Businesses Registered for VAT in Tyne & Wear 2000

February 2002

Reference: EB02/1 Price: £15.00

TYNE & WEAR RESEARCH AND INFORMATION
Provincial House
Northumberland Street
Newcastle upon Tyne
NE1 7DQ
(0191) 277 1919

Supported jointly by the Cities of Newcastle and Sunderland and the Metropolitan Boroughs of Gateshead, North Tyneside and South Tyneside

CONTENTS

	Key Points	
1	**Introduction …………………………………………………………………………...**	1
2	**Technical Introduction ………………………………………………………………….**	1
3	**Drivers of Change ……………………………………………………………………..**	2
4	**Changes in the Business Base ………………………………………………………...**	4
4.1	Stock of Businesses ……………………………………………………………………….	4
4.2	Net Changes During 2000 ………………………………………………………………...	4
4.3	District Changes …………………………………………………………………………..	5
4.4	Registrations (“Business Starts”) ………………………………………………………	6
4.5	De-Registrations (“Business Failures”) …………………………………………………..	8
5	**Industrial Structure of the Business Base ……………………………………………..**	10
5.1	The Industrial Mix of Businesses ………………………………………………………	10
5.2	Net Change by Industry …………………………………………………………………..	10
5.3	Industrial Net Changes Relative to the UK and NE ………………………………………	13
5.4	Cumulative Industrial Change from the Start of 1994 to the End of 2000 ……………….	14
5.5	Changes Since 1980 ………………………………………………………………………	15
6	**Small and Medium Enterprises (SMEs) ………………………………………………..**	17
6.1	Production Industry in the North East …………………………………………………….	18
6.2	Wholesale, Retail & Repair and Hotels & Restaurants in the North East ………………..	19
6.3	Change in Small Businesses From Start 1998 to Start 1999 ……………………………...	20

Figures:

1	**Change in Population and Business Stock, Tyne & Wear, UK, 1980-2000 ………...**	3
2	Change in House Prices and Business Stock, Tyne & Wear, UK 1985-2000 ……………	3
3	The Industrial Mix of the Business Base, Tyne & Wear, 2000 …………………………..	10

Tables:

1	Business Registrations, De-Registrations and Stocks; Tyne & Wear & Districts, 2000 ….	4
2	Total and % Change in Number of Businesses Registered for VAT; 1994-2000 ………...	5
3	Business Registrations in Tyne & Wear 1994-2000 ………………………………………	6
4	Change in Registrations by Industry: Tyne & Wear, North East and UK, 2000 Compared With 1999 …………………………………………………………………………………	7
5	Business De-Registrations in Tyne & Wear 1994 to 2000 ………………………………..	8
6	Change in De-registrations by Industry: Tyne & Wear, North East and UK, 2000 Compared With 1999 ………………………………………………………………………...	9
7	Stock of Businesses and Annual Change in Tyne & Wear, 1997-2000 …………………..	11
8	Net Change in Business Base By Industry for Tyne & Wear Districts, 2000 …………….	11
9	VAT Registered Businesses by Industry: Tyne & Wear and UK, Year End 2000 ……….	13
10	Cumulative Change in Business Numbers from Start 1994 to End 2000, by Industry (%)	14
11	**Business Registrations, De-Registrations and Stocks in Tyne & Wear 1980-2000 …**	15
12	North East Business Structure, by Size. All Industries - start 1999 ……………………...	17

13 North East Business Structure, by Size. Production Industries - start 1999 ……………... 18
14 North East Business Structure, by Size. Distribution, Hotels & Catering - start 1999 …... 19
15 UK Business Structure, by Size. All Industries – start 1998 to start 1999 ………………. 20

Appendix Tables:

A1 UK Business Registrations, 1994 to 2000 ………………………………………………... 21
A2 UK Business De-Registrations, 1994 to 2000 ……………………………………………. 21
A3 UK Net Change in Business Base, 1994 to 2000 ………………………………………… 22
A4 North East Business Registrations, 1994 to 2000 ………………………………………... 23
A5 North East Business De-Registrations, 1994 to 2000 ……………………………………. 23
A6 Gateshead Business Registrations, 1994 to 2000 ………………………………………… 24
A7 Gateshead Business De-Registrations, 1994 to 2000 …………………………………….. 24
A8 Newcastle Business Registrations, 1994 to 2000 ………………………………………… 25
A9 Newcastle Business De-Registrations, 1994 to 2000 …………………………………….. 25
A10 North Tyneside Business Registrations, 1994 to 2000 …………………………………... 26
A11 North Tyneside Business De-Registrations, 1994 to 2000 ………………………………. 26
A12 South Tyneside Business Registrations, 1994 to 2000 …………………………………... 27
A13 South Tyneside Business De-Registrations, 1994 to 2000 ………………………………. 27
A14 Sunderland Business Registrations, 1994 to 2000 ……………………………………….. 28
A15 Sunderland Business De-Registrations, 1994 to 2000 …………………………………… 28

KEY POINTS

Overall:

- At the end of 2000, there were **15,905 businesses** registered for VAT in Tyne & Wear (§4.1).
- The number of businesses in Tyne & Wear, "the business base", **fell very marginally in 2000 by 0.1% (just 20 firms)** (§4.1). This is much less weak than the fall the previous year, 1999, of –0.8%. 1998 was the only year with *absolute* growth in the business base in Tyne & Wear since 1990 (§5.5). The stability in 2000, which was historically strong in the context of the 1990s, was **possibly caused by the upward 'blip' in house prices (and thus housing wealth)** peaking in 1999 (Fig 2.).
- *Relative* to the UK, however, Tyne & Wear **under-performed in 2000 by -0.5 percentage points.** Tyne & Wear also under-performed slightly against the North East (up 0.1%). Since 1994 Tyne & Wear has under-performed the UK by over 7 percentage points. Tyne & Wear's business base has under-performed, on average, by 1% per annum (§4.2; 5.4). This rate of under-performance is practically the same as in the 1980s.
- Very reputable research, from Cambridge University, using data for the 1980s has found the **key drivers** (at county-level) to be **a) population change**; **b) housing wealth** (house-price inflation); and **c) professional and managerial experience** (§3). In the 1980s, house price inflation under-pinned growth of the business base. In the early 1990s, in the UK, subdued house price inflation was probably the driver of the declining trend in business numbers. Since 1996, as UK house price inflation has accelerated, UK business numbers have risen. In Tyne & Wear, however, continued population decline has weakened the business base.
- **Below county-level, the location of major property developments** appears to have been a key factor: Of Newcastle's 835 net losses since 1994, 43% are from Retail & Wholesale. **Business numbers fell sharply in Newcastle**, as has been the pattern at least since the 1980s, by 140 firms (down 3.2%). Newcastle's cumulative decline since 1994 has reached 16.5%. (If this rate were to continue, Newcastle's business base would halve in about 20 years). Sunderland fell by 35 firms (-1%), and less sharply in South Tyneside, by 10 (-0.5%).
- The two Districts with growth in business numbers (§4.3) were Gateshead, up 110 (3.3%) probably led by property developments, and North Tyneside up 55 (2%) probably led by its population growth. In 2000, Gateshead had the fastest rise in its business base, despite a marked population decline, suggesting local factors. The rise was mainly in Business Services (+60) perhaps attracted by premises available (e.g. on Team Valley and Follingsby Park) and, against the tide, Retailing & Wholesale (+20) probably connected to the MetroCentre. North Tyneside was the only District with an increase in population (§5.2).

Growth industries:

- In Tyne & Wear, **in 2000 growth was strongest in Business Services (up 160, 4%)**. In 2000 Hotels & Catering grew by 2% (up 30) (§5.2). This may reflect growth in the tourism industry. Only two industries grew from 1994-2000: Business Services (up 890, 31%) and Public Admin. & Other Services (up 255, 19%); (§5.4).

Declining industries:

- In 2000 there was no change in the business base in five industries. There was a decline in three industries**. Numerically the largest net decline was in Retailing & Wholesale (down 140 -3% in 2000** and down 965 or -17% during 1994-2000). Over the last seven years, other large falls have occurred in Construction (down 420, -22%) and Manufacturing (down 335, -17%) (§5.2; 5.4).

Registrations and De-registrations:

- In 2000, both improved in Tyne & Wear: **mainly de-registrations, down 90 or 5%** (to 1,820), but also registrations up 15 or just 0.8% (to 1,800) (§4.4; 4.5).
- The small rise in registrations in Tyne & Wear in 2000 was due to four industries: particularly Transport & Communications (up 25, 29%), Business Services (up 30, 6%) and Hotel & Catering (up 25, 9%), but also Public Admin. & Other Services (up 10, 8%). Retailing & Wholesale had the largest numerical decline in registrations (down 40, -9%). There were also fast falls in registrations in Construction (down 11%) and Manufacturing (down 15%) (§4.4).

- In the UK in 2000, registrations rose by almost 3%, due to the large numerical increase in Business Services (up 4,470, 7%) and Public Administration & Other Services (up 1,110) (§4.4).
- **Encouragingly the fall in de-registrations in Tyne & Wear in 2000 was concentrated in Business Services (down 45, -12%),** a previously under-performing sector. Conversely, de-registrations continued to rise in Retailing & Wholesale, by 30 (+6%), another rise after the dip in 1998 (§4.5). (Retail de-registrations appear to be inversely related to the rate of growth in retail sales volume).

Small and Medium Enterprises (SMEs):

- In 1999*, 99% of the 91,000 businesses in the North East were small or medium sized (employing 50 or fewer) (§6). (* No 2000 data were available from the Small Business Service).
- SMEs (up to 50 employees) account for 41% of employment and almost one third of turnover in the North East.
- The Production Industries are, however, dominated by larger sized businesses. 92% of Production Industry businesses in the North East are small but they account for only a quarter of employment and one sixth of turnover.
- In Distribution and Hotels & Restaurants, 99% of businesses are small, accounting for 40% of employment but under one third of turnover.
- The number of small businesses in the UK fell from the start of 1998 to the start of 1999 (except for businesses employing between one and four people). Subsequently employment fell within these smaller businesses.

