

## Jersey Business Tendency Survey

September 2009

Statistics Unit: [www.gov.je/statistics](http://www.gov.je/statistics)

### Introduction

The Jersey Business Tendency Survey was launched in September 2009 to provide qualitative information about the Island's economy in a timely manner.

The survey enables a set of indicators to be produced that can be used to monitor economic performance. The results of the survey, including the headline **Business Activity Indicator**, will henceforth be published quarterly.

The Business Tendency Survey samples private sector businesses in Jersey. The survey asks the Chief Executive or Managing Director of sampled businesses for their opinions on the **current situation of their business compared to three months previously** and also for their **expectations for the next three months**.

Each indicator derived from the survey responses is calculated as a net balance, that is the difference between the percentage of respondents answering *higher* or *increase* compared with the percentage answering *lower* or *decrease*. A copy of the questionnaire is included in Appendix 2.

Responses are weighted according to the sampling probability and size of workforce of each business (see Notes). Hence, each indicator constitutes a **weighted net balance (WNB)**.

This report is structured into four sections:

1. the headline Business Activity Indicator;
2. the weighted net balances for the nine other indicators;
3. results by size of business (in terms of employment).
4. results for the **Construction** and **Wholesale & retail** sectors, which together employ almost a quarter of Jersey's total workforce<sup>1</sup>.

In view of the proportion of Jersey's total economic activity represented by the **Finance sector**<sup>2</sup> results are presented separately for this sector in the first three sections.

***It should be emphasised that the Business Activity Indicator, and the other "current" indicators in this report, represent a qualitative expression of the relative position of economic performance between the current point in time and that of three months previously rather than an absolute measure of economic performance. The two "future" indicators represent a qualitative expression of expected changes over the next three months.***

<sup>1</sup> Jersey Labour Market at June 2009, Statistics Unit, October 2009.

<sup>2</sup> Financial intermediation has accounted for around half of total economic activity in Jersey for at least the last ten years, and in 2008 accounted for 53%: Jersey Gross Value Added (GVA) and Gross National Income (GNI), Statistics Unit, September 2009.

## Summary

- The first round of the Jersey Business Tendency Survey received an excellent response rate of 76%, representing coverage of the private sector, in terms of employment, of 50%.
- the **all-sector Business Activity Indicator in September 2009 was -11 percentage points (pp)**;
- this headline indicator implies that the proportion of businesses in Jersey reporting a decline in business activity over the previous three months was 11 pp greater than the proportion reporting an increase;
- two-fifths of businesses reported “no change” in business activity over the previous three months;
- the Finance sector overall had a marginally positive Business Activity Indicator in September 2009, whilst that for the non-finance sectors was considerably negative;
- optimism about the current sectoral situation was positive for the Finance sector but was negative for the non-finance sectors;
- the indicator of future business activity was strongly positive in the Finance sector and was slightly positive for the non-finance sectors;
- the profitability indicator was particularly negative for all sectors of Jersey’s economy, with non-finance being more strongly negative than Finance;
- current and future employment indicators were negative for both Finance and non-finance, and were particularly negative for large firms in the Finance sector;
- nine out of the ten indicators for Construction were negative, with profitability and business activity being strongly negative; future business activity was marginally positive.
- the profitability indicator for Wholesale & retail was strongly negative; in contrast, that for future business activity was strongly positive.

