Monthly business survey in services

◼ Presentation of the survey

Since January 1988, INSEE has conducted an opinion survey among market service companies (excluding financial services). The survey covers the following service categories: accommodation and food service activities; information and communication; real-estate activities; professional, scientific, and technical activities; administration and support services; and, since February 2006, freight road haulage and courier services.

The survey tracks recent activity and short-term expectations of business owners by recording their qualitative opinion on these issues. Initially the survey was quarterly, but became monthly in June 2000. The questionnaire now includes monthly, quarterly and half-yearly questions. The questionnaires sent to road-haulage, courier, and express-freight enterprises contain additional specific issues.

The survey sample counts approximately 4,500 companies. Companies are drawn according to a stratified sampling plan.Two criteria are used to classify enterprises: principal activity, at the NAF2 sub-class level, and turnover used as an indicator of enterprise size. Each stratum is therefore defined by a combination of an NAF2 heading and a turnover bracket. All enterprises with more than €45 million in turnover are surveyed.

This survey belongs to the Joint Harmonised European Union Programme of Business and Consumer Surveys.

◼ Scope of the survey

The survey covers the following sectors as coded in the French classification of activities - NAF rev. 2.

- Freight transport by road and courier services (a part of the section H of NAF rev. 2): codes 4941A, 4941B, 4941C, 5229A and 5320Z;

- Accommodation and food services (section I of NAF rev. 2): codes 5510Z, 5520Z, 5610A, 5610B, 5610C, 5621Z, 5630Z;

- Information and communication (section J of NAF rev. 2): codes 58, 59, 60, 61, 62, 63;

- Real estate activities (section L of NAF rev. 2): code 68 (except 6832B);

- Profesional, scientific and technical activities (section M of NAF rev. 2): codes 69, 70 (except 7010Z), 71, 73, 74;

- Administrative and support activities (section N of NAF rev. 2): codes 77, 78, 79, 80, 81, 82;

- Other service activities (section S of NAF rev. 2): codes 95, 96;

Since the beginning of the survey in January 1988, its scope has been progressively extended . Courier services and telecommunications, most audiovisual activities (radio, television, video), photography, many leasing activities (including non-residential rental property) and personal care have been covered since October 1998. In February 2006, the survey scope was extended to road haulage and freight companies. Finally, publishing activities (publishing of books, directories and mailing lists, newspapers, journals and periodicals), sound recording and music publishing activities, as well as certain activities of computer repair but also personal and household goods have been covered since March 2010.

■ Questions

The questionnaire includes monthly, quarterly and half-yearly questions. In February 2006, additional specific quarterly and half-yearly questions for road-haulage, courier, and express-freight enterprises were added

Monthly questions to all companies

- In the past three months, the situation of your enterprise (question asked since January 2004)…

    …Has improved   … Has remained unchanged   … Has worsened

- What do you see now as the most likely business tendency in your sector for the three months ahead ("general business outlook")?

    … Up (+)   … Unchanged … Down (–)

- Change in your turnover in the past three months compared with the previous three months ("past business tendency")…

    … Up (+)   … Unchanged … Down (–)

- Likely tendency in your turnover in the next three months compared with the past three months ("likely business tendency")…

    … Up (+)   … Unchanged … Down (–)

- Change in your total number of paid employees (including temporary workers) in the past three months compared with the previous three months…

    … Up (+)   … Unchanged … Down (–)

- Likely tendency in your total number of paid employees (including temporary workers) in the next three months compared with the past three months…

    … Up (+)   … Unchanged … Down (–)

- Change in the selling or billing price of your services in the past three months compared with the previous three months…

    … Up (+)   … Unchanged … Down (–)

- Likely tendency in the selling or billing price of your services in the next three months compared with the past three months…

    … Up (+)   … Unchanged … Down (–)

- Likely tendency in demand in the next three months compared with the past three months ("expected tendency in demand") …

    … Up (+)   … Unchanged … Down (–)

- Change in investments by your enterprise in the past three months compared with the previous three months (question asked since July 2005)…

    … Up (+)   … Unchanged … Down (–)

- Likely tendency in investments by your enterprise in the next three months compared with the past three months (question asked since July 2005)…

    … Up (+)   … Unchanged … Down (–)

Quarterly questions to all enterprises

- Change in your export turnover (or sales to foreign customers) in the past three months compared with the previous three months…

    … Up (+)   … Unchanged   … Down (–)

- Likely tendency in your export turnover (or sales to foreign customers) in the next three months compared with the past three months…

    … Up (+)   … Unchanged   … Down (–)

- Change in your operating balance result in the past three months compared with the previous three months ("past tendency in operating balance result")…

    … Up (+)   … Unchanged   … Down (–)

- Likely tendency in your operating balance result in the next three months compared with the past three months ("expected tendency in operating balance result")…

    … Up (+)   … Unchanged   … Down (–)

- For the season, your current cash-flow position is:

    … Good   … Normal   … Difficult

- Are you currently experiencing hiring problems?

