

Jersey Business Tendency Survey

September 2012

Statistics Unit: www.gov.je/statistics



Summary

In September 2012:

- the **headline all-sector Business Activity Indicator was -24 percentage points (pp)**, implying that the proportion of businesses in Jersey reporting a decline in business activity compared with three months previously was 24 pp more than the proportion reporting an increase. More than half of all businesses reported 'no change';
- the all-sector Business Activity Indicator remained at essentially the same negative level as in the previous two quarters, which had been the most negative to date for this indicator;
- over all sectors of the economy, all indicators were negative and at essentially the same negative levels as in the previous quarter; Profitability, Capacity Utilisation, Input Costs and Business Optimism remained the most strongly negative;
- for the **Finance** sector:
 - six of the ten indicators were at levels similar to those of the previous quarter; two were more negative and two were improved;
 - the Business Activity indicator was marginally negative for the third consecutive quarter;
 - the Future Business Activity indicator saw some improvement, with a third of firms anticipating an increase;
 - the Profitability indicator remained negative for the fifth consecutive quarter, and declined further from the slightly negative levels seen in the first six months of 2012;
 - the Employment indicator remained as strongly negative as in the previous quarter;
- for the **non-finance** sectors, overall, all ten indicators were negative; Profitability and Employment were at their most negative levels to date;
- all indicators for **Construction** remained strongly negative, with Capacity Utilisation recording its most negative level to date;
- five of the ten indicators for **Wholesale & retail** were improved in the latest quarter, notably New Business which was neutral having been strongly negative in the first half of 2012; however, Profitability, Capacity Utilisation and Input Costs remained strongly negative.

Introduction

The Jersey Business Tendency Survey (BTS) was launched in September 2009 in order to provide qualitative information about the Island's economy in a timely manner. The survey enables a set of ten indicators to be produced; the headline indicator is that of Business Activity.

Responses to the survey are used to calculate weighted net balances (WNB), defined as the difference between the proportion of businesses reporting seeing an increase in a particular measure compared to three months earlier and the proportion of businesses seeing a decrease.

Appendix 1 presents the WNB for each indicator for the current quarter, whilst Appendix 2 presents the back series of WNBs since the survey was introduced. A copy of the survey form is contained in Appendix 3.

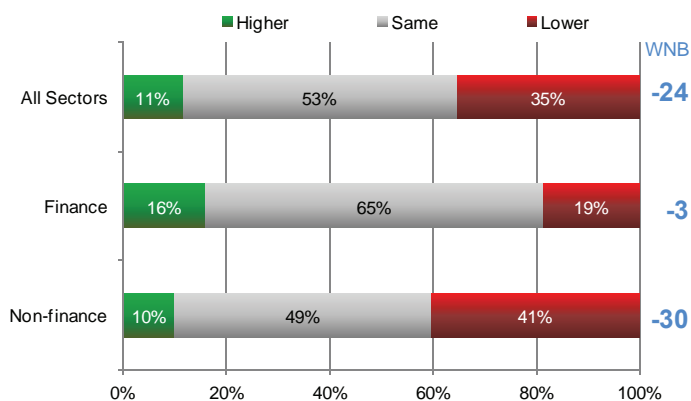
It should be emphasised that the Business Activity Indicator, and the other “current” indicators, represent a qualitative expression of the relative position of economic performance between the current point in time and that of three months previously rather than an absolute measure of performance. The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

Section 1: Business Activity

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.

