

BUSINESS CONJUNCTURE

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

The total business climate indicator³ increases by 0.4 percentage points in comparison with October due to the better than the previous month business climate in the service sector and in industry (Figure 1).

Industry. In November the composite business climate indicator in industry increases by 1.0 percentage point in comparison with October, as over the last 4 months it has shifted in the positive direction by 3.7 percentage points from the lowest point registered since the autumn of the previous year when the negative development of the economic conjuncture began (Figure 2). The indicator's increase in the last month is due to the improved industrial managers' assessments of the present business situation of enterprises. At the same time the expectations about the business situation over the next 6 months are slightly worsened in comparison with October (a decrease of the balance indicator by 0.6 percentage points).

The entrepreneurs state of a reduction of the production activity in industry over the last 3 months (Figure 3). The expectations about the next 3 months are also more unfavorable in comparison with the opinions expressed in the previous month. The managers also expect a further reduction of the personnel.

The production assurance with both domestic and foreign orders has decreased in comparison with October (a decrease of the balance indicators by 5.3 and 2.7 percentage points respectively) (Figure 4), and the stocks of finished goods have slightly increased.

The uncertain economic environment is the factor with the strongest negative impact on the industrial enterprises activity. In November its negative influence is even stronger than the previous months of 2009. The 2nd and 3rd place continue to take the insufficient domestic and foreign demand, which in November are also more limiting to the production of enterprises in comparison with the previous month (Figure 5).

With regard to the selling prices in industry the expectations of about 80% of the enterprises are for the preservation of the present price level over the next 3 months. However over the last three months the share of those expecting a rise of prices has increased slightly.

Construction. In November the composite indicator of business climate in construction decreases by 2.9 percentage points in comparison with the previous month (Figure 6). The reduction is due mostly to the worsened assessments of construction entrepreneurs about the business situation in enterprises - the balance indicator decreases by 5.6 percentage points. In the managers' opinion the construction activity continues to shrink and the production assurance with orders - to worsen (Figure 7), and at the same time the expectations about the activity over the next 3 months are for the continuation of this negative tendency. The expectations of a reduction of employment are preserved.

The uncertain economic environment, the financial security and the insufficient demand continue to have the greatest weight among the reasons limiting the activity in the branch, as the negative influence of the three factors in November is strengthened (Figure 8).

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 12th consecutive month is negative (- 10.6%) (Figure 9).

Retail trade. In November 2009 the business conjuncture in retail trade compared to the previous month is preserved. The value of the composite indicator "business climate in

retail trade” remains approximately the same (Figure 10). According to the managers over the next 3 months is expected that the volume of sales and of orders placed with suppliers will be preserved.

The main factor limiting the activity of the enterprises is still the uncertain economic environment. The 2nd and 3rd place take the competition in the branch and the insufficient demand (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. In November in comparison with October the composite indicator “business climate in service sector” goes up by 2.6 percentage points (Figure 13) due to the slightly improved managers’ assessments of the present business situation in enterprises and to the more optimistic expectations about the business situation over the next 6 months. The demand of services over the last 3 months has decreased but the expectations about the next 3 months are more optimistic (Figure 14). The November inquiry registers a reduction of the personnel in the branch and an increase of the employment over the next 3 months is not expected.

In the long term the strongest factor limiting the activity of enterprises in the service sector is the competition in the branch but in the present situation it is pushed aside by the uncertain economic environment as a major difficulty (Figure 15).

The managers in the sector continue to expect a decrease of the selling prices over the next 3 months (Figure 16).

