BUSINESS CONJUNCTURE
NSI BUSINESS SURVEYS[1,2,3], MARCH 2016

In March 2016 **the total business climate indicator**[4] increases by 1.6 percentage points compared to the previous month (Annex, Figure 1) which is due to the more favourable managers' opinions in industry, construction and retail trade.

Industry. The composite indicator 'business climate in industry' increases by 2.9 percentage points in comparison with February (Annex, Figure 2) as a result of the more optimistic industrial entrepreneurs' assessments and expectations (Annex, Figure 3) about the business situation of the enterprises. However, the present production activity is assessed as slight decrease, as the expectations about the activity over the next 3 months are also more reserved.

The main obstacles for the business development in the branch continue to be connected with the uncertain economic environment and insufficient domestic demand pointed out respectively by 54.8% and 29.8% of the enterprises (Annex, Figure 4).

Concerning the selling prices in industry the managers forecast them to remain unchanged over the next 3 months (Annex, Figure 5).

Construction. In March the composite indicator 'business climate in construction' increases by 2.4 percentage points (Annex, Figure 6) which is due to the favourable construction entrepreneurs' assessments about the present business situation of the enterprises (Annex, Figure 7). In their opinion the present construction activity is improved in comparison with the previous month, as their forecasts for the next 3 months also remain optimistic.

The factor, limiting with the most extent the activity in the branch, remains the uncertain economic environment. In the second and third place are the competition in the branch and insufficient demand (Annex, Figure 8).

As regards 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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[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.

Retail trade. The composite indicator ‘business climate in retail trade’ increases by 1.0 percentage point compared to February (Annex, Figure 10) as a result of the more favourable retailers’ expectations about the business situation of the enterprises over the next 6 months. At the same time their forecasts about the volume of sales and orders placed with suppliers (Annex, Figure 11) over the next 3 months are also improved.

The most serious problem for the development of the activity in the branch continues to be connected with the competition in the branch. In the last month the inquiry registers strengthen the negative impact of the factor ‘insufficient demand’ which shifts to the third place the factor ‘uncertain economic environment’ (Annex, Figure 12).

The retailers’ expectations are the selling prices in the branch to remain unchanged over the next 3 months (Annex, Figure 13).

Service sector[1]. In March the composite indicator ‘business climate in service sector’ decreases by 1.3 percentage points (Annex, Figure 14) which is due to the more moderate managers’ assessments and expectations (Annex, Figure 15) about the business situation of the enterprises. As regards to the present demand for services their opinions are more reserved, while their expectations over the next 3 months remain favourable.

The main obstacles for the business development in the branch remain the uncertain economic environment and competition in the branch (Annex, Figure 16).

Concerning the selling prices in the sector the managers expect preservation of their level over the next 3 months (Annex, Figure 17).

[1] Excl. trade.

