BUSINESS CONJUNCTURE

NSI BUSINESS SURVEYS[1,2], JUNE 2010

In June 2010 **the total business climate indicator[3]** decreases by 1.2 percentage points in comparison with May due to the worsening of the business climate in industry, construction and service sector (Figure 1).

Industry. The composite indicator "business climate in industry" goes down by 2.4 percentage points in comparison with May (Figure 2), which is due to the worsened 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 and there are lowered expectations about the activity over the next 3 months (a decrease of the balance indicator by 4.2 percentage points) (Figure 3). With regard to the production assurance with orders a slight improvement is registered.

The uncertain economic environment continues to be the main factor limiting the activity in the branch and even though its negative influence decreases over the last 3 months it remains high since March 2009, as on average for the period over 56% of the enterprises have been pointing this limitation out (Figure 4). The next strongest negative factors in June too are the insufficient domestic and foreign demand and the financial problems.

The expectations of the industrial entrepreneurs regarding the selling prices are for the preservation of their level over the next 3 months.

Construction. The composite indicator of business climate decreases by 3.6 percentage points in comparison with May due to the increased managers' pessimism about the business situation of enterprises over the next 6 months (Figure 5). At the same time the expectations about the activity are worsened and a decrease of personnel over the next 3 months is expected (Figure 6). The business inquiry in June also registers an increase of the number of clients with delay in payments and a decrease of the construction activity, but with a lower rate compared to the previous months.

The uncertain economic environment and financial difficulties continue to be the main problems for the construction enterprises, as these factors in June are pointed out respectively by 62.2 and 66.7% of the enterprises.

With regard to the selling prices in construction there are expectations about a reduction over the next 3 months (Figure 7).

Retail trade. In June the composite indicator of business climate in retail trade increases by 2.5 percentage points after it dropped by 5.3 percentage points during the previous month. This is due to the slightly improved managers' opinions about the present and expected business situation over the next 6 months (Figure 8). The volume of sales over the last months has decreased, but there is certain optimism in the expectations about the next 3 months. At the same time the expectations about the orders placed with suppliers are more favorable. A slight decrease of personnel is again 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, as their negative influence is strengthened over the last months (Figure 9).

There are fewer expectations about an increase of the selling prices in retail trade (Figure 10).

Service sector[4]**.** According to the business survey in service sector the composite indicator "business climate" approximately preserves its level from the previous month (a decrease by 0.4 percentage points) (Figure 11). In June the present demand for services in the sector has been slightly decreased in comparison with May, but the expectations are for an increase over the next 3 months, even though these expectations are not as strong as they were during the previous month (Figure 12).

The uncertain economic environment and the competition in the branch continue to be the major factors limiting the activity of the enterprises (Figure 13).

