



## BUSINESS CONJUNCTURE

### NSI BUSINESS SURVEYS<sup>1, 2, 3</sup>, OCTOBER 2010

In October the business conjuncture in the country has improved. **The total business climate indicator<sup>4</sup>** increases by 1.9 percentage points in comparison with its September level (Figure 1) due to the more favorable compared to the previous month business climate in retail trade and service sector.

**Industry.** The composite indicator of business climate in industry preserves its level from the previous month (Figure 2). The October inquiry registers a certain decrease of the production activity (Figure 3), but the managers have positive expectations about the activity over the next 3 months. However this is not accompanied by improved export expectations. The managers still have intentions of laying off personnel over the next 3 months.

The average capacity utilization in October increases by 3.2 percentage points in comparison with July and it reaches 71.1% (Figure 4). The enterprises report on a surplus of capacity with regard to the expected demand over the next months, but this surplus has decreased over the last 3 months (Figure 5).

In October the major problems for the business in the sector continue to be the uncertain economic environment and the insufficient demand.

With regard to the selling prices in industry there are no expectations of an increase over the next 3 months.

**Construction.** In October 2010 the composite business climate indicator decreases by 1.5 percentage points (Figure 6) due to the more moderate expectations about the business situation of enterprises over the next 6 months. In the managers' opinion there is a decrease of the construction activity in comparison with the previous month and the expectations about the next 3 months are more unfavourable (Figure 7). At the same time a further decrease of personnel is also expected (Figure 8). The number of clients with delay in payments has slightly decreased in comparison with September (Figure 9).

The production assurance with orders is assessed to be 5.4 months, as there is a slight decrease of 0.3 months in comparison with the July assessment. At the same time the expectations about new orders over the next 6 months are more pessimistic.

The main problems for the activity of construction enterprises continue to be the uncertain economic environment, the shortage of financial resources and the insufficient demand.

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<sup>1</sup> In July 2010 the NSI started publishing the business surveys data according to the new Classification of Economic Activities (NACE.BG 2008) (NACE Rev. 2). All of the time series have been recalculated according to the Classification and are comparable throughout time.

<sup>2</sup> 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.

<sup>3</sup> The replies of questions from the inquiries are presented in a three-option 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.

<sup>4</sup> 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.



The expectations of the construction entrepreneurs regarding the selling prices in the sector are for a certain decrease over the next 3 months.

**Retail trade.** The composite indicator “business climate in retail trade” increases by 5.5 percentage points in comparison with the previous month (Figure 10). The improvement is due mostly to the more optimistic managers’ assessments of the present business situation of enterprises (Figure 11). The present volume of sales is assessed as higher than the previous month (Figure 12). At the same time the expectations about the sales over the next 3 months are positive as well. The managers’ expectations about the orders placed with suppliers are also optimistic.

The insufficient demand and the uncertain economic environment continue to be the major factors limiting the activity of the enterprises in the sector.

The expectations of decrease of employment are fewest in retail trade in comparison with the other sectors. The managers do not expect an increase of selling prices over the next 3 months (Figure 13).

**Service sector<sup>5</sup>.** In October the composite indicator of business climate increases by 5.7 percentage points in comparison with the previous month (Figure 14), which is due to the improved managers’ assessments and expectations about the business situation of enterprises. Over the last 3 months a certain increase of the demand for services is registered (Figure 15) and the expectations about the next 3 months are optimistic. However this is accompanied by intentions of laying off personnel over the next 3 months (Figure 16).

The uncertain economic environment is the most serious factor limiting the activity of the enterprises. The second strongest factor is the competition in the branch, as in October its negative influence increases by 4.6 percentage points in comparison with the previous month (Figure 17).

The managers in the service sector expect a decrease of the selling prices over the next 3 months.

