# BUSINESS CONJUNCTURE

## NSI BUSINESS SURVEYS[1,2], JANUARY 2010

In January 2010 **the total business climate indicator**[3] increases by 3.1 percentage points in comparison with the previous month (Figure 1). The improvement is due to the more optimistic opinions of the entrepreneurs from the sectors of construction and services.

**Industry.** The composite indicator "business climate in industry" preserves its level from December 2009 (Figure 2). In January the assessments of the present business situation in enterprises are worsened but the managers have more optimistic expectations about their business over the next 6 months. The entrepreneurs expect a reduction of employment but with lower rates.

The more pessimistic assessments of the present business situation are accompanied by lowered opinions about the production activity, the production assurance with orders and the competitive position of the enterprises on the domestic and foreign markets (Figure 3).

In January the enterprises point out that the major problems for the business development in the sector continue to be the uncertain economic environment and the insufficient domestic and foreign demand (Figure 4).

The average capacity utilization in industry in January is unchanged as compared to October of last year. However in comparison with January 2009 there is a decrease of 6.1 percentage points (Figure 5).

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

**Construction.** In January the composite indicator of business climate in construction increases by 9.7 percentage points in comparison with the previous month (Figure 6) mostly due to the more optimistic expectations about the business situation of enterprises over the next 6 months (the balance indicator increases by 18.8 percentage points). The expectations about the construction activity over the next 3 months also are more favorable (the balance indicator goes up by 18.4 percentage points) and the expectations about the orders over the next 6 months significantly improve (Figure 7). However over the next 3 months is expected to have a further reduction of personnel but with a lower rate.

With regard to the present the managers' assessments are that the construction activity continues to drop (Figure 8) and that the production assurance with orders - to decrease. The major factors limiting the activity of the enterprises are the financial problems and the uncertain economic environment, followed by the insufficient demand (Figure 9).

The inquiry continues to register expectations about reduction of selling prices (Figure 10).

**Retail trade.** In January the composite indicator "business climate in retail trade" approximately preserves its level from the previous month (Figure 11). The present business situation in enterprises is assessed by the managers as slightly better in comparison with December 2009, but their expectations about the next 6 months are more pessimistic. In their opinion the sales have decreased over the last 3 months and the expectations about the sales, the orders placed with suppliers and the personnel are that they will remain unchanged over the next 3 months.

The uncertain economic environment, the worsened demand and the competition in the branch continue to be the factors limiting the activity of the enterprises, as their influence in January is stronger than the previous month (Figure 12).

The managers expect that the selling prices in retail trade will preserve their level over the next 3 months (Figure 13).

**Service sector[4].** In January the composite indicator of business climate in service sector increases by 5.9 percentage points in comparison with December due to the improved managers' assessments about the present business situation in enterprises and to the more optimistic expectations about the next 6 months (Figure 14). Over the last 3 months the demand for services and the personnel in the sector have decreased. However the expectations about the next 3 months to a certain extent are more optimistic with regard to the demand and with regard to the personnel a decrease is not expected (Figure 15).

The uncertain economic environment continues to be a factor limiting the activity of the enterprises in the service sector, followed by the competition in the branch (Figure 16).

With regard to the prices in the sector, there still are expectations about a decrease over the next 3 months (Figure 17).

