BUSINESS CONJUNCTURE
NSI BUSINESS SURVEYS[1,2,3], JULY 2019

In July 2019, **the total business climate indicator**[4] remains approximately to its level from the previous month (Annex, Figure 1). A reduction of the business conjuncture is observed in industry and construction, while in retail trade preserves its June level. Only in service sector, the indicator is increased.

Industry. The composite indicator ‘business climate in industry’ decreases by 1.7 percentage points (Annex, Figure 2) as a result of the slightly worsened industrial entrepreneurs’ assessments and expectations about the business situation of the enterprises. The inquiry registers also more unfavourable forecasts about the export and production activity (Annex, Figure 3) over the next 3 months.

The average capacity utilization from April to July increases by 1.2 percentage points and it reaches 76.9%, as regards the expected demand over the next months a surplus of capacity is foreseen.

The shortage of labour and uncertain economic environment continue to be the main obstacles for the business in the sector (Annex, Figure 4).

Concerning the selling prices in industry, certain expectations for an increase are reported, although the majority of the managers do not foresee a change over the next 3 months (Annex, Figure 5).

Construction. In July the composite indicator ‘business climate in construction’ decreases by 0.8 percentage points (Annex, Figure 6) which is due to the shifting of the construction entrepreneurs’ assessments about the present business situation of the enterprises from ‘good’ towards ‘satisfactory’ (Annex, Figure 7). As regards the construction activity over the last 3 months, the inquiry registers certain decrease in comparison with June, as the forecasts over the next 3 months remain reserved.

The shortage of labour, uncertain economic environment and competition in the branch are the factors limiting with the most extent the activity (Annex, Figure 8).

As regards the selling prices in construction, the managers foresee certain increase 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' preserves its level from the previous month (Annex, Figure 10). The retailers' expectations about the business development in the sector over the next 6 months are positive (Annex, Figure 11). At the same time, their forecasts about the volume of sales and orders placed with suppliers over the next 3 months remain favourable, though more reserved in comparison with June.

The competition in the branch, insufficient demand and uncertain economic environment continue to be the most serious obstacles for the business. In the last month strengthen of the negative influence of the factor 'shortage of labour' is observed (Annex, Figure 12).

Concerning the selling prices, the managers' expectations are for preservation of their level over the next 3 months (Annex, Figure 13).

Service sector[1]. In July the composite indicator 'business climate in service sector' increases by 1.7 percentage points (Annex, Figure 14) mainly due to the optimistic managers' assessments about the present business situation of the enterprises. As regards the demand for services, the present tendency is assessed as improved (Annex, Figure 15), but their expectations over the next 3 months are more unfavourable.

The main difficulties for the development of the activity remain connected with the competition in the branch, uncertain economic environment and shortage of labour (Annex, Figure 16).

The managers foresee certain increase of the selling prices in the service sector, although the majority of them do not expect a change over the next 3 months (Annex, Figure 17).

[1] Excl. trade.

