BUSINESS CONJUNCTURE

NSI BUSINESS SURVEYS[1,2], SEPTEMBER 2009

In September 2009 **the total business climate indicator**[3] decreases by 0.4 percentage points in comparison with the previous month and records its lowest level (8.6 percentage points) since the beginning of the negative development of the business conjuncture in the country in October 2008 (Figure 1).

Industry. In comparison with August there is not a significant change in the business conjuncture in industry. In September the composite business climate indicator increases by 0.3 percentage points in comparison with the previous month (Figure 2) due to the slightly better expectations about the business situation of the industrial enterprises over the next 6 months (an increase of 0.6 percentage points of the balance indicator). The managers' prognoses about production over the next 3 months tend to its preservation at the current level. In their opinion the present business situation of the industrial enterprises remains unchanged as compared to August, the level of orders is insufficient and the production activity continues decreasing (Figure 3). The most serious problem for the business development in the sector continues to be the uncertain economic environment as stated by 56.9% of the enterprises as usually (for a period of 10 years) this problem is pointed out on average by about one third (Figure 4).

In September the share of managers expecting a rise of prices increases in comparison with August and the share of managers expecting a reduction decreases which is why the balance indicator goes up by 2.2 percentage points (Figure 5).

Construction. In September 2009 the composite business climate indicator in construction decreases by 2.3 percentage points in comparison with the previous month (Figure 6). This is due to the worsening of the managers' evaluations about the present business situation of enterprises. The construction activity is assessed as decreased and the prognoses about the next 3 months are in the same direction (a drop of 7.1 percentage points of the balance indicator) (Figure 7). The last business inquiry registers a decrease of the production assurance with orders and an increase of the number of clients with delay in payments (Figure 8). The expectations about the personnel are for its reduction over the next 3 months (Figure 9).

The uncertain economic environment and the insufficient financial security continue to have the greatest weight among the factors limiting the activity in the sector as stated by 61.8 and 53.1% of the enterprises.

The enterprises expecting a decrease of the price level 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 10th consecutive month is negative (- 4.9%) (Figure 10).

Retail trade. The composite indicator "business climate in retail trade" increases by 1.0 percentage point in September in comparison with the previous month (Figure 11). The inquiry registers a certain improvement of the managers' expectations about the business situation over the next 6 months. The assessments of the present sales and the expectations about their volume over the next 3 months also improve (Figure 12). At the same time an increase of the orders placed with suppliers can not be expected over the next 3 months.

The uncertain economic environment is a major factor limiting the activity of the enterprises as indicated by 63.9% of the managers but in comparison with the previous month its negative influence slightly decreases (Figure 13). As usual the insufficient demand and the competition in the branch also provide serious problems but in the present situation they are not as limiting as the uncertain economic environment.

In September the share of managers expecting an increase of the price level surpasses the share of those expecting a decrease (by 8.6%) (Figure 14).

Service sector[4]. In September the composite business climate indicator decreases for the 2nd consecutive month (by 1.5 percentage points) after it improved for a few months (Figure 15). The worsening is due both to the lowered managers' evaluations of the present business situation of enterprises and to the more moderate expectations about the next 6 months.

In comparison with the previous month the balance assessment of the present service demand decreases by 3.2 percentage points due to a shifting of opinions of an increased to an unchanged service demand. The prognoses about the next 3 months are more pessimistic - the balance indicator decreases by 2.8 percentage points (Figure 16).

The inquiry registers a decrease of the employed persons in the sector and at the same time a further personnel reduction is expected (Figure 17).

Serious factors limiting the activity in September are again the uncertain economic environment and the competition in the branch as stated by 57.2 and 39.2% of the enterprises. In the long-term the most important problem is the competition but in the present situation it is pushed aside by the uncertain economic environment as the major difficulty (Figure 18).

With regard to the selling prices in the service sector the managers continue to expect a decrease over the next 3 months (Figure 19).

