BUSINESS CONJUNCTURE

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

In June 2012 **the total business climate indicator**[4] decreases by 1.2 percentage points compared to its May level due to the more unfavourable business climate in the industry and the retail trade (Figure 1).

Industry. The composite indicator "business climate in industry" decreases by 2.0 percentage points (Figure 2), which is due to the shifting of the manager's expectations about the business situation of enterprises over the next 6 months from "better" towards preserving "the same" situation (Figure 3). The inquiry registers some improvement of the assurance of production with orders from abroad, which is not accompanied by increased expectations about activity of the enterprises over the next 3 months (Figure 4).

The main factors limiting the development of the business in the branch are the uncertain economic environment and the insufficient domestic demand pointed out by 53.9 and 42.6% of the industrial enterprises respectively (Figure 5).

As regard to the selling prices the managers expect certain increase over the next 3 months.

Construction. In June the composite indicator "business climate in construction" preserves its level from the previous month (Figure 6). The business inquiry reports a slight improvement of the present construction activity, which is accompanied with more favorable entrepreneur's assessments about the production assurance with orders (Figure 7).

The uncertain economic environment, the financial problems and the insufficient demand remains the main factors limiting the activity in the branch as in June a decrease of their negative influence was observed (Figure 8).

The prevailing manager's expectations regarding the selling prices in the branch are for preservation of their level over the next 3 months (Figure 9).

Retail trade. The composite indicator "business climate in retail trade" decreases by 7.7 percentage points (Figure 10) due to the more moderate retailer's assessments and expectations about the business situation of the enterprises. As regard to the sales and orders placed with suppliers over the next 3 months their expectation are more reserved (Figure 11).

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[1] In July 2010 the NSI has 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 continues to be the major factor limiting the activity of the enterprises in the branch. Although in June its negative influence decreases compared to the previous month its level remains significantly above the usual for the last 10 years. However the negative influence of the factor „competition in the branch” strengthens (by 8.7 percentage points) making the insufficient demand the third strongest factor (Figure 12).

As regards the selling prices the retailers do not foresee an increase over the next 3 months (Figure 13).

Service sector[5]. In June the composite indicator “business climate in service sector” increases by 5.7 percentage points in comparison with May (Figure 14) due to the more optimistic managers’ assessments and expectations about the business situation of the enterprises. More favourable are also their expectations as regard to the demand for services over next 3 months (Figure 15) but that do not refrain from prognosis for a reduction of personnel (Figure 16).

The main factor limiting the activity of the enterprises is still the uncertain economic environment. In the second place is the competition in the branch whose negative influence increases by 6.5 percentage points in comparison with the previous month (Figure 17).

Regarding the selling prices in the service sector managers forecast decrease over the next 3 months (Figure 18).

[5] Excl. trade.

