

BUSINESS CONJUNCTURE

NSI BUSINESS SURVEYS^{1,2}, FEBRUARY 2010

In February 2010 the NSI business surveys do not register a significant change of the business conjuncture in the country. **The total business climate indicator³** preserves its level from the previous month (Figure 1).

Industry. The February inquiry accounts for better assessments of the present business situation of the industrial enterprises in comparison with January, which improves the level of the composite indicator “business climate” only by 0.4 percentage points (Figure 2), since the second component of the indicator (the balance of the expected business situation over the next 6 months) is worsened to a certain extent. The managers continue to report on a decreased production activity and a lowered level of domestic and foreign orders (Figure 3). The entrepreneurs also expect a reduction of employment but with lower rates.

The uncertain economic environment and the insufficient demand are still the factors mostly limiting the activity in the industrial sector. However their negative influence slightly decreases in February at the expense of an increase of the financial problems (Figure 4).

With regard to the selling prices in industry an increase over the next 3 months is not expected (Figure 5).

Construction. In February the business conjuncture in construction is worsened, as the composite indicator of business climate drops by 1.8 percentage points below its January level (Figure 6). This is due to the lower assessments of the construction entrepreneurs about the present business situation in enterprises. In February the construction activity continues to decrease (Figure 7), which is accompanied by a certain deterioration of the production assurance with orders (Figure 8). The inquiry also registers an increase of the number of clients with delay in payments over the last few months.

The managers’ expectations about the activity over the next 3 months are much more optimistic (an increase of the balance indicator by 15.3 percentage points). Almost every third enterprise expects a growth of the construction activity (Figure 9). The enterprises planning a reduction of employment over the next 3 months decrease and at the same time there is an increase of the number of managers expecting its preservation. However over one fifth of the managers still believe that there will be a further decrease of the personnel.

In February the financial problems of the construction enterprises significantly increase, as for the third consecutive month they push aside the “uncertain economic environment” on the second place as a factor limiting the activity. The negative influence of the competition in the branch is also strengthened (Figure 10).

An increase of the selling prices in construction over the next 3 months is not expected.

Retail trade. In February the composite indicator “business climate in retail trade” increases by 2.2 percentage points in comparison with January (Figure 11). The improvement is due to the more optimistic expectations about the business situation of enterprises over the next 6 months. The sales have decreased over the last 3 months but the expectations about the volume of sales and the orders placed with suppliers over the next 3 months are more optimistic (Figure 12). With regard to the personnel there are still some expectations about its decrease over the next 3 months.

The main factors limiting the activity of the enterprises continue to be the uncertain economic environment and the insufficient demand, followed by the competition in the branch (Figure 13).

The managers expect that the selling prices in retail trade will remain unchanged over the next 3 months (Figure 14).

Service sector⁴. In February the composite indicator of business climate in service sector decreases by 2.0 percentage points in comparison with January (Figure 15). This is due to the worsened managers' assessments and expectations about the business situation in enterprises. The present demand for services also is assessed unfavorably and the expectations about the next 3 months are for its decrease (Figure 16). In the managers' opinion the employment in the sector has decreased over the past 3 months and the expectations about the personnel over the next 3 months are in the same direction.

The uncertain economic environment and the competition in the branch continue to be the most serious factors limiting the activity of the enterprises in the service sector (Figure 17).

In February there still are expectations about a reduction of the prices in the sector over the next 3 months (Figure 18).

