



Isle of Man

Pulse Survey

Business confidence and economic report

Isle of Man

Second Edition



Business confidence and economic report

Foreword

Earlier in the summer, the results of our second survey highlighted some mixed responses. While some businesses were improving and prospering as COVID restrictions eased, others indicated they were constrained by an inability to access clients due to the remaining COVID restrictions and border policies in place at the time. There's no denying the longevity of the pandemic has taken its toll and economies have undeniably suffered. But, on a brighter note, the survey results indicated an optimistic outlook, with many expecting turnover to improve over the next 12 months and there was continued support for the Isle of Man border policies.

The second survey also explored the hot topics of tax and ESG and the results suggested that most businesses were yet to fully define ESG strategies and understand how they may be affected by future changes to tax policy. As awareness of these topics increases, it will be interesting to monitor the extent to which businesses expect to be impacted by any changes.

Simon Nicholas, Partner
KPMG in the Crown Dependencies

IoD Isle of Man are once again delighted to have been given the opportunity to partner with KPMG to deliver what is the second in a series of 'Pulse' surveys.

As the Isle of Man continues its recovery from the COVID pandemic, it is imperative that we start to build economic and business confidence across every sector. The Pulse survey gives the business community an opportunity to offer their views, which in turn provides us with valuable insights into how best the Island can build for a successful future.

Additionally, with a new Tynwald administration in place from October 2021 following the General Election we need our political representatives to understand the opportunities and concerns which face our business community. We will be looking to them to help us address these successfully.

Jennifer Houghton
IoD



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Isle of Man

Key Findings



Key Findings



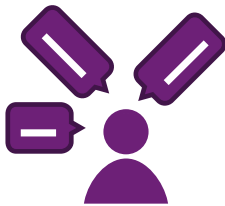
22% of businesses indicated “off-island” business has decreased over the last three months, compared to 45% in our previous survey, indicating some improvement



Respondents have expressed a lack of knowledge and data is restricting development of ESG strategies



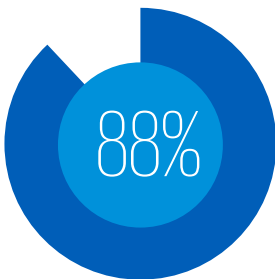
89% of respondents expect employment levels to remain the same or increase over the next 12 months, although three large organisations expect a reduction



Respondents in all sectors expressed potential concern about the impact of international minimum tax rates on the Isle of Man economy



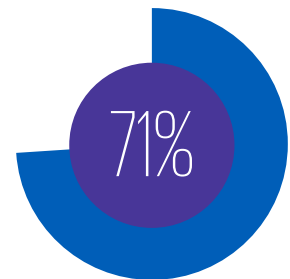
70% of respondents would not have changed the border policy at the time of the survey, despite noting some trading difficulties, indicating a balance had been struck



88% of businesses said they have or had access to the financial resources to achieve their full potential. The remainder covered a range of sectors and typically employ less than 10 people.



59% of businesses felt their business growth was constrained (by lack of access to suitable labour and to clients), the same proportion as the last survey



71% of respondents indicated that the price of inputs have remained the same. However, 83% of respondents in the Construction and Retail & Hospitality sectors have indicated that they have experienced an increase in prices.

Trading update

As expected, local lockdowns impacted the domestic economy but many businesses experienced off-island growth

Trading environment – in the period (Jan to Mar 21)

At the start of 2021 the Island was in lockdown from 7 January to 31 January and again from 3 March to 18 April, creating difficult trading conditions for many businesses to manage, particularly in the domestic economy. This perhaps explains why the Construction and Manufacturing and Retail and Hospitality sectors had relatively high proportions of respondents indicating that on-island activity had reduced (50% and 42% respectively).

The picture for off-island activity was similar to some extent, but with greater polarization of the results.

All Retail and Hospitality businesses, for whom off-island business was relevant, indicated that demand had fallen.

There were more businesses in the Financial and Professional Services sector experiencing increased demand from off-island clients, though this was not universal.

Overall, 44% of business experienced increased off-island activity and 22% experienced reduced activity. This compares to 26% and 45% respectively in the last survey, so the overall picture has improved.

Fig 1 - On-Island business in the last 3 months (Jan to Mar 21) - all sectors

Over the last 3 months, has “on-island” activity for your business...

■ Decreased ■ Stayed about the same ■ Increased

Retail & Hospitality



Other Services



Financial & professional services



Fig 2 - Off-Island business in the last 3 months (Jan to Mar 21) - all sectors

Over the last 3 months, has “off-island” activity for your business...

■ Decreased ■ Stayed about the same ■ Increased

Retail & Hospitality



Other Services



Financial & professional services



Trading Outlook

The majority feel their business' growth is constrained, but many expect turnover to increase in the next 12 months

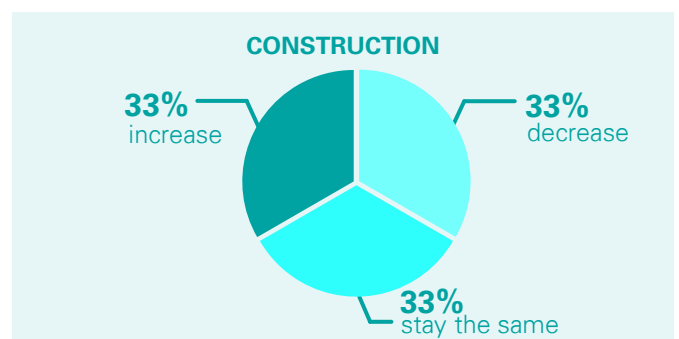
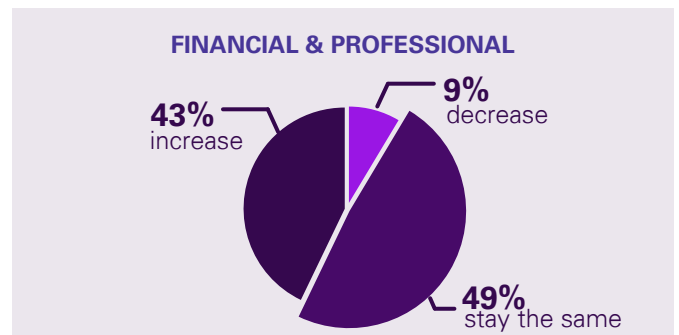
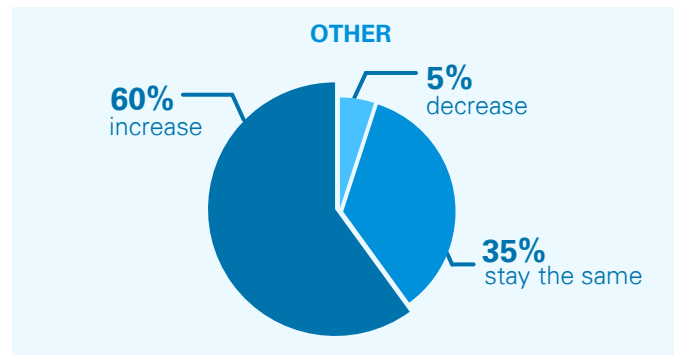
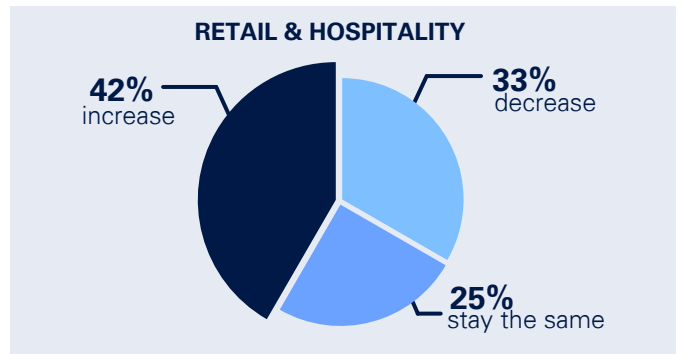
Across the sectors the latest survey indicates a relatively positive picture in terms of expectations for turnover, though it should be borne in mind that respondents may be comparing the outlook to a period containing two lockdowns.

As with the responses in relation to trends in recent on-island demand, the Retail and Hospitality and Construction and Manufacturing sectors are less positive than the Financial, Legal and Other services sectors.

Physical restrictions imposed as a result of COVID-19 have a greater impact on Retail, Hospitality and Construction and so the uncertainty over COVID-19 strategy has been reflected in the survey results.

Fig 3 – Business turnover over the next 12 months

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



Trading Outlook (continued)

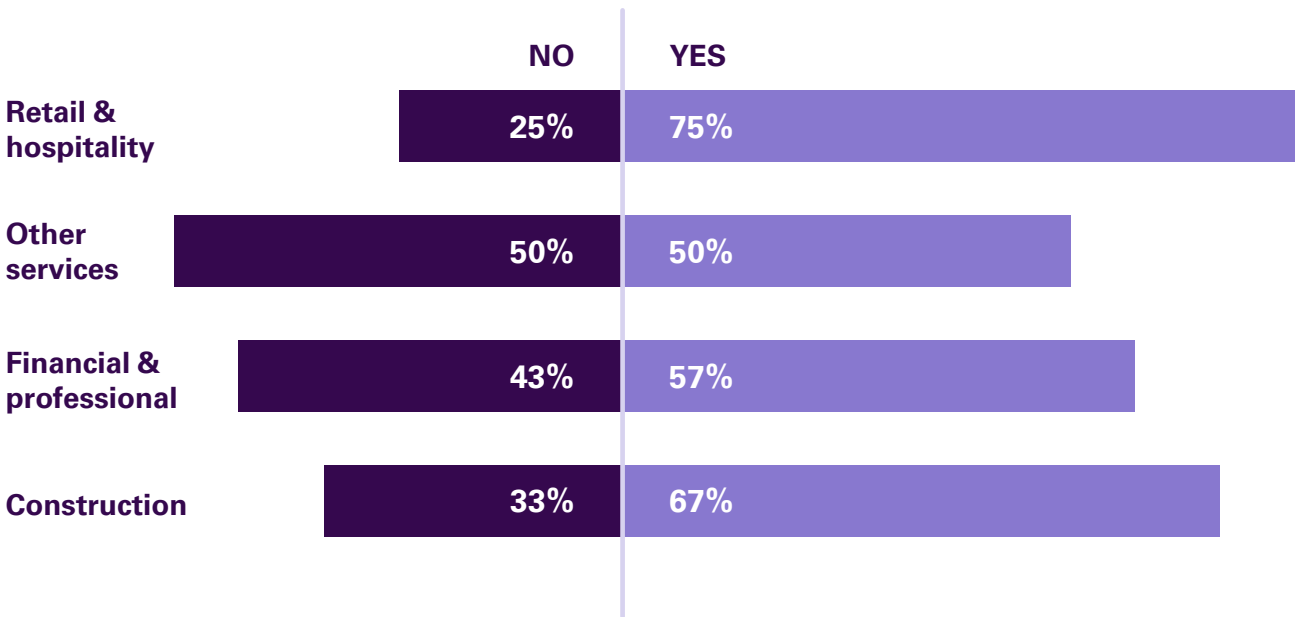
Interestingly, despite this survey indicating relatively positive expectations in terms of the directional change in turnover during the next 12 months, the majority of businesses feel that their growth is currently constrained.

The reasons given varied but the more common themes were industry restrictions and inability to access clients a shortage of skilled labour.

The survey certainly indicates the potential for greater growth within our economy and it will be interesting to see whether businesses report that the subsequent relaxation of border controls has reduced the constraints on their growth.

Fig 4 – Constraint on business growth

Do you feel that your business’ growth is currently constrained?



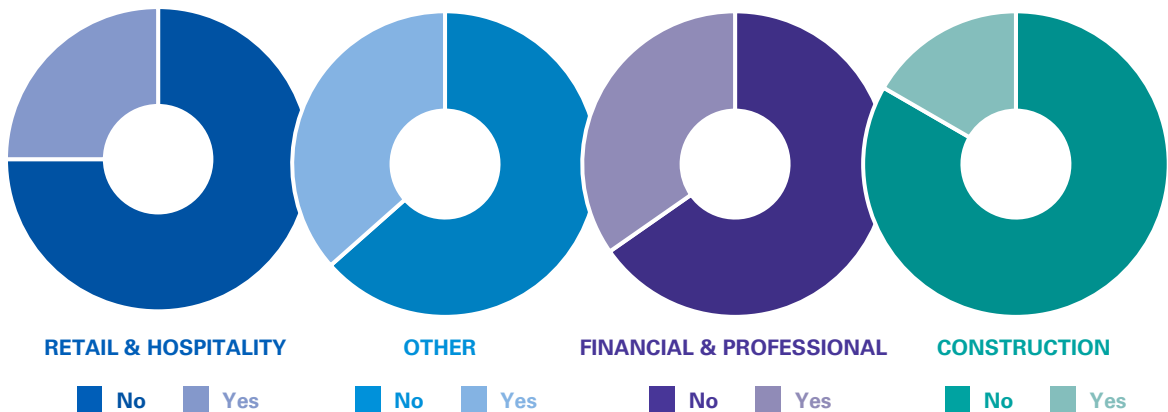
Border policy

In both of our surveys to date, 69% of respondents said they would not change the Isle of Man border policy

During the last 12 months, and at the time of both surveys, the Island has had significant border controls in place in order to manage the impact of the global pandemic. In both surveys, 69% of respondents indicated that they would not change the border policies in place at the time. In the second survey this was despite 55% of respondents stating that the border policy was having a negative effect on their business.

