

Statistical bulletin

Business demography, UK: 2018

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 remained broadly similar between 2017 and 2018, moving from 382,000 to 381,000, a birth rate of 12.9% in 2018 compared with 13.1% in 2017.
- The number of UK business deaths decreased from 362,000 to 336,000 between 2017 and 2018, a death rate of 11.4% compared with 12.4% in 2017.
- London had the highest business birth rate at 15.9%, whereas the North West had the highest death rate at 13.5%.
- The transport and storage (including postal) industry had both the highest business birth and death rates, at 17.8% and 16.5% respectively.
- 14,000 businesses in the UK have seen high growth measured by employment between 2015 and 2018.

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 (identified through registration of the administrative units, that is, Value Added Tax (VAT) and Pay as You Earn (PAYE)) are referred to as business births. 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) 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 9 of the [dataset](#) 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.

In recent years the number of multiple business registrations at a single postcode observed on the [Inter-Departmental Business Register \(IDBR\)](#) have increased, impacting on numbers of births, deaths and survival rates. There are several reasons why these multiple registrations can occur, for example, the increase in use of management and personal service companies, virtual offices and foreign internet sellers. In order to help users assess the impact of these registrations, [an article on multiple registrations](#) has been published to explain this issue in more detail with a dataset giving rounded counts at district level for births of these businesses.

At the end of the year we will be carrying out a review of this publication, such that next year’s publication will likely have changes in the way data are compiled or presented. We will be reaching out to users for feedback on this in early 2020.

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 rates, 2013 to 2018

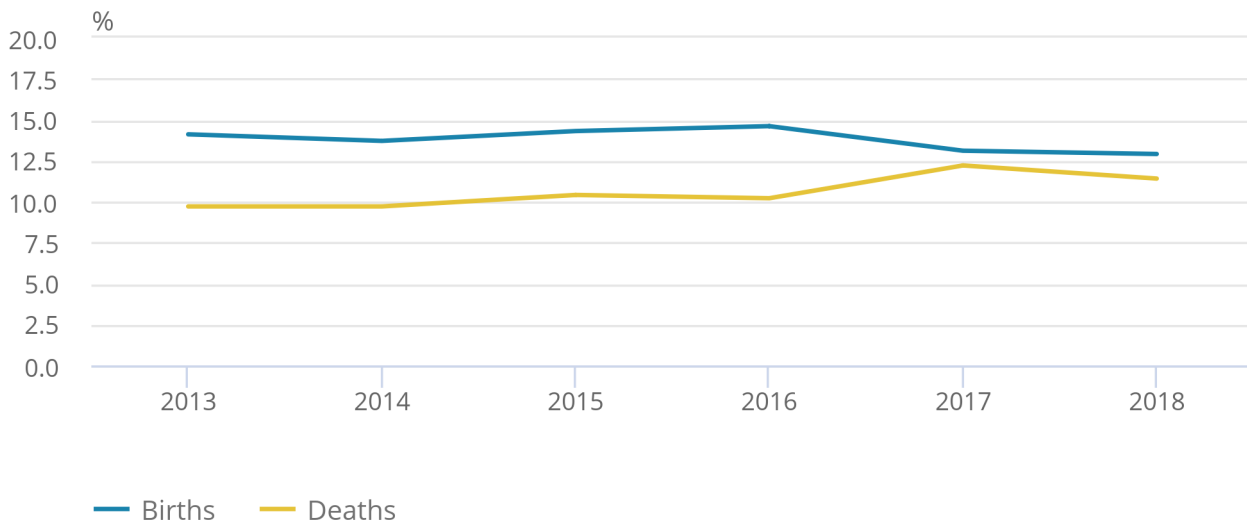
Figure 1 shows that both business birth and death rates fell in 2018. The fall in the birth rate in 2018 is relatively smaller than the fall in 2017. The fall in the death rate in 2018 follows a relatively strong increase in 2017. As a result, the gap between the two rates has widened compared with 2017, when the gap between the rates was the smallest since 2012.

Figure 1: Since 2013, the rate of business births has exceeded the rate of deaths

Birth and death rates of businesses, UK, 2013 to 2018

Figure 1: Since 2013, the rate of business births has exceeded the rate of deaths

Birth and death rates of businesses, UK, 2013 to 2018



Source: Office for National Statistics – Inter-Departmental Business Register

There were approximately 2.94 million active businesses in the UK during 2018, an increase of 14,000 on 2017 (Table 1). Estimates for 2018 are available in greater geographical and industrial detail from the [dataset](#).

Following a peak in 2016, business births have continued to decrease year-on-year but at a slower rate compared with 2017, down to 381,000 in 2018 from 382,000 in 2017. Business deaths have also decreased year-on-year, down to 336,000 in 2018 from 362,000 in 2017.

