

RESULTS OF THE BUSINESS OUTLOOK SURVEY

JULY TO DECEMBER 2010



National Accounts and Balance of Payments Unit
Statistics Department

**EASTERN CARIBBEAN CENTRAL BANK
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ECCU BUSINESS OUTLOOK SURVEY
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1.0 EXECUTIVE SUMMARY

The results of the Business Outlook Survey, conducted by the Eastern Central Caribbean Bank (ECCB) in each of its member countries during the second half of 2010 indicate that, in general, economic conditions for businesses for the period January to June 2010 deteriorated compared to the corresponding period of 2009. In addition, businesses in the Eastern Caribbean Currency Union (ECCU) expect that the general conditions will continue to worsen during the period July to December 2010 when compared with the corresponding period in 2009.

The report highlights the most challenging problems identified by businesses over the period January to June 2010, such as low sales turnover and low cash flow/debts/receivables. In addition, business owners were concerned about high utility costs, the lack of skilled employees and the economic performance of the United States.

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 2010. In addition, it also gathers ex post information on the business environment for the first half of 2010.

The survey was carried out by a consultant in Anguilla and statisticians in the various statistics offices in the other member territories of the ECCU on behalf of the ECCB. A minimum of twenty-five companies¹ 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 187 completed questionnaires out of 210 were received, representing a response rate of 89.0 per cent. The response rate for the January to June 2010 survey was 91.5 per cent. An ongoing concern is the below average response rate for Dominica and efforts will be taken to rectify this issue for the surveys in 2011. Full response was achieved for Grenada, Montserrat, St Kitts and Nevis, Saint Lucia and St Vincent and the Grenadines. However, the timeliness of the data received from the consultants continues to impede the completion of the final report by the agreed deadlines to facilitate incorporation into other reports of the Bank.

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	No. Responded	Response Rate	Country Response to Total ECCU Response
Anguilla	17	68.0%	9.1%
Antigua and Barbuda	22	88.0%	11.8%
Dominica	13	52.0%	7.0%
Grenada	25	100.0%	13.4%
Montserrat	25	100.0%	13.4%
St Kitts and Nevis	27	100.0%	14.4%
Saint Lucia	33	100.0%	17.6%
St Vincent and the Grenadines	25	100.0%	13.4%
Total	187	89.0%	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.*

