



## BUSINESS CONJUNCTURE

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

In March 2011 the business conjuncture in the country changes negatively. **The total business climate indicator**<sup>4</sup> decreases by 4.1 percentage points in comparison with February (Figure 1) due to the more unfavorable in comparison with the previous month business climate in industry, construction and service sector.

**Industry.** The composite indicator of business climate in industry decreases by 3.9 percentage points in comparison with February (Figure 2) due to the worsened managers' expectations about the business situation of enterprises over the next 6 months. The last inquiry also registers a decrease in the expectations about an increase of activity over the next months (Figure 3). With regard to the personnel, there still are expectations about a reduction.

In March the uncertain economic environment and the insufficient domestic demand are the major factors limiting the activity in the sector (Figure 4), and the activity is assessed as decreased as compared to the previous month, despite a certain increase of the production assurance with orders from abroad (Figure 5).

The February expectations about a rise of the selling prices in industry over the next months are preserved in March as well (Figure 6).

**Construction.** In March the composite business climate indicator decreases by 1.7 percentage points in comparison with the preceding month (Figure 7), due to the slightly more reserved managers' assessments and expectations about the business situation of enterprises. In their opinion there is a certain improvement of the production assurance with orders in comparison with the previous month (Figure 8), as the expectations about the construction activity over the next 3 months are favourable as well (the balance indicator goes up by 6.8 percentage points) (Figure 9).

The uncertain economic environment and the financial problems continue to be the main factors limiting the activity in the sector, as the negative influence of both factors is strengthened over the last month and is still above the long-term average values (Figure 10).

With regard to the selling prices in construction the inquiry reports on expectations about an increase over the next 3 months (Figure 11).

---

<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.



**Retail trade.** The composite indicator “business climate in retail trade” in March increases by 4.1 percentage points in comparison with February (Figure 12), which is due to the more optimistic managers’ expectations about the business situation of enterprises over the next 6 months, since the present business situation has been worsened over the last months.

The inquiry also registers a decrease of the volume of sales in comparison with the previous month. However the expectations about the next 3 months are highly overrated (Figure 13), as they are not being followed by similar expectations regarding the orders placed with suppliers (Figure 14) and the stocks are assessed as normal for the season (Figure 15).

In March the negative influence of the factors “uncertain economic environment” and “financial problems” is weakened as compared to February, but they are still the major limitations for the activity of the enterprises. Over the last month the negative influence of the factor “demand” has been strengthened - an increase by 5.9 percentage points in comparison with the previous month (Figure 16).

The demand and the competition have been the main problems for the managers in the sector over the last 10 years, but in the present situation they are not as significant. At the same time the inquiry reports on a stable trend of decrease of the competition in the branch (Figure 17).

The expectations about the selling prices in retail trade over the next 3 months are for an increase (Figure 18).

**Service sector<sup>5</sup>.** In March the composite indicator of business climate in the service sector sharply decreases - its level drops by 14.9 percentage points in comparison with the previous month (Figure 19). This is due to the unfavorable managers’ assessments and expectations about the business situation of enterprises (Figure 20). The opinions about the present and expected demand for services are also worsened (Figure 21). However a certain improvement of the expectations about the personnel over the next 3 months is observed.

The uncertain economic environment and the competition in the branch continue to be the main factors limiting the activity of the enterprises, as the negative influence of the former is strengthened over the last month (Figure 22).

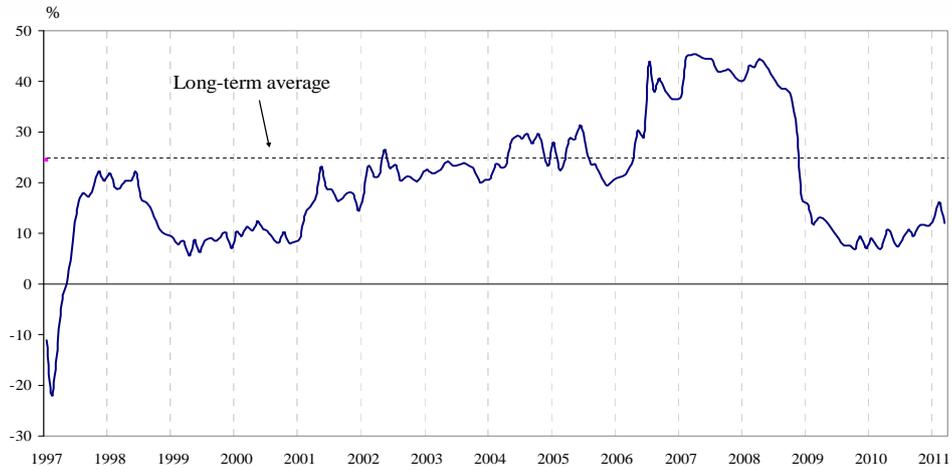
With regard to the selling prices the prevailing expectations are for the preservation of their level over the next 3 months (Figure 23).

