



# BUSINESSES IN GATESHEAD

## 2009

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# KEY MESSAGES

## Businesses (VAT/PAYE Registered Enterprises) in Gateshead

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

In 2009, the BD series recorded 5,175 active enterprises in Gateshead.

The impact of the recession on Gateshead's businesses is shown by the falling enterprise birth rate since 2007 and the peak, in 2009, of the enterprise death rate. Between 2008 and 2009, business numbers in Gateshead fell slightly while in both the North East and UK numbers rose, albeit slowly (Figure 5). In Gateshead six industries had a net loss of businesses over the period 2008-2009. In absolute terms the net losses were relatively small, the largest (-25) was in "Wholesale, retail and motor trades" (Table 7.5).

Over the longer time period (2002 to 2009), business numbers in Gateshead rose by 18%, outperforming the North East (+16%) and the UK (11%). ([§ 4.2](#))

Enterprise births in Gateshead peaked in 2007 (755 births); enterprise deaths peaked in 2009 (570 deaths).

In 2009, Gateshead's new business registration rate was 36.3 per 10,000 adults; this was 23% lower than the UK rate (Fig 6). This was the highest rate in Tyne and Wear. ([§ 5.1](#))

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

In 2009 Gateshead's stock-based birth rate was at a low point (11.0%). Despite this it equalled the death rate, which was at a five-year high. ([§ 6](#))

In 2009, the "Wholesale, Retail and Motor Trade" accounted for a fifth of active enterprises in Gateshead (UK 17.8%). The business share was also high for "Construction" (15.7%) and "Professional Scientific and Technical Activities" (12.9%). (Table 7.3)

Over the period 2003-2008:

- Two-fifths of business births in Gateshead 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 "Education".

### Businesses by Industry (2-digit SIC Level)

The "Retail Trade" accounted for 10.5% of enterprises in Gateshead, closely followed by "Specialised Construction Activities" (10.0%). The national (UK) rankings were the same, however both proportions were higher in Gateshead. (Tables 8.1 and 8.2)

Whilst every effort has been taken to ensure the accuracy and reliability of the information presented in this report, TWRI does not accept responsibility for any errors in either the data or its analysis, howsoever they may have been caused.

## INTRODUCTION

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

The business base has grown strongly in TW. Over the period 2002 to 2009 it grew by 3,450 (+15%), outpacing the UK growth (+11%); Gateshead's contribution was a net gain of 795 businesses (+18%). It is likely, however, that this performance was under-pinned by the public sector expansion in TW; this expanded employment faster than the UK at least up to 2003, and thus boosted consumer demand in the local economy.

The size of the business base is partly a reflection of population – and the growth of the business base is partly a reflection of population growth. The vast majority of businesses are small, employing fewer than five people – and therefore largely serve local markets. Population growth helps small businesses; thus, for example, this has helped North Tyneside to achieve the fastest growth of its business base (21% over the years 2002-09). More broadly, TW's population growth in the 2000s has helped to underpin business growth.

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

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

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

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

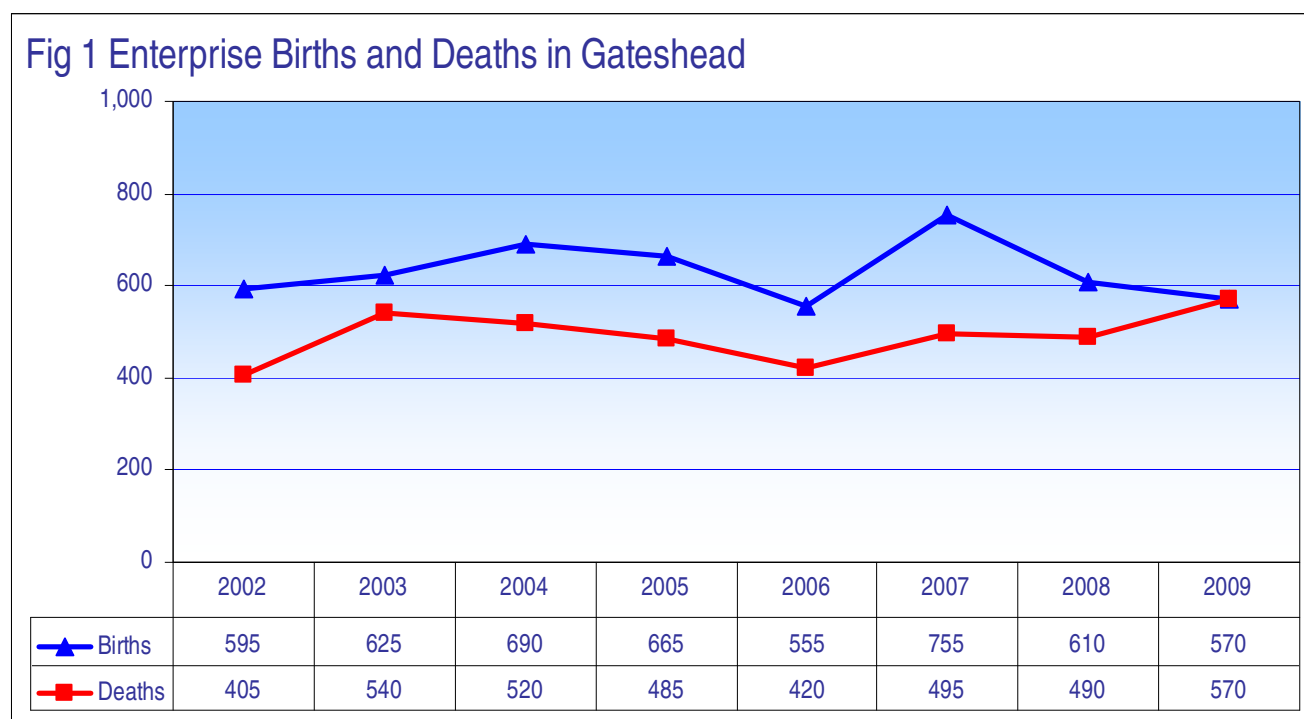
This report covers mainly stock of businesses, births and deaths in 2009 and changes in these over various timescales. The main focus of this paper is on levels in 2009, with levels in previous years being used as time-series comparators.

