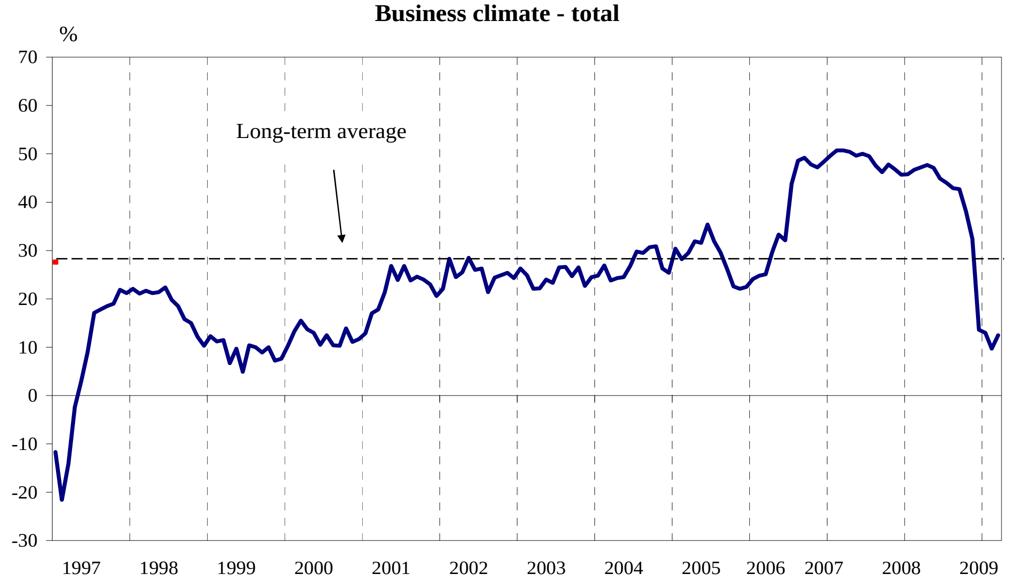
BUSINESS CONJUNCTURE

NSI BUSINESS SURVEYS [1,2], MARCH 2009

In March 2009 t**he total business climate indicator**[3], noted a rise by 2.8 percentage points in comparison with February after the recorded decreases in the last months. With the exception of industry, where a drop was accounted, in the rest of branches – construction, retail trade and services, relatively better assessments about business climate were registered.



Industry. In March 2009 the composite business climate indicator in industry continued already for fifth month the fall and it lost 2.1 percentage points from its February level. The share of entrepreneurs with negative opinion on present and expected business situation grew.

The inquiry in March showed that the production activity continued to decline and the expectations of managers for the next three months were in the same direction. In the last month the production assurance with orders both from the country and for export continued to deteriorate. The uncertain economic environment and the restricted domestic and foreign market remained the main factors limiting the activity of industrial enterprises in March, as the problems, connected with them, grew compared to February. A stronger impact had also the factor “weaknesses in economic laws”, and every fifth enterprise felt financial difficulties.

As regards selling prices, for the first time in March the enterprises, which foresaw a decrease of prices were more than those, which considered, that the prices would increase in the next months, as a result of that the balance indicator was negative (-3.7%).

Construction. In March the economic conjuncture in construction showed a positive change. The composite indicator of business climate raised by 4.3 percentage points toward the previous month due to the better managers’ assessments about the present business situation and to their more optimistic expectations for six months ahead. For the last month the production assurance with orders was improved and the prognoses of the managers about the construction activity in the next three months were also in positive direction. The last business inquiry recorded a certain decrease in the number of the clients with delay in payments.

The construction managers continued to point out the uncertain economic environment and the financial problems as main impediments in the activity of enterprises

For a forth consecutive month the entrepreneurs, who expected a decrease of prices, prevailed over those with intention of their increase.

Retail trade. The composite indicator “business climate in retail trade” raised by 7.9 percentage points in comparison with February, what was due to the increased optimism of retailers concerning the expected business situation of enterprises over the next 6 months. According to the business inquiry data the sales volume in the last months decreased significantly, but the expectations over the next 3 months were, that it would not continue to fall. At the same time the expectations about the level of orders placed with suppliers over the next 3 months were more favourable.

As regards the factors, which were impediments in the retail trade activity, the uncertain economic environment was pointed out on the first place, followed by the insufficient demand and the competition in the branch.