Annex

Figure 1. Business climate - total

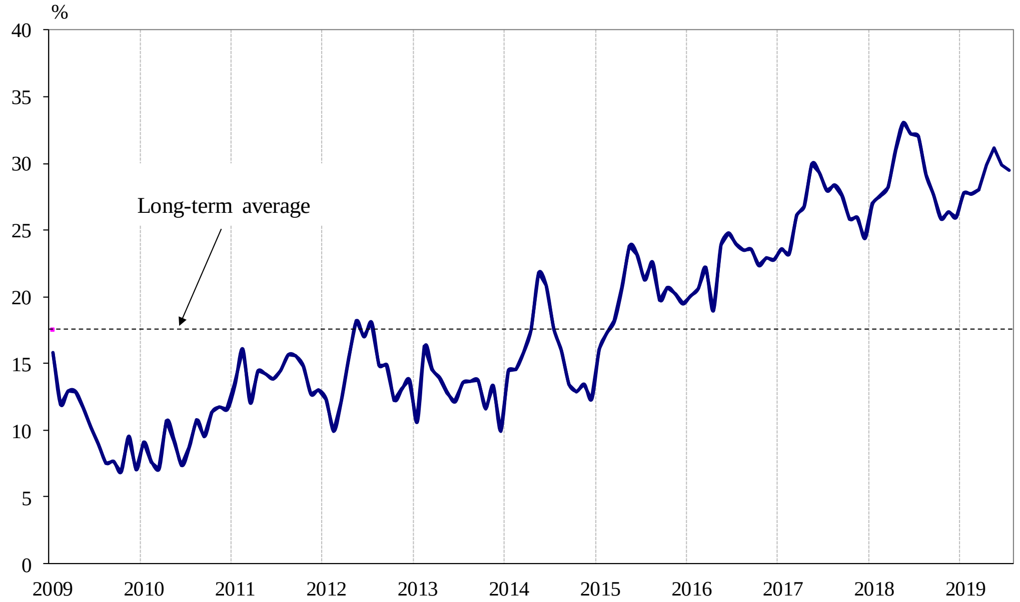

Figure 2. Business climate in industry

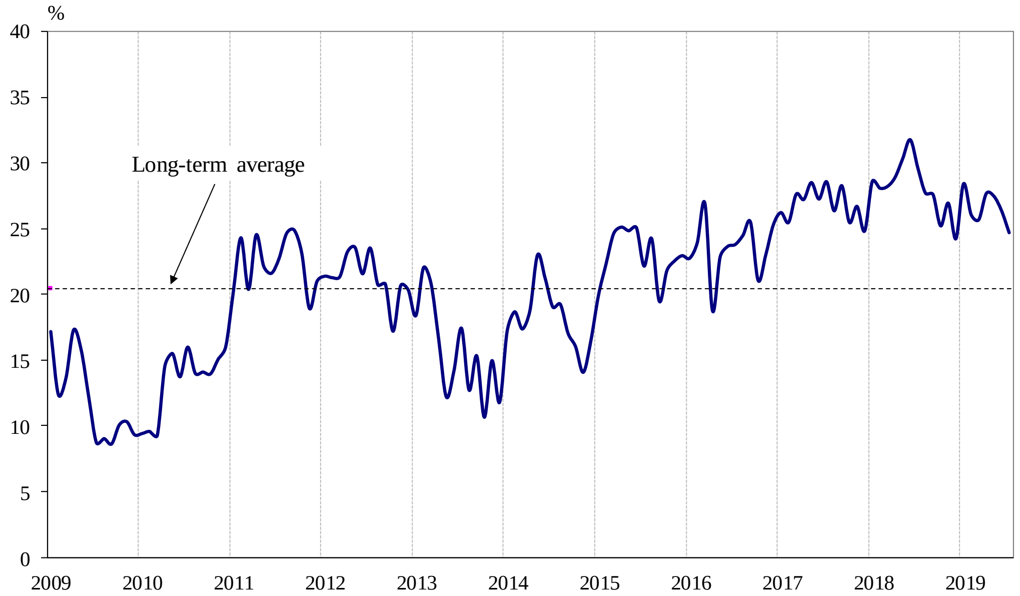

Figure 3. Expected production activity in industry over the next 3 months

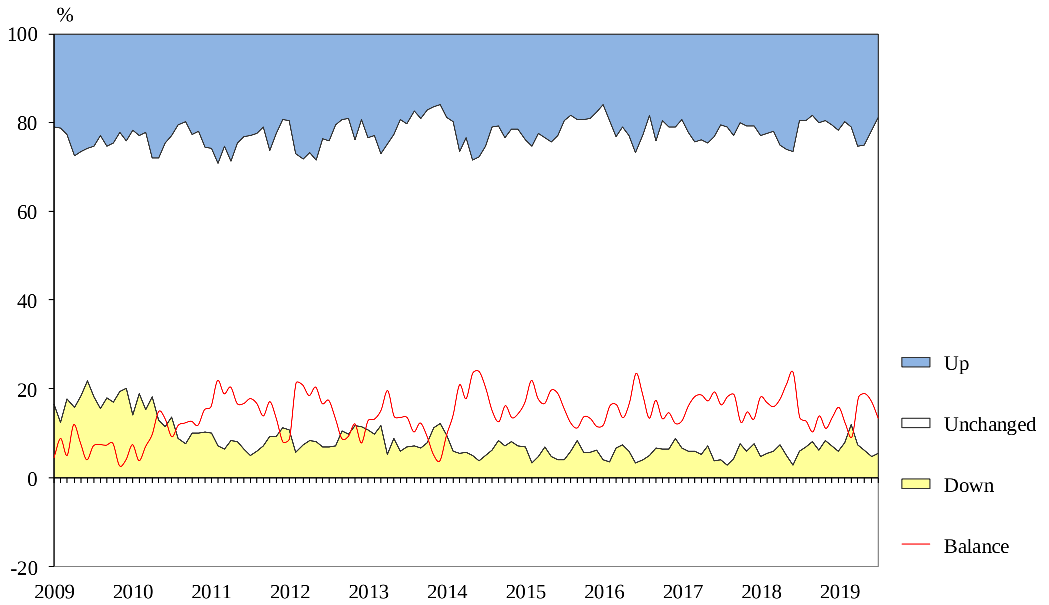

Figure 4. Limits to production in industry (Relative share of enterprises)