# Annex 1

**Figure 1. Business climate - total**

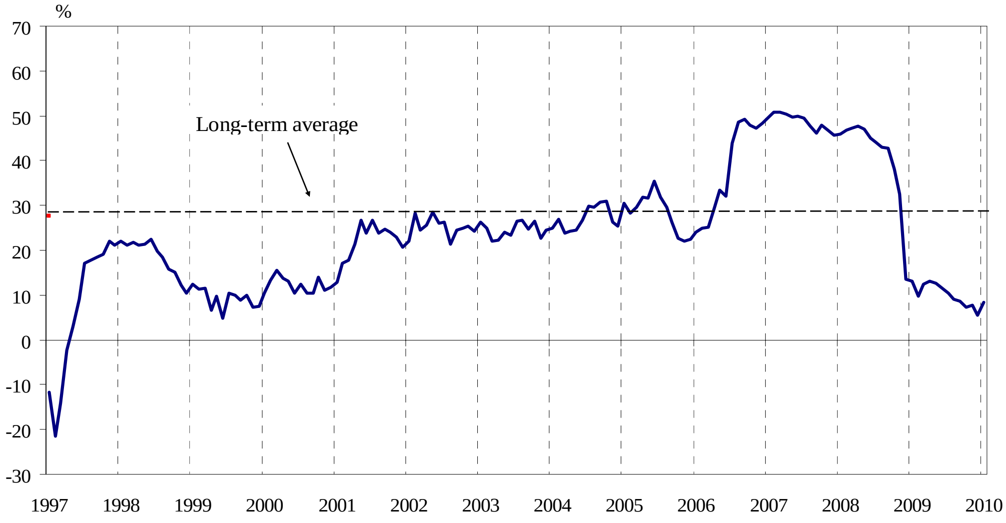



**Figure 2. Business climate in industry**

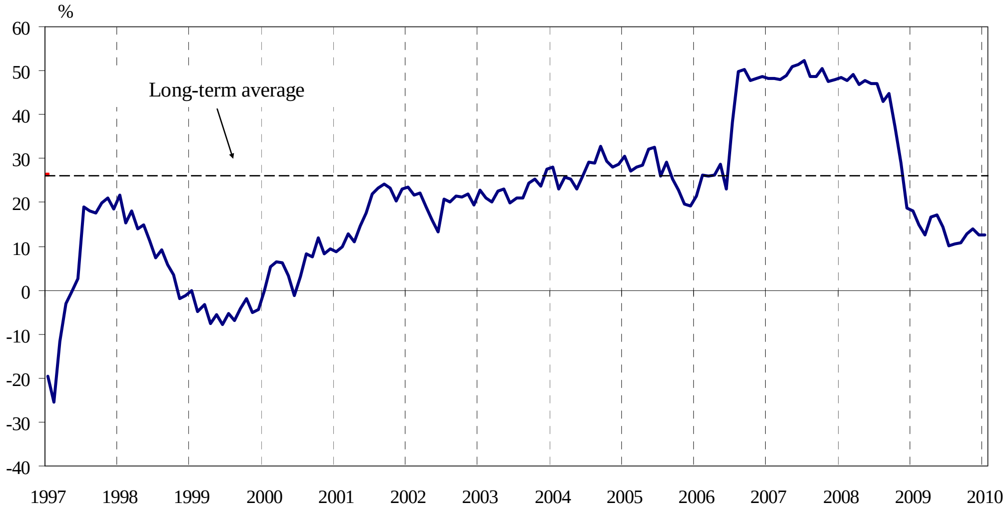



**Figure 3. Balances of opinions in industry**

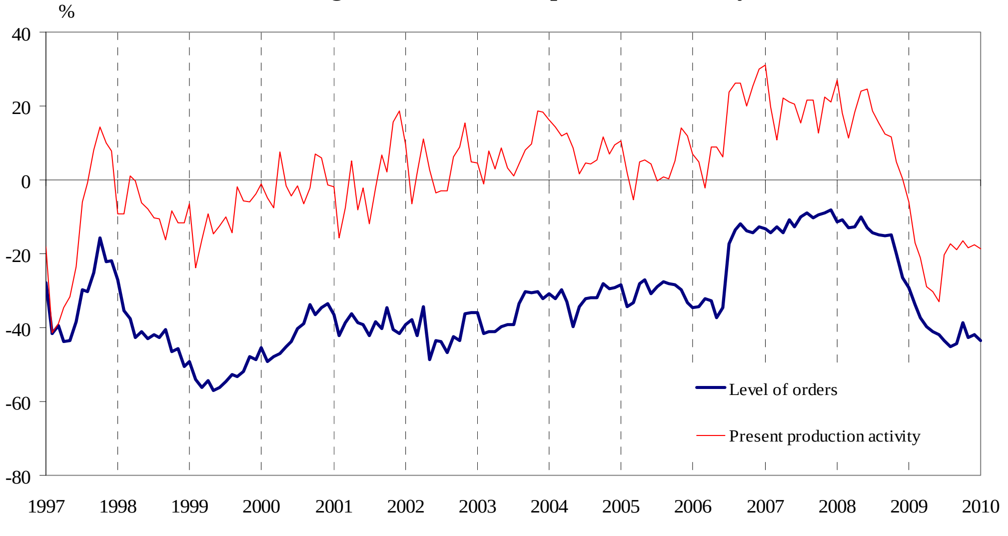


