BUSINESS CONJUNCTURE

NSI BUSINESS SURVEYS [1,2], JANUARY 2009

After the observed more significant deterioration of economic conjuncture in the previous three months, in January 2009 the NSI business inquiries recorded a fall by 0.6 percentage points of the **total business climate indicator**[3], in comparison with December 2008. A small decrease was recorded in all surveyed sectors - industry, construction, retail trade and services.

Industry. In January 2009 the composite indicator of business climate in industry dropped by 0.6 percentage points as compared to December 2008. The opinions about the present business situation in enterprises were deteriorated in comparison with December 2008 by 10.1 percentage points but managers' expectations about the next 6 months were more favourable (a 7.6 percentage points improvement in the balance indicator).

The present production activity was assessed lower as compared to the previous month. At the same time the level of orders for domestic market and for export was also fallen. However for the next 3 months the enterprises foresaw a certain recovery of the activity.

The greatest weight among the reasons limiting the activity in the branch continued to be the uncertain economic environment, which had increased its negative impact, and the insufficient domestic and foreign demand.

In the period October 2008 - January 2009 the average capacity utilization in industry decreased by 3.9 percentage points and was assessed as 70.6%. The assessments about the competitive position of enterprises on domestic as well on the market inside and outside the EU-countries slightly worsened in comparison with three months before. At the same time the managers were also pessimistic disposed about the export over the next 3 months.

Concerning the selling prices, there were not expectations for their increase in the next months.

Construction. In January 2009 the composite indicator of business climate in construction continued to fall, but much slower - 0.6 percentage points in comparison with December 2008. The construction entrepreneurs' assessments about the business situation of the enterprises were by 7.8 percentage points lower, but at the same time the forecasts over the next 6 months were more optimistic. Such changes were observed in the assessments of the present and expected construction activity.

The last inquire registered an increase in the number of clients with delay in payments compared to the previous month. The production assurance with orders continued to decrease, and the expectations over the next 6 months were it to continue. A reduction of employment was also expected.

In January the uncertain economic environment was again the main factor, limiting at a great extent the construction activity. The number of enterprises with financial problems increased, and the negative influence of the unfavorable climatic conditions was strengthened.

The construction entrepreneur's forecasts concerning the prices in the branch were in a direction of their decrease.

Retail trade. In January 2009 the economic conjuncture in retail trade remained unfavorable, as after the fall of the composite indicator of business climate from 36.0% in November 2008 to 19.4% in December 2008, in January it continued to decrease, but only by 1.3 percentage points. The managers' assessments about the present business situation in enterprises were with increased pessimism in comparison with the previous month, but the expectations for the next six months were a certain improvement in the business conjuncture to occur. In the last three months the sales were slightly increased (by small reduction of current stocks). Compared to December 2008 a growth in the share of the retailers was observed, who prognosticated preserving the sales volume in the next three months, mainly at the expense of those, who foresaw its increase. In the same direction were also the changes in the expectations about the orders placed with suppliers and the personnel movement.

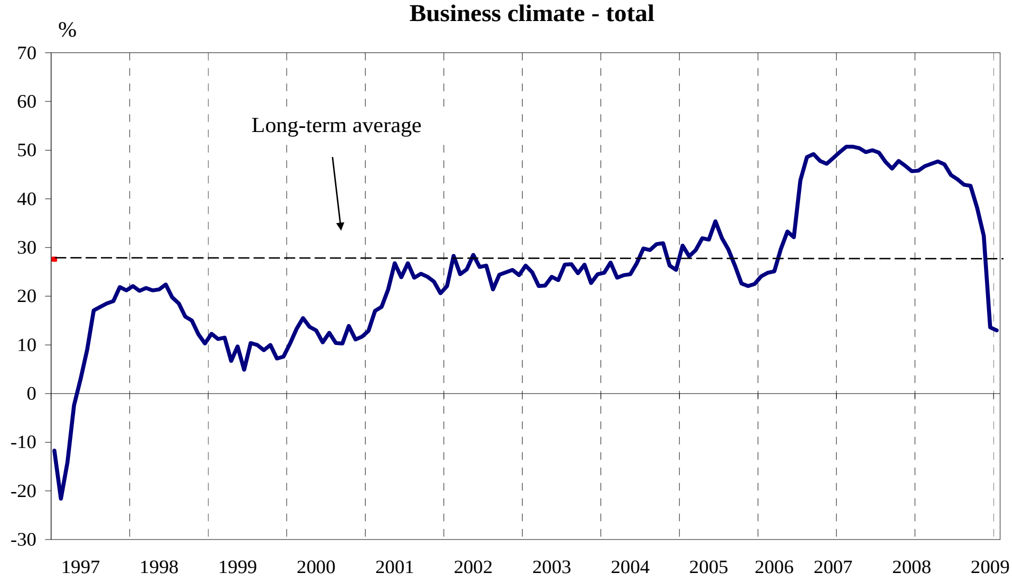
The uncertain economic environment, the demand and the competition in the branch were the main reasons for difficulties in the activity of enterprises. In January the negative effect of the financial problems in the retail enterprises and of the insufficient supply was also noticed at a bigger extent.

The prevailing expectations about the selling prices in retail trade were they to remain the same in the next three months, as towards December 2008 the enterprises, which considered that the prices would reduce, increased and as a result of that for the first time from the beginning of the survey the balance indicator registered a negative value (-2.1%).

Service sector[4]. In January 2009 the composite indicator "business climate in service sector" kept nearly its level of the previous month (0.2%). The manager's assessments about the present business situation in the enterprises and their forecasts about the development of their business over the next 6 months remained unchanged. On their opinion the present demand of services in the sector decreased and their expectations for the next 3 months showed that it would keep the same level (70.6% of the enterprises) or increase (14.2%). As regards the personnel, the managers foresaw a certain decrease.

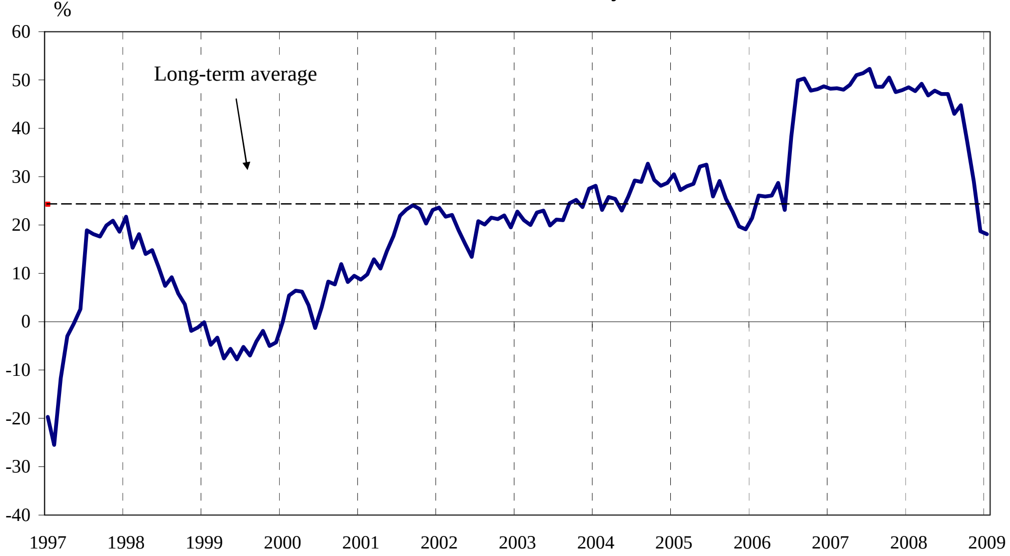
The competition in the branch continued to be the main factor limiting the activity of enterprises and at the same time in January the negative influence of the factor "weakness in economic legislation" strengthened.

