



## **Survey of Board Membership**

**Issued: February 25, 2011**



# Survey of Board Membership

---

Twice yearly, in January and July, the St. John's Board of Trade administers a survey of its membership to solicit information on current economic conditions in the city. This survey is designed to gain a better understanding of local business trends and topics from local business people. While the survey is not randomized, it does provide insight into the views of people doing business locally and demographically represents a range of company sizes (both by number of employees and revenue totals) as well as a range of industry sectors.

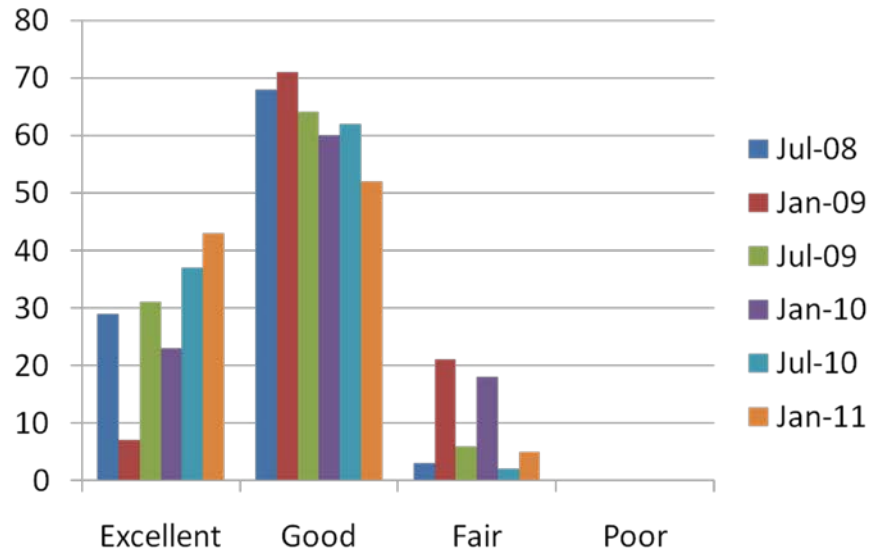
Questions were posed in the following categories;

- Economic conditions
- Your company
- Labour and Employment
- Year-to-date
- Enabling Economic Growth
- Forecasting the next year
- Demographics.

Overall, responses indicated that St. John's Board of Trade members are inclined to think positively about economic conditions and business opportunities in St. John's. Results and analysis of the survey follow. The Board of Trade is pleased to provide this information to local businesses as they determine strategy, refine marketing, and build relationships around the community.



# Current Economic Conditions

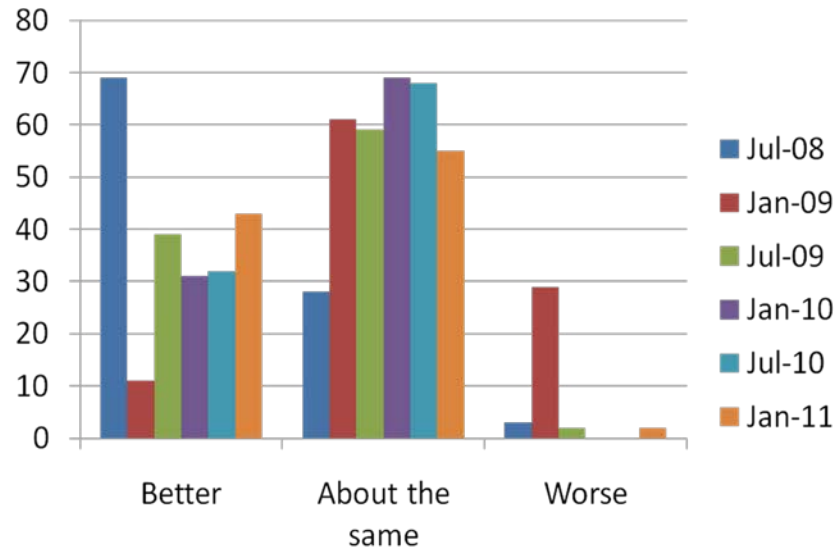


**Would you describe the current economic conditions in the City of St. John's as: excellent, good, fair, poor?**

The trend is generally that, since the global market melt-down of late 2008-early 2009, confidence in the economy is rebounding in St. John's. While respondents generally did not feel that conditions were terrible at any given time, the movement of people responding 'good' to more responses in the 'excellent' category is notable. Convergence in these responses might occur in July 2011 or perhaps early 2012 if the trend holds, which would indicate an even stronger level of confidence in economic conditions.



