



BUSINESS CONJUNCTURE

NSI BUSINESS SURVEYS^{1, 2, 3}, JULY 2011

In July 2011 the **total business climate indicator**⁴ increases by 0.7 percentage points compared to its level from the previous month (Figure 1). Improvement is observed in industry, construction and retail trade, while in service sector - deterioration. The long-term average level of the indicator is by 9.9 percentage points higher.

Industry. The composite indicator “business climate in industry” increases by 1.1 percentage points compared to June (Figure 2). As regards the present business situation of enterprises the assessment is more favorable and is only by 1.7 percentage points below its long-term average. In July 2011 the inquiry records an increase of the average capacity utilization by 1.9 percentage points (to 72.0%) in comparison with April this year (Figure 3). For the same period the production activity of the enterprises also increases (Figure 4). Despite of some increase of orders from abroad, the total production assurance with orders keeps its level from the latest months (Figure 5). At the same time enterprises report a surplus of capacity with regard to the expected demand over the next months (Figure 6).

The major problems for the business development in industry continue to be the uncertain economic environment and the insufficient demand, as the uncertain economic environment is still above the usual for the last 10 years average value (Figure 7).

The last inquiry registers a decrease of the expectations about an increase of the selling prices in industry over the next 3 months (Figure 8).

Construction. In July 2011 the composite indicator “business climate in construction” increases by 2.6 percentage points (Figure 9) mainly due to elevated optimistic expectations of construction entrepreneurs about the business situation over the next 6 months. In the next half year the managers expect higher inflow of new orders in construction (Figure 10) which, according to their opinions, will lead to some increasing of activity in short-term, but without expectations about additional hiring of personnel. According to business inquiries data there are signals for suspension of downward trend in construction activity (Figure 11). The present production assurance with orders rises from 5.3 months in April to 5.6 in July 2011 and reaches its long-term average level.

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 uncertain economic environment and the financial difficulties continue to be the main factors in the branch. Although they still mark values above long-term average levels their negative influence is significantly diminished in the last 4 months at the expense of the competition problem increment (Figure 12).

With regard to the selling prices in construction there are weak expectations about an increase over the next 3 months.

Retail trade. In July the composite indicator “business climate in retail trade” increases by 3.6 percentage points compared to the previous month (Figure 13). Due to the fluctuating behavior of the indicator over the last 2 years it is early to say that this increase is a signal for improvement of business conjuncture in retail trade. At the same time the long-term average value of the business climate is still by 10.5 percentage points higher than the July level of the indicator.

The uncertain economic environment continues to be the major factor limiting the activity for two-thirds of enterprises in the sector. In July compared to June the negative influence of the factor „competition” strengthens (Figure 14).

As regards selling prices the managers as a whole do not foresee an increase over the next 3 months (Figure 15).

Service sector⁵. In July only in the service sector the composite indicator “business climate” drops below its June level by 5.0 percentage points (Figure 16). The decrease in larger extent is due to more reserved managers’ expectations about the business situation of enterprises over the next 6 months (Figure 17), than to the negative correction in the assessments about present business situation. As regards services’ demand the present tendency is toward improvement (Figure 18). The inquiry registers some fluctuations in the expectations over the next 3 months, but as a whole, the direction is positive, which is not valid for the personnel (Figure 19).

The uncertain economic environment is the most serious factor limiting the activity of the enterprises in the sector. The second factor is the competition in the branch, its negative influence is strengthened and reaches in July its maximum value of 52.7% from the beginning of conduction of inquiries in the service sector (May 2002) (Figure 20).

The prevailing managers’ expectations with regard to the selling prices are for preserving of their level over the next 3 months (Figure 21).

⁵ Excl. trade.



