BUSINESS CONJUNCTURE

NSI BUSINESS SURVEYS[1, 2, 3], DECEMBER 2011

The total business climate indicator[4] in December 2011 preserves its level from the previous month (Figure 1) as a reduction is recorded only in construction.

Industry. The composite indicator "business climate in industry" in December increases by 2.1 percentage points in comparison with the previous month (Figure 2). This is due to the slightly more optimistic managers' expectations about the business situation of enterprises over the next 6 months. The present production activity is assessed as reduced, stocks of finished goods as raised and the expectations for production (Figure 3) and employment over next 3 months compared to opinions expressed in the previous month are also more unfavorable.

In December the uncertain economic environment and insufficient domestic demand are the main factors limiting the industrial activity, as the uncertain economic environment is still above its usual average value for the last 10 years (by 22.3 percentage points) (Figure 4).

The industrial entrepreneurs' expectations with regard to the selling prices in the sector are in direction of an increase over the next 3 months (Figure 5).

Construction. In December 2011 the composite indicator "business climate in construction" decreases by 5.0 percentage points (Figure 6) due to the increased managers' pessimism about the present business situation of the enterprises (Figure 7). The assessments related to construction activity and production assurance with orders (Figure 8) are also more unfavorable (the balance value of the indicators drop respectively by 10.1 and 8.4 percentage points) in comparison with the previous month. At the same time the construction entrepreneurs' expectations about the activity over next 3 months are not optimistic. As regards the employment in the branch the forecasts are also in a direction of decrease (Figure 9).

The uncertain economic environment and financial difficulties continue to be the main problems for the branch although in the last month a decrease of their negative influence is observed (Figure 10).

Concerning the selling prices in the construction the expectations are for preserving of their level over the next 3 months (Figure 11).

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[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.

Retail trade. The composite indicator “business climate in retail trade” in December preserves its level from the previous month (Figure 12) as the managers do not expect a significant change of the business situation over next 6 months. The last inquiry registers some recovery of positive expectations for retail sales over next 3 months (Figure 13) as and the expectations with regard the orders placed with suppliers remain comparatively favorable.

The main factor limiting the activity in the sector remains the uncertain economic environment whose negative influence increases and in the last month it has reached its maximum value (81.5%) since the beginning of the retail trade survey. At the same time the inquiry registers strengthening of the negative impact of second-most limiting factor “financial problems” (Figure 14).

The retailers’ expectations regarding the selling prices are for a certain decrease over the next 3 months.

Service sector[5]. In December the composite indicator "business climate in service sector" increases by 2.8 percentage points compared to November (Figure 15) due to the slightly improved expectations about business situation of the enterprises over next 6 months (Figure 16). However for the next 3 months the entrepreneurs have unfavorable forecasts concerning the demand for services and employment in the branch (Figure 17). As regards the present situation inquires register decreasing tendency in the demand and movement of the personnel.

The uncertain economic environment is the most serious factor limiting the activity of the enterprises followed by the competition in the branch. At the same time the negative influence of the financial problems increases compared to the previous month (Figure 18).

As regards the selling prices in the service sector the managers foresee reduction over next 3 months (Figure 19).

[5] Excl. trade.

