

**EAG/04/02**

**PACEC Confidence Survey  
July 2002**

**Presentation to Economic Advisory  
Group - 30 August 2002**

# **PACEC Confidence Survey**

## **July 2002**

### **Background**

- Study commissioned by UKOOA to capture sentiment of UKCS suppliers and contractors
- Litmus test of confidence, sales, investment and employment expectations

# **PACEC Confidence Survey**

## **July 2002**

### **Methodology**

- Survey conducted at end July 2002
- 1532 suppliers and contractors contacted (from FPAL register)
- 229 companies participated (15% response)
- Respondents grouped by
  - Revenue up to or over £12 million:
  - Product/services provided for oil/gas industry
- Quarterly updates planned

## PACEC Confidence Survey – July 2002

### Effect on employment of 20% fall in sales of UK products/services

	Percentage of all respondents (by turnover)		
	Total	Up to 12M turnover	Over 12M turnover
0	34	35	32
1-5%	13	9	18
6-10%	19	18	19
11-15%	9	8	10
16-20%	14	17	11
Over 20%	11	13	10
Respondents	220	127	93

**PACEC Confidence Survey – July 2002**  
**Product/services provided for the oil/gas industry**

	Percentage of all respondents (by turnover)		
	Total	Up to 12M turnover	Over 12M turnover
Plant and equipment	29	31	26
Maintenance and Production	24	23	26
Support of personnel	23	26	19
Design and Construction	22	22	22
Installation and Abandonment	11	7	17
Drilling services and consumables	11	9	13
Surveying	7	8	5
Drilling	7	8	5
Pipelines	6	5	7
Transport	6	3	11
Diving and Underwater services	4	5	4
Terminals	4	3	4
Other	36	43	27
Respondents	223	129	94

**PACEC Confidence Survey – July 2002**  
**Effect on employment of 20% rise in sales of UK products/services**

	Percentage of all respondents (by turnover)		
	Total	Up to 12M turnover	Over 12M turnover
0	31	30	32
1-5%	19	17	23
6-10%	25	30	18
11-15%	9	5	14
16-20%	12	13	12
Over 20%	3	5	1
Respondents	218	125	93

## PACEC Confidence Survey – July 2002

### Full time employment by size band July 2002

	Percentage of all respondents (by turnover)		
	Total	Up to 12M turnover	Over 12M turnover
1 to 10	23	30	13
11 to 49	33	43	19
50 to 249	29	25	33
250+	16	2	34
Respondents	221	128	93

## PACEC Confidence Survey – July 2002

### Planned increase or decrease of investment over the next 12 months

	Percentage of all respondents (by turnover)		
	Total	Up to 12M turnover	Over 12M turnover
Stay the same	55	48	66
Increase	36	43	27
Decrease	9	9	7
Respondents	222	128	94

## PACEC Confidence Survey – July 2002

### Supplier/contractor company employment in July 2002

	Average (mean) of all respondents. (by turnover)		
	Total	Up to 12M turnover	Over 12M turnover
Full time	840.6	45.8	1,934.4
Self-employed contractors	19.9	9.0	36.8
Part time	5.0	3.0	7.9
Respondents	221	128	93

## PACEC Confidence Survey – July 2002

**Confidence in UK Government macro economic management (including the fiscal regime applied to the UKCS):**

	Percentage of all respondents (by turnover)		
	Total	Up to 12M turnover	Over 12M turnover
Less	56	56	56
Unchanged	42	41	43
Greater	2	2	1
Respondents	221	128	93

## PACEC Confidence Survey – July 2002

### Confidence of the performance of the company's own sector of the supply industry

	Percentage of all respondents (by turnover)		
	Total	Up to 12M turnover	Over 12M turnover
Less	50	52	47
Unchanged	42	40	45
Greater	8	8	9
Respondents	214	122	92

## **PACEC Confidence Survey – July 2002**

### **Confidence of the performance of the company in the UK**

	Percentage of all respondents (by turnover)		
	Total	Up to 12M turnover	Over 12M turnover
Less	35	34	37
Unchanged	45	46	44
Greater	19	20	19
Respondents	211	121	90

## **PACEC Confidence Survey – July 2002**

### **Confidence of the performance of the company in the global market**

	Percentage of all respondents (by turnover)		
	Total	Up to 12M turnover	Over 12M turnover
Less	5	6	4
Unchanged	56	54	58
Greater	39	40	38
Respondents	219	126	93

