

RESULTS OF THE BUSINESS OUTLOOK SURVEY

JANUARY TO JUNE 2010



**NATIONAL ACCOUNTS AND BALANCE OF PAYMENTS UNIT
STATISTICS DEPARTMENT**

**EASTERN CARIBBEAN CENTRAL BANK
ST KITTS**

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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 ECCB in each of its member countries during the first half of 2010 revealed signs of optimism for economic improvement in the ECCU during the period January to June 2010. The results of the survey point to heightened confidence that an economic turnaround is *imminent*. Businesses in the ECCU expect that the general conditions will improve during the period January to June 2010 when compared with the corresponding period in 2009. However, in general, economic conditions for businesses for the period July to December 2009 were worse than expected in the ECCU.

The report highlights the most challenging problems identified by businesses over the period July to December 2009, such as low sales turnover, low cash flow/debts/receivables, and reduced credit from suppliers. In addition, business owners were concerned about the lack of skilled employees, high utility rates and the high tax burden. Compared with previous surveys, it is noteworthy that, the price of fuel was not one of top concerns cited by businesses during the latter half of 2009.

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 were 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 Senior Loan Officers Credit Market Conditions Survey, 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 first half of the year, that is, January to June 2010. In addition, it also gathers ex post information on the business environment for the second half of 2009.

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 companies in each of the member countries were 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 good cross-section of opinions in each country. Table 1 shows that a total of 183 completed questionnaires, out of a maximum of 200, were received representing a response rate of 91.5 per cent. The response rate for the July to December 2009 survey was 75.5 per cent. Full response was achieved for Anguilla, Grenada, Montserrat, St Kitts and Nevis and Saint Lucia.

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

Reponse Rate By Country		
Country	Number	Response Rate
Anguilla	25	100.0%
Antigua and Barbuda	21	84.0%
Dominica	16	64.0%
Grenada	25	100.0%
Montserrat	25	100.0%
St Kitts and Nevis	25	100.0%
Saint Lucia	21	84.0%
St Vincent and the Grenadines	25	100.0%
Total	183	91.5%

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 remained indifferent, 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.*

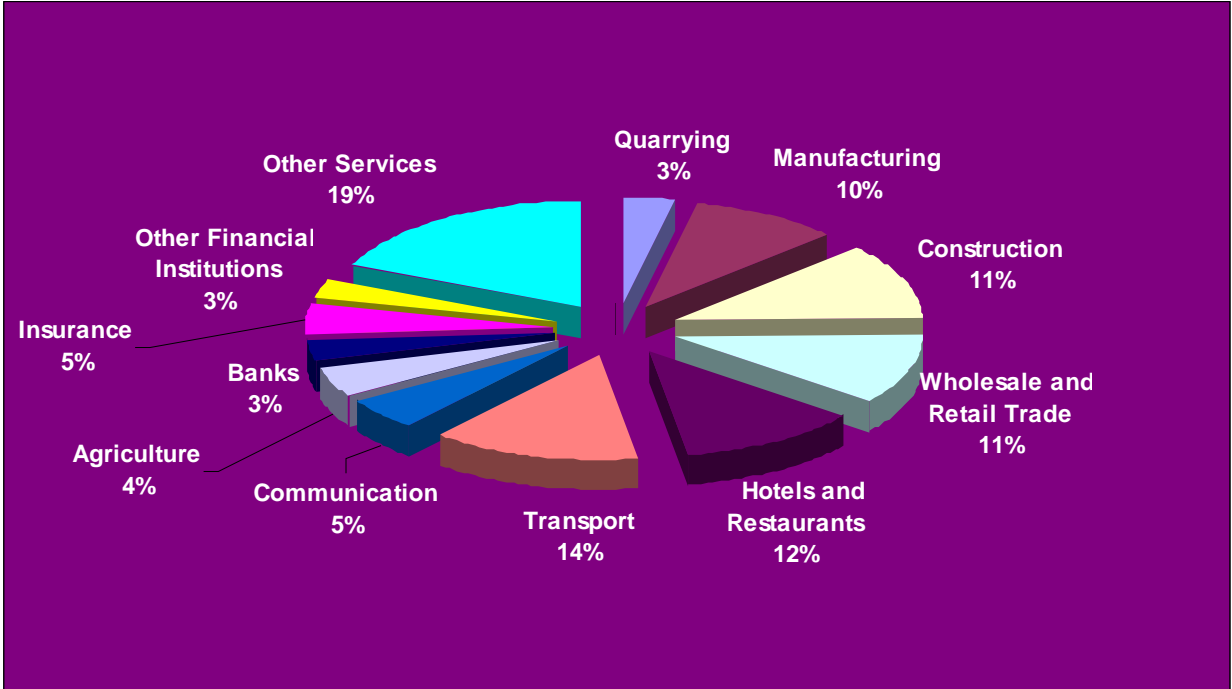
3.0 BUSINESS OPINION AT THE ECCU LEVEL

3.1 Economic Activity Profile

The companies responding to the survey represented important industries that make up the pillars of the ECCU member economies (Table 2). Some of these industries and their contribution to the total responses include: Other Services (19.0%), Transport (14.0%), Hotels and Restaurants (12.0%), Wholesale and Retail Trade (11.0%) and Construction (11.0%).

