



English Business Survey – January 2013

This release presents the key messages from the English Business Survey (EBS) for January 2013. 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 January 2013, 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

- Results for economic output were weak with 33% of businesses reporting a decline and 36% reporting that it had stayed the same between October and January. The balance for output was -5%, the first negative balance for 12 months. However, this is likely to be a post Christmas seasonal effect².
- Employment remains stable, with the majority of businesses reporting that employment levels stayed the same in January as in October. Of the businesses that recorded a difference, more experienced a decrease (18%) than an increase (14%) in employment.
- The West Midlands and Yorkshire and The Humber were the strongest performing regions for output, while the West Midlands performed most strongly in terms of employment.
- The proportion of businesses making capital investments improved from the previous month's results (25%), which were the lowest since surveys began; 27% of businesses reported that they had invested between November 2012 and January 2013, with businesses in the East Midlands and West Midlands most likely to have made capital investments.
- Looking ahead, for the first time since September 2012, more businesses anticipated a higher level of employment (21%) than lower (9%): resulting in a positive employment balance of +11% over the next three month.

Economic Context

This section provides contextual information on the economic performance over the survey period (January 2013) to help the user interpret the statistics.

Official figures show that GDP decreased by 0.3% in Q4 2012 when compared with Q3 2012; this decrease was driven by a strong decline in output in the production industry (-1.8%). Overall in 2012 the economy was estimated to have expanded by 0.2%.³

Generally, economic performance is still weak. In January, retail sales fell by 0.6%, putting a halt to the year on year growth seen in this sector since August 2011.⁴ Manufacturing continued to decline, contracting by 3.0% in January 2013 compared to the same period last year.⁵ Similarly, the construction industry followed this downward trend, with the total volume of construction output in January 2013 estimated to have been 7.9% lower than in January 2012.

² Seasonal effects are regular variations that occur in time series data.

³ <http://www.ons.gov.uk/ons/rel/elmr/economic-review/february-2013/economic-review--february-2013.html>

⁴ <http://www.ons.gov.uk/ons/rel/rsi/retail-sales/index.html>

⁵ <http://www.ons.gov.uk/ons/rel/iop/index-of-production/index.html>

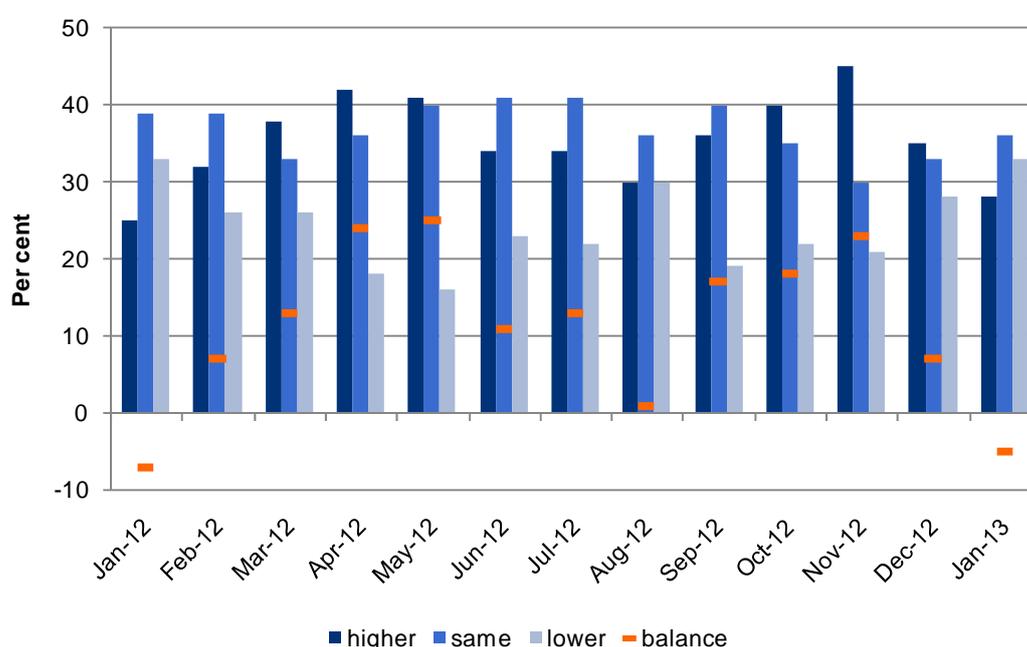
Annual inflation was estimated to have stayed at 2.7% in January, unchanged for the fourth month and above the Bank of England target rate of 2.0%.⁶

There are, however, signs of optimism in the labour market with employment rising by 0.3 percentage points to 71.5%, and unemployment staying unchanged for the period November 2012 -January 2013 compared to August-October 2012.⁷ Furthermore, looking forwards, the outlook is also more encouraging, with private sector forecasters predicting positive growth in 2013⁸.