Figure 1.1 – Business Activity Indicator

September 2012 compared with the situation three months previously



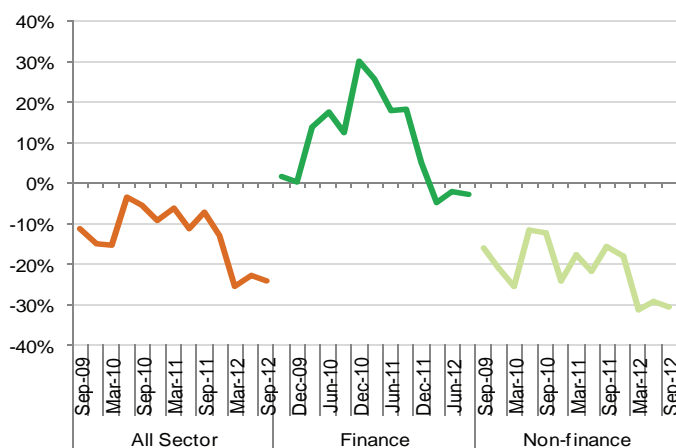
The all-sector Business Activity Indicator in September 2012 was at essentially the same negative level as in the previous two quarters, which had recorded the most negative WNB for this indicator to date.

The non-finance sectors, overall, were more negative in terms of business activity than those in the Finance sector.

Two-thirds (65%) of businesses in the Finance sector and half (49%) in the non-finance sectors reported no change in business activity during the last three months.

Figure 1.2 – Business Activity Indicator: time series

September 2009 – September 2012



The Business Activity indicator for the Finance sector was marginally negative for the third consecutive quarter, remaining at essentially the same level as in the previous two quarters. Previously, this indicator had been significantly positive throughout 2010 and most of 2011.

The Business Activity Indicator for the non-finance sectors remained strongly negative, at essentially the same level as in the previous two quarters, which had seen the most negative WNB for this indicator during the three years that the survey has been running.

Section 2: Finance

In September 2012, six of the ten indicators for the Finance sector were at levels similar to those recorded in the previous quarter (June 2012), differing by 10 pp or less (see Appendix 2).

Figure 2.1 – Finance Sector Indicators

September 2012 compared with the situation three months previously

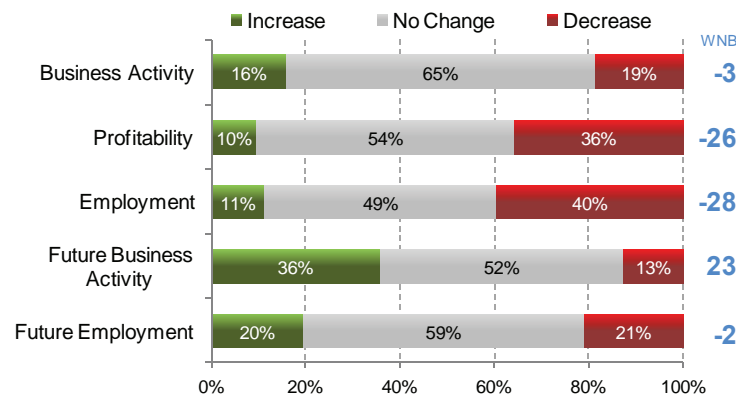
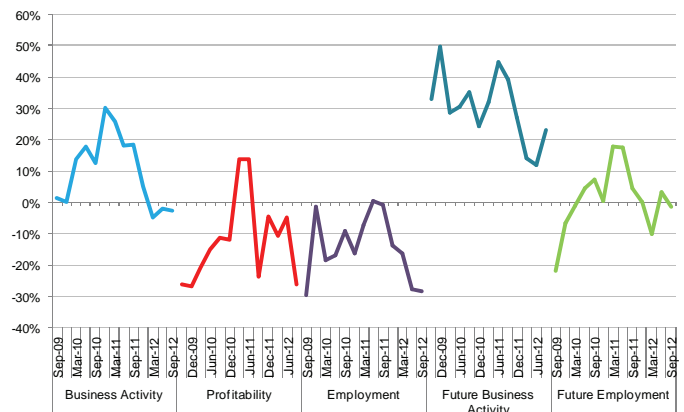


Figure 2.2 – Finance Sector Indicators

September 2009 – September 2012



The Profitability indicator declined by 21 pp in September 2012 to a similar negative level to that recorded twelve months earlier, in September 2011. This indicator has now been negative for five consecutive quarters. During the first half of 2011 this indicator had been positive.

The Employment indicator had been neutral in mid-2011, since when it has declined to increasingly negative levels during the last twelve months; in the latest quarter, two-fifths (40%) of finance firms reported a decrease in employment whilst almost half reported no change. The Future Employment indicator declined slightly in the latest quarter, becoming marginally negative; around three-fifths (59%) of firms reported no change in future employment.

