



## BUSINESS CONJUNCTURE NSI BUSINESS SURVEYS<sup>1,2,3</sup>, OCTOBER 2018

In October 2018, the **total business climate indicator**<sup>4</sup> decreases by 1.9 percentage points compared to the previous month (Annex, Figure 1) as a result of the more unfavourable conjuncture in the industry, retail trade and service sector.

**Industry.** The composite indicator 'business climate in industry' decreases by 2.4 percentage points (Annex, Figure 2) mainly due to the reduced industrial entrepreneurs' expectations about the business situation of the enterprises over the next 6 months (Annex, Figure 3). At the same time the present production activity is assessed as slightly decreased (Annex, Figure 3), while the forecasts about the activity over the next 3 months are more favourable.

In October, the average capacity utilization is by 1.5 percentage points over its July level and it reaches 77.5%.

The uncertain economic environment and shortage of labour remain the main obstacles for the activity pointed out respectively by 40.2% and 35.9% of the enterprises (Annex, Figure 4).

As regards the selling prices in industry, the majority of the managers foresee preservation of their level over the next 3 months (Annex, Figure 5).

**Construction.** In October the composite indicator 'business climate in construction' increases by 2.6 percentage points (Annex, Figure 6) as a result of the improved construction entrepreneurs' assessments about the present business situation of the enterprises (Annex, Figure 7). In their opinion, the present construction activity remains to its level from the previous month, but their forecasts over the next 3 months are more unfavourable.

In October, the production assurance with orders is preserved and it is assessed to be 5.3 months. However, the construction entrepreneurs' expectations about the new orders over the next 6 months are pessimistic.

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

<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.



Concerning the selling prices in construction, the prevailing managers' expectations are them to remain unchanged over the next 3 months (Annex, Figure 9).

**Retail trade.** The composite indicator 'business climate in retail trade' decreases by 2.5 percentage points (Annex, Figure 10) which is due to the more reserved retailers' expectations about the business situation of the enterprises over the next 6 months (Annex, Figure 11). However, their forecasts about the volume of sales and orders placed with suppliers over the next 3 months are more favourable.

The most serious difficulty for the business remains the competition in the branch, followed by the insufficient demand and uncertain economic environment, as in the last month strengthen of the negative influence of all three factors is observed (Annex, Figure 12).

As regards the selling prices, the retailers foresee certain increase over the next 3 months (Annex, Figure 13).

**Service sector<sup>1</sup>.** In October the composite indicator 'business climate in service sector' decreases by 4.5 percentage points (Annex, Figure 14) as a result of the more unfavourable managers' assessments and expectations about the business situation of the enterprises. As regards the present and the expected demand for services their opinions are also more reserved (Annex, Figure 15).

The main problems for the activity of the enterprises continue to be connected with the competition in the branch and uncertain economic environment (Annex, Figure 16).

The managers' expectations are the selling prices in service sector to remain unchanged over the next 3 months (Annex, Figure 17).

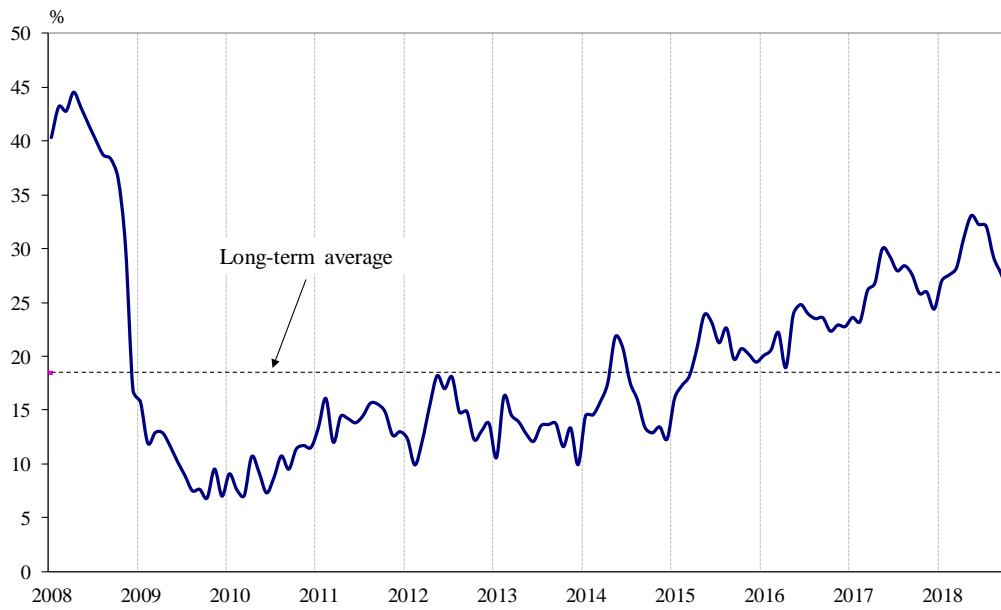
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<sup>1</sup> Excl. trade.

