# BUSINESS CONJUNCTURE

# NSI BUSINESS SURVEYS[1, 2, 3], JULY 2012

In July 2012 **the total business climate indicator**[4] increases by 1.1 percentage points compared to its level from the previous month (Figure 1) as improvement is registered in industry, construction and retail trade, while in service sector - deterioration.

**Industry.** In July the composite indicator "business climate in industry" increases by 1.9 percentage points (Figure 2) mainly due to elevated optimistic managers' expectations about the business situation of the enterprises over the next 6 months (Figure 3). The inquiry registers an increase of the production assurance with orders (from domestic market and from abroad) as the forecasts as regards the production activity over the next 3 months are also more favourable.

The average capacity utilization in July 2012 increases by 1.4 percentage points in comparison with April and it reaches 71.3% (Figure 4). The enterprises report a surplus of capacity with regard to the expected demand over the next months (Figure 5).

The main problems for the business development in the branch remain the uncertain economic environment and the insufficient domestic demand (Figure 6).

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

**Construction.** In July 2012 the composite indicator "business climate in construction" increases by 1.6 percentage points (Figure 8) which is due to the more optimistic construction entrepreneurs' assessments about the present business situation of the enterprises (Figure 9). In their opinion the present construction activity is improved, as their forecasts for the next 3 months remain favourable but more reserved compared to June (Figure 10).

The production is assured with contracts for 5.5 months, as a decrease of 0.5 months compared to the assessment from April is registered. At the same time the expectations about new orders over the next 6 months are more unfavourable.

The uncertain economic environment and the financial problems remain the main factors limiting the activity of the enterprises in the branch. In July compared to the previous month the negative impact of the factor "competition in the branch" is strengthen (by 7.3 percentage points) (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.

Concerning selling prices in the branch the entrepreneurs' expectations are for preserving of their level over the next 3 months (Figure 12).

**Retail trade.** The composite indicator "business climate in retail trade" increases by 1.4 percentage points (Figure 13) due to the improved manager's assessments and expectations about the business situation of the enterprises. Increased optimism in their expectation as regard to the sales and orders placed with suppliers in the next 3 months is observed (Figure 14).

The uncertain economic environment continues to be one of the major factors limiting the activity of the enterprises in the branch although in July its negative influence decreases compared to the previous month. However the negative influence of the factor „demand" increases (by 6.0 percentage points) making the competition in the branch the third strongest factor (Figure 15).

As regard to the selling prices the retailer's expectations are in direction of an increase over the next 3 months (Figure 16).

**Service sector[5].** In July the composite indicator "business climate in service sector" decreases by 1.5 percentage points in comparison with the previous month (Figure 17) which is due to the more moderate managers' assessments and expectations about the business situation of the enterprises (Figure 18). As regard to the demand for services the present tendency is estimated as improved (Figure 19) but the inquiry registers certain pessimism in the expectations for the next 3 months.

The uncertain economic environment and the competition in the branch remain the major factors limiting the development of the business in the branch (Figure 20).

The prevailing manager's expectations regarding the selling prices are for preservation of their level over the next 3 months.

[5] Excl. trade.

