

BUSINESS CONJUNCTURE

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

In August 2009 the **total business climate indicator**³ decreases by 1.3 percentage points in comparison with the previous month and records its lowest level (9.0 percentage points) since the beginning of the negative development of the business conjuncture in the country in October 2008 (Figure 1).

Industry. The August inquiry registers slightly better assessments of the present business situation of the industrial enterprises which improve the level of the business climate indicator only by 0.3 percentage points (Figures 2 and 3). The managers state of a decreased production activity but the decrease rate is lower than the previous months (Figure 4). There is a certain improvement of the balance indicator of the expected production activity due to a shifting of the prognoses from “decrease of the production activity” to its preservation during the next 3 months. However the production assurance with orders continues worsening. The uncertain economic environment, the insufficient domestic and foreign demand continue to be the major factors hindering the activity in the industrial sector as in August the negative impact of the first 2 factors intensifies (Figure 5).

With regard to the selling prices in industry, the expectations are for the preservation of their level over the next 3 months (Figure 6).

Construction. In August 2009 the composite business climate indicator in construction decreases by 2.3 percentage points in comparison with July (Figure 7) due to an increase in pessimism of the managers’ expectations about the business situation of the enterprises during the next 6 months (a decrease of 5.5 percentage points of the balance indicator). The present construction activity is assessed as decreased and at the same time the prognoses about the next 3 months are not for an increase.

In August the inquiry registers a slight improvement of the production assurance with orders and a decrease of the number of clients with delay in payments (Figure 8).

According to the managers the main factors limiting their activity continue to be the uncertain economic environment and the insufficient financial security (Figure 9).

The enterprises that expect 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 9th consecutive month is negative (- 3.8%) (Figure 10).

Retail trade. The composite indicator “business climate in retail trade” is 2.4 percentage points lower than the level in July (Figure 11). The decrease is due mostly to the more moderate managers’ assessments of the present business situation of enterprises. In their opinion the volume of sales over the last 3 months has decreased which is accompanied by lowered expectations about the orders placed with suppliers during the next 3 months (Figure 12).

In August the negative influence of the uncertain economic environment and the competition in the branch is increased and the insufficient demand continues to be a serious problem for the activity of the enterprises (Figure 13).

With regard to the selling prices in retail trade the expectations are for the preservation of their level during the next 3 months (Figure 14).

Service sector⁴. In August the composite business climate indicator in the service sector decreases by 2.3 percentage points in comparison with July (Figure 15) which is due to the more unfavourable assessments of the present business situation of enterprises and to

the more pessimistic expectations about the next 6 months (Figure 16). According to the managers' evaluations the present service demand in the branch has also decreased and the expectations of the greatest share of enterprises about the next 3 months are for the preservation of its level. The expectations of decreasing the number of employed persons over the next 3 months are intensified.

The most important problem for the activity of the enterprises continues to be the uncertain economic environment which puts aside all the other problems (Figure 17).

In comparison with July the entrepreneurs in the service sector continue to expect a decrease of the price level during the next 3 months (Figure 18).

