



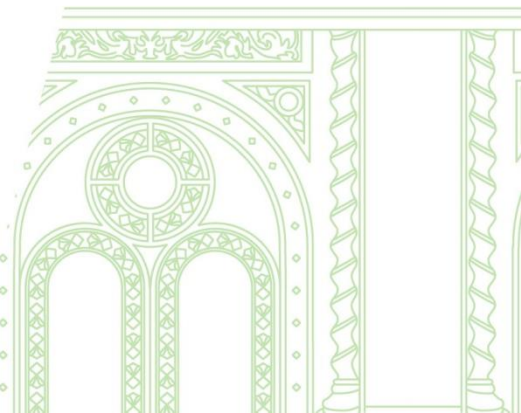
National Bank
of Ukraine

Monthly Business Outlook Survey

December 2019

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

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Statistics and Reporting Department



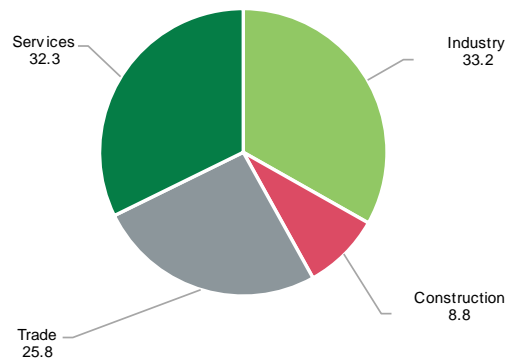
Summary

For the second consecutive month, companies' expectations of their business performance were below the neutral level. The business activity expectations index was 48.6, down from 49.1 in November.

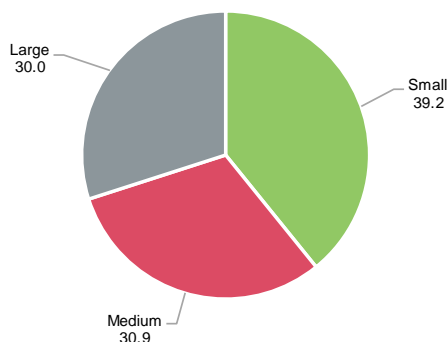
- Companies across all surveyed sectors reported pessimistic expectations for their business performance in December. This may have been due to the continued worsening in global markets, and the seasonal decline in business activity.
- Industrial enterprises, construction businesses and service providers expected a fall in new orders for their products.
- Respondents across all sectors were pessimistic about staff numbers at their companies.

Survey Details

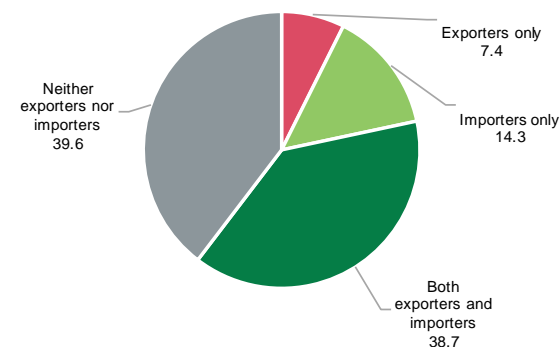
Respondents by sectors of the economy, %



Respondents by company size, %



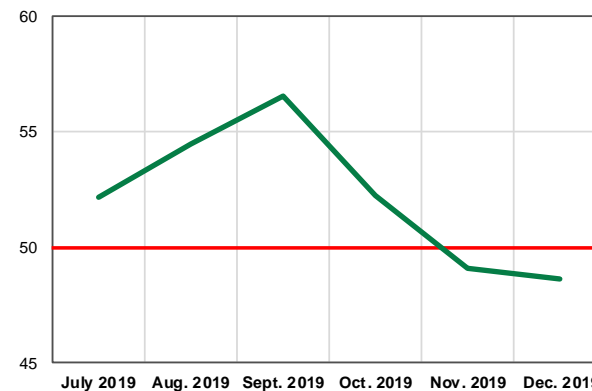
Respondents by business activities, %



- The survey was carried out from 5 December through 24 December 2019
- A total of 217 companies were polled
- Survey horizon: change in companies' performance indicators in December compared to November