Figure 1. Business climate - total

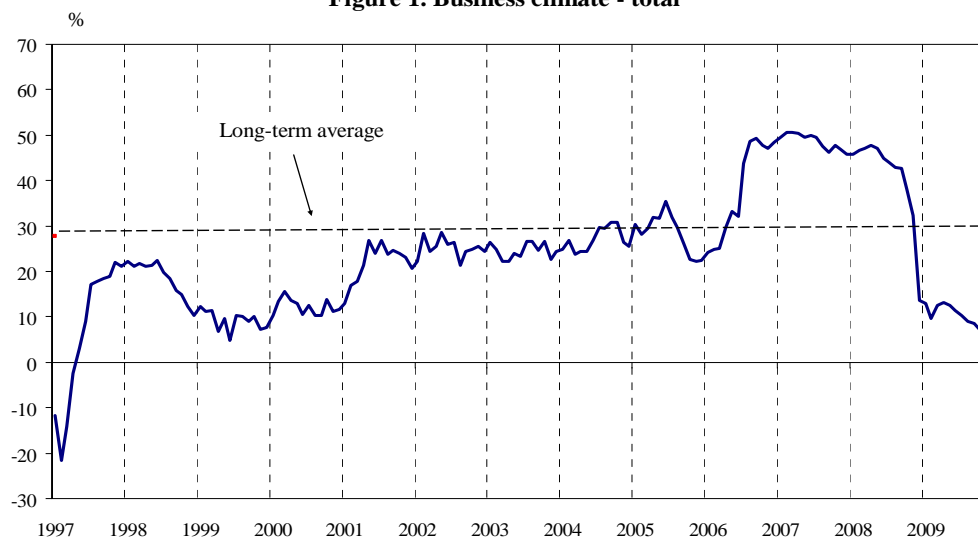


Figure 2. Business climate in industry

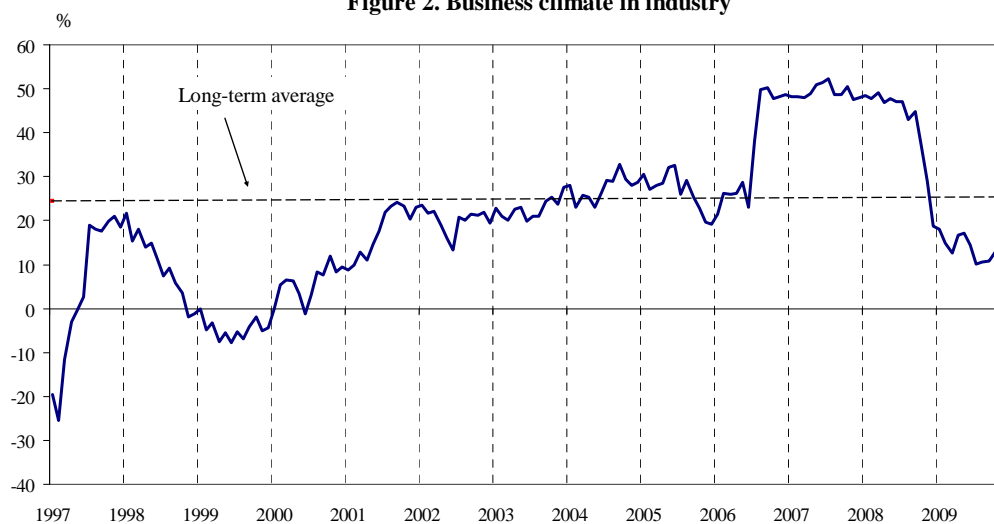


