

Statistical bulletin

Business demography, quarterly experimental statistics, UK: January to March 2021

Experimental quarterly statistics on business births and deaths from the Inter-Departmental Business Register, with high-level breakdowns by industry and region.

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To be announced

Table of contents

1. [Main points](#)
2. [Business closures](#)
3. [Business creations](#)
4. [Business demography, quarterly experimental estimates data](#)
5. [Glossary](#)
6. [Measuring the data](#)
7. [Related links](#)

1 . Main points

- The number of businesses removed from the Inter-Departmental Business Register (IDBR) (business closures) in the UK in Quarter 1 (Jan to Mar) 2021 was 7% lower than Quarter 1 2020.
- The largest falls in closures were in the accommodation and food, and health and social care industries; 12 main industrial groups showed a reduction in closures, while 4 showed an increase in Quarter 1 2021 compared with Quarter 1 2020.
- The number of businesses added to the IDBR (business creations) in the UK in Quarter 1 2021 was 14% higher than Quarter 1 2020; it is the highest first-quarter figure since the start of this series in 2017.
- The industries that showed the greatest increases in business creations between Quarter 1 2020 and Quarter 1 2021 were retail, wholesale, and transportation and storage.
- Data in this release are [experimental](#), and produced rapidly to support understanding of the impact of the coronavirus (COVID-19) pandemic on the economy; our [annual business demography bulletin](#) remains the best source of information on business demography.

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 . Business closures

Business closures are those removed from the Inter-Departmental Business Register (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.

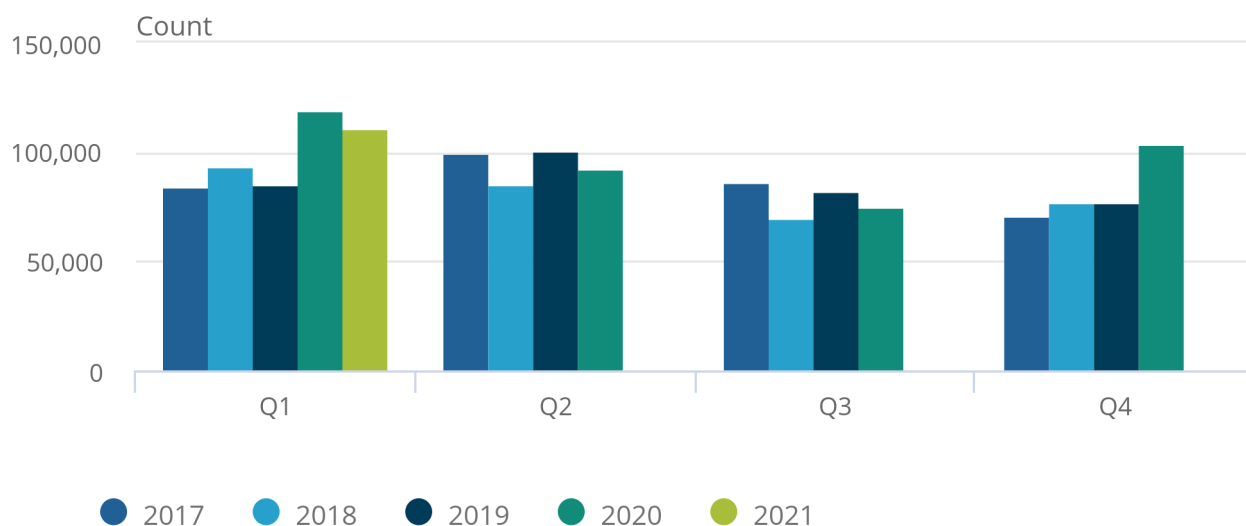
The number of business closures in Quarter 1 2021 was 27% higher than the closures in the average of first quarter closures in 2017 to 2019. On this basis, the most significant closures included the finance and insurance, real estate, and information and communication industries.

Figure 1: Business closures were higher in Quarter 1 2021 than in Quarter 1 of 2017 to 2019

Number of businesses removed from the IDBR, quarterly, UK, Quarter 1 2017 to Quarter 1 2021

Figure 1: Business closures were higher in Quarter 1 2021 than in Quarter 1 of 2017 to 2019

Number of businesses removed from the IDBR, quarterly, UK, Quarter 1 2017 to Quarter 1 2021



Source: Inter-Departmental Business Register (IDBR)

Businesses closing in Quarter 1 2021 were smaller than those closing in Quarter 1 of 2017 to 2020. The average size by employment of a business closing in Quarter 1 2021 was 2.7 employees; this was around 20% smaller than the average size of a business closing in Quarter 1 of 2017 to 2020.

