BUSINESS CONJUNCTURE
NSI BUSINESS SURVEYS[1, 2, 3], JUNE 2014

In June 2014 **the total business climate indicator**[4] decreases by 1.0 percentage point compared to its level from the previous month (Annex, Figure 1) which is due to the more unfavourable business climate in industry and service sector.

Industry. The composite indicator "business climate in industry" decreases by 1.8 percentage points in comparison with May (Annex, Figure 2) due to the more reserved industrial entrepreneurs' assessments about the present business situation of the enterprises (Annex, Figure 3). At the same time the present production activity is assessed as slight improved 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 uncertain economic environment and insufficient domestic demand continue to be the main factors pointed out of the enterprises as an obstacle for the development of their business (Annex, Figure 4).

As regards the selling prices in industry the majority of the managers forecast preservation of their level over the next 3 months (Annex, Figure 5).

Construction. In June the composite indicator "business climate in construction" increases by 4.0 percentage points (Annex, Figure 6) which is due to the more favourable construction entrepreneurs' assessments and expectations about the business situation of the enterprises (Annex, Figure 7). In their opinion the present construction activity in comparison with the previous month is improved, but their forecasts over the next 3 months are more reserved.

The main factor limiting the activity in the branch remains the uncertain economic environment, though in the last month a decrease of its negative influence is observed. In the second and third place are the factors "competition in the branch" and "financial problems" (Annex, Figure 8).

Concerning the selling prices in construction the prevailing managers' expectations are them to remain unchanged over the next 3 months (Annex, Figure 9).

Retail trade. The composite indicator "business climate in retail trade" remains approximately its level from the previous month (Annex, Figure 10). The managers' assessments about the present business situation of the enterprises and their forecasts about the development of their business over the next 6

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[1] Since 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.

months remain favourable. At the same time and their expectations about the volume of sales (Annex, Figure 11) and orders placed with suppliers over the next 3 months are improved.

The most serious factors limiting the activity in the branch continue to be the uncertain economic environment, competition in the branch and insufficient demand, as in the last month the inquiry reports a decrease of the negative influence of the first factor (Annex, Figure 12).

With regard to the selling prices in the branch the retailers' expectations are for preservation of their level over the next 3 months (Annex, Figure 13).

Service sector[1]. In June the composite indicator "business climate in service sector" decreases by 5.6 percentage points in comparison with May (Annex, Figure 14) due to the more unfavourable managers' assessments and expectations about the business situation of the enterprises (Annex, Figure 15). As regards the demand for services the present tendency is assessed as decreased as their expectations over the next 3 months are also more reserved.

The uncertain economic environment remains the main factor, limiting the business' development in the branch, followed by the competition in the branch (Annex, Figure 16).

Concerning the selling prices the managers foresee them to remain unchanged over the next 3 months (Annex, Figure 17).

[1] Excl. trade.

