



English Business Survey – October 2012

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

Key Points

- In England as a whole there is a picture of relative stability with the majority of businesses reporting that employment, labour costs and output prices remain the same in October as in July.
- The proportion of businesses reporting output as higher in October than in July was at the highest level for 5 months; However, expectations of future

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

output have become less optimistic – for the first time since October 2011, a greater share of businesses expect output to be lower in three months time than expect it to be higher.

- The North East and Yorkshire and the Humber are more subdued than other regions in England. Businesses in the North East have the most pessimistic expectations of output and employment levels over the next three months.
- Generally, London performs well on most measures and is the most optimistic, reporting positive balance scores for all measures – except the expected volume of stocks in January 2013; and is the only region in England with a positive balance for both expected output levels and employment levels in January 2013.
- The majority of businesses report that their workforce and capital are both utilised at satisfactory levels, but a greater proportion of businesses report their capital and workforces to be overstretched than underutilised.

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 employment². 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 Guide³, which provides information about how to interpret results, and a Technical Annex⁴, which contains detailed information about the methodology.

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

² The characteristics used for weighting include: location (NUTS2 Region) and employment size (0-49, 50-249 and 250+).

³ <http://www.bis.gov.uk/assets/biscore/statistics/docs/e/12-598-english-business-survey-user-guide.pdf>

⁴ <http://www.bis.gov.uk/assets/biscore/statistics/docs/e/12-602x-english-business-survey-technical-annex.pdf>

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 adjustment⁵. 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.

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-registered⁶ businesses. This is potentially important as such businesses make up a significant proportion of the overall business population (55% of businesses) although they account for a smaller share of employment (12%) and turnover (3%)⁷.

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

⁶ Non-registered businesses are not registered for either PAYE or VAT, which means they are generally, the very smallest non-employing businesses.

⁷ Statistics on the non-registered businesses are taken from Business Population Estimates for the UK and Regions 2012

Economic Context

This section provides contextual information about economic performance over the survey period (October 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) - increased in Quarter 3; however, predictions from the HM Treasury, Bank of England, and the Office for Budget Responsibility are for economic growth in 2012 to be negative. Despite the recovery in GDP in Quarter 3 2012, official business statistics suggest the economy remains generally weak: monthly statistics on retail sales, manufacturing output and Household income showed a decline; construction output and inflation showed a monthly increase. The labour market has proved resilient with employment levels rising over the year.

Detailed information:

- Gross Domestic Product (GDP) was estimated to have increased by 1% in the third quarter of 2012.⁸ This followed a fall of 0.4 % in Q2 2012 and a fall of 0.3 % in Q1 2012. The ONS noted that the recent strong economic performance in Q3 was likely to have been influenced by temporary factors such as the Olympics and Bank Holiday
- The Bank of England predicts growth will consequently fall back sharply in Q4⁹ and the consensus of private sector forecasts published by HM Treasury¹⁰ is for growth to be slightly negative, -0.1%, for 2012 as a whole.
- The Office for Budget Responsibility also forecasts GDP growth to be -0.1% for 2012 as a whole, before picking up to grow at 1.2% in 2013.¹¹
- Retail sales decreased by 0.8% in October compared to September 2012.¹²
- Manufacturing output declined by 1.3% in October compared to September 2012.¹³
- Construction output increased by 8.3% over the same period.¹⁴
- Household income also showed a decline over the first half of 2012.¹⁵

⁸ <http://www.ons.gov.uk/ons/rel/naa2/second-estimate-of-gdp/q3-2012/stb-second-estimate-of-gdp--q3-2012.html>

⁹ <http://www.bankofengland.co.uk/publications/Pages/inflationreport/ir1204.aspx>

¹⁰ http://www.hm-treasury.gov.uk/data_forecasts_index.htm

¹¹ <http://cdn.budgetresponsibility.independent.gov.uk/December-2012-Economic-and-fiscal-outlook23423423.pdf>

¹² <http://www.ons.gov.uk/ons/rel/rsi/retail-sales/index.html>

¹³ <http://www.ons.gov.uk/ons/rel/iop/index-of-production/index.html>

¹⁴ <http://www.ons.gov.uk/ons/rel/construction/output-in-the-construction-industry/index.html>

¹⁵ http://www.ons.gov.uk/ons/dcp171766_284260.pdf

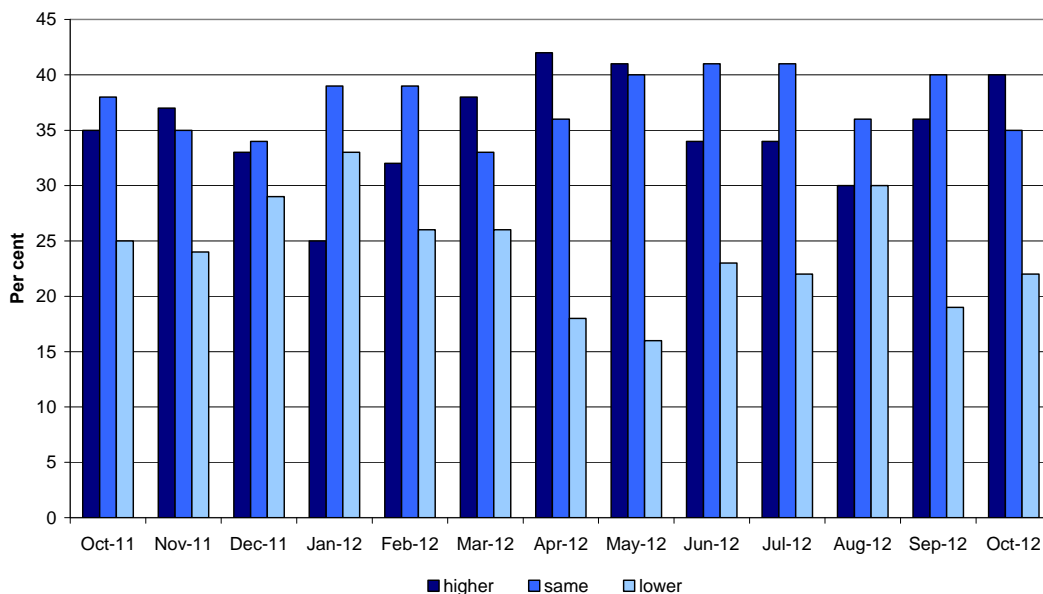
- The labour market has proved resilient, continuing to show a rise in employment levels over the year, with increases in private sector employment outweighing declines in public sector employment.¹⁶
- Inflation rose slightly, the Consumer Price Index¹⁷ was 2.7% in October, up from 2.2% in September.¹⁸

Output and Stocks

Output/Business Activity

The majority of businesses in England reported output¹⁹ was either higher or the same in October compared to July.

