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

In the context of state of emergency in the country in April 2020, the NSI business surveys indicate a deterioration of business conjuncture in all observed sectors. **The total business climate indicator**[4] drops by 41.7 percentage points compared to its level from the previous month (Annex, Figure 1), which is with 37.0 percentage points below the long-term average for the last l0 years, and with 4.4 percentage points above the long-term minimum registered in February 1997.

Industry. The composite indicator ‘business climate in industry’ decreases by 31.8 percentage points (Annex, Figure 2) which is due to the pessimistic 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 the same direction are also the changes in the expectations about personnel’ movement.

In the period January - April 2020 the average capacity utilization decreases by 10.1 percentage points and it reaches 67.9%. According the managers’ opinions for these 3 months the competitive position of enterprises, both on domestic and foreign market inside and outside of European Union’s countries is also deteriorated.

The uncertain economic environment continues to limit with most extent the activity of the enterprises. The last inquiry also reports a growth in the unfavourable impact of the factors ‘other’[5], ‘insufficient domestic demand’ and ‘insufficient foreign demand’ (Annex, Figure 4).

As regards the selling prices in industry, certain expectations for a decrease are registered, although the majority of the managers foresee preservation of their level over the next 3 months. (Annex, Figure 5).

Construction. In April the composite indicator ‘business climate in construction’ drops by 45.6 percentage points (Annex, Figure 6) as a result of the worsened construction entrepreneurs’ assessments and expectations about the business situation of the enterprises. According to them, the present construction

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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.

[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.

activity is decreased in comparison with the previous month, as their forecasts about the next 3 months are more reserved (Annex, Figure 7).

The inquiry registers an increase of the number of clients with delay in payments. At the same time, the production assurance with orders is reduced, and the expectation over the next 6 months are that decline to continue. As regards the employed, the forecasts are also in a direction of a decrease.

In the last month, the negative influence of the factors 'uncertain economic environment' and 'others'[1] is strengthened, which shift to the third place the difficulties of the enterprises connected with the shortage of labour (Annex, Figure 8).

Concerning the selling prices, most of the managers do not foresee a change, although the share of them who expect a reduction over the next 3 months is increased (Annex, Figure 9).

Retail trade. The composite indicator 'business climate in retail trade' decreases by 52.0 percentage points (Annex, Figure 10) which is due to the growing pessimism in retailers' assessments and expectation about the business situation of the enterprises. Their forecasts about both the volume of sales and orders placed with suppliers (Annex, Figure 11) over the next 3 months are also more negative. At the same time, their expectations about the personnel are also unfavourable.

The main obstacles for the development of the activity in the sector are connected with the uncertain economic environment, competition in the branch and insufficient demand, as in the last month strengthen of the negative impact of the first factor is observed (Annex, Figure 12).

As regards the selling prices, the balance of the expectations is negative, as the managers, who foresee a reduction are more than those whose attitudes are for an increase (Annex, Figure 13).

Service sector[2]. In April, the composite indicator 'business climate in service sector' drops by 47.1 percentage points (Annex, Figure 14) as a result of the worsened managers' assessments and expectations about the business situation of the enterprises. Their opinions about the present and expected demand for services (Annex, Figure 15) are also negative, which according to them will lead to personnel reduction over the next 3 months.

The uncertain economic environment, factor 'others'[1], competition in the branch and insufficient demand are the most serious problems, limiting the business, as only in the third factor is observed weakening of its unfavourable influence (Annex, Figure 16).

The managers foresee certain decrease 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] 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.
[2] Excl. trade.