Figure 1. Business climate - total

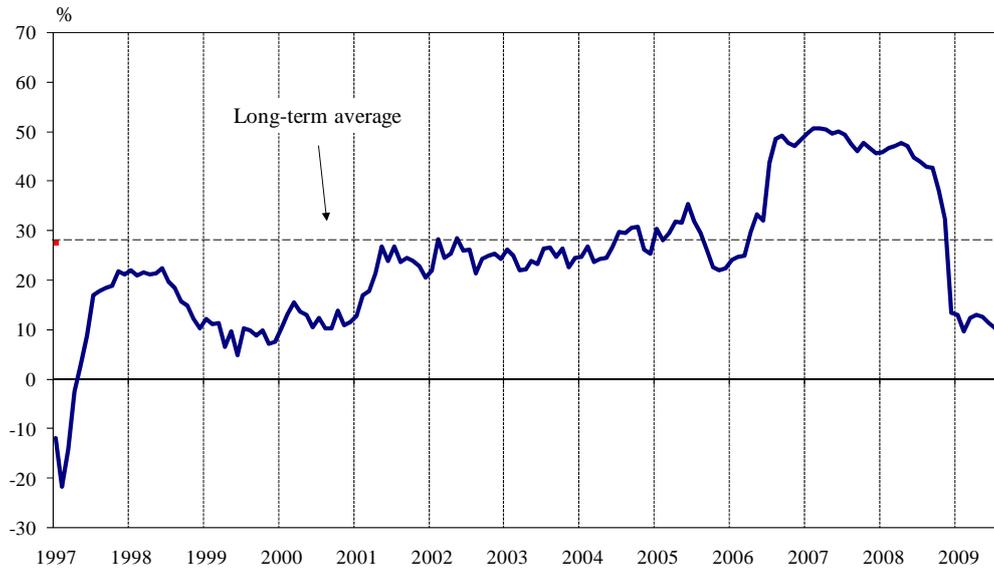


Figure 2. Business climate in industry

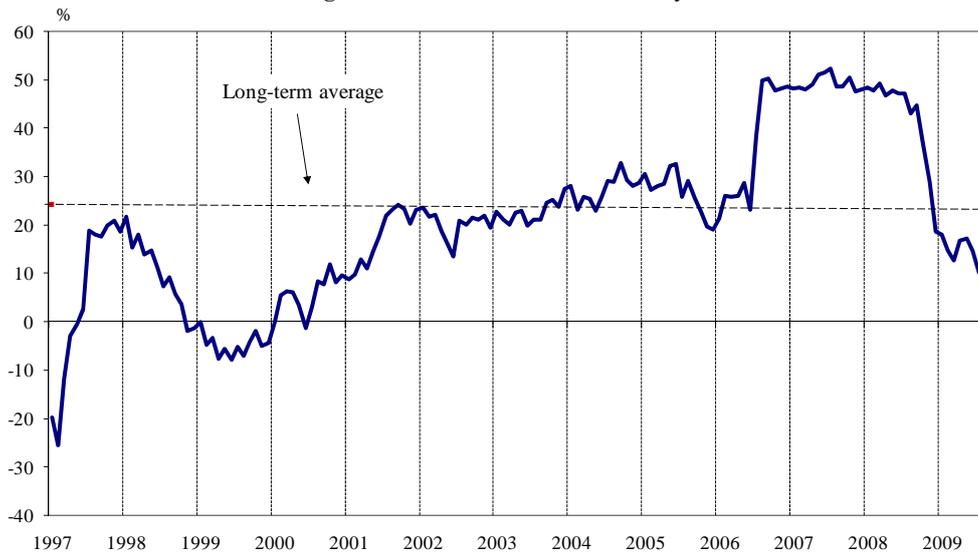