Annex 1

Figure 1. Business climate - total

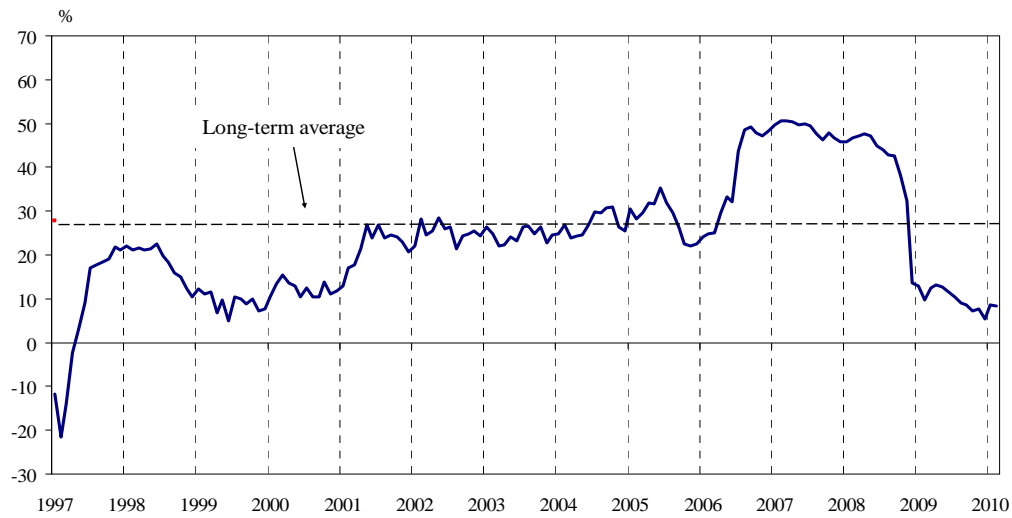


Figure 2. Business climate in industry

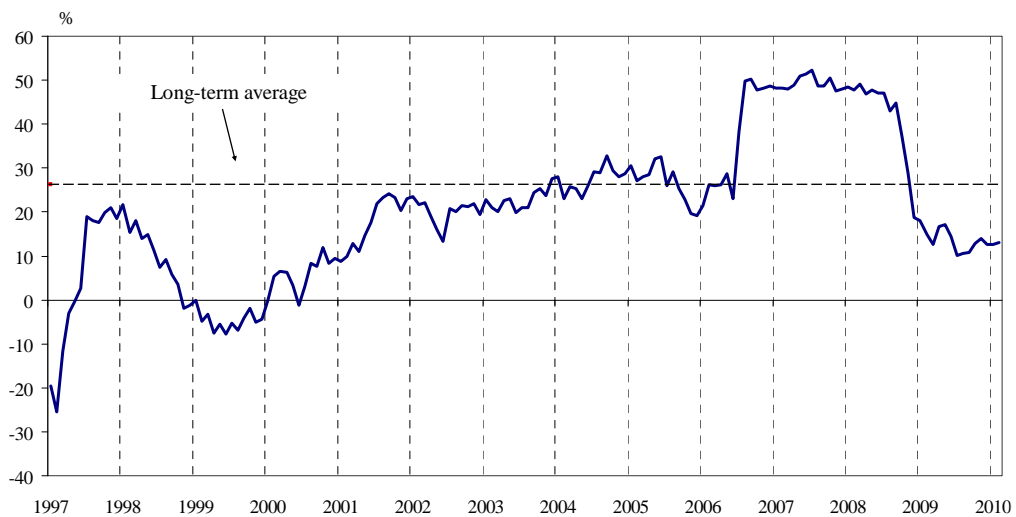
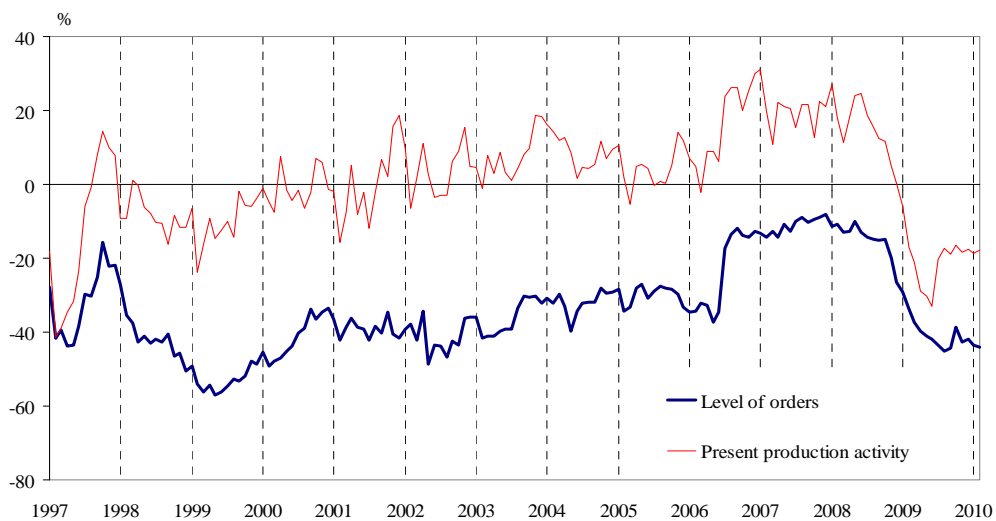
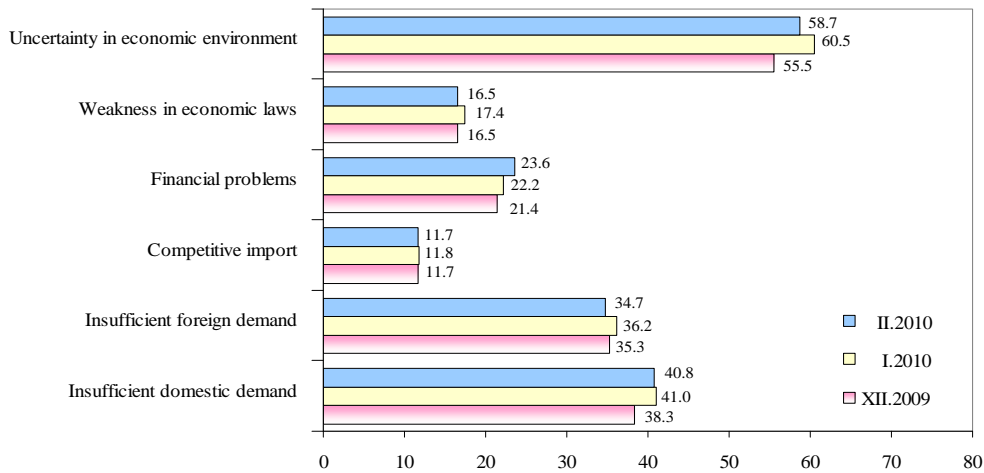