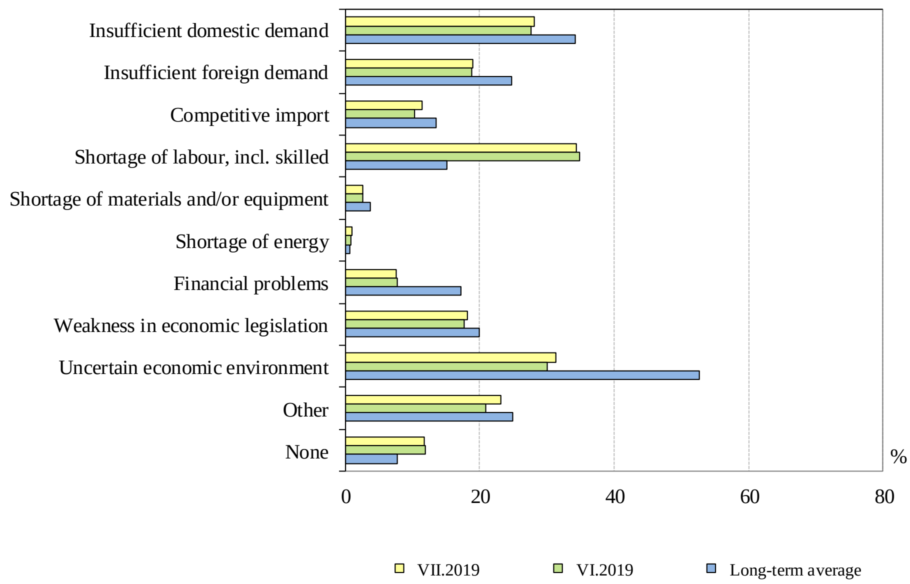

Figure 5. Selling prices expectations in industry over the next 3 months

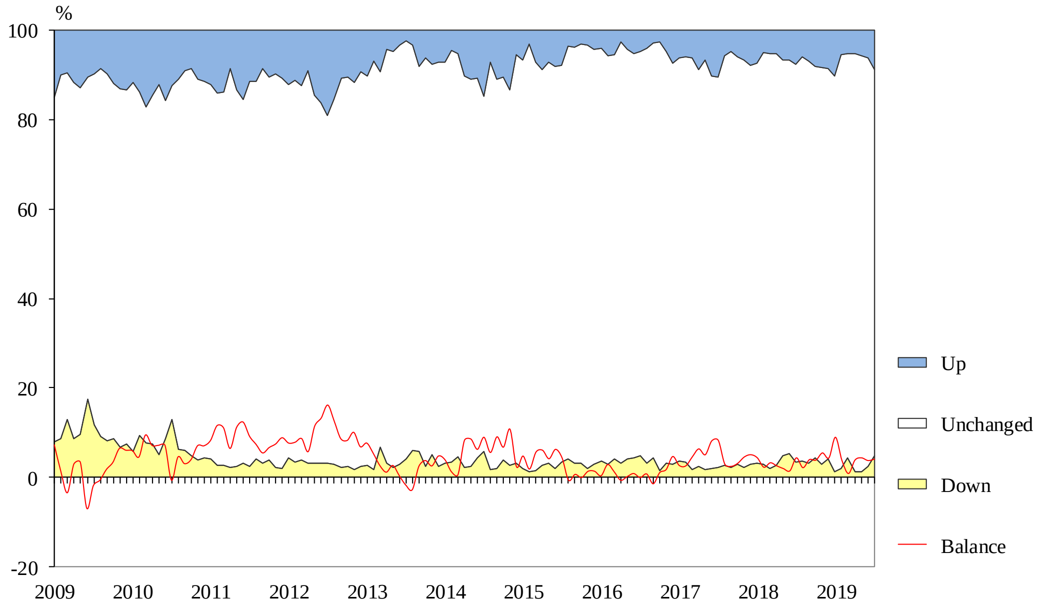

Figure 6. Business climate in construction

