

SOUTH WEST BUSINESS STOCK – VAT REGISTRATIONS AND DEREGISTRATIONS

BERR recently released the latest local authority data on business VAT registrations and deregistrations by broad industry group, as well as size of business stock. These figures are used as a proxy for business start-ups and closures. Data are now available for the period 1994 to 2006/07. Below are the key findings.

REGISTRATION AND DE-REGISTRATION RATES

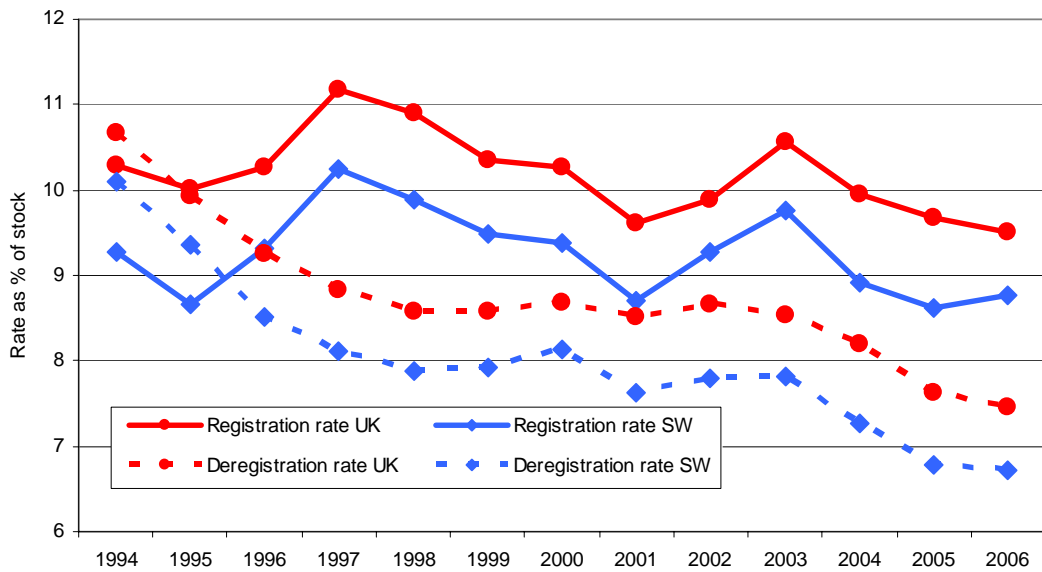
At the start of 2007, there were 183,420 VAT registered businesses in the South West, an increase of 3,650 businesses compared to 2006. This gives 44 businesses per head of the adult population – higher than the UK average of around 40. This is the fourth highest density (after Northern Ireland, the South East and London).

Figure 1 shows VAT registration and deregistration rates for the South West compared to the United Kingdom. SW rates largely follow but are consistently below the UK average rates. While in 2006 UK registration rates continued to fall (since 2003) SW rates picked up slightly.

The South West has the lowest registration and deregistration rates of the nine English regions, though fares slightly better than (or similarly to) the Devolved Administrations. The region has the third lowest churn of businesses in the region (15.5%), which suggests that there may be reduced exposure to competition, a key incentive for productivity growth.

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Figure 1: VAT registration and de-registration rates (as % of total stock)

