

Statistical bulletin

# Business Demography, UK: 2012

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



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Release date:  
27 November 2013

Next release:  
27 November 2014

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# 1 . **Headline figures**

- The number of business births increased by 8,000 (3.1%) between 2011 and 2012
- The number of business deaths increased by 25,000 (11.0%) between 2011 and 2012
- In 2012 the births of new businesses (270,000) was greater than business deaths (255,000)
- The move towards economic recovery has seen birth rates being higher than death rates from 2011, but the gap has narrowed in 2012
- London had the highest business birth rate at 14.8% and the highest death rate at 11.7%. Apart from London the number of birth and deaths by region were similar
- In broad industry terms, accommodation and food services had the highest death rate, at 13.3%

## 2 . **Summary**

Business Demography mainly focuses on changes in the registered business population. Data are produced on births, deaths and survival of businesses. Business births and deaths are presented by industry and geography. In addition, a series on business survival is also presented, with 1 to 5 year survival rates by industry and geography.

In 2012 there were 270,000 business births i.e. new registrations, in the UK, a birth rate of 11.4%. This was compared with 261,000 births in 2011, a birth rate of 11.2%. In 2012 there was also a 3.1 % increase in the number of business births. The number of business births was the highest since 2007 (when there were 281,000 births).

Provisionally for 2012 there were 255,000 business deaths i.e. business de-registrations, a death rate of 10.7%. This compares with 230,000 business deaths in 2011 and a death rate of 9.8 %. In 2012 there was an 11.0% increase in the number of business deaths.

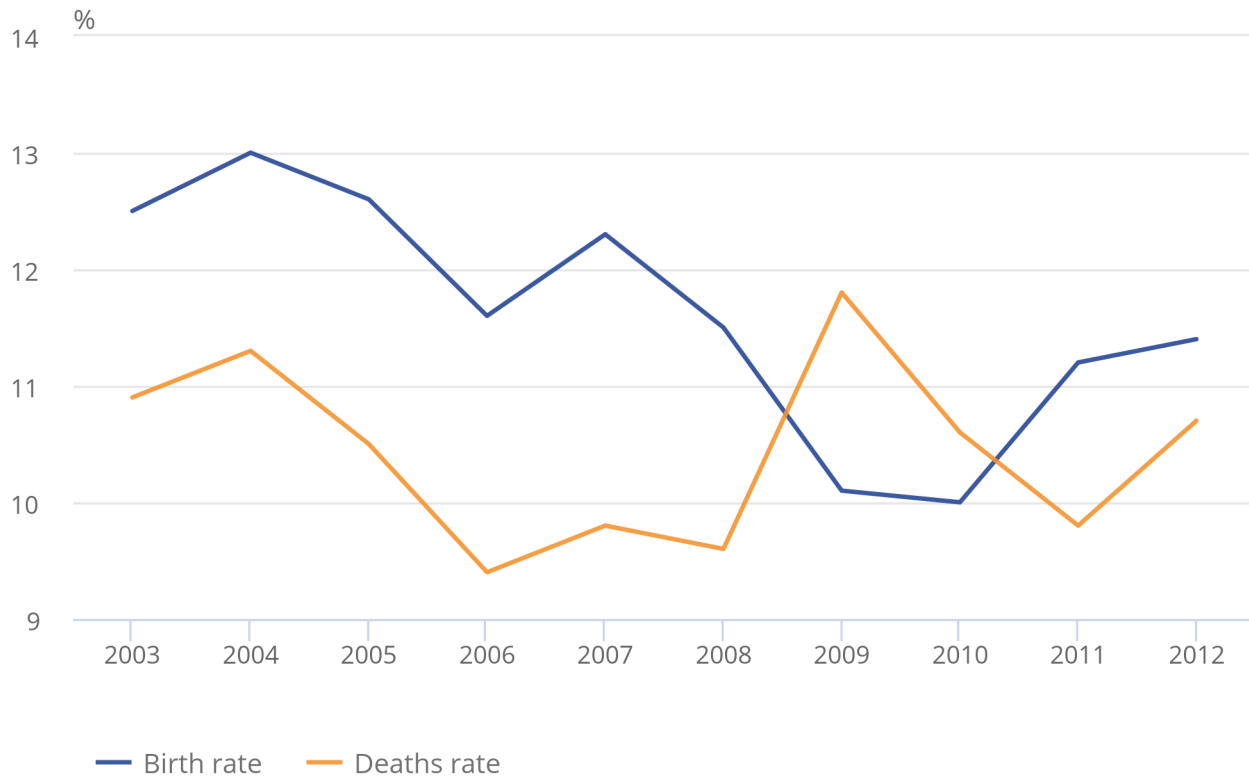
## 3 . **Business births and deaths, 2003 - 2012**

