

Jersey Business Tendency Survey

June 2010

Statistics Unit: www.gov.je/statistics



Introduction

The Jersey Business Tendency Survey (BTS) was launched in 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 headline indicator is that of Business Activity.

It should be emphasised that the Business Activity Indicator, and the other "current" indicators, 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.

The June 2010 round of the survey (which ran in the first two weeks of June) achieved a response rate of 73% and covered almost half of total private sector employment in the Island.

Summary

- The **headline all-sector Business Activity Indicator was -4 percentage points (pp)**, indicating that the proportion of businesses in Jersey reporting a decline in business activity compared with three months previously was 4 pp greater than the proportion reporting an increase. About half reported 'no change'.
- Although still negative, the all-sector Business Activity Indicator improved by 11 percentage points compared with March 2010.
- Both the Finance and non-finance sectors saw improvement in the Business Activity Indicator, up by 4 pp and 14 pp, respectively, from March 2010.
- The **Finance sector** saw improvement in seven indicators, with Business Activity and Future Employment being the most positive seen in the four rounds of the survey. Profitability remained negative, but was improved on three months earlier. New Business and Business Optimism were both down, though remained positive.
- Eight of the ten indicators for the **non-finance sectors** had a negative tendency in June 2010. However, six indicators had improved compared with March 2010, with five being at their most positive levels seen over the past year.
- Input Costs and Profitability remain strongly negative for the non-finance sectors.
- The **Construction** sector saw improvement in five indicators compared with March 2010; Input Costs, however, worsened significantly.
- An improvement in nine indicators was seen for the **Wholesale & retail** sector, with Future Business Activity being positive for the first time since September 2009.

Section 1: Business Activity Indicator

The **Business Activity Indicator** 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.

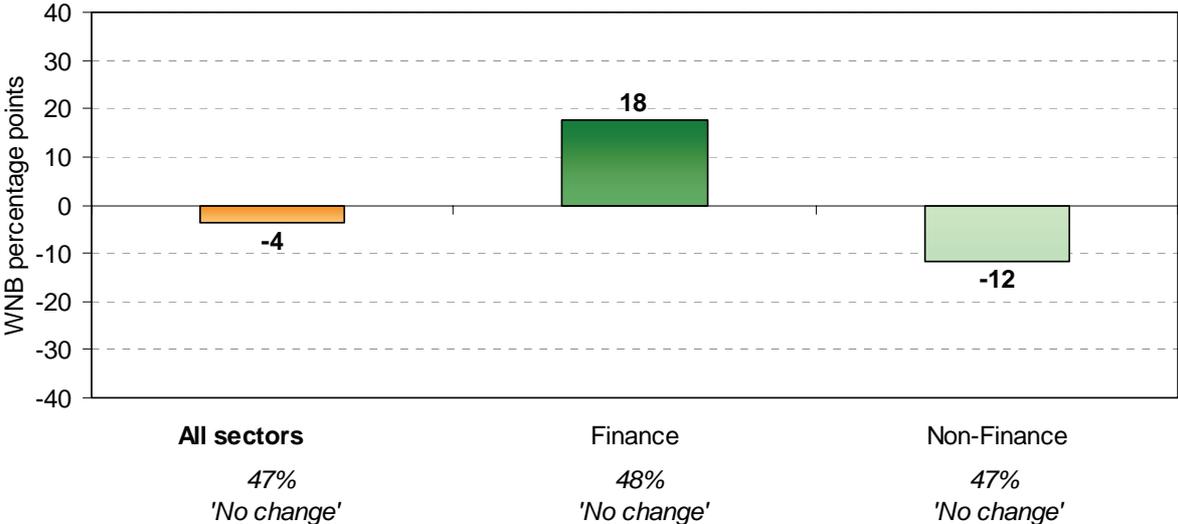
The resultant indicator is a weighted net balance (WNB) calculated as the difference in the proportion of businesses reporting that their current business activity is higher than it was three months earlier compared with the proportion reporting that their activity is lower¹.

The all-sector Business Activity Indicator in June 2010 was -4 pp (percentage points), implying that the proportion of businesses reporting a decline in business activity compared with three months previously was 4 pp greater than the proportion reporting an increase. Around half (47%) of businesses reported no change to their business activity over the period (see Figure 1).

The all-sector Business Activity Indicator for June 2010 is the least negative seen over the last year. The level of the indicator in September 2009 was -11 pp whilst in both December 2009 and March 2010 it was -15 pp.

Figure 1 – Business Activity Indicator (percentage points²).

