BUSINESSES IN GATESHEAD 2008

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KEY MESSAGES

Businesses (VAT/PAYE Registered Enterprises) in Gateshead

The new Business Demographics (BD) series, reported here, is more comprehensive than the old VAT series which it replaces; in Gateshead, it records at least a fifth more enterprises than the VAT series.

During 2008 the UK entered recession (in Q3) and Gateshead appears particularly affected; between 2007 and 2008, business numbers in Gateshead grew very slowly, by just ten (+0.2%), underperforming the NE region (+2.2%) and the UK (+2.0%) (Figure 5). Only three (but large) industries suffered a net loss; “Property and Business Services” (-65), “Hotels and Catering” (-30) and “Wholesale, Retail and Motor Trade” (-5) (Table 7.5).

Over the longer time period (2002 to 2008), business numbers in Gateshead rose by 18%, outperforming the North East (+16%) and the UK (11%).

Enterprise births in Gateshead peaked in 2007 (755 births); enterprise deaths peaked in 2003 (540 deaths).

Gateshead’s ‘New Business Registration Rate’ (National Indicator 171) was 39.2 per 10,000 adults in 2008 (UK, 54.2). This was the second-highest in Tyne and Wear. (§ 5.1)

Gateshead’s percentage of small businesses showing employment growth (NI 172) was 15.8% in 2007-08 (Great Britain, 14.4%). Gateshead consistently outperforms the national average on this measure.

Gateshead’s stock-based birth rate is usually higher (better) than the UK and its stock-based death rate is usually lower (better) than the UK; in 2008 Gateshead’s death rate was marginally worse (9.7%, UK 9.4%). (§ 6)

In 2008, the “Wholesale, Retail and Motor Trade” accounted for just over a fifth of active enterprises in Gateshead (UK 18.0%). The business share was also high for “Construction” (15.2%) and “Professional Scientific and Technical Activities” (13.2%). (Table 7.3)

Over the period 2003-2008:

- Two-fifths of business births in Gateshead were in “Property and Business Services”; this industry accounted for just under a third of business deaths.
- Four industries experienced a net loss in numbers; “Wholesale, retail and motor trades”, “Manufacturing”, “Other Services” and “Education”.

Businesses by Industry (2-digits from the Inter-Departmental Business Register, 2009)

The “Retail Trade” accounted for 10.9% of enterprises in Gateshead, closely followed by “Specialised Construction Activities” (9.2%). The national (England) rankings were the same, however the proportions were higher in Gateshead. (Tables 8.1 and 8.2)

INTRODUCTION

Businesses are crucial to the economic, and hence social, health of Tyne and Wear (TW). Businesses are now expected, by government, to provide the employment growth to offset the retrenchment in the public sector to 2015. The business base in TW is about two-fifths smaller than in the UK (compared with population); this is the weakest key economic indicator which TW has relative to the UK.

On the positive side, the business base has grown strongly in TW, faster than the UK each year from 2002 to 2007 (growing 15% from 2002-08). It is likely, however, that this performance was under-pinned by the public sector expansion in TW; this expanded employment faster than the UK at least up to 2003, and thus boosted consumer demand in the local economy. Indeed, at last, private sector employment growth contributed the majority of overall employment growth after 2003, at least up to 2007.

The size of the business base is partly a reflection of population – and the growth of the business base is partly a reflection of population growth. The vast majority of businesses are small, employing fewer than five people – and therefore largely serve local markets. Population growth helps small businesses; thus, for example, this has helped North Tyneside to achieve the fastest growth of its business base (20% over the years 2002-08). More broadly, TW's population growth in the 2000s has helped to underpin business growth.

This series of reports for 2008 seeks to outline the position in each District and the City Region (from 2003-08).

What is new?

The reports seek to show the initial impact of the recession (at least up to 2008); TW business numbers still grew by 1.3%.

For the first time, business numbers by industry (down to 2-digit SIC) are presented. This enables some insight into the composition of businesses, particularly in the crucial business services sector.

Use of the new wider BD dataset of businesses, which goes beyond the VAT series to include firms which are PAYE-only. This has expanded the coverage in TW by about a fifth to 25,800.

This report provides estimates of the number of business start-ups and closures in Gateshead and compares the Gateshead situation to Tyne and Wear (TW), the North East and the UK. The report uses data published by the Office for National Statistics (ONS) on business births, deaths and survivals. The report also includes more detailed breakdowns by industry; these were obtained from ONS by special request. The ONS business demography series has now replaced the Department for Business, Innovation and Skills (BIS) VAT registrations and de-registrations series. Additional technical details are included in Appendix 1 and a summary of the key methodological differences between the two series is included in Appendix 2.

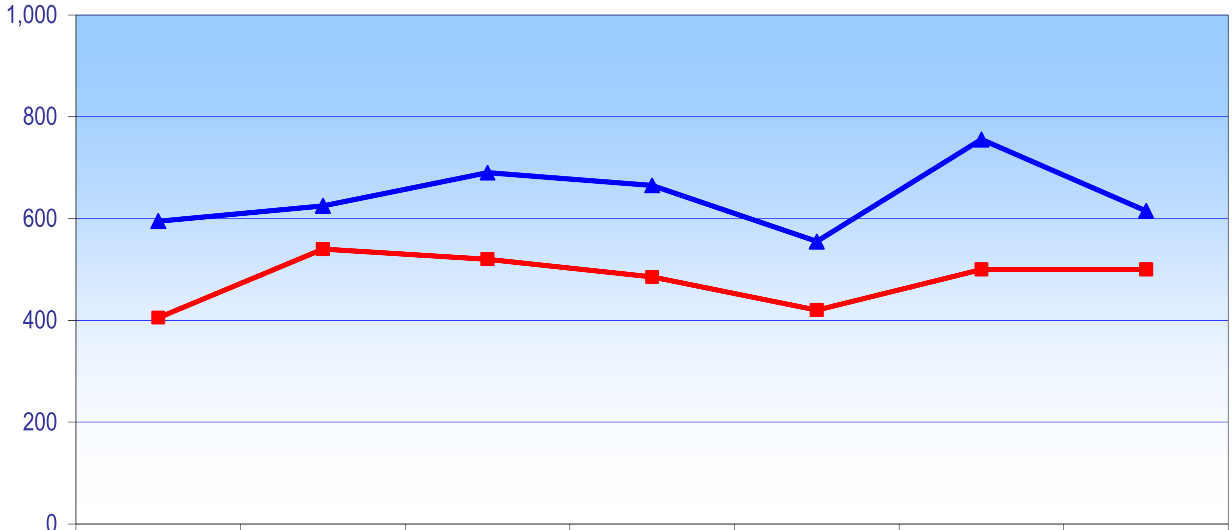
This report covers mainly stock of businesses, births and deaths in 2008 and changes in these over various timescales. The main focus of this paper is on levels in 2008, with levels in previous years being used as time-series comparators.

1 Enterprise Births and Deaths

1.1 Enterprise Births

The number of enterprise births peaked in 2007 (Fig 1). In recent years the low-point occurred in 2006.

Fig 1 Enterprise Births and Deaths in Gateshead



	2002	2003	2004	2005	2006	2007	2008
Births	595	625	690	665	555	755	615
Deaths	405	540	520	485	420	500	500

Source: ONS, Business Demographics

1.2 Enterprise Deaths

The number of enterprise deaths was at a low-point in 2002. Enterprise deaths peaked in 2003.

