Małopolska
Economic
Observatory

Małopolska Economic Observatory

Regional Policy
Department
Marshal Office
of the Małopolska Region

Business tendency indicators in tourism in Malopolska Voivodeship for Q4 of Year 2011

HUMAN CAPITAL
NATIONAL COHESION STRATEGY

EUROPEAN
SOCIAL FUND

The project cofinanced by the European Union from European Social Fund

Report was created under the project Małopolska Economic Observatory.

Marshal Office of the Małopolska Region

Regional Policy Department

Małopolska Economic Observatory

Address:

ul. Basztowa 22, 31-156 Kraków

Correspondence address:

ul. Racławicka 56, 30-017 Kraków

tel. (012) 63 03 368, fax. (012) 63 03 558

e-mail: gospodarka@umwm.pl

www.gospodarka.obserwatoria.malopolska.pl

HUMAN CAPITAL
NATIONAL COHESION STRATEGY

EUROPEAN SOCIAL FUND

The project cofinanced by the European Union from European Social Fund

Summary

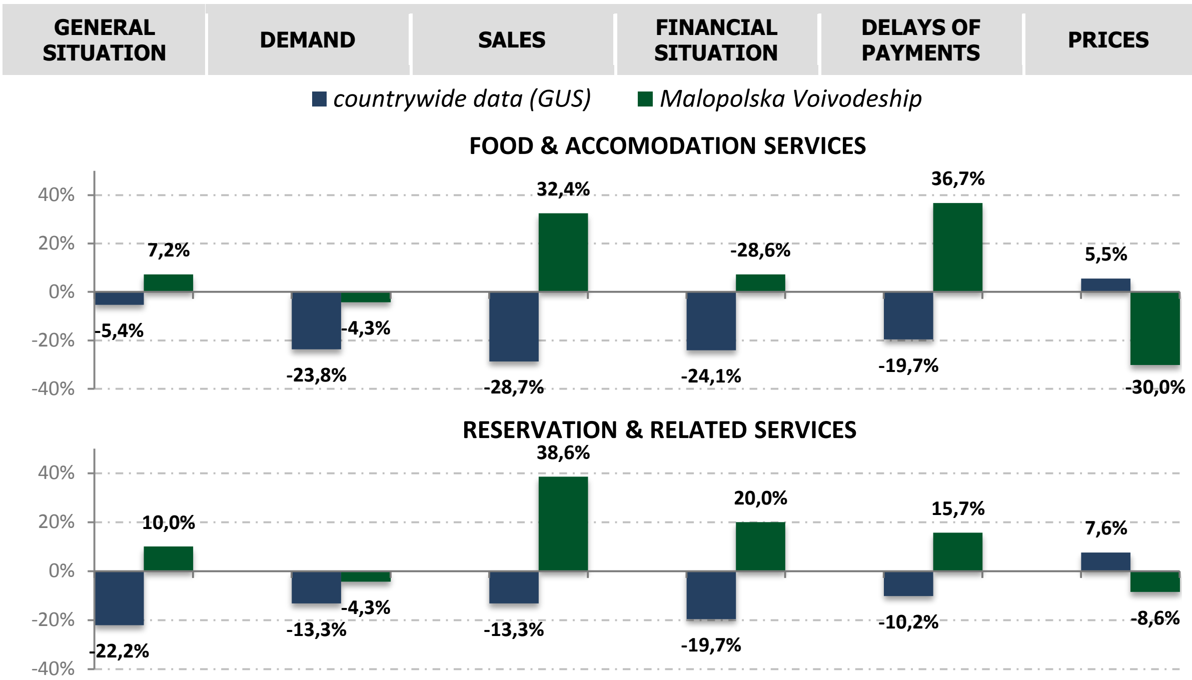
In the fourth edition of the research 209 interviews were conducted. Each group of the subjects constituted about one-third of the sample: 33,5% of the interviews were conducted with subjects included in division 79 section N of PCEA[1] (travel agency, tour operator and other reservation service and related activities), 37,8% with subjects included in division 55 section I (accommodation service) and 28,7% with subjects included in division 56 section I (food service). 29,2% of the businesses from the Małopolska Voivodeship in the study were local businesses, 8,1% regional businesses, 28,2% countrywide businesses and 34,4% international businesses. Businesses hiring from 1 to 9 employees dominated in the study (56%). There were 22,5% one-man businesses in the sample. Bigger businesses accounted for 21,5% altogether, including 17,7% businesses hiring from 10 to 49 employees and 3,8% businesses hiring 50 employees or more. One business out of three (30,6%) had incomes below PLN 50 thousands. 14,8% of respondents declared business' income from PLN 51 to 100 thousands, 8,1% from PLN 101 to 250 thousands and 8,1% from PLN 251 to 500 thousands. Income over PLN 500 thousands was declared by 38,3% respondents.

