



## English Business Survey – September 2012

### Key Points

- In England and the English regions, backward-looking output balance<sup>1</sup> statistics were positive in September 2012; indicating that when compared to September 2011 and to June 2012, workplaces accounting for a larger proportion of employment experienced higher output levels than workplaces that experienced lower output levels.
- In England and the English regions, forward-looking output balance statistics were positive; indicating that workplaces accounting for a larger proportion of employment expect output levels to be higher, in 3 months (December 2012).
- The East of England had the highest backward-looking output balance statistics for any English region, with workplaces accounting for a larger share of employment experiencing higher levels of output in September 2012, when compared to September 2011 (+22%) and June 2012 (+22%).
- The East Midlands (+17%) and London (+17%) were the regions with the highest forward-looking balance statistics with workplaces accounting for a greater share of employment expecting higher levels of output in December 2012 when compared to September 2012.
- EBS estimates show stability in employment levels in workplaces in England and the English regions, with workplaces accounting for around two-thirds of employment experiencing employment levels that were the same in September 2012 as they were in June 2012

This Release presents the key messages from the English Business Survey (EBS). The Survey provides estimates of a workplaces' short-term experiences of, and expectations for, key business and economic variables including output, employment, investment and prices. The estimates are presented for the England and its nine regions.

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<sup>1</sup> Balance statistics are calculated as: Higher – Lower.

## Background

The EBS statistics are Official statistics currently undergoing evaluation and are released as Experimental Statistics during this period<sup>2</sup>. As the statistics are undergoing evaluation we encourage users to read, understand and provide feedback on the information contained in the release and the accompanying metadata, including methodology.

The EBS is a workplace survey so characteristics – region, employment size and industry – relate to the workplace rather than the enterprise. Statistical releases, supporting tables and full documentation for the EBS can be found on the BIS website.<sup>3</sup>

The data in the publication refers to conditions in August 2012, which is the reference month for the survey.

## Methodology

The EBS is a monthly business survey of around 3,000 workplaces across England. The survey is conducted by telephone with each interview lasting an average of 11 minutes.

The sample of workplaces is drawn from the ONS Inter-Departmental Business Register (IDBR), which is a list of businesses registered for VAT and/or PAYE. Workplaces are asked a range of backward and forward-looking directional questions related to business and economic conditions, such as output, employment, wage costs and output prices. The survey also covers capital investment and capacity constraints (for example, the degree of utilisation for both capital and labour inputs).

Results are weighted to take account of workplace employment size, so workplaces with higher employment are given a larger weight. This is a way of measuring a workplace's contribution to the economy. Doing this provides a view of conditions of the economy as a whole. When reading results in the tables, a national estimate of 10% for example should be interpreted as workplaces accounting for 10% of employment in England giving that response, rather than 10% of workplaces in England giving that response.

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 Guide<sup>4</sup>, which provides information about how to interpret results, and a Technical Annex<sup>5</sup>, which contains detailed information about the methodology.

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<sup>2</sup> Experimental Statistics are Official statistics that are undergoing development that are published in order to involve users and stakeholders in their.

<sup>3</sup> <http://www.bis.gov.uk/analysis/statistics/sub-national-statistics/ebsurvey>

<sup>4</sup> <http://www.bis.gov.uk/assets/biscore/statistics/docs/e/12-598-english-business-survey-user-guide.pdf>

<sup>5</sup> <http://www.bis.gov.uk/assets/biscore/statistics/docs/e/12-602x-english-business-survey-technical-annex.pdf>

## Quality and use

The English Business Survey provides information about the current economic and business conditions across England. By providing timely and robust information on a regular and geographically detailed basis, the survey enhances understanding of business perceptions throughout England and ultimately improves policy making. The statistics are also useful to businesses, providing valuable 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 has not been adjusted for seasonality; 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 with November due to seasonal patterns. It is recommended that until the statistics are assessed for seasonality that each month of results is seen as a snapshot in time, rather than trying to draw comparisons over time.

## 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 IDBR – the EBS does not cover non-registered 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%)<sup>6</sup>.

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<sup>6</sup> 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 (September 2012) and in the preceding months to help the user to interpret the statistics. During the time period considered here, for which official statistics are available, Gross Domestic Product (GDP) was estimated to have increased by 1% in the third quarter of 2012.<sup>7</sup> 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 Q4<sup>8</sup> and the consensus of private sector forecasts published by HM Treasury<sup>9</sup> is for growth to be slight negative, -0.1%, for 2012 as a whole.