Note: Deaths data for 2007 and 2008 is provisional.

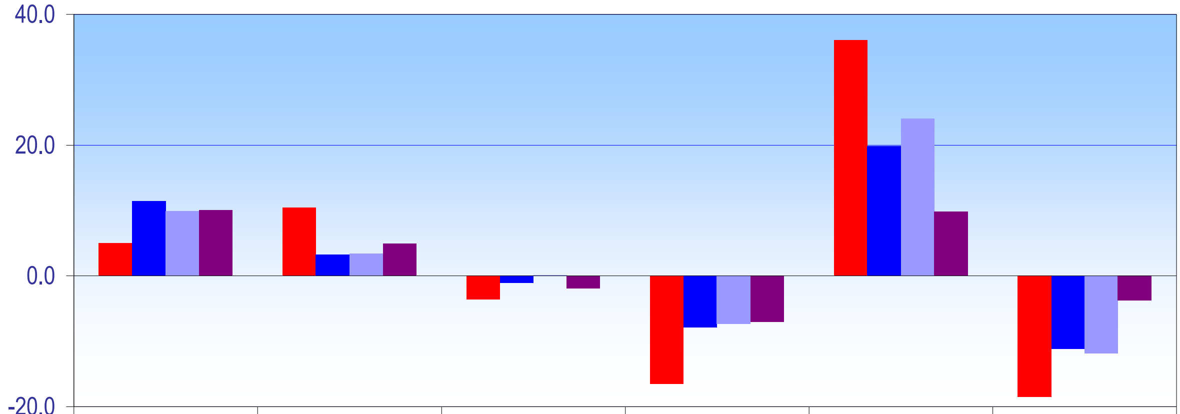
Caution: ONS rounds data to prevent disclosure. Differences may exist in totals across tables due to disclosure methods used. Percentage changes of low numbers should be interpreted with care e.g. a reported rise from 5 to 10 (‘100%’) could actually be from 7 to 8 (up 14%).

2 Annual Percentage Change in Enterprise Births

Compared to 2007, for enterprise births, there was a much larger percentage fall in Gateshead (-18.5%) than in the UK (Fig 2). However, between 2006 and 2007, Gateshead performed strongly compared to the county, the region and the UK.

Fig 2 Annual Percentage Change in Enterprise Births

Gateshead, TW, North East and UK



	2002 to 2003	2003 to 2004	2004 to 2005	2005 to 2006	2006 to 2007	2007 to 2008
Gateshead	5.0	10.4	-3.6	-16.5	36.0	-18.5
Tyne and Wear	11.4	3.3	-1.1	-7.9	19.9	-11.2
North East	10.0	3.4	0.1	-7.4	24.0	-11.8
UK	10.1	4.9	-1.9	-7.0	9.9	-3.7

Source: ONS, Business Demographics

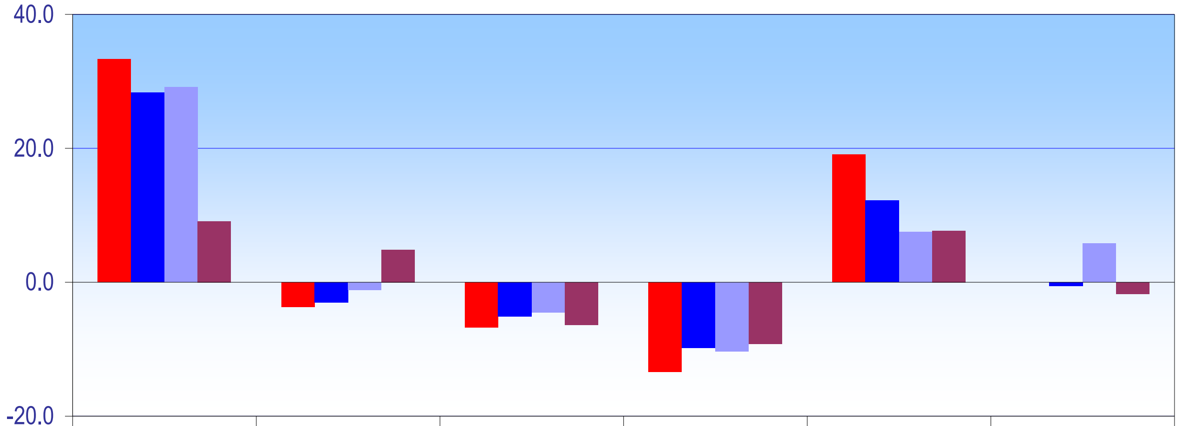
In 2008, Gateshead accounted for 19.3% of enterprise births in Tyne and Wear, 7.9% in the North East and 0.23% in the UK.

3 Annual Percentage Change in Enterprise Deaths

Compared to 2006, the percentage rise in enterprise deaths in Gateshead in 2007 was much larger than in both the North East and the UK (Fig 3). The latest provisional data (2008) suggest the situation was stable in Gateshead and improving slightly in Tyne and Wear and in the UK. However, enterprise deaths rose in the North East.

Fig 3 Annual Percentage Change in Enterprise Deaths

Gateshead, TW, North East and UK



	2002 to 2003	2003 to 2004	2004 to 2005	2005 to 2006	2006 to 2007	2007 to 2008
Gateshead	33.3	-3.7	-6.7	-13.4	19.0	0.0
Tyne and Wear	28.3	-3.0	-5.1	-9.9	12.2	-0.6
North East	29.1	-1.2	-4.5	-10.4	7.6	5.8
UK	9.1	4.9	-6.3	-9.2	7.7	-1.8

Source: ONS, Business Demographics

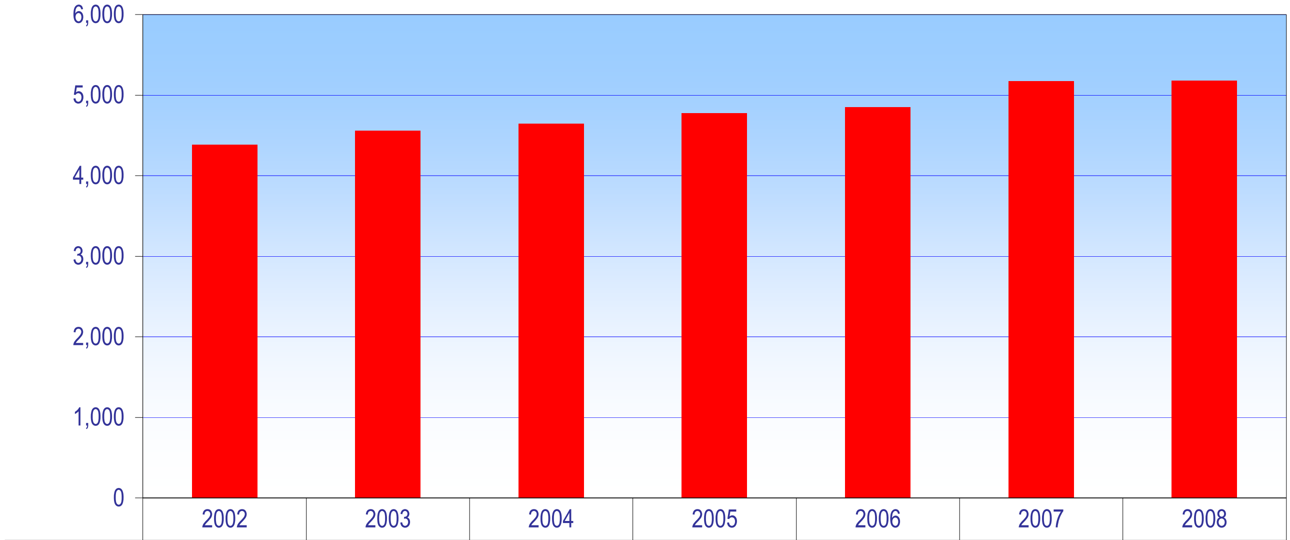
In 2008, Gateshead accounted for 19.2% of enterprise deaths in Tyne and Wear, 8.0% in the North East and 0.23% in the UK.