The study was conducted with CATI method (Computer Assisted Telephone Interview). Each interview lasted about 10 minutes.

Among the global factors that could have affected the business situation during the 4th quarter the financial crisis and its repercussions were most important. The crisis resulted in currency fluctuations, especially increase of the value of Swiss Franc. Factors which determined the condition of business situation in the 4th quarter are most of all an extension of downturn. Political strategies directed on reduction of crisis were associated with tightening of fiscal policy in EU countries. Their consequence was deterioration of the conjuncture in last three months. As a result increased so-called macroeconomic risk in global financial markets, which was contributing factor of value of Euro impairment. In December S&P decided to set 15 countries of European Union in observatory list. Other rating organization (Fitch) lowered the rating for Spain and Italy. The UE countries to counteract the most severe consequences of the crisis, such as unemployment and public debt, established reinforcement of European Financial Stability Facility and capitalized the budget of European banks. For the request of membership countries, European banks canceled a debt of Greece.

[1] Polish Classification of Economic Activities 2007 (*Polska Klasyfikacja Działalności, PKD*) conforms with Statistical Classification of Economic Activities in the European Community Rev 2.

Chart 1.Conjuncture index – comparison of data for the Małopolska Region and Poland



The conjuncture indicator of general situation in business suggested non-changeable situation of the businesses from the Małopolska Region that were included in the study (+8,1%). Value of the indicator was +7,2% for section I and +10% for division 79 of section N. This suggests that the conjuncture for businesses in the study was no better or worse than the conjuncture for businesses from the whole of Poland except for data for travel agencies (moderate decrease of conjuncture -22,2% countrywide). There were no changes in demand (-4,3%) but the sales of the businesses in the study became a bit better (conjuncture indicators +32,4% and +38,6%). Countrywide there were moderate or significant decreases in demand, sales and financial situation for both of the mentioned types of services.

Prices were risen by 19,1% and reduced by 42,1% of the businesses in the study. In case of accommodation and food services a significant decline of prices was observed for businesses in the study. At the same time prices of reservation and related services of the companies in the study were on the same level (-8,6%). In the whole of Poland prices of similar services remained at the same level too (+7,6%).

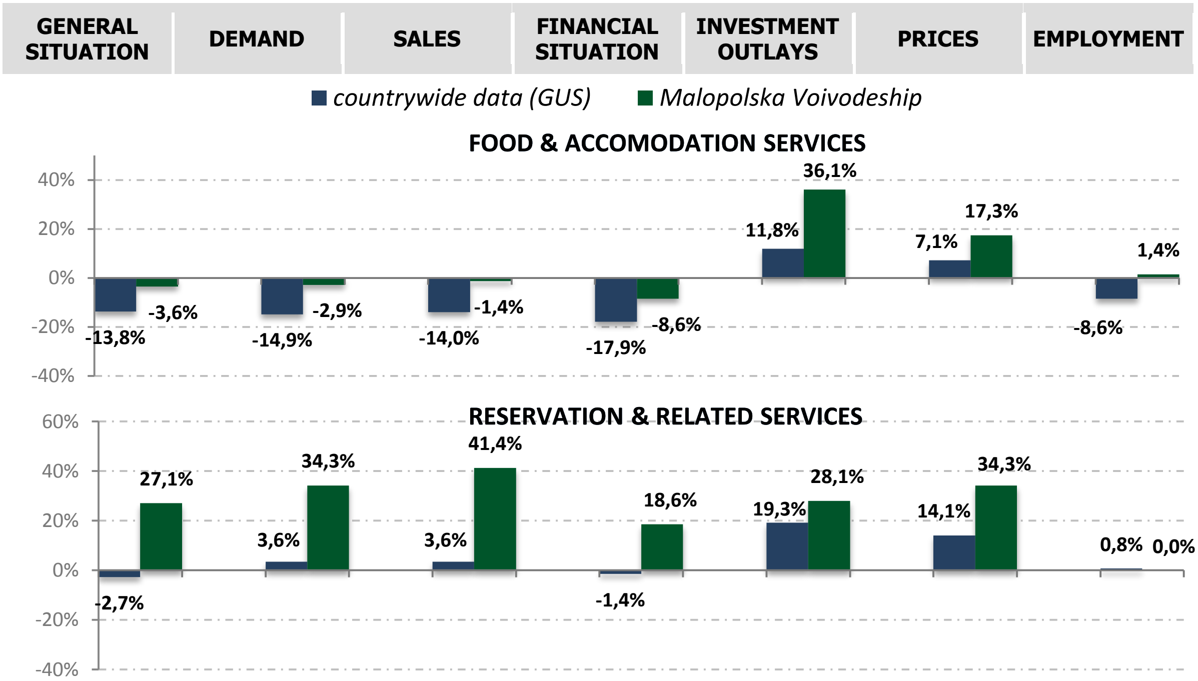
Nearly half of the respondents declared reduction of delays of payments for services of their company (46,4%). Changes of delays of payments both for the businesses in the study and for businesses from the whole of Poland were observed (significant increase in case of businesses from Section I of Małopolska Region +36,7% and slight decrease of adequate type of businesses from the whole of Poland). Average duration of the assured activity of the businesses in the study was 7 months for businesses from section I compared with about 37 months for the whole of Poland and 22 months for the businesses from section N compared with about 33 months for the whole of Poland. In average, businesses in the study used 68% of their maximal production capacity. Employment of the businesses in the sample remained at the same level (-5,3%).