As regards the selling prices in the service sector, the manager's prognosis (68.8% of them) was that they would remain unchanged over the next 3 months, 14.2% expected an increase and 17.0% – their decrease.

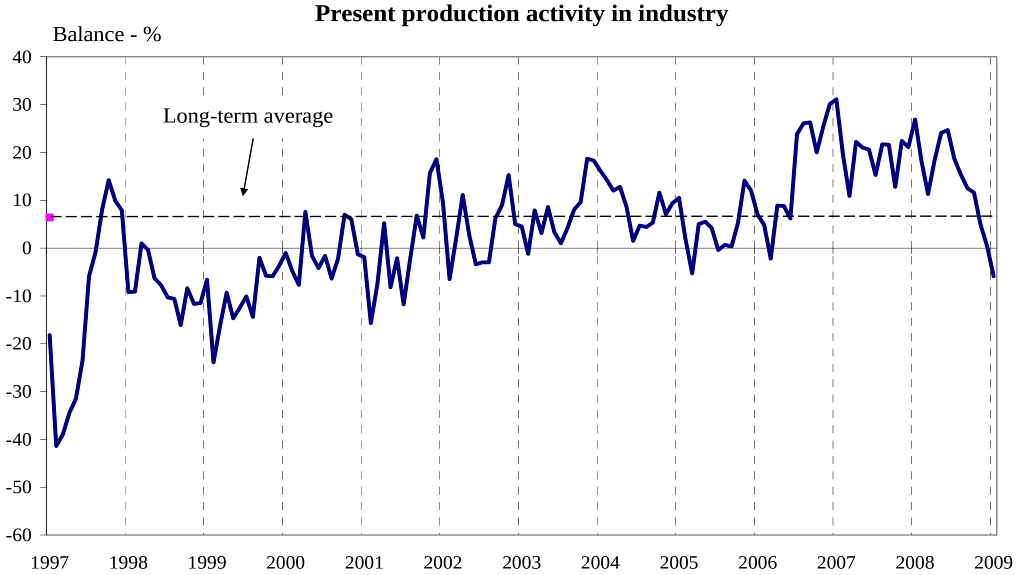


INDUSTRY

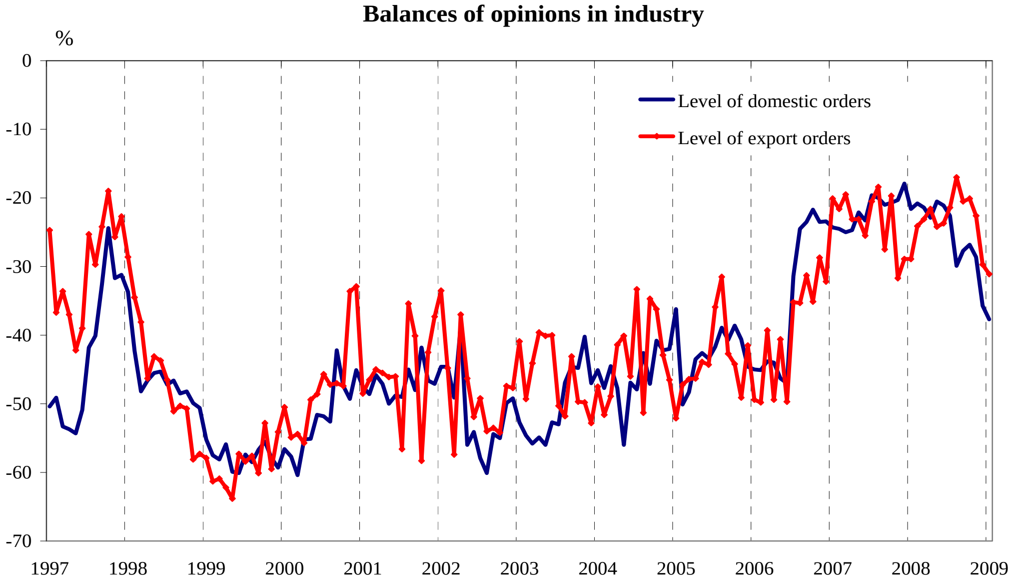
Business climate in industry



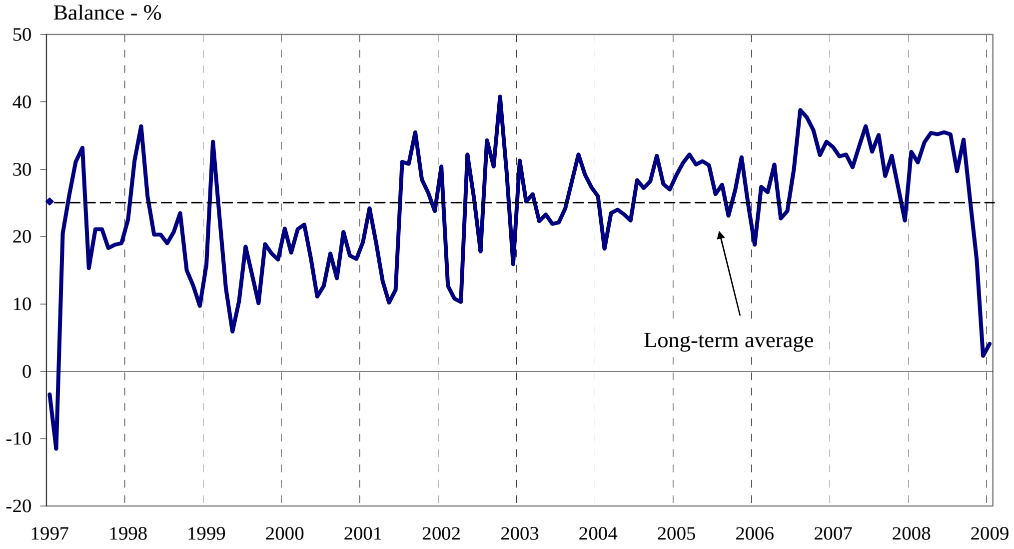