Annex

Figure 1. Business climate - total

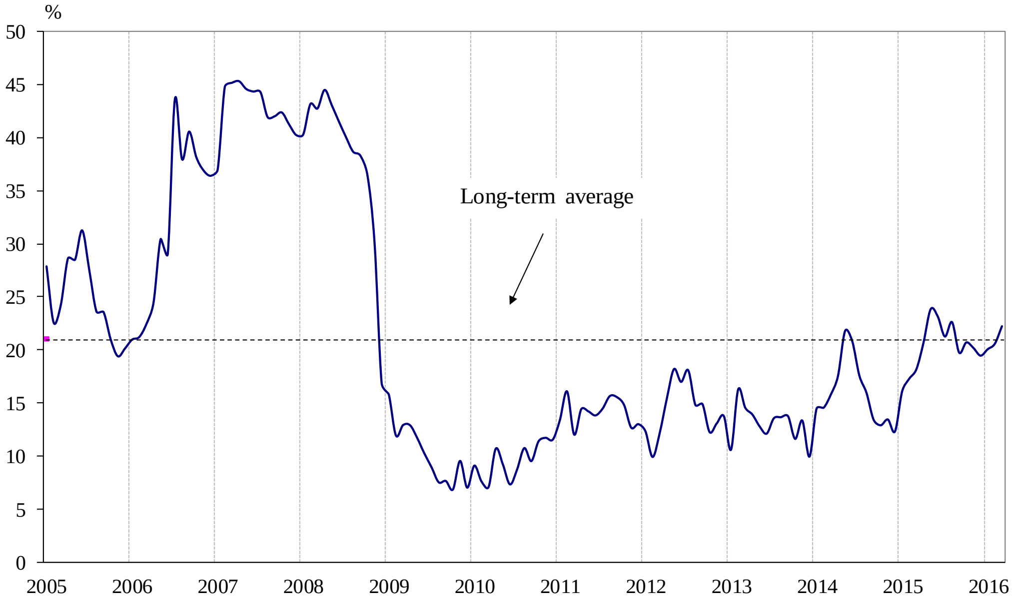

Figure 2. Business climate in industry

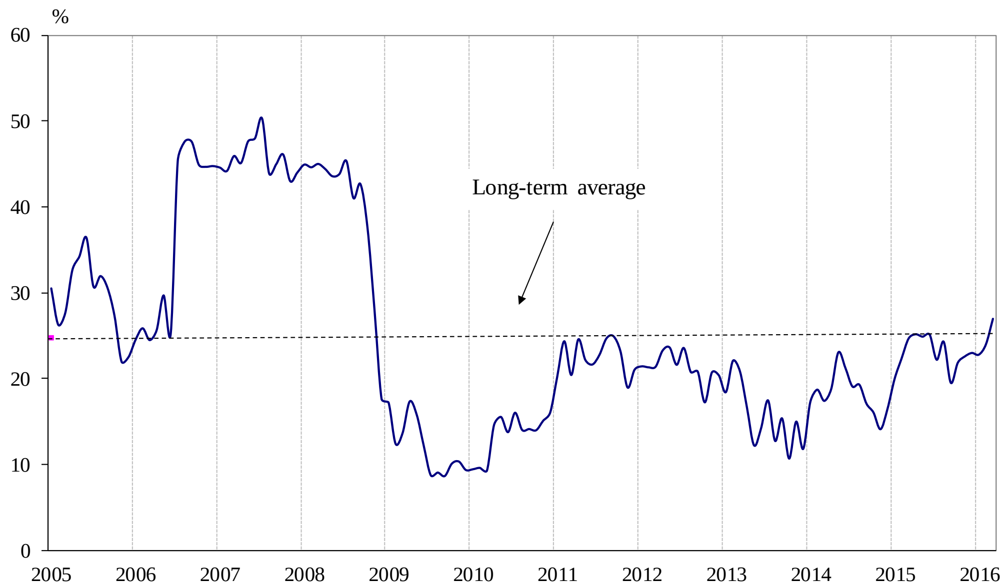

Figure 3. Expected business situation in construction over the next 6 months

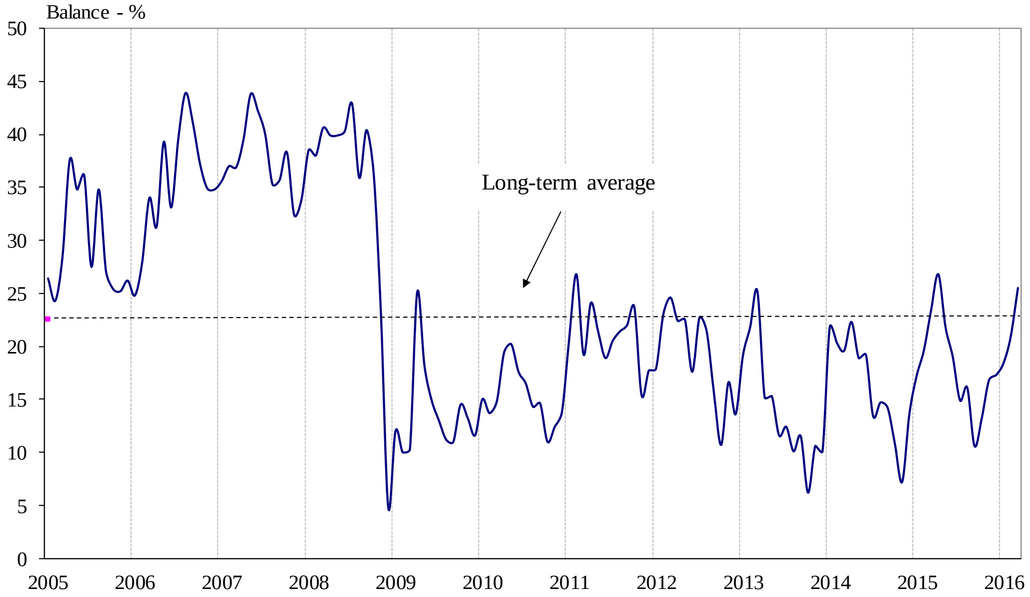

Figure 4. Limits to production in industry (Relative share of enterprises)