Figure 1. Business climate - total

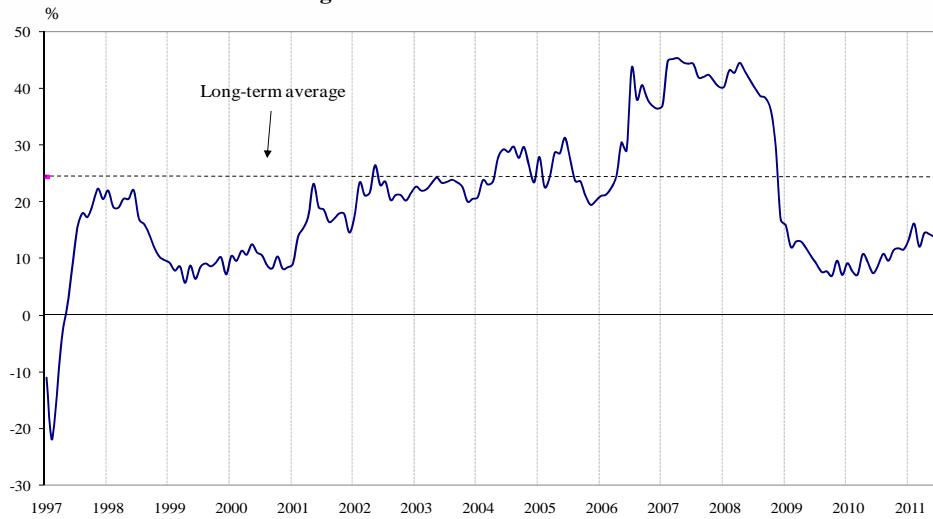


Figure 2. Business climate in industry

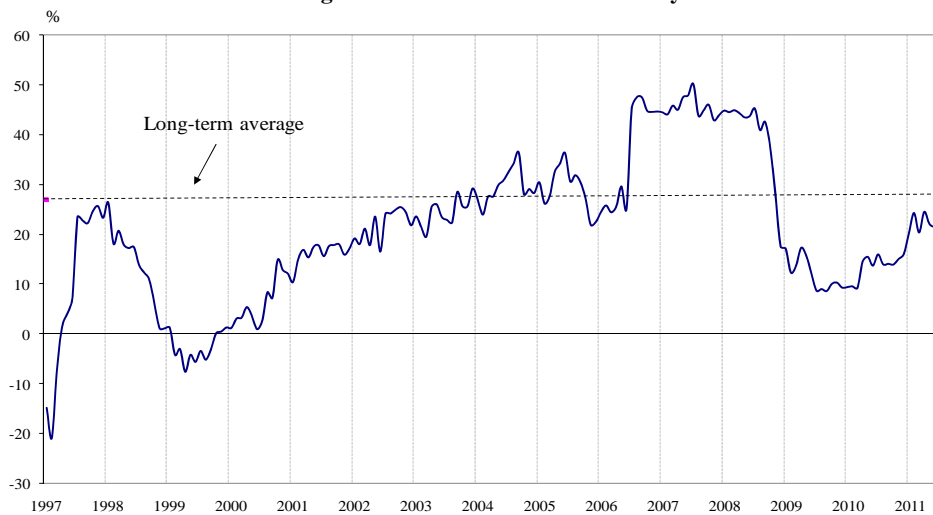


Figure 3. Average capacity utilization in industry

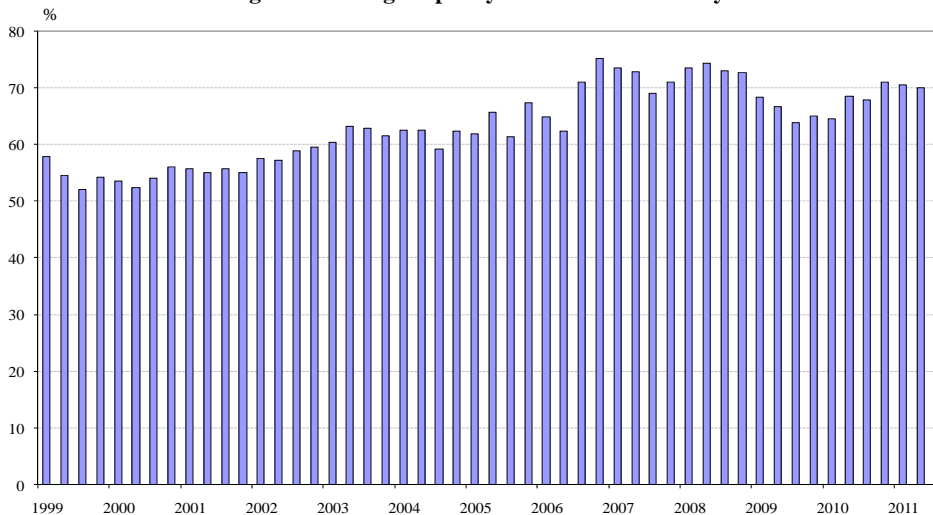