Official statistics for business activity give a mixed picture – while retail sales increased by 0.6% in September compared to August 2012<sup>10</sup>, manufacturing output declined by 0.1%<sup>11</sup> and construction output declined by 2.8% over the same period<sup>12</sup>. Household income also showed a decline over the first half of 2012<sup>13</sup>. Taken together this would suggest that underlying weaknesses that resulted in recession at the end of 2011 may yet still persist.

Despite the general weakness in the broader economy, the labour market has proved resilient, continuing to show a rise in employment levels over the year<sup>14</sup>. Inflation continued to decline with the Consumer Price Index<sup>15</sup> in September at 2.2%.

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<sup>7</sup> <http://www.ons.gov.uk/ons/rel/gva/gross-domestic-product--preliminary-estimate/q3-2012/index.html>

<sup>8</sup> <http://www.bankofengland.co.uk/publications/Pages/inflationreport/ir1204.aspx>

<sup>9</sup> [http://www.hm-treasury.gov.uk/data\\_forecasts\\_index.htm](http://www.hm-treasury.gov.uk/data_forecasts_index.htm)

<sup>10</sup> <http://www.ons.gov.uk/ons/rel/rsi/retail-sales/index.html>

<sup>11</sup> <http://www.ons.gov.uk/ons/rel/iop/index-of-production/index.html>

<sup>12</sup> <http://www.ons.gov.uk/ons/rel/construction/output-in-the-construction-industry/index.html>

<sup>13</sup> [http://www.ons.gov.uk/ons/dcp171766\\_284260.pdf](http://www.ons.gov.uk/ons/dcp171766_284260.pdf)

<sup>14</sup> <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/index.html>

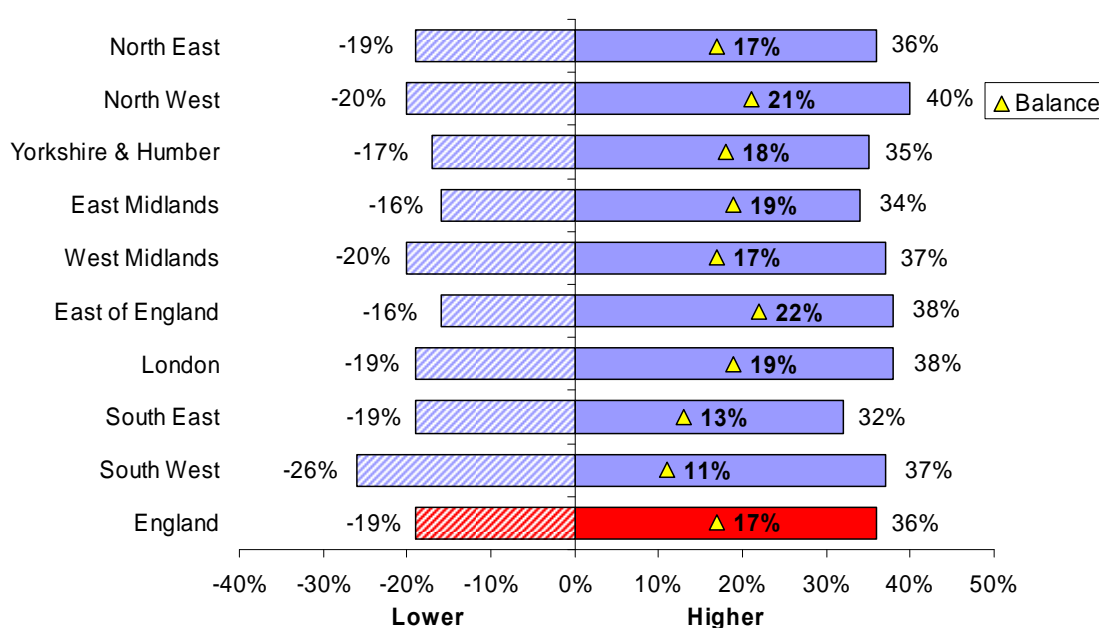
<sup>15</sup> <http://www.ons.gov.uk/ons/rel/cpi/consumer-price-indices/index.html>

## Output and Stocks

### Output/Business Activity

Workplaces accounting for 40% of employment in England reported that output<sup>16</sup> was the same in September 2012 as in June 2012. Workplaces accounting for 36% of employment in England reported higher output over this period, while 19% reported lower output (Chart 1 and Table 1)<sup>17</sup>, giving an overall balance of +17%. Balance statistics were positive across all regions, the highest being in the East of England (22%) and lowest in the South West (11%).

