BUSINESS CONJUNCTURE
NSI BUSINESS SURVEYS[1, 2, 3], OCTOBER 2012

In October 2012 **the total business climate indicator**[4] decreases by 2.7 percentage points compared to its level from the previous month (Annex, Figure 1) due to the more unfavourable business climate in all observed sectors - industry, construction, retail trade and service sector.

Industry. The composite indicator "business climate in industry" decreases by 3.6 percentage points in comparison with September (Annex, Figure 2) which is due to the more reserved managers' assessments and expectations about the business situation of the enterprises (Annex, Figure 3). The present production activity assessed as decreased and the expectations about the next 3 months are more moderate. The total production assurance with orders does no change despite the certain decrease in the orders from abroad and the expectations about the export are more reserved in comparison with the opinions expressed 3 month ago.

The average capacity utilization from July to October has dropped by 1.8 percentage points and it reaches 69.5% (Annex, Figure 4).

The main difficulties in the branch continue to be related to the uncertain economic environment and the insufficient domestic demand pointed out respectively by 53.3% and 42.8% of the enterprises (Annex, Figure 5).

As regards the selling prices the industrial entrepreneurs' expectations are for the preservation of their level over the next 3 months (Annex, Figure 6).

Construction. In October the composite indicator "business climate in construction" decreases by 2.9 percentage points (Annex, Figure 7) due to shifting of the managers' expectations about the business situation of the enterprises over the next 6 months from "better" towards preserving "the same" (Annex, Figure 8). As regards the construction activity the inquiry reports certain decrease in comparison with the previous month as the expectations about the next 3 months are also unfavourable (Annex, Figure 9).

The production is assured with contracts for 4.7 months, as a decrease of 0.8 months compared to the assessment from July is registers. At the same time the expectations about new orders over the next 6 months are more pessimistic (Annex, Figure 10).

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[1] In July 2010 the NSI has 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 have been 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 has been included in the total time series since May 2002.

The uncertain economic environment remains the main factor limiting with the most extent the activity of the enterprises, as in October compared to previous month a decrease of the negative impact of the factors “financial problems”, “insufficient demand” and “competition in the branch” is observed (Annex, Figure 11).

Concerning the selling prices the construction entrepreneurs’ forecasts are they remain without a significant change over the next 3 months (Annex, Figure 12).

Retail trade. The composite indicator “business climate in retail trade” decreases by 1.8 percentage points in comparison with September (Annex, Figure 13) which is due to the more moderate retailers’ expectations about the business situation of the enterprises over the next 6 months (Annex, Figure 14). According to the last inquiry the prognosis about the volume of sales (Annex, Figure 15) and orders placed with suppliers over the next 3 months are more reserved.

The main factors limiting the development of the business in the branch continue to be the uncertain economic environment, the competition the branch and the insufficient demand as in the last month an increase of their negative impact is observed (Annex, Figure 16).

As regards the selling prices the managers do not expect an increase over the next 3 months (Annex, Figure 17).

Service sector[1]. In October the composite indicator “business climate in service sector” decreases by 1.3 percentage points compared to the previous month (Annex, Figure 18) due to shifting of managers’ assessments about the business situation of enterprises from improving towards preserving “the same” (Annex, Figure 19). Their expectations as regards the demand for services over the next 3 months are more favourable (Annex, Figure 20) but it is not accompanied with intentions of additional hiring of personnel over the next 3 months.

The main factor limiting the activity in the sector continues to be uncertain economic environment. In the second place is the competition in the branch whose negative influence decreases by 11.2 percentage points in comparison with September (Annex, Figure 21).

Concerning the selling prices in the service sector the prevailing managers’ expectations are for preservation of their level over the next 3 months.

[1] Excl. trade.