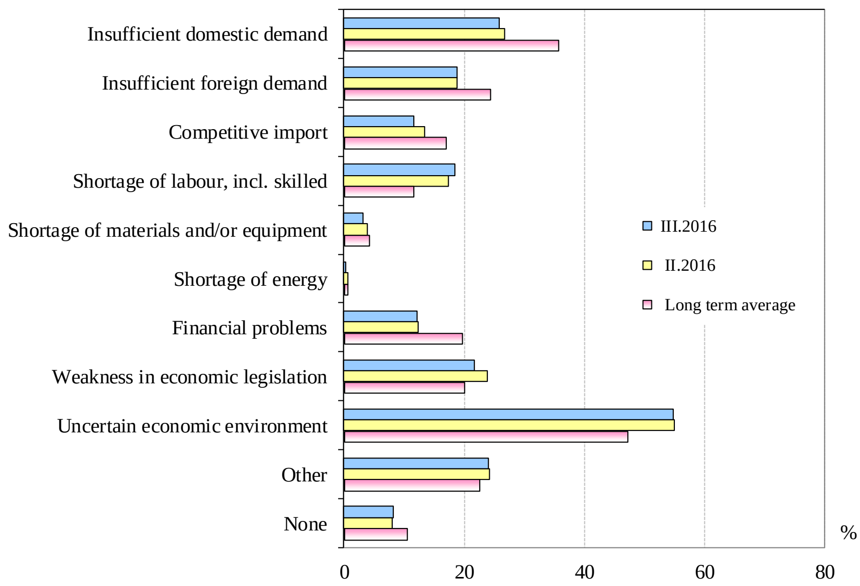

Figure 5. Selling prices expectations in industry over the next 3 months

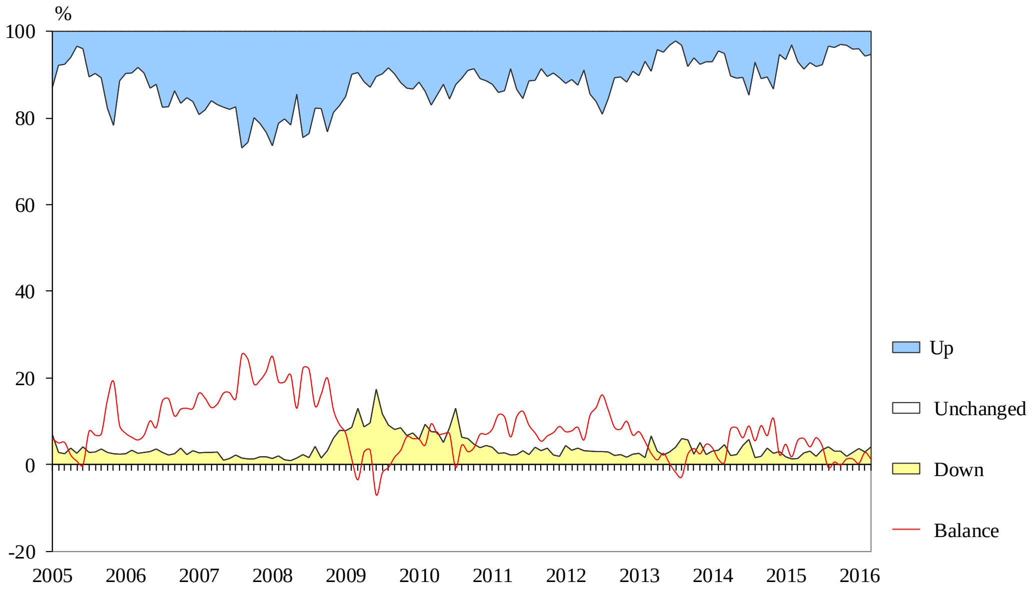

Figure 6. Business climate in construction

