

Business Demography: Enterprise Births, Deaths and Survival Rates for 2016

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Business Demography

The latest Business Demography data for 2016 was released by the Office for National Statistics (ONS) on 21st November 2017. This covers all VAT or PAYE registered businesses that were active at some time during the reference year. This release includes provisional data for 2016 and revised data for 2015.

Definitions:

Business stock – Number of enterprises that recorded turnover or employment at any time during the reference year.

Births – New business registrations during the reference year

Deaths – Businesses that were active in the previous year but not active during the reference year.

For Manchester, the number of enterprises active during the reference year totalled 25,780. The city's growth in total enterprise activity continues to outstrip that of comparator geographies with the latest year showing a growth rate of 18.2% compared to 6.1% nationally and an average of 9.7% among the other English Core Cities. Comparative growth rates are illustrated in **Figure 1**, which shows the number of active enterprises in Manchester to have increased by 83.2% since 2004 compared to 40% or less for other geographies.

On the other hand, **Table 1** also indicates that the survival rates of Manchester businesses are lower than in comparator geographies, with just 38.9% of businesses born in 2011 surviving into 2016 (compared to a national average of 44.1%).

Table 1

Data rounded to the nearest five

Enterprise stock, births, deaths and survival rates – Manchester and comparators (2016)

	Business Stock		Births		Deaths		Survival Rates*	
	Number	Annual change	Number	Annual change	Number	Annual change	1 year	5 years
United Kingdom	2,833,965	6.1%	414,355	8.2%	327,775	15.9%	93.1%	44.1%
North West	276,520	6.5%	42,030	15.2%	32,320	11.5%	93.1%	42.6%
Greater Manchester	112,390	9.9%	20,535	28.9%	14,110	13.3%	92.5%	41.1%
Manchester	25,780	18.2%	6,445	53.8%	3,755	23.9%	91.8%	38.9%
English Core Cities**	147,535	9.7%	24,880	14.1%	18,510	17.0%	92.1%	41.7%

*Percentage of births surviving after 1 and 5 years

**The English Core Cities group (excluding Manchester): Newcastle, Liverpool, Sheffield, Leeds, Nottingham, Bristol & Birmingham.

