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## STATISTICAL PRESS RELEASE

The Department for Business, Enterprise and Regulatory Reform, today released Small and Medium-sized Enterprise (SME) Statistics for the UK and Regions 2007, according to arrangements approved by the UK Statistics Authority.

A dataset containing detailed information for each UK industry, region and country is available on the BERR website: <http://stats.berr.gov.uk/ed/sme>

### Summary

There were an estimated 4.7<sup>1</sup> million private sector enterprises<sup>2</sup> in the UK at the start of 2007, an increase of 212,000<sup>3</sup> (4.8 per cent) on the start of 2006. These levels are the highest since the time series began in 1994.

These enterprises employed an estimated 22.7 million people, and had an estimated combined annual turnover of £2,800 billion<sup>4</sup>.

Small and medium-sized enterprises (SMEs) together accounted for 99.9 per cent of all enterprises, 59.2 per cent of private sector employment and 51.5 per cent of private sector turnover.

Employment in SMEs is estimated at 13.5 million, 0.3 million (2.0 per cent) higher than in 2006.

Turnover in SMEs is estimated at £1,440 billion, £83 billion (6.1 per cent) higher than 2006.

Almost a quarter (24 per cent) of all UK private sector enterprises operate in the Business Services sector (SIC2003 Section K).

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<sup>1</sup> This figure is rounded to the nearest 100 thousand.

<sup>2</sup> The definition of private sector used in this publication excludes the non-profit sector, but includes nationalised bodies which are not in the private sector. This is different to the ONS definition which includes the non-profit sector.

<sup>3</sup> An estimated 50,000 of this change is due to improvements in methodology and accuracy resulting from LFS re-weighting. For a full explanation see the associated methodology note.

<sup>4</sup> Turnover data throughout this release excludes SIC2003 Section J (financial intermediation), where turnover is not available on a comparable basis.

One fifth (21 per cent) of all UK private sector employment is from enterprises operating in the Wholesale, Retail and Repairs sector (SIC2003 Section G).

All regions and countries experienced growth in the number of enterprises between 2005 and 2007.

32 per cent of all UK enterprises are in London and the South East<sup>5</sup>. Both these regions have over 700,000 enterprises each.

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<sup>5</sup> Where enterprises have more than one site in the UK, the data for the whole of that enterprise are reported for the region where the enterprise is registered.

## The stock of enterprises, employment and turnover

At the start of 2007, the 4.7 million UK private sector enterprises employed an estimated 22.7 million people, and had an estimated combined annual turnover of £2,800 billion (see Table 1).

**Table 1**

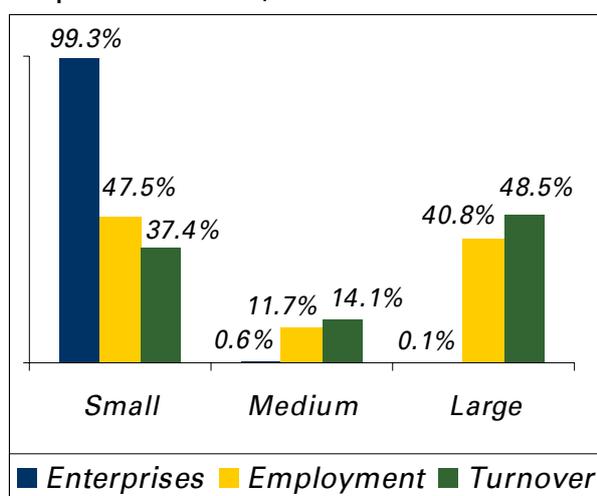
Number of enterprises, employment and turnover by number of employees, UK private sector, start of 2007

	Number		
	Enterprises	Employment (thousands)	Turnover (£ millions)
All enterprises	4,679,080	22,734	2,794,684
With no employees	3,460,360	3,774	222,382
All employers	1,218,720	18,961	2,572,303
1-9	1,019,295	3,764	413,211
10-49	166,815	3,265	409,991
50-249	26,690	2,653	394,707
250 or more	5,915	9,279	1,354,395

Almost all of these enterprises (99.3 per cent) were small (0 to 49 employees). Only 27,000 (0.6 per cent) were medium-sized (50 to 249 employees) and 6,000 (0.1 per cent) were large (250 or more employees).

**Figure 1**

Share of enterprises, employment and turnover by size of enterprise UK private sector, start of 2007



Small and medium-sized enterprises (SMEs) together accounted for more than half of the employment (59.2 per cent) and turnover (51.5 per cent) in the UK.