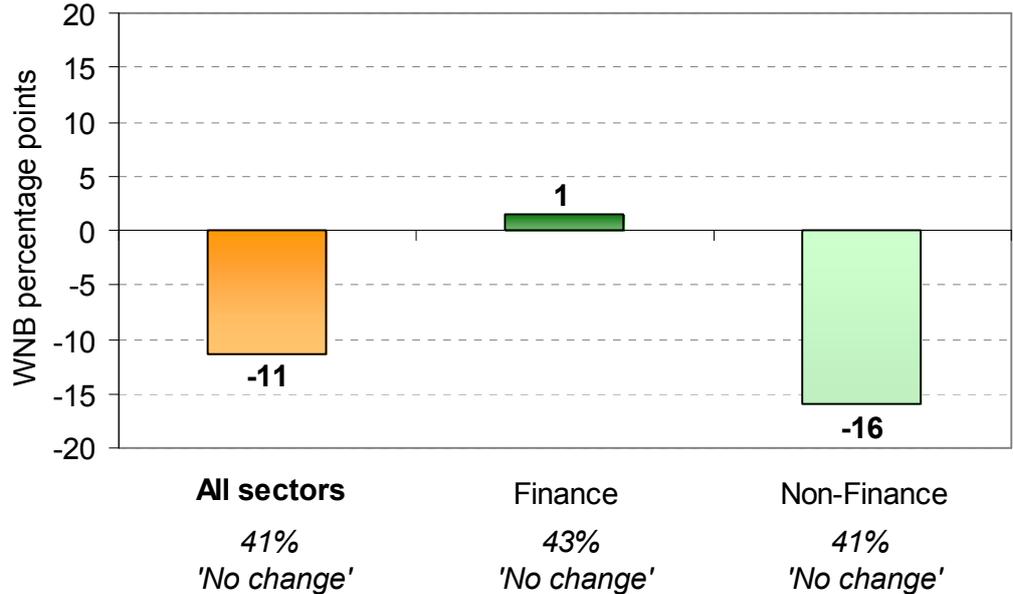
**Section 1: Business Activity Indicator**

The **Business Activity Indicator**, derived from Question 1 of the survey (see Appendix), represents a measure of the total amount of work undertaken by businesses operating in Jersey. Such activity will have specific definitions relevant to each sector of business and may be considered as, for example, turnover, number of products produced, gross income or chargeable hours.

The resultant indicator is a weighted net balance (WNB) calculated as the difference in the proportion of businesses reporting that their current business activity is higher than it was three months earlier compared with the proportion of businesses reporting that their activity is lower. Such an indicator, derived from relative business activity, is fundamentally similar to the CIPS Services Business Activity Index<sup>3</sup> which is widely used in the UK.

The all-sector Business Activity Indicator in September 2009 was **-11 pp (percentage points)**, see Figure 1, implying that the proportion of businesses reporting a decline in business activity over the previous three months was 11 pp greater than the proportion reporting an increase. Two-fifths of respondents (41%) reported no change to their business activity over the period.

**Figure 1 – Business Activity Indicator; percentage points.**  
*Sept 2009 compared to the situation three months previously.*



As Figure 1 shows, there was a notable difference in the Business Activity Indicator for Jersey’s Finance sector compared with other sectors of the economy; the Finance sector overall had a marginally positive WNB (+1 pp) compared with a negative WNB of -16 pp for non-finance sectors.

It should be re-iterated that the Business Activity Indicator expresses a relative measure of economic performance between the current point in time and that of three months previously, rather than an absolute measure of economic performance.

<sup>3</sup> The UK Services PMI (Purchasing Managers Index), produced for CIPS by Markit Economics, 2009.

## Section 2: All Indicators

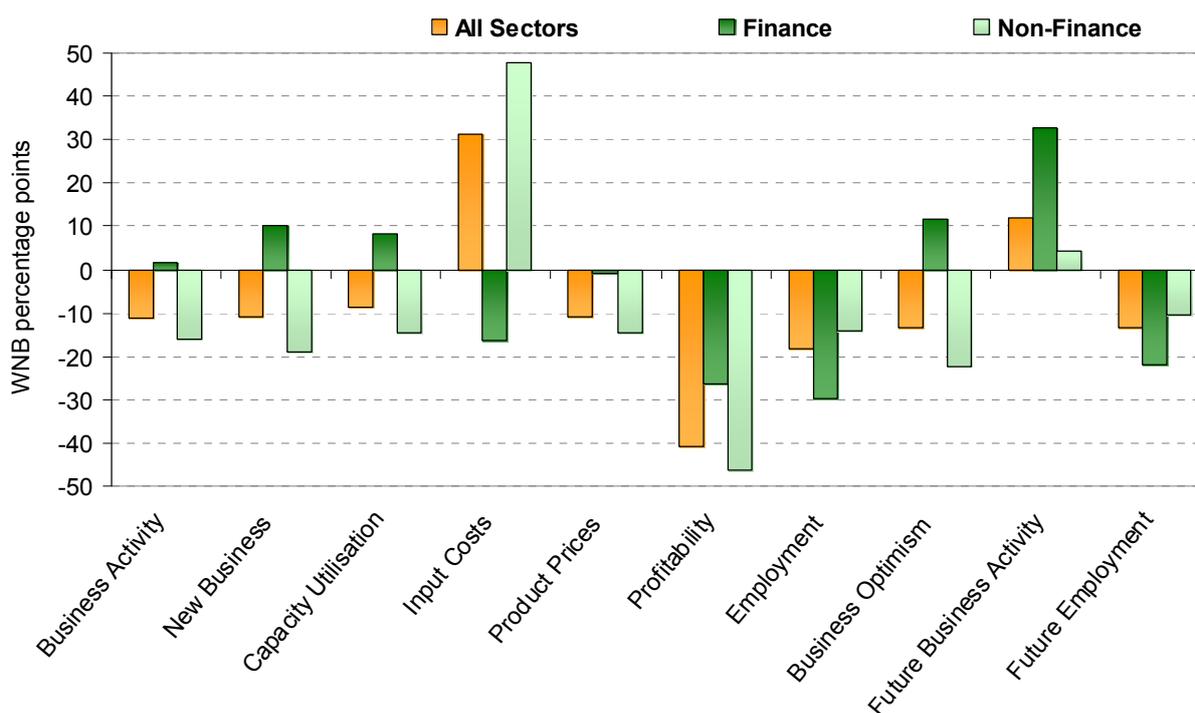
Table 1 and Figure 2 present all ten WNB indicators derived from the responses to each question of the survey, for all sectors, and for finance and non-finance separately.