Figure 4. Present production activity in industry

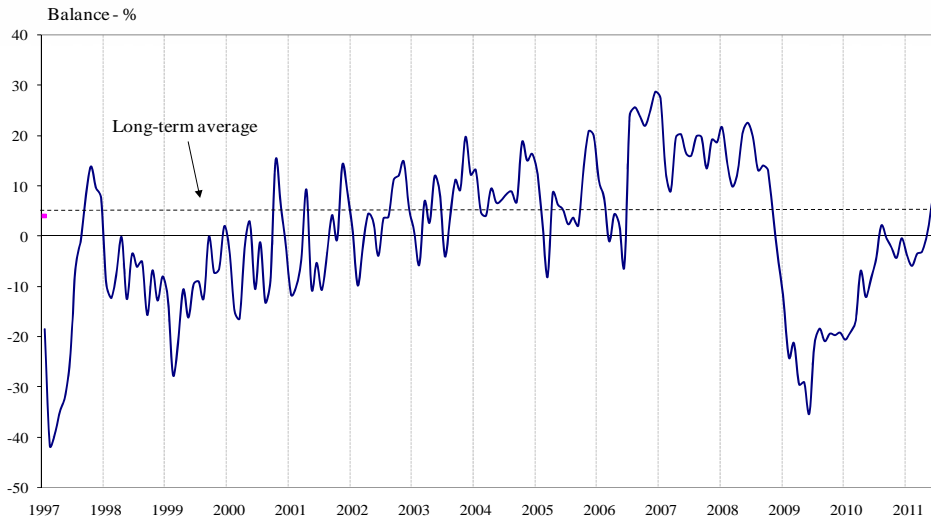


Figure 5. Production assurance with orders in industry

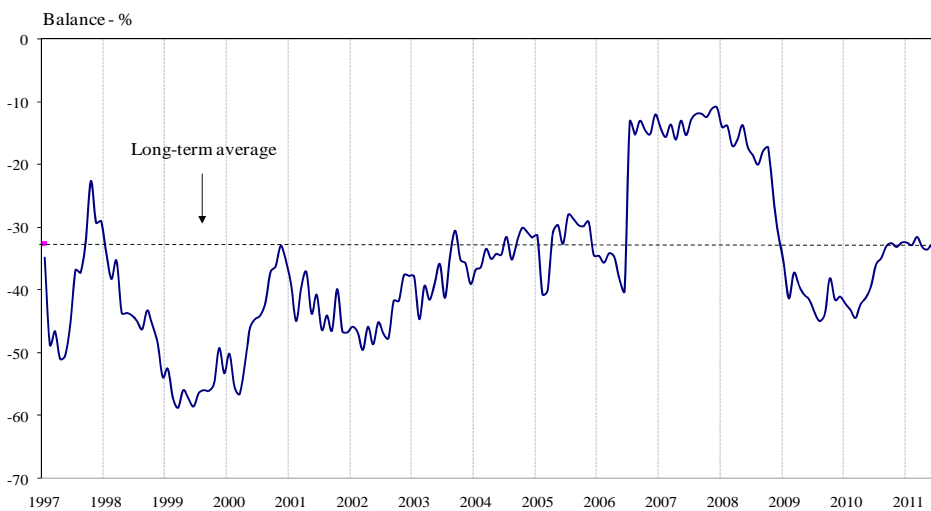
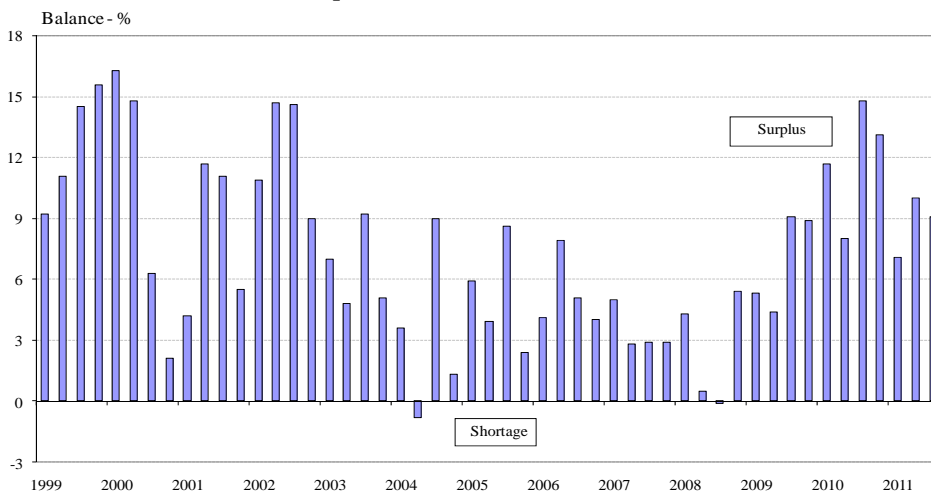
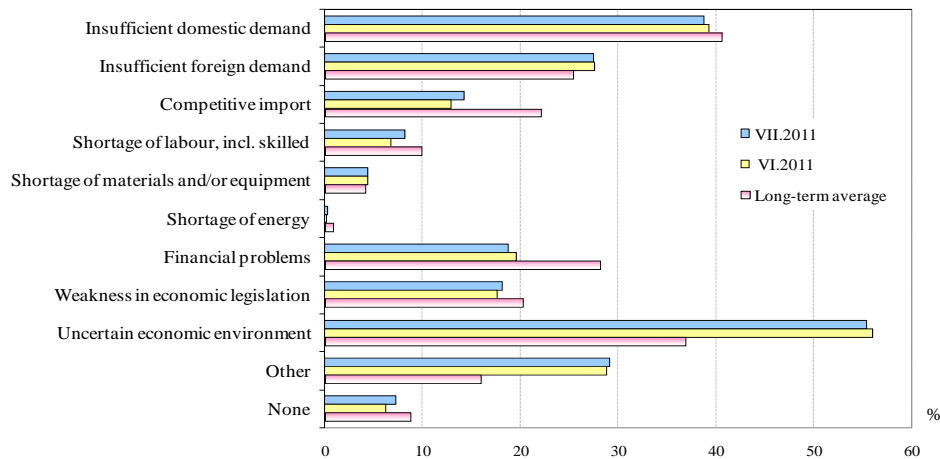


