



English Business Survey – Quarter 3 2012

This release presents the key messages from the English Business Survey (EBS) for Quarter 3 2012 (July to September). 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. Quarterly statistics are created by aggregating 3 months' of responses and using a quarterly weighting scheme, instead of a monthly weighting scheme. The quarterly release differs from the regular monthly Statistical Release by providing more detailed geographical information in the accompanying tables. The data refers to business conditions in Quarter 3 2012, which is the reference Quarter 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 summary assessment of whether businesses that account for more of the economy 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

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

prices remain the same in Quarter 3 as in Quarter 2 – there is some variation in the levels reported for each NUTS1 and NUTS2 area, especially for employment levels.

- In England, when compared to the last Quarter, output was stable for the majority of businesses. However, when compared to Quarter 2, there was a decrease in the proportion of businesses reporting that output was higher, whilst the proportion reporting that output had fallen has increased. Expectations of future output have become more optimistic when compared to Quarter 2.
- London is the most optimistic region in terms of expectations of output rises over the next quarter, with the East of England the most optimistic in terms of expectations of employment rises. However, the South West is generally less optimistic than other regions in England, with Cornwall and the Isles of Scilly pessimistic over both future levels of output and employment.
- Most businesses reported that utilisation of their workforce and capital was at a satisfactory level. A greater proportion of businesses reported that their workforce was overstretched than reported their workforce was underutilised, but conversely greater proportion of businesses reported that their capital was underutilised than reported their capital was overstretched.

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. In addition, responses are multiplied by the number of employees at that workplace, giving a larger workplace more influence in the estimate than a smaller workplace. 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,

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>

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 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

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

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

- 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.

Economic Context

This section provides contextual information about economic performance over the survey period (Quarter 3 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 growth in 2012 to be negative. Despite the recovery in GDP in Quarter 3 2012, official business statistics suggest the economy remains generally weak: statistics about construction output, inflation and household income showed a decline; retail sales and manufacturing output increased. 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 Quarter 2 2012 and a fall of 0.3 % in Quarter 1 2012. The ONS noted that the recent strong economic performance in Quarter 3 was likely to have been influenced by temporary factors such as the Olympics and Bank Holiday
- The Bank of England predicts growth will fall back sharply in Quarter 4⁹ 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 increased by 1.0% in Quarter 3.¹²
- Manufacturing output increased by 0.9% in Quarter 3.¹³

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

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>

- Construction output decreased by 2.6% over the same period.¹⁴
- Household income showed a decline over the first half of 2012.¹⁵
- 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 fell in Quarter 3, declining from 2.6% in July to 2.2% in September.¹⁷

Output and Stocks

Output/Business Activity

The majority of businesses reported that output¹⁸ was unchanged from the previous quarter. However, when compared to data for Quarter 2 2012, the proportion of businesses reporting an increase in output levels fell.

Businesses accounting for an estimated 34% of England's economy reported that output was higher in Quarter 3 2012 than in Quarter 2 2012. Thirty nine per cent of Businesses reported output as the same as the previous quarter, while 24% reported lower output¹⁹, giving an overall balance of +10%. This represents a fall from the comparable balances in Quarter 2 2012 (+20%), although it is higher than the balances from Quarter 1 2012 (+4%) and Quarter 4 2011 (+9%).

All regions reported positive balances, the highest being in the North East (+18%), and the lowest being in London (+6%). All NUTS2 areas had positive output balances, although with considerable variation: the largest statistics being for North Yorkshire (+31%), Cornwall and the Isles of Scilly (+20%), Northumberland and Tyne and Wear (+18%) and West Midlands (+18%).

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

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

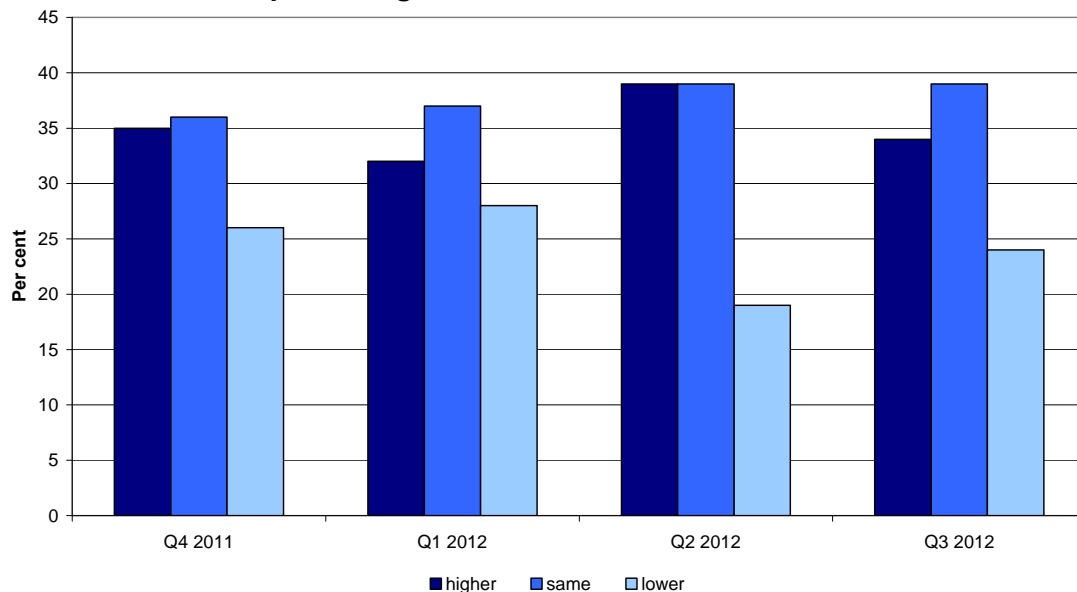
¹⁷ <http://www.ons.gov.uk/ons/publications/all-releases.html?definition=tcm:77-22462%3F>

¹⁸ Businesses are asked whether they believe their level of business activity or volume of output at a workplace is the same, higher or lower.

¹⁹ 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.

