

BUSINESS CONJUNCTURE

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

In April 2009, with the exception of construction, the indicator business climate³ in the rest of the sectors – industry, retail trade and services – registered an increase in comparison with the previous month. The total indicator increased by 0.6 percentage points (Figure 1).

Industry. In April the composite indicator “business climate in industry” went up by 4.1 percentage points for the first time after September 2008, which is due entirely to the improved managers’ assessments about the business development over the next months (Figure 2). The expectations about the business situation in the next 6 months are significantly more optimistic as the balance indicator increased by 17.3 percentage points in comparison with the previous month. The enterprises expect a certain recovery in their economic activity and an export growth during the next 3 months (Figure 3).

However the assessments about the present business situation of the enterprises, production activity and level of orders for domestic market and for export are more unfavorable than in March (Figure 4). During the period January – April 2009 the average capacity utilization in industry decreased by 3.2 percentage points and is estimated to be 67.4% (Figure 5). The assessments about the competitive position of the enterprises on both domestic market and markets inside and outside the EU-countries are worsened in comparison with January.

The major reasons limiting the business development in the sector are still considered to be the uncertain economic environment, which has increased its negative impact and the insufficient domestic and foreign demand (Figure 6).

Construction. The composite indicator of business climate in construction deteriorated in April by 6.1 percentage points in comparison with the previous month (March) when the inquiry registered a certain improvement (Figure 7). The reduction this month was due to more pessimistic assessments and expectations of construction entrepreneurs about the business situation. The present construction activity was assessed as decreased and the prognoses about the next 3 months were in the same direction. At the same time in the period from January to April the assessments about the production assurance with orders (measured in months) have improved – from 6.2 to 6.7. The enterprises expected inflow of new orders over the next 6 months but not any additional hiring of labour force.

With respect to the factors limiting the activity, the main remained the uncertain economic environment for nearly two thirds of the branch (Figure 8). The second place took the factor “financial problems” which was considered to have an even more negative impact than the previous month.

For the fifth consecutive month 15 to 19% of the construction entrepreneurs expect a decrease in their selling prices (Figure 9).

Retail trade. In April the economic conjuncture in retail trade kept its improved level from the previous month, as the value of the composite indicator of business climate in retail trade remained approximately the same (19.6%) (Figure 10). The retail entrepreneurs assessed their present business situation as more unfavorable in comparison with March, which was compensated by the more optimistic expectations over the next 6 months. The volume of the sales decreased in the last 3 months and it was expected that the present volume of the orders placed with suppliers and of the sales would remain at the same level in the next 3 months (Figure 11).

The insufficient demand and the uncertain economic environment were the main reasons limiting the activity of the retail enterprises, as they were pointed out by 51.5% and 46.9% of the managers. The competition in the branch was a problem for about one third of the entrepreneurs and for the fifth consecutive month the factor “financial problems” increased its significance among the reasons limiting their activity (Figure 12).

The selling prices in retail trade decreased in the last month and the expectations about the next 3 months were for the preservation of their present level (Figure 13).

Service sector⁴. Regardless of the pessimistic managers’ assessments about the present business situation and the demand in the service sector, in April the composite indicator of business climate increased by 1 percentage point compared to March because of the more optimistic expectations about the next months (Figure 14). According to the results of the inquiry, the managers prognosticated improvements in the business situation and an increased service demand but did not plan hiring any additional labour force over the next 3 months (Figure 15).

For a second consecutive month the uncertain economic environment was considered by 57.1% of the managers the major reason limiting the activity of the enterprises – even more limiting than the factor “competition in own sector”, which has a relative share of 37.4% (Figure 16).

With regard to the selling prices in the service sector, in comparison with March more enterprises expect a decrease in prices over the next 3 months (Figure 17).

