



## BUSINESS CONJUNCTURE NSI BUSINESS SURVEYS<sup>1,2,3</sup>, DECEMBER 2017

In December 2017, **the total business climate indicator**<sup>4</sup> decreases by 1.6 percentage points compared to November (Annex, Figure 1). More unfavourable business climate is registered in industry, construction and service sector, while in retail trade preserves approximately its level from the previous month.

**Industry.** The composite indicator ‘business climate in industry’ decreases by 1.9 percentage points (Annex, Figure 2), which is due to the more reserved industrial entrepreneurs’ expectations about the business situation of the enterprises over the next 6 months. The inquiry also reports a decrease of the production assurance with orders from abroad, which is accompanied by reduced expectations about the activity of the enterprises over the next 3 months (Annex, Figure 3).

The uncertain economic environment and the shortage of labour remain the main obstacles for the business development in the sector as in December the second marks a new long-term maximum (31.4%) since 2003 (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 December, the composite indicator ‘business climate in construction’ drops by 3.5 percentage points (Annex, Figure 6) as result of the more unfavourable construction entrepreneurs’ assessments and expectations (Annex, Figure 7) about the business situation of the enterprises. According to them the new orders inflow over the last month decrease, as their forecasts about the activity over the next 3 months are pessimistic.

The main factors, limiting the enterprises continue to be the uncertain economic environment, competition in the branch and shortage of labour, as the inquiry reports a decrease of the negative influence of the first two factors (Annex, Figure 8).

Concerning the selling prices in construction, the majority of the managers expect preservation of their level over the next 3 months (Annex, Figure 9).

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<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.



**Retail trade.** The composite indicator ‘business climate in retail trade’ preserves approximately its November level (Annex, Figure 10). The retailers’ assessments about the present business situation of the enterprises and their forecasts about the development of their business over the next 6 months remain favourable. However, their expectations about the volume of sales and order placed with suppliers (Annex, Figure 11) over the next 3 months are worsened.

The main problem for the activity in the sector is again connected with competition in the branch. In the second and third place are insufficient demand and uncertain economic environment, although in the last month a decrease of their unfavourable impact is observed (Annex, Figure 12).

As regards the selling prices, the retailers’ expectations are for certain increase over the next 3 months (Annex, Figure 13).

**Service sector<sup>1</sup>.** In December, the composite indicator ‘business climate in service sector’ decreases by 0.9 percentage points (Annex, Figure 14) mainly due to the shifting of the managers’ expectation about the business situation of the enterprises over the next 6 months from ‘better’ towards preserving ‘the same’. As regards the present and expected demand for services (Annex, Figure 15), their opinions are more reserved.

The most serious difficulties for the business development continue to be connected with competition in the branch and uncertain economic environment (Annex, Figure 16).

The majority of the managers foresee the selling prices in the sector to remain unchanged over the next 3 months (Annex, Figure 17).

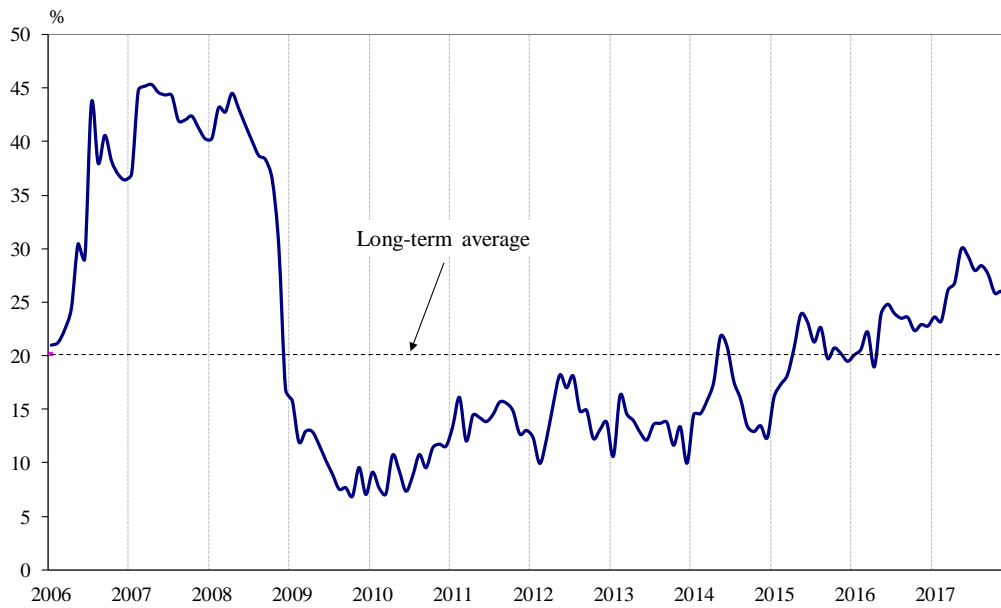
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<sup>1</sup> Excl. trade.

