



Isle of Man

# Pulse Survey

**Business confidence and economic report  
Isle of Man**

First Edition



**Business confidence and economic report**

# Foreword

It's been a tumultuous 12 months, where the world has been suffering and economies are volatile, with stock markets plummeting and rising. These conditions have made it increasingly hard for decision makers to reliably plan and to know what the true story really is.

There have been many local surveys over the past year and this Pulse survey was intended to be different, in that it would measure business and economic confidence on the island amongst senior business leaders and c-suite decision makers. In the midst of a myriad of macro-environmental factors, Isle of Man businesses have been presented with challenges the likes of which have never been seen before, but have also seen opportunities within it. These unusual times have forced many of us to re-think and apply new lenses in order to survive in these extraordinary times. While some businesses are suffering, others are flourishing. Survey responses have been mixed but still provide a useful snapshot of business sentiment on the island.

**Simon Nicholas, Partner**  
KPMG in the Crown Dependencies



IoD Isle of Man were pleased to have the opportunity to partner with KPMG LLC on this Pulse Survey. We have strong connections with Government, but via additions such as the Pulse Survey we can start to build on and gain a more valuable insight into our island business community.

As Simon noted, the Pulse Survey is designed to examine business and economic confidence and given the unprecedented nature of the last 12 months we felt there was scope for a further survey with a slightly different stance.

From interaction with our members and the wider community we appreciate the challenges faced and the need to reinvent, to combat the turbulence caused by the COVID-19 pandemic. Inevitably responses were mixed, but the survey has given an indication of business thought and is a starting point for future discussion.

**Jennifer Houghton**  
IoD



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Isle of Man

# Key Findings



# Key Findings



A significant proportion of businesses were still experiencing decline across all sectors surveyed



Businesses in all sectors believe they had access to sufficient capital (including credit) in the final quarter of 2020



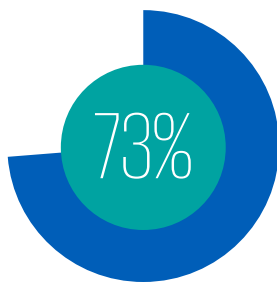
Larger businesses, with head offices based off-island, are more likely to consider reducing headcount



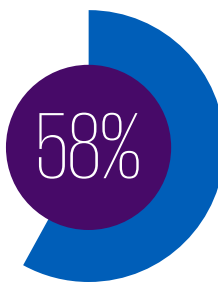
Positive projections for business turnover and profitability over next 12 months



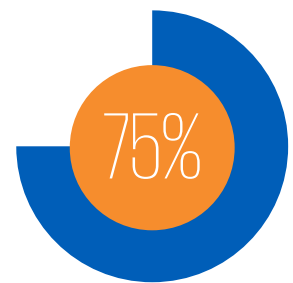
Relatively few businesses feel Brexit will have an impact on them, with no contingency plans made



Whilst the border closures are restricting growth, 73% of respondents would not have changed the border policy.



58% of businesses felt their business growth was constrained.



Three quarters feel they've received enough Brexit information from the Isle of Man Government.

**Theme 1**

# Trading environment

3 months to December 2020

**Trading environment – in the period (Oct to Dec 20)**

Across all sectors, more businesses reported a decline in business than reported increased activity. This was true for on-island and off-island focused business.

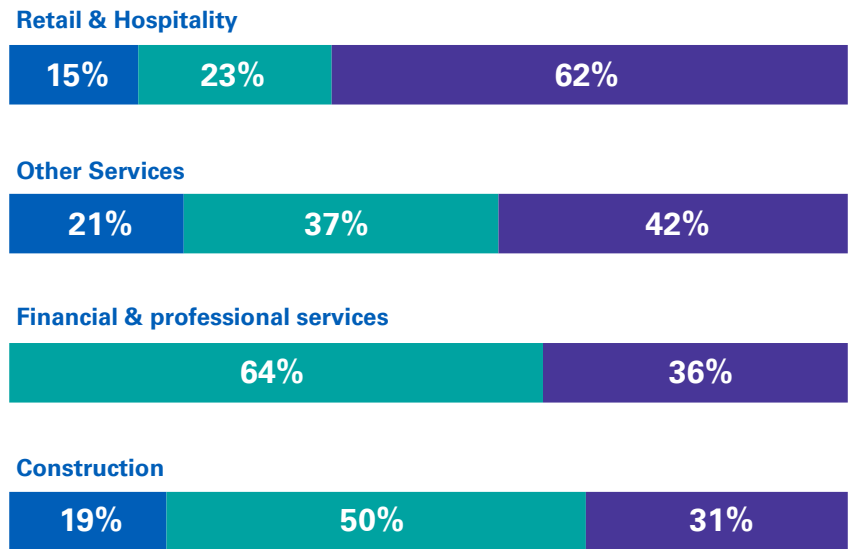
As might be expected, the retail and hospitality sectors indicated the greatest decline.

Despite these concerning findings, the survey results indicate that many businesses have sustained their trading activity or indeed have grown. The picture for off-island business is particularly interesting as there appears to have been a significant change and, outside of retail and hospitality, much of this has been positive.

**Fig 1. On-Island business in the last 3 months (Oct to Dec 20) - all sectors**

**Over the last 3 months, has your business...**

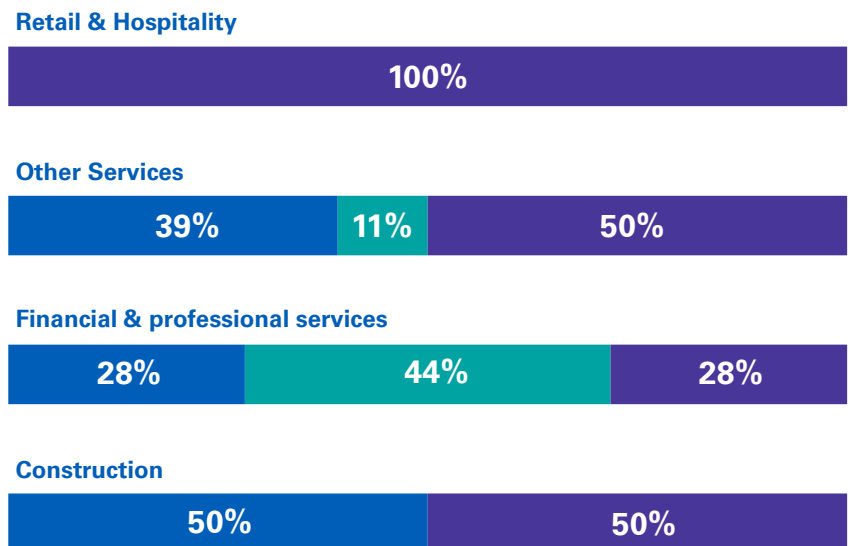
■ Increased ■ Stayed about the same ■ Decreased



**Fig 2. Off-Island business in the last 3 months (Oct to Dec 20) - all sectors**

**Over the last 3 months, has your business...**

■ Increased ■ Stayed about the same ■ Decreased



Theme 2

# Trading Outlook for 2021

## Financial and professional services

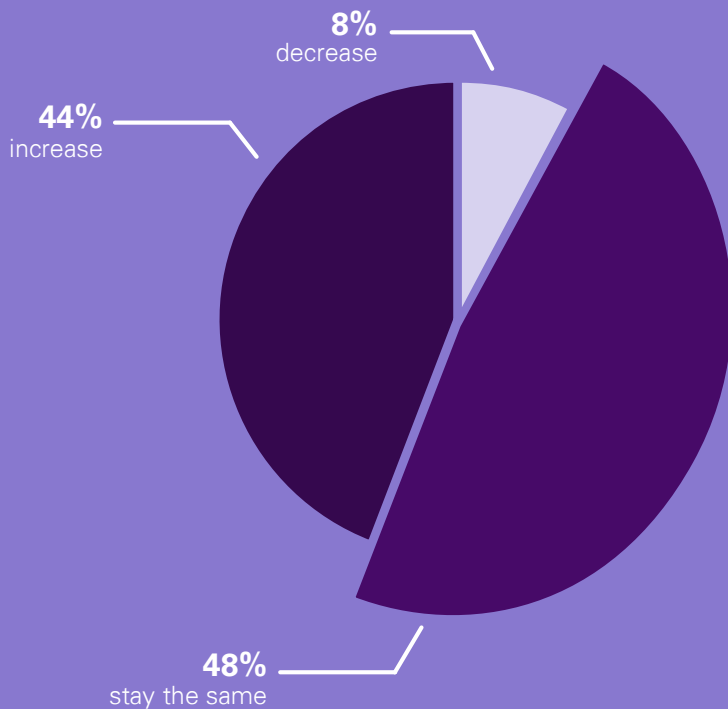
Most sectors report positive projections for business turnover and profitability over the next 12 months, with retail and hospitality understandably the most pessimistic of the sectors due to their sensitivity to changes in COVID-19 restrictions, both lockdowns and border closures.

### Finance and professional services

The majority of financial and professional services businesses expect revenue to remain stable (48%) or grow (44%) in 2021, which is a relatively positive outlook. This is, perhaps, due to the already successful transition to remote working. Also, businesses may expect face to face sales to resume due to the anticipated lifting of border closures.

Fig 3. Finance and professional services sector turnover – next 12 months

Over the next 12 months, we expect turnover to...



Theme 2

# Trading Outlook for 2021

## Retail & Hospitality

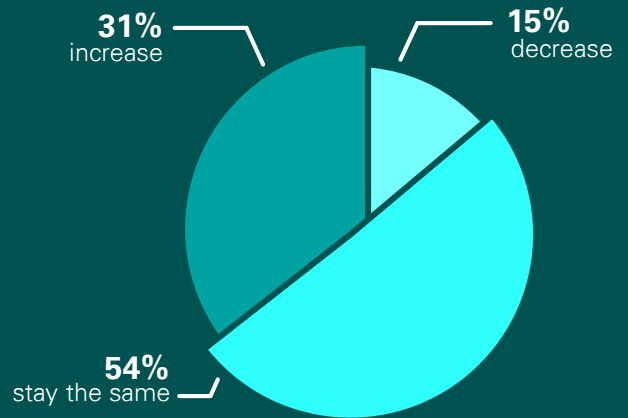
Businesses in the Retail and Hospitality sectors that rely on off-island customers for at least part of their trade are significantly more pessimistic about their prospects for 2021, with 62% expecting a decline in turnover and 69% expecting a decline in profitability. This is likely to reflect concerns over the impact of border restrictions and perhaps uncertainty regarding the longer term recovery of international travel.

Many businesses in the sector expected input prices to rise over the following three months. Those serving local customer bases were more likely to pass this on through increased sales prices.

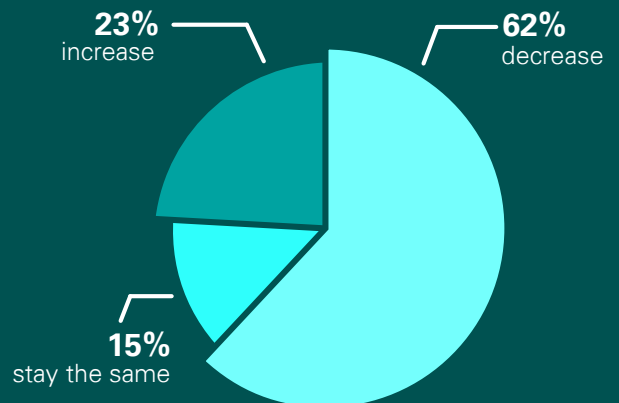
It should be noted that the survey results were received prior to the discontinuance of the Arcadia group. This event will, no doubt, significantly shape the Manx high streets going forward but is not currently reflected in our analysis.

Fig 4. Retail turnover – next 12 months

**Over the next 12 months, we expect turnover to...**



**DOMESTIC CUSTOMER-BASE**



**MIXED / INTERNATIONAL CUSTOMER-BASE**

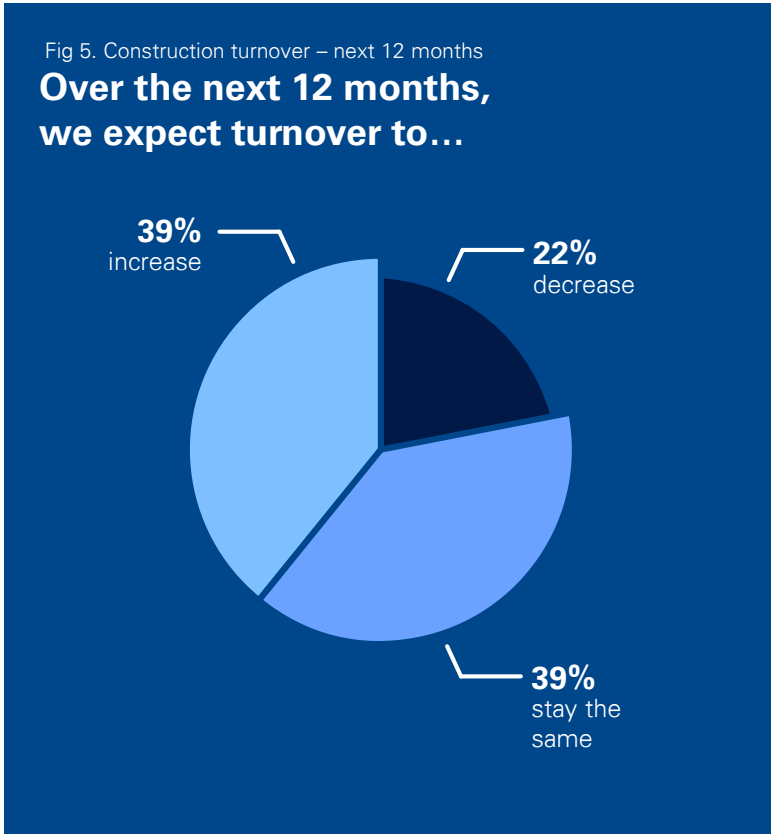


Theme 2

# Trading Outlook for 2021

## Construction

Construction companies appear relatively positive going into 2021, with only 22% of respondents expecting a decline in turnover over the year. This perhaps supports the observations that the residential property market has been fairly buoyant and that travel restrictions had encouraged more people to divert some of their available funds into home improvement.



