



Department of
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Economy

Statistics Bulletin

Small and Medium Enterprises

December 2006

SMALL AND MEDIUM ENTERPRISES IN NORTHERN IRELAND

Published 4/12/06

- There were an estimated 55,150 VAT registered enterprises in Northern Ireland on the Inter Departmental Business Register (IDBR) in March 2005. This represents 3.4% of all UK VAT registered enterprises. Almost all of these enterprises 98.1% (97.9% in UK) were small (0 to 49 employees). A further 1.6% (1.7% in UK) were medium-sized (50 to 249 employees) and 0.3% (0.5% in UK) were large (250 or more employees).
- The business size profile is broadly similar throughout each of the UK regions. However, a closer inspection of NI's small enterprises indicates that an estimated 74.2% of enterprises have fewer than 5 employees (75.3% for the UK) and 13.6% have between 5 and 10 employees (13.1% in UK).
- The Agriculture, Forestry and Fishing Sector has historically accounted for a high proportion of businesses in Northern Ireland. IDBR data indicates that in 2005, this sector accounted for almost a third (30.7%) of all small (<50 employees) VAT registered businesses in Northern Ireland and 30.1% of total businesses in NI. Other sectors accounting for a high level of small VAT registered businesses include the Construction sector and the Property and Business services sector.
- At 2004 the GVA per head for manufacturing was nearly double that for services whereas the GVA for services is over double that for manufacturing. At 2004 the highest Gross Value Added (GVA) per head in NI occurred in large manufacturing companies (£51,888) and the lowest in large service sector firms (£15,778). The highest GVA per head for small firms <9 and 10-49 sized firms occurred within the construction industry £37,822 and £32,595 respectively.
- The most notable increases in manufacturing sales occurred within small business sector which increased by 18% over the five year period to 2004-05. Exports (i.e. sales outside NI and GB) and External Sales (i.e. sales outside NI) largely follow the same pattern although a greater percentage of external sales are prevalent in large enterprises (71.0%). Only 9.9% of all external sales were made by small enterprises.

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Department of Enterprise,
Trade and Investment

Small and Medium Enterprises

December 2006

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Executive Summary

1

Introduction

The vast majority of businesses in Northern Ireland are Small and Medium sized enterprises (SME), employing fewer than 250 people. It is increasingly recognised that SMEs are not only key to job and wealth creation but also in fostering the entrepreneurship, competition and innovation that leads to sustainable growth and development. This report brings together information from a range of sources to examine the nature and characteristics of the sector and its significance for the Northern Ireland economy.

A key source of data for this publication is the Inter Departmental Business Register (IDBR) which contains information relating to all enterprises registered for Value Added Tax (VAT) or operating a Pay As You Earn (PAYE) scheme. Unless otherwise stated the tables are produced from a snapshot of the IDBR taken on 18th March 2005 to maintain consistency with other data sources.

Additional information about Small and Medium Enterprises (SME) activity is sourced from the NI Census of Employment (COE), the NI Annual Business Inquiry (ABI), the NI Manufacturing Sales and Exports survey (MSES), the NI Research and Development Survey (R & D), UK innovation Survey and the Small Business Service (SBS). The majority of these are primarily sample surveys selected from the IDBR.

Definition of Small and Medium Enterprises (SMEs)

Throughout this publication Small businesses are defined as having fewer than 50 employees (unless otherwise stated). A Medium sized business has from 50 to 249 employees and large businesses are those with 250 or more employees. The definition used in this report applies to businesses on the IDBR and therefore excludes those very small businesses (typically sole proprietors or partners) whose activity falls outside the VAT and PAYE registration schemes.

Composition of the NI Economy

i) Businesses

The most recent estimates available from the Department of Trade and Industry (DTI) indicate that in 2003 the total number of businesses in NI was 104,030. In contrast, there were some 64,230 businesses whose activity exceeded the VAT threshold or operated a PAYE scheme and as a result are registered on the IDBR. There were also an estimated 55,150 VAT registered enterprises in Northern Ireland on the IDBR in March 2005. This represents 3.4% of all UK VAT registered enterprises.

Almost all of these enterprises 98.1% (97.9% in UK) were small (0 to 49 employees). A further 1.6% (1.7% in UK) were medium-sized (50 to 249 employees) and 0.3% (0.5% in UK) were large (250 or more employees). The business size profile is broadly similar throughout each of the UK regions.

A closer inspection of NI's small enterprises indicates that an estimated 74.2% of enterprises have fewer than 5 employees (75.3% for the UK) and 13.6% have between 5 and 10 employees (13.1% in UK).

Industry profile NI v UK

The industrial profile of the SME sector in NI is markedly different in a number of respects from that in the rest of the UK. This is most notable in the Agricultural sector reflecting the proportionately greater share of farm businesses in NI.

The Agriculture, Forestry and Fishing Sector has historically accounted for a high proportion of businesses in Northern Ireland. Data from IDBR indicates that in 2005, the Agriculture, Forestry and Fishing sector accounted for almost a third (30.7%) of all small (<50 employees) VAT registered businesses in Northern Ireland and 30.1% of total businesses in NI. Other sectors accounting for a high level of small VAT registered businesses include the Construction sector and the Property and Business services sector.

Latest figures from the IDBR indicate that over the period 1998 to 2006 the most notable increases have been within the Construction and Property & Business Services sectors. Large increases in the number of businesses are particularly evident in the 1-9 employee sizeband within the Construction and Property and Business Services sector with increases reported of 2,175 and 2,005, respectively. These increases are likely to be a reflection of increased activity in the property market in NI and potentially the Republic of Ireland (ROI) though it is difficult to quantify the extent of cross border trade in this area.

Zero Employee Businesses

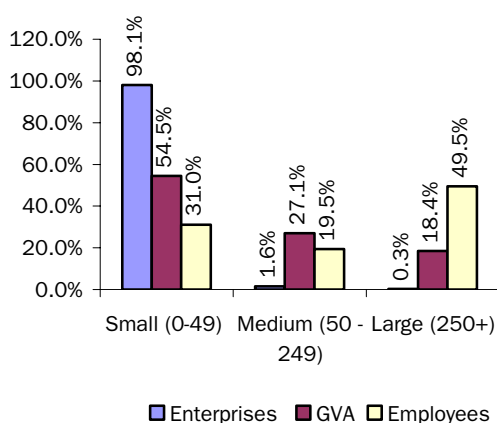
Furthermore SBS data indicates that 68.0% of businesses in NI have no employees (i.e. sole proprietorship, partnerships comprising self employed owner manager or sole company employee directors), this compares to 71.3% of UK businesses. There has been a 22.4% increase in the number of businesses with no employees over the period 2001 – 2003 and it currently stands at 70,730.

ii) Gross Value Added (GVA)

Data from the 2004 NI Annual Business Inquiry indicates that the total Gross Value Added (GVA) in NI was £13.5 billion. Small enterprises accounted for 54.5%, medium sized enterprises 27.1% and large enterprises the remaining 18.4%.