Annex

Figure 1. Business climate – total

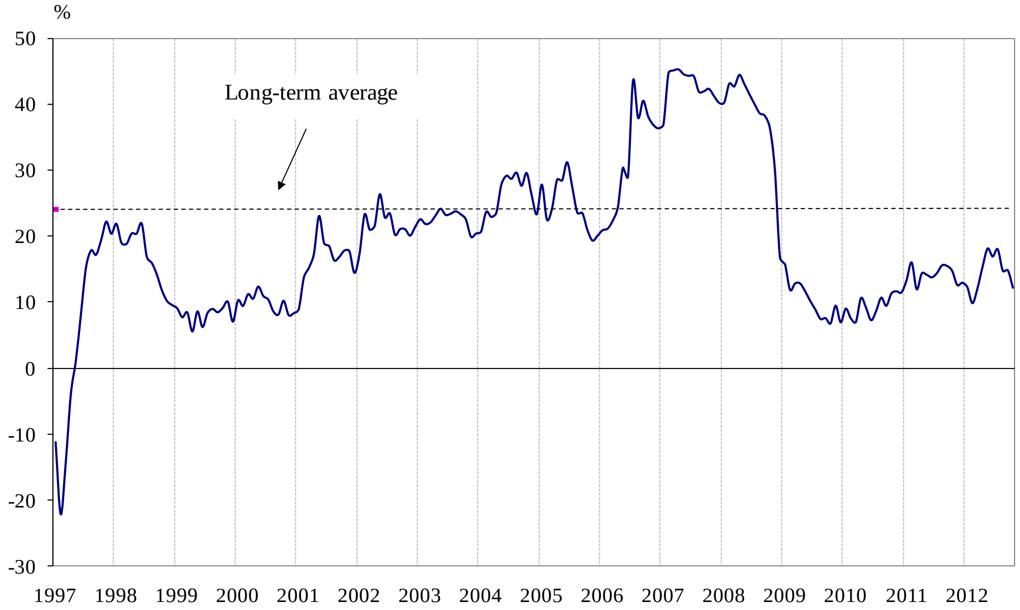

Figure 2. Business climate in industry

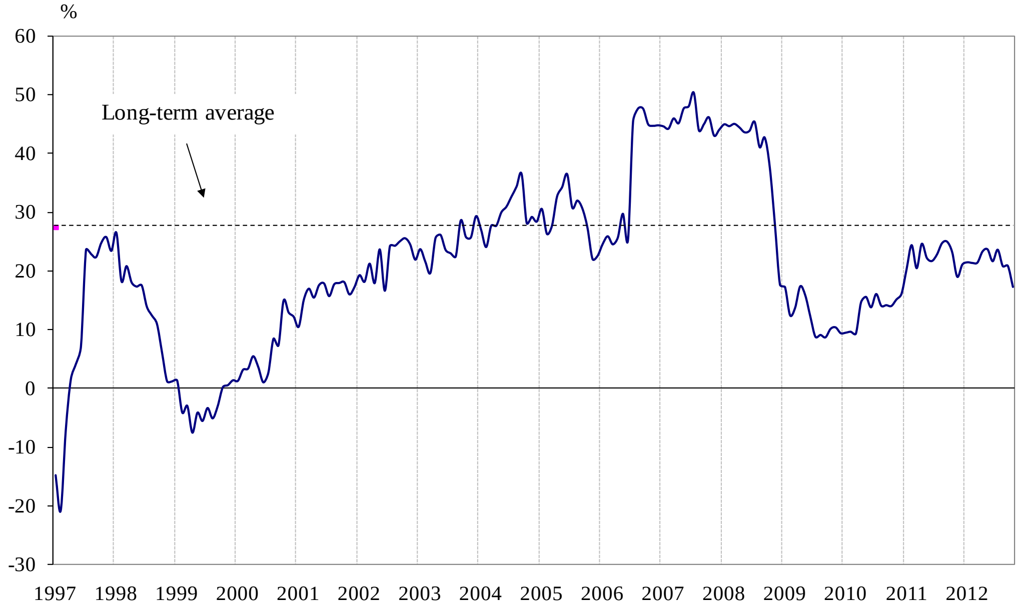

Figure 3. Expected business situation in industry over the next 6 months

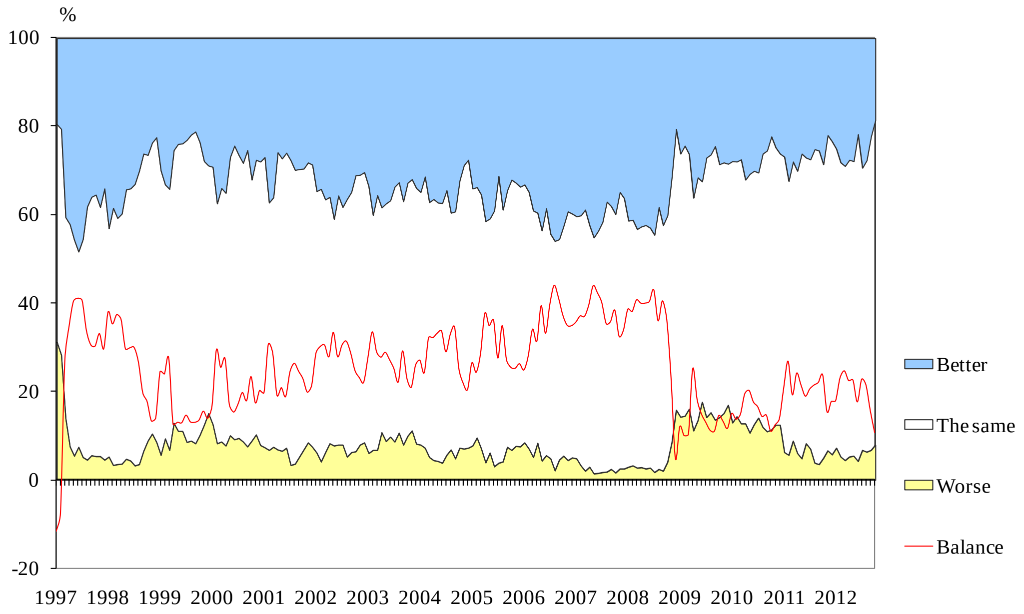

Figure 4. Average capacity utilization in industry

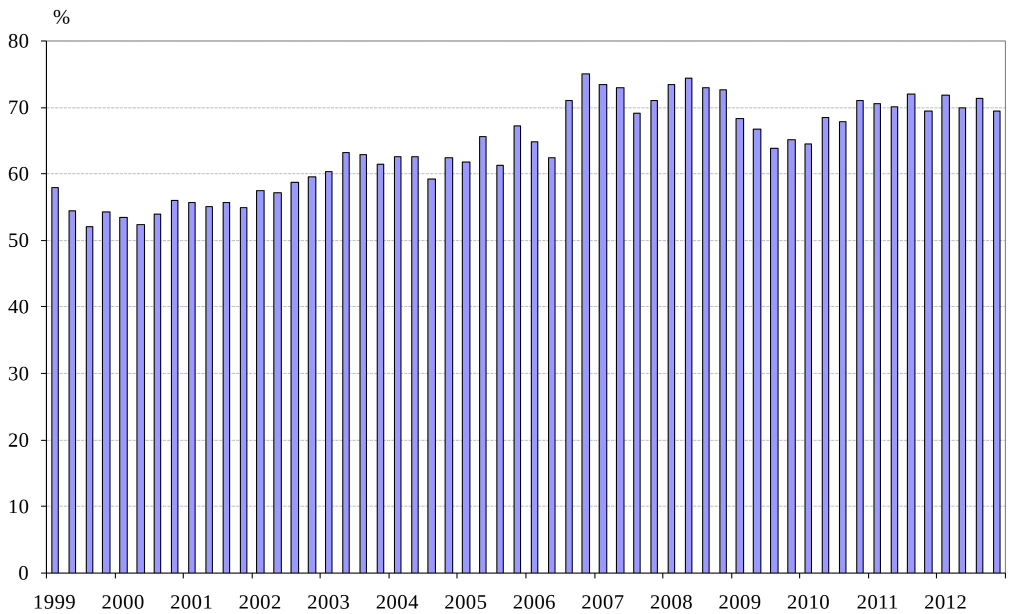

Figure 5. Limits to production in industry (Relative share of enterprises)

