



## BUSINESS CONJUNCTURE

### NSI BUSINESS SURVEYS<sup>1,2,3</sup>, AUGUST 2011

In August 2011 the **total business climate indicator**<sup>4</sup> increases by 1.1 percentage points compared to its level from the previous month (Figure 1). In industry and retail trade a better business climate is observed, while in construction and service sector a certain deterioration of the business conjuncture is recorded. To reach the long-term average level of the indicator still remains 8.8 percentage points.

**Industry.** Compared to July the composite indicator “business climate in industry” increases by 2.0 percentage points (Figure 2) and it is only by 2.1 percentage points below its long-term average value. The inquiry records higher managers’ optimism as regards the present business situation of the enterprises, as for the first time from December 2008 the indicator is above its long-term average level (Figure 3). The present production activity is also assessed as improved (Figure 4) although the production assurance with orders slightly decreases due to the lower orders from abroad. At the same time stocks of finished goods are rising.

In short-term managers remain optimistic in terms of business situation and activity but the optimism is a little bit more moderate which reflects on the personnel expectations over the next 3 months. In August the balance indicator of employment declines by 2.3 percentage points (Figure 5).

The main factor limiting the development of the business in the sector continues to be the uncertain economic environment, which is still above its usual average value for the last 10 years. At the same time the last inquiry records some expansion of problems related to the weakness in economic legislation, as already more than one fifth of the enterprises meet such difficulties (Figure 6).

In August a certain contraction of the expectations about an increase of the selling prices in industry over the next 3 months is registered (Figure 7).

**Construction.** In August the composite business climate indicator in construction decreases by 5.7 percentage points (Figure 8) due to more reserved entrepreneurs’ opinion about the present business situation of enterprises and to the increased pessimism in their expectations about the next 6 months (Figure 9). After some optimism in the previous month, the managers’ assessments and expectations again deteriorated, which is a symptom of uncertainty of the business conjuncture in construction.

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<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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 factors limiting the activity in the sector continue to be the uncertain economic environment and the financial problems, as in August their negative influence is strengthened by 6.9 and 13.2 percentage points respectively. The inquiry also registers an increase of negative impact of insufficient demand factor (by 6.8 percentage points) (Figure 10).

However, even tentatively, construction activity is slowly recovering. The balance indicator has shrunk back by 45.9 percentage points from its lowest point for the last 3 years (Figure 11). A positive aspect in the business conjuncture also is the decrease of the number of clients with delay in payments (Figure 12).

As regards the prices in the construction sector over the next 3 months an increase is not expected (Figure 13).

**Retail trade.** The composite indicator “business climate in retail trade” in August increases by 10.8 percentage points compared to the previous month as for the first time after the end of 2008 exceeds its long-term average by 0.3 percentage points (Figure 14). The assessments both for the present business situation of the enterprises and the expectations over the next 6 months are improved. Increased optimism in regard to the sales expectations (Figure 15) and orders placed with suppliers over the next 3 months (Figure 16) is observed.

However in August the conjuncture in the retail trade remains unstable because the factor “uncertain economic environment” strengthens its negative influence on the business development (by 9.1 percentage points) (Figure 17).

The predominates managers’ expectations regarding the selling prices in retail trade are for the preservation of their level over the next 3 months (Figure 18).

**Service sector**<sup>5</sup>. In August 2011 the composite business climate indicator in service sector is by 3.2 percentage points below its July level (Figure 19). That drop is a result of shifting of managers’ assessments and expectations about business situation in enterprises from “better” or “worse” towards preserving the “same” situation. The same moderation is also observed in their opinion about demand of services (Figure 20) and employment in the sector.

As regards the factors limiting the activity in the service sector, competition in the branch displaces from the first position the uncertain economic environment and marks a new long-term maximum (54.2%) since 2002 (Figure 21).