Chart 1: Level of output in England, October 2011 to October 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 September 2012 results compare September with June 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.

In England, forty per cent of businesses reported that output was higher in October 2012 than in July 2012, the highest proportion for five months. Thirty five per cent of businesses in England reported output as the same as July,

¹⁶ <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/december-2012/statistical-bulletin.html>

¹⁷ <http://www.ons.gov.uk/ons/rel/cpi/consumer-price-indices/october-2012/stb---consumer-price-indices---october-2012.html>

¹⁸ <http://www.ons.gov.uk/ons/publications/all-releases.html?definition=tcm:77-22462%3F>

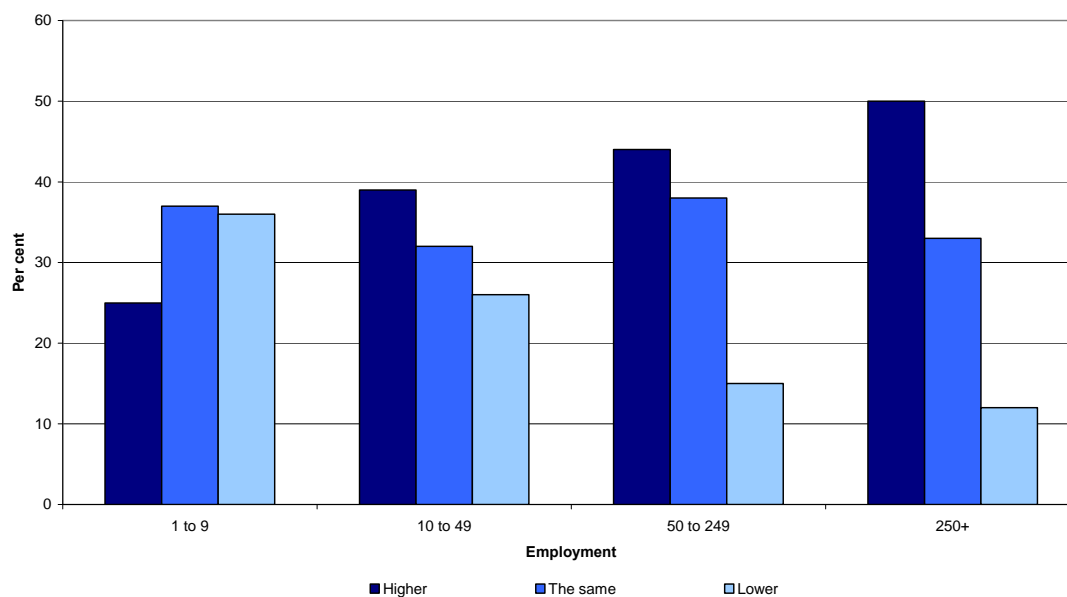
¹⁹ Businesses are asked whether they believe their level of business activity or volume of output at a workplace is the same, higher or lower.

while 22% of businesses reported lower output²⁰, giving an overall balance of +18%.

All regions reported positive balances, the highest being in the South West (+25%), London (+22%) and the North West (+21%) and the lowest being in the North East (+7%) and Yorkshire and the Humber (+11%).

When examining the Survey results by the size²¹ of the business, larger businesses were most likely to report that output had increased and least likely to report that output was lower.

Chart 2: Level of output in England, by business size, October 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 September 2012 results compare September with June 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.

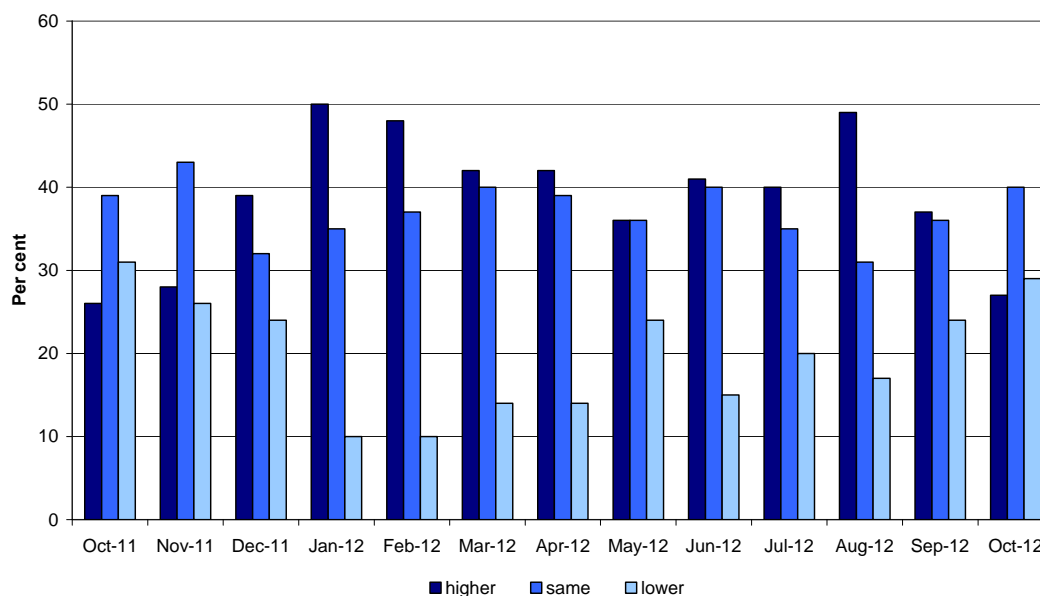
Expectations of future output have become less optimistic when compared to estimates for September 2012. Twenty seven per cent of businesses in England expect output to be higher in January 2013 than October 2012; 29% of businesses in England expect output to fall, with 40% of businesses expecting output to remain the same. This gives a negative balance of -2% – this is the first negative balance for expectations of output since October 2011. This has been driven mainly by a large decrease in the proportion of businesses that expect output to be higher in the next three months.

²⁰ 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 (<http://www.bis.gov.uk/analysis/statistics/sub-national-statistics/ebsurvey>) for detailed figures.

²¹ Business size is measured in terms of the number of employees.

Most regions have a negative balance on expectations of future output, the largest being the North East (-21%) whilst London (+9%) is the only region with a positive balance. Businesses in the North East are significantly less likely (19%) – when compared to England – to expect higher output in the three months from October to January and significantly more likely (40%) to expect lower output when comparing the same months.