Annex

Figure 1. Business climate - total

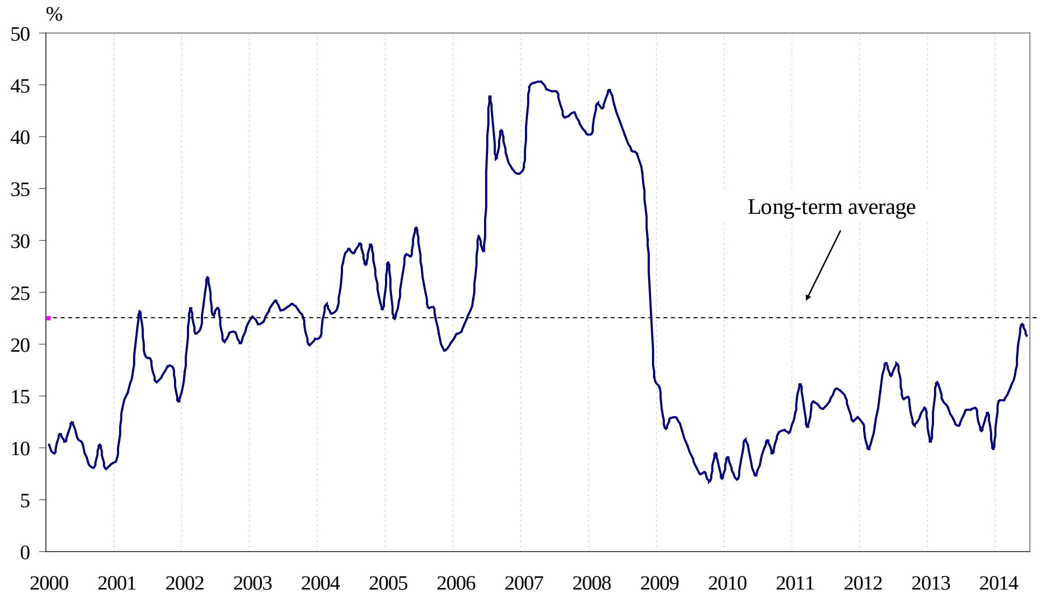

Figure 2. Business climate in industry

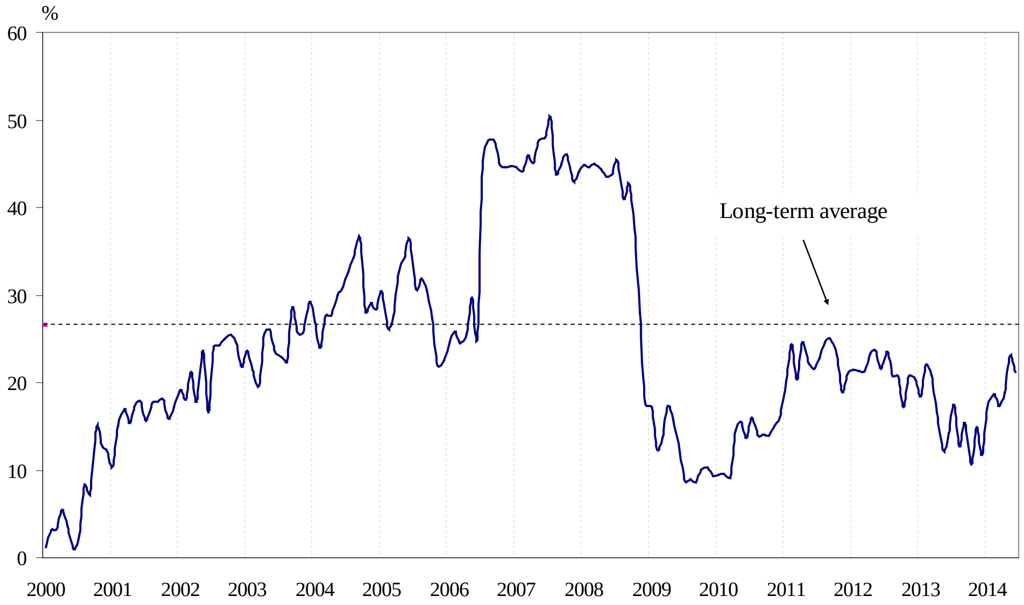

Figure 3. Present business situation in industry

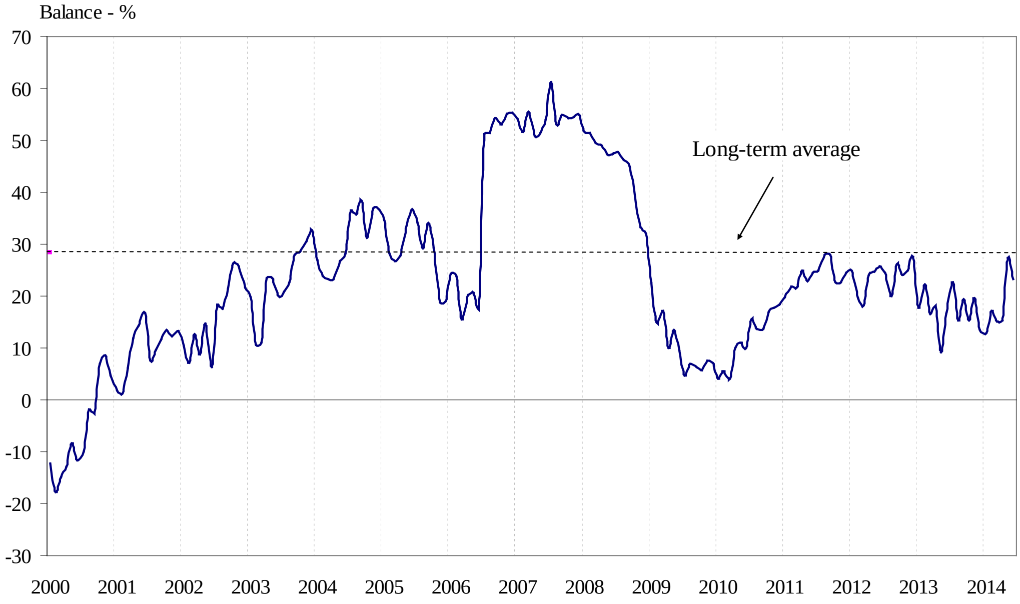

Figure 4. Limits to production in industry (Relative share of enterprises)