# Economic Conditions - 1 year ago

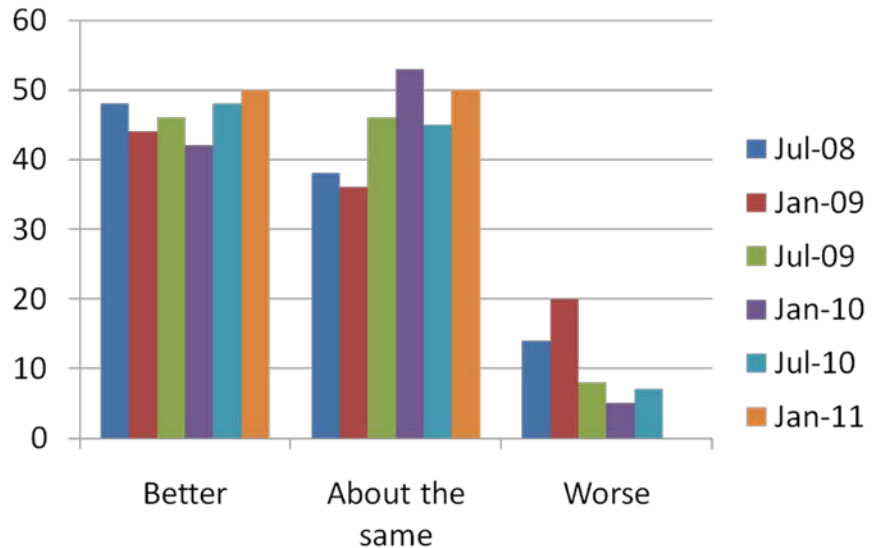


**Compared to one year ago, would you describe the economic conditions in the City of St. John's as: better, about the same, worse?**

Respondents are asked to compare existing conditions against the past; the results are similar to the results from the first survey question. It is interesting to note that a majority do think that things are about the same as they were a year ago; in this instance, January 2010.



# Company financial position



## **Compared to one year ago, would you rate your company's financial position as: better, about the same, worse?**

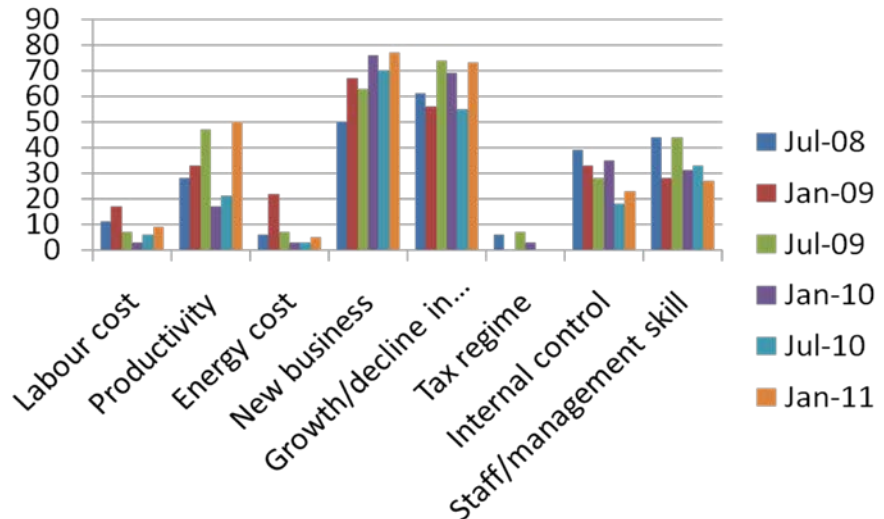
There has been very little change in the responses to this question over the past few years, so it is not difficult to suggest that companies in St. John's are generally either growing, succeeding or holding the line.

Two interesting things to note on the response to this question:

1. In January 2011, no respondent stated that his/her company's financial position was worse than one year prior; and,
2. People are generally just a bit more bullish about their own company's fortunes than those of the business community as a whole – the percentage of people who view overall economic conditions in the city as better than one year ago are in the low 40s, but those who see their own company's financial position as better than a year ago is a solid one-half of respondents. The difference is not large, but it is significant and the trend has generally held over time.



# Factors affecting financial position



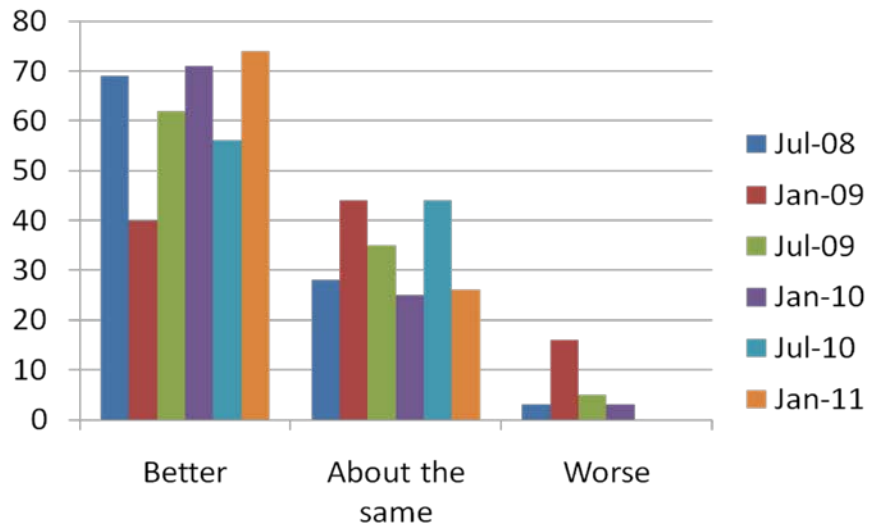
**If you selected 'better' or 'worse', to which factors do you attribute this change in your company's financial position (click all that apply): labour costs, productivity improvements/declines, energy costs, new business gained/lost, growth/decline within existing lines of business, advantageous/disadvantageous taxation regime, internal controls, staff/management training and skill development?**

This question looks for insight into why a business' financial position would change. There is one large stand-out response in the January 2011 edition of the survey, and that is the spike in productivity to a new high. Productivity has bounced around a little bit, rather than settling into a fairly static pattern like, for instance, labour cost, which has seen change, but not at a substantial or unpredictable level. It is something that we will be track to see if a trend emerges and why.

