



National Bank
of Ukraine

Monthly Business Outlook Survey

March 2020

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

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Statistics and Reporting Department



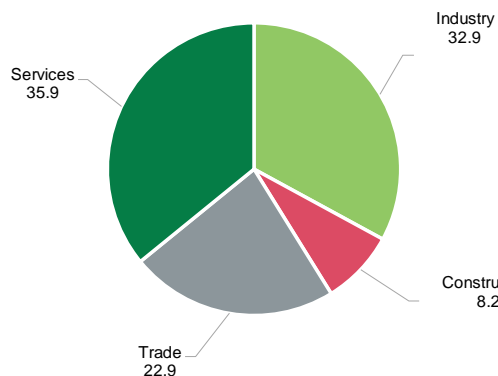
Summary

Businesses reported a significant decline in their business performance expectations in the wake of the quarantine measures that were imposed in Ukraine. The business activity expectations index (BAEI) decreased by 5.4 points, to 45.8 in March.

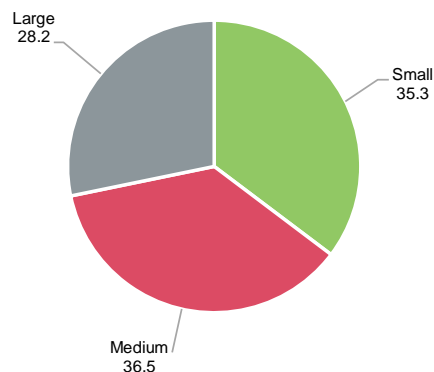
- The decline was brought about by a considerable worsening in the expectations of industrial companies and companies in the services sector.
- A slight improvement in the expectations of trade companies resulted from the growing demand for basic consumer goods (food and personal care products), and from businesses shifting to alternatives channels for selling and delivering goods.
- Despite the difficulties caused by the quarantine measures, construction companies softened their pessimistic expectations amid a seasonal pick-up in construction activity.
- Staff cuts were expected by respondents across all sectors, apart from the industrial sector. Respondents in the services sector had the strongest intentions to lay off staff.

Survey Details

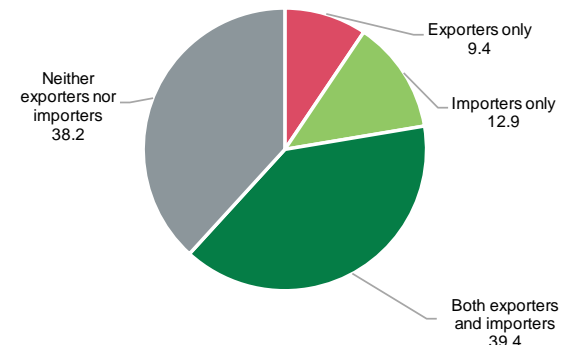
Respondents by sectors of the economy, %



Respondents by company size, %



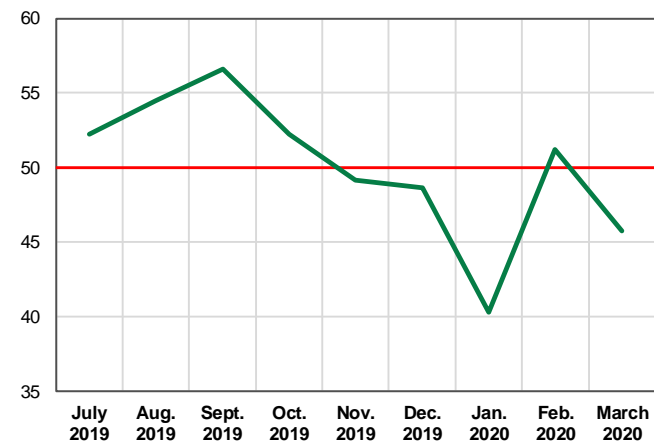
Respondents by business activities, %



- This survey was carried out from 5 March through 24 March 2020
- A total of 170 companies were polled
- Survey horizon: change in companies' performance indicators in March compared to February

