



BUSINESSES IN NEWCASTLE

2009

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KEY MESSAGES

Businesses (VAT/PAYE Registered Enterprises) in Newcastle

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

In 2009, the BD series recorded 7,545 active enterprises in Newcastle.

Between 2008 and 2009, business numbers grew by 1.8% outperforming the North East and the UK (Figure 5). However, the impact of the recession on Newcastle's businesses is shown by the record high number of business deaths in 2009 and the record low number of business births. Only three industries suffered a net loss; "Wholesale, Retail and Motor Trade" (-25), "Administrative and Support Services" (-10) and "Arts, Entertainment and Recreation" (-10) (Table 7.5).

The number of active enterprises in Newcastle was 13% higher in 2009, compared to 2002. This was slower than the growth in Tyne and Wear (+15%) and the North East (+16%) but about 1.2 times the UK (+11%). ([§ 4.2](#))

Enterprise births in Newcastle peaked in 2005 and 2008 (925 births); enterprise deaths peaked in 2009 (915 deaths).

In 2009, Newcastle's new business registration rate was 32.0 per 10,000 adults; this was almost a third lower than the UK rate (Fig 6). ([§ 5.1](#))

Newcastle's stock-based birth rate is usually better (higher) than the UK and its stock-based death rate is usually worse (higher) than the UK.

Newcastle's stock-based birth rate was at a low-point in 2009 (10.1%); its death-rate was at a high-point (12.1%) ([§ 6](#))

In 2009, the "Wholesale, Retail and Motor Trade" accounted for about 18% of active enterprises in Newcastle. The business share was also high for "Professional, Scientific and Technical Activities" (17.2%). (Table 7.3)

Over the period 2003-2008:

- Two-fifths of business births in Newcastle were in "Property and Business Services"; this industry accounted for just under a third of business deaths.

Businesses by Industry (2-digit SIC Level)

The Retail Trade accounted for 11.5% of enterprises in Newcastle, followed by "Food and Beverage Service Activities" (9.6%). Retail was also first in the national (UK) rankings but with a lower proportion (9.4%). Nationally "Food and Beverage Service Activities" (6.2%) ranked third. (Tables 8.1 and 8.2)

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.

The business base has grown strongly in TW. Over the period 2002 to 2009 it grew by 3,450 (+15%), outpacing the UK growth (+11%); Newcastle's contribution was a net gain of 850 businesses (+13%). 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.

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 (21% over the years 2002-09). More broadly, TW's population growth in the 2000s has helped to underpin business growth.

This series of reports for 2009 seeks to outline the position in each District and in Tyne and Wear (from 2002-09).

The reports seek to show the initial impact of the recession. Between 2008 and 2009, business numbers in Tyne and Wear grew by 0.5%, slightly weaker than UK growth (+0.7%). Business numbers in Gateshead and Sunderland fell in 2009 and there was no net growth in South Tyneside. On a more positive note, Newcastle and North Tyneside both outperformed the UK. However, even in these Districts, growth was subdued compared to the previous three years.

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

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

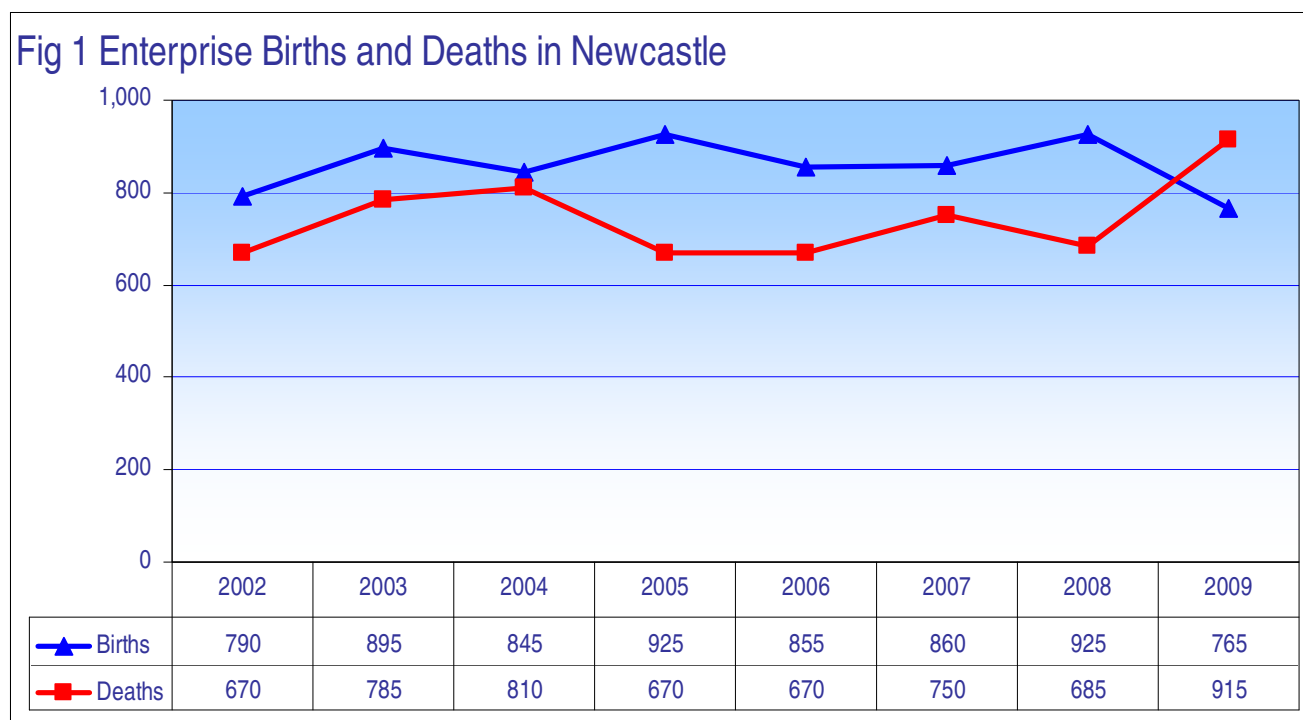
This report covers mainly stock of businesses, births and deaths in 2009 and changes in these over various timescales. The main focus of this paper is on levels in 2009, with levels in previous years being used as time-series comparators.

1 Enterprise Births and Deaths

1.1 Enterprise Births

In 2009, the number of enterprise births fell to a record low (765) (Fig 1). Births peaked in 2005 and 2008. The latter peak is unusual, given the recession, but may have been due to activity in the first half of 2008.

