BUSINESS CONJUNCTURE

NSI BUSINESS SURVEYS[1, 2, 3], MAY 2011

In May 2011 **the total business climate indicator**[4] preserves its level from the previous month (Figure 1), as the inquiry registers a worsening of the business conjuncture only in industry.

Industry. The composite indicator of business climate in industry in May decreases by 2.4 percentage points in comparison with the previous month (Figure 2). The managers' assessments about the present business situation of enterprises are more reserved, as at the same time there is some negative correction in the expectations about the next 6 months. In May the inquiry also registers a decrease of production assurance with orders from abroad which is associated with reduced expectations about the activity of enterprises over the next 3 months (Figure 3).

The major problems for development of the business in the branch continue to be the uncertain economic environment and the insufficient demand, as the negative influence of the uncertain economic environment is above normal for this factor by 18.7 percentage points (Figure 4).

Attitudes of industrial entrepreneurs on selling prices in the branch are turning back upward over the next 3 months (Figure 5).

Construction. In May 2011 the composite indicator of business climate in construction increases by 3.7 percentage points (Figure 6) which is due to the more favourable construction entrepreneurs' assessments about the present business situation of enterprises. The business inquiry reports improvement in terms of construction activity (contraction of activity slows down) (Figure 7). The expectations for the next 3 months remain optimistic, though more reserved compared to April. According to managers, there is some improvement in the production assurance with orders (Figure 8).

The uncertain economic environment and financial difficulties continue to be the main problems for the branch as in the last month there is observed a reduction of their negative influence. Simultaneously the inquiry reports an increase of the negative impact of insufficient demand factor (Figure 9).

As regards the prices in the construction sector over the next 3 months an increase is not expected.

Retail trade. In May the composite indicator "business climate in retail trade" preserves its April level (Figure 10). According to the retailers the volume of sales continues to decrease over the last months.

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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.

However in their prognoses over the next 3 months both in sales and in orders placed with suppliers there is raised optimism (Figure 11).

The uncertain economic environment is the major factor limiting the activity of the enterprises in the sector as in May an increase of its negative influence is observed (by 8.7 percentage points) in comparison with the previous month (Figure 12).

The prevailing managers' expectations with regard to the selling prices in retail trade are for keeping their levels over the next 3 months.

Service sector[5]. In May the composite indicator business climate in service sector preserves its level from the previous month (Figure 13). According to managers' opinions the employment in the sector over the last 3 months has increased, and the expectations about the personnel over the next 3 months are in the same direction (Figure. 14). At the same time the expectations about demand for services over the next 3 months are also more optimistic (Figure 15).

The main factor limiting the activity of the enterprises is still the uncertain economic environment, followed by the competition in the branch whose negative influence slightly decreases in comparison with the previous month (Figure 16).

With regard to the selling prices in the service sector there are some expectations for their increase over the next 3 months.

[5] Excl. trade.

