

Statistical bulletin

# Business demography, quarterly experimental statistics, UK: April to June 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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Release date:  
9 August 2021

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 2 (April to June) 2021 was 43% higher than Quarter 2 (April to June) 2020.
- The largest increases in IDBR business closures were in the transport and storage and the professional, scientific and technical industries; all sixteen of the main industrial groups showed an increase in closures in Quarter 2 2021 compared with Quarter 2 2020.
- The number of businesses added to the Inter-Departmental Business Register (IDBR) (business creations) in the UK in Quarter 2 2021 was 28% higher than in Quarter 2 2020.
- Industries that showed significant increases in IDBR business creations, Quarter 2 2021 on Quarter 2 2020, included business administration and support and construction industries; all sixteen main industrial groups showed increases in IDBR business creations over this period.
- The figures in the release have been revised from Quarter 1 (January to March) 2021 because of the replacement of weekly extracts of IDBR creations and closures by quarterly extracts; the new method gives more accurate estimates of IDBR creations and closures.
- 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 publication](#) 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 that the business has ceased trading through an administrative source.

The number of IDBR business closures in the UK in Quarter 2 (April to June) 2021 was 43% higher than in Quarter 2 (April to June) 2020, with all main industrial groups showing an increase in closures. Significant increases in closures came in the transportation and storage (up 91%) and professional, scientific and technical industries (up 35%).

The number of closures in Quarter 2 2021 is the highest second quarter figure since the start of the series in 2017. It is important to note that the strong growth in business closures, Quarter 2 2021 on Quarter 2 2020, is influenced by the low number of business closures in Quarter 2 2020, the first full quarter of the coronavirus (COVID-19) pandemic in the UK. It is likely that government help to businesses and employees led to low numbers of business closures during that time.

## Figure 1: Business closures were higher in Quarter 2 2021 than any Quarter 2 since 2017

Number of businesses removed from the IDBR, quarterly, UK, Quarter 1 2017 to Quarter 2 2021

### Figure 1: Business closures were higher in Quarter 2 2021 than any Quarter 2 since 2017

Number of businesses removed from the IDBR, quarterly, UK, Quarter 1 2017 to Quarter 2 2021



Source: Inter-Departmental Business Register (IDBR)

Businesses closing in Quarter 2 2021 were smaller than those which closed in the second quarters of 2017 to 2020. The average size of business which closed in Quarter 2 2021 by employment was 2.1 employees. This was around 15% smaller than the average size of business which closed in the second quarter over the period 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 other data. For more information see the [Measuring the data](#) and [Glossary](#) sections.

The number of IDBR business creations in the UK in Quarter 2 (April to June) 2021 was 28 per cent higher than Quarter 2 (April to June) 2020 (Figure 2), with all main industrial groups showing more creations in Quarter 2 2021 than the same quarter a year ago. Among the most significant increases were those in the construction (up 55%) and business administration and support industries (up 58%).

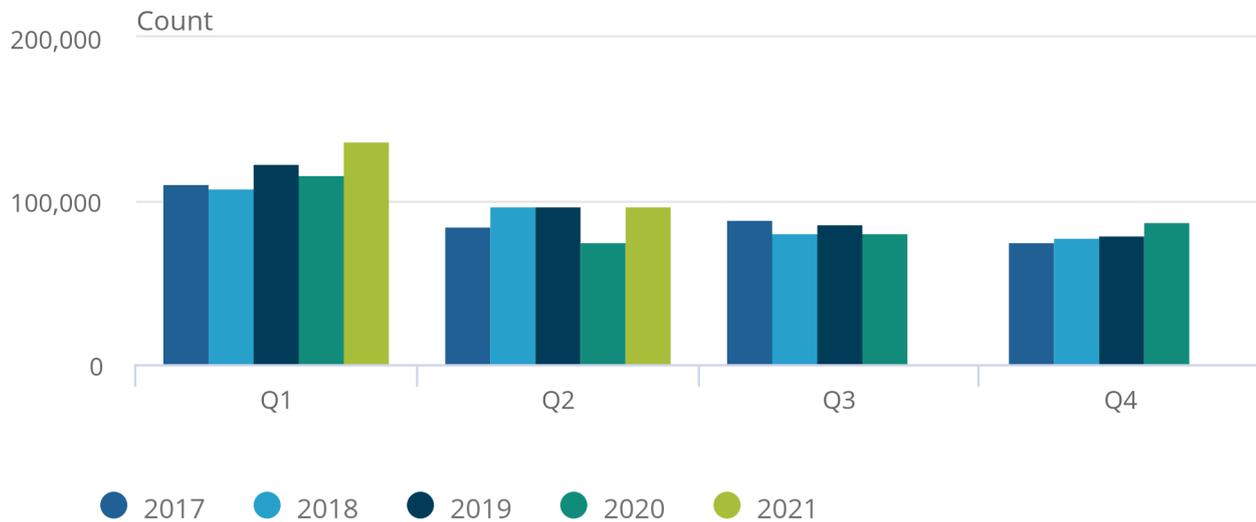
Quarter 2 2020 was the first full quarter of the coronavirus (COVID-19) pandemic, so the number of business creations in the quarter were low. This has influenced the high growth in business creations for Quarter 2 2021 on Quarter 2 2020.

