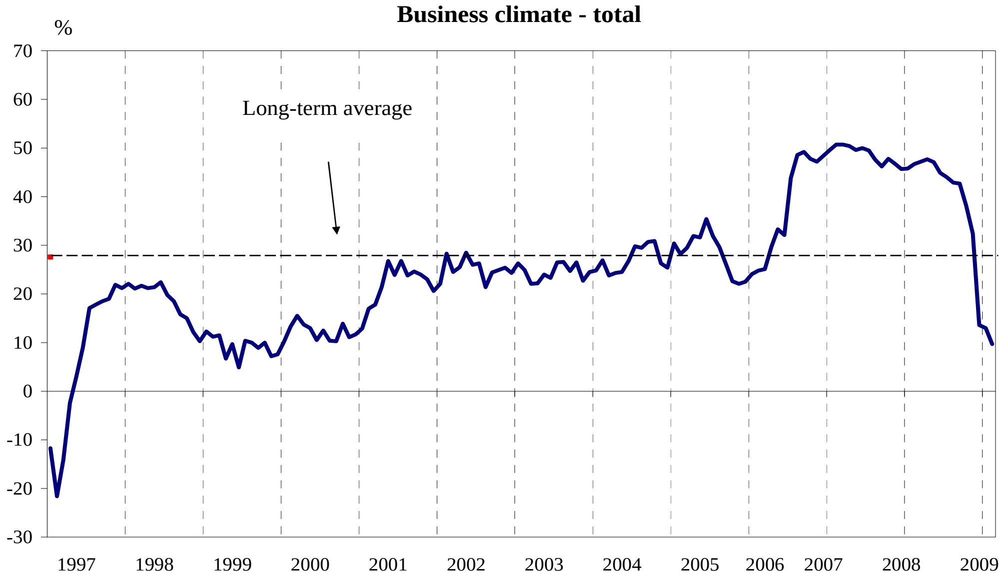
BUSINESS CONJUNCTURE

NSI BUSINESS SURVEYS [1,2], FEBRUARY 2009

After a certain detention of the level of the **total business climate indicator**[3], in January 2009, in February the NSI business inquiries recorded again a drop by 3.3 percentage points. With an exception of construction, where the indicator retained the previous month level, by the rest of sectors – industry, retail trade and services a deterioration was registered.



Industry. According to the present survey, the business conjuncture in industry remained unfavorable – the composite indicator of business climate in industry decreased by 3.3 percentage points in comparison with January (Annex 1). The manager's assessments about the present business situation of enterprises and their expectations on the business situation over the next 6 months were lowered by 4.6 and 2.2 percentage points, respectively.

The balance indicator of the present production activity in industry decreased by 11.1 percentage points compared to the previous month, and the level of orders - by 4.7 percentage points, as the drop of export orders was bigger. About 2/3 (66.5%) of managers of industry enterprises foresaw preservation of the production activity over the next 3 months and their relative share was increased by 3.8 percentage points in comparison with January at the account of a decrease of the pessimistic expectations, connected with the production decline.

The negative impact of the uncertain economic environment and the insufficient foreign demand over the sector's activity strengthened. Higher as compared to January was the share of the enterprises, stated that they had financial problems.

By the February business inquires data, no increase of the selling prices in the industry over the following months could be expected.

Construction. In the last month the composite indicator of business climate in construction kept its level from the previous month (10.6%). The construction entrepreneurs' assessments about the present business situation continued to decrease and accounted a drop by 7.9 percentage points toward the previous month. However as regards the expectations the inquiry registered certain return of the optimism. The balance indicator of the business situation in enterprises over the next 6 months improved by 7.1 percentage points. In February the fall of the production activity continued, but the prognoses for the next three months were for certain recovery of the activity (an increase of the balance indicator by 14.8 percentage points). The enterprises, which foresaw a dismissing of labour decreased, but their relative share remained still high – 30.1%. About 8% expected an increase of the personnel.

In February the problems, which the enterprises had in connection with the uncertain economic environment, the financial assurance and the insufficient demand in the branch deepened. The unfavourable weather conditions and the shortage of labour were impediments for fewer enterprises in comparison with January.

In the last 3 months the business inquiry registered expectations about a decrease of the selling prices in the branch. In February the share of these enterprises, which considered that they would reduce, was already 19.2% (a maximum registered for the last 15 years).

Retail trade. In February 2009 the composite indicator of business climate in retail trade continued to decrease (by 6.6 percentage points compared to January). This reduction was due to the lower manager's assessments about the present business situation in enterprises and more pessimistic expectations over the next 6 months.

According to the data of the business inquire the volume of sales during the last three months was decreased. In the same direction were also the foresights over the next 3 months. More pessimistic were the expectations about the orders placed with suppliers in comparison with the last month, too.

The uncertain economic environment, the demand and the competition in the branch continued to be the main reasons for difficulties in the activity of retail enterprises, as the negative effect of the first two factors strengthened.

Regarding the selling prices in retail trade there was no tendency observed for their increase in the next 3 months.

Service sector[4]. The economic conjuncture in service sector in February 2009 continued to be unfavorable. The level of the composite indicator "business climate in service sector" compared to the last month dropped by 3.3 percentage points. The manager's assessments about the present business situation in the enterprises were more pessimistic and they didn't expect changes over the next 6 months. On their opinion, the present demand of services during the last 3 months continued to decrease and the expectations were it to keep the present level. The inquiry registered some intentions for personnel decrease over the next 3 months.