**Table 1 – WNB indicators: all sectors, Finance and non-finance; percentage points.**  
*Sept 2009 compared to the situation three months previously.*

Indicator	ALL SECTORS		FINANCE		NON-FINANCE	
	WNB	No change*	WNB	No change*	WNB	No change*
<b>Business Activity</b>	<b>-11</b>	<b>41</b>	<b>1</b>	<b>43</b>	<b>-16</b>	<b>41</b>
New Business	-11	44	10	50	-19	41
Capacity Utilisation	-9	53	8	54	-15	53
Input costs	31	50	-16	69	48	43
Product prices	-11	62	-1	75	-15	58
Profitability	-41	30	-26	28	-46	31
Employment	-18	56	-30	42	-14	60
Business optimism	-13	52	12	72	-22	45
Future business activity	12	53	33	55	4	52
Future employment	-14	60	-22	53	-11	63

\* Weighted percentage of respondents who replied "same".

**Figure 2 – WNB indicators: all sectors, Finance and non-finance.**  
*Sept 2009 compared to the situation three months previously.*



In addition to the headline Business Activity Indicator, the Finance sector had positive net balances (of around 10 pp) for the following indicators: new business; capacity utilisation (current business activity of organisation relative to normal capacity); and business optimism (for the sector generally, compared with three months previously). In contrast, each of these indicators had negative balances for the non-finance sectors, of between -15 and -22 pp.

Only one indicator had a positive balance for both finance and non-finance businesses, that of future business activity, i.e. expectations for the next three months compared with the current situation. This indicator was significantly more positive for Finance (+33 pp) than for non-finance (+4 pp). About a half of Finance and non-finance businesses expected no change in activity over the next three months.

The indicators for both current and future employment were significantly negative for the Finance and non-finance sectors, with those for Finance being the more strongly negative. The employment indicators in Finance did suggest an improvement over the next three months, from a current value of -30 to -22 pp, though the outlook remains negative, whilst those for non-finance improve marginally from -14 to -11 pp.

Similarly to employment, the indicators for profitability were strongly negative, with net balances of -26 and -46 pp for the Finance and non-finance sectors, respectively.

The input costs indicator requires particular caution in interpretation since a positive net balance (whereby input costs overall have increased for more businesses than they have decreased) is effectively a negative outcome. Finance has a WNB of -16 pp indicating that overall input costs (supplies and materials bought as well as employment costs) have decreased, suggesting an overall positive occurrence. In contrast, non-finance has a WNB for this indicator of +48 pp indicating that such businesses have experienced increases in their input costs.

