

BUSINESS CONJUNCTURE

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

After the serious drop of **the total business climate indicator**³ since October 2008 and reaching its lowest level in February 2009 of 9.7%, over the last three months (including May) the indicator seems to be moving away from the lowest point, fluctuating around 12.5 - 12.6% (Figure 1).

Industry. In May 2009 the composite indicator of business climate in industry changed insignificantly as compared to the previous month - by plus 0.4 percentage points (Figure 2). According to the managers' opinions, the present business situation in enterprises in the branch has improved, but at the same time the expectations about the next 6 months are more unfavorable than in April. The production activity and the orders for domestic market and for export continued decreasing (Figure 3). The expectations for the production activity over the next three months varied, but were not as pessimistic as they were in December 2008 when the balance of the opinions recorded the lowest value (Figure 4).

The uncertain economic environment and the insufficient demand continued to be the main factors limiting the activity in the branch (Figure 5).

With regard to the selling prices in industry, there are no inflation expectations about the next three months.

Construction. In the last month the business conjuncture in construction remained unchanged. Despite the fact that the composite indicator of business climate in construction increased by 2.4 percentage points in comparison with April, reaching 11.2% because of slightly increased optimism in the managers' expectations about business situation in enterprises during the next 6 months, its level represents the average value for the last 5 months (Figure 6). The present construction activity was assessed as decreased and the production assurance with orders – as insufficient (Figure 7). In one fourth of the branch was expected a decrease of the labour force while only 5.4% of contractors planned to increase the personnel. At the same time the last enquiry registered a decrease in the number of clients with delay in payments and more favourable expectations about construction activity during the next 3 months (Figure 8).

The greatest weight among the reasons limiting the activity in the branch continued to have the uncertain economic environment and the financial security (Figure 9).

With regard to the selling prices in construction, there are still expectations about a reduction in their level over the next 3 months.

Retail trade. The business inquiries of NSI registered fluctuations in the composite indicator of business climate in retail trade as well. In May it decreased again (by 5.2 percentage points) after a two-month stabilization of around 19.5% (Figure 10). The decrease is due to the more moderate managers' assessments about the present business situation in the enterprises and to the lower optimism in expectations about the next 6 months. The managers consider that the volume of sales over the last 3 months decreased and that it would continue to decrease during the next 3 months (Figure 11). The expectations about the volume of orders placed with suppliers are also more unfavorable than in April (Figure 12).

In May the factors “uncertain economic environment” and “financial problems” increased their negative influence and the insufficient demand and the competition in the branch continued to be among the major reasons limiting the activity of the retail enterprises (Figure 13).

The expectations about the selling prices in retail trade about the next 3 months are for the preservation of their present level (Figure 14).

Service sector⁴. In May in the service sector was registered a slight decrease in the value of the composite indicator of business climate (by 0.6 percentage points), which was due to the more moderate expectations about the business situation of enterprises during the next six months in comparison with April (Figure 15). For the last three months was accounted a decreased service demand, but the prognoses for the next three months were that it would increase (Figure 16). According to the entrepreneur opinions in the branch there was a reduction of the employed persons in the last three months, while the prevailing expectations about the next three months were for the preservation of the current personnel, but nevertheless in 16.2% of the branch was still expected a decrease.

The main reasons limiting the activity of enterprises continued to be the uncertain economic environment, the competition in the branch and the weaknesses in economic legislation, as in May the negative influence of the last two factors and also of the financial problems was stronger than in April (Figure 17).

With regard to the selling prices, the share of managers who expected a decrease of the price level (22.8%) was twice as much as the share of those who expected an increase over the next three months (11.2%) (Figure 18).

