

Jersey Business Tendency Survey

December 2010

Statistics Unit: www.gov.je/statistics



Introduction

The Jersey Business Tendency Survey (BTS) 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 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 performance. The two "future" indicators represent a qualitative expression of expected changes over the next three months.

The December 2010 round of the survey (which ran in the first three weeks of December) achieved a response rate of 72% and covered almost half of total private sector employment in the Island.

Summary

- The **headline all-sector Business Activity Indicator was -9 percentage points (pp)**, implying that the proportion of businesses in Jersey reporting a decline in business activity compared with three months previously was 9 pp greater than the proportion reporting an increase. Around half of businesses reported 'no change'.
- the all-sector Business Activity Indicator declined marginally in the latest quarter, down by 3 pp from September 2010.
- there was a considerable difference between the strongly positive Business Activity Indicator of the Finance sector (+30 pp) and the negative tendency recorded by the other sectors of the economy (-24 pp).
- the **Finance sector** saw improvement in four indicators compared with the previous quarter, whilst four indicators declined. The Business Activity and New Business indicators for the sector were at their most positive for the last 18 months.
- the **non-finance sectors** were negative for all indicators; Business Optimism and Future Business Activity were at their most negative for the last 18 months.
- the **Construction** sector was negative for all indicators in December 2010, with only Input Costs seeing an improvement on the previous quarter. Five of the ten indicators were at their most negative for the last 18 months.
- nine of the ten indicators for the **Wholesale & retail** sector were negative in December 2010; New Business and Employment recorded notable improvements on the previous quarter.

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.

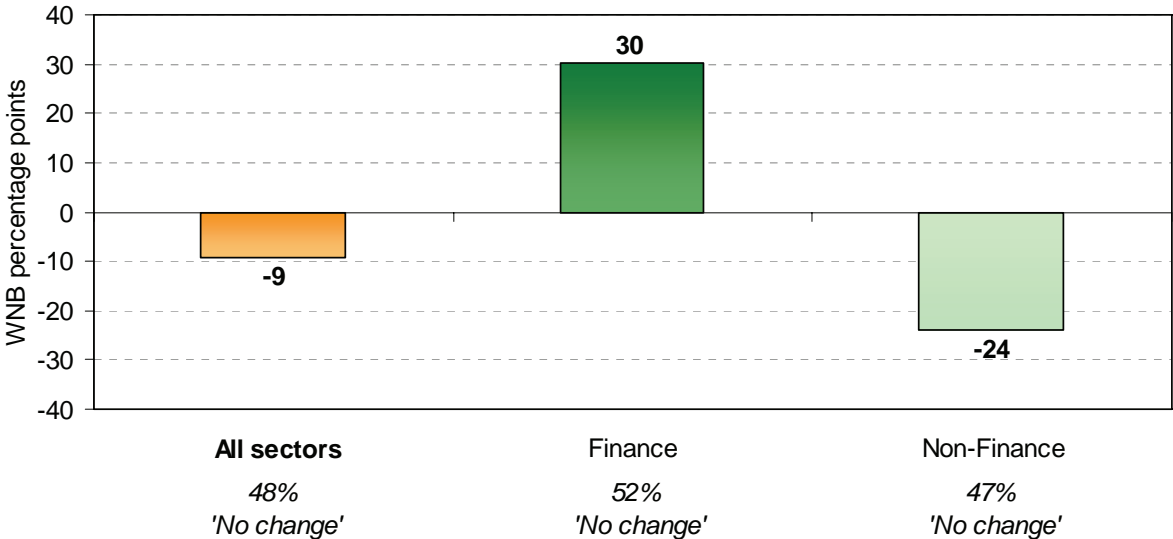
The resultant indicator is a weighted net balance (WNB) calculated as the difference between the proportion of businesses reporting that their current business activity is higher than it was three months earlier compared and the proportion reporting that their activity is lower¹.

The all-sector Business Activity Indicator in December 2010 was **-9 pp (percentage points)**, implying that the proportion of businesses reporting a decline in business activity compared with three months previously was 9 pp greater than the proportion reporting an increase. Around half (48%) of businesses reported no change in their business activity over the period (see Figure 1).

The all-sector Business Activity Indicator for December 2010 was marginally lower (down by 3 pp) than that in September 2010.

Figure 1 – Business Activity Indicator (percentage points²).

December 2010 compared with the situation three months previously.



