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

In June 2019, **the total business climate indicator[4]** decreases by 1.3 percentage points in comparison with May (Annex, Figure 1) as a result of the more unfavourable business climate in industry, construction and service sector.

Industry. The composite indicator 'business climate in industry' decreases by 1.1 percentage points (Annex, Figure 2), which is due to the shifting of the industrial entrepreneurs' expectations about the business situation of the enterprises over the next 6 months from 'better' towards preserving 'the same'. At the same time, the inquiry registers certain improvement of the production assurance with orders, which is not accompanied by increased expectations about the production activity over the next 3 months (Annex, Figure 3).

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

Construction. In June the composite indicator 'business climate in construction' decreases by 1.8 percentage points (Annex, Figure 5) as a result of the slightly worsened construction entrepreneurs' assessments and expectations about the business situation of the enterprises. Their forecasts about the construction activity over the next 3 months are also more reserved (Annex, Figure 6).

The shortage of labour, competition in the branch and uncertain economic environment continue to be the most serious problems limiting the business (Annex, Figure 7).

Retail trade. The composite indicator 'business climate in retail trade' remains approximately to its May level (Annex, Figure 8). The retailers' opinions about the volume of sales (Annex, Figure 9) and orders placed with suppliers (from both domestic and foreign market) over the next 3 months are optimistic.

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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.

The factor, limiting with the most extent the enterprises' activity remains the competition in the branch, as in the last month strengthens of its negative impact is observed. In second and third place are the insufficient demand and uncertain economic environment (Annex, Figure 10).

Service sector[1]. In June the composite indicator 'business climate in service sector' drops by 2.1 percentage points (Annex, Figure 11), which is due to the more unfavourable managers' assessments and expectations about the business situation of the enterprises. Concerning the demand of services, the present tendency is assessed as slightly improved, as their expectations over the next 3 months remain favourable though more reserved compared to the previous month (Annex, Figure 12).

The competition in the branch continues to be the most serious obstacle for the business development. At the same time an increase of the unfavourable influence of factor 'shortage of labour' is registered, which shifts to the third place the difficulties, connected with the uncertain economic environment (Annex, Figure 13).

[1] Excl. trade.