Figure 3. Balances of opinions in industry



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



**Figure 5. Selling price expectations in industry
over the next 3 months**

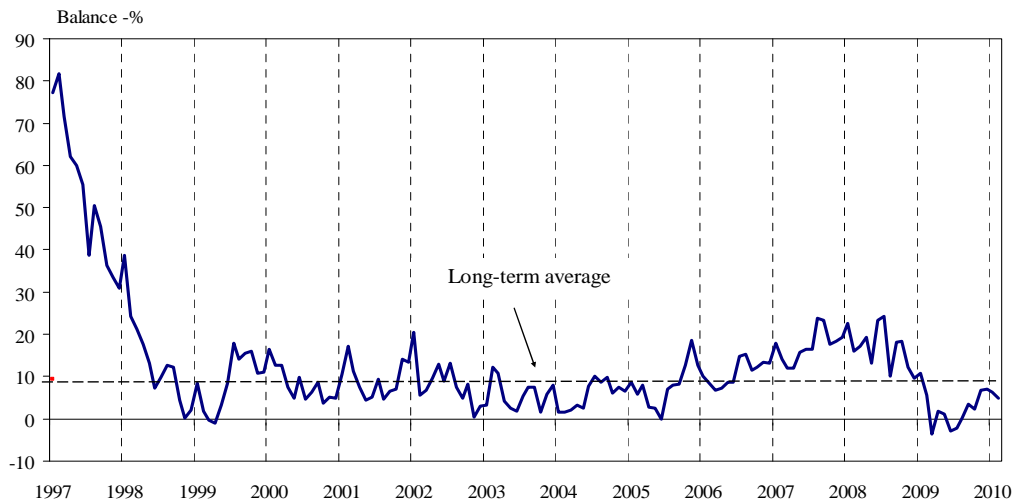


