National Bank of Ukraine

Monthly Business Outlook Survey

November 2020

Issue No.17
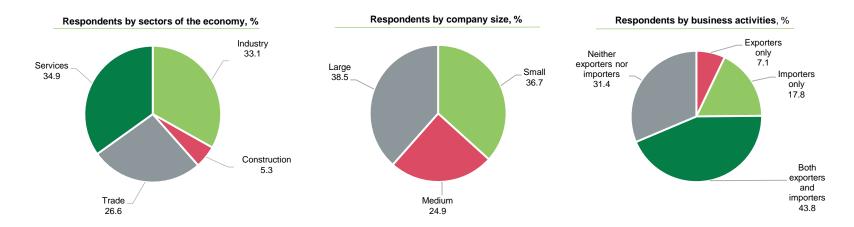Statistics and Reporting Department

Summary

Businesses continued to report dimmer expectations of their performance in the wake of stronger quarantine measures imposed by the Ukrainian government. **The business activity expectations index (BAEI) was 43.4 in November,** down from 47.8 in October.
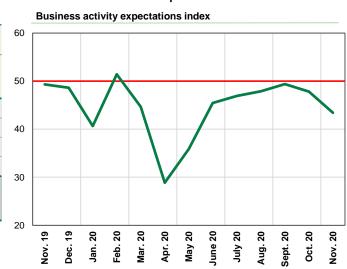
- Companies across all sectors had a gloomy outlook for their performance in the near future, with the most pessimistic views held by services and trading companies, which were hit the most by quarantine restrictions.

- The trend of construction companies' business expectations continued to be determined by the seasonal decline in the sector's economic activity, and the narrowing of investment demand.

- Industrial companies expected a decrease in the number of new orders for products, including export orders, amid depressed investment demand and unfavorable external conditions.

- Respondents across all sectors continued to declare intentions to cut staff, with the strongest intentions reported by construction companies.

Survey Details

Respondents by sectors of the economy, %

- Industry 33.1
- Services 34.9
- Construction 5.3
- Trade 26.6

Respondents by company size, %

- Large 38.5
- Small 36.7
- Medium 24.9

Respondents by business activities, %

- Exporters only 7.1
- Neither exporters nor importers 31.4
- Importers only 17.8
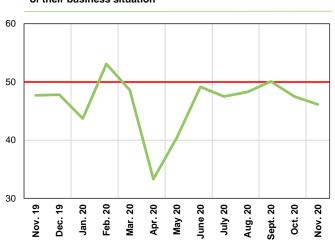- Both exporters and importers 43.8

- This survey was carried out from 4 November through 23 November 2020
- A total of 169 companies were polled
- Survey horizon: change in companies' performance indicators in November compared to October
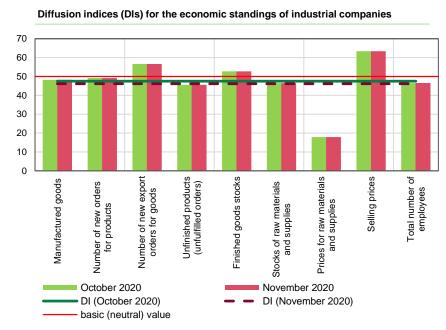
Sector	Sector's contribution to Ukrainian GDP (2019)	Diffusion index		
		October 2020	November 2020	Change compared to previous month
Industry	32.7	47.5	46.1	-1.4
Construction	4.7	32.5	35.0	+2.5
Trade	22.0	52.3	47.2	-5.1
Services	40.7	47.4	40.1	-7.2
BAEI (total across Ukraine)	**X**	**47.8**	**43.4**	**-4.4**

Business activity expectations index

Industry

Diffusion index for industrial companies' expectations of their business situation

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

- October 2020
- November 2020
- DI (October 2020)
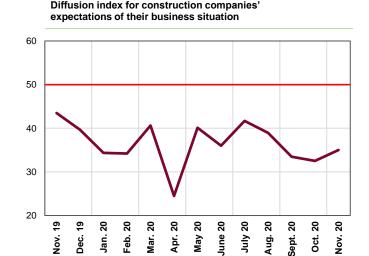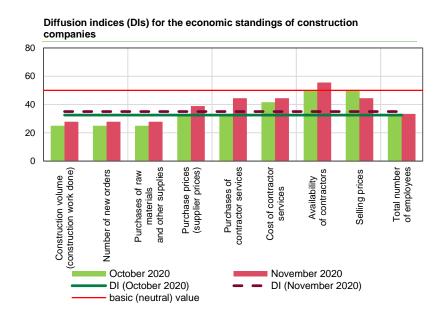- DI (November 2020)
- basic (neutral) value

- Industrial companies **became more pessimistic about their performance**.The sector's DI was 46.1 in November, down from 47.5 in October.

- Respondents **downgraded their expectations** for the number of new orders for products, including new export orders. The DIs were 47.3 and 44.6 respectively, down from 49.1 and 56.6 in October.

- Respondents also reported stronger intentions to lay off staff, the DI being 45.5, down from 46.4 in October.

- Despite reporting a gloomier outlook in general, industrial companies did not expect any significant drop in their output, the DI being 49.1, up from 48.2 in October. Respondents were upbeat about their finished goods stocks, expecting stocks to contract further, the DI being 53.6, up from 52.7 in October.

- Businesses somewhat softened their expectations of an increase in prices for raw materials and supplies and selling prices. The DIs were 24.1 and 58.9 respectively, compared to 17.9 and 63.4 in October.