Annex

Figure 1. Business climate - total

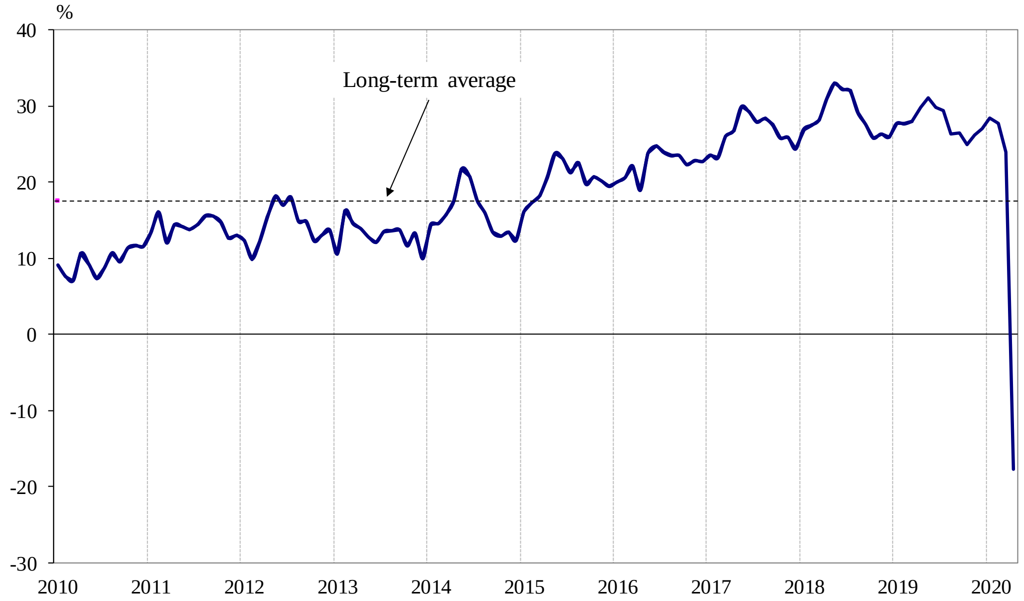

Figure 2. Business climate in industry

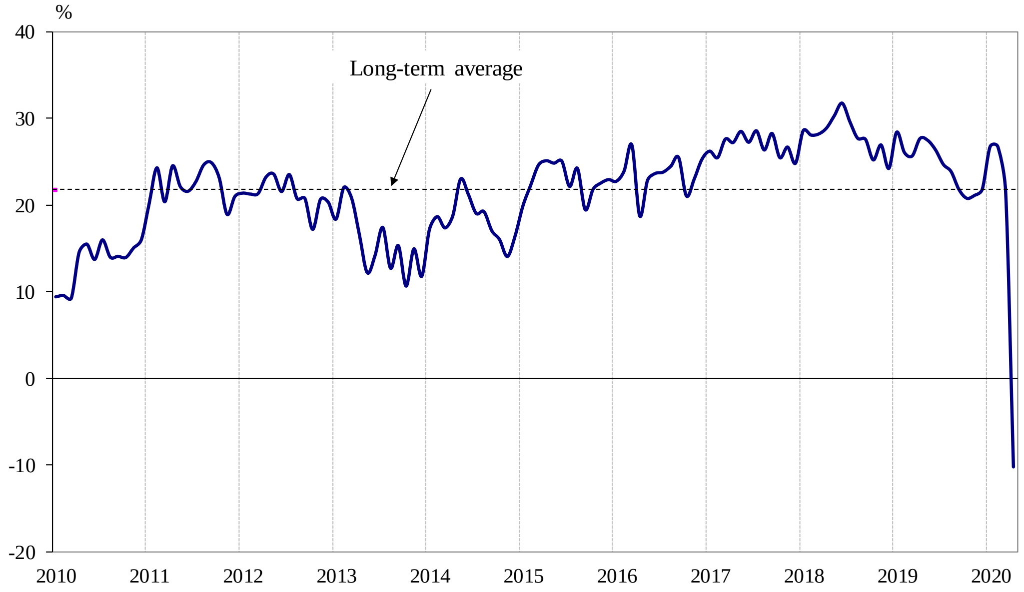

Figure 3. Expected production activity in industry over the next 3 months

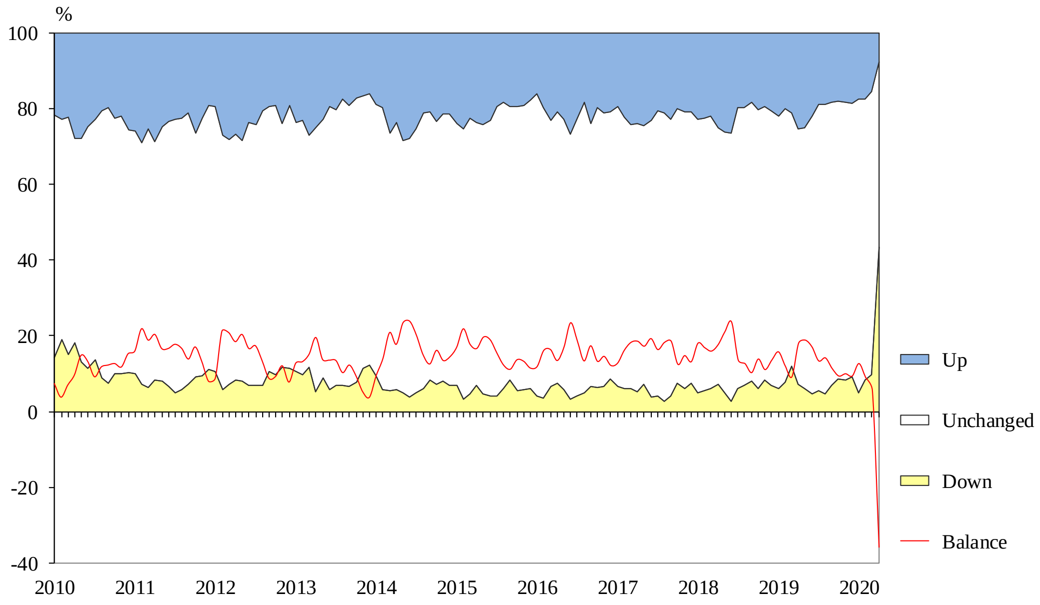

Figure 4. Limits to production in industry (Relative share of enterprises)