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

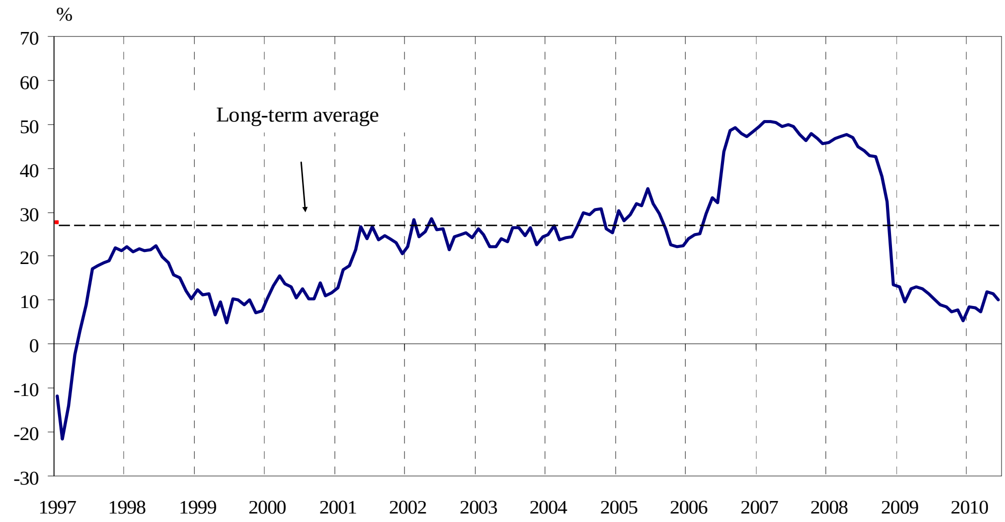


Figure 2. Business climate in industry

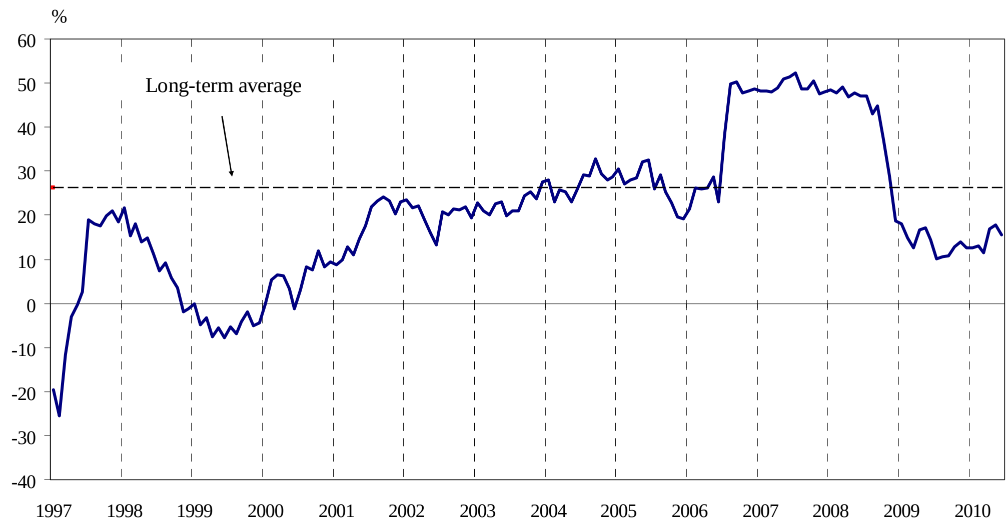


Figure 3. Expected production activity in industry over the next 3 months

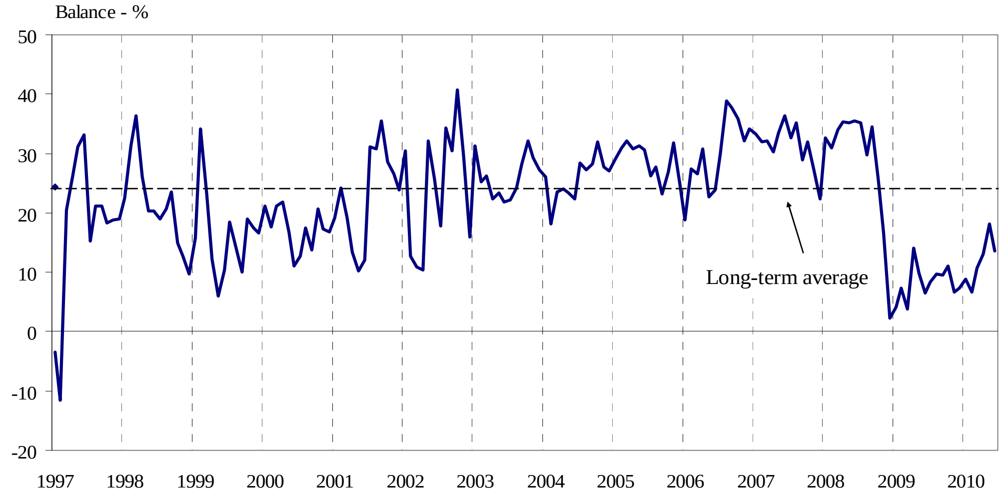


Figure 4. Limits with the uncertain economic environment in industry (Relative share of enterprises - %)

