



English Business Survey – July 2013

This release presents the key messages from the English Business Survey (EBS) for July 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 July 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 'higher' responses and the 'lower' responses. Balances provide a summary of the scores for businesses that report, or expect a variable to change. 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

- In July 2013, output performance was positive, recording an estimated balance score of +26% for England. This shows little change compared to the month before (+29%), but is higher than the same period last year (+13%).
- Similarly, the employment balance in July was positive for England with a balance score estimate of +11%. This is similar to the highest score in the series recorded in June 2013 (+12%) and higher than the balance in July 2012 (+4%).
- All regions recorded positive results for output and employment. For output, the South East recorded the strongest balance (+31%) whereas the North East was the weakest (+18%). For employment, London recorded the strongest balance score (+16%) whereas the West Midlands was the weakest (+5%).
- Looking forwards, businesses' expectations for future output in England were positive with a balance score estimate of +28%. This is similar to results in June (+29%), and 7 percentage points higher than the same time a year ago. All regions reported a positive future output balance.
- Expectations for employment in July indicate that 22% of businesses are expecting higher employment and 12% are anticipating a decrease in October compared with July. This produces a balance of +11%; 6 percentage points higher than the same period last year. Businesses were particularly optimistic in the London and East Midlands, where the balance was +18%.

Economic Context

This section provides contextual information on the economic performance over the survey period (July 2013) and in the preceding months to help the user to interpret the statistics.

Official statistics showed the value of the UK economy – Gross Domestic Product (GDP) – was estimated to have expanded in Quarter 2 2013 by 0.7% when compared with Quarter 1 2013.² According to Eurostat, GDP increased by 0.3% in both the Euro area and in the EU27 in Quarter 2 2013 compared to Quarter 1 2013. Compared with the same quarter of the previous year GDP in the Euro area contracted by 0.7%, and the EU27 by 0.2%³ while the UK expanded by 1.5%².

Official business statistics show a mixed picture: retail sales in July continued to grow⁴, with construction also showing a strong performance with output increasing by 2.2% in July 2013 compared with June 2013.⁵ On the other hand production output decreased by 1.6% between July 2012 and July 2013 with manufacturing also falling by 0.7% over the same period.⁶ Annual inflation was estimated to have grown by 2.8% in the year to July, down from 2.9% in the year to June.⁷ This remains above the Bank of England target rate of 2.0%.

The labour market conditions remain positive: comparing May to July with February to April, the employment rate increased by 0.2 percentage points to 71.6%; with the number employed increasing by 80,000 to 29.84 million. The unemployment rate was down 0.1 percentage points to 7.1%, for May to July; with 2.49 million unemployed.⁸

² <http://www.ons.gov.uk/ons/rel/naa2/second-estimate-of-gdp/q2-2013/index.html>

³ http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-14082013-AP/EN/2-14082013-AP-EN.PDF

⁴ <http://www.ons.gov.uk/ons/rel/rsi/retail-sales/july-2013/index.html>

⁵ <http://www.ons.gov.uk/ons/rel/construction/output-in-the-construction-industry/july-2013/stb-construction-jul-2013.html>

⁶ <http://www.ons.gov.uk/ons/rel/iop/index-of-production/july-2013/stb-iop-jul-2013.html>

⁷ <http://www.ons.gov.uk/ons/rel/cpi/consumer-price-indices/july-2013/index.html>

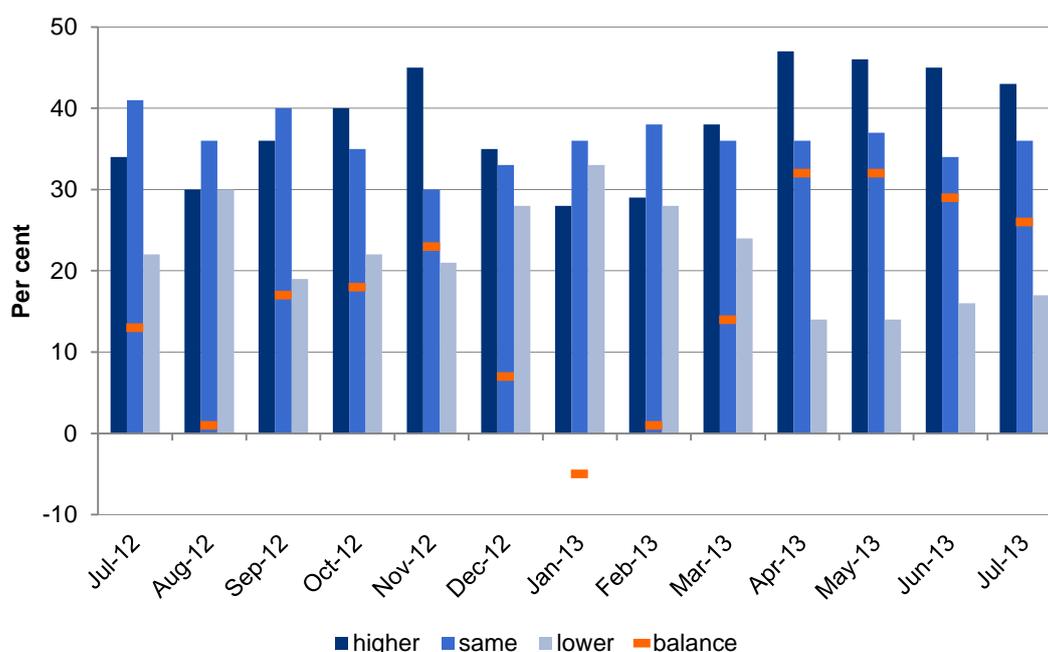
⁸ <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/september-2013/index.html>