As Figure 1 shows, there was a considerable difference between the Business Activity Indicator of the Finance sector and that of the other sectors of the economy:

- the Finance sector had a WNB of 30 pp in December 2010, with 39% of businesses reporting an increase in activity compared with three months earlier and 9% reporting a decrease;
- the non-finance sectors, overall, had a negative WNB of -24 pp, with 15% of businesses reporting an increase in activity and 39% reporting a decrease;
- around half of businesses in each case reported 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 in December 2010 was 17 pp higher than that recorded three months earlier, increasing from 13 pp in September 2010 to 30 pp in December 2010. The latest WNB for this indicator is the highest recorded by the sector in the 18 months that the survey has been running.

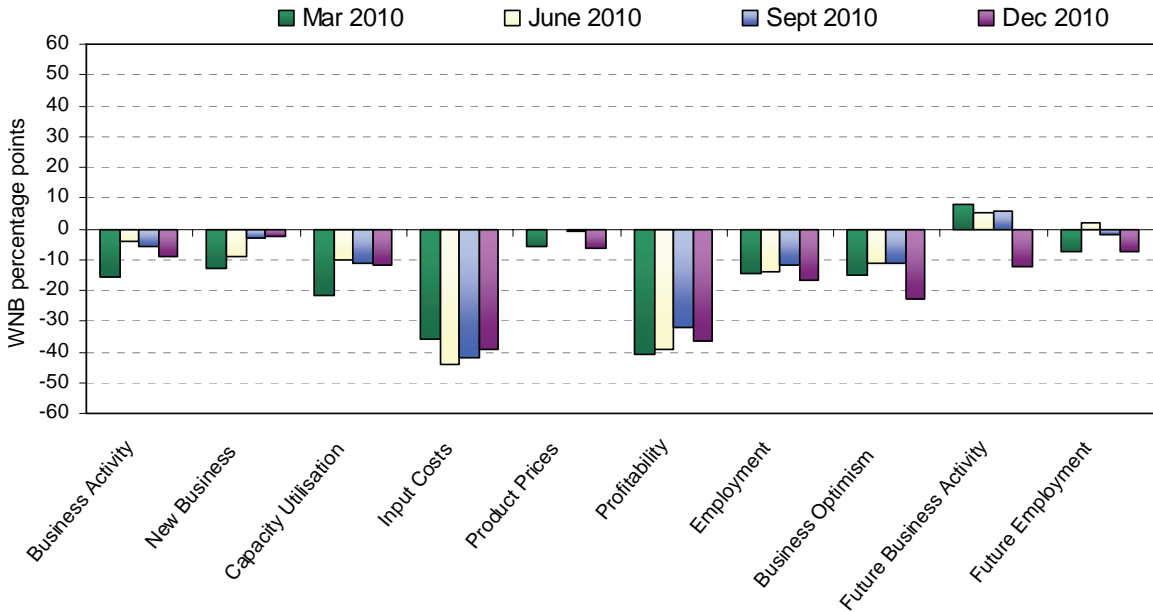
In contrast, the Business Activity Indicator for the non-finance sectors decreased by 12 pp in the latest quarter, from -12 pp in June and September 2010 to -24 pp in December 2010, falling to a level similar to that seen in March 2010.

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
 March, June, September and December 2010.



Over all sectors of the economy, all ten indicators were negative in the latest round of the survey, with seven of the ten being more negative than in the previous quarter.

In December 2010, the Business Optimism indicator recorded its most negative WNB in the 18 months that the BTS has been running, whilst Future Business Activity went negative for the first time.

