

Statistical bulletin

Business demography, quarterly experimental statistics, UK: July to September 2020

Experimental quarterly statistics on business creations or births and closures or deaths from the Inter-Departmental Business Register (IDBR) with high-level breakdowns by industry and region.

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Release date:
15 October 2020

Next release:
To be announced

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1 . Main points

- The number of businesses removed from the Inter-Departmental Business Register (IDBR) (business closures) in the UK in Quarter 3 (July to Sept) 2020 was slightly lower than the average in the third quarter of the past three years.
- Business closures do not appear to have yet increased as a result of the coronavirus (COVID-19) pandemic, because of the time it takes for a business to close, delays in the reporting process, and government support for businesses.
- Other indicators of business closures in the UK, and internationally, also show no sign of an increase in Quarter 3 2020.
- The number of businesses added to the IDBR (business creations) in the UK in Quarter 3 2020 was slightly higher than in the third quarter of the past three years, after a fall in Quarter 2 2020.
- Business creations tend to experience shorter lags than business closures, so the slowdown in Quarter 2 (Apr to June) 2020 and pick up in Quarter 3 2020 are more likely to reflect the coronavirus pandemic.
- The composition of business creations is markedly different to previous quarters – the average business is smaller and far more likely to be in industries less affected by the coronavirus pandemic.
- Data in this release are [experimental](#) and produced rapidly to support understanding of the impact of the coronavirus pandemic on the economy; our [annual business demography publication](#) remains the best source of information on business demography.
- Alongside this release we have published new experimental analysis of business dynamism using a new dataset; this shows relatively small effects on business creations and closures during the economic downturn of 2008 to 2009.

Quarterly data in this release are not entirely consistent with the annual business demography publication, which is a more accurate reflection of business births and deaths. The quarterly data in this release are broadly in line and provide new evidence using new methods.

2 . Trends in business closures

Business closures are those removed from the Inter-Departmental Business Register (IDBR) – a database of all businesses in the UK registered for Value Added Tax (VAT) and/or the Pay As You Earn (PAYE) income tax system, used as a sampling frame for Office for National Statistics (ONS) business surveys. A business is removed from the IDBR if its turnover and employment are zero for several periods, or the ONS is notified the business has ceased trading through an administrative source. These are referred to as business deaths in our [annual business demography publication](#) and in other data. For more information see the [Measuring the data](#) and [Glossary](#) sections.

The number of business closures in the UK in Quarter 3 (July to Sept) 2020 was slightly lower than in Quarter 3 2019, but similar to the number of closures in the third quarter of the past three years taken together (Figure 1). This continues a trend seen in Quarter 2 (Apr to June) 2020 and means that there has not yet been an increase in business closures, which may have been expected as a result of the coronavirus (COVID-19) pandemic.

There are notable lags in the removal of a business from the IDBR, because of economic, legal and statistical processes. As such, increased business closures resulting from the coronavirus pandemic may not yet be visible in these statistics and may be reflected in data in subsequent quarters.

It takes a relatively long time for a business to be removed from the IDBR, which may happen several months after the effective closure of the business. The legal and statistical processes are complex, and explained in more detail in the [Measuring the data](#) and [Strengths and limitations](#) sections.

These lags in the process may explain why business closures have not increased significantly in Quarter 2 or Quarter 3 2020. As well as the usual lags, processing may have been further delayed as a result of government interventions such as social distancing and the closure of some sectors of the economy, which may have made it more difficult to file and process paperwork. Additionally, government support to businesses and easements at Companies House ([such as an extended period to file their accounts](#)) may have prevented or postponed some business closures. More details are provided by the Insolvency Service in its monthly publication of [data on company insolvencies](#).