ANNEX

Figure 1. Business climate - total

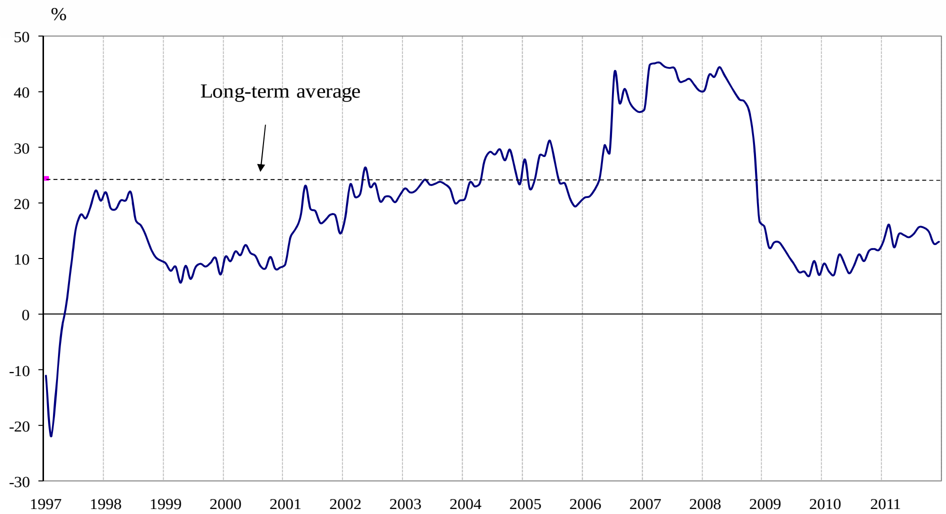

Figure 2. Business climate in industry

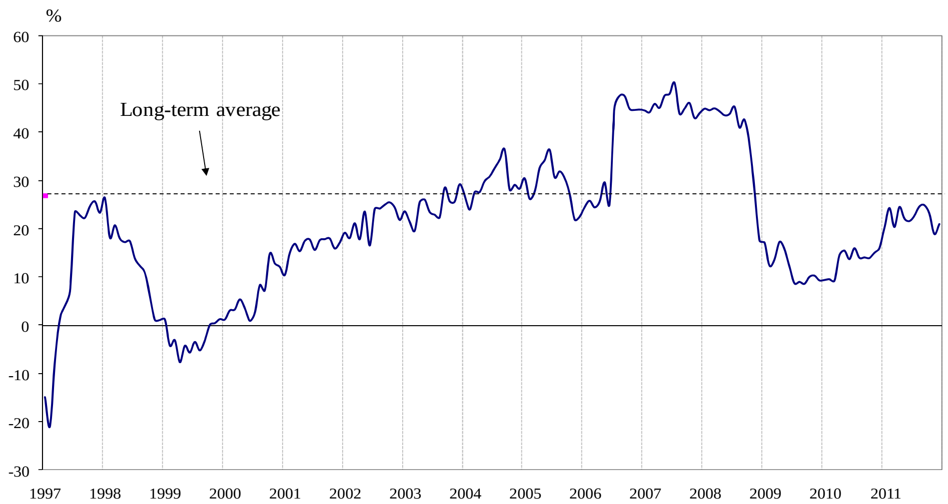

Figure 3. Expected production activity in industry over the next 3 months

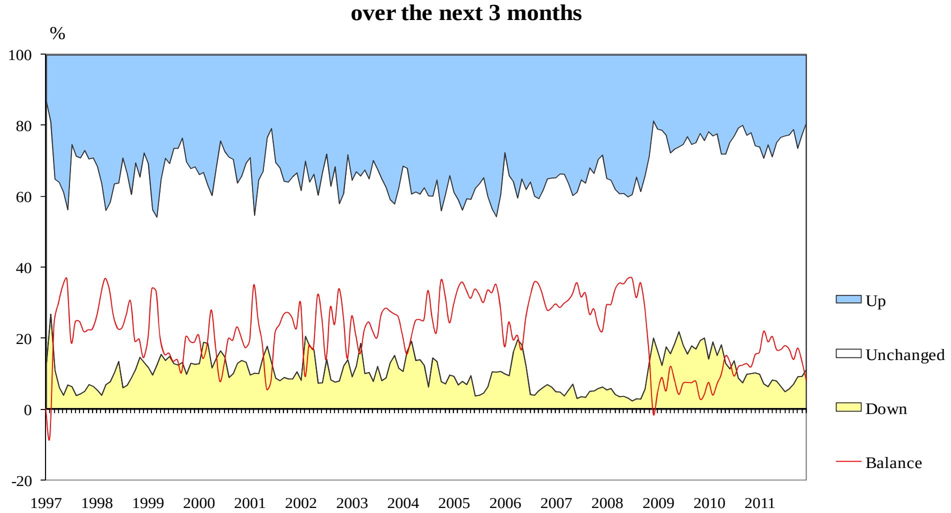

Figure 4. Limits to production in industry
(Relative share of enterprises)

