BUSINESSES IN TYNE AND WEAR 2009

March 2011

By
John Horne
Peter Sturman
Kadhem Jallab

CONTENTS

TWRI
1st Floor Provincial House
Northumberland Street
Newcastle upon Tyne
NE1 7DQ
Tel: (0191) 277 1912,
Fax: (0191) 277 1911
E-MAIL: twri@twri.org.uk
WEBSITE: www.twri.org.uk

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

KEY MESSAGES

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

The Business Demographics (BD) series, reported here, is more comprehensive than the old VAT series which it replaces; in Tyne and Wear, it records almost 26,000 businesses in 2009, at least a fifth more enterprises than the VAT series.

The impact of the recession on Tyne and Wear's businesses is shown by the falling enterprise birth rate since 2007 and the peak, in 2009, of the enterprise death rate (Figure 1). Between 2008 and 2009, business numbers in Tyne and Wear rose by 0.5%, however this was the slowest growth since 2004 (Figure 5). Four industries suffered a net loss; "Wholesale, Retail and Motor" (-100), "Administrative and Support Services" (-35), "Transportation and Storage" (-10) and "Manufacturing" (-10) (Table 7.5).

Over the longer time period (2002 to 2009), business numbers in Tyne and Wear rose by 15%, outperforming the UK by about 1.4 times (11%). (§ 4.2)

Enterprise births in Tyne and Wear peaked in 2007 (3,585 births); enterprise deaths peaked in 2009 (3,110 deaths).

In 2009, Tyne and Wear's new business registration rate was 30.1 per 10,000 adults; this was 36% lower than the UK rate (Fig 6). (§ 5.1)

Tyne and Wear'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.

In 2009, Tyne and Wear's stock-based death rate, which was at its highest level since 2003, exceeded the birth rate, which was at a record low. (§ 6)

In 2009, the "Wholesale, Retail and Motor Trade" accounted for just under a fifth of active enterprises in Tyne and Wear (UK 17.8%). The business share was also high for "Professional Scientific and Technical Activities" (19.4%) and "Construction" (14.4%) (Table 7.3).

Over the period 2003-2008:

- 38% of business births in Tyne and Wear City 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 11.8% of enterprises in Tyne and Wear, followed by "Food and Beverage Service Activities" (9.4%) and "Specialised Construction Activities" (9.1%). Nationally (UK) the proportions were lower than in Tyne and Wear and the order was slightly different; "Retail" (9.4%), "Specialised Construction" (8.7%), "Food and Beverages" (6.2%). (Tables 8.1 and 8.2)

INTRODUCTION

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

The business base has grown strongly in TW; over the period 2002 to 2009 it grew by 15%, outpacing the UK growth of 11%. 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 industry 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 and compares the Tyne and Wear 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.

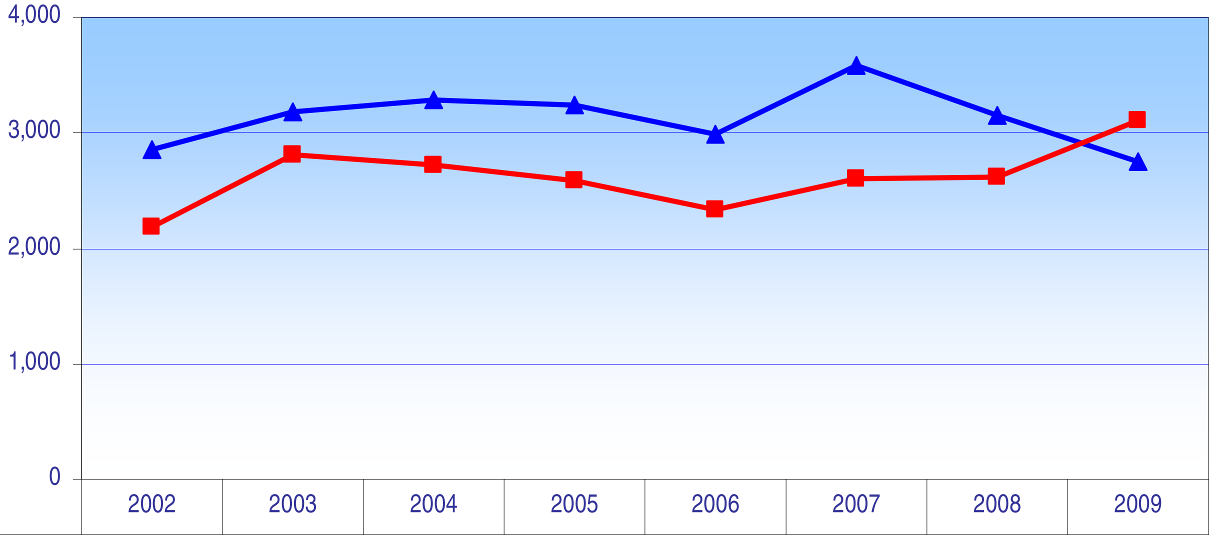
This report covers mainly stock of businesses, births and deaths in 2009 and changes in these over various timescales. The main focus of this paper is on levels in 2009, with levels in previous years being used as time-series comparators.

1 Enterprise Births and Deaths

1.1 Enterprise Births

In 2009, the number of enterprise births (2,755) 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.