The Future Business Activity indicator had seen an ongoing decline since June 2011, reaching the lowest level recorded for this indicator in June 2012. Most recently, September 2012 saw a small improvement in this indicator, with over a third (36%) of firms reporting an increase.

Smaller finance companies were generally more positive, or less negative, than the larger companies, notably for New Business and Future Business Activity, but were more negative for Capacity Utilisation.

Section 3: Non-finance

In September 2012, nine of the ten indicators for the non-finance sectors were at similar negative levels to those recorded in the previous quarter.

Figure 3.1 Non-finance sector indicators

September 2012 compared with the situation three months previously

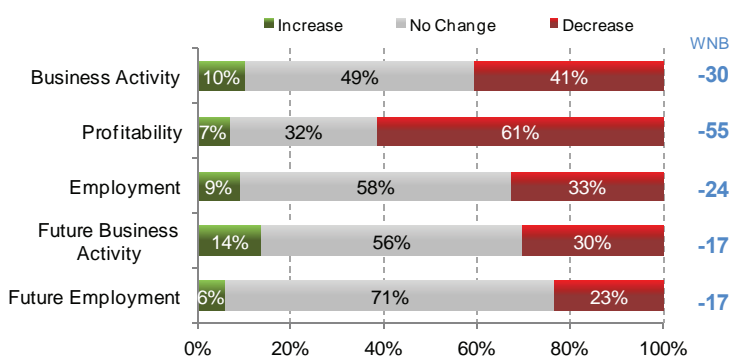
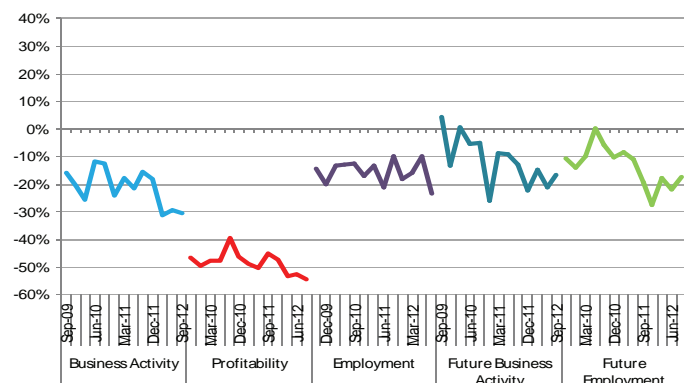


Figure 3.2 Non-finance sector indicators

September 2009 – September 2012



The Profitability indicator for the non-finance sectors remained particularly strongly negative.

Section 4: Business Optimism Indicator

Business Optimism in the Finance sector had been negative since September 2011; the latest quarter remained marginally negative, though nine out of ten firms reported no change. Half of firms in Construction and two-fifths in Wholesale & retail reported a decrease in Business Optimism in the latest quarter.