Therefore, the large enterprises which make up 0.3% of NI businesses account for just under a fifth of the total NI GVA whereas the small enterprises which make up 98.1% of all NI businesses account for just over half of the total NI Gross Value Added. (see figure 1)

Figure 1 Share of businesses, employment and Gross Value Added by size of business in NI



Source: Businesses - IDBR 2005,
GVA – NI Annual Business Inquiry 2004
Employees – NI Census of Employment 2003

GVA per Head (GVA/Employee)

SME's are having an increasing contribution to the economic growth in NI in terms of employment, exports and GVA per head. The GVA and GVA per head for SME's have increased by 42% and 40% respectively over the period 1999 to 2004 while employment only increased by 2% over the same period.

At 2004 the highest GVA per head in NI occurred in large manufacturing companies (£51,888) and the lowest in large service sector firms (£15,778). At 2004 the GVA per head for manufacturing was nearly double that for services whereas the GVA for services is over double that for manufacturing.

The highest GVA per head for small firms <9 and 10-49 sized firms occurred within the construction industry £37,822 and £32,595 respectively.

iii) Employees

Data from the 2003 Census of Employment (COE) indicates that there were 659,000 employee jobs in NI, 31.0% in small enterprises and 19.5% in medium sized enterprises and large companies although accounting for less than one percent of businesses make up nearly half of the total employment in 2003.

However according to the SBS 46.7% of the employment in NI in 2003 is employed in small businesses this compares to only 31.6% of UK employment (employees and self employed).

A further 16.6% of employment in NI is in Medium sized businesses and 20.3% in large businesses (12.0% and 41.8% in UK respectively).

iv) Manufacturing Sales and exports

Manufacturing sales in NI in 2004/05 totalled £13.3bn. Large enterprises accounted for just over three-fifths (61.8%) of total sales. A further 21.2% of sales were made by medium sized enterprises and 17.8% by small enterprises. In the 5 year period to 2004-05 the total manufacturing sales in NI increased by 5%. The most notable increases in manufacturing sales occurred within small business sector which increased by 18% over the same period. Exports (i.e. sales outside NI and GB) and External Sales (i.e. sales outside NI) largely

follow the same pattern although a greater percentage of external sales are prevalent in large enterprises (71.0%). Only 9.9% of all external sales were made by small enterprises.

Small businesses share of total sales has increased 15.8% in 1999-00 to 17.8% in 2004-05. Small businesses also displayed the largest growth in external sales (+25%) and exports (55%).

In addition the small business share of total external sales has increased from 8.3% to 9.9% in 1999-00 and total exports share has increased from 11.1% to 15.2% over the same period. There has been more limited growth of Sales (+1.9%), external sales (+0.7%) and exports (+3.9%) in the larger manufacturing companies in the last 5 years.

v) Research and Development

The relative contribution by small firms to total Research and Development expenditure by businesses (BERD) was 28% in 2004. A further 22% of expenditure was by medium sized businesses and 50% by large businesses.

Industry Analysis

2

Share of businesses by Industry category

The vast majority (98.1%) of NI business enterprises in 2005 were categorised as small. However the share of small enterprises varies between industries (see table 1).

The Agriculture, Forestry and Fishing Sector has historically accounted for a high proportion of businesses in Northern Ireland. In 2005, this sector accounted for almost a third (30.7%) of all small (<50 employees) VAT registered businesses in Northern Ireland and 30.1% of total businesses in NI. This represents a much higher proportion of agricultural businesses than the UK which has around 8.5% of total and 8.6% of small UK VAT registered businesses classified within Agriculture.

Other sectors accounting for a high level of small VAT registered businesses include: the Construction sector (14.8% of all small businesses) and the Property and Business services sector which accounts for 13.3% of all small businesses in NI, making it the third largest sector in terms of small business industry share.

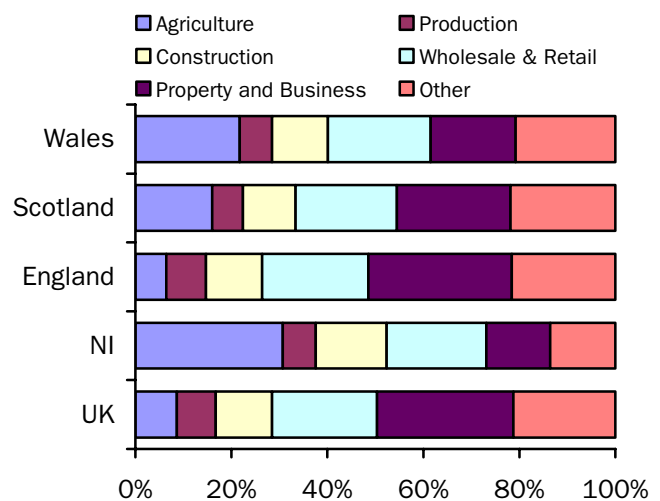
Whilst the share of Production, Construction and Wholesale and Retail businesses is similar across all the regions, there is quite a disparity between the UK and NI in terms of the proportion of Property and Business Services enterprises, with only 13.3% of small NI VAT registered enterprises within this broad industry group compared to the UK average of 28.3%.

The Education and Finance sectors have the fewest number of small businesses, together making up just 0.4% of total small businesses, this compares to 1.2% for the same sectors at the UK level.

Around 1.6% of VAT registered businesses in NI can be classified as medium sized businesses (50-249 employees) this is a much lower proportion than that experienced in the UK where 5.6% of businesses fall within the medium category. The largest numbers of Medium sized businesses in NI are within the Production sector (240) which accounts for a total of 27.6% of all medium sized businesses. A similar proportion of medium sized enterprises can also be found at the UK level, with around 27.8% of all medium sized enterprises classified within that sector.

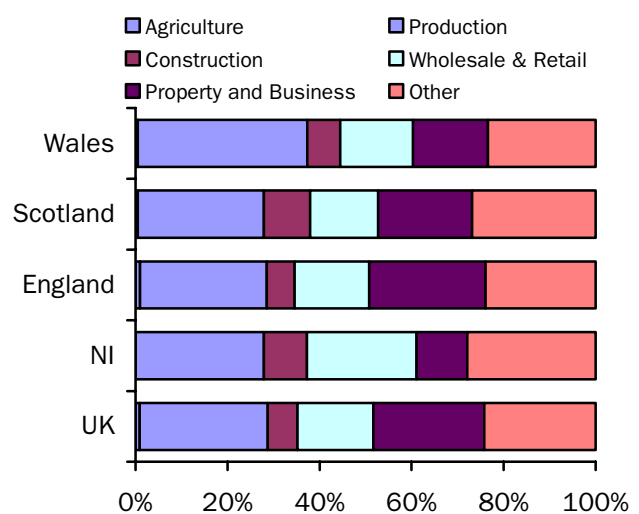
NI lags behind the UK, in terms of the number of medium sized businesses classified within the Property and Business Services sector, with only around 10.9% of NI medium businesses classified as such, compared to 24.1% in the UK. Figures 2 and 3 provide further information on the sectoral and size breakdown of NI and UK businesses.