ANNEX

Figure 1. Business climate - total

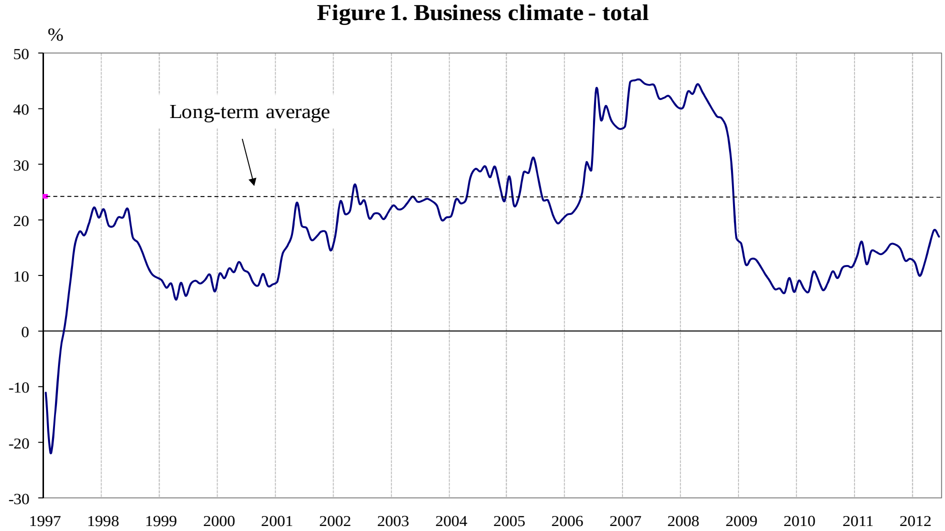

Figure 2. Business climate in industry

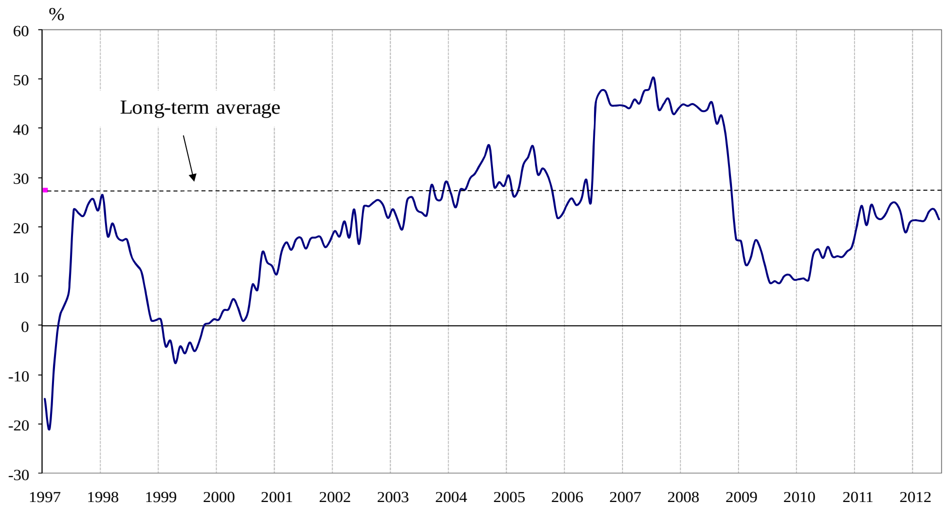

Figure 3. Expected business situation in industry over the next 6 months

