



## BUSINESS CONJUNCTURE

### NSI BUSINESS SURVEYS<sup>1,2,3</sup>, JANUARY 2011

In January 2011 **the total business climate indicator**<sup>4</sup> increases by 1.9 percentage points in comparison with December 2010 (Figure 1) and it is already 6.6 percentage points above its lowest value registered over the last 2 years. The long-term average value on this indicator has still not been reached (by 11.0 percentage points).

**Industry.** The composite indicator of business climate in industry increases by 4.2 percentage points in comparison with the previous month (Figure 2) mostly due to a shifting of managers' opinions from "expected worsening of the business situation of enterprises over the next 6 months" towards "preservation of the current situation" (Figure 3). A similar shifting of negative opinions towards the more favourable neutral opinions is also registered with regard to the assessments of the present business situation.

In January the balance indicator on the present production activity decreases, which is due to an increase of the relative share of enterprises preserving their level of production, and respectively, to a decrease of the share of enterprises increasing it (Figure 4). However the managers have positive expectations about the activity over the next 3 months, which is accompanied by improved export expectations (Figure 5). Regarding the personnel there are still some intentions of a reduction over the next 3 months.

The average capacity utilization in January 2011 has decreased by 0.6 percentage points in comparison with October 2010 and it reaches 70.5% (Figure 6). 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 7).

The major problems for the business in industry continue to be the uncertain economic environment and the insufficient demand, as the uncertain economic environment is still above the usual for the last 10 years average value (Figure 8).

With regard to the selling prices in industry there are slight expectations about an increase over the next 3 months.

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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.



**Construction.** In January 2011 the composite business climate indicator increases by 0.5 percentage points (Figure 9), which, similarly to industry, is due to a shifting of managers' opinions from "expected worsening of the business situation of enterprises over the next 6 months" towards "preservation of the current situation". In their assessments the present construction activity is decreased as compared to the previous month, but the expectations about the next 3 months are slightly more favourable due to a shifting of opinions from "decrease of activity" towards "preservation of the activity". The inquiry also registers an increase of the number of clients with delay in payments (Figure 10).

The uncertain economic environment and the financial problems continue to be the main factors limiting the activity in the sector, as over the last month their negative influence has been strengthened (Figure 11). Similarly to industry, the factor "uncertain economic environment" still exceeds the level of its long-term average value.

The production assurance with orders in January is preserved and is assessed to be 5.5 months. At the same time the expectations about new orders over the next 6 months are improved - the balance indicator increases by 18.5 percentage points (Figure 12).

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

**Retail trade.** The composite indicator "business climate in retail trade" in January preserves its level from the previous month (Figure 13), as the managers do not expect a significant change in the business situation of their enterprises over the next 6 months. Over the last few months the inquiry has been reporting on an unfavorable tendency of a certain accumulation of stocks in retail trade (Figure 14). At the same time the assessments are that the sales over the last 3 months have decreased, but there is some recovering in the positive expectations in the sector regarding the sales and the orders placed with suppliers (Figure 15).

The major factors limiting the activity of the enterprises are the uncertain economic environment and the financial problems, as the negative influence of both factors is still greater than the usual-for-the-last-10-years level (Figure 16).

The managers' expectations regarding the selling prices in retail trade are for the preservation of their level over the next 3 months.

**Service sector<sup>5</sup>.** In January the composite indicator of business climate increases by 0.4 percentage points in comparison with the previous month (Figure 17) due to the more optimistic managers' expectations about the business situation of enterprises over the next 6 months, which compensates the worsened assessments of the present business situation. The entrepreneurs assess the present demand for services as decreased (Figure 18) and the expectations about the next 3 months are not very optimistic. An increase of personnel over the next 3 months is not expected.

The uncertain economic environment continues to be the most serious problem for the activity of the enterprises, followed by the competition in the branch (Figure 19). Similarly to the other sectors, the negative influence of those factors is still stronger than the long-term average.