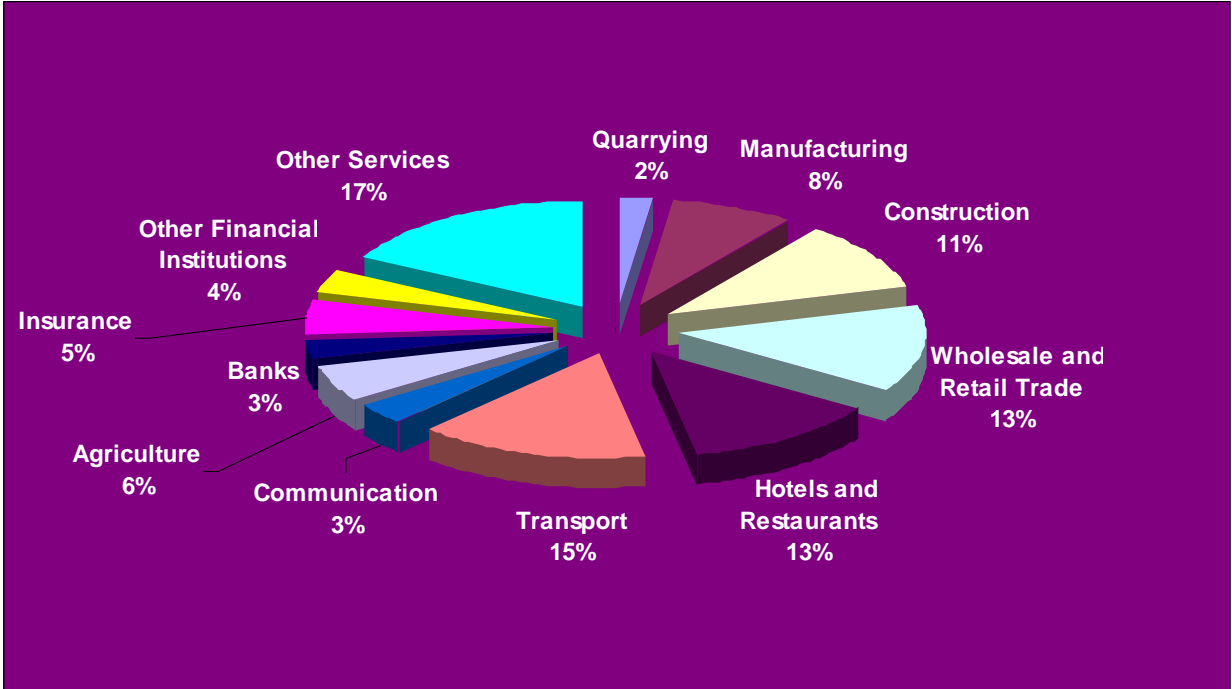
3.0 BUSINESS OPINION AT THE ECCU LEVEL

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 (15.0%), wholesale and retail trade (13.4%), hotels and restaurants (12.8%), construction (10.7%) and other Services (17.1%).

Companies that responded under Other Services include broadcasting, video production, and a tertiary education provider.

Graph 1: Responses by Economic Activity



3.2 Economic Conditions (January to June 2010)

In examining the current state of economic performance, the survey compared and reviewed the periods January to June 2010 with the corresponding period of 2009. In Table 2, the NPI of -50.3 for the ECCU suggests that, overall respondents perceived that actual *general business conditions* in the region deteriorated during the first half of 2010. It is noteworthy that this figure represents an even more pessimistic view of business conditions than what had been forecasted in the previous survey, which recorded an NPI of 0.0. The results for most of the member countries showed that, on balance, actual conditions deteriorated when compared with the outlook or expectations from the previous six-month period.

Table 2: Expected vs. Actual General Business Conditions in the ECCU: January to June 2010 compared with January to June 2010

	Expected Conditions Jan to Jun 2010	Actual Conditions Jan to Jun 2010
Country	Outlook NPI ²	Actual NPI
Anguilla	12.0	-82.4
Antigua and Barbuda	-42.9	-81.0
Dominica	6.3	-50.0
Grenada	0.0	-64.0
Montserrat	8.0	-56.0
St Kitts and Nevis	12.5	-48.1
Saint Lucia	-9.5	-13.0
St. Vincent and the Grenadines	8.3	-25.0
ECCU	0.0	-50.3

Table 2 also highlights the disparity between the expected and actual NPIs for the ECCU member countries for the period January to June 2010. Business sentiment can be considered to have eroded since the January to June business outlook survey which recorded an NPI of 0.0 with respect to business expectations for the first six months of 2010. All countries with the exception of Antigua and Barbuda (-42.9) and Saint Lucia (-9.5) expected business conditions to improve. However, all countries reported conditions to be worse than what was expected, with negative NPIs being recorded for all. The countries which were most pessimistic about their conditions were Anguilla (-82.4), Antigua and Barbuda (-81.0) and Grenada (-64.0). The major factors cited that contributed to the further deterioration in business sentiments in the ECCU member countries are provided in Table 3. The factors include the global economic conditions, increase in prices and a decline in the volume of sales of goods and services.

² The January to June 2010 Outlook NPI is based on data from the BOS Survey for January to June 2010.

Table 3: Main Reasons for Negative Business Sentiment over the Period January to June 2010

	Comments from Individual Businesses
Pessimistic	<ul style="list-style-type: none"> • Conditions deteriorated due to global economic conditions. • The inability of most of our small customers to continue to buy in volume or on credit was of major concern. • Tried not to lay off employees. Hence, whatever profit made was used to pay wages. • Freight and raw materials cost increased. • Increase in airfare. • Due to the decline of the world economy and government policies, our business has decreased or deteriorated considerably. • Because of the economic downturn and competition from foreign contractors. • Due to the economic downturn worldwide, people do not have a large cash flow; they limit their spending and the presence of VAT makes it difficult for business. • Fuel has increased considerably. Cannot increase prices as business is slow. • Decline in the global economy. Packages are cheaper to Cuba and the Dominican Republic. Longstanding customers are having financial difficulties and are cancelling. • Sales volume decreased. • Rates were changed, leading to a decline in revenue. To keep customers on the network, more calls and minutes were given than last year, thus eroding revenue.
Optimistic	<ul style="list-style-type: none"> • Sales increased due to cricket tournament. • The carnival brought in a lot of business

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 -44.9 for the period January to June 2010 compared with the corresponding period in 2009. A further analysis by industry reveals that companies in the agriculture, wholesale and retail and

Construction industries felt that they experienced the poorest performance for the first half of 2010 (Table 4). Some of the major factors influencing this outturn include the slow recovery of the global economy, the reduction of sales volumes and the increase in the prices of raw materials. The manufacturing sector reported an improvement in business conditions in their sector, recording an NPI of 7.1.