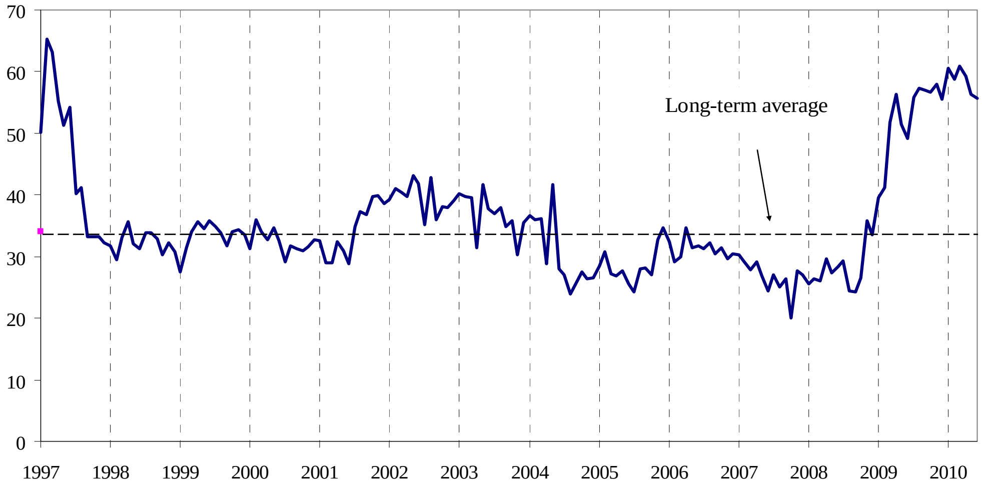


Figure 5. Business climate in construction

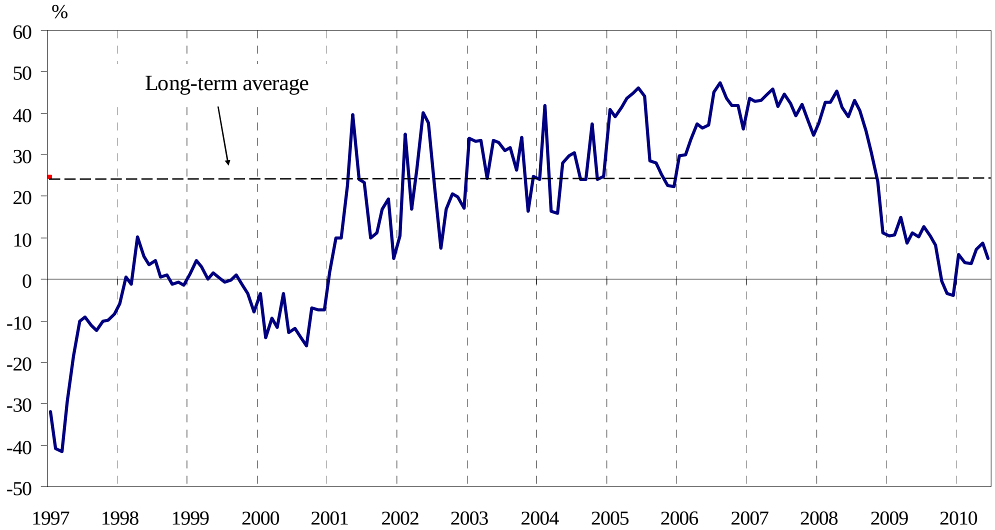


Figure 6. Employment expectations in construction over the next 3 months

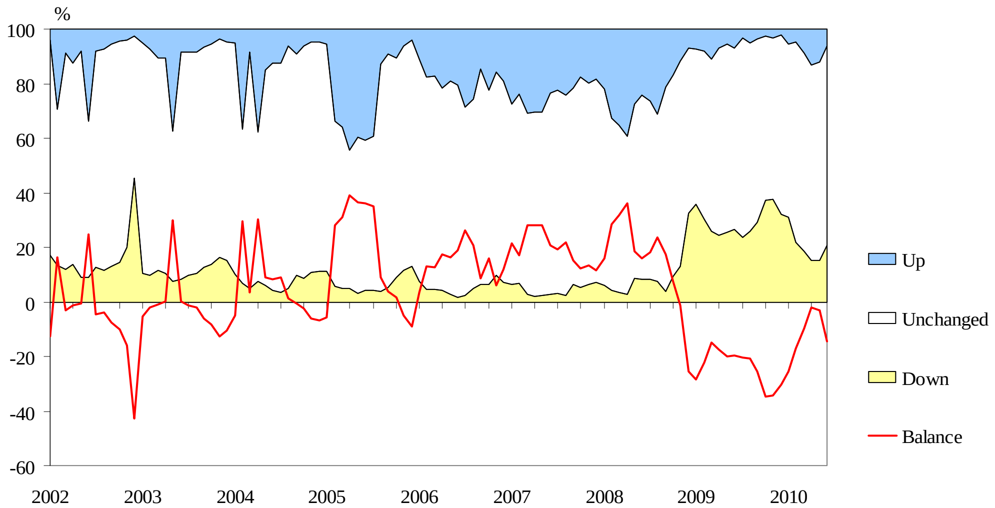


