



National Bank
of Ukraine

Monthly Business Outlook Survey

August 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



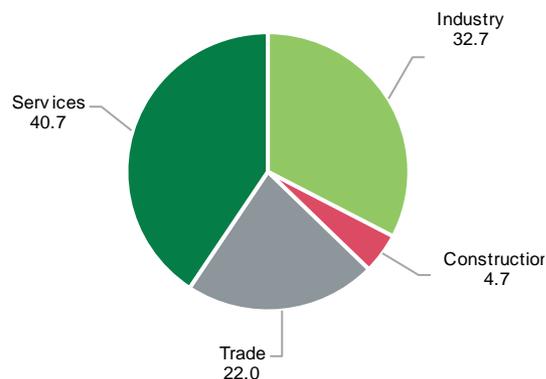
Summary

Given the extension of the adaptive quarantine regime, businesses are guarded about their expectations of their performance. Companies' expectations have been below equilibrium values for four quarters running – the business activity expectations index (BAEI) was 47.9 in August (compared to 46.9 in July).

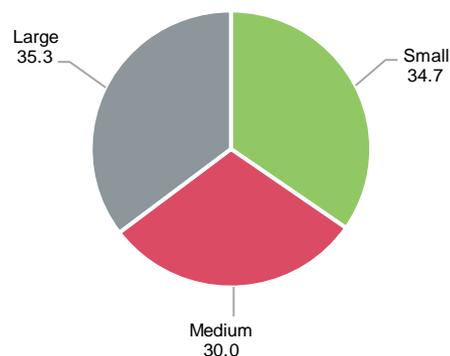
- Industrial and construction companies and companies in the services sectors were mostly downbeat about their performance. Companies continue to expect a decrease in new orders and intend to lay off staff.
- Optimistic views were only expressed by trading companies, mainly due to the easing of quarantine restrictions and more robust consumer demand.
- Respondents across all sectors expect a rise in selling prices on the back of higher raw material and supplier prices.

Survey Details

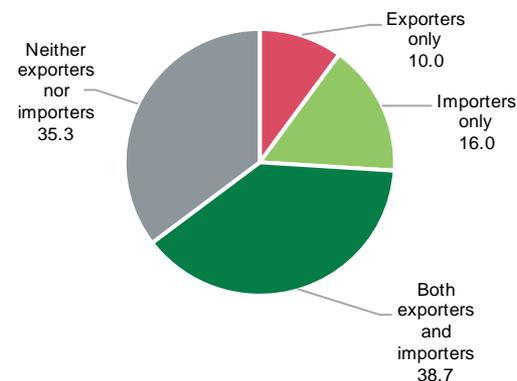
Respondents by sectors of the economy, %



Respondents by company size, %



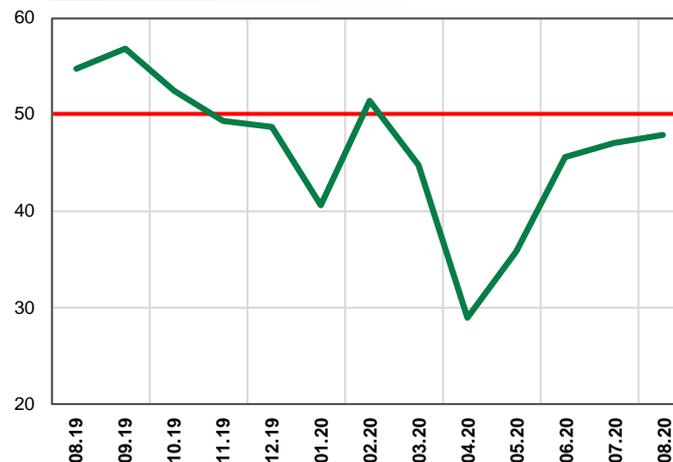
Respondents by business activities, %



- This survey was carried out from 5 through 25 August 2020
- A total of 150 companies were polled
- Survey horizon: change in companies' performance indicators in August compared to July

Sector	Sector's contribution to Ukrainian GDP (2019)	Diffusion index		
		July 2020	August 2020	Change compared to previous month
Industry	33.1	47.5	48.3	+0.8
Construction	4.5	41.7	38.9	-2.7
Trade	21.9	48.0	52.3	+4.3
Services	40.5	46.5	46.2	-0.3
BAEI (total across Ukraine)	X	46.9	47.9	+1.0

