BUSINESS CONJUNCTURE

NSI BUSINESS SURVEYS[1,2], MARCH 2008

In March 2008 the economic conjuncture in the country remained favorable. **The total business climate indicator**[3] noted an increase for a third consecutive month and the reached value was by 0.5 percentage points above the February level.

Industry. In March the composite business climate indicator in industry rose by 1.5 percentage points in comparison with the previous month and was by 3.1 percentage points below the long-term maximum for the last 10 years. The expectations about the business situation and the production activity were higher.

At the same time, however, the assessments about the present production activity were more moderate compared to the expressed in February. The stocks of finished goods increased in the last month and the production assurance with orders fell slightly as result of the lower domestic demand.

The uncertainty in economic environment and the insufficient domestic demand remained the main problems for the enterprises in the branch, as in March the negative influence of the factor “weakness in economic laws” also increased. The factor “shortage of labor force” was holding also a high share and was pointed out by 19.3% of enterprises.

As regards selling prices the balance of the enterprises expectations was for second year over its registered long-term average value.

Construction. In March the composite business climate indicator in construction kept its previous month level. The present economic conjuncture in the enterprises was estimated by managers as more favorable, but in their expectations for the next 6 months a small shifting of opinions from most optimistic to more moderate assessments was observed. The construction activity was increased compared to its February level, as the prognosis for the next three months were in the same direction. More optimistic were also the expectations about the employment in the branch.

For construction’s enterprises the main reasons limiting the activity remained to be these related to the competition in the branch, the uncertainty in economic environment and the shortage of labor force, as the shortage of labor force was the only increasing problem since the beginning of 2006.

The managers in the construction kept their expectations about the growing up of selling prices over the next three months.

Retail trade. In March 2008 the composite indicator of business climate in retail trade kept its level of the previous month. Managers' assessments about the present business situation in retail trade enterprises were positive as their expectations for the next 6 months showed also that it would keep the same level (61.9% of the enterprises) or improve (36.4%). At the same time retailers foresaw preservation as about the volume of sales as well about the orders placed with suppliers over the next 3 months.

The main factors limiting the activity in the branch remained to be the insufficient demand and competition in the branch. At the same time in March was observed also an increase of the relative share of enterprises in which the problem connected to the uncertain economic environment accelerated.

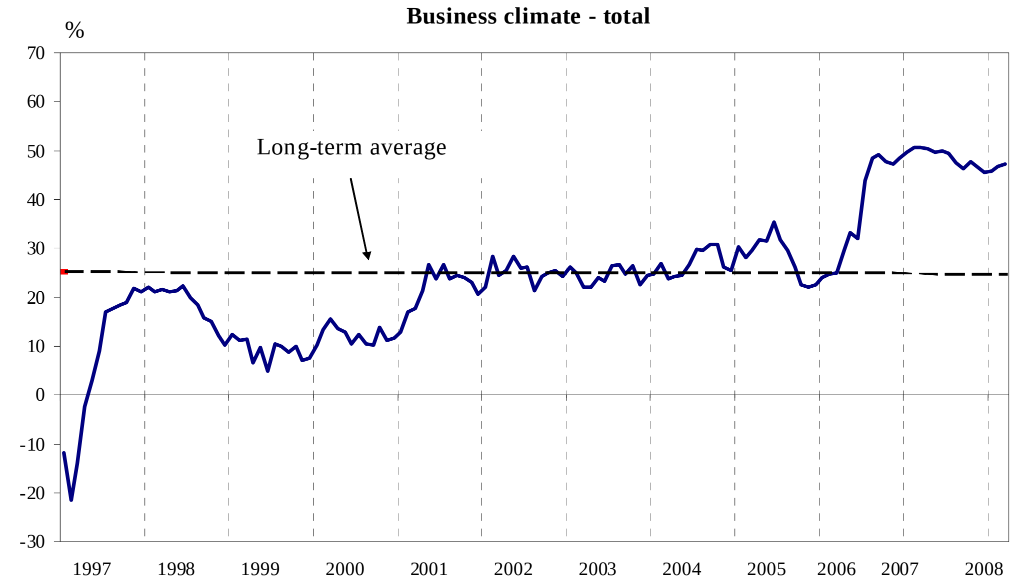
More than one third of managers in retail trade continued to expect an increase of selling prices in the branch, as that tendency was observed from August 2007.

