BUSINESS CONJUNCTURE

NSI BUSINESS SURVEYS[1, 2, 3], SEPTEMBER 2010

In September the **total business climate indicator**[4] decreases by 1.2 percentage points in comparison with its August level due to the more unfavorable compared to the previous month business climate in construction, retail trade and service sector (Figure 1).

Industry. In September the composite indicator of business climate in industry preserves its level from the previous month (Figure 2). There is no change in the managers' opinions regarding the present ant the expected business situation of industrial enterprises. At the same time the assurance with both domestic and foreign orders improves (Figure 3), even though the production activity is assessed as slightly decreased in comparison with the previous month (Figure 4). Certain expectations about a reduction of the personnel over the next 3 months are reported.

The uncertain economic environment, the insufficient domestic and foreign demand, and the financial problems continue to be the main factors limiting the activity in the branch, but while the negative influence of the demand decreases in comparison with the previous 2 months, the negative impact of the uncertain economic environment is strengthened (Figure 5).

The expectations of the industrial managers regarding the selling prices in the sector are for their preservation over the next 3 months.

Construction. In September 2010 the composite business climate indicator decreases by 1.4 percentage points in comparison with the previous month (Figure 6) due to the worsened managers' assessments and expectations about the business situation of enterprises. The present construction activity is assessed as decreased but the expectations about the next 3 months are more optimistic (Figure 7).

The production assurance with orders is worsening and the new orders received over the last month have decreased in comparison with the previous month (Figure 8).

The main factors limiting the activity of construction enterprises continue to be the uncertain economic environment, the shortage of financial resources and the insufficient demand, as in September the negative influence of the first factor is especially strengthened - 79.3% of the managers point it out as a major problem for their activity (Figure 9).

The prevailing expectations of the construction entrepreneurs regarding the selling prices in the sector are for the preservation of their level over the next 3 months (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 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” is 4.3 percentage points below its August level (Figure 11). The decrease is due mostly to the more pessimistic managers’ assessments of the business situation of enterprises over next 6 months. The expectations about the sales over the next 3 months are also more unfavorable. At the same time the managers’ assessments about the present business situation and the volume of sales over the last 3 months have improved since the previous inquiry.

The insufficient demand and the uncertain economic environment continue to be the major factors limiting the activity of the enterprises in the sector, as in September the negative influence of the uncertain economic environment and the financial problems is strengthened (Figure 12).

With regard to the selling prices in retail trade the prevailing expectations are for the preservation of their level over the next 3 months (Figure 13).

Service sector[5]. In September the service sector registers a slight decrease of the value of the composite indicator of business climate (by 0.7 percentage points) (Figure 14), which is due to the more moderate in comparison with August expectations about the business situation of enterprises over the next 6 months (Figure 15). The demand for services over the last 3 months has slightly decreased but the expectations about the next 3 months are for its increase (Figure 16). In the managers’ opinion the employment in the sector over the last 3 months has decreased, and the expectations about the personnel over the next 3 months are in the same direction.

The uncertain economic environment and the competition in the branch continue to be the most limiting factors for the activity of the enterprises.

The expectations about a decrease of the selling prices in the service sector over the next 3 months are preserved (Figure 17).

[5] Excl. trade.

