



RBF BUSINESS EXPECTATIONS SURVEY

The Reserve Bank of Fiji (RBF) conducts several surveys, such as the Business Expectations Survey (BES), to obtain feedback from businesses on general business conditions and their sentiments on the outlook for the economy. These surveys provide an industry or sectoral perspective on the economy while supplementing information and data gaps due to the limitations in timely official data on sectoral developments.

This article discusses the methodology and relevance of the BES to our monetary policy analysis.

What is the Survey about?

The BES is conducted bi-annually in June and December each year to gauge expectations of business conditions and outlook for the economy over the near (three months) and medium (twelve months) terms.

The survey covers expectations on key economic indicators such as production, employment, sales, inflation, interest rates, input costs (wages, raw materials and imports), investment (in plant & machinery and buildings) and overall business conditions.

There are nine key sectors covered in the survey including construction; information & communication; finance & insurance; manufacturing (including garments); business services; real estate; wholesale & retail sales; tourism and transport & storage and Other which includes all other types of business.

How is the Survey Conducted?

The RBF distributes survey forms to over 300 businesses across the major sectors. Survey forms are emailed or faxed to industry contacts during the first week of the survey month (June or December). The companies are given two weeks to respond.

The list of businesses is reviewed regularly to ensure businesses are active and new ones are included from time to time. All contact information is kept up to date.

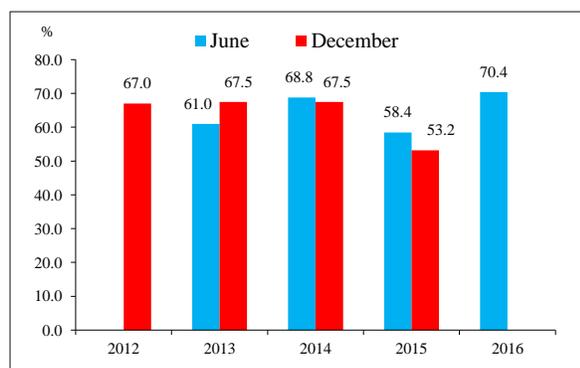
Figure 1 below provides a partial snapshot of the BES form.

Figure 1: BES Form

BI-ANNUAL BUSINESS EXPECTATIONS SURVEY FORM																			
<small>The Reserve Bank of Fiji (RBF) is conducting the Bi-annual Business Expectations Survey for June 2016. The main purpose of this survey is to obtain information particularly on general business conditions, production, employment, sales, prices and investment in Fiji. The information collected will enable the RBF and business community to make an assessment of the changes in the economic conditions in the next 3 and 12 months in a timely manner.</small> <i>Your responses will be treated as strictly confidential.</i>																			
Name of Company: _____ Contact Person: _____ Phone Contact: _____ Title: _____ Email address: _____	7. Rate of Inflation Expectation <table border="1"> <thead> <tr> <th></th> <th>Increase</th> <th>Decline</th> <th>No Change</th> </tr> </thead> <tbody> <tr> <td>Next 3 mths</td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> <tr> <td>Next 12 mths</td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> <tr> <td></td> <td>4.5%</td> <td>7.5%</td> <td>10% or greater</td> </tr> </tbody> </table>		Increase	Decline	No Change	Next 3 mths	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Next 12 mths	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		4.5%	7.5%	10% or greater		
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The RBF targets a minimum 50 percent response rate and a broad based response which covers a good cross section of the economy. Since 2012, the response rate has usually been above the targeted 50 percent although has not reached 100 percent (Graph 1). Improvements in response rates over the years are attributed to regular follow-up. Moreover, the quality and timeliness of the responses have been generally acceptable.

Graph 1: BES Response Rates 2012-2016



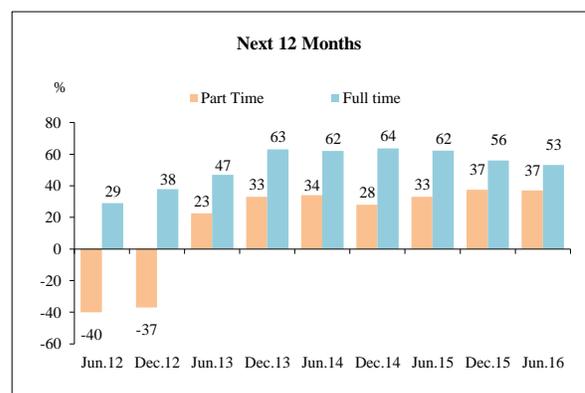
Source: Reserve Bank of Fiji

Analysis

Survey data is presented in narrative and graphical form. Net responses are calculated by subtracting the percentage of respondents expecting a decrease from the percentage expecting an increase in the indicator performance. The net response reflects the general direction of expectations. For example, if the number of respondents expecting an improvement in general business conditions exceeds those anticipating a decrease, then the net change (a positive number) reflects a general improvement in the outlook for business activity. The reverse is true if the number of respondents expecting a decrease exceed those expecting an increase.

The BES provides useful insights into sectors which have limited information available, such as the labour market. As an example, Graph 2 depicts the expected positive labour demand for both part time and full time employment over the next twelve months. In other words, companies are expected to hire part-time and full-time workers in the next 3-12 months. This indicates anticipated growth in employment which aligns with the projected positive growth trend.

Graph 2: Outlook for Employment

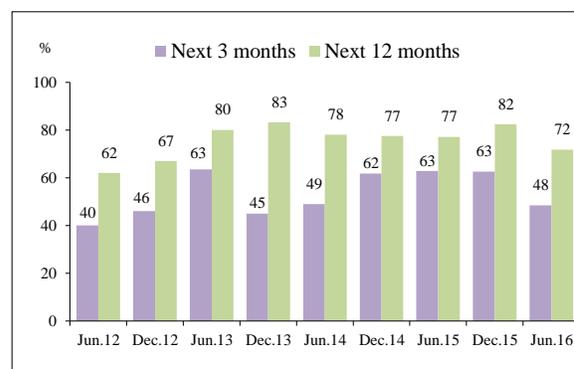


Source: Reserve Bank of Fiji

Survey responses are impacted by macroeconomic conditions and broader developments in the economy. These include economic, political and institutional changes, government regulations and natural disasters. These factors influence future plans and decisions by businesses.

For instance, while the June 2016 survey showed that businesses anticipated favorable business conditions in the short and medium term, sentiments weakened in comparison to the December 2015 survey (Graph 3). These lower expectations were attributed to the natural disasters that occurred earlier in the year leading companies to expect general business conditions to slow down.

Graph 3: Outlook for General Business Conditions



Source: Reserve Bank of Fiji

Why is the BES important?

One of the key missions of the RBF is to “Conduct monetary policy to foster economic growth”. To ensure that our monetary policy is appropriate, timely and effective, the RBF relies on sound analysis of high quality current and forward looking data. As such, the BES is a useful input into the analysis of the macroeconomic outlook and policy considerations.

Maintaining a high quality of its surveys remains a priority for the RBF. The Bank will continue its efforts towards improving data integrity and timely and comprehensive responses. We are also extremely grateful to the various companies and businesses for taking the time to accurately complete our surveys.