### **Section 3: Size of business**

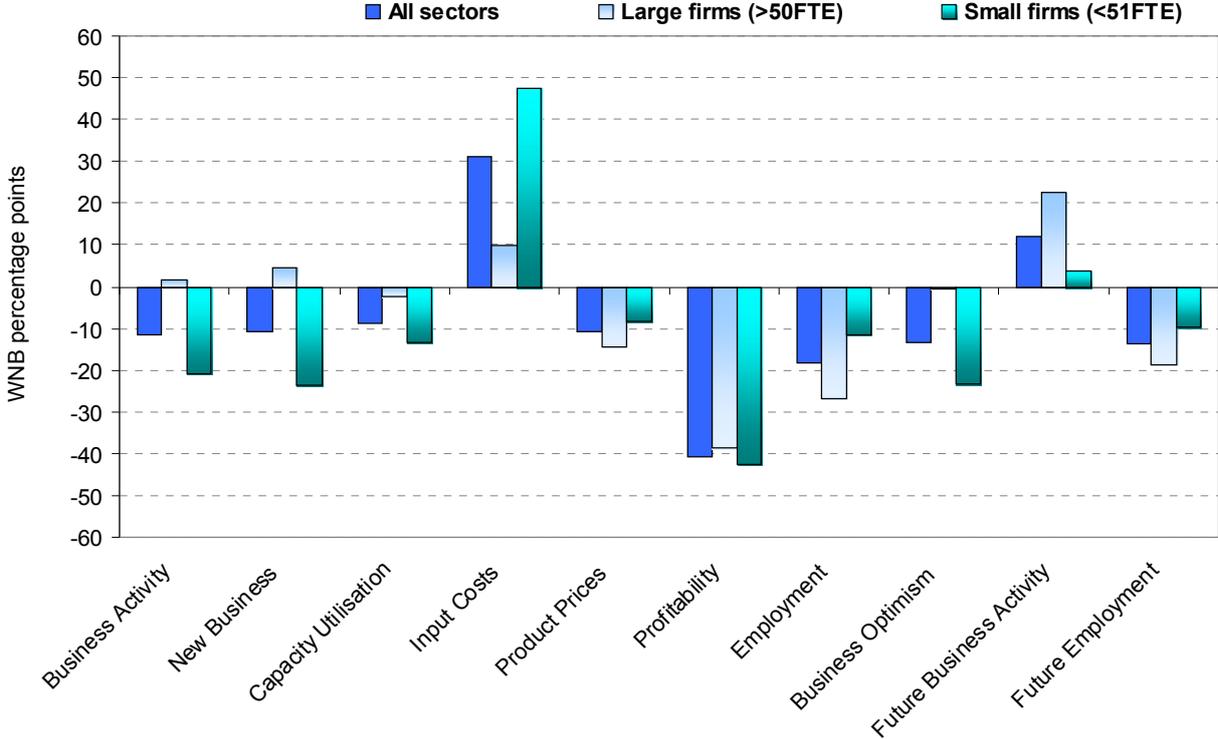
To gain an understanding of how different issues may be relevant to businesses of different sizes, the survey results were analysed by manpower, expressed in terms of full-time equivalent employees (FTEs). Weighted net balances were calculated for small firms (defined as having 50 or fewer FTEs) and large firms (more than 50 FTEs) for all sectors and also for Finance and non-finance separately.

As Figure 3 shows, in September 2009 large firms in Jersey were slightly positive, overall, regarding their current business activity and new business compared with three months previously. In contrast, smaller firms exhibited the opposite tendency, with negative net balances for these same two indicators.

Both small and large firms had negative net balances for capacity utilisation, product prices, profitability, employment, business optimism and future employment. They also indicated that their input costs were higher.

