BUSINESS CONJUNCTURE

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

In December 2010 **the total business climate indicator**[4] preserves its level from the previous month (Figure 1), as the inquiry registers a slight improvement of the business conjuncture in the sectors of industry and services, and a worsening in construction and retail trade.

Industry. The composite indicator of business climate in industry in December increases by 0.9 percentage points in comparison with the previous month (Figure 2). This is due to the slightly more optimistic managers' assessments of the present and expected business situation of enterprises. The assessments and expectations about the production activity are also improved. The level of orders over the last months has been close to its long-term average value, and in December it is already 1.1 percentage points above the long-term average (Figure 3).

The major problems for the business in industry continue to be the uncertain economic environment and the insufficient demand, as the negative influence of the uncertain economic environment is still significantly stronger than the usual for the last 10 years (plus 21.3 percentage points) (Figure 4).

The industrial entrepreneurs' expectations with regard to the selling prices in the sector are for an increase over the next 3 months.

Construction. In December the composite business climate indicator decreases by 3.8 percentage points in comparison with November (Figure 5) due to the increased managers' pessimism about the present business situation of enterprises and to the more moderate expectations about the next 6 months. In the managers' opinion the present construction activity is decreased as compared to the previous month and the expectations about the next 3 months are for the activity's preservation at the same level (Figure 6). The inquiry also registers an increase of the number of clients with delay in payments.

The uncertain economic environment and the shortage of financial resources continue to be the main problems for the activity in the sector and in December they are being pointed out respectively by 62.1 and 54.7% of the enterprises (Figure 7).

The expectations of the construction entrepreneurs regarding the selling prices are for a certain decrease over the next 3 months (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.

Retail trade. The composite indicator “business climate in retail trade” in December decreases by 1.1 percentage points (Figure 9) due to the more reserved managers’ expectations about the business situation of enterprises over the next 6 months. The volume of sales over the last 3 months is also assessed more unfavourably, and the expectations about the next 3 months are significantly worsened as well (Figure 10). The expectations about the orders placed with suppliers are also more pessimistic.

The major factors limiting the activity of the enterprises in the sector are the uncertain economic environment and the financial problems (Figure 11).

The prevailing managers’ expectations regarding the selling prices in retail trade are for the preservation of their level over the next 3 months (Figure 12).

Service sector[5]. In December the composite indicator of business climate increases by 2.2 percentage points (Figure 13), which is due mainly to the improved managers’ expectations about the business situation of enterprises over next 6 months. The expectations about the demand for services over the next 3 months are also improved (Figure 14), even though the present demand for services is assessed as lowered in comparison with the previous months. At the same time the managers report that over the last 3 months they laid off some personnel.

The uncertain economic environment continues to be the most serious factor limiting the activity of the enterprises, followed by the competition in the branch, as the negative influence of the uncertain economic environment is greatly above the usual-for-the-last-9-years level. Over the last month the inquiry records a decrease of the negative influence of the factor “weakness in economic legislation” (Figure 15).

With regard to the selling prices in the service sector the managers continue to expect a decrease over the next 3 months (Figure 16).

[5] Excl. trade.

