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

In December 2020, **the total business climate indicator**[4] decreases by 1.7 percentage points in comparison with the previous month (Annex, Figure 1). A reduction of the indicator is observed in retail trade and in service sector, in construction preserves its level from November, and in industry an increase, is registered.

Industry. The composite indicator 'business climate in industry' increases by 2.6 percentage point (Annex, Figure 2) as a result of the favourable managers' assessments and expectations about the business situation of the enterprises. According to them, at the last month there is certain increase of the production assurance with orders (Annex, Figure 3), which is not accompanied by increased expectations about the production activity over the next 3 months.

The uncertain economic environment, factor 'others'[5], insufficient domestic demand, and insufficient foreign demand continues to be the main obstacles for the business development, as compared to the last month, the negative influence of the second factor is growing (Annex, Figure 4).

As regards the selling prices in industry, the managers' expectations are for preservation of their level over the next 3 months (Annex, Figure 5).

Construction. In December, the composite indicator 'business climate in construction' preserves its November level (Annex, Figure 6). Concerning present construction activity, the inquiry registers certain decrease in comparison with the previous month, as well as the forecasts over the next 3 months remain reserved (Annex, Figure 7).

The most serious difficulties for the activity of enterprises remain connected with the uncertain economic environment, shortage of labour and factor 'others'[5] (Annex, Figure 8).

The prevailing part of the managers foresee that the selling prices in construction remain unchanged over the next 3 months (Annex, Figure 9).

[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.
[5] Respondents are given the opportunity to indicate the answer 'Other factors' when, except the factors listed in the questionnaires, they have other difficulties in their activity, without needing to be specified.

Retail trade. The composite indicator 'business climate in retail trade' decreases by 5.8 percentage points (Annex, Figure 10) as a result of the unfavourable retailers' assessments and expectations about the business situation of the enterprises (Annex, Figure 11). Their forecasts about the volume of sales and the orders placed with suppliers over the next 3 months are also more reserved.

The factor, limiting with the most extent the business development continue to be the uncertain economic environment, followed by insufficient demand and competition in the branch (Annex, Figure 12).

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

Service sector[1]. In December, the composite indicator 'business climate in service sector' drops with 7.8 percentage points (Annex, Figure 14), which is due to the more pessimistic managers' assessments and expectations about the business situation of the enterprises. Their opinions about the present and expected demand for services are also negative (Annex, Figure 15).

The main problems for the activity remain connected with the uncertain economic environment, insufficient demand, factor 'others'[2] and competition in the branch, although in the last month to report a decrease of the unfavourable impact of the last factor (Annex, Figure 16).

The majority of the managers foresee the selling prices in the sector to remain unchanged over the next 3 months (Annex, Figure 17).

[1] Excl. trade.
[2] Respondents are given the opportunity to indicate the answer 'Other factors' when, except the factors listed in the questionnaires, they have other difficulties in their activity, without needing to be specified.