Latest EBS Results

Output

Chart 1: Level of output in England, January 2012 to January 2013



Notes:

1. Workplaces were asked about the level of output in a month three months earlier when compared to the reporting month, for example January 2013 results compare January with October 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, January 2013

In January 2013, an estimated 36% of businesses in England reported that the level of output was the same as in October 2012. However, the balance for output was negative (-5%) for the first time since January 2012: as an

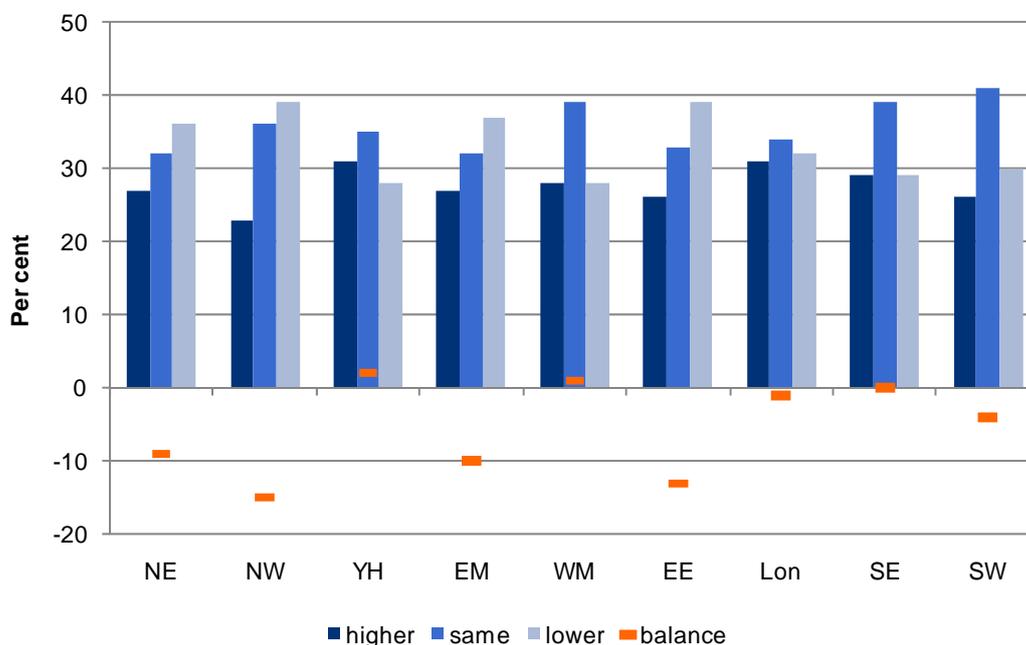
⁶ <http://www.ons.gov.uk/ons/rel/cpi/consumer-price-indices/index.html>

⁷ <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/index.html>

⁸ <http://www.hm-treasury.gov.uk/d/201302forecomp.pdf>

estimated 28% of businesses reported that output⁹ was higher while 33% reported a decline¹⁰. It is likely that this decrease is a seasonal effect.

Chart 2: Level of output in England, by region, January 2013



Notes:

1. Workplaces were asked about the level of output in a month three months earlier when compared to the reporting month, for example January 2013 results compare January with October 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, January 2013

Six regions recorded negative balance scores with only the West Midlands (+1%) and Yorkshire and the Humber (+2%) recording marginally positive balance scores. Output performance was particularly negative in the North West and the East of England where a balance of -15% and -13% was recorded respectively.

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 (33%) and least likely to report that output was lower (24%), giving a balance of +8%. In contrast, amongst micro businesses of 1 to 9 employees, an estimated 29% reported higher