Annex 1

Figure 1. Business climate - total

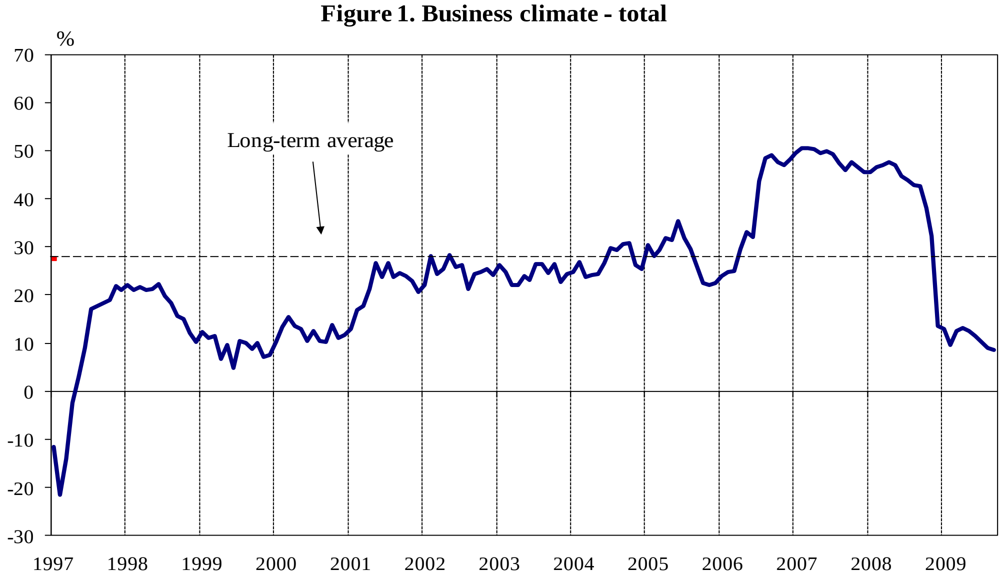


Figure 2. Business climate in industry

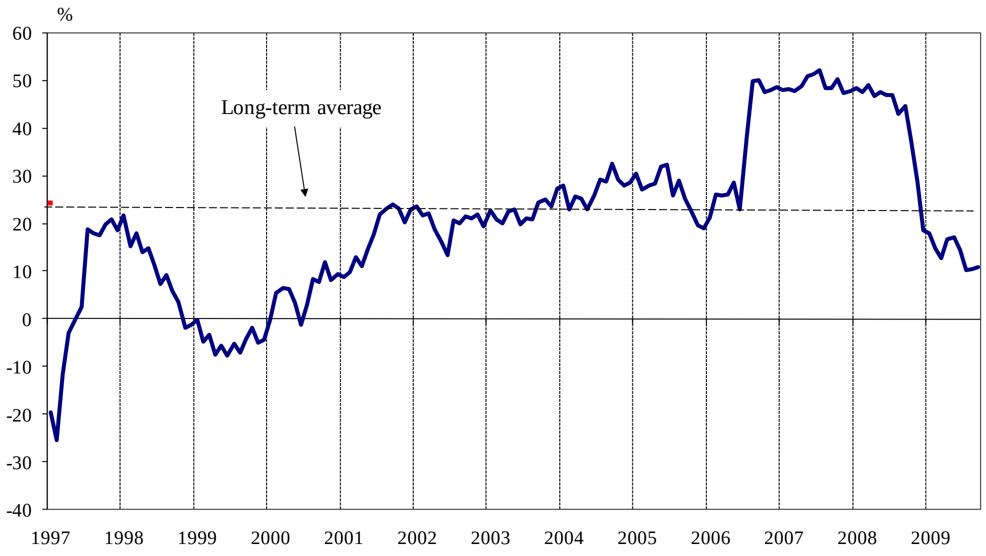


Figure 3. Present production activity in industry

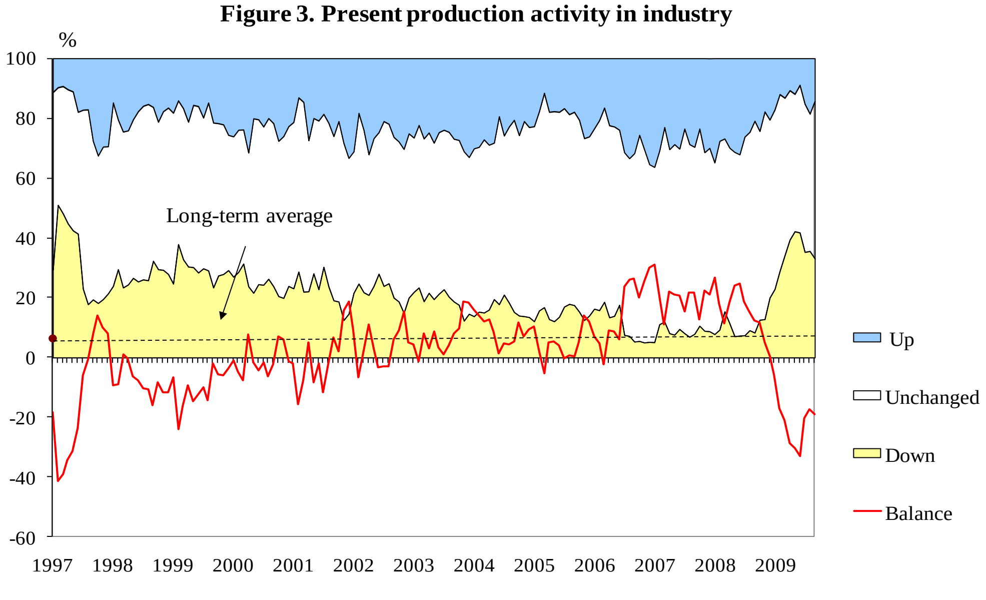


Figure 4. Limits to production in industry
(Relative share of enterprises - %)

