



BUSINESS CONJUNCTURE

NSI BUSINESS SURVEYS^{1,2,3}, NOVEMBER 2010

In November 2010 the **total business climate indicator**⁴ registers a minimal increase of 0.3 percentage points in comparison with the previous month (Figure 1). The inquiry reports on a worsening of the business conjuncture only in the service sector, whereas in industry, construction and retail trade the level of the business climate increases.

Industry. The composite indicator of business climate in industry in November increases by 1.1 percentage points in comparison with October (Figure 2). This is due to the slightly more optimistic managers' expectations about the business situation of enterprises over the next 6 months. However the present production activity is assessed as decreased (Figure 3) and the expectations about the next 3 months are slightly more moderate in comparison with the previous month. The managers still have intentions of laying off personnel over the next 3 months.

In November the major problems for the business in the sector continue to be the uncertain economic environment and the insufficient demand, but while the negative influence of the demand decreases, the influence of the uncertain economic environment increases (Figure 4).

The industrial entrepreneurs' expectations with regard to the selling prices in the sector are for an increase over the next 3 months (Figure 5).

Construction. In November the composite business climate indicator increases by 3.1 percentage points (Figure 6) due to the more favourable managers' assessments of the present business situation of enterprises (Figure 7). In the managers' opinion there is a certain improvement of the present construction activity and the production assurance with orders in comparison with the previous month. However the expectations about the business situation of enterprises over the next 6 months and those about the construction activity are worsened (Figure 8). At the same time a further decrease of personnel is also expected. The number of clients with delay in payments has slightly decreased in comparison with October.

The main problems for the activity of construction enterprises continue to be the uncertain economic environment, the shortage of financial resources and the insufficient demand, as the negative influence of all three factors in November is strengthened (Figure 9).

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 expectations of the construction entrepreneurs regarding the selling prices are for a certain decrease over the next 3 months (Figure 10).

Retail trade. The composite indicator “business climate in retail trade” registers a minimal increase of 0.5 percentage points (Figure 11). The assessments of the present business situation of enterprises are improved, but the expectations about the next 6 months are more moderate. The volume of sales over the last 3 months is assessed more favourably, but the expectations about the orders placed with suppliers are lower (Figure 12).

The major factors limiting the activity of the enterprises in the sector are the uncertain economic environment, the insufficient demand and the financial problems. The negative influence of the financial problems is significantly strengthened in November, making the insufficient demand the third strongest factor (Figure 13).

The prevailing managers’ expectations regarding the selling prices in retail trade are for the preservation of their level over the next 3 months (Figure 14).

Service sector⁵. In November the composite indicator of business climate registers a decrease of 4.2 percentage points (Figure 15), which is due to the worsened managers’ assessments and expectations about the business situation of enterprises. The demand for services over the last 3 months has decreased (Figure 16), which is accompanied by a reduction of personnel over the last 3 months. The expectations regarding the employment over the next 3 months are also for a decrease, but with a lower rate (Figure 17).

The uncertain economic environment is the most serious factor limiting the activity of the enterprises, followed by the competition in the branch. At the same time the negative influence of the insufficient demand and financial problems increases in comparison with the previous month (Figure 18).

With regard to the selling prices in the service sector the managers continue to expect a decrease over the next 3 months.

⁵ Excl. trade.