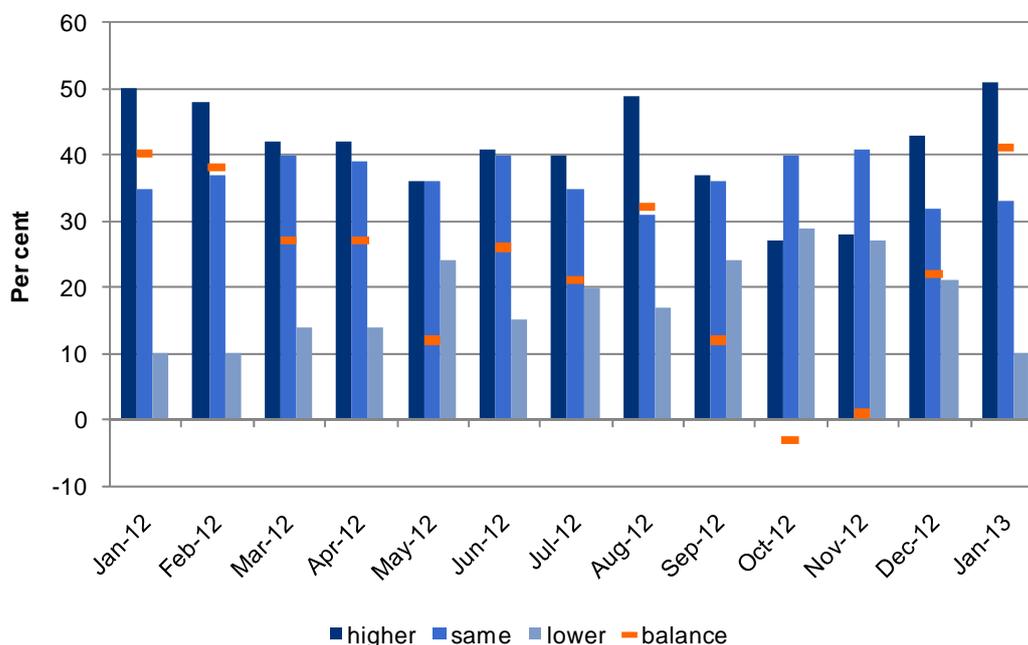
⁹ Businesses are asked whether they believe their level of business activity or volume of output at a workplace is the same, higher or lower.

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.

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

output compared to 41% reporting lower output, giving a negative balance score of -26%. This trend is similar to last month's results.

Chart 3: Expected level of output in England, January 2012 to January 2013



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 January 2013 results compare January with April 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, January 2013

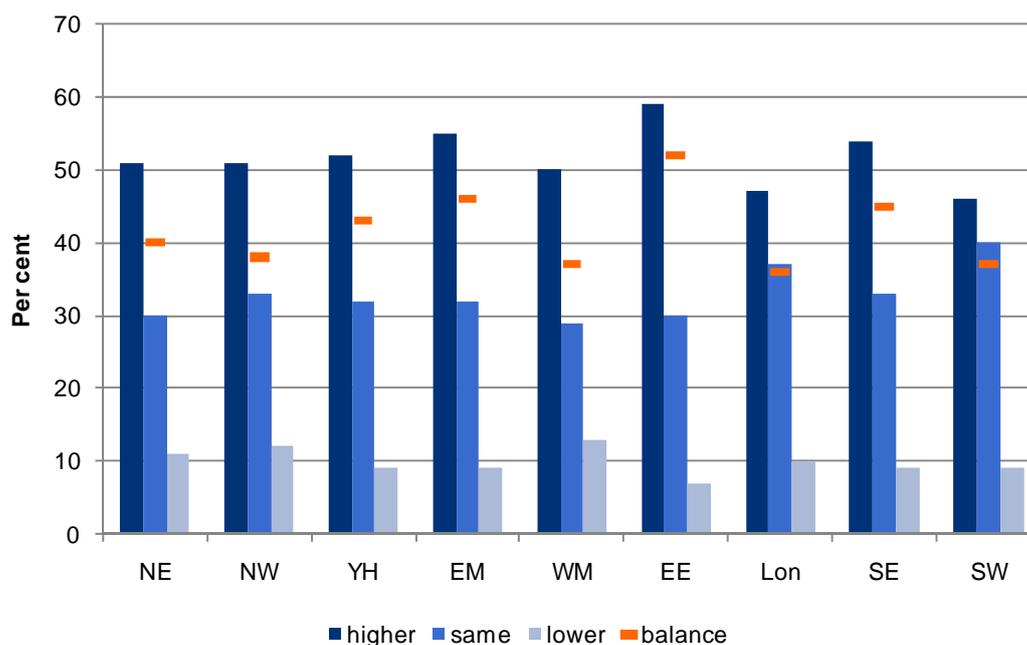
Expected output performance

Expectations of business output were the most positive since the EBS began in October 2011. An estimated 51% of businesses in England expect output to be higher in April 2013 than it was in January 2013; 10% expect output to fall, with 33% of businesses expecting output to remain the same. This gives a positive balance of +41%. However, this is likely to be a seasonal rebound effect¹² as the output expectations balance in January 2012 (+40) was also very positive.

