



BUSINESS CONJUNCTURE

NSI BUSINESS SURVEYS^{1,2,3}, APRIL 2011

In April 2011 **the total business climate indicator**⁴ increases by 2.4 percentage points restoring in half the drop from the previous month (Figure 1). There are 10.0 percentage points left in order to reach the long-term average value of this indicator. The improvement is due to the sectors of industry and services, since the business climate in construction and retail trade is worsened.

Industry. The composite indicator of business climate in industry increases by 4.1 percentage points in comparison with March (Figure 2) and it is only 2.3 percentage points below the level of the long-term average value. The inquiry registers increased optimism about the business situation of enterprises over the next 6 months and more favourable opinions with regard to the assessment of the present business situation.

The production assurance with orders is preserved at its level from the last few months (Figure 3) despite a certain increase of the orders from abroad. In the short term the managers have positive expectations about the activity (Figure 4), which is accompanied by better export expectation as well (Figure 5). With regard to the personnel, there still are expectations about a reduction over the next 3 months.

The average capacity utilization in April has decreased by 0.4 percentage points in comparison with January and it has reached 70.1% (Figure 6). The enterprises expect a surplus of capacity over the next months (Figure 7).

The major problems for the industrial entrepreneurs continue to be the uncertain economic environment and the insufficient domestic demand, as the uncertain economic environment is still above its long-term average value (Figure 8).

The last inquiry registers a decrease of the expectations about an increase of the selling prices in industry over the next 3 months (Figure 9).

¹ 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.

² 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.

³ 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.

⁴ 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 April the composite business climate indicator decreases by 3.3 percentage points (Figure 10) mostly due to the increased pessimism of the construction entrepreneurs about the present business situation of enterprises (Figure 11). In the managers' opinion the construction activity has decreased in comparison with the previous months. The expectations about the next 3 months, though optimistic, are slightly more reserved in comparison with the previous month.

The uncertain economic environment and the financial difficulties continue to be the main factors limiting the activity in the sector, even though there are less financial problems in comparison with March. In April the relative share of enterprises which pointed those factors out is 75.0 and 63.1% respectively (Figure 12).

The production assurance with orders in April is preserved and it is assessed to be 5.3 months. At the same time the expectations about new orders over the next 6 months are slightly improved (Figure 13).

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

Retail trade. The composite indicator "business climate in retail trade" in April decreases by 4.2 percentage points in comparison with the previous month (Figure 14) due to the worsened managers' assessments about the present business situation of enterprises and to the more pessimistic expectations about the next 6 months. The inquiry also registers a decrease of the volume of sales over the last months, as at the same time the highly overestimated increase expectations from the previous month are significantly revised, thus restoring their level from January 2011 (Figure 15). With regard to the orders placed with suppliers a change is not expected over the next 3 months (Figure 16).

In April the uncertain economic environment continues to be the major factor limiting the activity of the enterprises in the sector. At the same time the inquiry registers a significant decrease of the negative influence of the financial problems in comparison with March (Figure 17).

With regard to the selling prices in retail trade there are fewer expectations about an increase over the next 3 months.

Service sector⁵. In April the composite indicator of business climate in the service sector significantly increases - its level goes up by 11.1 percentage points in comparison with the previous month (Figure 18). This is due to the more favorable managers' assessments and expectations about the business situation of enterprises (Figure 19). The opinions about the present and expected demand for services are also improved (Figure 20). However a certain worsening of the expectations about the personnel over the next 3 months is observed.

The uncertain economic environment remains the major factor limiting the activity of the enterprises, even though over the last month its negative influence has been lowered by 11.4 percentage points, reaching a relative share of 57.2% of enterprises. The competition in the branch is the second strongest factor, since it has been pointed out by 47.5% of the managers (Figure 21).

The prevailing expectations with regard to the selling prices are for the preservation of their level over the next 3 months (Figure 22).

⁵ Excl. trade.