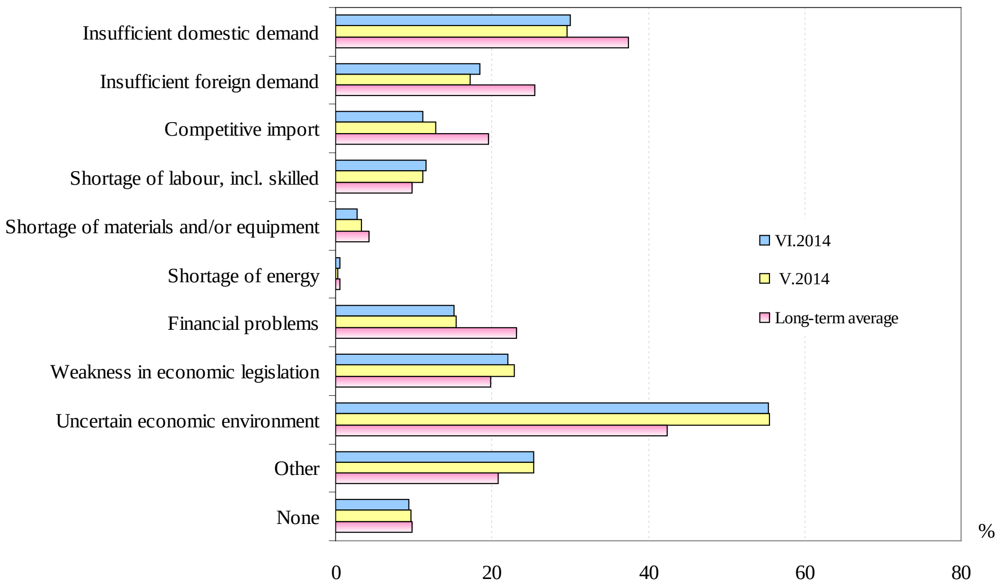

Figure 5. Selling prices expectations in industry over the next 3 months

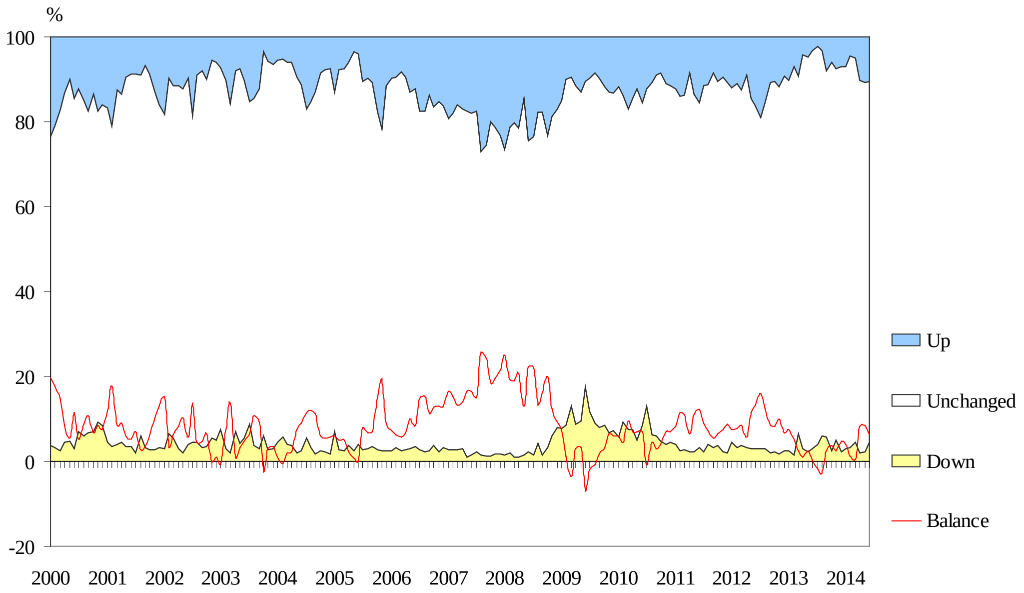

Figure 6. Business climate in construction