# 1 Enterprise Births and Deaths

## 1.1 Enterprise Births

In 2009, the number of enterprise births (570) fell, to equal the number of enterprise deaths. The number of enterprise births peaked in 2007 (Fig 1). In recent years the low-point occurred in 2006.

The annual average for the period 2002-2009 was 630.



Source: ONS, Business Demographics.

## 1.2 Enterprise Deaths

Enterprise deaths peaked in 2009. The number of enterprise deaths was at a low-point in 2002.

The annual average for the period 2002-2009 was 490.

Note: Deaths data for 2008 and 2009 are provisional.

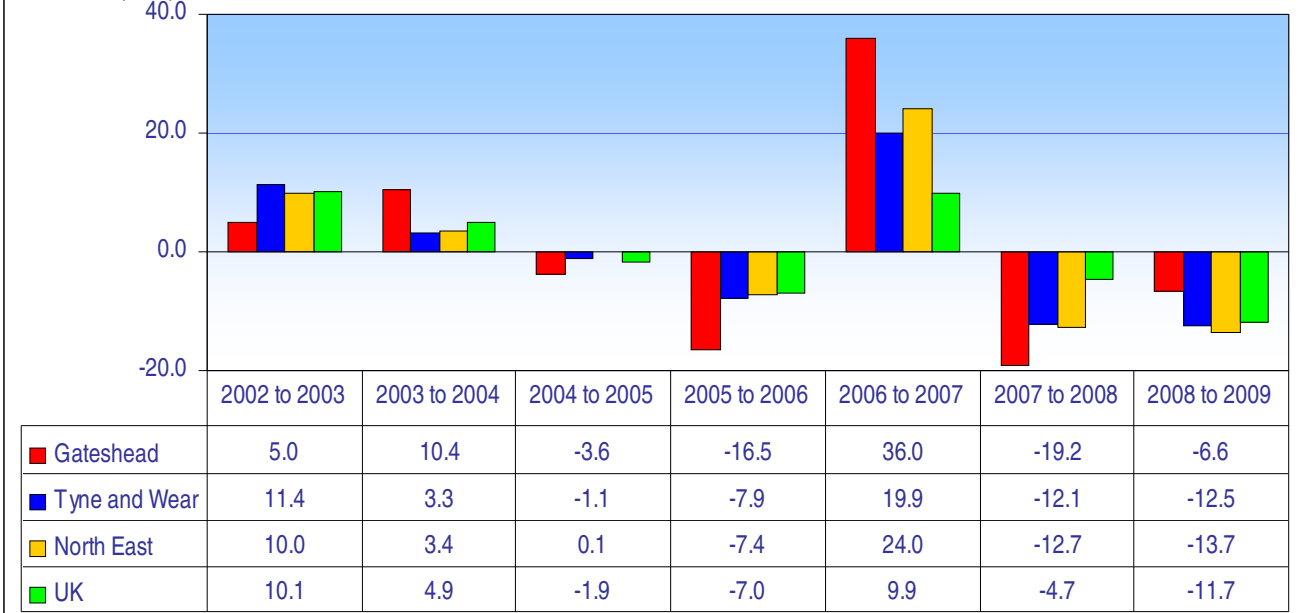
ONS rounds data to prevent disclosure. Differences may exist in totals across tables due to disclosure methods used. Percentage changes of low numbers should be interpreted with care e.g. a reported rise from 5 to 10 (up 100%) could actually be from 7 to 8 (up 14%).

## 2 Annual Percentage Change in Enterprise Births

In 2009, compared to 2008, the percentage fall in enterprise births was much smaller in Gateshead (-6.6%) than in the UK (Fig 2). Between 2006 and 2007, the last growth year for enterprise births, Gateshead performed strongly compared to the county, the region and the UK.

