

Jersey Business Tendency Survey

September 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 performance. The two "future" indicators represent a qualitative expression of expected changes over the next three months.

The September 2010 round of the survey (which ran in the first three weeks of September) 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 -6 percentage points (pp)**, indicating that the proportion of businesses in Jersey reporting a decline in business activity compared with three months previously was 6 pp greater than the proportion reporting an increase. More than half reported 'no change'.
- the all-sector Business Activity Indicator has worsened marginally (by 2 percentage points) compared with June 2010.
- the Finance sector saw a decrease in the Business Activity Indicator of 5 pp compared with June 2010, although remained positive at 13 percentage points. The non-finance sector remained at essentially the same negative level as in June 2010.
- the **Finance sector** saw improvement in six indicators, with five indicators having seen ongoing improvement over the past nine months. Future Employment was at the most positive level seen in the last year. Profitability remained negative, but was improved on three months earlier. For five of the indicators, more than three-quarters of firms reported 'no change' over the last three months.
- the **non-finance sectors were negative for all indicators**; five remained at the same level as in June 2010 and three saw marginal improvement.
- Input Costs and Profitability remain strongly negative for the non-finance sectors.
- the **Construction** sector was negative for all indicators in September 2010 except for Employment. The New Business, Input Costs and Employment indicators for this sector remained at essentially the same level as in June 2010.
- the **Wholesale & retail** sector saw an improvement in six indicators compared with June 2010; Future Employment was positive for the first time.

Section 1: Business Activity Indicator

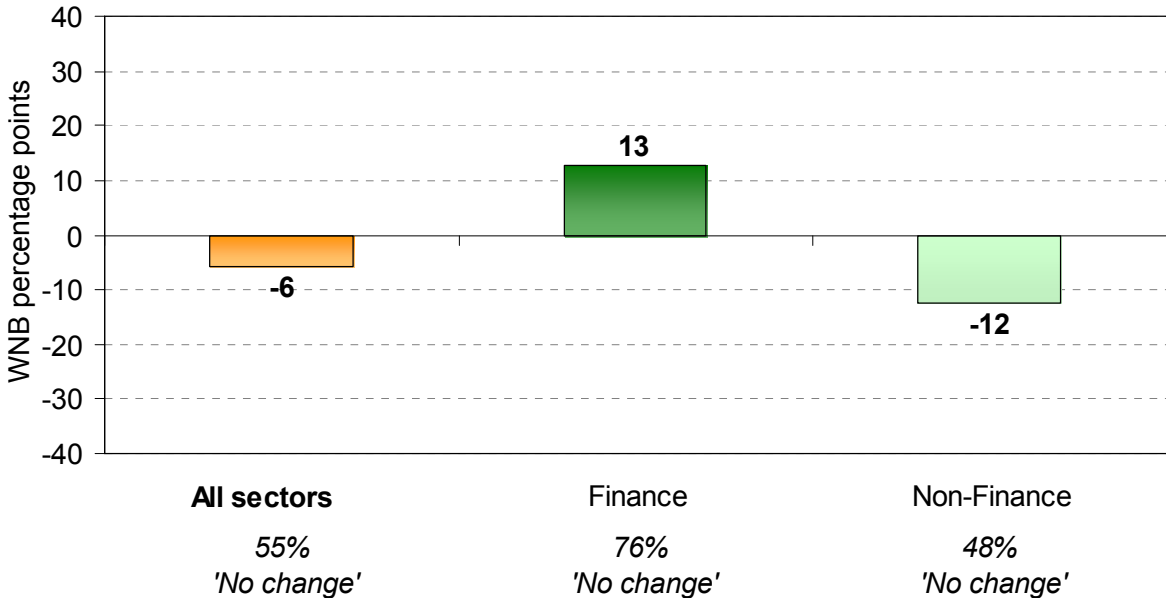
The **Business Activity Indicator** represents a measure of the total amount of work undertaken by businesses operating in Jersey. Such activity will have specific definitions relevant to each sector of business and may be considered as, for example, turnover, number of products produced, gross income 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 September 2010 was -6 pp (percentage points), implying that the proportion of businesses reporting a decline in business activity compared with three months previously was 6 pp greater than the proportion reporting an increase. More than half (55%) of businesses reported no change to their business activity over the period (see Figure 1).