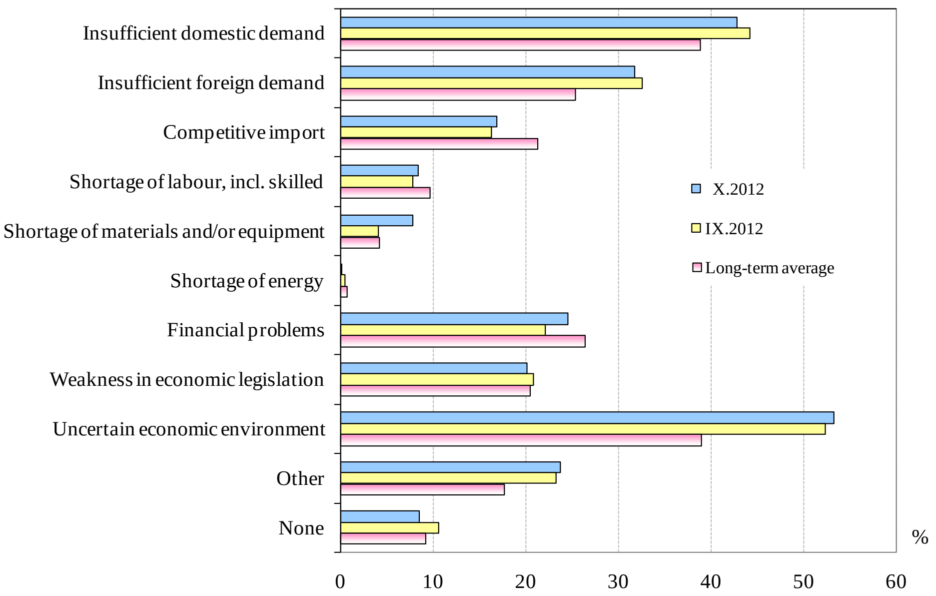

Figure 6. Selling prices expectations in industry over the next 3 months

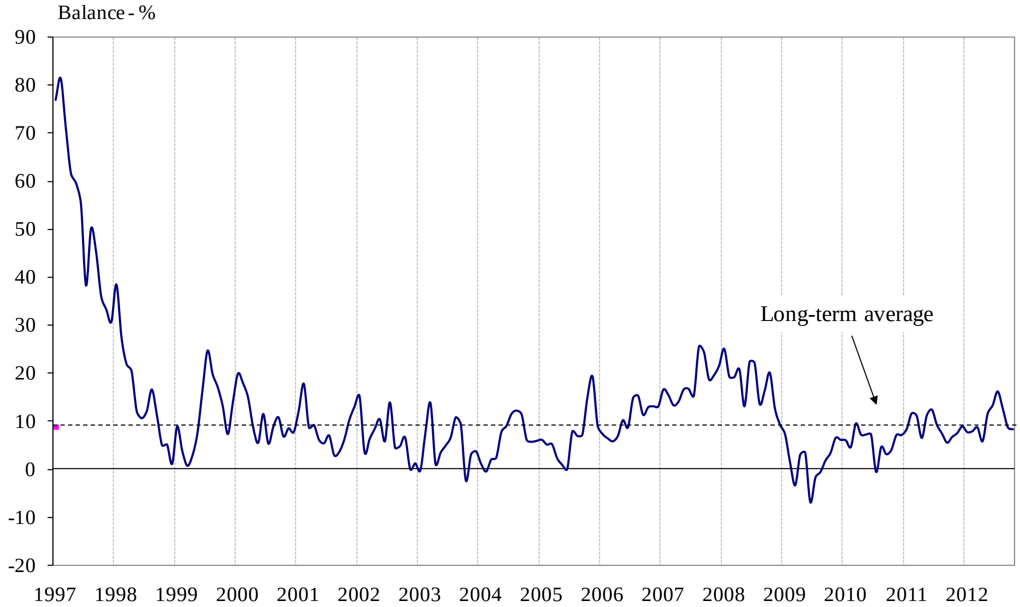

Figure 7. Business climate in construction

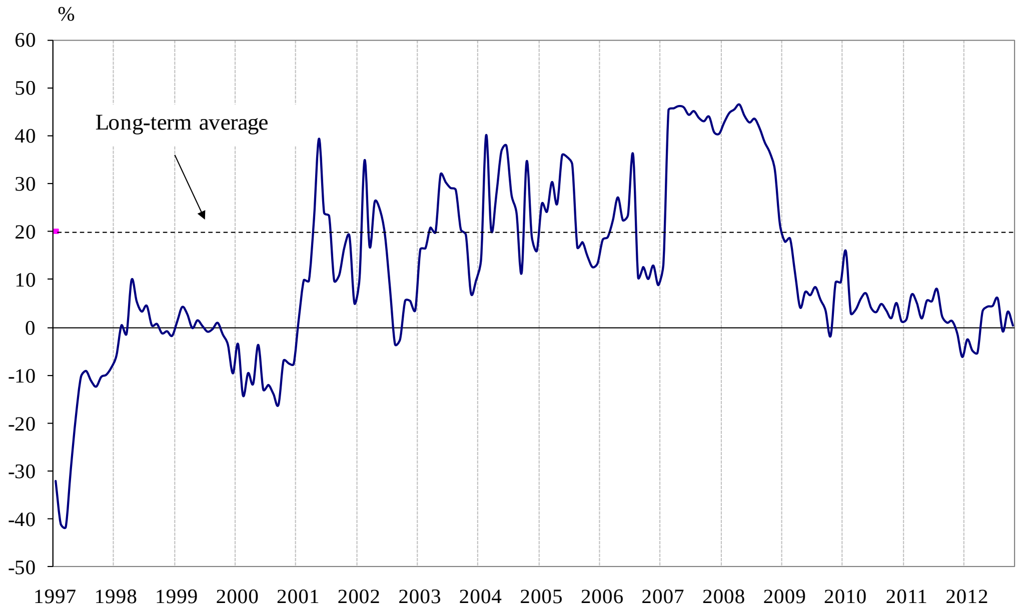

Figure 8. Expected business situation in construction over the next 6 months