Other highlights: New business continues to be the leading factor in dictating a company's financial position, and there is a bit of an uptick regarding growth/decline in existing lines of business. Both of these raise interesting questions as it relates to economic diversification in the city and province – are companies winning more business in new areas when it comes to new business and are they developing new markets as it relates to growth in existing lines of business?



# Performance expectations - overall



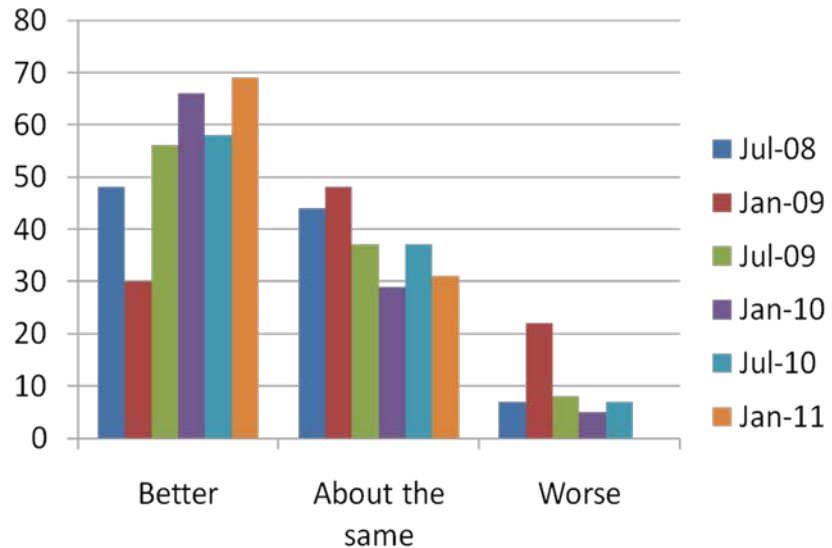
## As compared to 2010, how do you expect your company to perform in 2011 (overall)?

Note to reader: the time period reference changes annually on this question (i.e. in 2010, the Board asked about comparisons to 2009, while in 2009 it asked about that year in relation to 2008)

There may be a bit of a new year's phenomena happening here, as generally January results are higher than during the summer, creating a 'W' effect. Businesses may be more bullish in the new year but see monthly or quarterly results by the July survey which would indicate that results aren't as strong as expected. Overall though, performance expectations remain high no matter what time of year and currently respondents are at an all-time confidence high.



# Performance expectations - profit

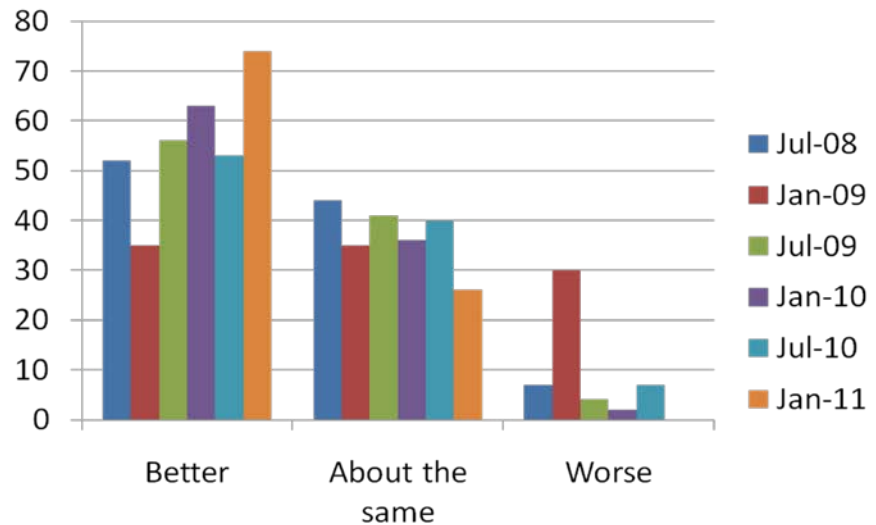


## **As compared to 2010, how do you expect your company to perform in 2011 (profit)?**

With the exception of January 2009, when the economy was generally considered to be on very shaky ground, we might see another new year's effect on this graph – January results seem to be stronger than July results. That said, the current results are most bullish when it comes to profit expectations, with businesses thinking that 2011 will be a better year than 2010. Again, January 2011 is the first time that no respondents said they predict their profits being lower in the upcoming year.