Table 1: Business birth and death rates
UK, 2013 to 2018

Count to nearest thousand

	Active		Births		Deaths	
	Count	Rate (%)	Count	Rate (%)	Count	Rate (%)
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	281	9.9
2017	2,926		382	13.1	362	12.4
2018	2,940		381	12.9	336	11.4

Source: Office for National Statistics – Inter-Departmental Business Register

Notes

1. The deaths count provided in this table for 2017 and 2018 are provisional. For more details please refer to Section 2 of this statistical bulletin. [Back to table](#)
2. For the purpose of this bulletin the active figure for 2015 has been recalculated using the new December to December reference period (recent improvements). This was to produce a revised death rate on the same basis. [Back to table](#)

4 . Which industries have the highest business births and deaths?

Whilst the highest rate of business births in 2018 occurred in transport and storage (including postal) at 17.8% (Table 2), there was still a fall from the previous rate of 18.5% in 2017. One of the main contributors to this is freight transport by road, where business births grew substantially between 2013 and 2016 but started to decrease in 2017 and continued to do so in 2018.

Transport and storage (including postal) also saw the highest rate of business deaths at 16.5% compared with 15.3% in 2017.

Many of these businesses are single employee companies that tend to be registered for a short period of time, so the nature of these businesses can cause large numbers of business births and deaths.

The fluctuations 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. This has led to education seeing a large drop in the percentage of deaths, from 18.8% in 2017 to just 9.3% in 2018.

Table 2: Birth and death rates by broad industry group
UK, 2018

Counts given to the nearest thousand

	Active Count	Births		Deaths	
		Count	Rate (%)	Count	Rate (%)
Production	174	18	10.1	16	9.4
Construction	389	50	12.9	39	10.0
Motor trades	85	9	10.2	7	8.3
Wholesale	116	10	8.8	10	8.5
Retail	255	43	16.9	31	12.1
Transport and storage (inc. postal)	135	24	17.8	22	16.5
Accommodation and food services	184	28	15.5	24	13.3
Information and communication	256	32	12.7	27	10.4
Finance and insurance	46	6	12.4	5	10.7
Property	119	15	12.9	13	11.2
Professional, scientific and technical	542	63	11.7	61	11.3
Business administration and support services	278	48	17.2	43	15.4
Education	45	5	10.8	4	9.3
Health	121	10	8.1	16	13.4
Arts, entertainment, recreation and other services	193	19	9.6	16	8.4
Total	2,940	381	12.9	336	11.4

Source: Office for National Statistics – Inter-Departmental Business Register

Notes

1. The death counts provided in this table for 2018 are provisional. For more details please refer to Section 2 of this statistical bulletin. [Back to table](#)
2. Please note that figures are rounded individually, therefore, the sum of component items may be slightly different to the totals shown. [Back to table](#)

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

At a regional level, London had the highest business birth rate in 2018 at 15.9%, followed by the North West at 14.3% (Table 3). The main industry impacting the births in London is retail, with retail sales via mail order houses or via internet making up the largest percentage of those businesses.

The region with the highest business death rate was the North West at 13.5%, which was the region with the highest birth rate last year. Similar to the births last year, business administration and support services, as well as transport and storage (including postal), contributed the most to the business death increases in the North West over the last five years. Northern Ireland had the lowest death rate at 7.9% and was the only region that has seen a decrease in the number of business deaths between 2013 and 2018.

When using this release please use lower geography data with caution. Factors such as management companies or virtual offices can cause large volatility to the data year-on-year. This affects mainly single employee limited companies. [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: Birth and death rates by region
UK, 2018

Counts given to the nearest thousand

	Active		Births		Deaths	
	Count		Count	Rate (%)	Count	Rate (%)
North East	76		9	12.5	8	11.0
North West	301		43	14.3	41	13.5
Yorkshire and The Humber	198		23	11.8	22	10.9
East Midlands	189		23	12.1	21	10.9
West Midlands	236		31	13.3	31	13.1
East	292		36	12.3	31	10.6
London	613		97	15.9	78	12.7
South East	450		53	11.7	45	10
South West	232		24	10.4	22	9.5
Wales	105		14	13.3	11	10.4
Scotland	186		21	11.1	22	11.8
Northern Ireland	61		6	9.6	5	7.9
Total	2,940		381	12.9	336	11.4

Source: Office for National Statistics – Inter-Departmental Business Register

Notes

1. The deaths counts provided in this table for 2018 are provisional. For more details please refer to Section 2 of this statistical bulletin. [Back to table](#)
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6 . The South West continues to have the highest five-year survival rate

The survival rates show the percentage of businesses that survived into 2018. In recent years, comparisons of survival rates have shown little change year-on-year.

