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Free Zones World Economic Barometer

DESIGN, METHODOLOGY AND BENEFITS FOR THE FREE ZONES COMMUNITY

In 2018, the World Free Zones Organization (WorldFZO), in cooperation with the Kiel Institute for the World Economy, launched the Free Zones World Economic Barometer (F-WEB), a quarterly, survey-based sentiment indicator designed to gauge current momentum and future trends of economic activity in Free Zones around the globe. The F-WEB survey – consisting of short, easy-to-answer qualitative questions – is usually conducted in February, May, August and November each year. This report gives a brief overview of the design and goals of the F-WEB and outlines its benefits for the Free Zones community.

WHAT IS THE F-WEB AND WHY DO WE NEED IT?

The F-WEB is a quarterly, survey-based sentiment indicator designed to gauge current momentum and future trends of economic activity in Free Zones around the globe. It is built on regular easy-to-answer qualitative questions on current developments and expectations regarding key economic variables (turnover, output, investment, employment) and a small number of special questions to account for specific developments relevant to the Free Zones community.

For Free Zones around the globe, the F-WEB is a unique tool to evaluate their relative performance. The quarterly F-WEB notes provide detailed reports of the survey results and can help Free Zone representatives put recent developments in their Free Zone as well as their expectations into broader perspective. The F-WEB offers the opportunity to benchmark the current and expected performance of an individual Free Zone against an international peer group. It is therefore a valuable source of information to Free Zone managers and strategists providing answers to questions such as:

- “Is the current uptake/decline in investment specific to my Free Zone or is it a broad-based development in the Free Zone community?”
- “What do other Free Zone managers consider the greatest risks to economic activity in Free Zones?”
- “Is our economic outlook broadly in line with the outlook of the Free Zones community?”

In addition to providing regular short-term benchmarking opportunities for Free Zones around the globe, the F-WEB has the potential to increase the visibility of the Free Zones community and the Free Zones approach. Worldwide, business sentiment indicators are a well-established tool in economic reporting. By collecting assessments directly from experts in their field of operation, sentiment indicators give relevant insights that become quickly available for decision-makers, thus dramatically shortening the publication gap of official data as recorded in the national accounts or similar statistics. While qualitative in nature, they convey valuable information on trends and trend reversals with respect to the relevant macroeconomic picture. As Free Zones are by their very nature especially intensively connected with the outside world, data on economic trends in Free Zones provide additional timely information for the assessment of the evolution of the global economy in general and world trade in particular.

WHAT IS ASKED IN THE F-WEB SURVEY?

The quarterly F-WEB survey consists of a set of questions related to economic performance in Free Zones that is asked in every round of the F-WEB in order to establish a history of results that can be used to extract information on medium-term and long-term developments. In addition, two special questions are included in each round. They are asked irregularly as a reaction to specific developments or at a lower frequency. In total, each F-WEB survey has a maximum of 16 questions. All of them are easy to answer and qualitative in nature, i.e. it is not required to enter any data. The survey consists of the following sections:

1) General information

In the first part of the F-WEB survey general information on the Free Zone is collected in order to allow evaluation of the results with respect to specific characteristics, such as size in terms of the number of employees and the dominant sector in the Free Zone. With respect to size, four groups of Free Zones are distinguished, those with less than 100 employees, those with between 100 and 999 employees, those with between 1,000 and 9,999 employees and those with 10,000 and more employees. Concerning dominant sectors, potential answers are trade, industry, services and none if no particular sector is dominating.

2) Current economic developments

The second section of the F-WEB survey asks for an assessment of current economic conditions in the Free Zone. First, participants are asked to give a general assessment of economic activity in their Free Zone compared to the previous three months (*improved / unchanged / deteriorated*). In order to evaluate whether this economic assessment is broad-based or industry-specific, the second questions inquires whether the economic situation differs across firms (or sectors) within the Free Zone or is more or less the same for everyone. More detailed questions on the evolution of key economic dimensions (turnover, employment, investment and profitability) follow, asking for recent developments compared to the previous three months (*improving / unchanged / deteriorating*). In all of these questions respondents are asked to take account of the usual seasonal pattern. Whether and to what extent seasonality remains in the answers, will have to be assessed at a later stage when a sufficiently rich time series exists to allow for statistical seasonal adjustment. The final question of this section relates to the specific situation of Free Zones and asks whether the economic situation in the Free Zone is better, more or less the same or worse than the situation in the host country.

3) Future economic prospects

The assessment of the ongoing economic situation is followed by a set of questions designed to gauge expectations about upcoming economic developments. Participants are asked – corresponding to the assessment of the current situation – about the expected economic conditions in general and, more specifically, about the expected development of turnover, employment, investment and profitability for the upcoming three months (*improving / unchanged / deteriorating*).

4) Special questions

Finally, each F-WEB survey closes with two special questions. Some of them are asked on an annual basis, others irregularly as a reaction to specific developments. Examples for special questions in the past are:

- “In your view, over the last few months the global trade environment has improved, stayed the same or worsened?” (*improved / no change / worsened*)
- “Over the past 6 months, has your Free Zone been affected by the elevated levels of economic policy uncertainty observed globally?” (*strong negative effect / somewhat negative effect / no significant effect*)

- “How was business activity in your Free Zone in the last year affected by the rising number of Free Zones worldwide?” (*strongly negative / somewhat negative / no significant impact / somewhat positive / strongly positive*)
- “How has the slowdown in global economic activity over the past year been reflected in your Free Zone?” (*strongly / somewhat / not at all*)

The F-WEB reports provide background information on the motivation of the special questions asked, their relevance for Free Zones and presents the results of the survey.

HOW ARE THE F-WEB INDICATORS CALCULATED?

The aim of the F-WEB is, in line with the purpose of sentiment indicators in general, to condense the available information into a single number. To this end, we calculate F-WEB indicators based on the survey results for various questions. Positive answers (increasing, improving, good) get the value of 100 and negative answers (decreasing, deteriorating, poor) the value of -100, while neutral answers (unchanged, more or less the same, normal) get the value of 0. Our indicator value is then calculated as the aggregate value of received answers divided by the number of respondents to each question. The indicator value is 100 when all participants give positive answers and -100 when answers are throughout negative. An indicator value of 0 is the result when all answers are neutral or in the case that the same number of positive and negative answers is given.

HOW CAN I PARTICIPATE?

The F-WEB survey is sent out every quarter to Free Zone representatives around the world via email. If you are interested in participating but not yet on our contact list, please send an email to: FWEB.worldfzo@ifw-kiel.de. Needless to say, we will treat your contact details and survey answers confidentially. Individual details will never be disclosed or identifiable from the F-WEB survey.