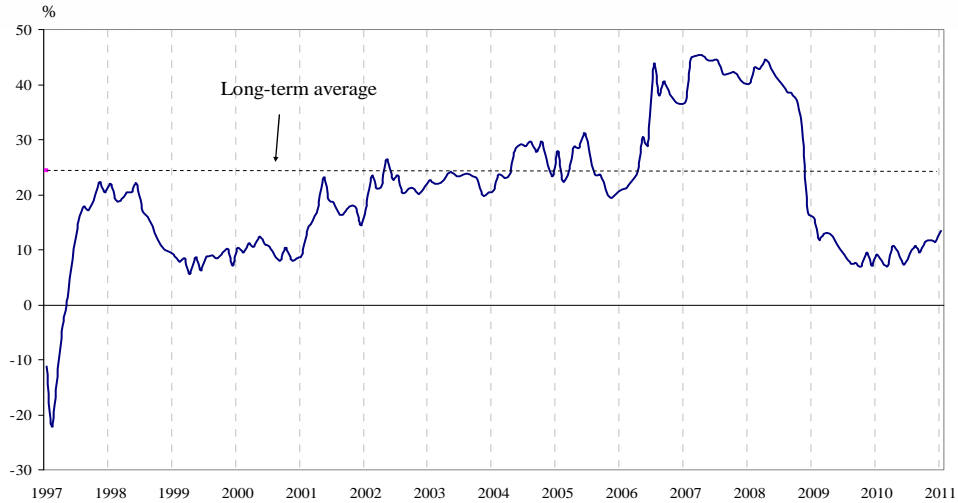
With regard to the selling prices the managers expect a decrease over the next 3 months (Figure 20).

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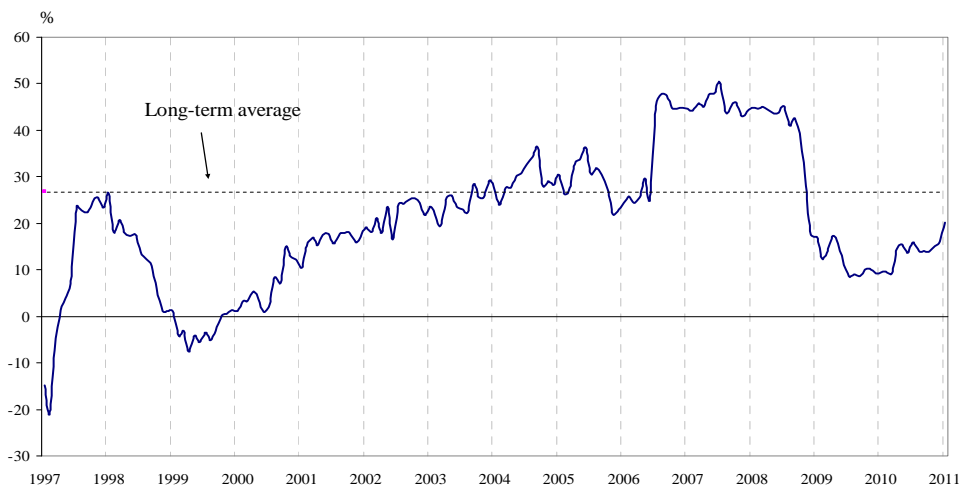
<sup>5</sup> Excl. trade.