The all-sector Business Activity Indicator for September 2010 was marginally lower (by 2 pp) than that in June 2010.

Figure 1 – Business Activity Indicator (percentage points²).
September 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 13 pp in September 2010, indicating that a greater proportion of businesses reported an increase as reported a decrease in business activity compared with three months earlier. Three-quarters (76%) 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 almost half (48%) 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 in September 2010 was 5 pp lower than three months earlier (13 pp in the latest round of the survey compared with 18 pp in June 2010), representing the first decrease in this indicator since December 2009.

Previous rounds of the survey had recorded around half of respondents in the Finance sector reporting no change in Business Activity. However, in the latest round some three-quarters (76%) reported no change over the three months to September 2010.

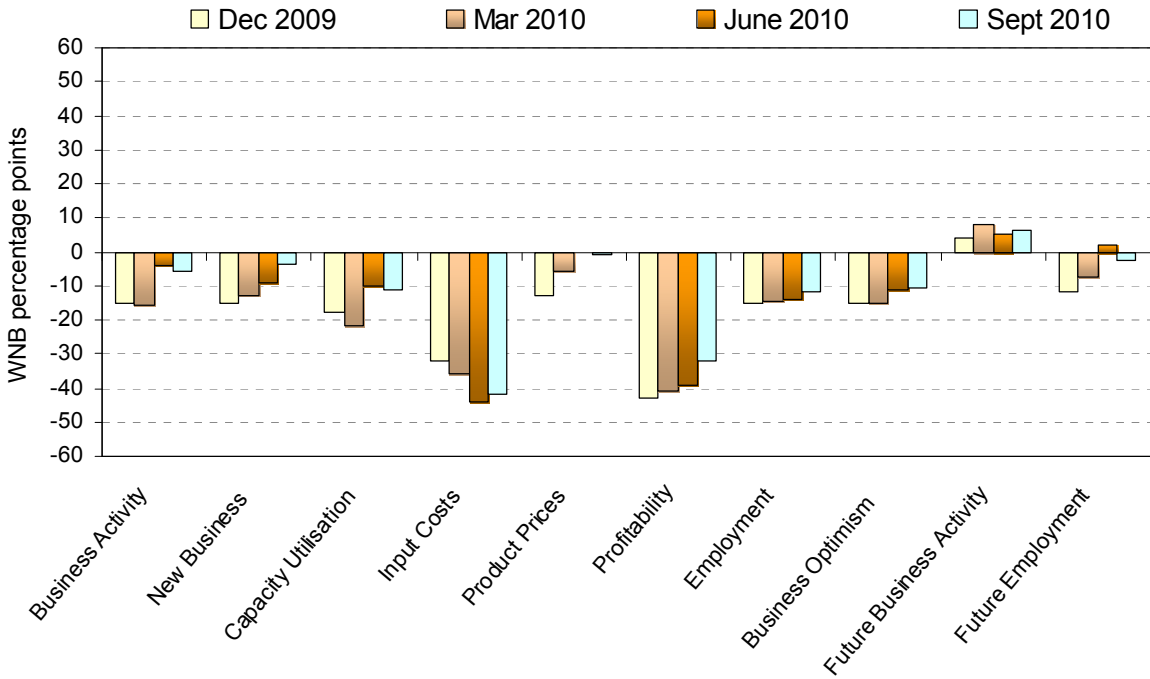
The non-finance sectors remained at the same level as in June 2010 (-12pp) and around half of firms (48%) reported no change in Business Activity levels.

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
December 2009 and March, June and September 2010.

