BUSINESS CONJUNCTURE

NSI BUSINESS SURVEYS[1,2], MAY 2010

In May 2010 **the total business climate indicator**[3] decreases by 0.4 percentage points in comparison with April due to the worsening of the business climate in retail trade by 5.3 percentage points. In the rest of the sectors observed by the NSI business surveys a slight improvement is registered (Figure 1).

Industry. The composite indicator "business climate in industry" goes up by 0.9 percentage points in comparison with April (Figure 2), which is due to the improved assessments and expectations of the industrial managers about the business situation of enterprises. In their opinion the present production activity is slightly decreased in comparison with the previous month, but the expectations about the activity over the next 3 months are optimistic (an increase of the balance indicator by 5.1 percentage points) (Figure 3).

The uncertain economic environment continues to be the main factor limiting the activity in the branch, but its negative influence decreases over the last 2 months. The next strongest negative factors are again the insufficient domestic and foreign demand and the financial problems. Over the last months the relative share of the enterprises experiencing problems with the shrunk domestic market has been increasing and in May also increases the share of those whose activity is limited by the shortage of financial resources (Figure 4).

With regard to the selling prices the expectations of the industrial entrepreneurs are for the preservation of their level over the next 3 months.

Construction. In May 2010 the composite indicator of business climate in construction increases by 1.3 percentage points in comparison with the previous month (Figure 5) due to the more optimistic expectations about the business situation of enterprises over the next 6 months (the balance indicator goes up by 8.7 percentage points). The expectations about the construction activity are also highly optimistic (Figure 6). However with regard to the present business situation and the present construction activity the enterprises are still pessimistic. The production assurance with orders has been worsened over the last month (Figure 7). At the same time a certain decrease of personnel is still expected.

The main factor limiting the activity of the enterprises is still the financial problems, followed by the uncertain economic environment and the insufficient demand whose negative influence slightly decreases in comparison with the previous month (Figure 8).

The inquiry does not register expectations about an increase of the selling prices over the next 3 months (Figure 9).

Retail trade. The composite indicator "business climate in retail trade" in May drops by 5.3 percentage points in comparison with the previous month (Figure 10). The decrease is due to the worsened managers' assessments about the present business situation of enterprises and to their more pessimistic expectations about the next 6 months. Over the last 3 months there has been a decrease of the sales and at the same time the expectations about the next 3 months are more pessimistic (Figure 11). The expectations about the orders placed with suppliers are also more unfavorable in comparison with April. With regard to the personnel a slight decrease is expected over the next 3 months.

The insufficient demand and the uncertain economic environment continue to be the major factors limiting the activity of the enterprises in the sector, and the negative influence of the financial problems is strengthened in comparison with the previous month (Figure 12).

In the managers' opinion a slight rise of the selling prices over the next 3 months is expected (Figure 13).

Service sector[4]. In May the composite indicator of business climate in service sector increases by 0.6 percentage points in comparison with the previous month (Figure 14) due to the slightly improved managers' assessments of the present business situation of enterprises. The present demand for services in the sector has been slightly decreased in comparison with April, and the expectations are for its increase over the next 3 months (Figure 15). In the managers' opinion there has been a reduction of personnel over the last 3 months and the expectations are for its preservation over the next 3 months (Figure 16).

The most serious problem for the activity of the enterprises continues to be the uncertain economic environment, followed by the competition in the branch. Also the negative influence of the insufficient demand for services is strengthened over the last month (Figure 17).

With regard to the selling prices the managers do not expect an increase over the next 3 months.

