BUSINESS CONJUNCTURE

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

In June 2011 **the total business climate indicator**[4] decreases by 0.4 percentage points compared to its level from the previous month (Figure 1) as the inquiry registers some improvement of the business conjuncture only in the service sector.

Industry. The composite indicator of business climate in industry decreases by 0.5 percentage points in comparison with May (Figure 2). That is due to the worsened managers' expectations about business situation of the enterprises over the next 6 months (Figure 3) since as regards the present situation the tendency of the improvement of the assessments remains (Figure 4). The last inquiry records increased activity (Figure 5) but still without intentions of additional hiring of personnel.

In June the uncertain economic environment and the insufficient domestic demand are the main factors limiting the industrial activity, as the uncertain economic environment is still above its usual average value for the last 10 years (by 19.2 percentage points) (Figure 6).

Attitudes on raising selling prices in the branch over the next months from May reserve also in June (Figure 7).

Construction. The composite indicator of business climate in construction in June preserves its level from the previous month (Figure 8). The data of last inquires show that there is a tendency of ceasing the contraction of the activity (Figure 9), as at the same time some optimism in the expectations for the next 3 months is also recorded. The inquiry registers as well a decrease of the number of clients with delay in payments (Figure 10).

The uncertain economic environment and financial problems continue to be the main factors limiting the activity in the branch as over the last month their negative influence has been strengthened and remains on levels above their long-term averages for last 10 years (Figure 11).

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

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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. In June the composite indicator “business climate in retail trade” decreases by 1.7 percentage points compared to the previous month which is due to the unfavourable managers assessments about the present business situation of the enterprises (Figure 12). Regarding sales and orders placed with suppliers over the next 3 months the retailers’ expectations are reserved (Figure 13). There are no intentions for increase of the personnel as well.

The uncertain economic environment continues to be the major factor limiting the activity of the enterprises in the sector although in June its adversely influence decreases compared to previous month. The level remains significantly above the usual for the last 10 years (by 29.8 percentage points). At the same time the negative influence of the factor „demand” strengthens (by 6.5 percentage points) (Figure 14).

With regard to the selling prices the managers don’t foresee an increase over the next 3 months (Figure 15).

Service sector[5]. In June only in the service sector the NSI business inquires register an increase of the composite indicator “business climate” (by 0.9 percentage points) (Figure 16). The assessments of the present business situation of enterprises are improved, but the expectations about the next 6 months are more reserved. The prognoses for the demand for services over the next 3 months are also worsened (Figure 17). 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 (Figure 18).

The major problems for the activity in the sector continue to be the uncertain economic environment and the competition in the branch, as the negative influence of both factors strengthens in the last month and it is still greater than the usual for the last 10 years (Figure 19).

The prevailing expectations with regard to the selling prices are for preserving of their level over the next 3 months.

[5] Excl. trade.

