



BUSINESSES IN NEWCASTLE

2008

August 2010

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CONTENTS

Key Messages	1
1 Introduction	2
Section	
1. Enterprise Births and Deaths	3
2. Annual Percentage Change in Enterprise Births	4
3. Annual Percentage Change in Enterprise Deaths	5
4. Active Enterprises (Business Stock) and Net Change	6
5. National Indicators	8
6. Stock Based Birth and Death Rates	10
7. Enterprise Births, Deaths and Stock by Broad Industry Group	11
8. 2-digit Industries, Inter-Departmental Business Register	19
Appendix 1	22
Appendix 2	24
Appendix 3	25

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KEY MESSAGES

Businesses (VAT/PAYE Registered Enterprises) in Newcastle

The Business Demographics series is more comprehensive than the old VAT series; at District level, in Newcastle, it records at least a fifth more enterprises than the VAT series.

During 2008 the UK entered recession (in Q3) but Newcastle appears little affected; between 2007 and 2008, business numbers in Newcastle grew by 2.9%, outperforming the region (+2.2%) and the UK (+2.0%) (Figure 5). The only industry to suffer a net loss was “Transport, Post and Telecommunications” and this loss was tiny (-5) (Table 7.5).

Over the longer time period (2002 to 2008), business numbers in Newcastle rose by 11%. This was the same as the UK rise, but about two-thirds the strength of the NE (+16%).

Enterprise births in Newcastle peaked in 2008 (940 births). Enterprise deaths peaked in 2004 (810 deaths).

Newcastle’s ‘New Business Registration Rate’ (National Indicator 171) was 41.2 per 10,000 adults in 2008 (UK, 54.2). This was the highest rate in Tyne and Wear. ([§ 5.1](#))

Newcastle’s percentage of small businesses showing employment growth (NI 172) was 16.7% in 2007-08 (Great Britain, 14.4%). Newcastle consistently outperforms the national average on this measure.

Newcastle’s stock-based birth rate is usually higher (better) than the UK. In 2008, Newcastle’s stock-based death rate was lower (better) than the UK; in the preceding two years it was worse. ([§ 6](#))

In 2008, the “Wholesale, Retail and Motor Trade” accounted for just under a fifth of active enterprises in Newcastle (UK 18.0%). The business share was also high for “Professional, Scientific and Technical Activities” (16.9%). (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.
- Four industries experienced a net loss in numbers; “Wholesale, retail and motor trades”, “Manufacturing”, “Other Services” and “Transport, Post and Telecommunications”. (Table 7.4a)

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

The Retail Trade accounted for 11.8% of enterprises in Newcastle, followed by “Food and Beverage Service Activities” (8.7%). Retail was also first in the national (England) rankings but with a lower proportion (8.8%). Nationally “Food and Beverage Service Activities” (5.4%) ranked fifth. (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.

On the positive side, the business base has grown strongly in TW, faster than the UK each year from 2002 to 2007 (growing 15% from 2002-08). It is likely, however, that this performance was under-pinned by the public sector expansion in TW; this expanded employment faster than the UK at least up to 2003, and thus boosted consumer demand in the local economy. Indeed, at last, private sector employment growth contributed the majority of overall employment growth after 2003, at least up to 2007.

The size of the business base is partly a reflection of population – and the growth of the business base is partly a reflection of population growth. The vast majority of businesses are small, employing fewer than five people – and therefore largely serve local markets. Population growth helps small businesses; thus, for example, this has helped North Tyneside to achieve the fastest growth of its business base (20% over the years 2002-08). More broadly, TW's population growth in the 2000s has helped to underpin business growth.

This series of reports for 2008 seeks to outline the position in each District and the City Region (from 2003-08).

What is new?

The reports seek to show the initial impact of the recession (at least up to 2008); TW business numbers still grew by 1.3%.

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

Use of the new wider BD dataset of businesses, which goes beyond the VAT series to include firms which are PAYE-only. This has expanded the coverage in TW by about a fifth to 25,800.

This report provides estimates of the number of business start-ups and closures in 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.

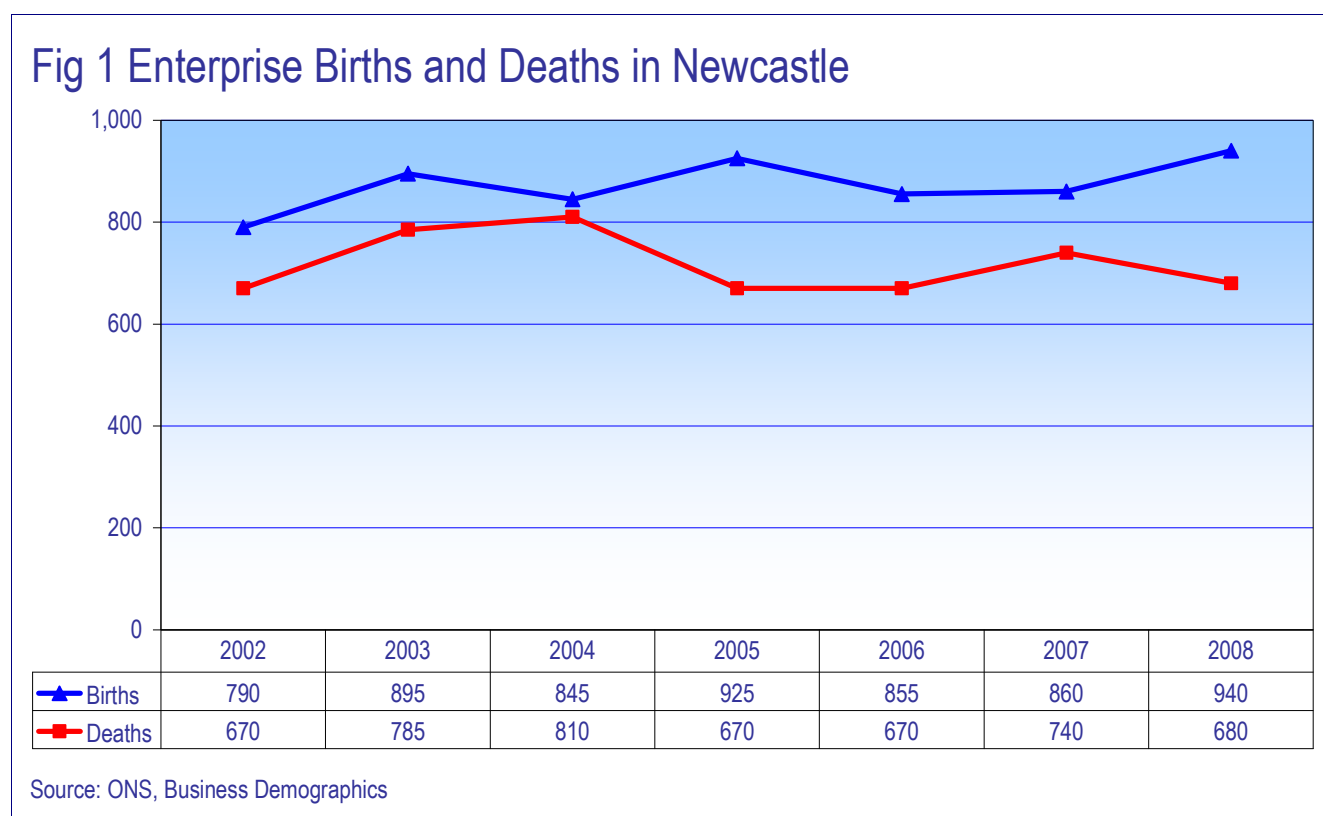
This report covers mainly stock of businesses, births and deaths in 2008 and changes in these over various timescales. The main focus of this paper is on levels in 2008, with levels in previous years being used as time-series comparators.