---

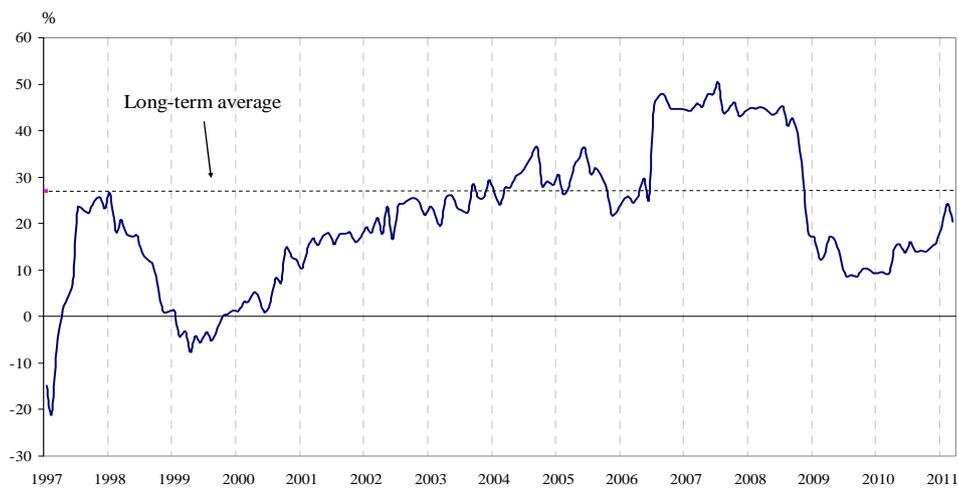
<sup>5</sup> Excl. trade.



