BUSINESS CONJUNCTURE

NSI BUSINESS SURVEYS[1,2,3], JULY 2010

In July 2010 **the total business climate indicator**[4] increases by 1.4 percentage points in comparison with June due to the improvement of the business climate in industry and in the service sector (Figure 1).

Industry. The composite indicator "business climate in industry" in July 2010 increases by 2.3 percentage points in comparison with the previous month (Figure 2). This is due to the more optimistic managers' opinions of the present business situation of enterprises. The assessment of the present production activity also is improving (the balance indicator goes up by 3.9 percentage points) (Figure 3). However the expectations about the business situation and the activity over the next months are more moderate as compared to those from the previous month. There are still expectations about a decrease of personnel among 12.5% of the enterprises.

The average capacity utilization in industry in July decreases by 0.6 percentage points in comparison with April and it reaches 67.9% (Figure 4). The enterprises report on a capacity surplus with regard to the expected demand over the next months (Figure 5).

In July the major problems for the business development in the sector continue to be the uncertain economic environment and the insufficient demand.

The expectations about the exports over the next 3 months are positive (Figure 6). The competitive positions of the enterprises on the domestic and foreign markets (both inside and outside the European Union) are also more favorably assessed.

An increase of the selling prices in industry over the next 3 months is not expected.

Construction. In July 2010 the composite business climate indicator decreases by almost one percentage point due to the worsened assessments of the present business situation of enterprises (Figure 7). In the managers' opinion there is a decrease of the construction activity in comparison with the previous month (Figure 8), and the expectations about the next 3 months are more unfavourable, even though the share of enterprises expecting an increase of the activity is 27.4%. At the same time a further reduction of personnel is expected. The number of clients with delay in payments has decreased slightly in comparison with June.

The present production assurance with orders is a little better than in June. The production is assured with contracts for a longer time period in comparison with 3 months ago - 5.7 months, against 4.5 in April (Figure 9). However the expectations about new orders over the next 6 months are more pessimistic than they were in April.

The main problems for the activity of construction enterprises continue to be the uncertain economic environment, the shortage of financial resources and the insufficient demand, as in July the negative influence of the first factor is especially strengthened, whereas the influence of the other factors decreases to a certain extent (Figure 10).

The expectations of the construction entrepreneurs regarding the selling prices are for the preservation of their level over the next 3 months.

Retail trade. The tendency of decrease of the composite indicator of business climate continues in July - its level is half of a percentage point below that of the previous month (Figure 11). The present business situation of enterprises is improving (Figure 12), but the expectations about the next 6 months are worsened. The managers have lower expectations of an increase of sales over the next 3 months. The expectations about the orders placed with suppliers are also pessimistic.

The insufficient demand and the uncertain economic environment continue to be the major factors limiting the activity of the enterprises in the sector (Figure 13).

Service sector[5]. In July the composite indicator "business climate in service sector" increases by 4.0 percentage points in comparison with June (Figure 14) due to the improved managers' assessments and expectations of the business situation of enterprises. The assessments of the present demand for services are also more favorable, but the expectations about the next 3 months are more pessimistic (Figure 15).

The uncertain economic environment is the most limiting factor for the activity of the enterprises in the sector. The second factor is the competition in the branch whose negative influence in July is strengthened by 5.3 percentage points in comparison with the previous month (Figure 16).

The managers in the service sector do not expect an increase of the selling prices over the next 3 months.