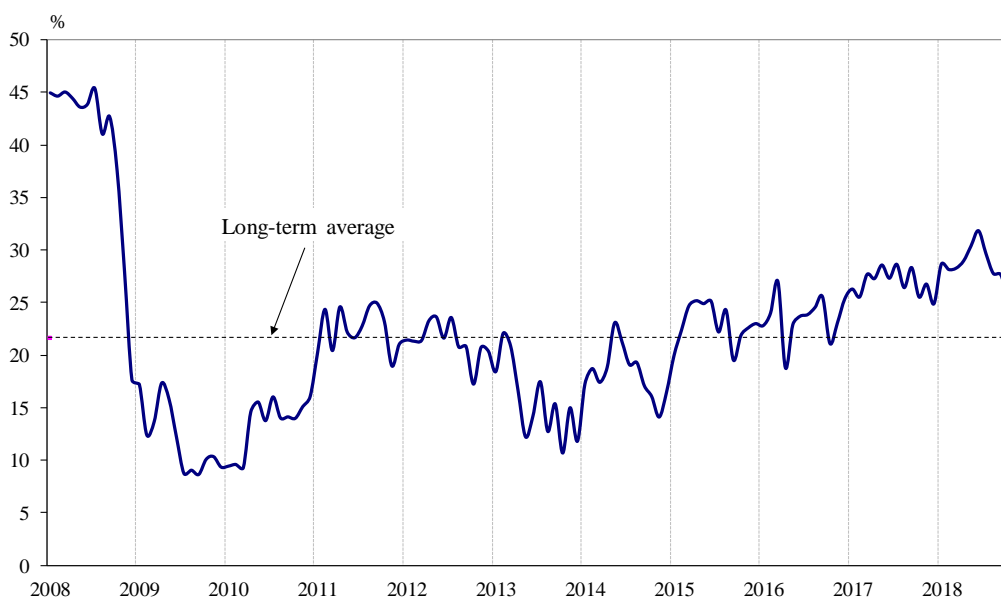


**Annex**

**Figure 1. Business climate - total**

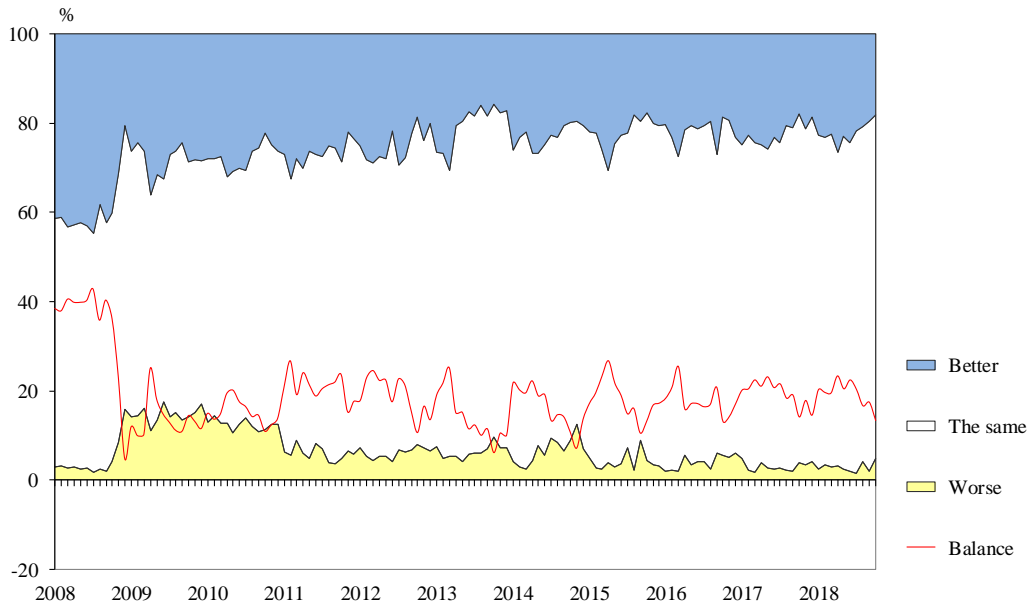


**Figure 2. Business climate in industry**

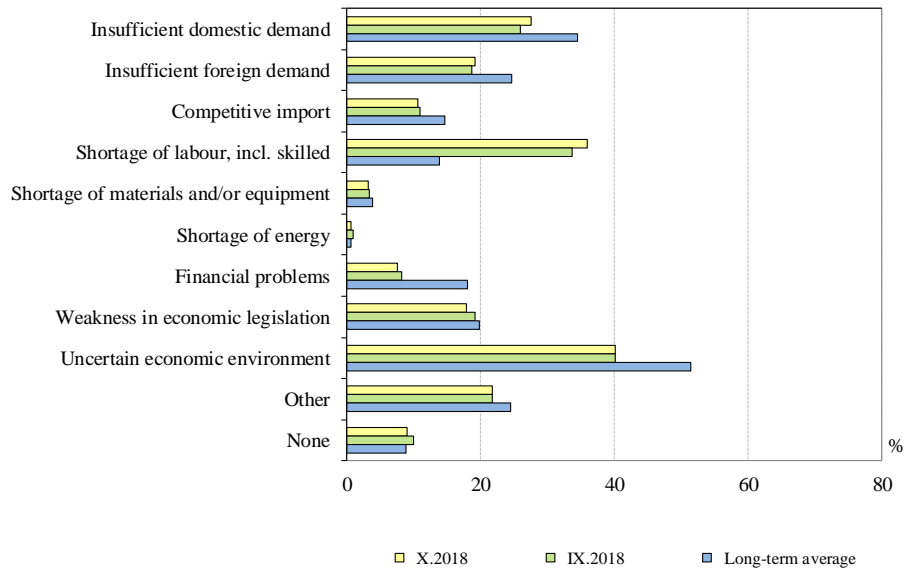




