

## ENGLISH BUSINESS SURVEY – QUARTER 2 2012

26<sup>th</sup> September 2012

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Partnerships

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This statistical release is the first in a series of quarterly publications based on data from the English Business Survey (EBS). The survey provides qualitative information across a range of important variables – for example: output, capacity, employment, prices. Performance on these variables is compared with three months ago and expectations for three months ahead are also measured. This quarterly publication includes data from the first three quarters of the survey, referring to conditions in Quarter 4 2011 (September to December 2011), Quarter 1 2012 (January to March 2012) and Quarter 2 2012 (April to June 2012), but this statistical release focuses on conditions in Quarter 2 2012. This is the first release of quarterly English Business Survey (EBS) statistics that allow analysis at the Nomenclature Unit Territorial 2 (NUTS2).<sup>1</sup>

### Key Points

- Workplaces accounting for 39% of employment in England reported that the level of output was the same in Quarter 2 2012 as in Quarter 1 2012; workplaces accounting for 39% of employment in England reported the level of output to be higher and 19% reported output to be lower when comparing the same quarters.
- Workplaces accounting for just over two-thirds employment in England (68%), reported no change in employment when comparing Quarter 2 2012 with Quarter 1 2012; workplaces accounting for 19% of employment in England reported employment to be higher and 13% reported employment to be lower.

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<sup>1</sup> Local Enterprise Partnership Level (LEP) statistics are available on request.

- Workplaces accounting for 39% of output in England expected output to be the same in Quarter 3 2012 than in Quarter 2 2012; workplaces accounting for the same proportion (39%) of employment in England expect employment to be higher and 18% to be lower when comparing the same period.
- Workplaces accounting for 67% of employment in England expected employment to be the same in Quarter 3 2012 than in Quarter 2 2012. Workplaces accounting for 20% of employment in England expected employment to be higher and 12% to be lower when comparing the same period.

## Background

This quarterly publication complements the monthly release of EBS statistics by publishing sub-regional statistics for NUTS2, as well as statistics for variables<sup>2</sup> that are only published on a quarterly basis, in part due to sample size constraints. This release will outline select Quarter 2 2012 statistics; more detailed statistics published in supporting tables and other statistics are available on request. Statistics presented in this release refer to workplaces representing x% of employment in the geographical area or sector, for example, x% of employment in England, or x% of employment in construction. Results **should not** be interpreted as 'x% of businesses said ...'.

The EBS statistics are Official statistics currently undergoing evaluation and are released as Experimental Statistics during this period.<sup>3</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 – for example: region, employment size and industry – relate to the workplace rather than the enterprise.<sup>4</sup> Statistical releases, supporting tables and full documentation for the EBS can be found on the BIS website.<sup>5</sup>

The data in the publication refers to conditions in Quarter 2 2012, which is the reference period for the survey, unless stated.

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<sup>2</sup> For the first time variables on the expected impact of capital investment on potential output, volume of exports (backward and forward-looking) and magnitude of change in the expected change in output are published.

<sup>3</sup> Experimental Statistics are Official statistics that are undergoing development that are published in order to involve users and stakeholders in their.

<sup>4</sup> 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.

<sup>5</sup> <http://www.bis.gov.uk/analysis/statistics/sub-national-statistics/ebsurvey>

## 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 registered businesses. 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.

Each quarter, three months' data are aggregated to form a quarterly dataset. This data is weighted to be representative of the whole of the quarter, rather than the month, in a similar way to the monthly statistics.

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>6</sup>, which provides information about how to interpret results and a Technical Annex<sup>7</sup>, which contains detailed information about the methodology.

## Quality and use

The English Business Survey provides Ministers and officials with 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 officials' 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

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<sup>6</sup> <http://www.bis.gov.uk/assets/biscore/statistics/docs/e/12-598-english-business-survey-user-guide.pdf>

<sup>7</sup> <http://www.bis.gov.uk/assets/biscore/statistics/docs/e/12-602x-english-business-survey-technical-annex.pdf>

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 may expect output to be lower in quarter 1 compared with quarter 2 due to seasonal patterns. It is recommended that until the statistics are assessed for seasonality that each release of statistics 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 that provides timely sub-national statistics on a monthly basis and allows detailed sub-regional statistics on a quarterly basis;
- 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 within sub-national economies;
- coverage of all sectors of the economy, including the public and 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 (11%) and turnover (3%)<sup>8</sup>.

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<sup>8</sup> Statistics on the non-registered businesses are taken from Business Population Estimates for the UK and Regions 2011.