Small enterprises alone (0 to 49 employees) accounted for 47.5 per cent of employment and 37.4 per cent of turnover (see Figure 1).

## Changes in stock of enterprises, employment and turnover over time

The estimated number of private sector enterprises at the start of 2007 is 4,679,000, 212,000 (4.8 per cent) more than at the start of 2006. These levels are the highest since the time series began in 1994.

UK private sector enterprises employed an estimated 22.7 million people at the start of 2007, an increase of 332 thousand (1.5 per cent) since the start of 2006.

Estimated employment in SMEs has risen from 13.2 million at the start of 2006 to 13.5 million people at the start of 2007, or from 58.9 to 59.2 per cent of all private sector employment.

At the start of 2007, UK enterprises had an estimated combined annual turnover of £2,800 billion, an increase of £181 billion (6.9 per cent) since the start of 2006.

Turnover in SMEs is estimated at £1,440 billion, £83 billion (6.1 per cent) higher than 2006. As a proportion of all private sector turnover, this has decreased slightly from 51.9 per cent to 51.5 per cent.

### Legal status

There were an estimated 3.0 million sole proprietors in the UK at the start of 2007, and 316 thousand (10.6 per cent) of them had employees (see Figure 2).

There were an estimated 507 thousand partnerships and 186 thousand of them (36.8 per cent) had employees.

There were 1.2 million companies and 716 thousand of them (60.3 per cent) had employees.

**Figure 2**

Number of enterprises with employees, by legal status, UK private sector, start of 2007

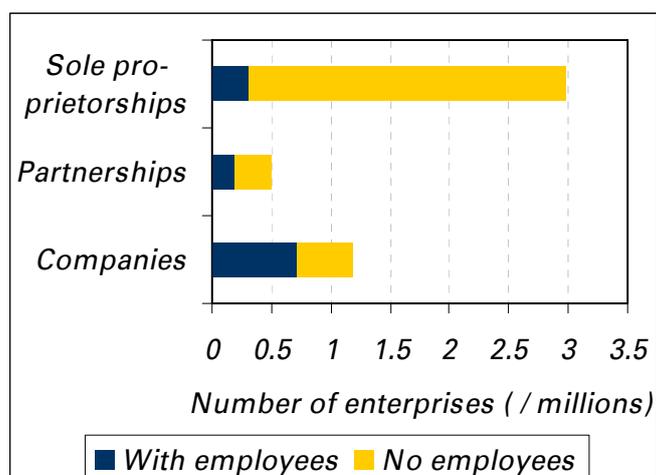


Table 2 below shows that the number of companies has gone up by 42,000 (3.7 per cent) during 2006 to 1.2 million, with increases for both companies with and without employees. This is the tenth successive year that companies have increased in number.

The number of sole proprietorships has increased by 168,000, or 6.0 per cent, taking it up to 3.0 million, the fifth successive annual increase. The number of partnerships has gone up by 2,000, or 0.4 per cent, to 507,000.

Registered enterprises (those enterprises registered for VAT and / or PAYE) and unregistered enterprises have both increased. Registered enterprises have increased by 0.1 per cent and unregistered enterprises have increased by 8.9 per cent since the start of 2006. Most of the change between 2006 and 2007 was due to an increase in the number of un-registered sole-proprietorships.

**Table 2:**

Changes in the number of enterprises between start-2006 and start-2007

	Sole proprietorships	Partnerships	Companies	Total
Registered enterprises <sup>1</sup>	-24,000	-17,000	42,000	2,000
Of which				
with employees	-6,000	-2,000	23,000	15,000
without employees	-17,000	-15,000	19,000	-13,000
Unregistered enterprises <sup>2</sup>	191,000	19,000	n / a <sup>3</sup>	210,000
All private sector enterprises	168,000	2,000	42,000	212,000

1. Registered enterprises are those enterprises registered for VAT and/or PAYE but exclude Composite Managed Service Companies. 2. Unregistered enterprises do not exclude Composite Managed Service Companies 3. Not applicable.

### The number of enterprises with and without employees

At the start of 2007, the number of enterprises with no employees was 3.5 million, equivalent to 74.0 per cent of all enterprises. However this proportion varies among different industries, from 91.3 per cent for Education (SIC2003 Section M), to 22.4 per cent for Hotels and Restaurants (SIC2003 Section H).