Figure 7. Selling price expectations in construction over the next 3 months

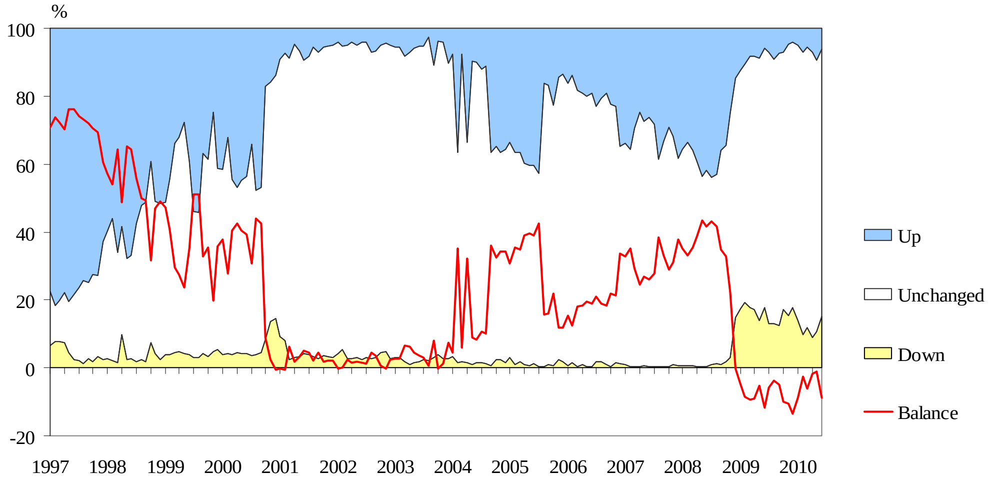


Figure 8. Business climate in retail trade

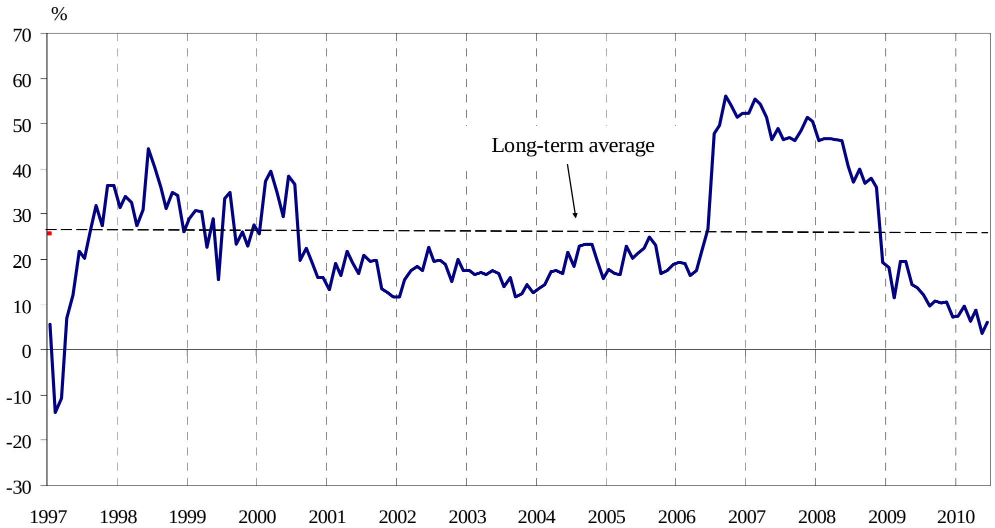


Figure 9. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises - %)