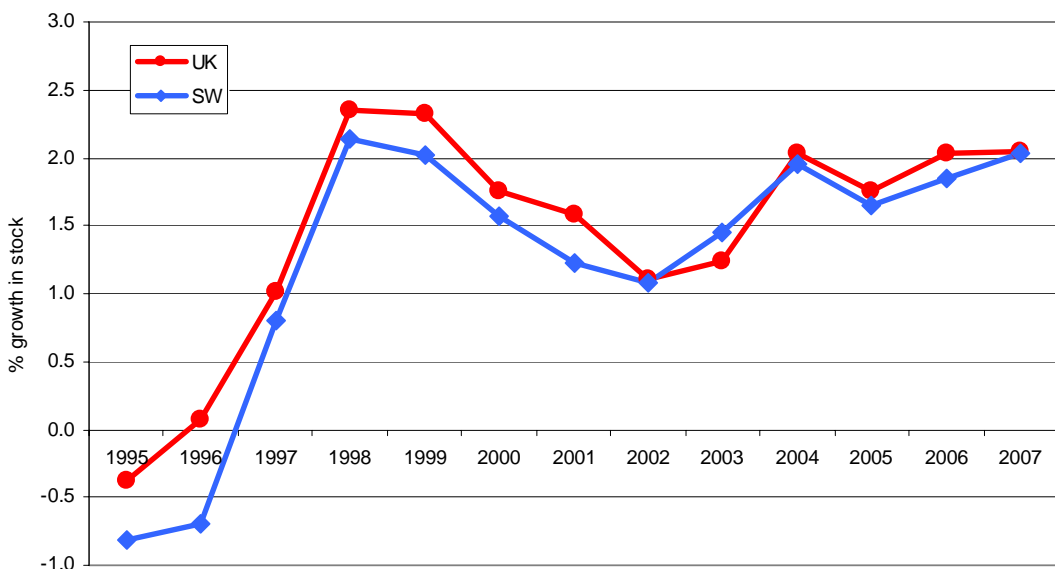


GROWTH IN BUSINESS STOCK

Registration rates have been higher than de-registration rates since 1996, both nationally and regionally. As a consequence, national and regional business stocks have grown. As Figure 2 shows, SW growth broadly follows the UK pattern, though in the long-term at slightly lower rates.

Growth rates nationally and regionally have largely been increasing since a low in 2002. In 2007, SW and UK annual growth were both 2%, slightly higher than five and ten year growth rates of 1.8% (both SW and UK) and 1.7% (1.8% for UK) per annum, respectively.

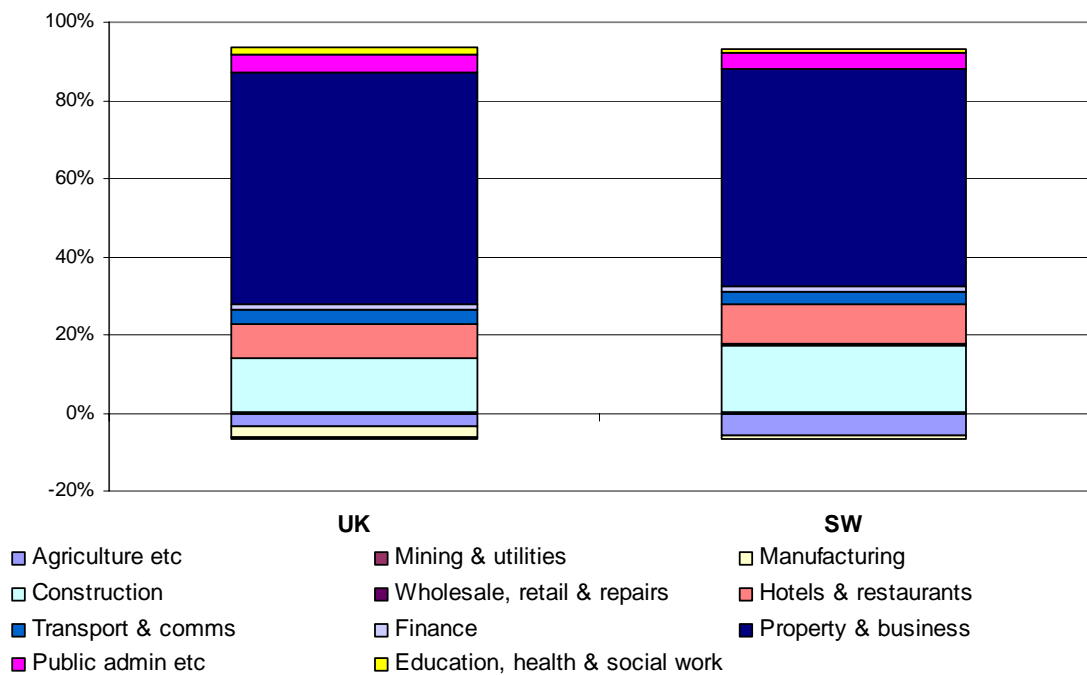
Figure 2: Annual growth in VAT-registered business stock



CHANGE IN STOCK BY SECTOR

Figure 3 shows the distribution of change in VAT stock by industry between 1997 and 2007. The GB business stock has increased by 323,000 businesses and the South West by 28,000 businesses. While manufacturing and agriculture business stocks have declined both nationally and regionally (almost 2,000 SW agriculture and over 300 SW manufacturing businesses), this is more than made up by increases across many other sectors, with majority of growth accounted for by property and business, construction, and hotels and restaurants.