Fig 2 Annual Percentage Change in Enterprise Births

Gateshead, TW, North East and UK

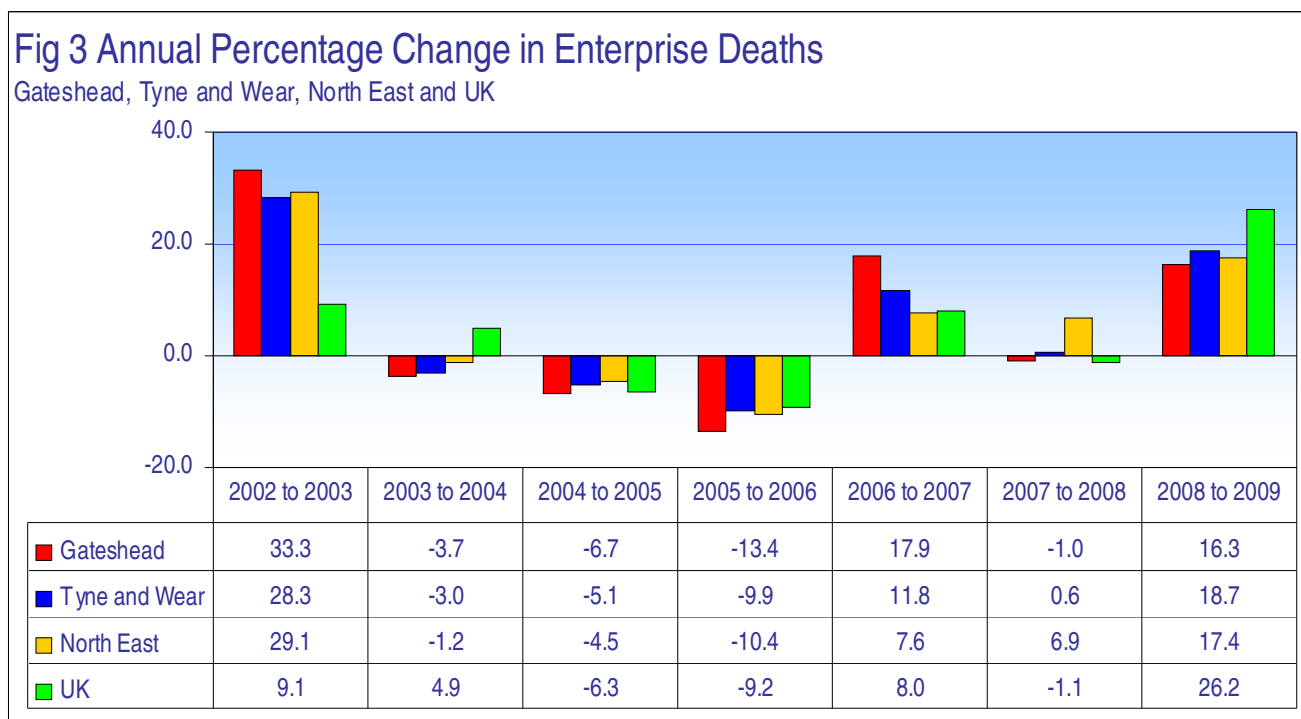


Source: ONS, Business Demographics.

In 2009, Gateshead accounted for just over a fifth of enterprise births in Tyne and Wear, 8.6% in the North East and 0.24% in the UK.

### 3 Annual Percentage Change in Enterprise Deaths

Compared to 2007, the number of enterprise deaths in Gateshead fell (2007 to 2008); the percentage fall was similar to the UK. Over the same period there was a rise in the number of enterprise deaths in the North East and a very small rise in Tyne and Wear (Fig 3). The latest provisional data (2009) suggests that the situation deteriorated less in Gateshead than nationally.



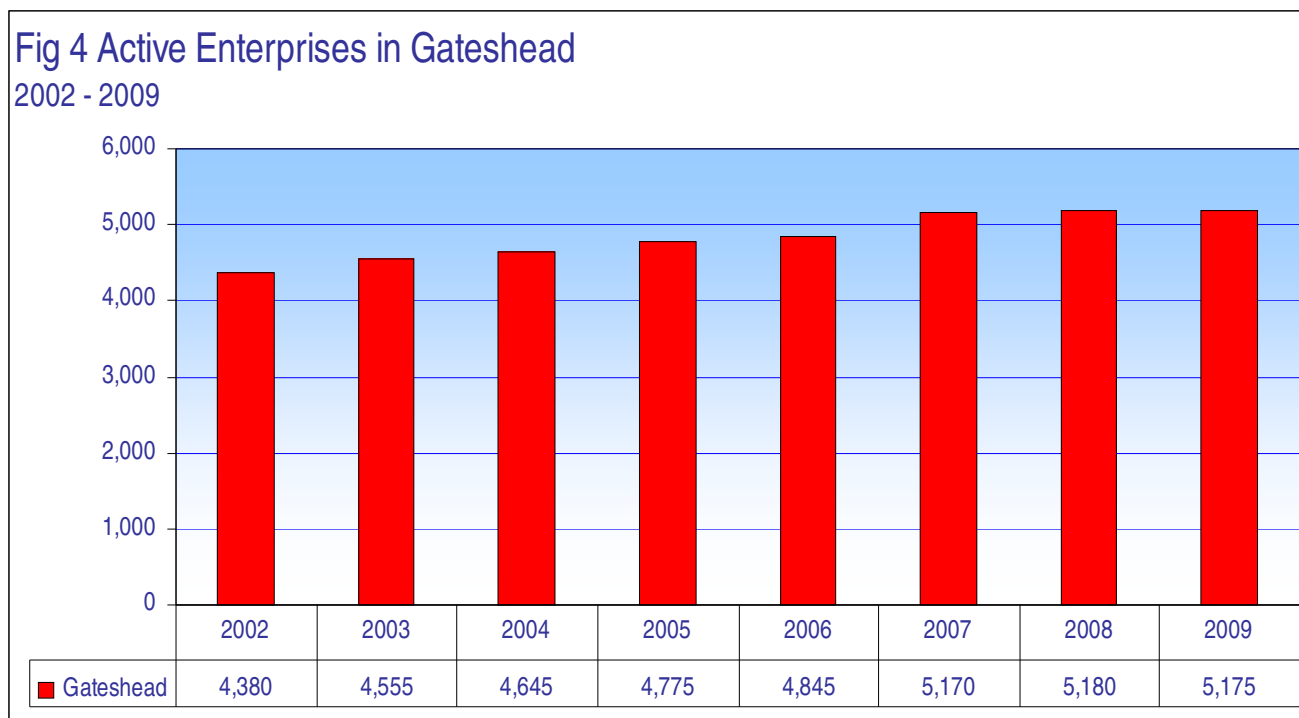
Source: ONS, Business Demographics.

In 2009, Gateshead accounted for 18.3% of enterprise deaths in Tyne and Wear, 7.7% in the North East and 0.20% in the UK.

## 4 Active Enterprises (Business Stock) and Net Change

### 4.1 Active Enterprises

The number of active enterprises grew each year from 2002 to 2008, normally by over 100pa (Fig 4). In 2008, in recession, this slowed to just ten; the (provisional) 2009 count shows a small fall (-5).



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, Gateshead accounted for a fifth of the active stock in Tyne and Wear, 8.1% in the North East and 0.22% in the UK.