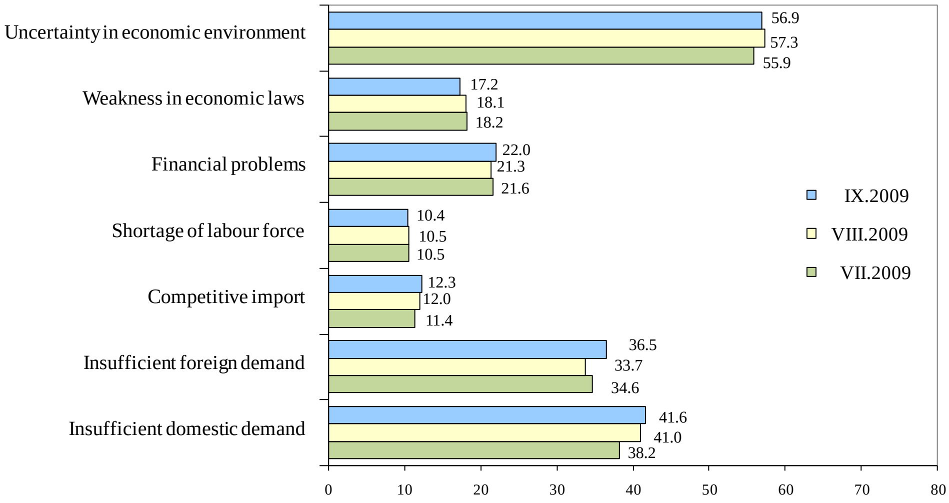


Figure 5. Selling price expectations in industry
over the next 3 months

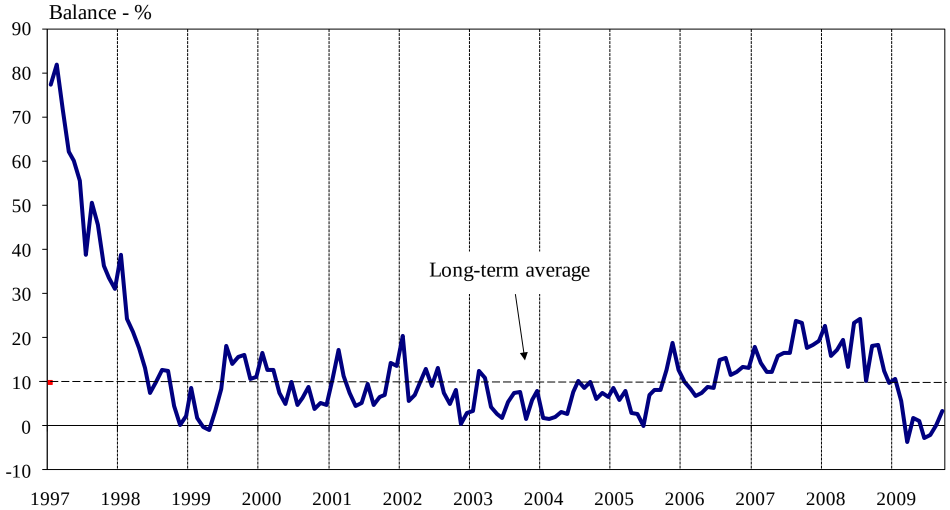


Figure 6. Business climate in construction

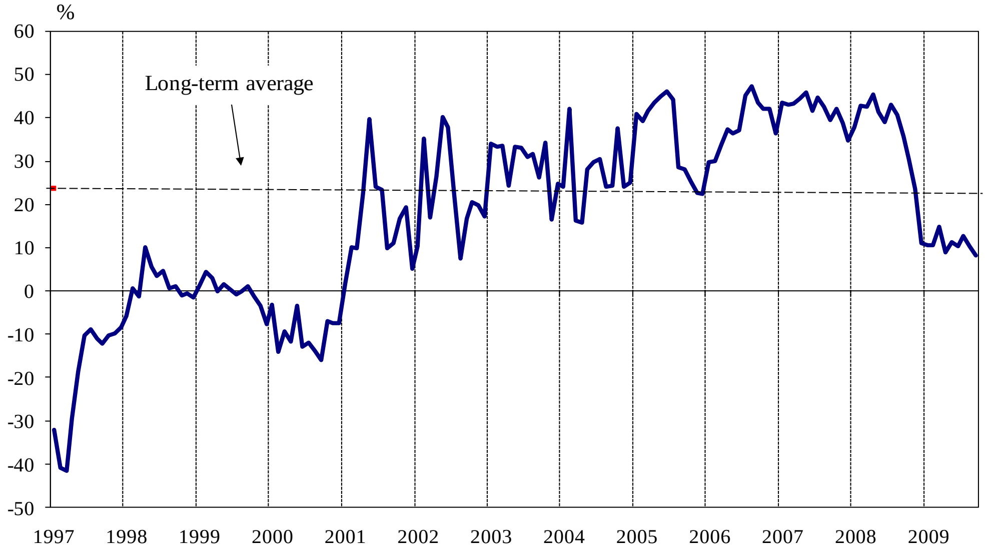


Figure 7. Present construction activity

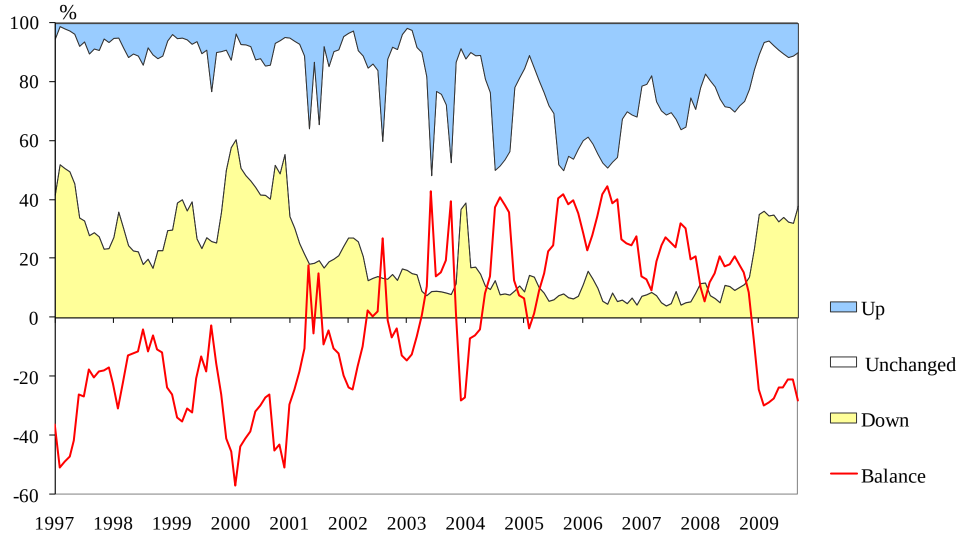