Figure 1. Business climate - total

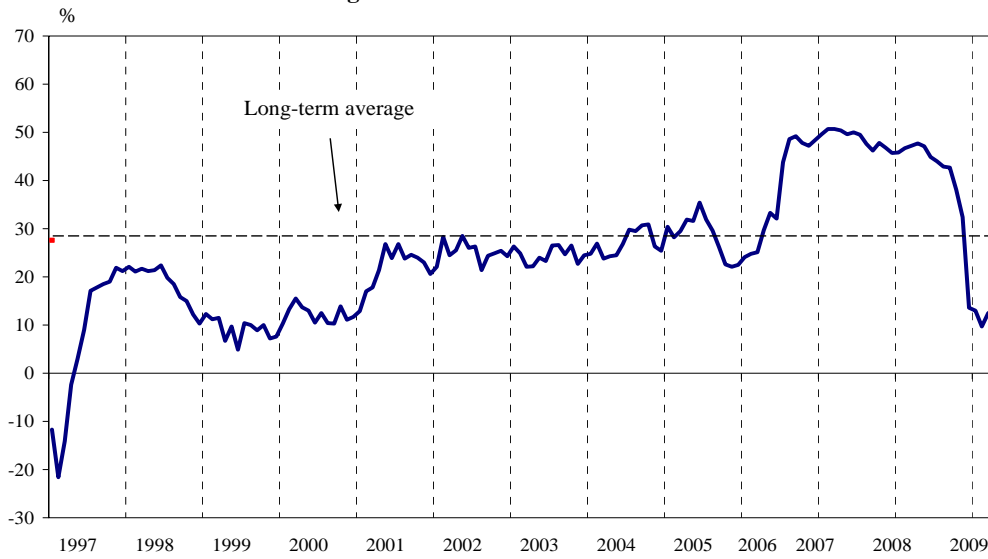


Figure 2. Business climate in industry

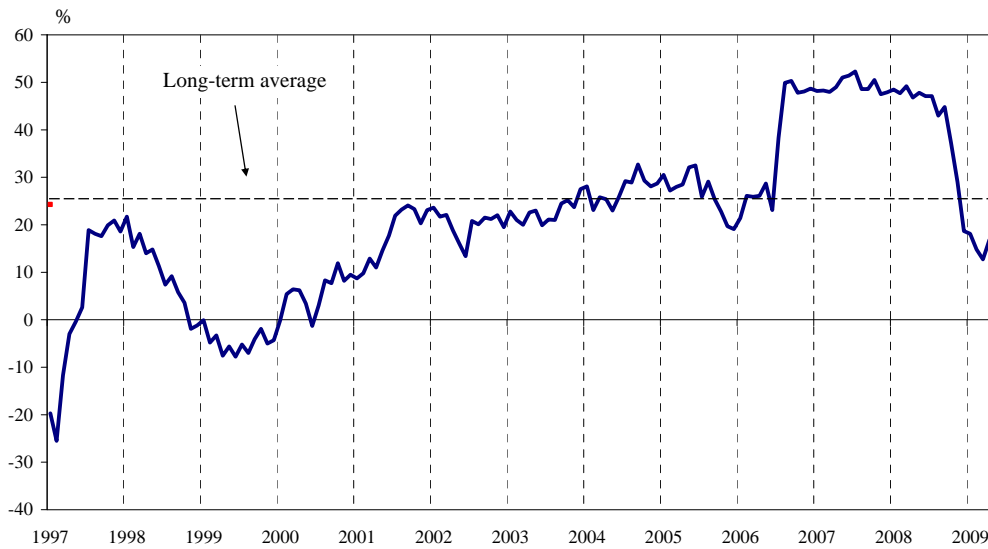


Figure 3. Expected production activity in