# Performance expectation - growth



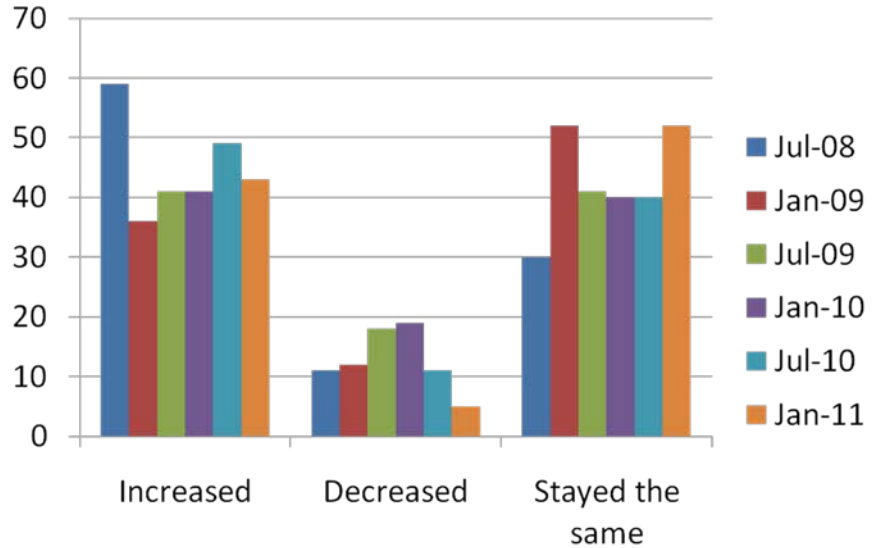
## As compared to 2010, how do you expect your company to perform in 2011 (growth)?

Looking at the responses to this question in conjunction with the previous one on profitability, it is interesting to note that profitability is probably going to be directly related to growth (rather than another factor). With nearly three-quarters of respondents anticipating growth in 2011, overall results as well as profits will probably occur on the back of overall growth.

This question, as with the previous two, does not have any respondents responding their individual situation will be worsening in 2011.



# Number of employees

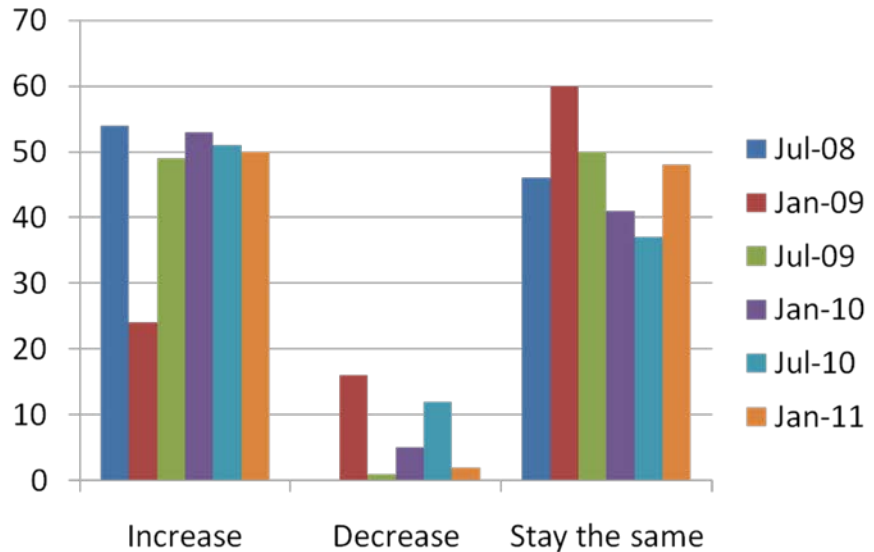


**As compared to exactly one year ago, has the number of persons your company employs: increased, decreased, stayed the same?**

There is good news on the employment front – the vast majority of respondents (95%) – have either increased employment levels or maintained them in the past year.



# Forward looking employment



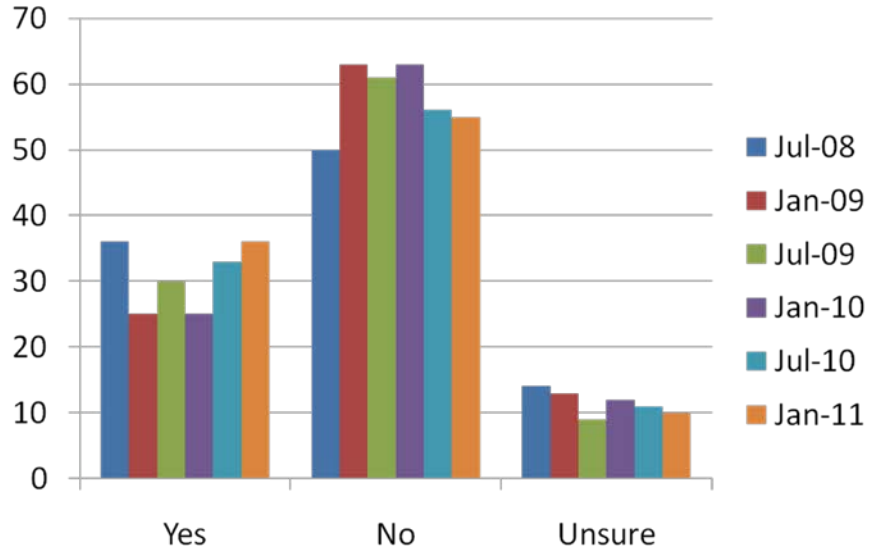
**Looking forward one year, do you anticipate that the number of persons your company will employ will: increase, decrease, stay the same?**

There is better news looking forward on employment levels. Nearly all employers expect employment to increase (50 per cent) or be maintained at existing levels (48 per cent). This suggests a very robust hiring climate in the city for the next 12 months.