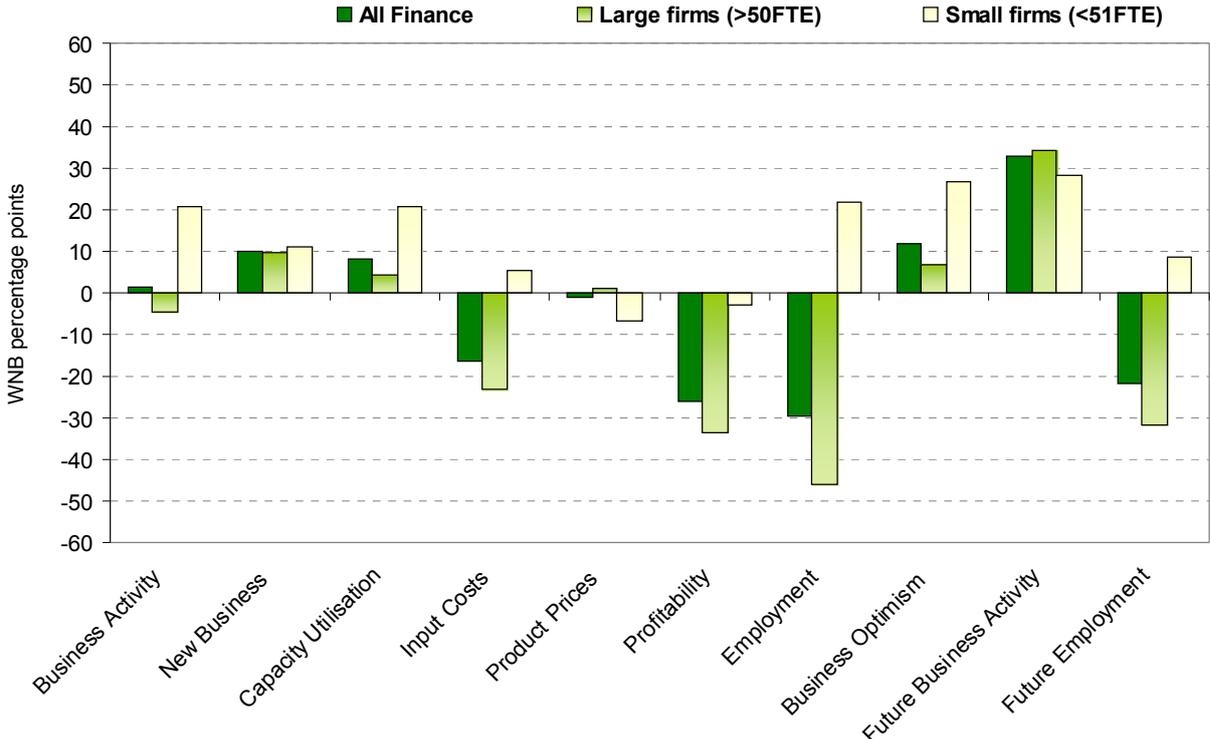
The one indicator having a positive net balance for both categories of business size was that of future business activity, with large firms, overall, being more positive than small firms (WNBs of +23 and +4 pp, respectively).

**Figure 3 - All sectors: WNB indicators for large and small firms**  
 Sept 2009 compared to the situation three months previously.



The breakdown by business size for the Finance sector (see Figure 4) showed strong negative net balances for larger firms from the perspective of profitability and employment (both current and future). Business optimism, however, was positive for both large and small firms in the sector, and future business activity was strongly positive (WNBs of around +30 pp).

**Figure 4 - Finance: WNB indicators for large and small firms**  
 Sept 2009 compared to the situation three months previously.