**Figure 4. Limits to production in industry**
**(Relative share of enterprises - %)**

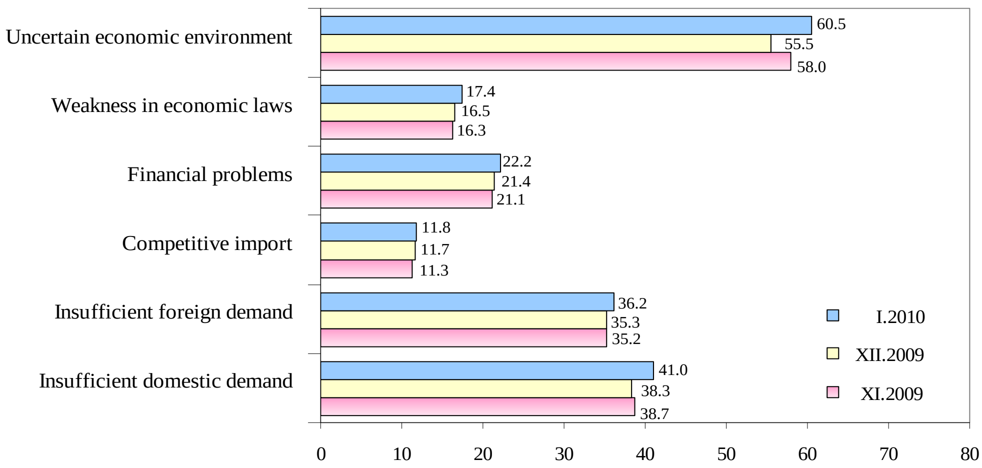



**Figure 5. Average capacity utilization in industry**

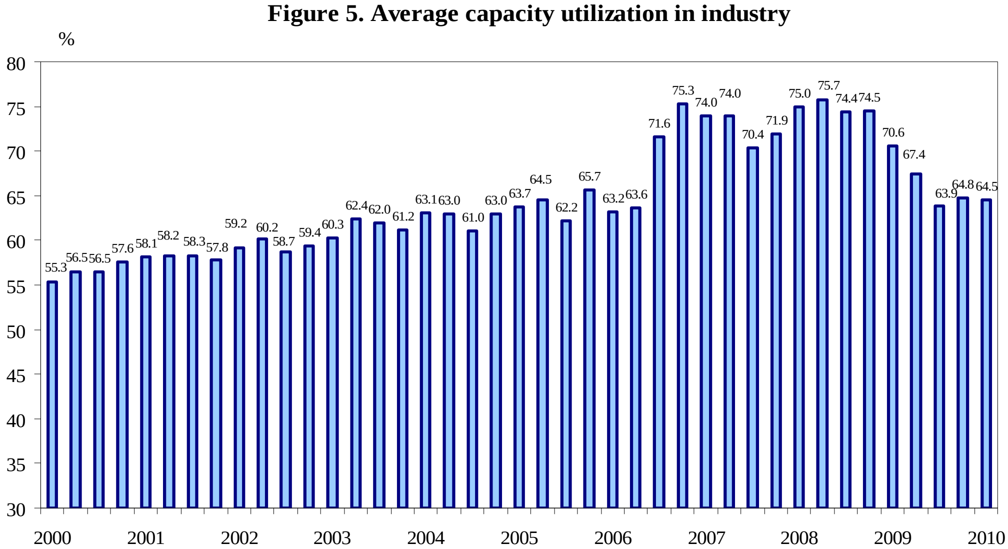



**Figure 6. Business climate in construction**

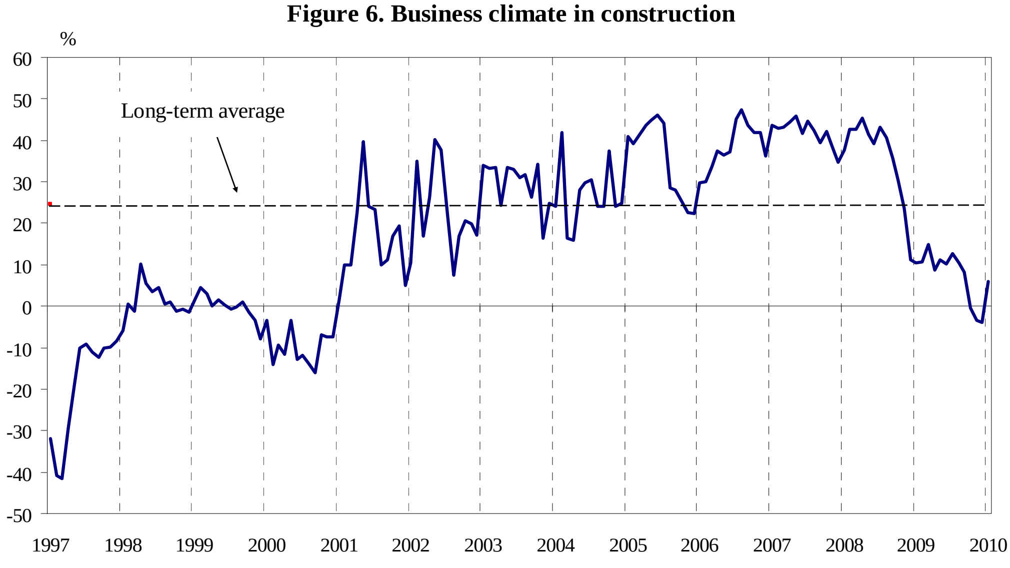


