



National Bank
of Ukraine

Monthly Business Outlook Survey

September 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

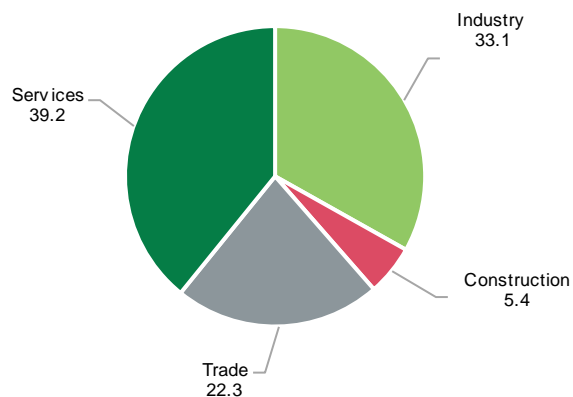
Despite a slight improvement in their sentiment, **businesses are still guarded about their performance expectations. Companies' expectations remain below equilibrium values. The business activity expectations index (BAEI) was 49.4 in September** (compared to 47.9 in August).

Respondents' expectations vary across sectors.

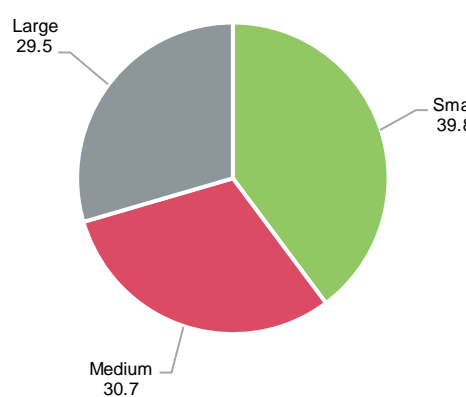
- The expectations of industrial and services companies improved and moved above the neutral level on the back of gradually rebounding domestic and external demand.
- At the same time, construction companies reported a significant worsening in their expectations due to a seasonal drop in economic activity – most of them expect a decrease in the number of new orders and construction volumes (construction work done).
- Trading companies also reported less optimistic expectations. These companies said they were downbeat about the amount of goods purchased for sale and goods turnover.
- Respondents across all sectors expect a rise in selling prices on the back of higher purchase prices.
- Companies, apart from those in the services sector, for the most part had gloomy expectations about their staff numbers.

Survey Details

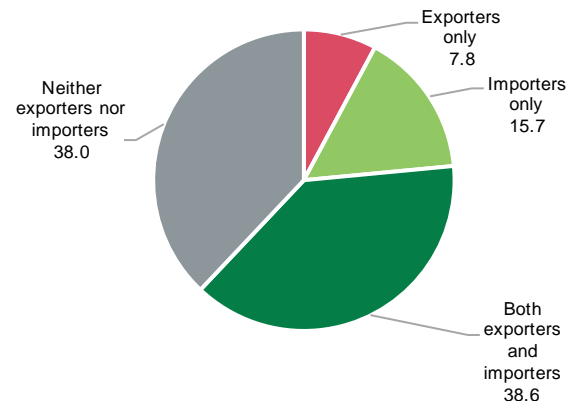
Respondents by sectors of the economy, %



Respondents by company size, %



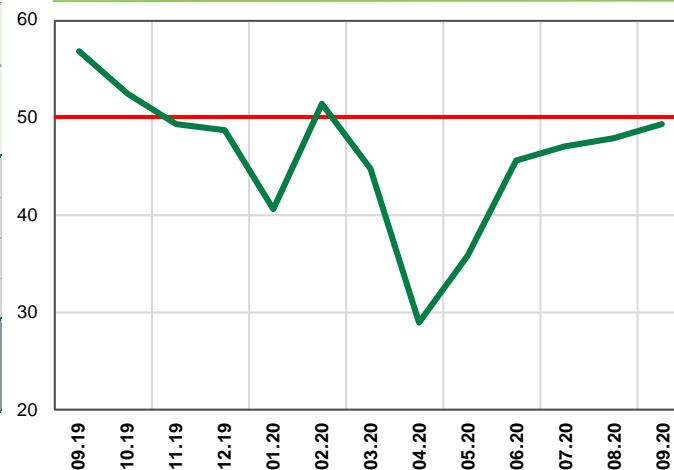
Respondents by business activities, %



- This survey was carried out from 4 through 23 September 2020.
- A total of 166 companies were polled
- Survey horizon: change in companies' performance indicators in September compared to August

