



BUSINESSES IN TYNE AND WEAR CITY REGION

2009

March 2011

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KEY MESSAGES

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

The Business Demographics (BD) series, reported here, is more comprehensive than the old VAT series which it replaces; in Tyne and Wear City Region, it records 40,620 businesses in 2009, at least a fifth more enterprises than the VAT series.

The impact of the recession on Tyne and Wear City Region's (TWCR's) businesses is shown by the falling enterprise birth rate since 2007 and the peak, in 2009, of the enterprise death rate. Between 2008 and 2009, business numbers in TWCR rose by 0.2%, however this was the slowest recorded annual growth (Figure 5). Eight industries suffered a net loss; "Wholesale, Retail and Motor" (-135), "Accommodation and Food Service Activities" (-55), "Arts, Entertainment and Recreation" (-20), "Other Services" (-20), "Administrative and Support Services" (-20), "Manufacturing" (-15) and "Transportation and Storage" (-5) (Table 7.5).

Over the longer time period (2002 to 2009), business numbers in TWCR rose by 16%, outperforming the UK by about 1½ times (11%). [\(§ 4.2\)](#)

Enterprise births in TWCR peaked in 2007 (5,525 births); enterprise deaths peaked in 2009 (4,760 deaths).

In 2009, TWCR's new business registration rate was 29.9 per 10,000 adults; this was 36% lower than the UK rate (Fig 6). [\(§ 5.1\)](#)

TWCR's stock-based birth rate is usually better (higher) than the UK; in 2009 its stock-based death rate was also better (lower) than the UK.

In 2009, TWCR's stock-based death rate, which was at its highest level, exceeded the (record low) birth rate for the first time. [\(§ 6\)](#)

In 2009, the "Wholesale, Retail and Motor Trade" accounted for just under a fifth of active enterprises in TWCR (UK 17.8%). The business share was also high for "Construction" (14.5%) and "Professional Scientific and Technical Activities" (14.1%). (Table 7.3)

Over the period 2003-2008:

- 36% of business births in the Tyne and Wear City Region were in "Property and Business Services"; this industry accounted for 29% of business deaths.

Businesses by Industry (2-digit SIC Level)

The "Retail Trade" accounted for 11.6% of enterprises in TWCR, followed by "Food and Beverage Service Activities" (9.2%) and "Specialised Construction Activities" (9.2%). Nationally (UK) the proportions were lower than in TWCR and the order was slightly different; "Retail" (9.4%), "Specialised Construction" (8.7%), "Food and Beverages" (6.2%). (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 City Region (TWCR). 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 TWCR is more than a third smaller than the UK's (compared with population).

The business base has grown strongly in TWCR. Over the period 2002 to 2009 it grew by 5,640 (+16%), outpacing the UK growth (+11%). At District level, the largest absolute contribution came from Newcastle with a net gain of 850 businesses (+13%). It is likely, however, that this performance was under-pinned by an expansion in the public sector; 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.

The reports seek to show the initial impact of the recession. Between 2008 and 2009, business numbers in Tyne and Wear City Region grew by 0.2%, weaker than UK growth (+0.7%). Within the City Region, business numbers all fell in 2009 in Gateshead, Sunderland, Tynedale and in the former Districts of Durham (Chester-le-Street, Durham City, Easington and Derwentside), and there was no net growth in South Tyneside. On a more positive note, Newcastle, Wansbeck, Blyth Valley, North Tyneside and Castle Morpeth all outperformed the UK. However, even in these Districts, growth was subdued compared to the previous two 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.

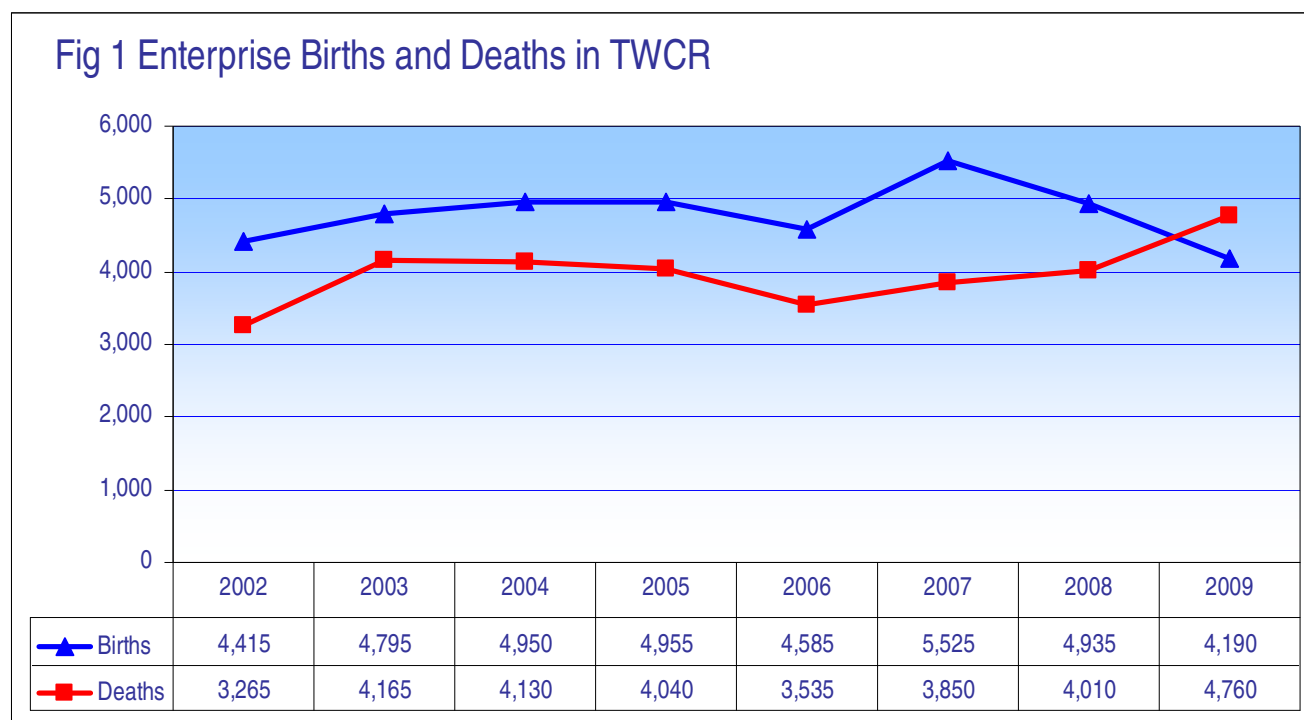
This report provides estimates of the number of business start-ups and closures in Tyne and Wear City Region and compares the TWCR situation to the North East and the UK. The report uses data published by the Office for National Statistics (ONS) on business births, deaths and survivals. The report also 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 (4,190) fell below the number of enterprise deaths. The number of enterprise births peaked in 2007 (Fig 1). After two consecutive falls the number of births is at a record low.