Annex

Figure 1. Business climate - total

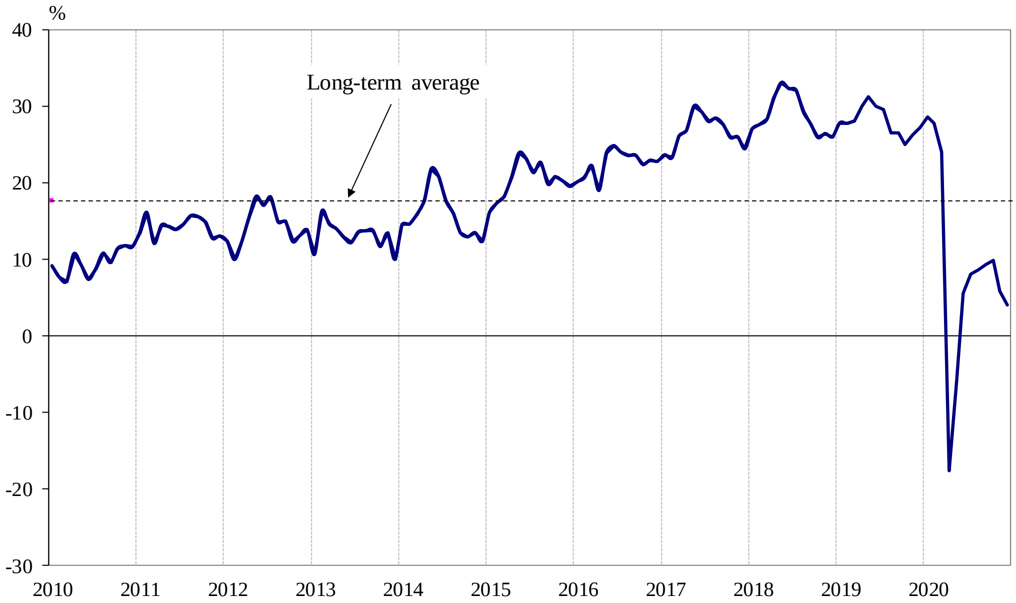

Figure 2. Business climate in industry

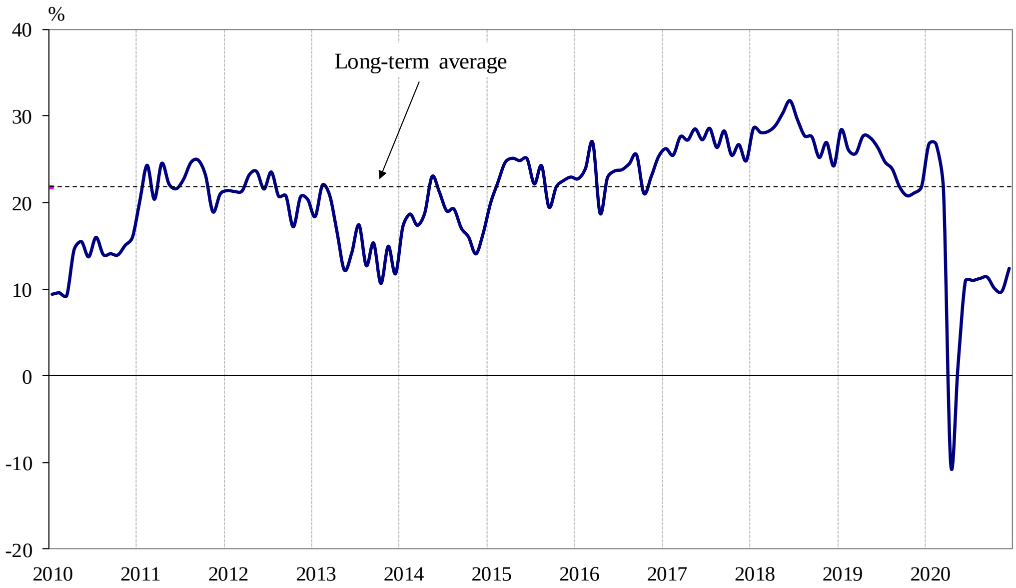

Figure 3. Production assurance with orders in industry

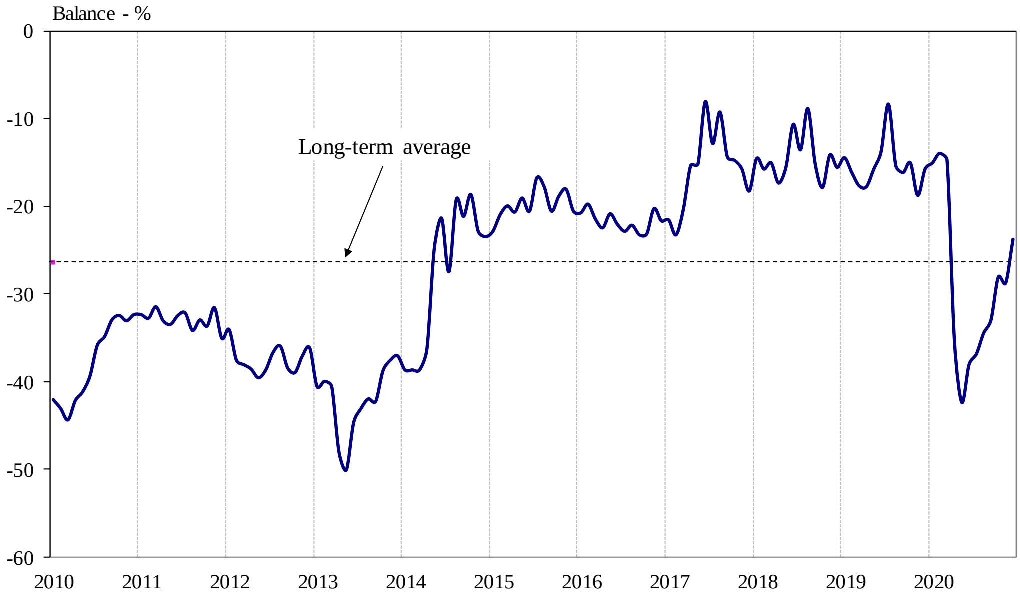

Figure 4. Limits to production in industry
(Relative share of enterprises)