Figure 4.1 Business Optimism

September 2012 compared with the situation three months previously

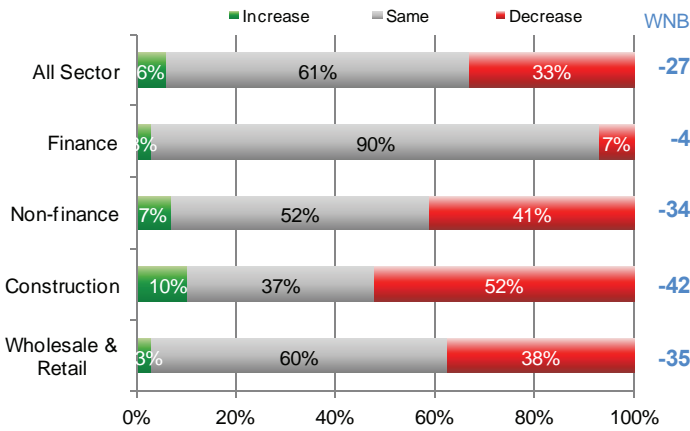
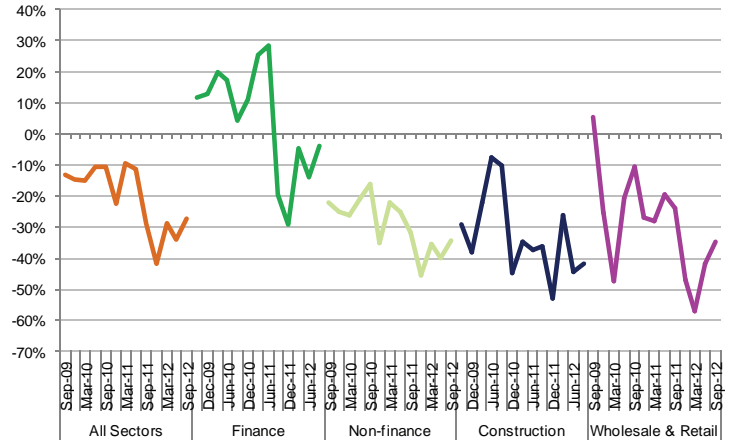


Figure 4.2 Business Optimism

September 2009 – September 2012



Section 5: Construction sector

Figure 5.1 Construction sector indicators

September 2012 compared with the situation three months previously

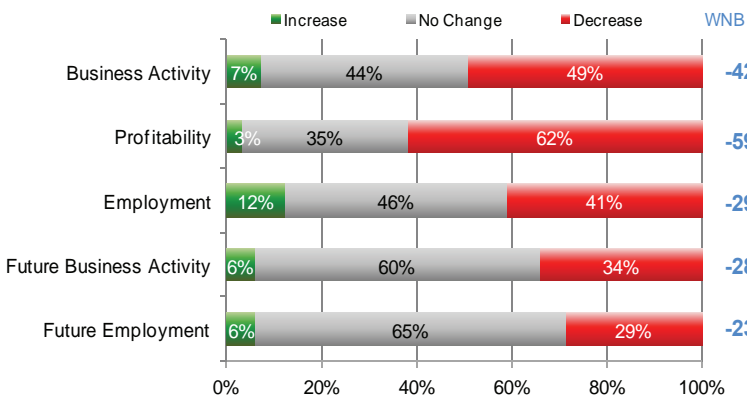
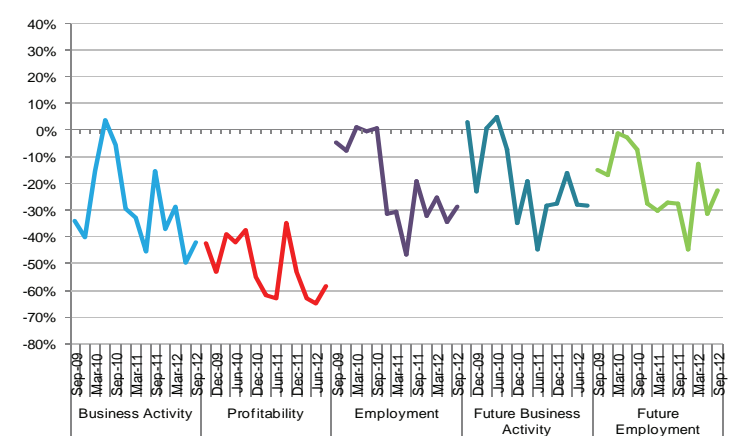


Figure 5.2 Construction sector indicators

September 2009 – September 2012



The Capacity Utilisation indicator for the Construction sector was at its most negative to date (Appendix 2).