Figure 1. Business climate - total



Figure 2. Business climate in industry

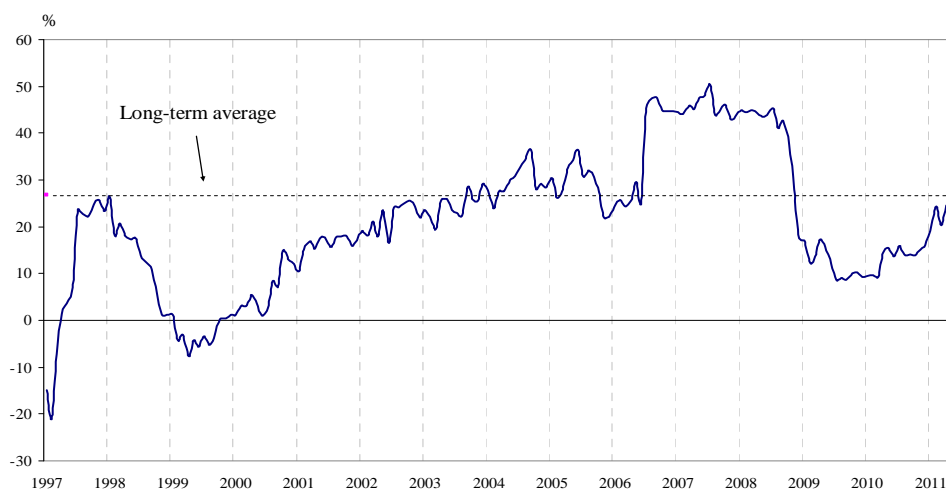


Figure 3. Production assurance with orders in industry

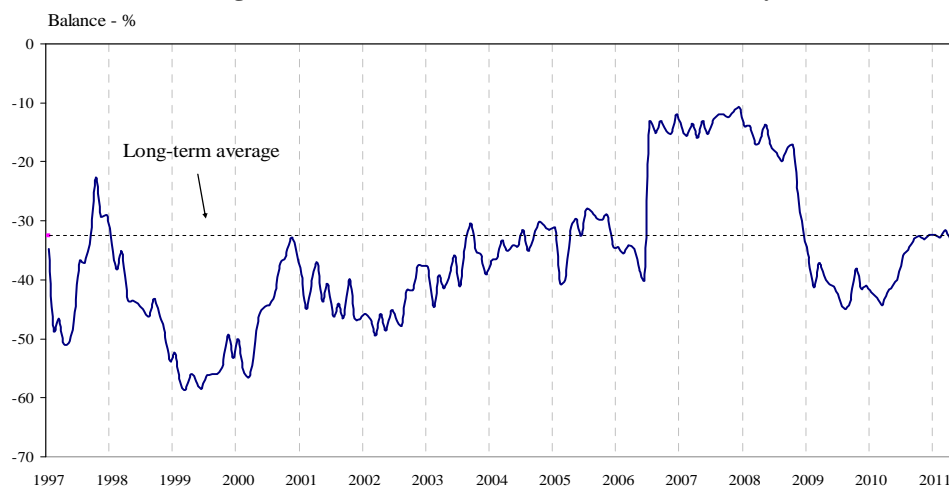


Figure 4. Expected production activity in industry over the next 3 months

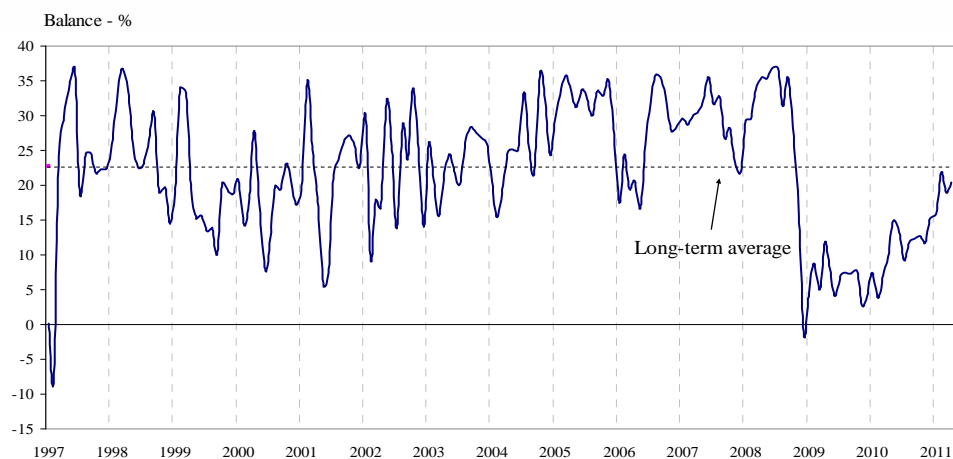


Figure 5. Export expectations in industry over the next 3 months