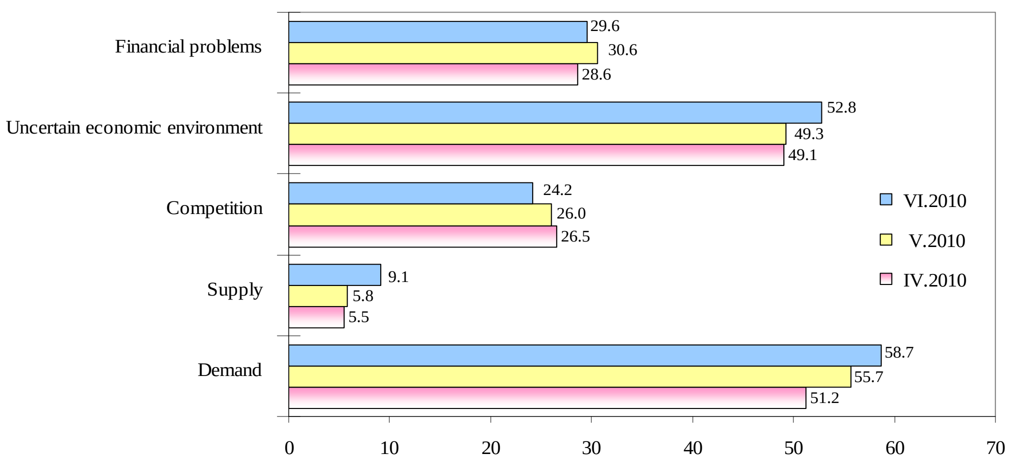


Figure 10. Selling price expectations in retail trade over the next 3 months

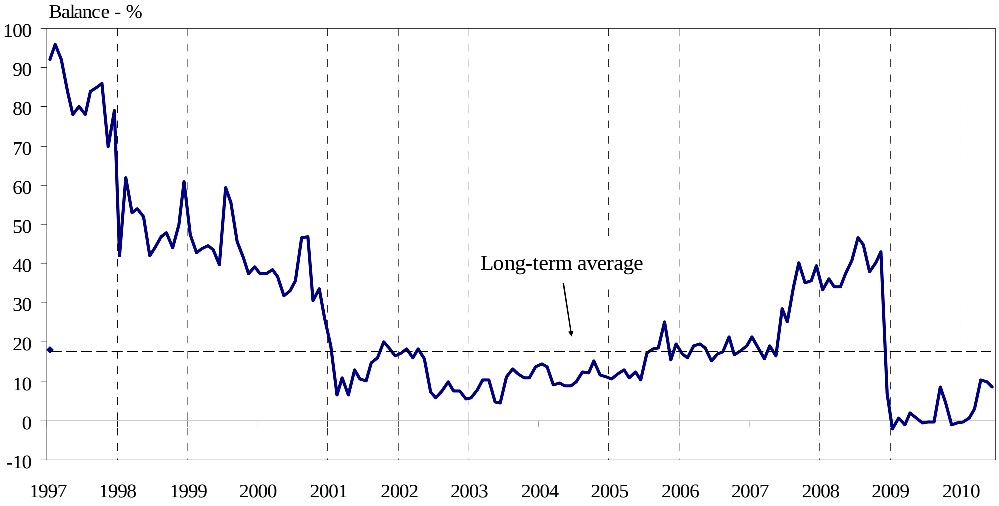


Figure 11. Business climate in service sector

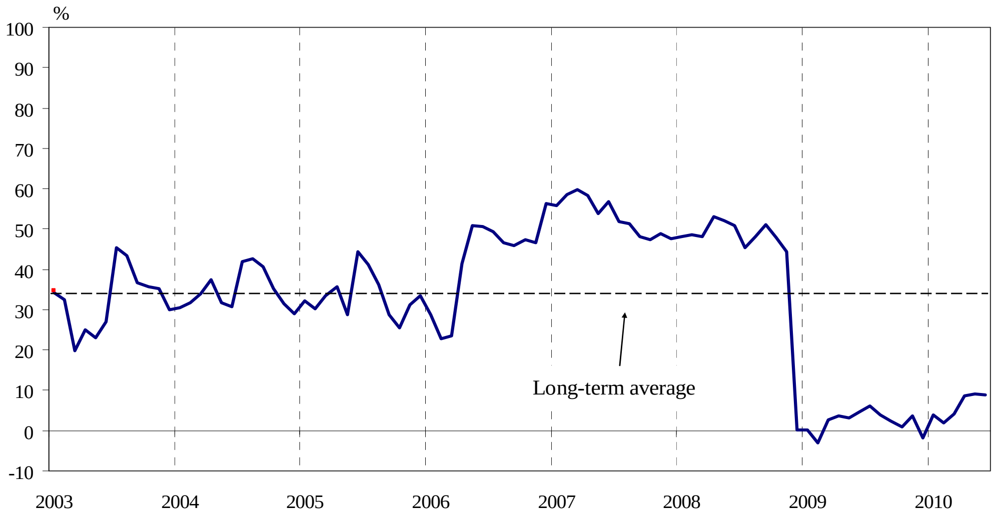


Figure 12. Expectations about the demand for services over the next 3 months

