BUSINESS CONJUNCTURE

NSI BUSINESS SURVEYS[1,2], APRIL 2008

In April 2008 **the total business climate indicator**[3] noted an increase for a fourth consecutive month and the reached value was by 0.5 percentage points above the March level.

Industry. In April the economic conjuncture in industry remained favourable. Despite the composite business climate indicator decreased by 2.4 percentage points in comparison with the previous month, it kept extremely high level more than 20 months. At the same time the assessments about the present production activity were also more optimistic compared to the expressed in March, and the expectations for the next 3 months showed that it would keep the same level (according to 57.8% of the enterprises) or would increase (according to 38.8%).

For the period January - April 2008 the capacity surplus in industry decreased, the average capacity utilization was assessed as 75.7%, which was by 0.7 percentage points above the January level. A negative point in conjuncture was that by managers' opinions during the last three months there was certain deterioration in the competitive position of enterprises both on domestic and foreign market.

The uncertain economic environment and the insufficient domestic demand remained the main problems for the enterprises in the branch. The third problem joined in was the shortage of labour pointed out by more than one fifth of the enterprises in April.

As regards the selling prices most industrial enterprises (79.2%) foresaw to remain them unchanged whereas 20.1% expected an increase over the next 3 months.

Construction. In April the high expectations about the business situation in construction enterprises over the next 6 months increased the composite indicator of business climate in construction by 2.7 percentage points, which was only 2 percentage points below the long-term average. The entrepreneurs' prognoses about the activity and personnel in the branch over the next 3 months were also optimistic. In the period from January to April the assessments about the production assurance with orders (measured in months) have improved, too - from 5.9 to 6.1, as the enterprises expected inflow of new orders over the next 6 months.

The greatest weight among the reasons limiting the activity in the branch continued to be the competition in the branch, uncertain economic environment and labour shortage as in April the negative influence of the factor "prices of materials" also increased.

During the last 6 months the business inquires of NSI registered a relatively steady share of construction enterprises (over one third) with intention about an advance of selling prices in the branch.

Retail trade. In April 2008 the composite indicator of business climate in retail trade kept its level of the previous month. Managers' assessments about the present business situation of retail trade enterprises were positive and their expectations for the next 6 months were that it would keep the same (according to 63.1% of the enterprises) or improve (according to 35.1%). At the same time retailers did not foresee reduction both of the volume of sales and orders placed with suppliers over the next 3 months.

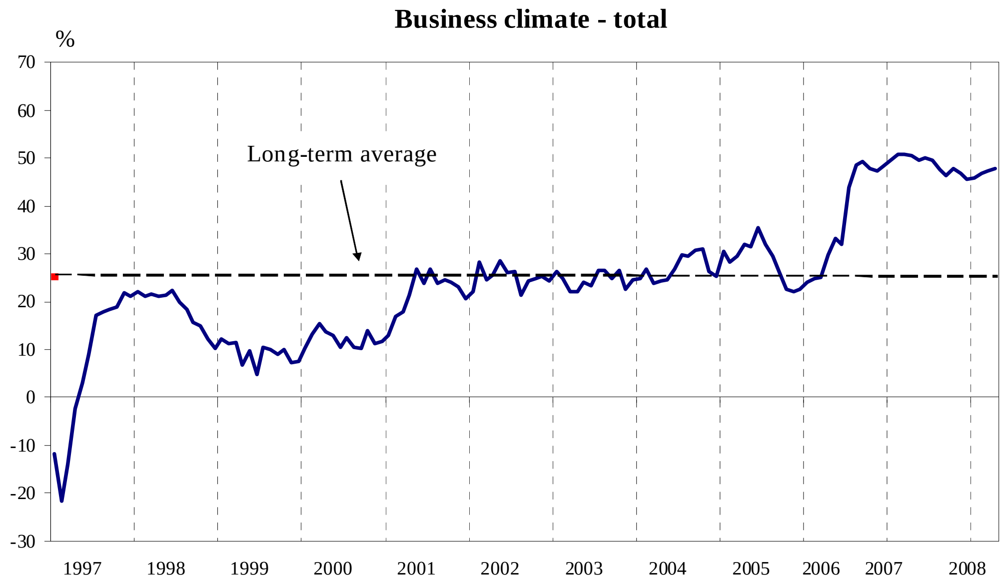
The insufficient demand, the competition in the branch and the uncertain economic environment continued to be the main factors limiting the activity in the branch. In April as compared to the previous month an increase of the relative share of enterprises with financial problems (from 6.8 to 12.1%) was observed.