Figure 3: Change in VAT stock by sector, 1997-2007



SUB-REGIONAL PICTURE

Growth in VAT stock varies across the region both over the short and longer term. Figure 4 shows the distribution of growth between 2006 and 2007. Average growth across the United Kingdom and the South West was around 2% - sub-regional growth ranged, however, from a 1% decline in West Somerset to 3.7% growth in Plymouth. Other growth “hotspots” (with growth in stock above 3%) were Carrick, Restormel, Bristol, Cheltenham and Gloucester, Swindon and Poole. Decline in stock was also seen in West Devon and below average growth was experienced across much of the South West.

Figure 4: Growth in VAT stock, 2006-2007

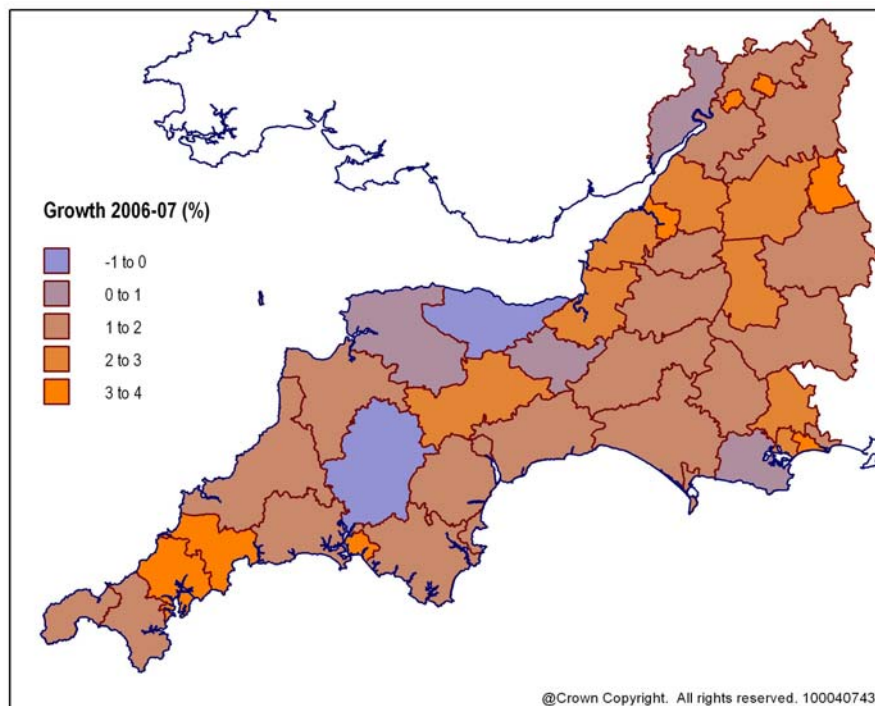


Figure 5 shows five year growth in business stock, a more sensible indicator of recent business growth, evening out some of the volatility seen in the data on a year to year basis.

More than half of SW local authorities experienced business stock growth at below the UK and SW averages (just over 9%), with the range of growth from only 3.2% in Kerrier to 15.9% in Plymouth. Swindon remain a hotspot, along with North Somerset and Weymouth (possibly a sign of “distress” rather than strong entrepreneurship?). Many largely rural areas such as West and North Dorset, West Devon and West Somerset, as well as Torbay have seen rather low levels of growth.

Figure 6 shows the pattern of growth over the last ten years (1997 to 2007). There is a clear pattern of high growth in the north and east of the region, and in Exeter, and below average growth (~20%) broadly across the remainder of the region. This is similar to the pattern seen for other economic measures, including productivity – indeed enterprise and competitiveness, as indicated by high business growth rates in the north and east of the region, are recognised drivers of productivity (along with skills, innovation and investment).

Gloucester was the only part of the region to experience a decline in business stock over this ten-year period (4%). Growth has picked up in recent years, with positive growth in business stock year on year since 2004, and growth well above the UK and SW average in 2007 - 3.1% vs. 2.0%.

Despite a substantial slowdown in its economy in the early 2000s following the downturn in ICT, Swindon still had the highest growth in business stock across the region (31.7%).