### 4.2 Net Change 2002-2009

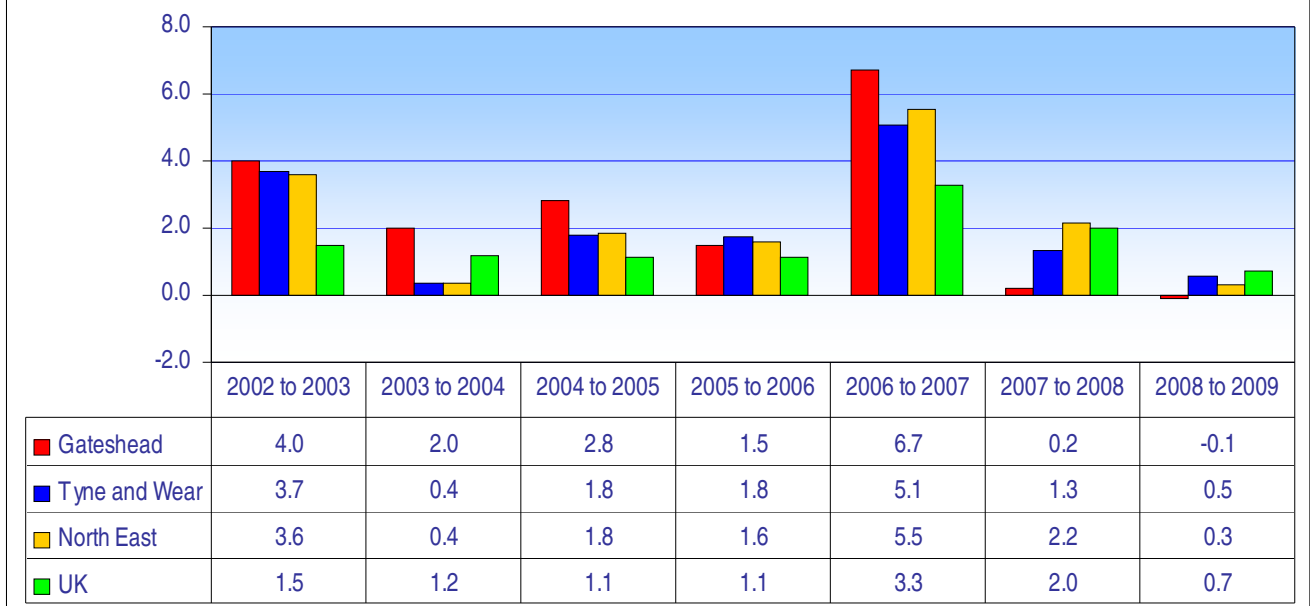
The number of active enterprises in Gateshead was 18% higher in 2009, compared to 2002, despite the small fall in 2009. This compares favourably to the changes in Tyne and Wear (+15%), the North East (+16%) and the UK (+11%). At 5,175 enterprises, Gateshead's active stock in 2009 was 795 higher than in 2002; in Tyne and Wear, Gateshead's percentage growth was exceeded only by North Tyneside (+21%).

### 4.3 Net Change 2008-2009

There was a small fall in the number of active enterprises in Gateshead between 2008 and 2009 (-0.1%); in Tyne and Wear, the North East and the UK there were small rises (Fig 5); within Tyne and Wear, Sunderland also experienced a small fall.



**Fig 5 Annual Percentage Change in Enterprise Stock**  
Gateshead, TW, North East and UK



Source: ONS, Business Demographics.

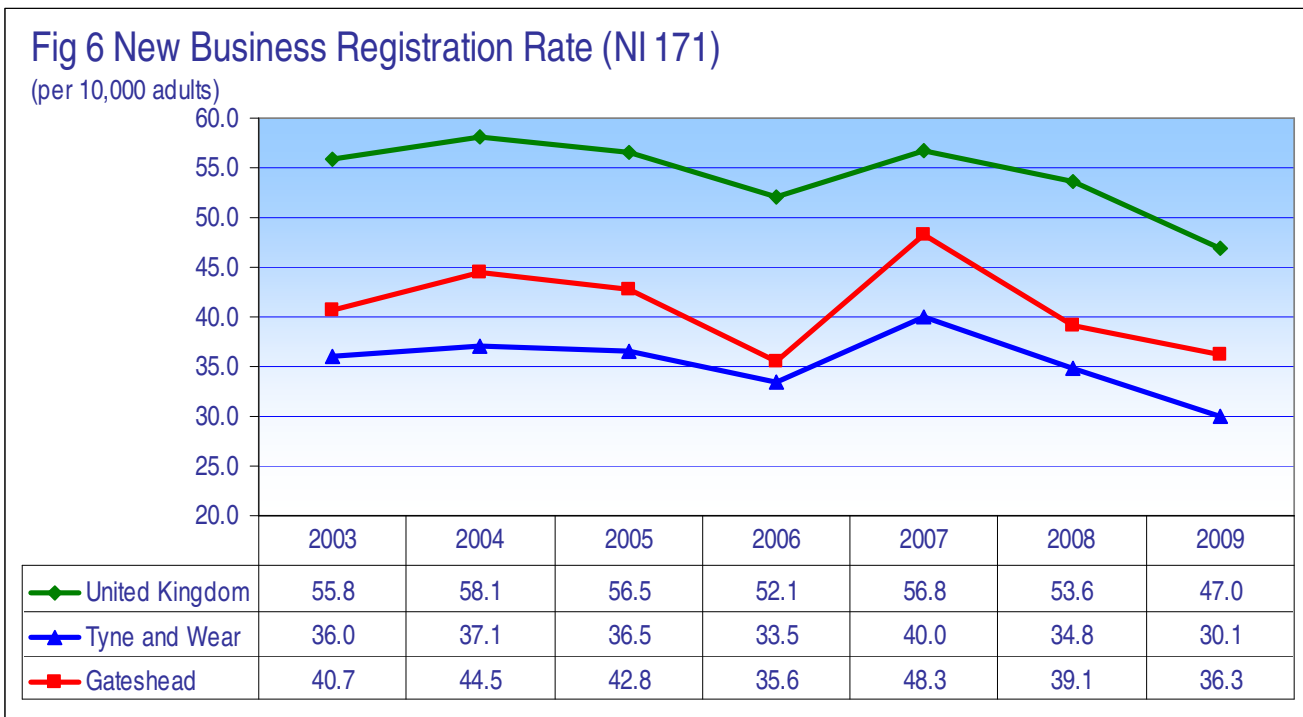
## 5 NEW BUSINESS REGISTRATION RATE

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

### 5.1 Former National Indicator 171 'New business registration rate'

In 2009, Gateshead's new business registration rate was 36.3 per 10,000 adults; this was 23% lower than the UK rate (Fig 6). Gateshead had the highest rate in Tyne and Wear.

Gateshead's rate peaked strongly in 2007. Between 2007 and 2009, the rate fell by 12.0 points. This was a large fall compared to Tyne and Wear (-9.9 points), the North East (-10.7 points) and the UK (-9.8 points). Within Tyne and Wear, the fall in Gateshead was only exceeded by South Tyneside (-12.5 points).