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

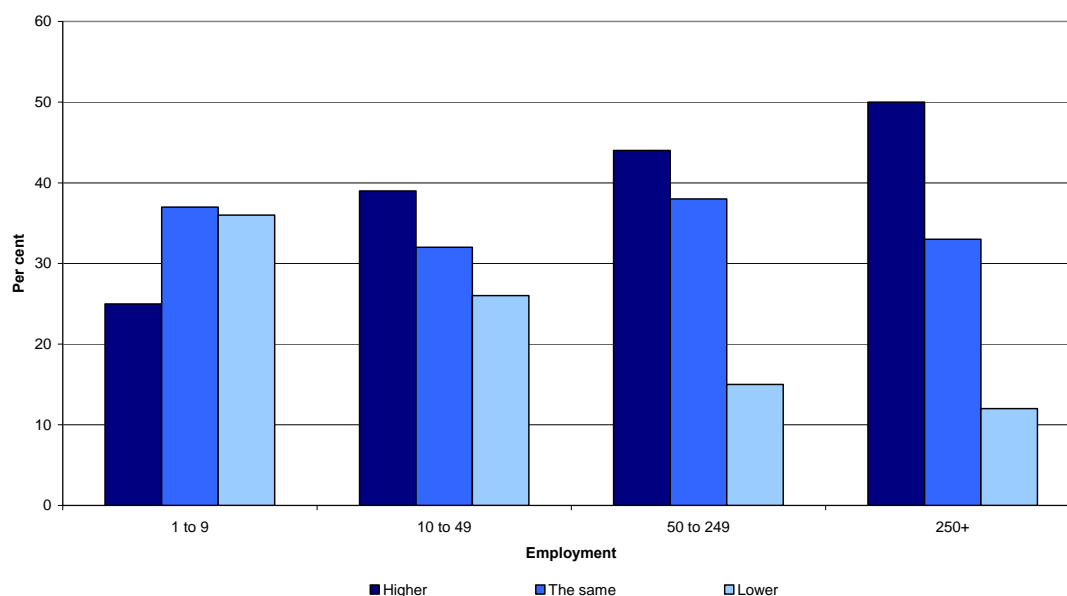


Notes:

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 October 2012 results compare October with January 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.

Thirty five per cent of the smallest businesses (1 to 9 employees) expected output to be lower in January – these expectations were significantly lower than England as a whole; 26% of businesses with 50 to 249 employees and 25% of businesses with 250+ employees reported they expect lower output forwarding January.

Chart 4: Expected level of output in England, by business size, October 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 October 2012 results compare October with January 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.

Stocks

Estimates show that businesses were most likely to report stock²² levels as the same in October when compared to July, than reported higher or lower stock levels.²³

In England, 34% of businesses reported that stocks were the same in October 2012 when compared to July 2012; 25% of businesses reported higher stocks and 16% of businesses reported lower stocks, giving a positive balance of 9%.

Yorkshire and the Humber (-6%) and the North East (-6%) reported negative balances on stocks, whilst all other regions reported positive balances, the highest being East of England (23%). In the East of England 10% of businesses reported lower levels of stock in October than July – this was

²² Stocks is used to describe the level of stock of unsold goods or stock of raw materials at a workplace.

²³ Only those sectors that typically have stocks are asked questions about stock levels, these are: Agriculture, Production, Wholesale and Retail, Real Estate and Professional, Scientific and Technical Activities

significantly smaller than England. Twenty eight per cent of businesses in Yorkshire and the Humber estimated stocks levels were lower.

Larger businesses (250+ employees) were less likely to report unchanged stock than the economy as a whole; with 40% reporting higher levels of stock and 11% reporting lower levels of stock. Meanwhile whilst thirteen per cent of the smallest businesses (1 to 9 employees) estimated their stock levels were higher – this was significantly different to England.

Looking forward to January 2013, businesses across England as a whole expect, on balance, stocks to be lower. Twelve per cent of businesses in England expect stocks to be higher in January 2013 than in October 2012, while 29% of businesses in England expect stocks to be lower, giving a negative balance of -17%. The balance for expected stocks is negative across all regions.

In England, 7% of larger businesses (250+ employees) expect their stock levels to be higher going forward and 39% expect their stock levels to be lower. As this size of business was more likely to have reported positive accumulation of stock in the three months before October 2012 it suggests that businesses of this size anticipate running down existing inventories in the next three months.

Level of Employment and Workforce use

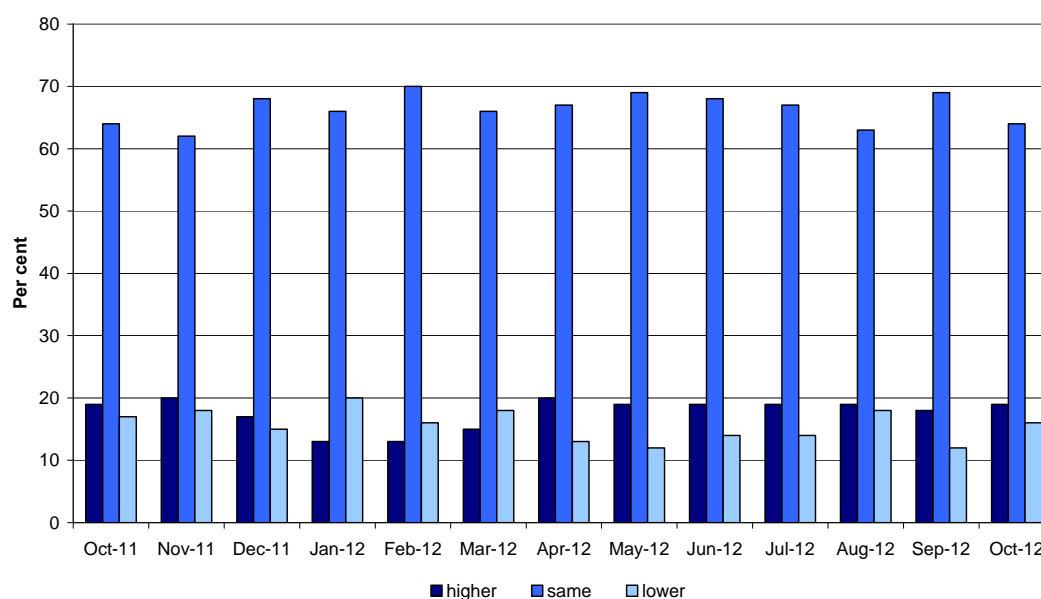
Employment

Employment levels are stable for most businesses in England; for those reporting a change a positive balance was observed with more businesses in England estimating increased employment in October 2012 compared to June 2012, than reporting employment decreased.

Over time, employment levels have been relatively stable, with businesses accounting for the majority of England's economy, estimating no change in employment²⁴ when compared to 3 months ago. When comparing October to July: almost two-thirds (64%) of businesses estimating employment levels to be the same; 19% estimated higher employment, whilst 16% estimated lower employment, giving an overall balance of +4%.

