

BUSINESS CONJUNCTURE

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

In July 2009 **the total business climate indicator**³ decreases by 1.2 percentage points in comparison with the previous month (Figure 1) due to the negative development of the business conjuncture in industry and retail trade. Variations in the positive direction of the business climate indicators are registered in the sectors of construction and services.

Industry. In July the composite business climate indicator in industry decreased by 4.3 percentage points in comparison with June and registers the lowest value since the business conjuncture in industry began worsening (Figure 2). The decrease is due both to the lowered managers' evaluations of the present business situation and to the more pessimistic expectations about the next 6 months.

In July the business inquiry registers decreased production activity of the industrial enterprises but the decrease rate is lower than the previous months (Figure 3). The production assurance with orders (measured in number of months) drops from 5.0 in April to 4.4 months in July. In 2008 the average assurance was 5.9 months. The average capacity utilization in industry continues to decrease and in July it reaches 63.9% (Figure 4). On average in 2008 it was 74.9%.

The competitive position of the enterprises both on the domestic and foreign markets (inside and outside the EU) sustained a certain worsening in comparison with 3 months ago.

In July the major factors limiting the activity in industry continue to be the uncertain economic environment and the insufficient domestic and foreign demand; the problems associated with these factors increase in comparison with the previous month (Figure 5).

During the present situation the managers' expectations about the production activity during the next 3 months are slightly better but this is not associated with expectations about increasing the number of employed persons in the sector. In fact the industrial entrepreneurs expect further personnel reduction over the next 3 months (Figure 7).

With regard to the selling prices, the balance indicator for the second consecutive month is negative, i.e. the enterprises that expect a decrease are more than those that consider that their prices will increase during the next months.

Construction. In July 2009 the composite business climate indicator in construction rises by 2.4 percentage points in comparison with June (Figure 8) because of a certain increase in optimism of the managers' expectations about the business situation during the next 6 months which shows an improvement of 6.5 percentage points. This optimism is related with expectations of preservation of the present (already decreased) construction activity over the next three months rather than with expectations of an increase (Figure 9). In July the inquiry registers a decrease of the production assurance with orders and an increase of the number of clients with delay in payments (Figure 10). The expectations regarding the personnel are of its decreasing during the next three months.

The greatest weight among the factors limiting the activity continue to have the uncertain economic environment and the insufficient financial security (Figure 11).

In the construction sector as well as in industry the enterprises that expect a decrease of the price level are more than those that consider that their prices will increase over the next months. Therefore the balance indicator for the 8th consecutive month has a negative value (Figure 12).

Retail trade. The composite indicator of business climate in retail trade in July is 1.5 percentage points lower than the previous month due to the more moderate managers' opinions of the present and expected business situation of the enterprises during the next 6 months (Figure 13). The volume of sales continues to decrease. The expectations about the next 3 months are also not too optimistic (Figure 14). The prognoses about the employment are more unfavorable and a decrease is expected.

The major problem for the retail traders remains the uncertain economic environment. In July is intensified the negative influence of the insufficient demand and the competition in the branch (Figure 15).

With regard to the selling prices in retail trade the expectations are for the preservation of their level during the next 3 months (Figure 16).

Service sector⁴. In July the composite business climate indicator in the service sector increases by 1.6 percentage points in comparison with the previous month which is due to the relatively improved managers' assessments of the present business situation, i.e. there are fewer enterprises that consider that it has been worsened (Figure 17). This can be said also about the relatively more favorable evaluations of the service demand over the last 3 months, i.e. there are fewer entrepreneurs that point out that the demand has decreased. There is a certain worsening of the expectations about the business situation during the next 6 months as well as about the service demand over the next 3 months (Figure 18). The expectations of decreasing the number of employed persons also increase (Figure 19).

The main factors that limit the activity continue to be the uncertain economic environment and the competition in the branch (Figure 20).

With regard to the selling prices, the expectations about a reduction in their level over the next 3 months are preserved (Figure 21).