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

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

<sup>1</sup> 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.

<sup>2</sup> <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 26<sup>th</sup> February 2010)

## 6 Stock<sup>3</sup>-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).<sup>4</sup>

Gateshead's birth rate is usually higher (better) than the UK; the exception was 2006 when Gateshead's rate was marginally lower (Table 6a). Gateshead's death rate is usually lower (better) than the UK; the exception was 2003 when Gateshead's rate peaked at 11.9 (UK 10.9).

In 2009, Gateshead's birth rate was at a low point. Despite this it equalled the death rate, which was at a five-year high.

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.

<b>Year</b>	<b>Active Stock</b>	<b>Births</b>	<b>Birth Rate %</b>	<b>Deaths</b>	<b>Death Rate %</b>
2002	4,380	595	13.6	405	9.2
2003	4,555	625	13.7	540	11.9
2004	4,645	690	14.9	520	11.2
2005	4,775	665	13.9	485	10.2
2006	4,845	555	11.5	420	8.7
2007	5,170	755	14.6	495	9.6
2008	5,180	610	11.8	490	9.5
2009	5,175	570	11.0	570	11.0

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.

<sup>3</sup> 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.

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

<b>Year</b>	<b>Active Stock</b>	<b>Births</b>	<b>Birth Rate %</b>	<b>Deaths</b>	<b>Death Rate %</b>
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.

<b>Year</b>	<b>Active Stock</b>	<b>Births</b>	<b>Birth Rate %</b>	<b>Deaths</b>	<b>Death Rate %</b>
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.<sup>5</sup>

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.

<sup>5</sup> 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

Gateshead's fast growth reflects its success in attracting "Property and Business Services" enterprises (Table 7.1a). Over the period 2003-2008, two-fifths of business births in Gateshead were in this industry.

**Table 7.1a: Enterprise Births in Gateshead 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	30	40	35	30	45	40	220
F	Construction	60	90	90	70	90	75	475
G	Wholesale, retail and motor trades	125	110	120	100	105	95	655
H	Hotels and catering	90	85	80	75	80	55	465
I	Transport, post and telecommunications	20	25	25	20	25	30	145
J	Finance	0	10	5	5	5	5	30
K	Property and business services	235	270	250	210	355	265	1,585
M	Education	10	5	5	5	10	5	40
N	Health	15	20	10	10	15	10	80
O	Other Services	40	35	45	30	25	30	205
	Total	625	690	665	560	755	610	3,905

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

In 2008 the number of births in "Property and Business Services" dropped by 90 (-25%) compared to the previous year. This may be due to the impact of the "credit crunch", which began in late 2007. Births fell in the majority of industries, including "Hotels and Catering" (-25) and Construction (-15). The number of births rose, marginally, in both "Transport, Post and Telecommunications" and in "Other Services".

In 2006, birth rates in a majority of industries had fallen (Table 7.1b). The exceptions were "Finance" and "Education" where rates were unchanged. In 2007, the birth rate for "Other Services" fell while in all other industries they improved or were unchanged. The birth rate for "Other Services" improved in 2008 as did that for "Transport, Post and Telecommunications". Other birth rates fell.

**Table 7.1b: Enterprise Birth Rates (%) in Gateshead 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	6.1	8.4	7.4	6.5	9.7	8.4
F	Construction	12.8	18.2	16.8	12.4	14.8	11.7
G	Wholesale, retail and motor trades	11.3	10.4	11.1	9.4	9.7	8.8
H	Hotels and catering	20.9	18.5	17.4	16.1	16.7	12.2
I	Transport, post and telecommunications	8.9	11.1	11.1	8.9	11.1	13.3
J	Finance	0.0	18.2	11.1	11.1	11.1	5.9
K	Property and business services	21.4	22.0	18.5	14.9	21.6	16.8
M	Education	14.3	7.7	7.7	7.7	15.4	7.7
N	Health	9.1	11.4	5.6	5.4	7.7	5.0
O	Other Services	10.1	8.6	12.3	8.2	7.0	8.0
	Total	13.9	14.9	13.9	11.6	14.6	11.8

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 2009 the overall stock-based enterprise birth rate in Gateshead was slightly higher (better) than that of the UK and that of the North East (Table 7.1c). Indeed, Gateshead outperformed the UK in nine of the fifteen industries shown in Table 7.1c. 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, Gateshead (Gd), Tyne and Wear (TW), North East (NE) and UK, 2009**

SIC 2007	Industry	Active Stock Gateshead	Active Stock			Birth Rate <sup>1</sup> (%)				Difference Gd - UK
			TW	North East	UK	Gd	TW	NE	UK	
B, D and E	Mining, Quarrying and Utilities	20	100	310	8,915	0.0	15.0	17.7	14.2	-14.2
C	Manufacturing	450	1,875	4,460	148,285	8.9	6.9	6.4	6.9	2.0
F	Construction	815	3,695	9,415	336,095	11.0	10.1	9.9	8.7	2.3
G	Wholesale, Retail and Motor	1,035	5,030	12,300	416,305	9.2	8.5	8.7	8.9	0.3
H	Transportation and Storage	195	850	2,610	81,995	7.7	7.6	8.0	8.5	-0.8
I	Accommodation and Food Service Activities	440	2,580	6,160	163,430	12.5	13.6	12.5	12.0	0.5
J	Information and Communication	235	1,285	2,685	171,175	12.8	12.1	12.3	11.1	1.6
K	Financial and Insurance Activities	80	345	785	34,600	6.3	7.2	7.0	9.5	-3.2
L	Real Estate	195	875	1,845	86,840	7.7	9.1	9.5	9.1	-1.4
M	Professional, Scientific and Technical Activities	670	3,735	9,500	380,125	14.9	13.1	13.4	12.5	2.4
N	Administrative and Support Services	395	1,905	4,735	206,165	17.7	16.3	15.0	13.9	3.8
P	Education	70	390	965	34,395	7.1	10.3	11.4	10.1	-3.0
Q	Human Health and Social Work	210	1,145	2,730	86,915	9.5	7.9	6.2	7.9	1.6
R	Arts, Entertainment and Recreation	110	635	1,615	65,930	4.5	7.1	7.4	8.1	-3.5
S	Other Services	255	1,505	3,545	120,730	9.8	10.3	10.0	7.9	1.9
	Total	5,175	25,950	63,660	2,341,900	11.0	10.6	10.4	10.1	0.9

Source: ONS, IDBR.

