



## BUSINESS CONJUNCTURE

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

In November 2011 the **total business climate indicator**<sup>4</sup> marks again a decrease (by 2.1 percentage points) in comparison with its level from the previous month (Figure 1). There is some improvement of the business climate only in retail trade, while in industry, construction and service sector the business conjuncture is worsened.

**Industry.** The composite indicator “business climate in industry” decreases by 4.2 percentage points as compared to October (Figure 2) due to lowered expectations about the business development over the next months. The prognoses in November about the business situation of enterprises and the production activity are more reserved in comparison with the previous month (Figure 3). With regard to the present production activity the balance indicator shows signals of deterioration as over the last 3 months it has dropped by 10.0 percentage points (Figure 4). The inquiry also registers some decline of the production assurance with orders from abroad. The uncertainty in economic environment is strengthened as in November 58.7% of enterprises have pointed it out as a problem (Figure 5).

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

**Construction.** In November 2011 the composite indicator “business climate in construction” decreases again - by 2.5 percentage points (Figure 7) due to the growing pessimism in the expectations of construction’ entrepreneurs regarding the business situation of enterprises over the next 6 months (Figure 8). The prognoses associated with the construction activity are also more unfavorable (the balance value of the indicator drops by 9.1 percentage points) (Figure 9). At the same time a further reduction of the personnel over the next months is expected (Figure 10).

In November the inquiry registers reduced construction activity and lowered production assurance with orders in comparison with the previous month (Figure 11). The main factor limiting the activity remains the uncertain economic environment whose negative influence increases and over the last month it has reached its maximum value (81.7%) since the beginning of the construction survey. At the same time the last inquiry registers strengthening of the negative impact of the second-most limiting factor - “financial problems” (Figure 12).

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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.



With regard to the selling prices in the sector the expectations of construction entrepreneurs are for a decrease over the next 3 months (Figure 13).

**Retail trade.** The composite indicator “business climate in retail trade” in November reports an increase of 2.5 percentage points and exceeds its long-term average by 2.8 percentage points (Figure 14). At the same time over the last month the inquiry registers some decrease by 6.4 percentage points of the negative influence of the major factor limiting the business in the sector i.e. the uncertain economic environment, but at the expense of that the financial problems of the enterprises increase (Figure 15). Compared to the last month the expectations of the retailers as regard to the volume of sales and orders placed with suppliers over the next 3 months, although favorable, are more reserved (Figure 16).

As regards to the retail prices there are no expectations about an increase over the next 3 months (Figure 17).

**Service sector<sup>5</sup>.** In November the composite indicator "business climate in service sector" decreases by 2.3 percentage points in comparison with October (Figure 18). Over the last months the assessments and expectations about both the business situation of enterprises and service demands have become more reserved (Figure 19) and with regard to the personnel the prognoses are pessimistic – enterprises expect staff reduction over the next months (Figure 20).

The uncertain economic environment and the competition in the branch continue to be the most serious factors limiting the activity of enterprises in service sector (Figure 21).

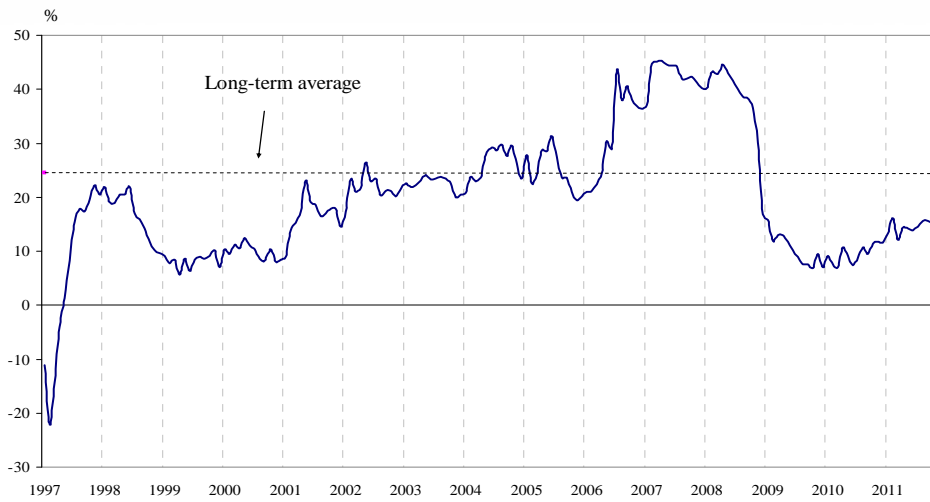
In the managers’ opinions an increase of the selling prices over next 3 months is not expected.