Concerning the selling prices in retail trade, the managers’ expectations were they to remain unchanged.

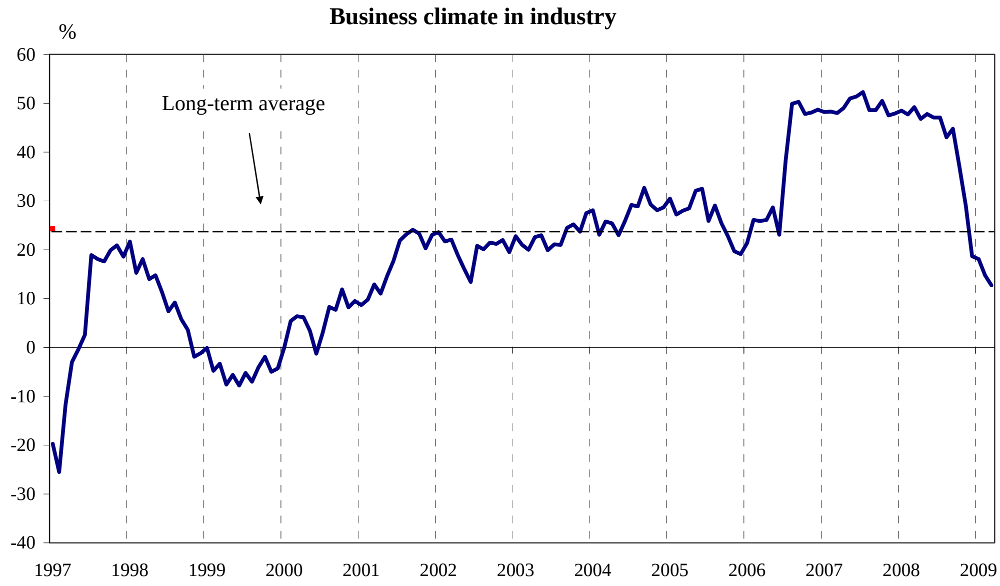
Service sector[4]. In March the indicator “business climate in service sector” increased by 5.8 percentage points over the February level, when the lowest value was registered since the beginning of the survey in this sector[5]. A certain decrease of pessimism in the manager’s opinions on the present and expected business situation of the enterprises over the next 6 month was observed. According to them, the services demand continued to decrease, but the prognoses over the next 3 months were in direction of an increase. As regards the staff the enterprises reported that they had decreased it and expected also a future reduction of the employed persons over the next months.

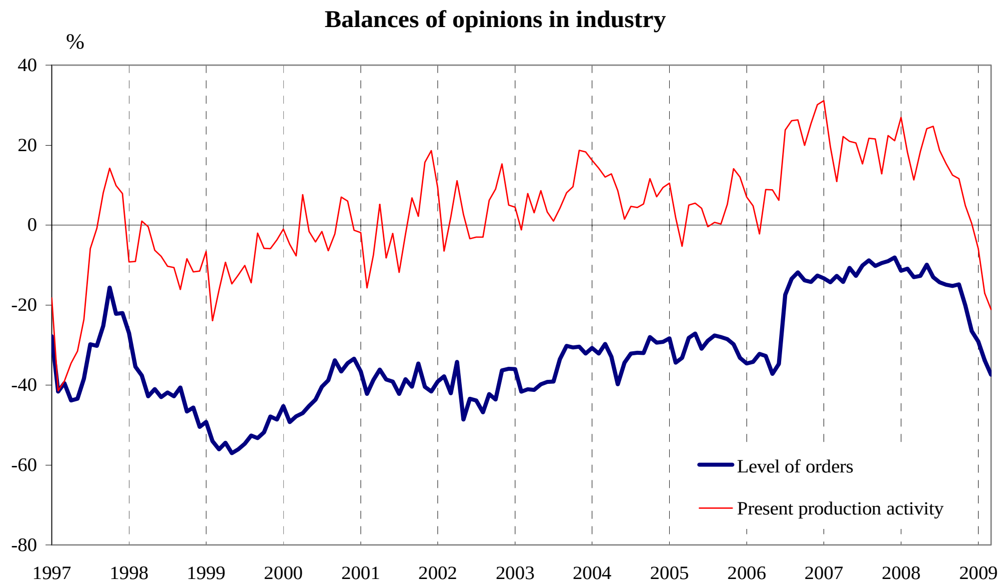
In March the uncertain economic environment strengthened its negative influence and was on the first place among the factors, limiting the activity of enterprises and the competition in the branch was the second problem of significance for them.