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

Graph 1: Responses by Economic Activity



3.2 Economic Conditions (July to December 2009)

In examining the current state of economic performance, the survey compared and reviewed the periods July to December 2009 with the corresponding period of 2008. In Table 2, the NPI of -57.1 for the ECCU suggests that, overall; respondents perceived that actual *general business conditions* in the region deteriorated during the second half of 2009. 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 -28.0. On balance, most respondents among the member countries felt that actual conditions deteriorated when compared with their outlook or expectations.

**Table 2: Expected vs. Actual General Business Conditions in the ECCU:
July to December 2009 and 2010**

	July to Dec 2009	July to Dec 2009
Country	Outlook NPI¹	Actual NPI
Anguilla	-56.0	-69.2
Antigua and Barbuda	-59.1	-86.4
Dominica	-26.7	-50.0
Grenada	-100.0	-76.0
Montserrat	9.1	-36.0
St Kitts and Nevis	-7.7	-32.0
Saint Lucia	-26.1	-42.9
St. Vincent and the Grenadines	-29.2	-50.0
ECCU	-28.0	-57.1

Table 2 also highlights the disparity in the expected and actual NPIs for the ECCU member countries. Business sentiment can be considered to have eroded further by the end of 2009, with most member countries recording stronger negative NPIs for general business conditions. The countries which were most pessimistic about their conditions were Antigua and Barbuda (-86.4), Grenada (-76.0)² and Anguilla (-69.2). For Montserrat, St Kitts and Nevis and Saint Lucia, the results also indicate that actual business conditions were worse than expected. The major factors cited that contributed to the further deterioration in business sentiments in the ECCU member countries are provided in Table 3. These factors include global economic conditions, and a decline in the volume of sales of goods and services.

¹ The July to December 2009 Outlook NPI is based on data from the BOS Survey for July to December 2009.

²Caveat: Results for Grenada may be skewed due to the fact that July to December 2009 survey only had 6 respondents compared with 25 respondents in the January to June 2010 survey.

Table 3: Main Reasons for Negative Business Sentiment over the Period July to December 2009

	Comments from Individual Businesses
Pessimistic	<ul style="list-style-type: none"> • Conditions deteriorated due to global economic conditions • Generally speaking there was a decline in all aspects of the business. Customers' inability to purchase in volume was a major factor. • It seems that the economic decline became real during that period. • Sales volume decreased, however in order to generate sales a high level of discount was given. • Due to increased volcanic ash, businesses have significantly increased costs. • The economic situation caused many clients to miss payments, more credit facilities were given to clients. • Worked on a rotation basis; did not increase the number of employees. • The decrease in business is due to the global economic situation. • Our problems are due mainly to the increase in oil prices, the cost of diesel and asphalt increased • People are buying less. The overseas market has decreased drastically.
Optimistic	<ul style="list-style-type: none"> • Marginal profit; just barely above breakeven.

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 -52.7 for the period July to December 2009 compared with the corresponding period in 2008. A further analysis by industry reveals that companies in the Construction, Hotels and Restaurants, and Wholesale and Retail Trade industries were the most pessimistic about their outcome for the second half of 2009 (Table 4). The banks and insurance industry recorded an NPI of -60.0, while the NPI recorded for manufacturing was -16.7. 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.

**Table 4: Actual Business Conditions in the ECCU by Industry
July to December 2009**

Industry	Actual NPI	No. of Firms in Industry
Manufacturing	-16.7	18
Construction	-76.2	21
Wholesale and Retail Trade	-75.0	20
Hotels and Restaurants	-77.1	22
Transport	-68.0	25
Communication	-41.2	9
Agriculture	-33.3	8
Banks and Insurance	-60.0	6
Other Financial Institutions	00.0	9
Other Services	-26.5	5

In respect of individual business performance, most of the surveyed businesses indicated that their sales and profits declined during the period July to December 2009 compared with the corresponding period in 2008. Table 5 displays the results of some key business indicators at the country level.

