



BUSINESS CONJUNCTURE

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

In October 2011 **the total business climate indicator**⁴ marks a decrease of 0.7 percentage points in comparison with level from the previous month (Figure 1) because of the more moderate managers' assessments of the present business situation of the enterprises in industry and service sector.

Industry. The composite indicator "business climate in industry" drops by 1.8 percentage points compared to September (Figure 2) which is due to shifting of the opinions about the present business situations of the enterprises from "good" to "sufficient". In October 2011 the inquiry registers similar change with regard to the assessments about the present production activity - from "increase" to keeping the same activity which leads to a decrease of the balance indicator by 7.8 percentage points (Figure 3). Despite of some increase of orders from abroad, the total production assurance with orders keeps its level from the latest months (Figure 4). The average capacity utilization from July to October drops by 2.6 percentage points to 69.4% (Figure 5).

In the expectations about the next 3 to 6 months the managers still keep some optimism for the development of the business, although the difficulties related to the uncertain economic environment and the insufficient demand are serious enough - pointed out in October by 57.2 and 39.7% of the industrial enterprises respectively (Figure 6).

According the last inquiry data, an increase of the selling prices in industry over the next 3 months is not expected.

Construction. In October 2011 the composite indicator „business climate in construction” preserves approximately the level from the previous month (Figure 7). There is no change in the managers' opinions regarding the present and the expected business situation of construction enterprises. However the inquiry reports on a decrease of the construction activity as compared to the previous month and the expectations about the next 3 months are more unfavourable (Figure 8). At the same time a further decrease of personnel is also expected (Figure 9).

The production assurance with orders is assessed to be 4.8 months, as there is a decrease of 0.8 months in comparison with the assessment from July. At the same time the expectations about new orders over the next 6 months are more reserved (Figure 10).

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.



The main factor limiting activity in the branch remains the uncertain economic environment, although its influence decreases by 6.6 percentage points over the last month. At the same time the last inquiry registers some strengthening of the negative impact of the factors “financial problems” and “competition in the branch” (Figure 11).

The prevailing expectations of the construction entrepreneurs regarding the selling prices in the sector are for the preservation of their level over the next 3 months.

Retail trade. For third consecutive month the composite indicator “business climate in retail trade” stays at long-term average level (Figure 12). The balance indicator of the present business situation of enterprises drops by 3.9 percentage points due to a shifting of the managers’ assessments to the more moderate opinions similarly to industry (Figure 13). However they remain optimistic in prognoses about development of the business as the expectations about sales and orders placed with suppliers over the next 3 months increases (Figure 14).

The uncertain economic environment continues to be the major factor limiting the activity of nearly four-fifths of the enterprises in the sector and pushes aside all other problems (Figure 15).

As regards selling prices the retailers as a whole do not foresee an increase over the next 3 months (Figure 16).

Service sector⁵. In October the composite indicator of „business climate in service sector” drops by 0.7 percentage points as compared to the previous month (Figure 17). That is due to the more moderate managers’ assessments and expectations about the business situation in enterprises. The present demand for services slightly decreases as compared to September, as the expectations about the next 3 months do not foresee change in demand (Figure 18). The inquiry registers some intensions for decrease of the personnel over the next 3 months (Figure 19).

The uncertain economic environment and the competition in the branch continue to be the most serious factors limiting the activity of the enterprises in the service sector (Figure 20).

According to the managers’ opinions an increase of the selling prices over the next 3 months is not expected.

⁵ Excl. trade.