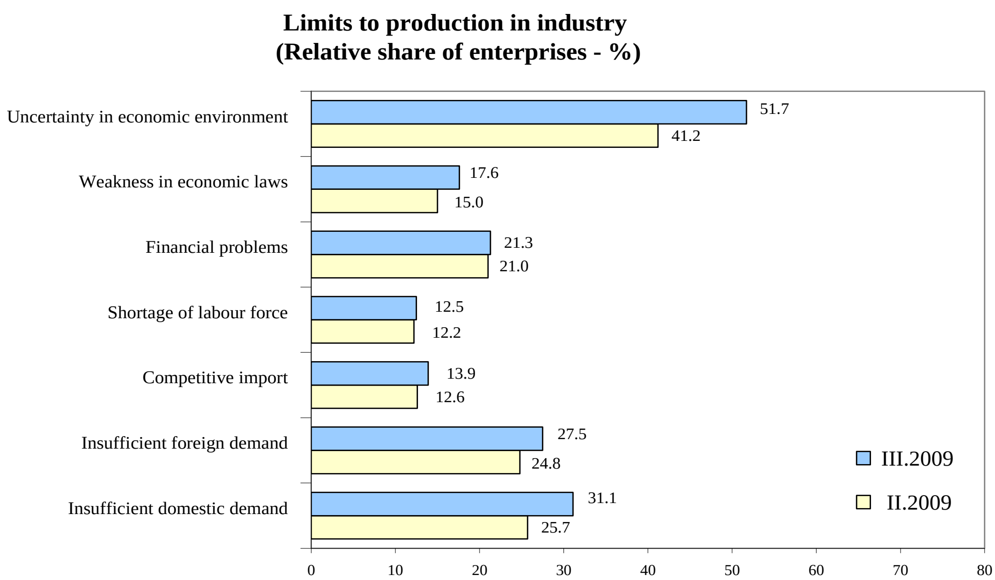
The balance of expectations about the prices in service sector remained in the negative area in March, i.e. those, who expected a decrease of prices, were more, than those with intentions for an increase.