Service sector[4]. The composite indicator "business climate in service sector" kept its comparatively high level (48.2%) in March 2008, although it decreased slightly (by 0.4 percentage points) compared to February. The manager's assessments about the present business situation in the enterprises and their forecasts about the development of their business over the next 6 months remained favorable.

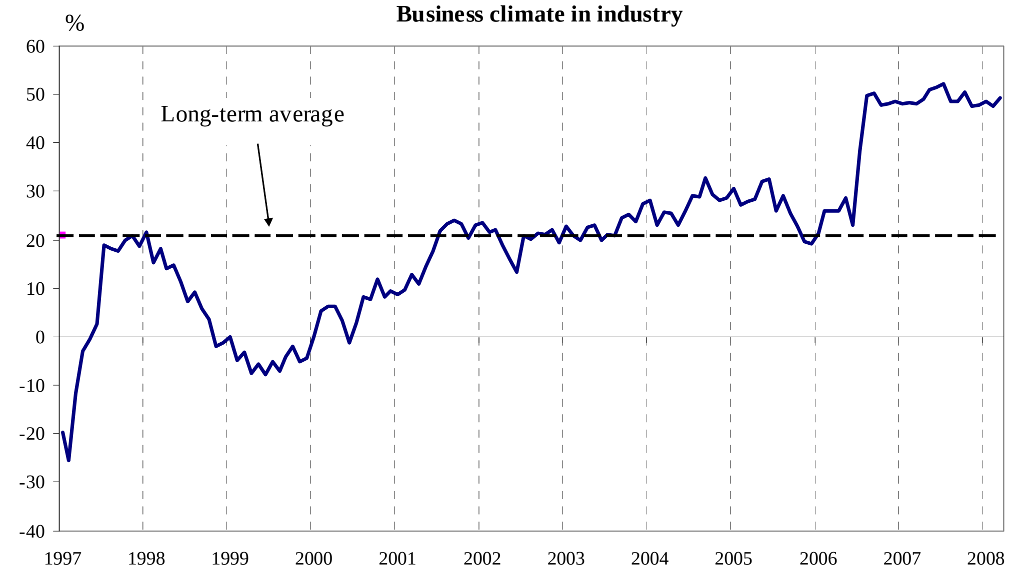
The inquiry registered higher assessments about the demand for services over the last 3 months and an increased optimism for the next three months, and expectations for a slightly growth of the employment as well.

The competition in the branch continued to be the most serious factor limiting the activity of enterprises (according to 60.4% of the managers).

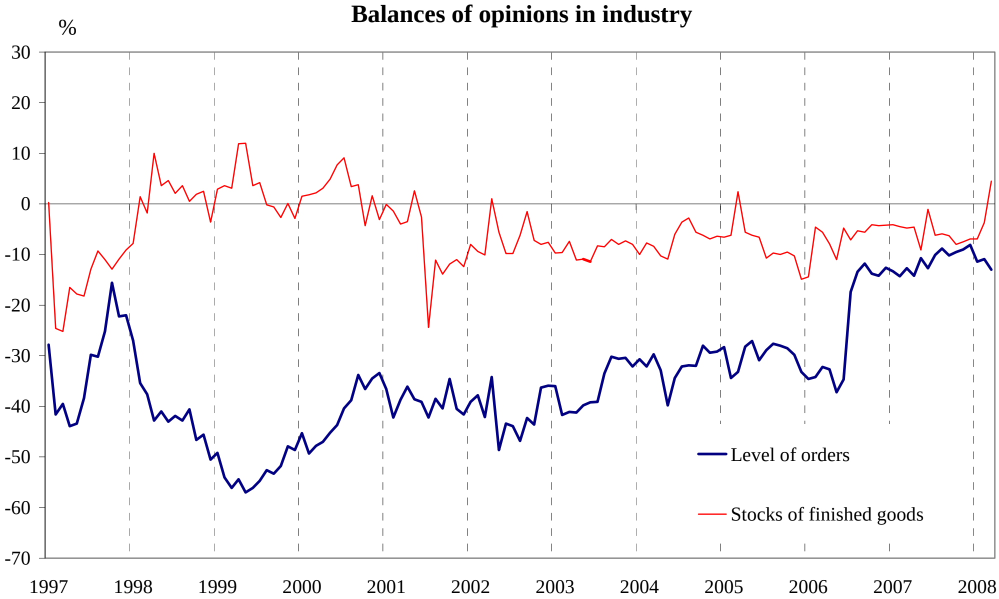
As regards the selling prices in the service sector, there were not expectations for their increase in the next 3 months.