Figure 1. Business climate - total

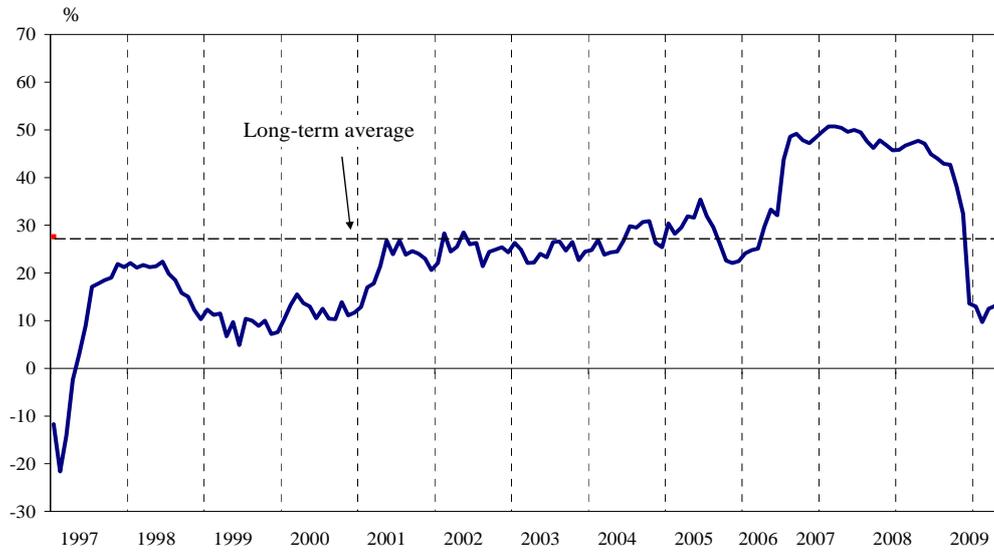


Figure 2. Business climate in industry

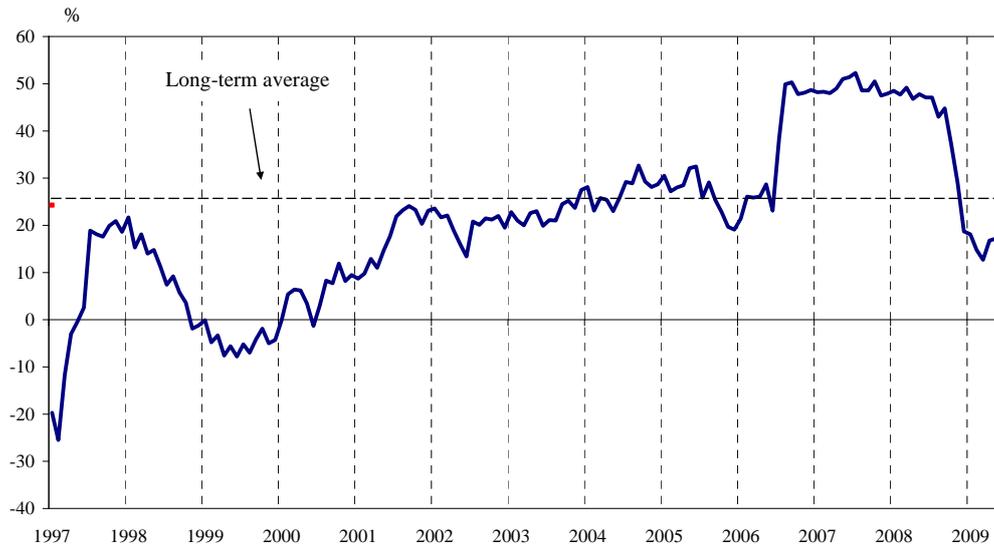


Figure 3. Balances of opinions in industry