Latest EBS Results

Output

Output⁹ results were positive in July, with a balance score estimate of +26%. This is lower than June's results (29%) and 13 percentage points higher than the balance score in July 2012.

Chart 1: Level of output in England, July 2012 to July 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 July 2013 results compare July 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, July 2013

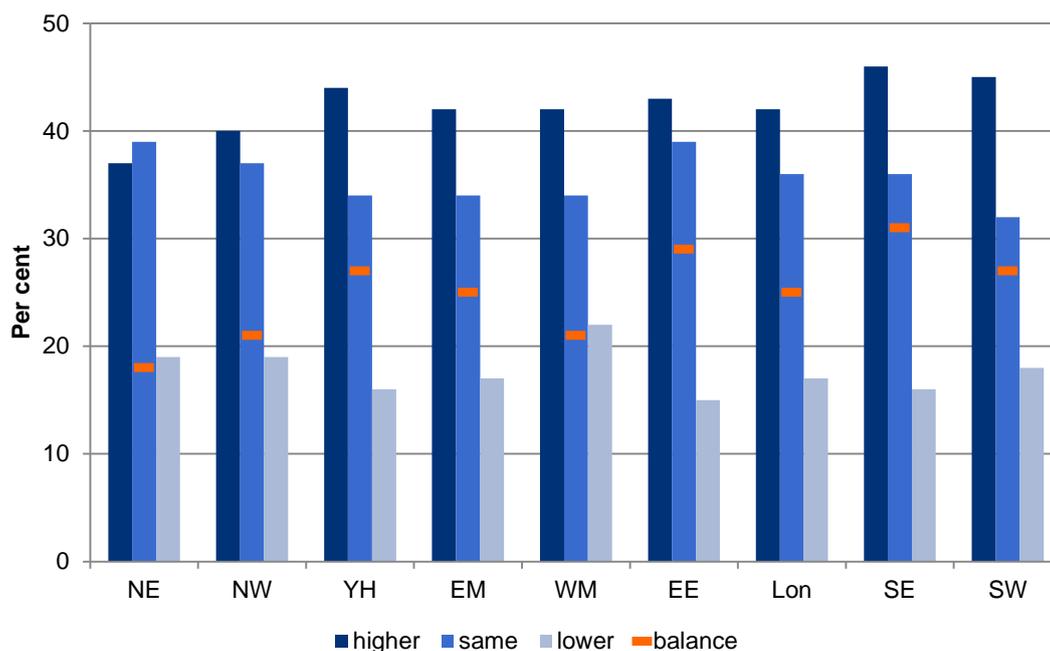
June's results indicate a downward trend following the high results in April and May. However this trend does not appear to be due to seasonal variation.¹⁰

All regions reported positive output balance scores. The South East recorded the strongest balance (+31%). The North East performed the weakest with a balance score in July of +18%, a fall from June's balance of +28%.

⁹ Output can be thought of as the quantity of goods or services produced by a business

¹⁰ Seasonal variation is a component of a time series which is defined as the repetitive and predictable movement around the trend line in one year or less.

Chart 2: Level of output in England, by region, July 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 July 2013 results compare July 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, July 2013

When examining the survey results by the size of the business,¹¹ small businesses (10-49 employees) performed the strongest with a balance score of +32%. That is 47% of small businesses stated output had increased in July compared with April 2013, a figure significantly higher than the estimated average for England (43%). Micro businesses (1-9 employees) reported the weakest performance with a balance score of +13%, while medium (50-249 employees) and large (250+ employees) businesses both reported a balance score of +27%.