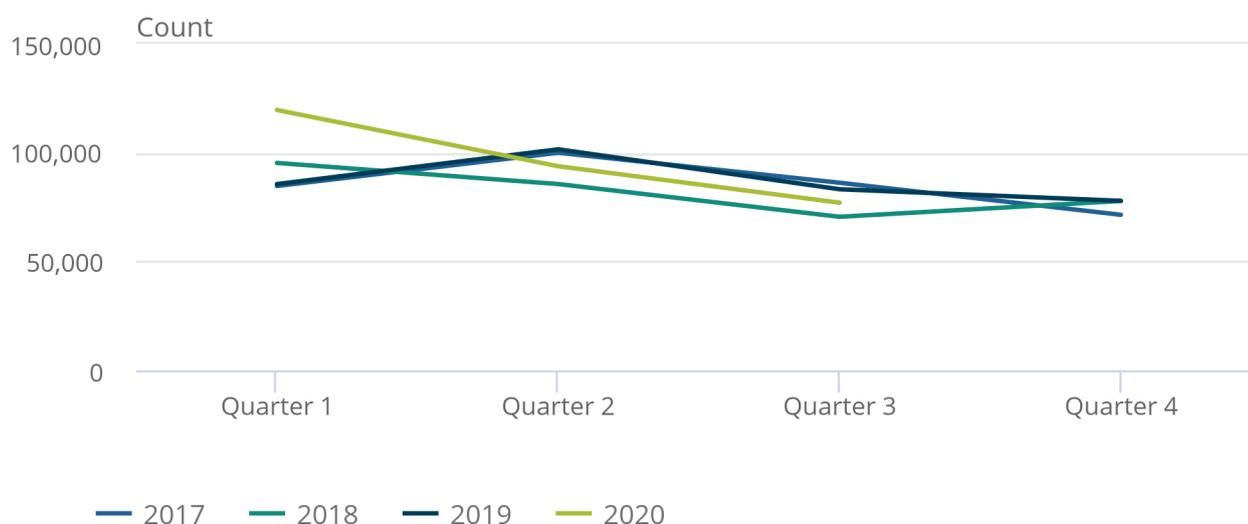
Data from our annual business demography publication demonstrate that many businesses are added to, and removed from, the IDBR every year, so it is the extent to which this figure is greater than expected that we are interested in in order to identify an impact of the coronavirus pandemic. As Figure 1 shows, there was not a significant increase in business closures in Quarter 2 or Quarter 3 2020, following the lockdown introduced on 23 March 2020 in response to the pandemic.

Figure 1: Business closures in Quarter 3 2020 were lower than in Quarter 3 2019

Number of businesses removed from the Inter-Departmental Business Register (IDBR), quarterly, UK, Quarter 1 (Jan to Mar) 2017 to Quarter 3 (July to Sept) 2020

Figure 1: Business closures in Quarter 3 2020 were lower than in Quarter 3 2019

Number of businesses removed from the Inter-Departmental Business Register (IDBR), quarterly, UK, Quarter 1 (Jan to Mar) 2017 to Quarter 3 (July to Sept) 2020



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

Characteristics of business closures

The types of businesses that were removed from the IDBR in Quarter 3 2020 were not much different to previous quarters. The breakdown by industry, region and size of businesses were similar to business closures in previous years. This may change if the pandemic leads more businesses than usual to close in subsequent quarters.

There is some seasonality in business closures: there tend to be more in the first half of the year than in the second half. This is true for most industries and regions, to a greater or lesser extent.

Businesses in the information and communication industry (SIC07 section J), transport and storage industry (SIC07 section H), and agriculture industry (SIC07 section A) made up a larger proportion of all businesses removed from the IDBR in Quarter 3 2020 than in Quarter 3 2019. This continues a pattern first seen in Quarter 2 2020.

By contrast, businesses in the accommodation and food services, administrative services, and health and social care industries made up a smaller share of business closures in Quarter 3 2020 than usual. This is in spite of some of these being industries most adversely impacted by the coronavirus pandemic in the short term. This could be the result of processing delays or government support, and business closures in these industries may increase in future quarters.

Businesses in Northern Ireland and Scotland made up slightly more of the businesses removed from the IDBR in Quarter 3 2020 than in recent quarters, but the regional distribution remained reasonably stable.

The average size of businesses that were removed from the IDBR in Quarter 3 2020, based on their employment, was similar to Quarter 3 in previous years. The same is true by industry, although these data are more volatile and are not included in the reference data because of quality concerns.