Figure 2 – Industrial breakdown of Small Businesses (0-49 employees) across UK regions



Source: Inter Departmental Business Register 2005

Figure 3 - Industrial breakdown of Medium Businesses (50-249 employees) across UK regions



Source: Inter Departmental Business Register 2005

Table 1 NI VAT registered businesses by industrial classification and employment sizeband, 2005

STANDARD INDUSTRIAL CLASSIFICATION (UKSIC(2003))	Employment size									
	Small (0-49)			Medium (50-249)			Large (250+)			TOTAL
	No. of Businesses	Sizeband as a % of Sector	Sector as a % of Sizeband	No. of Businesses	Sizeband as a % of Sector	Sector as a % of Sizeband	No. of Businesses	Sizeband as a % of Sector	Sector as a % of Sizeband	
Agriculture	16,595	100.0%	30.7%	0	0.0%	0.0%	0	0.0%	0.0%	16,595
Production (Mining/Quarrying/Utilities and Manufacturing)	3,725	92.9%	6.9%	240	6.0%	27.6%	45	1.1%	31.0%	4,010
Construction	7,990	98.9%	14.8%	80	1.0%	9.2%	5	0.1%	3.4%	8,075
Motor trades	2,240	98.2%	4.1%	40	1.8%	4.6%	0	0.0%	0.0%	2,280
Wholesale	3,095	97.8%	5.7%	60	1.9%	6.9%	5	0.2%	3.4%	3,165
Retail	5,910	97.9%	10.9%	105	1.7%	12.1%	15	0.2%	10.3%	6,035
Hotels & catering	2,950	95.6%	5.5%	125	4.1%	14.4%	5	0.2%	3.4%	3,085
Transport	2,020	98.3%	3.7%	30	1.5%	3.4%	5	0.2%	3.4%	2,055
Post & telecommunications	240	100.0%	0.4%	0	0.0%	0.0%	0	0.0%	0.0%	240
Finance	120	96.0%	0.2%	0	0.0%	0.0%	5	4.0%	3.4%	125
Property & business services	7,190	98.4%	13.3%	95	1.3%	10.9%	25	0.3%	17.2%	7,310
Education	120	82.8%	0.2%	10	6.9%	1.1%	15	10.3%	10.3%	145
Health	220	86.3%	0.4%	35	13.7%	4.0%	0	0.0%	0.0%	255
Public admin & other services	1,715	96.6%	3.2%	40	2.3%	4.6%	20	1.1%	13.8%	1,775
Total	54,120	98.1%	100.0%	870	1.6%	100.0%	160	0.3%	100.0%	55,150

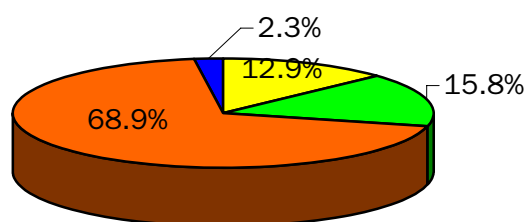
Source: Inter Departmental Business Register, 2005

Share of GVA & GVA per head by industry category

Information from the Annual Business Inquiry indicates that the share of GVA in small enterprises also varies between industries. Just over a half of all GVA in NI was in small businesses.

68.9% of all GVA in small businesses is in the Services sector. A further 15.8% of GVA is in Construction and 12.9% in manufacturing. (See Figure 4)

Figure 4
Share of GVA in small businesses by Industry Sector, NI, 2004



■ Manufacturing ■ Construction ■ Services ■ Other

GVA per head has increased for the construction, manufacturing and services sectors in NI over the period 1999 to 2004. The highest GVA per head for each year from 1999 to 2004 occurred in the manufacturing sector and was £41,166 at 2004 compared with the lowest GVA per head of £23,096 for the service sector (See table 2).

At 2004 the GVA per head for manufacturing was nearly double that for services whereas the GVA for services is over double that for manufacturing.

At 2004 the highest GVA per head in NI occurred in large manufacturing companies (£51,888) and the lowest in large service sector firms (£15,778). The highest GVA per head for small firms <9 and 10-49 sized firms occurred within the construction industry £37,822 and £32,595 respectively.

Table 2 GVA & GVA per Head by Industry and Employment sizeband, 1999, 2003 and 2004

Sector	Employment Business Sizeband	2004		2003		1999	
		GVA (£m)	GVA per Head (£)	GVA (£m)	GVA per Head (£)	GVA (£m)	GVA per Head (£)
Construction	<9	626	37822	571	30713	612	30816
	10-49	543	32595	595	39188	280	20174
	50-249	*	*	*	*	*	*
	250+	*	*	*	*	*	*
	Total	1509	35883	1487	35178	1056	26026
Manufacturing	<9	274	26962	270	27218	256	22144
	10-49	681	32393	586	30832	528	24609
	50-249	1065	39881	855	31933	939	26133
	250+	1759	51888	1959	54013	2173	51381
	Total	3780	41166	3670	39903	3895	35028
Other	<9	56	25334	70	33046	19	40086
	10-49	115	51199	134	55261	104	55556
	50-249	*	*	*	*	*	*
	250+	*	*	*	*	*	*
	Total	446	62643	523	68604	438	68872
Services	<9	2203	25866	1837	21304	1599	16188
	10-49	2889	23595	2826	25053	1910	16535
	50-249	2037	23368	1735	21251	1161	17625
	250+	691	15778	661	15607	524	14505
	Total	7820	23096	7059	21852	5194	16422
All Industries	<9	3159	27687	2748	23514	2485	19023
	10-49	4228	26039	4140	27713	2822	18479
	50-249	3671	29503	3200	26879	2460	22224
	250+	2497	31736	2652	33304	2816	35037
	Total	13556	28265	12740	27402	10583	22308

* Data suppressed to avoid disclosure

Source: Northern Ireland Annual Business Inquiry

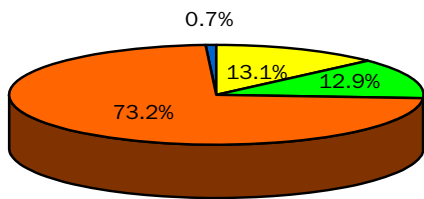
Share of employees by Industry category

The NI Census of Employment collects data on employee jobs but excludes the self employed. Latest figures for 2003 indicate that 31.0 percent of employees in 2003 worked in small businesses.

Of these employees in small businesses 73.2% were employed in the Service sector, a further 13.1% were employed in manufacturing and 12.9% were employed in Construction. **(See figure 5).**

The majority of employee jobs (49.5%) in NI in 2003 were employed in large enterprises. Of these employees the bulk (87.4%) were employed in the Service sector and 11.4% in Manufacturing.

