



BUSINESS CONJUNCTURE NSI BUSINESS SURVEYS^{1,2,3}, OCTOBER 2017

In October 2017, the business conjuncture in the country is assessed as unfavourable. **The total business climate indicator⁴** decreases by 1.8 percentage points compared to its September level (Annex, Figure 1) as a result of the reduced managers' expectations in all observed sectors - industry, construction, retail trade and services.

Industry. The composite indicator 'business climate in industry' drops by 2.8 percentage points in comparison with the previous month (Annex, Figure 2) which is mainly due to the reserved industrial entrepreneurs' expectations about the business situation of the enterprises over the next 6 months. The inquiry registers an improvement in their opinions for the production assurance with orders over the last 3 months, but that is not accompanied by increased expectations about the production activity over the next 3 months (Annex, Figure 3).

The average capacity utilization from July to October increases by 0.8 percentage points and it reaches 75.5%, as regards the expected demand over the next months is foreseen a surplus of capacity.

The uncertain economic environment and shortage of labour remain the main obstacles for the business development pointed out respectively by 47.2% and 29.8% of the enterprises (Annex, Figure 4).

As regards the selling prices in industry, the prevailing managers' expectations are them to remain unchanged over the next 3 months (Annex, Figure 5).

Construction. In October the composite indicator 'business climate in construction' decreases by 1.6 percentage points (Annex, Figure 6) as result of the more unfavourable construction entrepreneurs' expectations about the business situation of the enterprises over the next 6 months (Annex, Figure 7). The production is assurance with contracts for 6.9 months, as a decrease of 0.5 months compared to the assessment from July is registered. At the same time, the expectations about new orders over the next 6 months are also more reserved.

¹ Since 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, and 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 main factors, limiting the activity in the sector continue to be connected with the uncertain economic environment, competition in the branch and shortage of labour (Annex, Figure 8).

Concerning the selling prices in construction, the managers do not foresee a change over the next 3 months (Annex, Figure 9).

Retail trade. The composite indicator ‘business climate in retail trade’ decreases by 1.1 percentage points compared to the September (Annex, Figure 10) which is due to the worsening retailers’ expectations about the business situation of the enterprises over the next 6 months. However, their opinions about the volume of sales over the last 3 months, as well their expectations over the next 3 months are more favourable (Annex, Figure 11).

The most serious difficulties for the business development remain the competition in the branch, uncertain economic environment and the insufficient demand, as in the last month strengthen the negative impact of the first two factors is observed (Annex, Figure 12).

As regards the selling prices, the inquiry registers certain expectations for increase, although the majority of the retailers foresee preservation of their level over the next 3 months (Annex, Figure 13).

Service sector¹. In October as a result of the more unfavourable managers’ expectations about the business situation of the enterprises over the next 6 months, the composite indicator ‘business climate in service sector’ decreases by 0.6 percentage points (Annex, Figure 14). At the same time their opinions about the demand for services over the next 3 months mark a slight improvement (Annex, Figure 15), but that refrain them from forecasts for additional hiring of personnel.

The competition in the branch and uncertain economic environment continue to be the main obstacles for the activity in the sector, though the inquiry reports a decrease of the negative influence of the second factor (Annex, Figure 16).

Concerning the selling prices the managers’ expectations are them to remain unchanged over the next 3 months (Annex, Figure 17).

¹ Excl. trade.



