

## BUSINESS CONJUNCTURE NSI BUSINESS SURVEYS<sup>1,2,3</sup>, FEBRUARY 2021

In February 2021, **the total business climate indicator**<sup>4</sup> increases by 1.8 percentage points in comparison with the previous month (Annex, Figure 1). An improvement of the business conjuncture is registered in construction and service sector, while in industry and retail trade the indicator remains approximately to its January level.

**Industry.** The composite indicator ‘business climate in industry’ remains approximately to its level from the previous month (Annex, Figure 2). The industrial entrepreneurs are moderate in their assessments about the present production activity, while their expectations about the activity over the next 3 months are more favourable (Annex, Figure 3).

The uncertain economic environment continues to be the main factor, limiting the business development pointed out by 52.3% of the enterprises. In the background remain the factors ‘insufficient domestic demand’, ‘others’<sup>5</sup> and ‘insufficient foreign demand’ (Annex, Figure 4).

As regards the selling prices in industry, the managers’ forecasts are for slight increase, although the prevailing part of them expect them to preserve their level over the next 3 months (Annex, Figure 5).

**Construction.** In February, the composite indicator ‘business climate in construction’ increases by 3.6 percentage points (Annex, Figure 6) which is due to the improved construction entrepreneurs’ expectations about the business situation of the enterprises over the next 6 months. Their forecasts about the construction activity over the next 3 months are also more optimistic (Annex, Figure 7), which is accompanied by certain expectations of additional hiring of personnel.

The main problem for the activity in the sector remain the uncertain economic environment, followed by a shortage of labour. At the same time, the last inquiry reports an increase of the unfavourable impact of the competition in the branch, which shifts to the fourth place the difficulties connected with the factor ‘others’<sup>5</sup> (Annex, Figure 8).

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<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> 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.

Concerning the selling prices, the inquiry registers certain expectations for an increase, although the majority of the managers foresee them to remain unchanged over the next 3 months (Annex, Figure 9).

**Retail trade.** The composite indicator ‘business climate in retail trade’ preserves approximately its January level (Annex, Figure 10). The retailers’ forecasts about both the volume of sales and orders placed with suppliers (Annex, Figure 11) over the next 3 months are more favourable.

The uncertain economic environment continues to be the main factor limiting the activity of enterprises, as in the last month strengthen of its negative influence is observed. In the second and third place remain insufficient demand and competition in the branch (Annex, Figure 12).

As regards the selling prices, most of the managers do not foresee a change, although the share of them who expect an increase over the next 3 months is increased (Annex, Figure 13).

**Service sector<sup>1</sup>.** In February, the composite indicator ‘business climate in service sector’ increases by 5.3 percentage points (Annex, Figure 14) as a result of the more favourable managers’ assessments and expectations about the business situation of the enterprises. As regards the demand for services, the present tendency is assessed as slight improved, as the expectations over the next 3 months remain optimistic (Annex, Figure 15).

The most serious difficulties for the activity of enterprises remain the uncertain economic environment, factor ‘others’<sup>2</sup>, competition in the branch and insufficient demand, as the inquiry reports the reduction of the negative impact of the last factor (Annex, Figure 16).

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

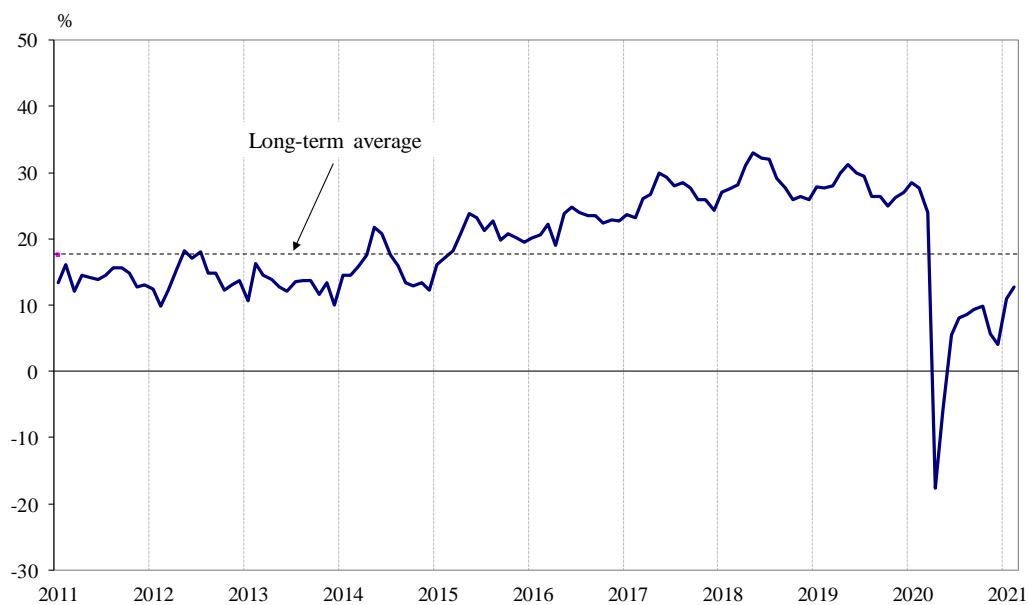
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<sup>1</sup> Excl. trade.

