BUSINESS CONJUNCTURE

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

The business survey carried out in August 2010 shows a certain improvement of the economic conjuncture in the country, as **the total business climate indicator**[4] increases by 2.0 percentage points in comparison with the previous month (Figure 1). The positive change is due to the improved business climate in the sectors of construction, retail trade and services.

Industry. The composite business climate indicator in industry in August decreases by 2.0 percentage points in comparison with the previous month (Figure 2) due to the more moderate assessments of the present business situation of enterprises and to the more moderate expectations about the next 6 months. The business inquiries register a certain increase of the production activity in comparison with 3 months ago (an increase of the balance indicator by 6.7 percentage points) (Figure 3). The expectations about the production and the personnel are for their preservation over the next 3 months. The production assurance with orders is slightly improved in comparison with July due to an increase of the orders from the domestic market (Figure 4).

The uncertain economic environment, the insufficient domestic and foreign demand continue to have the greatest weight among the factors limiting the activity of the enterprises, but over the last month a certain decrease of their negative influence in comparison with the previous 2 months is being observed (Figure 5).

With regard to the selling prices an increase over the next 3 months is not expected.

Construction. In August 2010 the composite business climate indicator increases by 1.7 percentage points due to the improved assessments of the present business situation of enterprises (Figure 6). The business inquiry registers a lower decrease of the construction activity in comparison with the previous month (Figure 7), but the expectations about the next 3 months are more pessimistic. At the same time the number of clients with delay in payments has increased slightly in comparison with July.

The present production assurance with orders has decreased in comparison with the previous month. The inquiry registers a certain positive tendency in the new orders for civil engineering and building construction received over the last month (Figure 8).

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[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.

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 August a certain shortage of labour is reported as well (Figure 9).

The expectations of the construction entrepreneurs regarding the selling prices are for the preservation of their level over the next 3 months. At the same time the share of enterprises expecting a reduction of prices increases (by 3.1 percentage points in comparison with July) (Figure 10).

Retail trade. The composite indicator of business climate in August increases by 4.6 percentage points in comparison with the previous month (Figure 11), which is due to the improved managers' assessments and expectations about the business situation of enterprises. The opinions about the volume of sales over the last 3 months also are improving and the expectations about the next 3 months are more optimistic (Figure 12). The expectations about the orders placed with suppliers over the next 3 months are also more favorable (Figure 13).

The insufficient demand and the uncertain economic environment continue to be the major factors limiting the activity of the enterprises in the sector (Figure 14).

The prevailing managers' expectations regarding the selling prices in retail trade are for the preservation of their level over the next 3 months (Figure 15).

Service sector[5]. In August the composite indicator "business climate in service sector" increases by 7.7 percentage points in comparison with July (Figure 16) due to the improved managers' assessments of the present business situation and to the more optimistic expectations about the business situation of enterprises over the next 6 months. The assessments of the present demand for services are also more favorable, but the expectations about the next 3 months are more moderate (Figure 17). In the managers' opinion the employment in the sector over the last 3 months has increased, and there are expectations about a slight decrease of personnel over the next 3 months.

The uncertain economic environment and the competition in the branch continue to be the most limiting factors for the activity of the enterprises. The negative influence of the factor "weakness in economic legislation" is strengthened in comparison with July (Figure 18).

The business inquiry registers expectations about a decrease of the selling prices in the service sector over the next 3 months.

[5] Excl. trade.

