



BUSINESS CONJUNCTURE

NSI BUSINESS SURVEYS^{1, 2, 3}, JANUARY 2012

In January 2012 the **total business climate indicator**⁴ decreases by 0.7 percentage points compared to its level from the previous month (Figure 1) which is due entirely to the drop of the indicator in retail trade.

Industry. The business conjuncture in industry remains unchanged. In January the composite indicator “business climate in industry” preserves its level from the previous month (Figure 2). The managers preserve their opinions with regard to both the present and the expected business situation of the industrial enterprises and to the present and the expected production activity (Figure 3). The total production assurance with orders does not change despite the certain decrease in the orders from abroad and the expectations about the export are more reserved in comparison with the opinions expressed 3 months ago.

The average capacity utilization in January has increased by 2.5 percentage points in comparison with October 2011 and it reaches 71.9% (Figure 4). At the same time the enterprises expect a surplus of capacity over next months.

The main problems for the development of the business in the branch continue to be the uncertain economic environment and the insufficient domestic demand (pointed out respectively by 61.7 and 40.7% of the managers) which remain above its long-term average for the last 10 years (Figure 5).

The expectations of industrial entrepreneurs with regard to the selling prices are for the preservation of their level over the next 3 months (Figure 6).

Construction. In January the composite indicator “business climate in construction” increases by 3.7 percentage points in comparison with December 2011 (Figure 7) mainly due to the increased optimism in the construction entrepreneurs’ expectations about the business situation of enterprises over next 6 months (Figure 8). In the next half year the managers expect increased inflow of new orders in construction (Figure 9) which according to them will lead to a certain increase of the activity in the short term but without expectations of additional recruitments of labour force. However in January with regard to the present construction activity (Figure 10) and the assurance with orders the inquiry registers a drop. At the same time the indebtedness of the clients to the construction enterprises increases (Figure 11).

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.



The main factor limiting activity in the branch remains the uncertain economic environment as in the last month an increase of its negative impact is observed. Also the unfavorable influence of the factors “financial problems” and “insufficient demand” is strengthened (Figure 12).

Concerning the selling prices in construction the managers’ expectations are for the preservation of their level over the next 3 months (Figure 13).

Retail trade. In January the composite indicator “business climate in retail trade” decreases by 15.2 percentage points as compared to the previous month (Figure 14). This drop is due to the sharp worsening of the managers’ assessments and expectations about the business situation which is accompanied by a strongly expressed pessimism in the expectations about both the sales and the orders placed with suppliers over the next 3 months (Figure 15). With regard to the personnel the entrepreneurs have unfavorable expectations as they plan lay-offs over the next months.

The business inquiry in the retail trade in January registers some revaluation of the factors limiting the business development. The uncertain economic environment continues to be the main difficulty to the managers even though there is a decrease of its influence of 22.3 percentage points while the negative impact of the factors “demand” and “competition in the branch” are strengthened by 21.0 and 14.3 percentage points respectively (Figure 16).

With regard to the selling prices the managers do not expect an increase over the next 3 months.

Service sector⁵. The composite indicator “business climate in service sector” in January increases by 7.3 percentage points in comparison with the previous month (Figure 17), mostly due to the more optimistic managers’ expectations about the business situation of enterprises over next 6 months (Figure 18). The opinions of the present and expected demand for services are improved (Figure 19). However this is not accompanied by expectations of an increase of employment in the sector, on the contrary - the intentions are to release personnel over next 3 months.

The most important factor limiting the activity of the enterprises continues to be the uncertain economic environment followed by the competition in the branch as the impact of the first factor is strengthened. At the same time the negative influence of the factor “weakness in economic legislation” increases. In January the enterprises also have more financial problems (Figure 20).

As regards to the selling prices in the service sector for the first time in a half year the inquiry registers certain expectations about an increase over next 3 months (Figure 21).

⁵ Excl. trade.