²⁴ Employment level is used to describe the average number of people working at a workplace.

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



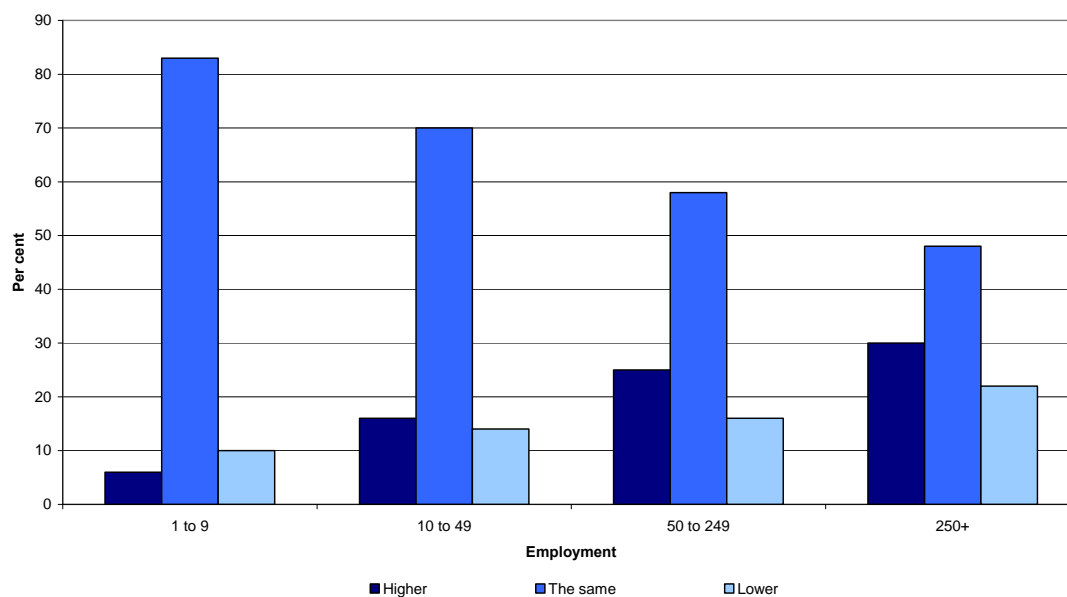
Notes:

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

This national picture was reflected across most regions, although negative balances were found in Yorkshire and the Humber (-8%) and the North East (-4%). An estimated 13% of businesses in Yorkshire and the Humber reported that employment was higher in October when compared to July – this was significantly lower than the equivalent statistics (19%) for England.

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. Larger businesses were more likely to estimate higher levels of employment than businesses of 250 or more employees (30%) ; 50 to 249 employees (25%); 10 to 49 employees (16%); and, 1 to 9 employees (6%).

Chart 6: Level of employment in England, by business size, October 2012



Notes:

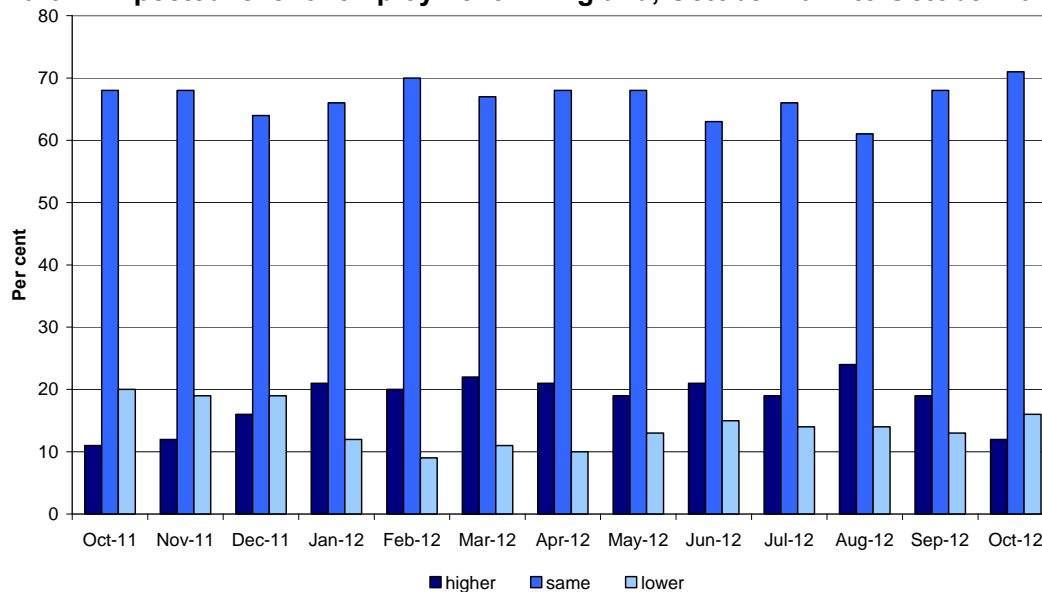
1. Workplaces were asked about the level of employment in a month three months earlier when compared to the reporting month, for example September 2012 results compare September with June 2012.
2. Survey results sum to 100%=(% Higher)+(% The same)+(% Lower)+(% Don't know). Estimates for 'Don't know'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

Expectations of future employment levels became more pessimistic in October, although most businesses anticipate fairly constant employment levels – an estimated 71% of businesses expect the number in employment to be the same in January 2013 as in October 2012. Twelve per cent of businesses expect higher levels of employment in January, whilst 16% of businesses expect lower levels of employment in January. This gives a negative balance of -4%, the first negative balance since December 2011.

All regions recorded a negative balance for expectations of future employment apart from London (+5%) where businesses were significantly less likely (12%) to expect lower employment levels – when compared to England. The largest negative balances for expectations of future employment were found in the North East (-10%) and East Midlands (-9%).

Larger businesses were more likely to expect changing employment levels and smaller businesses to expect stable employment levels – this is a similar pattern to that of reported (backward-looking) employment levels. When compared to England, large businesses (250+ employees) were significantly more likely (28%) to expect lower employment and significantly less likely (12%) to expect higher employment.