The annual average for the period 2002-2009 was 860.



Source: ONS, Business Demographics.

1.2 Enterprise Deaths

Enterprise deaths peaked in 2009, exceeding births for the first time. The number of enterprise deaths was relatively low in 2002, 2005 and 2006.

The annual average for the period 2002-2009 was 740.

Note: Deaths data for 2008 and 2009 are provisional.

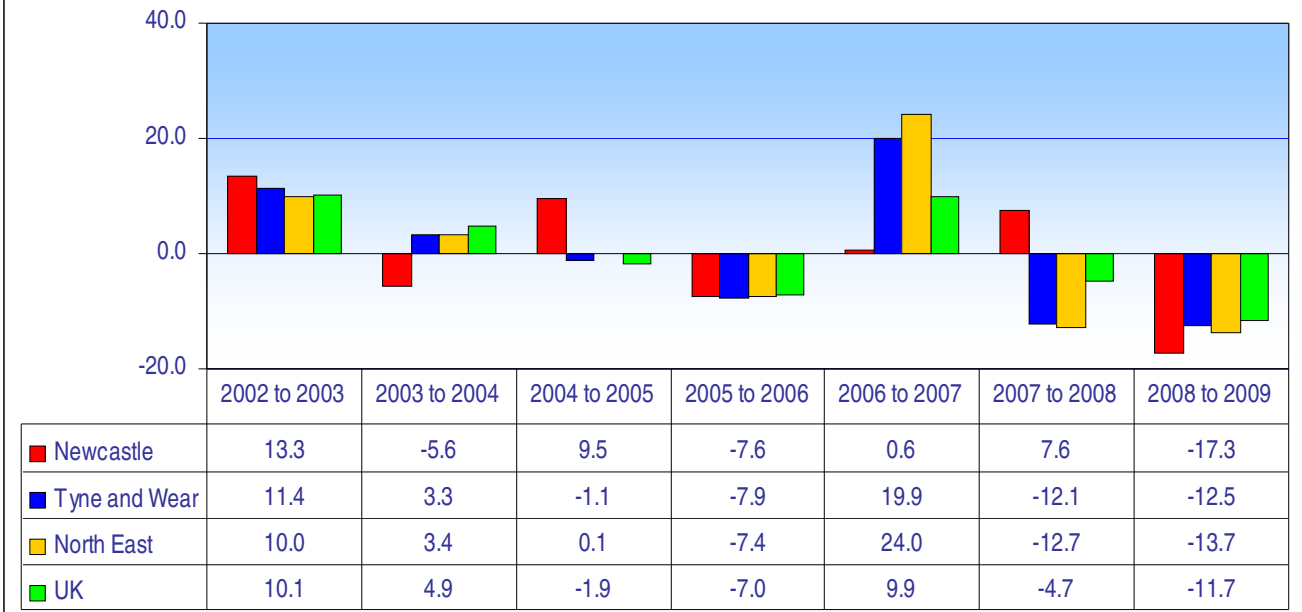
ONS rounds data to prevent disclosure. Differences may exist in totals across tables due to disclosure methods used. Percentage changes of low numbers should be interpreted with care e.g. a reported rise from 5 to 10 (up 100%) could actually be from 7 to 8 (up 14%).

2 Annual Percentage Change in Enterprise Births

In 2009, compared to 2008, the percentage fall in enterprise births was larger in Newcastle than in the North East or UK, by about 4 and 6 percentage points respectively (Fig 2). However, the previous year between 2007 and 2008, Newcastle had performed strongly compared to the region and the UK.

Fig 2 Annual Percentage Change in Enterprise Births

Newcastle, Tyne and Wear, North East and UK

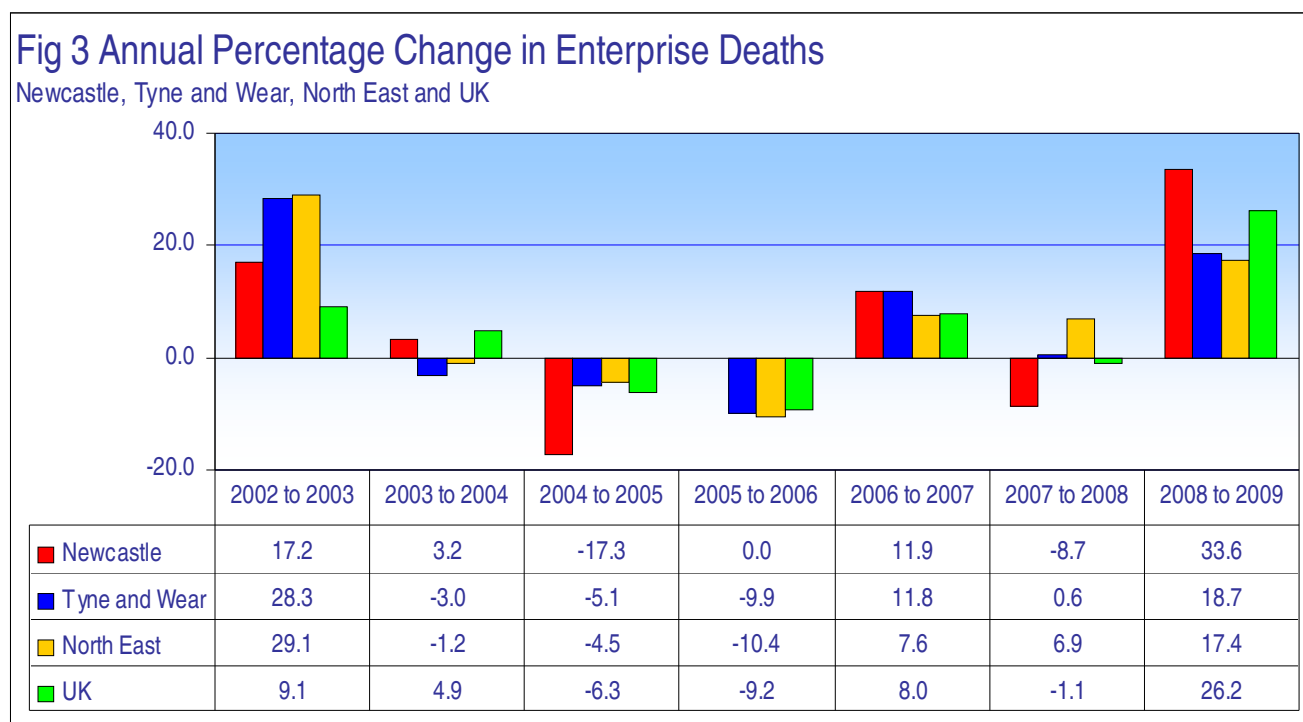


Source: ONS, Business Demographics.