1 Enterprise Births and Deaths

1.1 Enterprise Births

The number of enterprise births peaked in 2008 (Fig 1). In recent years the low-point occurred in 2004.

The annual average for the period 2002-2008 was 870.



1.2 Enterprise Deaths

The number of enterprise deaths was relatively low in 2002, 2005 and 2006. Enterprise deaths peaked in 2004.

The annual average for the period 2002-2008 was 720.

Note: Deaths data for 2007 and 2008 is provisional.

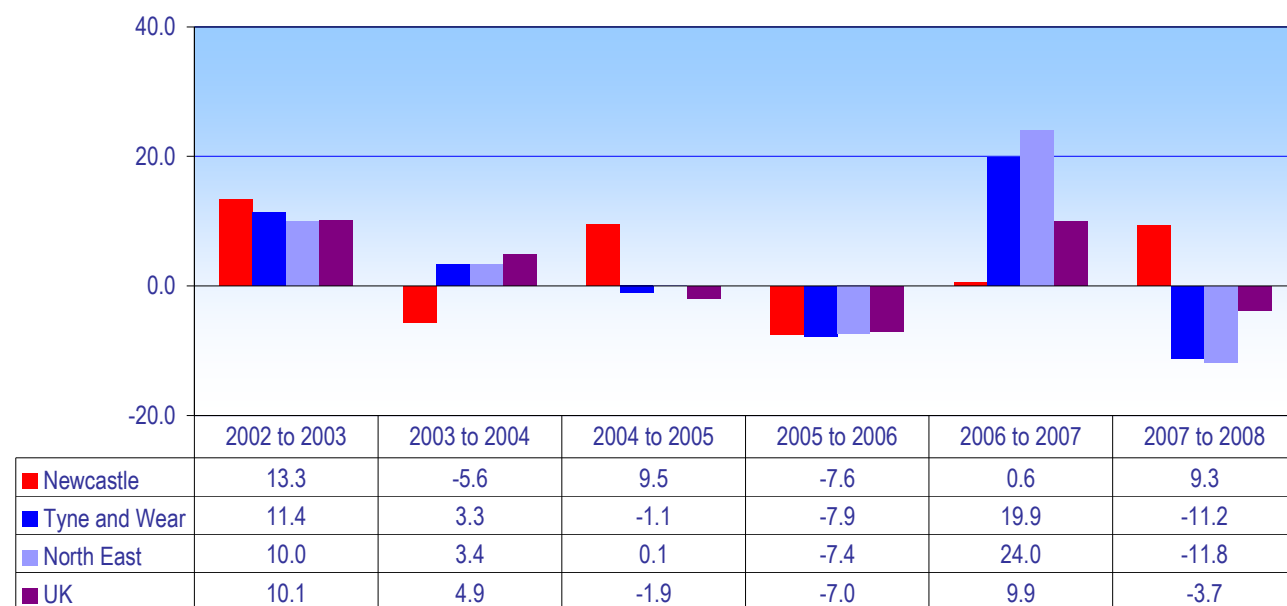
Caution: ONS rounds data to prevent disclosure. Differences may exist in totals across tables due to disclosure methods used. Percentage changes of low numbers should be interpreted with care e.g. a reported rise from 5 to 10 ('100%') could actually be from 7 to 8 (up 14%).

2 Annual Percentage Change in Enterprise Births

Compared to 2007, enterprise births rose in Newcastle and fell in Tyne and Wear, the North East and the UK (Fig 2). However, between 2006 and 2007, Newcastle performed weakly compared to the county, the region and the UK.