Figure 8. Clients with delay in payments in construction

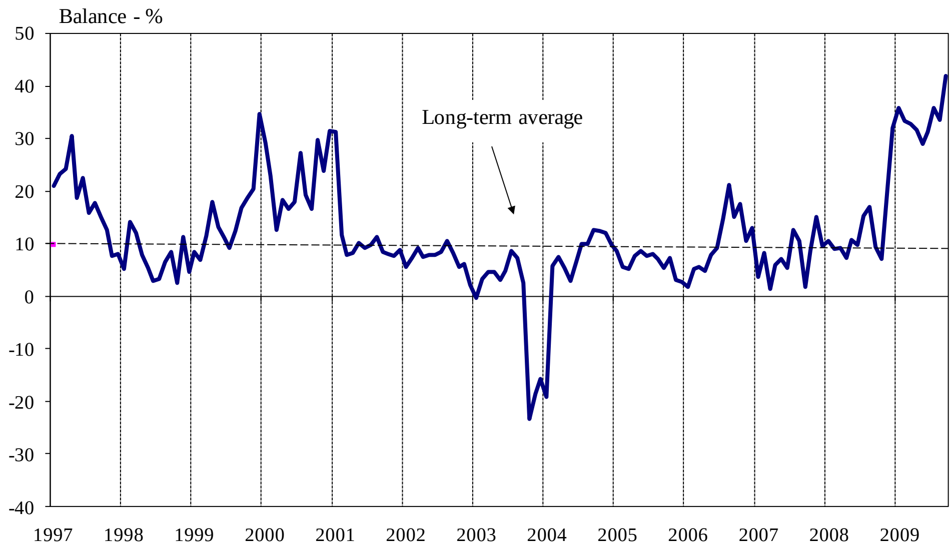


Figure 9. Employment expectations in construction over the next 3 months

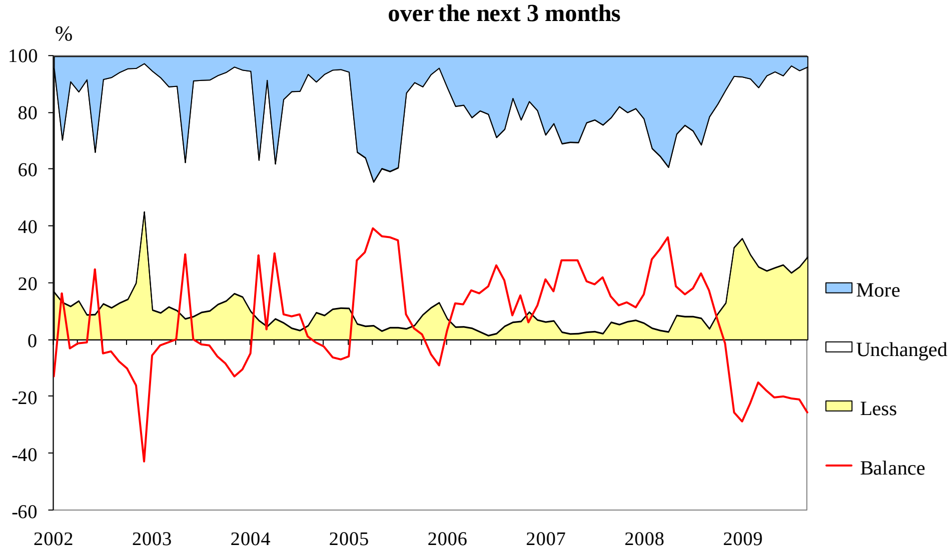


Figure 10. Selling price expectations in construction over the next 3 months

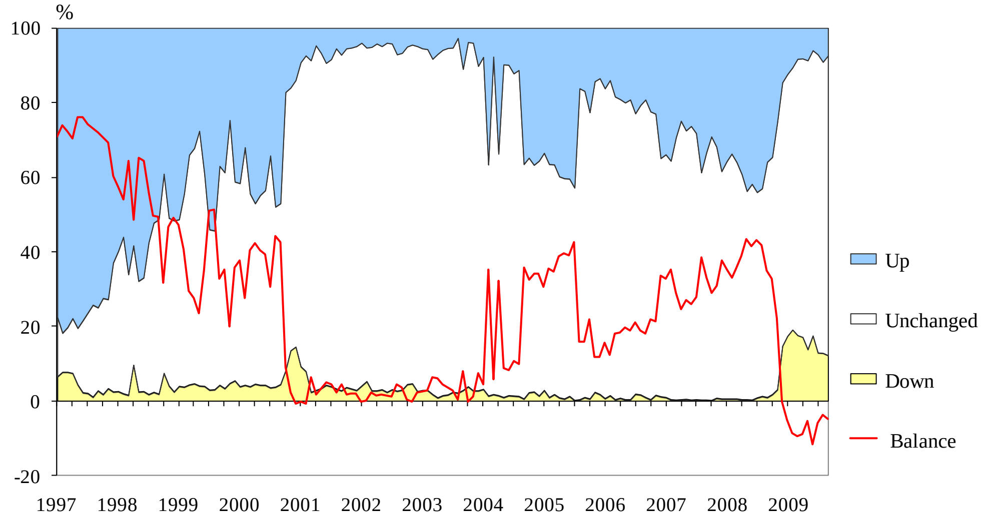


