BUSINESS CONJUNCTURE

NSI BUSINESS SURVEYS[1, 2, 3], APRIL 2012

The business surveys carried out in April 2012 show a certain improvement of business conjuncture in the country as **the total business climate indicator**[4] increases by 3.2 percentage points in comparison with the previous month (Figure 1) due to the more favourable managers' opinions from all observed sectors - industry, construction, retail trade and service sector.

Industry. The composite indicator "business climate in industry" increases by 1.8 percentage points compared to its level in March (Figure 2) which is due to the shifting of managers' assessments about the present business situation of the enterprises from "satisfactory" to "good" (Figure 3). The present production activity continues to be assessed as decreased, and in the expectations about the business situation and the activity in the branch over the next months some optimism has been observed but it is more moderate compared to the previous inquiry.

The average capacity utilization in April is by 2.0 percentage points below in January level and it reaches 69.9% (Figure 4). The enterprises report 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 5).

The major factors limiting the activity in the branch continue to be the uncertain economic environment and the insufficient domestic demand pointed out respectively by 53.6 and 44.4% of the industrial enterprises (Figure 6).

With regard to the selling prices the managers do not expect an increase over the next 3 months (Figure 7).

Construction. In April the composite indicator "business climate in construction" increases by 8.7 percentage points (Figure 8) which is due to the more favourable construction entrepreneurs' assessments and expectations about the business situation of the enterprises. The inquiry reports improvement also in terms of the construction activity (contraction of activity slow down) (Figure 9) as expectations for the next 3 months remain optimistic but slightly more reserved compared to March.

The present production assurance with orders is slightly better than the previous month. The production is assured with contracts for a longer time period in comparison with 3 months ago - 6.0 months, against 5.1 in January. At the same time the managers' expectations about new orders over the next 6 months are improved (Figure 10).

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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 have been 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 has been included in the total time series since May 2002.

The uncertain economic environment, the financial problems and the insufficient demand remain the main obstacles for the development of the business in the branch (Figure 11).

The construction entrepreneurs do not expect an increase of selling prices over the next 3 months.

Retail trade. In April the composite indicator "business climate in retail trade" increases by 2.3 percentage points compared to the previous month (Figure 12) due to the improved assessments about the present business situation of the enterprises (Figure 13). Regarding sales and orders placed with suppliers (Figure 14) over the next 3 months the retailers' expectations are more reserved.

The major factors limiting the activity in the branch continue to be the uncertain economic environment, the insufficient demand and the competition in the branch. In April the first two factors strengthen their negative impact on the business at the expense of the third, which decreases in the last month (Figure 15).

With regard to the selling prices in the retail trade the expectations are to preserve their level over the next 3 months.

Service sector[5]. In April the composite indicator "business climate in service sector" increases by 1.5 percentage points in comparison with March (Figure 16) due to the shifting of the manager's expectations about the business situation of the enterprises over the next 6 months from worsening towards improving or preserving the same (Figure 17). Their opinions about the present and expected demand for services are also improved (Figure 18).

The uncertain economic environment is the most serious factor limiting the activity of the enterprises followed by competition in the branch as in the last month their negative impact is strengthened (Figure 19).

Concerning the selling prices only in the service sector the inquiry registers certain expectations for an increase over the next 3 months (Figure 20).

[5] Excl. trade.