In 2009, Newcastle accounted for 27.8% of enterprise births in Tyne and Wear, 11.5% in the North East and 0.32% in the UK. Newcastle had, by far, the largest District share of enterprise births in Tyne and Wear; Sunderland was second with 21.8%.

3 Annual Percentage Change in Enterprise Deaths

Compared to 2008, the number of enterprise deaths in Newcastle rose by a third; the percentage rise (33.6%) was larger than that of the UK and almost double that of the North East. However, in the previous year, the number of enterprise deaths in Newcastle fell while in the North East they rose (Fig 3).



Source: ONS, Business Demographics.

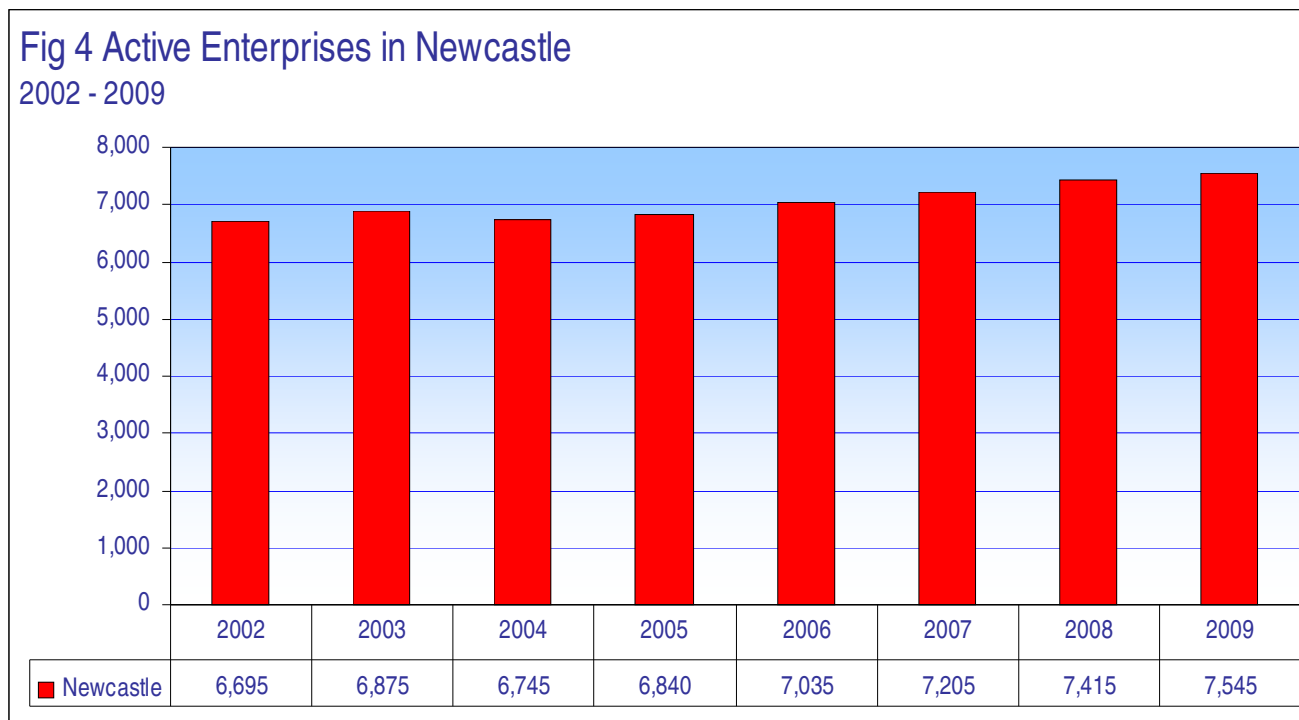
In 2009, Newcastle accounted for 29.4% of enterprise deaths in Tyne and Wear, 12.3% in the North East and 0.33% in the UK.

As with births, Newcastle had the largest District share of enterprise deaths in Tyne and Wear; Sunderland was second with 23.5%.

4 Active Enterprises (Business Stock) and Net Change

4.1 Active Enterprises

The number of active enterprises dipped in 2004, almost completely recovered in 2005 then continued to grow over the next four years (Fig 4). Growth in 2009 was relatively subdued (+30), the smallest absolute rise since 2005.



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 2009, Newcastle accounted for 29.1% of the active stock in Tyne and Wear, 11.9% in the North East and 0.32% in the UK.

4.2 Net Change 2002-2009

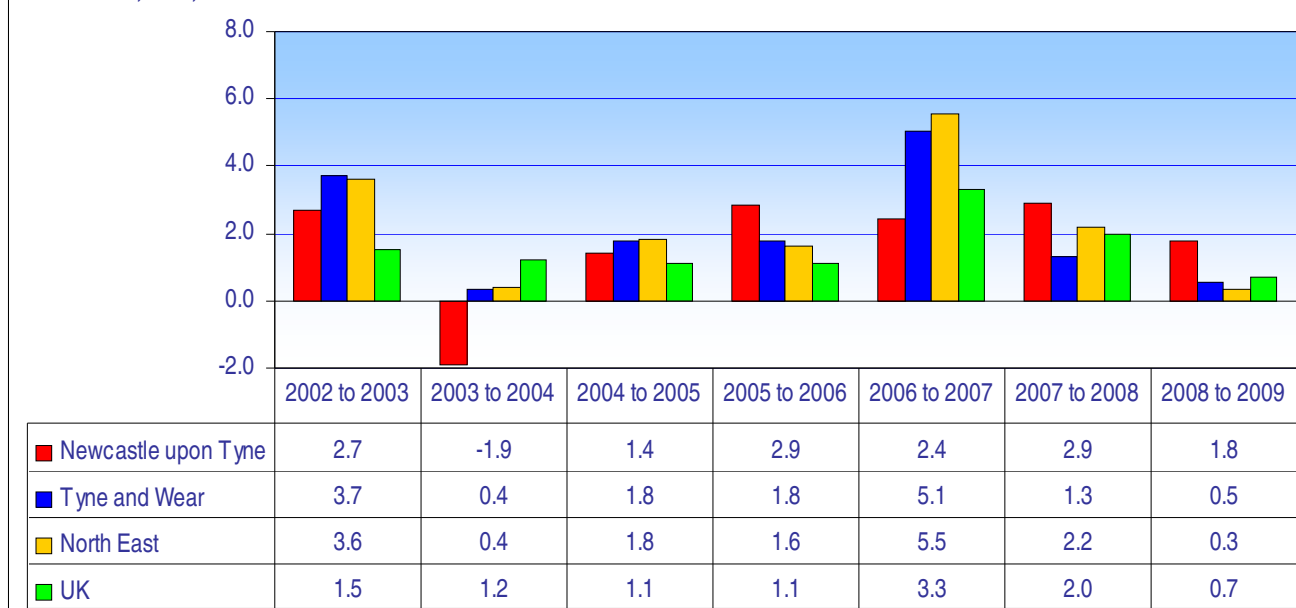
The number of active enterprises in Newcastle was 13% higher in 2009, compared to 2002, despite the fall in 2004. This was slower than the growth in Tyne and Wear (+15%) and the North East (+16%) but about 1.2 times the UK (+11%). At 7,545 enterprises, Newcastle's active stock in 2009 was 850 higher than in 2002. This was the largest absolute growth in Tyne and Wear; in percentage terms it was exceeded by North Tyneside (+21%), Gateshead (+18%) and South Tyneside (+16%).