Figure 3. Present bussiness situation in industry

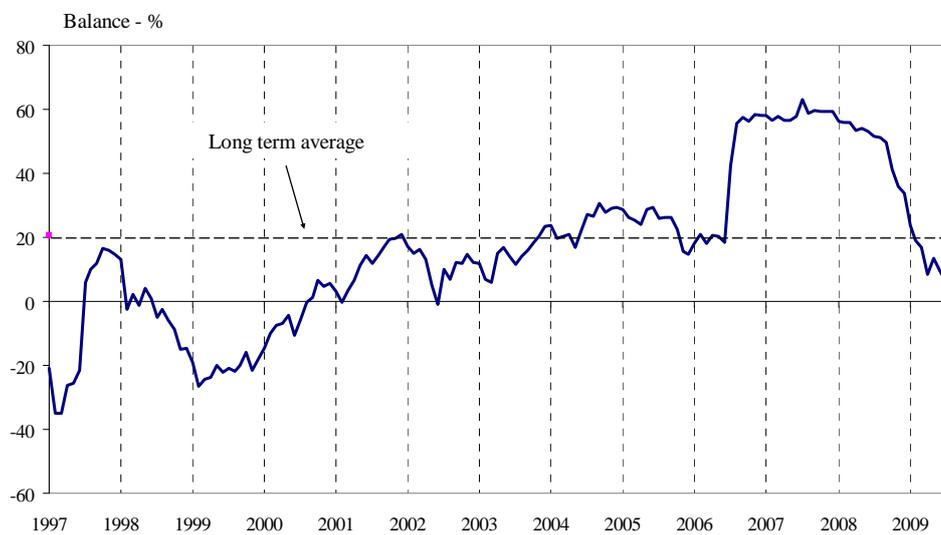
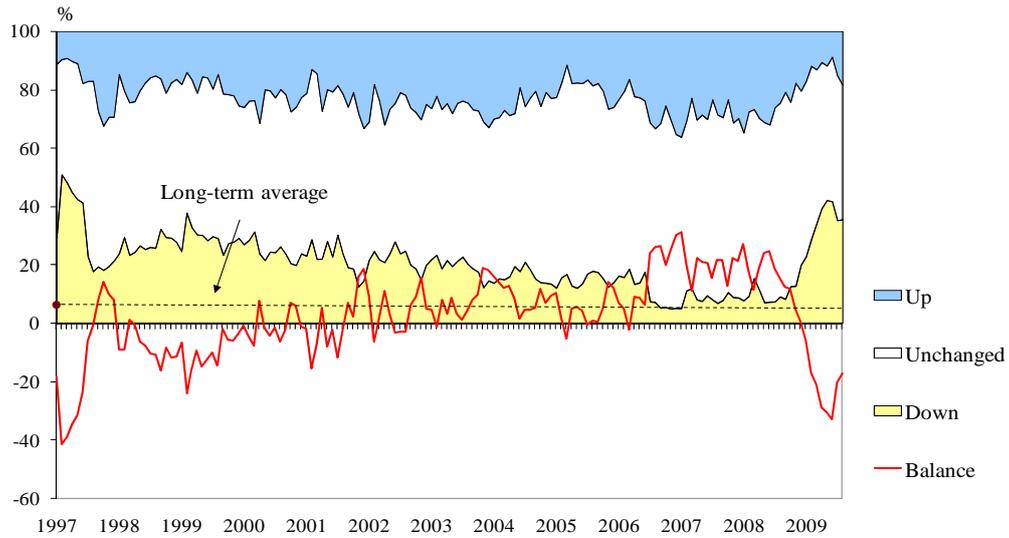
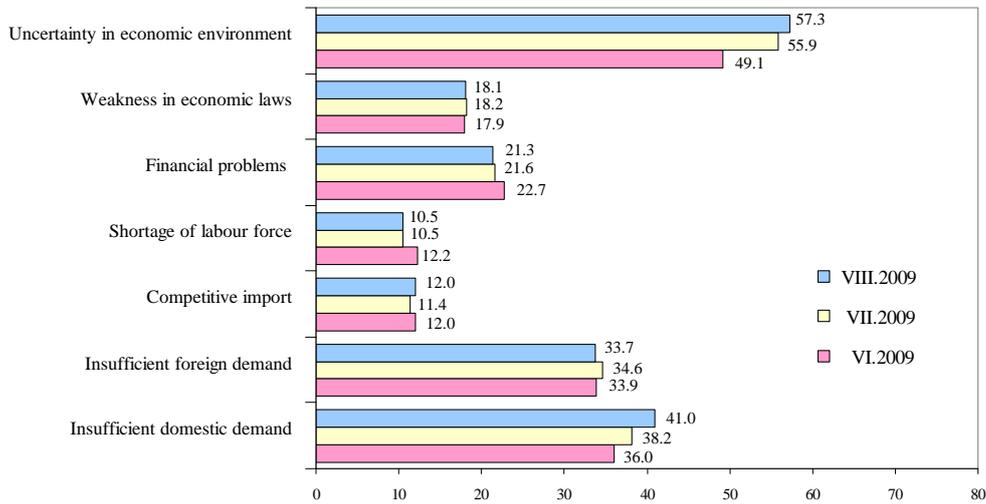