All regions reported a high positive balance score on expectations of future output, with East of England (+52%) and East Midlands (+46%) recording the highest balance scores. Conversely, and in contrast to previous month's result, London was the most pessimistic amongst the regions, with an expected output balance of only +36%; although this is still significantly stronger than last month's result (+25).

¹² Seasonal effects are regular variations that occur in time series data.

Chart 4: Expected level of output in England, by region, January 2013



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 January 2013 results compare January with April 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, January 2013

Positive output balance scores were reported for all sizes of business in January; with medium sized businesses (50 to 249 employees) recording the strongest balance of +47%, On the other hand, large businesses were the least optimistic with the lowest proportion of businesses expecting higher output (46%), and the lowest balance score of +34%.

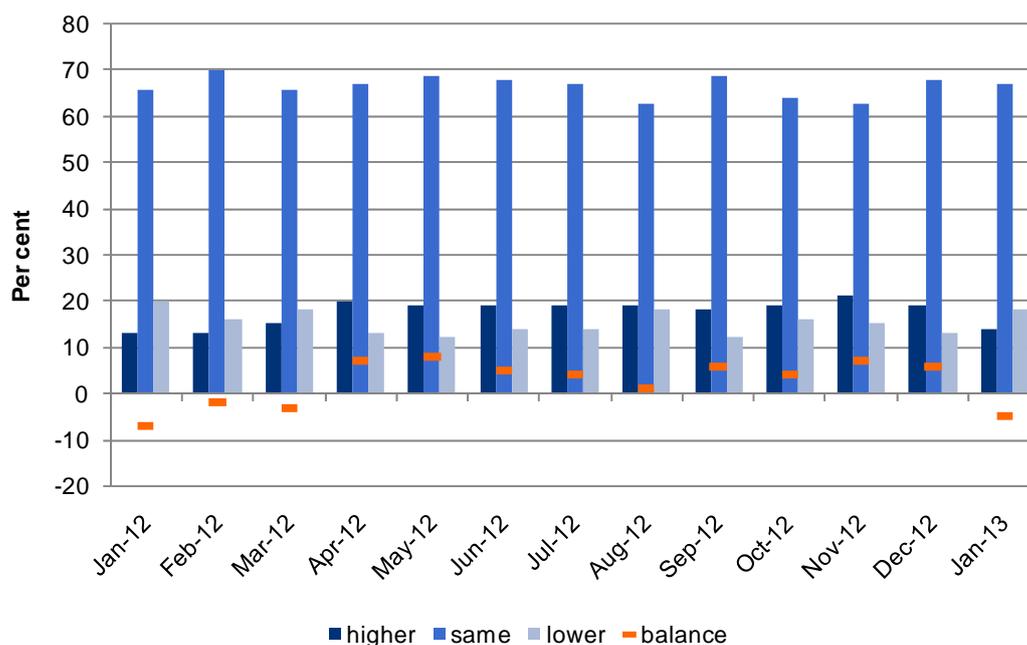
Employment

In England, the majority of businesses (67%) reported that employment levels¹³ were stable; however the overall balance was slightly negative as fewer businesses reported higher employment (14%) than lower (18%), giving a balance of -5%. This is a slight improvement from the same period last year where a negative balance of -7% was reported.

All the regions recorded negative balances in January, with similar balance scores for each region. The East Midlands recorded the weakest performance, with 23% of businesses experiencing lower employment; this is significantly different to England (18%).