Fig 5 – Support for boarder policy – May 2021

May 2021, survey 2 – would you change the current border policy

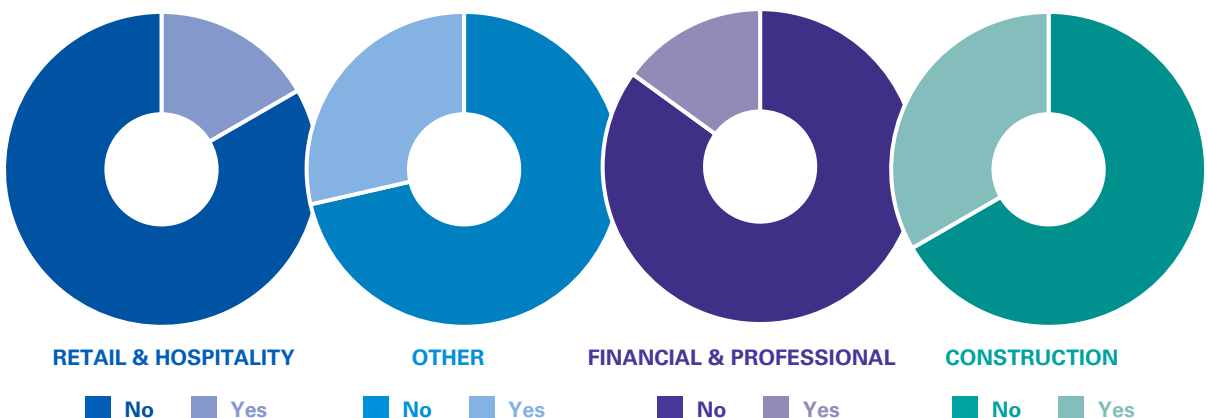


There has been some change in the mix of responses by sector between the two surveys. The survey indicates that the Financial, Professional and Other Services sectors may have become less inclined to change the border policy, whilst the opposite was true for Retail and Hospitality and Construction and Manufacturing.

This is perhaps surprising given that the Retail and Hospitality and Construction and Manufacturing sectors had indicated they are more susceptible to on-island restrictions, which the border restrictions were intended to protect against.

Fig 6 – Support for border policy – December 2020

December 2020, survey 1 – would you change the current border policy



International tax

The majority of businesses are concerned that changes in international tax may impact the Isle of Man economy

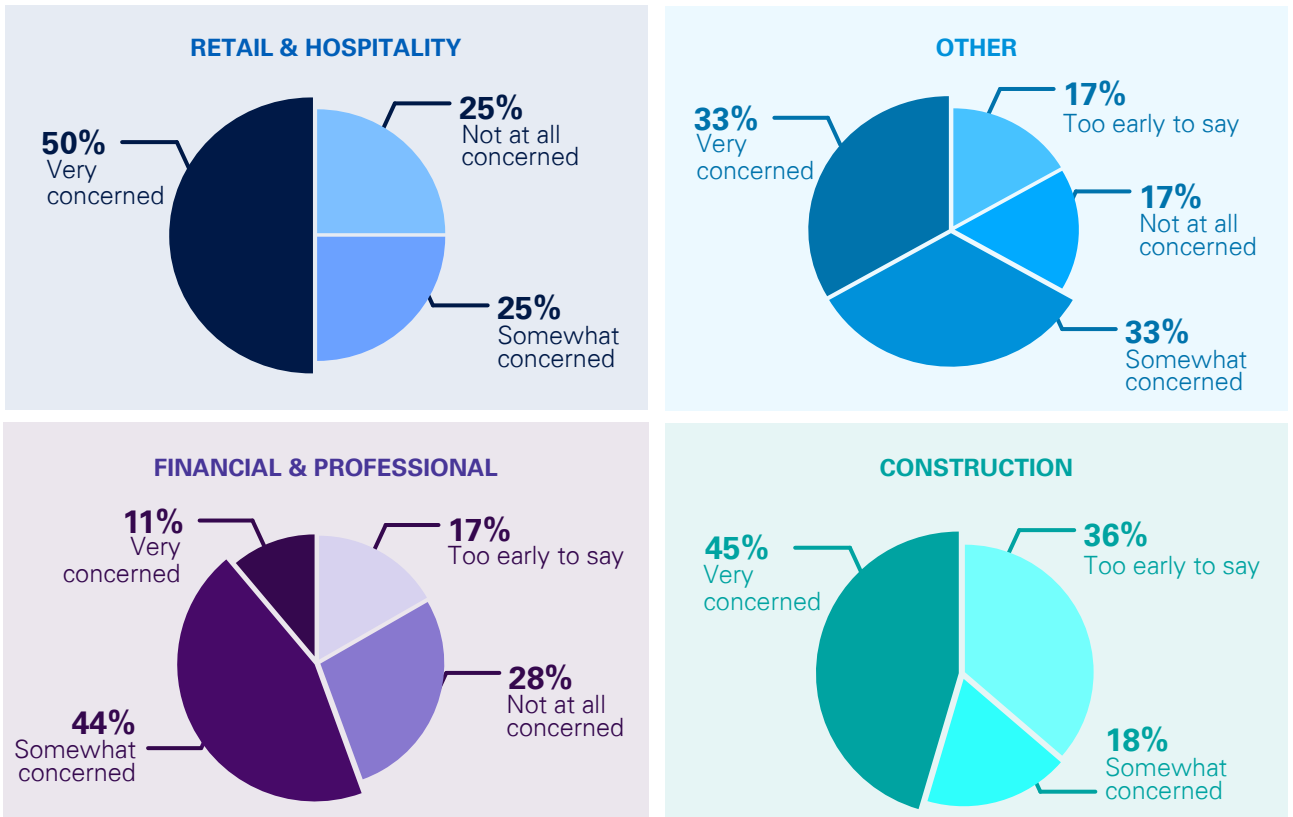
On 1 July 2021, the OECD published a statement on a “Two Pillar Solution” (i.e. Pillar One and Pillar Two) to address the tax challenges arising from the digitalization of the economy. As of 31 August 2021, the Isle of Man was one of the 134 Inclusive Framework members that had approved the statement.

The two key areas of reform are in relation to the principle that companies are largely required to have a physical presence in a country before that country has a right to tax and in relation to global agreement of a minimum level of taxation. Whilst these announcements came after this survey closed, the potential for significant developments in these areas was widely known.

A significant proportion of respondents have some concern over what these potential changes to international taxation could mean for the Isle of Man economy. As awareness of the global plans increases, it will be interesting to monitor the extent to which businesses expect to be impacted by any changes.

Fig 7 – International tax concerns per sector

How concerned for the Isle of Man are you about the international debate on minimum tax rates?



ESG

Respondents with an Environmental, Social and Governance plan in place and a commitment to achieve net zero emissions are very much a minority

ESG matters are increasingly important as businesses acknowledge their broader responsibilities towards the communities within which they operate and drive change in their own behaviours and those of their employees in order to tackle climate change and social inequalities.

The survey data indicates that the larger organisations are more likely to have an ESG plan in place, quite possibly leveraging knowledge from parent groups where that is applicable. However, 60% of the respondents with a plan indicated that it was either bespoke to their Island location or had been adapted for local conditions.

Fig 8 – ESG plans by business size

Do you have a defined ESG plan for your business?

No: not started
 No: we are in the process of putting a plan together
 Yes

None (I am self-employed)



1-5 employees



6-10 employees



11-50 employees



51-100 employees



101-250 employees



More than 250 employees



ESG (continued)

At this stage, the number of businesses that have made a commitment to achieve net zero greenhouse gas emissions is still low at 16% by 2030 and a further 5% by 2050.

The responses indicate that in order to get to the point where a significant majority of businesses have an ESG plan, there needs to be not just greater awareness of the issues but access to resources that clearly help businesses to formulate appropriate strategies.

Fig 9 – Net zero commitment by business size

Has your business made a net zero greenhouse gas emissions commitment?

● No
 ● Yes: before 2030
 ● Yes: before 2050

None (I am self-employed)



1-5 employees



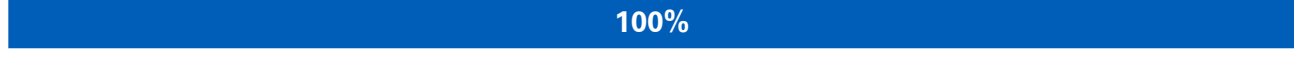
6-10 employees



11-50 employees



51-100 employees



101-250 employees



More than 250 employees



Methodology



Methodology

The data published in this report is based on an online survey of 73 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. Given the survey is anonymous, we are not able to assess whether respondents in this survey also participated in the first survey and so comparisons of the results between the two surveys need to be considered in this context. Multiple industries are represented and grouped as follows, for the purposes of the survey reporting:

‘Financial and legal 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
- Transport and Communications
- Marketing and PR
- Other professional services
- eGaming
- Miscellaneous services
- Medical and Health services
- Utilities
- Manufacturing: Engineering
- Education

The survey was carried out as an anonymous, online questionnaire during May 2021. The survey link was sent via email to senior business leaders, circulated via KPMG LLC and the Institute of Directors. The survey link was also available via social media links from the KPMG and IOD social media channels.

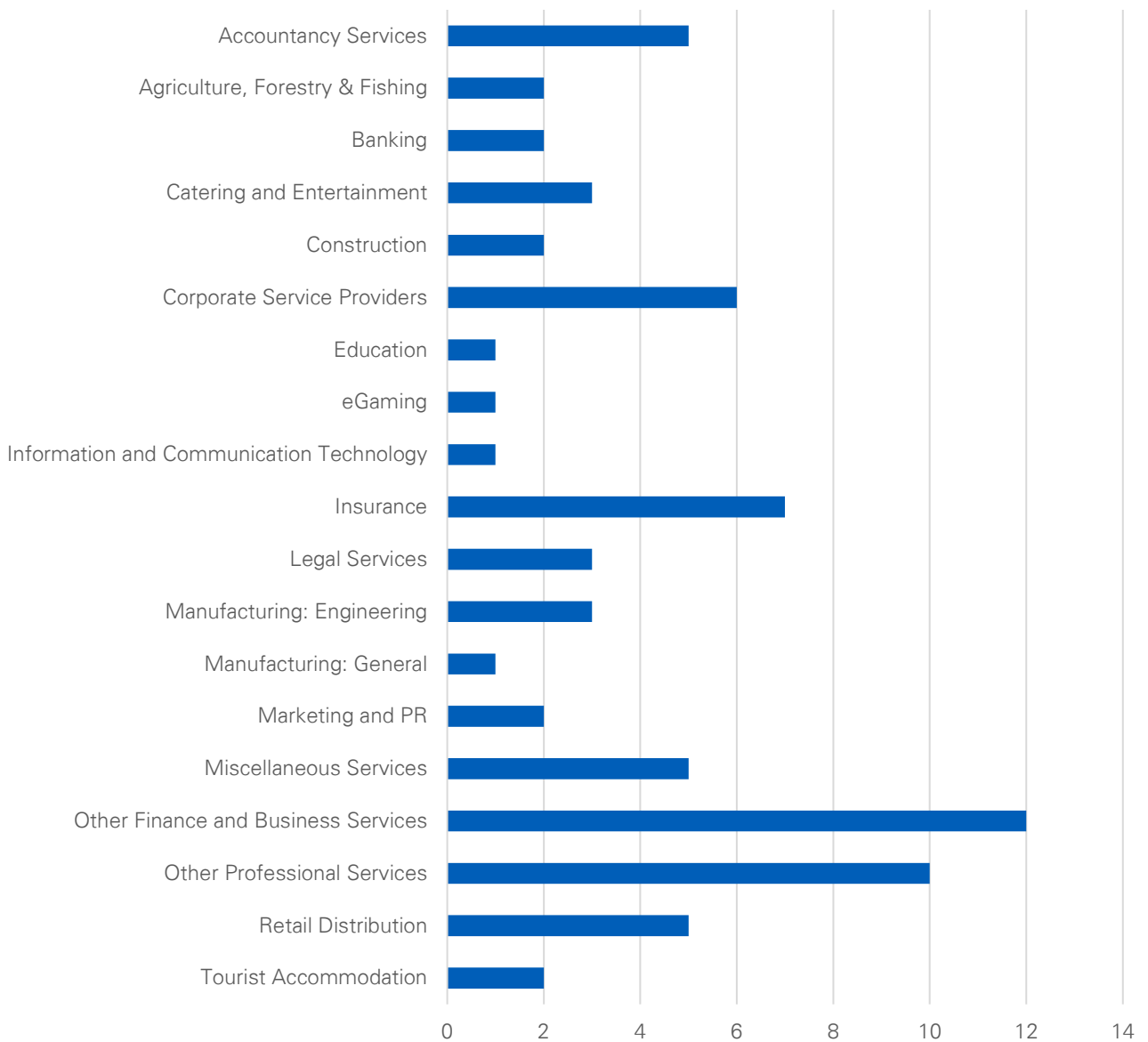
Full results of the Isle of Man Pulse Survey



Full results of the Isle of Man Pulse Survey

Fig 10. Business' main area of activity

What is your business' main area of activity?



Full results continued

Fig 11. Categorisation of Companies within the Survey

Which sector does your company fall under?

