

UK Firm Creation During the Covid-19 Pandemic

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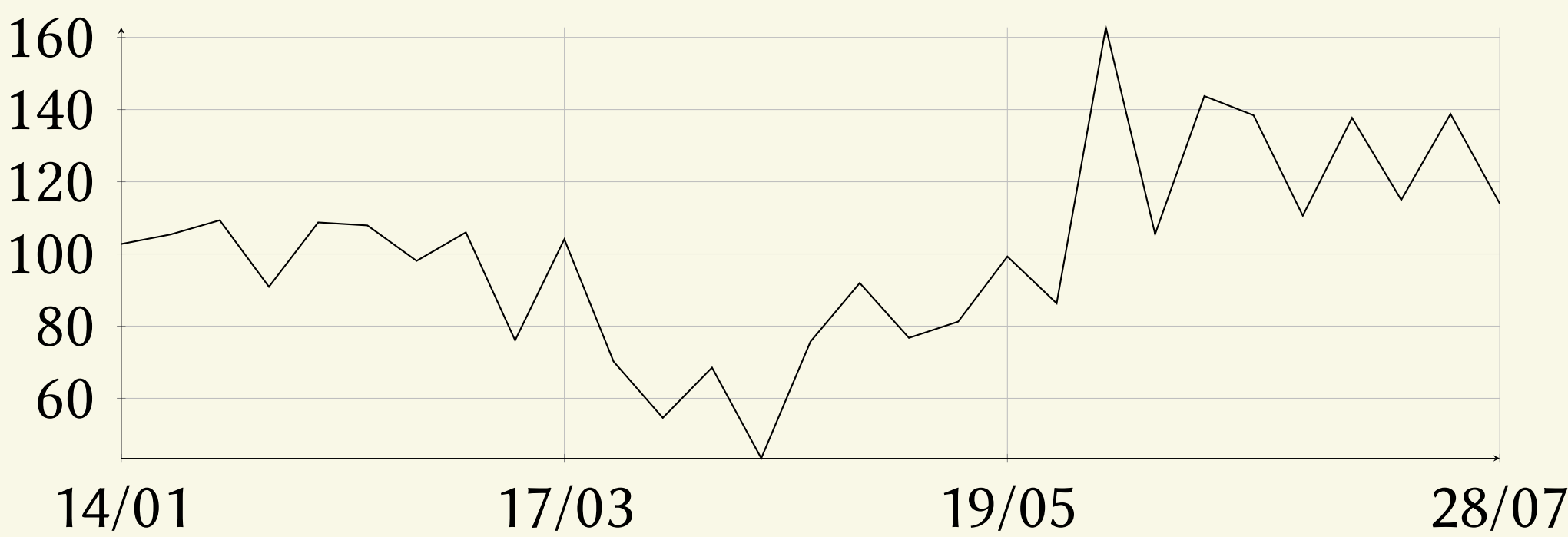
Main Messages

- ▶ **Aim:** Measure UK firm creation during Covid-19 pandemic to quantify supply-side disruption in real time.
- ▶ Firm creation fell sharply during March, April and May but recovered strongly during June and July.
- ▶ Firm creation is important for productivity, wages and employment in the long run.

Data

- ▶ The UK company register is available from Companies House. It records every company registered in the UK.
- ▶ The register is released monthly which allows us to record daily registrations over the previous month.
- ▶ We compare the monthly register release in 2020 with the equivalent monthly release in 2019.
- ▶ **Advantages:** Real-time; population-wide; detailed company location and sector; high-frequency (daily).
- ▶ **Disadvantages:** Few variables; short time series; death poorly measured; records all companies many will not produce.