# ANNEX

**Figure 1. Business climate - total**

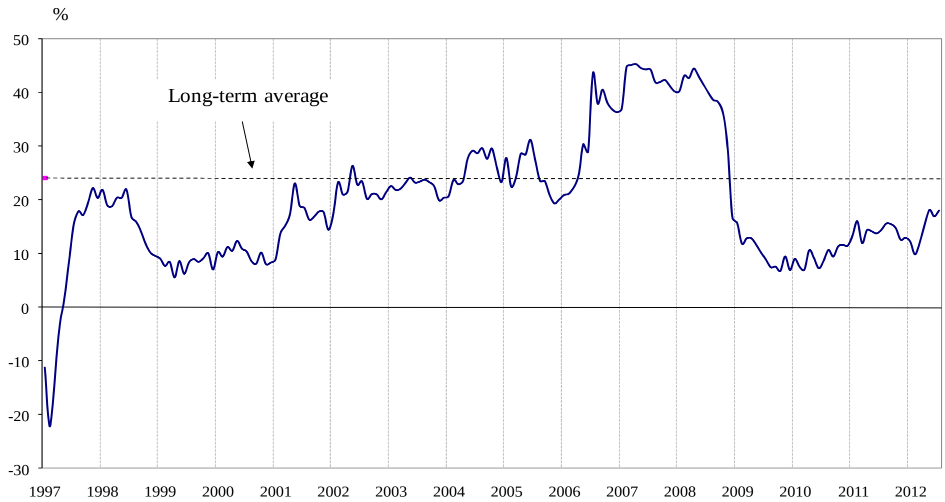


**Figure 2. Business climate in industry**

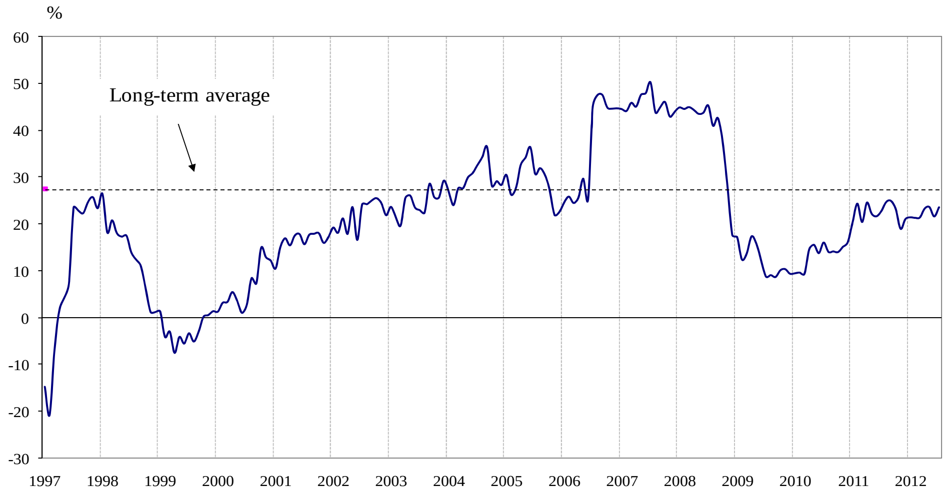


**Figure 3. Expected business situation in industry over the next 6 months**

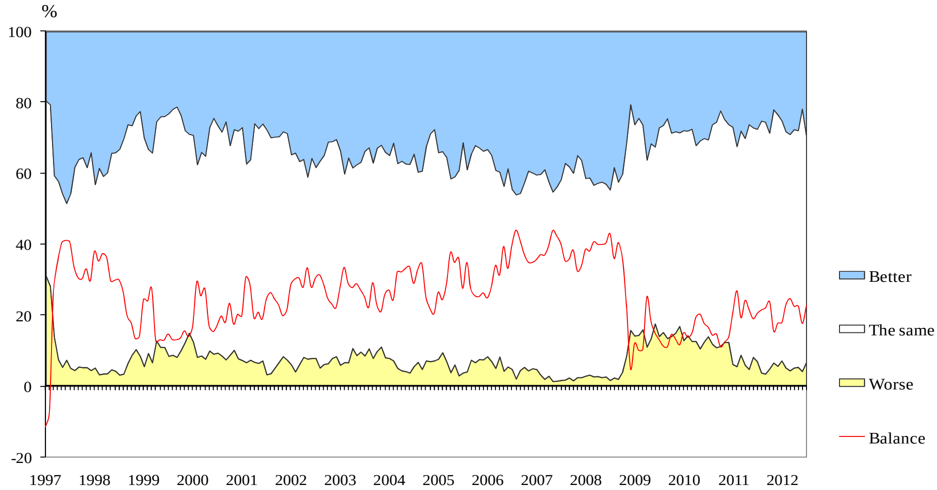

