



BUSINESSES IN TYNE & WEAR CITY REGION

2008

August 2010

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KEY MESSAGES

Businesses (VAT/PAYE Registered Enterprises) in Tyne & Wear City Region

The new Business Demographics (BD) series, reported here, is more comprehensive than the old VAT series which it replaces; at District level, within Tyne & Wear, it records at least a fifth more enterprises than the VAT series.

During 2008 the UK entered recession (in Q3), but Tyne & Wear City Region held up as strongly as the UK. Between 2007 and 2008, business numbers in Tyne & Wear City Region grew by 795 (+2.0%), underperforming the North East region (+2.2%) but matching the UK (Figure 5). Four industries suffered net losses. The largest loss was in “Manufacturing” (-55). Three industries each lost just five; “Hotels and Catering”, “Transport, Post and Telecommunications” and “Mining, Quarrying and Utilities” (Table 7.5).

Over the longer time period (2002 to 2008), business numbers in Tyne & Wear City Region rose by 16%, on a par with the North East (+16%) and outperforming the UK (11%).

Enterprise births in Tyne & Wear City Region peaked in 2007 (5,525 births); enterprise deaths peaked in 2003 (4,165 deaths).

Tyne & Wear City Region’s ‘New Business Registration Rate’ (National Indicator 171) was 35.8 per 10,000 adults in 2008 (UK, 54.2). Within the City Region, Castle Morpeth had the highest rate (56.3) and Sunderland the lowest (27.1). ([§ 5.1](#))

Tyne & Wear City Region’s stock-based birth rate was higher (better) than the UK between 2002 and 2008. Its stock-based death rate is, however, usually higher (worse) than the UK; recent exceptions were 2006 (when the rates were equal), 2002 and 2007. ([§ 6](#))

In 2008, the “Wholesale, Retail and Motor Trade” accounted for a fifth of active enterprises in Tyne & Wear City Region (UK 18.0%). The share of businesses was also high for “Construction” (14.5%) and “Professional Scientific and Technical Activities” (14.1%). (Table 7.3)

Over the period 2003-2008:

- 36% of business births in Tyne & Wear City Region were in “Property and Business Services”; this industry accounted for 29% of business deaths.
- Five industries experienced a net loss in numbers. The larger losses were in “Other Services” (-240), “Wholesale, retail and motor trades” (-195) and “Manufacturing” (-115).

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

The “Retail Trade” accounted for 11.4% of enterprises in Tyne & Wear City Region, followed by “Specialised Construction Activities” (8.5%) and “Food and Beverage Service Activities” (8.4%) (Table 8.1).

Whilst every effort has been taken to ensure the accuracy and reliability of the information presented in this report, TWRI does not accept responsibility for any errors in either the data or its analysis, howsoever they may have been caused.

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 Tyne & Wear City Region¹ (TWCR) and compares the TWCR situation to Leeds City Region, the North East and the UK. The report uses data published by 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 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.

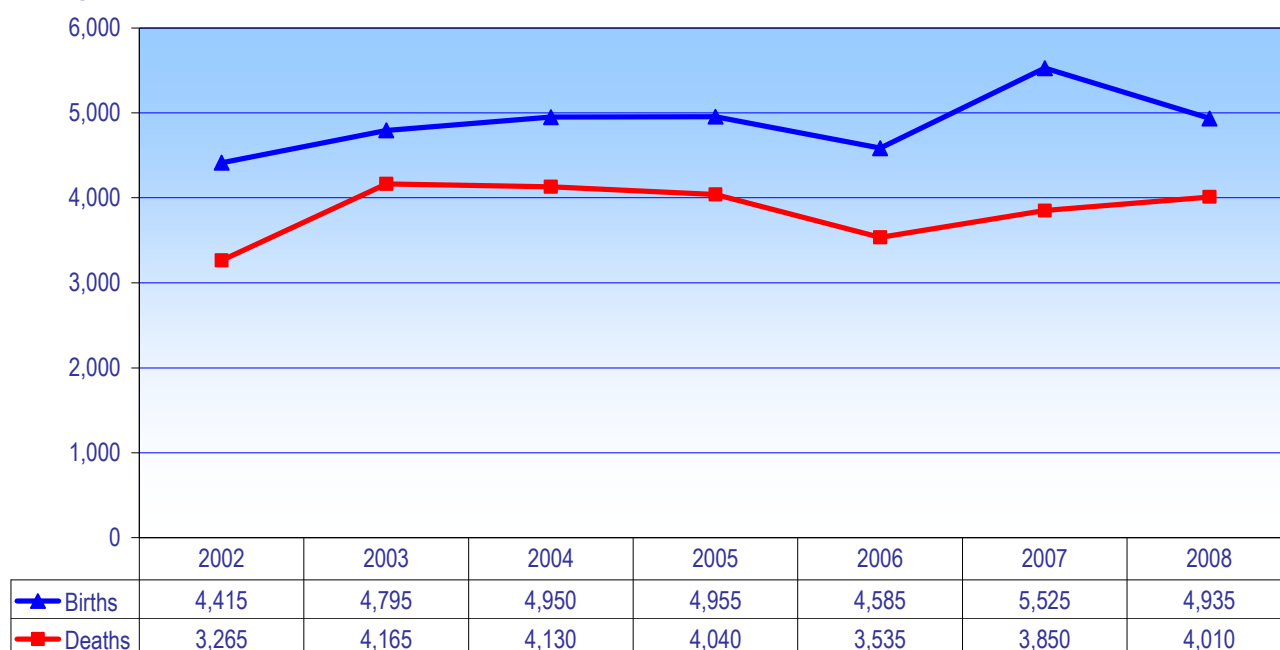
¹ TWCR comprises the former local authority districts of Blyth Valley, Castle Morpeth, Tynedale, Wansbeck, Chester-le-Street, Derwentside, Durham City and Easington plus the five Tyne and Wear Districts (Gateshead, Newcastle, North Tyneside, South Tyneside and Sunderland).