Annex 1

Figure 1. Business climate - total

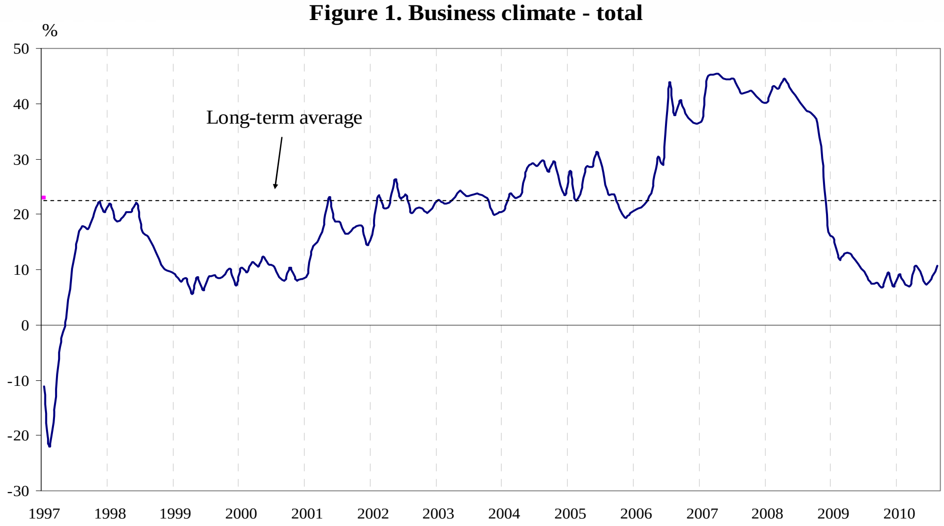

Figure 2. Business climate in industry

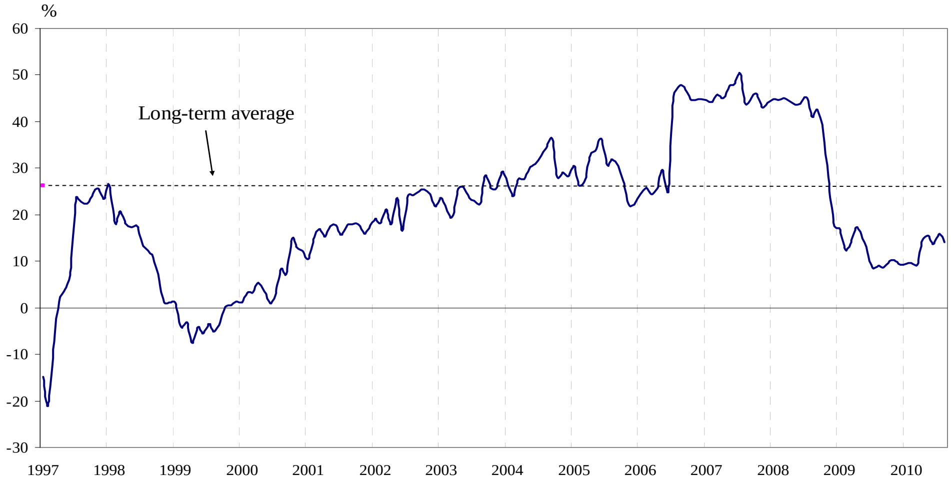

Figure 3. Present production activity in industry