4 Active Enterprises (Business Stock) and Net Change

4.1 Active Enterprises

The number of active enterprises grew each year from 2002, normally by over 100pa (Fig 4). In 2008, in recession, this slowed to just ten (provisional).

Fig 4 Active Enterprises in Gateshead
2002 - 2008



	2002	2003	2004	2005	2006	2007	2008
Gateshead	4,380	4,555	4,645	4,775	4,845	5,170	5,180

Source: ONS, Business Demographics

A business is considered part of the stock during a given year if it was active at any point in that year. Consequently changes in the numbers of active enterprises should be treated as indicative estimates rather than as a definite change between two points in time.

In 2008, Gateshead accounted for 20.1% of the active stock in Tyne and Wear, 8.2% in the North East and 0.22% in the UK.

4.2 Net Change 2002-2008

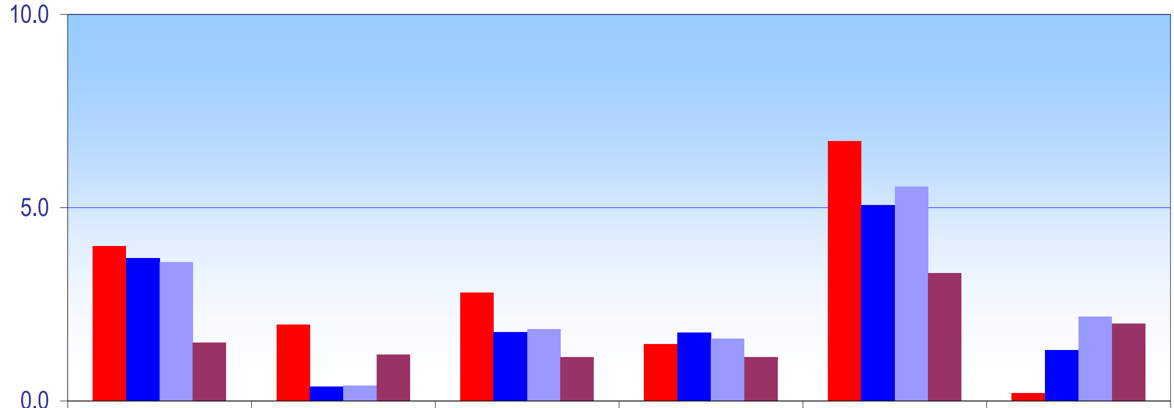
The number of active enterprises in Gateshead was 18% higher in 2008, compared to 2002. This compares favourably to the changes in Tyne and Wear (+15%), the North East (+16%) and the UK (+11%). At 5,180 enterprises, Gateshead's active stock in 2008 was 800 higher than in 2002; numerically this was the largest district-level growth in Tyne and Wear. In Tyne and Wear, Gateshead's percentage growth was exceeded only by North Tyneside (+20%).

4.3 Net Change 2007-2008

There was a modest increase in active enterprises in Gateshead between 2007 and 2008 (+0.2%); in percentage terms it was only a tenth of the UK rise (Fig 5).

Fig 5 Annual Percentage Change in Enterprise Stock

Gateshead, TW, North East and UK



	2002 to 2003	2003 to 2004	2004 to 2005	2005 to 2006	2006 to 2007	2007 to 2008
Gateshead	4.0	2.0	2.8	1.5	6.7	0.2
Tyne and Wear	3.7	0.4	1.8	1.8	5.1	1.3
North East	3.6	0.4	1.8	1.6	5.5	2.2
UK	1.5	1.2	1.1	1.1	3.3	2.0

Source: ONS, Business Demographics

5 NATIONAL INDICATORS

Two national indicators relate to Business Demographics:

- NI171 'New business registration rate' and
- NI172 'Percentage of small businesses in an area showing employment growth'.

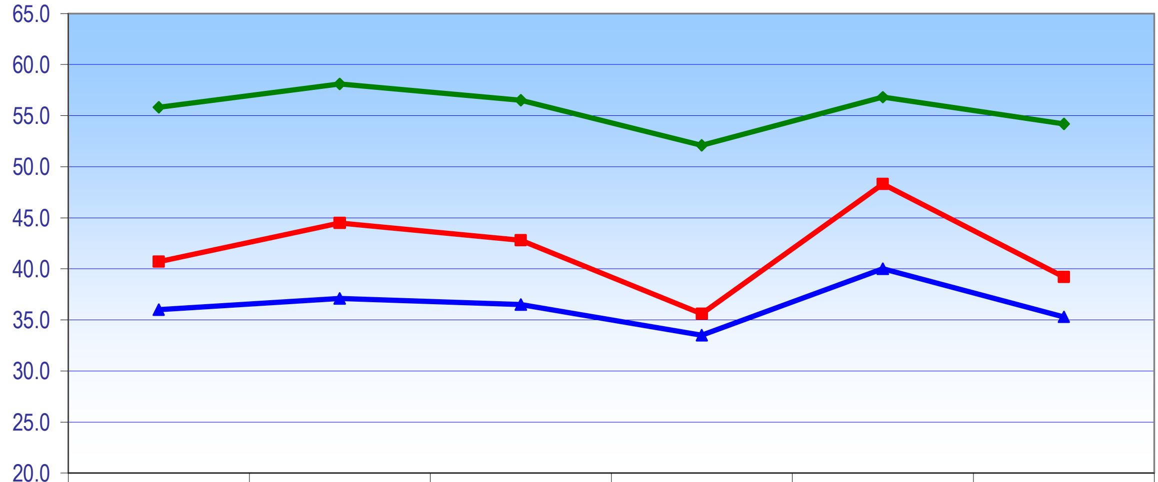
5.1 National Indicator 171 'New business registration rate'

In 2008, Gateshead's new business registration rate was 39.2 per 10,000 adults; this was 28% lower than the UK rate (Fig 6). Gateshead, nevertheless, had the second-highest rate in Tyne and Wear. Newcastle had the highest rate (41.2).

Gateshead's rate peaked strongly in 2007. Between 2007 and 2008, the rate fell by 9.1 points. This was a large fall compared to Tyne and Wear (-4.7 points), the North East (-5.2 points) and, especially, the UK (-2.6 points). Within Tyne and Wear, the fall in Gateshead was only exceeded by Sunderland (-9.5 points).