When examining the Survey results by the size²⁰ of the business, a size effect was apparent whereby a greater proportion of smaller businesses (1 to 9 and 10 to 49) reported lower output, whilst a greater proportion of larger businesses (50 to 249 and 250+) reported output staying the same.

Chart 1: Level of output in England, Quarter 3 2012



Notes:

1. Workplaces were asked about the level of output in the preceding Quarter when compared to the reference Quarter, for example Quarter 3 2012 results compare Quarter 3 with Quarter 2 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.

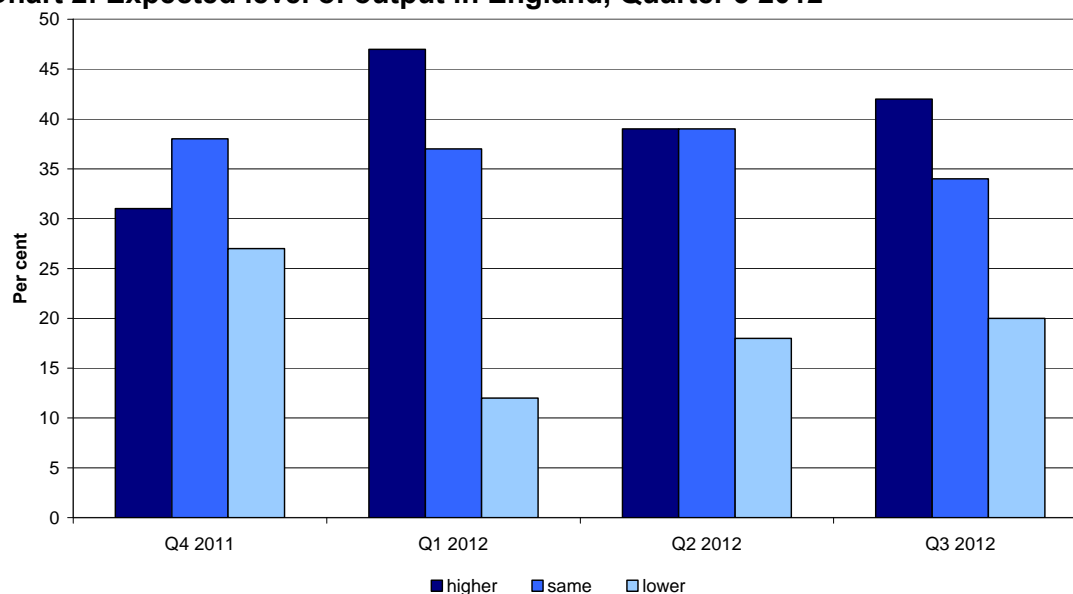
Looking forward, expectations for Quarter 4 are more optimistic than expectations were for Quarter 3 2012. When compared to the corresponding expectations in the last quarter, a greater proportion of businesses expect output to be higher in the next quarter; however, it is also the case that more businesses expect output to fall over the next quarter than was the case last quarter.²¹

Forty two per cent of businesses expect output to be higher in Quarter 4 2012 than Quarter 3 2012; 20% of businesses expect output to fall; and 34% of businesses expect output to remain the same. This gives a positive balance of +22% – the same as last quarter.

²⁰ Business size is measured in terms of the number of employees.

²¹ The results have not been seasonally adjusted.

Chart 2: Expected level of output in England, Quarter 3 2012



Notes:

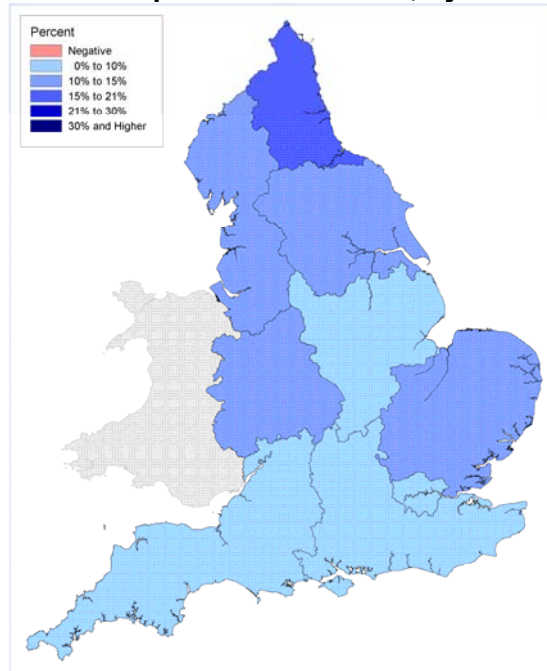
1. Workplaces were asked about their expectations for the level of output in the next Quarter, when compared to the reference Quarter, for example Quarter 3 2012 results compare Quarter 3 2012 with Quarter 4.
2. Estimates are not seasonally adjusted.
3. Survey results sum to 100%=(% Higher)+(% The same)+(% 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.

All regions had a positive balance on expectations of future output, most clustered around the national average (+22%). London (32%) is the region with the largest positive balance whilst the South West (12%) and North East (14%) had the lowest positive balances. At the lower level of geography Cornwall and the Isles of Scilly (-10%) was the only NUTS2 area to have a negative balance. There was a cluster of NUTS2 regions across northern England and the Midlands that had a greater balance of positive expectations than the national average, including Greater Manchester (+29%), Cheshire (+27%), Derbyshire and Nottinghamshire (+29%) and West Midlands (+29%).

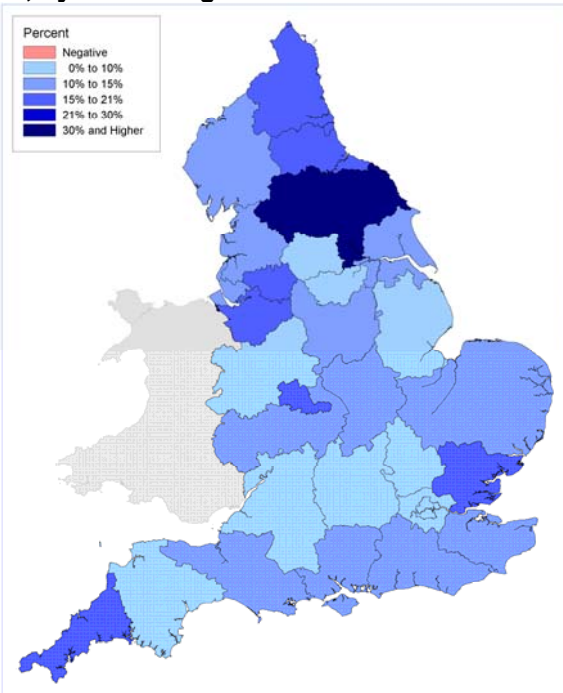
Businesses in the South West are less likely (37%) – when compared to England as a whole – to expect higher output and more likely (25%) to expect lower output in the next quarter.