4.3 Net Change 2008-2009

The number of active enterprises in Newcastle grew between 2008 and 2009 (+1.8%), which was faster than in other areas (Fig 5); within Tyne and Wear, numbers rose in North Tyneside (+1.1%), were stable in South Tyneside and fell in Gateshead (-0.1%) and Sunderland (-0.6%).

Fig 5 Annual Percentage Change in Enterprise Stock

Newcastle, TW, North East and UK



Source: ONS, Business Demographics.

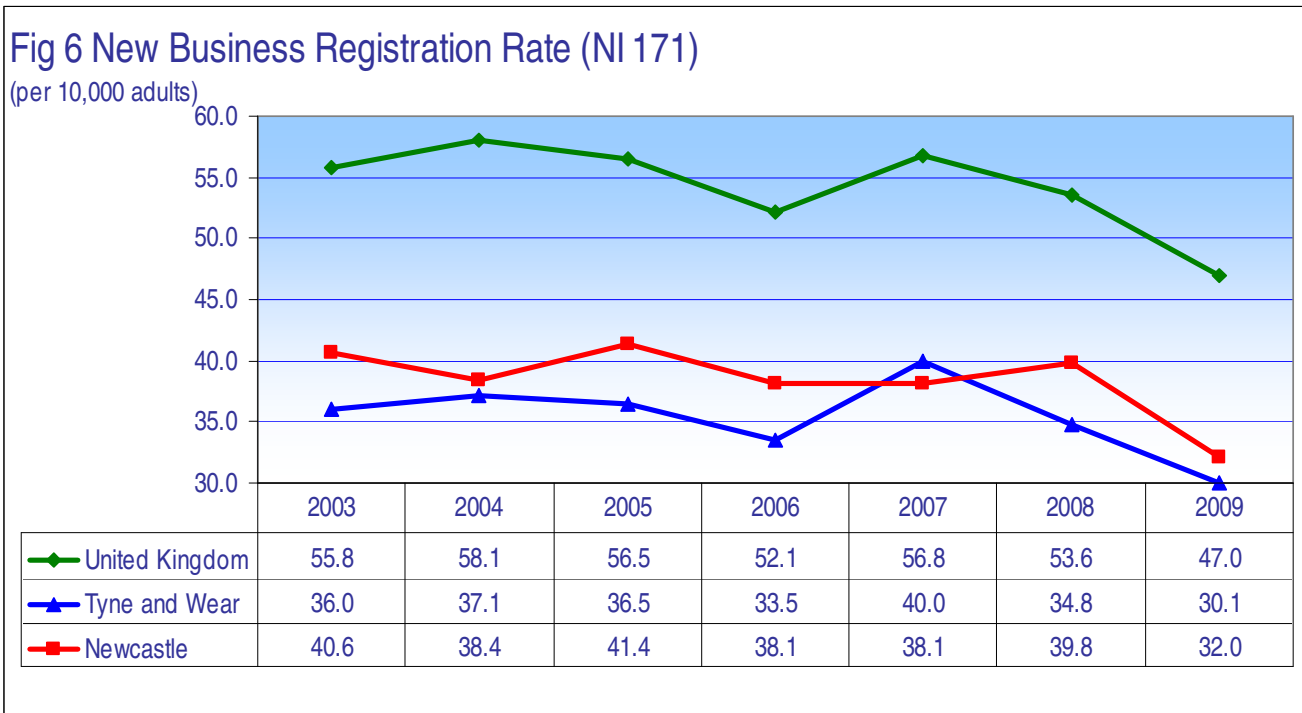
5 NEW BUSINESS REGISTRATION RATE

In 2010, the Department for Business, Innovation and Skills (BIS) confirmed that the National Indicators are no longer government targets. TWRI has updated NI171 using 2009 data (see below). Unfortunately it is not possible to produce updates for NI172 'Percentage of small businesses in an area showing employment growth'.

5.1 Former National Indicator 171 'New business registration rate'

In 2009, Newcastle's new business registration rate was 32.0 per 10,000 adults; this was almost a third lower than the UK rate (Fig 6). Gateshead had the highest rate in Tyne and Wear (36.3); Newcastle came second.

Newcastle's rate was at a low-point in 2009. The UK, North East, Tyne and Wear and three other Tyne and Wear Districts were also at low points. The exception was Gateshead. Newcastle's rate peaked in 2005 then fell by 3.3 points. Although there was a small rise in births in 2007 this was not enough to alter the rate. Therefore Newcastle was the only District in Tyne and Wear whose rate did not increase in 2007; this was also against the regional and national trend. Newcastle's atypical (perhaps lagged) behaviour continued in 2008 when the rate rose by 1.7 points against a background of falling rates nationally, regionally and in the other Tyne and Wear Districts.



Source: Office for National Statistics (2008 and 2009 rates calculated by TWRI).

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

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

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

6 Stock³-Based Birth and Death Rates

Nationally a total of 279,000 businesses closed in 2009, a record high and a national 'death rate' of 11.9% (Table 6c).⁴

Newcastle's birth rate (Table 6a) is usually higher (better) than the UK (Table 6c); the exceptions were 2004 and 2007 when Newcastle's rate was marginally lower.

Newcastle's birth rate was at a low-point in 2009.

