RESULTS OF THE BUSINESS OUTLOOK SURVEY

JULY TO DECEMBER 2011

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EASTERN CARIBBEAN CENTRAL BANK
ST KITTS

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ECCU BUSINESS OUTLOOK SURVEY REPORT
JULY TO DECEMBER 2011

1.0 EXECUTIVE SUMMARY

The results of the Business Outlook Survey (BOS), conducted by the Eastern Caribbean Central Bank (ECCB) in each of its member countries during the second half of 2011 indicate that, in general, economic conditions for businesses for the period January to June 2011 deteriorated compared to the corresponding period of 2010. Businesses in the Eastern Caribbean Currency Union (ECCU) also expect that general conditions will deteriorate even further during the period July to December 2011 when compared with the corresponding period in 2010.

Businesses surveyed indicated that the terms and conditions for lending by both the foreign and indigenous banks in the ECCU region *tightened* during January to June 2011 compared with 2010 and this was attributed partially to the weaker economic conditions in the region. Businesses also indicated that the terms and conditions for lending set by the banks will not ease in the second half of 2011.

The report highlights the most challenging problems identified by businesses over the period January to June 2011, such as low sales turnover and "cash flow/debts/receivables". In addition, business owners were concerned about high utility costs, competition from local firms and the price of oil on the international market.

2.0 OBJECTIVE AND METHODOLOGY

The Business Outlook Survey (BOS) is designed to capture, on a semi-annual basis, the opinions of businesses in the ECCU member countries in respect of the current and expected state of their business operations, as well as the economies in which they operate. The surveyed businesses indicate the direction of change in three main areas: *general business conditions*, *business conditions in their sector* and *their individual business performance*. They are also asked to comment on changes in key areas of business activity such as employment, sales, and prices of goods and services.

The BOS augments other economic reports, such as the Quarterly and Annual Economic and Financial Review as well as the Commercial Banks' Senior Loan Officers Opinion Survey on Credit Market Conditions in the ECCU, by providing important qualitative information on overall economic and business conditions in the ECCU. The main advantage of the BOS vis-à-vis the other reports is that it directly supplies information about the expectations of the business community. It can also be used as a barometer for forecasting economic conditions in the short term and for ascertaining the major constraints affecting business operations.

This survey captures the views of businesses on their expectations for the second half of the year, that is, July to December 2011. In addition, it also gathers ex post information on the business environment for the first half of 2011.

The survey was carried out by consultants and statisticians in the ECCU. A minimum of twenty-five companies[1] in each of the member countries was selected to participate. This was based on the composition of each of the member countries' gross domestic product and sought to ensure that the survey captured a representative cross-section of opinions in each country.

Table 1 shows that a total of 191 completed questionnaires out of 200 were received, representing a response rate of 95.5 per cent. The response rate for the January to June 2011 survey was 94.0 per cent. A full sample set was received for Dominica, Grenada, Montserrat, and Saint Lucia.

[1] The target for the survey is 25 companies, however, in some cases over sampling is done in order to cater for non-response. Increasing the sample size of the BOS for each member country is currently under consideration.

Table 1: Sample Size: Number of Respondents by Country of Origin

Table 1. Number of Respondents by Country				
Country	**Target No.**	**No. Responded**	**Response Rate**	**Country Response to Total ECCU Response**
Anguilla	25	19	76.0%	9.9%
Antigua and Barbuda	25	20	80.0%	10.5%
Dominica	25	25	100.0%	13.1%
Grenada	25	25	100.0%	13.1%
Montserrat	25	25	100.0%	13.1%
St Kitts and Nevis	25	24	96.0%	12.6%
Saint Lucia	25	29	116.0%	15.2%
St Vincent and the Grenadines	25	24	96.0%	12.6%
Total	**200**	**191**	**95.5%**	**100.0%**

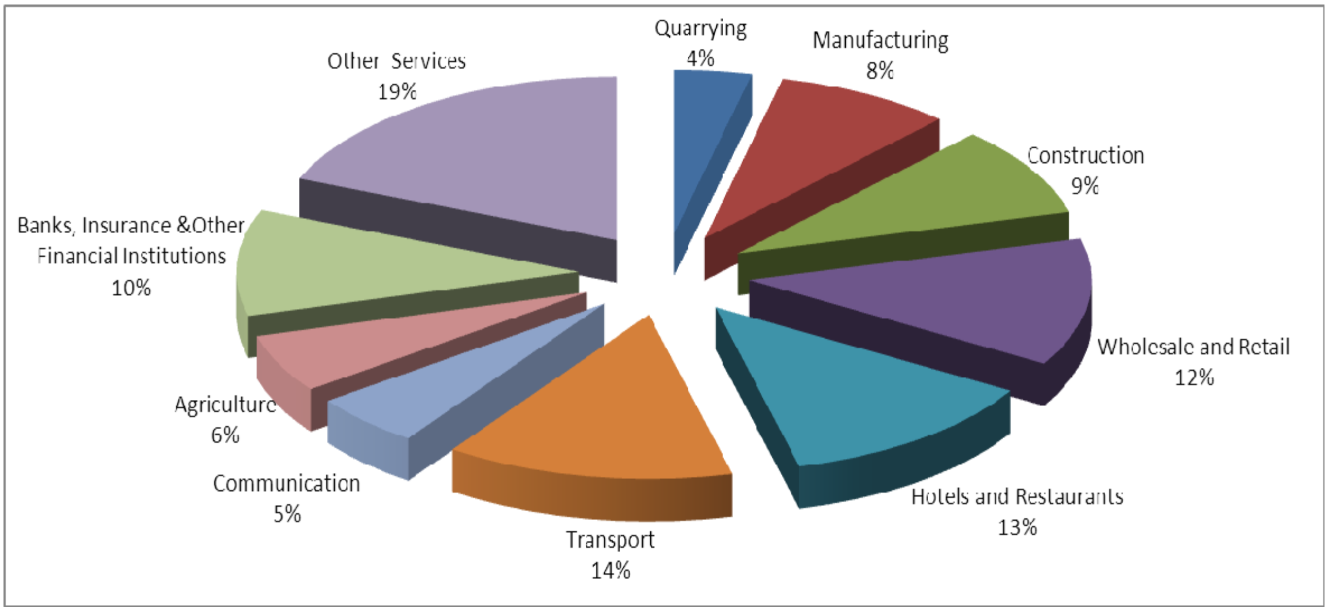
The main statistic used in this analysis is the ***net percentage indicator (NPI).*** It is calculated as the difference between those responses marked "improved/increased" and "deteriorated/decreased." Essentially the *NPI* is a change-value measure that is a good predictor of current and future business conditions and it has been shown to be more reliable than direct survey responses such as "increase" and "decrease". For example, if out of 100 businesses surveyed 60 per cent indicated that they expect conditions to improve, while 30 per cent indicated deterioration and 10 per cent expect conditions to remain the same, the NPI would be calculated as 60 minus 30, thus producing a score of positive 30. ***A positive indicator reflects improvement in economic conditions over time while a negative one signals deterioration***.