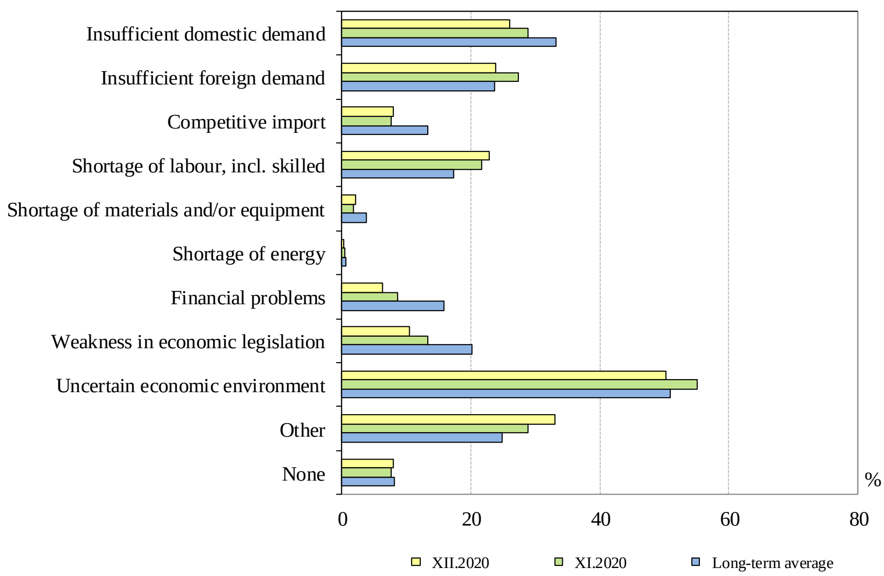

Figure 5. Selling prices expectations in industry over the next 3 months

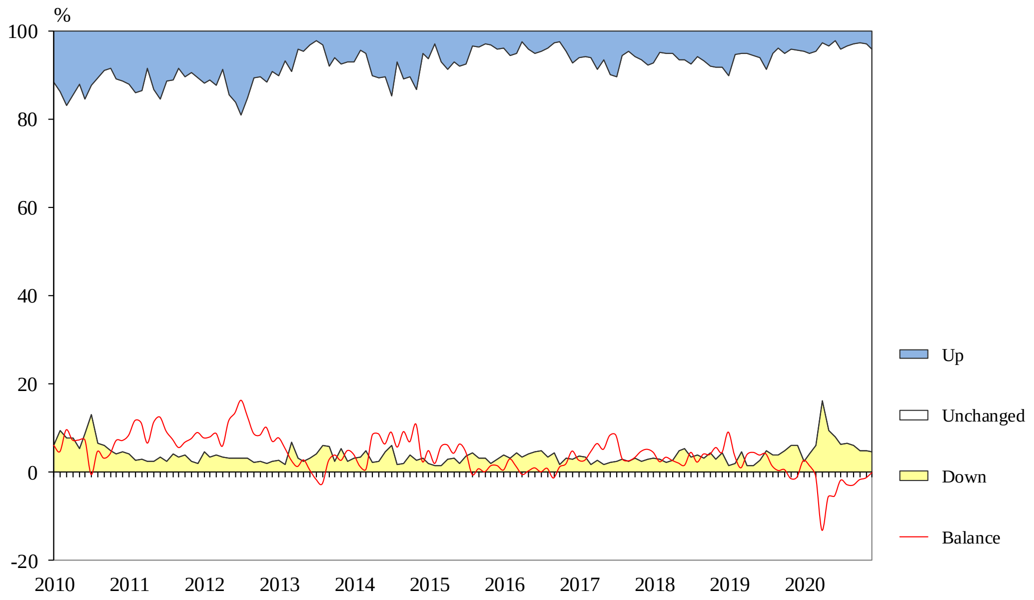

Figure 6. Business climate in construction