Fig 1 Enterprise Births and Deaths in Tyne and Wear



	2002	2003	2004	2005	2006	2007	2008	2009
Births	2,850	3,175	3,280	3,245	2,990	3,585	3,150	2,755
Deaths	2,190	2,810	2,725	2,585	2,330	2,605	2,620	3,110

Source: ONS, Business Demographics.

1.2 Enterprise Deaths

Enterprise deaths peaked in 2009 (3,110). The number of enterprise deaths was at a low-point in 2002.

Note: Deaths data for 2008 and 2009 are provisional.

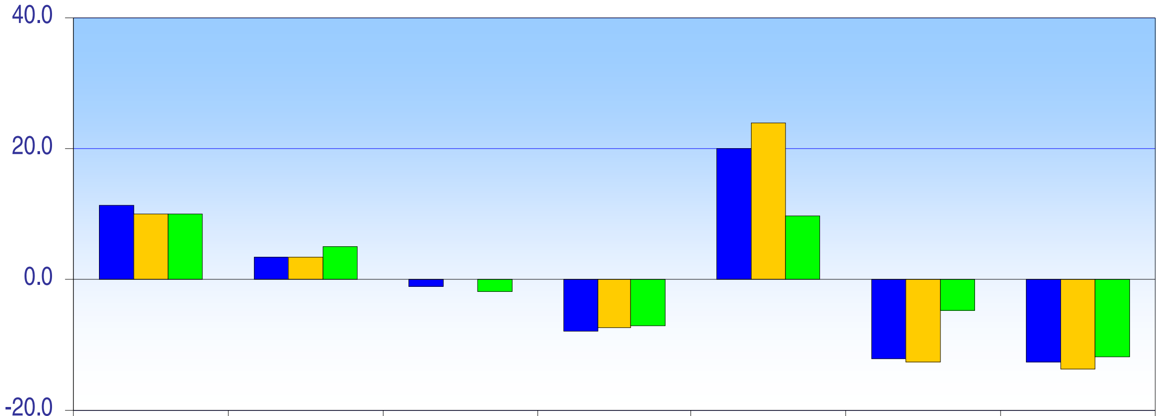
ONS rounds data to prevent disclosure. Differences may exist in totals across tables due to disclosure methods used. Percentage changes of low numbers should be interpreted with care e.g. a reported rise from 5 to 10 (up 100%) could actually be from 7 to 8 (up 14%).

2 Annual Percentage Change in Enterprise Births

In 2009, compared to 2008, the percentage fall in enterprise births was only slightly larger in Tyne and Wear (-12.5%) than in the UK (Fig 2); within Tyne and Wear there were falls in all Districts, particularly in North Tyneside (-19.2%) and Newcastle (-17.3%). Between 2006 and 2007, the last growth year for enterprise births, Tyne and Wear (+19.9%) performed strongly compared to the UK (+9.9%).

Fig 2 Annual Percentage Change in Enterprise Births

Tyne and Wear, North East and UK



	2002 to 2003	2003 to 2004	2004 to 2005	2005 to 2006	2006 to 2007	2007 to 2008	2008 to 2009
Tyne and Wear	11.4	3.3	-1.1	-7.9	19.9	-12.1	-12.5
North East	10.0	3.4	0.1	-7.4	24.0	-12.7	-13.7
UK	10.1	4.9	-1.9	-7.0	9.9	-4.7	-11.7

Source: ONS, Business Demographics.

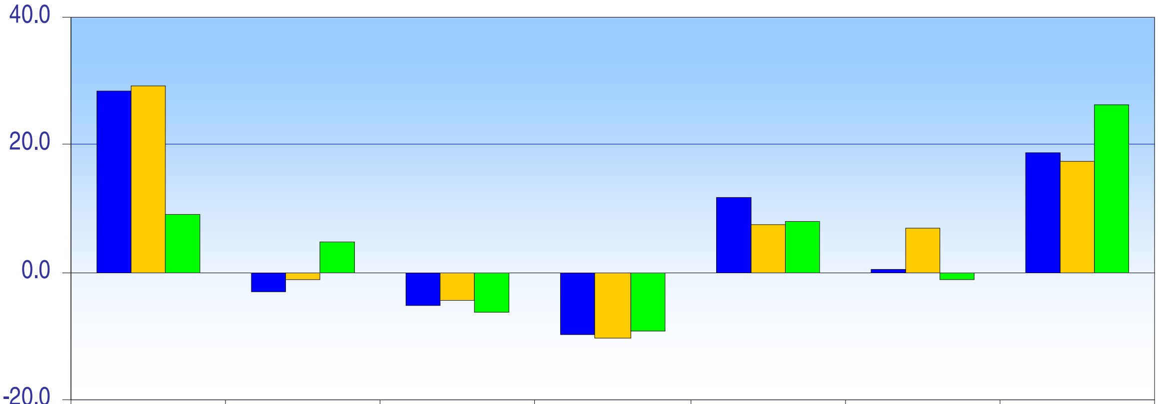
In 2009, Tyne and Wear accounted for 41.6% of enterprise births in the North East and 1.2% in the UK.

3 Annual Percentage Change in Enterprise Deaths

Compared to 2007, the (2008) number of enterprise deaths in Tyne and Wear rose slightly. 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). The latest provisional data (2009) suggests that the situation deteriorated less in Tyne and Wear (+18.7%) than nationally; within Tyne and Wear enterprise deaths in Newcastle rose by a third; increases in the other Districts were all lower than the UK; South Tyneside had the smallest rise (+1.5%).