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

Number of businesses added to the IDBR, quarterly, UK, Quarter 1 2017 to Quarter 2 2021

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Number of businesses added to the IDBR, quarterly, UK, Quarter 1 2017 to Quarter 2 2021



Source: Inter-Departmental Business Register (IDBR)

Between 2017 and 2020, the average new business created in Quarter 2 had around 2.9 employees. The average number of employees in Quarter 2 2021 was 14% lower, at 2.5 employees. Businesses which have been created since the pandemic tend to be smaller in terms of employment than those created prior to the pandemic.

## 4 . Revisions

### Revisions as a result of quarterly measurement of creations and closures

The figures have been revised from Quarter 1 (January to March) 2017 because of the replacement of weekly measurement of IDBR business creations and closures with quarterly measurement, about 10 days after the quarter has ended. Quarterly data extractions made shortly after the end of the period have two notable advantages over weekly data extractions:

- IDBR business creations and closures which turn out to be "false" are identified more easily and therefore don't appear in the figures
- industrial classification is better for business creations; PAYE extracts often have many businesses allocated into "not elsewhere classified" industries because of poor knowledge on business activity, so by allowing time for register work to be carried out, a more accurate industrial classification is achieved and shown in the quarterly business demography numbers

## Impact on the figures of the move to quarterly data extractions

During the years 2017 to 2019 there was a small impact to the figures so that both IDBR business creations and closures were smaller than before. There was a larger impact to the figures in 2020; the figures were smaller than before for both IDBR creations and closures. This is because time has elapsed, register processes have taken place, and false IDBR creations and closures have been identified.

Table 1: Revisions to business creations and closures, 2017 to 2020

### Year creations closures

<b>2017</b>	-1,380	-5,185
<b>2018</b>	-2,120	-7,865
<b>2019</b>	-4,735	-16,685
<b>2020</b>	-22,100	-57,335

Source: Inter-Departmental Business Register (IDBR)

There is a far greater impact to the IDBR closures figures. Instances where businesses are closed on the IDBR and then subsequently reinstated occur to a much greater degree than those where businesses are created and removed quickly. By measuring IDBR creations and closures quarterly, a more accurate picture of both creations and closures is seen than that which results from weekly measurement.

## 5 . Business demography, quarterly experimental estimates data

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

Dataset | Released 9th August 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

## 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 if the Office for National Statistics (ONS) is notified that the business has ceased trading through an administrative source. These are referred to as business deaths in our [annual business demography publication](#) and other data.

This should not be confused with temporary business closures because of 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 the ONS business surveys.

## Turnover and employment data

The turnover data on the IDBR is mostly derived from VAT or the ONS business survey records. Employment data on the IDBR is derived from PAYE or the 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 HM Revenue and Customs (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 sources from the ONS are preferred for these purposes. Data points are generally reasonably current for larger businesses, but they are less so for smaller businesses.

## 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). From Quarter 1 (January to March) 2021 data for this release are extracted from the IDBR quarterly figures. Previous to this, data was extracted weekly and allocated to quarters according to the date of the Friday of that week.

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), the 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)
- the 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.

## 8 . 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.

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

Statistical 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](#)

Statistical 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.