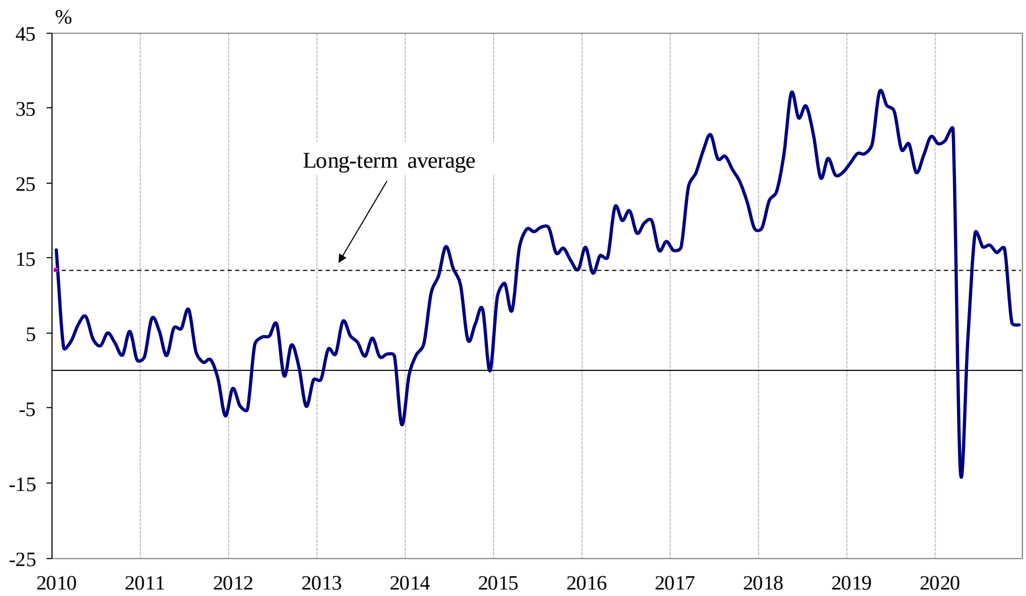

Figure 7. Expected construction activity over the next 3 months

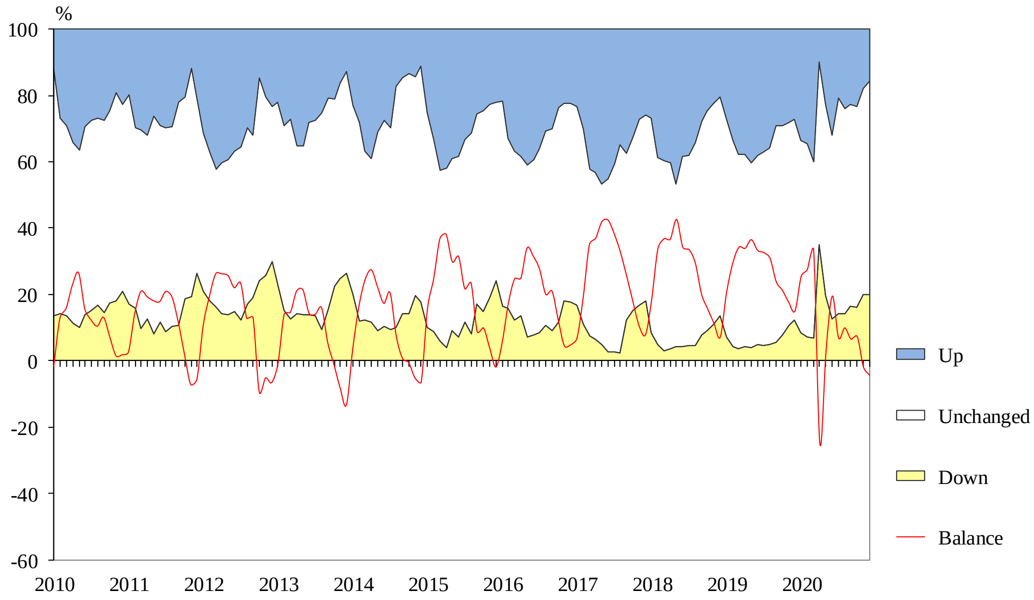

Figure 8. Limits to construction activity (Relative share of enterprises)