Theme 3

# Employment Outlook

## Locally controlled businesses

Whilst there are a number of businesses that expect to reduce their workforce, a greater proportion expect to increase their workforce. This indicates the larger businesses surveyed would have a greater impact on local employment.

**Fig 6. Locally controlled business – IOM workforce over next 12 months**

### What trend do you expect your Isle of Man based workforce levels to take over the next 12 months?

● Decrease significantly   ● Decrease   ● Stay about the same   ● Increase   ● Increase significantly

#### 1-5 employees



#### 6-10 employees



#### 11-50 employees



#### 51-100 employees



#### 101-250 employees



#### More than 250 employees



Theme 3

# Employment Outlook

## Overseas controlled businesses

For businesses controlled off-island, concerningly, a high proportion of the largest (over 100 staff) financial and professional services businesses have indicated their intention to reduce workforce levels. This is likely to be driven by investment in technology to drive efficiencies, given that relatively few financial and professional services firms expect their business to decline in 2021. Inevitably, larger global businesses have to take tough decisions in order to manage stakeholder expectations – particularly profitability.

Fig 7. Off-island controlled business – IOM workforce over next 12 months

### What trend do you expect your Isle of Man based workforce levels to take over the next 12 months?

● Decrease   ● Stay about the same   ● Increase

#### 1-5 employees



#### 6-10 employees



#### 11-50 employees



#### 101-250 employees



#### More than 250 employees



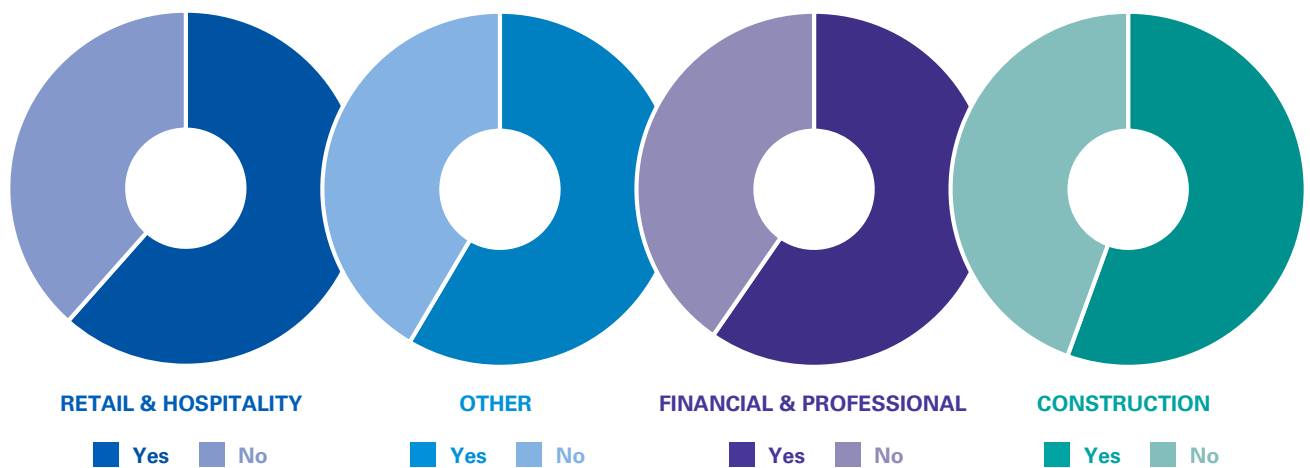
Theme 4

# Growth Constraints

Roughly 60% of businesses feel their business growth is currently constrained, across all industries and sectors. When considering business size, smaller businesses (10 employees or less) are identified as the most constrained.

**Fig 8. Constraints on business growth**

**Do you feel that your business is currently constrained?**



Although the response is consistent across the sectors, the reasons vary.

The top 5 reasons for reporting business growth constraints include:

1. Inability to access customers or for customers to reach them (a key reason cited by the Finance and Professional services sector)
2. Insufficient demand
3. Industry restrictions in the Isle of Man
4. Shortage of labour force / skills gap
5. Financial constraints – low / insufficient cash

Many of these reasons are likely to have arisen from, or been exacerbated by, the pandemic. However, issues such as labour shortages and skills gaps had been a significant challenge for businesses pre-pandemic.

Theme 4

# Growth Constraints

Of the respondents who feel their business growth is currently constrained, we asked them to expand on reasons as to why they thought this was, and it highlighted not only the similarities across all industries, but some major differences in the ways each industry is being impacted.

Fig 9. Constraint contributors

**What do you consider to be the main contributing constraints to your business' growth?**

## RETAIL & HOSPITALITY

Border Restrictions Financial Constraints  
 TT cancellations Insufficient demand  
 Low/insufficient cash flow COVID-19 restrictions  
 Shortage of space and/or equipment  
 Government Budget Industry restrictions overseas  
 Inability to access customers or for customers to reach you  
 Industry restrictions in the Isle of Man  
 Supply chain restrictions No visitors

## OTHER SERVICES

Closed borders COVID Financial constraints  
 Government competing with Private Industry  
 Inability to access customers or for customer to reach you  
 Inability to travel Industry restrictions overseas  
 Industry restrictions in the Isle of Man Insufficient demand  
 Restrictions to travel Creditor issues  
 Shortage of labour force/skills gap  
 Shortage of space and/or equipment  
 Reduction in overall stock Unable to access debt  
 Shortage of labour force due to illness  
 Supply chain restrictions PII coverage limitations (UK)  
 Difficulty in accessing equity finance Lack of public travelling  
 Adaptions to take business on-line have not been possible

## CONSTRUCTION

Insufficient demand Supply chain restrictions  
 Low/insufficient cash-flow  
 Unable to access debt Financial constraints  
 Industry restriction in the Isle of Man  
 Shortage of labour force/skills gap  
 Reduction in business opportunities

## FINANCIAL & PROFESSIONAL

Industry restrictions in the Isle of Man  
 COVID-19 uncertainty to make strategic planning decisions  
 Inability to access customers or for customers to reach you  
 Industry restrictions overseas  
 Low/insufficient cash flow Insufficient demand  
 Poor response to much needed regulatory changes  
 Macro Economic factors Inability to do off-Island BD  
 Shortage of labour force – skills gap  
 Preparation to go online/international  
 Market uncertainty - COVID Travel restrictions  
 Creditor issues Border restrictions

Theme 5

# Border restrictions

The current border policy undoubtedly means that business growth is constrained, with retail and hospitality the most affected sector (60% have been negatively affected). However, 73% of businesses, including 84% of the retail and hospitality respondents, would not have changed the border policy at the time of the survey, suggesting there has been strong public support for the border decisions made by Government. It will be interesting to understand whether attitudes change during 2021 as the vaccination rollout progresses.

**Fig 10. Reasons cited for how border closures have affected businesses**



**Finance and professional services**

The majority of financial and professional services clients experienced a small decline, or no change, as a result of border constraints. When asked why, some of the keywords most commonly mentioned were “clients”, “meeting” and “travel”. The majority were sympathetic to the border policy, with 63% opting not to change the border policy set by Government.

**Retail and hospitality**

Unsurprisingly, border closures have severely impacted the retail and hospitality sector. When asked why, some of the keywords most commonly mentioned were “visitors”, “tourism” and “travel”. Despite the hardship, the vast majority (84%) were sympathetic to the border policy.

**Construction**

Mainly unchanged as relevant skill sets typically already exist on-island. The majority (83%) were sympathetic to the border policy.

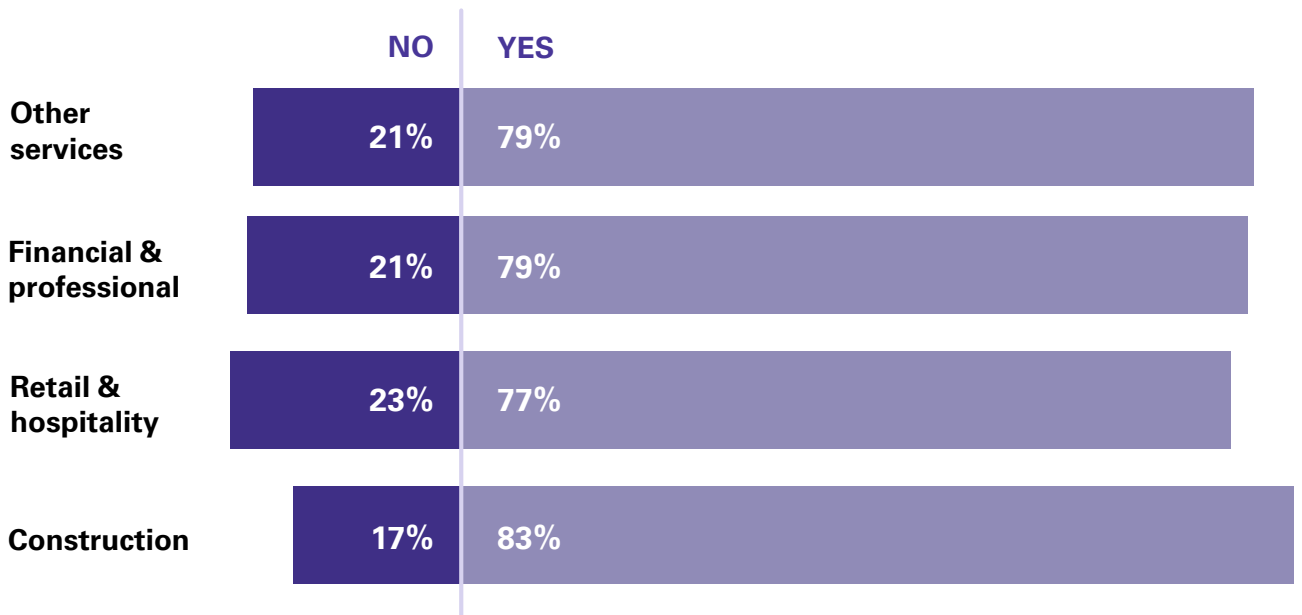
Theme 6

# Brexit impact

The survey responses suggest that Brexit is not a primary concern for many. With the survey issued pre-Brexit day, over 75% felt they had received enough information from the Isle of Man government to prepare for Brexit. This response was consistent across all sectors.

Fig 11. Sufficient Brexit information

## Have you received enough information on Brexit from the Isle of Man Government?



When asked about their expectations following the Brexit transition period (which ended on 31 December 2020), the majority of respondents feel that the business and economic environment would be about the same as before. The vast majority of businesses had made no contingency plans, with most of those expecting that Brexit would have no impact on them. Perhaps more concerning are the significant minority of businesses that had no Brexit contingency plans and either did not know if Brexit would have an impact on them or did not have the chance to consider contingencies.

Financial, professional and other services feel that their business will be largely unchanged as a result of Brexit whereas the retail, hospitality and construction sectors feel slightly more pessimistic. The Retail and Hospitality sector would appear to have reacted to this concern, by being the largest sector to have made contingency plans.



Isle of Man

# Methodology





# Methodology

The data published in this report is based on an online survey of 149 responses from senior business leaders on the Isle of Man. The size of participating businesses varied, with employee numbers ranging from 1 to more than 250. There were a wide range of industries surveyed, however in some sectors the number of respondents were not critically large enough to establish trends and conclusions. As such multiple industries are represented and grouped as follows, for the purposes of the survey analysis:

## **'Financial and professional services'**

group consists of the following industries:

- Banking
- Insurance
- Legal services
- Other finance and business services
- Accountancy services

## **'Retail and hospitality'**

group consists of the following industries:

- Retail distribution
- Tourist accommodation
- Catering and entertainment
- Agriculture, Forestry & Fishing
- Manufacturing: Food & Drink

## **'Other services'**

group consists of the following industries:

- |  |                               |
|--|-------------------------------|
| – Information and Communication Technology | – eGaming                     |
| – Transport and Communications             | – Miscellaneous services      |
| – Marketing and PR                         | – Medical and Health services |
| – Other professional services              | – Utilities                   |
|  | – Manufacturing: Engineering  |
|  | – Education                   |

The survey was carried out as an anonymous, online questionnaire during December 2020. The survey link was sent via email to senior business leaders, circulated via KPMG LLC, the Institute of Directors and the Isle of Man Department for Enterprise. The survey link was also available via social media links from the KPMG and IOD social media channels.



Isle of Man

# Full results of the Isle of Man Pulse Survey

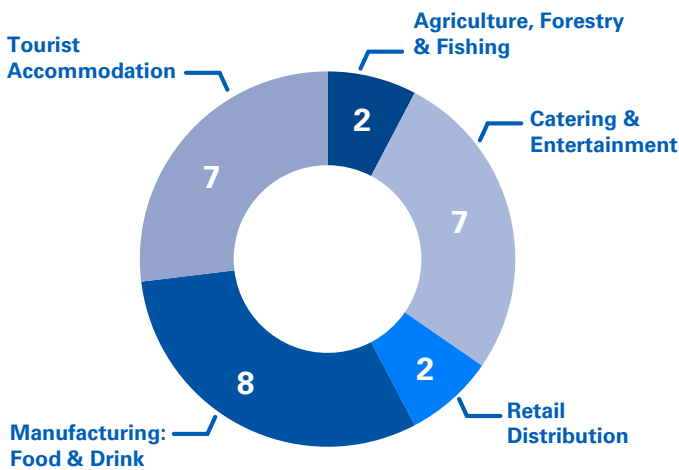


# Full results of the Isle of Man Pulse Survey

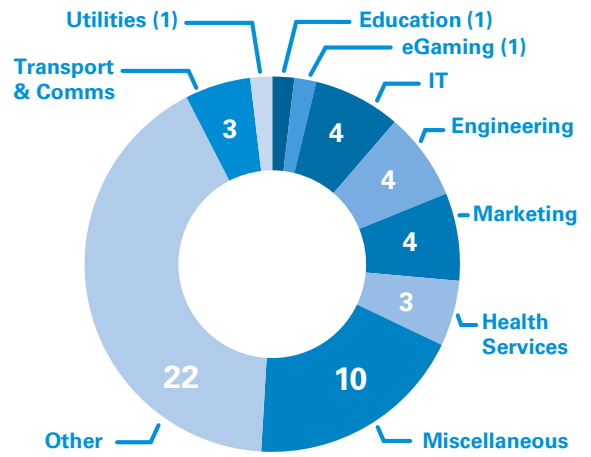
Fig 12. Business' main area of activity

What is your business' main area of activity?