3.0 BUSINESS OPINION AT THE ECCU LEVEL

3.1 Economic Activity Profile

The companies that responded to the survey represented important industries that make up the pillars of the ECCU member economies (Graph 1). Some of these industries and their contribution to the total responses include: transport (14%), wholesale and retail trade (12%), hotels and restaurants (13%), banks, insurance and other financial institutions (10%) and other Services (19%). Companies that responded under Other Services include real estate, car rentals, electricity departments, customs brokerage and hair dressing.

Graph 1: Responses by Economic Activity



3.1.1 Business Size- SME's

The majority of businesses would be considered to be small enterprises since the data reveals that approximately 46.8 per cent of the businesses surveyed employed between 1 and 20 persons. However, 20 companies (10.5 per cent) surveyed revealed that upwards of 200 persons are employed. See Graph 2 below.

Graph 2: Business Size in the ECCU

3.2 Actual Economic Conditions (January to June 2011)

In examining the current state of economic performance, the survey compared and reviewed the period January to June 2011 with the corresponding period of 2010. In Table 2, the NPI of -60.7 for the ECCU suggests that, overall respondents perceived that actual *general business conditions* in the region deteriorated during the first half of 2011. It is noteworthy that this figure represents a change in view of business conditions to what had been forecasted in the previous survey, where an NPI of 5.3 was recorded. The results for all of the member countries showed that, on balance, it was perceived that actual conditions deteriorated when compared with the outlook or expectations from the previous period.

Table 2: General Business Conditions in the ECCU:
(Actual) January to June 2011 compared with (Expected) January to June 2011

	Expected Conditions January to June 2011	**Actual Conditions January to June 2011**
Country	Outlook NPI	Actual NPI
Anguilla	9.5	-68.4
Antigua and Barbuda	-41.2	-50.0
Dominica	4.0	-40.0
Grenada	48.0	-60.0
Montserrat	-16.0	-68.0
St Kitts and Nevis	16.0	-79.2
Saint Lucia	12.0	-62.1
St. Vincent and the Grenadines	-4.0	-58.3
ECCU	**5.3**	**-60.7**

Table 2 also highlights the disparity between the expected and actual NPIs for the ECCU member countries for the period January to June 2011. The results indicate that business sentiment have eroded since the January to June business outlook survey which recorded an NPI of 5.3 with respect to business expectations for the first six months of 2011. All countries, with the exception of Antigua and Barbuda (-41.2), Montserrat (-16.0) and St Vincent and the Grenadines (-4.0), expected business conditions to improve. However, all countries reported conditions to be worse than what was expected, with negative NPIs being recorded for all. In Antigua and Barbuda, Montserrat and St Vincent and the Grenadines, the actual NPIs recorded for the first six months of 2011 were worse than what was expected. In Antigua and Barbuda, actual NPI recorded was -50.0 compared with an expected NPI of -41.2. In Montserrat actual NPI recorded was -68.0 compared with an expected NPI of -16.0. In St Vincent and the Grenadines actual NPI recorded was -58.3 compared with an expected NPI of -4.0. The countries which were most pessimistic about their actual business conditions during the period January to July 2011 were St Kitts and Nevis (-79.2), Anguilla (-68.4) and Montserrat (-68.0). The major factors that were cited as contributing to the deterioration in business sentiments in the ECCU member countries are provided in Table 3. The factors include the global economic conditions, increases in operational costs and a decline in the profit margins. (See table 3)

Table 3: Main Reasons for Negative Business Sentiment over the Period January to June 2011

	Comments from Individual Businesses
Pessimistic	• Construction sector work has shrunk coupled with non-transparent procurement practice by public sector. Global economic conditions have had a negative impact on business. • Cost of production has increased mainly due to the cost of energy increasing. • Business is very slow as customers do not travel as often as previously due to the increase of air fare. Due to the global downturn overseas visitors no longer have the money to travel. • Cost of electricity is too high. We are operating on a lower profit margin to maintain an affordable price for consumers. • Construction activity is slow. • Effect of global economy, slow sales • People are booking last minute. Guest and potential guests are looking for reduced rates. The airfare on LIAT is very high. Guests are being very cautious with their spending. • As a result of the global economic downturn, customers have very little money to spend and so they would rather buy food than flowers.
Optimistic	• Hoping that things will be better in 2012. • We were successful in getting two jobs and therefore we are in a better financial position.

Disclaimer: Comments in the table do not reflect the views of all the businesses surveyed nor do they reflect the views of the ECCB.

At the industry level, sentiments were also negative as indicated by the overall NPI of -26.2 for the period January to June 2011 compared with the corresponding period in 2010. In general, the survey revealed a deterioration of sentiments in all industries. A further analysis by industry reveals that companies in the manufacturing; communications; banks, insurance & other financial institutions; and transport industries felt that they experienced the poorest performance for the first half of 2011 (Table 4). Some of the major factors influencing this outturn include the slow recovery of the global economy and the increase in utility rates.