Fig 3 Annual Percentage Change in Enterprise Deaths

Tyne and Wear, North East and UK



	2002 to 2003	2003 to 2004	2004 to 2005	2005 to 2006	2006 to 2007	2007 to 2008	2008 to 2009
Tyne and Wear	28.3	-3.0	-5.1	-9.9	11.8	0.6	18.7
North East	29.1	-1.2	-4.5	-10.4	7.6	6.9	17.4
UK	9.1	4.9	-6.3	-9.2	8.0	-1.1	26.2

Source: ONS, Business Demographics.

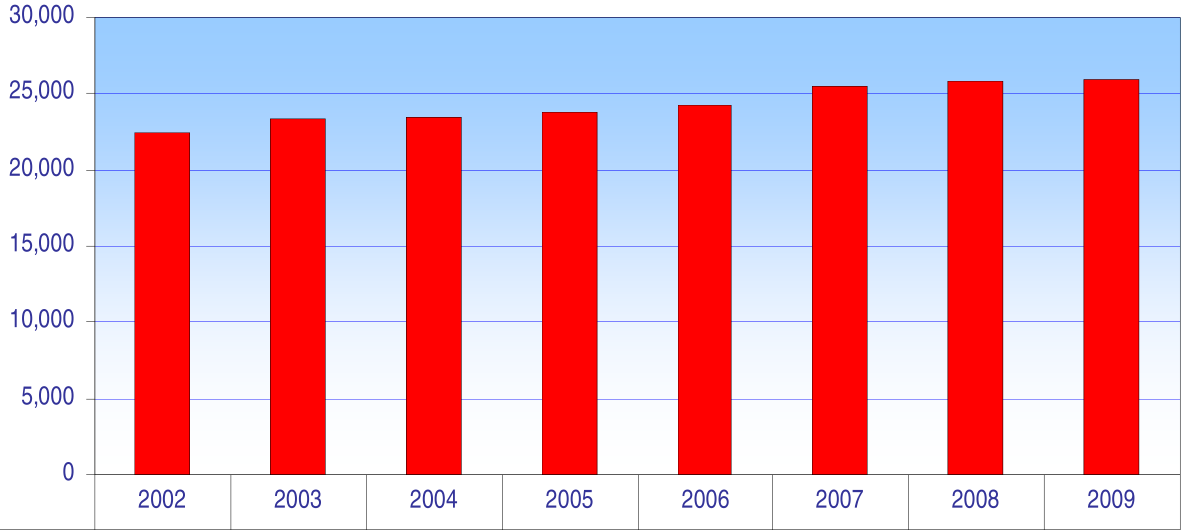
In 2009, Tyne and Wear accounted for 41.9% of enterprise deaths in the North East and 1.1% in the UK.

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 (+1,225) occurring in 2007 (Fig 4). The smallest net gain (+85) occurred in 2004, a year notable for net-losses in both Newcastle (-130) and South Tyneside (-40). Although there were net-gains in 2008 (+335) and 2009 (+140) the impact of the recession is shown by the downward trend. Within Tyne and Wear, only Newcastle and North Tyneside recorded net-gains in 2009, South Tyneside was stable while Gateshead and Sunderland recorded net-losses (2009 figures are provisional).

Fig 4 Active Enterprises in Tyne and Wear
2002 - 2009



	2002	2003	2004	2005	2006	2007	2008	2009
Tyne and Wear	22,495	23,325	23,410	23,825	24,245	25,470	25,805	25,945

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, Tyne and Wear accounted for 40.8% of the active stock in the North East and 1.1% in the UK.

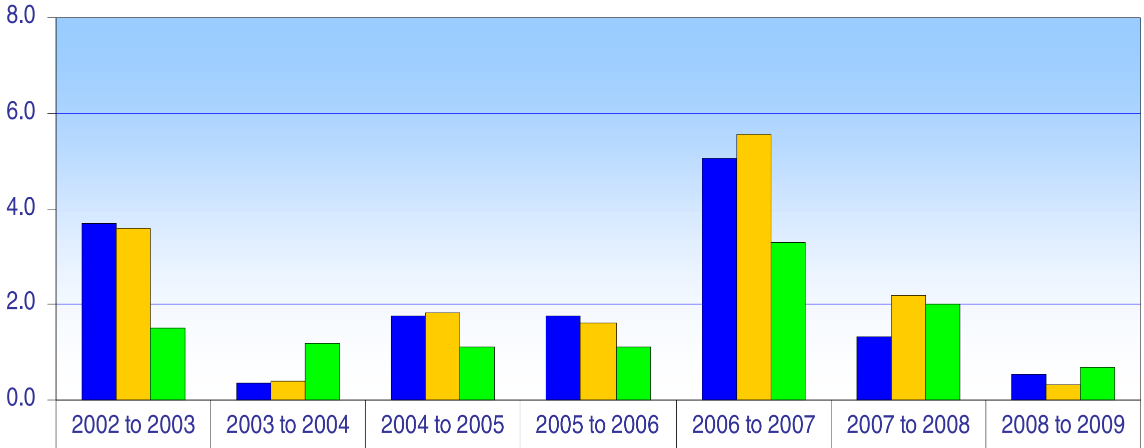
4.2 Net Change 2002-2009

The number of active enterprises in Tyne and Wear was 15% higher in 2009, compared to 2002. This was about 1.4 times the UK change (+11%) and was similar to the North East (+16%); growth in North Tyneside (+21%), Gateshead (+18%) and South Tyneside (+16%) exceeded the County average; growth in Newcastle (+13%) and Sunderland (+12%) exceeded the UK average. At 25,945 enterprises, Tyne and Wear's active stock in 2009 was 3,450 higher than in 2002.