**Figure 7. New orders expectations in construction over the next 6 months**

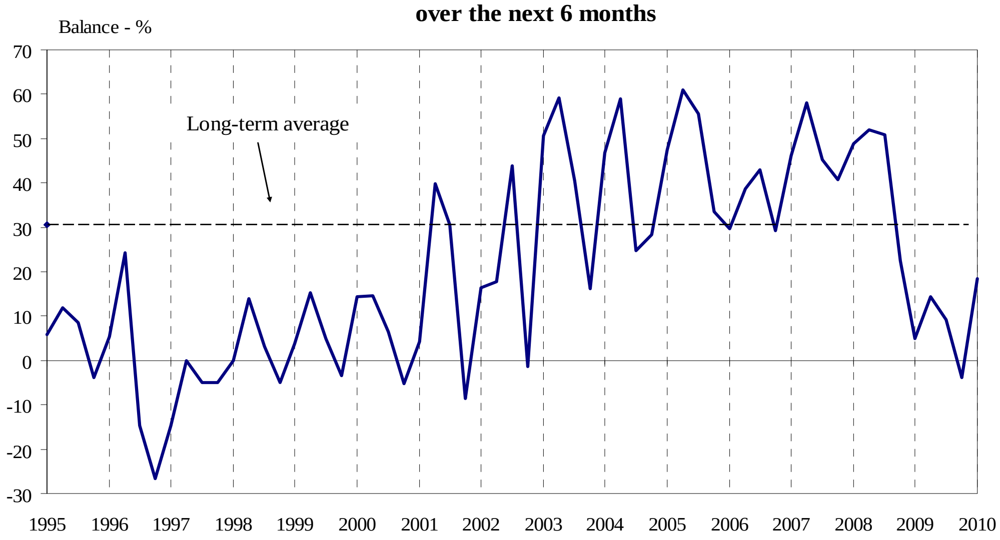



**Figure 8. Present construction activity**

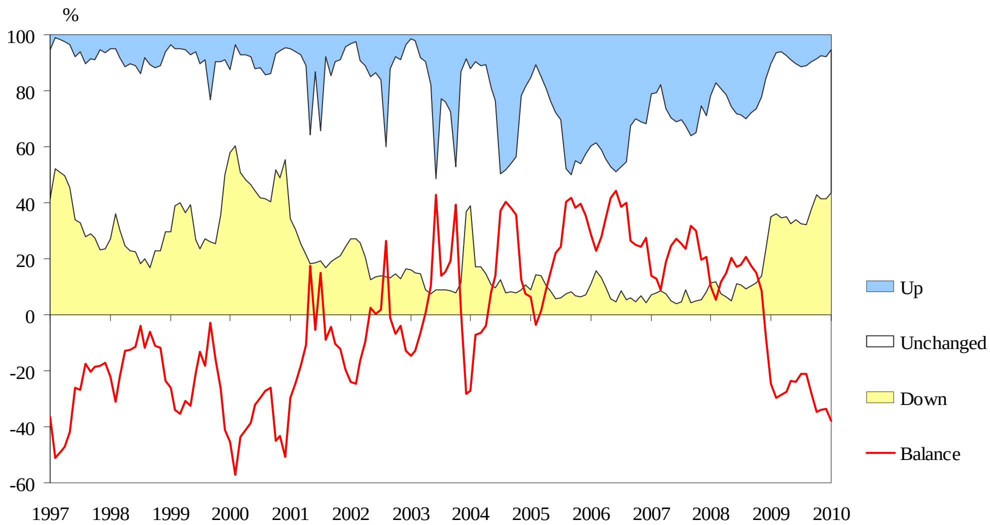



**Figure 9. Limits to construction activity (Relative share of enterprises - %)**

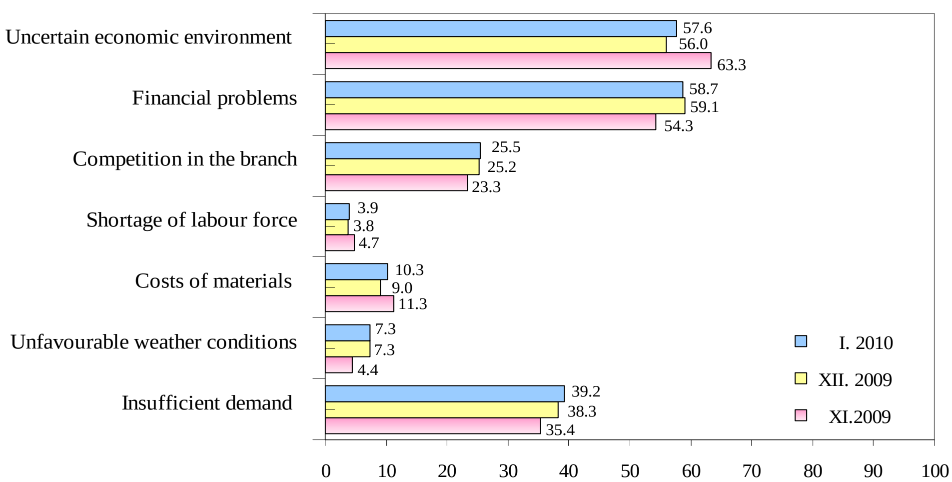


**Figure 10. Selling price expectations in construction over the next 3 months**

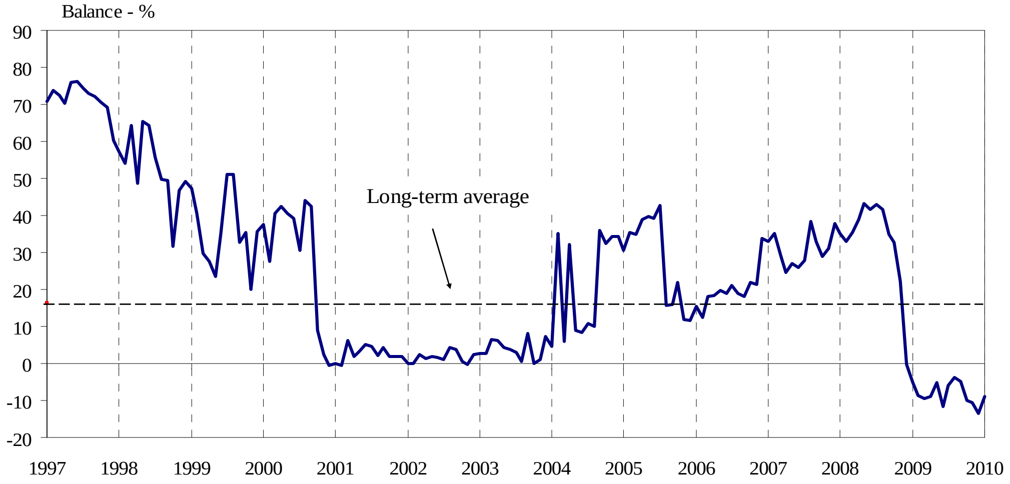



**Figure 11. Business climate in retail trade**

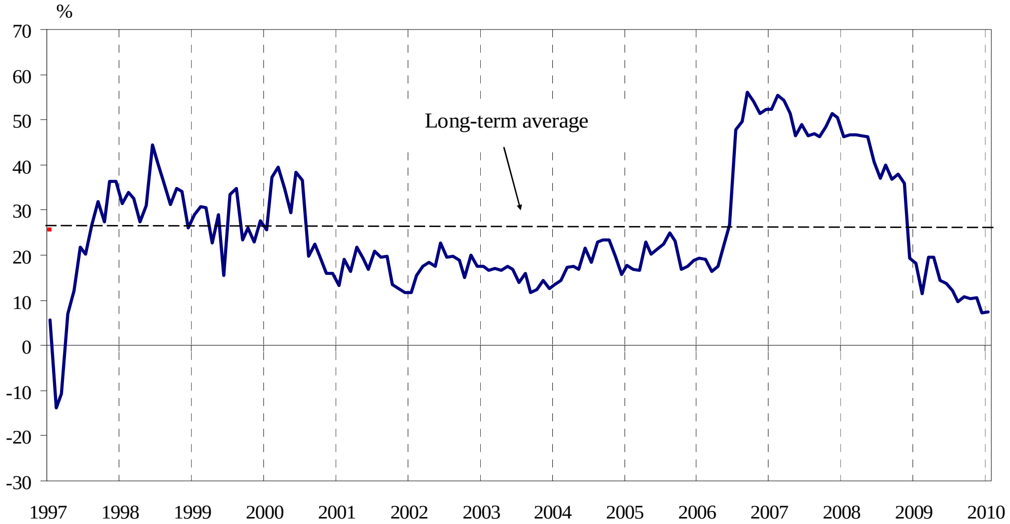



