



## BUSINESS CONJUNCTURE

### NSI BUSINESS SURVEYS<sup>1, 2, 3</sup>, FEBRUARY 2012

In February 2012 **the total business climate indicator**<sup>4</sup> marks a decrease by 2.4 percentage points compared to its level from the previous month (Figure 1) as NSI conjuncture inquiries registered a worsening business climate in construction, retail trade and service sector.

**Industry.** Only the composite indicator “business climate in industry” preserves its level from the previous months (Figure 2). In February the production activity and the orders decrease, but the stocks of finished goods rose. However over the next months managers expected some recovery of the activity (Figure 3).

The main factor limiting the activity of the enterprises remains the uncertain economic environment, even though in the last month its negative impact is decreased, it remains above its long-term average for the last 10 years. Also the unfavorable influence of the second strongest factor “insufficient domestic demand” is strengthened (Figure 4).

Most of the managers do not expect a change in the level of the selling prices over the next 3 months (Figure 5).

**Construction.** In February 2012 the composite indicator “business climate in construction” decreases by 2.3 percentage points in comparison with January (Figure 6) which is due to shifting of the opinions about the present business situations of the enterprises from “good” to “normal for the season”. According to the construction entrepreneurs assessments the present construction activity is decreased as compared to the previous month, but the forecasts about the next 3 months are more favorable (the balance indicator goes up by 8.8 percentage points) (Figure 7).

The uncertain economic environment and the financial problems continue to be the main factors limiting the activity in the construction branch followed by the insufficient demand. In February stands out the fourth factor influencing negatively on the activity of enterprises, namely “weather conditions” pointed out by 43.9% of the heads (Figure 8).

The expectations of the managers regarding the selling prices in construction are for a certain decrease over the next 3 months (Figure 9).

---

<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.



**Retail trade.** The composite indicator “business climate in retail trade” decreases by 1.9 percentage points in comparison with the previous month (Figure 10) which is due to the worsening of the managers’ assessments about the present business situation of the enterprises. At the same time the inquiry registers a reduction in volume of sales over the last 3 months and increased level of stocks (Figure 11). However the retailers expressed optimism in their prognosis about development of business situation (Figure 12) as their expectations are for some recovery about the sales and orders placed with suppliers over the 3 months.

The main problems for the development of the business in the sector continue to be the uncertain economic environment, the insufficient demand and the competition in the branch (Figure 13).

By the last inquiry data an increase of the retail trade prices over the next 3 months is not expected.

**Service sector<sup>5</sup>.** In February the composite indicator “business climate in service sector” decreases by 7.6 percentage points as compared to the previous month (Figure 14). The manager’s assessments and expectations about business situation of the enterprises are worsened. The survey records decreased demand for services over the last 3 months and relatively moderate expectations over the next 3 months (Figure 15).

The most important factor limiting the activity in the sector continues to be the uncertain economic environment which negative influence increases and over the last month it has reached its maximum value (74.9%) since the beginning of the service survey. At the same time in February the negative influence of the factors “financial problems” and “insufficient demand” is strengthened (Figure 16).