Newcastle's death rate is usually higher (worse) than the UK; recent exceptions were 2002, 2005 and 2008.

Newcastle's death rate was at a high-point in 2009.

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.

Year	Active Stock	Births	Birth Rate %	Deaths	Death Rate %
2002	6,695	790	11.8	670	10.0
2003	6,875	895	13.0	785	11.4
2004	6,745	845	12.5	810	12.0
2005	6,840	925	13.5	670	9.8
2006	7,035	855	12.2	670	9.5
2007	7,205	860	11.9	750	10.4
2008	7,415	925	12.5	685	9.2
2009	7,545	765	10.1	915	12.1

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.

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

⁴ <http://www.statistics.gov.uk/pdfdir/bdnr1210.pdf> (Office for National Statistics, News Release: Record number of businesses close in 2009, 1st December 2010)

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	7,675	12.1	6,315	10.0
2009	63,660	6,625	10.4	7,415	11.6

Source: ONS, Business Demographics.

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

Year	Active Stock	Births	Birth Rate %	Deaths	Death Rate %
2002	2,101,510	242,540	11.5	212,965	10.1
2003	2,133,190	267,000	12.5	232,330	10.9
2004	2,158,555	280,080	13.0	243,615	11.3
2005	2,182,750	274,855	12.6	228,155	10.5
2006	2,207,290	255,530	11.6	207,125	9.4
2007	2,280,215	280,730	12.3	223,600	9.8
2008	2,325,770	267,445	11.5	221,185	9.5
2009	2,341,900	236,025	10.1	279,180	11.9

Source: ONS, Business Demographics.

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

The latest industrial breakdown, for 2009, is presented using SIC 2007. Time series data, including 2008, have to be 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 3.⁵

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. Caution: Figures in this section may be slightly different from previous sections due to small amendments and rounding occurring between the two releases.

⁵ 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.

7.1 Enterprise Births

Newcastle's fast growth reflects its success in attracting "Property and Business Services" enterprises. Over the period 2003-2008, two-fifths of business births in Newcastle were in this industry.

In 2007, compared to 2006, the number of births in Newcastle fell in six industries and rose in three. The strong performance in "Property and Business Services" (+60) coupled with rises in "Other Services" (+15) and "Education" (+5) offset the falls resulting in a relatively flat performance overall.

In 2008, compared to 2007, business births rose, or were stable, in all industries in Newcastle except "Other Services".

Newcastle's performance was atypical for a Tyne and Wear District; the other Districts tended to perform better in 2007 than 2008.

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

SIC 2003	Industry	2003	2004	2005	2006	2007	2008	Total
C and E	Mining, quarrying, electricity, gas and water supply	0	0	0	0	0	0	0
D	Manufacturing	40	30	30	40	15	40	195
F	Construction	75	75	90	105	85	90	520
G	Wholesale, retail and motor trades	155	145	155	135	130	150	870
H	Hotels and catering	120	125	115	125	115	125	725
I	Transport, post and telecommunications	40	30	25	30	20	20	165
J	Finance	10	10	10	10	5	15	60
K	Property and business services	345	295	365	315	375	380	2,075
M	Education	10	15	10	5	10	20	70
N	Health	25	25	30	25	25	30	160
O	Other Services	70	90	100	65	80	70	475
	Total	890	840	930	855	860	940	5,315

Source: ONS, IDBR.

Note: All figures are rounded to avoid disclosure.

The "credit crunch", which started in late 2007, may have had an impact on birth rates during that year (Table 7.1b). The birth rate for:

- "Manufacturing" more than halved in 2007, compared to 2006, but then oddly recovered in 2008.
- "Finance" also fell steeply in 2007 and recovered in 2008.

Table 7.1b: Enterprise Birth Rates (%) in Newcastle, 2003-2008

SIC 2003	Industry	2003	2004	2005	2006	2007	2008
C and E	Mining, quarrying, electricity, gas and water supply	0.0	0.0	0.0	0.0	0.0	0.0
D	Manufacturing	9.2	7.1	7.3	9.8	3.8	9.9
F	Construction	14.0	14.0	15.8	16.7	13.2	13.7
G	Wholesale, retail and motor trades	10.4	10.1	11.1	9.7	9.5	10.8
H	Hotels and catering	17.8	17.7	16.7	17.5	16.1	17.0
I	Transport, post and telecommunications	15.7	12.5	10.2	12.2	8.0	8.2
J	Finance	12.5	13.3	13.3	12.5	6.7	13.0
K	Property and business services	16.0	13.6	15.8	13.0	14.5	14.4
M	Education	12.5	17.6	10.5	5.3	10.0	18.2
N	Health	7.5	7.1	8.6	7.0	6.8	8.0
O	Other Services	9.5	12.5	14.5	9.4	11.4	9.8
	Total	13.1	12.5	13.6	12.2	11.9	12.7

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 2009, the overall stock-based enterprise birth rate in Newcastle was very slightly higher (better) than that of the UK and lower than that of the North East (Table 7.1c). Newcastle outperformed the UK in eight of the fifteen industries shown. 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, Newcastle (Nc), Tyne and Wear (TW), North East (NE) and UK, 2009

SIC 2007	Industry	Active Stock Newcastle	Active Stock			Birth Rate ¹ (%)				Difference Nc - UK
			TW	North East	UK	Nc	TW	NE	UK	
B, D and E	Mining, Quarrying and Utilities	30	100	310	8,915	16.7	15.0	17.7	14.2	2.4
C	Manufacturing	370	1,875	4,460	148,285	6.8	6.9	6.4	6.9	-0.1
F	Construction	875	3,695	9,415	336,095	9.1	10.1	9.9	8.7	0.4
G	Wholesale, Retail and Motor	1,335	5,030	12,300	416,305	7.9	8.5	8.7	8.9	-1.0
H	Transportation and Storage	205	850	2,610	81,995	7.3	7.6	8.0	8.5	-1.2
I	Accommodation and Food Service Activities	770	2,580	6,160	163,430	14.3	13.6	12.5	12.0	2.2
J	Information and Communication	480	1,285	2,685	171,175	13.5	12.1	12.3	11.1	2.4
K	Financial and Insurance Activities	125	345	785	34,600	8.0	7.2	7.0	9.5	-1.5
L	Real Estate	355	875	1,845	86,840	9.9	9.1	9.5	9.1	0.7
M	Professional, Scientific and Technical Activities	1,295	3,735	9,500	380,125	10.4	13.1	13.4	12.5	-2.1
N	Administrative and Support Services	540	1,905	4,735	206,165	15.7	16.3	15.0	13.9	1.9
P	Education	135	390	965	34,395	11.1	10.3	11.4	10.1	1.0
Q	Human Health and Social Work	380	1,145	2,730	86,915	6.6	7.9	6.2	7.9	-1.3
R	Arts, Entertainment and Recreation	205	635	1,615	65,930	4.9	7.1	7.4	8.1	-3.2
S	Other Services	445	1,505	3,545	120,730	10.1	10.3	10.0	7.9	2.2
	Total	7,545	25,950	63,660	2,341,900	10.1	10.6	10.4	10.1	0.1

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 Newcastle rates that are based on relatively low stock.