1 INTRODUCTION

Establishing a new entrepreneurial culture is one of the six key aims of One NorthEast, the Regional Development Agency (RDA). If successful, this will accelerate the start-up rate and growth of new businesses, thus strengthening the business base. Also a major aim, if not the principal aim, of current European Structural Funding (2000-06) is support for small and medium-sized enterprises (SMEs). The aims are set out in more detail in the NE Single Programming Document (available from Government Office North East).

Population decline is known to be a driver of decline in the business base (§3) and a central aim of NE Regional Planning Guidance (RPG) is to slow the region's rate of population decline. Local population stability or growth is necessary to under-pin demand for the services of (usually small) businesses. Capital to start more small businesses, appears to continue to be a major constraint on business numbers.

This report shows that Tyne & Wear's small business base declined marginally in 2000. In contrast the North East's business base actually rose. Indeed, over the period 1994-2000 Tyne & Wear's business base has contracted more quickly than the North East's.

A particular weakness of Tyne & Wear is its high dependence on Retailing & Wholesale businesses (30%, NE 27%, UK 23%). This is a weakness because business numbers have been declining in this sector for over two decades. Conversely it is somewhat under-weight in Business Services (24%), relative to the UK (26%), but higher than the NE (20%), reflecting the conurbation's service role to the region. Similarly, Tyne & Wear has only 1% of its businesses in Agriculture, whereas this is 9% in both the NE and UK.

2 TECHNICAL INTRODUCTION

This paper presents the latest (2000) information for Tyne & Wear on businesses registered for VAT from the Inter-Departmental Business Register (IDBR), held by the Office for National Statistics (ONS). The VAT data are derived from HM Customs & Excise records and supplied by the Small Business Service (SBS). The main focus is on changes during 2000 in the "business base" (businesses registered for VAT).

It is important to note that many 'micro-businesses' (normally single-person businesses) fall below the VAT turnover threshold. There will be thousands of these in Tyne & Wear.

Only broad comparisons can be made for 1980-2000. This is because of large increases in the VAT threshold in 1991, 1993 and 1999, as well as other changes to the estimates. From April 2000 the threshold for VAT registration was an annual turnover of £52,000 (£54,000 from April 2001). Since 1994 the estimates have been based on counts of VAT registered *enterprises*; earlier counts were based on VAT *legal units*. An *enterprise*, as defined by the DTI, is a person or group of people producing goods or services under their own control and with their own legal identity. A branch or office of a larger organisation would not in itself be an enterprise.

From 1994, industry-coding is on the Standard Industrial Classification using SIC92. Earlier data were published using the VAT Trade Classification (VTC). Due to the lack of comparability between the 1980-1993 and 1994-2000 industry-codes, analysis of change for the full period, 1980-2000, is for the whole business base only.

Comparisons are made geographically and industrially; Tyne & Wear with the North East and the UK across industries. It should be noted that registrations and de-registrations do not equate to business start-ups and closures. Enterprises may have been trading for some time before reaching the registration threshold, or may fall below the threshold and continue to trade.

3 DRIVERS OF CHANGE

Keeble and Walker, at Cambridge University, performed an extensive statistical analysis of the VAT data-set for 1980-90. A set of key influences on new enterprise formation, growth in small business numbers and business failures in the UK were identified. The study was published in *Regional Studies* (Volume 28, Number 4 July 1994). For small business growth, key positive influences (drivers) were found to be:

- previous population growth,
- capital availability (principally housing wealth) and
- professional and managerial expertise.

Figures 1 and 2 show associations between change in the business base in Tyne & Wear and both population change and house price inflation (from 1980 or 1985 to 2000). This is consistent with the Keeble & Walker findings from the 1980s. Population decline (Fig. 1) in Tyne & Wear has been a drag on the business base in every year except 1992 and 1993. It has fluctuated around –0.5%pa or so. Population decline accounts for about half or more of Tyne & Wear's under-performance relative to the UK, particularly in the 1990s.

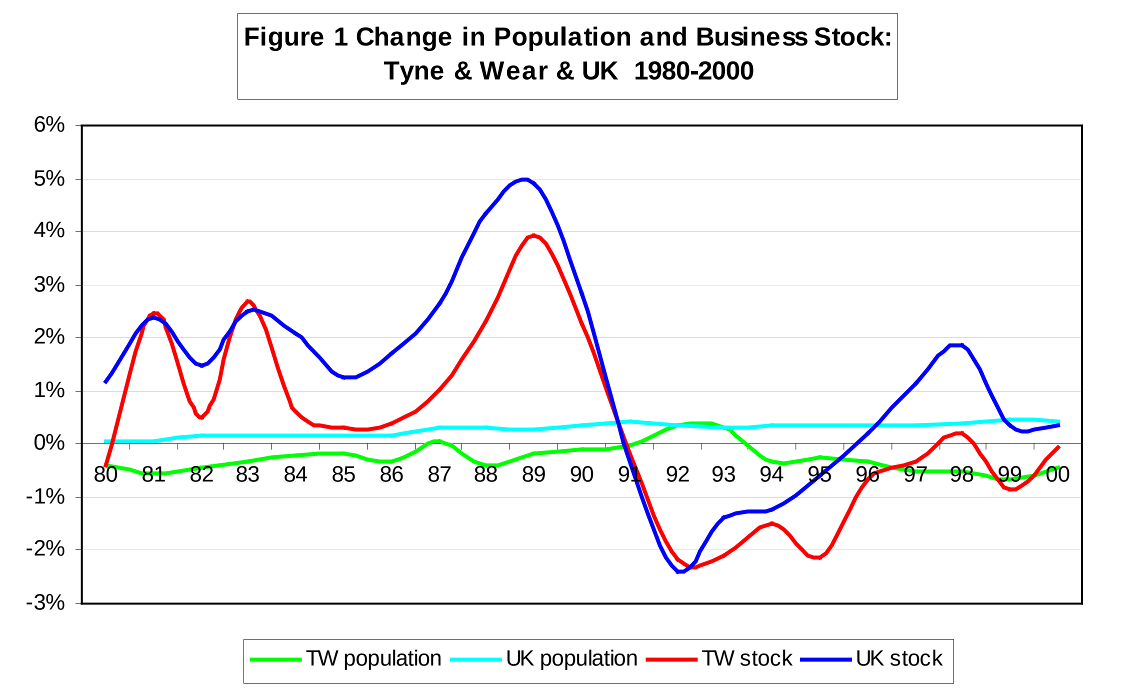
House prices can be said to be the main reason for the sharp contrast in business base change from one decade to the next, from growth to decline (Fig. 2). Housing wealth is the main collateral for new small businesses. In the 1980s strongly rising house prices were associated with positive growth in the business base (in Tyne & Wear and in the UK). The huge rise in house prices in Tyne & Wear in 1989 helps to explain the elimination of the gap in business base change in the following two years (1990 and 1991). After 1990, house price inflation (and thus housing wealth) has been very weak (except in 1999 in the UK). The business base has shrunk in both the UK and Tyne & Wear. In the first half of the 1990s (1991-95) house prices were flat and the business base shrank in both areas. In the later 1990s (1996-2000) house prices began to rise again and the business base began to grow in the UK, and improve in Tyne & Wear.

Tyne & Wear's under-performance in the last three years (1998-2000) has been associated with accelerated population decline (Fig. 1) and weaker house price inflation than in the UK (Fig. 2). In 1999, house price inflation accelerated in Tyne & Wear and, especially, the UK, but weakened in 2000.

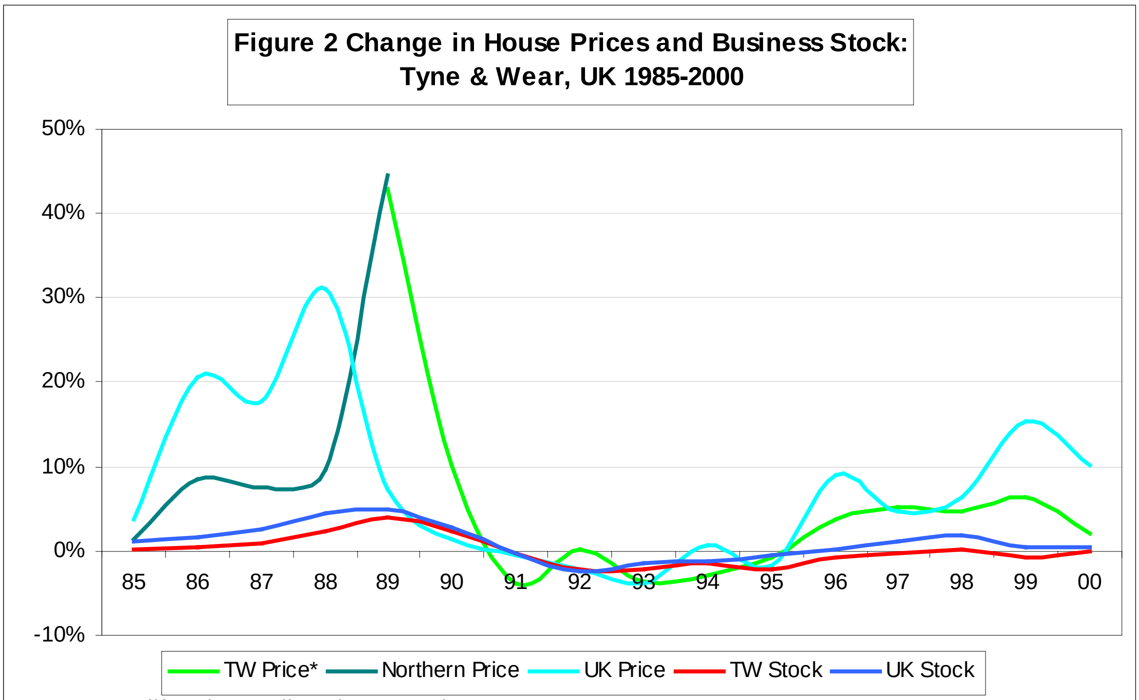
For new firm formation Keeble & Walker found the most important influences are:

- previous local population growth,
- capital availability (as indicated by housing wealth),
- occupational structures (focused on professional, managerial and non-manual expertise),
- firm size structures and
- geographically-concentrated urban demand.