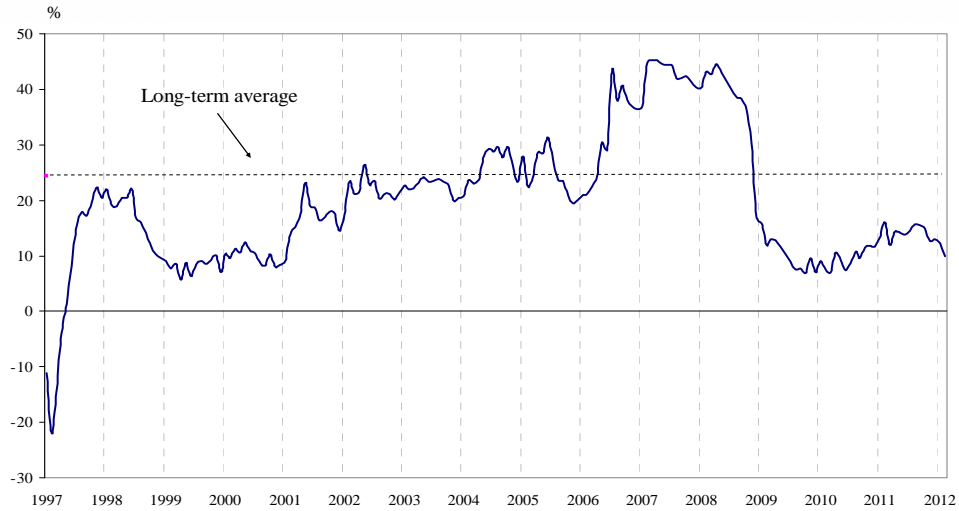
With regard to the selling prices in the service sector the prevailing expectations are for preservation of their level over the next 3 months .

---

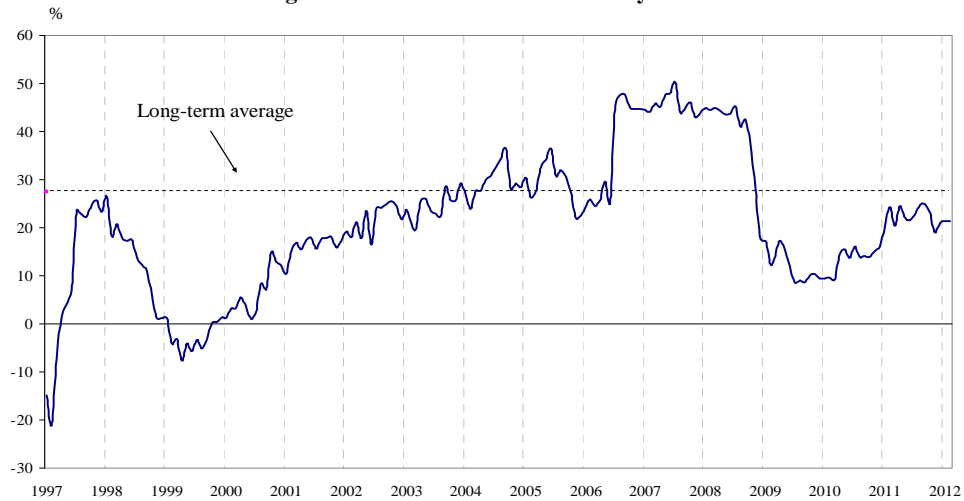
<sup>5</sup> Excl. trade.