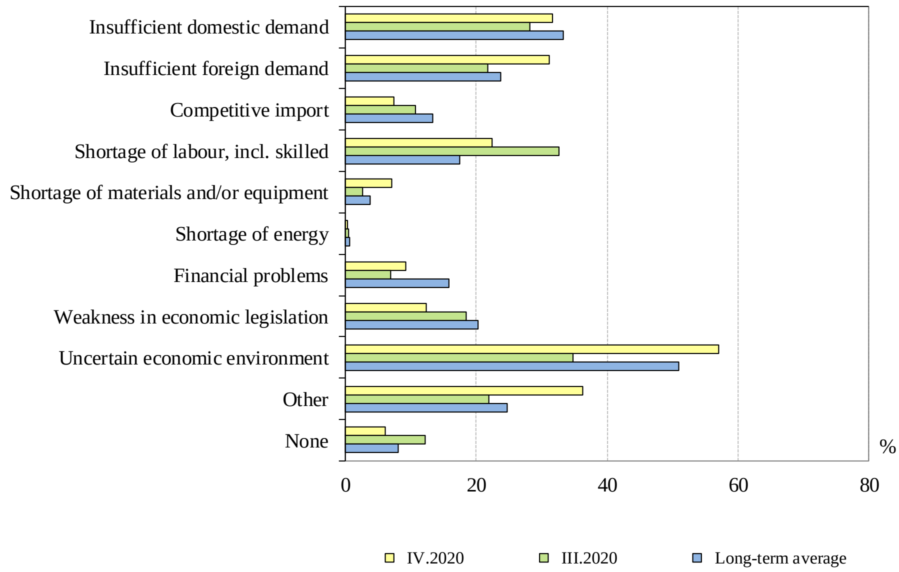

Figure 5. Selling prices expectations in industry over the next 3 months

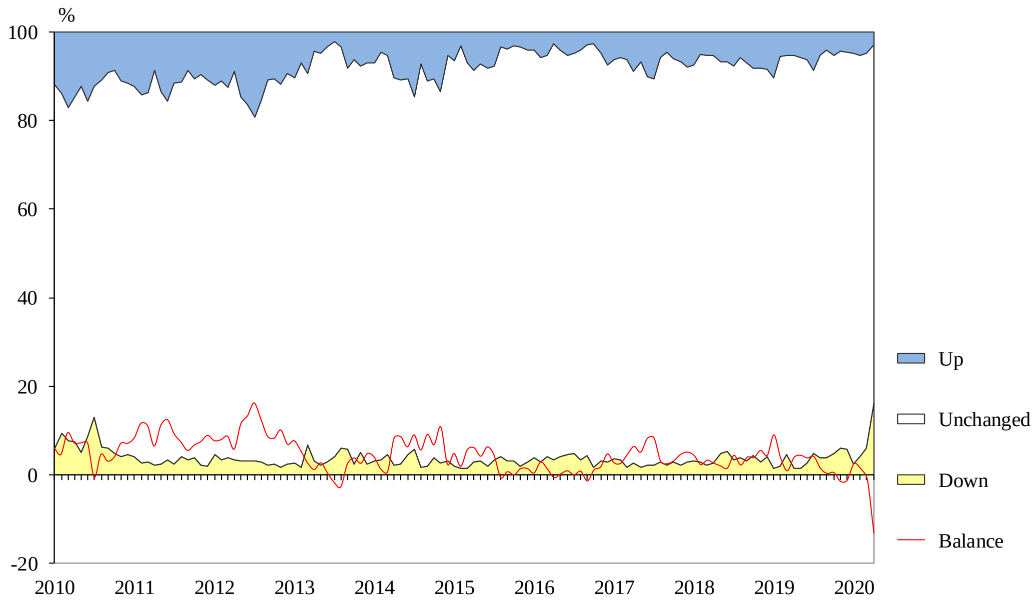

Figure 6. Business climate in construction

