BUSINESS CONJUNCTURE
NSI BUSINESS SURVEYS[1,2,3], MARCH 2020

In March 2020, **the total business climate indicator**[4] decreases by 3.7 percentage points in comparison with February (Annex, Figure 1) which is due to the worsened business climate in industry, retail trade and service sector.

Industry. The composite indicator ‘business climate in industry’ decreases by 5.2 percentage points (Annex, Figure 2) as a result of the pessimistic industrial entrepreneurs’ assessments and expectations about the business situation of the enterprises. According to them, there is a decrease of the production assurance with orders, which is also accompanied by reduced expectations about the activity (Annex, Figure 3) and the personnel over the next 3 months.

In the last month the unfavourable influence of the factor ‘uncertain economic environment’ is strengthened, which shifts to the second place the difficulties of the enterprises connected with the shortage of labour (Annex, Figure 4).

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

Construction. In March the composite indicator ‘business climate in construction’ increases by 1.4 percentage points (Annex, Figure 6) which is mainly due to the favourable construction entrepreneurs’ assessments about the present business situation of the enterprises. In their opinion, there is some increase in the new orders inflow at the last month, and their expectations about the construction activity over the next 3 months are improved (Annex, Figure 7).

The inquiry registers a strengthen of the negative impact of the factor ‘shortage of labour’, as 52.2% of the managers is pointed out it as main problem for their activity. In second and third place remain the difficulties, connected with the uncertain economic environment and competition in the branch (Annex, Figure 8).

As regards the selling prices, the managers foresee them to preserve 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' drops by 6.6 percentage points (Annex, Figure 10) as a result of the more unfavourable retailers' assessments and expectation about the business situation of the enterprises. Their forecasts about the volume of sales (Annex, Figure 11) and the orders placed with suppliers (from both domestic and foreign market) over the next 3 months are also more reserved.

The competition in the branch continues to be the main problem for the business development. An increase of the negative influence of the factor 'uncertain economic environment' is reported, which shifts to the third place the difficulties, connected with the insufficient demand (Annex, Figure 12).

As regards to the selling prices, the majority of the retailers expect them 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 3.1 percentage points (Annex, Figure 14) which is due to the reserved managers' assessments and expectations about the business situation of the enterprises. As regards the demand of services the present tendency is assessed as slight reduced, while the expectations over the next 3 months are favourable (Annex, Figure 15).

The main factors limiting the activity remain connected with the competition in the branch, uncertain economic environment and shortage of labour. At the same time the last inquiry reports an increase of the unfavourable impact of the factor 'insufficient demand' (by 9.1 percentage points) (Annex, Figure 16).

Concerning the selling prices in the service sector, the managers foresee them to preserve their level over the next 3 months (Annex, Figure 17).

[1] Excl. trade.