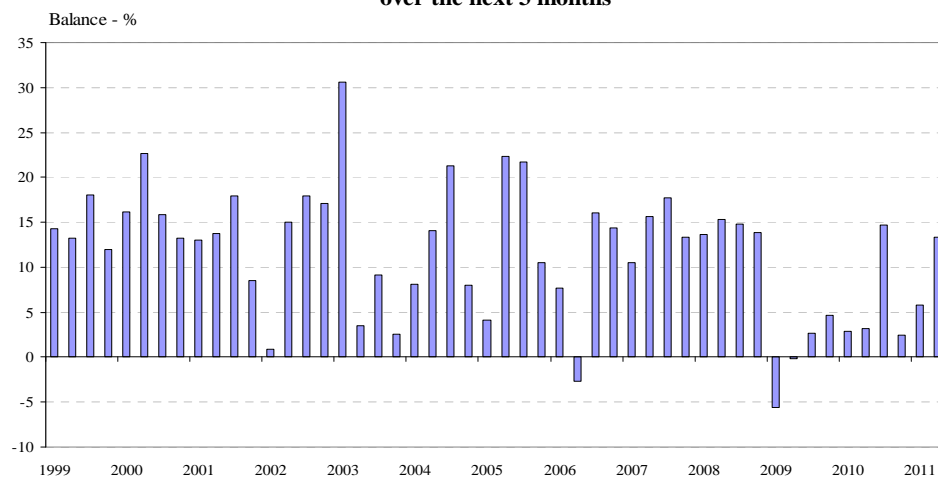


Figure 6. Average capacity utilization in industry

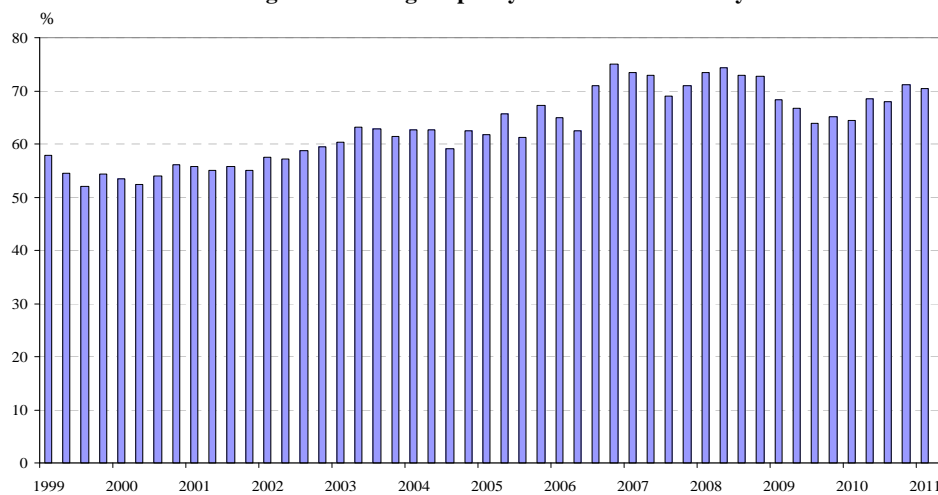


Figure 7. Expected surplus of capacity in industry with regard to the demand over the next months

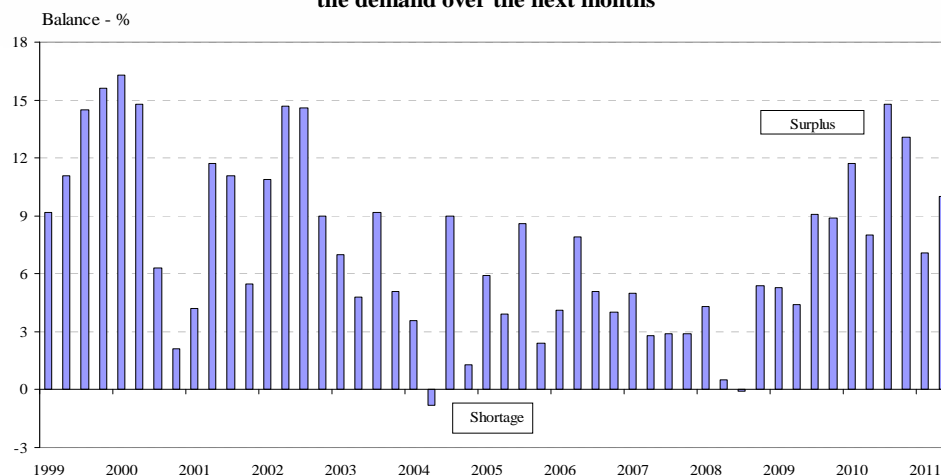


Figure 8. Limits to production in industry (Relative share of enterprises)