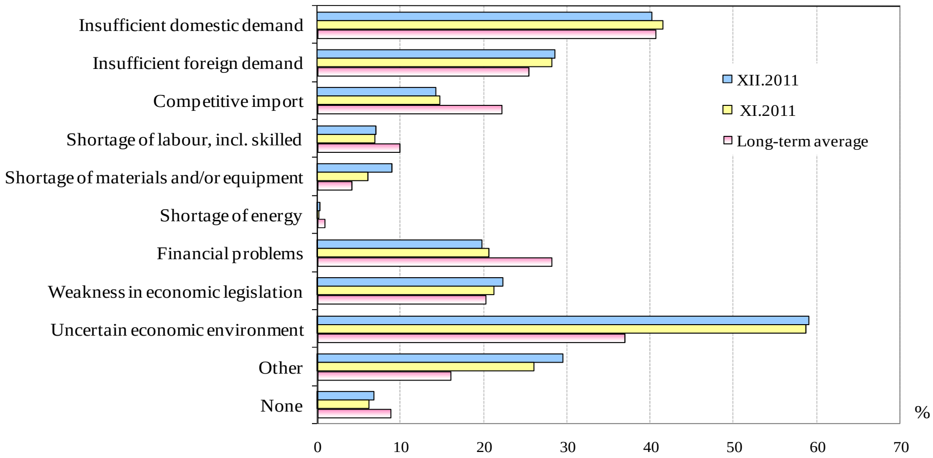

Figure 5. Selling prices expectations in industry
over the next 3 months

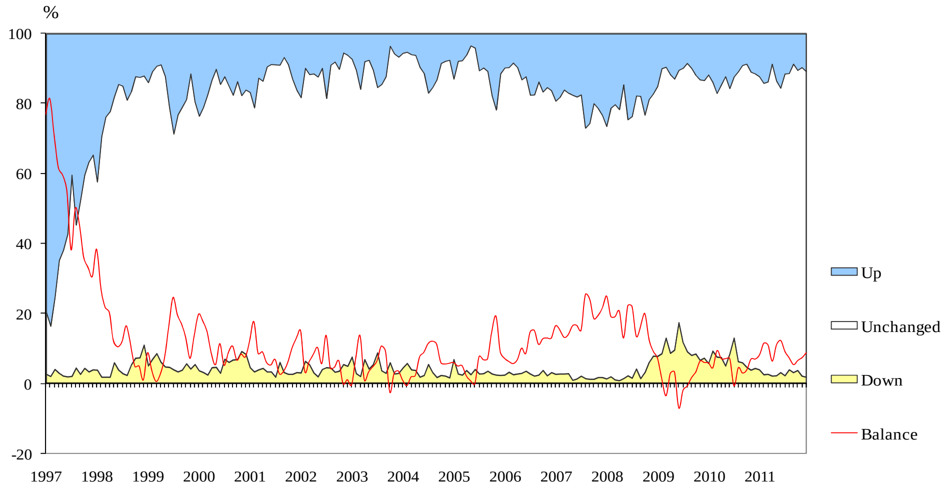

Figure 6. Business climate in construction

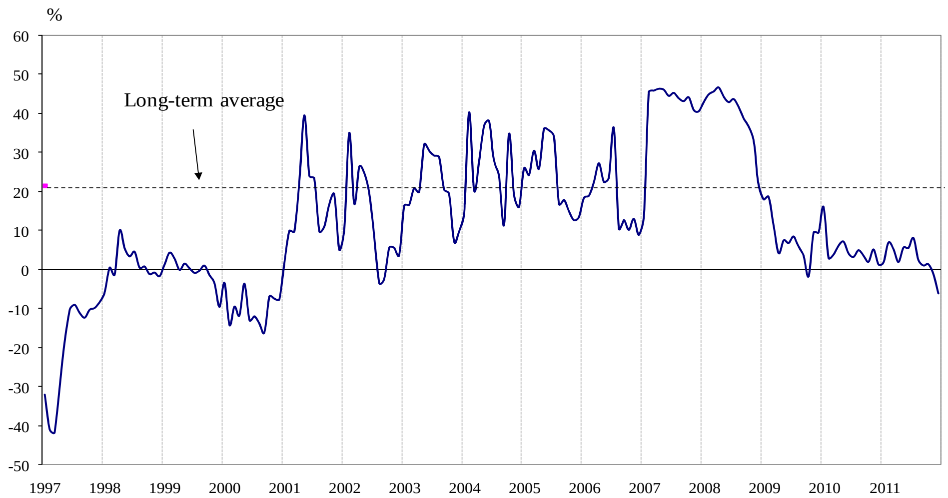

Figure 7. Present business situation in construction