ANNEX

Figure 1. Business climate - total

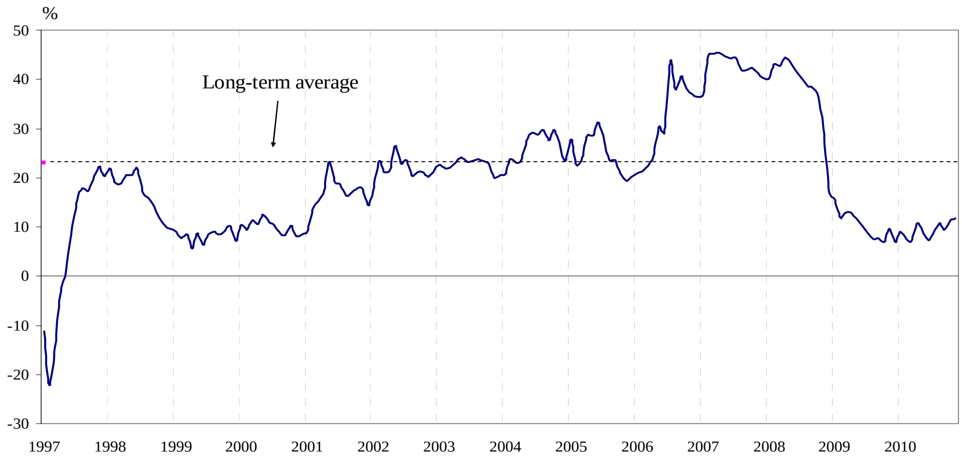

Figure 2. Business climate in industry

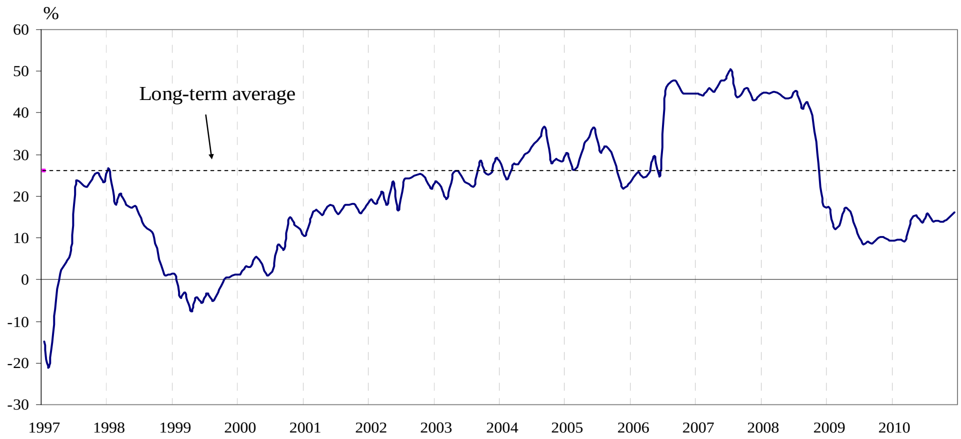

Figure 3. Production assurance with orders in industry

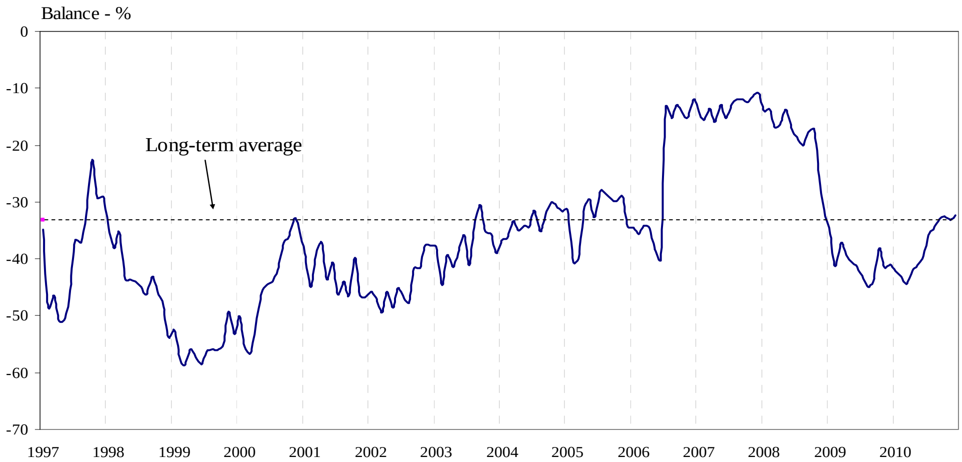

Figure 4. Limits to production in industry
(Relative share of enterprises)