Figure 5
Share of Employees in Small
Businesses by Industry Sector,
NI, 2003



■ Manufacturing ■ Construction ■ Services ■ Other

Source: NI Census of Employment 2003

Changes over time

3

Changes in the number of businesses

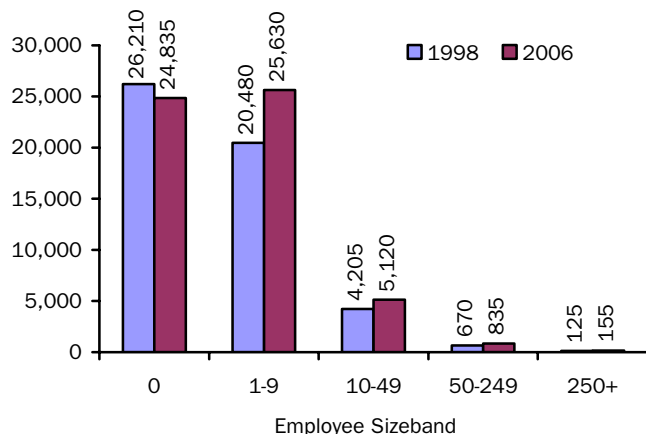
1998-2006 Industrial and Sizeband Analysis

Latest figures from the IDBR indicate that the number of VAT registered businesses in NI has risen by 9.5% over the 8 year period, 1998 to 2006, from 51,960 in 1998 to 56,580 in 2006. This is somewhat higher than the increase experienced in the UK which equated to 4.8% for the same period.

The NI increase has mainly been driven by small and medium sized enterprises with small enterprises (less than 50 employees) increasing by 9.2% over the period, from 50,895 in 1998 to 55,585 in 2006.

Medium sized enterprises (50-249 employees) have increased by 24.6%, from 670 in 1998 to 835 in 2006. Figure 6, below, provides information on the employee sizeband distribution of businesses in 1998 compared to 2006.

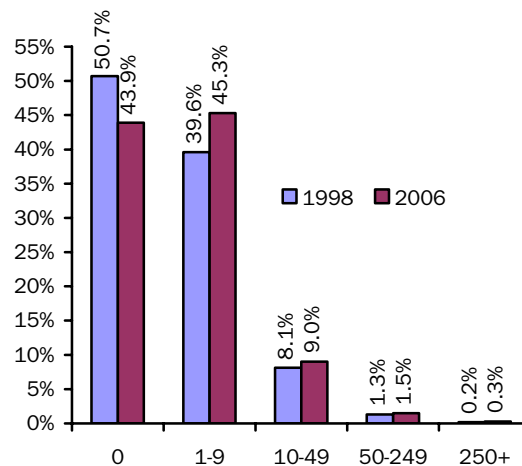
Figure 6, Distribution of Businesses by Employee Sizeband, 1998 - 2006



Source: Inter Departmental Business register

Figure 7 demonstrates the percentage share which each of the sizebands account for in terms of total VAT registered enterprises. This clearly shows that the greatest level of growth, in terms of the share of businesses by sizeband, has been made by micro enterprises with employees (those employing between 1 and 9 persons) whilst the greatest decline is evident within those businesses without employees.

Figure 7, Proportion of Total Businesses by Employee Sizeband, 1998 - 2006



Source: Inter Departmental Business register

Figure 8 overleaf, seeks to investigate the sectors which are driving these changes and provides information on the number of VAT registered businesses in 1998 compared to 2006. The graph focuses on businesses classified within the Production, Construction and Services sectors and provides information on the employee sizeband composition of such businesses.

Over the period 1998 to 2006 the most notable increases have been within the Construction and Property & Business Services sectors.

In 2006 there were 2,650 more businesses in the Construction sector than in 1998, representing a notable increase of 44.1%. Of these 2,650 businesses the majority (82.1%) were within the 1-9 employment bracket, 10.2% had between 10-49 employees.

Construction businesses with no employees (ie sole proprietors, partnerships, holding companies and those not yet trading) accounted for approximately 6.8% of the increase in Construction businesses. Consequently, around 99.1% of the increase in Construction businesses fell within the Small Business sector (0-49 employees) over the period 1998-2006.

The majority of the remaining businesses (0.9%) were classified as medium sized businesses (50-249 employees), with only 5 businesses classified as large businesses (250+ employees) in the sector.

The Property and Business Services sector also experienced large increases in the number of VAT registered businesses over the 8 year period, increasing from 4,800 VAT registered businesses in 1998 to 7,845 in 2006, this equates to an increase of 3,045 businesses (63.4%).

Each of the employee sizebands experienced increases within the sector. Of these, 2,005 (65.8%) were within micro businesses with employees (those with 1-9 employees), 7.6% had 10-49 employees and 24.8% had zero employees. Small businesses therefore represent 98.2% of the increase in Property and Business Services businesses registered for VAT. Medium sized businesses also experienced notable growth, almost doubling over the period, 1998 to 2006, from 50 such businesses in 1998 to 95 businesses in 2006.

All other sectors except Wholesale, Retail and Public Administration and Other Services experienced increases in their overall level of enterprises registered for VAT.

The total number of Retail, VAT registered businesses fell by 8.6% (570) over the 8 year period, from 6,595 in 1998 to 6,025 in 2006, the majority of these declines were within businesses employing less than 10 persons.