Annex

Figure 1. Business climate - total

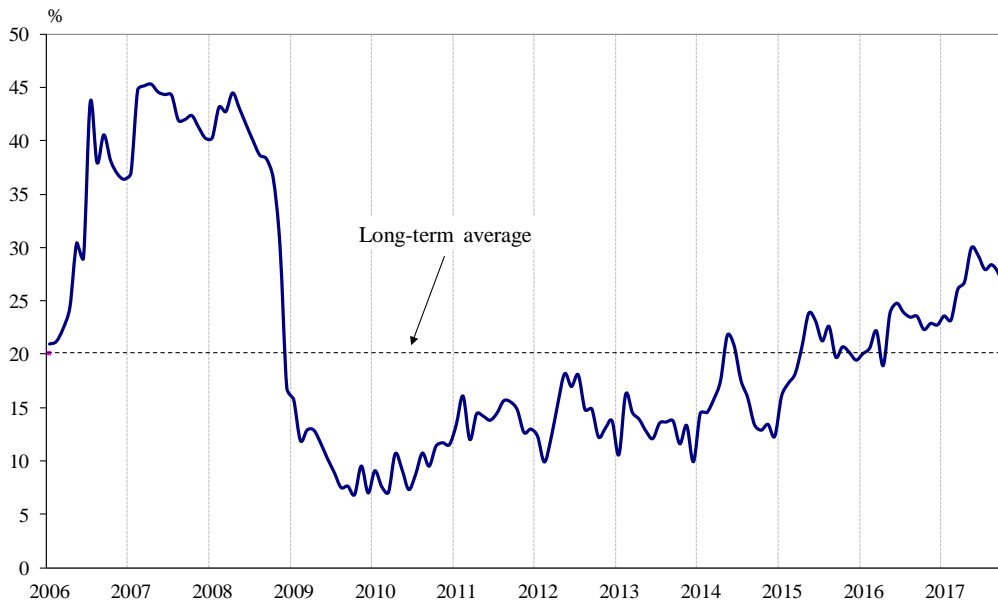


Figure 2. Business climate in industry

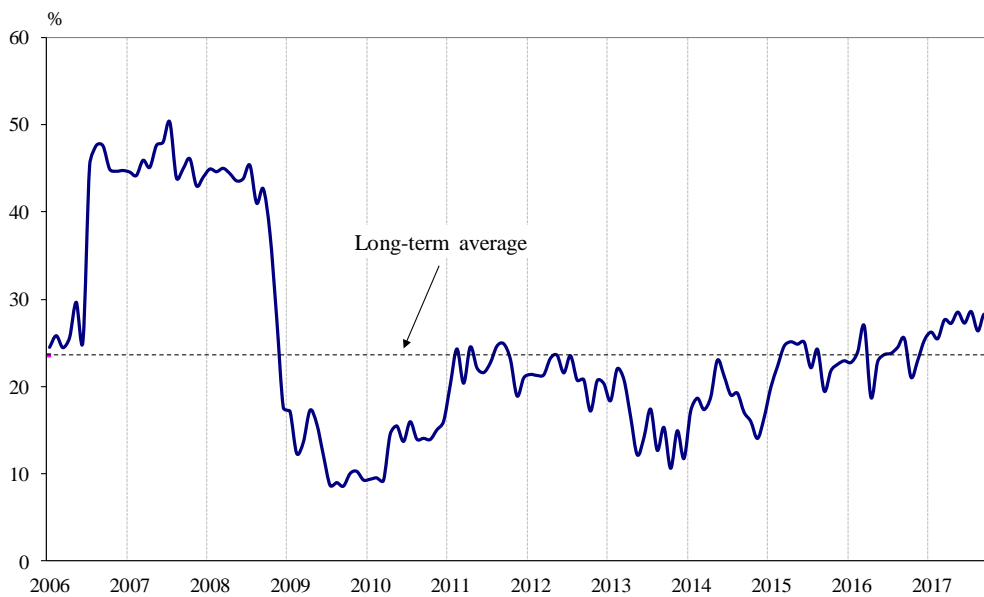




Figure 3. Expected production activity in industry over the next 3 months

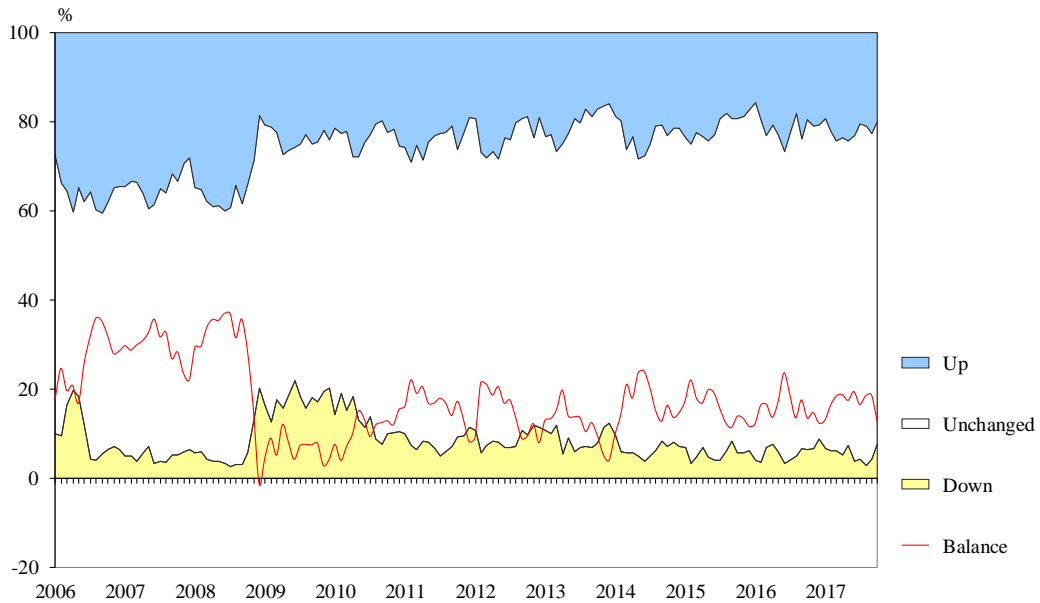


Figure 4. Limits to production in industry (Relative share of enterprises)