Business death rates reflect earlier creation rates, the negative effect of rising unemployment, urban location and small firm size structures. In contrast, above-average local government expenditure and enterprise agency assistance appear to help reduce the death rate of small enterprises.



Source: ONS, Small Business Services



Source: Halifax plc, Small Business Service

*For 1985 to 1988, the Northern Region is used as a proxy for Tyne & Wear.
The change in house price relates to semi-detached properties only, for the 3rd quarter of each year.

4 CHANGES IN THE BUSINESS BASE

4.1 STOCK OF BUSINESSES

At the end of 2000, Tyne & Wear had 15,905 businesses registered for VAT (Table 1). This is a remarkably small business base of 179 businesses for every 10,000 adults. The UK average is almost twice this, at 351.

Tyne & Wear is also sharply under-represented in relation to employment. It has only 1% of all UK businesses registered for VAT, but about 2% of UK employees. Tyne & Wear is also under-represented in the North East Region with 38% of the business base compared with roughly 47% of the region's employees. Tyne & Wear firms may be larger than average North East firms. Nearly a tenth of North East businesses are in agriculture whereas these form 1% in Tyne & Wear.

Table 1: Business Registrations, De-registrations and Stocks: Tyne & Wear and Local Authority Districts, 2000

Area	Stock at start 2000	Registrations	De-registrations	Stock at end 2000	Ratio of Stock at end 2000 per 10,000 of adult population*	Net Change No	%
Gateshead	3,335	365	255	3,445	215	110	3.3
Newcastle	4,355	530	675	4,215	191	-140	-3.2
North Tyneside	2,740	325	270	2,795	179	55	2.0
South Tyneside	1,900	180	190	1,890	155	-10	-0.5
Sunderland	3,585	395	435	3,550	154	-35	-1.0
Tyne & Wear	15,925	1,800	1,820	15,905	179	-20	-0.1
North East GOR	41,930	4,280	4,220	41,990	204	60	0.1
England	1,410,410	162,265	156,150	1,416,525	357	6,115	0.4
UK	1,658,125	183,325	177,080	1,664,370	351	6,245	0.4

Source: Small Business Service
*Note: * Aged 16 and over*
Figures may not tally exactly due to rounding.

4.2 NET CHANGE DURING 2000

During 2000, Tyne & Wear's business base fell by 0.1%, or 20 firms (Table 1). The marginal net fall in the business base in 2000 follows a sharp fall in the business base in 1999 (0.8% or 135 firms). Tyne & Wear's performance was worse, however, than that of the North East Region, where the business base grew marginally by 0.1%, or 60 firms. Both Tyne & Wear and the North East under-performed in relation to the UK, which *grew* by 0.4%.

4.3 DISTRICT CHANGES

In 2000, Newcastle's decline in its business base was rapid at 3.2%, or 140 firms (Table 1). Sunderland recorded a decline, of 1.0% or 35 firms and South Tyneside recorded a decline of 0.5%, or 10 firms. The business base continued to grow in Gateshead, by 3.3% (110 firms). The increase in North Tyneside (2.0% or 55 firms) was more subdued. Excluding the two growing Districts, Gateshead and North Tyneside, decline in Tyne & Wear's districts business base averaged 1.6%.

Newcastle is the only district in Tyne & Wear to have had a decline in its business base each year since 1994. Its rate of decline has accelerated from -0.7% in 1996 to -4.3% in 1999, slowing slightly in 2000 to -3.2%.

Over the seven years, from the start of 1994 to the end of 2000, the business base fell in three Tyne & Wear districts (Table 2). The fastest decline was in Newcastle (-16.5%), followed by Sunderland (-4.7%) and North Tyneside (-2.8%). The business base increased in Gateshead (+5.0%) and South Tyneside (+2.4%). In South Tyneside the business base has increased in line with the UK, but Gateshead out-performed the UK by 2.8 percentage points over the seven years to the end of 2000. In each district the largest absolute decline in the business base was in the Retail & Wholesale sector, following the national trend. Newcastle, which accounted for 28% of the registered Retail & Wholesale businesses in Tyne & Wear in 1994, was particularly susceptible. It suffered a fall of 360 firms or 23% (UK -14%). Thus, of Newcastle's net loss since 1994 of 835 businesses 43% were from Retail & Wholesale. Newcastle's Retail & Wholesale sector now accounts for 26% of the Tyne & Wear total.

Table 2: Total and % Change in Number of Businesses Registered for VAT; 1994-2000

	Stock Start 1994	Stock End 2000	Change 1994-2000 No.	Change 1994-2000 %
Gateshead	3,280	3,445	165	5.0%
Newcastle	5,050	4,215	-835	-16.5%
North Tyneside	2,875	2,795	-80	-2.8%
South Tyneside	1,845	1,890	45	2.4%
Sunderland	3,725	3,550	-175	-4.7%
Tyne & Wear	16,780	15,905	-875	-5.2%
North East	44,120	41,990	-2,130	-4.8%
England	1,377,280	1,416,525	39,245	2.8%
UK	1,629,235	1,664,370	35,135	2.2%

Source: Small Business Service

4.4 REGISTRATIONS ("BUSINESS STARTS")*

Between 1994 and 2000, total registrations in Tyne & Wear fell by 85 (-4.5%) (Table 3). Tyne & Wear was comparable with the regional fall of 4%, but markedly under-performed the UK by 13 percentage points, due to a 9% rise in UK registrations. In Tyne & Wear, the largest falls were in Public Admin & Other Services (down 130, -49%) and Retailing & Wholesale (down 110, -21%). Registrations also fell in Education & Health (down 25, -56%), Manufacturing (down 10, -7%) and Finance (down 5, -33%). There have been no registrations in the Mining & Utilities sector since 1994 (At least not more than two in any year. See # footnote below Table 4).

Between 1994 and 2000 registrations in Tyne & Wear increased in four industries, led by Business Services (up 90, 22%) and Hotels & Catering (55, 22%). There were also rises in Construction (up 30, 21%) and Transport & Communications (up 25, 29%). New registrations remained at a much lower rate than in the 1980s. Registrations peaked at 3,100 in 1989, (on a lower VAT threshold).

Table 3: Business Registrations* in Tyne & Wear, 1994 to 2000

SIC 92	Industry	1994	1995	1996	1997	1998	1999	2000	Total
A,B	Agriculture	10	10	5	5	10	5	10	55
C,E	Mining & Utilities	5	0	0	0	0	0	0	5
D	Manufacturing	140	135	170	135	110	145	130	965
F	Construction	140	155	180	175	160	190	170	1,170
G	Retailing & Wholesale	525	445	465	430	415	455	415	3,150
H	Hotels & catering	255	255	245	265	250	285	310	1,865
I	Transport	85	95	85	80	90	85	110	630
J	Finance	15	5	5	5	10	10	10	60
K	Business Services	405	400	450	440	495	465	495	3,150
L,O	Public Admin. & Other Services	265	220	150	270	190	125	135	1,355
M,N	Education & Health	45	15	25	15	20	20	20	160
Total		1,885	1,740	1,780	1,825	1,750	1,785	1,800	12,565

Source: Small Business Service

Note: Figures may not tally exactly due to rounding.

In 2000 UK registrations rose by 4,865 or 2.7% (Table 4) overwhelmingly due to the large numerical rise in Business Services (up 4,470, 7%) and Public Admin. & Other Services (up 1,110, 7%). Rates of change across industries ranged from 3% falls in Retailing & Wholesale and Education & Health to 7% growth in Public Admin. & Other Services and Business Services. The largest numerical decline was in Retailing & Wholesale (down 1,070).

In the North East registrations in 2000 increased by just 50 or 1.2%. Compared with 1999, the number of registrations rose in all English Regions. The North East had the smallest rise, in contrast to the East of England which saw a rise of 1,340 registrations.

The largest numerical rise in the North East in 2000 was in Business Services (up 85, 8%). The next largest increase was in Public Admin. & Other Services (up 80, 28%). The North East's largest numerical falls in 2000 were in Retailing & Wholesale (down 160, -15%), at five times the UK rate (-3%) and Construction (down 15, -4%).

Registrations in Tyne & Wear rose by just 15 (0.8%) in 2000 to 1,800. Overall, the county under-performed against the region by 0.4 percentage points and the UK by 1.9 (Table 4). This rise in Tyne

& Wear registrations was mainly due to a recovery in Business Services (up 30, 6%), which had fallen in 1999 by 30 (-6%). In Transport & Communications, registrations also rose strongly (up 25, 29%), Hotels & Catering rose by 25 (9%) and Public Admin & Other Services registrations rose by 40 (10%)[#]. Tyne & Wear accounted for over 44% of the Business Services registrations in the North East.

Registrations in 2000 fell in Construction (down 20, -11%). This compares poorly with a UK fall of 1% and North East fall of 4%. In Tyne & Wear, registrations also fell in Manufacturing by 10%. Registrations in Retail & Wholesale fell in the UK (-3%) and in the North East (-15%), as well as in Tyne & Wear (-9%).