Figure 1. Business climate - total

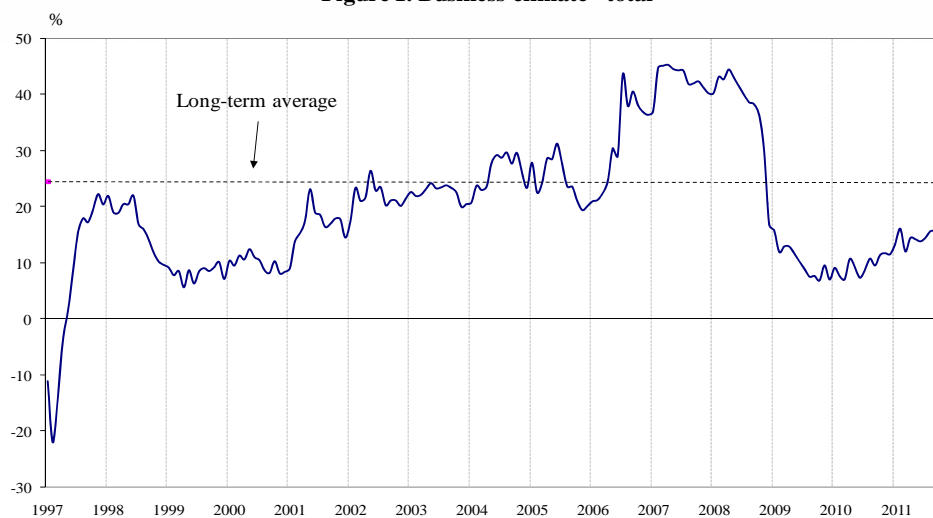


Figure 2. Business climate in industry

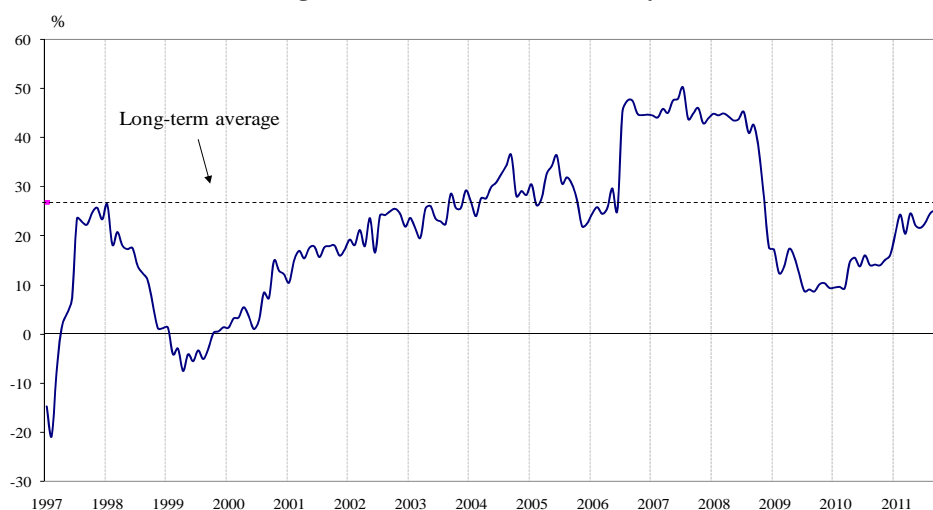


Figure 3. Present production activity in industry