Fig 6 New Business Registration Rate (NI 171)

(per 10,000 adults)



	2003	2004	2005	2006	2007	2008
United Kingdom	55.8	58.1	56.5	52.1	56.8	54.2
Tyne and Wear	36.0	37.1	36.5	33.5	40.0	35.3
Gateshead	40.7	44.5	42.8	35.6	48.3	39.2

Source: Office for National Statistics

NI 171 is the ratio of (new) business registrations per 10,000 resident population aged 16 and above. New business registrations are a proxy measure for business start ups[1]. The BD stock figures cover just under half (around 2.1m) of the estimated 4.3m. It is not possible to produce local area estimates for this wider business population.[2]

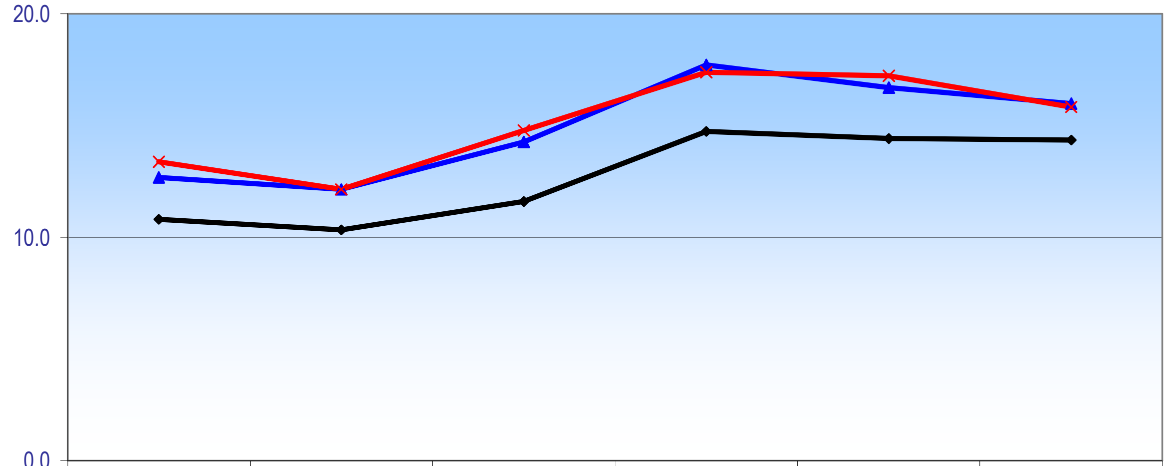
[1] The actual measure is new businesses registering for VAT and PAYE and some smaller businesses reaching the VAT threshold or running a PAYE scheme for the first time.

[2] http://www.communities.gov.uk/documents/localgovernment/pdf/735143.pdf (Communities and Local Government, National Indicators for Local Authorities and Local Authority Partnerships: Handbook of Definitions Annex 4: Local Economy and Environmental Sustainability, accessed 26th February 2010)

5.2 National Indicator 172 'Percentage of small businesses in an area showing employment growth'

The percentage of small businesses showing employment growth within Gateshead is consistently higher than the national (Great Britain) rate (Fig 7).

Fig 7 NI 172 - Percentage of Small Businesses in an Area
Showing Employment Growth



	2002_03	2003_04	2004_05	2005_06	2006_07	2007_08
Great Britain	10.8	10.3	11.6	14.7	14.4	14.4
Tyne and Wear	12.7	12.1	14.3	17.7	16.7	16.0
Gateshead	13.4	12.1	14.8	17.4	17.2	15.8

Source: Office for National Statistics

NI 172 includes those businesses registered for VAT and/or PAYE with fewer than 50 employees (around 98% of all VAT registered enterprises). It measures the proportion of those businesses showing year on year employment growth, where employment is measured as the number of employees (full and part-time) plus the number of self-employed people that run the business.

6 Stock[3]-Based Birth and Death Rates

Gateshead's stock-based business births and deaths (Table 6a) are both usually better than the UK (Table 6c).

Gateshead's birth rate is usually higher (better) than the UK; the exception was 2006 when Gateshead's rate was marginally lower. Gateshead's death rate is usually lower (better) than the UK; recent exceptions were 2003 and 2008.

As an alternative to population-based rates, births and deaths can be divided by the number of active businesses to give stock-based rates. Stock-based rates have two advantages. They give an indication of the "churn" in businesses and they can be used to compare industrial sectors.

Table 6a Births, Deaths and Active Stock in Gateshead

Year	Active Stock	Births	Birth Rate %	Deaths	Death Rate %
2002	4,380	595	13.6	405	9.2
2003	4,555	625	13.7	540	11.9
2004	4,645	690	14.9	520	11.2
2005	4,775	665	13.9	485	10.2
2006	4,845	555	11.5	420	8.7
2007	5,170	755	14.6	500	9.7
2008	5,180	615	11.9	500	9.7

Source: ONS, Business Demographics.

Table 6b Births, Deaths and Active Stock in the North East

Year	Active Stock	Births	Birth Rate %	Deaths	Death Rate %
2002	54,675	6,725	12.3	5,030	9.2
2003	56,640	7,395	13.1	6,495	11.5
2004	56,855	7,645	13.4	6,420	11.3
2005	57,905	7,655	13.2	6,130	10.6
2006	58,835	7,090	12.1	5,495	9.3
2007	62,100	8,795	14.2	5,910	9.5
2008	63,450	7,755	12.2	6,250	9.9

Source: ONS, Business Demographics.

[3] A business is considered part of the stock if it was active at any point during the year. In the VAT series, stock was taken at a point in time.

Table 6c Births, Deaths and Active Stock in the UK

Year	Active Stock	Births	Birth Rate %	Deaths	Death Rate %
2002	2,101,510	242,540	11.5	212,965	10.1
2003	2,133,190	267,000	12.5	232,330	10.9
2004	2,158,555	280,080	13.0	243,615	11.3
2005	2,182,750	274,855	12.6	228,155	10.5
2006	2,207,290	255,530	11.6	207,125	9.4
2007	2,280,215	280,730	12.3	223,060	9.8
2008	2,325,770	270,215	11.6	219,105	9.4

Source: ONS, Business Demographics.

7 Enterprise Births, Deaths and Stock by Broad Industry Group.

This section uses data from the Inter-Departmental Business Register (IDBR) which was obtained by TWRI after the release of the Business Demographics data set. Figures in this section may be slightly different from previous sections due to small amendments and rounding occurring between the two releases.

The latest industrial breakdown, for 2008, is presented using SIC 2007. Time series data, including 2008, are presented using SIC 2003. In both cases the industrial breakdowns are given at the section level. There are 17 sections within SIC 2003 and 21 sections within SIC 2007. TWRI has excluded Agriculture and Public Administration from the data request because the business numbers were so low. The full list of exclusions is given in Appendix 3.[4]

7.1 Enterprise Births

Gateshead's fast growth reflects its success in attracting “Property and Business Services” enterprises (Table 7.1a). Over the period 2003-2008, two-fifths of business births in Gateshead were in this industry.

In 2008 the number of births in “Property and Business Services” dropped by 90 (-25%) compared to the previous year. This may be due to the impact of the "credit crunch", which began in late 2007. Births fell in the majority of industries, including "Hotels and Catering" (-25) and Construction (-15). The number of births rose, marginally, in both "Transport, Post and Telecommunications" and in "Other Services".

[4] On 1 January 2008 a new UK Standard Industrial Classification (SIC) of Economic Activities was introduced. Unfortunately easy overall comparison between the new version (SIC 2007) and its predecessor (SIC 2003) is not possible.