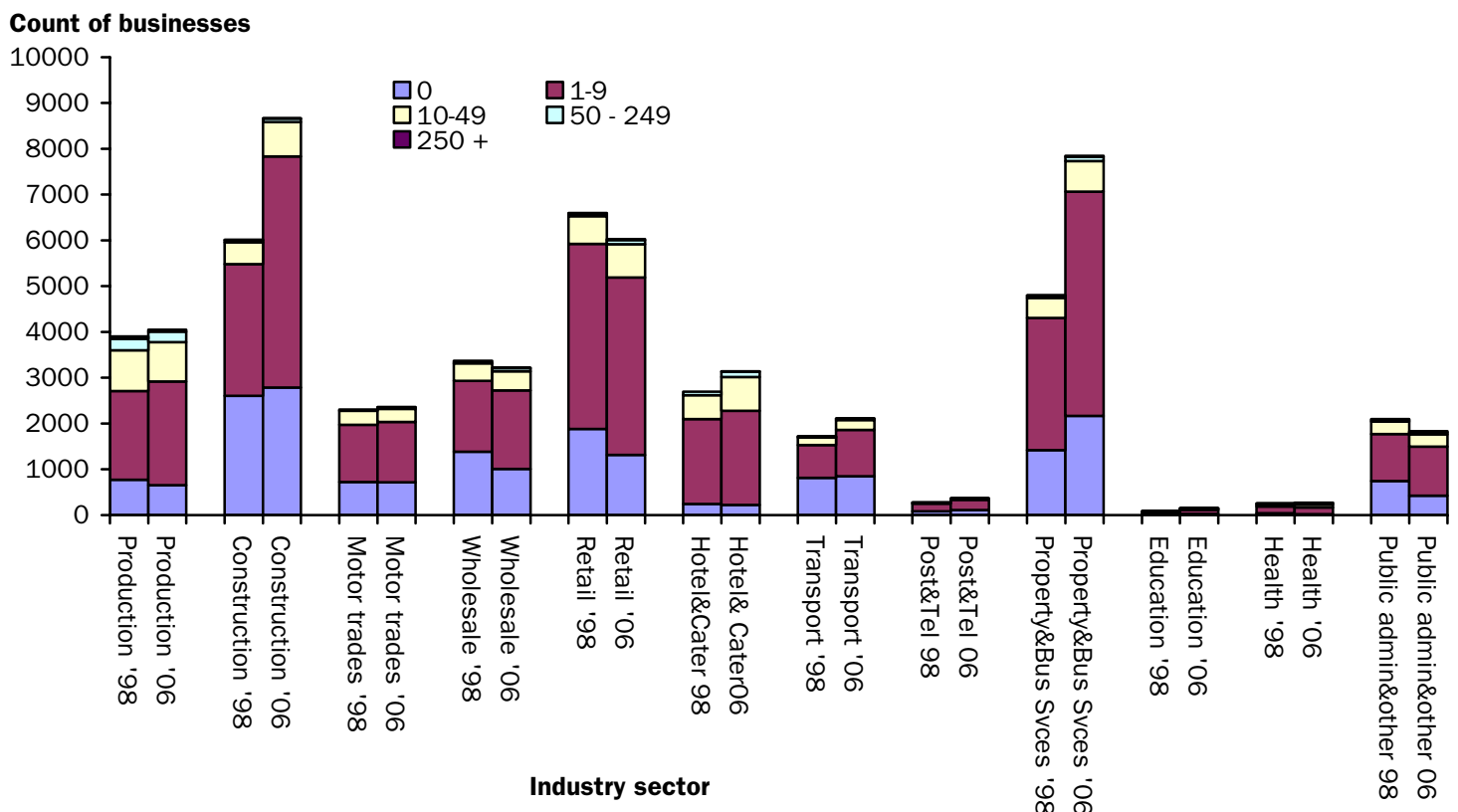
As noted earlier, the largest declines at the employee sizeband level appear to be within those companies without employees. It is

evident from figure 8 that the largest declines in such companies have been within the Wholesale and Retail sectors. Reasons for these declines may be due to overall declines in the sector or due to businesses growing and moving into the larger employee sizebands, for example, within the Wholesale sector, there are 375 less businesses with zero employees in 2006 than in 1998 but there are 170 more businesses employing between 1 and 9 persons, over the same period. Another reason for this decline may be due to businesses registering for VAT but never starting to trade.

Large increases in the number of businesses are particularly evident in the 1-9 employee sizeband within the Construction and Property and Business Services sector with increases reported of 2,175 and 2,005, respectively. These increases are likely to be a reflection of the booming property market in NI which Construction businesses are more than likely to benefit from.

There have been minimal changes in the level and proportion of businesses employing 10 or more persons. The most notable decline has been within the Production sector where businesses employing 10 or more persons have declined by 5.4%, this is in contrast to the increases reported in micro businesses (those employing less than 10) of 7.8%.

Figure 8, NI Businesses by Sector and Size, 1998 - 2006



Source: Inter Departmental Business register

The number of medium sized businesses have grown by 24.6% over the 8 year period and this has again been mostly driven by the Construction (55 enterprises in 1998, 80 enterprises in 2006) and the Property and Business Services sector (50 enterprises in 1998, 95 enterprises in 2006). The Retail and Hotel sectors have also made notable increases within this sizeband of 58.3% and 43.8% respectively.

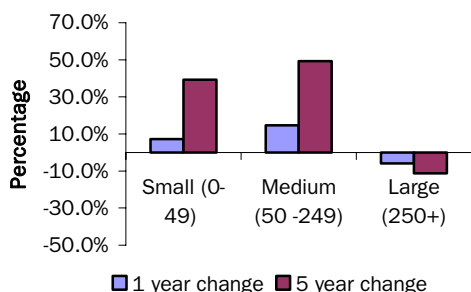
Changes in GVA and GVA per Head

Total GVA in the NI Economy (excluding Public, Admin and Defence) increased by £815m (+6.4%) over the last year and by £3.0bn (+28.1%) over the last 5 years.

Over the year, GVA in small and medium sized businesses increased by 7.2% and 14.7% respectively, GVA in large enterprises decreased by 5.8% during the same period. (see Figure 9)

Over the 5 year period to 2004, GVA in small and medium sized businesses increased by 39.2% and 49.2% respectively, however GVA in large enterprises decreased by 11.3% during the same period. Data from the Annual Business Inquiry (ABI) at 2004 indicates that the total GVA for small companies in NI stands at £5.3billion and is more than twice that for the medium firms and nearly twice that for the large companies. However, at 1999 the GVA per head is highest for the large companies £35,037 and lowest for the small firms £8,730 and this pattern remains the same for 2003 and 2004.

Figure 9
Percentage change in GVA by Size,
1yr & 5yr, NI



Source: NI Annual Business Inquiry

The GVA share of Manufacturing has fallen from 37% to 28% of the whole economy in the last 5 years and the Service sector now accounts for 58% of all GVA compared to 49% in 1999.

As can be seen from table 3 the GVA per head for small NI companies has grown much more quickly than for medium and large companies in recent years. The GVA has been rising for both small and medium companies and falling for large companies in NI over the period 1999 to 2004.

Although the GVA per head is lowest for the small companies the percentage increase in GVA per head has been greatest for the small firms and lowest for the large companies over the period 1999 to 2004.

The GVA per head has increased by 42.7% for small companies, 32.8% for medium companies and decreased by 9.2% for large companies over the five year period from 1999 to 2004. The range for GVA per head between large and small companies in NI has shrunk from 16,307 in 1999 to 5,017 in 2004.

Table 3: Percentage change in GVA and GVA per head 1999-2004 and 2003 - 2004

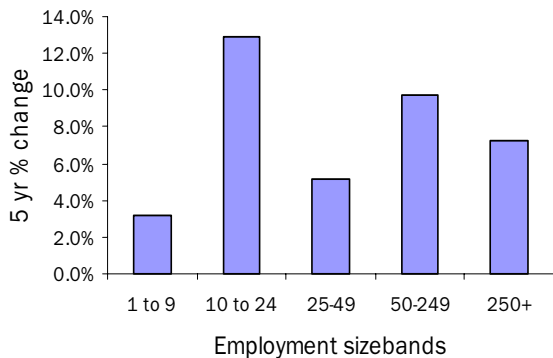
Percentage Change	GVA		GVA per head	
	2003-2004	1999-2004	2003-2004	1999-2004
0-49 (Small)	7.2%	39.2%	3.3%	42.7%
50-249 (Medium)	14.7%	49.2%	9.8%	32.8%
250+ (Large)	-5.8%	-11.3%	-4.7%	-9.4%

Source: NI Annual Business Inquiry

Changes in employees

Information from the Quarterly Employment Survey (QES) indicate that the number of employees working in private sector small, medium and large enterprises have increased by 6.9%, 9.7% and 7.2% respectively over the five year period to 2005 (see Figure 10).