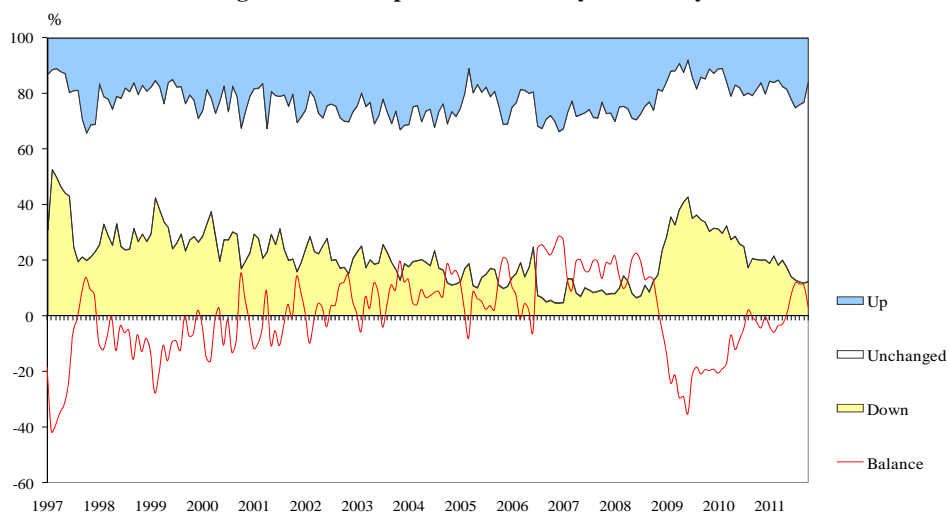




Figure 4. Production assurance with orders in industry

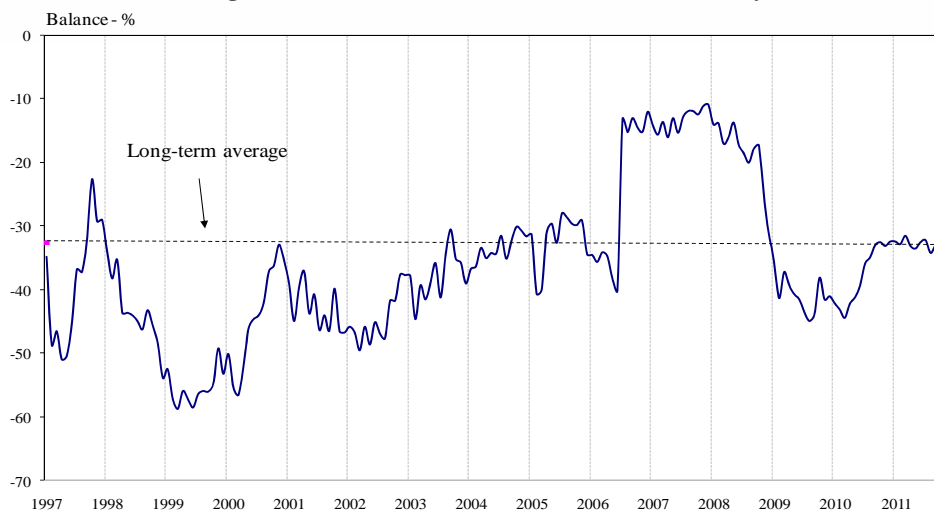
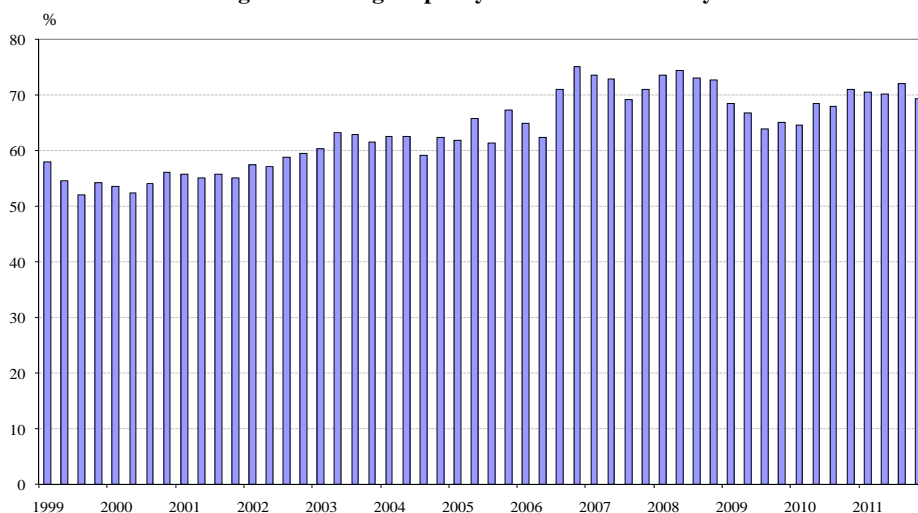