**Figure 4. Average capacity utilization in industry**

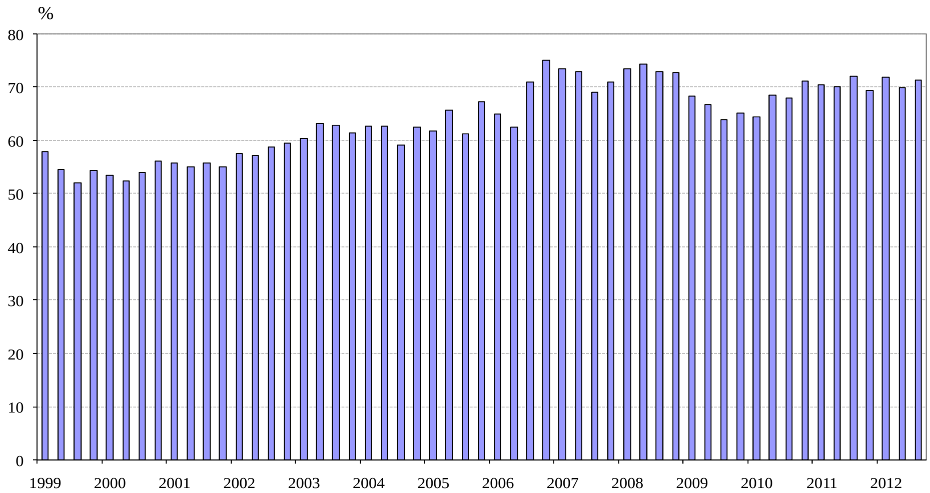


**Figure 5. Current production capacity in industry with regard to the expected demand over the next months**

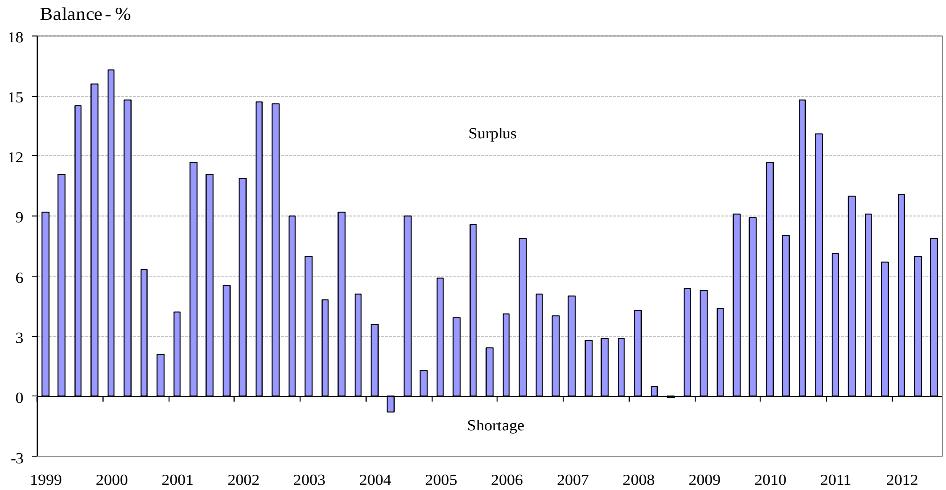


**Figure 6. Limits to production in industry (Relative share of enterprises)**

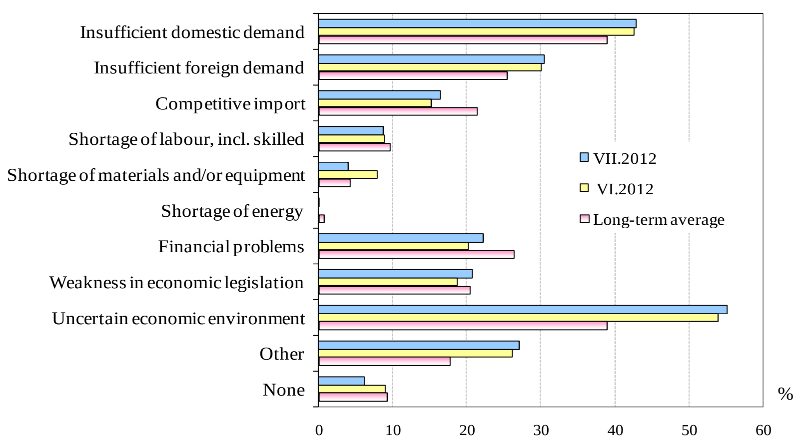