Figure 10
Percentage Growth in Private sector employee jobs by employment sizebands



Source: Quarterly Employment Survey (QES)

Despite the percentage increases in employee jobs across the three size bands, the overall percentage share of private sector employee jobs in small, medium and large enterprises has remained exactly the same in the last five years. In both 2000 and 2005, 29% of private sector employees worked in small industries 16% in medium and 21% in large businesses.

In addition, the public sector employment increased by 11% over the same five year period and accounted for 32% of total employee jobs in 2005. When the private sector small, medium and large enterprises are sub divided the most notable increase occurred in the 10-24 category where the number of employee jobs increased by 12.9% over the five year period to June 2005 and accounted for 15.6% of the overall growth in total employee jobs for that period.

Table 4: Percentage change and Share in private sector employee jobs June 2000 – June 2005

<i>Employment Sizeband</i>	<i>Jun 05</i>	<i>Jun 00</i>	<i>Change 2000 - 2005</i>	<i>% Change 2000 - 2005</i>	<i>% Share</i>
1 - 9	80,750	78,280	2,470	3.2%	4.8%
10 - 24	70,850	62,770	8,090	12.9%	15.6%
25 - 49	48,370	46,010	2,360	5.1%	4.5%
50 - 249	113,630	103,540	10,090	9.7%	19.5%
250+	144,850	135,120	9,730	7.2%	18.8%
Public	221,030	199,470	21,560	10.8%	41.6%
Agriculture	12,360	14,870	-2,510	-16.9%	-4.8%
Total	691,850	640,060	51,790	8.1%	100.0%

Source: Quarterly Employment Survey

Public/Private – District Council Analysis

4

Public versus Private Sector

Of all businesses (Including PAYE registered businesses) on the IDBR in January 2005, 99.6% were within the private sector. Therefore the public sector accounts for only a very small proportion of the total number of businesses in Northern Ireland.

Businesses with fewer than 10 employees dominate the private sector, accounting for 88.5% of all private sector businesses. In contrast the public sector is dominated by large businesses where almost two-fifths (37.2%) fall within this category.

Medium sized enterprises are mostly found within the private sector which accounts for 94.7% of all Northern Ireland medium sized businesses. **(See table 5)**

District Council analysis.

For every business held on the IDBR, a District Council (DC) is allocated based on the address where the business is registered for VAT (normally the head office). Thus a business with a head office in Belfast is included in figures for Belfast, even though it may have work sites in other DC areas. Similarly, businesses that have their United Kingdom headquarters in Great Britain will be included only in the region where their head office is based. Therefore many multinational businesses are excluded from such analyses.

An analysis of business size by District Council indicates that the highest concentration of all business enterprises in NI is in Belfast District Council. There are 6,180 enterprises located in Belfast District Council which accounts for 11.2% of all NI businesses.

Belfast District council accounts for 10.9% of all small enterprises, 24.7% of all medium sized enterprises and 40.6% of all large enterprises. There are 3,560 businesses in Newry and Mourne District Council which has the second highest concentration of all NI businesses (6.5%). Carrickfergus Council has the fewest number of businesses (580) making up just 1.1% of all NI businesses.

The overall percentage share of small, medium and large enterprises within each of the District Councils does not deviate much from the NI average of 98.1% small, 1.6% medium and 0.3% large. Belfast is the exception where 95.4% of businesses in Belfast are small, 3.5% are medium and 1.1% are large. **(See table 6)**

Table 5 VAT & PAYE registered Private-Public Sector Businesses in NI by Employee Sizeband, January 2005

Employee Sizeband	0+	1-9	10-19	20-49	50-99	100-199	200-249	250+	All
% of all Private Businesses	38.4%	50.1%	6.1%	3.4%	1.1%	0.5%	0.1%	0.3%	100%
% of all Public Businesses	0%	5.9%	9.8%	21.6%	13.7%	7.8%	3.9%	37.2%	100%
Private as % of all Businesses	100.0%	100.0%	99.5%	97.6%	95.6%	94.5%	84.6%	66.7%	99.6%
Public as % of all Businesses	0%	0%	0.6%	2.4%	4.4%	5.5%	15.4%	33.3%	0.4%

Table 6 VAT Registered enterprises by NI District Council employment and Sizeband, 2005

NORTHERN IRELAND (District Councils)	Employment size											
	0-49			50-249			250+			Total		
	No. of Businesses	District as a % of Sizeband	Sizeband as a % of District	No. of Businesses	District as a % of Sizeband	Sizeband as a % of District	No. of Businesses	District as a % of Sizeband	Sizeband as a % of District	No. of Businesses	District as a % of Sizeband	Sizeband as a % of District
Antrim	1,640	3.0%	97.6%	25	2.9%	1.5%	5	3.1%	0.3%	1,680	3.0%	100.0%
Ards	2,180	4.0%	98.9%	20	2.3%	0.9%	0	0.0%	0.0%	2,205	4.0%	100.0%
Armagh	2,660	4.9%	98.9%	25	2.9%	0.9%	5	3.1%	0.2%	2,690	4.9%	100.0%
Ballymena	2,270	4.2%	98.1%	35	4.0%	1.5%	5	3.1%	0.2%	2,315	4.2%	100.0%
Ballymoney	1,215	2.2%	98.8%	15	1.7%	1.2%	0	0.0%	0.0%	1,230	2.2%	100.0%
Banbridge	1,805	3.3%	98.4%	25	2.9%	1.4%	5	3.1%	0.3%	1,835	3.3%	100.0%
Belfast	5,895	10.9%	95.4%	215	24.7%	3.5%	65	40.6%	1.1%	6,180	11.2%	100.0%
Carrickfergus	560	1.0%	96.6%	15	1.7%	2.6%	0	0.0%	0.0%	580	1.1%	100.0%
Castlereagh	1,050	1.9%	97.2%	30	3.4%	2.8%	5	3.1%	0.5%	1,080	2.0%	100.0%
Coleraine	1,780	3.3%	98.1%	30	3.4%	1.7%	5	3.1%	0.3%	1,815	3.3%	100.0%
Cookstown	1,825	3.4%	99.2%	15	1.7%	0.8%	0	0.0%	0.0%	1,840	3.3%	100.0%
Craigavon	2,120	3.9%	97.2%	55	6.3%	2.5%	10	6.3%	0.5%	2,180	4.0%	100.0%
Derry	2,005	3.7%	97.3%	45	5.2%	2.2%	10	6.3%	0.5%	2,060	3.7%	100.0%
Down	2,305	4.3%	99.1%	15	1.7%	0.6%	0	0.0%	0.0%	2,325	4.2%	100.0%
Dungannon	2,715	5.0%	98.7%	30	3.4%	1.1%	5	3.1%	0.2%	2,750	5.0%	100.0%
Fermanagh	3,435	6.3%	99.1%	25	2.9%	0.7%	5	3.1%	0.1%	3,465	6.3%	100.0%
Larne	945	1.7%	99.5%	10	1.1%	1.1%	0	0.0%	0.0%	950	1.7%	100.0%
Limavady	1,120	2.1%	98.7%	15	1.7%	1.3%	0	0.0%	0.0%	1,135	2.1%	100.0%
Lisburn	2,930	5.4%	98.0%	50	5.7%	1.7%	10	6.3%	0.3%	2,990	5.4%	100.0%
Magherafelt	2,110	3.9%	98.4%	30	3.4%	1.4%	5	3.1%	0.2%	2,145	3.9%	100.0%
Moyle	715	1.3%	99.3%	5	0.6%	0.7%	0	0.0%	0.0%	720	1.3%	100.0%
Newry and Mourne	3,520	6.5%	98.9%	35	4.0%	1.0%	5	3.1%	0.1%	3,560	6.5%	100.0%
Newtownabbey	1,460	2.7%	96.4%	50	5.7%	3.3%	5	3.1%	0.3%	1,515	2.7%	100.0%
North Down	1,485	2.7%	98.0%	25	2.9%	1.7%	5	3.1%	0.3%	1,515	2.7%	100.0%
Omagh	2,700	5.0%	99.1%	20	2.3%	0.7%	0	0.0%	0.0%	2,725	4.9%	100.0%
Strabane	1,665	3.1%	99.4%	10	1.1%	0.6%	0	0.0%	0.0%	1,675	3.0%	100.0%
TOTALS	54,120	100.0%	98.1%	870	100.0%	1.6%	160	100.0%	0.3%	55,150	100.0%	100.0%

