



English Business Survey – March 2013

This release presents the key messages from the English Business Survey (EBS) for March 2013. The EBS interviews 3,000 workplaces each month and provides timely intelligence on business conditions in England. The Survey provides an assessment of past, current and future conditions. The data refers to business conditions in March 2013, which is the reference month for the survey.

Terminology

What these statistics mean:

- The EBS is a survey of workplaces. A workplace can be a single business, or a workplace that is part of a larger enterprise, for example the local store of a large supermarket chain. Ninety-seven per cent of enterprises consist of a single workplace.¹ The term business will be used throughout this release.
- In order to reflect the relative importance or contribution of different sized workplaces to the local economy, the survey uses the number of people employed at each workplace as the measure of its contribution to the economy. Where the size of business is reported in the release, this refers to the number of people employed at each workplace.
- Where 'Balances' are presented, they are the difference between the 'higher' responses and the 'lower' responses. Balances provide a summary of the scores for businesses that report, or expect a variable to change. More detailed information on the terminology used is included in the Background Notes to the release.

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

Key Points

- In March 2013, businesses output performance was positive with a balance score of +14% for England. This is an improvement on last month's EBS balance (+1%) and 1 percentage point higher than the same period last year
- The employment balance was neutral in England with a balance score of 0% in March. This is an increase on the results in the previous two months with balance scores of -2% in February and -5% in January.
- Regionally, the North West reported the strongest output balance, while Yorkshire and The Humber was the strongest in terms of employment. The North East was the weakest for both output and employment
- Looking forward, expectations of output for June compared to March are positive with a balance of +30% for England. However this is lower than the previous two months' results and follows a similar trend to a year earlier
- Employment expectations for June are positive with a balance of +9% but are slightly weaker when compared to February's results (+13%)

Economic Context

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

Official statistics showed the value of the UK economy – Gross Domestic Product (GDP) – was estimated to have expanded in Quarter 1 2013 by 0.3% when compared with Quarter 4 2012.² According to Eurostat, GDP declined by 0.2% in the Euro area and by 0.1% in the EU27 during the first quarter of 2013 compared to the previous quarter. Compared with the same quarter of the previous year GDP in the Euro area contracted by 1%, and the EU27 by 0.7% while the UK expanded by 0.6%.³

Official business statistics paint a mixed picture of the economy: in the three months to March, retail sales increased,⁴ production output rose, but manufacturing output continued to contract,⁵ as did the volume of construction which is at its lowest level since Quarter 4 1998. Annual inflation was estimated to have stayed at 2.8% in March, an increase of 0.1% from January's inflation rate and above the Bank of England target rate of 2.0%.⁶

² <http://www.ons.gov.uk/ons/rel/gva/gross-domestic-product--preliminary-estimate/q1-2013/index.html>

³ http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-15052013-AP/EN/2-15052013-AP-EN.PDF

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

⁵ <http://www.ons.gov.uk/ons/rel/iop/index-of-production/index.html>

⁶ <http://www.ons.gov.uk/ons/rel/cpi/consumer-price-indices/index.html>

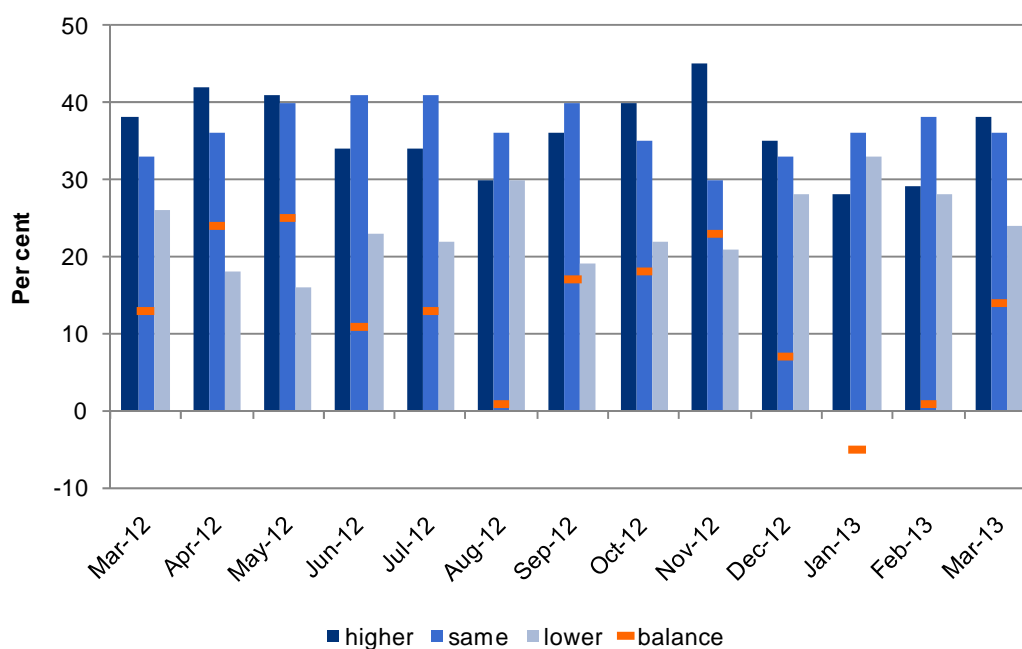
The labour market showed a slight decline; the employment rate was down by 0.2 percentage points in Quarter 1 2013 compared to Quarter 4 2012 while the unemployment rate was 7.8% in the three months to March, 0.1 percentage points higher than in October to December.⁷

Latest EBS Results

Output

Output results were positive in March for England overall and this was generally replicated across the regions.