Annex 1

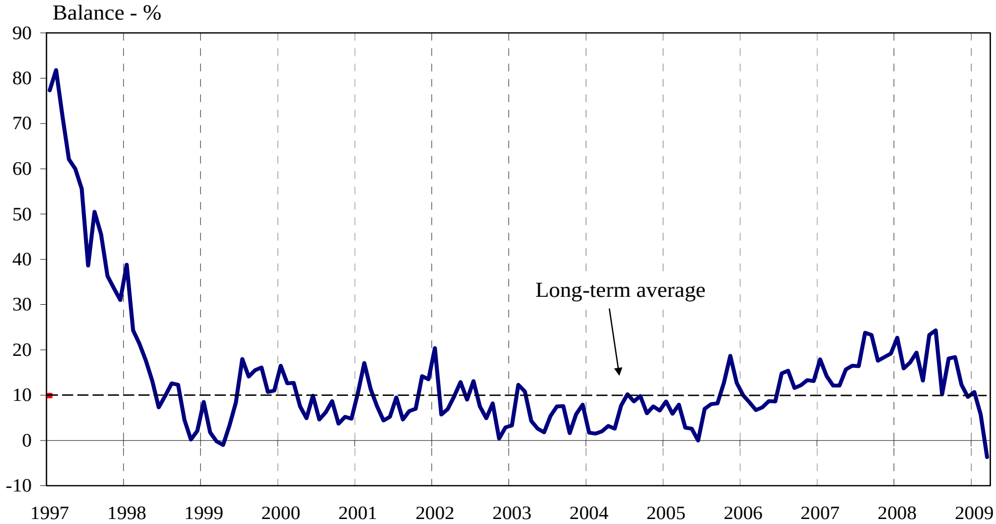
INDUSTRY





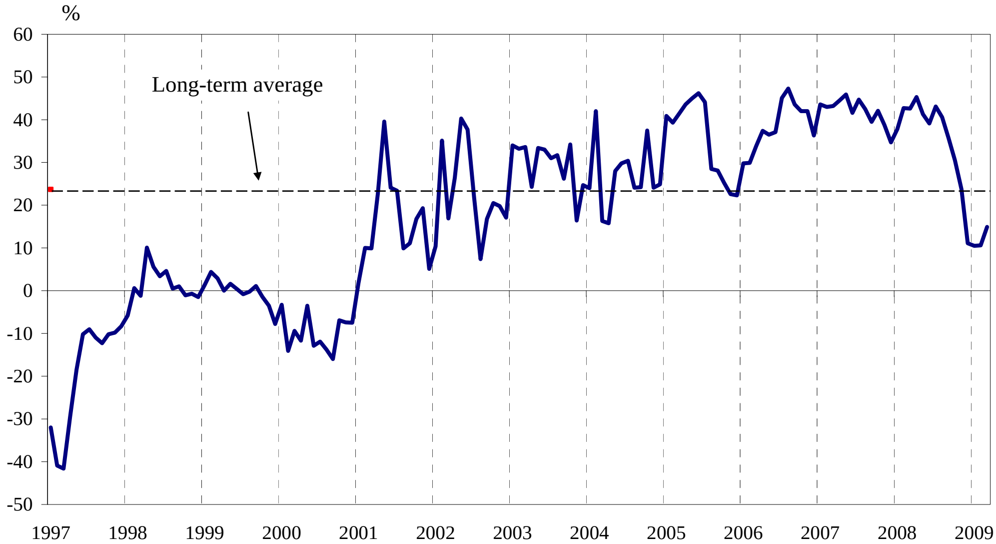


Selling price expectations in industry
over the next 3 months

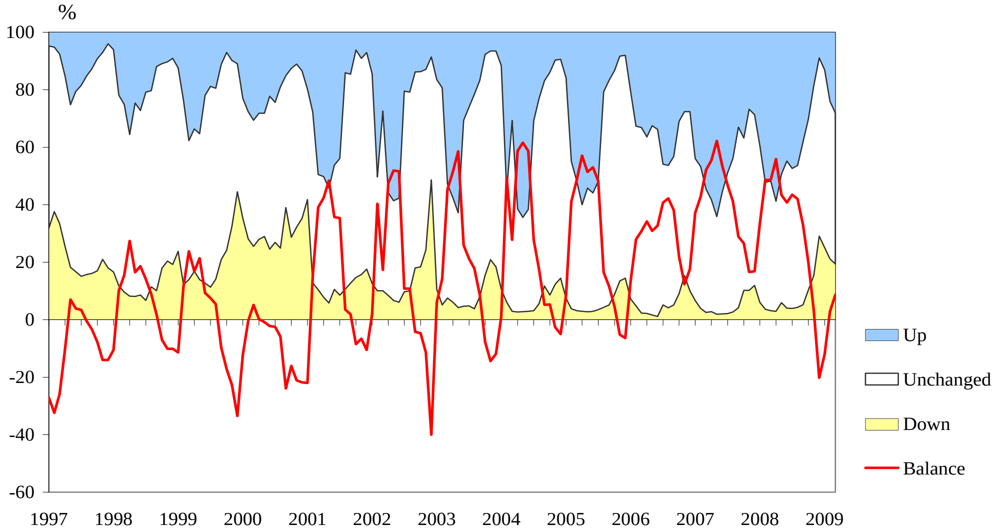


CONSTRUCTION