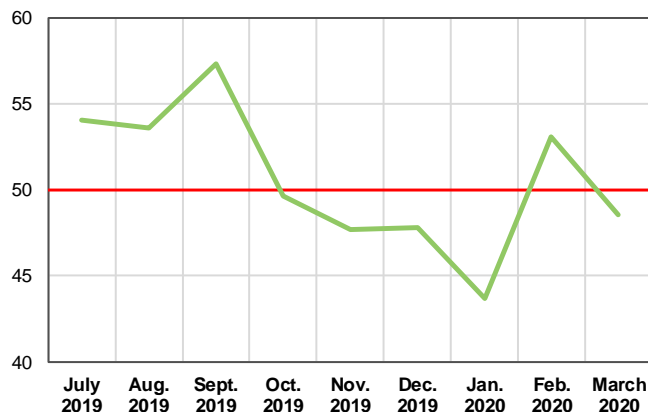
Sector	Sector's contribution to Ukrainian GDP	Diffusion index		
		February 2020	March 2020	DI change compared to previous month
Industry	38.9	53.1	48.6	-4.5
Construction	4.3	34.2	40.6	+6.4
Trade	32.3	49.9	50.4	+0.5
Services	24.6	52.8	36.1	-16.7
BAEI (total across Ukraine)	X	51.2	45.8	-5.4

Business activity expectations indices

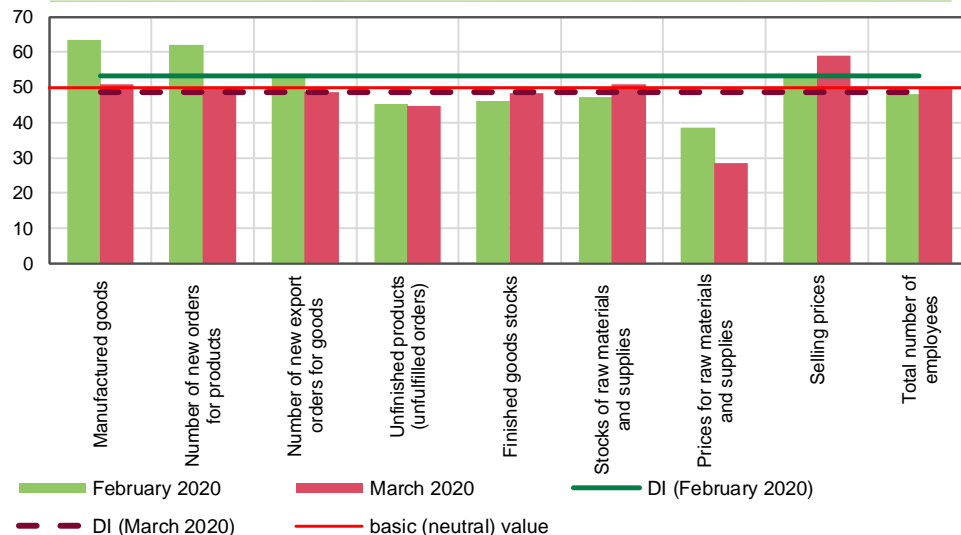


Industry

Diffusion index for industrial companies' expectations of their business situation



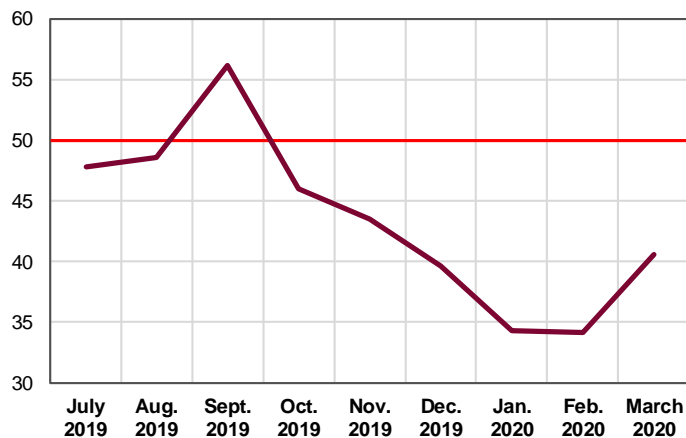
Diffusion indices (DI) for the economic standings of industrial companies