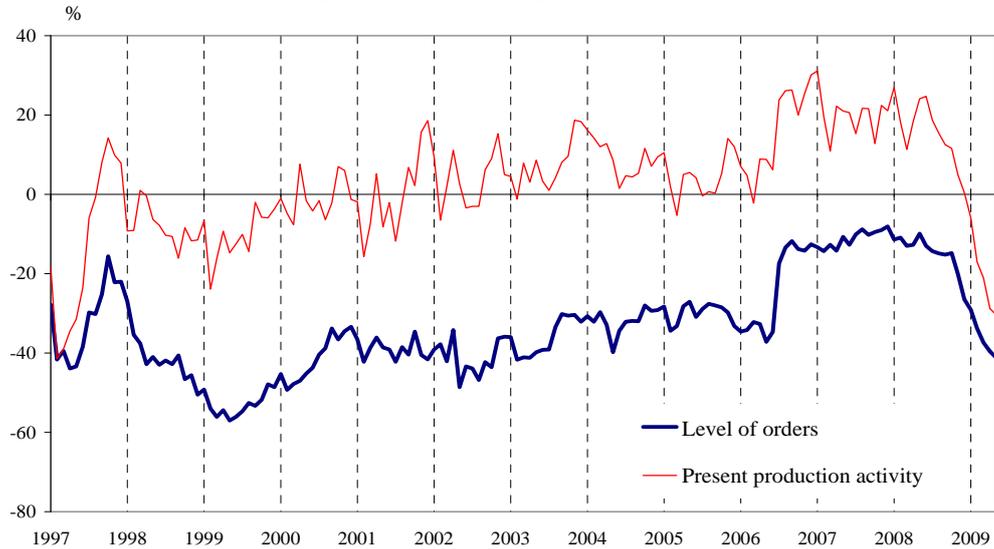


Figure 4. Expected production activity in industry over the next 3 months

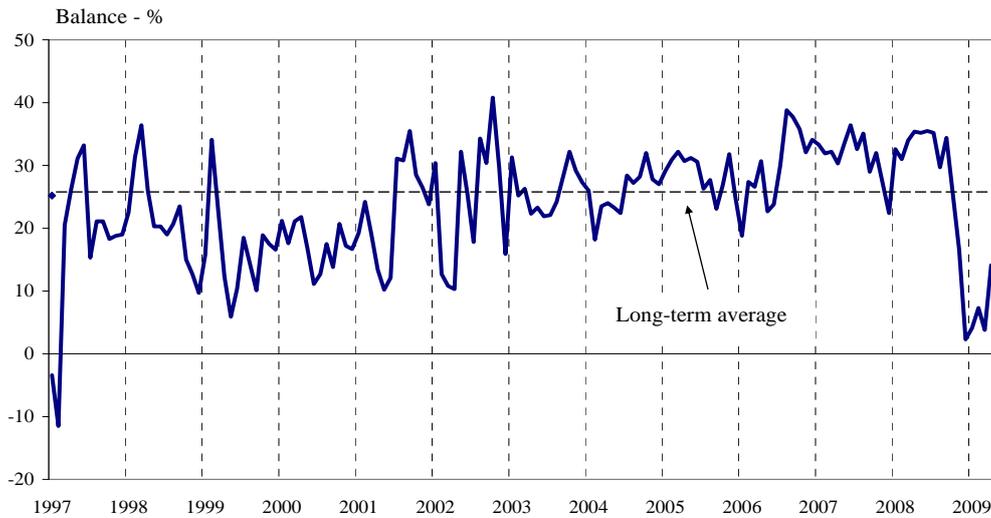


Figure 5. Limits to production in industry (Relative share of enterprises - %)