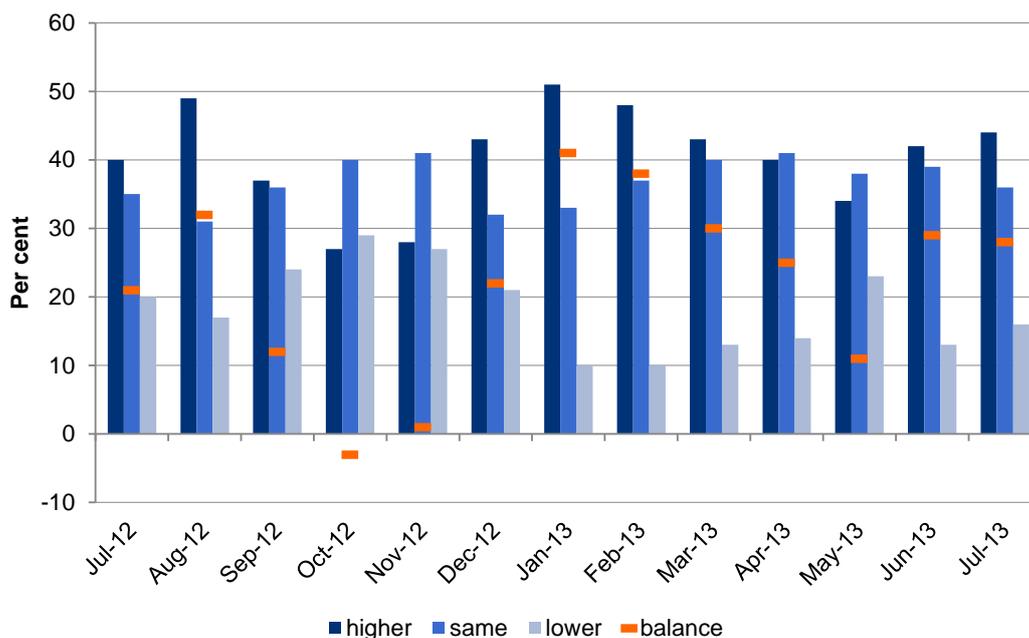
Expected output performance

Output expectations in July are positive for England and its regions with a balance estimate of +28%.

Nationally, an estimated 44% of businesses are expecting output to be higher in October compared with July, whilst 16% are expecting lower output: leading to a positive balance of +28%. This is one percentage point lower when compared to June's results and 7 percentage points higher than in July 2012 (+21%). This indicates a similar level to the same period last year.

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

Chart 3: Expected level of output in England, July 2012 to July 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 July 2013 results compare July with October 2013.

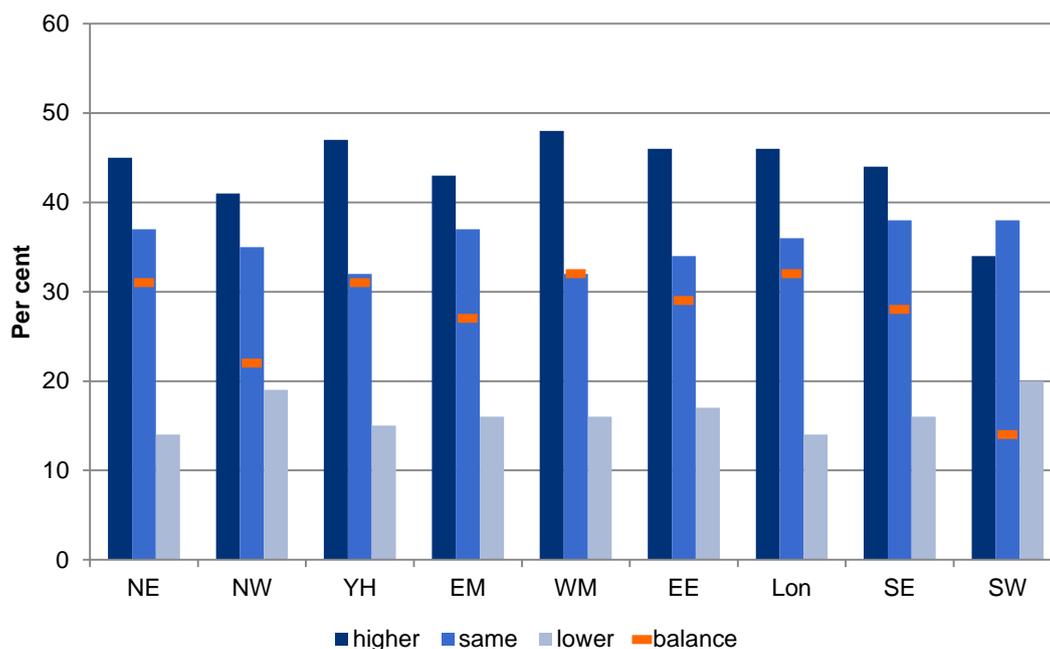
Estimates are not seasonally adjusted.

