

BUSINESS CONJUNCTURE

NSI BUSINESS SURVEYS^{1,2}, DECEMBER 2009

In December 2009 the **total business climate indicator**³ decreases by 2.3 percentage points in comparison with the previous month mostly due to the business climate worsening in industry and services. Such a development was also observed in December 2008 (Figure 1).

Industry. In December the composite indicator “business climate in industry” decreases by 1.3 percentage points in comparison with the previous month (Figure 2) due to the more pessimistic managers’ assessments of the present business situation in enterprises and expectations about the business situation over the next 6 months. The present production activity is assessed as decreased but there is a certain improvement of the expectations about the production over the next 3 months. The production assurance with orders is almost at its level from the previous month (Figure 3).

The uncertain economic environment pointed out by 55.5% of the enterprises and the insufficient domestic and foreign demand are the main factors limiting the activity of the enterprises (Figure 4).

In December the greater share of the entrepreneurs is expecting a preservation of the selling prices in industry over the next 3 months.

Construction. The composite indicator of business climate in construction in December is almost at its level from the previous month (Figure 5). In the managers’ opinion the construction activity and the production assurance with orders are decreasing and the expectations about the next 3 months are for a continuing drop of the activity (Figure 6). A further reduction of employment is also expected.

In December the financial problems is the main factor limiting the activity in the branch, as for the first time since November 2008 the uncertain economic environment is pushed to the second place. The negative influence of the insufficient demand is also strengthened (Figure 7).

The enterprises expecting a decrease of selling prices continue to be more than those that consider that their prices will increase over the next months which is why the balance indicator for the 13th consecutive month is negative (- 13.4%) (Figure 8).

Retail trade. In December the composite indicator “business climate in retail trade” decreases by 3.2 percentage points in comparison with the previous month (Figure 9). This is due to the worsened managers’ assessments and expectations about the business situation in enterprises. The volume of sales over the last 3 months also decreases and the sales expectations about the next 3 months are not optimistic. However the expectations about the orders placed with suppliers are improving - the balance indicator increases by 5.1 percentage points mostly due to the increase of the domestic orders placed with suppliers (Figure 10).

The uncertain economic environment, the insufficient demand and the competition in the branch are the main factors which the enterprises are pointing out as limiting their activity (Figure 11).

With regard to the selling prices in retail trade the inquiry does not register any expectations about an increase of the price level (Figure 12).

Service sector⁴. After the registered increase in November 2009, in December the composite indicator of business climate in service sector drops by 5.5 percentage points, which is due to the more pessimistic managers’ assessments about the present business

situation in enterprises and to the more moderate expectations about the next 6 months (Figures 13, 14). Over the last 3 months the demand for services and the personnel in the sector decreased but further reduction in the next 3 months is not expected (Figure 15).

The major factors limiting the activity of the enterprises in the service sector are the uncertain economic environment and the competition in the branch (Figure 16).

With regard to the prices in the sector, the prevailing expectations are for the preservation of their level over the next 3 months. The number of enterprises expecting a drop of prices is decreasing in comparison with November but their share continues to be significant (16.0%).