Figure 4. Present production activity in industry



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



**Figure 6. Selling price expectations in industry
over the next 3 months**

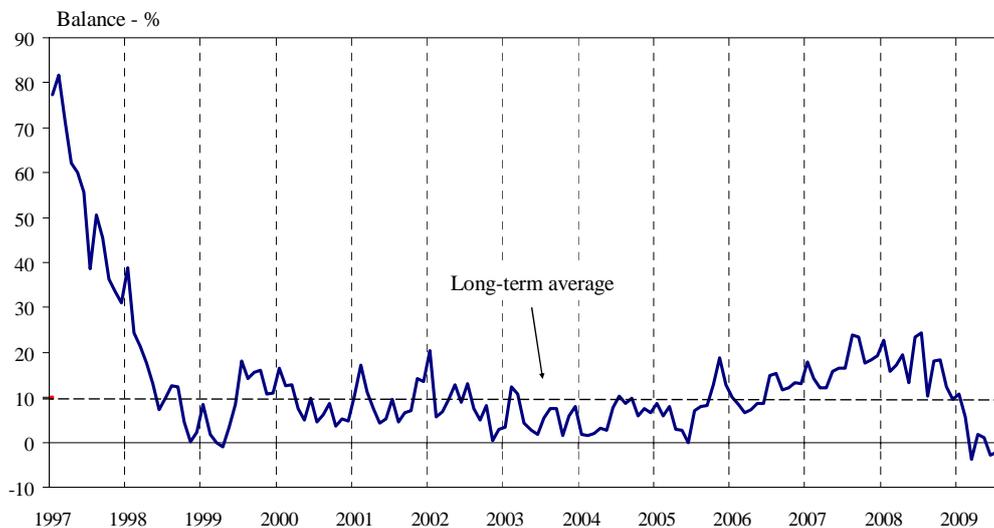


Figure 7. Business climate in construction

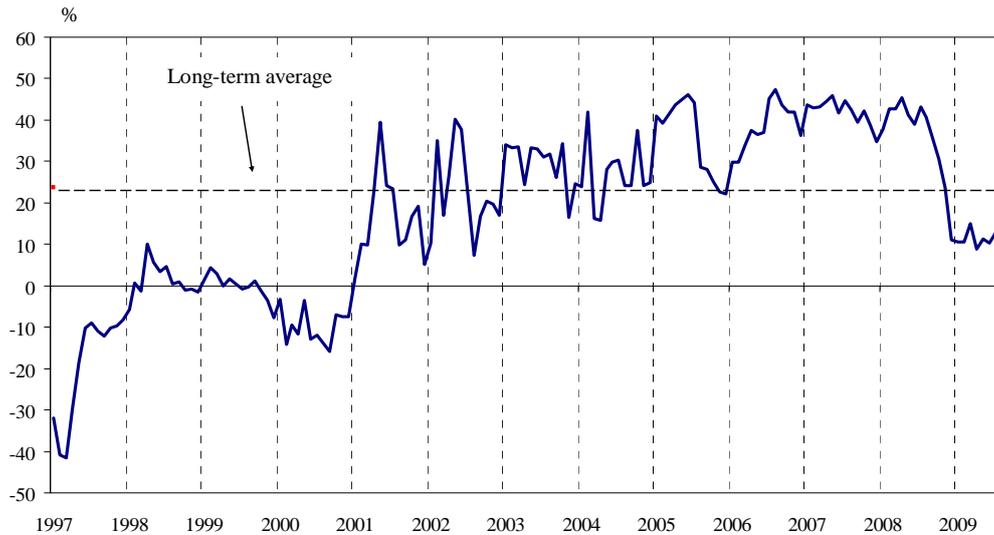
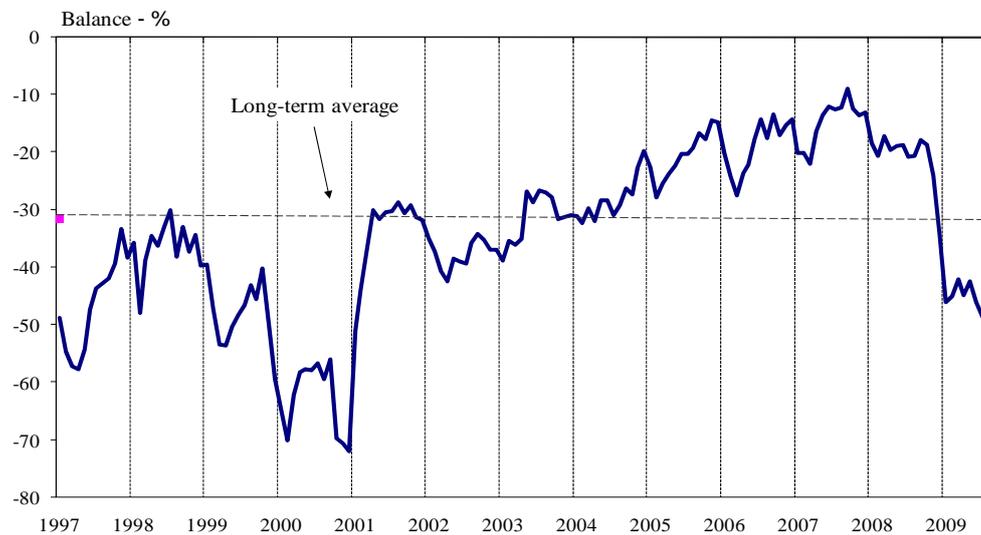