**Chart 1: Level of output, by regions of England, September 2012**



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#### Notes:

1. Workplaces were asked about the level of output in September 2012 compared with June 2012.
2. Results are weighted to be representative of total employment in England, not workplaces. Results should be interpreted as workplaces accounting for x% of employment said...
3. Survey results sum to 100%=(% Higher)+(%) The same)+(%) Lower)+(%) Don't know, which is only a small share of total).
4. The Lower and Higher scores range from 0% to 100%.

Looking ahead, workplaces accounting for 37% of employment in England expect output to be higher in December 2012 than in September 2012. In comparison, 24% expect output to be lower, while 36% expect output to remain unchanged. This gives an overall positive balance of 12%. Comparing

<sup>16</sup> Output is used to describe the level of business activity or volume of output at a workplace.

<sup>17</sup> 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.

across the regions, workplaces in London and East Midlands had the highest balance scores – both had a positive balance of 17%. In contrast, workplaces in the North East and South East had the lowest balance scores with positive balance statistics of 4%.

Looking back at the same period 12 month ago, workplaces in England were slightly more optimistic; workplaces accounting for 40% of employment in England reported output was higher in September 2012 than in September 2011, while 26% reported output was lower, giving a positive balance of 14%. The balances were positive across all regions, ranging from 6% in the West Midlands and the North East, to 22% in the East of England.

**Table 1: Level of Output, by regions of England, September 2012**<sup>1 2 3 4</sup>

Per cent		Eng	NE	NW	YH	EM	WM	EE	L	SE	SW
<b>Output</b>											
<b>Past (Sep 12 vs. Jun 12)</b>	<b>Higher</b>	36	36	40	35	34	37	38	38	32	37
	<b>Lower</b>	19	19	20	17	16	20	16	19	19	26
	<b>Balance (Higher-Lower)</b>	17	17	21	18	19	17	22	19	13	11
<b>Future (Dec 12 vs. Sep 12)</b>	<b>Higher</b>	37	32	41	36	37	40	36	35	33	39
	<b>Lower</b>	24	29	25	22	21	26	23	19	29	29
	<b>Balance (Higher-Lower)</b>	12	4	16	14	17	15	13	17	4	10
<b>Past annual (Sep 12 vs. Sep 11)</b>	<b>Higher</b>	40	37	40	40	34	34	43	42	42	42
	<b>Lower</b>	26	32	25	25	21	28	22	28	23	29
	<b>Balance (Higher-Lower)</b>	14	6	15	15	13	6	22	13	19	14

Notes:

1. Results are weighted to be representative of total employment in England, not workplaces (see 'Weighting' section of Background note).
2. A positive balance indicates that Higher was more than Lower; as well as assessing the balance, it is important to consider the underlying figures which are available here (<http://www.bis.gov.uk/analysis/statistics/sub-national-statistics/ebsurvey>). See 'Balance' section of Background note for more explanation.
3. Balances are calculated on unrounded figures and then rounded. For this reason Higher minus Lower percentages may not sum to the balance score.
4. The dates indicate the periods being compared in the question – i.e. 'Past (Sep 12 vs. Jun 12)' indicates that workplaces were asked how conditions in September 2012 compared with June 2012.

### Stocks

Only those sectors that typically have stocks<sup>18</sup> are asked questions about stock levels<sup>19</sup>. Within this group, workplaces accounting for 18% of employment in England currently report having no stocks in September 2012; however, there are regional differences, with the two extremes being in Yorkshire & the Humber, East Midlands, and West Midlands (11%) and London (29%). Such variations could reflect differences in industrial composition, with a greater representation of sectors that do not typically have

<sup>18</sup> Stocks is used to describe the level of stock of unsold goods or stock of raw materials at a workplace.