Table 4: Actual Business Conditions in the ECCU by Industry
January to June 2011

Industry	Actual NPI	No. of Firms in Industry
Manufacturing	-75.0	16
Communication	-70.0	10
Banks , Insurance & Other Financial Institutions	-70.0	20
Transport	-61.5	26
Other Services	-61.1	36
Hotels and Restaurants	-58.3	24
Agriculture	-54.5	11
Wholesale and Retail	-45.8	24
Construction	-35.3	17
Quarrying	-28.6	7
ECCU Sectors	-26.2	191

In respect of individual business performance, the majority of the surveyed businesses indicated that their sales and profits declined during the period January to June 2011 compared with the corresponding period in 2010. Table 5 displays the results of some key business indicators at the country level.

Table 5: Actual Performance in Selected Business Variables by *Country*:
January to June 2011 Compared with January to June 2010

Indicator	Anguilla	Antigua and Barbuda	Dominica	Grenada	Montserrat	St Kitts and Nevis	Saint Lucia	St Vincent and the Grenadines	ECCU
Number employed	-31.58	-10.00	-16.00	0.00	-4.00	-20.83	-17.24	-20.83	-14.66
Sales (i.e. volume not $revenue)	-52.63	-40.00	-32.00	-28.00	-48.00	-54.17	-51.72	-50.00	-44.50
Profit	-73.68	-55.00	-20.83	-60.00	-76.00	-41.67	-58.62	-45.83	-53.68
price of goods/services	21.05	45.00	33.33	4.35	4.00	33.33	20.69	4.17	20.21
Investment in buildings	-10.00	-18.75	23.53	15.38	16.67	5.26	-4.76	5.26	3.31
Investment in plant/machinery	-7.14	-5.88	47.37	16.67	26.09	37.50	21.43	6.67	20.12
Construction activity	-50.00	-14.29	12.50	33.33	-40.00	-66.67	9.09	8.33	-9.52
Exports	-75.00	-33.33	14.29	-50.00	0.00	0.00	-33.33	-40.00	-25.00
Cost of production/doing business	36.84	55.56	52.17	76.00	64.00	45.83	34.48	54.17	52.41

On balance, the following were observed:

- The net balance of opinion for the ***employment*** indicator was -14.7 overall, implying that businesses saw a decrease in their employment numbers over the first half of 2011 compared with the corresponding period in 2010. Employment sentiment was negative in all countries except Grenada, where employment conditions remained unchanged.

- The worst outturn was reported in Anguilla with a NPI of -31.6, followed by St Kitts and Nevis and St Vincent and the Grenadines with NPIs of -20.8.

- ***Sales performance by volume*** deteriorated in January to June 2011 compared with the first half of 2010. The ECCU's NPI for this indicator was –44.5, driven by negative sentiments expressed in all territories ranging from -28.0 in Grenada to -54.2 in St Kitts and Nevis.

- The performance for ***profits*** was very much in line with the negative sentiments expressed for sales growth as evidenced by the ECCU's NPI of –53.7 for this indicator (Table 5). This result was driven by the negative sentiments expressed in all territories, with Montserrat and Anguilla being the most negative. This reflected a deterioration from the January to June 2011 BOS where the businesses, although pessimistic about their expected profit levels for the second half of 2011, were less negative with an NPI of -51.6 being reported.

- ***Construction activity***, one of the largest contributors to aggregate output, was viewed as having performed poorly at the ECCU level as reflected in the NPI of -9.5. This was attributed to the negative NPIs expressed in St Kitts and Nevis (-66.7), Anguilla (-50.0), Montserrat (-40.0) and Antigua and Barbuda (-14.3). However, positive NPIs were reported for Grenada (33.3), Dominica (12.5), Saint Lucia (9.1) and St Vincent and the Grenadines (8.3).

- ***Exports***, a primary source of foreign exchange earnings, were viewed to have decreased over the period January to June 2011 relative to the corresponding period in 2010. At the ECCU level an NPI of -25.0 was recorded. This was driven by negative business sentiments in all member territories except Dominica (14.3), Montserrat (0.0) and St Kitts and Nevis (0.0). All of the exporting industries reported negative sentiments in respect of export performance with hotels and restaurants being the most pessimistic with an NPI of -66.7, followed by communication with an NPI of -50.0.

- Along with the negative sentiments expressed for most business indicators during the period January to June 2011 compared with the corresponding period in 2010, ***Operating Expenses*** still appear to be a deterrent for businesses to expand into new products and services in the ECCU economy; approximately 64.2 percent of business opined that overall costs are still at an elevated level compared with 65.2 per cent during the January to June 2010 survey. Overall, the actual operating expenses[2] in the ECCU in the first half of 2011 were viewed to have increased with an NPI of 52.4.

3.3 Credit Market Conditions and Investments

In respect of the terms and conditions for lending, the general sentiment expressed by businesses is one of overall tightening in the first half of 2011. This is reflected in an NPI of -51.3 (see table 6). ***The main reasons opined for the tightening in credit market conditions are adverse risk related to the general economic situation and increases in the percentage of non-performing loans to total loans***

When compared with the results from the Credit Market Conditions Survey for January to June 2011[3], senior loans officers confirmed that lending terms and conditions for all types of loans to businesses tightened. The main factors cited were the risk related to the deterioration in general economic conditions and changes in the percentage of non-performing loans to total loans.

[2] For Operating Expenses or the cost of doing business an increase is considered a negative sentiment and vice versa

[3] A survey of the opinions of Senior Loans Officers in the Commercial Banks of the ECCU

The BOS also revealed that the majority of businesses surveyed (82.1 per cent) did not apply to banks and non-bank financial institutions for loans during the first half of 2011[4]. However, of those who did apply, they did so mainly to meet inventory and working capital needs (55.9 per cent), to finance the purchase of fixed assets (23.5 per cent) and to restructure debt[5] (14.7 per cent). About 17.7 per cent of respondents cited "other" reasons for the demand of loans which includes; to purchase land, to purchase parts for equipment and to expand business operations. Furthermore, the survey revealed that the majority of businesses relied predominantly on their cash flow and overdraft facilities at banks to finance their working capital needs[6].

Table 6: Changes in Terms and Conditions for Credit during the Period January to June 2011

	Number	Percent
Tightened significantly	15	38.5
Tightened somewhat	9	23.1
Remained the same	11	28.2
Eased significantly	3	7.7
Eased somewhat	1	2.6
Total	39	100.0
Net Percentage	-20	(51.3)

3.3.1 Outlook for Credit Conditions and Investments

In respect of the outlook for credit market conditions for the second half of 2011, most businesses anticipate tighter conditions as evidenced by the NPI of -49.7. However, 30.2 per cent of the survey participants expect that the terms and conditions for credit in the second half of 2011 to remain the same (See table 14, Appendix I).

