BUSINESS CONJUNCTURE
NSI BUSINESS SURVEYS[1,2,3], OCTOBER 2021

In October 2021, **the total business climate indicator**[4] decreases by 2.3 percentage points compared to the previous month (Annex, Figure 1). More unfavourable business climate is registered in industry, retail trade and service sector, while in construction the indicator preserves its September level.

Industry. The composite indicator 'business climate in industry' drops by 3.9 percentage points (Annex, Figure 2) as a result of the more reserved industrial entrepreneurs' assessments and expectations about the business situation of the enterprises. Their forecasts for both export and production activity (Annex, Figure 3) over the next 3 months are more negative.

In October, the average capacity utilization in industry remains to its July level (74.2%). However, with regard to the expected demand over the next months a shortage of capacity is foreseen.

The main problems for the business development continue to be the uncertain economic environment, shortage of labour and insufficient domestic demand, as in the last month strengthening of their negative influence is observed (Annex, Figure 4).

In comparison with September, the managers' share who forecast the selling prices in industry to increase over the next 3 months is rising.

Construction. In October, the composite indicator 'business climate in construction' preserves its level from the previous month (Annex, Figure 5). The construction entrepreneurs' expectations about both the business situation of the enterprises over the next 6 months and the activity over the next 3 months are pessimistic (Annex, Figure 6). The last inquiry reports also an increase in the number of clients with delay in payments.

The production is assured with contracts for 5.6 months as a decrease of 1.3 months compared to the assessment from July is observed. At the same time, the expectations about new orders over the next 6 months are more unfavourable (Annex, Figure 7).

---

[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, retail trade and service sector. The last indicator of the business climate in service sector has been included in the total time series since May 2002.

The most serious difficulty for the activity of the enterprises remain the uncertain economic environment. In the last month an increase of the negative impact of the factor 'costs of materials' is registered, which shifts to the third place the difficulties, connected with the shortage of labour (Annex, Figure 8).

Concerning the selling prices in construction, 32.7% of the managers continue to expect them to increase over the next 3 months.

Retail trade. The composite indicator 'business climate in retail trade' decreases by 1.4 percentage points (Annex, Figure 9), which is due to the more moderate retailers' assessments and expectations about the business situation of the enterprises. Their forecasts about the volume of sales (Annex, Figure 10) and the orders placed with suppliers over the next 3 months are also more reserved.

The uncertain economic environment, competition in the branch and insufficient demand continue to limit with most extent the business development in the sector, as in the last month strengthening of their negative influence is reported (Annex, Figure 11).

In comparison with the previous month, the retailers' share, who foresee the selling prices in the sector to increase over the next 3 months is growing.

Service sector[1]. In October, the composite indicator 'business climate in service sector' decreases by 2.1 percentage points (Annex, Figure 12) as a result of the slight worsened managers' assessments and expectations about the business situation of enterprises. Their opinions about the present and expected demand for services are also more moderate (Annex, Figure 13).

The most serious difficulties for the activity remain connected with the uncertain economic environment, and competition in the branch pointed out respectively by 51.1% and 28.9% of the enterprises (Annex, Figure 14).

The managers' expectations about the selling prices over the next 3 months continue to be in a direction of an increase.

[1] Excl. trade.