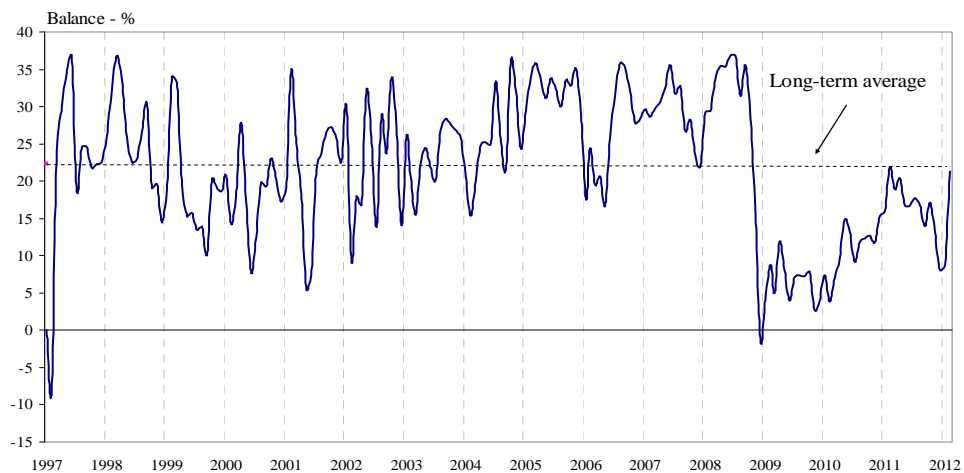
**Figure 1. Business climate - total**



**Figure 2. Business climate in industry**

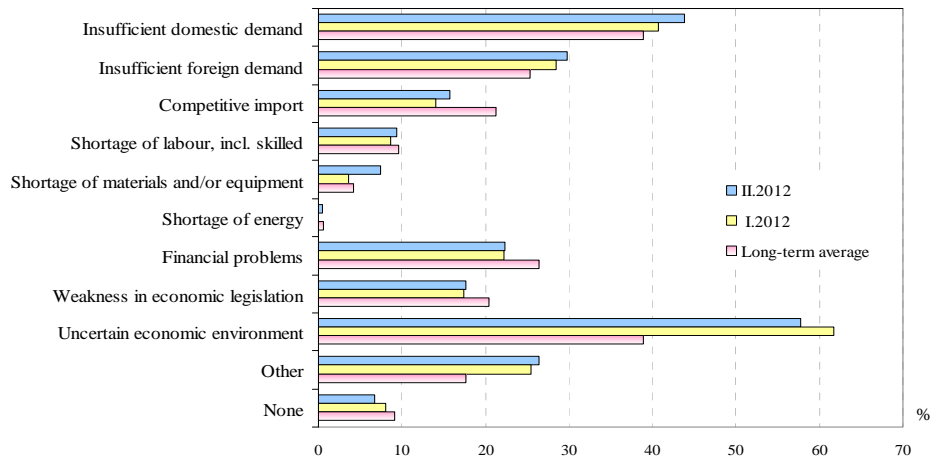


**Figure 3. Expected production activity