Jersey Business Tendency Survey

September 2015

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States of Jersey Statistics Unit

Summary

In September 2015:

- the **headline all-sector Business Activity Indicator was 5 percentage points (pp)**, implying that the proportion of businesses in Jersey reporting an increase in business activity compared with three months previously was 5 pp greater than the proportion reporting a decrease
- the all-sector Business Activity Indicator was down significantly from the strong positive levels seen during the previous six months
- all-sector **Business Optimism** declined and, whilst remaining marginally positive, was the lowest recorded for more than a year
- for the **Finance** sector:
  - six of the ten indicators were down on the previous quarter
  - the Business Activity, New Business, Profitability and Business Optimism indicators recorded their lowest levels for at least two years
  - the Input costs and Employment indicators were improved on the previous quarter
- for the **non-finance** sectors, overall:
  - eight indicators were unchanged and two (Input costs and Employment) improved slightly
  - the Business Activity indicator for the non-finance sectors, overall, was more positive than that for the Finance sector for the first time in at least six years
- the **Construction** sector saw six of the ten indicators improve in the latest quarter, with four of these recording their most positive levels to date
- the **Wholesale & retail** sector saw three indicators improve, three decline and four remain relatively unchanged

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 all-sector 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; Appendix 2 presents time series of WNBs.

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 anticipated changes over the next three months.

Section 1: Business Activity

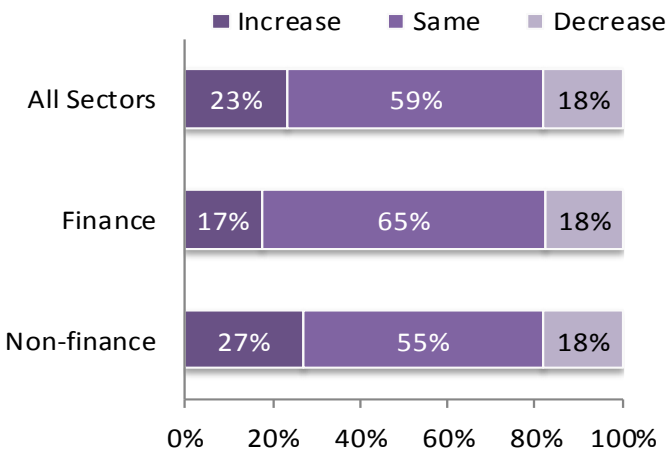
The **Business Activity Indicator** represents a measure of the total amount of work undertaken by businesses operating in Jersey. Such activity will have specific definitions relevant to each sector of business and may be considered as, for example, turnover, number of products produced, gross income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

The **All-sector** Business Activity Indicator was marginally positive (5 pp) in September 2015, but down significantly from the strong positive levels recorded in the previous two rounds of this survey (26 pp in March 2015 and 20 pp in June 2015).

Around three-fifths of all businesses reported no change in Business Activity in the latest quarter (see Figure 1.1).

Figure 1.1 – Business Activity Indicator

Sep 2015 compared with the situation three months previously



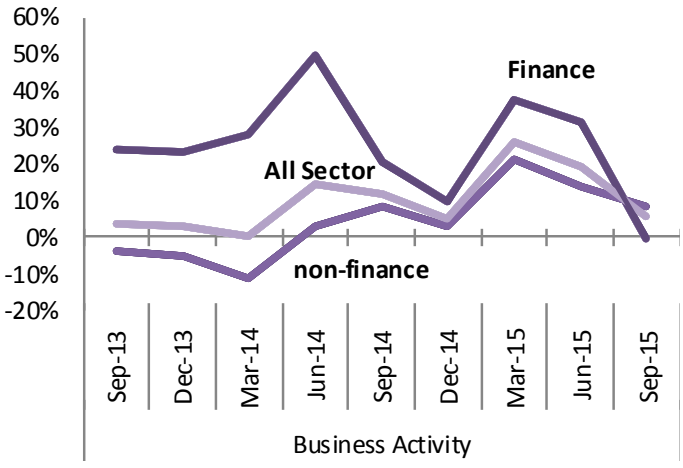
For the first time in the six years that this survey has been run, the **non-Finance** sectors, overall, were more positive than the **Finance** sector in terms of Business Activity.

The WNB of the non-Finance sectors was slightly positive but was neutral for the Finance sector.

More than a quarter of firms in the non-Finance sectors reported increased Business Activity in the latest quarter compared with a sixth in the Finance sector.

Figure 1.2 – Business Activity Indicator

Sep 2013 – Sep 2015



The All-sector Business Activity indicator in September 2015 was the lowest recorded since December 2014, driven by the decline in this indicator for the **Finance** sector.

In September 2015 the Business Activity indicator for the **Finance** sector was the lowest recorded for more than two years, since March 2013 (see Figure 1.2 and Appendix 2).

For the **non-Finance** sectors, overall, the Business Activity indicator remained positive in the latest quarter and was essentially unchanged (down marginally) from that of three months earlier.

Section 2: Business Optimism

All-sector **Business Optimism** declined in the latest quarter, down by 10 pp compared with the previous round of the survey, to a marginally positive level which was the lowest recorded for more than a year, since March 2014.

Figure 2.1 - Business Optimism

Sep 2015 compared with the situation three months previously

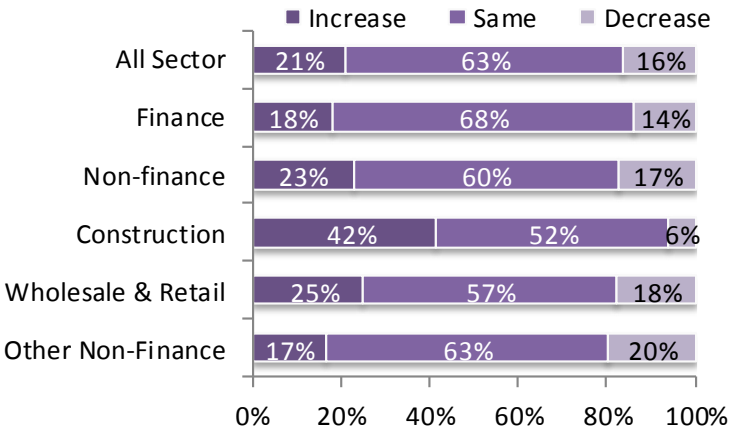
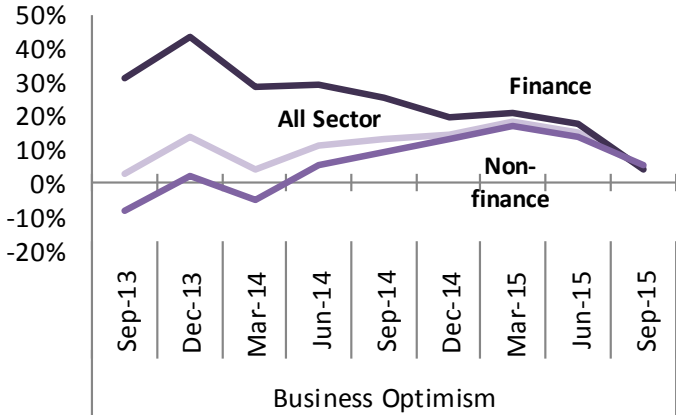


Figure 2.2 - Business Optimism

Sep 2013 – Sep 2015



In the latest quarter, Business Optimism declined in both the **Finance** and **non-Finance** components of the economy (see Figure 2.2), down by 14 pp and 9 pp, respectively, compared with three months earlier. In contrast to other sectors, Business Optimism in **Construction** was strongly positive in September 2015, up significantly on the previous round of the survey and recording its highest level to date.