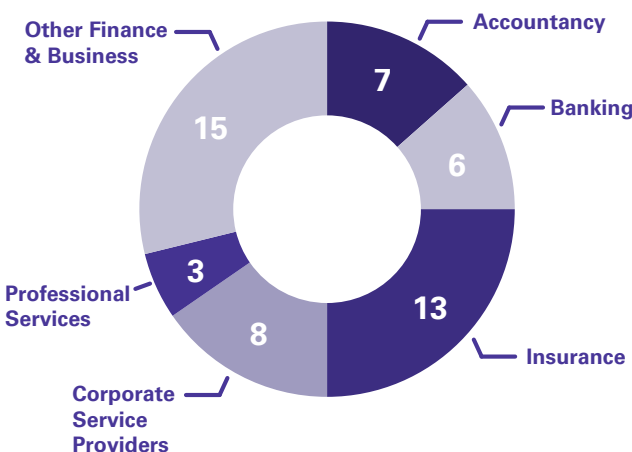
## Retail & Hospitality



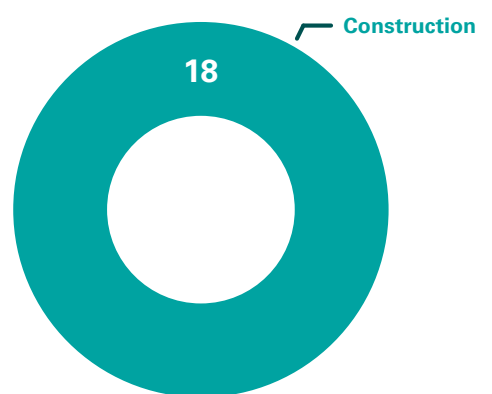
## Other services



## Financial & professional



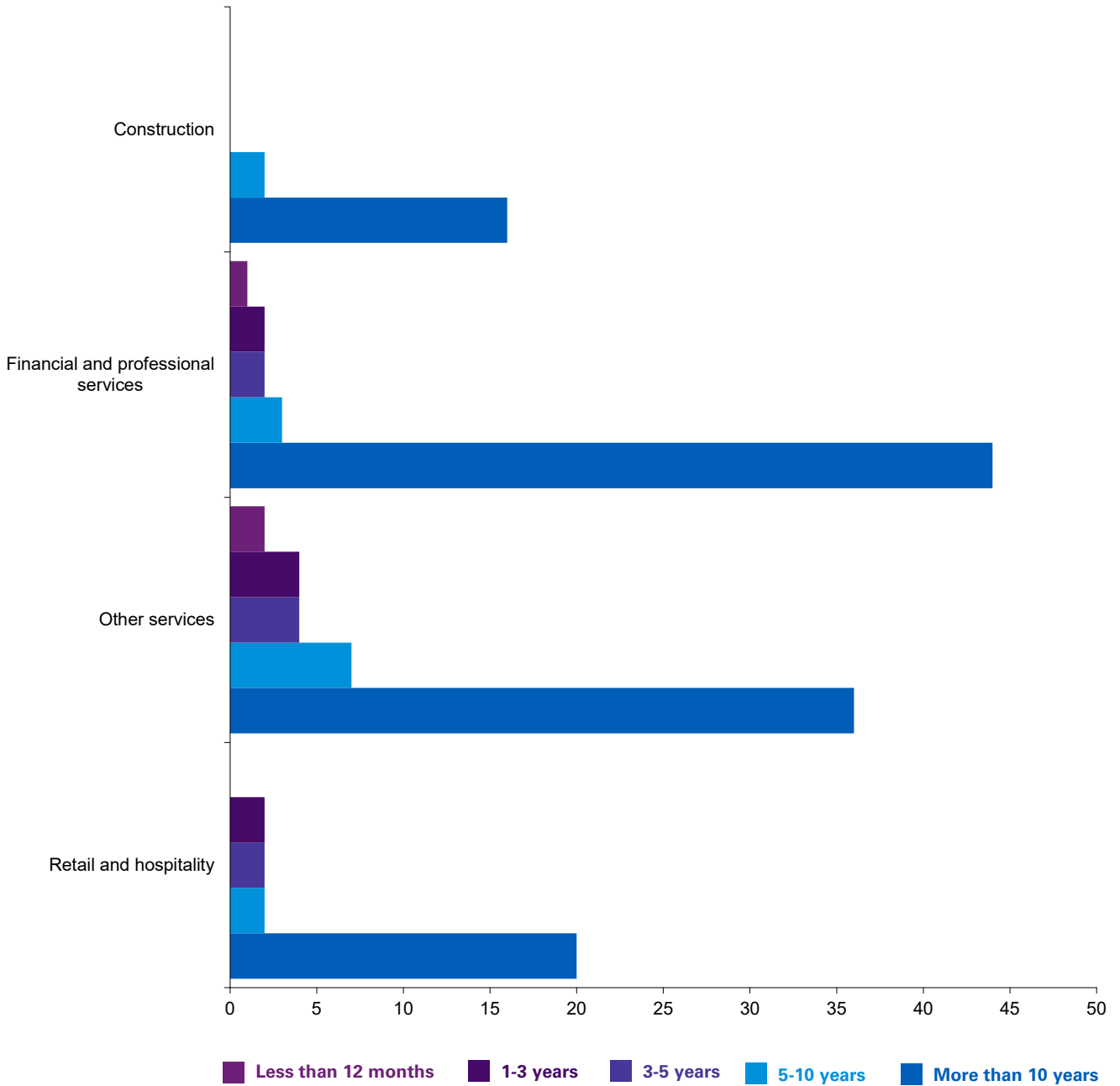
## Construction



# Full results continued

**Fig 13. Length of business operation**

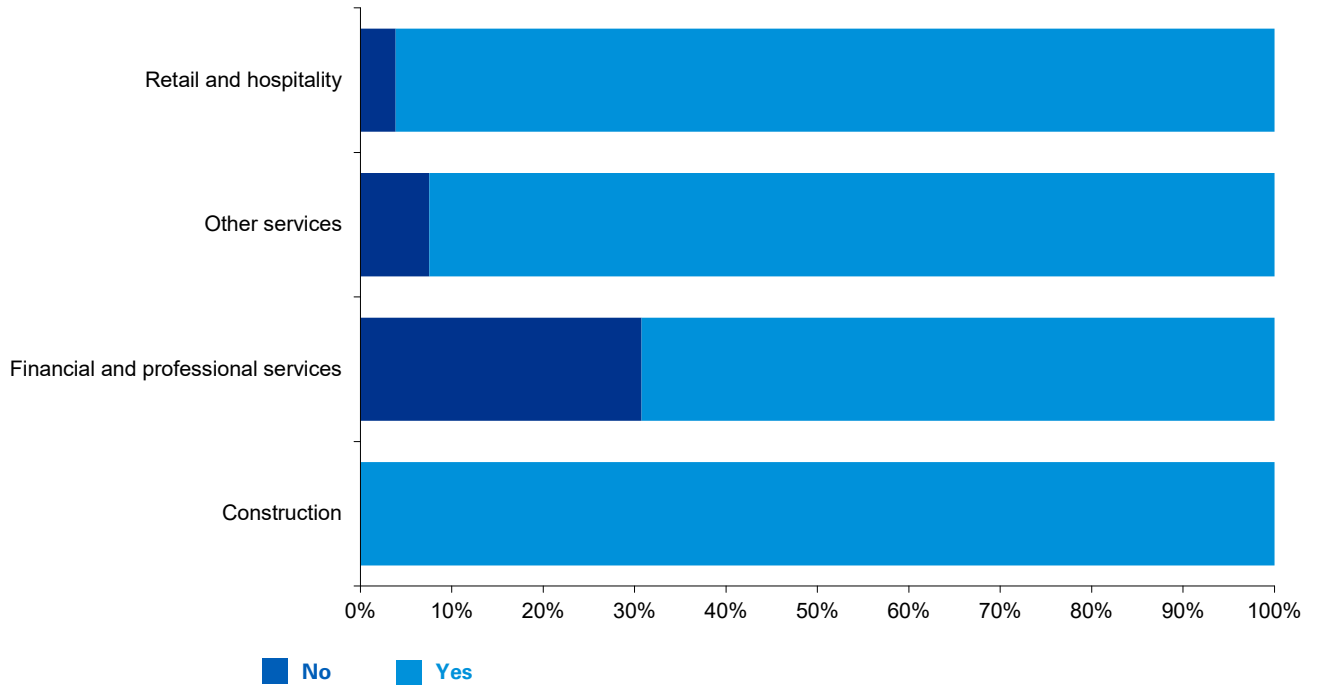
**How long has your business been in operation on the Isle of Man?**



# Full results continued

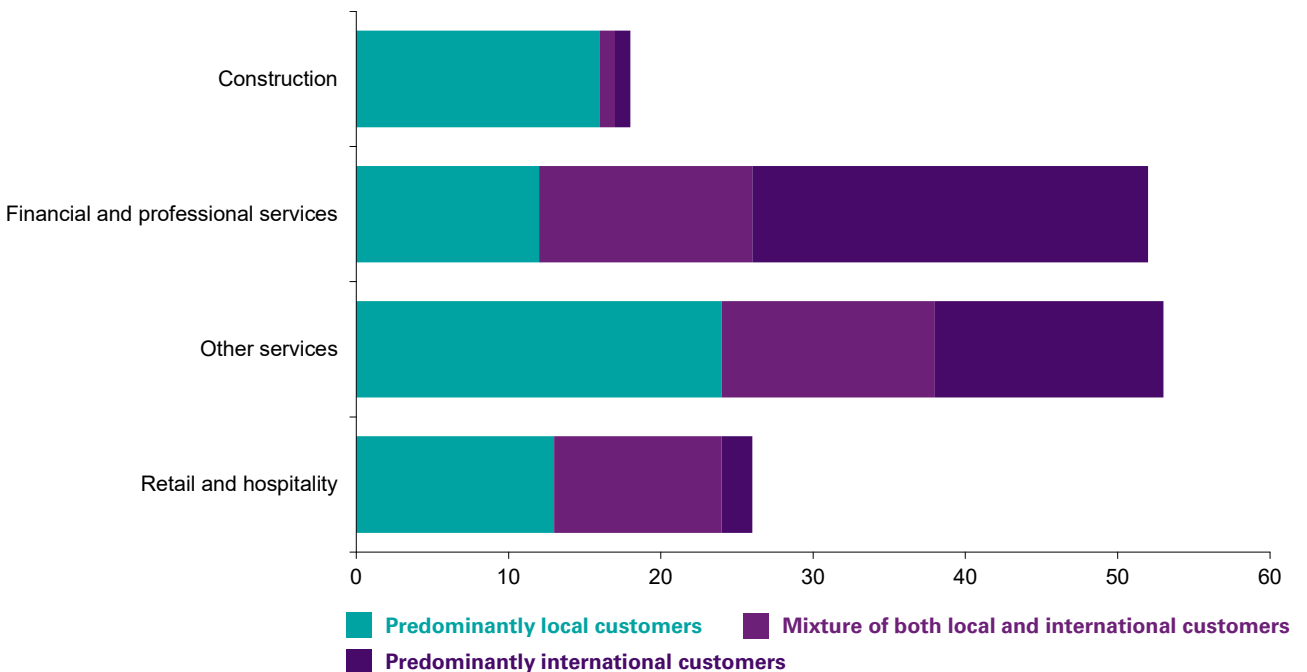
**Fig 14. IOM Headquarters**

## Is your business headquartered on the Isle of Man?



**Fig 15. Customer base composition**

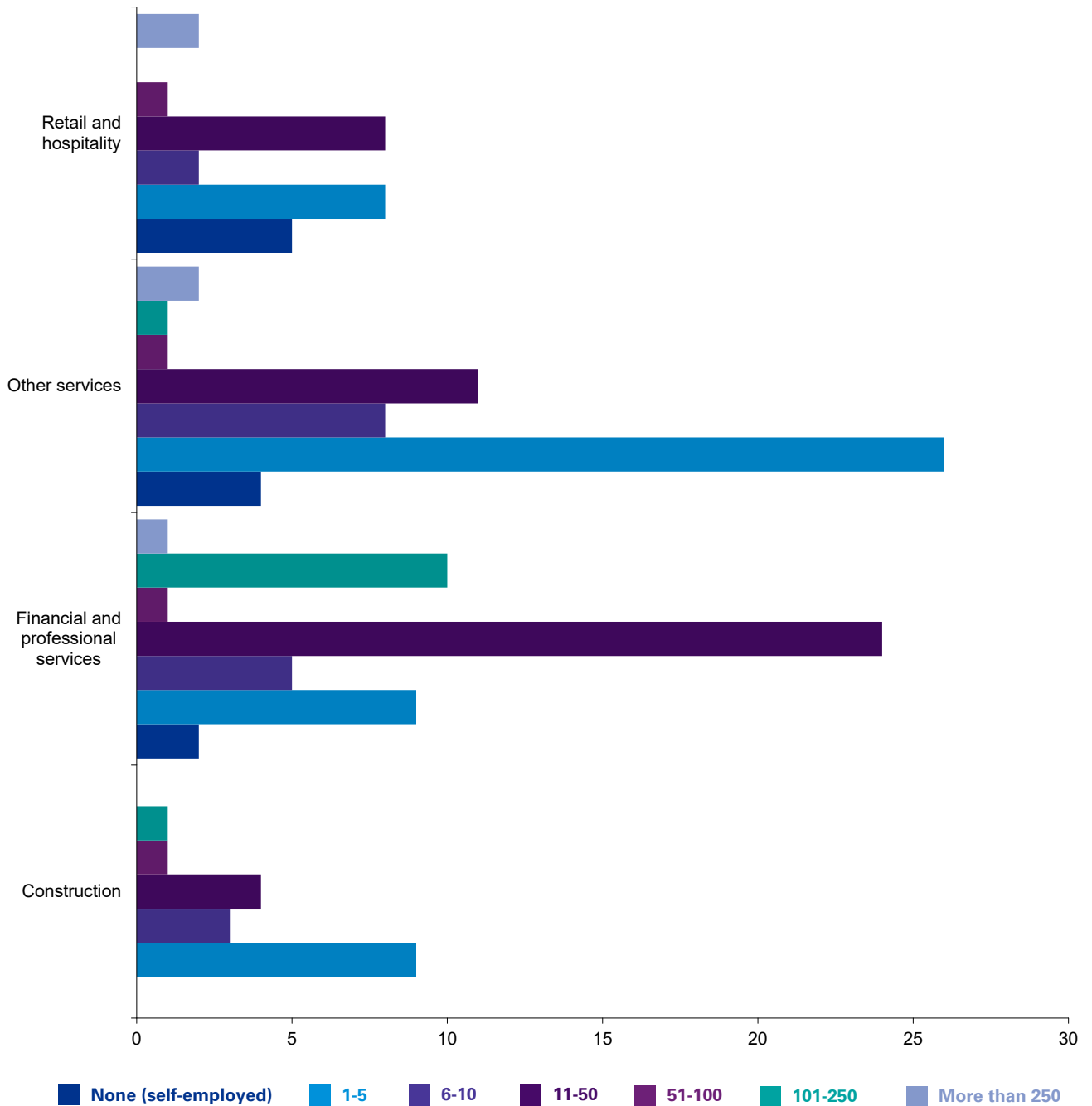
## What is the composition of your customer base?



