



National Bank
of Ukraine

Monthly Business Outlook Survey

July 2020

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



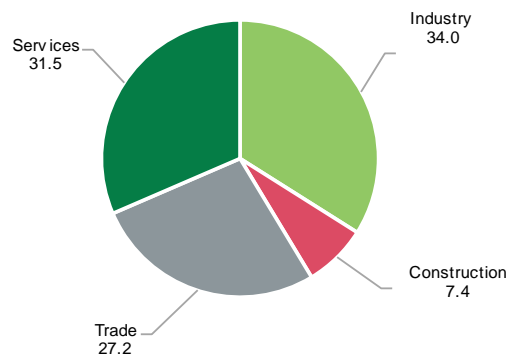
Summary

Companies continue to adjust to quarantine restrictions, however still report to moderate expectations for their economic activity. For the third month running, businesses' expectations are improving and gradually converging to the equilibrium level. The business activity expectations index (BAEI) moved up by 1.5 bp, to 46.9 in July.

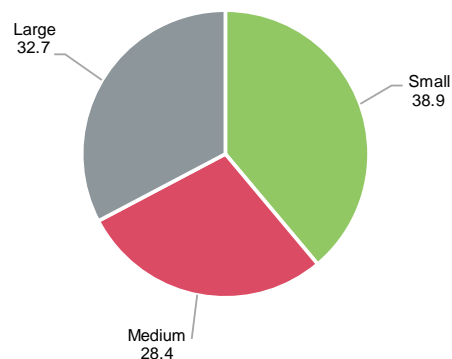
- More robust sentiment about the number of new orders and the amount of goods for sale and services show that business activity is gradually picking up.
- At the end of July, respondents were more upbeat about a rise in services and construction.
- Industrial and trade companies were modest about their output and expect a drop in new export orders and in turnover.
- Respondent from all economic sectors increased their assessments on the growth in purchase and producer prices, as well as in selling prices.
- Employment expectations remained pessimistic. For the fourth month in a row, businesses intend to downsize.

Survey Details

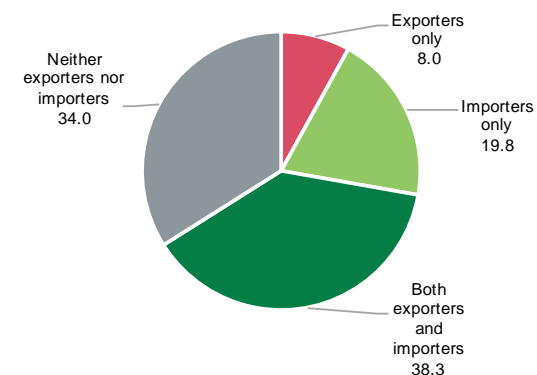
Respondents by sectors of the economy, %



Respondents by company size, %



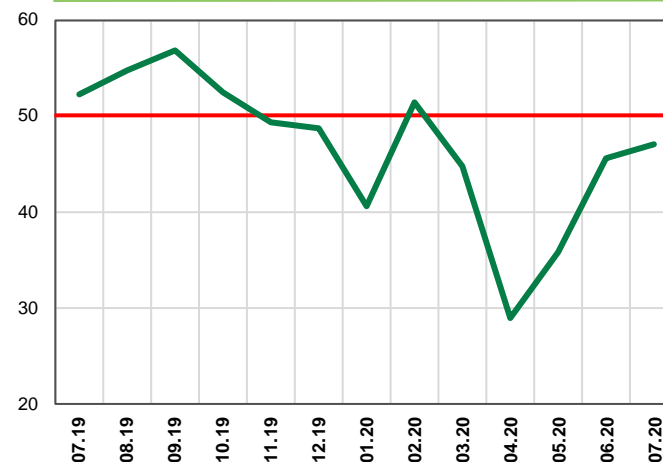
Respondents by business activities, %



- Survey schedule: 6 – 24 July 2020
- A total of 162 companies were polled
- Survey horizon: change in companies' performance indicators in July compared to June