1 Enterprise Births and Deaths

1.1 Enterprise Births

The number of enterprise births peaked in 2007 (up nearly 1,000 on the year before). In recent years, the lowest-point occurred in 2002, but with a marked dip in 2006.

Fig 1 Enterprise Births and Deaths in TWCR



Source: ONS, Business Demographics

1.2 Enterprise Deaths

The number of enterprise deaths was at a low-point in 2002, but also dipped in 2006. 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, enterprise births in Tyne & Wear City Region fell (-10.7%) three times as fast as in the UK (Fig 2). However, between 2006 and 2007, Tyne & Wear City Region had performed strongly compared to the UK. In both periods, the City Region did not do as well as the North East but outperformed the county.

Fig 2 Annual Percentage Change in Enterprise Births

TWCR, TW, North East and UK



Source: ONS, Business Demographics

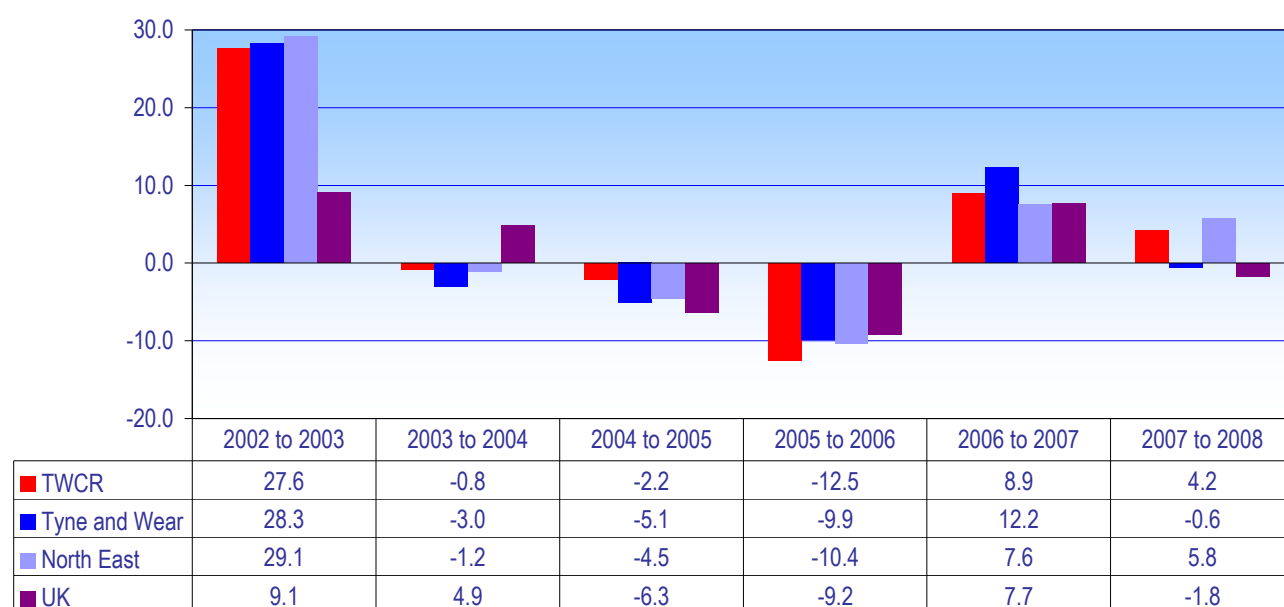
In 2008, Tyne & Wear City Region accounted for 63.6% of enterprise births in the North East and 1.8% in the UK.

3 Annual Percentage Change in Enterprise Deaths

In 2006 to 2007, Tyne & Wear City Region's enterprise deaths rose slightly faster (up 8.9%) than in the North East and the UK (Fig 3). The latest provisional data (2008), however, shows Tyne & Wear City Region's rise in enterprise deaths (up 4.2%) was smaller than in the North East. However, nationally enterprise deaths fell. The small fall in Tyne & Wear was entirely due to Newcastle.

Fig 3 Annual Percentage Change in Enterprise Deaths

TWCR, TW, North East and UK



Source: ONS, Business Demographics

In 2008, Tyne & Wear City Region accounted for 64.2% of enterprise deaths in the North East and 1.8% in the UK.

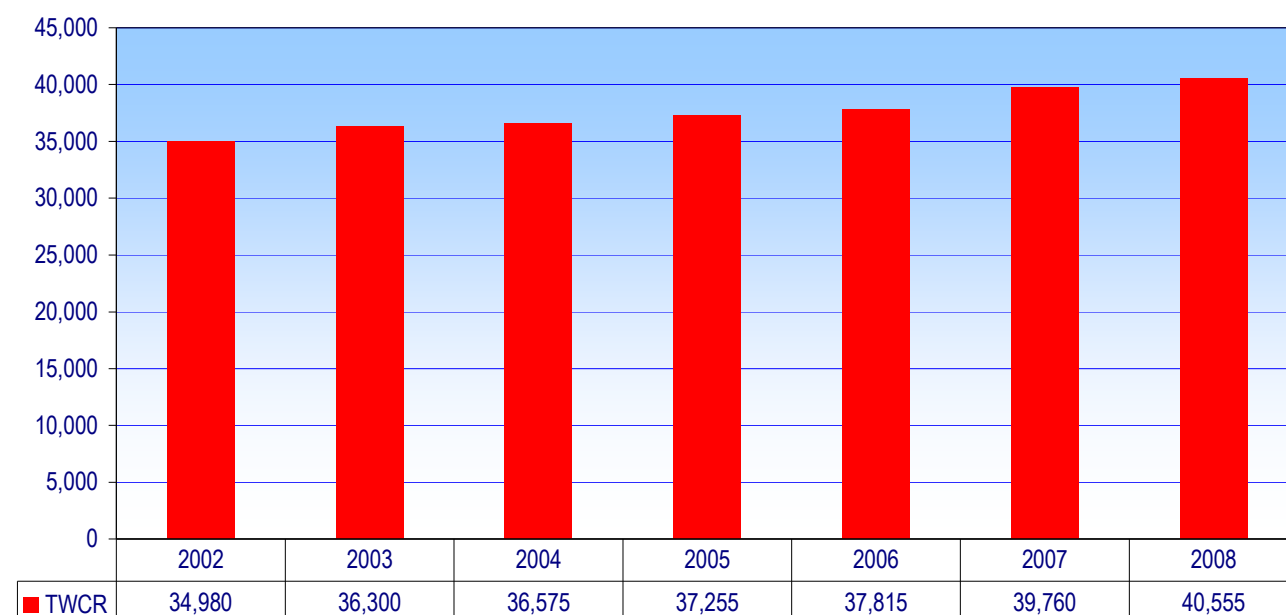
4 Active Enterprises (Business Stock) and Net Change