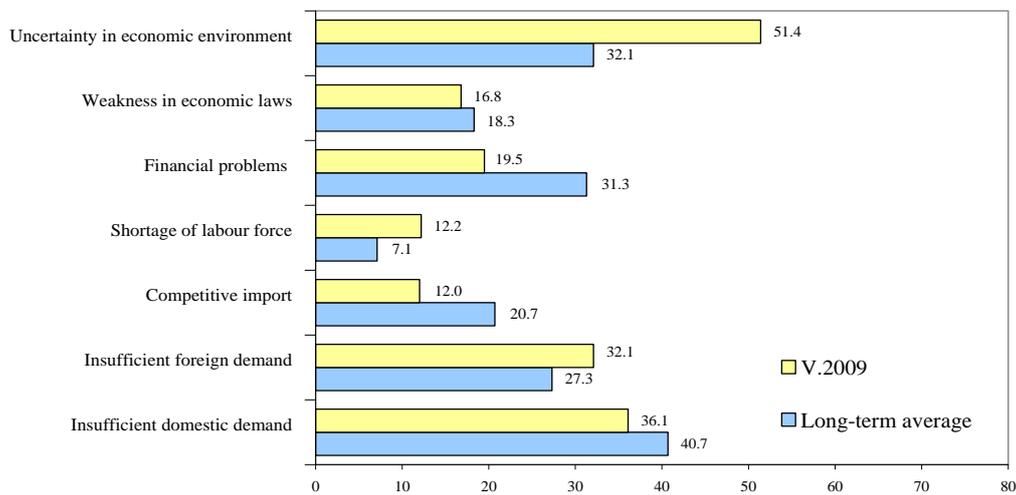


Figure 6. Business climate in construction



Figure 7. Present construction activity

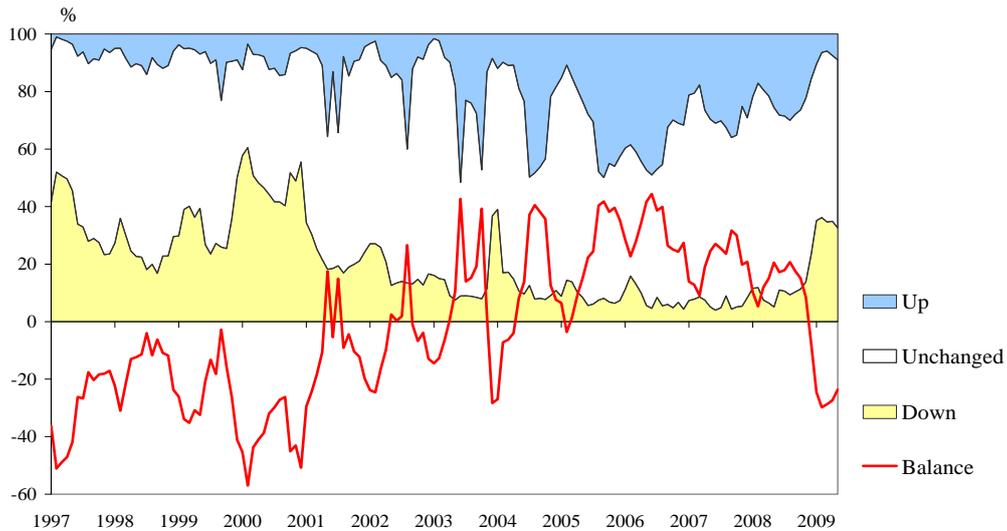
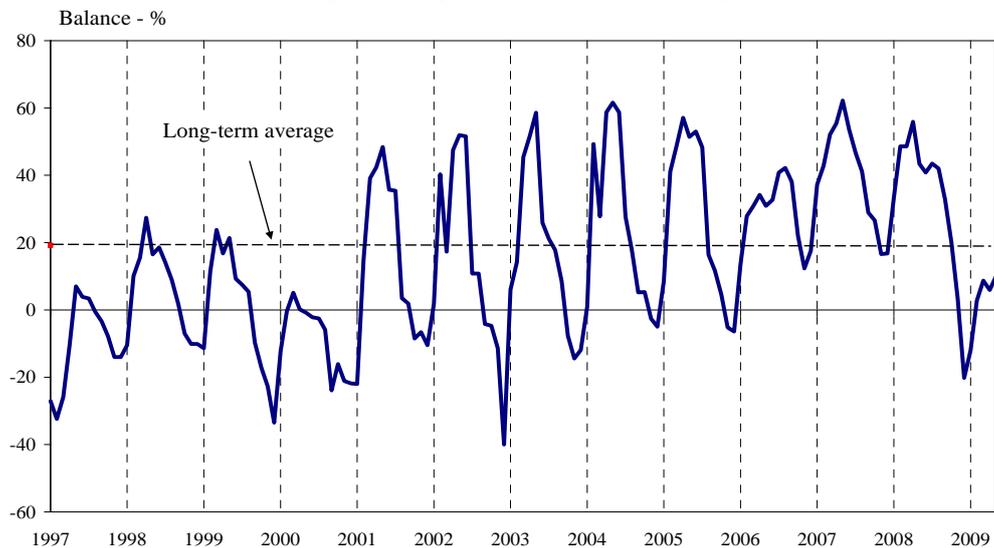