# Full results continued

**Fig 16. Numbers of employees on Island**

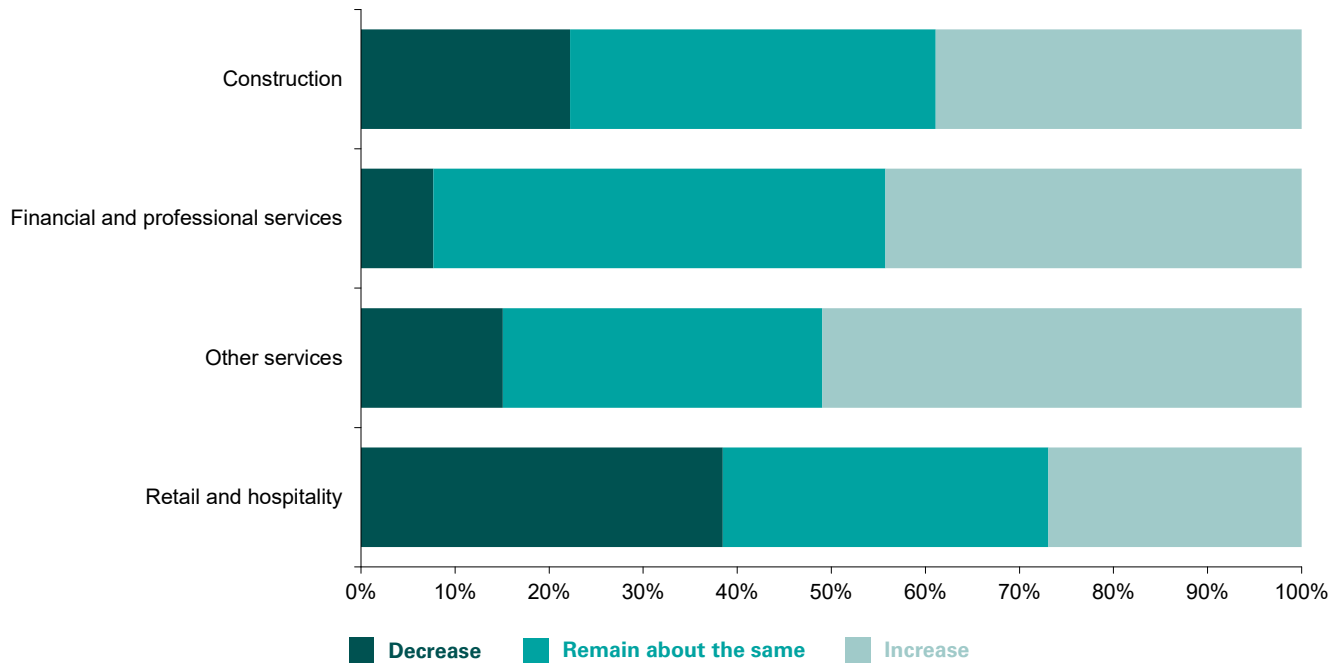
**How many employees currently work for your business on the Isle of Man?**



# Full results continued

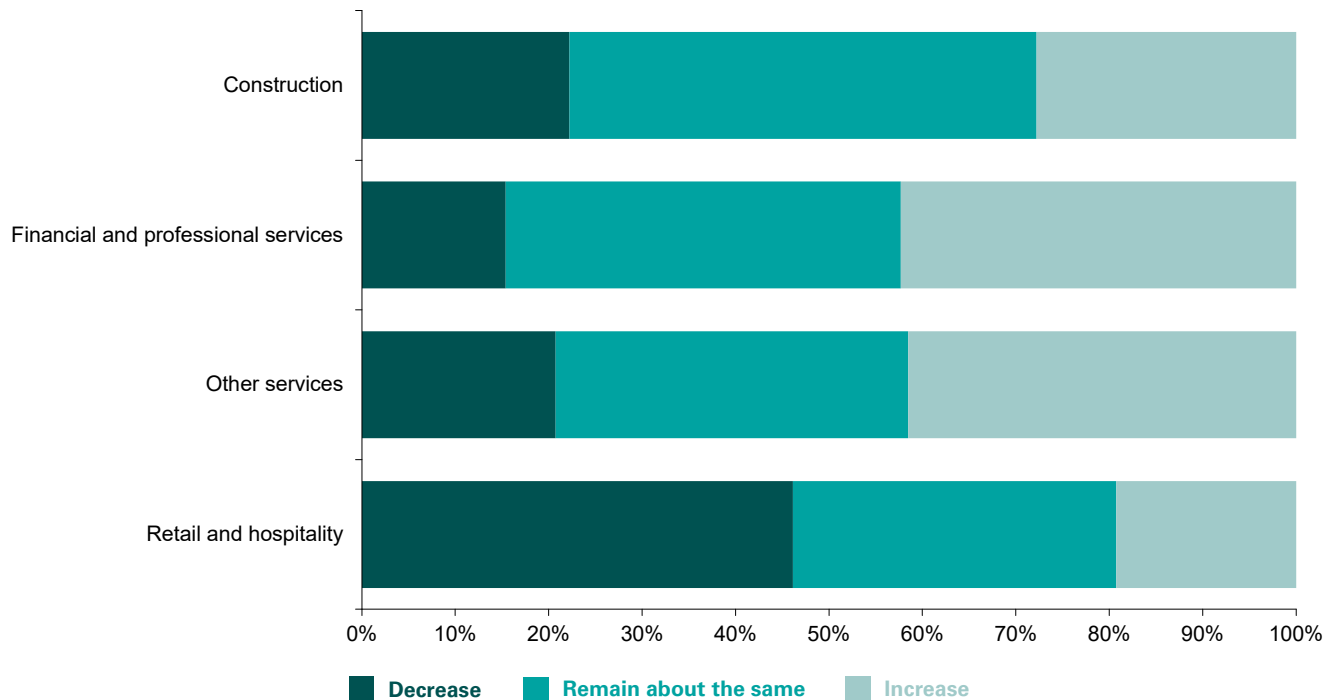
**Fig 17. Business turnover estimates over next 12 months**

**Over the next 12 months, do you believe your business' turnover will:**



**Fig 18. Profitability estimates over next 12 months**

**Over the next 12 months, do you believe your business' profitability will:**



# Full results continued

**Fig 19. Contributing factors to trading levels**

**If your business has traded outside expected levels over the last three months, what do you consider to be the main contributing factors to that performance?**

**Responses from each industry:**

- Border closure
- Reduction in interest rates
- Decrease in the number of employees
- Increase in employee working hours
- Decrease in availability of input supplies
- Reduction in business opportunities
- Decrease in employee working hours
- COVID 19
- Border restrictions
- Borders closed
- Has not traded above expected levels
- No TT
- Less time spent in business
- Locals have more disposable income
- Cancellation of TT
- Over regulation
- Inability to travel
- Due to COVID we had both a big drop in demand for print services AND a big increase in demand for software services, notably e-signatures
- Increase in availability of input supplies
- Marketing activity we started in February
- Leverage of existing relationships