The UK five-year survival rate for businesses born in 2013 and still active in 2018 was 42.4% (Figure 2). Since 2013, the region with the highest five-year survival rate has been the South West at 45.6%. In 2018, the industry with the highest five-year survival rate was education at 49.5%.

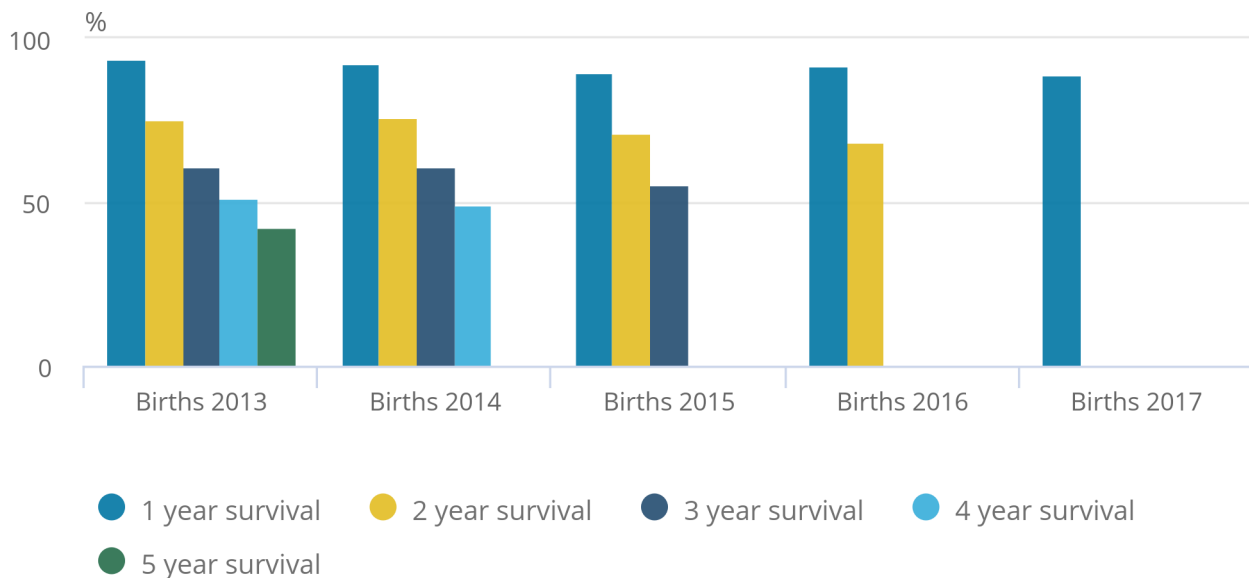
The UK one-year survival rate for businesses born in 2017 was 89.0% and the region with the highest one-year survival rate was the East Midlands at 90.8%; the highest-surviving industry was motor trades at 93.2%.

Figure 2: The five-year survival rate for businesses born in 2013 is 42.4%

Survival rates of UK businesses born between 2013 and 2017

Figure 2: The five-year survival rate for businesses born in 2013 is 42.4%

Survival rates of UK businesses born between 2013 and 2017



Source: Office for National Statistics – Inter-Departmental Business Register

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 . There were 14,000 high growth businesses in the UK in 2018

High growth for the purpose of this bulletin measures all businesses with an average growth in employment of greater than 20% per year over a three-year period (between 2015 and 2018). The size threshold used to identify these businesses is that they have 10 or more employees. The high growth rates have been calculated from 2018 active business counts with 10 or more employees.

At UK level, out of 282,000 businesses in 2018 that have 10 or more employees, 14,000 or 5% have been classed as being high growth, an increase of 0.3 percentage points compared with the previous year.

Breakdown by region

London was the region with the largest number of businesses showing high growth measured by employment between 2015 and 2018, a count of 2,850 or 5.8%. The South East had the second-largest high growth at 2,030 businesses or 5.1%. Northern Ireland had the smallest number of high growth businesses at 320 or 4.3% (Table 4).

Table 4: High growth rates by region
UK, 2018

	High Growth Count	Actives (10+) Count	% rate Rate (%)
North East	405	8,745	4.6
North West	1,445	29,950	4.8
Yorkshire and The Humber	1,025	21,690	4.7
East Midlands	915	19,235	4.8
West Midlands	1,045	23,330	4.5
East	1,320	26,160	5.0
London	2,850	48,850	5.8
South East	2,030	39,990	5.1
South West	1,190	24,490	4.9
Wales	515	11,125	4.6
Scotland	905	20,530	4.4
Northern Ireland	320	7,525	4.3
Total	13,965	281,620	5.0

Source: Office for National Statistics – Inter-Departmental Business Register

Breakdown by broad industry group

The industry with the highest percentage of businesses in high growth measured by employment was information and communication at 8.5%, followed by finance and insurance at 8.0%. The industry with the smallest percentage of high growth businesses was property at 3.4% (Table 5).

