

## **The Business Conditions Survey- Current Development Activities**

The Business Conditions Survey (BCS) is currently Statistics Canada's only business tendency survey. It has been carried out by the Bureau since 1976 and it tracks the opinions of Canadian manufacturers on a selected group of characteristics such as employment, production, production impediments orders and inventories. The respondents receive their questionnaires at the beginning of every quarter and the results are published in the week following the survey month. Response to this survey is voluntary.

Below is a list of current development and research activities related to the BCS.

1. A year ago, a working group at Statistics Canada looked into expanding the BCS to include other sectors outside of manufacturing such as agriculture and forestry, mining, oil and gas extraction, transportation, services, wholesale, retail and energy. A draft of a generic questionnaire was developed. It was based on the BCS for manufacturing, with the addition of a question on export activity and a question that would be sector specific. The processing of the data was going to be centralized by utilizing the systems used for the manufacturing BCS, and then the analysis and dissemination portion would have been conducted by the areas responsible for the specific sector. The group also looked at the target population and potential samples from the different sectors. A total sample of about 15,000 units was determined to be sufficient to cover all the sectors listed above.

However, due to funding the work has now been reduced to expanding the BCS only for the Traveller Accommodation services sector.

The Service Industries Division of Statistics Canada has entered into a partnership with the Canadian Tourism Commission for the purpose of undertaking the Traveller Accommodation Business Conditions Survey Pilot Project. The pilot period will cover six quarters from July 2003 to December 2004.

The Survey will produce quarterly leading (forward looking) and current indicators related to the Traveler Accommodation industry in Canada. This industry is a key component of the tourism sector in Canada which has been ravaged, in the past couple of years, by concerns about security and infectious diseases. The project includes the development, implementation, and certification of this survey. The first mail out was in October 2003 and the first estimates will be released in the first half of 2005, assuming that the data are relevant and of high quality. There is no electronic data reporting component to this survey. The partnership with the Canadian Tourism Commission will be prolonged if the project proves successful.

The content (see attached questionnaire) is similar to the Manufacturing Business Conditions Survey. The Quarterly Business Conditions Survey for the Traveler Accommodation Industry presently has one question about impediments to business. There are two questions about recent economic activity (last three months) and three questions about future economic activity (next three months). The questions have been

adjusted to reflect the traveler accommodation industry. For example, the recent business activity question has been changed to focus on "occupancy rates".

2. Other new initiatives aimed at enhancing the BCS include a thorough assessment of the Seasonal Adjustment method that is used currently. Preliminary results show that most of the series do not show seasonality. In fact it is only the employment and production series that exhibit a seasonal pattern. This shows that current economic conditions may be the prevailing factor that influences a respondent's opinion, overriding seasonal patterns in demand and company financial planning. As a result of these findings, STC will have to discontinue seasonally adjusting most of the BCS series and continue to monitor the raw series in case a seasonal pattern develops in the future.

3. The BCS releases its information in terms of percentages, but also as a balance which is the difference between the percentages of respondents who report positive versus those who report negative forecasts for the upcoming months. For the finished product inventory variable the balance is always negative since most manufacturers consider almost any level of inventory too high. A team at Statistics Canada is looking at either normalizing this balance, so that zero becomes the center value, or to develop a different indicator that would provide a more intuitive signal of manufacturers' sense about finished products inventories. Below is a list of a number of alternatives considered for this index. The team is now in the process of consulting with users to determine the merits of each method. (Please see the BCS questionnaire at the end of the documents for the possible answers to the inventory question).

- a) too low – too high (formula currently used)
- b) too low – too high – mean
- c) Quarter(t) – Quarter (t-1) of the about right + too low
- d)  $(\text{too high} - \text{too low})/2 + 50$  (This is the Purchasing Managers Index from the Purchasing Management Association of Canada)
- e)  $(\text{about right})/2 + \text{too low}$  (JP Morgan index)
- f)  $(\text{about right})/2 + \text{too low} * \text{weight}$  (This index is used by the Bank of Montreal)
- g) about right – too low – too high

Included in the user consultation is also a question regarding the development of an overall diffusion index of economic performance based on the BCS. Presently there are two fairly well known indexes of business conditions in Canada, published by financial researchers associated with two Canadian banks.. One uses a formula gives an equal weight to each of the five variables (finished product inventory, new orders, unfilled orders, production and employment) that make up the index, while the other produces an index which gives a weight of 10% to inventories, 30% to new orders, 15% to unfilled orders, 25% to production and 20% to employment. Statistics Canada's user consultation would look for feedback from its users on whether it should adopt one of these indexes or develop its own.

Statistics Canada has already consulted with a representative from one of the above-mentioned banks, who has strongly recommended that Statistics Canada start to publish

such a diffusion index. This would then become the official Canadian Business Conditions Index for Manufacturing Industries.

It is planned that Statistics Canada will develop the formula for such an index and start publishing it sometime in 2004.

4. Some of BCS's most prominent users such as the Bank of Canada and commercial bank representatives have strongly recommended that the BCS be collected and published on a monthly basis so that the Canadian Business Conditions Index for Manufacturing can be used in the calculation of the Global Business Conditions Index for Manufacturing. Presently this global index is calculated by using data from 19 countries around the world.

It was evident that from a users' point of view a more frequent BCS that produced only a national estimate for all manufacturing was more desirable than the current quarterly survey from which provincial and industry level estimate are published. Also the users seem to be primarily interested in the new orders and production questions.