## Economic Context

This section provides contextual information about economic performance over the same period that the survey results cover (Quarter 2 2012) to help the user to interpret the statistics. During Quarter 2 2012 official Gross Domestic Product (GDP) statistics report there has been a fall of 0.5%. This poor performance is expected to continue for most of the rest of the year, with the majority of forecasters (such as the Bank of England<sup>9</sup> and the consensus of private sector forecasts published by HM Treasury<sup>10</sup>) predicting 2012 to result in either no growth or a slight contraction for the UK economy overall. However, despite the contraction in the economy, the labour market has proved resilient, showing a small rise in employment levels of 0.3 percentage points over the Quarter<sup>11</sup>. Due to the disappointing GDP data, employment is generally expected to fall in the future. Inflation data between April and June has shown a steady decline, with the Consumer Price Index<sup>12</sup> falling from 3.0% in April to 2.4% in June.

## Output/Business activity

### Output/Business activity

Workplaces accounting for 39% of employment in England reported that output was the same in Quarter 2 2012 as in Quarter 1 2012. Of those reporting a change between Quarter 2 2012 and Quarter 1 2012, workplaces accounting for 39% of employment in England reported higher output over this period, while 19% reported lower output<sup>13</sup>, giving a balance of +20%. Positive balance statistics were seen across all regions, and ranged from +24% in the South West to +15% in the North East, and Yorkshire & The Humber. All NUTS2 areas had positive output balance statistics (Map 1), but the picture was one of considerable variation, with South Yorkshire having the lowest balance statistic of +2% and Dorset and Somerset having the highest, at +33% (Map 2).

Looking ahead, workplaces accounting for 39% of employment in England expect output to be higher in Quarter 3 2012 than in Quarter 2 2012 – the same proportion (39%) of workplaces expected output to be the same. In comparison, 18% expected output to be lower, giving a balance of +22%.

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<sup>9</sup> <http://www.bankofengland.co.uk/publications/Pages/inflationreport/ir1203.aspx>

<sup>10</sup> [http://www.hm-treasury.gov.uk/data\\_forecasts\\_index.htm](http://www.hm-treasury.gov.uk/data_forecasts_index.htm)

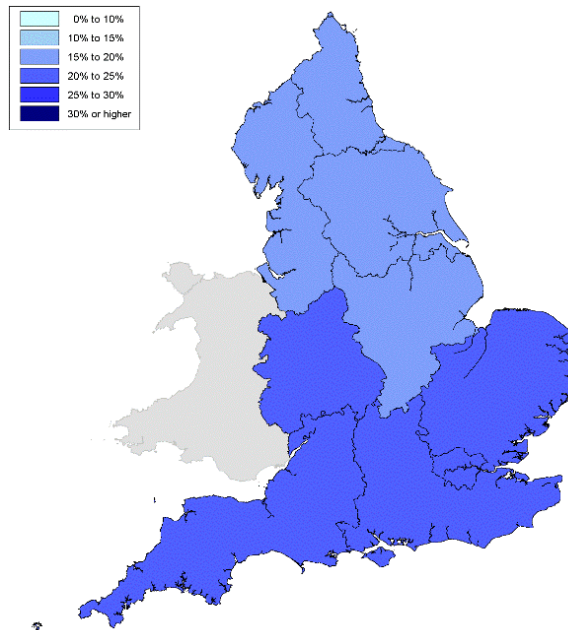
<sup>11</sup> <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/index.html>

<sup>12</sup> <http://www.ons.gov.uk/ons/rel/cpi/consumer-price-indices/index.html>

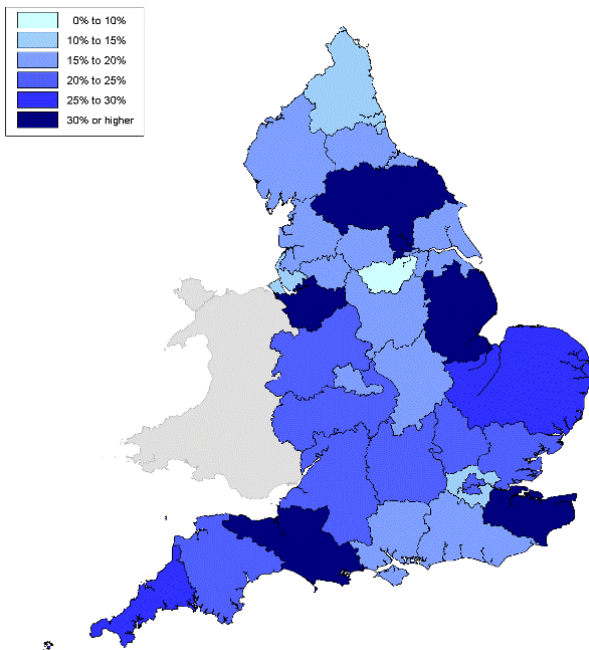
<sup>13</sup> Responses across all categories (i.e. Higher, The same, Lower and Don't Know) sum to 100%. Workplaces accounting for 39% of employment reported that output had not changed in Q2 2012 compared with Q1 2012, with only 3% reporting don't know. See data tables at (<http://www.bis.gov.uk/analysis/statistics/sub-national-statistics/ebsurvey>) for detailed figures.