Figure 1. Business climate - total

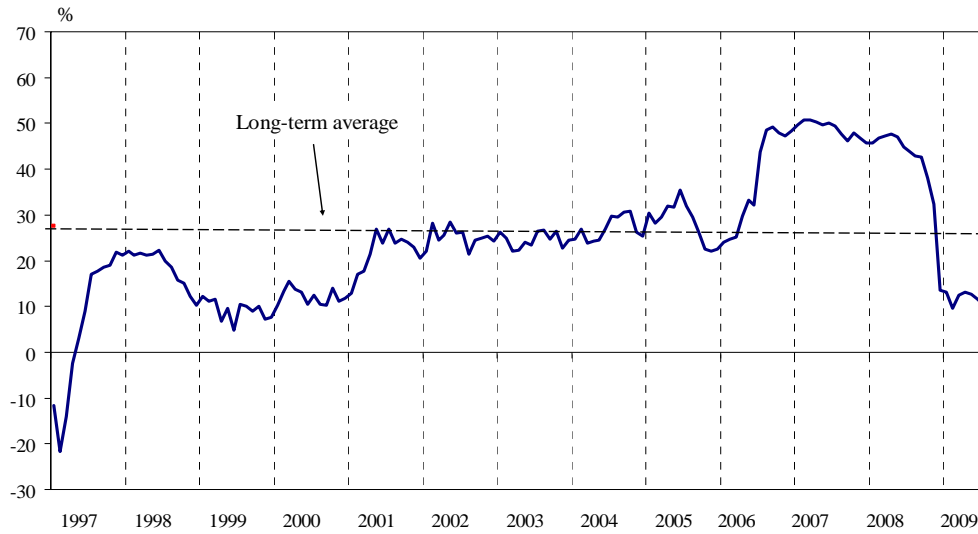


Figure 2. Business climate in industry

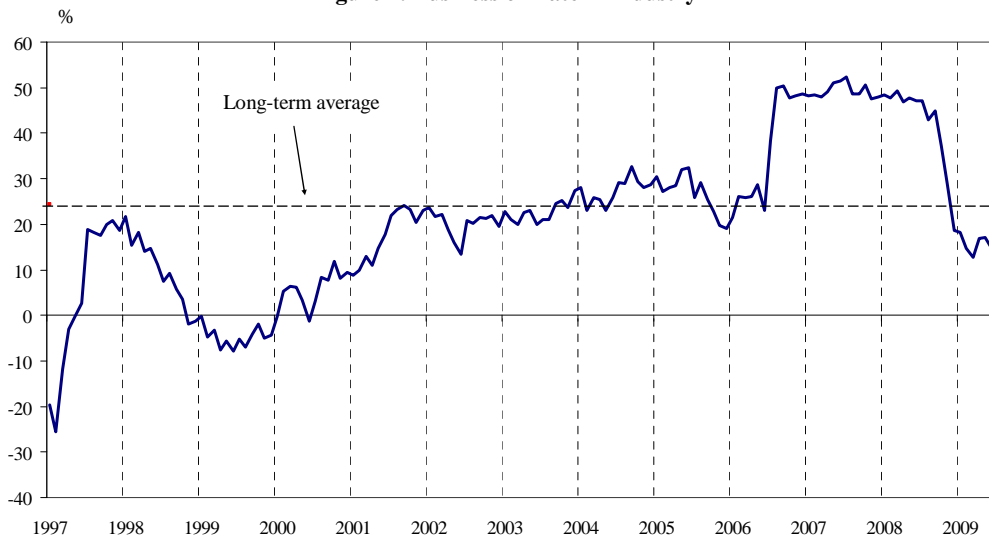