More smaller businesses (1 to 9 employees and 10 to 49 employees) reported that they expect lower output over the next quarter than did larger businesses (50 to 249 employees and 250+ employees).

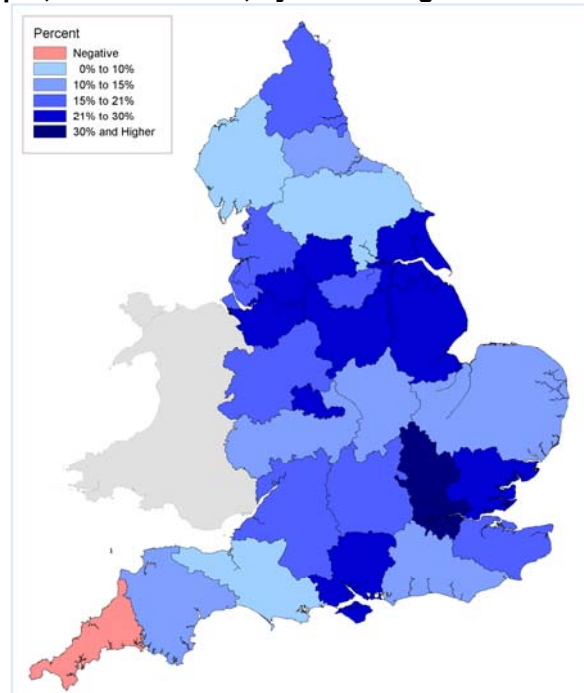
Map 1: Balance Statistics for level of output Quarter 3 2012, by NUTS1 region



Map 2: Balance Statistics for level of output, Quarter 3 2012, by NUTS2 region



Map 3: Balance Statistics for expected level of output, Quarter 3 2012, by NUTS2 region



- Notes:**
1. Map 1 & 2: Workplaces were asked about the level of output in Quarter 3 2012 compared with Quarter 2 2012.
 2. Map 3: Workplaces were asked about the level of output in Quarter 4 2012 compared with Quarter 3 2012.
 3. Results are weighted to be representative of total employment in England, not workplaces.
 4. Balance Statistics are simply, the estimate for higher minus the estimate for lower. A positive balance indicates more businesses expected higher output than lower output.
 5. Contains Ordnance Survey Data © Crown Copyright and database right
 6. Source: English Business Survey

Stocks

Estimates show that more businesses were most likely to report that stock²² levels were unchanged in Quarter 3 when compared to Quarter 2, than reported higher or lower stock levels.²³

In England, 39% of businesses reported that stocks were the same in Quarter 3 2012 when compared to Quarter 2 2012. In England, 21% of businesses reported higher stocks, while 16% reported lower stocks, giving a positive balance of 5%.

Twenty per cent of businesses reported having no stocks in October 2012; however, there are regional differences, with the two extremes being in the East Midlands (13%) and London (29%).

All regions reported positive balances on stocks or inventories, the highest being London (7%) and the lowest being East Midlands (1%). In the East Midlands 20% of businesses reported lower levels of stock in Quarter 3 2012 when compared to Quarter 2 2012.

By size, the smallest businesses (1 to 9 employees) reported a negative balance of -1% for stock levels in Quarter 3 compared to Quarter 2; 16% of businesses of this size reported higher levels of stock when compared to the previous quarter – the lowest of any business size group.

Looking forward, 27% of businesses expect stocks to be higher in Quarter 4 2012 than in Quarter 3 2012, while 18% expect stocks to be lower, giving a positive balance of +9%. The balance for expected stock levels is positive across all regions apart from the South West (-5%), with the highest positive balances found in London (+17%) and the North West (+16%).

Thirty seven per cent of the largest businesses (250+ employees) expected higher levels of stocks in Quarter 4 – the most of any business size group – and 16% expect lower levels of stock – the lowest of any size group.

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

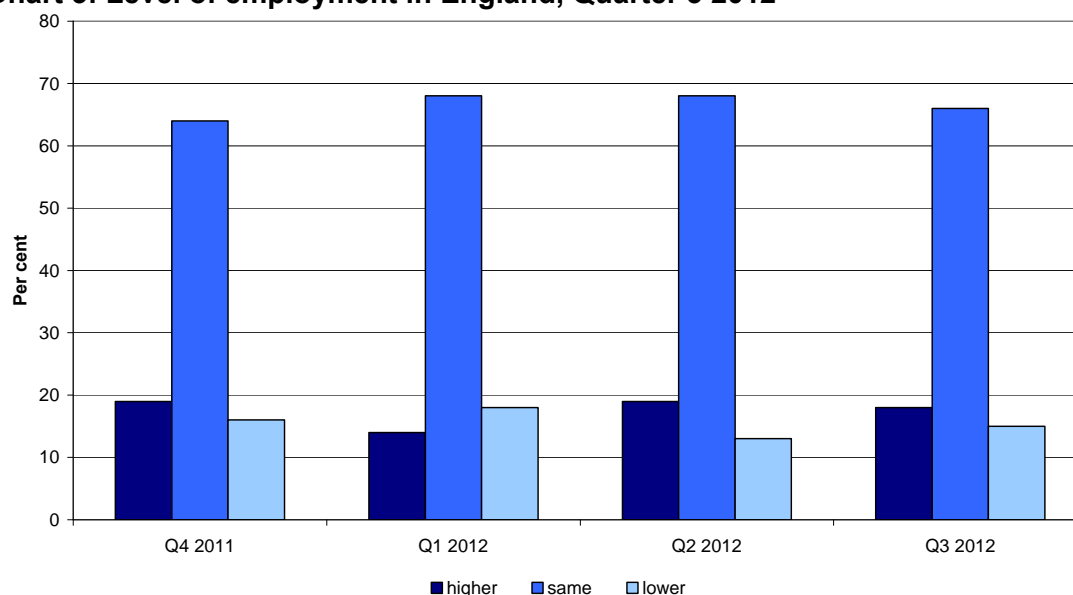
²³ Only those sectors that typically have stocks are asked questions about stock levels, these are: Agriculture, Production, Wholesale and Retail, Real Estate and Professional, Scientific and Technical Activities