On balance, the following were observed:

- 1) The net balance of opinion for the employment indicator was -24.7 overall, implying that most businesses saw a decrease in their employment numbers over the second half of 2009 compared with the corresponding period in 2008 . Employment sentiment was negative in all countries with the highest pessimism reflected in Antigua and Barbuda with an NPI of -45.5 followed by Anguilla with a negative NPI of -36.0. Both countries were severely impacted by the slowdown in construction activity. Based on comments expressed, businesses tried to utilize their staff more efficiently through rotations and reduced work hours.

- 2) *Sales performance by volume* deteriorated further in July to December 2009 compared with the second half of 2008. The ECCU's NPI for this indicator was -53.0, driven by negative sentiments expressed in all territories. Among the countries, Anguilla and Grenada had the largest deterioration in sales performance with NPIs of -64.0 and -56.0 respectively.
- 3) The performance for *profits* was very much in line with the negative sentiments expressed for sales growth as evidenced by the ECCU's NPI for this indicator reaching -52.0. This result was driven by the negative sentiments expressed in all territories, with Antigua and Barbuda, Grenada and Anguilla being the most pessimistic. This situation reflected a further deterioration from the July to December 2009 BOS survey where the businesses were also pessimistic about their expected profit levels for the second half of 2009, as evidenced by the negative NPI of -36.1. Table 22: Appendix I.
- 4) *Construction activity*, one of the largest contributors to aggregate output, was viewed as being negative at the ECCU level, reflected in the NPI of -13.6. This was attributed to the negative NPIs expressed in Grenada and Montserrat with -40.0 each and Saint Lucia and St Kitts and Nevis with NPIs of -25.0 each. Among the other ECCU member countries, namely Dominica and St Vincent and the Grenadines conditions were seen as positive when comparing July to December 2009 with the corresponding period of 2008. These results can be attributed to the on-going housing construction and airport construction in these member countries.
- 5) *Exports*, a primary source of foreign exchange earnings, were viewed to have decreased over the period July to December 2009 relative to the corresponding period in 2008. This was driven by negative business sentiments in all member territories except St Kitts and Nevis and St Vincent and the Grenadines. Interestingly though, domestic exports for these two member countries declined during the review period compared with the corresponding period of 2008. At the ECCU level, negative

sentiments were expressed in respect of the performance of agriculture and hotels and restaurants industries.

Along with the pessimistic sentiments expressed for most business variables during the period July to December 2009 compared with the corresponding period in 2008, the *Operating Expenses* still appear to be a deterrent for businesses to expand into new products and services in the ECCU economy; approximately fifty percent of business opined that overall costs are still at an elevated level. Overall, the actual operating expenses³ in the ECCU in the second half of 2009 were viewed to have increased with an NPI of 24.7.

**Table 5: Actual Performance in Selected Business Variables by Country:
July to December 2009 Compared with July to December 2008**

Indicator	Anguilla	Antigua and Barbuda	Dominica	Grenada	Montserrat	St Kitts and Nevis	Saint Lucia	St Vincent and the Grenadines	ECCU
Number employed	-36.0	-52.4	-12.5	-16.0	-12.0	-16.0	-19.0	-33.3	-24.7
Sales (i.e. volume not \$revenue)	-64.0	-95.2	-35.3	-56.0	-37.5	-36.0	-42.9	-50.0	-53.0
Profit	-68.0	-71.4	-46.7	-72.0	-36.0	-36.0	-60.0	-20.8	-52.0
price of goods/services	-26.1	10.5	12.5	-20.0	4.0	28.0	15.0	-9.1	2.3
Investment in buildings	0.0	-25.0	20.0	5.0	42.9	14.3	-28.6	57.1	2.9
Investment in equipment/machinery	-4.8	0.0	50.0	20.8	44.4	16.7	45.0	55.6	24.7
Construction activity	-7.7	-27.3	28.6	-40.0	-40.0	-25.0	-25.0	11.1	-13.6
Exports	-66.7	-50.0	-100.0	-66.7	-33.3	50.0	-50.0	20.0	-35.0
Operating Expenses	14.8	28.6	21.4	32.0	64.0	40.0	0.0	-8.7	24.7

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 going into the first half of 2010. This is reflected in an NPI of -54.6. It should be noted that going into the second half of 2009 terms and conditions for lending appeared tighter with an NPI of -75.9. *The main reasons advanced for the tightening in credit market conditions are the global economic outlook and risk averseness of the banking industry.*

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

⁴ Table 12: Appendix I

When compared with the results from the Credit Market Conditions Survey for July to December 2009⁵, commercial banks confirmed that there was decreased demand for all categories of business loans during this period. The fall in demand for loans continued from the first half of 2009 but was more pronounced during the period July to December 2009. The degree of tightening is less for all categories of business loans in the current survey period compared with that reported in the survey which covered the first half of 2009. A few of the main factors which contributed to the decreased demand include hesitancy on the part of businesses, as most businesses expect the existing economic conditions to improve over the longer term and are cautiously optimistic for a change in the economic climate. In the January to June 2009 survey, the main contributing factors to the decreased demand were changes in consumer/business confidence and changes in the banks' terms on loans to businesses.