Figure 3. Present production activity in industry

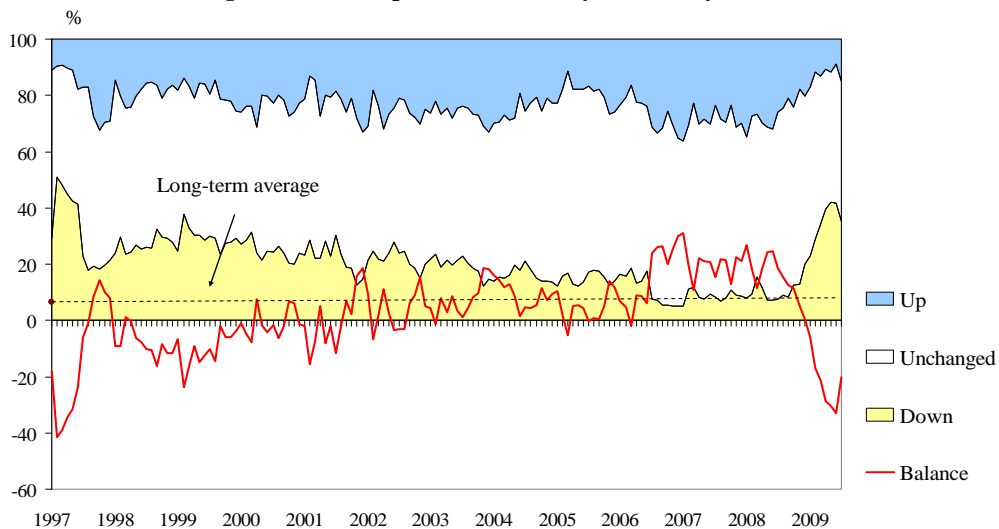
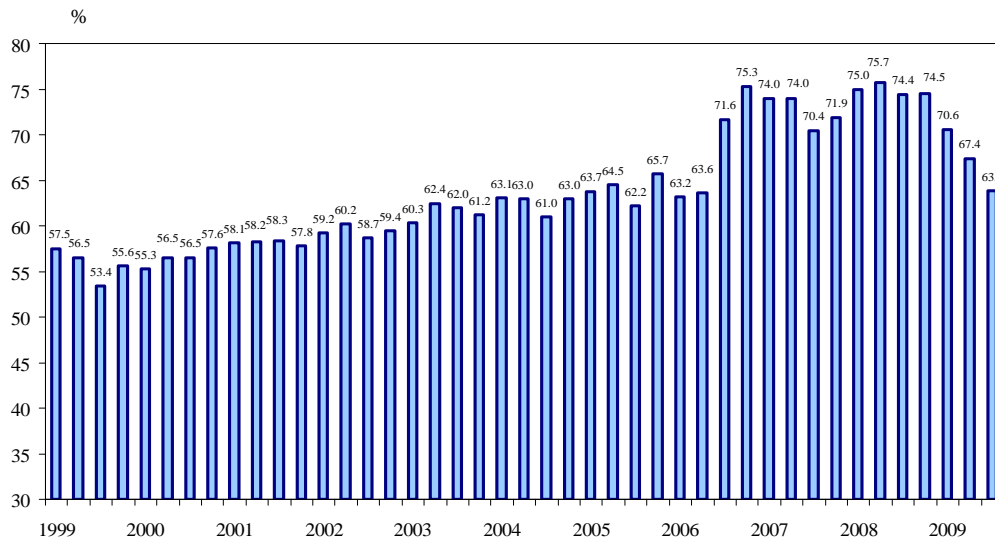