Section 3: Sectoral analysis

All sectors

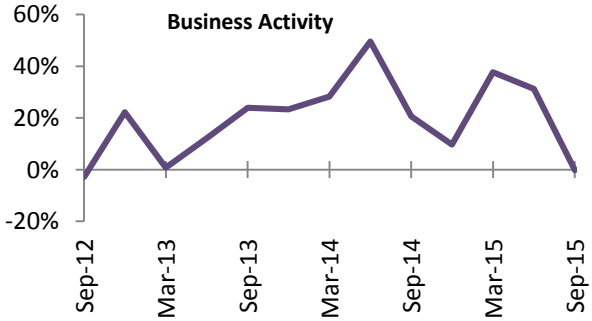
Over all sectors of the economy, four of the ten indicators declined significantly compared with the previous quarter (down by at least 10 pp); three of these indicators remained positive whilst the indicator for Profitability was negative. Four of the ten indicators were essentially unchanged compared with the previous quarter and two (Input costs and Employment) were improved (up by at least 10 pp); in the latest quarter Input Costs recorded its least negative value to date (implying lower costs).

Finance sector

In September 2015, six of the ten indicators for the **Finance** sector were down on the previous quarter, with four of these (Business Activity, New Business, Profitability and Business Optimism) recording their lowest levels for at least two years. Two indicators (Input costs and Employment) were up on the previous quarter; the remaining two (Capacity Utilisation and Future Business Activity) were relatively unchanged.

Figure 3.1 - Finance sector Business Activity indicator

Sep 2012 – Sep 2015

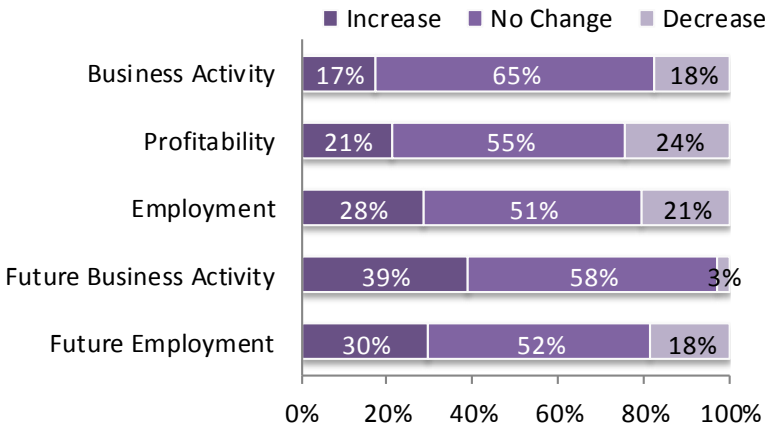


The Business Activity indicator dropped significantly in the latest quarter (down by 31 pp) to a neutral level which was the lowest recorded by this sector for more than two years, since March 2013 (see Figure 3.1).

The New Business and Future Employment indicators declined in the latest quarter but remained positive, whilst the Product Prices and Business Optimism indicators declined to essentially neutral levels.

Figure 3.2 - Finance sector indicators

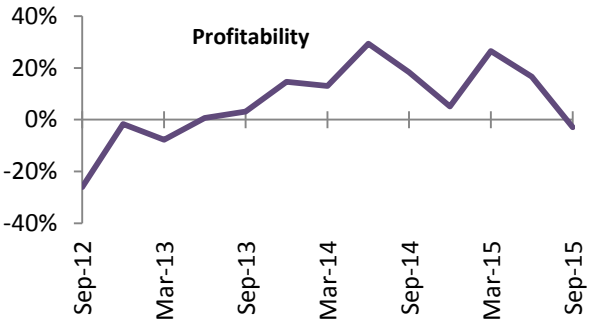
Sep 2015 compared with the situation three months previously



The Employment indicator improved in the latest round of the survey, up by 12 pp to a slightly positive level (see Figure 3.2).

Figure 3.3 - Finance sector Profitability indicator

Sep 2012 – Sep 2015



The Profitability indicator declined in the latest round of the survey, down by 20 pp compared with three months earlier, and recording its lowest level for two years, since September 2013 (see Figure 3.3).

Larger finance companies (having more than 50 full-time equivalent employees, FTEs) were more positive than smaller companies for Capacity Utilisation and were less negative for Input Costs and Profitability (see Appendix 1). Smaller finance companies were more positive for Future Employment.

Non-finance sectors, overall

For the **non-finance** sectors overall, eight of the ten indicators were essentially unchanged compared with the previous quarter; two indicators (Input costs and Employment) improved slightly – see Appendix 2.

Figure 4.1 - non-finance sector indicators

Sep 2015 compared with the situation three months previously

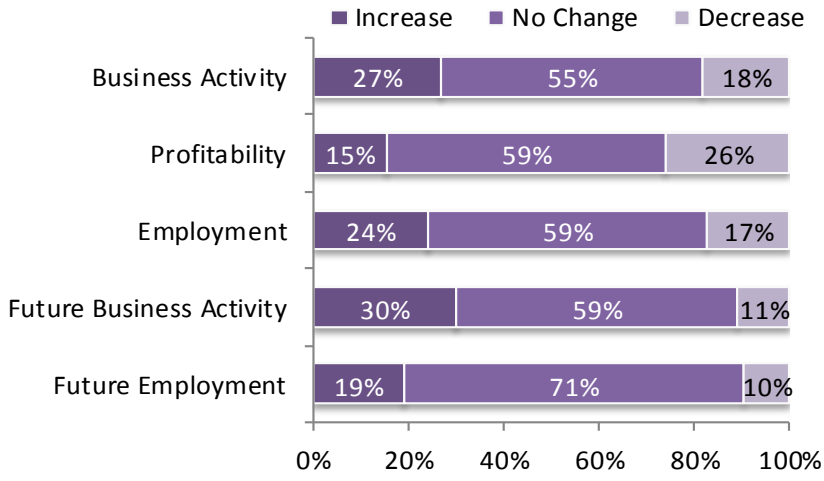
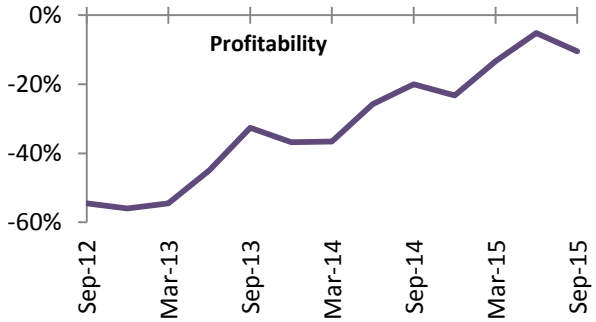


Figure 4.2 – non-finance sector Profitability indicator

Sep 2012 – Sep 2015



The Profitability indicator was down marginally in the latest quarter, and whilst remaining negative has seen a generally upward trend for most of the past three years (Figure 4.2).