Figure 1. Business climate - total

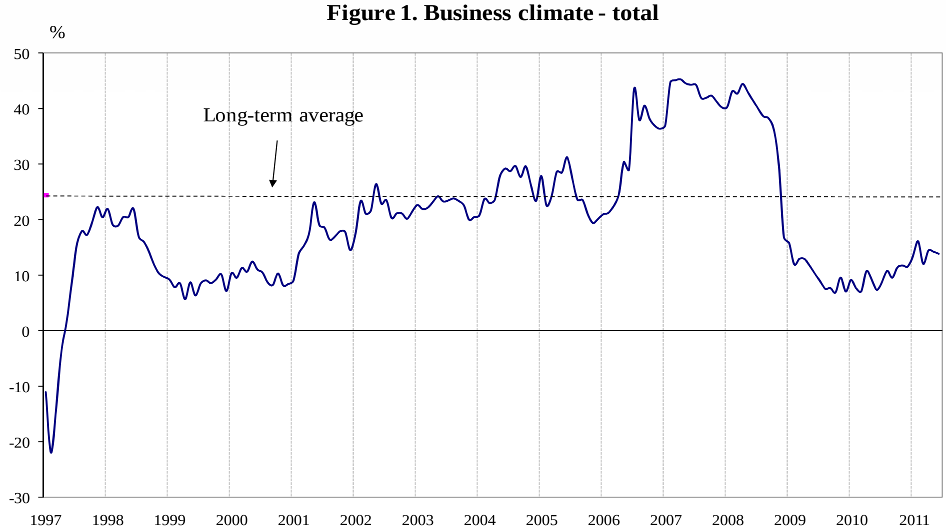

Figure 2. Business climate in industry

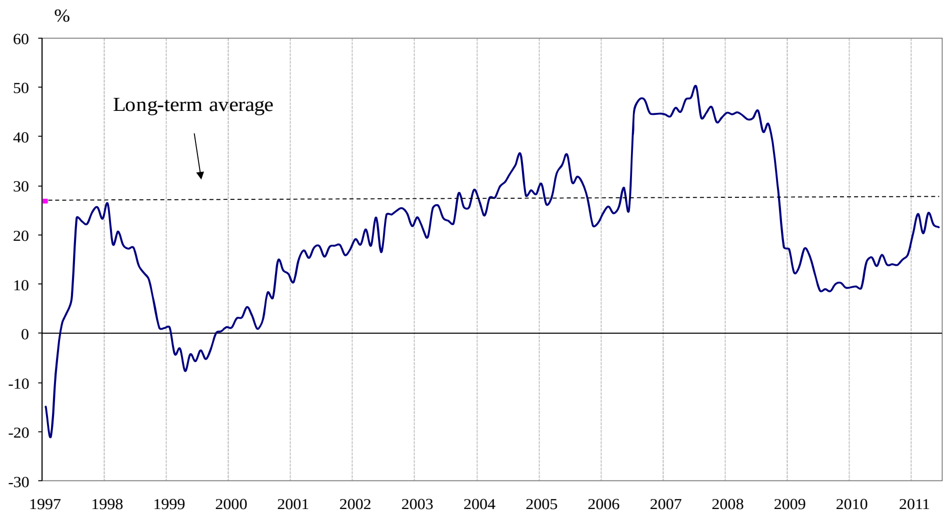

Figure 3. Expected business situation in industry over the next 6 months

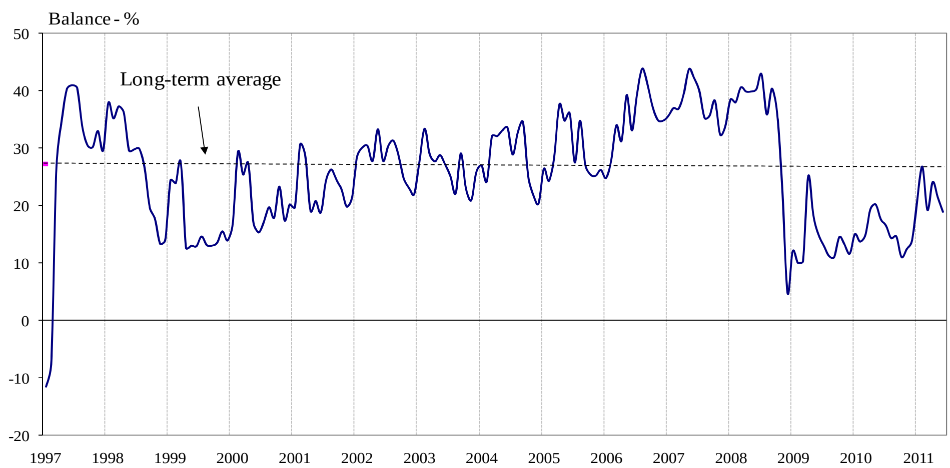