Annex

Figure 1. Business climate - total

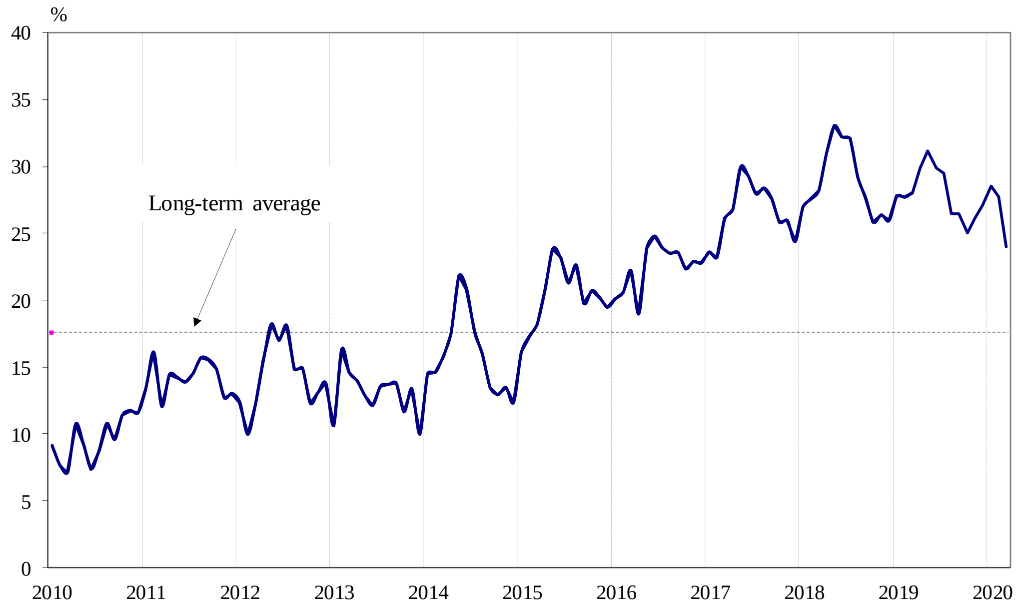

Figure 2. Business climate in industry

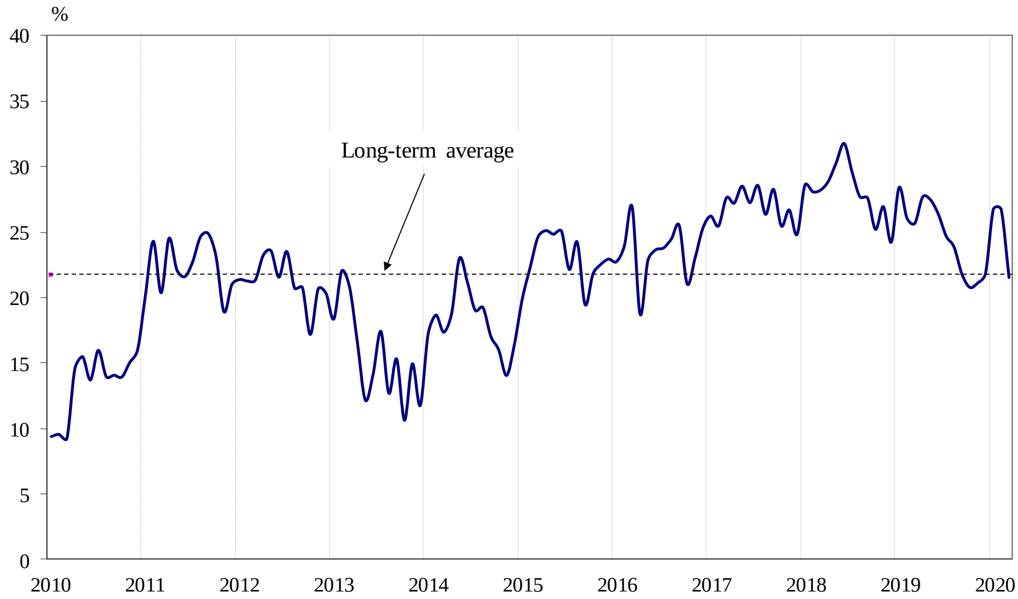

Figure 3. Expected production activity in industry over the next 3 months

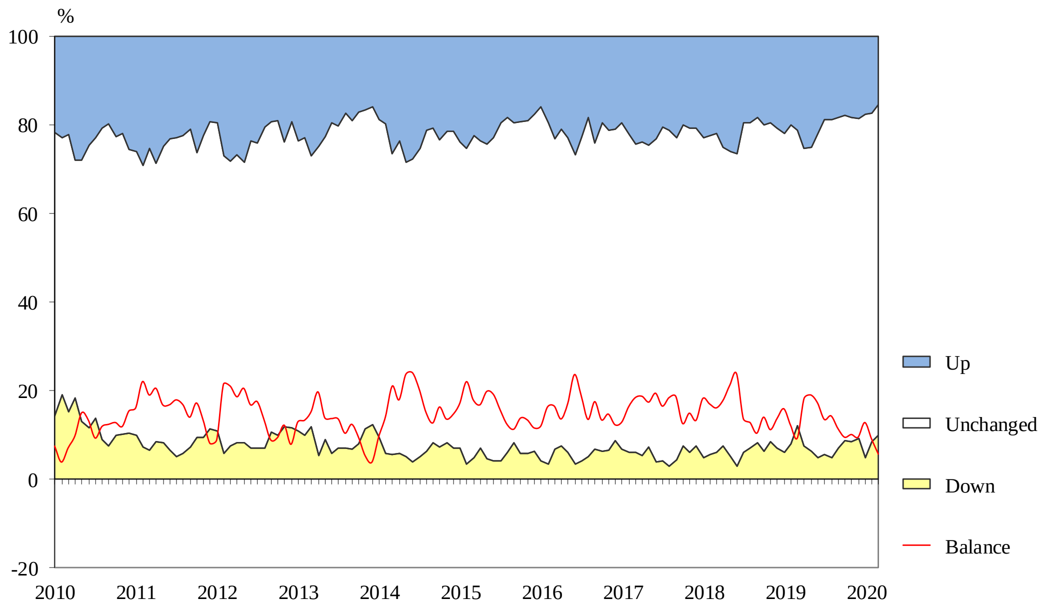

Figure 4. Limits to production in industry (Relative share of enterprises)