June 2010 compared with 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 the other sectors of the economy:

- the Finance sector overall had a WNB of 18 pp in June 2010, indicating that a greater proportion of businesses reported an increase as reported a decrease in business activity compared with three months earlier. Almost half (48%) of businesses in the Finance sector reported no change in business activity;
- in contrast, the non-finance sectors had a negative WNB of -12 pp with, similarly to the Finance sector, almost half (47%) of businesses reporting no change in business activity.

¹ Such an indicator, derived from relative business activity, is fundamentally similar to the Chartered Institute of Purchasing and Supply (CIPS) Services Business Activity Index which is widely used in the UK: the UK Services PMI (Purchasing Managers Index), produced for CIPS by Markit Economics, 2009.

² Throughout this report, bar charts are plotted using unrounded WNBs; numbers on charts and in the tables of the Appendix are shown rounded to the nearest integer.

The Business Activity Indicator for the Finance sector (18 pp) in June 2010 was higher than in the three previous rounds of the survey. The March 2010 round of the BTS had previously recorded an increase in this indicator to 14 pp from values of 1 pp and 0 pp in September and December 2009, respectively.

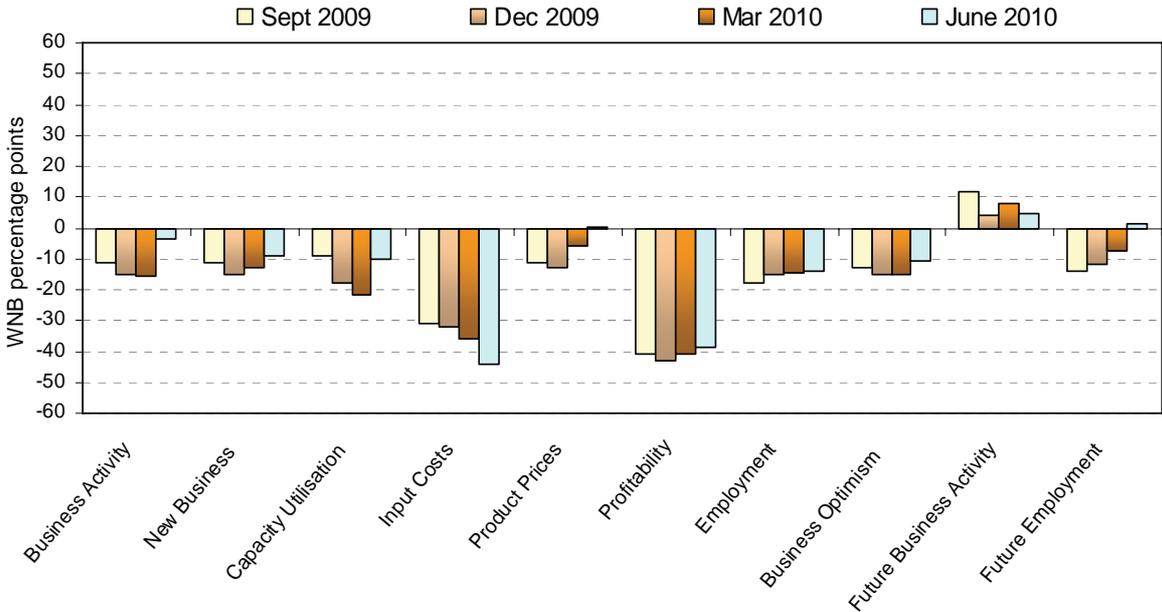
The non-finance sectors saw the first improvement in the Business Activity Indicator in the four rounds that the survey has been running. Whilst still negative (at -12 pp), there was a 14 pp improvement compared with that of March 2010 (-26 pp).

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.

Section 2: All Indicators

Figure 2 presents the ten all-sector WNB indicators derived from the responses to each question of the survey; the measures of each indicator are shown for the latest and three previous rounds of the survey. Detailed results for all indicators are shown in Appendix 1.

Figure 2 – Ten all-sector WNB indicators
 Sept, Dec 2009 and March, June 2010.



In June 2010, eight of the ten indicators had improved compared with March 2010, being either more positive or less negative. In contrast, Future Business Activity was lower by 3 pp in June, but remained positive, whilst Input costs³ have seen a continual worsening over the four rounds of the survey.

