



English Business Survey – December 2012

This release presents the key messages from the English Business Survey (EBS) for December 2012. The EBS interviews 3,000 workplaces each month and provides timely intelligence on business conditions in England. The Survey provides an assessment of past, current and future conditions. The data refers to business conditions in December 2012, which is the reference month for the survey.

Terminology

What these statistics mean:

- The EBS is a survey of workplaces. A workplace can be a single business, or a workplace that is part of a larger enterprise, for example the local store of a large supermarket chain. Ninety-seven per cent of enterprises consist of a single workplace.¹ The term business will be used throughout this release.
- In order to reflect the relative importance or contribution of different sized workplaces to the local economy, the survey uses the number of people employed at each workplace as the measure of its contribution to the economy. Where the size of business is reported in the release, this refers to the number of people employed at each workplace.
- Where 'Balances' are presented, they are the difference between the positive responses and the negative responses. Balances allow a general assessment of whether businesses feel positive or negative about something. More detailed information on the terminology used is included in the Background Notes to the release.

¹ Source: UK Business: Activity, Size and Location, 2012

Key Points

- The proportion of businesses in England reporting output being higher than it was three months earlier was 35% in December's survey, this compares to 45% in November's survey which was the highest since the survey began.
- Employment is relatively stable, with the majority of businesses reporting employment levels remaining the same in December as in September. However, more businesses reported employment to have increased than reported it to have fallen.
- Expectations of future levels of employment were higher in December than in November's results; December's balance score of 0% is higher than the negative balance scores reported for October and November.
- The East of England and Yorkshire and The Humber were the best performing regions for output, while the West Midlands performed best in terms of employment.
- Businesses in the North East showed the worst performance when comparing employment levels in December with September 2012. Businesses in the North East also have the most pessimistic expectations of output and employment.
- The proportion of businesses making capital investments fell to its lowest level since the survey began; twenty-five per cent of businesses reported they had invested between October 2012 and December 2012, while 66% reported they had not invested.

Economic Context

This section provides contextual information about economic performance over the survey period (December 2012) and in the preceding months to help the user to interpret the statistics. Official statistics showed the value of the economy - Gross Domestic Product (GDP) – was estimated to have decreased in Quarter 4, by 0.3% when compared with Quarter 3 2012, and the economy was the same size in Q4 2012 as in Q4 2011.² Official business statistics suggest the economy remains generally weak: in the three months to December, retail sales declined,³ manufacturing output continued to contract⁴ and there was a small increase in construction output compared to the third quarter⁵. Inflation at 2.7% was unchanged during the fourth quarter but remained above the Bank of England's target of 2.0%.⁶ The labour market

² <http://www.ons.gov.uk/ons/rel/gva/gross-domestic-product--preliminary-estimate/q4-2012/index.html>

³ <http://www.ons.gov.uk/ons/rel/rsi/retail-sales/index.html>

⁴ <http://www.ons.gov.uk/ons/rel/iop/index-of-production/index.html>

⁵ <http://www.ons.gov.uk/ons/rel/construction/output-in-the-construction-industry/index.html>

⁶ <http://www.ons.gov.uk/ons/rel/cpi/consumer-price-indices/index.html>

has proved resilient with employment levels rising over the year and a small fall in unemployment over the three months to December.⁷ According to Eurostat, GDP in the Euro area contracted by 0.6% during Quarter 4 2012.⁸ Over the year 2012, GDP in the Euro area was estimated to have fallen by 0.5%.

EBS Results

Output

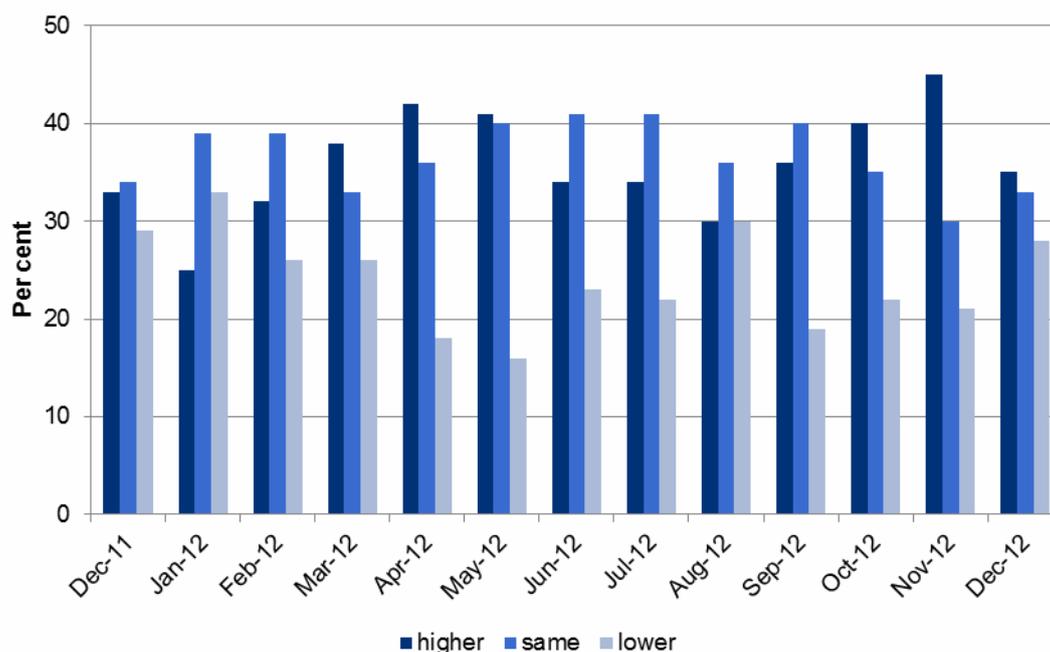
Across England as a whole, an estimated 35% of businesses reported that output⁹ was higher in December than it had been in September – this is a decrease when compared to November’s results (45%), which were the highest since the survey began. This decrease in the proportion of businesses reporting higher output may be a seasonal effect as a similar pattern was reported in December 2011.