**Figure 7. Selling prices expectations in industry over the next 3 months**

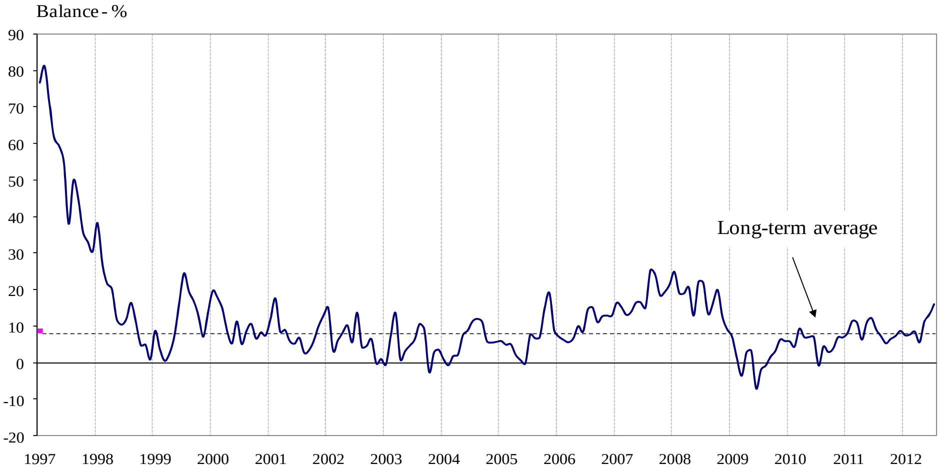


**Figure 8. Business climate in construction**

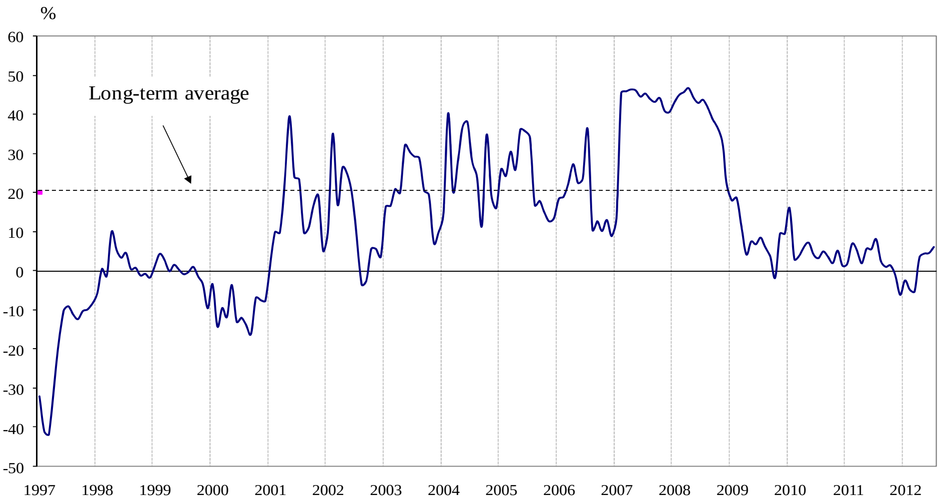


**Figure 9. Present business situation in construction**

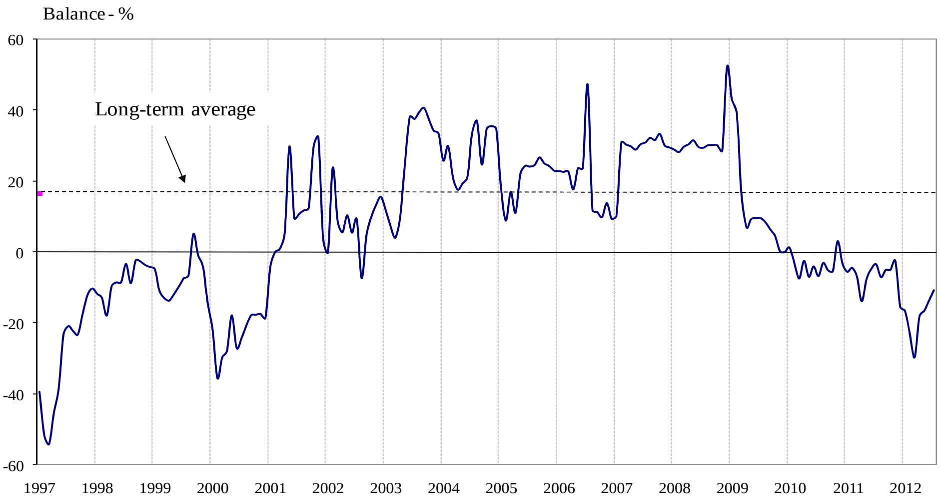