4.1 Active Enterprises

The number of active enterprises in Tyne & Wear City Region rose by about 300-800 pa in most years; it rose sharply in 2003 (up over 1,300) and in 2007 (up nearly 2,000).

Fig 4 Active Enterprises in Tyne and Wear City Region

2002 - 2008



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, Tyne & Wear City Region accounted for 63.9% of the active stock in the North East and 1.7% in the UK.

4.2 Net Change 2002-2008

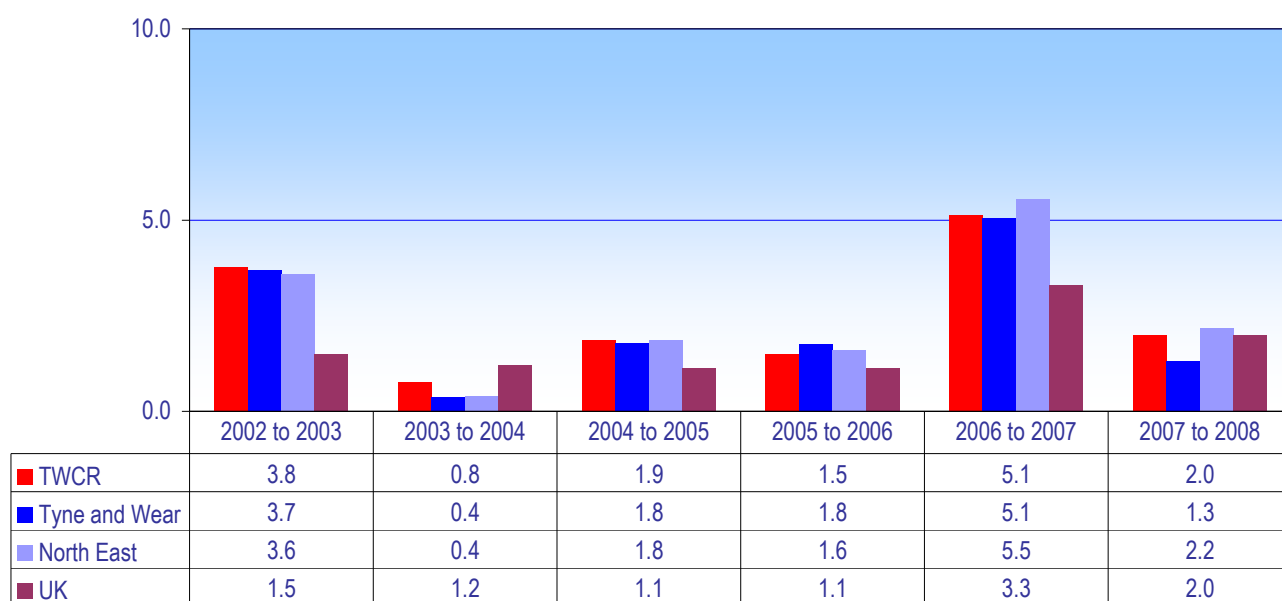
The number of active enterprises in Tyne & Wear City Region was 16% higher in 2008, compared to 2002. This compares favourably to the changes in Tyne & Wear (+15%) and the UK (+11%) and is on a par with the North East. At 40,555 enterprises, Tyne & Wear City Region's active stock in 2008 was 5,575 higher than in 2002.

4.3 Net Change 2007-2008

The percentage rise in active enterprises in Tyne & Wear City Region equalled the UK rise, exceeded the county rise, but was slightly below the North East rise.

Fig 5 Annual Percentage Change in Enterprise Stock

TWCR, TW, North East and UK



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'.

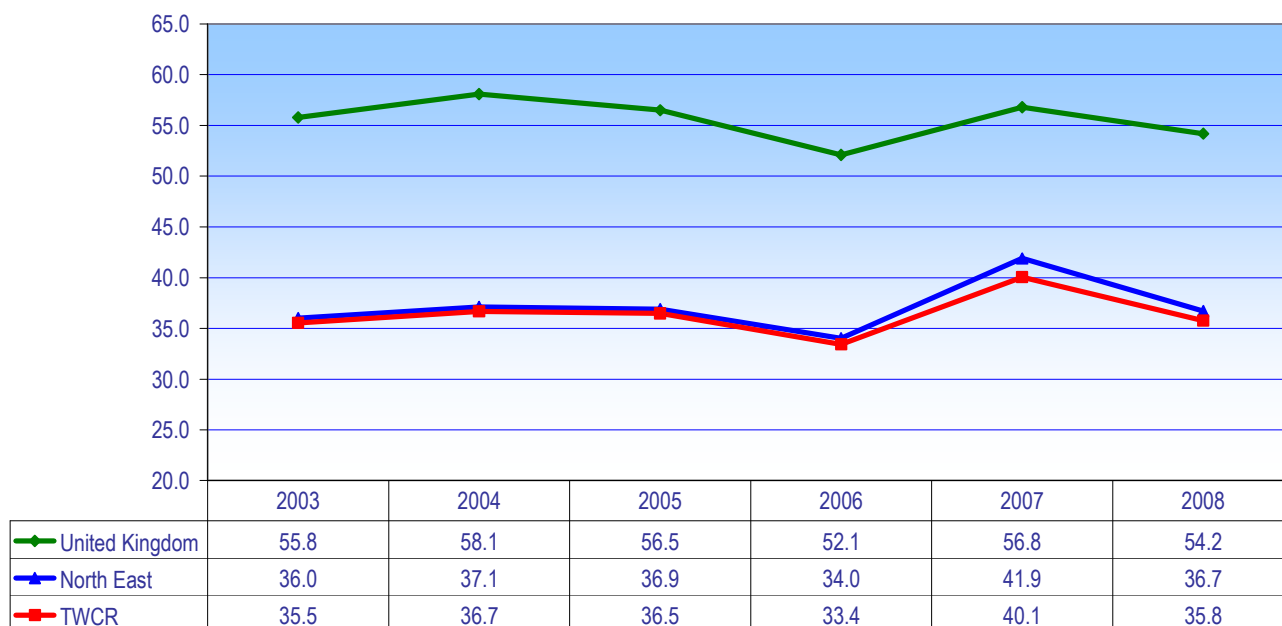
5.1 National Indicator 171 'New business registration rate'