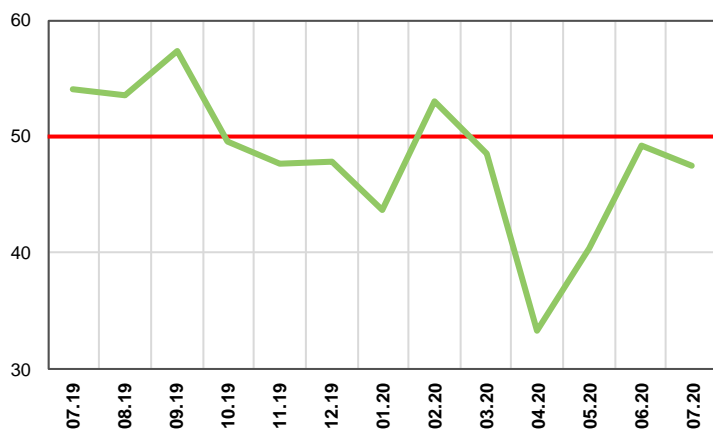
Sector	Sector's contribution to Ukrainian GDP (2019)	Diffusion index		
		June 2020	July 2020	Change compared to previous month
Industry	33.1	49.2	47.5	-1.7
Construction	4.5	36.0	41.7	+5.7
Trade	21.9	50.5	48.0	-2.5
Services	40.5	40.8	46.5	+5.7
BAE (total across Ukraine)	X	45.5	46.9	+1.5

Business activity expectations index

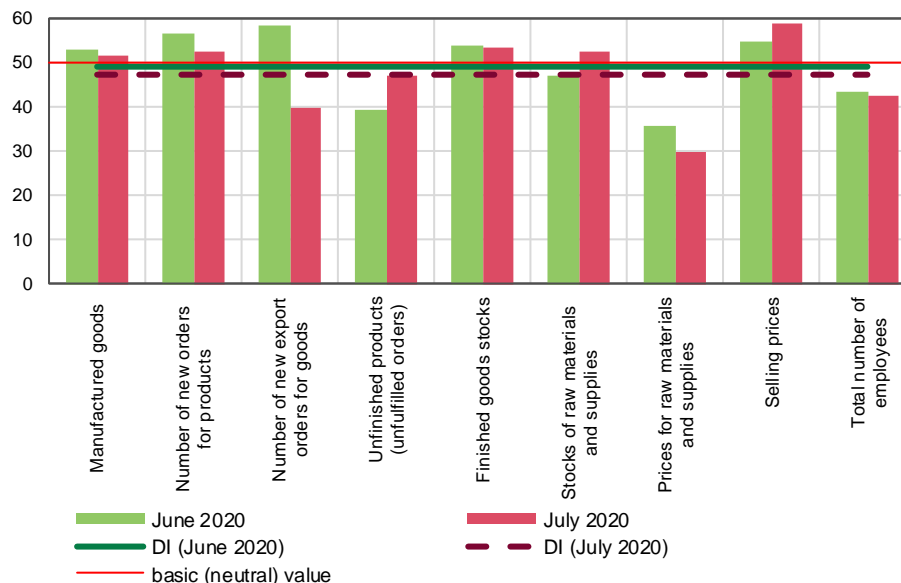


Industry

Diffusion index for industrial companies' expectations of their business situation



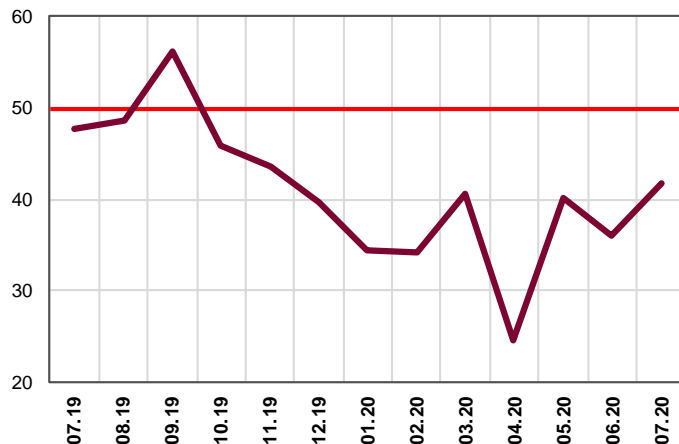
Diffusion indices (DI) for the economic standings of industrial companies



- Industrial companies slightly worsened their expectations: the DI being 47.5, down from 49.2 in June.
- Amid optimistic assessments for the second month in a row of the sector companies on increasing production output and orders for products (the DI being 51.8 and 52.7 respectively (52.9 and 56.7 in June), sentiment as to new export orders deteriorated sharply to 40.0 (58.3 in June).
- Respondents reported more robust expectations for **stocks of materials and supplies**, the DI being 52.7 compared to 47.1 in June. At the same time, respondents were more optimistic about **stocks of unfinished products** with an increased 47.3 DI (39.4 in June).
- The sector companies still remain pessimistic about **staff numbers** at their companies, the DI decreased to 42.7 compared to 43.3 in June.