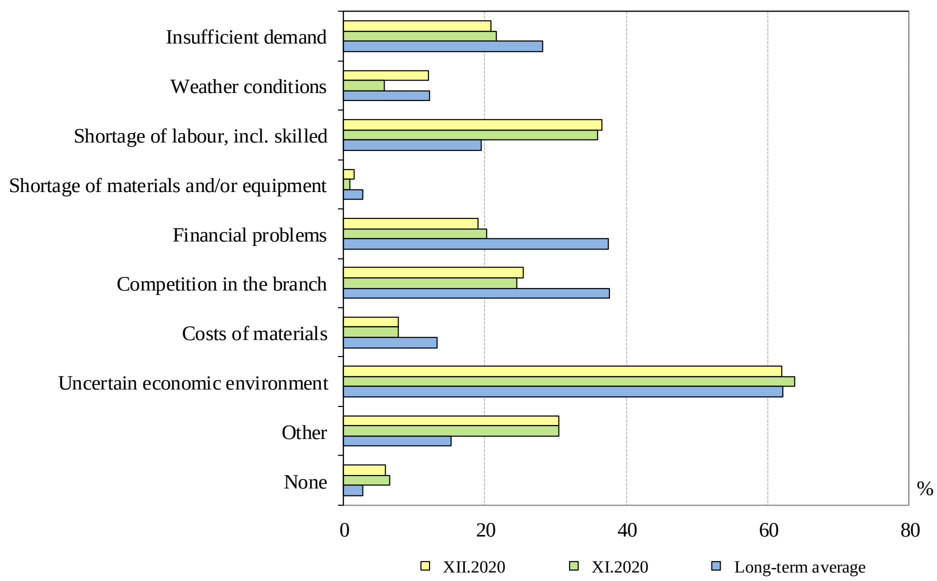

Figure 9. Selling prices expectations in construction over the next 3 months

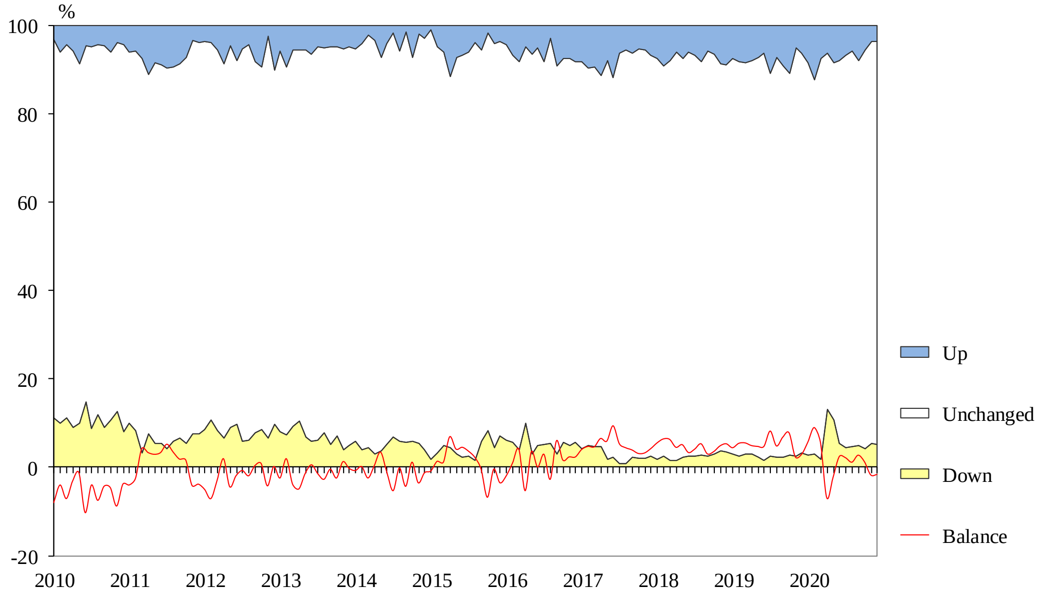

Figure 10. Business climate in retail trade