Annex 1

Figure 1. Business climate - total

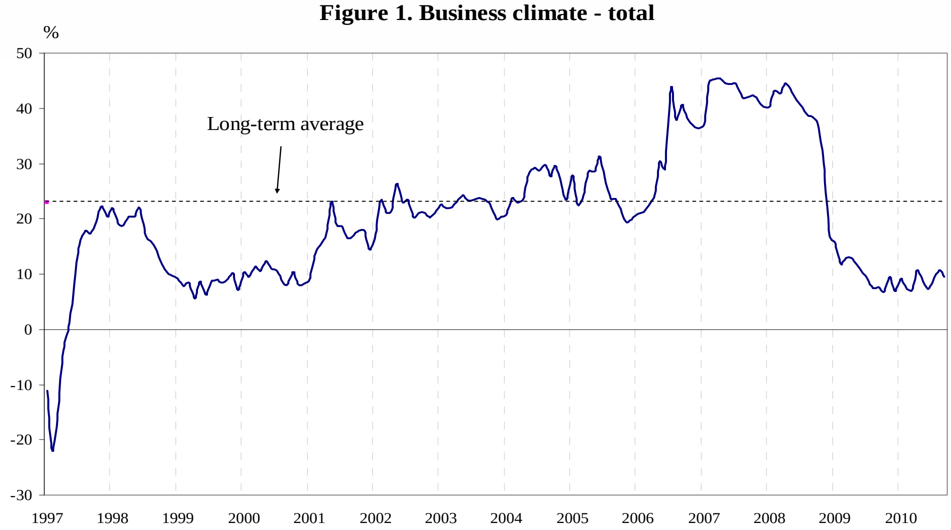

Figure 2. Business climate in industry

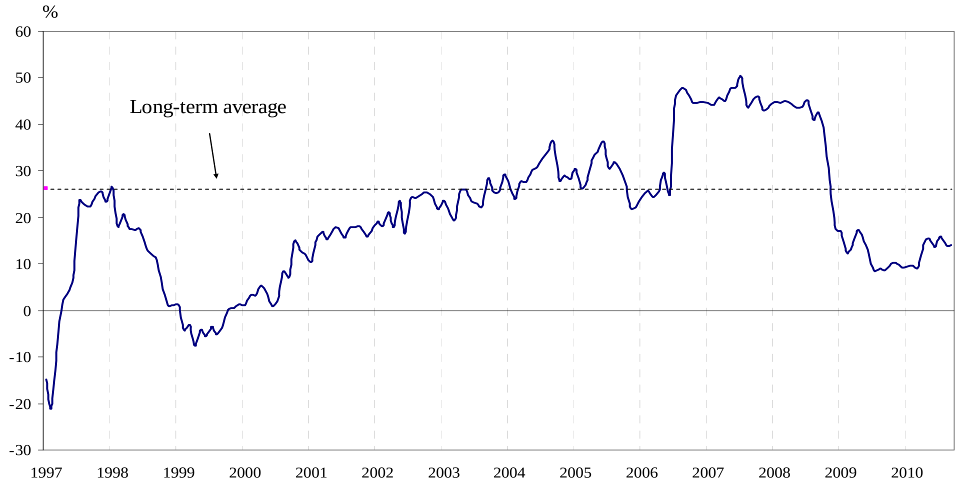

Figure 3. Production assurance with orders in industry