**Figure 10. Expected construction activity over the next 3 months**

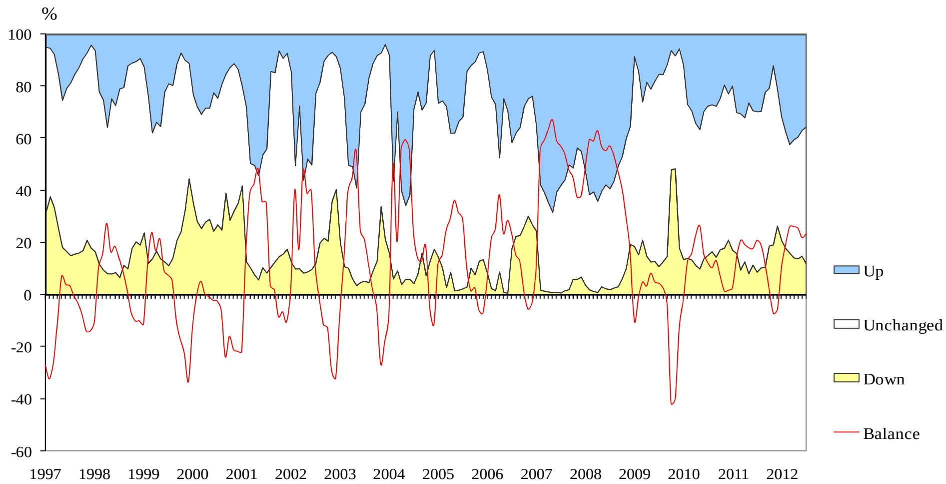


**Figure 11. Limits to construction activity (Relative share of enterprises)**

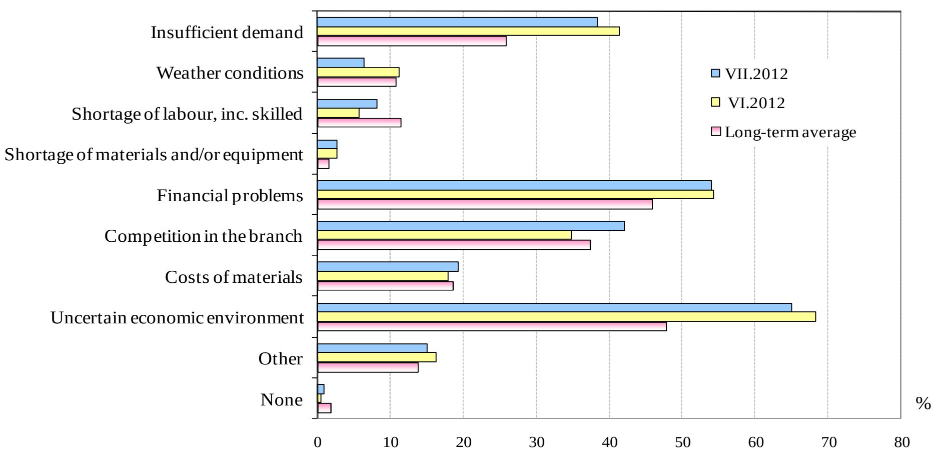


**Figure 12. Selling prices expectations in construction over