[4] Table 15: Appendix I
[5] Table 16: Appendix I
[6] Table 17: Appendix I

4.0 FORECAST FOR JULY TO DECEMBER 2011

The survey revealed that in general, businesses are pessimistic about the general economic conditions for the second half of 2011, compared with the corresponding period in 2010 (Table 7).

Table 7: Expectations for General Business Conditions over the Period July to December 2011 Compared with July to December 2010

	Number	Percent
Improve	34	17.9
Remain the same	68	35.8
Deteriorate	88	46.3
Total	190	100.0
Net Percentage Indicator	-54	(28.4)

At the ECCU level, 46.3 per cent of the businesses surveyed indicated that they anticipate that general business conditions would deteriorate in the second half of 2011, while 17.9 per cent expect business conditions to improve. Of the total, 35.8 per cent expect conditions to remain the same. This resulted in an overall NPI of -28.4 for the region, reflecting the overall negative business sentiment for the second half of 2011. Pessimism was also reflected when respondents were asked about the economic climate within their sector.

Table 8: Expectations for General Business Conditions by Country: July to December 2011 Relative to July to December 2010

Country	Expected NPI
Anguilla	**19.0**
Antigua and Barbuda	**-20.0**
Dominica	-12.0
Grenada	**-20.0**
Montserrat	-4.2
St Kitts and Nevis	**-66.7**
Saint Lucia	**-66.7**
St. Vincent and the Grenadines	**-62.5**
ECCU	**-28.4**

As shown in Table 8, survey respondents in seven of the ECCU member countries are generally pessimistic about their prospects for the second half of 2011, with the highest negative NPIs being recorded for St. Kitts and Nevis (-66.7), Saint Lucia (-66.7) and St Vincent and the Grenadines (-62.5). Only Anguilla recorded positive NPIs of 19.0. Table 9 lists some of the key reasons given for the outlook for business conditions across the ECCU member countries.

Table 9: Main Factors Driving Business Sentiment for July to December 2011

	Comments from Individual Businesses
Optimistic	• Expect business will improve in the second half of the year with the start of the tourist season • More income forecasted as projects will continue into the second half of 2011 • Hoping to see a turnaround as investment projects come on-stream • Business is expected to improve in the Christmas season
Pessimistic	• Increase in operating expenses led by fuel prices and VAT • Future looks dismal because of the high regional airfares • Raw material prices are rising and reducing profits • Consumers have less disposable income and business depends on consumer sales • Judging from present trend, business is not expected to improve

Disclaimer: Comments in the table do not reflect the views of all the businesses surveyed

In respect of the projected performance of key business indicators for the second half of 2011, expectations are generally pessimistic for the ECCU as a whole when compared with January to June 2010 (Table 10). Businesses expect their sales performance and their profit performance to deteriorate further relative to the second half of 2010. With respect to exports, businesses in Montserrat, St Kitts and Nevis, and St Vincent and the Grenadines expect an improvement in performance while Anguilla, Antigua and Barbuda and Dominica are pessimistic about their exporting prospects during the outlook period. Businesses in Grenada and Saint Lucia expect exports to remain unchanged for the review period. Respondents indicated that they expect the cost of doing business in the ECCU will continue to increase.

Table 10: Expected Performance in Selected Business Variables by Country: July to December 2011 Compared with July to December 2010

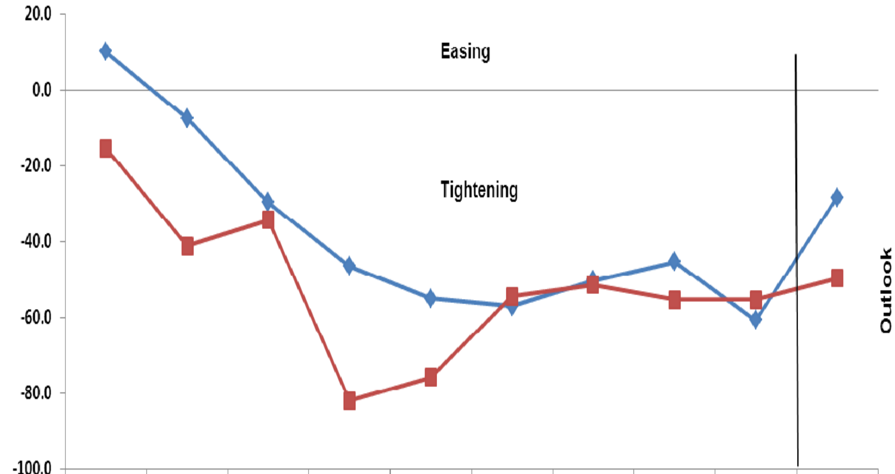
Indicator	Anguilla	Antigua and Barbuda	Dominica	Grenada	Montserrat	St Kitts and Nevis	Saint Lucia	St Vincent and the Grenadines	ECCU
Number employed	-15.79	-25.00	8.33	0.00	-16.00	-20.83	-17.24	-12.50	-12.11
Sales (i.e. volume not $revenue)	-36.84	-35.00	-4.17	0.00	-8.00	-45.83	0.00	-20.83	-17.37
Profit	-47.37	-40.00	-16.67	-24.00	-12.00	-41.67	-3.45	-45.83	-27.37
price of goods/services	21.05	45.00	22.73	34.78	0.00	33.33	10.34	25.00	23.12
Investment in buildings	-12.50	-7.14	-7.69	18.18	0.00	-10.53	0.00	5.88	-1.85
Investment in plant/machinery	-7.69	13.33	20.00	20.83	4.17	16.67	22.22	21.43	14.91
Construction activity	-20.00	-12.50	22.22	33.33	20.00	-66.67	11.11	16.67	1.54
Exports	-50.00	-80.00	-14.29	0.00	33.33	33.33	0.00	20.00	-12.12
Cost of production/doing business	63.16	26.32	43.48	56.00	29.17	50.00	46.43	58.33	46.77

5.0 TRENDS IN BUSINESS SENTIMENTS AND CREDIT TERMS AND CONDITIONS

An analysis of the trends in business sentiments from 2007 to 2011 indicates that general business sentiments continue to be depressed in 2011 after declining steadily from 2007 to 2009 and improving slightly in 2010. The NPI moved from 9.9 in January to June 2007 to a low of -60.7 in January to June 2011.