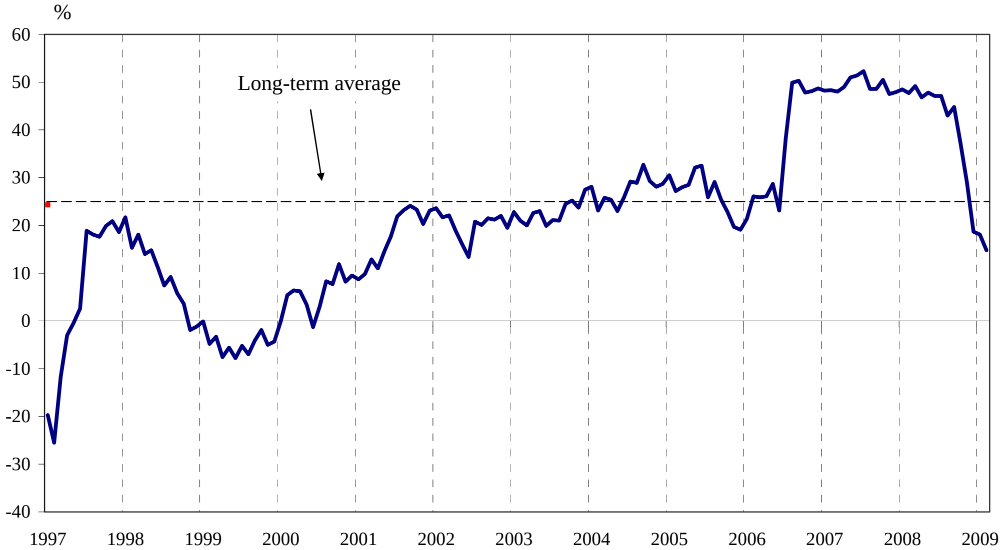
In February the negative effect of the factors "uncertain economic environment" and "insufficient demand" strengthened and at the same time the competition in the branch and the weakness in economic legislation continued to be serious factors limiting the activity of enterprises.

As regards the selling prices in service sector, the bigger share of manager's prognosis were that they would remain unchanged over the next 3 months and at the same time the share of enterprisers who expected a reduction of the prices was increased (from 17.0 to 20.1%).