Figure 5: Growth in VAT stock, 2002-07

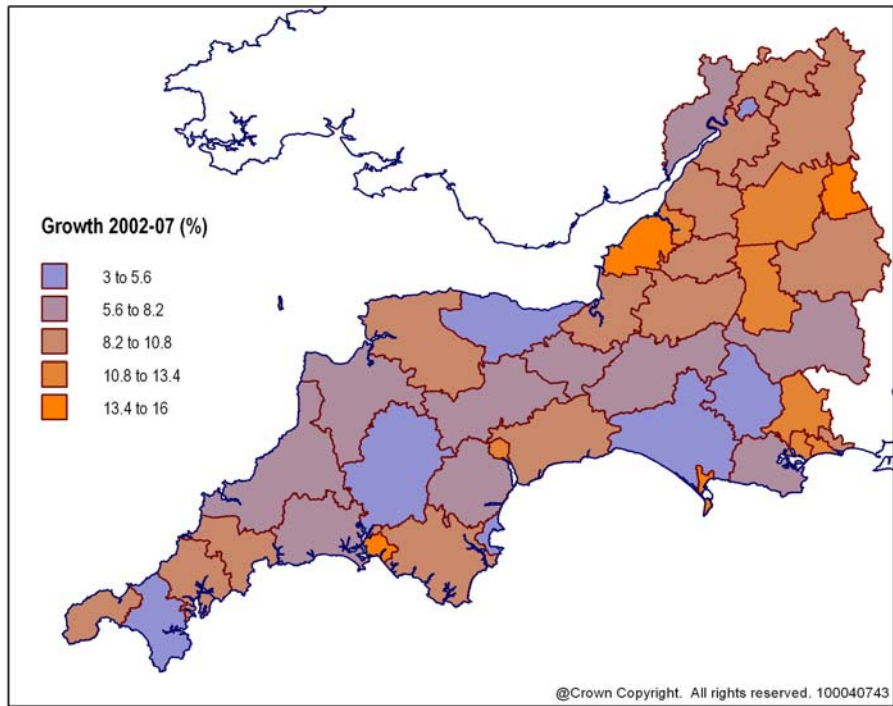
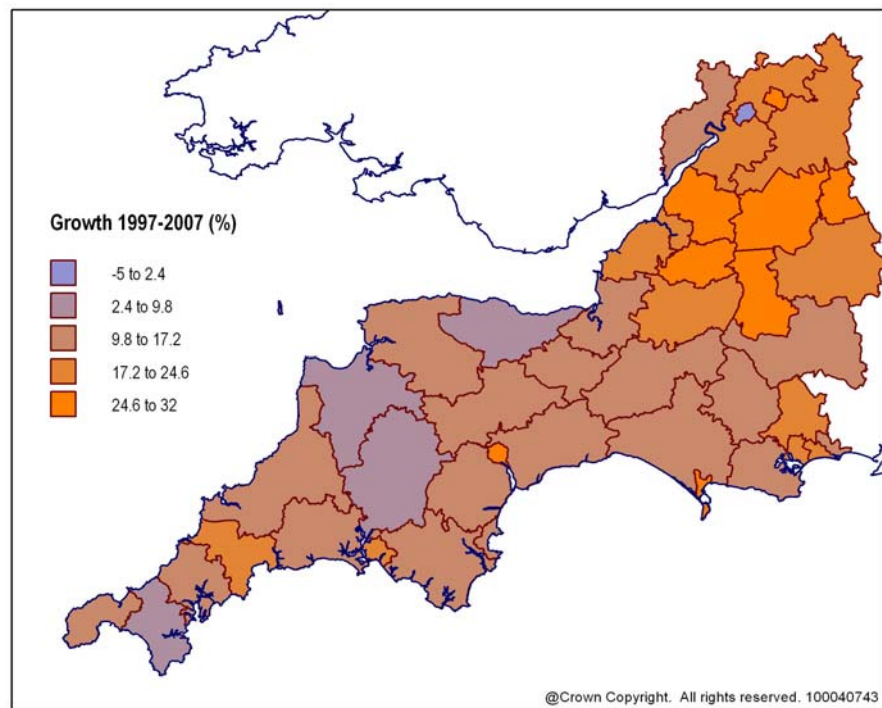


Figure 6: Growth in VAT stock 1997-2007



For further information see stats.berr.gov.uk/ed/vat/.

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