3 . 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 in other data. For more information see the [Measuring the data](#) and [Glossary](#) sections.

The number of business creations in the UK in Quarter 1 (Jan to Mar) 2021 was 14% higher than Quarter 1 2020 (Figure 2), following on from a high number of business creations in Quarter 4 (Oct to Dec) 2020. Industries that showed the greatest increases in business creations between Quarter 1 2020 and Quarter 1 2021 were retail, wholesale, and transportation and storage.

Care needs to be taken in interpreting the growth in the creation of online retail businesses. There has been a large increase in recent periods in the number of businesses based outside the UK that have registered for Value Added Tax (VAT) within the UK in order to engage in sales to UK residents. It is not easy to identify all of these businesses but we have removed the ones we know about from these figures.

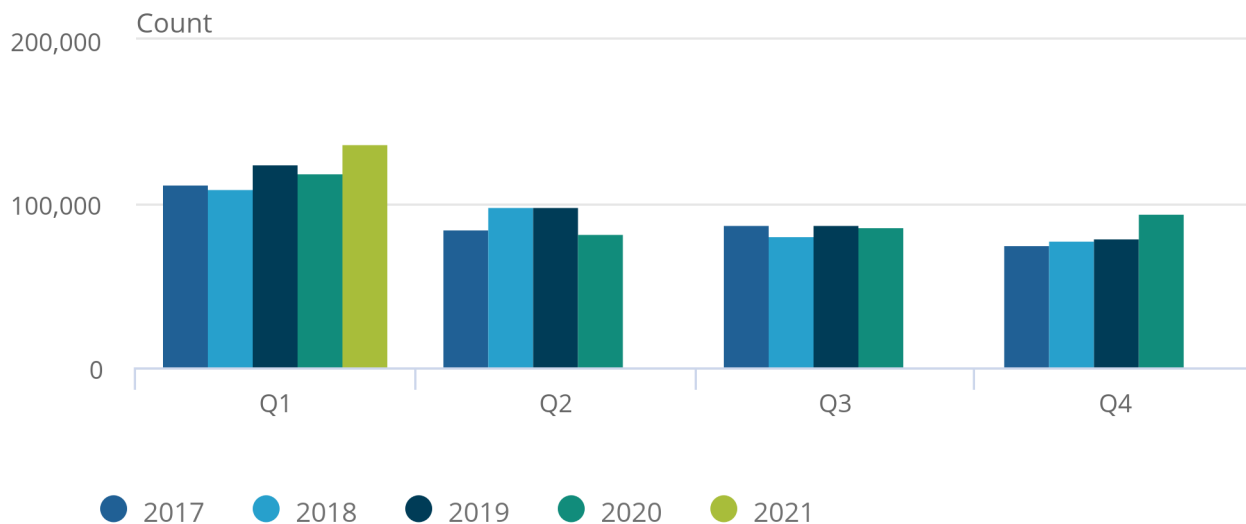
The relatively strong growth in business births is consistent with Companies House figures on incorporations in Quarter 1 2021, which are at higher levels than those seen in Quarter 1 of both 2019 and 2020.

Figure 2: Business creations in Quarter 1 2021 were higher than in Quarter 1 2020

Number of businesses added to the IDBR, quarterly, UK, Quarter 1 2017 to Quarter 1 2021

Figure 2: Business creations in Quarter 1 2021 were higher than in Quarter 1 2020

Number of businesses added to the IDBR, quarterly, UK, Quarter 1 2017 to Quarter 1 2021



Source: Inter-Departmental Business Register (IDBR)

Businesses added to the IDBR in Quarter 1 2021 were smaller, based on average employment, than those added in Quarter 1 of 2017 to 2020.

Between 2017 and 2020, the average new business created in Quarter 1 had around 2.8 employees. This fell to 2.3 employees in Quarter 1 2021. This fall reflects smaller average sizes in most industries. It also reflects that businesses are being created to a greater extent than before in industries where only a small number of employees are required, for example, online retailing.

4 . Business demography, quarterly experimental estimates data

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

Dataset | Released 4 May 2021

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.

5 . 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 caused by 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.

Turnover and employment data

The turnover data on the IDBR is mostly derived from VAT or ONS business survey records. Employment data on the IDBR is 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.

6 . 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.

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.

7 . Related links

[Business demography UK: 2019](#)

Bulletin | Released 17 November 2020

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

[Business insights and impact on the UK economy](#)

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: 2019](#)

Article | Released 17 November 2020

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 by different firm characteristics since 1999 to 2019 for the UK.