Present production activity in industry



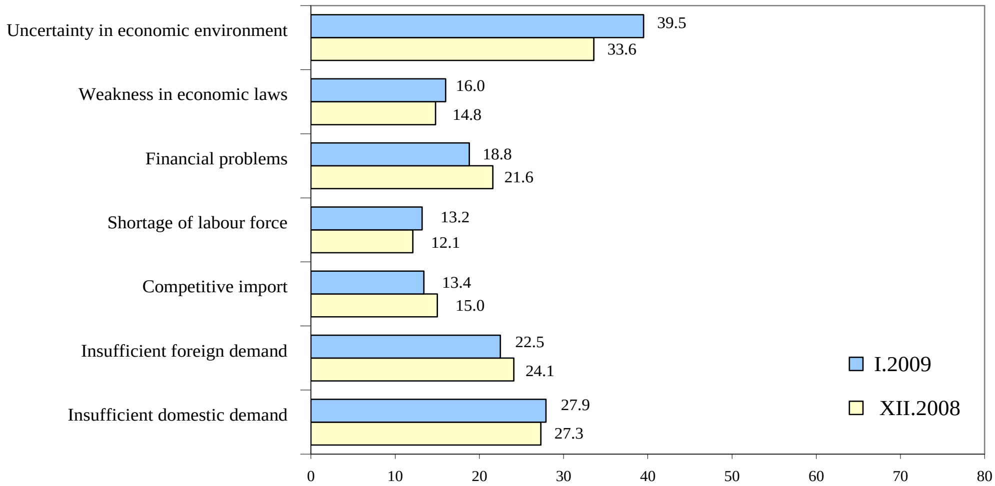
Balances of opinions in industry



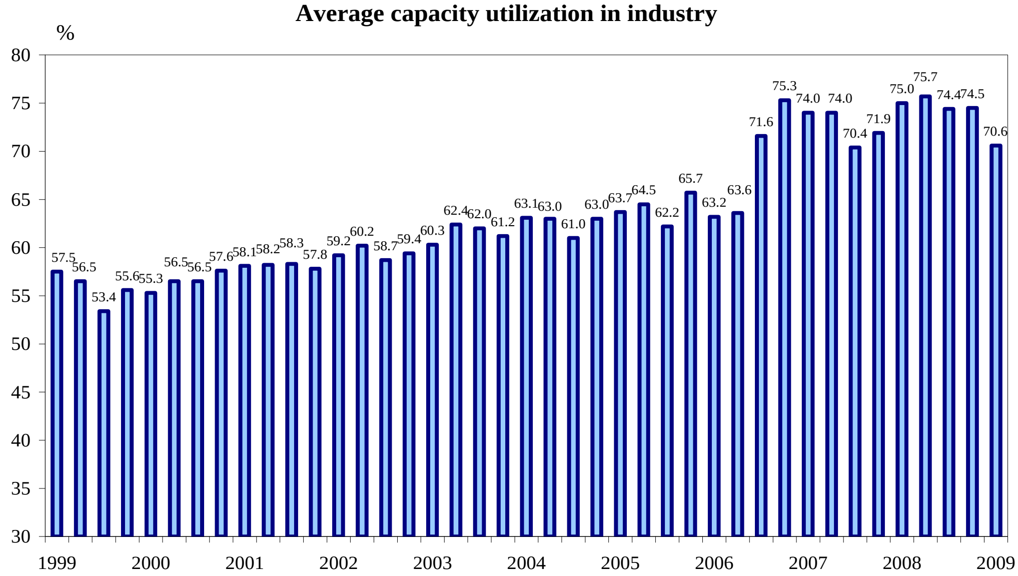
Expected production activity in industry over the next 3 months

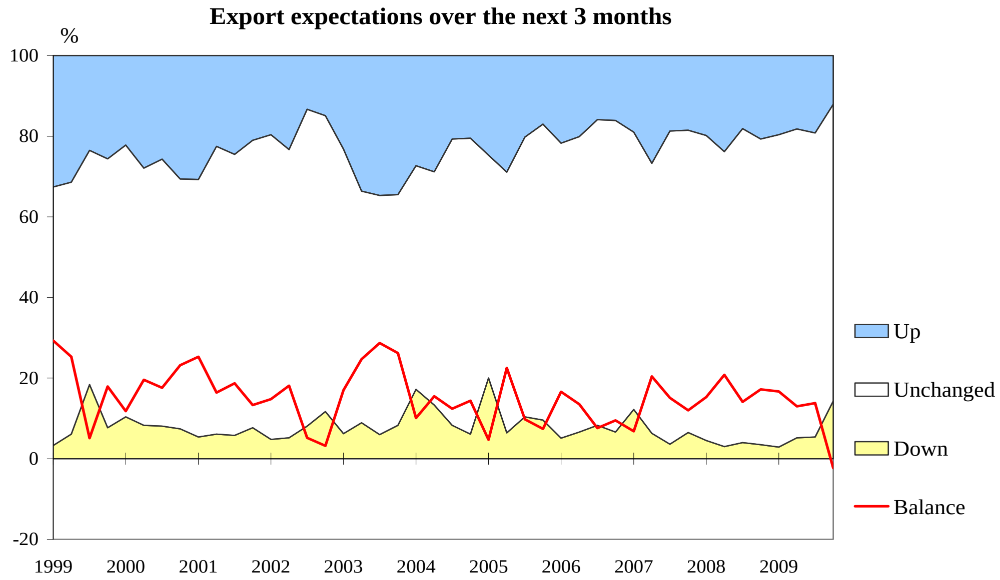


Limits to production in industry
(Relative share of enterprises - %)