Chart 1: Level of output in England, March 2012 to March 2013



Notes:

1. Workplaces were asked about the level of output in a month three months earlier when compared to the reporting month, for example March 2013 results compare March with December 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.

Source: BIS - English Business Survey, March 2013

In March 2013, business performance was positive with a balance score of +14%. 38% of businesses reported output⁸ was higher, and 24% reported it was lower in March 2013 compared with December 2012.^{9, 10} This is an

⁷ <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/may-2013/index.html>

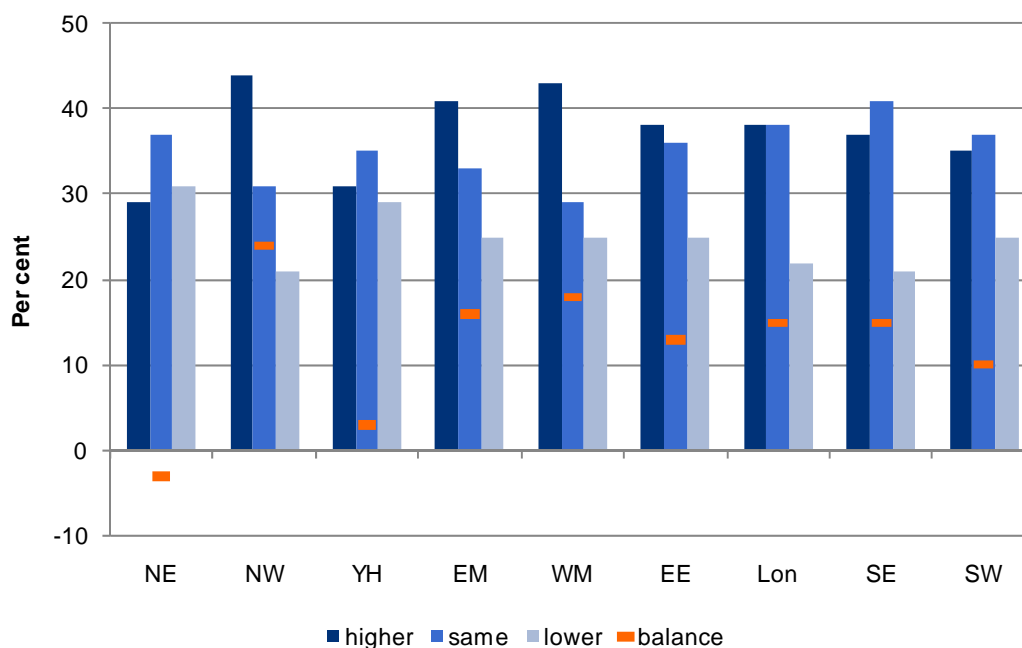
⁸ Output can be thought of as the quantity of goods or services produced by a business

⁹ Businesses are asked whether they believe their level of business activity or volume of output at a workplace is the same, higher or lower.

¹⁰ 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

improvement on last month's EBS balance (+1%) and 1 percentage point higher than in the same period last year.

Chart 2: Level of output in England, by region, March 2013



Notes:

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

Source: BIS - English Business Survey, March 2013

All regions except the North East (-3%) reported positive output balance scores. Of those reporting positive scores, the North West had the largest balance (+24%) and the largest proportion of businesses reporting output was higher in March.¹¹

When examining the survey results by the size of the business,¹² small businesses of 10 to 49 employees were most likely to report that output had increased when compared to December (41%) with a balance score of +18%. Large businesses recorded the highest balance score, +19%, with the lowest proportion of businesses reporting lower output (19%). Micro businesses of 1 to 9 employees continue to show the weakest performance with an estimated 33% reporting higher output compared to 31% reporting lower output, giving a balance score of +2%.

<https://www.gov.uk/government/organisations/department-for-business-innovation-skills/series/english-business-survey> for detailed figures.

¹¹ The proportion of businesses in the North West reporting higher output was significantly higher than that for England as a whole.

¹² Business size is measured in terms of the number of employees at the workplace.