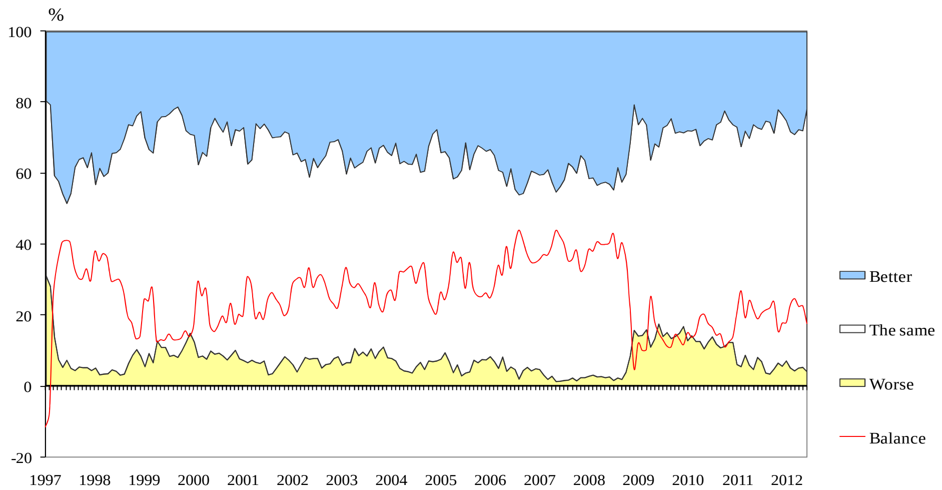

Figure 4. Expected production activity in industry over the next 3 months

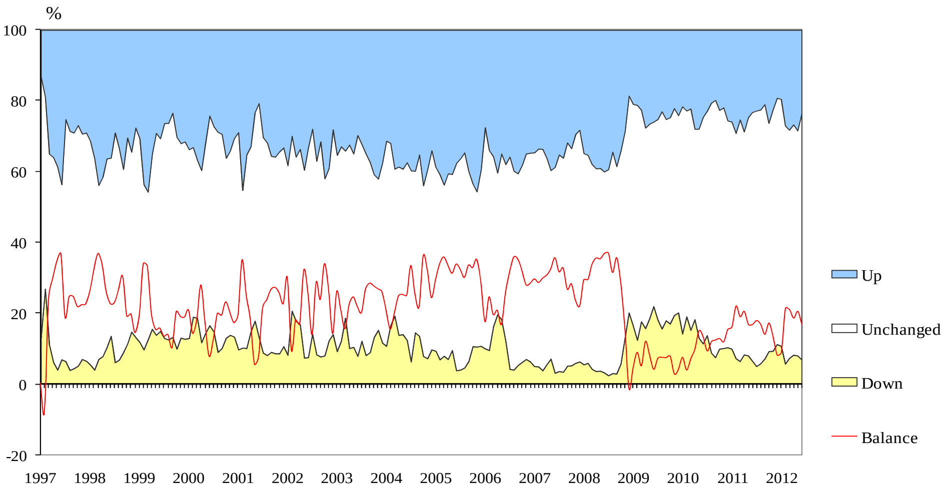

Figure 5. Limits to production in industry (Relative share of enterprises)