<sup>19</sup> This comprises Agriculture, Production, Wholesale and Retail, Real Estate and Professional, Scientific and Technical Activities

stocks (for example, financial & insurance; public administration & defence; arts, entertainment & recreation) in London compared with other areas.<sup>20</sup>

Workplaces accounting for 41% of employment in England reported that stocks were the same in September 2012 compared with June 2012. For England as a whole, workplaces accounting for 22% of employment reported higher stocks, while 15% reported lower stocks, giving a positive balance of 6% (Table 2, below).

Yorkshire and the Humber (-1%) was the only region that had a negative balance – having, on balance, lower stock levels in September 2012 compared to June 2012. The highest balance figure was +12% in London.

Looking ahead to December 2012, workplaces across England as a whole expect, on balance, stocks to be higher. Workplaces accounting for 28% of employment in England expect stocks to be higher in December 2012 than in September 2012, while 20% expect stocks to be lower, giving a positive balance of 8%. The balance statistic for stocks was positive across all regions, except in the South West (-3%) where a greater number expected stocks to be lower than those that expected it to be higher. The North West and the East of England reported the largest positive balances (both +15%).

**Table 2: Levels of Stock, by regions of England, September 2012**<sup>1 2 3 4</sup>

Per cent		Eng	NE	NW	YH	EM	WM	EE	L	SE	SW
<b>Stocks<sup>5</sup></b>											
<b>Past (Sep 12 vs. Jun 12)</b>	<b>Higher</b>	22	17	26	21	22	24	21	19	24	18
	<b>Lower</b>	15	9	17	22	18	21	16	7	13	16
	<b>Balance (Higher-Lower)</b>	6	8	9	-1	4	3	5	12	11	2
<b>Future (Dec 12 vs. Sep 12)</b>	<b>Higher</b>	28	24	33	31	27	33	32	24	26	21
	<b>Lower</b>	20	17	18	21	20	24	17	17	20	24
	<b>Balance (Higher-Lower)</b>	8	6	15	9	6	10	15	8	5	-3

Notes:

1. See note 1 of Table 1.
2. See note 2 of Table 1.
3. See note 3 of Table 1.
4. See note 4 of Table 1.
5. The questions on stocks are only asked of workplaces in the following sectors Agriculture, Production, Wholesale and Retail, Real Estate and Professional, Scientific and Technical Activities (SIC 2007 Codes A-G, L and M). Workplaces can also report having no stocks.

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

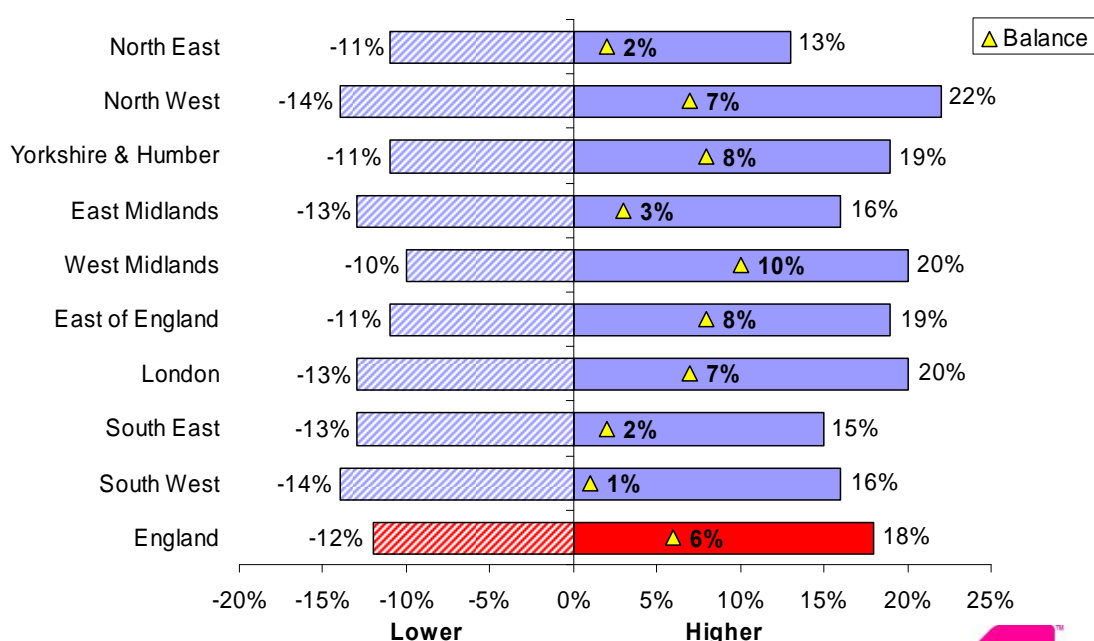


## Level of Employment and Workforce use

Workplaces accounting for over two-thirds of employment in England (69%), reported no change in employment<sup>21</sup> in September 2012 compared with June 2012. Workplaces accounting for 18% of employment in England reported higher employment, while 12% reported lower employment, giving an overall balance of +6% (Chart 2 and Table 3).