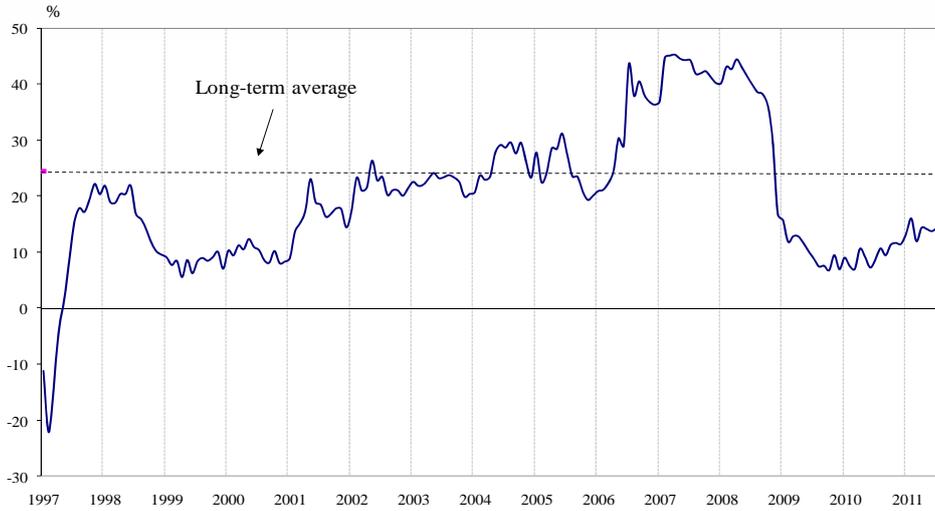
Concerning selling prices in the service sector over the next 3 months an increase is not expected.

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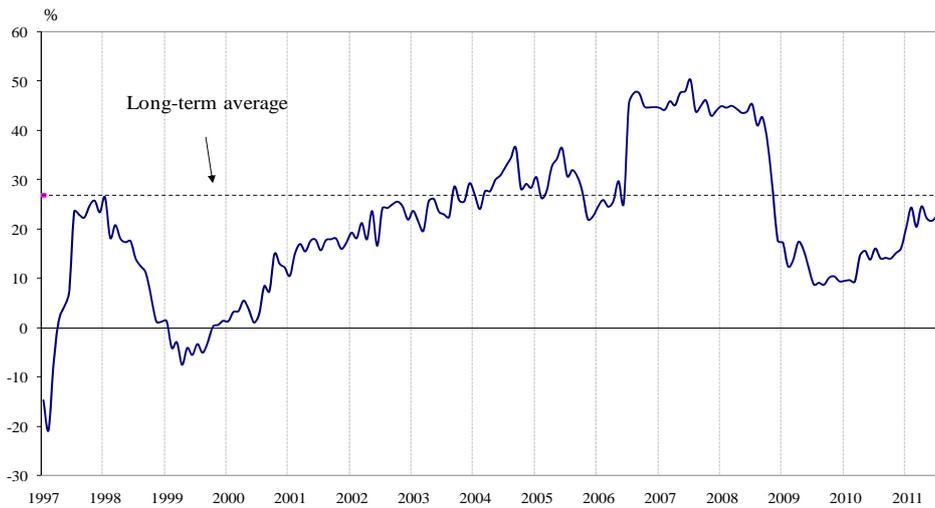
<sup>5</sup> Excl. trade.