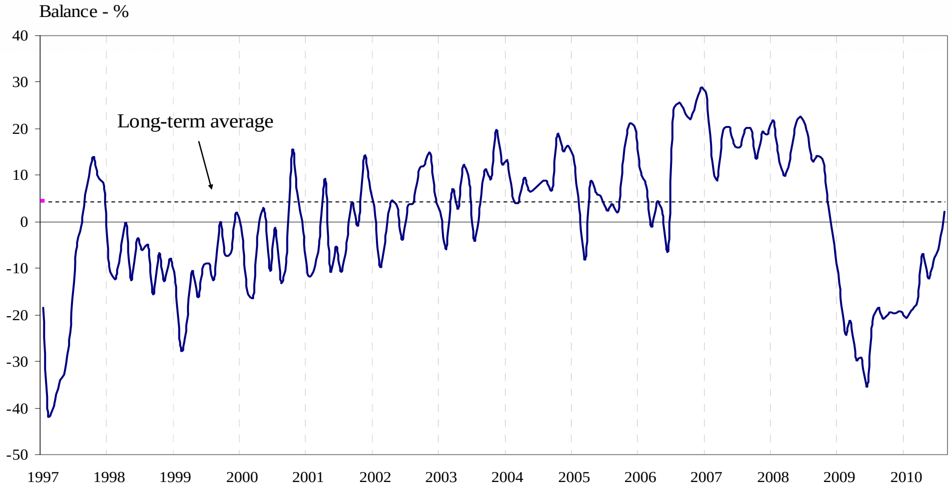

Figure 4. Production assurance with orders in industry

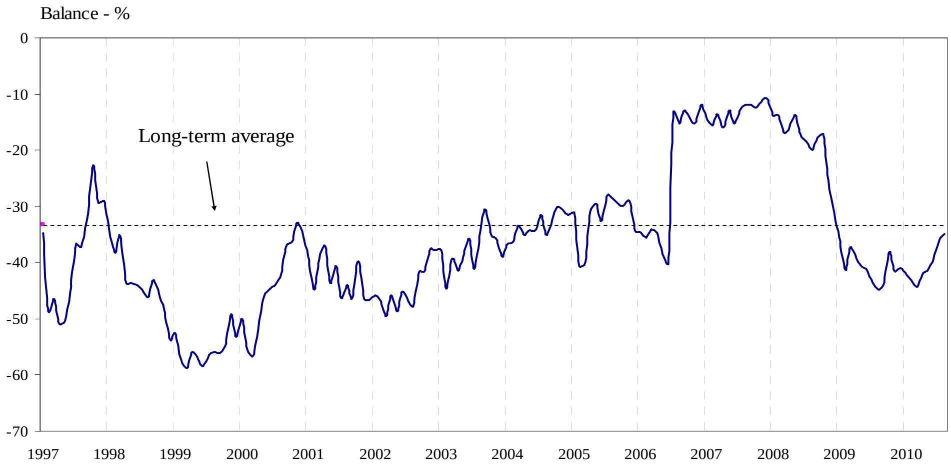

Figure 5. Limits to production in industry
(Relative share of enterprises)