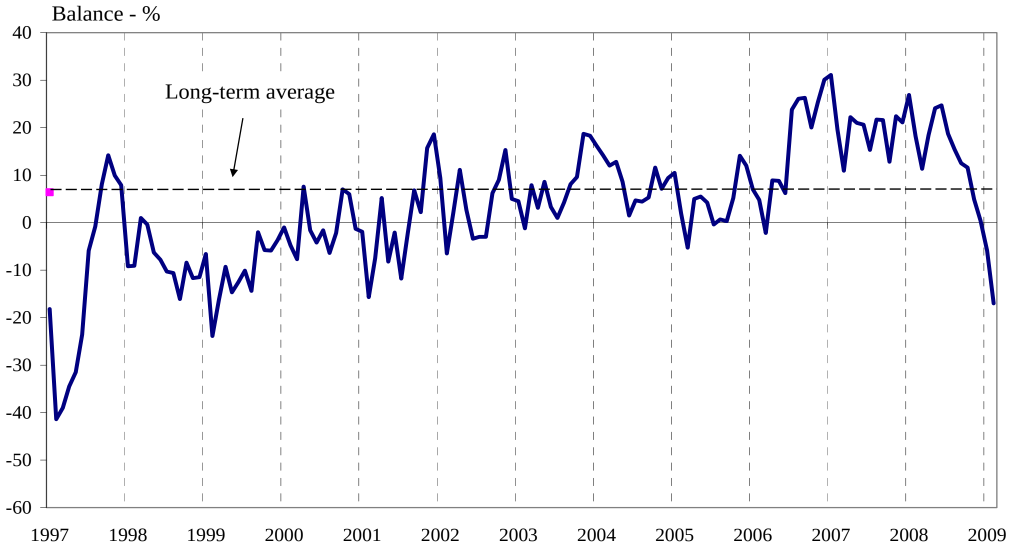
Annex 1

INDUSTRY

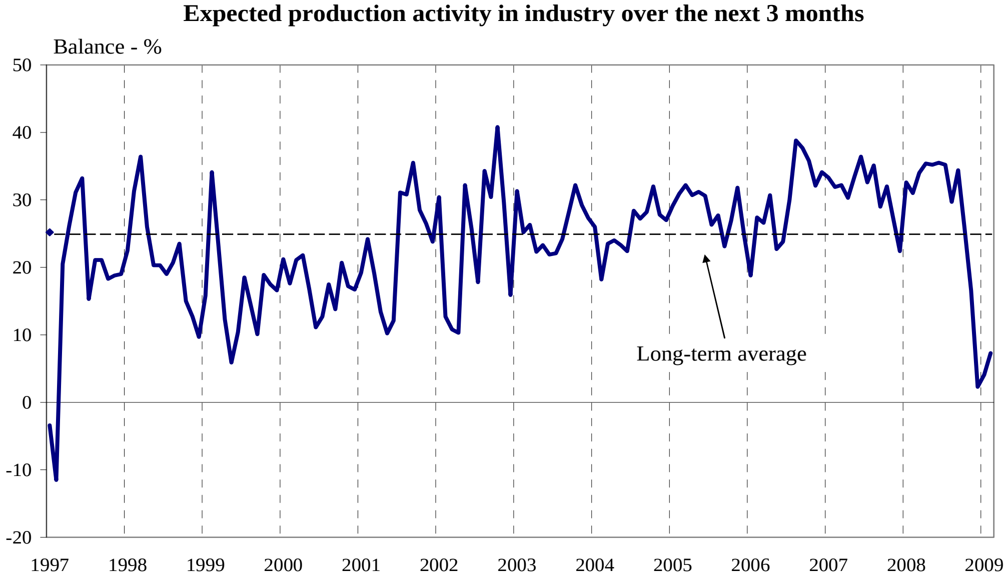
Business climate in industry



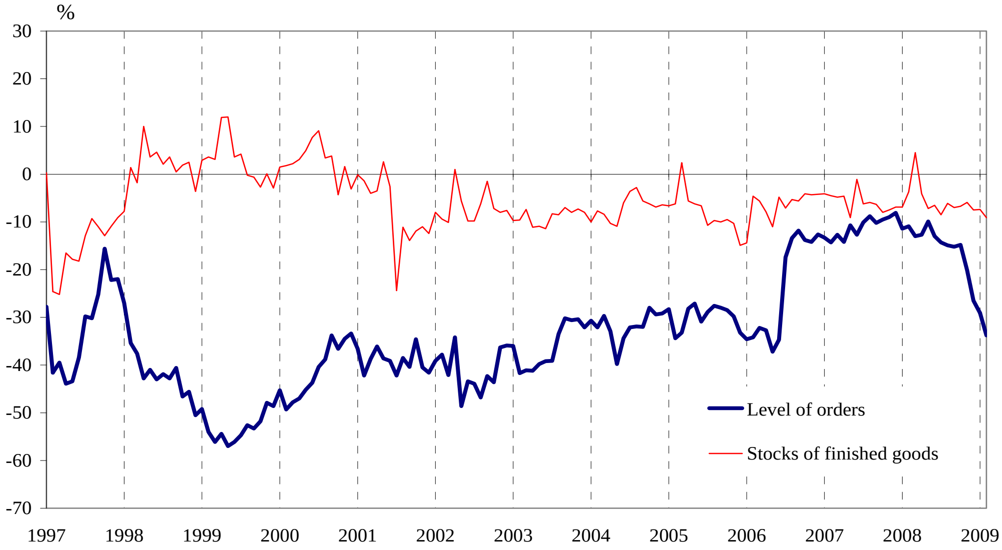
Present production activity in industry



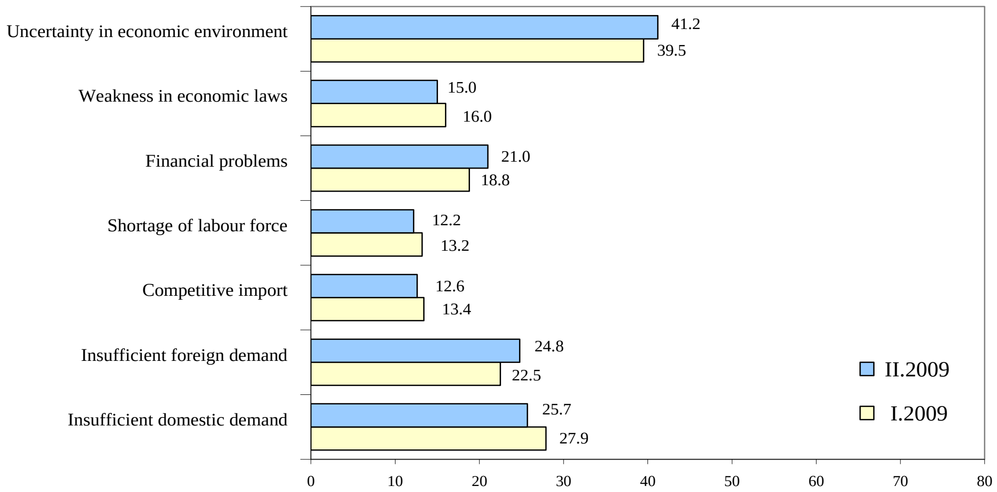
Expected production activity in industry over the next 3 months