Annex 1

Figure 1. Business climate - total

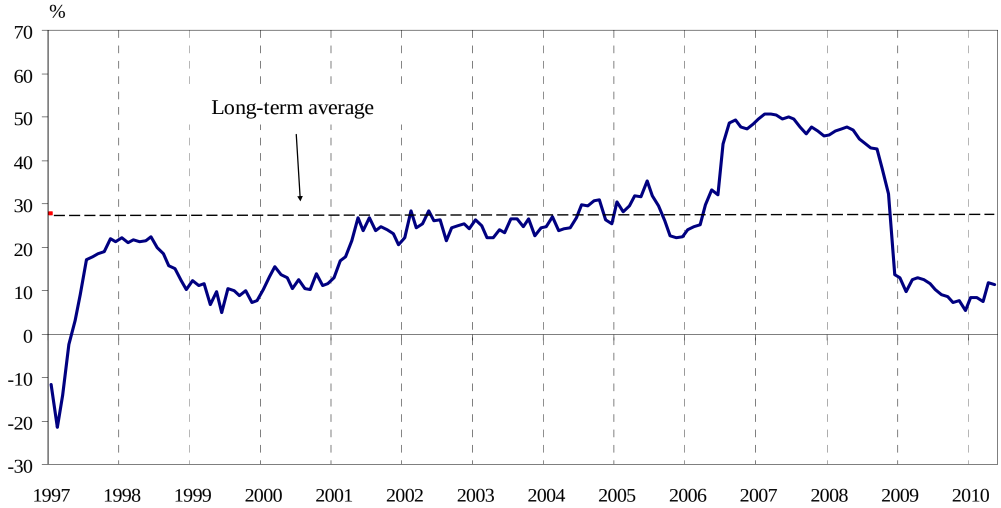


Figure 2. Business climate in industry

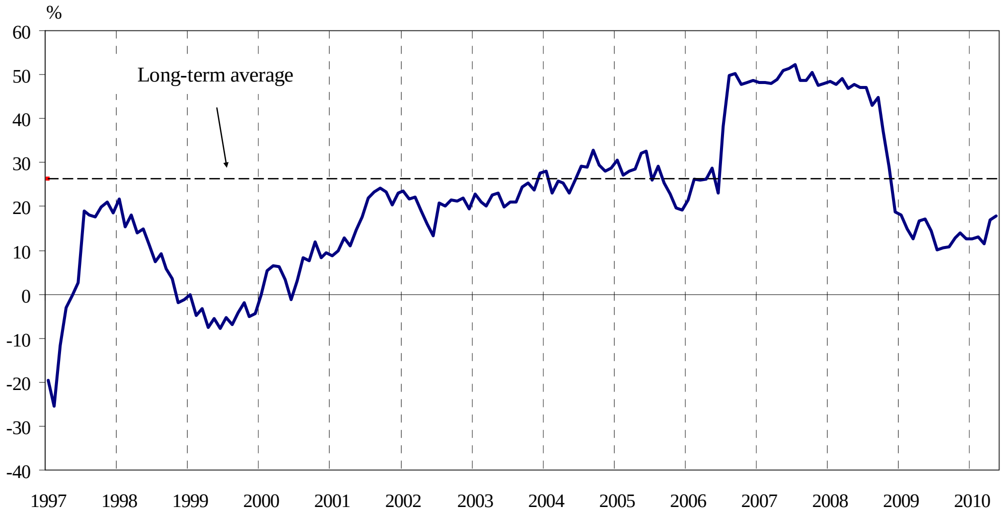


Figure 3. Expected production activity in industry over the next 3 months

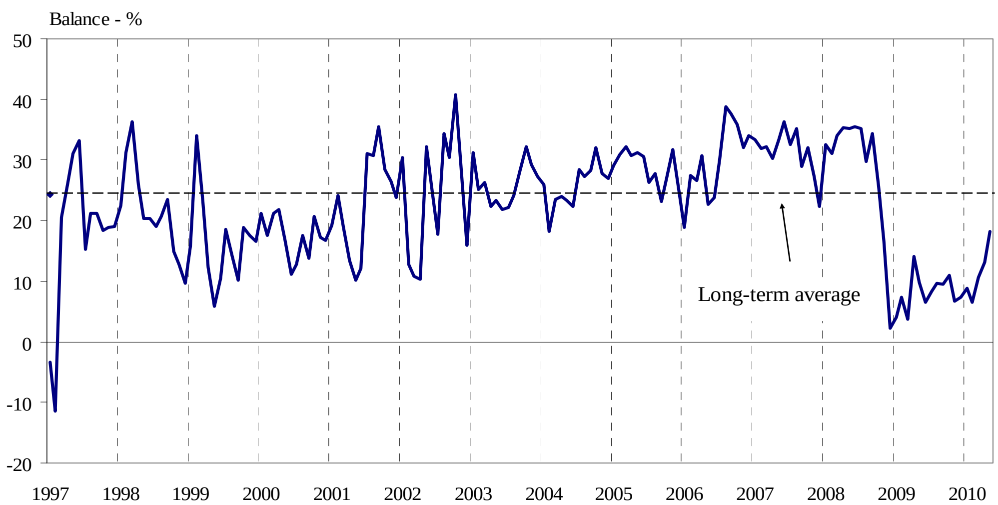


Figure 4. Limits to production in industry
(Relative share of enterprises - %)

