

2020-05-25

## PRESS RELEASE

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### Monthly business survey – May 2020

## Slight recovery in business confidence in May

- **The rise in the business barometer in May is pale in comparison with the dizzying fall in April. So, it is still extremely low.**
- **While the improvement is visible in business-related services, where the indicator had plummeted the most in April, business confidence has either contracted further or levelled out in the other sectors of activity.**
- **Company managers regard the current situation as even more worrying than last month, but their three-month outlook is slightly better.**

The improvement observed in business-related services concerns all activities. It has been driven by a very sharp upward revision of prospects for firms' own business activity as well as for general market demand. By contrast, appraisal of the current level of activity has deteriorated further.

In the trade sector, confidence has more or less stabilised. Despite the more favourable demand expectations, retailers are still expecting to cut back their orders placed with suppliers over the next three months. As for the employment outlook, there is no change.

The marginal decline in the building industry is mainly explained by a more negative appraisal of order books.

Finally, in the manufacturing industry, the indicator has continued to fall back under the influence of unfavourable assessments of current order books and stock levels. However, forecasts for employment and, to a very limited extent, those for demand have been revised upwards.

The overall smoothed synthetic curve, which reflects the underlying cyclical trend, is sharply down.

### Business survey indicators

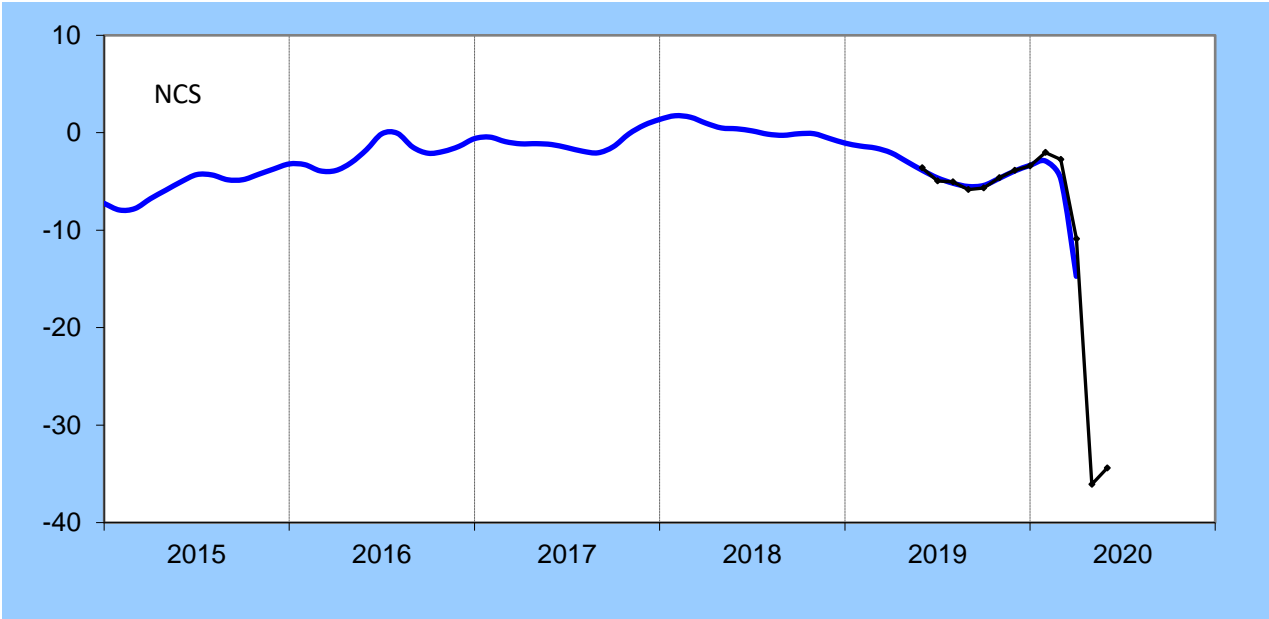
	Gross synthetic curve			Smoothed synthetic curve <sup>1</sup>
	April 2020	May 2020	Variation in points	Variation in points
Manufacturing industry	-32.6	-36.0	-3.4	-0.2
Business-related services	-62.1	-35.1	27.0	-3.8
Building industry	-23.2	-24.3	-1.1	-0.1
Trade	-41.6	-41.8	-0.2	-0.6
<b>Overall synthetic curve</b>	<b>-36.1</b>	<b>-34.4</b>	<b>1.7</b>	<b>-9.9</b>

<sup>1</sup> The smoothed curve has a two-month delay for the overall synthetic curve and a four-month delay for the branches of activity. In the current crisis circumstances, this means that the overall smoothed indicator already reflects the decline recorded in March, but this is not yet the case for the smoothed indicators per branch.