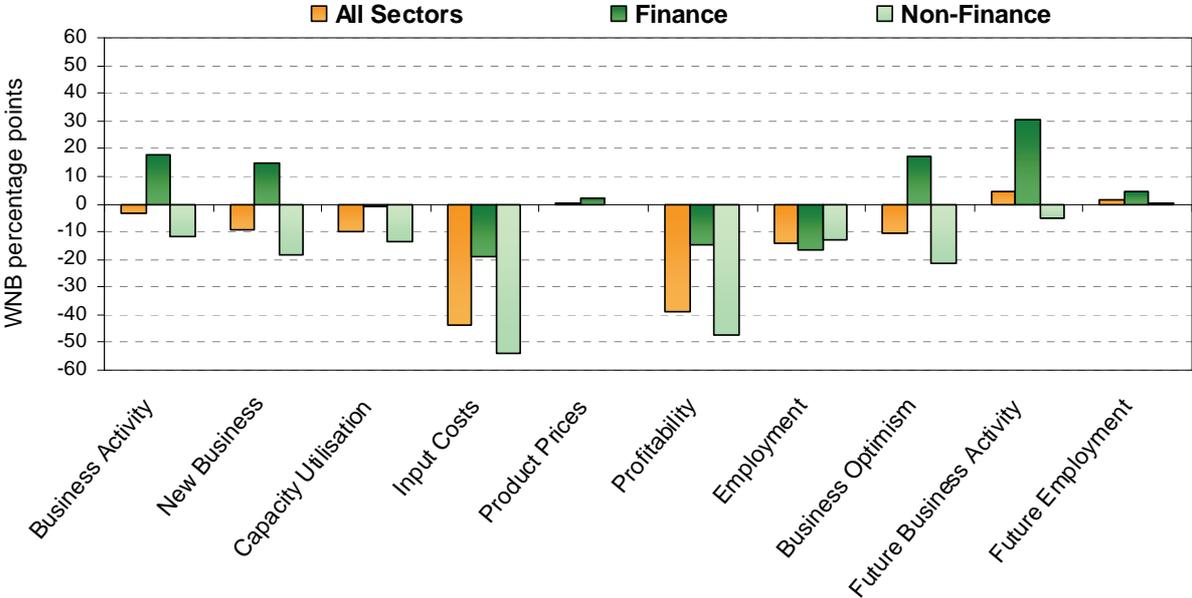
Seven of the ten indicators remain negative; only Future Business Activity and Future Employment were positive in June 2010. The indicator for product prices was 0 pp⁴, with almost three-quarters (73%) of firms reporting no change in the last three months.

³ The Input Costs indicator has been constructed such that a negative net balance implies more businesses have seen input costs increase than decrease.
⁴ A zero value (0 pp) indicates that the same number of firms reported an increase as reported a decrease.

Section 3: Finance and non-finance sectors

The Finance sector had a more positive tendency for nine of the ten indicators than the non-finance sectors in June 2010 (see Figure 3), being either positive or less negative.

Figure 3 – WNB indicators: Finance and non-finance
June 2010 compared with the situation three months previously.



In June 2010, the Finance sector had positive WNBs for six of the ten indicators. In contrast, the non-finance sectors were negative for all indicators except Product Prices and Future Employment for which the indicator values were 0 pp⁴.

The Finance sector was considerably more positive (or less negative) than the non-finance sectors, by more than 20 pp, for six of the ten indicators.

The Input Cost indicator was the most strongly negative indicator for both sectors. The non-finance sector was also strongly negative for Profitability.

The Finance sector had a more negative WNB than the non-finance sectors for Employment, but was slightly more positive for Future Employment.

Section 4: Finance sector

Figure 4 compares all ten indicators for the Finance sector in June 2010 with those measured in the previous three rounds of the BTS.