Figure 11. Business climate in retail trade

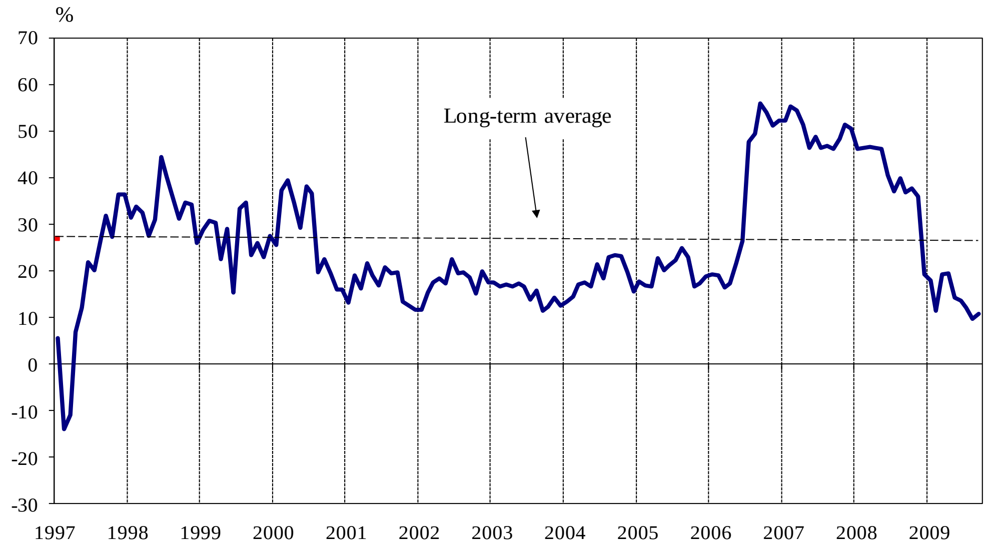


Figure 12. Sales expectations in retail trade over the next 3 months

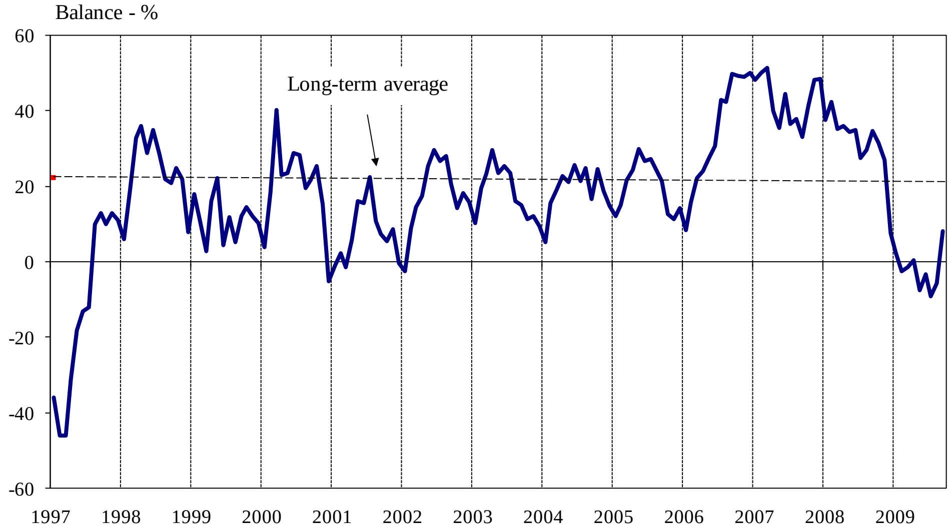


Figure 13. Factors limiting the improvement of the business situation in retail trade - % of enterprises