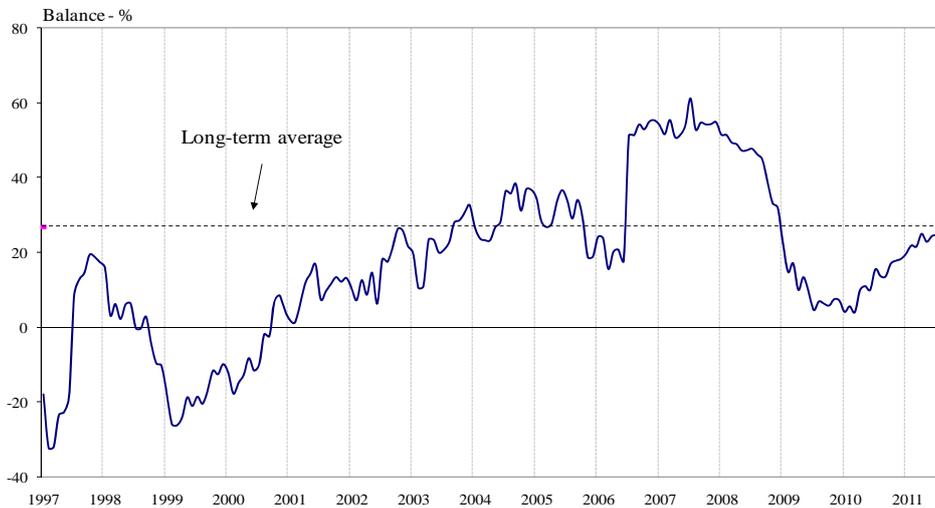
**Figure 1. Business climate - total**



**Figure 2. Business climate in industry**

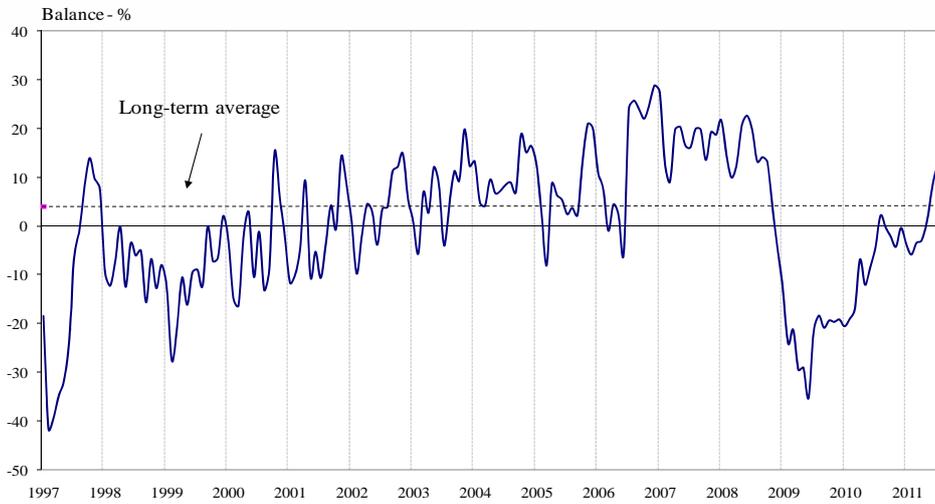


**Figure 3. Present business situation in industry**

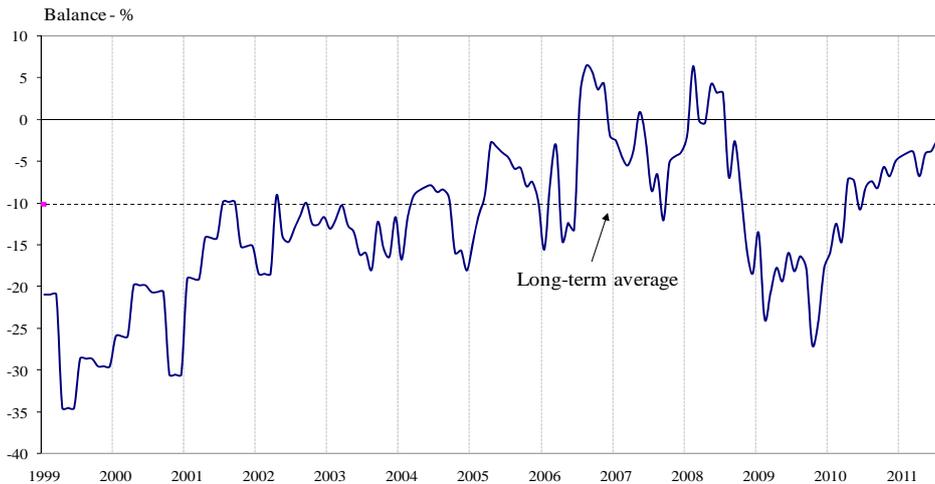




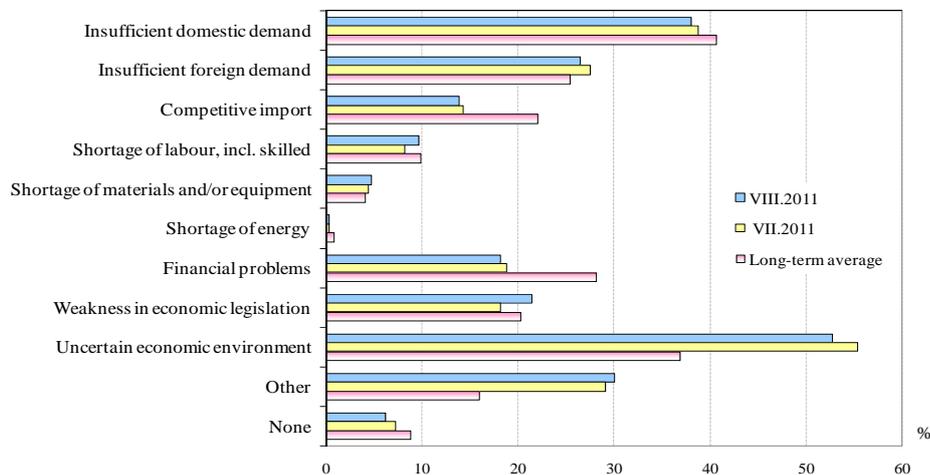
**Figure 4. Present production activity in industry**