Table 4: Change in Registrations* by Industry: Tyne & Wear, North East and UK, 2000 compared with 1999

SIC 92	Industry	Tyne & Wear Change No.	Tyne & Wear Change %	NE Change No.	NE Change %	UK Change No.	UK Change %
A,B	Agriculture	5	NA	10	13%	0	0%
C,E	Mining & Utilities	0	NA	0	0%	0	0%
D	Manufacturing	-15	NA	-10	-3%	-285	-2%
F	Construction	-20	NA	-15	-4%	-115	-1%
G	Retailing & Wholesale	-40	NA	-160	-15%	-1,070	-3%
H	Hotels & Catering	25	NA	40	6%	650	4%
I	Transport	25	NA	0	0%	200	2%
J	Finance	0	NA	5	33%	-25	-1%
K	Business Services	30	NA	85	8%	4,470	7%
L,O	Public Admin. & Other	10	NA	80	28%	1,110	7%
M,N	Education, Health	0	NA	15	38%	-70	-3%
	Total	15	NA	50	1.2%	4,865	2.7%

Source: Small Business Service

Note: NA - base year zero, percentage change not available.

*** Note:** Registrations do not equate to 'business starts' because they include changes for other reasons, e.g. change of name, change of proprietor, re-opening an existing business.

[#] All figures are rounded to the nearest 5 (by SBS), so the changes in Agriculture +5, 100% is unreliable, meaning only a rise of at least 3 firms

4.5 DE-REGISTRATIONS ("BUSINESS FAILURES")*

Over the seven years, 1994 to 2000, business de-registrations in Tyne & Wear fell (improved) by 15% to 1,820 (Table 5). This was a much faster fall than the UK (6%) but slightly slower than the North East fall of 18%. In Tyne & Wear numbers of de-registrations fell (improved) in all industrial categories, except Business Services (up 55, 20%) and Transport & Communications (up 15, 16%). Both Education & Health and Finance showed no change. The largest numerical falls in de-registration were: Retailing & Wholesale (down 150, -21%), Construction (down 105, -36%) and Public Admin. & Other Services (down 65, -34%).

In the seven years to 2000, the North East's fall (improvement) in de-registrations, -18% (-930), was much steeper than in both Tyne & Wear and the UK. The largest numeric falls in the North East were in Retailing & Wholesale (down 440, -27%), Construction (down 250, -36%) and Public Admin. & Other Services (down 155, -34%). Rises in de-registrations (deteriorations) in the North East were in Business Services (up 140, 20%), Transport & Communications (up 25, 10%) and Finance (up 10, 67%). This shows that Tyne & Wear's problems in Business Services were shared by the rest of the North East, although not as intensely.

Between 1994 and 2000, UK de-registrations fell by 6% (-11,050). Finance de-registrations rose by 790 (77%) and Business Services by 18,865 (58%). The largest percentage falls in de-registrations were in Construction (down 9,285, -34%) and Public Admin & Other Services (down 6,260, -32%).

Table 5: Business De-registrations* in Tyne & Wear, 1994 to 2000

SIC 92	Industry	1994	1995	1996	1997	1998	1999	2000	Total
A,B	Agriculture	20	15	25	15	10	20	10	115
C,E	Mining & Utilities	25	5	5	0	5	5	5	50
D	Manufacturing	190	215	165	155	180	210	185	1,300
F	Construction	290	250	210	225	200	225	185	1,585
G	Retailing & Wholesale	705	670	575	575	515	525	555	4,120
H	Hotels & catering	315	295	270	270	265	280	285	1,980
I	Transport	95	75	105	95	85	110	110	675
J	Finance	10	25	10	15	10	10	10	90
K	Business Services	280	340	320	325	280	380	335	2,260
L,O	Public Admin. & Other Services	190	190	165	155	145	130	125	1,100
M,N	Education & Health	15	20	35	40	25	25	15	175
Total		2,135	2,095	1,885	1,875	1,720	1,910	1,820	13,440

Source: Small Business Service

Note: Figures may not tally exactly due to rounding.

In 2000 overall de-registrations in Tyne & Wear fell by 5%, down 90 to 1,820 (Table 6). At Tyne & Wear level de-registrations rose in only two industrial categories: Retailing & Wholesale (up 30, +6%) and Hotels & Catering (up 5, +2%). The largest numeric falls in Tyne & Wear were in Business Services (down 45, -12%) and Construction (down 40, -18%).

In the North East, in 2000, de-registrations fell by 2%, down 75, a much slower rate than Tyne & Wear. The largest numerical falls were in Manufacturing (down 30, -7%) and Construction (down 30, -6%). Education & Health had the highest percentage change (-40%). The largest numerical rises in the North East were in Retailing & Wholesale (up 25, 2%) and Business Services.

In the UK, in 2000, the number of de-registrations rose by 3% or 5,110 (Table 6). De-registrations rose in Business Services (up 8,970, 21%), Transport & Communications (up 145, 2%) and Agriculture (up 20, 0.3%). De-registrations fell significantly in Construction (down 1,445, -7%), Retailing & Wholesale (down 1,250, -3%) and Manufacturing (down 820, -5%). The greatest percentage fall was in Mining & Utilities (-13%, down 35).

Table 6: Change in De-registrations* by Industry: Tyne & Wear, North East and UK, 2000 compared with 1999

SIC 92	Industry	Tyne & Wear Change No.	Tyne & Wear Change %	NE Change No.	NE Change %	UK Change No.	UK Change %
A,B	Agriculture	-10	NA	-25	-19%	20	0.3%
C,E	Mining & Utilities	0	NA	5	100%	-35	-13%
D	Manufacturing	-25	NA	-30	-7%	-820	-5%
F	Construction	-40	NA	-30	-6%	-1,445	-7%
G	Retailing & Wholesale	30	NA	25	2%	-1,205	-3%
H	Hotels & Catering	5	NA	-10	-2%	-320	-2%
I	Transport	0	NA	0	0%	145	2%
J	Finance	0	NA	5	25%	-30	-2%
K	Business Services	-45	NA	20	2%	8,970	21%
L,O	Public Admin. & Other	-5	NA	-15	-5%	-135	-1%
M,N	Education, Health	-10	NA	-20	-40%	-35	-2%
	Total	-90	NA	-75	-2%	5,110	3%

Source: Small Business Service

Note: NA - base year zero, percentage change not available.

***Note**: De-registrations do not equate to 'business failures' because they include ending a business or trading name for other reasons:

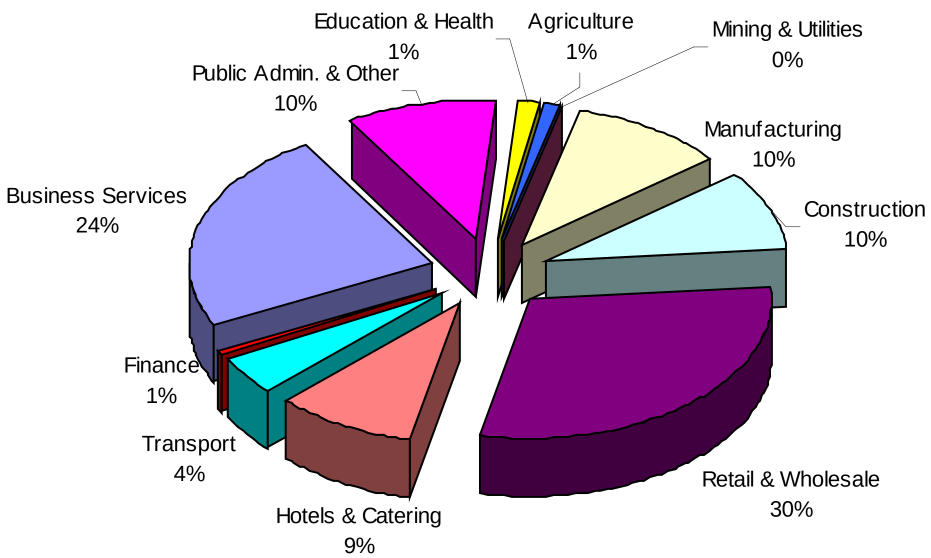
a) take-over
b) retirement
c) change of proprietor
d) change of business name
e) decline below the VAT threshold.

5 INDUSTRIAL STRUCTURE OF THE BUSINESS BASE

5.1 THE INDUSTRIAL MIX OF BUSINESSES

Tyne & Wear's business base remains strongly focused on Retailing & Wholesale (30% of VAT-registered business, NE 27%, UK 23%) (Fig. 3), despite a 3% fall during 2000. Tyne & Wear also has a higher proportion of businesses in Manufacturing than the North East and UK (10.2%; NE 9.4%; UK 9%). These two industries account for 40% of businesses, far more than in the UK (32%) and somewhat more than the region as a whole (NE 36%). Public Admin. & Other services are also marginally over-represented in Tyne & Wear (TW 10%, NE 9%, UK 9%), as are Hotels & Catering businesses (TW 9.4%, NE 9.3% and UK 6.3%). Tyne & Wear is strongly represented relative to the North East in Business Services (24% of businesses, 20% in the NE), reflecting the conurbation's service role to the region.

Figure 3 The Industrial Mix of the Business Base, Tyne & Wear, 2000



Source: Small Business Service

5.2 NET CHANGE BY INDUSTRY

In 2000 the principal net rise in businesses in Tyne & Wear was in Business Services (up 160, 4%) (Table 7). There was also a marginal net rise in Hotels & Catering (up 30, 2%). Business Services have increased every year since 1994, with an aggregate net rise of 31%, or 890 businesses. The net change in 2000 was zero, for Agriculture, Transport & Communications, Finance and Education & Health. The net change in 2000 was downward in three industries: Retailing & Wholesale (down 140, -3%), Manufacturing (down 60, -4%) and Construction (down 15, -1%).