The data included in the [accompanying dataset](#) provide the number of businesses removed from the IDBR per quarter, as well as the total employment and turnover of those businesses, based on the most recent values for these held on the IDBR. We have also included the average size of businesses removed from the IDBR between 2017 and 2019, by industry and region. This shows that businesses that close in some industries are typically larger than others, and this pattern has broadly continued during 2020.

Other data on business closures

Data from Companies House and the Insolvency Service are consistent with the data in this release, showing no marked increase in company closures, from insolvencies or any other type, in Quarter 2 or Quarter 3 2020.

Monthly data from the Insolvency Service show that company insolvencies (one way for a business to cease trading) were [43% lower in August 2020 than in August 2019](#). This follows similarly low levels since April.

[Quarterly data from Companies House](#) show that company dissolutions from all causes were down significantly in Quarter 2 2020 compared with Quarter 2 2019, in large part because of the range of easements in place from Companies House in response to the coronavirus pandemic. Our weekly indicators of company voluntary dissolutions (one way for a business to cease trading) using data from Companies House show similarly low levels in the weeks of Quarter 3 2020.

Other countries have likewise not seen a substantial increase in company closures. For instance, [Statistics Netherlands](#) reports a fall in the number of business bankruptcies in the months to September 2020, the [Bank of France](#) reports a substantial fall in corporate bankruptcies in April and May 2020 with only a small rebound in June and July, and [Destatis](#) (the German statistical office) also reported a fall in business insolvencies in the months to August 2020. Meanwhile, [bankruptcies in the US were a little higher in May and June than in previous years and back down to normal levels in July and August](#), although [the US system is very different to that of the UK](#).

3 . Trends in business creations

Business creations are new enterprise entries onto the Inter-Departmental Business Register (IDBR). These are referred to as business births in our [annual business demography publication](#), and other data. For more information see the [Measuring the data](#) and [Glossary](#) sections.

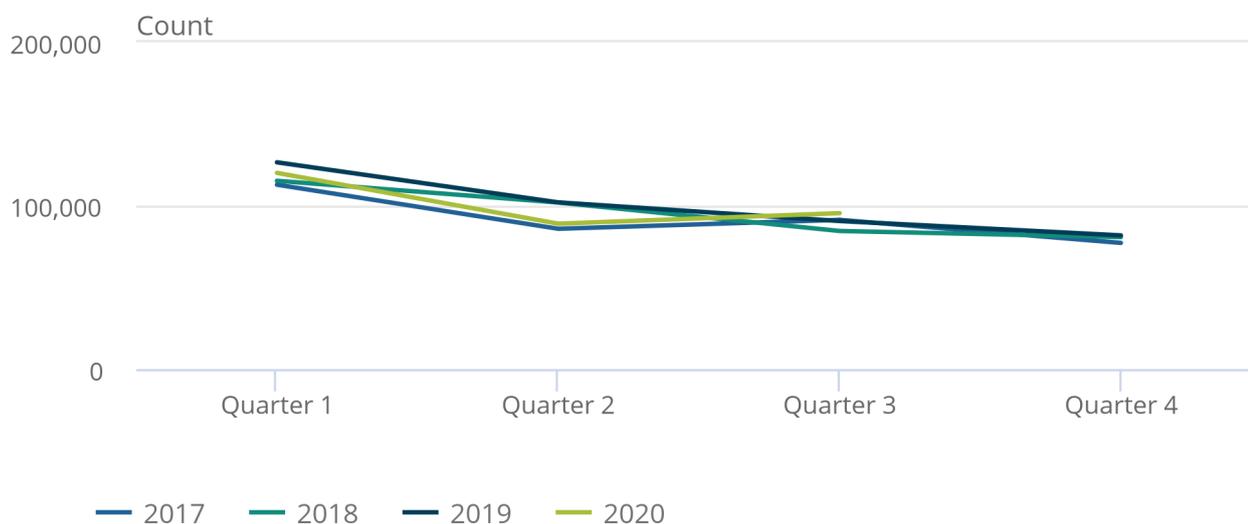
The number of business creations in the UK in Quarter 3 (July to Sept) 2020 was slightly higher than in Quarter 3 2019 (Figure 2), following a small fall in Quarter 2 (Apr to June) 2020. This is somewhat contrary to expectations that business creation would be significantly lower because of the coronavirus (COVID-19) pandemic. However, it is in line with a range of other data that have indicated an increase in business creation during the latest part of the pandemic.