4.3 Net Change 2008-2009

There was a small rise in the number of active enterprises in Tyne and Wear between 2008 and 2009 (+0.5%), midway between the North East (+0.3%) and UK (+0.7%) increases (Fig 5). Within Tyne and Wear, the largest increase was in Newcastle (+1.8%).

Fig 5 Annual Percentage Change in Enterprise Stock
Tyne and Wear, North East and UK



	2002 to 2003	2003 to 2004	2004 to 2005	2005 to 2006	2006 to 2007	2007 to 2008	2008 to 2009
Tyne and Wear	3.7	0.4	1.8	1.8	5.1	1.3	0.5
North East	3.6	0.4	1.8	1.6	5.5	2.2	0.3
UK	1.5	1.2	1.1	1.1	3.3	2.0	0.7

Source: ONS, Business Demographics.

5 NEW BUSINESS REGISTRATION RATE

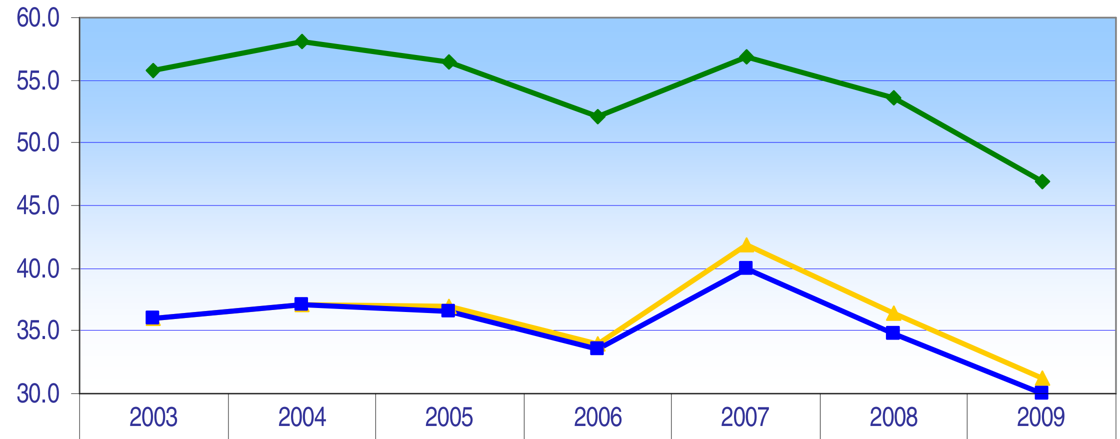
In 2010, the Department for Business, Innovation and Skills (BIS) confirmed that the National Indicators are no longer government targets. TWRI has updated NI171 using 2009 data (see below). Unfortunately it is not possible to produce updates for NI172 'Percentage of small businesses in an area showing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

5.1 Former National Indicator 171 'New business registration rate'

In 2009, Tyne and Wear's new business registration rate was 30.1 per 10,000 adults; this was over a third lower than the UK rate (Fig 6). Within Tyne and Wear, District rates ranged from 25.0 in South Tyneside up to 36.3 in Gateshead.

Tyne and Wear's rate peaked in 2007 (40.0). Between 2007 and 2009, the rate fell by 9.9 points. This was similar to the UK fall (-9.8 points). Within Tyne and Wear, the largest fall was in South Tyneside (-12.5 points), the smallest in Newcastle (-6.1 points).

Fig 6 New Business Registration Rate (NI 171)
(per 10,000 adults)



	2003	2004	2005	2006	2007	2008	2009
United Kingdom	55.8	58.1	56.5	52.1	56.8	53.6	47.0
North East	36.0	37.1	36.9	34.0	41.9	36.4	31.2
Tyne and Wear	36.0	37.1	36.5	33.5	40.0	34.8	30.1

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[1]. 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 Stock[3]-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, Tyne and Wear's death rate (12.0%), which was at its highest level since 2003, exceeded the birth rate, which was at a record low (Table 6a).

Tyne and Wear's birth rate is usually higher (better) than the UK. The UK birth rate peaked in 2004 at 13.0%; Tyne and Wear's birth rate peaked in 2007, at 14.1%.

Tyne and Wear's death rate is usually higher (worse) than the UK; the exception was 2002 when Tyne and Wear's rate was only 9.7%. Tyne and Wear's lowest death rate occurred in 2006 (9.6%); 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.

Table 6a Births, Deaths and Active Stock in Tyne and Wear

Year	Active Stock	Births	Birth Rate %	Deaths	Death Rate %
2002	22,495	2,850	12.7	2,190	9.7
2003	23,325	3,175	13.6	2,810	12.0
2004	23,410	3,280	14.0	2,725	11.6
2005	23,825	3,245	13.6	2,585	10.8
2006	24,245	2,990	12.3	2,330	9.6
2007	25,470	3,585	14.1	2,605	10.2
2008	25,805	3,150	12.2	2,620	10.2
2009	25,945	2,755	10.6	3,110	12.0

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

Births in "Property and Business Services" were consistently over 1,000 pa in Tyne and Wear (Table 7.1a). Over the period 2003-2008, two-fifths of business births in Tyne and Wear were in this industry.