Enterprises with no employees are either sole proprietorships and partnerships comprising only the self-employed owner-manager(s), or companies comprising only an employee director. They had an estimated combined turnover of £222 billion.

At the start of 2007, the number of enterprises with employees was 1.2 million, an increase of 15,000 (1.2 per cent) on the start of 2006. They had an estimated combined turnover of £2,572 billion at the start of 2007.

## Industry patterns

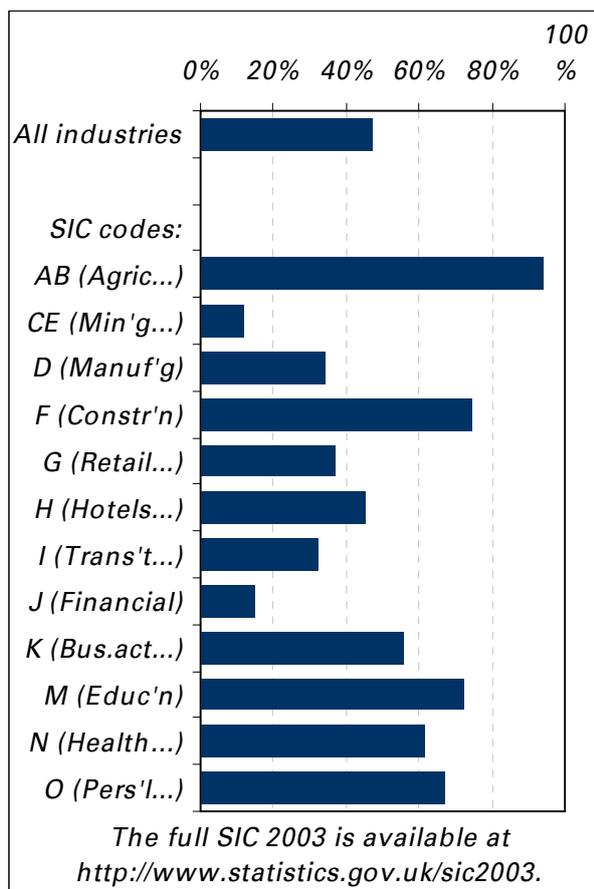
At the start of 2007 1,131,000 enterprises were in operating in Business Services (SIC2003 Section K). This represents almost a quarter (24 per cent) of all UK private sector enterprises.

These enterprises accounted for 4,301,000 in employment (19 per cent of the UK private sector employment) and £421 billion (15 per cent of the UK private sector turnover, excluding SIC2003 Section J).

Wholesale, Retail and Repairs (SIC2003 Section G) was the biggest employer in 2007. The 562,000 enterprises in SIC2003 Section G had a combined employment of 4,881,000, representing 21 per cent of all UK private sector employment.

**Figure 3**

Small enterprise<sup>1</sup> share of employment within each industry section based on SIC2003, for the UK private sector, start of 2007



1: Small enterprises defined as those with 0 to 49 employees.

### Small enterprise employment and turnover share

At the start of 2007, 47.5 per cent of private sector enterprise employment was in small enterprises (0-49 employees).

But this varied between industries (see Figure 3, which uses the Standard Industrial Classification (SIC2003)).

In Agriculture, Fishing and Forestry (SIC2003 section AB), 94.3 per cent of employment was in small enterprises.

But in Mining and Quarrying; Electricity, Gas and Water Supply (SIC2003 section CE) only 12.0 per cent of employment was in small enterprises.

The share of turnover in small enterprises also varies between industries.

Overall, 37.4 per cent of turnover was in small enterprises. Again, there are variations by industry, ranging from 7.6 per cent in Mining, Quarrying and Utilities (SIC2003 sections C and E) to 87.8 per cent in Agriculture, Fishing and Forestry (SIC2003 section AB).