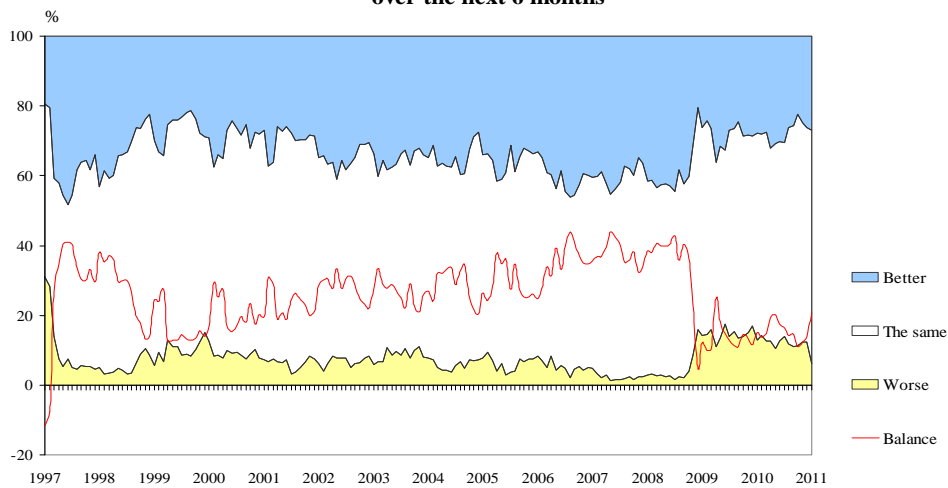
**Figure 1. Business climate - total**



**Figure 2. Business climate in industry**

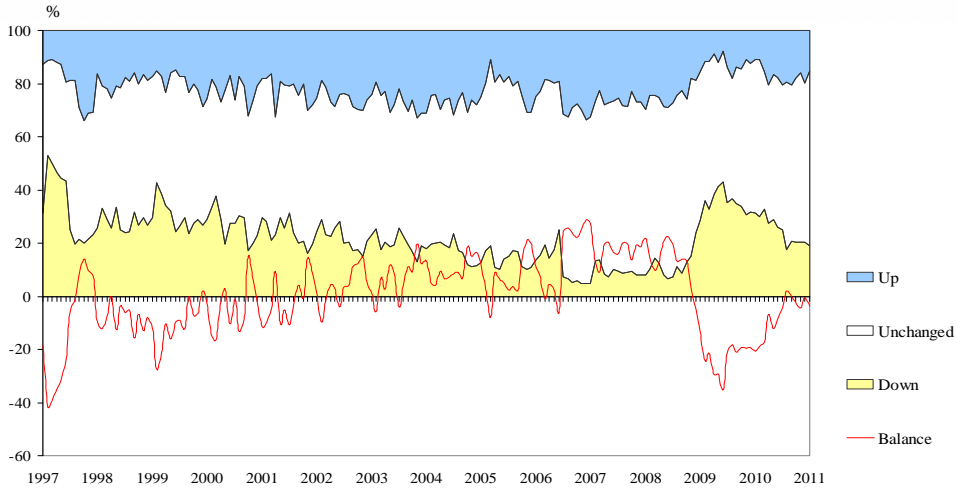