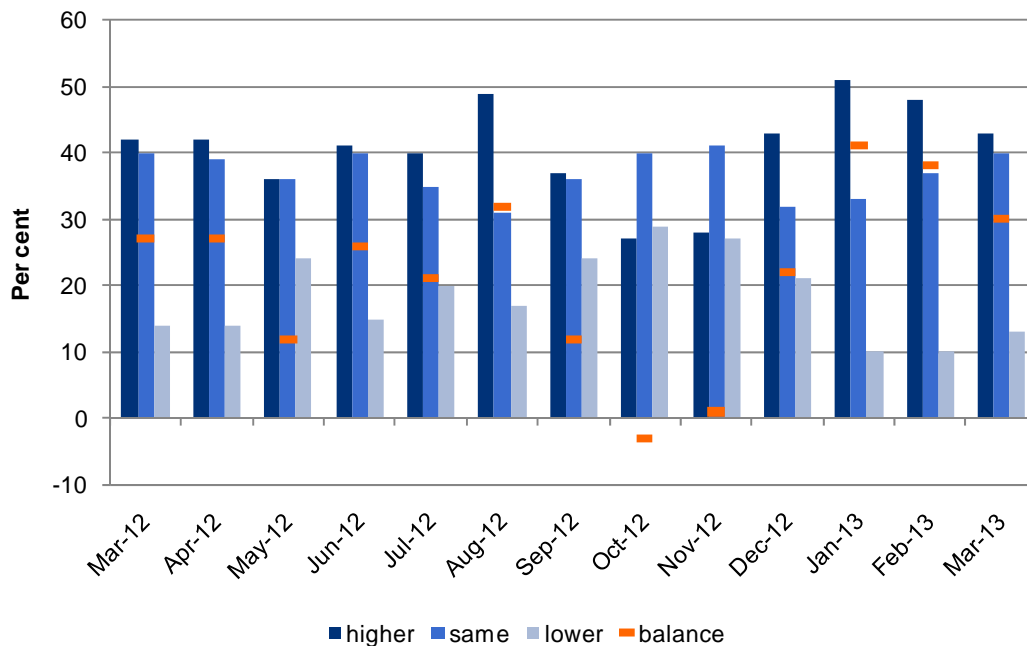
Expected output performance

Expectations of business output were positive for England and the English regions, but were not as strong as previous months survey results

A net positive balance of +30% was recorded for expectations of future output, as more businesses (43%) expect output to be higher than the proportion expecting lower output (13%) in June compared with March 2013. This was lower than the output expectation balance recorded in February (+48%) and January (+41%); however, a similar pattern of declining expectations in the three surveys to March was observed in 2012 and therefore this may be due to seasonal variation.¹³

All regions reported a positive balance score on expectations of future output with little variation. The East of England (+37%) and the South West (+33%) having the strongest results; while The North East and North West had the lowest scores (+24% and +25% respectively).

Chart 3: Expected level of output in England, March 2012 to March 2013



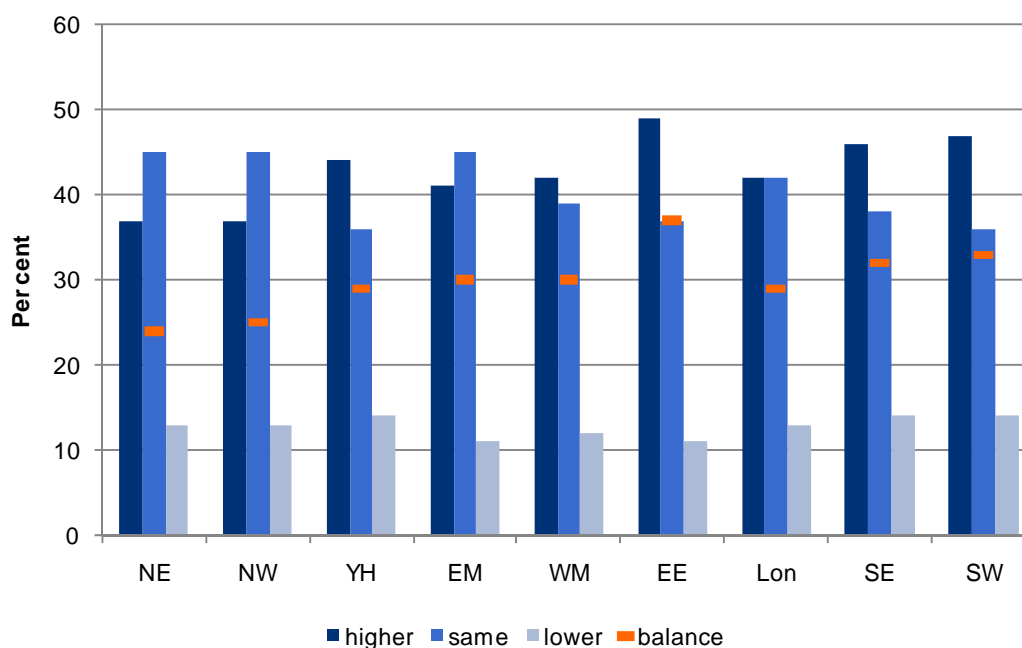
Notes:

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

Source: BIS - English Business Survey, March 2013

¹³ Seasonal variation is a component of a time series which is defined as the repetitive and predictable movement around the trend line in one year or less. For example retail sales tend to peak for the Christmas season and then decline after the holidays.

Chart 4: Expected level of output in England, by region, March 2013



Notes:

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

Source: BIS - English Business Survey, March 2013

Positive output balance scores were reported for all sizes of business in March. Small businesses had the largest balance score (+37%); made up of the highest proportion of businesses expecting higher output in June (48%), and 12% of businesses expecting lower output. Large businesses of 250 or more employees had the weakest balance score (+25%) with the lowest proportion of businesses anticipating higher output (37%).