**Table 4: Actual Business Conditions in the ECCU by Industry
January to June 2010**

Industry	Actual NPI	No. of Firms in Industry
Manufacturing	7.1	15
Construction	-65.0	20
Wholesale and Retail Trade	-76.0	25
Hotels and Restaurants	-41.7	24
Transport	-53.6	28
Communication	-50.0	6
Agriculture	-100.0	11
Banks and Insurance	-40.0	15
Other Financial Institutions	-57.1	7
Other Services	-3.2	32

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 2010 compared with the corresponding period in 2009. Table 5 displays the results of some key business indicators at the country level.

On balance, the following were observed:

- The net balance of opinion for the employment indicator was -16.1 overall, implying that businesses saw a decrease in their employment numbers over the first half of 2010 compared with the corresponding period in 2009. Employment sentiment was negative in all countries with the worst outturn reported in Anguilla with an NPI of -41.2 followed by Grenada with an NPI of -32.0. Both countries were severely impacted by the slowdown in construction and tourism activity.

- *Sales performance by volume* deteriorated further in January to June 2010 compared with the first half of 2009. The ECCU's NPI for this indicator was -37.5, driven by negative sentiments expressed in all territories. Among the countries, Antigua and Barbuda and Grenada had the worst deterioration in sales performance, with NPIs of -60.0 and -56.0 respectively.
- 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 -50.0 for this indicator (Table 5). This result was driven by the negative sentiments expressed in all territories, with Antigua and Barbuda, Grenada and Anguilla being the gloomiest. This situation reflected a significant deterioration from the January to June 2010 BOS where the businesses, although pessimistic about their *expected* profit levels for the first half of 2010, were less pessimistic with only an NPI of -8.9 being reported. (See Table 23 in Appendix I).
- *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 -15.9. This was attributed to the negative NPIs expressed in all the member countries with the exception of Montserrat, St Vincent and the Grenadines and Dominica. The positive NPI of 25.0 reported in Dominica is partially attributed to the on-going housing construction and airport construction in the island. Montserrat and St Vincent and the Grenadines both reported an NPI of 0.0. Among the other member countries, the highest negative NPI was reported in Anguilla with an NPI of -57.1 followed by Antigua and Barbuda and Grenada with NPIs of -20.0 and -16.7 respectively. It is interesting to note that this outcome coincides with the estimates reflected in the January to June GDP index compiled for the countries.
- *Exports*, a primary source of foreign exchange earnings, were viewed to have decreased over the period January to June 2010 relative to the corresponding period in 2009. This was driven by negative business sentiments in all member territories except

St Vincent and the Grenadines (20.0) and Grenada (0.0). Interestingly though, domestic exports for both these member countries declined during the review period compared with the corresponding period of 2009. At the industry level, negative sentiments were expressed in respect of the export performance of six of the ten industries namely: agriculture (-100.0), transport (-37.5), construction (-33.3), wholesale and retail (-33.3) and manufacturing (-30.0). The remaining industries, that is, hotels and restaurants, banks and insurance, and other financial institutions, all had an NPI of 0.0. This indicated that business sentiments were equally mixed.

Along with the negative sentiments expressed for most business indicators during the period January to June 2010 compared with the corresponding period in 2009, ***Operating Expenses*** still appear to be a deterrent for businesses to expand into new products and services in the ECCU economy; approximately 55.0 percent of business opined that overall costs are still at an elevated level. Overall, the actual operating expenses³ in the ECCU in the first half of 2010 were viewed to have increased with an NPI of 40.2.

**Table 5: Actual Performance in Selected Business Variables by *Country*:
January to June 2010 Compared with January to June 2009**

Indicator	Anguilla	Antigua and Barbuda	Dominica	Grenada	Montserrat	St Kitts and Nevis	Saint Lucia	St Vincent and the Grenadines	ECCU
Number employed	-41.2	-23.8	0.0	-32.0	-8.0	-14.8	-1.1	-12.5	-16.1
Sales (i.e. volume not \$revenue)	-44.4	-60.0	-50.0	-56.0	-32.0	-44.4	-10.0	-12.5	-37.5
Profit	-64.7	-81.0	-53.8	-60.0	-48.0	-48.1	-20.5	-20.8	-50.0
price of goods/services	29.4	14.3	37.5	36.0	4.0	22.2	0.0	20.8	17.7
Investment in buildings	-20.0	-20.0	66.7	10.0	0.0	9.5	-1.7	12.5	2.7
Investment in equipment/machinery	11.1	22.2	14.3	12.0	27.3	14.8	8.7	44.4	19.3
Construction activity	-57.1	-20.0	25.0	-16.7	0.0	-11.1	-12.9	0.0	-15.9
Exports	-50.0	-66.7	-50.0	0.0	-33.3	-25.0	-41.2	20.0	-43.2
Operating Expenses	28.6	61.9	54.5	40.0	80.0	18.5	22.9	13.0	40.2