Figure 6. Current production capacity in industry with regard to the expected demand over the next months





**Figure 7. Limits to production in industry
(Relative share of enterprises)**



**Figure 8. Selling prices expectations in industry
over the next 3 months**

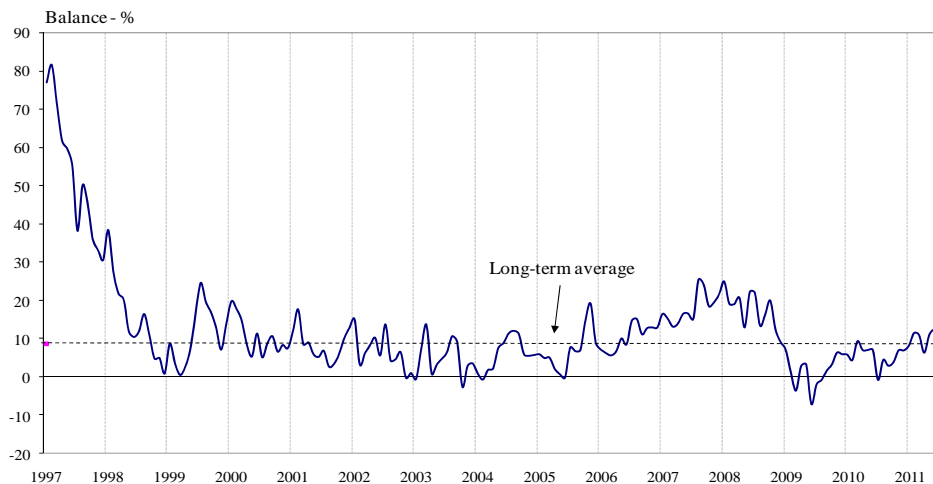


Figure 9. Business climate in construction

