

GUERNSEY YOUNG BUSINESS GROUP

2017 BUSINESS TRENDS SURVEY

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BUSINESS TRENDS SURVEY

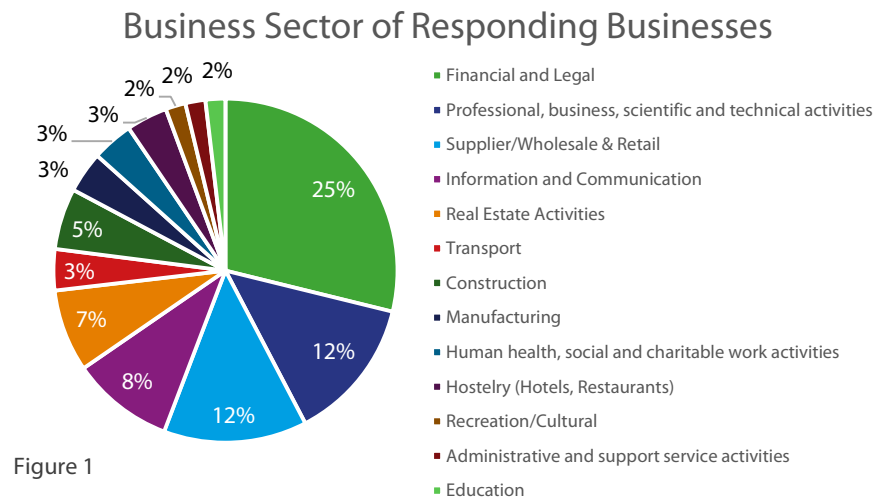
This is the twelfth Business Trends Survey undertaken by the Guernsey Young Business Group (YBG). This research each year enables the YBG in conjunction with the Chamber of Commerce, to present the views of the business community and to establish the business performance and confidence levels within the private sector. In all, 61 businesses responded to the 2017 Survey which took place between May and June 2017.



FINDINGS

Sample Profile

The following charts (Figures 1 and 2) set out the profile of responding businesses. The majority of responses were within the financial and legal sector, followed by the professional, business, scientific and technical business. Business organisations who took part in the 2017 survey were composed mostly of 2-5 (28%) or 6-25 (33%) employees.



Total number of employees including management (FTE)

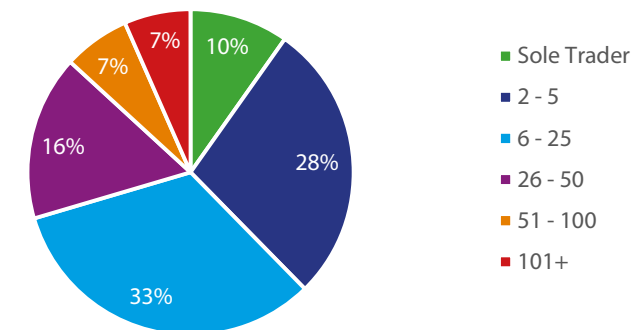


Figure 2

BUSINESS ASSESSMENT

The next four pages present the business assessment in terms of turnover, profitability, employment and business cost.



Turnover (2016 compared with 2015)

Over half of respondents (53%) stated that 2016 business turnover was either substantially or slightly up in comparison to 2015 (Figure 3). However, this percentage is down 6% on the comparative percentage figure recorded in the 2016 survey when 2015 turnover was compared with 2014 (Figure 4). 23% indicated that turnover was slightly or substantially down which is a comparable percentage to the last year's findings.

2016 business turnover compared to 2015

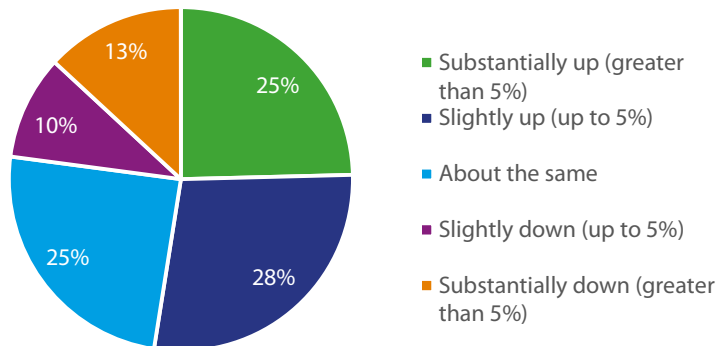


Figure 3

Business turnover compared to previous year

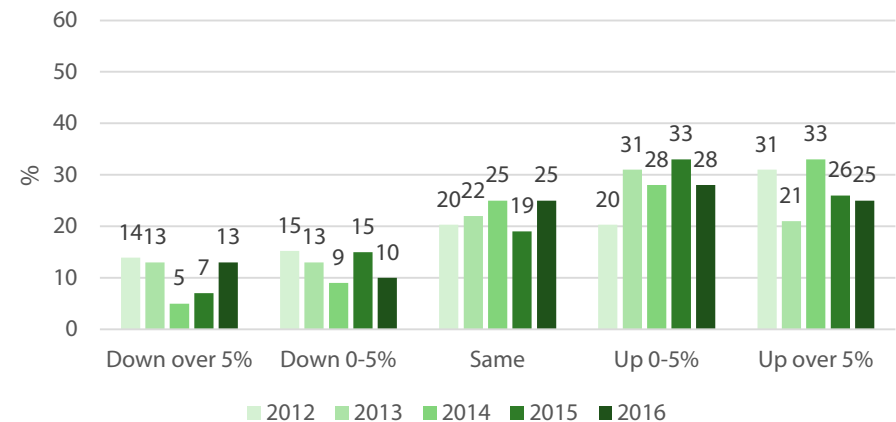


Figure 4

Profitability (2016 compared with 2015)

45% of respondents stated that business profitability was either substantially or slightly up in comparison to 2015 (Figure 5).