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

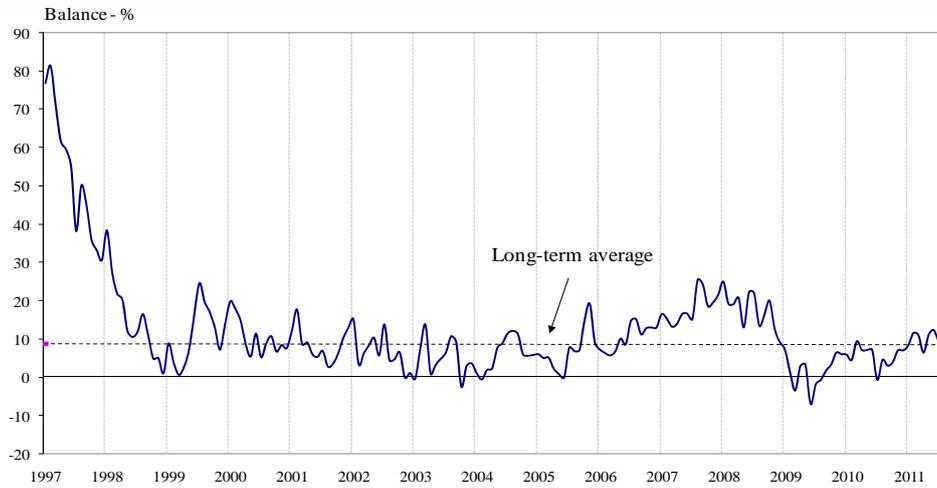


**Figure 6. Limits to production in industry (Relative share of enterprises)**

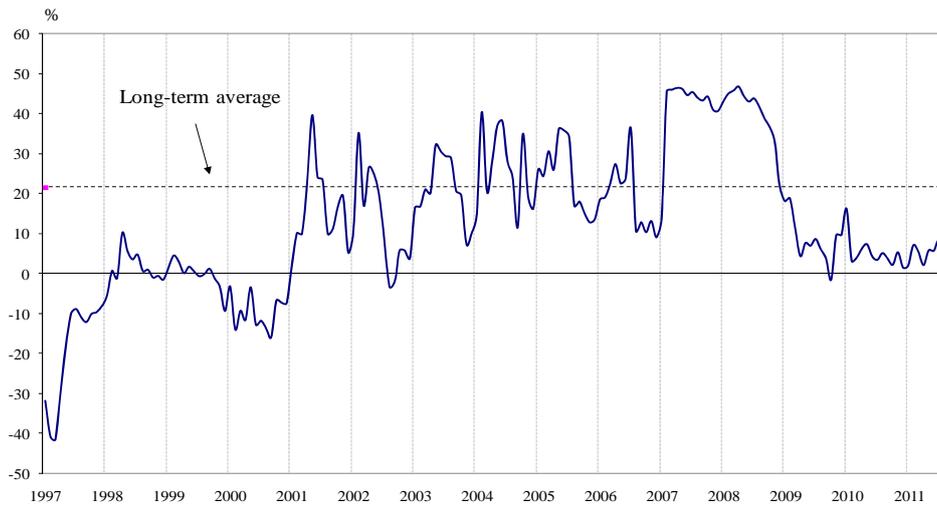




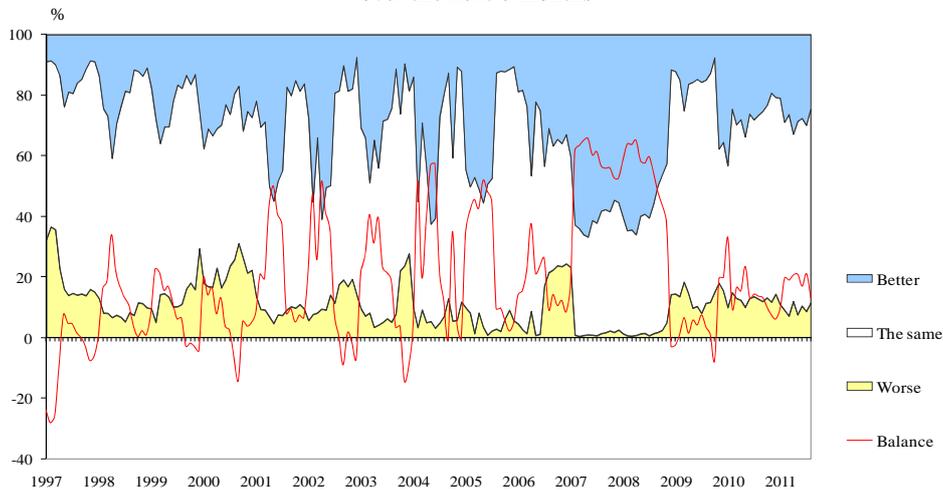
**Figure 7. Selling prices expectations in industry over the next 3 months**