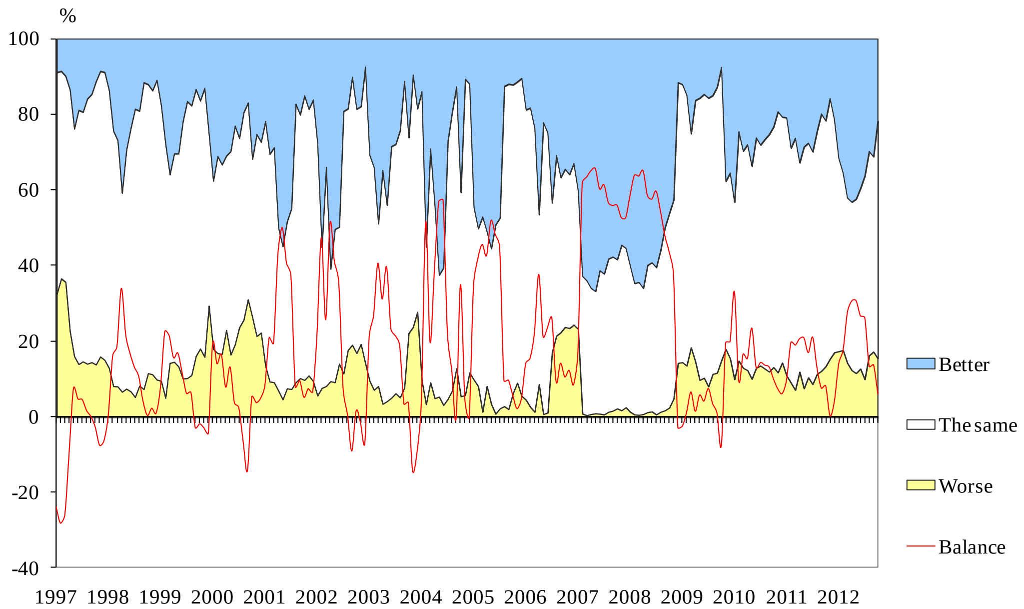

Figure 9. Expected construction activity over the next 3 months

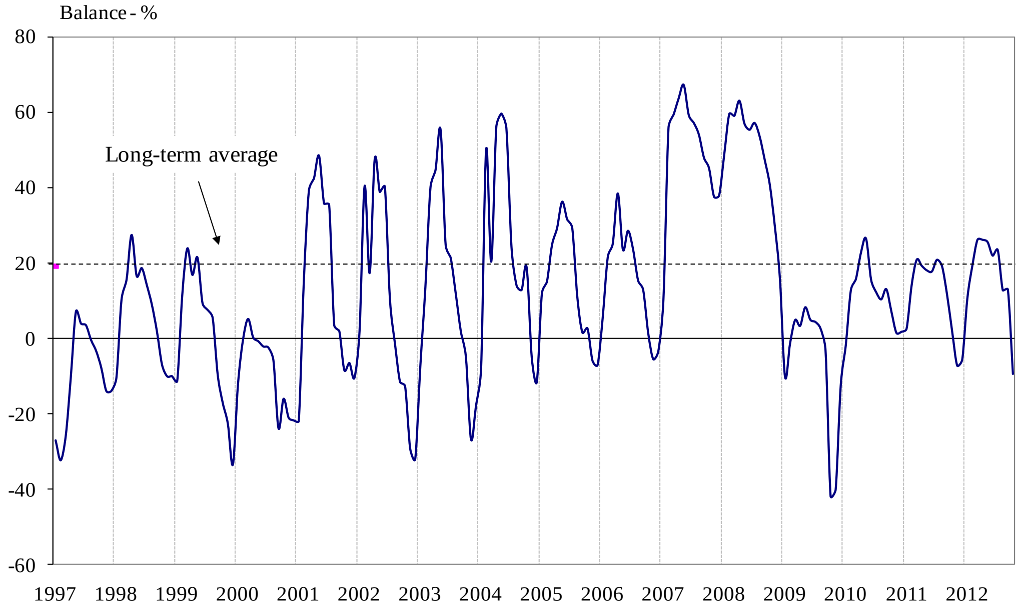

Figure 10. New orders expectations in construction over the next 6 months

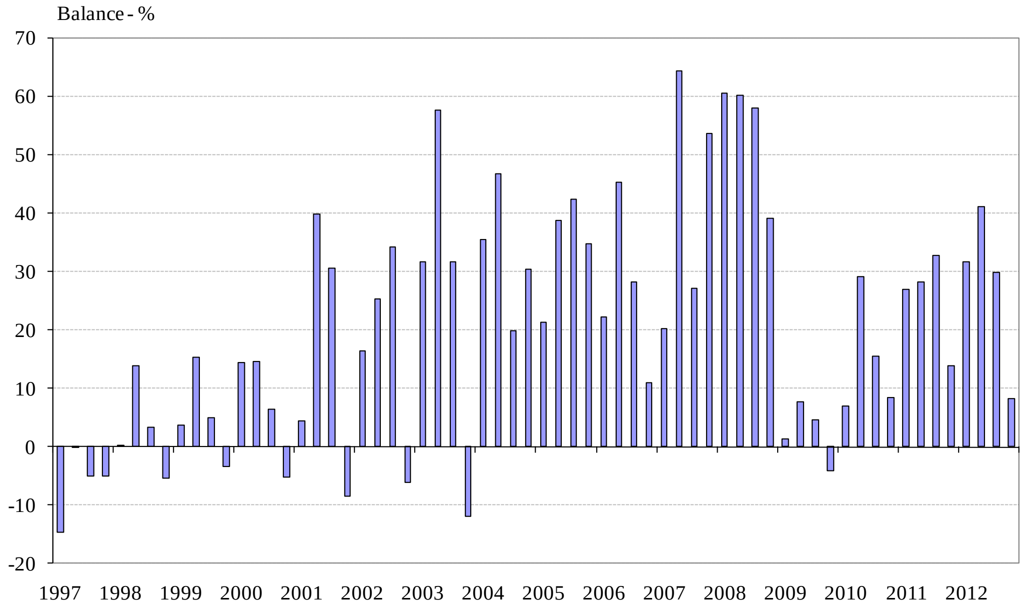

Figure 11. Limits to construction activity
(Relative share of enterprises)