Annex 1

Figure 1. Business climate - total

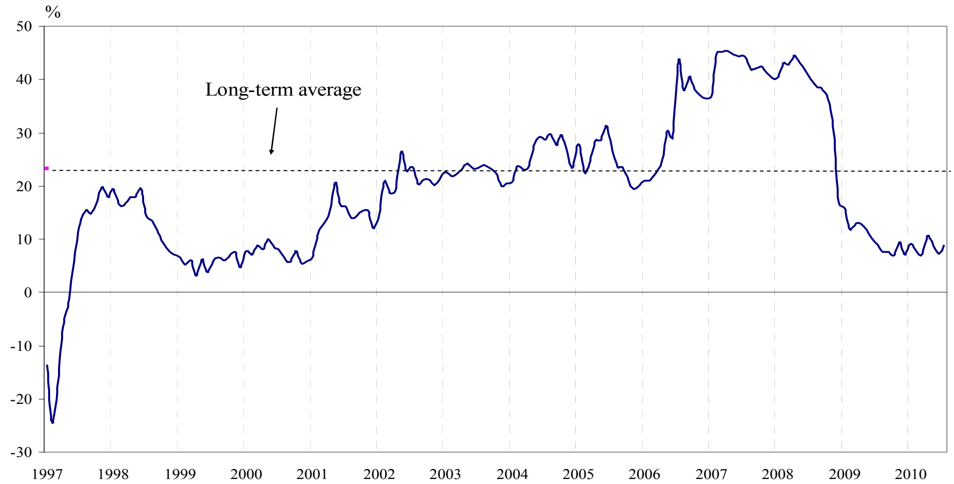


Figure 2. Business climate in industry

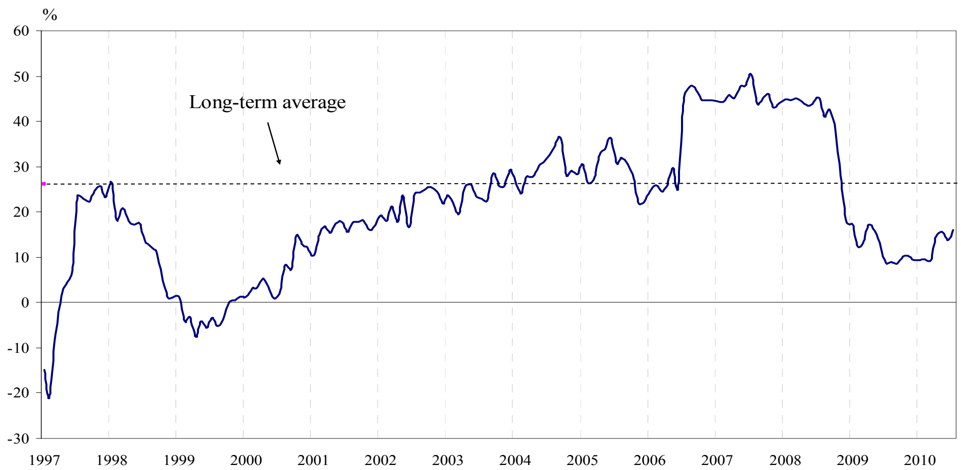


Figure 3. Present production activity in industry