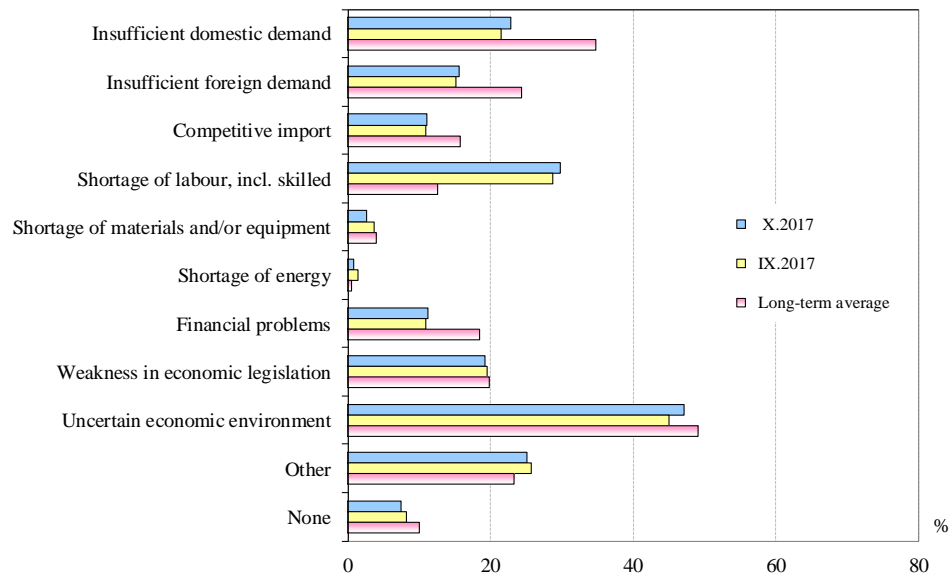




Figure 5. Selling prices expectations in industry over the next 3 months

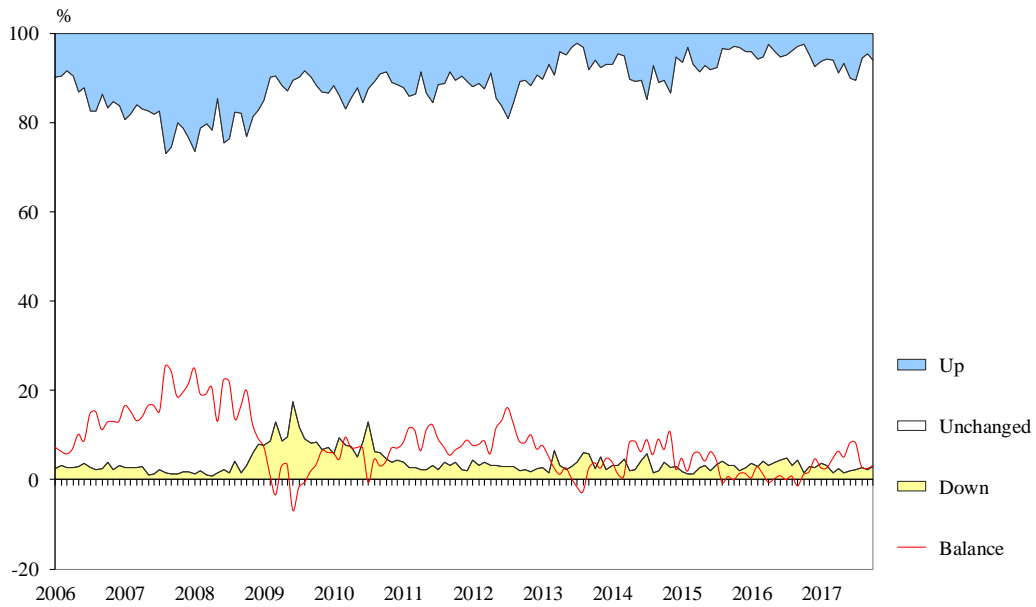


Figure 6. Business climate in construction