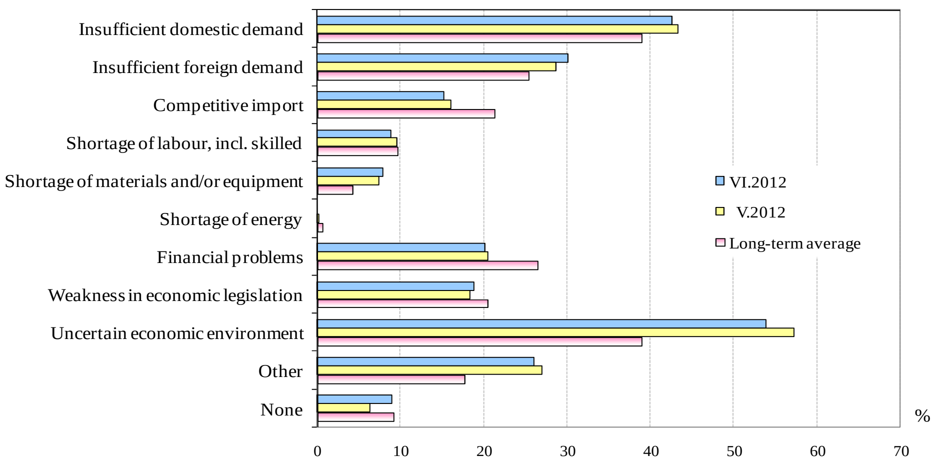

Figure 6. Business climate in construction

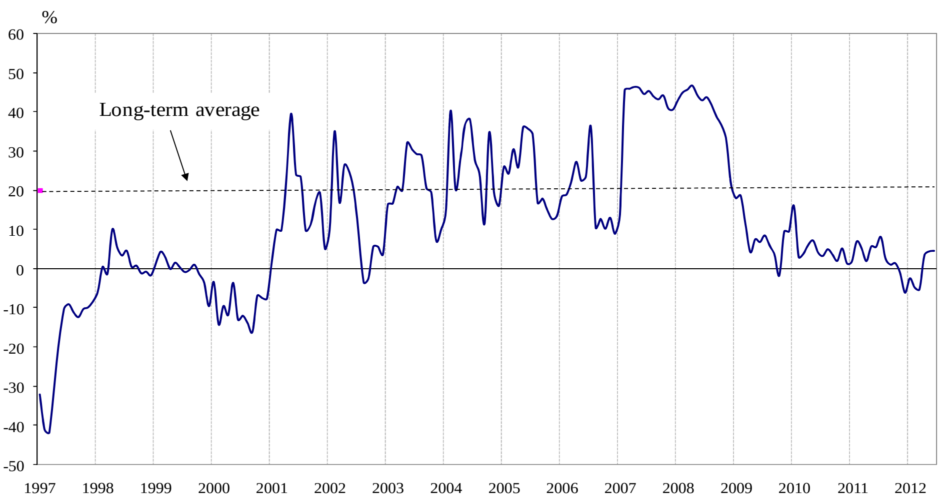

Figure 7. Production assurance with orders in construction

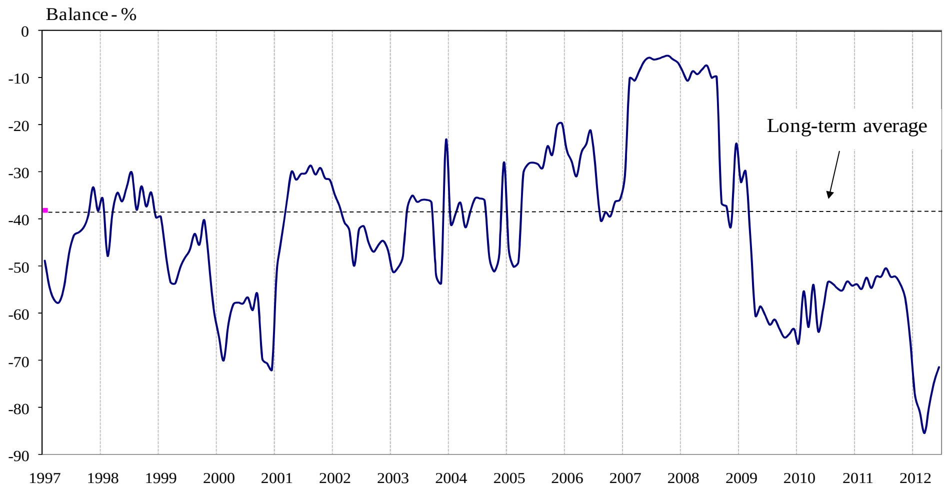

Figure 8. Limits to construction activity
(Relative share of enterprises)