## Enterprises in the English Regions, Scotland, Wales and Northern Ireland

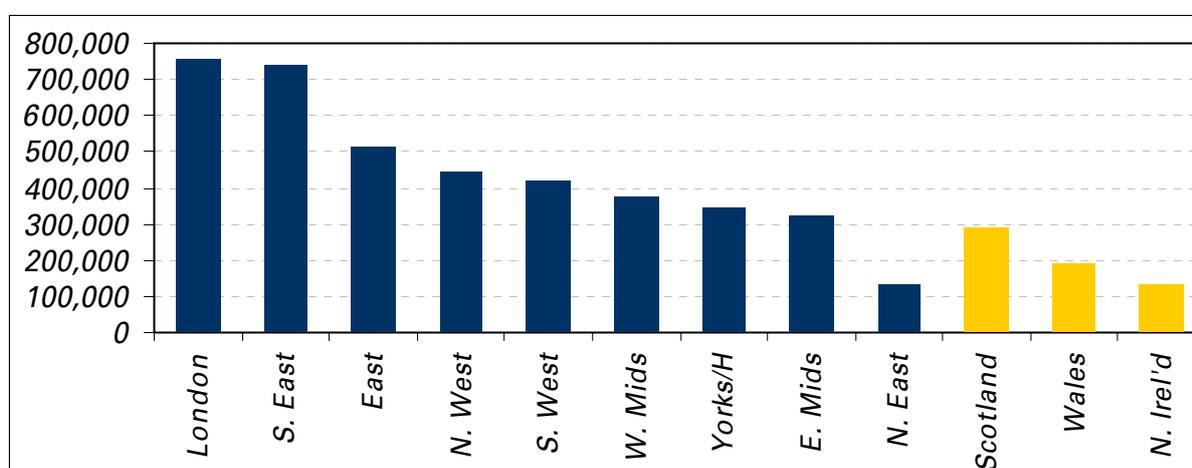
Of the estimated 4.7 million enterprises in the UK at the start of 2007, 4.1 million (86.8 per cent) are in England. The number of enterprises in England increased by 0.3 million between 2005 and 2007 (a rise of 7.6 per cent)<sup>6</sup>.

For the first time since regional records began in 1997 London, with 758,000 enterprises in 2007, had more enterprises than any other region or country in the UK.

32 per cent of all UK enterprises are in London and the South East. Both these regions have over 700,000 enterprises each (see Figure 4).

**Figure 4**

Enterprises in each region and country, UK private sector, start of 2007



For each region and country in the UK, no more than 0.2 per cent of enterprises are large (250 or more employees), and at least 99.2 per cent of enterprises are small (0 to 49 employees). The proportions of enterprises that are medium-sized (50 to 249 employees) range from 0.5 per cent (in the East of England, London, South East and South West) to 0.7 per cent (in the North East, North West, Yorkshire and the Humber, Scotland and Northern Ireland).

### Regional employment in SMEs

Enterprises that have employees in more than one region or country are counted here only in the region where they are registered. These estimates may therefore differ from actual employment in a region, since some employees in one region will work for enterprises that are registered in another region.

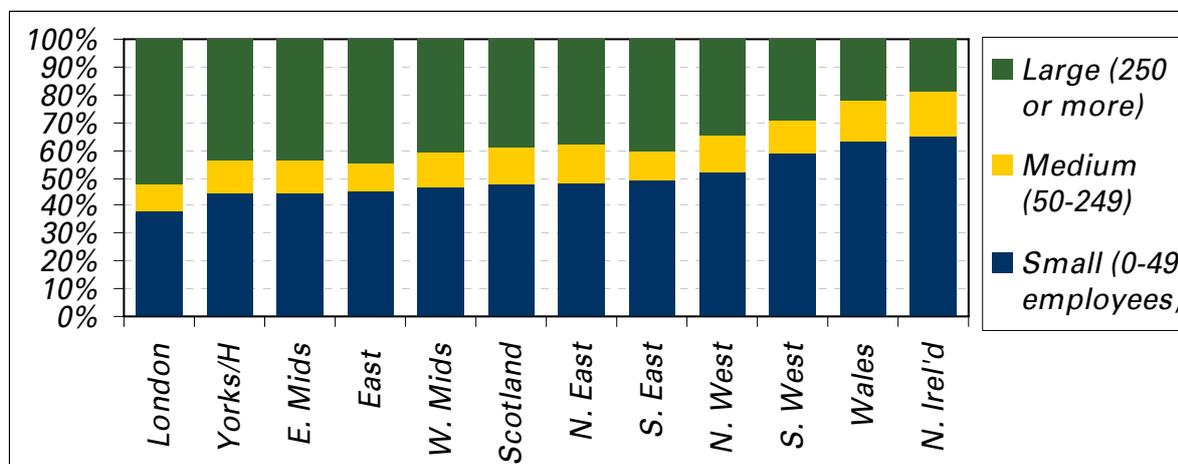
In the UK as a whole, SMEs account for over half of employment (59.2 per cent). Out of all the UK regions and countries London had the lowest share, where

<sup>6</sup> Regional data are produced every two years. Comparisons are made with 2005 as regional data was not produced with the 2006 UK statistics. As with UK comparisons some of this change is due to Labour Force Survey re-weighting since the 2005 Regional SME Statistics. For a full explanation see the associated methodology note.