Since June 2007 a tendency of high retailers' expectation concerning the selling prices was outlined. For the last month the relative share of managers expecting a price advance was 34.9%.

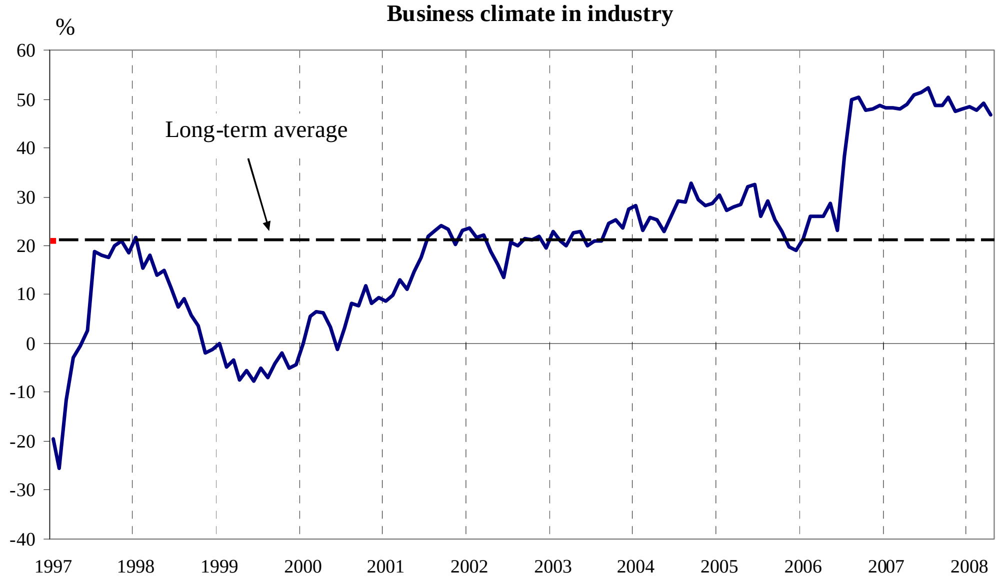
Service sector[4]. The more optimistic assessments and expectations about the business situations in enterprises of service sector in April increased the level of the composite indicator of business climate by 4.9 percentage points compared to March. At the same time the managers foresaw an increase of the demand of services and additional hiring of labour force over the next 3 months.

The most serious problem limiting the activity of enterprises were the competition in the branch and the uncertain economic environment pointed out by 59.7 and 20.8% of entrepreneurs, respectively.

Concerning the selling prices the expectations of two third of the enterprises were to remain them unchanged over the next 3 months.