industry over the next 3 months

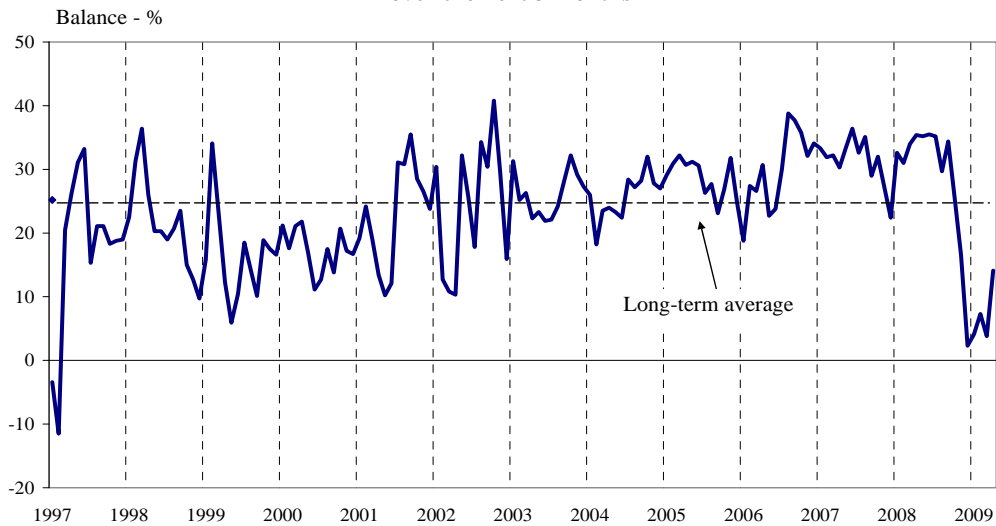


Figure 4. Balances of opinions in industry

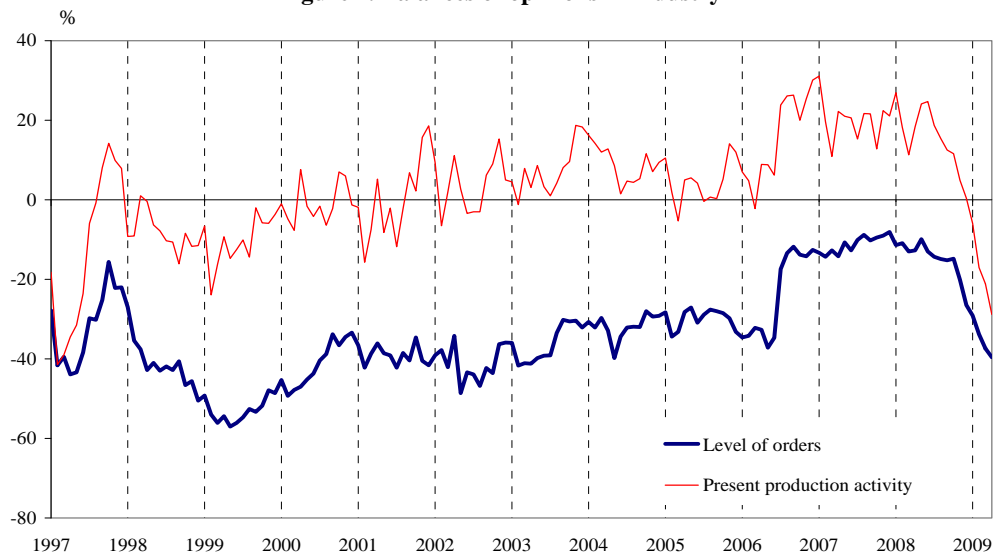
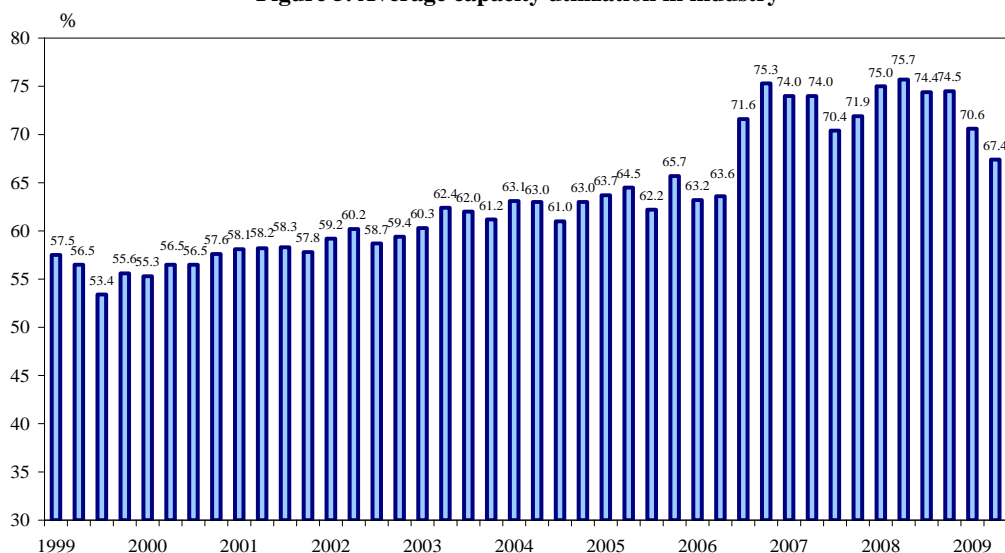