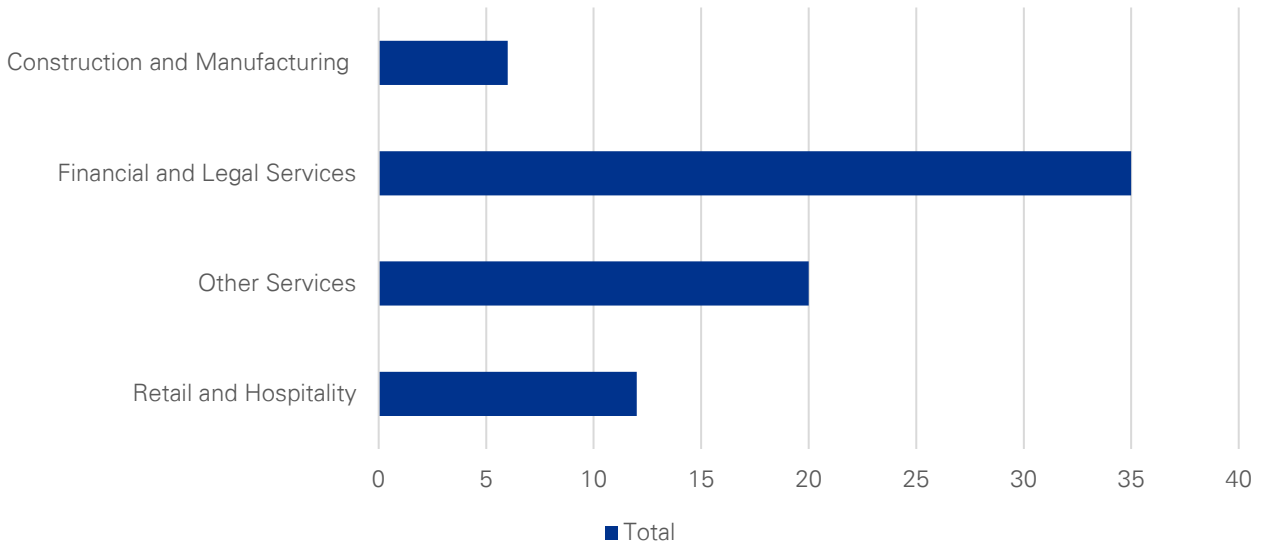
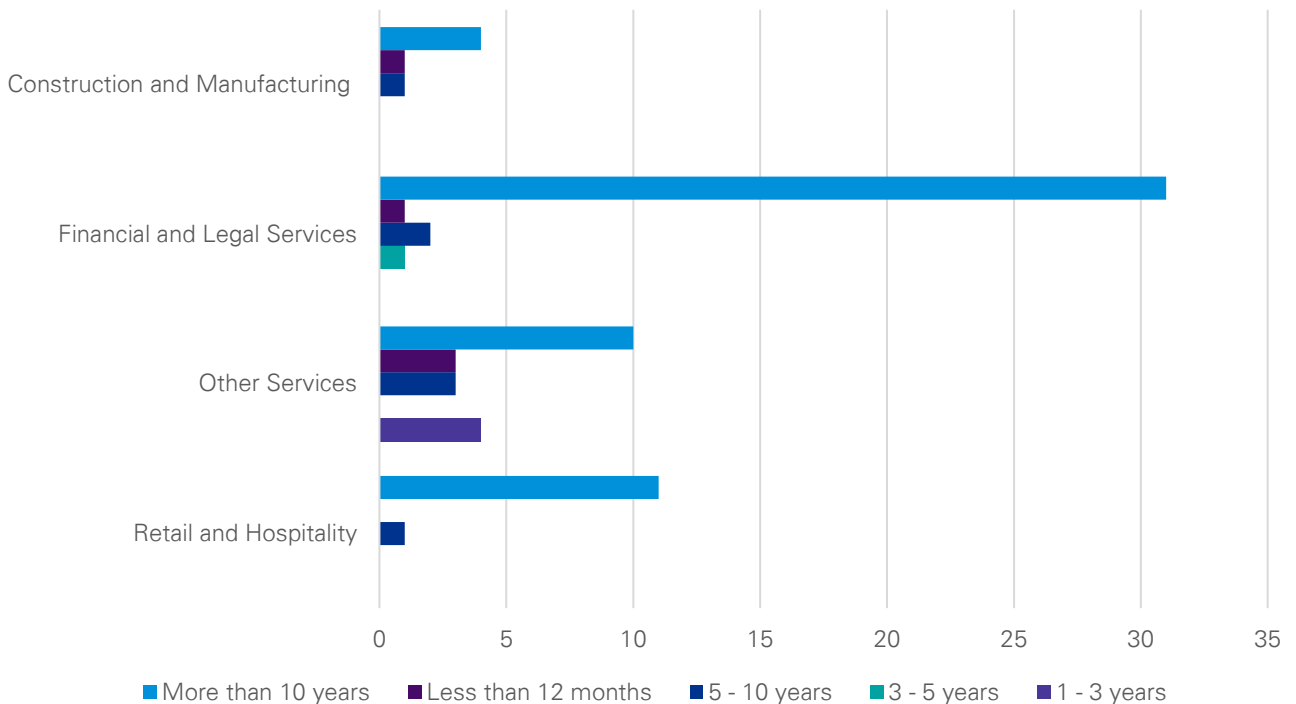


Fig 12. How long has your business been in operation on the Isle of Man?

How long has your business been operating in the Isle of Man?



Full results continued

Fig 13. Is your business Headquartered in the Isle of Man
Is your business headquartered on the Isle of Man?

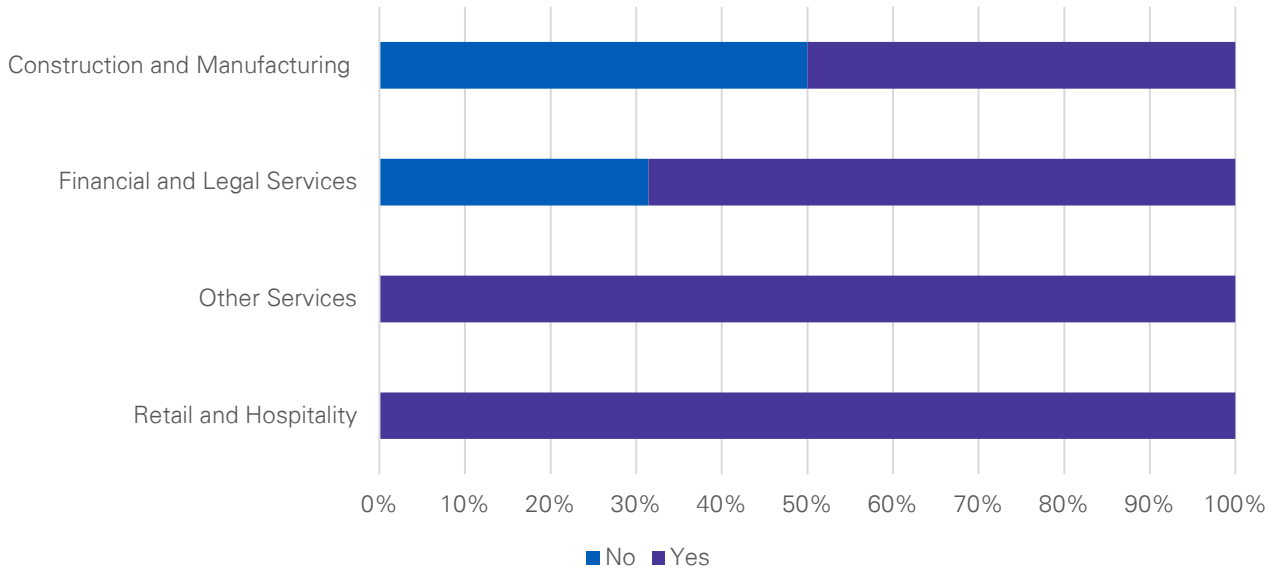
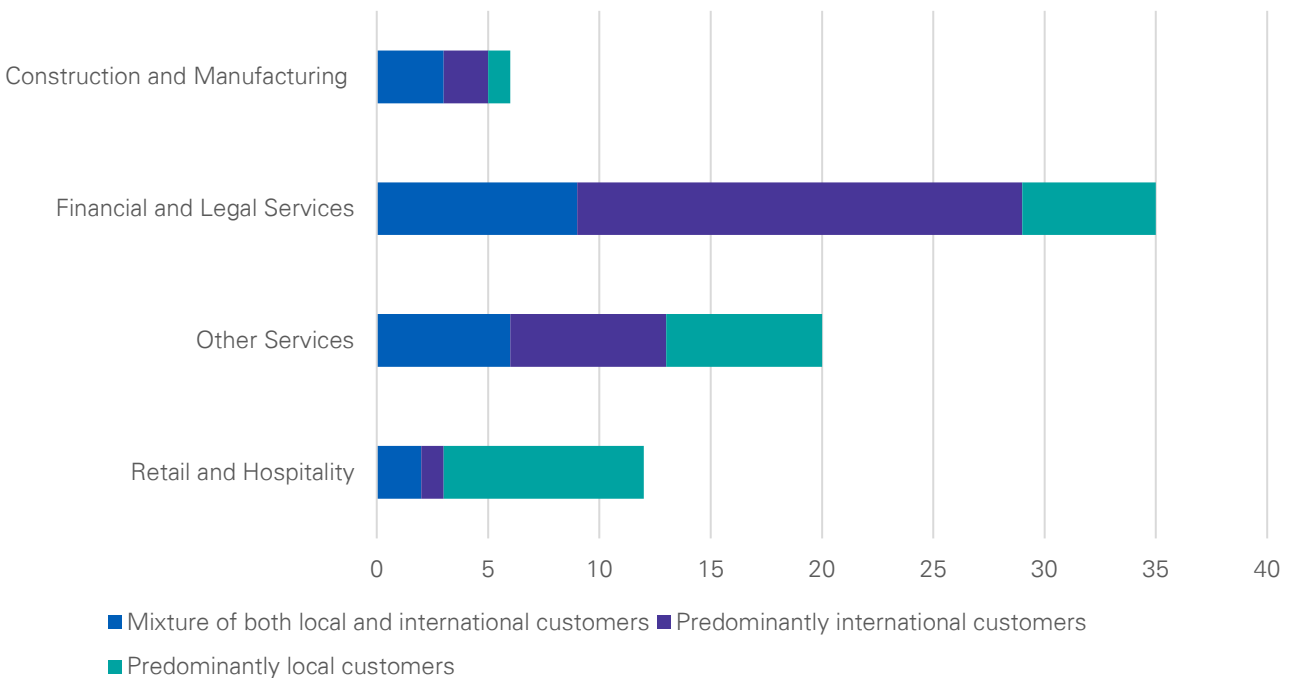


Fig 14. What is the composition of your customer base?
What is the composition of your customer base?



Full results continued

Fig 15. How many employees currently work for your business on the Isle of Man?

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

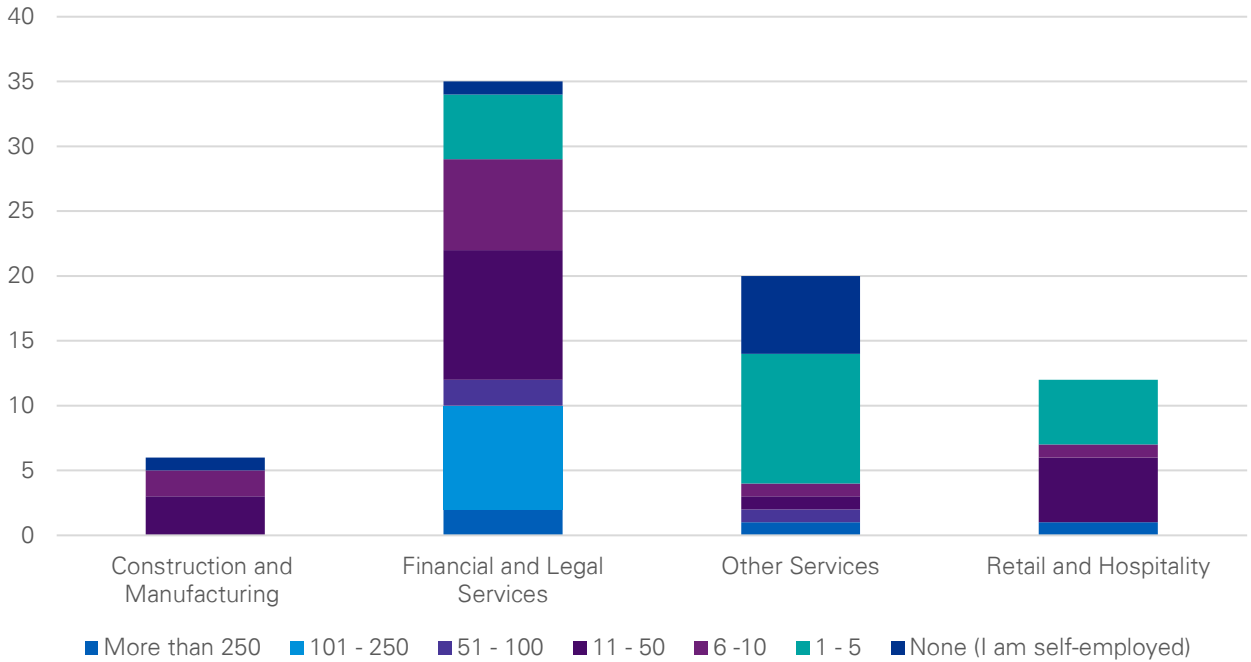
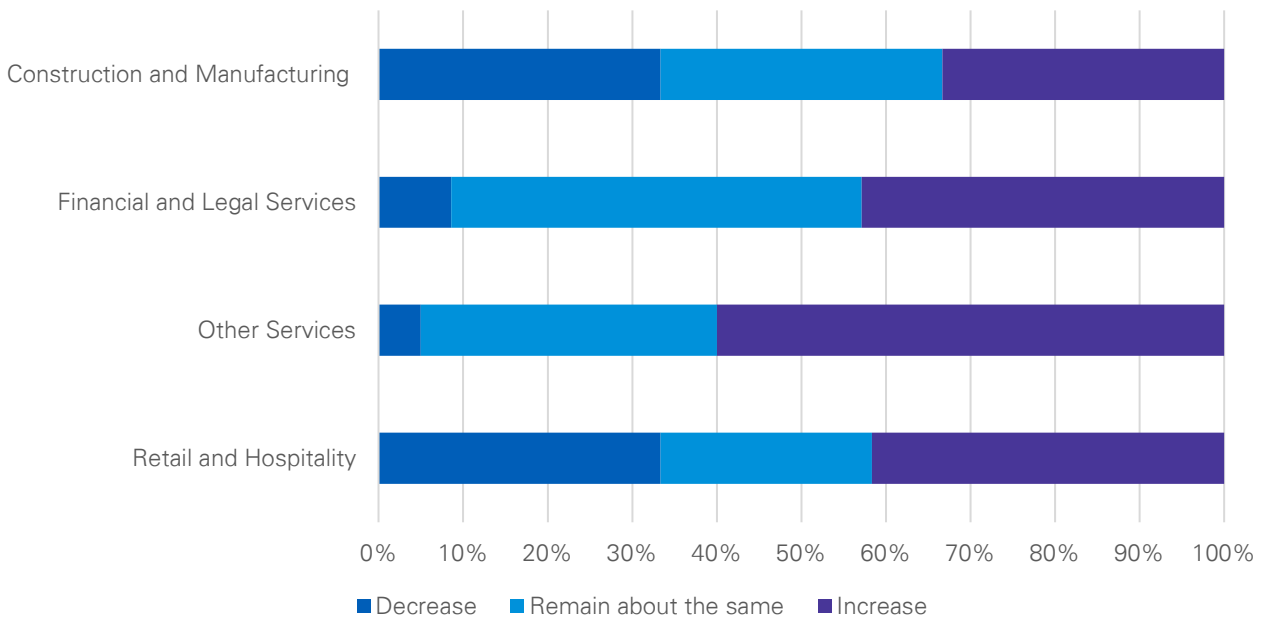