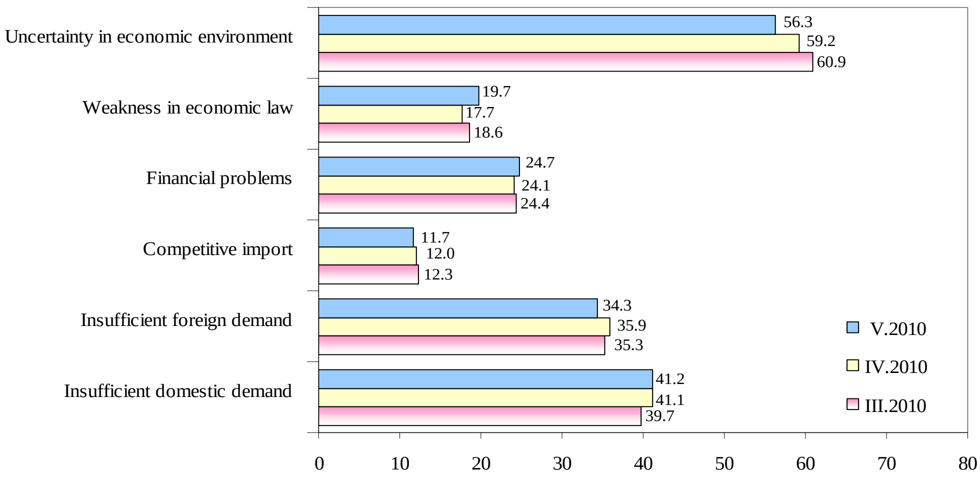


Figure 5. Business climate in construction

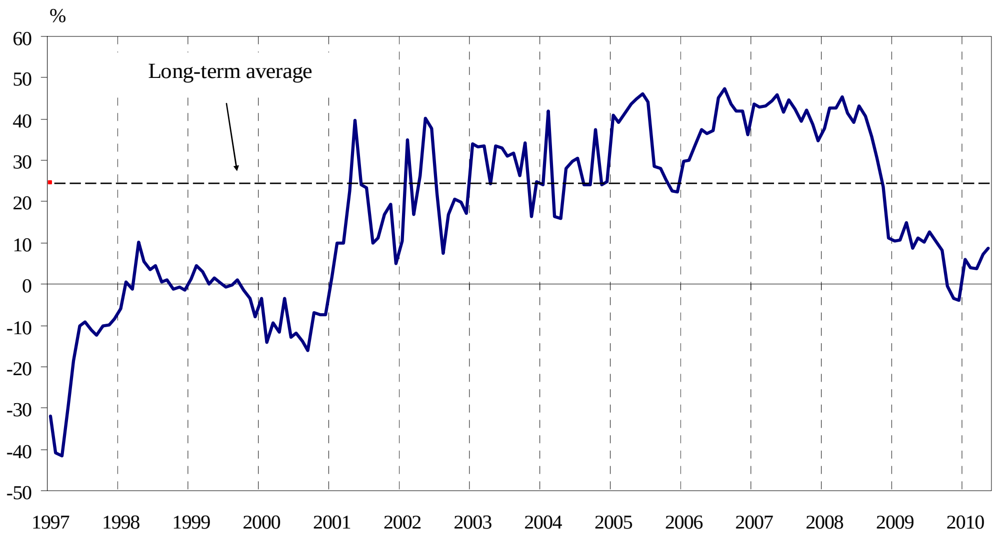


Figure 6. Expected construction activity over the next 3 months