ANNEX

Figure 1. Business climate - total

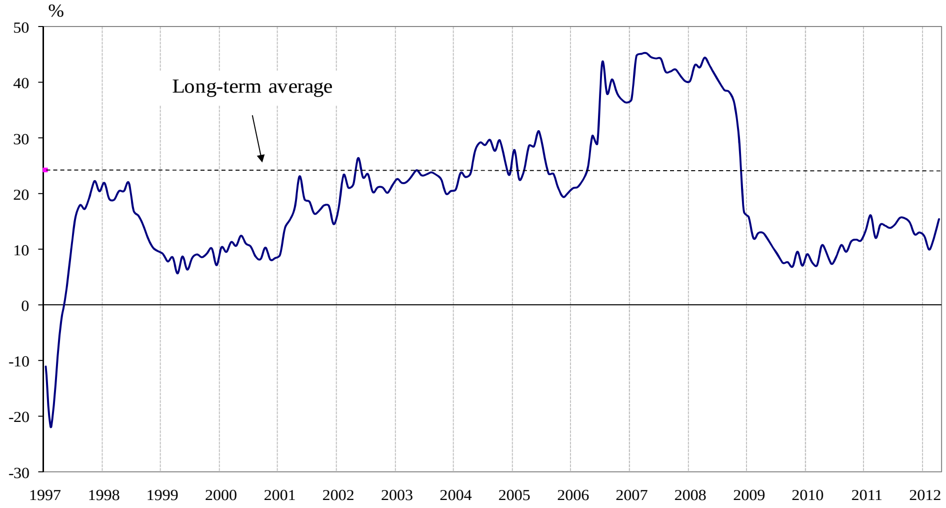

Figure 2. Business climate in industry

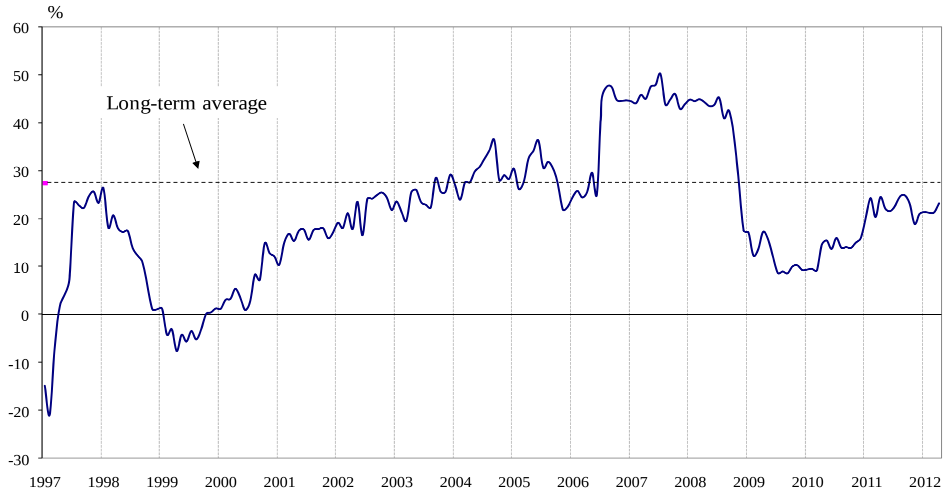

Figure 3. Present business situation in industry

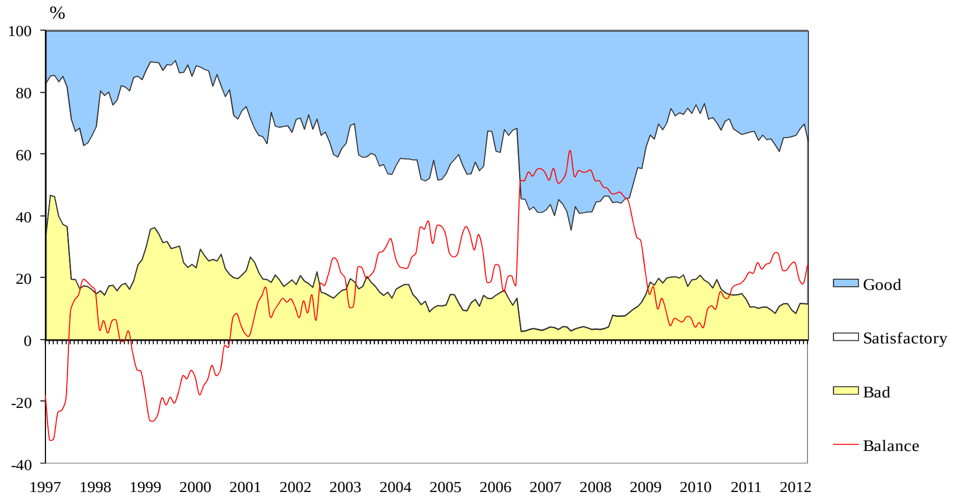

Figure 4. Average capacity utilization in industry