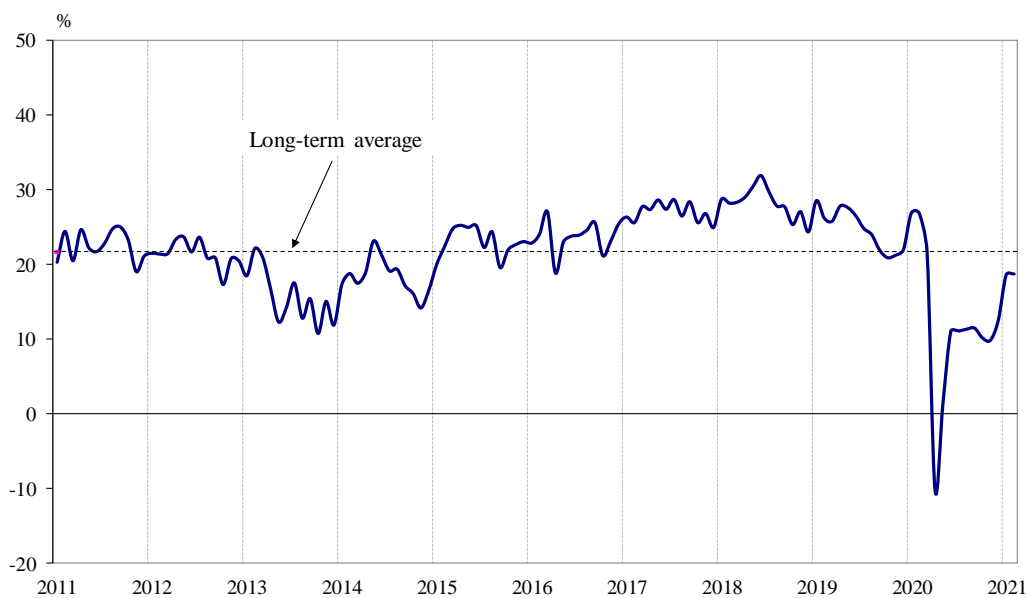
<sup>2</sup> Respondents are given the opportunity to indicate the answer ‘Other factors’ when, except the factors listed in the questionnaires, they have other difficulties in their activity, without needing to be specified.