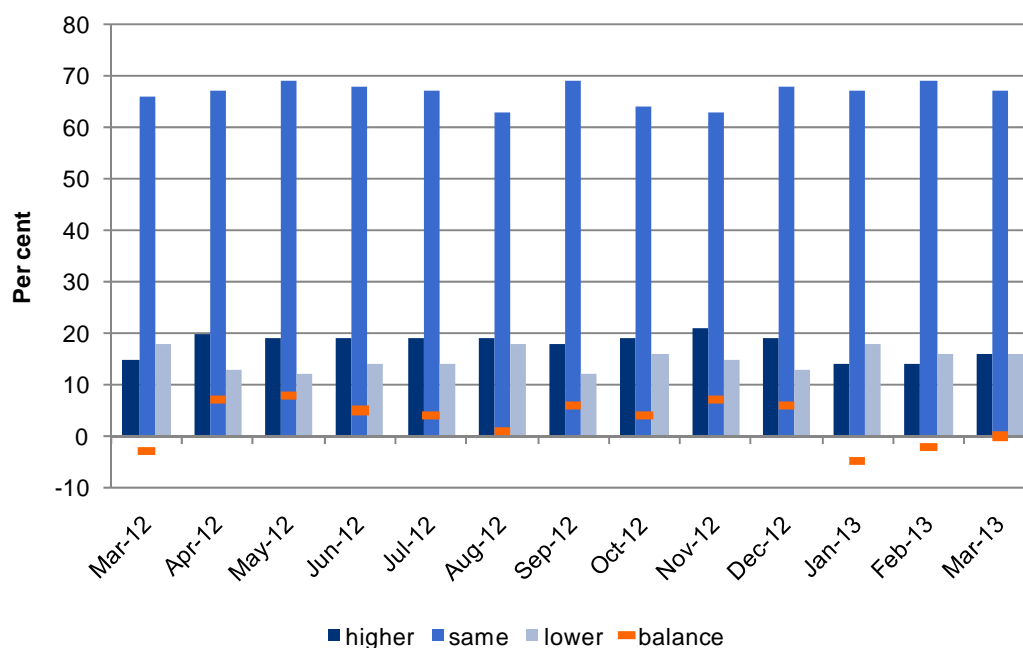
Employment

For England overall, results were neutral for the employment level but with a degree of variation across the regions¹⁴.

In England, a balance score of 0% was recorded with equal proportions of businesses showing either higher or lower levels of employment (16% each) in March 2013 compared with December 2012. This is an improvement on the results in the previous two months with balance scores of -2% in February and -5% in January.

¹⁴ Employment level is used to describe the average number of people working at a workplace.

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



Notes:

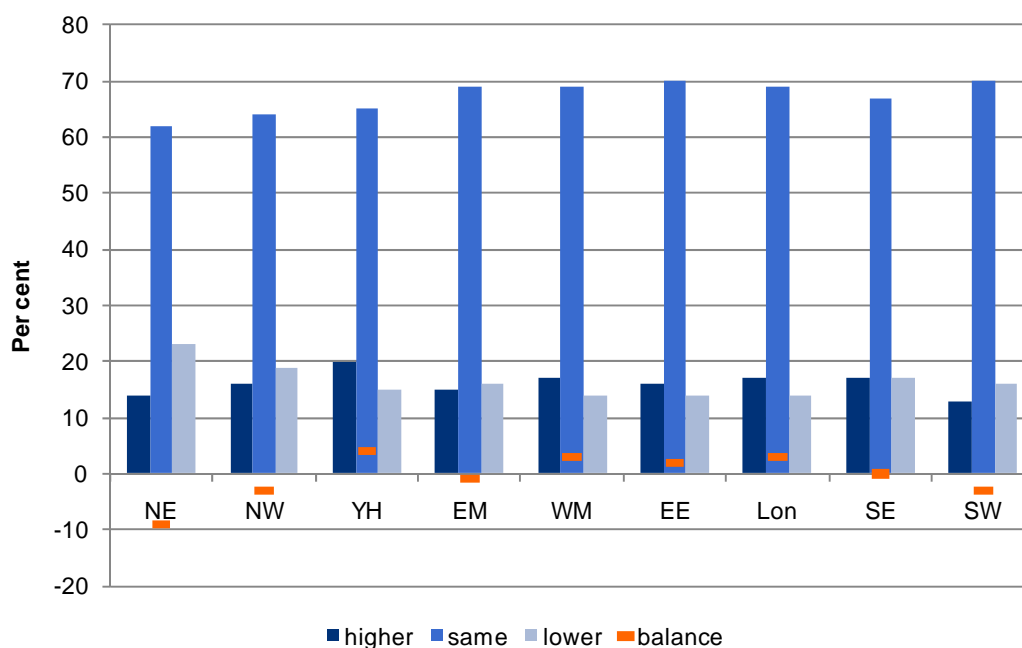
1. Workplaces were asked about the level of employment in a month three months earlier when compared to the reporting month, for example March 2012 results compare March with December 2012.
2. Estimates are not seasonally adjusted.
3. Survey results sum to 100%=(% Higher)+(% The same)+(% Lower)+(% Don't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

Source: BIS - English Business Survey, March 2013

Four out of the nine English regions reported negative balance scores with the North East reporting the lowest at -9%, mirroring the region's poor output performance. Those reporting positive employment balances include Yorkshire and The Humber (+4%), and London and the West Midlands both with a score of +3%.

Both micro and large businesses recorded negative balances (-2% and -6% respectively). In the case of large businesses 24% reported lower employment, a figure significantly higher than England. Small businesses recorded the strongest result (+5%) with medium sized businesses of 50 to 249 employees giving a marginally positive score (+1%).