Figure 1. Business climate - total



Figure 2. Business climate in industry

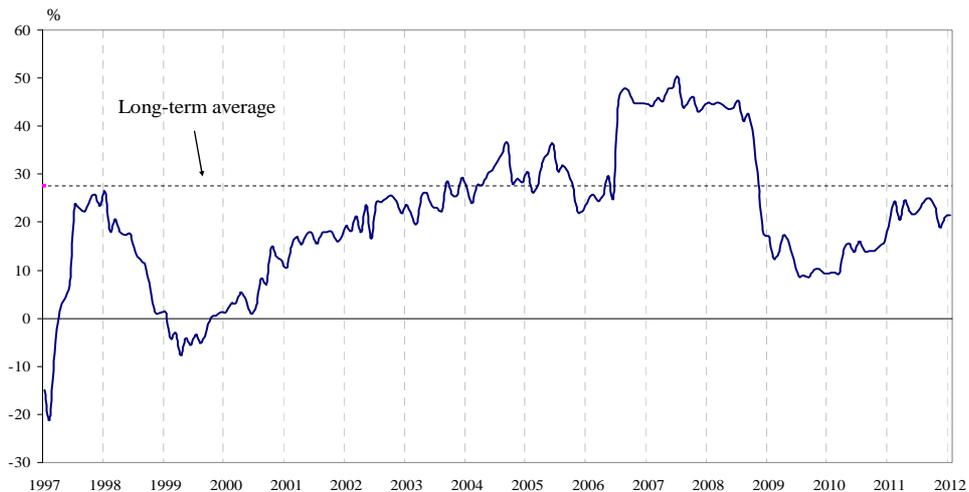


Figure 3. Expected production activity in industry over the next 3 months

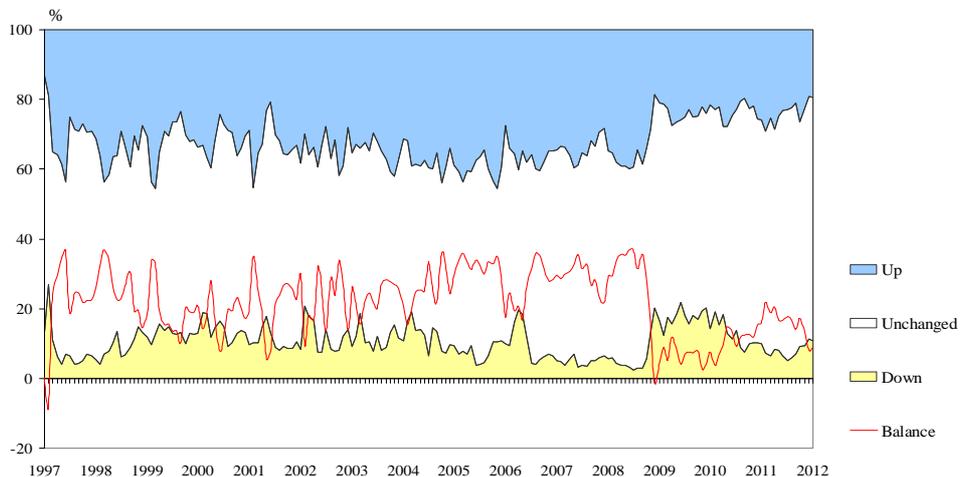
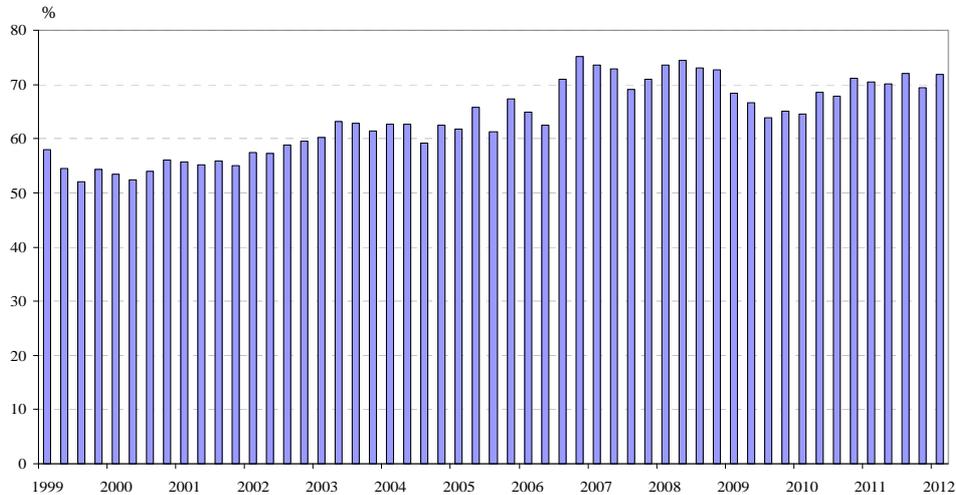
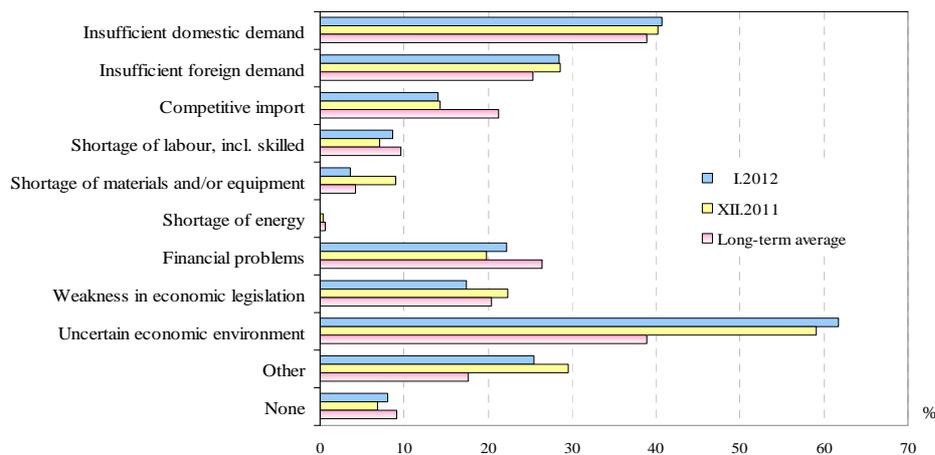




