BUSINESSES IN SOUTH TYNESIDE 2008

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KEY MESSAGES

Businesses (VAT/PAYE Registered Enterprises) in South Tyneside

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

During 2008 the UK entered recession (in Q3) and South Tyneside appears to have been particularly affected. Between 2007 and 2008, business numbers in South Tyneside grew very slowly, by just five (+0.2%), underperforming the North East region (+2.2%) and the UK (+2.0%) (Figure 5). Five industries suffered small net losses, “Manufacturing” and “Health” each down by ten, “Property and Business Services”, “Wholesale, Retail and Motor Trades” and “Transport, Post and Telecommunications” were each down by five (Table 7.5).

Over the longer time period (2002 to 2008), however, business numbers in South Tyneside rose by 15.8%, similar to the North East (16.0%) and outperforming the UK (10.7%).

Enterprise births in South Tyneside peaked in 2007 (465 births); enterprise deaths peaked in 2003 (355 deaths).

South Tyneside’s ‘New Business Registration Rate’ (National Indicator 171) was only 30.0 per 10,000 adults in 2008, 45% below the UK (54.2). (§ 5.1)

South Tyneside’s percentage of small businesses showing employment growth (NI 172) was 15.2% in 2007-08 (Great Britain, 14.4%). South Tyneside consistently outperforms the national average on this measure.

South Tyneside’s stock-based birth rate was higher (better) than the UK between 2002 and 2008. Its stock-based death rate is usually higher (worse) than the UK. (§ 6)

In 2008, the “Wholesale, Retail and Motor Trade” accounted for just over a fifth of active enterprises in South Tyneside (UK 18.0%).The share of businesses was also high for “Professional Scientific and Technical Activities” (13.5%) and “Construction” (13.3%), although, in both cases, they were below the UK average. (Table 7.3)

Over the period 2003-2008:

- 37.4% of business births in South Tyneside were in “Property and Business Services”; this industry accounted for just under three-tenths of business deaths.
- Three industries suffered a net loss in numbers. Of these, the largest loss was in "Wholesale, Retail and Motor Trades" (-65).

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

The “Retail Trade” accounted for 13.4% of enterprises in South Tyneside, closely followed by “Food and Beverage Service Activities” (10.3%). (Table 8.1)

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 South Tyneside and compares the South Tyneside 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.

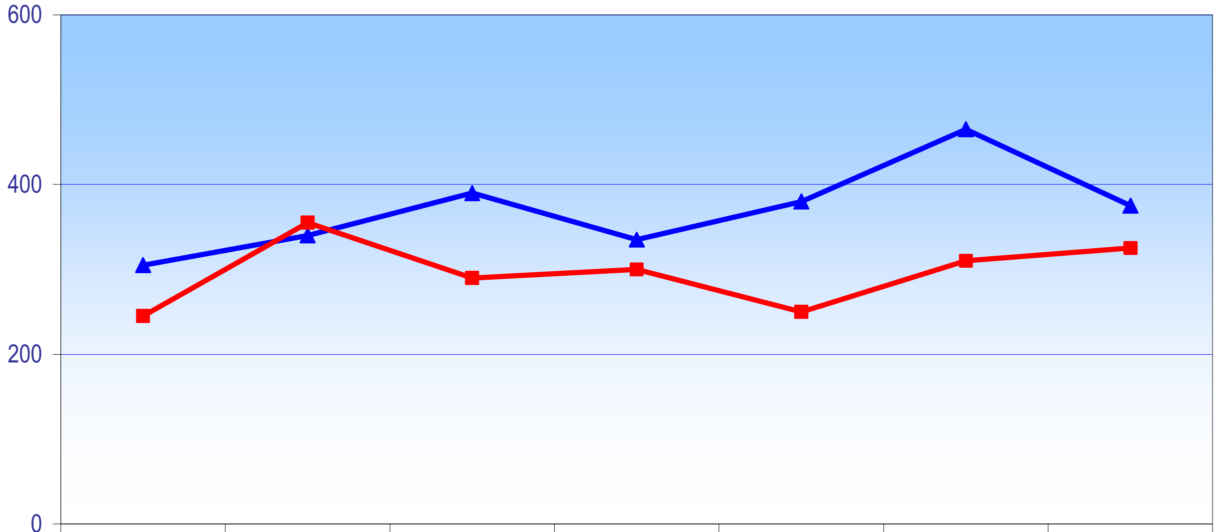
This report covers mainly stock of businesses, births and deaths in 2008 and changes in these over various timescales. The main focus of this paper is on levels in 2008, with levels in previous years being used as time-series comparators.

1 Enterprise Births and Deaths

1.1 Enterprise Births

The number of enterprise births peaked in 2007 (Fig 1). In recent years the low-point occurred in 2002.

Fig 1 Enterprise Births and Deaths in South Tyneside



	2002	2003	2004	2005	2006	2007	2008
Births	305	340	390	335	380	465	375
Deaths	245	355	290	300	250	310	325

Source: ONS, Business Demographics

1.2 Enterprise Deaths

The number of enterprise deaths was at a low-point in 2002. Enterprise deaths peaked in 2003, which was the only year they exceeded births.