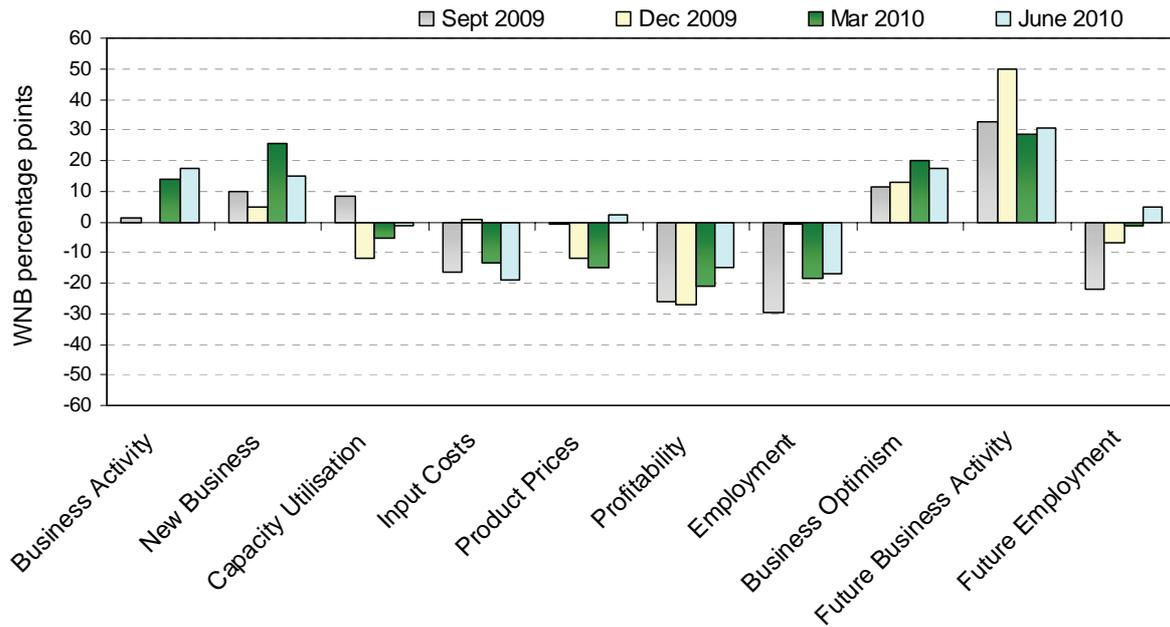
This latest round of the survey saw the Finance sector report its most positive indicator values for Business Activity, Product Prices, Profitability (though still significantly negative) and Future Employment.

Seven of the ten indicators for the sector were more positive (or less negative) than in March 2010. In contrast, New Business and Business Optimism were both down, though remained positive.

For the first time in the four rounds of the BTS, the Future Employment indicator for the Finance sector was positive.

Figure 4 – Finance sector WNB indicators

Sept 2009, Dec 2009 and Mar, June 2010.

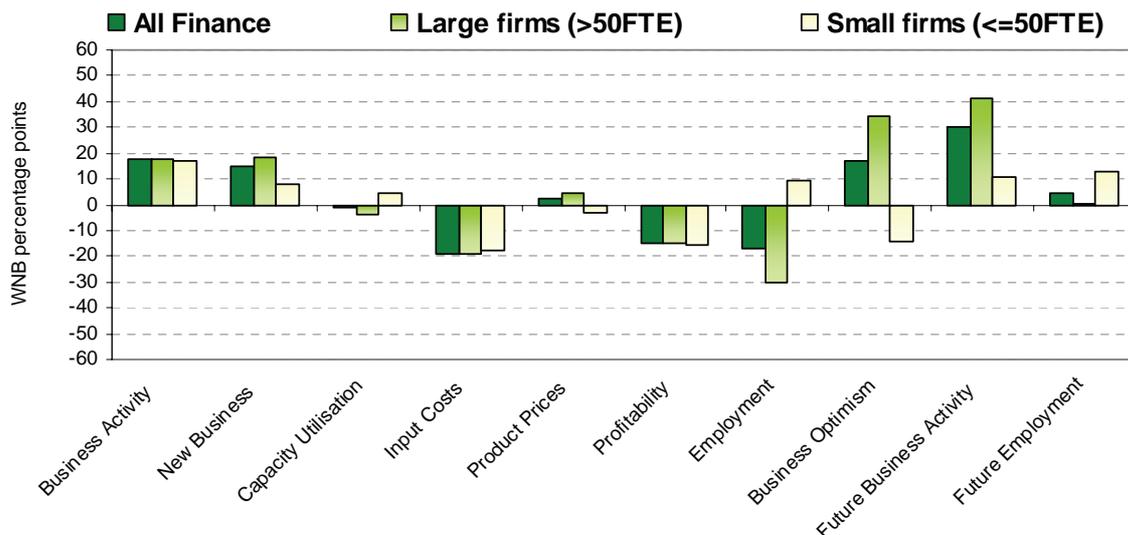


The Future Business Activity indicator has been the most strongly positive indicator for each round of the survey. A continued improvement over this period has been seen in the indicators for Business Activity, Profitability and Future Employment.

Larger Finance firms (those with more than 50 full-time equivalent employees, FTE's) were more positive than their smaller counterparts in four of the ten indicators in June 2010 (see Figure 5).

Figure 5 – Finance sector WNB indicators for large and small companies

June 2010 compared with the situation three months previously.