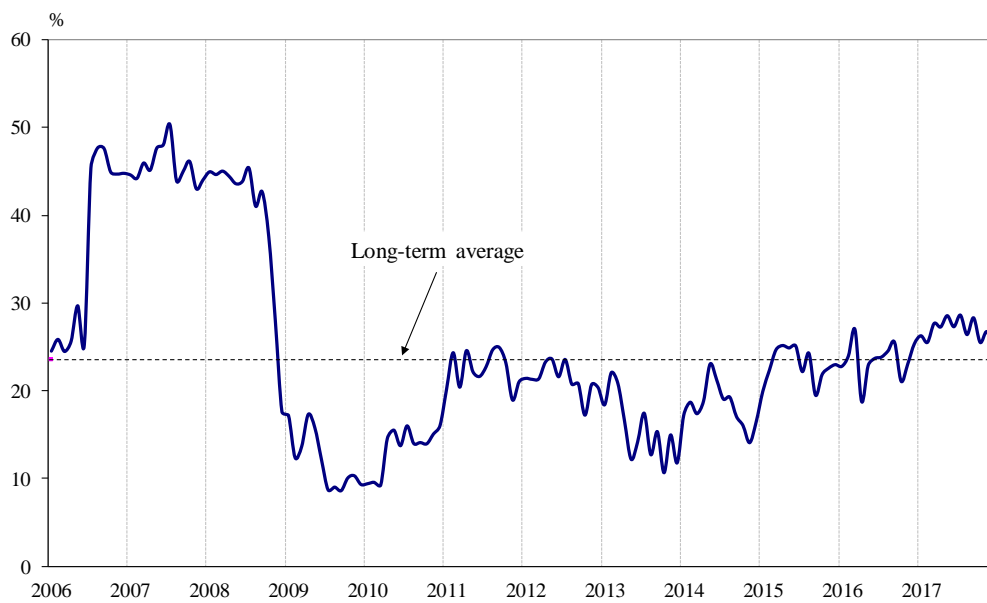


**Annex**

**Figure 1. Business climate - total**

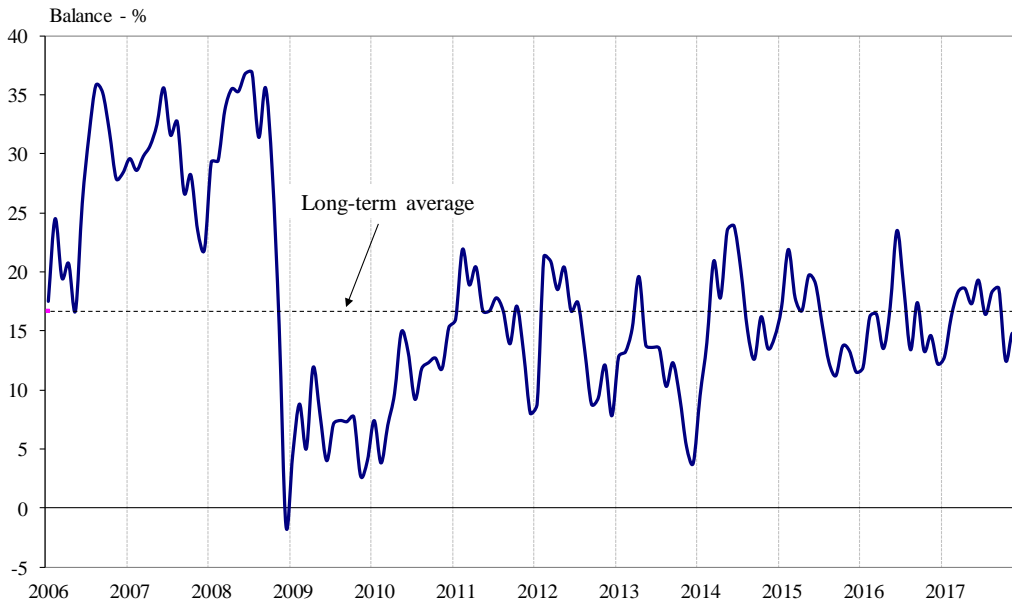


**Figure 2. Business climate in industry**

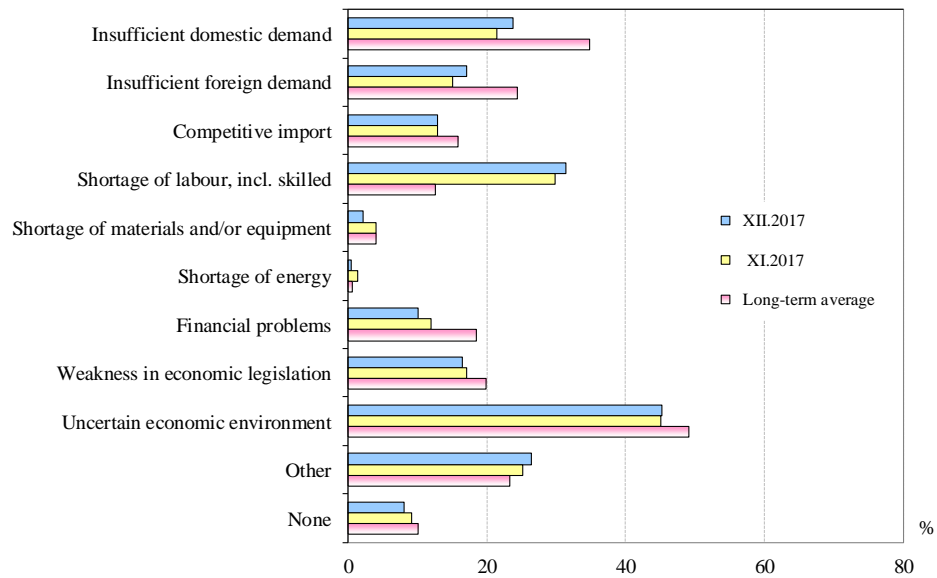