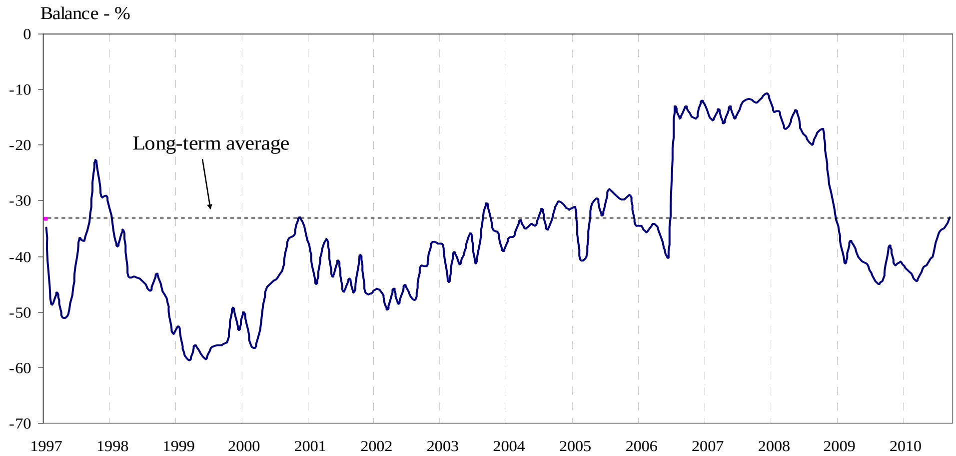

Figure 4. Present production activity in industry

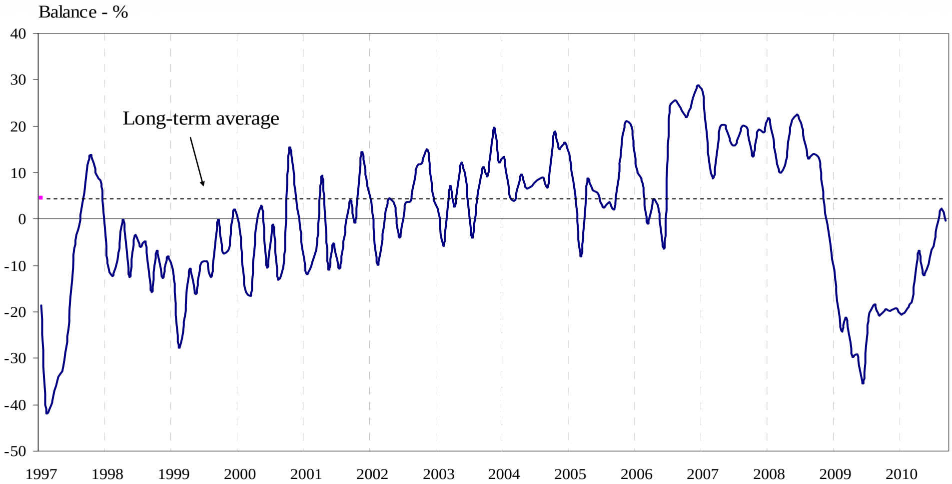

Figure 5. Limits to production in industry
(Relative share of enterprises)