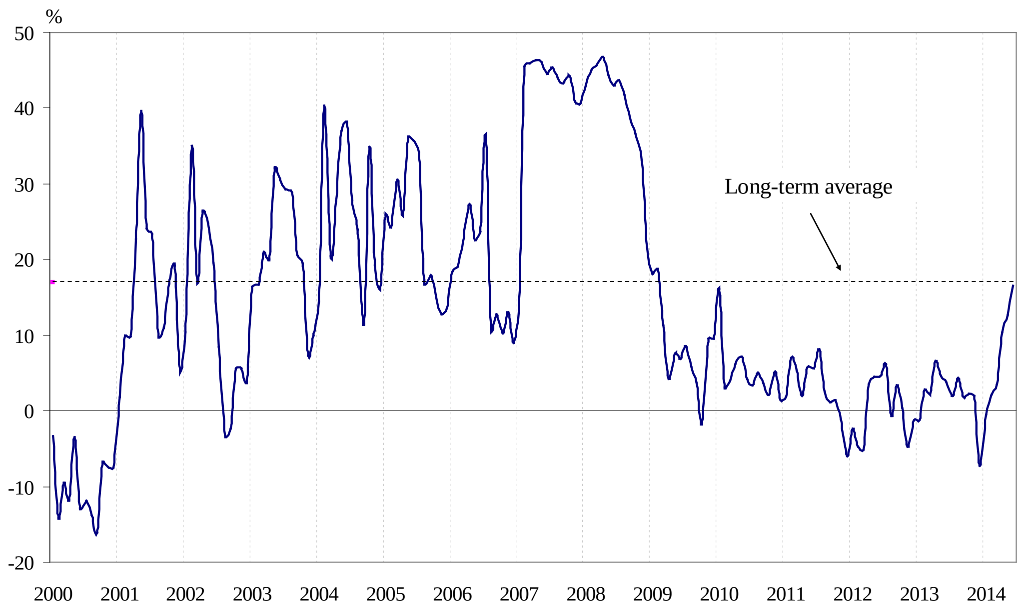

Figure 7. Expected business situation in construction over the next 6 months

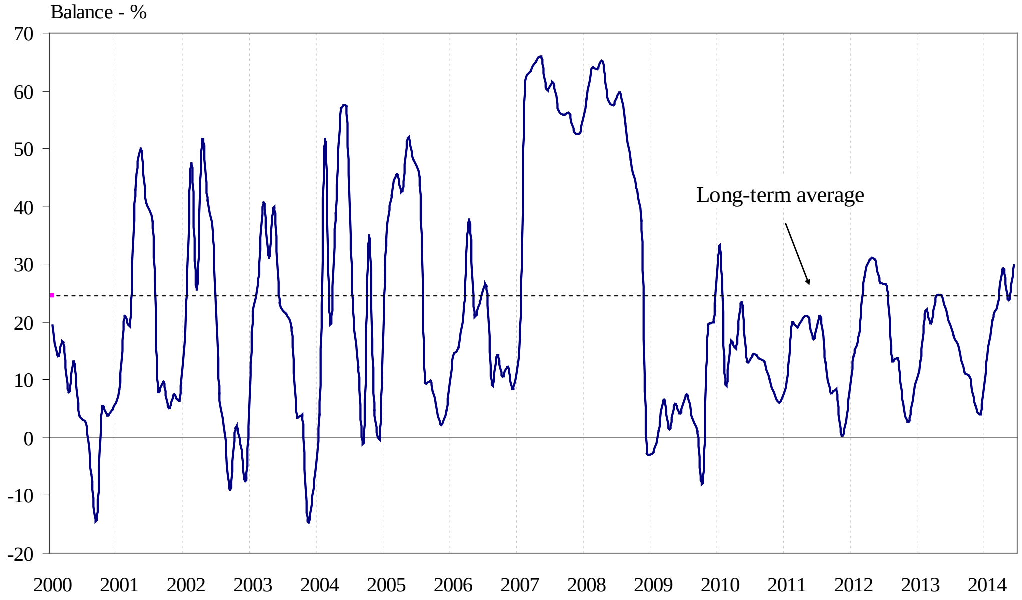

Figure 8. Limits to construction activity (Relative share of enterprises)