Source: ONS, Business Demographics.

1.2 Enterprise Deaths

Enterprise deaths peaked in 2009 (4,760). The number of enterprise deaths was at a low-point in 2002.

Note: Deaths data for 2008 and 2009 are provisional.

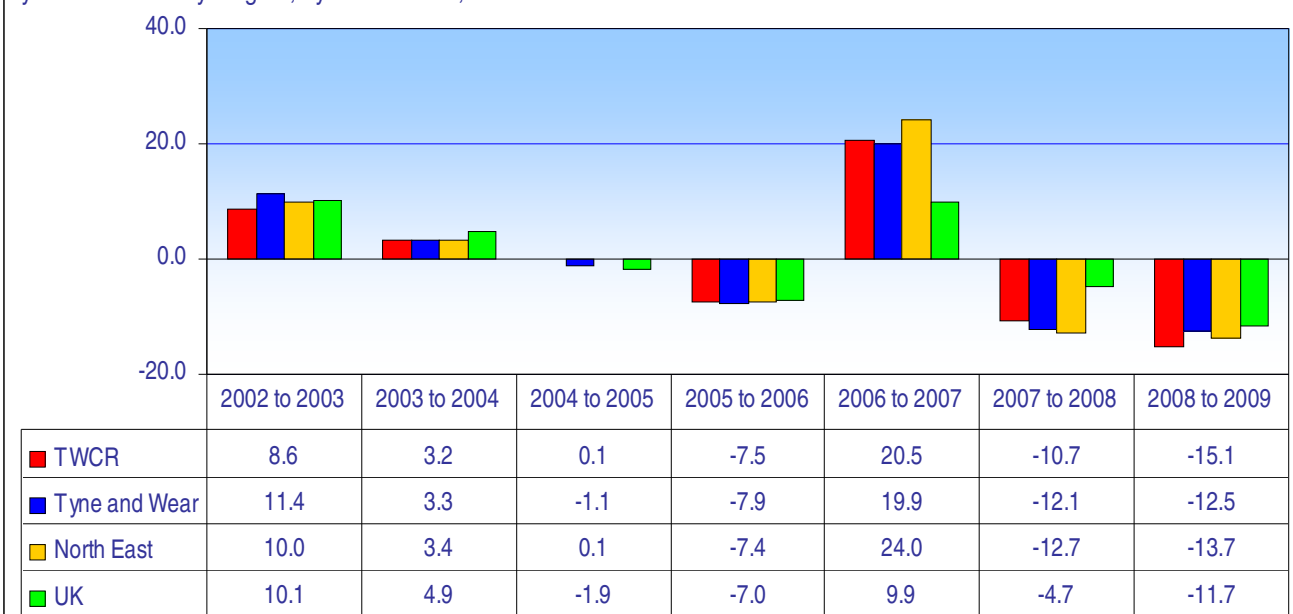
ONS rounds data to prevent disclosure. Differences may exist in totals across tables due to disclosure methods used. Percentage changes of low numbers should be interpreted with care e.g. a reported rise from 5 to 10 (up 100%) could actually be from 7 to 8 (up 14%).

2 Annual Percentage Change in Enterprise Births

In 2009, compared to 2008, the percentage fall in enterprise births was about 1-3 percentage points larger in Tyne and Wear City Region (-15.1%) than in Tyne and Wear, the North East and the UK (Fig 2); within TWCR there were falls in all Districts, particularly in Castle Morpeth (-29.8%), Easington (-27.3%) and Wansbeck (-25.0%), however the large absolute falls were in Newcastle (-160, -17.3%) and North Tyneside (-120, -19.2%). Between 2006 and 2007, the last growth year for enterprise births, Tyne and Wear City Region (up 20.5%) performed strongly compared to the UK.