the next 3 months**

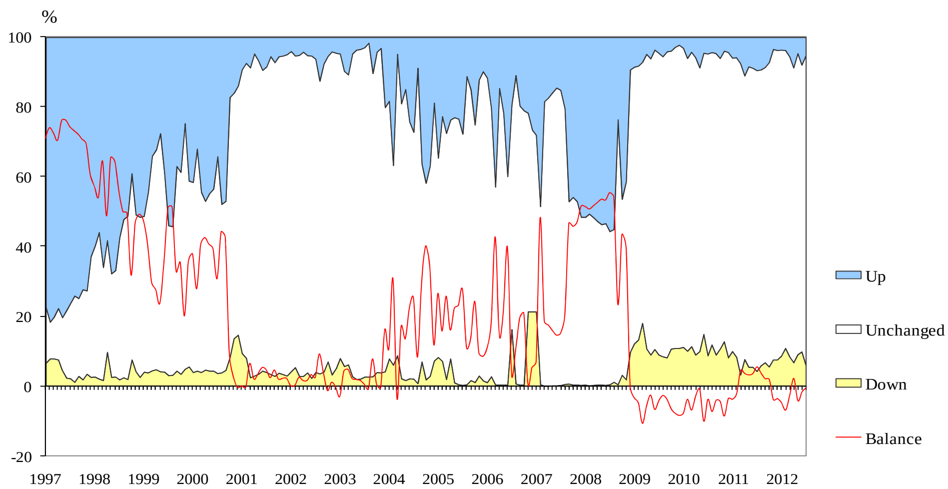

**Figure 13. Business climate in retail trade**

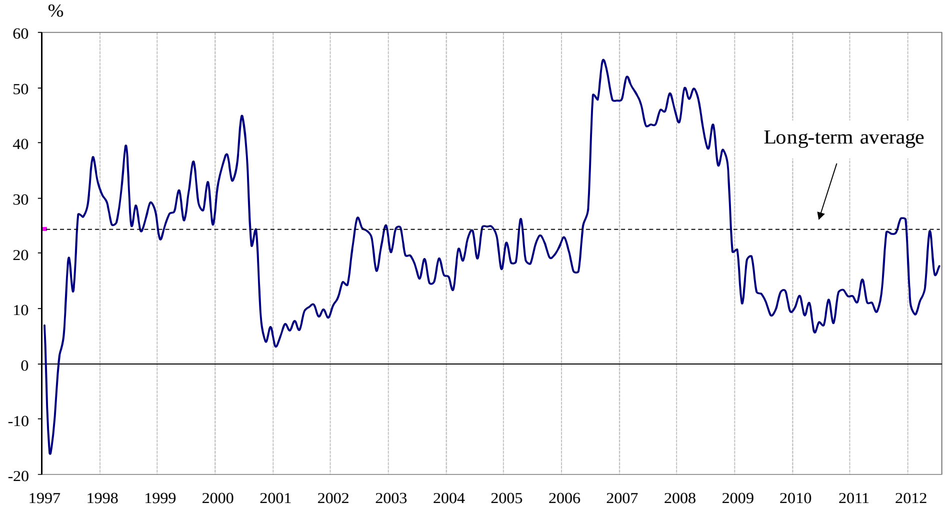


**Figure 14. Expectations about orders placed with suppliers in retail trade over the next 3 months**

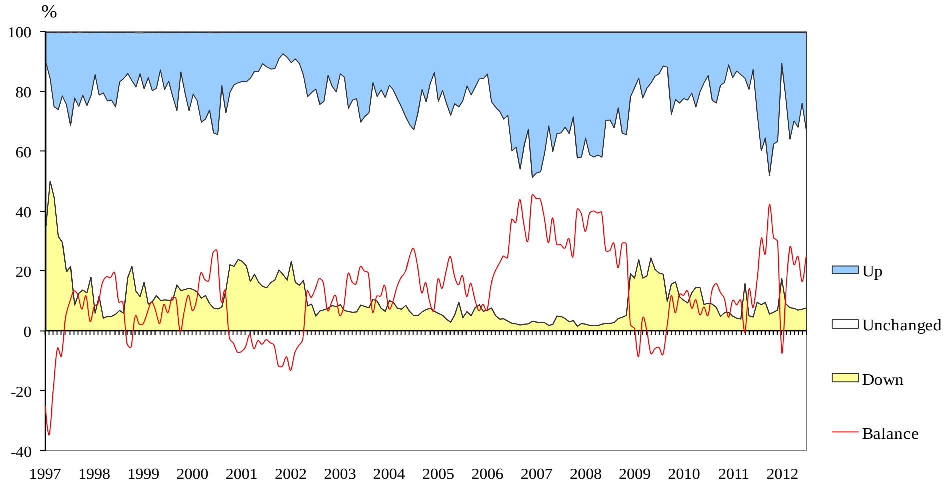