In 2008 the number of births in "Property and Business Services" dropped by 250 (-16%) compared to the previous year. Births in "Construction" also fell by 16%. This may be due to the impact of the "credit crunch", which began in late 2007. Births fell in six industries and were unchanged in three. The exceptions were "Education" (+10) and "Manufacturing" (+5).

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

SIC 2003	Industry	2003	2004	2005	2006	2007	2008	Total
C and E	Mining, quarrying, electricity, gas and water supply	0	0	0	5	0	0	5
D	Manufacturing	175	180	155	180	170	175	1,035
F	Construction	350	415	430	430	445	375	2,445
G	Wholesale, retail and motor trades	575	545	565	505	515	495	3,200
H	Hotels and catering	440	455	410	405	430	370	2,510
I	Transport, post and telecommunications	140	110	120	120	105	105	700
J	Finance	20	30	35	25	20	20	150
K	Property and business services	1,125	1,160	1,150	1,020	1,570	1,320	7,345
M	Education	35	40	25	35	30	40	205
N	Health	85	70	75	70	85	75	460
O	Other Services	230	265	285	200	215	200	1,395
	Total	3,175	3,270	3,250	2,995	3,585	3,175	19,450

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

Two industries experienced sustained falls in birth rates (Table 7.1b). They were "Construction", where the rate fell from a high of 16.9% in 2004 to a low of 12.3% in 2008 and "Finance", where the rate fell from a high of 16.7% in 2005 to a low of 6.3% in 2008. The birth rate for "Manufacturing" improved in 2008 as did that for "Education".

Table 7.1b: Enterprise Birth Rates (%) in Tyne and Wear, 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	100.0	0.0	0.0
D	Manufacturing	8.6	8.9	7.6	8.8	8.2	8.7
F	Construction	15.2	16.9	16.2	15.3	15.0	12.3
G	Wholesale, retail and motor trades	10.5	10.2	10.6	9.6	9.8	9.5
H	Hotels and catering	18.0	17.9	16.4	16.2	16.6	14.4
I	Transport, post and telecommunications	13.9	11.6	12.6	12.6	10.8	10.8
J	Finance	9.8	13.3	16.7	10.9	9.8	6.3
K	Property and business services	18.8	18.3	17.0	14.5	19.8	16.5
M	Education	13.5	14.8	9.1	11.9	9.8	12.3
N	Health	8.4	6.9	7.3	6.7	7.8	6.7
O	Other Services	10.2	11.8	13.8	9.7	10.3	9.2
	Total	13.8	14.0	13.6	12.4	14.1	12.3

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 was higher (better) than that of the UK and slightly higher than that of the North East (Table 7.1c). Tyne and Wear outperformed the UK in nine 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 (TW), Tyne and Wear City Region (TWCR), North East (NE) and UK, 2009

		Active Stock				Birth Rate[1] (%)				Difference
SIC 2007	Industry	TW	TWCR	North East	UK	TW	TWCR	NE	UK	TW - UK
B, D and E	Mining, Quarrying and Utilities	100	160	310	8,915	15.0	15.6	17.7	14.2	0.8
C	Manufacturing	1,875	2,815	4,460	148,285	6.9	7.3	6.4	6.9	0.1
F	Construction	3,695	5,910	9,415	336,095	10.1	9.8	9.9	8.7	1.4
G	Wholesale, Retail and Motor	5,030	7,990	12,300	416,305	8.5	8.6	8.7	8.9	-0.3
H	Transportation and Storage	850	1,605	2,610	81,995	7.6	7.2	8.0	8.5	-0.9
I	Accommodation and Food Service Activities	2,580	4,000	6,160	163,430	13.6	12.5	12.5	12.0	1.5
J	Information and Communication	1,285	1,865	2,685	171,175	12.1	11.3	12.3	11.1	0.9
K	Financial and Insurance Activities	345	485	785	34,600	7.2	8.2	7.0	9.5	-2.2
L	Real Estate	875	1,260	1,845	86,840	9.1	9.9	9.5	9.1	0.0
M	Professional, Scientific and Technical Activities	3,735	5,740	9,500	380,125	13.1	12.5	13.4	12.5	0.6
N	Administrative and Support Services	1,905	3,085	4,735	206,165	16.3	15.6	15.0	13.9	2.4
P	Education	390	595	965	34,395	10.3	11.8	11.4	10.1	0.1
Q	Human Health and Social Work	1,145	1,790	2,730	86,915	7.9	7.5	6.2	7.9	-0.1
R	Arts, Entertainment and Recreation	635	1,020	1,615	65,930	7.1	6.9	7.4	8.1	-1.0
S	Other Services	1,505	2,300	3,545	120,730	10.3	9.8	10.0	7.9	2.4
	Total	25,950	40,620	63,660	2,341,900	10.6	10.3	10.4	10.1	0.5

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 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 were in “Property and Business Service” and just over a fifth were in “Wholesale, Retail and Motor Trades” (Table 7.2a).