**Annex**

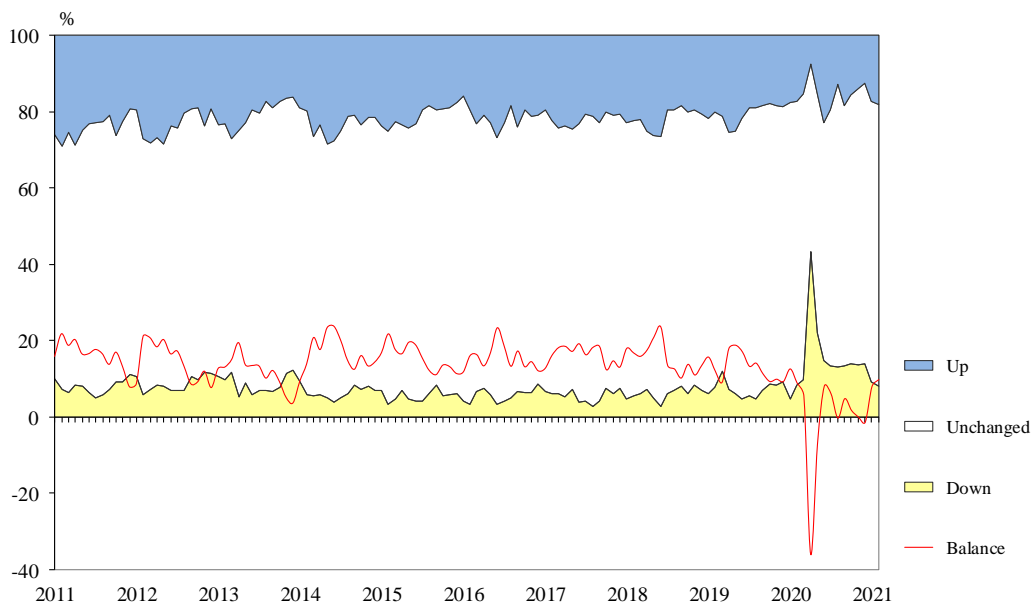
**Figure 1. Business climate - total**



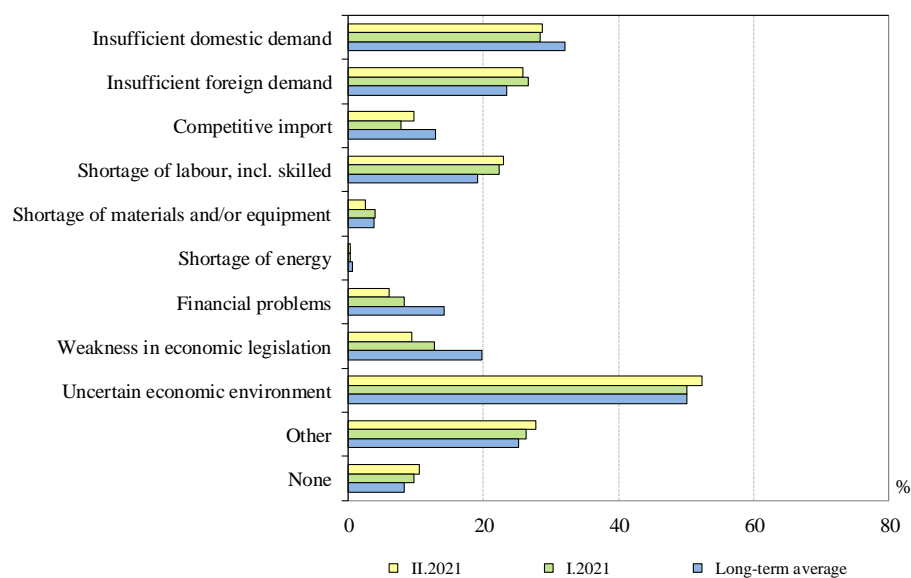
**Figure 2. Business climate in industry**



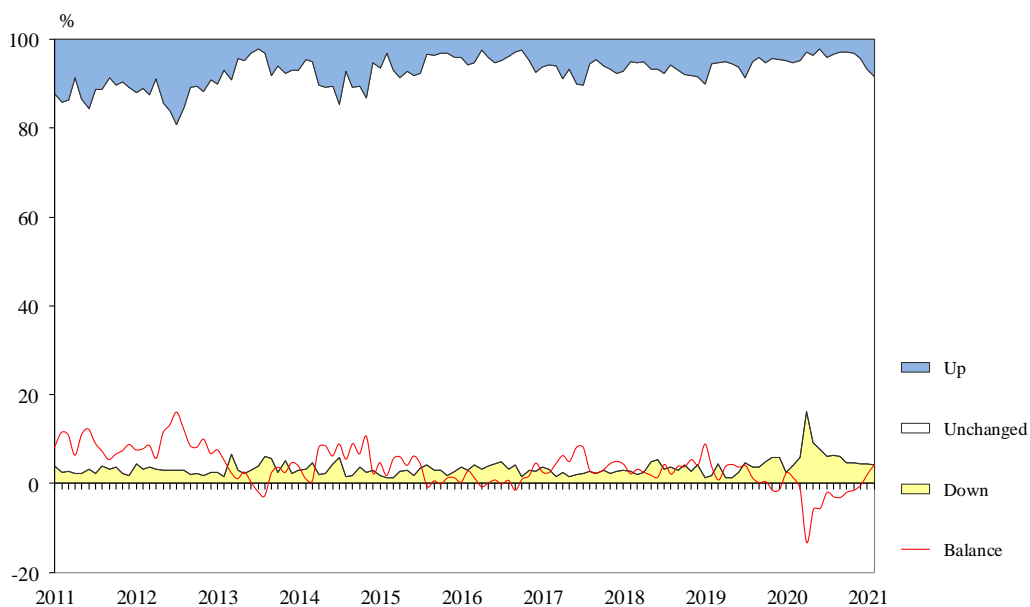
**Figure 3. Expected production activity in industry over the next 3 months**