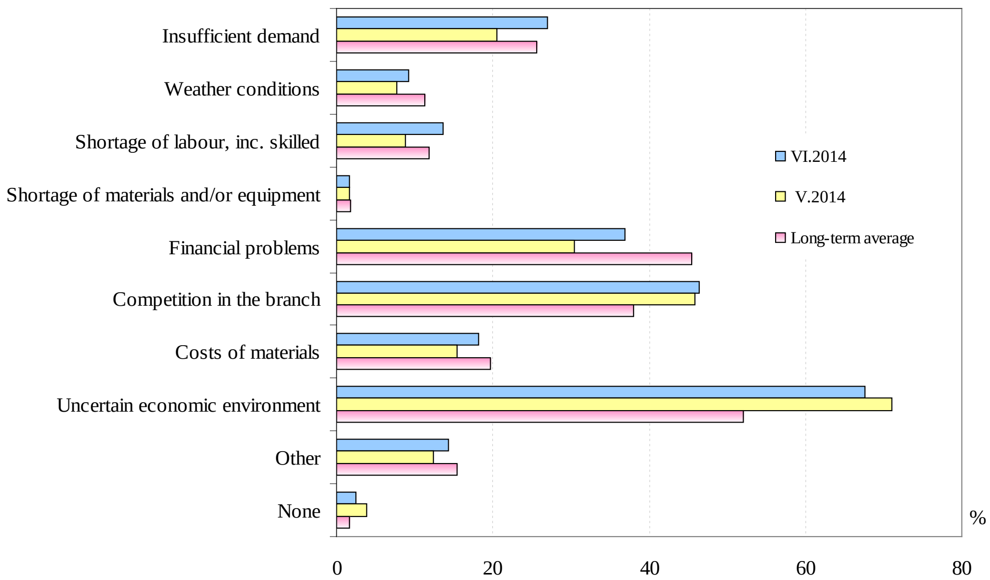

Figure 9. Selling prices expectations in construction over the next 3 months

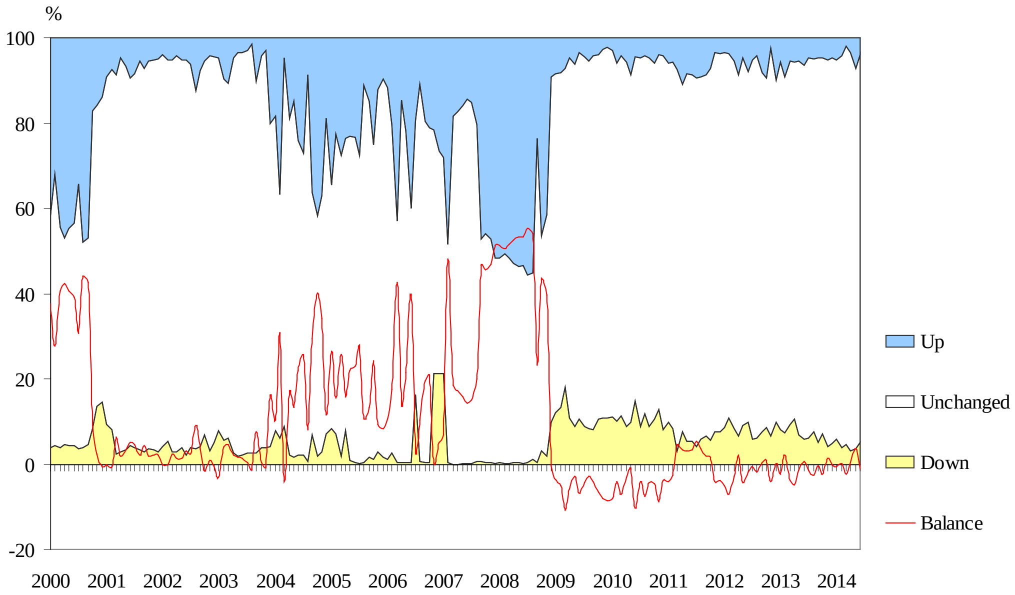

Figure 10. Business climate in retail trade