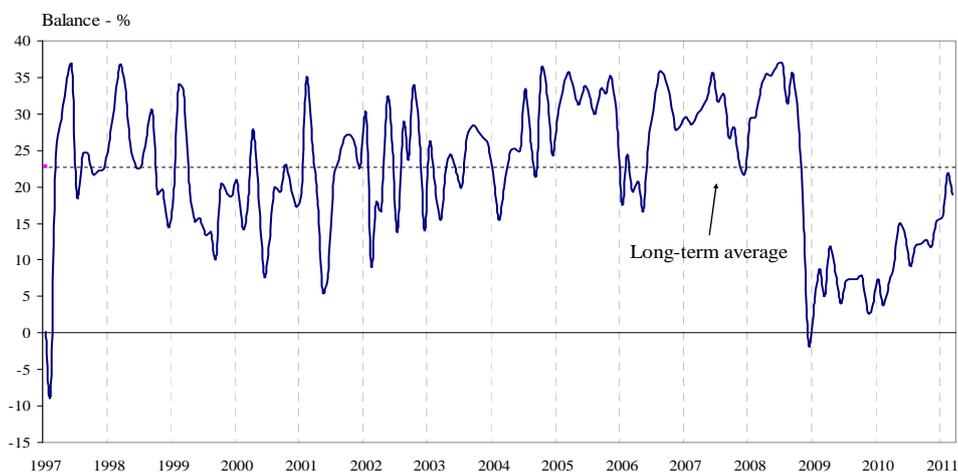
**Figure 1. Business climate - total**



**Figure 2. Business climate in industry**

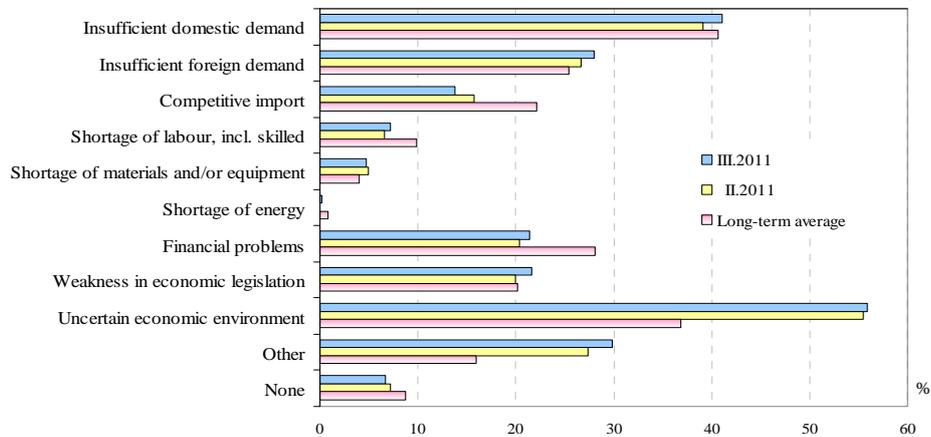


**Figure 3. Expected production activity in industry over the next 3 months**

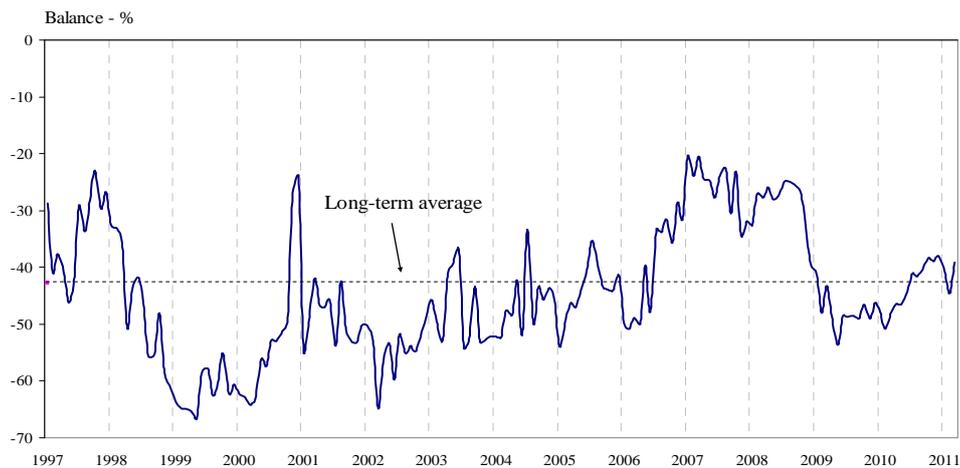




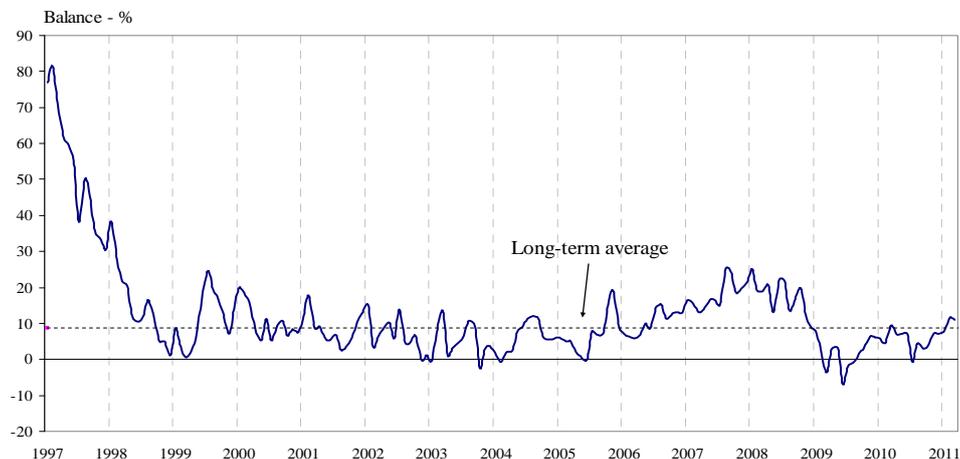
**Figure 4. Limits to production in industry  
(Relative share of enterprises)**