Fig 16. Over the next 12 months, do you believe your business turnover will;

Over the next 12 months, do you believe your business turnover will;



Full results continued

Fig 17. Over the next 12 months, do you believe your businesses' profitability will;

Over the next 12 months, do you believe your businesses' profitability will;

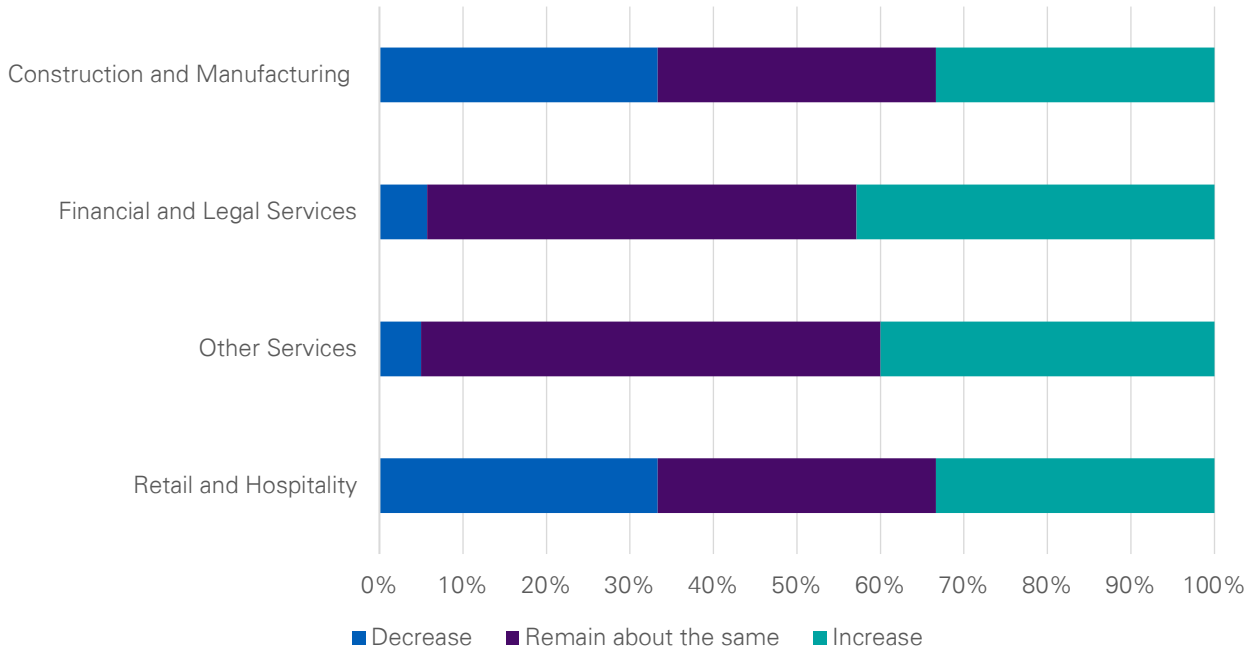


Fig 18. If your business has traded outside expected levels over the last three months, what do you consider to be the main contributing factors to that performance?

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:

- COVID lockdowns and border closures
- Decrease in availability of input supplies
- Borders closed
- Increase in the number of employees
- Increase in customer demand
- Pandemic
- Change in IOM legislation
- Decrease in the number of employees
- Decrease in customer demand
- Macroeconomic factors
- Decrease in the number of employees
- Increase in customer demand
- Increase in employee working hours
- Increase in customer demand
- Not applicable

■ Hospitality
■ Other
■ Financial & Professional
■ Construction

Full results continued

Fig 19. Your on-island business has...

Excluding normal seasonal variations over the last three months?

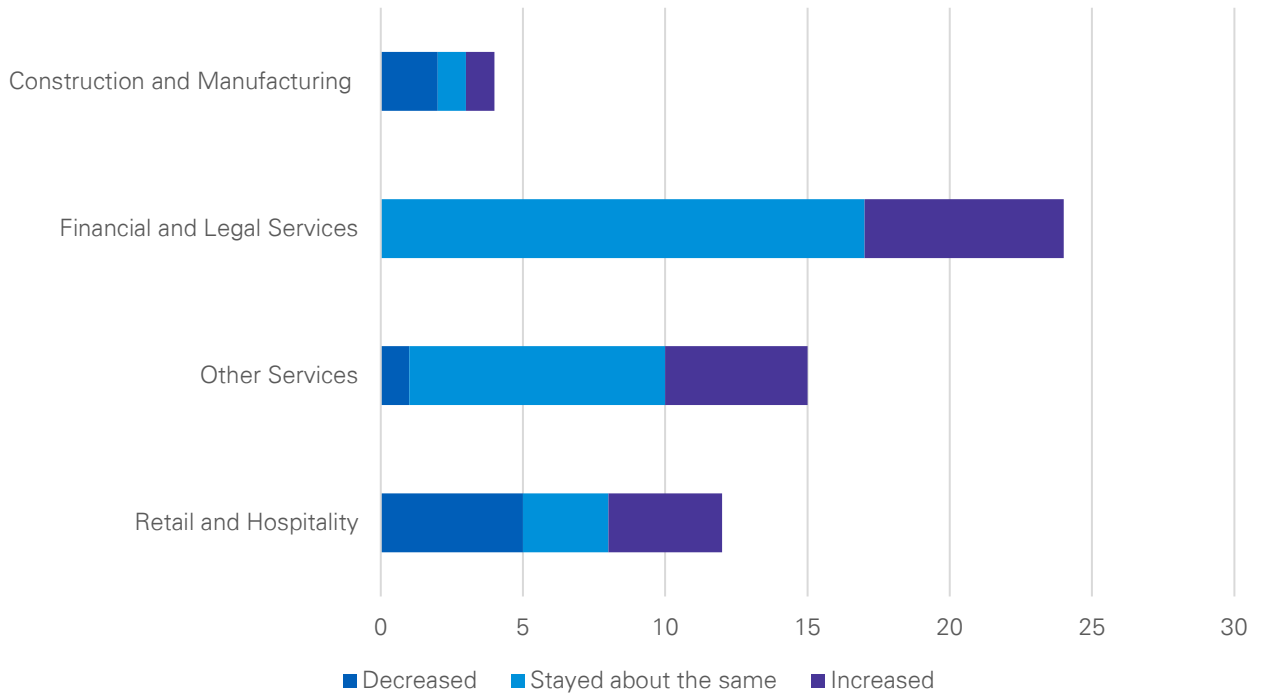
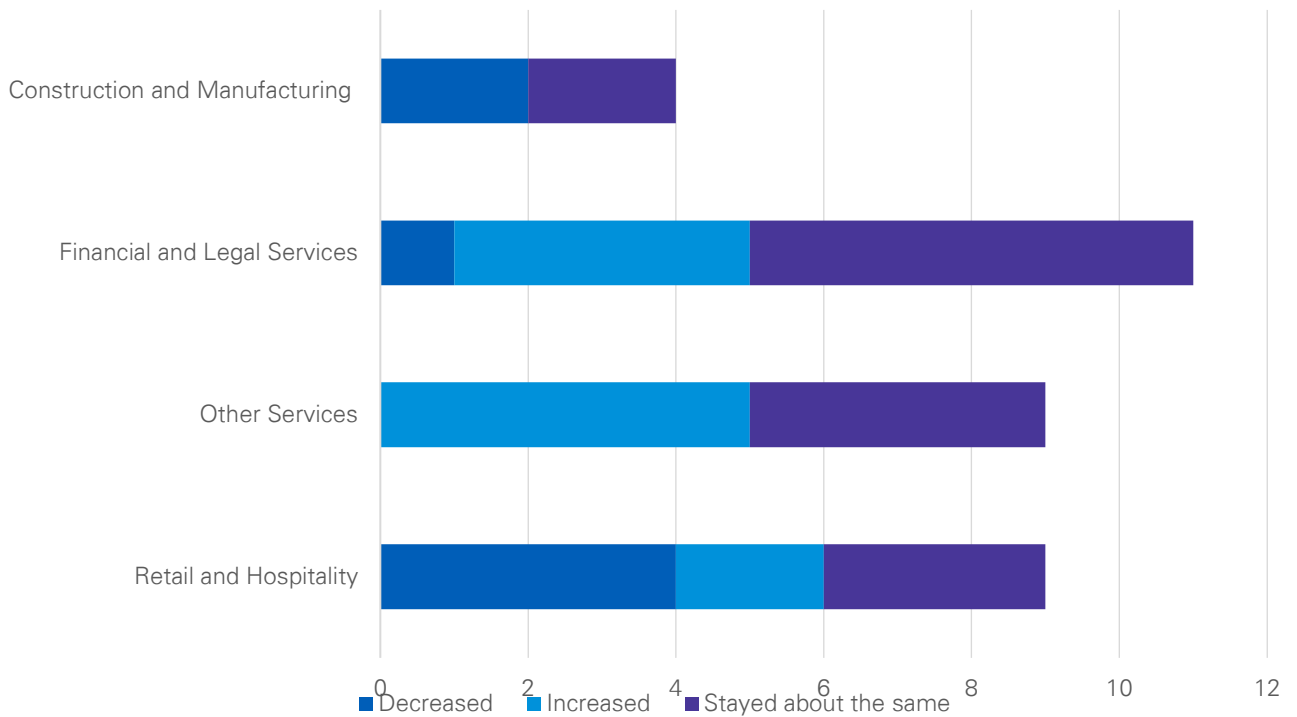


Fig 20. Your on-island orders have..

Excluding normal seasonal variations over the last three months?



Full results continued

Fig 21. Your off-island business has..
Excluding normal seasonal variations over the last three months?

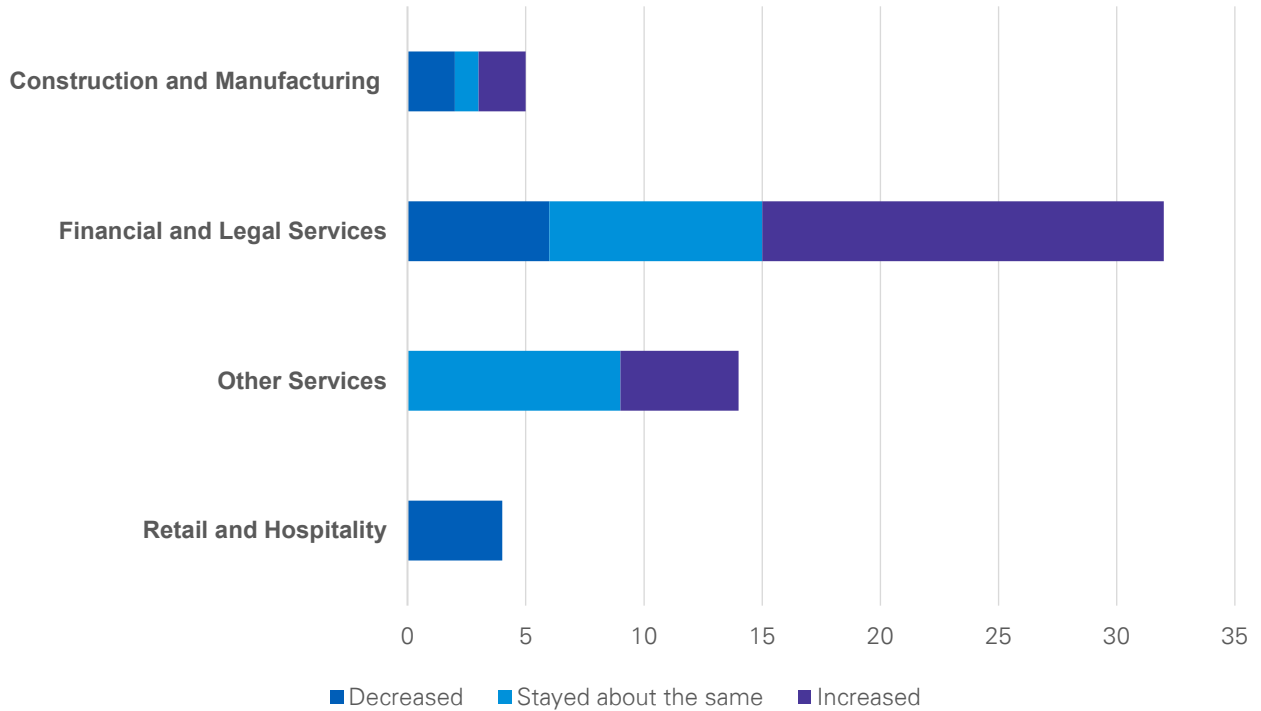
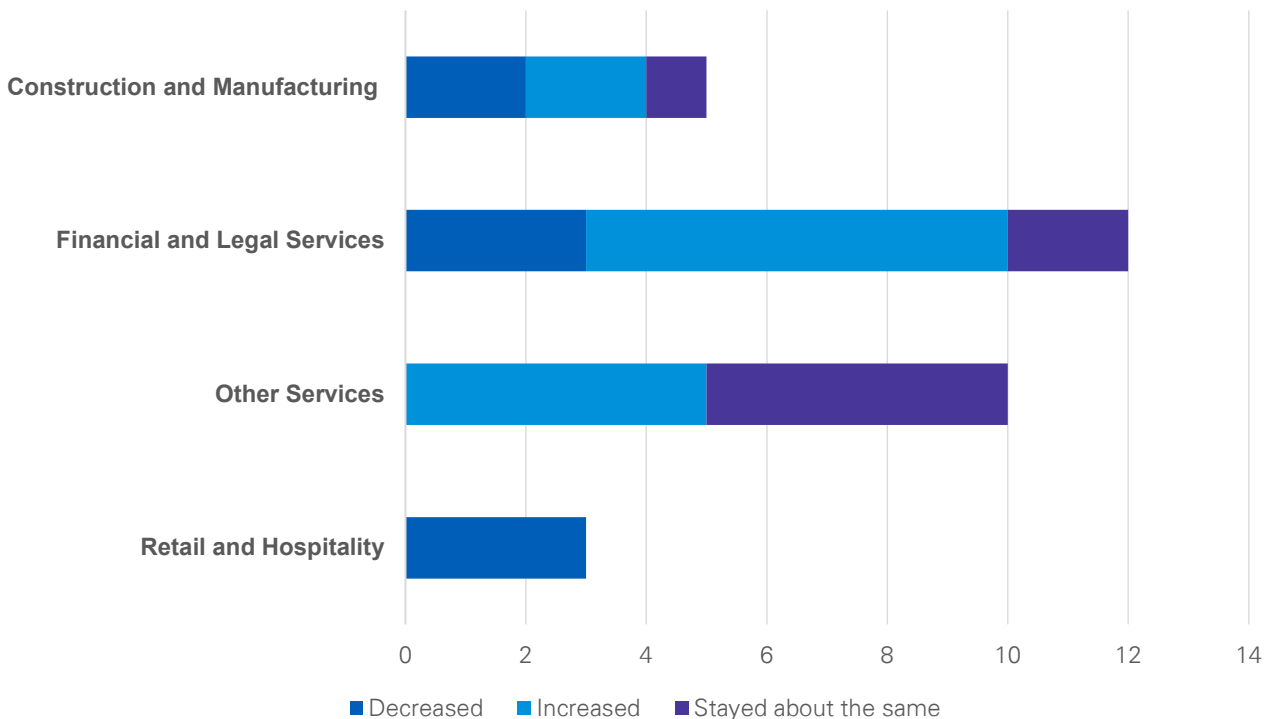


Fig 22. Your off-island orders have..
Excluding normal seasonal variations over the last three months?