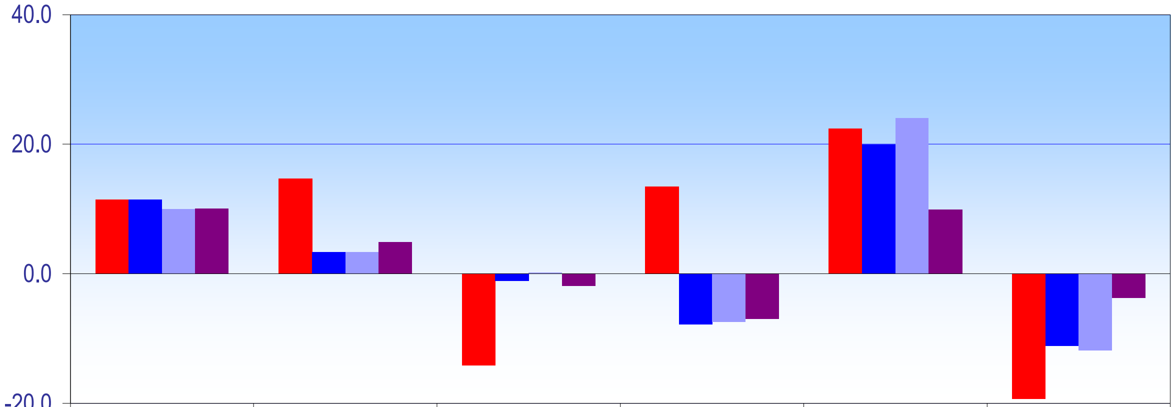
Note: Deaths data for 2007 and 2008 is provisional.

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 fell by a much larger percentage in South Tyneside (-19.4%), five times that in the UK (-3.7%); South Tyneside also performed poorly compared to the county and the North East (Fig 2). However, in the previous year (between 2006 and 2007), South Tyneside had, in common with Tyne & Wear and the region performed very strongly compared to the UK.

Fig 2 Annual Percentage Change in Enterprise Births
South Tyneside, TW, North East and UK



	2002 to 2003	2003 to 2004	2004 to 2005	2005 to 2006	2006 to 2007	2007 to 2008
South Tyneside	11.5	14.7	-14.1	13.4	22.4	-19.4
Tyne and Wear	11.4	3.3	-1.1	-7.9	19.9	-11.2
North East	10.0	3.4	0.1	-7.4	24.0	-11.8
UK	10.1	4.9	-1.9	-7.0	9.9	-3.7

Source: ONS, Business Demographics

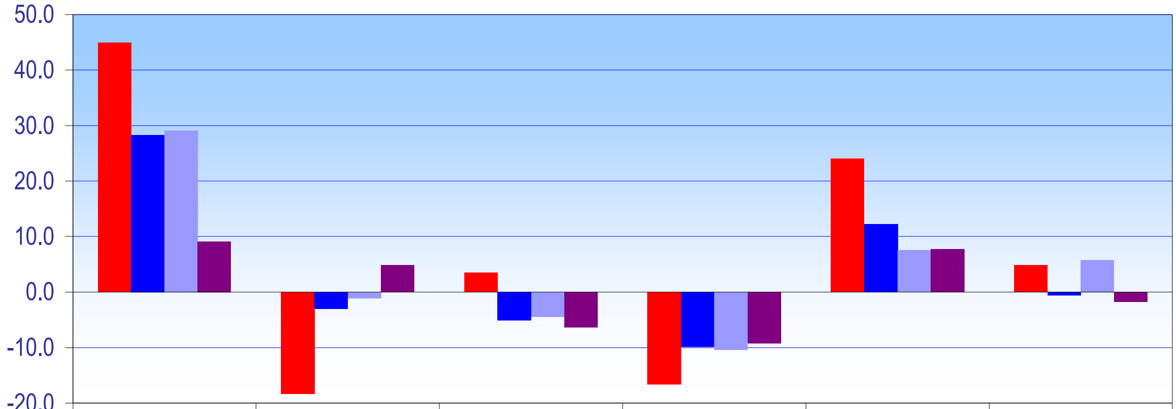
In 2008, South Tyneside accounted for 11.8% of enterprise births in Tyne and Wear, 4.8% in the North East and 0.14% in the UK.

3 Annual Percentage Change in Enterprise Deaths

Compared to 2006, the percentage rise in enterprise deaths in South Tyneside in 2007 was much larger than in both the North East and the UK (Fig 3); within Tyne and Wear it was the largest percentage rise. The latest provisional data (2008) shows a much smaller rise in South Tyneside, slightly smaller than the North East rise. However, enterprise deaths fell nationally. The small fall within Tyne and Wear was entirely due to Newcastle.