Figure 5. Average capacity utilization in industry



**Figure 6. Limits to production in industry
(Relative share of enterprises - %)**

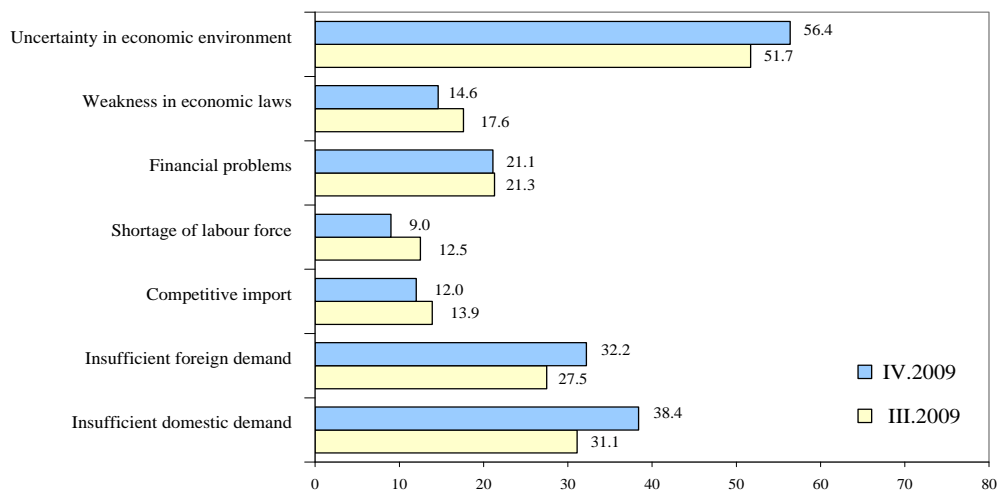
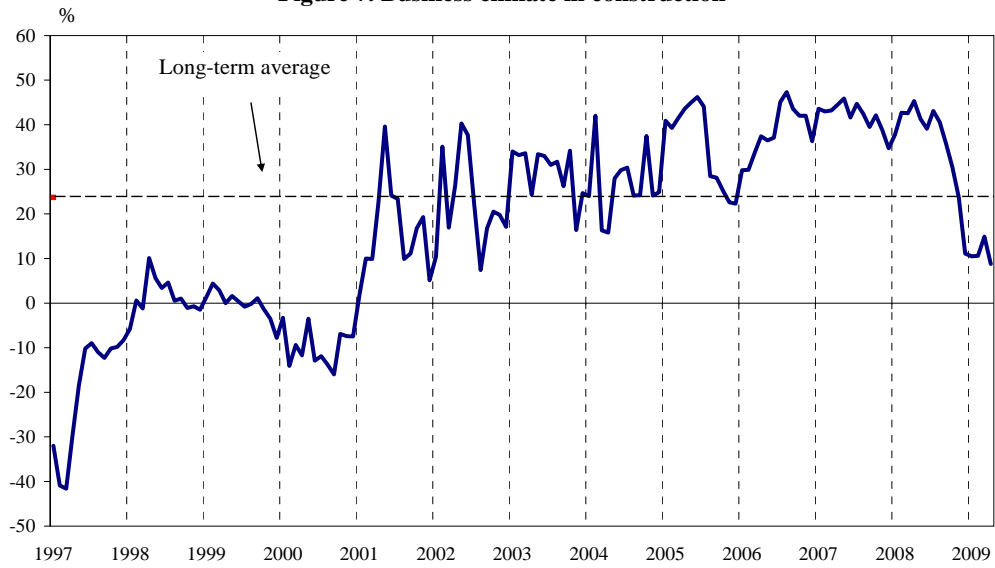
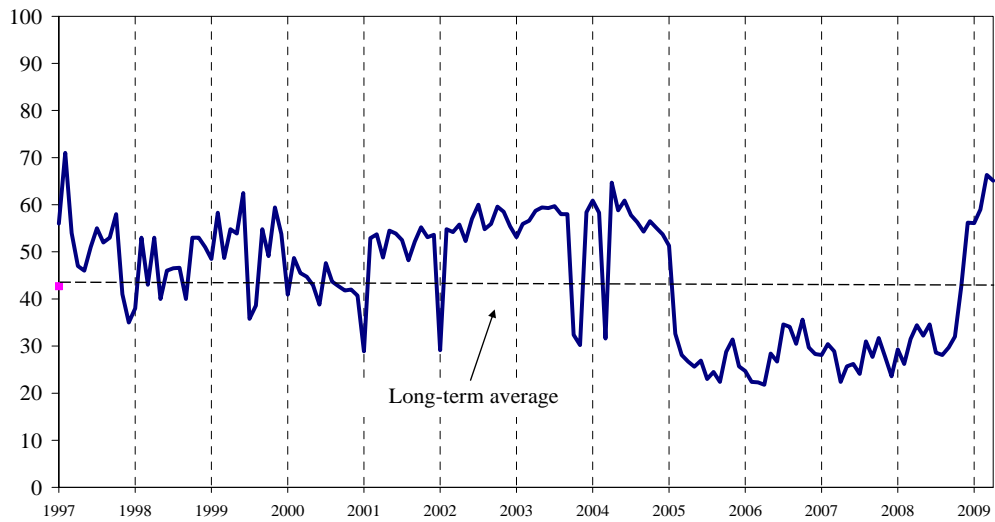