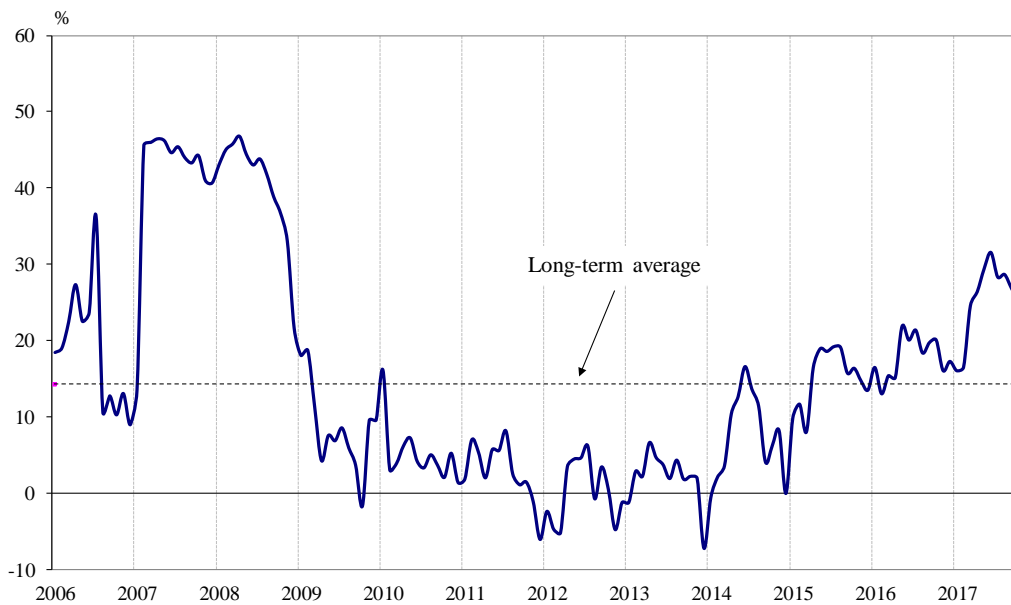




Figure 7. Expected business situation in construction over the next 6 months

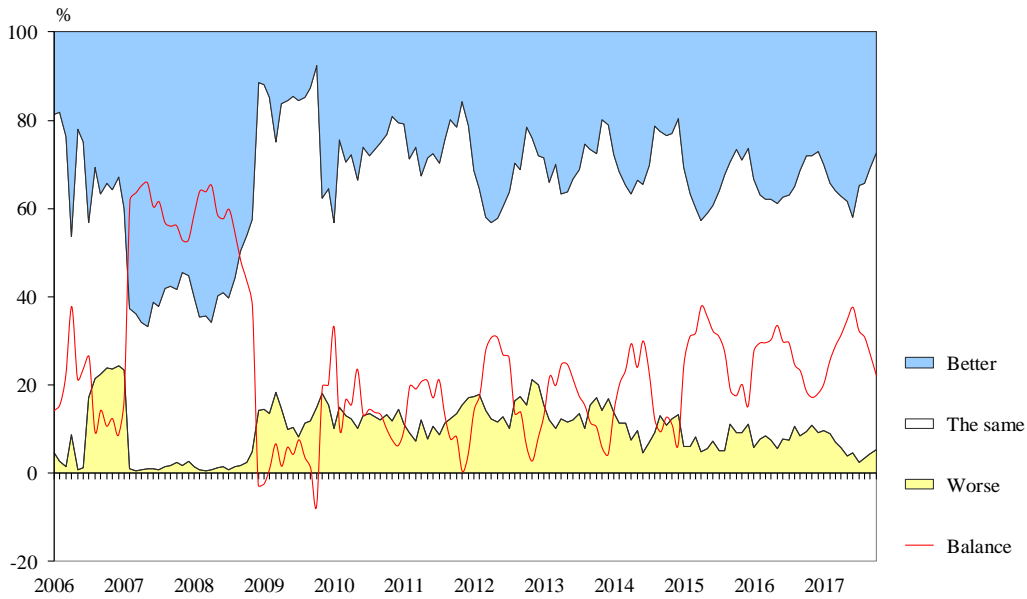


Figure 8. Limits to construction activity (Relative share of enterprises)