Figure 4. Average capacity utilization in industry



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

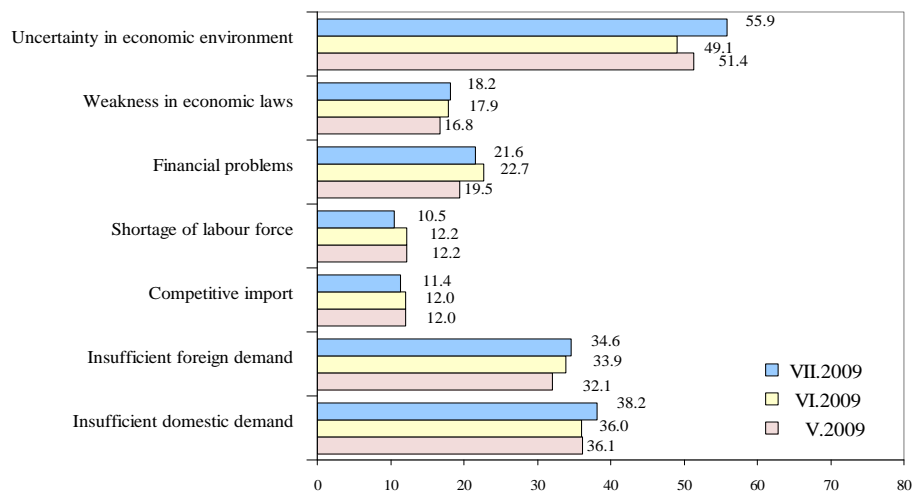


Figure 6. Export expectations for the next months

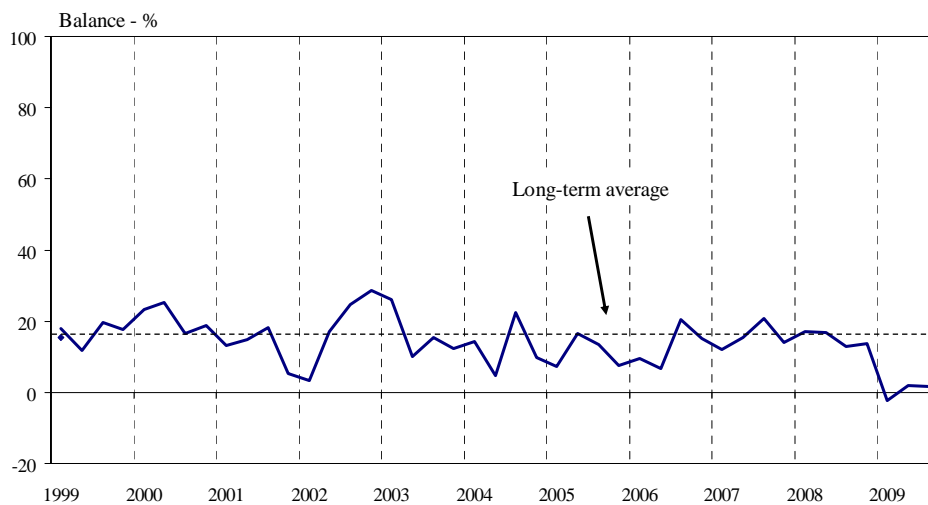


Figure 7. Employment expectations over the next 3 months