**Figure 3. Expected production activity in industry over the next 3 months**

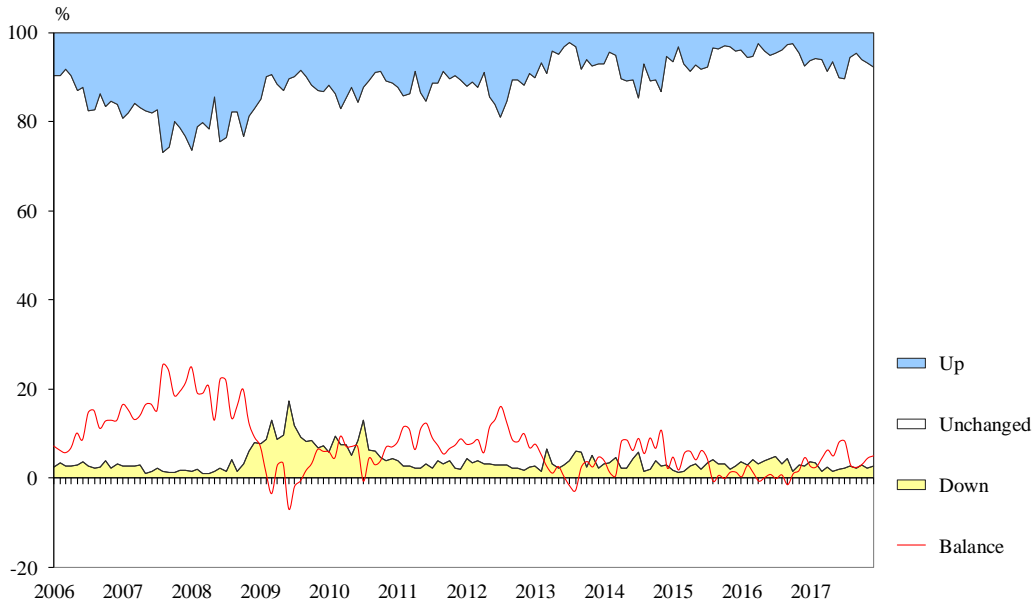


**Figure 4. Limits to production in industry (Relative share of enterprises)**

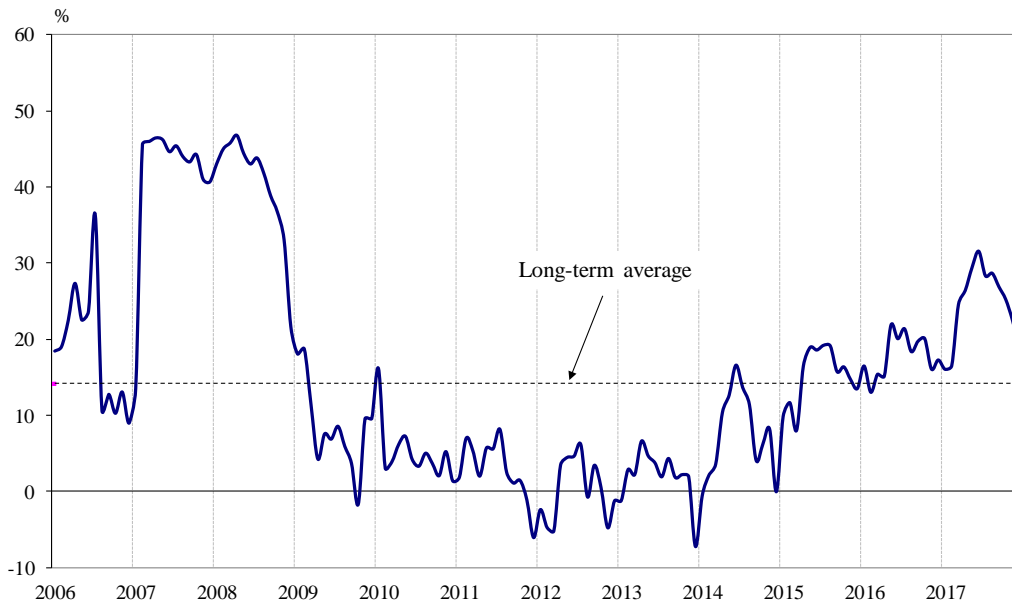