Note: All figures are rounded to avoid disclosure.

<sup>1</sup> 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 Gateshead 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 Gateshead were in Property and Business Service and a fifth were in Wholesale, Retail and Motor Trades (Table 7.2a).

**Table 7.2a: Enterprise Deaths in Gateshead 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	45	40	35	40	25	25	210
F	Construction	55	50	50	50	50	50	305
G	Wholesale, retail and motor trades	110	105	105	75	90	95	580
H	Hotels and catering	90	80	70	60	80	65	445
I	Transport, post and telecommunications	20	35	20	25	35	30	165
J	Finance	5	5	5	5	5	5	30
K	Property and business services	130	165	150	125	170	185	925
M	Education	5	0	10	5	5	5	30
N	Health	10	10	15	5	10	10	60
O	Other Services	15	30	25	30	30	30	160
	<b>Total</b>	<b>485</b>	<b>520</b>	<b>485</b>	<b>420</b>	<b>500</b>	<b>500</b>	<b>2,910</b>

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

**Table 7.2b: Enterprise Death Rates (%) in Gateshead 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	9.1	8.4	7.4	8.7	5.4	5.3
F	Construction	11.7	10.1	9.3	8.8	8.2	7.8
G	Wholesale, retail and motor trades	9.9	9.9	9.7	7.0	8.3	8.8
H	Hotels and catering	20.9	17.4	15.2	12.9	16.7	14.4
I	Transport, post and telecommunications	8.9	15.6	8.9	11.1	15.6	13.3
J	Finance	14.3	9.1	11.1	11.1	11.1	5.9
K	Property and business services	11.8	13.4	11.1	8.9	10.3	11.7
M	Education	7.1	0.0	15.4	7.7	7.7	7.7
N	Health	6.1	5.7	8.3	2.7	5.1	5.0
O	Other Services	3.8	7.4	6.8	8.2	8.5	8.0
	<b>Total</b>	<b>10.8</b>	<b>11.2</b>	<b>10.2</b>	<b>8.7</b>	<b>9.7</b>	<b>9.7</b>

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 Gateshead was lower (better) than that of the UK and slightly lower than that of the North East (Table 7.2c). Gateshead outperformed the UK in eleven of the fifteen industries shown. Note that this uses the new 2007 SIC unlike the time series of rates, above (in Table 7.2b).

SIC 2007	Industry	Active Stock Gateshead	TW	North East	UK	Death Rate <sup>1</sup> (%)				Difference Gd - UK
						Gd	TW	NE	UK	
B, D and E	Mining, Quarrying and Utilities	20	100	310	8,915	0.0	5.0	11.3	10.9	-10.9
C	Manufacturing	450	1,875	4,460	148,285	7.8	10.7	9.5	10.1	-2.3
F	Construction	815	3,695	9,415	336,095	13.5	14.5	14.3	13.2	0.3
G	Wholesale, Retail and Motor	1,035	5,030	12,300	416,305	9.2	10.6	10.4	10.8	-1.7
H	Transportation and Storage	195	850	2,610	81,995	12.8	13.5	12.8	13.2	-0.4
I	Accommodation and Food Service Activities	440	2,580	6,160	163,430	14.8	15.5	14.0	14.3	0.5
J	Information and Communication	235	1,285	2,685	171,175	14.9	12.8	12.8	13.3	1.6
K	Financial and Insurance Activities	80	345	785	34,600	12.5	13.0	15.3	12.6	-0.1
L	Real Estate	195	875	1,845	86,840	12.8	14.9	12.7	12.7	0.1
M	Professional, Scientific and Technical Activities	670	3,735	9,500	380,125	10.4	10.3	10.2	11.2	-0.7
N	Administrative and Support Services	395	1,905	4,735	206,165	12.7	14.2	14.1	14.8	-2.1
P	Education	70	390	965	34,395	7.1	9.0	10.9	9.2	-2.0
Q	Human Health and Social Work	210	1,145	2,730	86,915	4.8	6.6	5.9	7.2	-2.5
R	Arts, Entertainment and Recreation	110	635	1,615	65,930	9.1	10.2	10.5	10.3	-1.2
S	Other Services	255	1,505	3,545	120,730	9.8	10.3	10.0	10.2	-0.4
	<b>Total</b>	<b>5,175</b>	<b>25,950</b>	<b>63,660</b>	<b>2,341,900</b>	<b>11.0</b>	<b>12.0</b>	<b>11.6</b>	<b>11.9</b>	<b>-0.9</b>

Source: ONS, Business Demographics.  
Note: All figures are rounded to avoid disclosure.  
<sup>1</sup> 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 Gateshead rates that are based on relatively low stock.