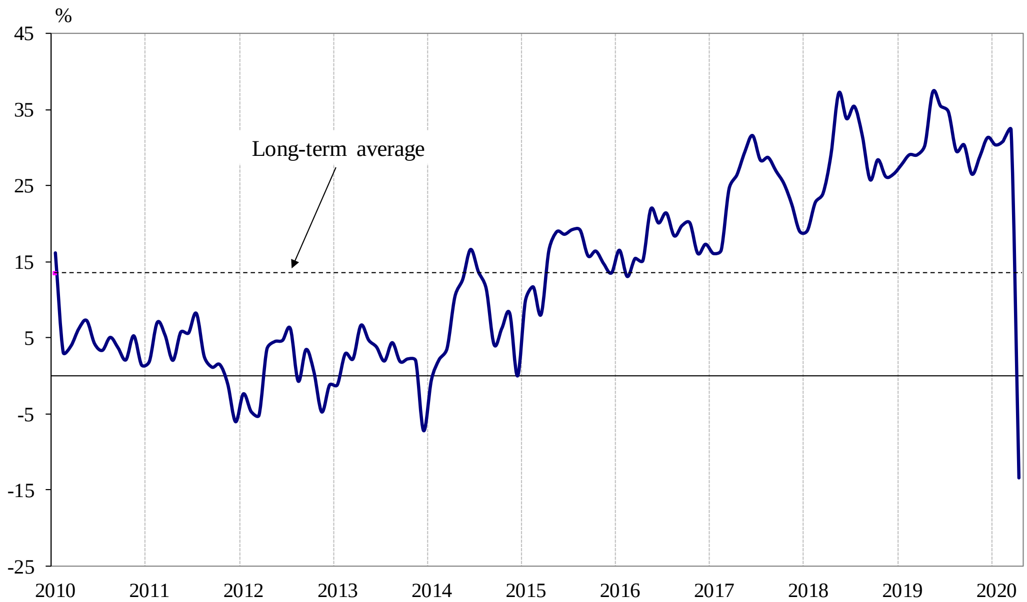

Figure 7. Expected construction activity over the next 3 months

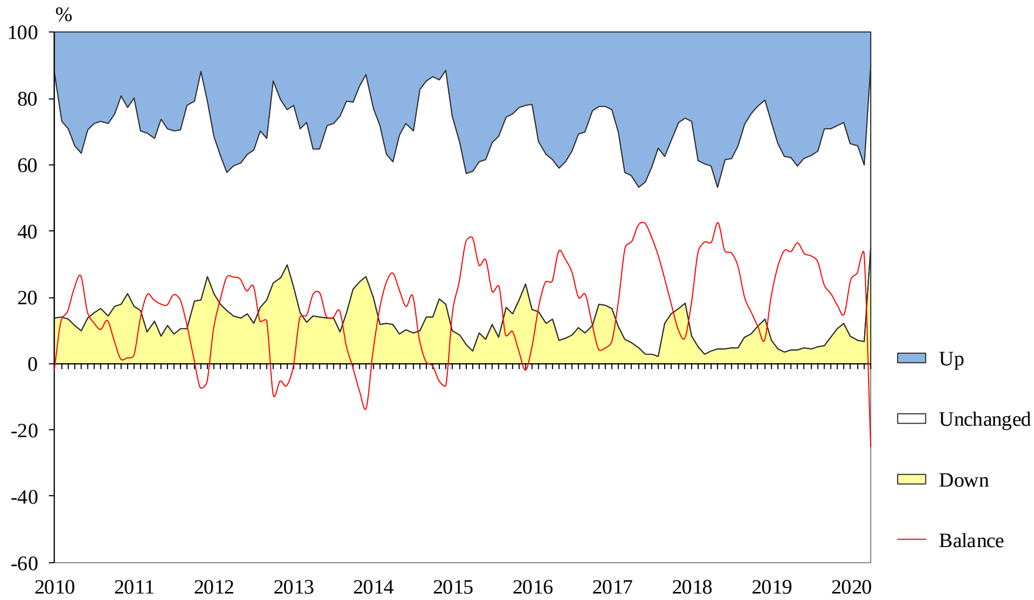

Figure 8. Limits to construction activity (Relative share of enterprises)