A positive balance was reported across all regions, with more workplaces, weighted by employment, reporting increases in employment than reporting reductions. Five regions – North West (+7%), Yorkshire and The Humber (+8%), West Midlands (+10%), East of England (+8%) and London (+7%) – reported balances above the England average of +6%. The South West reported the lowest balance of +1%.

**Chart 2: Level of employment, by regions of England, September 2012**



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**Notes:**

1. Workplaces were asked about the level of employment in September 2012 compared with June 2012.
2. Results are weighted to be representative of total employment in England, not workplaces. Results should be interpreted as workplaces accounting for x% of employment said...
3. Survey results sum to 100%=(% Higher)+(% The same)+(% Lower)+(% Don't know, which is only a small share of total).
4. The Lower and Higher scores range from 0% to 100%.

Looking forward, a similar proportion of workplaces (representing 68% of workplace employment) expect employment to be the same in December 2012 compared with September 2012. In England workplaces accounting for 19% of employment expect levels of employment to be higher, while 13% expect it to be lower, giving a positive balance of 6%.

<sup>21</sup> Employment level is used to describe the average number of people working at a workplace.



In all regions the majority of respondents expected no change in future employment levels. Looking at balance statistics, most regions had balances smaller than the England average (+6%); the South West had the lowest balance statistic of +1%.

On workforce use<sup>22</sup>, the majority (63%) of workplaces in England, weighted by employment, reported that their workforce was used at a satisfactory level during September 2012. Workplaces accounting for 25% of employment reported their workforce to be overstretched, while 9% reported their workforce was underutilised, giving a balance of +17%.

There was a consistent message of workforces being overstretched across all regions (shown by positive balances in Table 3 below), although there was a degree of variation. The East of England reported the highest balance statistic (+21%), in part due to the low proportion of workplaces reporting their workforce was underutilised (5%) – this was significantly different from the England average. The region also reported the highest balance statistic for employment levels for 3 months ahead (+12%), indicating that a higher proportion of firms plan to increase employment. The lowest balance statistic for workforce use was reported in the South East (+12%).

**Table 3: Level of employment, by regions of England, September 2012**<sup>1 2</sup>  
3 4

<i>Per cent</i>		Eng	NE	NW	YH	EM	WM	EE	L	SE	SW
<b>Employment</b>											
<b>Past (Sep 12 vs. Jun 12)</b>	<b>Higher</b>	18	13	22	19	16	20	19	20	15	16
	<b>Lower</b>	12	11	14	11	13	10	11	13	13	14
	<b>Balance (Higher-Lower)</b>	6	2	7	8	3	10	8	7	2	1
<b>Future (Dec 12 vs. Sep 12)</b>	<b>Higher</b>	19	18	22	16	21	19	23	18	16	16
	<b>Lower</b>	13	16	12	14	11	11	12	13	15	14
	<b>Balance (Higher-Lower)</b>	6	2	10	2	11	8	12	5	2	1
<b>Workforce Use<sup>5</sup></b>											
<b>Sep 2012</b>	<b>Overstretched</b>	25	26	27	22	25	24	27	28	22	28
	<b>Underutilised</b>	9	10	8	7	9	9	5	9	11	11
	<b>Balance (Over-Under)</b>	17	16	19	15	16	15	21	19	12	16

Notes:

1. See note 1 of Table 1.
2. See note 2 of Table 1.
3. See note 3 of Table 1.
4. See note 4 of Table 1.
5. Balance of respondents (weighted by employment) reporting workforce was overstretched or underutilised. Positive figure indicates workforce is overstretched. It is also important to consider the underlying figures, available here (<http://www.bis.gov.uk/analysis/statistics/sub-national-statistics/ebsurvey>)

Even though the majority of workplaces expect employment to remain the same over the next 3 months, the proportion of workplaces intending to take

<sup>22</sup> Workforce use asks whether the workforce at a workplace is: underutilised; used at a satisfactory level; or, overstretched.

on new staff is slightly greater than those intending to reduce employment across all regions. This positive forward-looking employment balance is consistent with the message of an overstretched workforce. The positive backward-looking output and positive workforce utilisation balances may be linked to future positive employment expectations – that is, past increases in output resulting in increased workforce utilisation, could then lead to increases in future labour demand. However, while some workplaces intend to hire workers in the future, it is by no means certain that these workplaces will hire workers, or what numbers will be recruited.