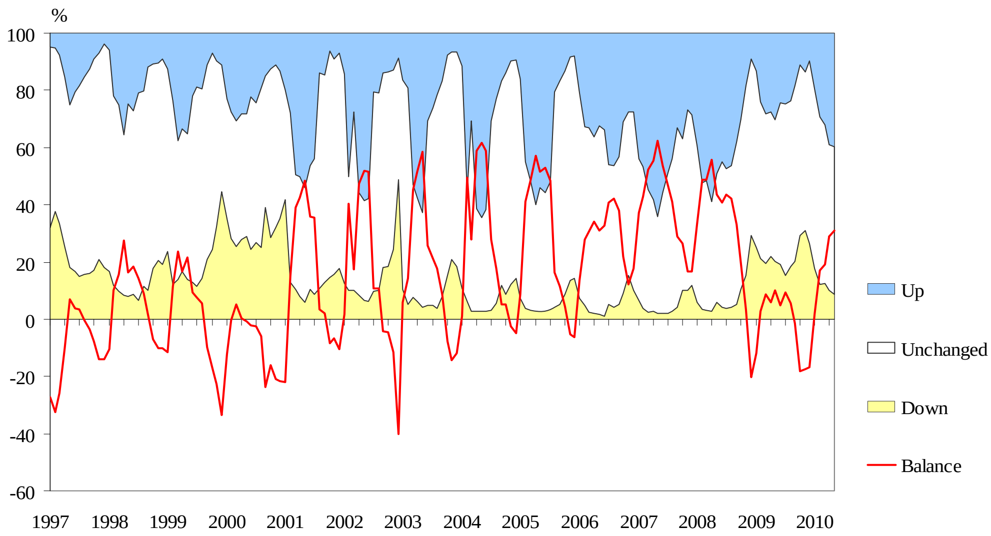


Figure 7. Level of orders in construction

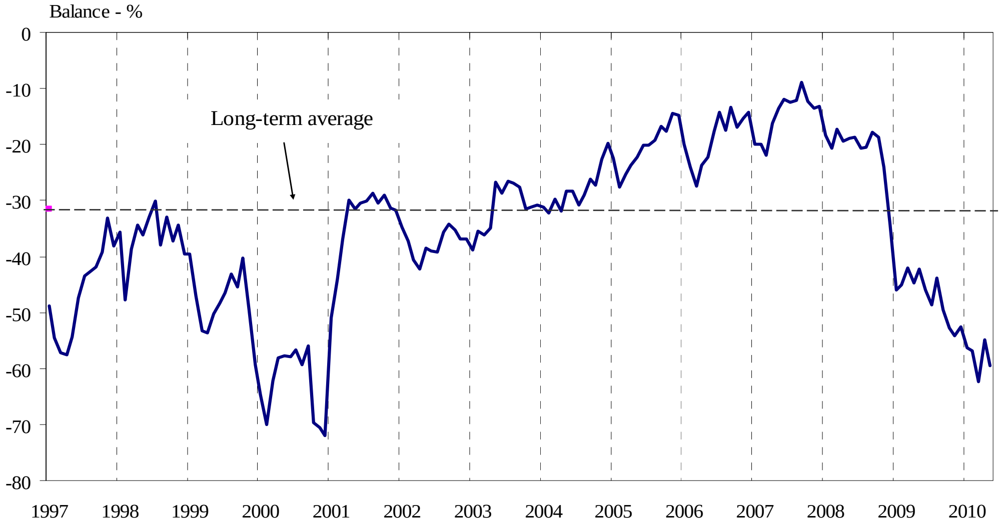


Figure 8. Limits to construction activity (Relative share of enterprises - %)