Workplaces in the West Midlands and the East of England were relatively optimistic compared with other regions, with a balance of +26%.

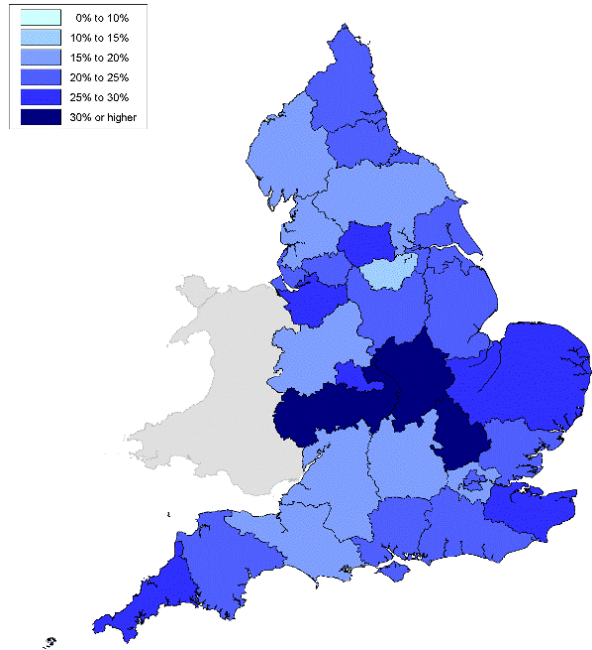
**Map 1: Level of output/business activity in Quarter 2 2012 compared with Quarter 1 2012, by NUTS1 region**



**Map 2: Level of output/business activity in Quarter 2 2012 compared with Quarter 1 2012, by NUTS2 region**



**Map 3: Level of output/business activity in Quarter 3 2012 compared with Quarter 2 2012, by NUTS2 region**



**Notes:**

1. Map 1 & 2: Workplaces were asked about the level of output in Quarter 2 2012 compared with Quarter 1 2012.
2. Map 3: Workplaces were asked about the level of output in Quarter 3 2012 compared with Quarter 2 2012.
3. 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...
4. Survey results sum to 100%=(% Higher)+(% The same)+(% Lower)+(% Don't know, which is only a small share of total).
5. The Lower and Higher scores range from 0% to 100%.
6. Contains Ordnance Survey Data © Crown Copyright and database right
7. Source: English Business Survey

In contrast, workplaces in the South West were comparatively pessimistic, reporting a balance statistic of +19%. All NUTS2 areas had positive forward-looking output balance statistics, with considerable variation – although less than the backward-looking output balance statistics discussed above – with Herefordshire, Worcestershire and Warwickshire having the highest balance of +34% and South Yorkshire with the lowest balance of +13% – South Yorkshire had the lowest backward-looking output balance score (Map 3).

Looking back 12 months, workplaces accounting for 42% of employment in England reported output was higher in Quarter 2 2012 than in Quarter 2 2011, while 26% reported output was lower, giving a balance of +17%; 28% reported that output was the same. Balances were positive across all regions, ranging from +23% in London to +9% in the North West. Balances for NUTS2 areas were also positive, with Inner London having the highest positive balance of +29% and Merseyside the lowest at +5%.

**Table 1: Output percentages and balances<sup>1 2 3 4</sup>, by region, Quarter 2, 2012**

		Eng	NE	NW	YH	EM	WM	EE	L	SE	SW
<b>Output</b>											
<b>Past (Q2 12 vs. Q1 12)</b>	<b>Higher</b>	39%	36%	39%	36%	40%	38%	41%	39%	39%	40%
	<b>Lower</b>	19%	20%	20%	21%	22%	18%	18%	19%	18%	17%
	<b>Balance (Higher-Lower)</b>	20%	15%	19%	15%	18%	20%	23%	20%	21%	24%
<b>Future (Q3 12 vs. Q2 12)</b>	<b>Higher</b>	39%	39%	37%	38%	42%	42%	41%	40%	38%	38%
	<b>Lower</b>	18%	17%	16%	17%	18%	16%	15%	20%	18%	19%
	<b>Balance (Higher-Lower)</b>	22%	21%	21%	20%	24%	26%	26%	20%	21%	19%
<b>Past annual (Q2 12 vs. Q2 11)</b>	<b>Higher</b>	42%	39%	38%	42%	42%	43%	43%	46%	41%	43%
	<b>Lower</b>	26%	26%	29%	26%	27%	26%	25%	23%	27%	23%
	<b>Balance (Higher-Lower)</b>	17%	13%	9%	16%	15%	17%	18%	23%	14%	20%