Fig 2 Annual Percentage Change in Enterprise Births

Newcastle, TW, North East and UK

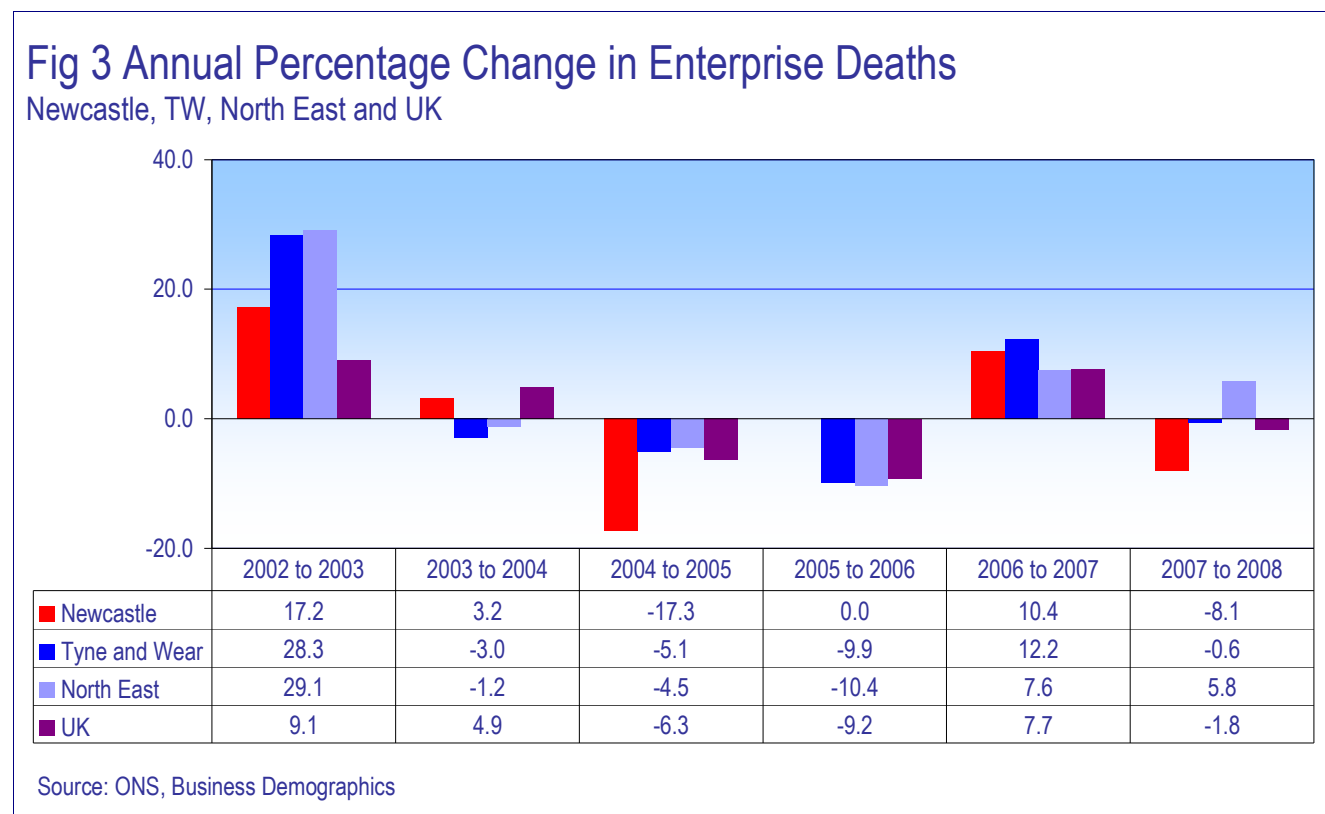


Source: ONS, Business Demographics

In 2008, Newcastle accounted for 29.5% of enterprise births in Tyne and Wear, 12.1% in the North East and 0.35% in the UK.

3 Annual Percentage Change in Enterprise Deaths

Compared to 2006, there was a sharp increase in enterprise deaths in Newcastle in 2007 (Fig 3). The latest provisional data, 2008, showed improvement (falls); strong in Newcastle and slight in Tyne and Wear and in the UK. In the North East, however, enterprise deaths rose.

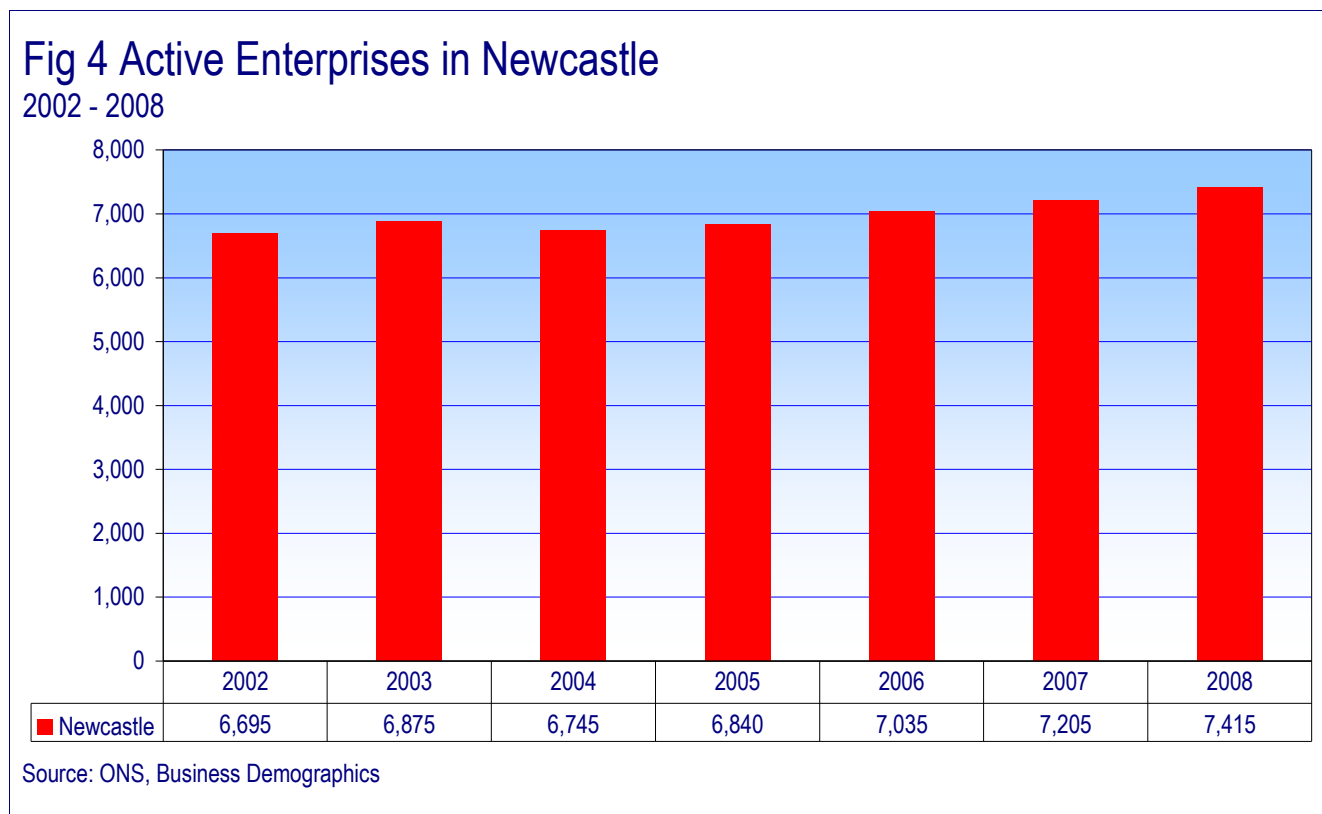


In 2008, Newcastle accounted for 26.2% of enterprise deaths in Tyne and Wear, 10.9% in the North East and 0.31% in the UK.

4 Active Enterprises (Business Stock) and Net Change

4.1 Active Enterprises

The number of active enterprises in Newcastle usually grew by about 200 each year, but with weakness in 2004 and 2005 (Fig 4).