Annex

Figure 1. Business climate - total

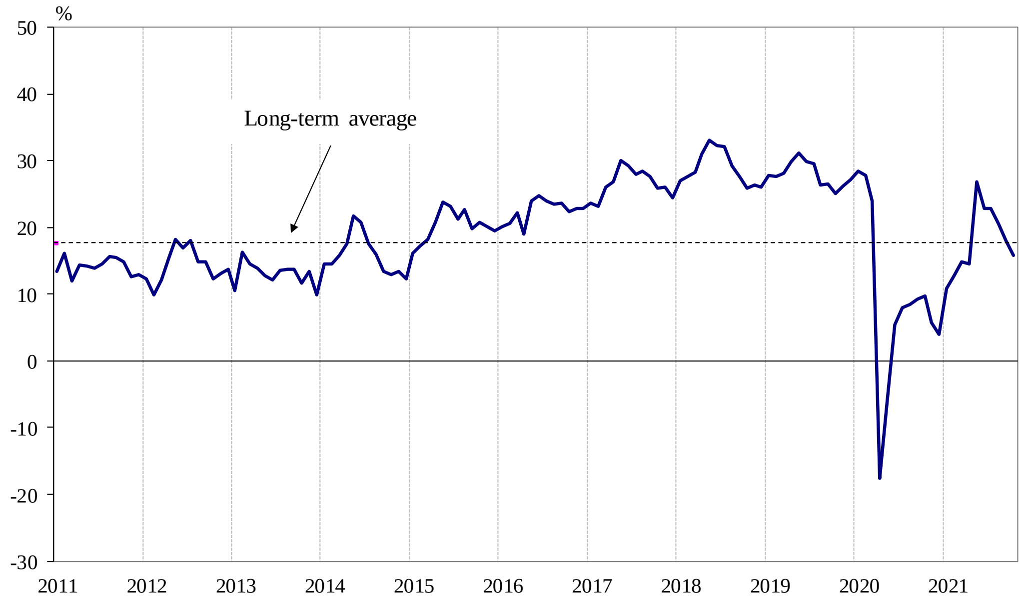

Figure 2. Business climate in industry

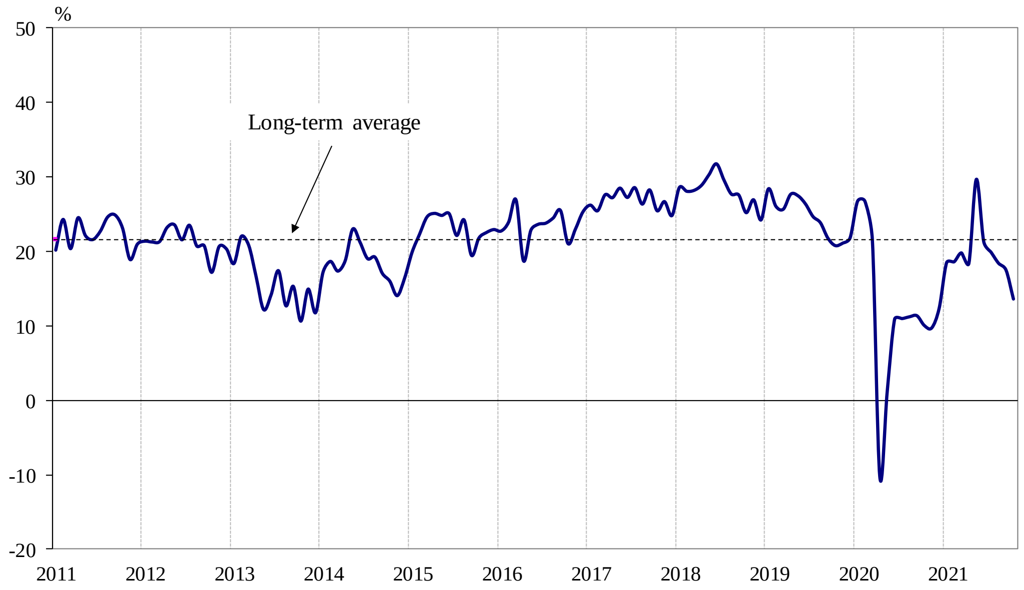