It is notable that the number of respondents stating that they will increase hiring levels is evening out at around 50 per cent. Analyzing the results from this question suggest that hiring is tied to general confidence in the economy – the lowest response for ‘increase’ was in January 2009 at the peak of uncertainty about the global economy. It is interesting to note though that most of the softening up of that confidence moved to ‘stay the same’; that is, few employers would look to decrease employment levels even in the face of very strong economic uncertainty. This may suggest that employers in St. John’s are reluctant to let staff go even in tough times.



# Labour shortage



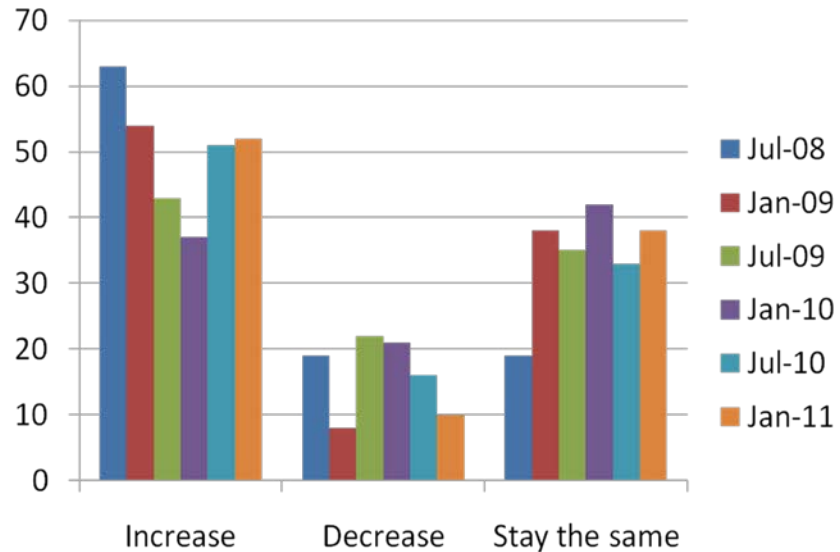
## **Does your company face any shortages of labour that restrict your ability to meet demand?**

The insights found here may be complementary to the information gained from the previous question. There is not a lot of movement in the results but a trend emerging. Businesses seem to be seeing a slowly creeping labour shortage; it will be interesting to track this over the next year or two as demographics indicate that a lot of the baby boom generation will be retiring. As a result, positions may become more difficult to fill.

Another interesting point is that aside from more respondents saying that they face labour shortages: fewer people are responding that they are 'unsure'. This suggests that there may be more recognition that labour shortages could be a challenge in the present and future.



# Six month spending comparisons



## Comparing the first half of 2010 to the second half of 2010, did your company's overall spending: increase, decrease, stay the same?

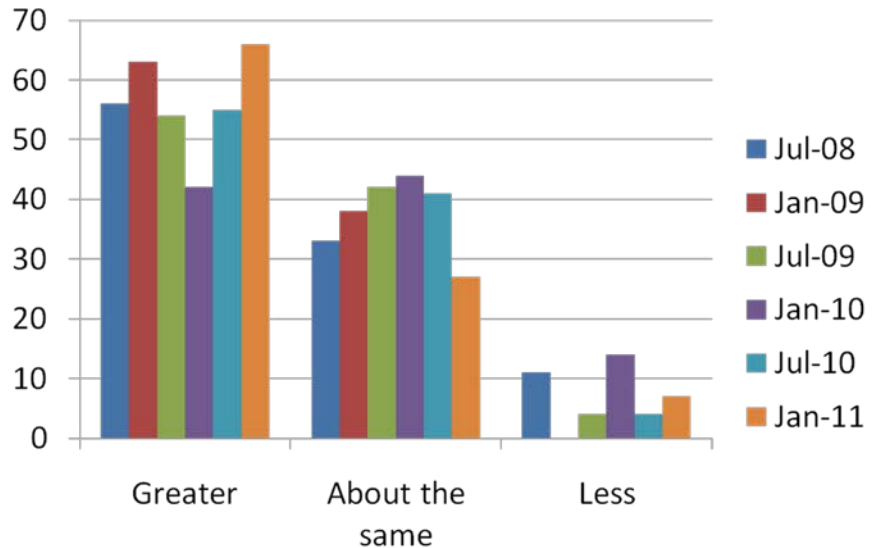
Note to readers: the time period referenced changes in this question each time it is asked, asking respondents to compare 6 month periods.

The results from the January 2011 survey indicate that the pendulum may be settling in the middle for 'increased spending' responses. There were high points in 2008-09 and low points from 2009-10 but the last two surveys (July 2010 and January 2011) seem to be falling somewhere in the middle of those peaks, at just above 50 per cent.