Figure 4. Present business situation in industry

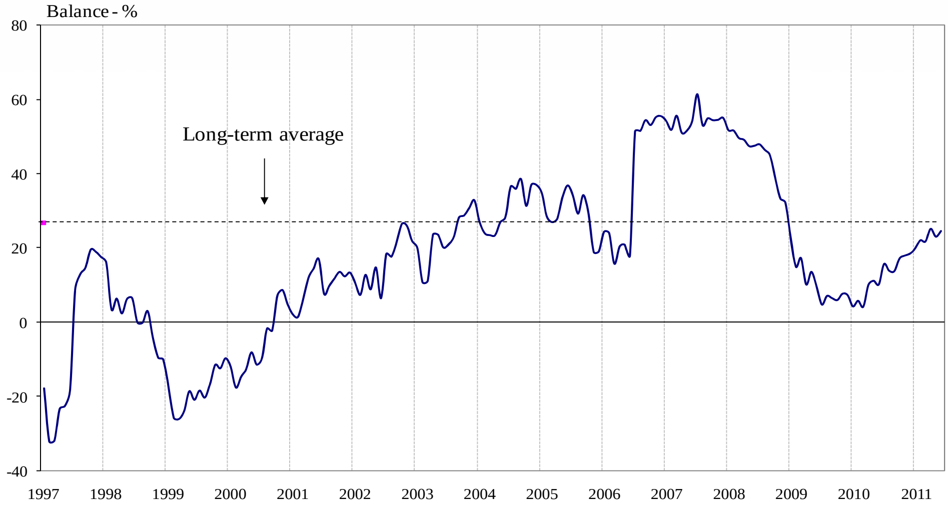

Figure 5. Present production activity in industry

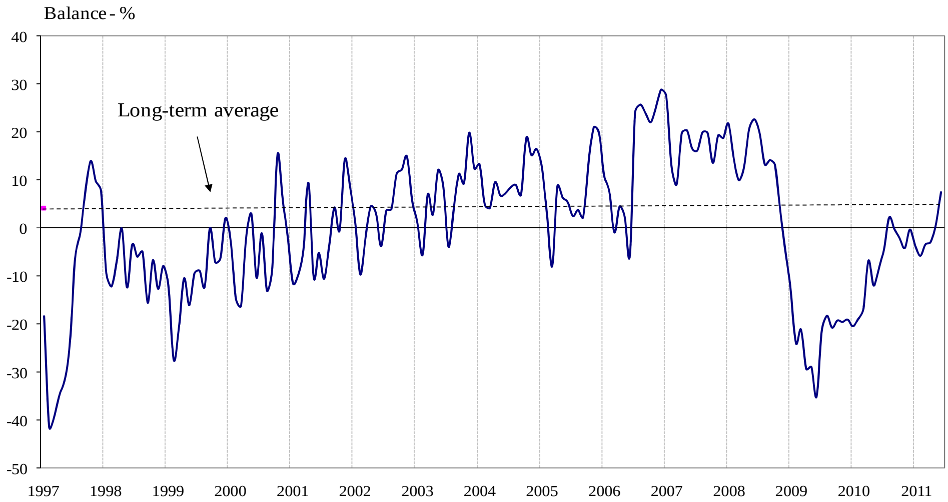

Figure 6. Limits to production in industry
(Relative share of enterprises)