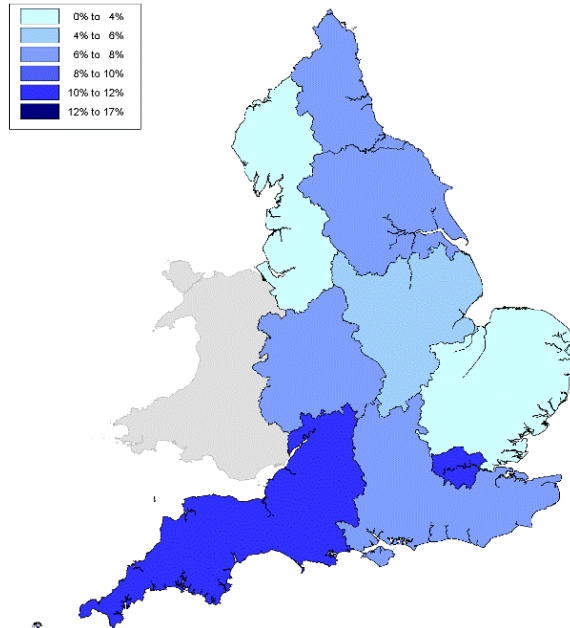
Notes:

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 notes 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 (Quarter 2 12 vs. Quarter 1 12) indicates that workplaces were asked how conditions in Quarter 2 2012 compared with Quarter 1 2012.

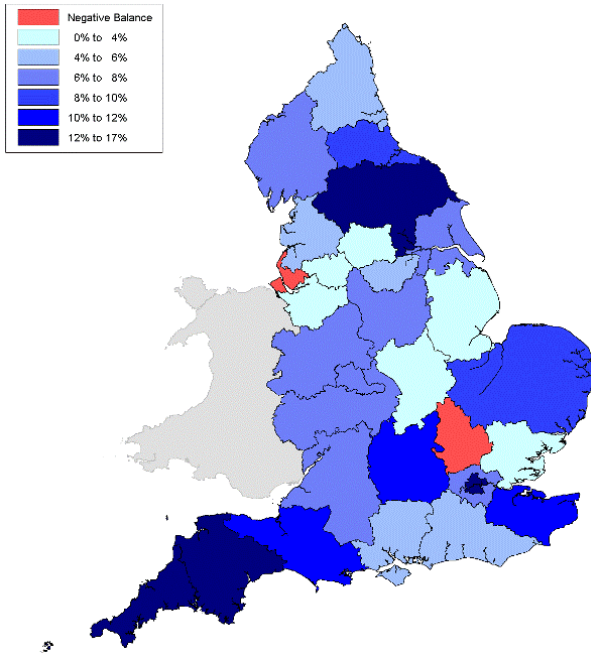
## Labour market

Workplaces accounting for just over two-thirds employment in England (68%), reported no change in employment in Quarter 2 2012 compared with Quarter 1 2012.

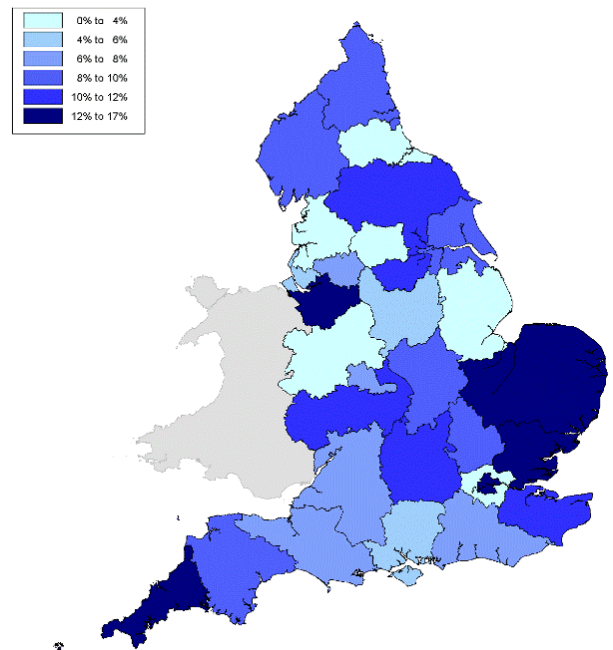
**Map 4: Level of employment in Quarter 2 2012 compared with Quarter 1 2012, by NUTS1 region**



**Map 5: Level of employment in Quarter 2 2012 compared with Quarter 1 2012, by NUTS2 region**



**Map 6: Level of employment in Quarter 3 2012 compared with Quarter 2 2012, by NUTS2 region**



**Notes:**

8. Map 4 & 5: Workplaces were asked about the level of employment in Quarter 2 2012 compared with Quarter 1 2012.
9. Map 6: Workplaces were asked about the level of employment in Quarter 3 2012 compared with Quarter 2 2012.
10. 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...
11. Survey results sum to 100%=(% Higher)+(% The same)+(% Lower)+(% Don't know, which is only a small share of total).
12. The Lower and Higher scores range from 0% to 100%.
13. Contains Ordnance Survey Data © Crown Copyright and database right
14. Source: English Business Survey