The movement of 'decreased spending' to 'stays the same' suggests that the cost of doing business is not coming down. Based on this survey, the cost of doing business in January 2011 is either higher (53 per cent) or the same (38 per cent) compared to the past. This is key data for consumers and business partners as it could suggest that higher costs will be passed on or it could also indicate that businesses are ready to invest and spend. It is difficult to say whether increased spending is a positive (i.e. a willingness to spend) or a negative (i.e. costs are being driven up).



# Year-over-year gross revenue



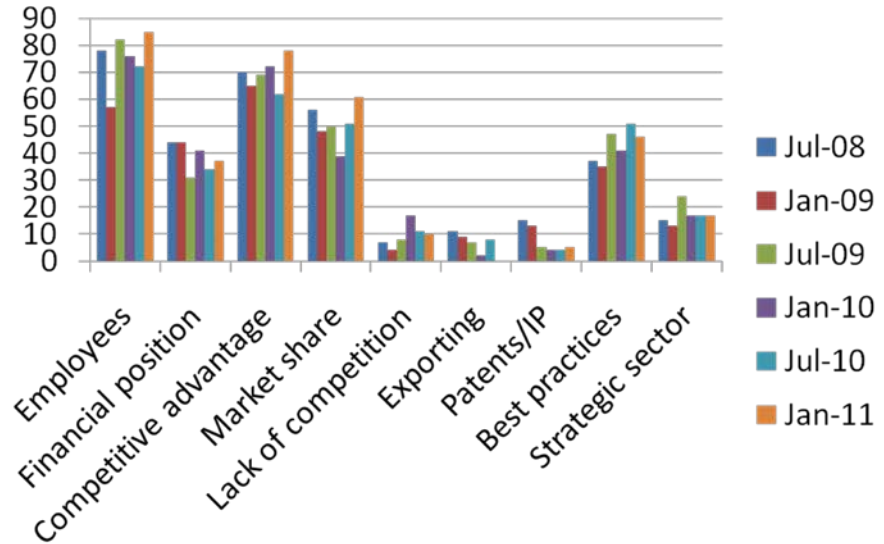
## Would you describe your company's gross revenues for 2010, compared to 2009, as: greater, about the same, less?

Note to reader: the time period referenced in the question changes from year to year.

Approximately two-thirds of those surveyed, noted that their year-over-year gross revenue increased. This does not indicate that overall profits for 2010 were higher, just that more money was coming in. Compare that to information gleaned from the previous question – that spending increased – and it may mean that more money exchanged hands without raising net profits across the business community.



# Factors - growth

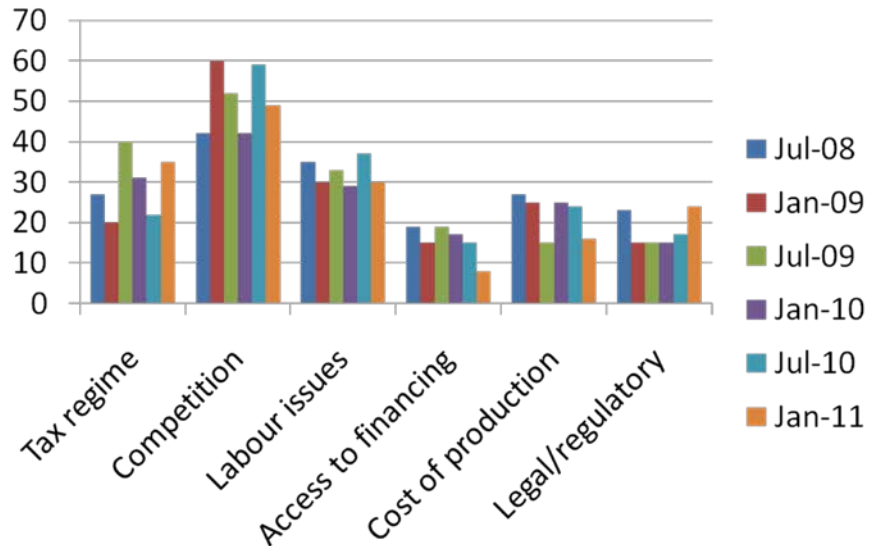


**In your opinion, what factors enable your own company's economic growth (check all that apply): employee skills and knowledge, financial position, competitive advantage, market share, lack of competition, export opportunities, patents and other intellectual property, industry best practices, involvement in a strategic sector.**

Companies recognize that staff are the key to their business success and economic growth. Competitive advantage also continues to be a strong response as does market share; historically these have been the No. 2 and No. 3 responses. It is interesting to note the trend in best practices – there have been some peaks and valleys; however, overall it looks like it might be a factor with some momentum upwards. It will be interesting to see how much local businesses attribute their success to learning from other organizations, whether in the same field or jurisdiction or outside of the sector or geographic region.