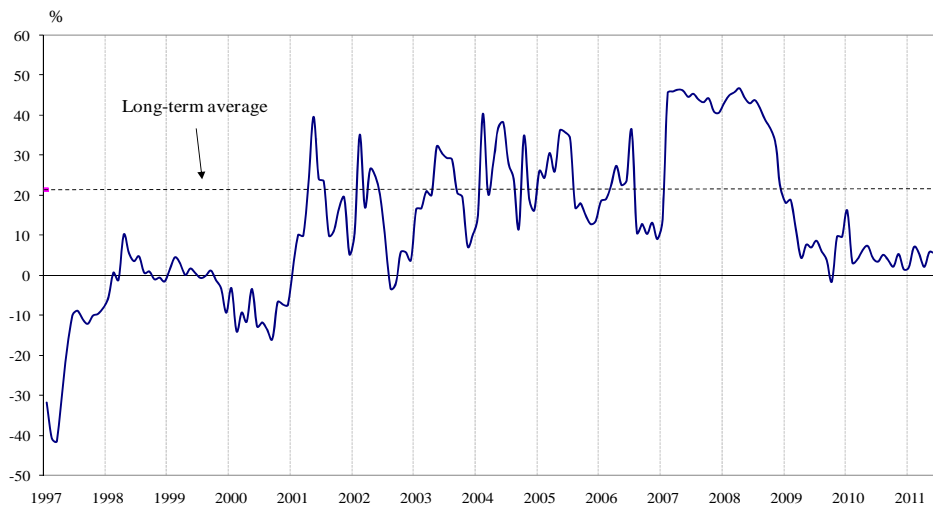




Figure 10. New orders expectations in construction over the next 6 months

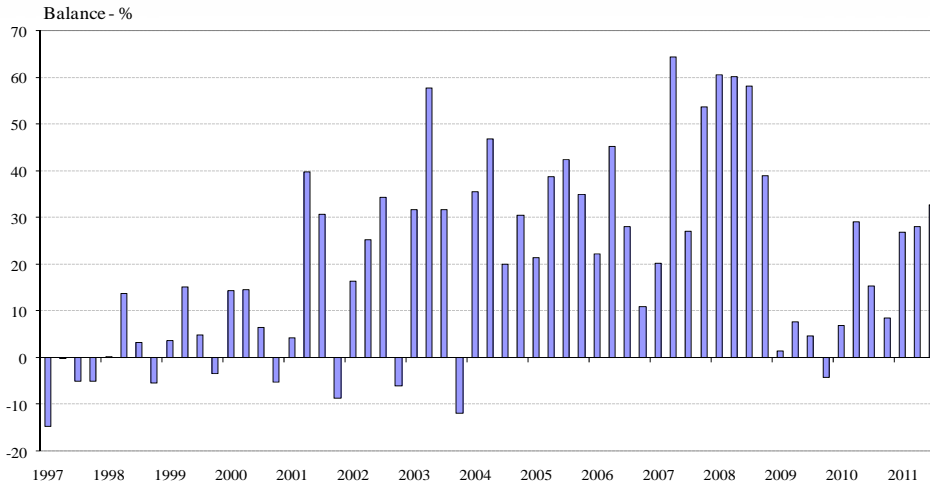


Figure 11. Present construction activity

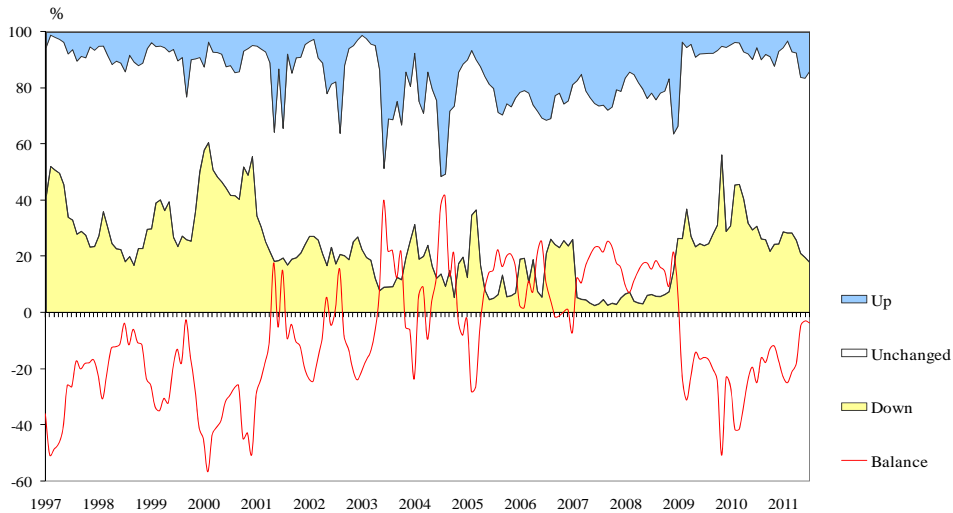


Figure 12. Limits to construction activity (Relative share of enterprises)