Fig 2 Annual Percentage Change in Enterprise Births

Tyne and Wear City Region, Tyne and Wear, North East and UK

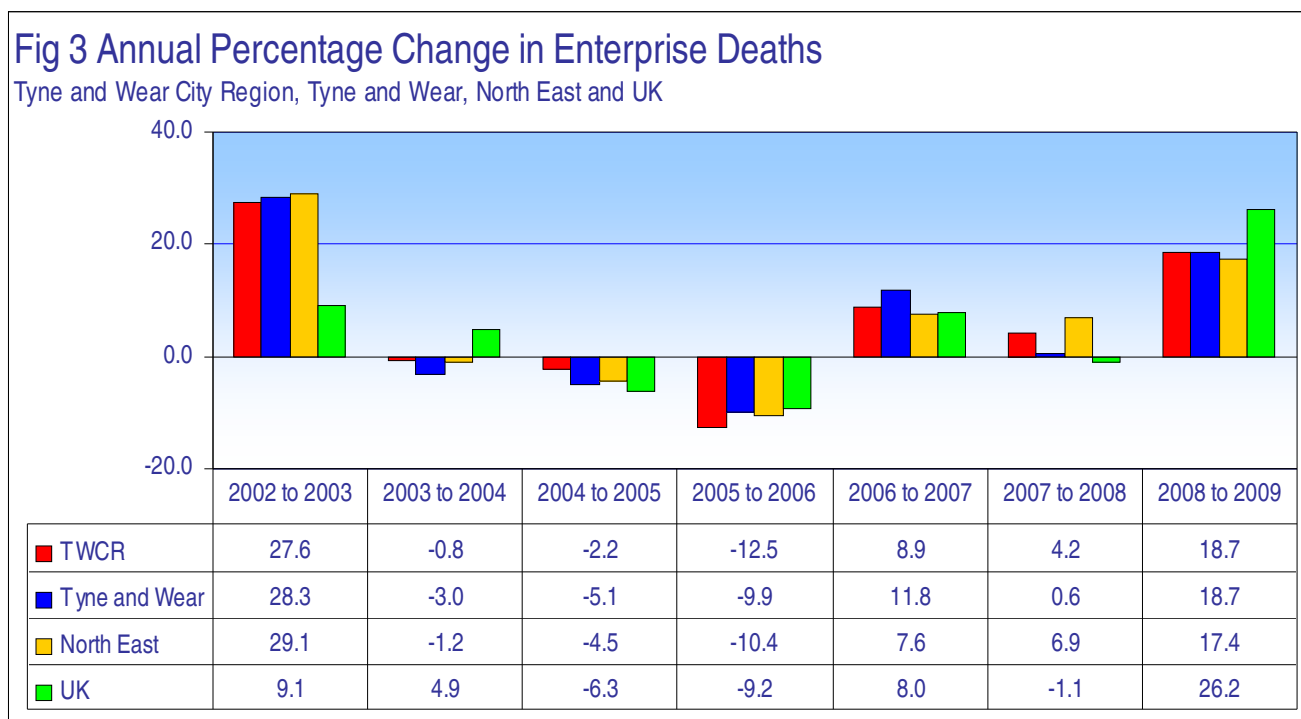


Source: ONS, Business Demographics.

In 2009, TWCR accounted for 63.2% of enterprise births in the North East and 1.8% in the UK.

3 Annual Percentage Change in Enterprise Deaths

The latest provisional data (2009) suggests that the situation deteriorated less in Tyne and Wear City Region than nationally. Compared to 2007, the (2008) number of enterprise deaths in Tyne and Wear City Region rose by 4.2%. Over the same period there was a more noticeable rise in the number of enterprise deaths in the North East and a small fall in the UK (Fig 3).



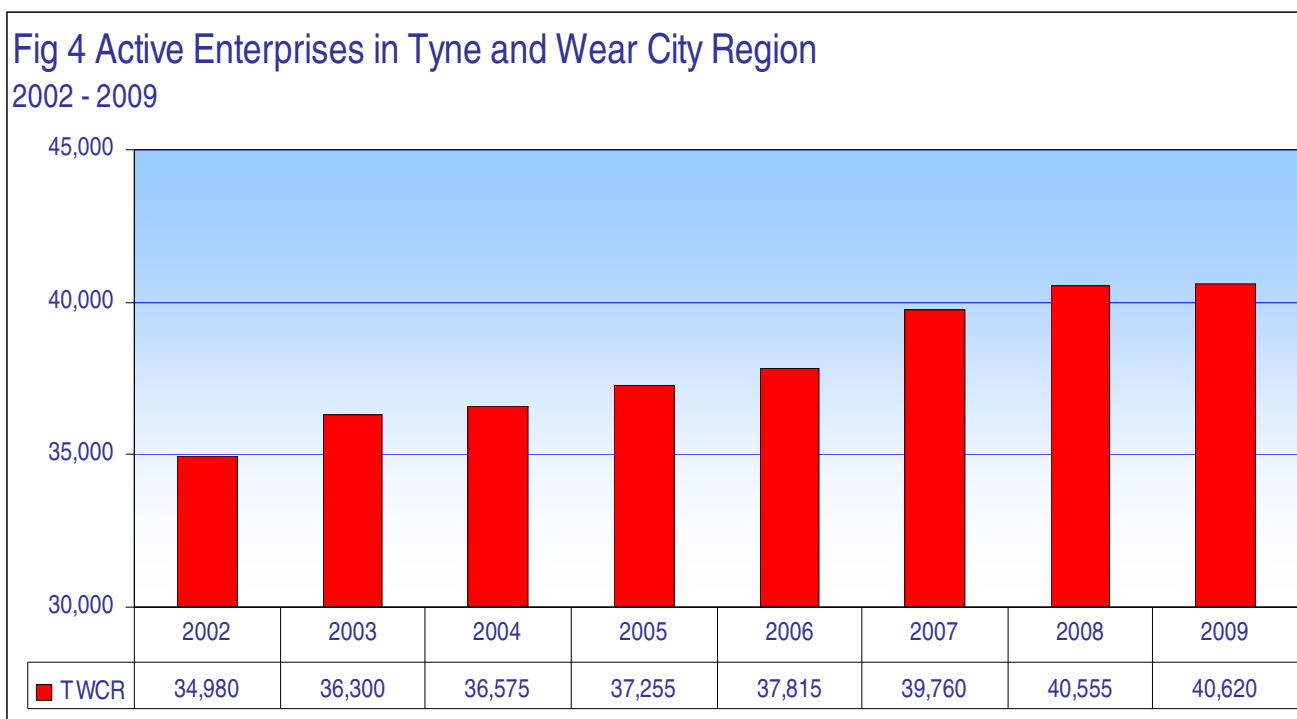
Source: ONS, Business Demographics.