Construction

Diffusion index for construction companies' expectations of their business situation



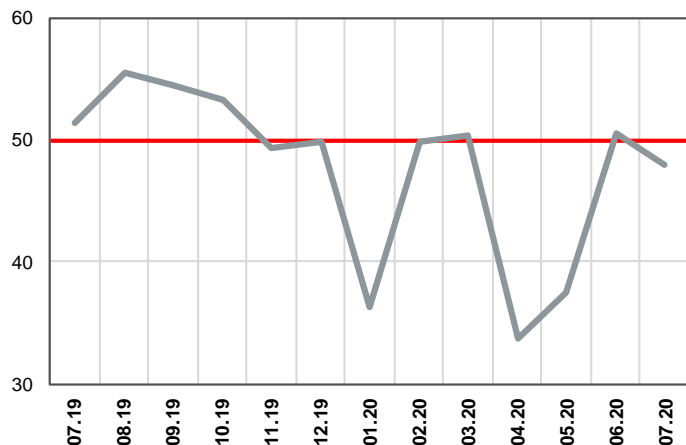
Diffusion indices (DI) for the economic standings of construction companies



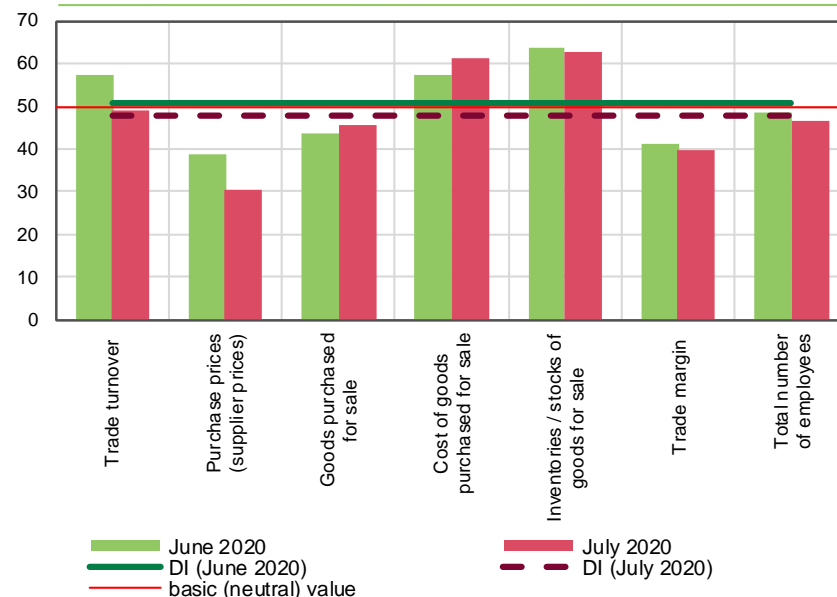
- Despite an improvement in expectations, construction companies are the most pessimistic, **compared to companies in other sectors**, the DI being 41.7, down from 36.0 in June.
- Negative assessments of **construction volumes, the number of new orders, and purchases of raw materials and supplies** improved, being 41.7, 37.5, and 37.5 respectively (30.0 in June).
- Despite strong sentiment of an increase in the cost of contractor services (the DI being 41.7), companies improved noticeably their expectations **on procurement from contractors**. The DI increased to the equilibrium level, 50.0 (40.0 in June).
- Companies **intend to raise their selling prices on goods (services)**, the DI climbing to 54.2 in July from 45.0 in June.
- Despite a slight improvement in expectations on **the total staff**, the construction companies still intend to **downsize** with a 41.7 DI (35.0 in June).

Trade

Diffusion index for trade companies' expectations of their business situation



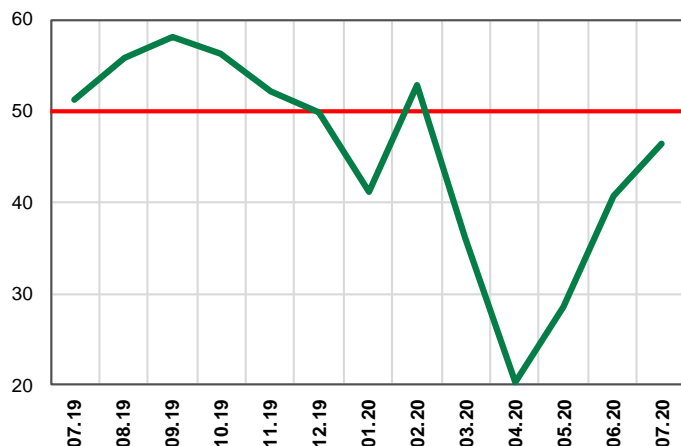
Diffusion indices (DI) for the economic standings of trade companies