Figure 7. Business climate in construction



**Figure 8. Limits with uncertain economic environment in construction
(Relative share of the enterprises -%)**



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

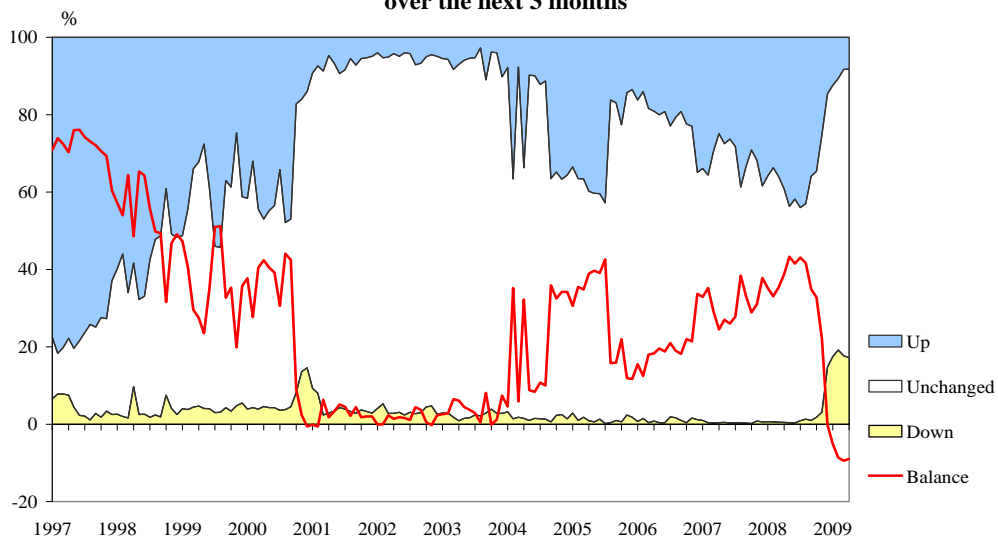


Figure 10. Business climate in retail trade

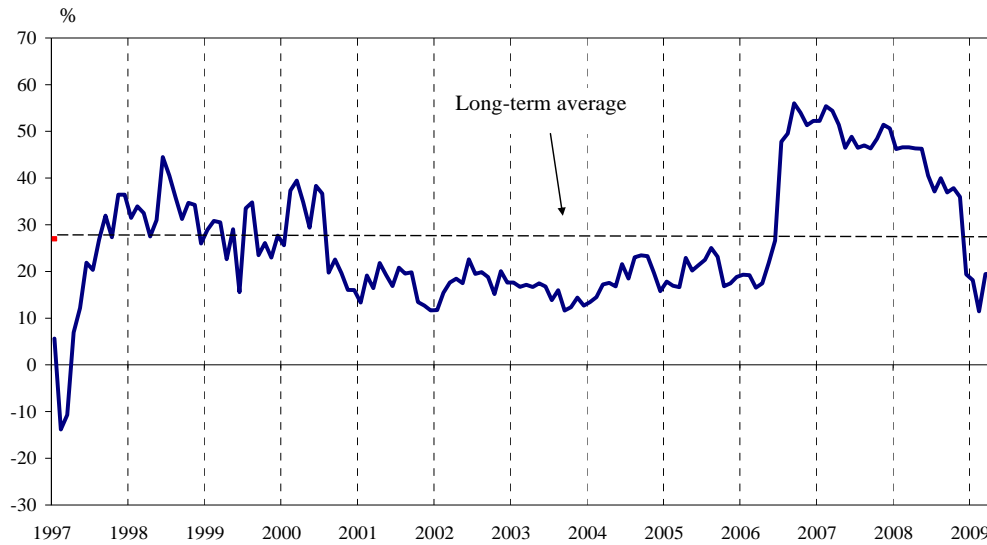


Figure 11. Sales expectations in retail trade over the next 3 months

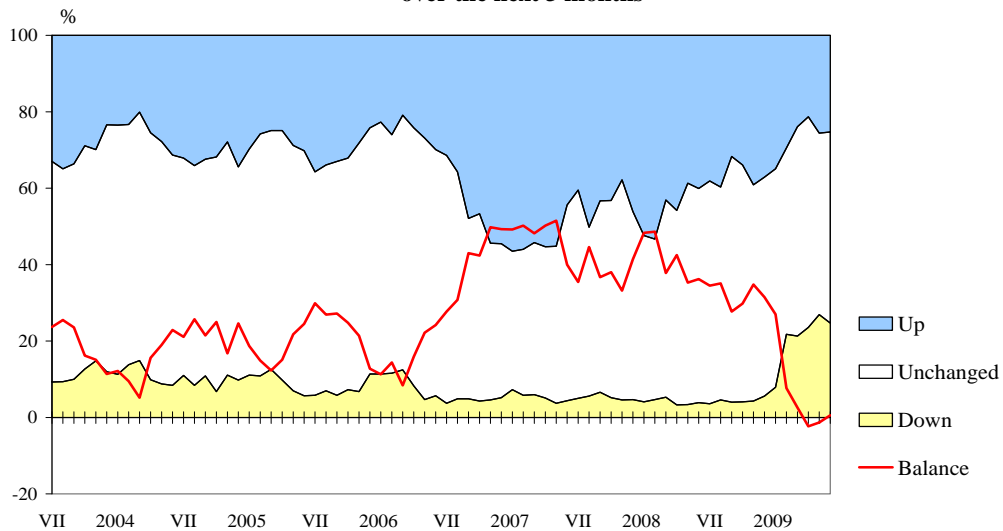


Figure 12. Factors limiting the improvement of the business situation in retail trade - % of enterprises