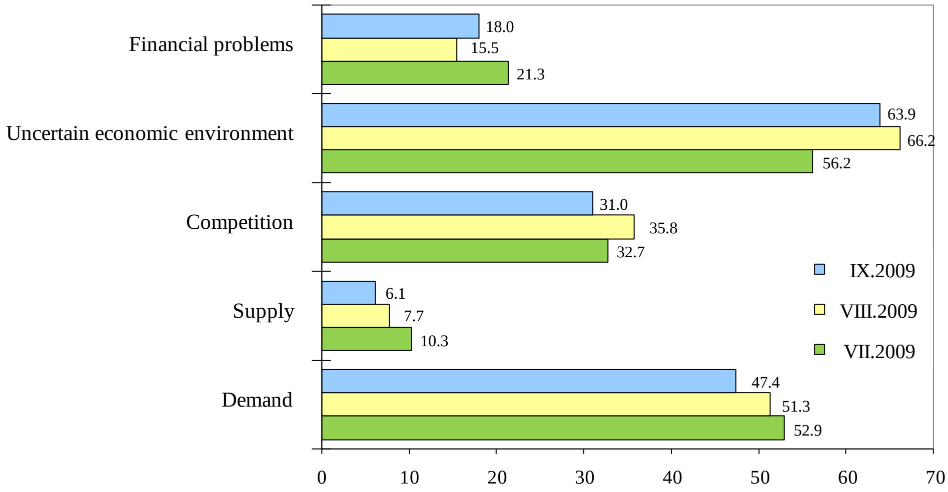


Figure 14. Selling price expectations in retail trade over the next 3 months

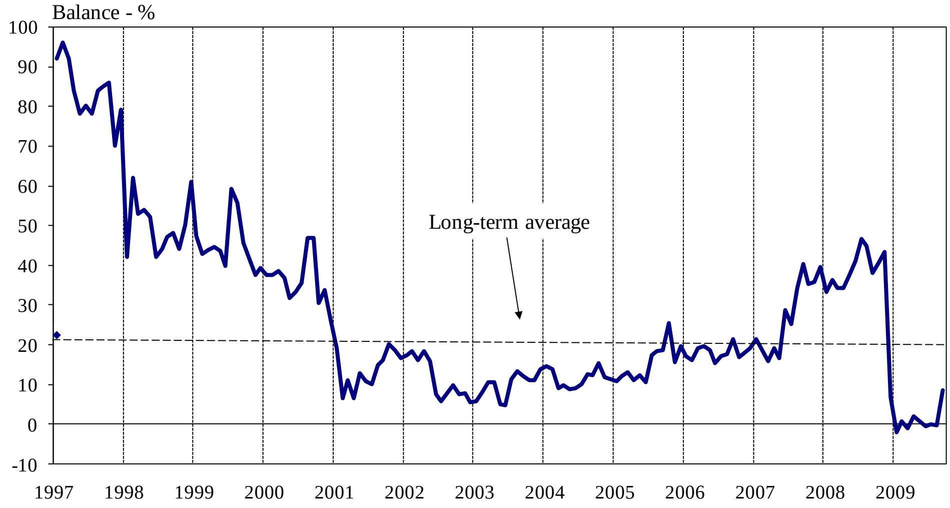


Figure 15. Business climate in service sector

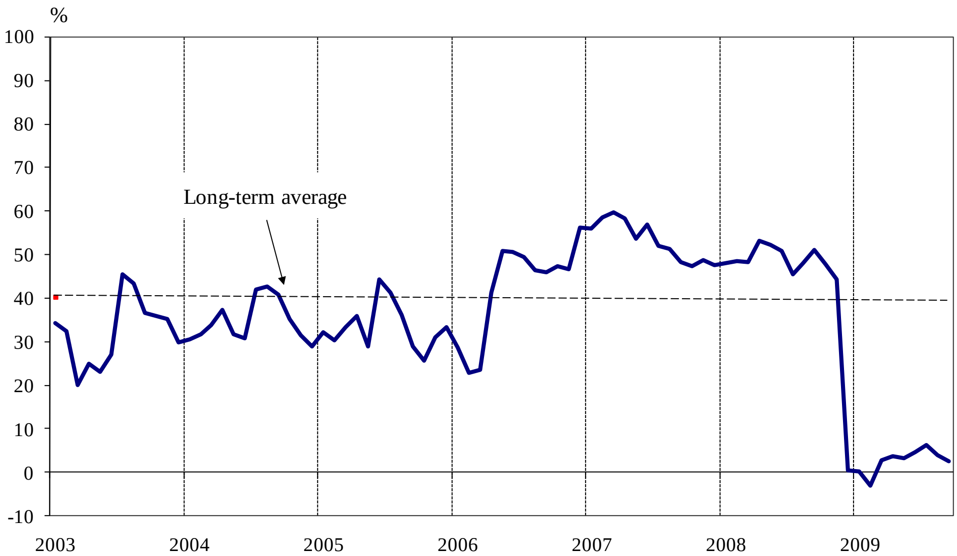