7.2 Enterprise Deaths

Over the period 2003-2008, just under a third of business deaths in Newcastle were in Property and Business Service and a fifth were in Wholesale, Retail and Motor Trades (Table 7.2a). For the industries shown, the number of deaths increased sharply in 2007; the two most notable increases were in “Property and Business Services” (+40) and “Construction” (+25).

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

SIC 2003	Industry	2003	2004	2005	2006	2007	2008	Total
C and E	Mining, quarrying, electricity, gas and water supply	5	0	0	0	0	0	5
D	Manufacturing	60	55	40	30	35	35	255
F	Construction	50	65	55	60	85	60	375
G	Wholesale, retail and motor trades	150	175	155	145	130	155	910
H	Hotels and catering	110	135	105	110	100	85	645
I	Transport, post and telecommunications	40	30	30	15	30	15	160
J	Finance	10	5	5	15	0	10	45
K	Property and business services	205	245	185	215	255	230	1,335
M	Education	5	10	5	5	10	5	40
N	Health	20	25	25	20	25	20	135
O	Other Services	45	65	65	55	70	60	360
	Total	700	810	670	670	740	675	4,265

Source: ONS, IDBR.

Note: All figures are rounded to avoid disclosure.

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

SIC 2003	Industry	2003	2004	2005	2006	2007	2008
C and E	Mining, quarrying, electricity, gas and water supply	100.0	0.0	0.0	0.0	0.0	0.0
D	Manufacturing	13.8	12.9	9.8	7.3	8.8	8.6
F	Construction	9.3	12.1	9.6	9.5	13.2	9.2
G	Wholesale, retail and motor trades	10.1	12.2	11.1	10.5	9.5	11.1
H	Hotels and catering	16.3	19.1	15.2	15.4	14.0	11.6
I	Transport, post and telecommunications	15.7	12.5	12.2	6.1	12.0	6.1
J	Finance	12.5	6.7	6.7	18.8	0.0	8.7
K	Property and business services	9.5	11.3	8.0	8.9	9.9	8.7
M	Education	6.3	11.8	5.3	5.3	10.0	4.5
N	Health	6.0	7.1	7.1	5.6	6.8	5.3
O	Other Services	6.1	9.0	9.4	8.0	10.0	8.4
	Total	10.3	12.0	9.8	9.5	10.3	9.1

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 2009, the overall enterprise death rate in Newcastle was slightly higher (worse) than that of the UK and higher than that of the North East (Table 7.2c). Newcastle outperformed the UK in six of the fifteen industries shown.

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, Newcastle (Nc), Tyne and Wear (TW), North East (NE) and UK, 2009

SIC 2007	Industry	Active Stock Newcastle	Active Stock			Death Rate ¹ (%)				Difference Nc - UK
			TW	North East	UK	Nc	TW	NE	UK	
B, D and E	Mining, Quarrying and Utilities	30	100	310	8,915	0.0	5.0	11.3	10.9	-10.9
C	Manufacturing	370	1,875	4,460	148,285	16.2	10.7	9.5	10.1	6.1
F	Construction	875	3,695	9,415	336,095	13.7	14.5	14.3	13.2	0.5
G	Wholesale, Retail and Motor	1,335	5,030	12,300	416,305	11.2	10.6	10.4	10.8	0.4
H	Transportation and Storage	205	850	2,610	81,995	17.1	13.5	12.8	13.2	3.9
I	Accommodation and Food Service Activities	770	2,580	6,160	163,430	16.2	15.5	14.0	14.3	1.9
J	Information and Communication	480	1,285	2,685	171,175	12.5	12.8	12.8	13.3	-0.8
K	Financial and Insurance Activities	125	345	785	34,600	12.0	13.0	15.3	12.6	-0.6
L	Real Estate	355	875	1,845	86,840	14.1	14.9	12.7	12.7	1.4
M	Professional, Scientific and Technical Activities	1,295	3,735	9,500	380,125	8.5	10.3	10.2	11.2	-2.7
N	Administrative and Support Services	540	1,905	4,735	206,165	14.8	14.2	14.1	14.8	0.0
P	Education	135	390	965	34,395	11.1	9.0	10.9	9.2	1.9
Q	Human Health and Social Work	380	1,145	2,730	86,915	9.2	6.6	5.9	7.2	2.0
R	Arts, Entertainment and Recreation	205	635	1,615	65,930	9.8	10.2	10.5	10.3	-0.5
S	Other Services	445	1,505	3,545	120,730	9.0	10.3	10.0	10.2	-1.2
	Total	7,545	25,950	63,660	2,341,900	12.1	12.0	11.6	11.9	0.2