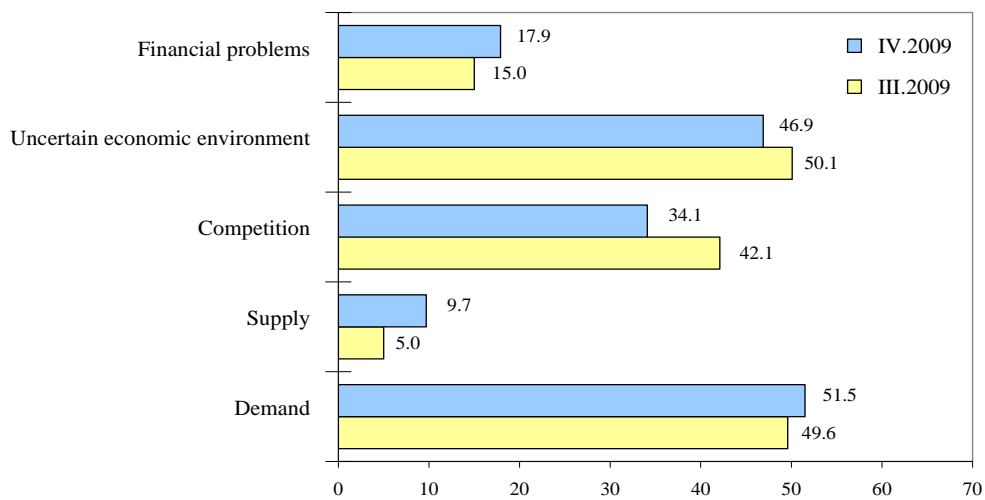


Figure 13. Selling price expectations in retail trade over the next 3 months

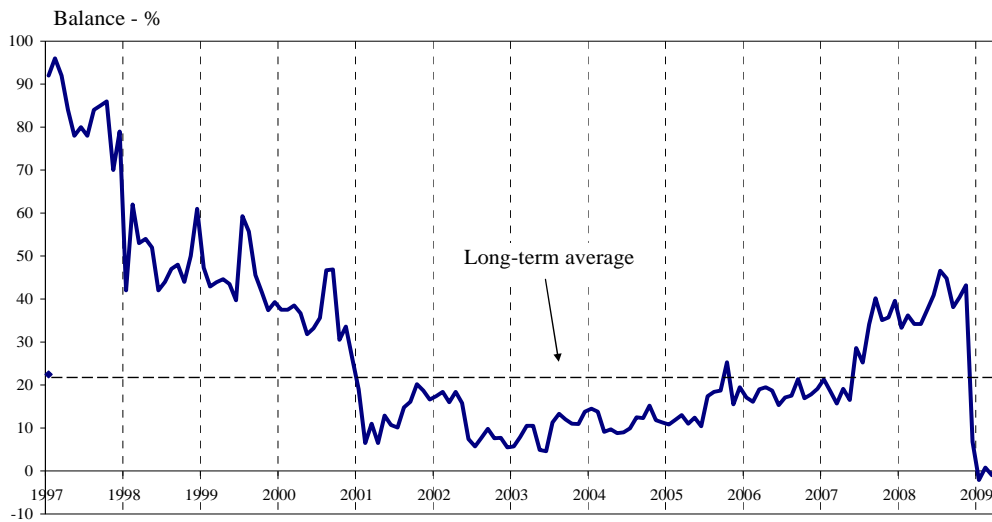


Figure 14. Business climate in service sector