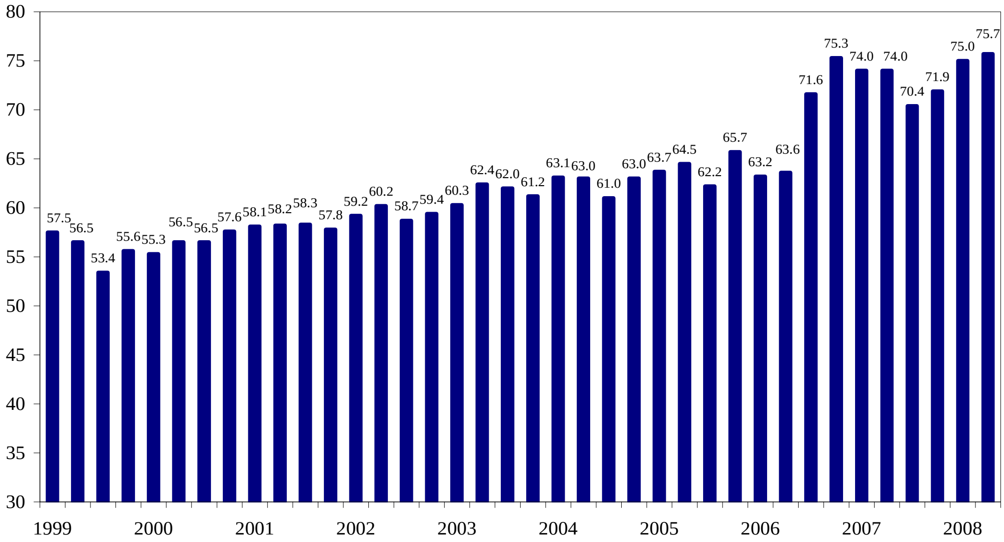


INDUSTRY

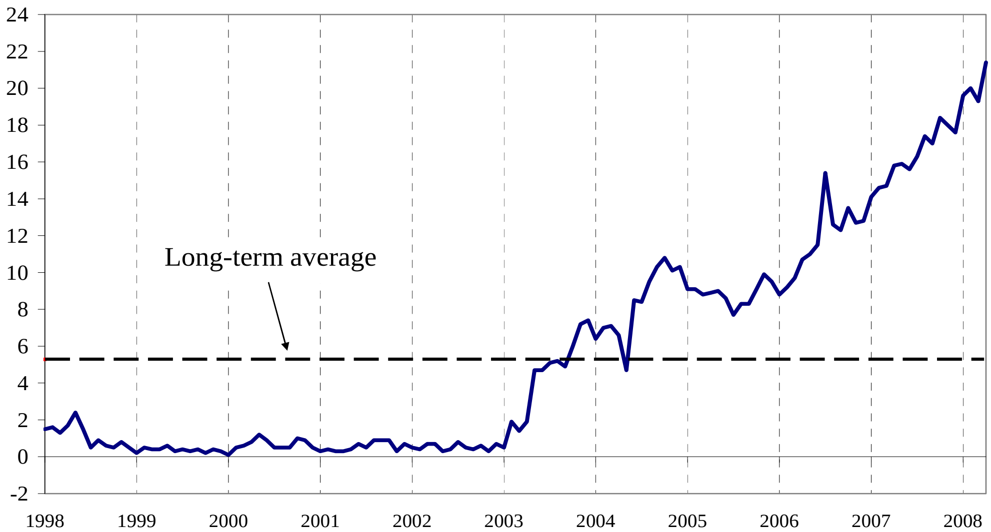


Average capacity utilization in industry

%

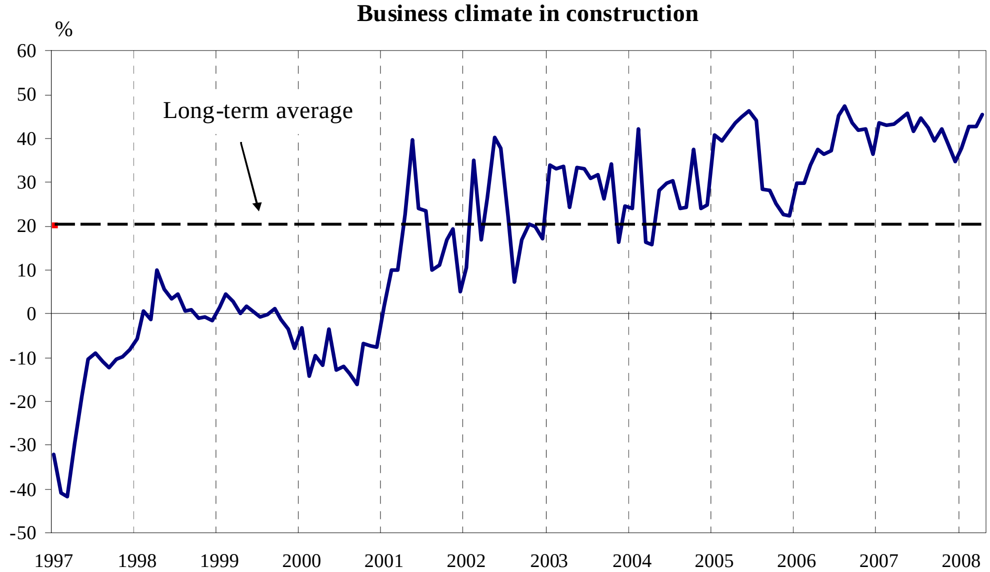