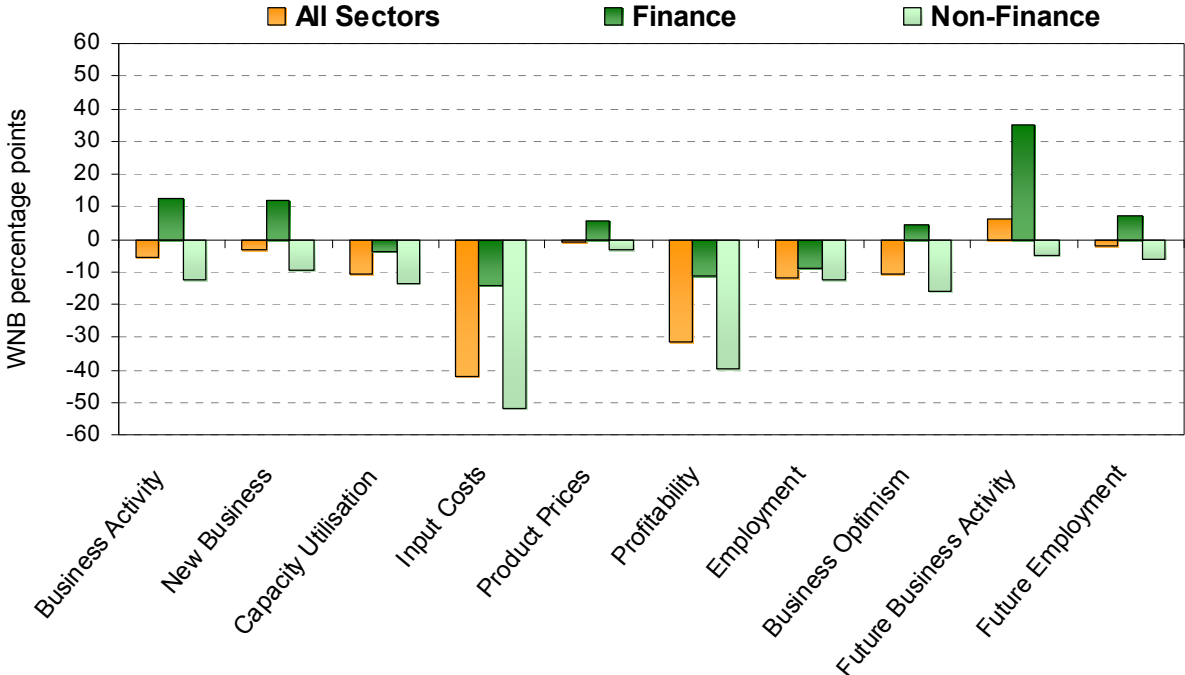


Overall, nine of the ten indicators were negative; only Future Business Activity was positive in September 2010. New Business, Profitability and Employment continue to improve each quarter, with Profitability and Employment at their most positive levels seen in the five rounds of the survey.

Section 3: Finance and non-finance sectors

The Finance sector had a more positive tendency for all indicators compared to the non-finance sectors in September 2010 (see Figure 3).

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



In September 2010, the Finance sector had positive WNBs for six of the ten indicators. In contrast, the non-finance sectors were negative for all indicators.

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 largest differences being for Input Costs and Future Business Activity at around 40 pp.

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

The difference between the sectors for Employment was marginal at 3 pp. However, a difference of 13 pp was found between the two sectors for Future Employment, with the Finance sector being positive (7 pp) and the non-finance sectors negative (-6pp).