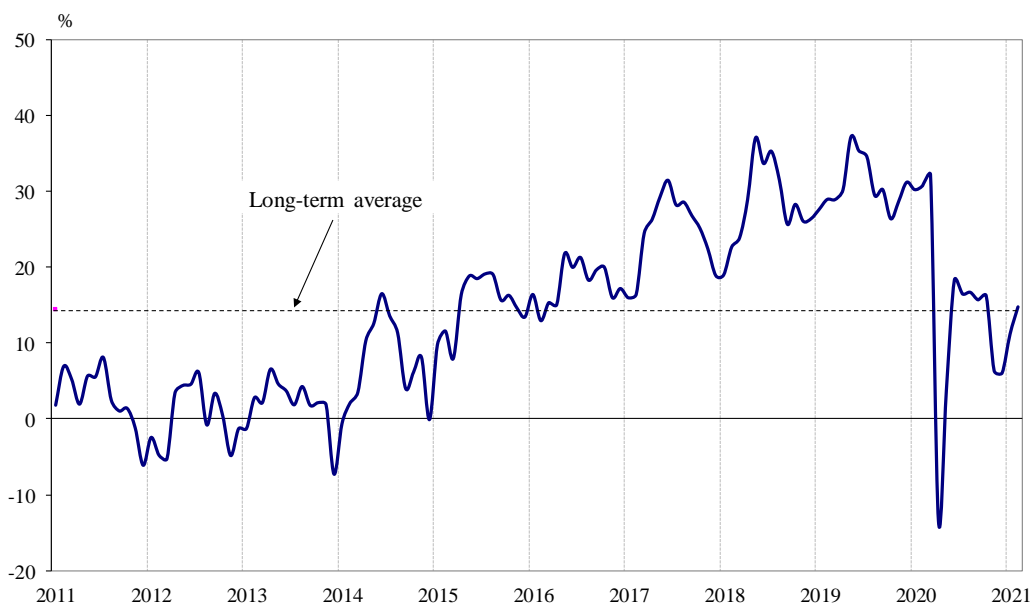
**Figure 4. Limits to production in industry (Relative share of enterprises)**



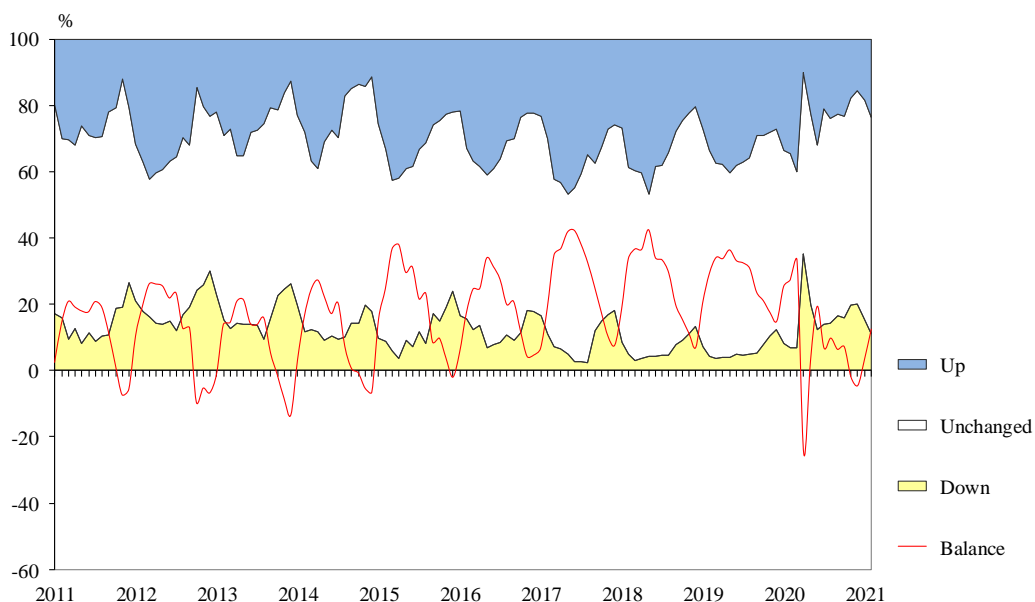
**Figure 5. Selling prices expectations in industry over the next 3 months**