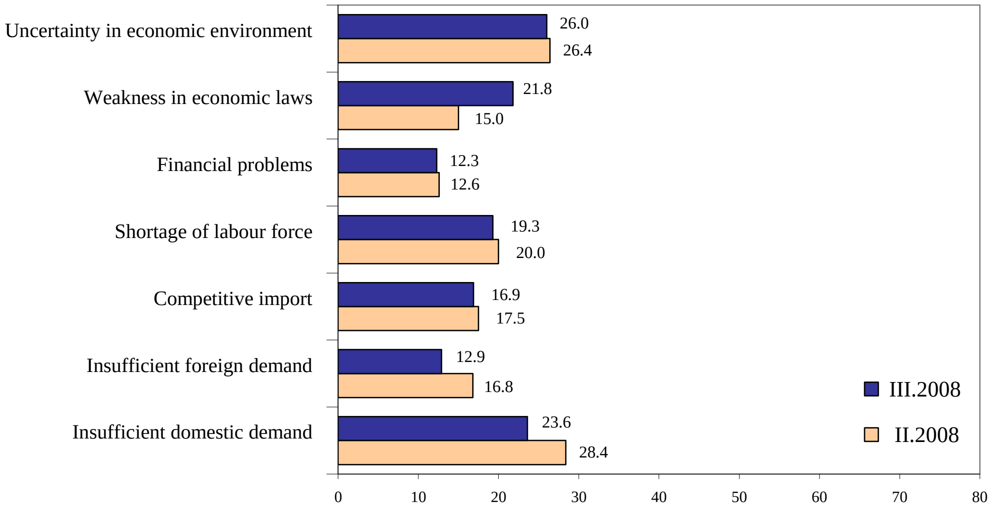
INDUSTRY



Balances of opinions in industry

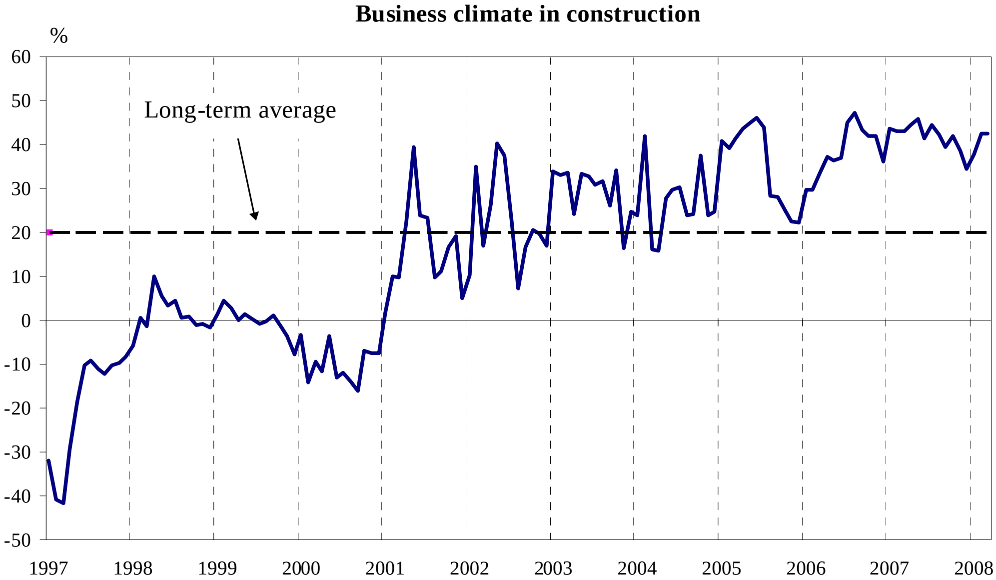


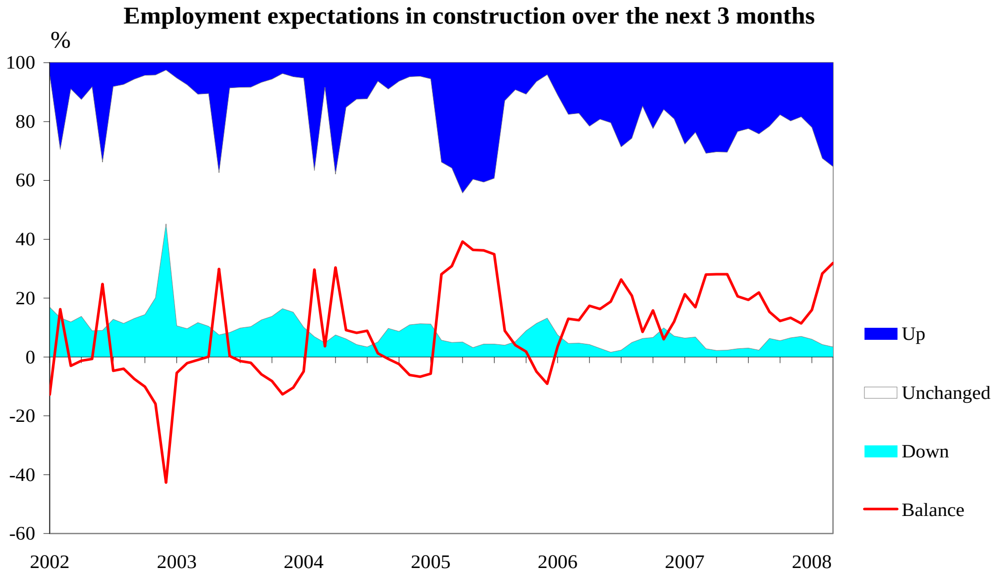
Limits to production in industry
(Relative share of enterprises - %)