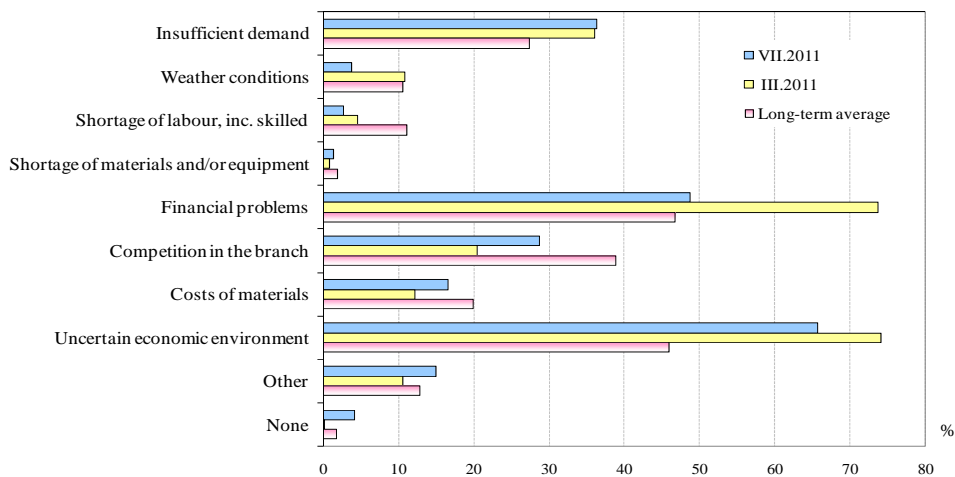




Figure 13. Business climate in retail trade

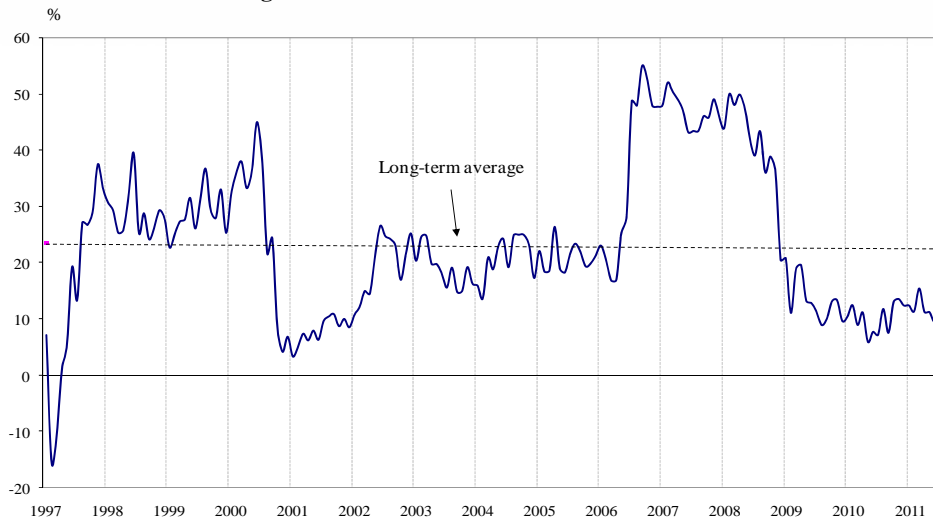


Figure 14. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)