Figure 4. Average capacity utilization in industry



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



**Figure 6. Selling prices expectations in industry
over the next 3 months**

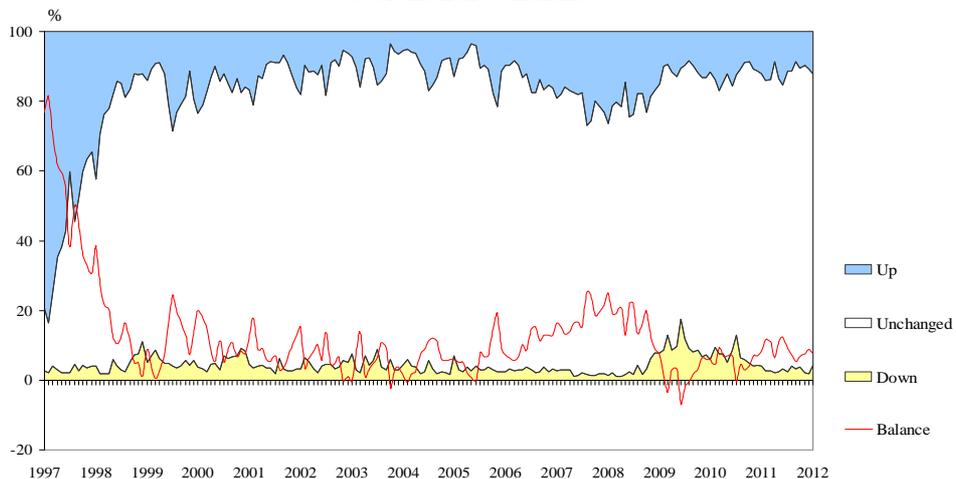




Figure 7. Business climate in construction

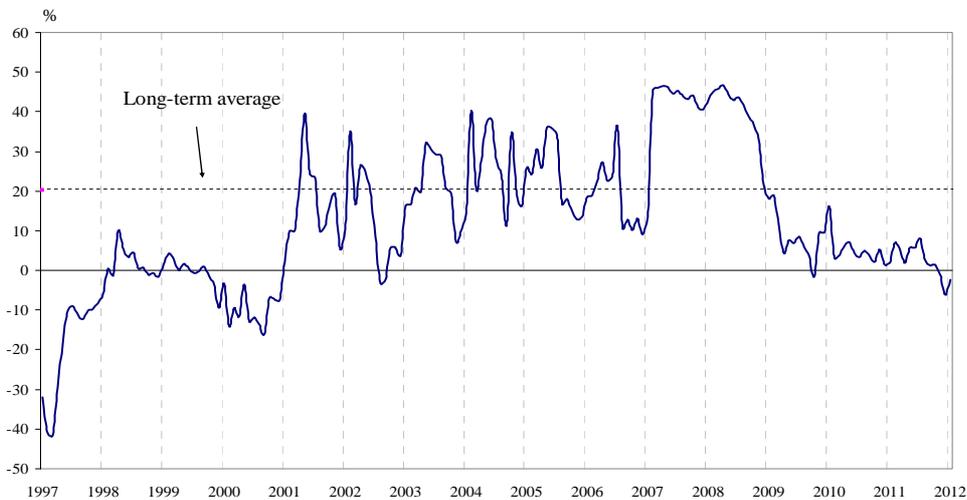