Figure 8. Expected construction activity



**Figure 9. Limits to construction activity
(Relative share of enterprises - %)**

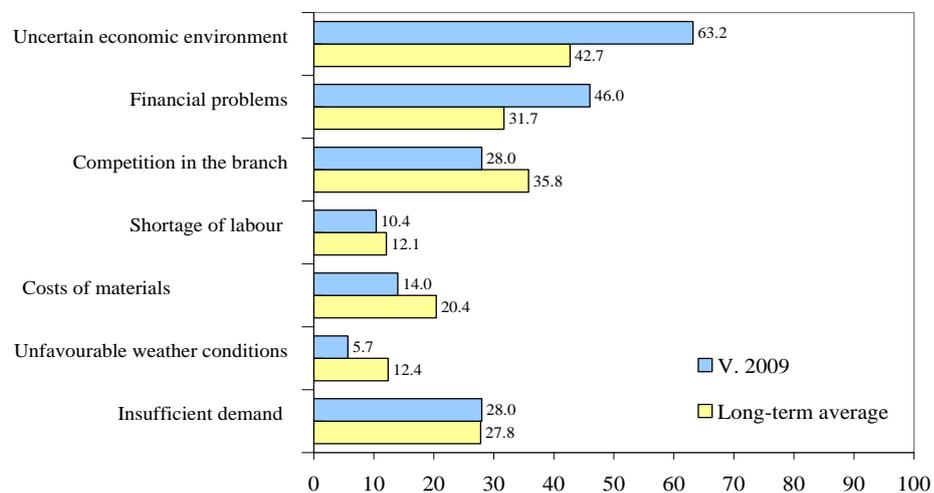


Figure 10. Business climate in retail trade

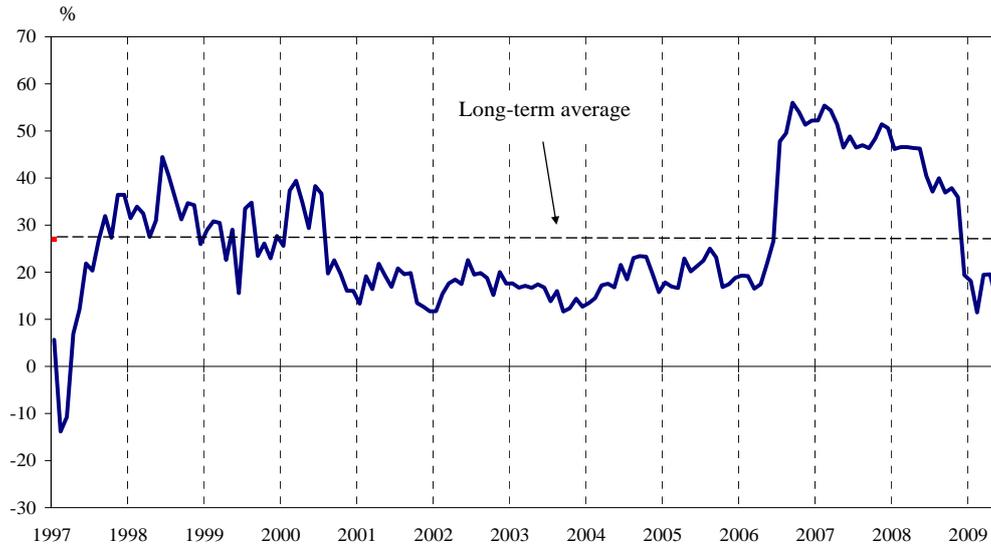


Figure 11. Sales expectations in retail trade over the next 3 months