Figure 3. Present production activity in industry

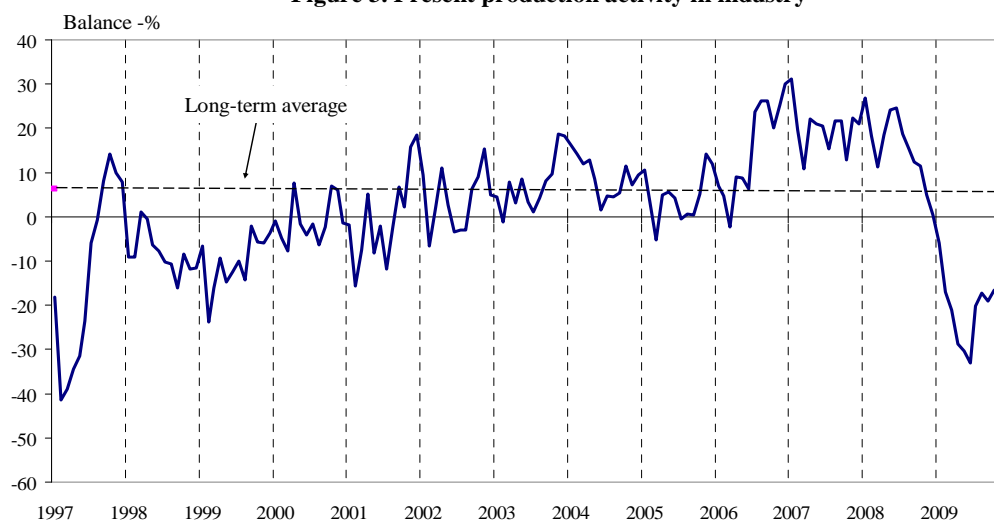
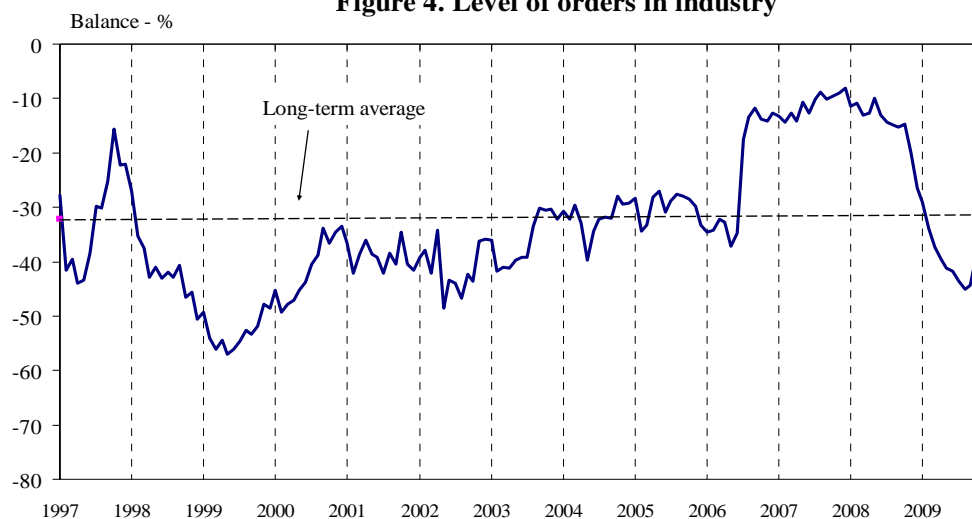