Figure 1

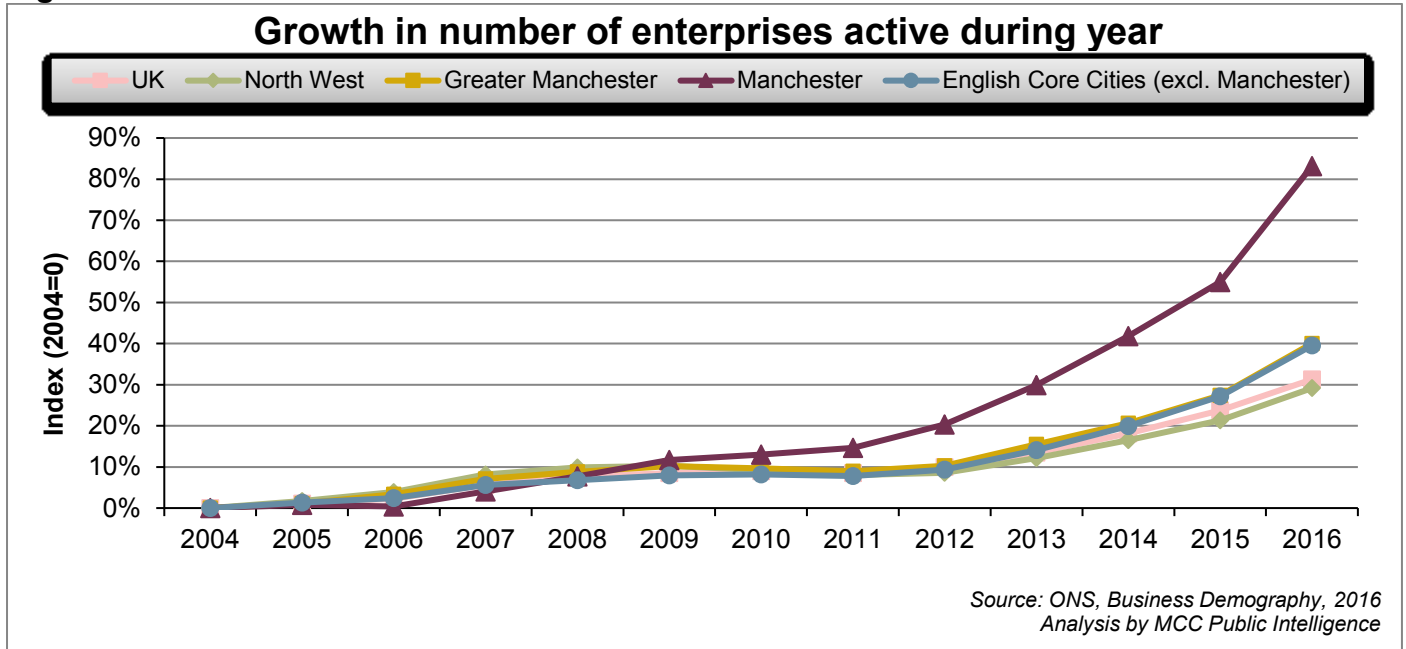


Figure 2 and Figure 3 indicate that the birth and death rate for Manchester