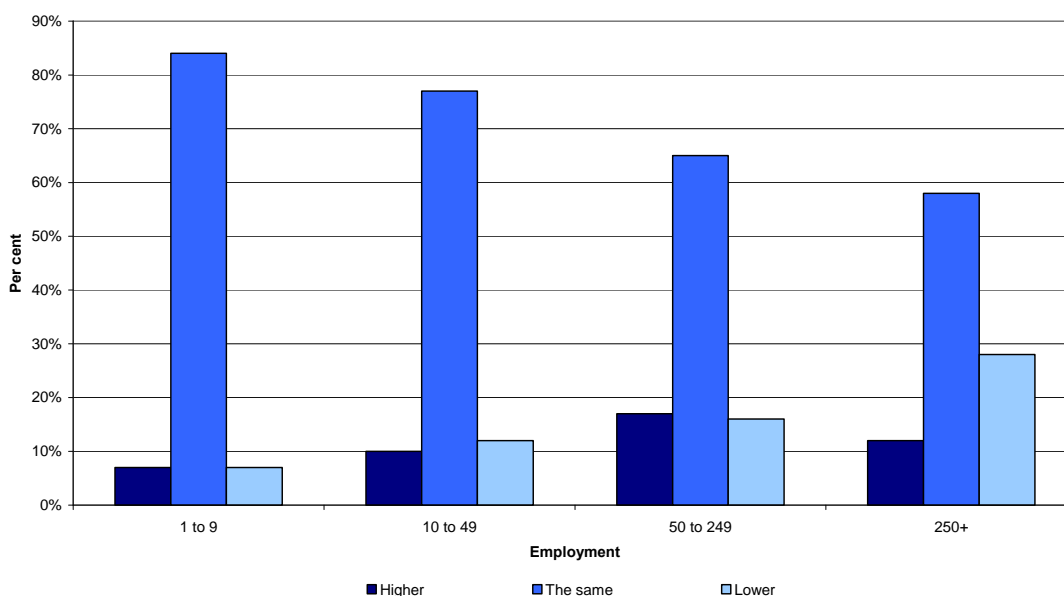
Chart 7: Expected level of employment in England, October 2011 to October 2012



Notes:

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 October 2012 results compare October with January 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.

Chart 8: Expected level of employment in England, by business size, October 2012



Notes:

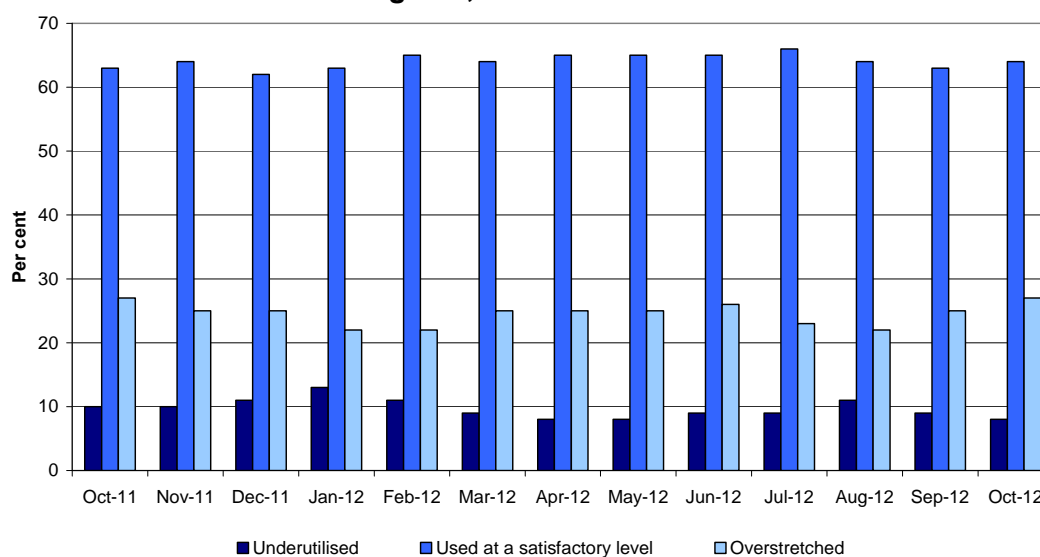
1. Workplaces were asked about their expectations for the level of employment in a month three months into the future, when compared to the reporting month, for example October 2012 results compare October with January 2013.
2. Survey results sum to 100%=(% Higher)+(% The same)+(% Lower)+(% Don't know).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

Workforce use

Whilst most businesses report a satisfactory level of workforce use, there is evidence that more businesses are reporting being overstretched than those reporting being underutilised.

Sixty-four per cent of businesses in England report that their workforce was used at a satisfactory level during October 2012.²⁵ In England, 27% of businesses reported their workforce to be overstretched, while 8% reported their workforce was underutilised, giving a balance of +19%. This is the highest balance reported for this measure, whilst the proportion reporting an overstretched workforce is the highest since October 2011.

Chart 9: Workforce use in England, October 2011 to October 2012



Notes:

1. Workplaces were asked about their workforce use in October 2012.
2. Estimates are not seasonally adjusted.
3. Survey results sum to 100%=(% Underutilised)+(% Used at a satisfactory level)+(% Overstretched)+(% Don't know). Estimates for 'Don't know' have been excluded from this chart, but are available in the tables that accompany the release.

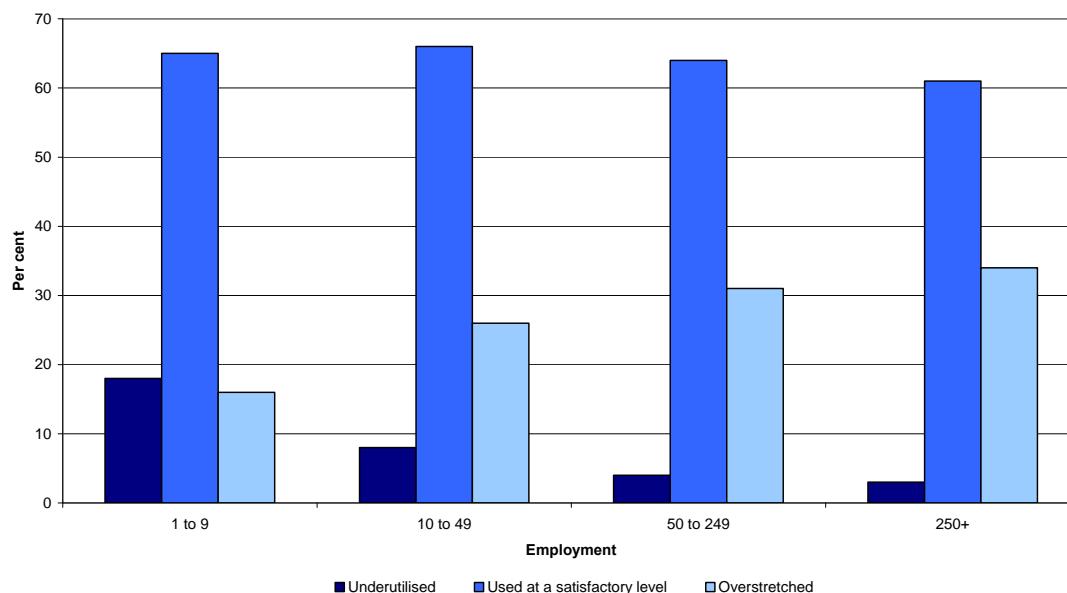
All regions report positive balance, however the smallest balance (+9%) is found in the North West – the only region with a significantly lower level (20%) of businesses reporting their workforce as overstretched, when compared to England.