Figure 4. Level of orders in industry



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

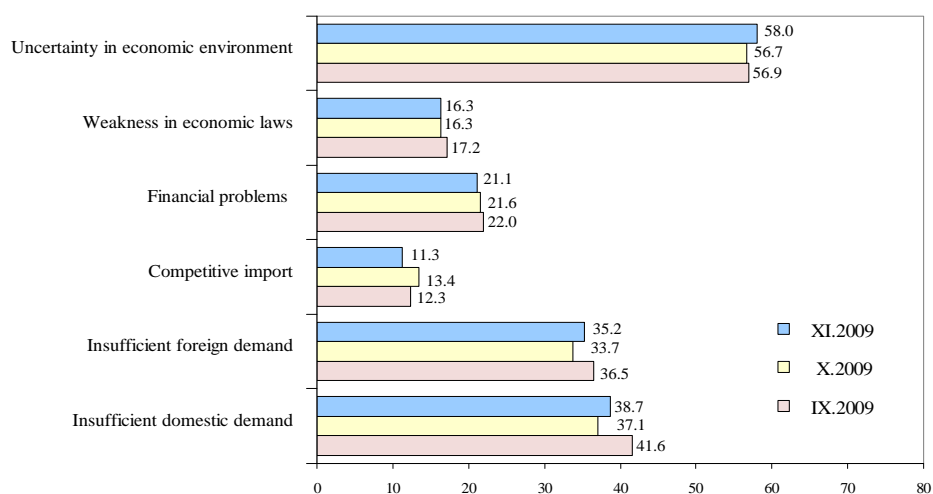


Figure 6. Business climate in construction

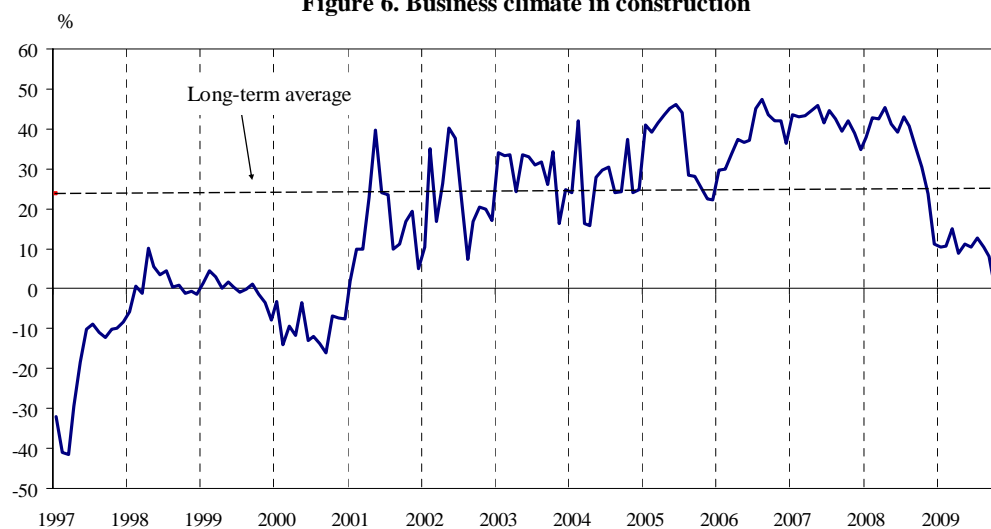
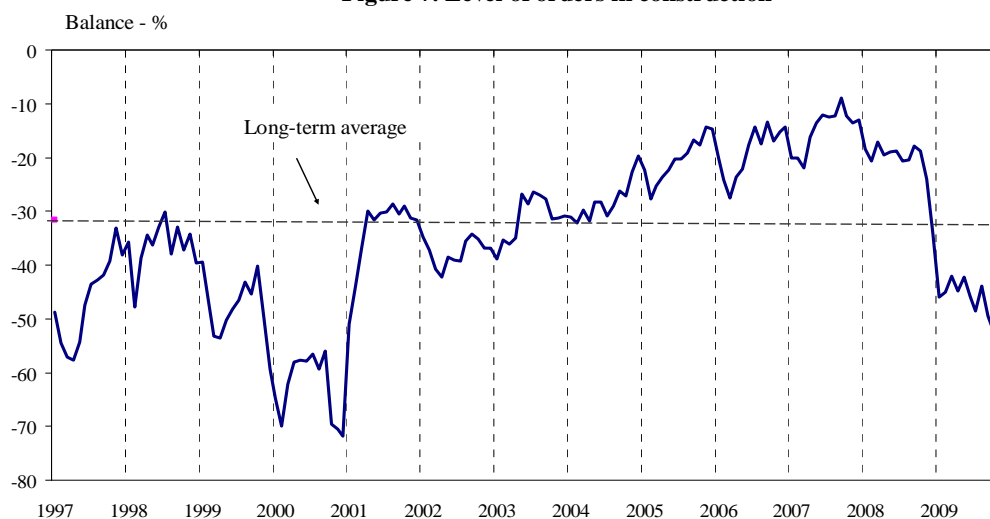
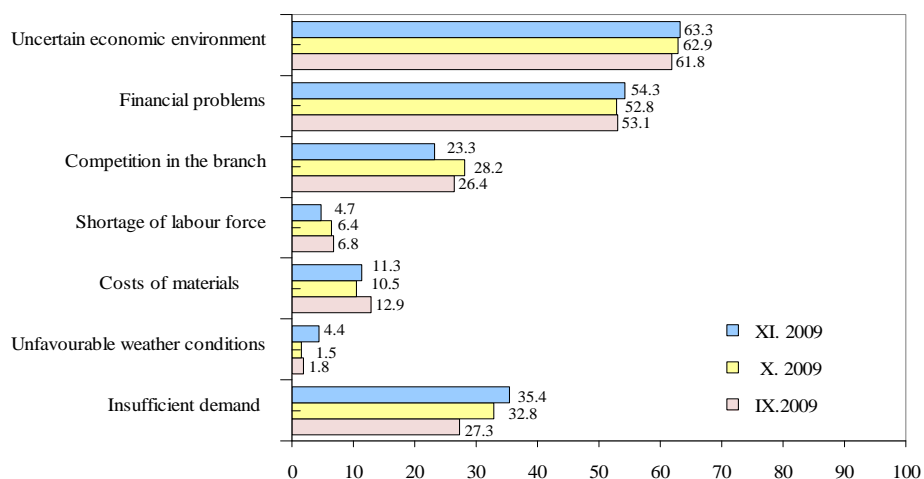


