Małopolska
Economic
Observatory

Regional Policy
Department
Marshal Office
of the Małopolska Region

Business tendency indicators in tourism in Malopolska Voivodeship for Q1 of Year 2012

HUMAN CAPITAL
NATIONAL COHESION STRATEGY

Małopolska REGION

EUROPEAN
SOCIAL FUND

The project cofinanced by the European Union from European Social Fund

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Summary

In the fourth edition of the research 200 interviews were conducted. Each group of the subjects constituted about one-third of the sample: 35% 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**), 35% with subjects included in *division 55 section I* (**accommodation service**) and 30% with subjects included in division *56 section I* (**food service**). 26,5% of the businesses from the Małopolska Voivodeship in the study were local businesses, 9,5% regional businesses, 29,5% countrywide businesses and 34,5% international businesses. Businesses hiring from 1 to 9 employees dominated in the study (55,5%). There were 25% one-man businesses in the sample. Bigger businesses accounted for 19,5% altogether, including 15,5% businesses hiring from 10 to 49 employees and 4% businesses hiring 50 employees or more. One business out of three (27%) had incomes below PLN 50 thousands. 14,5% of respondents declared business' income from PLN 51 to 100 thousands, 12,5% from PLN 101 to 250 thousands and 9,5% from PLN 251 to 500 thousands. Income over PLN 500 thousands was declared by 15,5% respondents.

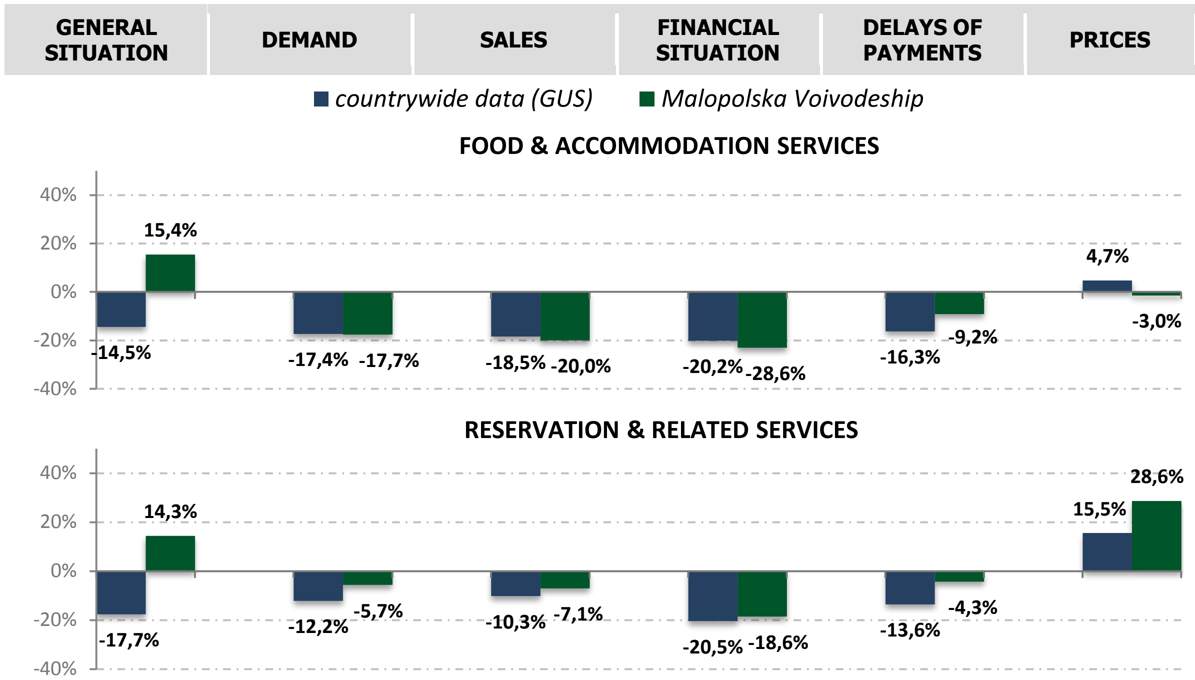
The study was conducted with CATI method (Computer Assisted Telephone Interview). Each interview lasted about 10 minutes.