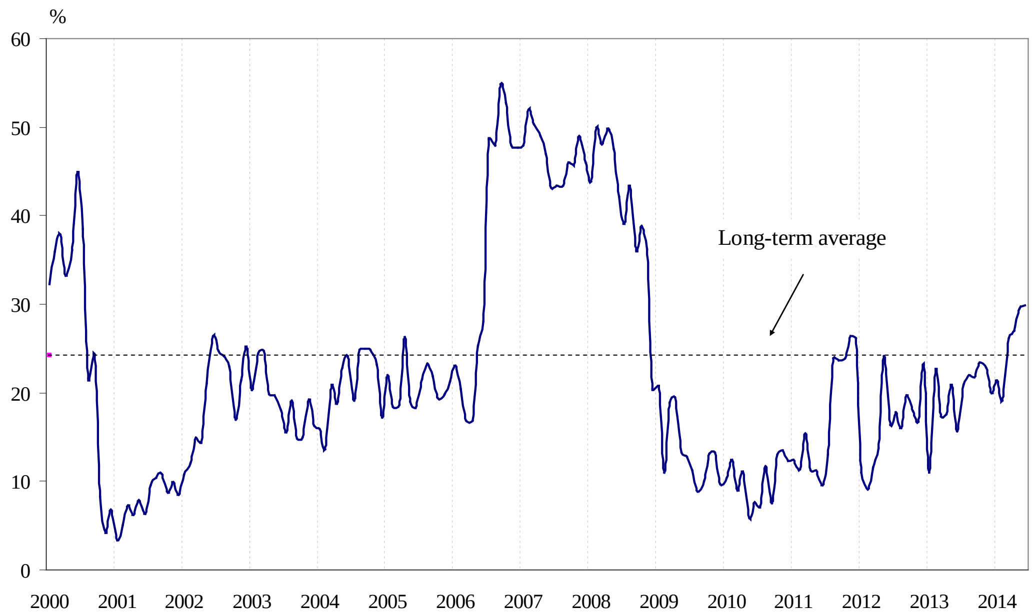

Figure 11. Sales expectations in retail trade over the next 3 months

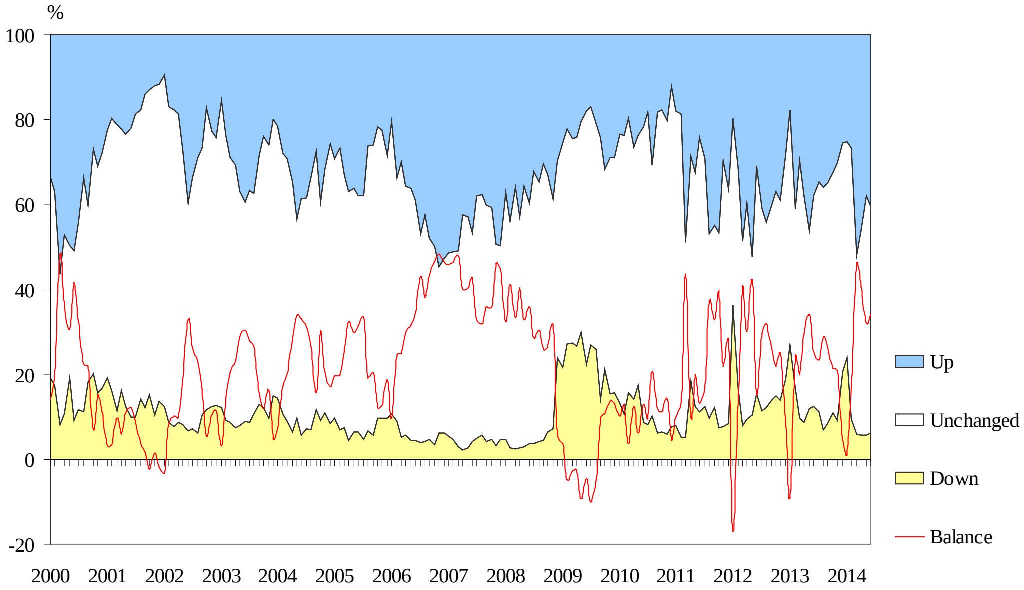

Figure 12. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)