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

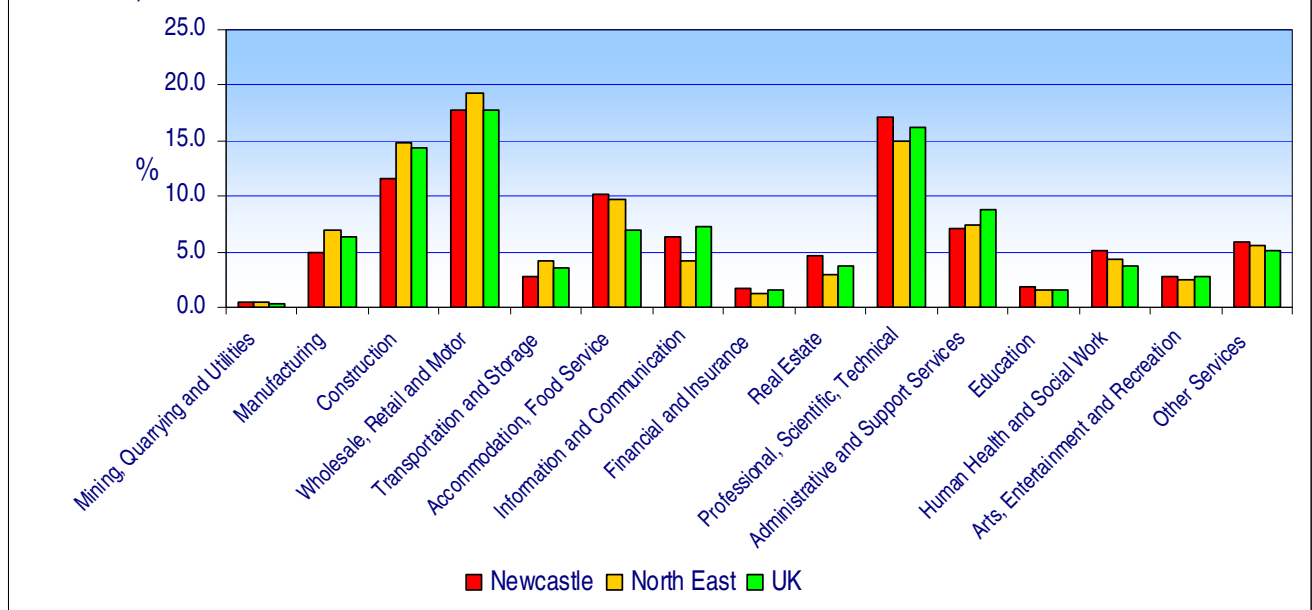
7.3 The Industrial Structure of the Business Base

The following bar chart (Fig.7) compares Newcastle's industrial structure in 2009 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 Newcastle is relatively strong in "Accommodation, Food Service" and "Human Health and Social Work". It is relatively weak in "Construction", "Administrative and Support Services" and "Manufacturing". The other industries in Newcastle take up similar proportions to the UK averages (within ± 1 percentage point).

Fig 7 The Industrial Structure of the Business Base

Newcastle, North East and UK



Source: Office for National Statistics, IDBR.

Table 7.3: Industrial Structure of the Business Base, Newcastle, Tyne and Wear, North East, UK, 2009

SIC 2007	Industry	Share of Total Active Businesses in 2009			
		Newcastle	TW	North East	UK
B, D and E	Mining, Quarrying and Utilities	0.4	0.4	0.5	0.4
C	Manufacturing	4.9	7.2	7.0	6.3
F	Construction	11.6	14.2	14.8	14.4
G	Wholesale, Retail and Motor	17.7	19.4	19.3	17.8
H	Transportation and Storage	2.7	3.3	4.1	3.5
I	Accommodation and Food Service Activities	10.2	9.9	9.7	7.0
J	Information and Communication	6.4	5.0	4.2	7.3
K	Financial and Insurance Activities	1.7	1.3	1.2	1.5
L	Real Estate	4.7	3.4	2.9	3.7
M	Professional, Scientific and Technical Activities	17.2	14.4	14.9	16.2
N	Administrative and Support Services	7.2	7.3	7.4	8.8
P	Education	1.8	1.5	1.5	1.5
Q	Human Health and Social Work	5.0	4.4	4.3	3.7
R	Arts, Entertainment and Recreation	2.7	2.4	2.5	2.8
S	Other Services	5.9	5.8	5.6	5.2
	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 has to use SIC2003.

Within Newcastle, four industries had a net loss of businesses over the period 2003-2008 (Table 7.4a). They were “Wholesale, Retail and Motor Trades”, “Manufacturing”, “Other Services” and “Transport, Post and Telecommunications”.

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

SIC 2003	Industry	Change Newcastle	Percentage Change			UK
			Newcastle	TW	North East	
C and E	Mining, quarrying and utilities	0	0.0	-66.7	41.7	-8.3
D	Manufacturing	-30	-6.9	-1.5	-4.2	-9.7
F	Construction	120	22.4	32.5	31.7	19.9
G	Wholesale, retail and motor trades	-90	-6.1	-4.6	-3.3	-3.2
H	Hotels and catering	60	8.9	4.9	3.5	2.1
I	Transport, post and telecommunications	-10	-3.9	-4.0	-1.5	0.3
J	Finance	35	43.8	53.7	40.2	19.3
K	Property and business services	485	22.5	33.8	40.5	28.3
M	Education	30	37.5	25.0	19.1	11.2
N	Health	40	11.9	9.9	16.2	17.3
O	Other Services	-25	-3.4	-3.5	-6.5	-0.4
	Total	615	9.1	12.0	13.0	10.6

Source: ONS, IDBR.

Note: All figures are rounded to avoid disclosure.

Compared to the UK, Newcastle underperformed in five industries: “Property and Business Services”, “Health”, “Transport, Post and Telecommunications”, “Other Services” and “Wholesale, Retail and Motor Trades”.

Between them “Property and Business Services” and “Wholesale, Retail and Motor Trades” accounted for over half of the businesses in Newcastle in 2008.

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

SIC 2003	Industry	2003	2004	2005	2006	2007	2008	Change	% Change
								2003 to 2008	2003 to 2008
C and E	Mining, quarrying, electricity, gas and water supply	5	5	5	5	5	5	0	0.0
D	Manufacturing	435	425	410	410	400	405	-30	-6.9
F	Construction	535	535	570	630	645	655	120	22.4
G	Wholesale, retail and motor trades	1,485	1,435	1,400	1,385	1,370	1,395	-90	-6.1
H	Hotels and catering	675	705	690	715	715	735	60	8.9
I	Transport, post and telecommunications	255	240	245	245	250	245	-10	-3.9
J	Finance	80	75	75	80	75	115	35	43.8
K	Property and business services	2,160	2,170	2,310	2,425	2,585	2,645	485	22.5
M	Education	80	85	95	95	100	110	30	37.5
N	Health	335	350	350	355	365	375	40	11.9
O	Other Services	740	720	690	690	700	715	-25	-3.4
	Total	6,785	6,745	6,840	7,035	7,210	7,400	615	9.1

Source: ONS, IDBR.

Note: All figures are rounded to avoid disclosure.

7.5 Changes in 2009 by Industry

Within Newcastle only three industries had a net loss of businesses between the years 2008-2009 (Table 7.5). The largest absolute fall was in “Wholesale, Retail and Motor”

Compared to the UK Newcastle underperformed in five industries: “Arts, Entertainment and Recreation”, “Administrative and Support Services”, “Wholesale, Retail and Motor”, “Real Estate” and “Human Health and Social Work”.