Figure 2: Business creations in Quarter 3 2020 were slightly higher than in Quarter 3 2019

Number of businesses added to the Inter-Departmental Business Register (IDBR), quarterly, UK, Quarter 1 (Jan to Mar) 2017 to Quarter 3 (July to Sept) 2020

Figure 2: Business creations in Quarter 3 2020 were slightly higher than in Quarter 3 2019

Number of businesses added to the Inter-Departmental Business Register (IDBR), quarterly, UK, Quarter 1 (Jan to Mar) 2017 to Quarter 3 (July to Sept) 2020



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

Notes:

1. There is strong seasonality in business creation: there tend to be more in the first half of the year than in the second half, especially in the first quarter, associated with the start of the financial year. This is true for most industries and regions, to a greater or lesser extent, but especially true for businesses in the financial and insurance and real estate industries.

There is typically a shorter lag in adding businesses to the IDBR after the effective creation of the business than there is for removing businesses from the IDBR after their effective closure. As such, the rebound in Quarter 3 2020 is likely to reflect a genuine trend for increased business creation.

The slowdown in business creation in Quarter 2 2020 relative to the same quarter in previous years is also likely to be a result of the coronavirus pandemic, along with a degree of slowdown in the processing of company registrations by Companies House and HMRC because of the pandemic. Business creations also slowed during the economic downturn of 2008 to 2009, which may reflect increased uncertainty, a lack of good market opportunities, or other factors that make starting a business unattractive at that time.

Characteristics of business creations

The types of businesses created during Quarter 3 2020 were notably different to the types of businesses created in Quarter 3 in previous years. Broadly speaking, businesses created in Quarter 3 2020 were smaller than usual (based on both employment and turnover) and more likely than usual to be in industries less affected by the pandemic.

Continuing trends that began in Quarter 2 2020, some industries made up a far larger share of business births than usual in Quarter 3 2020 (Figure 3). These tended to be industries less affected by the pandemic, including those that offer greater opportunities for homeworking (because of both [the use of technology](#) and [the types of occupations done in each industry](#)), such as professional and administrative services industries. These industries have also seen [a rise in single-person limited companies in recent years](#), which might be increasingly popular because of the pandemic.

In addition, there was a large increase in the number of retail (and to a lesser extent, wholesale) businesses created in Quarter 3 2020, compared with earlier quarters. This could reflect an increase in online retailers, [since there has been a large increase in online retail sales during the pandemic](#).

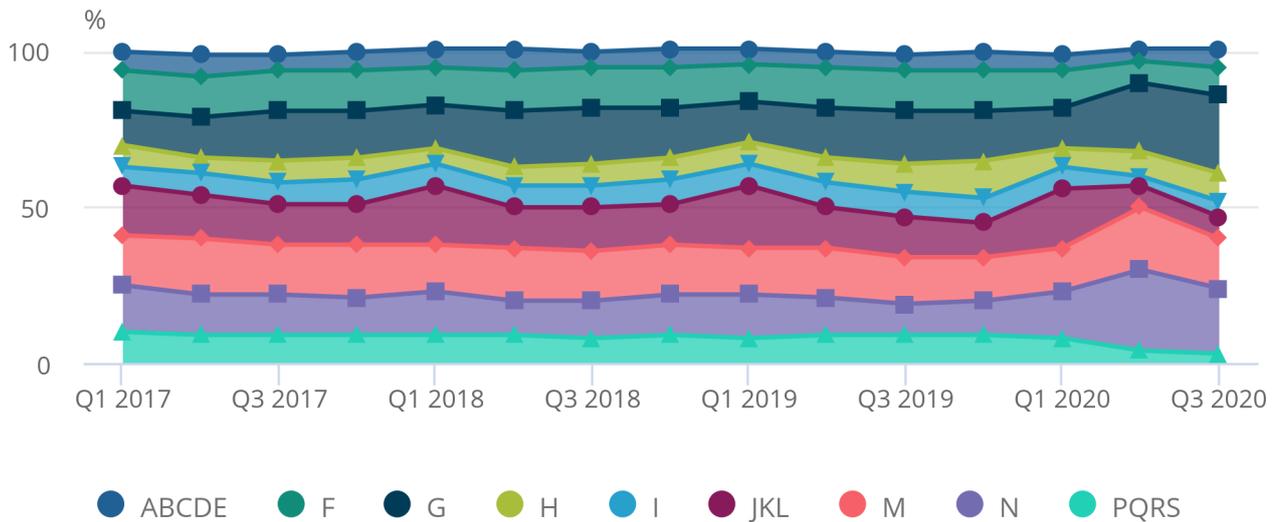
By contrast, the number of businesses created in the health and social care industry in Quarter 3 2020 was around a quarter of the usual quarterly number, reflecting the impact of the pandemic. There were falls of around one half in the education, arts and entertainment, accommodation and foods services, and construction industries as well; again, these were [all industries negatively affected by the pandemic](#). There were also sizable drops in business creation for some industries that might be expected to be less affected by the pandemic, including the finance and insurance, and ICT industries.