in industry over the next 3 months**

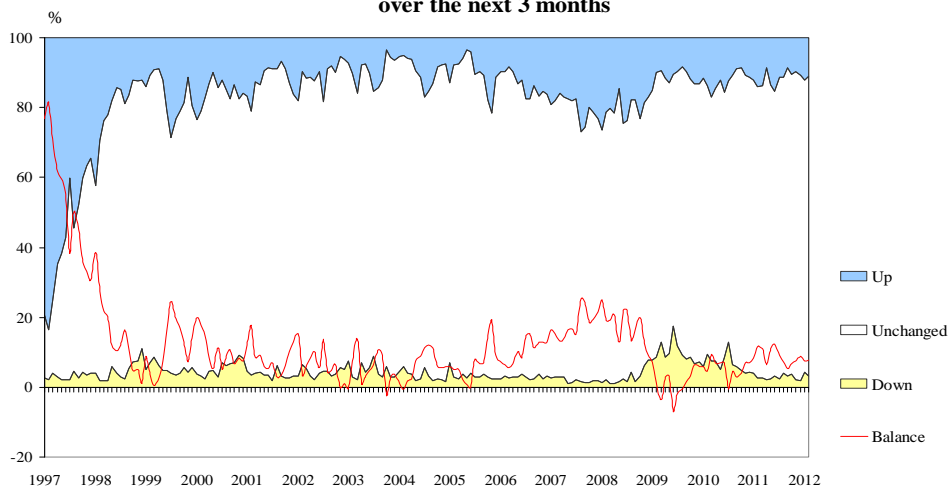




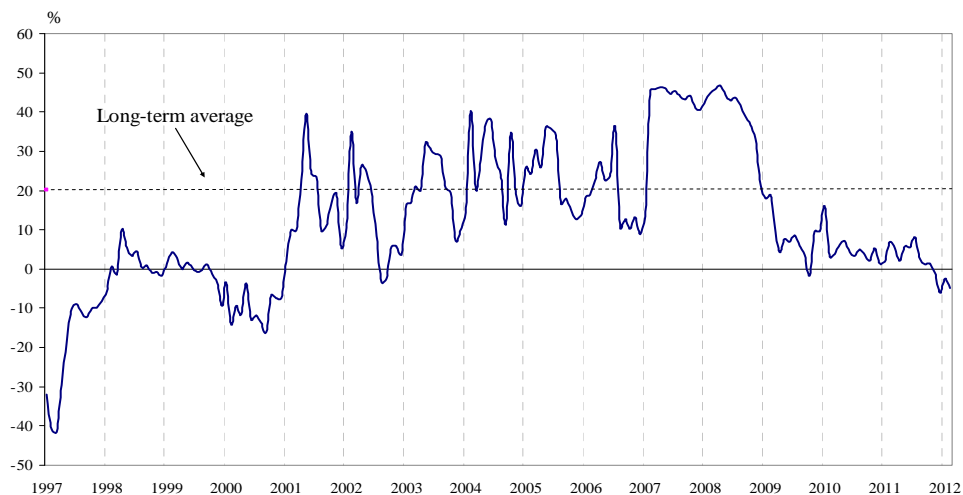
**Figure 4. Limits to production in industry  
(Relative share of enterprises)**