Figure 8. Level of orders in construction



**Figure 9. Limits to construction activity
(Relative share of enterprises - %)**

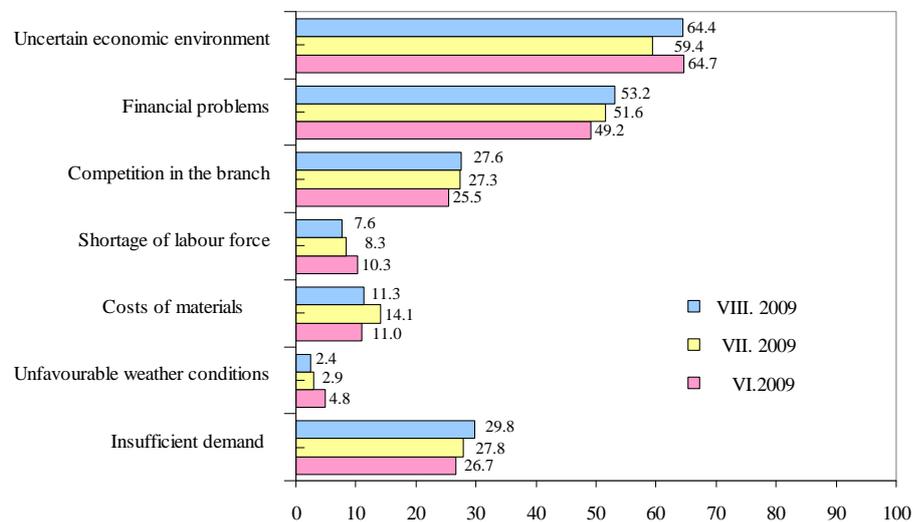


Figure 10. Selling price expectations in construction over the next 3 months

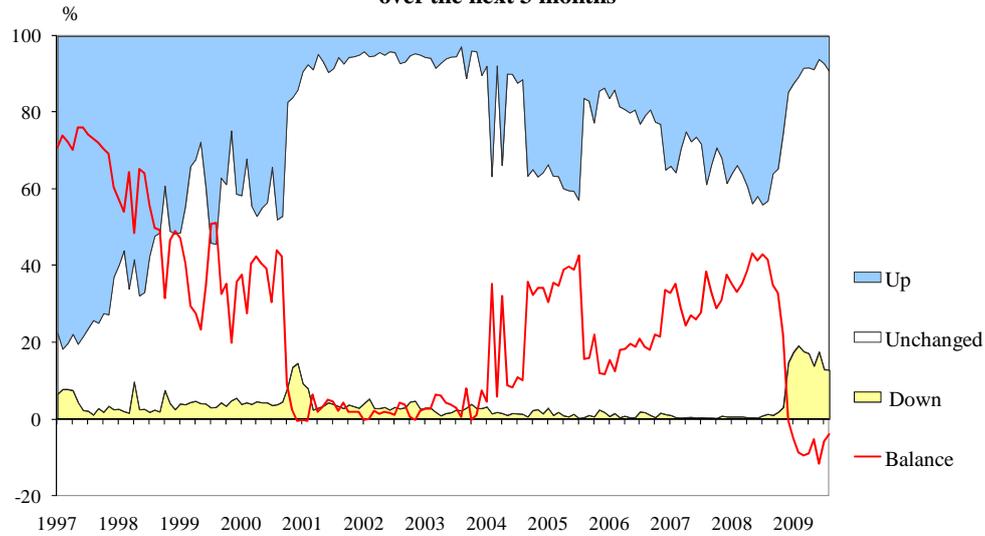


Figure 11. Business climate in retail trade

