

**RESULTS OF BUSINESS OUTLOOK SURVEY  
JULY - DECEMBER 2008**



**EASTERN CARIBBEAN CENTRAL BANK  
ST KITTS**

## **ECCU BUSINESS OUTLOOK SURVEY**

**July to December 2008**

The Business Outlook Survey (BOS) is designed to capture, on a semiannual basis, the opinions of businesses in the ECCB member countries in respect of the current and expected future state of their business operations, as well as the economies in which they operate. Of the 200 companies selected for the survey, 148 questionnaires were received by the ECCB, representing a response rate of 74.0 per cent. Twenty-five companies were targeted in each of the member territories.

The results of the latest survey for the second half of 2008 indicate that, on balance, businesses in the ECCU anticipate that general conditions will deteriorate. This follows a relatively poor performance in the first half of 2008. Over the first six months of the year, the business community in all the member countries, with the exception of St. Kitts and Nevis, indicated that conditions had deteriorated compared with the corresponding period of 2007. A further break down by sector reveals that the real estate, hotels and restaurants, and manufacturing sectors were the most pessimistic about their conditions over the first six months of 2008. Businesses are also fairly pessimistic about key indicators for the remainder of 2008. These include sales, profits, construction activity and the cost of doing business.

The report also identifies the most challenging problems of businesses being the cost of oil, high utility rates, inflation and the general lack of skilled employees. In addition, business owners pointed out some of the channels through which the current global economic downturn is affecting the ECCU economies. These included less spending by tourists as well as shorter stays, a reduction in the flow of remittances and a tightening in external supplier conditions.

In respect of the terms and conditions on lending, the general sentiment expressed by businesses is one of overall tightening over the first half of 2008. The main reasons advanced for the tightening in credit market conditions were higher collateral and equity requirements, as well as higher rates of interest. Furthermore, the survey revealed that the majority of businesses relied predominantly on their cash flow, overdraft facilities at banks and retained earnings to finance their working capital needs.