A business is considered part of the stock during a given year if it was active at any point in that year. Consequently net and percentage changes should be treated as indicative estimates rather than as a definite change between two points in time.

In 2008, Newcastle accounted for 28.7% of the active stock in Tyne and Wear, 11.7% in the North East and 0.32% in the UK.

4.2 Net Change 2002-2008

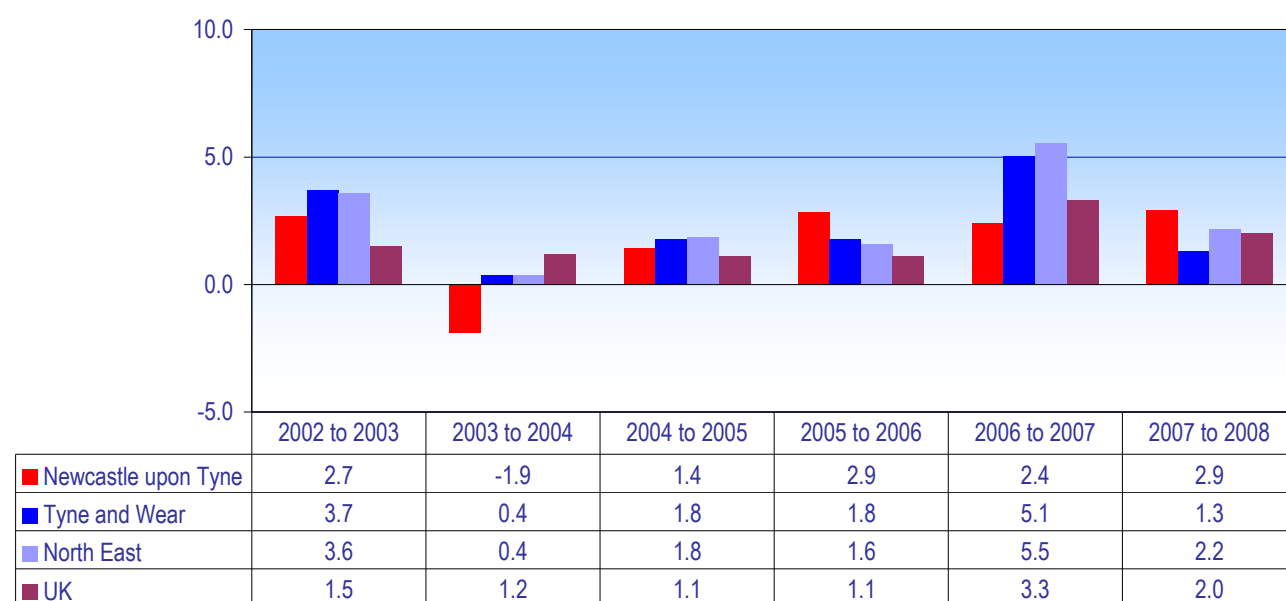
The number of active enterprises in Newcastle was 11% higher in 2008, compared to 2002. This equalled the UK rise, but was not as strong as the changes in Tyne and Wear (+15%) and the North East (+16%). At 7,415 enterprises, Newcastle's active stock in 2008 was 720 higher than in 2002.

4.3 Net Change 2007-2008

Between 2007 and 2008, the number of active enterprises in Newcastle rose by 210 (+2.9%) (Fig 5); this was a relatively strong rise compared to the UK (+2.0%); within Tyne and Wear only North Tyneside had a larger percentage rise (+4.0%).

Fig 5 Annual Percentage Change in Enterprise Stock

Newcastle, TW, North East and UK



Source: ONS, Business Demographics

5 NATIONAL INDICATORS

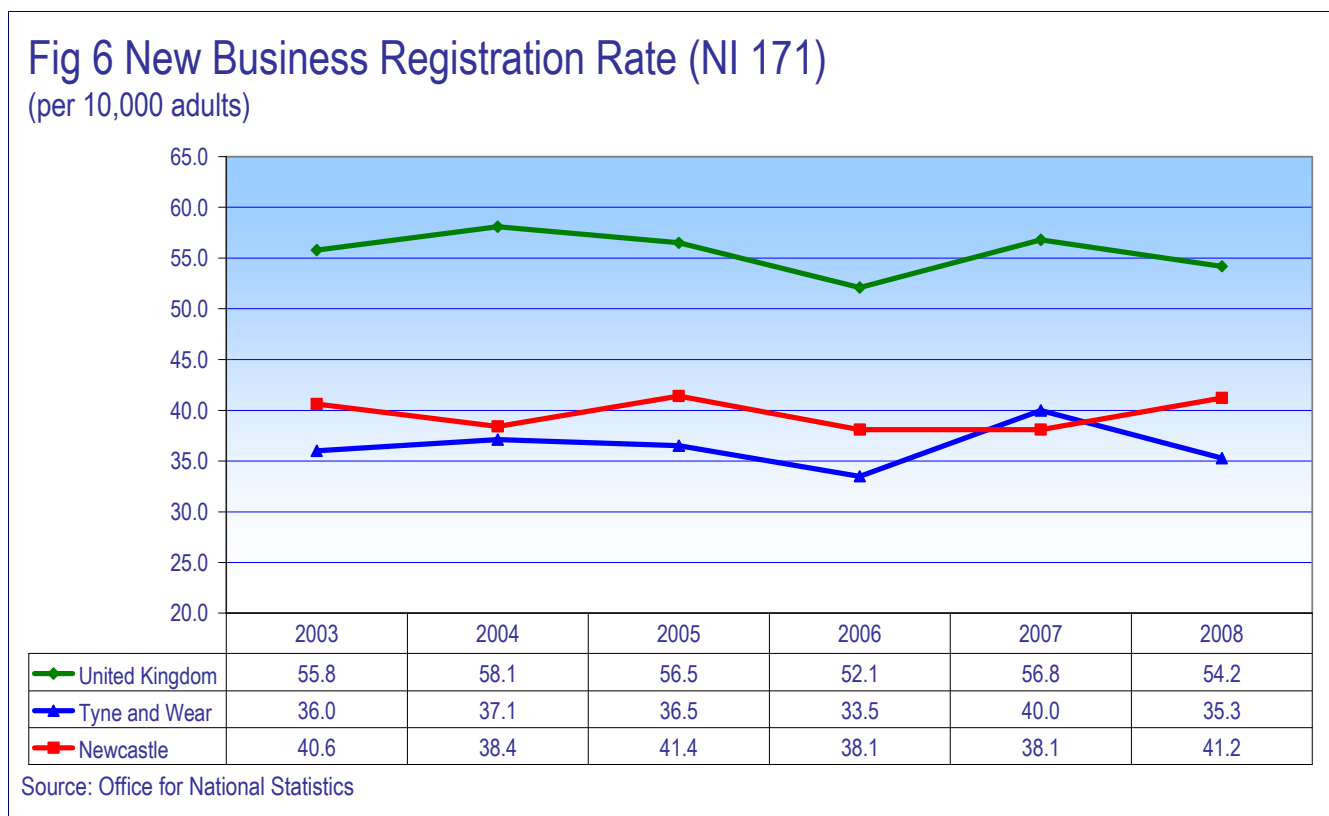
Two national indicators relate to Business Demographics:

- NI171 'New business registration rate' and
- NI172 'Percentage of small businesses in an area showing employment growth'.