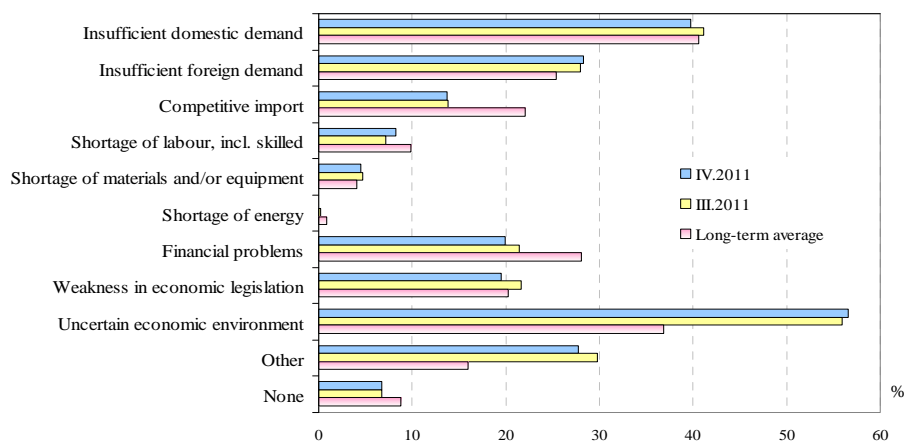


Figure 9. Selling prices expectations in industry over the next 3 months

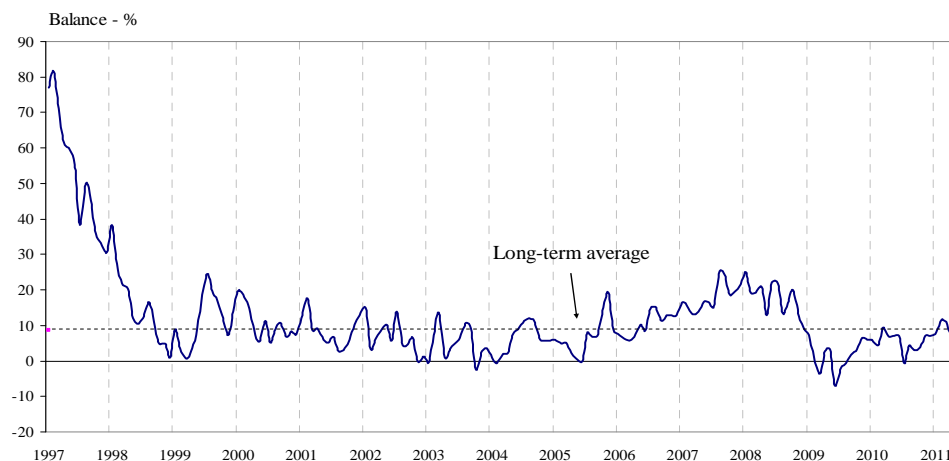


Figure 10. Business climate in construction

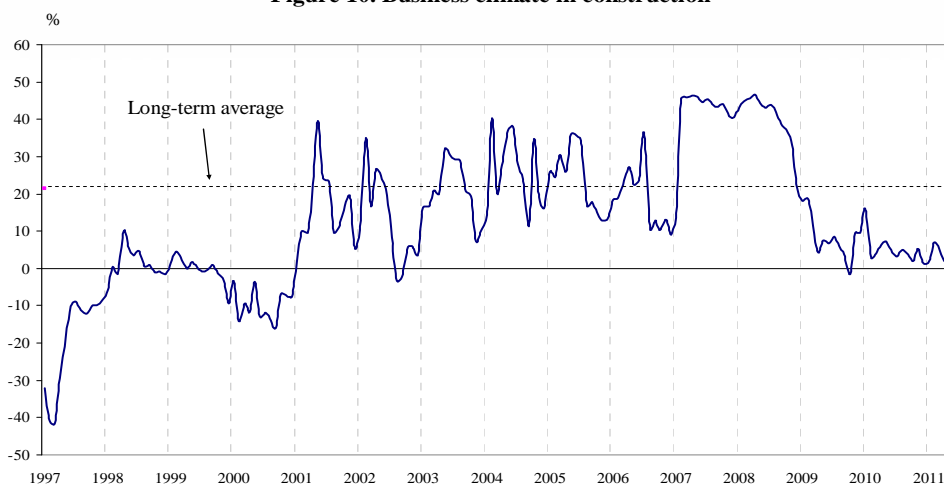
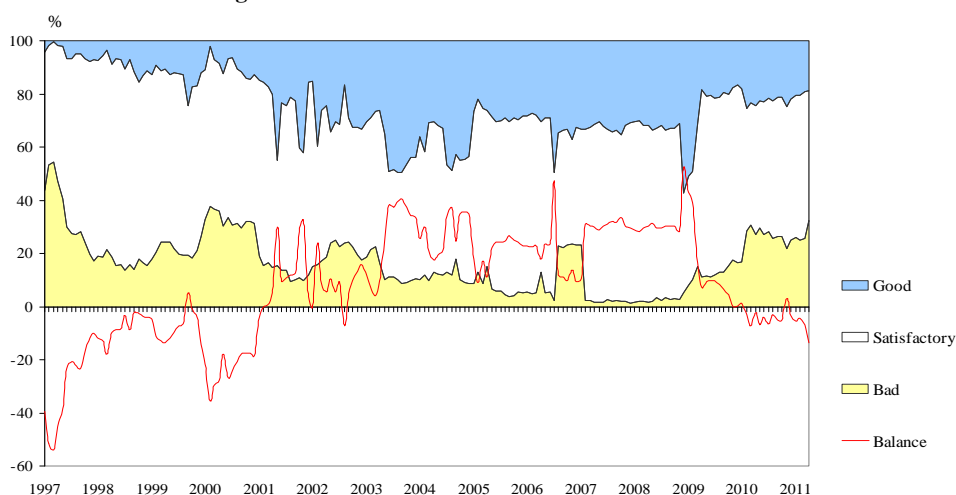