Smaller businesses are more likely to report a workforce that is underutilised, whilst larger businesses are more likely to report their workforce is overstretched. The smallest businesses (1 to 9 employees) were significantly more likely (18%) to report underutilisation than the national average of 8%; businesses of 50 to 249 employees (4%) and 250 or more employees (3%) were significantly less likely –when compared to England – to report an underutilised workforce. Larger businesses of 250 or more employees (34%) or 50 to 249 employees (31%) were significantly more likely to report their

²⁵ Workforce use asks whether the workforce at a workplace is: underutilised; used at a satisfactory level; or, overstretched.

workforce as overstretched than the national average of 27%, whilst the smallest businesses (16%) were significantly less likely to have businesses that are overstretched – when compared to England.

Chart 10: Workforce use in England, by business size, October 2012



Notes:

1. Workplaces were asked about their workforce use in October 2012.
2. Survey results sum to 100%=(% Underutilised)+(% Used at a satisfactory level)+(% Overstretched)+(% Don't know). Estimates for 'Don't know' have been excluded from this chart, but are available in the tables that accompany the release.

Capital Investment and Capital Use

Capital investment

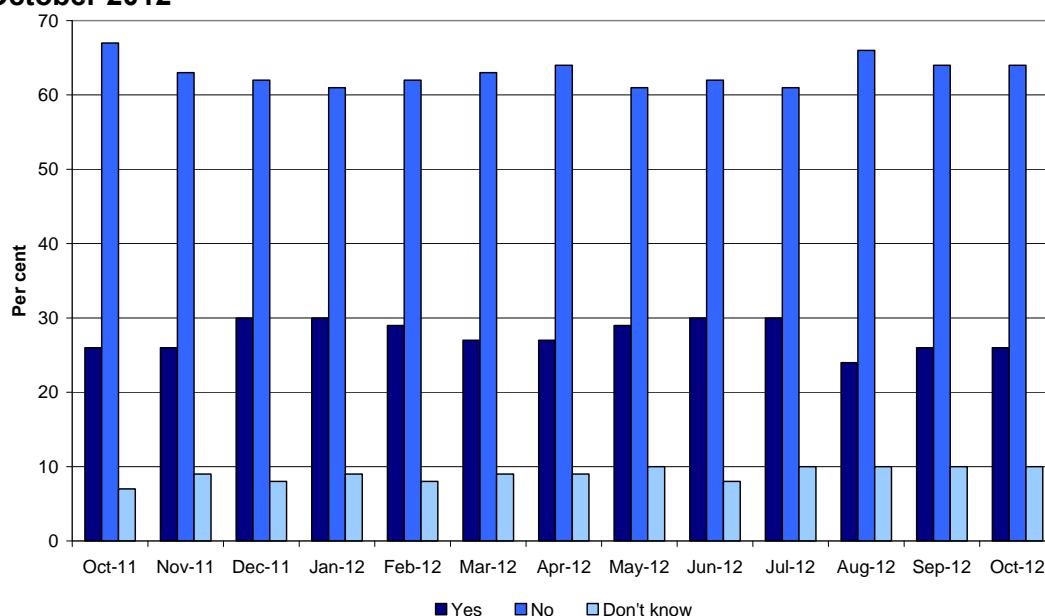
In England, 64% of businesses reported no new capital investment in the 3 months from August to October 2012; 32% of businesses made new capital investment²⁶ over the same period. Larger businesses reported higher levels of capital investment than small and medium sized businesses: businesses with 250 or more employees (41%); 50 to 249 employees (40%); 10 to 49 employees (26%); and 1 to 9 employees (18%). Of the four industry sectors presented, forty five per cent of those in the Agriculture and Production sector reported they had have invested in capital – the largest proportion of any sector.

Looking ahead, 26% of businesses expect to make new capital investment between November 2012 and January 2013. There are regional differences in expectations of future capital investment that are significantly smaller than

²⁶ 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.

England, with 18% of businesses in the North East and 20% of businesses in Yorkshire and Humber expecting to make new capital investment between November 2012 and January 2013.

Chart 11: Expectations for capital investment in England, October 2011 to October 2012



Notes:

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

Larger businesses were more likely to expect to make capital investment between November 2012 and January 2013: 39% of businesses with 250 or more employees and 29% of businesses with 50 to 249 employees expected to make capital investment, significantly higher than the national average of 26%.

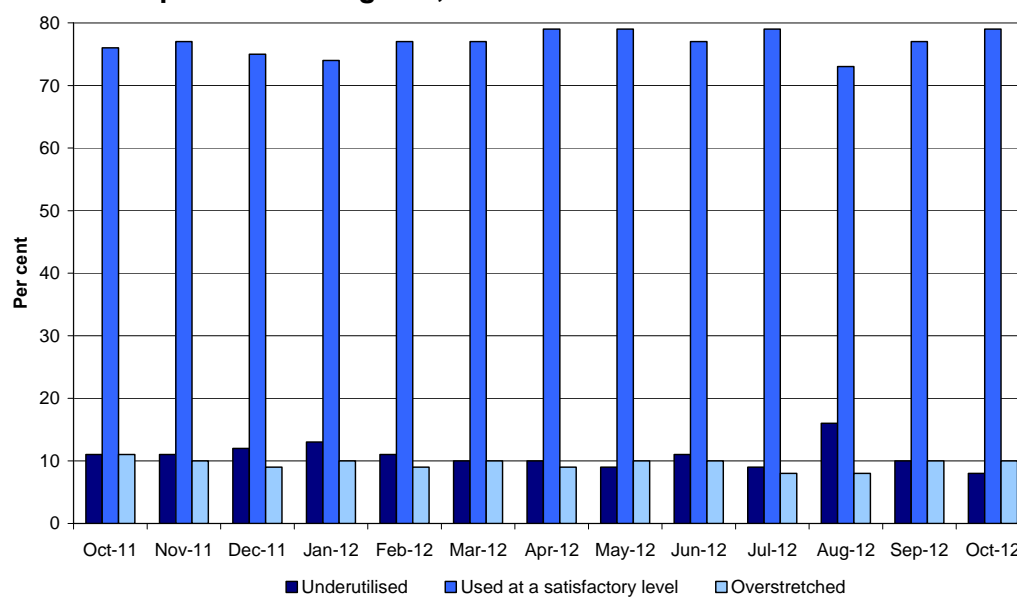
Capital use

As with workforce use, most businesses reported that their utilisation of capital was at a satisfactory level in October 2012²⁷. However, larger businesses are more likely to report their capital was overstretched and smaller businesses more likely to report that their capital was underutilised – this difference between businesses size is the same as that seen for workforce utilisation.