Level of Employment and Workforce use

Employment

Employment levels were stable for most workplaces, with slightly more businesses reporting increased employment in Quarter 3 2012 compared to Quarter 2 2012, than reporting employment decreased.

Chart 3: Level of employment in England, Quarter 3 2012



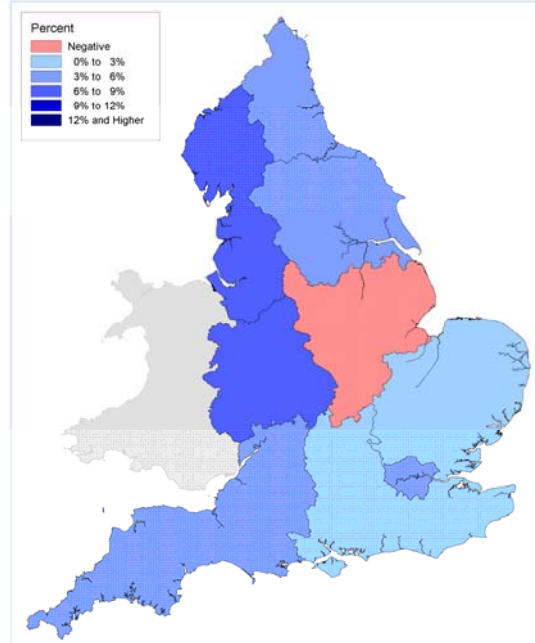
Notes:

1. Workplaces were asked about the level of employment in the preceding Quarter when compared to the reference Quarter, for example Quarter 3 2012 results compare Quarter 3 with Quarter 2 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.

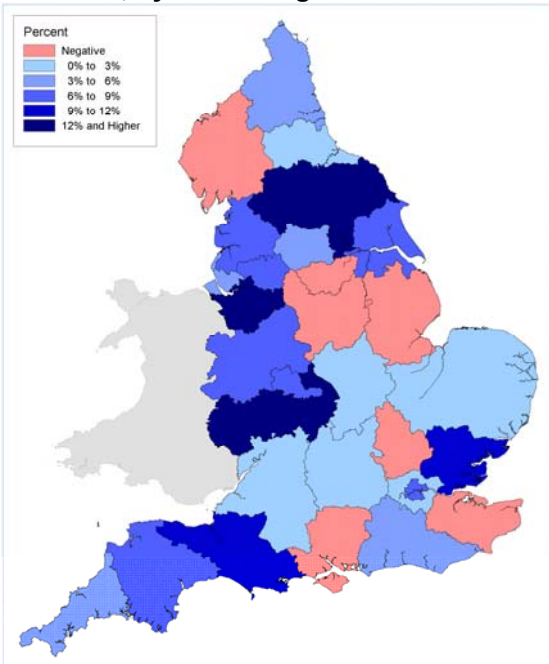
Businesses accounting for two-thirds (66%) of England's economy, reported no change in employment in Quarter 3 2012 compared to Quarter 2 2012. In England, 18% of businesses reported higher employment, while 15% reported lower employment, giving an overall balance of +4%. Despite relatively strong positive balances in North West regions at NUTS2 level that included Cheshire (+11%), Greater Manchester (+7%) and Lancashire (+7%), Cumbria had a negative balance (-1%). There was also variation within Yorkshire and the Humber (+5%), with North Yorkshire the strongest performing NUTS2 region (+14%) but South Yorkshire recording a negative balance (-1%).

This national picture was reflected across most regions, although a small negative balance was estimated for the East Midlands (-1%); whilst the West Midlands (+8%) and North West (+7%) had the largest positive balances. The negative balance on employment in the East Midlands was driven by negative balances in Derbyshire and Nottinghamshire (-4%), the worst performing NUTS2 region, and Lincolnshire (-3%).

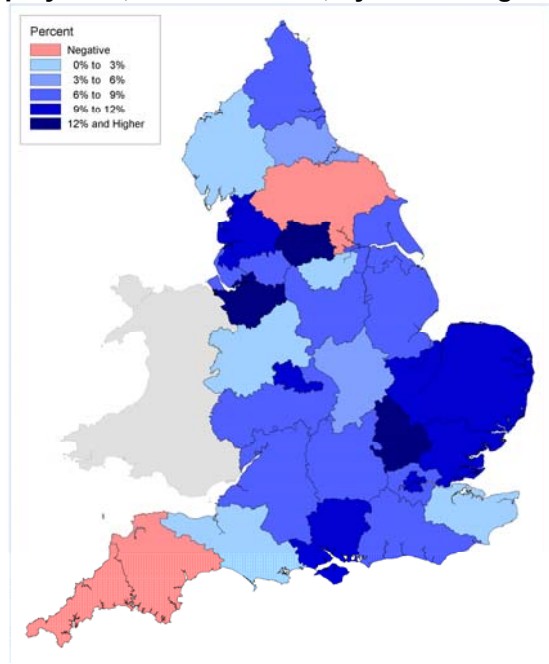
Map 4: Balance Statistics for level of employment, Quarter 3 2012, by NUTS1 region



Map 5: Balance Statistics for level of employment Quarter 3 2012, by NUTS2 region



Map 6: Balance Statistics for expected level of employment, Quarter 3 2012, by NUTS2 region