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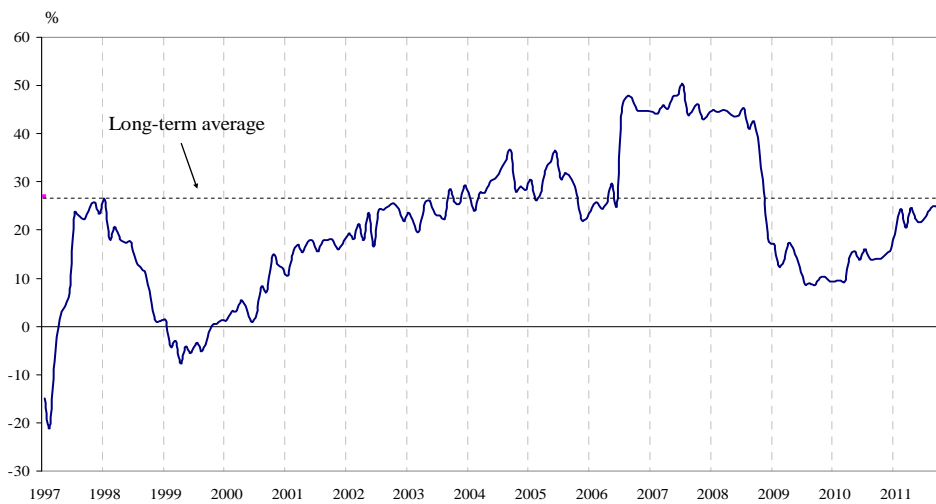
<sup>5</sup> Excl. trade.