Annex

Figure 1. Business climate - total

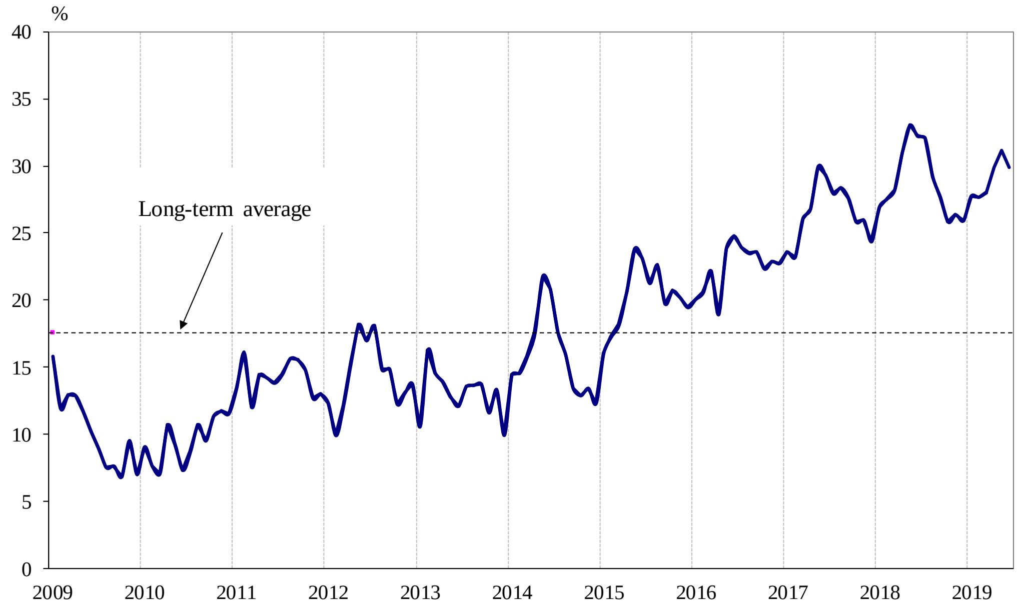

Figure 2. Business climate in industry

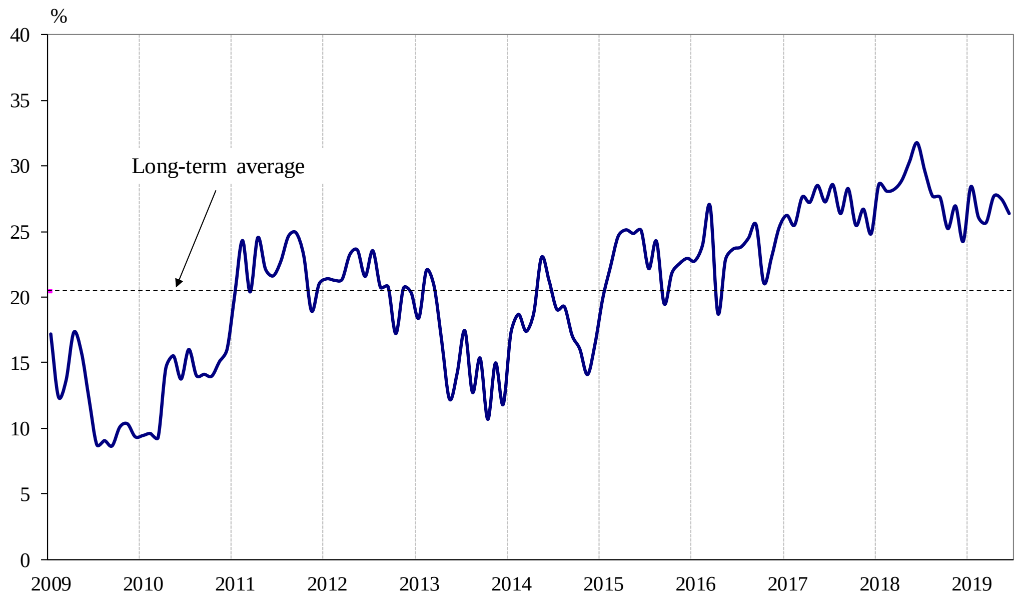