**Figure 5. Selling prices expectations in industry over the next 3 months**

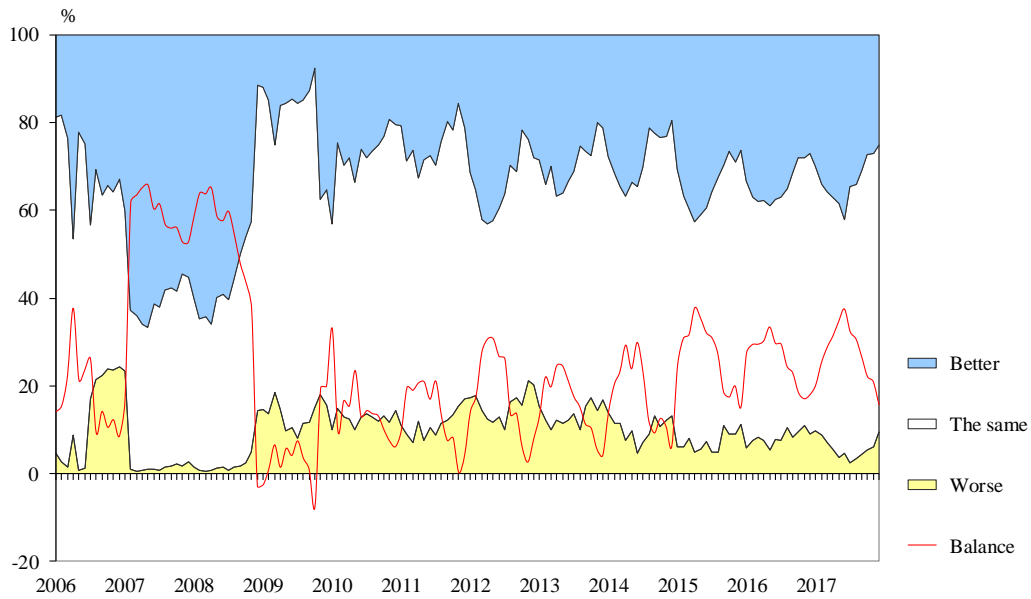


**Figure 6. Business climate in construction**

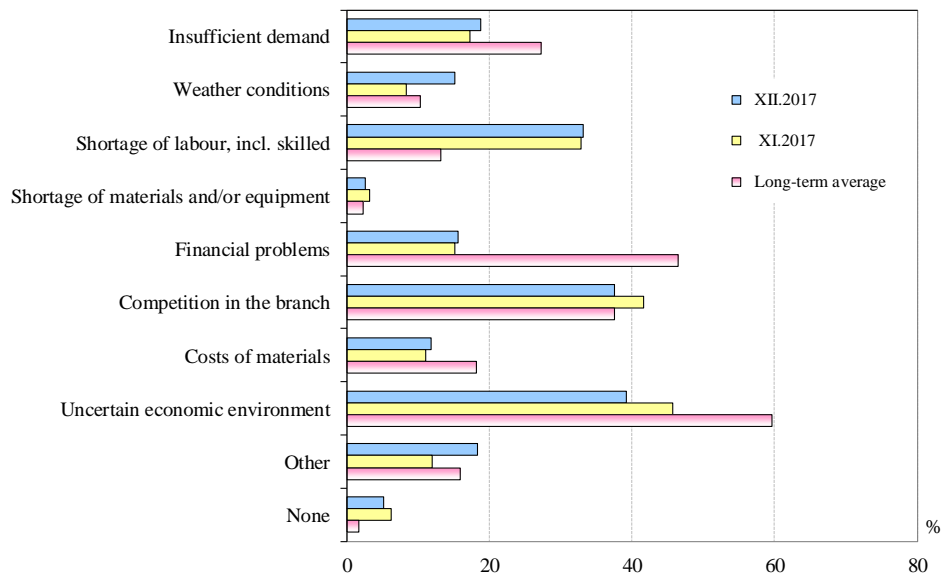