Figure 1. Business climate - total

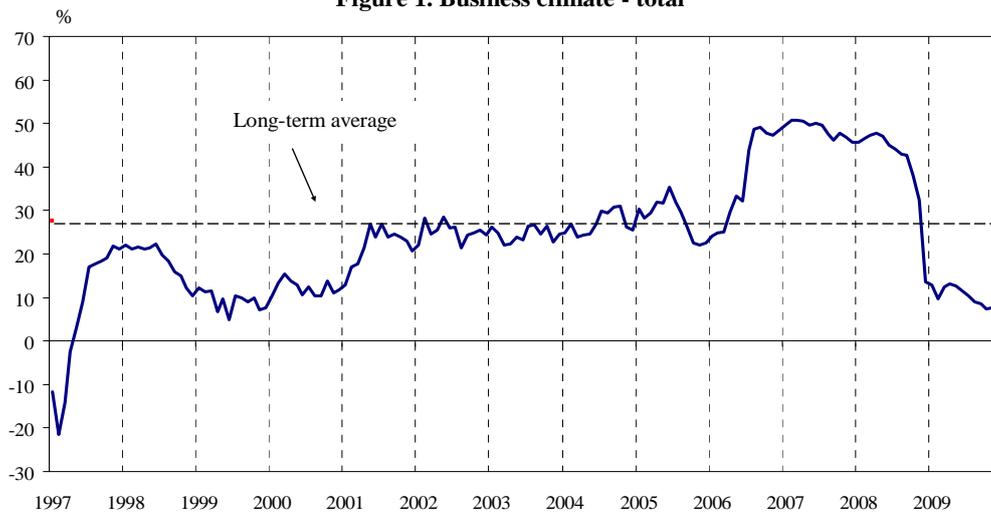


Figure 2. Business climate in industry

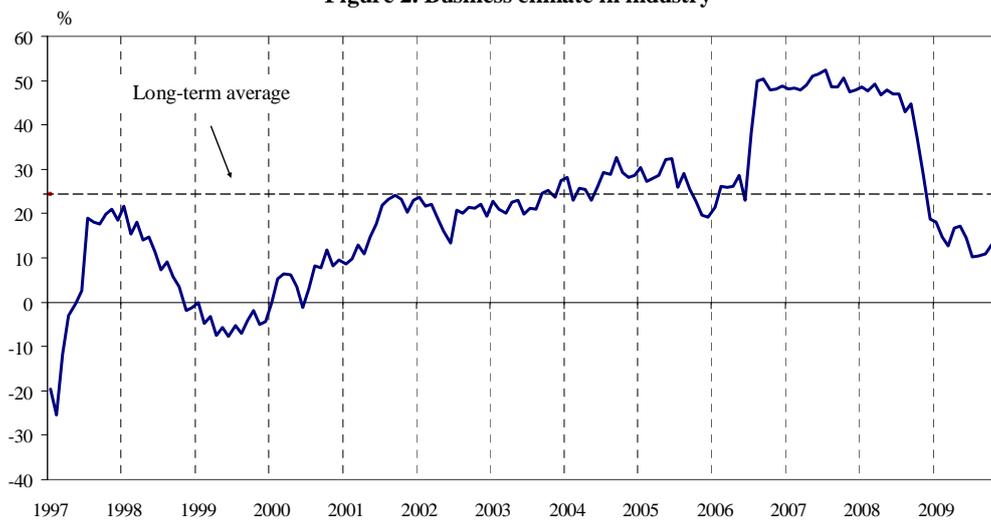
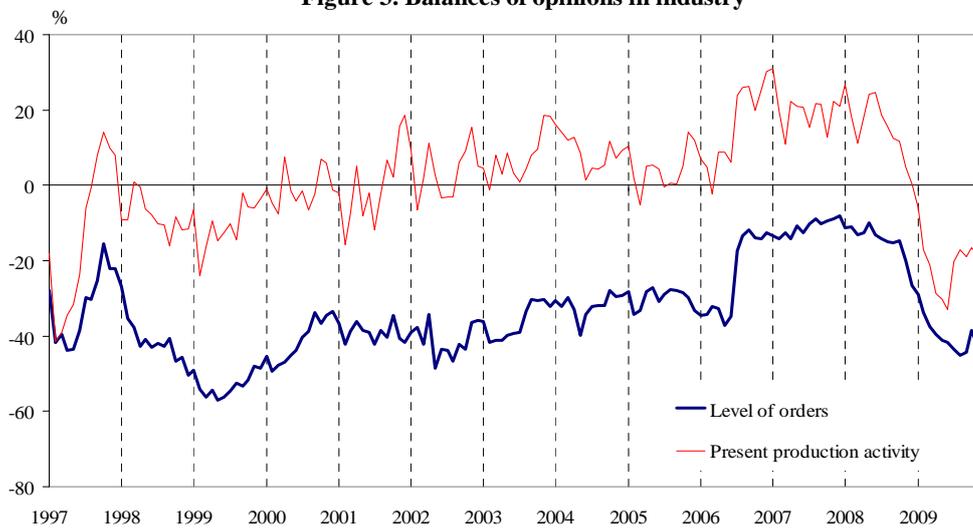