Fig 3 Annual Percentage Change in Enterprise Deaths

South Tyneside, TW, North East and UK



	2002 to 2003	2003 to 2004	2004 to 2005	2005 to 2006	2006 to 2007	2007 to 2008
South Tyneside	44.9	-18.3	3.4	-16.7	24.0	4.8
Tyne and Wear	28.3	-3.0	-5.1	-9.9	12.2	-0.6
North East	29.1	-1.2	-4.5	-10.4	7.6	5.8
UK	9.1	4.9	-6.3	-9.2	7.7	-1.8

Source: ONS, Business Demographics

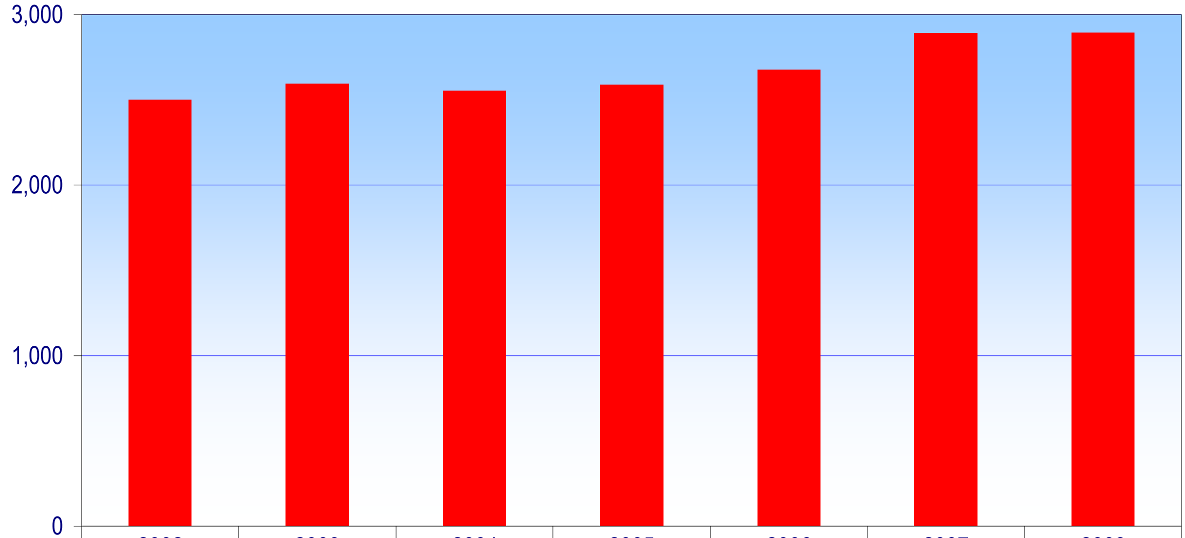
In 2008, South Tyneside accounted for 12.5% of enterprise deaths in Tyne and Wear, 5.2% in the North East and 0.15% in the UK.

4 Active Enterprises (Business Stock) and Net Change

4.1 Active Enterprises

The number of active enterprises in South Tyneside generally grew by under 100pa, but leapt by over 200 in 2007.

Fig 4 Active Enterprises in South Tyneside
2002 - 2008



	2002	2003	2004	2005	2006	2007	2008
South Tyneside	2,500	2,595	2,555	2,590	2,680	2,890	2,895

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 2008, South Tyneside accounted for 11.2% of the active stock in Tyne and Wear, 4.6% in the North East and 0.12% in the UK.

4.2 Net Change 2002-2008

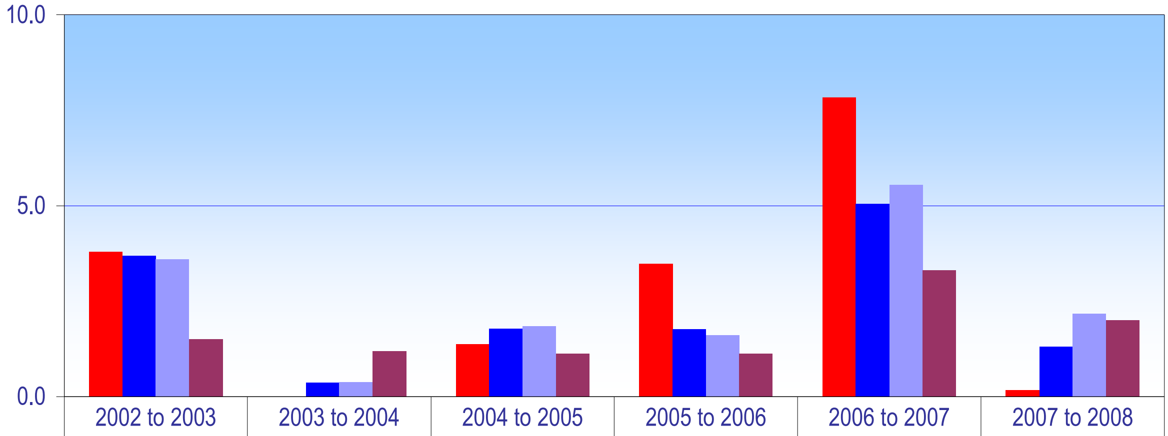
The number of active enterprises in South Tyneside was 16% higher in 2008, compared to 2002. This compares favourably to the changes in Tyne and Wear (+15%), the North East (+16%) and the UK (+11%). At 2,895 enterprises, South Tyneside's active stock in 2008 was 395 higher than in 2002; numerically this was the smallest district-level growth in Tyne and Wear.

4.3 Net Change 2007-2008

There was a modest increase in active enterprises in South Tyneside between 2007 and 2008 (+0.2%); in percentage terms it was only a tenth of the UK rise (Fig 5).

Fig 5 Annual Percentage Change in Enterprise Stock

South Tyneside, TW, North East and UK



	2002 to 2003	2003 to 2004	2004 to 2005	2005 to 2006	2006 to 2007	2007 to 2008
South Tyneside	3.8	-1.5	1.4	3.5	7.8	0.2
Tyne and Wear	3.7	0.4	1.8	1.8	5.1	1.3
North East	3.6	0.4	1.8	1.6	5.5	2.2
UK	1.5	1.2	1.1	1.1	3.3	2.0

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'.