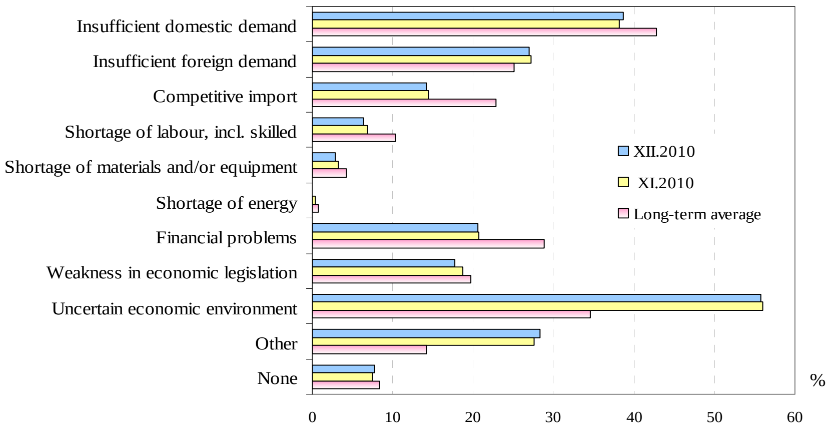

Figure 5. Business climate in construction

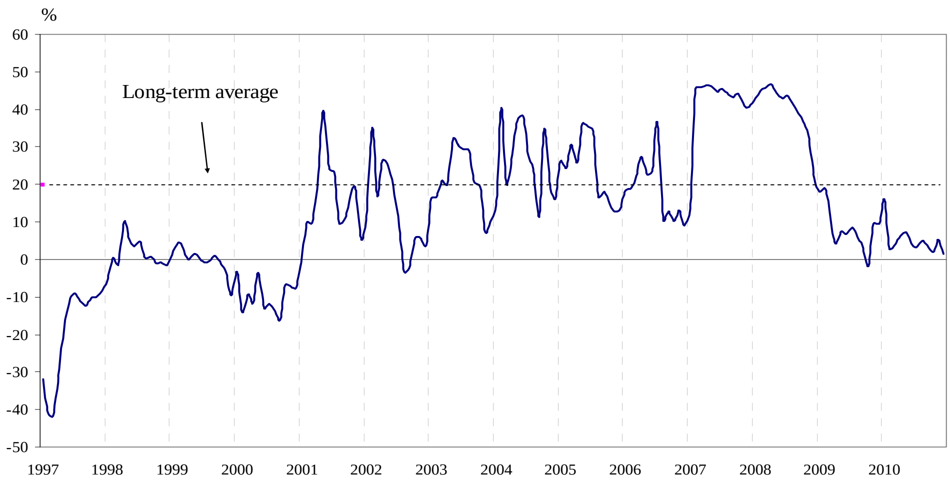

Figure 6. Expected construction activity
over the next 3 months

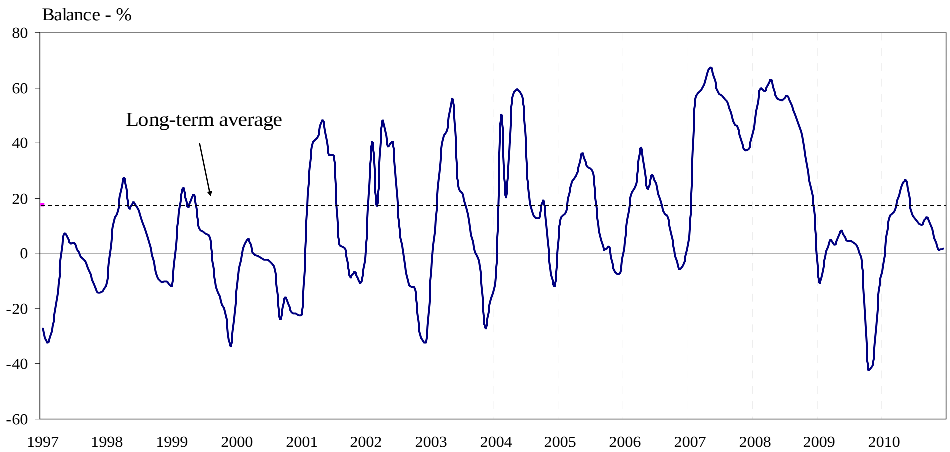

Figure 7. Limits to construction activity
(Relative share of enterprises)