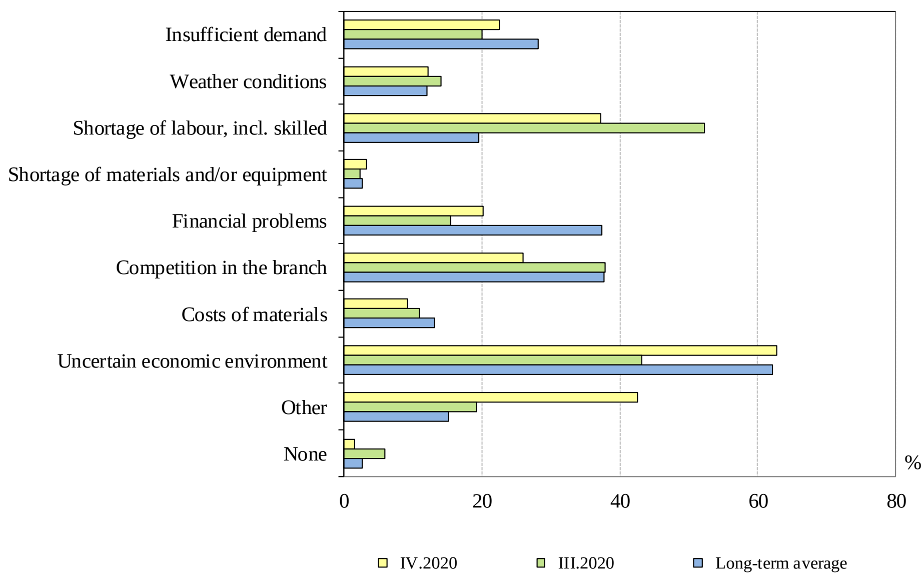

Figure 9. Selling prices expectations in construction over the next 3 months

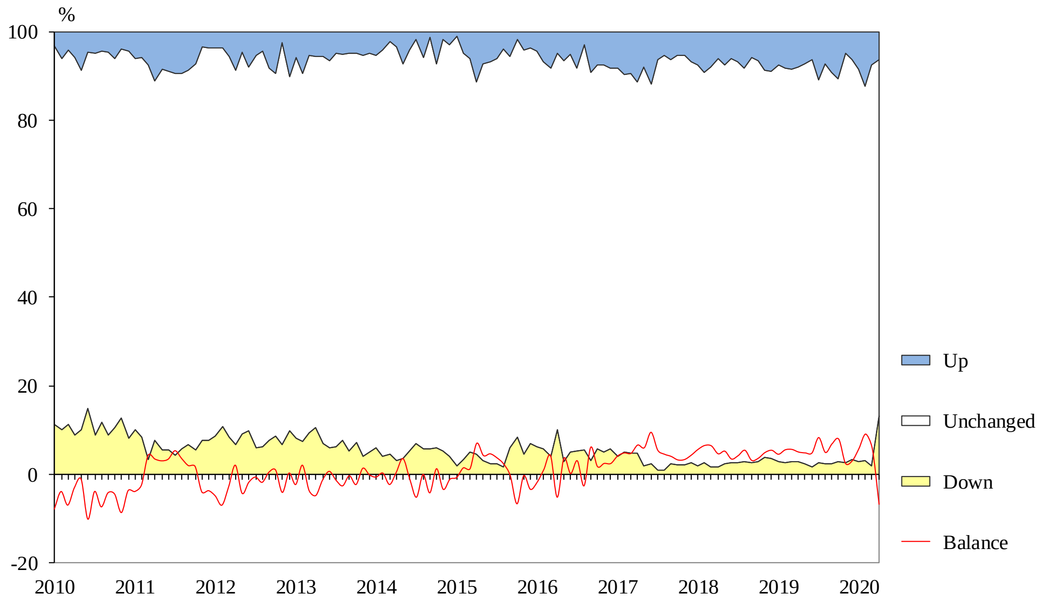

Figure 10. Business climate in retail trade