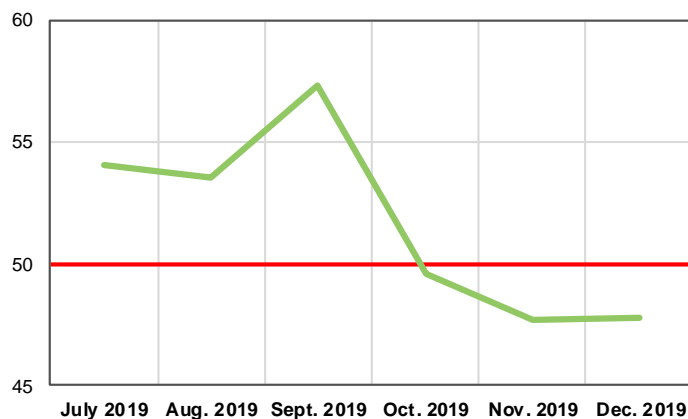
Sector	Sector's contribution to Ukrainian GDP (2018),%	Sectoral diffusion index	BAE (total across Ukraine)	DI growth compared to previous month	
				sectoral	composite
Industry	38.9	47.8	48.6	+0.1	-0.5
Construction	4.3	39.7		-3.8	
Trade	32.3	49.9		+0.6	
Services	24.6	49.9		-2.2	
	100.0	x		x	x

Business activity expectations indices

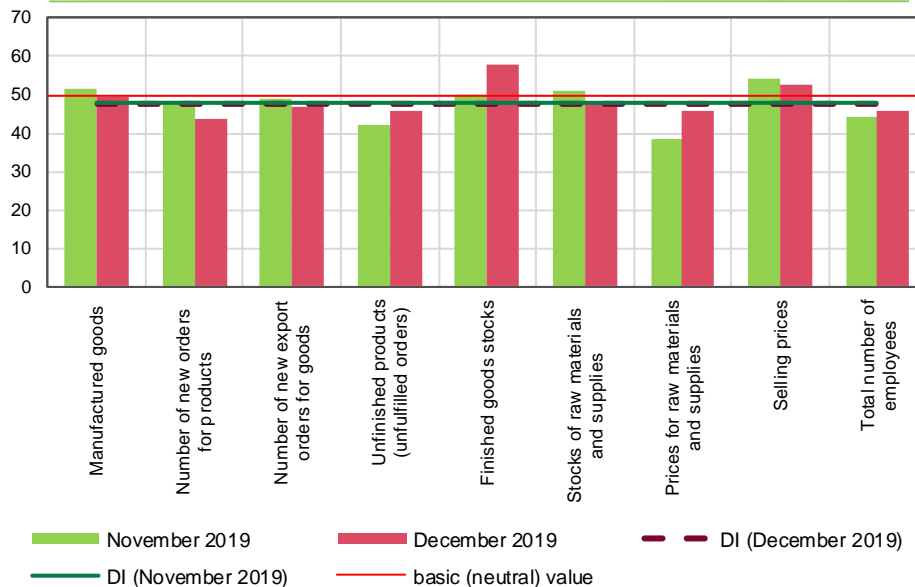


Industry

Diffusion index for industrial companies' expectations of their business situation