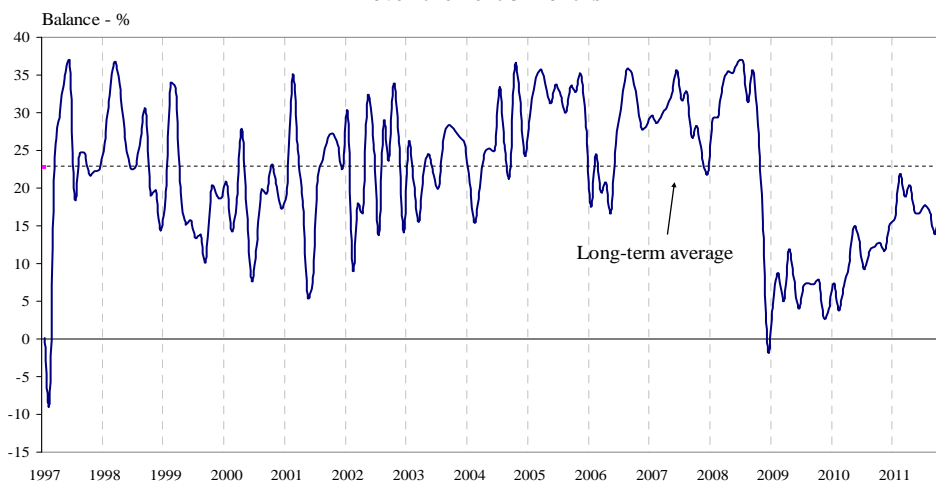
**Figure 1. Business climate - total**



**Figure 2. Business climate in industry**

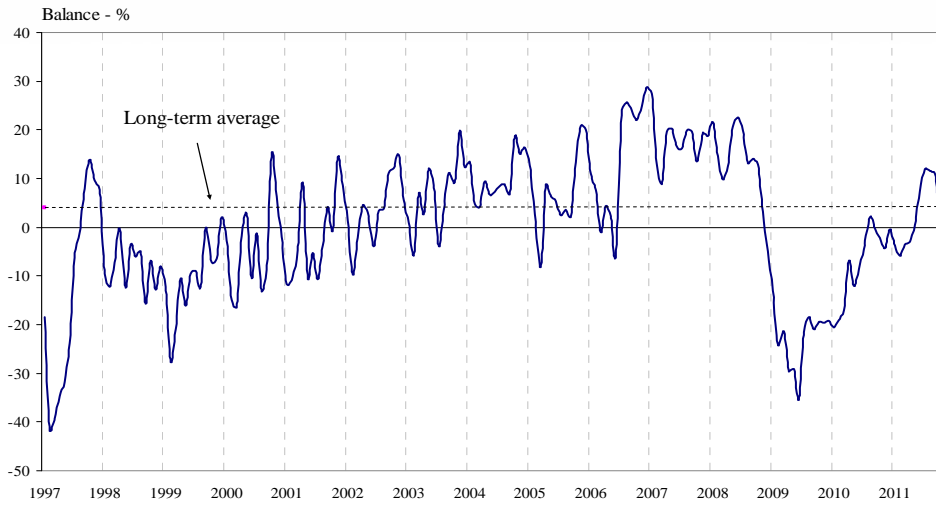


