



National Bank  
of Ukraine

# Monthly Business Outlook Survey

October 2019

The findings presented only reflect the opinions of the respondents, and should not be considered as NBU forecasts or assessments

Issue No.4  
Statistics and Reporting Department



## Summary

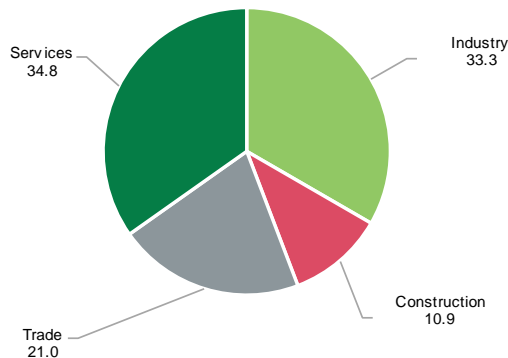
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**Businesses reported more moderate expectations of their business performance compared to September.** The **business activity expectations index** was **52.3** in October, down from 56.6 in September.

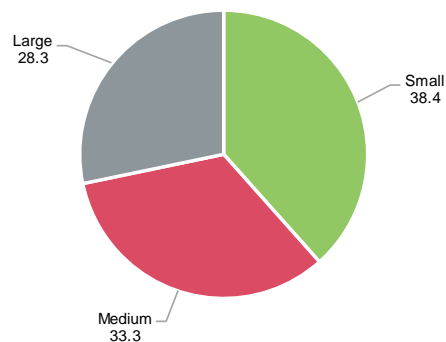
- **Companies in the services and trade sectors remained upbeat**, their diffusion indices being 56.2 and 53.3 respectively.
- Companies in the industrial and construction sectors were pessimistic about their activities due to a further deterioration in conditions on the global metals market and a seasonal decline in business activity on the construction market.
- Intentions to increase worker numbers slightly were reported, but only by respondents in the trade and services sectors.

# Survey Details

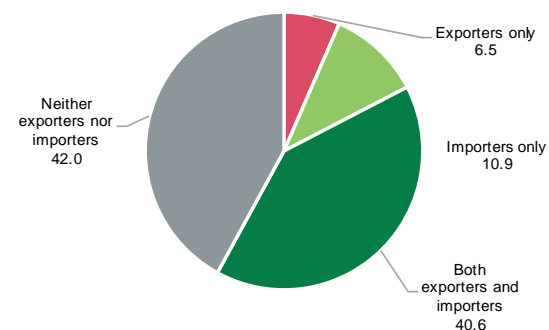
Respondents by sectors of the economy, %



Respondents by company size, %



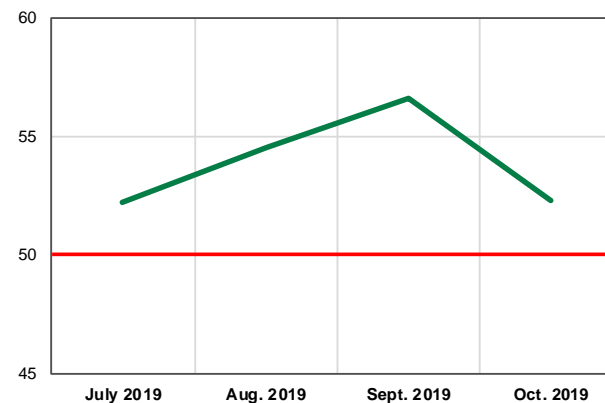
Respondents by business activities, %



- This survey was carried out from 7 October through 25 October 2019
- A total of 138 companies were polled
- Survey horizon: change in companies' performance indicators in October compared to September