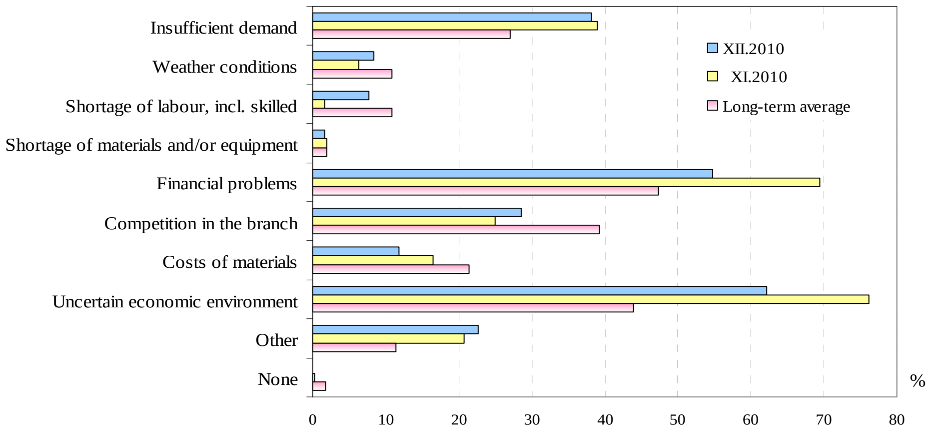

Figure 8. Selling prices expectations in construction
over the next 3 months

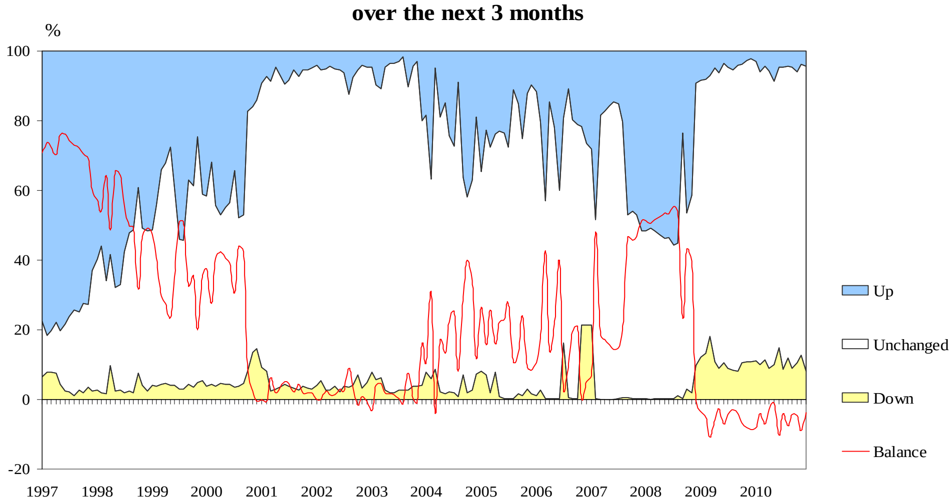

Figure 9. Business climate in retail trade

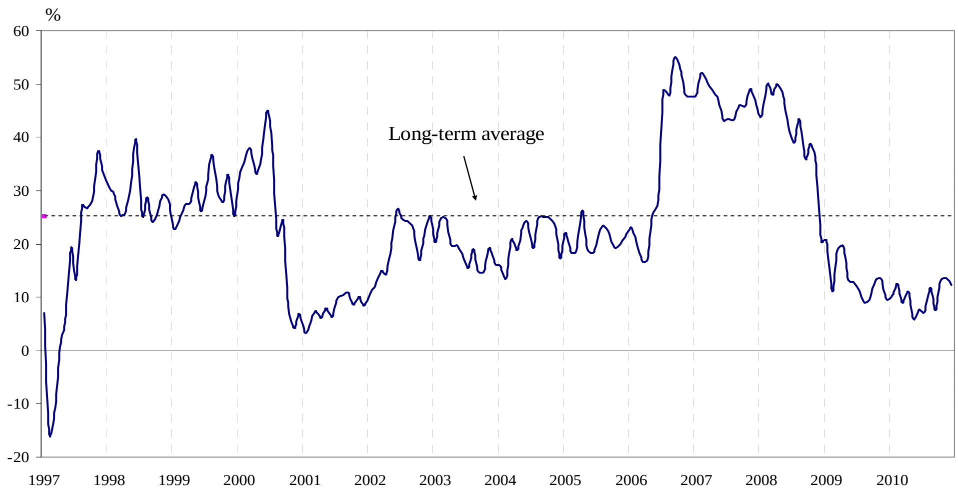

Figure 10. Sales expectations in retail trade over the next 3 months

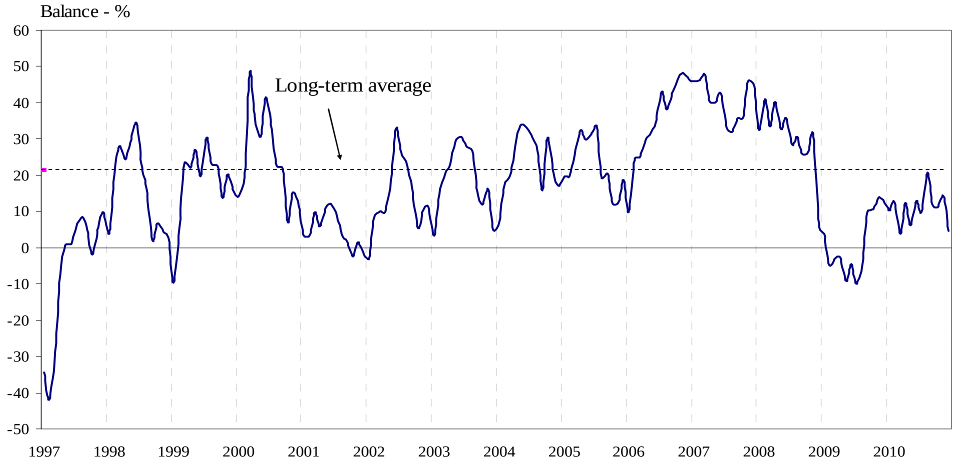

Figure 11. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)