Figure 11. Present business situation in construction



**Figure 12. Limits to construction activity
(Relative share of enterprises)**

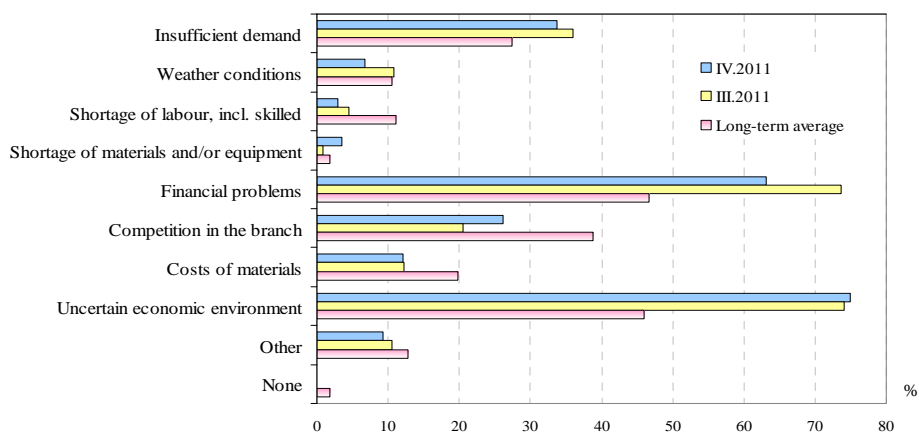


Figure 13. New orders expectations in construction over the next 6 months

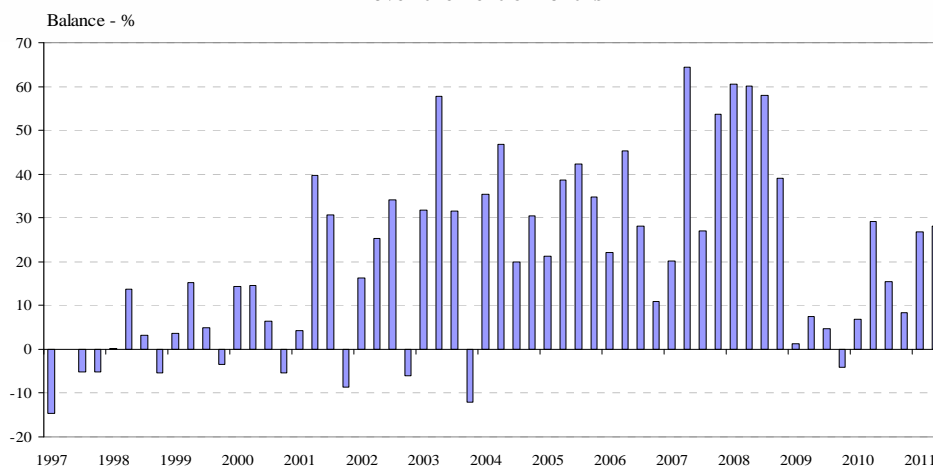


Figure 14. Business climate in retail trade

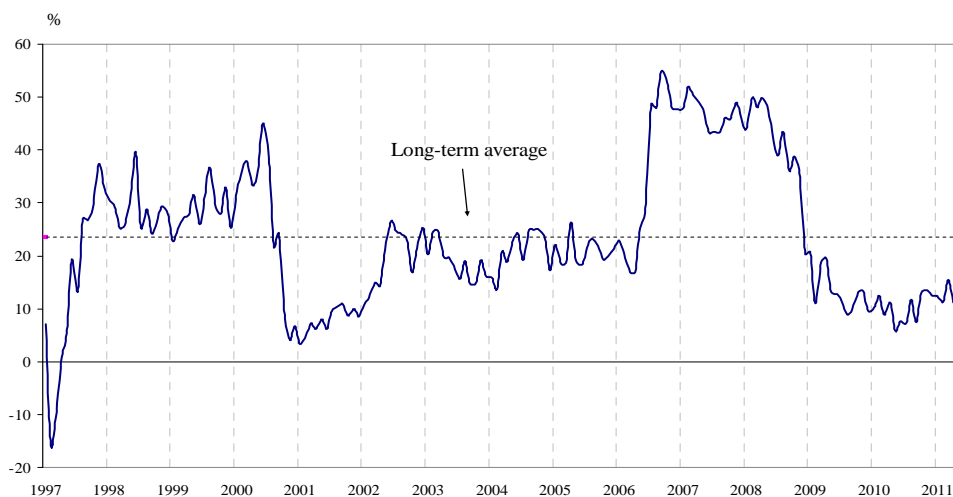


Figure 15. Sales expectations in retail trade over the next 3 months

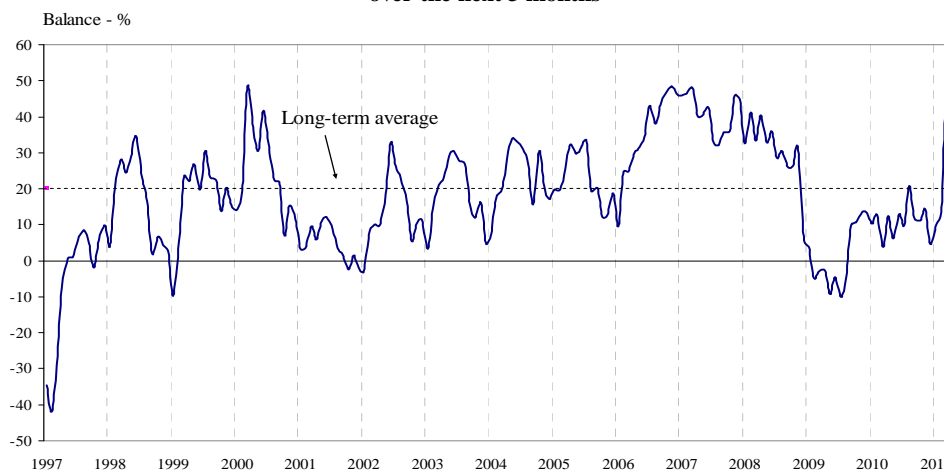


Figure 16. Expectations about orders placed with suppliers in retail trade over the next 3 months