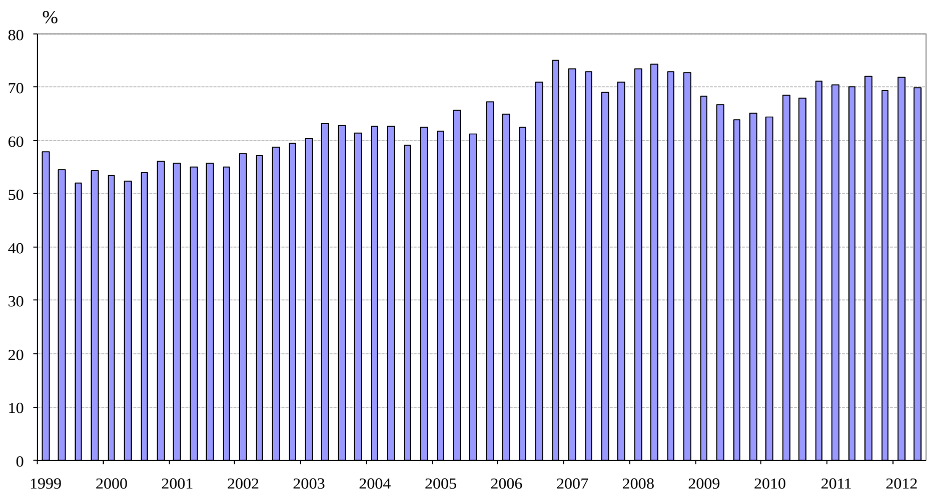

Figure 5. Current production capacity in industry with regard to the expected demand over the next months

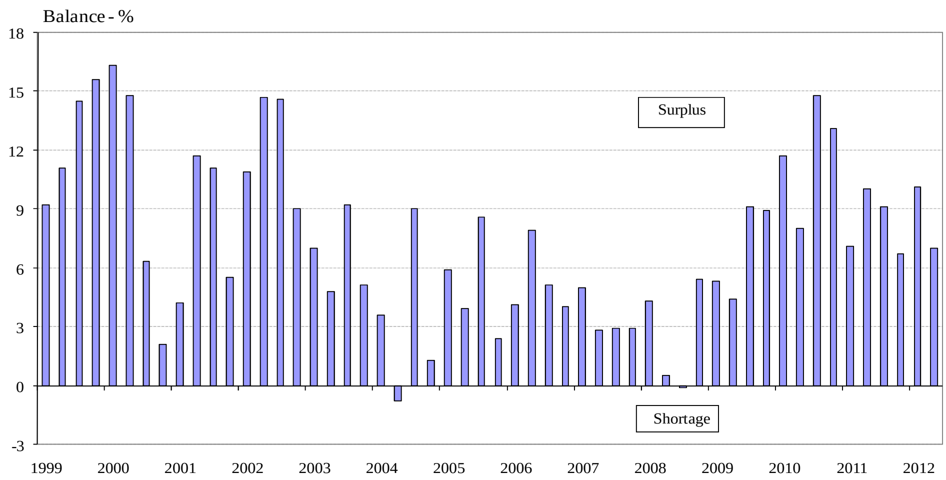

Figure 6. Limits to production in industry (Relative share of enterprises)