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

Chart 5: Level of employment in England, January 2012 to January 2013



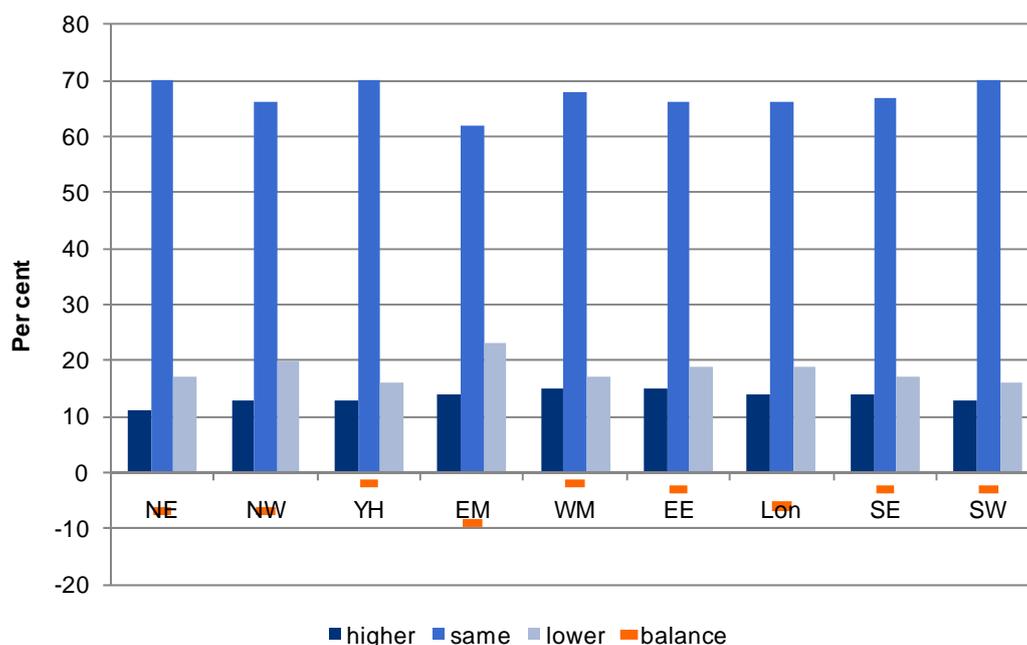
Notes:

1. Workplaces were asked about the level of employment in a month three months earlier when compared to the reporting month, for example January 2012 results compare January with October 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, January 2013

All business sizes recorded negative employment balances; larger businesses were more likely to report that employment levels had changed, whilst smaller businesses were more likely to report employment levels remained the same - these results continue last month's trend. An estimated 19% of large businesses reported increased levels of employment in January compared to October and 27% reported lower employment, giving a balance of -9%; the most negative of all business sizes. The trend of falling employment and rising output in large businesses seem to indicate increasing productivity.

Chart 6: Level of employment in England, by region, January 2013



Notes:

1. Workplaces were asked about the level of employment in a month three months earlier when compared to the reporting month, for example January 2013 results compare January 2013 with October 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.

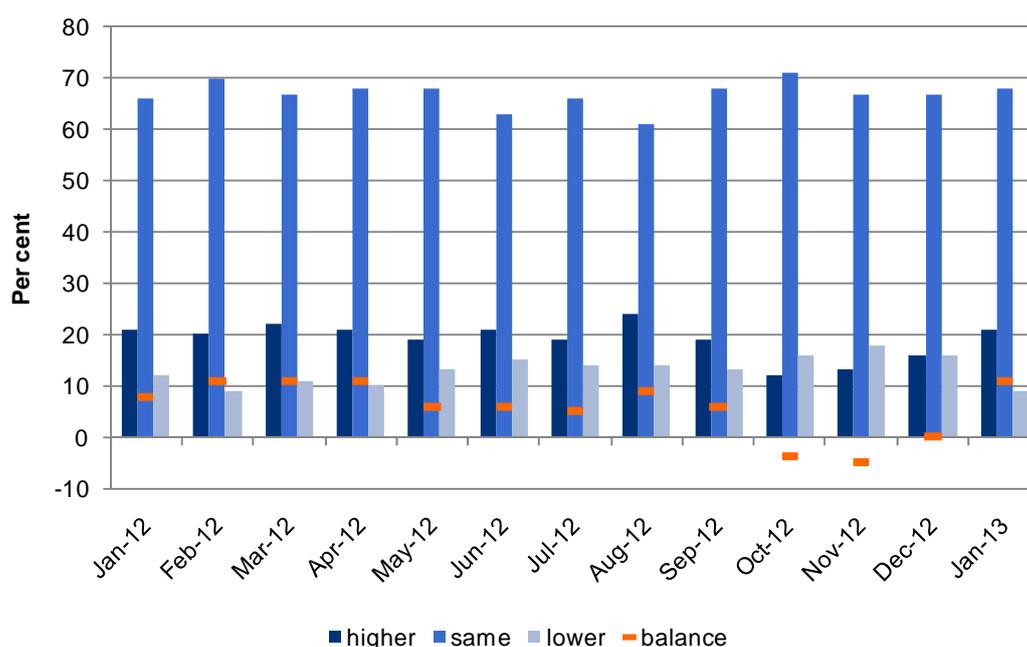
Source: BIS - English Business Survey, January 2013

Expected employment performance

Looking forwards, expectations of future employment levels improved in England in January. The vast majority of businesses (67%) are expecting employment to stay the same in April 2013. For the first time since September 2012, more businesses (21%) are anticipating higher employment than lower (9%), resulting in a positive balance of +11%.