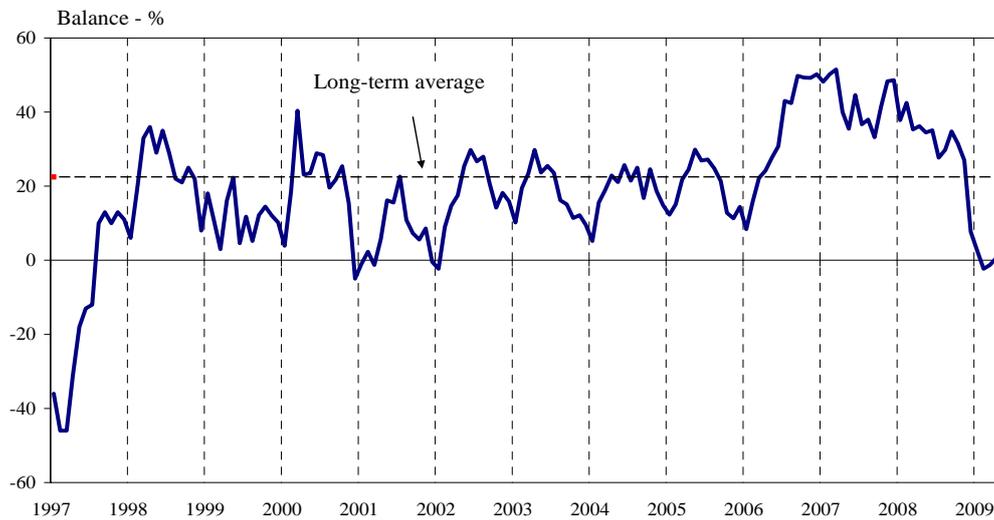


Figure 12. Orders placed with suppliers in retail trade over the next 3 months

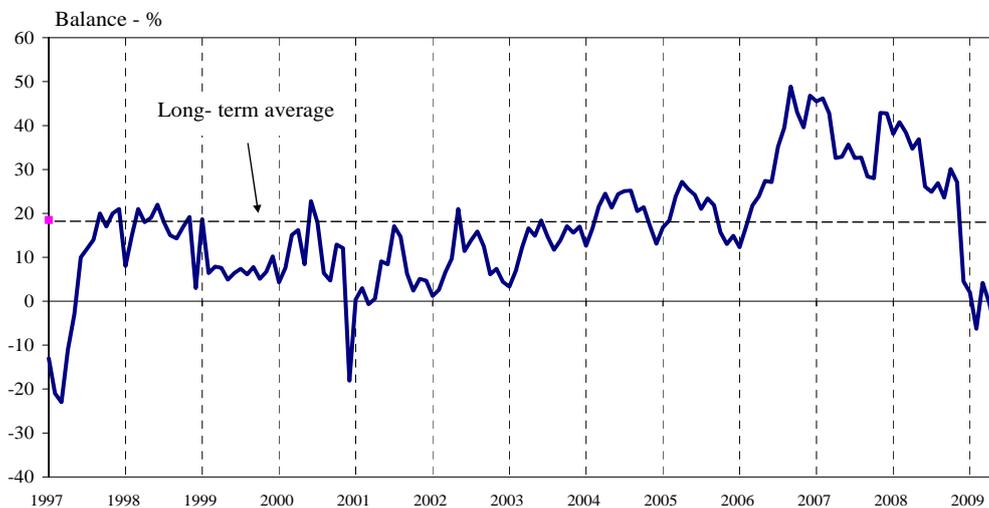


Figure 13. Factors limiting the improvement of the business situation in retail trade - % of enterprises