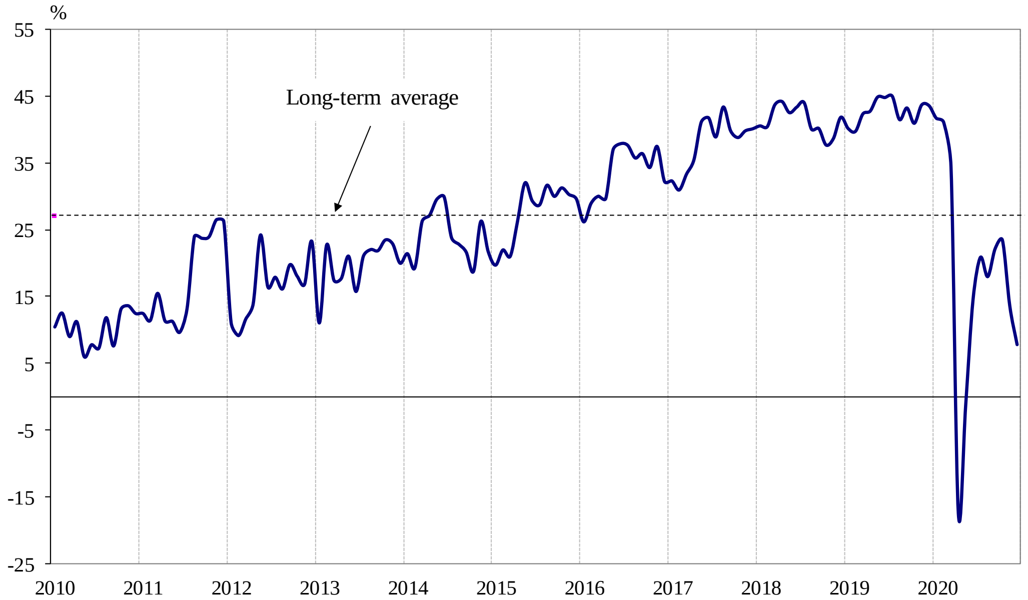

Figure 11. Expected business situation in retail trade over the next 6 months

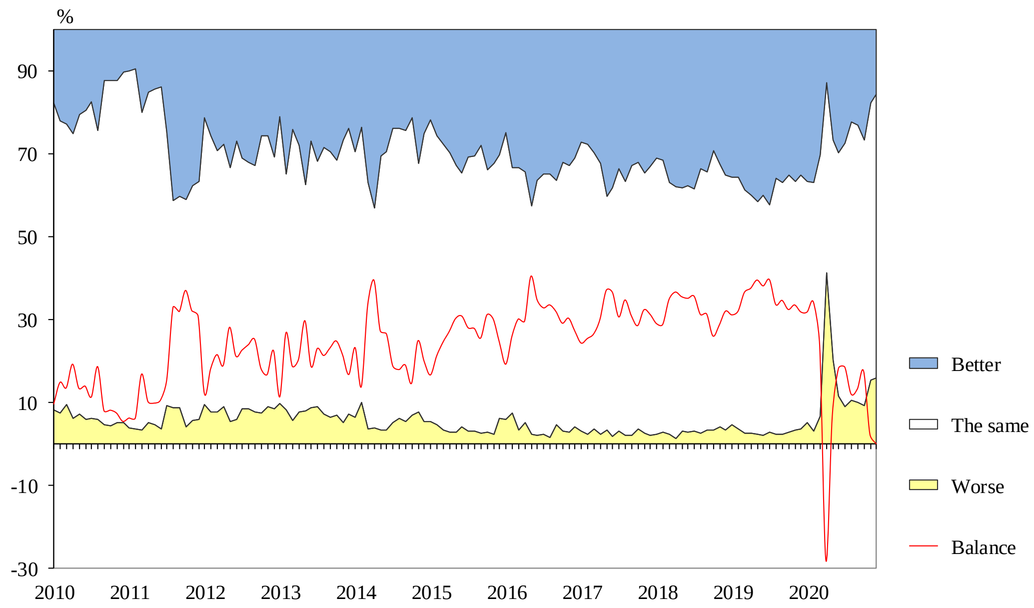

Figure 12. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)