Figure 3. Balances of opinions in industry



**Figure 4. Limits to production in industry
(Relative share of enterprises - %)**

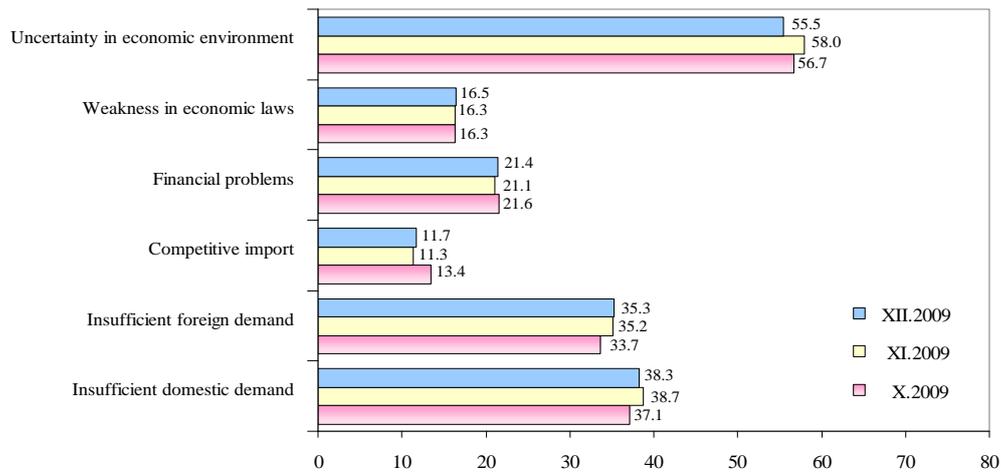