**Figure 5. Production assurance with orders from abroad in industry**

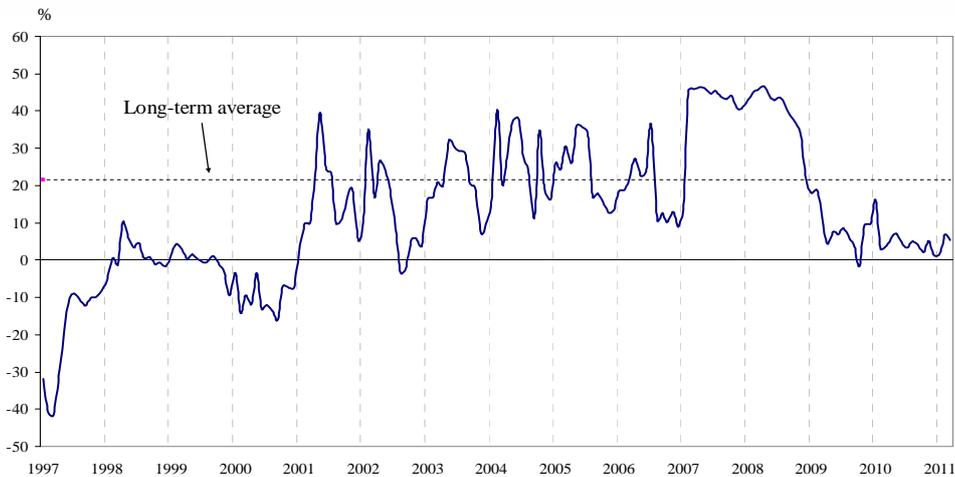


**Figure 6. Selling prices expectations in industry  
over the next 3 months**

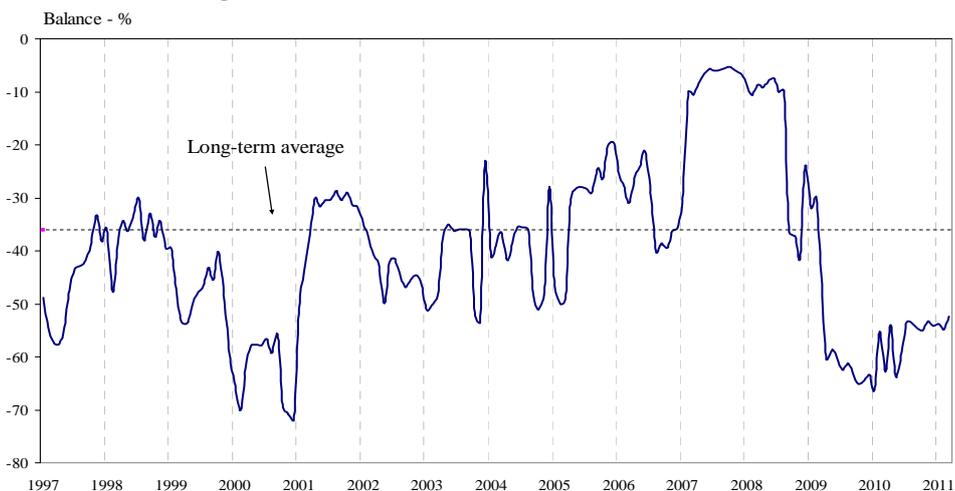




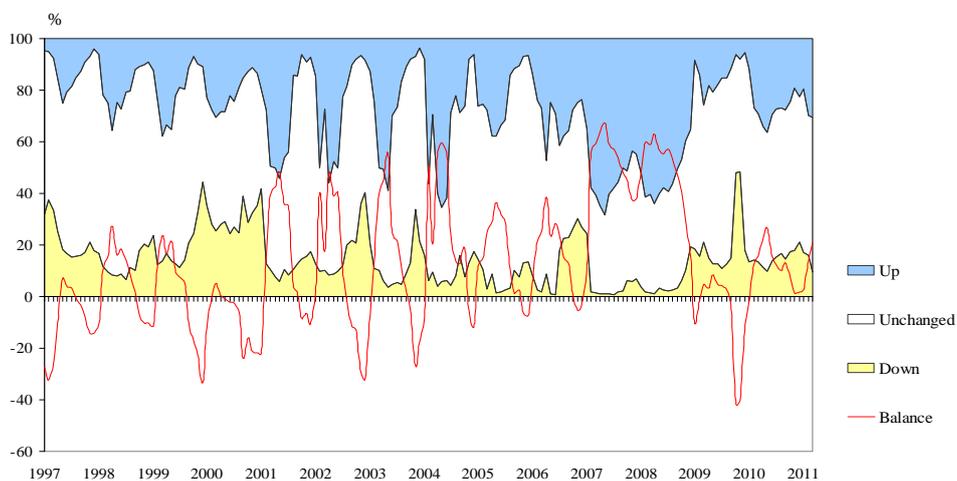
**Figure 7. Business climate in construction**