Figure 7. Level of orders in construction



**Figure 8. Limits to construction activity
(Relative share of enterprises - %)**



**Figure 9. Selling price expectations in construction
over the next 3 months**

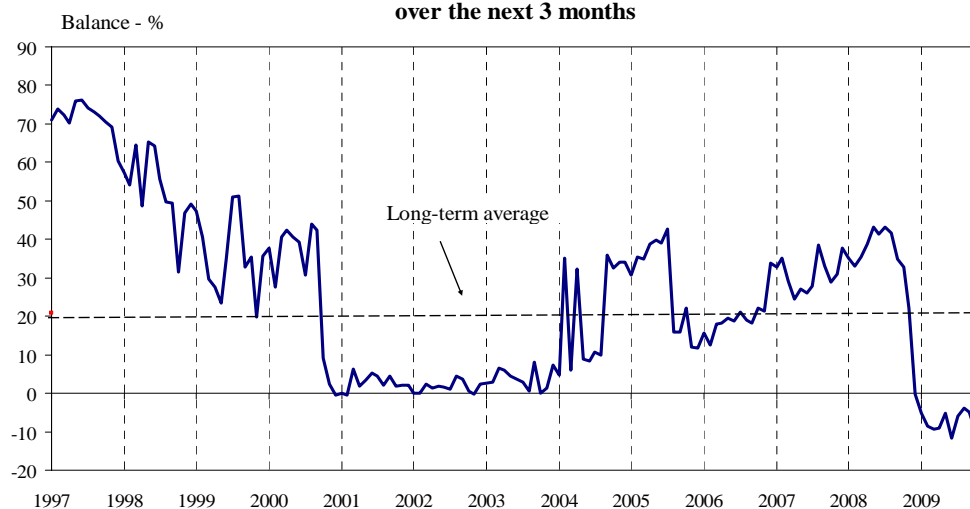


Figure 10. Business climate in retail trade

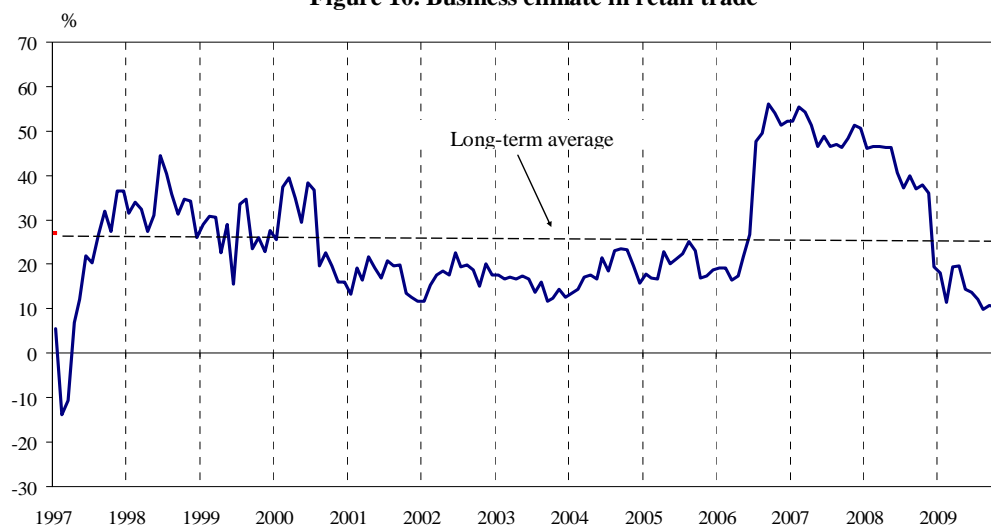


Figure 11. Factors limiting the improvement of the business situation in retail trade
(Relative share of enterprises - %)