**Figure 3. Expected business situation in industry over the next 6 months**

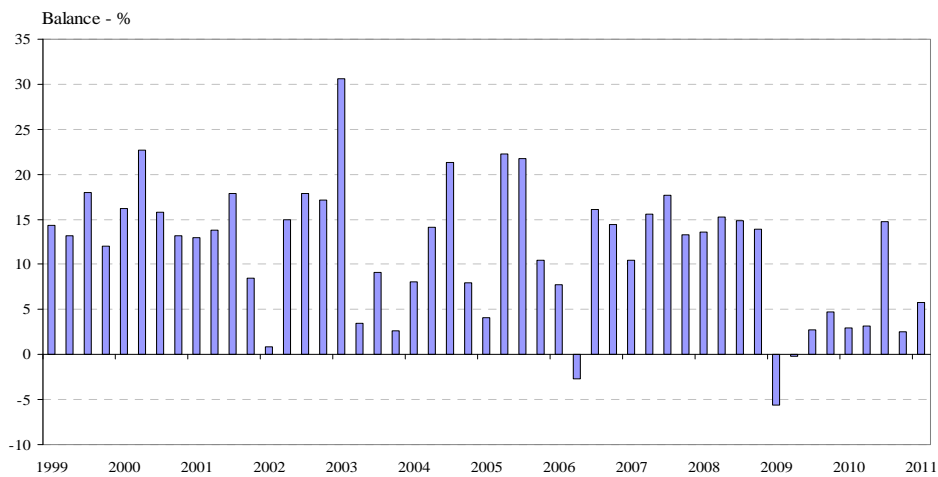




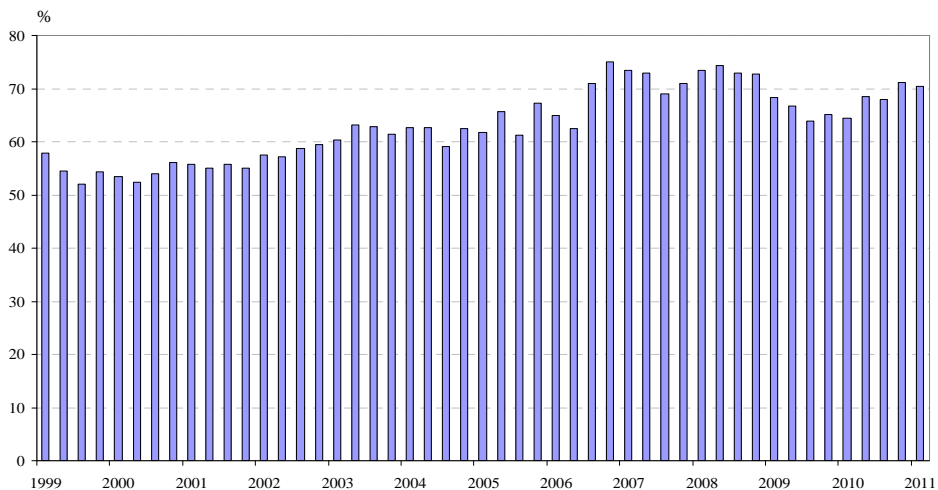
**Figure 4. Present production activity in industry**