Table 7: Stock of Business and Annual Change in Tyne & Wear, 1997-2000

SIC 92	Industry	1997 Start	End	% Change	1998 Start	End	% Change	1999 Start	End	% Change	2000 Start	End	% Change
A,B	Agriculture	210	200	-5%	200	200	0%	200	185	-8%	185	185	0%
C,E	Mining & Utilities	5	5	0%	5	0	-100%	0	0	NA	0	0	NA
D	Manufacturing	1,845	1,825	-1%	1,825	1,755	-4%	1,755	1,690	-4%	1,690	1,630	-4%
F	Construction	1,655	1,605	-3%	1,605	1,565	-2%	1,565	1,530	-2%	1,530	1,515	-1%
G	Retail & Wholesale	5,170	5,025	-3%	5,025	4,925	-2%	4,925	4,855	-1%	4,855	4,715	-3%
H	Hotels & Catering	1,480	1,475	0%	1,475	1,460	-1%	1,460	1,465	0%	1,465	1,495	2%
I	Transport	740	725	-2%	725	730	1%	730	705	-3%	705	705	0%
J	Finance	105	95	-10%	95	95	0%	95	95	0%	95	95	0%
K	Business Services	3,195	3,310	4%	3,310	3,525	6%	3,525	3,610	2%	3,610	3,770	4%
L,O	Public Admin & Other	1,410	1,525	8%	1,525	1,570	3%	1,570	1,565	0%	1,565	1,575	1%
M,N	Education & Health	255	230	-10%	230	225	-2%	225	220	-2%	220	220	0%
ALL		16,070	16,020	-0.3%	16,020	16,050	0.2%	16,050	15,925	-0.8%	15,925	15,905	-0.1%

Source: Small Business Service

In 2000, the business base shrank in South Tyneside (by 10, -0.5%), Sunderland (by 35, -1%) and, particularly, in Newcastle (by 140, -3.2%) (Table 8). The fastest rise was in Gateshead (up 110, 3.3%). North Tyneside's business base rose by 2% (up 55). These changes in 2000 in the district business bases closely match population change, except in Gateshead (which out-performed).

Retailing & Wholesale fell in every district, except Gateshead. With minor exceptions, this decline is typical of the last two decades. Newcastle accounted for almost half of the Tyne & Wear fall of 160. Business Services rose in every district, contributing to a net gain in Tyne & Wear; Gateshead accounting for over one third of the gain. There was no net change in the business base in five industries. Across the remaining industries, performance at district level was mixed.

Table 8: Net Change in Business Base by Industry for Tyne & Wear Districts, 2000

SIC 92	Industry	Gateshead Net	%	Newcastle Net	%	North Tyneside Net	%	South Tyneside Net	%	Sunderland Net	%
A,B	Agriculture	0	0%	-5	-33.3%	5	12.5%	0	0%	0	0%
C,E	Mining & Utilities	0	NA	0	NA	0	NA	0	NA	0	NA
D	Manufacturing	5	1.1%	-50	-17.9%	0	0%	0	0%	-15	-3.7%
F	Construction	10	2.6%	-25	-8.6%	5	1.6%	0	0%	-5	-1.4%
G	Retailing & Wholesale	20	2.1%	-70	-5.5%	-35	-4.1%	-10	-1.6%	-45	-3.9%
H	Hotels & Catering	5	1.7%	-10	-3.1%	25	10.0%	-10	-4.8%	15	4.1%
I	Transport	5	2.4%	-5	-4.3%	5	4.3%	5	5.0%	-10	-5.6%
J	Finance	0	0%	0	0%	0	0%	0	0%	0	0%
K	Business Services	60	10.0%	25	1.7%	45	7.5%	5	1.6%	25	3.8%
L,O	Public Admin & Other	5	1.7%	-5	-1.0%	10	3.8%	5	2.7%	0	0%
M,N	Education & Health	0	0%	0	0%	-5	-12.5%	0	0%	5	11.1%
ALL		110	3.3%	-140	-3.2%	55	2.0%	-10	-0.5%	-35	-1.0%

Source: Small Business Service

	Gateshead	Newcastle	North Tyneside	South Tyneside	Sunderland
Population Change 1999-2000	-1,200	-2,500	900	-800	-1,200
% Population Change 1999-2000	-0.6%	-0.9%	0.5%	-0.5%	-0.4%

Source: ONS' mid-year estimates

North Tyneside, one of only two Districts with a rise in the size of its business base in 2000, was the only Tyne & Wear District with a growth in population. This is North Tyneside's third consecutive year of business growth.

Gateshead, however, had the fastest gain in business numbers in 2000 despite having the second-fastest population decline. Gateshead's business growth was independent of its local population base. Its growth in 2000 was led by Retail & Wholesale (up 20 against the tide) and, particularly, Business Services (up 60). This pattern of growth probably reflects a) retail developments at or near the MetroCentre and b) business service growth on Team Valley and Follingsby Park.

5.3 INDUSTRIAL NET CHANGES RELATIVE TO THE UK AND NE

In 2000, Tyne & Wear businesses were overall out-performed by both the UK and the North East region (down 0.1%; NE up 0.1%; UK up 0.4%).

In 2000, in terms of net change, five industries in Tyne & Wear had no change, whilst four under-performed relative to the UK (Table 9). The particularly weak industries were Retailing & Wholesale (down 3%; UK down 1.5%) and Construction (down 1%; UK down 0.1%). Growth in Public Admin & Other Services (up 0.6%) was at a slower rate than the North East (up 1.7%) and the UK (up 1.7%). The North East out-performed Tyne & Wear in four industries, most significantly in Education & Health (NE up 4.1%, TW no change).

Table 9: VAT Registered Businesses by Industry: Tyne & Wear, North East and UK, Year end 2000

SIC 92	Industry	Number at end 2000			% of Total			% Change (during 2000)		
		Tyne & Wear	NE	UK	Tyne & Wear	NE	UK	Tyne & Wear	NE	UK
A,B	Agriculture	185	3,730	149,670	1.2%	8.9%	9.0%	0%	-0.5%	-1.6%
C,E	Mining & Utilities	0	45	1,570	NA	0.1%	0.1%	NA	-11.1%	-3.5%
D	**Manufacturing**	1,630	3,940	149,325	10.2%	9.4%	9.0%	-3.7%	-2.0%	-2.7%
F	**Construction**	1,515	4,170	171,680	9.5%	9.9%	10.3%	-1.0%	-1.2%	-0.1%
G	**Retailing & Wholesale**	4,715	11,120	380,045	29.6%	26.5%	22.8%	-3.0%	-2.4%	-1.5%
H	Hotels & Catering	1,495	3,890	107,270	9.4%	9.3%	6.4%	2.0%	3.1%	1.4%
I	**Transport & Communication**	705	2,160	75,325	4.4%	5.1%	4.5%	0%	-0.7%	0.7%
J	Finance	95	155	15,545	0.6%	0.4%	0.9%	0%	-3.2%	-0.1%
K	Business Services	3,770	8,330	440,540	23.7%	19.8%	26.5%	4.2%	3.5%	3.1%
L,O	**Public Admin. & Other**	1,575	3,840	152,395	9.9%	9.1%	9.2%	0.6%	1.7%	1.7%
M,N	**Education & Health**	220	615	21,000	1.4%	1.5%	1.3%	0%	4.1%	1.7%
Total		15,905	41,990	1,664,370	100.0%	100.0%	100.0%	-0.1%	0.1%	0.4%

Source: Small Business Service

* Shown in bold: Tyne & Wear industries which under-performed the UK in 2000.

5.4 CUMULATIVE INDUSTRIAL CHANGE FROM THE START OF 1994 TO THE END OF 2000

Since 1994 Tyne & Wear's business base has shrunk by 5.2% (loss of 875 businesses), an annual average decline of almost 1%, which is marginally worse than in the 1980s (Table 10). Over the same period the UK's business base has grown by 2.2%, whilst the North East's performance (-4.8%) has been almost as weak as Tyne & Wear. Changes that have endured over a few years give a better indication of the performance of particular industries than single year changes, which may quickly reverse, giving weight to the above findings.

By industry, Tyne & Wear was weaker than the UK in every one except Public Admin & Other Services. Tyne & Wear was, however, stronger than the North East in four industries, notably Business Services (by 7% over the seven years). Numerically in Tyne & Wear, the largest net losses were in Retailing & Wholesale (down 965, -17%) and Construction (down 420, -22%). There were also large losses from Manufacturing (down 335, -17%), Hotels & Catering (down 110, -7%) and Agriculture (down 65, -26%). The remaining net losses were all of 40 businesses or fewer.

Over the seven years 1994 to 2000, business numbers grew in only two industries in Tyne & Wear: Business Services, up 890 (31%), and Public Admin. & Other Services, up 255 (19%).

Table 10: Cumulative Change in Business Numbers From Start 1994 to End 2000, by Industry (%)

		Tyne & Wear Change		NE Change		UK Change		Difference TW - UK
SIC 92	Industry	No.	%	No.	%	No.	%	(percentage points*)
A,B	Agriculture	-65	-26.0%	-380	-9.2%	-13,375	-8.2%	-17.8
C,E	Mining & Utilities	-35	-100.0%	-50	-52.6%	-455	-22.5%	-77.5
D	Manufacturing	-335	-17.0%	-490	-11.1%	-17,455	-10.5%	-6.6
F	Construction	-420	-21.7%	-970	-18.9%	-24,480	-12.5%	-9.2
G	Retailing & Wholesale	-965	-17.0%	-2,290	-17.1%	-60,940	-13.8%	-3.2
H	Hotels & Catering	-110	-6.9%	0	0.0%	-3,250	-2.9%	-3.9
I	Transport	-40	-5.4%	-45	-2.0%	2,875	4.0%	-9.3
J	Finance	-25	-20.8%	-50	-24.4%	945	6.5%	-27.3
K	Business Services	890	30.9%	1,605	23.9%	132,950	43.2%	-12.3
L,O	Public Admin. & Other	255	19.3%	585	18.0%	18,140	13.5%	5.8
M,N	Education, Health	-25	-10.2%	-35	-5.4%	180	0.9%	-11.1
	Total	-875	-5.2%	-2,130	-4.8%	35,135	2.2%	-7.4

Source: Small Business Service

*** Note**: Difference between Tyne & Wear and the UK is percentage points.

Over the seven years 1994 to 2000, Tyne & Wear's under-performance compared with the UK totals, overall, 7.4 percentage points. This is growth which could have occurred but did not. The biggest contributors to overall under-performance were: Finance (by over 27 percentage points) and particularly Business Services (by 12 percentage points, missing out on over 300 additional businesses). Manufacturing's under-performance missed out about another 100 businesses.