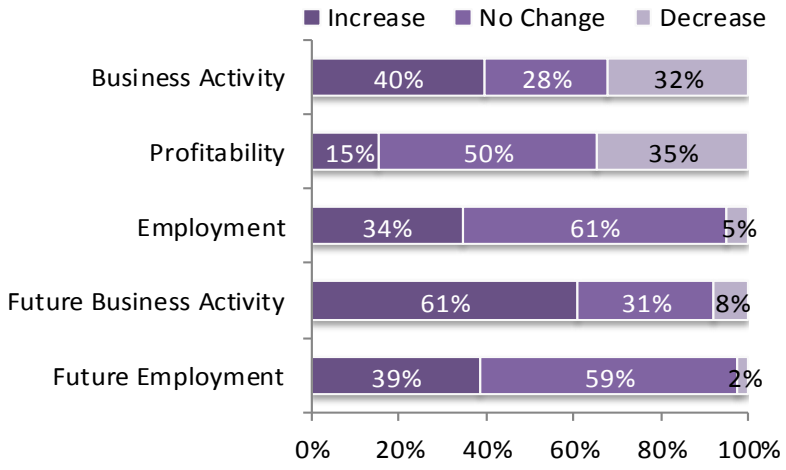
The larger non-finance companies (having more than 50 FTEs) were more positive than smaller companies for six out of the ten indicators (see Appendix 1).

Construction sector

Six of the ten indicators for the **Construction** sector saw significant improvement in the latest quarter. Four indicators (Product prices, Employment, Future Business Activity and Future Employment) recorded their highest levels to date, whilst the Input costs indicator was at its least negative to date (implying lower costs) – see Appendix 2.

Figure 5.1 - Construction sector indicators

Sep 2015 compared with the situation three months previously

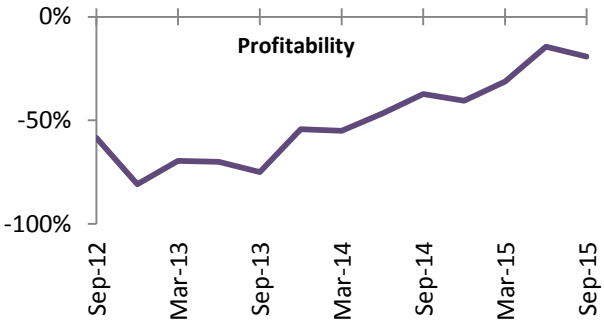


The Business Activity indicator was unchanged in the latest quarter, remaining marginally positive at 8 pp (see Figure 5.1).

The Future Business Activity indicator was strongly positive (at 53 pp) and was up significantly (by 30 pp) on the previous quarter.

Figure 5.2 - Construction sector Profitability indicator

Sep 2012 – Sep 2015



The Profitability indicator was marginally down (by 5 pp) compared with the previous quarter, and remained negative. There has been a general upward trend in this indicator for the Construction sector during the last two years (see Figure 5.2).

The only indicator for the Construction sector which saw a significant decline in the latest quarter was Capacity Utilisation, down by 15 pp to a marginally negative level. This decline was driven by small to medium sized businesses reporting that Capacity Utilisation was lower than three months earlier.

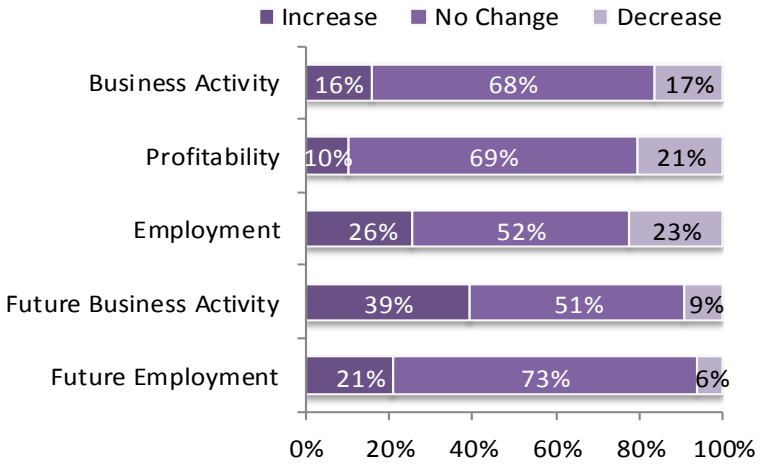
Wholesale & retail sector

Three of the ten indicators for the **Wholesale & retail** sector were improved on the previous round of the survey, three declined and the remaining four were relatively unchanged.

The improved indicators were those for Input Costs, Employment and Future Employment. The indicators which declined in the latest quarter were Business Activity, Product Prices and Profitability.

Figure 6.1 - Wholesale & retail sector indicators

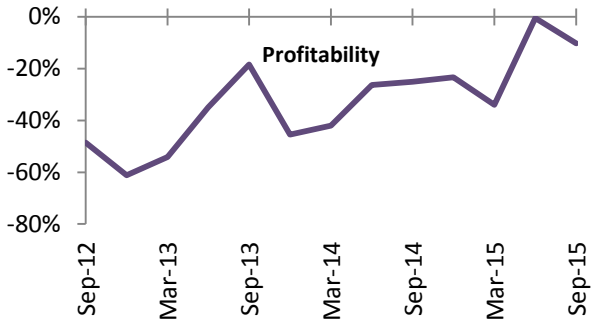
Sep 2015 compared with the situation three months previously



The indicator for Business Activity was down by 12 pp on the previous quarter, falling to an essentially neutral level (see Figure 6.1).

Figure 6.2 - Wholesale & retail sector Profitability indicator

Sep 2012 – Sep 2015



The Profitability indicator also declined in the latest quarter, down from the previously neutral level seen in June 2015.

Other non-finance sectors

For the **other non-finance** sectors eight of the ten indicators were essentially unchanged compared with the previous quarter. In contrast, the Business Optimism and Future Business Activity indicators declined, down by 15 pp and 24 pp, respectively.

The Business Activity indicator for the other non-finance sectors was unchanged, remaining at the positive level recorded in the previous round of the survey (see Figure 7.1).

The Profitability indicator for the other non-finance sectors was also essentially unchanged from the previous quarter, down by 4 pp and remaining marginally negative (see Figure 7.2).

Figure 7.1 – Other non-finance sectors indicators

Sep 2015 compared with the situation three months previously

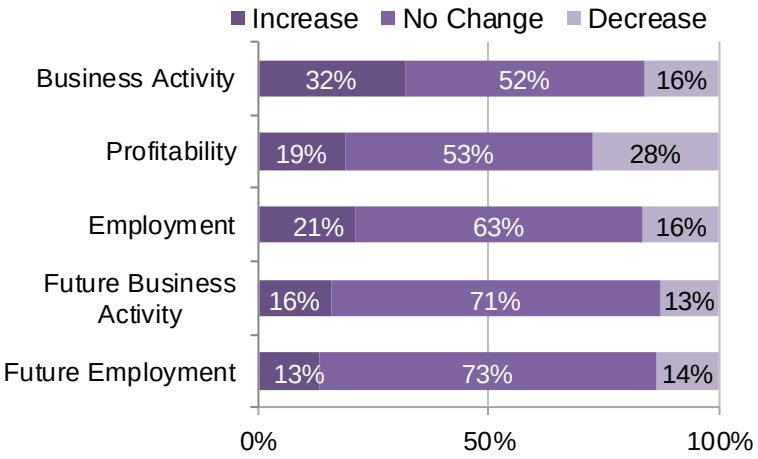
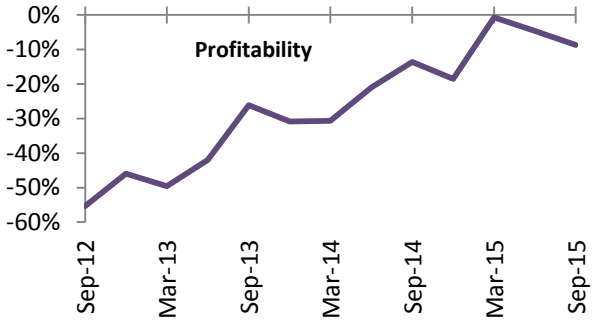


Figure 7.2 - Other non-finance sector Profitability indicator

Sep 2012 – Sep 2015



Statistics Unit

7th October 2015

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**.