Section 6: Wholesale and retail sector

Figure 6.1 Wholesale & Retail sector indicators

September 2012 compared with the situation three months previously

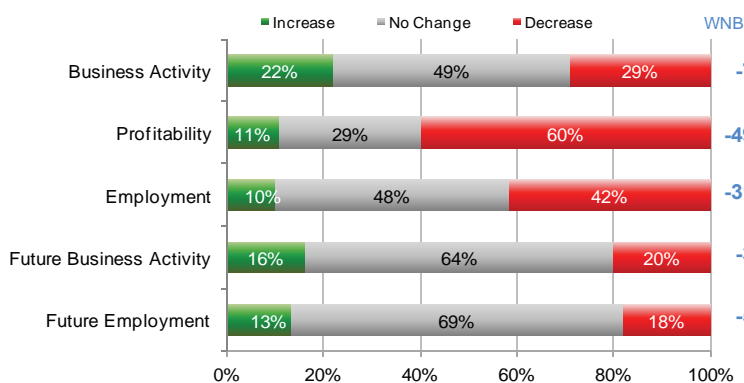
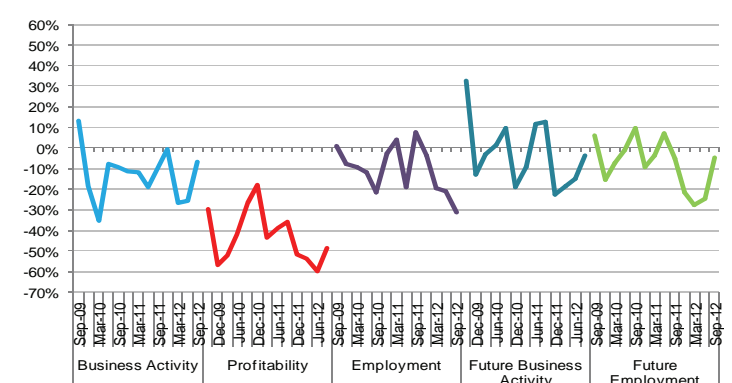


Figure 6.2 Wholesale & Retail sector

September 2009 – September 2012



Five of the ten indicators for **Wholesale & retail** were improved in the latest quarter; the New Business indicator was neutral, a significant improvement on the first half of 2012. However, Profitability, Capacity Utilisation and Input Costs remained strongly negative.

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**.

The September 2012 round of the survey ran in the first three weeks of September. A copy of the questionnaire is included in Appendix 3.

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 370 completed questionnaires were returned, constituting an overall response rate of 74%. The respondents accounted for more than two-fifths (44%) 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.

September 2012 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	-24	53	-3	65	-30	49	-42	44	-7	49	-35	51
New Business	-20	48	-6	49	-25	48	-38	36	0	58	-29	48
Capacity Utilisation	-30	55	1	77	-39	48	-58	34	-44	49	-32	53
Input costs	-44	49	-26	65	-49	44	-33	50	-45	51	-56	39
Product prices	-5	68	1	85	-7	63	-37	57	5	72	-2	62
Profitability	-48	37	-26	54	-55	32	-59	35	-49	29	-55	32
Employment	-25	56	-28	49	-24	58	-29	46	-31	48	-19	65
Business optimism	-27	61	-4	90	-34	52	-42	37	-35	60	-32	54
Future business activity	-7	55	23	52	-17	56	-28	60	-3	64	-18	52
Future employment	-14	68	-2	59	-17	71	-23	65	-5	69	-20	73

September 2012 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	-4	49	2	74	-20	34	-31	48
New Business	-11	37	35	45	-32	30	-23	40
Capacity Utilisation	-6	70	-21	68	-43	37	-38	47
Input costs	-25	67	-30	92	-33	52	-53	44
Product prices	2	77	0	87	-7	70	-6	65
Profitability	-36	42	-5	50	-54	27	-55	36
Employment	-37	34	-10	68	-40	39	-19	69
Business optimism	-4	71	-3	53	-43	25	-32	49
Future business activity	11	80	49	52	-7	39	-19	56
Future employment	-6	57	7	50	-14	47	-18	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.