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

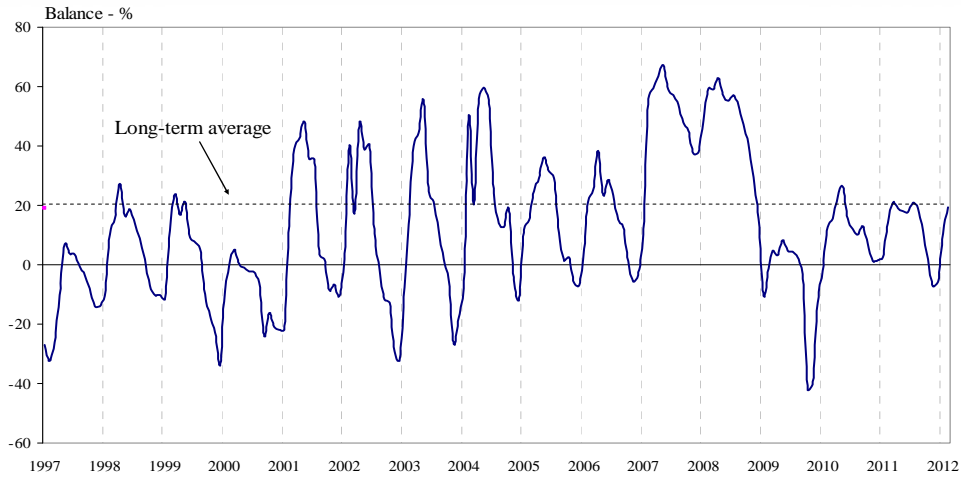


**Figure 6. Business climate in construction**

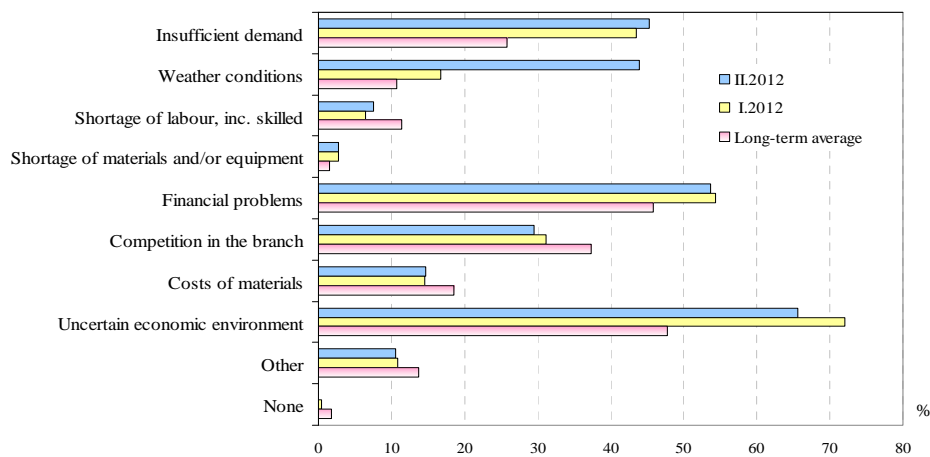




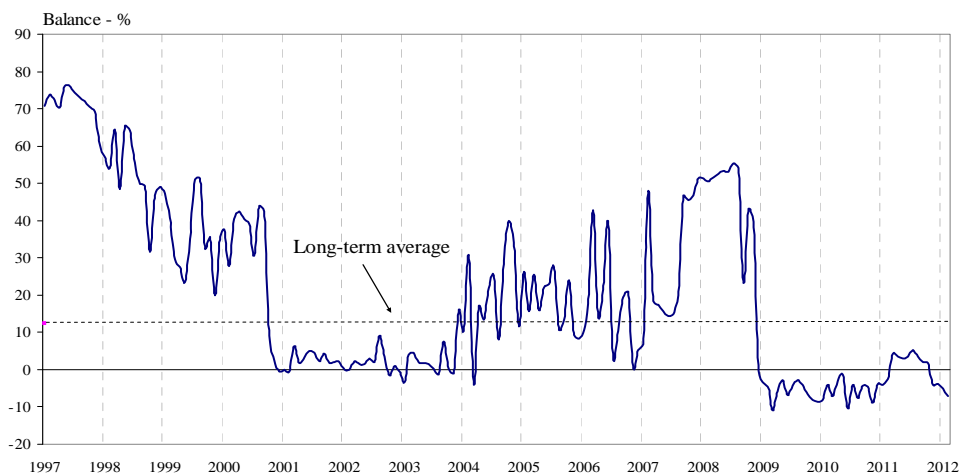
**Figure 7. Expected construction activity over the next 3 months**