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 is reviewed twice yearly to incorporate new or expanding businesses, in order that the sample remains representative of Jersey's economy.

4. **Response**:
   487 firms were sent a survey questionnaire for this survey; 289 completed questionnaires were returned, constituting an overall response rate of 59%. The respondents accounted for over two-fifths (42%) of total private sector employment in the Island.

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.

Appendix 1

Sep 2015 WNB indicators: all sectors, Finance, non-finance, Construction, Wholesale & retail and other non-finance*; percentage points.*

	ALL SECTORS		FINANCE		NON-FINANCE		CONSTRUCTION		WHOLESALE & RETAIL		OTHER NON-FINANCE	
Indicator	WNB	*No change**	WNB	*No change**	WNB	*No change**	WNB	*No change**	WNB	*No change**	*WNB*	*No change**
Business Activity	**5**	***59***	**0**	***65***	**9**	***55***	**8**	***28***	**-1**	***68***	**16**	***52***
New Business	12	*53*	15	*54*	10	*52*	12	*19*	6	*64*	12	*52*
Capacity Utilisation	9	*71*	23	*71*	2	*72*	-4	*56*	-5	*80*	8	*70*
Input costs	-19	*72*	-13	*82*	-22	*67*	-27	*40*	-13	*82*	-28	*62*
Product prices	4	*87*	0	*93*	6	*84*	40	*58*	-7	*91*	8	*84*
Profitability	-8	*57*	-3	*55*	-10	*59*	-19	*50*	-10	*69*	-9	*53*
Employment	7	*56*	8	*51*	7	*59*	30	*61*	3	*52*	4	*63*
Business optimism	5	*63*	4	*68*	5	*60*	36	*52*	7	*57*	-3	*63*
Future business activity	25	*59*	36	*58*	19	*59*	53	*31*	30	*51*	3	*71*
Future employment	10	*64*	11	*52*	9	*71*	36	*59*	14	*73*	0	*73*

Sep 2015 WNB indicators: Finance & non-finance by size of business***; percentage points.***

	Large: FINANCE		Small: FINANCE		Large: NON-FINANCE		Small: NON-FINANCE	
Indicator	WNB	*No change**	WNB	*No change**	WNB	*No change**	WNB	*No change**
Business Activity	**-1**	***68***	**3**	***50***	**15**	***56***	**3**	***56***
New Business	16	*50*	8	*74*	11	*57*	9	*57*
Capacity Utilisation	26	*67*	10	*86*	11	*78*	-6	*78*
Input costs	-11	*83*	-23	*77*	-20	*72*	-24	*72*
Product prices	-1	*93*	5	*95*	8	*77*	4	*77*
Profitability	-1	*57*	-12	*43*	-2	*61*	-17	*61*
Employment	9	*47*	2	*72*	21	*57*	-5	*57*
Business optimism	5	*64*	0	*84*	11	*65*	1	*65*
Future business activity	37	*60*	29	*51*	25	*56*	14	*56*
Future employment	5	*52*	45	*51*	9	*73*	10	*73*

** 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

Appendix 2

All Sectors

Indicator	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15
Business Activity	**-7**	**-13**	**-25**	**-23**	**-24**	**-19**	**-23**	**-8**	**4**	**3**	**0**	**15**	**12**	**5**	**26**	**20**	**5**
New Business	-16	-17	-22	-26	-20	-17	-14	-14	3	5	7	11	8	8	26	24	12
Capacity Utilisation	-20	-18	-19	-34	-30	-24	-29	-17	-12	-13	-8	1	-2	-1	11	7	9
Input costs	-53	-43	-38	-42	-44	-32	-40	-39	-38	-29	-42	-42	-38	-27	-40	-31	-19
Product prices	1	1	-1	-6	-5	-16	-3	-8	-7	-3	4	-1	2	1	9	10	4
Profitability	-40	-38	-43	-41	-48	-44	-43	-33	-23	-23	-23	-12	-10	-16	-1	2	-8
Employment	-8	-17	-16	-23	-25	-22	-19	-12	-5	-12	-5	-2	6	1	9	-4	7
Business optimism	-29	-42	-29	-34	-27	-30	-26	-14	3	13	4	11	13	15	18	15	5
Future business activity	0	-11	-8	-13	-7	-4	-4	2	9	19	26	19	14	14	32	27	25
Future employment	-13	-21	-16	-16	-14	-13	-17	-5	-2	2	9	9	2	5	13	12	10

Finance

Indicator	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15
Business Activity	**18**	**5**	**-5**	**-2**	**-3**	**22**	**1**	**12**	**24**	**23**	**28**	**50**	**21**	**10**	**38**	**31**	**0**
New Business	-5	11	15	6	-6	25	24	-3	36	28	51	23	24	27	34	39	15
Capacity Utilisation	-7	3	2	-11	1	2	-8	11	9	11	8	9	27	16	23	16	23
Input costs	-29	-17	-5	-21	-26	-4	-9	-14	-28	-2	-24	-24	-19	-2	-27	-26	-13
Product prices	-5	5	0	6	1	-5	4	-2	-6	0	4	2	6	11	9	12	0
Profitability	-24	-4	-11	-5	-26	-2	-8	1	3	15	13	29	18	5	26	17	-3
Employment	-1	-14	-16	-28	-28	-12	-7	2	5	-11	-2	1	21	4	17	-4	8
Business optimism	-20	-29	-5	-14	-4	-4	-1	3	31	43	29	29	25	19	21	18	4
Future business activity	39	27	14	12	23	11	8	9	25	43	54	28	11	17	32	29	36
Future employment	4	0	-10	3	-2	-3	-13	-2	10	17	12	22	6	8	9	24	11