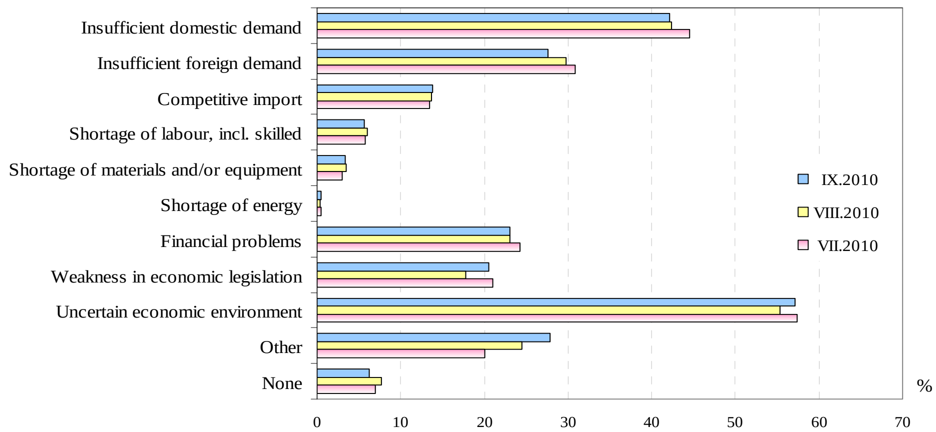

Figure 6. Business climate in construction

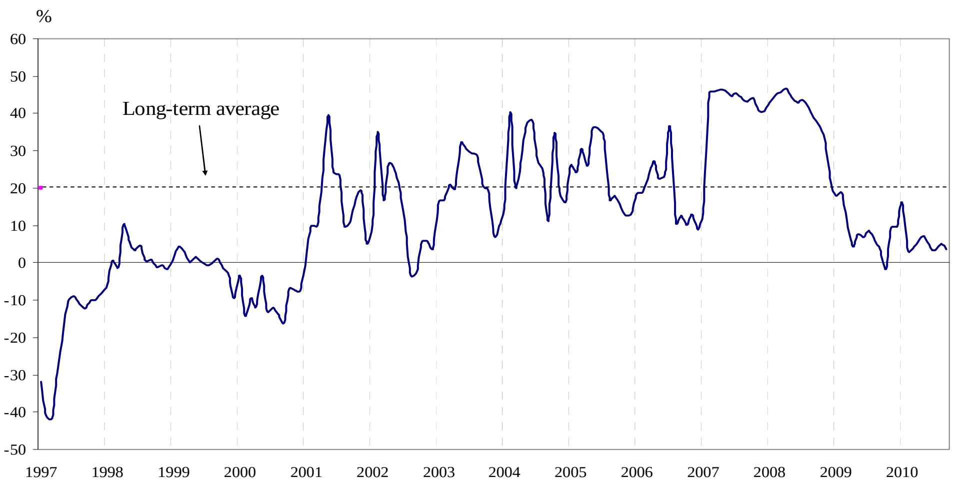

Figure 7. Expected construction activity over the next 3 months

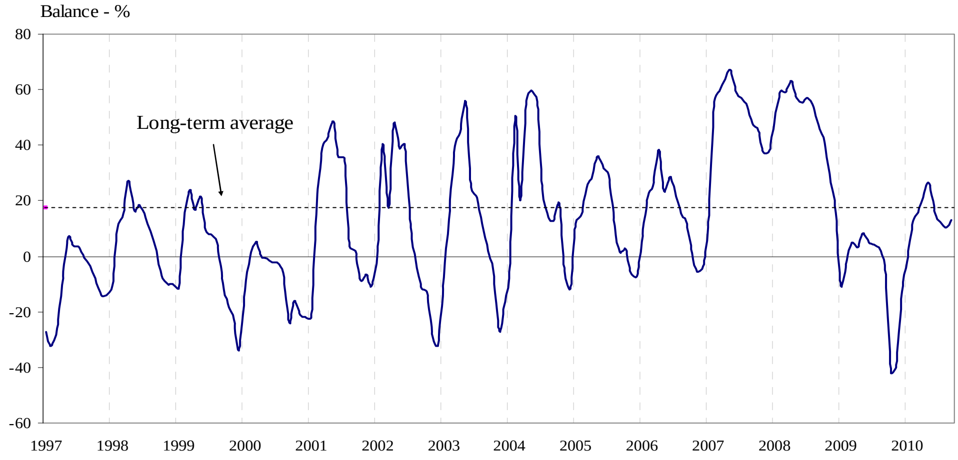

Figure 8. New orders inflow in construction

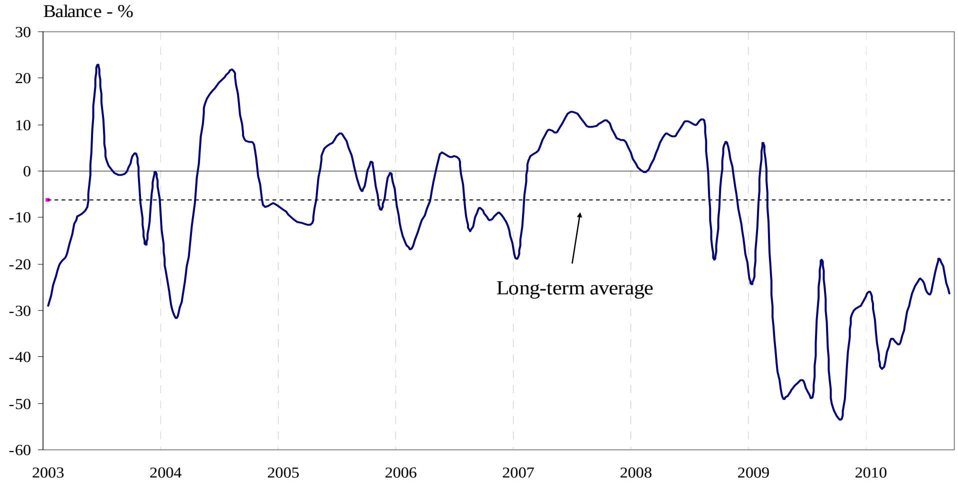

Figure 9. Limits to construction activity (Relative share of enterprises)