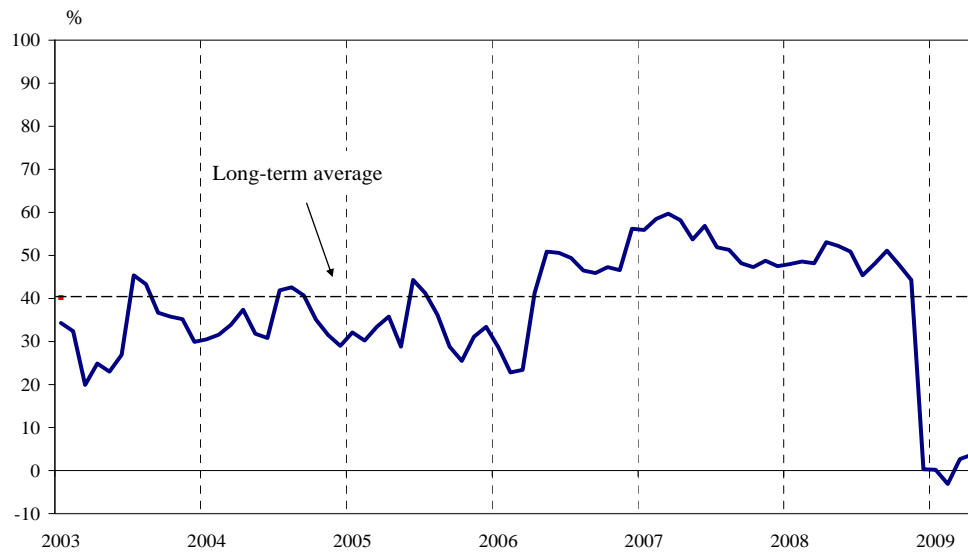


Figure 15. Expectations about the demand for services over the next 3 months

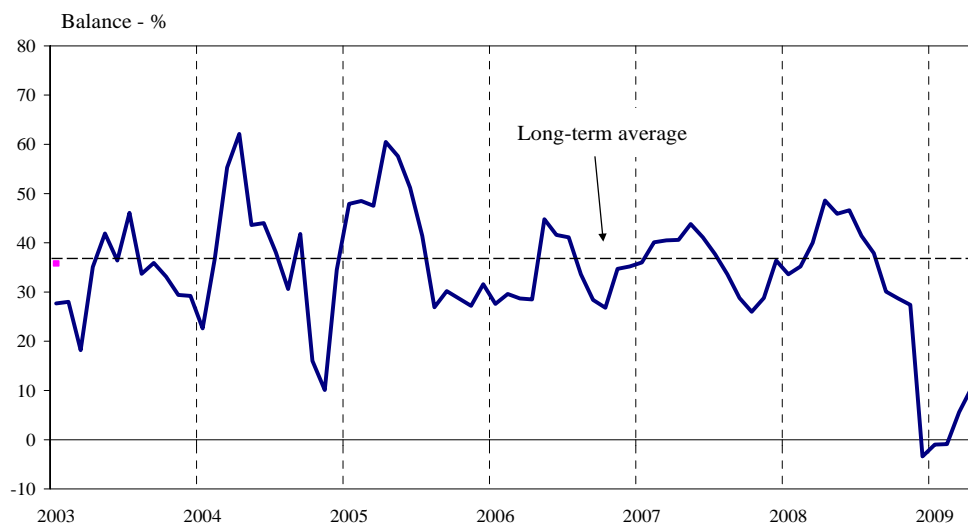


Figure 16. Factors limiting the activity in service sector
Relative share of enterprises - %