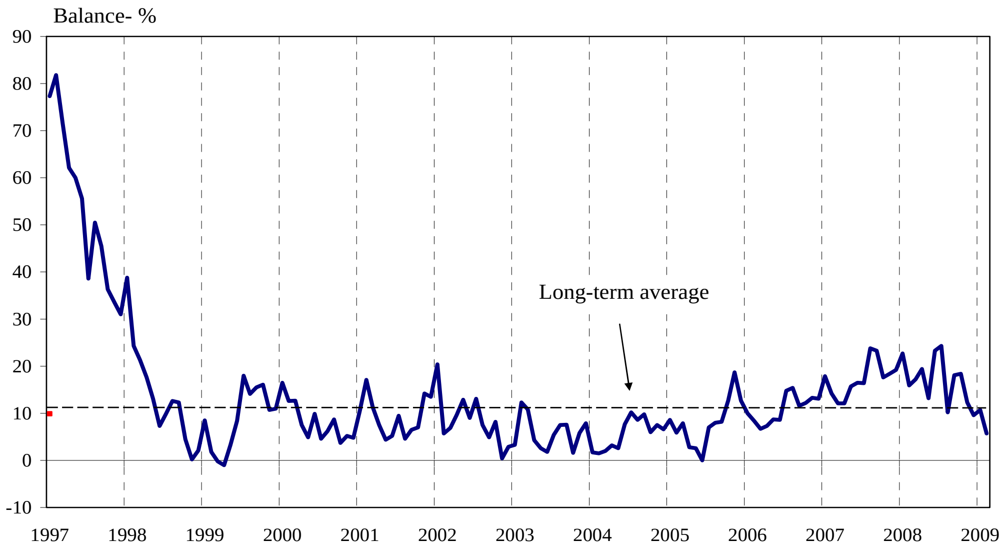
Balances of opinions in industry



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

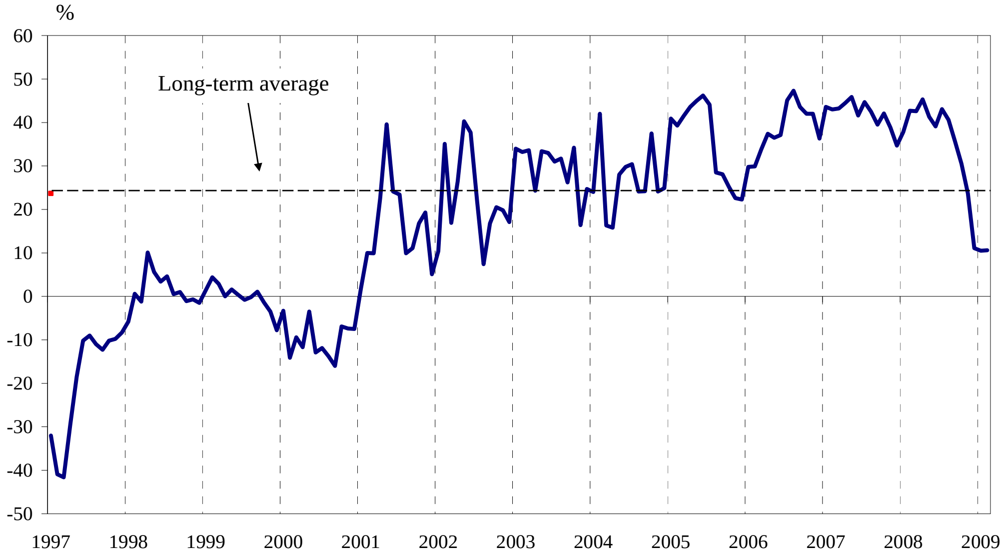


Selling price expectations in industry over the next 3 months

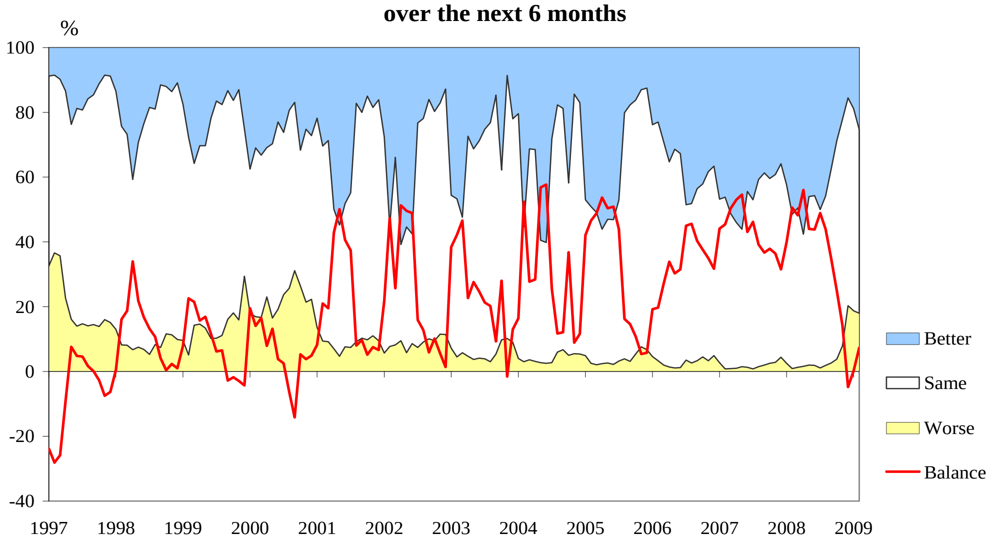


CONSTRUCTION

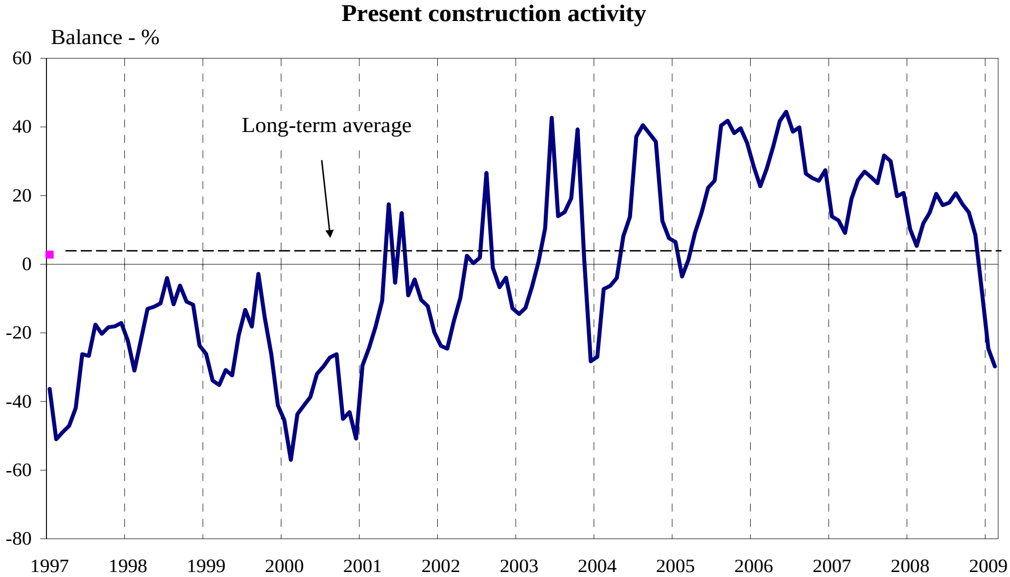