Figure 3. Expected production activity in industry over the next 3 months

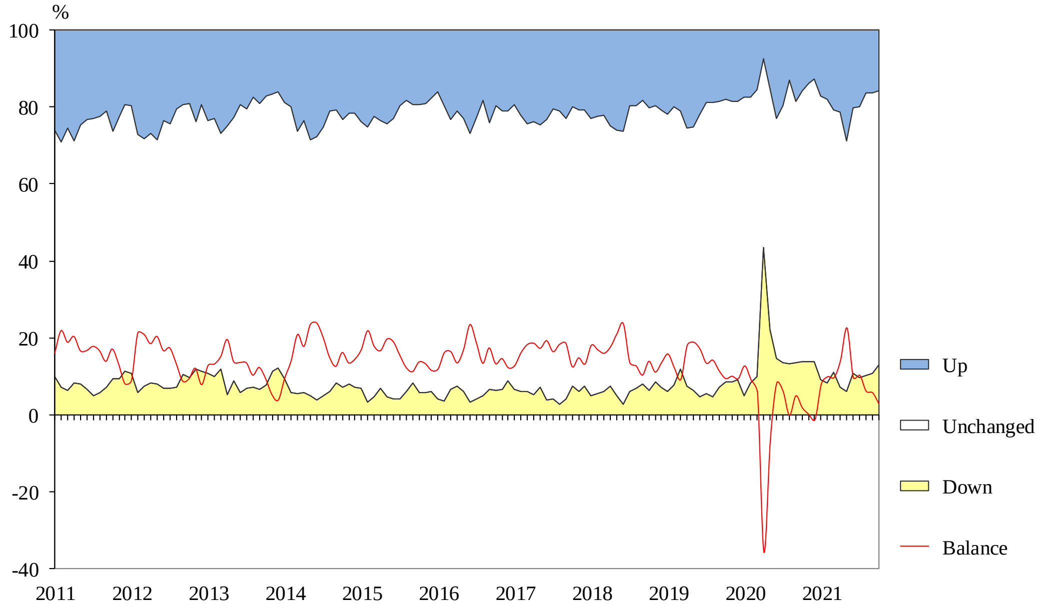

Figure 4. Limits to production in industry (Relative share of enterprises)