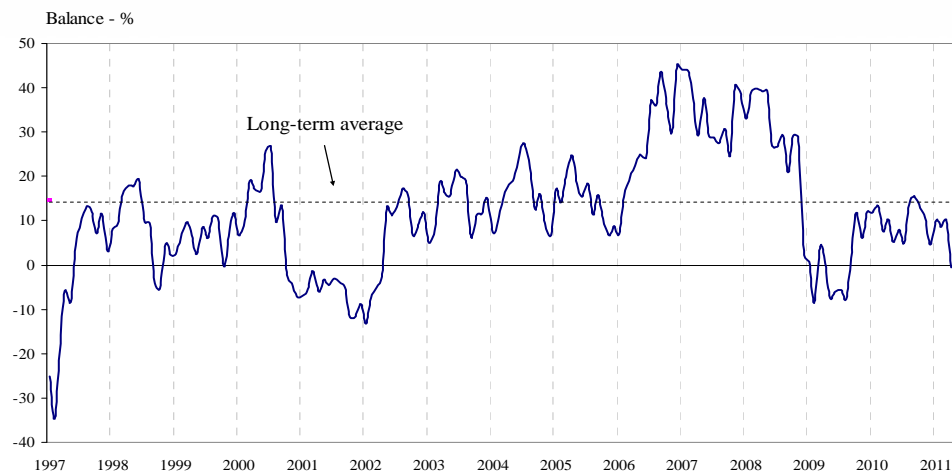


Figure 17. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)