**Figure 7. Expected business situation in construction over the next 6 months**

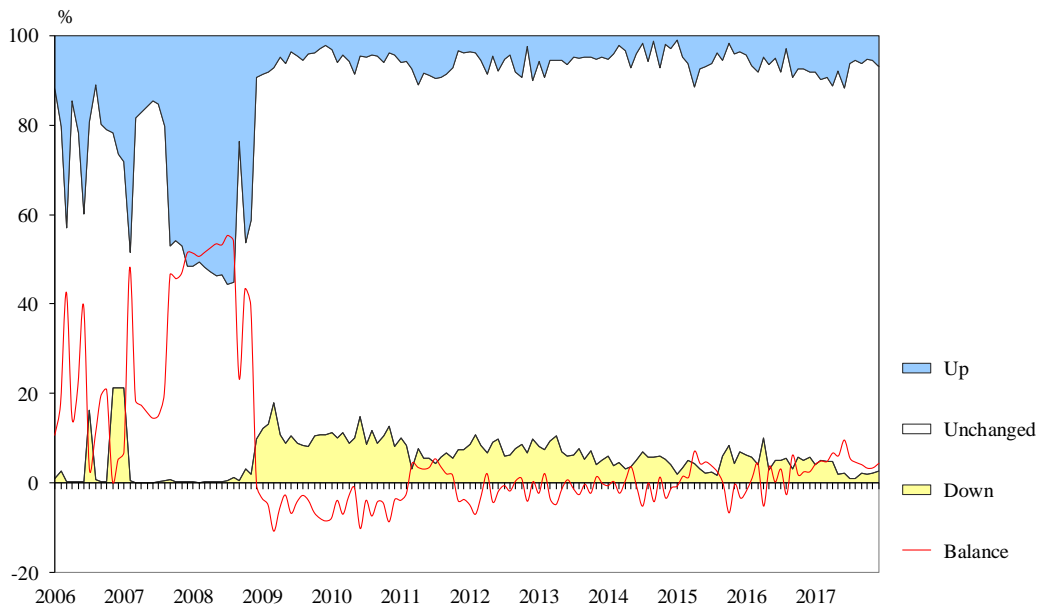


**Figure 8. Limits to construction activity (Relative share of enterprises)**

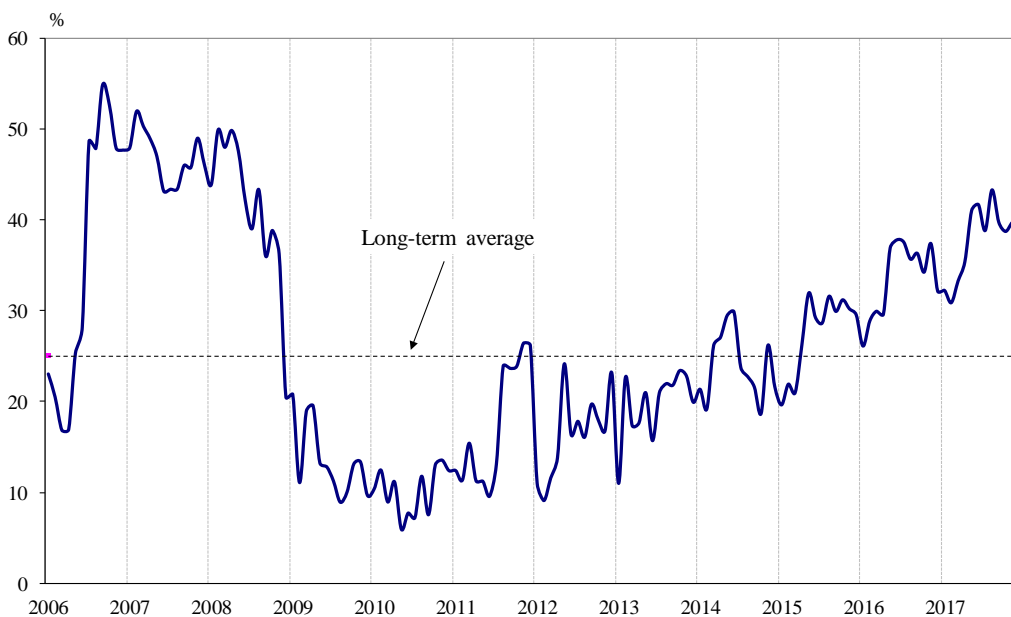