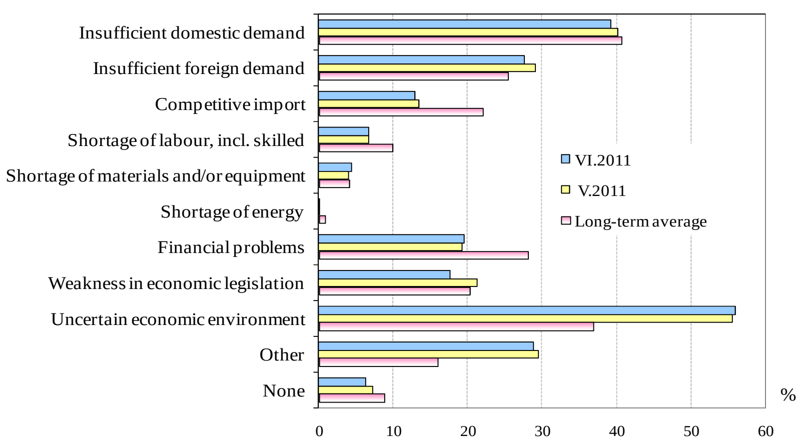

Figure 7. Selling prices expectations in industry over the next 3 months

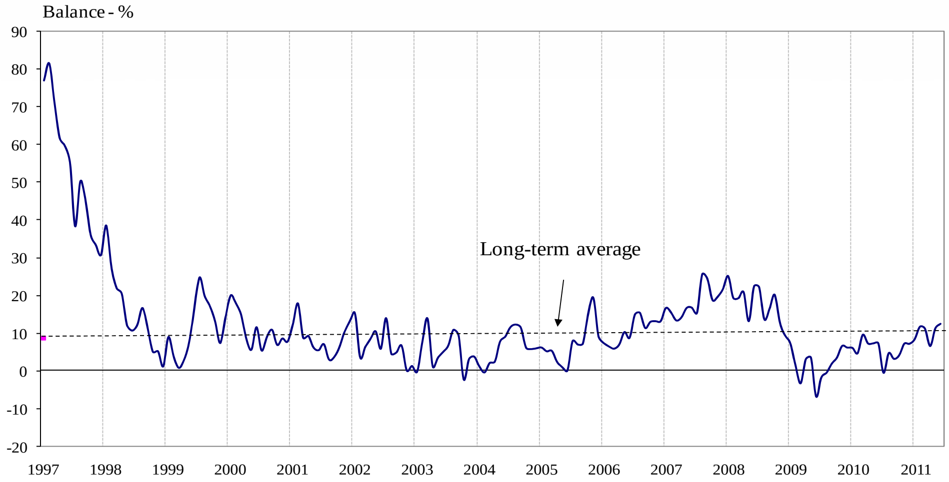

Figure 8. Business climate in construction

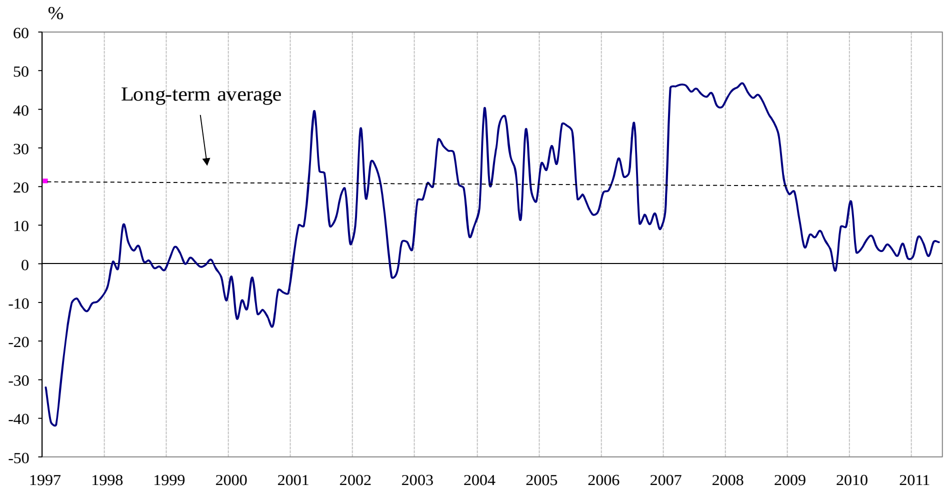

Figure 9. Present construction activity

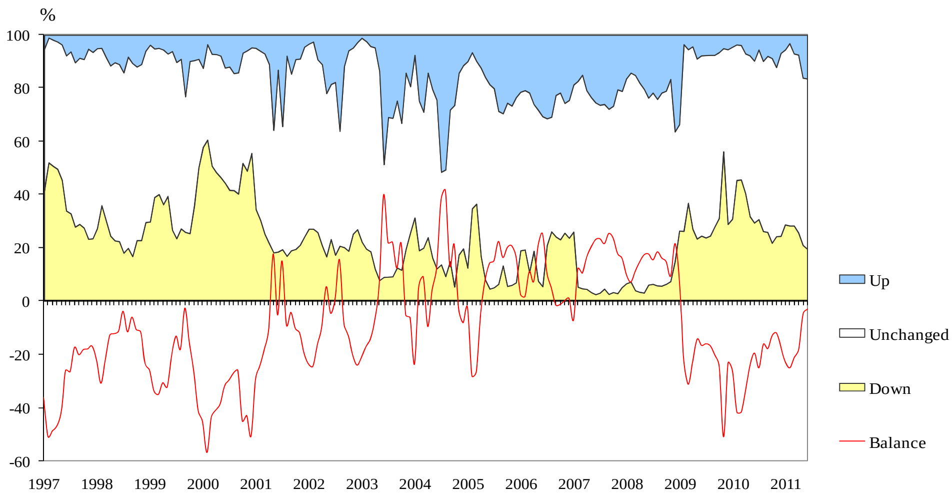

Figure 10. Clients with delay in payments in construction