Shortage of labor force in industry - % of enterprises

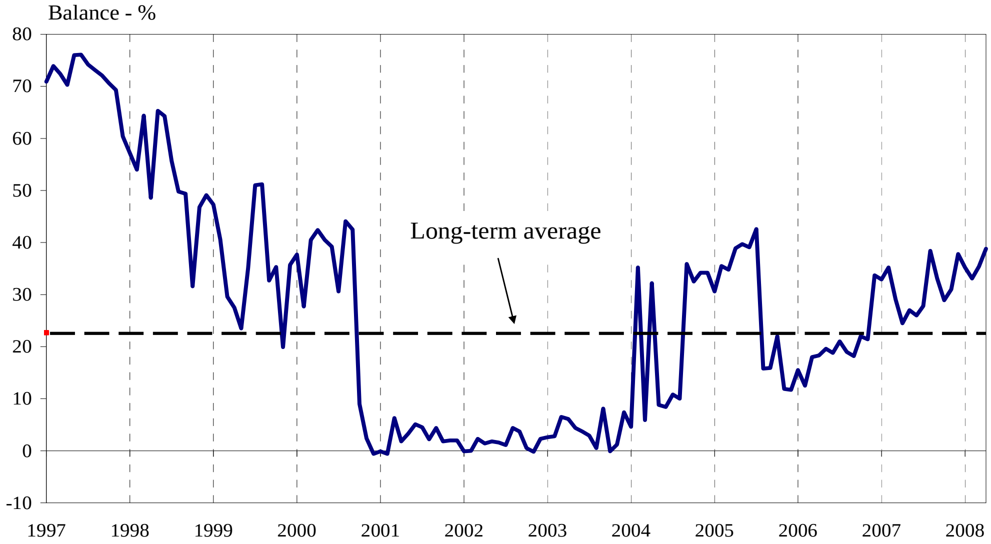


CONSTRUCTION

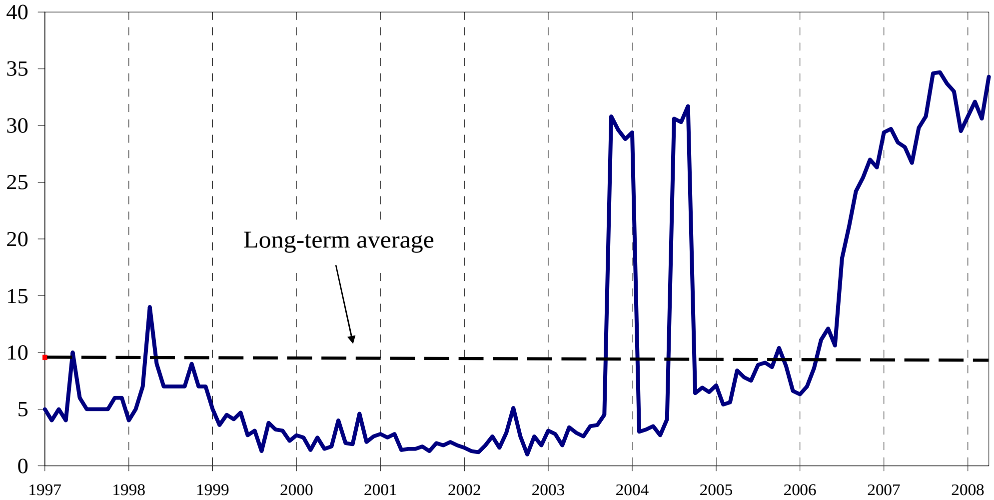
Business climate in construction



Selling price expectations in construction over the next 3 months