**Figure 9. Selling prices expectations in construction over the next 3 months**

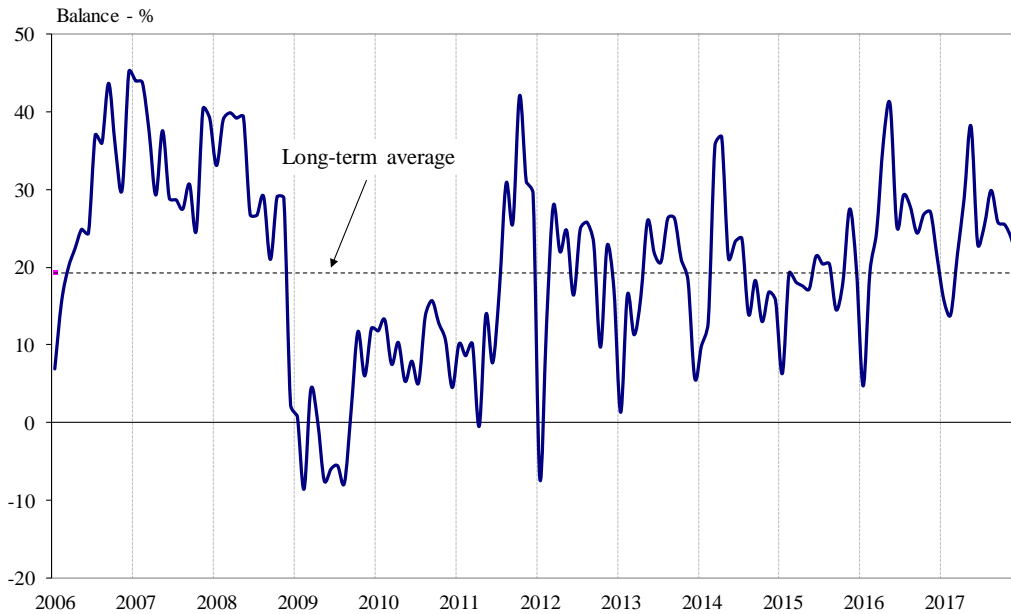


**Figure 10. Business climate in retail trade**

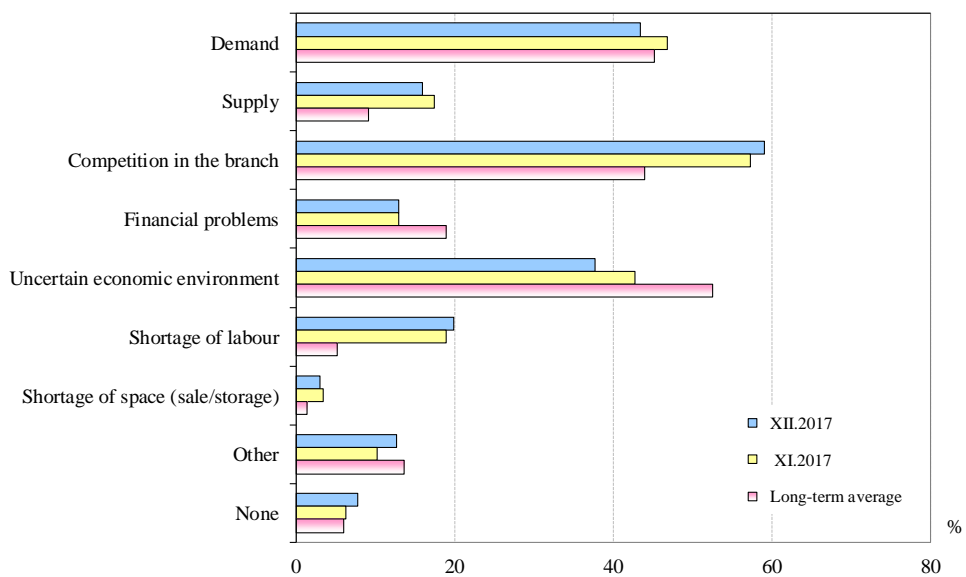