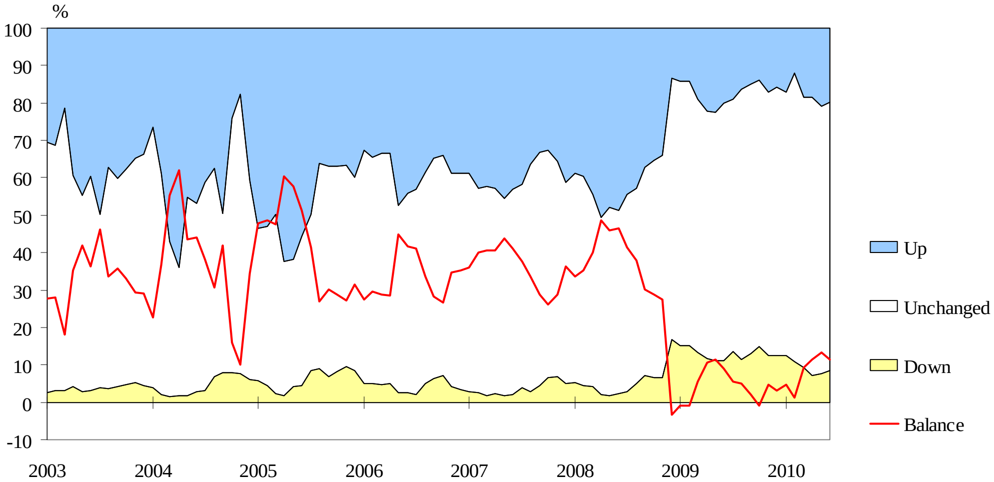
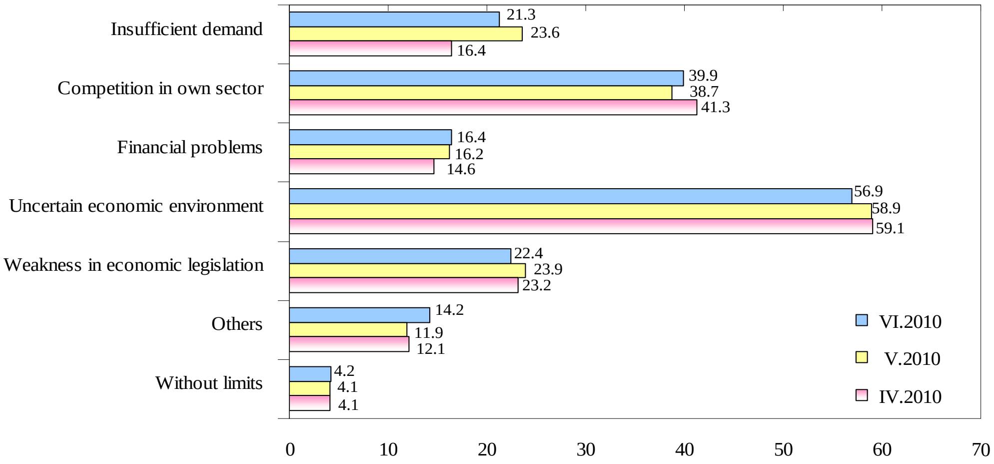


Figure 13. Factors limiting the activity in service sector
(Relative share of enterprises - %)



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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.