- Financial & Professional
- Construction
- Hospitality
- Other

**Responses that appeared across all industries:**

Decrease in customer demand

Decrease in the number of employees

Increase in customer demand

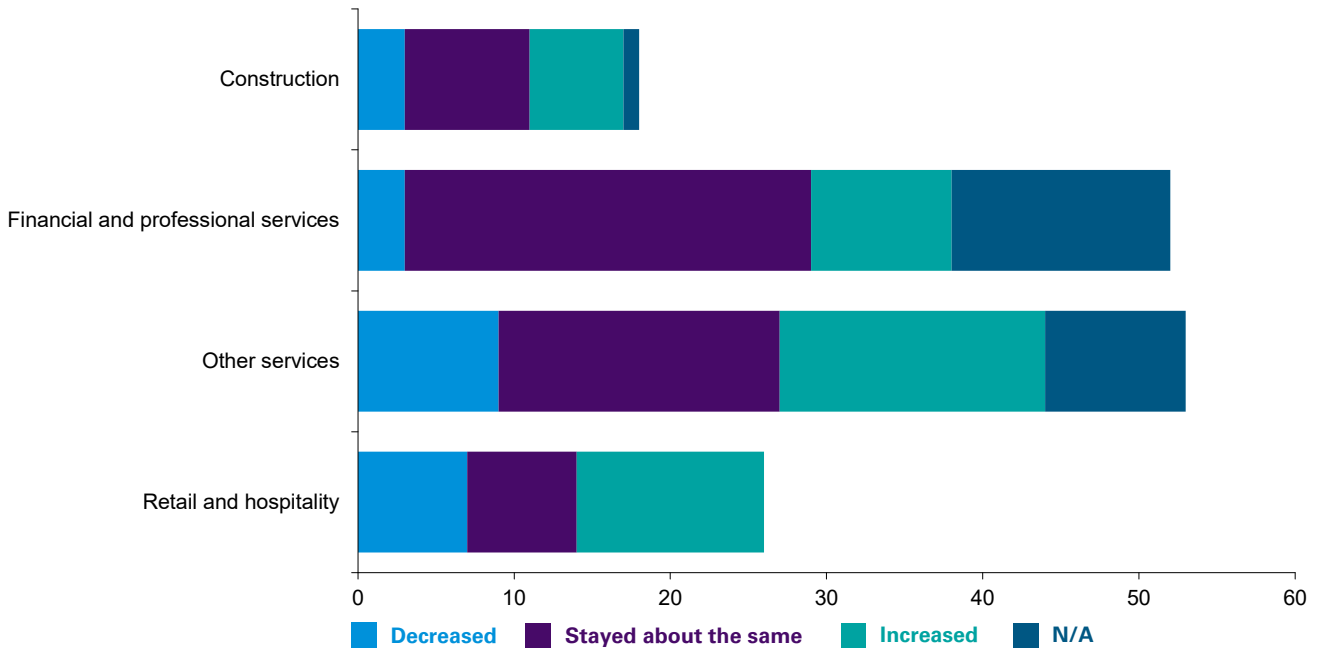
Increase in the number of employees



# Full results continued

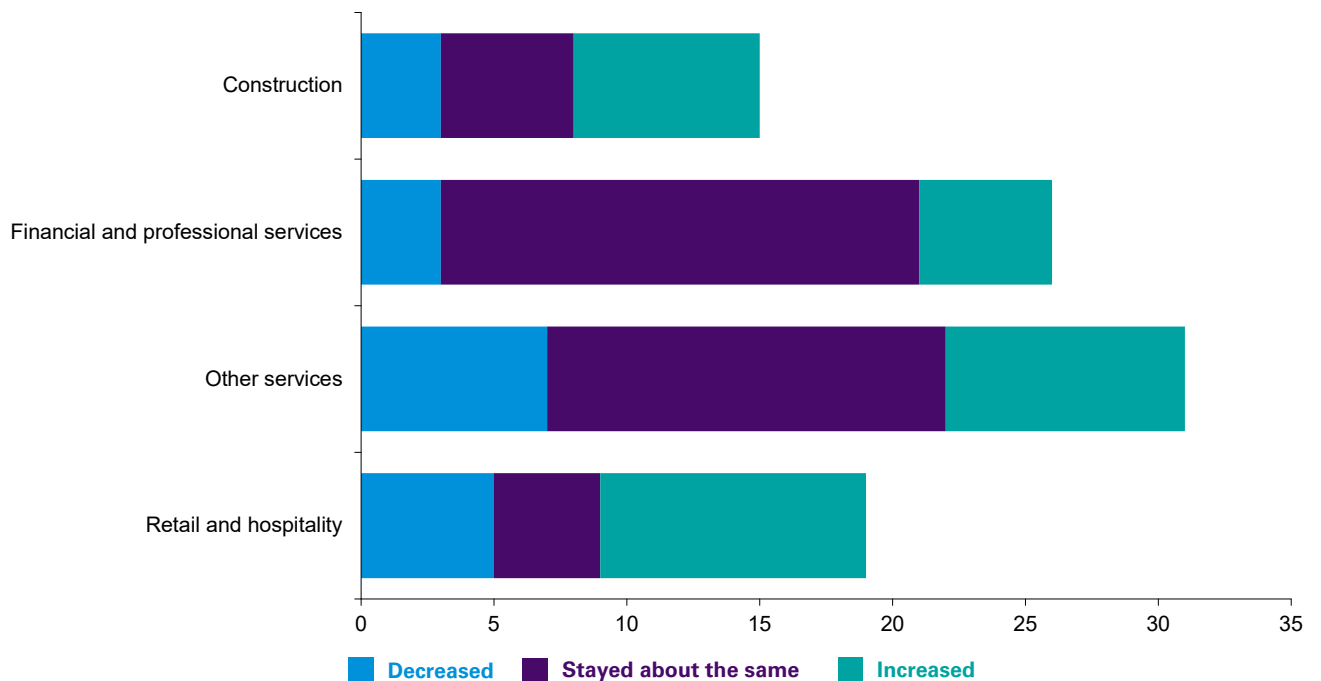
**Fig 20. On-island business levels**

**Excluding normal season variations, over the last three months, your on-island business has...**



**Fig 21. On-island business orders**

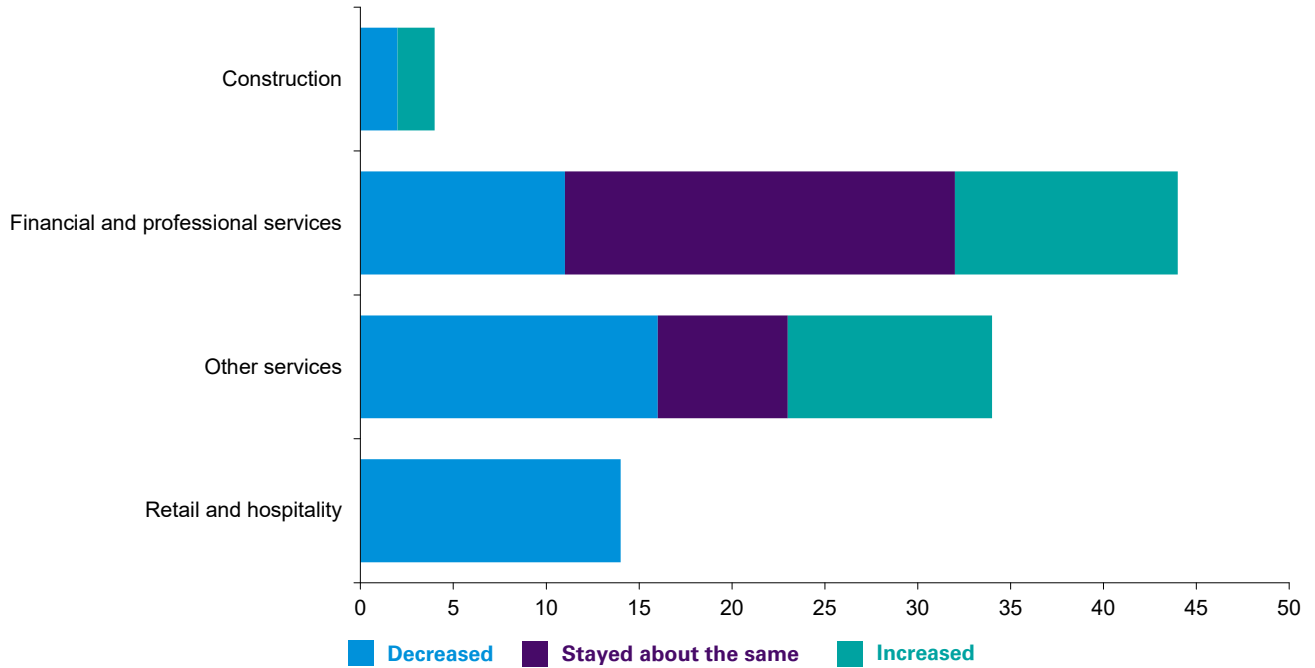
**Excluding normal season variations, over the last three months, your on-island orders have...**



# Full results continued

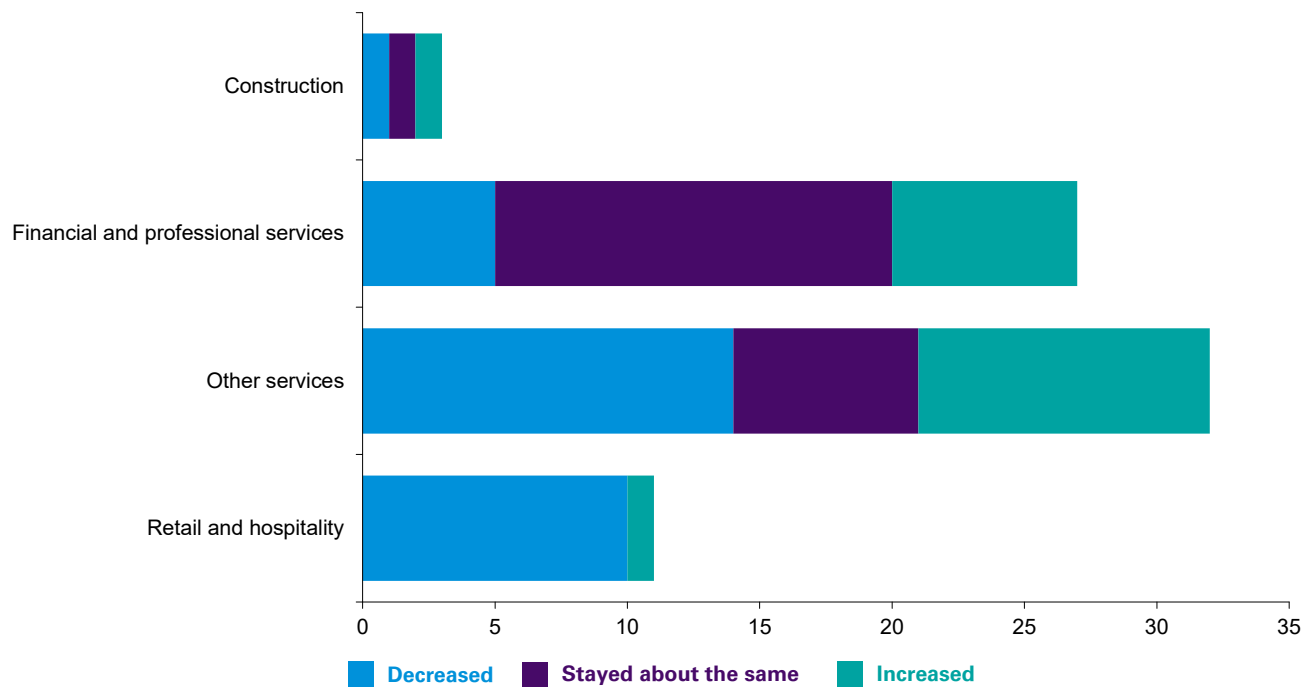
**Fig 22. Off-island business levels**

**Excluding normal season variations, over the last three months, your off-island business has...**



**Fig 23. Off-island business orders**

**Excluding normal season variations, over the last three months, your off-island orders have...**



# Full results continued

Fig 24. Held stock

Does your business hold stock (for production or finished goods)?

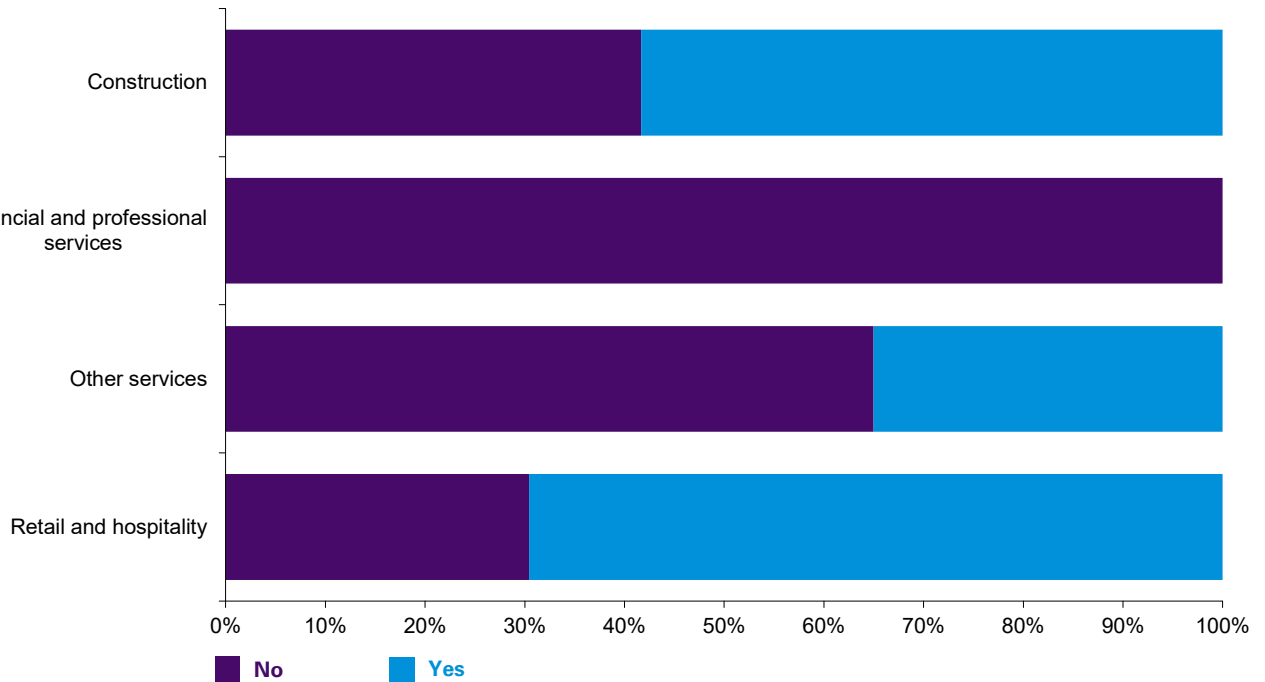
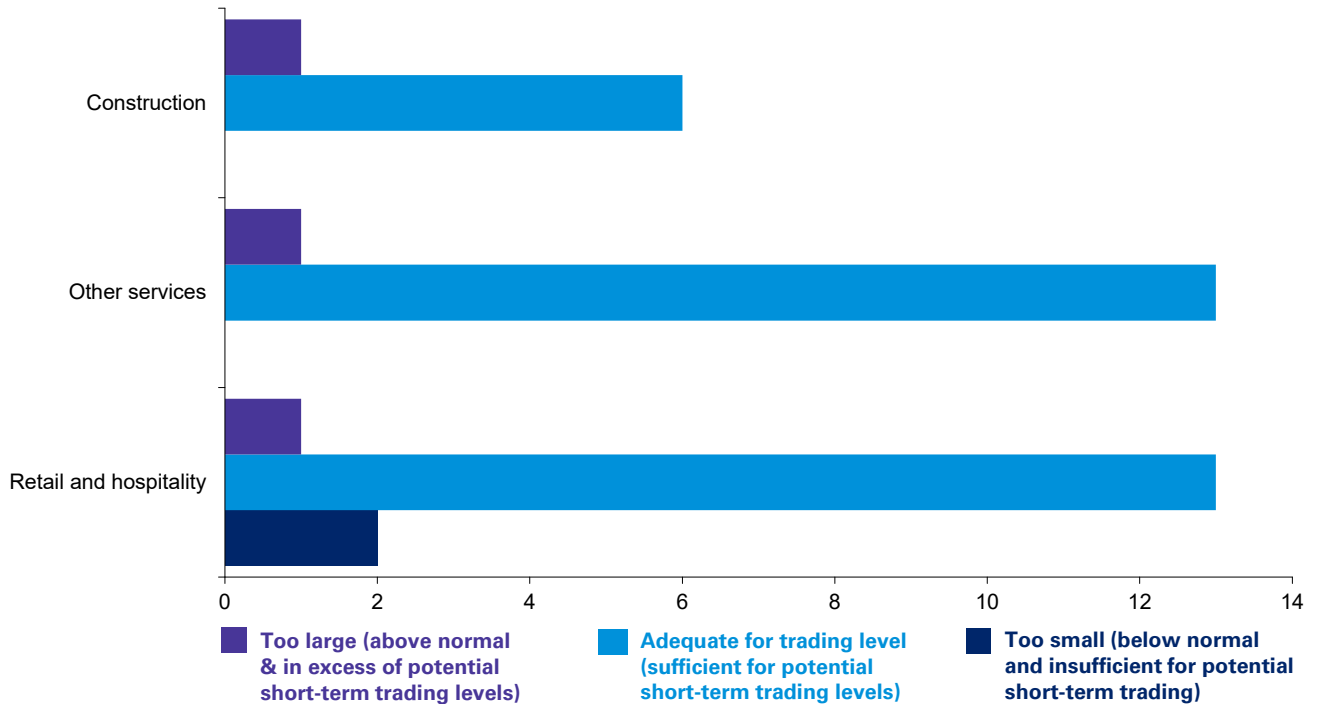


Fig 25. Stock volumes

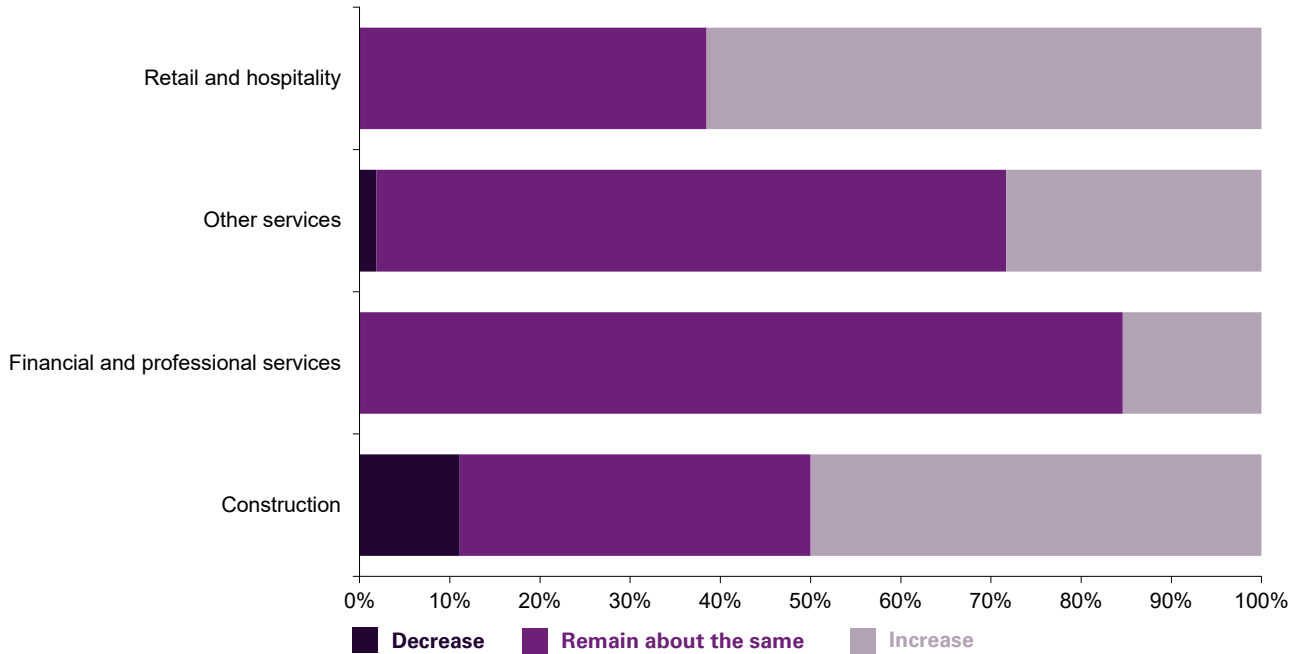
Do you consider the volume of stock (including finished goods) you currently hold to be:



# Full results continued

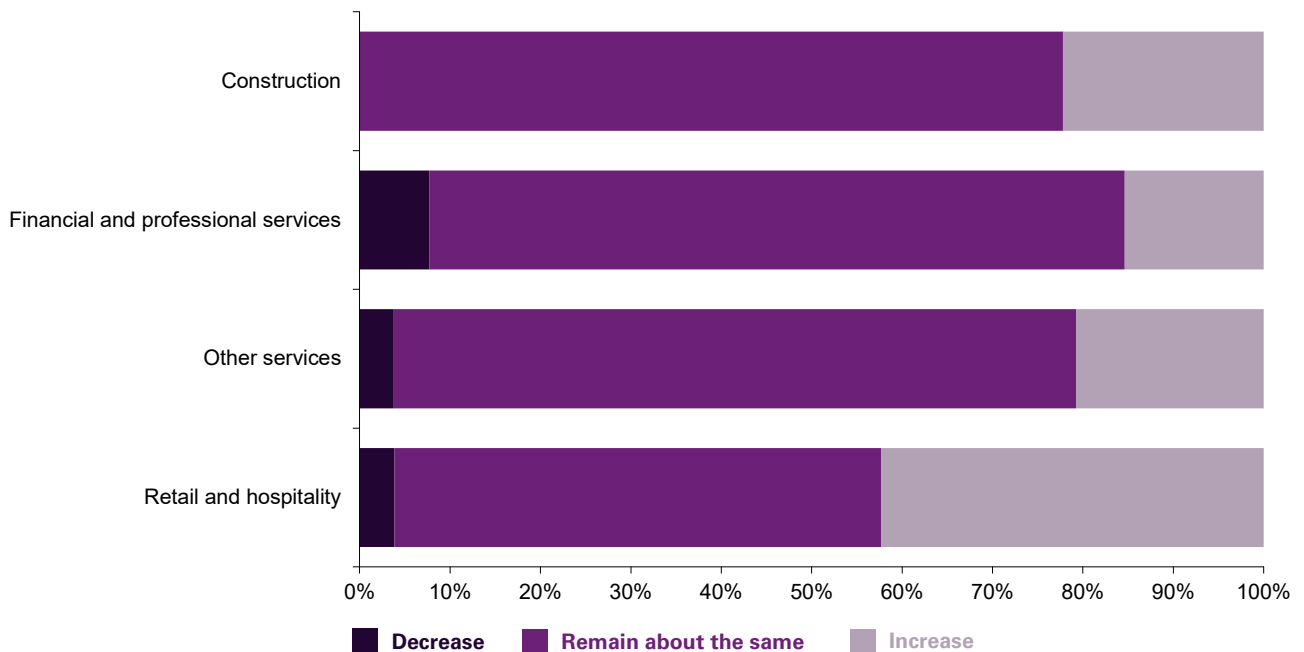
**Fig 26. Expected input prices changes**

**Over the next three months, how do you expect the price of your inputs, on average, to change compared to current prices?**



**Fig 27. Sales price changes**

**Over the next three months, how do you expect the sales price you charge to customers, on average, to change compared to current prices?**



# Full results continued

Fig 28. Financial resources

Does your business have sufficient financial resources (working capital), or access to it, to achieve the full potential of your business plan?

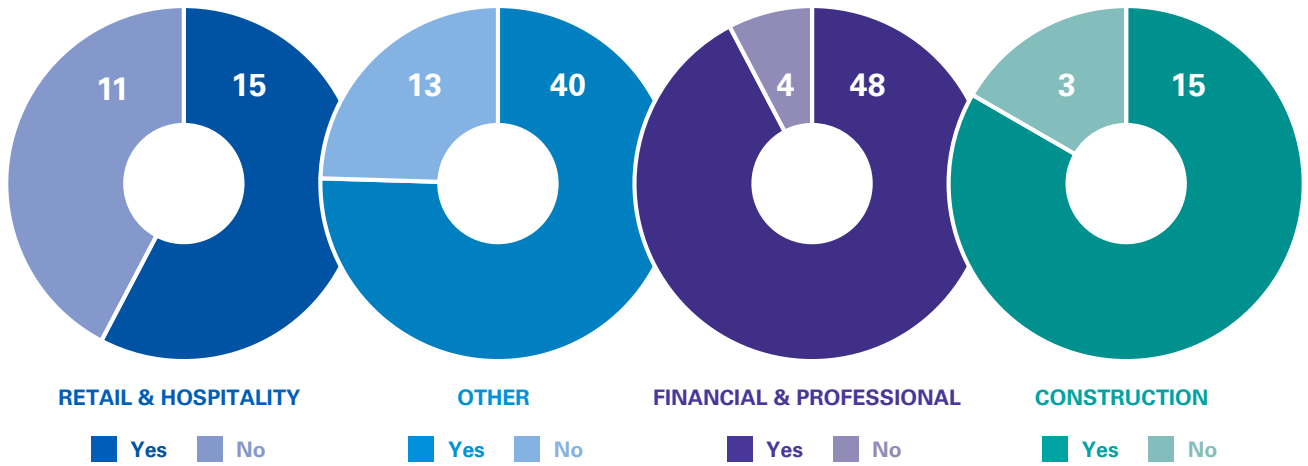
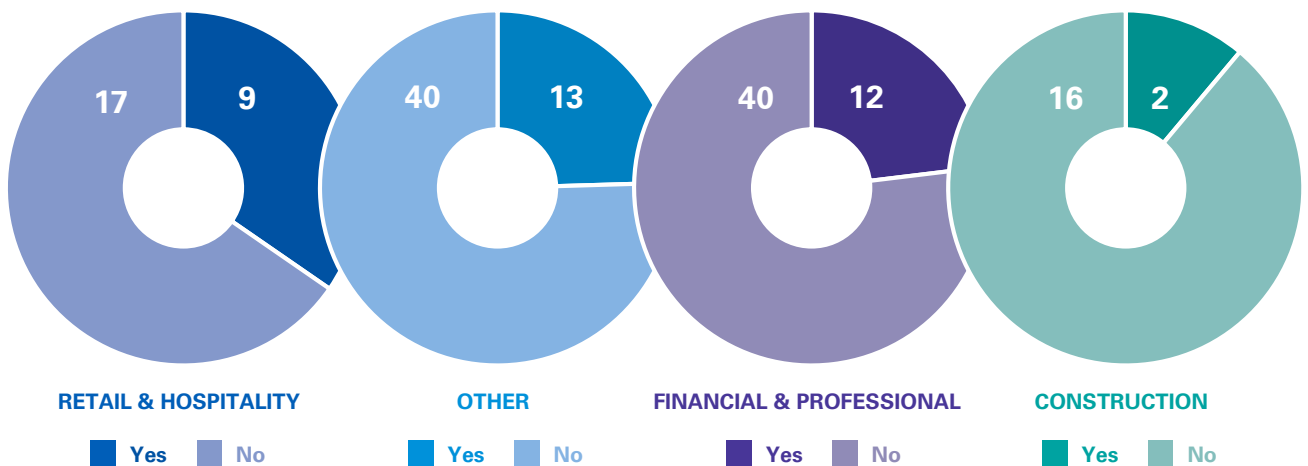


Fig 29. Changes in access to financial resources

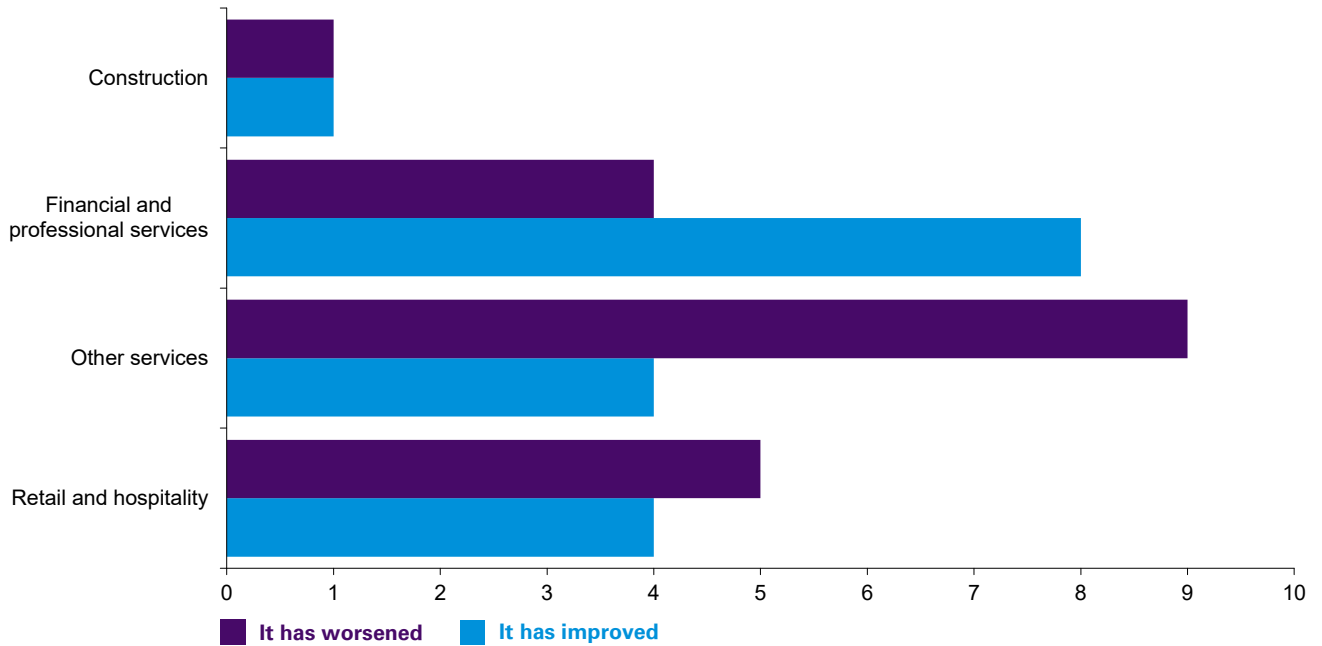
Has your business' ability to access financial resources (working capital, including credit) changed in the last three months?



# Full results continued

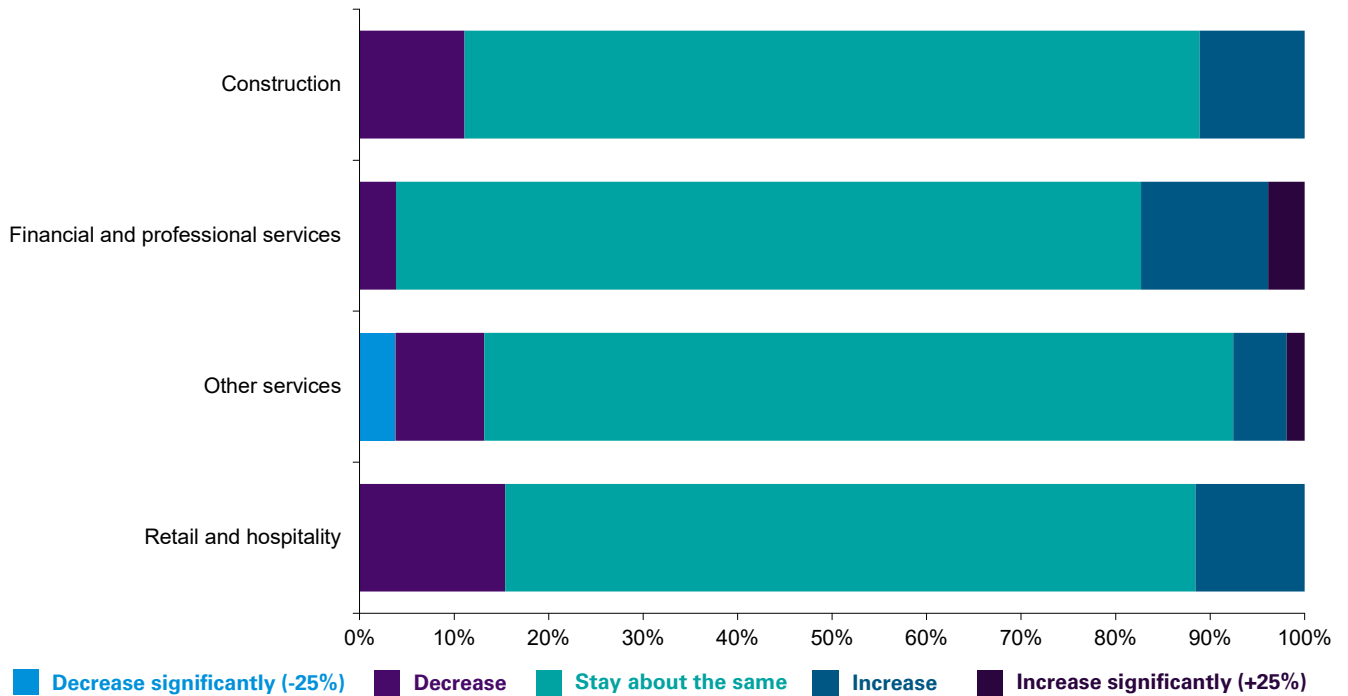
**Fig 30. Nature of financial resource changes**

**What direction has your business' ability to access financial resources (working capital, including credit) changed in the last three months?**



**Fig 31. Isle of Man workforce trends**

**What trend do you expect to your Isle of Man based workforce levels to take over the next three months?**



# Full results continued

Fig 32. Isle of Man workforce trends

What trend do you expect to your Isle of Man based workforce levels to take over the next 12 months?