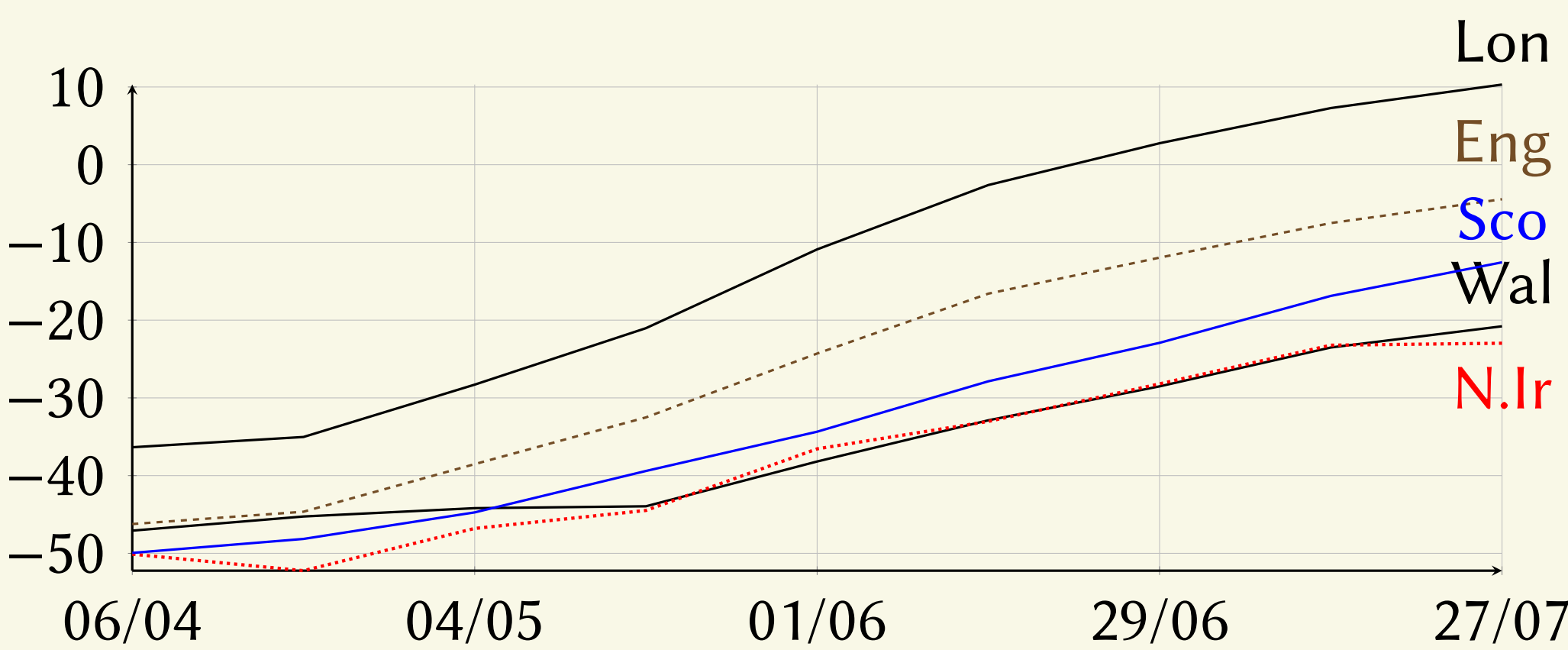
Aggregate Plot



Aggregate Comment

- ▶ Weekly business creation relative to 2019 (= 100).
- ▶ **Timeline:** 23/03 lockdown begins. 11/05 re-opening begins.
- ▶ There are three clear periods:
 - **Pre-lockdown:** weekly firm creation is equal to 2019.
 - **Severe lockdown:** Firm creation falls sharply in late March and remains low until late May.
 - **Easing lockdown:** Firm creation exceeds its 2019 level consistently after late May.