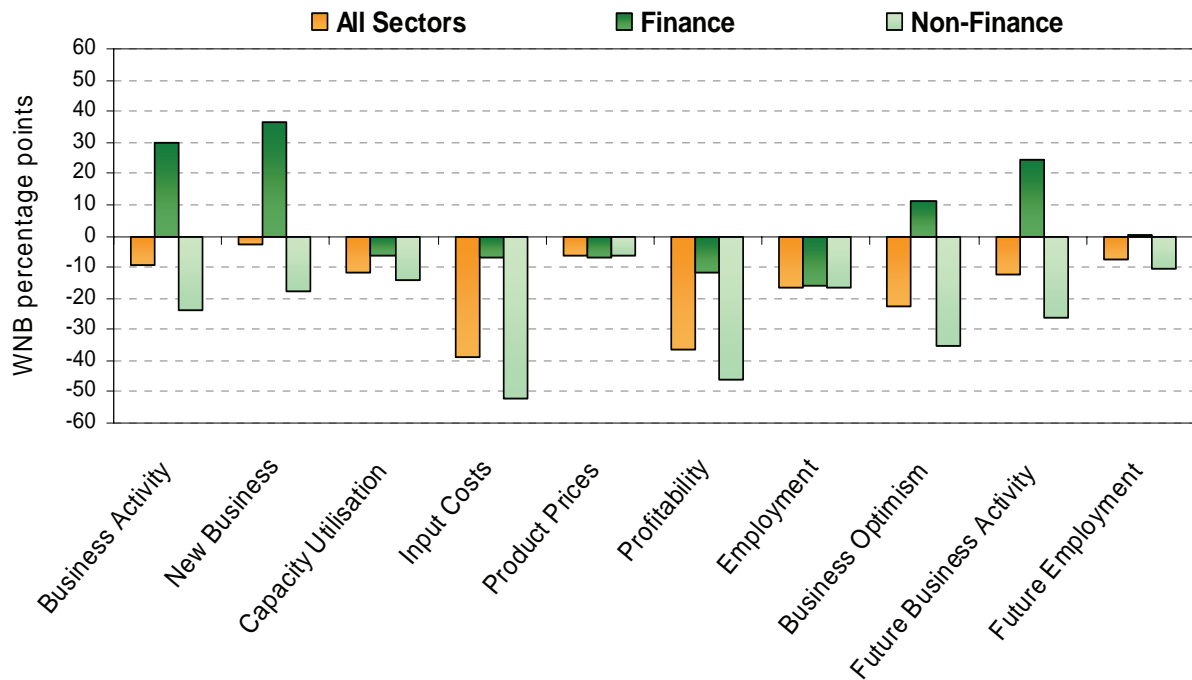
As in all previous rounds of the survey, Input Costs and Profitability were the most strongly negative indicators.

Section 3: Finance and non-finance sectors

The Finance sector had a more positive tendency than the non-finance sectors for eight of the ten indicators in December 2010 (see Figure 3).

Figure 3 – WNB indicators: Finance and non-finance

December 2010 compared with the situation three months previously.



In December 2010, the Finance sector had positive WNBs for four of the ten indicators and one was neutral (0 pp). In contrast, all indicators for the non-finance sectors were negative.

The Finance sector was positive for Business Activity, New Business, Business Optimism and Future Business Activity. The non-finance sectors recorded strongly negative WNBs for each of these indicators.

The Finance sector was considerably more positive (or less negative) than the non-finance sectors, by more than 30 pp, for six of the ten indicators – the largest differences being for Business Activity, New Business and Future Business Activity.

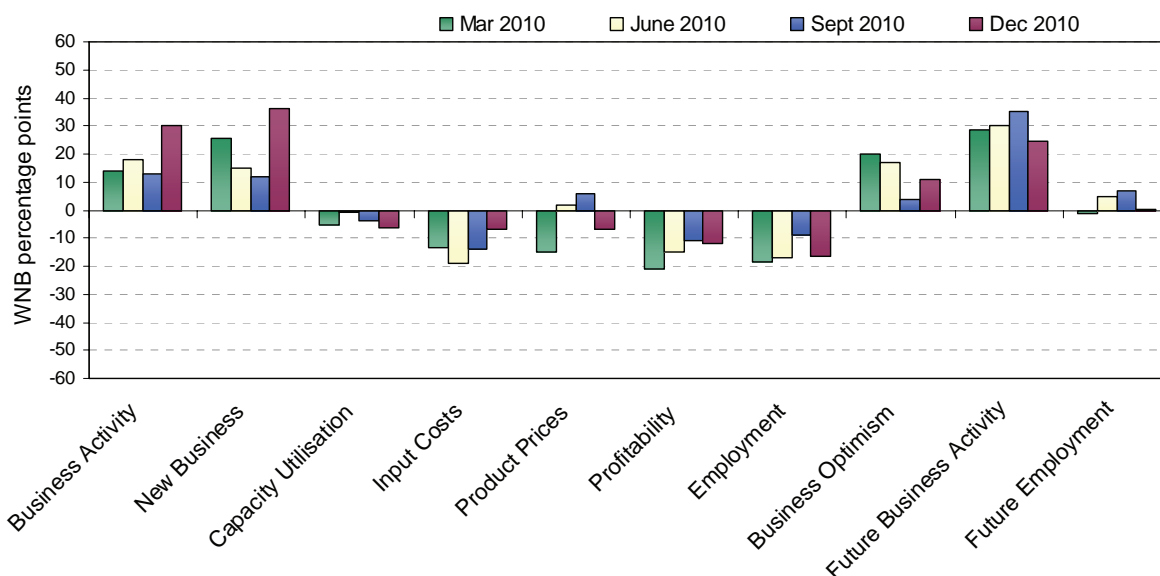
The Input Costs and Profitability indicators were the most negative indicators for the non-finance sectors. Employment was the most negative indicator for the Finance sector, having a similar WNB to that of the non-finance sectors.