For the businesses in the study three most important limits to the company’s service activity were: insufficient demand (46,4%), uncertainty of general economic situation in the country (44,5%) and competition of domestic companies (43,5%). Countrywide, different kinds of limits seem to be most important: costs of employment, insufficient demand and high tax burden.

The vast majority of entrepreneurs did not observed the increase of popularity of their enterprises in connection with Euro 2012. Surveyed subjects noted also slight decrease of the conjuncture in case of Christmas and New Year’s Eve (-23). Distinctive decrease of interest in their enterprises connected with winter season were also noted among the surveyed entrepreneurs (-31,6).

Prognosis for the businesses in the study suggests generally lack of changes. For section I of PCEA classification considerably non-changeable general situation (-3,6%) and lack of changes in demand (-2,9%) and sales (-1,4%) are expected. However upward tendencies in general situation (+27,1%), demand (+34,3%) and sales (+41,4) are expected also for studied businesses that provide services classified in division 79 of section N. Businesses in the study that provide reservation and related services are going to considerably raise their prices (+34,3%), countrywide the prices should also increase (+14,1). Prices of food and accommodation services according to the prognosis would not change countrywide although in the Małopolska Region the prices would be slightly higher (+17,3%).

Chart 2. Conjuncture index prognosis – comparison of data for the Małopolska Region and Poland



For businesses providing food and accommodation services growth of investment outlays is expected both for the businesses in the study (considerable growth +36,1%) and countrywide (moderate growth +11,8%). For division 79 section N investment outlays are expected to slightly increase countrywide (+19,3%) as well as in the study (significant increase +28,1%). Own founds are main source of financing for most of the businesses both in the study and countrywide.

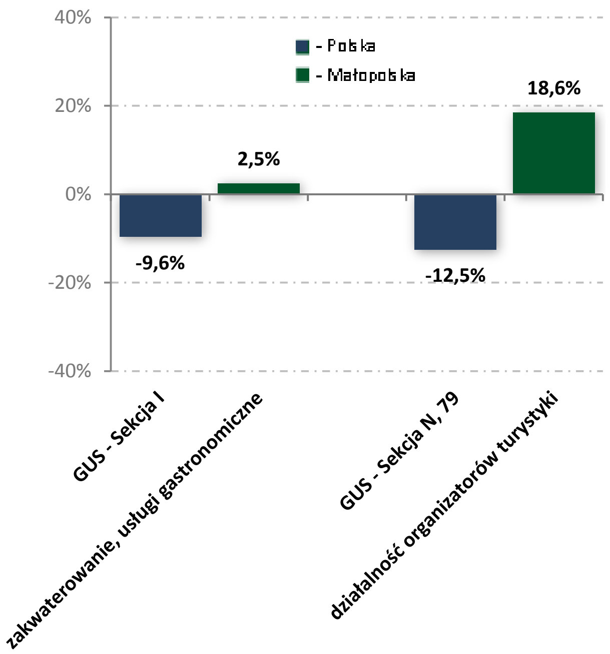
No changes in employment are also expected for the businesses in the study regardless of the kind of services provided. Most of the surveyed entrepreneurs (77%) consider production capacity of their business sufficient.

Percentages of respondents expecting stable exchange rate or decrease of the value of Polish zloty during following months are similar except of predictions towards increase (17,7%).

Surveyed enterprises predict slight increase of interest in their services due to Euro 2012 next quarter. According to their opinion there will be no changes of conjuncture due to winter holidays or winter season next year. However they are predicting moderate increase of interest in their enterprises among business clients.

Total business climate indicator for all of the businesses in the study is +7,4% and suggests no changes in business climate. Slight upturn can be observed for reservation and related services (+18,6%) in the study, while countrywide moderate changes occurred (-12,5%).

Chart 3. Total business climate indicator



Comparison of data from the 2nd and the 3rd quarters 2011 suggests constant downturn in demand, sales and financial situation. Employment remain at the same level, considering 2nd, 3rd and 4th quarter 2011 as well as the prognosis for the 1st quarter of 2012. General situation was better in the 3rd quarter compared to the 2nd, but it got worse in the 4th quarter. Chart 4 illustrates the above mentioned relations.

Chart 4. Comparison of the 2nd, the 3rd and the 4th quarters 2011 and the prognosis for the 1th quarter of 2012