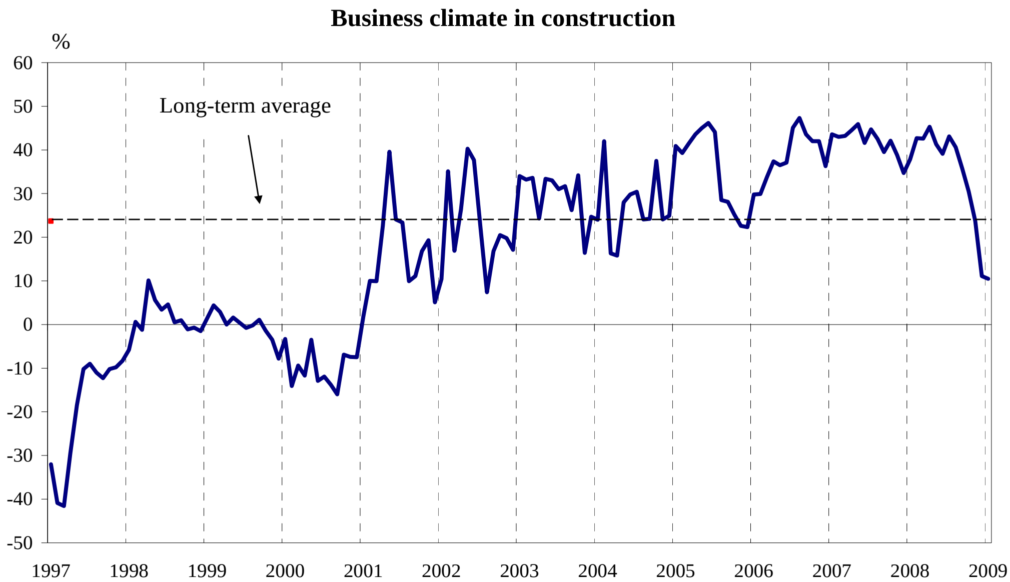


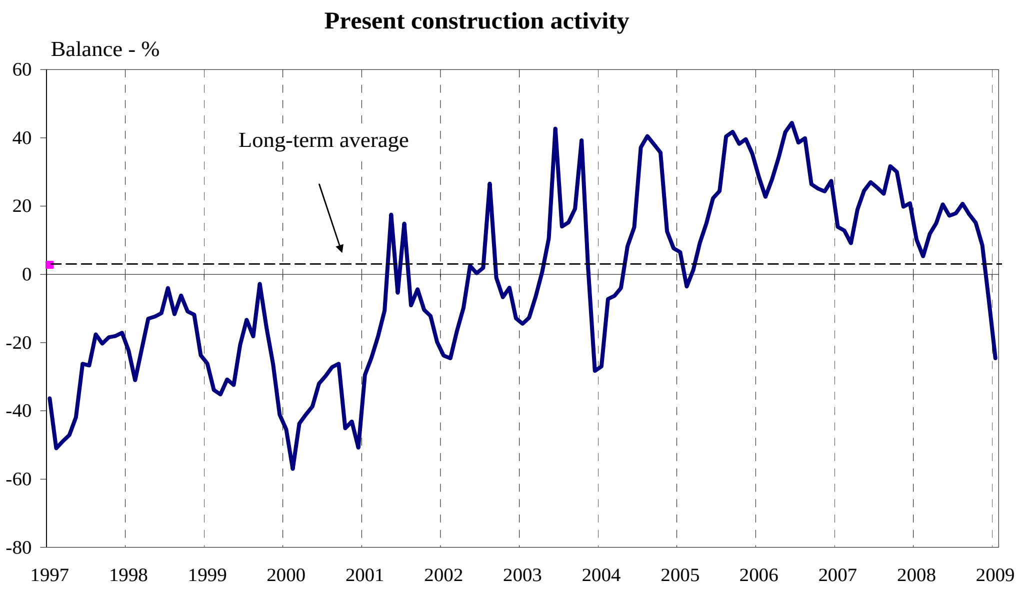
Average capacity utilization in industry