Non-Finance

Indicator	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15
Business Activity	**-16**	**-18**	**-31**	**-29**	**-30**	**-31**	**-31**	**-14**	**-4**	**-5**	**-11**	**3**	**8**	**3**	**21**	**14**	**9**
New Business	-19	-24	-33	-36	-25	-29	-27	-18	-10	-5	-11	7	2	2	22	15	10
Capacity Utilisation	-24	-25	-26	-41	-39	-31	-36	-26	-20	-23	-14	-2	-12	-7	6	3	2
Input costs	-61	-51	-47	-49	-49	-49	-50	-47	-42	-41	-48	-48	-44	-35	-46	-33	-22
Product prices	3	-1	-2	-10	-7	-19	-5	-10	-7	-5	4	-2	1	-2	9	10	6
Profitability	-45	-47	-53	-52	-55	-56	-55	-45	-33	-37	-37	-26	-20	-23	-13	-5	-10
Employment	-10	-18	-16	-22	-24	-25	-22	-17	-8	-12	-7	-2	0	-1	6	-4	7
Business optimism	-32	-46	-36	-40	-34	-37	-33	-20	-8	2	-5	6	9	13	17	14	5
Future business activity	-13	-22	-15	-21	-17	-8	-8	0	2	11	16	15	15	13	32	26	19
Future employment	-19	-28	-18	-22	-17	-16	-18	-6	-7	-4	7	5	1	4	15	6	9

Construction

Indicator	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15
Business Activity	**-15**	**-37**	**-29**	**-50**	**-42**	**-44**	**-30**	**-21**	**-47**	**-18**	**-17**	**11**	**-4**	**-13**	**30**	**8**	**8**
New Business	-17	-52	-35	-50	-38	-39	-19	-16	-41	-13	-18	10	-21	-9	17	4	12
Capacity Utilisation	-22	-28	-29	-56	-58	-57	-40	-45	-47	-28	-23	7	-29	-18	13	11	-4
Input costs	-46	-37	-22	-18	-33	-36	-46	-38	-38	-37	-56	-56	-35	-50	-46	-37	-27
Product prices	-16	-6	-27	-37	-37	-43	-23	-29	-27	-20	-4	-18	-5	-19	17	2	40
Profitability	-35	-53	-63	-65	-59	-81	-70	-70	-75	-54	-55	-47	-37	-40	-31	-14	-19
Employment	-19	-32	-25	-34	-29	-47	-15	-28	-30	-31	-8	-7	-5	-3	16	-4	30
Business optimism	-36	-53	-26	-44	-42	-53	-45	-31	-50	9	11	23	16	8	34	17	36
Future business activity	-28	-28	-16	-28	-28	-11	-6	-7	-29	11	9	15	19	2	37	23	53
Future employment	-28	-45	-13	-31	-23	-20	-10	-18	-37	-7	6	5	16	16	36	21	36

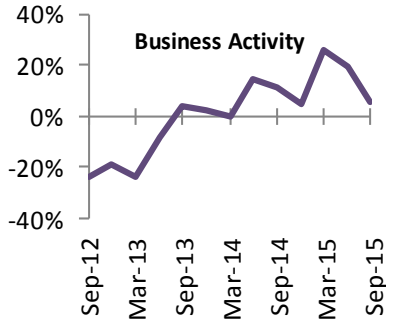
Wholesale & retail

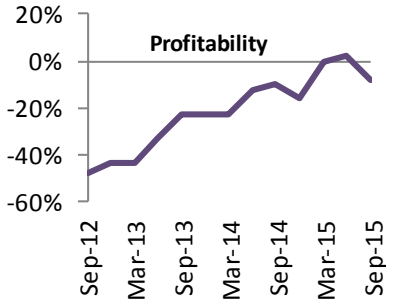
Indicator	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15
Business Activity	**-10**	**-1**	**-27**	**-25**	**-7**	**-36**	**-28**	**1**	**8**	**-12**	**-16**	**8**	**-3**	**-3**	**12**	**11**	**-1**
New Business	-19	3	-26	-39	0	-36	-35	-11	-1	-18	-3	9	0	8	17	13	6
Capacity Utilisation	-16	-1	-19	-50	-44	-48	-45	-37	-37	-44	-10	-10	-24	-16	18	1	-5
Input costs	-57	-67	-47	-50	-45	-41	-50	-38	-36	-37	-46	-46	-37	-11	-49	-29	-13
Product prices	25	7	7	7	5	-12	-14	-7	-1	0	9	-7	16	-11	-12	10	-7
Profitability	-36	-52	-54	-60	-49	-61	-54	-35	-18	-45	-42	-26	-25	-23	-34	0	-10
Employment	7	-4	-20	-21	-31	-30	-19	-22	-13	-16	-13	1	0	1	5	-13	3
Business optimism	-24	-47	-57	-42	-35	-47	-32	-24	-2	-6	-19	12	6	0	23	15	7
Future business activity	13	-23	-18	-15	-3	-6	-7	-6	8	3	-5	27	13	10	31	28	30
Future employment	-5	-22	-28	-25	-5	-16	-26	-6	-7	-20	-10	11	1	9	-6	-6	14

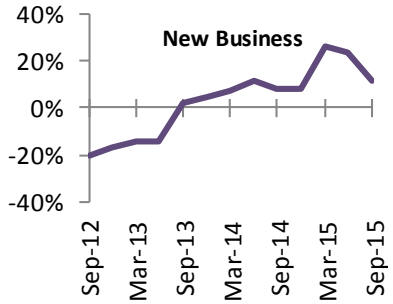
Other non-finance

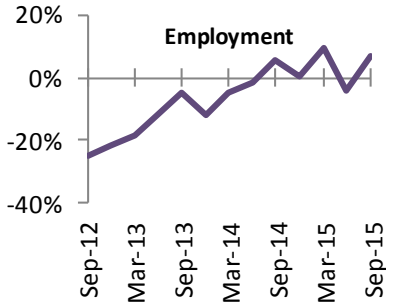
Indicator	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15
Business Activity	**-18**	**-18**	**-34**	**-25**	**-35**	**-24**	**-32**	**-18**	**5**	**1**	**-8**	**0**	**15**	**9**	**23**	**16**	**16**
New Business	-20	-24	-35	-31	-29	-23	-26	-20	-4	1	-11	6	9	3	25	19	12
Capacity Utilisation	-28	-32	-27	-33	-32	-17	-31	-17	-6	-15	-13	-1	-4	-2	-1	2	8
Input costs	-68	-50	-55	-57	-56	-40	-51	-53	-46	-44	-47	-47	-49	-38	-44	-34	-28
Product prices	1	-2	3	-9	-2	-12	5	-6	-3	-2	5	3	-2	5	16	11	8
Profitability	-53	-44	-50	-46	-55	-46	-50	-42	-25	-29	-31	-21	-14	-19	-1	-5	-9
Employment	-13	-18	-12	-19	-19	-15	-26	-13	0	-6	-5	-2	2	0	3	0	4
Business optimism	-33	-42	-31	-38	-32	-28	-30	-16	2	3	-5	0	8	18	10	12	-3
Future business activity	-17	-20	-13	-22	-18	-7	-9	5	10	13	24	12	14	17	31	27	3
Future employment	-21	-24	-16	-18	-20	-15	-18	-3	2	1	13	3	-2	0	17	8	0