Figure 1 shows that in recent years the rate of business births per year has usually been higher than the rate of business deaths. This was the case leading up to the 2007 global financial market shock and subsequent economic downturn in 2008/09. GDP grew by 3.4% in 2007, before falling by 0.8% in 2008 and by 5.2% in 2009. The rate of business births fell in 2008 and 2009 as economic conditions deteriorated. This is likely to reflect uncertainty around the economic outlook at that time and constrained access to finance as the financial sector adjusted to the global shock.

The death rate of businesses in the UK fell in 2008 before increasing sharply in 2009, rising above the birth rate. One factor behind this could be that a number of businesses continued to trade in the expectation that economic growth would resume quickly and benefiting from lower interest rates during this period. However, GDP growth did not return until 2010, by which time some of those businesses had ceased trading.

The rate of business births once again became higher than the rate of business deaths from 2011. GDP grew by 1.2% in 2011 and by 0.1% in 2012, with positive quarterly growth in four of the eight quarters of these years. While GDP growth resumed, the economic outlook remained unusually uncertain, with output moving between expansion and contraction. The rising rate of business births and the falling rate of business deaths may reflect the economy's emergence from the downturn, and the usual trend between 2003 and 2007 re-asserting itself. While the rate of business deaths increased in 2012, it remained below the rate in 2004.

## Business birth and death rates, 2003 - 2012



Source: Office for National Statistics

There were approximately 2.37 million active businesses in the UK during 2012, an increase of 30,000 on 2011. Estimates for 2012 are available in greater geographical and industrial detail from the [tables \(1.88 Mb Excel sheet\)](#) published on the Office for National Statistics website.

**Table 1: Business birth and death rates 2003 -2012**

Counts given to the nearest thousand

	Active (000s)	Births (000s)		Deaths (000s)	
		Count	Rate (%)	Count	Rate (%)
2003	2,136	267	12.5	232	10.9
2004	2,159	280	13.0	244	11.3
2005	2,183	275	12.6	228	10.5
2006	2,207	256	11.6	207	9.4
2007	2,280	281	12.3	224	9.8
2008	2,326	267	11.5	223	9.6
2009	2,342	236	10.1	277	11.8
2010	2,351	235	10.0	249	10.6
2011	2,343	261	11.2	230	9.8
2012	2,373	270	11.4	255	10.7

Source: Office for National Statistics

## 4 . Business births and deaths by broad industry group

In 2012 the highest rate of business births occurred in business administration and support with 15.0%. This was followed by professional, scientific & technical with a birth rate of 14.4% and information & communication with a birth rate of 13.7%. In terms of the overall number of births, professional, scientific & technical created the highest number of businesses at 61,000. Within professional, scientific and technical the largest contributing industry was management consultancy, with 21,000 births and 16,000 deaths.

The highest business death rate, at 13.3%, was in accommodation and food services. This was followed by business administration and support services at 13.1%. In terms of the overall number of deaths, professional, scientific & technical had the highest at 44,000 followed by construction at 37,000 and business administration and support services at 26,000.