# Factors hindering growth



**And what factors hinder your company's economic growth (check all that apply): taxation regime, competition, labour issues, access to financing, cost of factors of production, legal/regulatory issues?**

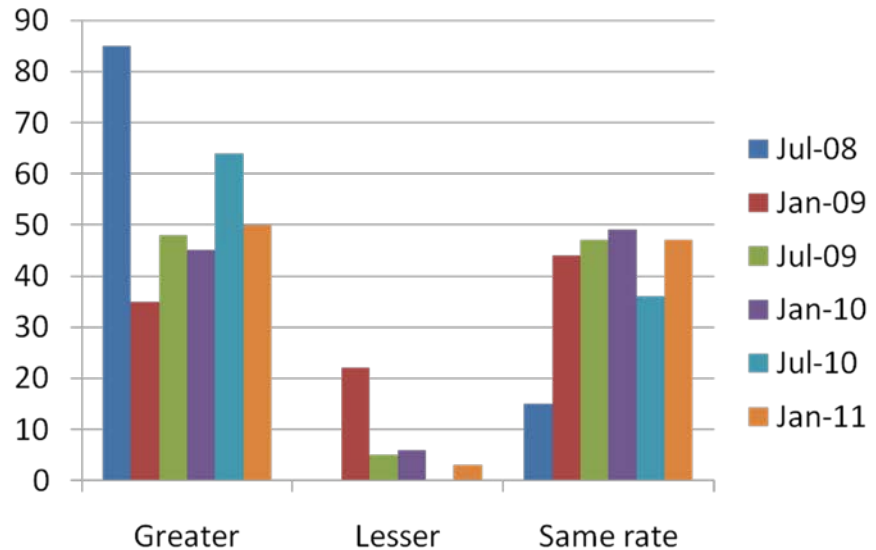
As usual, competition is the most significant hindrance to any given organization. This suggests that the business community is robust, as companies are seeing competitors offering similar products or services operating and succeeding in this market.

While it hasn't gotten back to a peak, 'tax regime' as a hindrance, is on a significant uptick in the January 2011 edition of the survey, and it will be interesting to note in July 2011's edition if a downtick occurs as the previous editions might suggest.

Also of note, labour issues seems to be settling into a trend at around 30 per cent.



# Purchase pricing in 12 months



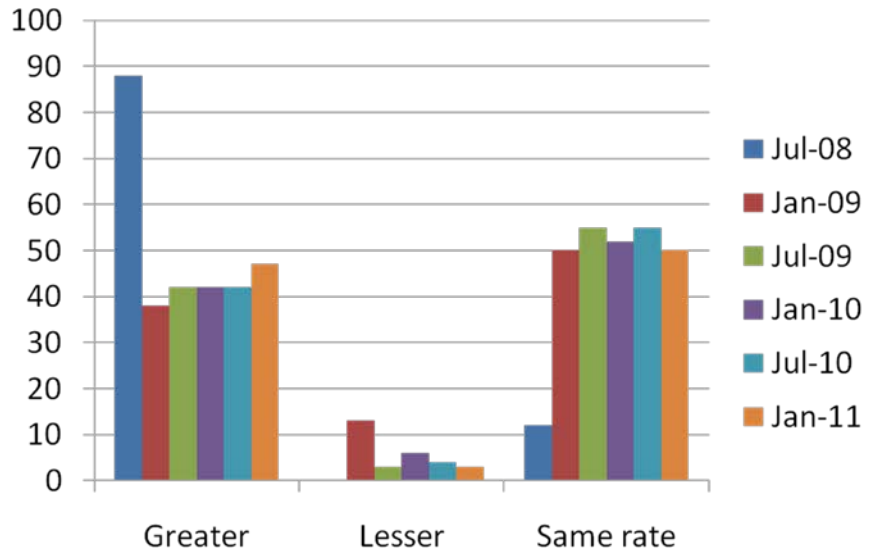
**In the next 12 months, are prices of products and/or services that you purchase expected to increase at a greater, lesser or the same rate as over the past year?**

The vast majority of companies don't anticipate lower prices for the products and services they purchase over the next year. That is to say that the cost of the factors of production are not expected to decrease, but rather to become higher (50 per cent) or stay the same (48 per cent). The impact for the business community and consumers is evident – higher costs to businesses will either be taken away from profits or investments in things such as productivity enhancements, wages or other factors that contribute to growth, or costs will be passed on.

The question does focus on the relative rate of growth; that is, it generally assumes that the cost of goods and services will increase, it's just a matter of degree – will it be higher than inflation, will it be higher than industry standards, will it be higher than what consumers have come to expect in recent times, etc?



# Selling price in 12 months

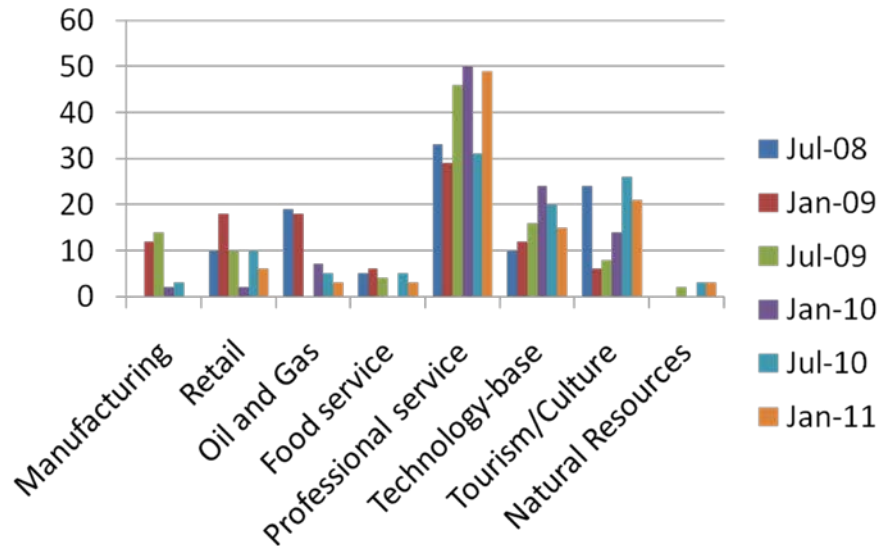


**In the next 12 months, are prices of products and/or services that you sell expected to increase at a greater, lesser or the same rate as over the past year?**