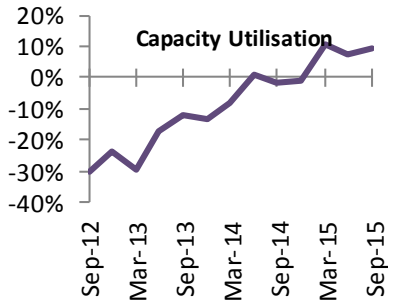
All Sector Indicators

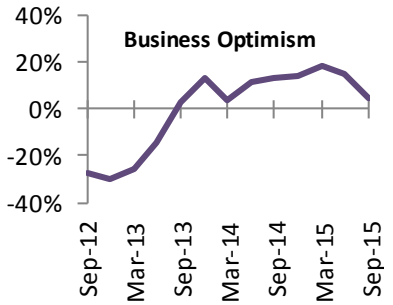


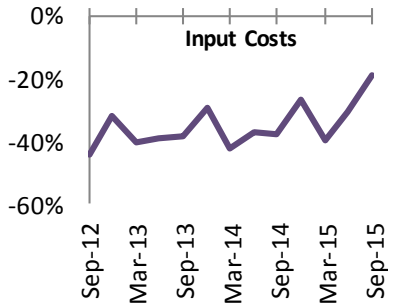


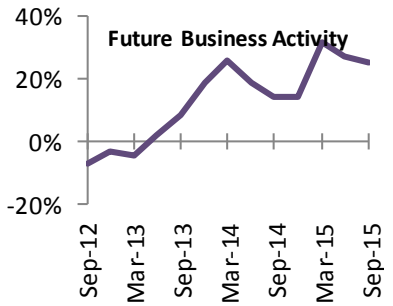


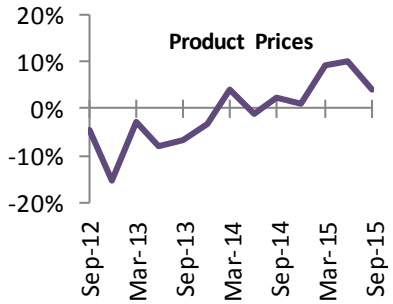


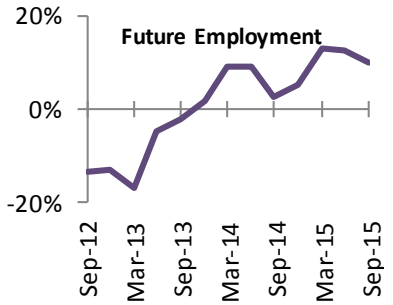




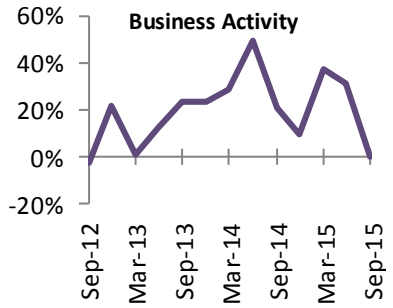


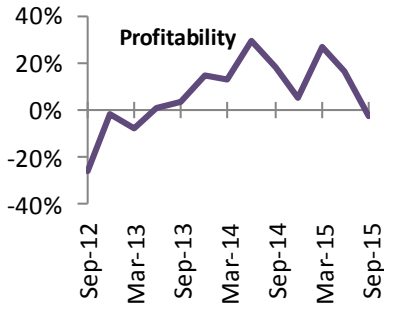


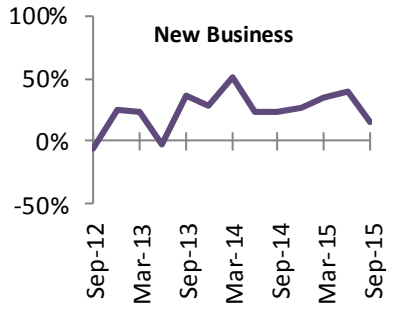


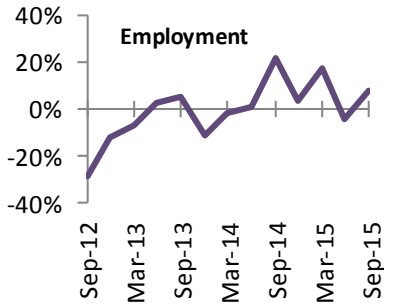


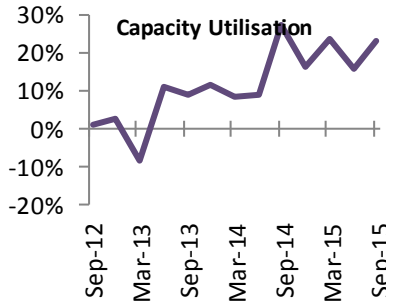
Finance Indicators

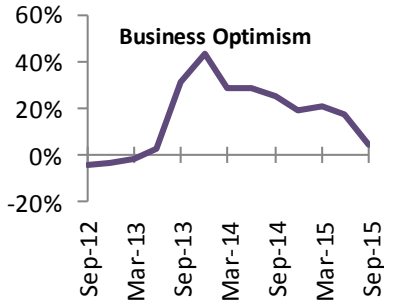


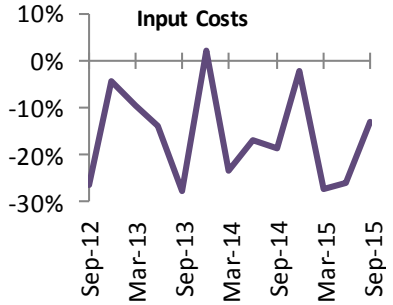


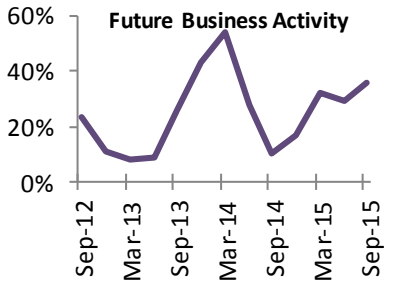


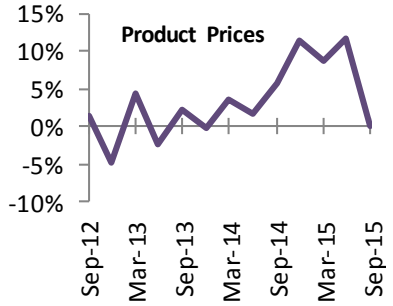


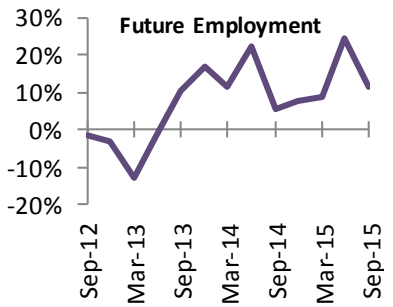




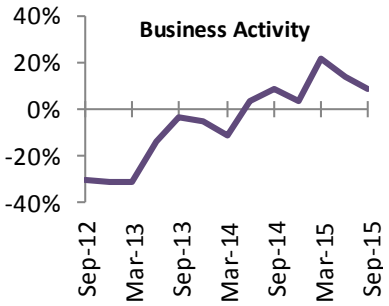


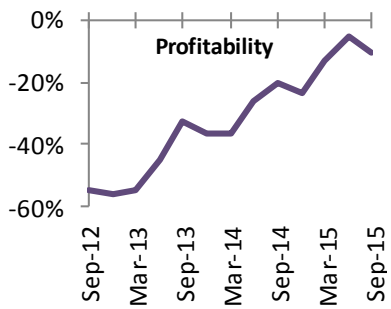