Figure 6. Business climate in construction

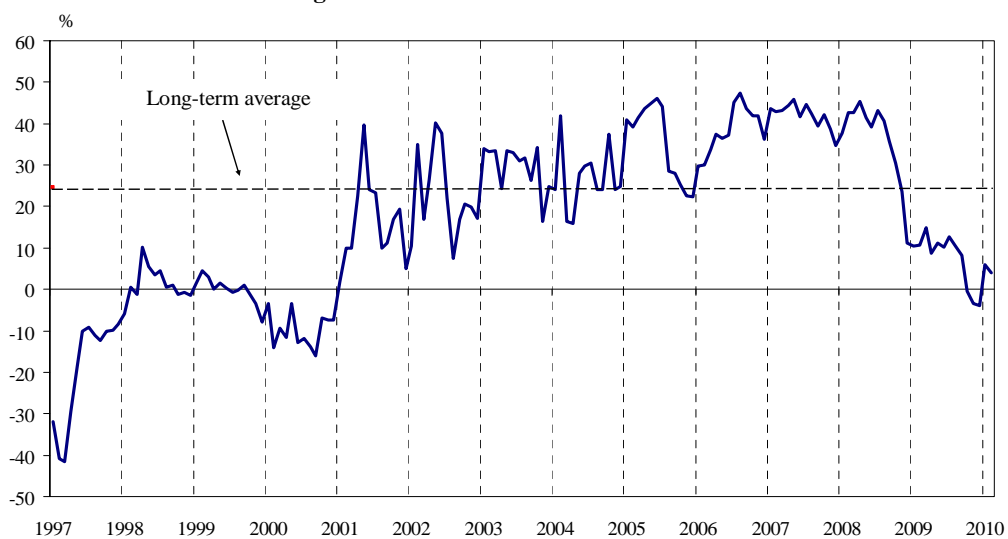


Figure 7. Present construction activity

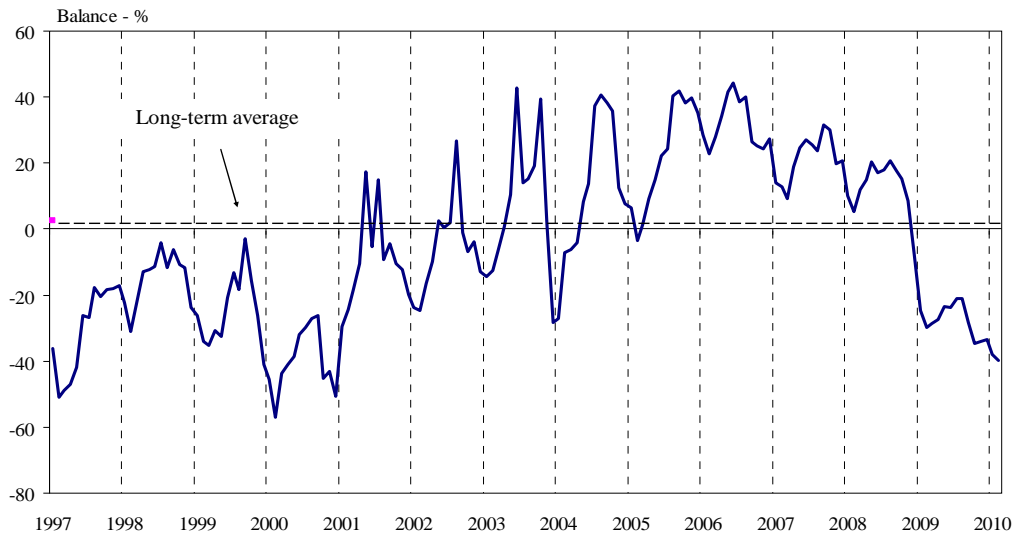


Figure 8. Level of orders in construction

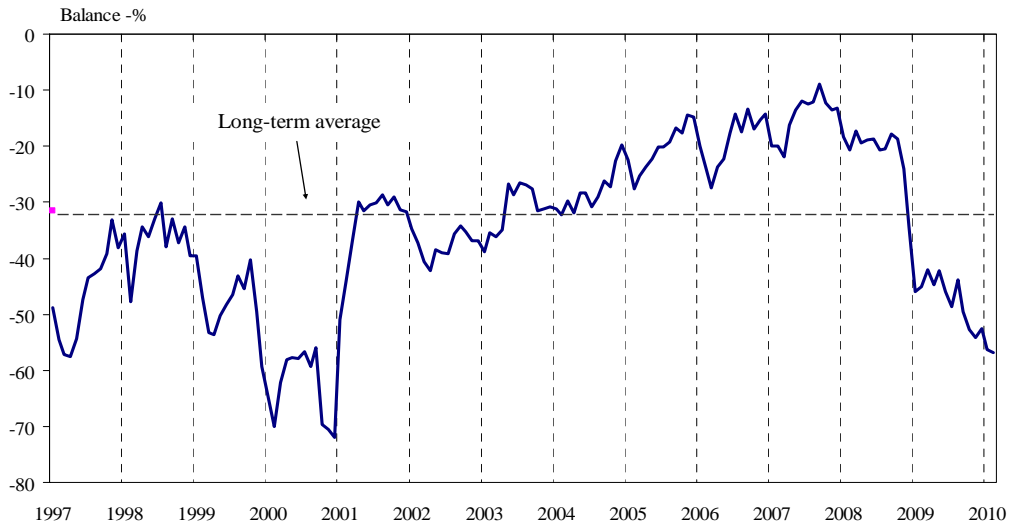