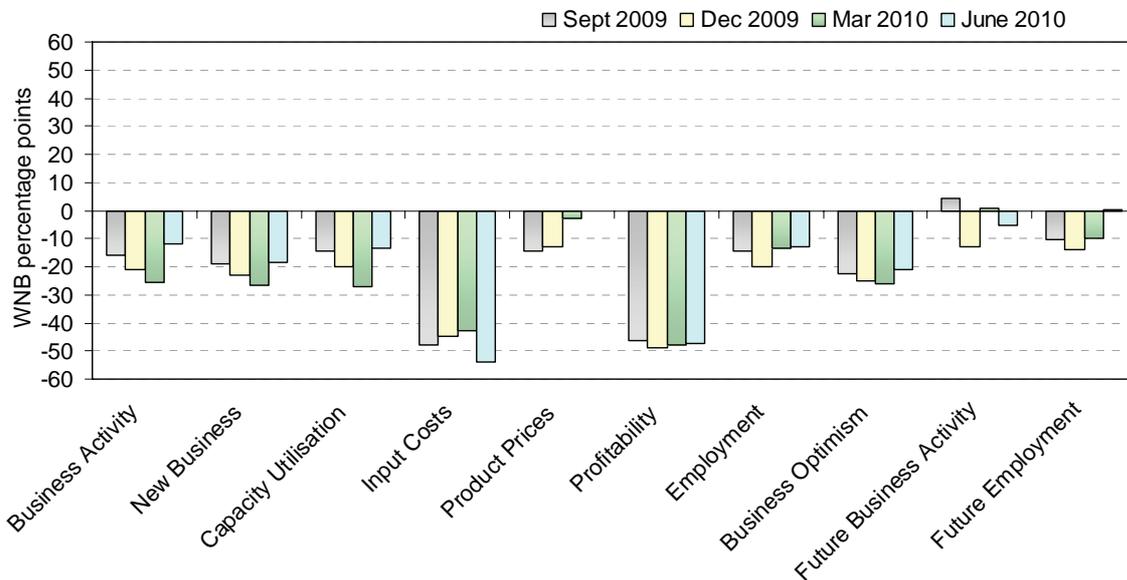
Parity between large and small firms was found for Business Activity, Input Costs and Profitability. Four of the indicators revealed results with different signs; the largest differences were for Business Optimism where large firms were positive at 34 pp and small firms were negative at -14 pp, whilst the opposite tendency held for Employment for which large firms were negative at -30 pp and smaller firms were more positive at 10 pp.

Section 5: Non-finance sectors

Figure 6 compares all ten indicators for the non-finance sectors for the four rounds of the BTS to date.

Figure 6 – Non-finance sectors WNB indicators

Sept, Dec 2009 and March, June 2010.



In the latest round of the survey, eight of the ten indicators were negative. Product Prices and Future Employment had indicator values of 0 pp⁴, representing the most positive result for both these over the last year.

Input Costs and Profitability remain strongly negative for the non-finance sectors.

Six indicators have shown improvement on the March 2010 results and five of the indicators are at their most positive levels for the duration of the BTS. The previous negative trends seen for Business Activity, New Business, Capacity Utilisation and Business Optimism were reversed in this round of the survey.

The Input costs indicator is at its most negative level seen at -54 pp.

Larger businesses were more positive for six of the ten indicators, with all indicators for small businesses being negative. Large businesses were slightly positive for Product Prices, Future Business Activity and Future Employment.

Construction

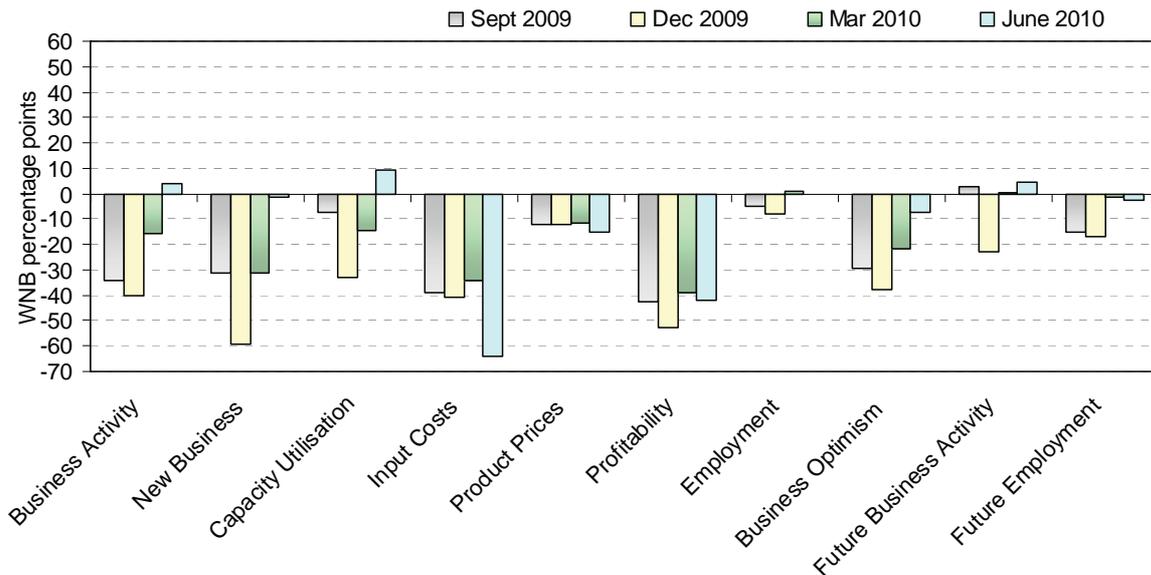
The Construction sector accounts for about 10% of Jersey's total workforce⁵ and for about 5% of total economic activity as measured by Gross Value Added, GVA⁶.