⁷ <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/february-2013/statistical-bulletin.html>

⁸ http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-14022013-AP/EN/2-14022013-AP-EN.PDF

⁹ Businesses are asked whether they believe their level of business activity or volume of output at a workplace is the same, higher or lower.

Chart 1: Level of output in England, December 2011 to December 2012



Notes:

1. Workplaces were asked about the level of output in a month three months earlier when compared to the reporting month, for example December 2012 results compare December with September 2012.
2. Estimates are not seasonally adjusted.
3. Survey results sum to 100%=(% Higher)+(% The same)+(% Lower)+(% Don't know). Estimates for 'Don't know' have been excluded from this chart, but are available in the tables that accompany the release.

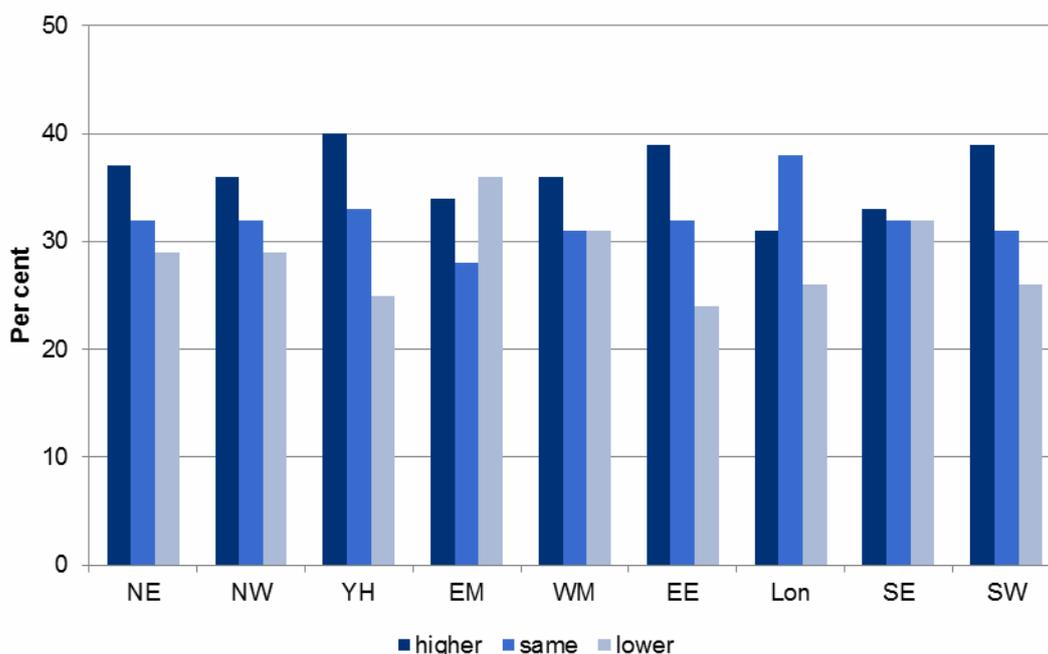
Source: BIS - English Business Survey, December 2012

Thirty-three per cent of businesses reported that output in December 2012 was the same as it had been in September; twenty-eight per cent of businesses reported lower output,¹⁰ giving an overall balance score of +7%.

Almost all regions reported positive balance scores: the East Midlands (-2%) was the only region to report a negative balance score; and, had the largest proportion of businesses reporting lower output (36%) – this was significantly different from the estimate for England (28%). The highest balance scores were recorded in the East of England (+16%) and Yorkshire and The Humber (+15%).

¹⁰ Responses across all categories (i.e. Higher, The same, Lower and Don't Know) sum to 100%. Workplaces accounting for 4% of employment responded don't know. See data tables (<https://www.gov.uk/government/organisations/department-for-business-innovation-skills/series/english-business-survey>) for detailed figures.

Chart 2: Level of output in England, by region, December 2012



Notes:

1. Workplaces were asked about the level of output in a month three months earlier when compared to the reporting month, for example December 2012 results compare December with September 2012.
2. Survey results sum to 100%=(% Higher)+(% The same)+(% Lower)+(% Don't know). Estimates for 'Don't know' have been excluded from this chart, but are available in the tables that accompany the release.

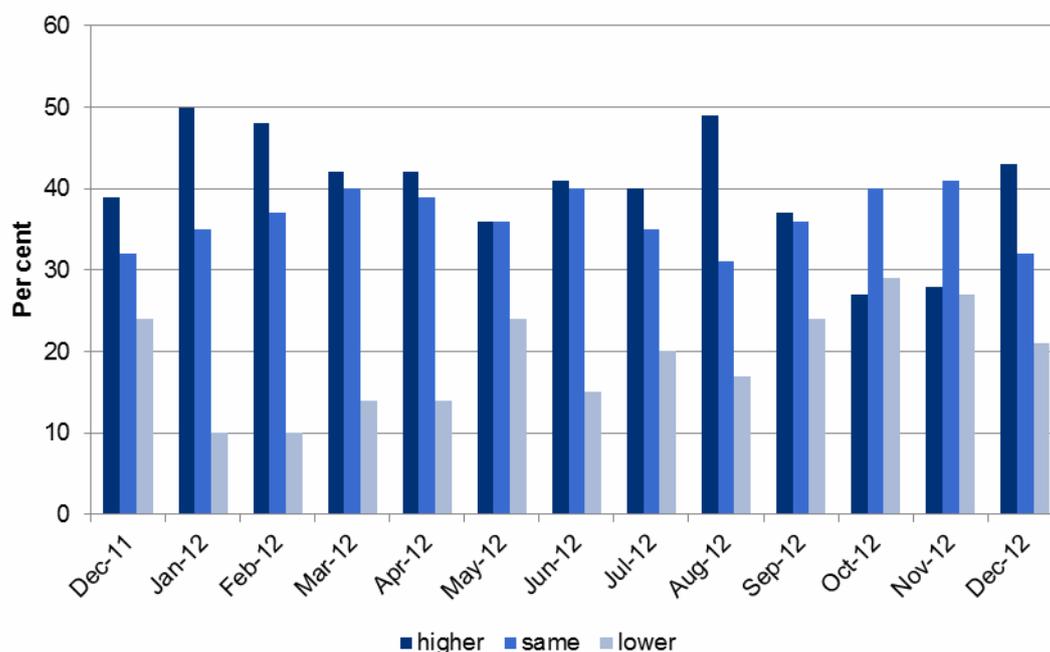
Source: BIS - English Business Survey, December 2012

When examining the Survey results by the size of the business,¹¹ larger businesses of 250 or more employees were most likely to report that output had increased when compared to September (42%) and least likely to report that output was lower (16%), giving a balance of +26%. In contrast, amongst micro businesses of 1 to 9 employees, an estimated 29% reported higher output compared to 41% reporting lower output, giving a balance score of -12% – micro businesses were the only size band with a negative balance.