Figure 1. Business climate - total

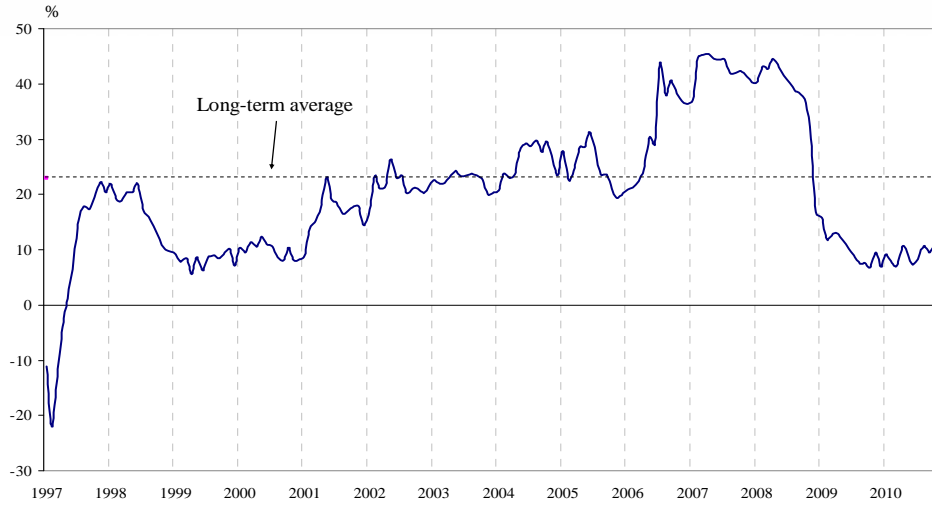


Figure 2. Business climate in industry

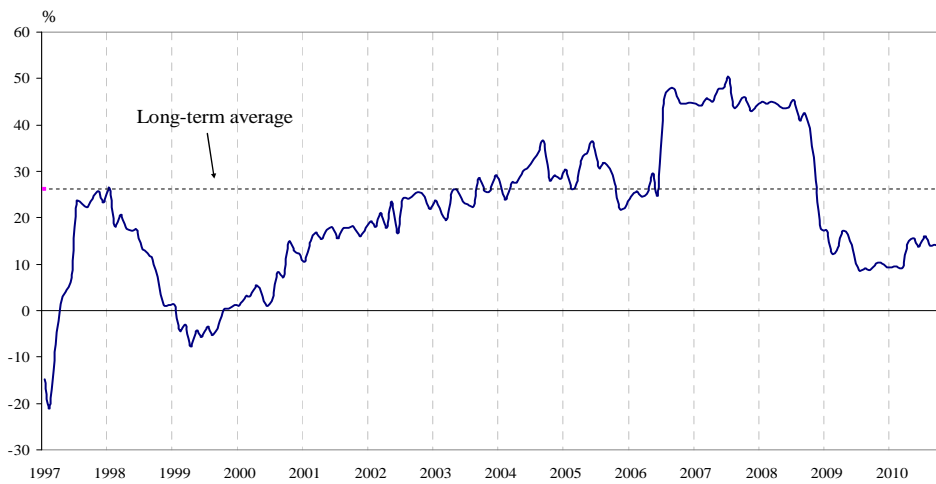
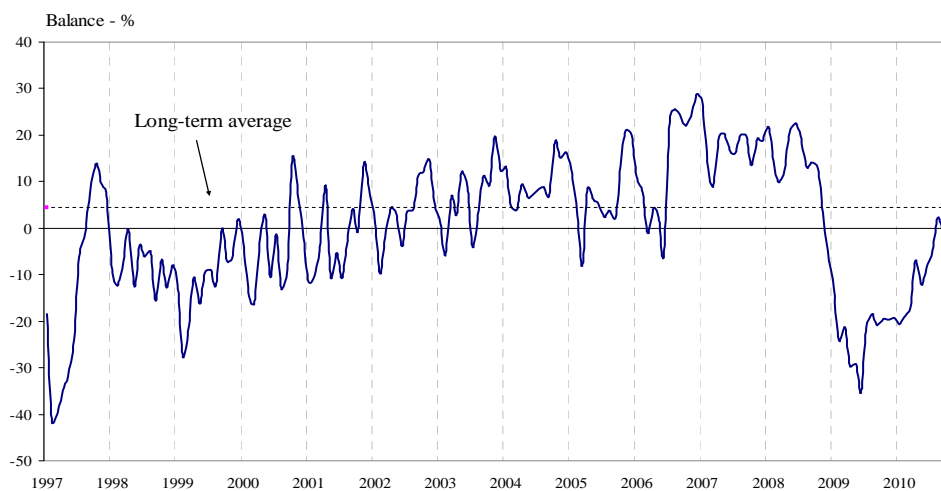
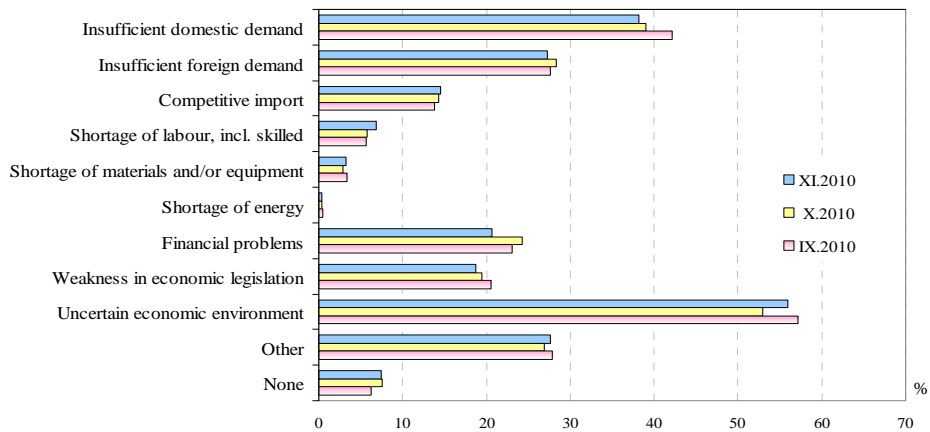