In light of these recommendations, Statistics Canada is now examining the costs and operational implications associated with a number of possible options:

- have a monthly BCS with a reduced sample that would produce a national all manufacturing estimate only
- have a monthly that would only ask the production and new orders questions in order to alleviate some of the respondent burden
- have a monthly BCS that would be sent to the electronic data respondents only

A decision on which route to take will be made in the next few months by Statistics Canada senior management.



Service Industries Division

### Quarterly Business Conditions Survey for the Traveller Accommodation Industry

In all correspondence concerning this questionnaire please quote this nine digit reference number below

Mailing Address

Operating Address

**Confidential when completed**

Authority  
This survey is conducted under the authority of the *Statistics Act, Revised Statutes of Canada, 1985, Chapter S19.*

**Participation is voluntary.**

#### A. General Information

##### Survey Purpose

This survey seeks opinions about current and future business conditions. The information will be used to produce an early, broadly-based summary of business opinion regarding impediments to trade, current and future business activity, and employment. This survey was developed in partnership with the Canadian Tourism Commission.

##### Fax or Other Electronic Transmission Disclosure

Statistics Canada advises you that there could be a risk of disclosure during the facsimile or other electronic transmission. However, upon receipt, Statistics Canada will provide the guaranteed level of protection afforded to all information collected under the authority of the *Statistics Act*.

##### Confidentiality

The *Statistics Act* protects the confidentiality of information collected by Statistics Canada.

Please mail the completed questionnaire in the enclosed envelope or fax it to Statistics Canada at 1 888 605-2493 within the next week.

##### Survey Reporting Unit

The reporting unit for this questionnaire is the business operating establishment (accommodation property) of the traveller accommodation business.

Need help? Call us at 1 800 916-9316 or mail to: Statistics Canada, Operations and Integration Division, 120 Parkdale Avenue, Ottawa, Ontario K1A 0T6

#### B. Certification **I certify that the information contained herein is complete and correct to the best of my knowledge.**

Signature of authorized person	Title 0014	0015 Date		
		Year	Month	Day
Name of person to contact for further information ( <i>please print</i> ) 0026	0013	First name		
	0054	Last name		
1 <input type="radio"/> Mr. 2 <input type="radio"/> Mrs. 3 <input type="radio"/> Miss 4 <input type="radio"/> Ms.				
E-mail address: 0018	Company's Home Web page address (URL) 0020			
Telephone number: 0017 ( )	Extension: 0027	Fax number: 0016 ( )		

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Statistics Canada / Statistique Canada

**C. Business Impediments**

1. Are the activities of this business unit impeded by difficulties in any of the following areas? (please check all that apply)

- 91023  no difficulties at this time
- 91007  access to financing
- 91019  negative publicity abroad
- 91003  shortage of unskilled labour
- 91011  public health and safety concerns (please specify below)  
91012 \_\_\_\_\_
- 91017  abnormal weather and/or natural disasters (please specify below)  
91018 \_\_\_\_\_
- 91013  ability to implement technological innovations (please specify below)  
91014 \_\_\_\_\_
- 91005  general economic conditions (please specify below)  
91006 \_\_\_\_\_
- 91021  other (please specify below)  
91022 \_\_\_\_\_
- 91009  too much competition
- 91015  lack of attractions or complementary facilities in vicinity
- 91001  shortage of skilled labour

**D. Recent Business Conditions - The past three months**

Allowing for normal seasonal conditions, is it the opinion of the management of this business unit that:

2. Occupancy rates for this business unit over the past three months compared with the same period last year have been:
- 91030  higher than normal
  - 91031  about normal
  - 91032  lower than normal
  - 91033  no opinion
  - 91034  this unit is not in operation at this time (skip to #5) → 91035 \_\_\_\_\_  
Reason \_\_\_\_\_
3. The number of foreign guests staying at this business unit over the past three months compared with the same period last year has been:
- 91040  higher than normal
  - 91041  about normal
  - 91042  lower than normal
  - 91043  no opinion
  - 91044  not applicable
4. The number of business travellers staying at this business unit over the past three months compared with the same period last year has been:
- 91050  higher than normal
  - 91051  about normal
  - 91052  lower than normal
  - 91053  no opinion
  - 91054  not applicable

**E. Future Business Conditions - The next three months**

Allowing for normal seasonal conditions, is it the opinion of the management of this business unit that:

5. The occupancy rate during the next three months compared with the same period last year will be:
- 91060  higher than normal
  - 91061  about normal
  - 91062  lower than normal
  - 91063  no opinion
  - 91064  this unit will not be in operation during the next three months (skip to Comments) → 91065 \_\_\_\_\_  
Reason \_\_\_\_\_
6. The average daily room rate during the next three months compared with the same period last year will be:
- 91070  higher than normal
  - 91071  about normal
  - 91072  lower than normal
  - 91073  no opinion
  - 91074  not applicable
7. The total number of hours worked by employees in this business unit during the next three months compared with the same period last year will be:
- 91080  higher than normal
  - 91081  about normal
  - 91082  lower than normal
  - 91083  no opinion
  - 91084  not applicable

**F. Comments**

91090 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**Thank you for completing this questionnaire**

Statistics Canada's publications are available for use in Statistics Canada's regional offices and all major libraries. As well, please visit our Web site at [www.statcan.ca](http://www.statcan.ca)