The BOS also revealed that the majority of businesses surveyed (76.4 per cent) did not apply to banks and non-bank financial institutions for loans during the second half of 2009⁶. However, of those who did apply, they did so mainly to finance the purchase of fixed assets (32.6 per cent), to meet inventory and working capital needs (65.1 per cent) and to restructure debt⁷ (7.0 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 changes in credit market conditions for the first half of 2010, most businesses anticipate tight conditions to persist, but to improve relative to the conditions that existed over the second half of 2009; this is evidenced by the negative NPI of -31.3.

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

⁶ Table 12: Appendix I

⁷ Table 13: Appendix I

⁸ Table 14: Appendix I

Table 6: Changes in Terms and Conditions for credit during the period January to June 2010

	Number	Percent
Tightened significantly	44	24.6
Tightened somewhat	44	24.6
Remained the same	59	33.0
Eased significantly	1	0.6
Eased somewhat	31	17.3
Total	179	100.0
Net Percentage Indicator		-31.3

4.0 FORECAST FOR JANUARY TO JUNE 2010

The survey revealed that, in general, businesses have equally mixed sentiments about the general economic conditions for the first half of 2010, compared with the corresponding period in 2009. (Table 7)

Table 7: Expectations for general business conditions over the period January to June 2010 compared with January to June 2009

	Number	Percent
Improve	59	32.6
Remain the same	63	34.8
Deteriorate	59	32.6
Total	181	100.0
Net Percentage Indicator		0.0

At the ECCU level, 32.6 per cent of the businesses surveyed indicated that they anticipate that general business conditions would improve while the same percentage expect business conditions to deteriorate in the first half of 2010. Of the total, 34.8 per cent expected conditions to remain the same. This resulted in an overall NPI of zero for the region, reflecting a mixture of uncertainty and optimism in business sentiments for the first half of 2010.

**Table 8: Expectations for General Business Conditions by Country:
January to June 2010 Relative to January to June 2009**

Country	Expected NPI
Anguilla	-22.22
Antigua and Barbuda	-57.89
Dominica	-15.38
Grenada	0.00
Montserrat	8.00
St Kitts and Nevis	12.50
Saint Lucia	-9.52
St. Vincent and the Grenadines	8.33
ECCU	0.00

As shown in table 8, survey respondents in four of the ECCU member countries are generally pessimistic about their prospects for the first half of the 2010, with the most negative NPIs being recorded for Antigua and Barbuda -57.9, Anguilla -22.2, Dominica -15.4 and Saint Lucia -9.5. Grenada recorded an NPI of zero indicating a combination of uncertainty and optimism about future business conditions. The other three countries recorded positive NPIs. Table 8 lists some of the key reasons given for the outlook for business conditions across the ECCU member countries which include prospects for economic growth in 2010 as well as concerns about the effects of the drought in some countries.

Table 9: Main Factors Driving Business Sentiment for January to June 2010

	Comments from Individual Businesses
Optimistic	<ul style="list-style-type: none"> • The global economy will turn around • The industry markets will grow in 2010 Prospects are brighter especially with US economy improving • New airlines coming in from other countries like Canada and the UK, business is looking very prosperous • Some improvement for the months of 2010 and the trend will continue • Intend to do more advertisements on the television • Deals have caused a small improvement in business. For example, every other night free or pay for 5 nights and stay for 7. Business is seeing a glimmer of hope.
Pessimistic	<ul style="list-style-type: none"> • Low sales turnover is expected to continue into the future. • Prices of imported goods increasing and so customers are reluctant to buy. • Drought posing a problem for businesses

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In respect of the projected performance of key business indicators for the first half of 2010, expectations are less negative for the ECCU as a whole when compared to January to June 2009 (Table 9). Businesses are showing signs of a movement to optimism about their sales performance and do not to expect further deterioration in their profit performance relative to the first half of 2009. With respect to exports, Antigua and Barbuda, Montserrat, Dominica and Saint Lucia expect reduced performances whilst St Vincent and Grenadines, Grenada and St Kitts and Nevis are optimistic about their exporting prospects during the outlook period. Operating expenses, a significant concern for businesses in the ECCU, are expected to decrease in St Vincent and the Grenadines.