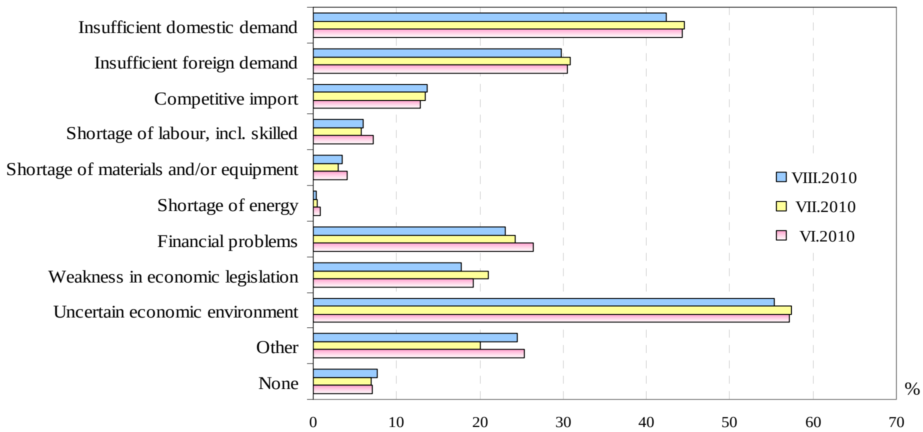

Figure 6. Business climate in construction

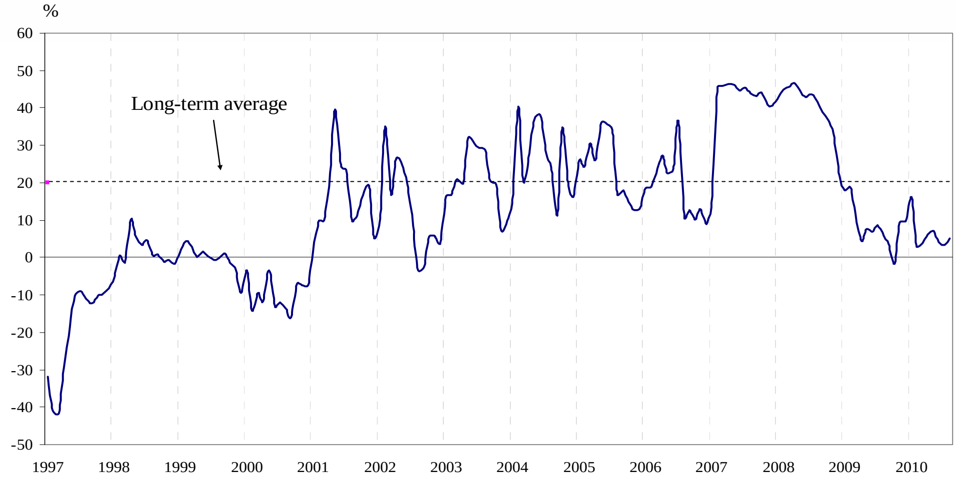

Figure 7. Present construction activity

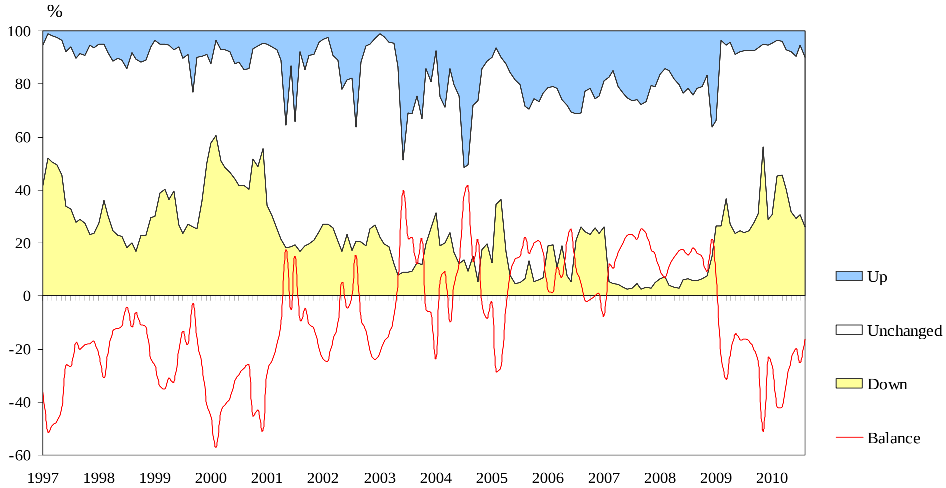

Figure 8. New orders inflow in construction

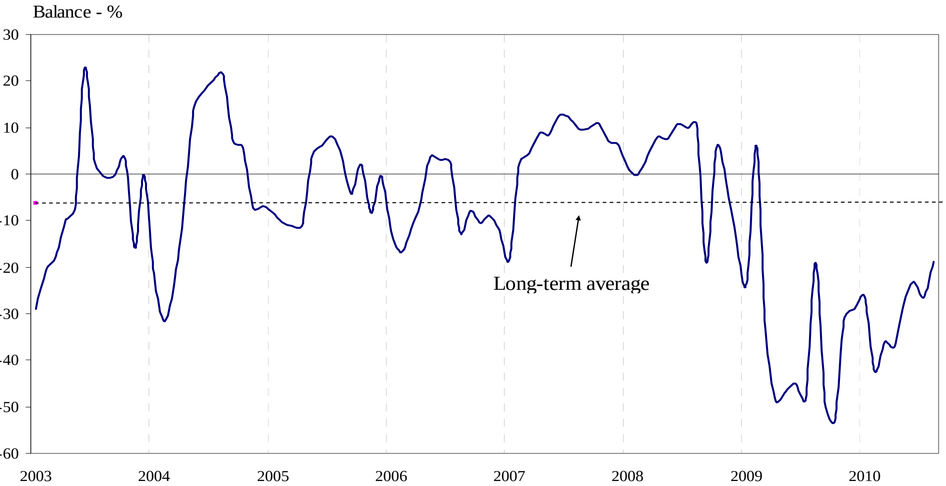

Figure 9. Limits to construction activity
(Relative share of enterprises)