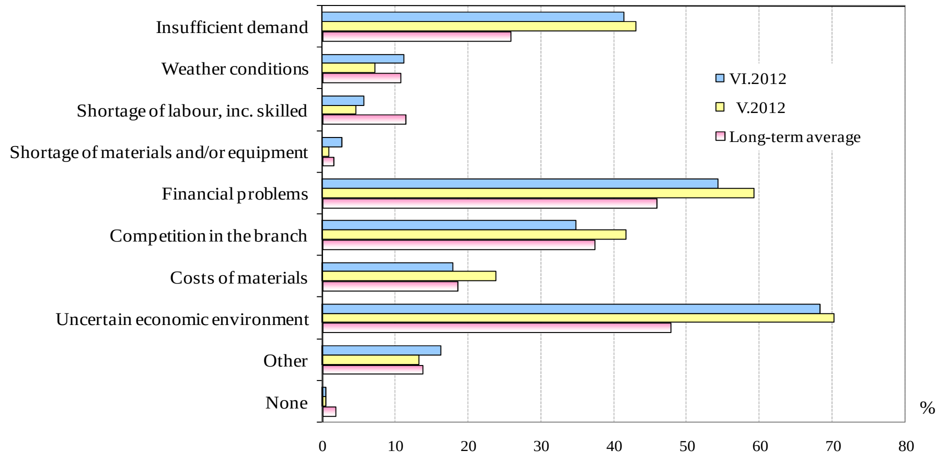

Figure 9. Selling prices expectations in construction
over the next 3 months

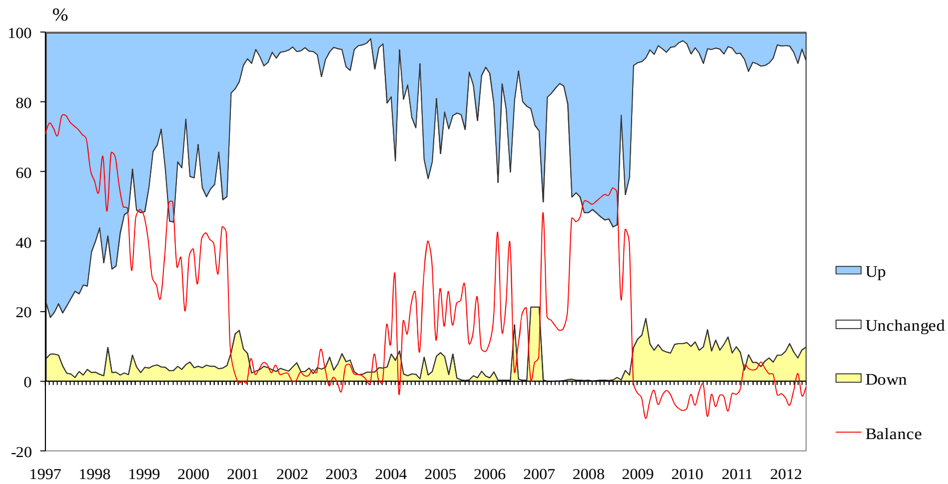

Figure 10. Business climate in retail trade

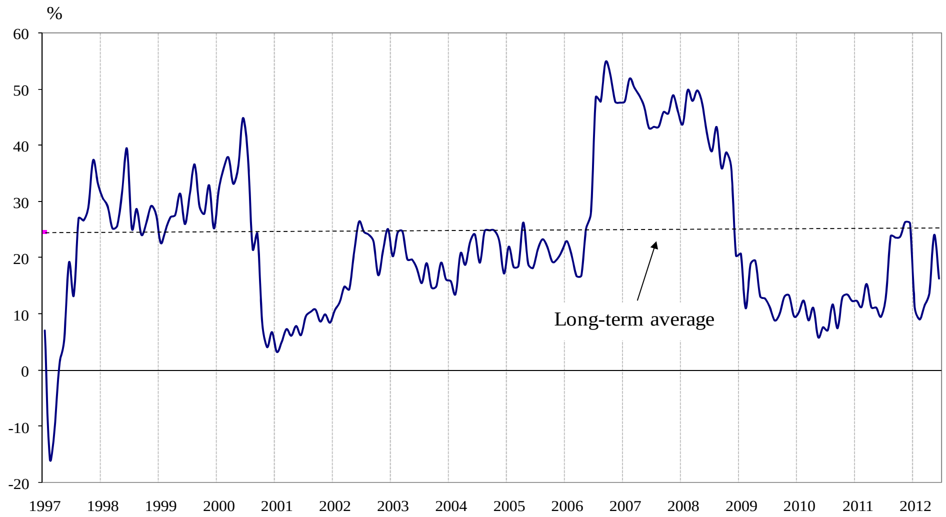

Figure 11. Expectations about orders placed with suppliers in retail trade over the next 3 months

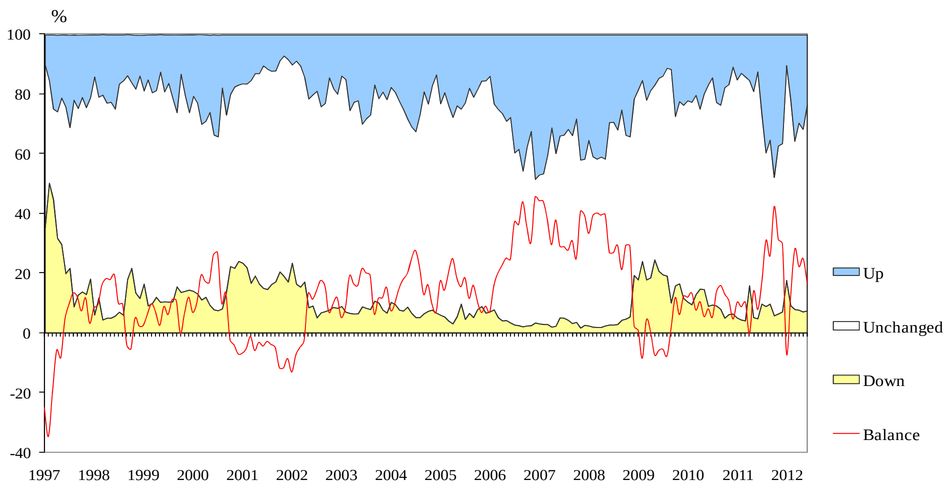

Figure 12. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)