    … yes / no

    … If yes, for what categories of worker?

        … Managerial

        … Non-managerial

Remark: for transport enterprises, "managerial" and "non managerial" modalities are replaced by "drivers" and "non drivers".

- By how much have individual gross monthly wages in your enterprise changed in the past three months? …%

- Are you currently unable to expand your production as you would like because of (question asked since January 2004)…

        … Insufficient demand?

        … Shortage of labour and difficulty in increasing it?

        … Lack of appropriate equipment?

        … Financial constraints?

        … Other factors (please specify)?

        … Not relevant (you are currently able to grow your business as you like)

- If demand expanded, could you increase your volume of activity with your present resources? (question asked since October 2011)...

        … yes / no

        If yes, by how much?...%

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Additional quarterly questions to road-haulage, courier and express-freight enterprises

- Change in national local road transport (short-distance) in the past three months compared with the previous three months…

    … Up (+)   … Unchanged … Down (–)

- Likely tendency in national local road transport (short-distance) in the next three months compared with the past three months…

    … Up (+)   … Unchanged … Down (–)

- Change in national interurban road transport (long-distance) in the past three months compared with the previous three months…

    … Up (+)   … Unchanged … Down (–)

- Likely tendency in national interurban road transport (long-distance) in the next three months compared with the past three months…

    … Up (+)   … Unchanged … Down (–)

- Change in international road transport in the past three months compared with the previous three months…

    … Up (+)   … Unchanged … Down (–)

- Likely tendency in international road transport in the next three months compared with the past three months…

    … Up (+)   … Unchanged … Down (–)

- Change in fleet use in the past three months compared with the previous three months…

    … Up (+)   … Unchanged … Down (–)

- In the past three months, have you acquired vehicles (tractors, articulated lorries, trucks)? (Including acquisitions through leasing or other finance)

    … Yes, for replacement   … Yes, to expand the fleet   … No

- In the three months ahead, how do you expect your transport capacity to change?

    … Increase through acquisitions of vehicles

    … Increase through rental (excluding leases)

    … Stability

    … Decrease

Half-yearly questions to all enterprises

- In the past 6 months, private-sector customers' payment terms have tended to:

    … Get shorter (+)   … Remain unchanged … Get longer (–)

- In the past 6 months, public-sector customers' payment terms have tended to:

    … Get shorter (+)   … Remain unchanged … Get longer (–)

- In the past 6 months, the terms of payment granted by your suppliers have tended to:

    … Get shorter (+)   … Remain unchanged … Get longer (–)

Additional half-yearly questions to road-haulage, courier and express-freight enterprises

- In the past six months, how would you rate your ability to pass on the changes in your costs to your market prices?

    … Easier   … Same   … Harder

- How do you assess the change in competition from foreign companies operating in Northern Europe in the past six months?

    … Up (+)   … Unchanged … Down (–)

- How do you assess the change in competition from foreign companies operating in Southern Europe in the past six months?

    … Up (+)   … Unchanged … Down (–)

- How do you assess the change in competition from foreign companies operating in Central and Eastern Europe in the past six months?

    … Up (+)   … Unchanged … Down (–)

Evolution of the questionnaire

In order to allow a perfect harmonization of European economic surveys, the monthly business survey in services undergoes several light changes starting from January 2004 for some questions:

- **Two questions were added, one monthly, one quarterly:**

  o *A monthly question*

Situation of your enterprise   In the past three months, the situation of your enterprise: *… Has improved   … Remained unchanged   … Has worsened*

  o *A quarterly question*

Current limits to production: Are you currently unable to expand your production as you would like because of:
- *Insufficient demand*
- *Shortage of labor and difficulty in increasing it*
- *Lack of appropriate equipment*
- *Financial constraints*
- *Other factors (please specify)*
- *Not relevant (you are currently able to grow your business as you like)*

- **Change in the wording of a question (asked since June 2000):**

Previous wording Your opinion on the future tendency in your sector in general: *What do you see now as the most likely direction for the business trend in your sector in the next three months?* ↗ ⇨ ↘	New wording Your opinion on the future tendency in your sector in general: What do you see now as the most likely business tendency in your sector in the three months ahead? ↗ ⇨ ↘

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- **Two new monthly questions were added in July 2005:**

> **Your opinion on investments by your enterprise**
> (The question concerns investments in non-financial assets, excluding capital contributions).
>
> Change observed in past three months compared with previous three months: ↗ ⇨ ↘
>
> Likely tendency in three months ahead compared with past three months: ↗ ⇨ ↘

- **A clarification was added to questions about the change in of the enterprise's workforce:**

«Total number of paid employees (including temporary workers)»

This clarification was added to facilitate understanding, especially from temporary agencies.