Business activity expectations index

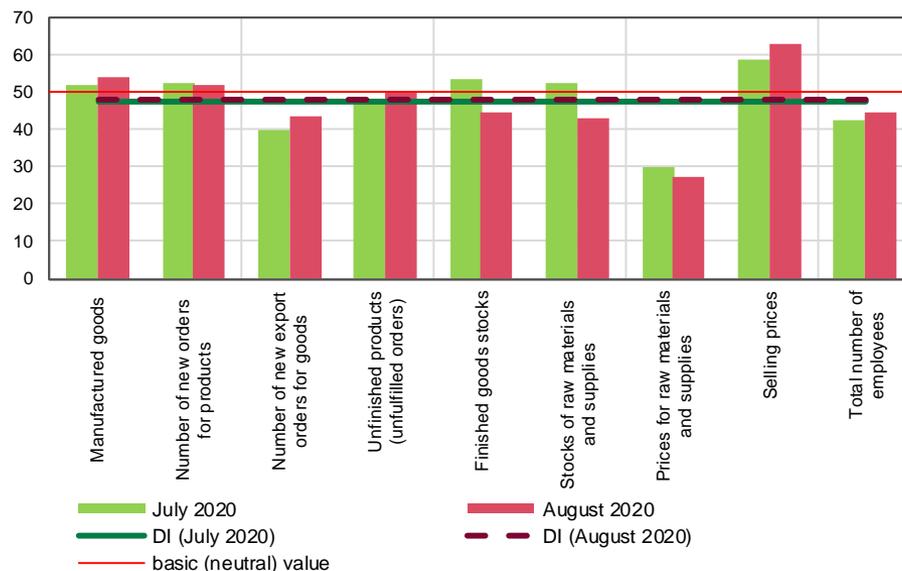


Industry

Diffusion index for industrial companies' expectations of their business situation



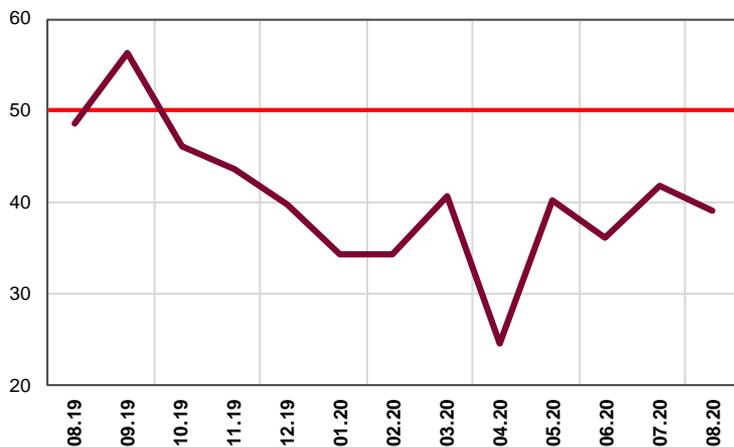
Diffusion indices (DI) for the economic standings of industrial companies



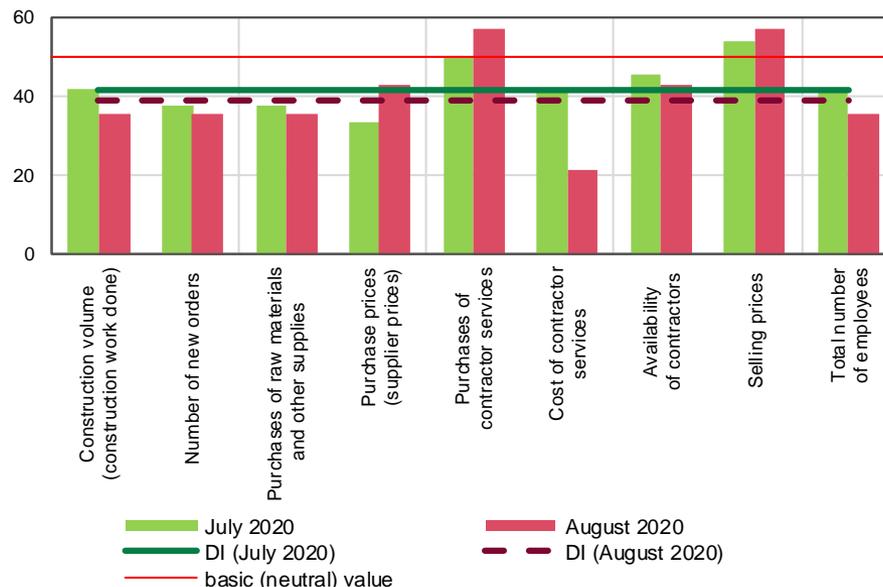
- Respondents in the industrial sector continued to report pessimistic **business performance expectations for August**. The sector's DI edged up slightly, but **still remained below the neutral level, at 48.3** (compared to 47.5 in July).
- Industrial companies remained mostly **downbeat about their total number of employees**, the DI being 44.9 compared to 42.7 in July.
- Expectations about stocks of materials and supplies deteriorated, the DI being 42.9, down from 52.7 in July.
- Respondents have expressed **optimistic views about production volumes and the number of new orders for three months in a row**, the DIs being 54.1 and 52.0 respectively (compared to 51.8 and 52.7 in July). That said, respondents have also expected a **decrease in the number of new export orders** for two months running: the DI was 43.8, up from 40.0 in July.
- **Expectations of selling price growth** picked up, the DI being 63.3 compared to 59.1 in July.