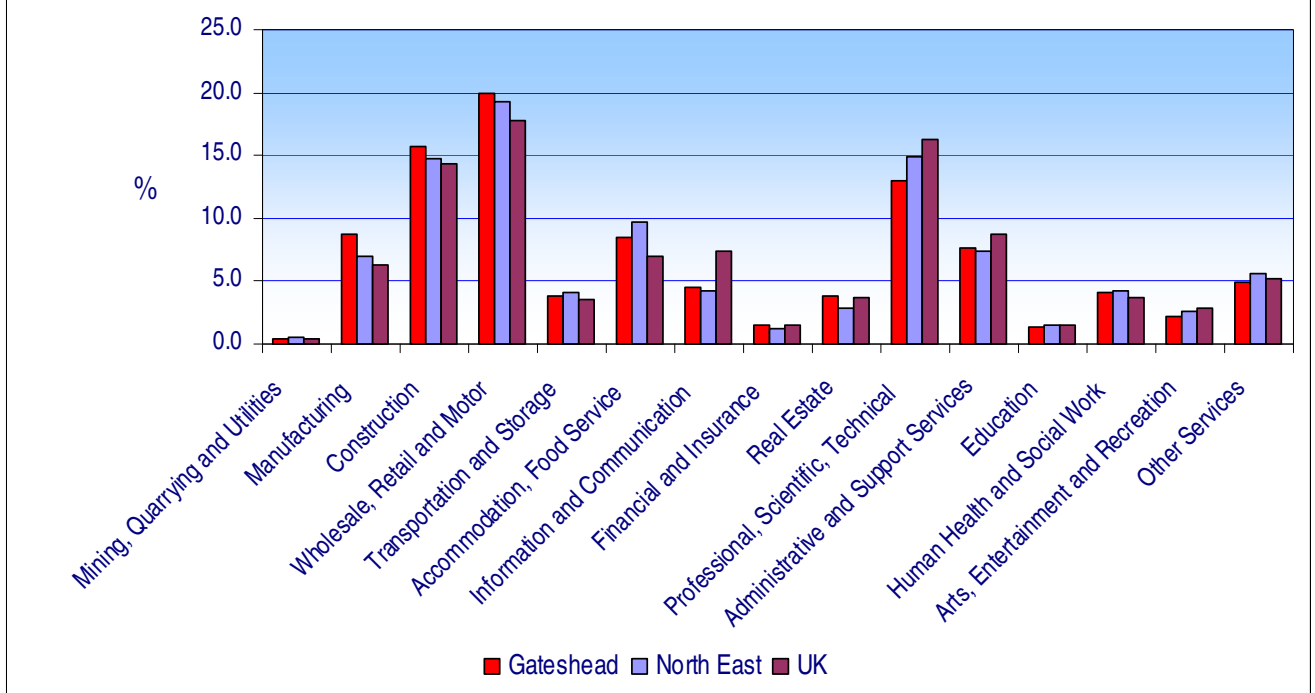
### 7.3 The Industrial Structure of the Business Base

The following bar chart (Fig.7) compares Gateshead'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 Gateshead is relatively strong in "Manufacturing", "Wholesale, Retail and Motor", "Accommodation, Food Service" and "Construction". It is relatively weak in "Professional, Scientific, Technical", "Information and Communication", and "Administrative and Support Services". The other industries in Gateshead take up similar proportions to the UK averages (within  $\pm 1$  percentage point).

**Fig 7 The Industrial Structure of the Business Base, 2009**

Gateshead, North East and UK



Source: Office for National Statistics, IDBR.

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

SIC 2007	Industry	Share of Total Active Businesses in 2009			
		Gateshead	TW	North East	UK
B, D and E	Mining, Quarrying and Utilities	0.4	0.4	0.5	0.4
C	Manufacturing	8.7	7.2	7.0	6.3
F	Construction	15.7	14.2	14.8	14.4
G	Wholesale, Retail and Motor	20.0	19.4	19.3	17.8
H	Transportation and Storage	3.8	3.3	4.1	3.5
I	Accommodation and Food Service Activities	8.5	9.9	9.7	7.0
J	Information and Communication	4.5	5.0	4.2	7.3
K	Financial and Insurance Activities	1.5	1.3	1.2	1.5
L	Real Estate	3.8	3.4	2.9	3.7
M	Professional, Scientific and Technical Activities	12.9	14.4	14.9	16.2
N	Administrative and Support Services	7.6	7.3	7.4	8.8
P	Education	1.4	1.5	1.5	1.5
Q	Human Health and Social Work	4.1	4.4	4.3	3.7
R	Arts, Entertainment and Recreation	2.1	2.4	2.5	2.8
S	Other Services	4.9	5.8	5.6	5.2
	Total	100.0	100.0	100.0	100.0

Source: ONS, IDBR.

Note: All figures are rounded to avoid disclosure.

## 7.4 Net Change by Industry, 2003-2008

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

Within Gateshead, 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 “Education”.

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

SIC 2003	Industry	Change Gateshead	Percentage Change			UK
			Gateshead	TW	North East	
C and E	Mining, quarrying and utilities	0	0.0	-66.7	41.7	-8.3
D	Manufacturing	-20	-4.0	-1.5	-4.2	-9.7
F	Construction	170	36.2	32.5	31.7	19.9
G	Wholesale, retail and motor trades	-30	-2.7	-4.6	-3.3	-3.2
H	Hotels and catering	20	4.7	4.9	3.5	2.1
I	Transport, post and telecommunications	0	0.0	-4.0	-1.5	0.3
J	Finance	50	142.9	53.7	40.2	19.3
K	Property and business services	480	43.6	33.8	40.5	28.3
M	Education	-5	-7.1	25.0	19.1	11.2
N	Health	35	21.2	9.9	16.2	17.3
O	Other Services	-20	-5.1	-3.5	-6.5	-0.4
	Total	680	15.1	12.0	13.0	10.6

Source: ONS, IDBR.

Note: All figures are rounded to avoid disclosure.

Compared to the UK, Gateshead underperformed in three industries, “Education”, “Other Services” and “Transport, Post and Telecommunications”.

Gateshead outperformed the North East in all but two industries. The underperforming industries in Gateshead were “Education”, where Gateshead has very few firms and “Mining, quarrying and utilities”, where Gateshead has no firms.

**Table 7.4b: Active Enterprises in Gateshead, 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
D	Manufacturing	495	475	470	460	465	475
F	Construction	470	495	535	565	610	640
G	Wholesale, retail and motor trades	1,110	1,060	1,080	1,065	1,085	1,080
H	Hotels and catering	430	460	460	465	480	450
I	Transport, post and telecommunications	225	225	225	225	225	225
J	Finance	35	55	45	45	45	85
K	Property and business services	1,100	1,230	1,350	1,405	1,645	1,580
M	Education	70	65	65	65	65	65
N	Health	165	175	180	185	195	200
O	Other Services	395	405	365	365	355	375
	Total	4,495	4,645	4,775	4,845	5,170	5,175

Source: ONS, IDBR.