Figure 3. Present production activity in industry





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



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

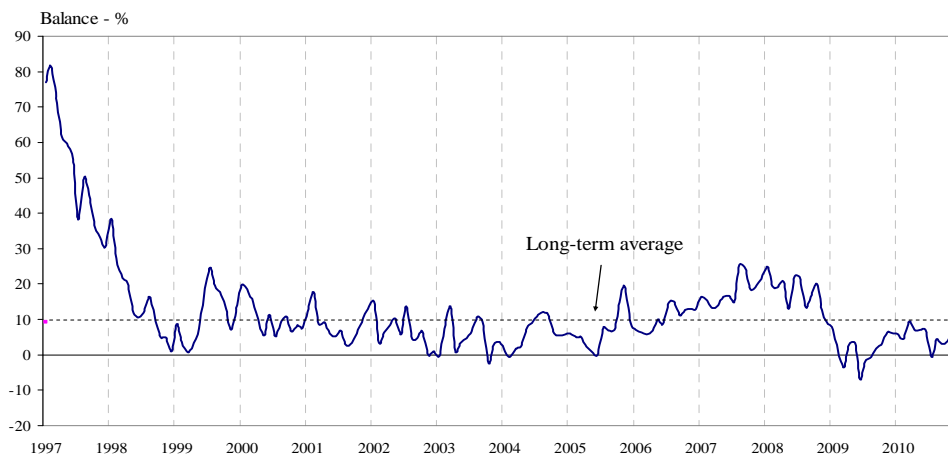


Figure 6. Business climate in construction

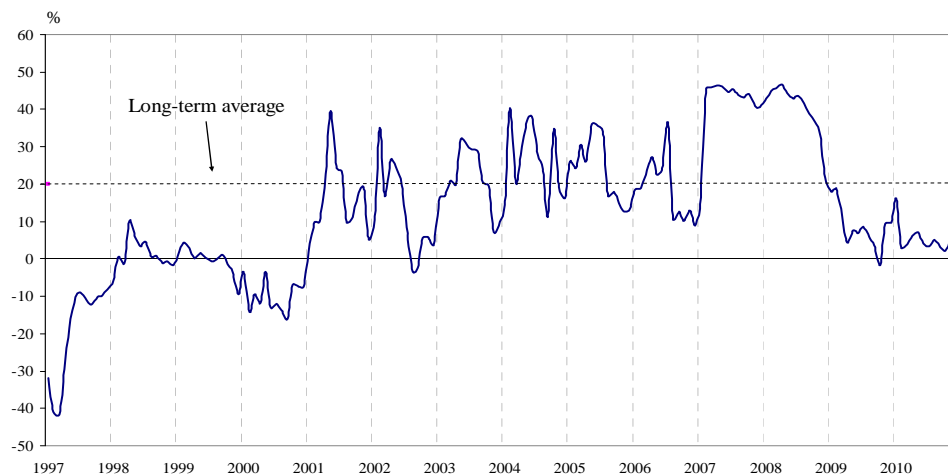




Figure 7. Present business situation in construction

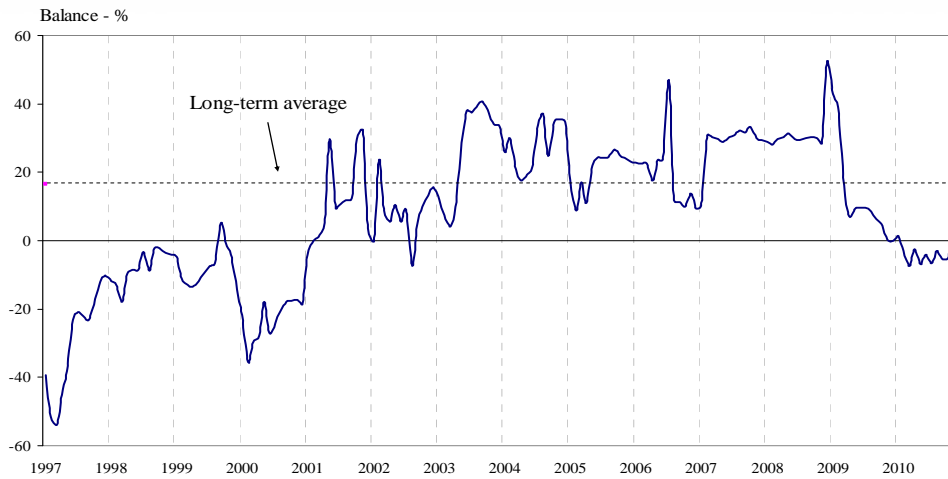


Figure 8. Expected construction activity over the next 3 months

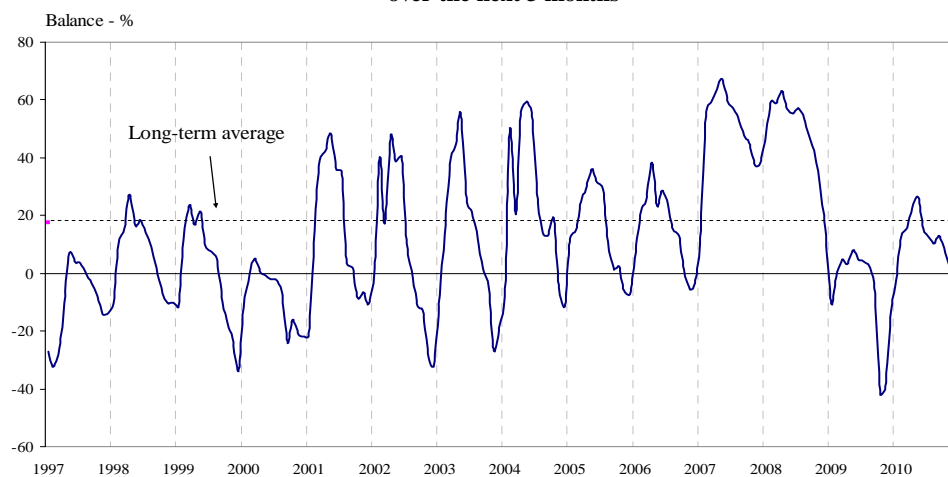


Figure 9. Limits to construction activity (Relative share of enterprises)