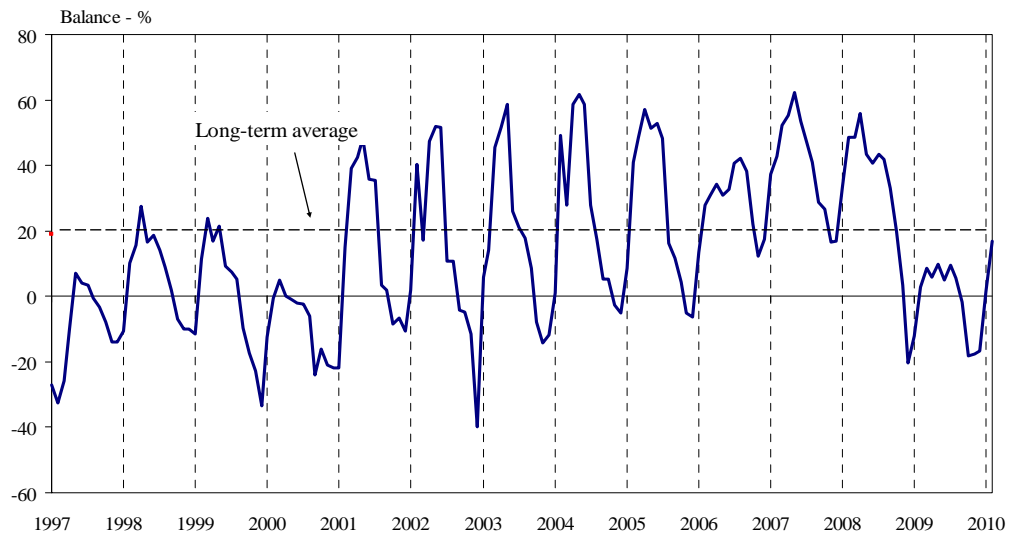


Figure 9. Expected construction activity



**Figure 10. Limits to construction activity
(Relative share of enterprises - %)**

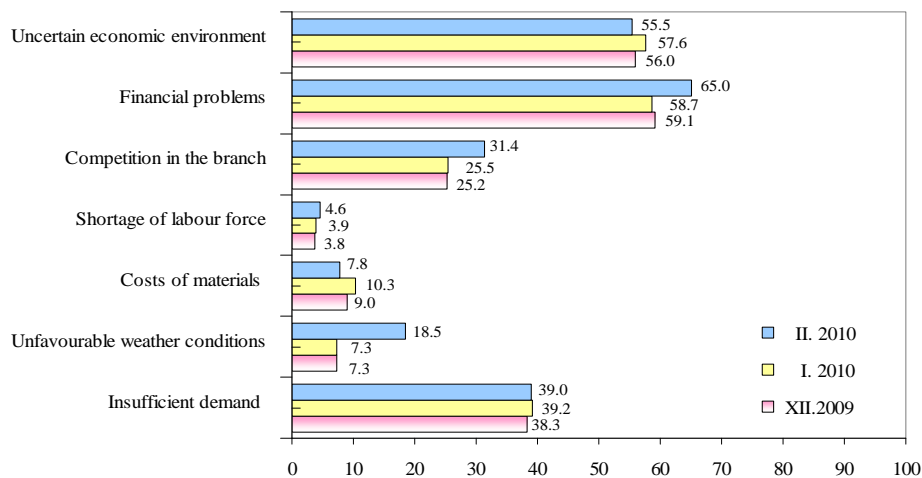
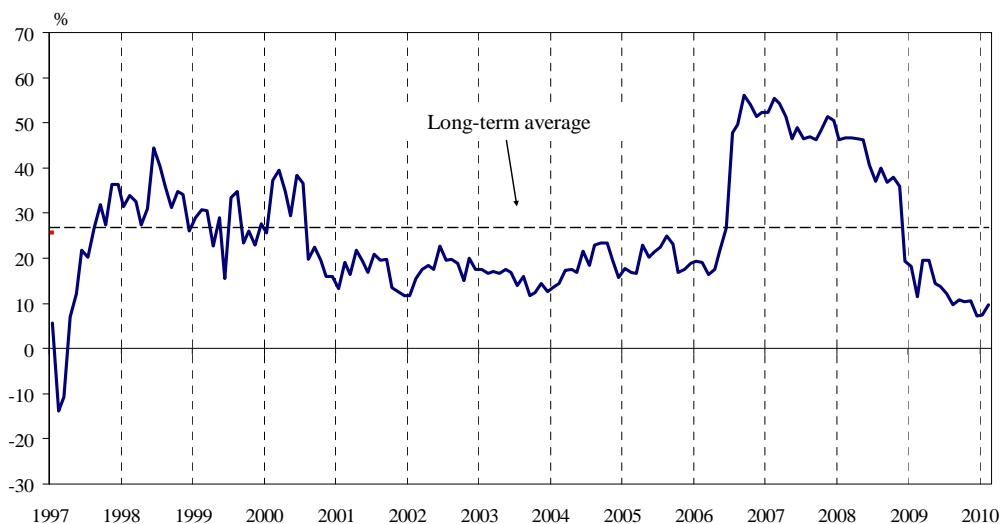