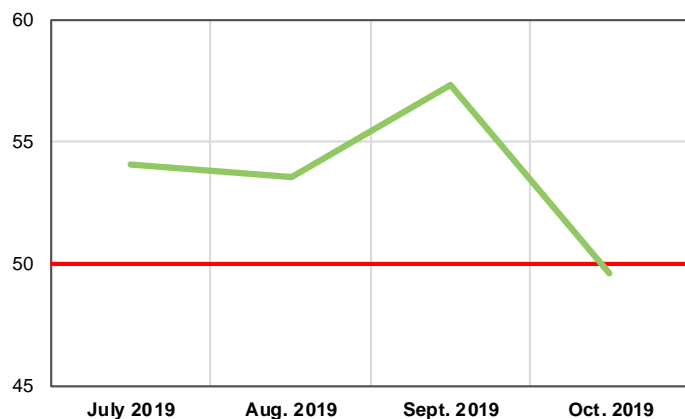
Sector	Sector's contribution to Ukrainian GDP	Sectoral diffusion index	BAEI (total across Ukraine)	DI growth compared to previous month	
				sectoral	composite
Industry	38.9	49.6	52.3	-7.7	-4.3
Construction	4.3	46.0		-10.2	
Trade	32.3	53.3		-1.2	
Services	24.6	56.2		-1.9	
	100.0	x		x	x

Business activity expectations indices

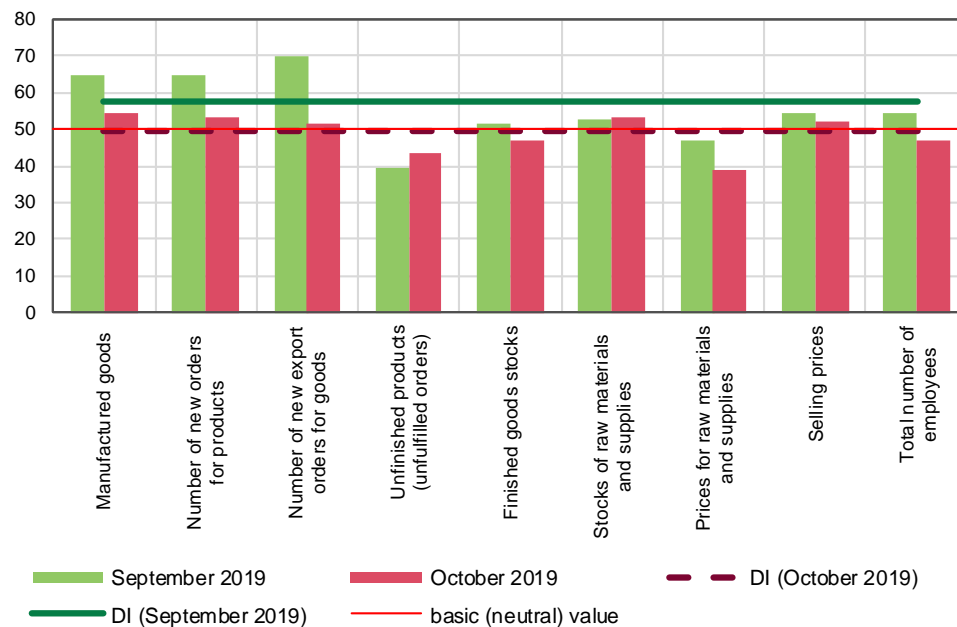


# Industry

Diffusion index for industrial companies' expectations of their business situation



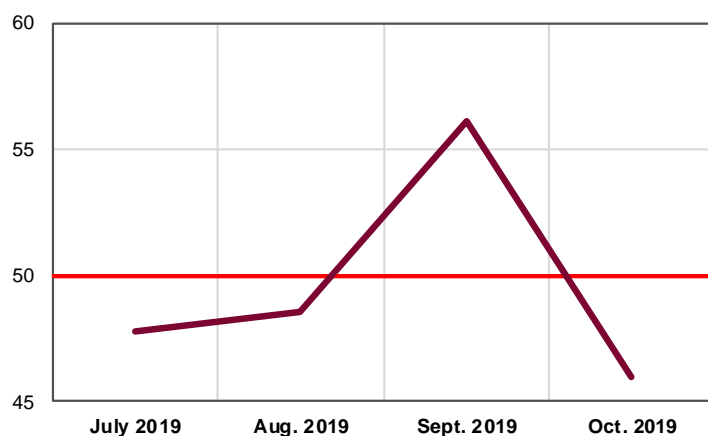
Diffusion indices (DI) for the economic standings of industrial companies