In England, 79% of businesses reported that capital was used at a satisfactory level; 10% of businesses reported their capital was overstretched; and 8% of businesses reported that it was underutilised.

²⁷ Capital use asks whether buildings, plant and machinery, equipment, vehicles and computer hardware and software at a workplace are: underutilised; used at a satisfactory level; or, overstretched.

Chart 12: Capital use in England, October 2011 to October 2012



Notes:

1. Workplaces were asked about their use of capital in October 2012.
2. Estimates are not seasonally adjusted.
3. Survey results sum to 100%=(% Underutilised)+(% Used at a satisfactory level)+(% Overstretched)+(% Don't know). Estimates for 'Don't know' have been excluded from this chart, but are available in the tables that accompany the release.

Businesses in the West Midlands (4%) and North West (13%) were more likely to report their capital was underutilised, whilst businesses in the East of England (15%) were more likely to report their capital was overstretched; these estimates were significantly different to England as a whole.

In England, 15% of the smallest businesses (1 to 9 employees) reported their capital was underutilised – the highest of any size of business –whilst 6% report their workforce was overstretched – the lowest of any business size; four per cent of the largest businesses (250+ or more employees) reported their workforce was underutilised – the lowest of any size of business.

More businesses in the Agriculture and Production (14%), or Construction (18%) sectors reported their capital was underutilised than any other industry sector – this may be a seasonal effect.

Over time, the proportion of the economy reporting capital use as overstretched has remained relatively stable at around 10%. There has been more fluctuation in the proportion of the economy that are reporting their capital as underutilised, which has fallen from 16% in August to 10% in September and 8% in October.

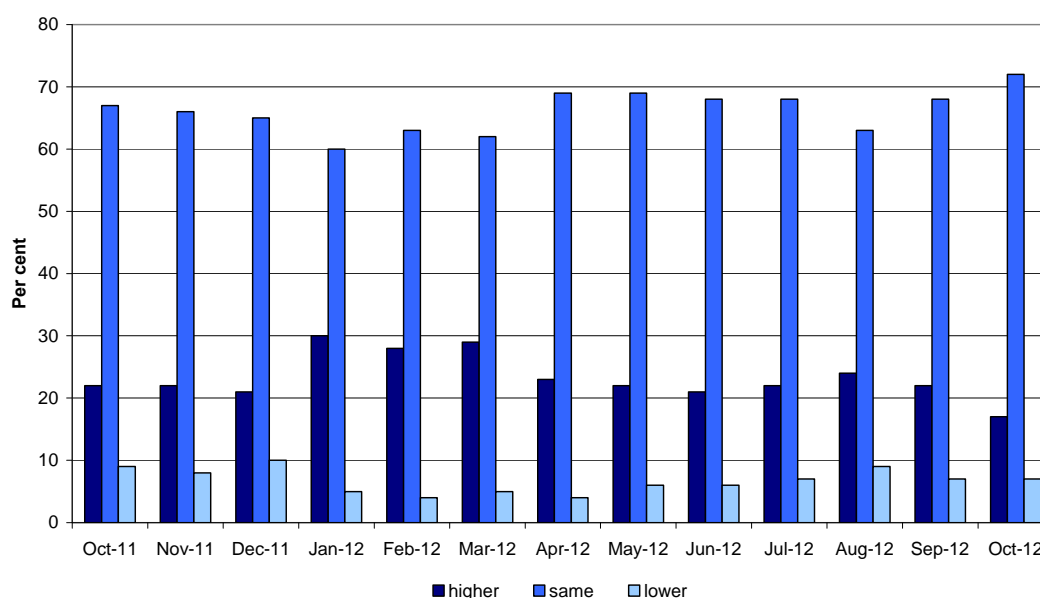
Labour and Output Prices

Labour costs

Wages and other labour costs have been relatively stable since the survey began in October 2011.

Just under three-quarters (71%) of businesses in England reported that labour costs²⁸ per person remained the same in October 2012 compared to July 2012. In England, 20% of businesses reported labour costs to be higher. Businesses with 1 to 9 employees were more likely (78%) to report unchanged labour costs than any other size of business; they also had the smallest estimate for higher labour costs (12%) and the highest estimate for labour costs that were the same (78%) of any size of business. Businesses of 50 to 249 employees reported the highest estimate for higher labour costs (22%) of any business size. Across regions, businesses in the South East reported the lowest estimate (3%) of lower labour costs – the average across England was 5%.

Chart 13: Expected labour costs in England, October 2011 to October 2012



Notes:

1. Workplaces were asked about their expectations for labour costs in a month three months in the future when compared to the reporting month, for example September 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)+ (%Not applicable). Estimates for 'Don't know' and 'Not applicable' have been excluded from this chart, but are available in the tables that accompany the release.

²⁸ Labour costs refers to the average wage and other labour costs per employee associated with employing an individual at the workplace.

Looking forward to January 2013, 72% of businesses in England expect labour costs to be the same as October and 17% expect labour costs to be higher – this is slightly lower than the proportion that reported higher labour costs in October when compared to July 2012. Businesses accounting for 7% of England’s economy expect labour costs to be lower in January 2013.

In the North East 13% of businesses expect labour costs to be lower in January when compared to October – this is the highest estimate of any of the regions and significantly different to England.

Output prices

Average prices charged have also been relatively stable since the survey started, with the majority of businesses in England reporting that output prices were the same as three months ago.

Just under three-quarters (71%) of businesses in England reported that prices charged (output prices²⁹) in October 2012 had not changed compared to July 2012; 15% of businesses reported higher prices, whilst businesses accounting for 8% of the economy reported lower prices. Similar results were reported for each region, although a significantly smaller proportion (4%) of businesses in the North West – when compared to England – reported prices were lower. Businesses of 50 to 249 employees were also significantly less likely (6%) to report lower prices, when compared to the national average.

Most businesses expect future prices to remain stable in the next three months, with 70% of businesses expecting prices to be the same in January 2013 as they were in October 2012; 14% expecting higher prices and 9% expecting lower prices.