Figure 3: Retail and business services industries made up a larger proportion of business creations in Quarter 3 2020 than in recent years

Proportion of businesses added to the Inter-Departmental Business Register (IDBR) by Standard Industrial Classification (SIC) 2007 industry, quarterly, UK, Quarter 1 (Jan to Mar) 2017 to Quarter 3 (July to Sept) 2020

Figure 3: Retail and business services industries made up a larger proportion of business creations in Quarter 3 2020 than in recent years

Proportion of businesses added to the Inter-Departmental Business Register (IDBR) by Standard Industrial Classification (SIC) 2007 industry, quarterly, UK, Quarter 1 (Jan to Mar) 2017 to Quarter 3 (July to Sept) 2020



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

Notes:

- ABCDE - Agriculture, mining, manufacturing, energy, water and waste services
- F - Construction
- G - Wholesale, retail and motor trades
- H - Transportation and storage
- I - Accommodation and food services
- JKL - Information and communications, finance and insurance, real estate
- M - Professional, scientific and technical activities
- N - Administrative support services
- PQRS - Education, health and social care, arts and other services

The proportion of business creations in each country and region of the UK was similar in Quarter 3 2020 to Quarter 3 2019. The share was slightly higher for businesses based in Wales, which may reflect an increase [in businesses registered through so-called “multiple registration”](#). This is where a company offers a service to register other businesses with Companies House, leading the address of the registration company to be the registered address of the new business. There are some registration companies such as this based in Wales, which may be having an impact on this trend.

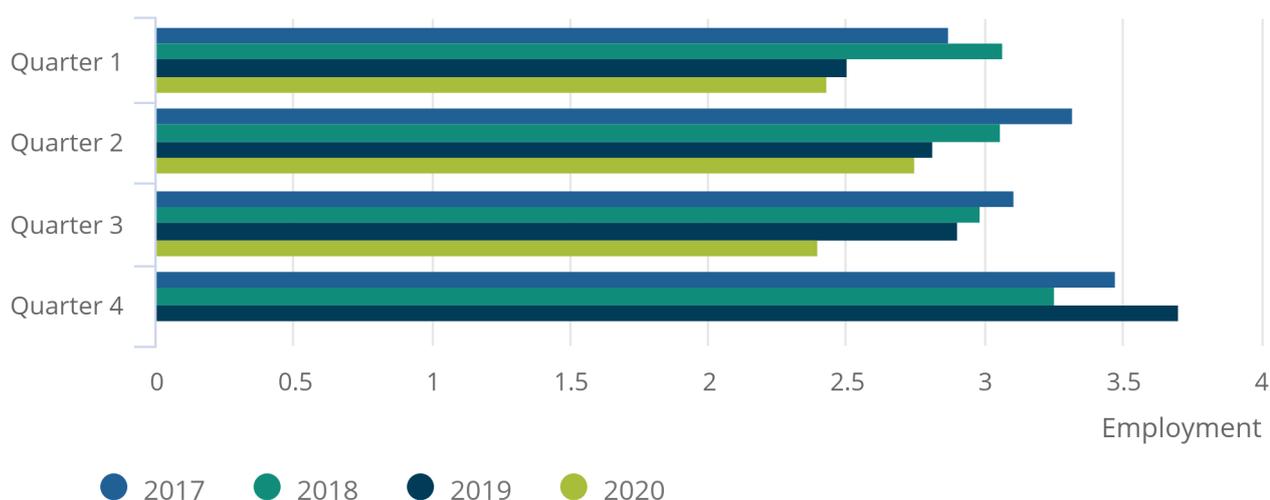
Businesses added to the IDBR in Quarter 3 2020 were also substantially smaller on average, based on turnover and employment, than in previous quarters in the past few years (Figure 4). These data are in part based on predictions made when the company is registered and may therefore partly reflect expectations of harder trading conditions for new businesses in 2020. It may also reflect the types of businesses being created.