This is a fall of only 1% over the corresponding percentage (46%) recorded in last year's survey (Figure 6). The percentage of respondents who indicated that profitability had remained the same increased by 14%. Only 14% said that business profitability was either substantially or slightly down, compared to 25% in 2015.

2016 profitability compared to 2015

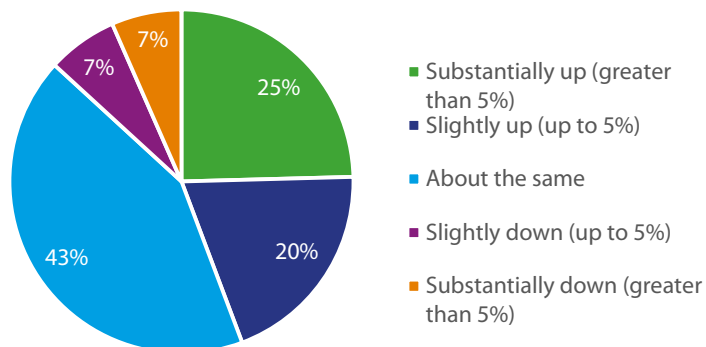


Figure 5

Business profitability compared to previous year

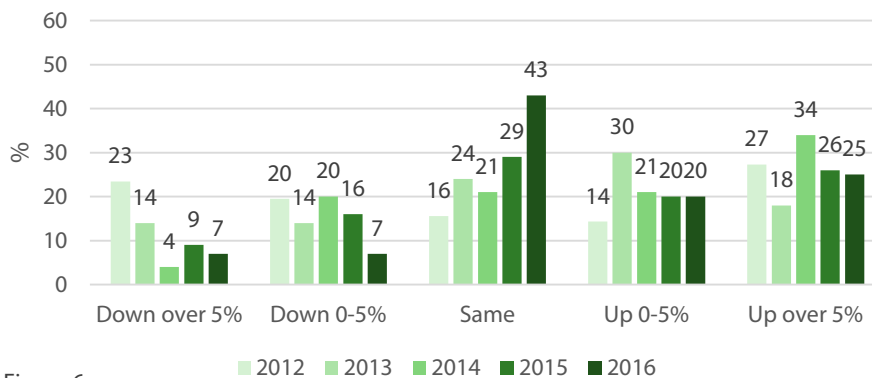


Figure 6

Numbers Employed (2016 compared with 2015)

Over half of all businesses (51%) saw no change in their number of employees (including management) in 2016 as compared to 2015 (Figure 7).

36% of responding businesses indicated that there had been a growth in overall numbers in 2016 as compared to 2015. This compares with 42% recorded in the 2016 survey, and there has also been a 10% increase in the proportion of responding businesses who have either slightly or substantially decreased the number of employees (14%) in comparison with 2015 (4%) (Figure 8).

2016 employee numbers compared to 2015

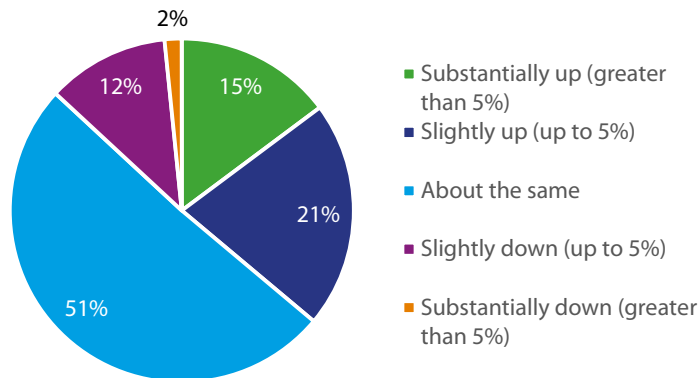


Figure 7

Actual number of employees compared to previous year

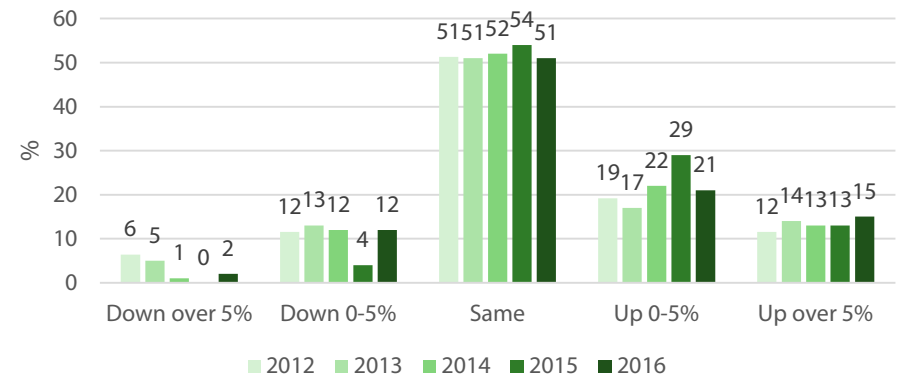


Figure 8

Business Costs (2016 compared with 2015)