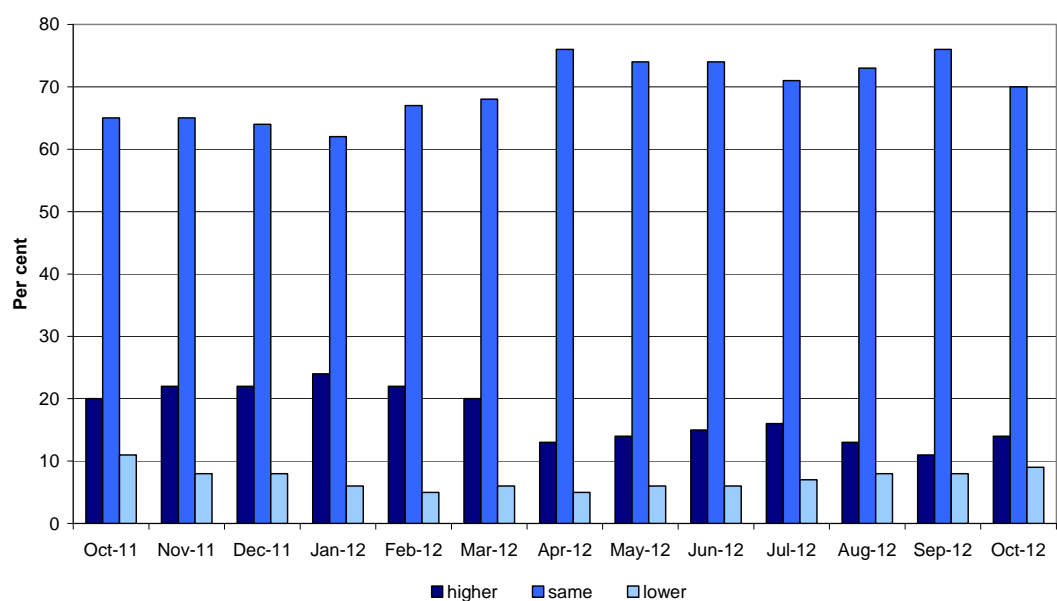
Eight per cent of larger businesses – those with over 250 employees – reported an expectation that prices would increase in comparison with October – this was the lowest estimate of any size of business and significantly different to England. Businesses in the Agriculture and Production sector are more likely (19%) to expect price rises. As these were the sectors most likely to expect higher labour costs in January; this may be driven by an expectation of passing on some, or all of their increased costs to customers.

These stable expectations of future prices reflect the official forecast by the Bank of England, which predicts that inflation will remain at or around current levels over the next quarter, approaching the official target rate of 2.0% during 2013³⁰.

²⁹ Output prices refers to the average output prices or average prices charged by the workplace.

³⁰ <http://www.bankofengland.co.uk/publications/Pages/inflationreport/ir1204.aspx>

Chart 14: Expected average prices in England, October 2011 to October 2012



Notes:

1. Workplaces were asked about their expectations for average prices charged in a month three months in the future when compared to the reporting month, for example September 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.

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 contractions in manufacturing and construction over August and September, with a slight expansion in construction in October.³¹

The Confederation of British Industry (CBI)'s *Industrial Trends* survey shows a lower proportion of respondents reporting output was rising, and a higher proportion reporting output was falling, than the EBS over comparable periods, although the EBS samples businesses across a wider set of sectors³². The British

³¹ <http://www.markiteconomics.com/Survey/Page.mvc/AboutPMIData>

³² <http://www.cbi.org.uk/business-issues/economy/business-surveys/industrial-trends-survey/>

Chambers of Commerce (BCC) shows a small increase in domestic sales over Quarter 3 2012 but indicates that domestic orders fell in the same period.³³

Employment data from the surveys is broadly in line with the EBS, the CBI's survey showing an increase over the three months to August with smaller increases in the next three months. The BCC shows employment increased in Quarter 3 2012 and predicts employment will continue to increase in Quarter 4 2012. Official statistics show employment has increased, with corresponding falls in the unemployment rate in October.

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 Questionnaire³⁴ 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 webpage³⁵.

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.

Background Notes

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

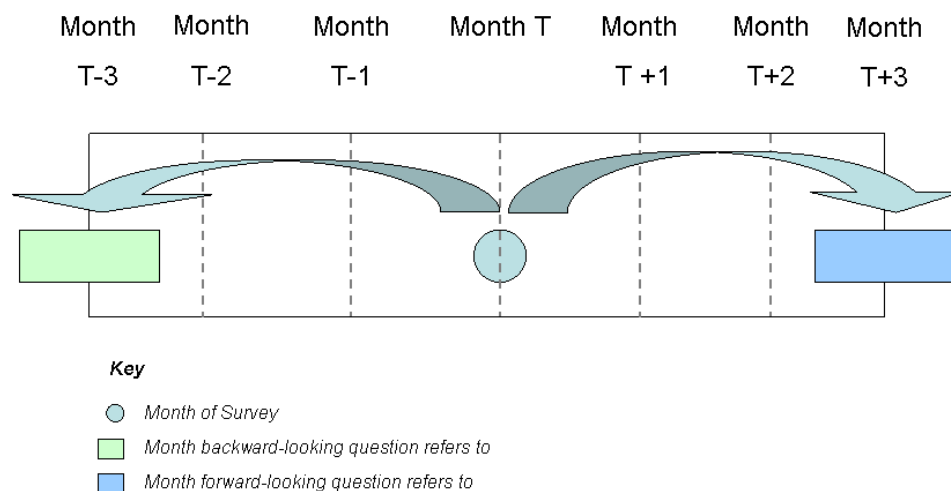
2. EBS Releases are labelled by the period which workplaces are asked about (the reference month). In most questions workplaces are asked to compare the reference month (month T) with the month three months previous and three months forward. For example, for the September 2012 EBS most backward-

³³ <http://www.britishchambers.org.uk/policy-maker/policy-reports-and-publications/quarterly-economic-survey-q3-2012.html>

³⁴ <http://www.bis.gov.uk/assets/biscore/statistics/docs/e/12-601-english-business-survey-report-questionnaire-development.pdf>

³⁵ <http://www.bis.gov.uk/analysis/statistics/sub-national-statistics/ebssurvey>

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 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 Hub³⁶.

³⁶ <http://www.statistics.gov.uk/hub/index.html>

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 Tool³⁷ 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 Laboratory³⁸ and an aggregated version of the dataset is available to academics from the UK Data Archive³⁹.

Contact details

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

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³⁷ <http://dservuk.tns-global.com/English-Business-Survey-Reporting-Tool/>

³⁸ <http://www.ons.gov.uk/ons/about-ons/who-we-are/services/vml/index.html>

³⁹ <http://www.data-archive.ac.uk/>