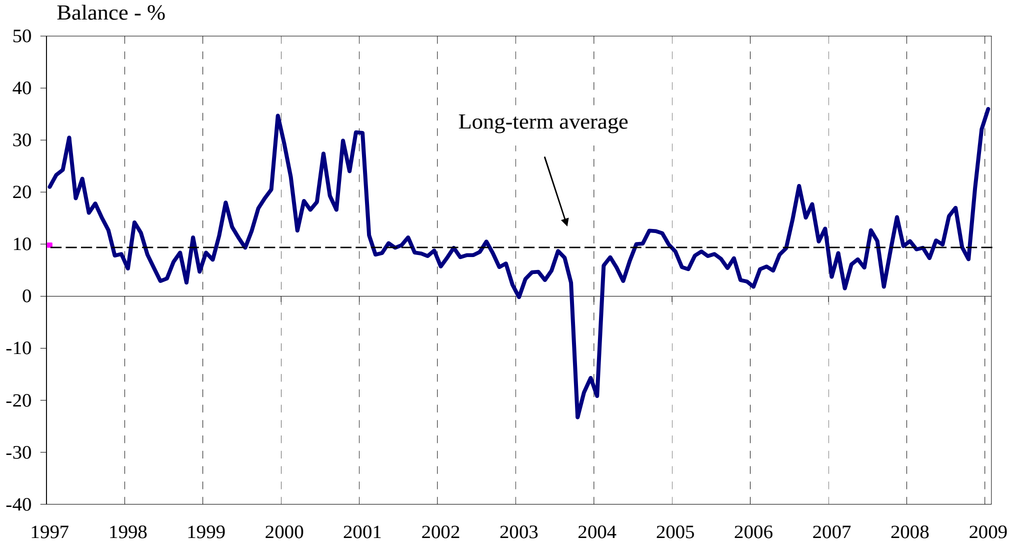


CONSTRUCTION

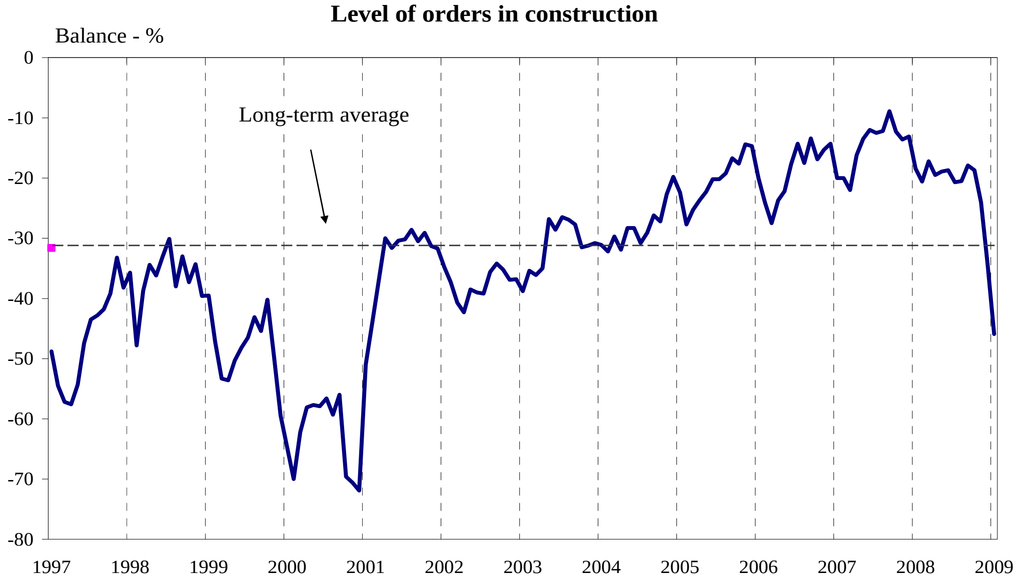




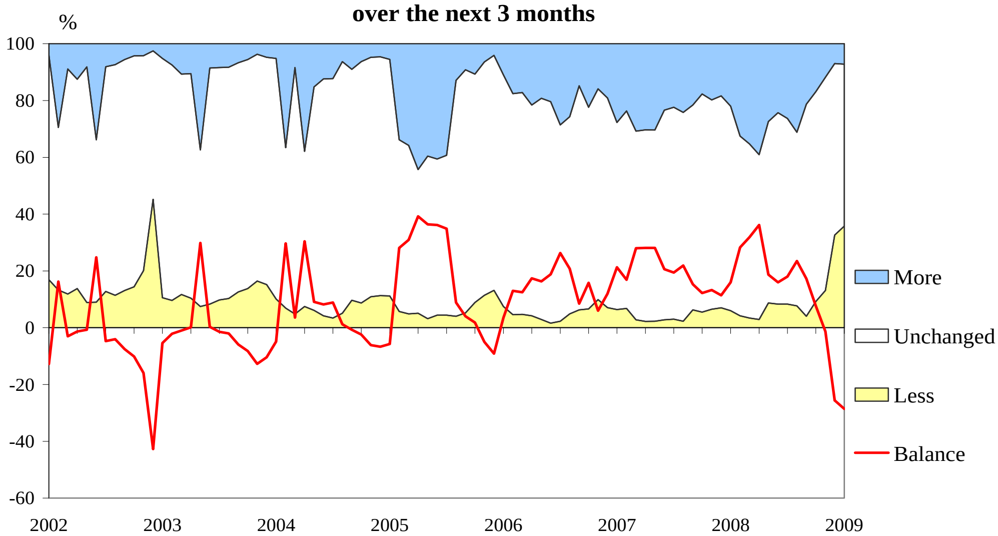
Clients with delay in payments in construction



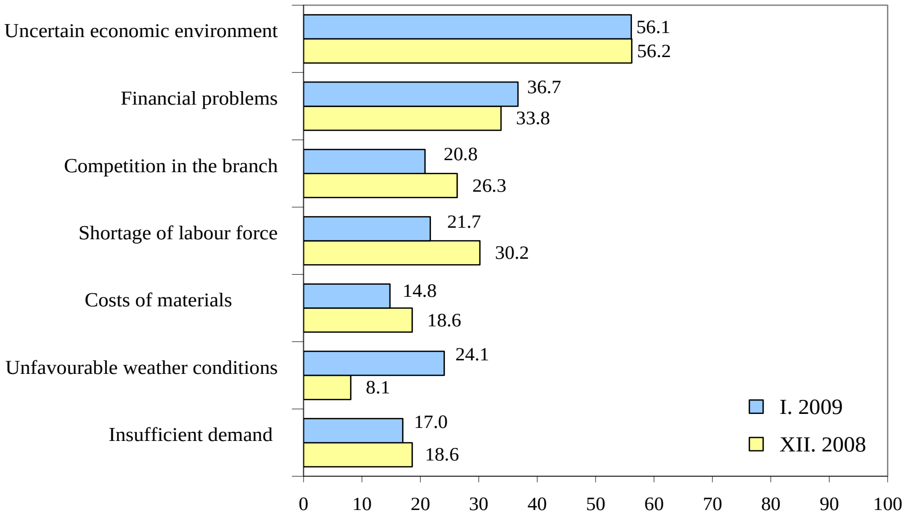
Level of orders in construction



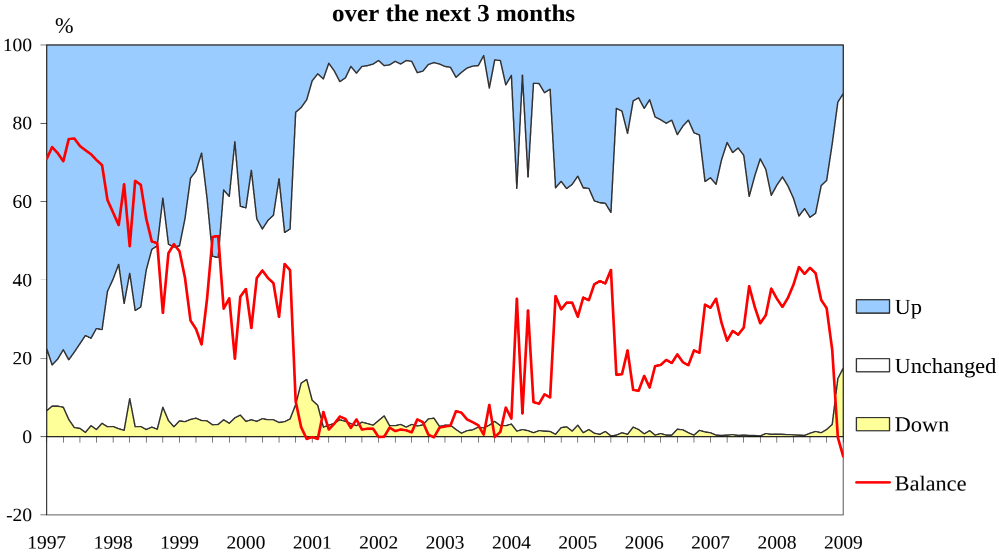
Employment expectations in construction over the next 3 months