23% of respondents stated that 2016 business costs were substantially up over those incurred in 2015 with a further 39% indicating that costs were slightly up in comparison to 2015 (Figure 9). However, this is 8% lower than reported last year (Figure 10).

2016 business costs compared to 2015

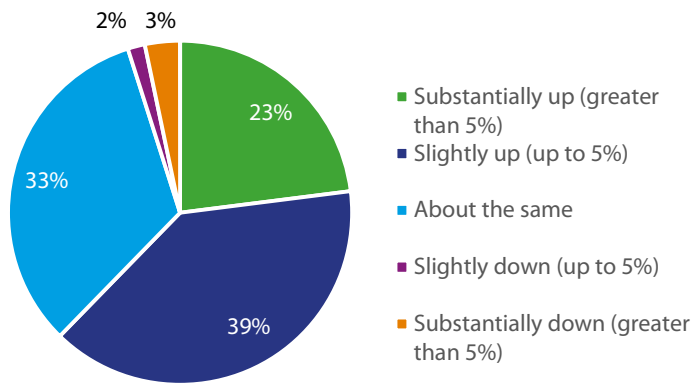


Figure 9

Business costs compared to previous years

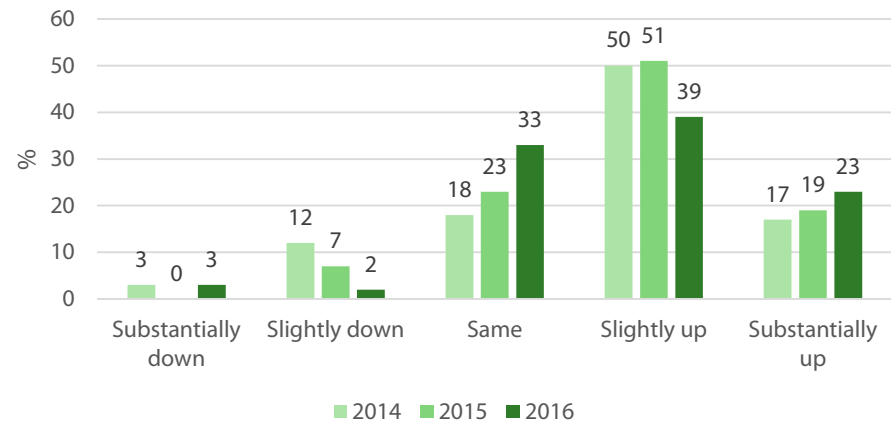


Figure 10



BUSINESS PROJECTIONS

The next four pages will present the business projections in terms of turnover, profitability, employment, business cost and capacity.

Turnover Projections (2017 compared with 2016)

Over half of respondents projected that their 2017 business turnover will be higher than their 2016 turnover, with 34% saying that the increase would be greater than 5% and a further 21% projecting an increase of up to 5% (Figure 11).

In comparison with the 2016 projections, a similar number of respondents projected turnover to go slightly or substantially up. However, this year, a larger percentage stated that they expected it be 'greater than 5%' as opposed to 'up to 5%' (Figure 12).

2017 business turnover projections compared to 2016

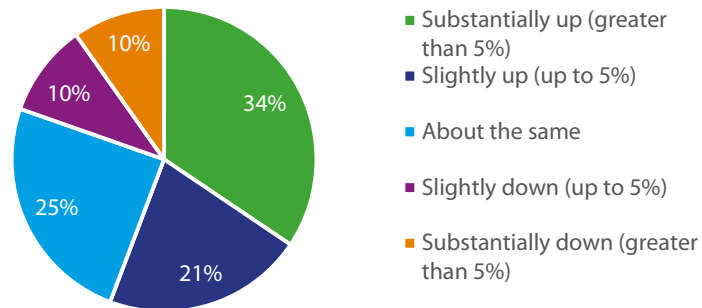


Figure 11

Business turnover projected for year ahead

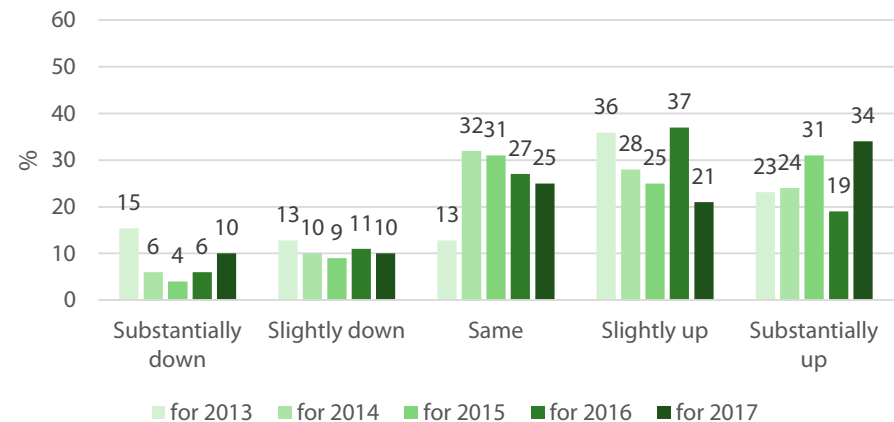


Figure 12

Profitability Projections (2017 compared with 2016)