**Figure 8. Limits to construction activity (Relative share of enterprises)**

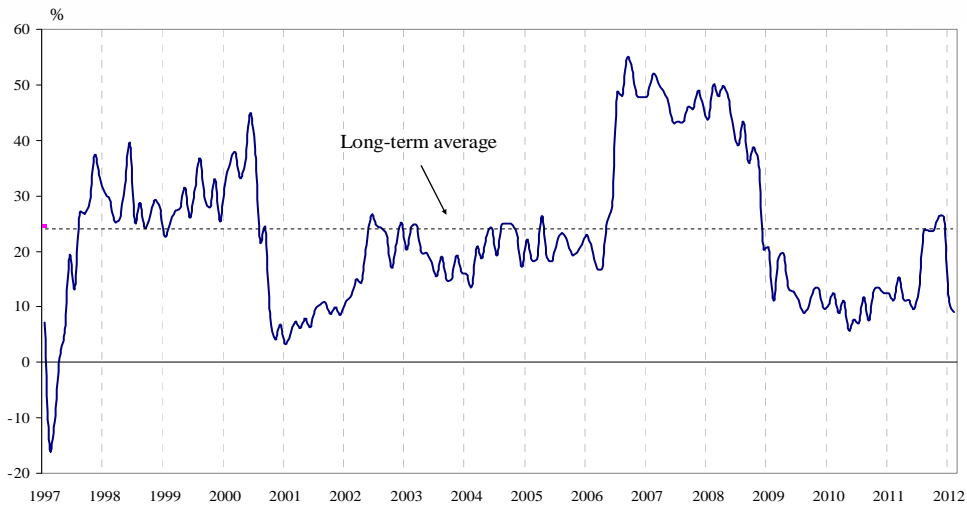


**Figure 9. Selling prices expectations in construction over the next 3 months**

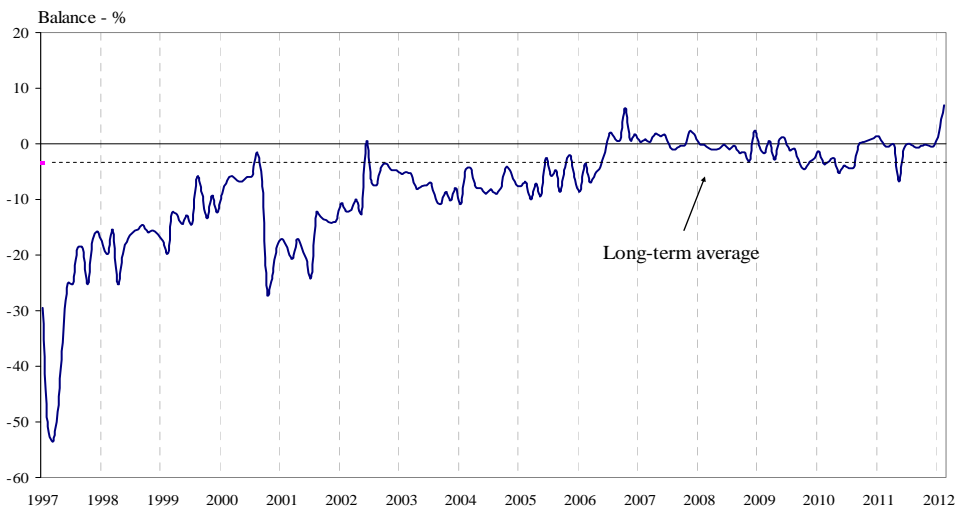




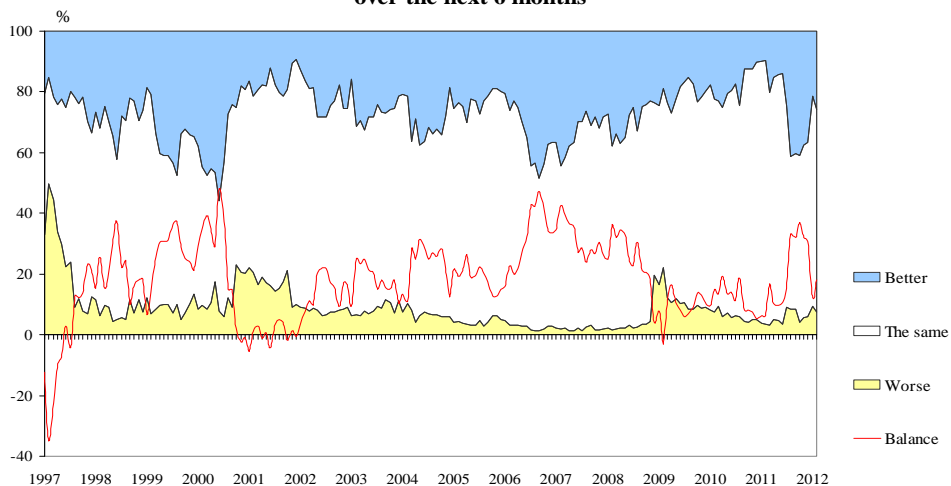
**Figure 10. Business climate in retail trade**