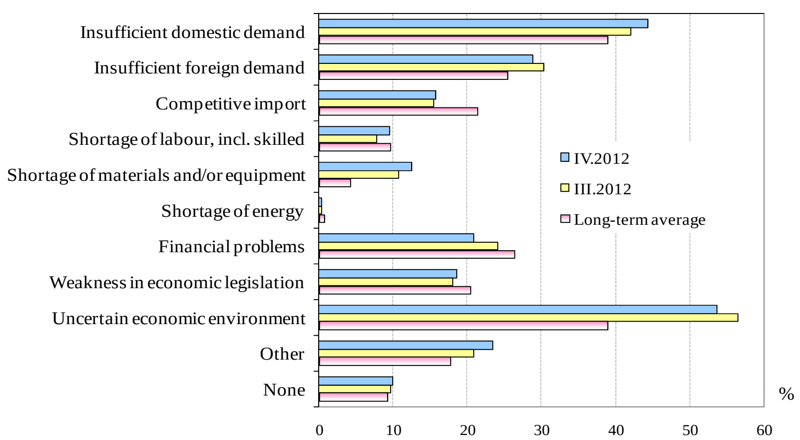

Figure 7. Selling prices expectations in industry over the next 3 months

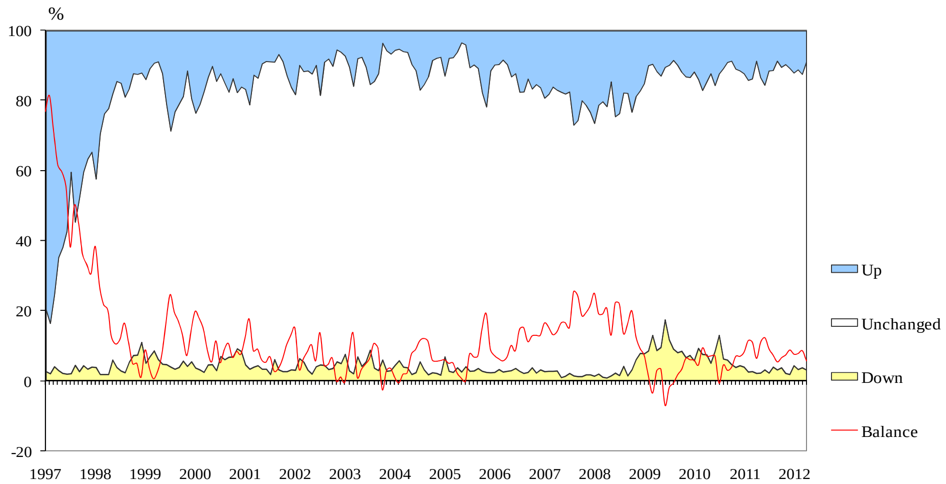

Figure 8. Business climate in construction

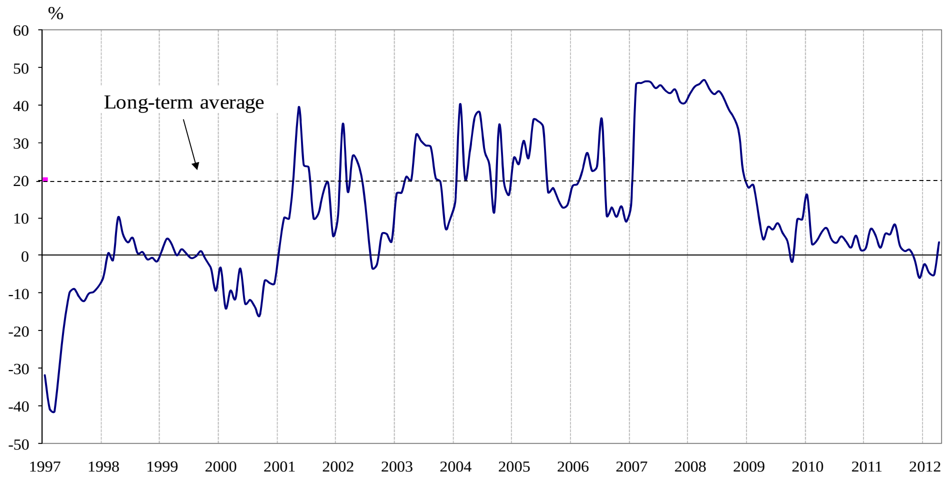

Figure 9. Expected construction activity over the next 3 months

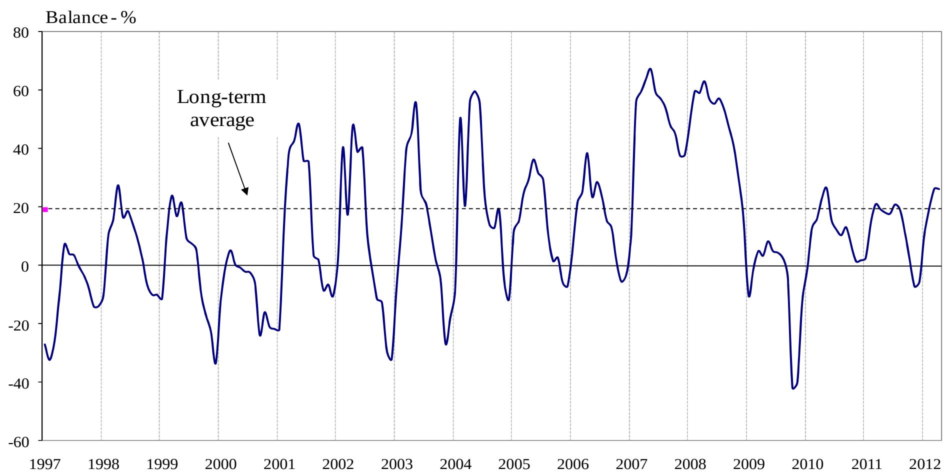

Figure 10. New orders expectations in construction over the next 6 months

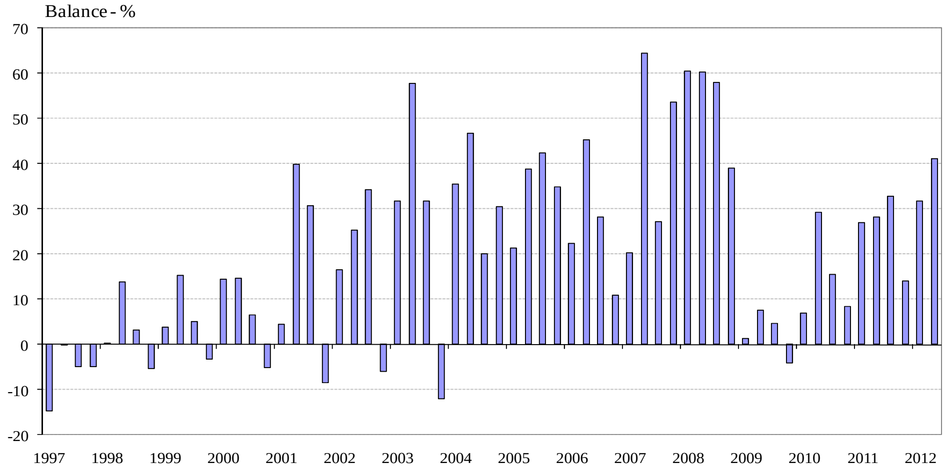

Figure 11. Limits to construction activity (Relative share of enterprises)