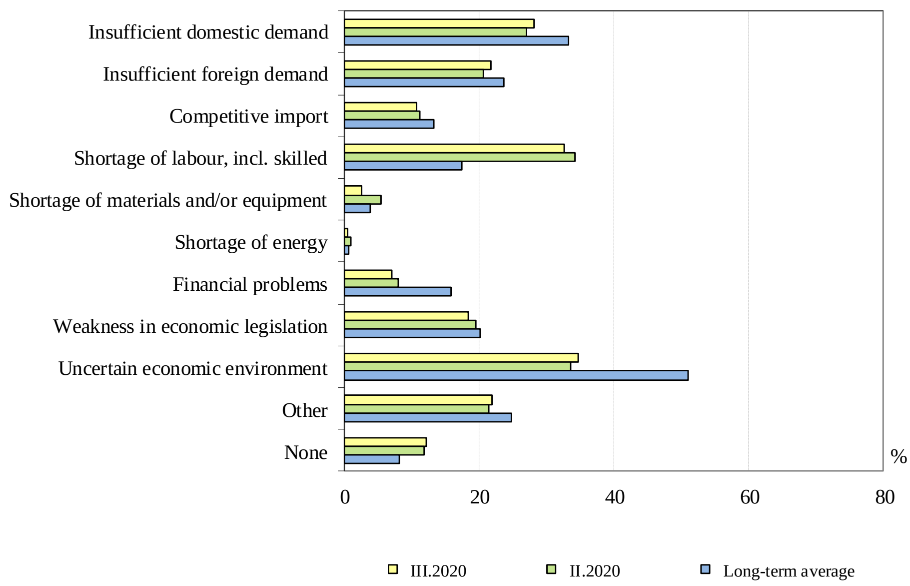

Figure 5. Selling prices expectations in industry over the next 3 months

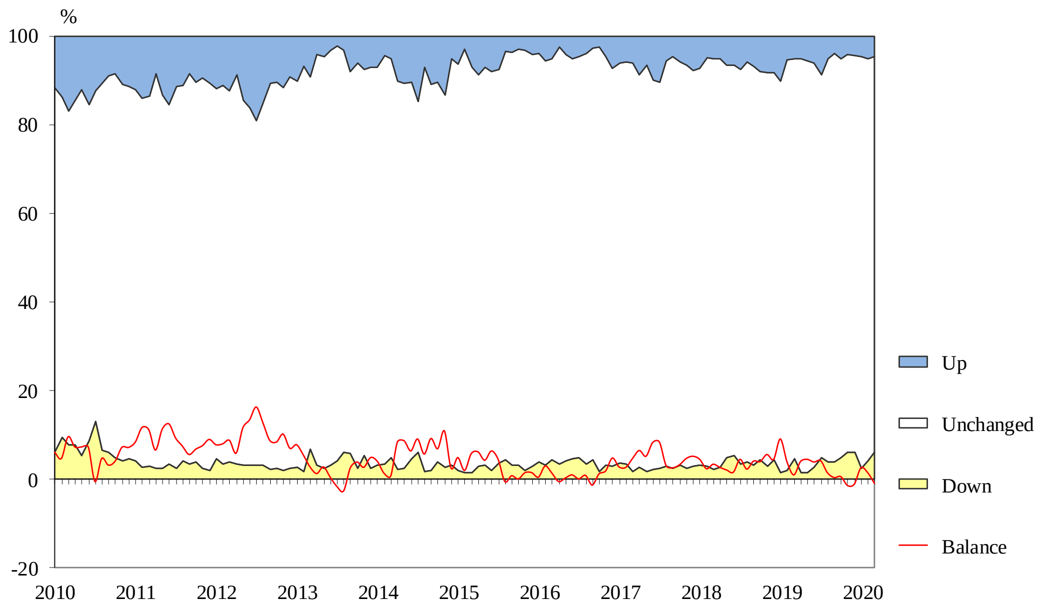

Figure 6. Business climate in construction