The credit terms and conditions offered by the banks over the same period have generally reflected tightening. After dipping to an NPI of -82.1 in July to December 2008 the NPI, although still negative, improved until January to June 2011 when it reached an NPI of -51.4. In the outlook period further improvement is expected for credit terms and conditions. Graph 3 illustrates the trend in sentiments and credit terms and conditions, from the first half of 2007 to the first half of 2011.

Graph 3: Trends in Business Sentiments and Credit Conditions in ECCU



	Jan - Jun 07	Jul - Dec 07	Jan - Jun 08	Jul - Dec 08	Jan - Jun 09	Jul - Dec 09	Jan - Jun 10	Jul - Dec 10	Jan - Jun 11	Jul - Dec 11
General Business Conditions	9.9	-7.5	-29.7	-46.5	-55.1	-57.1	-50.3	-45.5	-60.7	-28.42
Credit Terms and Conditions	-15.4	-41.2	-34.4	-82.1	-75.9	-54.6	-51.4	-55.3	-55.3	-49.74

6.0 SPECIAL ISSUES

6.1 Government agencies and suppliers[7]

The survey also sought to solicit the views of businesses on the quality of services offered by government agencies, suppliers and banks with whom they interact on a daily basis. Approximately 40.4 per cent of respondents rated the services provided by government agencies in the ECCU as "fair" while 54.8 per cent rated their services as "good" or "excellent". This represented an improvement in the sentiments previously expressed in the January to June 2011 BOS survey where 39.1 per cent of respondents rated this service as "fair" and 43.6 per cent rated it as "good" or "excellent". The respondents also expressed concerns about the efficiency of the public sector bureaucracy, especially as it relates to the slow rate of reimbursement from government agencies and the service provided by the Inland Revenue Department.

[7] Table 23 – Appendix I

In general, there was a decline in the percentage of businesses that were pleased with the quality of services provided by banks. Of those who responded, 66.1 per cent rated the facilitation of their transactions with banks as good or excellent compared to 73.7 per cent in the previous survey (January to June 2011). On the other hand, there was a slight improvement in the number of businesses that were satisfied with the quality of services provided by suppliers. Approximately 71.1 per cent of respondents rated the services provided by suppliers as "good" or "excellent" compared to 70.2 per cent reported in the January to June 2011 survey.

6.2 Measures taken by businesses to become more cost efficient and competitive

The main measures cited by businesses in their attempt to become more cost effective are as follows:

1. Greater use of technology
2. Improvement in accounting and record keeping practices
3. Bulk purchase of goods and materials
4. Fewer delivery runs in an effort to save petrol
5. Purchase of more energy efficient appliances/machines

7.0 PROBLEMS AND CONSTRAINTS

The survey also asked respondents to identify and rank those constraints in the business environment that negatively impact the operation of their businesses. Of the major problems/challenges facing businesses, the top three cited were the low sales turnover, "cash flow/debts/receivables" and the cost of utility rates which were repeated from the last business survey. Among the other top challenges, the competition from local firms, the price of oil, the US economic performance and the lack of skilled employees are of great concern for businesses (see Table 20 in Appendix I for further details).

Survey participants were also asked to identify measures that they have put in place to address the top three problems/constraints cited above. Some responses are included in Table 11 below.

Table 11: Solutions Given by Businesses to Alleviate Problems and Constraints

Rank	Problem	Suggested Solutions from Individual Businesses
1	Low sales turnover	• Aggressive marketing and advertising. • Competitive pricing. • Promotional prices/rates have been offered on products and services. • Offer bundled services to stimulate turnover. • Purchase of better products for the market.
2	Cash flow/Debts	• Use stronger collection measure • Tightening of credit policies to reduce the risk of uncollectible debt. • Financial analysis • Seek legal intervention
3	Utility rates	• Reduce electricity consumption • Purchase energy efficient equipment. • Reduce the number of trips taken in company vehicles

Disclaimer: Comments in the table do not reflect the views of all the businesses surveyed nor do they reflect the views of the ECCB

8.0 SUMMARY

The results of the survey indicate that *general business conditions* in the ECCU for the period January to June 2011 deteriorated more than had been expected. Businesses are pessimistic about an improvement in business conditions during the second six months of 2011. Credit conditions were viewed to have remained flat over the first half of 2011. Further tightening is anticipated over the period July to December 2011.

APPENDIX I

Table 12. Approval of applications for business loans during the period January to June 2011		
	Number	**Percent**
All loans approved	29	87.88
Some loans approved	1	3.03
None	3	9.09
Total	**33**	**100**

Table 13. Change in terms and conditions on Business Loans during period January to June 2011		
	Number	**Percent**
Tightened significantly	15	38.46
Tightened somewhat	9	23.08
Remained the same	11	28.21
Eased significantly	3	7.69
Eased somewhat	1	2.56
Total	39	100.00
Net Percentage	-20	(51.28)

Table 14: Outlook for Terms and Conditions in Credit during the Period July to December 2011		
	Number	**Percent**
Tightened significantly	46	24.34
Tightened somewhat	67	35.45
Remained the same	57	30.16
Eased significantly	2	1.06
Eased somewhat	17	8.99
Total	189	100.00
Net Percentage	-94	(49.74)

Table 15: Applied for business loans from banks and non-bank financial institutions during the first six months of 2011		
	Number	**Percent**
Yes	34	17.89
No	156	82.11
Total	**190**	**100.00**

Table 16: Of those who applied for business loans, reasons for demand for loans		
	Number	**Percent**
Financing needs for fixed assets	8	23.53
Financing needs for inventories and working capital	19	55.88
Financing needs for debt restructuring	5	14.71
Other	6	17.65
No Response		-