Figure 3. Expected production activity in industry over the next 3 months

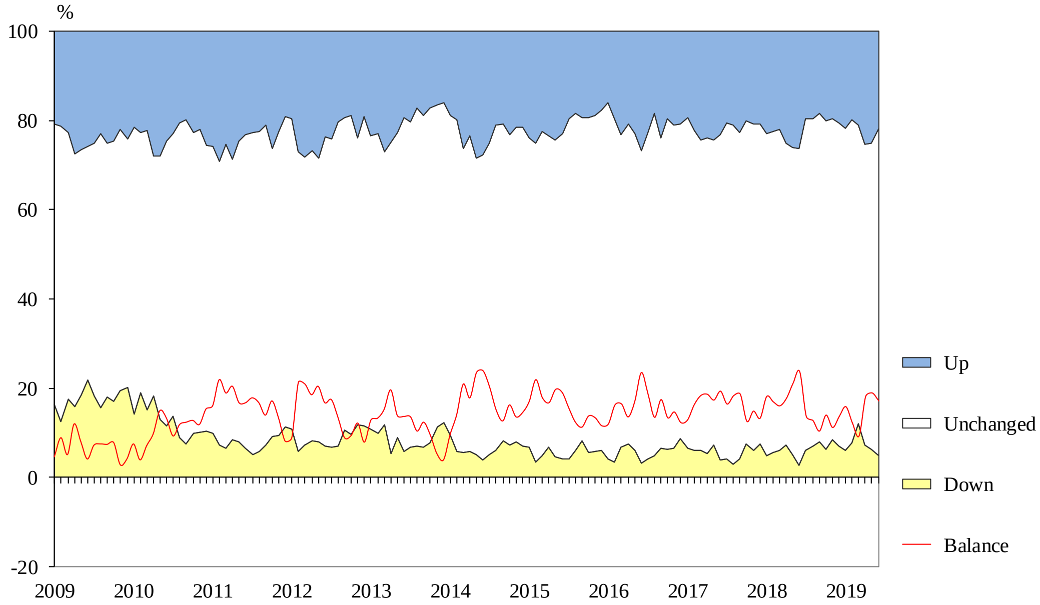

Figure 4. Limits to production in industry (Relative share of enterprises)