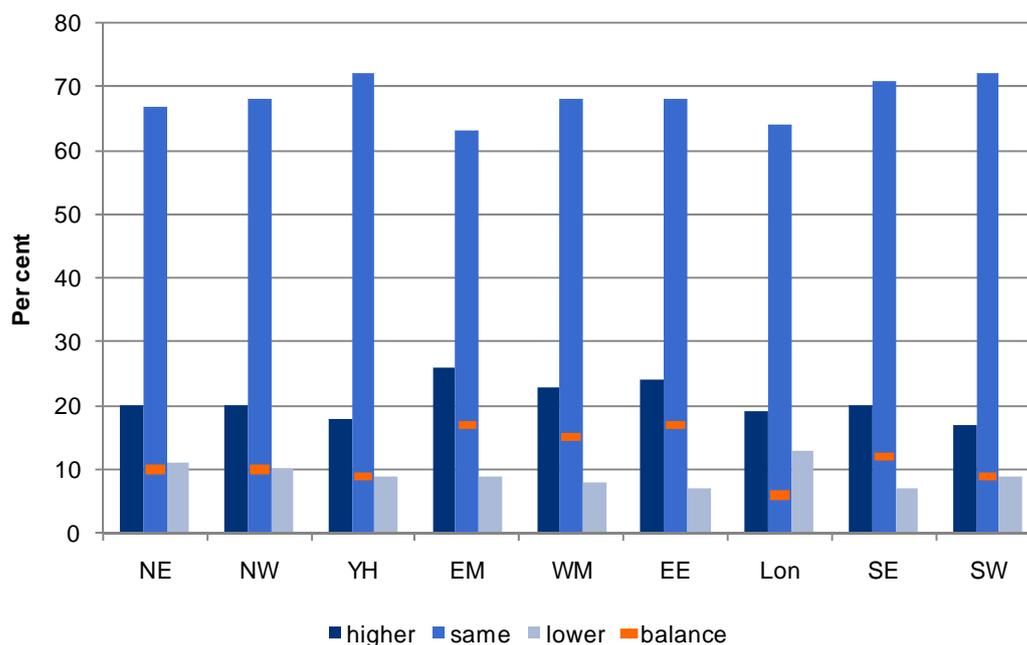
All regions recorded a positive balance score for expectations of future employment with the most optimistic being the East of England (+17%) and the East Midlands (+17); the latter expecting to recover from the weaker employment performance in the period between October and January. This mirrors the particularly optimistic outlook in output levels in these regions.

Chart 7: Expected level of employment in England, January 2012 to January 2013



Source: BIS - English Business Survey, January 2013

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



Notes for charts 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 January 2012 results compare January with April 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, January 2013

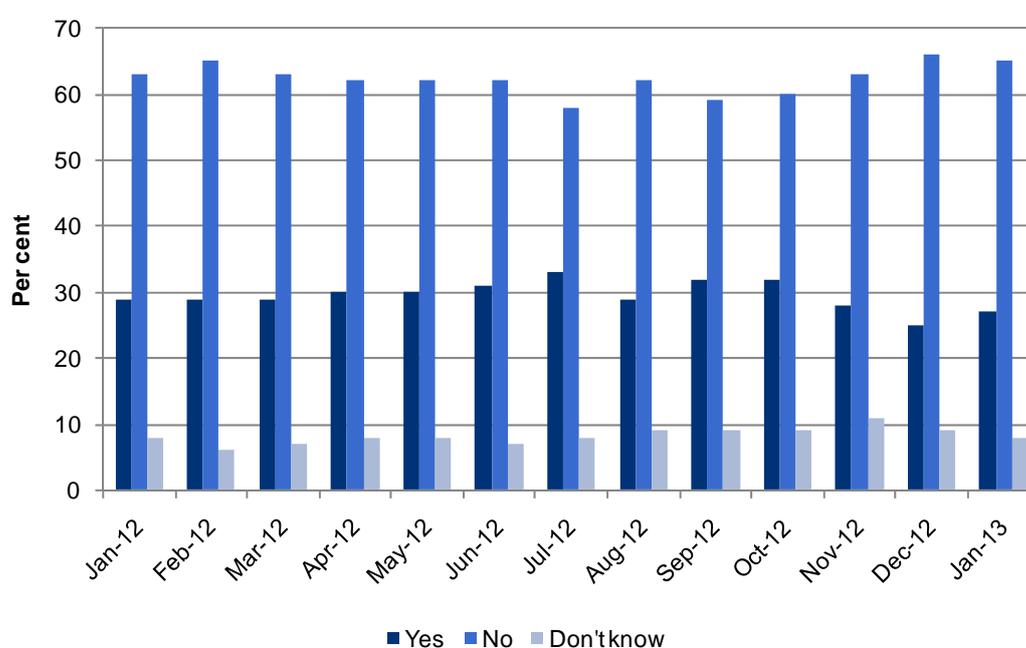
Capital Investment

In England, an estimated 27% of businesses made new capital investment¹⁴ in the three months to January 2013. The proportion of businesses making no new capital investment was 65% over this period.