Of those reporting a change between Quarter 2 2012 and Quarter 1 2012, workplaces accounting for 19% of employment in England reported higher employment, while 13% reported lower employment, giving a balance of +6%. All regions had positive balance statistics, with workplaces accounting for 6%



more employment reporting an increase rather than a decrease; balances ranged from 2% in the North West to +11% in London (Map 4). There was considerable variation in the balance statistics for NUTS2 areas (Map 5), with Bedfordshire and Hertfordshire (-4%) and Merseyside (-2%) reporting negative balances – the only NUTS2 areas to report a negative balance – and North Yorkshire reporting the largest positive balance of (+17%).

Looking forward, a similar proportion of workplaces in England (representing 67% of workplace employment) expect employment to be the same in Quarter 3 2012 compared with Quarter 2 2012. Of those expecting a change between Quarter 3 2012 and Quarter 2 2012, workplaces accounting for 20% of employment in England expect levels of employment to be higher in Quarter 3 2012 than in Quarter 2 2012, while 12% expect employment to be lower, giving a balance of +8%.

**Table 2: Employment and Workforce Use percentages and balances<sup>1 2 3 4</sup>, by region, Quarter 2 2012**

		Eng	NE	NW	YH	EM	WM	EE	L	SE	SW
<b>Employment</b>											
<b>Past (Q2 12 vs. Q1 12)</b>	<b>Higher</b>	19%	17%	16%	18%	17%	18%	18%	23%	20%	21%
	<b>Lower</b>	13%	11%	14%	12%	13%	12%	15%	12%	13%	11%
	<b>Balance (Higher-Lower)</b>	6%	6%	2%	6%	4%	6%	3%	11%	7%	10%
<b>Future (Q3 12 vs. Q2 12)</b>	<b>Higher</b>	20%	20%	19%	17%	19%	19%	23%	23%	20%	20%
	<b>Lower</b>	12%	14%	13%	10%	13%	13%	10%	14%	12%	12%
	<b>Balance (Higher-Lower)</b>	8%	6%	6%	7%	6%	6%	12%	9%	8%	8%
<b>Workforce Use<sup>5</sup></b>											
<b>Q2 2012</b>	<b>Overstretched</b>	25%	21%	22%	24%	25%	25%	23%	26%	27%	31%
	<b>Underutilised</b>	8%	11%	8%	10%	8%	8%	9%	6%	9%	8%
	<b>Balance (Over-Under)</b>	17%	10%	14%	14%	17%	17%	13%	20%	18%	23%

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>)

In all regions the majority of respondents expected no change in future employment levels. Looking at balance statistics, four regions (South East, +8%; South West, +8%; London, +9%; and East of England, 12%) had balances greater than or equal to the England average (+8%). There was considerable variation in the balance statistics for NUTS2 areas (Map 6), with Lincolnshire reporting the lowest balance at +1% and Cornwall and Isles of Scilly reporting the largest positive balance of +15%.

On workforce use, the majority (65%) of workplaces in England, weighted by employment, reported that their workforce was used at a satisfactory level during Quarter 2 2012. Workplaces accounting for 25% of employment reported their workforce to be overstretched, while 8% reported their workforce was underutilised, giving a balance of +17%.

There was a consistent message of workforces accounting for a greater proportion of employment being overstretched across all regions (shown by positive balances), although there was a degree of variation. The South West reported the highest balance statistic (+23%, compared with an England average of +17%). The lowest workforce use balance statistic was reported in the North East (+10%), which was driven by a lower share of workplace employment relative to the England average reporting that the workforce was overstretched (21%, compared with 25%). There was considerable variation in the balance statistics for NUTS2 areas, with Cheshire (+4%) reporting the lowest balance and Cumbria reporting the largest positive balance of +29%; both NUTS2 areas are located in the North West NUTS1 region.

Even though the majority of workplaces expect employment to remain the same over the next 3 months, the proportion of workplaces intending to take on new staff is slightly greater than those intending to reduce employment. 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, which could lead to increased labour demand. However, although some workplaces intend to hire workers in the future, this is by no means certain.

## **Prices**

### Labour costs

Workplaces accounting for around three-quarters of employment in England (72%) reported that labour costs per person remained the same in Quarter 2 2012 compared with Quarter 1 2012. Of those reporting a change, workplaces accounting for 20% of employment in England reported labour costs to be higher, compared with 4% reporting lower, giving a balance of +16% (Table 3). A positive balance was seen in every region, with the highest in the South East (+19%) and the lowest in the North East (+11%). All NUTS2 areas showed a positive balance although there was considerable variation in the balance statistics for NUTS2 areas, with Cheshire (+9%) reporting the lowest balance and North Yorkshire reporting the largest positive balance of (+23%).