Figure 8. Expected business situation in construction over the next 6 months

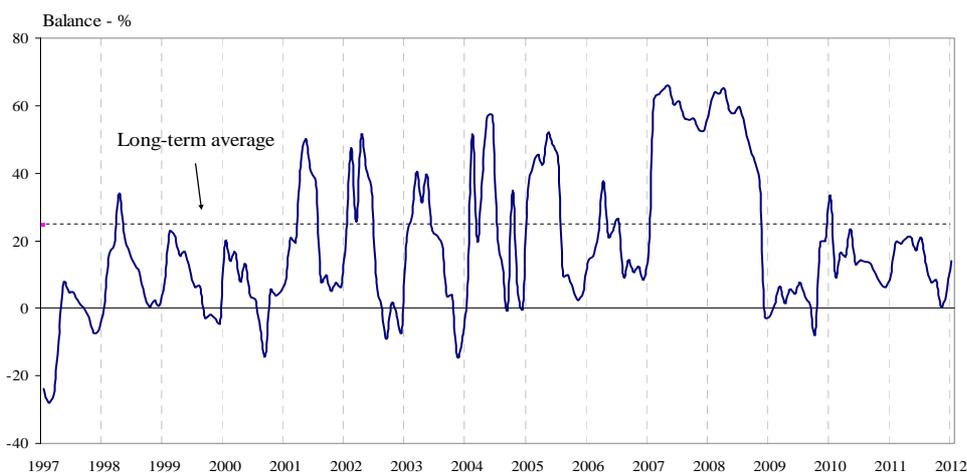


Figure 9. New orders expectations in construction over the next 6 months

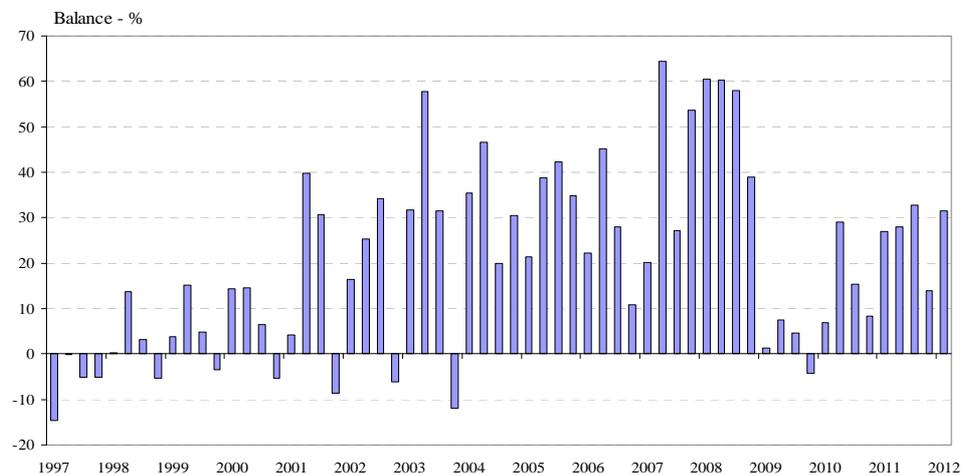




Figure 10. Present construction activity

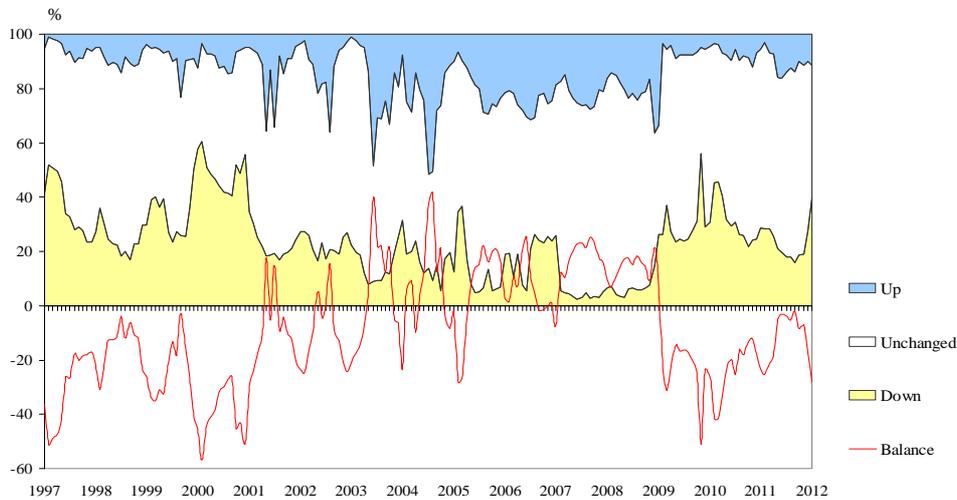
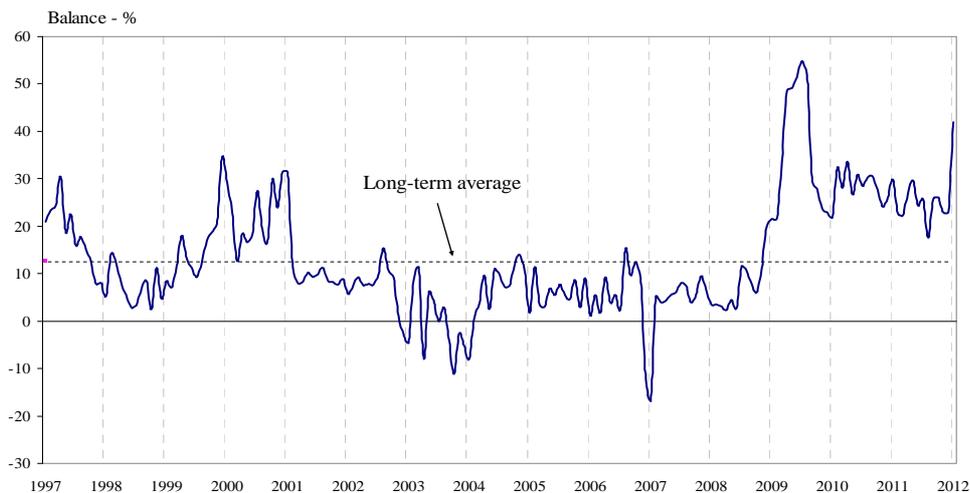