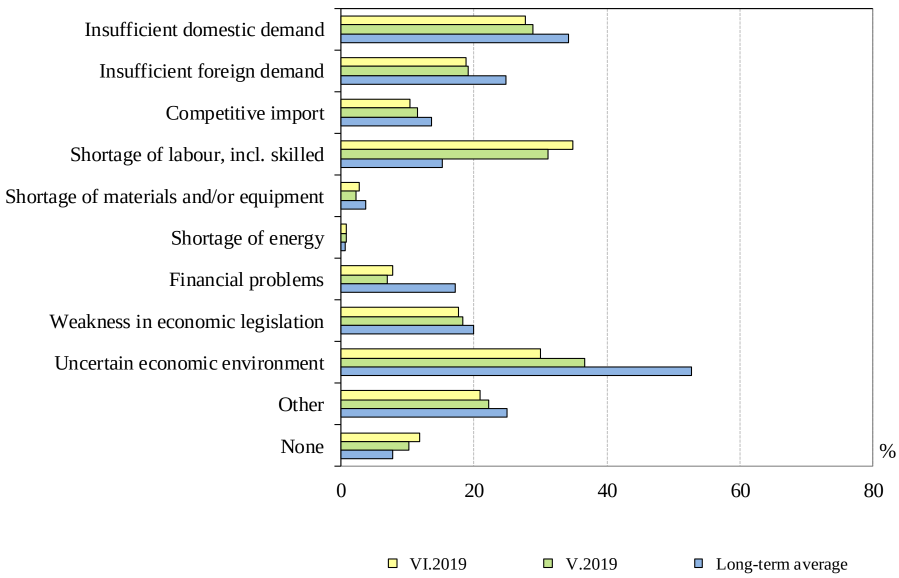

Figure 5. Business climate in construction

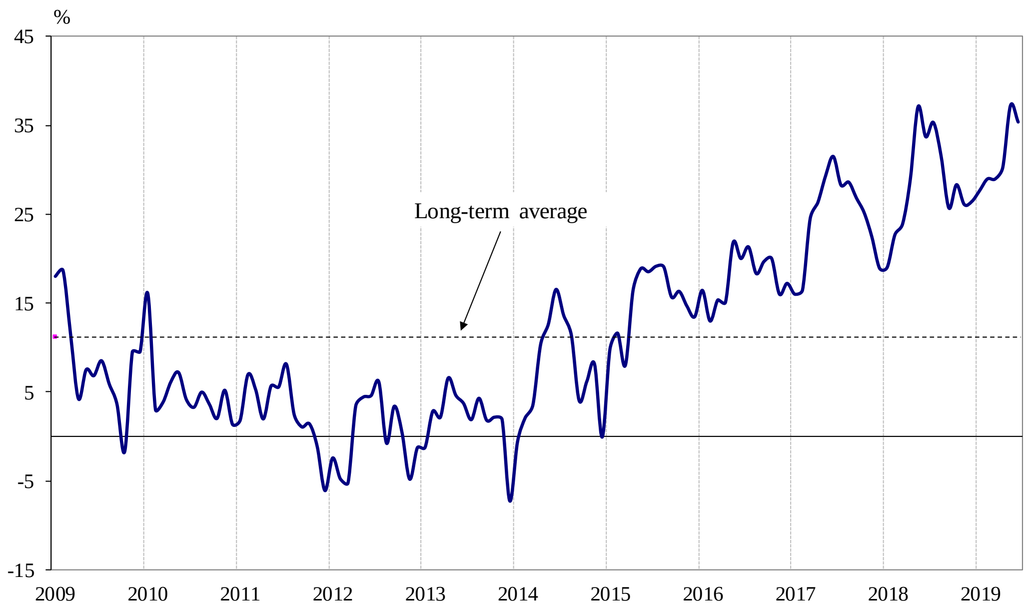

Figure 6. Expected construction activity over the next 3 months

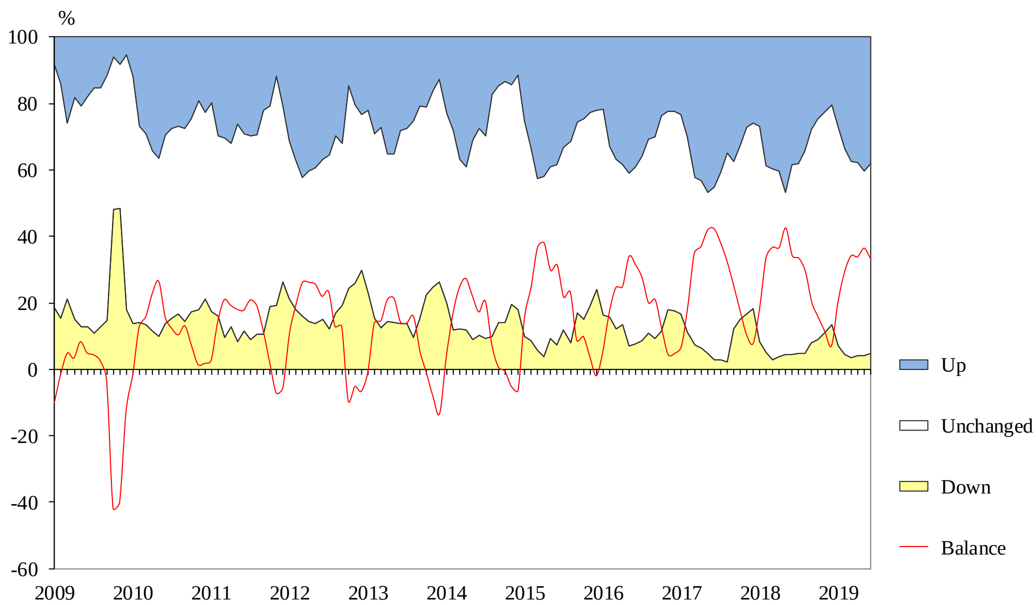

Figure 7. Limits to construction activity (Relative share of enterprises)