Table 7.2a: Enterprise Deaths in Tyne and Wear 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	225	205	175	175	190	155	1,125
F	Construction	245	250	280	280	330	300	1,685
G	Wholesale, retail and motor trades	570	595	555	500	490	555	3,265
H	Hotels and catering	450	440	395	340	380	360	2,365
I	Transport, post and telecommunications	155	145	115	95	120	100	730
J	Finance	25	20	20	25	10	20	120
K	Property and business services	635	770	740	695	815	860	4,515
M	Education	20	25	25	15	25	25	135
N	Health	60	75	80	45	70	55	385
O	Other Services	125	210	200	160	185	160	1,040
	Total	2515	2,735	2,585	2,330	2,615	2,590	15,370

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

Table 7.2b: Enterprise Death Rates (%) in Tyne and Wear 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	0.0	0.0	0.0	0.0	0.0
D	Manufacturing	11.1	10.2	8.6	8.5	9.2	7.7
F	Construction	10.6	10.2	10.6	9.9	11.1	9.8
G	Wholesale, retail and motor trades	10.4	11.1	10.4	9.5	9.3	10.6
H	Hotels and catering	18.4	17.4	15.8	13.6	14.7	14.0
I	Transport, post and telecommunications	15.3	15.3	12.1	10.0	12.3	10.3
J	Finance	12.2	8.9	9.5	10.9	4.9	6.3
K	Property and business services	10.6	12.1	10.9	9.9	10.3	10.8
M	Education	7.7	9.3	9.1	5.1	8.2	7.7
N	Health	5.9	7.4	7.8	4.3	6.4	4.9
O	Other Services	5.5	9.3	9.7	7.8	8.9	7.4
	Total	10.9	11.7	10.8	9.6	10.3	10.1

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 Tyne and Wear was slightly higher (worse) than the UK and higher than the North East (Table 7.2c). Tyne and Wear outperformed the UK in eight of the fifteen industries shown; for "Arts, Entertainment and Recreation" the margin between Tyne and Wear and the UK was negligible. Note that this uses the new 2007 SIC unlike the time series of rates, above (in Table 7.2b).

Table 7.2c: Enterprise Death Rates by Industry, Tyne and Wear (TW), Tyne and Wear City Region (TWCR), North East (NE) and UK, 2009

SIC 2007	Industry	Active Stock TW	TWCR	North East	UK	Death Rate[1] (%) TW	TWCR	NE	UK	Difference TW - UK
B, D and E	Mining, Quarrying and Utilities	100	160	310	8,915	5.0	12.5	11.3	10.9	-5.9
C	Manufacturing	1,875	2,815	4,460	148,285	10.7	9.6	9.5	10.1	0.6
F	Construction	3,695	5,910	9,415	336,095	14.5	14.6	14.3	13.2	1.3
G	Wholesale, Retail and Motor	5,030	7,990	12,300	416,305	10.6	10.5	10.4	10.8	-0.2
H	Transportation and Storage	850	1,605	2,610	81,995	13.5	12.1	12.8	13.2	0.4
I	Accommodation and Food Service Activities	2,580	4,000	6,160	163,430	15.5	14.6	14.0	14.3	1.2
J	Information and Communication	1,285	1,865	2,685	171,175	12.8	11.8	12.8	13.3	-0.4
K	Financial and Insurance Activities	345	485	785	34,600	13.0	13.4	15.3	12.6	0.5
L	Real Estate	875	1,260	1,845	86,840	14.9	12.7	12.7	12.7	2.1
M	Professional, Scientific and Technical Activities	3,735	5,740	9,500	380,125	10.3	10.2	10.2	11.2	-0.9
N	Administrative and Support Services	1,905	3,085	4,735	206,165	14.2	13.9	14.1	14.8	-0.6
P	Education	390	595	965	34,395	9.0	11.8	10.9	9.2	-0.2
Q	Human Health and Social Work	1,145	1,790	2,730	86,915	6.6	6.1	5.9	7.2	-0.7
R	Arts, Entertainment and Recreation	635	1,020	1,615	65,930	10.2	10.3	10.5	10.3	0.0
S	Other Services	1,505	2,300	3,545	120,730	10.3	10.4	10.0	10.2	0.1
	Total	25,950	40,620	63,660	2,341,900	12.0	11.7	11.6	11.9	0.1

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 rates that are based on relatively low stock.

