

Statistical bulletin

# Business demography, quarterly, UK: July to September 2024

Business creations or births and closures or deaths from the Inter-Departmental Business Register (IDBR) with high-level breakdowns by industry and region. These are official statistics in development.

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# 1. Main points

- The number of businesses added to the Inter-Departmental Business Register (IDBR) (business creations) in the UK in Quarter 3 (July to Sept) 2024 was 3.7% lower than in Quarter 3 2023.
- There was a decrease in creations in 13 out of 16 main industrial groups in Quarter 3 2024 compared with Quarter 3 2023, with the most significant decreases coming from the construction, and transport and storage industries.
- The number of businesses removed from the IDBR (business closures) in the UK in Quarter 3 2024 was 4.2% lower than in Quarter 3 2023.
- There was a decrease in the number of closures in 9 out of 16 main industrial groups in Quarter 3 2024 compared with Quarter 3 2023; the most significant decrease came from the transport and storage industry.

These are official statistics in development and we advise caution when using the data. The quarterly data in this release are generally in line with the annual business demography figures and provide new evidence using new methods. See <u>Section 6: Data sources and quality</u> for information on the methods used.

# 2. Business creations

Business creations are new enterprise entries in the Inter-Departmental Business Register (IDBR). These are referred to as business births in our <u>annual Business demography</u>, <u>UK bulletins</u> and other data. For more information, see <u>Section 6: Data sources and quality</u> and <u>Section 5: Glossary</u>, in this bulletin.

The number of business creations in the UK in Quarter 3 (July to Sept) 2024 was 75,405. This figure is 3.7% lower than the number of business creations in Quarter 3 2023.

The number of business creations decreased in 13 out of 16 main industrial groups during this quarter, compared with Quarter 3 2023. The most significant decreases were in construction (down 10.5%) and transport and storage (down 14.3%).

#### Figure 1: Business creations in Quarter 3 2024 were 3.7% lower than in Quarter 3 2023

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) 2024

## Figure 1: Business creations in Quarter 3 2024 were 3.7% lower than in Quarter 3 2023

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) 2024



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

## 3. 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 if the Office for National Statistics (ONS) is notified that the business has ceased trading through an administrative or survey source.

The number of business closures in the UK in Quarter 3 (July to Sept) 2024 was 65,180.

This is 4.2% lower than in Quarter 3 2023, with 9 out of 16 main industrial groups showing a decrease in closures. The most significant decrease in closures came in the transport and storage industry (down 22.3%). Within transport and storage, unlicensed carriers showed the most significant fall.

#### Figure 2: Business closures were lower in Quarter 3 2024 than in Quarter 3 2023

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) 2024

## Figure 2: Business closures were lower in Quarter 3 2024 than in Quarter 3 2023

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) 2024



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

## 4 . Data on business demography

#### Business demography, quarterly, UK

Dataset | Released 25 October 2024

Business births and deaths from the Inter-Departmental Business Register with high-level breakdowns by industry and region. These are official statistics in development.

Business demography, quarterly, low-level geographic breakdown, UK

Dataset | Released 25 October 2024

Business creations and closures from the Inter-Departmental Business Register, a low-level geographic breakdown for the UK, quarterly data. These are official statistics in development.

# 5. Glossary

#### **Business**

For this release, the term "business" is used to represent an enterprise. An enterprise is an organisational unit producing goods or services, that has a certain degree of autonomy in decision making.

#### **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 Value Added Tax (VAT) or Pay As You Earn (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 that the business has ceased trading. These are referred to as business deaths in ourannual Business demography, UK bulletinsand other data.

#### The Inter-Departmental Business Register

A database of all businesses in the UK registered for Value Added Tax (VAT) or Pay As You Earn (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.

## 6. Data sources and quality

## Official statistics in development

Quarterly data in this release are not entirely consistent with the annual business demography bulletin, which is a more accurate reflection of business births and deaths.

Until September 2023, <u>official statistics in development</u> were called "experimental statistics". Further information can be found on the <u>Office for Statistics Regulation website</u>.

Official statistics in development are official statistics that are in the testing phase and are not yet fully developed. Users should be aware that official statistics in development will potentially have a greater degree of uncertainty.

Previously, this release was called <u>Business demography</u>, <u>quarterly experimental statistics</u>, <u>UK</u>. The release is now called Business demography, quarterly, UK.