The South West reported the smallest proportion of businesses making capital investments (21%). The regions in which businesses were most likely to have made new capital investment were the East Midlands (33%) and the West Midlands (29%).

With the exception of micro businesses, the proportion of businesses investing in capital improved compared to the October to December 2012 period. Capital investment was highest for medium sized businesses (50 to 249 employees), with 35% stating that they had invested in capital between November and January – significantly higher than nationally.

Chart 9: Capital investment in England, January 2012 to January 2013



Notes:

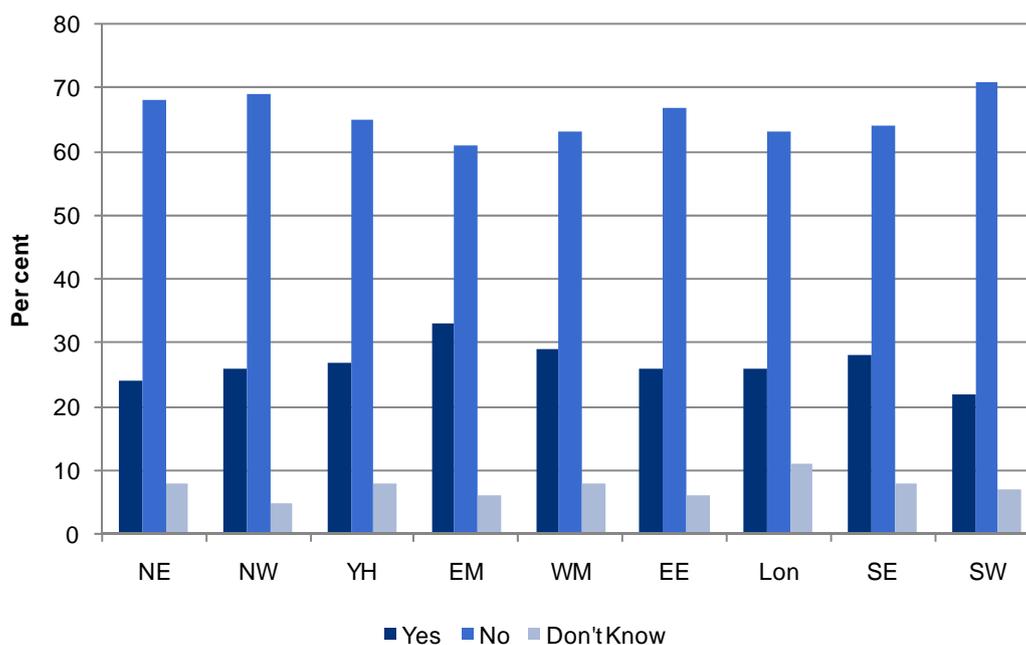
1. Workplaces were asked whether they made any new capital investment in the previous three months, for example January 2013 results ask about the period November to January 2013.
2. Estimates are not seasonally adjusted.

Source: BIS - English Business Survey, January 2013

On the other hand, micro businesses were the least likely to have made capital investments in the period between November and January: with only 16% of businesses stating they had.

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.

Chart 10: Capital investment in England, by region, January 2013



Notes:

1. Workplaces were asked whether they made any new capital investment in the previous three months, for example January 2013 results ask about the period October to January 2013.
2. Estimates are not seasonally adjusted.

Source: BIS - English Business Survey, January 2013

Expected capital investment

Looking ahead, an estimated 29% of businesses in England expect to make new capital investment between January and April 2013; this is the highest proportion since June 2012.¹⁵ Generally, the proportion of businesses expecting to make capital investments was the same between regions. However, the North East was an exception, with only 20% of businesses, the lowest proportion of all regions, expecting to invest. On the other end of the spectrum, London reported the highest proportion of businesses expecting to make capital investment (32%).¹⁶

Similar to the previous month's results, larger businesses with 250 or more employees are most likely to expect to make capital investment between January and April, with an estimated 37% expecting to make capital investment. This compares with only 18% 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

¹⁵ Results are not adjusted for seasonality.