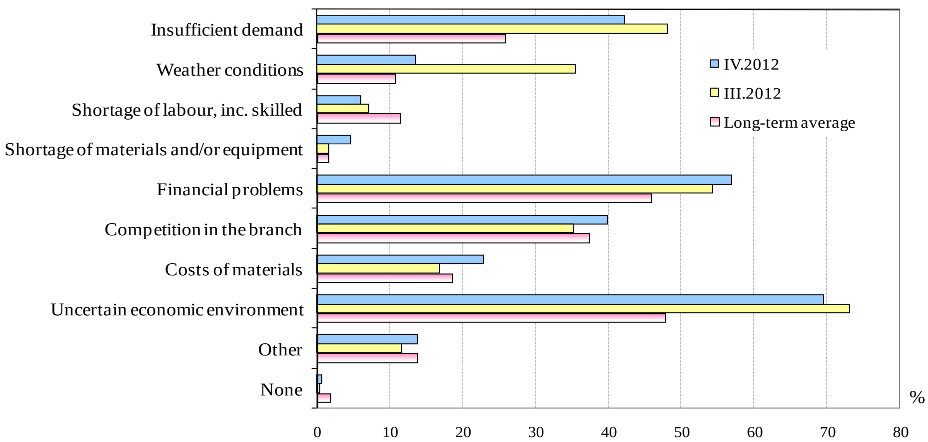

Figure 12. Business climate in retail trade

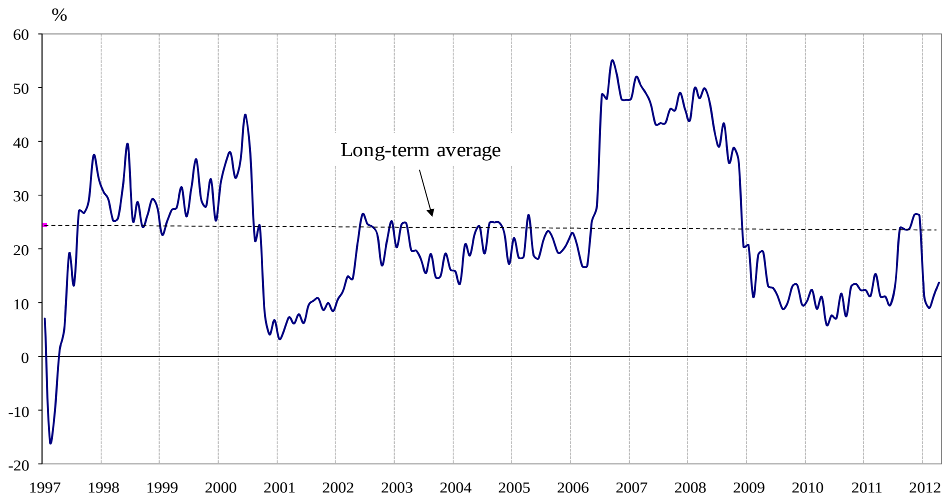

Figure 13. Present business situation in retail trade

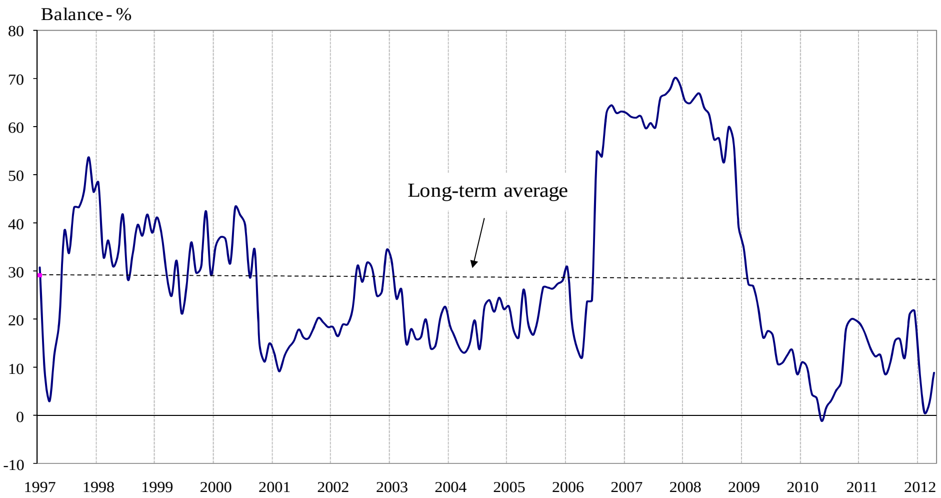

Figure 14. Expectations about orders placed with suppliers in retail trade over the next 3 months