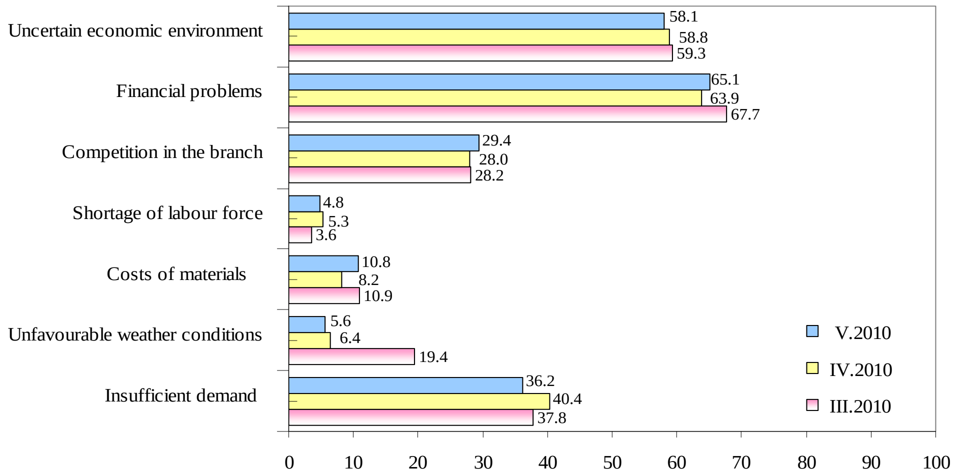


Figure 9. Selling prices expectations in construction over the next 3 months

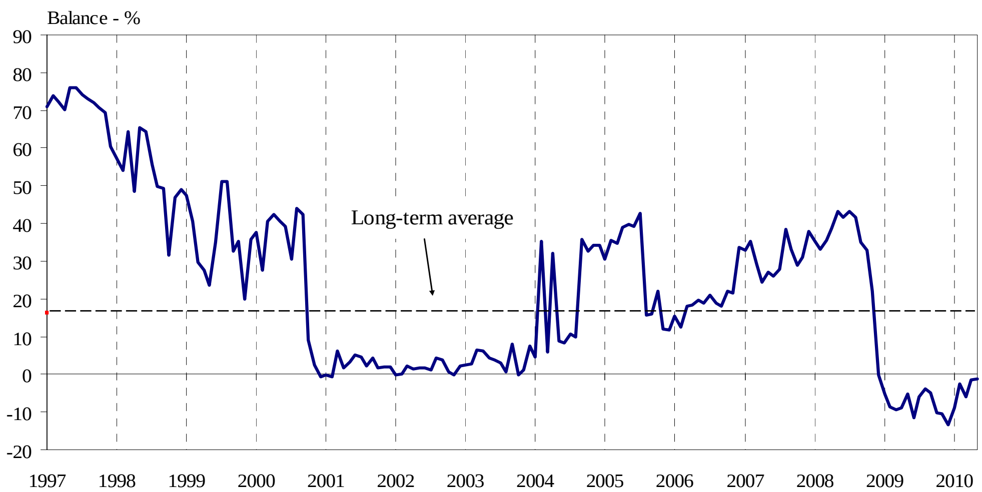


Figure 10. Business climate in retail trade