Figure 11. Business climate in retail trade



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

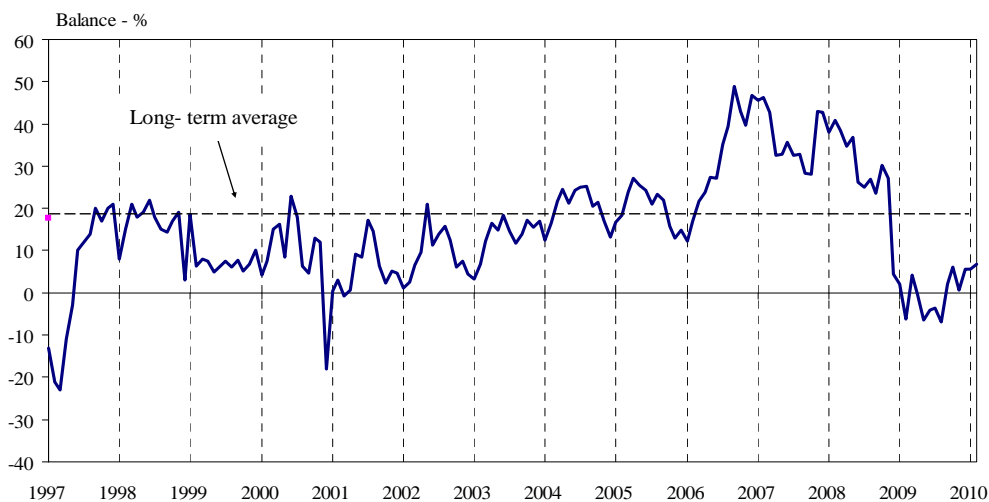


Figure 13. Factors limiting the improvement of the business situation in retail trade
(Relative share of enterprises - %)