Figure 5. Business climate in construction

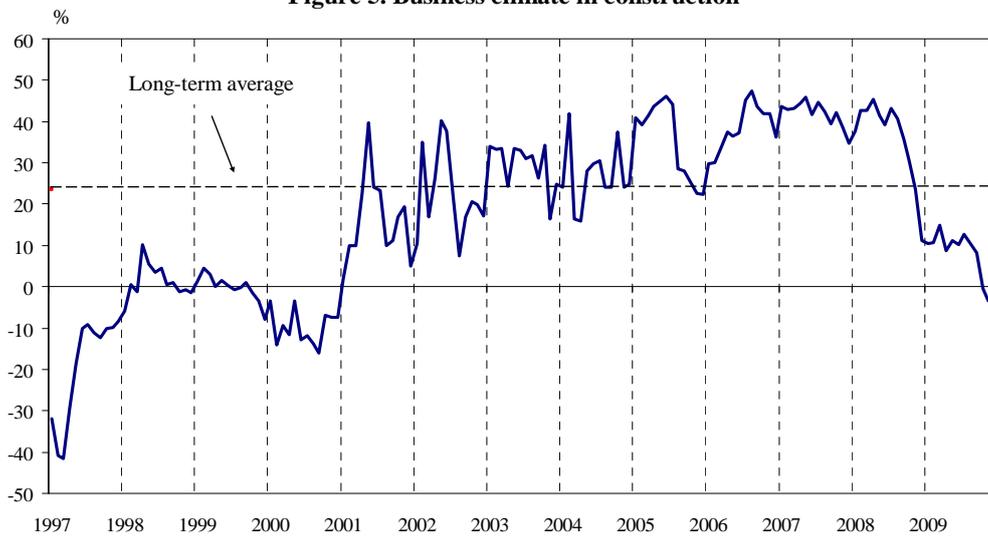
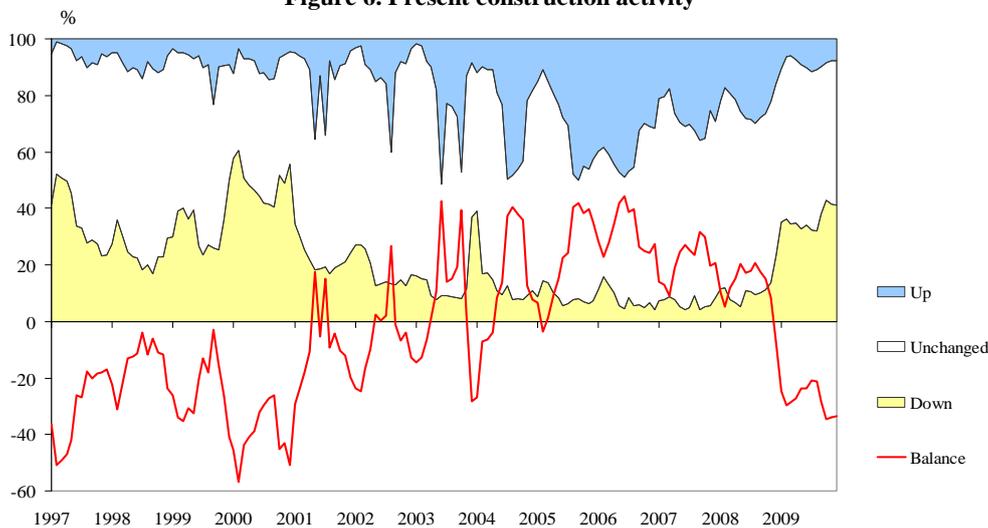
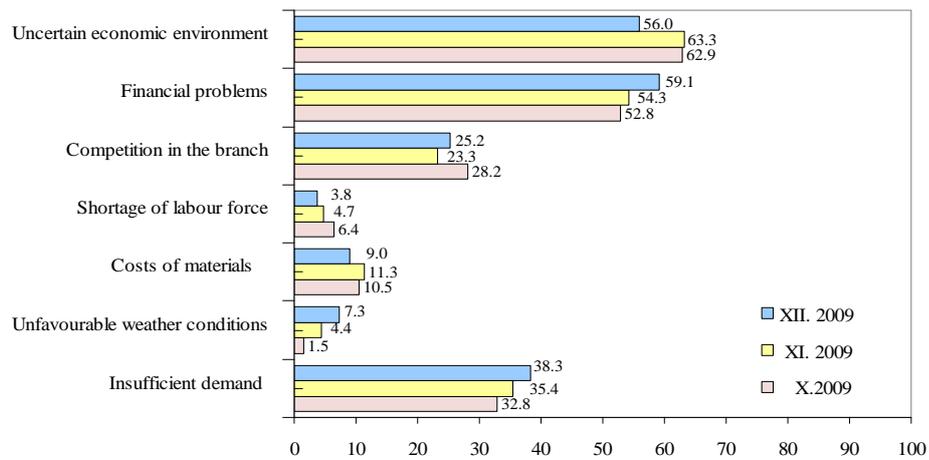