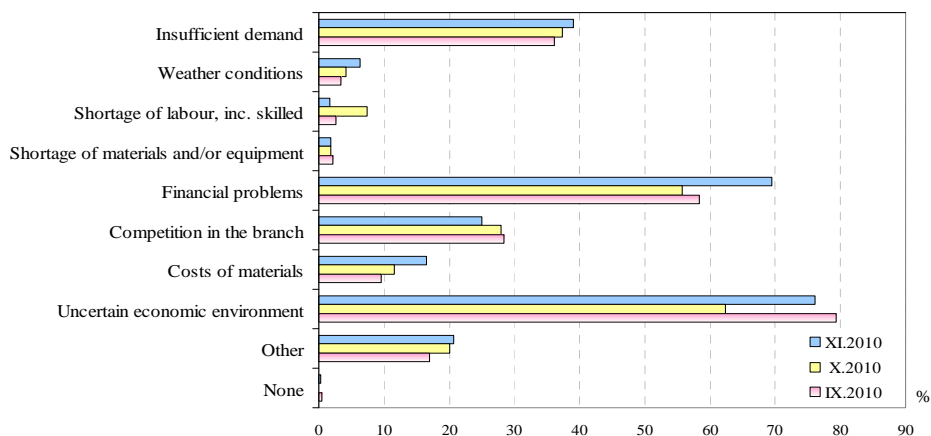




Figure 10. Selling prices expectations in construction over the next 3 months

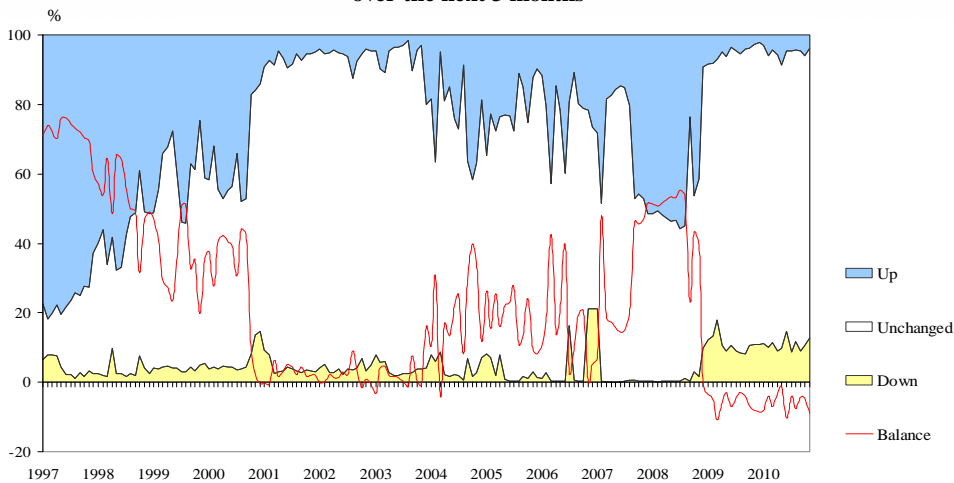


Figure 11. Business climate in retail trade

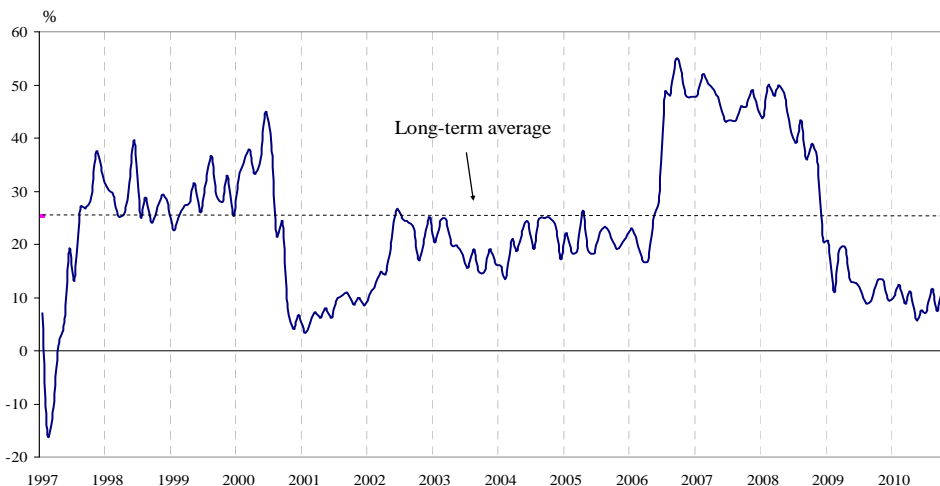


Figure 12. Expectations about orders placed with suppliers in retail trade over the next 3 months