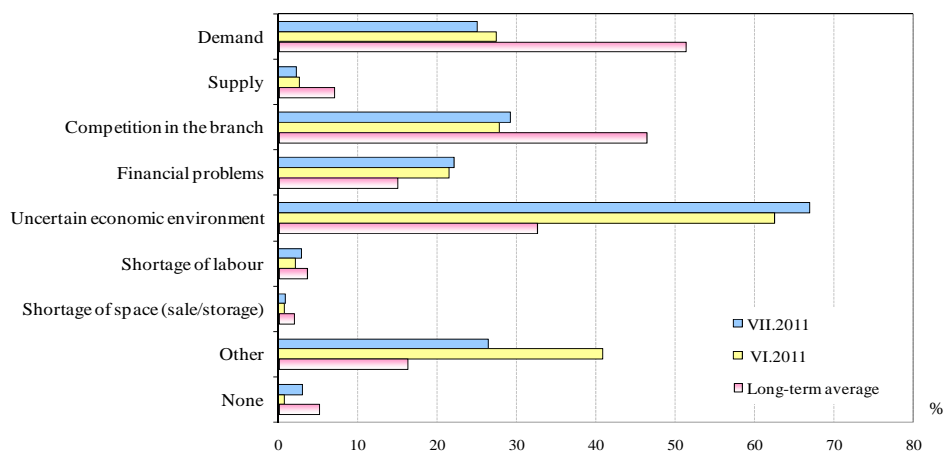


Figure 15. Selling prices expectations in retail trade over the next 3 months

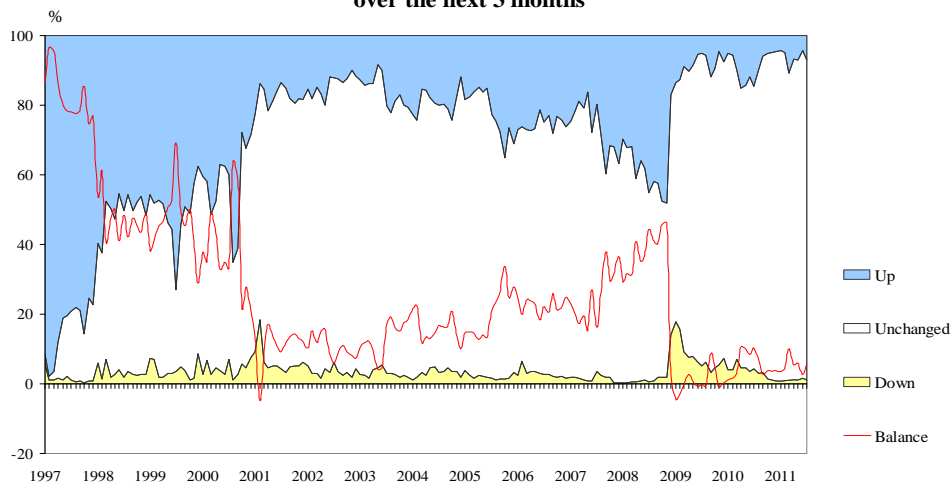




Figure 16. Business climate in service sector

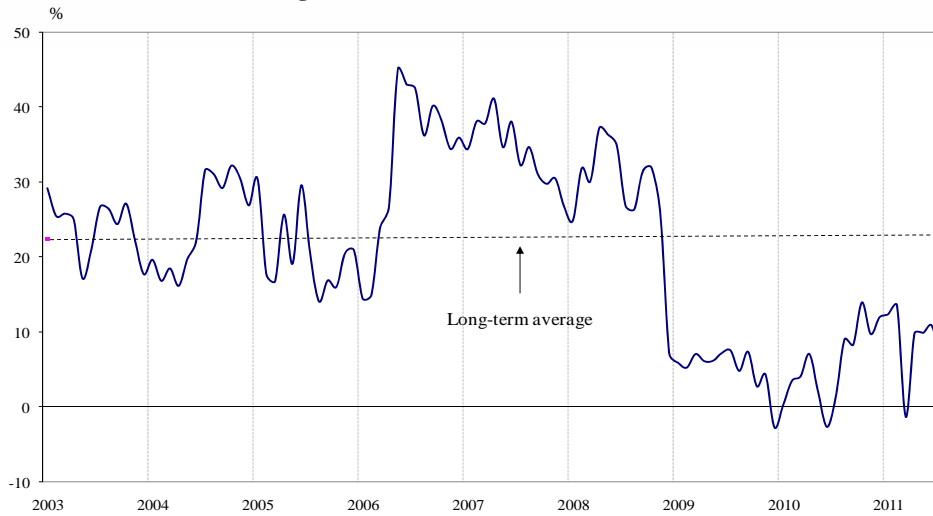


Figure 17. Expected business situation in service sector over the next 6 months

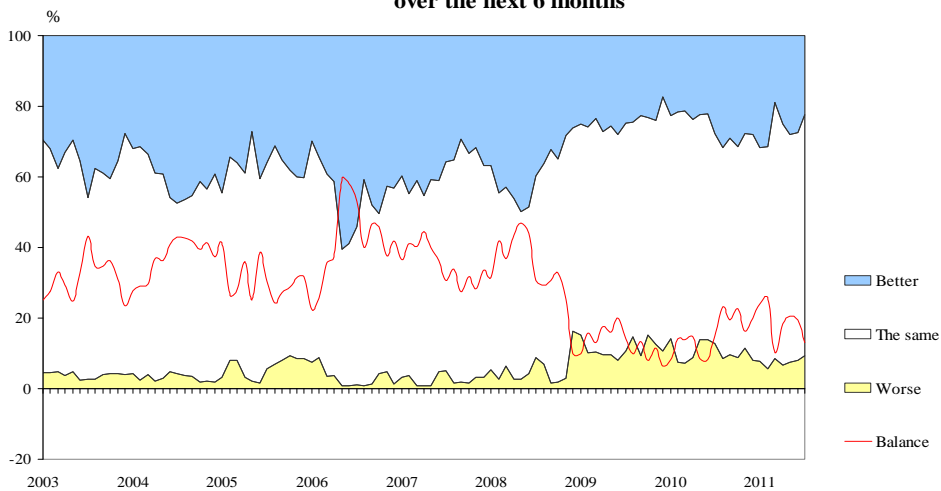