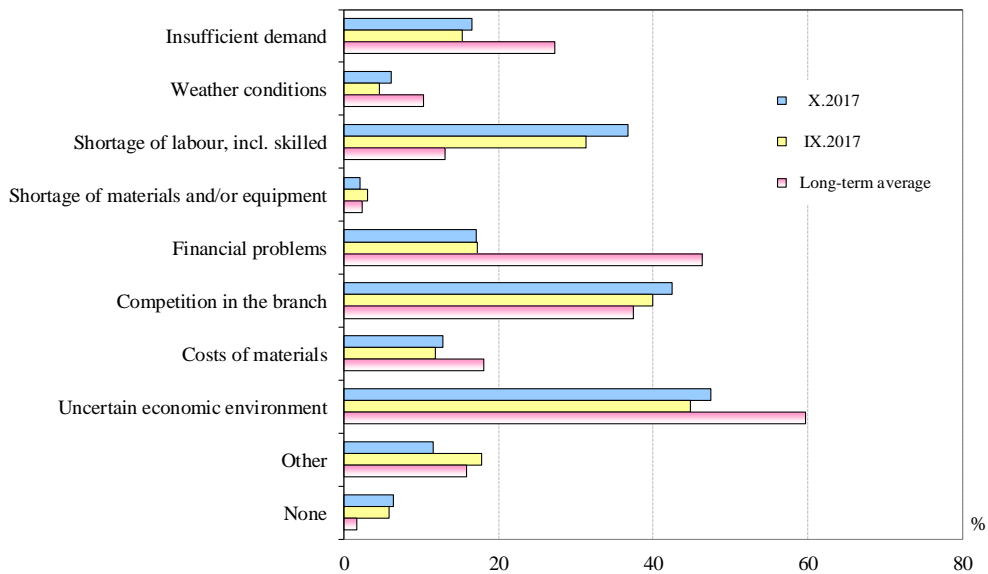




Figure 9. Selling prices expectations in construction over the next 3 months

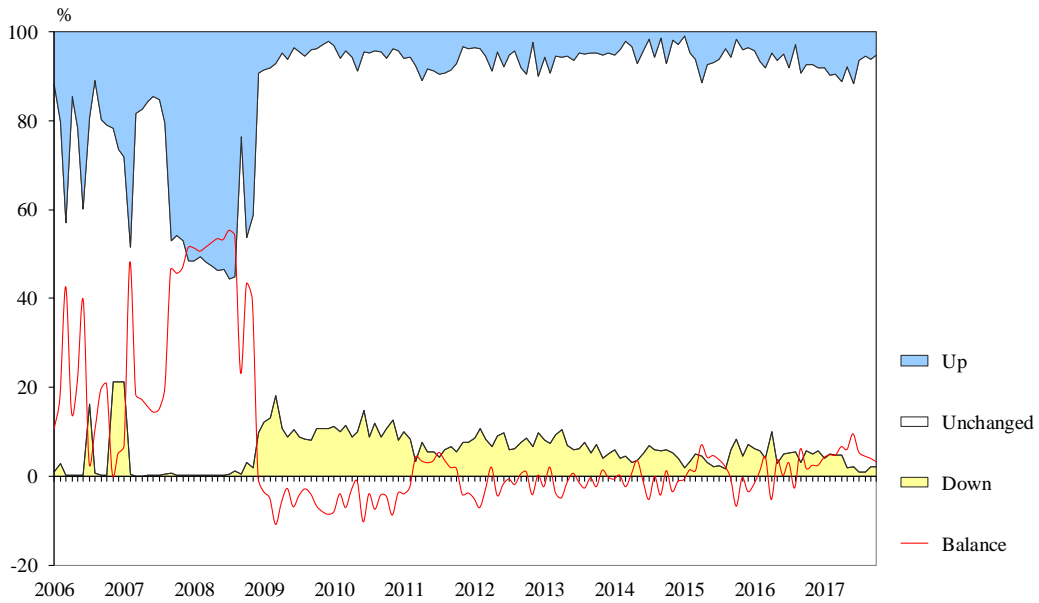


Figure 10. Business climate in retail trade