In 2008, Tyne & Wear City Region's new business registration rate was 35.8 per 10,000 adults (Fig 6); this was a third lower than the UK rate². Within the City Region, Castle Morpeth had the highest rate (56.3) and Sunderland the lowest (27.1).

Tyne & Wear City Region's rate peaked in 2007. Between 2007 and 2008, the rate fell by 4.3 points. This was a large fall compared to the UK (-2.6 points) but better than the North East fall (-5.2 points). In 2007, within the City Region, Tynedale had the highest rate (61.0) and Wansbeck the lowest (26.6). The rates in Wansbeck, Castle Morpeth and Newcastle all rose between 2007 and 2008. The largest falls were in Derwentside (-12.3 points) and Tynedale (-10.3 points).

Fig 6 New Business Registration Rate (NI 171)

(per 10,000 adults)



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 ups³. 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.⁴

² ONS does not produce an official rate for TWCR. The rate given is estimated using (rounded) District population figures.

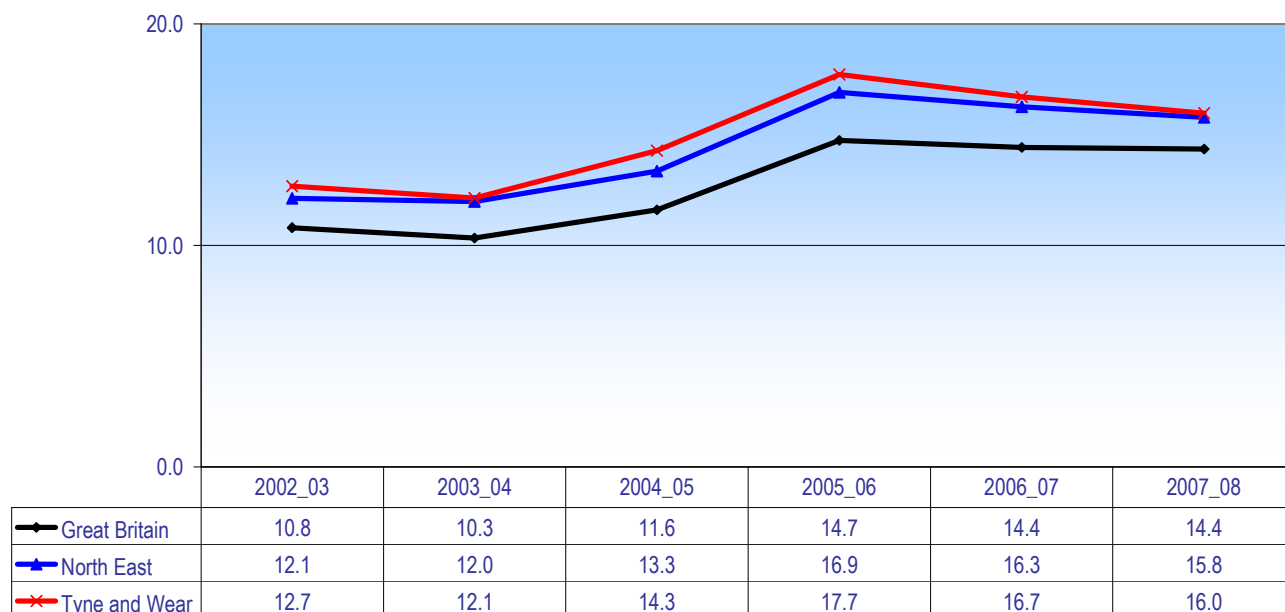
³ The actual measure is new businesses registering for VAT and PAYE and some smaller businesses reaching the VAT threshold or running a PAYE scheme for the first time.

⁴ <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 Tyne & Wear⁵ 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



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.

⁵ ONS do not produce NI172 for the City Region.

6 Stock⁶-Based Birth and Death Rates

The Tyne & Wear City Region's birth rate (Table 6a) was higher (better) than the UK between 2002 and 2008 (Table 6c). The Tyne & Wear City Region's death rate is usually higher (worse) than the UK; recent exceptions were 2002 and 2007. In 2006 the rates were equal.

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 Tyne and Wear City Region

Year	Active Stock	Births	Birth Rate %	Deaths	Death Rate %
2002	34,980	4,415	12.6	3,265	9.3
2003	36,300	4,795	13.2	4,165	11.5
2004	36,575	4,950	13.5	4,130	11.3
2005	37,255	4,955	13.3	4,040	10.8
2006	37,815	4,585	12.1	3,535	9.3
2007	39,760	5,525	13.9	3,850	9.7
2008	40,555	4,935	12.2	4,010	9.9

Source: ONS, Business Demographics.