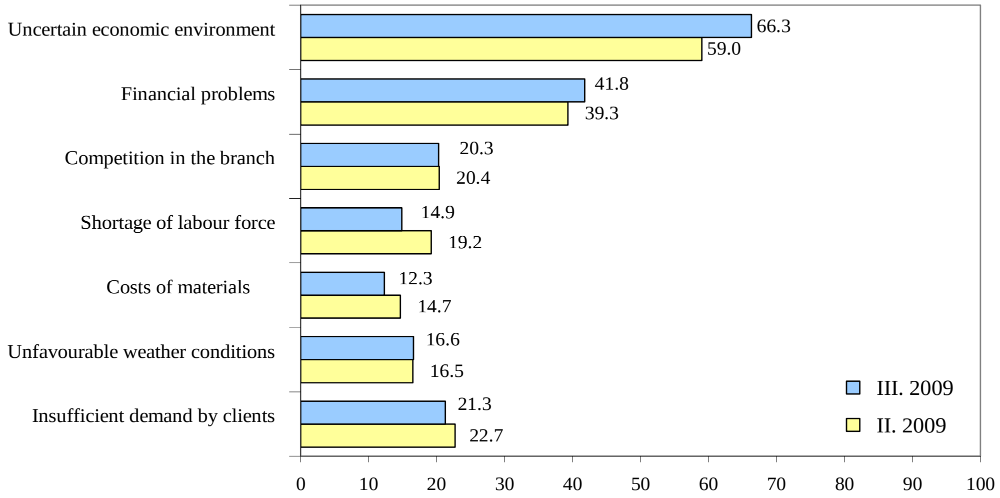
Business climate in construction



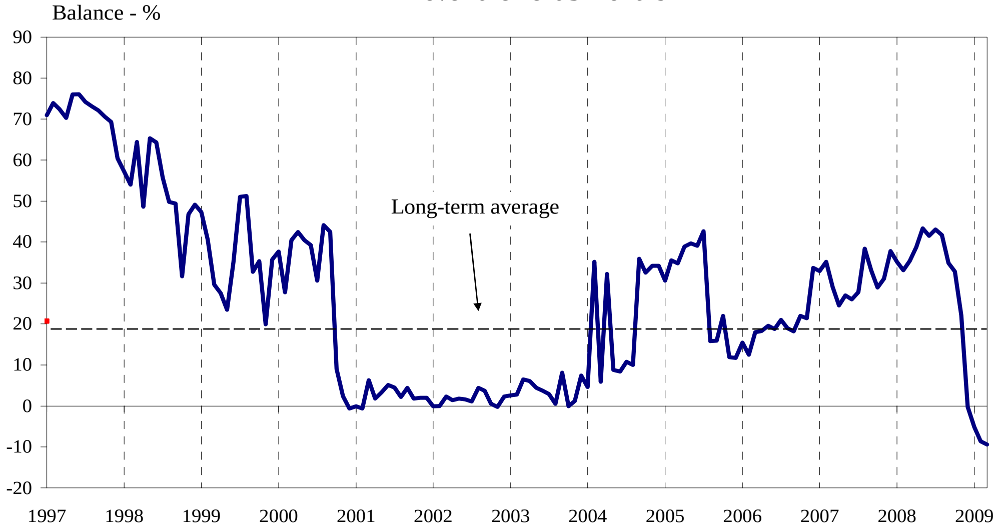
Expected construction activity
over the next 3 months



Limits to construction activity
(Relative share of enterprises - %)