is higher than its comparators.

Figure 2

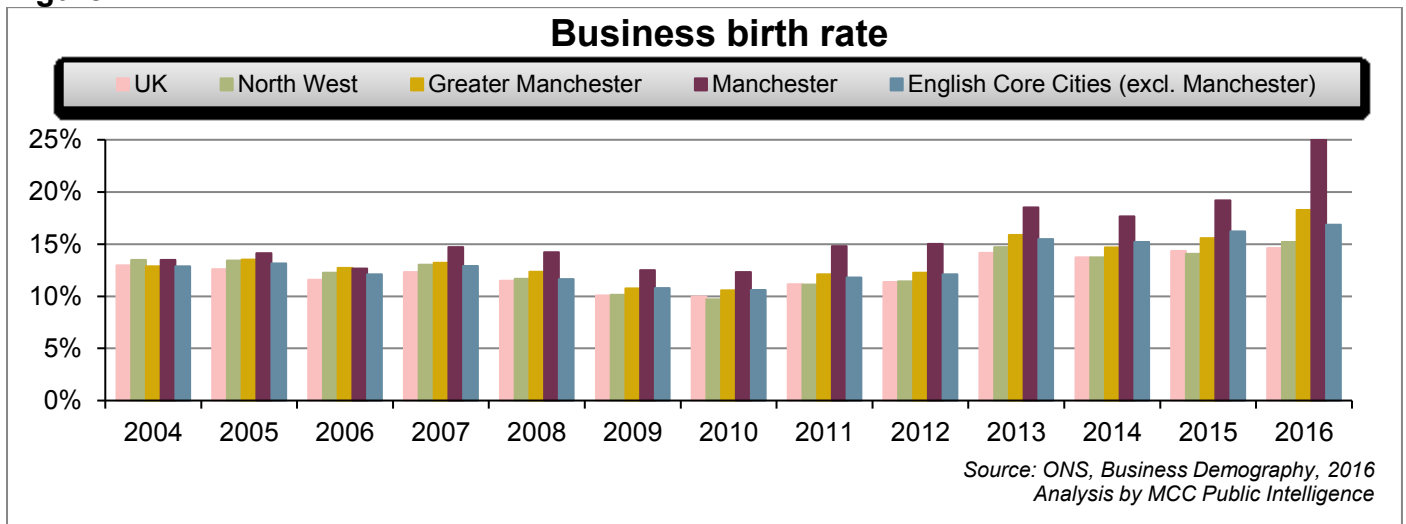
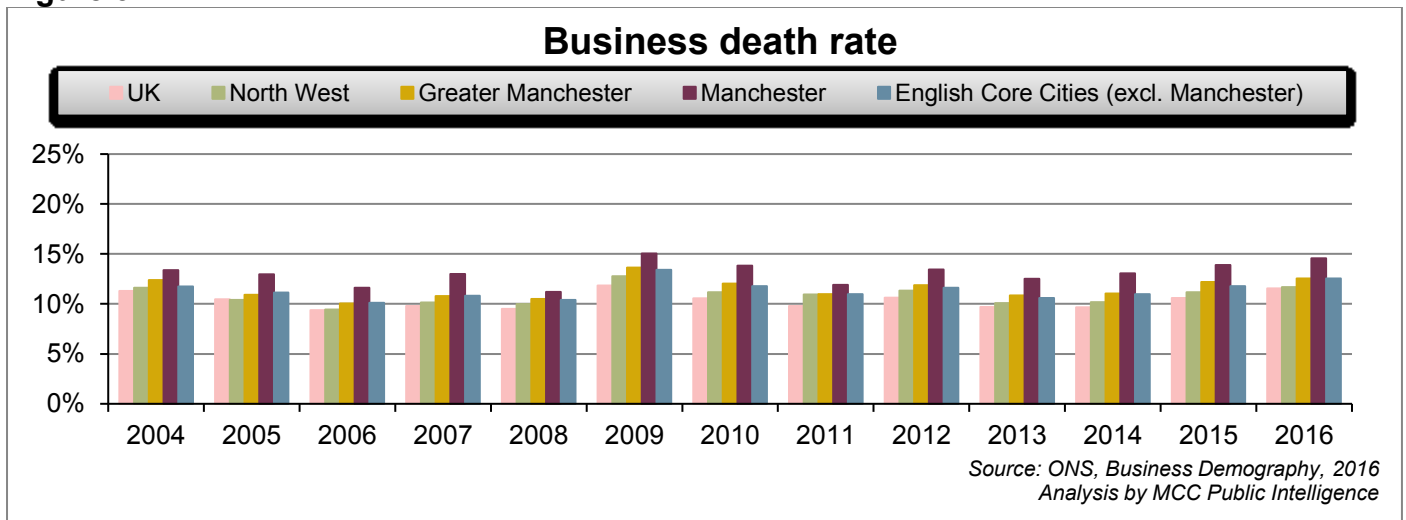