³ For Operating Expenses or the cost of doing business an increase is considered a negative sentiment and vice versa

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 tightening⁴ in the first half of 2010. This is reflected in an NPI of -51.4. *The main reasons advanced for the tightening in credit market conditions are the global economic outlook and risk averseness of the banking industry.*

When compared with the results from the Credit Market Conditions Survey for January to June 2010⁵, senior loans officers confirmed that lending terms and conditions for all types of loans tightened. The main factors cited were the risk related to general economic conditions and the deterioration in asset quality.

The BOS also revealed that the majority of businesses surveyed (80.1 per cent) did not apply to banks and non-bank financial institutions for loans during the first half of 2010⁶. However, of those who did apply, they did so mainly to finance the purchase of fixed assets (21.6 per cent), to meet inventory and working capital needs (51.4 per cent) and to restructure debt⁷ (16.2 per cent). 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 needs⁸.

In respect of the outlook for credit market conditions for the second half of 2010, most businesses anticipate tight conditions to persist, but to a lesser extent than the conditions that existed over the first half of 2010; this is evidenced by the NPI of -24.9.

⁴ Table 12: Appendix I

⁵ A survey of the opinions of Senior Loans Officers in the Commercial Banks of the ECCU

⁶ Table 13: Appendix I

⁷ Table 14: Appendix I

⁸ Table 15: Appendix I

Table 6: Changes in Terms and Conditions for Credit During the Period July to December 2010

	Number	Percentage
Tighten significantly	27	14.6
Tighten somewhat	50	27.0
Remain the same	77	41.6
Ease significantly	2	1.1
Ease somewhat	29	15.7
Total	185	100.0
Net Percentage Indicator		-24.9

4.0 FORECAST FOR JULY TO DECEMBER 2010

The survey revealed that, in general, businesses are pessimistic about the general economic conditions for the second half of 2010, compared with the corresponding period in 2009 (Table 7).

Table 7: Expectations for General Business Conditions over the Period July to December 2010 Compared with July to December 2009

	Number	Percentage
Improve	53	28.3
Remain the same	57	30.5
Deteriorate	77	41.2
Total	187	100.0
Net Percentage Indicator	-24	-12.8

At the ECCU level, 28.3 per cent of the businesses surveyed indicated that they anticipate that general business conditions would improve in the second half of 2010, while 41.2 per cent expect business conditions to deteriorate. Of the total, 30.5 per cent expect conditions to remain the same. This resulted in an overall NPI of -12.8 for the region, reflecting the overall negative business sentiment for the second half of 2010.

**Table 8: Expectations for General Business Conditions by Country:
July to December 2010 Relative to July to December 2009**

Country	Expected NPI
Anguilla	-17.7
Antigua and Barbuda	-42.9
Dominica	-23.1
Grenada	0.00
Montserrat	0.00
St Kitts and Nevis	-40.7
Saint Lucia	9.4
St. Vincent and the Grenadines	-12.0
ECCU	-24.0

As shown in Table 8, survey respondents in five of the ECCU member countries are generally pessimistic about their prospects for the second half of 2010, with the most negative NPIs being recorded for Antigua and Barbuda (-42.9), St Kitts and Nevis (-40.7), Dominica (-23.1), Anguilla (-17.7) and St Vincent and the Grenadines (-12.0). Grenada and Montserrat each recorded an NPI of 0.0 indicating equally mixed sentiments about future business conditions. Saint Lucia was the only country that recorded a positive NPI of 9.4. However, the high negative NPI for Dominica and Anguilla should be treated with caution, given the low response rates for these member countries. 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 2010

	Comments from Individual Businesses
Optimistic	<ul style="list-style-type: none"> • Hoping things work out for the better, keep people employed and see growth. • Expecting more business and are doing promotions. • Hoping business will improve judging by the track record over the years. Only locals are purchasing properties but on completion of the international airport, we hope to get overseas investors.