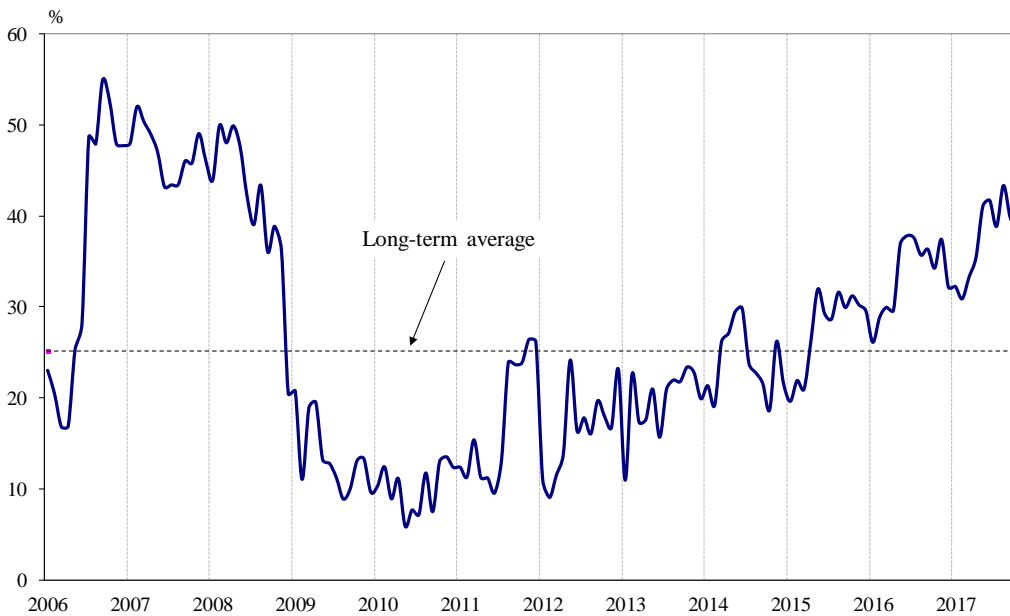




Figure 11. Sales expectations in retail trade over the next 3 months

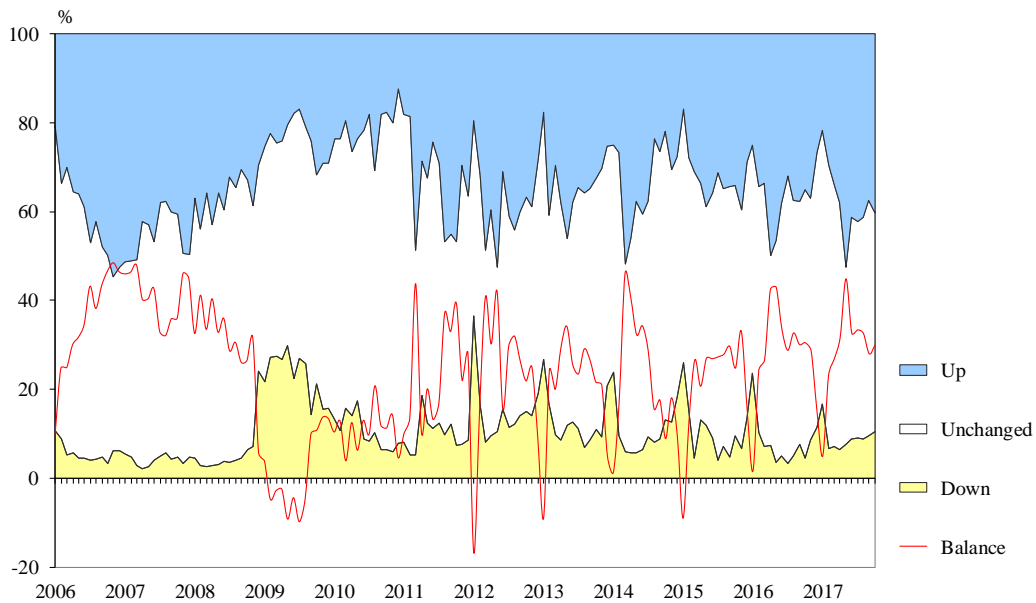


Figure 12. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)