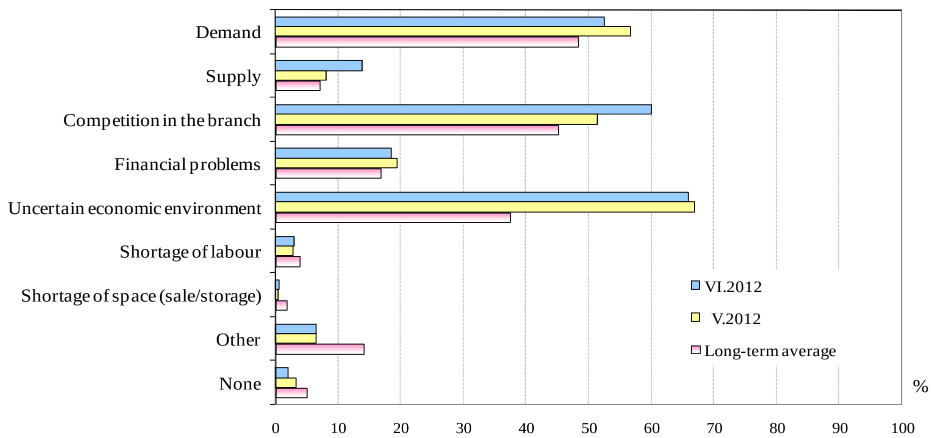

Figure 13. Selling prices expectations in retail trade over the next 3 months

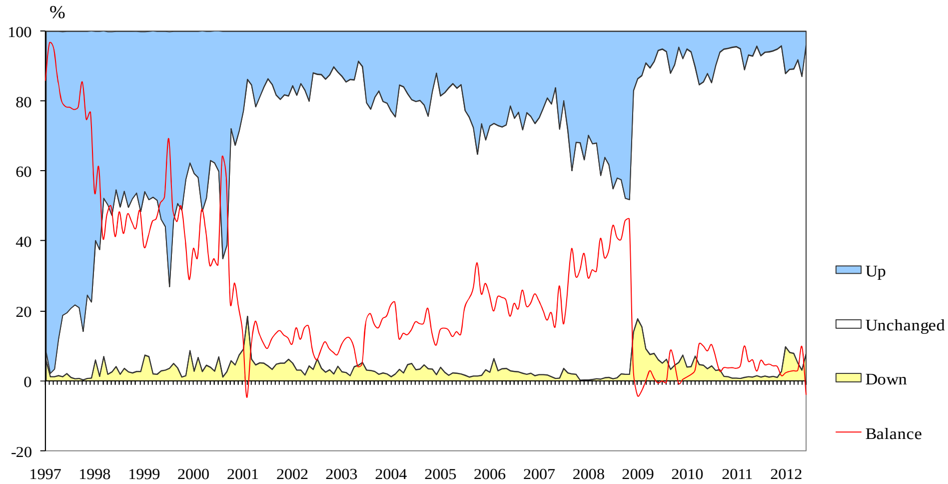

Figure 14. Business climate in service sector

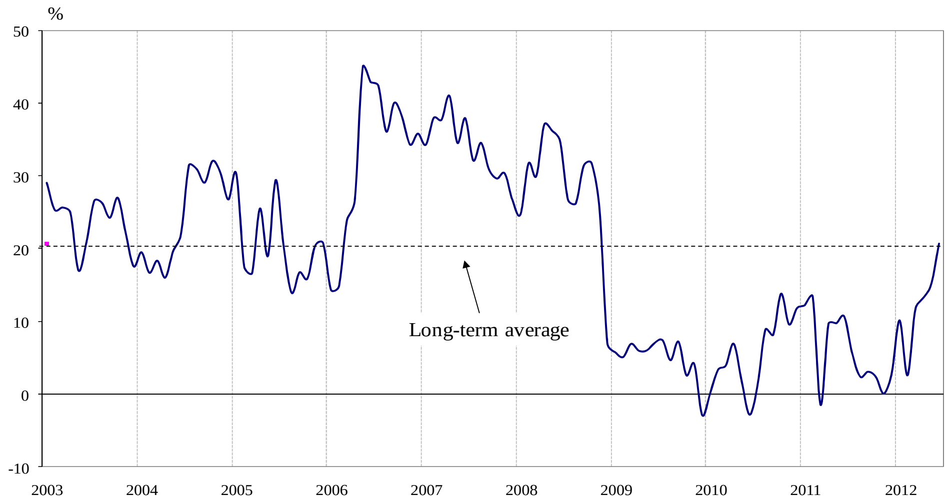

Figure 15. Expected demand in service sector over the next 3 months

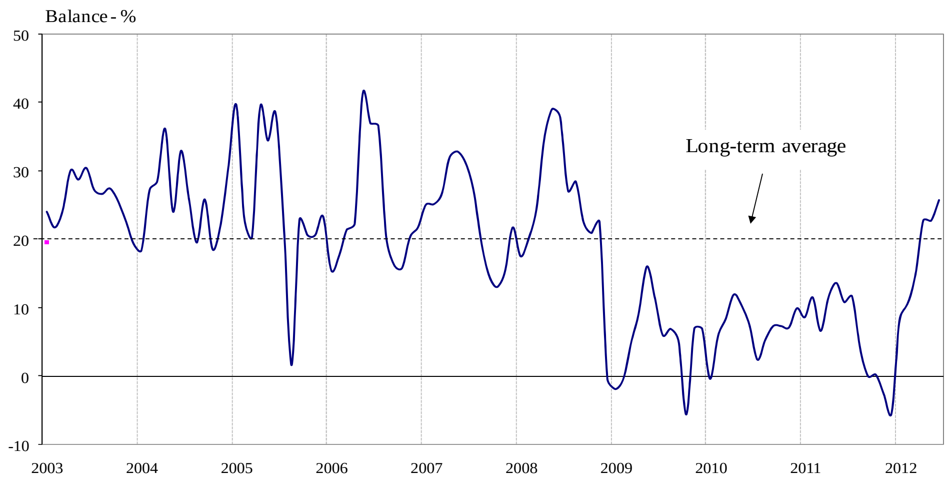