Figure 4: Businesses created in Quarter 3 2020 had fewer employees on average than in any other quarter in the past four years

Average employment of businesses added to the Inter-Departmental Business Register (IDBR) by Standard Industrial Classification (SIC) 2007 industry, quarterly, UK, Quarter 1 (Jan to Mar) 2017 to Quarter 3 (July to Sept) 2020

Figure 4: Businesses created in Quarter 3 2020 had fewer employees on average than in any other quarter in the past four years

Average employment of businesses added to the Inter-Departmental Business Register (IDBR) by Standard Industrial Classification (SIC) 2007 industry, quarterly, UK, Quarter 1 (Jan to Mar) 2017 to Quarter 3 (July to Sept) 2020



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

Between 2017 and 2019, the average new business had around three employees. This fell to 2.4 employees in Quarter 3 2020. This fall reflects smaller average sizes in most industries, although some industries saw slightly larger businesses than usual. However, given the large shift in the composition of new businesses towards industries that typically have smaller start-ups (for example, retail and professional services) and away from those with larger start-ups (for example, accommodation and food services, and healthcare), this also pushed down the average.

Other data on business creation

Figures from Companies House and Value Added Tax (VAT) records are broadly consistent with the data in this release, showing a pick-up in company creations in Quarter 3 2020.

We publish the number of new VAT returners monthly in our Faster indicators release, including the figure for September 2020. These show a pick-up in VAT registrations in the months of Quarter 3 2020 after a big drop in April to June 2020. However, the level of new VAT reporters has not returned to the norms seen before the impact of the coronavirus pandemic, and this could be because of the composition of business births. As noted earlier in this section, the types of businesses being created during the pandemic are on average smaller and may therefore not be included in the VAT reporters data.

Weekly indicators of company incorporations using Companies House data in our [weekly Faster indicators publication](#) also show an increase in business creations in the months of Quarter 3 2020, relative to the same time last year. This follows lower than usual incorporations during April and May 2020.

[Data from the US Census Bureau](#) also show an increase in new business applications in the latter half of the coronavirus pandemic, after a dip in Quarter 2 2020.

4 . The long-term perspective

The data in this release only extend back to Quarter 1 (Jan to Mar) 2017, as these are new experimental data aiming to demonstrate the effect of the coronavirus (COVID-19) pandemic on business creation and closure. However, it is useful to compare with earlier years to understand the longer-term pattern of business creation and closure, especially during times of economic downturn.

Alongside this release we have published [new experimental statistics of business dynamism](#) (the rate of job creation and destruction because of business entry, exit and growth) using a new dataset. The data in that release are similar to the data used for the analysis in this publication, but the methods of compilation differ. The overlapping period between the two sets of estimates are similar, although care should be taken in drawing any comparisons.

Data from that release suggest that business creation fell, and business closure rose, during and after the economic downturn of 2008 to 2009. However, the direct effect appears relatively small and short-lived. In addition, and as shown also using [insolvencies data in a previous blog post](#), the increase in business closures appears to occur around two quarters after the height of the recession.