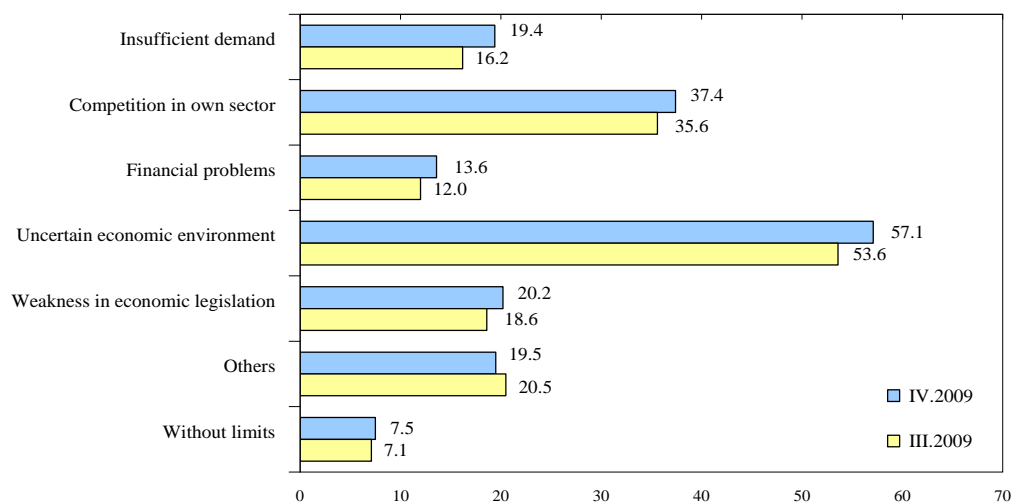
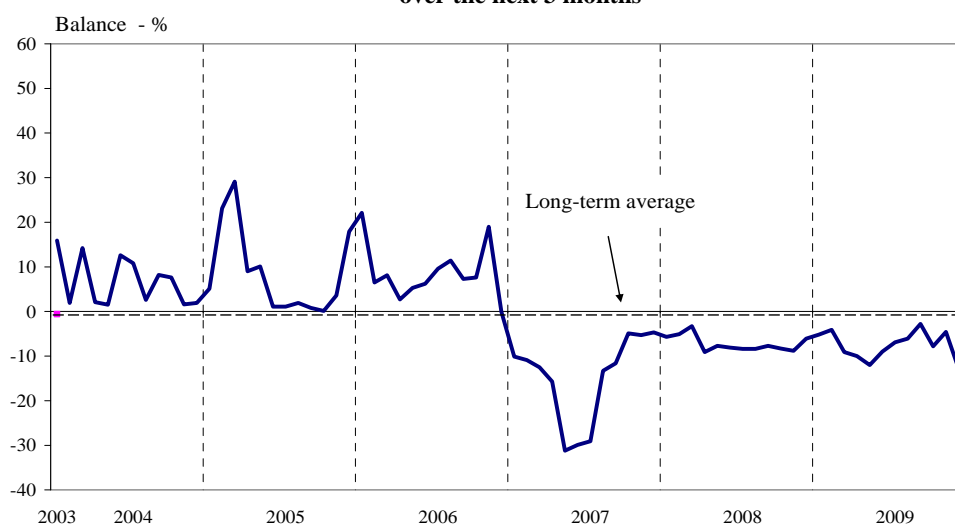


Figure 17. Price expectations in service sector
over the next 3 months



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.