ANNEX

Figure 1. Business climate - total

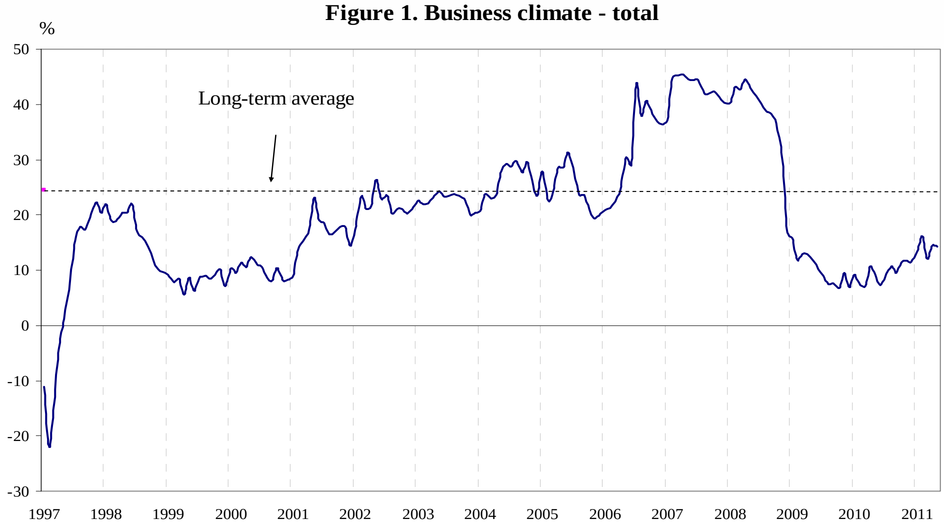

Figure 2. Business climate in industry

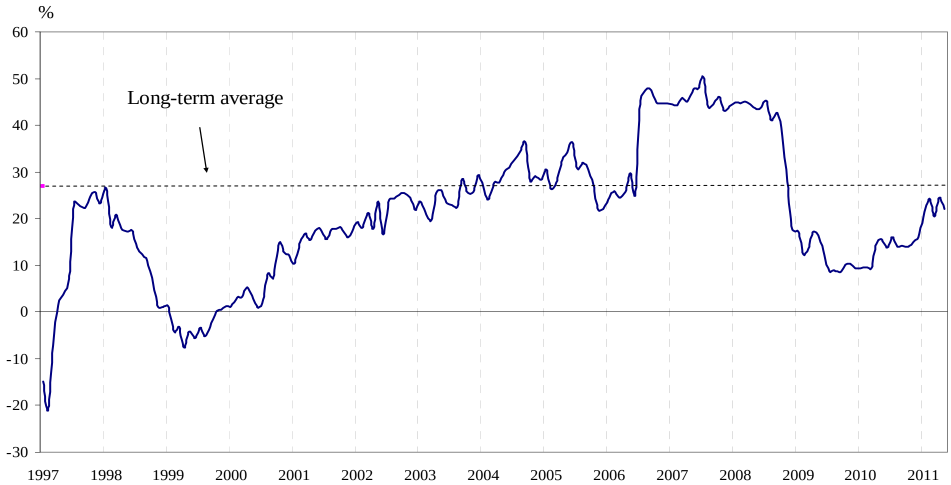

Figure 3. Expected production activity in industry over the next 3 months

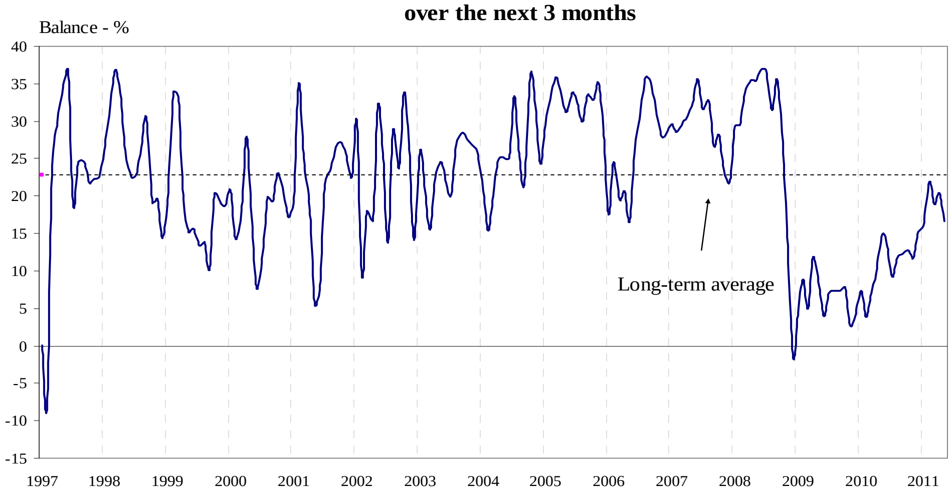

Figure 4. Limits to production in industry
(Relative share of enterprises)