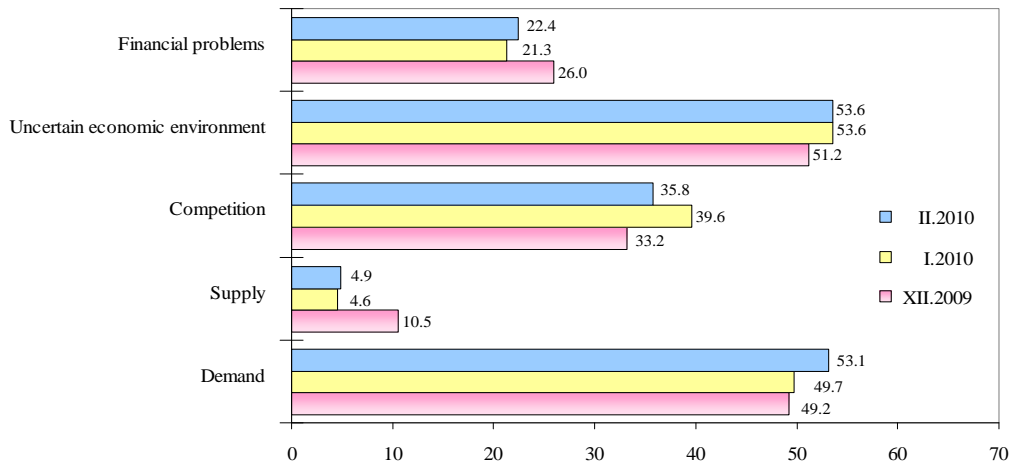


Figure 14. Selling price expectations in retail trade over the next 3 months

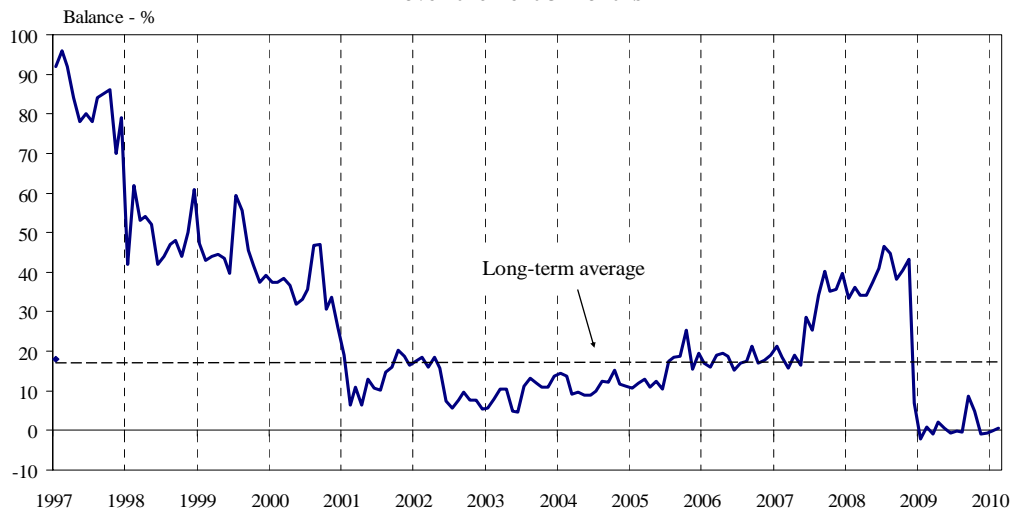


Figure 15. Business climate in service sector

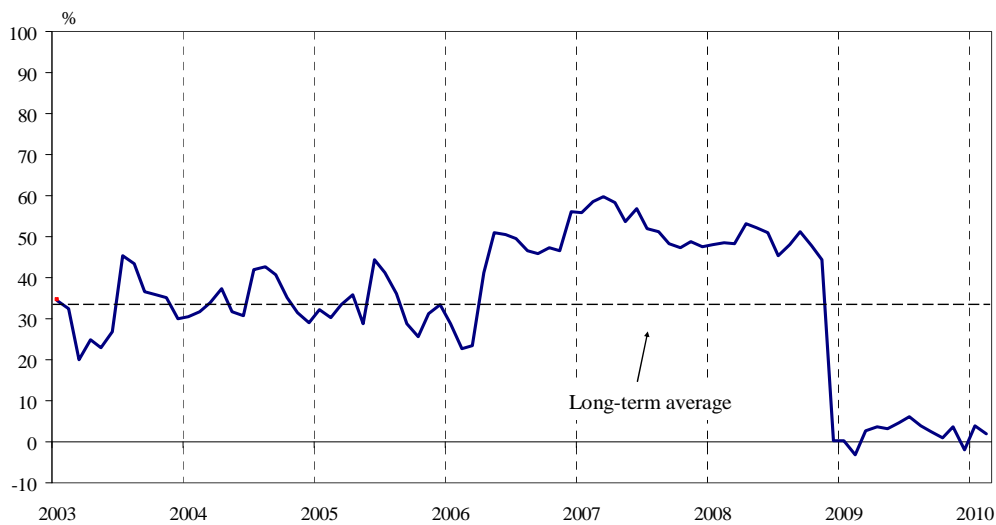


Figure 16. Expectations about the demand for services over the next 3 months

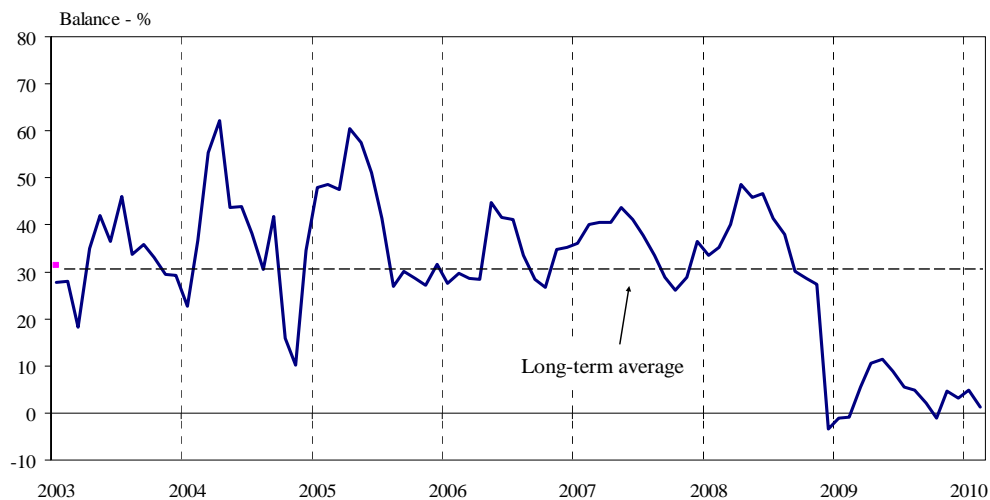