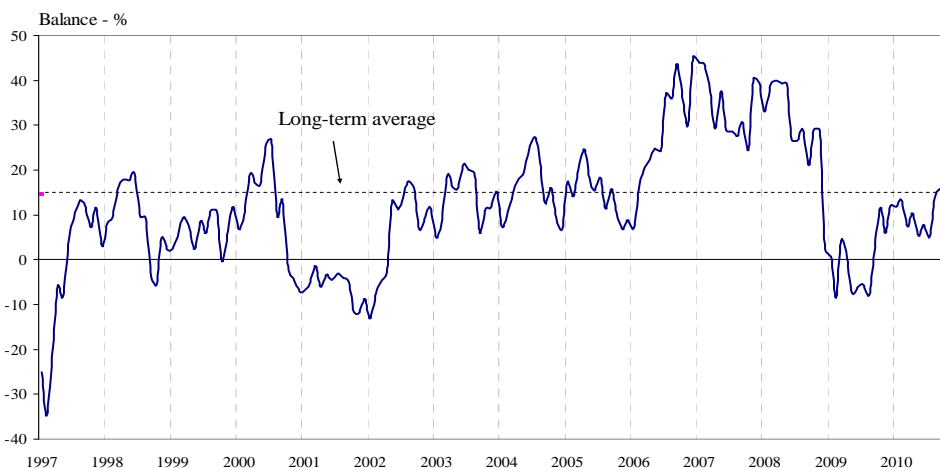




Figure 13. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)