5.1 National Indicator 171 'New business registration rate'

In 2008, Newcastle's new business registration rate was 41.2; this was almost a quarter lower than the UK rate (Fig 6). It was, however, the highest rate in Tyne and Wear.

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 significantly 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 behaviour continued in 2008 when the rate rose by 3.1 points against a background of falling rates nationally, regionally and in the other Tyne and Wear Districts.



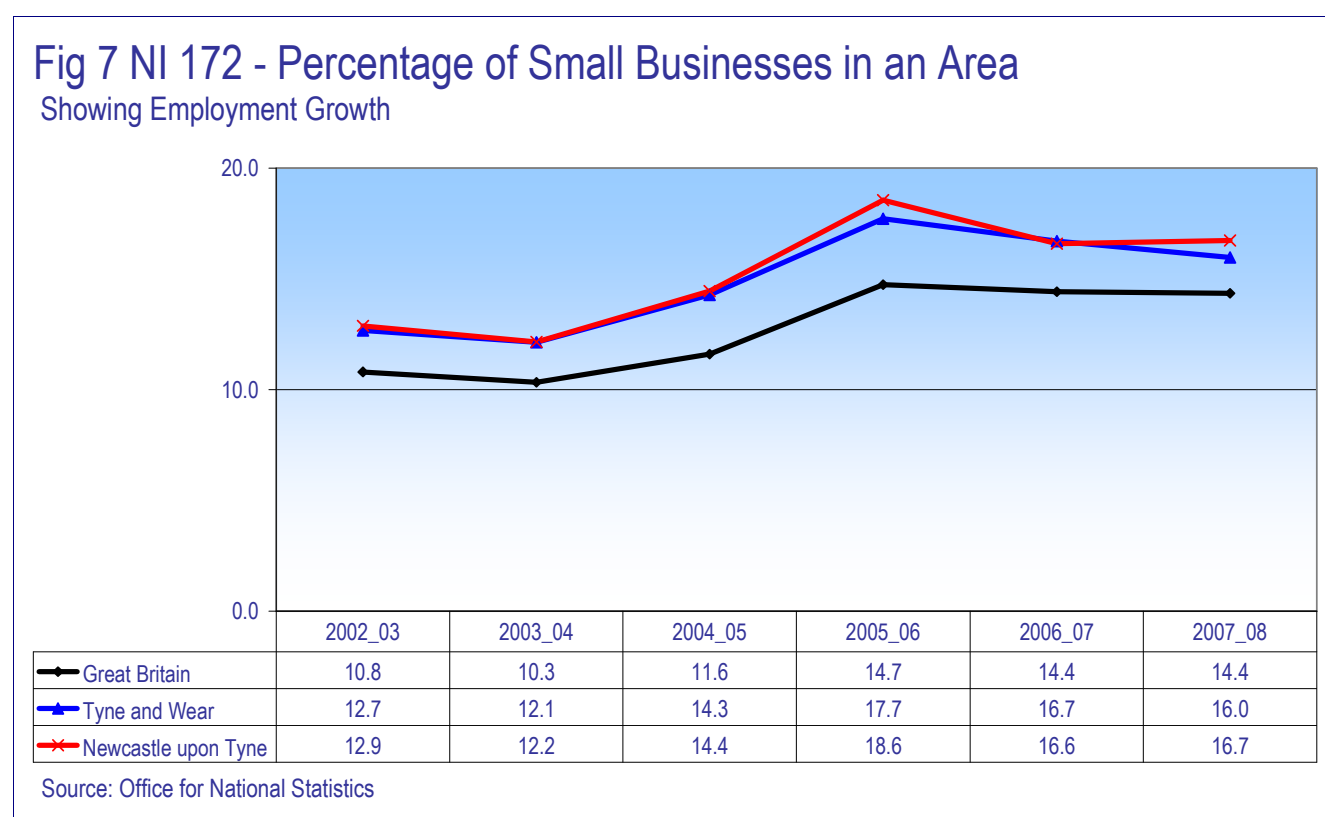
NI 171 is the ratio of (new) business registrations per 10,000 resident population aged 16 and above. New business registrations are a proxy measure for business start ups¹. These figures do not, however give the complete picture of start-up and closure activity in the economy. Around 2.1m of the estimated 4.3m enterprises in the UK were registered for

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.

either VAT or PAYE. It is not possible to produce local area estimates for this wider business population.²

5.2 National Indicator 172 'Percentage of small businesses in an area showing employment growth'

The percentage of small businesses showing employment growth within Newcastle is consistently higher than the national (Great Britain) rate (Fig 7).



NI 172 includes those businesses registered for VAT and/or PAYE with fewer than 50 employees (around 98% of all VAT registered enterprises). It measures the proportion of those businesses showing year on year employment growth, where employment is measured as the number of employees (full and part-time) plus the number of self-employed people that run the business.

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

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

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	740	10.3
2008	7,415	940	12.7	680	9.2

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.

Year	Active Stock	Births	Birth Rate %	Deaths	Death Rate %
2002	54,675	6,725	12.3	5,030	9.2
2003	56,640	7,395	13.1	6,495	11.5
2004	56,855	7,645	13.4	6,420	11.3
2005	57,905	7,655	13.2	6,130	10.6
2006	58,835	7,090	12.1	5,495	9.3
2007	62,100	8,795	14.2	5,910	9.5
2008	63,450	7,755	12.2	6,250	9.9

Source: ONS, Business Demographics.

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.

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	223,060	9.8
2008	2,325,770	270,215	11.6	219,105	9.4

Source: ONS, Business Demographics.

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

This section uses data from the Inter-Departmental Business Register (IDBR) which was obtained by TWRI after the release of the Business Demographics data set. Figures in this section may be slightly different from previous sections due to small amendments and rounding occurring between the two releases.