Future Employment was neutral for the Finance sector but negative for the non-finance sectors.

Section 4: Finance sector

Figure 4 compares all ten indicators for the Finance sector in December 2010 with those measured in the previous three rounds of the BTS. Four of the ten indicators for the sector were more positive (or less negative) than in September 2010, a further four indicators recorded decreases whilst two were similar.

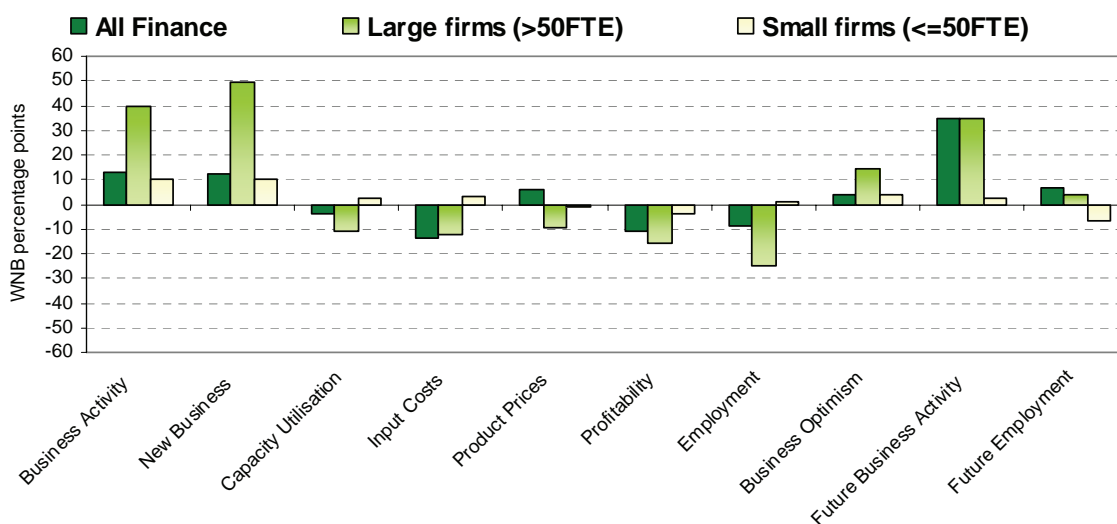
Figure 4 – Finance sector WNB indicators
 March, June, September and December 2010.



The December 2010 round of the survey saw the Finance sector record its most positive WNBs yet for Business Activity and New Business, reflecting the strongly positive Future Business Activity indicator recorded in previous quarters.

Larger Finance firms (those with more than 50 full-time equivalent employees, FTEs) were more positive than their smaller counterparts for five of the ten indicators in December 2010 (see Figure 5), being considerably more positive for Business Activity, New Business and Future Business Activity. In contrast, smaller firms were more positive (or less negative) for Capacity Utilisation, Input Costs, Product Prices, Profitability and Employment.

Figure 5 – Finance sector WNB indicators for large and small companies
 December 2010 compared with the situation three months previously.