Figure 16. Expectations about the service demand over the next 3 months

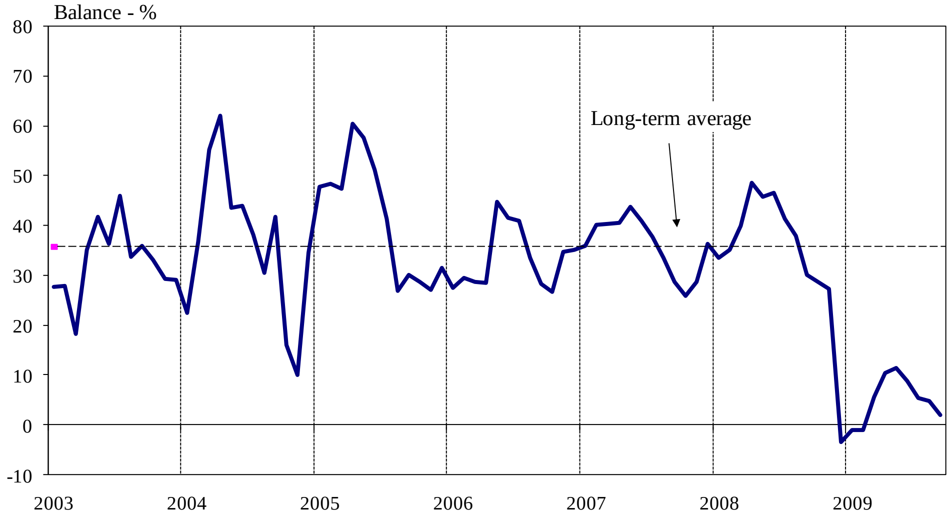


Figure 17. Employment expectations in service sector over the next 3 months

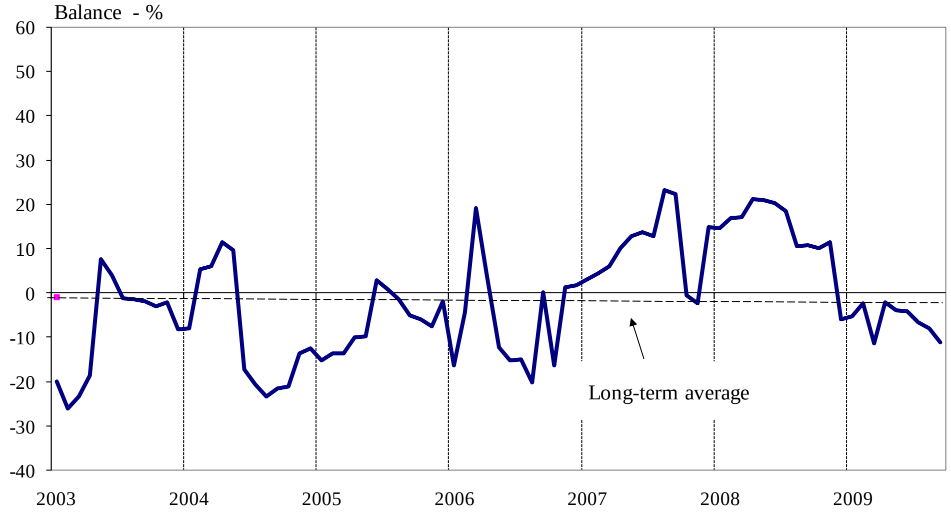


Figure 18. Factors limiting the activity in