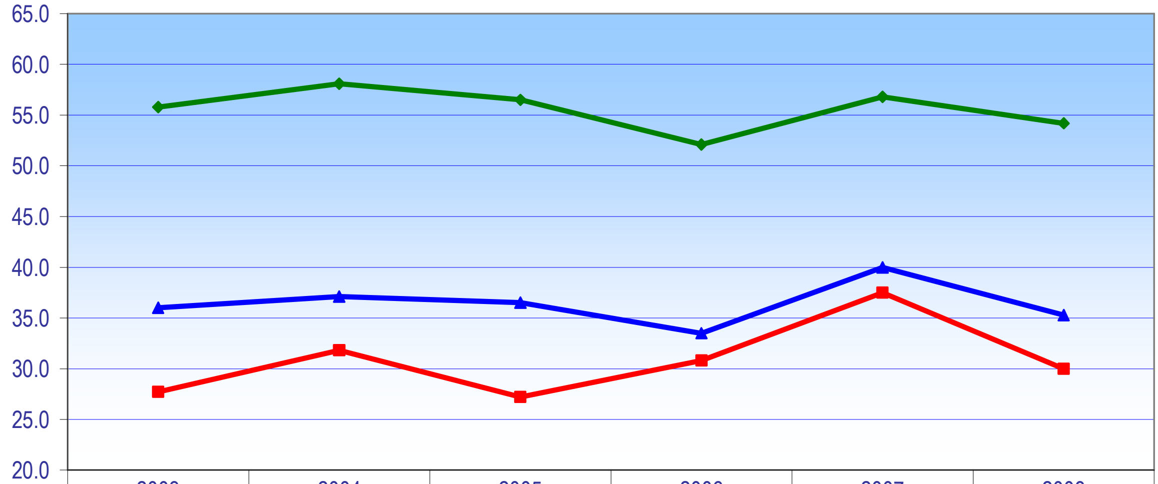
5.1 National Indicator 171 'New business registration rate'

In 2008, South Tyneside's new business registration rate was 30.0; this was 45% lower than the UK rate (Fig 6). Within Tyne and Wear, only Sunderland had a lower rate (27.1). Newcastle had the highest rate (41.2).

South Tyneside's rate peaked in 2007. Between 2007 and 2008, the rate fell by 7.5 points. This was a large fall compared to Tyne and Wear (-4.7 points), the North East (-5.2 points) and, especially, the UK (-2.6 points). Within Tyne and Wear, Newcastle was the only District where the rate rose between 2007 and 2008.

Fig 6 New Business Registration Rate (NI 171)

(per 10,000 adults)



	2003	2004	2005	2006	2007	2008
United Kingdom	55.8	58.1	56.5	52.1	56.8	54.2
Tyne and Wear	36.0	37.1	36.5	33.5	40.0	35.3
South Tyneside	27.7	31.8	27.2	30.8	37.5	30.0

Source: Office for National Statistics

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. It is not possible to produce local area estimates for this wider business population.[2]

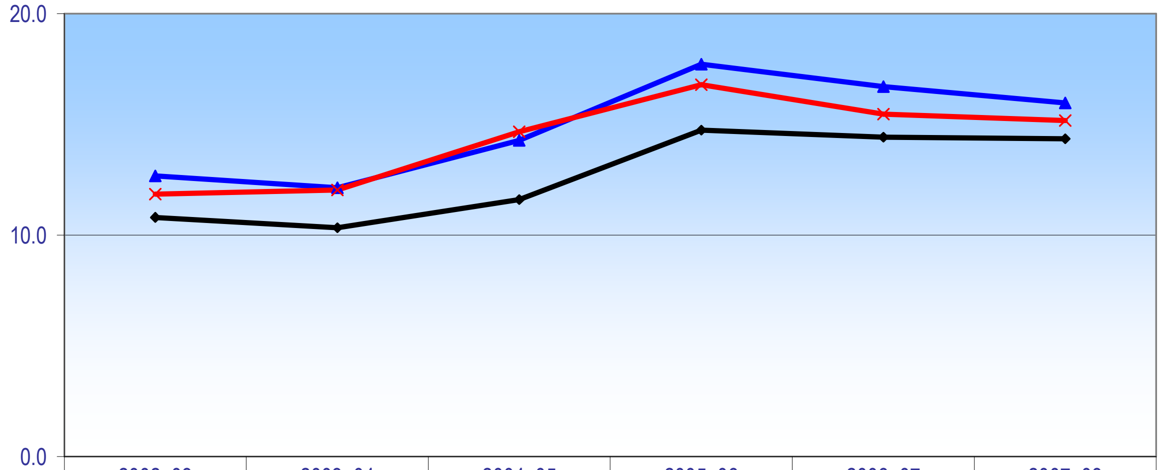
[1] The actual measure is new businesses registering for VAT and PAYE and some smaller businesses reaching the VAT threshold or running a PAYE scheme for the first time.