Figure 18. Demand in service sector over the last 3 months

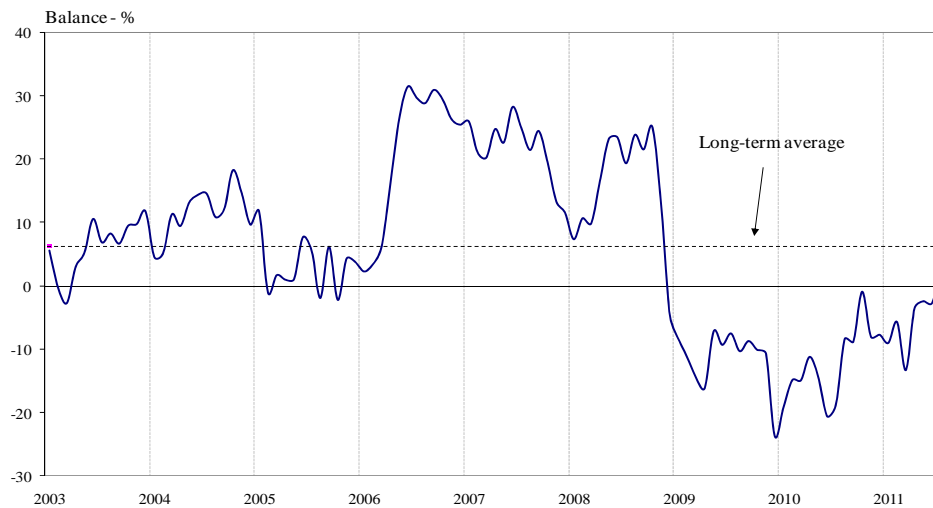




Figure 19. Employment expectations in service sector over the next 3 months

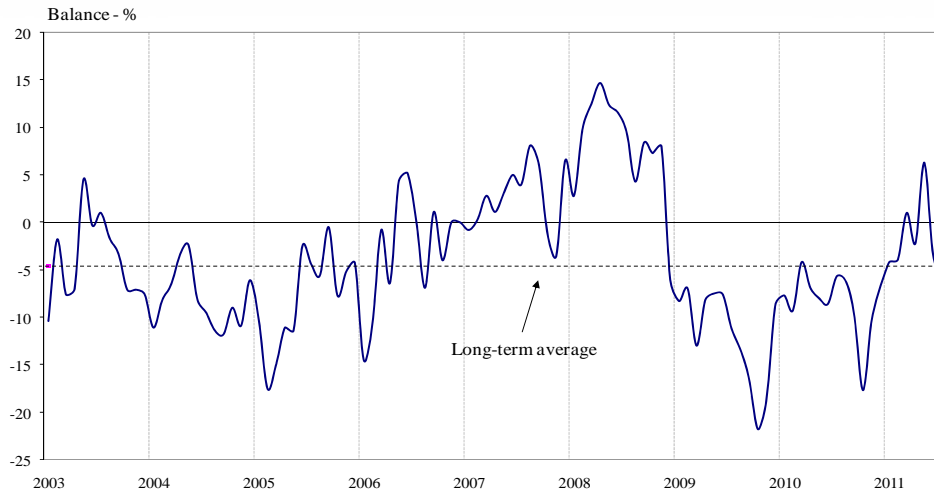


Figure 20. Factors limiting the activity in service sector (Relative share of enterprises)

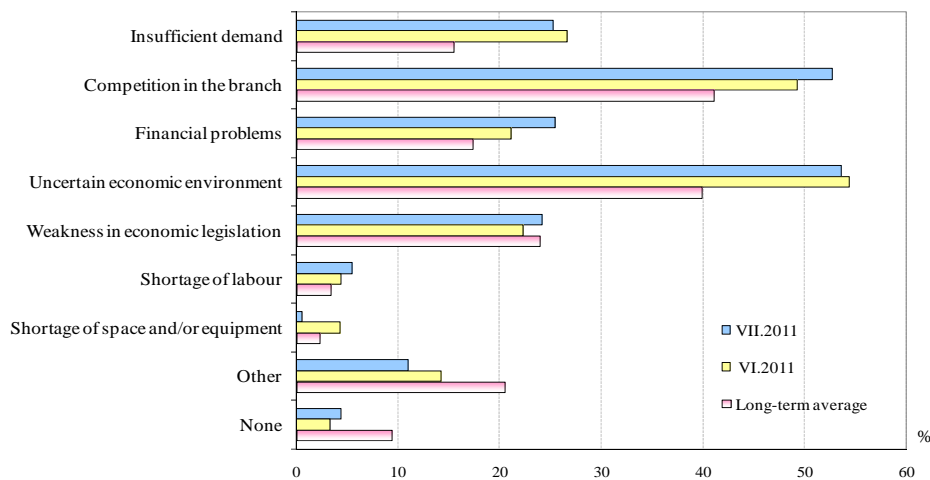


Figure 21. Selling prices expectations in service sector over the next 3 months