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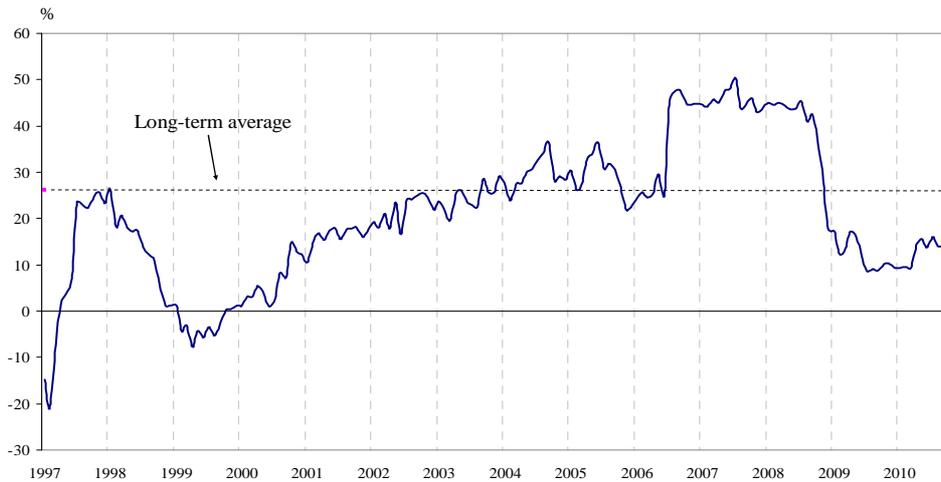
<sup>5</sup> Excl. trade.