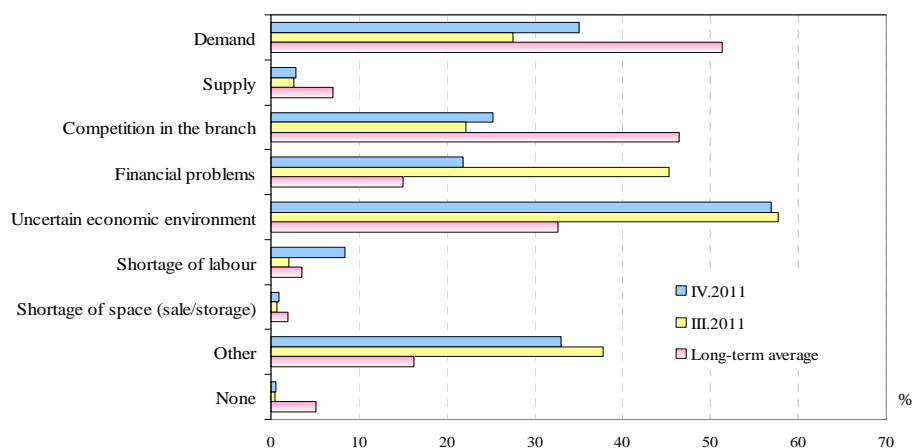


Figure 18. Business climate in service sector

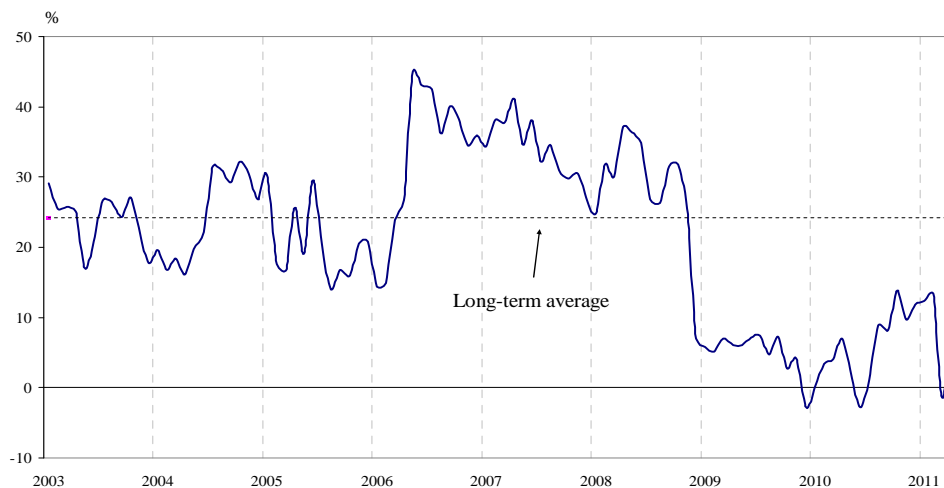


Figure 19. Present business situation in service sector

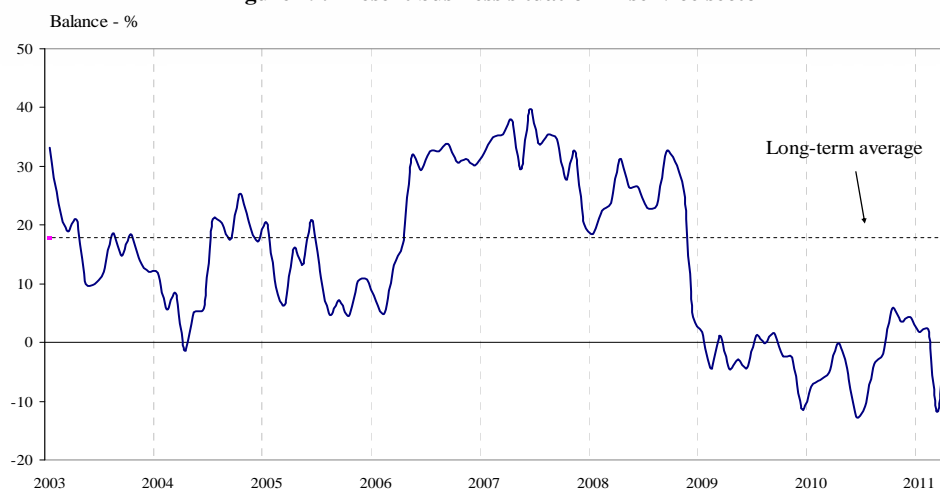


Figure 20. Expected demand in service sector over the next 3 months