**Figure 8. Production assurance with orders in construction**

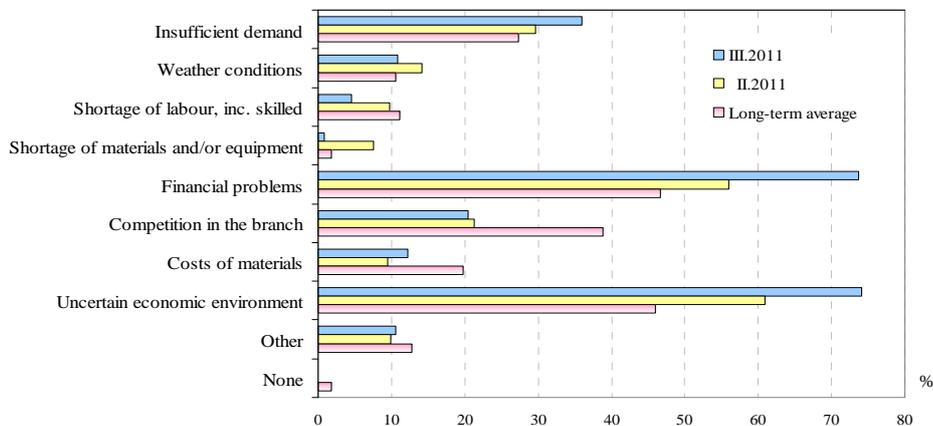


**Figure 9. Expected construction activity over the next 3 months**

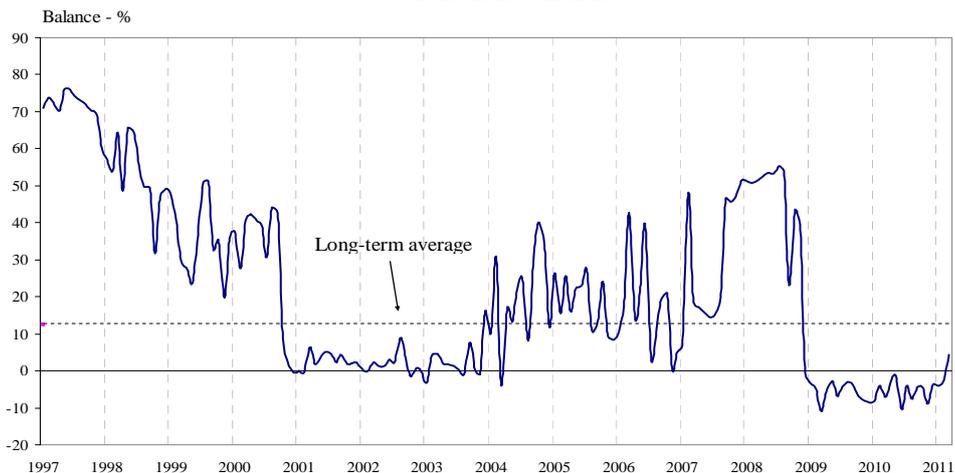




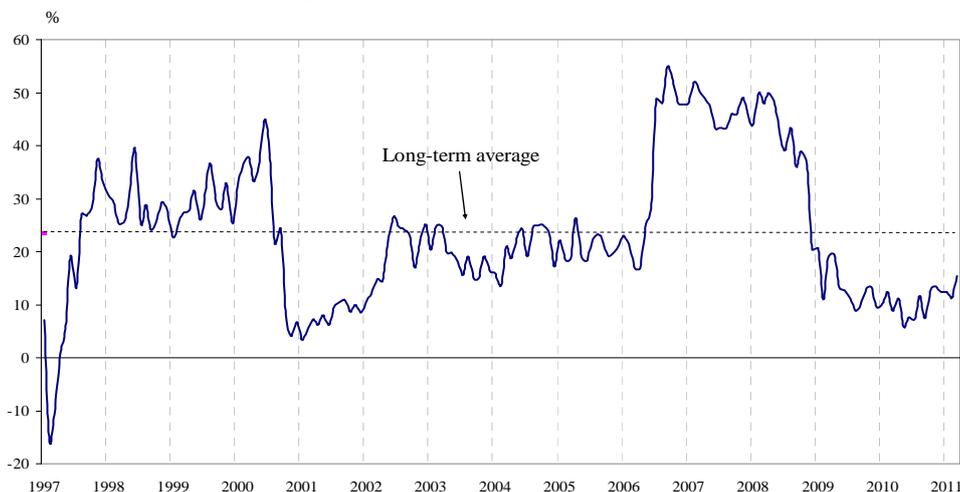
**Figure 10. Limits to construction activity  
(Relative share of enterprises)**