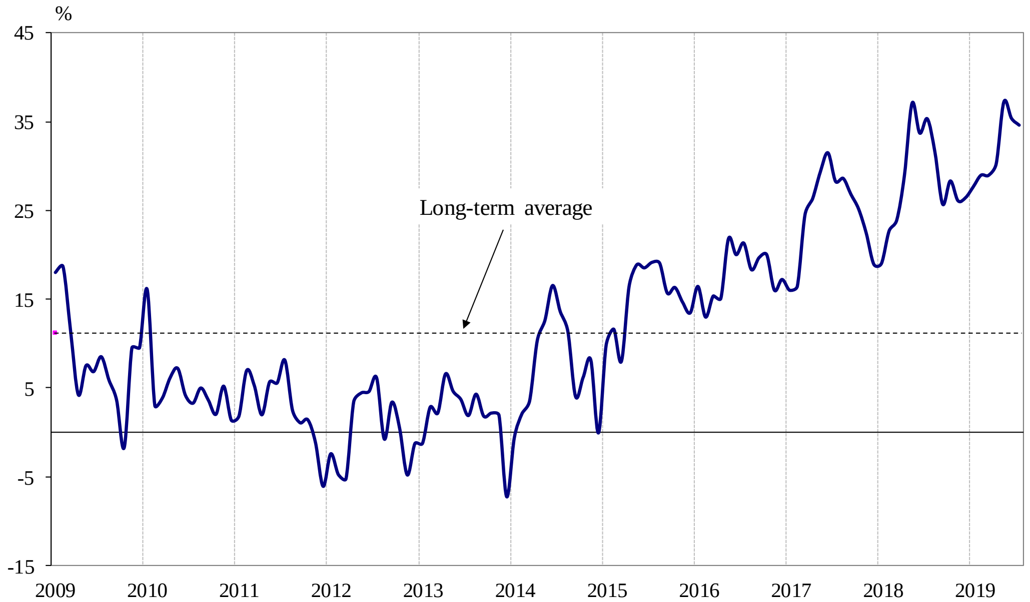

Figure 7. Present business situation in construction

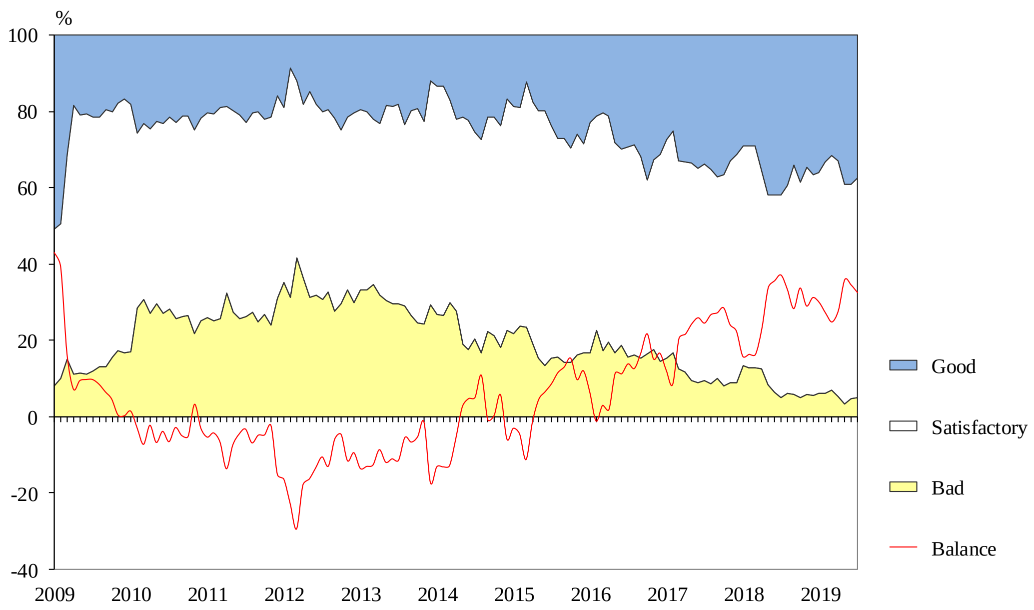

Figure 8. Limits to construction activity (Relative share of enterprises)