Business climate in construction



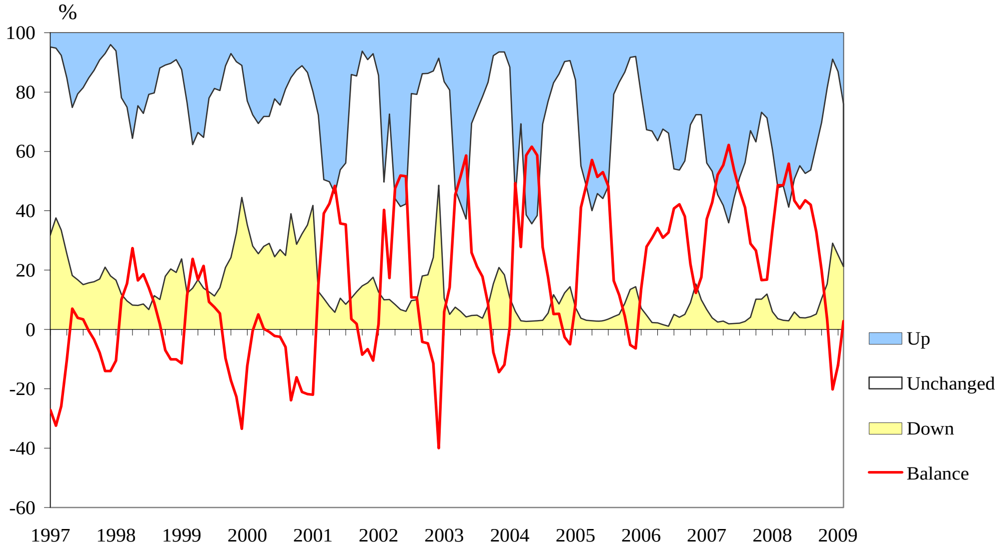
Expected business situatuon in construction over the next 6 months



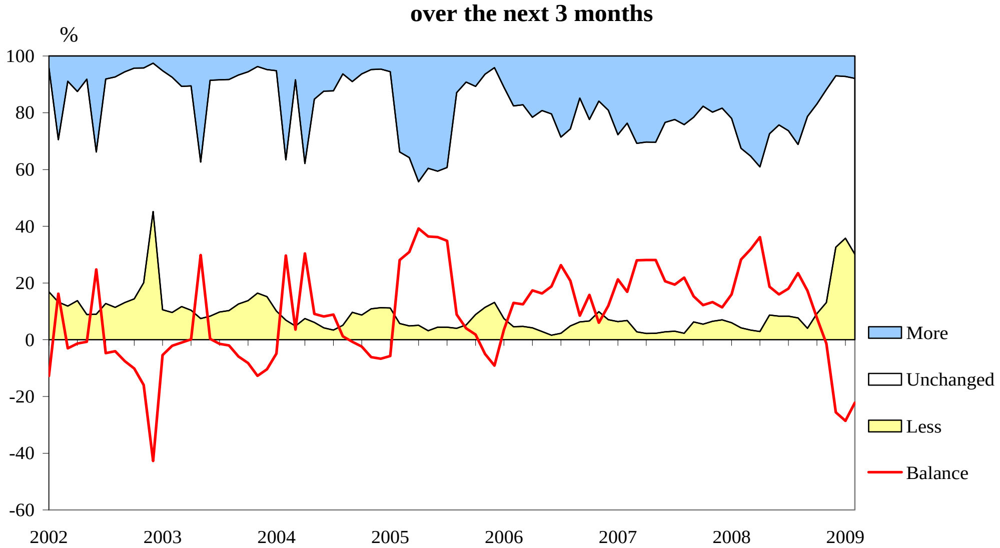
Present construction activity



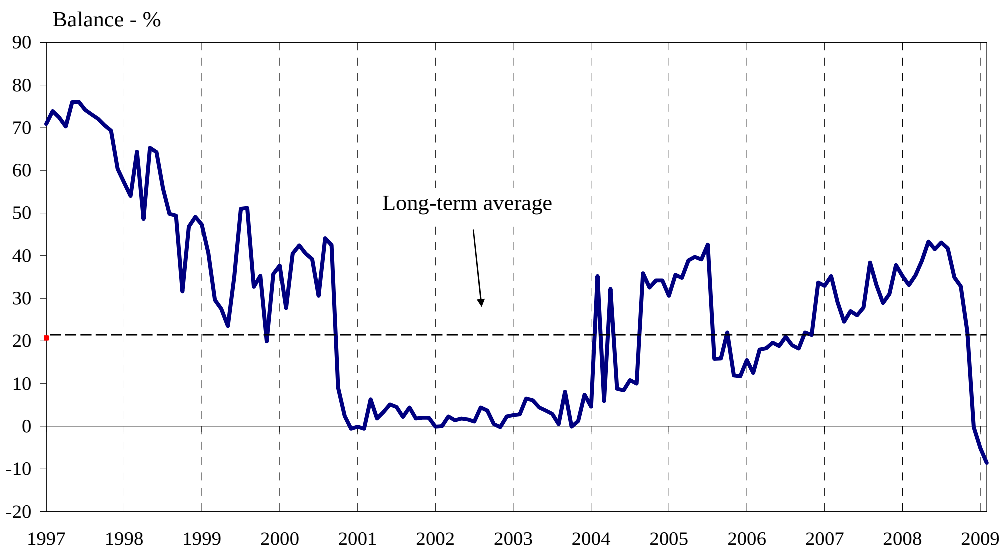
Expected construction activity over the next 3 months