## Capital Investment and Capital Use

Workplaces accounting for 32% of employment in England made new capital investment<sup>23</sup> in the 3 months from July to September 2012. Looking ahead, a smaller percentage (26%) expect to make new capital investment in the 3 months from October to December 2012 (Table 4).

**Table 4: Capital Investment and Capital Use, by regions of England, September 2012**<sup>1 2 3 4</sup>

Per cent		Eng	NE	NW	YH	EM	WM	EE	L	SE	SW
<b>Capital Investment<sup>5</sup></b>											
<b>Past (Jul-Sep 12)</b>	<b>Have invested</b>	32	32	30	27	29	30	37	34	35	34
<b>Future (Oct-Dec 12)</b>	<b>Plan to invest</b>	26	27	27	21	27	23	30	30	25	23
<b>Capital Use<sup>6</sup></b>											
<b>Sep 2012</b>	<b>Overstretched</b>	10	12	11	6	9	14	12	10	10	12
	<b>Underutilised</b>	10	9	8	9	12	9	8	12	9	10
	<b>Balance (Over-Under)</b>	1	2	3	-3	-4	4	3	-2	1	2

Notes:

1. See note 1 of Table 1.
2. See note 2 of Table 1.
3. See note 3 of Table 1.
4. See note 4 of Table 1.
5. Workplaces accounting for x% of employment report making or planning to make capital investments.
6. Balance of respondents (weighted by employment) reporting capital was overstretched or underutilised. Positive figure indicates capital is overstretched. It is also important to consider the underlying figures, available here (<http://www.bis.gov.uk/analysis/statistics/sub-national-statistics/ebsurvey>)

In the period July to September 2012 the proportion of workplaces, weighted by employment, undertaking new capital investment varied between the regions. The East of England had the highest proportion of workplaces that invested in capital (37%) due to those reporting no capital investment being significantly lower (53%) than the England average (59%). Yorkshire and the

<sup>23</sup> 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.

Humber meanwhile had the lowest proportion of workplaces, weighted by employment that invested in capital the three months to September (27%). Looking forward, workplaces representing less than a third of employment in England (26%) plan to invest between October and December 2012.

Workplaces were also asked about their use of capital<sup>24</sup> in September 2012. Workplaces accounting for 77% of employment in England reported that capital was used at a satisfactory level; however, 10% of workplaces, weighted by employment, reported their capital use was overstretched and 10% reported that it was underutilised, giving an overall balance statistic of +1%. Three of the nine English regions – Yorkshire and the Humber (-3%), East Midlands (-4%) and London (-2%) – reported negative balance statistics indicating that workplaces accounting for a larger share of employment had capital that was underutilised; this indicates there may be a small degree of spare capacity in relation to capital utilisation within these regions.

## Labour and Output Prices

**Table 5: Labour Cost and Output Prices, by regions of England, September 2012**<sup>1 2 3 4</sup>

<i>Per cent</i>		Eng	NE	NW	YH	EM	WM	EE	L	SE	SW
<b>Labour costs</b>											
<b>Past (Sep 12 vs. Jun 12)</b>	<b>Higher</b>	15	19	17	13	14	15	16	16	13	17
	<b>Lower</b>	4	5	7	7	3	5	3	3	2	5
	<b>Balance (Higher-Lower)</b>	11	14	10	6	11	11	12	13	11	12
<b>Future (Dec 12 vs. Sep 12)</b>	<b>Higher</b>	22	23	22	21	25	24	23	19	23	21
	<b>Lower</b>	7	9	6	11	9	5	5	6	8	8
	<b>Balance (Higher-Lower)</b>	15	15	17	10	16	20	18	14	16	13
<b>Output prices</b>											
<b>Past (Sep 12 vs. Jun 12)</b>	<b>Higher</b>	11	11	9	11	19	13	12	10	10	9
	<b>Lower</b>	8	13	7	7	4	6	6	11	8	10
	<b>Balance (Higher-Lower)</b>	3	-2	2	4	15	7	6	-1	2	-2
<b>Future (Dec 12 vs. Sep 12)</b>	<b>Higher</b>	11	10	13	13	11	13	9	6	11	12
	<b>Lower</b>	8	8	5	12	6	7	7	9	5	11
	<b>Balance (Higher-Lower)</b>	3	2	8	1	5	5	2	-2	6	1