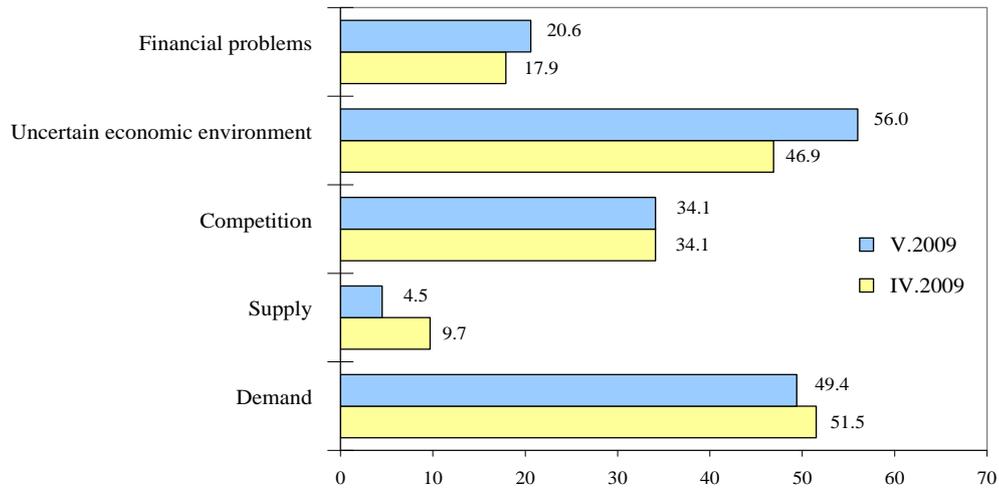


Figure 14. Selling price expectations in retail trade over the next 3 months

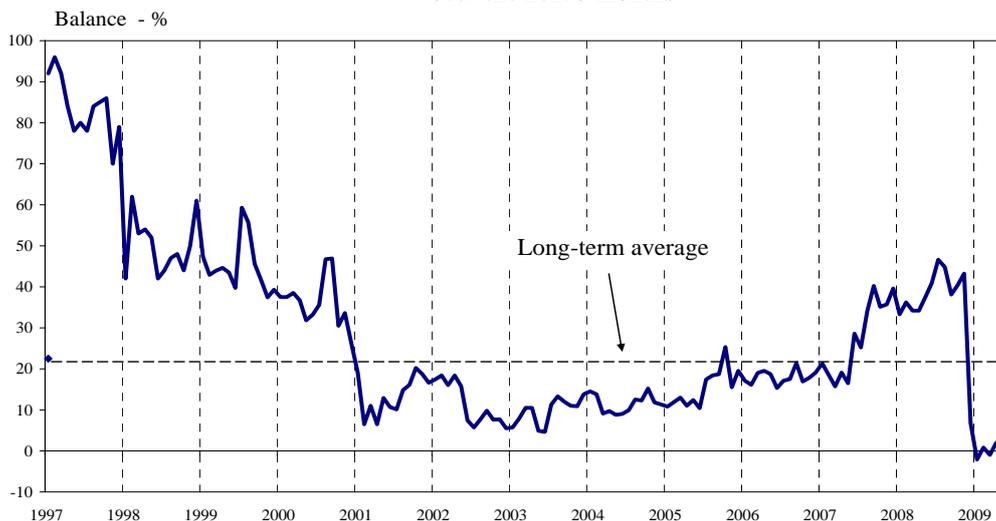


Figure 15. Business climate in service sector

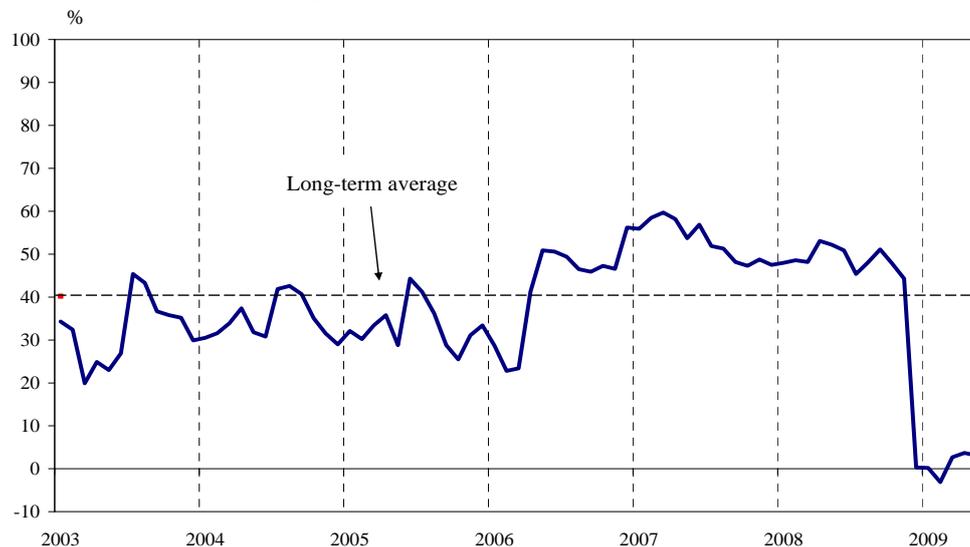


Figure 16. Expectations about the demand for services over the next 3 months

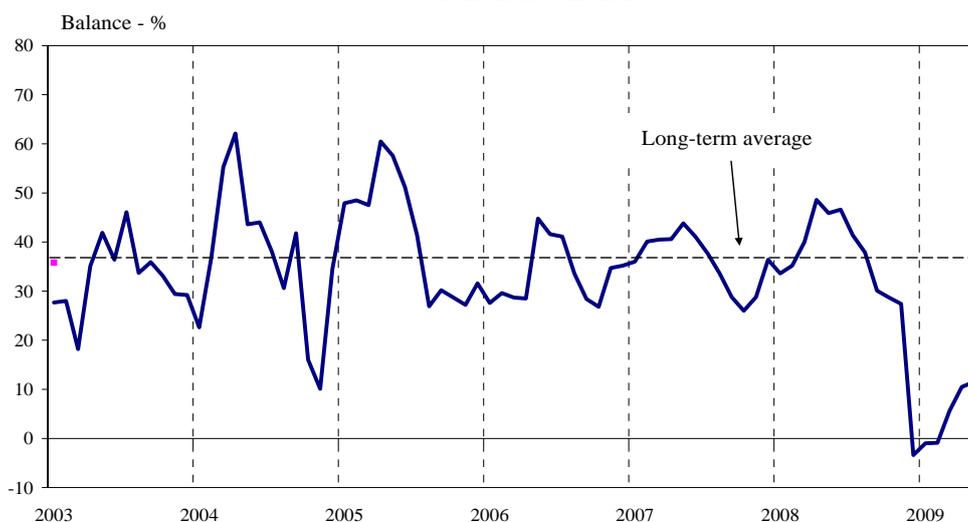