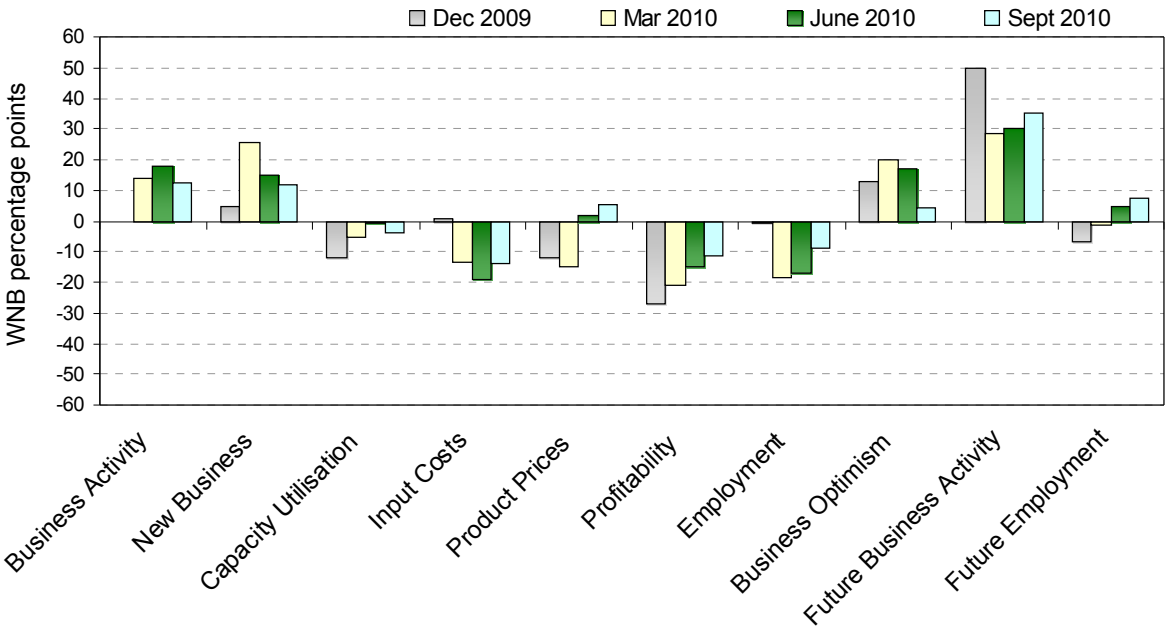
Section 4: Finance sector

Figure 4 compares all ten indicators for the Finance sector in September 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 Profitability (though still significantly negative) and Future Employment.

Six of the ten indicators for the sector were more positive (or less negative) than in June 2010. In contrast, Business Activity, New Business and Business Optimism were down compared with June 2010, though each remained positive.

Figure 4 – Finance sector WNB indicators
Dec 2009 and March, June and Sept 2010.



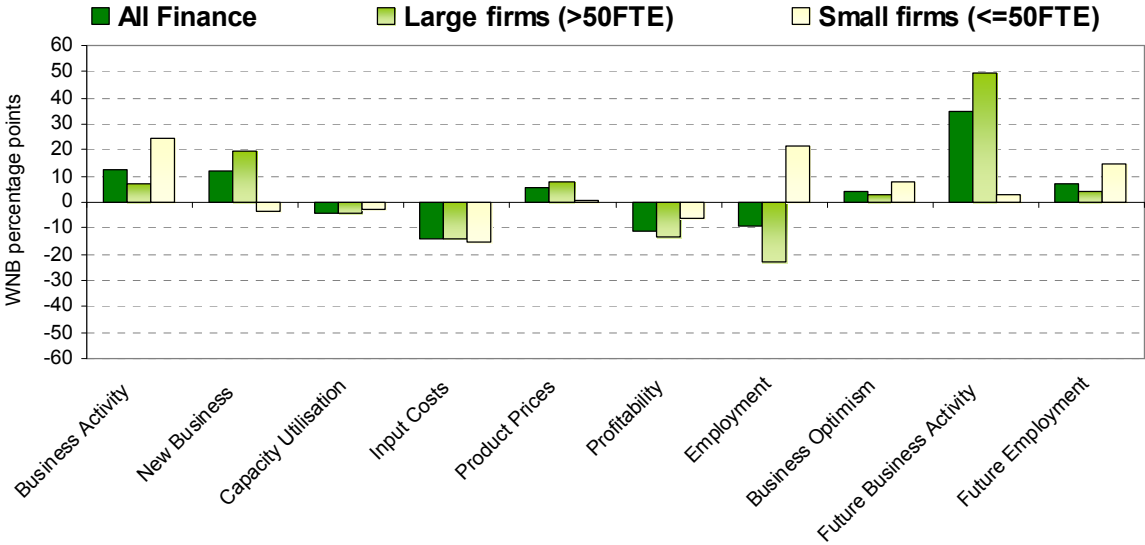
The Future Business Activity indicator has been the most strongly positive indicator for the Finance sector in each round of the survey, whilst a continued improvement over the last twelve months has been seen in the indicators for Profitability and Future Employment.