Table 17: Method of payment usually used for working capital						
	Top 1	**Top 2**	**Top 3**	**Top 4**	**Top 5**	**Overall**
Cash	109	22	14	4	4	1
Credit cards	3	26	18	6	8	5
Retained earnings	15	37	13	7	9	3
Overdraft	48	32	14	5	1	2
Loan	9	17	29	13	7	4
Other	3	3	2	2	0	6

Table 18: Expected Performance in Selected Business Variables *by Sector:*
July to December 2011 Compared with July to December 2010

Expected Performance in Selected Business Variables by Sector: January to June 2011 compared with January to June 2010									
Indicator	Manufacturing	Construction	Wholesale & Retail Trade	Hotels & Restaurants	Transport	Communication	Agriculture	Banks,Insurance &Other Financial Institutions	Other Services
Number employed	-12.50	-5.88	-29.17	4.17	-34.62	-10.00	0.00	-10.00	0.00
Sales (i.e. volume not $revenue)	-25.00	0.00	-25.00	-4.17	-23.08	-70.00	-9.09	-30.00	2.86
Profit	-37.50	-5.88	-37.50	-33.33	-15.38	-50.00	-36.36	-30.00	-20.00
price of goods/services	31.25	5.88	50.00	16.67	4.00	-20.00	54.55	22.22	32.35
Investment in buildings	0.00	-11.11	0.00	13.33	-15.38	-12.50	0.00	-9.09	5.56
Investment in plant/machinery	57.14	5.88	22.22	20.00	4.17	33.33	10.00	7.14	3.57
Construction activity	-40.00	29.41	0.00	-9.09	-20.00	0.00	0.00	0.00	10.00
Exports	22.22	0.00	-25.00	-100.00	-66.67	-50.00	25.00	-100.00	0.00
Cost of production/doing busines	31.25	58.82	45.83	69.57	52.00	33.33	72.73	25.00	40.00

Table 19. Rating of the facilitation of business transactions by government agencies and suppliers during the period January to June 2011						
Rating	**Government**		**Suppliers**		**Banks**	
	Number	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Excellent	9	5.4	21	11.2	23	12.8
Good	82	49.4	112	59.9	96	53.3
Fair	67	40.4	45	24.1	49	27.2
Poor	8	4.8	9	4.8	12	6.7
Total	**166**	**100.0**	**187**	**100.0**	**180**	**100.0**

Table 20. Three main problems challenging your business				
	Top 1	Top 2	Top 3	Overall Rank
Low sales turnover	74	21	17	1
Lack of skilled employees	8	11	11	7
Cash flow/debts/receivables	34	25	9	2
Interest Rates	2	6	7	14
Utility rates	17	30	19	3
Public sector bureaucracy	1	2	7	17
Wage Costs	5	9	5	9
Shortage of Supplies	1	1	3	20
Access to Finance	6	9	6	8
Inflation	3	3	10	14
Freight cost	2	7	11	11
Competition from local firms	11	15	20	4
Total Tax burden	2	9	11	10
Crime and Security	2	8	6	12
Bad Weather	1	2	4	18
Price of oil	13	14	12	5
External competition	3	7	5	12
US economic growth	11	11	16	6
Credit from Suppliers	0	3	3	19
Transportation and Distribution	0	2	2	21
Other	6	1	0	16

Table 21: Expected Performance in Selected Business Variables *by Country*: July to December 2011 Compared with July to December 2010

Expected Performance in Selected Business Variables by Sector: July to December 2011 compared with July to December 2010									
Indicator	Manufacturing	Construction	Wholesale & Retail Trade	Hotels & Restaurants	Transport	Communication	Agriculture	Banks,Insurance &Other Financial Institutions	Other Services
Number employed	-12.50	-5.88	-29.17	4.17	-34.62	-10.00	0.00	-10.00	0.00
Sales (i.e. volume not $revenue)	-25.00	0.00	-25.00	-4.17	-23.08	-70.00	-9.09	-30.00	2.86
Profit	-37.50	-5.88	-37.50	-33.33	-15.38	-50.00	-36.36	-30.00	-20.00
price of goods/services	31.25	5.88	50.00	16.67	4.00	-20.00	54.55	22.22	32.35
Investment in buildings	0.00	-11.11	0.00	13.33	-15.38	-12.50	0.00	-9.09	5.56
Investment in plant/machinery	57.14	5.88	22.22	20.00	4.17	33.33	10.00	7.14	3.57
Construction activity	-40.00	29.41	0.00	-9.09	-20.00	0.00	0.00	0.00	10.00
Exports	22.22	#DIV/0!	-25.00	-100.00	-66.67	-50.00	25.00	-100.00	0.00
Cost of production/doing busines	31.25	58.82	45.83	69.57	52.00	33.33	72.73	25.00	40.00

Table 22: Number of employees in company		
Range	**Number**	**Percent**
1 - 20	89	46.8
21 - 50	41	21.6
51 - 100	29	15.3
100 - 200	11	5.8
Over 200	20	10.5
Total	**190**	**100.0**

Table 23. Measures taken by businesses to become more cost effective/competitive			
	Number	**Percent**	Rank
Purchase of more energy efficient appliances/machines	53	27.7	5
Greater use of solar energy	11	5.8	9
Bulk purchase of goods and materials	81	42.4	3
Fewer delivery runs in an effort to save gasoline/diesel	63	33.0	4
Merger/partnership with similar companies	13	6.8	8
Greater use of technology	112	58.6	1
Strengthen networks throughout the Caribbean and the Diaspora	31	16.2	6
Improve the accounting and record keeping practices	91	47.6	2
Other	24	12.6	7

Table 24: Expected performance in Selected Business Variables by *Country*:
July to December 2011 Compared with July to December 2010
(July to December BOS Survey)