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

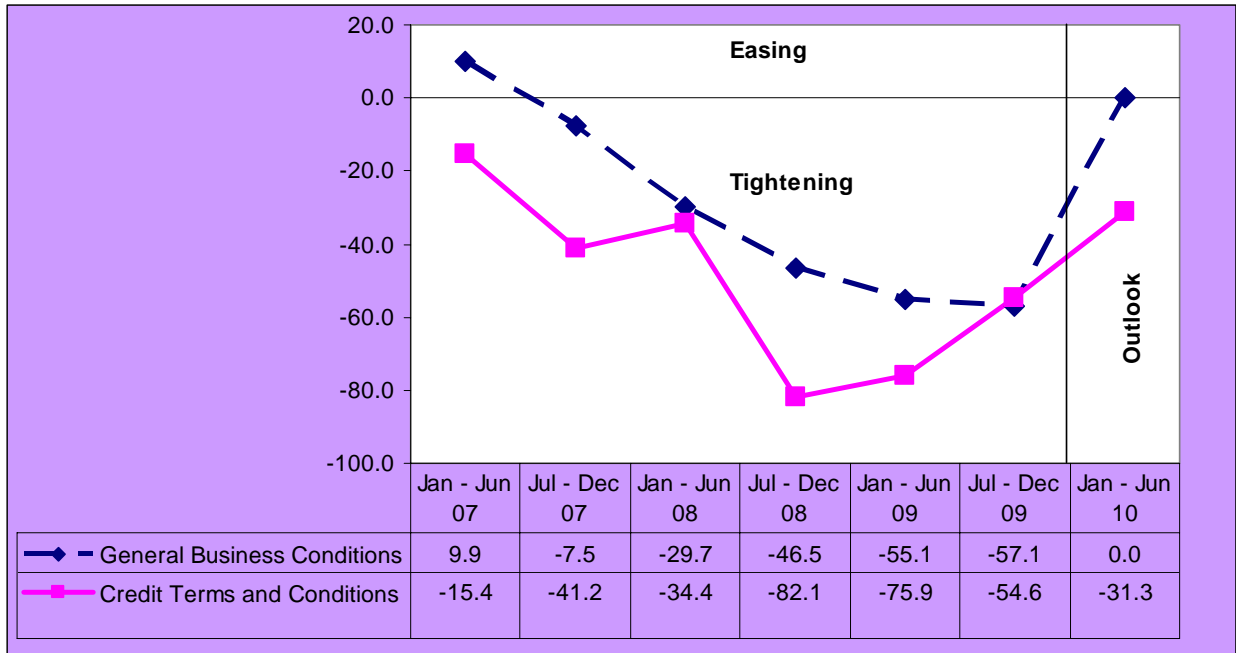
Indicator	Anguilla	Antigua and Barbuda	Dominica	Grenada	Montserrat	St Kitts and Nevis	Saint Lucia	St Vincent and the Grenadines	ECCU
Number employed	0.0	-27.3	5.9	12.0	0.0	-8.0	9.5	-8.3	-3.3
Sales (i.e. volume not \$revenue)	-8.0	-57.1	25.0	8.0	8.0	4.0	14.3	4.2	-0.5
Profit	-26.1	-66.7	12.5	4.0	4.2	-4.0	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	6.3	11.1	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	-22.2	-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

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 -57.1 in July to December 2009. However, for the January to June 2010 period, there is projected to be an improvement in business conditions with the NPI moving from -57.1 to zero.

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 there has been some relative easing in sentiments every period since then. This easing is expected to continue into the January to June 2010 period where only 24.6 per cent of the businesses expect a deterioration in their perceived ability to access better credit terms and conditions. The overall negative sentiment for credit terms and conditions for the first six months of 2010 is reflected in an NPI of -31.3, an improvement from -54.6 in the previous period. **Graph 2** illustrates the trend in sentiments and credit terms and conditions, from the first half of 2007 to the first half of 2010.

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



6.0 SPECIAL ISSUES

6.1 *Government Agencies and Suppliers*⁹

The survey also sought to solicit the views of businesses on the quality of services offered by the government agencies, suppliers and banks with whom they interact on a daily basis. Approximately 42.3 per cent of respondents rated the services provided by government agencies in the ECCU as “fair” while 39.3 per cent rated their services as “good”. This represented some improvement in the sentiments previously expressed in the July to December 2009 BOS survey. The respondents also expressed concerns about the efficacy of the public sector bureaucracy, especially as it relates to the slow rate of reimbursement from government agencies and the cost of negotiating contracts with the government.