Full results continued

Fig 23. Do you feel your business' growth is currently constrained?

Do you feel your business' growth is currently constrained?

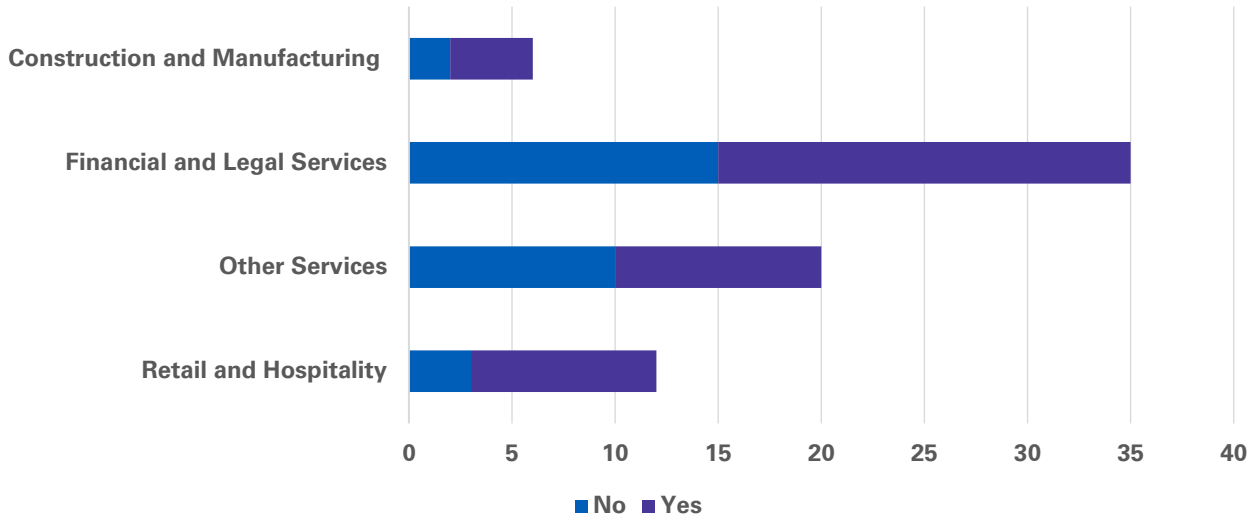


Fig 24. What do you consider to be the main contributing constraints to your business growth? (Retail and Hospitality)

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

Responses from each industry:

- Closed borders + uncertain strategy;
- Financial constraints - low / insufficient cash flow; Government procurement policy;
- Financial constraints - creditor issues;
- Insufficient demand;
- Low / insufficient cash flow;
- Borders Policy;
- Planning Permission;
- Workplace customers not at full capacity and Catering customers don't have capital to buy new machines;
- Inability to access customers or for customers to reach you;
- Industry restrictions in the Isle of Man;
- IOM Government are useless;
- Lack of qualified persons;
- Lack of quality venues / population size;
- Shortage of labour force - due to illness; Shortage of labour force - skills gap;
- COVID / COVID knock on effects;
- Industry restrictions in the Isle of Man; Shortage of labour force - skills gap;
- Shortage of labour force - skills gap;
- Government Initiatives including ensuring competitiveness to other Offshore Jurisdictions;
- Financial constraints - creditor issues;
- Inability to access customers or for customers to reach you;
- (blank)
- Insufficient demand
- Financial constraints - unable to access debt;
- Supply chain restrictions;



Full results continued

Fig 25. Does your business hold stock (for production or finished goods)?

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

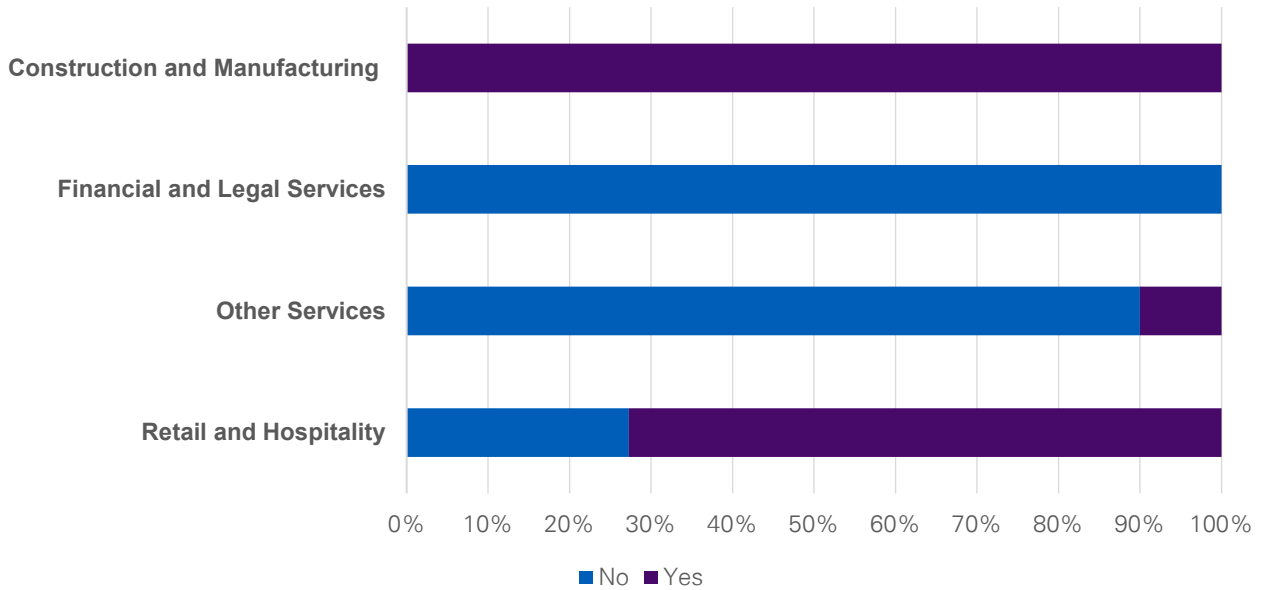
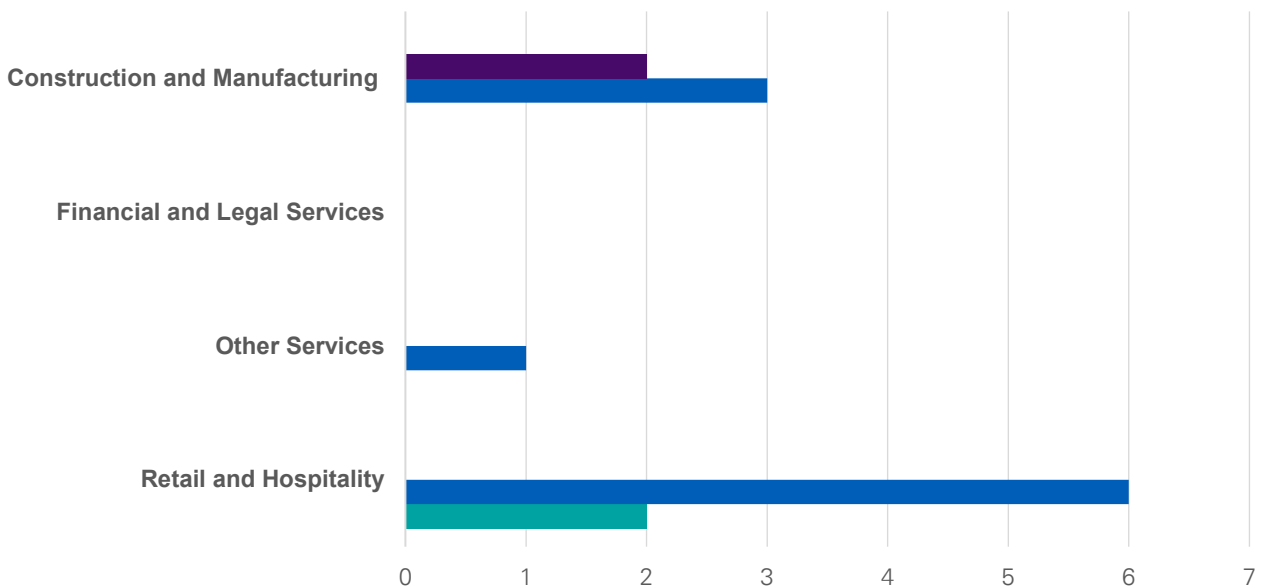


Fig 26. Do you consider the volume of stock (including finished goods) you currently hold to be:

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

- Too large (above normal and in excess of potential short-term trading levels)
- Adequate for trading level (sufficient for potential short-term trading levels)
- Too small (below normal and insufficient for potential short-term trading levels)



Full results continued

Fig 27. Over the next 3 months, how do you expect the prices of your inputs, on average, to change compared to current prices?

Over the next 3 months, how do you expect the prices of your inputs, on average, to change compared to current prices?

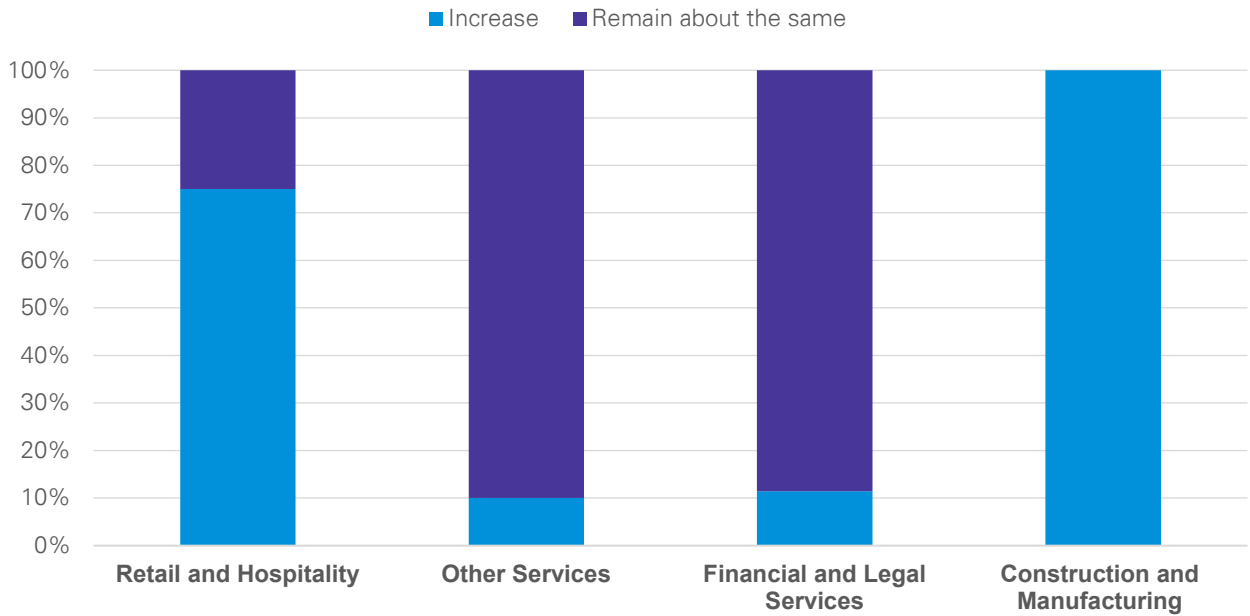
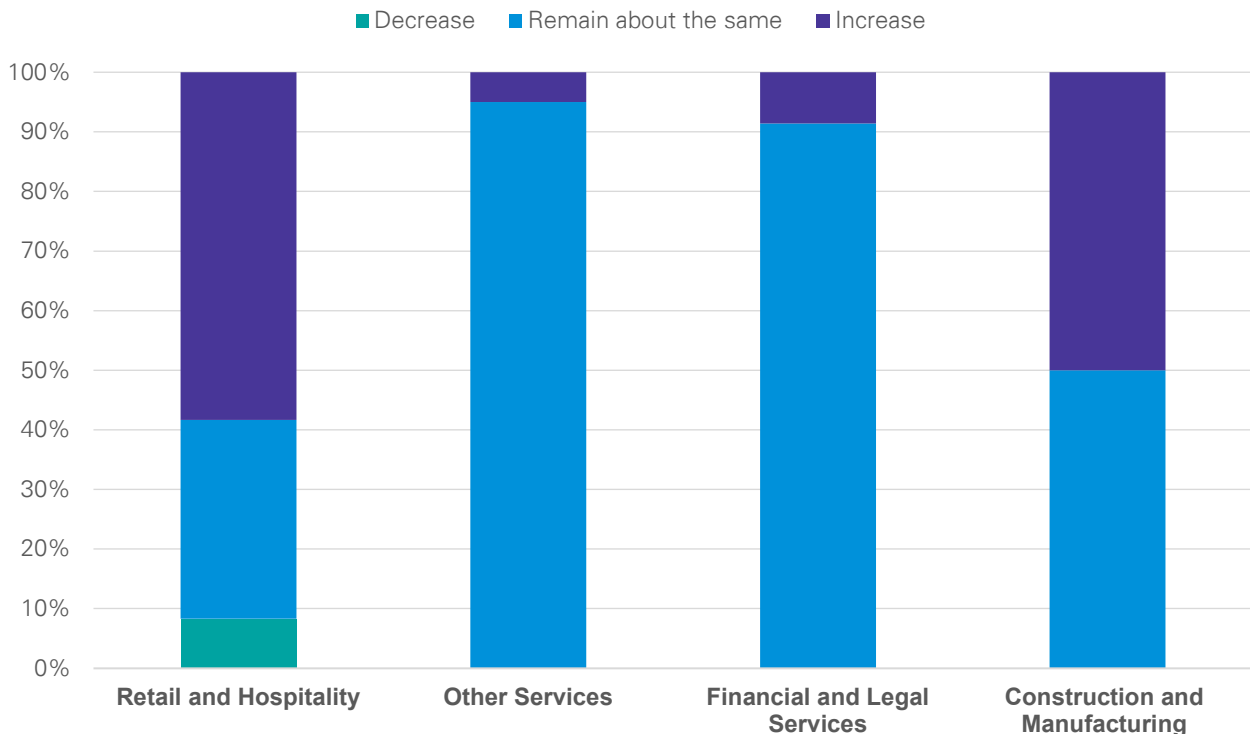


Fig 28. Over the next three months, how do you expect the sales prices you charge to customers on average, to change compared to current prices?