**Figure 11. Selling prices expectations in construction  
over the next 3 months**

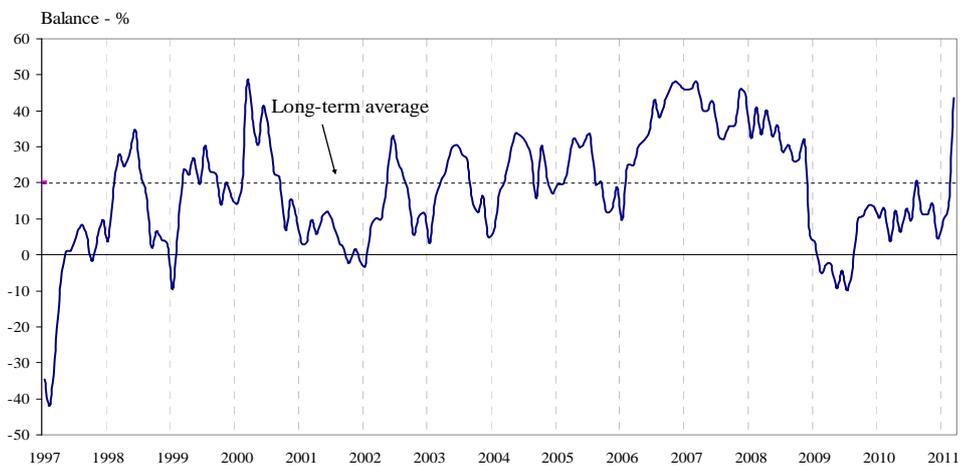


**Figure 12. Business climate in retail trade**

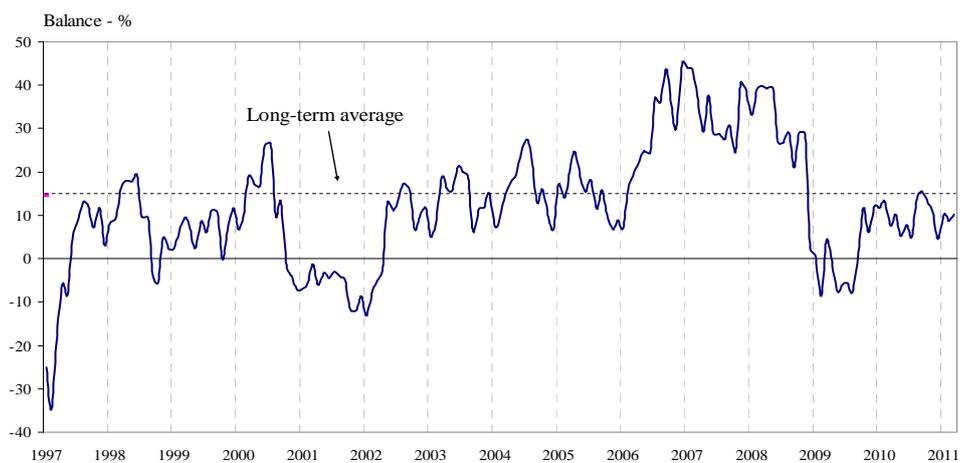




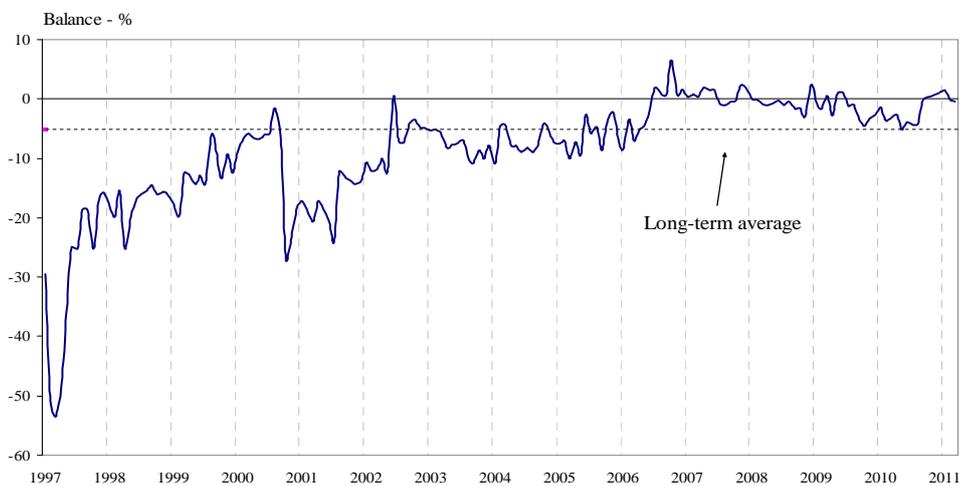
**Figure 13. Sales expectations in retail trade over the next 3 months**