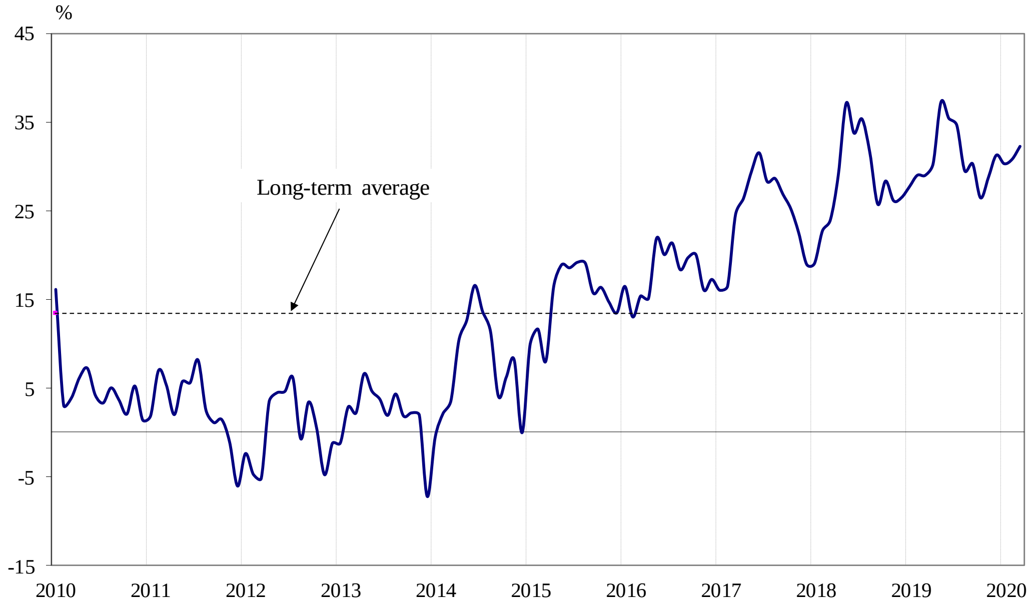

Figure 7. Expected construction activity over the next 3 months

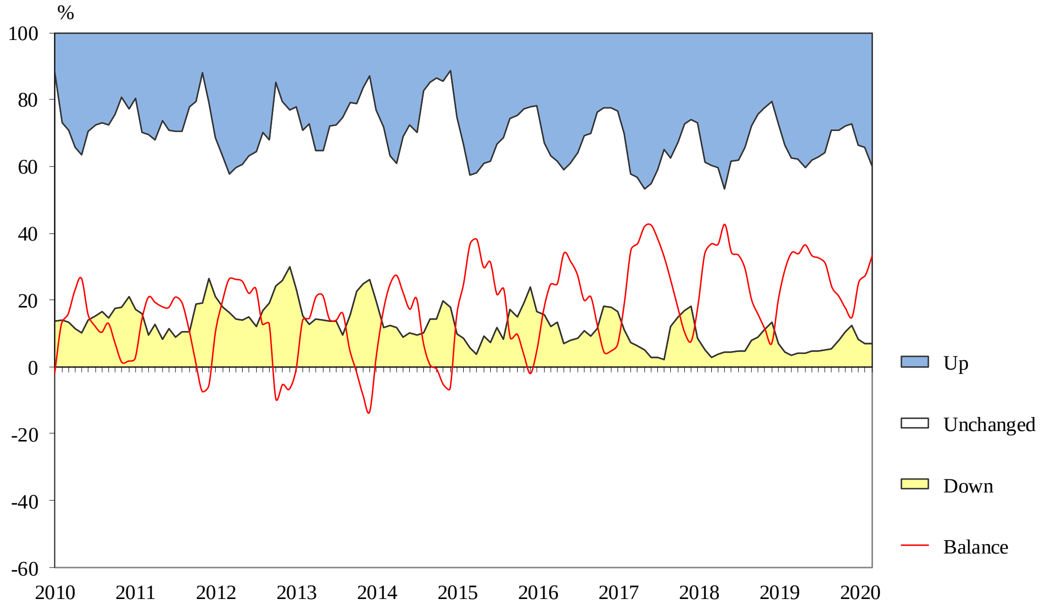

Figure 8. Limits to construction activity (Relative share of enterprises)