Figure 5. Average capacity utilization in industry



**Figure 6. Limits to production in industry
(Relative share of enterprises)**

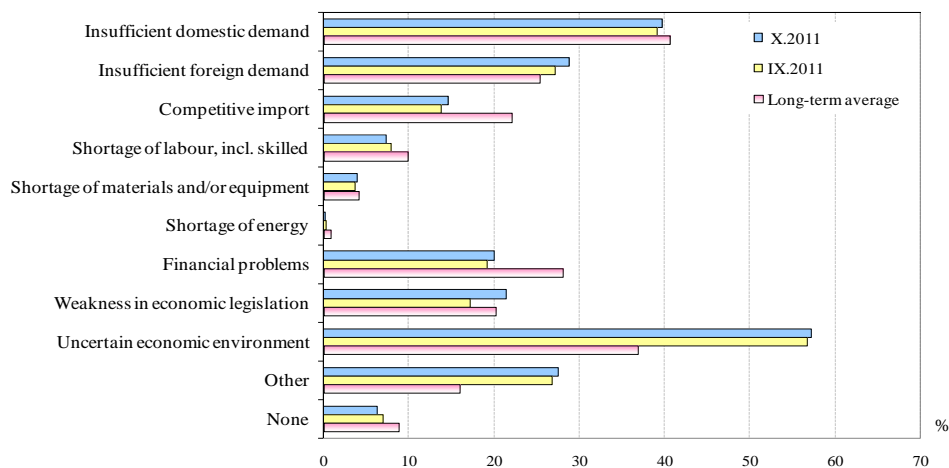




Figure 7. Business climate in construction

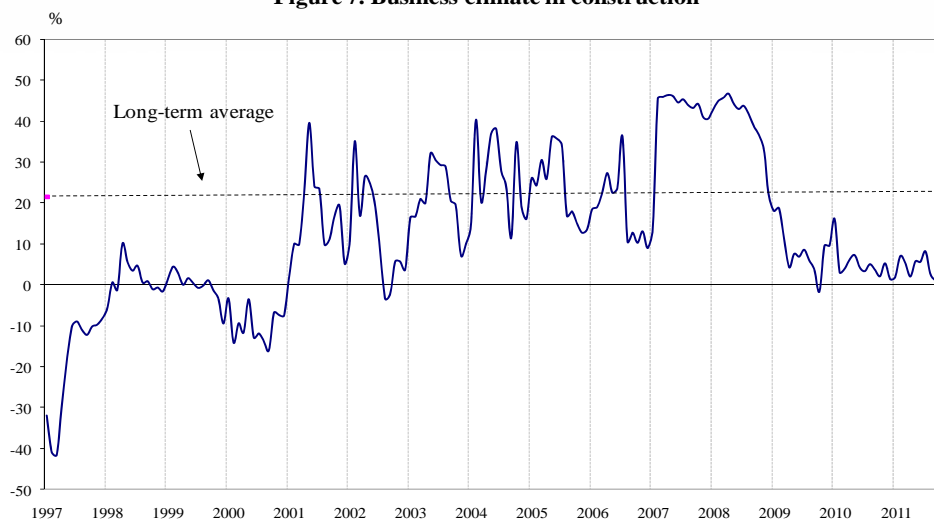


Figure 8. Expected construction activity over the next 3 months