Source: Inter Departmental Business Register

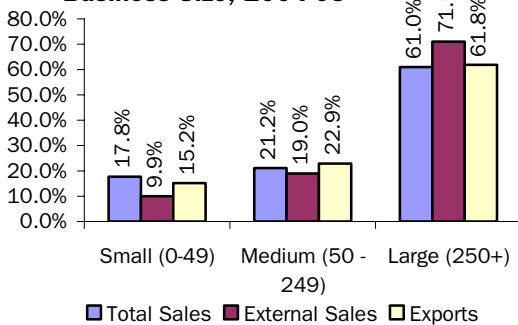
Manufacturing Sales & Exports

5

Manufacturing Sales and Exports

Manufacturing sales in NI in 2004/05 totalled £13.3bn. Large enterprises accounted for just over three-fifths (61.8%) of total sales. A further 21.2% of sales were made by medium sized enterprises and 17.8% by small enterprises. Exports (i.e. sales outside NI and GB) and External Sales (i.e. sales outside NI) largely follow the same pattern although a greater percentage of external sales are prevalent in large enterprises (71.0%). Only 9.9% of all external sales were made by small enterprises. (See Figure 11)

Figure 11
Percentage share of NI Sales, External Sales and Exports by Business Size, 2004-05

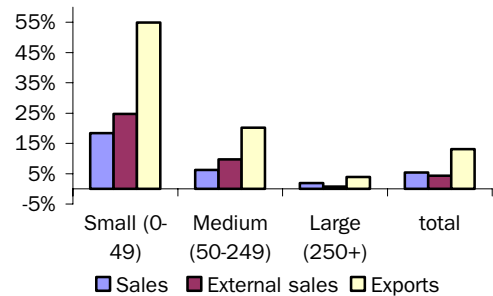


Source: NI Manufacturing Sales and Exports Survey

In the 5 year period to 2004-05 total manufacturing sales in NI increased by 5%. The most notable increases in manufacturing sales occurred within small business sector which increased by 18% over the same period. As a result small businesses share of total sales has increased 15.8% in 1999-00 to 17.8% in 2004-05.

Small businesses also displayed the largest growth in external sales (+25%) and exports (55%). As a result the small business share of total external sales has increased from 8.3% to 9.9% in 1999-00 and total exports share has increased from 11.1% to 15.2% over the same period. There has been more limited growth of Sales (+1.9%), external sales (+0.7%) and exports (+3.9%) in the larger manufacturing companies in the last 5 years. (See figure 12)

Figure 12
5yr change in Sales, External Sales, Exports 2004/05



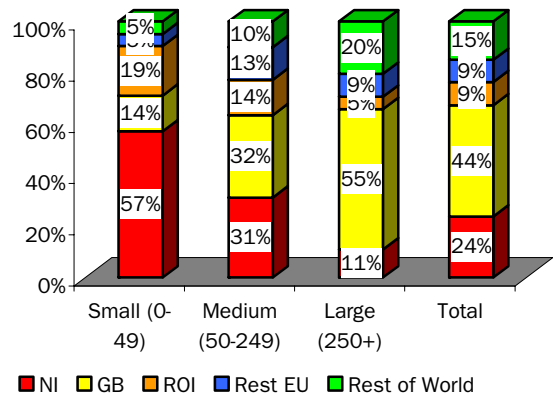
Source: NI Manufacturing Sales and Exports Survey

In terms of destination of sales, Great Britain remains the most significant single market for sales from Northern Ireland manufacturing businesses, accounting for 43.5% (£6.0 billion) of total sales.

Sales destined for international customers (exports) account for almost a third (32.7%) of total sales. Sales to the Republic of Ireland have grown over the year by 11.6% (£129 million) and account for 9.0% of total sales and over a quarter (27.5%) of exports.

Sales have risen to the Rest of EU by 6.9% (£78 million) over the year and sales to the Rest of the World have fallen over the year by 2.5% (£53 million).

Figure 13
Share of manufacturing sales by destination and business size



Source: NI Manufacturing Sales and Exports Survey

Figure 13 indicates that the single most significant market for medium and large businesses is Great Britain. Sales to Great Britain made up 32% of all sales for medium businesses and 55% of total sales in large businesses.

Small businesses are heavily reliant on the internal market with 57% of sales made within Northern Ireland.

Medium and large businesses are more inclined to export than their smaller counterparts. Just over one third (37%) of sales made by medium businesses were outside the UK compared to only 34% for large businesses and 29.0% for small businesses.

The Republic of Ireland is the most significant export destination for both small and medium sized businesses. 19% of small business sales and 14% of medium business sales are made to the Republic of Ireland. Whereas for large businesses the greatest share of sales are destined for the Rest of the World (20%).

Research & Development - Innovation

6

Research and Development

Business expenditure on Research & Development

The relative contribution by small firms (employees < 50) to total Research and Development expenditure by businesses (BERD) has increased from 15% in 1996 to 28% in 2004, peaking in 2004 and at its lowest in 2001 (13%).