**Figure 3. Expected business situation in industry over the next 6 months**

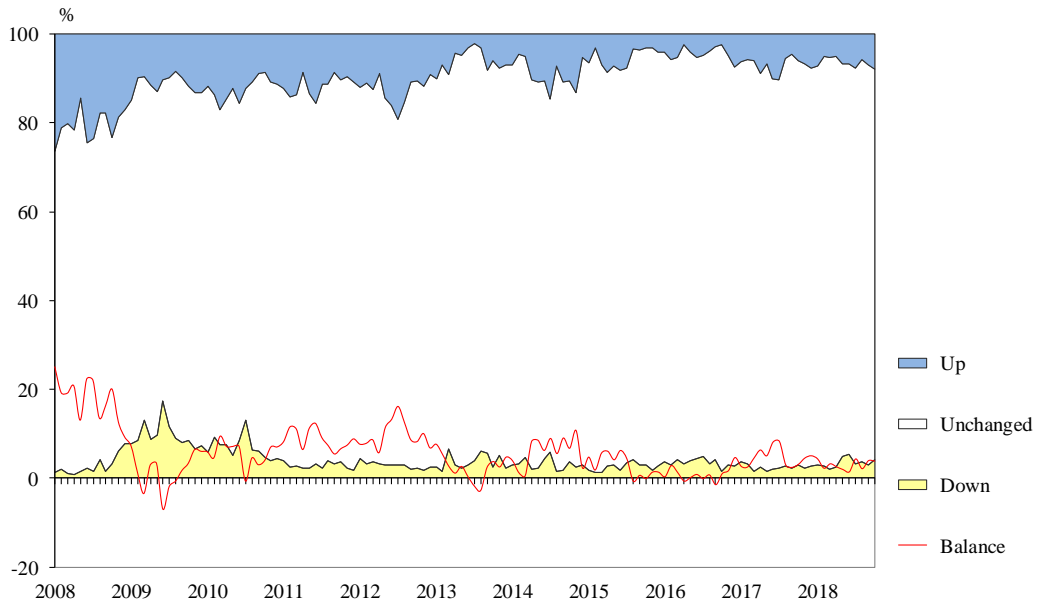


**Figure 4. Limits to production in industry (Relative share of enterprises)**

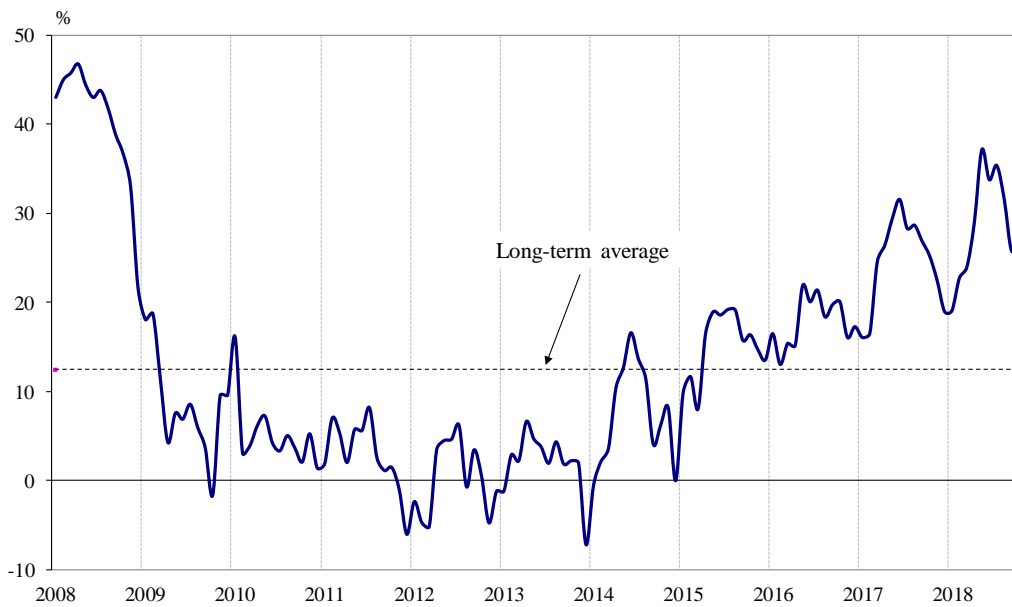