Expectations of future output have improved when compared to survey results for last month (November 2012) and this time last year (December 2011).

¹¹ Business size is measured in terms of the number of employees at the workplace.

Chart 3: Expected level of output in England, December 2011 to December 2012



Notes:

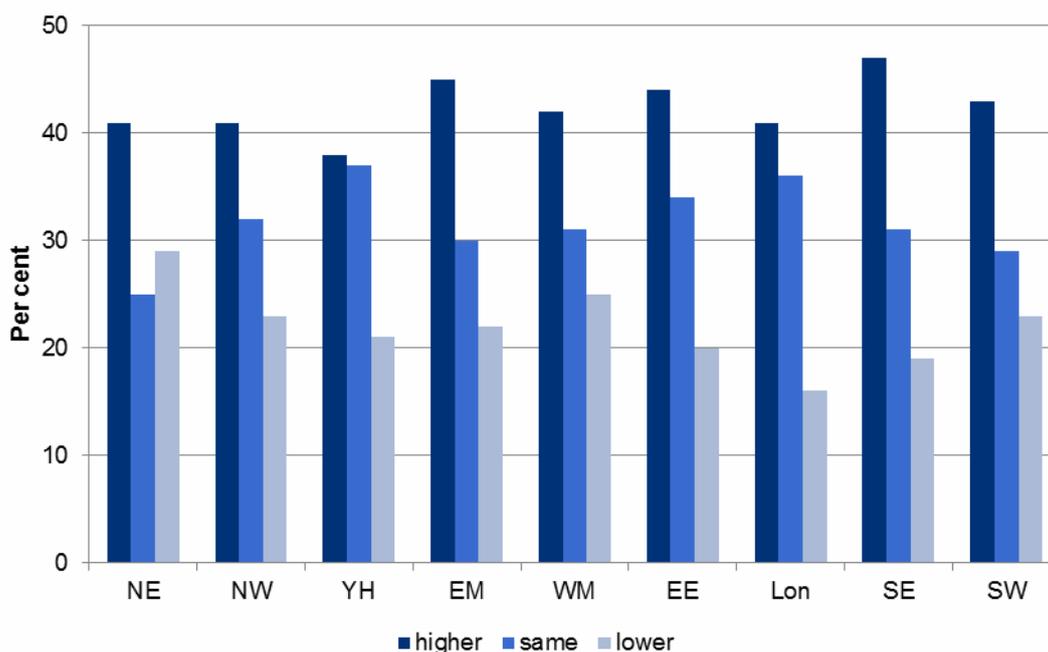
1. Workplaces were asked about their expectations for the level of output in a month three months into the future, when compared to the reporting month, for example December 2012 results compare December with March 2013.
2. Estimates are not seasonally adjusted.
3. Survey results sum to 100%=(% Higher)+(% The same)+(% Lower)+(% Don't know). Estimates for 'Don't know' have been excluded from this chart, but are available in the tables that accompany the release.

Source: BIS - English Business Survey, December 2012

An estimated 43% of businesses in England expect output to be higher in March 2013 than it was in December 2012; 21% expect output to fall, with 32% of businesses expecting output to remain the same. This gives a positive balance of +22%, a big improvement on November's results – a balance score of +1%.

All regions reported a positive balance score on expectations of future output, with the South East (+28%) and London (+25%) having the highest balance scores. London had the smallest proportion of businesses that expect output to be lower (16%) in March than in December, this was significantly different from the estimate for England (21%). The lowest balance score was reported for the North East (+12%) with 29% of businesses expecting lower output and 41% expecting higher output.

Chart 4: Expected level of output in England, by region, December 2012



Notes:

1. Workplaces were asked about their expectations for the level of output in a month three months into the future, when compared to the reporting month, for example December 2012 results compare December with March 2013.
2. Survey results sum to 100%=(% Higher)+(% The same)+(% Lower)+(% Don't know). Estimates for 'Don't know' have been excluded from this chart, but are available in the tables that accompany the release.

Source: BIS - English Business Survey, December 2012

Positive output balance scores were reported for all sizes of business in December. Large businesses were the least optimistic about future output with the lowest proportion of businesses expecting higher output (39%) of any business size,¹² and had the lowest balance score of +9%. Micro businesses and small businesses (10 to 49 employees) had balance scores of +25% and +22% respectively; medium sized businesses (50 to 259 employees) reported the highest balance of +29%.