Note: All figures are rounded to avoid disclosure.

## 7.5 Changes in 2009 by Industry

Within Gateshead six industries had a net loss of businesses between the years 2008-2009 (Table 7.5). In absolute terms, the net losses were relatively small, the largest (-25) was in “Wholesale, retail and motor trades”.

Gateshead outperformed the UK in five industries: “Human Health and Social Work”, “Construction”, “Other Services”, “Real Estate” and “Administrative and Support Services”. Gateshead outperformed the North East in the same five industries. Note that the number of firms in “Administrative and Support Services” in Gateshead was unchanged, however, this was better than the falls in the North East and the UK.

SIC 2007	Industry	Actives 2008 Gateshead	Actives 2009 Gateshead	Change Gateshead	Percentage Change			
					Gateshead	TW	North East	UK
B, D and E	Mining, Quarrying and Utilities	25	20	-5	-20.0	25.0	8.8	10.7
C	Manufacturing	450	450	0	0.0	-0.5	1.7	0.5
F	Construction	785	815	30	3.8	2.1	-0.5	-0.5
G	Wholesale, Retail and Motor	1,060	1,035	-25	-2.4	-1.9	-1.5	-0.4
H	Transportation and Storage	205	195	-10	-4.9	-1.2	0.0	-1.2
I	Accommodation and Food Service Activities	450	440	-10	-2.2	0.4	-1.7	-1.4
J	Information and Communication	235	235	0	0.0	0.4	0.8	0.7
K	Financial and Insurance Activities	75	80	5	6.7	19.0	23.6	15.6
L	Real Estate	185	195	10	5.4	2.9	2.2	2.4
M	Professional, Scientific and Technical Activities	685	670	-15	-2.2	0.3	2.7	3.3
N	Administrative and Support Services	395	395	0	0.0	-1.8	-1.3	-0.3
P	Education	70	70		0.0	6.8	7.8	6.0
Q	Human Health and Social Work	190	210	20	10.5	5.5	2.2	2.9
R	Arts, Entertainment and Recreation	120	110	-10	-8.3	0.0	-1.8	-1.1
S	Other Services	250	255	5	2.0	1.0	-1.4	-1.6
	<b>Total</b>	<b>5,180</b>	<b>5,175</b>	<b>-5</b>	<b>-0.1</b>	<b>0.6</b>	<b>0.3</b>	<b>0.7</b>

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

## 8 Businesses by Industry (2-digit SIC Level)

At the 2-digit SIC level, based on enterprise numbers, eight of Gateshead's top ten industries appeared in the UK top ten. The two that appeared in Gateshead's top ten but not in the UK's were 'Architectural and engineering activities etc' (SIC 71, 11<sup>th</sup> in UK) and 'Wholesale and retail trade etc' (SIC 45, 12<sup>th</sup> in UK) (Table 8.1).

**Table 8.1 Percentage Share of Enterprises By 2-Digit SIC Level, 2009**

**Top Ten in Gateshead with North East and UK Comparators**

SIC2007	Gateshead	North East	North East Rank	UK	UK Rank
47 Retail trade, except of motor vehicles and motorcycles	10.5	11.4	1	9.4	1
43 Specialised construction activities	10.0	9.4	2	8.7	2
56 Food and beverage service activities	8.2	8.9	3	6.2	3
46 Wholesale trade, except of motor vehicles and motorcycles	5.5	4.1	7	5.1	6
41 Construction of buildings	4.8	4.3	5	4.6	8
71 Architectural and engineering activities; technical testing and analysis	4.2	5.2	4	3.3	11
45 Wholesale and retail trade and repair of motor vehicles and motorcycles	4.0	3.8	8	3.2	12
82 Office administrative, office support and other business support activities	3.9	3.7	10	4.6	7
68 Real estate activities	3.8	2.9	13	3.7	10
96 Other personal service activities	3.7	4.2	6	3.9	9

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<sup>6</sup>, SIC 01 would make the top ten.

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

The two that appeared in the UK top ten but not in Gateshead's were 'Activities of head offices; management consultancy activities' (SIC 70, ranked 12<sup>th</sup> in Gateshead) and 'Computer programming, consultancy and related activities' (SIC 62, ranked 11<sup>th</sup> in Gateshead) (Table 8.2).

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

<b>SIC2007</b>	<b>UK</b>	<b>North East</b>	<b>North East Rank</b>	<b>Gateshead</b>	<b>Gateshead Rank</b>
47 Retail trade, except of motor vehicles and motorcycles	8.8	11.4	1	10.5	1
43 Specialised construction activities	8.1	9.4	2	10.0	2
56 Food and beverage service activities	5.9	8.9	3	8.2	3
70 Activities of head offices; management consultancy activities	5.4	3.7	9	3.1	12
62 Computer programming, consultancy and related activities	5.4	3.1	11	3.2	11
46 Wholesale trade, except of motor vehicles and motorcycles	5.1	4.1	7	5.5	4
82 Office administrative, office support and other business support activities	4.8	3.7	10	3.9	8
41 Construction of buildings	4.1	4.3	5	4.8	5
96 Other personal service activities	3.6	4.2	6	3.7	10
68 Real estate activities	3.6	2.9	13	3.8	9

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

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### 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<sup>7</sup>. 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<sup>8</sup>. 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<sup>9</sup> 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.

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

<sup>8</sup> 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.

<sup>9</sup> 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](http://www.oecd.org/document/34/0,3343,en_2649_34233_39913698_1_1_1_1.00.html) (accessed 4<sup>th</sup> 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)<sup>10</sup> 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>)

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



## APPENDIX 2

<b>Key Methodological Differences between main business population publications</b>			
	<b>ONS Business Demography</b>	<b>BERR<sup>11</sup> Business Start-ups and Closures: VAT registrations and de-registrations</b>	<b>ONS UK Business: Activity, Size and Location</b>
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](http://www.statistics.gov.uk/downloads/theme_commerce/Intro-Bus-Demography.pdf)

<sup>11</sup> Department for Business, Enterprise and Regulatory Reform.

## APPENDIX 3

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### 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