	8.0
Total	2,668	357	13.4	321	12.0

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