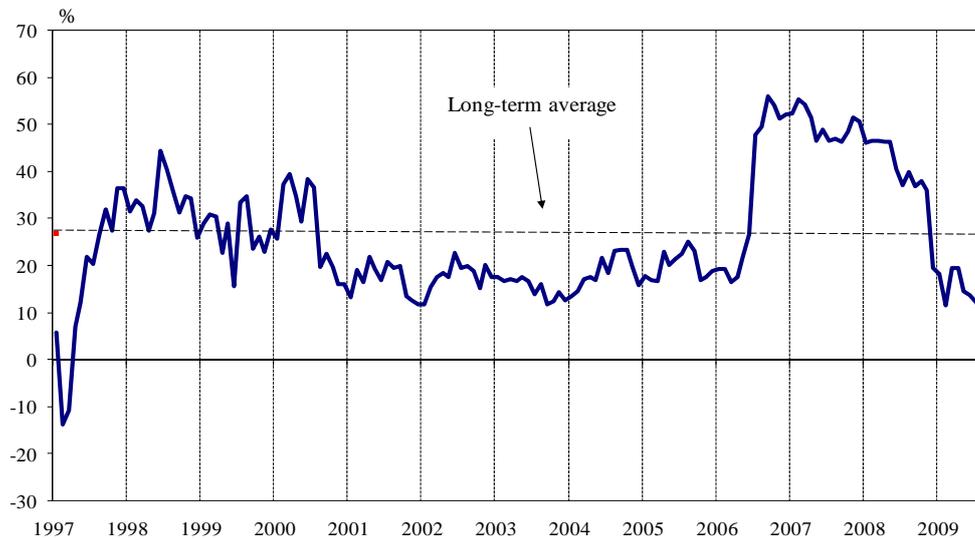
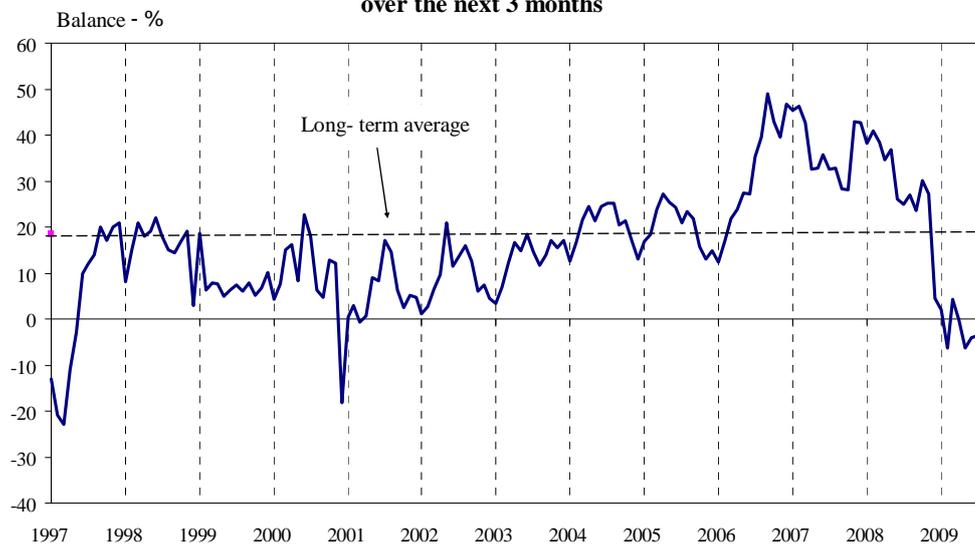


Figure 12. Orders placed with suppliers in retail trade over the next 3 months



**Figure 13. Factors limiting the improvement of the business situation in retail trade
(Relative share of enterprises - %)**