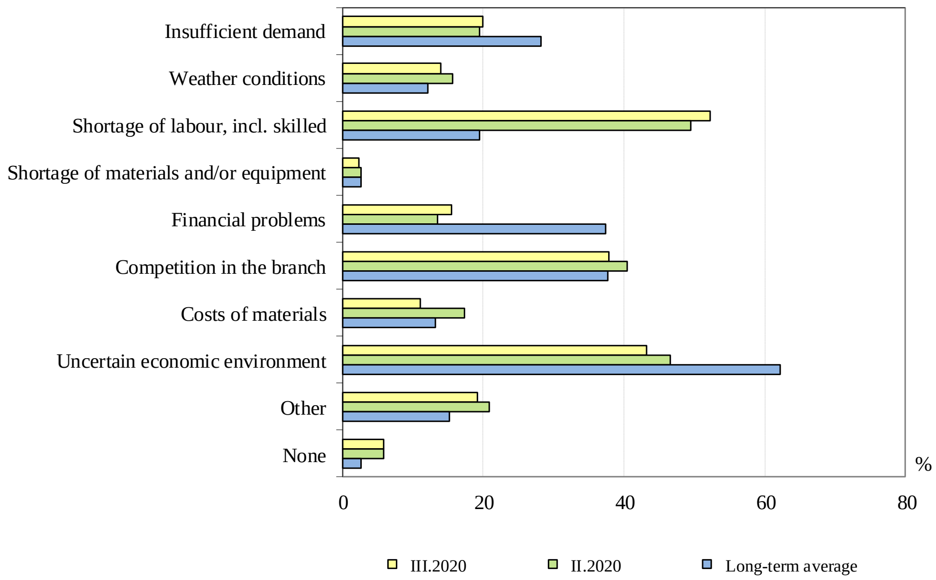

Figure 9. Selling prices expectations in construction over the next 3 months

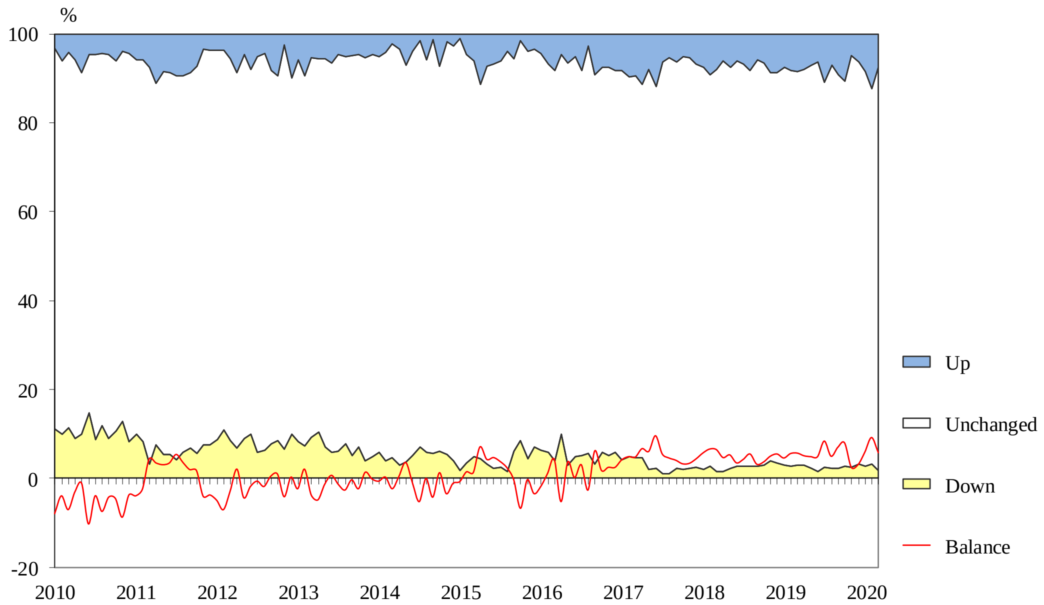

Figure 10. Business climate in retail trade