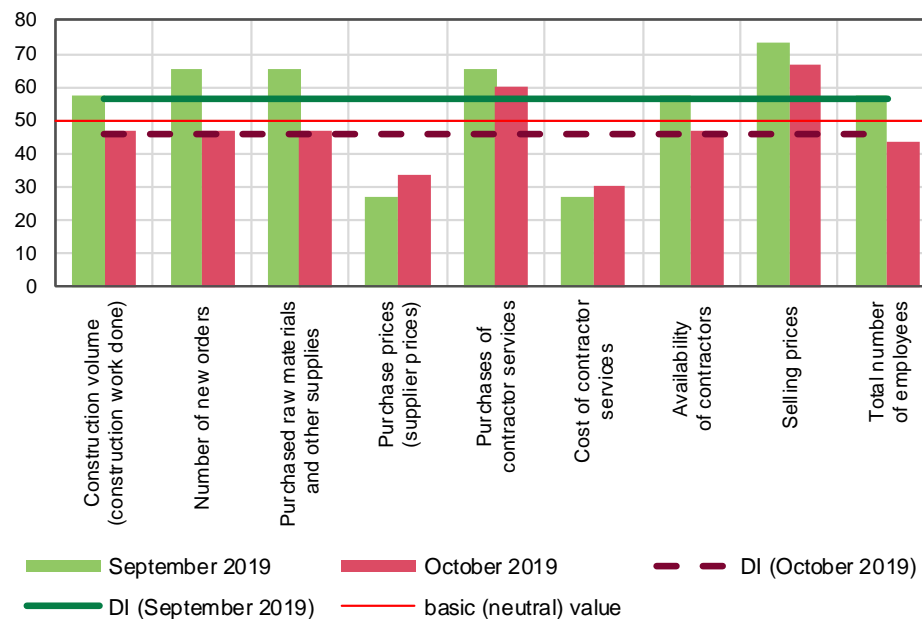
- **Companies in the industrial sector reported expectations of weaker performance in October compared to September.** The sector's diffusion index (DI) was 49.6, down from 53.6 in September.
- Compared to the previous month, companies expected a **significant drop in new orders** for their products, including those for export products. The DIs were 53.3 and 51.7 respectively (compared to 64.7 and 70.0 in September).
- Companies expect their total **employment to decrease**, the DI being 46.7, down from 54.4 in September.
- Respondents also expected a fall in raw material and supplies prices, and selling prices.

# Construction

Diffusion index for construction companies' expectations of their business situation



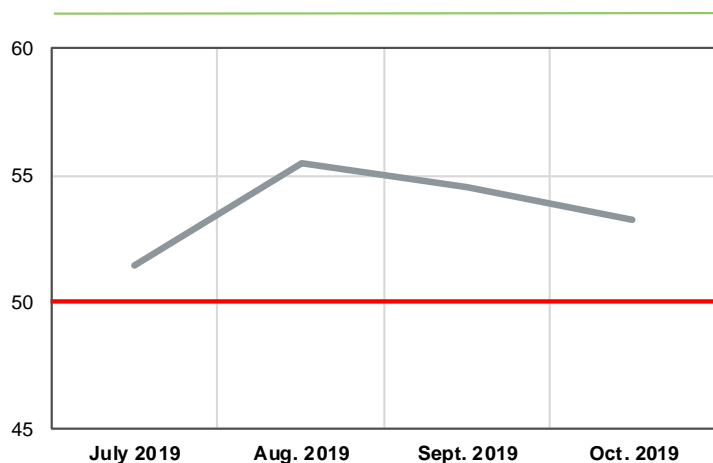
Diffusion indices (DI) for the economic standings of construction companies