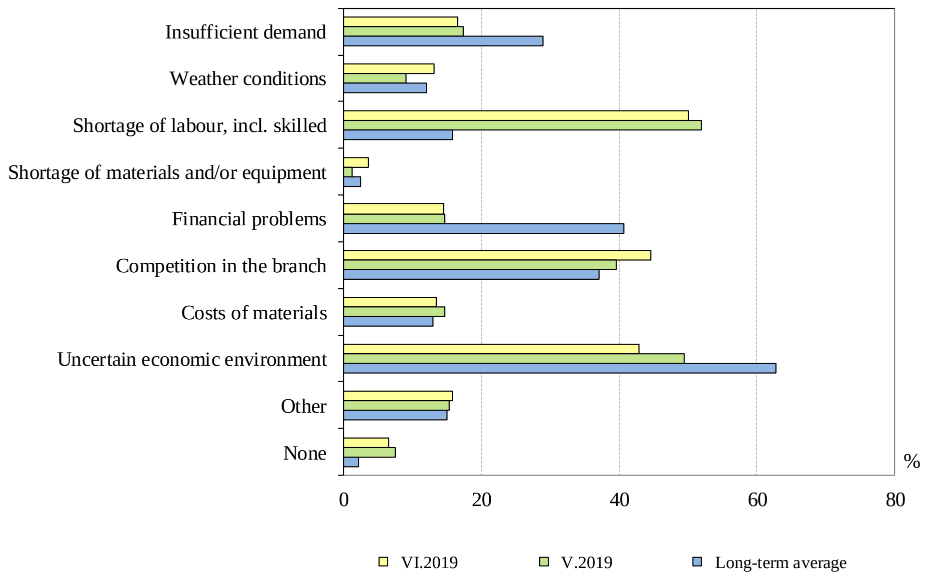

Figure 8. Business climate in retail trade

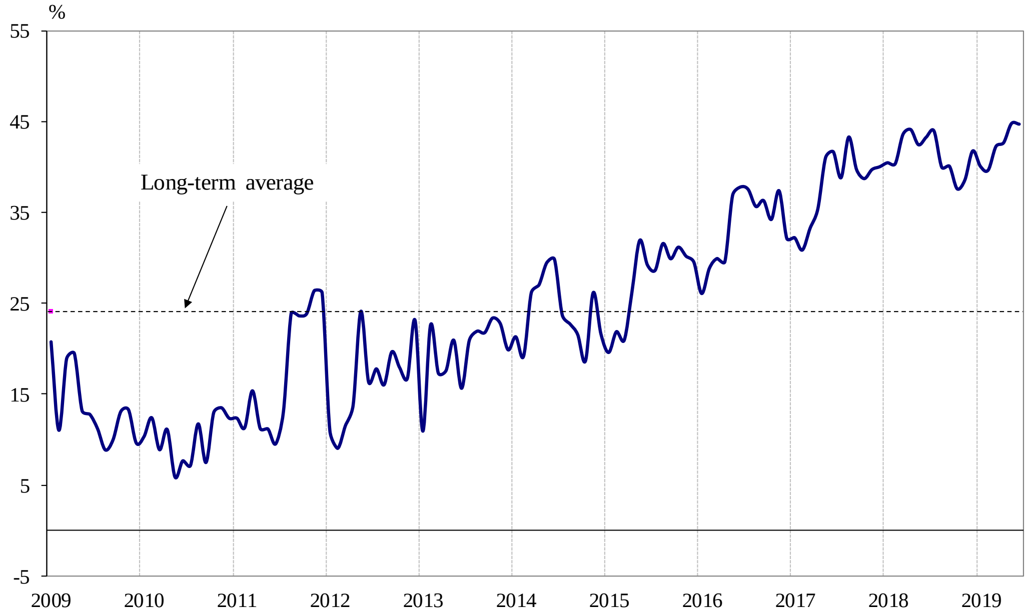

Figure 9. Sales expectations in retail trade over the next 3 months

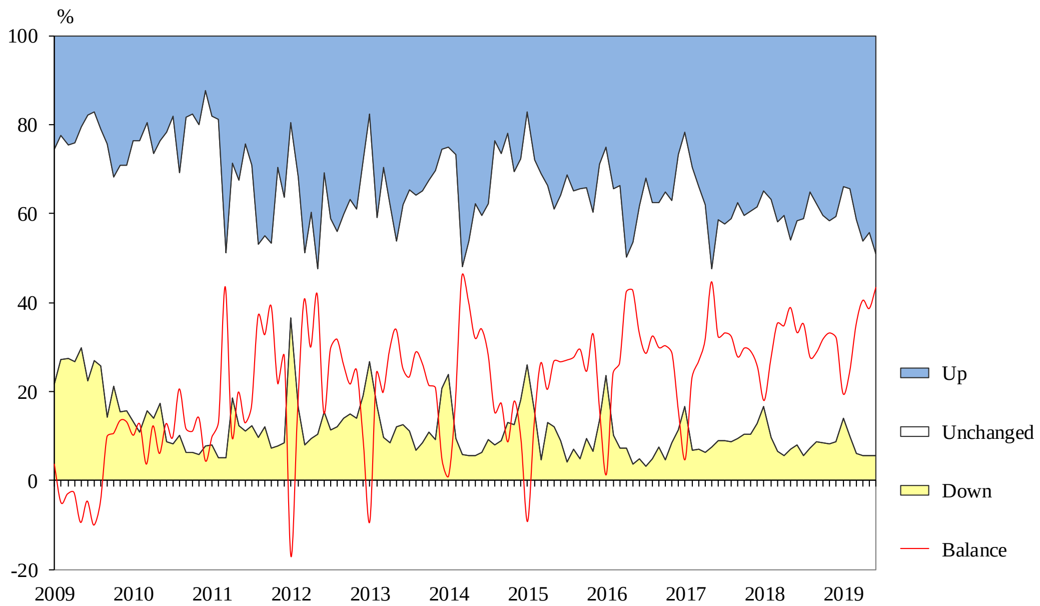

Figure 10. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)