Notes:

1. See note 1 of Table 1.
2. See note 2 of Table 1.
3. See note 3 of Table 1.
4. See note 4 of Table 1.

<sup>24</sup> 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.

### Labour costs

Workplaces accounting for over three-quarters of employment in England (76%) reported that labour costs<sup>25</sup> per person remained the same in September 2012 compared with June 2012. Workplaces accounting for 15% of employment in England reported labour costs to be higher, compared with only 4% reporting labour costs to be lower, giving a balance of +11% (Table 5). A positive balance was seen across every region, with the highest in the North West (+14%) and lowest in the Yorkshire and the Humber (+6%).

Looking ahead, workplaces accounting for 68% of employment in England expect average labour costs to be the same in December 2012 as in September 2012. Workplaces accounting for 22% of employment in England expect labour costs to be higher, while those accounting for 7% of employment expect them to be lower, giving a positive balance of 15%. A broadly similar positive balance was seen across all regions, varying from +10% (Yorkshire and the Humber) to +20% (West Midlands).

### Output prices

Workplaces accounting for 76% of employment in England reported that prices charged (output prices<sup>26</sup>) in September 2012 compared with June 2012 had not changed.

Workplaces accounting for 11% of employment in England reported higher output prices in September 2012 compared with June 2012, while 8% reported lower output prices, giving a balance of +3%.

In most regions workplaces accounting for a larger share of employment reported a rise in output prices, rather than a fall. Only three regions reported negative balances, the North East (-2%), South West (-2%) and London (-1%).

Looking ahead, workplaces accounting for 11% of employment in England expect higher output prices in December 2012 compared with September 2012, while 8% expect lower output prices, giving a balance of +3%. Nearly all regions reported positive balances, only London had a small negative balance (-2%)

The low forward-looking output price balances and the comparatively high forward-looking labour costs balances appear to indicate that workplaces expect to absorb any increases in labour costs rather than pass them to customers.

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<sup>25</sup> Labour costs refers to the average wage and other labour costs per employee associated with employing an individual at the workplace.

<sup>26</sup> Output prices refers to the average output prices or average prices charged by the workplace.

## 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. For example, the monthly Purchasing Managing Index (PMI) has fluctuated recently with a small contraction in output reported in July, but expansions in August and September 2012 followed;<sup>27</sup> the Confederation of British Industry (CBI) reported that output declined in August compared to the past three months, while future expectations are for a smaller decline in the next quarter;<sup>28</sup> and, the British Chambers of Commerce (BCC) shows a small increase in domestic sales over Q3 2012 but domestic orders fell in the same period.<sup>29</sup> Official statistics estimate that GDP has grown by 1.0% growth in Q3 2012.

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 Q3 2012 and predicts employment will continue to increase in Q4 2012. Official statistics show employment has increase 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 Questionnaire<sup>30</sup> 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<sup>31</sup>.

EBS methods and surveys 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 –

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<sup>27</sup> <http://www.markiteconomics.com/Survey/Page.mvc/AboutPMIData>

<sup>28</sup> <http://www.cbi.org.uk/business-issues/economy/business-surveys/industrial-trends-survey/>

<sup>29</sup> <http://www.britishchambers.org.uk/policy-maker/policy-reports-and-publications/quarterly-economic-survey-q3-2012.html>

<sup>30</sup> <http://www.bis.gov.uk/assets/biscore/statistics/docs/e/12-601-english-business-survey-report-questionnaire-development.pdf>

<sup>31</sup> <http://www.bis.gov.uk/analysis/statistics/sub-national-statistics/ebsurvey>

or would like to inform us how you use the statistics, please contact [ebssurvey@bis.gsi.gov.uk](mailto:ebssurvey@bis.gsi.gov.uk).