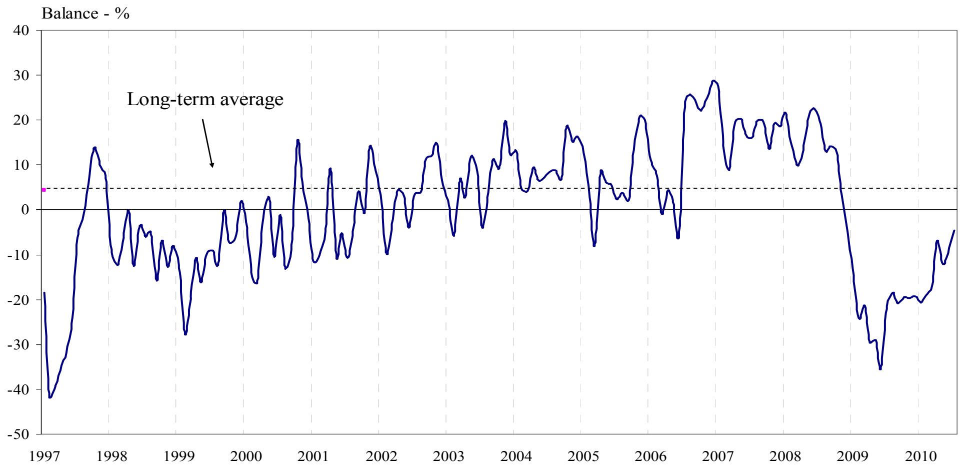


Figure 4. Average capacity utilization in industry

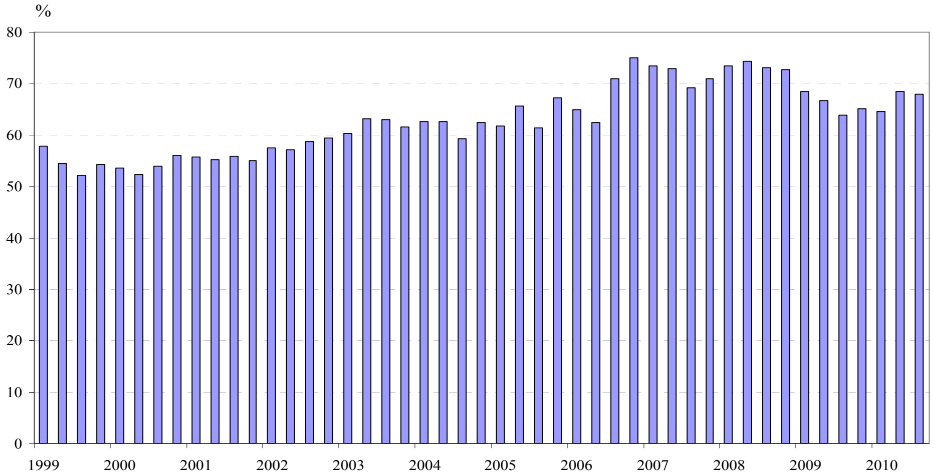


Figure 5. Current production capacity in industry with regard to the expected demand over the next months