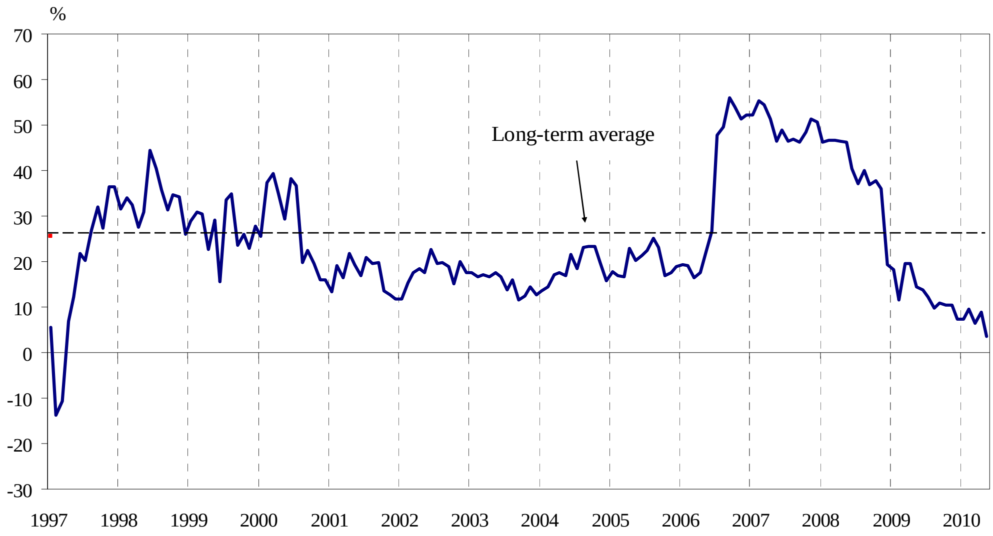


Figure 11. Sales expectations in retail trade over the next 3 months

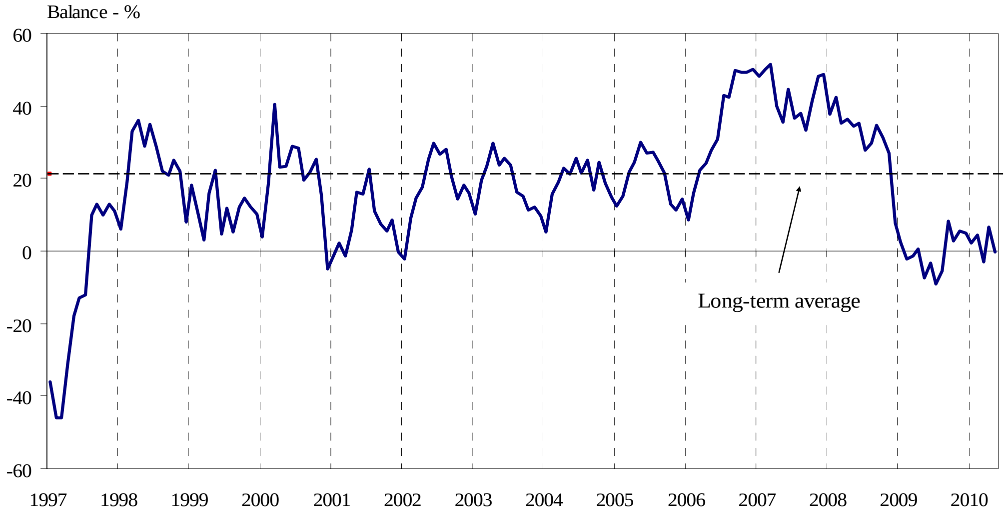


Figure 12. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises - %)