**Figure 14. Expectations about orders placed with suppliers in retail trade over the next 3 months**

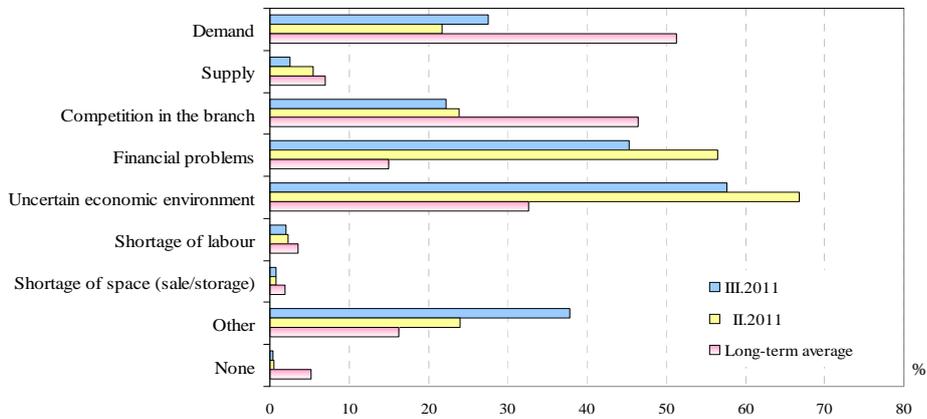


**Figure 15. Level of stocks in retail trade**

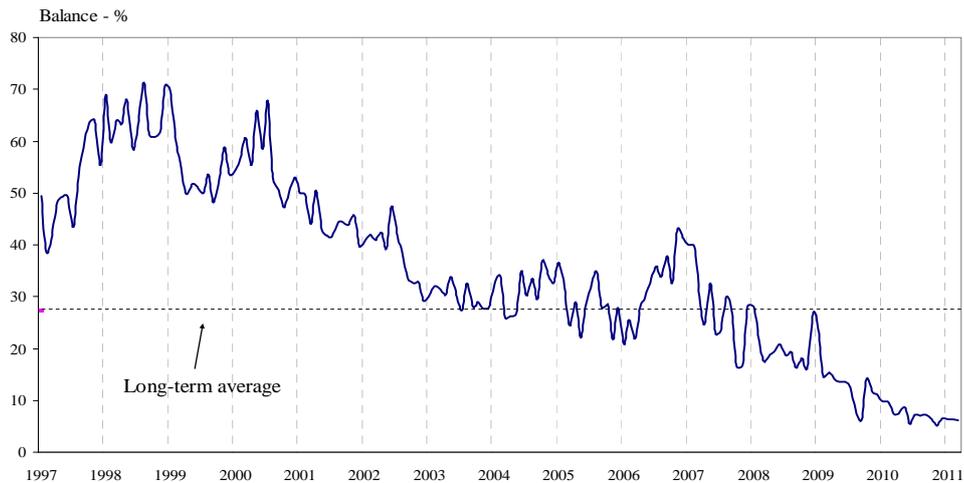




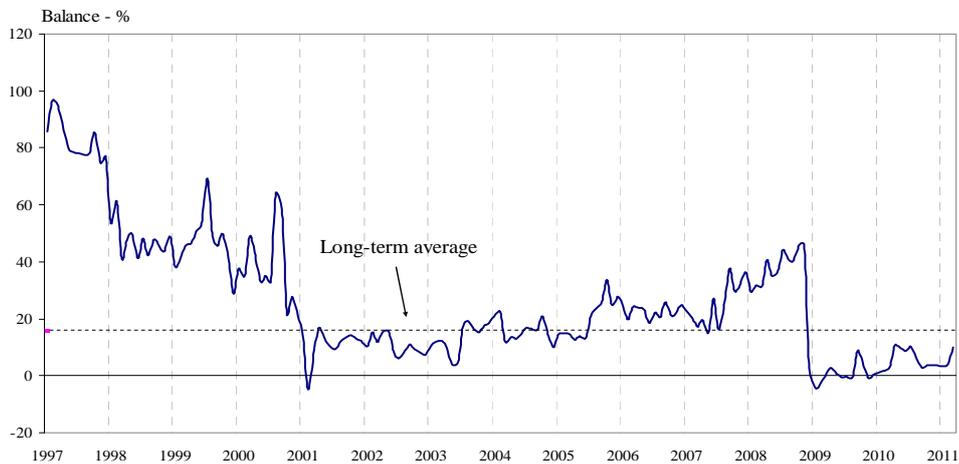
**Figure 16. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)**