The majority of the increase in relative contribution to BERD by small firms occurred in companies with 10-49 employees. In 1996 this group accounted for 13% of BERD compared to 24% in 2004.

The relative contribution of firms with 0-9 employees varied little over the period, at its lowest at 2% in 1996 and highest at 5% of total BERD in 2003.

In 2004 the relative contribution of medium sized companies (50-249) stood at 22%, compared to 20% in 1996. After falling to 14% in 1999, it increased each year since then to peak at 25% of total BERD in 2003.

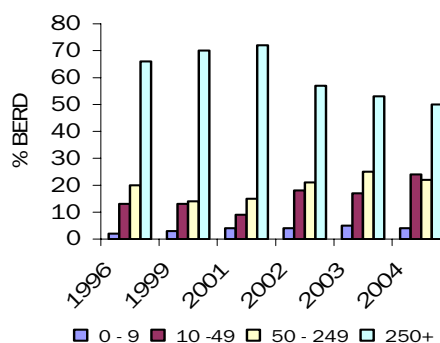
Over the period 1996-2004 the importance of large firms (>250 employees) in BERD varied from 66% in 1996, reaching its highest at 72% in 2001 and currently stands at the lowest value at 50% of total BERD in 2004. **(See table 7 and figure 14)**

Table 7 R&D Expenditure (£) by Business Size 1996-2004

Employment Bands	1996		1999		2001		2002		2003		2004	
	BERD (£000s)	As a % of total	BERD (£000s)	As a % of total	BERD (£000s)	As a % of total	BERD (£000s)	As a % of total	BERD (£000s)	As a % of total	BERD (£000s)	As a % of total
0 - 9	1,468	2	3,548	3	5,676	4	5,581	4	5,901	5	5,568	4
10 - 49	12,227	13	13,270	13	14,230	9	28,632	18	20,628	17	29,548	24
50 - 249	18,881	20	14,142	14	23,411	15	32,542	21	29,892	25	27,180	22
250+	62,136	66	71,722	70	111,671	72	89,881	57	64,856	53	62,034	50
Total	94,712	100	102,682	100	154,988	100	156,636	100	121,277	100	124,330	100

Source: Survey of Research and Development NI

**Figure 14
R & D by Business Size 1996 -2004**



Source: Survey of Research and Development NI

The number of R&D performing firms with less than 50 employees has increased from 133 (37% of all R&D performing businesses) in 1996 to 179 (57%) in 2004. This was due to the increase in the smallest firms with 0-9 employees, whose numbers more than doubled from 33 in 1996 to 70 in 2004, with their percentage of the total number of companies nearly doubling from 12% to 22%. **(see table 8)**

The number and percentage of medium sized firms performing R&D decreased every year from 1996 to 2003 from 102 (or 36% of all R&D performing businesses) in 1996 to 77 (or 27%) in 2003.

Table 8 Number of Research and Development performing businesses by business size, NI 1996 - 2004

Employment Bands	1996		1999		2001		2002		2003		2004	
	No. R&D performing firms	As a % of total	No. R&D performing firms	As a % of total	No. R&D performing firms	As a % of total	No. R&D performing firms	As a % of total	No. R&D performing firms	As a % of total	No. R&D performing firms	As a % of total
0 - 9	33	12	33	13	54	20	59	21	58	20	70	22
10 - 49	100	35	93	37	86	33	107	38	114	40	109	35
50 - 249	102	36	88	35	84	32	82	29	77	27	91	29
250+	50	18	39	15	40	15	33	12	36	13	42	13
Total	285	100	253	100	264	100	281	100	285	100	312	100

Source: Survey of Research and Development NI

The 2003 figure increased slightly in 2004, when 29% of R&D performing businesses were medium sized firms.

The proportion of R&D performing firms with more than 250 employees decreased from a peak of 18% in 1996 to 12% in 2002, around which it stayed for the next two years. Most recent survey results showed that in 2004 13% of R&D performing firms had more than 250 employees.

Innovation

Innovation by size of business

67 per cent of large enterprises were engaged in at least one component of innovation, the comparable figure for small and medium-sized enterprises (SMEs*) was 11 percentage points lower (56 per cent) over the period. The difference in innovation levels between SMEs and large enterprises is most marked when examining the proportion of firms that use new or significantly improved methods for the production or supply of goods and services (process innovators).

Over two fifths (43 per cent) of large enterprises are process innovators, while less than one fifth (19 per cent) of SMEs process innovate.

* SMEs are defined in the UK innovation Survey 2005 as having between 10 & 249 employees.

Table 9 Percentage of Enterprises that were innovation active, by type of activity, 2002-04

	SIZE OF ENTERPRISE		
	SMEs	Large	All
Innovation active	55.7	66.6	55.9
Product innovator	20.2	37.6	20.6
Process innovator	18.9	43.2	19.4
Innovation-related expenditure	54.1	65.3	54.4
Ongoing or abandoned activities	6.2	14.0	6.4

Source ; UK Innovation Survey 2005: NI results

Innovation by industry type

The proportion of firms reported to be innovation active also varied considerably across industrial and commercial sectors, with 63 per cent of respondents in the production and construction sector (SIC 2003 sections C-F) being innovation active compared with 52 per cent of enterprises in the distribution and services sector (SIC 2003 sections G-K). **See table 10.**

While SMEs and large enterprises in the distribution and services sector had relatively similar levels of innovation activity, large enterprises in the production and construction sector were considerably more active.

Table 10 Percentage of Enterprises engaged in Innovation activity by industry

	SIZE OF ENTERPRISE		
	SMEs	Large	All
Production and Construction Sector	62.5	87.2	63.2
Manufacturing	72.0	88.7	72.7
Mining and Quarrying	51.9	-	51.9
Construction	D	D	51.4
Electricity, gas and water supply	D	-	D
Distribution and Services Sector	52.3	54.3	52.3
Real estate, renting and business activities	73.6	66.7	73.3
Financial intermediation	D	D	69.7
Transport, storage and communication	55.1	-	55.1
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	46.5	40.9	46.4
Hotels and restaurants	40.5	37.5	40.5
ALL INDUSTRIES	55.7	66.6	55.9

Source; UK Innovation Survey 2005: NI results

D = disclosive figures.

- = no enterprises responded in this sector/size group

Definitions

7

Businesses

There is no single definition of a business, or of a firm or enterprise, which are often used to mean the same thing. Generally it means a legal unit, person or group of people producing goods or services under their own control and with their own legal identity. A branch or office of a larger organisation is not in itself a business.

Size of business

This refers to the number of employees. There is no universally accepted definition of a small, medium or large business. The revised European Union definition, used for EU statistical comparisons, defines a small enterprise as one with under 50 employees, and a medium enterprise as one with at least 50 but under 250 employees. Large enterprises have 250 or more employees.

Classification

The industrial classification used in this publication is the Standard Industrial Classification, SIC (2003).

For Further Information on Northern Ireland Economic Statistics please view:

www.statistics.detini.gov.uk

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