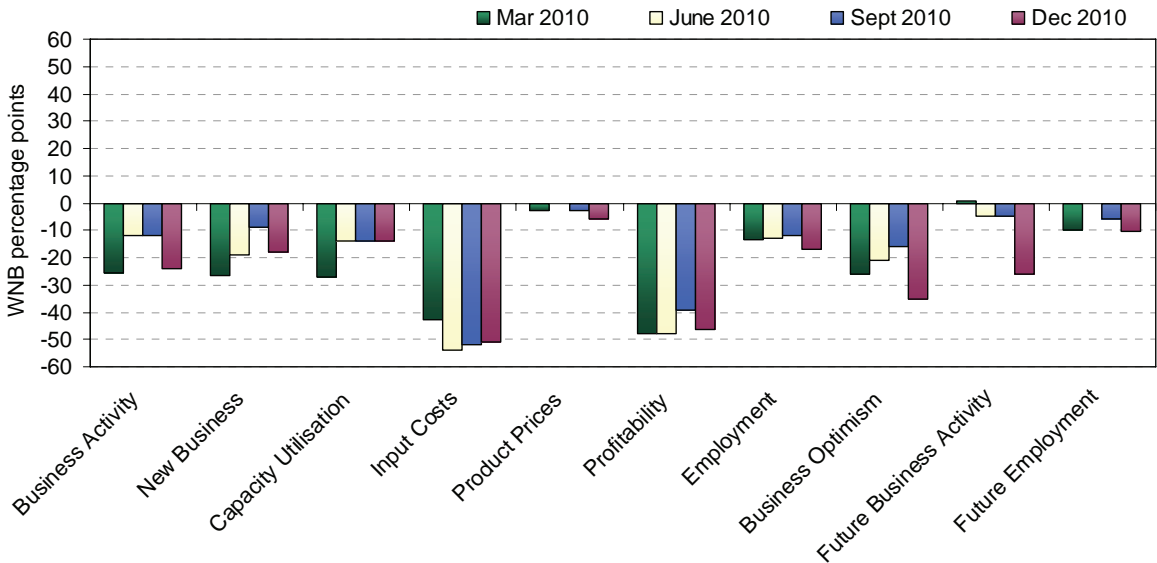
Four of the indicators revealed WNBs of different signs between larger and smaller firms, particularly Employment for which larger firms were strongly negative whereas smaller firms were marginally positive.

The most notable changes compared with the previous quarter were: the more positive WNBs for Business Activity, New Business and Business Optimism recorded by the larger finance firms; and the decreases in the indicators of Employment and Future Employment for smaller firms.

Section 5: Non-finance sectors

Figure 6 compares all ten indicators for the non-finance sectors with the previous three rounds of the BTS.

Figure 6 – Non-finance sectors WNB indicators
March, June, September and December 2010.



In December 2010 all ten indicators for the non-finance sectors overall were negative. The largest differences compared with September 2010 were for Business Optimism and Future Business Activity, both indicators having worsened by around 20 pp in the latest quarter and recording their most negative WNBs seen in the six rounds of the survey.

Analysing by size of company, reveals that smaller firms (those with less than 50 FTEs) were more negative than the larger firms for all indicators. Large non-finance firms were marginally positive for Business Activity and Future Employment (see Appendix 1)

Construction

The Construction sector accounts for about 10% of Jersey’s total workforce³ and for about 6% of total economic activity as measured by Gross Value Added, GVA⁴.

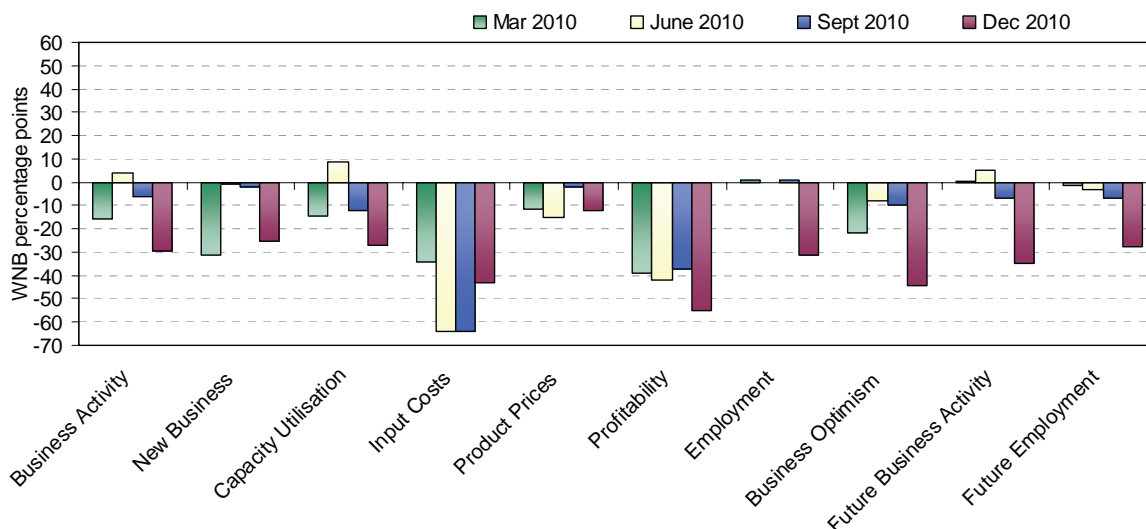
As Figure 7 shows, the Construction sector was negative for all indicators in December 2010; only Input Costs was slightly improved on September 2010.