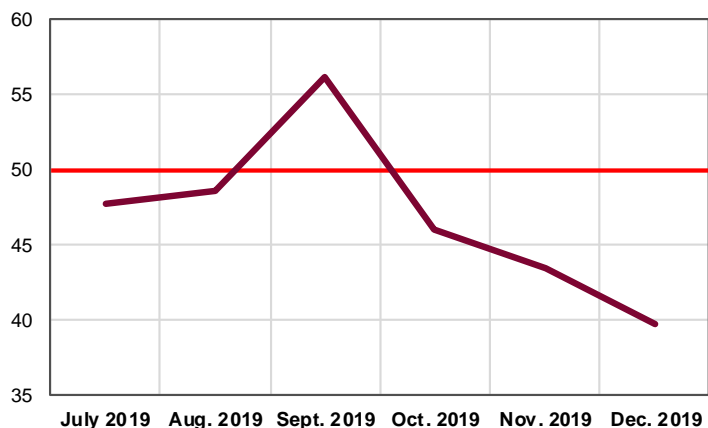
Diffusion indices (DI) for the economic standings of industrial companies



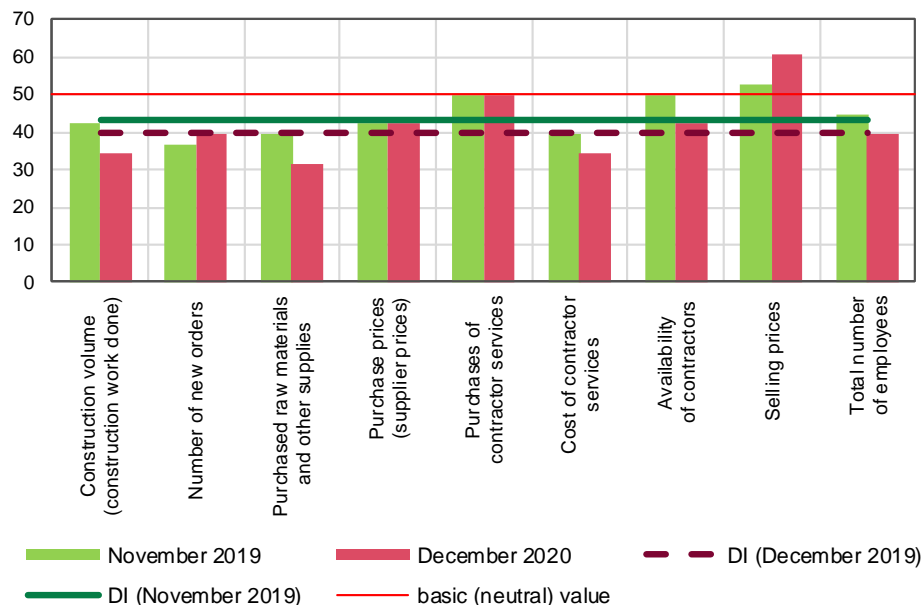
- Companies in the industrial sector reported **expectations of weak performance** for the third month running. The sector's DI was 47.8 (47.7 in November).
- Respondents continue to expect a **drop in new orders** for their products, including export orders. The DIs were 43.8 and 46.9 respectively (compared to 48.4 and 48.9 in November).
- On the other hand, respondents reported stronger expectations of an increase in **stocks of finished goods** (the DI being 57.6 compared to 50.0 in November).
- Companies still expected a drop in staff numbers, the DI being 45.8 (44.4 in November).

Construction

Diffusion index for construction companies' expectations of their business situation



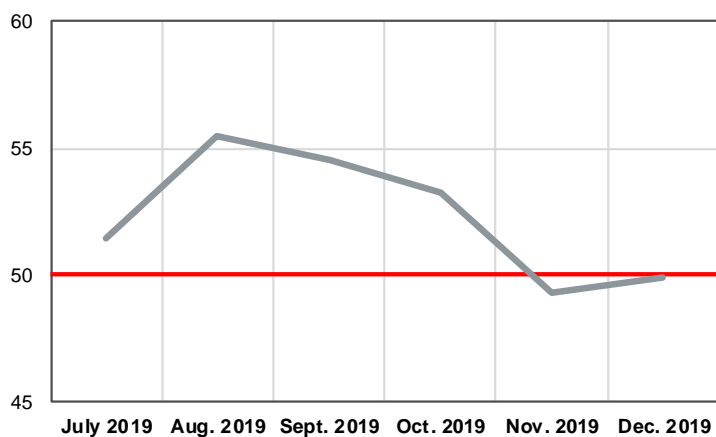
Diffusion indices (DI) for the economic standings of construction companies