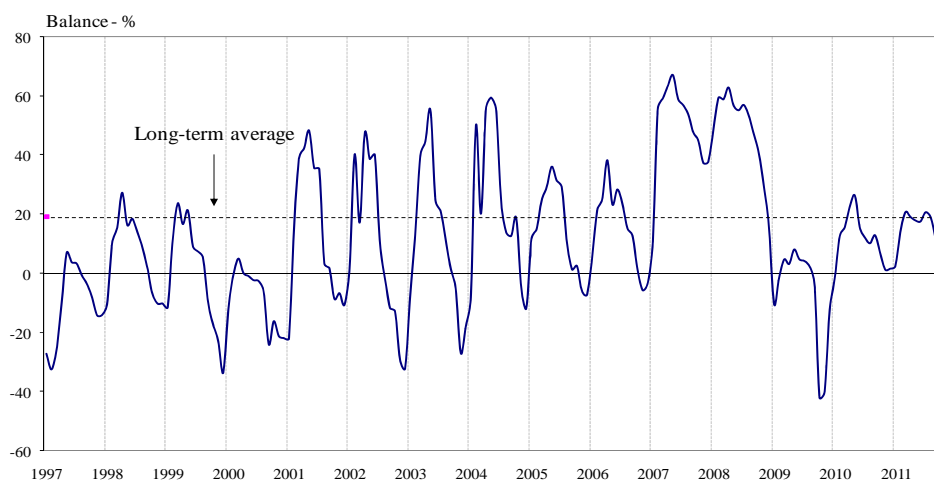


Figure 9. Employment expectations in construction over the next 3 months

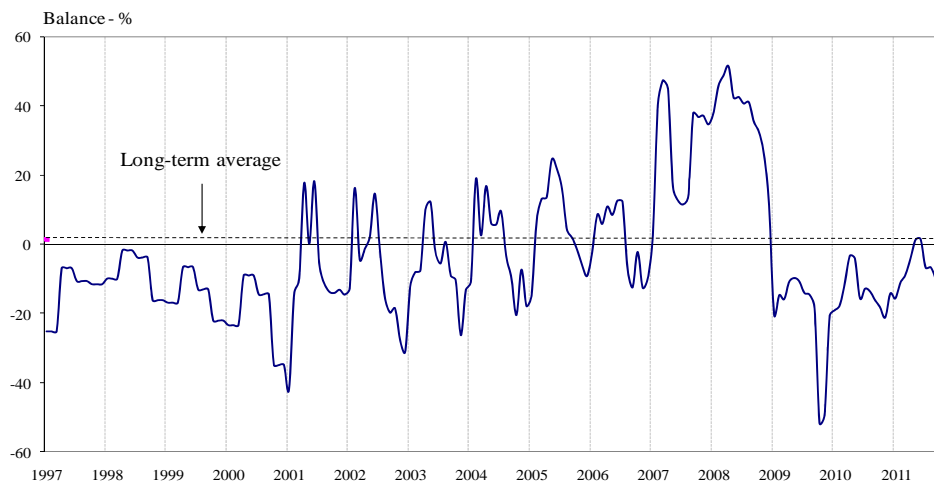




Figure 10. New orders expectations in construction over the next 6 months

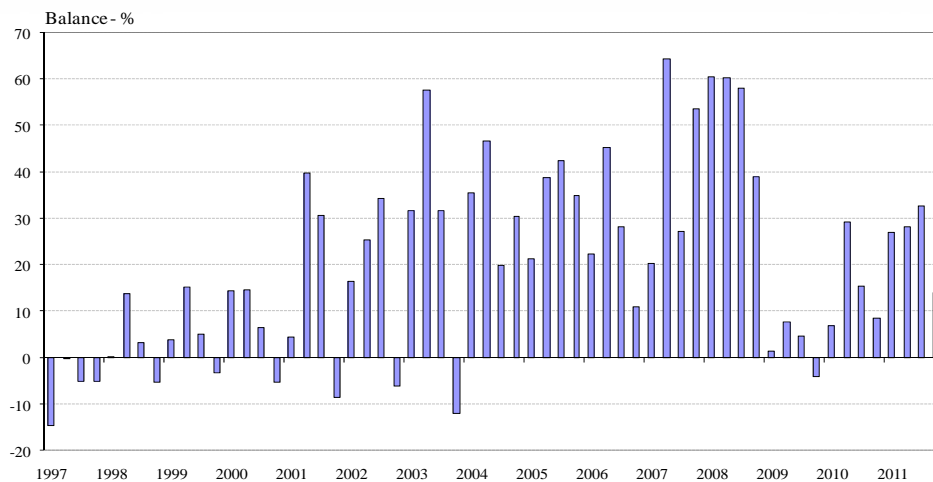


Figure 11. Limits to construction activity (Relative share of enterprises)