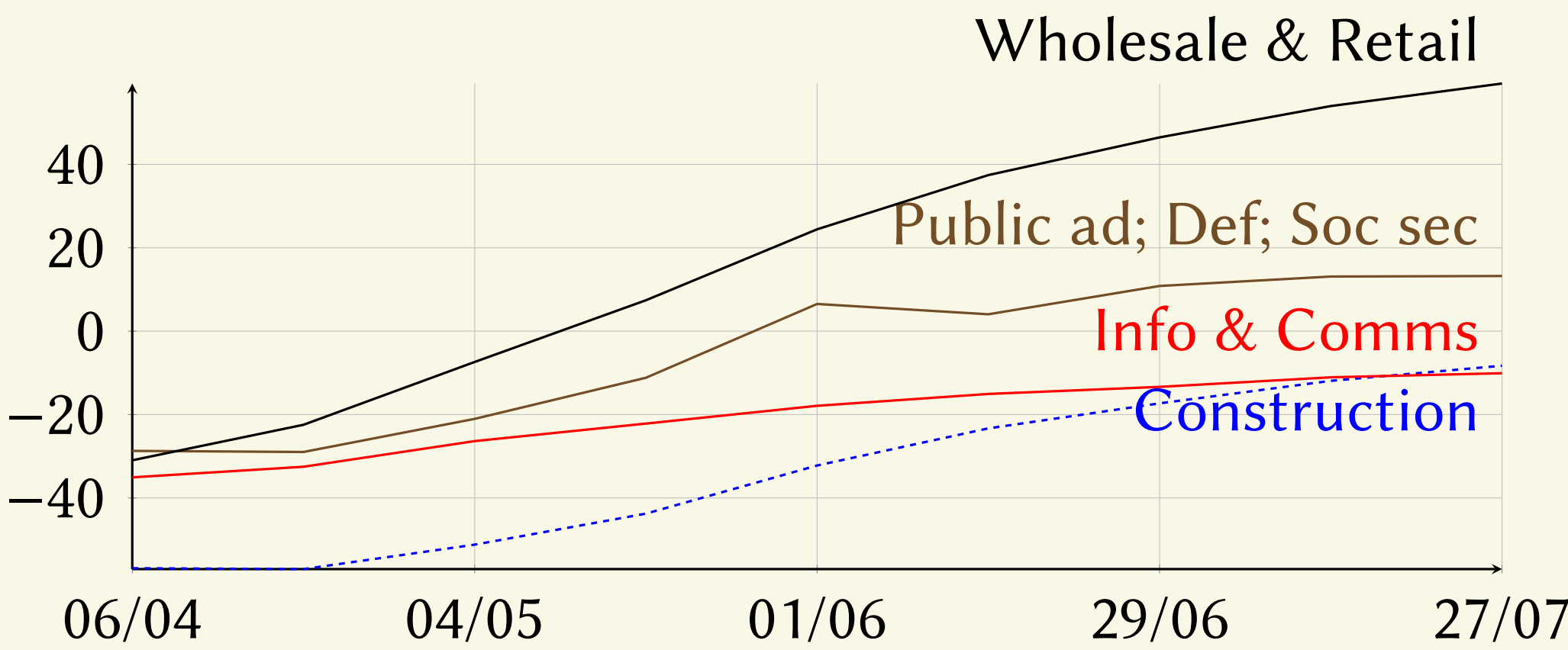
Region Plot



Region Comment

- ▶ Cumulative business creation from March 23 (lockdown began) relative to the same period in 2019.
- ▶ Business creation between 23 Mar - 06 Apr was near 50% less for all countries than over the same period in 2019.
- ▶ Business creation between 23 Mar - 27 Jul was 10% higher in London, 5% lower in England (excl. Lon) and 20-30% lower in Wales, Scotland and N Ireland.

Sector Plot



Sector Comment

- ▶ Cumulative business creation from March 23 (lockdown began) relative to the same period in 2019.
- ▶ Business creation between 23 Mar - 06 Apr was near 30% less in most sectors and 50% less in construction than over the same period in 2019.
- ▶ Business creation between 23 Mar - 27 Jul was 50% higher in wholesale & retail and 20% lower in construction relative to 2019.

Implications

- ▶ Firm creation has long-run effects on employment, productivity and growth.
- ▶ From US evidence we know:
 - New firms are net job creators: they create more jobs than they destroy.
 - New firms drive future productivity through their own innovation and through competitive effects on incumbents.

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