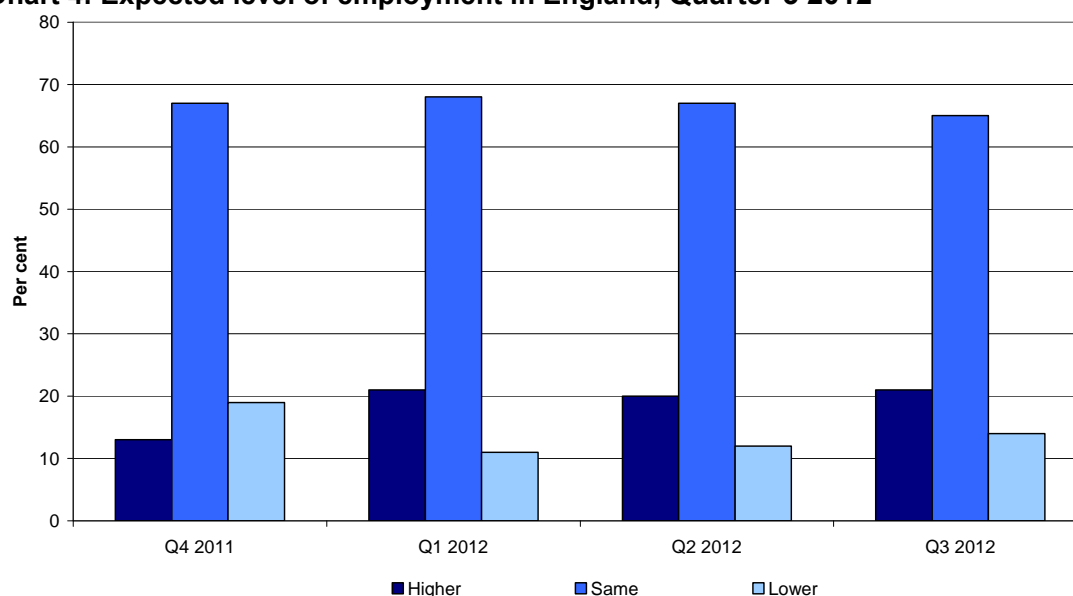
Notes:

1. Map 4 & 5: Workplaces were asked about the level of employment in Quarter 3 2012 compared with Quarter 2 2012.
2. Map 6: Workplaces were asked about the level of employment in Quarter 4 2012 compared with Quarter 3 2012.
3. Results are weighted to be representative of total employment in England, not workplaces.
4. Balance Statistics are simply, the estimate for higher minus the estimate for lower. A positive balance indicates more businesses expected higher employment than lower employment.
5. Contains Ordnance Survey Data © Crown Copyright and database right
6. Source: English Business Survey

Employment was most stable in smaller businesses (1 to 9 employees) with 83% of businesses in England reporting no change in employment levels. More of the largest workplaces (250 or more employees) reported a change in employment levels than any other business size group – 22% reported lower employment and the same proportion reported higher employment levels in Quarter 3 2012 compared to Quarter 2 2012. Twenty three per cent

of businesses with 50 to 249 employees reported higher employment levels – the largest of any business size.

Chart 4: Expected level of employment in England, Quarter 3 2012



Notes:

1. Workplaces were asked about their expectations for the level of employment in the next Quarter, when compared to the reference Quarter, for example Quarter 3 2012 results compare Quarter 3 2012 with Quarter 4.
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.

Looking forward most businesses anticipate fairly stable employment levels. In England, 65% of businesses expect employment levels to be the same in Quarter 4 2012 as in Quarter 3 2012. Twenty one per cent of businesses expect higher levels of employment in Quarter 4 2012, whilst 14% expect lower levels, giving a positive balance of +7%.

Over time, expectations of employment have remained relatively stable; for each of the past three quarters around 20% of businesses expected employment levels to rise in the next quarter.

All regions recorded a positive balance for expectations of future employment levels apart from the South West with a neutral balance (0%). The highest balance was found in the East of England (+10%) with fairly evenly distributed positive expectation balances in Bedfordshire and Hertfordshire (+12%), East Anglia (+10%), and Essex (+9%). The most pessimistic NUTS2 areas were Cornwall and the Isles of Scilly (-14%) and Devon (-9%). There was considerable variation within Yorkshire and the Humber (+5%) between West Yorkshire (+12%) and North Yorkshire (-7%). Cheshire was the NUTS2 area with the highest positive balance of expectations on employment (+18%).

In Quarter 3 smaller businesses were more likely to report an expectation of unchanged employment levels, whereas larger businesses were more likely to report expectations of an employment rise. Eleven per cent of the smallest workplaces (1 to 9 employees) expected employment to increase and 9% for

employment to decrease in Quarter 4 2012 when compared to Quarter 3 2012 – these were the smallest estimates for any size of business.