Figure 16. Employment expectations in service sector over the next 3 months

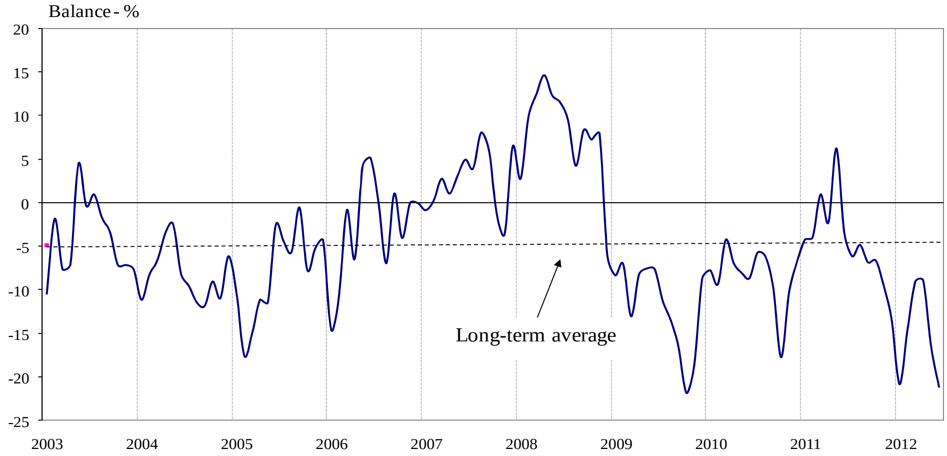

Figure 17. Factors limiting the activity in service sector (Relative share of enterprises)

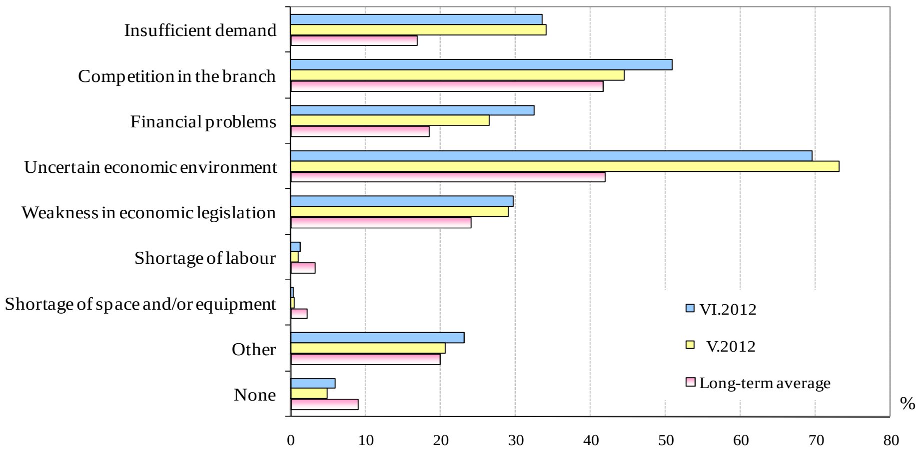

Figure 18. Prices expectations in service sector over the next 3 months