[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)

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

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

Fig 7 NI 172 - Percentage of Small Businesses in an Area
Showing Employment Growth



	2002_03	2003_04	2004_05	2005_06	2006_07	2007_08
Great Britain	10.8	10.3	11.6	14.7	14.4	14.4
Tyne and Wear	12.7	12.1	14.3	17.7	16.7	16.0
South Tyneside	11.8	12.0	14.7	16.8	15.5	15.2

Source: Office for National Statistics

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.

6 Stock[3]-Based Birth and Death Rates

South Tyneside's birth rate was higher (better) (Table 6a) than the UK (Table 6c) between 2002 and 2008. South Tyneside's death rate, however, is usually higher (worse) than the UK; recent exceptions were 2002 and 2006.

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 South Tyneside

Year	Active Stock	Births	Birth Rate %	Deaths	Death Rate %
2002	2,500	305	12.2	245	9.8
2003	2,595	340	13.1	355	13.7
2004	2,555	390	15.3	290	11.4
2005	2,590	335	12.9	300	11.6
2006	2,680	380	14.2	250	9.3
2007	2,890	465	16.1	310	10.7
2008	2,895	375	13.0	325	11.2

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.

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	7,755	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

Over the period 2003-2008, 37% of business births in South Tyneside were in “Property and Business Services”. (Table 7.1a) The next largest share was taken by “Wholesale, Retail and Motor Trades” (15%). “Hotels and Catering” and “Construction” were joint third, each on 13%.

The “credit crunch” that began in 2007 may have had an impact on South Tyneside’s enterprise births in 2008; in six industries the number of births fell, most noticeably in “Property and Business Services” (-50, -26%), however this industry had shown unusual and impressive growth in 2007.

In 2007, compared to 2006, the number of births fell in two industries, “Wholesale, Retail and Motor Trades” (-10) and “Health” (-5).

[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 South Tyneside 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	10	20	25	20	35	20	130
F	Construction	40	50	55	50	65	45	305
G	Wholesale, retail and motor trades	50	70	60	60	50	60	350
H	Hotels and catering	45	65	40	50	55	50	305
I	Transport, post and telecommunications	20	5	15	10	15	15	80
J	Finance	5	5	0	0	0	0	10
K	Property and business services	130	130	105	145	195	145	850
M	Education	5	5	0	5	5	5	25
N	Health	10	5	10	15	10	5	55
O	Other Services	25	30	25	25	35	25	165
	Total	340	385	335	380	465	370	2,275

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

Birth rates peaked in 2007 for four industries: “Property and Business Services”, “Construction”, “Other Services” and “Manufacturing” (Table 7.1b).

Table 7.1b: Enterprise Birth Rates (%) in South Tyneside, 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	3.9	8.5	10.6	7.7	13.2	7.8
F	Construction	15.7	18.9	19.0	16.4	19.1	12.9
G	Wholesale, retail and motor trades	7.5	11.1	9.8	9.9	8.3	10.0
H	Hotels and catering	14.5	20.0	12.7	15.9	16.7	14.9
I	Transport, post and telecommunications	17.4	5.3	14.3	10.0	13.0	13.6
J	Finance	33.3	33.3	0.0	0.0	0.0	0.0
K	Property and business services	22.8	21.3	16.2	20.3	23.9	17.9
M	Education	20.0	16.7	0.0	20.0	16.7	14.3
N	Health	9.1	4.5	8.7	12.5	7.7	4.2
O	Other Services	10.9	12.2	11.1	11.4	14.3	9.8
	Total	13.3	15.0	12.9	14.2	16.1	12.8

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 South Tyneside was higher (better) than that of the UK, and slightly higher than that of the North East (Table 7.1c). South Tyneside 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 7.1b).

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

SIC 2007	Industry	Active Stock ST	TW	North East	UK	Birth Rate[1] (%) ST	TW	NE	UK	Difference ST - UK
B, D and E	Mining, Quarrying and Utilities	5	65	265	8,060	0.0	7.7	13.2	13.8	-13.8
C	Manufacturing	245	1,860	4,425	147,475	8.2	8.1	7.5	7.3	0.9
F	Construction	385	3,615	9,455	337,885	11.7	12.0	12.5	11.7	0.0
G	Wholesale, Retail and Motor	605	5,140	12,500	418,075	9.1	9.5	9.4	9.2	-0.1
H	Transportation and Storage	105	860	2,610	82,965	9.5	8.1	8.8	10.1	-0.6
I	Accommodation and Food Service Activities	335	2,575	6,270	165,750	14.9	14.2	13.2	13.0	1.9
J	Information and Communication	100	1,290	2,670	169,940	25.0	17.4	15.7	14.6	10.4
K	Financial and Insurance Activities	15	280	630	29,930	0.0	5.4	7.9	12.1	-12.1
L	Real Estate	65	850	1,800	84,780	7.7	13.5	12.8	11.8	-4.1
M	Professional, Scientific and Technical Activities	390	3,730	9,250	367,965	17.9	16.8	18.1	14.7	3.3
N	Administrative and Support Services	230	1,945	4,790	206,690	21.7	19.8	17.1	16.2	5.5
P	Education	40	365	905	32,440	12.5	13.7	12.2	9.4	3.1
Q	Human Health and Social Work	115	1,095	2,665	84,480	4.3	6.4	7.5	7.9	-3.6
R	Arts, Entertainment and Recreation	80	645	1,640	66,660	6.3	7.8	8.5	7.9	-1.6
S	Other Services	180	1,490	3,585	122,675	13.9	8.7	9.3	7.6	6.3
	Total	2,895	25,805	63,460	2,325,770	12.8	12.3	12.2	11.6	1.2

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 South Tyneside rates that are based on relatively low stock.