Chart 6: Level of employment in England, by region, March 2013



Notes:

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

Source: BIS - English Business Survey, March 2013

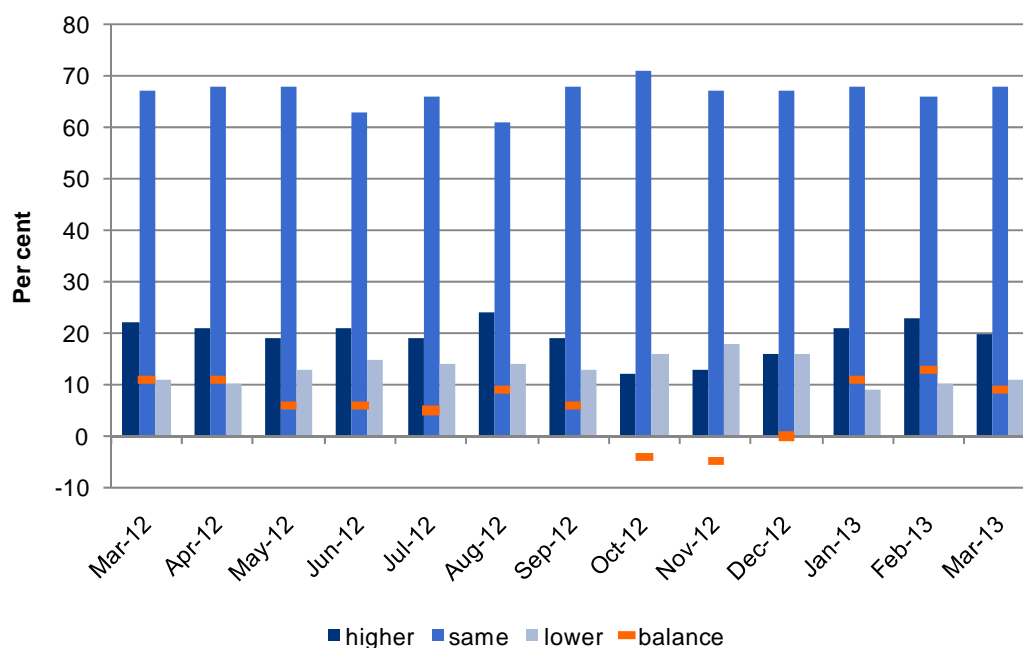
Expected employment performance

Looking forward, expectations of future employment are more positive.

A net positive balance of +9% was recorded as more businesses (20%) are anticipating higher employment than lower (11%). This month's balance statistic was lower than in February (+13%) and for the same period last year (+11%).

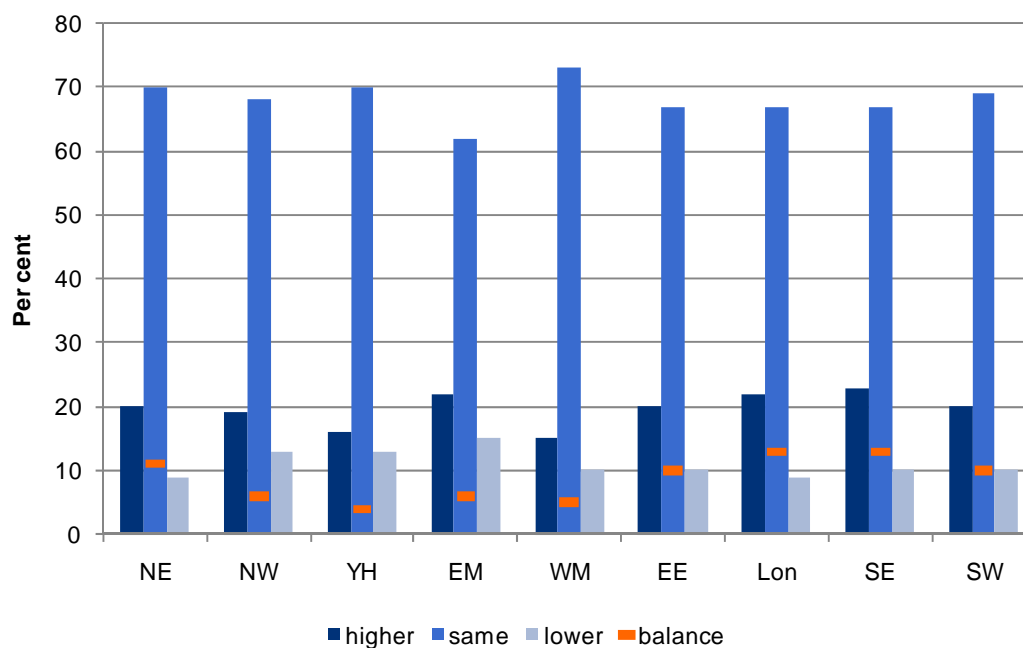
All regions recorded a positive balance score for expectations of future employment with the most optimistic being London and the South East (+13%). The North East was one of the most optimistic regions as, businesses reported the second highest balance (+11%); this was in contrast to the weakest balance score for past employment levels. Yorkshire and The Humber mirrors this result with the weakest employment expectations (+4%), despite having the strongest performance for past employment levels (+4%).

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



Source: BIS - English Business Survey, March 2013

Chart 8: Expected level of employment in England, by region, March 2012



Notes for charts 7 and 8:

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

Source: BIS - English Business Survey, March 2013

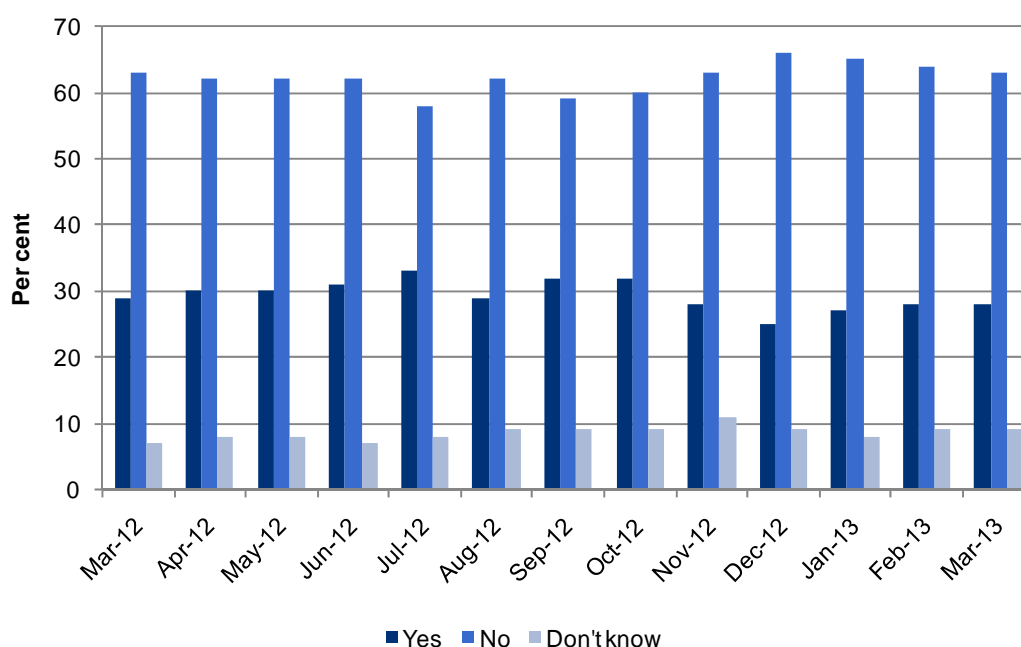
Capital Investment

In England, the proportion of businesses making capital investments has remained stable with 28% of businesses investing in the three months to March, unchanged from the proportion in the three months to February.¹⁵

Yorkshire and The Humber reported the smallest proportion of businesses making capital investments (25%) while businesses in the East of England were most likely to have invested with 33% of businesses reporting they had done so.

Medium sized businesses were the most likely to invest in capital with 36% stating they had made new investments in the three months to March. Micros continue to be the least likely to invest with only 20% of businesses saying they had invested.

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



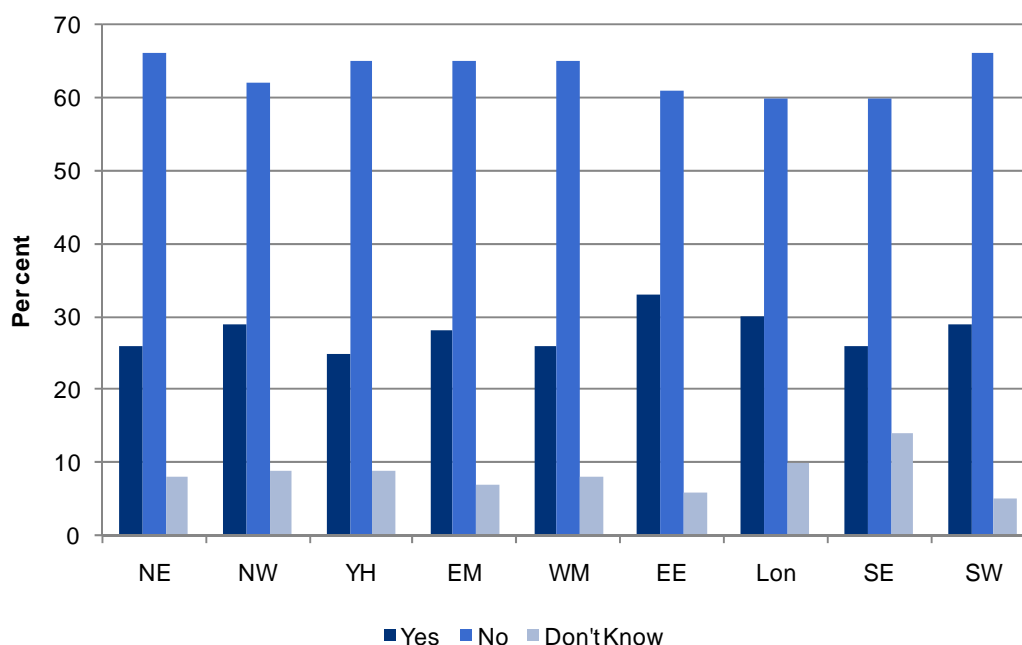
Notes:

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

Source: BIS - English Business Survey, March 2013

¹⁵ Capital Investment is used to describe buildings, plant and machinery, equipment, vehicles and computer hardware and software that has taken ownership of, or has started to use – these investments can be bought or leased; it does not include items that have been ordered but have not been used.

Chart 10: Capital investment in England, by region, March 2013



Notes:

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

Source: BIS - English Business Survey, March 2013

Expected capital investment

The expectations for capital investment have been stable with 28% of businesses in England expecting to make capital investment between April and June 2013. This is 1 percentage point lower than last month's result and that for March last year.¹⁶ Generally, the proportion of businesses expecting to make capital investments was similar across regions. However, Yorkshire and The Humber was the exception, with only 21% of businesses expecting to invest, significantly lower than the England average. At the other end of the spectrum, the West Midlands reported the highest proportion of businesses expecting to make capital investment (33%).

Medium and large businesses were equally likely to make capital investments between April and June with 34% of businesses expecting to invest. As with reported investment, micros were least likely to invest with only 18% expecting to invest.

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-

¹⁶ Results are not adjusted for seasonality.

regional analysis each quarter; and, covers all sectors of the economy, including the public/not-for-profit sectors.