Over half of respondents were forecasting an increase in profitability this year over 2016 with 36% stating that the increase would be greater than 5% and 21% indicating an increase of up to a 5% (Figure 13).

Last year's results showed these predictions in reverse. There were more respondents predicting profitability slightly up (31%) than those stating significantly up (20%) (Figure 14).

2017 profitability projections compared to 2016

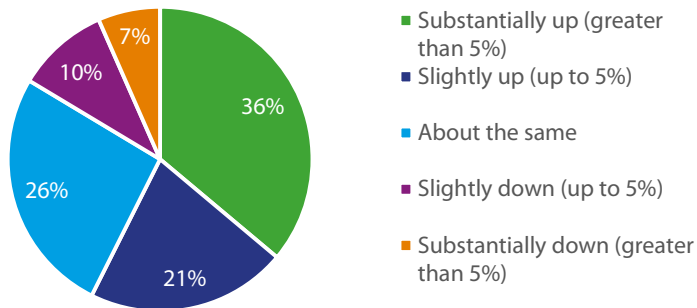


Figure 13

Business profitability projected for year ahead

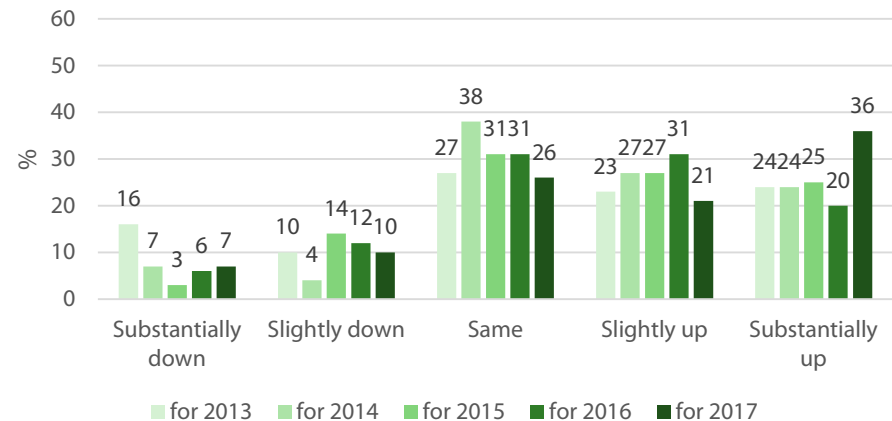


Figure 14

Employment Projections (2017 compared with 2016)

More than half of respondents were of the opinion that 2017 employee numbers would remain the same as in 2016, while 34% were predicting an increase (Figure 15). There is a slight increase in respondents predicting that their employment number will actually decrease as compared to 2016 projections (Figure 16).

2017 employee number projections compared to 2016

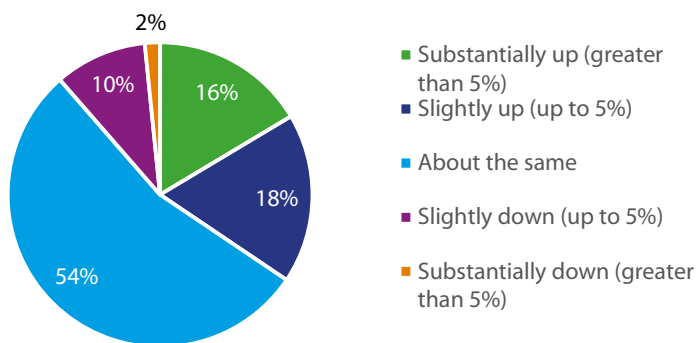


Figure 15

Employee number projected for year ahead

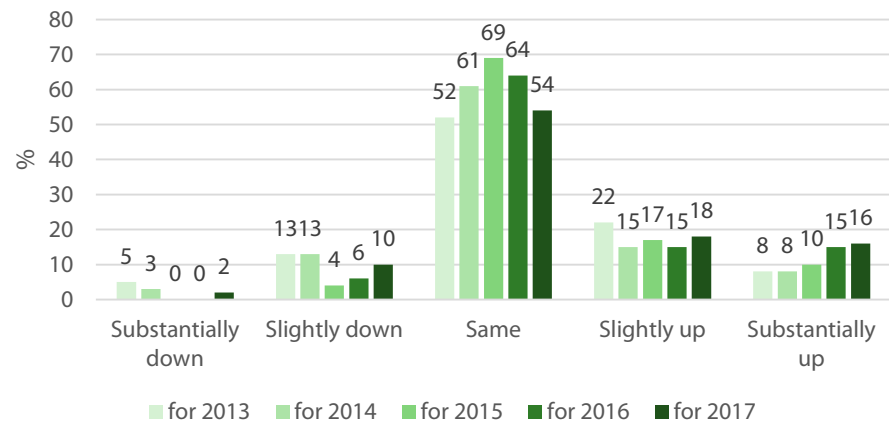


Figure 16

Business Cost Projections (2017 compared with 2016)