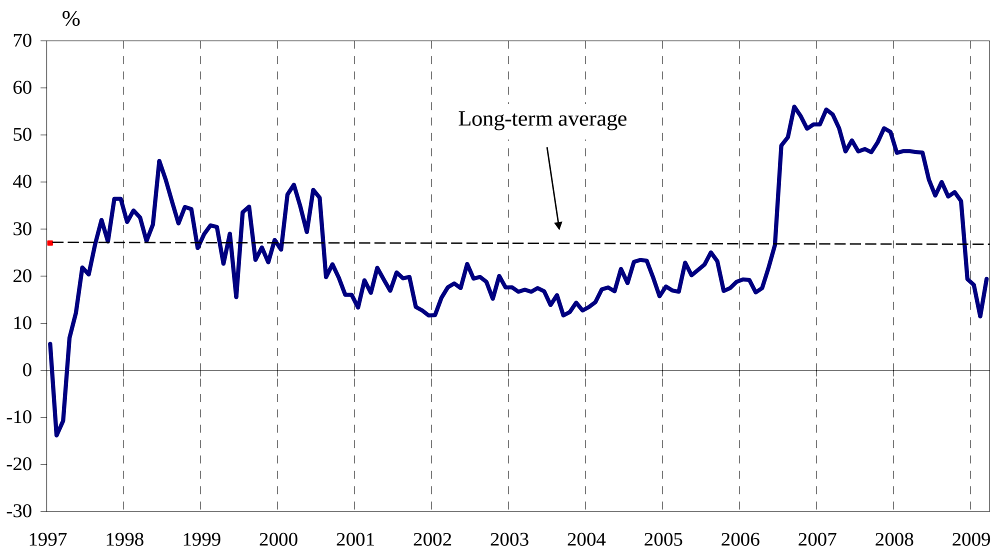


Selling price expectations in construction
over the next 3 months

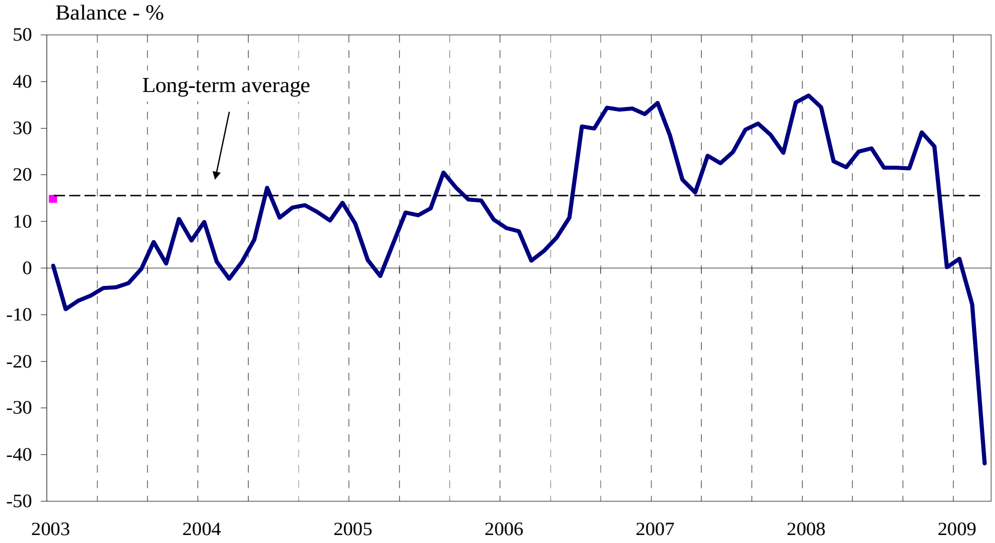


RETAIL TRADE

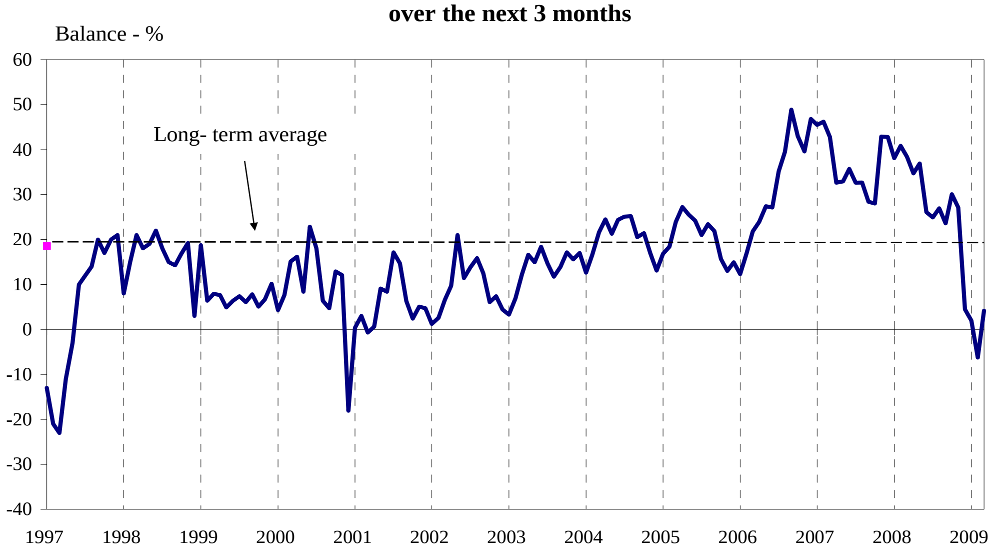
Business climate in retail trade