Of the ten industries where Newcastle outperformed the UK, the largest absolute increase occurred in “Professional, Scientific and Technical Activities” where numbers in Newcastle jumped by 45 between 2008 and 2009.

SIC 2007	Industry	Actives 2008 Newcastle	Actives 2009 Newcastle	Change Newcastle	Percentage Change			
					Newcastle	TW	North East	UK
B, D and E	Mining, Quarrying and Utilities	20	30	10	50.0	25.0	8.8	10.7
C	Manufacturing	350	370	20	5.7	-0.5	1.7	0.5
F	Construction	875	875	0	0.0	2.1	-0.5	-0.5
G	Wholesale, Retail and Motor	1,360	1,335	-25	-1.8	-1.9	-1.5	-0.4
H	Transportation and Storage	200	205	5	2.5	-1.2	0.0	-1.2
I	Accommodation and Food Service Activities	735	770	35	4.8	0.4	-1.7	-1.4
J	Information and Communication	470	480	10	2.1	0.4	0.8	0.7
K	Financial and Insurance Activities	105	125	20	19.0	19.0	23.6	15.6
L	Real Estate	350	355	5	1.4	2.9	2.2	2.4
M	Professional, Scientific and Technical Activities	1,250	1,295	45	3.6	0.3	2.7	3.3
N	Administrative and Support Services	550	540	-10	-1.8	-1.8	-1.3	-0.3
P	Education	125	135	10	8.0	6.8	7.8	6.0
Q	Human Health and Social Work	370	380	10	2.7	5.5	2.2	2.9
R	Arts, Entertainment and Recreation	215	205	-10	-4.7	0.0	-1.8	-1.1
S	Other Services	440	445	5	1.1	1.0	-1.4	-1.6
	Total	7,415	7,545	130	1.8	0.6	0.3	0.7

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

8 Businesses by Industry (2-digit SIC Level)

At the 2-digit SIC level, nine of Newcastle's top ten industries were also in the UK top ten. The exception was Newcastle's "Legal and accounting activities" (SIC 69) which ranked 13th in the UK (Table 8.1).

**Table 8.1 Percentage Share of Enterprises By 2-Digit SIC Level, 2009
Top Ten in Newcastle with North East and UK Comparators**

SIC2007	Newcastle	North East	North East Rank	UK	UK Rank
47 Retail trade, except of motor vehicles and motorcycles	11.5	11.4	1	9.4	1
56 Food and beverage service activities	9.6	8.9	3	6.2	3
43 Specialised construction activities	6.4	9.4	2	8.7	2
69 Legal and accounting activities	5.5	2.5	15	3.0	13
68 Real estate activities	4.7	2.9	13	3.7	10
41 Construction of buildings	4.5	4.3	5	4.6	8
62 Computer programming, consultancy and related activities	4.2	3.1	11	5.2	5
96 Other personal service activities	4.1	4.2	6	3.9	9
70 Activities of head offices; management consultancy activities	4.0	3.7	9	5.7	4
82 Office administrative, office support and other business support activities	3.7	3.7	10	4.6	7

Source: ONS, TWRI.

Note: based purely on the proportion of enterprises within an area by 2-digit SIC level (excluding SIC 01-03, 84 and 99). It is not based on turnover or employment.

Note on the exclusion of some industries from this section on Business by Industry:

This section does not include Agriculture (SIC 01-03), 'Public administration and defence; compulsory social security' (SIC 84) and 'Activities of extraterritorial organisations and bodies' (SIC 99). Numbers in most of these industries are small. However, readers should note that, if 'Crop and animal production; hunting and related service activities' (SIC 01) were included then it would fall within the UK top ten. At District-level, within Tyne and Wear, SIC 01 would fail to make the top ten. For Tyne and Wear City Region, primarily because of Tynedale⁶, SIC 01 would make the top ten.

⁶ Tynedale accounts for just under half of all SIC 01 enterprises in the City Region.

Conversely, “Wholesale trade, except of motor vehicles and motorcycles” (SIC 46) was in the UK top ten and ranked 11th in Newcastle (Table 8.2).

SIC2007	UK	North East	North East Rank	Newcastle	Newcastle Rank
47 Retail trade, except of motor vehicles and motorcycles	8.8	11.4	1	11.5	1
43 Specialised construction activities	8.1	9.4	2	6.4	3
56 Food and beverage service activities	5.9	8.9	3	9.6	2
70 Activities of head offices; management consultancy activities	5.4	3.7	9	4.0	9
62 Computer programming, consultancy and related activities	5.4	3.1	11	4.2	7
46 Wholesale trade, except of motor vehicles and motorcycles	5.1	4.1	7	3.4	11
82 Office administrative, office support and other business support activities	4.8	3.7	10	3.7	10
41 Construction of buildings	4.1	4.3	5	4.5	6
96 Other personal service activities	3.6	4.2	6	4.1	8
68 Real estate activities	3.6	2.9	13	4.7	5

Source: ONS, TWRI.

Note: based purely on the proportion of enterprises within an area by 2-digit SIC level (excluding SIC 01-03, 84 and 99). 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 old VAT series. It is difficult to directly compare the two series. However, at District level, within Tyne and Wear, the Business Demographics series recorded 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 series⁷. 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 period⁸. 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 regulations⁹ 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.

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

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

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

DORMANT

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

REACTIVATION

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

INDUSTRY COVERAGE

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

STANDARD INDUSTRIAL CLASSIFICATION (SIC)

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

(<http://www.statistics.gov.uk/statbase/product.asp?vlnk=14012>)

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

APPENDIX 2

Key Methodological Differences between main business population publications			
	ONS Business Demography	BERR¹¹ 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 published 28 November 2008.	Discontinued November 2008. The final annual update covered 2007 data.	Annual publication. March 2010 data published September 2010
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, as amended (Timeliness) by TWRI.

http://www.statistics.gov.uk/downloads/theme_commerce/Intro-Bus-Demography.pdf

¹¹ Department for Business, Enterprise and Regulatory Reform.

APPENDIX 3

Excluded Sections

	SIC 2003		SIC 2007
A	Agriculture, Hunting and Forestry	A	Agriculture, Forestry and Fishing
B	Fishing		
L	Public Administration and Defence; Compulsory Social Security	O	Public Administration and Defence; Compulsory Social Security
P	Activities of private households as employers and undifferentiated production activities of private households	T	Activities of Households As Employers; Undifferentiated Goods- and Services-Producing Activities of Households for Own Use
Q	Extraterritorial organizations and bodies	U	Activities of Extraterritorial Organisations and Bodies