**Figure 5. Export expectations in industry over the next 3 months**

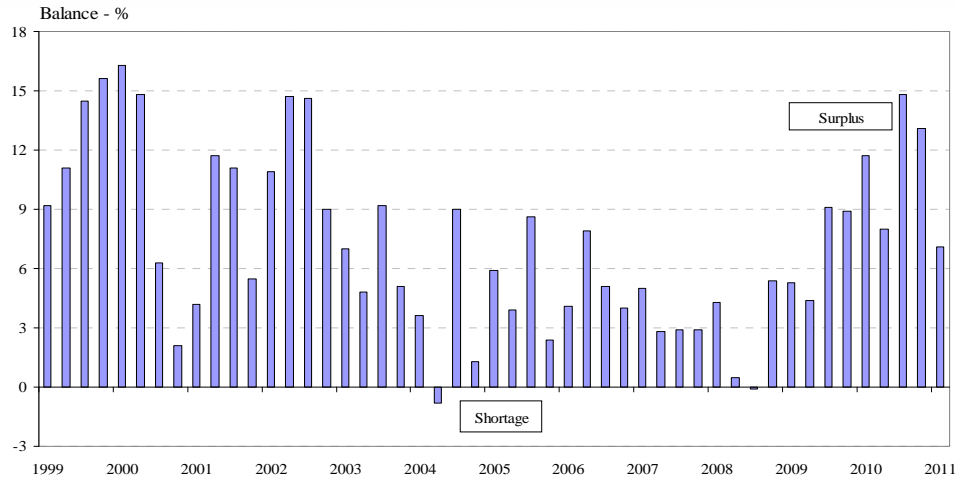


**Figure 6. Average capacity utilization in industry**

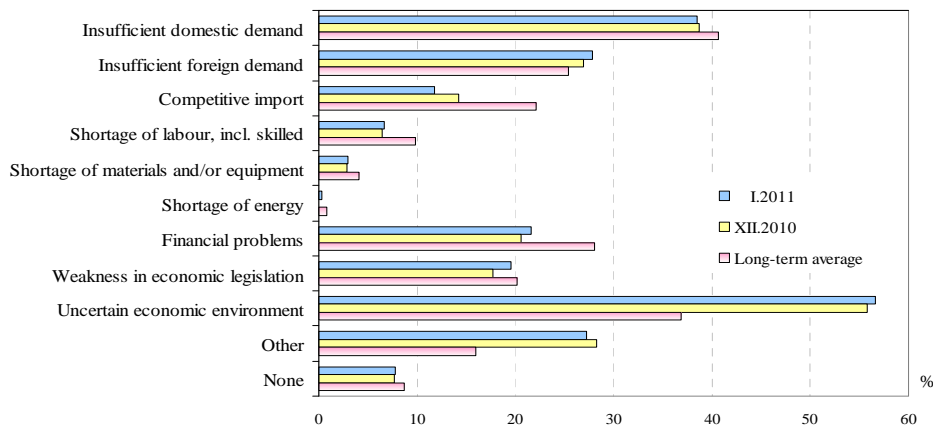




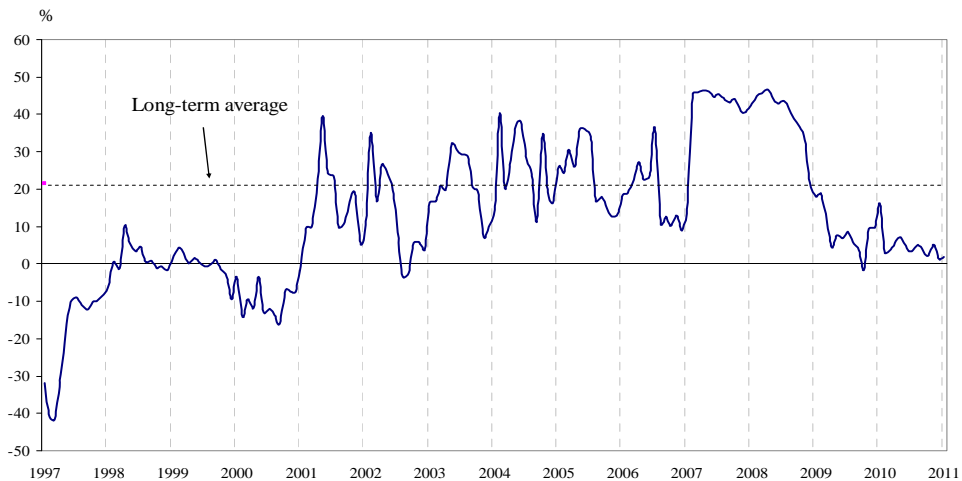
**Figure 7. Current production capacity in industry with regard to the expected demand over the next months**