**Figure 3. Expected production activity in industry over the next 3 months**

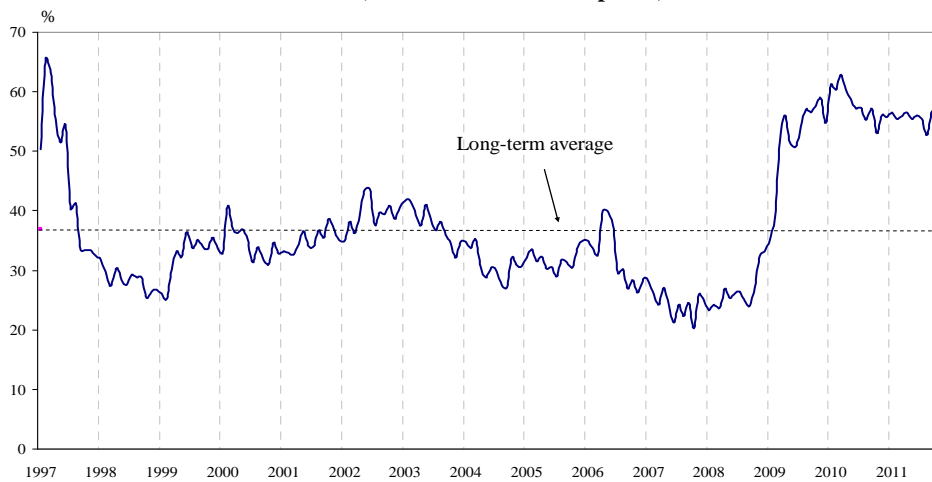




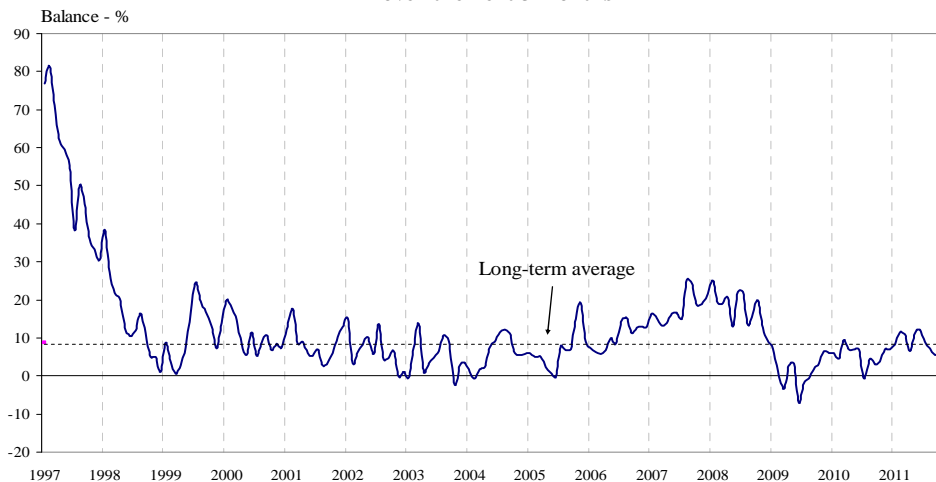
**Figure 4. Present production activity in industry**