**Figure 5. Selling prices expectations in industry over the next 3 months**

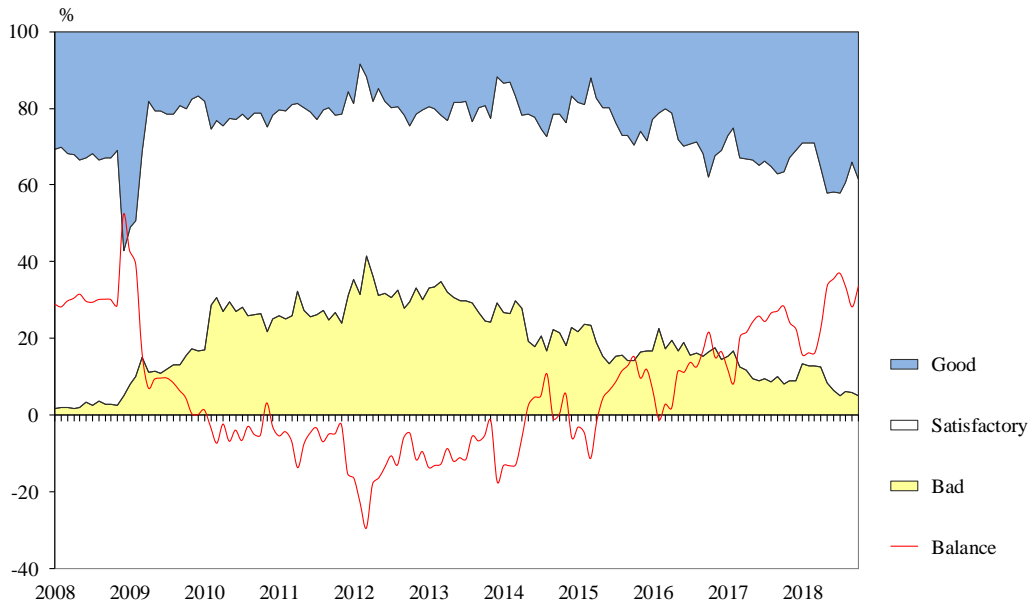


**Figure 6. Business climate in construction**

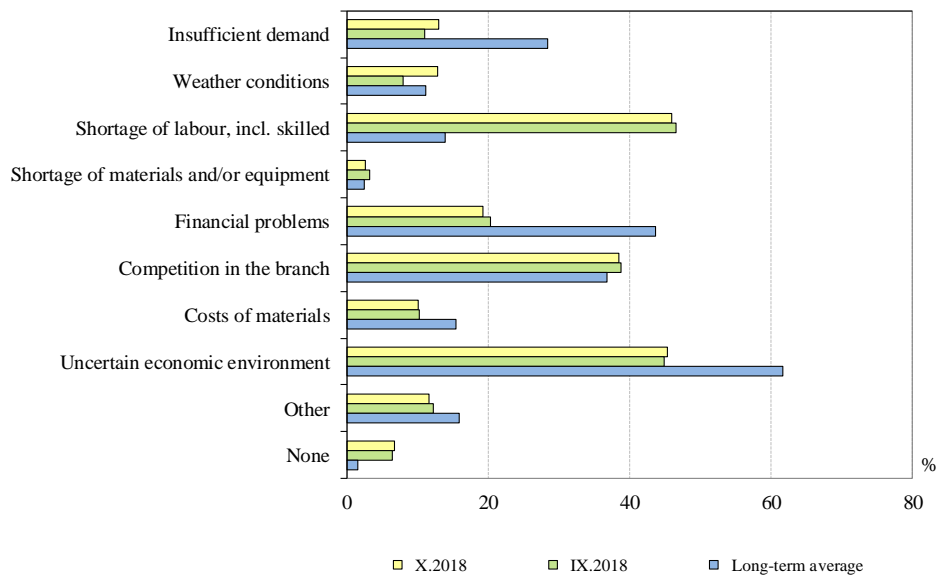