Table 5: High growth rates by broad industry group
UK, 2018

	High Growth	Actives (10+)	% rate
	Count	Count	Rate (%)
Production	1,390	32,530	4.3
Construction	1,040	20,085	5.2
Motor trades	240	6,710	3.6
Wholesale	910	18,760	4.9
Retail	835	19,650	4.2
Transport and storage (inc. postal)	540	10,165	5.3
Accommodation and food services	1,470	39,490	3.7
Information and communication	1,080	12,665	8.5
Finance and insurance	380	4,745	8.0
Property	220	6,520	3.4
Professional, scientific and technical	1,590	28,060	5.7
Business administration and support services	1,630	23,980	6.8
Education	385	8,215	4.7
Health	1,490	31,875	4.7
Arts, entertainment, recreation and other services	765	18,170	4.2
Total	13,965	281,620	5.0

Source: Office for National Statistics – Inter-Departmental Business Register

8 . 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. It is important to remember that these counts include single employee companies where the employee is also the owner-director.

The employer business birth rate, as a proportion of all active employer businesses, for 2018 was 13.4% and the employer business death rate for 2018 was 11.4%.

Breakdown by broad industry group

When looking at the breakdown by activity, the highest employer business birth rate for 2018 was in business administration and support services at 17.9%, followed by retail at 17.8% (Table 6). Retail was the industry where the birth rate increased the most from 2017 to 2018, with a difference of 1.5 percentage points, a slowdown from the increase it had of 3.2 percentage points between 2016 and 2017.

The highest employer business death rate for 2018 was in transport and storage (including postal) at 16.5%, followed by business administration and support services at 15.7%. Retail was the industry where the death rate increased the most, from 9.5% in 2017 to 11.9% in 2018.

Table 6: Employer demography, birth and death rates by broad industry group
UK, 2018

Counts given to the nearest thousand

	Active Count	Births		Deaths	
		Count	Rate (%)	Count	Rate (%)
Production	160	17	10.5	15	9.3
Construction	340	45	13.3	32	9.5
Motor trades	73	7	10.1	6	8.0
Wholesale	105	10	9.2	9	8.3
Retail	226	40	17.8	27	11.9
Transport and storage (inc. postal)	114	20	17.3	19	16.5
Accommodation and food services	179	28	15.8	24	13.3
Information and communication	248	32	12.9	26	10.3
Finance and insurance	45	6	12.7	5	10.8
Property	99	15	14.8	12	12.1
Professional, scientific and technical	503	62	12.2	57	11.3
Business administration and support services	263	47	17.9	41	15.7
Education	44	5	10.8	4	9.1
Health	120	10	8.1	16	13.4
Arts, entertainment, recreation and other services	172	17	10.0	14	8.0
Total	2,690	360	13.4	306	11.4

Source: Office for National Statistics – Inter-Departmental Business Register

Notes

1. Please note that figures are rounded individually therefore, the sum of component items may be slightly different to the totals shown. [Back to table](#)

Breakdown by region

Within the regions, London had the highest employer business birth rate in 2018 at 16.2%, which is an increase of 0.7 percentage points compared with 2017. The South West had the lowest birth rate at 10.8%, which is an increase of 0.1 percentage points compared with 2017.

The region with the highest death rate in 2018 was the North West at 13.6%, a 1.6 percentage point increase since 2017. Northern Ireland had the lowest death rate at 8.1%, which is an increase of 0.1% compared with 2017 (Table 7).

Table 7: Employer demography, birth and death rates by region
UK, 2018

Counts given to the nearest thousand

	Active		Births		Deaths	
	Count	Rate (%)	Count	Rate (%)	Count	Rate (%)
North East	70	12.9	9	12.9	8	10.9
North West	280	14.6	41	14.6	38	13.6
Yorkshire and The Humber	180	12.1	22	12.1	19	10.7
East Midlands	170	12.3	21	12.3	18	10.7
West Midlands	217	13.7	30	13.7	29	13.2
East	267	12.7	34	12.7	28	10.5
London	574	16.2	93	16.2	73	12.7
South East	411	12.1	50	12.1	40	9.8
South West	206	10.8	22	10.8	19	9.3
Wales	94	13.8	13	13.8	10	10.4
Scotland	171	11.5	20	11.5	20	11.7
Northern Ireland	51	11.6	6	11.6	4	8.1
Total	2,690	13.4	360	13.4	306	11.4

Source: Office for National Statistics – Inter-Departmental Business Register

Notes

1. Please note that figures are rounded individually therefore [Back to table](#)
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9 . 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