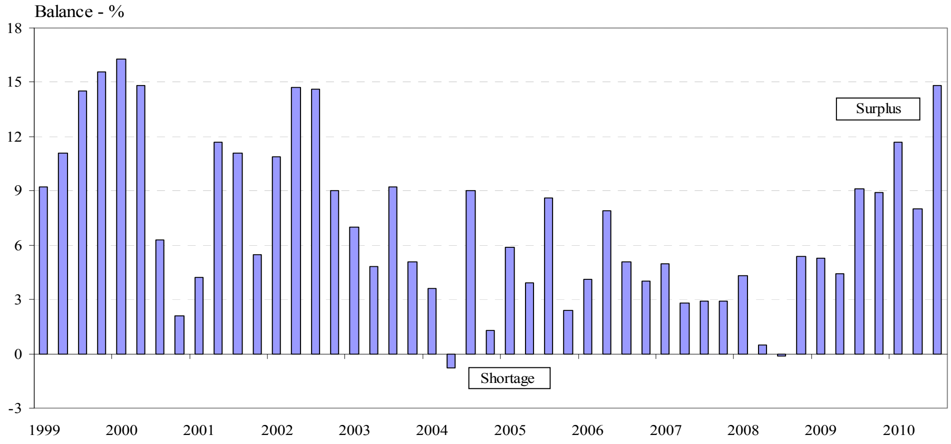


Figure 6. Export expectations in industry over the next 3 months

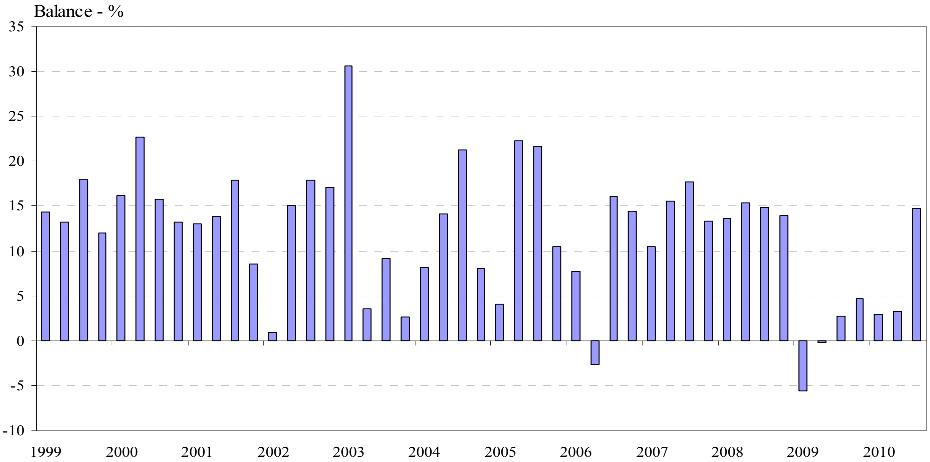


Figure 7. Business climate in construction

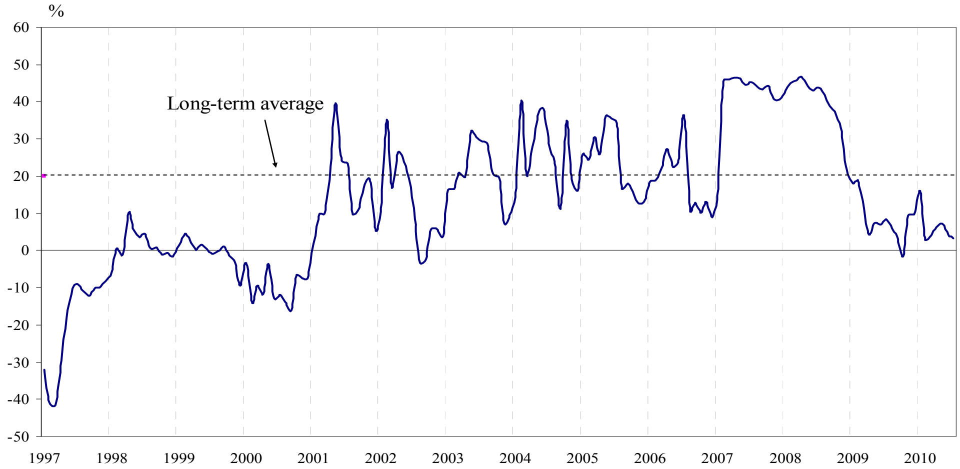


Figure 8. Present construction activity