Figure 6. Present construction activity



**Figure 7. Limits to construction activity
(Relative share of enterprises - %)**



**Figure 8. Selling price expectations in construction
over the next 3 months**

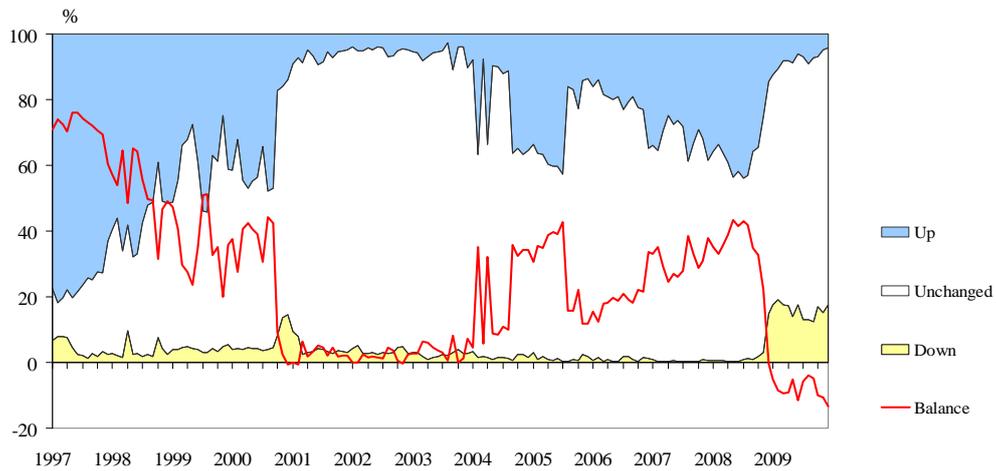


Figure 9. Business climate in retail trade

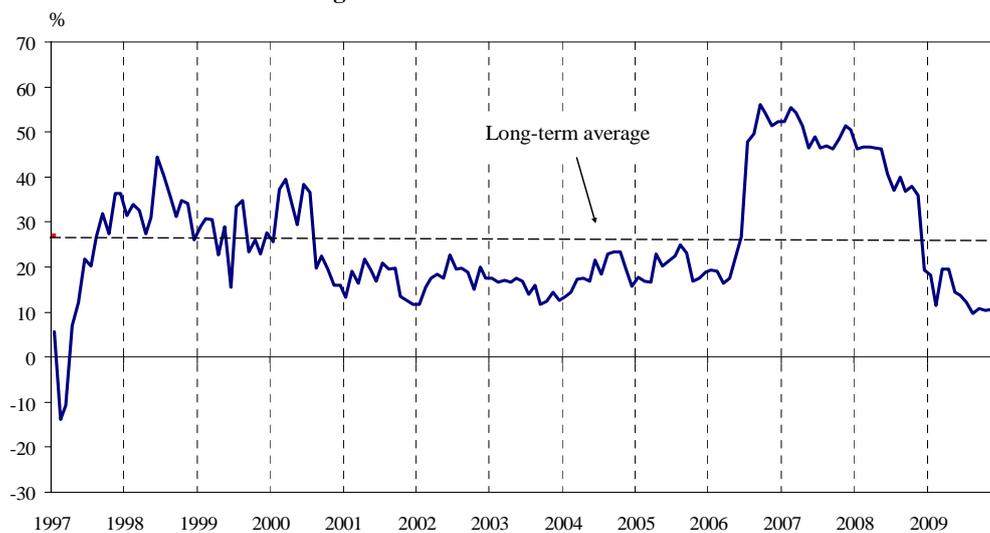


Figure 10. Orders placed with suppliers in retail trade over the next 3 months

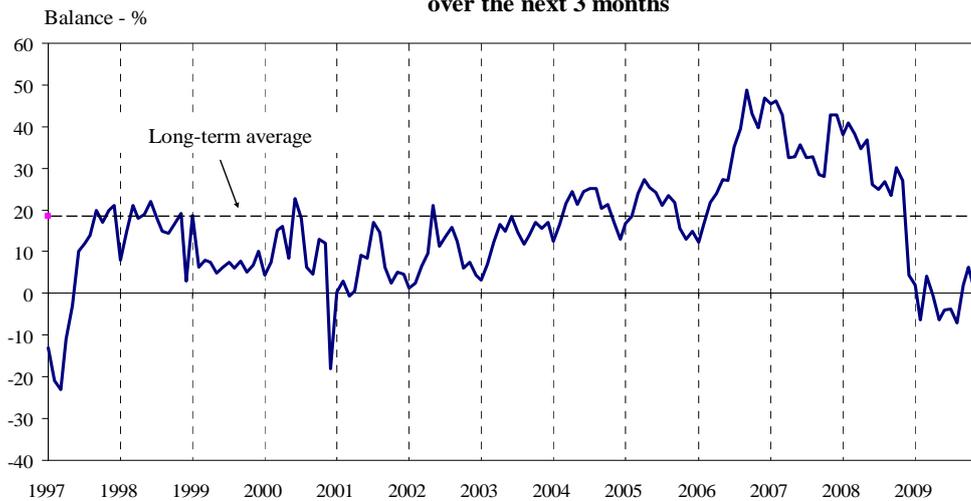


Figure 11. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises - %)