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, July 2013

At the regional level, London and the West Midlands had the strongest balance score, with estimates of +32%. Meanwhile, the South West was the least optimistic with a balance score of +14%. Only 34% of businesses in the South West expected higher output, a proportion significantly lower than that for England (44%).

Chart 4: Expected level of output in England, by region, July 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 July 2013 results compare July with October 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, July 2013

Looking at the results by workplace size, large businesses had the highest balance score of +40%, showing a similar level of optimism as in June's results (+37%). In contrast, micro businesses continued to be the least optimistic from last month, with a balance of +16%. Small and medium businesses had balance score of +26% and +27% respectively.

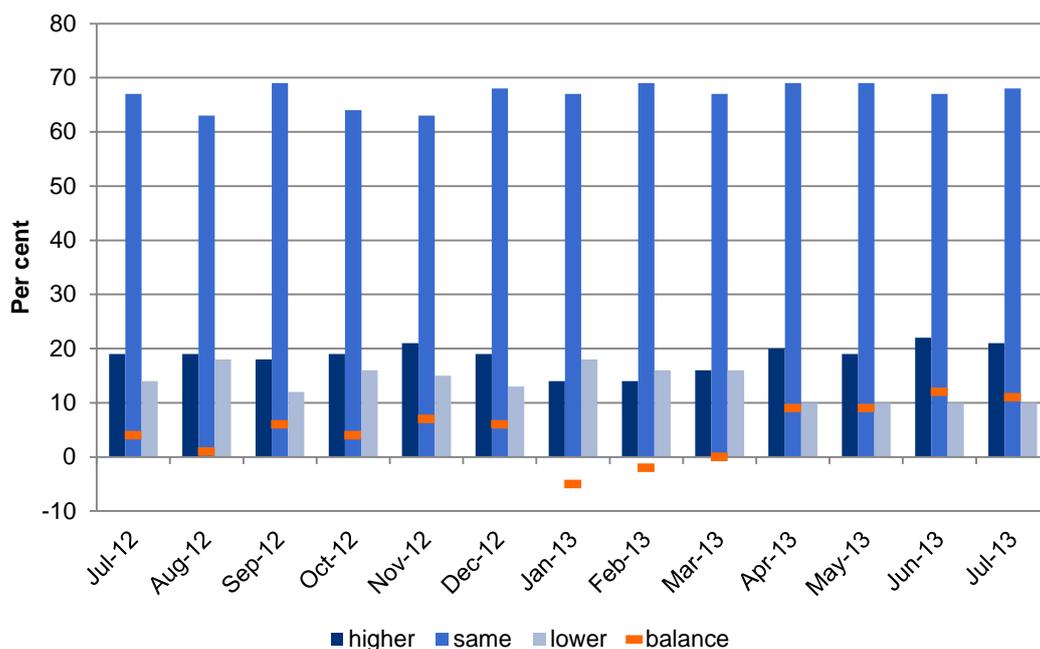
Employment

In July, the employment balance for England was positive, but slightly below the highest score in the series recorded in June 2013. All regions reported positive balances, but with some variation.¹²

When comparing the level of employment in July to April 2013, more businesses (21%) reported an increase in employment than those reporting a decrease (10%). This resulted in a balance score estimate of +11%, one percentage point below the highest balance recorded in June 2013 (+12%).

¹² Employment level is used to describe the average number of people working at a workplace.

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



Notes:

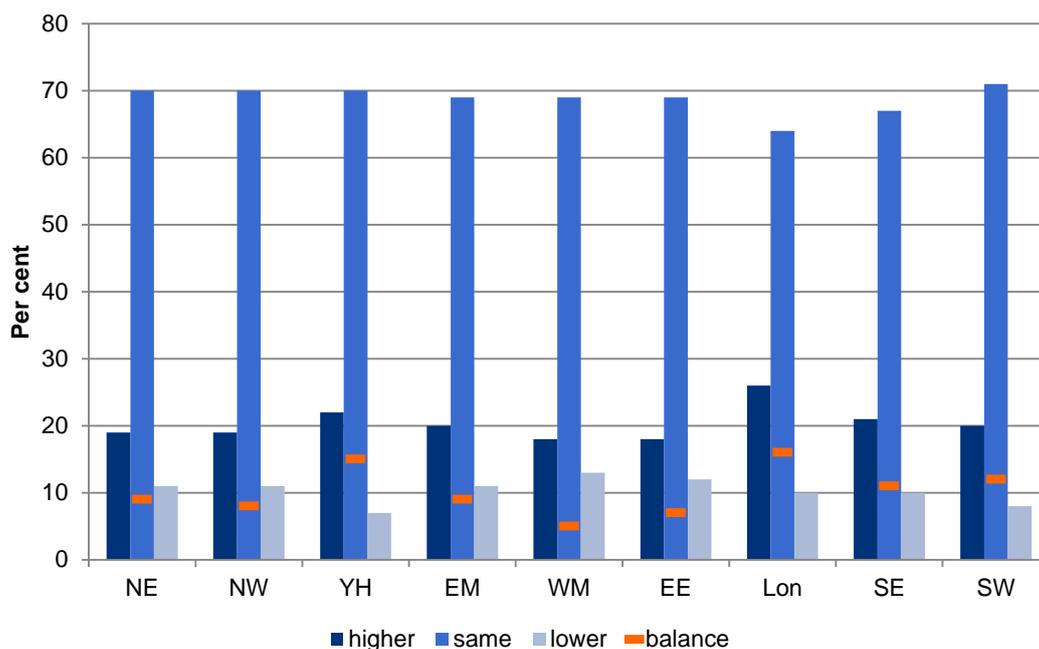
1. Workplaces were asked about the level of employment in a month three months earlier when compared to the reporting month, for example July 2013 results compare July with April 2013.
2. Estimates are not seasonally adjusted.
3. Survey results sum to 100%=(% Higher)+(% The same)+(% Lower)+(% Don't know). 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, July 2013