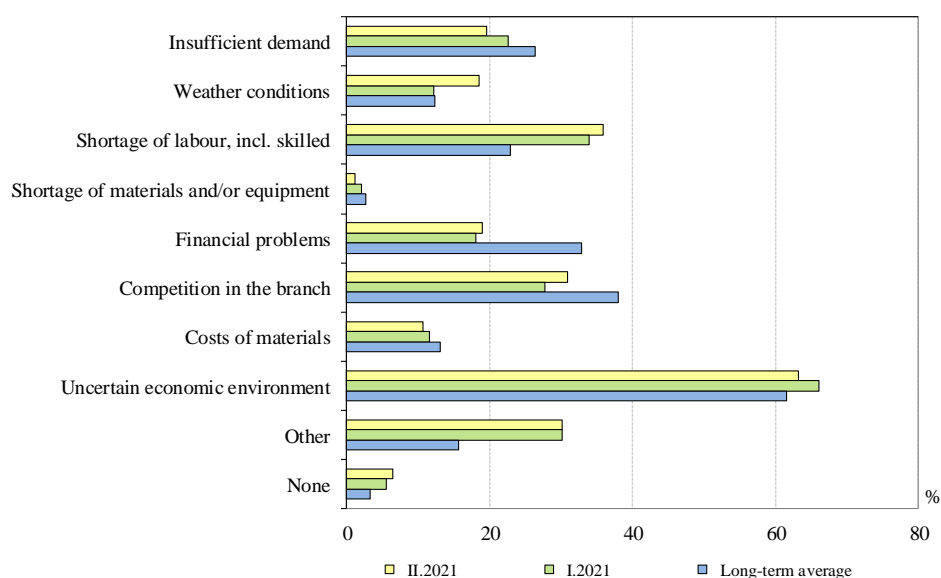
**Figure 6. Business climate in construction**



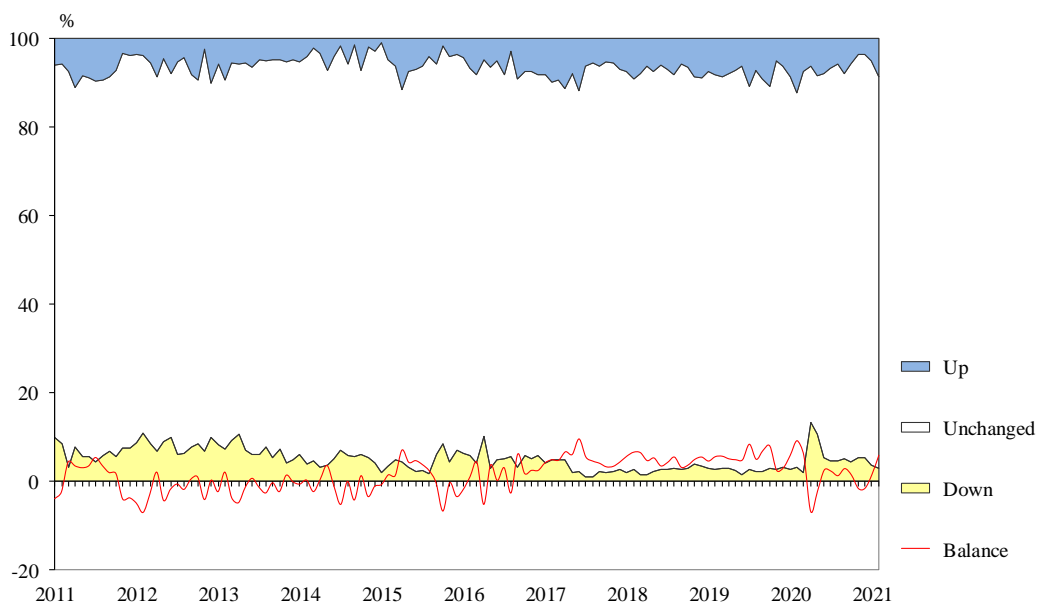
**Figure 7. Expected construction activity over the next 3 months**