In general, there was an improvement in the number of businesses that were pleased with the quality of services provided by both their local and foreign suppliers as well as the commercial banks. In the case of suppliers, approximately 57.1 per cent of respondents rated their services as “good”, while 58.8 percent of businesses gave a “good” rating for their interaction

⁹ Table 18 – Appendix I

with commercial banks. This is compared to the results from the previous survey¹⁰ where 51.8 per cent of respondents rated the services of their suppliers as “good” while 46.0 per cent rated their interaction with commercial banks as “good”.

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. Improving accounting and record keeping practices,
2. Making greater use of technology,
3. Purchasing materials in bulk,
4. Reducing delivery runs in an effort to save gasoline/diesel; and
5. Using 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 which negatively impact the operation of their businesses. Of the three main problems/challenges facing businesses, two were repeated from the last business survey that is, the low sales turnover and cash flow/debts/receivables. For the January to June 2010 survey, the additional challenge cited was credit from suppliers. More businesses have expressed concerns in this survey about their inability to negotiate for better credit terms with their external suppliers and transporters of their supplies. This replaced the concern of external competition which now ranks eighth. Among the other problems, the price of oil ranked 15 out of a possible 18 challenges for this survey period. See Table 18 for further details.

¹⁰ BOS Outlook Survey for July to December 2009

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"> • Reduce price of goods sold and tried involving employees in the decision making • More advertising to increase sales • Tried moving to a new location
2	Cash flow/Debts	<ul style="list-style-type: none"> • Negotiate for a lower interest rate on overdraft facility • Pay utility bills on time • Consolidate orders of raw materials within distribution chain • Contact debtors to encourage payments of debt
3	Credit from Suppliers	<ul style="list-style-type: none"> • Have more discussions with suppliers about credit terms and conditions • Tried paying off debts to suppliers and manage overdraft facilities

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 deteriorated further than what was expected during the period July to December 2009. However, an improvement in the business environment is expected in the first six months of 2010. Credit conditions were also viewed to have tightened over the second half of 2009; further tightening is anticipated over the period January to June 2010, but the degree of tightening is expected to be less than the previous period.

APPENDIX I

Table 12. Change in terms and conditions on Business Loans during period July to December 2009		
	Number	Percent
Tightened significantly	11	25.00
Tightened somewhat	17	38.64
Remained the same	12	27.27
Eased significantly	0	-
Eased somewhat	4	9.09
Total	44	100.00
Net Percentage	-24	(54.55)

Table 13: Applied for business loans from banks and non-bank financial institutions during the last six months of 2009		
	Number	Percent
Yes	43	23.6
No	139	76.4
Total	182	100.00

Table 14: Of those who applied for business loans, reasons for demand for loans		
	Number	Percent
Financing needs for fixed assets	14	32.6
Financing needs for inventories and working capital	28	65.1
Financing needs for debt restructuring	3	7.0
Other	0	-
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	110	24	13	0	0	1
Credit cards	13	10	7	11	5	5
Retained earnings	25	14	9	10	5	3
Overdraft	63	16	7	2	2	2
Loan	13	22	17	5	3	4

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

	Number	Percent
Securities purchased from Governments of the ECCU	7	35.0
Corporate Bonds purchased from companies within the ECCU	2	10.0
Corporate Securities purchased from companies within the ECCU	1	5.0
Fixed Deposits by commercial Banks	8	40.0
Insurance companies annuities	2	10.0

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

	Manufacturing	Construction	Wholesale & Retail Trade	Hotels & Restaurants	Transport	Communication	Agriculture	Banks & Insurance	Other Financial Institutions	Other Services
Number employed	5.6	-9.5	-20.0	-22.7	-8.0	5.6	100.0	20.0	20.0	2.9
Sales (i.e. volume not \$revenue)	22.2	4.8	-60.0	-4.5	-16.0	31.3	66.7	20.0	0.0	20.6
Profit	27.8	-9.5	-50.0	-13.6	-25.0	0.0	33.3	13.3	0.0	3.1
price of goods/services	22.2	30.0	35.0	-9.1	9.5	14.3	100.0	-7.1	0.0	5.9
Investment in buildings	20.0	-7.1	7.7	-15.4	-16.7	0.0	100.0	25.0	0.0	0.0
Investment in equipment/machinery	40.0	0.0	21.4	12.5	-18.2	-8.3	100.0	27.3	40.0	40.9
Construction activity	66.7	0.0	-44.4	-28.6	-66.7	0.0	100.0	0.0	0.0	14.3
Exports	23.1	33.3	-100.0	0.0	-28.6	0.0	-	0.0	-	0.0
Operating Expenses	41.2	42.9	25.0	-10.0	15.0	-6.7	100.0	13.3	20.0	50.0