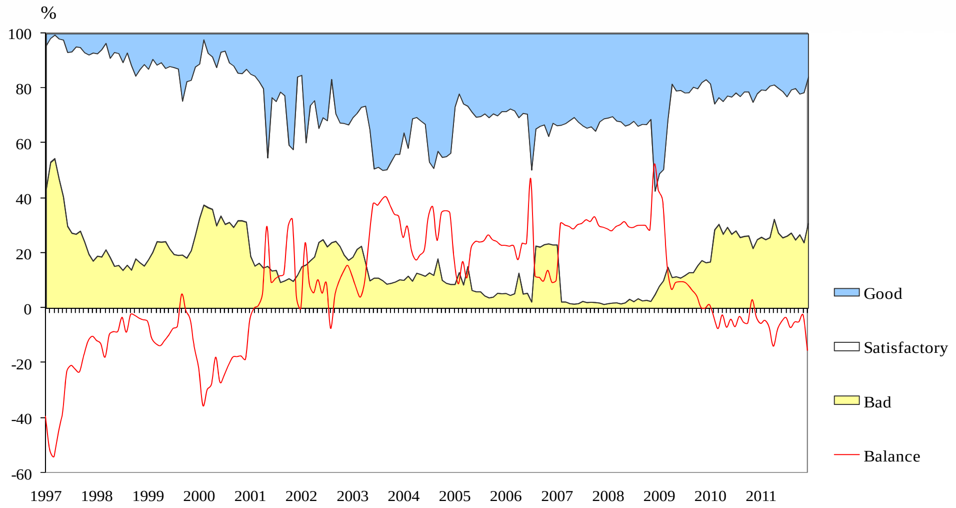

Figure 8. Production assurance with orders in construction

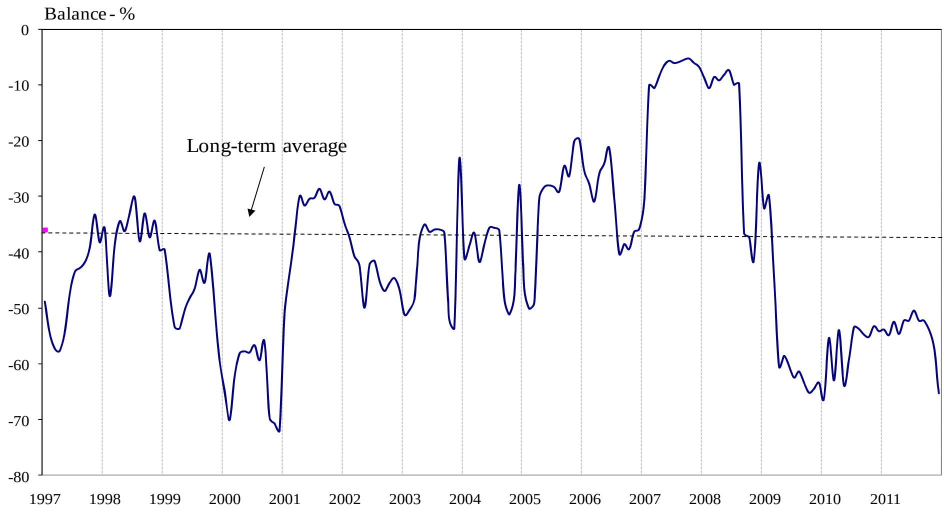

Figure 9. Employment expectations in construction over the next 3 months

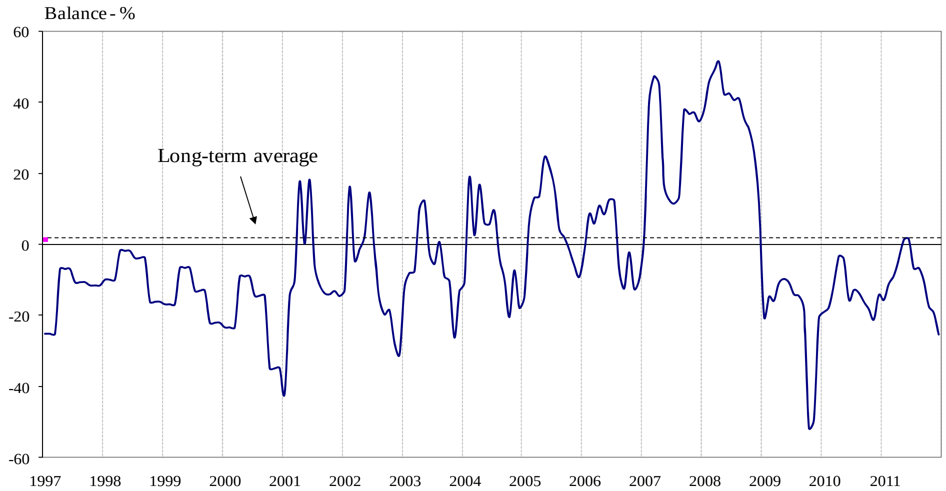

Figure 10. Limits to construction activity
(Relative share of enterprises)