**Figure 8. Business climate in construction**

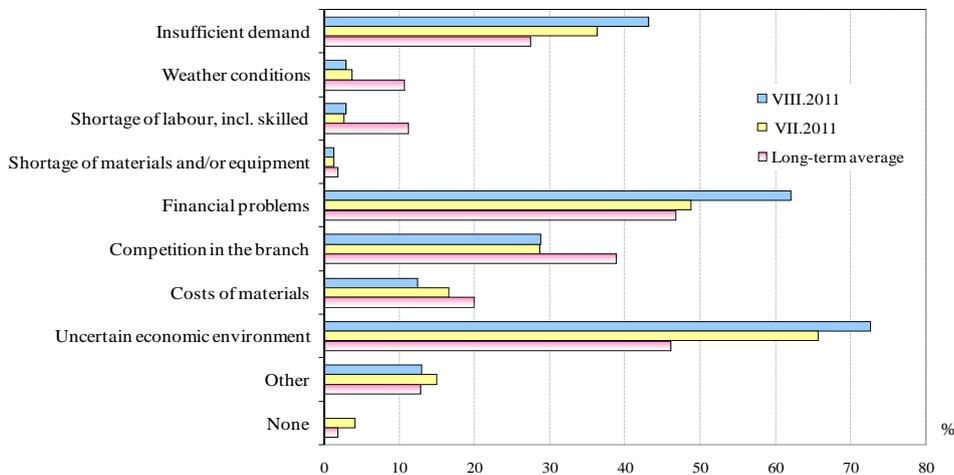


**Figure 9. Expected business situation in construction over the next 6 months**

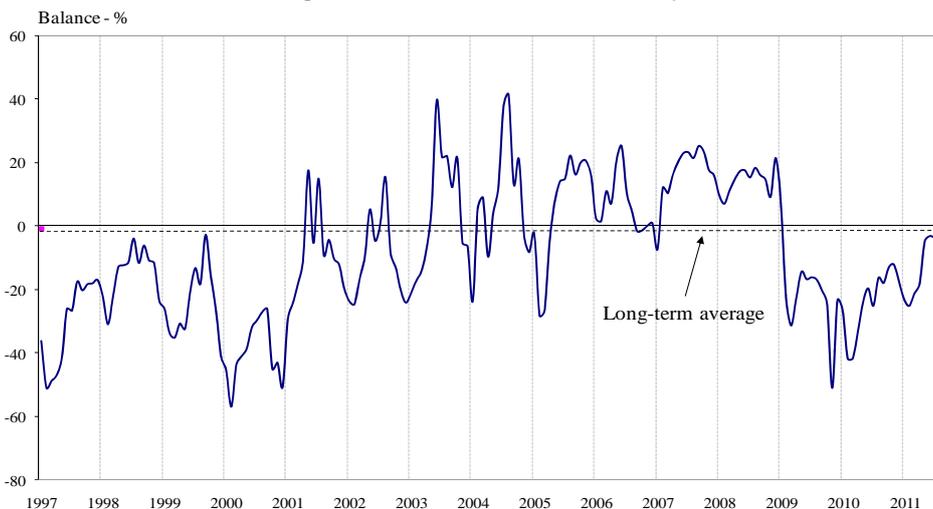




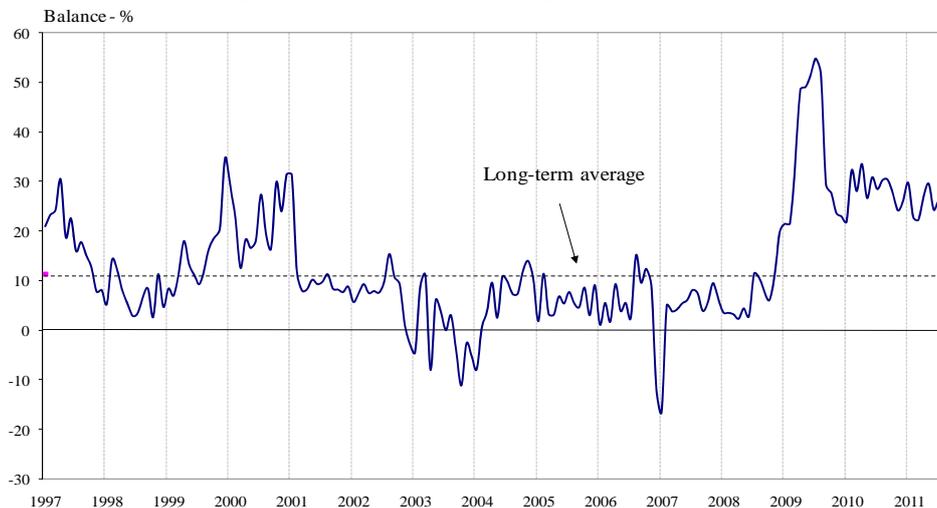
**Figure 10. Limits to construction activity  
(Relative share of enterprises)**