Note: This huge serious weakness in Finance and Business Services reinforces and confirms the (less reliable) employment data. See TWRI report ' Employment Change in Tyne & Wear, 1991-98' (published 2001).

In turn, the huge under-performance in Tyne & Wear's Finance and Business Services in the 1990s needs to be explained. Perhaps it is partly external ownership in Finance and competition in Business Services (from Leeds and elsewhere).

5.5 CHANGES SINCE 1980

As out-lined in section 2, only broad comparisons of totals can be made for the period 1980 to 2000 due to changes in the VAT threshold, industry classification and register (Table 11). From 1981 to 1990 Tyne & Wear's business base grew at an average of 1.8% per annum, peaking at 3.9%p.a. in 1989. In 1991, the year in which the VAT threshold was raised substantially, the business base declined. This decline has continued at an annual average of -0.9% between 1991 and 2000 (for different reasons, including slower growth in housing wealth). 1998 was the only year since 1990 with absolute growth in the Tyne & Wear business base.

Table 11: Business Registrations, De-registrations and Stocks in Tyne & Wear 1980-2000

Year	Stock at start	Registrations	De-registrations	Stock at end	Tyne & Wear Net change	Tyne & Wear % change	UK % change	Difference (TW-UK) (Percentage Points#)
1980*	15,160	2,045	2,105	15,100	-60	-0.4%	1.2%	-1.6
1981*	15,100	2,095	1,725	15,470	370	2.5%	2.4%	0.1
1982*	15,475	2,165	2,090	15,550	75	0.5%	1.5%	-1.0
1983*	15,550	2,400	1,980	15,970	420	2.7%	2.5%	0.2
1984*	15,965	2,395	2,295	16,065	100	0.6%	2.1%	-1.5
1985*	16,065	2,315	2,265	16,115	50	0.3%	1.3%	-1.0
1986*	16,115	2,380	2,315	16,180	65	0.4%	1.7%	-1.3
1987*	16,180	2,430	2,265	16,345	165	1.0%	2.7%	-1.6
1988*	16,345	2,825	2,450	16,720	375	2.3%	4.4%	-2.1
1989*	16,720	3,100	2,440	17,380	660	3.9%	4.9%	-1.0
1990*	17,385	2,750	2,355	17,780	395	2.3%	2.8%	-0.6
1991*	17,775	2,310	2,340	17,745	-30	-0.2%	-0.3%	0.1
1992*	16,950**	2,025	2,390	16,585	-365	-2.2%	-2.4%	0.2
1993*	16,590	2,050	2,400	16,240	-350	-2.1%	-1.4%	-0.7
1980-1993	15,160	33,285	31,415	16,240	1,080	7.1%	24.9%	-17.8
1994*	16,780	1,885	2,135	16,530	-250	-1.5%	-1.2%	-0.3
1995*	16,530	1,740	2,095	16,175	-355	-2.1%	-0.6%	-1.6
1996	16,175	1,780	1,885	16,070	-105	-0.6%	0.2%	-0.8
1997	16,070	1,825	1,875	16,020	-50	-0.3%	1.1%	-1.4
1998	16,020	1,750	1,720	16,050	30	0.2%	1.9%	-1.7
1999	16,050	1,785	1,910	15,915	-125	-0.8%	0.4%	-1.2
2000	15,915	1,800	1,820	15,905	-20	-0.1%	0.4%	-0.5
1994-2000	16,780	12,565	13,440	15,905	-875	-5.2%	2.2%	-7.4

Source: Small Business Service

*Notes: *Revised by Department of Trade & Industry in 1996.*
***Reflecting the new VAT threshold.*

***Note** : Difference between Tyne & Wear and the UK is percentage points.*

The number of VAT-registered businesses in Tyne & Wear rose by 15% in the 1980s (compared with 27% in the UK). During the 1990s, the business base declined in both the UK and Tyne & Wear. Between 1994 and 2000, the number of VAT-registered businesses in Tyne & Wear declined at an average rate of 0.7%, compared to average annual growth of 1.4% in the 1980s. This under-performance by the business base in Tyne & Wear mainly reflects population decline. If the population of Tyne & Wear continues to decline, as in recent years at roughly -0.5% p.a., the business base is very likely to continue to under-perform the UK (in terms of change in numbers of VAT-registered firms).

Over the last five years (1996-2000) Tyne & Wear's under-performance relative to the UK (-5 percentage points) has widened (deteriorated) compared with the previous five years (1991-1995) (-4 percentage points). This might be because, whilst Tyne & Wear businesses held up relative well during the national recession of 1990-92, in periods of national economic growth Tyne & Wear tends to under-perform. 2000 was a relatively poor year in terms of business registrations in Tyne & Wear. This in turn may be connected with slower house price rises in both 1999 and 2000 (housing wealth being the main collateral for new small businesses).

6 SMALL AND MEDIUM ENTERPRISES (SMEs).

Including businesses not registered for VAT, there were over 3.7 million active businesses in the UK at the start of 2000. This is no significant change on 1999 figures. No regional figures are available for small and medium enterprises for 2000, with the primary reason being the insignificant difference between the 1999 and 2000 figures (Source: SBS). This section (the whole of §6, including 6.1 to 6.3) is therefore a repeat from the previous report. It remains included for contextual purposes.

In 1999, in the North East nearly all businesses (99%) were classified as small, with only 1,095 businesses employing 50 or more people. Small businesses in the North East were the source of two-fifths of all employment (41%) and almost a third of turnover (31%) (Table 12).

60% of businesses in the North East in 1999 were 'size class zero' businesses, those made up of sole traders or partners without employees. These businesses account for 10% of employment of businesses and almost 4%, or £2,011m (ex VAT), of turnover.

Table 12: Number of businesses, employment and turnover by size of business and industry section, All industries - turnover excludes Sector J financial intermediation, start 1999, North East

UK, number, thousands, £million and percent

Size (number of employees)	Number Businesses	Employment (000s)	Turnover (£m ex VAT)	*Percent Businesses*	*Employment*	*Turnover*
None	54,635	66	2,011	*59.9*	*9.8*	*3.8*
1-4	24,460	67	5,116	*26.8*	*10.0*	*9.7*
5-9	6,005	44	3,068	*6.6*	*6.6*	*5.8*
10-19	3,435	49	3,004	*3.8*	*7.3*	*5.7*
20-49	1,625	51	3,158	*1.8*	*7.6*	*6.0*
50-99	500	34	2,282	*0.5*	*5.1*	*4.3*
100-199	315	43	3,771	*0.3*	*6.4*	*7.1*
200-249	70	16	1,255	*0.1*	*2.4*	*2.4*
250-499	110	39	3,275	*0.1*	*5.8*	*6.2*
500+	100	261	25,808	*0.1*	*38.9*	*48.9*
All	91,250	671	52,748	*100.0*	*100.0*	*100.0*
1+ employees	36,615	605	50,737	*40.1*	*90.2*	*96.2*

Source: Small Business Service

6.1 PRODUCTION INDUSTRY IN THE NORTH EAST

In Production Industry in the North East, small businesses account for only a quarter of employment and just under one sixth of turnover (Table 13). Larger-sized businesses dominate Production Industry employment and turnover, with 420 businesses accounting for 75% of employment. The forty businesses with more than 500 employees account for 50% of total Production Industry turnover in the North East (£7,309m).

Table 13: Number of businesses, employment and turnover by size of business and industry section, C, D, E Mining and quarrying; energy and water; manufacturing, Start 1999, North East

UK, number, thousands, £million and percent

Size (number of employees)	Number: Businesses	Number: Employment (000s)	Number: Turnover (£m ex VAT)	*Percent: Businesses*	*Percent: Employment*	*Percent: Turnover*
None	5,330	6	165	*56.6*	*4.4*	*1.1*
1-4	2,005	5	420	*21.3*	*3.6*	*2.9*
5-9	750	5	453	*8.0*	*3.6*	*3.1*
10-19	535	8	477	*5.7*	*5.8*	*3.3*
20-49	370	12	806	*3.9*	*8.8*	*5.5*
50-99	165	12	834	*1.8*	*8.8*	*5.7*
100-199	120	17	1,436	*1.3*	*12.4*	*9.9*
200-249	40	9	662	*0.4*	*6.6*	*4.5*
250-499	55	21	1,998	*0.6*	*15.3*	*13.7*
500+	40	43	7,309	*0.4*	*31.4*	*50.2*
All	9,415	137	14,560	*100.0*	*100.0*	*100.0*
1+ employees	4,085	131	14,395	*43.4*	*95.6*	*98.9*

Source: Small Business Service

6.2 WHOLESALE, RETAIL & REPAIR AND HOTELS & RESTAURANTS IN THE NORTH EAST

In Wholesale, Retail & Repairs and Hotels & Restaurants small businesses account for 99% of all businesses in the North East. However, small businesses account for only 40% of employment and under one third of turnover. The two hundred larger businesses employing 50 or more in Wholesale, Retail & Repairs and Hotels & Restaurants in the North East account for 60% of employment and turnover of £14,349m (68%) (Table 14). (These 200 largest retailers etc in the North East, therefore each have an average annual turnover of over £70m).