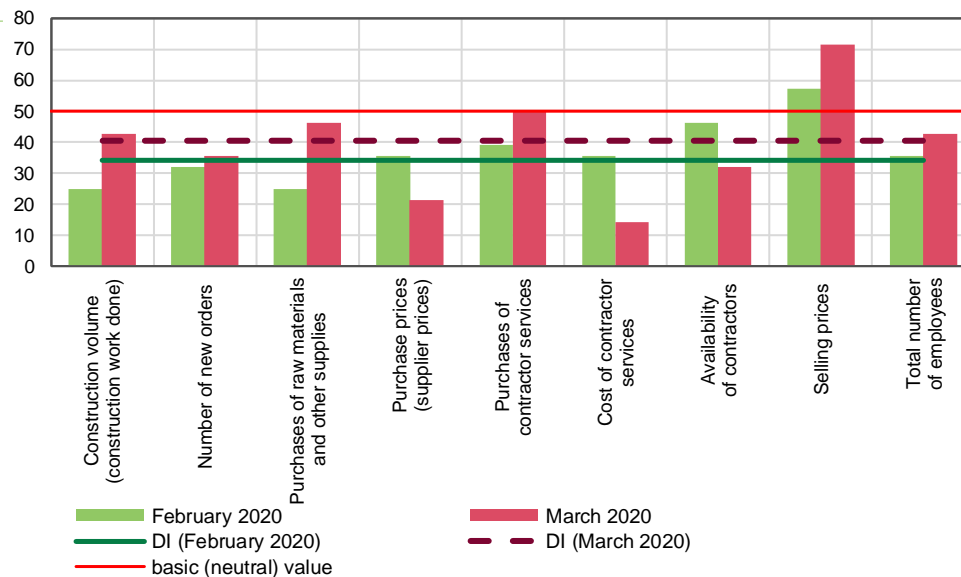
- Respondents in the industrial sector said **their business performance expectations had weakened markedly**, as the sector's **DI dropped to 48.6**, from 53.1 in February.
- **Companies reported more pessimistic expectations for raw material and supplies prices**, the DI falling to 28.6, from 38.7 in February.
- The sector did not expect any changes in the amount of manufactured goods and the number of new orders for products, the DIs being 50.9 and 50.0 respectively (compared to 63.3 and 62.0 in February).
- Respondents reported an **improvement in their expectations for stocks of raw materials and supplies and selling prices**, as the DIs moved up to 50.9 and 58.9 respectively, from 47.3 and 53.3 in February.
- In spite of the difficult situation, **companies in the sector said they did not intend to cut staff**, the DI being 50.0, compared to 48.0 in February.

Construction

Diffusion index for construction companies' expectations of their business situation



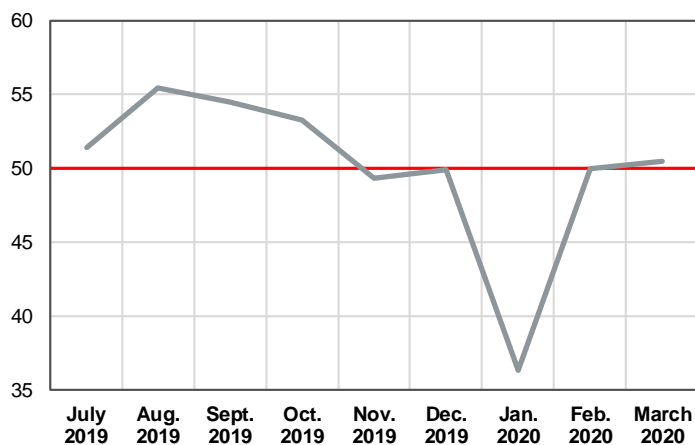
Diffusion indices (DI) for the economic standings of construction companies