In 2009, TWCR accounted for 64.2% of enterprise deaths in the North East and 1.7% in the UK.

4 Active Enterprises (Business Stock) and Net Change

4.1 Active Enterprises

The number of active enterprises grew each year from 2003 to 2009 with the largest net gain (+1,945) occurring in 2007 (Fig 4). The smallest net gain (+65) occurred in 2009. Although there was a net gain in 2008 (+795) the impact of the recession is shown by the downward trend in the size of the net gain. Within Tyne and Wear City Region, only Newcastle, North Tyneside and the former Districts of Blyth Valley and Wansbeck recorded net gains in 2009, South Tyneside was stable (2009 figures are provisional).



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, TWCR accounted for 63.8% of the active stock in the North East and 1.7% in the UK.

4.2 Net Change 2002-2009

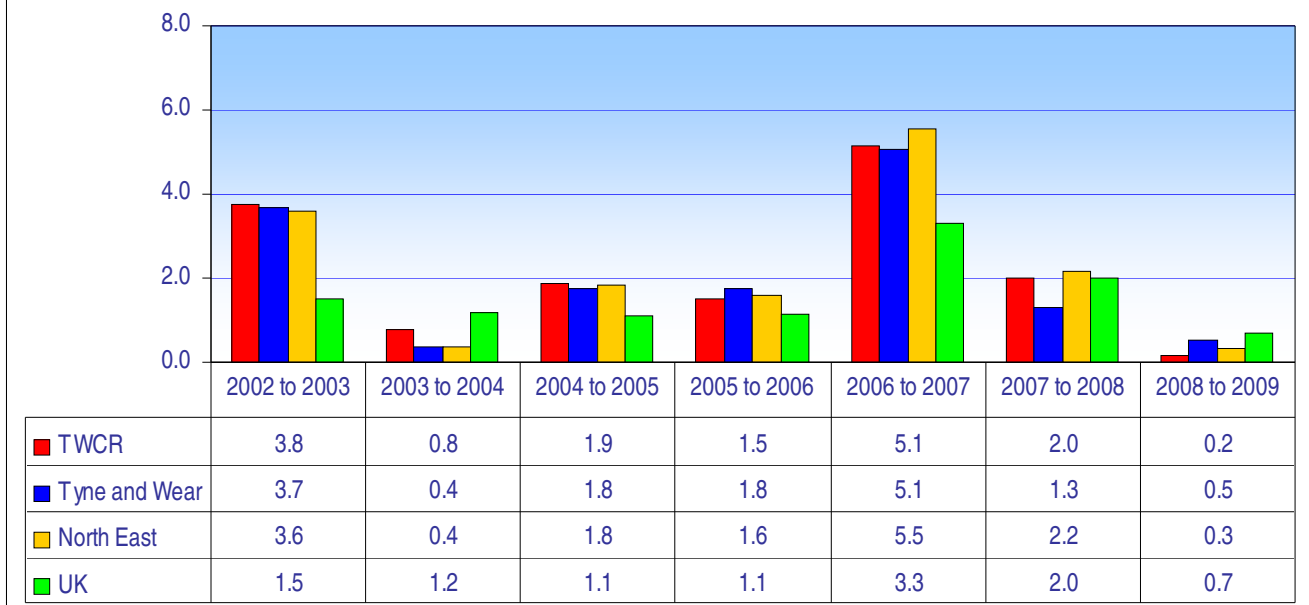
The number of active enterprises in Tyne and Wear City Region was 16% higher in 2009, compared to 2002. This was about 1½ times the UK growth (+11%); percentage growth was high in Wansbeck (25.1%), Easington (22.4%), Derwentside (21.5%) and North Tyneside (+21%); absolute growth was highest in Newcastle (+850), a percentage rise of 12.7%. At 40,620 enterprises, Tyne and Wear City Region's active stock in 2009 was 5,640 higher than in 2002.

4.3 Net Change 2008-2009

There was a small rise in the number of active enterprises in TWCR between 2008 and 2009 (+0.2%), less than a third of the UK (+0.7%) increase (Fig 5). Within TWCR, the largest increase was in Newcastle (+1.8%)

Fig 5 Annual Percentage Change in Enterprise Stock

Tyne and Wear City Region, 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'.