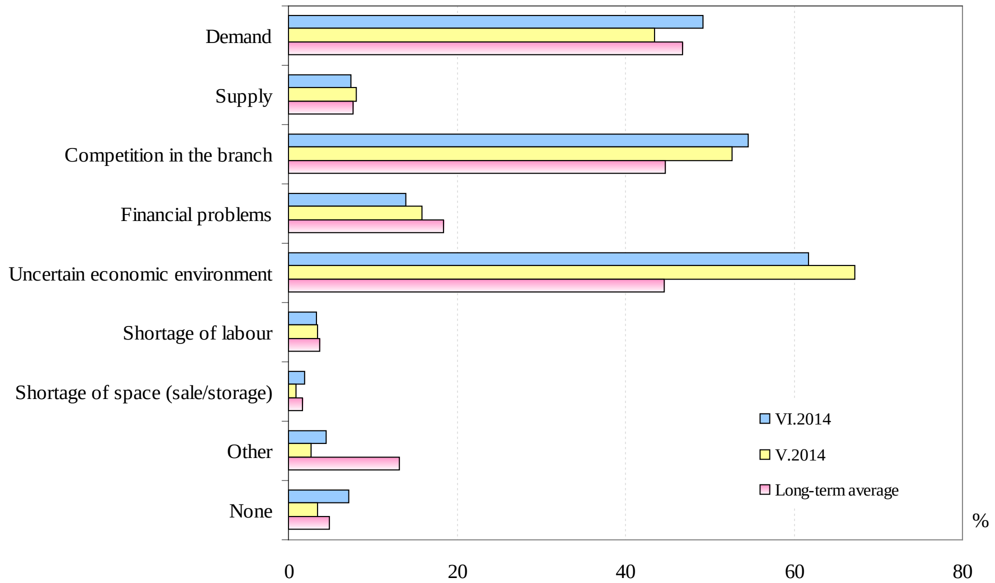

Figure 13. Selling prices expectations in retail trade over the next 3 months

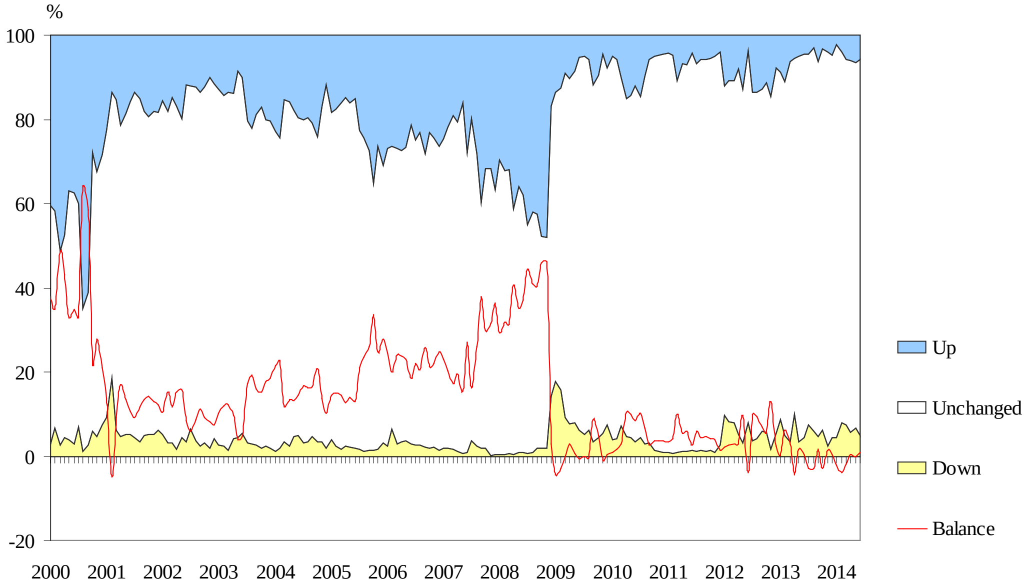

Figure 14. Business climate in service sector

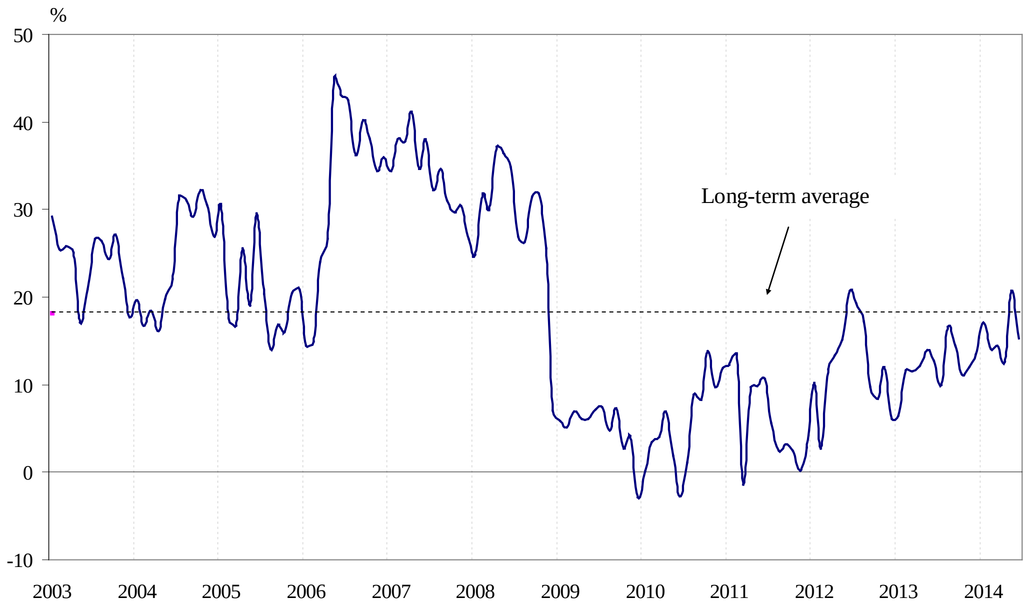

Figure 15. Expected business situation in service sector over the next 6 months