**Table 3: Labour cost and output price percentages and balances<sup>1 2 3 4</sup>, by region, Quarter 2 2012**

		Eng	NE	NW	YH	EM	WM	EE	L	SE	SW
<b>Labour costs</b>											
<b>Past (Q2 12 vs. Q1 12)</b>	<b>Higher</b>	20%	16%	18%	20%	20%	18%	21%	20%	22%	22%
	<b>Lower</b>	4%	5%	4%	5%	6%	3%	4%	4%	3%	4%
	<b>Balance (Higher-Lower)</b>	16%	11%	14%	15%	14%	15%	17%	17%	19%	18%
<b>Future (Q3 12 vs. Q2 12)</b>	<b>Higher</b>	22%	19%	24%	22%	21%	23%	21%	25%	21%	20%
	<b>Lower</b>	6%	5%	6%	5%	6%	5%	6%	6%	5%	7%
	<b>Balance (Higher-Lower)</b>	16%	14%	18%	17%	14%	18%	16%	19%	15%	13%
<b>Output prices</b>											
<b>Past (Q2 12 vs. Q1 12)</b>	<b>Higher</b>	16%	17%	17%	15%	18%	17%	15%	15%	16%	16%
	<b>Lower</b>	9%	8%	9%	11%	6%	9%	11%	8%	7%	9%
	<b>Balance (Higher-Lower)</b>	7%	9%	7%	4%	12%	8%	4%	7%	9%	7%
<b>Future (Q3 12 vs. Q2 12)</b>	<b>Higher</b>	14%	13%	14%	14%	18%	15%	14%	15%	12%	16%
	<b>Lower</b>	6%	6%	6%	7%	7%	6%	6%	4%	4%	7%
	<b>Balance (Higher-Lower)</b>	9%	7%	8%	7%	11%	8%	7%	11%	8%	9%

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.

Looking ahead, workplaces accounting for 69% of employment in England expect average labour costs to be the same in Quarter 3 2012 as in Quarter 2 2012. Of those expecting a change, labour costs per person are, on balance, expected to be higher. Workplaces accounting for 22% of employment in England expect higher costs in Quarter 3 relative to Quarter 2 2012, while 6% expect such costs to be lower, giving a balance of +16%. A broadly similar positive balance was seen across all regions, varying from +19% (in London) to +13% (in the South West). All NUTS2 areas showed a positive balance although there was considerable variation in the balance statistics for NUTS2 areas, with Cheshire (+23%) reporting the highest balance and Gloucestershire, Wiltshire and North Somerset reporting the largest positive balance of +10%.

#### Output prices

Workplaces accounting for 71% of employment in England reported that the prices charged (output prices) in Quarter 2 2012 compared with Quarter 1 2012 had not changed.

Of those reporting changes, workplaces accounting for 16% of employment in England reported higher output prices in Quarter 2 2012 than in Quarter 1 2012, while 9% reported lower output prices; giving a balance of +7%. The output prices balance was positive across all regions, with the largest positive balance in East Midlands (+12%). There was considerable variation in the balance statistics for NUTS2 areas, with Cumbria and Lincolnshire (+19%) reporting the highest balance; South Yorkshire was the only NUTS2 area to report a negative balance of (-1%) indicating that work places accounting for a higher proportion of employment expected output prices to be lower.

Looking ahead, workplaces accounting for 14% of employment in England expect higher output prices in Quarter 3 compared with Quarter 2, while 6% expect lower output prices – giving a balance of +9%. All regions reported positive balances, with London and the East Midlands (+11%) having the highest positive balance and the only regions to have a balance statistic greater than England. There was considerable variation in the balance statistics for NUTS2 areas, with North Yorkshire (-3%) reporting the lowest balance and Lincolnshire reporting the highest positive balance of (+16%). The positive forward-looking output price balances may be partly driven by the expectation of higher labour costs, as indicated by the positive forward-looking labour costs balances.