	Comments from Individual Businesses
Pessimistic	<ul style="list-style-type: none"> • Producing less operation and it is likely to close down by year end. • The economy is dead. Things usually pick up in December but we have to wait and see what this year brings. • The outlook is grim. We have just lost one of our best aircrafts. There are restrictions on the type of aircraft that can go into the Grenadines.

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 2010, expectations are generally negative for the ECCU as a whole when compared with July to December 2009 (Table 10). Businesses are pessimistic about their sales performance and expect further deterioration in their profit performance relative to the second half of 2009. With respect to exports, St Vincent and the Grenadines, Antigua and Barbuda and Anguilla expect a decline in performance while Grenada, Montserrat and St Kitts and Nevis are optimistic about their exporting prospects during the outlook period.

**Table 10: Expected Performance in Selected Business Variables by Country:
July to December 2010 Compared with July to December 2009**

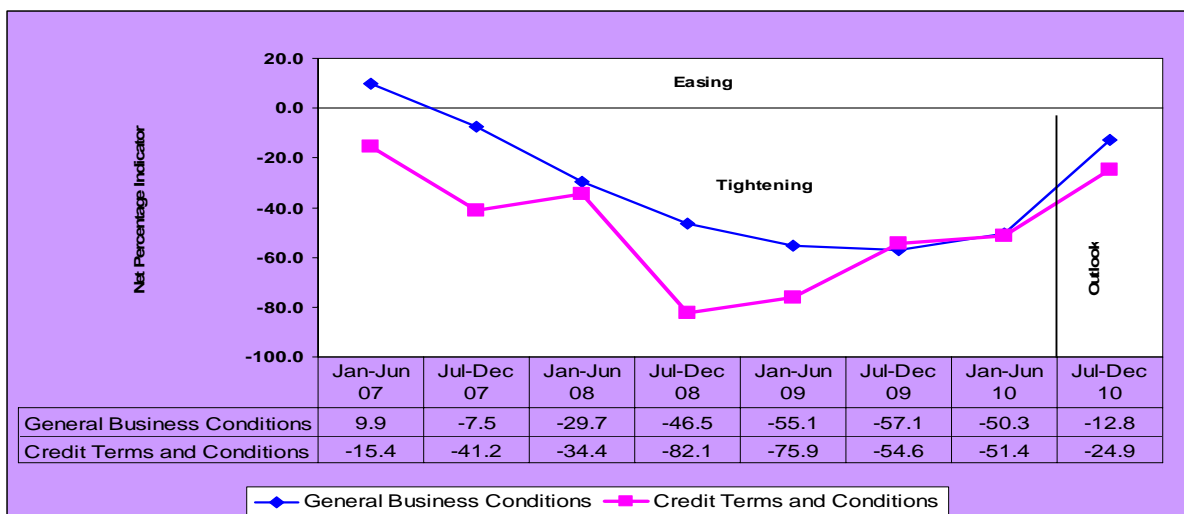
Indicator	Anguilla	Antigua and Barbuda	Dominica	Grenada	Montserrat	St Kitts and Nevis	Saint Lucia	St Vincent and the Grenadines	ECCU
Number employed	-25.0	-42.9	-7.7	0.0	-20.0	-11.1	6.2	-8.0	-10.2
Sales (i.e. volume not \$revenue)	-22.2	-55.0	-25.0	16.0	0.0	-22.2	24.6	0.0	-2.7
Profit	-35.3	-81.0	-30.8	0.0	-16.0	-51.9	23.2	-28.0	-21.4
price of goods/services	18.8	19.0	27.3	20.0	-4.0	14.8	9.9	16.0	16.2
Investment in buildings	11.1	-5.9	40.0	14.3	-33.3	5.0	6.8	14.3	8.4
Investment in equipment/machinery	30.0	5.0	16.7	20.8	8.3	25.9	11.0	60.0	21.6
Construction activity	-20.0	-27.3	50.0	66.7	-66.7	-12.5	-5.7	-40.0	-10.8
Exports	-20.0	-28.6	0.0	100.0	50.0	25.0	0.0	-40.0	-3.1
Operating Expenses	0.0	42.9	50.0	44.0	4.3	11.1	25.0	0.0	23.9

5.0 TRENDS IN BUSINESS SENTIMENTS AND CREDIT TERMS AND CONDITIONS

An analysis of the trends in business sentiments since January to June 2007 indicates that the general business conditions have been deteriorating steadily moving from an NPI of 9.9 in January to June 2007 to an NPI of -50.3 in January to June 2010. However, for July to December 2010, the outlook shows an expectation for continued deterioration in general business conditions but to a smaller degree, with the NPI moving from -50.3 to -12.8.