Indicator	Anguilla	Antigua and Barbuda	Dominica	Grenada	Montserrat	St Kitts and Nevis	Saint Lucia	St Vincent and the Grenadines	ECCU
Number employed	**-15.79**	**-25.00**	**8.33**	**0.00**	**-16.00**	**-20.83**	**-17.24**	**-12.50**	**-12.11**
Sales (i.e. volume not $revenue)	**-36.84**	**-35.00**	**-4.17**	**0.00**	**-8.00**	**-45.83**	**0.00**	**-20.83**	**-17.37**
Profit	**-47.37**	**-40.00**	**-16.67**	**-24.00**	**-12.00**	**-41.67**	**-3.45**	**-45.83**	**-27.37**
price of goods/services	**21.05**	**45.00**	**22.73**	**34.78**	**0.00**	**33.33**	**10.34**	**25.00**	**23.12**
Investment in buildings	**-12.50**	**-7.14**	**-7.69**	**18.18**	**0.00**	**-10.53**	**0.00**	**5.88**	**-1.85**
Investment in equipment/machinery	**-7.69**	**13.33**	**20.00**	**20.83**	**4.17**	**16.67**	**22.22**	**21.43**	**14.91**
Construction activity	**-20.00**	**-12.50**	**22.22**	**33.33**	**20.00**	**-66.67**	**11.11**	**16.67**	**1.54**
Exports	**-50.00**	**-80.00**	**-14.29**	**0.00**	**33.33**	**33.33**	**0.00**	**20.00**	**-12.12**
Operating Expenses	**63.16**	**26.32**	**43.48**	**56.00**	**29.17**	**50.00**	**46.43**	**58.33**	**46.77**

EASTERN CARIBBEAN CENTRAL BANK

BUSINESS OUTLOOK SURVEY

Half-Year Ending: July to December 2011

Country ____________________

The Business Outlook survey is designed to collect information on business opinions regarding the future state of their business and the local economy in order to assess economic trends. Individual responses will not be published or quoted.

GENERAL INFORMATION

Q1. Company Name : ____

Q2. Company Address: ____

____

______________________ Phone ________________

Q3. Name of interviewee: ____

Q4. Designation: ____

Q5. Email address: ____

Q6. How many employees are in your company?

1. ☐ 1 – 20 2. ☐ 21 - 50 3. ☐ 51 - 100 4. ☐ 101 – 200 5. ☐ Over 200

Q7. What is the **main** economic activity of your business?

1. ☐ Quarrying
2. ☐ Manufacturing
3. ☐ Construction
4. ☐ Wholesale and Retail
5. ☐ Hotels and Restaurants
6. ☐ Road Transport
7. ☐ Sea Transport
8. ☐ Air Transport
9. ☐ Communication
10. ☐ Agriculture
11. ☐ Banks
12. ☐ Insurance
13. ☐ Other Financial Institutions
14. ☐ Other Services:
    Please specify__________

I. BUSINESS CONDITIONS

These questions relate to your thoughts on the business conditions in the local economy.

Actual Performance

Q8. How did **general business conditions** change over the period July to December 2010 compared with July to December 2009?

1.☐ Improved 2.☐ Remained the same 3.☐ Deteriorated

Q9. How did **business conditions in your sector** change over the period July to December 2010 compared with July to December 2009?

1.☐ Improved 2.☐ Remained the same 3.☐ Deteriorated

Q10. Compared with performance in July to December 2010, did the following variables in your business increase, remain the same or decrease in **July to December 2009**?

i. Number Employed

1.☐ Increased 2.☐ Remained the same 3.☐ Decreased

ii. Sales (i.e. volume not revenue)

1.☐ Increased 2.☐ Remained the same 3.☐ Decreased

iii. Profit

1.☐ Increased 2.☐ Remained the same 3.☐ Decreased

iv. Price of finished goods/services

1.☐ Increased 2.☐ Remained the same 3.☐ Decreased

v. Investment in buildings

1.☐ Increased 2.☐ Remained the same 3.☐ Decreased

vi. Investment in equipment/machinery

1.☐ Increased 2.☐ Remained the same 3.☐ Decreased 99 ☐ N/A

vii. Construction activity

1.☐ Increased 2.☐ Remained the same 3.☐ Decreased 99 ☐ N/A

viii. Exports(i.e. volume not revenue)

1.☐ Increased 2.☐ Remained the same 3.☐ Decreased 99 ☐ N/A

ix. Operating Expenses

1.☐ Increased 2.☐ Remained the same 3.☐ Decreased 99 ☐ N/A

Comments: ____

Outlook

Q11. How do you expect the general business conditions to change in the period July to December 2010 compared with July to December 2009?

1.☐ Improve 2.☐ Remain the same 3.☐ Deteriorate

Q12. How do you expect the business conditions in your sector to change in the period July to December 2010 compared with July to December 2009

1.☐ Improve 2.☐ Remain the same 3.☐ Deteriorate

Q13. Compared with the performance in July to December 2009, do you expect the following variables in your business to increase, remain the same, or decrease in July to December 2010?

i. Number Employed

1.☐ Increased 2.☐ Remained the same 3.☐ Decreased

ii. Sales (i.e. volume not revenue)

1.☐ Increased 2.☐ Remained the same 3.☐ Decreased

iii. Profit

1.☐ Increased 2.☐ Remained the same 3.☐ Decreased

iv. Price of finished goods/services

1.☐ Increased 2.☐ Remained the same 3.☐ Decreased

v. Investment in buildings

1.☐ Increased 2.☐ Remained the same 3.☐ Decreased 99 ☐ N/A

vi. Investment in equipment/machinery

1.☐ Increased 2.☐ Remained the same 3.☐ Decreased 99 ☐ N/A

vii. Construction activity

1.☐ Increased 2.☐ Remained the same 3.☐Decreased 99 ☐N/A

viii. Exports (i.e. volume not revenue)

1.☐ Increased 2.☐ Remained the same 3.☐Decreased 99 ☐N/A

ix. Operating Expenses

1.☐ Increased 2.☐ Remained the same 3.☐Decreased 99 ☐N/A

Comments: ____

II. CREDIT MARKET CONDITIONS AND INVESTMENTS

Actual Performance

Q14. Which method of funding do you usually use for working capital? (Rank in order of importance. 1 being the most important)

_____ Cash *(qcash)*
_____ Credit cards *(qcredit)*
_____ Retained earnings *(qre)*
_____ Overdraft *(qod)*
_____ Loan *(qloan)*
_____ Other *(qother)*

Comments: ____

Q15. A. Did you apply for lines of credit or use any form of credit from commercial banks or non-bank financial institutions (such as credit unions and development banks) during the period **July to December 2010**?