Larger Finance firms (those with more than 50 full-time equivalent employees, FTE's) were more positive than their smaller counterparts in three of the ten indicators in September 2010 (see Figure 5), being considerably more positive for Future Business Activity. Smaller firms were more positive (or less negative) for Business Activity, Profitability, Business Optimism and Future Employment and particularly for current Employment.

Two of the indicators revealed WNBs of different signs, notably Employment for which larger firms were strongly negative and smaller firms strongly positive, and New Business.

Larger firms were considerably more positive than smaller firms for Future Business Activity.

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

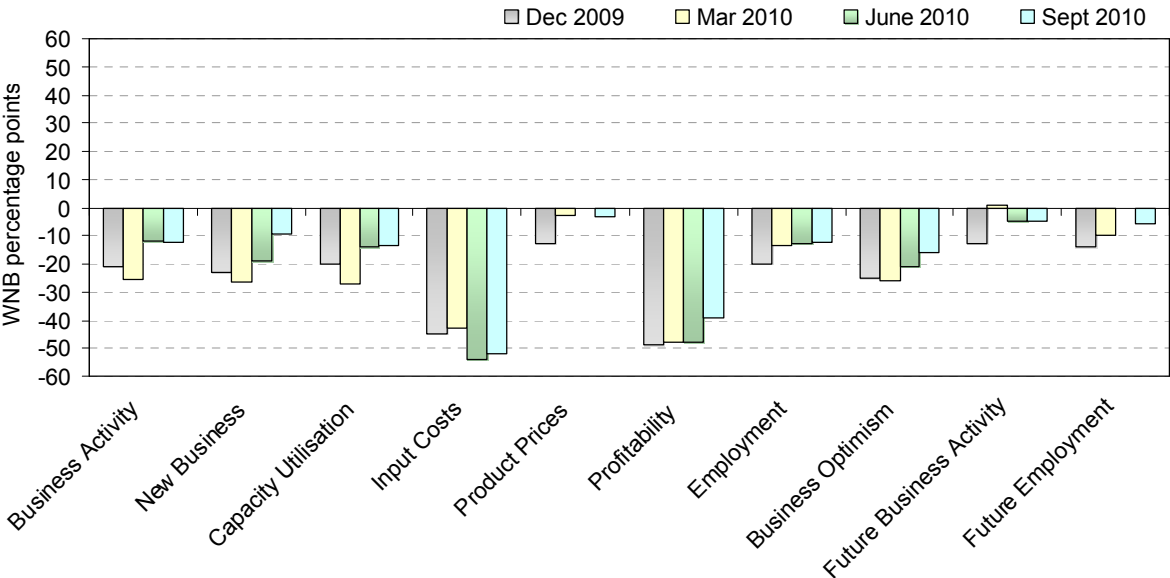


Similar behaviour was generally seen in the indicators for larger and smaller Finance sector companies last quarter. A notable exception was that smaller firms had been positive for New Business and negative for Business Optimism in June 2010 but these indicators have flipped signs in the latest quarter.

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
December 2009 and March, June and September 2010.



In September 2010 all ten indicators for the non-finance sectors overall were negative. The greatest differences compared with June 2010 were for New Business and Profitability, both indicators having improved by around 10 pp in September 2010.