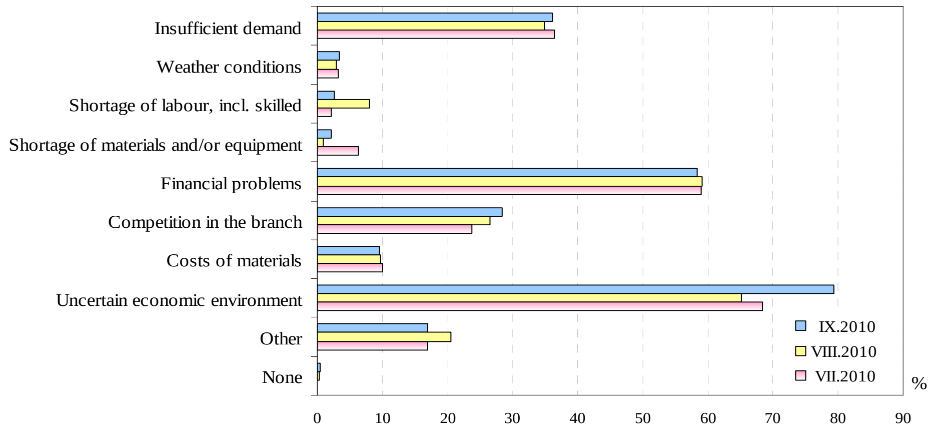

Figure 10. Selling prices expectations in construction over the next 3 months

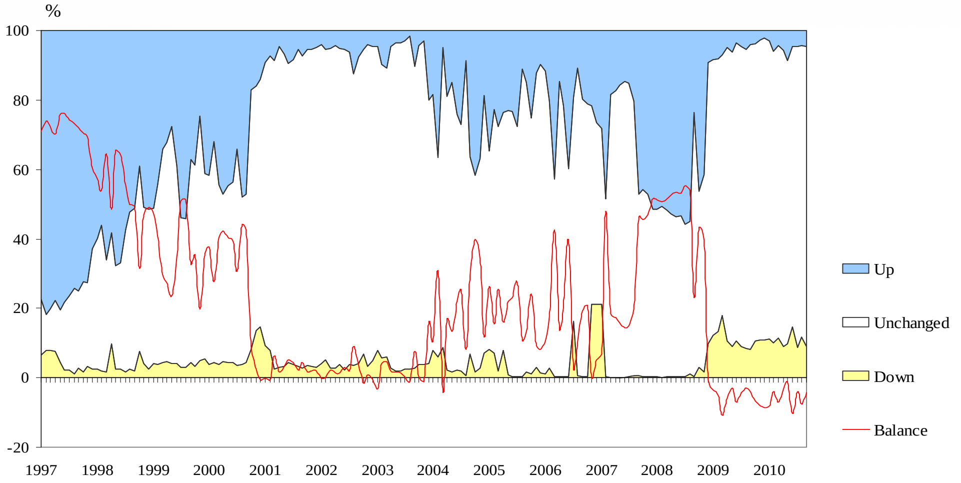

Figure 11. Business climate in retail trade

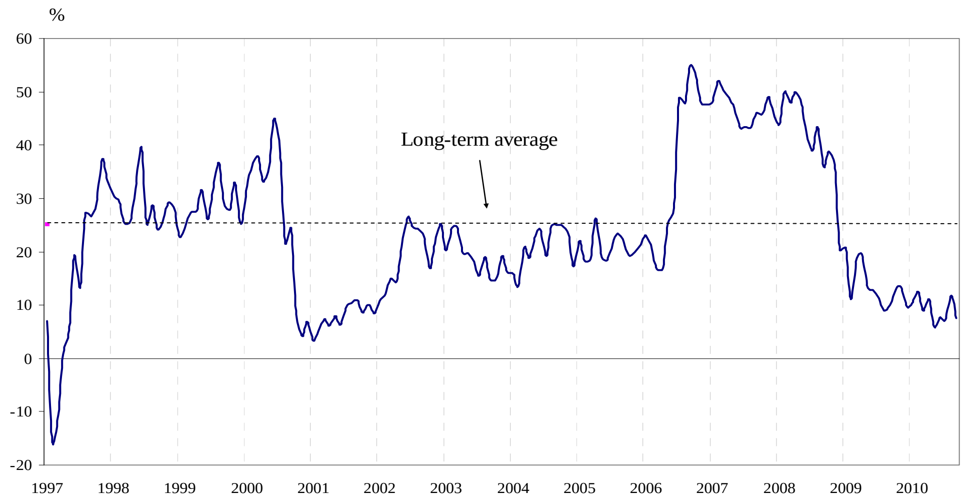

Figure 12. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)