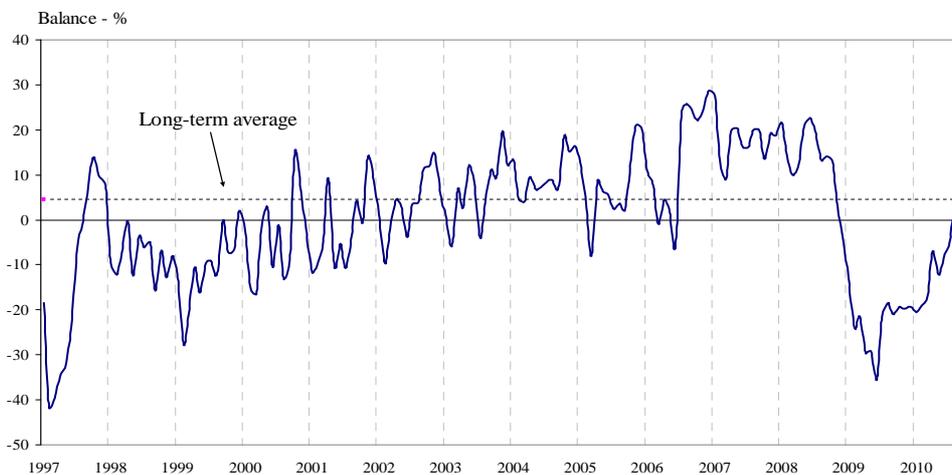
**Figure 1. Business climate - total**



**Figure 2. Business climate in industry**

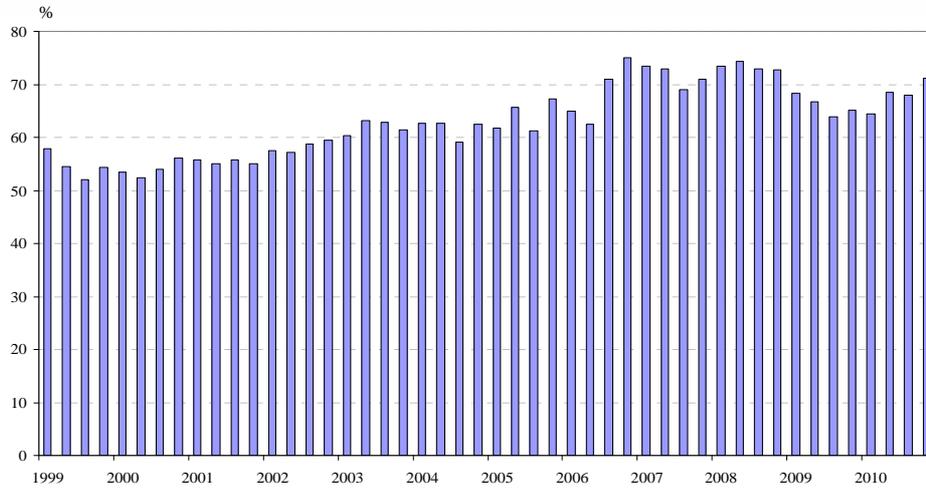


**Figure 3. Present production activity in industry**

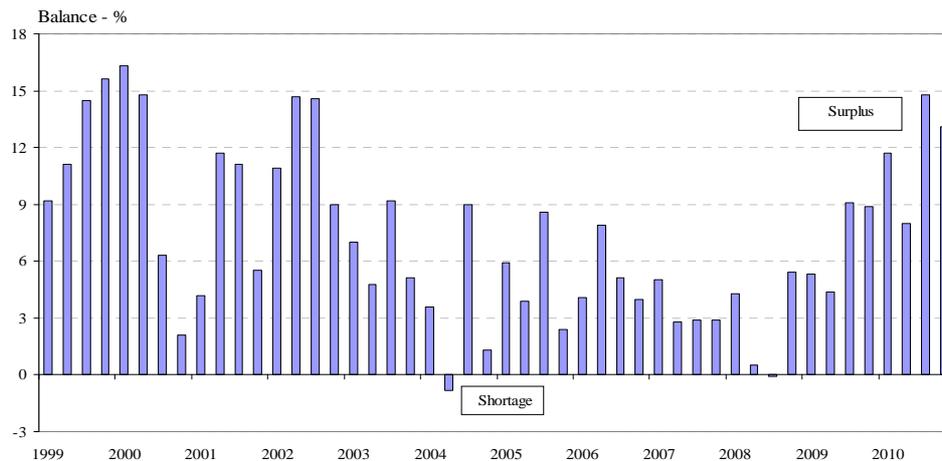




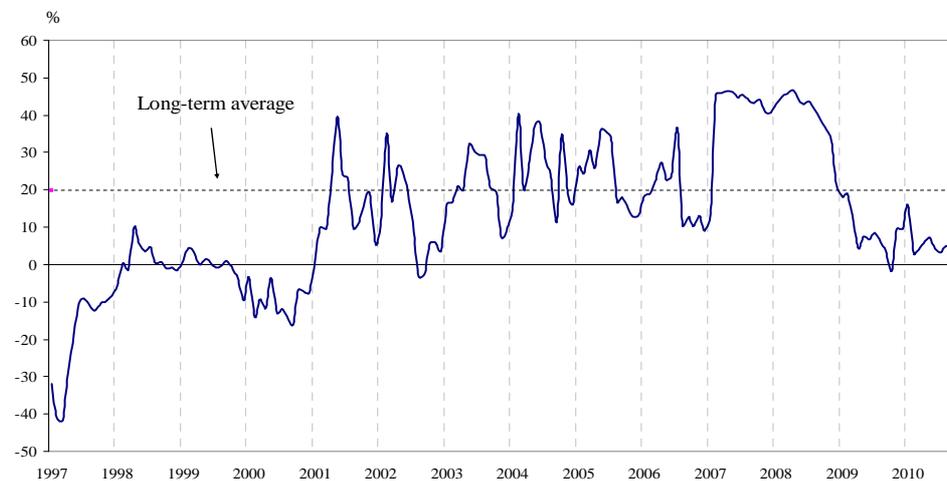
**Figure 4. Average capacity utilization in industry**