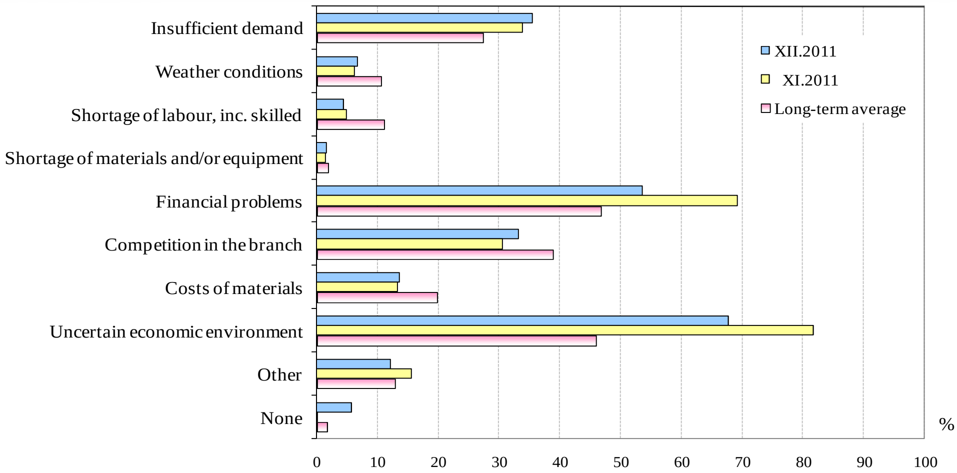

Figure 11. Selling prices expectations in construction
over the next 3 months

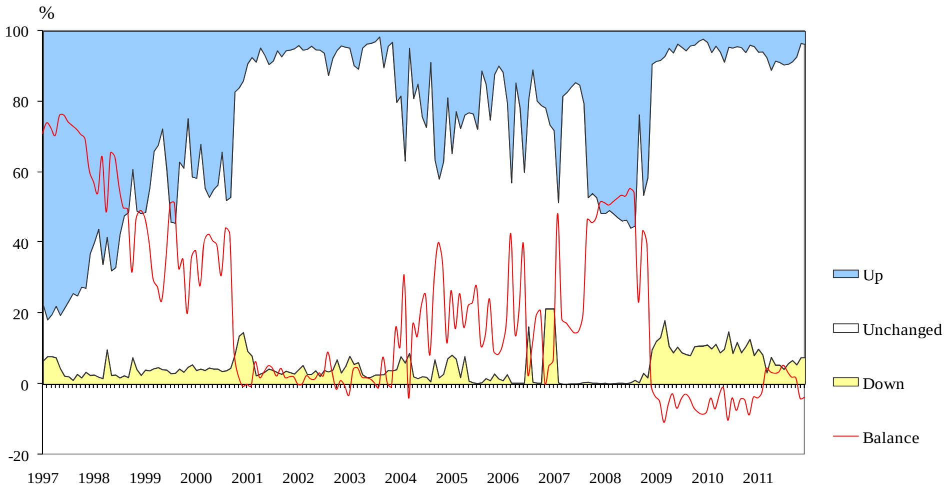

Figure 12. Business climate in retail trade