**Figure 11. Level of stocks in retail trade**

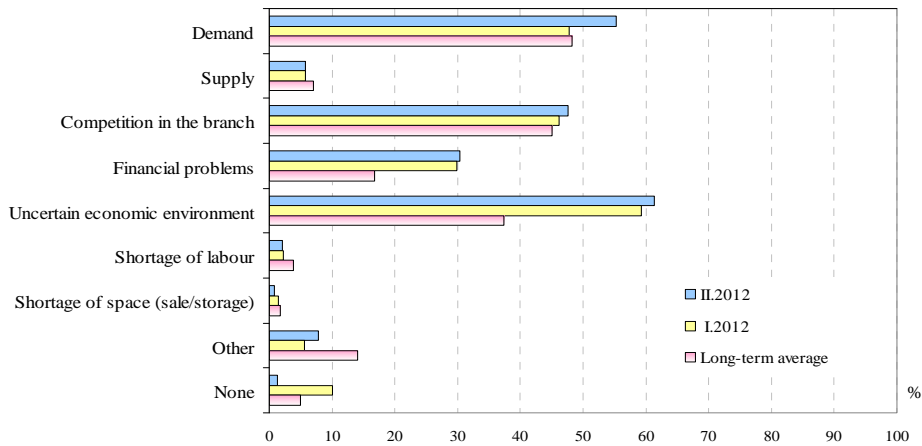


**Figure 12. Expected business situation in retail trade over the next 6 months**

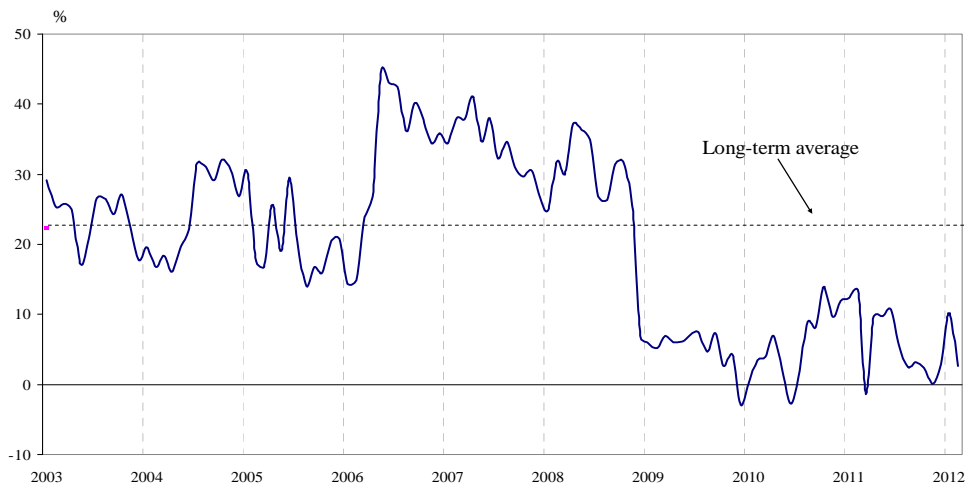




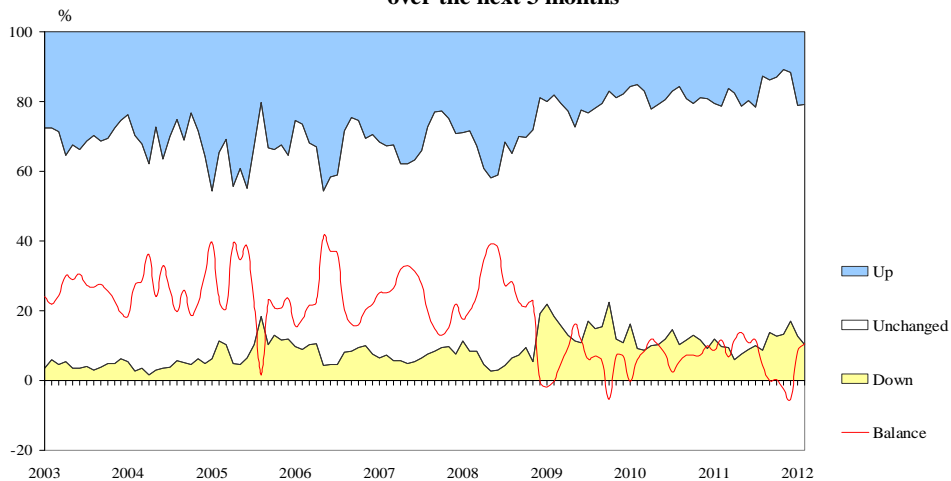
**Figure 13. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)**



**Figure 14. Business climate in service sector**



**Figure 15. Expected demand in service sector over the next 3 months**





**Figure 16. Factors limiting the activity in service sector  
(Relative share of enterprises)**