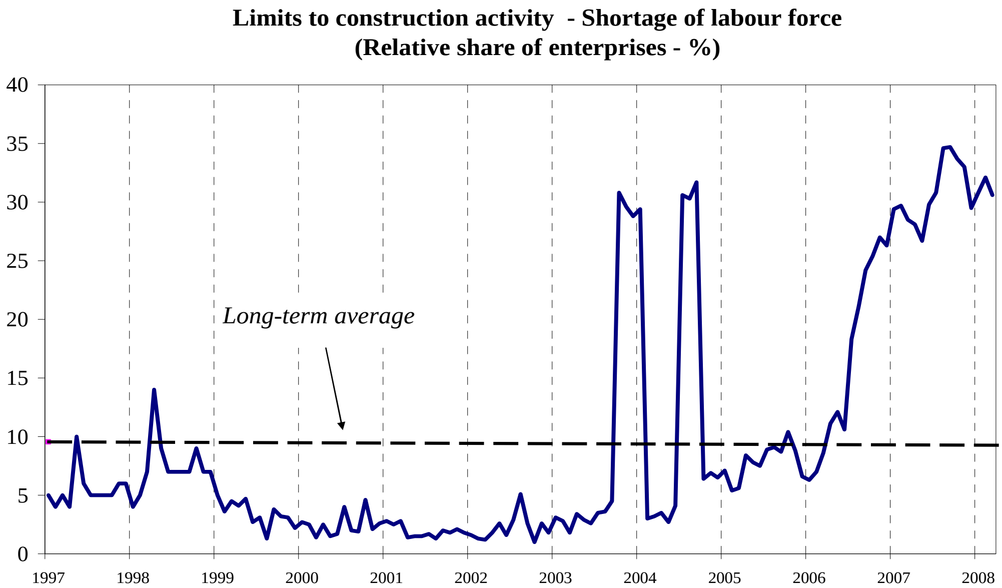


CONSTRUCTION

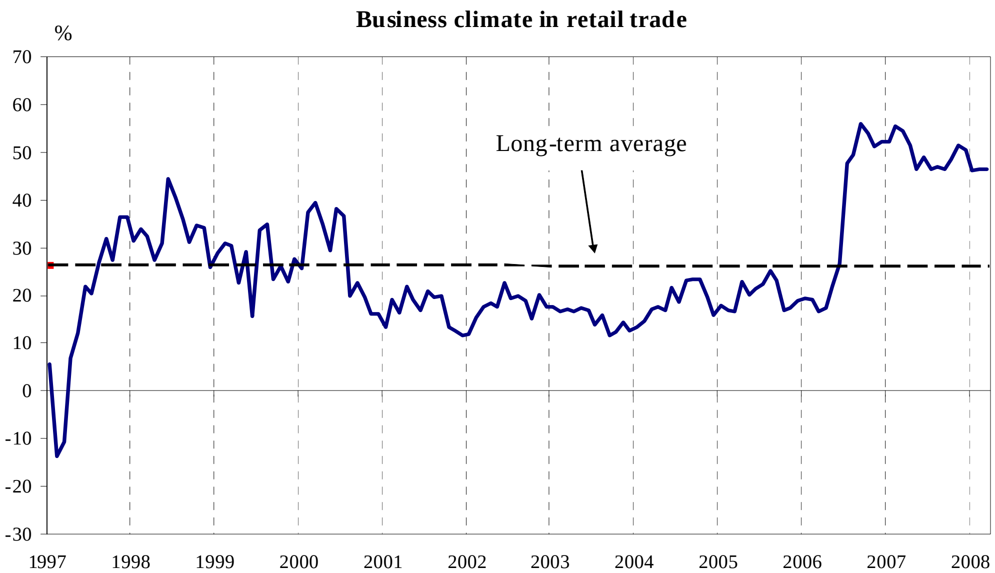
Business climate in construction



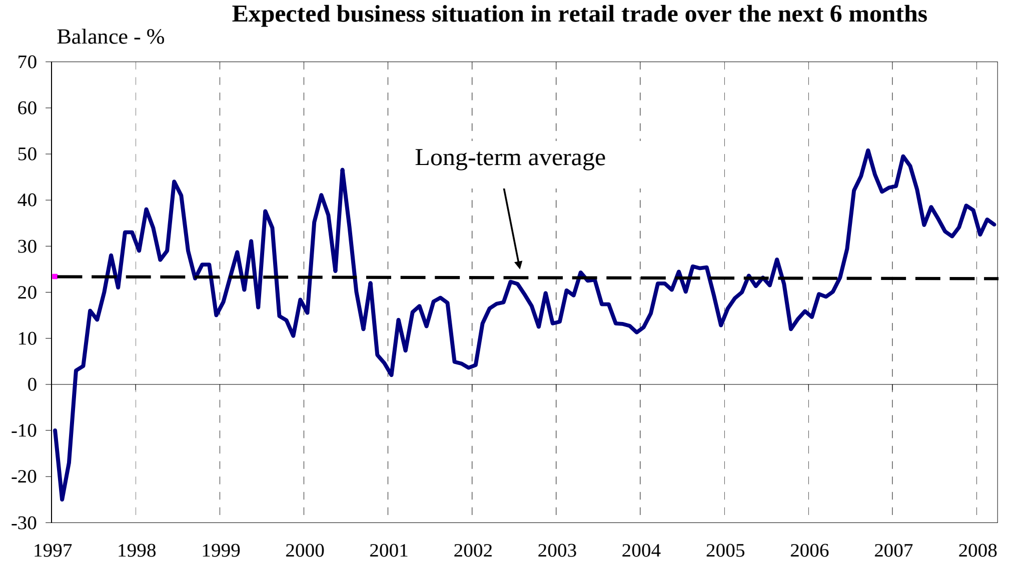




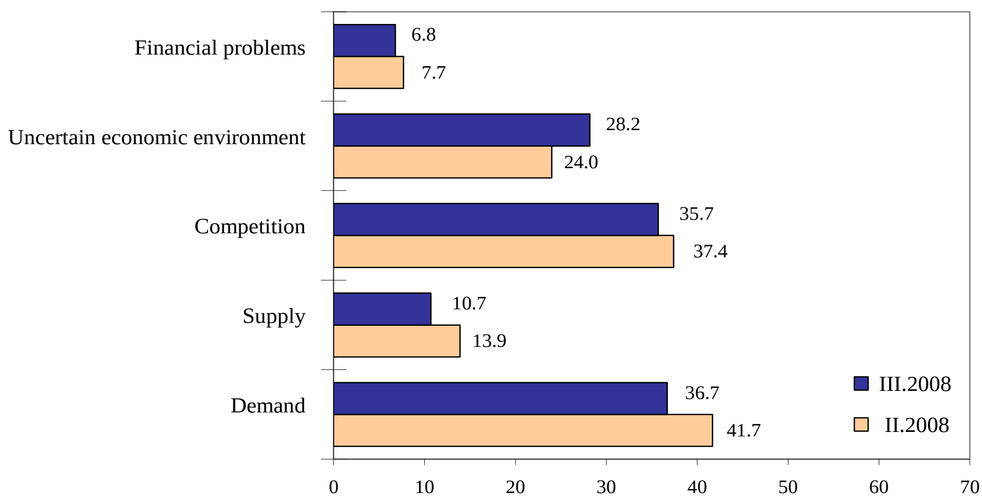
RETAIL TRADE