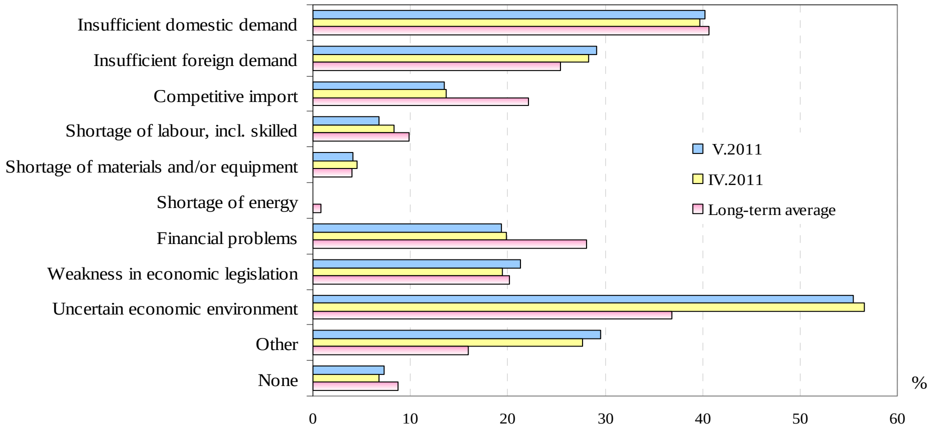

Figure 5. Selling prices expectations in industry
over the next 3 months

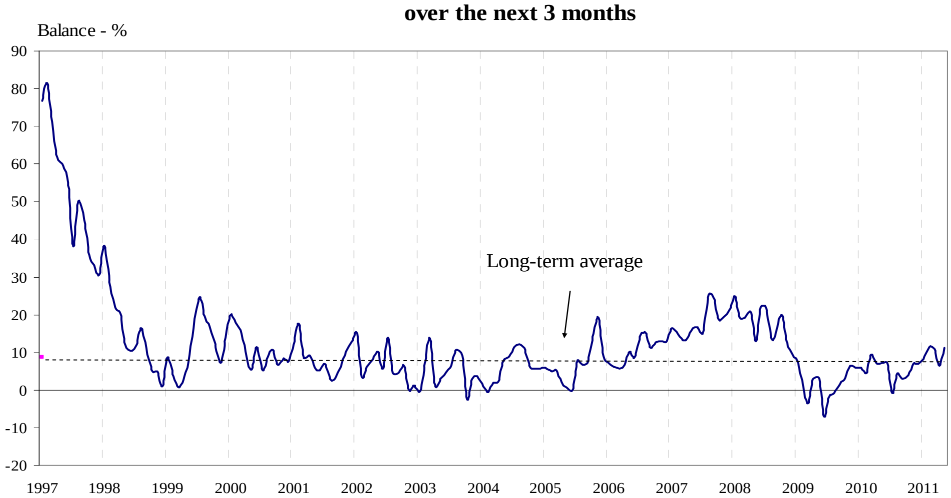

Figure 6. Business climate in construction

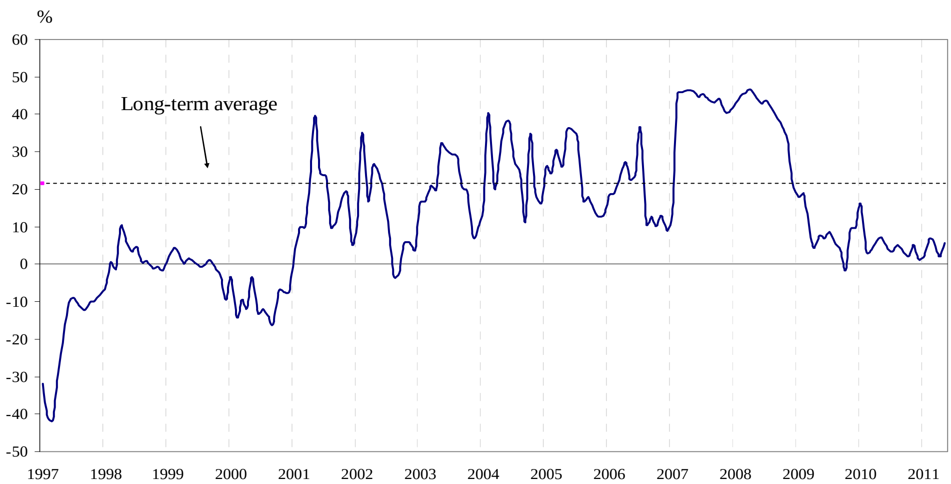