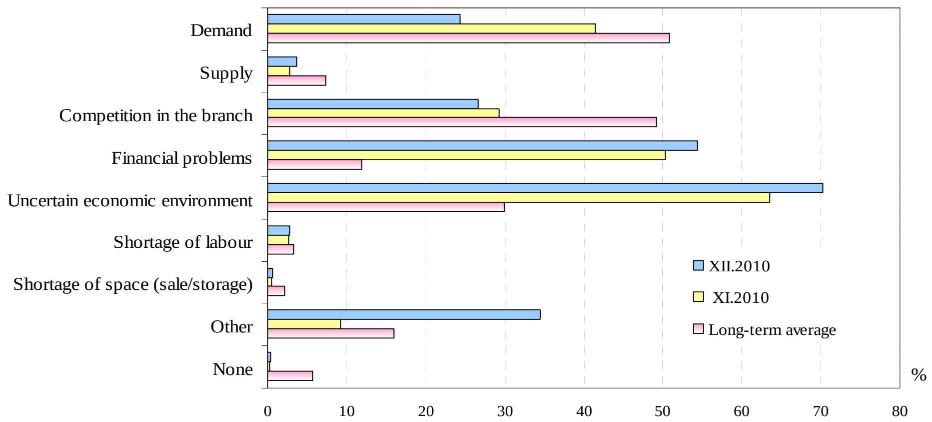

Figure 12. Selling prices expectations in retail trade over the next 3 months

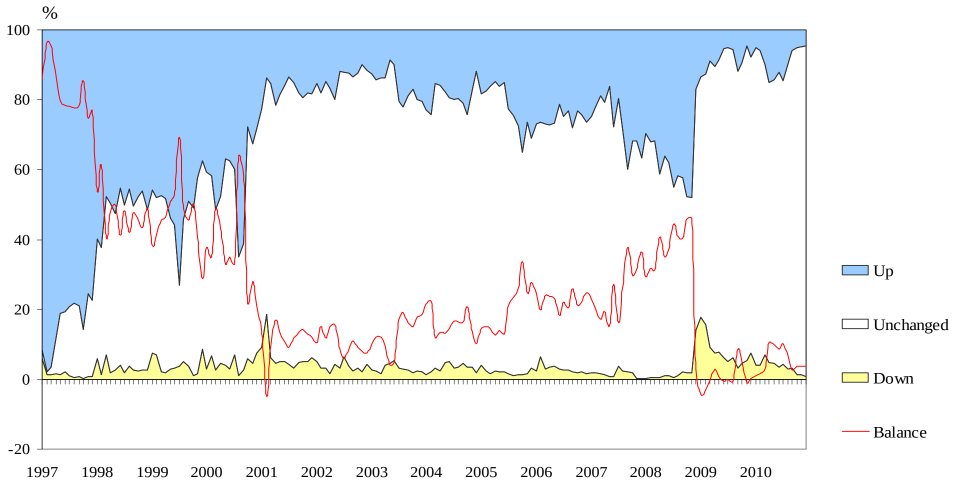

Figure 13. Business climate in service sector

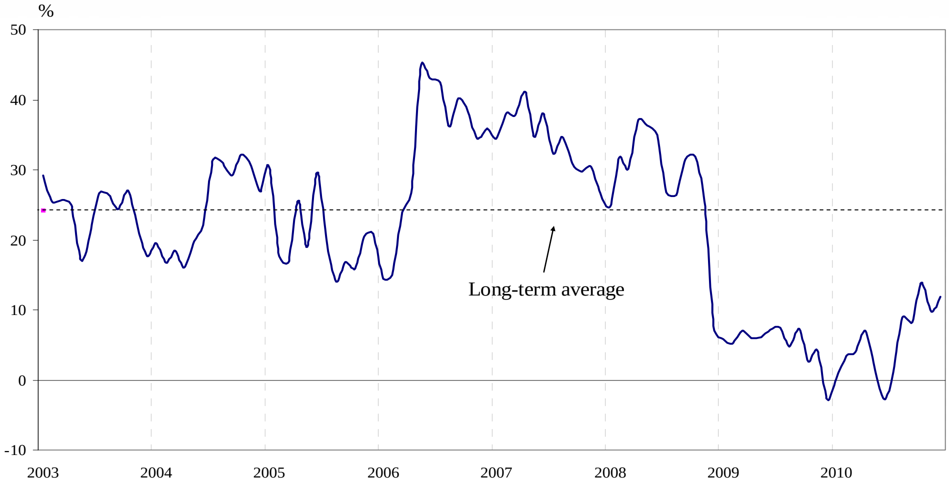