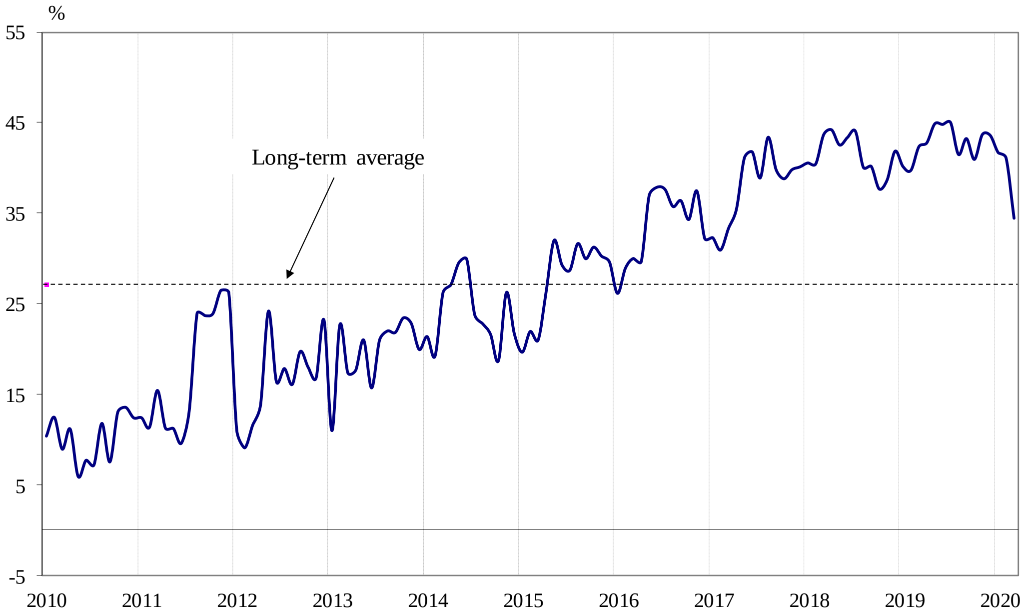

Figure 11. Sales expectations in retail trade over the next 3 months

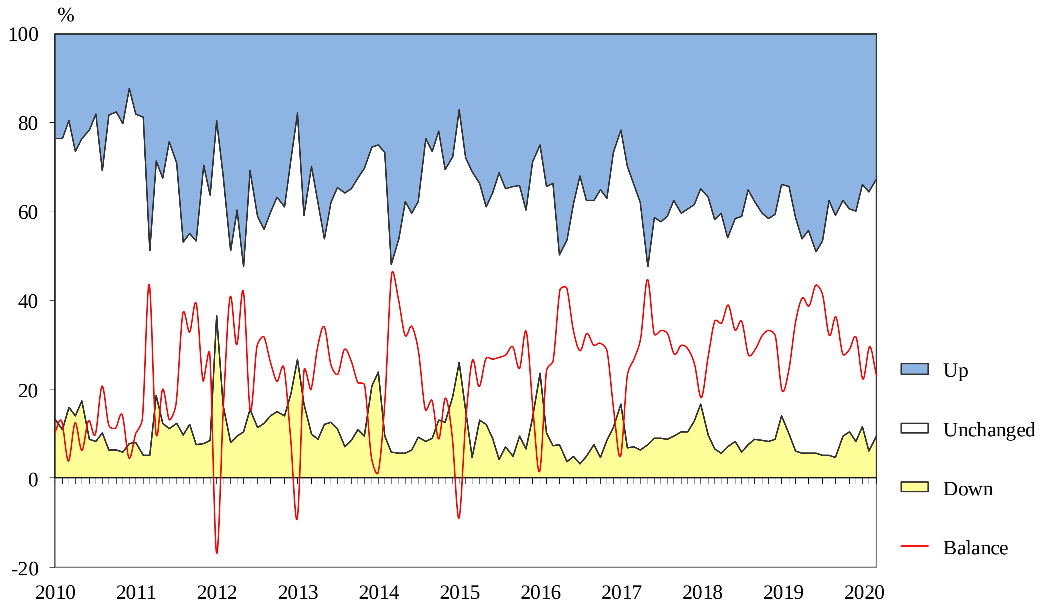

Figure 12. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)