**Figure 17. Competition in retail trade over the last 3 months**

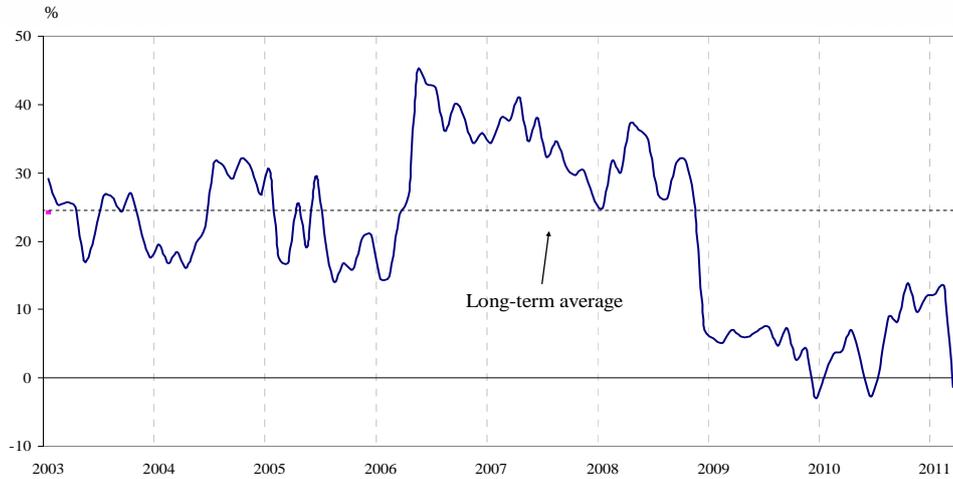


**Figure 18. Selling prices expectations in retail trade over the next 3 months**

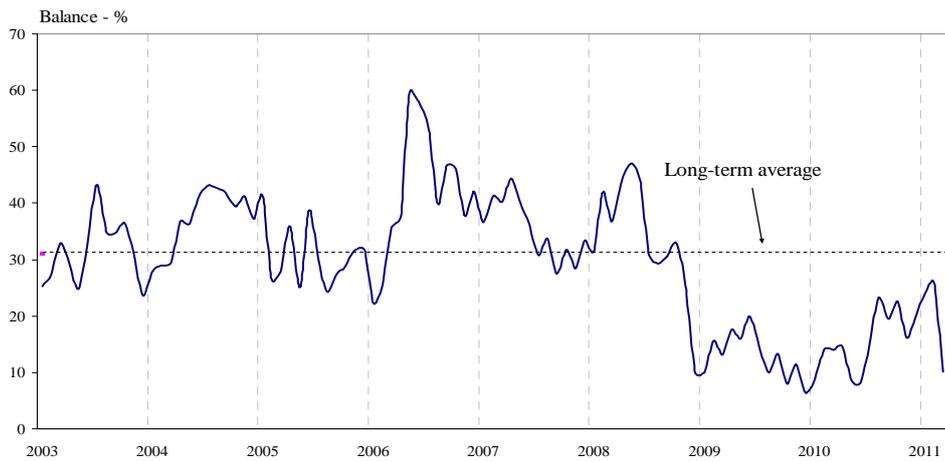




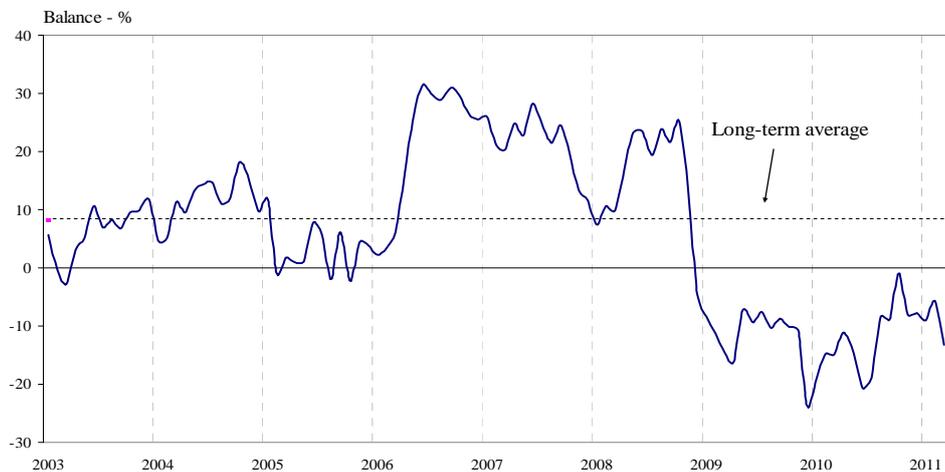
**Figure 19. Business climate in service sector**



**Figure 20. Expected business situation in service sector over the next 6 months**

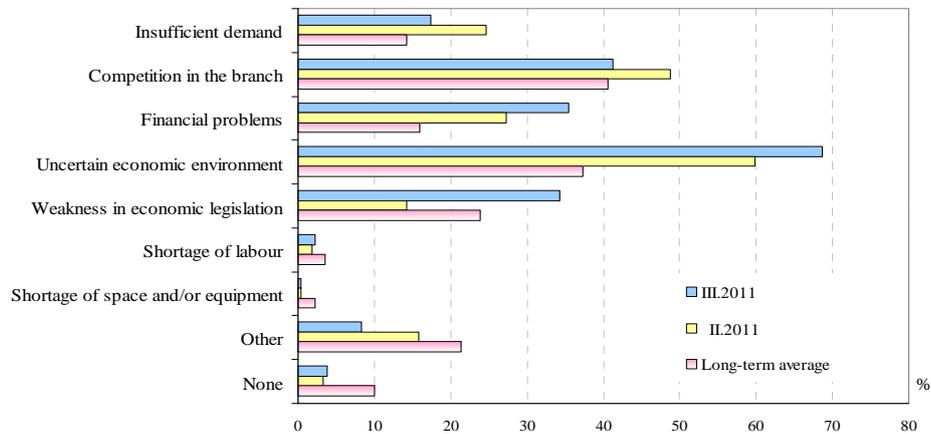


**Figure 21. Demand in service sector over the last 3 months**





**Figure 22. Factors limiting the activity in service sector  
(Relative share of enterprises)**



**Figure 23. Selling prices expectations in service sector  
over the next 3 months**