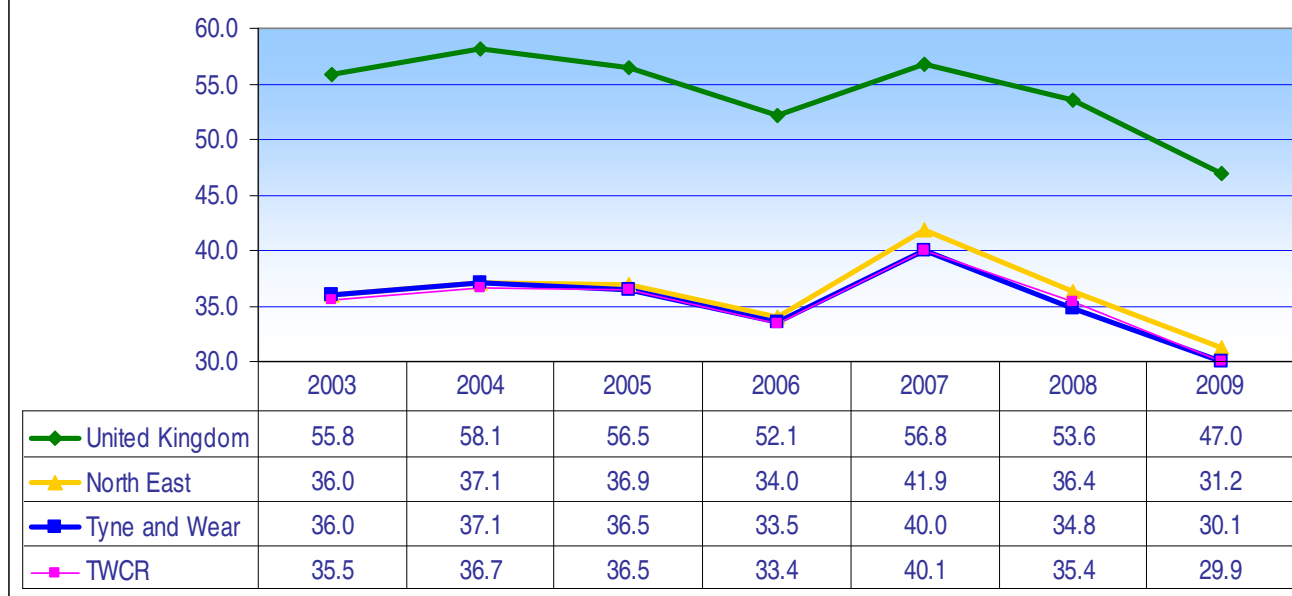
5.1 Former National Indicator 171 'New business registration rate'

In 2009, Tyne and Wear City Region's new business registration rate was 29.9 per 10,000 adults; this was over a third lower than the UK rate (Fig 6). Within Tyne and Wear City Region, District rates ranged from 20.6 in Easington up to 42.7 in Tynedale.

Tyne and Wear City Region's rate peaked in 2007. Between 2007 and 2009, the rate fell by 10.1 points. This was slightly larger than the UK fall (-9.8 points). Within Tyne and Wear City Region, the largest fall was in Tynedale (-18.3 points), the smallest in Wansbeck (-0.1 points).

Fig 6 New Business Registration Rate (NI 171)

(per 10,000 adults)



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

In 2009, TWCR's death rate (11.7%), which was at a record high, exceeded the birth rate, which was at a record low (Table 6a).

TWCR's birth rate is usually higher (better) than the UK. The UK birth rate peaked in 2004 at 13.0%; TWCR's birth rate peaked in 2007, at 13.9%.

TWCR's death rate was lower (better) than the UK in two of the last three years; the exception was 2008 when TWCR's rate was 9.9% compared to a UK rate of 9.5%. In 2006, TWCR death rate fell to 9.3%; this coincided with the UK's lowest death rate (9.4%) (Table 6c).

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	34,980	4,415	12.6	3,265	9.3
2003	36,300	4,795	13.2	4,165	11.5
2004	36,575	4,950	13.5	4,130	11.3
2005	37,255	4,955	13.3	4,040	10.8
2006	37,815	4,585	12.1	3,535	9.3
2007	39,760	5,525	13.9	3,850	9.7
2008	40,555	4,935	12.2	4,010	9.9
2009	40,620	4,190	10.3	4,760	11.7

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. 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

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

The “credit crunch” that began in 2007 may have had an impact on Tyne and Wear City Region’s enterprise births in 2008. There were falls in six industries. The most noticeable fall was in “Property and Business Services” (down 14%), however this industry had a record 2,340 births in 2007. The number of births in “Manufacturing” rose for the fourth successive year, although the rise in 2008 was small. The number of births in “Health” also rose.

Table 7.1a: Enterprise Births in Tyne and Wear City Region by Industry, 2003-2008

SIC 2003	Industry	2003	2004	2005	2006	2007	2008	Total
C and E	Mining, quarrying, electricity, gas and water supply	0	0	0	5	5	5	15
D	Manufacturing	250	290	210	230	250	255	1,485
F	Construction	565	660	685	655	715	625	3,905
G	Wholesale, retail and motor trades	880	845	890	785	790	765	4,955
H	Hotels and catering	660	675	635	620	650	570	3,810
I	Transport, post and telecommunications	240	190	235	215	210	175	1,265
J	Finance	30	35	35	35	30	30	195
K	Property and business services	1,630	1,675	1,665	1,515	2,340	2,015	10,840
M	Education	55	70	40	55	55	55	330
N	Health	120	130	120	115	115	135	735
O	Other Services	360	380	440	355	365	305	2,205
	Total	4,790	4,950	4,955	4,585	5,525	4,935	29,740

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

In 2008, birth rates in a majority of industries fell (Table 7.1b). The three exceptions were “Mining, Quarrying, Electricity, Gas and Water Supply”, “Health” and “Manufacturing”.

In both “Transport, Post and Telecommunications” and “Finance”, birth rates peaked in 2005. Since 2005 their birth rates have fallen and were both at record lows in 2008. Birth rates were also at record lows in 2008 for “Other Services”, “Wholesale, Retail and Motor Trades”, “Construction” and “Hotels and Catering”.