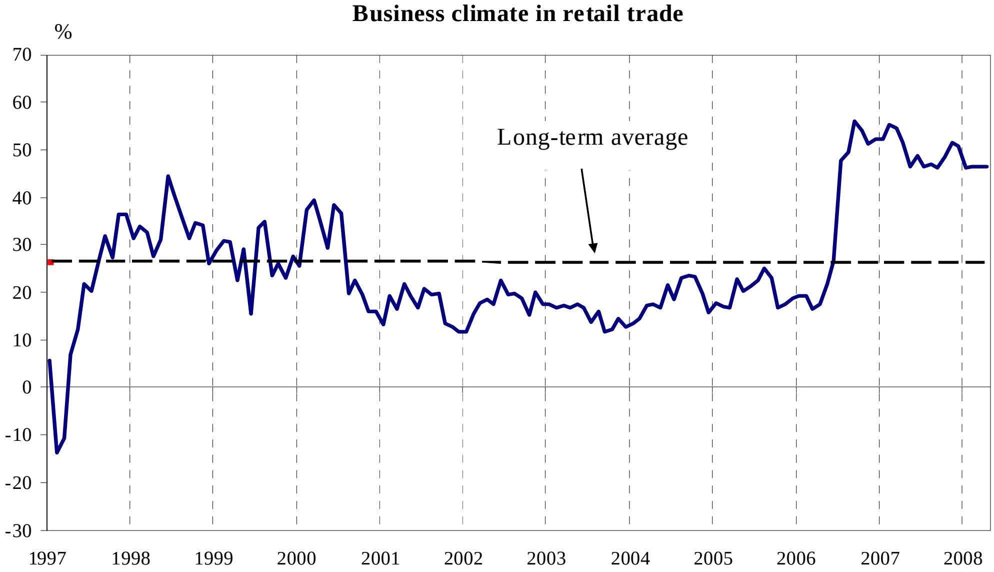


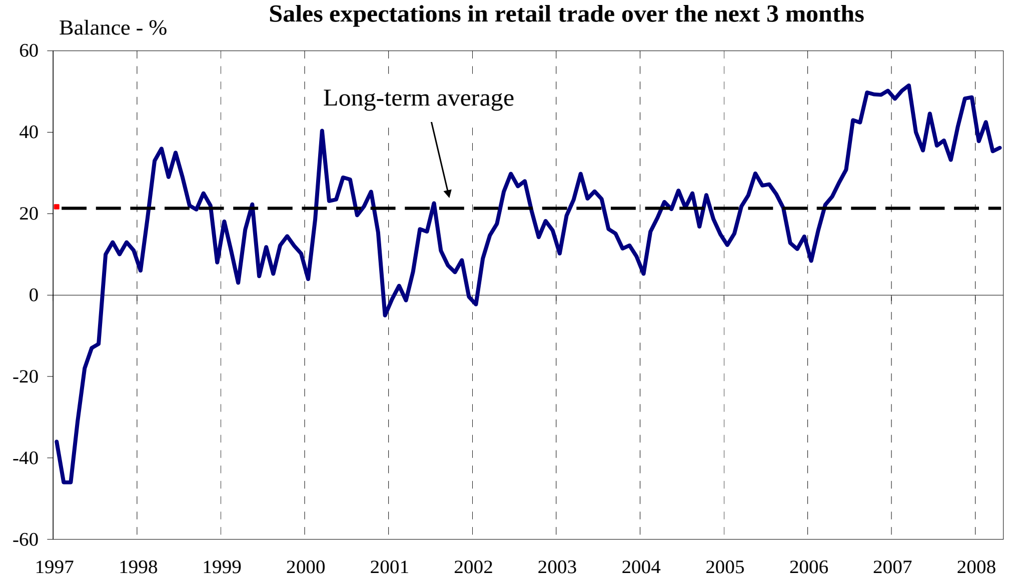
Limits to construction activity - Shortage of labour force
(Relative share of enterprises - %)