Please note that in this bulletin, we have used the term "most significant" to mean changes that have been identified by weighting percentage movements of business creations and closures by the absolute difference in the change, and ordering them by industry.

Since our <u>Quarter 4 (Oct to Dec) 2022 edition of this bulletin</u>, businesses that do not have either VAT or PAYE, but do have a live company number, have been removed from the figures. They have been removed because they can misrepresent business creation and closure figures.

We create these enterprises on the IDBR to monitor them, usually because they help to give us a clearer understanding of the enterprise group. Often, these businesses do not have employment or turnover figures, but have some role in the enterprise group (for example, they might be the parent of the enterprise group). Most of our business surveys exclude these cases, and they are now also excluded from both our annual and quarterly business demography results.

For this release, we have taken on revisions to births figures from Quarter 1 (Jan to Mar) 2023, to account for VAT group births from the main administrative source, which had previously been omitted. The total number of births added is around 2,400. We have allocated the births over the seven quarters from Quarter 1 2023 to Quarter 3 (July to Sept) 2024 (the most recent quarter).

#### Turnover and employment data

The turnover data on the Inter-Departmental Business Register (IDBR) are mostly derived from Value Added Tax (VAT) or the Office for National Statistics (ONS) business survey records. Employment data on the IDBR are derived from Pay as you Earn (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 this is 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 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 should be used for this. Data points are generally current for larger businesses, but less current for smaller businesses.

#### Additional geographical breakdowns

From our Quarter 4 (Oct to Dec) 2021 bulletin, additional geographical breakdowns of business creations and closures have been made available to meet user needs. An "unspecified" geography category has also been introduced to deal with the distorting effect of multiple registrations at the same site. These apply where there are over 250 creations or closures at the same postcode.

Any creations or closures that happen at one of these postcodes are taken out of their geography and placed into the "unspecified" category. These cases still count towards the UK totals. The figures are provided in the data workbook, published as part of this statistical release.

## Time of recording

Business creations and closures in these data are based on the date on which the action occurs on the IDBR. Data for this release are extracted from the IDBR quarterly.

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 because 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 HMRC, the ONS business surveys, or Companies House indicates it is no longer active. The ONS proves deaths by contacting businesses if necessary.

### Frequency of data

The IDBR is updated from four main sources:

- VAT
- PAYE
- ONS business surveys
- Companies House

The updates occur in various frequencies from daily to annual. A shorter time-period analysis of business creations and closures would be very volatile because the PAYE update is quarterly. 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 <u>annual Business demography</u>. <u>UK bulletins</u> 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 timelier indicator of business creations and closures to support understanding of the impact of the coronavirus (COVID-19) pandemic on the UK economy. However, these data will not be entirely consistent with our annual bulletin, and that remains the more accurate measure of business demography.

Comparison with the deaths figures produced for our 2021 annual demography figures, published on 17 November 2022, showed that the quarterly figures were overestimating deaths because of reactivations. Reactivations arise as later information on business turnover or employment is received.

From our <u>Quarter 4 2022 Business demography bulletin</u>, we have introduced a method to take account of reactivations in business deaths. A similar, but smaller, issue occurs with births, when false births are removed by later IDBR processes. Using revised datasets taken a year after the original data were extracted from the IDBR, we have calculated an average reduction percentage to create more accurate early estimates. For this release we have applied a 10.9% reduction to business closures and a 2.6% reduction to business creations for Quarter 4 2023 to Quarter 3 to 2024.

It is standard practice to revise the births and deaths figures from the same quarter a year ago, recalculate the adjustments for false births and for reactivated deaths, and make revisions from that quarter onwards.

More detail about the IDBR and our annual official statistics on business demography is available in our <u>Business</u> demography Quality and Methodology Information (QMI).

# 7. Related links

#### Business demography UK: 2022

Bulletin | Released 22 November 2023 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 24 October 2024

The impact of challenges facing the economy and other events on UK businesses. Based on responses from the voluntary fortnightly business survey (BICS) to deliver real-time information to help assess issues affecting UK businesses and economy, including financial performance, workforce, trade, and business resilience.

Multiple business registrations at a single postcode, UK: 2022

Methodology | Last revised 22 November 2023 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 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 since 1999 to 2019 for the UK.

# 8. Cite this statistical bulletin

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