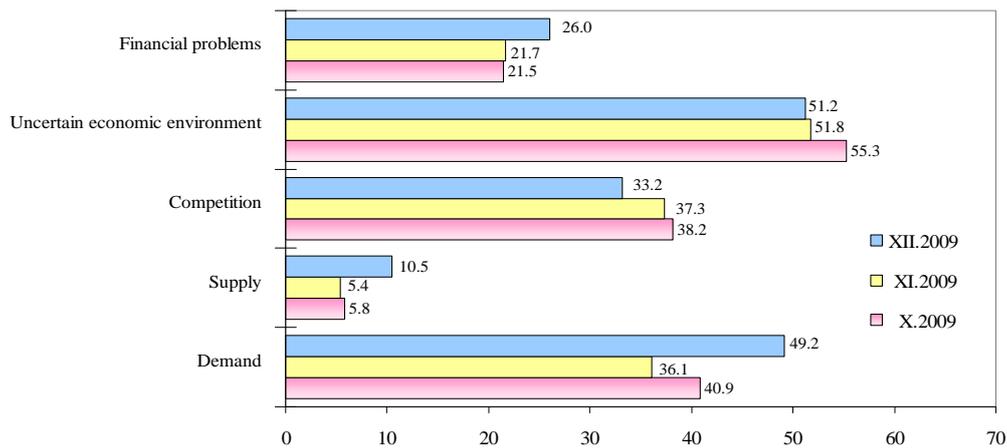


Figure 12. Selling price expectations in retail trade over the next 3 months

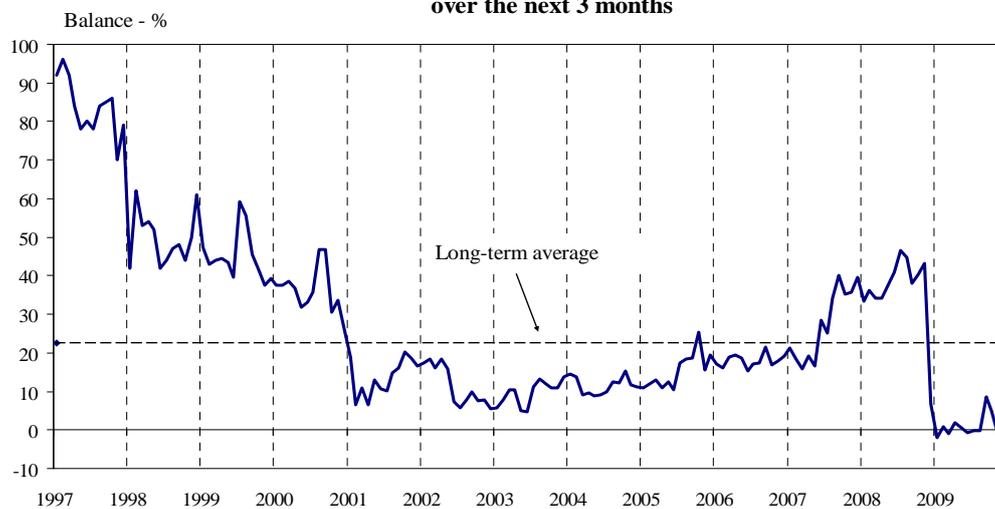


Figure 13. Business climate in service sector

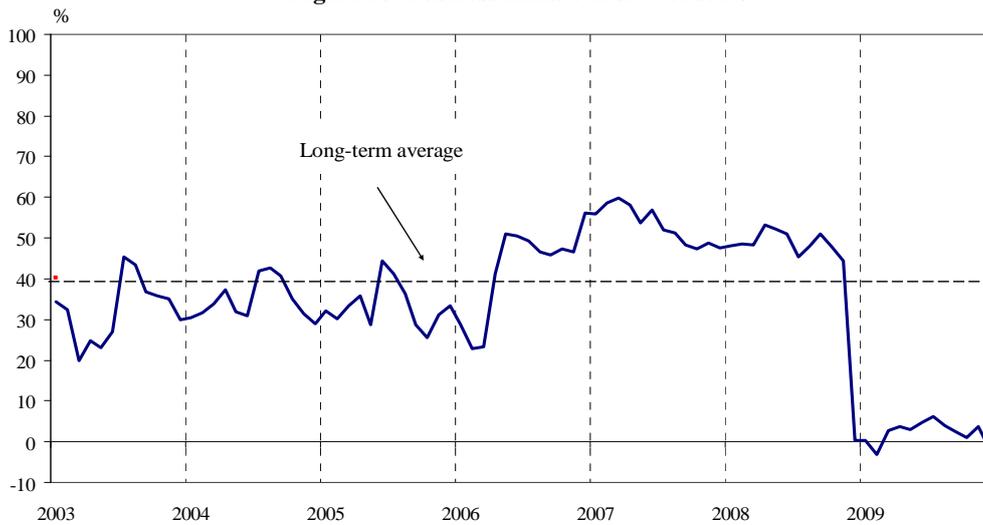


Figure 14. Present business situation in service sector

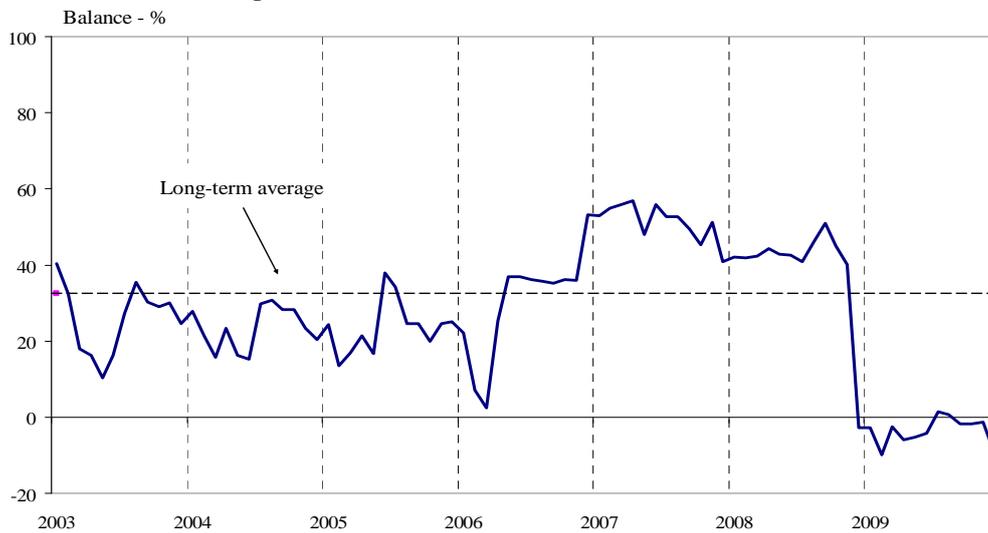
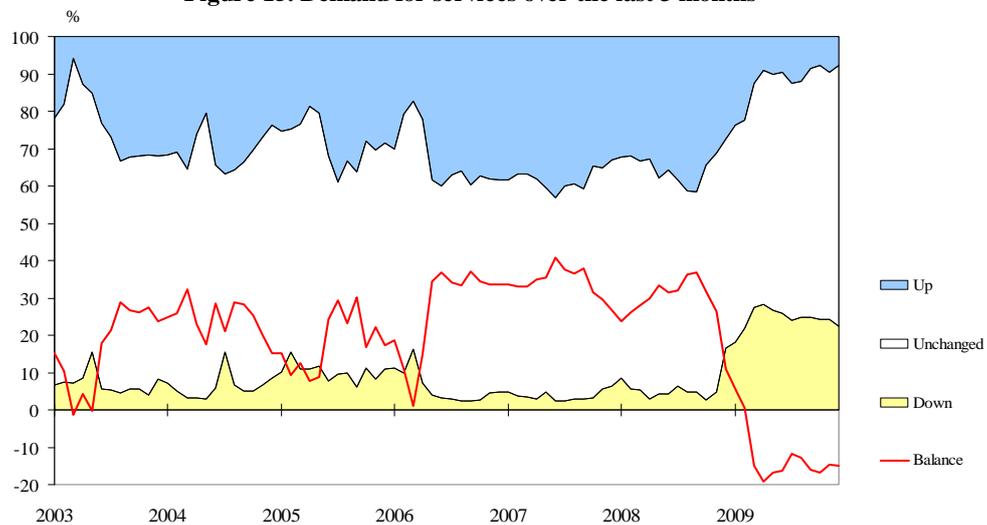
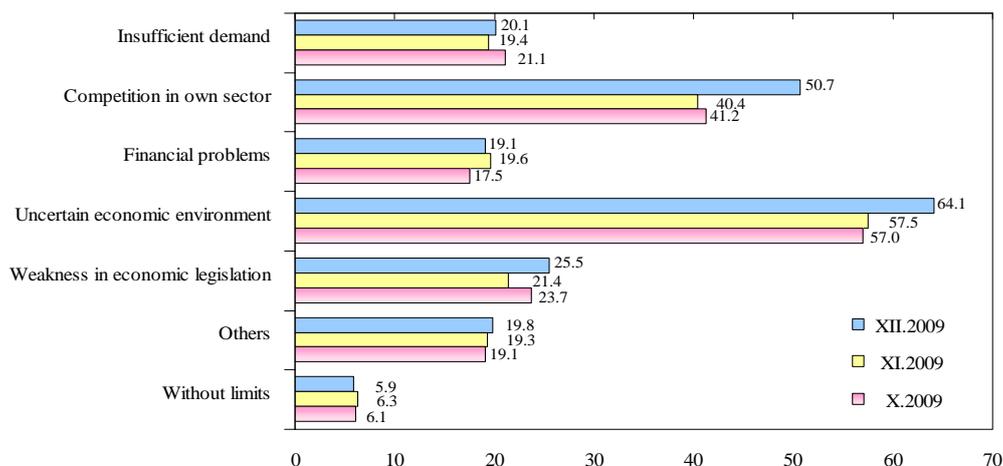


Figure 15. Demand for services over the last 3 months



**Figure 16. Factors limiting the activity in service sector
(Relative share of enterprises - %)**



¹ Since May 2002 all business surveys are co-financed by the NSI and the European Commission according to the agreement signed between these two institutions. NSI has undertaken to conduct the surveys according to the Harmonized EU Programme. Any notice or publication of NSI reflects the author's view and the Commission is not liable for any use that may be made of the information contained therein.

² The replies of questions from the inquiries are presented in a three-fold ordinal scale of the following type: "up", "unchanged", "down" or "above normal", "normal", "below normal". The balances of assessments are calculated as a difference of the relative shares of extreme variants of answers. **The Business climate indicator** is a geometric mean of balances of assessments of the present business situation and the expected business situation of enterprises in the next 6 months.

³ The total Business Climate Indicator is a weighted average of four branch business climate indicators: in industry, construction, retail trade and service sector, as the last indicator of the business climate in service sector is included in the total time series since May 2002.

⁴ Excl. trade.