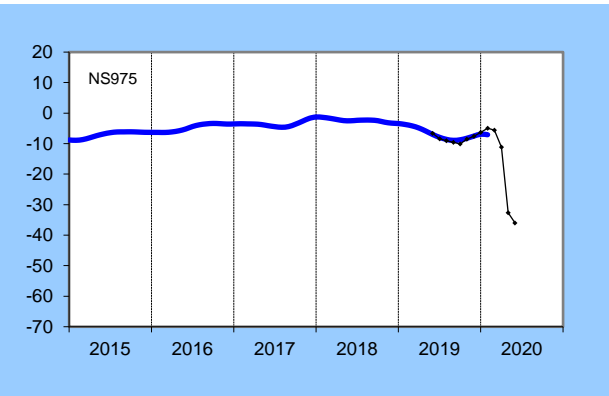
Source: NBB.

CHART 1 - SYNTHETIC CURVES

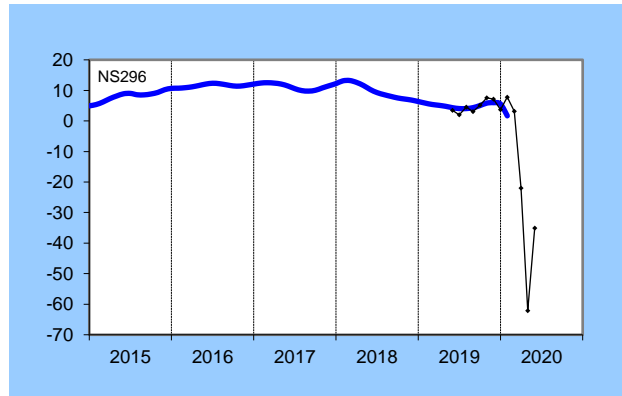
OVERALL SYNTHETIC CURVE



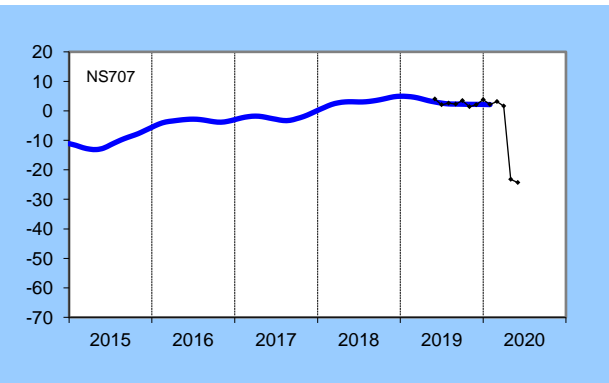
MANUFACTURING INDUSTRY



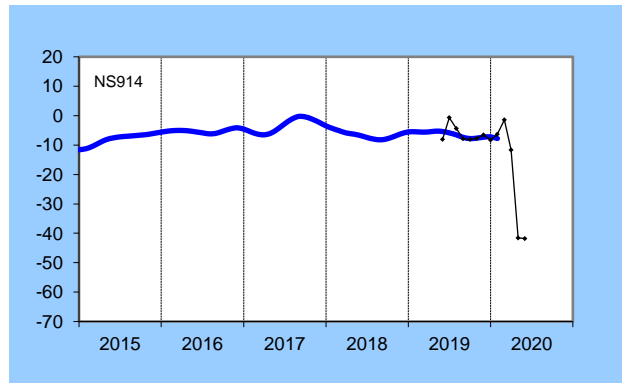
BUSINESS-RELATED SERVICES



BUILDING INDUSTRY



TRADE



— Seasonally adjusted and smoothed series  
Source: NBB

◆ Seasonally adjusted series

## SYNTHETIC CURVES AND THEIR COMPONENTS

TABLE 1

Seasonally adjusted balances of "positive" answers or "higher than normal"(+) and "negative" answers or "lower than normal"(-).	1980-2020 <sup>1</sup>			Adjusted series				Smoothed series			
	Min.	Max.	Avg.	2020				2019		2020	
				Feb.	March	April	May	Dec.	Jan.	Feb.	March
<b>Overall synthetic curve</b>	- 36.1	+ 9.2	- 7.1	- 2.7	- 10.9	- 36.1	- 34.4	- 3.3	- 2.9	- 4.8	- 14.7
<b>Manufacturing industry curve</b>	- 36.0	+ 6.0	- 10.1	- 5.5	- 11.2	- 32.6	- 36.0	- 6.9	- 7.1	.	.
Assessment of total order books	- 57.7	+ 10.0	- 21.3	- 15.3	- 20.9	- 46.2	- 57.7	- 20.2	- 20.1	.	.
Assessment of level of stocks <sup>2</sup>	- 12.9	+ 25.0	+ 5.9	+ 2.8	- 7.4	+ 5.0	+ 15.7	+ 4.9	+ 4.2	.	.
Employment expectations	- 41.4	+ 8.0	- 8.5	- 5.1	- 13.9	- 41.4	- 33.7	- 3.3	- 4.9	.	.
Demand expectations	- 37.9	+ 15.0	- 4.9	+ 1.0	- 17.3	- 37.9	- 36.8	- 0.1	- 1.6	.	.
<b>Business-related services curve</b>	- 62.1	+ 34.0	+ 9.8	+ 3.2	- 22.0	- 62.1	- 35.1	+ 5.5	+ 1.7	.	.