Table 7.1a: Enterprise Births in Gateshead by Industry, 2003-2008

SIC 2003	Industry	2003	2004	2005	2006	2007	2008	Total
C and E	Mining, quarrying, electricity, gas and water supply	0	0	0	5	0	0	5
D	Manufacturing	30	40	35	30	45	40	220
F	Construction	60	90	90	70	90	75	475
G	Wholesale, retail and motor trades	125	110	120	100	105	95	655
H	Hotels and catering	90	85	80	75	80	55	465
I	Transport, post and telecommunications	20	25	25	20	25	30	145
J	Finance	0	10	5	5	5	5	30
K	Property and business services	235	270	250	210	355	265	1,585
M	Education	10	5	5	5	10	5	40
N	Health	15	20	10	10	15	10	80
O	Other Services	40	35	45	30	25	30	205
	Total	625	690	665	560	755	610	3,905

Source: ONS, IDBR.
Note: All figures are rounded to avoid disclosure.

In 2006, birth rates in a majority of industries fell (Table 7.1b). The exceptions were "Finance" and "Education" where rates were unchanged. In 2007, the birth rate for "Other Services" fell while in all other industries they improved or were unchanged. The birth rate for "Other Services" improved in 2008 as did that for "Transport, Post and Telecommunications". Other birth rates fell.

Table 7.1b: Enterprise Birth Rates (%) in Gateshead by Industry, 2003-2008

SIC 2003	Industry	2003	2004	2005	2006	2007	2008
C and E	Mining, quarrying, electricity, gas and water supply	0.0	0.0	0.0	0.0	0.0	0.0
D	Manufacturing	6.1	8.4	7.4	6.5	9.7	8.4
F	Construction	12.8	18.2	16.8	12.4	14.8	11.7
G	Wholesale, retail and motor trades	11.3	10.4	11.1	9.4	9.7	8.8
H	Hotels and catering	20.9	18.5	17.4	16.1	16.7	12.2
I	Transport, post and telecommunications	8.9	11.1	11.1	8.9	11.1	13.3
J	Finance	0.0	18.2	11.1	11.1	11.1	5.9
K	Property and business services	21.4	22.0	18.5	14.9	21.6	16.8
M	Education	14.3	7.7	7.7	7.7	15.4	7.7
N	Health	9.1	11.4	5.6	5.4	7.7	5.0
O	Other Services	10.1	8.6	12.3	8.2	7.0	8.0
	Total	13.9	14.9	13.9	11.6	14.6	11.8

Source: ONS, IDBR.
Note: All figures are rounded to avoid disclosure.
Birth rate is the number of births in a year divided by the active stock throughout the (same) year.

In 2008 the overall stock-based enterprise birth rate in Gateshead was slightly higher (better) than that of the UK and slightly lower than that of the North East. Gateshead outperformed the UK in seven of the fifteen industries shown in Table 7.1c. Note that this uses the new 2007 SIC unlike the time series of rates, above (in Table 7.1b).

Table 7.1c: Enterprise Birth Rates by Industry, Gateshead (Gd), Tyne and Wear (TW), North East (NE) and UK, 2008

SIC 2007	Industry	Active Stock Gateshead	TW	North East	UK	Birth Rate[1] (%) Gd	TW	NE	UK	Difference Gd - UK
B, D and E	Mining, Quarrying and Utilities	25	65	265	8,060	20.0	7.7	13.2	13.8	6.2
C	Manufacturing	440	1,860	4,425	147,475	5.7	8.1	7.5	7.3	-1.6
F	Construction	785	3,615	9,455	337,885	10.8	12.0	12.5	11.7	-0.9
G	Wholesale, Retail and Motor	1,060	5,140	12,500	418,075	9.0	9.5	9.4	9.2	-0.2
H	Transportation and Storage	205	860	2,610	82,965	9.8	8.1	8.8	10.1	-0.3
I	Accommodation and Food Service Activities	450	2,575	6,270	165,750	12.2	14.2	13.2	13.0	-0.8
J	Information and Communication	235	1,290	2,670	169,940	17.0	17.4	15.7	14.6	2.4
K	Financial and Insurance Activities	70	280	630	29,930	7.1	5.4	7.9	12.1	-5.0
L	Real Estate	185	850	1,800	84,780	13.5	13.5	12.8	11.8	1.7
M	Professional, Scientific and Technical Activities	685	3,730	9,250	367,965	18.2	16.8	18.1	14.7	3.6
N	Administrative and Support Services	400	1,945	4,790	206,690	20.0	19.8	17.1	16.2	3.8
P	Education	70	365	905	32,440	7.1	13.7	12.2	9.4	-2.3
Q	Human Health and Social Work	195	1,095	2,665	84,480	7.7	6.4	7.5	7.9	-0.2
R	Arts, Entertainment and Recreation	125	645	1,640	66,660	12.0	7.8	8.5	7.9	4.1
S	Other Services	250	1,490	3,585	122,675	8.0	8.7	9.3	7.6	0.4
	Total	5,180	25,805	63,460	2,325,770	11.9	12.3	12.2	11.6	0.3

Source: ONS, IDBR.
Note: All figures are rounded to avoid disclosure.
1 Birth rate is the number of births in a year divided by the active stock throughout the year.
The active stock is shown to highlight those Gateshead rates that are based on relatively low stock.

7.2 Enterprise Deaths

Over the period 2003-2008, just under a third of business deaths in Gateshead were in Property and Business Service and a fifth were in Wholesale, Retail and Motor Trades (Table 7.2a).

Table 7.2a: Enterprise Deaths in Gateshead by Industry, 2003-2008

SIC 2003	Industry	2003	2004	2005	2006	2007	2008	Total
C and E	Mining, quarrying, electricity, gas and water supply	0	0	0	0	0	0	0
D	Manufacturing	45	40	35	40	25	25	210
F	Construction	55	50	50	50	50	50	305
G	Wholesale, retail and motor trades	110	105	105	75	90	95	580
H	Hotels and catering	90	80	70	60	80	65	445
I	Transport, post and telecommunications	20	35	20	25	35	30	165
J	Finance	5	5	5	5	5	5	30
K	Property and business services	130	165	150	125	170	185	925
M	Education	5	0	10	5	5	5	30
N	Health	10	10	15	5	10	10	60
O	Other Services	15	30	25	30	30	30	160
	Total	485	520	485	420	500	500	2,910

Source: ONS, IDBR.
Note: All figures are rounded to avoid disclosure.

Table 7.2b: Enterprise Death Rates (%) in Gateshead by Industry, 2003-2008

SIC 2003	Industry	2003	2004	2005	2006	2007	2008
C and E	Mining, quarrying, electricity, gas and water supply	0.0	0.0	0.0	0.0	0.0	0.0
D	Manufacturing	9.1	8.4	7.4	8.7	5.4	5.3
F	Construction	11.7	10.1	9.3	8.8	8.2	7.8
G	Wholesale, retail and motor trades	9.9	9.9	9.7	7.0	8.3	8.8
H	Hotels and catering	20.9	17.4	15.2	12.9	16.7	14.4
I	Transport, post and telecommunications	8.9	15.6	8.9	11.1	15.6	13.3
J	Finance	14.3	9.1	11.1	11.1	11.1	5.9
K	Property and business services	11.8	13.4	11.1	8.9	10.3	11.7
M	Education	7.1	0.0	15.4	7.7	7.7	7.7
N	Health	6.1	5.7	8.3	2.7	5.1	5.0
O	Other Services	3.8	7.4	6.8	8.2	8.5	8.0
	Total	10.8	11.2	10.2	8.7	9.7	9.7

Source: ONS, IDBR.
Note: All figures are rounded to avoid disclosure.
Death rate is the number of deaths in a year divided by the active stock throughout the (same) year.