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

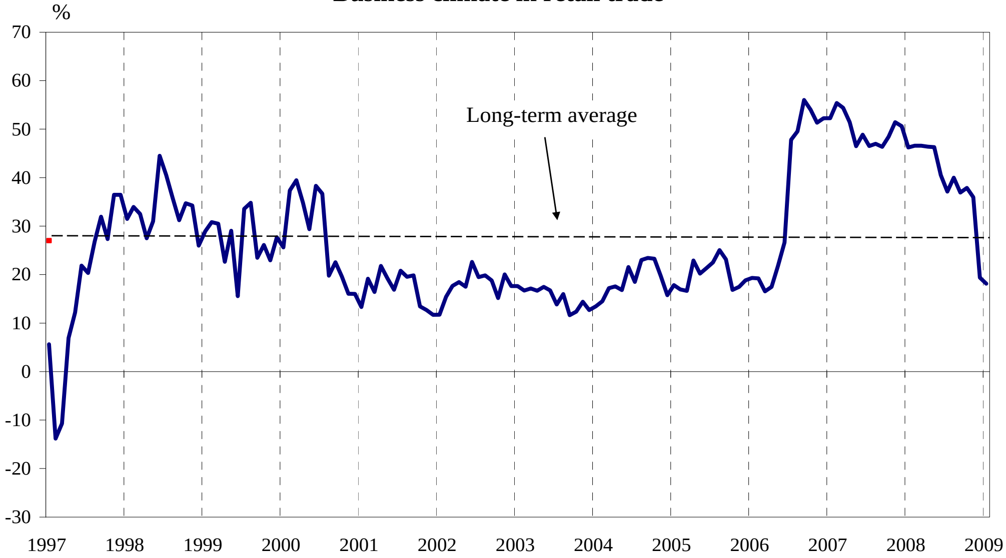


Selling price expectations in construction
over the next 3 months

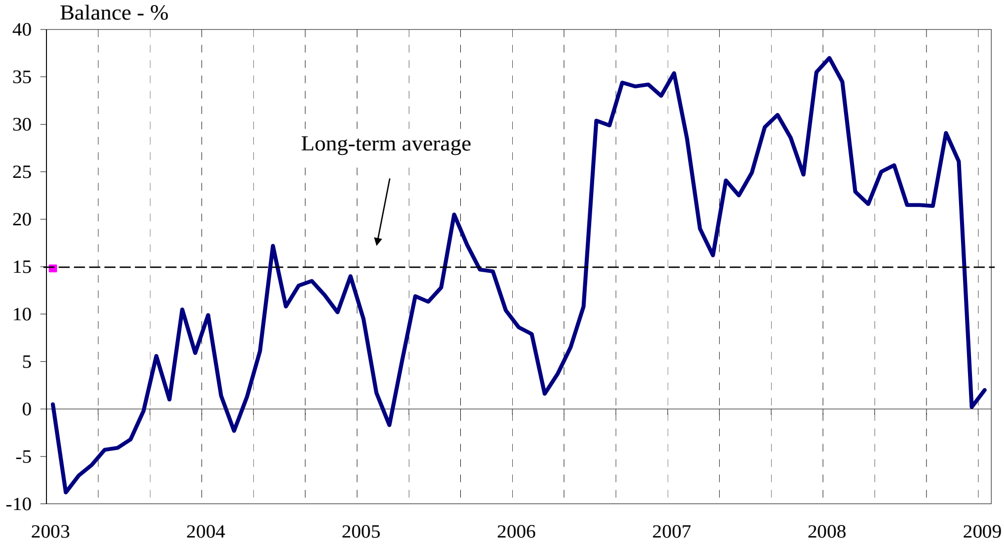


RETAIL TRADE

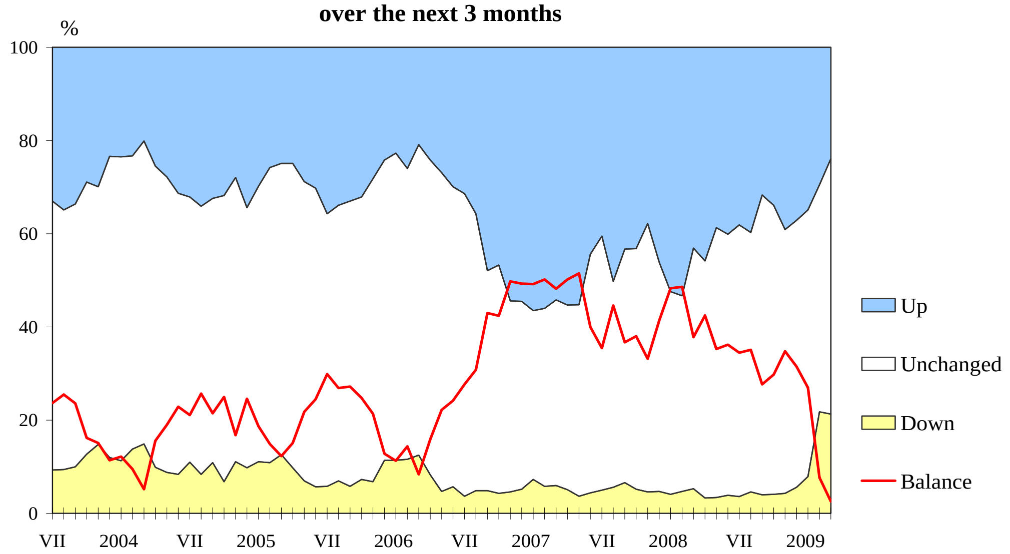
Business climate in retail trade



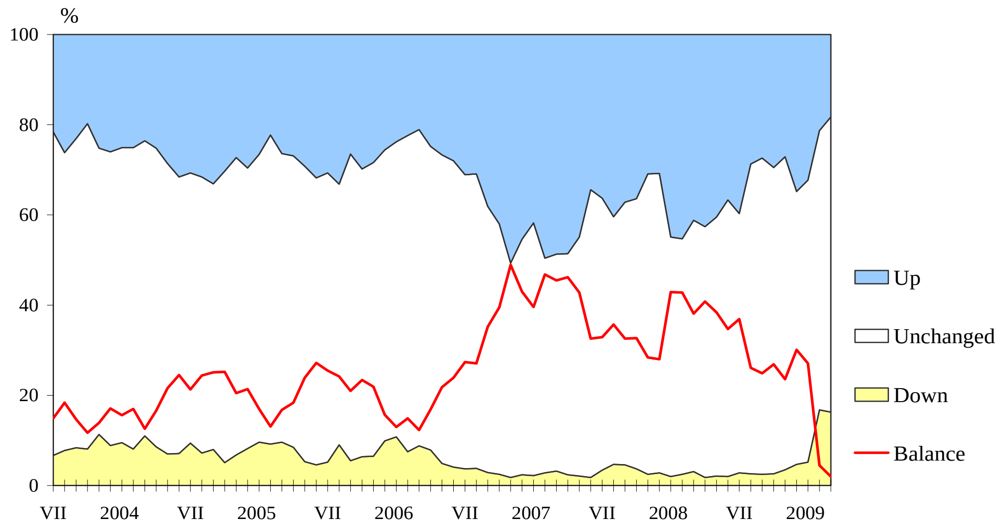
Sales in retail trade over the last 3 months



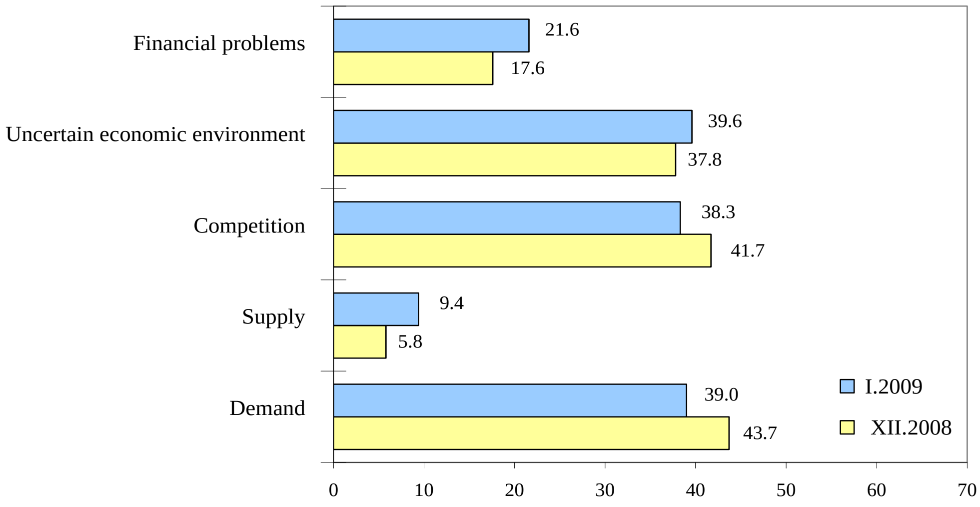
Sales expectations in retail trade over the next 3 months