## Exports

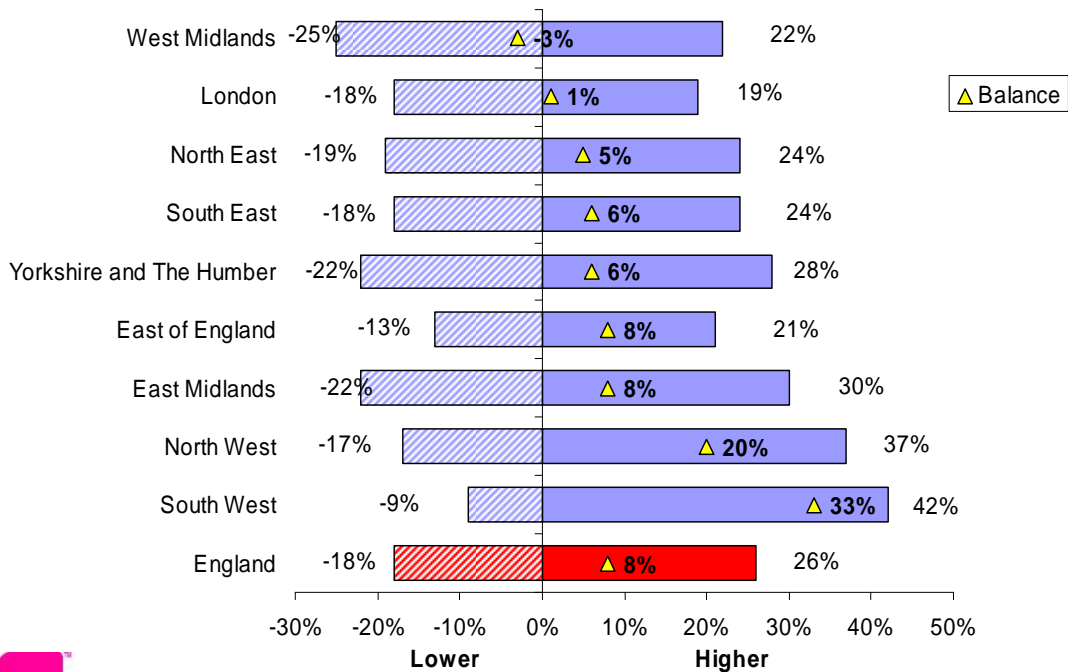
Statistics on exporting workplaces are presented for the first time in this release. Exporting businesses are a sub-set of the business population – it is estimated that approximately 23% of small and medium sized businesses, that have employees, export goods or services<sup>14</sup> – which means that statistics on exports can only be published on a quarterly basis due to the small number of monthly responses. Within this section, all proportions refer to the proportion of exporting workplace employment, not employment in exporters as a proportion of employment in all companies.

In England, workplaces accounting for 49% of employment amongst exporters reported that the volume of exports was the same in Quarter 2 2012 as in Quarter 1 2012. Of those reporting a change between Quarter 2 2012 and Quarter 1 2012, workplaces accounting for 26% of employment amongst exporters in England, reported a higher volume of exports over this period, while 18% reported lower output, giving a balance of +8% (See Chart 1). The West Midlands was the only NUTS1 region to report a negative balance statistic (-3%); the remaining 8 regions reported positive balances that ranged from +33% in the South West to +1% in London.

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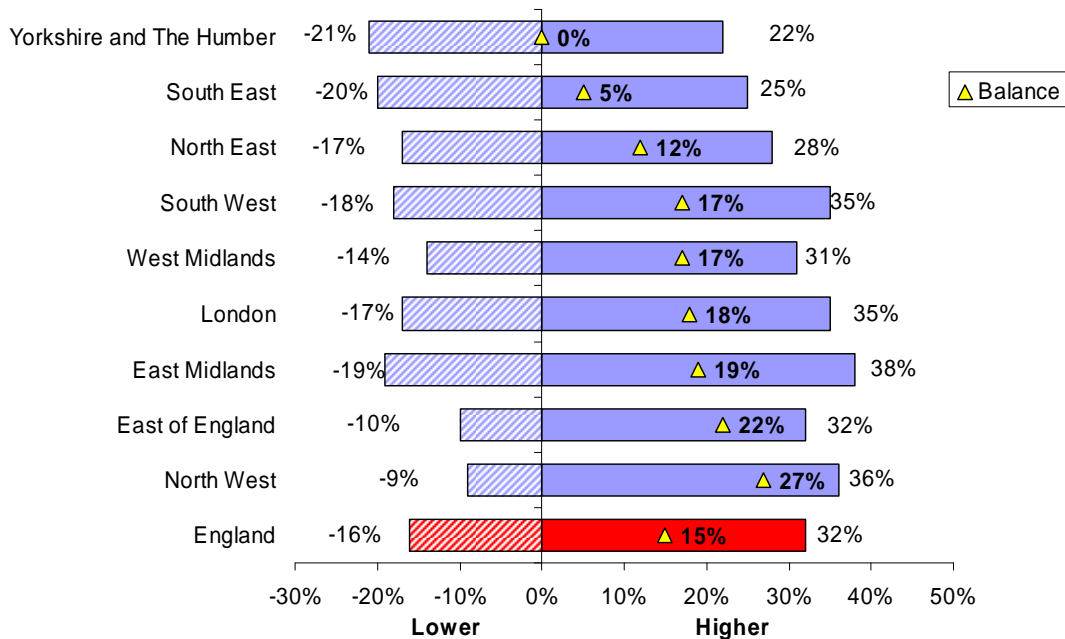
<sup>14</sup> BIS Small Business Survey 2010.