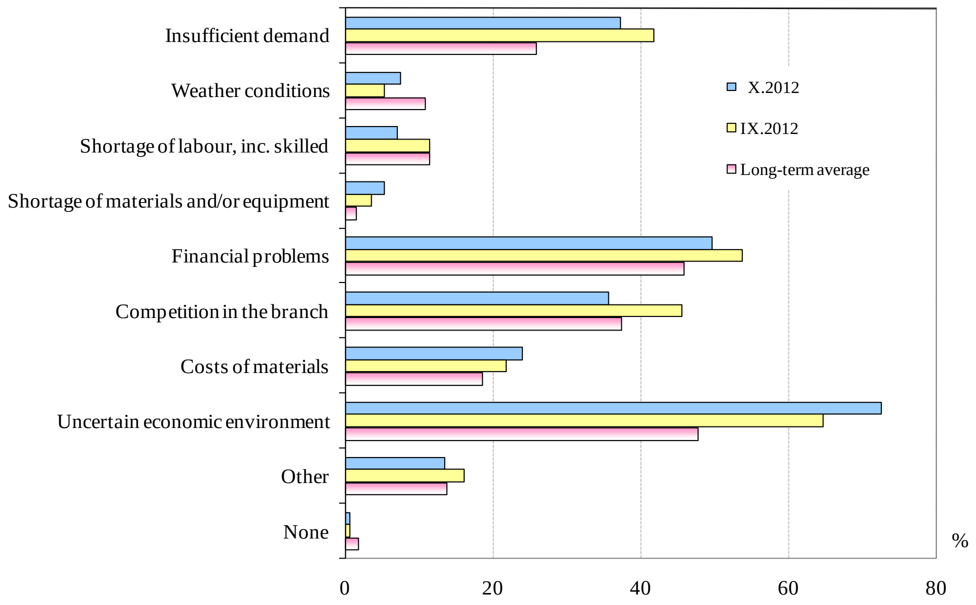

Figure 12. Selling prices expectations in construction
over the next 3 months

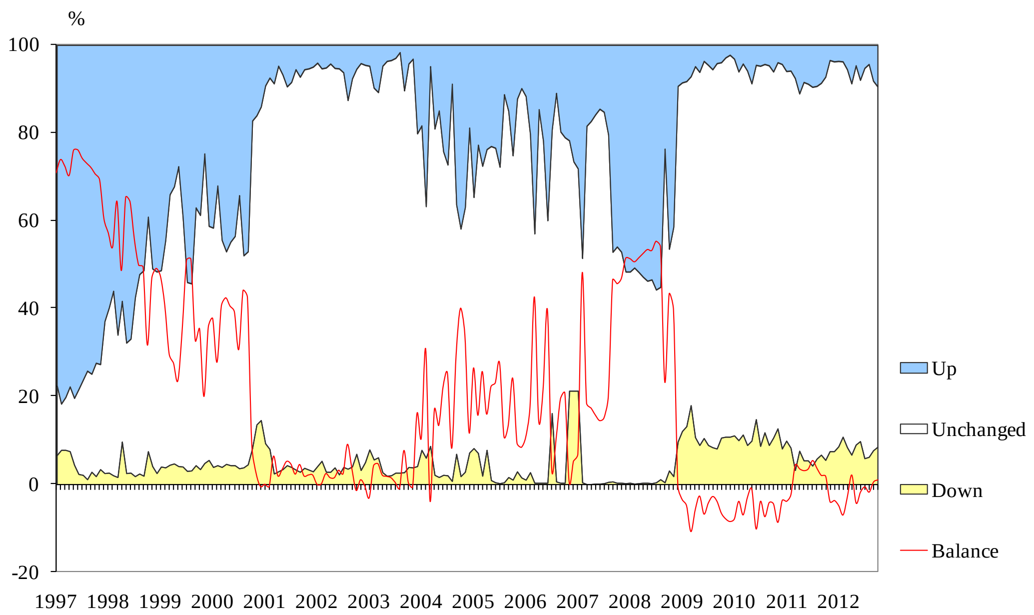

Figure 13. Business climate in retail trade

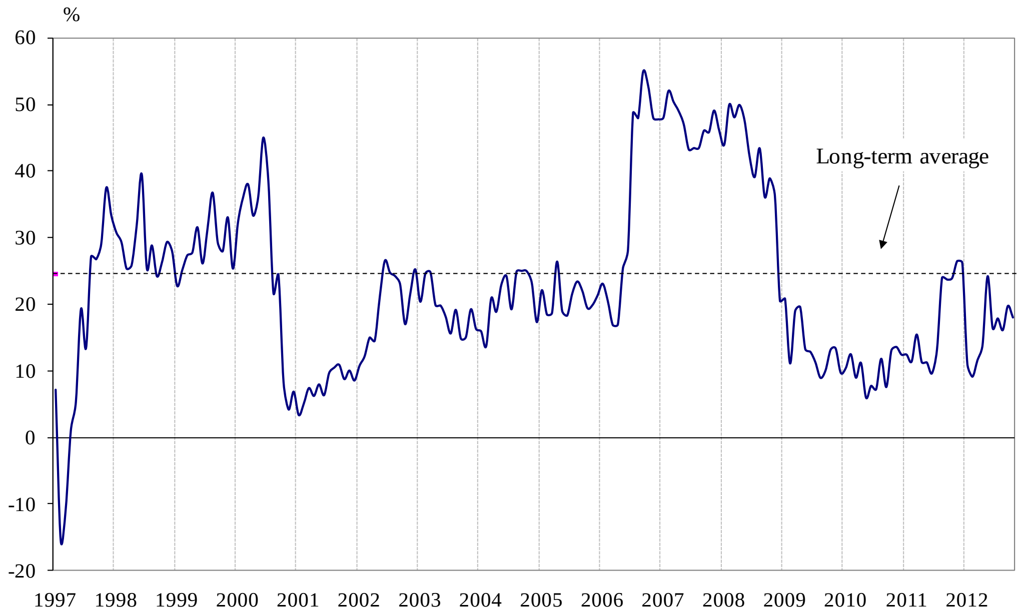