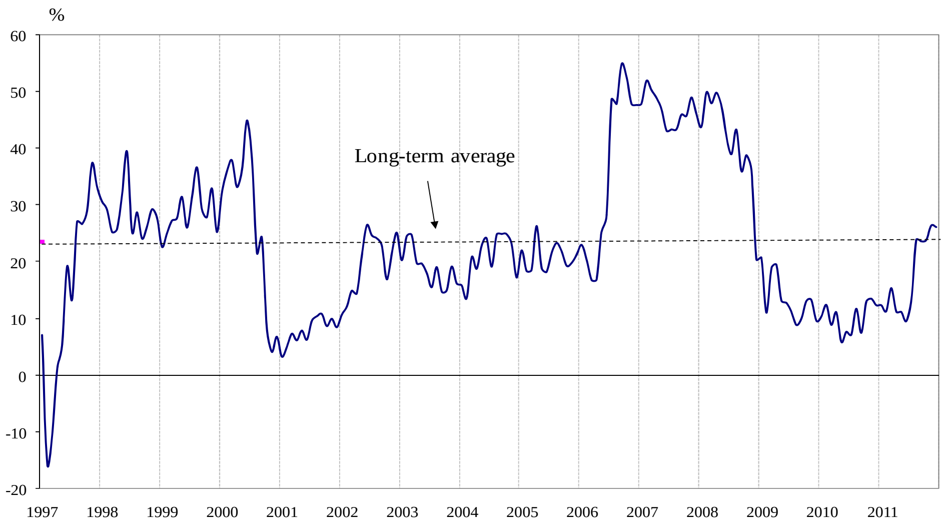

Figure 13. Sales expectations in retail trade over the next 3 months

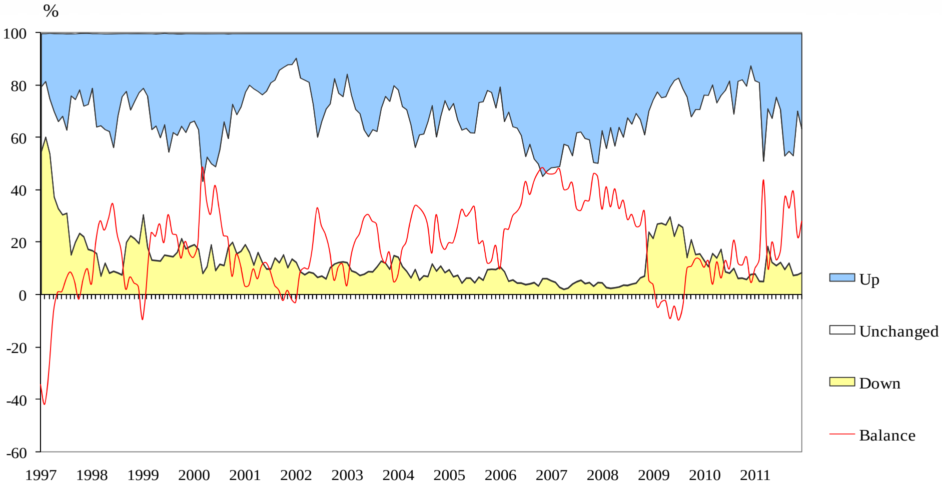

Figure 14. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)