While the coronavirus pandemic is clearly different to the economic downturn of 2008 to 2009 for a variety of reasons, this does suggest that the impact of the pandemic on business closures may not be seen in the data until later quarters.

The [latest publication of UK business: activity, size and location](#) contains data for 2020 based on a snapshot of the Inter-Departmental Business Register (IDBR) taken in the middle of March 2020, before the main effects of the coronavirus pandemic on the UK economy. Figure 2 in that publication shows the growth of the IDBR alongside that of gross domestic product (GDP) over a comparable period, and finds a close relationship. This demonstrates the importance of business creation and closure measures, such as those in this release, for understanding the growth in the economy. However, we would not expect the number of businesses in the UK to fall as rapidly as GDP in 2020, given the unprecedented situation.

5 . Business demography data

[Business demography, quarterly experimental statistics, UK](#)

Dataset | Released 15 October 2020

Experimental quarterly statistics on business creations or births and closures or deaths from the Inter-Departmental Business Register (IDBR) with high-level breakdowns by industry and region.

6 . Glossary

Business

For 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 Value Added Tax (VAT) and/or Pay As You Earn (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.

Business creations

Often referred to as business births, we refer to enterprises added to the Inter-Departmental Business Register (IDBR) as business creations in this release. Enterprises are added to the IDBR when a new business is identified from administrative sources, usually the VAT or PAYE systems.

Business closures

Business closures are removals from the IDBR. A business is removed from the IDBR if its turnover and employment are zero for several periods, or the Office for National Statistics (ONS) is notified the business has ceased trading through an administrative source. These are referred to as business deaths in [our annual business demography publication](#) and in other data.

This should not be confused with temporary business closures due to the coronavirus (COVID-19) pandemic, whereby a business pauses trading but is still an active business.

The Inter-Departmental Business Register (IDBR)

A database of all businesses in the UK registered for VAT and/or the PAYE income tax system. There are approximately 2.7 million businesses on the IDBR. The IDBR is the register of UK businesses used as a sampling frame for ONS business surveys.

7 . Measuring the data

This section outlines important information about the data in this release. This is a new release of [Experimental Statistics](#), and the information in this section is important to correctly interpret it.

Time of recording

Business creations and closures in these data are based on the date on which the action occurs on the Inter-Departmental Business Register (IDBR). Data for this release are extracted from the IDBR weekly and are allocated to quarters according to the date of the Friday of that week, as most major updates to the IDBR occur at the end of the working week. This may lead to some misallocation between quarters.

The date a business is added to the IDBR is generally on the same day, or within a few days, of the legal creation of the business as a company with Companies House. However, this can be several weeks after the effective birth of the business. For business closures, the registration process can take a little longer, as the death of a business may be long and complex. The “effective” death of a business may occur several months before its actual death from a legal perspective. A business is removed from the IDBR if information from HM Revenue and Customs (HMRC), Office for National Statistics (ONS) business surveys, Companies House or The Insolvency Service indicates it is no longer active. The ONS proves deaths by contacting companies if necessary.

Frequency of data

The IDBR is updated from four main sources:

- Value Added Tax (VAT)
- Pay As You Earn (PAYE)
- ONS business surveys
- Companies House

The updates occur in various frequencies from daily to annual. Because the important PAYE update is quarterly, a shorter time period analysis of business creations and closures would be very volatile. As such, this source is best suited to quarterly publications.

Turnover and employment data

The turnover data on the IDBR are mostly derived from VAT or ONS business survey records. Employment data on the IDBR are derived from PAYE or ONS business survey records. In some cases, values are imputed from administrative data. The turnover data are updated annually, every September, from available data. Employment data are updated more frequently for some businesses but at least annually for all businesses.

The turnover and employment data for business closures are the stored values at the last update while the business was active on the IDBR, often the last annual update. These figures are not adjusted for inflation, so the average turnover would be expected to rise slowly over time in line with inflation.

For business creations, the value for turnover is usually that estimated by the business upon registration with HMRC for VAT. The employment value is the number of actually registered employees on their PAYE scheme if they have one, and it is imputed if they do not. This value is revised on the IDBR when more up-to-date data are received, but it is not revised in these statistics.