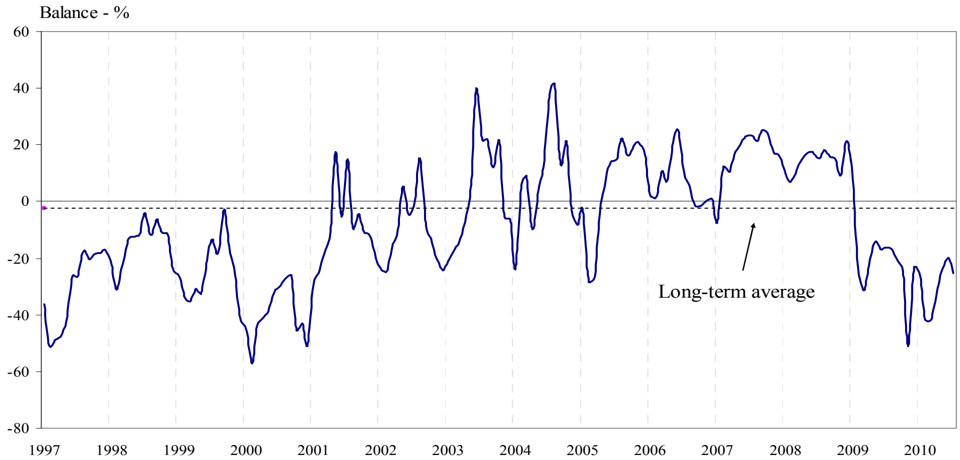


Figure 9. Production assurance with orders in construction - number of months

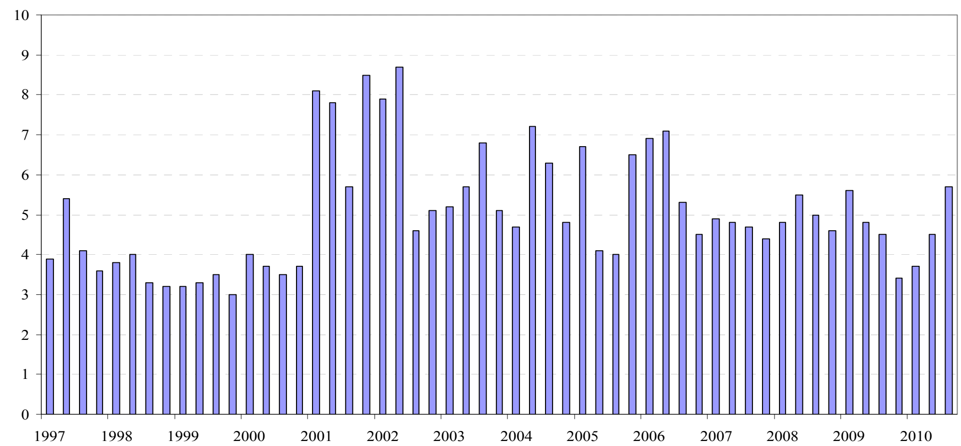


Figure 10. Limits to construction activity
(Relative share of enterprises - %)