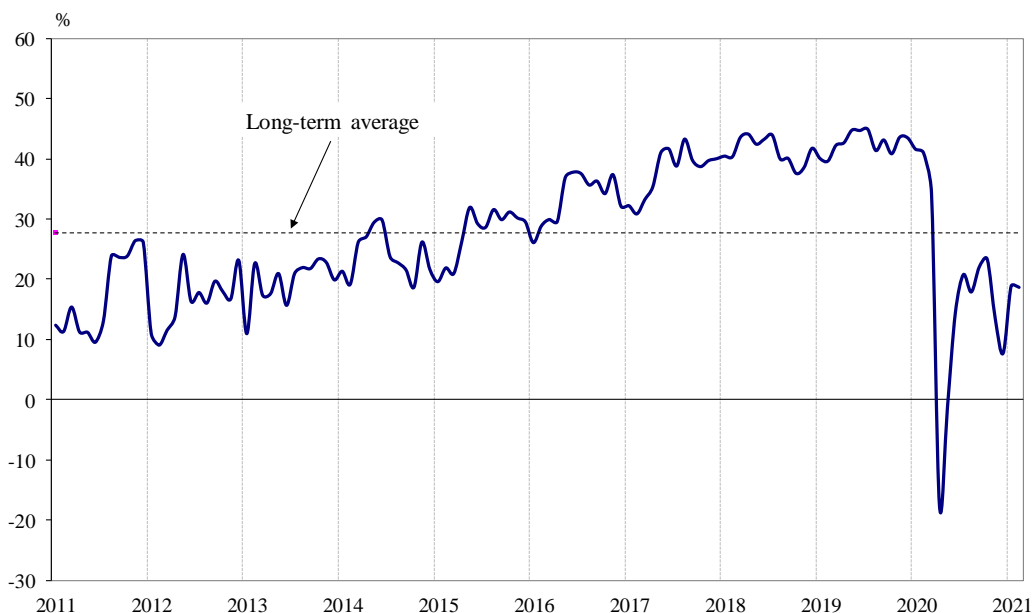
**Figure 8. Limits to construction activity (Relative share of enterprises)**



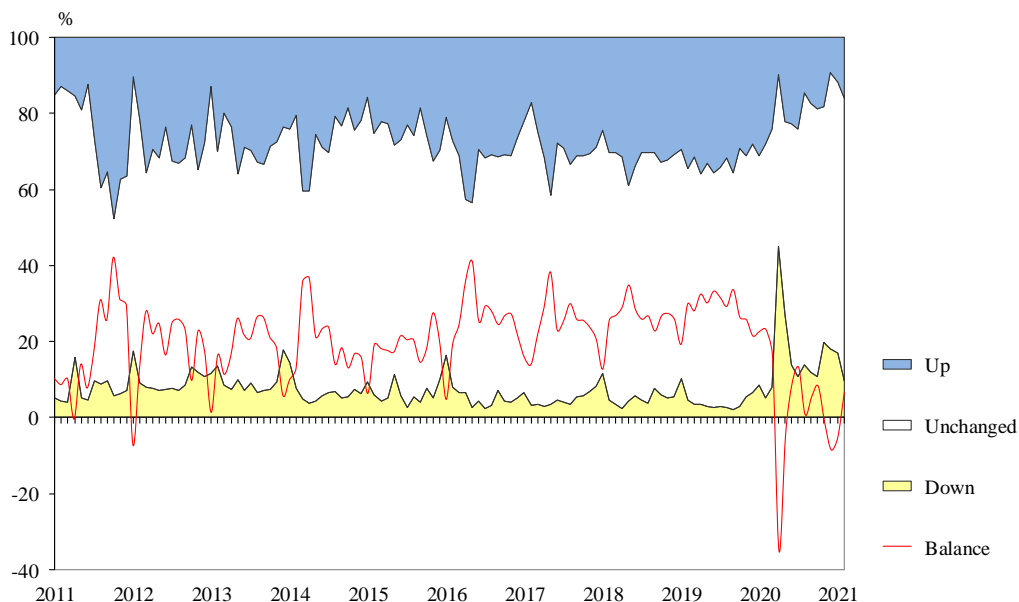
**Figure 9. Selling prices expectations in construction over the next 3 months**



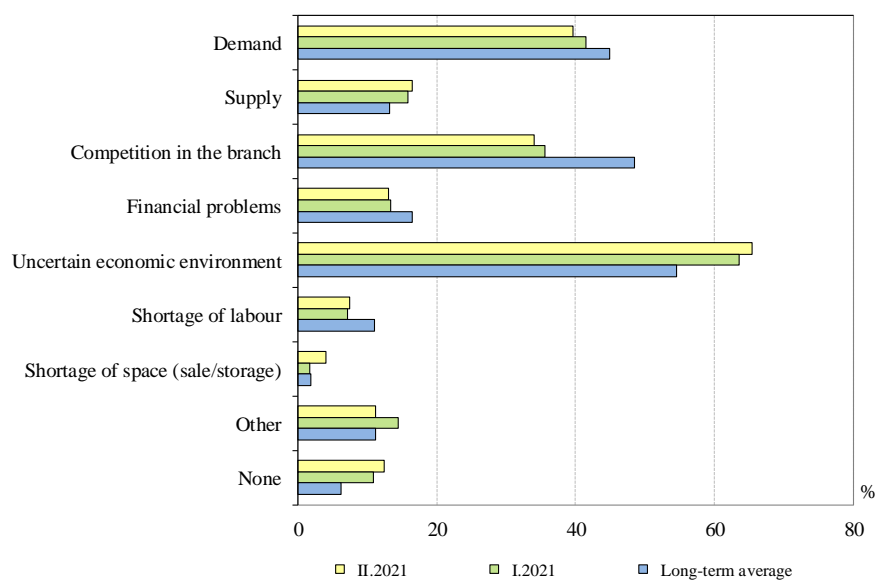
**Figure 10. Business climate in retail trade**