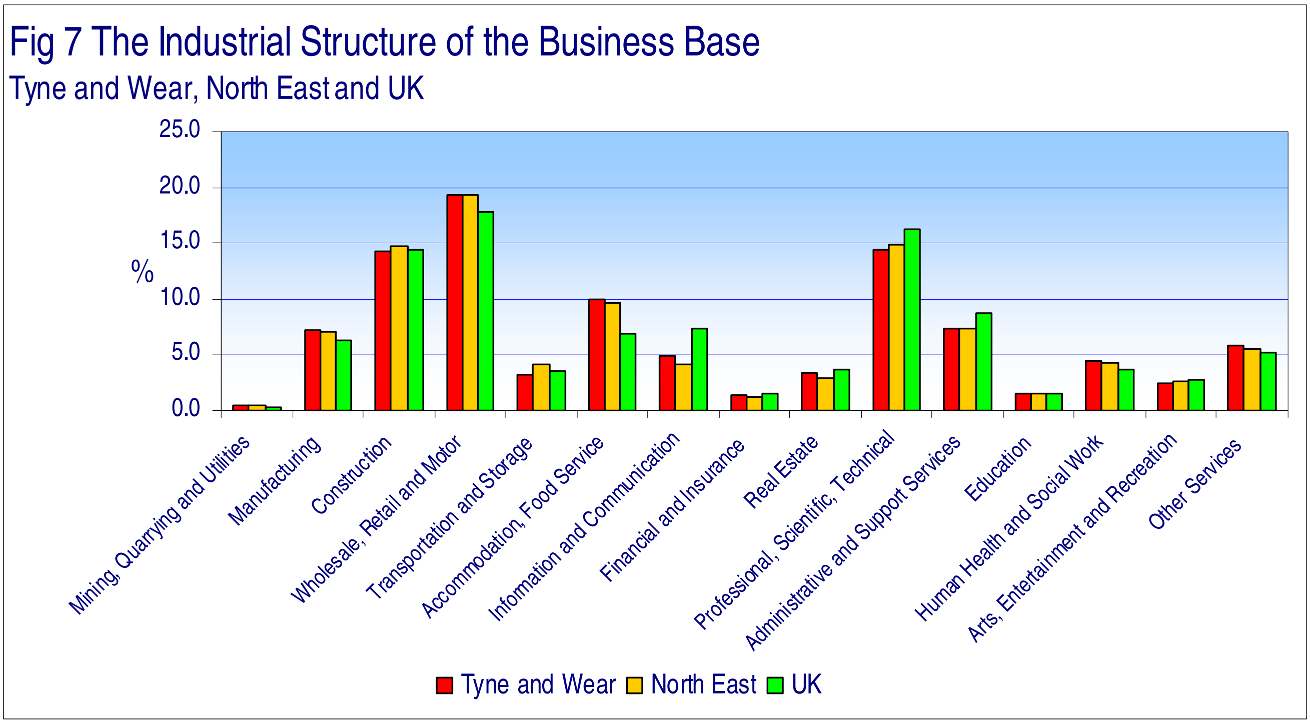
7.3 The Industrial Structure of the Business Base

The following bar chart (Fig. 7) compares Tyne and Wear's industrial structure in 2009 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 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 take up similar proportions to the UK averages (within ±1 percentage point).



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

		Share of Total Active Businesses in 2009			
SIC 2007	**Industry**	**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, two industries effectively accounted for the overall growth over the period 2003-2008 (Table 7.4a); “Property and business services” (up 2,020) and “Construction” (up 750). Five industries in Tyne and Wear had a net loss of businesses over the period 2003-2008. They were “Wholesale, Retail and Motor Trades”, “Other Services”, “Transport, Post and Telecommunications”, “Manufacturing” and “Mining, Quarrying and Utilities”.

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

SIC 2003	Industry	Change	Percentage Change			
		TW	TW	TWCR	North East	UK
C and E	Mining, quarrying and utilities	-10	-66.7	-16.7	-2.4	-2.7
D	Manufacturing	-30	-1.5	-3.6	-0.1	-0.3
F	Construction	750	32.5	32.0	-0.3	-0.6
G	Wholesale, retail and motor trades	-255	-4.6	-2.3	-1.8	-2.1
H	Hotels and catering	120	4.9	4.6	-1.5	-1.2
I	Transport, post and telecommunications	-40	-4.0	-0.3	0.0	0.0
J	Finance	110	53.7	46.7	0.7	0.7
K	Property and business services	2,020	33.8	36.7	-0.4	-0.3
M	Education	65	25.0	21.0	0.6	0.5
N	Health	100	9.9	16.4	0.0	0.0
O	Other Services	-80	-3.5	-6.6	0.0	0.0
	Total	2,755	12.0	12.7	0.0	0.0

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

Compared to the UK, Tyne and Wear underperformed in five industries, “Mining, Quarrying and Utilities”, “Transport, Post and Telecommunications”, “Other Services”, “Wholesale, Retail and Motor Trades” and “Manufacturing”. Conversely Tyne and Wear outperformed the UK in six industries; Tyne and Wear’s relative performance was particularly strong in “Finance”, “Property and Business Services” and “Construction“.

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

SIC 2003	Industry	2003	2004	2005	2006	2007	2008
C and E	Mining, quarrying, electricity, gas and water supply	15	5	5	5	5	5
D	Manufacturing	2,035	2,015	2,040	2,050	2,065	2,005
F	Construction	2,305	2,455	2,650	2,815	2,975	3,055
G	Wholesale, retail and motor trades	5,490	5,340	5,315	5,250	5,255	5,235
H	Hotels and catering	2,450	2,535	2,505	2,505	2,585	2,570
I	Transport, post and telecommunications	1,010	950	950	950	975	970
J	Finance	205	225	210	230	205	315
K	Property and business services	5,970	6,355	6,780	7,040	7,925	7,990
M	Education	260	270	275	295	305	325
N	Health	1,015	1,010	1,030	1,045	1,095	1,115
O	Other Services	2,255	2,255	2,065	2,060	2,085	2,175
	Total	23,010	23,415	23,825	24,245	25,475	25,765

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

7.5 Changes in 2009 by Industry

Within Tyne and Wear, four industries had a net loss of businesses between the years 2008-2009 (Table 7.5). They were “Wholesale, Retail and Motor”, “Administrative and Support Services”, “Transportation and Storage” and “Manufacturing”.