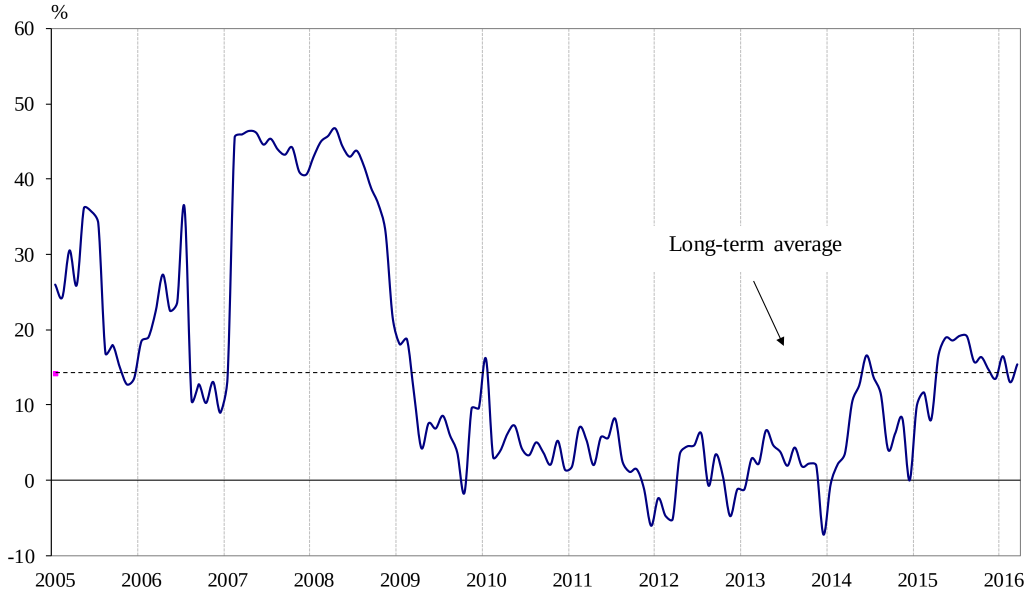

Figure 7. Present business situation in construction

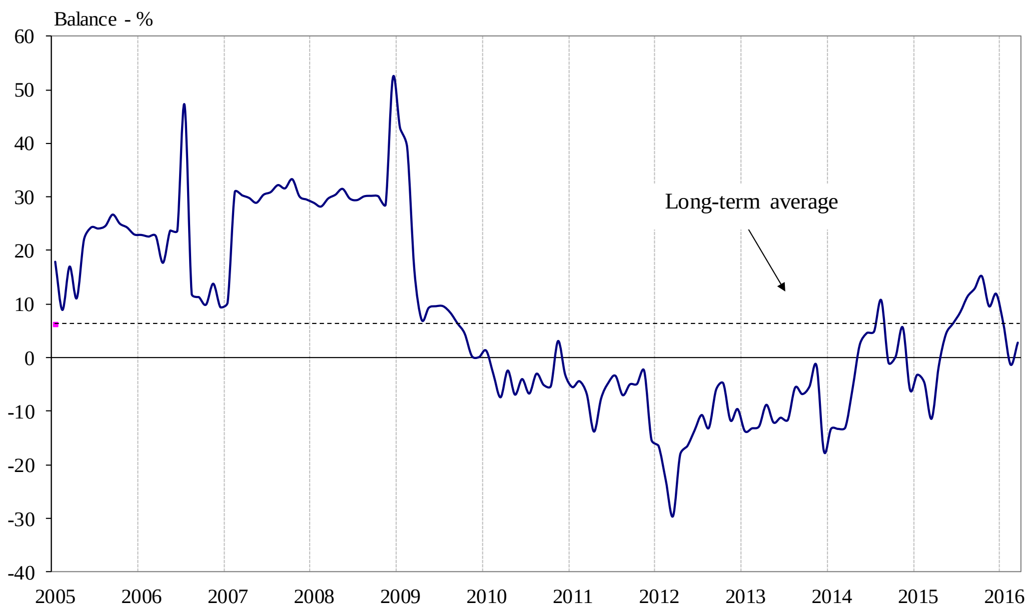

Figure 8. Limits to construction activity (Relative share of enterprises)