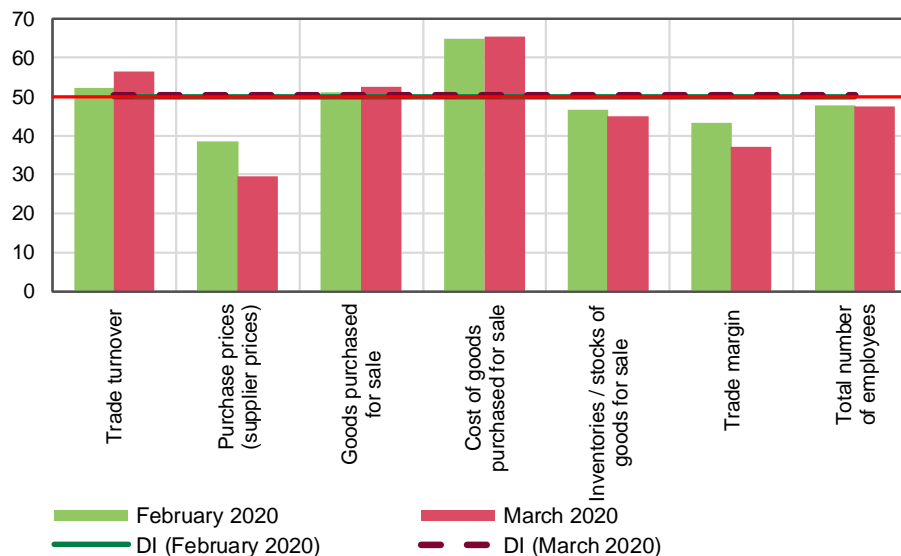
- Although remaining downbeat, construction companies **reported an improvement in their expectations**, as the DI rose to 40.6 from 34.2 in February.
- Expectations for construction volumes and purchases of raw materials and supplies recovered most of all**, but still remained pessimistic – the DIs were 42.9 and 46.4 respectively (compared to 25.0 each in February).
- Meanwhile, respondents reported weaker expectations for purchase prices and the availability of contractors, the DIs dropping to 21.4 and 32.1 respectively, from 35.7 and 46.4 in February. In light of this, construction companies said they expected a further rise in their selling prices, the DI being 71.4, compared to 57.1 in February.
- Although improving somewhat, respondents' expectations for staff numbers have not reached the neutral level**, the DI being 42.9, compared to 35.7 in February.

Trade

Diffusion index for trade companies' expectations of their business situation



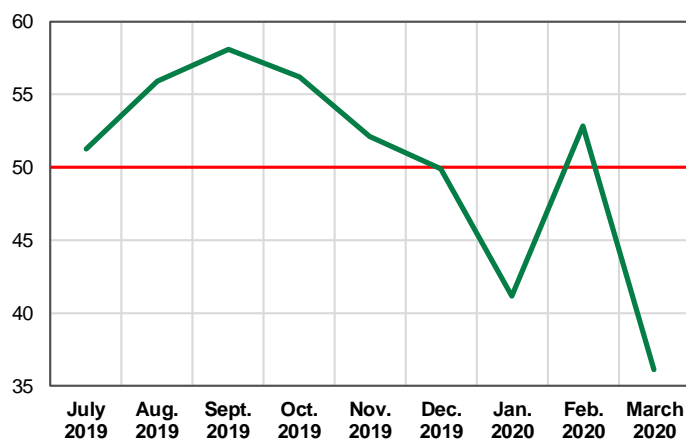
Diffusion indices (DI) for the economic standings of trade companies