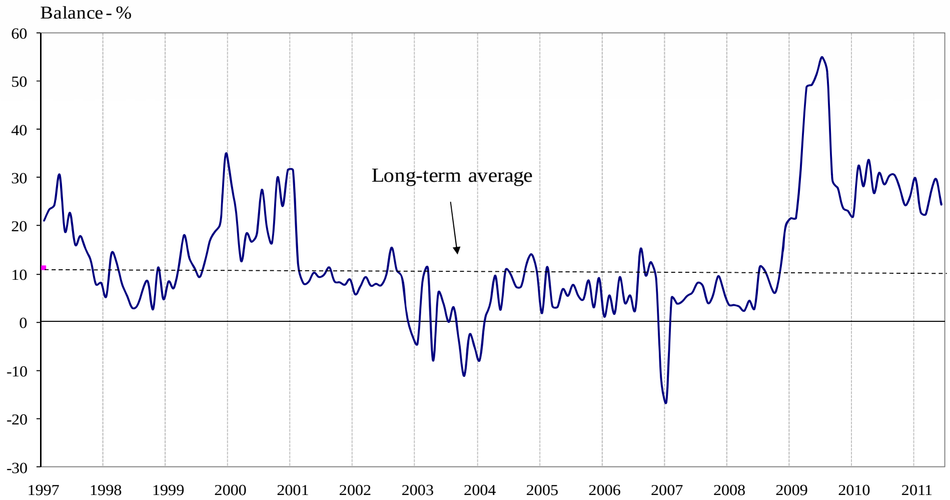

Figure 11. Limits to construction activity (Relative share of enterprises)

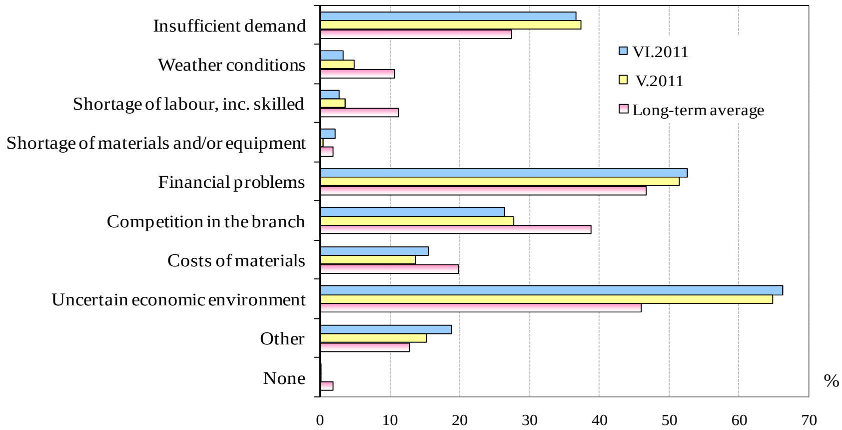

Figure 12. Business climate in retail trade

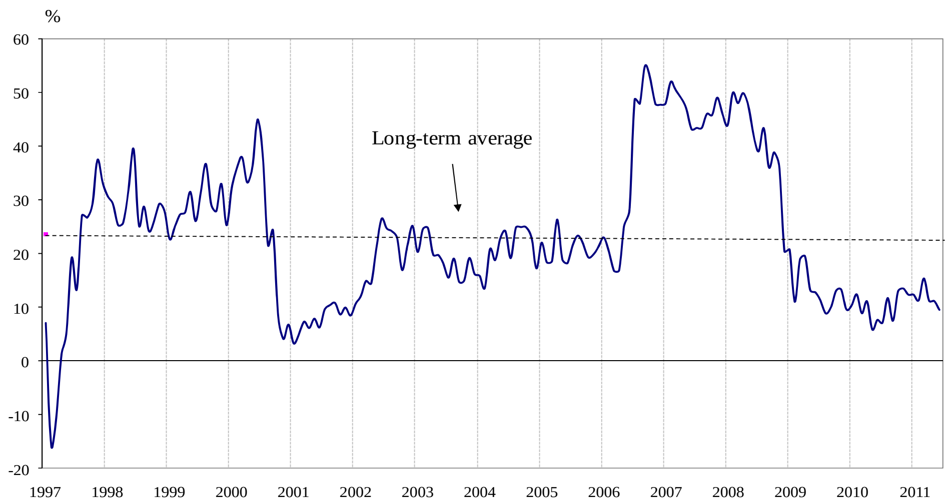

Figure 13. Expectations about orders placed with suppliers in retail trade over the next 3 months