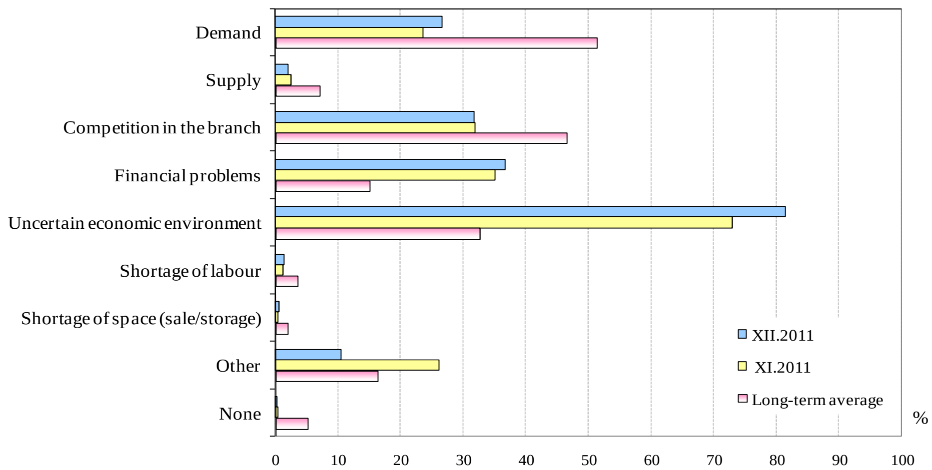

Figure 15. Business climate in service sector

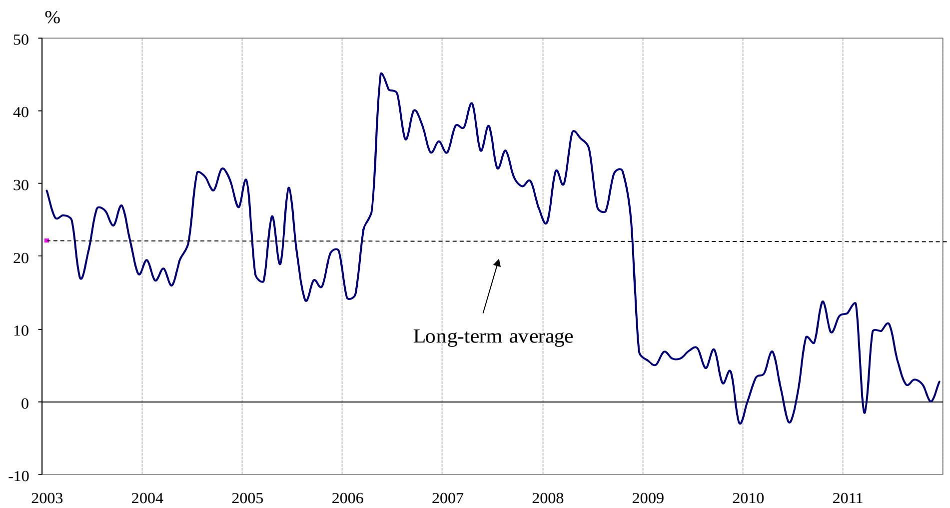

Figure 16. Expected business situation in service sector over the next 6 months

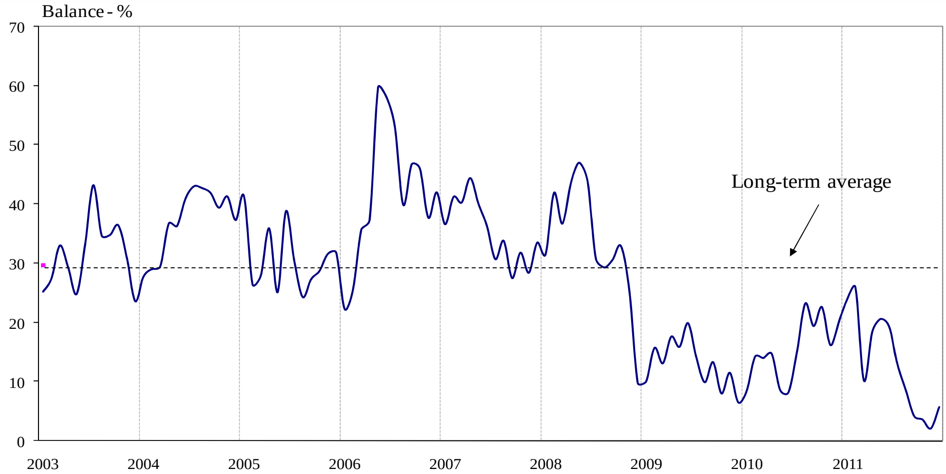