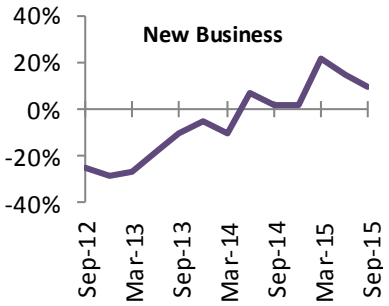


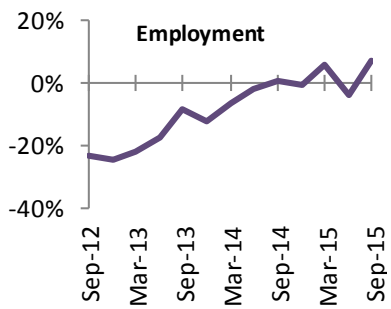


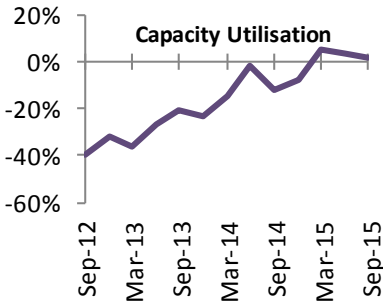
Non-finance Indicators

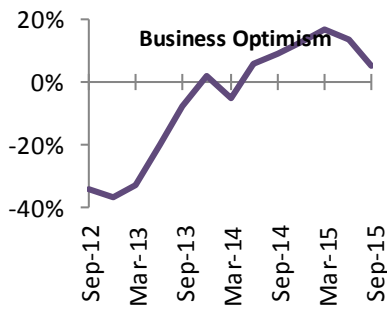


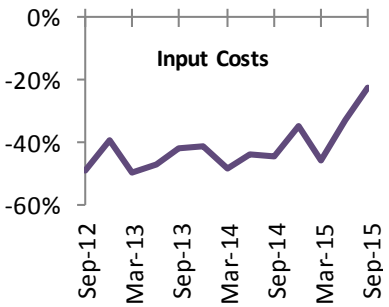


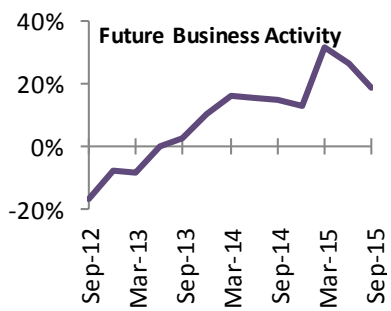


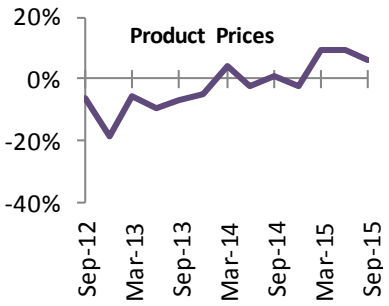


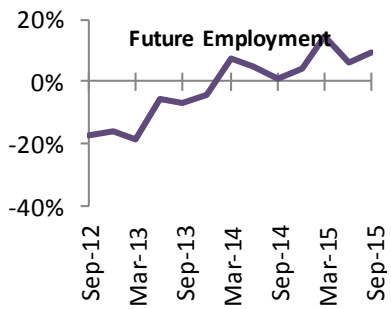




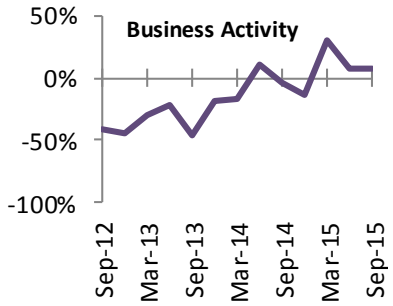


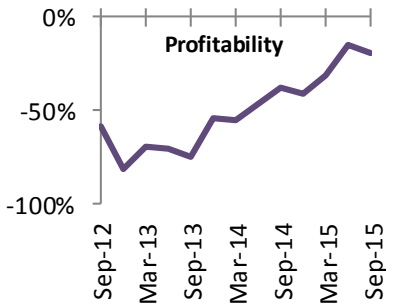


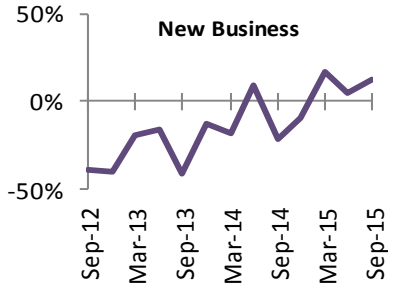


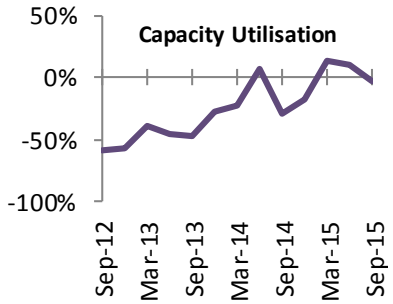


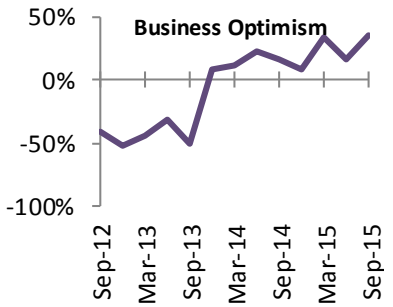
Construction

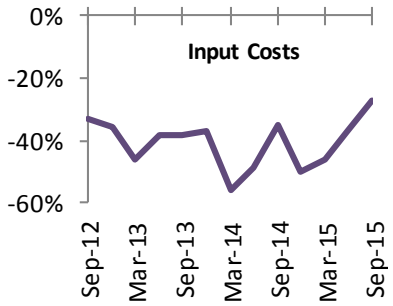


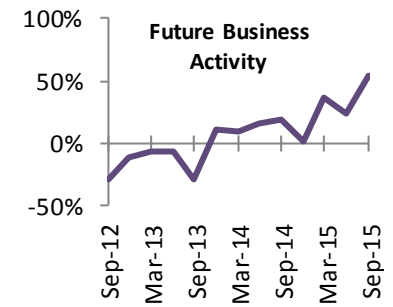


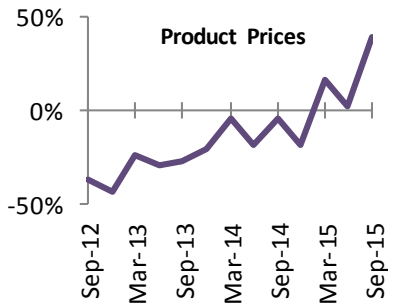


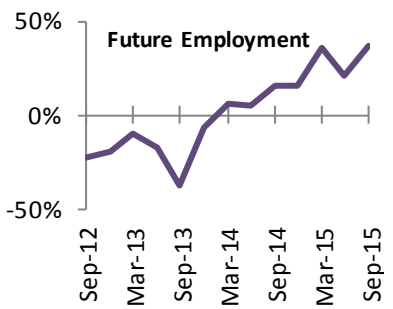




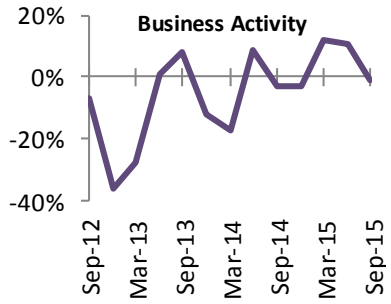