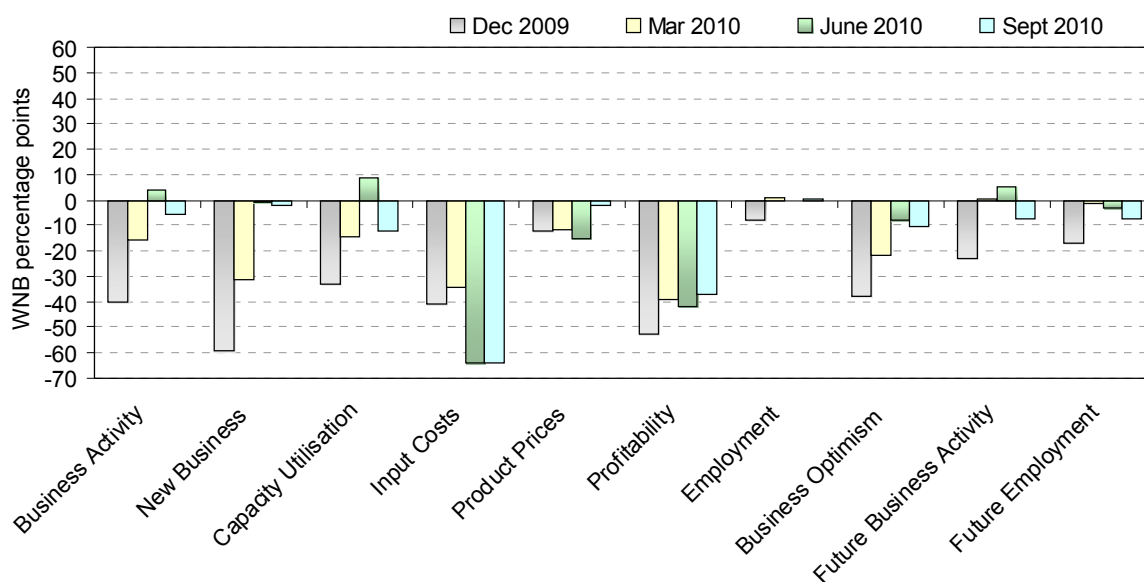
Input Costs and Profitability remain strongly negative for the non-finance sectors.

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 had nine negative indicators in September 2010; of these only two, Product Prices and Profitability, were slightly improved on those of June 2010. In September 2010 New Business, Input Costs and Employment were at a similar level to June 2010.

Figure 7 – Construction sector WNB indicators
December 2009 and March, June and September 2010.



In June 2010, Business Activity, Capacity Utilisation and Future Business Activity were positive; however these indicators have become negative in the latest round of the survey.

Input Costs remain strongly negative with two-thirds of firms having seen an increase in costs and a further third (35%) report no change compared with the previous three months.

Employment in the Construction sector had a marginally positive WNB of 1 pp, similar to March (1 pp) and June (0 pp) 2010. In this time, however, the Future Employment indicator has decreased, indicating that greater percentages of firms are anticipating a decline in future employment each quarter.

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.

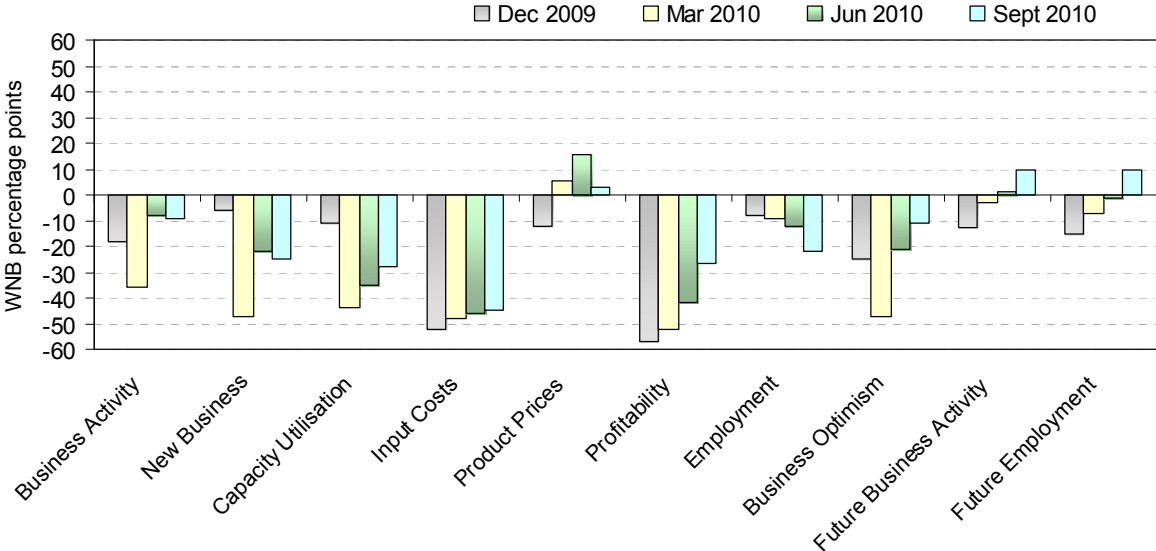
Six of the ten indicators improved compared to the previous quarter's results, five of which recorded their most positive levels in the BTS since September 2009. Three indicators had a positive WNB for September 2010 (see Figure 8). Business Activity in this sector remains at essentially the same level as last quarter; -9 pp in September 2010 compared to -8pp in June 2010.