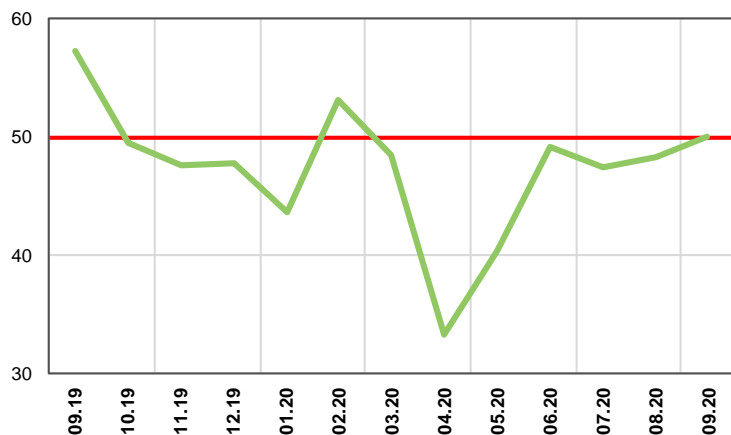
Sector	Sector's contribution to Ukrainian GDP (2019)	Diffusion index		
		August 2020	September 2020	Change compared to previous month
Industry	32.7	48.3	50.1	+1.8
Construction	4.7	38.9	33.5	-5.5
Trade	22.0	52.3	46.4	-5.9
Services	40.7	46.2	52.2	+6.0
BAEI (total across Ukraine)	X	47.9	49.4	+1.5

Business activity expectations index

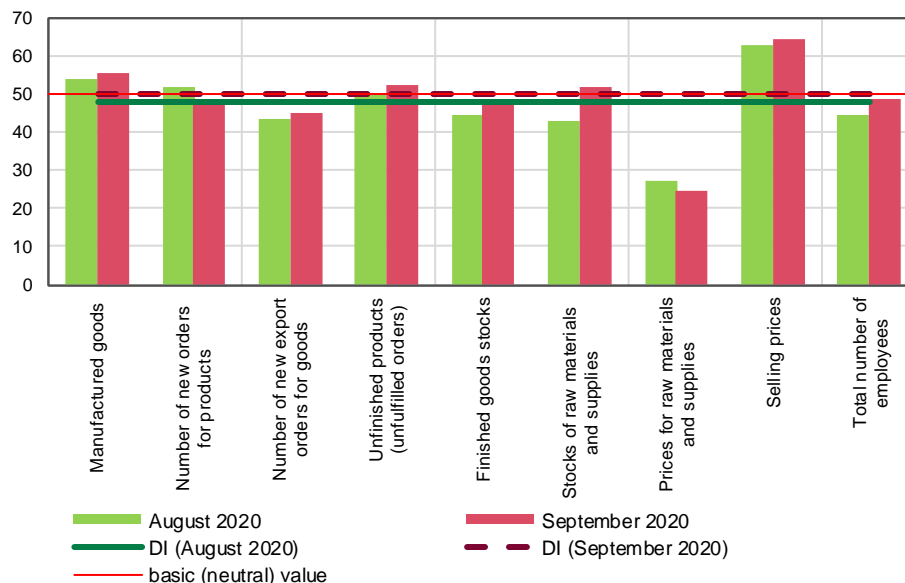


Industry

Diffusion index for industrial companies' expectations of their business situation