Figure 3



The city's relatively poor survival rates are (at least in part) a reflection of the city's high rate of "churn". **Figure 4** compares the birth and death rates of the English Core Cities¹ and it shows that Manchester has the highest birth rate (25%) and the highest death rate (14.6%). This high rate of churn can be seen as indicative of a competitive economy with high levels of entrepreneurial activity. Provided that poor survival rates are accompanied by a rapid birth rate and an increase in the enterprise stock, then they can be regarded as a consequence of a dynamic, wealth-creating economy. It indicates that all the English Core Cities show an excess of births over deaths for the latest year, with Manchester having the largest gap (ten percentage points).

Figure 4

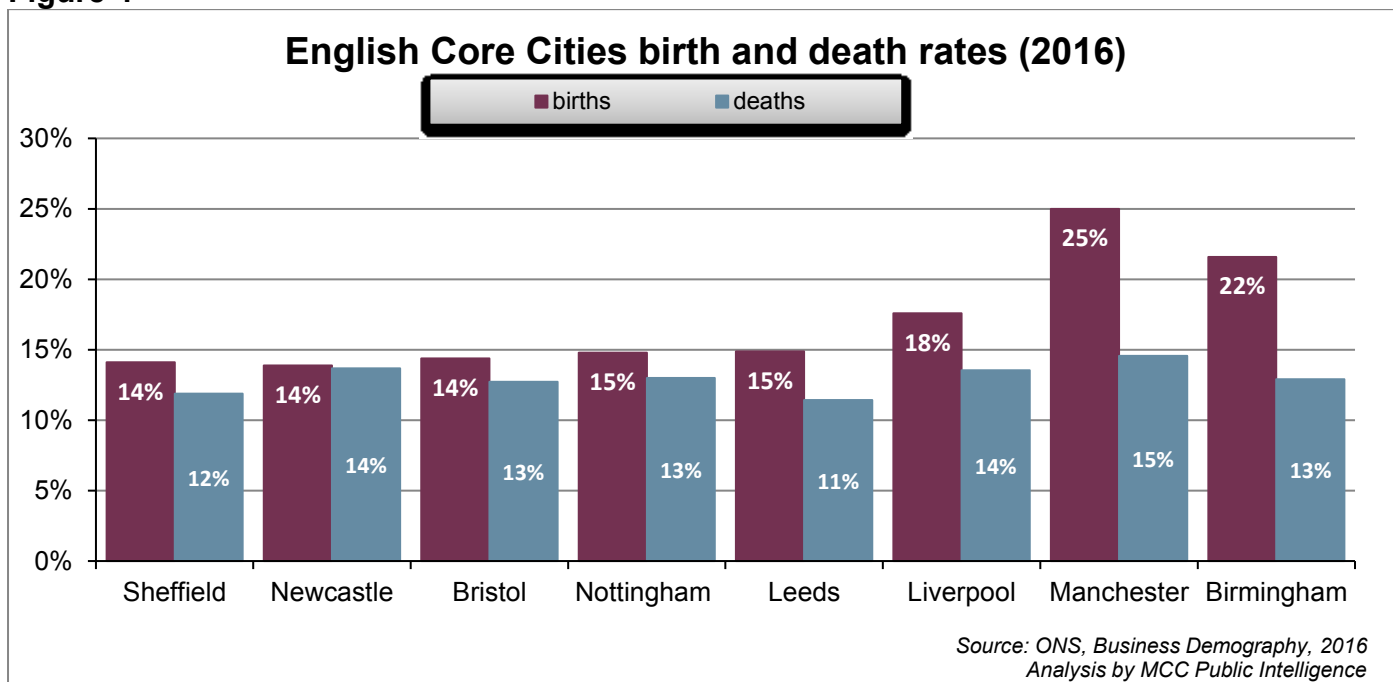
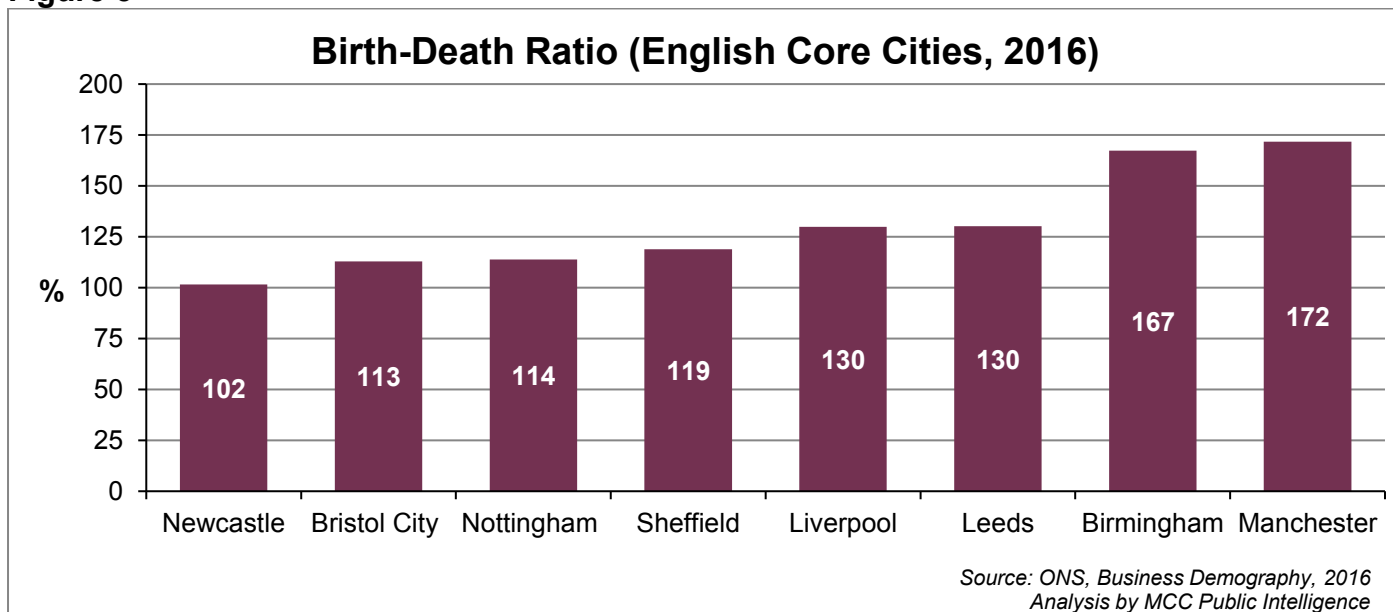