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.

Six indicators have seen ongoing improvement since March 2010, although Capacity Utilisation, Input Costs and Profitability remain strongly negative. New Business and Employment were also strongly negative and slightly worse than in June 2010.

Figure 8 – Wholesale & retail sector WNB indicators
December 2009 and March, June and September 2010.



Future Business Activity and Future Employment are now positive and have shown improvements each quarter. In contrast, the indicator for Employment continues to decline.

It is also worth noting that almost nine out of ten firms (87%) in the sector anticipate no change in the level of Future Employment.

The indicator for Product Prices is 13 pp lower than last quarter but remains positive; two-thirds (68%) of firms reported no change in prices.

Other non-finance sectors

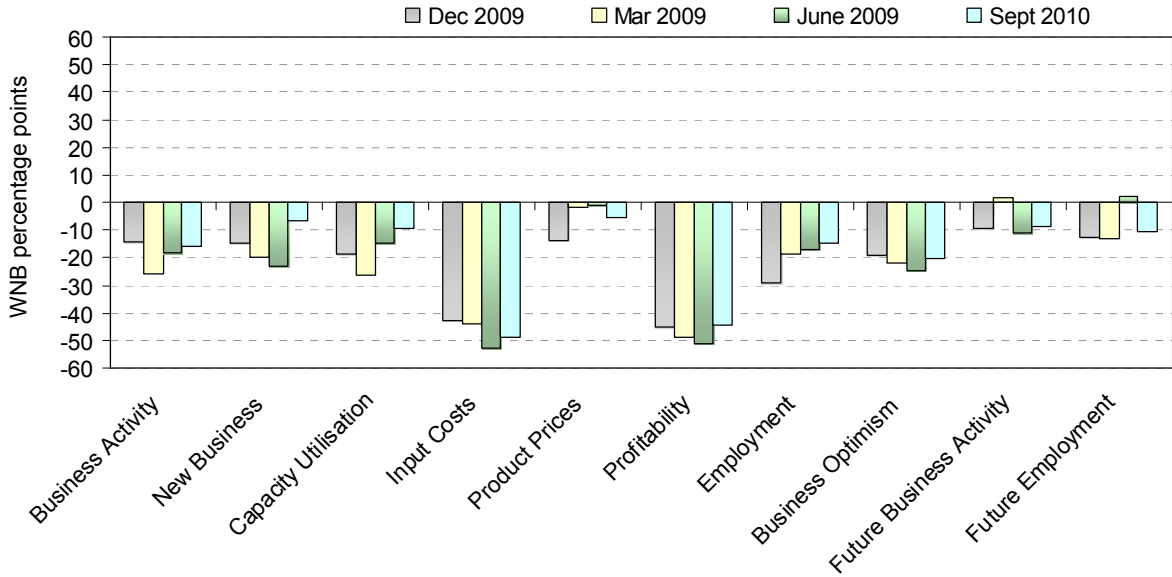
The remaining non-finance sectors, excluding Construction and Wholesale & retail, together account for two-fifths (40%) of the Island’s workforce³ and for about a fifth (21%) of total economic activity as measured by GVA⁴.

All ten indicators show a negative tendency, although eight of the ten indicators are more positive than in June 2010 (see Figure 9).

June 2010 reported a positive WNB for Future Employment (2 pp) which has resulted in an improved Employment indicator in September 2010. The Future Employment indicator in September 2010 has flipped signs compared with June 2010 and now has a negative WNB (-11 pp) with two-thirds (65%) of firms reporting no change anticipated in the coming three months.