The credit terms and conditions offered by the banks over the same period have generally reflected some tightening. However, after peaking at an NPI of -82.1 in July to December 2008 the NPI, although still negative, has become progressively smaller. This trend is expected to continue into the July to December 2010 period. The overall negative sentiment for credit terms and conditions for the last six months of 2010 is reflected in an NPI of -24.9, an improvement from -51.4 in the previous period. Graph 2 illustrates the trend in sentiments and credit terms and conditions, from the first half of 2007 to the second half of 2010.

Graph 2: Trends in Business Sentiments and Credit Conditions in ECCU



6.0 SPECIAL ISSUES

6.1 Government agencies and suppliers⁹

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 41.4 per cent of respondents rated the services provided by government agencies in the ECCU as “fair” while 37.3 per cent rated their services as “good”. This represented a decline in the sentiments previously expressed in the January to June 2010 BOS survey where 42.3 per cent of respondents rated this service as “fair” and 39.3 per cent rated it as “good”. 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 customs departments.

In general, there was an improvement in the number of businesses that were pleased with the quality of services provided by their local and foreign suppliers as well as the commercial banks. In the case of suppliers the rating moved from 57.1 per cent in the January to June 2010 survey to 63.6 per cent in the present (July to December 2010) survey. However, in the case of interaction with commercial banks, the respondents’ rating for “good” for both periods was 58.8 per cent, while the rating for “excellent” moved from 7.8 per cent to 8.5 per cent for the present 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. Making greater use of technology;
2. Improving accounting and record keeping practices;
3. Purchasing materials in bulk;
4. Using more energy efficient appliances/machines; and
5. Reducing delivery runs in an effort to save gasoline/diesel.

⁹ Table 18 – Appendix I

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 three main problems/challenges facing businesses, the top two, the low sales turnover and cash flow/debts/receivables were repeated from the last business survey. For the July to December 2010 survey, the additional challenge cited was the cost of utility rates. More businesses have expressed concerns in this survey about high utility costs. This replaced concerns about credit from suppliers, which ranked 14th in current survey. Among the other challenges, the lack of skilled employees, the lackluster US economic performance, the high price of oil and crime and security are of great concern for businesses (see Table 19 for further details).

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

Rank	Problem	Suggested Solutions from Individual Businesses
1	Low sales turnover	<ul style="list-style-type: none"> • Continuous marketing and promotions to generate sales activities and to maintain market share. • Continue communication with government authorities • Competitive pricing
2	Cash flow/Debts	<ul style="list-style-type: none"> • Adapt stringent debt management policies to manage current level of receivables • Secure assistance with collections • Review debt collection strategies • Dialogue with customers and suppliers on subject matters seeking to find workable solution for mutual benefits.
3	Utility rates	<ul style="list-style-type: none"> • Reduce/recycle and reuse in energy, water and materials. • Institute timers, light saving devices and use of generator during peak time.

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 2010 deteriorated further than had been expected. Moreover, further deterioration is expected in the last six months of 2010. Credit conditions were also viewed to have tightened over the first half of 2009. Further tightening is anticipated over the period July

to December 2010, but the degree of tightening is expected to be less than in the previous period.

APPENDIX I

Table 12. Change in terms and conditions on Business Loans during period January to June 2010		
	Number	Percent
Tightened significantly	10	27.03
Tightened somewhat	12	32.43
Remained the same	12	32.43
Eased significantly	3	8.11
Eased somewhat	0	-
Total	37	100.00
Net Percentage	-19	(51.4)

Table 13: Applied for business loans from banks and non-bank financial institutions during the first six months of 2010		
	Number	Percent
Yes	37	19.89
No	149	80.11
Total	186	100.00

Table 14: Of those who applied for business loans, reasons for demand for loans		
	Number	Percent
Financing needs for fixed assets	8	21.62
Financing needs for inventories and working capital	19	51.35
Financing needs for debt restructuring	6	16.22
Other	5	13.51
No Response	0	-

Table 15: Method of payment usually used for working capital						
	Top 1	Top 2	Top 3	Top 4	Top 5	Overall
Cash	112	32	12	0	0	1
Credit cards	3	15	12	8	5	5
Retained earnings	14	29	14	8	4	3
Overdraft	42	38	10	3	4	2
Loan	12	24	20	11	7	4
Other	5	2	4	0	0	6