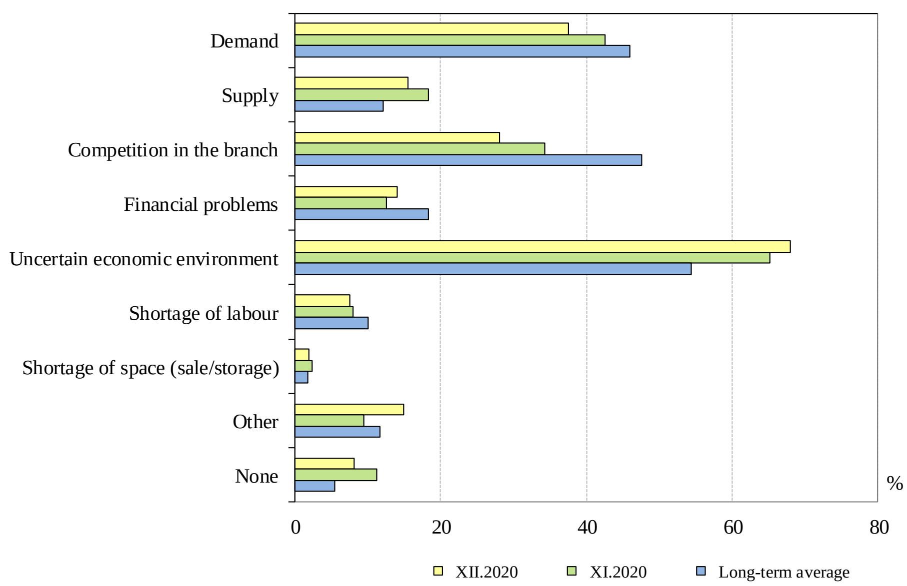

Figure 13. Selling prices expectations in retail trade over the next 3 months

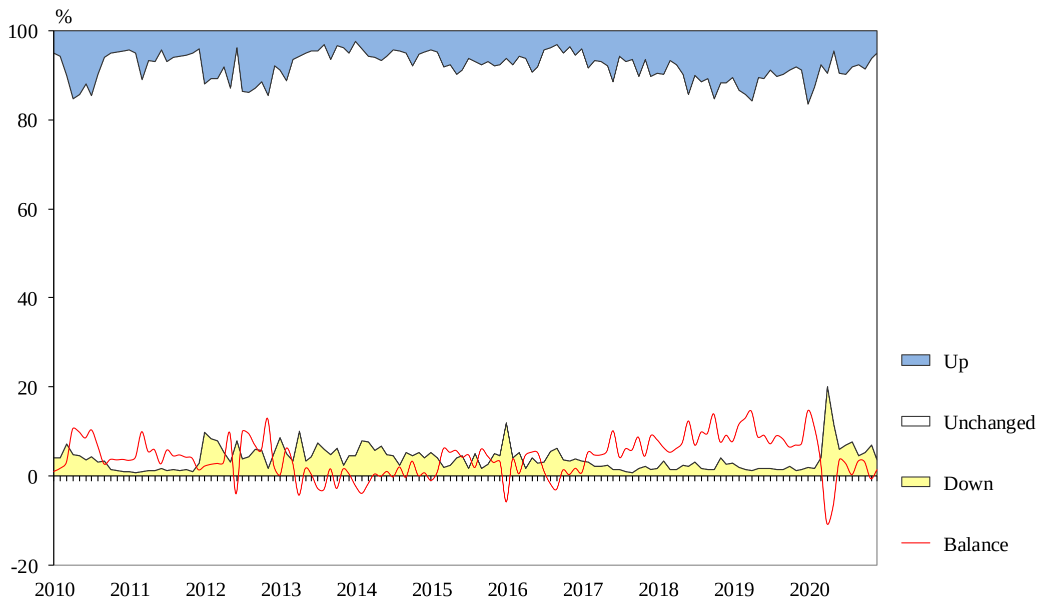

Figure 14. Business climate in service sector

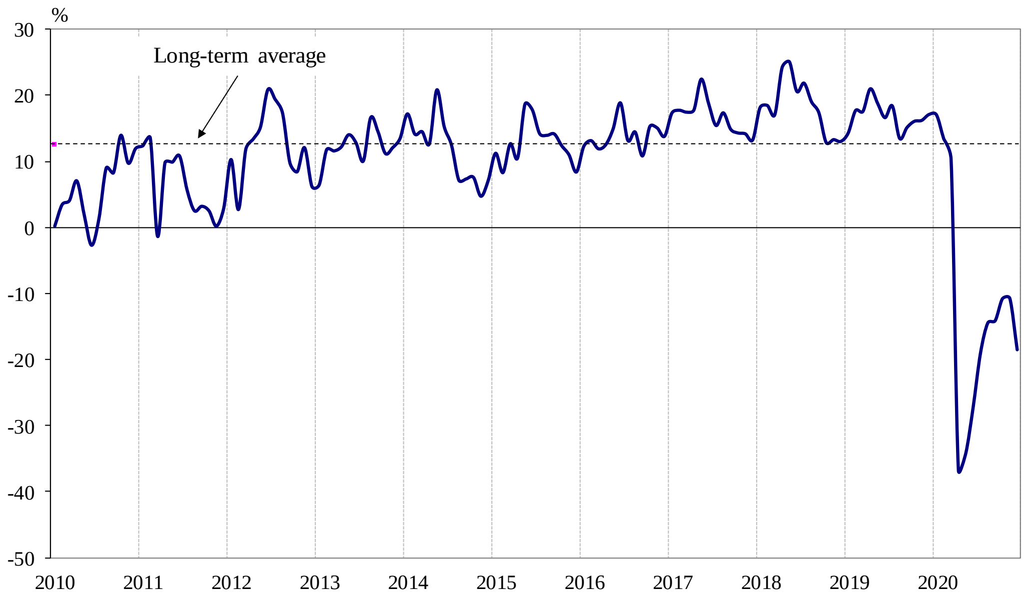

Figure 15. Expected demand in service sector over the next 3 months