The latest industrial breakdown, for 2008, is presented using SIC 2007. Time series data, including 2008, are presented using SIC 2003. In both cases the industrial breakdowns are given at the section level. There are 17 sections within SIC 2003 and 21 sections within SIC 2007. TWRI has excluded Agriculture and Public Administration from the data request because the business numbers were so low. The full list of exclusions is given in Appendix 3.⁴

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, "Other Services" was the only industry where births were down in Newcastle.

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

⁴ On 1 January 2008 a new UK Standard Industrial Classification (SIC) of Economic Activities was introduced. Unfortunately easy overall comparison between the new version (SIC 2007) and its predecessor (SIC 2003) is not possible.

Table 7.1a: Enterprise Births in 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. 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 2008 the overall stock-based enterprise birth rate in Newcastle was higher (better) than that of the UK (Table 7.1c). It was also slightly higher than that of the North East. Newcastle outperformed the UK in ten of the fifteen industries shown in Table 7.1c. Note that this uses the new 2007 SIC.

Table 7.1c: Enterprise Birth Rates by Industry, Newcastle (Nc), Tyne and Wear (TW), North East (NE) and UK, 2008

SIC 2007	Industry	Active Stock Newcastle	Active Stock				Birth Rate ¹ (%)			Difference	
			TW	North East	UK	Nc	TW	NE	UK	Nc - UK	
B, D and E	Mining, Quarrying and Utilities	20	65	265	8,060	0.0	7.7	13.2	13.8	-13.8	
C	Manufacturing	355	1,860	4,425	147,475	8.5	8.1	7.5	7.3	1.2	
F	Construction	870	3,615	9,455	337,885	13.2	12.0	12.5	11.7	1.5	
G	Wholesale, Retail and Motor	1,360	5,140	12,500	418,075	11.0	9.5	9.4	9.2	1.8	
H	Transportation and Storage	200	860	2,610	82,965	5.0	8.1	8.8	10.1	-5.1	
I	Accommodation and Food Service Activities	735	2,575	6,270	165,750	17.0	14.2	13.2	13.0	4.0	
J	Information and Communication	470	1,290	2,670	169,940	16.0	17.4	15.7	14.6	1.4	
K	Financial and Insurance Activities	105	280	630	29,930	9.5	5.4	7.9	12.1	-2.6	
L	Real Estate	350	850	1,800	84,780	14.3	13.5	12.8	11.8	2.5	
M	Professional, Scientific and Technical Activities	1,250	3,730	9,250	367,965	13.6	16.8	18.1	14.7	-1.1	
N	Administrative and Support Services	550	1,945	4,790	206,690	18.2	19.8	17.1	16.2	1.9	
P	Education	125	365	905	32,440	20.0	13.7	12.2	9.4	10.6	
Q	Human Health and Social Work	370	1,095	2,665	84,480	8.1	6.4	7.5	7.9	0.2	
R	Arts, Entertainment and Recreation	215	645	1,640	66,660	4.7	7.8	8.5	7.9	-3.2	
S	Other Services	440	1,490	3,585	122,675	9.1	8.7	9.3	7.6	1.5	
	Total	7,415	25,805	63,460	2,325,770	12.7	12.3	12.2	11.6	1.1	

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 tra	150	175	155	145	130	155	910
H	Hotels and catering	110	135	105	110	100	85	645
I	Transport, post and telecommu	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 2008 the overall enterprise death rate in Newcastle was slightly lower (better) than that of both the UK and the North East. Newcastle outperformed the UK in seven of the fifteen industries shown in Table 7.2c. Note that this uses the new 2007 standard industrial classification.

Table 7.2c: Enterprise Death Rates by Industry, Newcastle (Nc), Tyne and Wear (TW), North East (NE) and UK, 2008

SIC 20(Industry)	Active Stock Newcastle	TW	North East	UK	Death Rate ¹ (%)			Difference	
					Nc	TW	NE	UK	Nc - UK
B, D and E Mining, Quarrying and Utilities	20	65	265	8,060	25.0	7.7	5.7	8.0	17.0
C Manufacturing	355	1,860	4,425	147,475	8.5	8.1	7.0	7.8	0.6
F Construction	870	3,615	9,455	337,885	9.8	10.7	10.8	9.7	0.1
G Wholesale, Retail and Motor	1,360	5,140	12,500	418,075	10.3	10.5	10.0	9.1	1.2
H Transportation and Storage	200	860	2,610	82,965	10.0	12.2	10.0	9.9	0.1
I Accommodation and Food Service Activities	735	2,575	6,270	165,750	11.6	13.6	14.0	13.1	-1.6
J Information and Communication	470	1,290	2,670	169,940	11.7	11.6	10.5	10.0	1.7
K Financial and Insurance Activities	105	280	630	29,930	4.8	8.9	11.1	11.0	-6.3
L Real Estate	350	850	1,800	84,780	7.1	6.5	7.2	7.6	-0.4
M Professional, Scientific and Technical Activities	1,250	3,730	9,250	367,965	6.8	9.7	8.9	8.7	-1.9
N Administrative and Support Services	550	1,945	4,790	206,690	9.1	10.3	10.8	10.8	-1.7
P Education	125	365	905	32,440	8.0	9.6	7.7	8.1	-0.1
Q Human Health and Social Work	370	1,095	2,665	84,480	5.4	5.0	5.8	7.0	-1.5
R Arts, Entertainment and Recreation	215	645	1,640	66,660	11.6	10.9	9.8	8.8	2.8
S Other Services	440	1,490	3,585	122,675	9.1	7.7	8.8	8.6	0.5
Total	7,415	25,805	63,460	2,325,770	9.2	10.1	9.8	9.4	-0.3