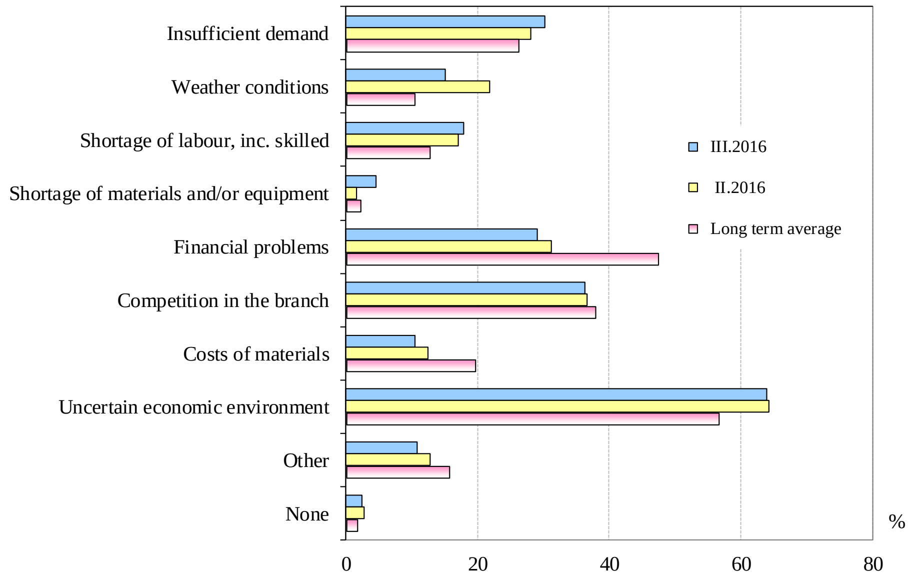

Figure 9. Selling prices expectations in construction over the next 3 months

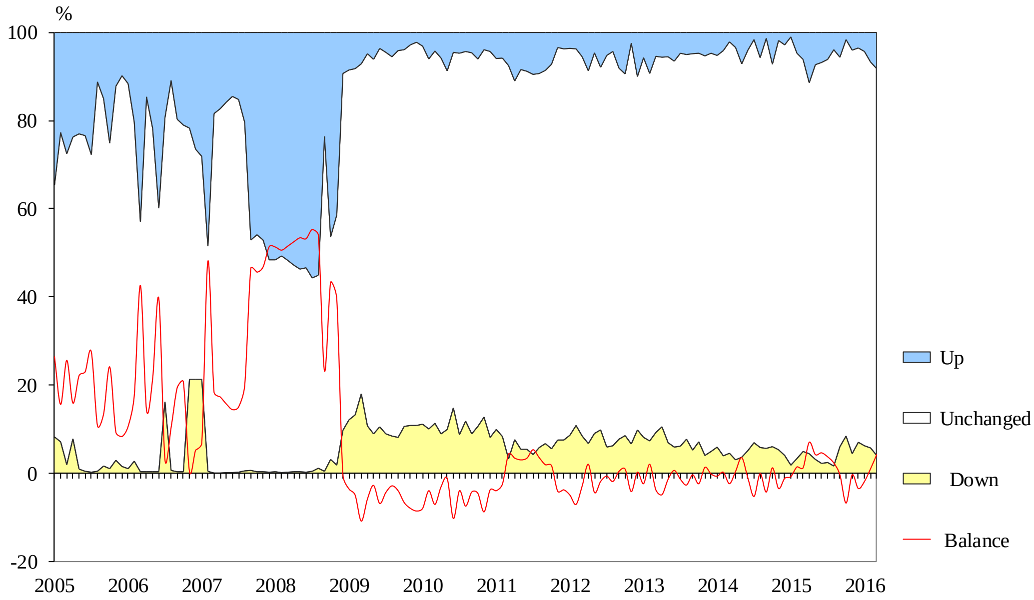

Figure 10. Business climate in retail trade