52% of respondents were projecting business costs to be slightly up in 2017 as compared with 2016 while a further 23% were expecting costs to go up by over 5% (Figure 17). This is the highest proportion of respondents expecting an increase in costs recorded since this question was first asked in 2010.

2017 business costs projections compared to 2016

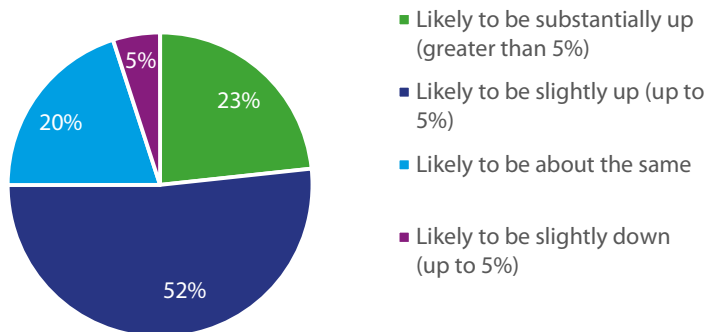


Figure 17

Business cost projections for year ahead

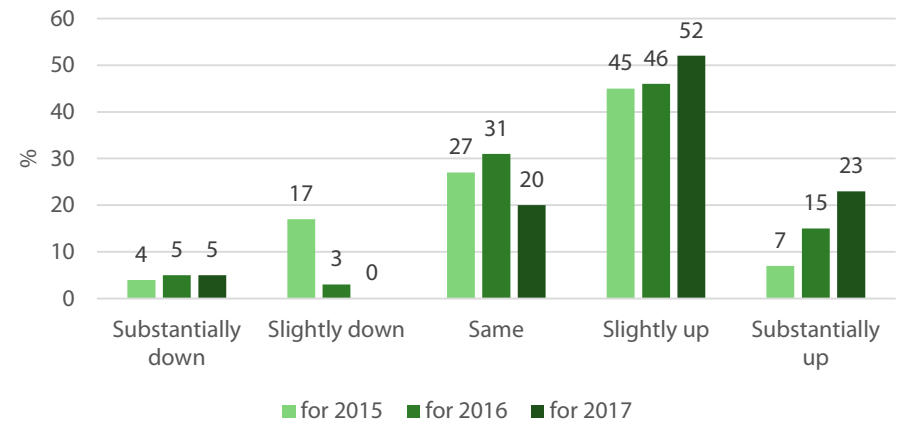


Figure 18

Business Capacity Projections (2017 compared with 2016)

Three out of four respondents estimated that their businesses would be working at between 75% to 100% capacity to meet demand during this year. 18% stated that they would be at 50% to 75% capacity (Figure 19). The figures are very similar to last year's findings (Figure 20).

2017 capacity of resources meeting current demand within an organization projections

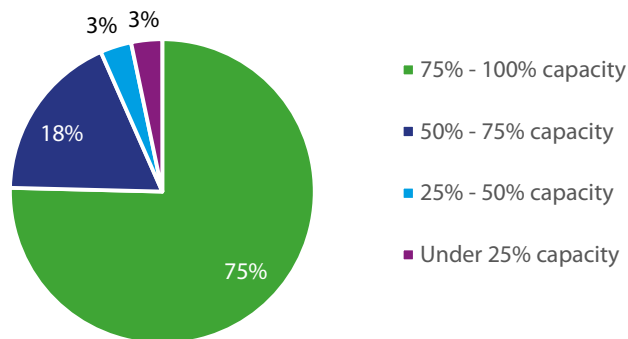


Figure 19

Capacity of resources meeting current demand within an organization 2016 vs 2017

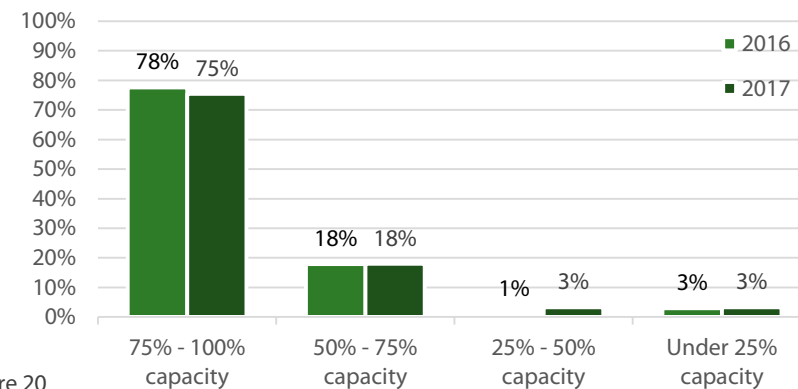


Figure 20



ECONOMY & BUSINESS PROSPECTS, GOVERNEMENT POLICIES

The following pages present the respondents' opinions about their confidence regarding their own business, as well as Guernsey's economic prospects in the short and long term and on recent government policies.