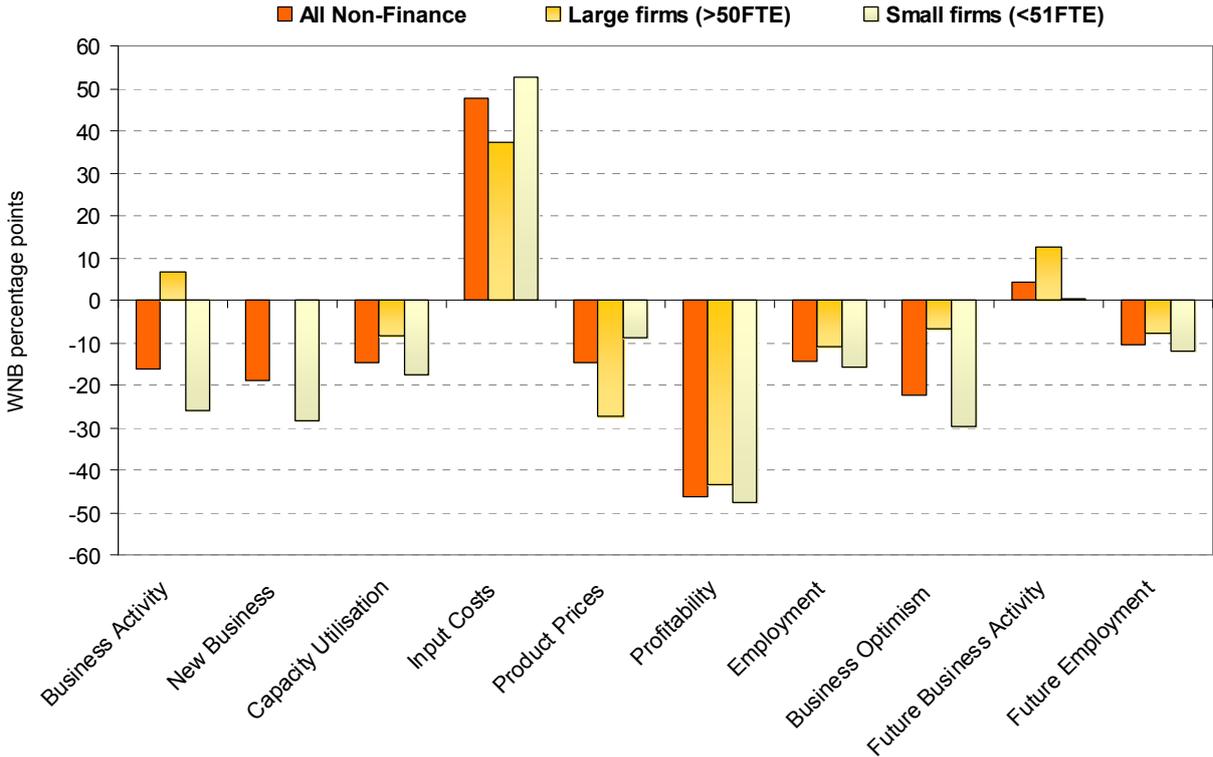


In contrast to the larger firms, small finance firms reported positive balances for their current business activity and employment (both current and future).

As discussed in Section 2, the non-finance sectors had a generally more negative tendency than the Finance sector (see Figure 5). Of the ten indicators for non-finance companies, future business activity was the only indicator with a positive WNB for both small and large firms.

**Figure 5 – Non-finance: WNB indicators for large and small firms**

*Sept 2009 compared to the situation three months previously.*



The profitability indicator was strongly negative for both large and small non-finance businesses (-43 and -48 pp, respectively) and that for input costs was strongly positive (+37 and +53 pp, respectively) i.e. such costs were higher. Current and future employment indicators were similarly negative for large and small firms.

**Section 4: Construction and Wholesale & retail sectors**

These two sectors, together, account for about a quarter of Jersey’s total workforce<sup>2</sup> and for more than 10% of total economic activity as measured by Gross Value Added, GVA<sup>1</sup>. The set of WNB indicators for Construction are presented in Table 2 and those for Wholesale & retail in Table 3.

Nine out of the ten indicators for Construction in September 2009 were negative, with those for business activity, new business, profitability and business optimism all being strongly negative. The indicator for input costs was strongly positive (as discussed previously, this in fact represents a negative outcome), suggesting that such costs had risen in the sector.

**Table 2 – WNB Indicators for the Construction sector; percentage points.**  
*Sept 2009 compared to the situation three months previously.*

Indicator	CONSTRUCTION	
	WNB	No change*
<b>Business Activity</b>	<b>-34</b>	<b>37</b>
New Business	-31	34
Capacity Utilisation	-7	50
Input costs	39	38
Product prices	-12	59
Profitability	-42	25
Employment	-5	73
Business optimism	-29	26
Future business activity	3	55
Future employment	-15	60

\* Weighted percentage of respondents who replied “same”.

The only positive indicator for Construction was for future business activity, with a small positive WNB of +3 pp.

As Table 3 shows, the indicators for the Wholesale & retail sector were generally more positive than those for Construction, with future business activity being strongly positive (+33pp). The profitability indicator was, however, strongly negative (-30 pp) and that for input costs (+50 pp) suggested that such costs had risen.

**Table 3 – WNB indicators for the Wholesale & retail sector; percentage points.**  
*Sept 2009 compared to the situation three months previously.*

Indicator	WHOLESALE & RETAIL	
	WNB	No change*
<b>Business Activity</b>	<b>13</b>	<b>36</b>
New Business	13	34
Capacity Utilisation	-22	61
Input costs	50	49
Product prices	-6	64
Profitability	-30	26
Employment	1	47
Business optimism	5	48
Future business activity	33	43
Future employment	6	54

\* Weighted percentage of respondents who replied “same”.