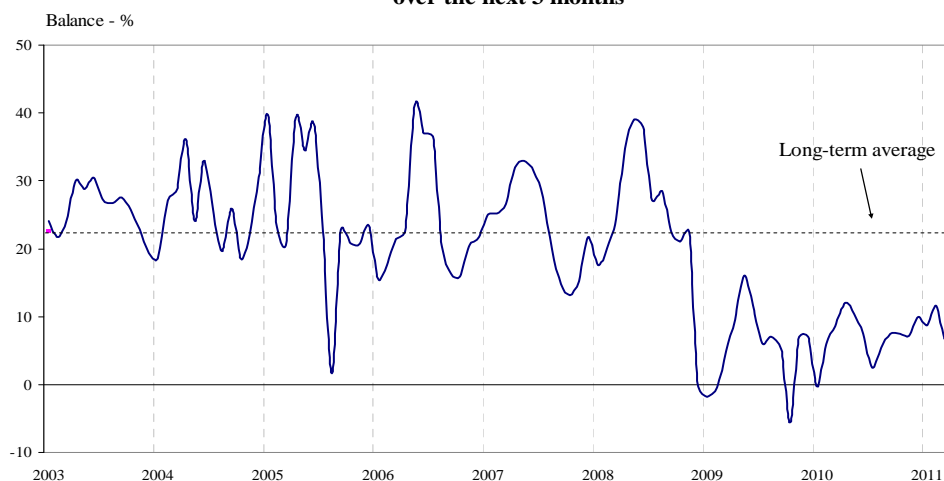
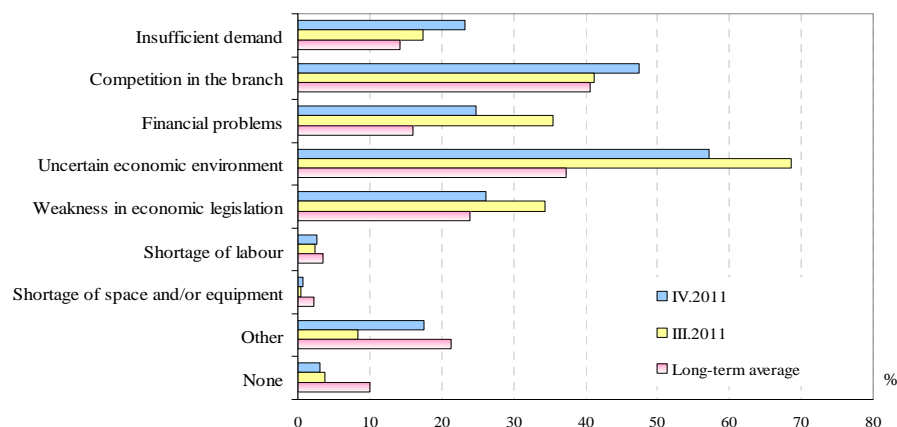


Figure 21. Factors limiting the activity in service sector (Relative share of enterprises)



**Figure 22. Prices expectations in service sector
over the next 3 months**