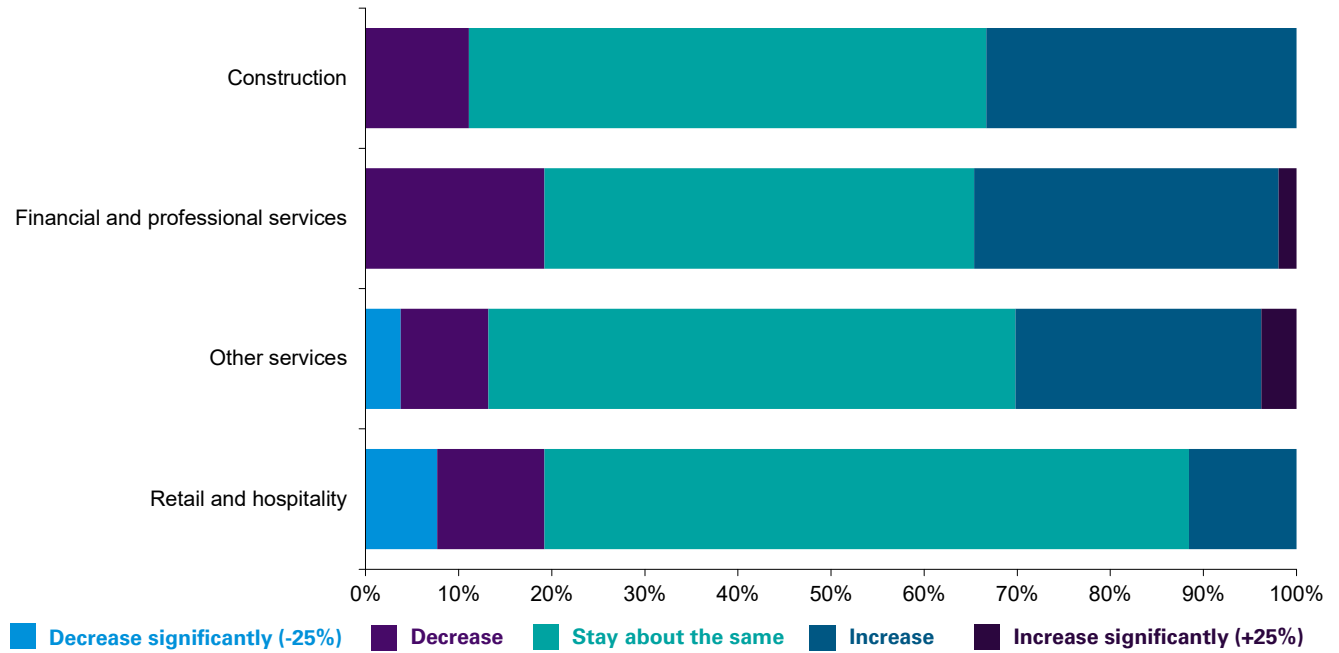
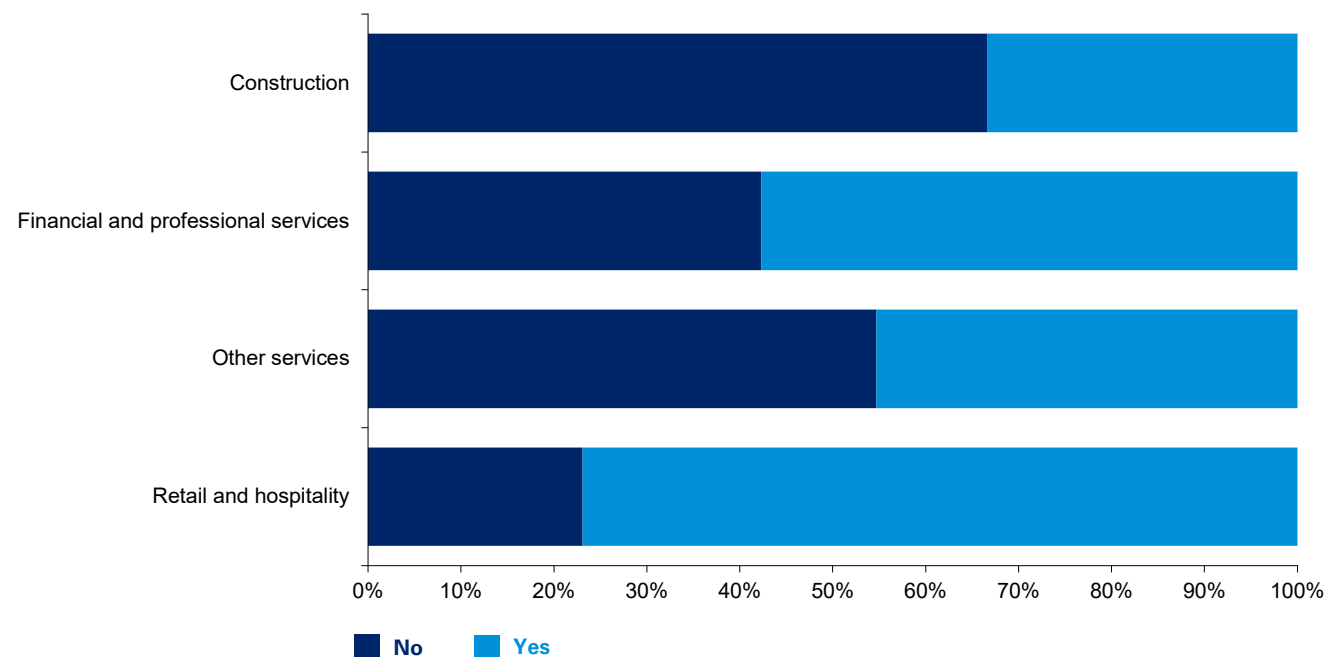


Fig 33. Affects of border closures

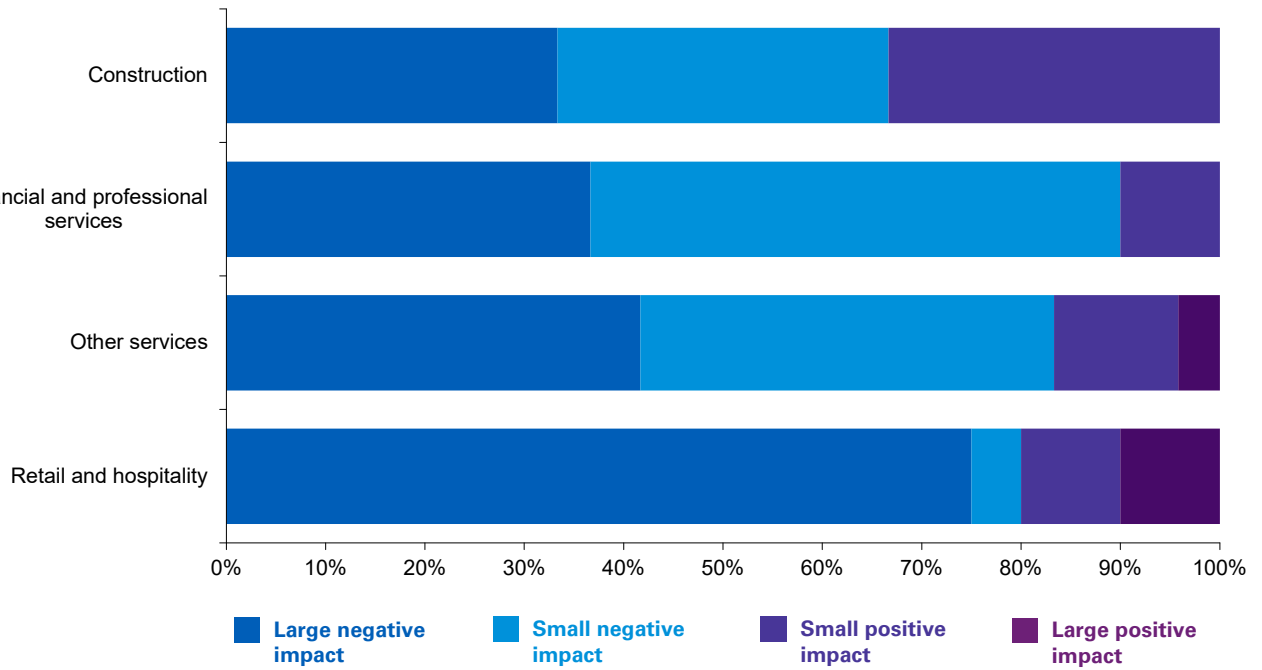
Are the border closures affecting your business (either positively or negatively)?



# Full results continued

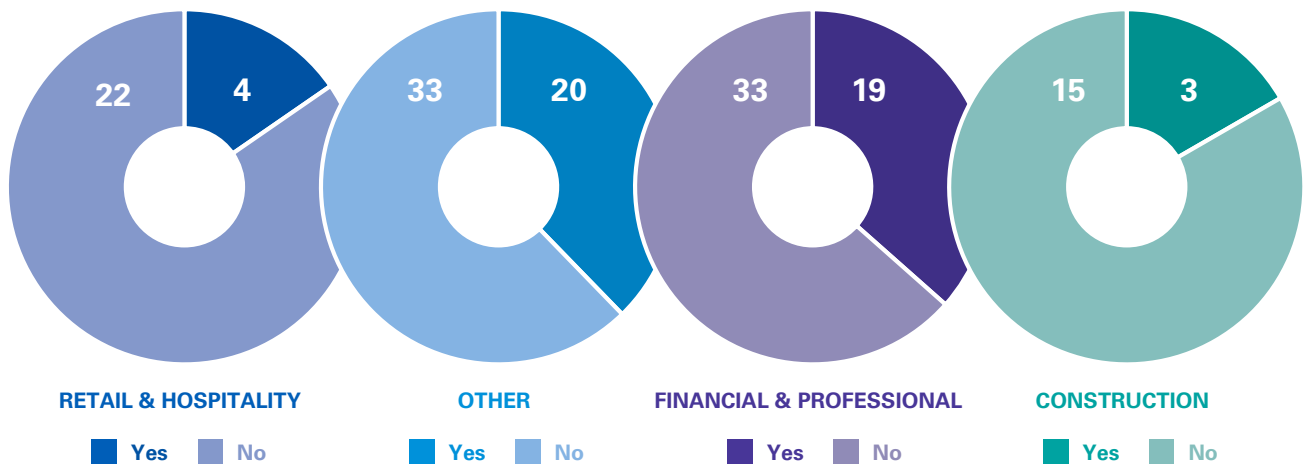
**Fig 34. Border closure impact – for those who responded ‘Yes’ to question 24, “Are the border closures affecting your business (either positively or negatively)?”**