Employment expectations in construction over the next 3 months

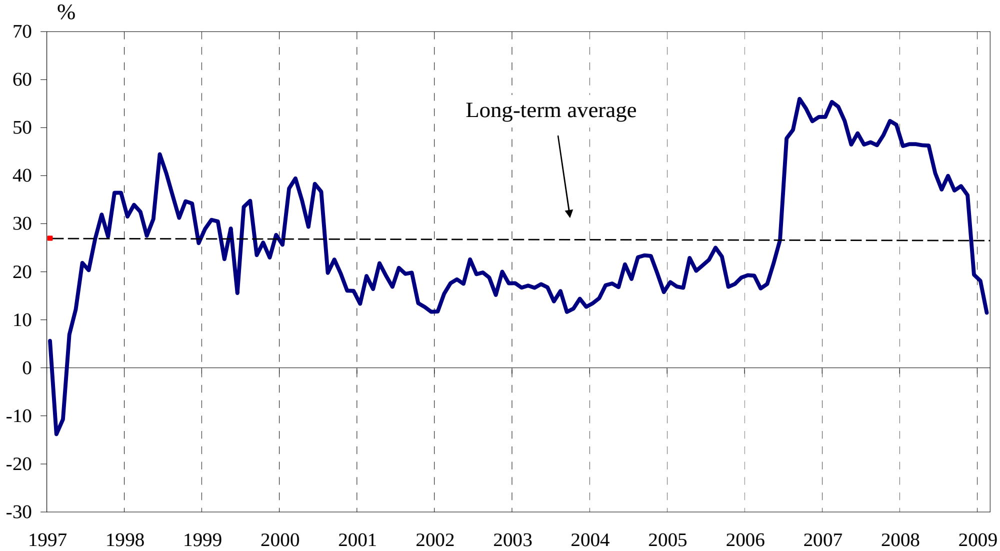


Selling price expectations in construction over the next 3 months

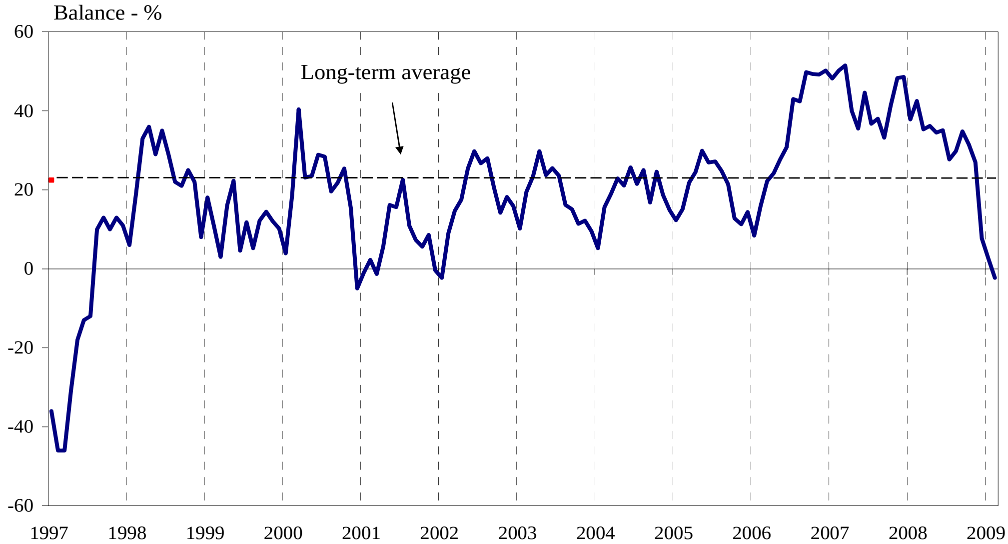


RETAIL TRADE

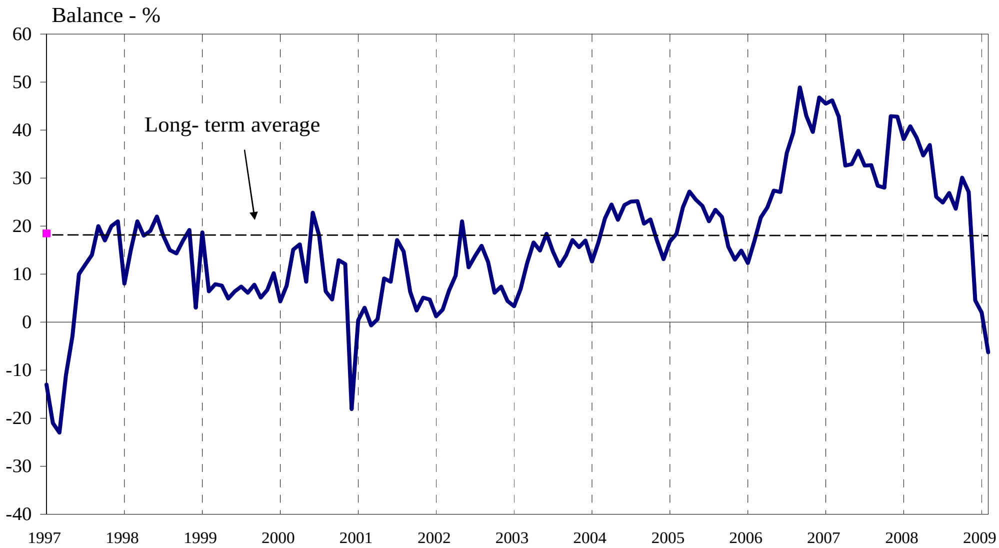
Business climate in retail trade



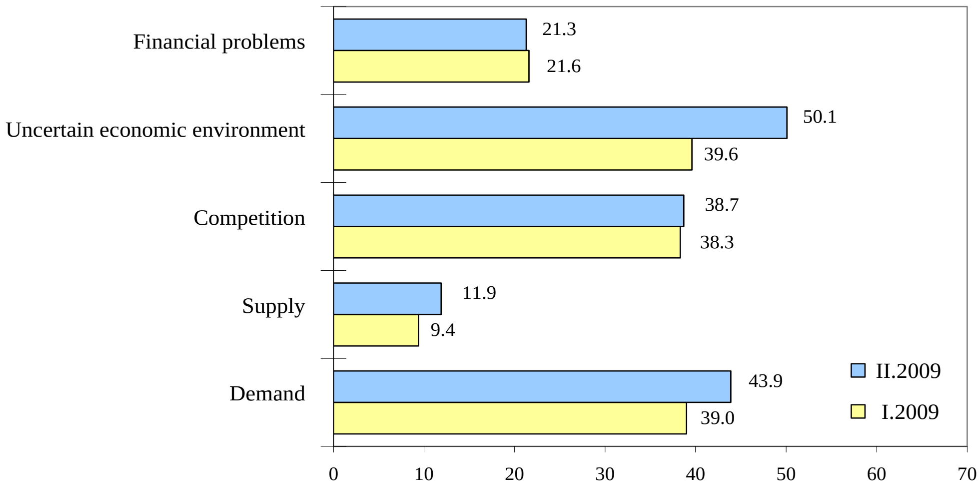