WNB Indicators

All Sectors

Indicator	Sept 2009	Dec 2009	Mar 2010	June 2010	Sept 2010	Dec 2010	Mar 2011	June 2011	Sept 2011	Dec 2011	Mar 2012	June 2012	Sept 2012
Business Activity	-11	-15	-15	-4	-6	-9	-6	-11	-7	-13	-25	-23	-24
New Business	-11	-15	-13	-9	-3	-3	0	-9	-16	-17	-22	-26	-20
Capacity Utilisation	-9	-18	-21	-10	-11	-12	-17	-17	-20	-18	-19	-34	-30
Input costs	-31	-32	-35	-44	-42	-39	-52	-52	-53	-43	-38	-42	-44
Product prices	-11	-13	-6	0	-1	-6	2	2	1	1	-1	-6	-5
Profitability	-41	-43	-41	-39	-32	-37	-32	-34	-40	-38	-43	-41	-48
Employment	-18	-15	-15	-14	-12	-17	-12	-16	-8	-17	-16	-23	-25
Business optimism	-13	-15	-15	-11	-11	-23	-10	-11	-29	-42	-29	-34	-27
Future business activity	12	4	8	5	6	-12	2	5	0	-11	-8	-13	-7
Future employment	-14	-12	-8	2	-2	-7	-1	-4	-13	-21	-16	-16	-14

Finance

Indicator	Sept 2009	Dec 2009	Mar 2010	June 2010	Sept 2010	Dec 2010	Mar 2011	June 2011	Sept 2011	Dec 2011	Mar 2012	June 2012	Sept 2012
Business Activity	1	0	14	18	13	30	26	18	18	5	-5	-2	-3
New Business	10	5	25	15	12	36	35	19	-5	11	15	6	-6
Capacity Utilisation	8	-12	-5	-1	-4	-6	-7	6	-7	3	2	-11	1
Input costs	16	1	-13	-19	-14	-7	-13	-25	-29	-17	-5	-21	-26
Product prices	-1	-12	-15	2	6	-7	4	-3	-5	5	0	6	1
Profitability	-26	-27	-21	-15	-11	-12	14	14	-24	-4	-11	-5	-26
Employment	-30	-1	-19	-17	-9	-16	-7	0	-1	-14	-16	-28	-28
Business optimism	12	13	20	17	4	11	25	28	-20	-29	-5	-14	-4
Future business activity	33	50	29	30	35	24	32	45	39	27	14	12	23
Future employment	-22	-7	-1	5	7	0	18	17	4	0	-10	3	-2

Non-Finance

Indicator	Sept 2009	Dec 2009	Mar 2010	June 2010	Sept 2010	Dec 2010	Mar 2011	June 2011	Sept 2011	Dec 2011	Mar 2012	June 2012	Sept 2012
Business Activity	-16	-21	-26	-12	-12	-24	-18	-22	-16	-18	-31	-29	-30
New Business	-19	-23	-27	-19	-9	-18	-13	-20	-19	-24	-33	-36	-25
Capacity Utilisation	-15	-20	-27	-14	-14	-14	-21	-25	-24	-25	-26	-41	-39
Input costs	-48	-45	-43	-54	-52	-51	-66	-61	-61	-51	-47	-49	-49
Product prices	-15	-13	-3	0	-3	-6	2	4	3	-1	-2	-10	-7
Profitability	-46	-49	-48	-48	-39	-46	-49	-50	-45	-47	-53	-52	-55
Employment	-14	-20	-13	-13	-12	-17	-13	-21	-10	-18	-16	-22	-24
Business optimism	-22	-25	-26	-21	-16	-35	-22	-25	-32	-46	-36	-40	-34
Future business activity	4	-13	1	-5	-5	-26	-9	-9	-13	-22	-15	-21	-17
Future employment	-11	-14	-10	0	-6	-10	-8	-11	-19	-28	-18	-22	-17