As Figure 7 shows, the Construction sector saw improvement in five of the ten indicators compared with March 2010. Business Activity and Capacity Utilisation now have a positive WNB for the first time in the running of the BTS and the New Business indicator improved by 30 pp compared to March 2010.

⁵ Jersey Labour Market at December 2009, States of Jersey Statistics Unit March 2010.

⁶ Jersey Gross Value Added (GVA) and Gross National Income (GNI), Statistics Unit, September 2009.

Figure 7 – Construction sector WNB indicators
 Sept 2009, Dec 2009 and March, June 2010.



The Input Costs indicator worsened significantly in June 2010, decreasing from -34 pp in March to -64 pp in June 2010. This means that 30 pp more firms than in March 2010 reported an increase in their input costs³. A quarter (24%) of firms reported no change.

Profitability decreased slightly in this quarter, remaining strongly negative, while the Employment and Future Employment indicators stayed relatively flat.

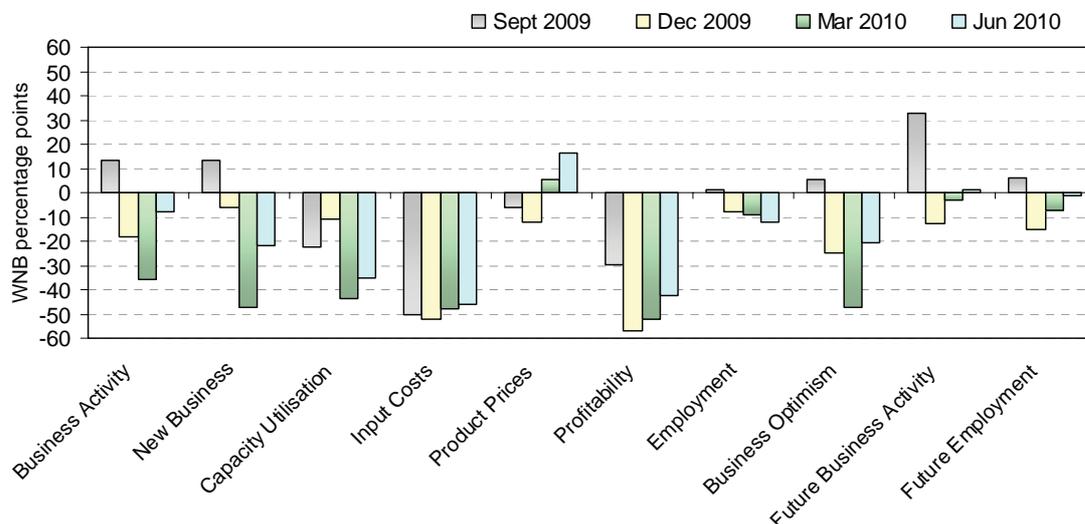
Wholesale & retail

The Wholesale & retail sector accounts for almost a sixth (16%) of Jersey's total workforce⁵ and for about 6% of total economic activity as measured by GVA⁶.

Nine of the ten indicators improved compared to the previous quarter's results, although eight of the ten indicators remain negative (see Figure 8).

Five indicators have seen ongoing improvement since December 2009. Business Activity, New Business and Business Optimism each improved by more than 25 pp from March 2010.

Figure 8 – Wholesale & retail sector WNB indicators
 Sept 2009, Dec 2009 and Mar, June 2010.



More than three-quarters (78%) of firms indicated no change in Employment compared to three months previously and also no change in their expectations for Future Employment.