7.2 Enterprise Deaths

Over the period 2003-2008, 29% of business deaths in South Tyneside were in "Property and Business Services" and just under a quarter were in "Wholesale, Retail and Motor Trades" (Table 7.2a).

Table 7.2a: Enterprise Deaths in South Tyneside 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	35	20	15	15	30	15	130
F	Construction	35	25	35	30	40	45	210
G	Wholesale, retail and motor trades	80	75	70	55	55	75	410
H	Hotels and catering	60	50	45	40	45	40	280
I	Transport, post and telecommunications	20	10	15	5	15	10	75
J	Finance	0	0	0	0	0	0	0
K	Property and business services	70	80	80	85	90	110	515
M	Education	0	5	5	0	0	0	10
N	Health	10	10	10	5	15	5	55
O	Other Services	5	15	25	15	20	20	100
	Total	315	290	300	250	310	320	1,785

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

Table 7.2b: Enterprise Death Rates (%) in South Tyneside by Industry, 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	13.7	8.5	6.4	5.8	11.3	5.9
F	Construction	13.7	9.4	12.1	9.8	11.8	12.9
G	Wholesale, retail and motor trades	12.0	11.9	11.4	9.1	9.1	12.5
H	Hotels and catering	19.4	15.4	14.3	12.7	13.6	11.9
I	Transport, post and telecommunications	17.4	10.5	14.3	5.0	13.0	9.1
J	Finance	0.0	0.0	0.0	0.0	0.0	0.0
K	Property and business services	12.3	13.1	12.3	11.9	11.0	13.6
M	Education	0.0	16.7	20.0	0.0	0.0	0.0
N	Health	9.1	9.1	8.7	4.2	11.5	4.2
O	Other Services	2.2	6.1	11.1	6.8	8.2	7.8
	Total	12.3	11.3	11.6	9.3	10.7	11.1

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 South Tyneside was higher (worse) than that of the North East and that of the UK. South Tyneside outperformed the UK in eight of the fifteen industries shown in Table 7.2c. 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, South Tyneside (ST), Tyne and Wear (TW), North East (NE) and UK, 2008

		Active Stock				Death Rate[1] (%)				Difference
SIC 2007	Industry	ST	TW	North East	UK	ST	TW	NE	UK	ST - UK
B, D and E	Mining, Quarrying and Utilities	5	65	265	8,060	0.0	7.7	5.7	8.0	-8.0
C	Manufacturing	245	1,860	4,425	147,475	6.1	8.1	7.0	7.8	-1.7
F	Construction	385	3,615	9,455	337,885	13.0	10.7	10.8	9.7	3.3
G	Wholesale, Retail and Motor	605	5,140	12,500	418,075	13.2	10.5	10.0	9.1	4.1
H	Transportation and Storage	105	860	2,610	82,965	14.3	12.2	10.0	9.9	4.3
I	Accommodation and Food Service Activities	335	2,575	6,270	165,750	11.9	13.6	14.0	13.1	-1.2
J	Information and Communication	100	1,290	2,670	169,940	15.0	11.6	10.5	10.0	5.0
K	Financial and Insurance Activities	15	280	630	29,930	33.3	8.9	11.1	11.0	22.3
L	Real Estate	65	850	1,800	84,780	7.7	6.5	7.2	7.6	0.1
M	Professional, Scientific and Technical Activities	390	3,730	9,250	367,965	14.1	9.7	8.9	8.7	5.4
N	Administrative and Support Services	230	1,945	4,790	206,690	8.7	10.3	10.8	10.8	-2.1
P	Education	40	365	905	32,440	0.0	9.6	7.7	8.1	-8.1
Q	Human Health and Social Work	115	1,095	2,665	84,480	4.3	5.0	5.8	7.0	-2.6
R	Arts, Entertainment and Recreation	80	645	1,640	66,660	6.3	10.9	9.8	8.8	-2.6
S	Other Services	180	1,490	3,585	122,675	8.3	7.7	8.8	8.6	-0.3
	Total	2,895	25,805	63,460	2,325,770	11.2	10.1	9.8	9.4	1.8

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 South Tyneside rates that are based on relatively low stock.