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



Full results continued

Fig 29. Does your business have sufficient financial resources (working capital), or access to it, to achieve the full potential of your business plan?

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

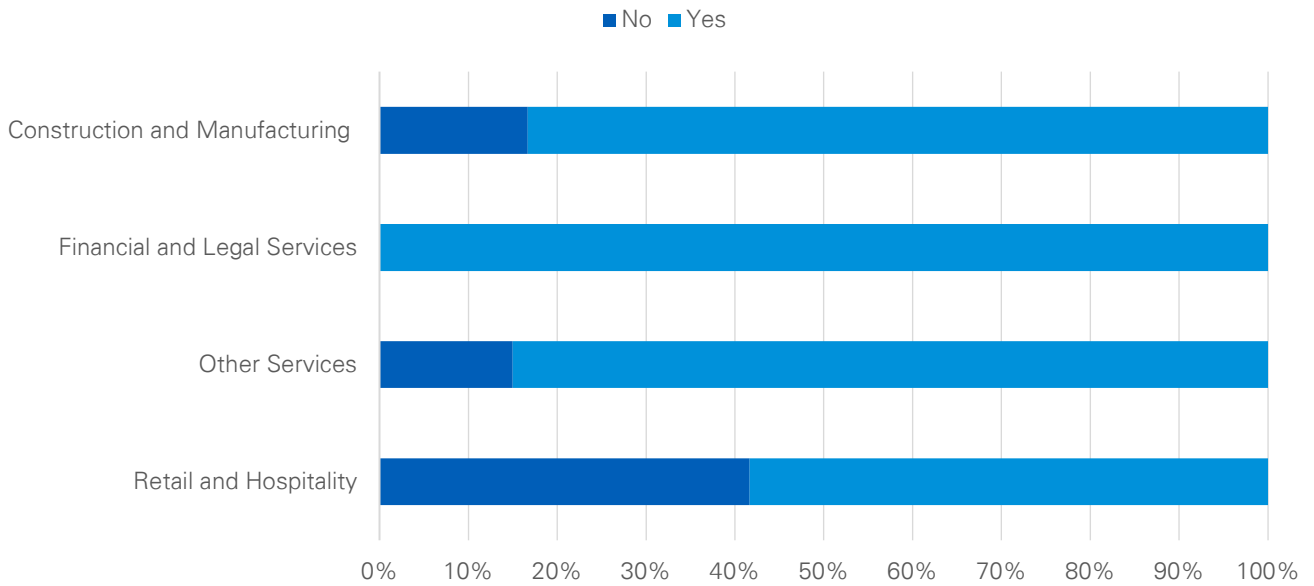
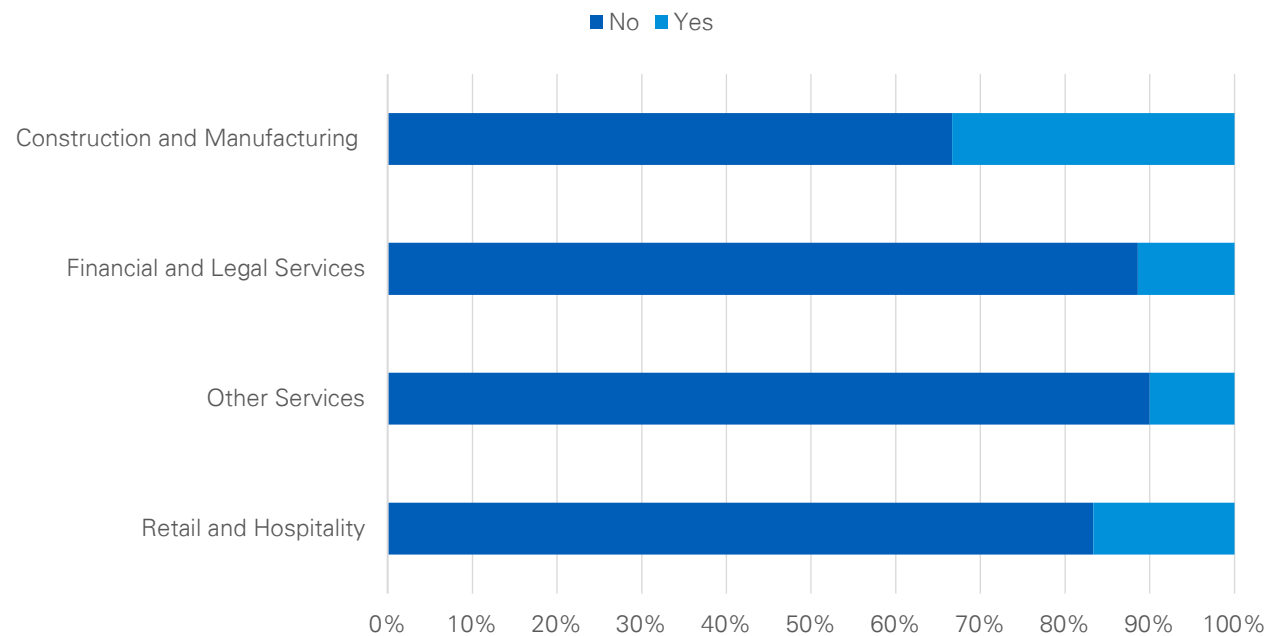


Fig 30. Has your business' ability to access financial resources (working capital, including credit) changed in the last three months?

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



Full results continued

Fig 31. What direction has your business' ability to access financial resources (working capital, including credit) changed in the last three months?

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

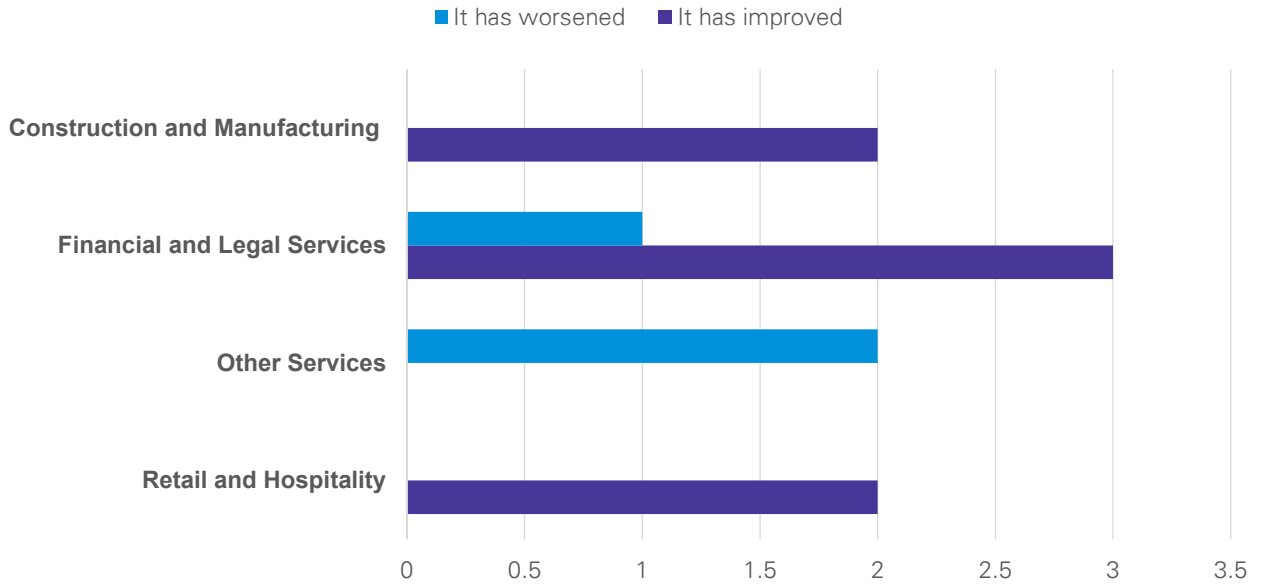
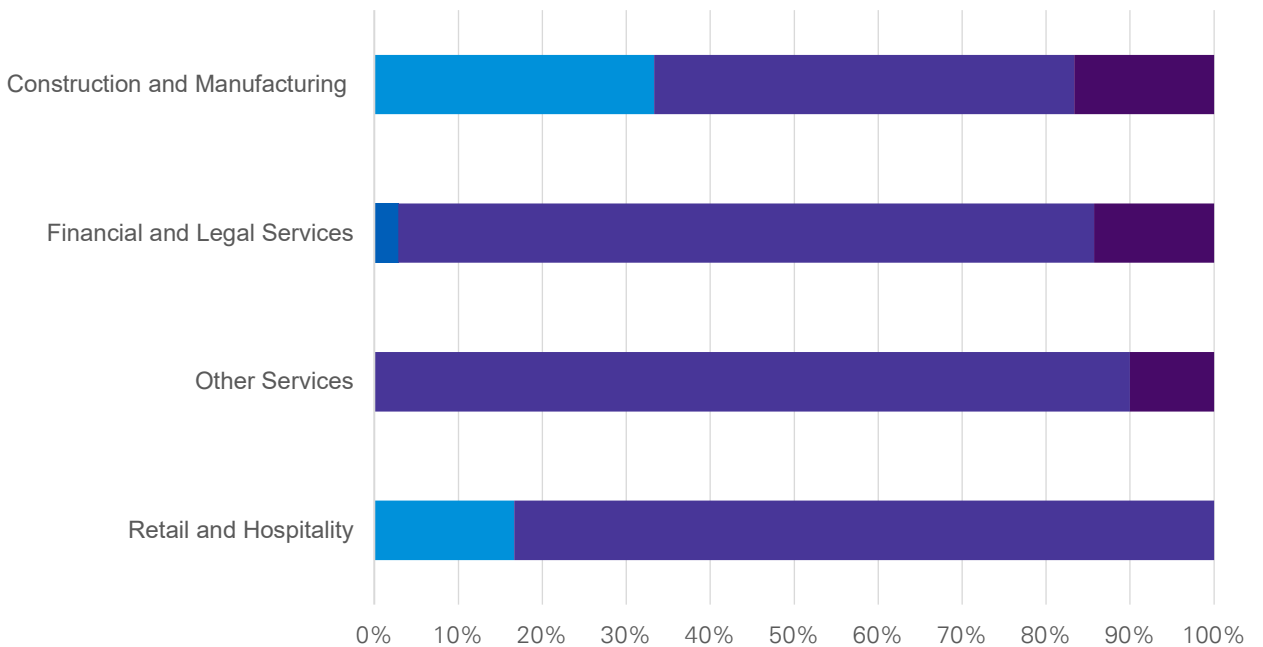


Fig 32. What Trend do you expect your Isle of Man based workforce levels to take over the next 3 months?

What Trend do you expect your Isle of Man based workforce levels to take over the next 3 months?

Decrease significantly (-25%) Decrease Stay about the same Increase



Full results continued

Fig 33. What Trend do you expect your Isle of Man based workforce levels to take over the next 12 months?