**Figure 8. Limits to production in industry (Relative share of enterprises)**

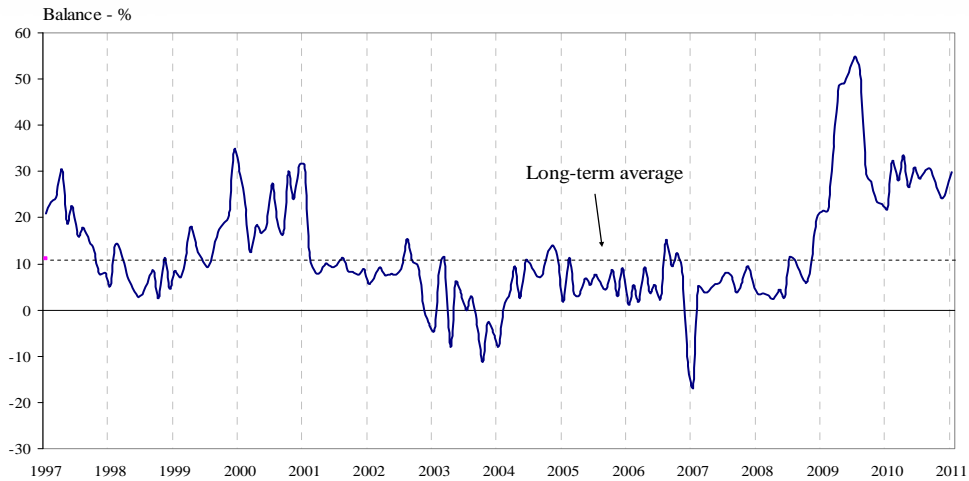


**Figure 9. Business climate in construction**

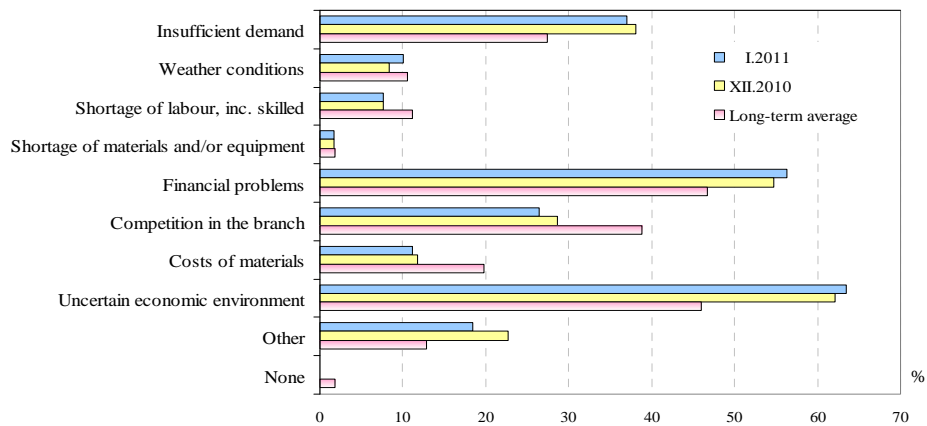




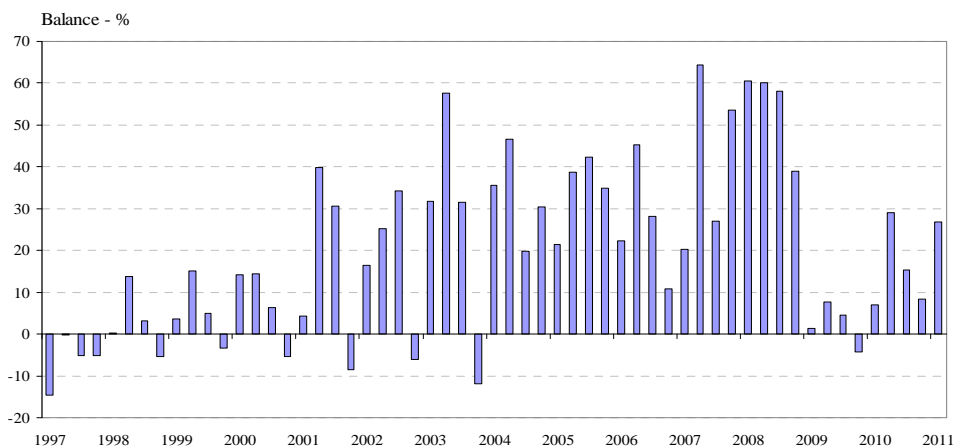
**Figure 10. Clients with delay in payments in construction**