Birth and death rates are the number of births or deaths in a year divided by the active stock throughout the year.

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.

⁶ 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.

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 3.⁷

7.1 Enterprise Births

Over the period 2003-2008, 36% of business births in Tyne & Wear City Region were in “Property and Business Services” (Table 7.1a). The next largest share was taken by “Wholesale, Retail and Motor Trades” (17%), closely followed by “Construction” (13%).

The “credit crunch” that began in 2007 may have had an impact on Tyne & Wear City Region’s enterprise births in 2008. There were falls in six industries. The most noticeable fall was in “Property and Business Services”, however this industry had a record 2,340 births in 2007. The number of births in “Manufacturing” rose for the fourth successive year, although the rise in 2008 was small. The number of births in “Health” also rose.

⁷ 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 Tyne and Wear City Region 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	5	5	15
D	Manufacturing	250	290	210	230	250	255	1,485
F	Construction	565	660	685	655	715	625	3,905
G	Wholesale, retail and motor trades	880	845	890	785	790	765	4,955
H	Hotels and catering	660	675	635	620	650	570	3,810
I	Transport, post and telecommunications	240	190	235	215	210	175	1,265
J	Finance	30	35	35	35	30	30	195
K	Property and business services	1,630	1,675	1,665	1,515	2,340	2,015	10,840
M	Education	55	70	40	55	55	55	330
N	Health	120	130	120	115	115	135	735
O	Other Services	360	380	440	355	365	305	2,205
	Total	4,790	4,950	4,955	4,585	5,525	4,935	29,740

Source: ONS, IDBR.

Note: All figures are rounded to avoid disclosure.

The birth rate for "Manufacturing" peaked in 2004 then dropped to a low point in the following year (Table 7.1b). Since 2005 the birth rate has risen. In both "Transport, Post and Telecommunications" and "Finance", birth rates peaked in 2005. Since 2005 their birth rates have fallen and were both at record lows in 2008. Birth rates for "Other Services", "Wholesale, Retail and Motor Trades", "Construction" and "Hotels and Catering" were also at record lows in 2008.

Table 7.1b: Enterprise Birth Rates (%) in Tyne and Wear City Region, 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	14.3	16.7	20.0
D	Manufacturing	7.9	9.5	6.8	7.5	8.1	8.4
F	Construction	14.8	16.3	15.6	14.2	14.7	12.4
G	Wholesale, retail and motor trades	10.4	10.1	10.7	9.5	9.6	9.2
H	Hotels and catering	17.0	17.0	16.2	15.7	16.0	14.1
I	Transport, post and telecommunications	13.3	11.0	13.5	12.3	11.7	9.7
J	Finance	10.0	11.1	12.1	10.9	10.0	6.8
K	Property and business services	18.6	17.7	16.4	14.5	19.8	16.8
M	Education	13.6	16.3	9.0	11.7	11.7	11.2
N	Health	7.9	8.4	7.5	7.1	6.8	7.6
O	Other Services	9.9	10.5	13.6	10.8	10.9	9.0
	Total	13.4	13.5	13.3	12.1	13.9	12.2

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 Tyne & Wear City Region was higher (better) than that of the UK and slightly lower than that of the North East. Tyne & Wear City

Region outperformed the UK in twelve 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, Tyne and Wear City Region (TWCR), Leeds City Region (LdCR), North East (NE) and UK, 2008

SIC 2007	Industry	Active Stock				Birth Rate ¹ (%)			Difference	
		TWCR	LdCR	North East	UK	TWCR	LdCR	NE	UK	TWCR - UK
B, D and E	Mining, Quarrying and Utilities	130	310	265	8,060	15.4	14.5	13.2	13.8	1.6
C	Manufacturing	2,835	7,705	4,425	147,475	7.9	7.1	7.5	7.3	0.7
F	Construction	5,890	14,340	9,455	337,885	12.2	11.9	12.5	11.7	0.5
G	Wholesale, Retail and Motor	8,140	19,990	12,500	418,075	9.3	8.6	9.4	9.2	0.2
H	Transportation and Storage	1,610	4,000	2,610	82,965	8.1	10.8	8.8	10.1	-2.0
I	Accommodation and Food Service Activities	4,050	7,645	6,270	165,750	14.1	13.4	13.2	13.0	1.0
J	Information and Communication	1,845	5,085	2,670	169,940	16.0	14.7	15.7	14.6	1.4
K	Financial and Insurance Activities	395	1,090	630	29,930	6.3	12.8	7.9	12.1	-5.8
L	Real Estate	1,225	3,415	1,800	84,780	13.9	12.9	12.8	11.8	2.1
M	Professional, Scientific and Technical Activities	5,705	12,415	9,250	367,965	17.4	14.0	18.1	14.7	2.7
N	Administrative and Support Services	3,105	7,170	4,790	206,690	18.4	16.5	17.1	16.2	2.1
P	Education	555	1,300	905	32,440	12.6	10.4	12.2	9.4	3.2
Q	Human Health and Social Work	1,715	3,485	2,665	84,480	7.6	6.9	7.5	7.9	-0.3
R	Arts, Entertainment and Recreation	1,040	2,035	1,640	66,660	8.2	8.8	8.5	7.9	0.3
S	Other Services	2,315	4,960	3,585	122,675	8.6	7.1	9.3	7.6	1.0
	Total	40,555	94,945	63,460	2,325,770	12.2	11.2	12.2	11.6	0.6

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 Tyne and Wear City Region rates that are based on relatively low stock.

7.2 Enterprise Deaths

Over the period 2003-2008, 29% of business deaths in Tyne and Wear City Region were in “Property and Business Services” and just over a fifth were in “Wholesale, Retail and Motor Trades” (Table 7.2a).