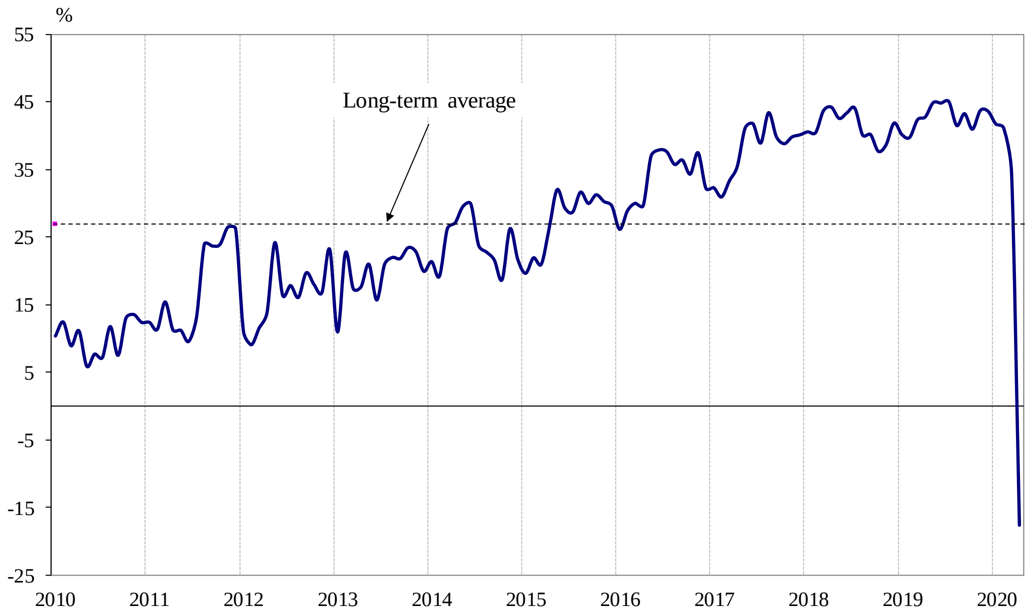

Figure 11. Expectations about orders placed with suppliers in retail trade over the next 3 months

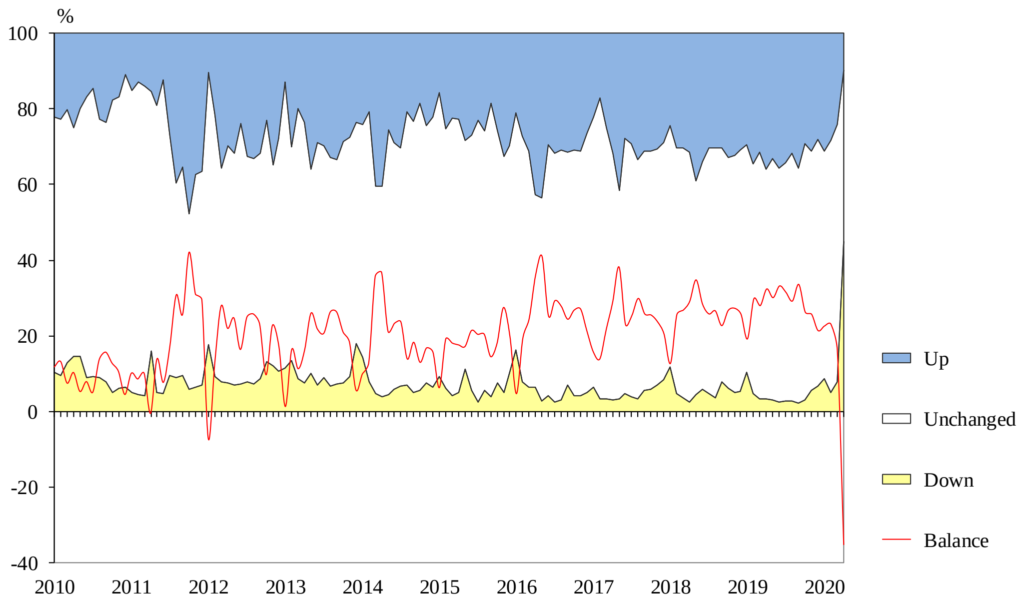

Figure 12. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)