Assessment of activity	- 71.6	+ 20.0	- 4.9	- 4.1	- 7.2	- 55.7	- 71.6	- 6.3	- 6.4	.	.
Activity expectations	- 70.7	+ 51.7	+ 22.0	+ 11.5	- 31.3	- 70.7	- 11.0	+ 14.9	+ 11.0	.	.
Market demand expectations	- 59.9	+ 45.0	+ 13.4	+ 2.0	- 27.3	- 59.9	- 22.6	+ 6.3	+ 1.6	.	.
<b>Building industry curve</b>	- 39.0	+ 24.3	- 7.0	+ 3.1	+ 1.7	- 23.2	- 24.3	+ 2.2	+ 2.1	.	.
Trend in orders	- 52.0	+ 40.0	- 4.3	+ 6.3	+ 3.3	- 30.1	- 29.2	+ 0.9	+ 0.5	.	.
Trend in equipment	- 38.4	+ 24.0	+ 1.6	+ 1.9	+ 3.6	- 35.8	- 38.4	+ 1.7	+ 1.8	.	.
Assessment of order books	- 74.0	+ 30.0	- 22.3	- 2.6	- 0.3	- 3.6	- 8.0	- 0.6	- 0.9	.	.
Demand expectations	- 39.0	+ 21.0	- 2.9	+ 6.7	- 2.2	- 23.2	- 21.6	+ 7.2	+ 6.0	.	.
<b>Trade curve</b>	- 41.8	+ 16.0	- 2.4	- 1.4	- 11.7	- 41.6	- 41.8	- 7.2	- 7.8	.	.
Employment expectations	- 33.0	+ 18.0	+ 1.5	+ 6.2	- 7.8	- 33.0	- 33.0	- 5.1	- 5.3	.	.
Demand expectations	- 56.0	+ 29.0	- 0.4	- 1.2	- 18.0	- 56.0	- 52.2	- 7.8	- 9.0	.	.
Intentions of placing orders	- 40.1	+ 15.0	- 7.4	- 9.2	- 9.2	- 35.7	- 40.1	- 11.2	- 11.5	.	.

<sup>1</sup> Minimum, maximum and average values of each indicator (adjusted series) since January 1980.

<sup>2</sup> A positive, respectively negative balance, means that stocks, according to the assessment of entrepreneurs, are higher, respectively lower than normal for the season. When synthetic curves are calculated, the sign of this indicator is therefore reversed.