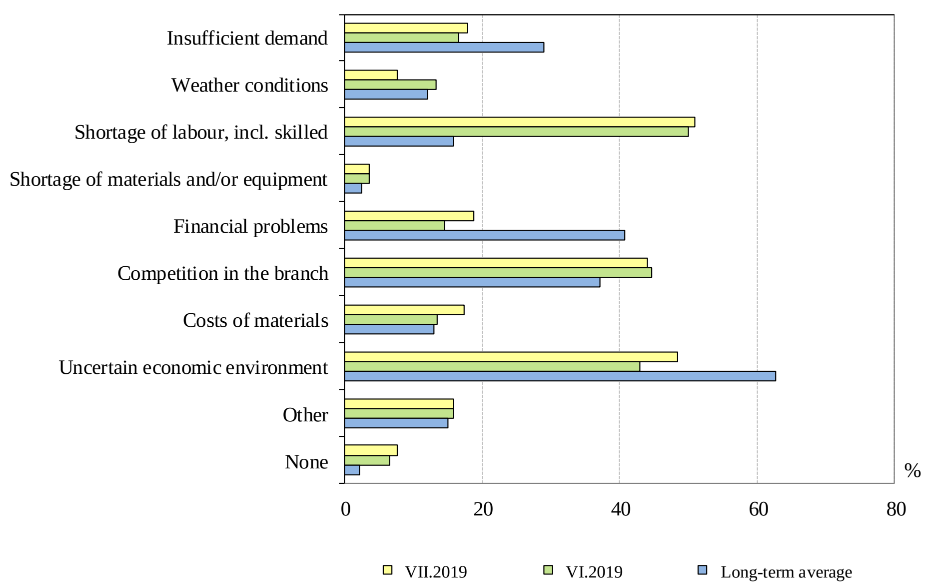

Figure 9. Selling prices expectations in construction over the next 3 months

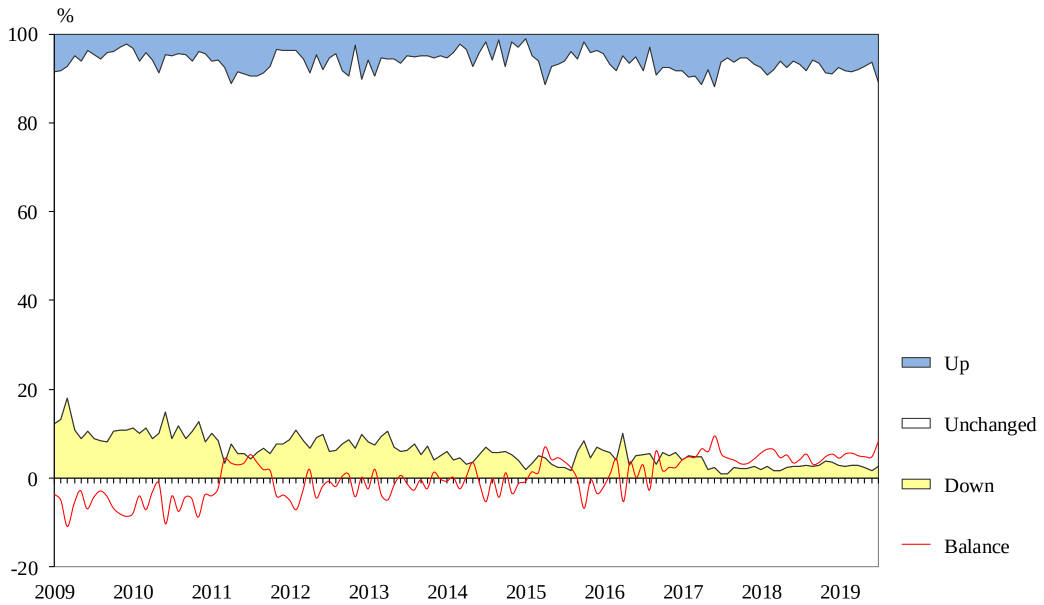

Figure 10. Business climate in retail trade