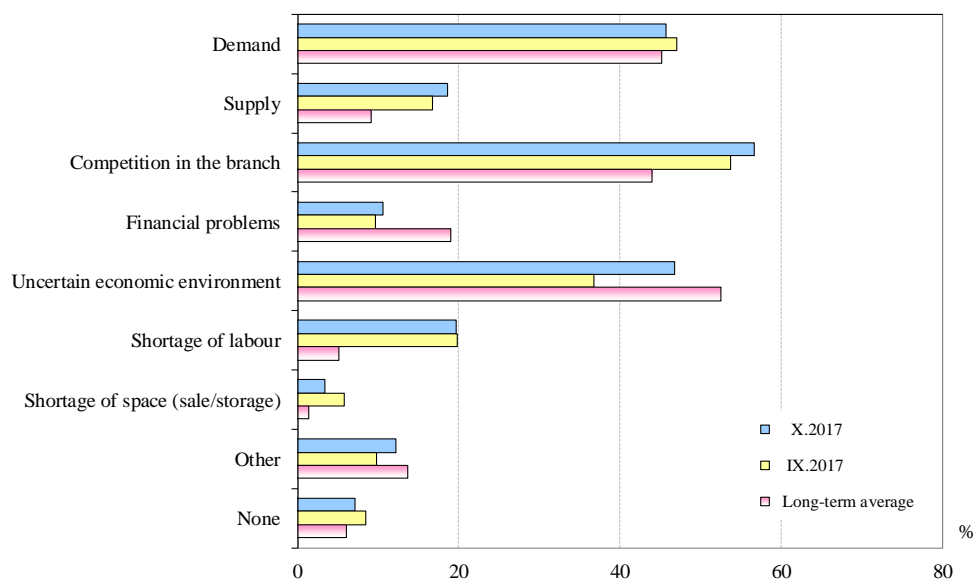




Figure 13. Selling prices expectations in retail trade over the next 3 months

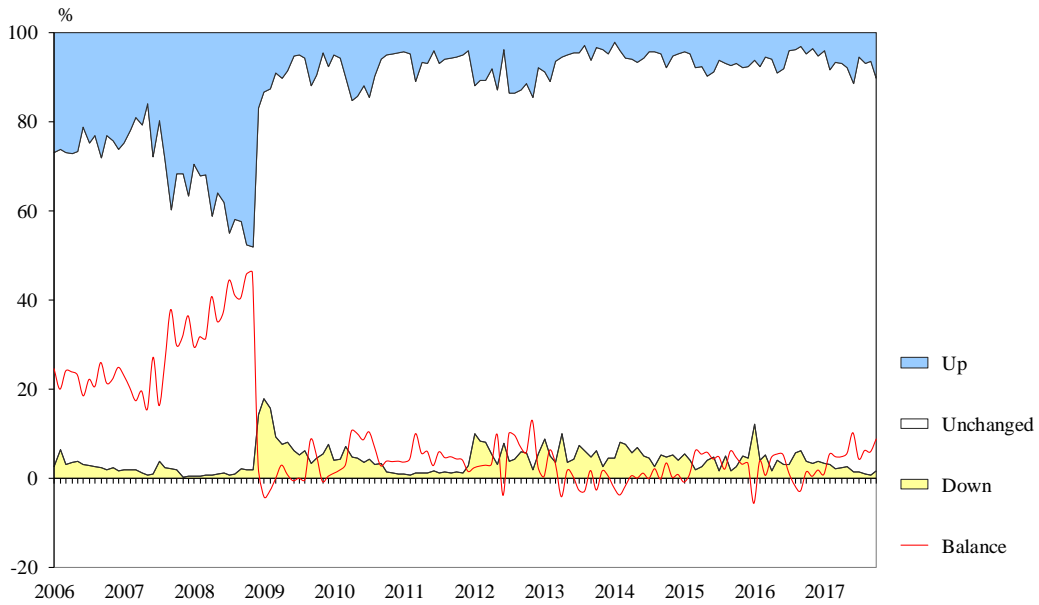


Figure 14. Business climate in service sector

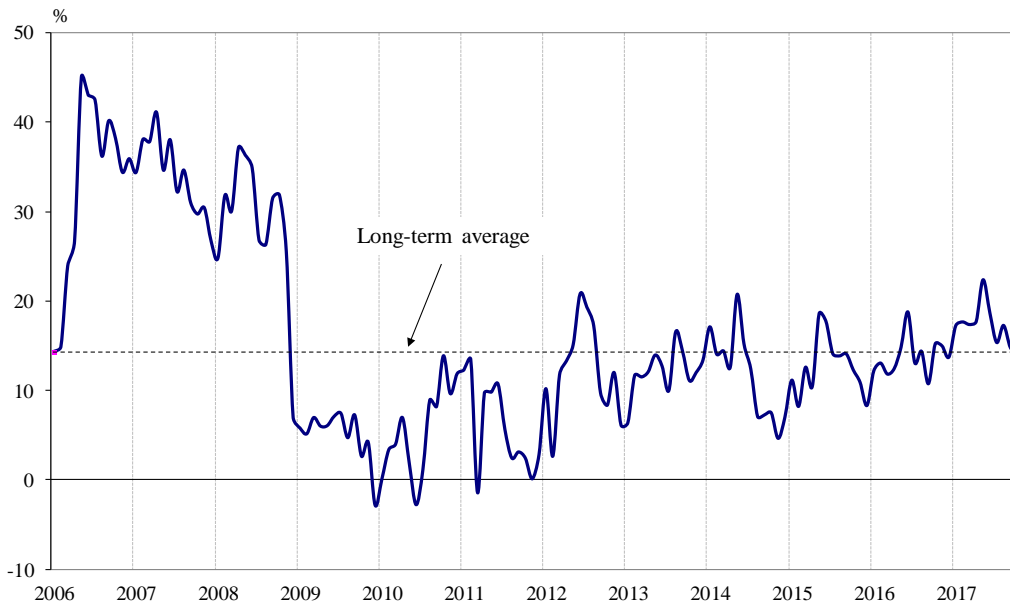




Figure 15. Expected demand in service sector over the next 3 months