**Figure 5. Problems with the uncertain economic environment  
(Relative share of enterprises)**

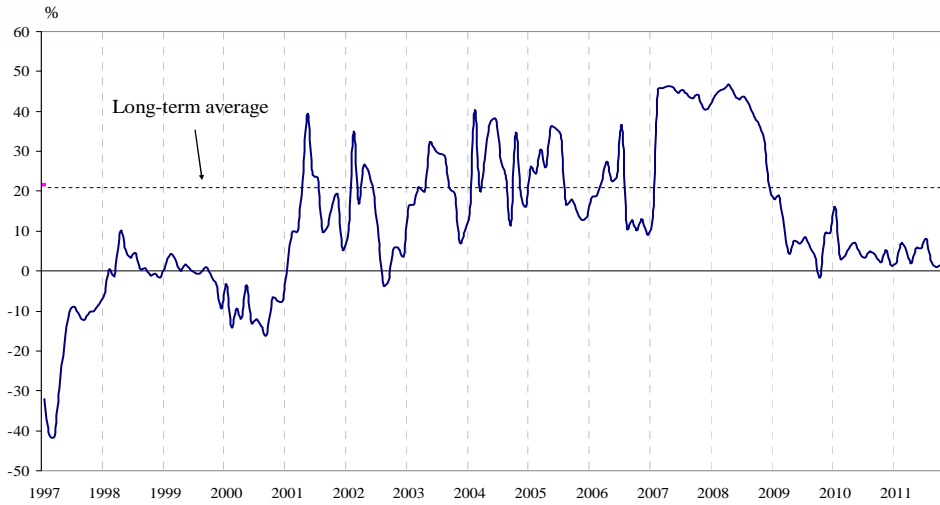


**Figure 6. Selling prices expectations in industry  
over the next 3 months**

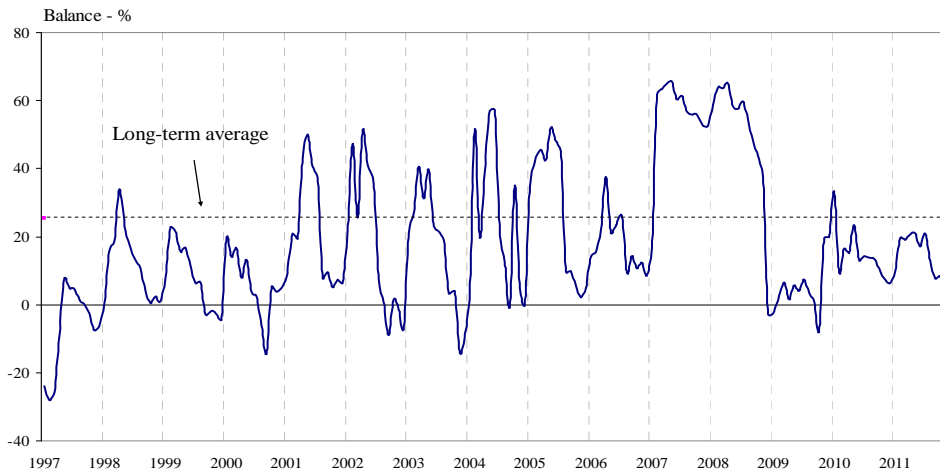




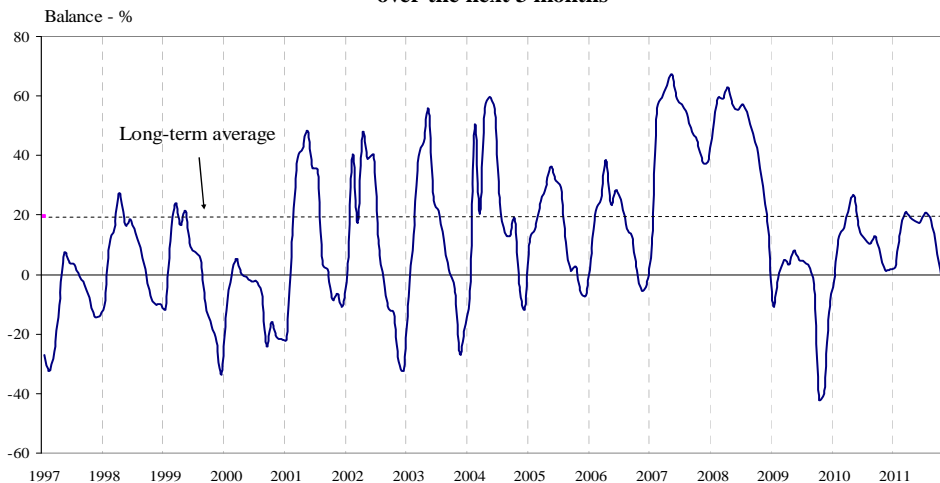
**Figure 7. Business climate in construction**