Table 7.1b: Enterprise Birth Rates (%) in Tyne and Wear City Region, 2003-2008

SIC 2003	Industry	2003	2004	2005	2006	2007	2008
C and E	Mining, quarrying, electricity, gas and water supply	0.0	0.0	0.0	14.3	16.7	20.0
D	Manufacturing	7.9	9.5	6.8	7.5	8.1	8.4
F	Construction	14.8	16.3	15.6	14.2	14.7	12.4
G	Wholesale, retail and motor trades	10.4	10.1	10.7	9.5	9.6	9.2
H	Hotels and catering	17.0	17.0	16.2	15.7	16.0	14.1
I	Transport, post and telecommunications	13.3	11.0	13.5	12.3	11.7	9.7
J	Finance	10.0	11.1	12.1	10.9	10.0	6.8
K	Property and business services	18.6	17.7	16.4	14.5	19.8	16.8
M	Education	13.6	16.3	9.0	11.7	11.7	11.2
N	Health	7.9	8.4	7.5	7.1	6.8	7.6
O	Other Services	9.9	10.5	13.6	10.8	10.9	9.0
	Total	13.4	13.5	13.3	12.1	13.9	12.2

Source: ONS, IDBR.

Note: All figures are rounded to avoid disclosure.

Birth rate is the number of births in a year divided by the active stock throughout the (same) year.

In 2009 the overall stock-based enterprise birth rate in Tyne and Wear City Region was higher (better) than that of the UK and slightly lower than that of the North East (Table 7.1c). Tyne and Wear City Region outperformed the UK in ten 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, Tyne and Wear City Region (TWCR), Tyne and Wear (TW), North East (NE) and UK, 2009

SIC 2007	Industry	Active Stock TWCR	Active Stock			Birth Rate ¹ (%)			Difference	
			TW	North East	UK	TWCR	TW	NE	UK	TWCR - UK
B, D and E	Mining, Quarrying and Utilities	160	100	310	8,915	15.6	15.0	17.7	14.2	1.4
C	Manufacturing	2,815	1,875	4,460	148,285	7.3	6.9	6.4	6.9	0.4
F	Construction	5,910	3,695	9,415	336,095	9.8	10.1	9.9	8.7	1.1
G	Wholesale, Retail and Motor	7,990	5,030	12,300	416,305	8.6	8.5	8.7	8.9	-0.3
H	Transportation and Storage	1,605	850	2,610	81,995	7.2	7.6	8.0	8.5	-1.3
I	Accommodation and Food Service Activities	4,000	2,580	6,160	163,430	12.5	13.6	12.5	12.0	0.5
J	Information and Communication	1,865	1,285	2,685	171,175	11.3	12.1	12.3	11.1	0.1
K	Financial and Insurance Activities	485	345	785	34,600	8.2	7.2	7.0	9.5	-1.2
L	Real Estate	1,260	875	1,845	86,840	9.9	9.1	9.5	9.1	0.8
M	Professional, Scientific and Technical Activities	5,740	3,735	9,500	380,125	12.5	13.1	13.4	12.5	0.0
N	Administrative and Support Services	3,085	1,905	4,735	206,165	15.6	16.3	15.0	13.9	1.7
P	Education	595	390	965	34,395	11.8	10.3	11.4	10.1	1.6
Q	Human Health and Social Work	1,790	1,145	2,730	86,915	7.5	7.9	6.2	7.9	-0.4
R	Arts, Entertainment and Recreation	1,020	635	1,615	65,930	6.9	7.1	7.4	8.1	-1.2
S	Other Services	2,300	1,505	3,545	120,730	9.8	10.3	10.0	7.9	1.9
	Total	40,620	25,950	63,660	2,341,900	10.3	10.6	10.4	10.1	0.2

Source: ONS, IDBR.

Note: All figures are rounded to avoid disclosure.

¹ Birth rate is the number of births in a year divided by the active stock throughout the year.

The active stock is shown to highlight those Tyne and Wear City Region rates that are based on relatively low stock.

7.2 Enterprise Deaths

Over the period 2003-2008, 29% of business deaths in Tyne and Wear City Region were in “Property and Business Services” and 21% were in “Wholesale, Retail and Motor Trades” (Table 7.2a).

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

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

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

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

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

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

In 2009 the overall enterprise death rate in Tyne and Wear City Region was lower (better) than the UK and slightly higher (worse) than the North East (Table 7.2c). Tyne and Wear City Region outperformed the UK in seven of the fifteen industries shown. Note that this uses the new 2007 SIC unlike the time series of rates, above (in Table 7.2b).

SIC 2007	Industry	Active Stock				Death Rate ¹ (%)				Difference TWCR - UK
		TWCR	TW	North East	UK	TWCR	TW	NE	UK	
B, D and E	Mining, Quarrying and Utilities	160	100	310	8,915	12.5	5.0	11.3	10.9	1.6
C	Manufacturing	2,815	1,875	4,460	148,285	9.6	10.7	9.5	10.1	-0.5
F	Construction	5,910	3,695	9,415	336,095	14.6	14.5	14.3	13.2	1.4
G	Wholesale, Retail and Motor	7,990	5,030	12,300	416,305	10.5	10.6	10.4	10.8	-0.4
H	Transportation and Storage	1,605	850	2,610	81,995	12.1	13.5	12.8	13.2	-1.0
I	Accommodation and Food Service Activities	4,000	2,580	6,160	163,430	14.6	15.5	14.0	14.3	0.3
J	Information and Communication	1,865	1,285	2,685	171,175	11.8	12.8	12.8	13.3	-1.5
K	Financial and Insurance Activities	485	345	785	34,600	13.4	13.0	15.3	12.6	0.8
L	Real Estate	1,260	875	1,845	86,840	12.7	14.9	12.7	12.7	0.0
M	Professional, Scientific and Technical Activities	5,740	3,735	9,500	380,125	10.2	10.3	10.2	11.2	-1.0
N	Administrative and Support Services	3,085	1,905	4,735	206,165	13.9	14.2	14.1	14.8	-0.9
P	Education	595	390	965	34,395	11.8	9.0	10.9	9.2	2.6
Q	Human Health and Social Work	1,790	1,145	2,730	86,915	6.1	6.6	5.9	7.2	-1.1
R	Arts, Entertainment and Recreation	1,020	635	1,615	65,930	10.3	10.2	10.5	10.3	0.0
S	Other Services	2,300	1,505	3,545	120,730	10.4	10.3	10.0	10.2	0.3
	Total	40,620	25,950	63,660	2,341,900	11.7	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 Tyne and Wear City Region rates that are based on relatively low stock.