- **A quarterly question on capacity utilization was added in October 2011:**

> If demand expanded, could you increase your volume of activity with your present resources? …
>
> …Yes
>
> …No
>
> If yes, by how much?...%

Methodology and dissemination of results

For questions with three possible answers ("Up","Unchanged","Down"), results are aggregated in the form of "balances of opinion". A balance of opinion is calculated as the difference between the percentages of respondents giving positive and negative replies.

Individual responses of firms in the same primary stratum are aggregated by calculating weighted averages. The weighting coefficient is the number of employees for questions on tendency (past and expected) in employment. For other questions, it is based on the annual turnover. This provides balances of opinion in each primary stratum.

Then, for regrouping primary strata, we calculate a balance of opinion as the weighted average of the primary balances of opinion. The weighting coefficients are calculated with the same kinds of variables (number of employees or turnover, depending on the questions) from SIRUS business register ("*Système d'Identification au Répertoire des Unités Statistiques*", i.e. "System for Identifying Statistical Units in the Register"). This procedure gives a structure close to the overall composition of service activities in France.

All published questions are seasonally adjusted. Some series display no seasonal pattern, in which case, the seasonally adjusted series and the raw series are the same.

The interpretation of results is based on the change in the series rather than its level. Balances of opinion can also be discussed in comparison to their long-term average to reflect the response behavior of entrepreneurs.

Data from the latest available survey are provisional. They are revised with the publication of the next survey to take into account any late responses.

The business climate composite indicators

Business climate composite indicators are established for services as a whole and for all service sub-sectors defined by the level "A21" of the French classification of activities (NAF rév. 2), excepted for the "other services activities". Each composite indicator summarizes opinion of business leaders on the linked sector: the higher its value is, the more favourable the entrepreneurs' opinion is. It is based on the factor analysis method. This technique allows to sum up the different changes in several variables which

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have very correlated movements. The indicators describes, in a single variable, the common building block of the selected balances of opinion: past activity, expected activity, expected demand, general outlook, past selling prices, expected selling prices, past employment and expected employment. Those indicators are normalized in order to have an average equals to 100 and a standard deviation equals to 10. However, the business survey in services were quarterly at first, and only became monthly from June 2000. In addition, the balance for general business outlook, one of the best correlated with output from market services excluding trade, is available only from this same date. Business climates for services were therefore estimated over two sub-periods: from June 2000, monthly and using the balance with general business outlook; before this, quarterly and without this balance, with monthly business climates estimated by linear interpolation between two quarterly estimates.

The turning point indicator

The turning point indicator aims to detect as early as possible when the outlook-manufacturing trend changes direction. This is a qualitative variable that is not directly observed. The indicator is presented in the form of a curve, retracing for each date the difference between the probability that the cyclical phase is favorable and the probability that is unfavorable. It therefore changes between +1 and -1: a point very close to +1 (or -1 respectively) indicates that activity is in a period of sharp acceleration (or sharp deceleration respectively). The moments when the indicator is close to 0 are considered to be stabilization phases, meaning a return from the growth rate in activity towards its long-term average. During these phases, the signals given out by businesses vary widely and do not therefore indicate any pronounced movement, either upwards or downwards. The indicator value for the last month may be revised the following month (input of responses received late) so it is necessary to wait for at least two consecutive months to be able to conclude that a large variation actually is a signal of significant cyclical change. This new method has been used since April 2015.

This indicator relies on the five monthly balances "past activity", "past employment", "expected activity", "expected selling prices", "expected demand".

The surprise indicator

The surprise indicator in services is an indicator computed from the responses of business leaders to the questions on the recent and predicted turnover. It measures the difference between the responses to the question on the expected turnover from the survey of the month m-3, and the responses to the question on the past turnover from the survey of the month m. It aims at providing an indication of the short-term surprise that business leaders had on the recent months.

Detailed documentation

- The monthly business survey in services: presentation and methodology
  http://www.insee.fr/en/methodes/default.asp?page=sources/sou-enq-conj-services.htm

- Concerning the turning point indicator, see the special analysis: "New advances in the use of INSEE's business tendency surveys to analyse the short-term economic outlook", *Conjoncture in France*, Insee, March 2015
  http://www.insee.fr/en/indicateurs/analys_conj/archives/mars2015E_d1.pdf

- Special analysis: "New sub-sector business climate indicators to improve economic outlook analysis", *Conjoncture in France*, June 2016
  http://www.insee.fr/en/indicateurs/analys_conj/archives/062016_d2E.pdf

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