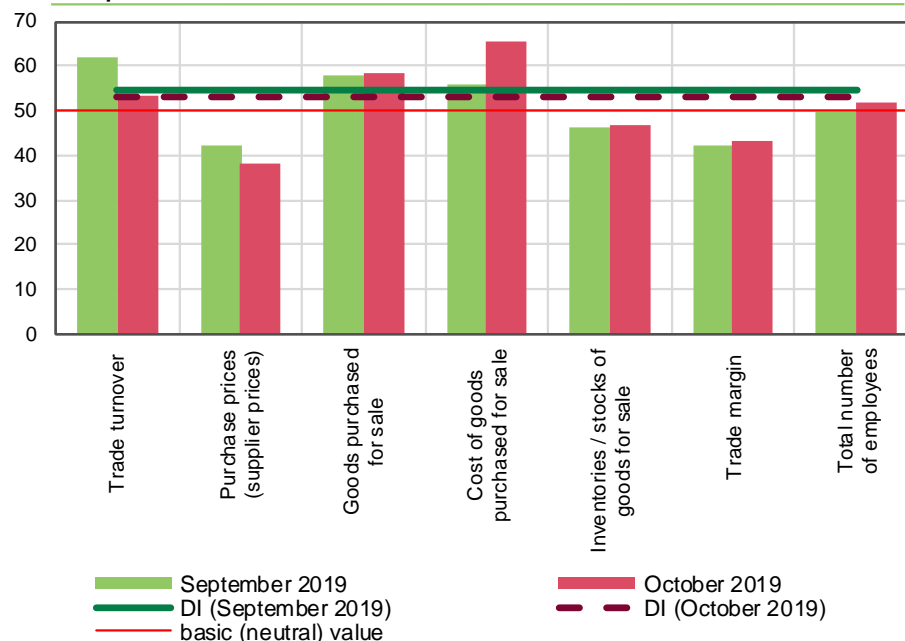
- **Construction companies were again pessimistic.** The sector's DI declined, to 46.0, compared to 56.2 in September.
- Respondents cited **significantly softer expectations for new orders** and the volume of construction work done.
- Companies in the construction sector were downbeat about **total employment** in the sector. The DI dropped to 43.4, compared to 57.7 in September.
- Companies expect a rise in supplier prices and an increase in the cost of contractor services.

# Trade

Diffusion index for trade companies' expectations of their business situation



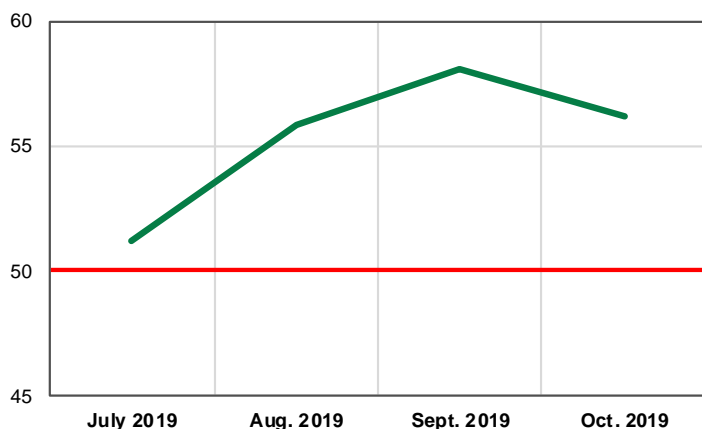
Diffusion indices (DI) for the economic standings of trade companies



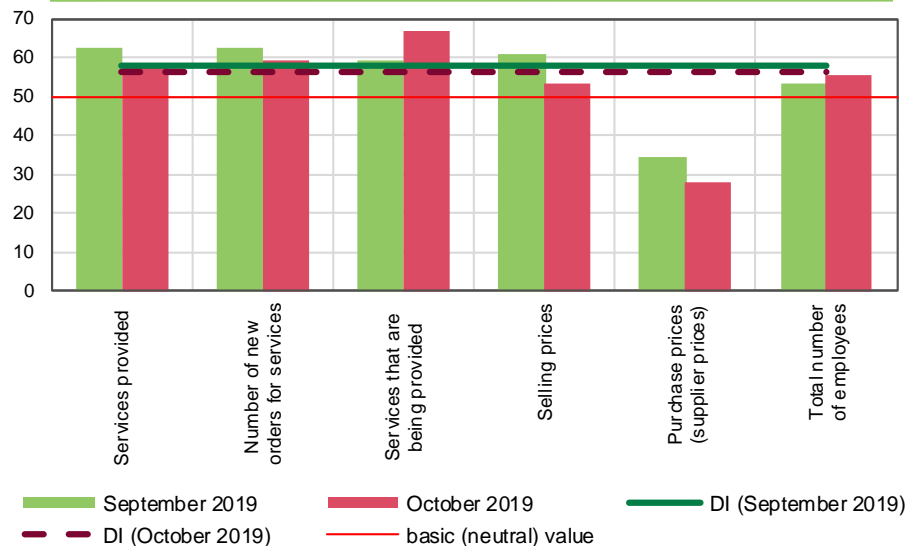
- As in the previous month, trade **companies were optimistic about their business activity in October**, albeit slightly less so (the sector's DI was 53.3, down from 54.5 in September).
- The most optimistic expectations were reported for purchases of goods for sale.**
- Goods turnover continued to be assessed as positive**, despite there being a decline compared to September (the DI was 53.4 in October, down from 62.0 in September).
- In contrast to industrial and construction companies, respondents from trade companies **expected a slight increase in employment.**