7.3 The Industrial Structure of the Business Base

The following bar chart (Fig. 7) compares Tyne and Wear City Region's industrial structure in 2008 with the North East and the UK. These are also given numerically (Table 7.3). Note that this uses the new 2007 SIC.

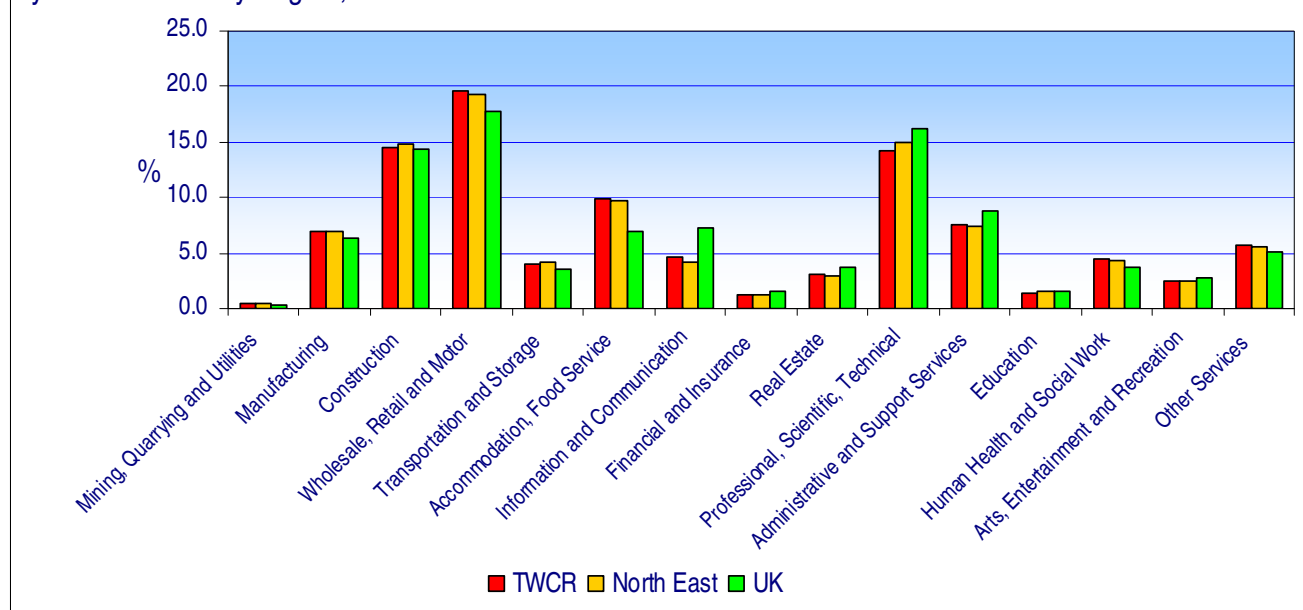
Compared to the UK industrial structure Tyne and Wear City Region is relatively strong in "Accommodation and Food Service Activities" and "Wholesale, Retail and Motor".

It is relatively weak in [the Business Services:]

- "Information and Communication",
- "Professional, Scientific and Technical Activities"
- "Administrative and Support Services"

The other industries in Tyne and Wear City Region take up similar proportions to the UK averages (within ± 1 percentage point).

Fig 7 The Industrial Structure of the Business Base
Tyne and Wear City Region, North East and UK



Source: Office for National Statistics, IDBR.

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

SIC 2007	Industry	Share of Total Active Businesses in 2009			
		TW	TWCR	North East	UK
B, D and E	Mining, Quarrying and Utilities	0.4	0.4	0.5	0.4
C	Manufacturing	7.2	6.9	7.0	6.3
F	Construction	14.2	14.5	14.8	14.4
G	Wholesale, Retail and Motor	19.4	19.7	19.3	17.8
H	Transportation and Storage	3.3	4.0	4.1	3.5
I	Accommodation and Food Service Activities	9.9	9.8	9.7	7.0
J	Information and Communication	5.0	4.6	4.2	7.3
K	Financial and Insurance Activities	1.3	1.2	1.2	1.5
L	Real Estate	3.4	3.1	2.9	3.7
M	Professional, Scientific and Technical Activities	14.4	14.1	14.9	16.2
N	Administrative and Support Services	7.3	7.6	7.4	8.8
P	Education	1.5	1.5	1.5	1.5
Q	Human Health and Social Work	4.4	4.4	4.3	3.7
R	Arts, Entertainment and Recreation	2.4	2.5	2.5	2.8
S	Other Services	5.8	5.7	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 uses SIC2003.

In Tyne and Wear City Region, two industries effectively accounted for the overall growth in business numbers over the period 2003-2008 (Table 7.4a); "Property and business services" (up 3,220) and "Construction" (up 1,225).

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

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

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

Source: ONS, IDBR.

Note: All figures are rounded to avoid disclosure.

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

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

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

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

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

Source: ONS, IDBR.

Note: All figures are rounded to avoid disclosure.