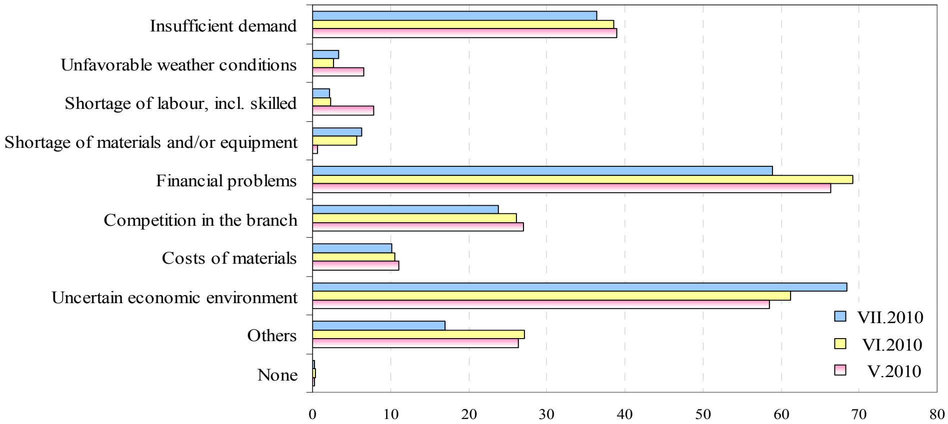


Figure 11. Business climate in retail trade

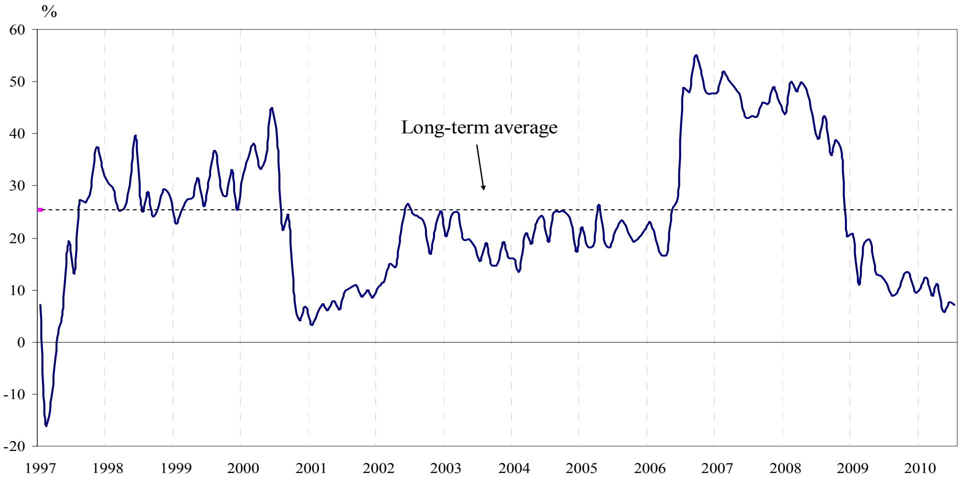


Figure 12. Present business situation in retail trade

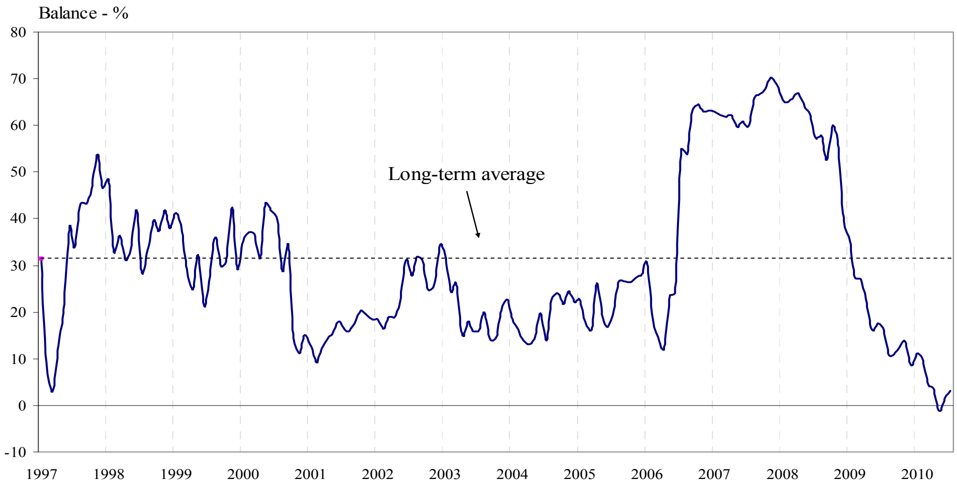


Figure 13. Factors limiting the improvement of the business situation in retail trade
(Relative share of enterprises - %)