Figure 17. Factors limiting the activity in service sector (Relative share of enterprises - %)

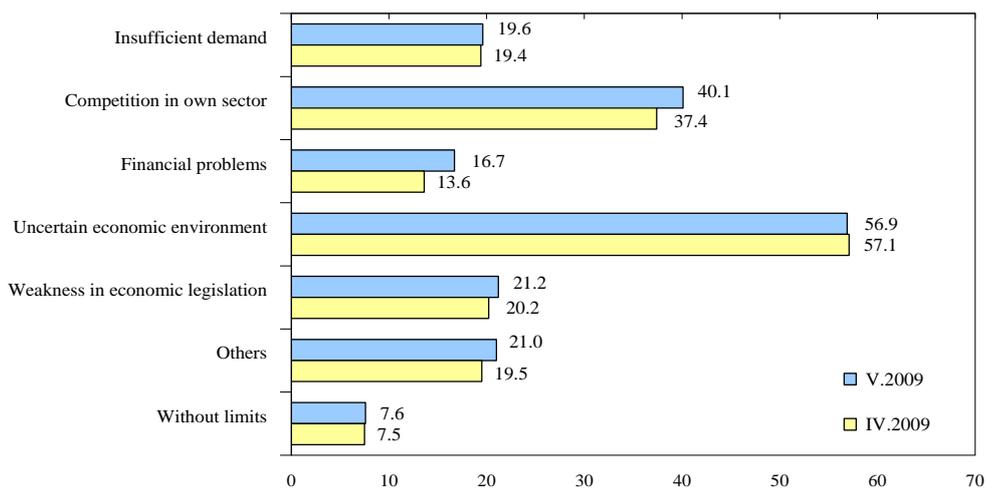
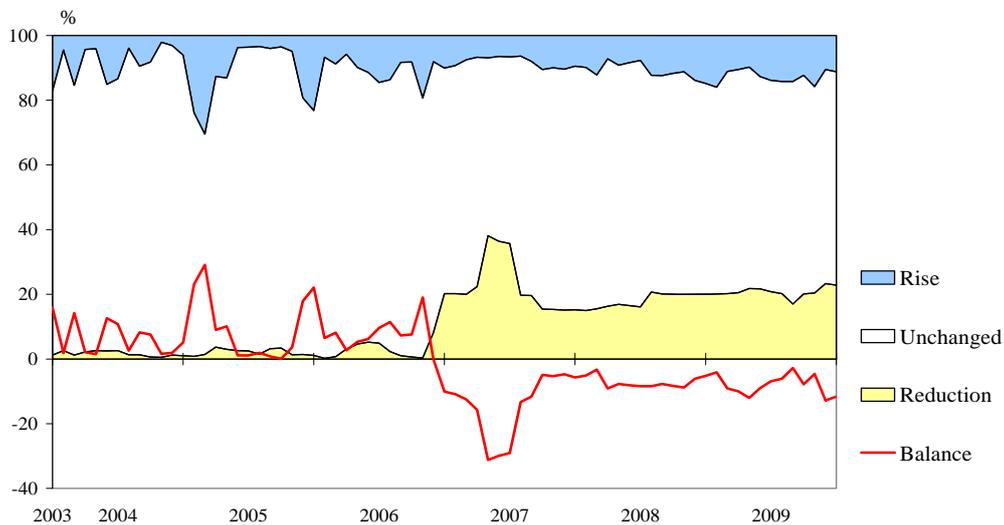


Figure 18. Price expectations in service sector over the next 3 months



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 weighed 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.