Along with many other business surveys, data from the EBS is difficult to reconcile with official statistics, particularly output. The Confederation of British Industry's (CBI) *Industrial trend survey*¹⁷ reported an expansion in output volumes in the three months to April, with the strongest performance in the South West and West Midlands. Expectations were much more positive with the North West anticipating the best performance.

The monthly *Purchasing Manager's Index (PMI)*¹⁸ reports an expansion in business activity in each of the three months to March 2013; however in contrast to the improving results in the EBS the PMI has remained in expansionary territory but has been relatively flat. The North East and South West recorded the weakest performance in the three months to March. The British Chamber of Commerce (BCC)'s *Quarterly Economic Survey*¹⁹ also found an increase in domestic sales over Quarter 1 2013. In their results, investment level was shown to have risen during this period.

Unlike the EBS, which recorded fairly weak results for employment for the period between January and March, the *Quarterly Economic Survey* indicated that employment increased in Quarter 1 2013 and predicts employment will continue to increase in Quarter 2 2013. The *Industrial trends survey* similarly recorded a positive balance of +10% for employment for the three months to April. However, official statistics seem to support the last three months EBS results, finding a rise in unemployment between January and March 2013 when compared to October to December 2012.

¹⁷ <http://www.cbi.org.uk/business-issues/economy/business-surveys/industrial-trends-survey/>

¹⁸ <http://www.markiteconomics.com/Survey/Page.mvc/AboutPMIData>

¹⁹ <http://www.britishchambers.org.uk/policy-maker/policy-reports-and-publications/quarterly-economic-survey-q4-2012.html>

Background Notes

Product Development

The survey has undergone extensive development and testing, including pilot testing of the survey and cognitive testing of the survey questions. The Report on the EBS Questionnaire²⁰ 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.²¹

EBS methods and questionnaire continue to be reviewed and analysed to ensure they remain the best possible. Should you have any comments on the statistics – including on the methods used and dissemination of the statistics – or would like to inform us how you use the statistics, please contact ebssurvey@bis.gsi.gov.uk.

Quality and use

The English Business Survey provides timely and robust information on a regular and geographically detailed basis, the survey enhances understanding of business perceptions and economic conditions throughout England and ultimately improves policy making through this understanding. The statistics are also useful to businesses, providing intelligence about local economic and business conditions.

These estimates are currently classified as experimental statistics as they are undergoing development and have not yet been assessed against the standards required for National Statistics. It is recommended that users exercise caution when interpreting time series data, as the data are likely to include seasonal patterns, which have not been removed through seasonal adjustment²². It is expected that seasonal patterns will differ by industry, for example, all else being equal, some industries would expect output to be much lower in February compared to November due to seasonal patterns. It is recommended that until the statistics are assessed for seasonality that time series results are interpreted with caution.

Methodology

The English Business Survey is a monthly telephone survey that asks managers at sampled workplaces about their expectations and experiences on a range of measures such as output or sales. The data are weighted so that the weighted sample matches the population with respect to sub-region and employment²³. This is designed to capture the importance of the

²⁰ <http://www.bis.gov.uk/assets/biscore/statistics/docs/e/12-601-english-business-survey-report-questionnaire-development.pdf>

²¹ <http://www.bis.gov.uk/analysis/statistics/sub-national-statistics/ebssurvey>

²² The recommended approach for removing seasonality in UK Official Statistics requires three years of monthly data or 5 years of quarterly data.

²³ The characteristics used for weighting include: location (NUTS2 Region) and employment size (0-49, 50-249 and 250+).

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 Guide²⁴, which provides information about how to interpret results, and a Technical Annex²⁵, which contains detailed information about the methodology.

Strengths and Limitations

The EBS has a number of strengths:

- a relatively large monthly sample with the potential to provide timely sub-national statistics;
- a workplace focus, which will enable data on local conditions to be collected;
- an ‘economic influence’-type weighting approach to try to better represent what is happening for sub-national economies;
- coverage of all sectors of the economy, including the public/not-for-profit sectors; and
- timely statistics, allowing policy makers and businesses to react promptly to issues as they arise in the current macroeconomic climate.

However, it also has some limitations:

- the nature of data collection being at workplace level mean that statistics about region, employment size and industry all relate to that of the workplace, rather than for the enterprise. Accordingly, inferences about the enterprise-level business population are more limited; and
- due to the coverage of the sampling frame – the Inter-Departmental Business Register – the EBS does not cover non-registered²⁶ businesses. This is potentially important as such businesses make up a significant proportion of the overall business population (55% of businesses) although

²⁴ <http://www.bis.gov.uk/assets/biscore/statistics/docs/e/12-598-english-business-survey-user-guide.pdf>

²⁵ <http://www.bis.gov.uk/assets/biscore/statistics/docs/e/12-602x-english-business-survey-technical-annex.pdf>

²⁶ Non-registered businesses are not registered for either PAYE or VAT, which means they are generally, the very smallest non-employing businesses.

they account for a smaller share of employment (12%) and turnover (3%)²⁷.