Figure 17. Factors limiting the activity in service sector (Relative share of enterprises - %)

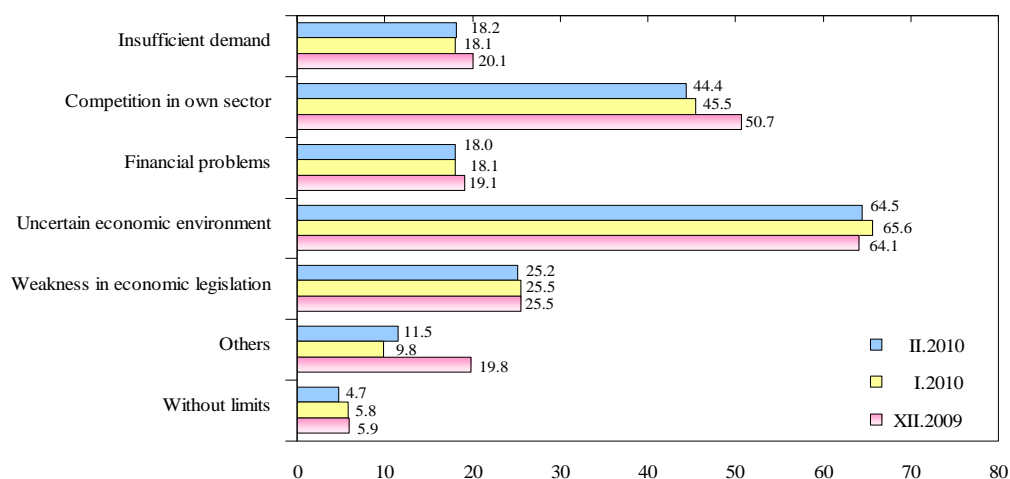
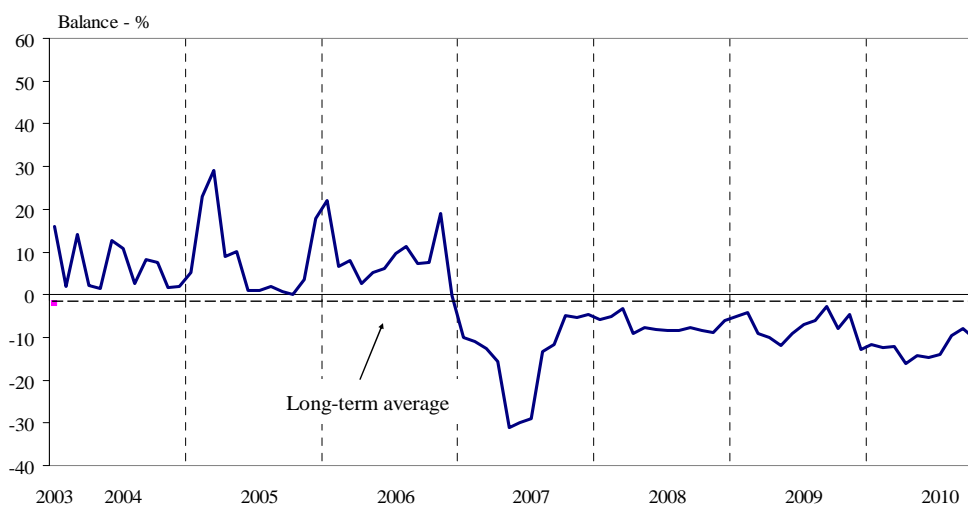


Figure 18. Price expectations in service sector over the next 3 months



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 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.