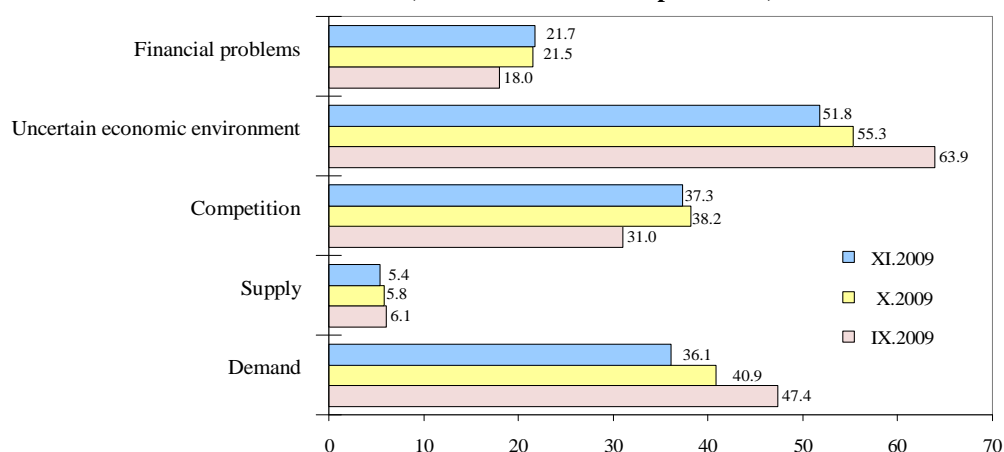


Figure 12. Selling price expectations in retail trade over the next 3 months



Figure 13. Business climate in service sector

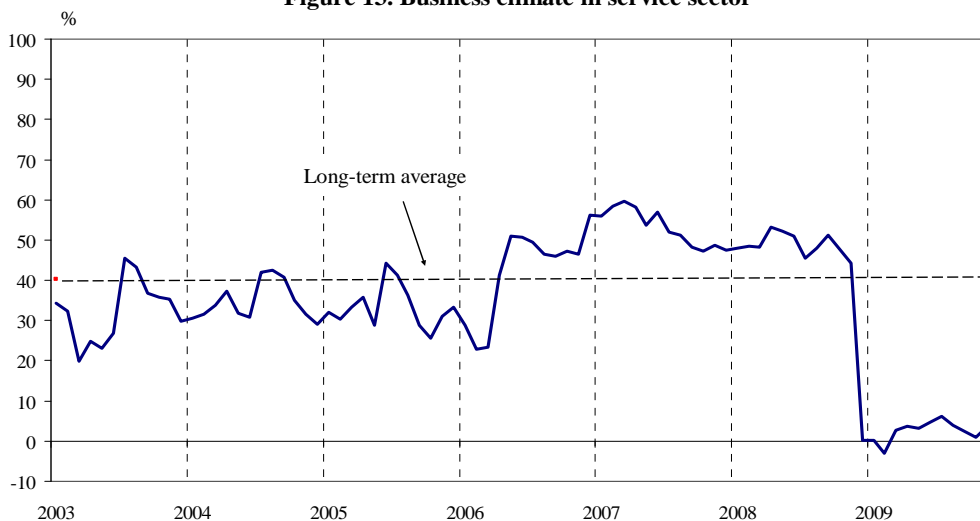


Figure 14. Expectations about the demand for services over the next 3 months