Figure 14. Expected business situation in retail trade over the next 6 months

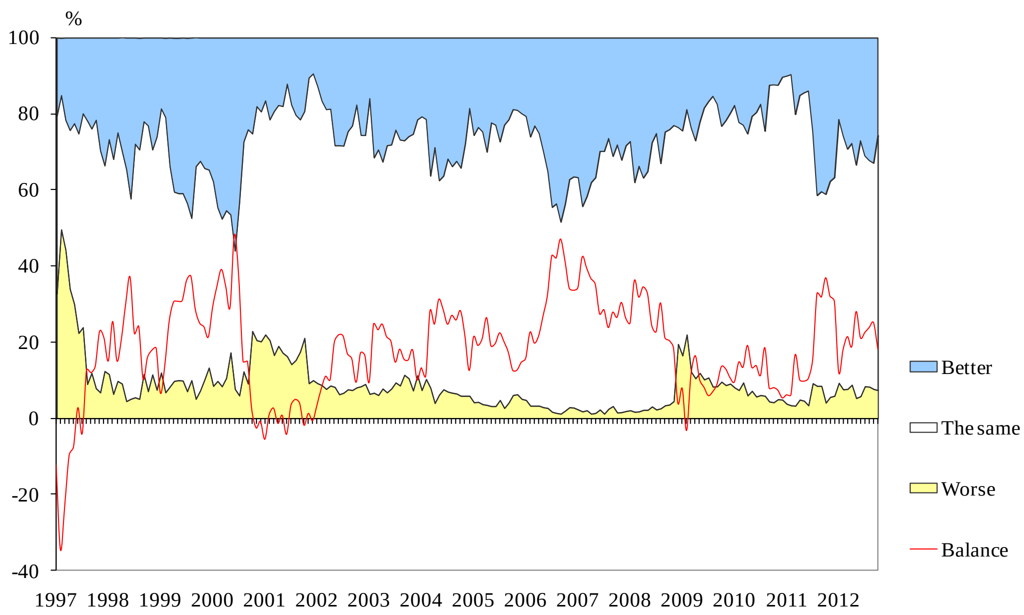

Figure 15. Sales expectations in retail trade over the next 3 months

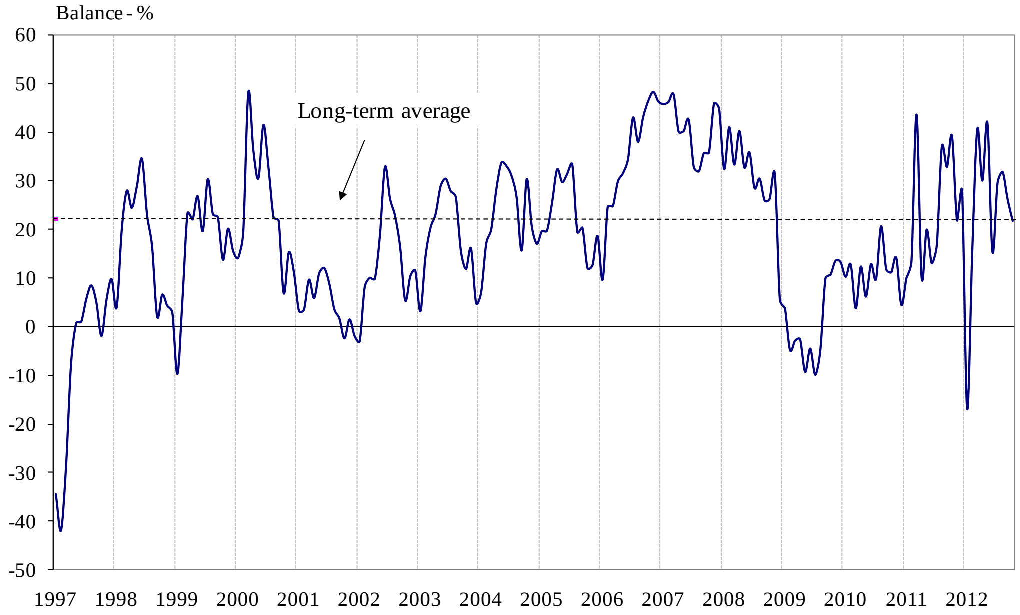

Figure 16. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)