Construction

Diffusion index for construction companies' expectations of their business situation



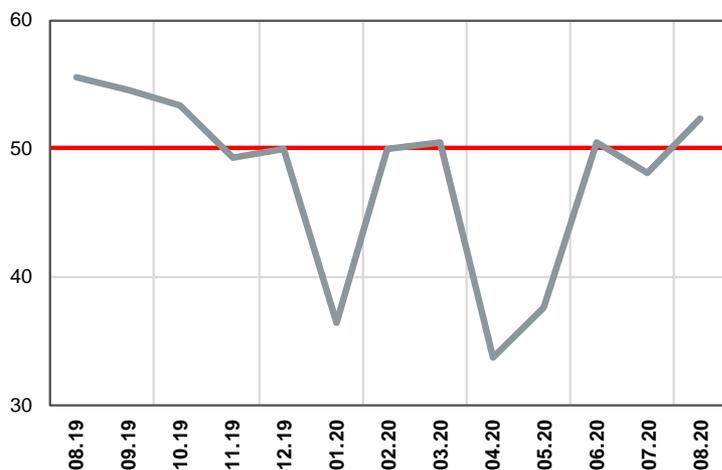
Diffusion indices (DI) for the economic standings of construction companies



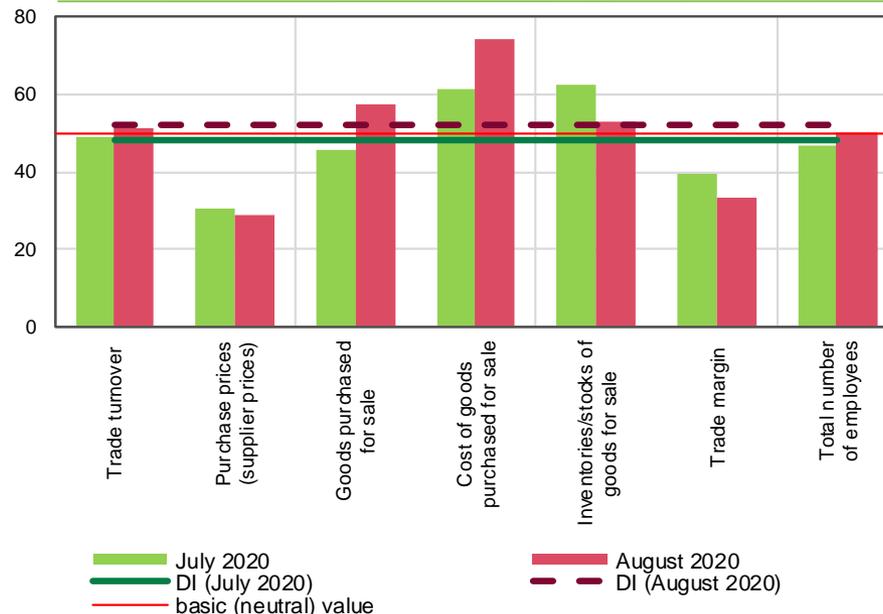
- Companies in the construction sector reported **gloomier expectations**, as the sector's DI moved down to **38.9**, compared to 41.7 in July.
- Companies said they had dimmer **expectations for construction volumes and the number of new orders**, the DIs for both being 35.7, down from 41.7 and 37.5 respectively in July.
- Respondents reported pessimistic expectations for their purchases of raw materials and supplies**, while also **expecting a rise in selling prices**. This was attributed to robust expectations of a rise in purchase prices and the cost of contractor services: the DIs were 35.7 and 57.1 respectively, compared to 37.5 and 54.2 in July.
- Respondents also said they intended to **cut their workforce**, as the DI dropped to 35.7, compared to 41.7 in July. Such intentions have been reported by respondents for 11 months in a row.