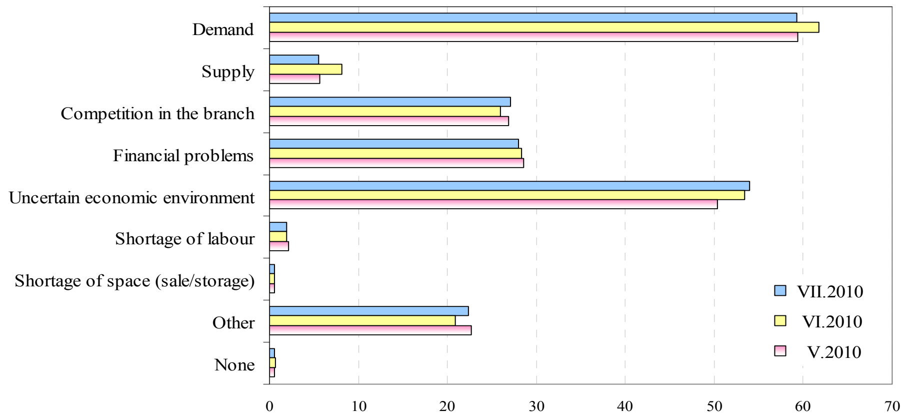


Figure 14. Business climate in service sector

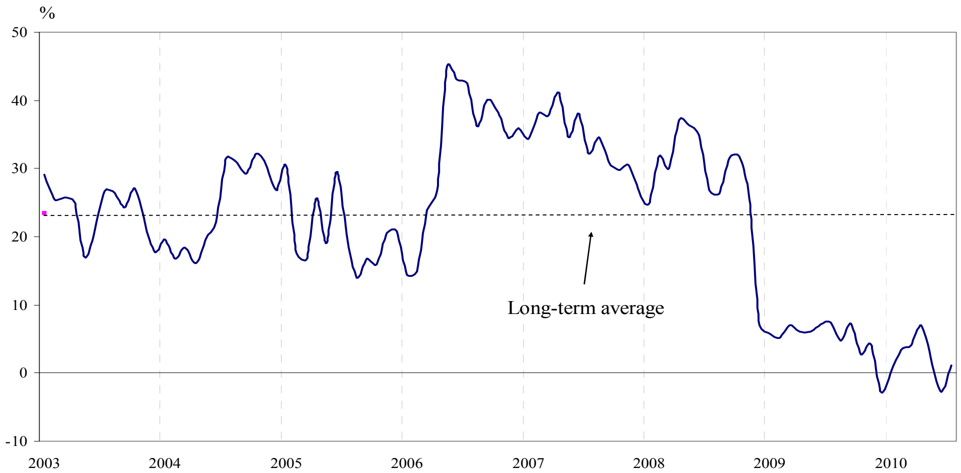


Figure 15. Expected demand in service sector over the next 3 months

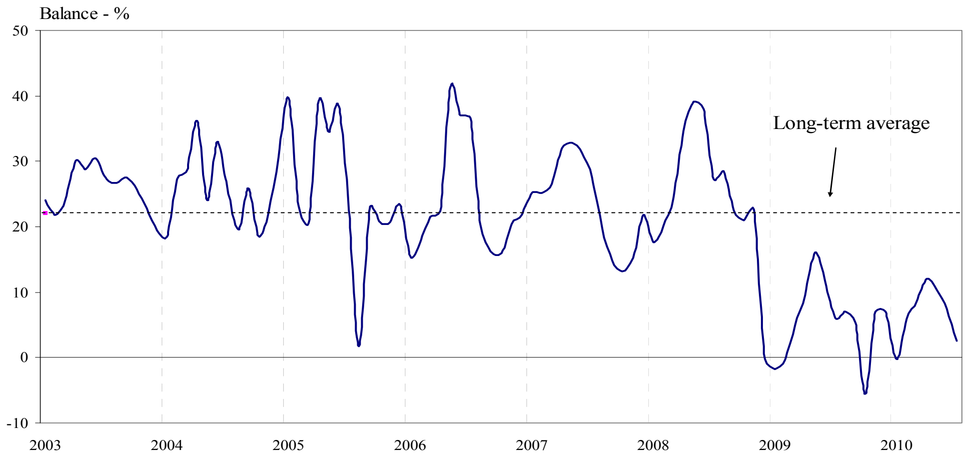
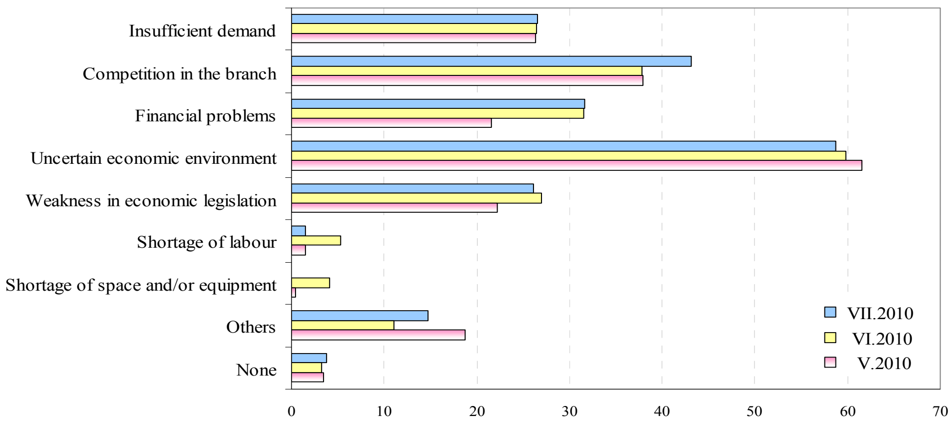


Figure 16. Factors limiting the activity in service sector
(Relative share of enterprises - %)



---

[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.

[5] Excl. trade.