Table 14: Number of businesses, employment and turnover by size of business and industry section, G,H Wholesale, retail and repairs; hotels and restaurants, Start 1999, North East

UK, number, thousands, £million and percent

Size (number of employees)	Number: Businesses	Number: Employment (000s)	Number: Turnover (£m ex VAT)	*Percent: Businesses*	*Percent: Employment*	*Percent: Turnover*
None	4,605	6	424	*27.3*	*2.8*	*2.0*
1-4	7,990	25	2,467	*47.4*	*11.6*	*11.7*
5-9	2,430	18	1,453	*14.4*	*8.3*	*6.9*
10-19	1,195	17	1,386	*7.1*	*7.9*	*6.6*
20-49	420	13	1,077	*2.5*	*6.0*	*5.1*
50-99	95	6	646	*0.6*	*2.8*	*3.1*
100-199	65	*	*	*0.4*	*	*
200-249	10	*	*	-	*	*
250-499	15	*	*	-	*	*
500+	15	*	*	*0.1*	*	*
All	16,840	216	21,156	*100.0*	*100.0*	*100.0*
1+ employees	12,235	209	20,733	*72.7*	*96.8*	*98.0*

Source: Small Business Service

* suppressed to avoid disclosure

\- negligible

6.3 CHANGE IN SMALL BUSINESS NUMBERS FROM START OF 1998 TO START OF 1999

During 1998, the number of small businesses in the UK fell (Table 15). The exception was the number of businesses employing one to four people, which increased by 4%. The number of larger businesses (employing 100 or more) rose during 1998.

Table15: Change in the number of businesses and employment by size of business and industry section, start 1998 - start 1999 (United Kingdom)

UK, number, thousands, and percent

Size (number of employees)	Businesses Start-98	Businesses Start -99	Businesses *Annual % change*	Employment (000's) Start-98	Employment (000's) Start-99	Employment (000's) *Annual % change*
All industries						
None	2,339,645	2,324,340	*-0.7*	2,749	2,708	*-1.5*
1-4	922,585	963,615	*4.4*	2,356	2,395	*1.7*
5-9	204,290	201,835	*-1.2*	1,483	1,459	*-1.6*
10-19	111,800	109,280	*-2.3*	1,568	1,533	*-2.2*
20-49	48,300	46,955	*-2.8*	1,496	1,462	*-2.3*
50-99	14,945	14,450	*-3.3*	1,043	1,011	*-3.1*
100-199	8,145	8,165	*0.2*	1,127	1,131	*0.4*
200-249	1,520	1,570	*3.3*	338	349	*3.3*
250-499	3,215	3,220	-	1,123	1,121	*-0.2*
500+	3,445	3,515	*2.0*	8,311	8,576	*3.2*
All	3,657,885	3,676,940	*0.5*	21,595	21,746	*0.7*
1+ employees	1,318,240	1,352,600	*2.6*	18,846	19,038	*1.0*

Source: Small Business Service

- negligible

In 1998, employment fell in UK smaller businesses (except for businesses employing one to four persons), by between 1.5% and 2.3%. In larger businesses, employment generally rose by between 0.4% and 3.3%. The number of businesses with between 250 and 499 employees rose marginally during 1999, whilst their number of employees actually fell by 0.2%.

APPENDIX

Table A1: UK Business Registrations, 1994 to 2000

SIC 92	Industry	1994	1995	1996	1997	1998	1999	2000	Total
A,B	Agriculture	4,435	4,305	4,385	4,565	3,930	3,460	3,460	28,540
C,E	Mining & Utilities	190	190	210	195	150	175	175	1,285
D	Manufacturing	13,815	13,875	14,030	13,540	12,625	11,915	11,630	91,430
F	Construction	16,365	16,150	15,155	18,645	18,370	17,765	17,650	120,100
G	Retailing & Wholesale	39,450	37,305	37,525	37,030	37,670	38,270	37,200	264,450
H	Hotels & catering	15,905	15,290	15,710	16,540	16,815	17,575	18,225	116,060
I	Transport	8,115	8,455	8,435	9,190	9,300	9,435	9,635	62,565
J	Finance	1,875	1,375	1,575	1,745	1,840	1,830	1,805	12,045
K	Business Services	43,190	46,185	51,910	60,980	66,895	60,755	65,225	395,140
L,O	Public Admin. & Other Services	22,330	19,280	17,320	18,095	16,545	15,080	16,190	124,840
M,N	Education & Health	2,555	1,555	1,940	2,045	2,110	2,200	2,130	14,535
Total		168,240	163,960	168,200	182,570	186,250	178,460	183,325	1,231,005

Source: Small Business Service

Table A2: UK Business De-registrations, 1994 to 2000

SIC 92	Industry	1994	1995	1996	1997	1998	1999	2000	Total
A,B	Agriculture	7,885	5,340	5,580	5,745	5,820	5,760	5,780	41,910
C,E	Mining & Utilities	285	195	290	235	235	265	230	1,735
D	Manufacturing	16,305	15,820	14,875	14,750	14,855	16,550	15,730	108,885
F	Construction	27,165	22,480	19,815	20,535	17,385	19,325	17,880	144,585
G	Retailing & Wholesale	55,180	51,685	45,895	44,145	41,665	44,005	42,800	325,375
H	Hotels & catering	18,125	18,160	16,550	16,335	16,280	17,085	16,765	119,300
I	Transport	8,210	8,380	8,305	8,410	8,240	8,995	9,140	59,680
J	Finance	1,030	1,460	1,575	1,730	1,630	1,850	1,820	11,095
K	Business Services	32,760	31,670	33,775	35,305	34,390	42,655	51,625	262,180
L,O	Public Admin. & Other Services	19,805	16,450	15,440	14,220	13,560	13,680	13,545	106,700
M,N	Education & Health	1,375	1,580	2,950	3,025	1,870	1,800	1,765	14,365
Total		188,130	173,230	165,065	164,455	155,930	171,970	177,080	1,195,860

Source: Small Business Service

Table A3: UK Net Change in Business Base, 1994 to 2000

SIC 92	Industry	1994	1995	1996	1997	1998	1999	2000
A,B	Agriculture	-3,450	-1,035	-1,195	-1,180	-1,890	-2,300	-2,320
C,E	Mining & Utilities	-95	-5	-80	-40	-85	-90	-55
D	Manufacturing	-2,490	-1,945	-845	-1,210	-2,230	-4,635	-4,100
F	Construction	-10,800	-6,330	-4,660	-1,890	985	-1,560	-230
G	Retailing & Wholesale	-15,730	-14,380	-8,370	-7,115	-3,995	-5,735	-5,600
H	Hotels & catering	-2,220	-2,870	-840	205	535	490	1,460
I	Transport & Communication	-95	75	130	780	1,060	440	495
J	Finance	845	-85	0	15	210	-20	-15
K	Business Services	10,430	14,515	18,135	25,675	32,505	18,100	13,600
L,O	Public Admin. & Other Services	2,525	2,830	1,880	3,875	2,985	1,400	2,645
M,N	Education & Health	1,180	-25	-1,010	-980	240	400	365
% change*		-1.2%	-0.6%	0.2%	1.1%	1.9%	0.4%	0.4%
Total		-19,900	-9,270	3,135	18,115	30,320	6,490	6,245

Source: Small Business Service

Note: * The UK business base has been growing continuously since 1996.

Table A4: North East Business Registrations, 1994 to 2000

SIC 92	Industry	1994	1995	1996	1997	1998	1999	2000	Total
A,B	Agriculture	110	85	70	75	80	75	85	580
C,E	Mining & Utilities	10	5	5	5	5	5	5	40
D	Manufacturing	320	320	350	290	325	305	295	2,205
F	Construction	390	385	415	415	425	415	400	2,845
G	Retailing & Wholesale	1,135	1,005	1,025	960	955	1,085	925	7,090
H	Hotels & catering	635	600	630	615	605	715	755	4,555
I	Transport	240	255	240	230	235	255	255	1,710
J	Finance	35	15	10	10	15	15	20	120
K	Business Services	810	845	940	940	1,095	1,035	1,120	6,785
L,O	Public Admin. & Other Services	655	530	345	585	420	285	365	3,185
M,N	Education & Health	110	40	55	45	55	40	55	400
Total		4,455	4,085	4,085	4,170	4,215	4,230	4,280	29,520

Source: Small Business Service

Table A5: North East Business De-registrations, 1994 to 2000

SIC 92	Industry	1994	1995	1996	1997	1998	1999	2000	Total
A,B	Agriculture	180	130	155	125	130	130	105	955
C,E	Mining & Utilities	30	15	20	5	10	5	10	95
D	Manufacturing	430	430	355	345	355	405	375	2,695
F	Construction	700	635	570	515	465	480	450	3,815
G	Retailing & Wholesale	1,630	1,565	1,330	1,325	1,180	1,165	1,190	9,385
H	Hotels & catering	720	710	620	630	595	645	635	4,555
I	Transport & Communication	245	255	245	245	230	270	270	1,760
J	Finance	15	55	25	20	15	20	25	175
K	Business Services	690	775	705	720	645	810	830	5,175
L,O	Public Admin. & Other Services	455	430	400	345	355	315	300	2,600
M,N	Education & Health	50	60	80	115	55	50	30	440
Total		5,150	5,055	4,505	4,390	4,035	4,295	4,220	31,650

Source: Small Business Service

	North East's net change	-695	-970	-420	-220	180	-65	60	-2,130
									(Average = -305 pa)