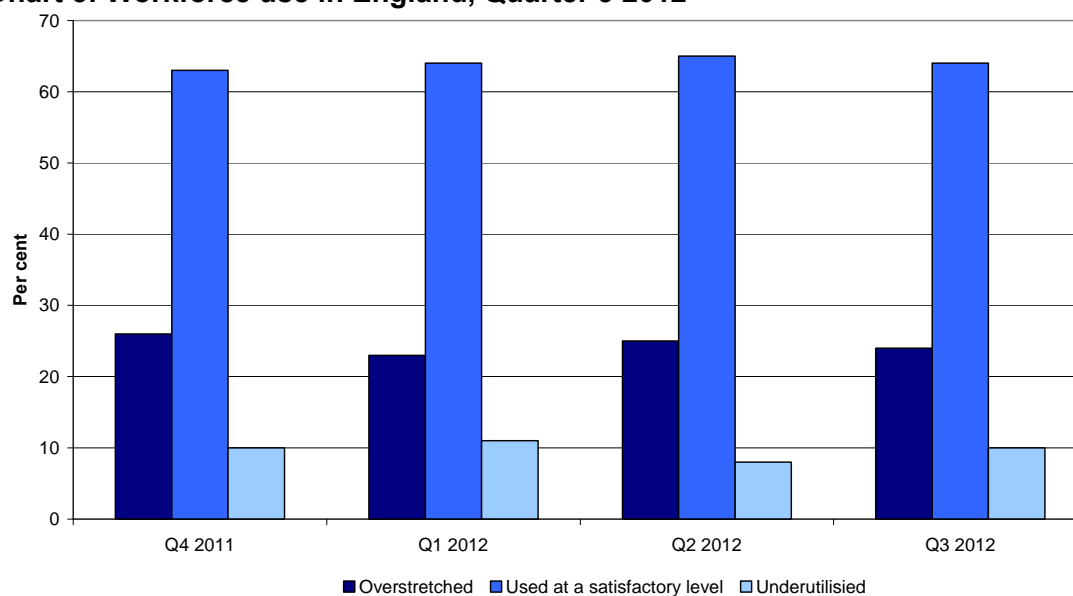
Workforce use

The majority of businesses in England reported that their workforce was used at a satisfactory level²⁴: an estimated 64% of businesses in England report that their workforce was used at a satisfactory level during Quarter 3 2012; 24% of businesses reported their workforce to be overstretched; and, 10% reported their workforce was underutilised.

The balance for England was +14%, indicating more businesses had workforces that were overstretched than underutilised. Balances were fairly constant across regions; the highest levels (+18%) found in the North East and East of England, and the lowest levels (+11%) found in the North West and South East.

More smaller businesses in England reported an underutilised workforce than their larger counterparts; conversely a greater proportion of larger businesses reported workforces that were overstretched.

Chart 5: Workforce use in England, Quarter 3 2012



Notes:

1. Workplaces were asked about their workforce use in Quarter 3 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.

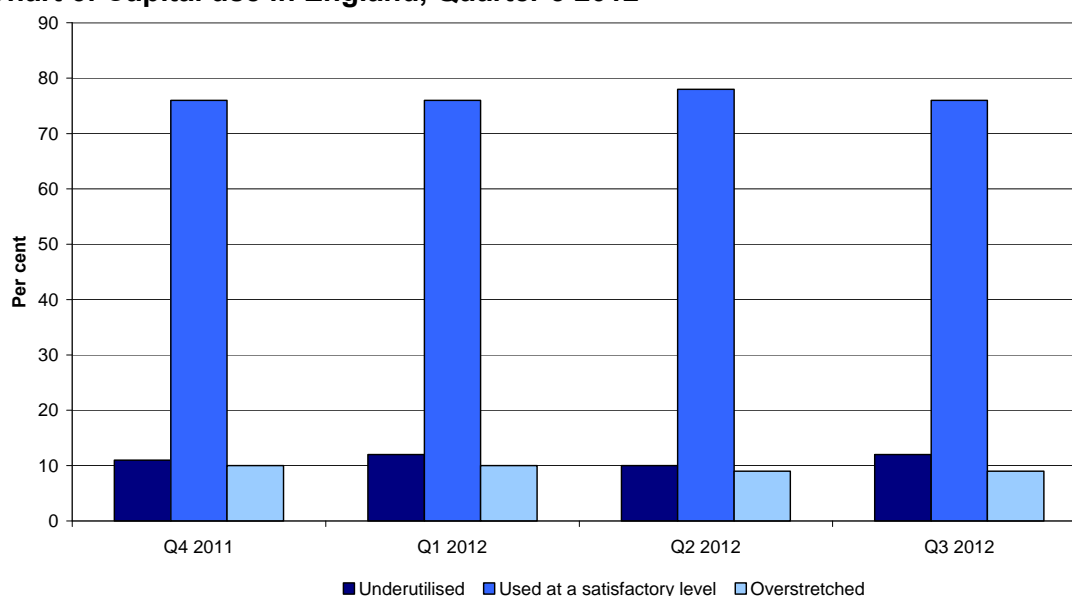
²⁴ Workforce use asks whether the workforce at a workplace is: underutilised; used at a satisfactory level; or, overstretched.

Capital Use

As with workforce use, the majority of businesses reported that their utilisation of capital²⁵ was at a satisfactory level in Quarter 3 2012, although more businesses reported their capital was underutilised, than those that reported their capital was overstretched.

Seventy six per cent of businesses in England reported that capital was used at a satisfactory level. Nine per cent of English businesses reported their capital was overstretched and 12% of businesses reported that capital was underutilised; this gave a balance of -3%. All regions had a negative balance, with the East Midlands reporting the largest, with -6%.

Chart 6: Capital use in England, Quarter 3 2012



Notes:

1. Workplaces were asked about their use of capital in Quarter 3 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.

In England, 16% of the smallest businesses (1 to 9 employees) reported that their capital was underutilised and 6% reported their capital was overstretched – these scores were the highest and lowest, respectively, of any size of business. Businesses with 10 to 49 employees were the least likely (9%) to report their capital was underutilised.

Over time, the levels of reported capital use have remained relatively stable; slightly more businesses have reported their capital as underutilised than overstretched in each of the last four quarters.

²⁵ 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.