**Figure 11. Present construction activity**

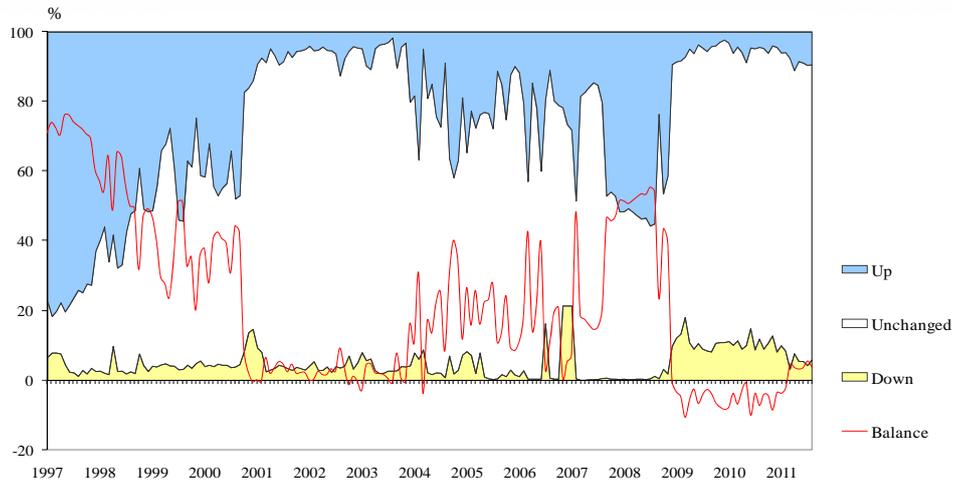


**Figure 12. Clients with delay in payments in construction**

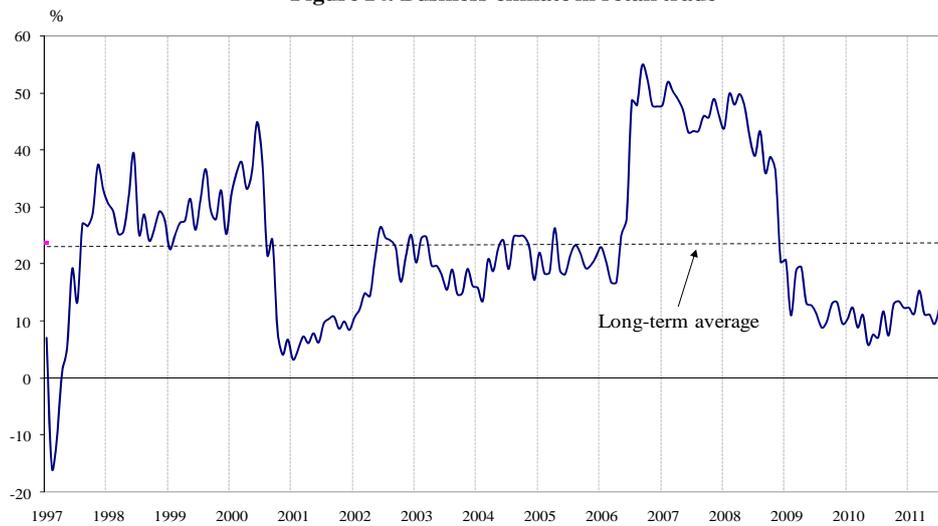




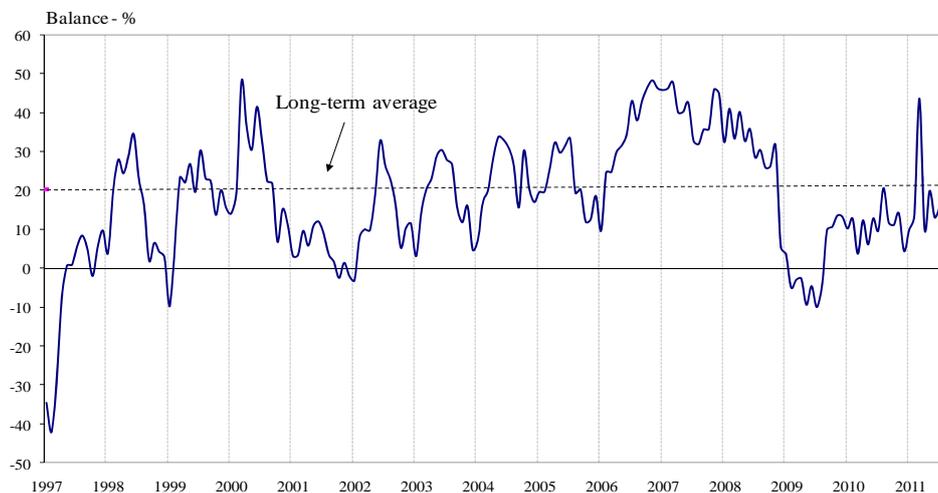
**Figure 13. Selling prices expectations in construction over the next 3 months**