Figure 17. Employment expectations in service sector over the next 3 months

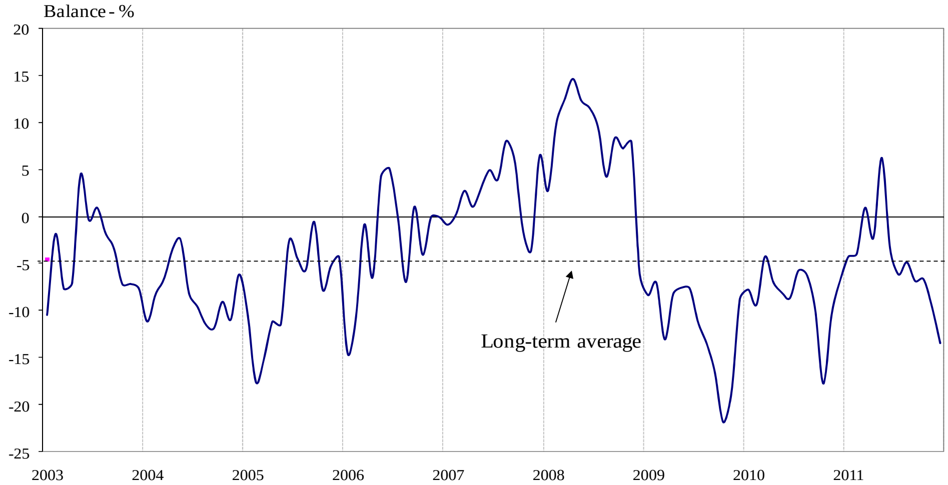

Figure 18. Factors limiting the activity in service sector (Relative share of enterprises)

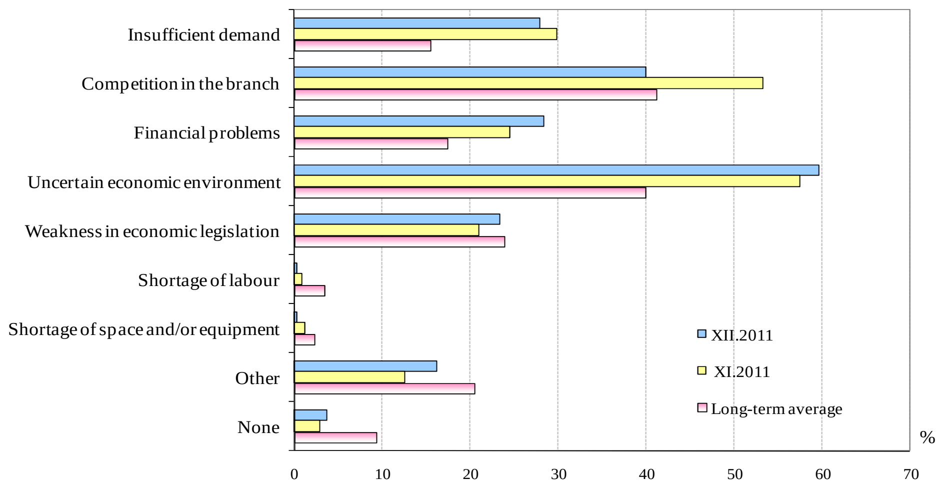

Figure 19. Prices expectations in service sector over the next 3 months