Expected business situation in retail trade over the next 6 months

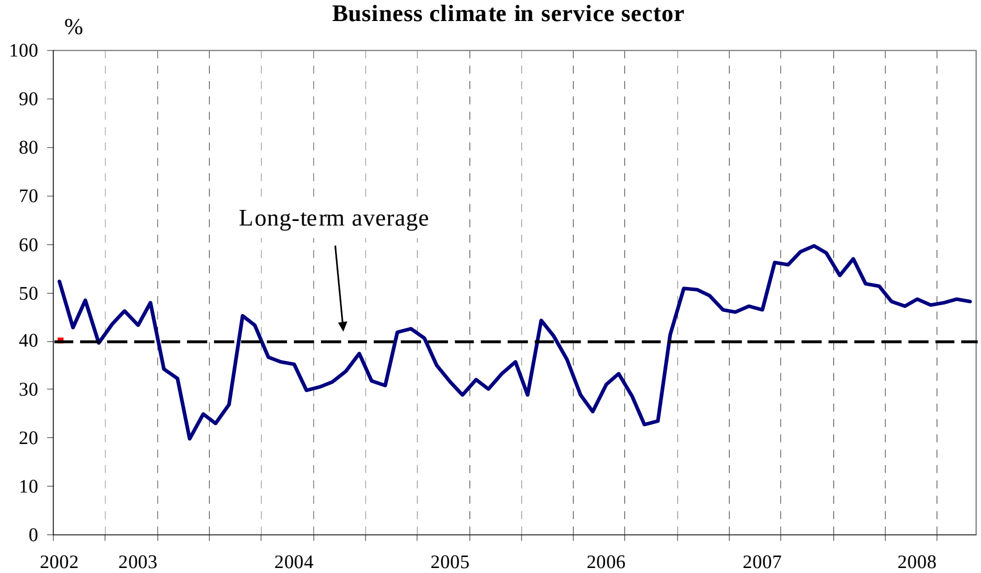


Factors limiting the improvement of the business situation in retail trade - % of enterprises