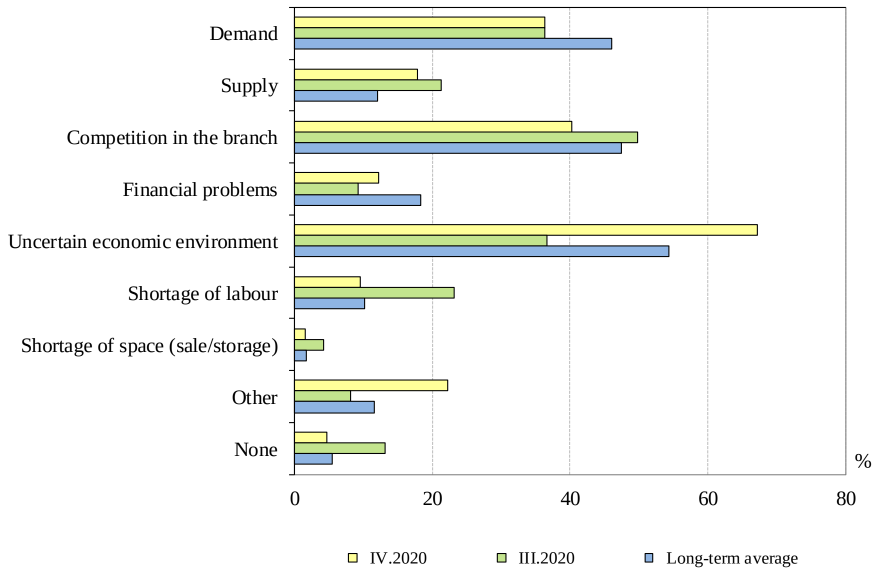

Figure 13. Selling prices expectations in retail trade over the next 3 months

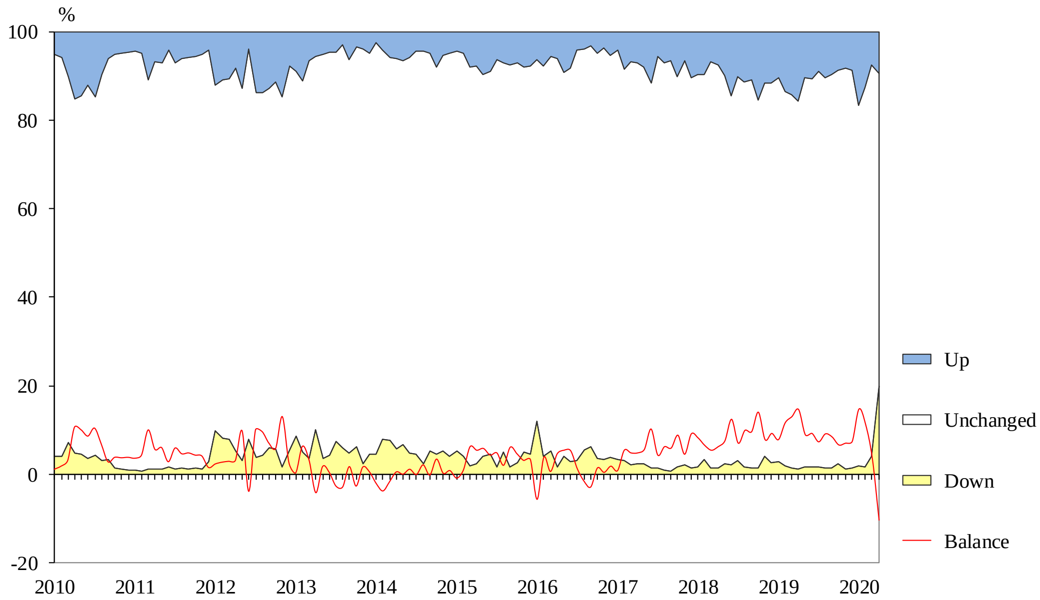

Figure 14. Business climate in service sector

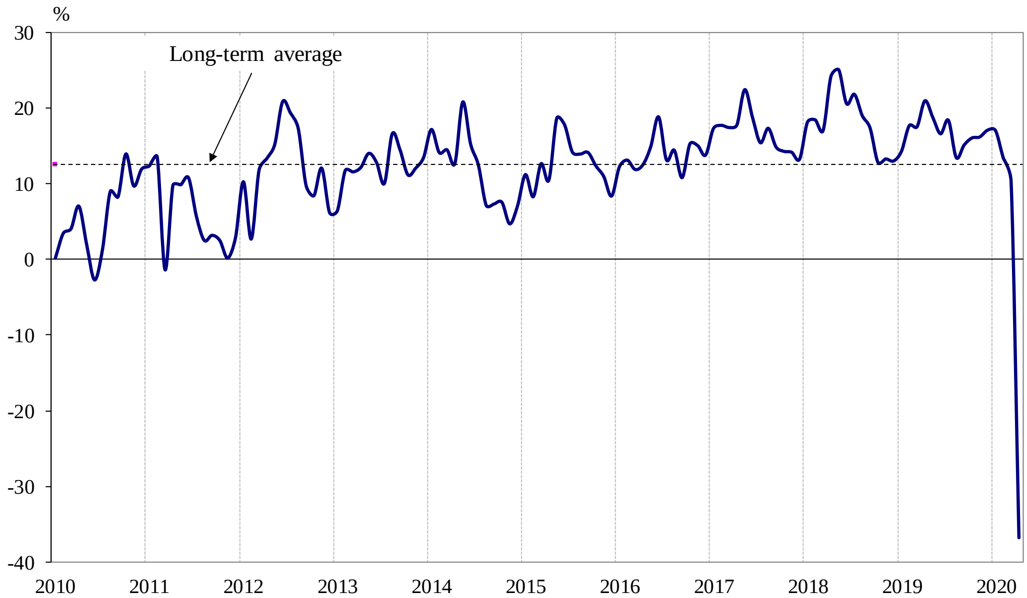

Figure 15. Expected demand in service sector over the next 3 months