Table A6: Gateshead Business Registrations, 1994 to 2000

SIC 92	Industry	1994	1995	1996	1997	1998	1999	2000	Total
A,B	Agriculture	0	5	0	0	0	0	0	5
C,E	Mining & Utilities	0	0	0	0	0	0	0	0
D	Manufacturing	35	25	50	30	30	40	30	240
F	Construction	25	25	35	30	30	40	35	220
G	Retailing & Wholesale	95	100	100	80	80	90	105	650
H	Hotels & catering	45	45	35	55	55	50	55	340
I	Transport & Communication	20	20	20	20	25	15	20	140
J	Finance	5	0	0	0	0	0	0	5
K	Business Services	65	75	80	70	75	70	95	530
L,O	Public Admin. & Other Services	45	55	25	50	35	25	20	255
M,N	Education & Health	10	5	5	0	5	5	5	35
Total		355	360	360	335	335	345	365	2,455

Source: Small Business Service

Table A7: Gateshead Business De-registrations, 1994 to 2000

SIC 92	Industry	1994	1995	1996	1997	1998	1999	2000	Total
A,B	Agriculture	5	5	5	0	0	0	0	15
C,E	Mining & Utilities	0	0	0	0	0	0	0	0
D	Manufacturing	35	45	30	30	40	30	25	235
F	Construction	55	50	55	30	25	30	25	270
G	Retailing & Wholesale	140	140	110	120	90	90	80	770
H	Hotels & catering	50	45	35	40	55	45	50	320
I	Transport & Communication	25	20	20	20	15	30	10	140
J	Finance	0	5	5	0	0	5	0	15
K	Business Services	40	40	45	40	35	50	35	285
L,O	Public Admin. & Other Services	35	30	35	25	30	20	20	195
M,N	Education & Health	0	5	5	10	5	5	0	30
Total		385	390	345	320	295	300	255	2,290

Source: Small Business Service

	Gateshead's net change	-30	-30	15	15	40	45	110	165
									(Average = +24 pa)

Table A8: Newcastle Business Registrations, 1994 to 2000

SIC 92	Industry	1994	1995	1996	1997	1998	1999	2000	Total
A,B	Agriculture	5	0	5	0	0	0	0	10
C,E	Mining & Utilities	5	0	0	0	0	0	0	5
D	Manufacturing	35	45	40	45	25	25	35	250
F	Construction	30	40	45	55	50	40	40	300
G	Retailing & Wholesale	135	125	130	130	115	120	120	875
H	Hotels & catering	70	70	75	75	60	85	85	520
I	Transport	20	25	20	20	15	15	30	145
J	Finance	5	5	0	5	5	5	5	30
K	Business Services	160	135	160	160	185	180	175	1,155
L,O	Public Admin. & Other Services	85	70	50	90	60	40	45	440
M,N	Education & Health	15	5	10	5	5	5	5	50
Total		560	520	530	590	520	520	530	3,770

Source: Small Business Service

Table A9: Newcastle Business De-registrations, 1994 to 2000

SIC 92	Industry	1994	1995	1996	1997	1998	1999	2000	Total
A,B	Agriculture	5	5	5	5	10	10	5	45
C,E	Mining & Utilities	25	5	5	0	5	0	0	40
D	Manufacturing	50	55	50	65	70	95	80	465
F	Construction	70	70	50	85	105	85	65	530
G	Retailing & Wholesale	215	180	160	180	165	145	190	1,235
H	Hotels & catering	100	85	80	110	100	115	90	680
I	Transport & Communication	25	20	35	30	40	40	35	225
J	Finance	0	10	5	15	10	0	5	45
K	Business Services	100	130	120	135	120	160	145	910
L,O	Public Admin. & Other Services	55	60	45	55	55	55	50	375
M,N	Education & Health	5	10	5	10	15	10	5	60
									0
Total		650	625	565	685	695	715	675	4,610

Source: Small Business Service

		1994	1995	1996	1997	1998	1999	2000	Total
	Newcastle's net change	-90	-105	-35	-95	-175	-195	-145	-840
									(Average = -120 pa)

Table A10: North Tyneside Business Registrations, 1994 to 2000

SIC 92	Industry	1994	1995	1996	1997	1998	1999	2000	Total
A,B	Agriculture	0	0	0	0	0	0	5	5
C,E	Mining & Utilities	0	0	0	0	0	0	0	0
D	Manufacturing	10	15	20	20	15	20	25	125
F	Construction	20	25	35	30	30	35	30	205
G	Retailing & Wholesale	80	65	80	75	65	75	60	500
H	Hotels & catering	40	40	45	35	35	50	70	315
I	Transport	15	15	15	10	15	15	20	105
J	Finance	0	0	0	0	0	0	0	0
K	Business Services	55	75	80	75	90	80	85	540
L,O	Public Admin. & Other Services	45	25	25	40	35	20	25	215
M,N	Education & Health	5	5	5	5	5	10	5	40
Total		280	265	305	290	290	305	325	2,060

Source: Small Business Service

Table A11: North Tyneside Business De-registrations, 1994 to 2000

SIC 92	Industry	1994	1995	1996	1997	1998	1999	2000	Total
A,B	Agriculture	5	5	5	5	0	0	0	20
C,E	Mining & Utilities	0	0	0	0	0	0	0	0
D	Manufacturing	30	30	25	15	20	20	25	165
F	Construction	50	40	35	50	25	30	25	255
G	Retailing & Wholesale	115	115	85	95	90	85	100	685
H	Hotels & catering	45	55	55	25	40	35	40	295
I	Transport & Communication	20	10	15	10	5	10	15	85
J	Finance	0	0	0	0	0	5	0	5
K	Business Services	50	60	70	55	40	60	40	375
L,O	Public Admin. & Other Services	40	35	35	20	35	15	20	200
M,N	Education & Health	0	0	10	10	5	5	10	40
Total		360	355	335	290	260	265	270	2,135

Source: Small Business Service

	North Tyneside's net change	-80	-90	-30	0	30	40	55	-75
									(Average = -11 pa)

Table A12: South Tyneside Business Registrations, 1994 to 2000

SIC 92	Industry	1994	1995	1996	1997	1998	1999	2000	Total
A,B	Agriculture	0	0	0	0	0	0	0	0
C,E	Mining & Utilities	0	0	0	0	0	0	0	0
D	Manufacturing	20	15	15	15	10	25	20	120
F	Construction	15	15	20	15	15	20	15	115
G	Retailing & Wholesale	80	55	55	55	50	50	40	385
H	Hotels & catering	35	35	30	25	35	40	35	235
I	Transport	10	5	10	5	10	15	15	70
J	Finance	0	0	0	0	0	0	0	0
K	Business Services	35	40	35	40	45	40	40	275
L,O	Public Admin. & Other Services	30	15	10	35	20	15	20	145
M,N	Education & Health	5	0	5	0	0	0	0	10
Total		235	190	180	190	185	205	180	1,365

Source: Small Business Service

Table A13: South Tyneside Business De-registrations, 1994 to 2000

SIC 92	Industry	1994	1995	1996	1997	1998	1999	2000	Total
A,B	Agriculture	5	0	0	0	0	5	0	10
C,E	Mining & Utilities	0	5	0	0	0	0	0	5
D	Manufacturing	20	25	20	15	5	15	15	115
F	Construction	30	15	20	20	15	20	15	135
G	Retailing & Wholesale	80	75	70	60	55	50	50	440
H	Hotels & catering	35	30	45	30	20	30	45	235
I	Transport & Communication	15	5	10	10	0	5	10	55
J	Finance	0	0	0	0	0	0	0	0
K	Business Services	30	30	30	25	25	30	35	205
L,O	Public Admin. & Other Services	15	15	15	10	5	10	15	85
M,N	Education & Health	5	5	5	5	0	0	0	20
Total		240	210	215	180	125	165	190	1,325

Source: Small Business Service

	South Tyneside's net change	-5	-20	-35	10	60	40	-10	40
									(Average = +6 pa)

Table A14: Sunderland Business Registrations, 1994 to 2000

SIC 92	Industry	1994	1995	1996	1997	1998	1999	2000	Total
A,B	Agriculture	0	0	0	0	0	0	0	0
C,E	Mining & Utilities	0	0	0	0	0	0	0	0
D	Manufacturing	35	35	45	25	30	30	25	225
F	Construction	45	45	40	45	35	50	50	310
G	Retailing & Wholesale	130	100	100	100	100	120	90	740
H	Hotels & catering	65	65	60	75	65	60	70	460
I	Transport	20	30	25	25	30	25	25	180
J	Finance	0	0	0	0	0	5	0	5
K	Business Services	85	75	90	95	100	95	105	645
L,O	Public Admin. & Other Services	65	50	40	55	40	25	25	300
M,N	Education & Health	10	0	5	5	5	5	5	35
Total		460	405	405	425	405	410	395	2,905

Source: Small Business Service

Table A15: Sunderland Business De-registrations, 1994 to 2000

SIC 92	Industry	1994	1995	1996	1997	1998	1999	2000	Total
A,B	Agriculture	5	0	5	0	0	0	0	10
C,E	Mining & Utilities	0	0	0	0	0	0	0	0
D	Manufacturing	50	55	30	35	45	55	40	310
F	Construction	80	75	50	40	30	60	55	390
G	Retailing & Wholesale	150	160	145	120	110	155	135	975
H	Hotels & catering	85	75	65	65	55	60	60	465
I	Transport & Communication	15	15	30	25	20	25	35	165
J	Finance	5	10	0	0	0	5	5	25
K	Business Services	60	75	55	70	55	75	80	470
L,O	Public Admin. & Other Services	40	50	35	40	20	30	25	240
M,N	Education & Health	5	5	10	10	5	10	0	45
Total		500	515	425	405	340	465	435	3,085

Source: Small Business Service

		1994	1995	1996	1997	1998	1999	2000	Total
	Sunderland's net change	-40	-110	-20	20	65	-55	-40	-180

(Average = -26 pa)