Figure 11. Clients with delay in payments in construction



**Figure 12. Limits to construction activity
(Relative share of enterprises)**

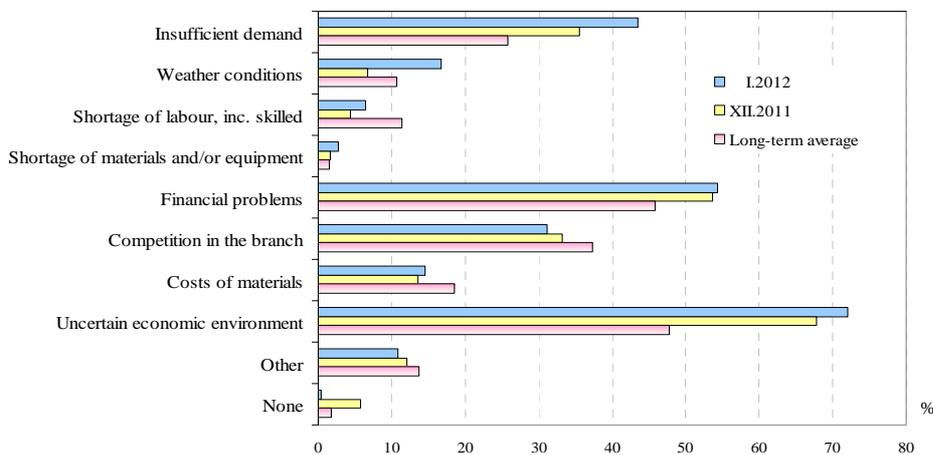




Figure 13. Selling prices expectations in construction over the next 3 months

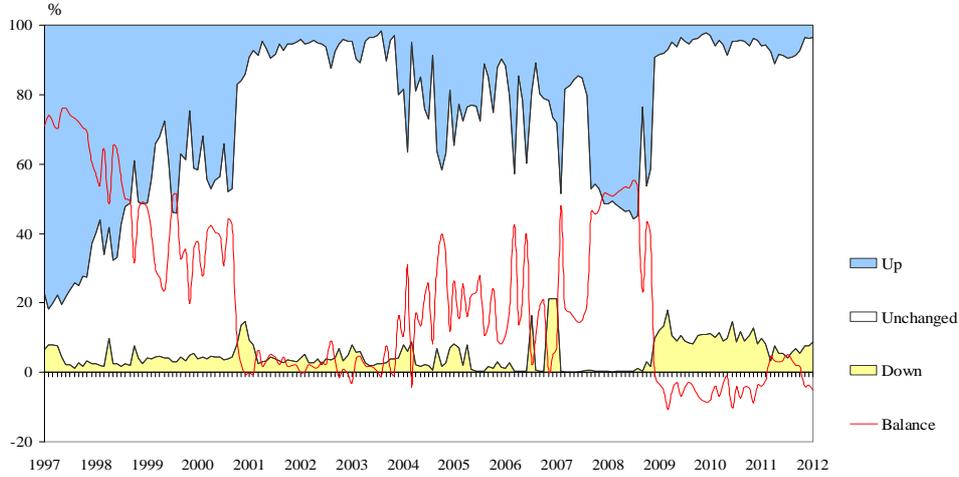


Figure 14. Business climate in retail trade

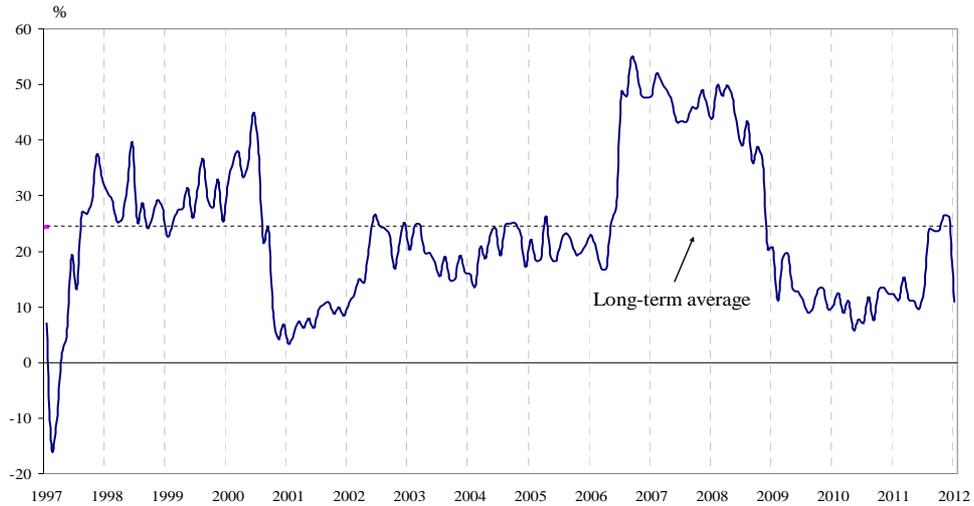


Figure 15. Expectations about orders placed with suppliers in retail trade over the next 3 months