**PACEC Confidence Survey – July 2002**  
**Percentage change in total employment over last 3 months**

	Percentage of all respondents (by turnover band)		
	Total	Up to 12M turnover	Over 12M turnover
16 to 20% fall	0	0	1
11 to 15% fall	0	1	0
6 to 10% fall	4	5	3
1 to 5% fall	3	1	7
No change	58	55	63
0-5% rise	13	10	16
5-10% rise	9	13	4
10-15% rise	6	8	2
15-20% rise	3	4	1
20-50% rise	2	3	1
Over 50% rise	0	0	1
<b>Respondents</b>	<b>213</b>	<b>124</b>	<b>89</b>

## PACEC Confidence Survey – July 2002

### Percentage change in total employment over next 3 months

	Percentage of all respondents (by turnover band)		
	Total	Up to 12M turnover	Over 12M turnover
21 - 50% fall	2	1	4
16 to 20% fall	1	2	0
11 to 15% fall	1	0	2
6 to 10% fall	2	2	4
1 to 5% fall	2	2	2
No change	56	58	52
0-5% rise	15	14	17
5-10% rise	10	10	11
10-15% rise	3	2	6
15-20% rise	4	6	1
20-50% rise	3	5	0
Over 50% rise	0	0	1
<b>Respondents</b>	<b>205</b>	<b>121</b>	<b>84</b>

## PACEC Confidence Survey – July 2002

### Order book change over past 3 months

	Percentage of all respondents (by turnover)		
	Total	Up to 12M turnover	Over 12M turnover
Increase	35	36	33
No change	33	32	35
Decrease	32	33	31
Respondents	219	126	93

## **PACEC Confidence Survey – July 2002**

### **Anticipated order book change over next 3 months**

	Percentage of all respondents (by turnover)		
	Total	Up to 12M turnover	Over 12M turnover
Increase	37	39	35
No change	37	38	34
Decrease	26	23	30
Respondents	219	126	93

## **PACEC Confidence Survey – July 2002**

### **Anticipated order book change over next 12 months**

	Percentage of all respondents (by turnover)		
	Total	Up to 12M turnover	Over 12M turnover
Increase	50	48	52
No change	21	24	17
Decrease	29	28	31
Respondents	218	125	93

## **PACEC Confidence Survey – July 2002**

### **Change in average length of drilling rig related contracts over past 3 months**

	Percentage of all respondents (by turnover)		
	Total	Up to 12M turnover	Over 12M turnover
Increase	7	6	9
No change	61	63	57
Decrease	32	30	34
Respondents	98	63	35

## PACEC Confidence Survey – July 2002

### Anticipated change in average length of drilling rig related contracts over next 3 months

	Percentage of all respondents (by turnover)		
	Total	Up to 12M turnover	Over 12M turnover
Increase	10	10	11
No change	58	59	57
Decrease	32	32	31
Respondents	98	63	35

## PACEC Confidence Survey – July 2002

### Anticipated change in average length of drilling rig related contracts over next 12 months

	Percentage of all respondents (by turnover)		
	Total	Up to 12M turnover	Over 12M turnover
Increase	15	10	26
No change	46	51	38
Decrease	38	40	35
Respondents	97	63	34

# PACEC Confidence Survey

July 2002

## Conclusions (1)- Confidence and Employment

- **Comparing the next 3 months with the last 3 months, confidence is mixed, but employment is, on balance, strong:**
  - Half respondents less confident about sector performance; 8% more confident;
  - Over 1/3 respondents less confident about own company's performance; 1/5 more confident;
  - 95% unchanged or more positive about company performance in global market;
  - 2.8% increase in employment over last 3 months and 2.4% increase projected over next 3 months
- Over next 12 months over half projected increases in employment but 10% projected significant reductions: mean increase 7.4%

# PACEC Confidence Survey

July 2002

## Conclusions (2)- Order Books and Drilling

- Order books look promising
  - over last 3 months will be similar on balance in next three months: 1/3 reporting increases, 1/4 decreases.
  - Over next 12 months 50% project increase in orders.
- Drilling expects a downturn
  - Only 7% experienced an increase in length of drilling contracts over last 3 months; 32% experienced decrease
  - 10% anticipate an increase in length of drilling contracts over next 3 months; 32% anticipate decrease;
  - over next 12 months, 15% anticipate increase, 38% decrease.