Figure 7. Present construction activity

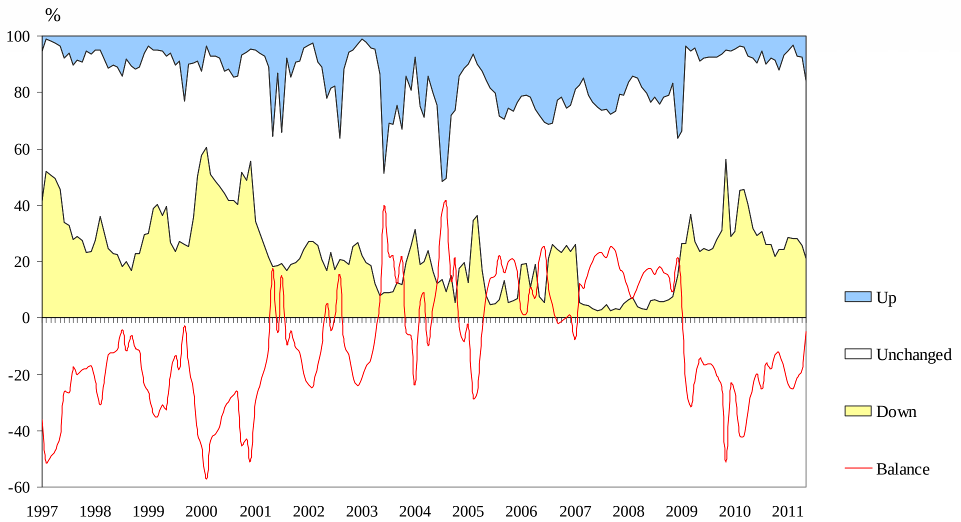

Figure 8. Production assurance with orders in construction

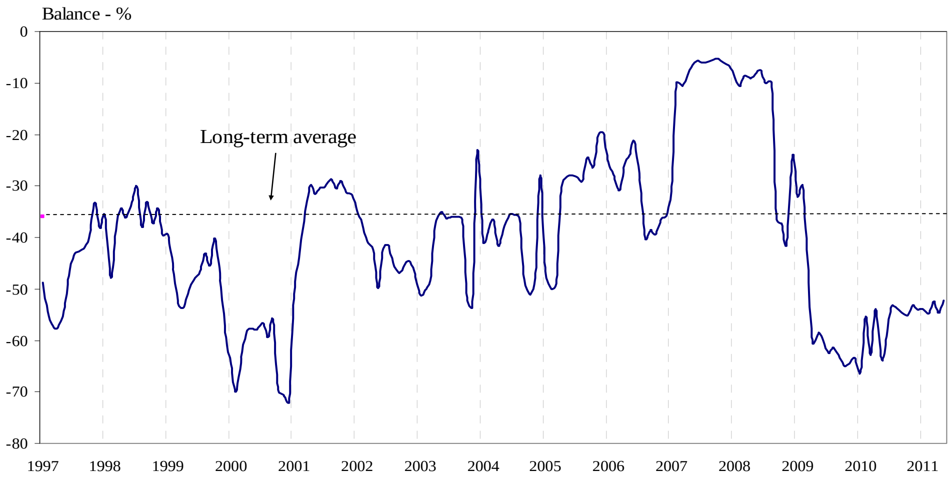

Figure 9. Limits to construction activity
(Relative share of enterprises)