The indicators of Profitability, Employment, Business Optimism, Future Business Activity and Future Employment for the sector all recorded their most negative WNBs in the six rounds that the survey has run (see Appendix 2).

³ Jersey Labour Market at June 2010, States of Jersey Statistics Unit October 2010.
⁴ Jersey Gross Value Added (GVA) and Gross National Income (GNI) 2009, Statistics Unit, September 2010.

Figure 7 – Construction sector WNB indicators

March, June, September and December 2010.



In December 2010, nine of the ten indicators for the Construction sector were more negative than in the previous quarter, six of the ten having worsened by more than 20 pp; the greatest declines were recorded for Employment and Business Optimism. Only the indicator for Input Costs was improved, though it remained strongly negative.

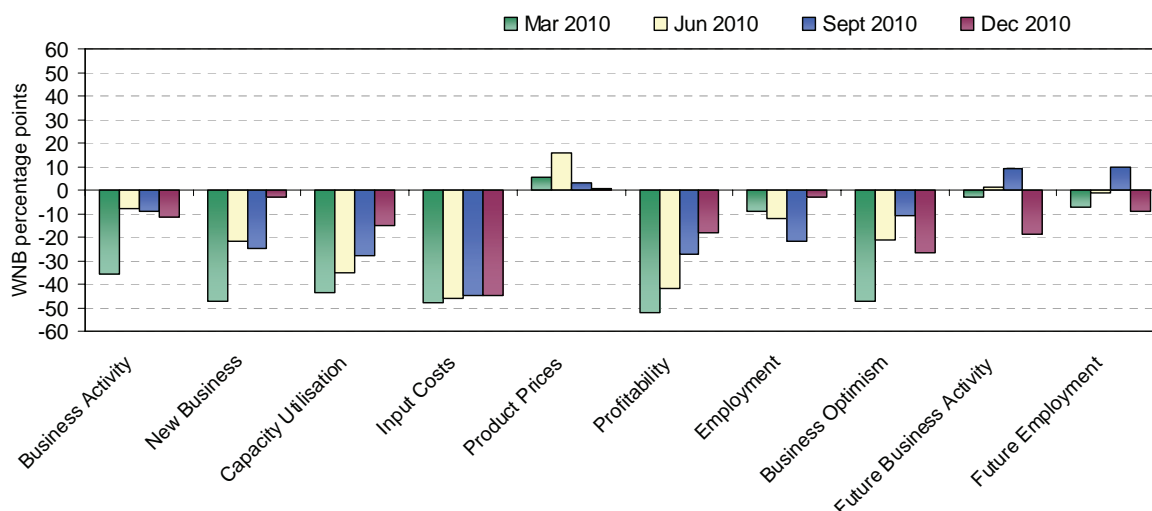
Wholesale & retail

The Wholesale & retail sector accounts for almost a sixth (16%) of Jersey’s total workforce³ and for about 7% of total economic activity as measured by GVA⁴.

Although nine of the ten indicators for the sector were negative in December 2010 (see Figure 8), four indicators were improved on the previous quarter, with New Business and Employment improving by around 20 pp.

Figure 8 – Wholesale & retail sector WNB indicators

March, June, September and December 2010.



In December 2010, the indicators for New Business, Capacity Utilisation, Profitability and Employment recorded their highest WNBs of 2010. In contrast, Future Business Activity and Future Employment had been positive in September 2010 but were negative in December 2010.