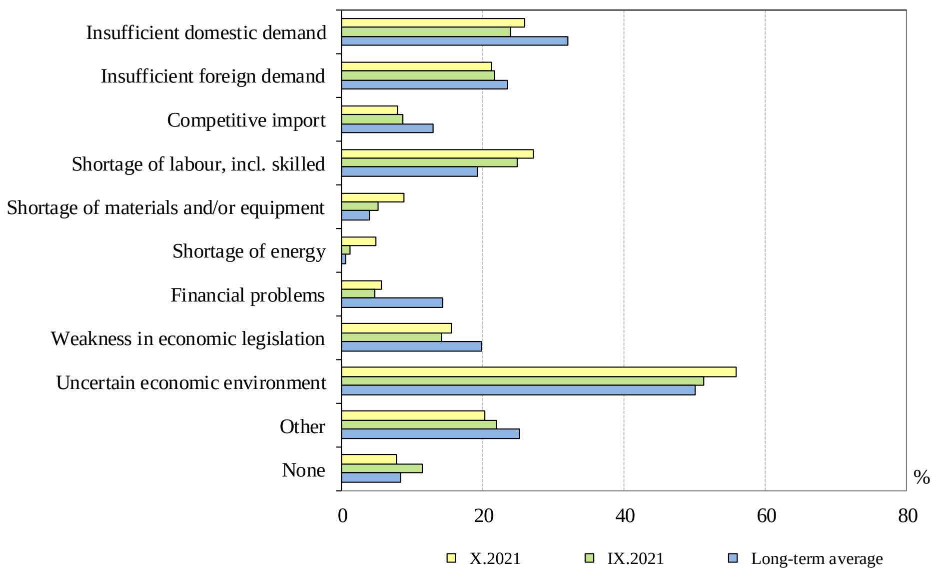

Figure 5. Business climate in construction

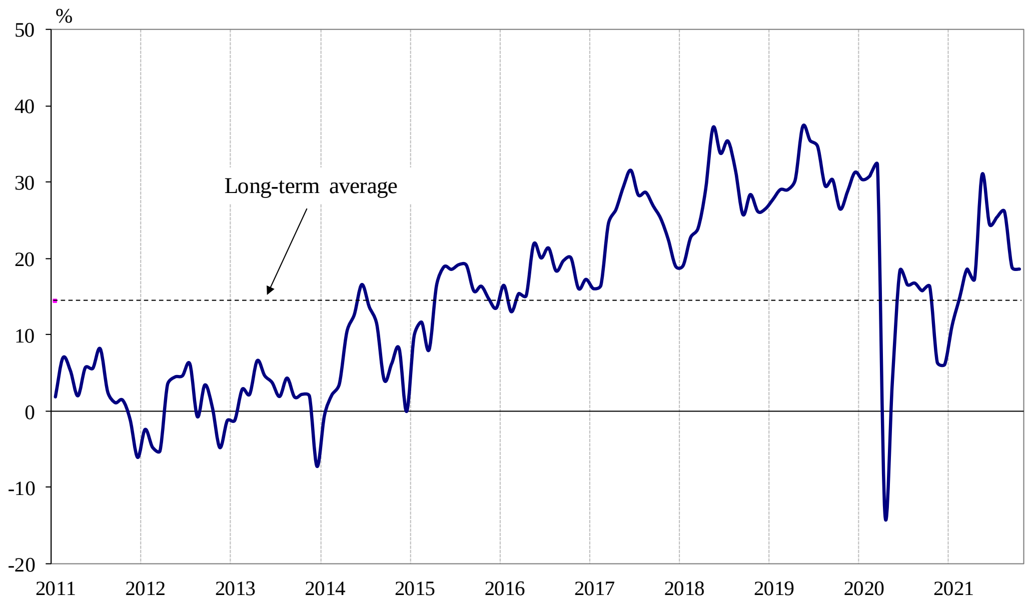

Figure 6. Expected construction activity over the next 3 months