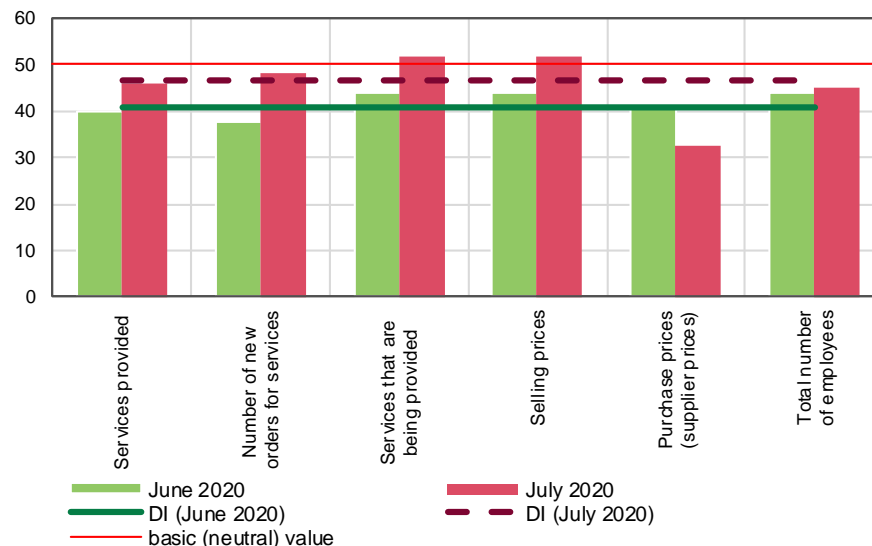
- The sector companies show a **minor deterioration**: the DI down to 48.0 in contrast to 50.5 in June.
- Expectations **for the amount of goods purchased for sale** remained pessimistic, the DI being 45.5 (43.8 in June).
- Expectations of **purchase prices growth** picked up, the DI decreased to 30.7 from 38.8 in June. Against this backdrop, respondents continued to report healthy expectations of a rise in prices for goods **purchased for sale with a 61.4 DI, as well as a decrease in the trade margin**, the DI being 39.8.
- Respondents of the trade sector reported significantly lower expectations of trade turnover, the DI decreased to 48.9 from 57.5 in June.
- Further on, the sector intends to **lay off staff**, the DI being 46.6 in contrast to 48.8 in June.

Services

Diffusion index for services companies' expectations of their business situation



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



- The sector companies are gradually resuming operations, but still **remain pessimistic** about their performance, the DI being 46.5 (40.8 in June).
- Companies were also upbeat about an increase in the amount of services provided and the number of new orders for services, the DI increased to 46.1 and 48.0 respectively (39.8 and 37.8 in June accordingly), however expectations remain below the neutral level.
- Respondents are optimistic about the **amount of services in progress** with a 52.0 DI (43.9 in June).
- Amid increasing expectations of purchase prices growth (the DI being 32.4), the companies plan to **raise their selling prices**: the DI decreased to 52.0 from 43.9 in June.
- **Further on, the sector continues to improve expectations on the staff**, the DI being 45.1 in contrast to 43.9 in June.



Annexes

Data on surveys of industrial companies in July 2020

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Manufactured goods	31	42	27
Number of new orders for products	33	40	27
Number of new export orders for goods	11	57	31
Unfinished products (unfulfilled orders)	15	65	20
Finished goods stocks	18	56	25
Stocks of raw materials and supplies	27	51	22
Prices for raw materials and supplies	45	49	5
Selling prices	22	75	4
Total number of employees	4	78	18

Data on surveys of construction companies in July 2020

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Construction volume (construction work done)	17	50	33
Number of new orders	17	42	42
Purchases of raw materials and supplies	17	42	42
Purchase prices (supplier prices)	33	67	0
Purchases of contractor services	17	67	17
Cost of contractor services*	17	83	0
Availability of contractors	0	92	8
Selling prices	17	75	8
Total number of employees	0	83	17

Data on surveys of trade companies in July 2020

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Trade turnover	32	34	34
Purchase prices (supplier prices)	41	57	2
Goods purchased for sale	27	36	36
Cost of goods purchased for sale	39	45	16
Inventories / stocks of goods for sale*	5	66	30
Trade margin	7	66	27
Total number of employees	2	89	9

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

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Services provided	29	33	37
Number of new orders for services	31	33	35
Services that are being provided	25	53	22
Selling prices	12	80	8
Purchase prices (supplier prices)	37	61	2
Total number of employees	8	75	18

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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