**Figure 14. Business climate in retail trade**

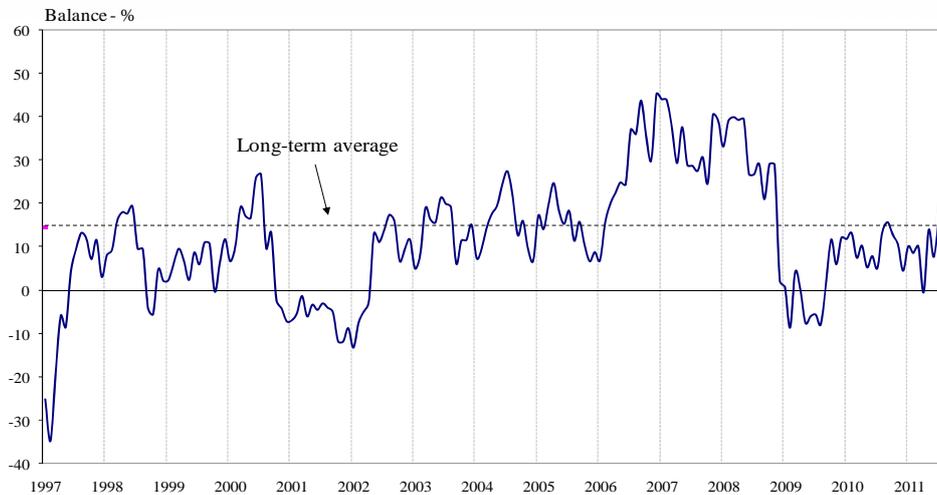


**Figure 15. Sales expectations in retail trade over the next 3 months**

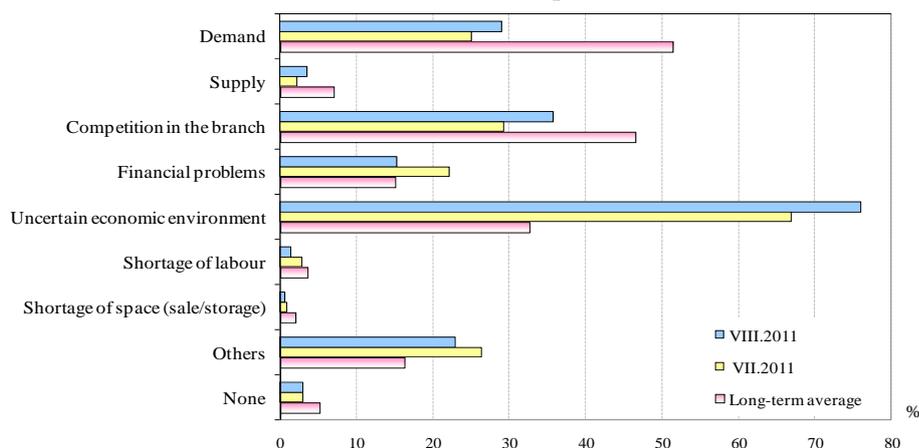




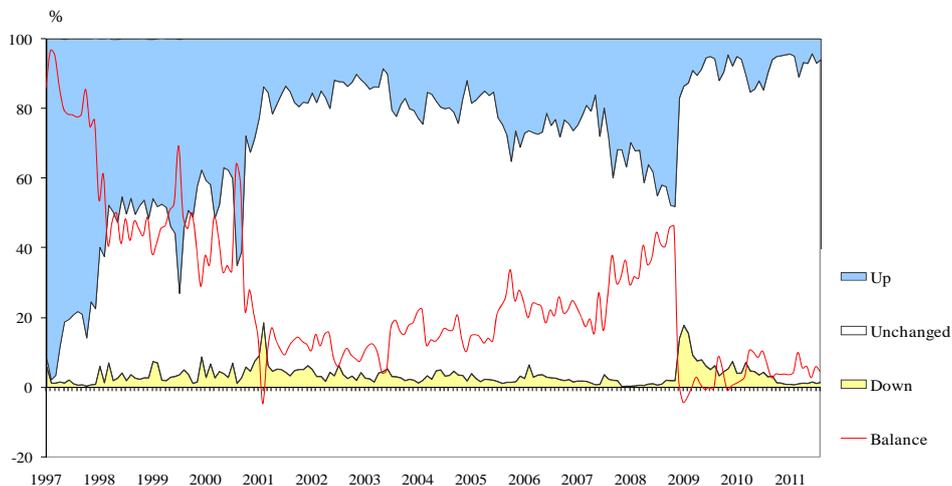
**Figure 16. Expectations about orders placed with suppliers in retail trade over the next 3 months**



**Figure 17. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)**

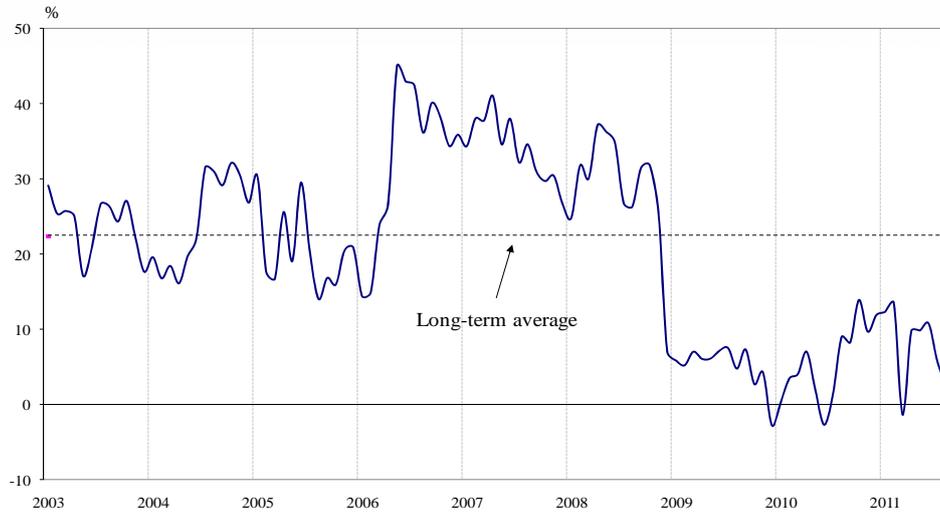