Figure 5 shows the birth-death ratio in the English Core Cities and it indicates that births exceed deaths in all the English Core Cities with Manchester being the highest followed by Birmingham.

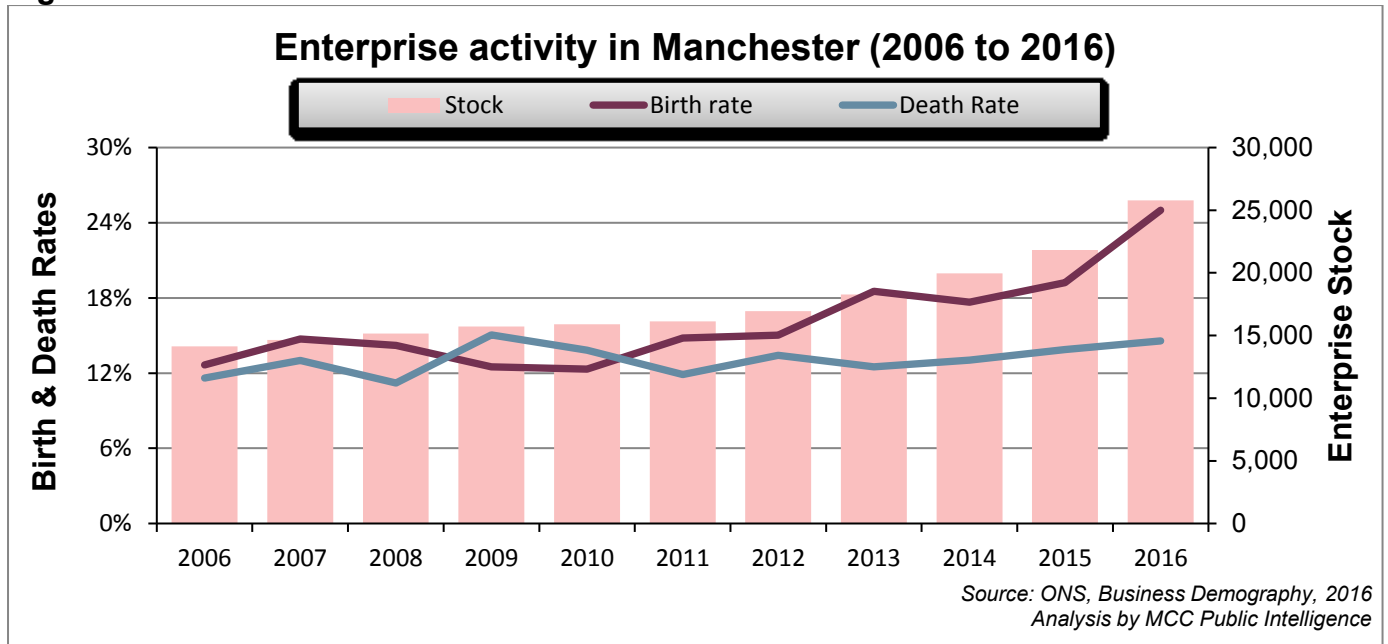
Figure 5



¹ Rates are calculated as the number of births (or deaths) in the reference year as a percentage of the business stock in the same year.

Figure 6 shows time series data for Manchester. This illustrates the increasing excess of births over deaths evident in Manchester over the past decade and the corresponding increase in business stock.

Figure 6



Overall, the picture for Manchester appears highly favourable. The number of active enterprises continues to grow at a rate that increasingly outstrips that of comparator geographies. Although the city has the highest death rate, it also has the highest birth rate reflecting levels of churn associated with entrepreneurial activity in a competitive economy.

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