In 2008 the overall enterprise death rate in Gateshead was slightly higher (worse) than that of the UK and slightly lower than that of the North East. Gateshead outperformed the UK in seven of the fifteen industries shown in Table 7.2c.
Note that this uses the new 2007 SIC unlike the time series of rates, above (in Table 7.2b).

Table 7.2c: Enterprise Death Rates by Industry, Gateshead (Gd), Tyne and Wear (TW), North East (NE) and UK, 2008

SIC 20(	Industry	Active Stock Gateshead	TW	North East	UK	Death Rate[1] (%) Gd	TW	NE	UK	Difference Gd - UK
B, D and E	Mining, Quarrying and Utilities	25	65	265	8,060	0.0	7.7	5.7	8.0	-8.0
C	Manufacturing	440	1,860	4,425	147,475	6.8	8.1	7.0	7.8	-1.0
F	Construction	785	3,615	9,455	337,885	10.2	10.7	10.8	9.7	0.5
G	Wholesale, Retail and Motor	1,060	5,140	12,500	418,075	9.0	10.5	10.0	9.1	-0.1
H	Transportation and Storage	205	860	2,610	82,965	9.8	12.2	10.0	9.9	-0.2
I	Accommodation and Food Service Activities	450	2,575	6,270	165,750	13.3	13.6	14.0	13.1	0.2
J	Information and Communication	235	1,290	2,670	169,940	10.6	11.6	10.5	10.0	0.7
K	Financial and Insurance Activities	70	280	630	29,930	14.3	8.9	11.1	11.0	3.3
L	Real Estate	185	850	1,800	84,780	5.4	6.5	7.2	7.6	-2.2
M	Professional, Scientific and Technical Activities	685	3,730	9,250	367,965	10.2	9.7	8.9	8.7	1.5
N	Administrative and Support Services	400	1,945	4,790	206,690	11.3	10.3	10.8	10.8	0.4
P	Education	70	365	905	32,440	14.3	9.6	7.7	8.1	6.2
Q	Human Health and Social Work	195	1,095	2,665	84,480	5.1	5.0	5.8	7.0	-1.8
R	Arts, Entertainment and Recreation	125	645	1,640	66,660	16.0	10.9	9.8	8.8	7.2
S	Other Services	250	1,490	3,585	122,675	6.0	7.7	8.8	8.6	-2.6
	Total	5,180	25,805	63,460	2,325,770	9.7	10.1	9.8	9.4	0.2

Source: ONS, IDBR.
Note: All figures are rounded to avoid disclosure.
1 Death rate is the number of deaths in a year divided by the active stock throughout the year.
The active stock is shown to highlight those Gateshead rates that are based on relatively low stock.

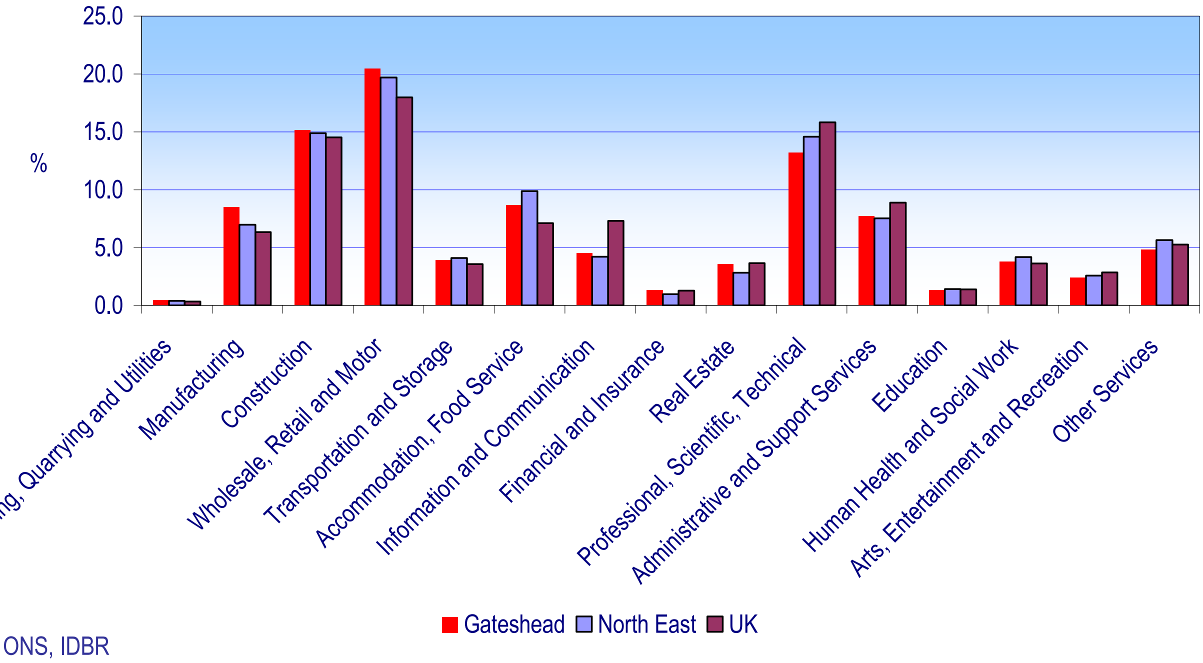
7.3 The Industrial Structure of the Business Base

The following bar chart (Fig.8) compares Gateshead's industrial structure in 2008 with Tyne and Wear, the North East and the UK. These are also given numerically (Table 7.3). Note that this uses the new 2007 SIC.

Compared to the UK industrial structure Gateshead is relatively strong in "Wholesale, Retail and Motor", "Manufacturing" and "Accommodation, Food Service"; it is relatively weak in "Information and Communication", "Professional, Scientific, Technical" and "Administrative and Support Services". The other industries in Gateshead take up similar proportions to the UK averages (within ±1 percentage point).

Fig 8 The Industrial Structure of the Business Base

Gateshead, North East and UK



Source: ONS, IDBR

Table 7.3: Industrial Structure of the Business Base, Gateshead, Tyne and Wear, North East, UK, 2008

		Share of Total Active Businesses in 2008			
SIC 2007	**Industry**	**Gateshead**	**TW**	**North East**	**UK**
B, D and E	Mining, Quarrying and Utilities	0.5	0.3	0.4	0.3
C	Manufacturing	8.5	7.2	7.0	6.3
F	Construction	15.2	14.0	14.9	14.5
G	Wholesale, Retail and Motor	20.5	19.9	19.7	18.0
H	Transportation and Storage	4.0	3.3	4.1	3.6
I	Accommodation and Food Service Activities	8.7	10.0	9.9	7.1
J	Information and Communication	4.5	5.0	4.2	7.3
K	Financial and Insurance Activities	1.4	1.1	1.0	1.3
L	Real Estate	3.6	3.3	2.8	3.6
M	Professional, Scientific and Technical Activities	13.2	14.5	14.6	15.8
N	Administrative and Support Services	7.7	7.5	7.5	8.9
P	Education	1.4	1.4	1.4	1.4
Q	Human Health and Social Work	3.8	4.2	4.2	3.6
R	Arts, Entertainment and Recreation	2.4	2.5	2.6	2.9
S	Other Services	4.8	5.8	5.6	5.3
	Total	100.0	100.0	100.0	100.0

Source: ONS, IDBR.
Note: All figures are rounded to avoid disclosure.