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

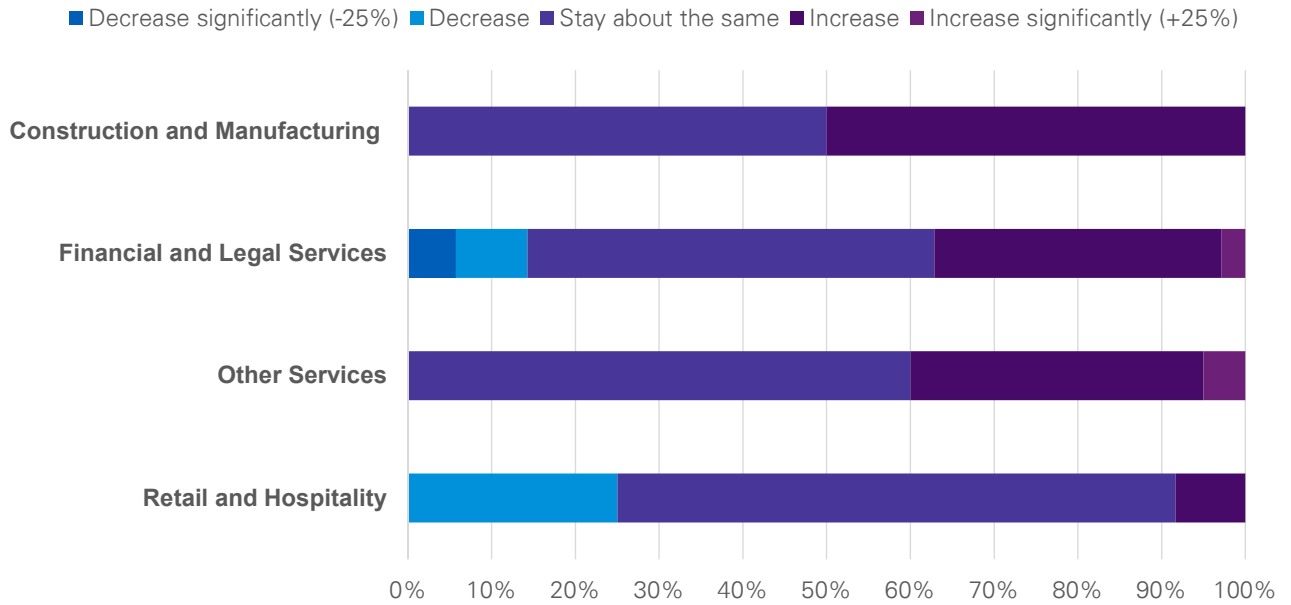
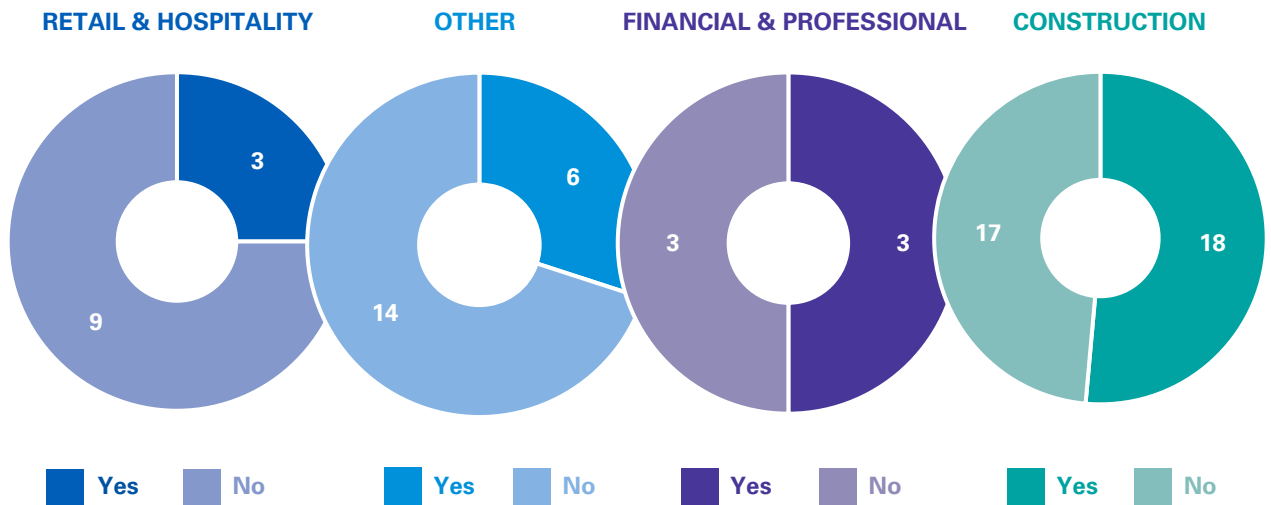


Fig 34. Are the border closures affecting your business?

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



Full results continued

Fig 35. How are the borders impacting your business?

If Yes, could you explain how your business has been affected?

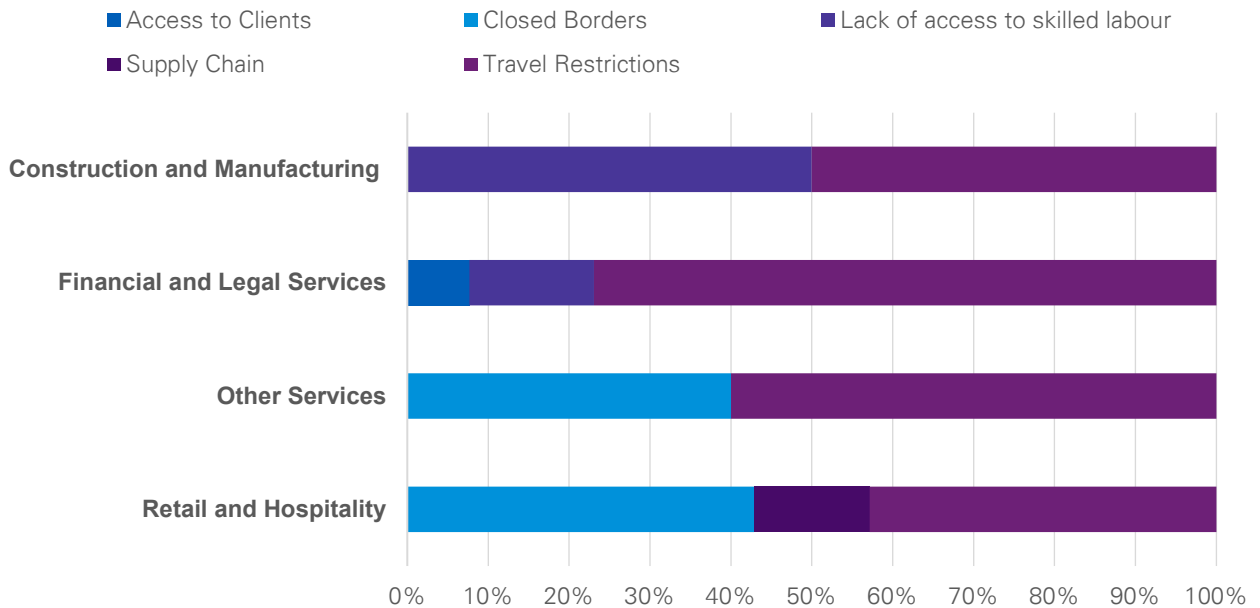
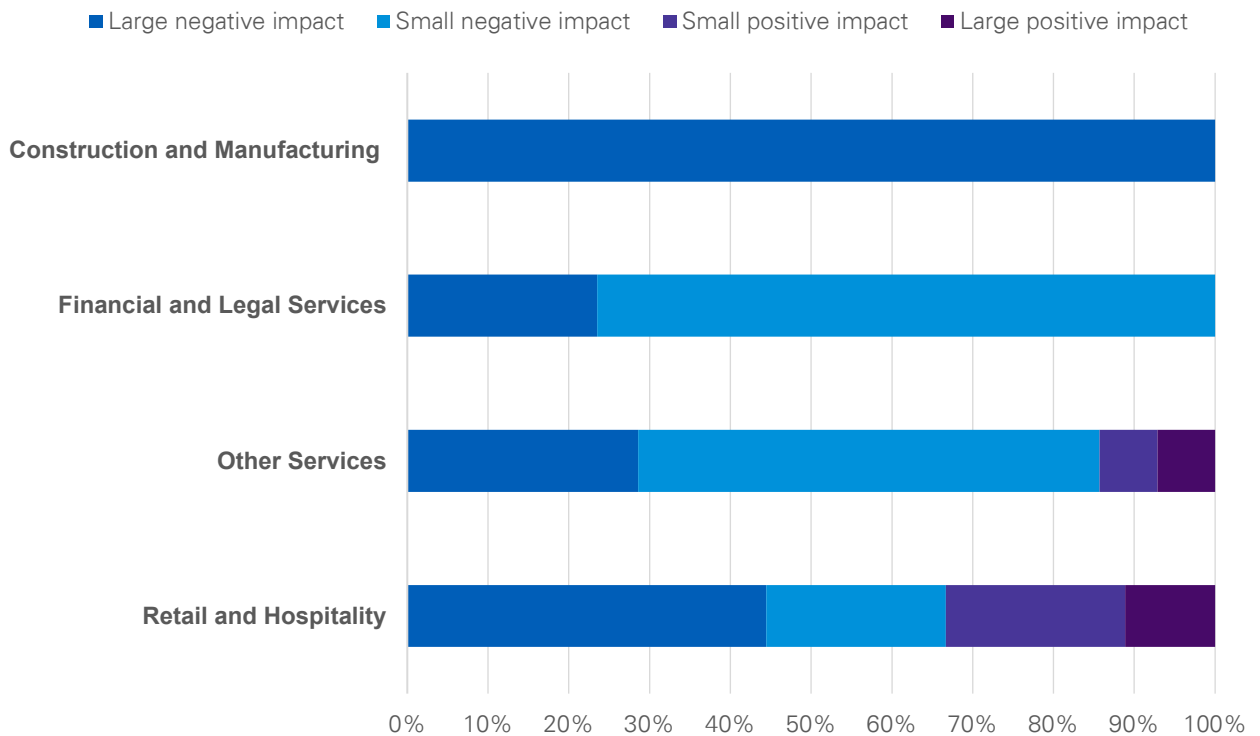


Fig 36. How would you rate the impact on your business, as a result of the border closures?

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



Full results continued

Fig 37. Would you change the current border policy?

Would you change the current border policy?

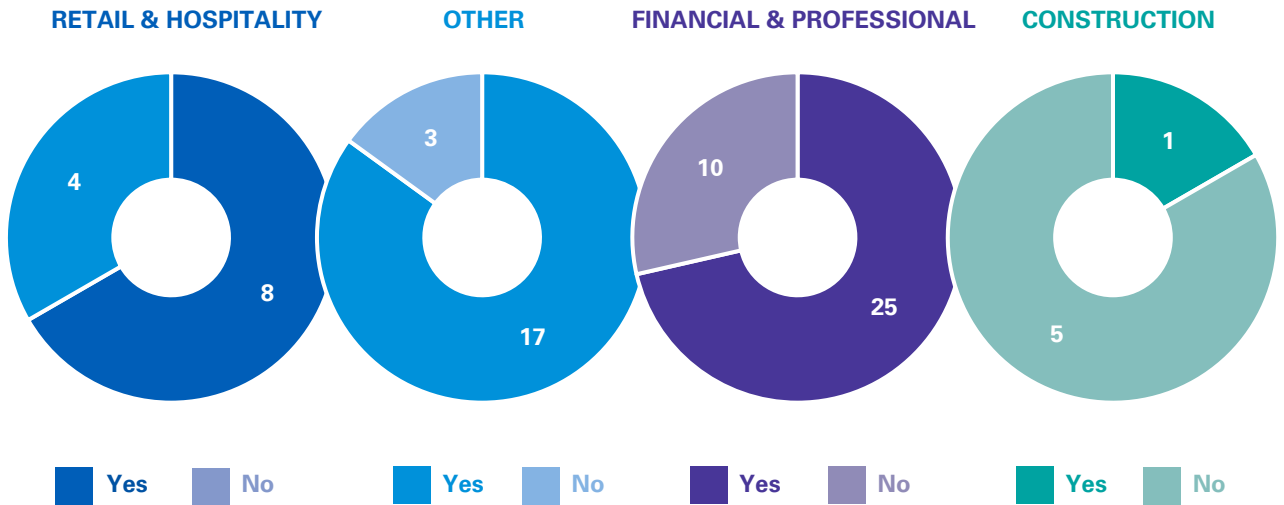
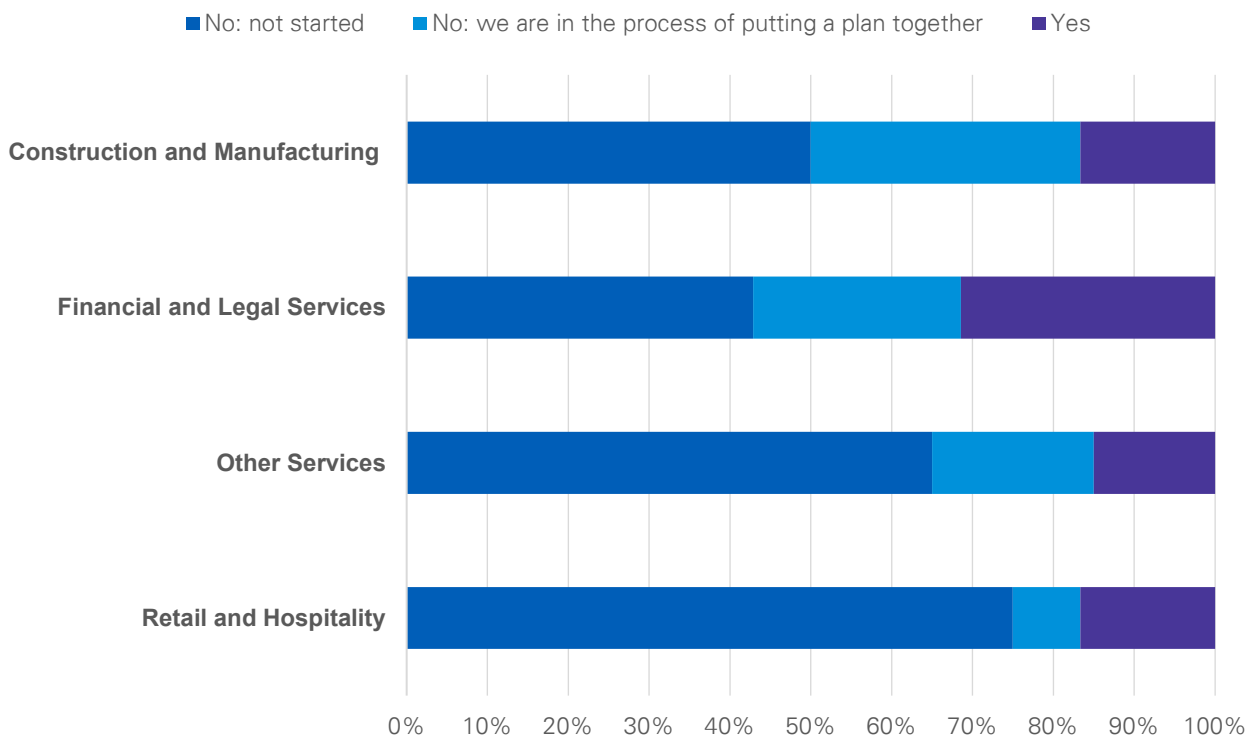


Fig 38. Do you have a defined ESG plan for your business?

Do you have a defined ESG plan for your business?



Full results continued

Fig 39. If you have a defined ESG plan, does this include bespoke initiative/projects specific to your island location?

If you have a defined ESG plan, does this include bespoke initiative/projects specific to your island location?