Economic Prospects – Own Business Confidence

48% of respondents stated that they had about the same confidence level in 2017 as this time last year with regard to the economic prospects of their own sector for the next twelve months. 18% felt less or much less confident while 33% were either more or much more confident (Figure 21).

Compared to the findings for 2016, a slightly smaller percentage of respondents felt less or much less confident and a slightly larger percentage said they felt about the same (figure 22).

Confidence about the economic prospects of own economic sector for next twelve months

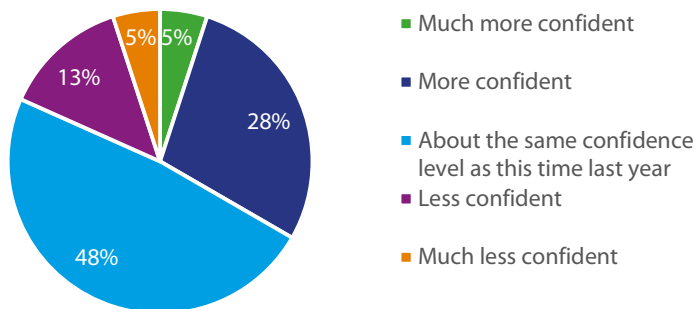


Figure 21

Confidence about the economic prospects of own economic sector for next twelve months

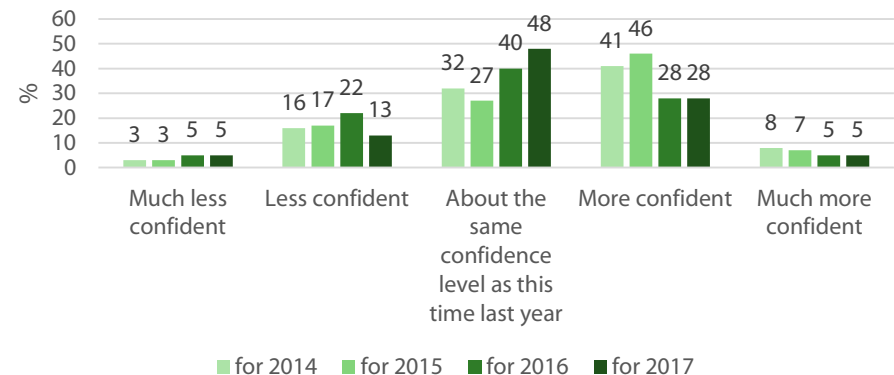


Figure 22

Economic Prospects – Economy Confidence for the next year

When asked about their confidence in Guernsey's economy, 38% of respondents said they felt either less or much less confident about Guernsey's economic prospects over the next twelve months. 2017 has seen a small decrease in respondents feeling less confident, as in 2016, 46% of respondents expressed their lack of confidence towards the island's economic prospects. Only 17% of respondents felt more or much more confident. 45% of respondents stated that they had about the same level of confidence now as they did twelve months ago (Figure 23 and 24).

Confidence about Island's economic prospects over next twelve months

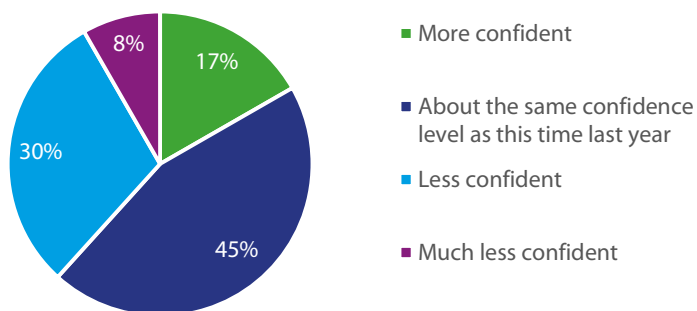


Figure 23

Confidence in Islands' economic prospects over next twelve months

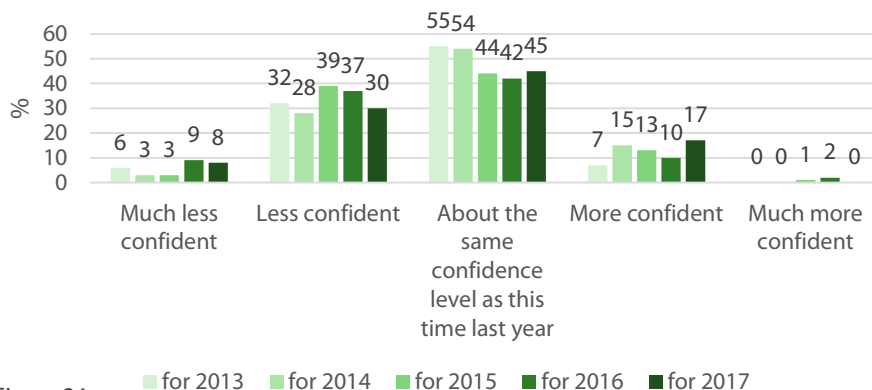


Figure 24

Economic Prospects – Guernsey's Economy Confidence over the medium term

As far as the Guernsey's economic prospects over the next three to five years were concerned, 15% of respondents were more or much more confident compared to their views this time last year while 42% were either less or much less confident. 43% had the same degree of confidence level as in 2016 (Figure 25).