**Table 2: 2012 Birth and death rates by broad industry group**

Counts given to the nearest thousand

	Active (000s)		Births (000s)		Deaths (000s)	
	Count	Rate (%)	Count	Rate (%)	Count	Rate (%)
Production	154	9.2	14	9.2	13	8.5
Construction	308	9.5	29	9.5	37	11.9
Motor trades	77	8.3	6	8.3	7	8.8
Wholesale	116	8.5	10	8.5	11	9.4
Retail	218	10.5	23	10.5	24	10.8
Transport & storage (inc. postal)	79	11.0	9	11.0	9	11.5
Accommodation & food services	163	12.5	20	12.5	22	13.3
Information & communication	187	13.7	26	13.7	20	10.6
Finance & insurance	36	12.3	4	12.3	4	10.4
Property	91	10.1	9	10.1	8	8.8
Professional; scientific & technical	425	14.4	61	14.4	44	10.4
Business administration and support services	201	15.0	30	15.0	26	13.1
Education	36	9.5	3	9.5	4	9.8
Health	100	8.7	9	8.7	9	8.6
Arts; entertainment; recreation and other services	182	8.3	15	8.3	19	10.5
<b>Total</b>	<b>2,373</b>	<b>11.4</b>	<b>270</b>	<b>11.4</b>	<b>255</b>	<b>10.7</b>

Source: Office for National Statistics

Note:

1. The deaths counts provided in this table are provisional. For more details please refer to the background notes

## 5 . Business births and deaths by UK region

Within the regions, London had the highest business birth rate at 14.8% followed by the North East (11.4%) and North West (11.4%). The region with the highest business death rate was London at 11.7%, followed by the North West region at 11.4%. Northern Ireland had the lowest birth and death rates at 7.0% and 9.4% respectively. The highest number of births and deaths were seen in London, at 65,000 and 52,000 respectively.

London was the region with the biggest business churn rate (highest number of births and deaths) whereas Northern Ireland traditionally has a much more stable business population.

Apart from London, the balance between births and deaths were fairly similar. In terms of birth and death rates, Northern Ireland also had a large difference in rates.

**Table 3: 2012 birth and death rates by region**

Counts given to the nearest thousand

	Active (000s)	Births (000s)		Deaths (000s)	
		Count	Rate (%)	Count	Rate (%)
North East	64	7	11.4	7	11.1
North West	232	27	11.4	26	11.4
Yorkshire and The Humber	166	18	10.8	18	11
East Midlands	156	17	10.6	16	10.4
West Midlands	187	20	10.5	20	10.6
East	239	25	10.6	24	10.3
London	439	65	14.8	52	11.7
South East	381	41	10.8	39	10.3
South West	206	20	9.8	21	10
Wales	88	8	9.4	9	10.2
Scotland	158	17	11	17	10.6
Northern Ireland	56	4	7	5	9.4
Total	2,373	270	11.4	255	10.7

Source: Office for National Statistics

Note:

1. The death counts reported in this table are provisional. For more details please refer to the background notes

## 6 . Business survivals

The UK five-year survival rate for businesses born in 2007 and still active in 2012 was 44.6%. By region, the highest five-year survival rate was in the South West region at 48.1%, while the lowest was in London at 41.7% which mirrors the churn rate seen in the business birth and death data. By broad industry, some notably high five-year survival rates include health with a survival rate of 56.1% and education with a survival rate of 54.5%. Hotels & catering was the lowest with only 37.0% of businesses surviving for five years. There has been an increase in one - year survivals from 2011 births, compared with 2008-2010 births, which reflects improving economic conditions.

Survival rates are available from one-year to five-year in greater geographical and industrial detail via the [tables \(1.88 Mb Excel sheet\)](#) published on the Office for National Statistics website.

**Table 4: Survival rates of businesses born between 2007 and 2011**

	Rate (%)				
	Births 2007	Births 2008	Births 2009	Births 2010	Births 2011
One year survival	95.4	92	90.8	86.7	93.1
Two year survival	81.1	74	73.8	72.5	..
Three year survival	63	58	59.6	..	..
Four year survival	52	48.9	..	..	..
Five year survival	44.6	..	..	..	..

Source: Office for National Statistics

Note:

1. .. Data not available

## 7. Background notes

### 1. Demography data source

To support this release a set of [reference tables \(1.88 Mb Excel sheet\)](#) in greater geographical and industrial detail have been produced and are available.