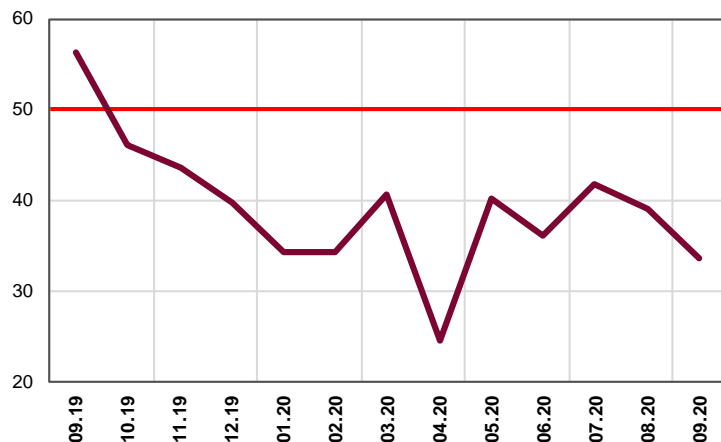
Diffusion indices (DI) for the economic standings of industrial companies



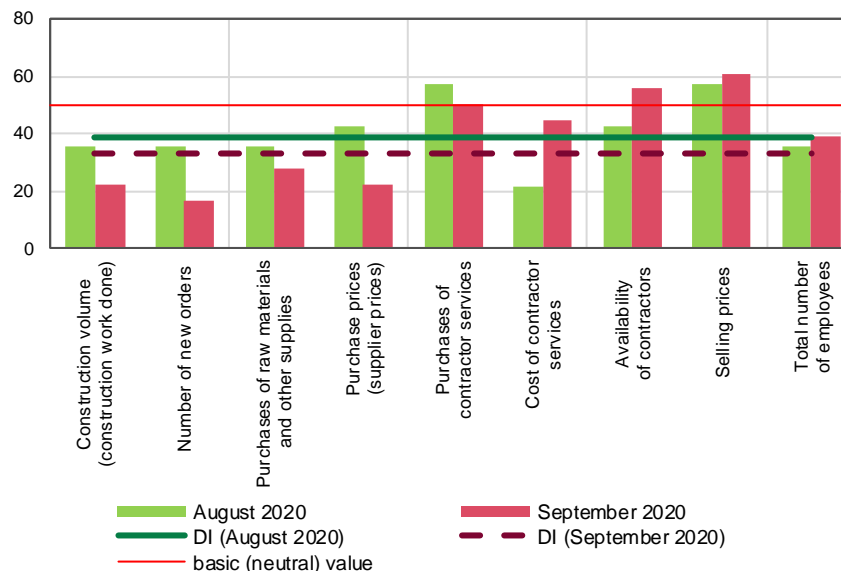
- **Industrial companies' expectations reached the neutral level for the first time since February**, as the sector's DI moved to 50.1, up from 48.3 in August.
- Respondents were the most **upbeat** about an increase in the amount of manufactured goods and unfinished products (unfulfilled orders), the DIs being 55.5 and 52.7, compared to 54.1 and 50.0 in August.
- Companies **worsened** their expectations about new orders for products, with the DI dropping to 49.1, down from 52.0 in August. Expectations of new export orders remained below the neutral level, the DI being 45.3, compared to 43.8 in August.
- **Expectations of selling price growth** remained high (the DI being 64.5), mainly due to expectations of higher raw material and supplies prices (a DI of 24.5).
- Companies in the sector still **report no intentions to expand their workforces**, the DI being 49.1, compared to 44.9 in August.

Construction

Diffusion index for construction companies' expectations of their business situation



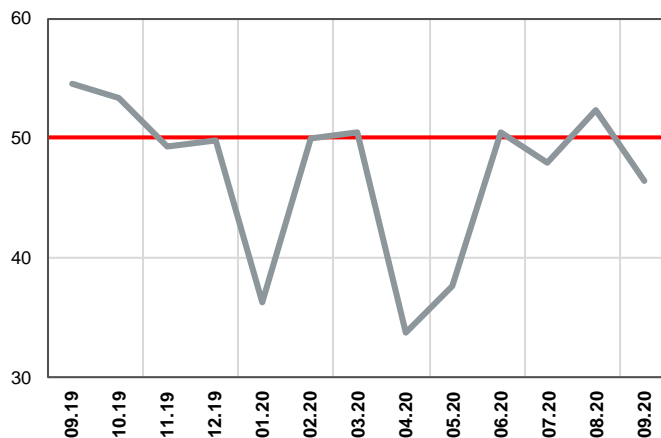
Diffusion indices (DI) for the economic standings of construction companies