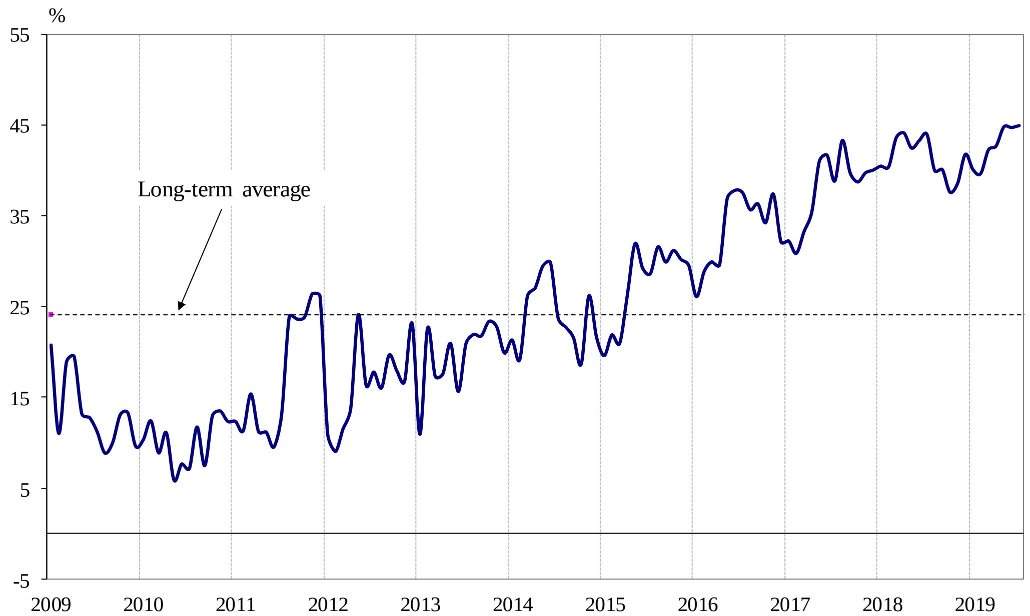

Figure 11. Expected business situation in retail trade over the next 6 months

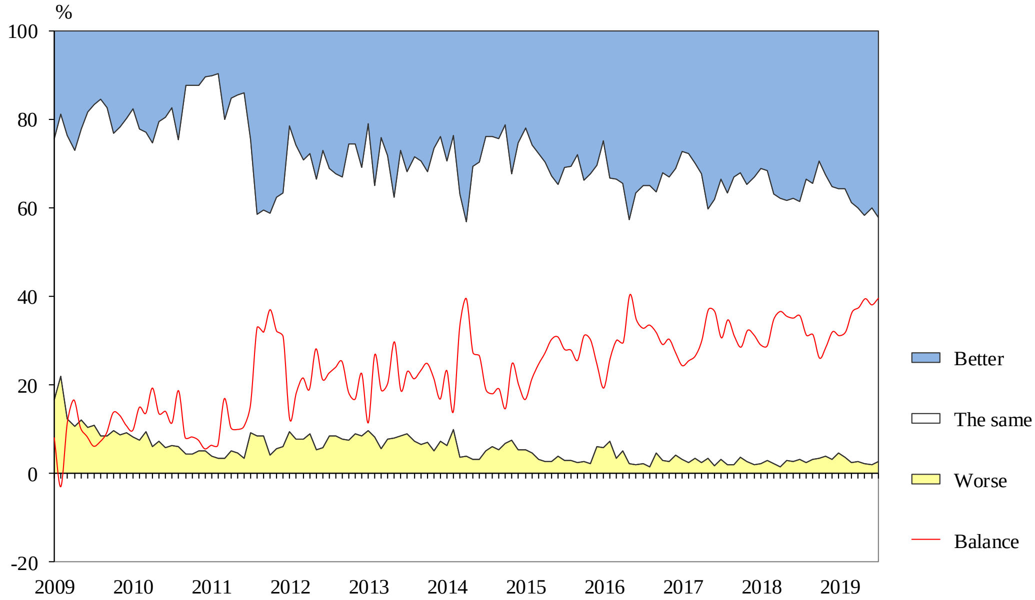

Figure 12. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)