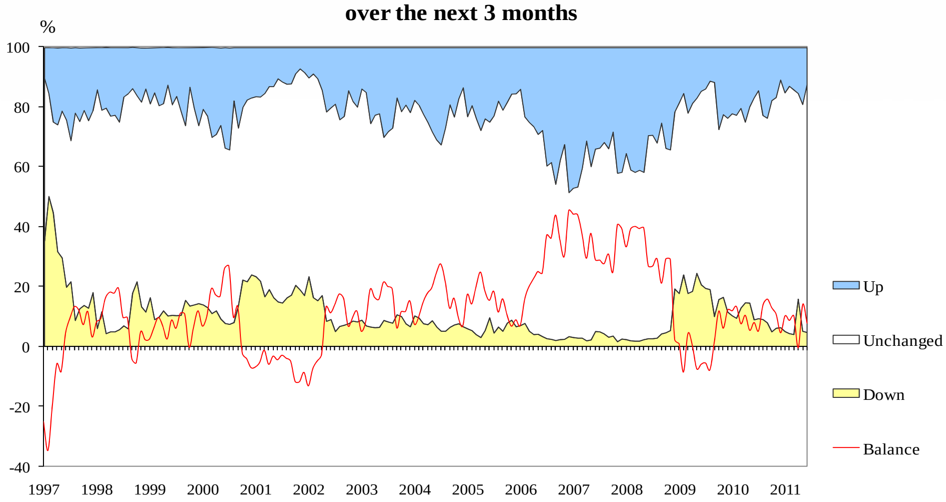

Figure 14. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)