## OTHER BUSINESS SURVEY INDICATORS

TABLE 2

Seasonally adjusted balances of "positive" answers or "higher than normal"(+) and "negative" answers or "lower than normal"(-).	1980-2020 <sup>1</sup>			Adjusted series				Smoothed series				
	Min.	Max.	Avg.	2020				2019		2020		
				Feb.	March	April	May	Dec.	Jan.	Feb.	March	
<b>Manufacturing industry</b>												
Trend in production rate	- 53.0	+ 20.0	- 1.1	- 3.6	+ 1.2	- 53.0	- 51.6	- 3.5	- 4.5	.	.	
Trend in domestic orders	- 48.7	+ 16.0	- 7.8	- 5.7	- 11.5	- 45.0	- 48.7	- 10.7	- 10.8	.	.	
Trend in export orders	- 56.3	+ 30.0	- 2.8	- 4.5	- 1.9	- 38.5	- 56.3	- 0.4	- 1.6	.	.	
Assessment of export order books	- 61.0	+ 10.0	- 22.7	- 21.0	- 24.9	- 45.2	- 56.7	- 22.8	- 23.3	.	.	
Trend in prices	- 21.0	+ 24.0	+ 1.0	- 3.0	- 1.5	- 6.5	- 12.7	- 3.9	- 3.3	.	.	
Price expectations	- 24.0	+ 43.0	+ 6.5	+ 5.3	- 5.7	- 11.3	- 10.5	- 1.4	- 1.2	.	.	
<b>Production capacity</b>												
(in percentage of the total production capacity)	70.1	84.6	79.0	-	-	73.0	-					
Source: quarterly production capacity survey												
<b>Business-related services</b>												
Trend in activity	- 73.0	+ 37.0	+ 9.6	+ 12.6	+ 1.3	- 73.0	- 44.8	+ 9.1	+ 7.8	.	.	
Trend in employment	- 49.4	+ 34.0	+ 6.9	- 2.9	- 0.4	- 30.2	- 36.0	+ 1.1	+ 0.2	.	.	
Employment expectations	- 35.0	+ 48.0	+ 17.3	+ 19.3	- 8.5	- 31.0	- 11.9	+ 16.4	+ 12.2	.	.	
Trend in prices	- 15.8	+ 12.0	+ 1.9	- 2.0	- 1.7	- 1.4	- 6.2	+ 1.2	+ 0.0	.	.	
Price expectations	- 13.0	+ 30.0	+ 6.7	+ 14.7	+ 5.4	- 0.9	+ 1.9	+ 7.6	+ 6.5	.	.	
<b>Building industry</b>												
Trend in activity	- 66.6	+ 34.7	- 4.4	+ 11.6	- 2.9	- 66.6	- 58.8	+ 2.4	+ 1.7	.	.	
Trend in employment	- 38.0	+ 22.0	- 5.2	- 2.1	- 0.3	- 12.5	- 27.0	- 2.4	- 1.7	.	.	
Employment expectations	- 50.0	+ 30.0	- 4.6	+ 8.8	+ 7.6	- 9.4	- 0.5	+ 8.7	+ 8.7	.	.	
Trend in prices	- 27.1	+ 32.0	- 1.9	+ 1.2	+ 0.0	- 7.4	- 3.7	+ 0.3	+ 0.2	.	.	
Price expectations	- 20.6	+ 46.0	+ 5.1	+ 6.4	- 0.6	- 0.9	- 1.1	+ 6.8	+ 5.7	.	.	
<b>Trade</b>												
Trend in sales	- 50.1	+ 43.0	- 0.6	- 2.9	+ 5.2	- 38.5	- 50.1	- 7.3	- 6.5	.	.	
Assessment of sales	- 50.0	+ 28.0	- 9.2	- 0.1	- 8.1	- 50.0	- 45.4	- 9.0	- 8.2	.	.	
Assessment of level of stocks <sup>2</sup>	- 12.9	+ 38.1	+ 12.2	+ 7.6	+ 23.7	+ 38.1	+ 38.1	+ 11.4	+ 13.0	.	.	
Trend in prices	- 20.0	+ 50.0	+ 1.9	- 1.3	+ 2.7	+ 7.9	- 1.4	- 2.9	+ 0.2	.	.	
Price expectations	- 11.0	+ 66.2	+ 11.2	+ 7.3	+ 3.8	- 10.8	- 10.9	+ 7.6	+ 7.2	.	.	

<sup>1</sup> Minimum, maximum and average values of each indicator (adjusted series) since January 1980.

<sup>2</sup> A positive, respectively negative balance, means that stocks, according to the assessment of entrepreneurs, are higher, respectively lower than normal for the season.