**Figure 12. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises - %)**

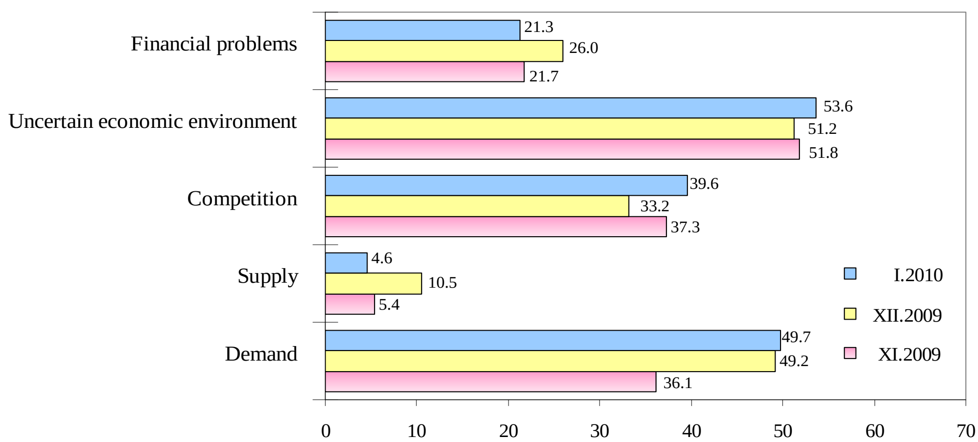


**Figure 13. Selling price expectations in retail trade over the next 3 months**

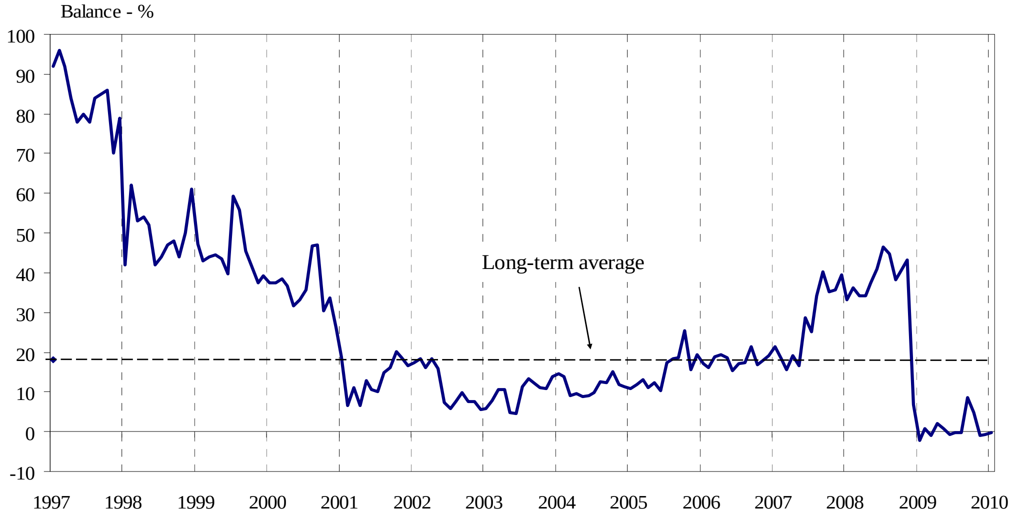



**Figure 14. Business climate in service sector**

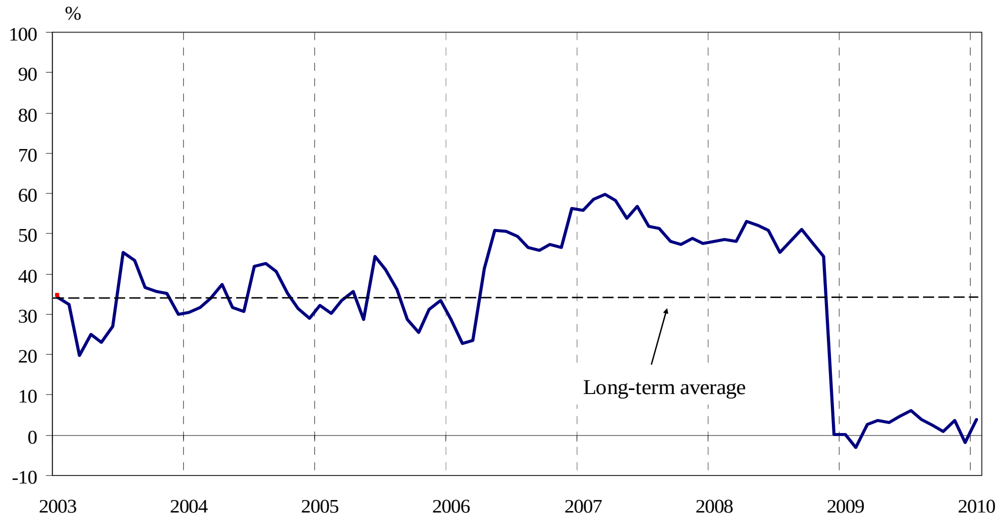