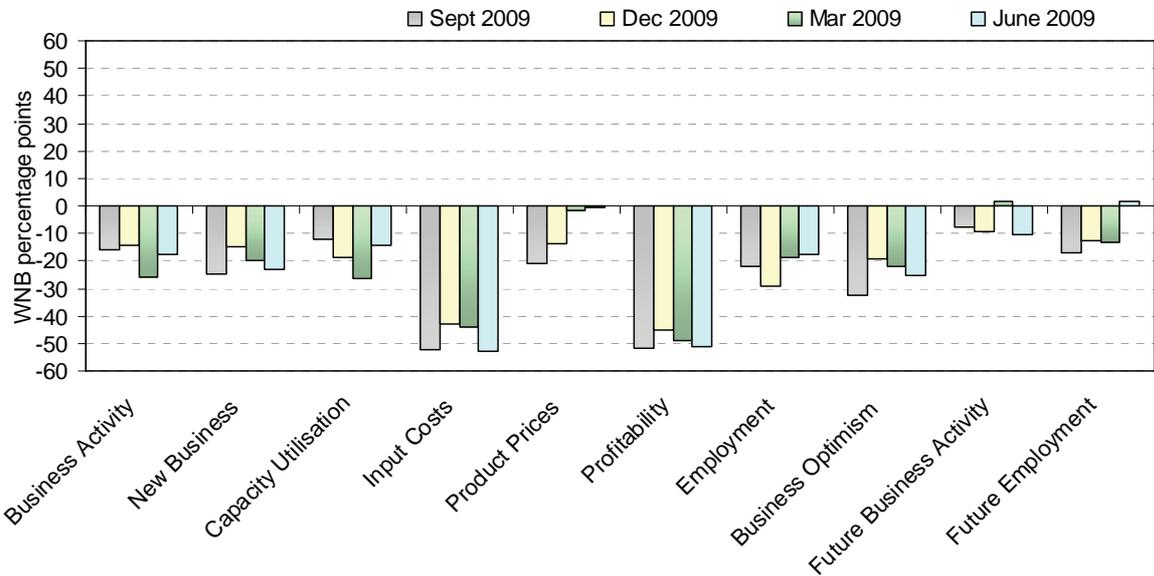
Capacity Utilisation, Input Costs and Profitability are the most strongly negative of the indicators for this sector, each with a WNB of less than -35 pp.

Other non-finance sectors

The remaining non-finance sectors, excluding Construction and Wholesale & retail, together account for more than a third (37%) of the Island’s workforce⁵ and for about a sixth (17%) of total economic activity as measured by GVA⁶.

Five of the ten indicators were worse in June 2010 than in the previous quarter, with nine of the ten having a negative tendency (see Figure 9).

Figure 9 – Other Non-finance sector WNB indicators
Sept, Dec 2009 and March, June 2010



In March 2010 these sectors had reported a marginally positive Future Business Activity; this expression is consistent with the improvement of 8 pp seen in the Business Activity indicator for June 2010.

Input Costs and Profitability remained strongly negative in June 2010, both indicators being at around -50 pp.

In June 2010, Future Employment had a positive tendency for the first time (2 pp).

Notes

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**. A copy of the questionnaire is included in Appendix 2.

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

1. **Net Balance:**

Net balances are used to summarise respondents' answers to the multiple-choice questions of the Business Tendency Survey. The net 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 measured 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 ± 2 to ± 3 pp.

2. **Seasonal effects:**

Businesses are asked to exclude 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:**

500 firms were sent a survey questionnaire for this survey; some 365 completed questionnaires were returned, representing an overall response rate of 73%. This represents coverage of private sector employment of 47%.

5. **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.

June 2010 WNB indicators: all sectors, Finance, non-finance, Construction and Wholesale & retail; percentage points.

Indicator	ALL SECTORS		FINANCE		NON-FINANCE		CONSTRUCTION		WHOLESALE & RETAIL		OTHER NON-FINANCE	
	WNB	No change*	WNB	No change*	WNB	No change*	WNB	No change*	WNB	No change*	WNB	No change*
Business Activity	-4	47	18	48	-12	47	4	48	-8	38	-18	50
New Business	-9	54	15	64	-19	50	-1	46	-22	48	-23	52
Capacity Utilisation	-10	65	-1	81	-14	59	9	48	-35	58	-15	62
Input costs	-44	49	-19	78	-54	37	-64	24	-46	52	-53	37
Product prices	0	73	2	84	0	68	-15	64	16	70	-1	69
Profitability	-39	40	-15	52	-48	35	-42	38	-42	36	-51	34
Employment	-14	67	-17	65	-13	68	0	61	-12	78	-17	68
Business optimism	-11	50	17	60	-21	46	-8	58	-21	50	-25	41
Future business activity	5	58	30	56	-5	59	5	51	1	67	-11	59
Future employment	2	68	5	54	0	74	-3	72	-1	78	2	73

June 2010 WNB indicators: Finance & non-finance by size of business **: percentage points.