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

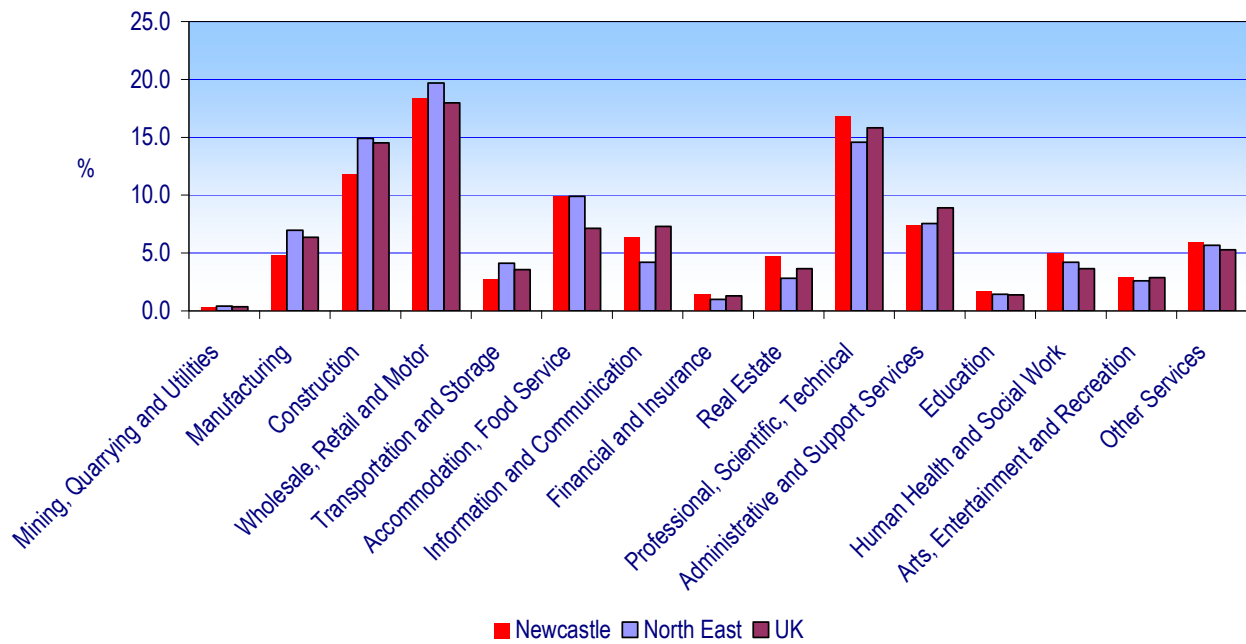
The following bar chart (Fig.8) compares Newcastle's industrial structure in 2008 with Tyne and Wear, the North East and the UK. These are also given numerically (Table 7.3).

Note that this uses the new 2007 SIC.

Compared to the UK industrial structure Newcastle is relatively strong in "Accommodation, Food Service", "Human Health and Social Work" and "Real Estate". It is relatively weak in "Construction", "Manufacturing" and "Administrative and Support Services". The other industries in Newcastle take up similar proportions to the UK averages (within ± 1 percentage point).

Fig 8 The Industrial Structure of the Business Base

Newcastle, North East and UK



Source: ONS, IDBR

Table 7.3: Industrial Structure of the Business Base, Newcastle, Tyne and Wear, North East, UK, 2008

SIC 2007	Industry	Share of Total Active Businesses in 2008			
		Newcastle	TW	North East	UK
B, D and E	Mining, Quarrying and Utilities	0.3	0.3	0.4	0.3
C	Manufacturing	4.8	7.2	7.0	6.3
F	Construction	11.7	14.0	14.9	14.5
G	Wholesale, Retail and Motor	18.3	19.9	19.7	18.0
H	Transportation and Storage	2.7	3.3	4.1	3.6
I	Accommodation and Food Service Activities	9.9	10.0	9.9	7.1
J	Information and Communication	6.3	5.0	4.2	7.3
K	Financial and Insurance Activities	1.4	1.1	1.0	1.3
L	Real Estate	4.7	3.3	2.8	3.6
M	Professional, Scientific and Technical Activities	16.9	14.5	14.6	15.8
N	Administrative and Support Services	7.4	7.5	7.5	8.9
P	Education	1.7	1.4	1.4	1.4
Q	Human Health and Social Work	5.0	4.2	4.2	3.6
R	Arts, Entertainment and Recreation	2.9	2.5	2.6	2.9
S	Other Services	5.9	5.8	5.6	5.3
	Total	100.0	100.0	100.0	100.0

Source: ONS, IDBR.

Note: All figures are rounded to avoid disclosure.

7.4 Net Change by Industry, 2003-2008

Note: Changes over this period give a better indication of the performance of particular industries than single year changes. As this is a long time series, this section uses SIC2003.

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.

Property and Business Services

In 2008, Newcastle accounted for a third of Tyne and Wear’s businesses in this industry. In absolute terms, Newcastle’s growth in this industry 2003-08 was the largest of any Tyne and Wear District (+485), although Gateshead was a close second (+480). Newcastle’s relatively modest growth in this industry was atypical for Tyne and Wear. The other Tyne and Wear Districts all outperformed the UK.

Wholesale, Retail and Motor Trades

Nationally, over the period 2003 to 2008 business numbers in this industry fell by 3.2%. There were falls in all Tyne and Wear Districts; the largest percentage fall was in South Tyneside (-9.8%), however, the largest absolute fall was in Newcastle (-90), -6.1%. This was also Newcastle’s largest absolute fall by industry.

Newcastle outperformed the North East in four industries. They were “Education”, “Hotels and Catering”, “Finance” and “Other Services”.

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

SIC 2003	Industry	2003	2004	2005	2006	2007	2008	Change 2003 to 2008	% Change 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 2008 by Industry

Within Newcastle only one industry, “Transport, Post and Telecommunications”, had a net loss of businesses over the period 2007-2008 (Table 7.5).

Compared to the UK Newcastle underperformed in four industries: “Mining, Quarrying, Electricity, Gas and Water Supply”, “Transport, Post and Telecommunications”, “Construction” and “Health”.

Of the seven industries where Newcastle outperformed the UK, the largest margin was in “Finance” where numbers in Newcastle jumped by 40 between 2007 and 2008.

Newcastle underperformed the North East in five industries: “Mining, Quarrying, Electricity, Gas and Water Supply”, “Transport, Post and Telecommunications”, “Construction”, “Health” and “Property and Business Services”.

Table 7.5: Change in the Number of Enterprises, Newcastle, Tyne and Wear, North East, UK, 2007 to 2008

SIC 2003	Industry	Actives 2007 Newcastle	Actives 2008 Newcastle	Change Newcastle	Percentage Change			
					Newcastle	TW	North East	UK
C and E	Mining, quarrying, electricity, gas and water supply	5	5	0	0.0	0.0	6.3	5.4
D	Manufacturing	400	405	5	1.3	-2.9	-1.4	-2.2
F	Construction	645	655	10	1.6	2.7	3.9	4.5
G	Wholesale, retail and motor	1,370	1,395	25	1.8	-0.4	-0.9	-1.1
H	Hotels and catering	715	735	20	2.8	-0.6	-0.9	-1.7
I	Transport, post and telecommunications	250	245	-5	-2.0	-0.5	0.5	2.0
J	Finance	75	115	40	53.3	53.7	36.2	20.0
K	Property and business services	2,585	2,645	60	2.3	0.8	3.2	2.2
M	Education	100	110	10	10.0	6.6	1.3	-1.4
N	Health	365	375	10	2.7	1.8	4.0	4.6
O	Other Services	700	715	15	2.1	4.3	-0.1	0.3
	Total	7,210	7,400	190	2.6	1.1	1.6	1.3

Source: ONS, IDBR.