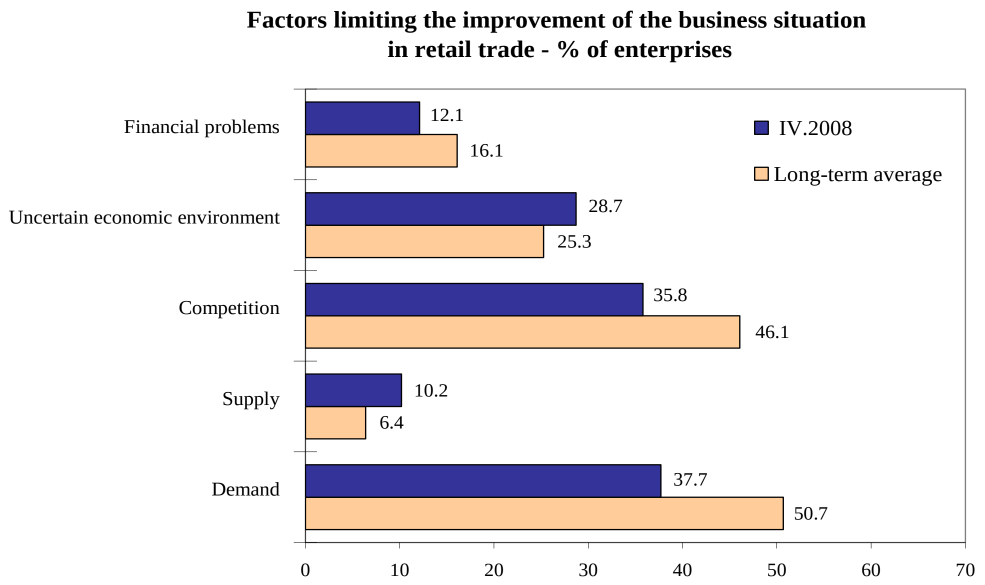


RETAIL TRADE

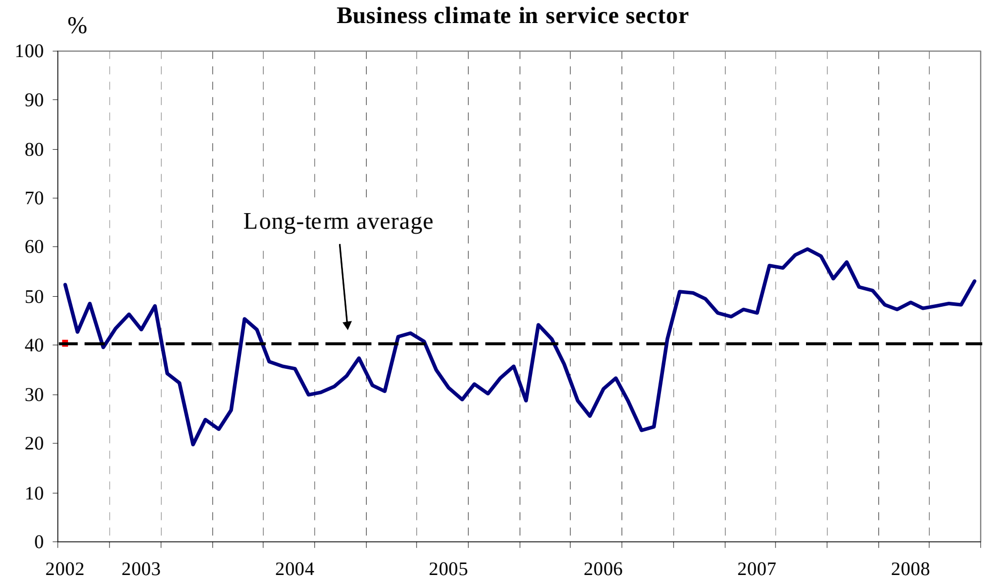
Business climate in retail trade



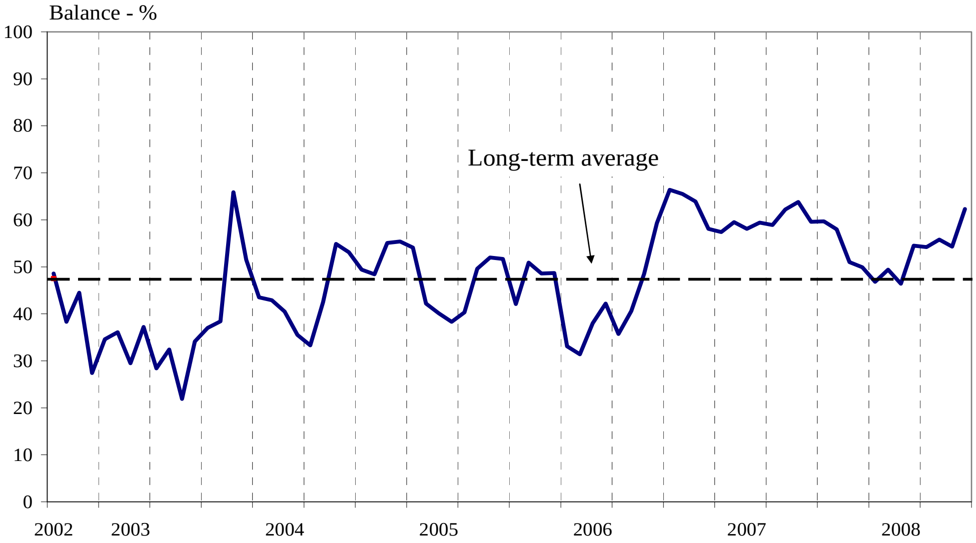




SERVICE SECTOR



Future business situation in service sector over the next 6 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 the 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.