Table 18. Rating of the facilitation of business transactions by government agencies and suppliers during the period July to December 2009

Rating	Government		Suppliers		Banks and other non-bank institutions	
	Number	Percent	Number	Percent	Number	Percent
Excellent	8	4.9	18	10.6	12	7.8
Good	64	39.3	97	57.1	90	58.8
Fair	69	42.3	52	30.6	42	27.5
Poor	22	13.5	3	1.8	9	5.9
Total	163	100.0	170	100.0	153	100.0

Table 19. Three main problems challenging your business				
	Top 1	Top 2	Top 3	Overall Rank
Low sales turnover	77	9	4	1
Lack of skilled employees	21	9	12	4
Cash flow/debts/receivables	39	21	10	2
Interest Rates	7	3	7	10
Utility rates	16	8	20	5
Public sector bureaucracy	1	5	3	16
Wage Costs	5	6	7	10
Shortage of supplies	1	0	3	21
Access to finance	4	6	1	14
Regulation of paper work	2	0	2	18
Inflation	2	1	4	17
Competition from local firms	13	10	4	7
Total Tax burden	13	14	7	6
Crime and security	9	3	3	9
Bad weather	5	4	6	13
Price of oil	4	2	2	15
External competition	14	7	5	8
US economic performance	5	3	11	12
Credit from Suppliers	28	11	10	3

**Table 20: Expected 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	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

Table 21: Number of employees in company		
Range	Number	Percent
1 - 20	81	44.3
21 - 50	41	22.4
51 - 100	29	15.8
100 - 200	16	8.7
Over 200	16	8.7
Total	183	100.0

Table 22. Measures taken by businesses to become more cost effective/competitive			
	Number	Percent	Rank
Purchase of more energy efficient appliances/machines	43	23.6	5
Substitution of fans of air conditioning	15	8.2	8
Greater use of solar energy	10	5.5	10
Bulk purchase of goods and materials	86	47.3	3
Reduction of delivery runs in an effort to save gasoline/diesel	50	27.5	4
Merger/partnership with similar companies	14	7.7	9
Greater use of technology	88	48.4	2
Strengthen networks throughout the Caribbean and the Diaspora	30	16.5	6
Improve the accounting and record keeping practices	93	51.1	1
Other	26	14.3	7
Purchase of more energy efficient appliances/machines	43	23.6	5

**Table 23: Expected performance in Selected Business Variables by *Country*:
July to December 2009 Compared with July to December 2008**

Indicator	Anguilla	Antigua and Barbuda	Dominica	Grenada	Montserrat	St Kitts and Nevis	Saint Lucia	St Vincent and the Grenadines	ECCU
Number employed	-28.00	-36.36	-20.00	-20.00	0.00	-15.38	0.00	-12.00	-17.88
Sales (i.e. volume not \$revenue)	-60.00	-28.57	6.67	0.00	-20.00	-33.33	-41.67	-25.00	-31.29
Profit	-62.50	-45.45	13.33	-60.00	-30.00	-32.00	-50.00	-20.83	-36.05
price of goods/services	-4.35	-11.11	21.43	0.00	40.00	19.23	-4.76	-4.55	5.88
Investment in buildings	-25.00	-5.00	20.00	20.00	0.00	-12.00	-9.09	-13.64	-10.29
Investment in plant/machinery	-20.83	-16.67	25.00	40.00	0.00	-8.00	0.00	-4.76	-5.26
Construction activity	-50.00	-16.67	0.00	0.00	-40.00	-18.18	0.00	-10.00	-19.72
Exports	-42.86	-33.33	50.00	N/A	-25.00	0.00	30.00	-20.00	-8.82
Cost of production/doing business	12.00	9.52	50.00	100.00	12.50	37.50	47.37	9.09	25.56



EASTERN CARIBBEAN CENTRAL BANK

BUSINESS OUTLOOK SURVEY

Half-Year Ending: January to June 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 6. Road Transport 11. Banks
2. Manufacturing 7. Sea Transport 12. Insurance

3. Construction 8. Air Transport 13. Other Financial Institutions
 4. Wholesale and Retail 9. Communication 14. Other Services:
 5. Hotels and Restaurants 10. Agriculture 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 2009 compared with July to December 2008?

1. Improved 2. Remained the same 3. Deteriorated

Q9. How did **business conditions in your sector** change over the period July to December 2009 compared with July to December 2008?