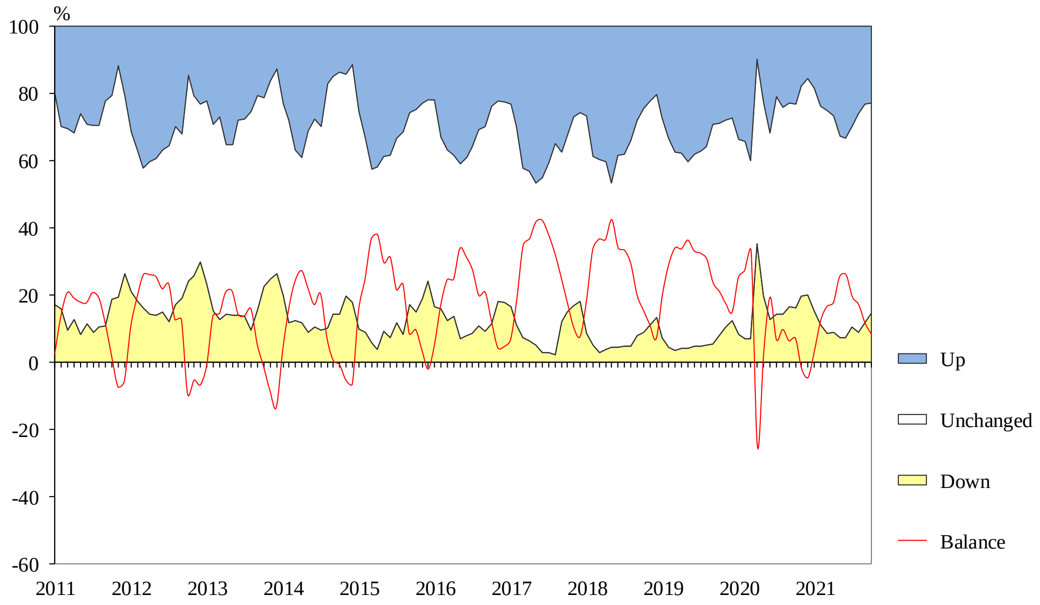

Figure 7. New orders expectations in construction over the next 6 months

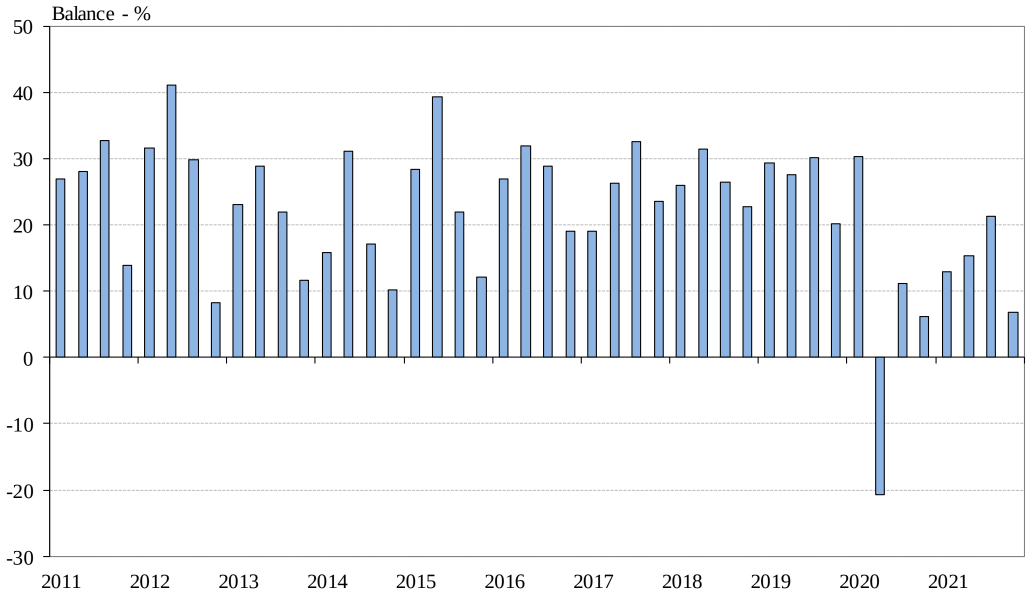

Figure 8. Limits to construction activity (Relative share of enterprises)