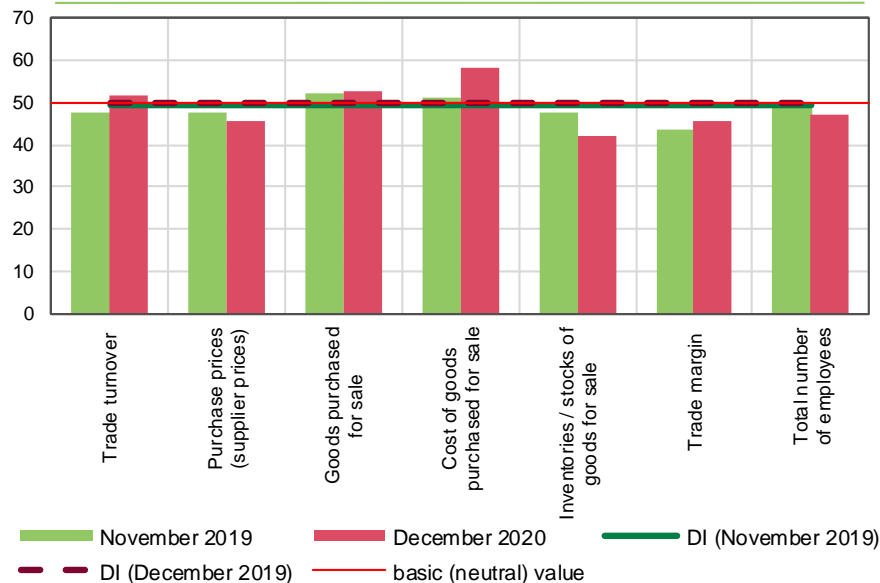
- **Construction companies reported more pessimistic expectations**, the sector's DI being 39.7, down from 43.5 in November.
- Respondents **expected a further decrease in construction volumes and the number of new orders**, the DIs being 34.2 and 39.5 respectively, down from 42.1 and 36.8 in November.
- Respondents intend to **raise their selling prices**, the DI climbing to 60.5 in December from 52.6 in November.
- Companies **were more pessimistic about total employment in the sector**, the DI being 39.5, down from 44.7 in November.

Trade

Diffusion index for trade companies' expectations of their business situation



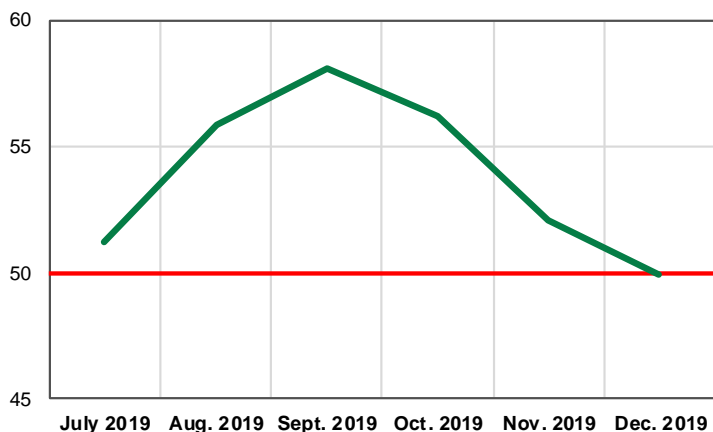
Diffusion indices (DI) for the economic standings of trade companies