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

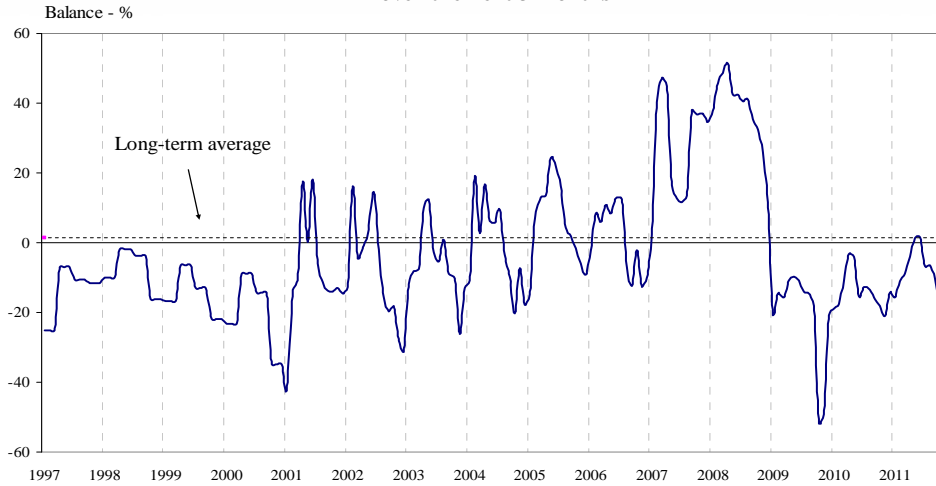


**Figure 9. Expected construction activity over the next 3 months**

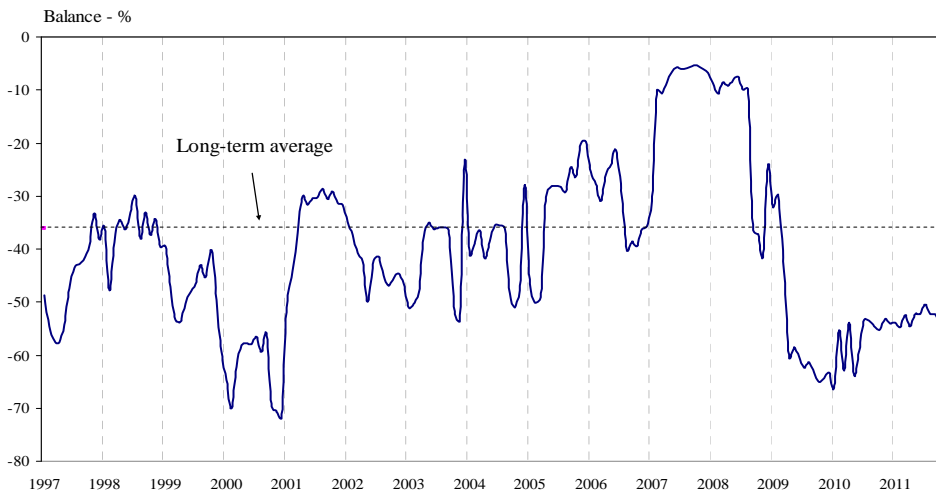




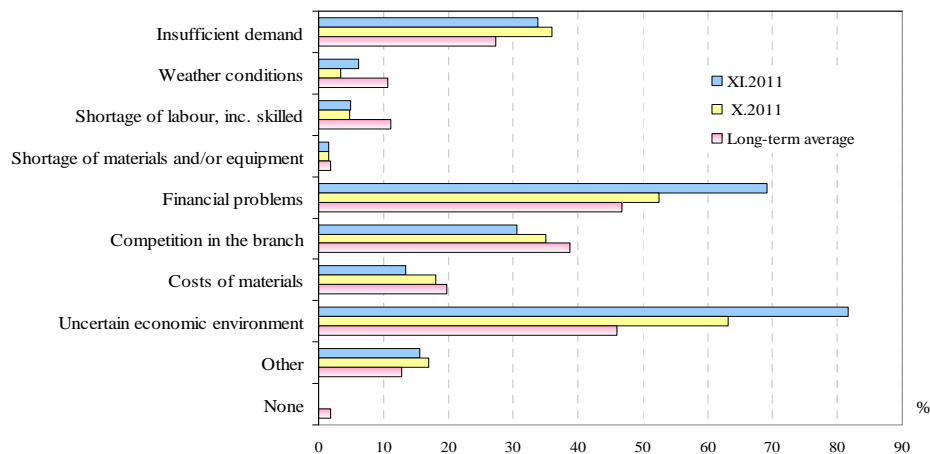
**Figure 10. Employment expectations in construction over the next 3 months**