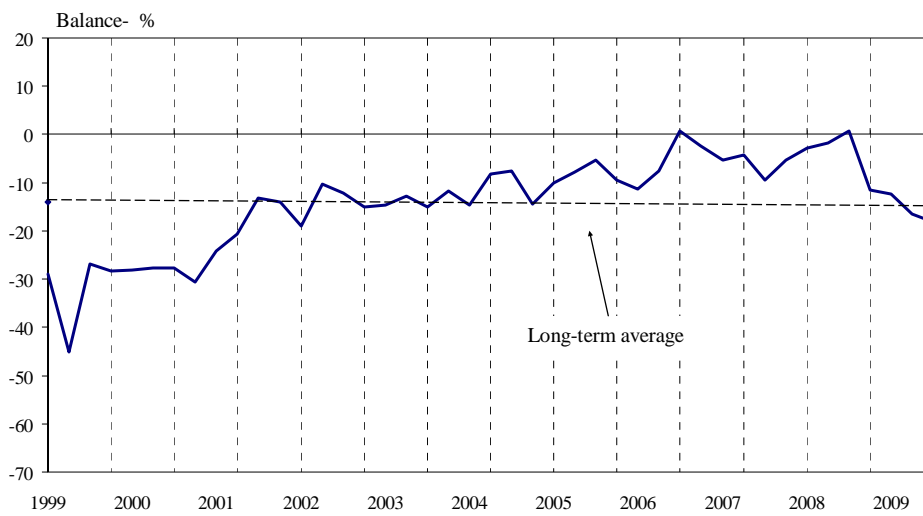


Figure 8. Business climate in construction

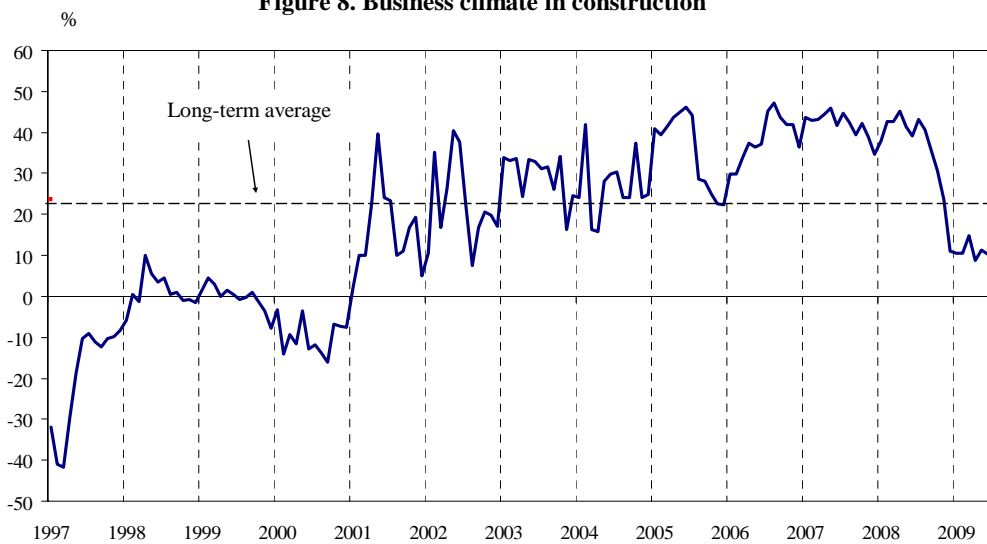


Figure 9. Present construction activity

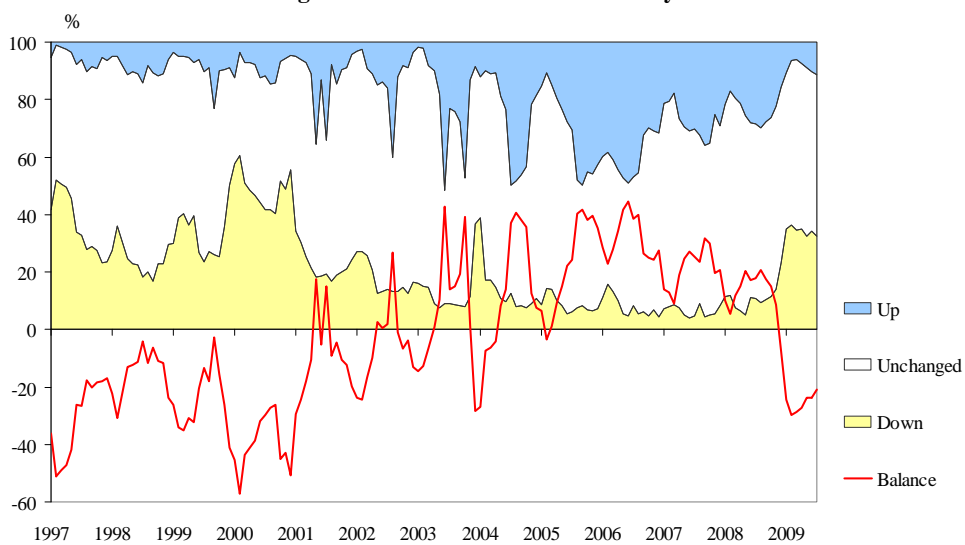
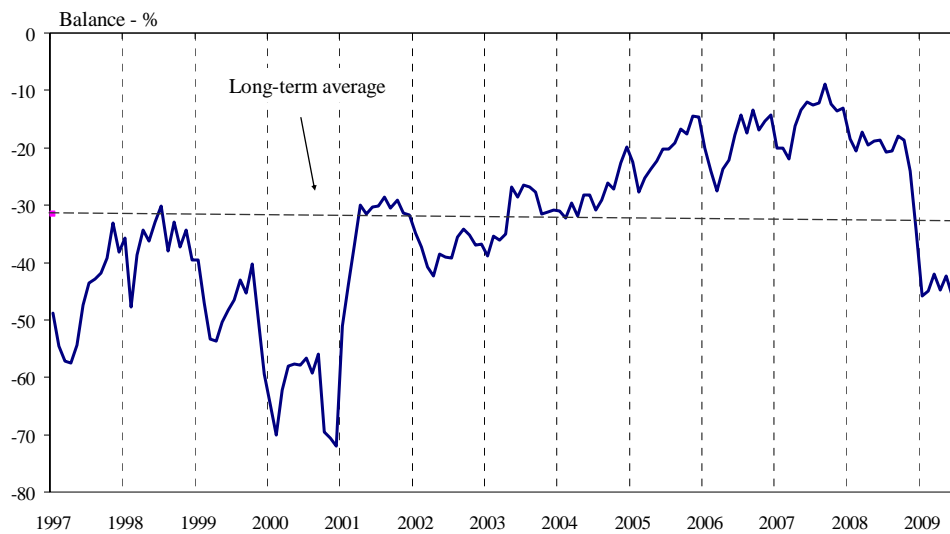
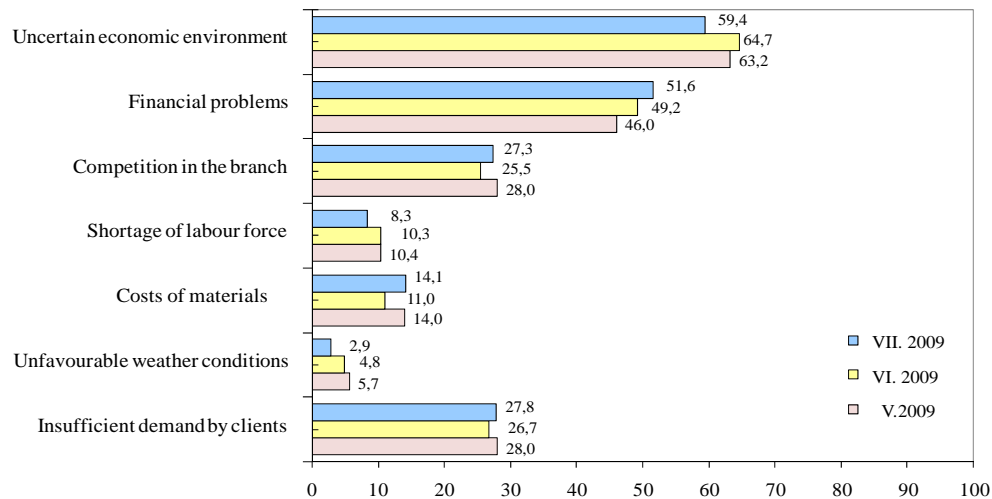