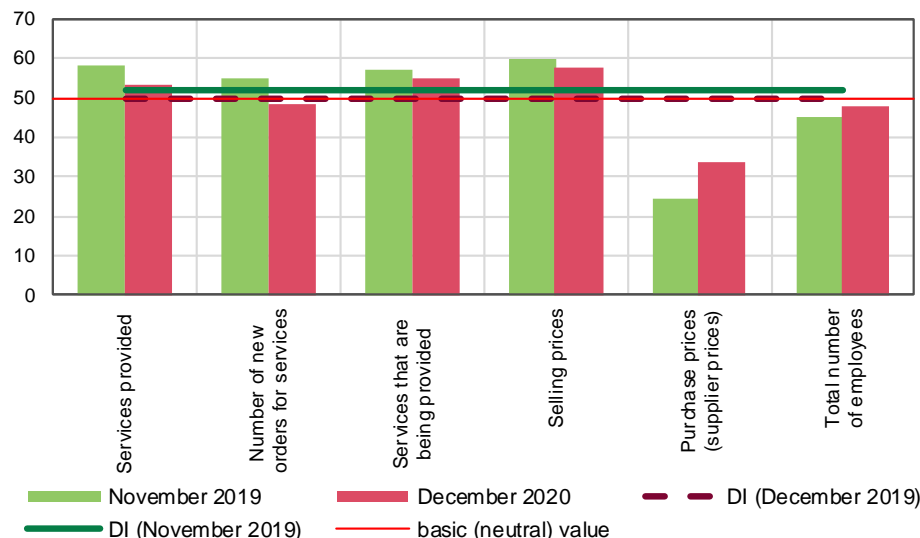
- Trade companies' expectations of their business situation showed some improvement on the previous month, yet they remained pessimistic, the DI being 49.9 compared to 49.3 in November.
- Respondents are optimistic about an increase in trade turnover and the amount of goods purchased for sale, the DIs being 51.8 and 52.7, up from 47.8 and 52.2 in November. Expectations of higher prices for goods purchased for sale also rose, the DI being 58.0, up from 51.1 in November.
- Trade companies expected a reduction in their staff numbers for two months running, the DI being 47.3, down from 48.9 in November.

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 **were pessimistic about their business outlook in December**, the DI being 49.9, down from 52.1 in November.
- Respondents remain **positive about the amount of services provided and the amount of services that are being provided**.
- Expectations of the number of new orders worsened, the DI being 48.6, down from 54.9 in November.
- As with companies in other sectors, companies in the services sector **expected a reduction in their staff numbers**, the DI being 47.9, compared to 45.1 in November.



Annexes

Data on surveys of industrial companies in December 2019

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Manufactured goods	32	35	33
Number of new orders for products	22	43	35
Number of new export orders for goods	21	52	27
Unfinished products (unfulfilled orders)	18	56	26
Finished goods stocks	17	51	32
Stocks of raw materials and supplies	21	54	25
Prices for raw materials and supplies	24	61	15
Selling prices	19	67	14
Total number of employees	13	67	21

Data on surveys of construction companies in December 2019

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Construction volume (construction work done)	16	37	47
Number of new orders	16	47	37
Purchased raw materials and supplies	11	42	47
Purchase prices (supplier prices)	26	63	11
Purchases of contractor services	21	58	21
Cost of contractor services*	32	68	0
Availability of contractors	5	74	21
Selling prices	26	68	5
Total number of employees	0	79	21

Data on surveys of trade companies in December 2019

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Trade turnover	30	43	27
Purchase prices (supplier prices)	14	80	5
Goods purchased for sale	32	41	27
Cost of goods purchased for sale	30	55	14
Inventories / stocks of goods for sale*	34	48	18
Trade margin	11	70	20
Total number of employees	7	80	13

Data on surveys of companies in the services sector in December 2019

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Services provided	33	41	26
Number of new orders for services	27	43	30
Services that are being provided	30	50	20
Selling prices	20	76	4
Purchase prices (supplier prices)	33	67	0
Total number of employees	10	76	14

Main Terms and Definitions

- **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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