**Figure 18. Selling prices expectations in retail trade over the next 3 months**

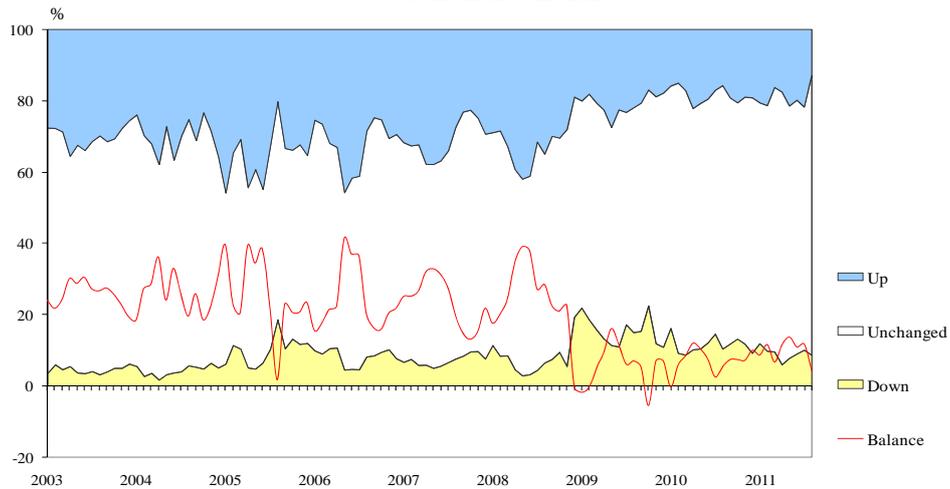




**Figure 19. Business climate in service sector**



**Figure 20. Expected demand in service sector over the next 3 months**



**Figure 21. Factors limiting the activity in service sector (Relative share of enterprises)**