Sales expectations in retail trade over the next 3 months



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



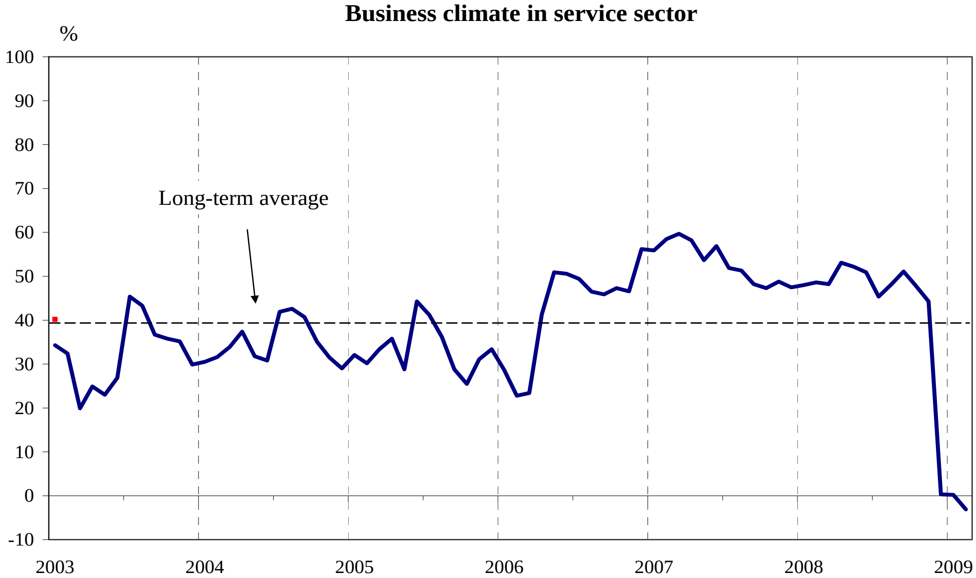
Factors limiting the improvement of the business situation in retail trade - % of enterprises



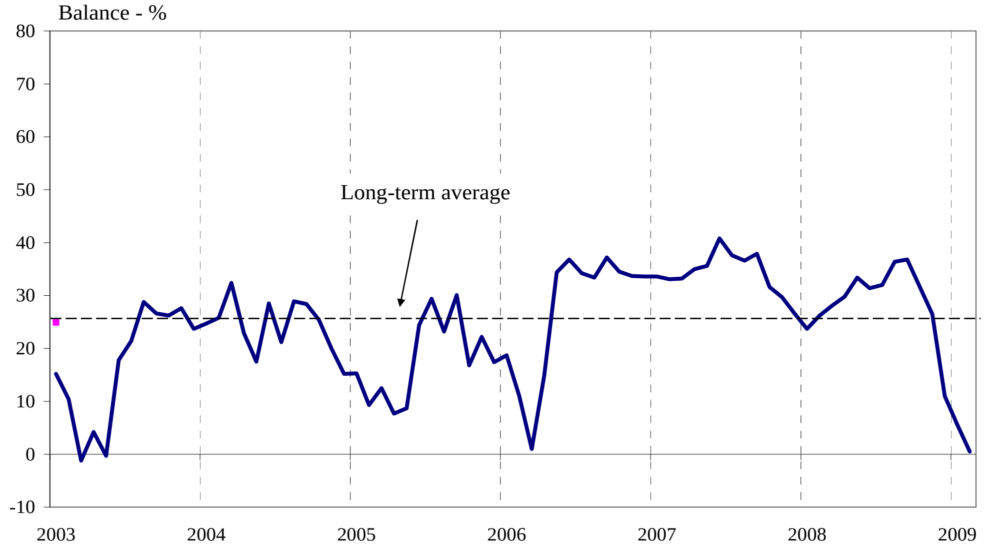
Selling price expectations in retail trade over the next 3 months