The largest difference to the previous quarter was seen in the New Business indicator which has improved by 16 pp, although still remains negative. For New Business, Capacity Utilisation and Employment, the WNB for September 2010 is the most positive level in the year that the BTS has run.

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



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 480 firms were sent a survey questionnaire for this survey; some 350 completed questionnaires were returned, constituting an overall response rate of 73%. The respondents accounted for almost half (46%) 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.

*Statistics Unit
13th October 2010*

September 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	-6	55	13	76	-12	48	-6	41	-9	43	-16	52
New Business	-3	56	12	65	-9	53	-2	29	-25	52	-7	63
Capacity Utilisation	-11	64	-4	84	-14	57	-12	46	-28	69	-9	57
Input costs	-42	55	-14	84	-52	44	-64	35	-45	51	-49	45
Product prices	-1	77	6	91	-3	71	-2	78	3	68	-6	70
Profitability	-32	47	-11	69	-39	39	-37	33	-27	63	-44	34
Employment	-12	67	-9	62	-12	70	1	61	-22	66	-15	74
Business optimism	-11	60	4	77	-16	53	-10	37	-11	56	-20	59
Future business activity	6	53	35	56	-5	52	-7	34	9	62	-9	55
Future employment	-2	67	7	68	-6	67	-7	54	10	87	-11	65

September 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	7	79	25	71	-2	58	-15	45
New Business	19	64	-3	66	-14	73	-8	47
Capacity Utilisation	-4	89	-3	73	-12	63	-14	55
Input costs	-14	83	-15	85	-36	47	-56	43
Product prices	8	87	1	99	-8	56	-2	76
Profitability	-14	65	-6	77	-12	55	-48	35
Employment	-23	60	21	65	-31	58	-7	73
Business optimism	3	79	8	72	-17	70	-16	48
Future business activity	50	47	3	78	13	62	-10	49
Future employment	4	68	15	68	-5	73	-6	66

* 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.

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.

Business Tendency Survey – September 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)**

<input type="checkbox"/> Higher	<input type="checkbox"/> Same	<input type="checkbox"/> Lower	<input type="checkbox"/> N/A
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2. **Incoming new business / new orders:** New business 'won' or placed with your organisation. **(see note 2)**

<input type="checkbox"/> Higher	<input type="checkbox"/> Same	<input type="checkbox"/> Lower	<input type="checkbox"/> N/A
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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)**

<input type="checkbox"/> Above capacity	<input type="checkbox"/> Normal capacity	<input type="checkbox"/> Below capacity	<input type="checkbox"/> N/A
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4. **Average costs that you pay for inputs:** Prices paid for supplies, purchases, wages and salaries etc. **(see note 4)**

<input type="checkbox"/> Higher	<input type="checkbox"/> Same	<input type="checkbox"/> Lower	<input type="checkbox"/> N/A
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5. **Average prices that you charge for your products:** Prices charged per item or unit of time on average. **(see note 5)**

<input type="checkbox"/> Higher	<input type="checkbox"/> Same	<input type="checkbox"/> Lower	<input type="checkbox"/> N/A
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6. **Profitability:** Total profits earned on all activities of your organisation. **(see note 6)**

<input type="checkbox"/> Higher	<input type="checkbox"/> Same	<input type="checkbox"/> Lower	<input type="checkbox"/> N/A
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7. **Employment:** Number of employees employed. **(see note 7)**

<input type="checkbox"/> Higher	<input type="checkbox"/> Same	<input type="checkbox"/> Lower	<input type="checkbox"/> N/A
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8. **Business optimism:** Optimism about the overall business situation in your sector, generally. **(see note 8)**

<input type="checkbox"/> Increase	<input type="checkbox"/> Same	<input type="checkbox"/> Decrease	<input type="checkbox"/> N/A
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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)**

<input type="checkbox"/> Increase	<input type="checkbox"/> No change	<input type="checkbox"/> Decrease	<input type="checkbox"/> N/A
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10. **Employment:** Number of employees employed. **(see note 7)**

<input type="checkbox"/> Increase	<input type="checkbox"/> No change	<input type="checkbox"/> Decrease	<input type="checkbox"/> N/A
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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.

- 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 or 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*.