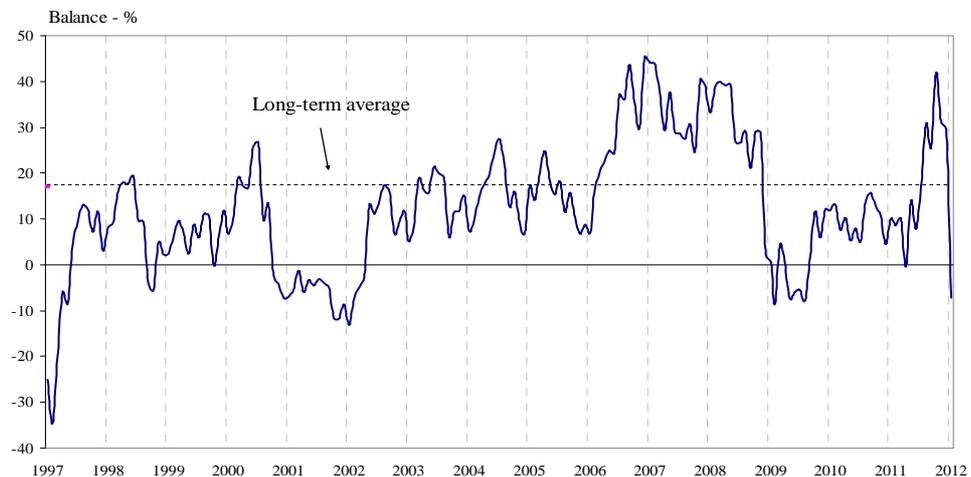




Figure 16. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)