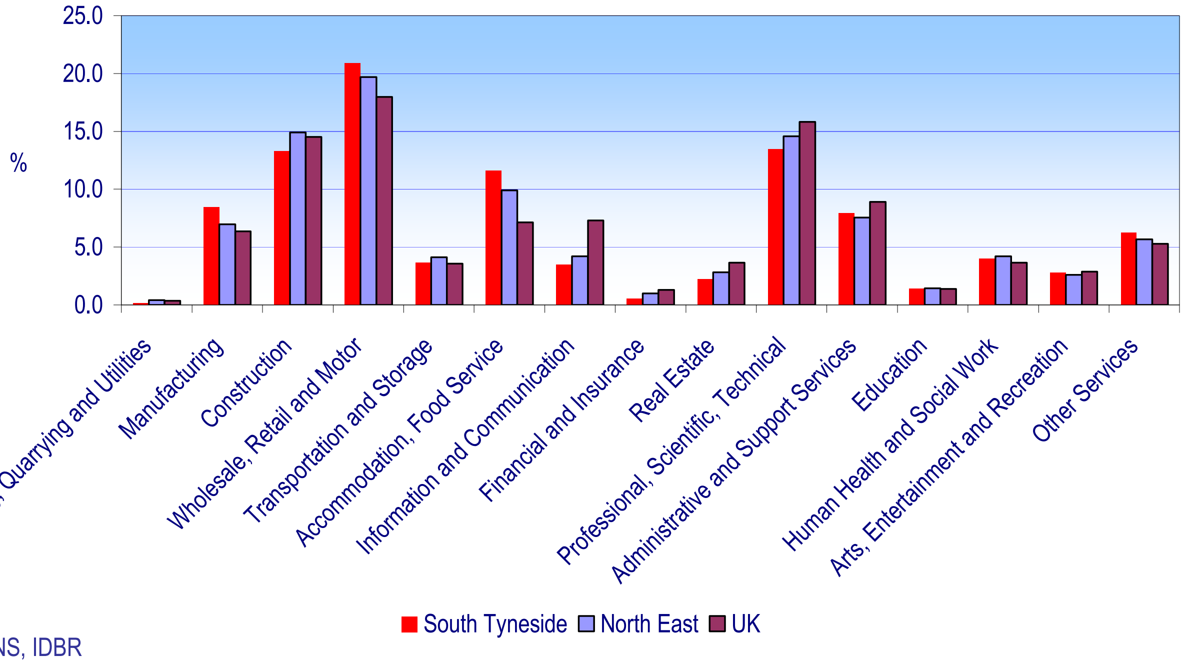
7.3 The Industrial Structure of the Business Base

The following bar chart (Fig.8) compares South Tyneside'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 South Tyneside is relatively strong in "Accommodation, Food Service", "Wholesale, Retail and Motor" and "Manufacturing". It is relatively weak in "Information and Communication", "Professional, Scientific, Technical", "Real Estate" and "Construction". The other industries in South Tyneside take up similar proportions to the UK average (within ±1 percentage point).

Fig 8 The Industrial Structure of the Business Base

South Tyneside, North East and UK



Source: ONS, IDBR

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

		Share of Total Active Businesses in 2008			
SIC 2007	**Industry**	**South Tyneside**	**TW**	**North East**	**UK**
B, D and E	Mining, Quarrying and Utilities	0.2	0.3	0.4	0.3
C	Manufacturing	8.5	7.2	7.0	6.3
F	Construction	13.3	14.0	14.9	14.5
G	Wholesale, Retail and Motor	20.9	19.9	19.7	18.0
H	Transportation and Storage	3.6	3.3	4.1	3.6
I	Accommodation and Food Service Activities	11.6	10.0	9.9	7.1
J	Information and Communication	3.5	5.0	4.2	7.3
K	Financial and Insurance Activities	0.5	1.1	1.0	1.3
L	Real Estate	2.2	3.3	2.8	3.6
M	Professional, Scientific and Technical Activities	13.5	14.5	14.6	15.8
N	Administrative and Support Services	7.9	7.5	7.5	8.9
P	Education	1.4	1.4	1.4	1.4
Q	Human Health and Social Work	4.0	4.2	4.2	3.6
R	Arts, Entertainment and Recreation	2.8	2.5	2.6	2.9
S	Other Services	6.2	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.

In South Tyneside over the period 2003-08, three industries had a net loss of businesses (changes in Table 7.4a; levels in Table 7.4b). They were "Wholesale, Retail and Motor Trades", "Mining, Quarrying and Utilities" and "Transport, Post and Telecommunications".

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

SIC 2003	Industry	Change	Percentage Change			
		South Tyneside	South Tyneside	TW	North East	UK
C and E	Mining, quarrying and utilities	-5	-100.0	-66.7	41.7	-8.3
D	Manufacturing	0	0.0	-1.5	-4.2	-9.7
F	Construction	95	37.3	32.5	31.7	19.9
G	Wholesale, retail and motor trades	-65	-9.8	-4.6	-3.3	-3.2
H	Hotels and catering	25	8.1	4.9	3.5	2.1
I	Transport, post and telecommunications	-5	-4.3	-4.0	-1.5	0.3
J	Finance	10	66.7	53.7	40.2	19.3
K	Property and business services	240	42.1	33.8	40.5	28.3
M	Education	10	40.0	25.0	19.1	11.2
N	Health	10	9.1	9.9	16.2	17.3
O	Other Services	25	10.9	-3.5	-6.5	-0.4
	Total	340	13.3	12.0	13.0	10.6

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

South Tyneside's number of firms in "Manufacturing" 2003-08 was unchanged, unlike falls (of about 1.5-10%) in Tyne & Wear, the region and UK.

Compared to both the UK and North East South Tyneside underperformed in four industries. They were "Mining, Quarrying and Utilities", "Health", "Wholesale, Retail and Motor Trades" and "Transport, Post and Telecommunications".