Indicator	Large: FINANCE		Small: FINANCE		Large: NON-FINANCE		Small: NON-FINANCE	
	WNB	No change*	WNB	No change*	WNB	No change*	WNB	No change*
Business Activity	18	42	17	61	-3	43	-14	48
New Business	18	62	8	69	-9	55	-22	48
Capacity Utilisation	-4	85	4	74	-14	56	-14	59
Input costs	-19	75	-18	82	-33	54	-61	32
Product prices	5	83	-3	85	1	58	-1	71
Profitability	-15	50	-15	55	-42	42	-49	33
Employment	-30	57	10	80	-22	59	-10	71
Business optimism	34	59	-14	63	-25	53	-20	43
Future business activity	41	49	11	68	2	59	-8	59
Future employment	1	46	13	70	7	72	-2	74

* Weighted percentage of respondents who replied "same".

** Large firms are defined as having more than 50 FTEs; small firms defined as having 50 or fewer FTEs.

March 2010 WNB indicators: all sectors, Finance, non-finance, Construction and Wholesale & retail; percentage points.

Indicator	ALL SECTORS		FINANCE		NON-FINANCE		CONSTRUCTION		WHOLESALE & RETAIL		OTHER NON-FINANCE	
	WNB	No change*	WNB	No change*	WNB	No change*	WNB	No change*	WNB	No change*	WNB	No change*
Business Activity	-15	42	14	49	-26	40	-15	25	-36	37	-26	45
New Business	-13	44	25	51	-27	42	-31	27	-47	48	-20	45
Capacity Utilisation	-21	64	-5	89	-27	56	-14	35	-44	56	-26	82
Input costs	-36	53	-13	79	-43	45	-34	61	-48	52	-44	38
Product prices	-6	74	-15	76	-3	73	-12	85	6	70	-2	70
Profitability	-41	41	-21	48	-48	39	-39	39	-52	37	-41	39
Employment	-15	65	-19	54	-13	68	1	59	-9	76	-19	69
Business optimism	-15	47	20	49	-26	46	-22	37	-47	47	-22	49
Future business activity	8	51	29	55	1	49	1	37	-3	56	2	51
Future employment	-8	65	-1	59	-10	68	-1	46	-7	73	-13	73

March 2010 WNB indicators: Finance & non-finance by size of business **: percentage points.

Indicator	Large: FINANCE		Small: FINANCE		Large: NON-FINANCE		Small: NON-FINANCE	
	WNB	No change*	WNB	No change*	WNB	No change*	WNB	No change*
Business Activity	13	48	16	50	14	38	-38	40
New Business	23	53	34	45	-8	45	-32	41
Capacity Utilisation	-7	91	0	83	-9	64	-33	53
Input costs	-12	79	-19	81	-21	53	-50	42
Product prices	-20	72	4	93	2	56	-4	78
Profitability	-25	43	-5	66	-21	35	-56	39
Employment	-25	49	7	75	-15	54	-13	73
Business optimism	24	44	5	68	-16	60	-29	42
Future business activity	30	51	25	71	33	46	-9	50
Future employment	-5	55	15	71	-15	56	-8	71

* Weighted percentage of respondents who replied "same".

** Large firms are defined as having more than 50 FTEs; small firms defined as having 50 or fewer FTEs.

Business Tendency Survey – June 2010

BEFORE COMPLETING THE SURVEY PLEASE READ THE ATTACHED GUIDANCE NOTES

Company Name:

Contact Details:

If the contact details have changed please update details: Name:.....Tel number:.....

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.

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 (the same or lower) than three months ago when seasonal fluctuations are excluded.*

Note: If it is not practical to compare the current trading situation for your organisation with that of three months ago then please compare it with that of one year ago and make a note of this in the exceptional circumstances overleaf. **(see guidance notes)**

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 next quarter will increase (not change or decrease) compared with 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.

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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 questionnaire** via email? Yes / No

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

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.

GUIDANCE NOTES ON COMPLETING THE SURVEY

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.

If it is not practical to compare the *current* trading situation for your organisation with that of three months ago (e.g. where there may be strong seasonal activities such as in Agriculture or Hospitality) then please compare the current trading situation with that of one year ago. Also use the same annual comparison for the future expectations of your organisation.

1. **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.
2. **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.
3. **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 or staff are working shorter hours than normal).
4. **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.
5. **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.
6. **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.
7. **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.
8. **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*.