1. Improved 2. Remained the same 3. Deteriorated

Q10. Compared with performance in July to December 2008, did the following variables in your business increase, remain the same or decrease in July to December 2009?

- | | | | |
|--|---------------------------------------|---|---------------------------------------|
| i. Number Employed | 1. <input type="checkbox"/> Increased | 2. <input type="checkbox"/> Remained the same | 3. <input type="checkbox"/> Decreased |
| ii. Sales (i.e. <u>volume</u> not revenue) | 1. <input type="checkbox"/> Increased | 2. <input type="checkbox"/> Remained the same | 3. <input type="checkbox"/> Decreased |
| iii. Profit | 1. <input type="checkbox"/> Increased | 2. <input type="checkbox"/> Remained the same | 3. <input type="checkbox"/> Decreased |
| iv. Price of finished goods/services | 1. <input type="checkbox"/> Increased | 2. <input type="checkbox"/> Remained the same | 3. <input type="checkbox"/> Decreased |
| v. Investment in buildings | 1. <input type="checkbox"/> Increased | 2. <input type="checkbox"/> Remained the same | 3. <input type="checkbox"/> Decreased |
| vi. Investment in equipment/machinery | 1. <input type="checkbox"/> Increased | 2. <input type="checkbox"/> Remained the same | 3. <input type="checkbox"/> Decreased |
| | 99 <input type="checkbox"/> N/A | | |
| | 99 <input type="checkbox"/> N/A | | |

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

Comments: _____

Outlook

Q11. How do you expect the **general business conditions** to change in the period January to June 2010 compared with January to June 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 January to June 2010 compared with January to June 2009

1. Improve 2. Remain the same 3. Deteriorate

Q13. **Compared with the performance in January to June 2009**, do you expect the following variables in your business to increase, remain the same, or decrease in **January to June 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
Decreased | 1. <input type="checkbox"/> Increased | 2. <input type="checkbox"/> Remained the same | 3. <input type="checkbox"/> |
| | 99 <input type="checkbox"/> N/A | | |
| vi. Investment in
Decreased
equipment/machinery | 1. <input type="checkbox"/> Increased | 2. <input type="checkbox"/> Remained the same | 3. <input type="checkbox"/> |
| | 99 <input type="checkbox"/> N/A | | |
| vii. Construction activity
Decreased | 1. <input type="checkbox"/> Increased | 2. <input type="checkbox"/> Remained the same | 3. <input type="checkbox"/> |
| | 99 <input type="checkbox"/> N/A | | |
| viii. Exports
Decreased
(i.e. <u>volume</u> not revenue) | 1. <input type="checkbox"/> Increased | 2. <input type="checkbox"/> Remained the same | 3. <input type="checkbox"/> |
| | 99 <input type="checkbox"/> N/A | | |
| ix. Operating Expenses
Decreased | 1. <input type="checkbox"/> Increased | 2. <input type="checkbox"/> Remained the same | 3. <input type="checkbox"/> |
| | 99 <input type="checkbox"/> 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 2009**?

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 **July to December 2009**?

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
- iii. Inadequate equity
- v. Project not financially viable
- ii. Inadequate collateral
- iv. Inadequate cash flow
- vi. Inappropriate management
- vii. Other ----- > please specify: _____

iii.a. Were share 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

iii.b.1. Other companies within CARICOM

iii.b.2. Companies outside CARICOM

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 **January to June 2010**?

1. Yes 2. No

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

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

Comments:_____

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

1. Yes 2. No →if your answer is no, please skip to question 24

Q23.B. What financial products is your business considering investing in during the period **January to June 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 2009**, 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 _____
- xii. Freight cost _____
- xiii. Competition from local firms _____
- xiv. Total tax burden _____
- xv. Crime and security _____
- xvi. Bad weather _____
- xvii. Price of oil _____

vii. Wage costs _____

viii. Shortage of supplies _____

ix. Access to finance _____

x. Regulation of paper work _____

xi. Inflation _____

xviii. External competition _____

xix. US economic performance _____

xx Credit from Suppliers _____

xxi. Transportation and Distribution _____

xxii. 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. Substitution of fans for air conditioning
- iii. Greater use of solar energy
- iv. Bulk purchase of goods and materials
- v. Fewer of delivery runs in an effort to save petrol
- vi. Merger/partnership with similar companies
- vii. Greater use of technology (computer, internet, etc)
- viii. Strengthen networks throughout the Caribbean and the Diaspora
- ix. Improve the accounting and record keeping practices
- x. Other: → Please Specify: _____