**Figure 15. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)**

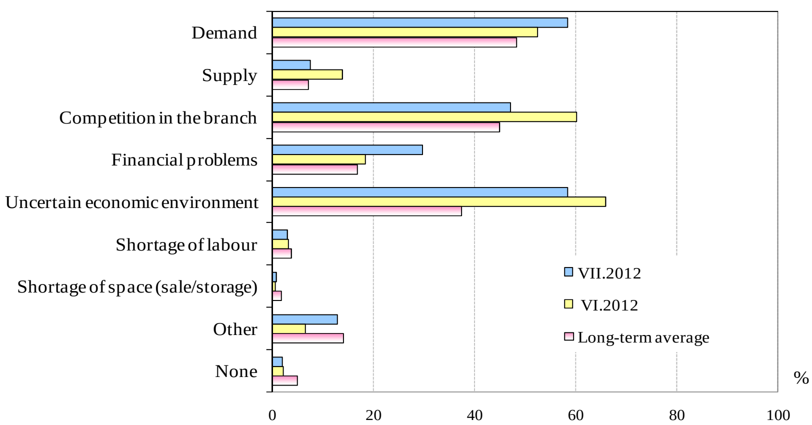

**Figure 16. Selling prices expectations in retail trade over the next 3 months**

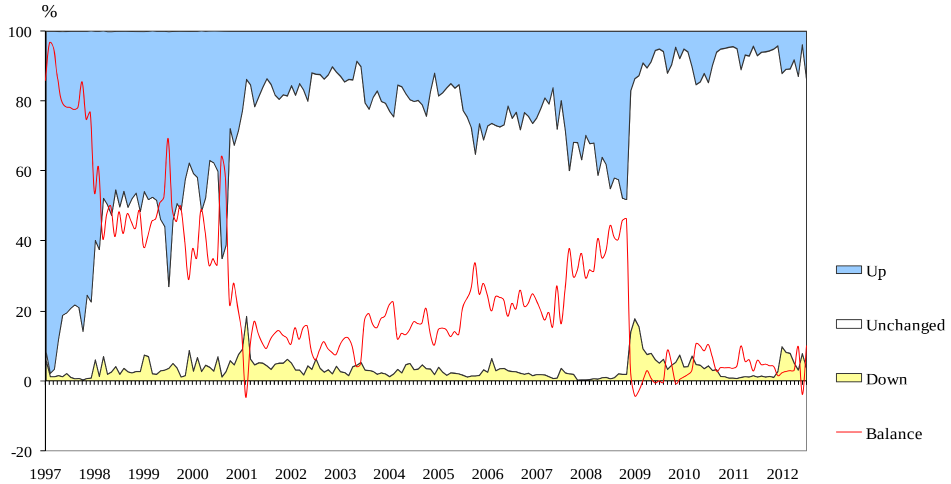


**Figure 17. Business climate in service sector**

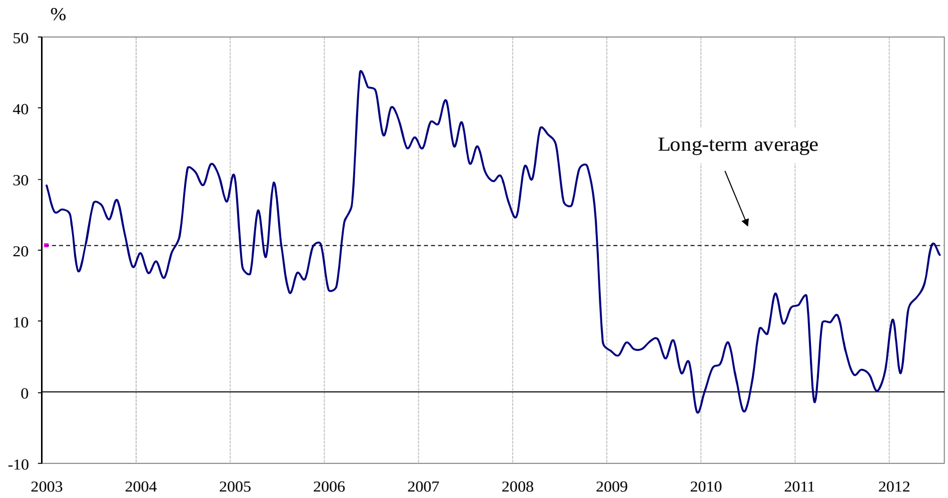