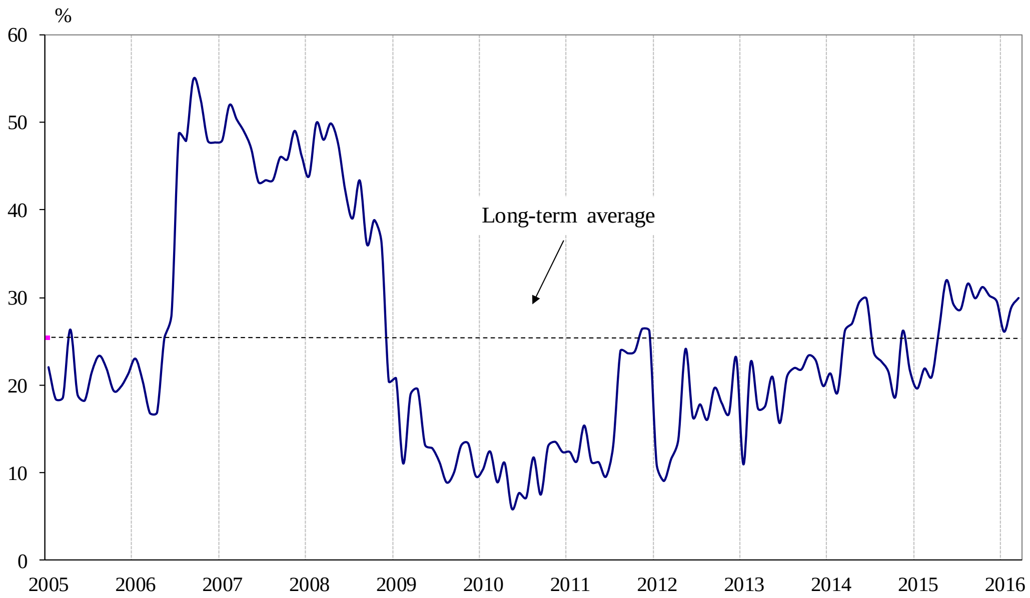

Figure 11. Expectations about orders placed with suppliers in retail trade over the next 3 months

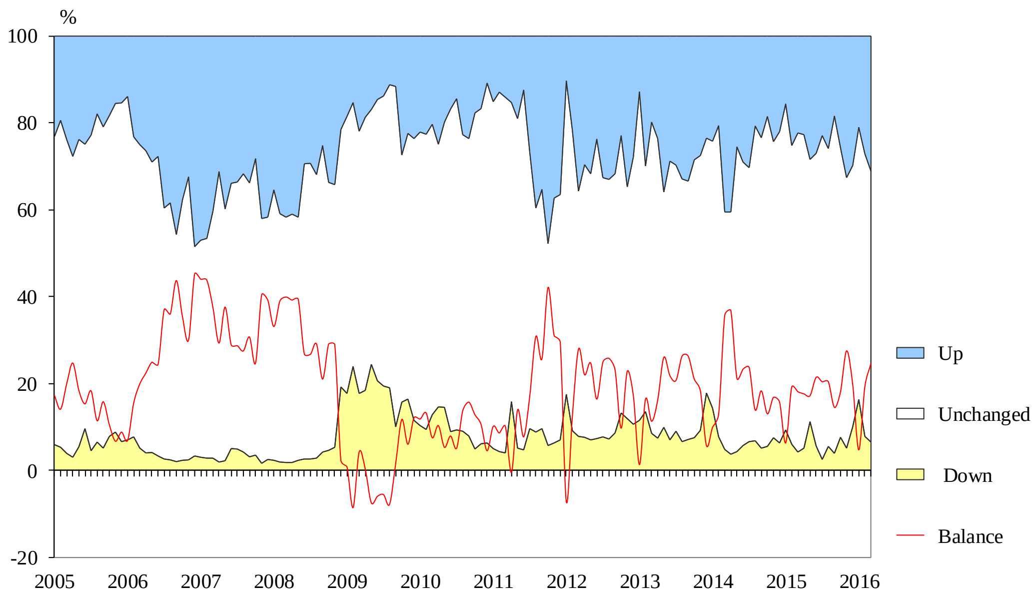

Figure 12. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)