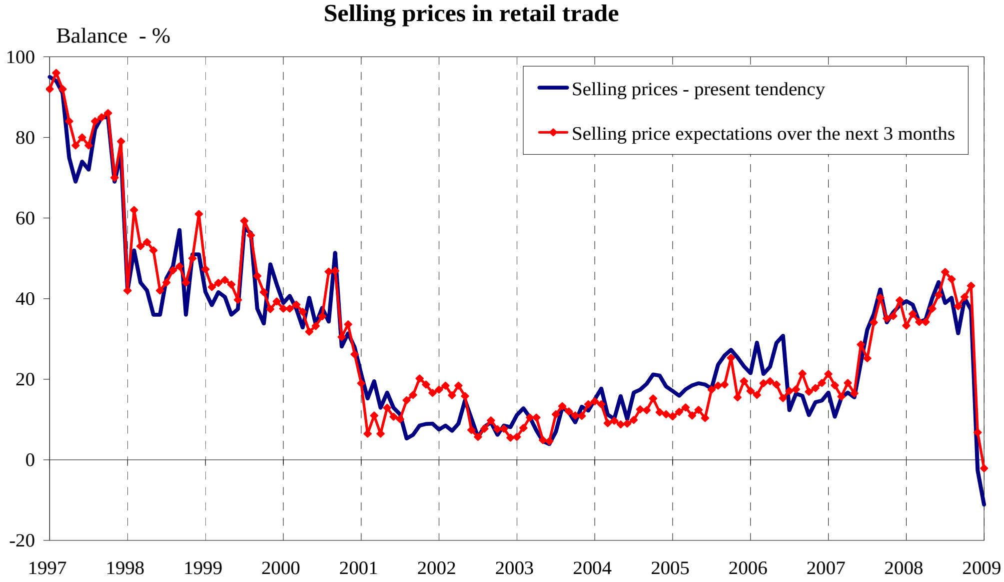
Orders placed with suppliers in retail trade over the next 3 months