**Figure 11. Limits to construction activity  
(Relative share of enterprises)**

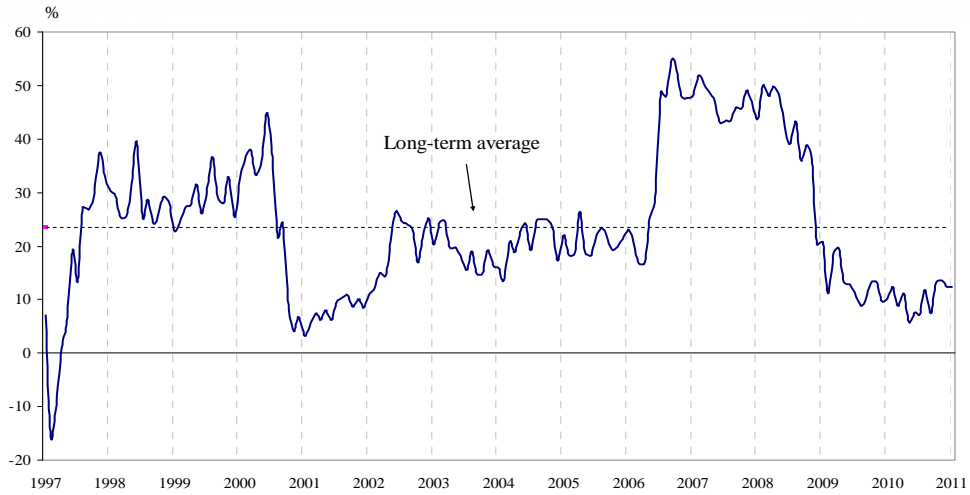


**Figure 12. New orders expectations in construction  
over the next 6 months**

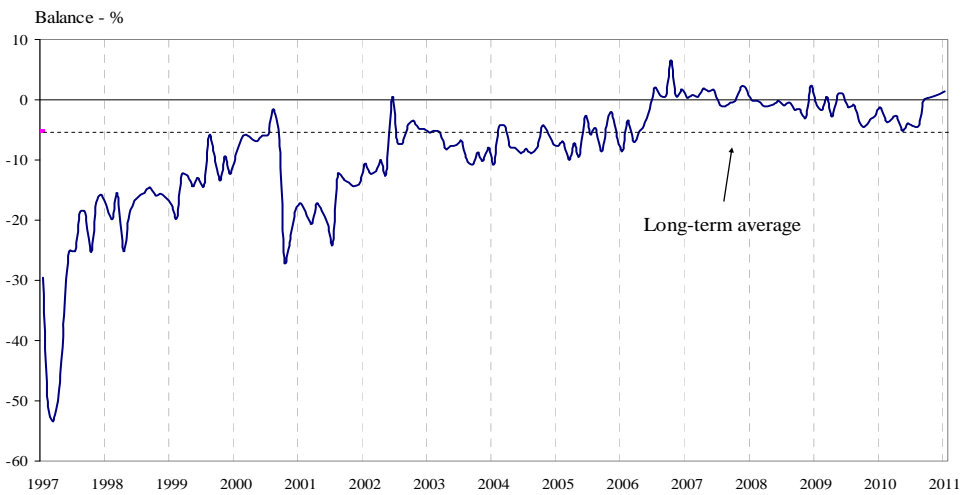




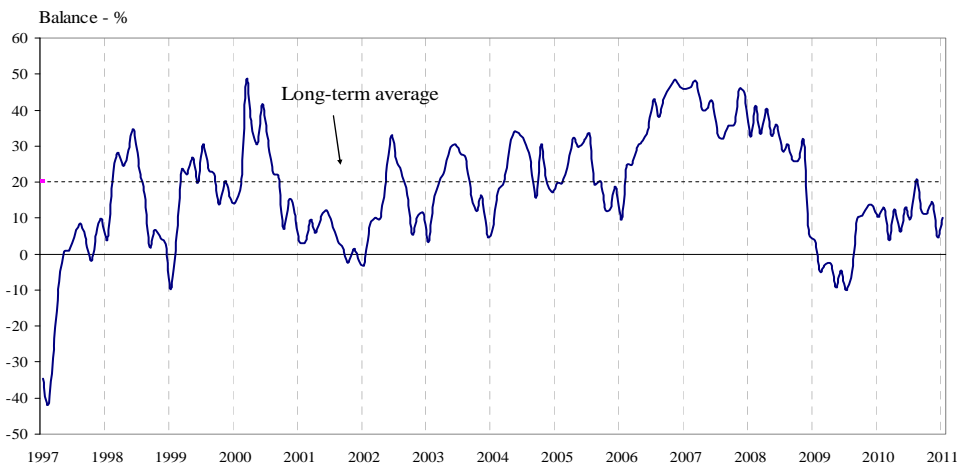
**Figure 13. Business climate in retail trade**