## Background Notes

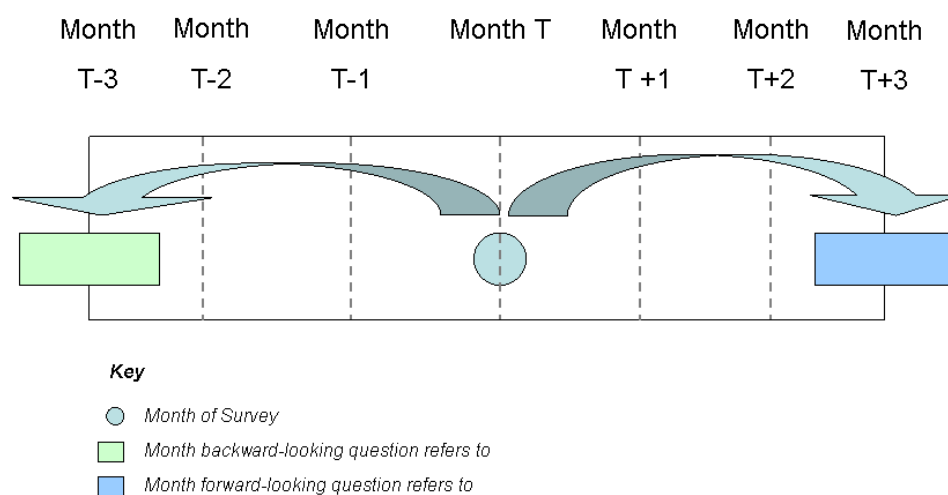
### Interpreting the results

#### *Workplace based survey*

1. The EBS is a survey of workplaces. A business can be a single workplace, or a workplace that belongs to a larger enterprise for example a local store of a larger retail chain. Most businesses only consist of a single workplace. The main purpose of the EBS is to provide sub-national information. For this reason the location and business conditions at local workplaces is very important and therefore the interviews were conducted with, or with reference to, specific workplaces. The region, employment size and industry all relate to that of the workplace and not the enterprise.

#### *Period covered*

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



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

#### *Weighting*

4. EBS results are required to give a snapshot of economic conditions as a whole. For this reason it makes sense to give workplaces which contribute more to the economy a larger weight in the results. This would ideally be done

using turnover or Gross Value Added but this is not available at the workplace level. Instead, results are weighted to reflect the distribution of employment. Responses from larger workplaces, in terms of employment, will be given more weight as a proxy for the contribution it makes to the economy or its economic influence. Results therefore **should not** be interpreted as 'x% of businesses said ...' but rather 'workplaces representing x% of employment said ...'.

### *Balance Statistics*

5. Most results in this release are presented as a balance statistic, that is: Higher minus Lower. The balance can take any value in the range of -100% (if all workplaces were to provide negative responses) to +100% (if all workplaces were to provide positive responses), with a zero index indicating a balanced picture.
6. 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.
7. 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 a higher percentage of workplaces, by employment, reported that output was higher.

### *Time Series Comparisons*

8. Data from the EBS is still in its infancy and therefore it is not yet possible to understand any time series that may result. 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, due to the survey not yet being fully established or due to smaller sample sizes achieved for some groups. Given this, until the series is better understood we recommend that users do not compare two periods.

### *Accuracy*

9. 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*.
10. 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*

11. 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

12. 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*

13. 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 Hub<sup>32</sup>.

### *Revisions*

14. 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**

### *Accessibility*

15. The English Business Survey Reporting Tool<sup>33</sup> allows users to access detailed EBS statistics for cumulative quarterly periods, starting in Quarter 4 2011; data are available for a more extensive range of variables and geographies than presented in the Statistical Release and the supporting tables.

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<sup>32</sup> <http://www.statistics.gov.uk/hub/index.html>

<sup>33</sup> <http://dservuk.tns-global.com/English-Business-Survey-Reporting-Tool/>

16. EBS Microdata are available to 'approved researchers' via ONS' Virtual Micro Laboratory<sup>34</sup> and an aggregated version of the dataset is available to academics from the UK Data Archive<sup>35</sup>.

### Contact details

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<sup>34</sup> <http://www.ons.gov.uk/ons/about-ons/who-we-are/services/vml/index.html>

<sup>35</sup> <http://www.data-archive.ac.uk/>