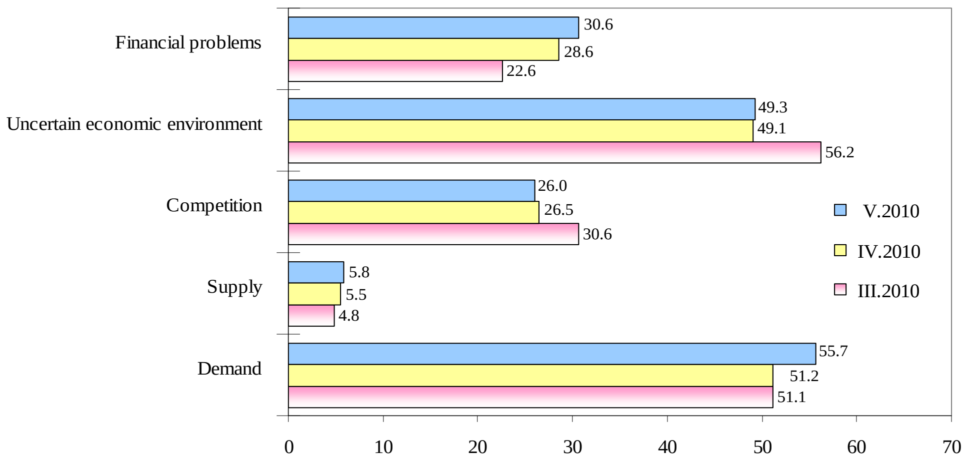


Figure 13. Selling prices expectations in retail trade over the next 3 months

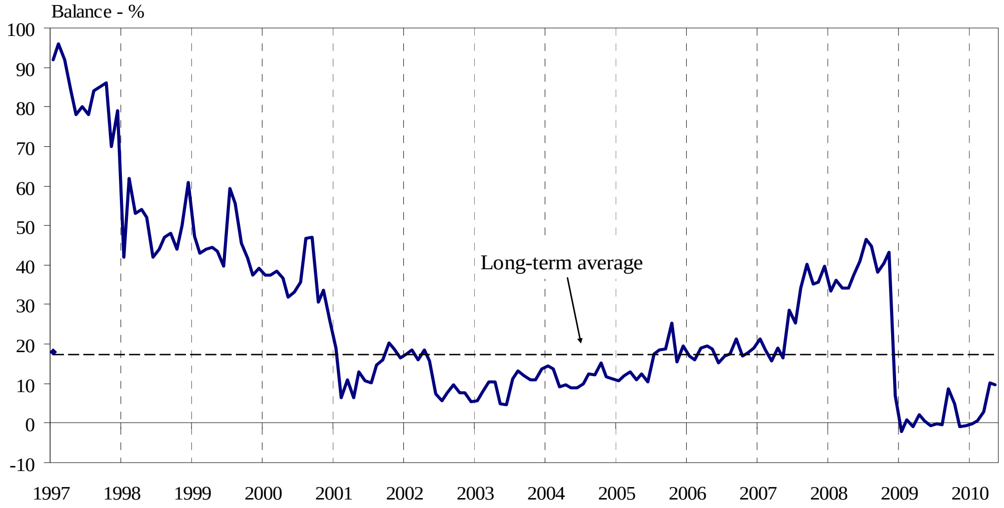


Figure 14. Business climate in service sector

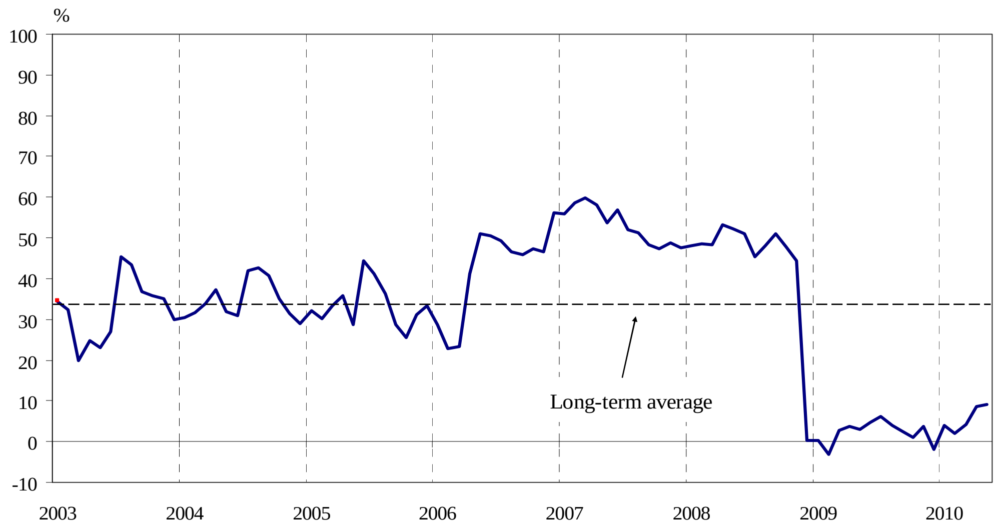


Figure 15. Expectations about the demand for services over the next 3 months

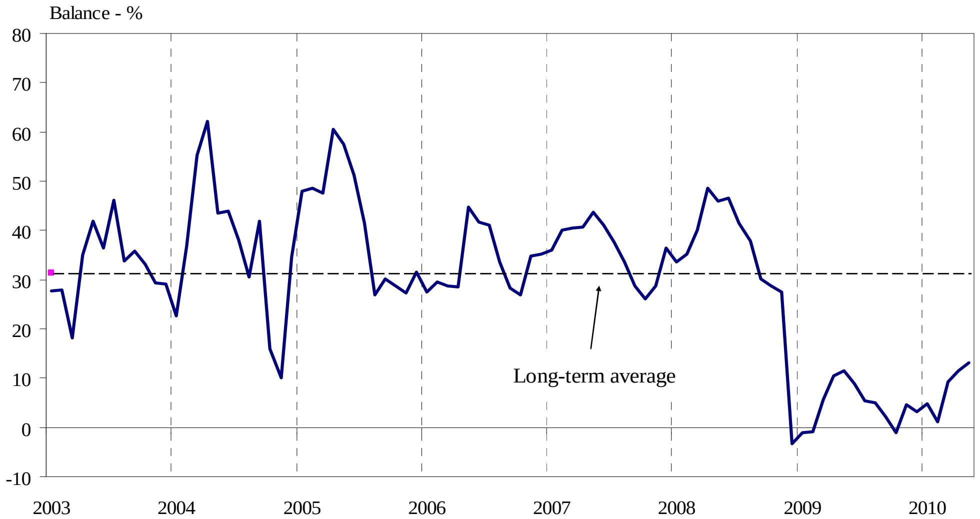