**Figure 14. Level of stocks in retail trade**

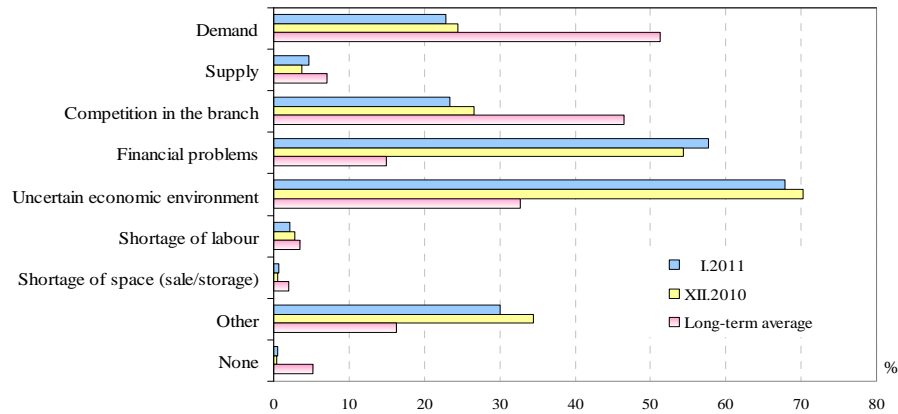


**Figure 15. Sales expectations in retail trade over the next 3 months**

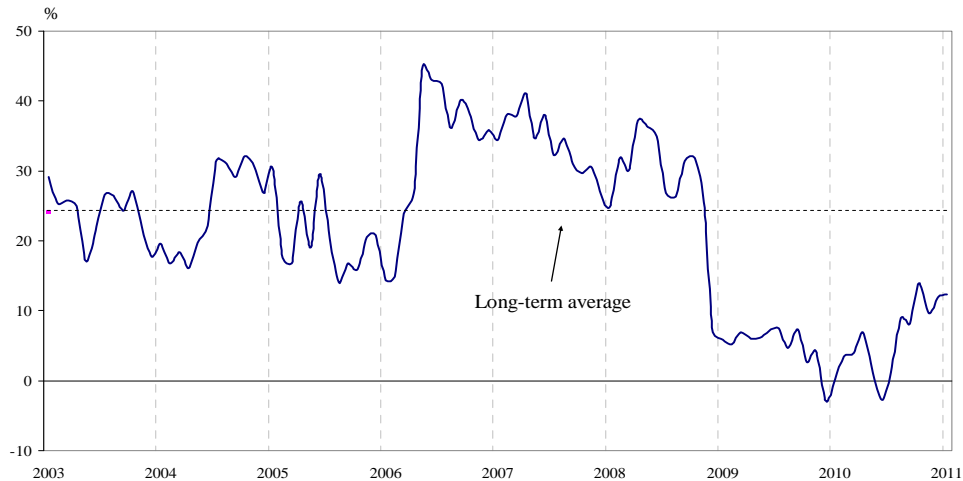




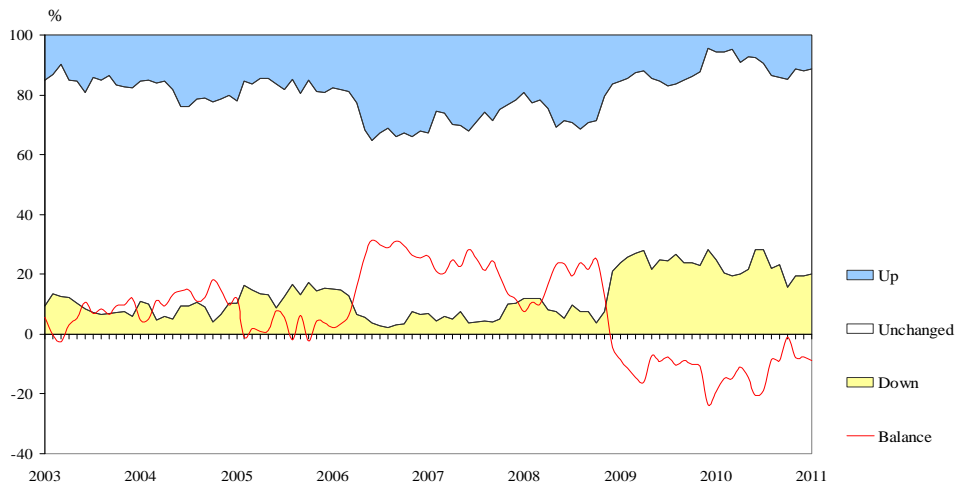
**Figure 16. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)**



**Figure 17. Business climate in service sector**



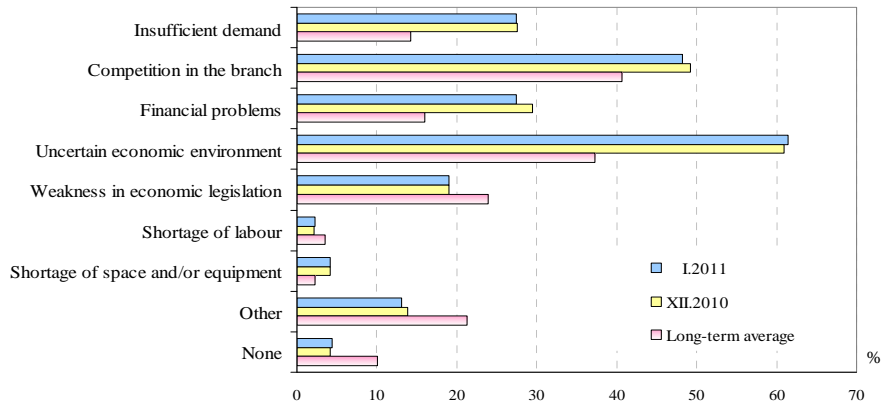
**Figure 18. Demand in service sector over the last 3 months**







**Figure 19. Factors limiting the activity in service sector  
(Relative share of enterprises)**



**Figure 20. Selling prices expectations in service sector  
over the next 3 months**