SMEs only account for 47.6 per cent of employment. For the South West, Wales and Northern Ireland, this figure exceeds 70 per cent.

**Figure 5**

Employment in each size band, UK private sector, start of 2007



### Regional industry patterns

The differences in employment patterns between regions can be explained partly by differing industry compositions. London has 34.2 per cent of businesses in SIC2003 Sections J and K (Financial Intermediation and Business Services), the highest proportion of all regions, but less than one per cent of enterprises in SIC2003 Sections A and B (Agriculture, Hunting, Forestry and Fishing), the lowest of all regions. Northern Ireland conversely has the lowest proportion of enterprises in SIC2003 Sections J and K (14.6 per cent) and the highest proportion of enterprises in SIC2003 Sections A and B (14.4 per cent). On average SIC2003 Sections J and K have higher proportions of their employment in large enterprises than SIC 2003 Sections A and B.

### Regional changes since 2005

The number of UK enterprises was 4.3 million at the start of 2005, and is 4.7 million at the start of 2007. All regions and countries saw growth in the number of enterprises over the period. England grew from 3.8 million enterprises at the start of 2005 to 4.1 million at the start of 2007, an increase of 7.6 per cent. Wales grew from 175,000 enterprises at the start of 2005 to 195,000 at the start of 2007, an increase of 10.9 per cent. Scotland grew from 277,000 enterprises at the start of 2005 to 292,000 at the start of 2007, an increase of 5.7 per cent. Northern Ireland grew from 115,000 enterprises at the start of 2005 to 132,000 at the start of 2007, an increase of 14.9 per cent. In percentage terms the North East grew the most out of all regions and countries from 109,000 enterprises in 2005 to 134,000 enterprises in 2007, an increase of 22.9 per cent. The South West grew the least out of all regions and countries, staying at around 418,000 enterprises in 2005 and 2007, an increase of 0.1 per cent.

Employment in UK enterprises was 22.1 million at the start of 2005, and is 22.7 million at the start of 2007. Most regions saw increases or no change in employment over the period, but two regions (North West and Yorkshire and the

Humber) saw small decreases. The North East had the largest increase in employment from 612,000 to 675,000, an increase of 10.3 per cent.

### **Notes on this release**

1. All figures in this document can also be found in the accompanying Excel tables published at <http://stats.berr.gov.uk/ed/sme> . All figures and percentages in this document are rounded, usually to two significant figures and one decimal place respectively. Therefore totals might not exactly match the sum of their parts.
2. 1 billion = 1,000 million.
3. In this release, and in the tables accompanying it, a small enterprise is defined as an enterprise with 0 to 49 employees, a medium-sized enterprise is an enterprise with 50 to 249 employees, and a large enterprise is an enterprise with 250 or more employees.
4. Within the scope of the SME Statistics companies with a single employee director are counted as zero employee businesses.

### **Timeliness**

5. The SME statistics are published over 18 months after the start of the reference year. This reflects the long delays in the reporting of a minority of enterprise births and deaths, and the time taken to record employment in all existing enterprises.

### **Sources and accuracy**

6. There is no single source of estimates of the number of enterprises in the UK. The main source for this publication is the Inter-Departmental Business Register (IDBR), administered by the Office for National Statistics (ONS), which is used to provide the number of registered enterprises in the UK.
7. This publication also includes estimates of very small enterprises that do not appear on the IDBR. These are estimated by BERR from the ONS *Labour Force Survey* and HM Revenue & Customs *Survey of Personal Incomes*. Since the estimates use survey data, the reliability of the SME statistics is lower for the smallest size class.
8. A document on methodology and accuracy accompanies this press notice at <http://stats.berr.gov.uk/ed/sme>. It is recommended that this document is read before interpreting these statistics. The methodology used to produce this series is currently under review. Any changes as a result of this review may take effect in next year's publication.

### **A National Statistics publication**

9. National Statistics are produced to high professional standards set out in the National Statistics Code of Practice. They undergo regular quality assurance reviews to ensure that they meet customer needs. They are produced free from any political interference.