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

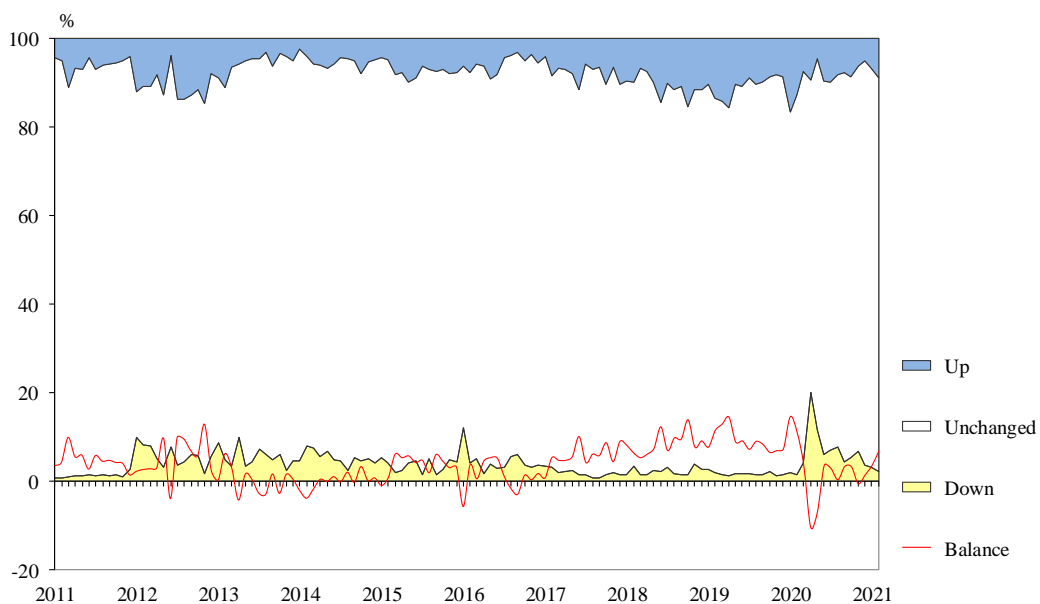


**Figure 12. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)**

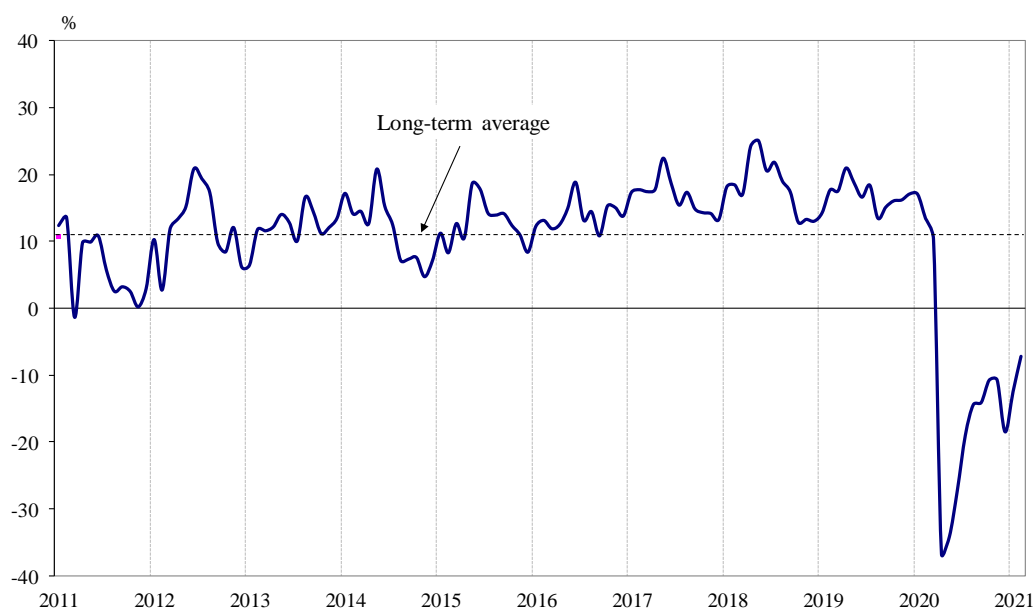




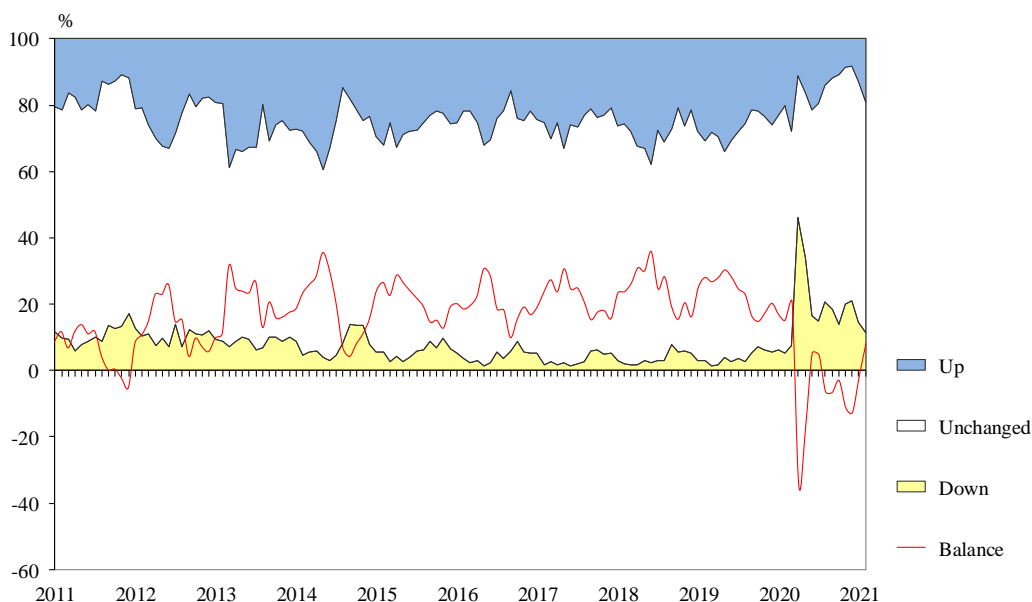