**Figure 5. Current production capacity in industry with regard to the expected demand over the next months**

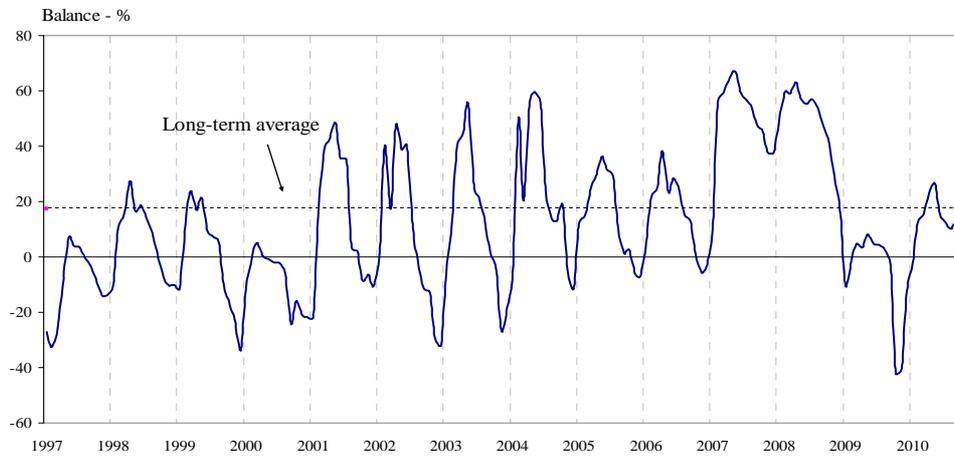


**Figure 6. Business climate in construction**

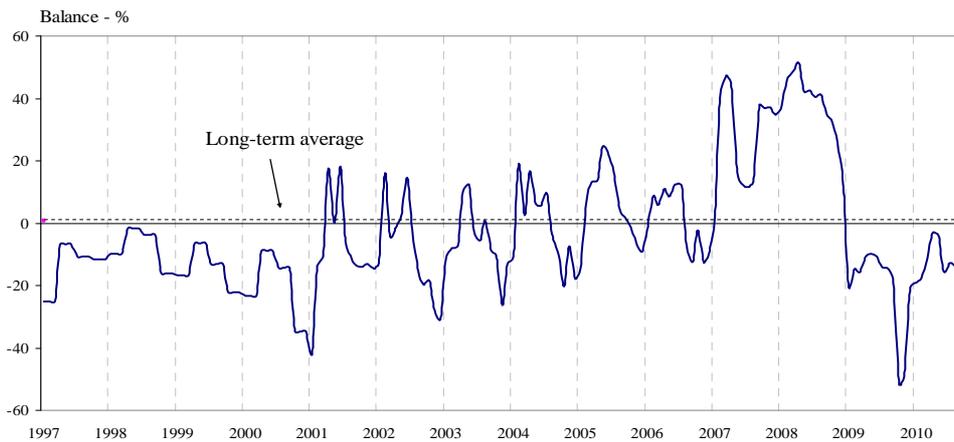




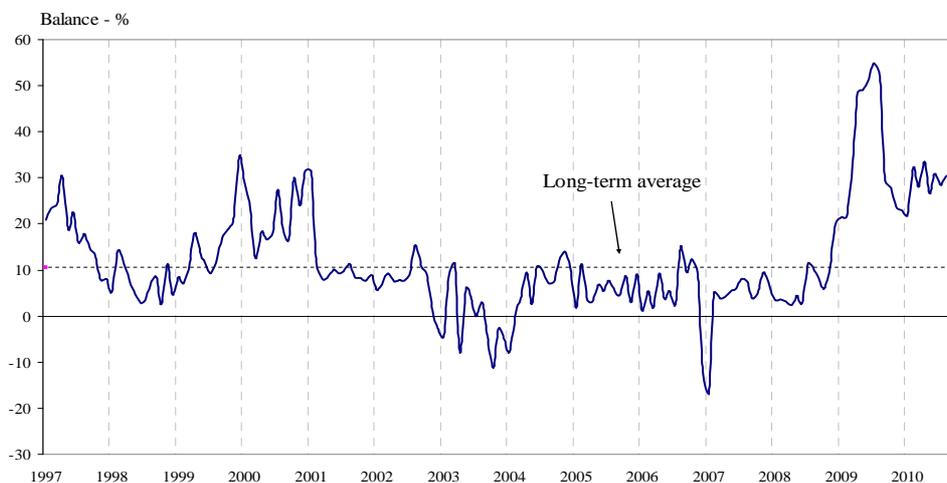
**Figure 7. Expected construction activity over the next 3 months**