All regions had positive balance scores as more businesses reported higher employment than lower. The West Midlands had the weakest balance score of +5%. On the other hand London recorded the highest balance score of +16%, followed by Yorkshire and The Humber with +15%.

All sizes of business reported increases in employment in July, with large business recording the highest balance score (+18%), while an estimated +13% of medium businesses reported increases in employment. Micro and small businesses performed the weakest with balance score estimates of +3% and +9% respectively.

Chart 6: Level of employment in England, by region, July 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 July 2013 results compare July 2013 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, July 2013

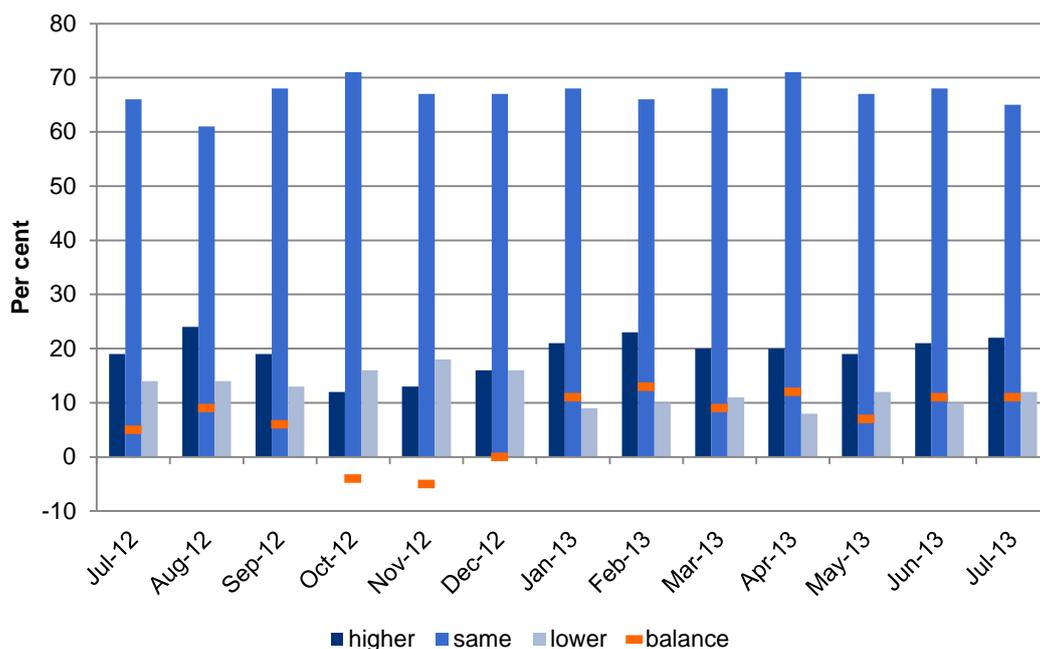
Expected employment performance

Expectations of future employment continue to be positive for England and across English regions.

In England, a positive balance score of +11% was estimated as more businesses (22%) expected higher employment than lower (12%). This is unchanged on June's results but is higher than in July 2012 (balance score of +5%). This may be due to seasonal variation.