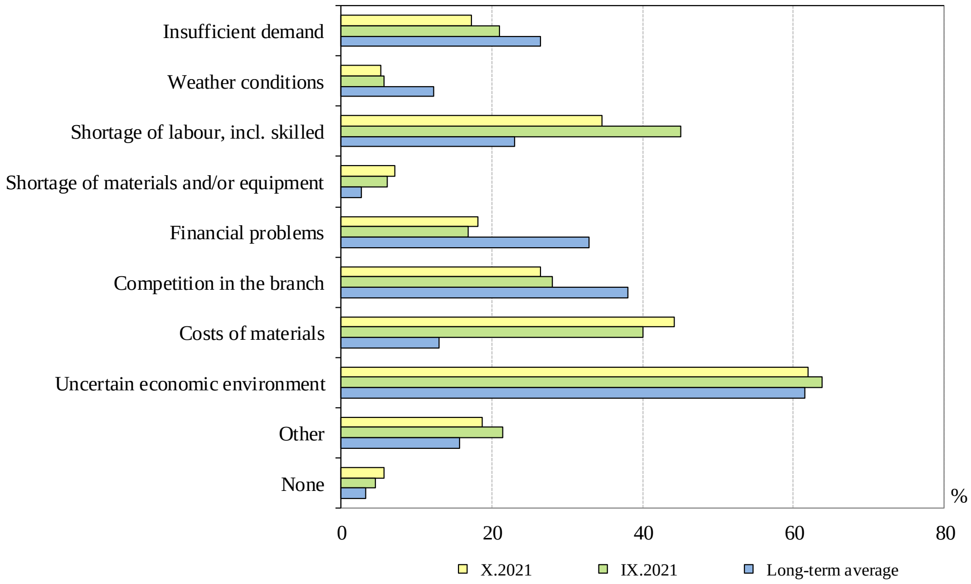

Figure 9. Business climate in retail trade

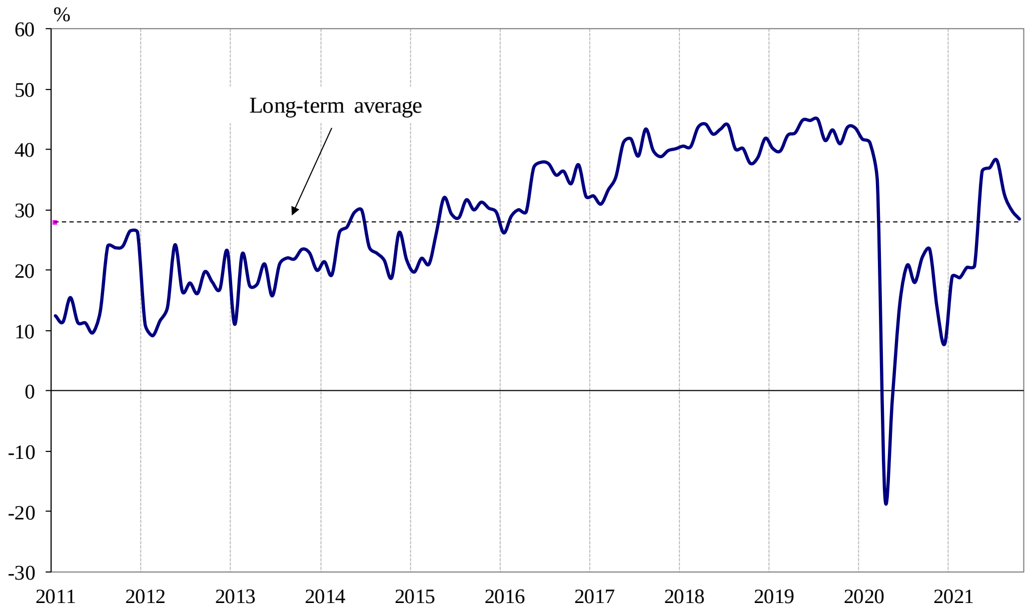

Figure 10. Sales expectations in retail trade over the next 3 months

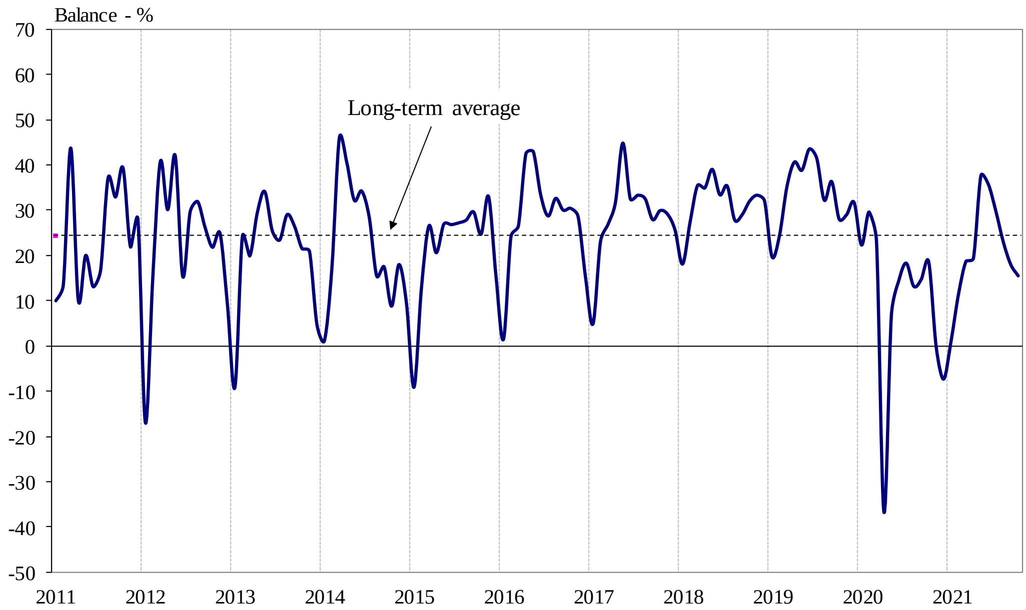

Figure 11. Factors limiting the improvement of the business situation in retail trade
(Relative share of enterprises)