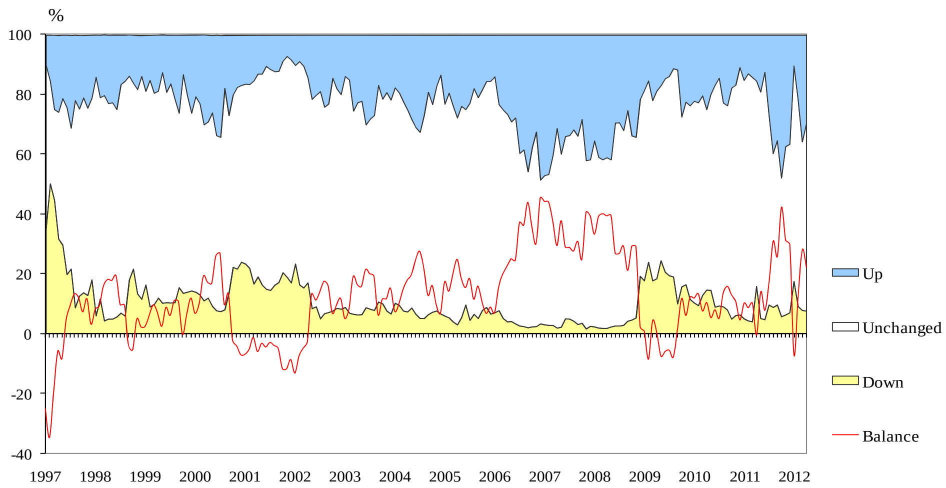

Figure 15. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)