**How would you rate the impact on your business, as a result of the border closures?**



**Fig 35. Border policy changes**

**Would you change the current border policy?**

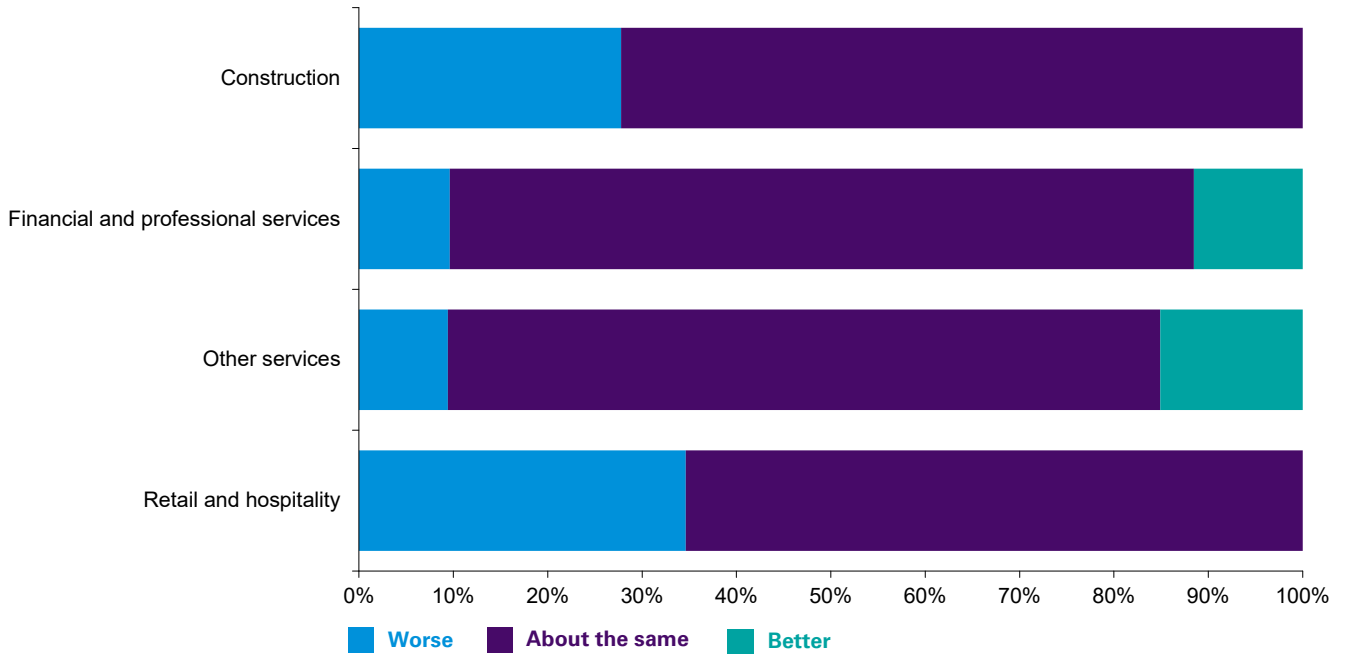




# Full results continued

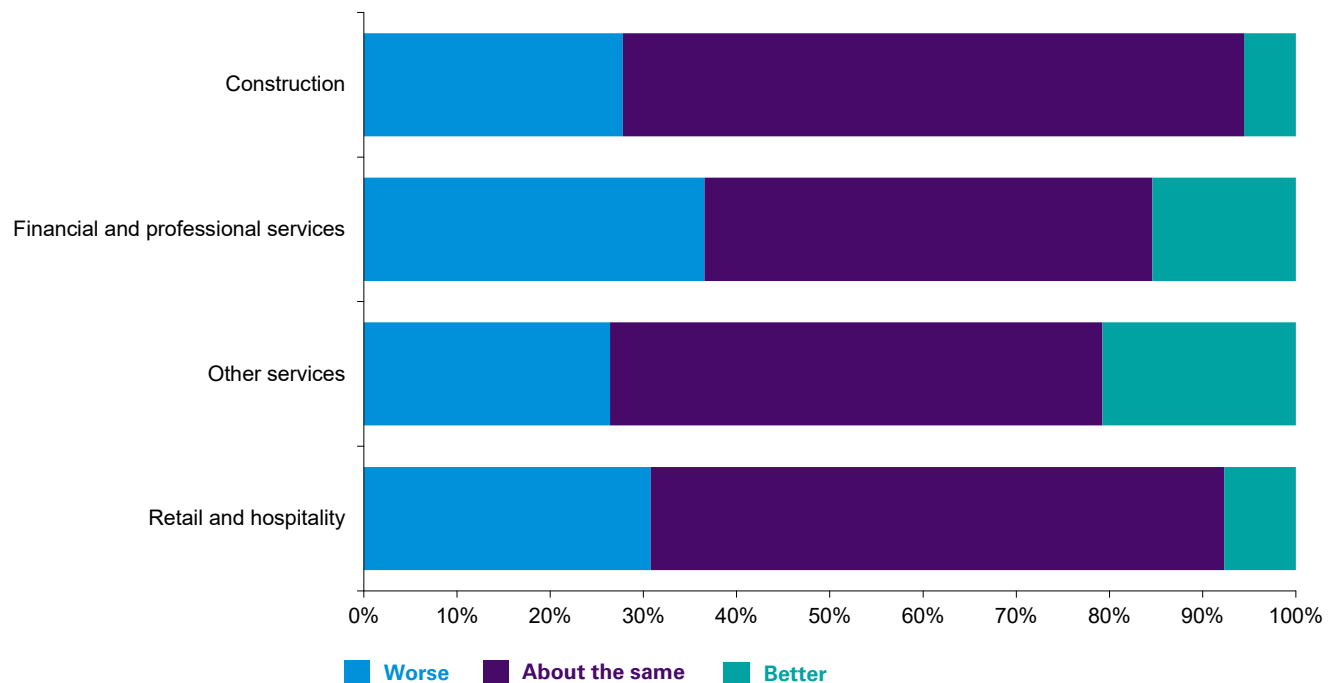
**Fig 36. Brexit impacts on long-term business environments**

**Following the end of the Brexit transition period on 31 December 2020, do you expect the environment for your business in the long term to be:**



**Fig 37. Brexit impact on long-term economic environment**

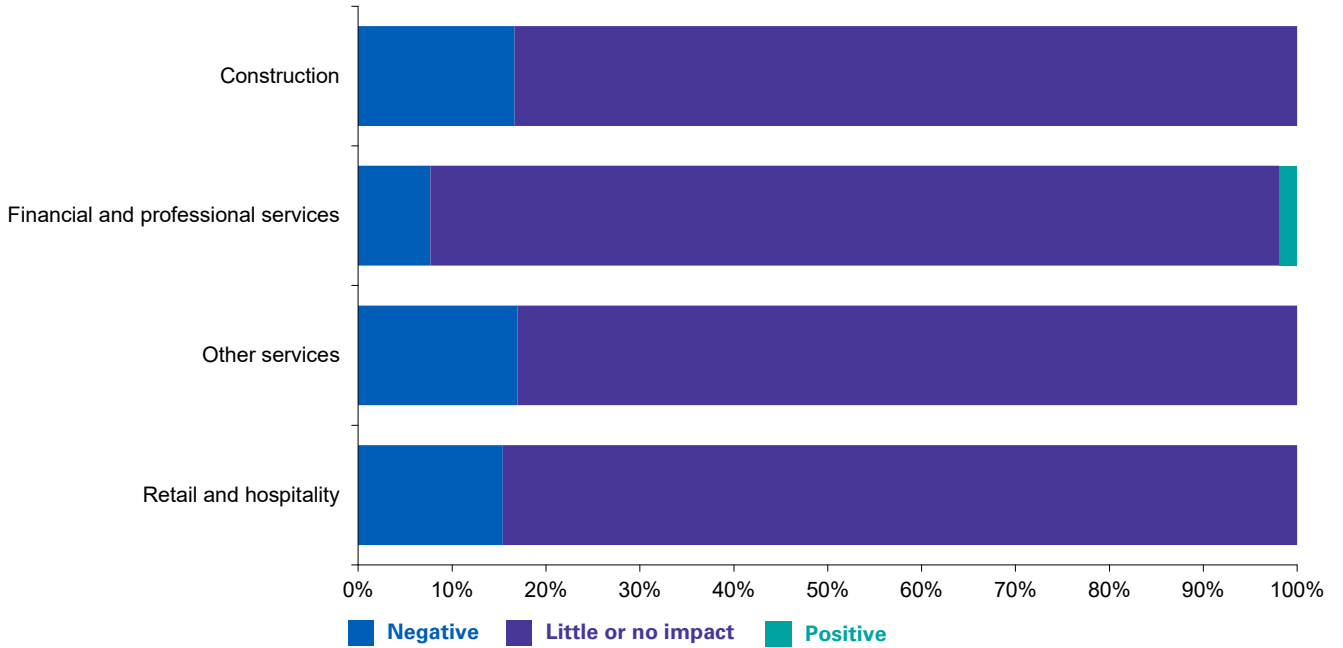
**Following the end of the Brexit transition period on 31 December 2020, do you expect the economic environment in the long term to be:**



# Full results continued

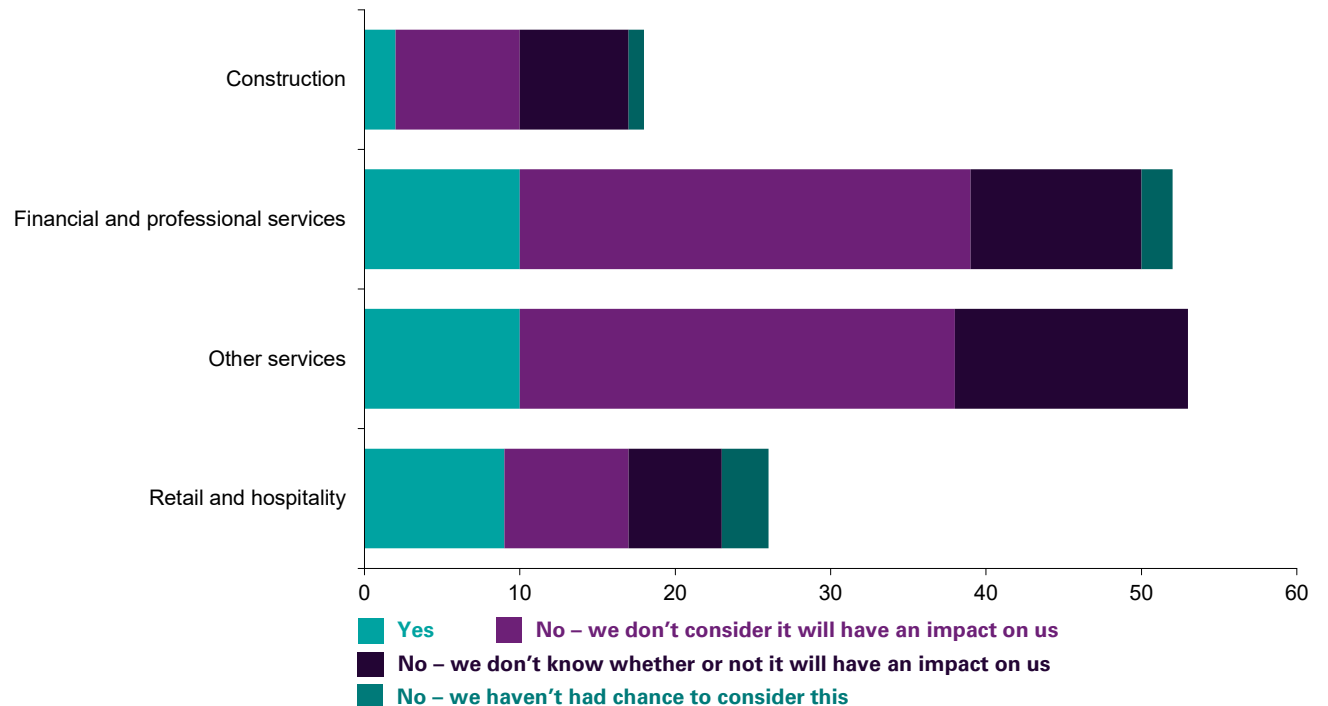
**Fig 38. Brexit impacts on long-term business environments**

**Over the past six months, what has been the impact on your business of uncertainty surrounding the UK’s relationship with the EU:**



**Fig 39. Contingency plans**

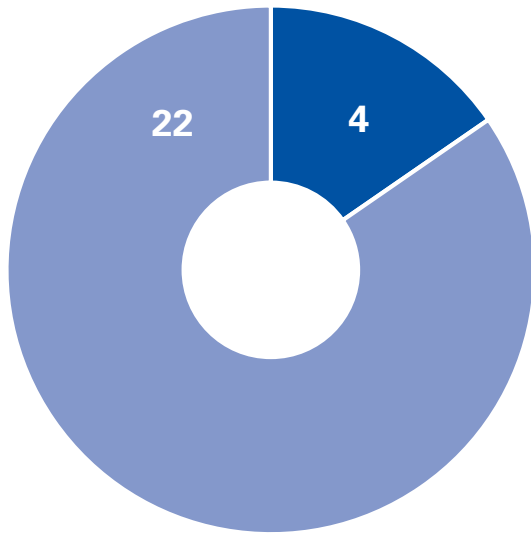
**Has your business made any contingency plans for the impact of the end of the Brexit transition period on 31 December 2020?**



# Full results continued

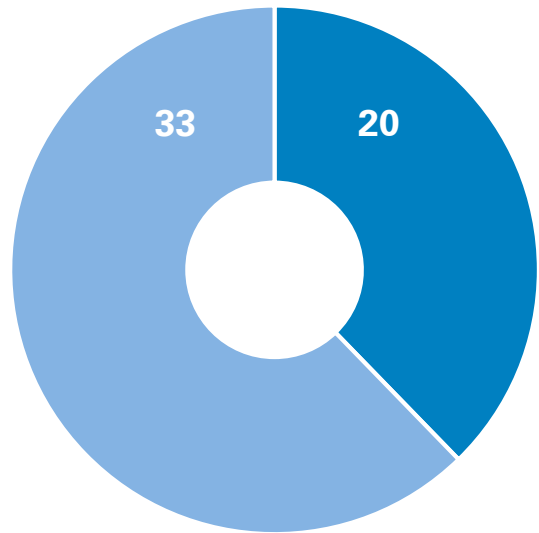
Fig 40. Border closure impact

Do you feel that the Isle of Man Government has provided enough information, support and guidance on Brexit?



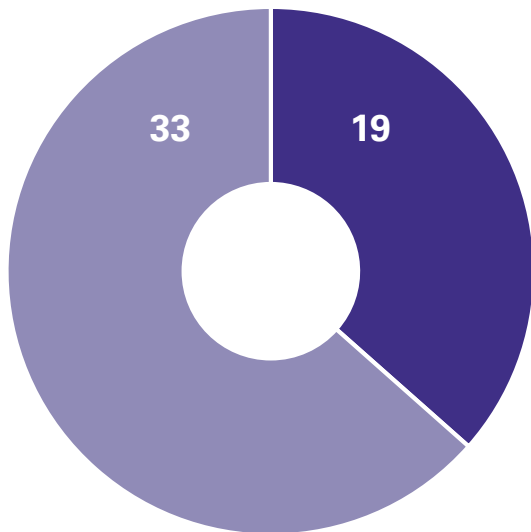
RETAIL & HOSPITALITY

Yes No



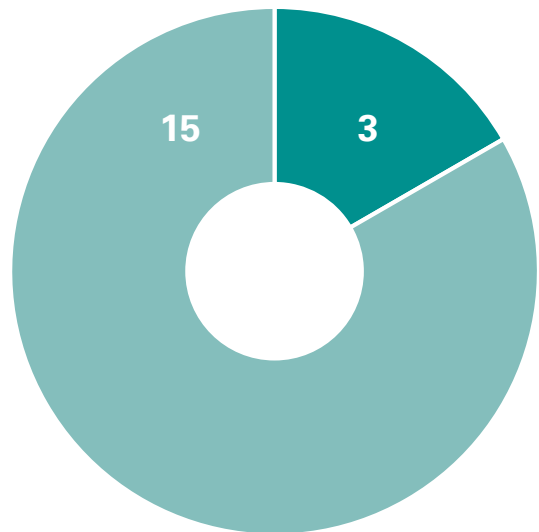
OTHER

Yes No



FINANCIAL & PROFESSIONAL

Yes No



CONSTRUCTION

Yes No



Isle of Man

# About KPMG & the IoD



# About KPMG in the Crown Dependencies

**KPMG in the Crown Dependencies is a leading provider of professional services that delivers audit, tax and advisory services. Operating across the islands of Isle of Man, Jersey and Guernsey, it is a standalone, locally led partnership with over 450 members of staff.**

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# About the Institute of Directors Isle of Man

**Led by branch chair Jennifer Houghton, the Isle of Man branch is composed of around 300 directors and senior decision makers. With the help of a volunteer committee and executive officer Rachel McKenna, the branch supports local members and organises inspirational and valuable business events in the area.**

A key role for the Isle of Man branch is to provide local directors with opportunities to meet other business leaders informally and share their experiences through a range of different types of events, such as breakfast briefings, CPD seminars, networking events and visits to local places of interest.

The branch also has a role as a conduit to government on issues affecting local members, and strives to represent them on appropriate matters.



Isle of Man

# Contact us



# Contact Us

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