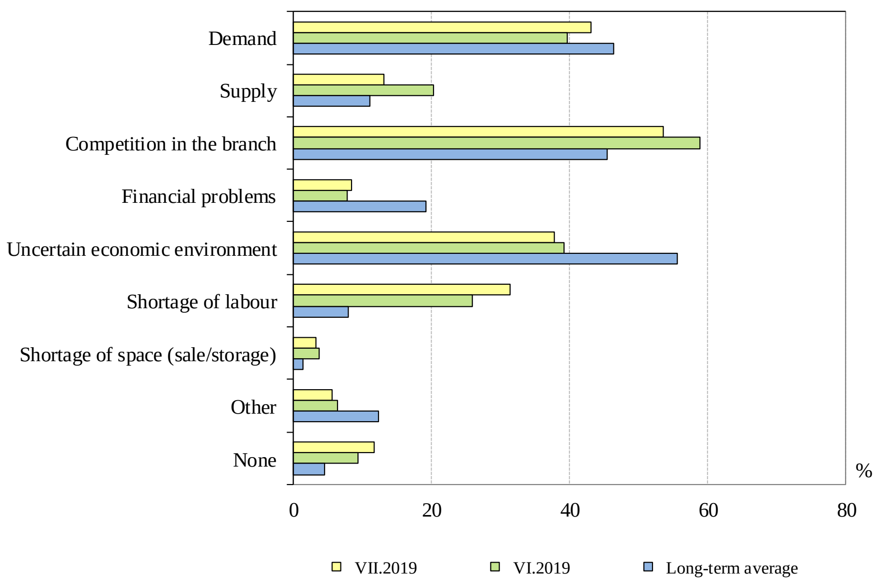

Figure 13. Selling prices expectations in retail trade over the next 3 months

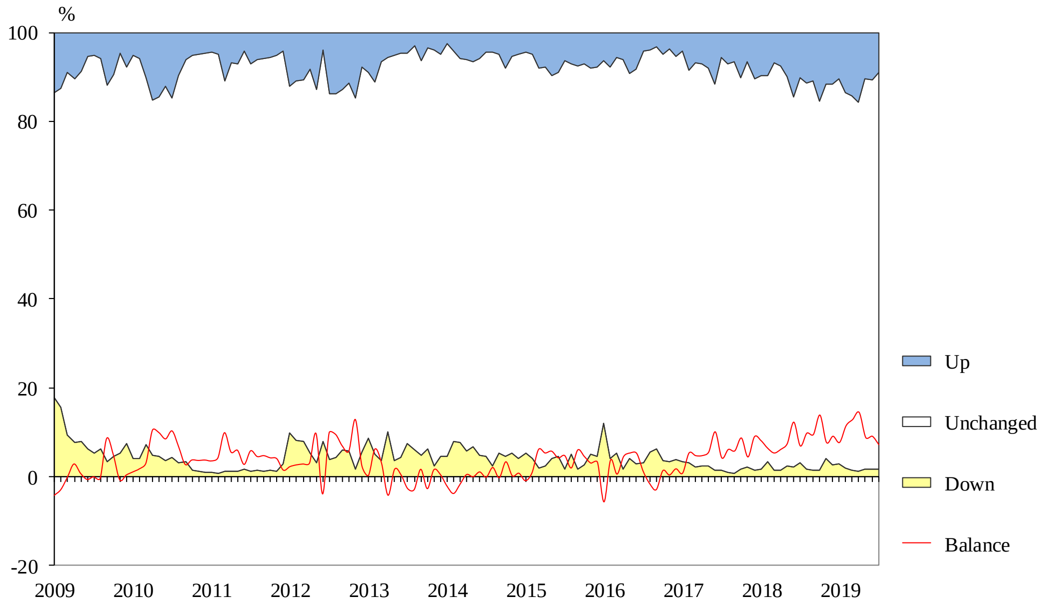

Figure 14. Business climate in service sector

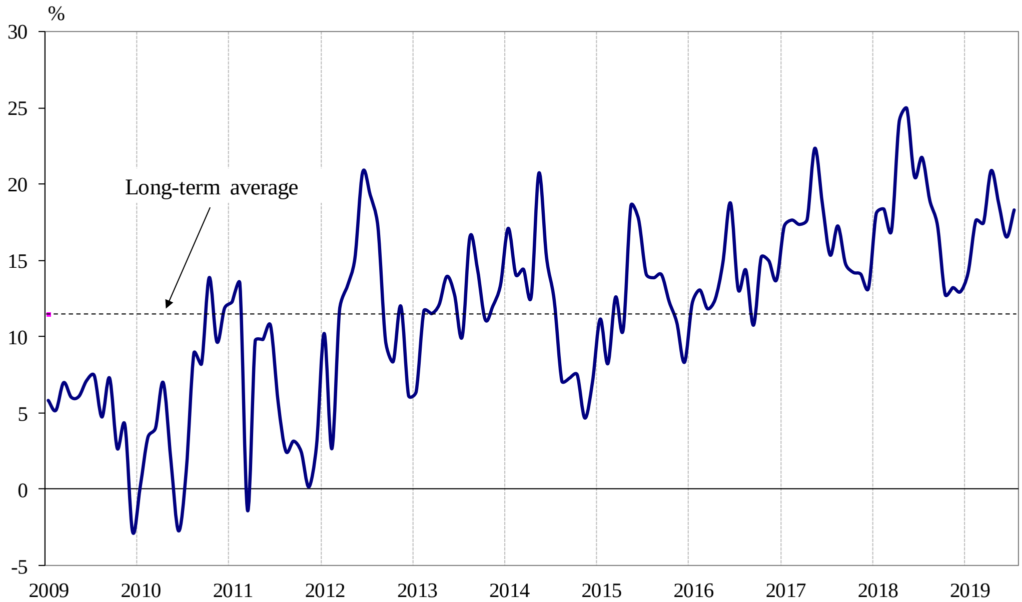

Figure 15. Demand in service sector over the last 3 months