Trade

Diffusion index for trade companies' expectations of their business situation



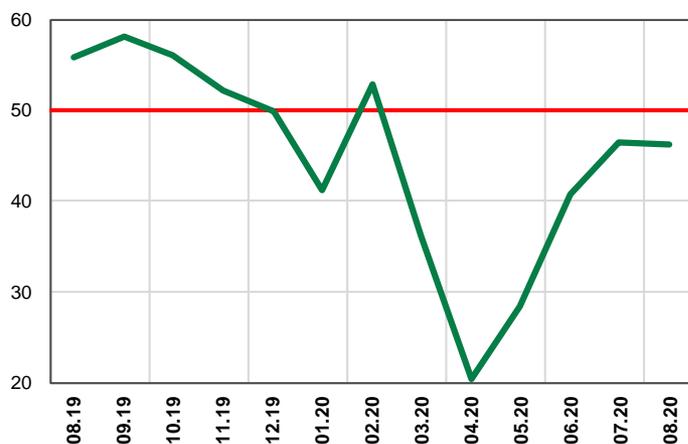
Diffusion indices (DI) for the economic standings of trade companies



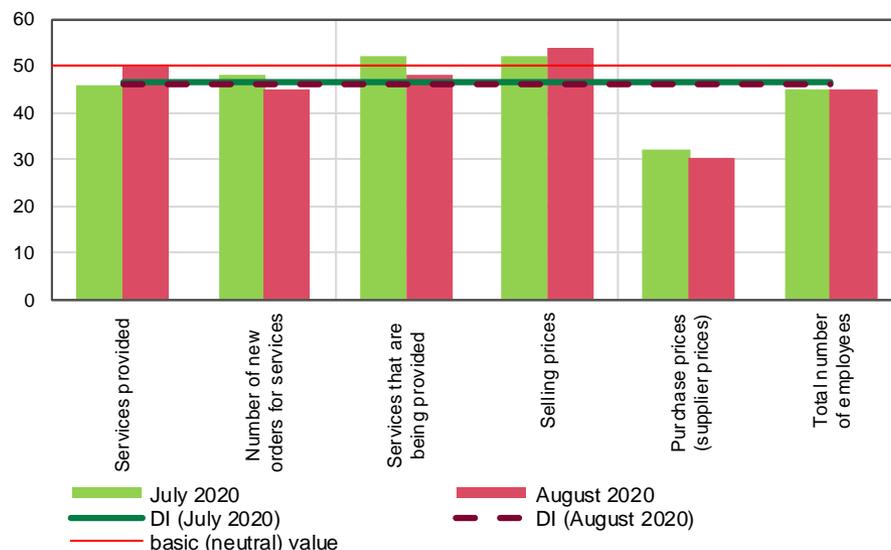
- Trading companies reported optimistic expectations for their business performance in August compared to July. The sector's DI was 52.3, up from 48.0 in July.
- Respondents were upbeat about an increase in trade turnover and the amount of goods purchased for sale, the DIs being 51.5 and 57.6 respectively, up from 48.9 and 45.5 in July.
- Companies expected a sizeable increase in the prices of goods purchased for sale, on the back of high purchase prices (the DI was 74.2, up from 61.4 in July).
- Companies in the sector said they did not intend to cut staff, the DI, at 50.0, being at the neural level.

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 continued to report **dim expectations for their business performance**, the DI being **46.2**, down from 46.5 in July.
- As in previous periods, respondents **expected a decrease in the number of new orders and the amount of services being provided**, the DIs being 45.1 and 48.4 respectively, compared to 48.0 and 52.0 in July.
- With strong expectations of a rise in supplier prices (a DI of 30.3), companies reported more robust expectations of a rise in their selling prices, the DI being 54.1.
- Respondents have for six months running reported intentions to **lay off staff**, the DI in August being 45.1 (unchanged on July).



Annexes

Data on surveys of industrial companies in August 2020

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Manufactured goods	37	35	29
Number of new orders for products	31	43	27
Number of new export orders for goods	19	50	31
Unfinished products (unfulfilled orders)	14	71	14
Finished goods stocks	24	61	14
Stocks of raw materials and supplies	18	49	33
Prices for raw materials and supplies	49	47	4
Selling prices	31	65	4
Total number of employees	4	82	14

Data on surveys of construction companies in August 2020

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Construction volume (construction work done)	29	14	57
Number of new orders	29	14	57
Purchases of raw materials and supplies	29	14	57
Purchase prices (supplier prices)	14	86	0
Purchases of contractor services	43	29	29
Cost of contractor services*	57	43	0
Availability of contractors	14	57	29
Selling prices	29	57	14
Total number of employees	14	43	43

Data on surveys of trading companies in August 2020

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Trade turnover	30	42	27
Purchase prices (supplier prices)	48	45	6
Goods purchased for sale	36	42	21
Cost of goods purchased for sale	58	33	9
Inventories / stocks of goods for sale*	18	58	24
Trade margin	3	61	36
Total number of employees	12	76	12

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

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Services provided	23	54	23
Number of new orders for services	23	44	33
Services that are being provided	16	64	20
Selling prices	11	85	3
Purchase prices (supplier prices)	41	57	2
Total number of employees	8	74	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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