service sector (Relative share of enterprises - %)

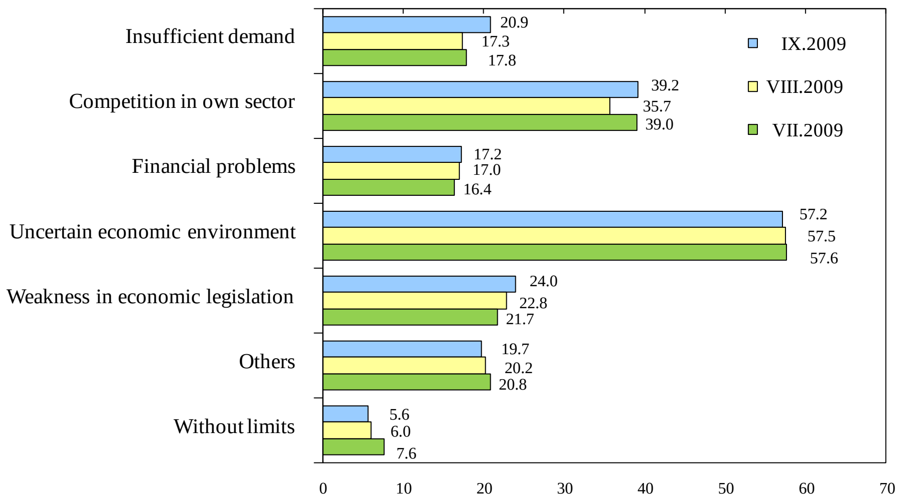
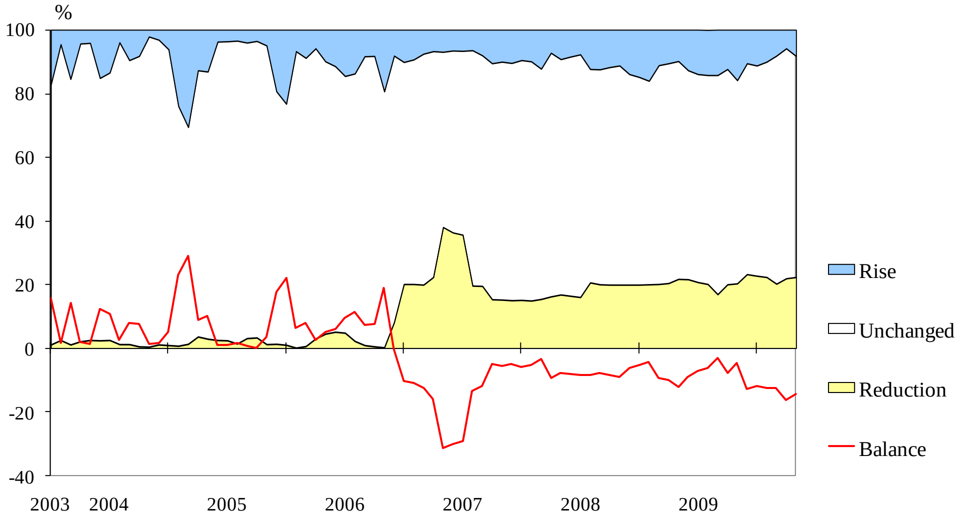


Figure 19. Price expectations in service sector over the next 3 months



[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.