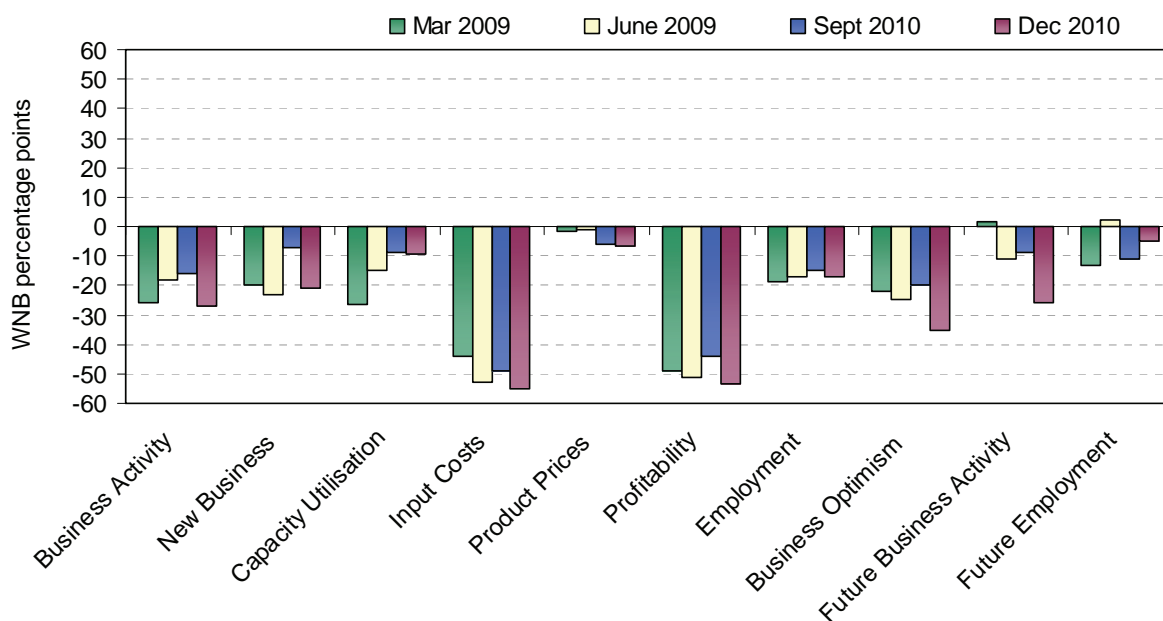
Other non-finance sectors

The remaining non-finance sectors, excluding Construction and Wholesale & retail, together account for two-fifths (40%) of the Island's workforce³ and for about a fifth (21%) of total economic activity as measured by GVA⁴.

All ten indicators showed a negative tendency in December 2010 (see Figure 9) with seven of the ten showing a decline compared with the previous quarter. Only Future Employment was improved on September 2010, whilst remaining negative.

Figure 9 – Other Non-finance sector WNB indicators

March, June, September and December 2010



In December 2010, the indicators for Input Costs, Profitability, Business Optimism and Future Business Activity recorded their most negative WNBs in the six rounds that the BTS has run.

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:**

Over 490 firms were sent a survey questionnaire for this survey; some 350 completed questionnaires were returned, constituting an overall response rate of 72%. The respondents accounted for almost half (47%) of total private sector employment.

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.

December 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	-9	48	30	52	-24	47	-30	40	-11	47	-27	48
New Business	-3	45	36	38	-18	48	-25	47	-3	60	-21	43
Capacity Utilisation	-12	61	-6	75	-14	56	-27	46	-15	64	-9	56
Input costs	-39	54	-7	82	-51	43	-43	44	-45	55	-55	38
Product prices	-6	78	-7	86	-6	75	-12	82	1	82	-6	70
Profitability	-37	43	-12	66	-46	34	-55	34	-18	48	-53	30
Employment	-17	63	-16	54	-17	67	-31	57	-3	63	-17	71
Business optimism	-23	53	11	76	-35	44	-45	28	-27	53	-35	47
Future business activity	-12	47	24	52	-26	45	-35	33	-19	48	-26	48
Future employment	-7	65	0	57	-10	69	-28	50	-9	69	-5	75

December 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	40	49	10	57	3	54	-33	44
New Business	49	38	10	37	-3	46	-23	48
Capacity Utilisation	-11	83	2	59	-10	57	-15	56
Input costs	-12	81	3	82	-32	53	-57	40
Product prices	-10	80	-1	99	-6	75	-6	75
Profitability	-16	66	-4	67	-4	57	-60	27
Employment	-25	47	1	66	-8	56	-20	70
Business optimism	15	81	4	65	-18	63	-41	38
Future business activity	35	56	3	44	-2	45	-34	45
Future employment	4	48	-7	74	7	60	-16	72

* 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.