Figure 14. Expected demand in service sector over the next 3 months

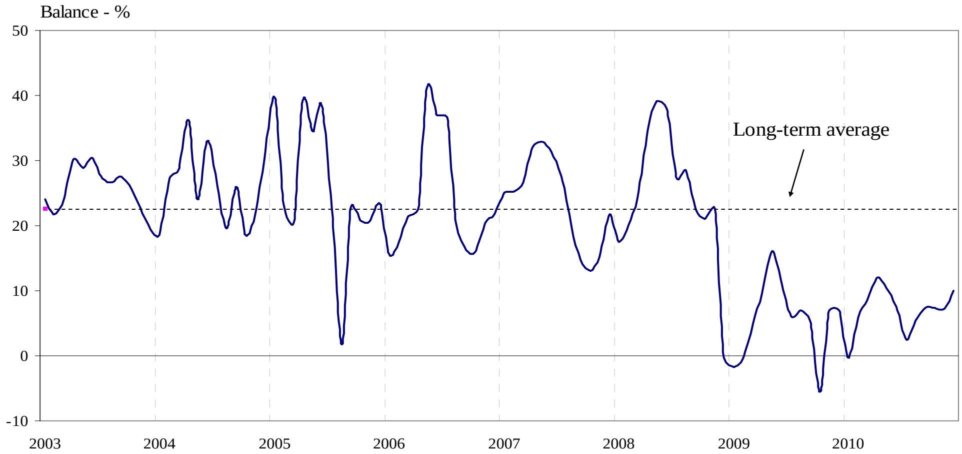

Figure 15. Factors limiting the activity in service sector (Relative share of enterprises)

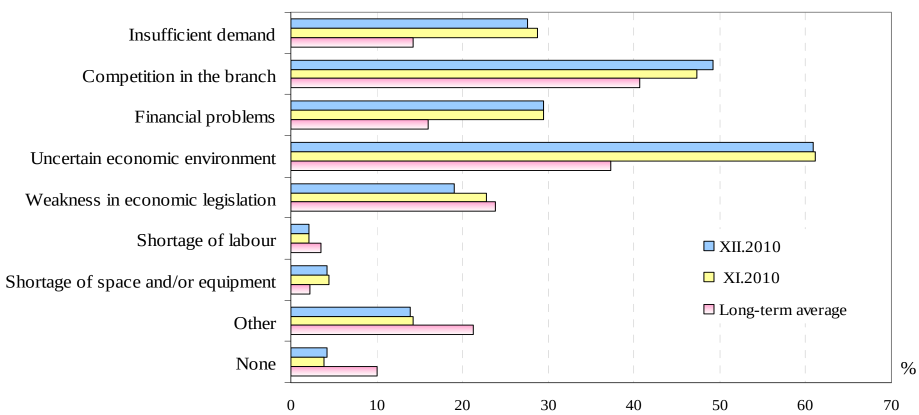

Figure 16. Prices expectations in service sector over the next 3 months