**Figure 11. Production assurance with orders in construction**

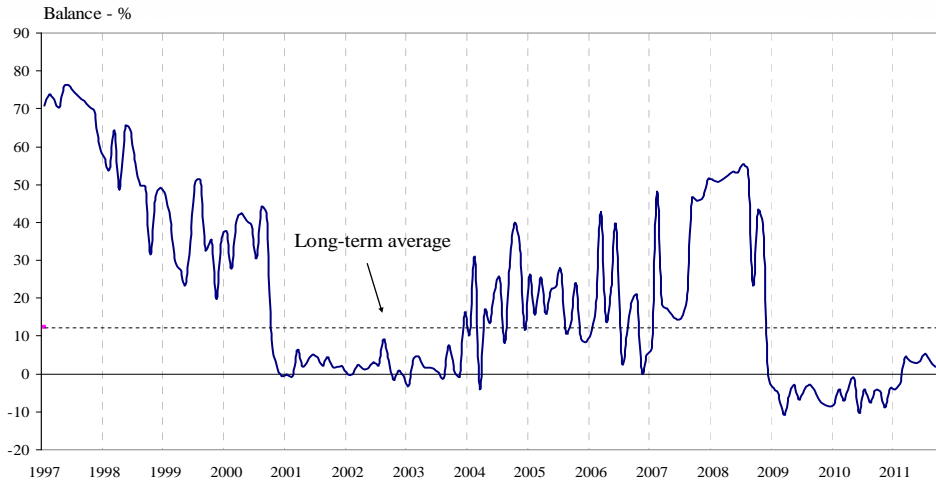


**Figure 12. Limits to construction activity (Relative share of enterprises)**

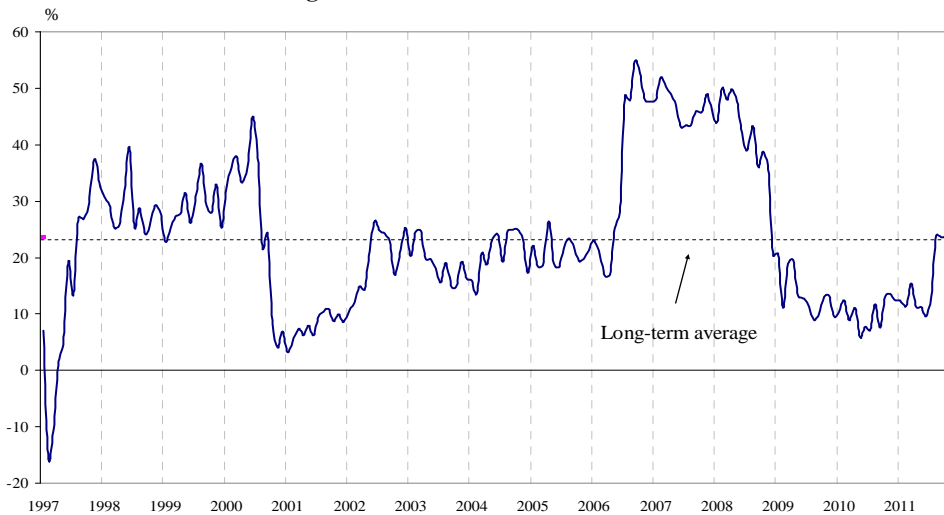




**Figure 13. Selling prices expectations in construction over the next 3 months**

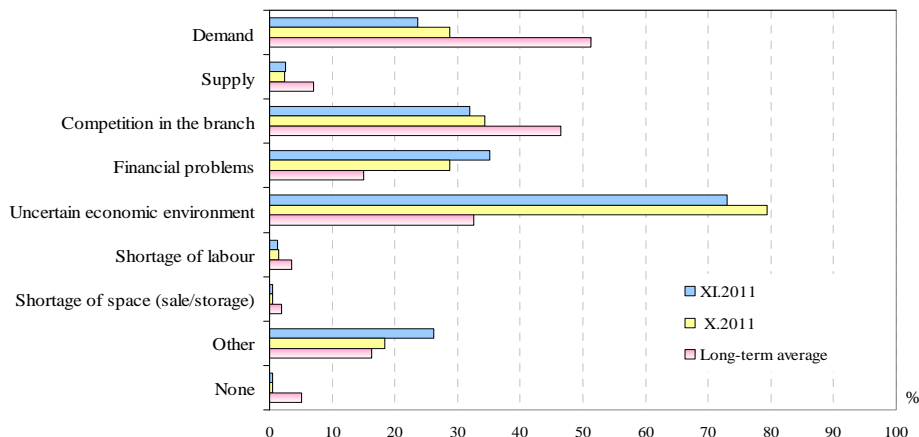


**Figure 14. Business climate in retail trade**



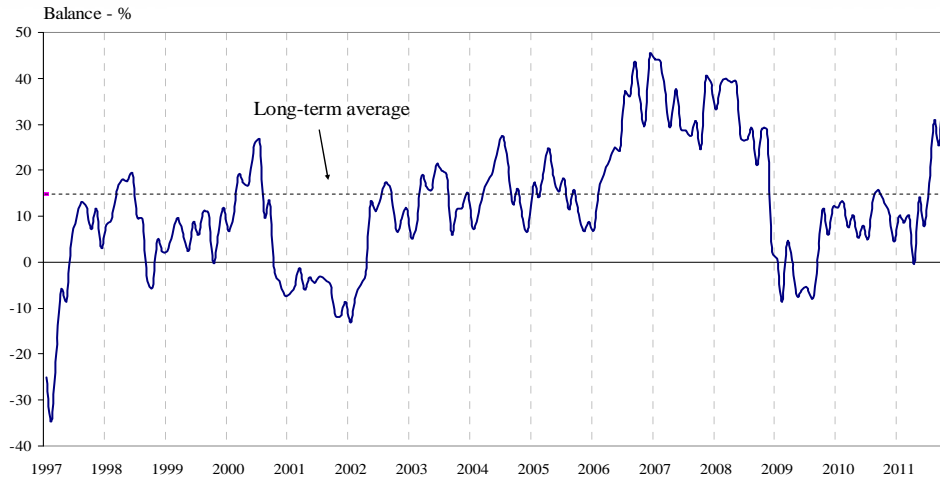
**Figure 15. Factors limiting the improvement of the business situation in retail trade**

(Relative share of enterprises)