Data on turnover and employment on the IDBR should not be used to measure economic growth or the growth of the labour market – other ONS sources are preferred for these purposes. Data points are generally reasonably current for larger businesses, but they are less so for smaller businesses.

Feedback

The ONS welcomes feedback from users on whether they find this release on business creations and closures to be helpful. Please email us at ldbrdas@ons.gov.uk regarding whether you would like to see an ongoing quarterly release of these figures.

Other releases

Alongside this release, we have introduced a weekly indicator of company incorporations and dissolutions with Companies House in our [weekly faster indicators publication](#). There is also a blog available that explains some of the important things to bear in mind about these data.

8 . Strengths and limitations

Timeliness

In line with international guidance from Eurostat and the Organisation for Economic Co-operation and Development (OECD), [our official statistics](#) on business demography are published a year after the reference period to allow for reactivations before deaths figures are calculated. We have published these quarterly data to provide a more timely indicator of business creations and closures to support understanding of the impact of the coronavirus (COVID-19) pandemic on the UK economy, but these data will not be entirely consistent with our [annual publication](#), and that remains the superior measure of business demography.

More detail about the [Inter-Departmental Business Register \(IDBR\)](#) the [annual official statistics on business demography](#) is available.

Relationship with other data

This publication provides the first quarterly estimates of businesses added to, and removed from, the IDBR. However, there are many other publications drawing on other data sources to provide estimates of either business creation or business closures at different frequencies. These are briefly outlined in this section.

Quarterly official statistics from Companies House include the number of company incorporations, dissolutions and removals from their register. Companies and businesses are not the same in these statistics – companies are legal entities, as registered with Companies House; businesses are statistical entities, arranged by the Office for National Statistics (ONS) on the IDBR, which better reflect their economic activity. Some types of company are present with Companies House but not on the IDBR or in Value Added Tax (VAT) returns, such as small single-person limited companies.

We have published new weekly indicators of company incorporations and voluntary dissolutions using data from Companies House in our [faster indicators publication](#), but this covers only one route for a business to be removed from the IDBR.

There are many ways for a business to close or die, of which “insolvency” is only one. Data from the Insolvency Service on company insolvencies therefore do not reflect all business closures – insolvencies typically account for a small fraction of business closures, although they tend to be the highest profile.

Data from the Business Impact of Coronavirus (COVID-19) Survey (BICS) include estimates of the proportion of surveyed businesses that have “temporarily ceased trading”. Businesses that are still active but temporarily ceased trading because of the coronavirus pandemic are not removed from the IDBR and therefore are not reflected in the data in this release.

BICS also reports data on the proportion of responding businesses that have permanently ceased trading. This is based on a filter question in the survey to reduce burden for those businesses that have closed down, as the survey is not relevant for them. As such, those estimates are not intended to capture business closures, so the data in this release are preferred.

The data in this release are most similar to the concepts of business births and deaths in [the annual business demography statistics](#), which are badged as [National Statistics](#). The calculation of business births and deaths in the annual publication is more robust than in this publication and follows international guidance. The data in this release have been created rapidly to provide insight on the coronavirus pandemic, and they should be treated with caution.

9 . Related links

[Business demography UK: 2018](#)

Bulletin | Released 19 November 2019

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

[Coronavirus and the economic impacts on the UK](#)

Bulletin | Released fortnightly

The indicators and analysis presented in this bulletin are based on responses from the voluntary fortnightly business survey, which captures businesses’ responses on how their turnover, workforce prices, trade and business resilience have been affected.

[Multiple business registrations at a single postcode: 2018](#)

Article | Released 19 November 2019

Business demography explainer covering additional information on the impact of multiple registrations at a single postcode.

[Business dynamism in the UK economy: Quarter 1 \(Jan to Mar\) 1999 to Quarter 4 \(Oct to Dec\) 2019](#)

Bulletin | Released 15 October 2020

Experimental Statistics on business dynamism at a firm level using the Inter-Departmental Business Register (IDBR). The analysis includes changes in quarterly job creation and destruction rates by different firm characteristics from 1999 to 2019.