Table 7.2a: Enterprise Deaths in Tyne and Wear City Region by Industry, 2003-2008

SIC 2003	Industry	2003	2004	2005	2006	2007	2008	Total
C and E	Mining, quarrying, electricity, gas and water supply	10	5	5	5	0	0	25
D	Manufacturing	320	295	245	235	230	220	1,545
F	Construction	400	395	440	450	485	500	2,670
G	Wholesale, retail and motor trades	825	895	880	750	730	830	4,910
H	Hotels and catering	665	670	590	520	545	560	3,550
I	Transport, post and telecommunications	240	245	185	170	190	185	1,215
J	Finance	40	20	45	30	20	30	185
K	Property and business services	870	1,115	1,160	1,020	1,205	1,295	6,665
M	Education	25	40	45	25	40	35	210
N	Health	100	105	115	80	105	90	595
O	Other Services	205	345	330	250	300	265	1,695
	Total	3700	4,130	4,040	3,535	3,850	4,010	23,265

Source: ONS, IDBR.

Note: All figures are rounded to avoid disclosure.

Table 7.2b: Enterprise Death Rates (%) in Tyne and Wear City Region by Industry, 2003-2008

SIC 2003	Industry	2003	2004	2005	2006	2007	2008
C and E	Mining, quarrying, electricity, gas and water supply	33.3	12.5	16.7	14.3	0.0	0.0
D	Manufacturing	10.1	9.7	7.9	7.6	7.4	7.2
F	Construction	10.4	9.8	10.0	9.8	10.0	9.9
G	Wholesale, retail and motor trades	9.7	10.7	10.5	9.1	8.8	10.0
H	Hotels and catering	17.2	16.9	15.0	13.2	13.4	13.8
I	Transport, post and telecommunications	13.3	14.2	10.6	9.7	10.6	10.3
J	Finance	13.3	6.3	15.5	9.4	6.7	6.8
K	Property and business services	9.9	11.8	11.4	9.7	10.2	10.8
M	Education	6.2	9.3	10.1	5.3	8.5	7.1
N	Health	6.6	6.8	7.2	4.9	6.2	5.1
O	Other Services	5.6	9.5	10.2	7.6	8.9	7.8
	Total	10.3	11.3	10.8	9.3	9.7	9.9

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 Tyne and Wear City Region was slightly higher (worse) than that of the UK and equalled that of the North East. Tyne and Wear City Region outperformed the UK in six 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, Tyne and Wear City Region (TWCR), Leeds City Region (LdCR), North East (NE) and UK, 2008

SIC 2007	Industry	Active Stock				Death Rate ¹ (%)				Difference
		TWCR	LdCR	North East	UK	TWCR	LdCR	NE	UK	TWCR - UK
B, D and E	Mining, Quarrying and Utilities	130	310	265	8,060	7.7	9.7	5.7	8.0	-0.3
C	Manufacturing	2,835	7,705	4,425	147,475	7.6	8.0	7.0	7.8	-0.2
F	Construction	5,890	14,340	9,455	337,885	10.6	10.2	10.8	9.7	0.9
G	Wholesale, Retail and Motor	8,140	19,990	12,500	418,075	10.0	9.4	10.0	9.1	0.9
H	Transportation and Storage	1,610	4,000	2,610	82,965	10.9	10.4	10.0	9.9	0.9
I	Accommodation and Food Service Activities	4,050	7,645	6,270	165,750	13.7	14.4	14.0	13.1	0.6
J	Information and Communication	1,845	5,085	2,670	169,940	10.8	10.8	10.5	10.0	0.9
K	Financial and Insurance Activities	395	1,090	630	29,930	11.4	12.4	11.1	11.0	0.4
L	Real Estate	1,225	3,415	1,800	84,780	6.5	7.6	7.2	7.6	-1.0
M	Professional, Scientific and Technical Activities	5,705	12,415	9,250	367,965	9.8	8.5	8.9	8.7	1.1
N	Administrative and Support Services	3,105	7,170	4,790	206,690	10.1	10.7	10.8	10.8	-0.7
P	Education	555	1,300	905	32,440	9.0	8.8	7.7	8.1	0.9
Q	Human Health and Social Work	1,715	3,485	2,665	84,480	5.0	7.2	5.8	7.0	-2.0
R	Arts, Entertainment and Recreation	1,040	2,035	1,640	66,660	10.6	9.3	9.8	8.8	1.8
S	Other Services	2,315	4,960	3,585	122,675	8.4	9.0	8.8	8.6	-0.2
	Total	40,555	94,945	63,460	2,325,770	9.9	9.8	9.8	9.4	0.5

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 Tyne and Wear City Region rates that are based on relatively low stock.

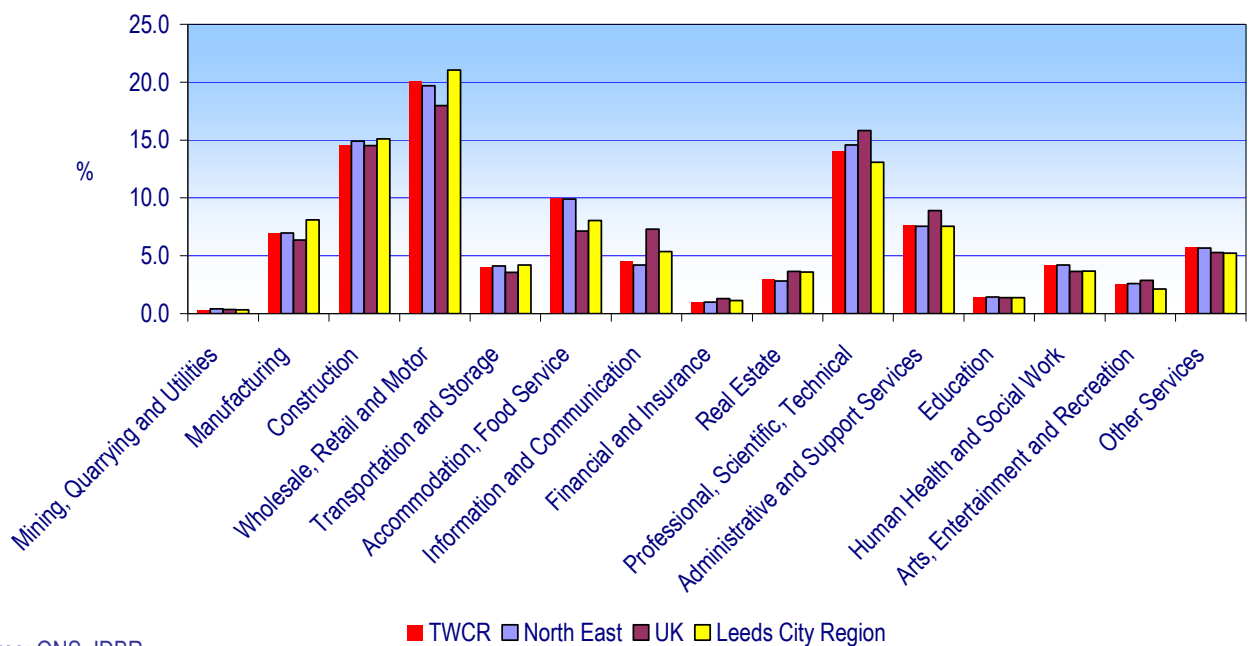
7.3 The Industrial Structure of the Business Base