**Figure 13. Selling prices expectations in retail trade over the next 3 months**



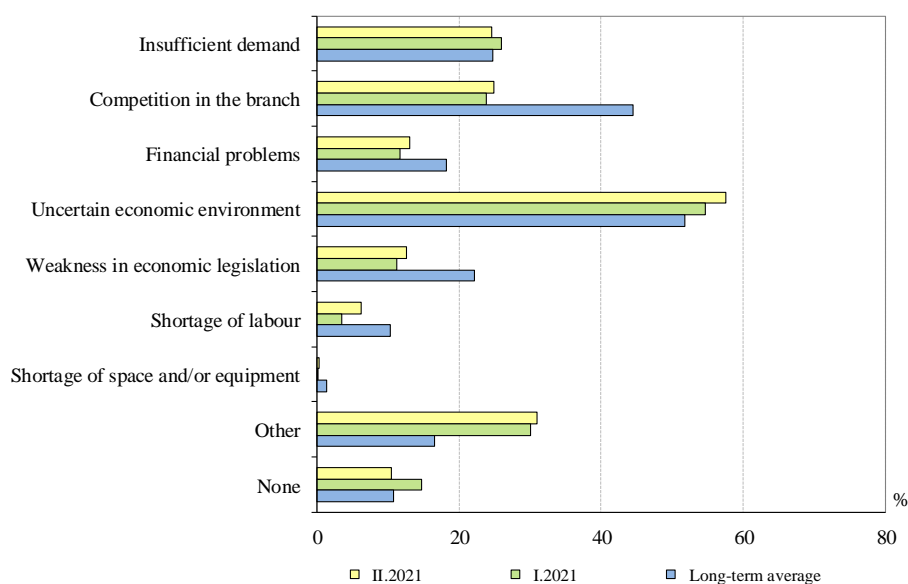
**Figure 14. Business climate in service sector**



**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**