**Figure 11. Expectations about orders placed with suppliers in retail trade over the next 3 months**



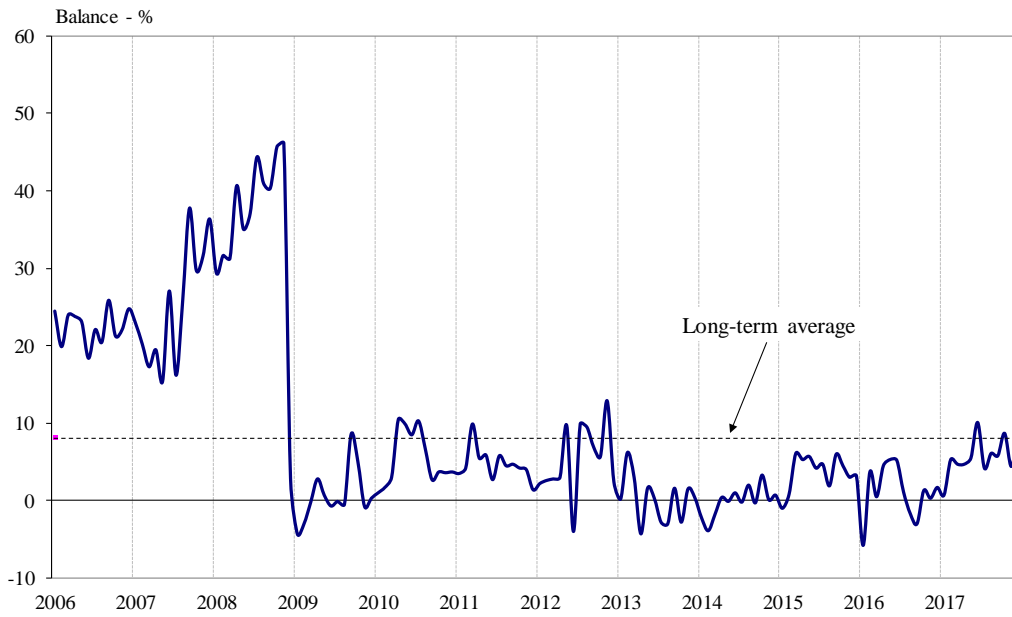
**Figure 12. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)**