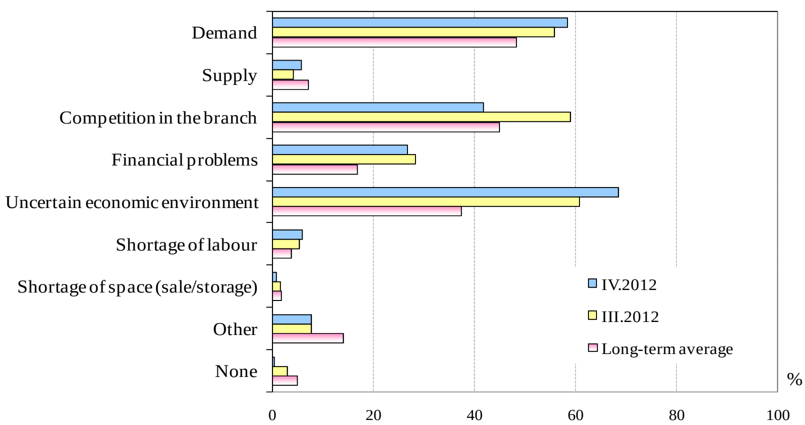

Figure 16. Business climate in service sector

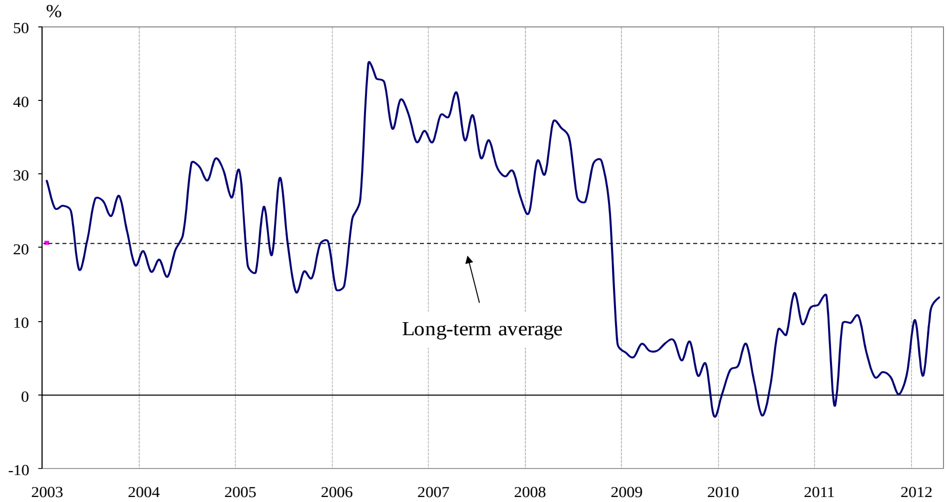

Figure 17. Expected business situation in service sector over the next 6 months

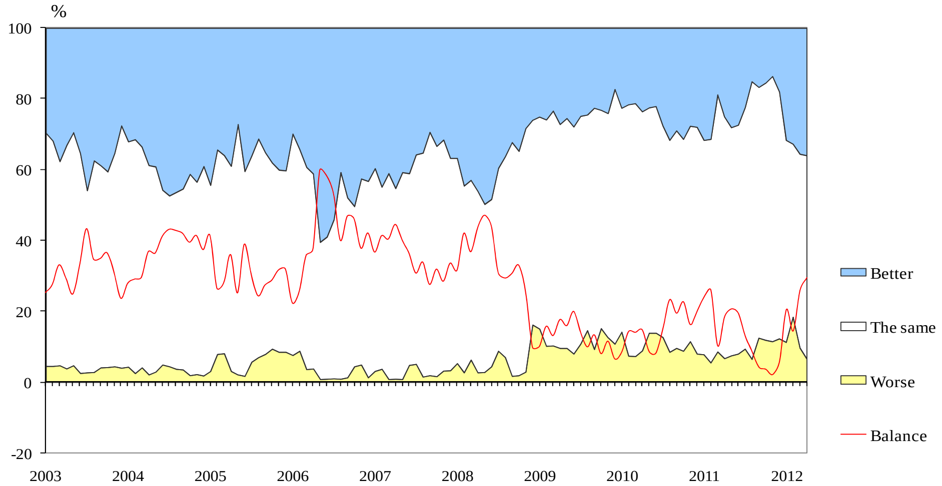

Figure 18. Expected demand in service sector over the next 3 months