Three to five year confidence levels in the Island's economy overall are slightly up when compared with last year's findings (Figure 26). However, when compared to 2012, confidence levels are significantly down.

Confidence about Guernsey's economic prospects over the medium term

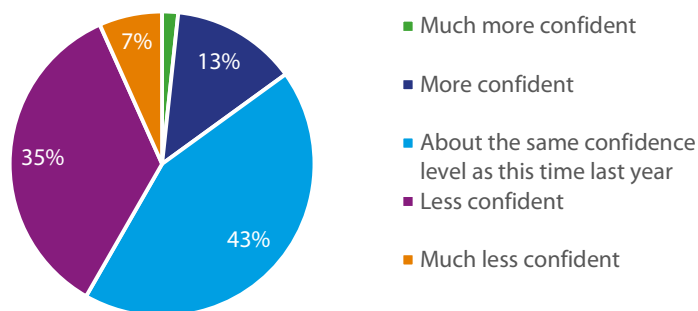


Figure 25

Confidence in Guernsey's economic prospects over the medium term

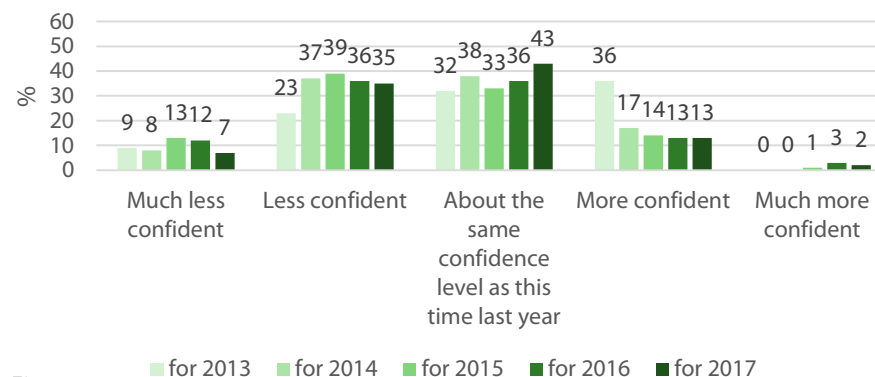


Figure 26

Economic Prospects – Guernsey's Challenges

Respondents were asked to type the three most important challenges that they felt were facing the island in the short term (up to three years) and in the long term (eight plus years). The most common answers are featured in the following two graphics. The size of the word is proportional to the number of times it was mentioned by respondents i.e. the larger the word, the more times it was mentioned.

Economic Prospects – Guernsey's Challenges in the short term

Education and Brexit were the most commonly cited short term challenges for Guernsey.



Economic Prospects – Guernsey's Challenges in the long term

Infrastructure and population were the most commonly cited long term challenges for Guernsey.





KEY ISSUES FOR GUERNSEY

The last chapter of this report focuses on key issues for Guernsey's economy, such as respondent opinion on triggering article 50 and its impact on the island's future and own business; opinion about the States of Guernsey initiative to introduce a secondary pension system; and the newly introduced population management law which came into force in April 2017.

Brexit and own business and Guernsey's future

Respondents had a neutral feeling towards triggering Article 50 and its impact on own business (Figure 27). One in three respondents had either a very positive or positive opinion about triggering Article 50 and the potential effect on their own business, whereas almost one in five had either a very negative or negative opinion.

The results for the question asked about the impact of Article 50 the island's future are similar (Figure 28). However, there were more respondents who thought that it will have a very positive effect (29%) rather than very negative or negative effect (17%) on the island's future. 16% of respondents believe it is too early to give an opinion on the matter.