SERVICE SECTOR

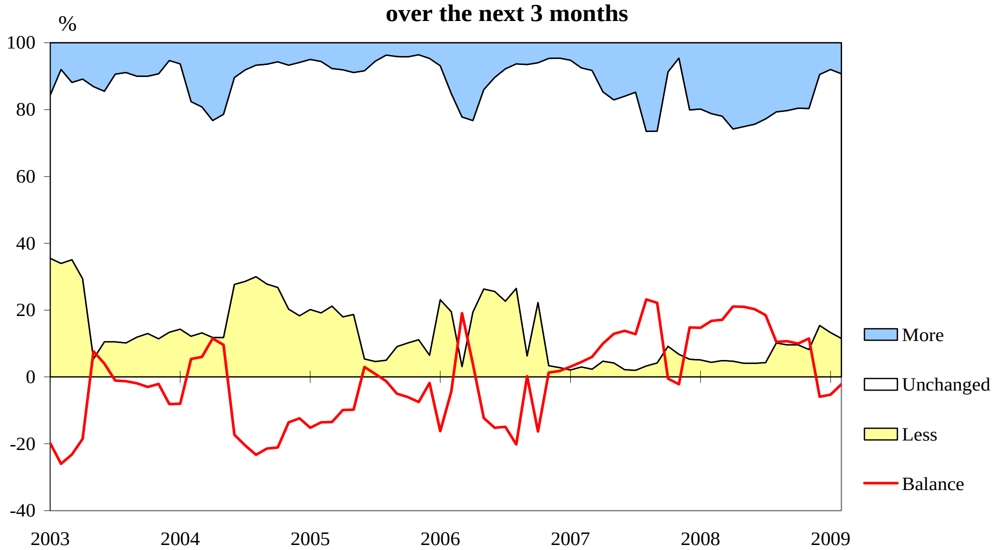
Business climate in service sector



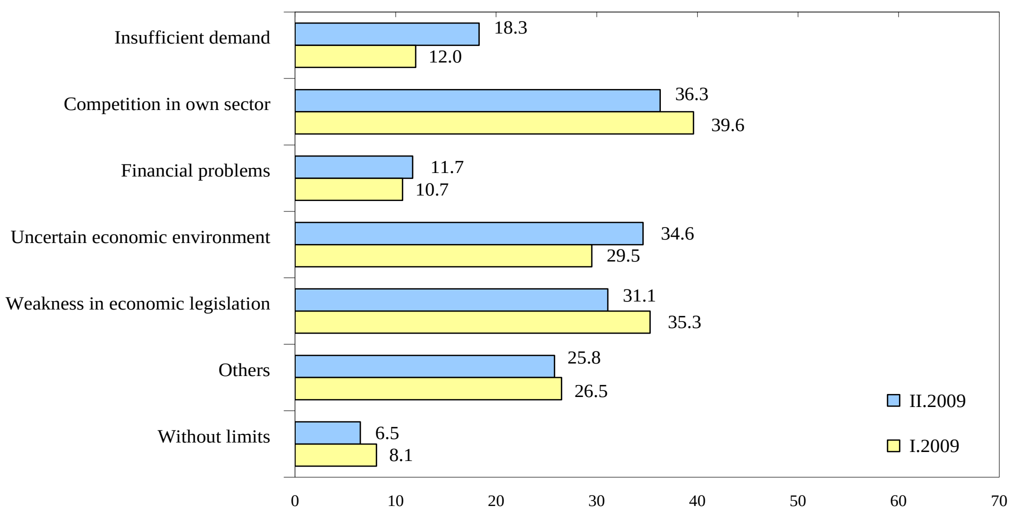
Demand for services over the last 3 months



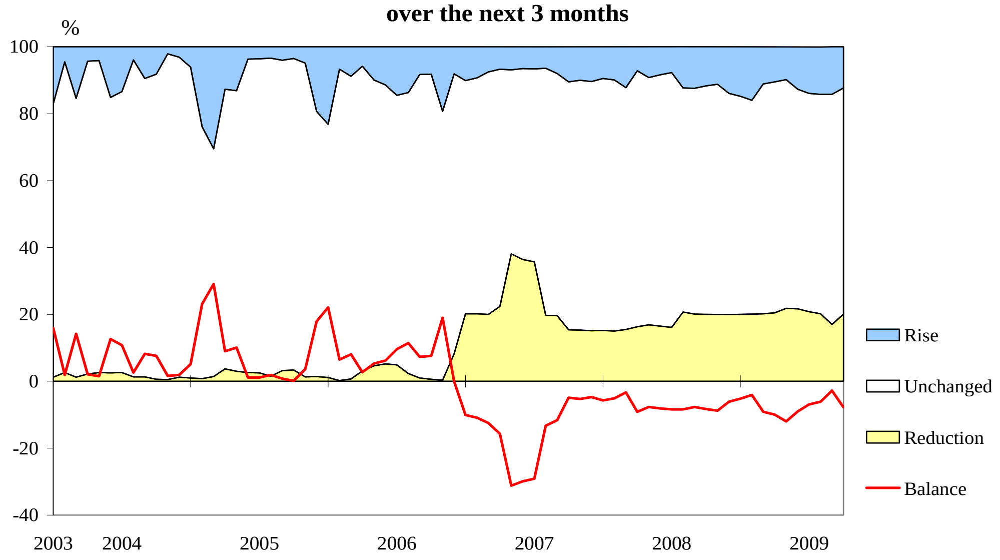
Employment expectations in service sector over the next 3 months



Factors limiting the activity in service sector Relative share of enterprises - %



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 the 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.