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

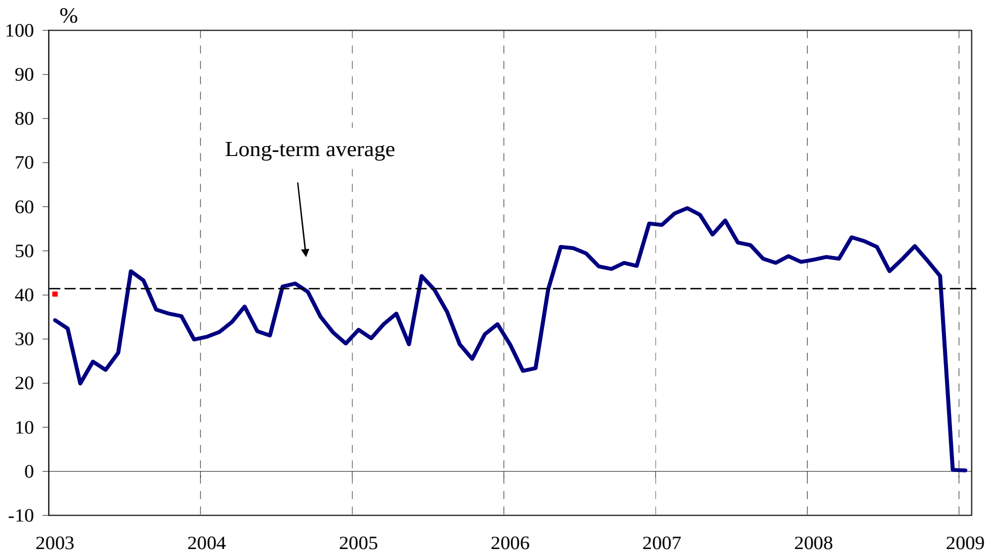


Selling prices in retail trade

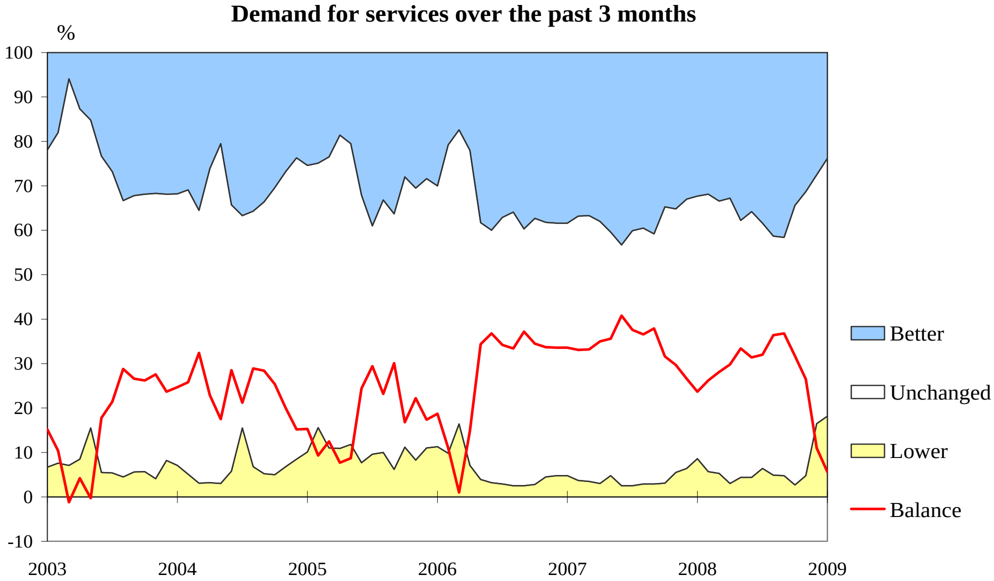


SERVICE SECTOR

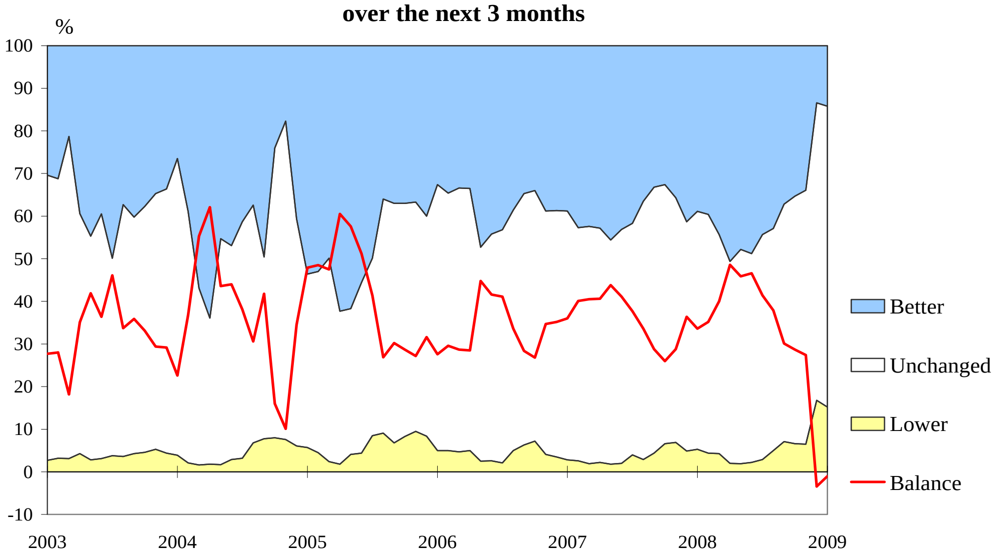
Business climate in service sector



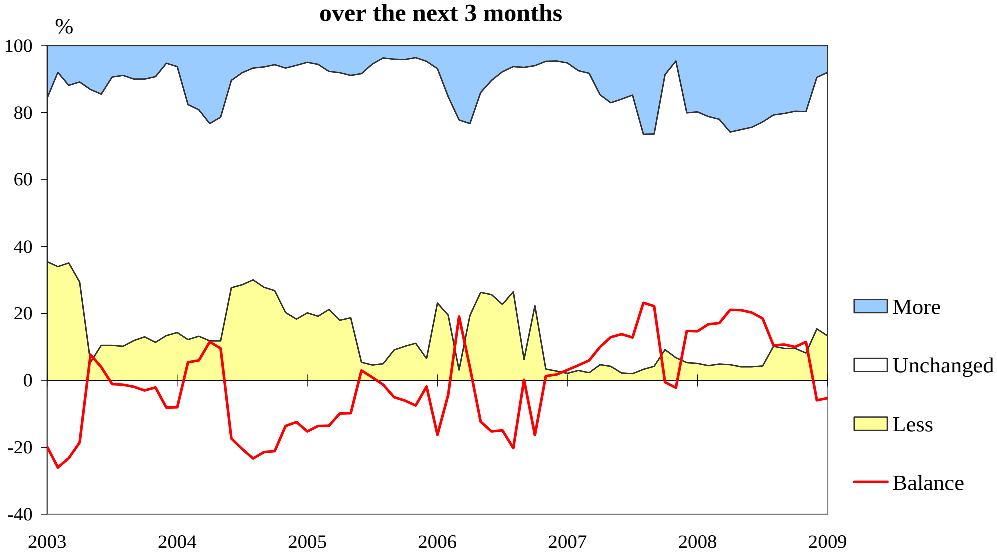
Demand for services over the past 3 months



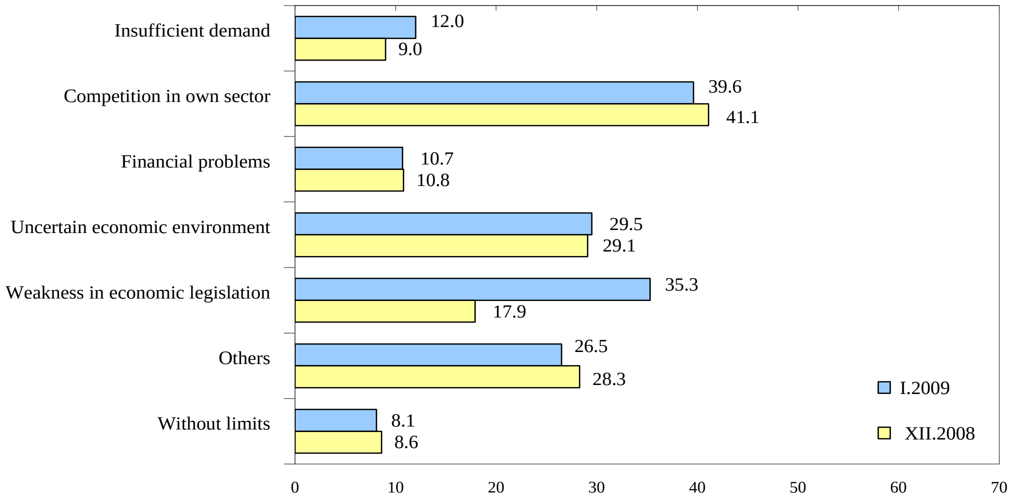
Expectations about the demand for services over the next 3 months



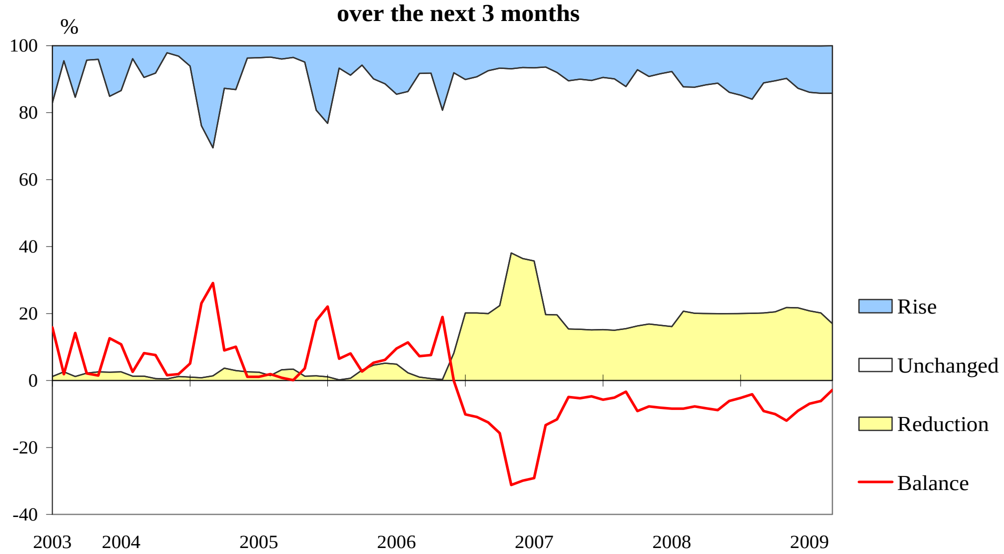
Employment expectations in service sector over the next 3 months



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



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.