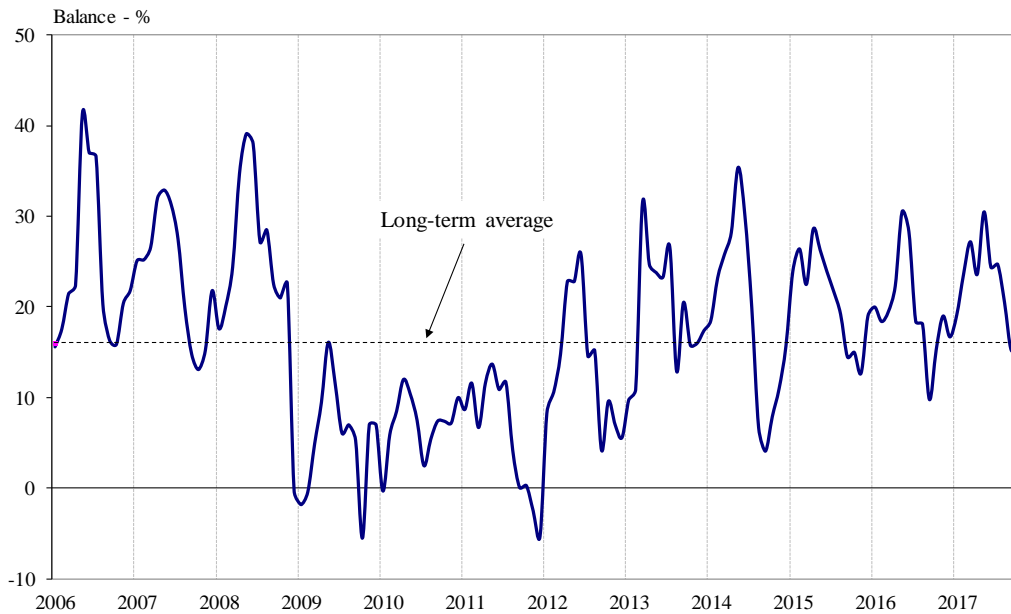


Figure 16. Factors limiting the activity in service sector (Relative share of enterprises)

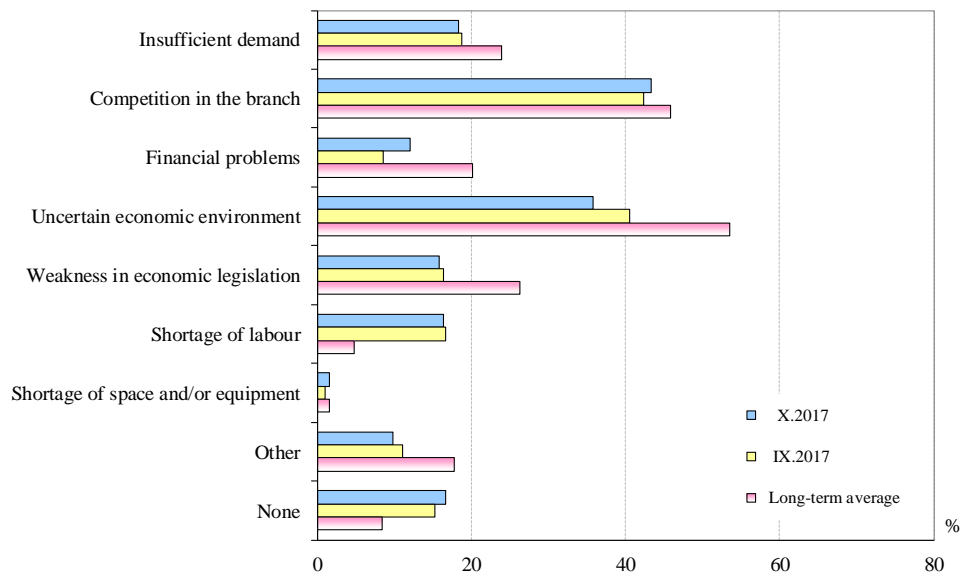




Figure 17. Selling prices expectations in service sector over the next 3 months