The following bar chart (Fig.8) compares Tyne & Wear City Region's industrial structure in 2008 with 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 Tyne & Wear City Region is relatively strong in "Accommodation, Food Service" and in "Wholesale, Retail and Motor". It is relatively weak in "Information and Communication", "Professional, Scientific, Technical" and "Administrative and Support Services". The other industries in TWCR take up similar proportions to the UK average (within ± 1 percentage point).

Fig 8 The Industrial Structure of the Business Base

TWCR, North East, UK and Leeds City Region



Source: ONS, IDBR

Table 7.3: Industrial Structure of the Business Base, TWCR, Leeds CR, North East, UK, 2008

SIC 2007	Industry	Share of Total Active Businesses in 2008			
		TWCR	Leeds CR	North East	UK
B, D and E	Mining, Quarrying and Utilities	0.3	0.3	0.4	0.3
C	Manufacturing	7.0	8.1	7.0	6.3
F	Construction	14.5	15.1	14.9	14.5
G	Wholesale, Retail and Motor	20.1	21.1	19.7	18.0
H	Transportation and Storage	4.0	4.2	4.1	3.6
I	Accommodation and Food Service Activities	10.0	8.1	9.9	7.1
J	Information and Communication	4.5	5.4	4.2	7.3
K	Financial and Insurance Activities	1.0	1.1	1.0	1.3
L	Real Estate	3.0	3.6	2.8	3.6
M	Professional, Scientific and Technical Activities	14.1	13.1	14.6	15.8
N	Administrative and Support Services	7.7	7.6	7.5	8.9
P	Education	1.4	1.4	1.4	1.4
Q	Human Health and Social Work	4.2	3.7	4.2	3.6
R	Arts, Entertainment and Recreation	2.6	2.1	2.6	2.9
S	Other Services	5.7	5.2	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.

In Tyne & Wear City Region, five industries had a net loss of businesses over the period 2003-2008 (Table 7.4a). They were "Other Services", "Wholesale, Retail and Motor Trades", "Manufacturing", "Transport, Post and Telecommunications" and "Mining, Quarrying and Utilities".

Table 7.4a: Change in the Number of Enterprises, TWCR, Leeds City Region, North East, UK, 2003 to 2008

SIC 2003 Industry	Change TWCR	Percentage Change			
		TWCR	Leeds CR	North East	UK
C and E Mining, quarrying and utilities	-5	-16.7	7.1	41.7	-8.3
D Manufacturing	-115	-3.6	-9.7	-4.2	-9.7
F Construction	1,225	32.0	25.8	31.7	19.9
G Wholesale, retail and motor trades	-195	-2.3	-4.9	-3.3	-3.2
H Hotels and catering	180	4.6	1.5	3.5	2.1
I Transport, post and telecommunications	-5	-0.3	4.2	-1.5	0.3
J Finance	140	46.7	30.4	40.2	19.3
K Property and business services	3,220	36.7	31.2	40.5	28.3
M Education	85	21.0	9.1	19.1	11.2
N Health	250	16.4	18.0	16.2	17.3
O Other Services	-240	-6.6	-7.9	-6.5	-0.4
Total	4,540	12.7	9.2	13.0	10.6

Source: ONS, IDBR.

Note: All figures are rounded to avoid disclosure.

Compared to the UK Tyne & Wear City Region underperformed in four industries, "Mining, Quarrying and Utilities", "Other Services", "Health" and "Transport, Post and Telecommunications".

Tyne and Wear City Region outperformed the North East in all but three industries. The industries where Tyne and Wear City Region underperformed were "Mining, Quarrying and Utilities", "Property and Business Services" and "Other Services".

Tyne and Wear City Region outperformed Leeds City Region in eight industries. The three industries where Tyne and Wear City Region underperformed were "Transport, Post and Telecommunications", "Health" and "Mining, Quarrying and Utilities".

Table 7.4b: Active Enterprises in Tyne and Wear City Region, 2003-2008

SIC 2003 Industry	2003	2004	2005	2006	2007	2008
C and E Mining, quarrying, electricity, gas and water supply	30	40	30	35	30	25
D Manufacturing	3,155	3,050	3,110	3,085	3,095	3,040
F Construction	3,830	4,045	4,380	4,610	4,870	5,055
G Wholesale, retail and motor trades	8,470	8,335	8,355	8,225	8,265	8,275
H Hotels and catering	3,875	3,960	3,930	3,945	4,060	4,055
I Transport, post and telecommunications	1,800	1,725	1,740	1,750	1,800	1,795
J Finance	300	315	290	320	300	440
K Property and business services	8,780	9,485	10,140	10,470	11,825	12,000
M Education	405	430	445	470	470	490
N Health	1,525	1,555	1,595	1,630	1,690	1,775
O Other Services	3,635	3,635	3,240	3,275	3,355	3,395
Total	35,805	36,575	37,255	37,815	39,760	40,345

Source: ONS, IDBR.