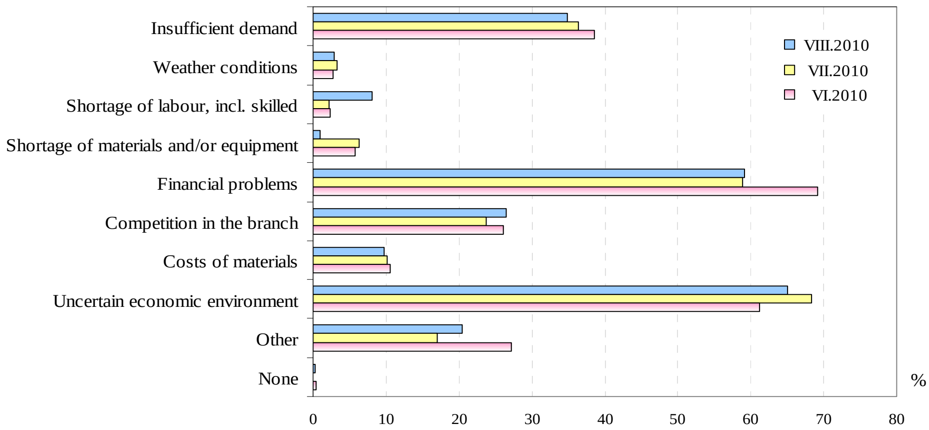

Figure 10. Selling prices expectations in construction
over the next 3 months

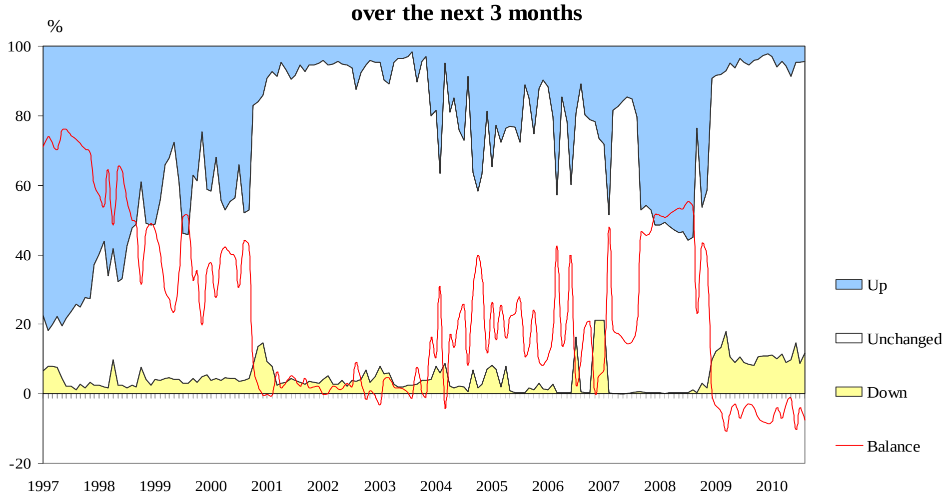

Figure 11. Business climate in retail trade

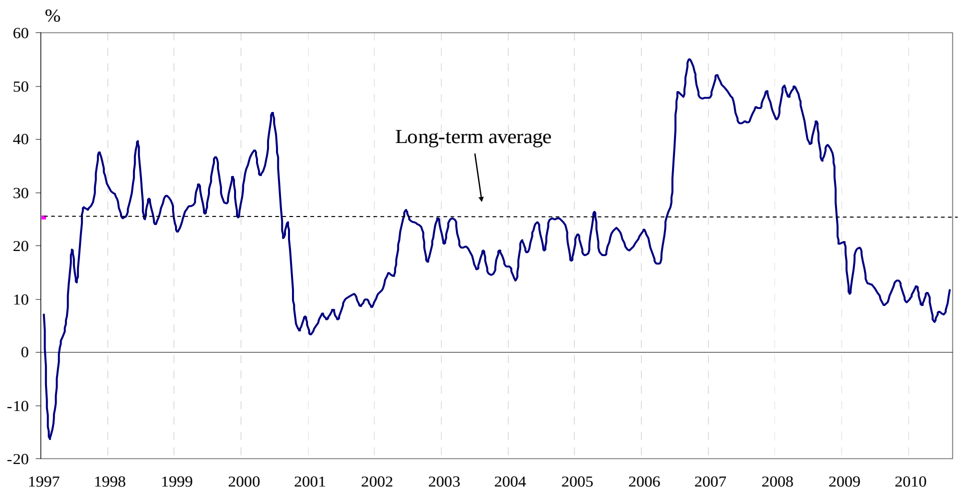