Construction

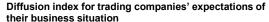**Diffusion index for construction companies' expectations of their business situation**

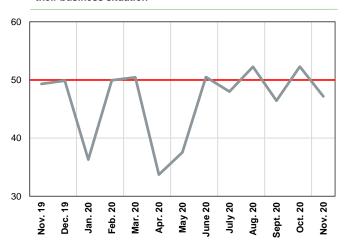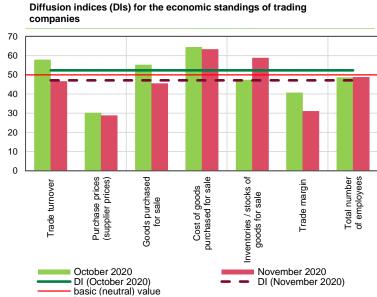**Diffusion indices (DIs) for the economic standings of construction companies**

- **Construction companies continued to report gloomy performance expectations**, the sector's DI being 35.0, up from 32.5 in October.

- Respondents **continue to expect a drop** in construction volumes, the number of new orders and purchases of raw materials and supplies, the DIs being 27.8 for each.

- Companies reported stronger expectations for a rise in supplier prices and the cost of contractor services, the DIs being 38.9 and 44.4 respectively, compared to 33.3 and 41.7 in October. In spite of this, and an overall fall in the sector's economic activity, companies said they intended to somewhat lower their selling prices, the DI being 44.4, down from 50.0 in October.

- Respondents also reported firm expectations of a pronounced drop in staff numbers at their companies, the DI being 33.3, unchanged on October.

Trade

Diffusion index for trading companies' expectations of their business situation

Diffusion indices (DIs) for the economic standings of trading companies
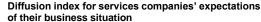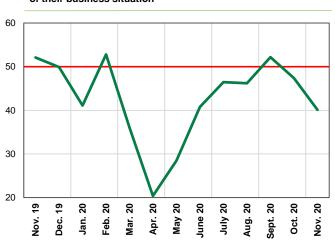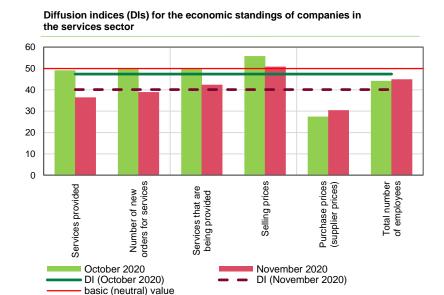

- **Expectations of trading companies deteriorated** on the back of a worsening epidemiological situation and the introduction of the weekend quarantine regime**, moving below the equilibrium level**, as the DI dropped to 47.2, from 52.3 in October.

- Respondents **markedly downgraded their expectations** for trade turnover and the amount of goods purchased for sale, the DIs being 46.7 and 45.6 respectively, compared to 57.9 and 55.3 in October. They also expected a decrease in stocks of goods for sale, the DI being 58.9, up from 47.4 in October.

- With firm expectations of a rise in purchase prices (a DI of 28.9), **companies continued to report robust expectations of a** rise in the price of goods purchased for sale (a DI of 63.3).

- Most companies in the sector expected a further decrease in trade margins, the DI being 31.1, down from 40.8 in October.

- Respondents continued to report pessimistic expectations for staff numbers at their companies, the DI being 48.9, compared to 48.7 in October.

Services

Diffusion index for services companies' expectations of their business situation

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

- Compared to other sectors, companies in the services sector downgraded their expectations of their November performance the most. The sector's DI was 40.1, down from 47.4 in October.

- Respondents **expected a pronounced drop in the amount of provided services**, the DI being 36.4, down from 49.2 in October.

- Companies **were downbeat about the number of new orders for services** and **the amount of services being provided**, the DIs being 39.0 and 42.4 respectively, compared to 50.0 for each in October.

- In spite of persistently strong expectations of a rise in supplier prices, respondents said they did not intend to increase selling prices, the DIs being 50.8 and 30.5 respectively, compared to 55.8 and 27.5 in October.

- As companies in other sectors, companies in the services sector reported intentions to reduce their workforces, the DI being 44.9, up from 44.2 in October.

Annexes

Data on surveys of industrial companies in November 2020

% responses

Indicator	Will increase	Will remain unchanged	Will decrease
Manufactured goods	23	52	25
Number of new orders for products	25	45	30
Number of new export orders for goods	16	57	27
Unfinished products (unfulfilled orders)	7	73	20
Finished goods stocks	20	54	27
Stocks of raw materials and supplies	20	52	29
Prices for raw materials and supplies	54	45	2
Selling prices	27	64	9
Total number of employees	4	84	13

Data on surveys of construction companies in November 2020

% responses

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

Data on surveys of trading companies in November 2020

% responses

Indicator	Will increase	Will remain unchanged	Will decrease
Trade turnover	22	49	29
Purchase prices (supplier prices)	49	44	7
Goods purchased for sale	22	47	31
Cost of goods purchased for sale	44	38	18
Inventories / stocks of goods for sale*	16	51	33
Trade margin	7	49	44
Total number of employees	11	76	13

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

% responses

Indicator	Will increase	Will remain unchanged	Will decrease
Services provided	10	53	37
Number of new orders for services	17	44	39
Services that are being provided	15	54	31
Selling prices	8	85	7
Purchase prices (supplier prices)	42	54	3
Total number of employees	7	76	17

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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