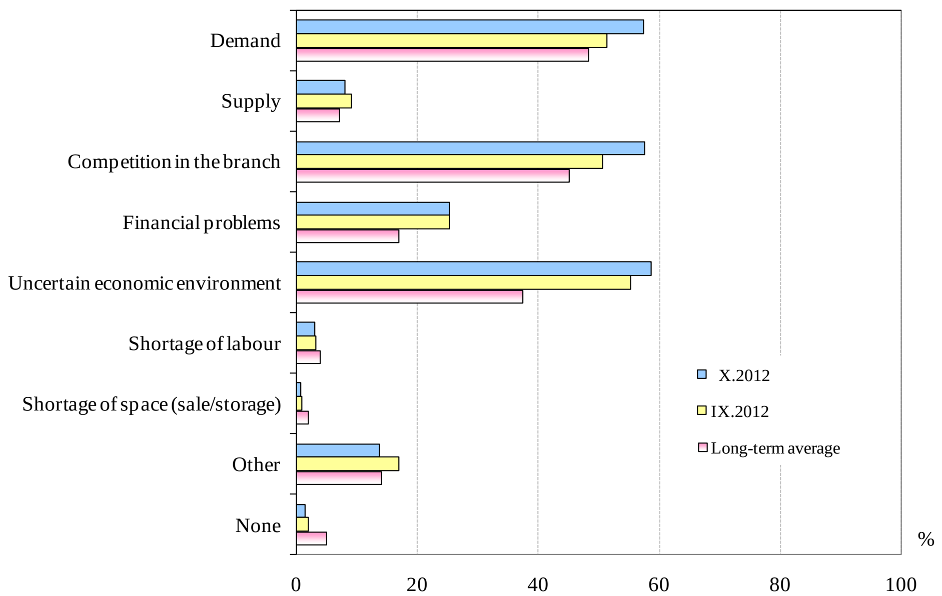

Figure 17. Selling prices expectations in retail trade over the next 3 months

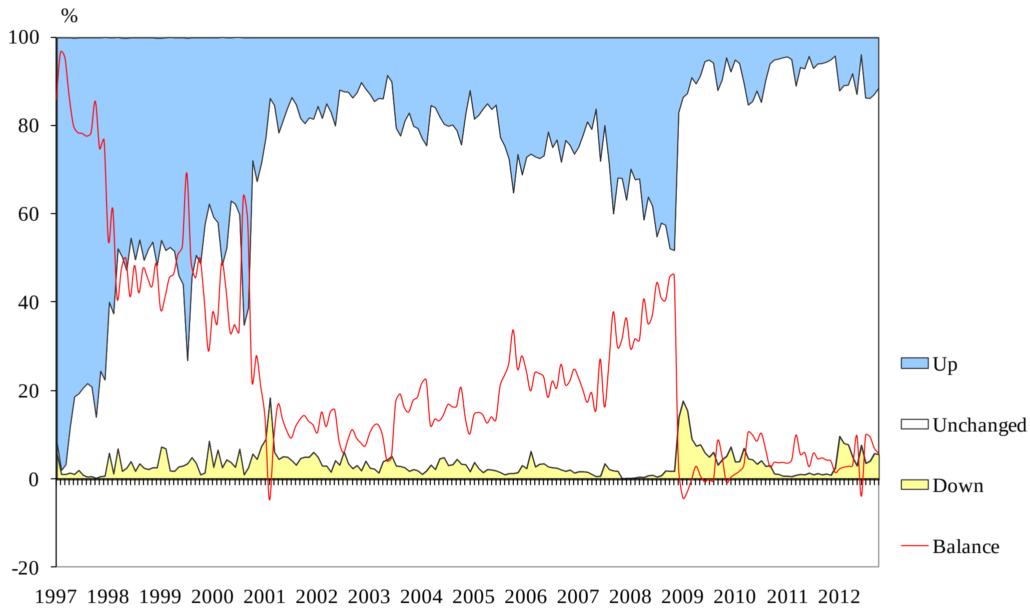

Figure 18. Business climate in service sector

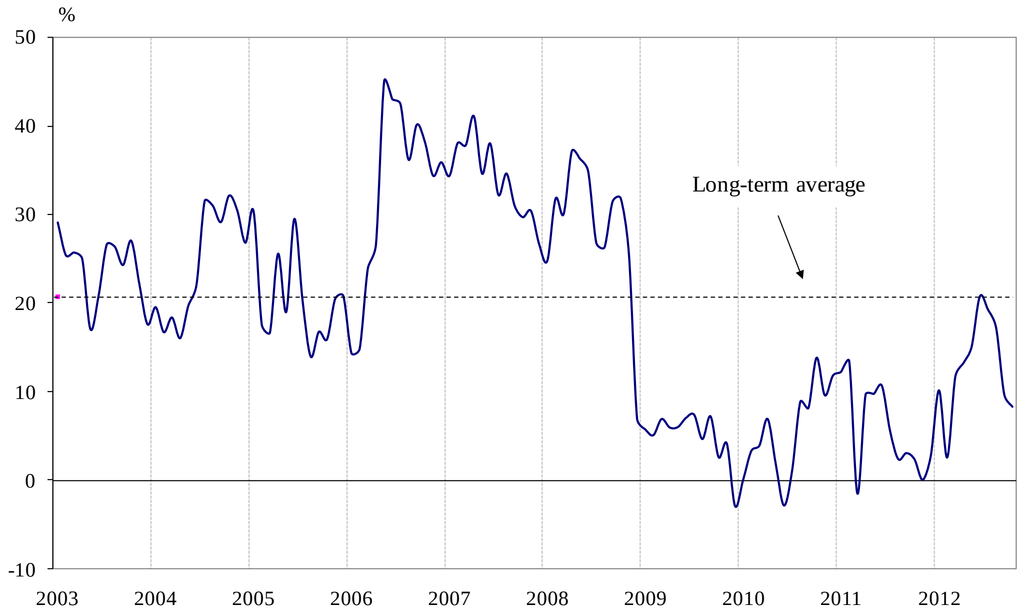