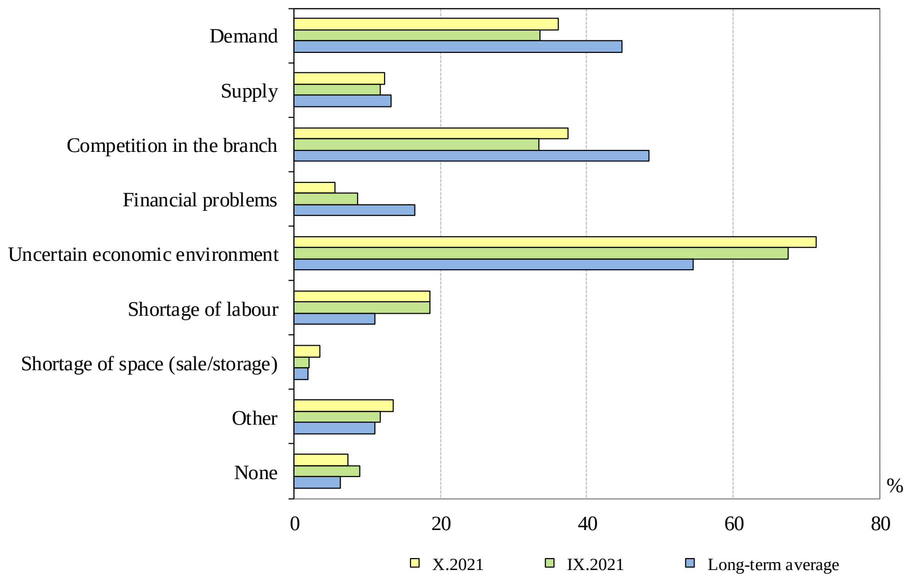

Figure 12. Business climate in service sector

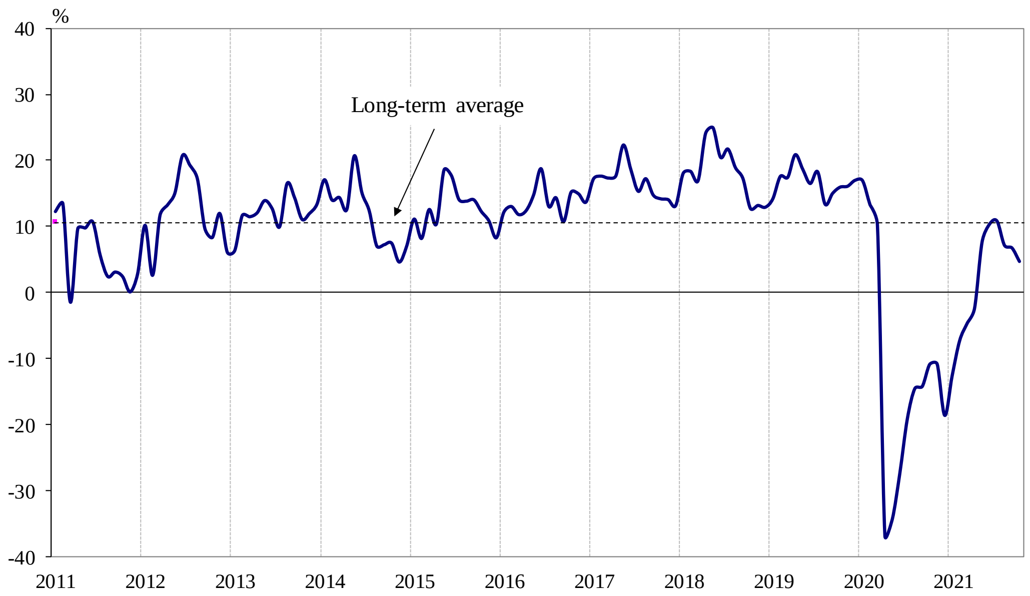

Figure 13. Expected demand in service sector over the next 3 months

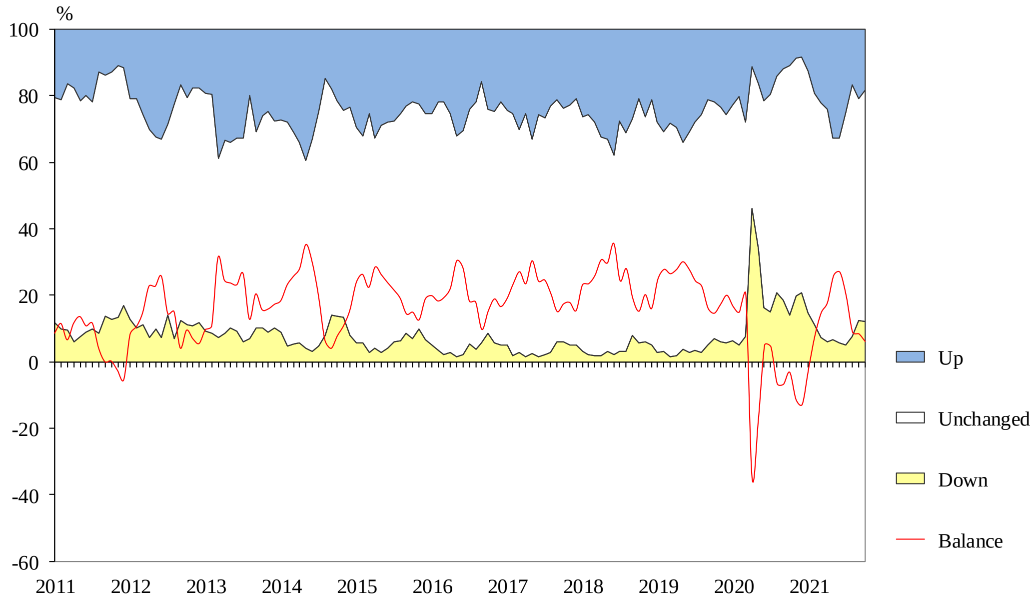

Figure 14. Factors limiting the activity in service sector (Relative share of enterprises)