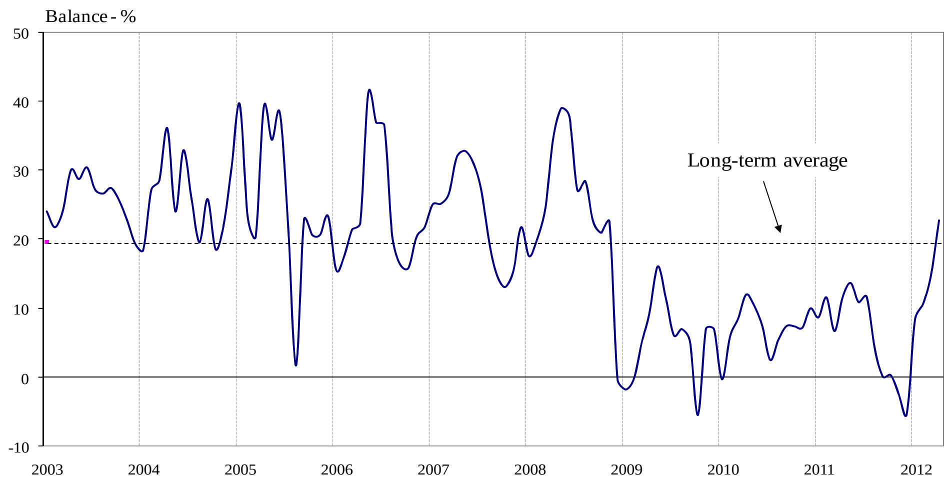

**Figure 19. Factors limiting the activity in service sector
(Relative share of enterprises)**

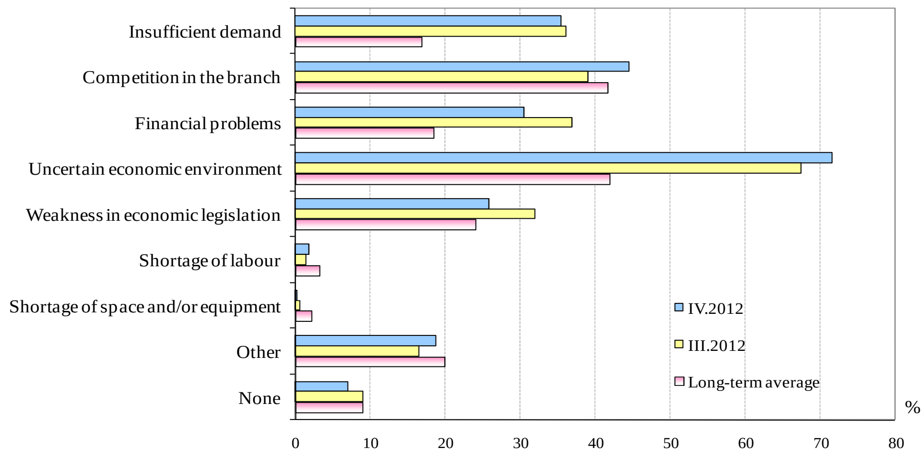

**Figure 20. Selling prices expectations in service sector
over the next 3 months**