1. ☐Yes 2. ☐No → (If no, skip to Question 20)

Q15.B. If your answer to Part A is "**yes**" indicate by ticking which of the following is applicable

- ☐ Credit Card (qcredit)
- ☐ Loans (qloans)
- ☐ Overdraft (qoverdraft)
- ☐ Other (please specify) _______________

Q15.C. What were the reasons for the demand for credit?

i. ☐ Financing needs for fixed assets
ii. ☐ Financing needs for inventories and working capital
iii. ☐ Financing needs for debt restructuring
iv. ☐ Other (please specify): _______________

Q16. How many applications for lines of credit did you submit during the period **July to December 2010?**

Number of applications _____

Q17. Were your lines of credit approved?

1. ☐Yes, all 2. ☐Yes, some 3. ☐No

Q18. If none or some of the applications were approved, what were the main reasons given to you by your lending institution for non-approval? (*Tick all where applicable*)

i. ☐ Incomplete proposals
ii. ☐ Inadequate collateral
_ iii. ☐ Inadequate equity
iv. ☐ Inadequate cash flow
v. ☐ Project not financially viable
vi. ☐ Inappropriate management
vii. ☐Other (please specify):

Q19. How do you think the terms and conditions for credit have changed during the period **July to December** 2010?

1. ☐ Tightened significantly 3. ☐ Remained the same 5. ☐ Eased significantly
2. ☐ Tightened somewhat 4. ☐ Eased somewhat 6. ☐ N/A- First Application

Comments: ______________________________

Q20. A. Has your business invested in any financial products during the period **January to June 2010?**

1. ☐ Yes 2. ☐ No → (If no, skip to Question 21)

Q20. B. What financial products has your business invested in during the period **January to June 2010?**

i. **Government Securities** ☐ *(if ticked, please* specify below)

i.a. Were securities purchased from governments of the Eastern Caribbean?

1. ☐ Yes (if yes, please specify below) 2. ☐ No

i.a.1. ☐ On the Regional Government Securities Market (RGSM)
i.a.2. ☐ Outside of the RGSM

i.b. Were securities purchased from other governments outside of the Eastern Caribbean?

1. ☐ Yes (if yes, please specify below) 2. ☐ No

ii. Corporate bonds ☐

iii. Corporate Securities (Shares) ☐ (please specify below)

iii.a. Were shares purchased in companies in the Eastern Caribbean?

1. ☐ Yes (if yes, please specify below) 2. ☐ No

iii.a.1. ☐ On the Eastern Caribbean Stock Exchange (ECSE)
iii.a.2. ☐ Outside of the ECSE

iii.b. Were shares purchased in companies outside of the Eastern Caribbean?

1. ☐ Yes (if yes, please specify below) 2. ☐ No

iv. Fixed deposits in commercial banks ☐

v. Mutual Funds ☐

vi. Insurance companies annuities ☐

vii. Other (please specify): ______________

Outlook

Q21. Is your business considering applying for lines of credit from commercial banks or non-financial institutions (such as credit unions and development banks) during the period **July to December 2010**?

1. ☐ Yes 2. ☐ No

Q22. How do you expect the terms and conditions for credit to change over the period **July to December 2010?**

1. ☐ Tighten significantly
2. ☐ Tighten somewhat
3. ☐ Remain the same
4. ☐ Ease significantly
5. ☐ Ease somewhat

Comments: ____

Q23. A. Is your business considering investing in any financial products during the period **July to December 2010**?

1. ☐ Yes 2. ☐ No →(If no, skip to Question 24)

Q23.B. What financial products is your business considering investing in during the period **July to December 2010?**

i. ☐ Government Securities
ii. ☐ Corporate bonds
iii. ☐ Corporate Securities (Shares)

iv. ☐ Fixed deposits in commercial banks
v. ☐ Mutual Funds
vi. ☐ Insurance companies annuities
vii. ☐ Other (please specify): _______________

GENERAL QUESTIONS:

Q24. During the period **July to December 2010,** how do you rate the facilitation of your business transactions by**:**

i. Government agencies

1. ☐ Excellent 2. ☐ Good 3. ☐ Fair 4. ☐ Poor 99. ☐ N/A

ii. Suppliers

1. ☐ Excellent 2. ☐ Good 3. ☐ Fair 4. ☐ Poor 99. ☐ N/A

iii. Banks and other non-bank financial institutions (such as credit unions and development banks)

1. ☐ Excellent 2. ☐ Good 3. ☐ Fair 4. ☐ Poor 99. ☐ N/A

Comments: ____

Q25. A. What are the **three** main **problems/challenges** for your business at this time? ***Rank by order of importance.*** *1 being most important and 3 being least important***.**

i.	____Low sales turnover	xi.	____Freight cost
ii.	____Lack of skilled employees	xii.	____Competition from local firms
iii.	____Cash flow/debts/receivables	xiii.	____Total tax burden
iv.	____Interest rates	xiv.	____Crime and security
v.	____Utility rates	xv.	____Bad weather
vi.	____Public sector bureaucracy	xvi.	____Price of oil
vii.	____Wage costs	xvii.	____External competition
viii.	____Shortage of supplies	xviii.	____US economic performance
ix.	____Access to finance	xix	____Credit from Suppliers`
x.	____Inflation	xx.	____Transportation and Distribution
xxi.	____Other (please specify):		

Q25. B. What measures have you taken to address the three main problems identified above?

Comments: ____

Q26. What measures, if any, has your company taken to become more cost effective/competitive?

i. ☐ Purchase of more energy efficient appliances/machines

ii. ☐ Greater use of solar energy

iii. ☐ Bulk purchase of goods and materials

iv. ☐ Fewer delivery runs in an effort to save petrol

v. ☐ Merger/partnership with similar companies

vi. ☐ Greater use of technology (computer, internet, etc)

vii. ☐ Strengthen networks throughout the Caribbean and the Diaspora

viii. ☐ Improve the accounting and record keeping practices

ix. ☐ Other (please specify): ____________________

THANK YOU FOR PARTICIPATING IN THE SURVEY