**Figure 8. Employment expectations in construction over the next 3 months**

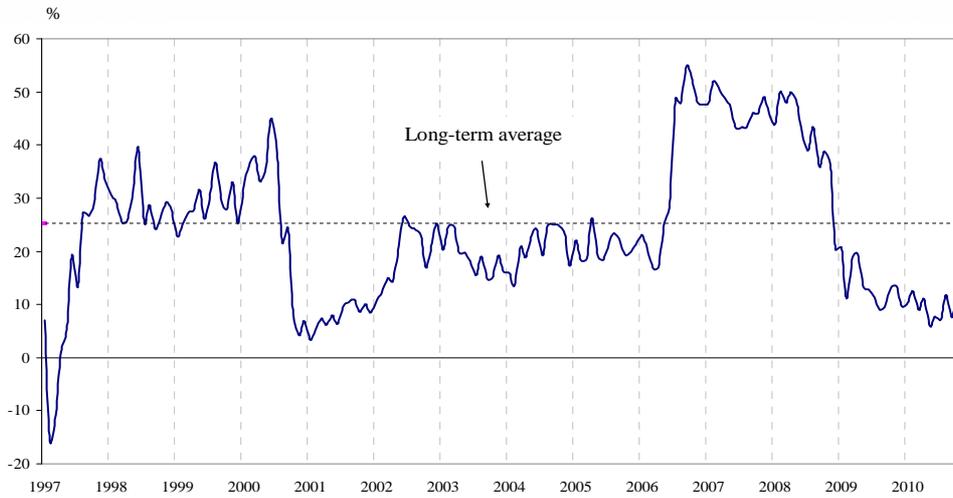


**Figure 9. Clients with delay in payments in construction**

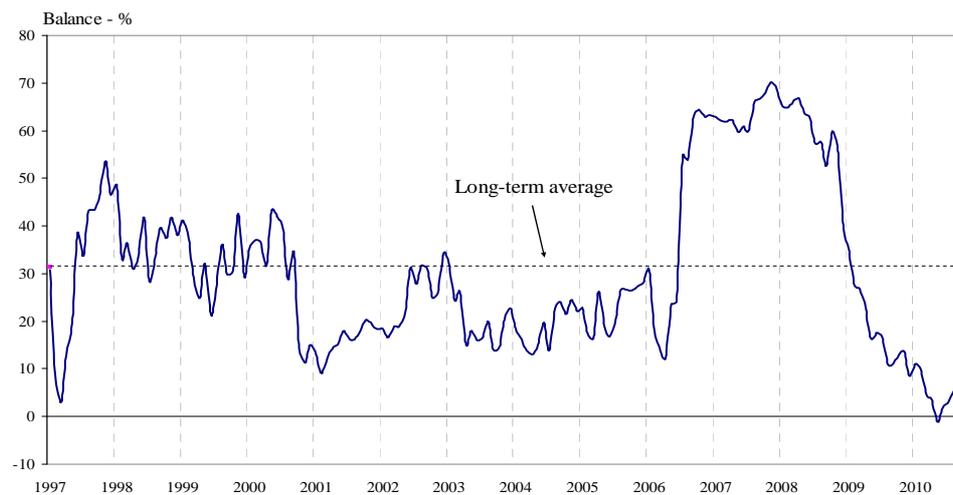




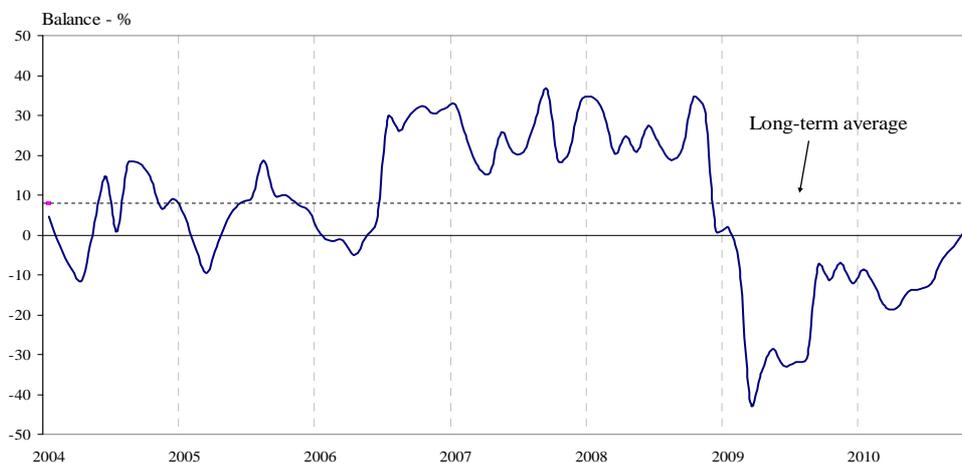
**Figure 10. Business climate in retail trade**