Note: All figures are rounded to avoid disclosure.

7.5 Changes in 2008 by Industry

Within Tyne and Wear City Region four industries had a net loss of businesses over the period 2007-2008 (Table 7.5). The main loss was in "Manufacturing". The other losses were in "Hotels and Catering", "Transport, Post and Telecommunications" and "Mining, Quarrying and Utilities".

Tyne and Wear City Region outperformed the UK in seven industries: "Finance", "Education", "Hotels and Catering", "Wholesale, Retail and Motor Trades", "Other Services", "Manufacturing" and "Health".

Tyne and Wear City Region outperformed the North East in six industries: "Finance", "Education", "Other Services", "Health", "Wholesale, Retail and Motor Trades" and "Hotels and Catering". Note that the fall in "Manufacturing" in the City Region (-1.8%) was worse than the North East fall (-1.4%) but better than the UK fall (-2.2%).

"Finance" was the only industry where Tyne and Wear City Region outperformed Leeds City Region.

Table 7.5: Change in the Number of Enterprises, TWCR, Leeds CR, North East, UK, 2007 to 2008

SIC 2003	Industry	Actives 2007 TWCR	Actives 2008 TWCR	Change TWCR	Percentage Change			
					TWCR	Leeds CR	North East	UK
C and E	Mining, quarrying, electricity, gas and water supply	30	25	-5	-16.7	36.4	6.3	5.4
D	Manufacturing	3,095	3,040	-55	-1.8	9.3	-1.4	-2.2
F	Construction	4,870	5,055	185	3.8	23.2	3.9	4.5
G	Wholesale, retail and motor	8,265	8,275	10	0.1	13.4	-0.9	-1.1
H	Hotels and catering	4,060	4,055	-5	-0.1	17.0	-0.9	-1.7
I	Transport, post and telecommunications	1,800	1,795	-5	-0.3	18.3	0.5	2.0
J	Finance	300	440	140	46.7	46.6	36.2	20.0
K	Property and business services	11,825	12,000	175	1.5	20.9	3.2	2.2
M	Education	470	490	20	4.3	14.9	1.3	-1.4
N	Health	1,690	1,775	85	5.0	21.2	4.0	4.6
O	Other Services	3,355	3,395	40	1.2	14.3	-0.1	0.3
	Total	39,760	40,345	585	1.5	17.7	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 IDBR is essentially the data-set from which the Business Demographics series is compiled. Extracts from the IDBR, however, are for a particular point in time.⁸

TWRI focuses on the counts of businesses.⁹

At the 2-digit SIC level, two of Tyne & Wear City Region's top ten industries for enterprises were not in the England top ten; Architectural and engineering activities etc (SIC 71, 12th in England) and Wholesale and retail trade etc. (SIC 45, 13th in England).

**Table 8.1 Percentage Share of Enterprises By 2-Digit SIC Level, March 2009
Top Ten in Tyne and Wear City Region (TWCR) with North East and England Comparators**

SIC2007	TWCR	North East	North East Rank	England	England Rank
47 Retail trade; except of motor vehicles and motorcycles	11.4	10.9	1	8.8	1
43 Specialised construction activities	8.5	8.6	2	8.1	2
56 Food and beverage service activities	8.4	7.9	3	5.4	5
46 Wholesale trade; except of motor vehicles and motorcycles	4.3	4.1	6	5.1	6
01 Crop and animal production; hunting and related service activities	4.3	6.0	4	4.8	7
71 Architectural and engineering activities; technical testing and analysis	4.1	5.2	5	3.2	12
41 Construction of buildings	4.0	3.9	7	4.1	8
45 Wholesale and retail trade and repair of motor vehicles and motorcycles	3.7	3.8	8	3.1	13
70 Activities of head offices; management consultancy activities	3.6	3.6	9	5.9	3
62 Computer programming; consultancy and related activities	3.3	3.0	10	5.4	4

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.

⁸ 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.

⁹ 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 England, the two top ten industries not included in Tyne & Wear City Region's were Real estate activities (SIC 68) and 'Office administrative; office support and other business support activities' (SIC 82) (Table 8.2). These ranked in TWCR 11th and 13th respectively.

**Table 8.2 Percentage Share of Enterprises By 2-Digit SIC Level, March 2009
Top Ten in England with North East and Tyne and Wear City Region (TWCR) Comparators**

SIC2007

	England	North East	North East Rank	TWCR	TWCR Rank
47 Retail trade; except of motor vehicles and motorcycles	8.8	10.9	1	11.4	1
43 Specialised construction activities	8.1	8.6	2	8.5	2
70 Activities of head offices; management consultancy activities	5.9	3.6	9	3.6	9
62 Computer programming; consultancy and related activities	5.4	3.0	10	3.3	10
56 Food and beverage service activities	5.4	7.9	3	8.4	3
46 Wholesale trade; except of motor vehicles and motorcycles	5.1	4.1	6	4.3	4
01 Crop and animal production; hunting and related service activities	4.8	6.0	4	4.3	5
41 Construction of buildings	4.1	3.9	7	4.0	7
68 Real estate activities	3.6	2.8	12	3.1	11
82 Office administrative; office support and other business support activities	3.6	2.7	14	2.8	13

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 series¹⁰. 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 period¹¹. 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 regulations¹² 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.

¹⁰ (Office for National Statistics, Introducing the new business demography statistics, Economic and Labour Market Review, Vol 2, No 12, December 2008)

¹¹ 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.

¹² 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)¹³ 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>)

¹³ 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	BERR¹⁴ 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

¹⁴ 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