**Figure 7. Present business situation in construction**

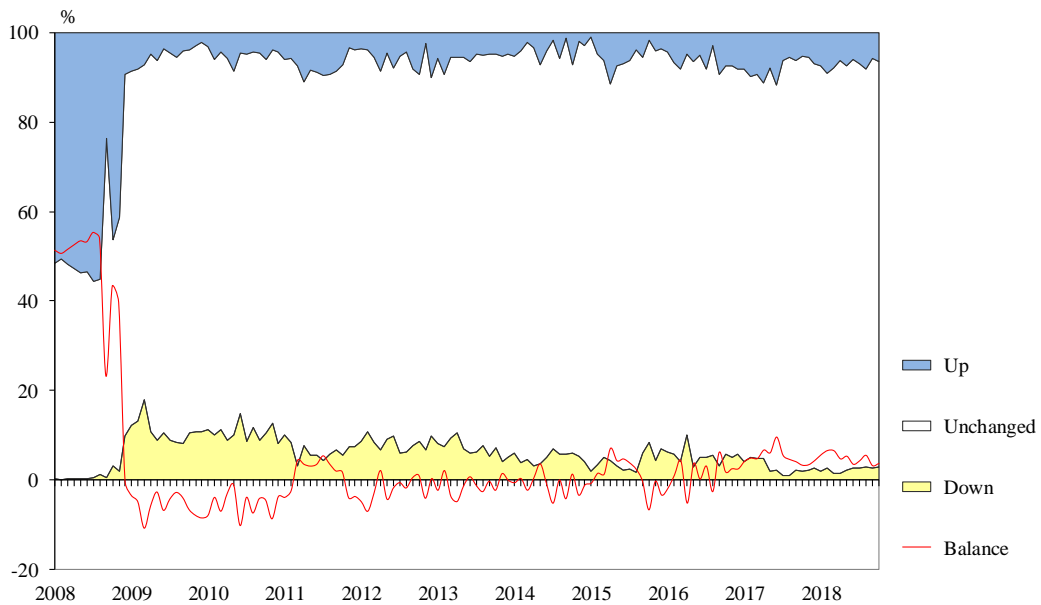


**Figure 8. Limits to construction activity (Relative share of enterprises)**

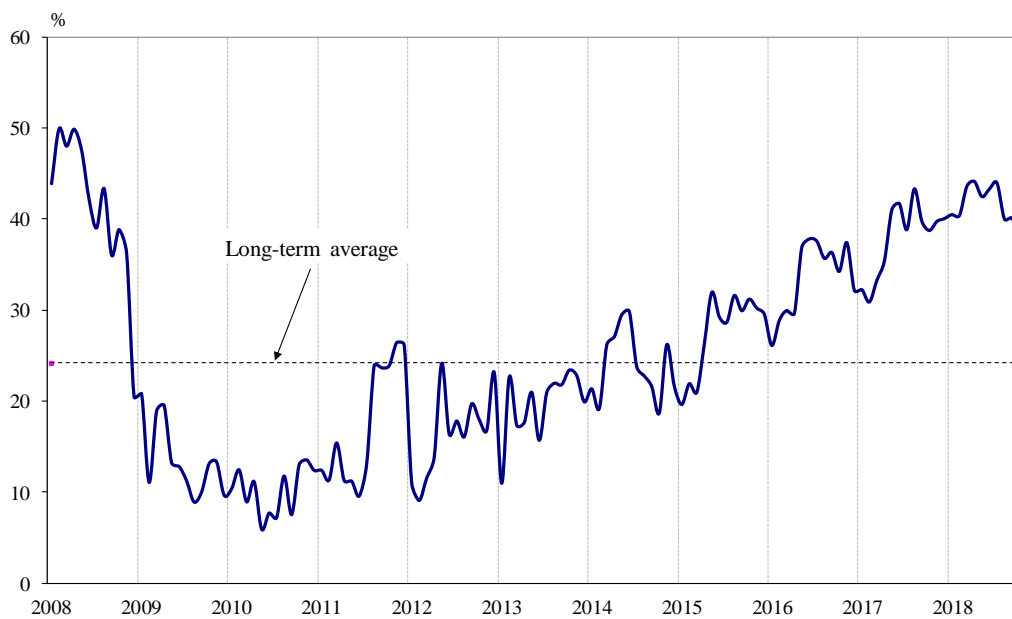