## Notes

1. **Net Balance:**

Net balances are used to summarise respondents' answers to the multiple-choice questions in the Business Tendency Survey. The balance is obtained by taking the difference between the weighted percentages of respondents giving positive (such as "increase" or "higher") and negative responses (such as "decrease" or "lower"). The net balance is given as a difference expressed in percentage points (pp). The statistical uncertainty on each net balance (expressed as a 95% confidence interval) depends on the effective (weighted) numbers of respondents to each question and ranges from  $\pm 2$  to  $\pm 3$  pp.

2. **Seasonal effects:**

Businesses are asked to exclude any normal seasonal fluctuations from their responses.

3. **Stratified sample:**

To design a representative sample of Jersey's businesses, a random sampling approach was invoked, stratified by business size (employment on a full-time equivalent, FTE, basis) and type of activity (SIC sector). Size-dependent sampling probabilities were applied, businesses with more than 50 FTE employees having a sampling probability of 1. The sample will be reviewed twice yearly to incorporate new or expanding businesses, in order that the sample remains representative of Jersey's economy.

4. **Response:**

Over 460 firms were sent a survey questionnaire for the first round of this survey; some 350 completed questionnaires were returned, representing an overall response rate of 76%. This represents coverage of Jersey's economy, in terms of employment, of 50%.

5. **Timing:**

For future rounds of this survey, the questionnaire will be sent to sampled firms in the last month of each quarter (March, June, September and December).

6. **Weighting:**

The response data collected were analysed by calculating a weighted net balance. Each reporting business was assigned two weights: a sampling probability weight and a size weight (FTE workforce). The sampling weight adjusts for the different likelihoods of different sized businesses being included in the sample, an effect of the sampling methodology used. The size weight ensures that companies contribute to each indicator in proportion to the size of their workforce.

*Statistics Unit*

*29<sup>th</sup> October 2009*

**WNB indicators: all sectors, Finance, non-finance, Construction and Wholesale & retail; percentage points.**

Indicator	ALL SECTORS		FINANCE		NON-FINANCE		CONSTRUCTION		WHOLESALE & RETAIL	
	WNB	No change*	WNB	No change*	WNB	No change*	WNB	No change*	WNB	No change*
<b>Business Activity</b>	<b>-11</b>	<b>41</b>	<b>1</b>	<b>43</b>	<b>-16</b>	<b>41</b>	<b>-34</b>	<b>37</b>	<b>13</b>	<b>36</b>
New Business	-11	44	10	50	-19	41	-31	34	13	34
Capacity Utilisation	-9	53	8	54	-15	53	-7	50	-22	61
Input costs	31	50	-16	69	48	43	39	38	50	49
Product prices	-11	62	-1	75	-15	58	-12	59	-6	64
Profitability	-41	30	-26	28	-46	31	-42	25	-30	26
Employment	-18	56	-30	42	-14	60	-5	73	1	47
Business optimism	-13	52	12	72	-22	45	-29	26	5	48
Future business activity	12	53	33	55	4	52	3	55	33	43
Future employment	-14	60	-22	53	-11	63	-15	60	6	54

\* Weighted percentage of respondents who replied "same".

### BEFORE COMPLETING THE SURVEY PLEASE READ THE GUIDANCE NOTES OVERLEAF

Ref: \_\_\_\_\_ Company Name: \_\_\_\_\_

Please provide contact details for future correspondence: Name:.....Tel number:.....

### Current situation

Please **compare the current trading situation** for your organisation to **three months ago**; **EXCLUDING NORMAL SEASONAL FLUCTUATIONS** e.g. *current trading situation is higher than three months ago excluding seasonal fluctuations.*

Please tick one option only when answering the following questions regarding your organisation:

1. Level of business activity / output: Gross income, chargeable hours worked or turnover. **(see note 1)**  
 Higher       Same       Lower       N/A
  
2. Incoming new business / new orders: New business 'won' or placed with your organisation. **(see note 2)**  
 Higher       Same       Lower       N/A
  
3. Level of capacity utilisation: Current business activity relative to 'normal capacity' (e.g. 'above capacity' means busier and longer hours worked than normal). **(see note 3)**  
 Above capacity     Normal capacity     Below capacity     N/A
  
4. Average costs that you pay for inputs: Prices paid for supplies, purchases, wages and salaries etc. **(see note 4)**  
 Higher       Same       Lower       N/A
  
5. Average prices that you charge for your products: Prices charged per item or unit of time on average. **(see note 5)**  
 Higher       Same       Lower       N/A
  