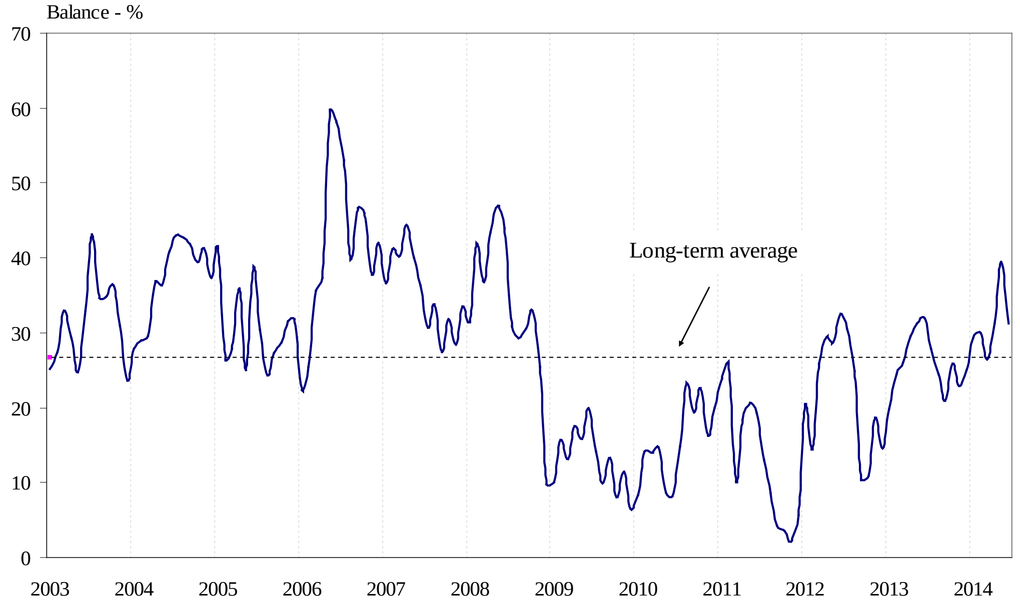

Figure 16. Factors limiting the activity in service sector (Relative share of enterprises)

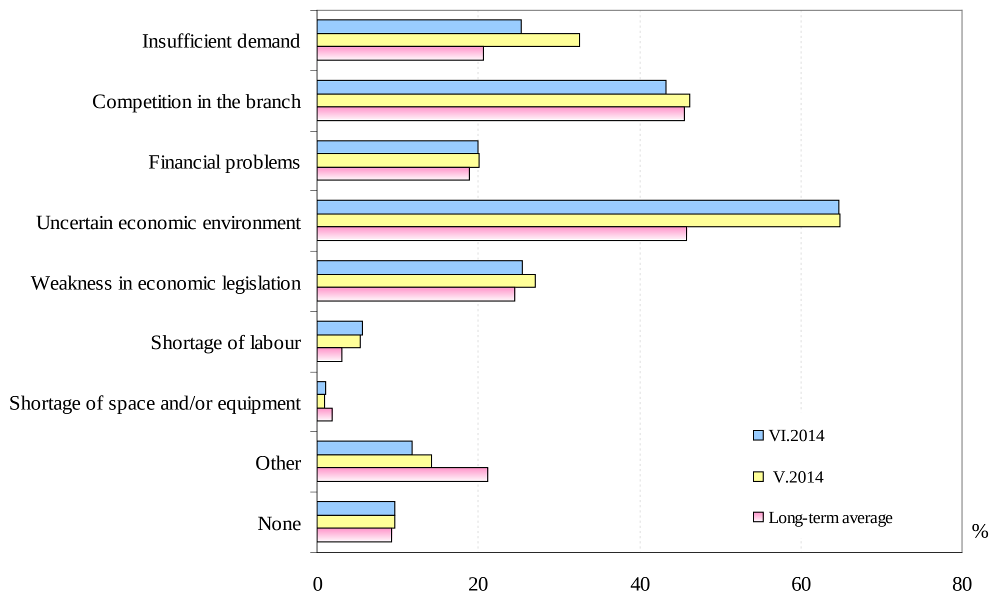

Figure 17. Selling prices expectations in service sector over the next 3 months