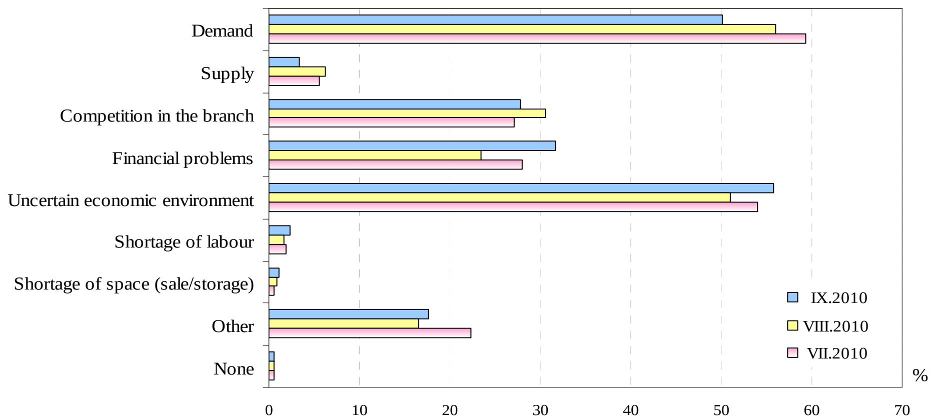

Figure 13. Selling prices expectations in retail trade over the next 3 months

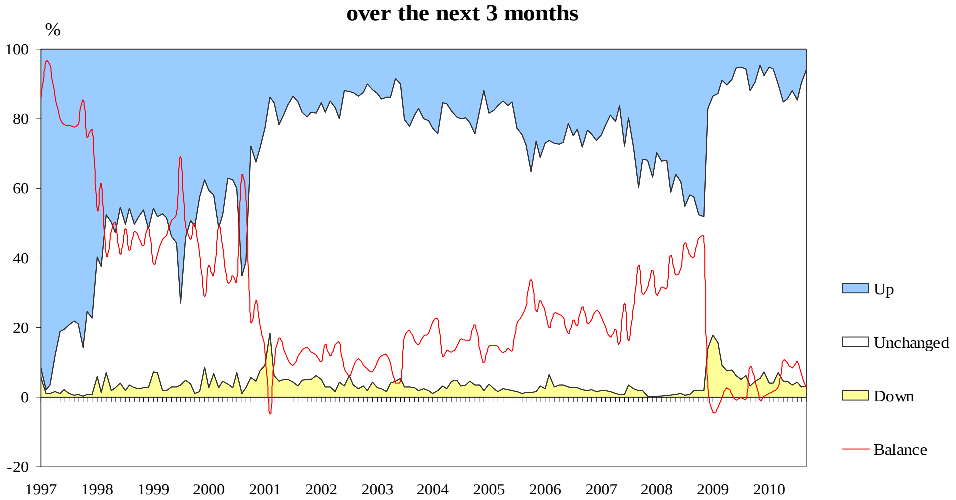

Figure 14. Business climate in service sector

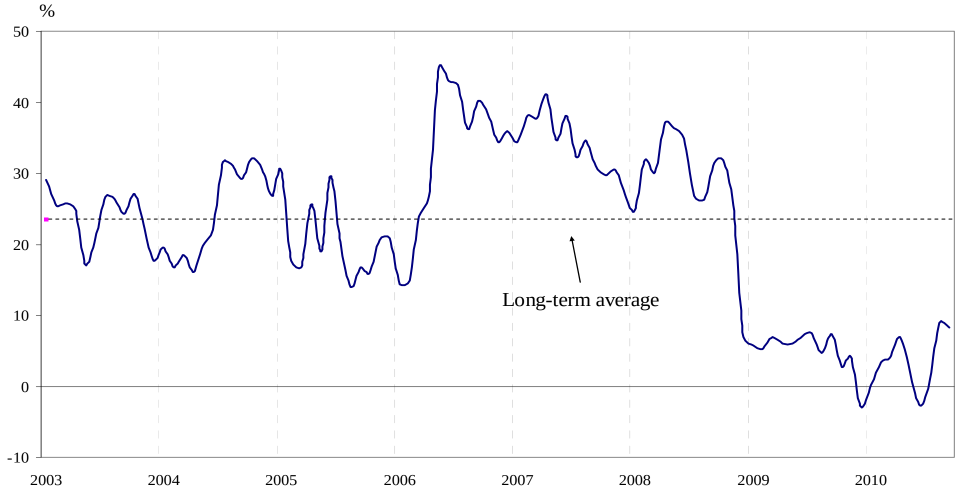