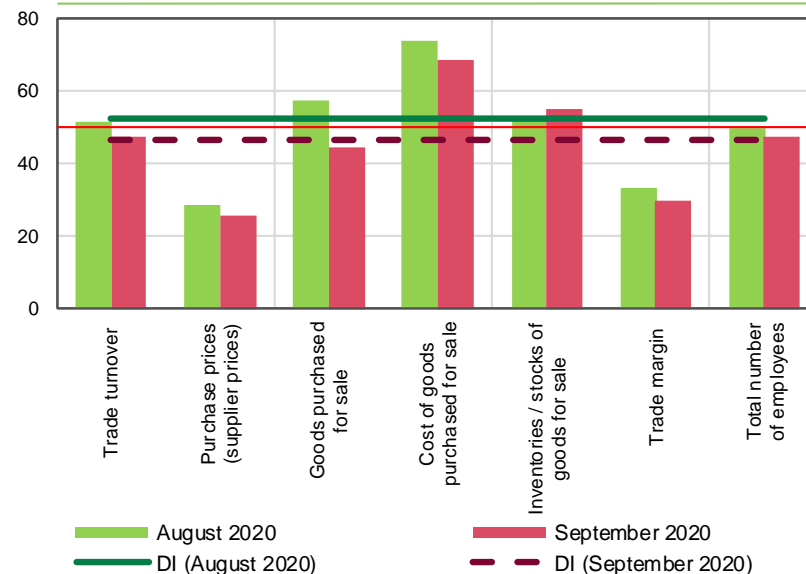
- Companies in the construction sector reported **gloomier expectations due to the seasonal drop in economic activity**, as the sector's DI moved down to 33.5, compared to 38.9 in August.
- Respondents said they expected a dramatic fall in the number of new orders and construction volumes, as the DIs dropped to 16.7 and 22.2, from 35.7 each in August.
- The decline in construction volumes (construction work done) is accompanied by robust expectations of a rise in purchase prices, the DI being 22.2, down from 42.9 in August. A sizeable decrease in purchases of raw materials and supplies was expected more strongly, the DI being 27.9, down from 35.7 in August.
- As with respondents in other sectors, respondents from construction companies said they strongly expected a rise in selling prices, the DI being 61.1, compared to 57.1 in August.
- Companies in the sector have been downbeat about their total number of employees for 12 months in a row, the DI being 38.9, compared to 35.7 in August.

Trade

Diffusion index for trade companies' expectations of their business situation



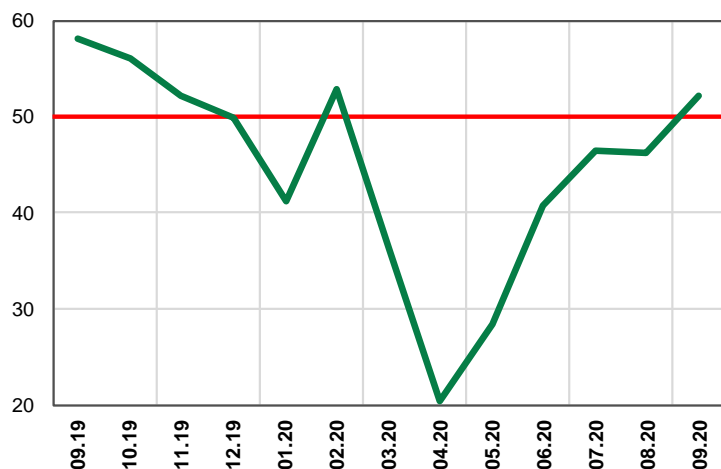
Diffusion indices (DI) for the economic standings of trade companies