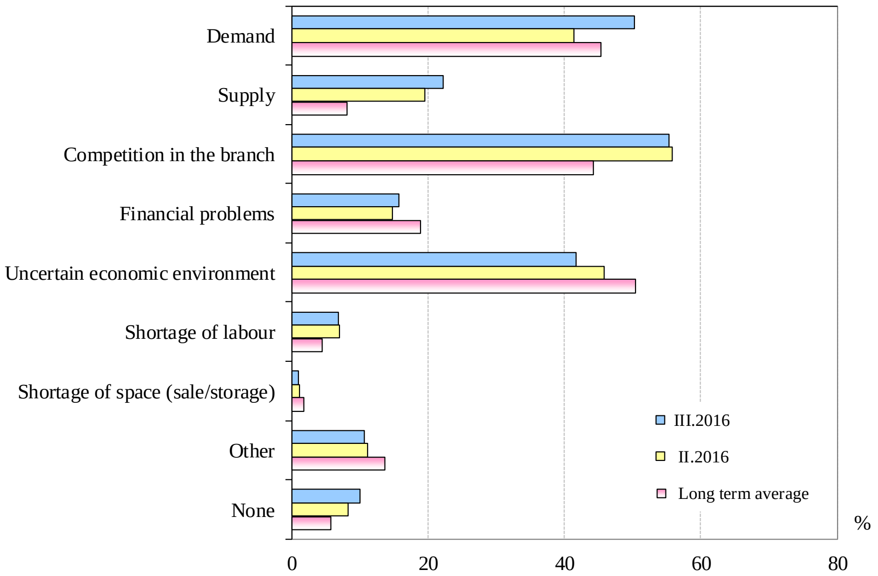

Figure 13. Selling prices expectations in retail trade over the next 3 months

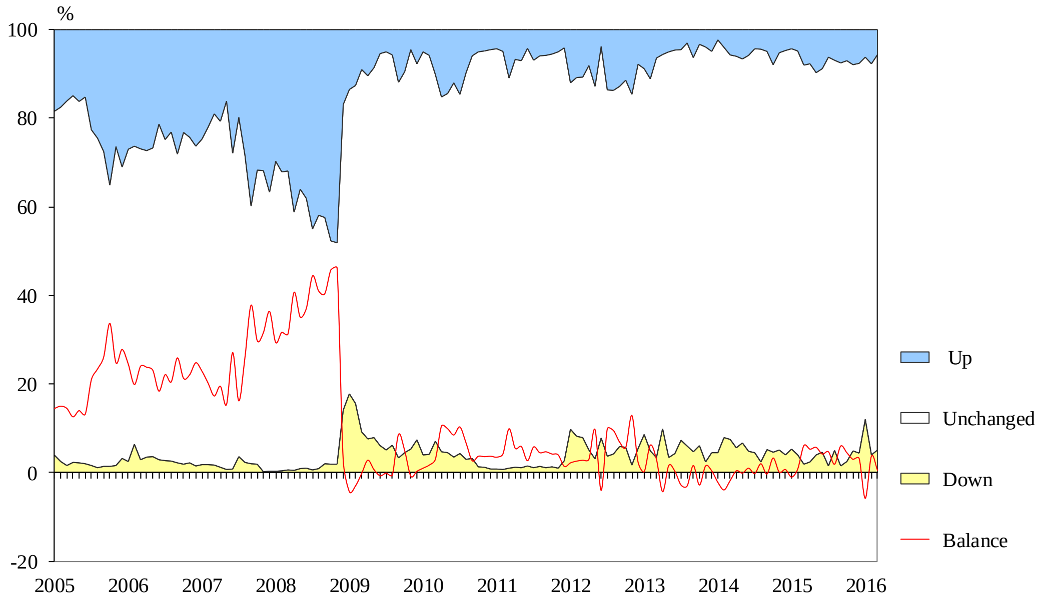

Figure 14. Business climate in service sector

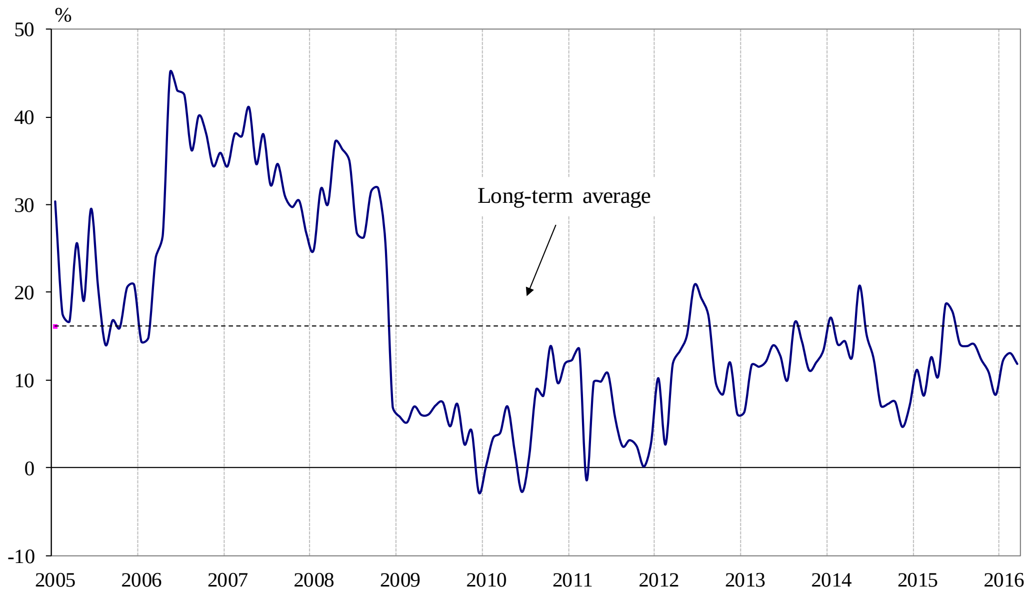

Figure 15. Expected business situation in service sector over the next 6 months