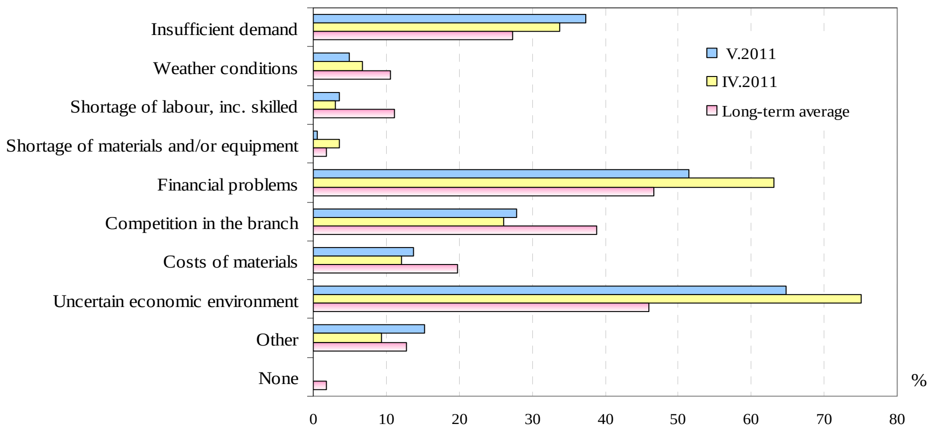

Figure 10. Business climate in retail trade

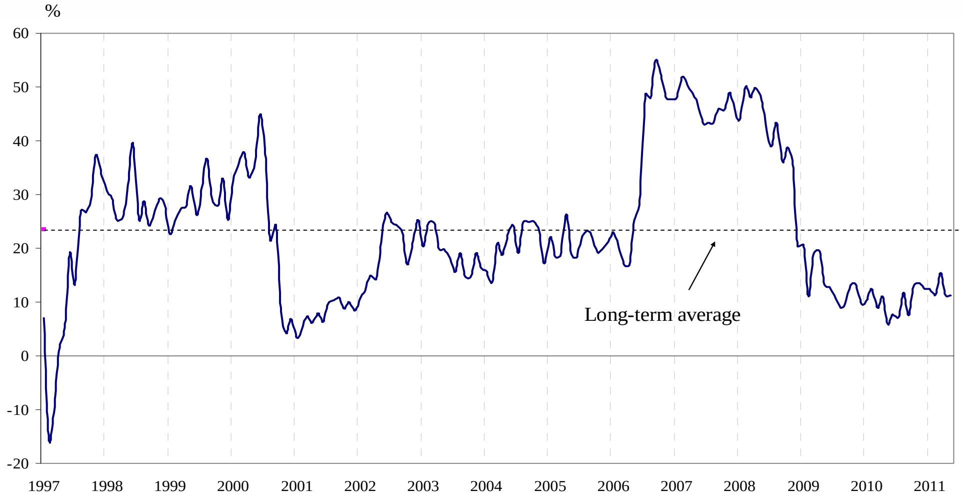

Figure 11. Expectations about orders placed with suppliers in retail trade over the next 3 months

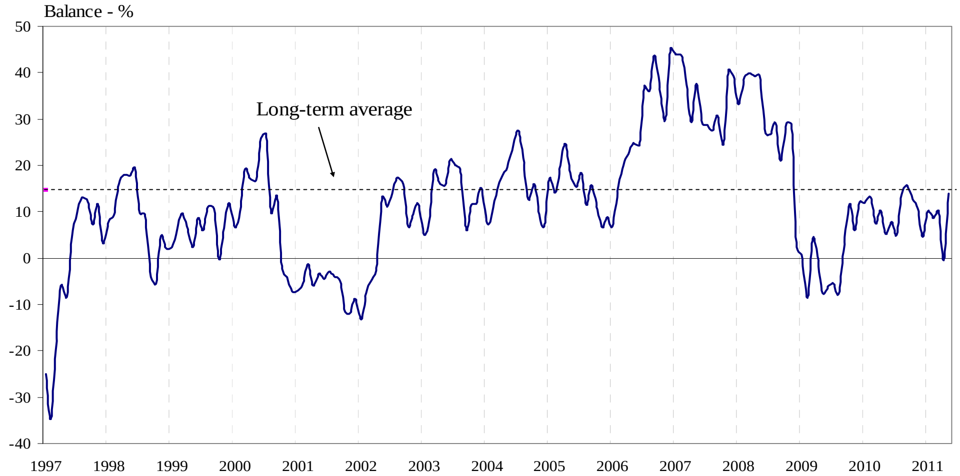

Figure 12. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)