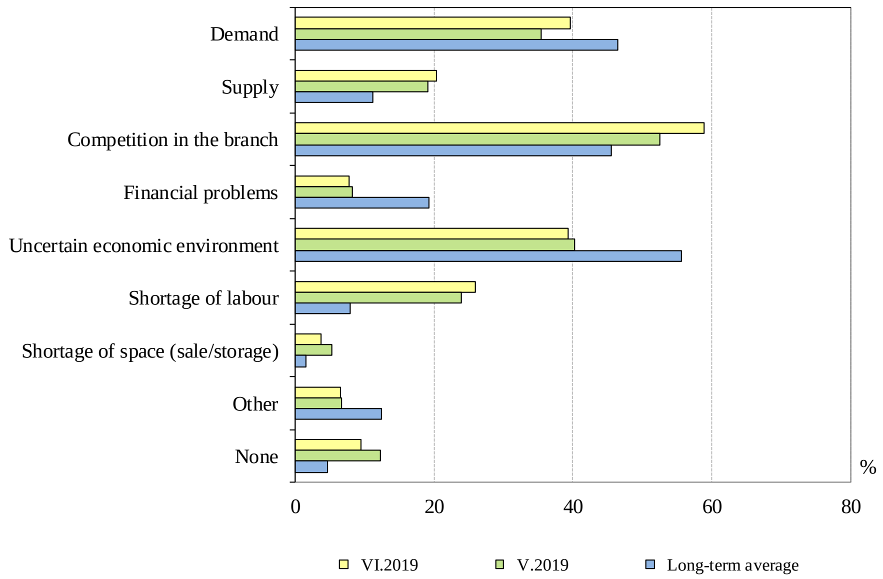

Figure 11. Business climate in service sector

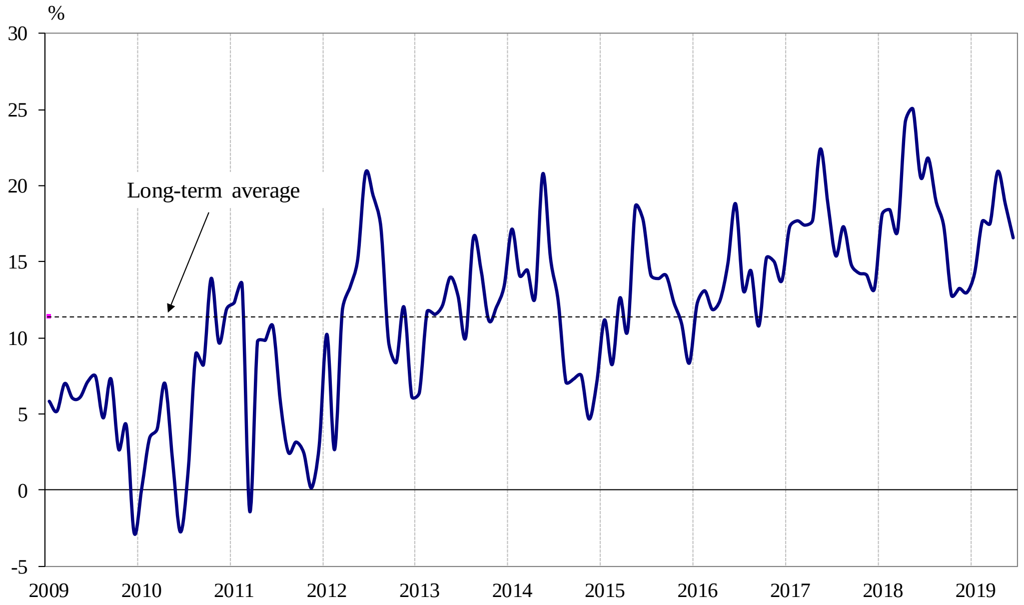

Figure 12. Expected demand in service sector over the next 3 months

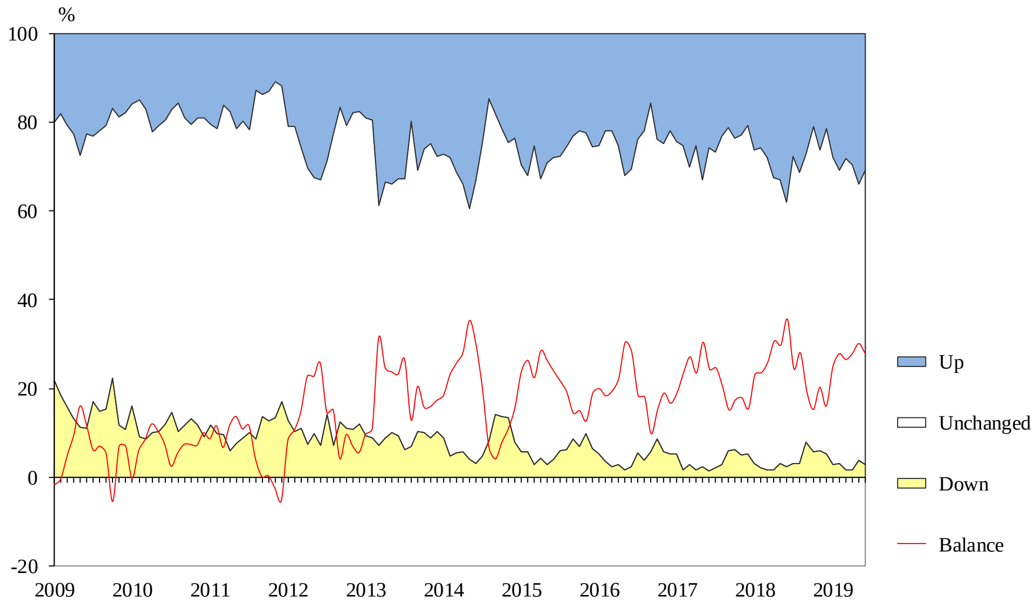

Figure 13. Factors limiting the activity in service sector (Relative share of enterprises)