**Figure 15. Employment expectations in service sector over the next 3 months**

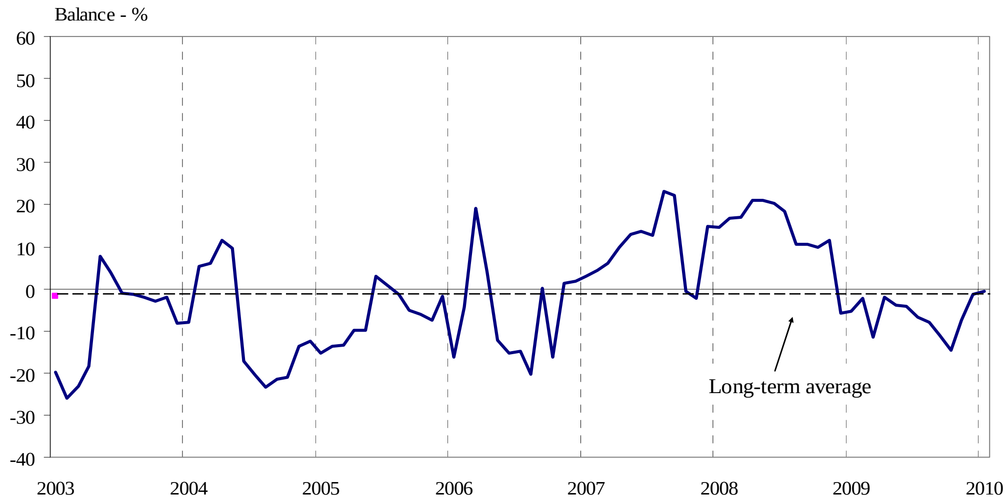


**Figure 16. Factors limiting the activity in service sector**
**(Relative share of enterprises - %)**

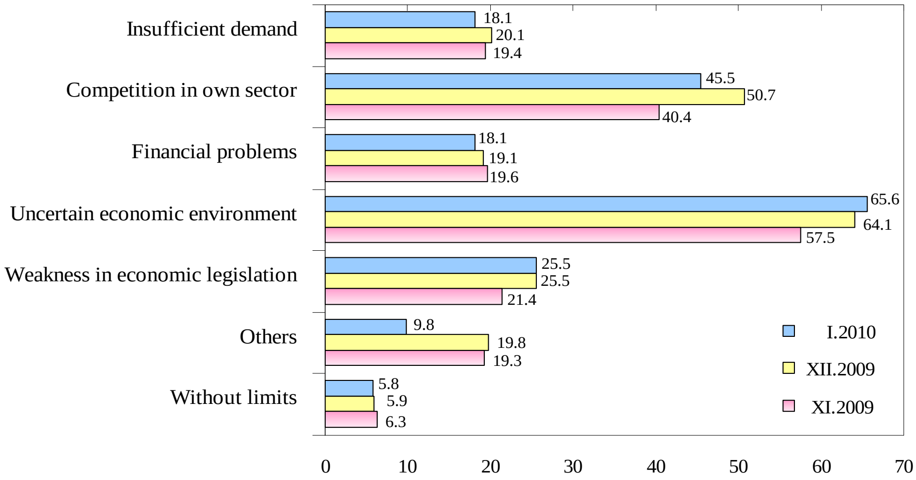