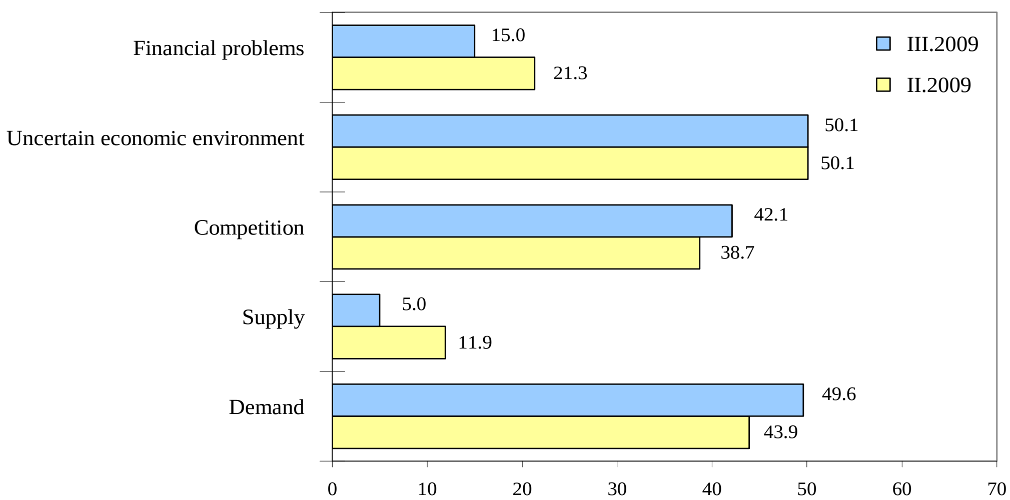
Sales in retail trade over the last 3 months



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

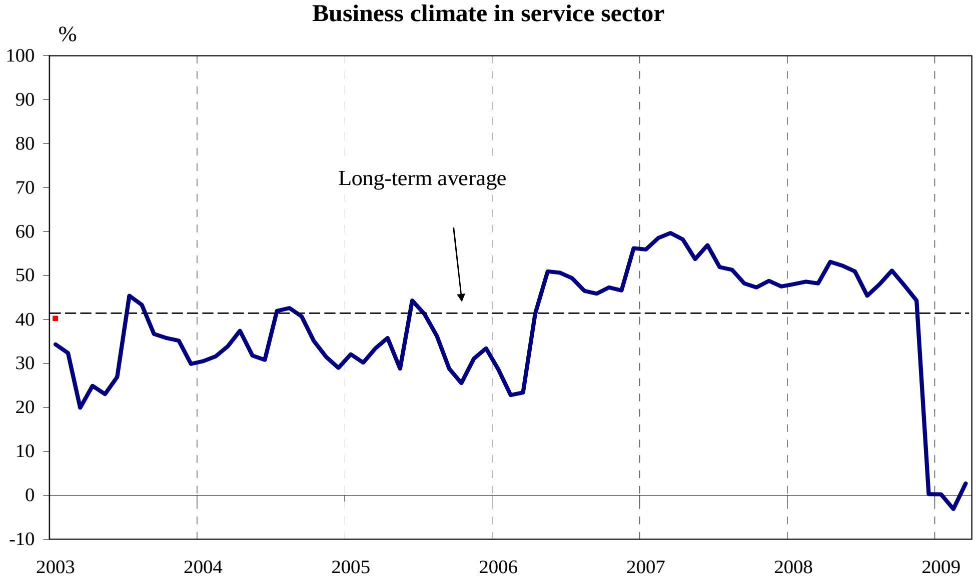


Factors limiting the improvement of the business situation in retail trade - % of enterprises