2. Estimates presented in this release and the associated published tables are rounded to prevent disclosure. Differences may exist in totals across tables due to disclosure methods used.
3. This release is produced from an extract taken from the Inter-Departmental Business Register (IDBR) recording the position of units as at November of the reference year, and excludes central government and local authorities. The data is produced using the guidelines found in the [Eurostat/OECD manual](#) on Business Demography.
4. There are two key differences between this release and the statistics produced by Eurostat. Firstly, in this release an adjustment has been made to the deaths data to allow for reactivations, which enables more accurate estimates to be published. Secondly, managed-service companies are excluded from this release, but included in the data supplied to Eurostat. These differences are explained more fully below.
5. Although the statistics in this release are derived from the IDBR, the total stock of active businesses is greater than the UK Business: Activity, Size and Location publication. This is mainly because the definition of an active business is based on activity at any point in the year, whereas UK Business: Activity, Size and Location is based on an annual snapshot at a point in time.
6. More information about how this release relates to other business population statistics and guidance on how to use each product can be on the [ONS website](#).
7. In order to publish estimates within a year of the reference period, ONS has made an adjustment to the deaths figures in this release to allow for reactivations. Reactivations occur due to lags in the administrative sources (VAT/PAYE), which mean it is possible that a business that is continuing to trade can appear to cease on the IDBR. If an old VAT scheme is de-registered and there is a delay in the creation and/or matching of the new VAT scheme it can leave the enterprise without a live administrative source resulting in it being automatically flagged as a death. Additionally, VAT based units where turnover drops to zero are automatically made dead on IDBR, but will rebirth if turnover is then reported in a later period. These units will appear to move from the active stock into the death counts then come live again as births. In order to prevent distortion in these figures, those businesses that 'reactivate' on the register within two years of death are treated as if they have continued to trade throughout the period.
8. ONS has departed from the Eurostat/OECD manual at this point. The manual recommends waiting for two years after the reference period to allow for reactivations before deaths are calculated. Instead, ONS has

estimated the number of reactivations. 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. The table below shows the adjustments made to the death data for reactivations.

**Table 5: Adjustment made to deaths figures to account for reactivation of businesses**

	Counts given to the nearest thousand						
	First Estimate			Second estimate			Final estimate
	Unadjusted	Estimated reactivations	Adjusted	Unadjusted	Estimated reactivations	Adjusted	
2010	315	18	297	253	3	250	249
2011	244	14	230	233	3	230	:
2012	271	17	255	:	:	:	:

Source: Office for National Statistics

Notes:

1. This symbol : represents not applicable

- Managed service companies have been excluded from this release, but are included in the statistics published by Eurostat for Business Demography. ONS excludes these companies from all outputs because they are registered at the address of a service company provider, and therefore distort the geographical location and industry of the businesses as well as business demography changes. The table below shows the number of managed service companies excluded in each year.

**Table 6: Number of managed service companies excluded from business demography, UK**

	Counts given to the nearest thousand		
	Active	Births	Deaths
2005	73	24	8
2006	95	28	12
2007	133	51	33
2008	135	37	54
2009	79	3	47
2010	29	2	12
2011	20	2	5
2012	15	1	3

Source: Office for National Statistics

- Revisions: The latest two years' estimates on births, deaths and survivals are subject to revision. Revisions would normally be made in the following year's publication.
- National Statistics are produced to high professional standards set out in the Code of Practice for Official Statistics. They undergo regular quality assurance reviews to ensure they meet customer needs. They are produced free from any political interference.
- A list of the people given pre-release access to the statistics and written commentary is available in [Pre-release Access List: Business Demography, 2012](#). The rules and principles which govern pre-release access are featured within the [Pre-release Access to Official Statistics Order 2008](#).



13. Details of the policy governing the release of new data are available by visiting [www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html](http://www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html) or from the Media Relations Office email: [media.relations@ons.gov.uk](mailto:media.relations@ons.gov.uk)