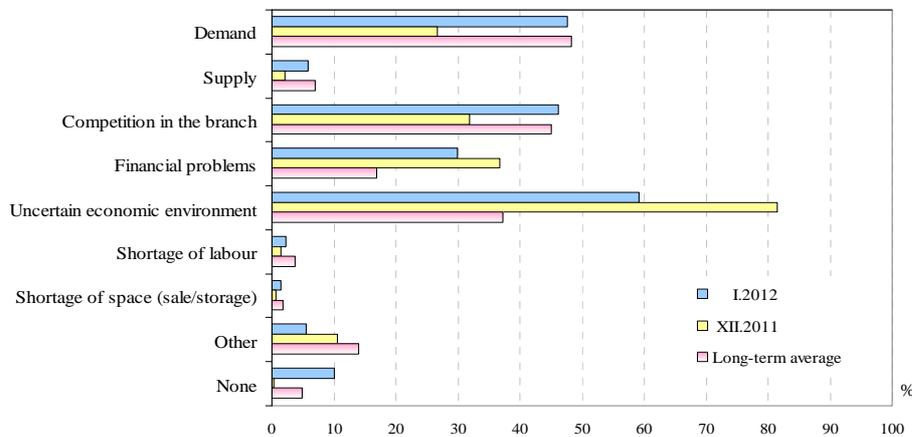


Figure 17. Business climate in service sector

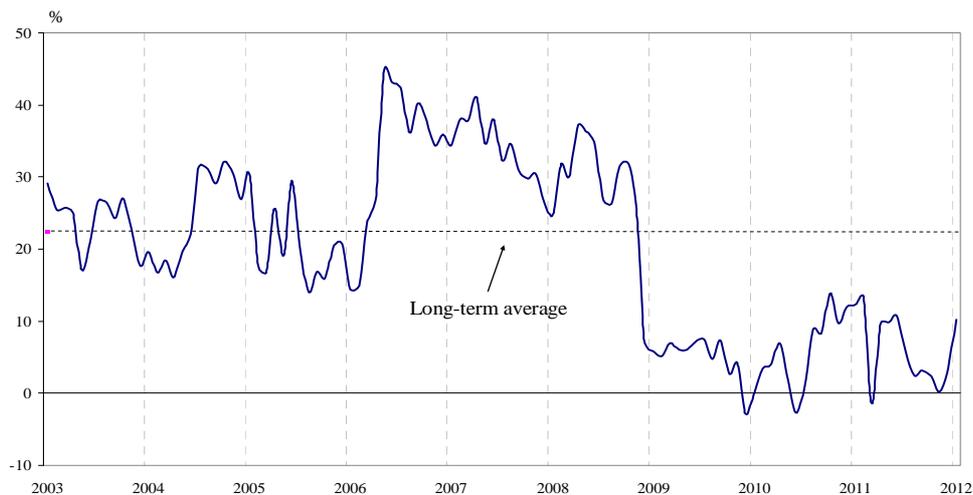


Figure 18. Expected business situation in service sector over the next 6 months

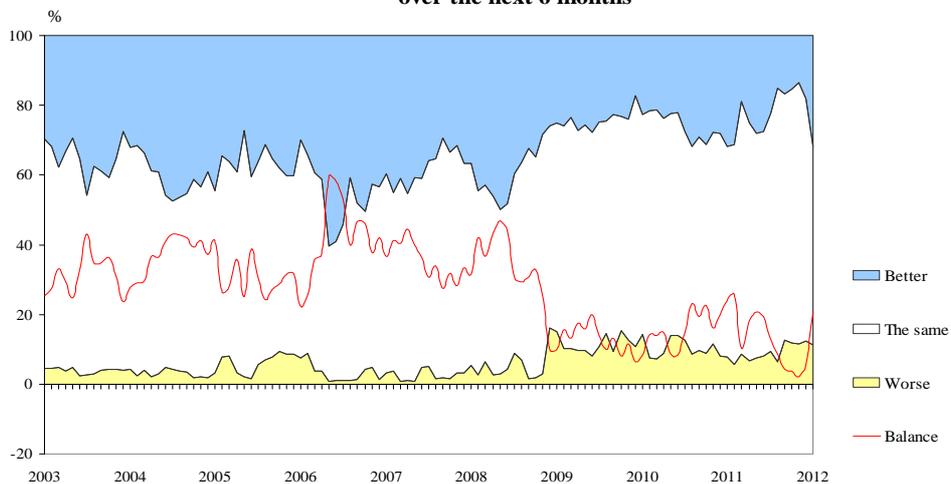