**Figure 18. Expected business situation in service sector over the next 6 months**

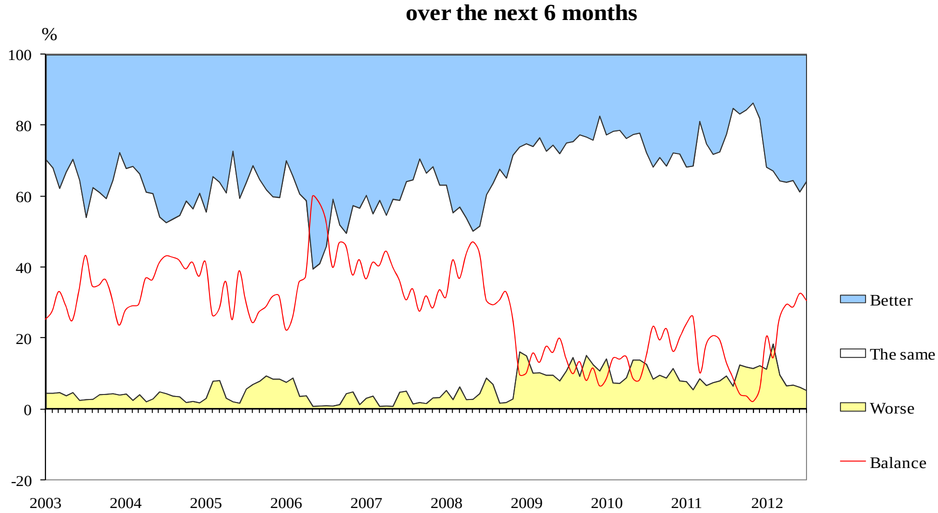

**Figure 19. Demand in service sector over the last 3 months**

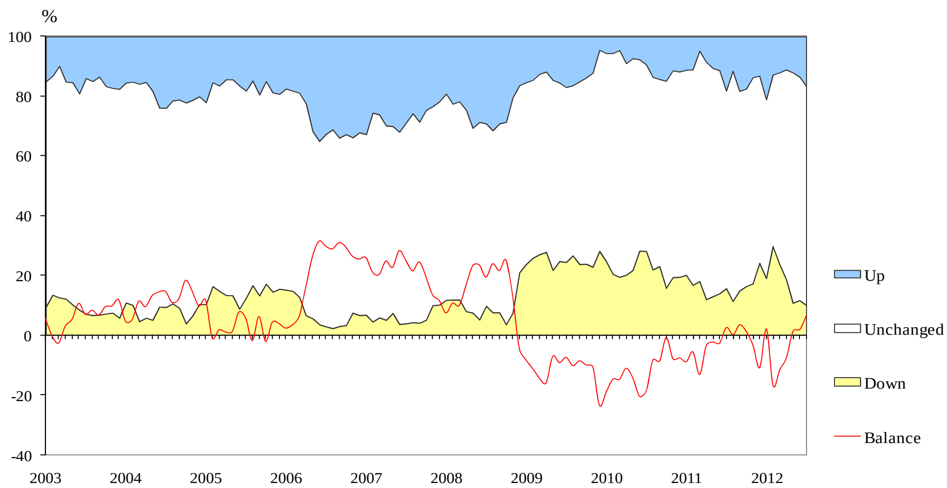


**Figure 20. Factors limiting the activity in service sector (Relative share of enterprises)**