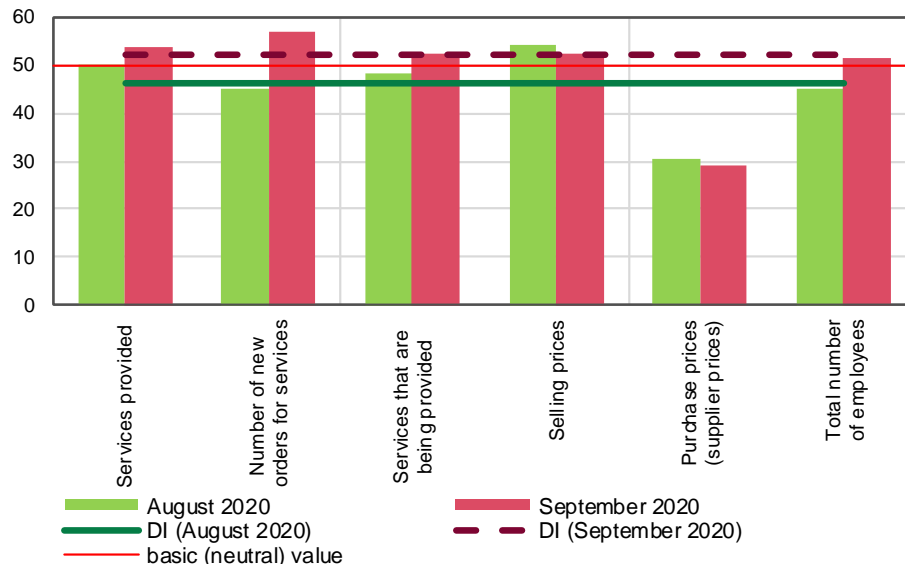
- **Expectations of trading companies deteriorated noticeably, moving below the equilibrium level, as the DI dropped to 46.4, down from 52.3 in August.**
- **Respondents reported dimmer expectations about all performance indicators, such as trade turnover, goods purchased for sale, and staff numbers, the DIs being 47.3, 44.6 and 47.3 respectively, down from 51.5, 57.6 and 50.0 in August.**
- With robust expectations of a rise in purchase prices (a DI of 25.7), **companies continued to report robust expectations of a rise in the price of goods purchased for sale (a DI of 68.9).**
- Most companies in the sector expected a further decrease in trade margins, the DI being 29.7, down from 33.3 in August.
- Respondents said they intended to **cut their workforces**, as the DI dropped to 47.3, compared to 50.0 in August.

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 reported optimistic performance expectations for the first time since March of the current year**, as their DI moved up to **52.2**, from 46.2 in August.
- Respondents expect an improvement in all performance indicators, such as the amount of services provided, the number of new orders, and the amount of services that are being provided, the DIs being 53.8, 56.9 and 52.3 respectively.
- With strong expectations of a rise in supplier prices (a DI of 29.2), companies reported expectations of a slight rise in their selling prices, the DI being 52.3.
- On the back of an improvement in the sector's economic activity, respondents **said they intended to expand their workforces slightly**, the DI being 51.5, up from 45.1 in August.



Annexes

Data on surveys of industrial companies in September 2020

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Manufactured goods	31	49	20
Number of new orders for products	27	44	29
Number of new export orders for goods	19	53	28
Unfinished products (unfulfilled orders)	18	69	13
Finished goods stocks	24	56	20
Stocks of raw materials and supplies	25	53	22
Prices for raw materials and supplies	51	49	0
Selling prices	31	67	2
Total number of employees	9	80	11

Data on surveys of construction companies in September 2020

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Construction volume (construction work done)	11	22	67
Number of new orders	11	11	78
Purchases of raw materials and supplies	11	33	56
Purchase prices (supplier prices)	56	44	0
Purchases of contractor services	22	56	22
Cost of contractor services*	22	67	11
Availability of contractors	11	89	0
Selling prices	33	56	11
Total number of employees	0	78	22

Data on surveys of trading companies in September 2020

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Trade turnover	22	51	27
Purchase prices (supplier prices)	54	41	5
Goods purchased for sale	22	46	32
Cost of goods purchased for sale	54	30	16
Inventories / stocks of goods for sale*	22	46	32
Trade margin	11	38	51
Total number of employees	3	89	8

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

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Services provided	29	49	22
Number of new orders for services	34	46	20
Services that are being provided	22	62	17
Selling prices	8	89	3
Purchase prices (supplier prices)	45	52	3
Total number of employees	17	69	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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