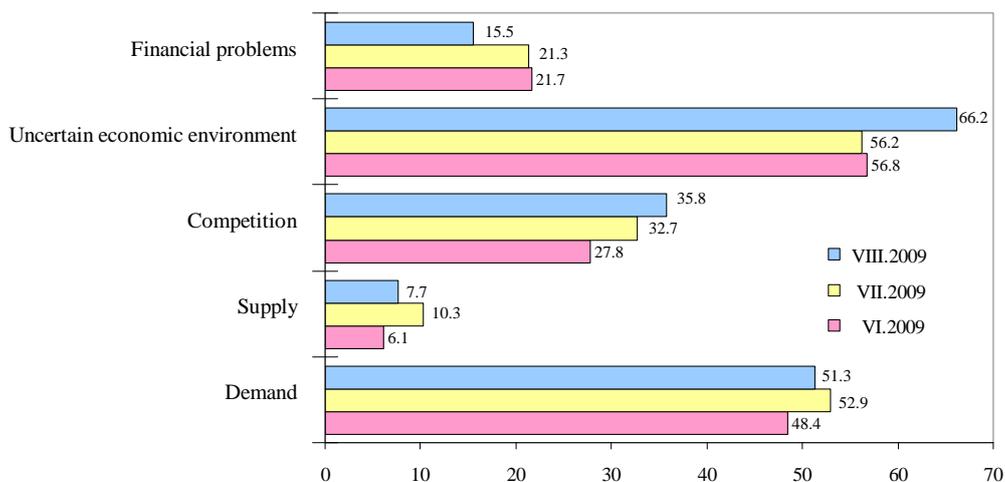


Figure 14. Selling price expectations in retail trade over the next 3 months



Figure 15. Business climate in service sector

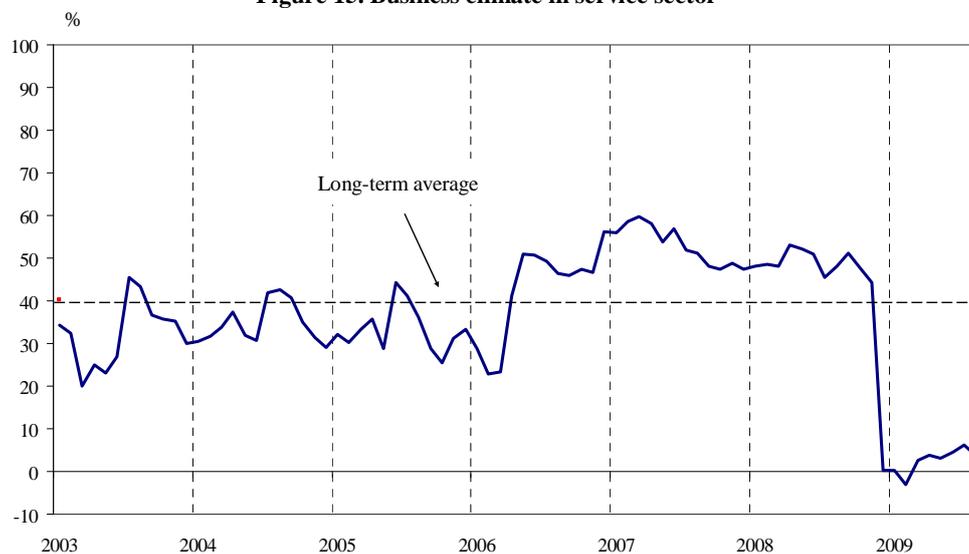


Figure 16. Expected business situation of enterprises in service sector over the next 6 months