Figure 15. Factors limiting the activity in service sector (Relative share of enterprises - %)

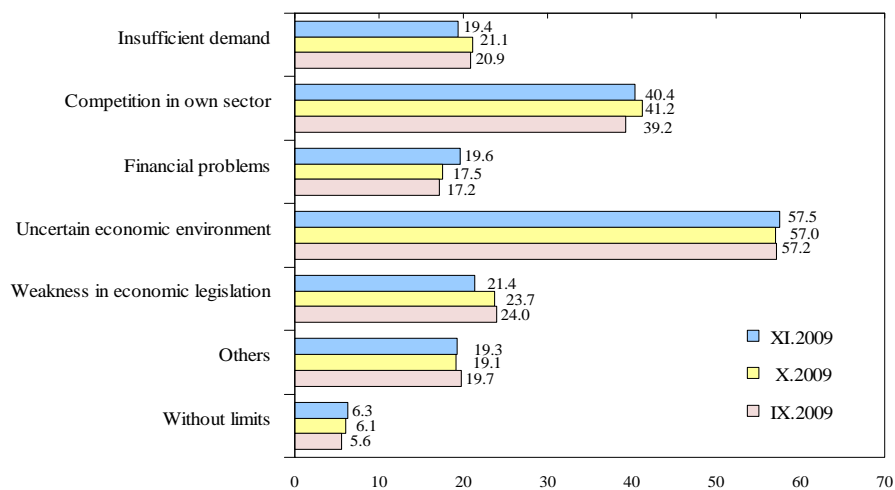
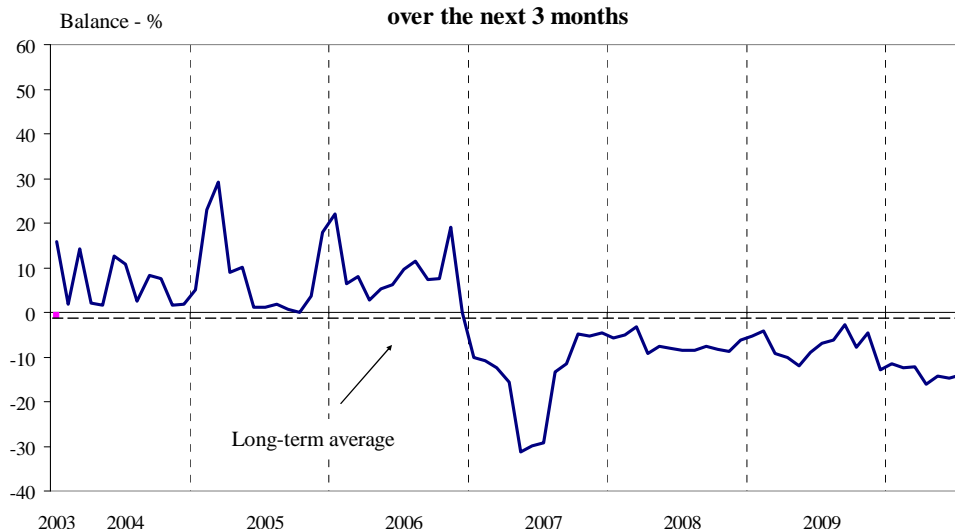


Figure 16. Price expectations in service sector over the next 3 months



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 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.