# Services

Diffusion index for services companies' expectations of their business situation



Diffusion indices (DI) for the economic standings of companies in the services sector



- Companies in the services sector remained the most upbeat about their business situation in October, the DI being 56.2, compared to 58.2 in September.
- Respondents reported positive expectations about their business situation in October based on all of the indicators.
- The most robust expectations cited were for an **increase in the volume of services being provided**.
- Companies were also upbeat about an **increase in the amount of services provided and the number of new orders for services**. The DIs were 58.3 and 59.4 respectively.
- Just as trade companies, those in the services sector were **optimistic about total employment**, their DI being 55.2, up from 53.1 in September.



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# *Annexes*

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## Data on surveys of industrial companies in October 2019

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Manufactured goods	30	48	22
Number of new orders for products	26	54	20
Number of new export orders for goods	23	57	20
Unfinished products (unfulfilled orders)	9	70	22
Finished goods stocks	26	54	20
Stocks of raw materials and supplies	26	54	20
Prices for raw materials and supplies	26	70	4
Selling prices	15	74	11
Total number of employees	7	80	13

## Data on surveys of construction companies in October 2019

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Construction volume (construction work done)	13	67	20
Number of new orders	20	53	27
Purchased raw materials and supplies	13	67	20
Purchase prices (supplier prices)	33	67	0
Purchases of contractor services	33	53	13
Cost of contractor services*	40	60	0
Availability of contractors	7	80	13
Selling prices	33	67	0
Total number of employees	7	73	20

## Data on surveys of trade companies in October 2019

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Trade turnover	31	45	24
Purchase prices (supplier prices)	24	76	0
Goods purchased for sale	34	48	17
Cost of goods purchased for sale	41	48	10
Inventories / stocks of goods for sale*	31	45	24
Trade margin	10	66	24
Total number of employees	7	90	3

## Data on surveys of services companies in October 2019

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Services provided	35	46	19
Number of new orders for services	42	35	23
Services that are being provided	40	54	6
Selling prices	10	85	4
Purchase prices (supplier prices)	44	56	0
Total number of employees	21	69	10

## Main Terms and Definitions

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- **The diffusion index (DI)** is calculated as the sum of the percentage of positive replies (indicates an increase) and half of the percentage of neutral replies (indicates no change), using the following formula:

$$DI_j = (P \cdot 1) + (E \cdot 0.5) + (N \cdot 0),$$

where **P** is the percentage of respondents that reported an increase (optimistic views)

**E** is the percentage of respondents that reported no change and

**N** is the percentage of respondents that reported a decrease (pessimistic views).

Provided that  $P + E + N = 100$

- The values of the index can range between 0 and 100:
  - **a value of 50.0** indicates no change compared to the previous month
  - **values above 50.0** indicate an improvement or an increase compared to the previous month
  - **values below 50.0** indicate a deterioration or a decrease compared to the previous month.The more the indices deviate from the value of 50.0, the greater the velocity of change.
- The diffusion indices were calculated using the inverse of replies regarding the following indicators: stocks of finished goods and the prices of raw materials and supplies for industry; purchase prices/supplier prices and the cost of contractor services for construction; purchase prices/supplier prices and stocks of goods for sale for trade; and purchase prices/supplier prices for the services sector. The inverse of replies means that an increase indicates pessimistic views, while a decrease indicates optimistic views.
- **The composite index (CI)** is a weighted average indicator, which is calculated on the basis of the contribution of each sector of the economy to Ukraine's GDP.



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