Figure 10. Level of orders in construction



**Figure 11. Limits to construction activity
(Relative share of enterprises - %)**



**Figure 12. Selling price expectations in construction
over the next 3 months**

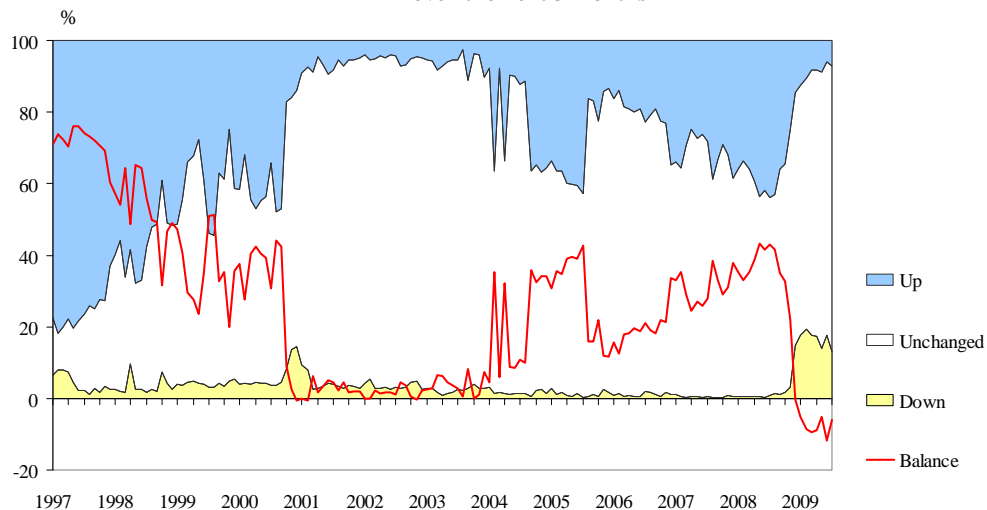


Figure 13. Business climate in retail trade

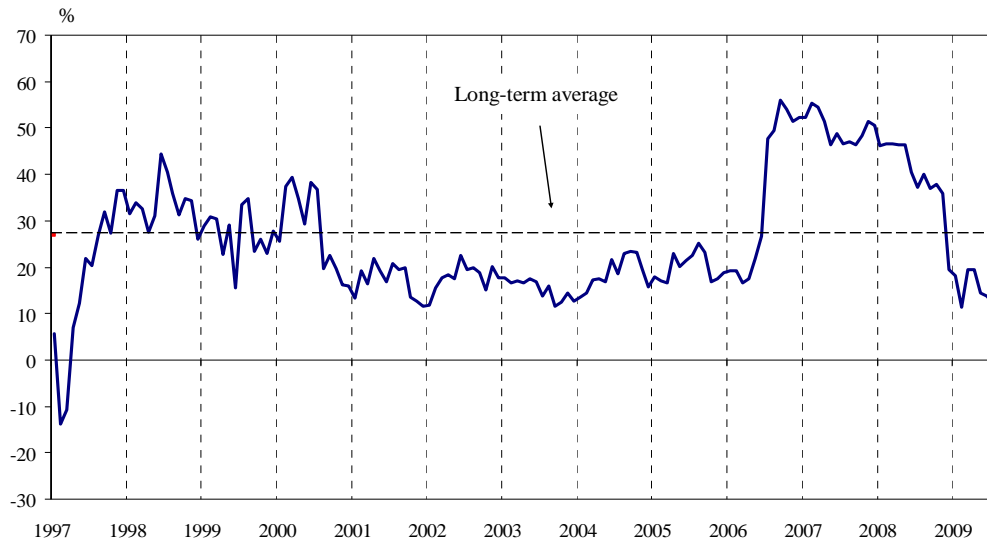


Figure 14. Sales expectations in retail trade over the next 3 months

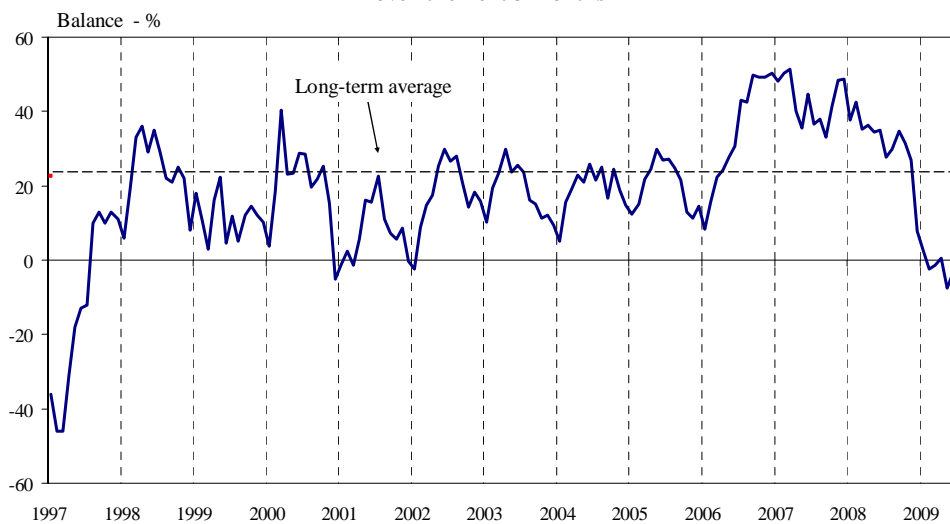


Figure 15. Factors limiting the improvement of the business situation in retail trade - % of enterprises