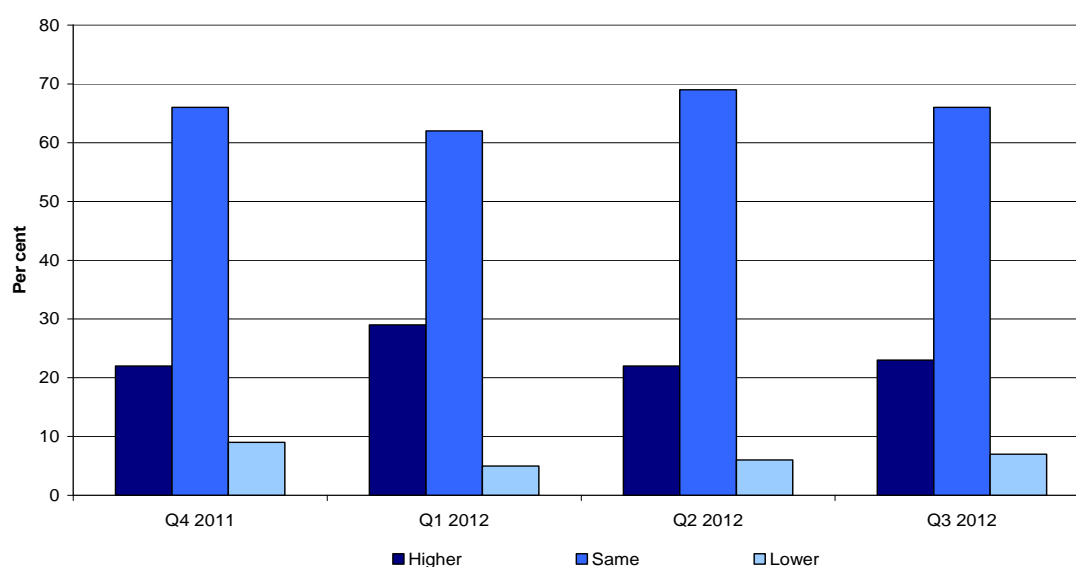
Labour and Output Prices

Labour costs

Labour costs in England have been relatively stable in each of the last four quarters.

Just over three-quarters of businesses in England (76%) reported that labour costs²⁶ per person remained the same in Quarter 3 2012 when compared to Quarter 2 2012; 15% of businesses reported labour costs to be higher, and 4% reported labour costs to be lower, giving a balance of (+10%). Examining the England estimates by size of business shows a similar pattern to the overall economy; likewise, the estimates for each region showed a similar pattern to England.

Chart 7: Expected labour costs in England, Quarter 3 2012



Notes:

1. Workplaces were asked about their expectations for labour costs in in the next Quarter when compared to the reference Quarter, for example Quarter 3 2012 results compare Quarter 4 with Quarter 3 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.

In England, most businesses expect labour costs to remain stable; however, compared to estimates for Quarter 2, a larger proportion of businesses expect labour costs to rise in the next quarter.

Two thirds of businesses in England expect labour costs to remain the same in Quarter 4 2012 compared to Quarter 3 2012; 23% of businesses expect labour costs to rise; and 7% expect labour costs to fall.

²⁶ Labour costs refers to the average wage and other labour costs per employee associated with employing an individual at the workplace.

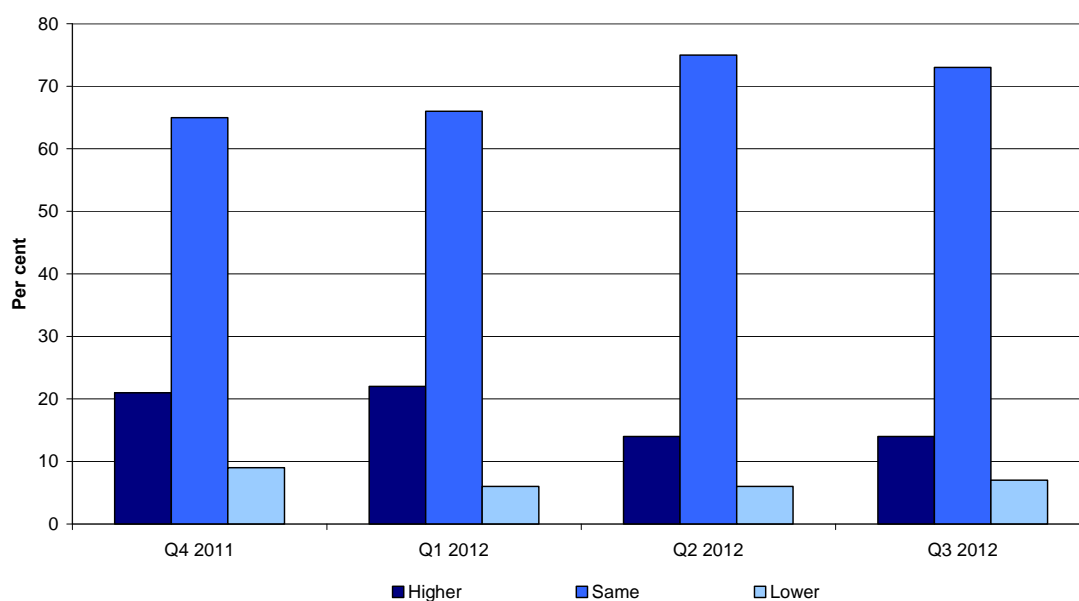
Expectations for labour costs are relatively uniform across regions; however, there is a difference by workplace size when examining results for England: 27% of businesses with 50 to 249 employees expect labour costs to rise – the largest estimate of any business size; and, 15% of the smallest business with 1 to 9 employees expected labour costs to rise – the smallest estimate of any business size.

Output prices

Average prices charged by businesses in England have been relatively stable in Quarter 3 when compared to Quarter 2, and in each of the last four quarters.

An estimated three-quarters of businesses in England (75%) reported that prices charged (output prices²⁷) in Quarter 3 2012 had not changed compared to Quarter 2 2012. Eleven per cent of businesses reported higher prices, whilst 9% reported lower prices. These results were fairly consistent across most regions and when examining England's results by business size with no notable deviations.

Chart 8: Expected average prices in England, Quarter 3 2012



Notes:

1. Workplaces were asked about their expectations for average prices charged in the preceding Quarter when compared to the reference Quarter, for example Quarter 3 2012 results compare Quarter 3 with Quarter 2 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.

Just under three-quarters of businesses in England (73%) expect prices in Quarter 4 2012 to be unchanged compared to Quarter 3 2012; 14% of

²⁷ Output prices refers to the average output prices or average prices charged by the workplace.

businesses expect higher prices in Quarter 4 2012 whilst 7% expect lower prices.

Ten per cent of businesses in the North East expect prices to rise in Quarter 4 2012 – the lowest amount of any region. However, 11% of businesses in the South West expect prices to fall in Quarter 4 and the same percentage are estimated to expect prices to rise, giving a zero balance – the lowest balance score of any region.

Exports

Exporting businesses are a sub-set of the business population. It is estimated that approximately 23% of small and medium sized businesses, that have employees, export goods or services²⁸ - which means that statistics on exports can only be published on a quarterly basis due to the small number of monthly responses. Within this section the estimates refer to exporting businesses only.