Employment

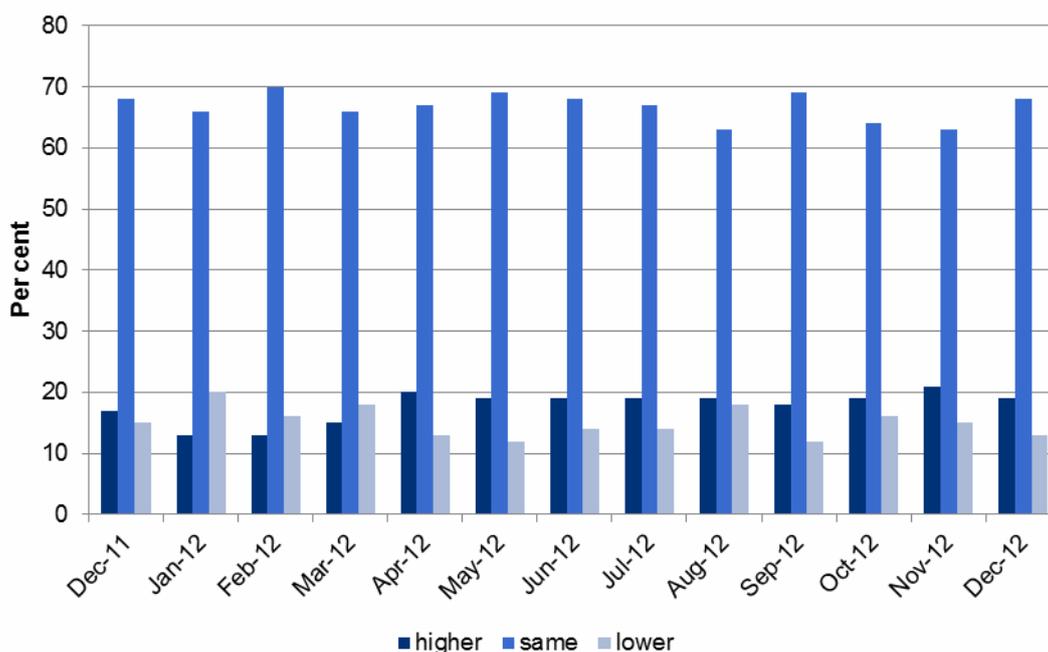
In England, most businesses reported that employment levels¹³ were stable; with positive balance scores reported.

Over two thirds (68%) of businesses reported employment was the same compared to 3 months ago (September 2012); 19% estimated higher employment while 13% estimated lower employment, giving a balance of +6%.

¹² This result is statistically significantly different to England

¹³ Employment level is used to describe the average number of people working at a workplace.

Chart 5: Level of employment in England, December 2011 to December 2012



Notes:

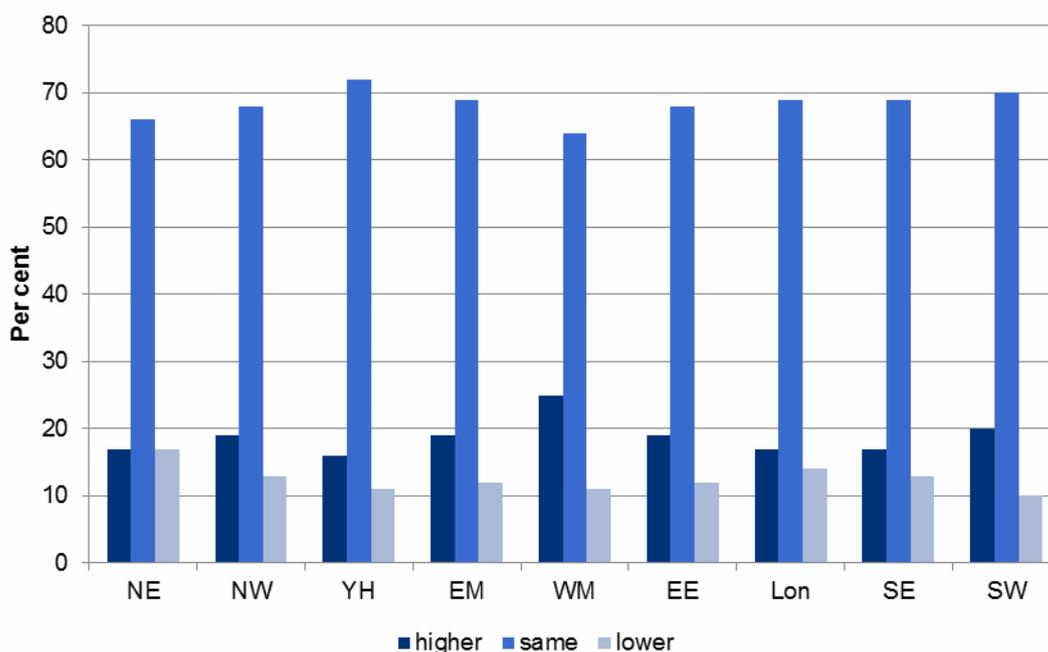
1. Workplaces were asked about the level of employment in a month three months earlier when compared to the reporting month, for example December 2012 results compare December with September 2012.
2. Estimates are not seasonally adjusted.
3. Survey results sum to 100%=(% Higher)+(% The same)+(% Lower)+(% Don't know). Estimates for 'Don't know' have been excluded from this chart, but are available in the tables that accompany the release.

Source: BIS - English Business Survey, December 2012

Eight of nine regions had positive balance scores in December and the North East had a zero balance. The largest balance was found in West Midlands (+13%), followed by South West (+10%). The West Midlands balance score was the result of the largest proportion of businesses reporting higher employment (25%), significantly higher than England's estimate (19%).

Larger businesses were more likely to estimate that employment levels had changed, whilst smaller businesses were more likely to report employment levels remained the same. An estimated 28% of large businesses reported increased levels of employment in December compared to September and 14% reported lower employment, giving a balance of +14%. However, only an estimated 7% of micro businesses reported increased employment, compared to 11% that reported lower employment – the only business size to report a negative balance score (-4%) for employment.

Chart 6: Level of employment in England, by region, December 2012



Notes:

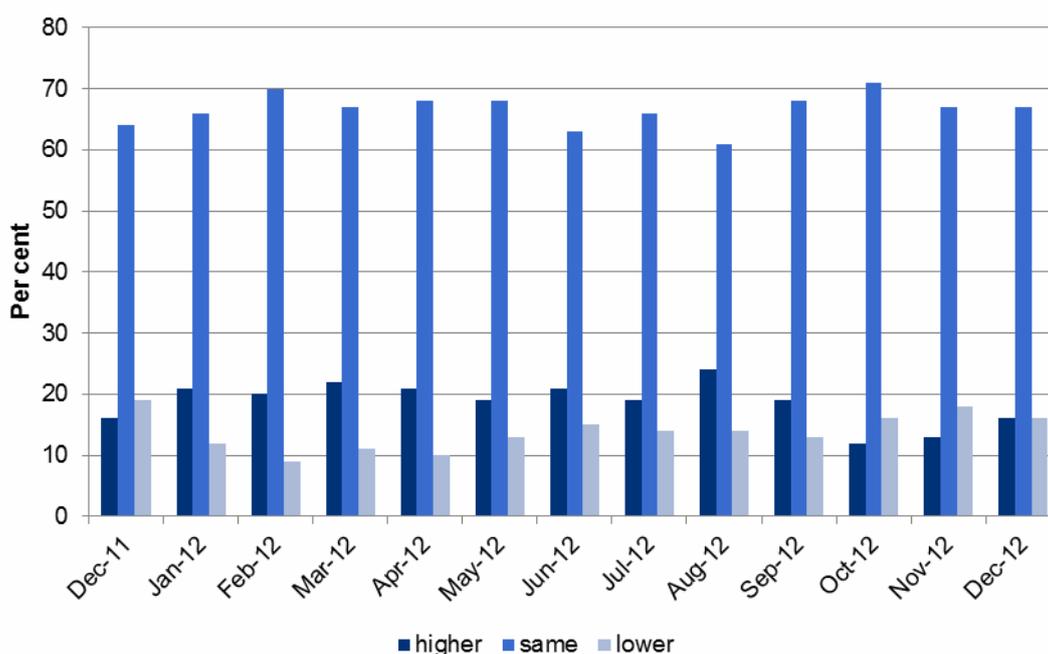
1. Workplaces were asked about the level of employment in a month three months earlier when compared to the reporting month, for example December 2012 results compare December with September 2012.
2. Survey results sum to 100%=(% Higher)+(% The same)+(% Lower)+(% Don't know). Estimates for 'Don't know' have been excluded from this chart, but are available in the tables that accompany the release.

Source: BIS - English Business Survey, November 2012

Expectations of future employment levels became less pessimistic across England in December; with December's balance score of 0% higher than the negative balance scores reported for October (-4%) and November (-5%). The majority of businesses in England anticipate fairly constant employment levels – an estimated 67% of businesses expect the number in employment to be the same in March 2013 as in December 2012.

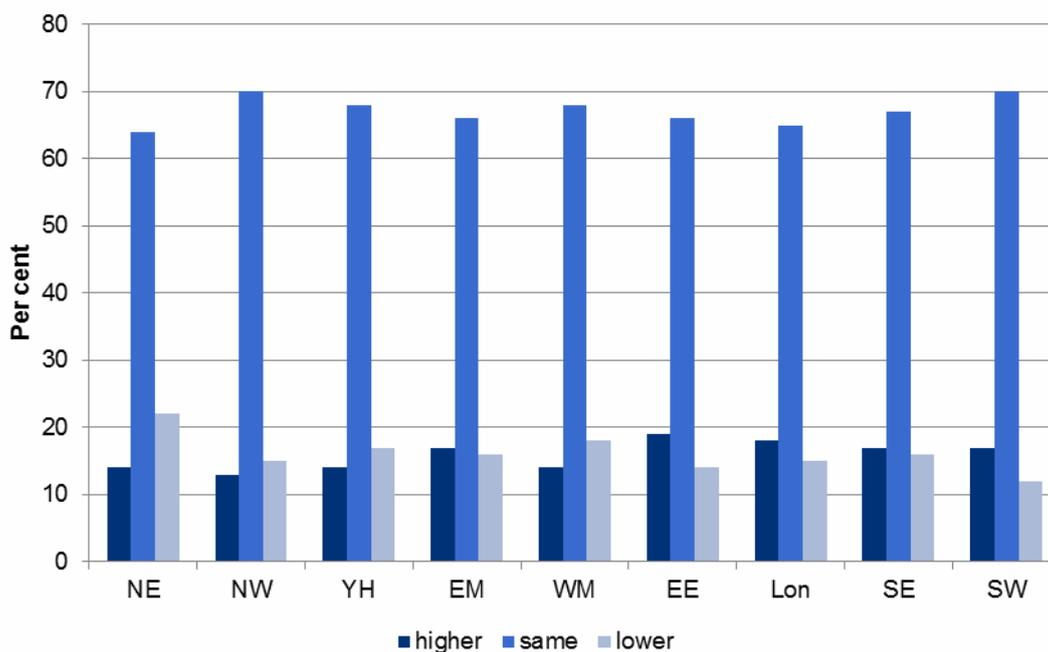
Four out of nine regions recorded a negative balance score for expectations of future employment with the most pessimistic being the North East (-8%). Compared with November's results more regions reported a positive balance score, with the East of England (+5%) and the South West (+4%) being the highest.

Chart 7: Expected level of employment in England, December 2011 to December 2012



Source: BIS - English Business Survey, December 2012

Chart 8: Expected level of employment in England, by region, December 2012



Notes for carts 7 and 8:

1. Workplaces were asked about their expectations for the level of employment in a month three months into the future, when compared to the reporting month, for example December 2012 results compare December with March 2013.
2. Estimates are not seasonally adjusted
3. Survey results sum to 100%=(% Higher)+(% The same)+(% Lower)+(% Don't know). Estimates for 'Don't know' have been excluded from this chart, but are available in the tables that accompany the release.