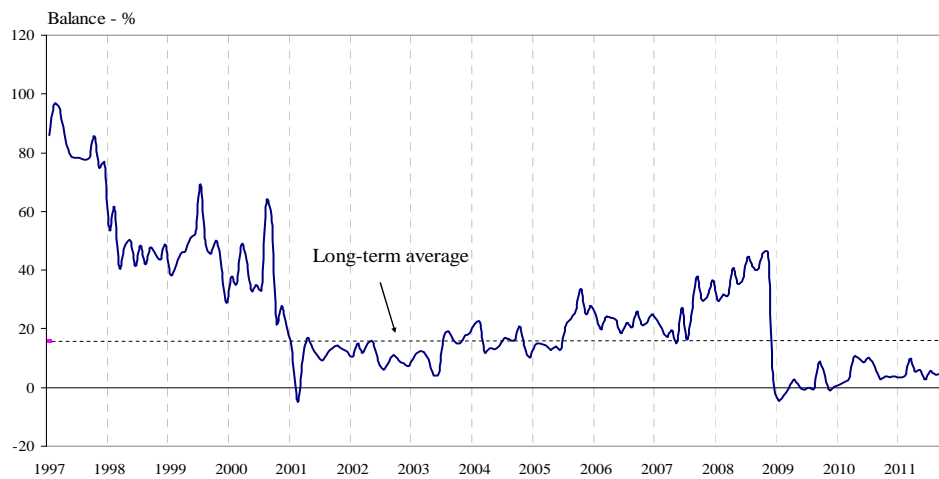




**Figure 16. Expectations about orders placed with suppliers in retail trade over the next 3 months**



**Figure 17. Selling prices expectations in retail trade over the next 3 months**



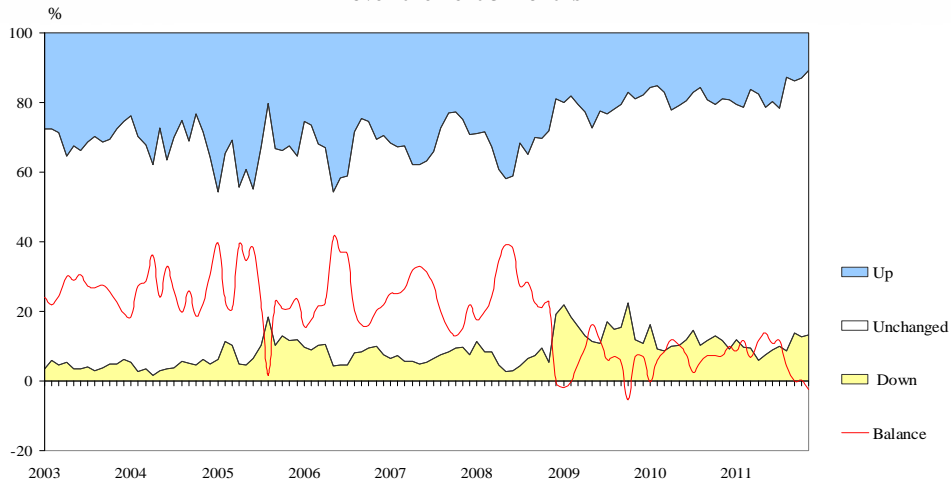
**Figure 18. Business climate in service sector**



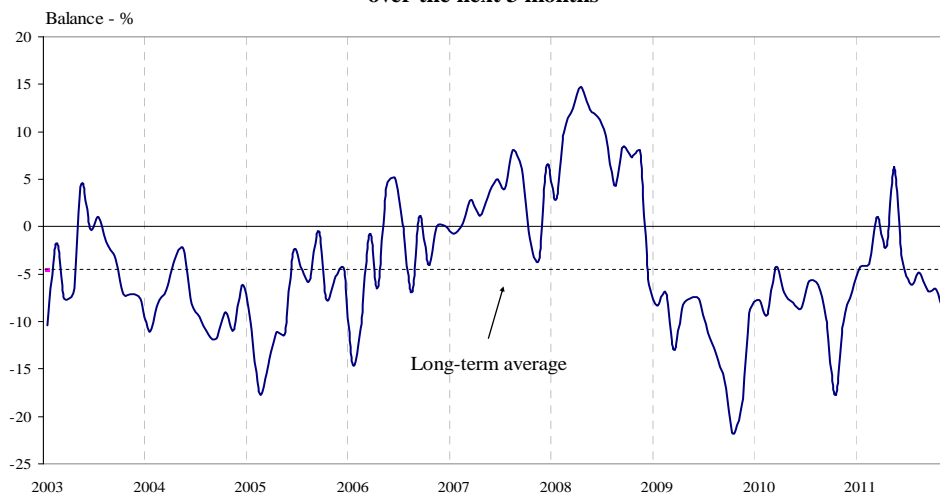




**Figure 19. Expected demand in service sector over the next 3 months**



**Figure 20. Employment expectations in service sector over the next 3 months**



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