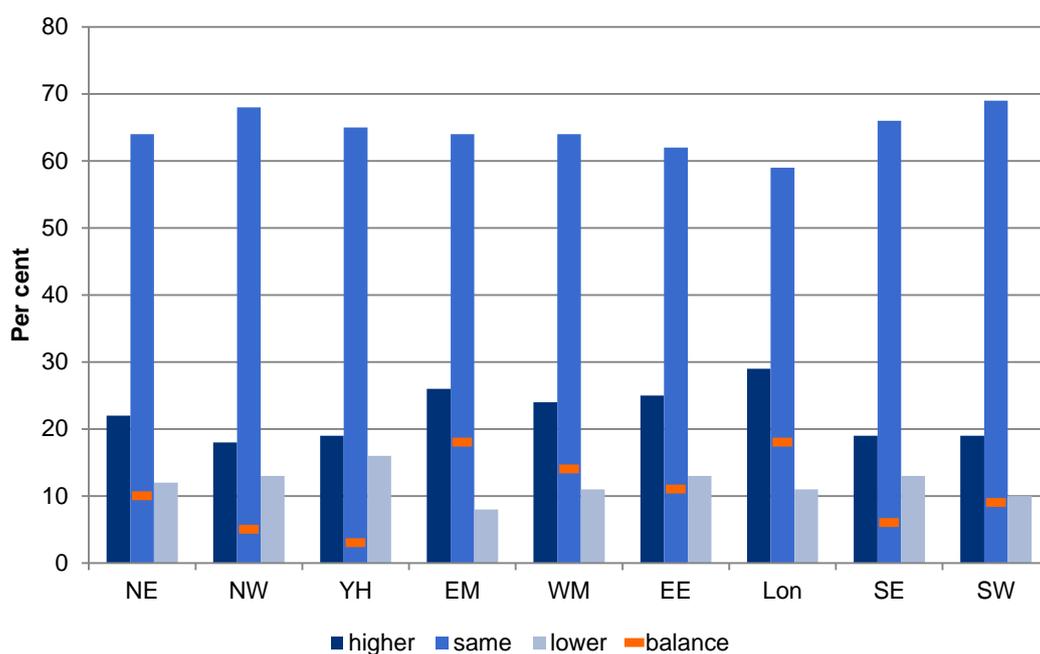
There were some regional variations with London and the East Midlands being the most optimistic with a balance score of +18%. Businesses in Yorkshire and The Humber were the least optimistic with a balance score of +3%.

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



Source: BIS - English Business Survey, July 2013

Chart 8: Expected level of employment in England, by region, July 2013



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 July 2013 results compare July with October 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, July 2013

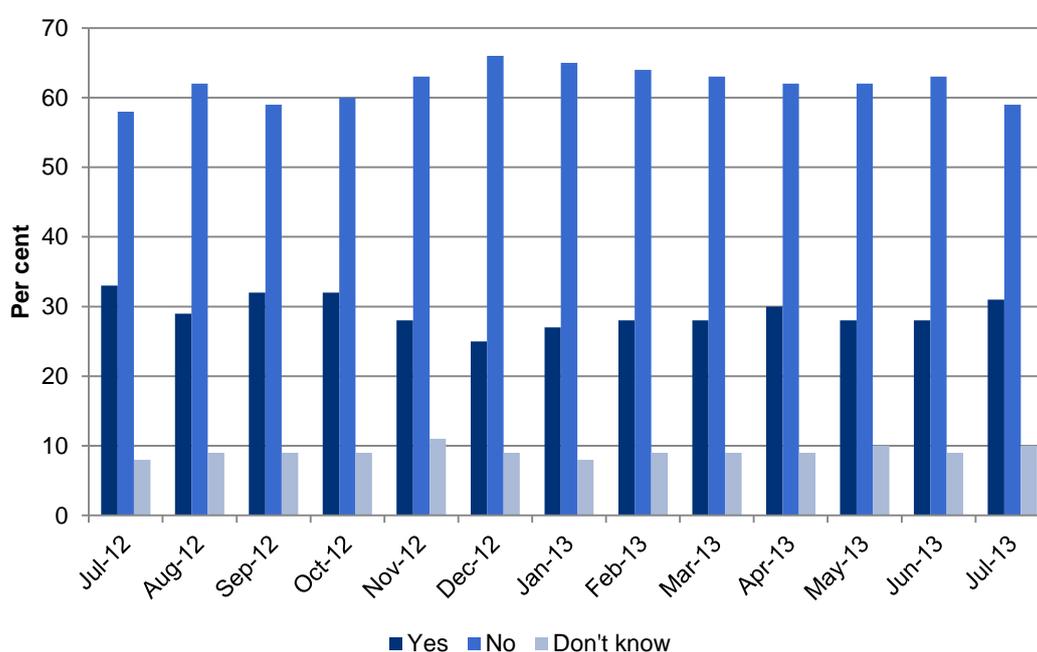
Capital Investment

In England, the proportion of businesses making capital investments¹³ was an estimated 31%. This is similar to the results in July 2012 (+33%).