**Chart 1: Volume of exports in Quarter 2 2012 compared with Quarter 1 2012, by region**



Looking forward, a similar proportion of exporting workplaces in England (representing 46% of exporting workplace employment), expect the volume of outputs to be the same in Quarter 3 2012 compared with Quarter 2 2012. Of those expecting a change between Quarter 3 2012 and Quarter 2 2012, workplaces accounting for 32% of employment in England, expect the volume of exports to be higher in Quarter 3 2012 than in Quarter 2 2012, while 16% expect employment to be lower, giving a balance of +15% (See Chart 2). All regions with the exception of Yorkshire and The Humber (0%) had positive balance statistics; There was considerable variation between regions in terms of their positive balance statistics, with the North West (+27%) having the largest positive balance and the South East (excluding Yorkshire and The Humber which had a zero balance) having the lowest balance of (+5%).

**Chart 2: Volume of exports in Quarter 3 2012 compared with Quarter 2 2012, by region**



**Coherence with similar data**

Similar statistics on business confidence and tendencies are available from a range of trade bodies and private companies. Although some of the information collected by the EBS is available elsewhere, 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 and 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, while official GDP data shows a sustained fall in output, EBS, Confederation of British Industry (CBI); British Chambers of Commerce (BCC); and Purchasing Managing Index (PMI) data all indicate increases over the recent past, with expectations for output to increase or remain at the same level. In contrast, employment data for England is broadly positive across all surveys, which is more in line with the increase of 0.3 percentage points over the last 3 months that is shown in official employment statistics.

## 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>15</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>16</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 – 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.

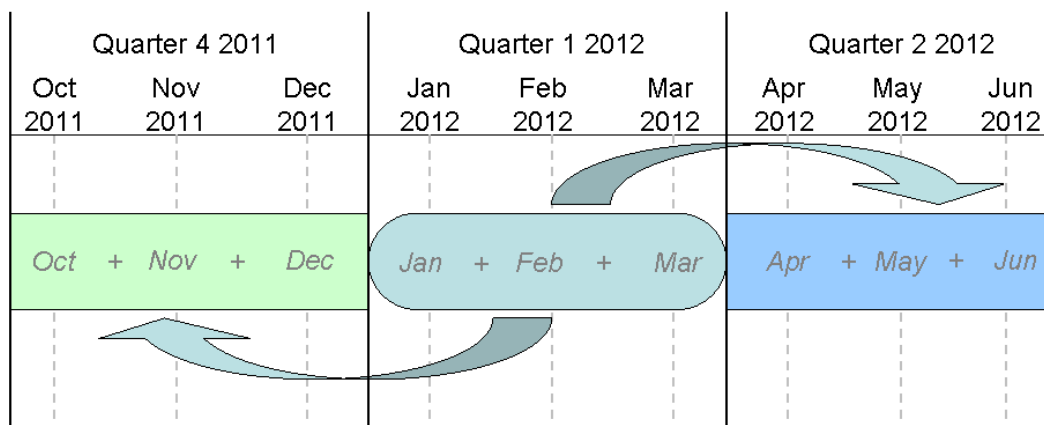
#### *Period covered*

2. EBS Releases are labelled by the period which workplaces are asked about (the reference quarter). In most questions workplaces are asked to compare the reference quarter with the previous quarter and the next quarter. 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.
3. Statistics are created by aggregating 3 months' responses and using a quarterly weighting scheme, instead of a monthly weighting scheme.

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<sup>15</sup> <http://www.bis.gov.uk/assets/biscore/statistics/docs/e/12-601-english-business-survey-report-questionnaire-development.pdf>

<sup>16</sup> <http://www.bis.gov.uk/analysis/statistics/sub-national-statistics/ebssurvey>



**Key**

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

4. 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*.

### *Weighting*

5. 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*

6. 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.
7. 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.



8. 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*

9. 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*

10. 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*.
11. 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*

12. 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

13. 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.

### *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.

### *Timeliness*

15. 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 Hub<sup>17</sup>.

## **Additional information**

### *Geographical units & NUTS Levels*

16. 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.

17. 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>

### *Accessibility*

18. Once the EBS is more established a greater number of supporting tables will be published online. EBS Microdata are available to 'approved researchers' via ONS' Virtual Micro Laboratory<sup>18</sup> and an aggregated version of the dataset is available from the UK Data Archive<sup>19</sup>.

### *Variables published*

19. The table below indicates when different variables are published. Data published on a monthly basis are available for England and NUTS1; data published on a quarterly basis are available for England, NUTS1, NUTS2 with LEP areas available on request, unless indicated.

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<sup>17</sup> <http://www.statistics.gov.uk/hub/index.html>

<sup>18</sup> <http://www.ons.gov.uk/ons/about-ons/who-we-are/services/vml/index.html>

<sup>19</sup> <http://www.data-archive.ac.uk/>