Interestingly, as results from the last question suggest that the costs to businesses will go up, the results from this question indicate a hint of reluctance to pass the costs on to business partners or consumers. The responses to the January 2011 survey indicate that slightly less than half of respondents think that their selling prices will go up in the next year, up a little bit from what had been trending in the low 40 per cent area.



# Industry Demographics

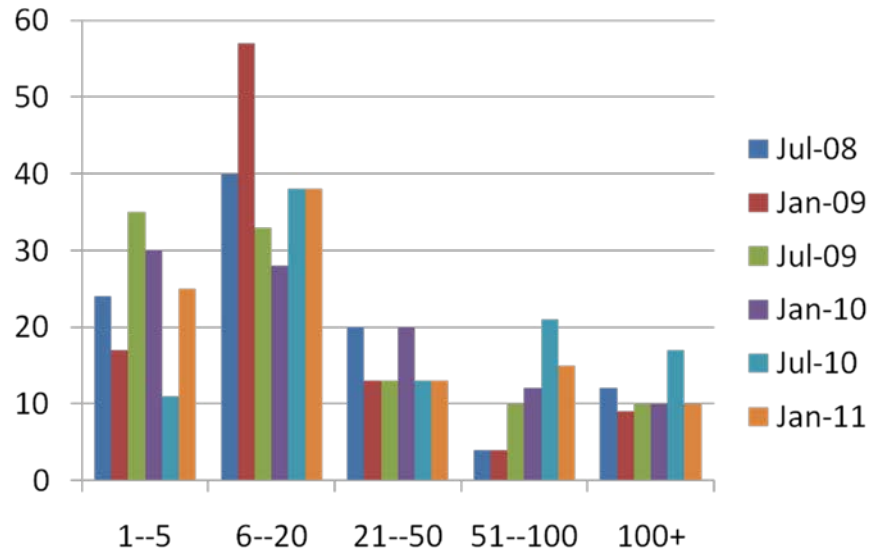


## In what industry do you operate?

This demographic question is asked just to get a better sense of who is operating in the area and responding to the survey. It is troubling to note that the highest percentage of responses come from professional service firms, not because of their opinions, but because they are service providers to primary industries who may be underrepresented in the economy. Primary industries are those that drive new economic wealth and opportunities and this demographics chart might indicate a clear need for economic diversification.



# Company employment - local

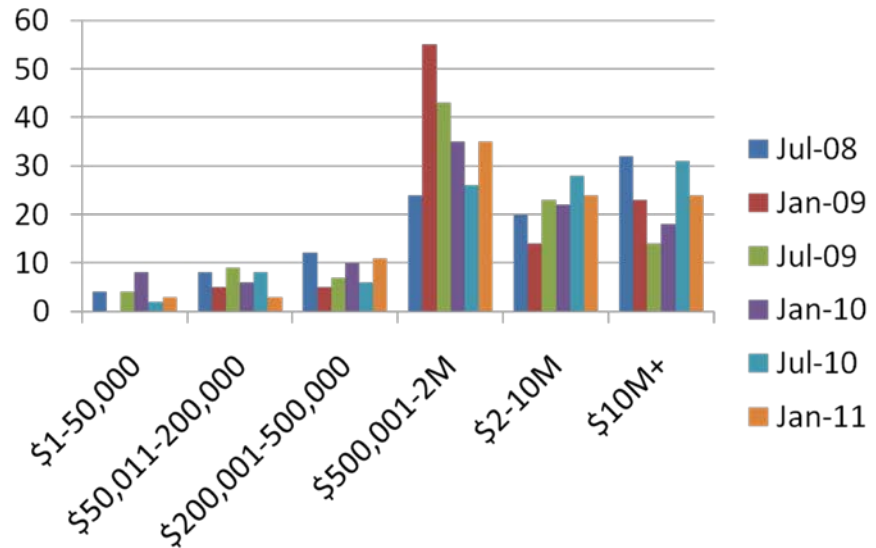


## How many people does your company employ in the City of St. John's?

Again, this is a demographical question to try to further understand more about the composition of membership. In the January 2011 edition of the survey, it is one of the times where distribution is a bit more even than regularly seen – companies with 6-20 employees dominate the responses, but there is good representation from companies of other sizes.



# Company revenue



## What are your company's annual revenues?

The final demographic question gathers information on company size as it relates to overall revenue. While there are no significant trends emerging, it is obvious that most respondents generally fall into the \$500K-2 million category. Having a cross-section of company sizes is important in determining whether the views expressed in economic confidence are held in different parts of the business community.