There is some variation across the regions with Yorkshire and The Humber reporting the strongest performance with 40% of businesses making capital investments. The West Midlands and the North West reported the smallest proportion of businesses (26%) investing in capital. The North West result was significantly below that of England.

Large businesses were the most likely to have invested in capital with 41% stating they made new investments in the three months to July. In contrast, only 16% of micro businesses stated they had invested.

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



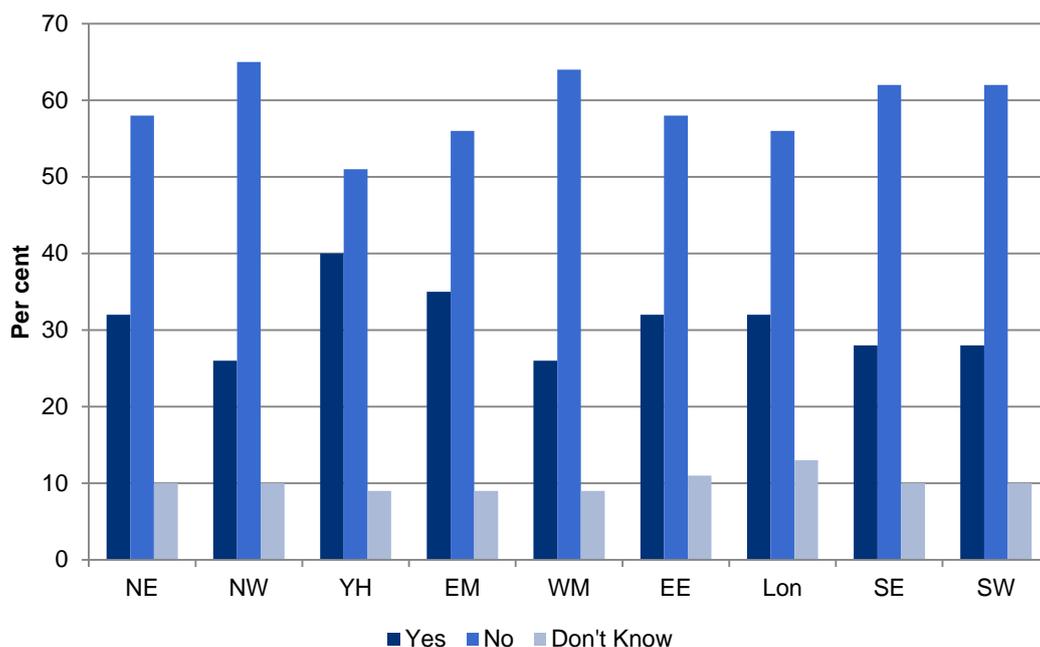
Notes:

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

Source: BIS - English Business Survey, July 2013

¹³ 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, July 2013



Notes:

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

Source: BIS - English Business Survey, July 2013

Expected capital investment

In England, an estimated 28% of businesses are expecting to make capital investments between August and October 2013. This is two percentage points lower than July 2012 results and two percentage points higher than June 2013.

Regionally there were some variations with Yorkshire and The Humber being the most optimistic (34% of businesses expecting to make capital investment). The South East had the smallest proportion of businesses expecting to invest (22%).

Micro businesses continue to be the least likely to make capital investments (15%) in the next three months. Large businesses are the most likely to invest, with 41% stating that they intend to invest in the next three months.

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. The Confederation of British Industry's (CBI) *Industrial trend survey*¹⁴ reported an expansion in output volumes in the three months to July, a slightly stronger position than in April; while the EBS reports positive output results these have been falling since May. There is greater regional variation in the CBI survey compared to the EBS with a number of regions reporting negative balances. Expectations were generally more positive than past performance in both surveys.

In July, the monthly *Purchasing Manager's Index (PMI)*¹⁵ reached its highest level since the series began in 1997, indicating business activity is growing rapidly. This is similar to the positive EBS results between April and July 2013, being stronger than results for the same months in 2012. Regionally, London was strong in both the PMI and EBS, although there are some notable differences, for example, in the PMI the North West had the strongest result, while it was below the England average in the EBS. The British Chamber of Commerce's (BCC) *Quarterly Economic Survey*¹⁶ also found an increase in domestic sales over Quarter 2 2013.

The latest EBS results were generally consistent with the findings of other surveys for employment performance. The *Quarterly Economic Survey* indicated that employment grew strongly in Quarter 2 2013 and predicts that employment will continue to increase in Quarter 3 2013 while the *Industrial Trends Survey* also recorded a positive result for the three months to July.