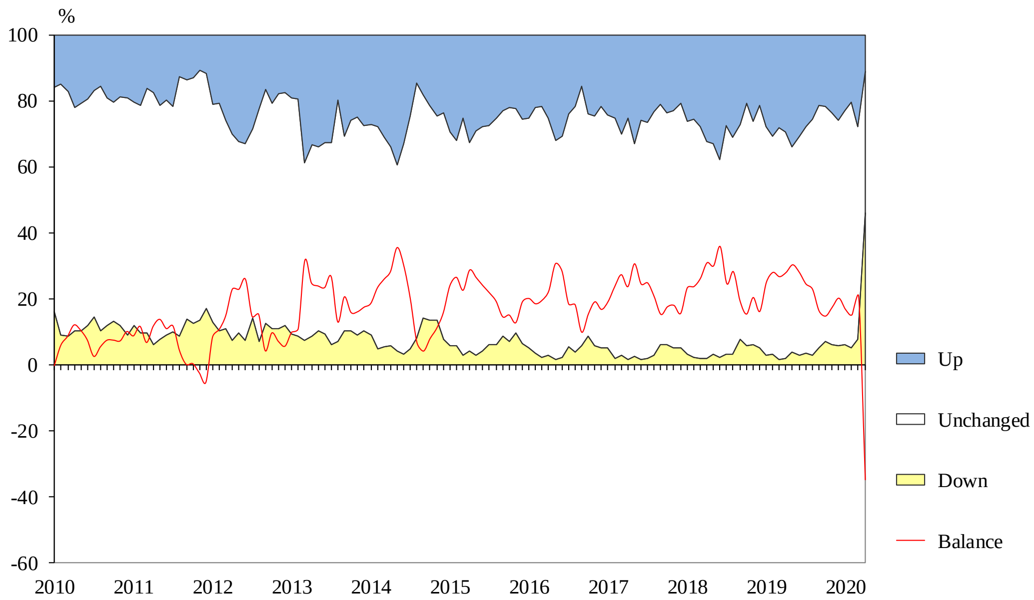

Figure 16. Factors limiting the activity in service sector (Relative share of enterprises)

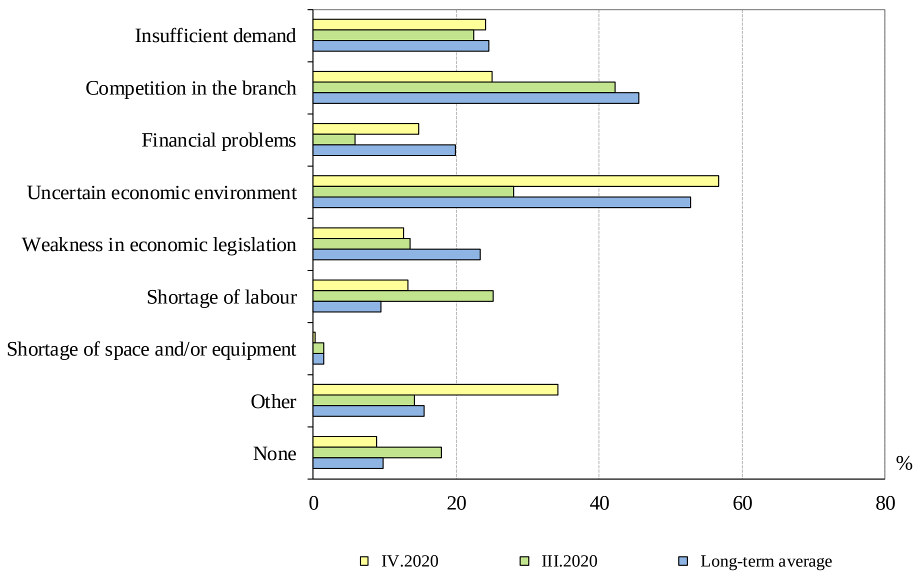

Figure 17. Selling prices expectations in service sector over the next 3 months