Figure 12. Sales expectations in retail trade over the next 3 months

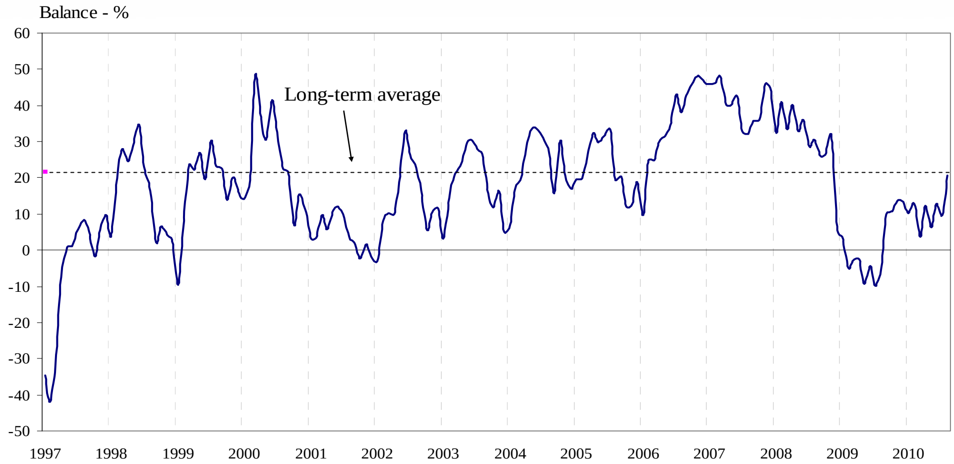

Figure 13. Expectations about orders placed with suppliers in retail trade over the next 3 months

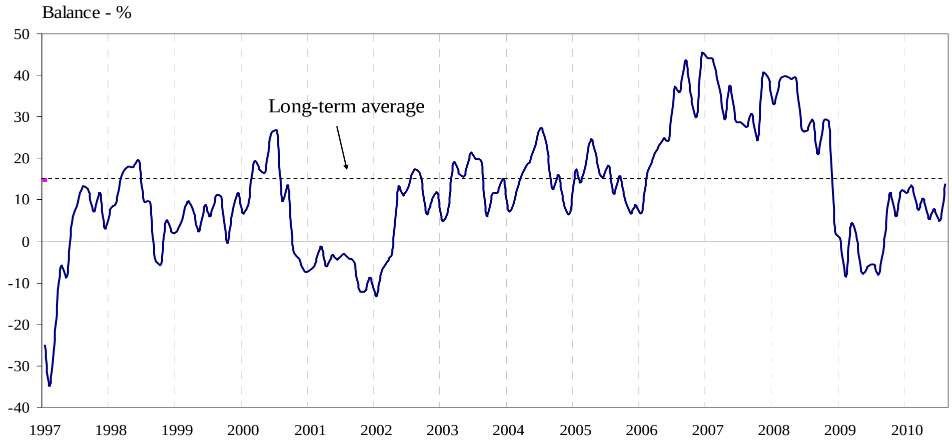

Figure 14. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)