Table 16: Financial Products invested in by businesses during the period January to June 2009

	Number	Percent
Securities purchased from Governments of the ECCU	11	57.89
Corporate Bonds purchased from companies within the ECCU	5	26.32
Corporate Securities purchased from companies within the ECCU	4	21.05
Fixed Deposits by commercial Banks	6	31.58
Insurance companies annuities	1	5.26
Other	1	5.26

Table 17: Expected Performance in Selected Business Variables by Sector: July to December 2010 Compared with July to December 2009

	Manufacturing	Construction	Wholesale & Retail Trade	Hotels & Restaurants	Transport	Communication	Agriculture	Banks & Insurance	Other Financial Institutions	Other Services
Number employed	-13.3	-30.0	0.0	-16.7	-10.7	0.0	-18.2	-6.7	-14.3	9.4
Sales (i.e. volume not \$revenue)	6.7	-25.0	-24.0	16.7	3.6	-33.3	-36.4	-13.3	20.0	28.1
Profit	0.0	-45.0	-32.0	-8.3	-17.9	-33.3	-63.6	-20.0	-28.6	0.0
price of goods/services	26.7	-10.0	48.0	12.5	25.0	-16.7	27.3	0.0	16.7	12.5
Investment in buildings	25.0	7.1	20.0	21.4	15.4	0.0	25.0	-25.0	-25.0	0.0
Investment in equipment/machinery	30.0	18.8	26.7	20.0	31.3	0.0	30.0	0.0	-33.3	30.8
Construction activity	0.0	-22.2	-16.7	-25.0	25.0	0.0	33.3	-25.0	0.0	-8.3
Exports	0.0	33.3	-33.3	0.0	-40.0	0.0	50.0	0.0	0.0	-20.0
Operating Expenses	21.4	0.0	33.3	41.7	22.2	-33.3	36.4	64.3	14.3	16.7

Table 18. Rating of the facilitation of business transactions by government agencies and suppliers during the period January to June 2010

Rating	Government		Suppliers		Banks and other non-bank institutions	
	Number	Percent	Number	Percent	Number	Percent
Excellent	5	3.0	12	7.3	13	8.5
Good	63	37.3	105	63.6	90	58.8
Fair	70	41.4	47	28.5	45	29.4
Poor	31	18.3	1	0.6	5	3.3
Total	169	100.0	165	100.0	153	100.0

Table 19. Three main problems challenging your business				
	Top 1	Top 2	Top 3	Overall Rank
Low sales turnover	58	18	14	1
Lack of skilled employees	13	16	8	4
Cash flow/debts/receivables	29	34	13	2
Interest Rates	5	4	7	12
Utility rates	12	16	22	3
Public sector bureaucracy	3	8	6	11
Wage Costs	2	4	8	17
Shortage of supplies	2	4	2	19
Access to finance	3	2	7	18
Regulation of paper work	3	10	8	9
Inflation	2	7	3	15
Competition from local firms	10	7	17	6
Total Tax burden	5	5	2	13
Crime and security	7	7	11	7
Bad weather	4	2	7	15
Price of oil	7	8	9	7
External competition	6	5	6	10
US economic performance	13	15	10	4
Credit from Suppliers	0	1	4	20
US economic growth	0	2	2	20
Credit from Suppliers	5	3	3	14

**Table 20: Expected Performance in Selected Business Variables by Country:
July to December 2010 Compared with July to December 2009**

Indicator	Anguilla	Antigua and Barbuda	Dominica	Grenada	Montserrat	St Kitts and Nevis	Saint Lucia	St Vincent and the Grenadines	ECCU
Number employed	-25.0	-42.9	-7.7	0.0	-20.0	-11.1	6.2	-8.0	-10.2
Sales (i.e. volume not \$revenue)	-22.2	-55.0	-25.0	16.0	0.0	-22.2	24.6	0.0	-2.7
Profit	-35.3	-81.0	-30.8	0.0	-16.0	-51.9	23.2	-28.0	-21.4
price of goods/services	18.8	19.0	27.3	20.0	-4.0	14.8	9.9	16.0	16.2
Investment in buildings	11.1	-5.9	40.0	14.3	-33.3	5.0	6.8	14.3	8.4
Investment in equipment/machinery	30.0	5.0	16.7	20.8	8.3	25.9	11.0	60.0	21.6
Construction activity	-20.0	-27.3	50.0	66.7	-66.7	-12.5	-5.7	-40.0	-10.8
Exports	-20.0	-28.6	0.0	100.0	50.0	25.0	0.0	-40.0	-3.1
Operating Expenses	0.0	42.9	50.0	44.0	4.3	11.1	25.0	0.0	23.9