## Quarterly business survey on credit conditions – April 2020

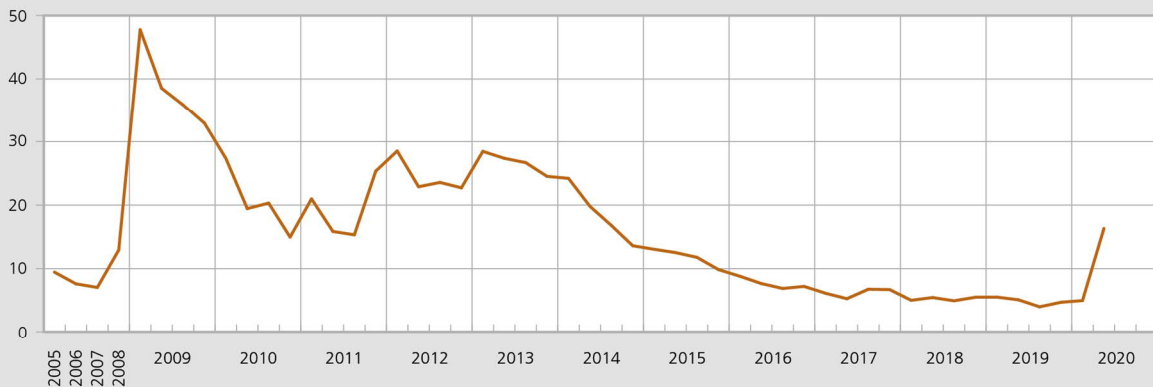
### Weakened by the Covid-19 crisis, firms find conditions for access to bank credit more restrictive

In the quarterly survey of assessment of borrowing conditions conducted in April 2020<sup>1</sup>, companies say that general conditions for access to bank credit have become considerably tighter than in January. Thus, the percentage of firms viewing credit conditions as restrictive increased from 5.0 % in January to 16.3 % in April. This percentage is nevertheless still well below that observed in the wake of the financial crisis at the end of 2008.

Credit conditions became tighter in all the branches of activity polled, and more particularly in manufacturing industry (from 2.2 % to 14.3 %) and business services (from 8.1 % to 19.4 %).

Moreover, no size category of firms escaped the perception of tougher borrowing conditions. The biggest increase in credit constraints applied to very large companies (500 or more employees), where the indicator jumped by more than 12 %, although in terms of level it is small and medium-sized firms (fewer than 250 employees) that consider themselves the most subject to credit restrictions, at 15.7 % and 16.3 % respectively.

CHART 2 - CREDIT CONSTRAINT PERCEPTION <sup>1</sup> - OVERALL INDICATOR

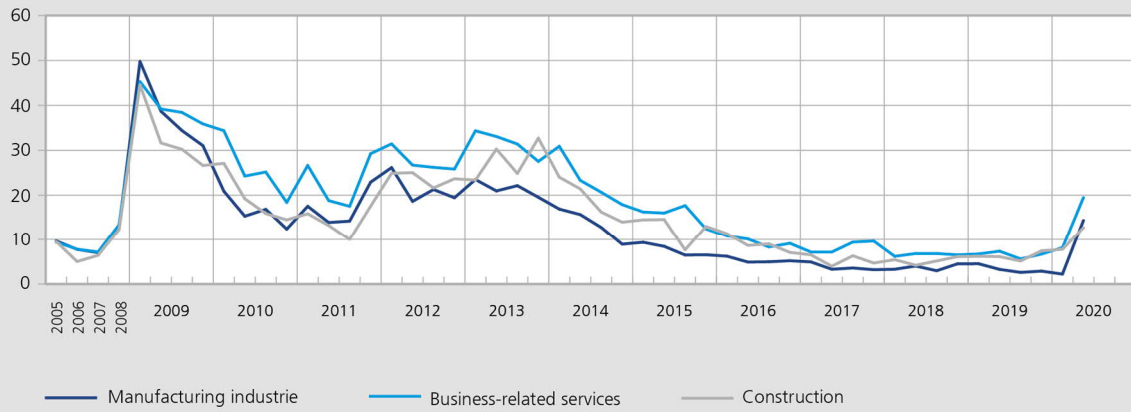


Source: NBB - quarterly survey on credit conditions.

<sup>1</sup> Percentage of firms that perceive current credit conditions as constraining.

<sup>1</sup> Given the particular circumstances related to the Covid-19 crisis, the survey period was exceptionally adjusted, running from 24 April to 18 May 2020.