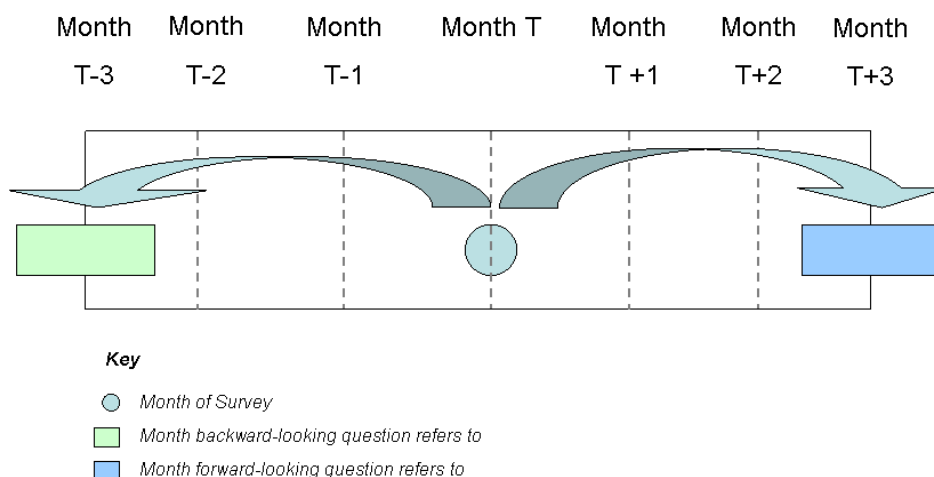
Interpreting the results

Workplace based survey

1. The main purpose of the EBS is to provide sub-national information. For this reason the EBS is a survey of workplaces and the region, employment size and industry all relate to that of the workplace.

Period covered

2. EBS Releases are labelled by the period which workplaces are asked about (the reference month). In most questions workplaces are asked to compare the reference month (month T) with the month three months previous and three months forward. For example, for the March 2013 EBS, most backward-looking questions compare March 2013 with December 2012 and forward-looking questions compare March 2013 with June 2013.



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

Balance Statistics

4. A balance can be achieved through a number of different scenarios in the underlying results, for example a balance of zero can be achieved from Higher and Lower both being 0% or both being 50%. It is therefore important to consider the underlying figures. All figures in this document and the underlying data can also be found in the supporting tables.
5. It is important to remember that these questions only ask workplaces whether output was higher or lower and this does not take into account the size of any

²⁷ Statistics on the non-registered businesses are taken from Business Population Estimates for the UK and Regions 2012

changes. Therefore a balance of 50% does not necessarily mean output growth will be higher than if the balance was 20%, as the growth rate seen by those contributing to the 20% positive balance may, in aggregate, outweigh the growth rates seen or expected by those contributing to the positive 50% balance. The difference in size between two higher percentages simply means that businesses accounting for a larger proportion of the economy, reported that output was higher.

Time Series Comparisons

6. Data from the EBS is still in its infancy and therefore it is not yet possible to seasonally adjust the data. The results presented in this release are not seasonally adjusted and users should be aware of this when interpreting the results, as it is likely that comparisons over time will show large changes for certain groups; these changes could be true changes, but they could be a result of seasonal patterns.

Accuracy

7. All estimates based on a sample of the population rather than a census are subject to sampling error. Calculation of these errors for the EBS is still being developed and will be released when available, however, provisional information on the likely size of these sampling errors is provided in the *Technical Annex*.
8. Like all statistics, the estimates in the EBS are subject to potential non-sampling errors – for example biases; measurement errors; and calculation errors. However, attempts have been made to minimise these by, for example, rigorous testing of the questionnaires, monitoring the work of interviewers and response rates to the survey.
9. Provisional testing has been carried out to test for statistically significant differences between the England total results and the results from each sub-group. For example whether the higher percentage in the North East is significantly different to that in England. The results of these tests are marked on the accompanying tables. Due to additional complexities testing has not yet been done on the balances. A worked example of what this testing means and how it should be interpreted is in the *User Guide*.

Presentation

10. In the tables accompanying this release, the following conventions have been used:
 - 0 nil (none recorded in sample)
 - * Suppressed due to small cell sample size
 - - Suppressed due to small column sample size
 - ... Balance score not available due to small sample counts
11. All figures and percentages in this release, including the accompanying tables, have been rounded. Unweighted counts have been rounded to the nearest 5 and percentages have been rounded to the nearest integer. Balances are calculated based on unrounded figures and rounded independently therefore

differences in the components may not equal the difference between the rounded figures.

Timeliness

12. Statistics from the EBS are published within two months of the period to which they refer. The date of publication will be announced at least four weeks in advance. We are working towards a regular publication cycle, however due to the experimental nature of the data; the publication date for each month may initially vary. Future publication dates will be added to the National Statistics Publication Hub²⁸.

Revisions

13. While every care has been taken to produce reliable statistics, EBS is still being developed and has been designated an Experimental Official Statistic. As the EBS develops statistics may be subject to revision if improvements in methodology are identified. All revisions will be pre-announced where practicable and all known users notified.

Additional information

Sub-regional data

14. The English Business Survey Reporting Tool²⁹ allows users to access detailed EBS statistics for individual periods (months and quarters) as well as cumulative periods, starting in November 2011 for monthly statistics and Quarter 4 2011 for Quarterly statistics. The reporting tool includes a more extensive range of statistics than presented in the Statistical Release and the supporting tables.

Micro data

15. EBS Micro data are available to 'approved researchers' via ONS' Virtual Micro Laboratory³⁰ and an aggregated version of the dataset is available to academics from the UK Data Archive³¹.

Contact details

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²⁸ <http://www.statistics.gov.uk/hub/index.html>

²⁹ <http://dservuk.tns-global.com/English-Business-Survey-Reporting-Tool/>

³⁰ <http://www.ons.gov.uk/ons/about-ons/who-we-are/services/vml/index.html>

³¹ <http://www.data-archive.ac.uk/>

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