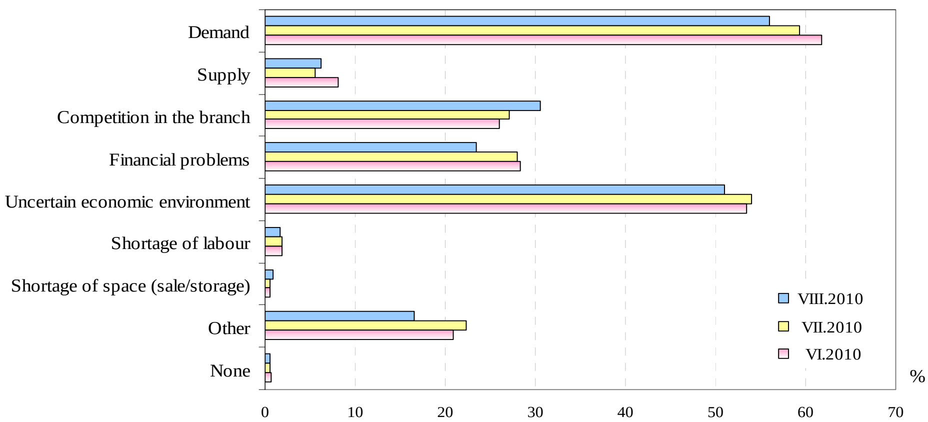

Figure 15. Selling prices expectations in retail trade over the next 3 months

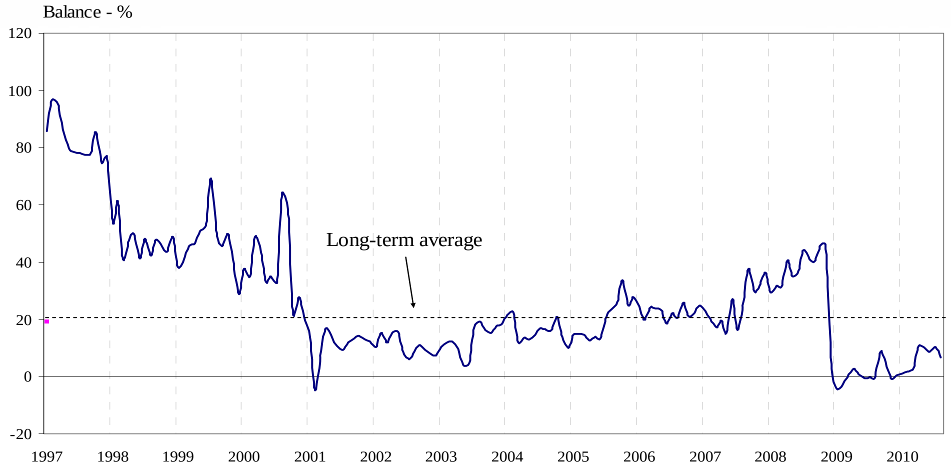

Figure 16. Business climate in service sector

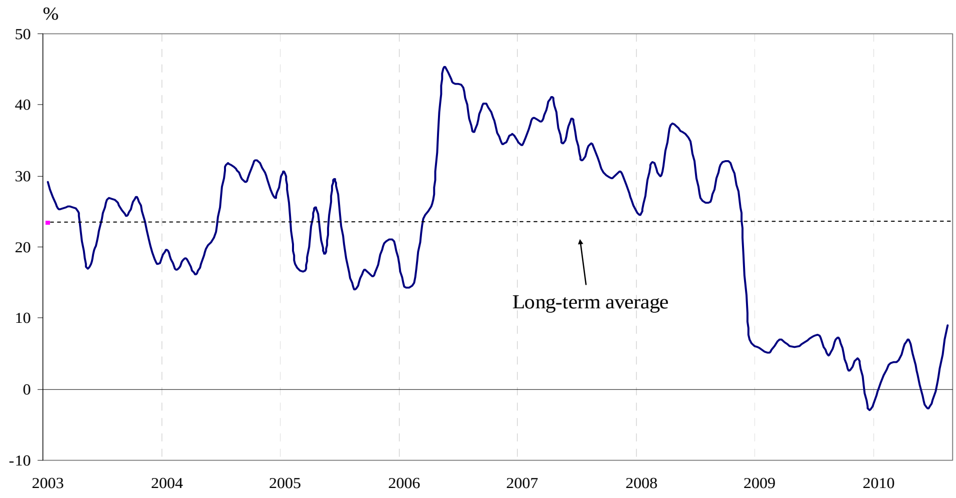

Figure 17. Expected demand in service sector over the next 3 months

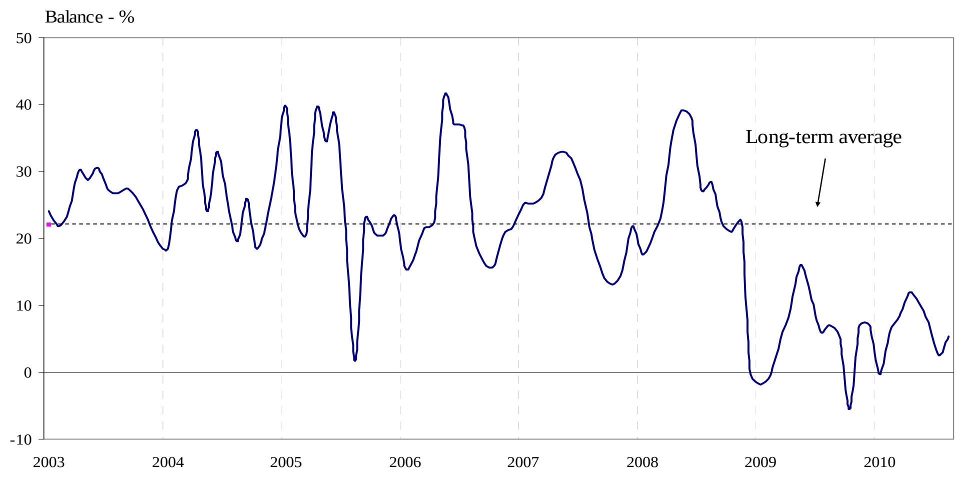

Figure 18. Factors limiting the activity in service sector
(Relative share of enterprises)