Source: BIS - English Business Survey, December 2012

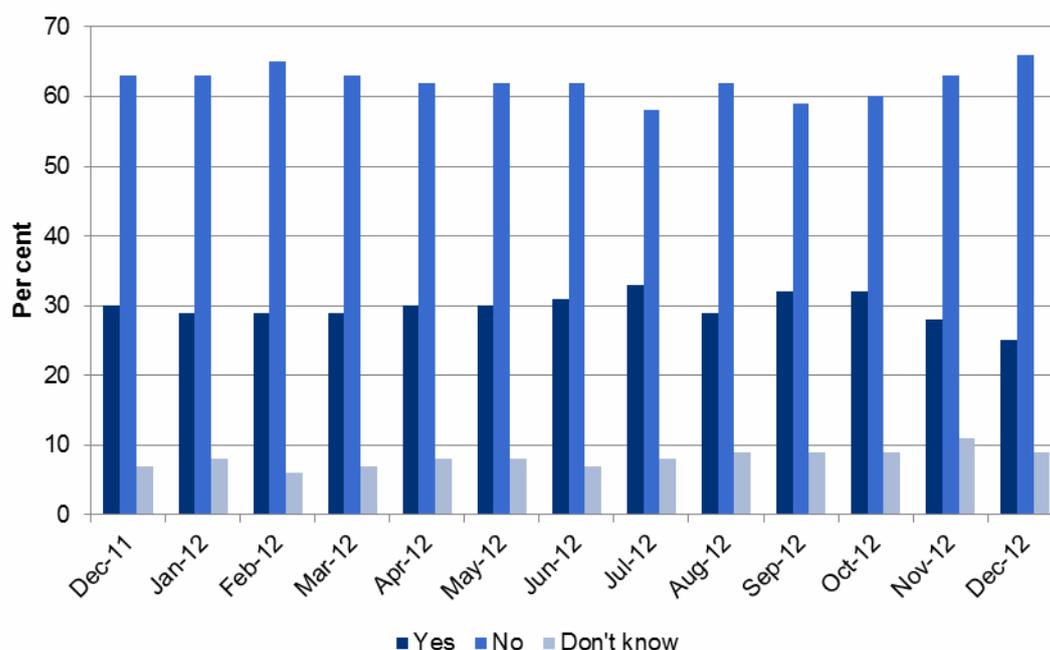
Capital Investment

In December 2012, the proportion of businesses that have made new capital investment fell to its lowest level since the survey began in October 2011.

In England, an estimated 25% of businesses made new capital investment¹⁴ in the three months from October to December 2012. An estimated 66% of businesses reported no new capital investment over the same period.

Over the previous three surveys the fall in capital investment appears to have been most marked amongst larger businesses. Whilst larger businesses are more likely to have made capital investment than smaller businesses, the greatest decline in the proportion of businesses making capital investments is seen in businesses of 250 or more employees when comparing October's results (41%) with December's (29%).

Chart 9: Capital investment in England, December 2011 to December 2012



Notes:

1. Workplaces were asked whether they made any new capital investment in the previous three months, for example December 2012 results ask about the period October to December 2012.
2. Estimates are not seasonally adjusted.

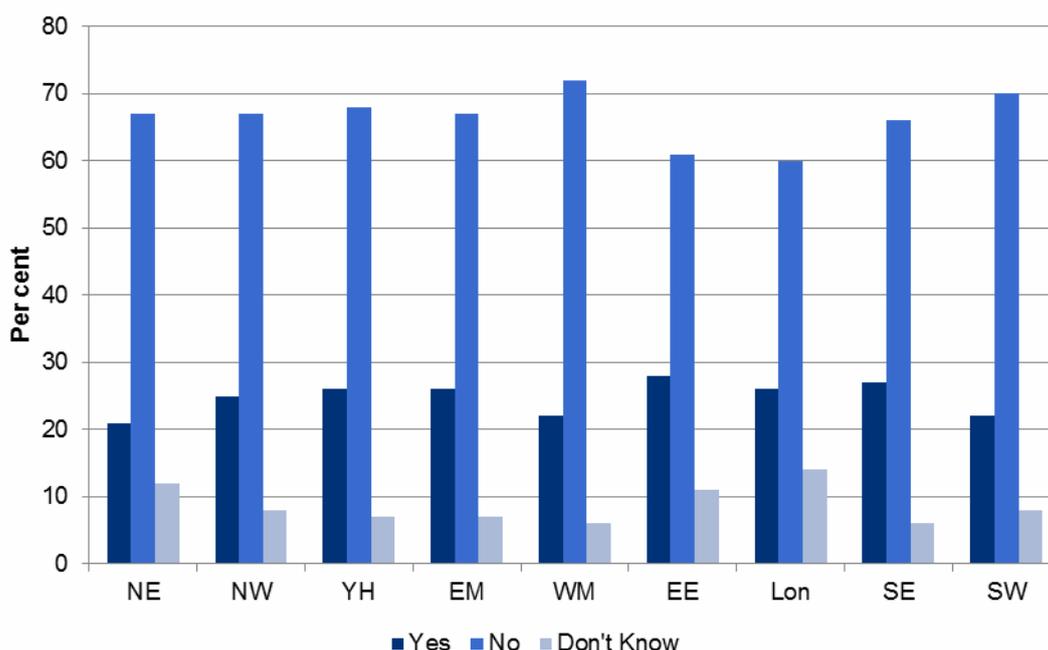
Source: BIS - English Business Survey, December 2012

¹⁴ Capital Investment is used to describe buildings, plant and machinery, equipment, vehicles and computer hardware and software that has taken ownership of, or has started to use – these investments can be bought or leased; it does not include items that have been ordered but have not been used.

Micro businesses were the least likely to have made capital investments in the period October to December: 80% of micro businesses reported that they had not invested, and 19% of businesses stated they had.

The regions in which businesses were most likely to have made new capital investment were East of England (28%), followed by the South East (27%). Businesses in the North East (21%) were least likely to have made new capital investment, followed by West Midlands (22%) and South West (22%). The West Midlands reported the largest number of businesses that did not make capital investment (72%), while London reported the smallest number of businesses that did not invest (60%).¹⁵

Chart 10: Capital investment in England, by region, December 2012



Notes:

1. Workplaces were asked whether they made any new capital investment in the previous three months, for example December 2012 results ask about the period October to December 2012.
2. Estimates are not seasonally adjusted.

Source: BIS - English Business Survey, December 2012

Looking ahead, an estimated 26% of businesses in England expect to make new capital investment between January and March 2013; this is the same level of expectation reported in each of the previous four months.¹⁶ For most regions there is little variation in the proportion of businesses that anticipate making capital investments between January and March 2013. The exceptions being the South East, reporting the highest number of businesses expecting to invest (31%); the North West (29%), and the North East reporting the lowest number of businesses expecting to make capital investment (17%).¹⁷

¹⁵ These results are statistically significantly different to England.

¹⁶ Results are not adjusted for seasonality.