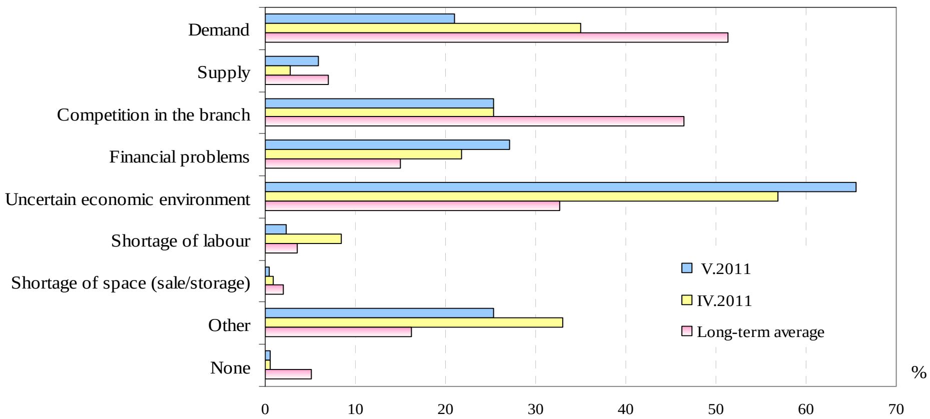

Figure 13. Business climate in service sector

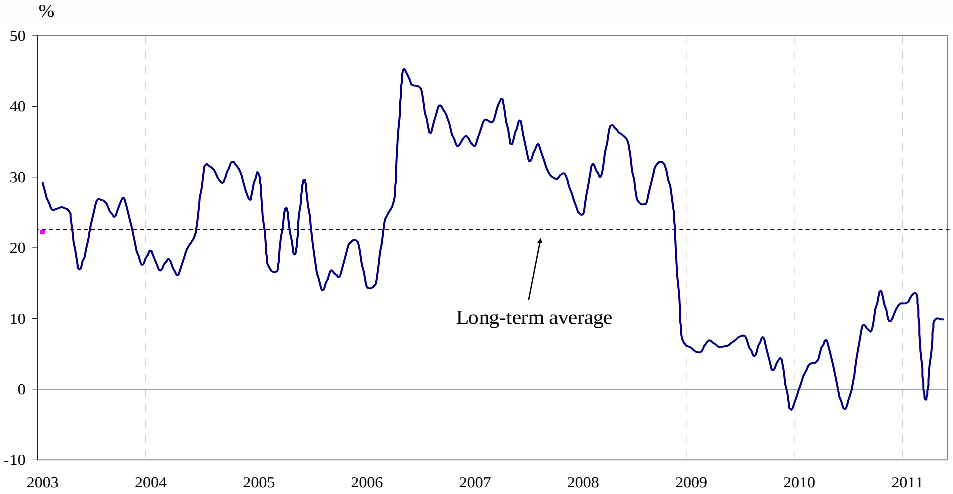

Figure 14. Employment expectations in service sector over the next 3 months

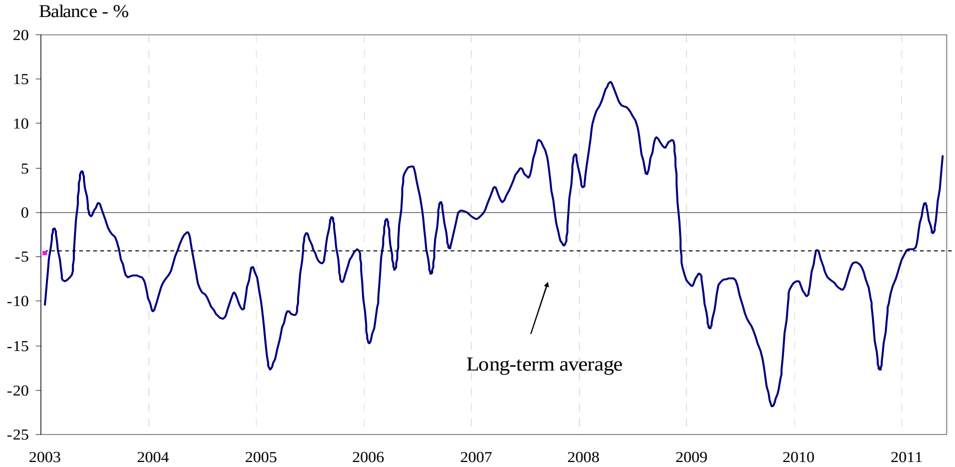

Figure 15. Expected demand in service sector over the next 3 months

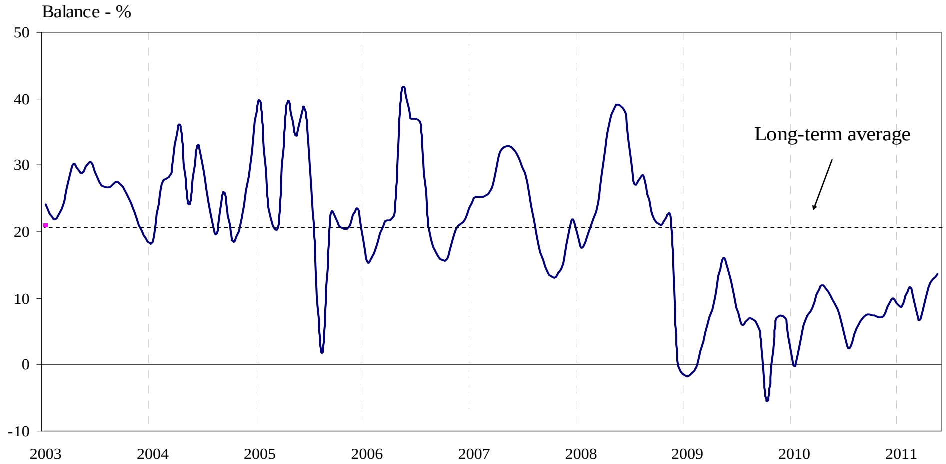

Figure 16. Factors limiting the activity in service sector
(Relative share of enterprises)