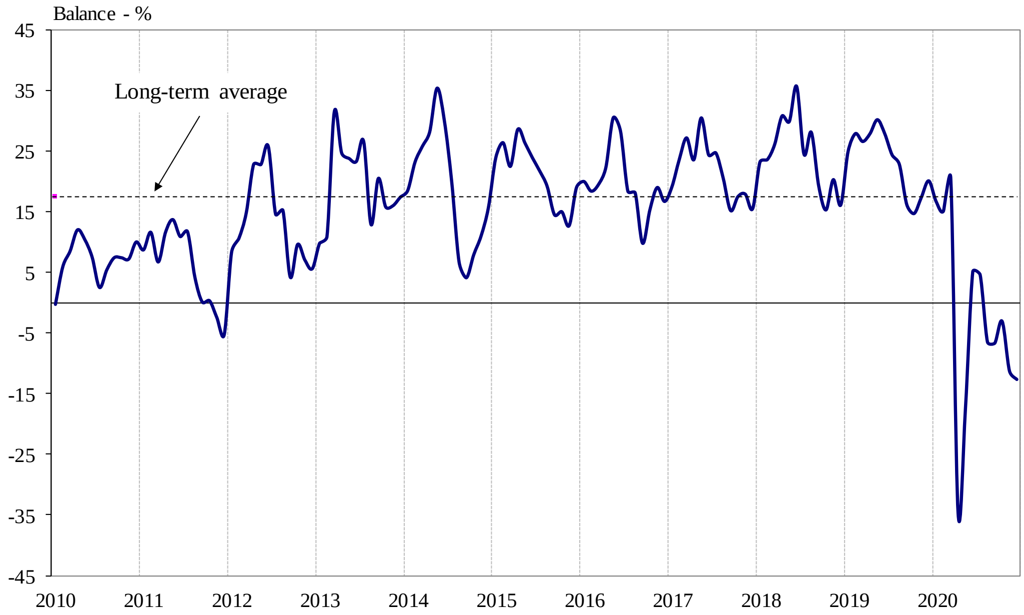

Figure 16. Factors limiting the activity in service sector (Relative share of enterprises)

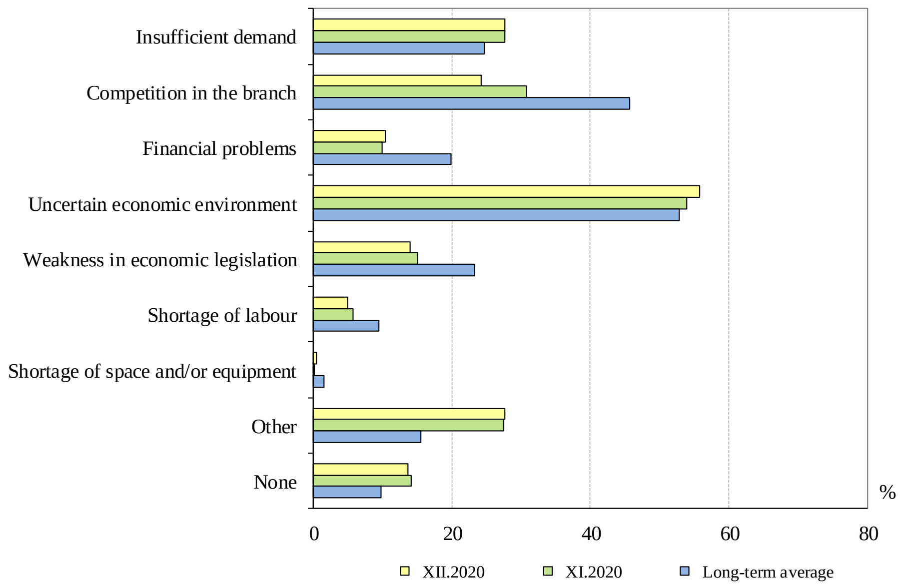

Figure 17. Selling prices expectations in service sector over the next 3 months