Figure 15. Expected business situation in service sector over the next 6 months

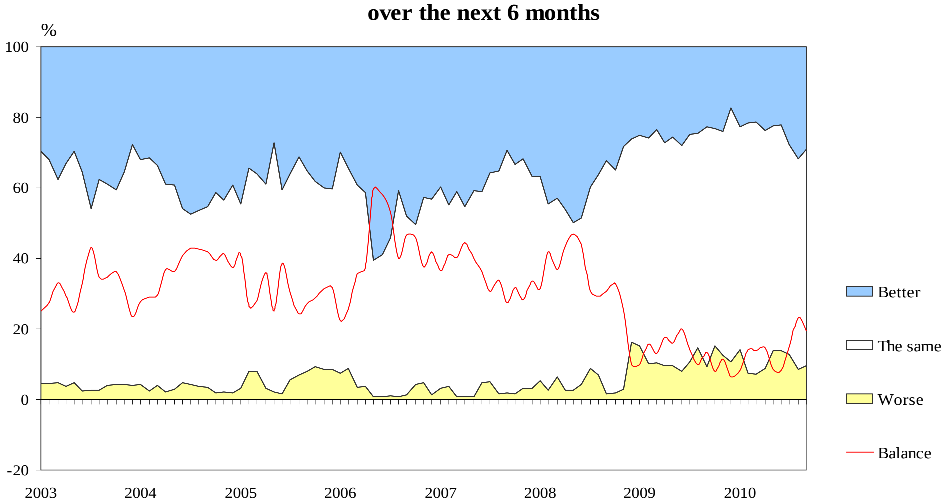

Figure 16. Expected demand in service sector over the next 3 months

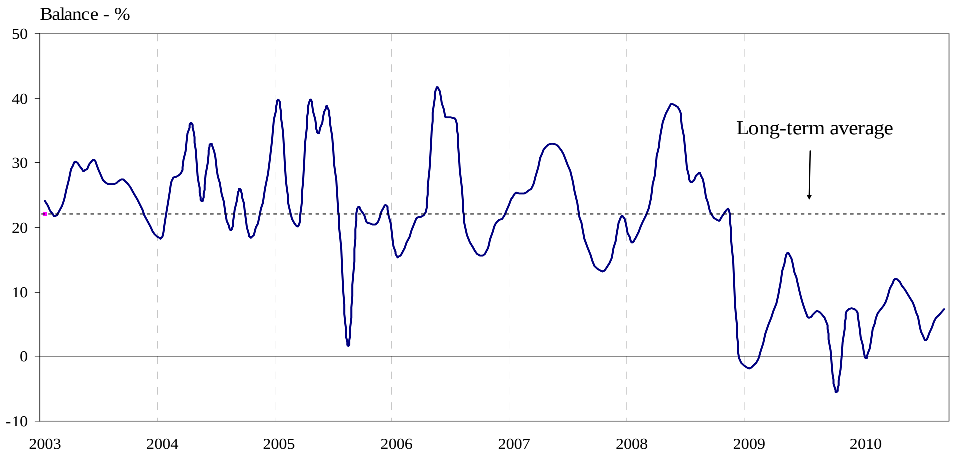

Figure 17. Prices expectations in service sector over the next 3 months