¹⁴ <http://www.cbi.org.uk/business-issues/economy/business-surveys/industrial-trends-survey/>

¹⁵ <http://www.markiteconomics.com/Survey/Page.mvc/AboutPMIData>

¹⁶ <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 Questionnaire¹⁷ contains details of the development and testing of the questionnaire; the *Technical Guide* details the methods which underpin the survey. Both documents are available on the EBS webpage.¹⁸

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 adjustment¹⁹. 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 February 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

¹⁷ <http://www.gov.uk/government/publications/english-business-survey-report-on-questionnaire-development>

¹⁸ <http://www.gov.uk/government/organisations/department-for-business-innovation-skills/series/english-business-survey>.

¹⁹ The recommended approach for removing seasonality in UK Official Statistics requires three years of monthly data or 5 years of quarterly data.

and employment²⁰. This is designed to capture the importance of the 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 Guide²¹, which provides information about how to interpret results, and a *Technical Guide*²², 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-registered²³ businesses. This is potentially important as such businesses make up a significant proportion of the overall business population (55% of

²⁰ The characteristics used for weighting include: location (NUTS2 Region) and employment size (0-49, 50-249 and 250+).

²¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/210768/12-598-english-business-survey-user-guide.pdf

²² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/227025/bis-13-1075-english-business-survey-technical-guide.pdf

²³ Non-registered businesses are not registered for either PAYE or VAT, which means they are generally, the very smallest non-employing businesses.

businesses) although they account for a smaller share of employment (12%) and turnover (3%)²⁴.

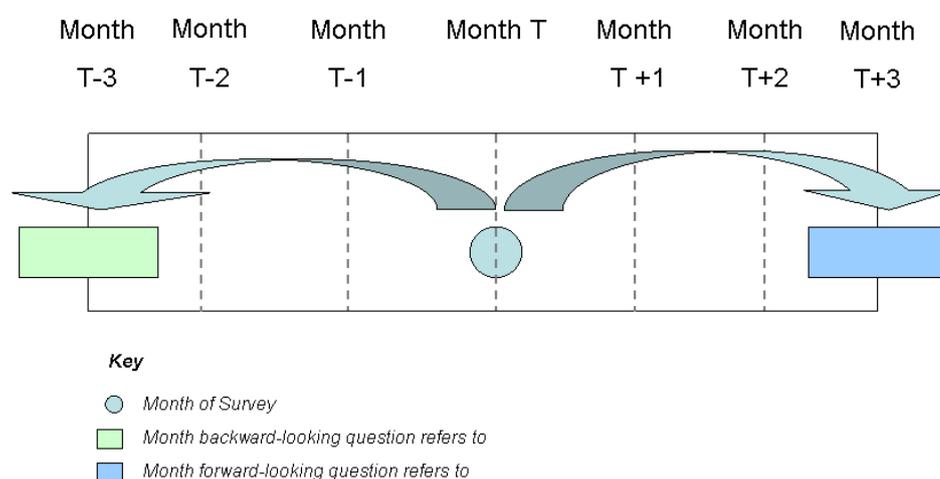
Interpreting the results

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 July 2013 EBS, most backward-looking questions compare July 2013 with April 2013 and forward-looking questions compare July 2013 with October 2013.



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

²⁴ 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 Guide*.
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. 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

11. 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 Hub²⁵.

Revisions

12. 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.

User Consultation

13. The Survey's statistics are published as Experimental Official Statistics by BIS and are undergoing evaluation to ensure they meet Users' needs. The Survey has been running for almost 3 years and BIS is in the process of reviewing the Survey to determine options for its future direction. To gather the Users' views on the Survey BIS has launched a User consultation to help gather views on:

- who uses the current survey publications and why, and how we can make them more useful
- users' future needs for the survey .

14. The Consultation closed on the 30 August 2013 and more information on the consultation and how to respond can be found on the GOV.UK consultation page - <https://www.gov.uk/government/consultations/english-business-survey-user-review>. We encourage all Users of the statistics to contribute their views.

Additional information

Sub-regional data

15. The English Business Survey Reporting Tool²⁶ 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

²⁵ <http://www.statistics.gov.uk/hub/index.html>

²⁶ <http://dservuk.tns-global.com/English-Business-Survey-Reporting-Tool/>

range of statistics than presented in the Statistical Release and the supporting tables.

16. The English Business Survey Interactive Map²⁷ allows users to determine how NUTS 2 areas are performing, relative to England, over time for an Output, Employment and levels of Stock.

Micro data

17. EBS Micro data are available to 'approved researchers' via ONS' Virtual Micro Laboratory²⁸ and an aggregated version of the dataset is available to academics from the UK Data Archive²⁹.

Contact details

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If you require this publication in an alternative format, email enquiries@bis.gsi.gov.uk, or call 020 7215 5000.

²⁷ <http://aalookup.bis.gov.uk/ebssurvey/map/>

²⁸ <http://www.ons.gov.uk/ons/about-ons/who-we-are/services/vml/index.html>

²⁹ <http://www.data-archive.ac.uk/>