Table 7.4b: Active Enterprises in South Tyneside, 2003-2008

SIC 2003	Industry	2003	2004	2005	2006	2007	2008
C and E	Mining, quarrying, electricity, gas and water supply	5	0	0	0	0	0
D	Manufacturing	255	235	235	260	265	255
F	Construction	255	265	290	305	340	350
G	Wholesale, retail and motor trades	665	630	615	605	605	600
H	Hotels and catering	310	325	315	315	330	335
I	Transport, post and telecommunications	115	95	105	100	115	110
J	Finance	15	15	15	15	15	25
K	Property and business services	570	610	650	715	815	810
M	Education	25	30	25	25	30	35
N	Health	110	110	115	120	130	120
O	Other Services	230	245	225	220	245	255
	Total	2,555	2,560	2,590	2,680	2,890	2,895

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

7.5 Changes in 2008 by Industry

Within South Tyneside five industries had a net gain of businesses over the period 2007-2008 (Table 7.5). They were “Construction”, “Finance”, “Other Services”, “Hotels and Catering” and “Education”.

South Tyneside outperformed the UK and the North East in five industries: "Finance", "Education", "Other Services", "Hotels and Catering", "Wholesale, Retail and Motor Trades" and "Manufacturing".

In South Tyneside a small rise in “Hotels and Catering” went against the county, regional and national falls. Conversely, South Tyneside’s small falls in “Health” and “Property and Business Services” were contrary to the county, regional and UK increases.

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

SIC 2003	Industry	Actives 2007 South Tyneside	Actives 2008 South Tyneside	Change South Tyneside	Percentage Change South Tyneside	TW	North East	UK
C and E	Mining, quarrying, electricity, gas and water supply	0	0	0	0.0	0.0	6.3	5.4
D	Manufacturing	265	255	-10	-3.8	-2.9	-1.4	-2.2
F	Construction	340	350	10	2.9	2.7	3.9	4.5
G	Wholesale, retail and motor	605	600	-5	-0.8	-0.4	-0.9	-1.1
H	Hotels and catering	330	335	5	1.5	-0.6	-0.9	-1.7
I	Transport, post and telecommunications	115	110	-5	-4.3	-0.5	0.5	2.0
J	Finance	15	25	10	66.7	53.7	36.2	20.0
K	Property and business services	815	810	-5	-0.6	0.8	3.2	2.2
M	Education	30	35	5	16.7	6.6	1.3	-1.4
N	Health	130	120	-10	-7.7	1.8	4.0	4.6
O	Other Services	245	255	10	4.1	4.3	-0.1	0.3
	Total	2,890	2,895	5	0.2	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 IDBR is essentially the data-set from which the Business Demographics series is compiled. Extracts from the IDBR, however, are for a particular point in time.[5]

TWRI focuses on the counts of businesses[6].

At the 2-digit SIC level, half of South Tyneside's top ten industries for enterprises were not in the England top ten. Three were just outside the England top ten; 'Other Personal Services', 'Architectural and engineering activities' and 'Wholesale and retail' in 11th to 13th place respectively. The two other exceptions were Human health activities (SIC 86) and 'Manufacture of fabricated metal products' (SIC 25). Nationally they ranked 17th and 21st respectively.

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

SIC2007	South Tyneside	North East	North East Rank	England	England Rank
47 Retail trade; except of motor vehicles and motorcycles	13.4	10.9	1	8.8	1
56 Food and beverage service activities	10.3	7.9	3	5.4	5
43 Specialised construction activities	9.5	8.6	2	8.1	2
71 Architectural and engineering activities; technical testing and analysis	6.0	5.2	5	3.2	12
46 Wholesale trade; except of motor vehicles and motorcycles	4.5	4.1	6	5.1	6
96 Other personal service activities	3.5	3.0	11	3.4	11
82 Office administrative; office support and other business support activities	3.3	2.7	14	3.6	10
25 Manufacture of fabricated metal products; except machinery and equipment	3.1	1.8	18	1.3	21
45 Wholesale and retail trade and repair of motor vehicles and motorcycles	2.9	3.8	8	3.1	13
86 Human health activities	2.9	2.2	16	1.8	17

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 the England top ten industries which were not in South Tyneside's top ten were 'Activities of head offices; management consultancy activities' (SIC 70), Computing (SIC 62),

[5] 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 produced[5] and released in March 2010.

[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.

Construction of buildings (SIC 41) and Real estate activities (SIC 68); in South Tyneside they ranked 11th to 14th respectively. The England top ten also included 'Crop and animal production' (SIC 01) which, unsurprisingly, ranked only 24th in South Tyneside.

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

SIC2007	England	North East	North East Rank	South Tyneside	South Tyneside Rank
47 Retail trade; except of motor vehicles and motorcycles	8.8	10.9	1	13.4	1
43 Specialised construction activities	8.1	8.6	2	9.5	2
70 Activities of head offices; management consultancy activities	5.9	3.6	9	2.7	5
62 Computer programming; consultancy and related activities	5.4	3.0	10	2.7	6
56 Food and beverage service activities	5.4	7.9	3	10.3	3
46 Wholesale trade; except of motor vehicles and motorcycles	5.1	4.1	6	4.5	7
01 Crop and animal production; hunting and related service activities	4.8	6.0	4	0.8	31
41 Construction of buildings	4.1	3.9	7	2.7	8
68 Real estate activities	3.6	2.8	12	2.5	13
82 Office administrative; office support and other business support activities	3.6	2.7	14	3.3	11

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.

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 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 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