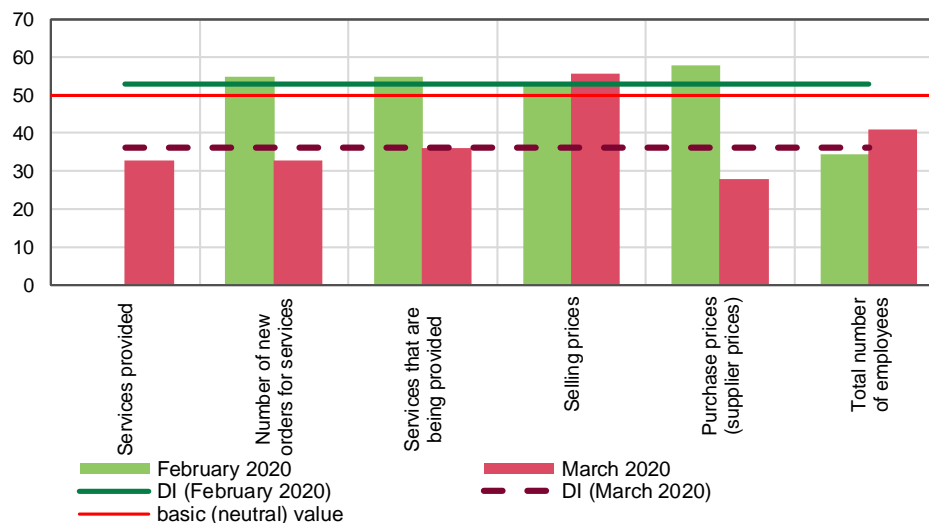
- In contrast to the weaker expectations reported by other sectors, **trade companies said they were upbeat about their business performance** in March. The sector's DI was 50.4, up from 49.9 in February.
- Respondents **were optimistic about their sales outlook and the amount of goods purchased for sales**, the DIs being 56.4 and 52.6, compared to 52.3 and 51.1 in February.
- **Companies reported more pessimistic expectations for supplier prices**, the DI falling to 29.5, from 38.6 in February. Expectations of continued growth in purchase prices are attributed to the companies' solid expectations of an increase in the **cost of goods purchased for sale**, the DI being 65.4, up from 64.8 in February.
- Despite a significant worsening in the business environment, **trade companies' expectations of staff numbers remained at the level of February**, the DI being 47.7.

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 hit the most by the quarantine measures – their **expectations fell to a record low**, as the sector's DI dropped to 36.1, from 52.8 in February.
- Respondents' **expectations** for the volume of services provided (32.8), the number of new orders for services (32.8), and the volume of services that are being provided (36.1) were **at an all-time low**. In the previous month, companies were upbeat about these indicators, with DIs of 54.9, 54.9 and 52.9 respectively.
- With stronger expectations of a rise in purchase prices (a DI of 27.9), **companies continued to report robust expectations of a rise in their selling prices**, the DI being 55.7, compared to 57.8 in February.
- **Companies in the services sector were the most pessimistic about their staff numbers** compared to other sectors, the DI being 41.0, down from 52.0 in February.



Annexes

Data on surveys of industrial companies in March 2020

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Manufactured goods	30	41	29
Number of new orders for products	29	43	29
Number of new export orders for goods	14	69	17
Unfinished products (unfulfilled orders)	11	68	21
Finished goods stocks	27	50	23
Stocks of raw materials and supplies	25	52	23
Prices for raw materials and supplies	45	54	2
Selling prices	25	68	7
Total number of employees	9	82	9

Data on surveys of construction companies in March 2020

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Construction volume (construction work done)	14	57	29
Number of new orders	0	71	29
Purchases of raw materials and supplies	14	64	21
Purchase prices (supplier prices)	57	43	0
Purchases of contractor services	21	57	21
Cost of contractor services*	71	29	0
Availability of contractors	0	64	36
Selling prices	43	57	0
Total number of employees	7	71	21

Data on surveys of trade companies in March 2020

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Trade turnover	33	46	21
Purchase prices (supplier prices)	44	54	3
Goods purchased for sale	33	38	28
Cost of goods purchased for sale	46	38	15
Inventories / stocks of goods for sale*	31	49	21
Trade margin	5	64	31
Total number of employees	5	85	10

Data on surveys of companies in the services sector in March 2020

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Services provided	15	36	49
Number of new orders for services	15	36	49
Services that are being provided	11	49	39
Selling prices	16	79	5
Purchase prices (supplier prices)	44	56	0
Total number of employees	7	69	25

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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