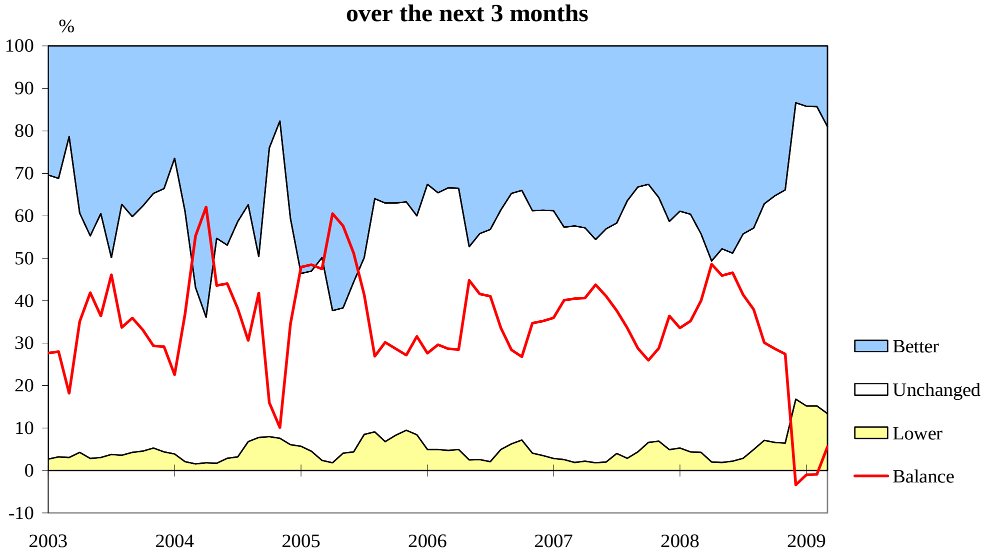


SERVICE SECTOR

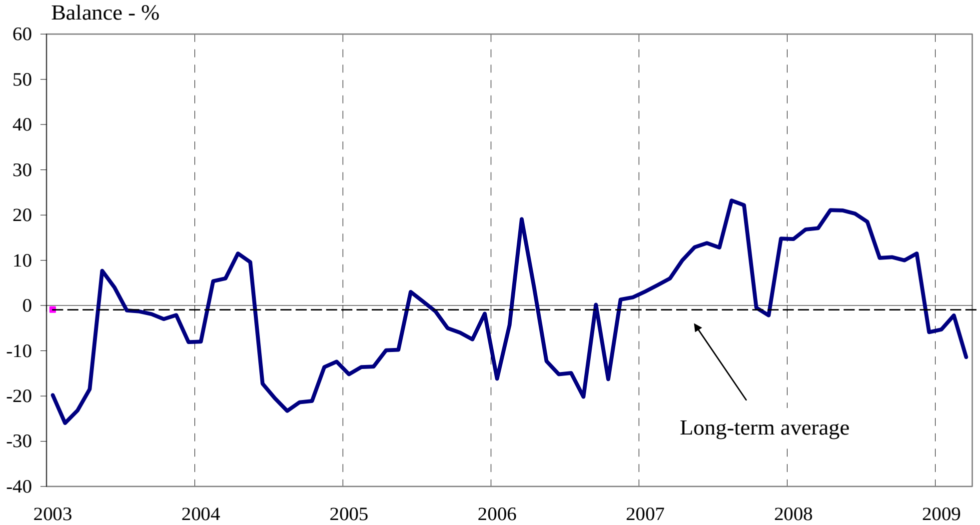
Business climate in service sector



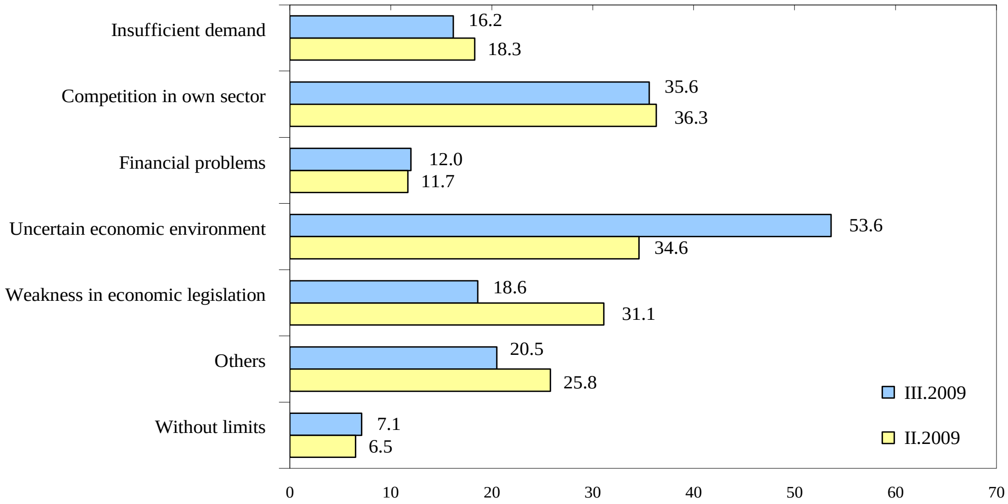
Expectations about the demand for services over the next 3 months



Employment expectations in service sector over the next 3 months



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 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.

[5] Since May 2002.