Figure 19. Present business situation in service sector

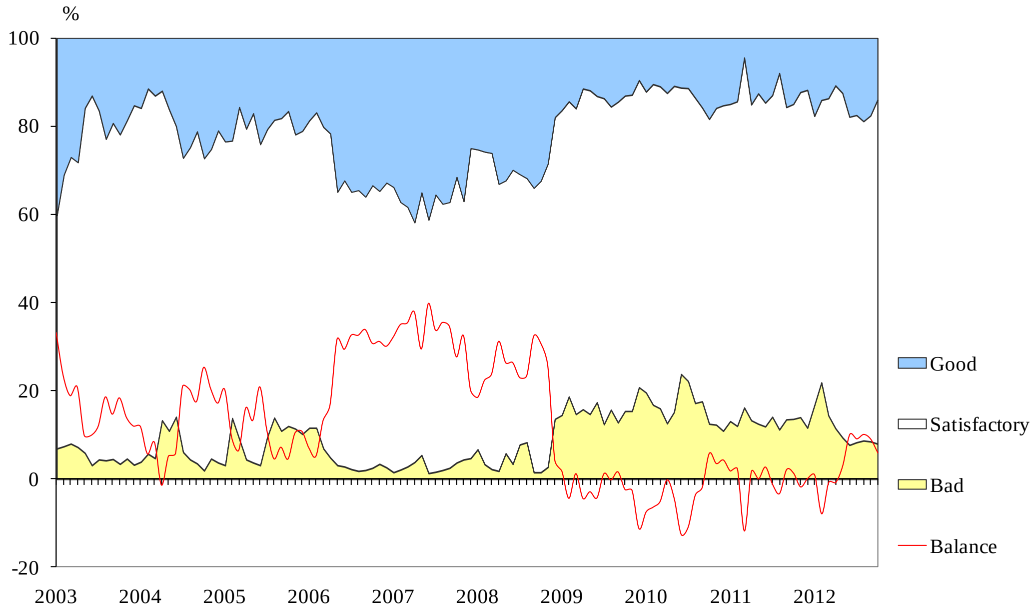

Figure 20. Expected demand in service sector over the next 3 months

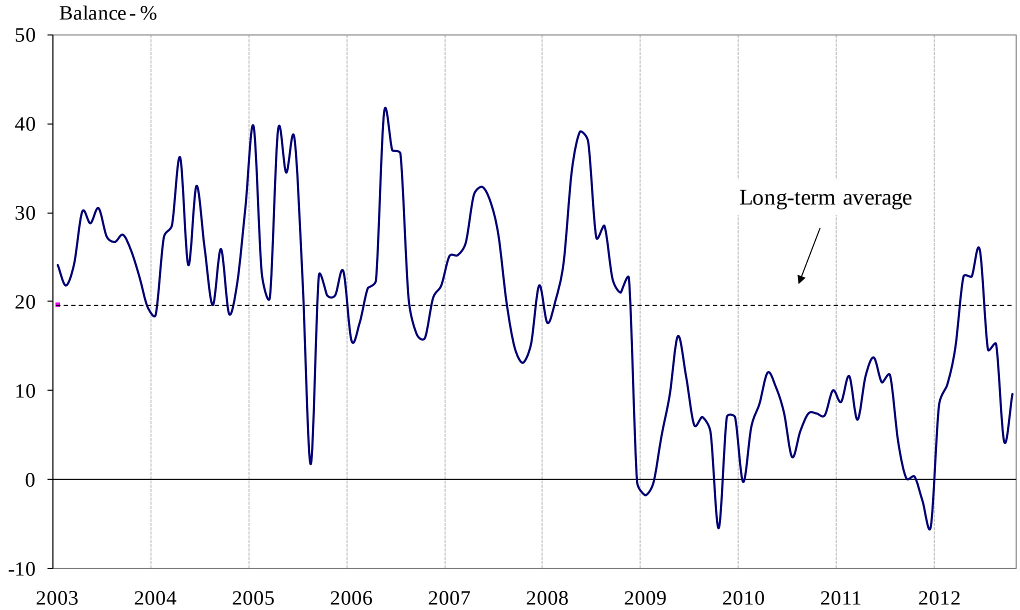

Figure 21. Factors limiting the activity in service sector
(Relative share of enterprises)