7.5 Changes in 2009 by Industry

Within Tyne and Wear City Region seven industries had a net loss of businesses between the years 2008-2009 (Table 7.5). The main loss was in “Wholesale, Retail and Motor”. The other losses were in “Accommodation and Food Service Activities”, “Arts, Entertainment and Recreation”, “Other Services”, “Administrative and Support Services”, “Manufacturing” and “Transportation and Storage”.

In Tyne and Wear City Region “Manufacturing” business numbers fell slightly (-0.5%), while they rose in Leeds City Region, the North East and the UK. Conversely, there was a small increase in “Construction” businesses in Tyne and Wear City Region, while in Leeds City Region, the North East and the UK numbers fell.

Tyne and Wear City Region outperformed the UK in eight industries: “Financial and Insurance Activities”, “Human Health and Social Work”, “Education”, “Transportation and Storage”, “Construction”, “Other Services”, “Real Estate” and “Information and Communication”.

Tyne and Wear City Region outperformed the North East in eight industries: “Human Health and Social Work”, “Mining, Quarrying and Utilities”, “Construction”, “Real Estate”, “Administrative and Support Services”, “Other Services”, “Information and Communication” and “Accommodation and Food Service Activities”.

Tyne and Wear City Region outperformed Leeds City Region in eight industries: “Mining, Quarrying and Utilities”, “Human Health and Social Work”, “Financial and Insurance Activities”, “Information and Communication”, “Construction”, “Transportation and Storage”, “Other Services” and “Accommodation and Food Service Activities”.

Table 7.5: Change in the Number of Enterprises, TWCR, Leeds CR, North East, UK, 2008 to 2009

SIC 2007	Industry	Actives 2008	Actives 2009	Change TWCR	Percentage Change			
		TWCR	TWCR		TWCR	Leeds CR	North East	UK
B, D and E	Mining, Quarrying and Utilities	145	160	15	10.3	4.9	8.8	10.7
C	Manufacturing	2,830	2,815	-15	-0.5	1.6	1.7	0.5
F	Construction	5,895	5,910	15	0.3	-1.4	-0.5	-0.5
G	Wholesale, Retail and Motor	8,125	7,990	-135	-1.7	-0.8	-1.5	-0.4
H	Transportation and Storage	1,610	1,605	-5	-0.3	-1.5	0.0	-1.2
I	Accommodation and Food Service Activities	4,055	4,000	-55	-1.4	-1.6	-1.7	-1.4
J	Information and Communication	1,845	1,865	20	1.1	-0.9	0.8	0.7
K	Financial and Insurance Activities	395	485	90	22.8	20.1	23.6	15.6
L	Real Estate	1,225	1,260	35	2.9	3.4	2.2	2.4
M	Professional, Scientific and Technical Activities	5,700	5,740	40	0.7	4.1	2.7	3.3
N	Administrative and Support Services	3,105	3,085	-20	-0.6	2.0	-1.3	-0.3
P	Education	555	595	40	7.2	7.7	7.8	6.0
Q	Human Health and Social Work	1,710	1,790	80	4.7	1.3	2.2	2.9
R	Arts, Entertainment and Recreation	1,040	1,020	-20	-1.9	0.0	-1.8	-1.1
S	Other Services	2,320	2,300	-20	-0.9	-1.3	-1.4	-1.6
	Total	40,555	40,620	65	0.2	0.7	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, based on enterprise numbers, eight of TWCR's top ten industries appeared in the UK top ten. TWCR's top ten included 'Architectural and engineering activities etc' (SIC 71, 11th in the UK) and 'Wholesale and retail trade etc' (SIC 45, 12th in the UK) (Table 8.1).

SIC2007	TWCR	North East	North East Rank	UK	UK Rank
47 Retail trade, except of motor vehicles and motorcycles	11.6	11.4	1	9.4	1
56 Food and beverage service activities	9.2	8.9	3	6.2	3
43 Specialised construction activities	9.2	9.4	2	8.7	2
46 Wholesale trade, except of motor vehicles and motorcycles	4.3	4.1	7	5.1	6
41 Construction of buildings	4.3	4.3	5	4.6	8
96 Other personal service activities	4.2	4.2	6	3.9	9
71 Architectural and engineering activities; technical testing and analysis	4.0	5.2	4	3.3	11
82 Office administrative, office support and other business support activities	3.8	3.7	10	4.6	7
45 Wholesale and retail trade and repair of motor vehicles and motorcycles	3.7	3.8	8	3.2	12
70 Activities of head offices; management consultancy activities	3.7	3.7	9	5.7	4

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.

The two industries that appeared in the UK top ten but not in TWCR's were 'Computer programming, consultancy and related activities' (SIC 62, ranked 11th in TWCR) and 'Real estate activities' (SIC 68, ranked 12th in TWCR) (Table 8.2).

SIC2007	UK	North East	North East Rank	TWCR	TWCR Rank
47 Retail trade, except of motor vehicles and motorcycles	8.8	11.4	1	11.6	1
43 Specialised construction activities	8.1	9.4	2	9.2	3
56 Food and beverage service activities	5.9	8.9	3	9.2	2
70 Activities of head offices; management consultancy activities	5.4	3.7	9	3.7	10
62 Computer programming, consultancy and related activities	5.4	3.1	11	3.3	11
46 Wholesale trade, except of motor vehicles and motorcycles	5.1	4.1	7	4.3	4
82 Office administrative, office support and other business support activities	4.8	3.7	10	3.8	8
41 Construction of buildings	4.1	4.3	5	4.3	5
96 Other personal service activities	3.6	4.2	6	4.2	6
68 Real estate activities	3.6	2.9	13	3.1	12

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