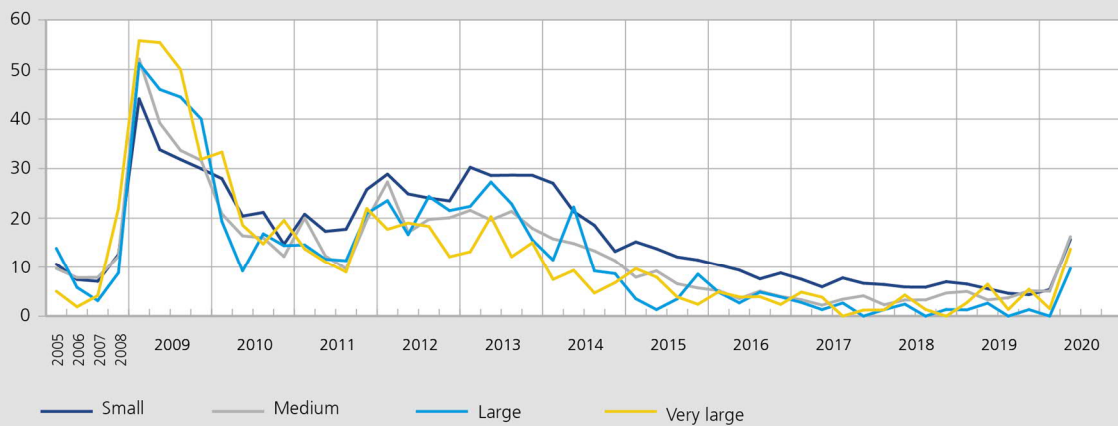
**CHART 3 - CREDIT CONSTRAINT PERCEPTION<sup>1</sup> - BREAKDOWN BY BRANCH OF ACTIVITY**



Source: NBB - quarterly survey on credit conditions.

<sup>1</sup> Percentage of firms that perceive current credit conditions as constraining.

**CHART 4 - CREDIT CONSTRAINT PERCEPTION<sup>1</sup> - BREAKDOWN BY COMPANY SIZE<sup>2</sup>**



Source: NBB - quarterly survey on credit conditions.

<sup>1</sup> Percentage of firms that perceive current credit conditions as constraining.

<sup>2</sup> Small = 1 - 49 employees; medium = 50 - 249 employees; large = 250 - 499 employees; very large = 500 or more employees.

**TABLE 3 CREDIT CONSTRAINT PERCEPTION INDICATOR<sup>1</sup>**

	04-2019	07-2019	10-2019	01-2020	04-2020
<b>Overall indicator <sup>2</sup></b>	<b>5.1</b>	<b>4.0</b>	<b>4.7</b>	<b>5.0</b>	<b>16.3</b>
<b>By branch of activity</b>					
Manufacturing industry	3.3	2.6	2.9	2.2	14.3
Business-related services	7.3	5.6	6.7	8.1	19.4
Construction	6.1	5.1	7.4	7.7	12.7
<b>By size of company<sup>3</sup></b>					
Small	5.6	4.6	4.4	5.4	15.7
Medium	3.3	3.7	5.1	5.1	16.3
Large	2.6	0.0	1.3	0.0	9.7
Very large	6.5	1.4	5.5	1.5	13.7

<sup>1</sup> Percentage of firms that perceive current credit conditions as constraining

<sup>2</sup> Weighted average of manufacturing industry, business-related services and building industry (criterion for weighting: outstanding debt with credit institutions). Within the individual branches, however, the responses of firms are not weighted.

<sup>3</sup> Small: 1-49 employees; medium: 50-249 employees; large: 250-499 employees; very large: 500 employees or more.

#### Methodology on the « perception of credit constraint » by businesses

The National Bank of Belgium (NBB) publishes an indicator based on the quarterly credit condition business survey findings. This « credit constraint perception » indicator shows the proportion of firms' unfavourable assessments of the current credit conditions.

In terms of statistical properties, this appears to be more relevant than an indicator showing the level of favourable assessments or the balance between favourable and unfavourable assessments.

The new indicator is also easy to interpret, as any rise (or fall) in it means that companies feel credit conditions are tightening (or easing).

The credit constraint perception indicator, compiled by the NBB, is available on a quarterly basis since January 2009<sup>2</sup>.

<sup>2</sup> The results of the quarterly survey among enterprises on credit conditions are also included and commented in the quarterly release of the Observatory for credit to non-financial companies, at the same time as the Belgian results of the ESCB-Bank Lending Survey ([http://www.nbb.be/doc/DQ/BLS/fr/BLS\\_home.htm](http://www.nbb.be/doc/DQ/BLS/fr/BLS_home.htm)).