¹⁶ Both results are statistically significantly different to England.

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. Broadly consistent with EBS results, the Confederation of British Industry (CBI)'s *Industrial trend survey*¹⁷ reported slight contraction in output volumes in the three month to February, with the most negative performance recorded in the West Midlands. The latter result contradicts the EBS's findings. Expectations were more positive, with the North West region expected to lead the expansion.

In contrast, the monthly *Purchasing Manager's Index (PMI)*¹⁸ reports a slight improvement in output performance in the three months to January 2013. However, like the EBS, Yorkshire and Humber recorded a relatively strong performance in the period. Similarly, the British Chamber of Commerce (BCC)'s *Quarterly Economic Survey*¹⁹ also found an increase in domestic sales over Quarter 4 2012, driven by a strong performance from the service sector. Investment level was also shown to have risen during this period.

Employment data from the surveys also seem to differ slightly the EBS results. The BCC indicates that employment increased in Quarter 4 2012 and predicts employment will continue to increase in Quarter 1 2013 and similarly CBI also recorded a positive backward and forward looking balance for employment (+2% and +13% respectively for the three month to February). Furthermore, official statistics also show employment has increased between November 2012 and January 2013.

¹⁷ <http://www.cbi.org.uk/business-issues/economy/business-surveys/industrial-trends-survey/>

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

¹⁹ <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 Questionnaire²⁰ 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.²¹

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 adjustment²². 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 October 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 employment²³. This is designed to capture the importance of the

²⁰ <http://www.bis.gov.uk/assets/biscore/statistics/docs/e/12-601-english-business-survey-report-questionnaire-development.pdf>

²¹ <http://www.bis.gov.uk/analysis/statistics/sub-national-statistics/ebssurvey>

²² The recommended approach for removing seasonality in UK Official Statistics requires three years of monthly data or 5 years of quarterly data.

²³ 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 Guide²⁴, which provides information about how to interpret results, and a Technical Annex²⁵, 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-registered²⁶ businesses. This is potentially important as such businesses make up a significant proportion of the overall business population (55% of businesses) although

²⁴ <http://www.bis.gov.uk/assets/biscore/statistics/docs/e/12-598-english-business-survey-user-guide.pdf>

²⁵ <http://www.bis.gov.uk/assets/biscore/statistics/docs/e/12-602x-english-business-survey-technical-annex.pdf>

²⁶ 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%)²⁷.

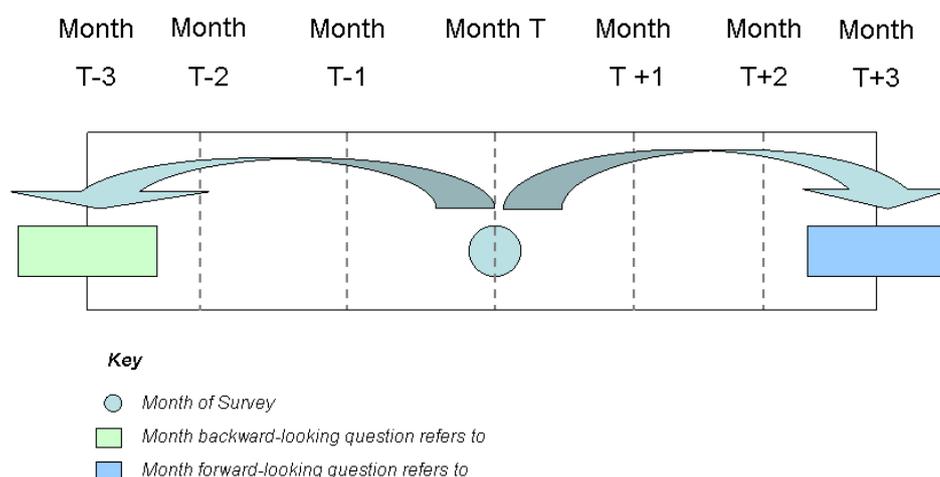
Interpreting the results

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 January 2013 with October 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

²⁷ 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 Hub²⁸.

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 Tool²⁹ 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 Laboratory³⁰ and an aggregated version of the dataset is available to academics from the UK Data Archive³¹.

Contact details

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²⁸ <http://www.statistics.gov.uk/hub/index.html>

²⁹ <http://dservuk.tns-global.com/English-Business-Survey-Reporting-Tool/>

³⁰ <http://www.ons.gov.uk/ons/about-ons/who-we-are/services/vml/index.html>

³¹ <http://www.data-archive.ac.uk/>

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