Figure 16. Employment expectations in service sector over the next 3 months

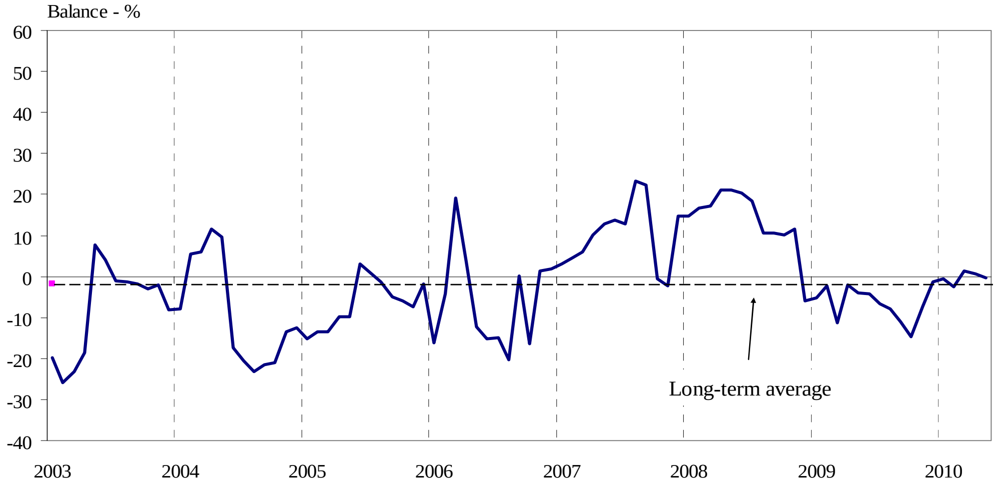
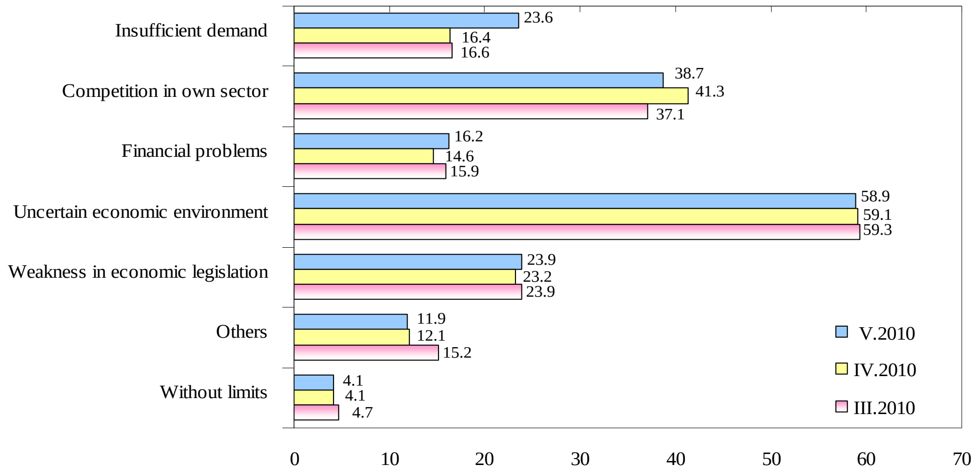


Figure 17. Factors limiting the activity in service sector (Relative share of enterprises - %)



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[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-option 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.