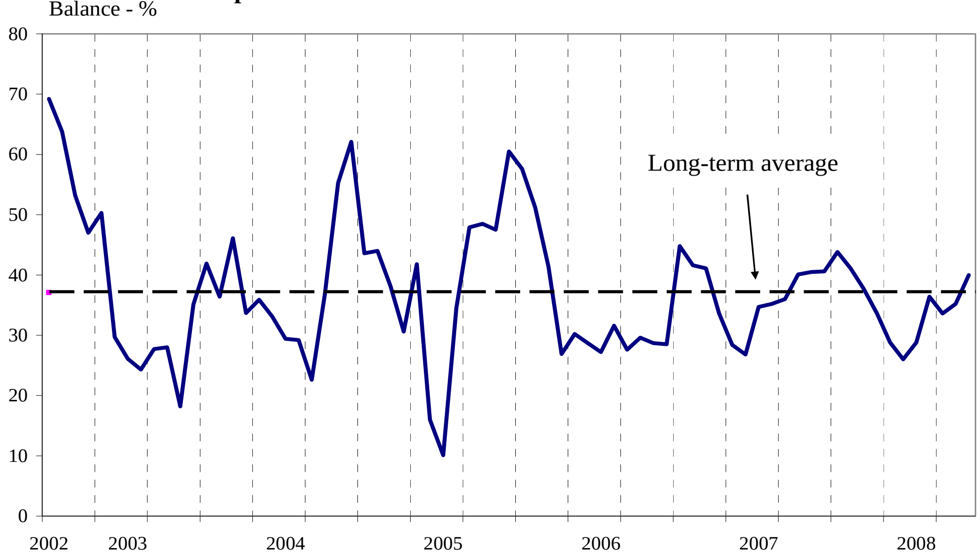


SERVICE SECTOR

Business climate in service sector



Expectations about the demand for services 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 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.