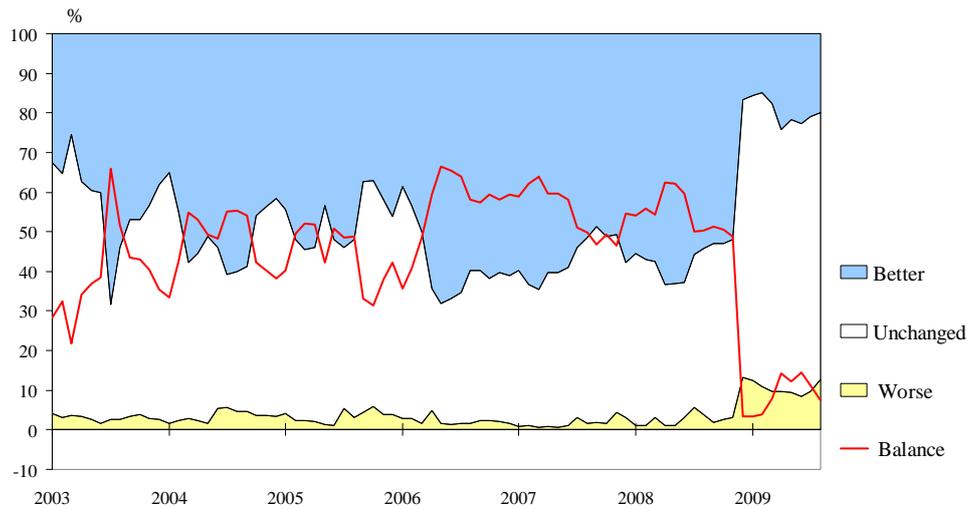


Figure 17. Factors limiting the activity in service sector (Relative share of enterprises - %)

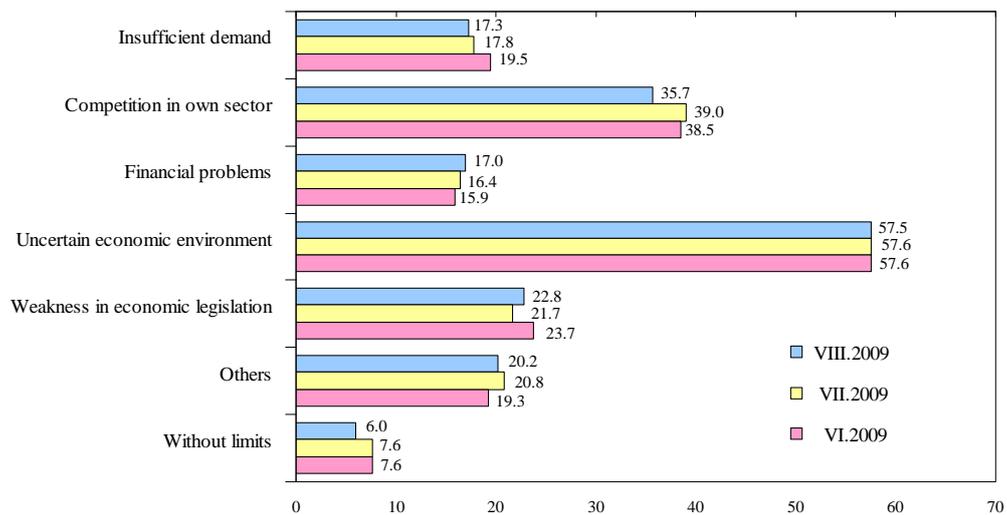
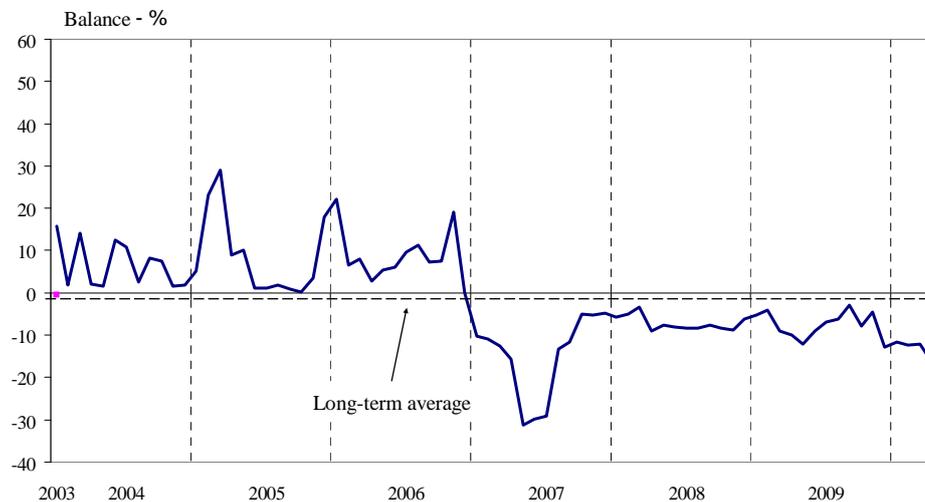


Figure 18. Price expectations in service sector over the next 3 months



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 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.