Among the global factors that could have affected the business situation during the 1st quarter of 2012 the dynamic increase of transport prices was most important. The crisis resulted in record oil prices increase, which was caused by unrest and armed conflicts in the Middle East, civil war in Syria and nuclear tests in North Korea. Tourism conjuncture in Europe was influenced mostly by the tragic sinking of a cruise ship off the coast of Tuscany. Conjuncture was also dominated by transport disasters such as Belgian bus accident in Switzerland. Terrorist threat was raised by series of terrorist attacks in the French Toulouse in March. Economic situation in Europe was dominated most of all by lowering of the rating for France and unemployment increase in Spain. Tragic event which could have affected polish touristic situation considering the communication services was train crash in Szczekociny (16 people was killed by this crash). Rising oil prices also led to rise in prices and transportation costs in Poland. In February, unemployment in Poland reached 13,5%. Also in February, Poland recorded a slight increase of production.

In the last three months we could observed in Polish economy decline in consumer confidence indicator, a gradual decrease in inflation rates, and a negative balance of foreign trade.

[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 Voivodeship and Poland



The conjuncture indicator of general situation in business suggested slight increase of conjuncture considering situation of the businesses from the Małopolska Voivodeship that were included in the study. Value of the indicator was +15,4% for section I and +14,3% for division 79 of section N. This suggests that the conjuncture for businesses in the study was better than the conjuncture for businesses from the whole of Poland. There was slight negative changes in demand for Food and Accommodation Services in Małopolska Voivodeship (-17,7%) but situation of businesses from division 79 of section N didn’t change (-5,7%). The sales of the businesses in the study became a bit worse or haven’t changed (conjuncture indicators -20% and -7,1%). Countrywide, there were moderate decreases in demand, sales and financial situation for both of the mentioned types of services.

In case of accommodation and food services prices was at non-changeable level for businesses in the study. At the same time prices of reservation and related services of the companies in the study was visibly higher (+28,6%). In the whole of Poland prices of similar services remained at the same level or a bit higher (+4,7% for Section I and +15,5% for division 79 of section N).

Changes of delays of payments both for the Section I and division 79 of section N of Małopolska Voivodeship haven’t changed.

Average duration of the assured activity of the businesses in the study was 12 months for businesses from section I compared with about 41 months for the whole of Poland and 10 months for the businesses from section N compared with about 40 months for the whole of Poland.

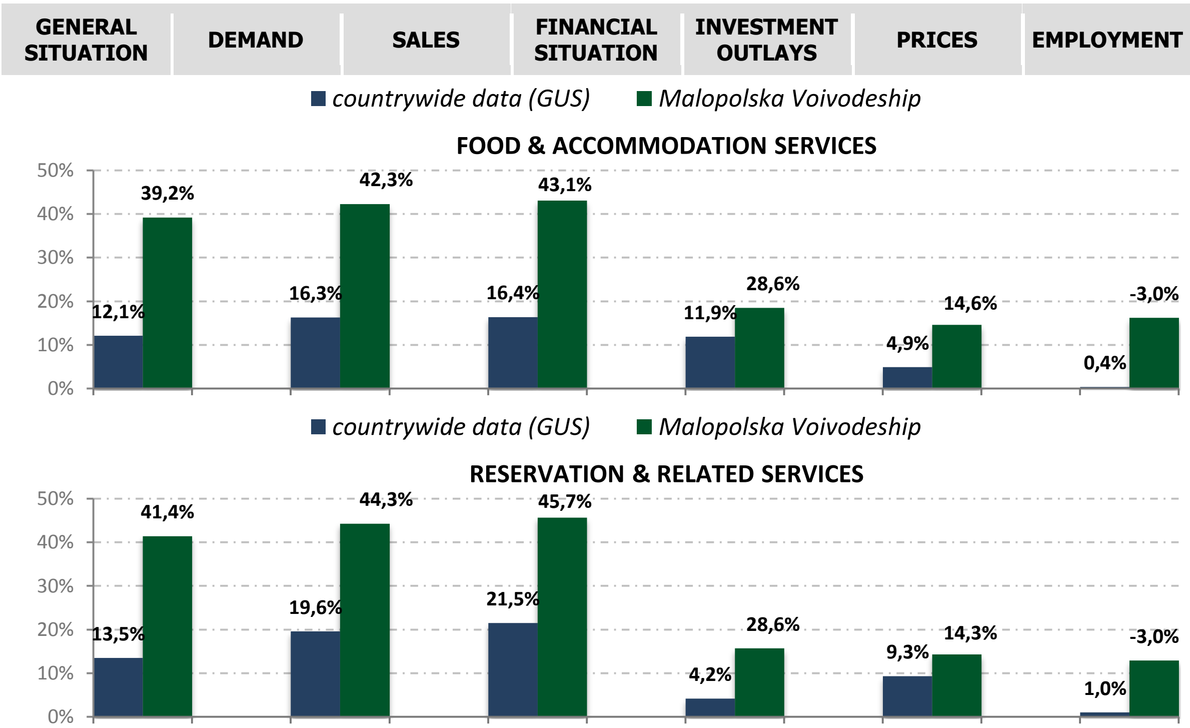
For the businesses in the study most important limit to the company's service activity was: insufficient demand (46,4%). Countrywide, different kinds of limits seem to be most important: costs of employment, insufficient demand and high tax burden.