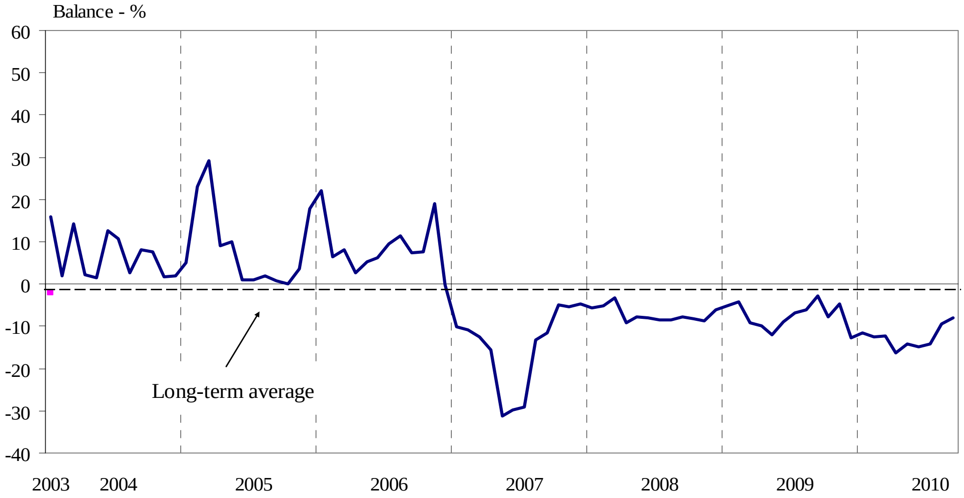



**Figure 17. Price expectations in service sector**
**over the next 3 months**

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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-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.