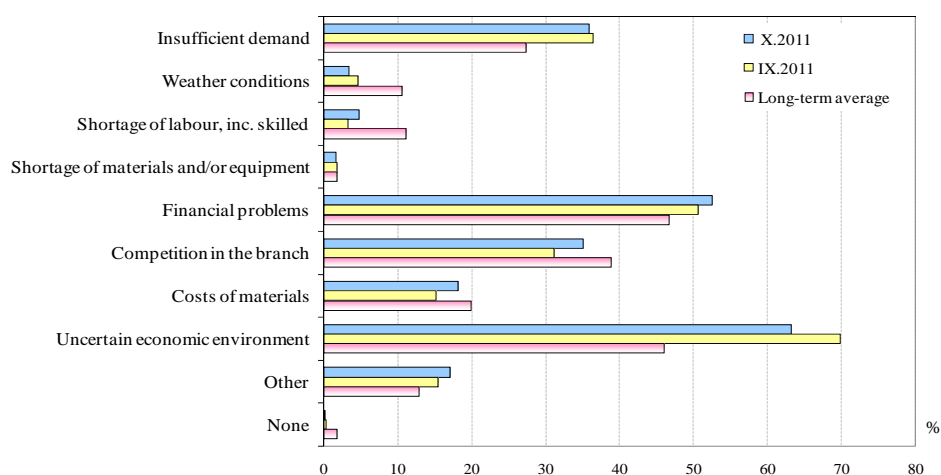


Figure 12. Business climate in retail trade

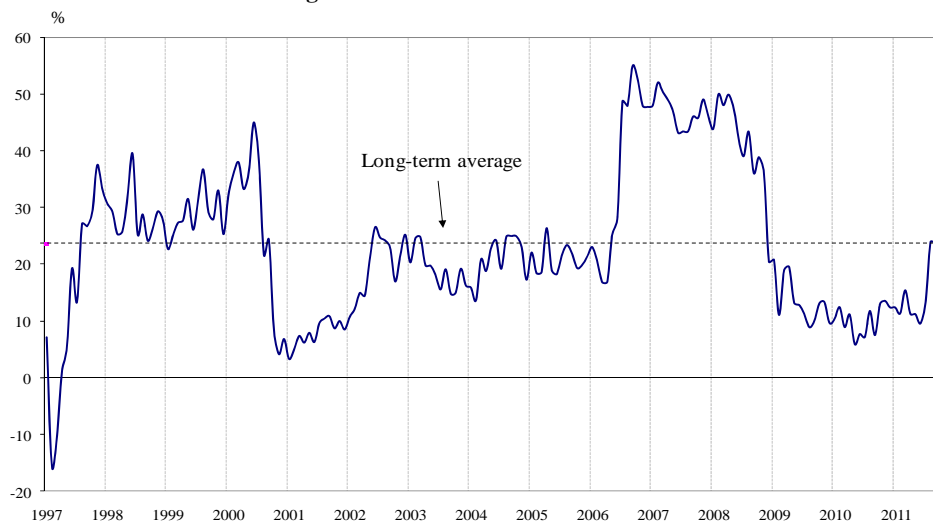




Figure 13. Present business situation in retail trade

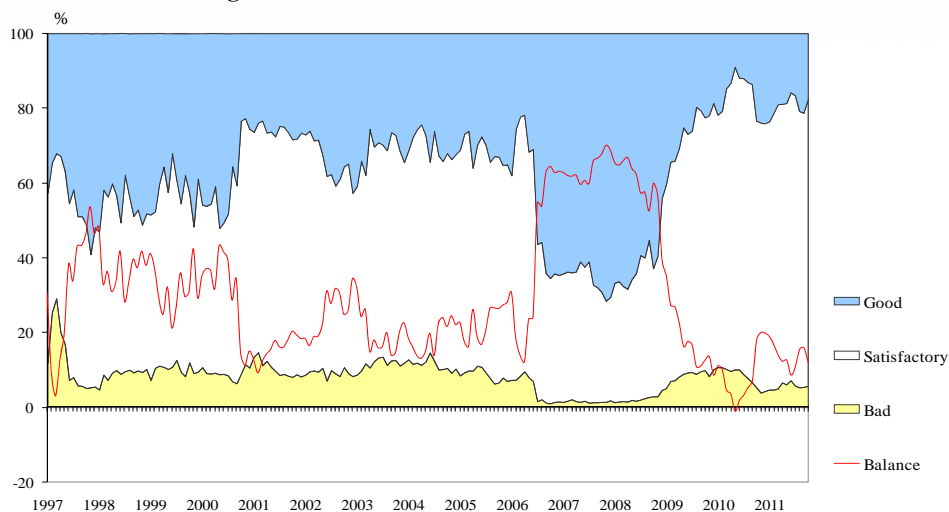


Figure 14. Expectations about orders placed with suppliers in retail trade over the next 3 months

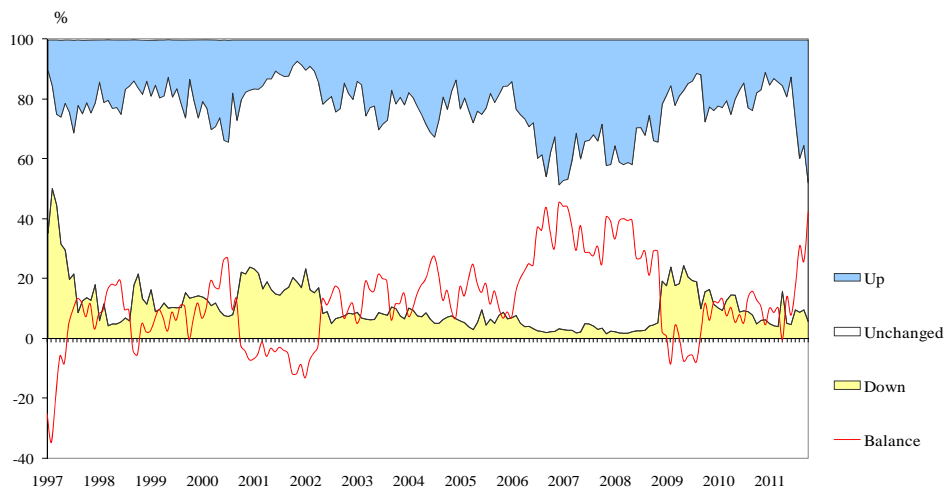


Figure 15. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)