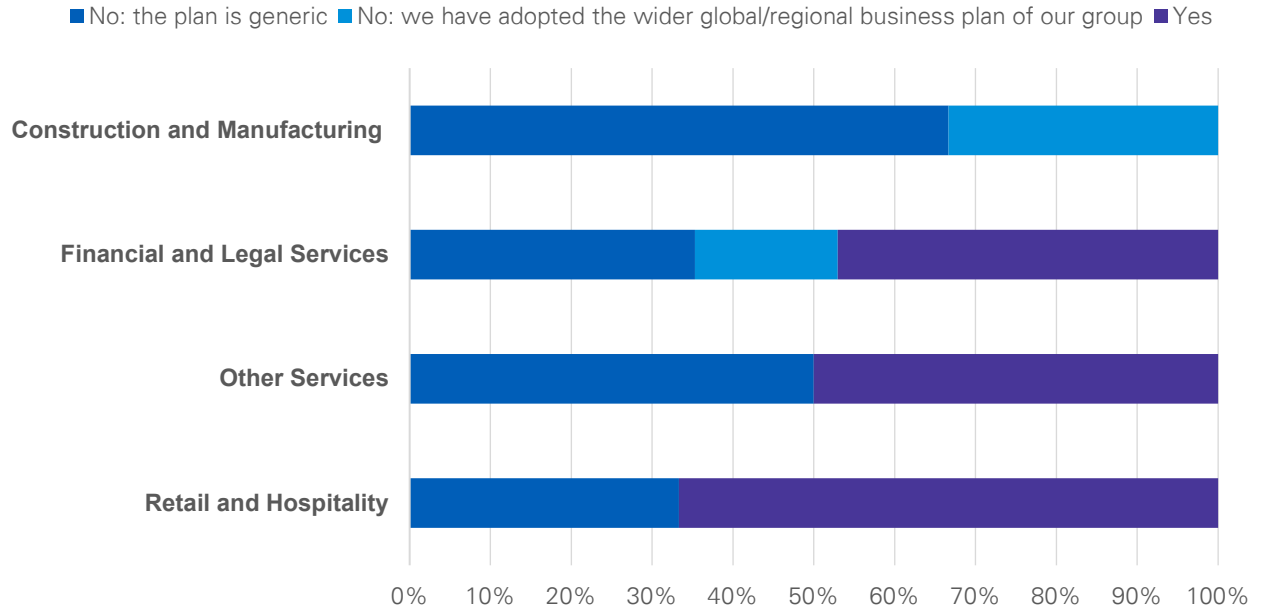
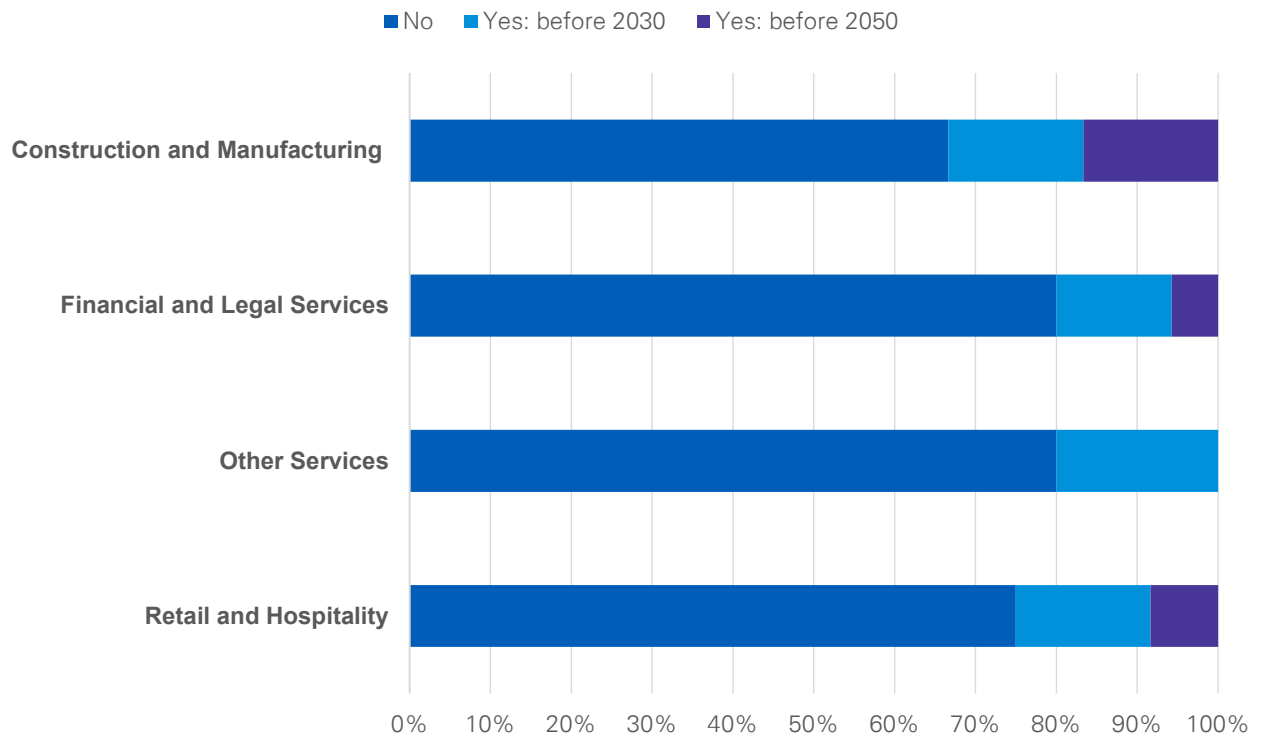


Fig 40. Has your business made a net zero greenhouse gas emissions commitment?

Has your business made a net zero greenhouse gas emissions commitment?



Full results continued

Fig 43. Are you planning to make a regular report public to provide transparency on your progress against your ESG plan?
Are you planning to make a regular report public to provide transparency on your progress against your ESG plan?

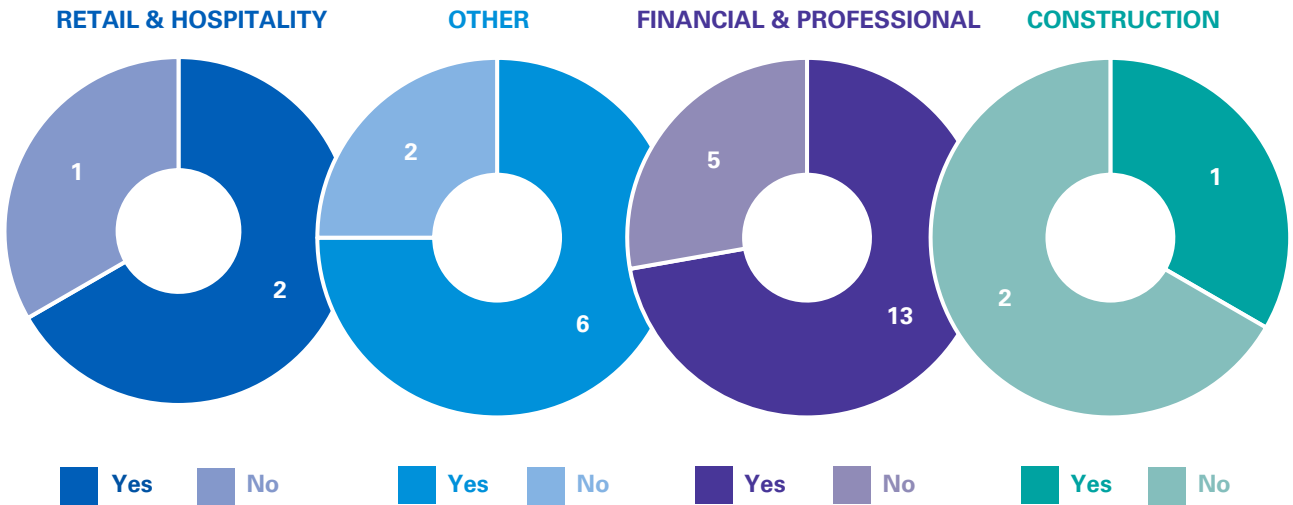
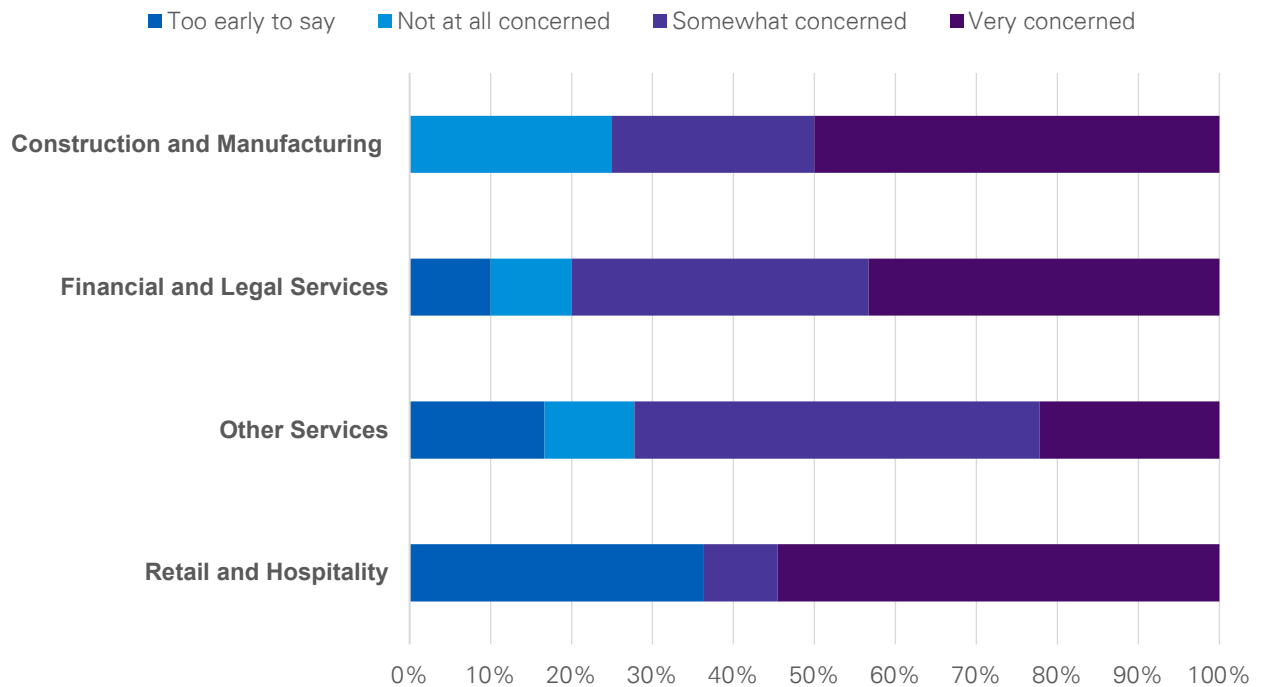


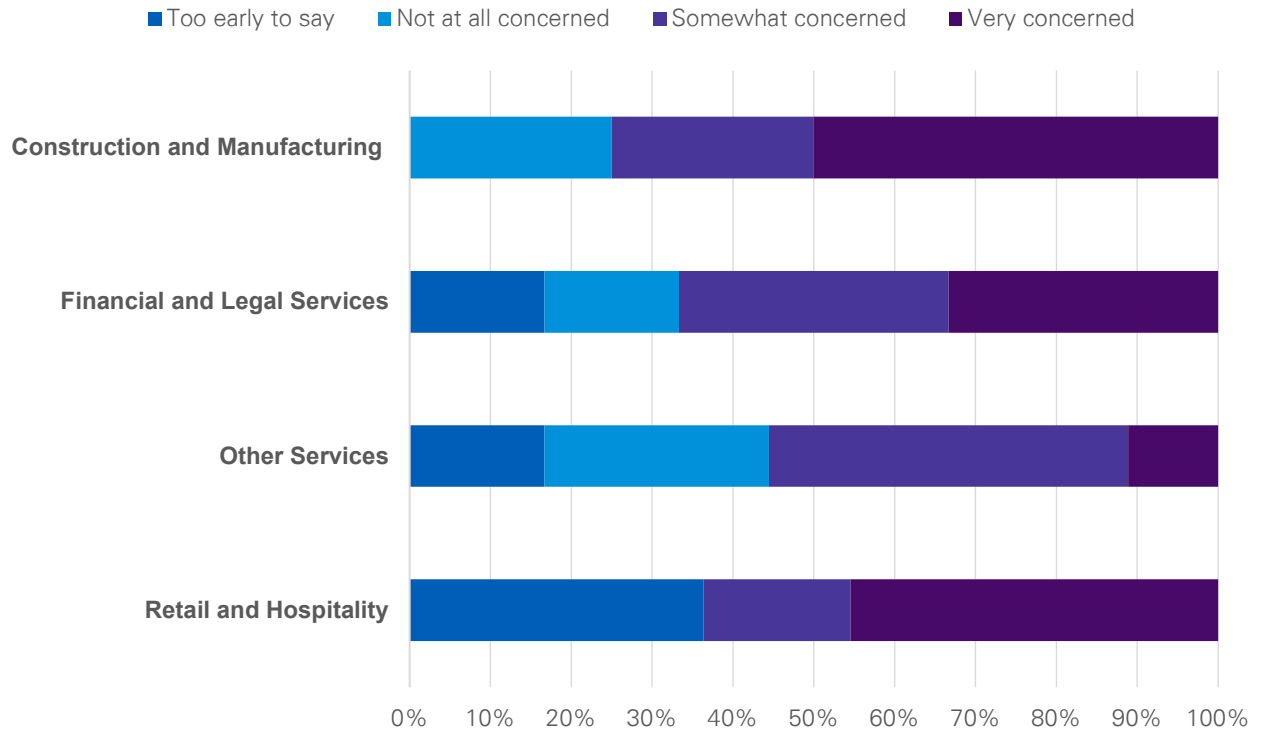
Fig 44. A recent KPMG CEO Survey ranked tax risk as the second biggest barrier to growth. There is an increasing focus from the Biden administration within the US, as well as related OECD and EU debates,...

Is Tax Risk a barrier to growth on the Isle of Man?



Full results continued

**Fig 45. In the context of the previous question, how concerned for your business are you about this debate on minimum tax rates?
Is Tax Risk a barrier to growth on the Isle of Man?**





Isle of Man

About KPMG & the IoD



About KPMG in the Crown Dependencies

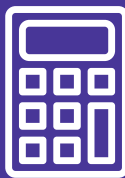
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Audit



Tax



Advisory

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.

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