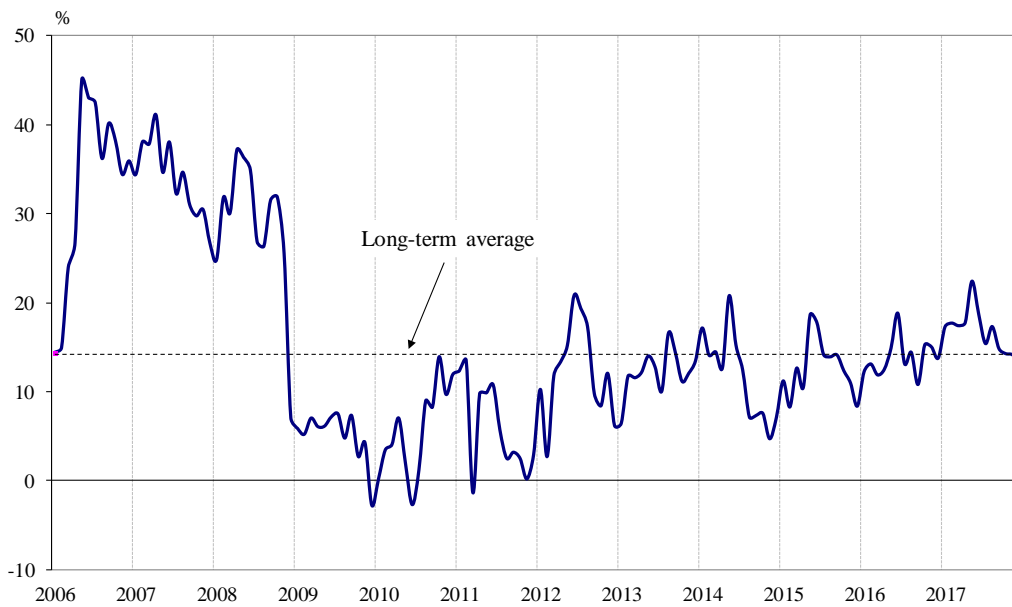




**Figure 13. Selling prices expectations in retail trade over the next 3 months**

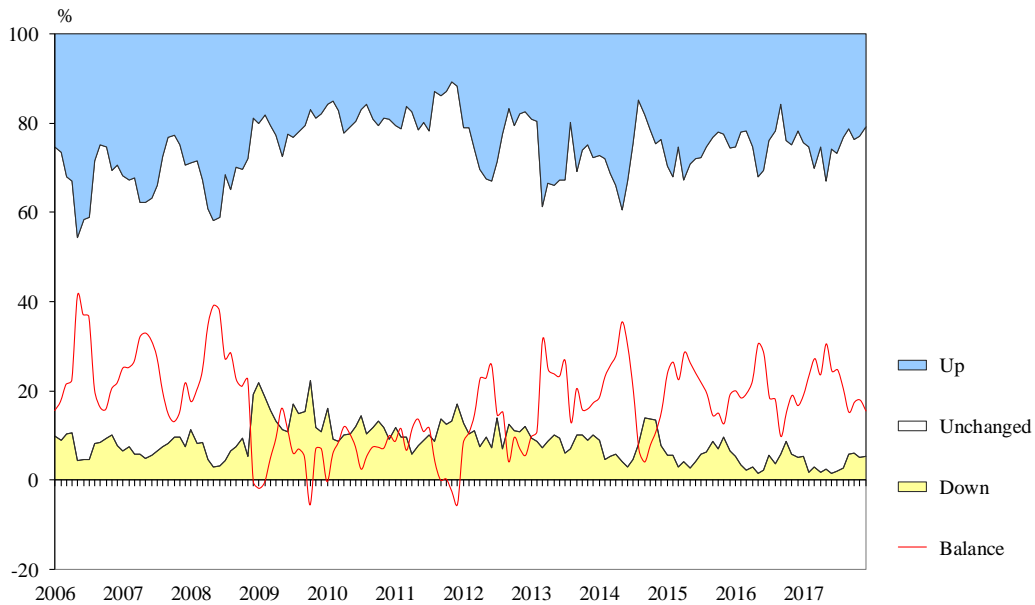


**Figure 14. Business climate in service sector**

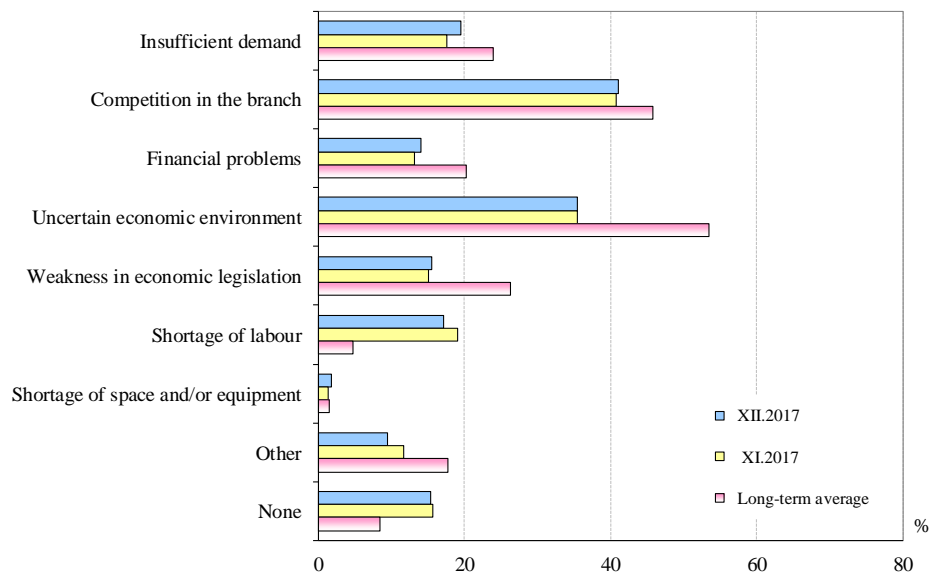




**Figure 15. Expected demand in service sector over the next 3 months**



**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**