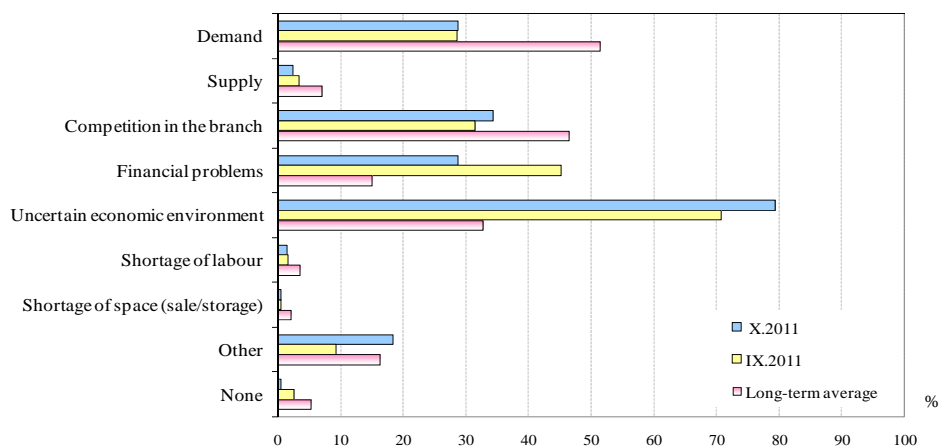




Figure 16. Selling prices expectations in retail trade over the next 3 months

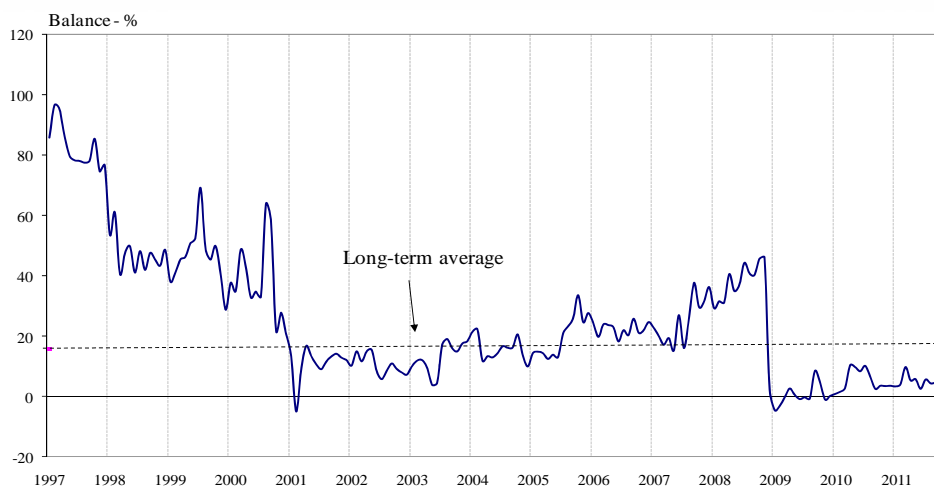


Figure 17. Business climate in service sector

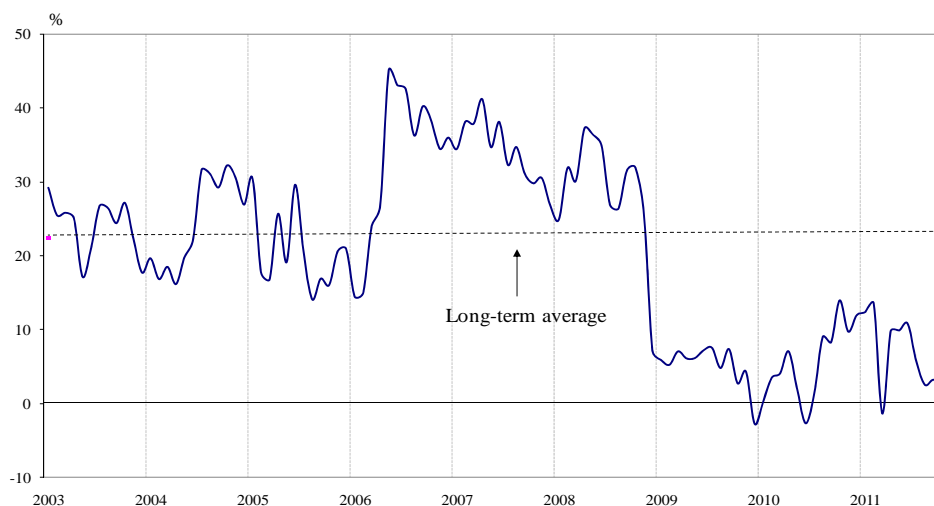