All Sectors WNB Indicators

Indicator	Sept 2009	Dec 2009	Mar 2010	June 2010	Sept 2010	Dec 2010
Business Activity	-11	-15	-15	-4	-6	-9
New Business	-11	-15	-13	-9	-3	-3
Capacity Utilisation	-9	-18	-21	-10	-11	-12
Input costs	-31	-32	-36	-44	-42	-39
Product prices	-11	-13	-6	0	-1	-6
Profitability	-41	-43	-41	-39	-32	-37
Employment	-18	-15	-15	-14	-12	-17
Business optimism	-13	-15	-15	-11	-11	-23
Future business activity	12	4	8	5	6	-12
Future employment	-14	-12	-8	2	-2	-7

Finance WNB Indicators

Indicator	Sept 2009	Dec 2009	Mar 2010	June 2010	Sept 2010	Dec 2010
Business Activity	1	0	14	18	13	30
New Business	10	5	25	15	12	36
Capacity Utilisation	8	-12	-5	-1	-4	-6
Input costs	-16	1	-13	-19	-14	-7
Product prices	-1	-12	-15	2	6	-7
Profitability	-26	-27	-21	-15	-11	-12
Employment	-30	-1	-19	-17	-9	-16
Business optimism	12	13	20	17	4	11
Future business activity	33	50	29	30	35	24
Future employment	-22	-7	-1	5	7	0

Non-Finance WNB Indicators

Indicator	Sept 2009	Dec 2009	Mar 2010	June 2010	Sept 2010	Dec 2010
Business Activity	-16	-21	-26	-12	-12	-24
New Business	-19	-23	-27	-19	-9	-18
Capacity Utilisation	-15	-20	-27	-14	-14	-14
Input costs	-48	-45	-43	-54	-52	-51
Product prices	-15	-13	-3	0	-3	-6
Profitability	-46	-49	-48	-48	-39	-46
Employment	-14	-20	-13	-13	-12	-17
Business optimism	-22	-25	-26	-21	-16	-35
Future business activity	4	-13	1	-5	-5	-26
Future employment	-11	-14	-10	0	-6	-10

Construction WNB Indicators

Indicator	Sept 2009	Dec 2009	Mar 2010	June 2010	Sept 2010	Dec 2010
Business Activity	-34	-40	-15	4	-6	-30
New Business	-31	-59	-31	-1	-2	-25
Capacity Utilisation	-7	-33	-14	9	-12	-27
Input costs	-39	-41	-34	-64	-64	-43
Product prices	-12	-12	-12	-15	-2	-12
Profitability	-42	-53	-39	-42	-37	-55
Employment	-5	-8	1	0	1	-31
Business optimism	-29	-38	-22	-8	-10	-45
Future business activity	3	-23	1	5	-7	-35
Future employment	-15	-17	-1	-3	-7	-28

Wholesale & retail WNB Indicators

Indicator	Sept 2009	Dec 2009	Mar 2010	June 2010	Sept 2010	Dec 2010
Business Activity	13	-18	-36	-8	-9	-11
New Business	13	-6	-47	-22	-25	-3
Capacity Utilisation	-22	-11	-44	-35	-28	-15
Input costs	-50	-52	-48	-46	-45	-45
Product prices	-6	-12	6	16	3	1
Profitability	-30	-57	-52	-42	-27	-18
Employment	1	-8	-9	-12	-22	-3
Business optimism	5	-25	-47	-21	-11	-27
Future business activity	33	-13	-3	1	9	-19
Future employment	6	-15	-7	-1	10	-9

Other non-finance WNB Indicators

Indicator	Sept 2009	Dec 2009	Mar 2010	June 2010	Sept 2010	Dec 2010
Business Activity	-16	-14	-26	-18	16	-27
New Business	-25	-15	-20	-23	-7	-21
Capacity Utilisation	-12	-18	-26	-15	-9	-9
Input costs	-52	-43	-44	-53	-49	-55
Product prices	-21	-14	-2	-1	-6	-6
Profitability	-52	-45	-49	-51	-44	-53
Employment	-22	-29	-19	-17	-15	-17
Business optimism	-32	-19	-22	-25	-20	-35
Future business activity	-8	-9	2	-11	-9	-26
Future employment	-17	-13	-13	2	-11	-5

Business Tendency Survey – December 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, . **(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*.