**Figure 9. Selling prices expectations in construction over the next 3 months**

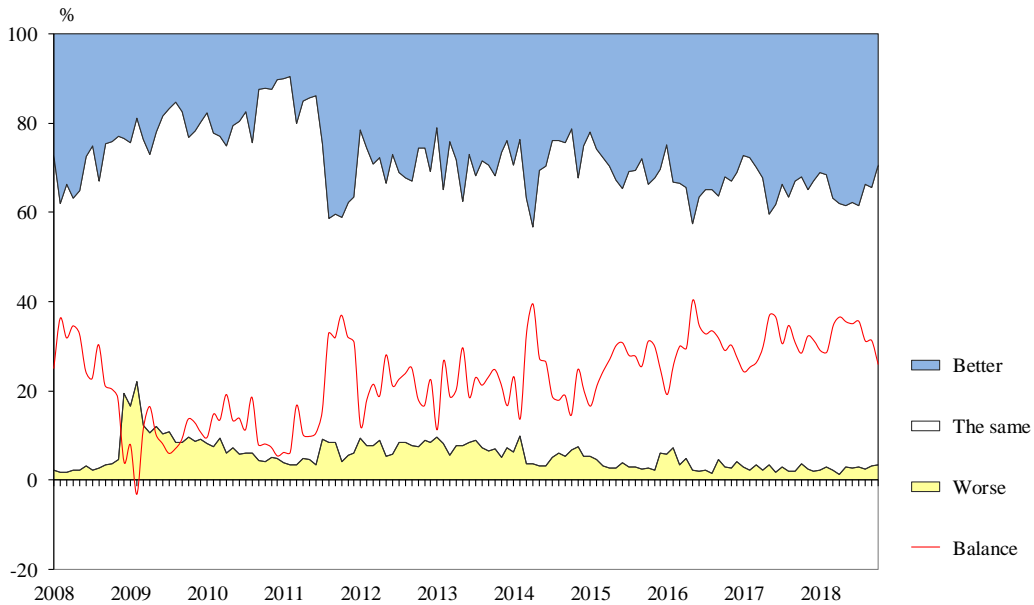


**Figure 10. Business climate in retail trade**

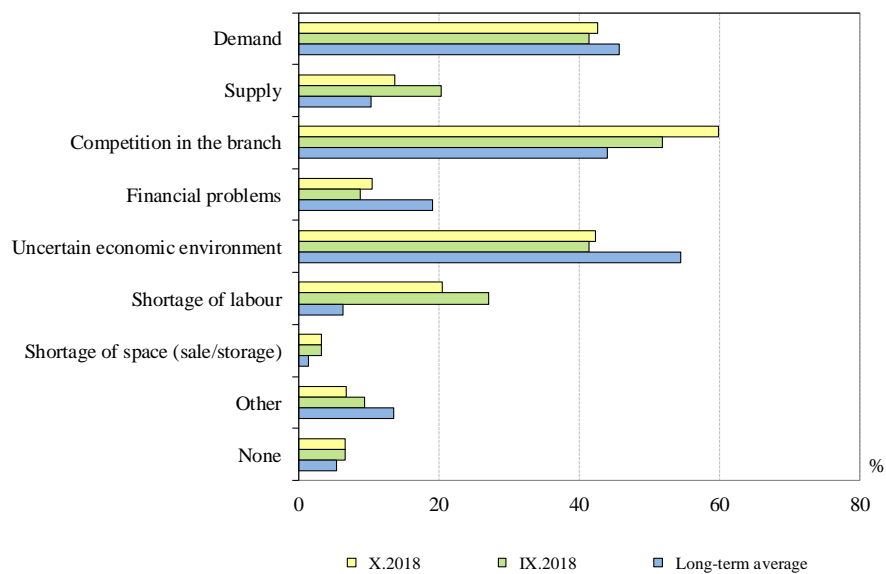