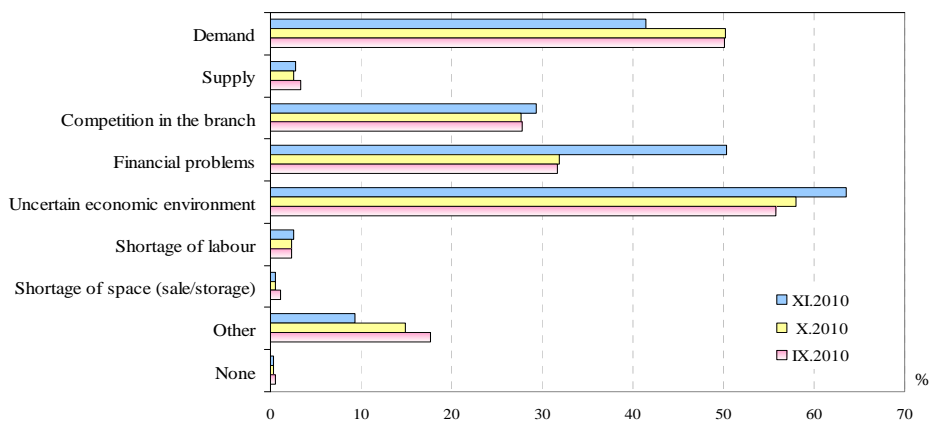


Figure 14. Selling prices expectations in retail trade over the next 3 months

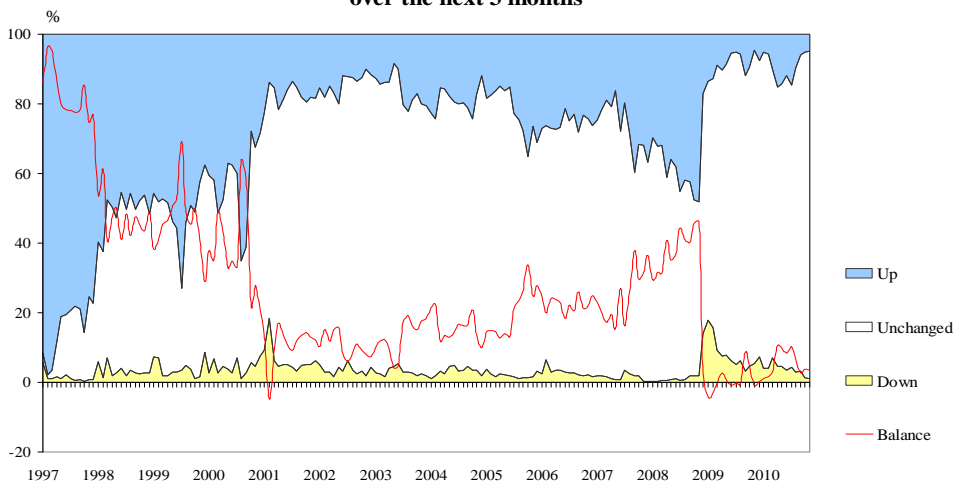


Figure 15. Business climate in service sector

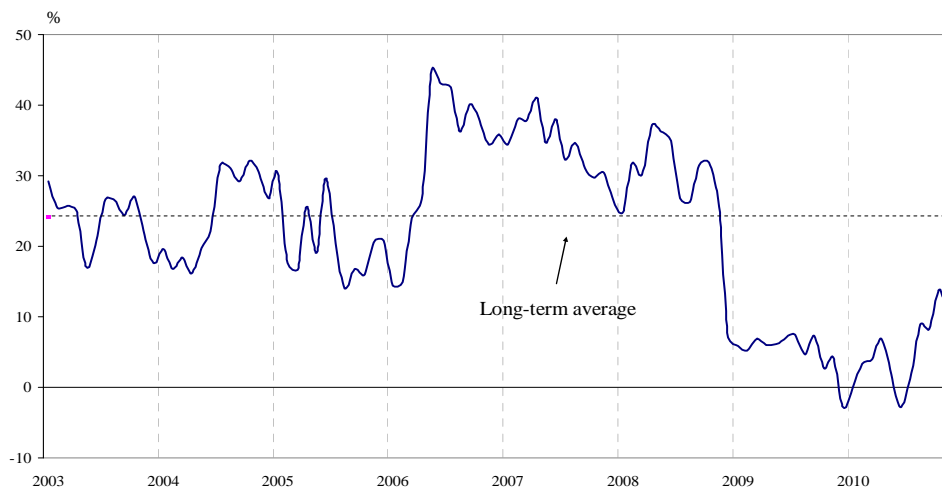