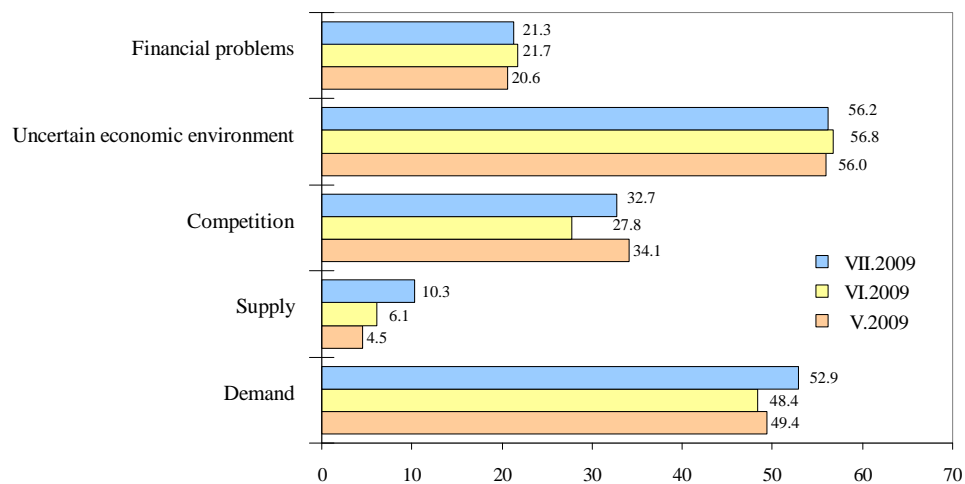


Figure 16. Selling price expectations in retail trade over the next 3 months

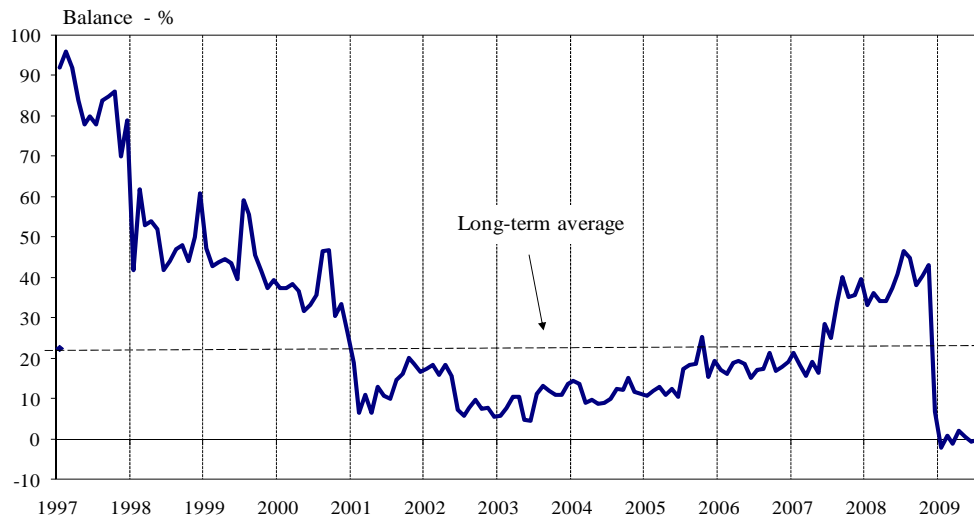


Figure 17. Business climate in service sector

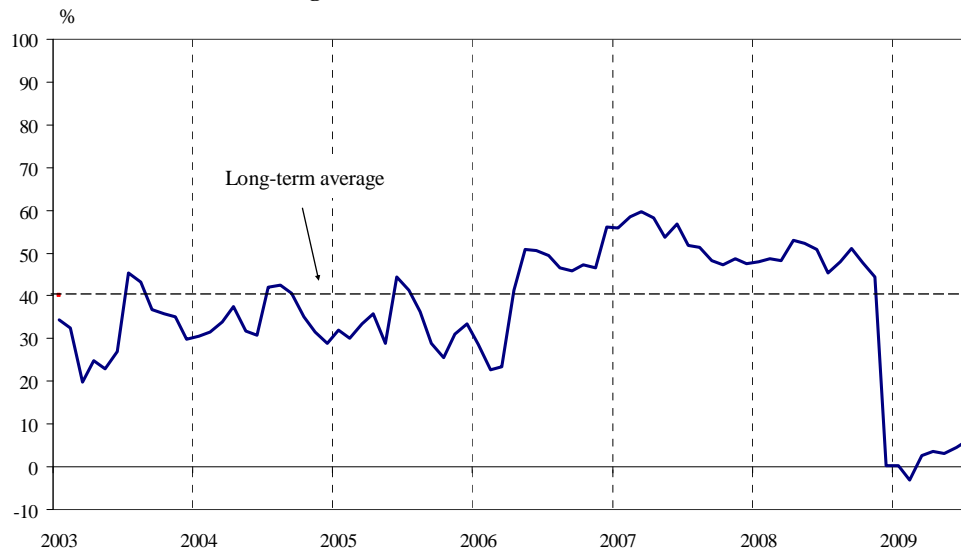


Figure 18. Expectations about the demand for services over the next 3 months

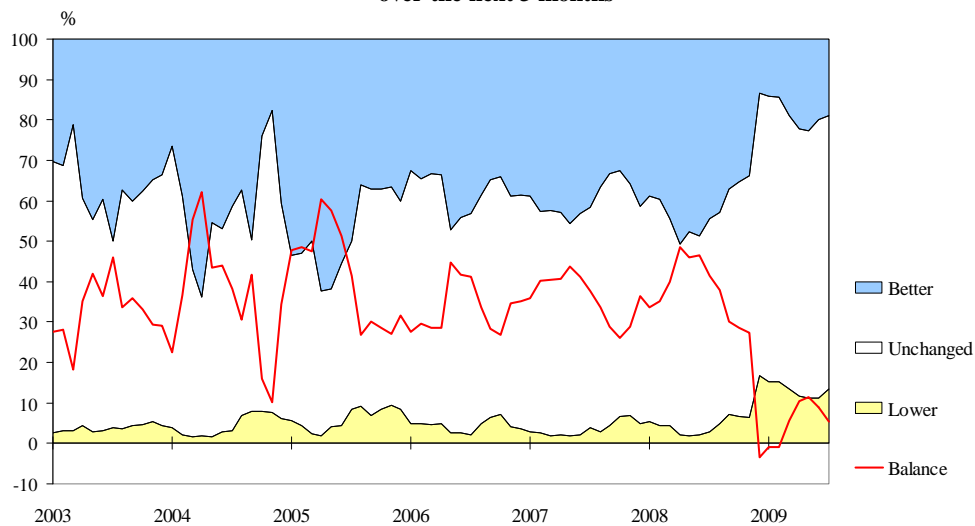