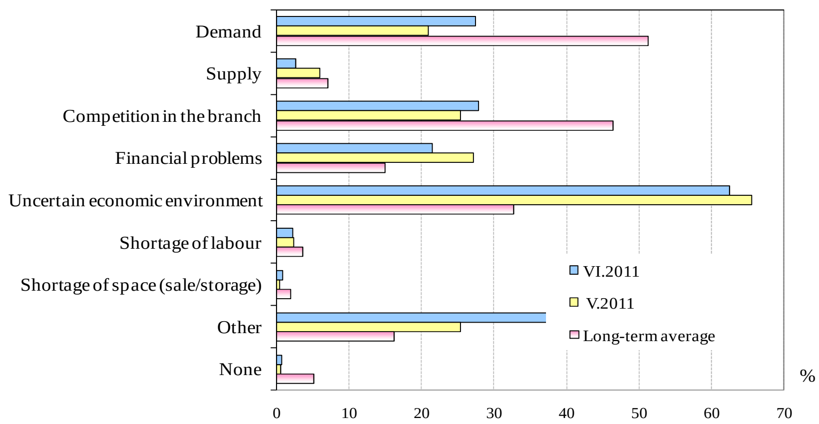

Figure 15. Selling prices expectations in retail trade over the next 3 months

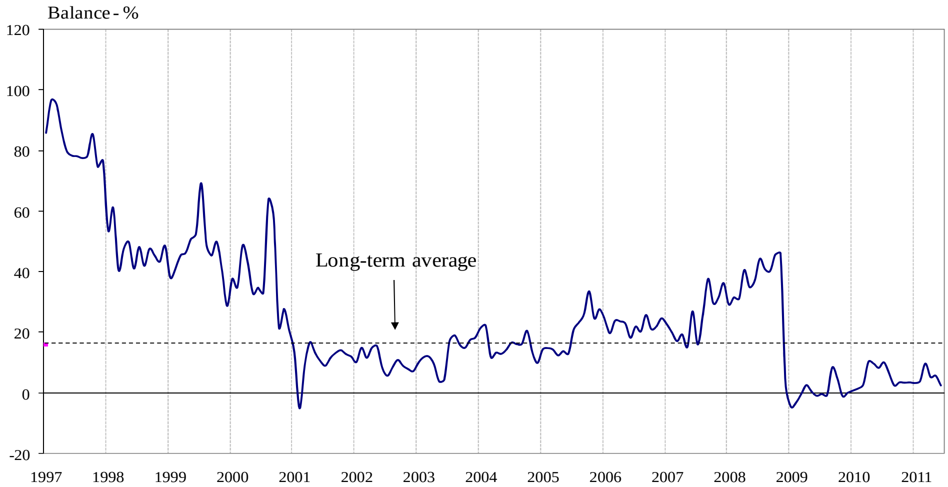

Figure 16. Business climate in service sector

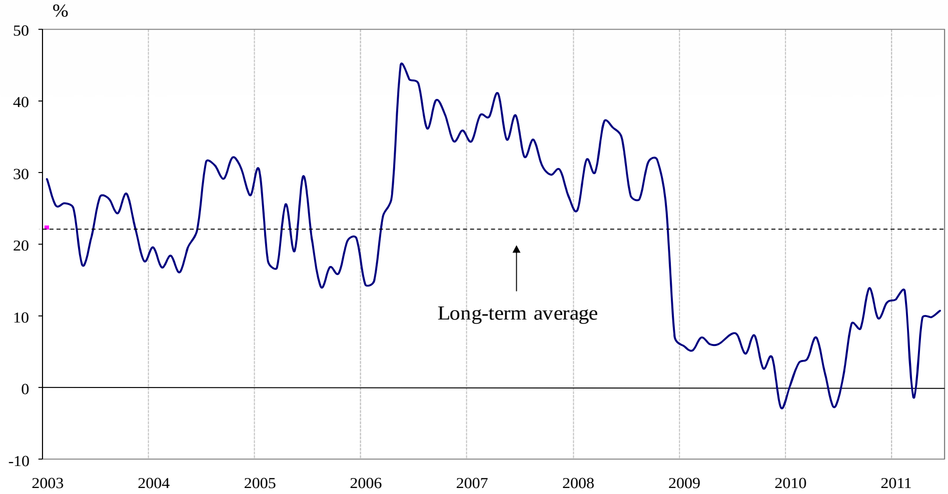

Figure 17. Expected demand in service sector over the next 3 months

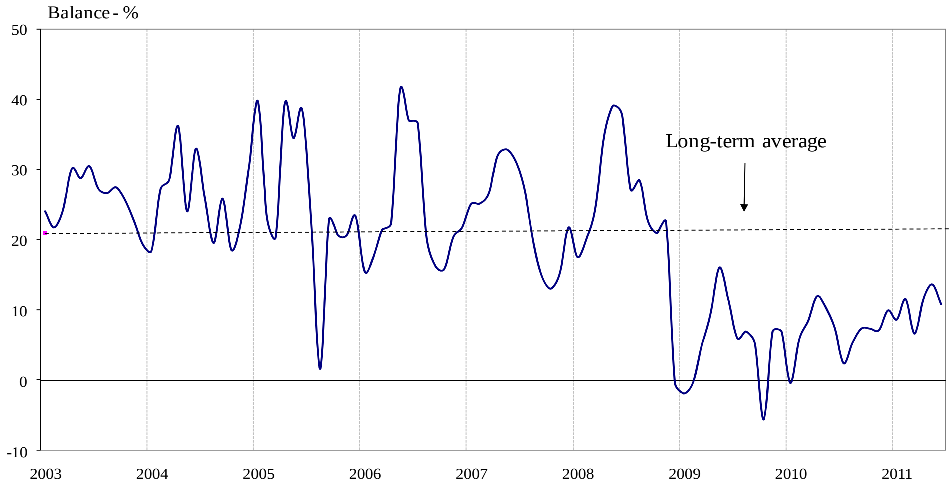

Figure 18. Employment expectations in service sector over the next 3 months

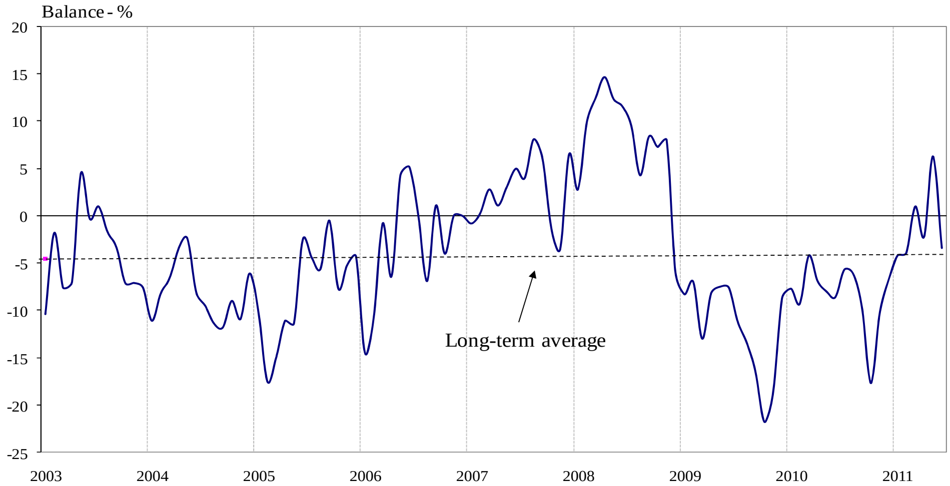

Figure 19. Factors limiting the activity in service sector
(Relative share of enterprises)