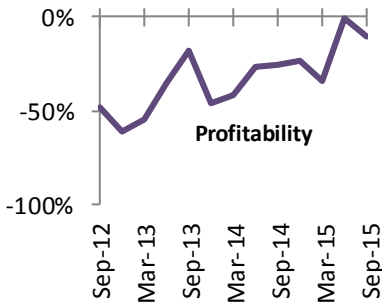


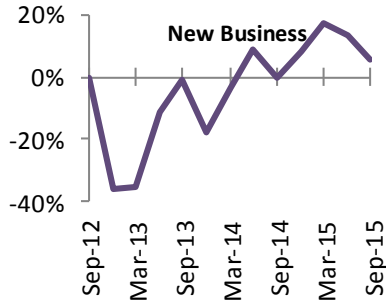


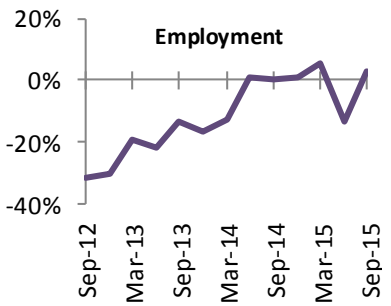


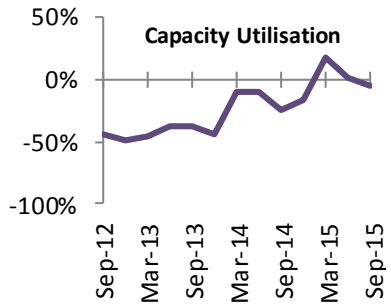
Wholesale & Retail

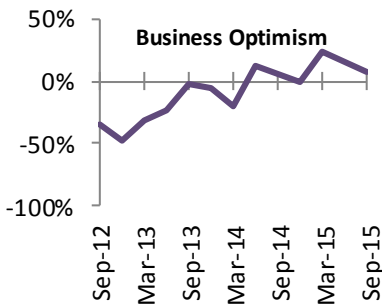


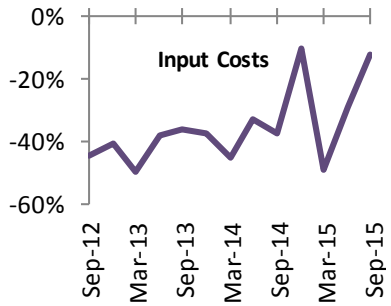


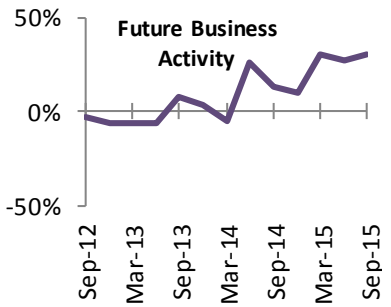


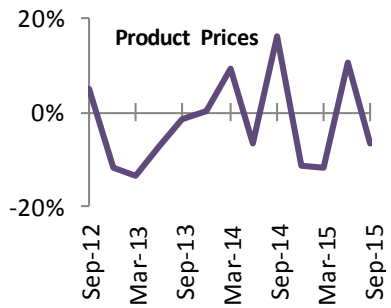


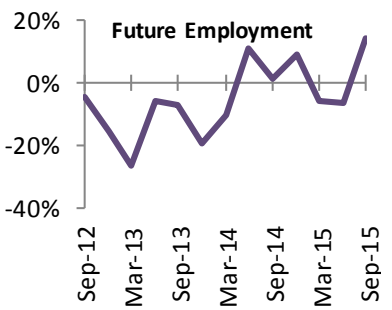
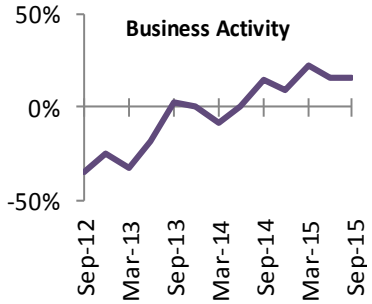
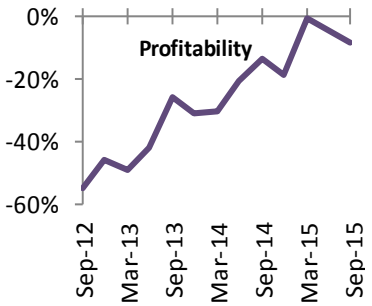
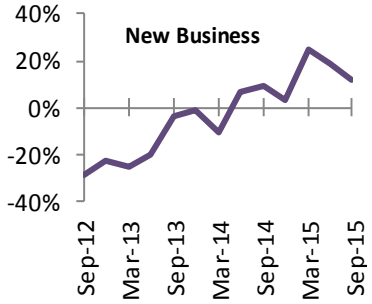
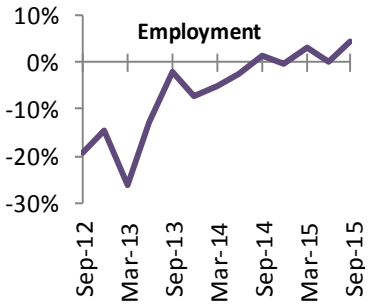
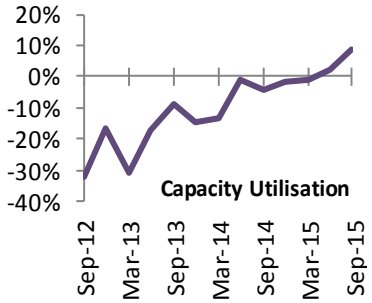
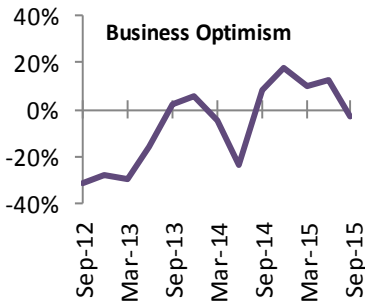
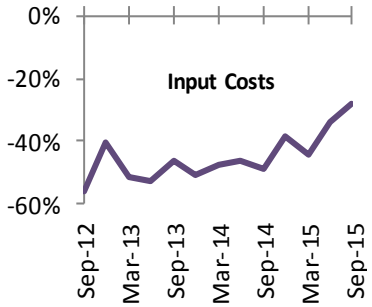
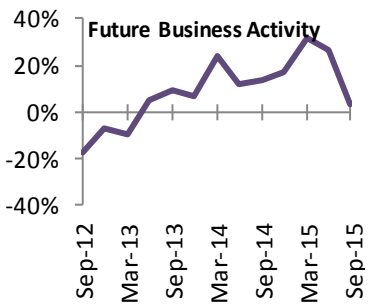
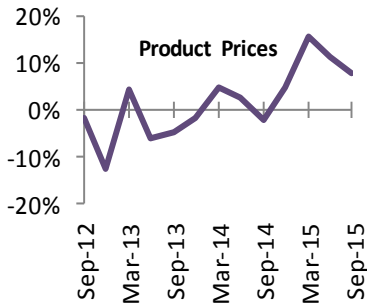
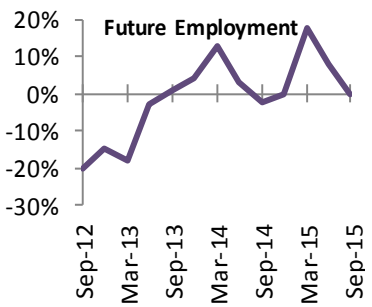












Other Non-finance