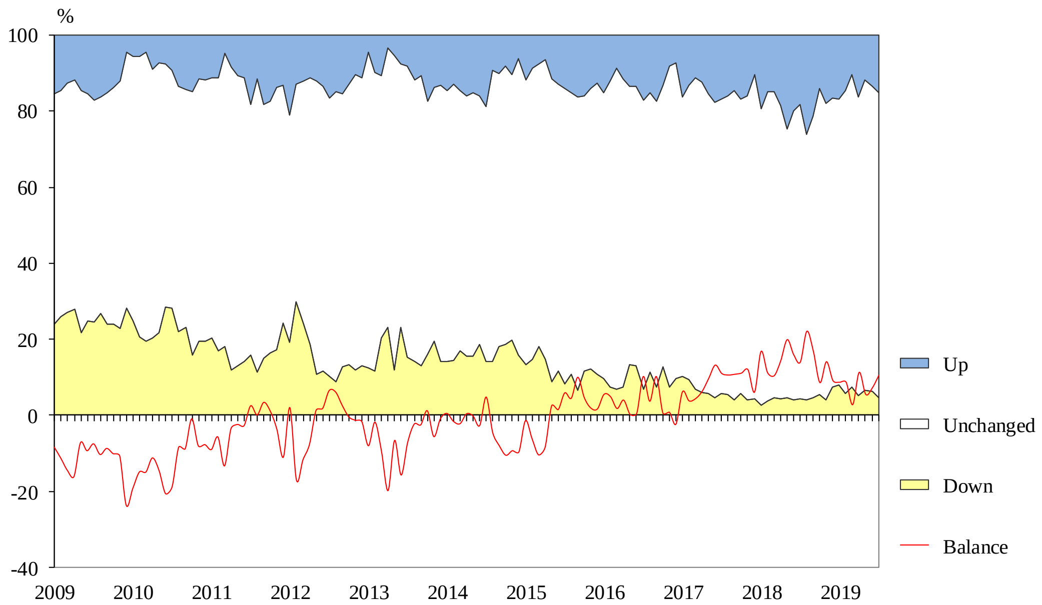

Figure 16. Factors limiting the activity in service sector (Relative share of enterprises)

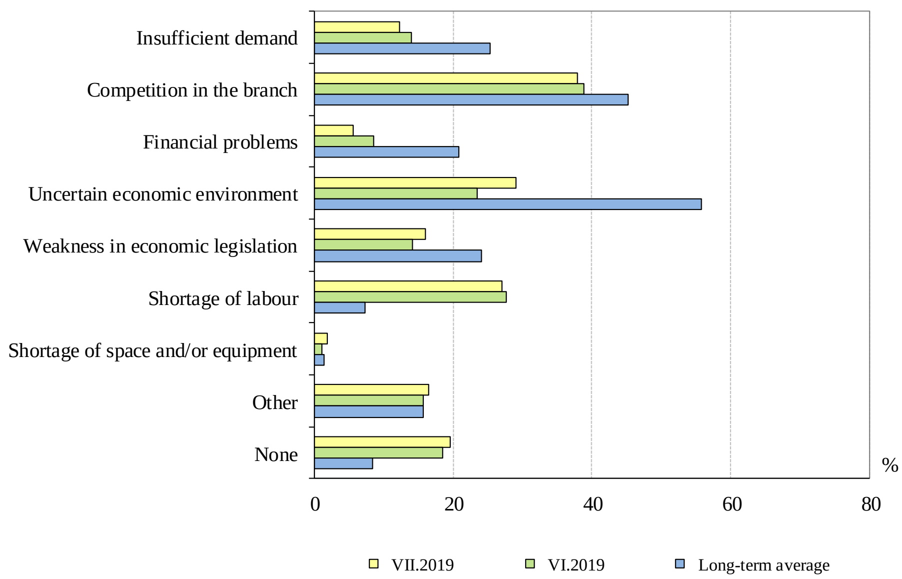

Figure 17. Selling prices expectations in service sector over the next 3 months