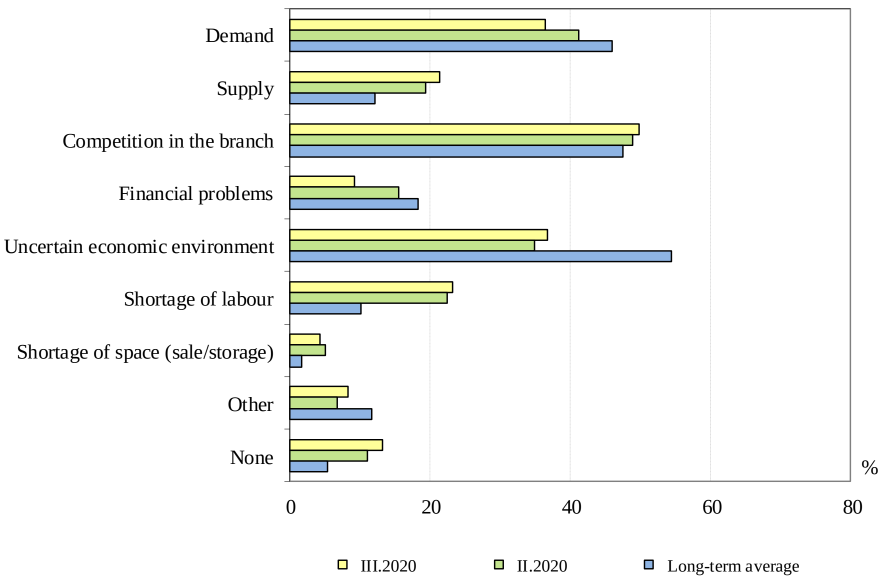

Figure 13. Selling prices expectations in retail trade over the next 3 months

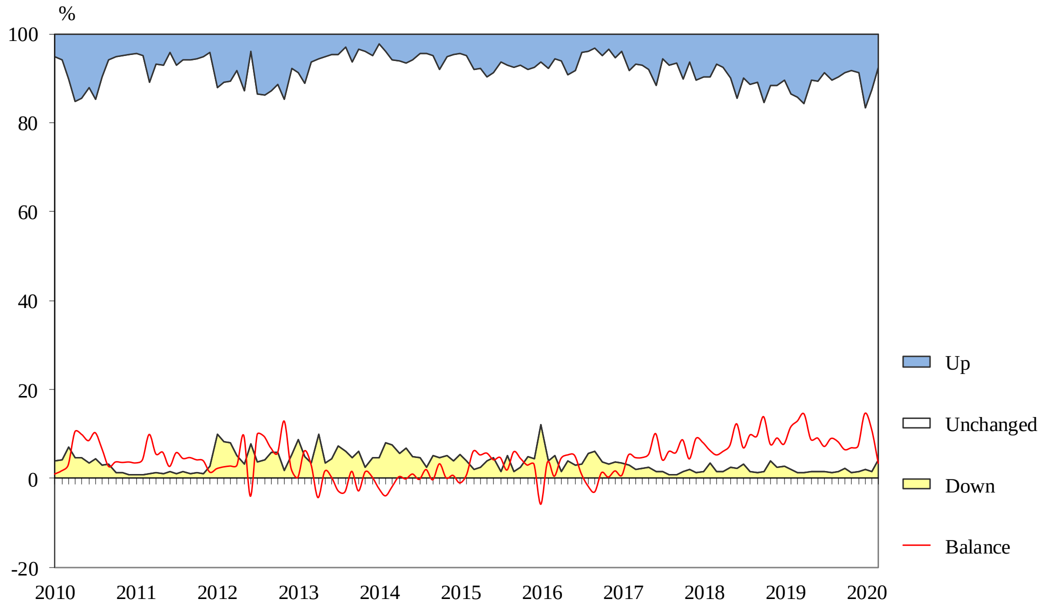

Figure 14. Business climate in service sector

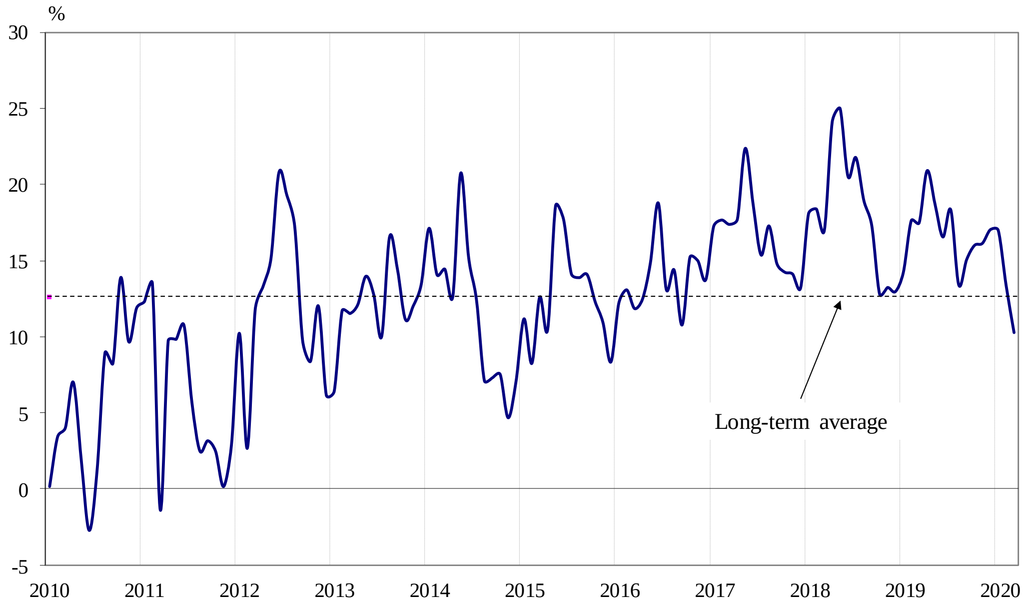

Figure 15. Expected demand in service sector over the next 3 months