Figure 16. Demand in service sector over the last 3 months

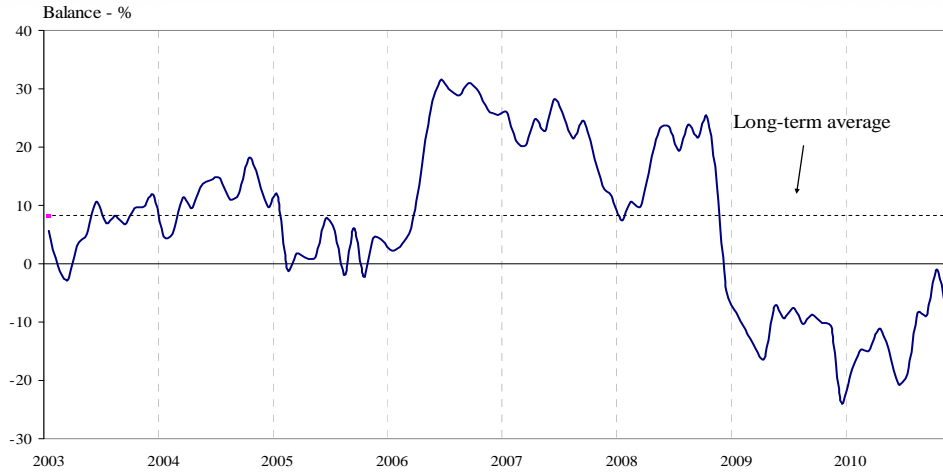


Figure 17. Employment expectations in service sector over the next 3 months

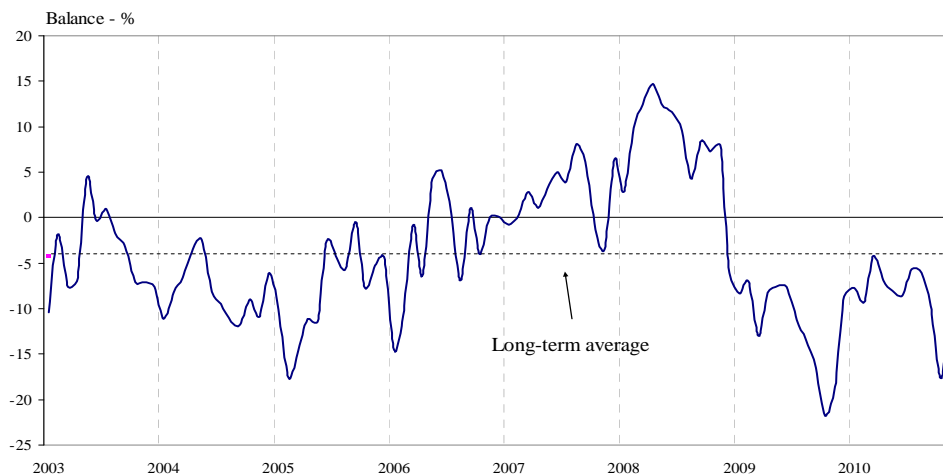


Figure 18. Factors limiting the activity in service sector (Relative share of enterprises)

