Answering Practices Survey of CBI Industrial Trends Survey respondents

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ITS Answering Practices Survey

- Conducted to improve our understanding of ITS answering practices to aid interpretation of survey results
- Sixth APS
- Eight new questions added, many questions repeated so we can compare consistency of answering practices over time
- Conducted between 9th and 30th April 2008
- 302 responses (213 exporters) over half of usual ITS response rate
• What is the ITS and who answers it?

• Main technical results of APS, categorised as follows:
  • Main influences behind results
  • Statistical issues such as seasonality
  • Whether respondents adhere strictly to the question being asked
  • Respondents’ interpretation of complex concepts used in survey questions

• Survey management questions

• Conclusions
Industrial Trends Survey

- Launched in 1958 - celebrated 50th anniversary in July
- Quarterly surveys (Jan, Apr, Jul, Oct)
- 17 questions covering a broad range of topics
- 50 industries – complete coverage of manufacturing sector
- Shorter monthly survey, Monthly Trends Enquiry, launched in 1977
- 400 to 600 respondents
- Used by policy makers, financial institutions, academics and journalists
Who fills in the ITS questionnaire?

- Chairman/MD/Chief Exec: 60% respondents
- Director: 20% respondents
- General Manager: 5% respondents
- Other: 5% respondents

% respondents
Main influences 1

Determinants of business and export optimism

- Exchange rates
- Interest rates
- Demand/orders
- Profitability
- Political conditions in UK
- Demand conditions, other EU
- Demand conditions, non-EU
- Other

% respondents

General Business
Export

% respondents
Main influences 2

Most important costs

Average rank

<table>
<thead>
<tr>
<th>Rank</th>
<th>Category</th>
<th>% Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.2</td>
<td>Raw materials</td>
<td>90</td>
</tr>
<tr>
<td>2.5</td>
<td>Energy</td>
<td>85</td>
</tr>
<tr>
<td>2.4</td>
<td>Labour</td>
<td>85</td>
</tr>
<tr>
<td>2.8</td>
<td>Other</td>
<td>5</td>
</tr>
</tbody>
</table>
Main influences 3

Most important exchange rates

<table>
<thead>
<tr>
<th>Average rank</th>
<th>Exchange Rate</th>
<th>% respondents answering Q15 with reference to a specific exchange rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.5</td>
<td>Euro/£</td>
<td>85%</td>
</tr>
<tr>
<td>1.4</td>
<td>US dollar/£</td>
<td>80%</td>
</tr>
<tr>
<td>3.7</td>
<td>Yen/£</td>
<td>40%</td>
</tr>
<tr>
<td>3.4</td>
<td>RMB/£</td>
<td>30%</td>
</tr>
<tr>
<td>3.1</td>
<td>Other</td>
<td>20%</td>
</tr>
</tbody>
</table>
Most important markets

- Europe: 1.5
- Middle East/Russia: 2.8
- North America: 1.7
- Asia Pacific: 2.2
- Latin America: 4.7
- Other: 2.8

Average rank

% exporters
Drivers of competitiveness (in UK market)

- **Price relative to competitors**: Average rank 1.5
- **Unit labour costs**: Average rank 3.5
- **Product quality**: Average rank 2.3
- **Design features**: Average rank 3.6
- **After sales**: Average rank 3.9
- **Delivery dates**: Average rank 3.6
- **Other**: Average rank 3.5

% respondents
Main influences 6

Types of labour constraints

Current workforce only

Difficulties recruiting right skills

% respondents
Reasons why answers are not adjusted for seasonality

- Seasonal factors not significant: 25%
- Seasonality impossible to measure: 6%
- Other: 0%
Statistical issues 2

Interpretation of ‘trend over past three months’

- From beginning to end of 3 month period
- 3 months as a whole compared with previous 3 months
- Past 3 months as a whole compared with same 3 months of previous year
- Combination of above
- Other

% respondents
Statistical issues 3

Range of movement regarded as the ‘same’

- Up to 1%
- Up to 1-2%
- Up to 2-4%
- Up to 4-8%

% respondents

Q8 to Q10  Q12a

% respondents
Measurement of export prices

- Sterling
- Foreign currency
- Other

% exporters
Adherence to questions 1

Answering practices for ‘optimism’ question

- **3 month comparison of optimism**
- **Optimism at time of answering**
- **Other**

% respondents

- General business
- Export

% respondents
Proportion taking productivity improvements into account when answering cost question

% respondents

Yes

No
Adherence to questions 3

Answering practices for ‘uncertainty about demand’ question

Average rank

<table>
<thead>
<tr>
<th>Average rank</th>
<th>Description</th>
<th>% respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.5</td>
<td>A weak outlook for demand in the economy</td>
<td></td>
</tr>
<tr>
<td>1.6</td>
<td>A weak outlook for demand in your sector</td>
<td></td>
</tr>
<tr>
<td>2.9</td>
<td>An uncertain outlook for demand in the economy</td>
<td></td>
</tr>
<tr>
<td>1.9</td>
<td>An uncertain outlook for demand in your sector</td>
<td></td>
</tr>
<tr>
<td>2.6</td>
<td>Other</td>
<td></td>
</tr>
</tbody>
</table>
Adherence to questions 4

Location of activities

- Production
- Employment
- Investment

Activity located abroad  Activity Included in ITS

% respondents
Other factors included in ‘capacity utilisation’

- **Utilisation of labour**: Significant increase from 1998 to 2008.
- **Financial resources**: Moderate increase from 1998 to 2008.
- **Other**: Minimal change from 1998 to 2008.
Benchmark for ‘normality’

**Average rank (total order books)**

- **1.4** Past level/historical average
- **2.8** Average growth rates
- **2.1** Budgeted plans/forecasts
- **2.5** Capacity of plant/company
- **4.8** Other

The chart shows the percentage of respondents for different factors impacting normality in order books. The factors are ranked based on their average rank, with past level/historical average being the highest at 1.4% respondents.
Interpretation of complex concepts 3

Proportion using values/revenues as an approximation for volumes

[Bar chart showing the proportion of respondents using values/revenues as an approximation for volumes, with a large percentage indicating 'Yes' and a smaller percentage indicating 'No'.]
Interpretation of complex concepts 4

Proportion taking account of improvements in quality of output/product specification

- Yes
- No
- Don't know

% respondents
Survey management issues

Proportion who would like to be offered choice of completing survey online/by email

- Yes
- No
- Blank

% respondents
Conclusions

- Some questions need to be interpreted carefully
- Reaffirmed messages from previous Answering Practices Surveys
- And highlighted new issues for research
- Some differences over time in main influences driving responses
- But remarkable consistency on more narrow statistical and interpretational issues