In England, 47% of exporting businesses reported that the volume of exports was the same in Quarter 3 2012 as in Quarter 2 2012. A slightly higher proportion of exporters (22%) reported a lower volume of export output over this period, than reported a higher level of export output (21%), giving a negative balance for England of -1%.

There was considerable variation by NUTS1 region, with exporters in the West Midlands (+11%) and the South West (+8%) reporting strong positive balances whilst the North East (-18%) and Yorkshire and the Humber (-9%) reported strong negative balances.

However, expectations were more positive looking forward: 43% of exporters expected the volume of exports in Quarter 4 to be the same as in Quarter 3; 32% expect export volumes to rise and 15% to fall, resulting in a positive balance of +17%. The East of England (+29%) and London (+28%) recorded the highest balances whilst the only region with a negative balance was the North East (-1%).

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 in each month across

²⁸ BIS Small Business Survey 2010

in Quarter 3; construction was more variable, reporting a slight expansion in July, then contracting in August and September²⁹

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 sectors³⁰. The British Chambers of Commerce (BCC) shows a small increase in domestic sales over Quarter 3 2012 but domestic orders fell in the same period.³¹

EBS results are broadly in line with official statistics on GDP over Quarter 3: Official statistics estimate that GDP grew by 1.0% in Quarter 3; in the same period the EBS reported a balance of +10% for the same period.

Employment data from the surveys is broadly in line with the EBS, the CBI's survey showing an increase over the three months to October. The BCC shows employment increased in Q3 2012 and predicts employment will continue to increase in Q4 2012. Official statistics show employment has increased, with corresponding falls in unemployment between July and September.

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 Questionnaire³² 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 webpage³³.

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 – or would like to inform us how you use the statistics, please contact ebssurvey@bis.gsi.gov.uk.

²⁹ <http://www.markiteconomics.com/Survey/Page.mvc/AboutPMIData>

³⁰ <http://www.cbi.org.uk/business-issues/economy/business-surveys/industrial-trends-survey/>

³¹ <http://www.britishchambers.org.uk/policy-maker/policy-reports-and-publications/quarterly-economic-survey-q3-2012.html>

³² <http://www.bis.gov.uk/assets/biscore/statistics/docs/e/12-601-english-business-survey-report-questionnaire-development.pdf>

³³ <http://www.bis.gov.uk/analysis/statistics/sub-national-statistics/ebssurvey>

Background Notes

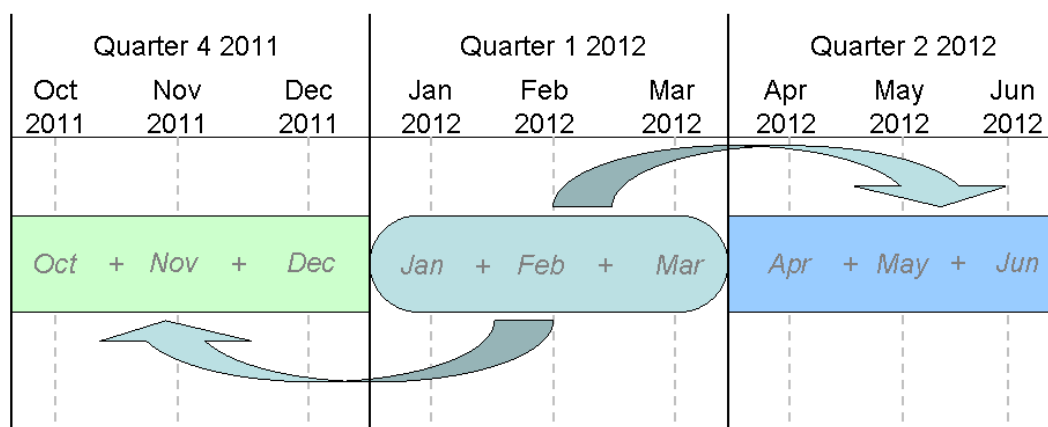
Interpreting the results

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 quarter. In most questions workplaces are asked to compare the reference quarter (quarter T) with the previous quarter (T-1) and the next quarter (T+1). For example, in the Quarter 1 2012 EBS, most backward-looking questions compare Quarter 1 2012 with Quarter 4 2011 and forward-looking questions compare Quarter 2 with Quarter 1 2012.



Key

- Quarter of Survey
- Quarter backward-looking question refers to
- Quarter forward-looking question refers to
- Feb* Months aggregated to form the quarterly data

3. Questions on capital investment and capacity constraints cover the reference period; however, these statistics present a single month's responses – rather than three months - and have a smaller sample size that does not allow sub-regional analysis. 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. Unlike the monthly EBS statistics, tests for statistically significant differences between the England total results and the results from each sub-group are still to be developed and are not included in this release.

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. Quarterly 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 quarter may initially vary. Future publication dates will be added to the National Statistics Publication Hub³⁴.

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 methods are identified. All revisions will be pre-announced where practicable and all known users notified.

Additional information

Geographical units & NUTS Levels

14. The Nomenclature of Units for Territorial Statistics (NUTS) provides a single uniform breakdown for the production of regional statistics for the European Union. Results are published at two of the three NUTS levels in England:

- NUTS1: 9 English Regions;
- NUTS2: 30 areas in England that are mainly groups of counties and unitary authorities; can be referred to as sub-regions.

15. More information on NUTS areas can be found on ONS' Beginner's Guide to Geography - <http://www.ons.gov.uk/ons/guide-method/geography/beginner-s-guide/eurostat/index.html>

Sub-regional data

16. The English Business Survey Reporting Tool³⁵ 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.

³⁴ <http://www.statistics.gov.uk/hub/index.html>

³⁵ <http://dservuk.tns-global.com/English-Business-Survey-Reporting-Tool/>

Micro data

17. EBS Micro data are available to 'approved researchers' via ONS' Virtual Micro Laboratory³⁶ and an aggregated version of the dataset is available to academics from the UK Data Archive³⁷.

Contact details

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³⁶ <http://www.ons.gov.uk/ons/about-ons/who-we-are/services/vml/index.html>

³⁷ <http://www.data-archive.ac.uk/>