Confidence about own business future after triggering Article 50

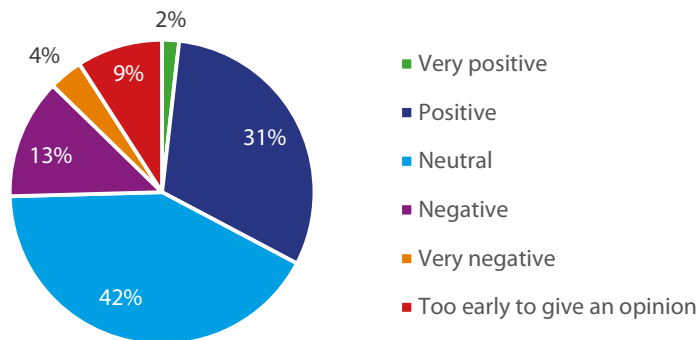


Figure 27

Confidence about the Guernsey's future after triggering Article 50

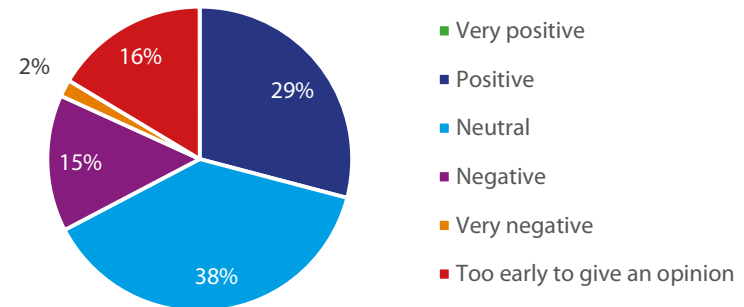


Figure 28

Secondary Pension System Initiative Support

The secondary pension system would require most employers to automatically enrol their staff in a qualifying pension arrangement with minimum levels of employer and employee contributions. The proposed long-term minimum employer and employee rates are 3.5% and 6.5% of gross salary respectively, phased in over a seven year period from 2020.

Nearly half of respondents (49%) either strongly or generally supported the initiative to introduce the States of Guernsey secondary pension scheme. However, one in three businesses responding were either opposed (26%) or strongly opposed (12%) to the initiative (Figure 29).

Support for States of Guernsey secondary pension system initiative

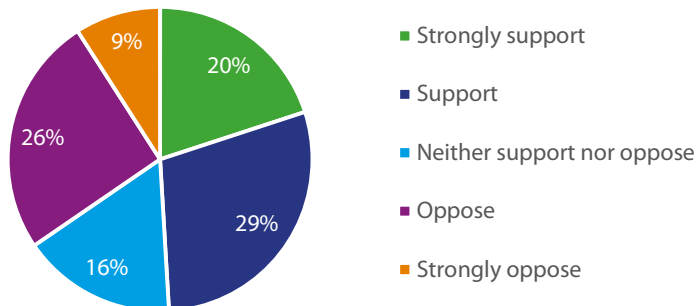


Figure 29

Support of States of Guernsey secondary pension system initiative 2016 vs 2017

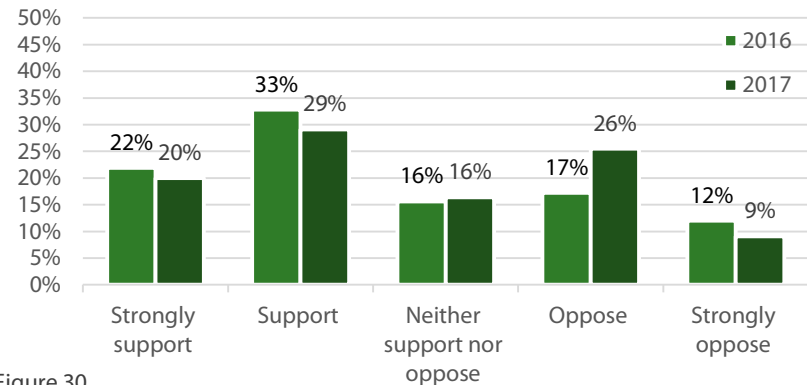


Figure 30

The new population management Law in April 2017

More than half of respondents thought that the new population management law which came into force in April 2017 would not have an effect on their own business in the long term (Figure 31).

The results are more diversified when it comes to the island's economy as a whole, 60% of respondents believed that this newly introduced law will have either very negative or negative effects in the long term (Figure 32). Only 17% of respondents thought that the Law could potentially have a very positive or positive impact on the island's prosperity.

Effects on own business after introducing the new population management Law

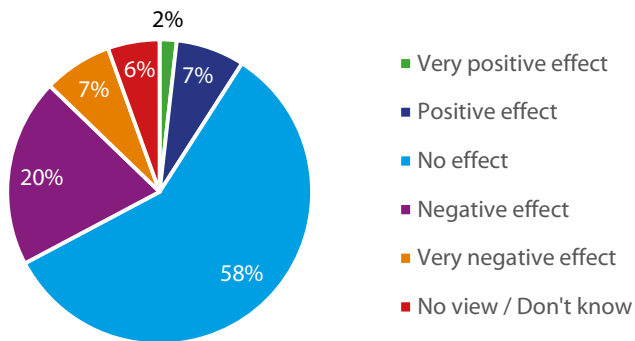


Figure 31

Effects on the Guernsey's economy after introducing the new population management Law

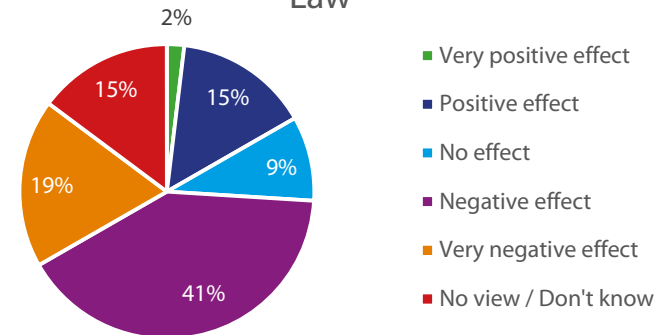


Figure 32



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