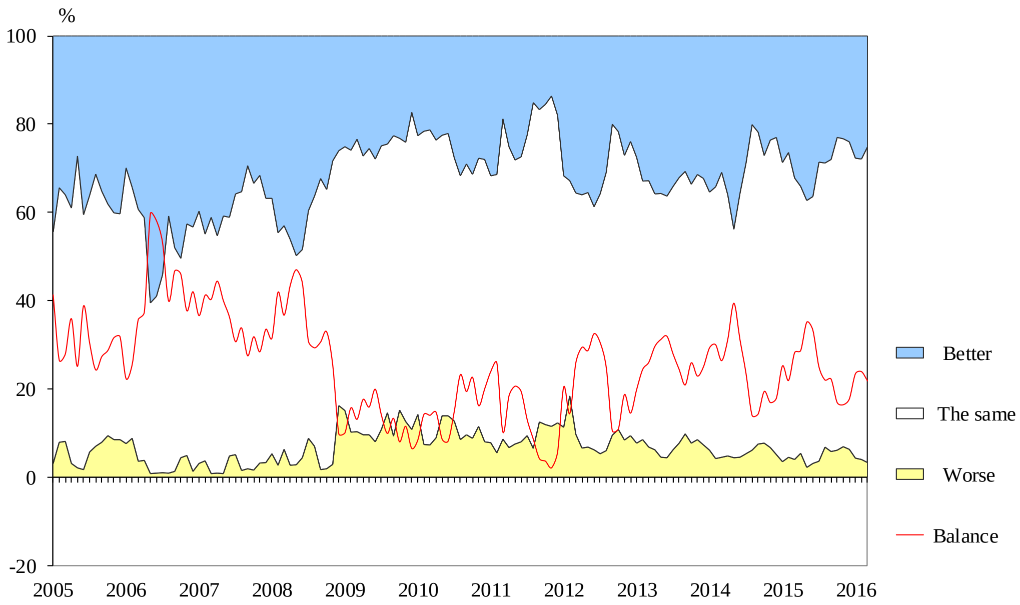

Figure 16. Factors limiting the activity in service sector (Relative share of enterprises)

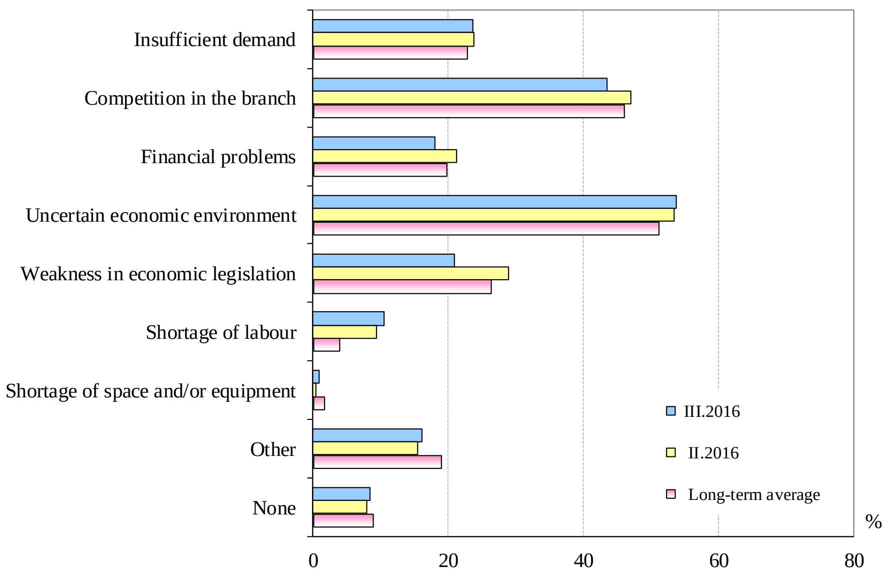

Figure 17. Selling prices expectations in service sector over the next 3 months