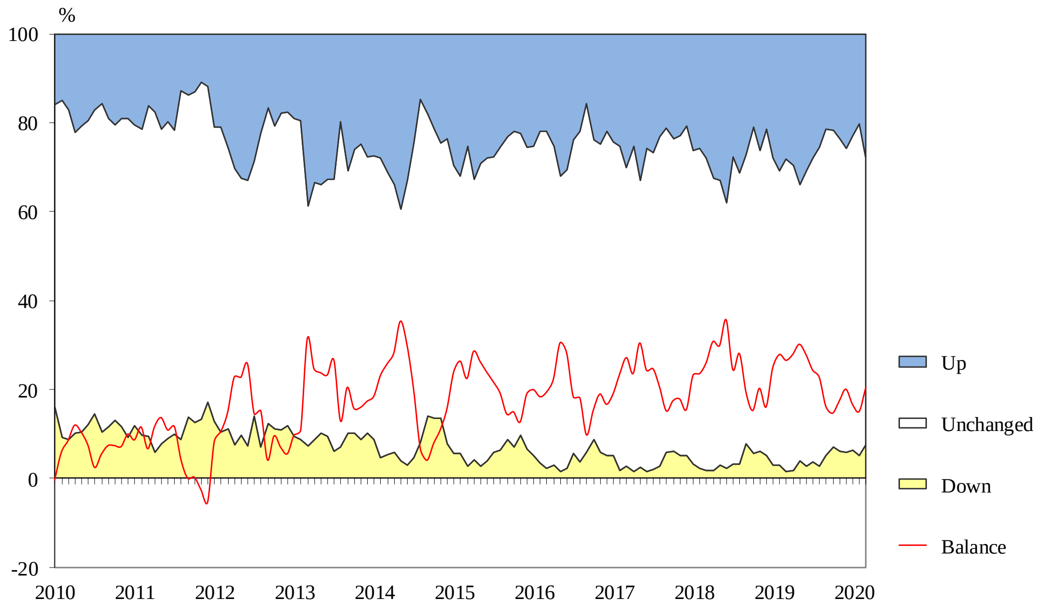

Figure 16. Factors limiting the activity in service sector (Relative share of enterprises)

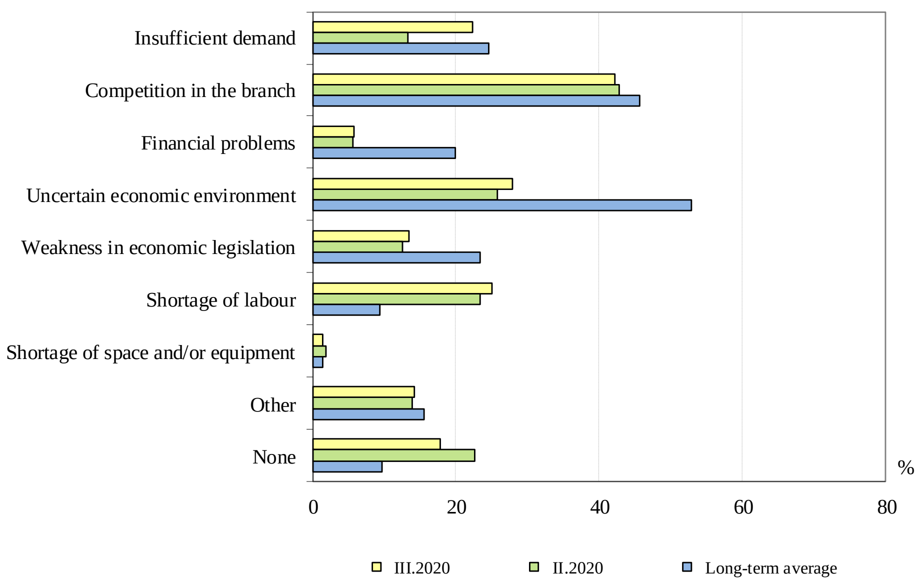

Figure 17. Selling prices expectations in service sector over the next 3 months