¹⁷ Both results are statistically significantly different to England.

In England, larger businesses with 250 or more employees are most likely to make capital investment between January and March, with an estimated 33% expecting to make capital investment. This compares with only 17% of micro businesses expecting to make capital investment.

Coherence with similar data

Other business surveys, conducted by both trade bodies and private companies, collect information across a range of variables. Although some of this information overlaps with that collected through the EBS, the EBS has the advantages that it: brings the data together in a single place; allows sub-regional analysis each quarter; and, covers all sectors of the economy, including the public/not-for-profit sectors.

Along with many other business surveys, data from the EBS is difficult to reconcile with official statistics, particularly output. Monthly Purchasing Managing Index (PMI) figures reported slight expansion for Manufacturing while the indices for Services and Construction showed contraction; the contraction in Services was the first since December 2010 and the results for Construction represented a six month low.¹⁸

The Confederation of British Industry (CBI)'s *Industrial Trends* survey¹⁹ reports a negative balance for new orders, 25% of respondents reported a rise in the three months to January, while 28% said they fell. Expectations for employment and investment were more positive; manufacturers expect to increase employment in the next three months with a balance score of +13%. Firms plan to invest in plant and machinery, with a balance score of +6%. However, the EBS samples businesses across a wider set of sectors. The British Chambers of Commerce (BCC) shows an increase in domestic sales over Quarter 4 2012 while domestic orders showed a positive balance score, recovering from the negative score recorded in Quarter 3.²⁰

Employment data from the surveys is broadly in line with the EBS, the BCC indicates that employment increased in Quarter 4 2012 and predicts employment will continue to increase in Quarter 1 2013. Official statistics show employment has increased, with corresponding falls in the unemployment rate.

¹⁸ <http://www.markiteconomics.com/Survey/Page.mvc/AboutPMIData>

¹⁹ <http://www.cbi.org.uk/business-issues/economy/business-surveys/industrial-trends-survey/>

²⁰ <http://www.britishchambers.org.uk/policy-maker/policy-reports-and-publications/quarterly-economic-survey-q4-2012.html>

Background Notes

Product Development

The survey has undergone extensive development and testing, including pilot testing of the survey and cognitive testing of the survey questions. The Report on the EBS Questionnaire²¹ contains details of the development and testing of the questionnaire; the Technical Annex details the methods which underpin the survey. Both documents are available on the EBS webpage.²²

EBS methods and questionnaire continue to be reviewed and analysed to ensure they remain the best possible. Should you have any comments on the statistics – including on the methods used and dissemination of the statistics – or would like to inform us how you use the statistics, please contact ebssurvey@bis.gsi.gov.uk.

Quality and use

The English Business Survey provides timely and robust information on a regular and geographically detailed basis, the survey enhances understanding of business perceptions and economic conditions throughout England and ultimately improves policy making through this understanding. The statistics are also useful to businesses, providing intelligence about local economic and business conditions.

These estimates are currently classified as experimental statistics as they are undergoing development and have not yet been assessed against the standards required for National Statistics. It is recommended that users exercise caution when interpreting time series data, as the data are likely to include seasonal patterns, which have not been removed through seasonal adjustment²³. It is expected that seasonal patterns will differ by industry, for example, all else being equal, some industries would expect output to be much lower in January compared to November due to seasonal patterns. It is recommended that until the statistics are assessed for seasonality that time series results are interpreted with caution.

Methodology

The English Business Survey is a monthly telephone survey that asks managers at sampled workplaces about their expectations and experiences on a range of measures such as output or sales. The data are weighted so that the weighted sample matches the population with respect to sub-region and employment²⁴. This is designed to capture the importance of the

²¹ <http://www.bis.gov.uk/assets/biscore/statistics/docs/e/12-601-english-business-survey-report-questionnaire-development.pdf>

²² <http://www.bis.gov.uk/analysis/statistics/sub-national-statistics/ebssurvey>

²³ The recommended approach for removing seasonality in UK Official Statistics requires three years of monthly data or 5 years of quarterly data.

²⁴ The characteristics used for weighting include: location (NUTS2 Region) and employment size (0-49, 50-249 and 250+).

workplace to the economy; employment is used as a proxy for economic importance as a robust measure of turnover is not available for all workplaces. The use of employment means that the results effectively estimate: the proportion of employees whose manager believes a particular measure is positive/negative/the same.

To aid understanding and assist in the interpretation of the survey findings there are two documents aimed at different types of user: a non-technical User Guide²⁵, which provides information about how to interpret results, and a Technical Annex²⁶, which contains detailed information about the methodology.

Strengths and Limitations

The EBS has a number of strengths:

- a relatively large monthly sample with the potential to provide timely sub-national statistics;
- a workplace focus, which will enable data on local conditions to be collected;
- an ‘economic influence’-type weighting approach to try to better represent what is happening for sub-national economies;
- coverage of all sectors of the economy, including the public/not-for-profit sectors; and
- timely statistics, allowing policy makers and businesses to react promptly to issues as they arise in the current macroeconomic climate.

However, it also has some limitations:

- the nature of data collection being at workplace level mean that statistics about region, employment size and industry all relate to that of the workplace, rather than for the enterprise. Accordingly, inferences about the enterprise-level business population are more limited; and
- due to the coverage of the sampling frame – the Inter-Departmental Business Register – the EBS does not cover non-registered²⁷ businesses. This is potentially important as such businesses make up a significant proportion of the overall business population (55% of businesses) although

²⁵ <http://www.bis.gov.uk/assets/biscore/statistics/docs/e/12-598-english-business-survey-user-guide.pdf>

²⁶ <http://www.bis.gov.uk/assets/biscore/statistics/docs/e/12-602x-english-business-survey-technical-annex.pdf>

²⁷ Non-registered businesses are not registered for either PAYE or VAT, which means they are generally, the very smallest non-employing businesses.

they account for a smaller share of employment (12%) and turnover (3%)²⁸.