7.4 Net Change by Industry, 2003-2008

Note: Changes over this period give a better indication of the performance of particular industries than single year changes. As this is a long time series, this section uses SIC2003.

Within Gateshead, four industries had a net loss of businesses over the period 2003-2008 (Table 7.4a). They were “Wholesale, retail and motor trades”, “Manufacturing”, “Other Services” and “Education”.

Table 7.4a: Change in the Number of Enterprises, Gateshead, Tyne and Wear, North East, UK, 2003 to 2008

SIC 2003	Industry	Change	Percentage Change			
		Gateshead	Gateshead	TW	North East	UK
C and E	Mining, quarrying and utilities	0	0.0	-66.7	41.7	-8.3
D	Manufacturing	-20	-4.0	-1.5	-4.2	-9.7
F	Construction	170	36.2	32.5	31.7	19.9
G	Wholesale, retail and motor trades	-30	-2.7	-4.6	-3.3	-3.2
H	Hotels and catering	20	4.7	4.9	3.5	2.1
I	Transport, post and telecommunications	0	0.0	-4.0	-1.5	0.3
J	Finance	50	142.9	53.7	40.2	19.3
K	Property and business services	480	43.6	33.8	40.5	28.3
M	Education	-5	-7.1	25.0	19.1	11.2
N	Health	35	21.2	9.9	16.2	17.3
O	Other Services	-20	-5.1	-3.5	-6.5	-0.4
	Total	680	15.1	12.0	13.0	10.6

Source: ONS, IDBR.
Note: All figures are rounded to avoid disclosure.

Compared to the UK Gateshead underperformed in three industries, “Education”, “Other Services” and “Transport, Post and Telecommunications”.

Gateshead outperformed the North East in all but two industries. The industries where Gateshead underperformed were “Education”, where Gateshead has very few firms and “Mining, quarrying and utilities”, where Gateshead has no firms.

Table 7.4b: Active Enterprises in Gateshead, 2003-2008

SIC 2003	Industry	2003	2004	2005	2006	2007	2008
C and E	Mining, quarrying, electricity, gas and water supply	0	0	0	0	0	0
D	Manufacturing	495	475	470	460	465	475
F	Construction	470	495	535	565	610	640
G	Wholesale, retail and motor trades	1,110	1,060	1,080	1,065	1,085	1,080
H	Hotels and catering	430	460	460	465	480	450
I	Transport, post and telecommunications	225	225	225	225	225	225
J	Finance	35	55	45	45	45	85
K	Property and business services	1,100	1,230	1,350	1,405	1,645	1,580
M	Education	70	65	65	65	65	65
N	Health	165	175	180	185	195	200
O	Other Services	395	405	365	365	355	375
	Total	4,495	4,645	4,775	4,845	5,170	5,175

Source: ONS, IDBR.
Note: All figures are rounded to avoid disclosure.

7.5 Changes in 2008 by Industry

Within Gateshead three industries had a net loss of businesses over the period 2007-2008 (Table 7.5). They were “Property and Business Services”, “Hotels and Catering” and “Wholesale, retail and motor trades”.

Gateshead outperformed the UK in six industries: “Finance”, “Other Services”, “Manufacturing”, “Education” “Wholesale, Retail and Motor Trades” and “Construction”.

Gateshead outperformed the North East in five industries: “Finance”, “Other Services”, “Manufacturing”, “Wholesale, Retail and Motor Trades” and “Construction”. This is the same as the UK list with the exception of “Education”. Note that Gateshead has very few firms in “Education”.

Table 7.5: Change in the Number of Enterprises, Gateshead, Tyne and Wear, North East, UK, 2007 to 2008

SIC 2003	Industry	Actives 2007 Gateshead	Actives 2008 Gateshead	Change Gateshead	Percentage Change Gateshead	TW	North East	UK
C and E	Mining, quarrying, electricity, gas and water supply	0	0	0	0.0	0.0	6.3	5.4
D	Manufacturing	465	475	10	2.2	-2.9	-1.4	-2.2
F	Construction	610	640	30	4.9	2.7	3.9	4.5
G	Wholesale, retail and motor trades	1,085	1,080	-5	-0.5	-0.4	-0.9	-1.1
H	Hotels and catering	480	450	-30	-6.3	-0.6	-0.9	-1.7
I	Transport, post and telecommunications	225	225	0	0.0	-0.5	0.5	2.0
J	Finance	45	85	40	88.9	53.7	36.2	20.0
K	Property and business services	1,645	1,580	-65	-4.0	0.8	3.2	2.2
M	Education	65	65	0	0.0	6.6	1.3	-1.4
N	Health	195	200	5	2.6	1.8	4.0	4.6
O	Other Services	355	375	20	5.6	4.3	-0.1	0.3
	Total	5,170	5,175	5	0.1	1.1	1.6	1.3

Source: ONS, IDBR.
Note: All figures are rounded to avoid disclosure.

8 2-digit Industries, Inter-Departmental Business Register (IDBR)

The Business Demographics series is essentially compiled from the IDBR data-set. Extracts from the IDBR, however, are for a particular point in time, here for March 2009.[5]

TWRI focuses on the counts of businesses.[6]

At the 2-digit SIC level, Gateshead's top ten industries for enterprises included 'Architectural and engineering activities etc' (SIC 71, 12th in England) and 'Wholesale and retail trade etc' (SIC 45, 13th in England) (Table 8.1).

Table 8.1 Percentage Share of Enterprises By 2-Digit SIC Level, March 2009
Top Ten in Gateshead with North East and England Comparators

SIC2007	Gateshead	North East	North East Rank	England	England Rank
47 Retail trade; except of motor vehicles and motorcycles	10.9	10.9	1	8.8	1
43 Specialised construction activities	9.2	8.6	2	8.1	2
56 Food and beverage service activities	7.5	7.9	3	5.4	5
46 Wholesale trade; except of motor vehicles and motorcycles	5.9	4.1	6	5.1	6
41 Construction of buildings	4.8	3.9	7	4.1	8
71 Architectural and engineering activities; technical testing and analysis	4.5	5.2	5	3.2	12
45 Wholesale and retail trade and repair of motor vehicles and motorcycles	4.1	3.8	8	3.1	13
68 Real estate activities	3.8	2.8	12	3.6	9
62 Computer programming; consultancy and related activities	3.2	3.0	10	5.4	4
82 Office administrative; office support and other business support activities	3.0	2.7	14	3.6	10

Source: ONS, TWRI.

Note: based purely on the proportion of enterprises within an area by 2-digit SIC level. It is not based on turnover or employment.

[5] ONS released the IDBR data set to Local Authorities to help in the production of Local Economic Assessments. Data for March 2009, at 2-digit SIC level, was released by ONS Business Register Strategy and Outputs division in March 2010.

[6] Counts, Employment and Turnover were all provided on a consistent IDBR basis and can be used in combination e.g. Turnover per Enterprise. However, ONS recommends that, if employment is to be used in isolation then the Annual Business Inquiry (ABI) estimates should be used as the preferred source. Similarly, if turnover is to be used in isolation then the ABI is the preferred source.

In the England top ten were 'activities of head offices; management consultancy activities' (SIC 70, ranked 11th in Gateshead) and 'Crop and animal production; hunting and related service activities' (SIC 01, unsurprisingly ranked only 24th in Gateshead) (Table 8.2).