Construction

Indicator	Sept 2009	Dec 2009	Mar 2010	June 2010	Sept 2010	Dec 2010	Mar 2011	June 2011	Sept 2011	Dec 2011	Mar 2012	June 2012	Sept 2012
Business Activity	-34	-40	-15	4	-6	-30	-33	-45	-15	-37	-29	-50	-42
New Business	-31	-59	-31	-1	-2	-25	-24	-46	-17	-52	-35	-50	-38
Capacity Utilisation	-7	-33	-14	9	-12	-27	-28	-42	-22	-28	-29	-56	-58
Input costs	-39	-41	-34	-64	-64	-43	-63	-39	-46	-37	-22	-18	-33
Product prices	-12	-12	-12	-15	-2	-12	-20	-10	-16	-6	-27	-37	-37
Profitability	-42	-53	-39	-42	-37	-55	-62	-63	-35	-53	-63	-65	-59
Employment	-5	-8	1	0	1	-31	-30	-47	-19	-32	-25	-34	-29
Business optimism	-29	-38	-22	-8	-10	-45	-35	-37	-36	-53	-26	-44	-42
Future business activity	3	-23	1	5	-7	-35	-19	-45	-28	-28	-16	-28	-28
Future employment	-15	-17	-1	-3	-7	-28	-30	-27	-28	-45	-13	-31	-23

Wholesale & retail

Indicator	Sept 2009	Dec 2009	Mar 2010	June 2010	Sept 2010	Dec 2010	Mar 2011	June 2011	Sept 2011	Dec 2011	Mar 2012	June 2012	Sept 2012
Business Activity	13	-18	-36	-8	-9	-11	-12	-19	-10	-1	-27	-25	-7
New Business	13	-6	-47	-22	-25	-3	-24	-19	-19	3	-26	-39	0
Capacity Utilisation	-22	-11	-44	-35	-28	-15	-22	-19	-16	-1	-19	-50	-44
Input costs	-50	-52	-48	-46	-45	-45	-63	-49	-57	-67	-47	-50	-45
Product prices	-6	-12	6	16	3	1	17	14	25	7	7	7	5
Profitability	-30	-57	-52	-42	-27	-18	-43	-39	-36	-52	-54	-60	-49
Employment	1	-8	-9	-12	-22	-3	4	-19	7	-4	-20	-21	-31
Business optimism	5	-25	-47	-21	-11	-27	-28	-19	-24	-47	-57	-42	-35
Future business activity	33	-13	-3	1	9	-19	-9	11	13	-23	-18	-15	-3
Future employment	6	-15	-7	-1	10	-9	-4	7	-5	-22	-28	-25	-5

Other non-finance

Indicator	Sept 2009	Dec 2009	Mar 2010	June 2010	Sept 2010	Dec 2010	Mar 2011	June 2011	Sept 2011	Dec 2011	Mar 2012	June 2012	Sept 2012
Business Activity	-16	-14	-26	-18	-16	-27	-13	-14	-18	-18	-34	-25	-35
New Business	-25	-15	-20	-23	-7	-21	-3	-10	-20	-24	-35	-31	-29
Capacity Utilisation	-12	-18	-26	-15	-9	-9	-17	-20	-28	-32	-27	-33	-32
Input costs	-52	-43	-44	-53	-49	-55	-69	-73	-68	-50	-55	-57	-56
Product prices	-21	-14	-2	-1	-6	-6	5	5	1	-2	3	-9	-2
Profitability	-52	-45	-49	-51	-44	-53	-45	-50	-53	-44	-50	-46	-55
Employment	-22	-29	-19	-17	-15	-17	-13	-13	-13	-18	-12	-19	-19
Business optimism	-32	-19	-22	-25	-20	-35	-14	-23	-33	-42	-31	-38	-32
Future business activity	-8	-9	2	-11	-9	-26	-3	-3	-17	-20	-13	-22	-18
Future employment	-17	-13	-13	2	-11	-5	0	-11	-21	-24	-16	-18	-20

Business Tendency Survey – September 2012

BEFORE COMPLETING THE SURVEY PLEASE READ THE ATTACHED GUIDANCE NOTES

Company Name:

Contact Details:

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 below. **(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, Wholesale and retail trades. **(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 be higher (the same or lower) than the current quarter, excluding seasonal fluctuations.*

9. **Level of business activity / output:** Gross income, chargeable hours worked or turnover. **(see note 1)**
1 Increase 2 No change 3 Decrease 4 N/A

10. **Employment:** Number of employees employed. **(see note 7)**
1 Increase 2 No change 3 Decrease 4 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 questionnaire** via email? Yes / No

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.

GUIDELINES 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*.