**Figure 11. Present business situation in retail trade**

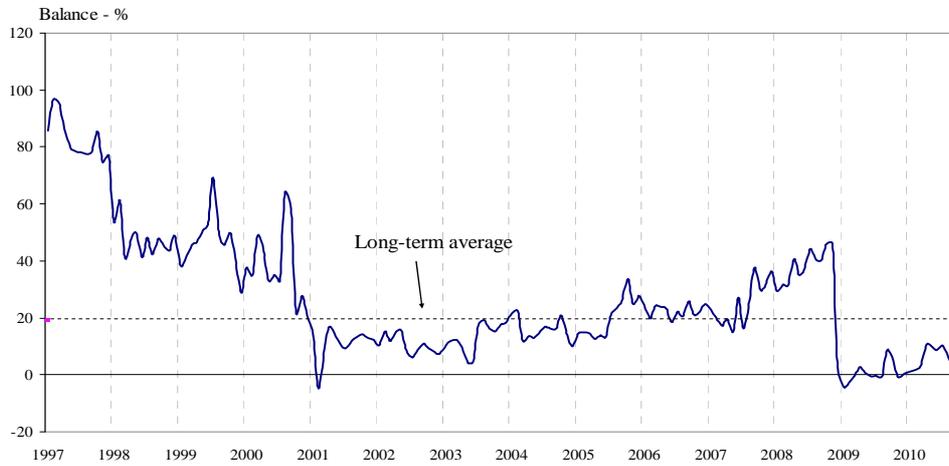


**Figure 12. Volume of sales in retail trade over the last 3 months**

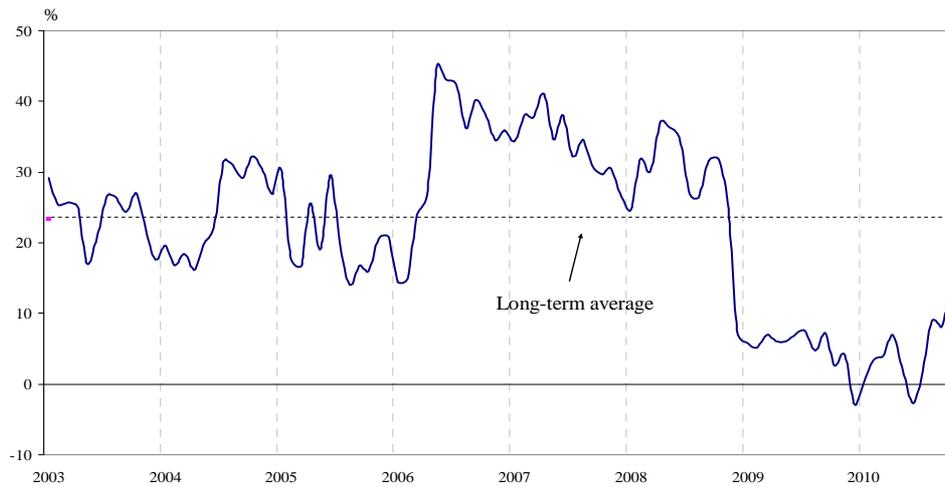




**Figure 13. Selling prices expectations in retail trade over the next 3 months**



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

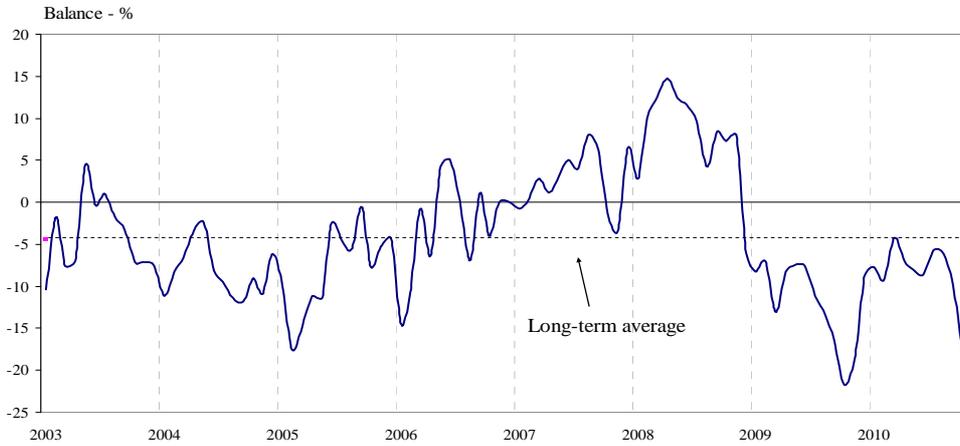


**Figure 15. Demand in service sector over the last 3 months**





**Figure 16. Employment expectations in service sector over the next 3 months**



**Figure 17. Factors limiting the activity in service sector (Relative share of enterprises)**