Tyne and Wear outperformed the UK in nine industries, equalled the UK in “Transportation and Storage” and underperformed in five industries: “Professional, Scientific and Technical Activities”, “Administrative and Support Services”, “Wholesale, Retail and Motor”, “Manufacturing” and “Information and Communication”.

Compared to the North East, Tyne and Wear underperformed in eight industries. In addition to the five on the UK, they included “Financial and Insurance Activities”, “Transportation and Storage” and “Education”: Note that, in Tyne and Wear, the absolute falls in “Transportation and Storage” and in “Manufacturing” were small (-10 in each case). However, for “Manufacturing” both the North East and UK experienced modest growth.

Table 7.5: Change in the Number of Enterprises, Tyne and Wear, TWCR, North East, UK, 2008 to 2009

SIC 2007	Industry	Actives 2008	Actives 2009	Change	Percentage Change			
		TW	TW	TW	TW	TWCR	North East	UK
B, D and E	Mining, Quarrying and Utilities	80	100	20	25.0	10.3	8.8	10.7
C	Manufacturing	1,885	1,875	-10	-0.5	-0.5	1.7	0.5
F	Construction	3,620	3,695	75	2.1	0.3	-0.5	-0.5
G	Wholesale, Retail and Motor	5,130	5,030	-100	-1.9	-1.7	-1.5	-0.4
H	Transportation and Storage	860	850	-10	-1.2	-0.3	0.0	-1.2
I	Accommodation and Food Service Activities	2,570	2,580	10	0.4	-1.4	-1.7	-1.4
J	Information and Communication	1,280	1,285	5	0.4	1.1	0.8	0.7
K	Financial and Insurance Activities	290	345	55	19.0	22.8	23.6	15.6
L	Real Estate	850	875	25	2.9	2.9	2.2	2.4
M	Professional, Scientific and Technical Activities	3,725	3,735	10	0.3	0.7	2.7	3.3
N	Administrative and Support Services	1,940	1,905	-35	-1.8	-0.6	-1.3	-0.3
P	Education	365	390	25	6.8	7.2	7.8	6.0
Q	Human Health and Social Work	1,085	1,145	60	5.5	4.7	2.2	2.9
R	Arts, Entertainment and Recreation	635	635	0	0.0	-1.9	-1.8	-1.1
S	Other Services	1,490	1,505	15	1.0	-0.9	-1.4	-1.6
	Total	25,805	25,950	145	0.6	0.2	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, nine of Tyne and Wear's top ten industries appeared in the UK top ten. The exceptional industry present in Tyne and Wear was 'Architectural and engineering activities etc' (SIC 71, 11th in the UK) (Table 8.1).

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

SIC2007	Tyne and Wear	North East	North East Rank	UK	UK Rank
47 Retail trade, except of motor vehicles and motorcycles	11.8	11.4	1	9.4	1
56 Food and beverage service activities	9.4	8.9	3	6.2	3
43 Specialised construction activities	9.1	9.4	2	8.7	2
96 Other personal service activities	4.3	4.2	6	3.9	9
41 Construction of buildings	4.3	4.3	5	4.6	8
46 Wholesale trade, except of motor vehicles and motorcycles	4.1	4.1	7	5.1	6
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
62 Computer programming, consultancy and related activities	3.6	3.1	11	5.2	5
70 Activities of head offices; management consultancy activities	3.4	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 Tynedale[6], SIC 01 would make the top ten.

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

The industry that appeared in the UK top ten but not in Tyne and Wear's was 'Real estate activities' (SIC 68, ranked 12th in Tyne and Wear) (Table 8.2).

Table 8.2 Percentage Share of Enterprises By 2-Digit SIC Level, 2009
Top Ten in UK with North East and Tyne and Wear Comparators

SIC2007	UK	North East	North East Rank	Tyne and Wear	Tyne and Wear Rank
47 Retail trade, except of motor vehicles and motorcycles	8.8	11.4	1	11.8	1
43 Specialised construction activities	8.1	9.4	2	9.1	3
56 Food and beverage service activities	5.9	8.9	3	9.4	2
70 Activities of head offices; management consultancy activities	5.4	3.7	9	3.4	10
62 Computer programming, consultancy and related activities	5.4	3.1	11	3.6	9
46 Wholesale trade, except of motor vehicles and motorcycles	5.1	4.1	7	4.1	6
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	4.3	4
68 Real estate activities	3.6	2.9	13	3.4	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 series[7]. The key difference between the old VAT series and the new Business Demographics series is the inclusion of PAYE-registered units. The following concepts and definitions are also important.

ACTIVE BUSINESS

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

BUSINESS BIRTH

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

BUSINESS DEATH

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

SURVIVAL

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

---

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

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

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

DORMANT

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

REACTIVATION

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

INDUSTRY COVERAGE

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

STANDARD INDUSTRIAL CLASSIFICATION (SIC)

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

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

APPENDIX 2

Key Methodological Differences between main business population publications			
	ONS Business Demography	**BERR[11] Business Start-ups and Closures: VAT registrations and de-registrations**	**ONS UK Business: Activity, Size and Location**
Coverage	VAT and/or PAYE registered businesses	VAT registered businesses only	VAT and/or PAYE registered businesses (from 2008 onwards) excluding unmatched non-corporate PAYE businesses
Stock	Recognises activity occurring at any point during the year	Live units at a point in time	Live units at a point in time
Timeliness	Annual publication. First publication with 2007 data 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