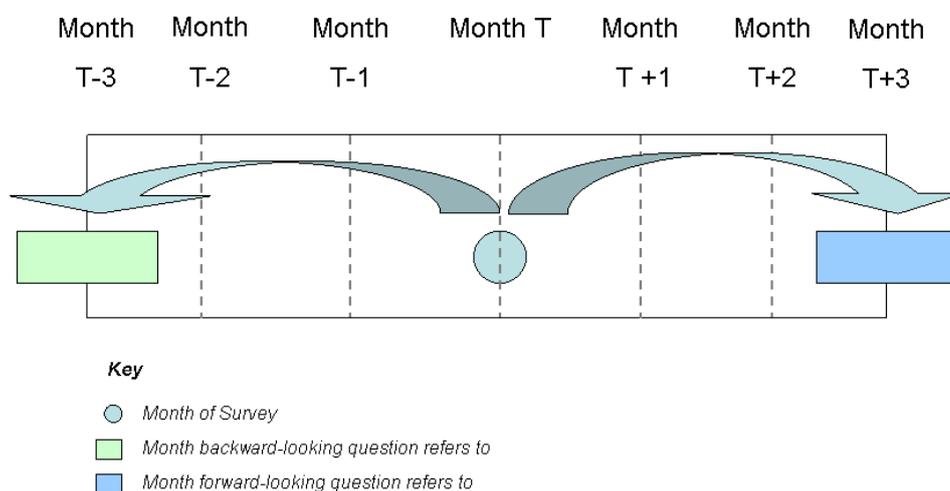
Interpreting the results

Workplace based survey

1. The main purpose of the EBS is to provide sub-national information. For this reason the EBS is a survey of workplaces and the region, employment size and industry all relate to that of the workplace.

Period covered

2. EBS Releases are labelled by the period which workplaces are asked about (the reference month). In most questions workplaces are asked to compare the reference month (month T) with the month three months previous and three months forward. For example, for the September 2012 EBS, most backward-looking questions compare September 2012 with June 2012 and forward-looking questions compare December 2012 with September 2012.



3. However, care should be taken, as for questions on capital investment, capacity constraints and annual output the question refers to a reference period of several months, not a single month. Periods being compared are clearly labelled on the tables. This is also explained in the EBS User Guide.

Balance Statistics

4. A balance can be achieved through a number of different scenarios in the underlying results, for example a balance of zero can be achieved from Higher and Lower both being 0% or both being 50%. It is therefore important to consider the underlying figures. All figures in this document and the underlying data can also be found in the supporting tables.
5. It is important to remember that these questions only ask workplaces whether output was higher or lower and this does not take into account the size of any

²⁸ Statistics on the non-registered businesses are taken from Business Population Estimates for the UK and Regions 2012

changes. Therefore a balance of 50% does not necessarily mean output growth will be higher than if the balance was 20%, as the growth rate seen by those contributing to the 20% positive balance may, in aggregate, outweigh the growth rates seen or expected by those contributing to the positive 50% balance. The difference in size between two higher percentages simply means that businesses accounting for a larger proportion of the economy, reported that output was higher.

Time Series Comparisons

6. Data from the EBS is still in its infancy and therefore it is not yet possible to seasonally adjust the data. The results presented in this release are not seasonally adjusted and users should be aware of this when interpreting the results, as it is likely that comparisons over time will show large changes for certain groups; these changes could be true changes, but they could be a result of seasonal patterns.

Accuracy

7. All estimates based on a sample of the population rather than a census are subject to sampling error. Calculation of these errors for the EBS is still being developed and will be released when available, however, provisional information on the likely size of these sampling errors is provided in the *Technical Annex*.
8. Like all statistics, the estimates in the EBS are subject to potential non-sampling errors – for example biases; measurement errors; and calculation errors. However, attempts have been made to minimise these by, for example, rigorous testing of the questionnaires, monitoring the work of interviewers and response rates to the survey.
9. Provisional testing has been carried out to test for statistically significant differences between the England total results and the results from each sub-group. For example whether the higher percentage in the North East is significantly different to that in England. The results of these tests are marked on the accompanying tables. Due to additional complexities testing has not yet been done on the balances. A worked example of what this testing means and how it should be interpreted is in the *User Guide*.

Presentation

10. In the tables accompanying this release, the following conventions have been used:
 - 0 nil (none recorded in sample)
 - * Suppressed due to small cell sample size
 - - Suppressed due to small column sample size
 - ... Balance score not available due to small sample counts
11. All figures and percentages in this release, including the accompanying tables, have been rounded. Unweighted counts have been rounded to the nearest 5 and percentages have been rounded to the nearest integer. Balances are calculated based on unrounded figures and rounded independently therefore

differences in the components may not equal the difference between the rounded figures.

Timeliness

12. Statistics from the EBS are published within two months of the period to which they refer. The date of publication will be announced at least four weeks in advance. We are working towards a regular publication cycle, however due to the experimental nature of the data; the publication date for each month may initially vary. Future publication dates will be added to the National Statistics Publication Hub²⁹.

Revisions

13. While every care has been taken to produce reliable statistics, EBS is still being developed and has been designated an Experimental Official Statistic. As the EBS develops statistics may be subject to revision if improvements in methodology are identified. All revisions will be pre-announced where practicable and all known users notified.

Additional information

Sub-regional data

14. The English Business Survey Reporting Tool³⁰ allows users to access detailed EBS statistics for individual periods (months and quarters) as well as cumulative periods, starting in October 2011 for monthly statistics and Quarter 4 2011 for Quarterly statistics. The reporting tool includes a more extensive range of statistics than presented in the Statistical Release and the supporting tables.

Micro data

15. EBS Micro data are available to 'approved researchers' via ONS' Virtual Micro Laboratory³¹ and an aggregated version of the dataset is available to academics from the UK Data Archive³².

Contact details

For enquiries, or to give feedback on this publication, please use the details below:

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²⁹ <http://www.statistics.gov.uk/hub/index.html>

³⁰ <http://dservuk.tns-global.com/English-Business-Survey-Reporting-Tool/>

³¹ <http://www.ons.gov.uk/ons/about-ons/who-we-are/services/vml/index.html>

³² <http://www.data-archive.ac.uk/>

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