Figure 19. Expected demand in service sector over the next 3 months

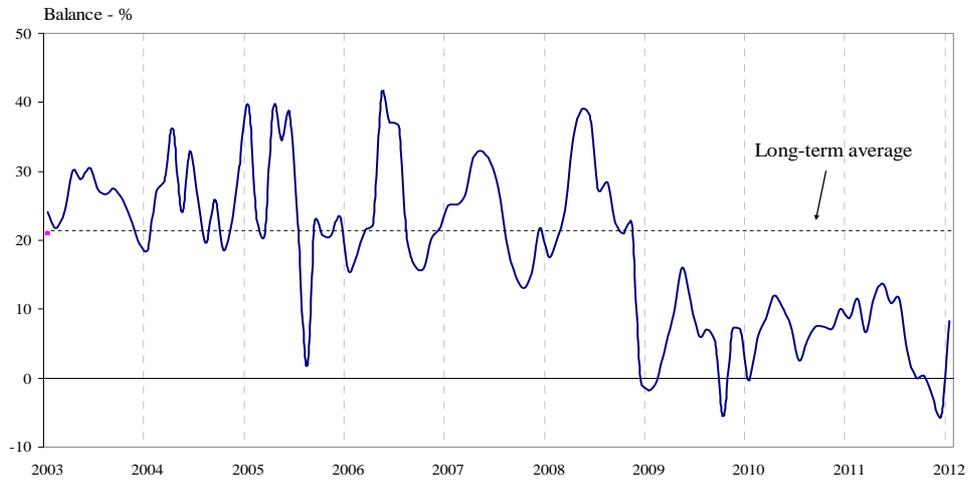


Figure 20. Factors limiting the activity in service sector (Relative share of enterprises)

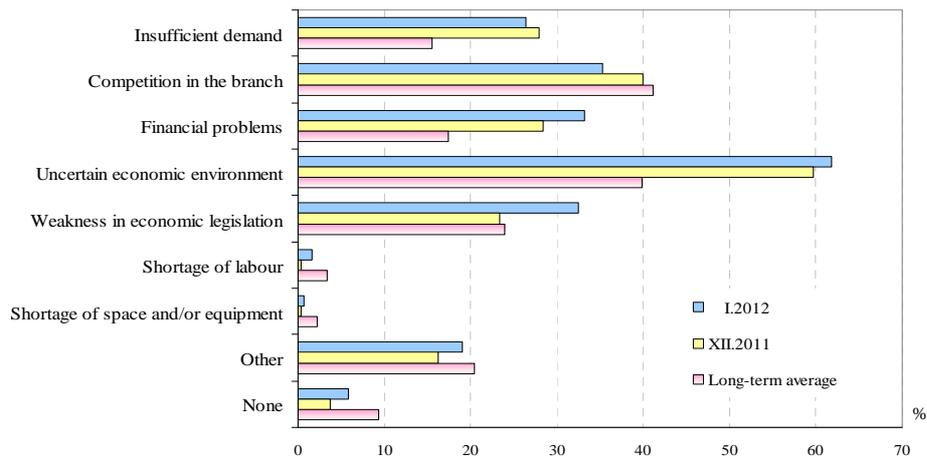


Figure 21. Prices expectations in service sector over the next 3 months