Table 21: Number of employees in company		
Range	Number	Percent
1 - 20	89	47.6
21 - 50	38	20.3
51 - 100	29	15.5
100 - 200	15	8.0
Over 200	16	8.6
Total	187	100.0

Table 22. Measures taken by businesses to become more cost effective/competitive			
	Number	Percent	Rank
Purchase of more energy efficient appliances/machines	59	32.4	4
Greater use of solar energy	18	9.9	8
Bulk purchase of goods and materials	86	47.3	3
Fewer delivery runs in an effort to save gasoline/diesel	45	24.7	5
Merger/partnership with similar companies	12	6.6	9
Greater use of technology	113	62.1	1
Strengthen networks throughout the Caribbean and the Diaspora	34	18.7	6
Improve the accounting and record keeping practices	100	54.9	2
Other	22	12.1	7

**Table 23: Expected performance in Selected Business Variables by *Country*:
January to June 2010 Compared with January to June 2009 (January to June BOS**

Survey)

Indicator	Anguilla	Antigua and Barbuda	Dominica	Grenada	Montserrat	St Kitts and Nevis	Saint Lucia	St Vincent and the Grenadines	ECCU
Number employed	0.0	-33.3	0.0	12.0	0.0	-8.0	9.5	-8.3	-3.3
Sales (i.e. volume not \$revenue)	-8.0	-57.1	25.0	8.0	8.0	4.0	14.3	4.2	-0.5
Profit	-26.1	-66.7	12.5	4.0	4.2	-4.0	4.8	0.0	-8.9
price of goods/services	12.5	10.5	13.3	16.0	8.0	40.0	-4.8	0.0	12.5
Investment in buildings	0.0	0.0	0.0	9.5	-14.3	30.8	-23.5	22.2	2.0
Investment in equipment/machinery	11.8	5.9	22.2	21.7	38.9	18.2	22.2	-10.0	18.5
Construction activity	9.1	-36.4	16.7	40.0	0.0	14.3	-55.6	0.0	-6.7
Exports	0.0	-37.5	-66.7	25.0	-33.3	40.0	-25.0	83.3	0.0
Operating Expenses	32.0	25.0	14.3	36.0	64.0	26.1	22.2	-13.0	27.6



EASTERN CARIBBEAN CENTRAL BANK

BUSINESS OUTLOOK SURVEY

Half-Year Ending: July to December 2010

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 January to June 2010 compared with January to June 2009?

1. Improved 2. Remained the same 3. Deteriorated

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

1. Improved 2. Remained the same 3. Deteriorated

Q10. Compared with performance in January to June 2010, did the following variables in your business increase, remain the same or decrease in **January to June 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 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
Decreased 99 N/A

1. Increased 2. Remained the same 3.

(i.e. volume not revenue)

ix. Operating Expenses
Decreased 99 N/A

1. Increased 2. Remained the same 3.

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
Decreased

1. Increased 2. Remained the same 3.

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
 Decreased 1. Increased 2. Remained the same 3.
- v. Investment in buildings
Decreased 99 N/A 1. Increased 2. Remained the same 3.
- vi. Investment in
Decreased 99 N/A
equipment/machinery 1. Increased 2. Remained the same 3.
- vii. Construction activity
Decreased 99 N/A 1. Increased 2. Remained the same 3.
- viii. Exports
Decreased 99 N/A
(i.e. volume not revenue) 1. Increased 2. Remained the same 3.
- ix. Operating Expenses
Decreased 99 N/A 1. Increased 2. Remained the same 3.

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 **January to June 2010**?

1. Yes

2. No → (If no, go 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 **January to June 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 **January to June 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 your answer is no, please 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

- 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 **January to June 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_____
- ii. Lack of skilled employees_____
- iii. Cash flow/debts/receivables._____
- iv. Interest rates_____
- v. Utility rates_____
- vi. Public sector bureaucracy_____
- vii. Wage costs_____
- viii. Shortage of supplies_____
- xi. Freight cost_____
- xii. Competition from local firms_____
- xiii. Total tax burden_____
- xiv. Crime and security_____
- xv. Bad weather_____
- xvi. Price of oil_____
- xvii. External competition_____
- xviii. US economic performance_____

ix. Access to finance _____
x. Inflation _____

xix Credit from Suppliers _____
xx. Transportation and Distribution _____
xxi. Other _____ → (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