Figure 19. Employment expectations in service sector over the next 3 months

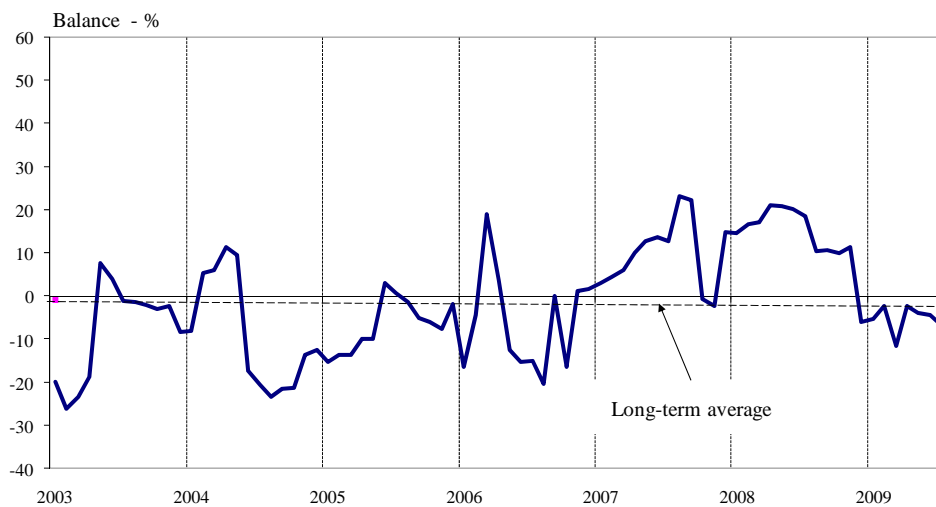


Figure 20. Factors limiting the activity in service sector Relative share of enterprises - %

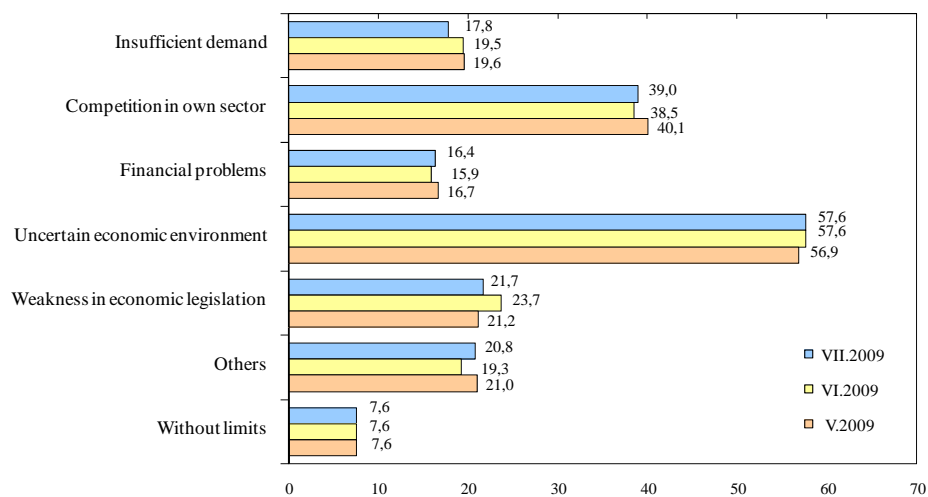
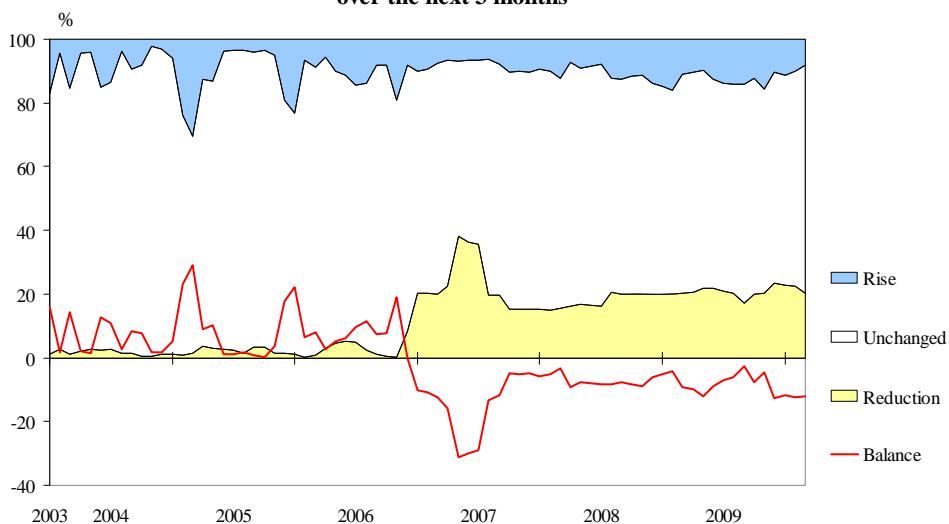


Figure 21. Price expectations in service sector over the next 3 months



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.