The vast majority of entrepreneurs didn't observed the increase of popularity of their enterprises in connection with Euro 2012.

Prognosis for the businesses in the study suggests increase. For businesses from section I of PCEA and division 79 of section N in Małopolska Voivodeship clear increase of conjuncture indicator in case of general situation, demand and sales are expected while rather moderate positive tendencies were observed in case of prognosis for similar fields for countrywide businesses.

Businesses in the study that provide reservation and related services as well as food and accommodation services are going to slightly raise their prices (+14,3% and +14,6%). Countrywide prices should remain on the same level.

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



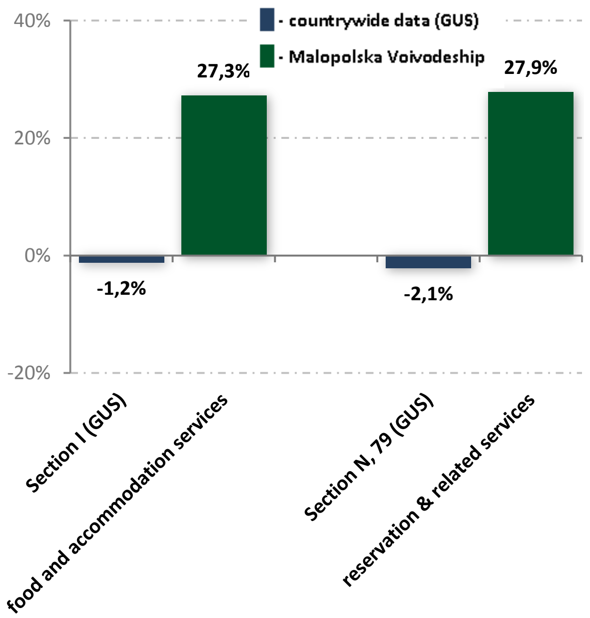
For businesses providing food and accommodation services growth of investment outlays is expected both for the businesses in the study (considerable growth +28,6%) and countrywide (moderate growth +11,9%). For division 79 section N investment outlays are expected to slightly increase in the study (significant increase +28,6%). 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 (80,5%) consider production capacity of their business sufficient.

Percentages of respondents expecting increase or decrease of the value of Polish zloty during following months are similar except of predictions towards stable exchange rate (respectively 19,5%, 16% and 37,5% of businesses in the study).

Surveyed enterprises predict slight increase of interest in their services due to Euro 2012 next quarter (the values of the conjuncture indicator is 24,3%).

Chart 3. Total business climate indicator



Total business climate indicator for all of the businesses in the study (both section I and division 79 of section N) is about +27% and suggests significant increase in business climate.

Comparison of data from the 2nd and the 3rd quarter 2011 suggests constant downturn in demand and financial situation. In 4th quarter conjuncture indicators for demand and financial situation developed at the same level but they got a bit worse in the 1st quarter of 2012. However surveyed entrepreneurs are expecting a significant increase of indicator in mentioned fields. Employment remain at the same level, considering 2nd, 3rd and 4th as well as the 1st quarter of 2012. General situation was better in the 3rd quarter compared to the 2nd, but it got worse a bit in the 4th quarter. However in case of general situation for 2nd quarter of 2012 the prognosis is significantly positive. Chart 4 illustrates the above mentioned relations.

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