Table 8.2 Percentage Share of Enterprises By 2-Digit SIC Level, March 2009 Top Ten in England with North East and Gateshead Comparators

SIC2007	England	North East	North East Rank	Gateshead	Gateshead Rank
47 Retail trade; except of motor vehicles and motorcycles	8.8	10.9	1	10.9	1
43 Specialised construction activities	8.1	8.6	2	9.2	2
70 Activities of head offices; management consultancy activities	5.9	3.6	9	2.9	11
62 Computer programming; consultancy and related activities	5.4	3.0	10	3.2	9
56 Food and beverage service activities	5.4	7.9	3	7.5	3
46 Wholesale trade; except of motor vehicles and motorcycles	5.1	4.1	6	5.9	4
01 Crop and animal production; hunting and related service activities	4.8	6.0	4	1.0	24
41 Construction of buildings	4.1	3.9	7	4.8	5
68 Real estate activities	3.6	2.8	12	3.8	8
82 Office administrative; office support and other business support activities	3.6	2.7	14	3.0	10

Source: ONS, TWRI.

Note: based purely on the proportion of enterprises within an area by 2-digit SIC level. It is not based on turnover or employment.

APPENDIX 1

TECHNICAL BACKGROUND

'Business Demography: Enterprise Births and Deaths' (i.e. the BD series), was published for the first time on 28th November 2008 and covered the period 2002-2007. On the same day the Department of Business Enterprise and Regulatory Reform (BERR) released the final update to the VAT series, 'Business startups and closures: VAT registrations and de-registrations in 2007'.

The BD series is more comprehensive than the VAT series. It is difficult to directly compare the two series. However, at District level, within Tyne and Wear, the Business Demographics series records at least a fifth more enterprises than the VAT series. An article by ONS explains the key methodological differences between the new series and the existing BERR series[7]. The key difference between the old VAT series and the new Business Demographics series is the inclusion of PAYE-registered units. The following concepts and definitions are also important.

ACTIVE BUSINESS

An active business is defined as a business that had either turnover or employment at any time during the reference period[8]. Note that the population of active businesses in year t will, by definition, include businesses that start trading in year t.

BUSINESS BIRTH

A birth is defined as a business that was present in year t, but did not exist in year t-1 or t-2. Births do not include entry into the population as a result of mergers, break-ups, split-offs or other restructuring.

BUSINESS DEATH

A death is defined as a business that was on the active file in year t but was no longer present on the active file in year t+1 or t+2. As part of the European regulations[9] a check should be made against the two years following a death to identify and remove any 'reactivations'. In order to produce more timely statistics, the UK business demography publication contains a preliminary death indicator, which includes an adjustment for 'estimated reactivations'. This estimate is subject to revision. Deaths data exclude losses to the population as a result of mergers, break-ups, split-offs or other restructuring. Decline below the VAT threshold is not a reason for an 'enterprise death'.

SURVIVAL

A business is deemed to have survived if, having been a birth in year t or having survived to year t, it is active in terms of employment and/or turnover in any part of year t+1. A business is considered to have survived if it is active in any part of the survival year under consideration.

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7 (Office for National Statistics, Introducing the new business demography statistics, Economic and Labour Market Review, Vol 2, No 12, December 2008)

8 Data is based on the IDBR as of November each year, which captures activity which has taken place during the previous 12 months. This is used as a proxy for the calendar year.

9 Eurostat-OECD Manual on Business Demography Statistics 2007 at: www.oecd.org/document/34/0,3343,en_2649_34233_39913698_1_1_1_1,00.html (accessed 4th February 2009).

DORMANT

A unit is said to be dormant if it is legally alive, but does not carry on any activity and has neither employment nor turnover.

REACTIVATION

If a unit re-commences activity after a period of temporary cessation of less than two years it is classed as a reactivation. Reactivations can occur due to lags in the administrative sources (VAT/PAYE), which mean it is possible that a business which is continuing to trade can appear to die on the Inter-departmental Business Register (IDBR).

INDUSTRY COVERAGE

The ONS dataset for 'Broad Industry Groups' gives no data for 'Agriculture' (SIC A)[10] or 'Forestry and Fishing' (SIC B). Caution: Thus the 'Totals' in this report exclude these two industries.

STANDARD INDUSTRIAL CLASSIFICATION (SIC)

All business activities are given a SIC to provide a uniform framework for the collection and analysis of industrial activity. The classification system is periodically revised to take account of new products, new industries and shifts in emphasis within existing industries. The Office for National Statistics introduced a major revision to the Standard Industrial Classification of Economic Activities on 1 January 2008. The revised classification (SIC 2007) reflects the growing importance of service activities in the economy over the last 15 years, mainly due to developments in information and communication technologies (ICT). More details on the latest SIC and its predecessor, SIC 2003, can be found in "UK Standard Industrial Classification of Economic Activities 2007" (http://www.statistics.gov.uk/statbase/product.asp?vlnk=14012)

[10] The Business Demography dataset is designed to measure entrepreneurship. It excludes agriculture as this is not thought to be entrepreneurial.

APPENDIX 2

Key Methodological Differences between main business population publications			
	ONS Business Demography	**BERR[11] Business Start-ups and Closures: VAT registrations and de-registrations**	**ONS UK Business: Activity, Size and Location**
Coverage	VAT and/or PAYE registered businesses	VAT registered businesses only	VAT and/or PAYE registered businesses (from 2008 onwards) excluding unmatched non-corporate PAYE businesses
Stock	Recognises activity occurring at any point during the year	Live units at a point in time	Live units at a point in time
Timeliness	Annual publication. First publication with 2007 data to be published 28 Nov-08.	Annual publication. Final publication with 2007 data to be published 28 Nov-08	Annual publication. 2008 data published Sep-08
Geography	UK with country, region, unitary authority, county and district breakdowns.	UK-including regional, local authority and parliamentary constituency breakdowns	UK- including regional, local authority and parliamentary constituency breakdowns
Legal Status	Company, Sole Proprietor, Partnership, Public Corporation and Non-Profit organisations	All	All
Industry	SIC 2003, excluding Agriculture (Div 01, 02 & 05), holding companies (SIC class 7415) and public administration (Div 75)	SIC 2003 Divisions 01–93 (private households and extra-territorial activities excluded)	SIC 2003 Divisions 01–99
Exclusions	Excludes Managed Service Companies, although these are included in the data published by Eurostat	Excludes Managed Service Companies and Official Receivers	Excludes Managed Service Companies
Adjustments	Adjustments are made to the latest two years deaths to allow for re-activations. See section on deaths below for more detail.	Registrations and de-registrations are adjusted (back to 1996) to produce estimates of the final volume of start-ups and closures once late registrations and de-registrations have been received or re-activations have occurred.	None.

Source: Office for National Statistics.
http://www.statistics.gov.uk/downloads/theme_commerce/Intro-Bus-Demography.pdf

[11] Department for Business, Enterprise and Regulatory Reform.

APPENDIX 3

The five excluded sections in SIC 2003 are:

A Agriculture, Hunting and Forestry
B Fishing
L Public Administration and defence; compulsory social security
P Activities of private households as employers and undifferentiated production activities of private households
Q Extraterritorial organizations and bodies

The four excluded sections in SIC 2007 are:

A Agriculture, Forestry and Fishing
O Public Administration and Defence; Compulsory Social Security
T Activities of Households As Employers; Undifferentiated Goods- and Services-Producing Activities of Households for Own Use
U Activities of Extraterritorial Organisations and Bodies