**Figure 11. Expected business situation in retail trade over the next 6 months**



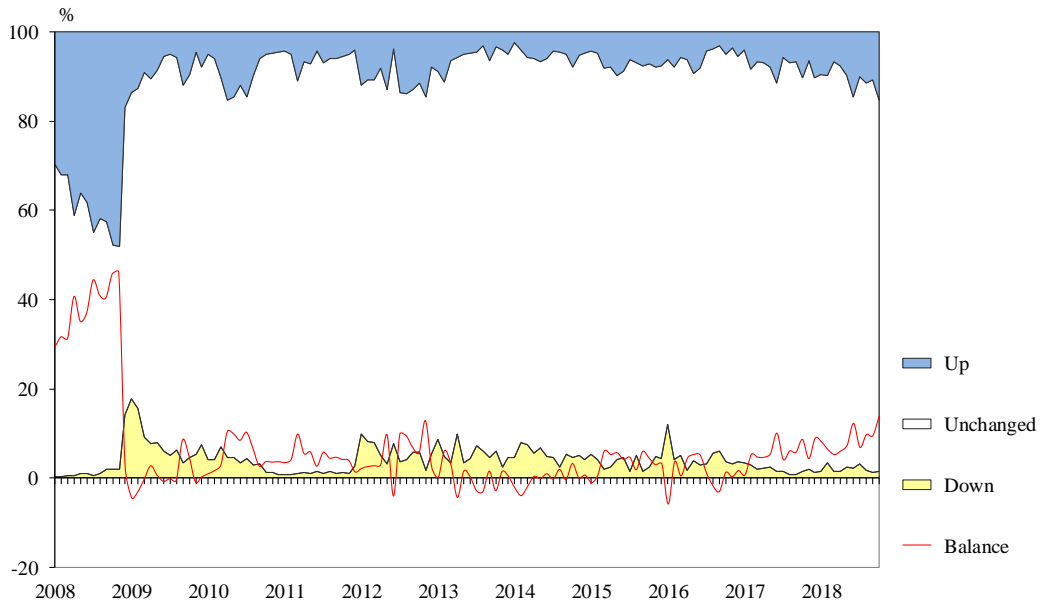
**Figure 12. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)**