Figure 18. Expected demand in service sector over the next 3 months

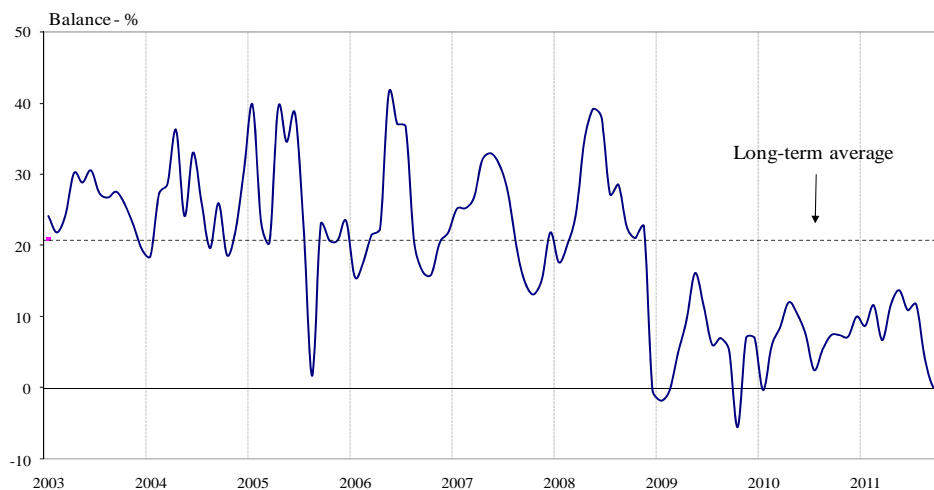




Figure 19. Employment expectations in service sector over the next 3 months

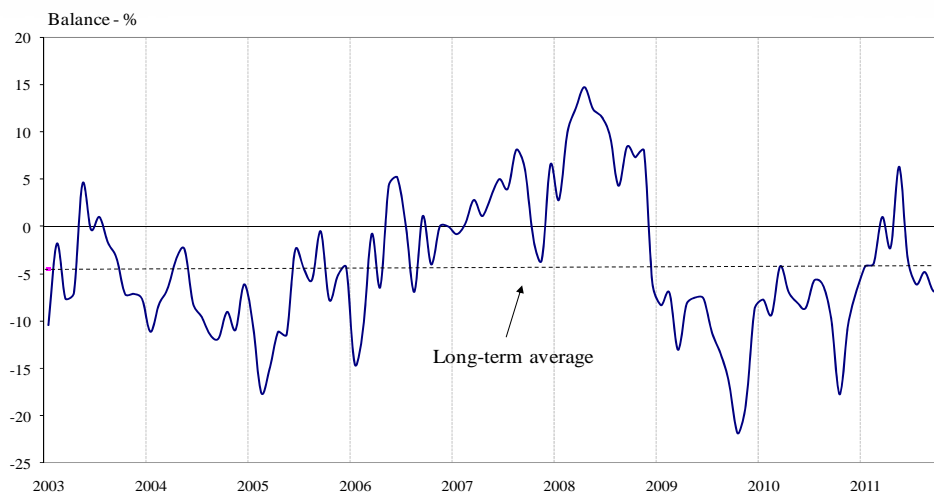


Figure 20. Factors limiting the activity in service sector (Relative share of enterprises)