6. Profitability: Total profits earned on all activities of your organisation. **(see note 6)**  
 Higher       Same       Lower       N/A
  
7. Employment: Number of employees employed. **(see note 7)**  
 Higher       Same       Lower       N/A
  
8. Business optimism: Optimism about the overall business situation in your **sector generally**. **(see note 8)**  
 Increase       Same       Decrease       N/A

### Future expectations

Please **compare your expectations** for your organisation over **the next three months** to the current situation; **excluding normal seasonal fluctuations** e.g. *the business activity next quarter will be higher than the current quarter, excluding seasonal fluctuations.*

9. Level of business activity / output: Gross income, chargeable hours worked or turnover. **(see note 1)**  
 Increase       No change       Decrease       N/A
  
10. Employment: Number of employees employed. **(see note 7)**  
 Increase       No change       Decrease       N/A

### Exceptional circumstances

Please list any recent exceptional circumstances such as business re-structuring, mergers or changes in accounting practices and what impact these circumstances have had on the answers provided.

.....  
 .....

Would you like to receive a copy of the **quarterly report** via email? Yes / No

Would you like to receive the **next quarterly Business Tendency Survey** via email? Yes / No

Please provide a contact email address:.....

## **GUIDELINES ON COMPLETING THE SURVEY**

The survey is to be completed by the Chief Executive or Managing Director and all answers should refer to the local Jersey-based unit of your organisation, not the performance of the international operations of your organisation outside the Island. The basis for answers should be consistent from one survey quarter to the next.

### **GUIDANCE NOTES ON THE SURVEY**

The “Current situation” questions ask you to compare the *current* trading situation for your organisation to three months ago. The future expectations questions ask you to compare your *expectations* for your organisation over the next three months to the current situation. Please answer all questions by ticking only one of the four option boxes. Please try to **exclude normal seasonal variations** from your responses. For example, activity in hotels is typically higher in the summer than in spring, so do not tick ‘higher’ *unless* business activity is higher than three months ago *excluding* normal seasonal variations.

- Level of business activity / output:** This is the total amount of work undertaken by your organisation. Business activity can be thought of as gross income, chargeable hours worked, turnover or the number of products produced. The measure of business activity used depends on the nature of your organisation. For example, a legal firm may use the number of chargeable hours worked. A bank may decide to use values of fees, commission and premium income.
- Incoming new business / new orders:** This is the amount of new business placed with your organisation. This may include any new clients, new orders or contracts from existing clients or any new contracts.
- Level of capacity utilisation:** This is your current business activity relative to ‘normal capacity’. Please tick ‘above capacity’ if your current business activity is above its normal capacity (e.g. because your organisation is busier than normal or staff are working longer hours than normal). Please tick ‘below capacity’ if your current business activity is below its normal capacity (e.g. because your organisation is quieter than normal and staff are working shorter hours than normal).
- Average cost of inputs:** This is the average cost for all inputs used by your organisation. Inputs include supplies obtained, stocks/materials bought in and costs of employees, including wages, salaries and pension costs paid by your organisation. Please try to give a weighted average of costs. For example, if employment costs are the largest share, give them the largest weighting (i.e. importance) when answering the question.
- Average prices that you charge for your products:** This is the price charged per item or per unit of time on average. For example, a legal firm will know how much they charge an hour. However, if your organisation offers various services/products then please try to give a weighted average. For example, if one service accounts for most of your sales and its prices have increased then give it the largest weighting (i.e. importance) when answering the question by indicating that prices have risen on average.
- Profitability:** This is the total profits earned on all activities of your organisation. If your organisation does not calculate profits over the most recent three months, please try to estimate how your profitability has changed, taking into account changes in turnover, changes in input costs and changes in mark-ups/spreads over input costs.
- Employment:** This is the number of employees employed on average. Please count two part-time employees as equivalent to one full-time employee. For example, if two part-time employees resigned and one full-time employee was taken on, please count this as no net change and tick ‘same’. Ignore seasonal or temporary hirings.
- Business optimism:** This refers to your confidence or optimism about the overall business situation in your sector generally. Unlike the previous questions, it is *not* about what is actually happening to *your organisation* at present, but asks about your opinions for your *sector generally*.

***The information contained in each survey will be treated with the strictest confidence and will only be used to produce aggregate measures***

**Thank you for your time**