Note: All figures are rounded to avoid disclosure.

8 2-digit Industries, Inter-Departmental Business Register (IDBR)

The Business Demographics series is essentially compiled from the IDBR data-set. Extracts from the IDBR, however, are for a particular point in time, here for March 2009.

ONS released the IDBR data set to Local Authorities to help in the production of Local Economic Assessments. Data for March 2009, at 2-digit SIC level, was produced⁵ and released in March 2010.

TWRI focuses on the counts of businesses⁶.

⁵ By ONS Business Register Strategy and Outputs division.

⁶ Counts, Employment and Turnover were all provided on a consistent IDBR basis and can be used in combination e.g. Turnover per Enterprise. However, ONS recommends that, if employment is to be used in isolation then the Annual Business Inquiry (ABI) estimates should be used as the preferred source. Similarly, if turnover is to be used in isolation then the ABI is the preferred source.

Newcastle's top ten industries include two not in the England top ten; Architectural and engineering activities etc. (SIC 71, 12th in England) and Legal and accounting activities (SIC 69, 14th in England). At this 2-digit SIC level, the other eight of Newcastle's top ten industries were also in the England top ten.

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

SIC2007	Newcastle	North East	North East Rank	England	England Rank
47 Retail trade; except of motor vehicles and motorcycles	11.8	10.9	1	8.8	1
56 Food and beverage service activities	8.7	7.9	3	5.4	5
43 Specialised construction activities	6.2	8.6	2	8.1	2
69 Legal and accounting activities	6.2	2.4	15	3.0	14
68 Real estate activities	4.9	2.8	12	3.6	9
70 Activities of head offices; management consultancy activities	4.4	3.6	9	5.9	3
62 Computer programming; consultancy and related activities	4.2	3.0	10	5.4	4
41 Construction of buildings	3.9	3.9	7	4.1	8
46 Wholesale trade; except of motor vehicles and motorcycles	3.5	4.1	6	5.1	6
71 Architectural and engineering activities; technical testing and analysis	3.2	5.2	5	3.2	12

Source: ONS, TWRI.

Note: based purely on the proportion of enterprises within an area by 2-digit SIC level. It is not based on turnover or employment.

Conversely, in the England top ten were 'Office administrative; office support and other business support activities' (SIC 82, 13th in Newcastle), and 'Crop and animal production; hunting and related service activities' (SIC 01, unsurprisingly ranked only 34th in Newcastle).

**Table 8.2 Percentage Share of Enterprises By 2-Digit SIC Level, March 2009
Top Ten in England with North East and Newcastle Comparators**

SIC2007	England	North East	North East Rank	Newcastle	Newcastle Rank
47 Retail trade; except of motor vehicles and motorcycles	8.8	10.9	1	11.8	1
43 Specialised construction activities	8.1	8.6	2	6.2	3
70 Activities of head offices; management consultancy activities	5.9	3.6	9	4.4	6
62 Computer programming; consultancy and related activities	5.4	3.0	10	4.2	7
56 Food and beverage service activities	5.4	7.9	3	8.7	2
46 Wholesale trade; except of motor vehicles and motorcycles	5.1	4.1	6	3.5	9
01 Crop and animal production; hunting and related service activities	4.8	6.0	4	0.5	34
41 Construction of buildings	4.1	3.9	7	3.9	8
68 Real estate activities	3.6	2.8	12	4.9	5
82 Office administrative; office support and other business support activities	3.6	2.7	14	2.8	13

Source: ONS, TWRI.

APPENDIX 1

TECHNICAL BACKGROUND

'Business Demography: Enterprise Births and Deaths' (i.e. the BD series), was published for the first time on 28th November 2008 and covered the period 2002-2007. On the same day the Department of Business Enterprise and Regulatory Reform (BERR) released the final update to the VAT series, 'Business startups and closures: VAT registrations and de-registrations in 2007'.

The BD series is more comprehensive than the VAT series. It is difficult to directly compare the two series. However, at District level, within Tyne and Wear, the Business Demographics series records at least a fifth more enterprises than the VAT series. An article by ONS explains the key methodological differences between the new series and the existing BERR 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 to be published 28 Nov-08.	Annual publication. Final publication with 2007 data to be published 28 Nov-08	Annual publication. 2008 data published Sep-08
Geography	UK with country, region, unitary authority, county and district breakdowns.	UK-including regional, local authority and parliamentary constituency breakdowns	UK- including regional, local authority and parliamentary constituency breakdowns
Legal Status	Company, Sole Proprietor, Partnership, Public Corporation and Non-Profit organisations	All	All
Industry	SIC 2003, excluding Agriculture (Div 01, 02 & 05), holding companies (SIC class 7415) and public administration (Div 75)	SIC 2003 Divisions 01–93 (private households and extra-territorial activities excluded)	SIC 2003 Divisions 01–99
Exclusions	Excludes Managed Service Companies, although these are included in the data published by Eurostat	Excludes Managed Service Companies and Official Receivers	Excludes Managed Service Companies
Adjustments	Adjustments are made to the latest two years deaths to allow for re-activations. See section on deaths below for more detail.	Registrations and de-registrations are adjusted (back to 1996) to produce estimates of the final volume of start-ups and closures once late registrations and de-registrations have been received or re-activations have occurred.	None.

Source: Office for National Statistics.

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

¹¹ Department for Business, Enterprise and Regulatory Reform.

APPENDIX 3

The five excluded sections in SIC 2003 are:

- A Agriculture, Hunting and Forestry
- B Fishing
- L Public Administration and defence; compulsory social security
- P Activities of private households as employers and undifferentiated production activities of private households
- Q Extraterritorial organizations and bodies

The four excluded sections in SIC 2007 are:

- A Agriculture, Forestry and Fishing
- O Public Administration and Defence; Compulsory Social Security
- T Activities of Households As Employers; Undifferentiated Goods- and Services-Producing Activities of Households for Own Use
- U Activities of Extraterritorial Organisations and Bodies