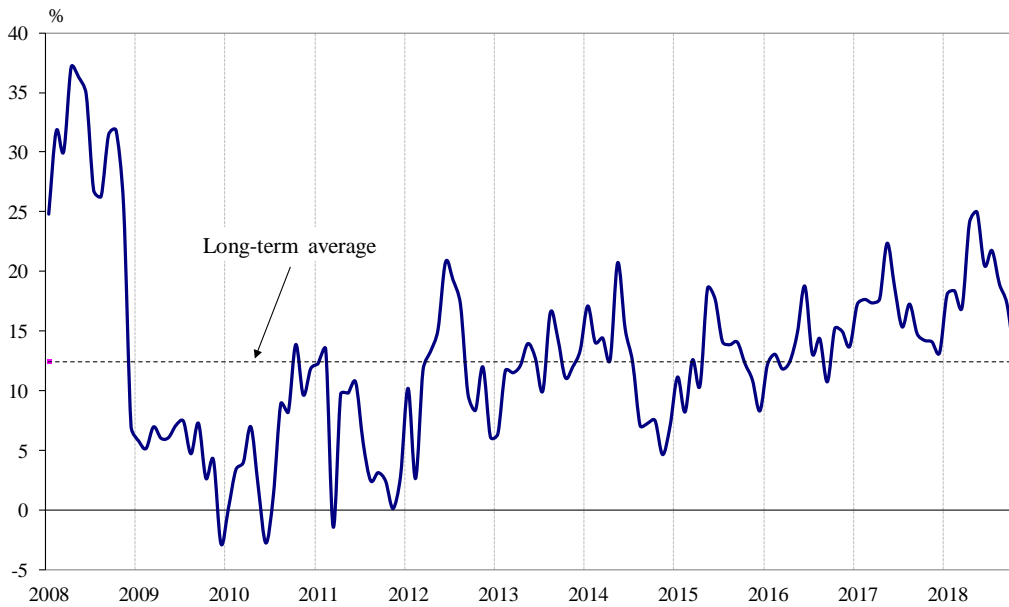




**Figure 13. Selling prices expectations in retail trade over the next 3 months**

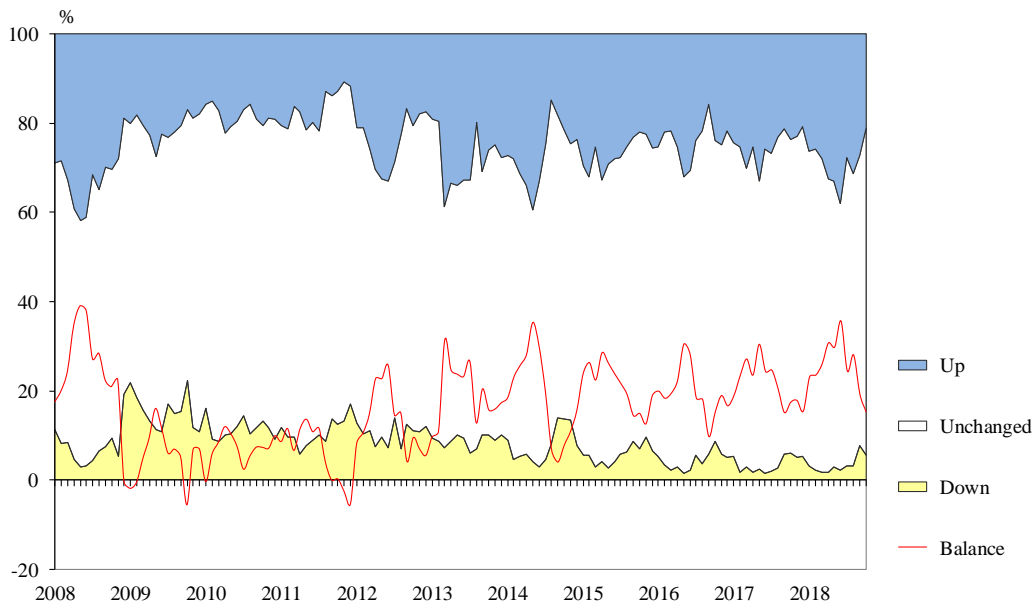


**Figure 14. Business climate in service sector**

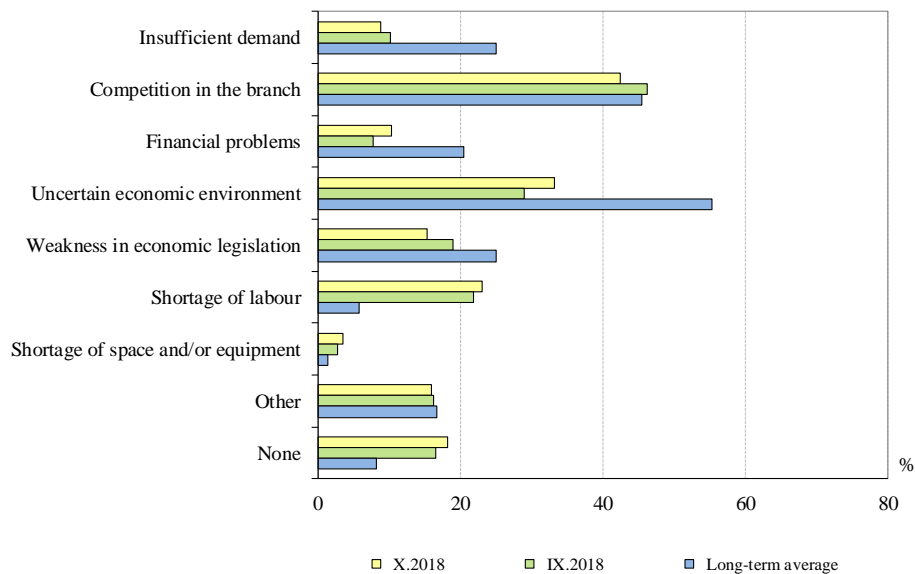




**Figure 15. Expected demand in service sector over the next 3 months**



**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**

