



National Bank
of Ukraine

Monthly Business Outlook Survey

December 2020

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

Issue No.18 Statistics and Reporting Department



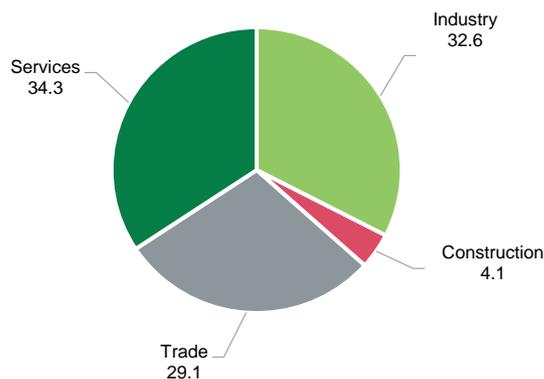
Summary

Despite improving their assessments slightly, businesses continue to report pessimistic expectations of their performance during quarantine. Companies' expectations have been below equilibrium values for over a year – the business activity expectations index (BAEI) was 45.5 in December (compared to 43.4 in November).

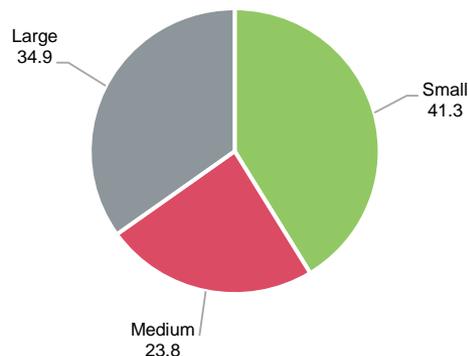
- For three months running, companies across all sectors that take part in the survey have been downbeat about their business performance in the near future. The most pessimistic expectations were reported by construction companies, as these expectations continued to be shaped by the seasonal decline in economic activity and narrowing investment demand.
- Companies across all sectors expect a rise in their selling prices on the back of higher raw material and supplier prices.
- Respondents continued to declare intentions to cut staff, with the strongest intentions reported by construction companies.

Survey Details

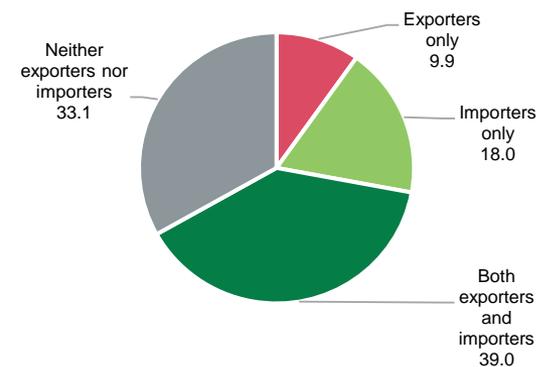
Respondents by sectors of the economy, %



Respondents by company size, %



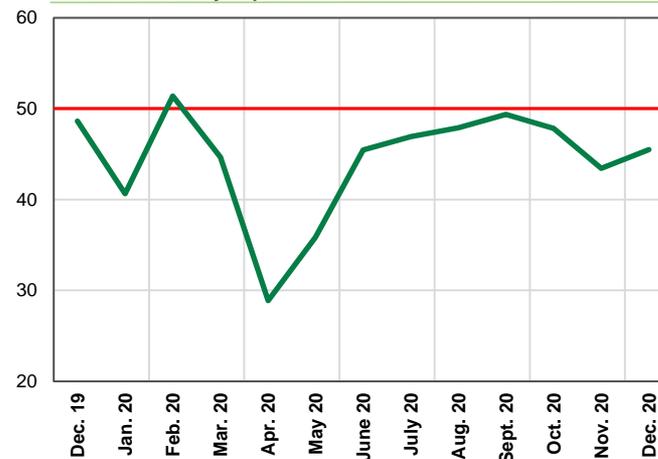
Respondents by business activities, %



- This survey was carried out from 3 through 23 December 2020
- A total of 172 companies were polled
- Survey horizon: change in companies' performance indicators in December compared to November

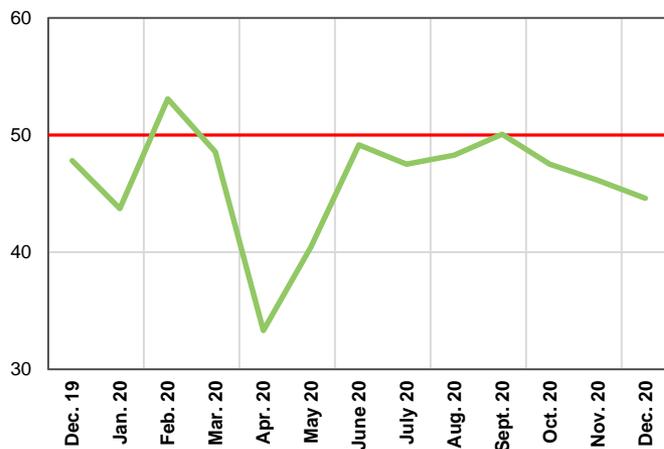
Sector	Sector's contribution to Ukrainian GDP (2019)	Diffusion index		
		November 2020	December 2020	Change compared to previous month
Industry	32.7	46.1	44.6	-1.5
Construction	4.7	35.0	39.1	+4.1
Trade	22.0	47.2	48.5	+1.3
Services	40.7	40.1	45.3	+5.2
BAE (total across Ukraine)	X	43.4	45.5	+2.1

Business activity expectations index

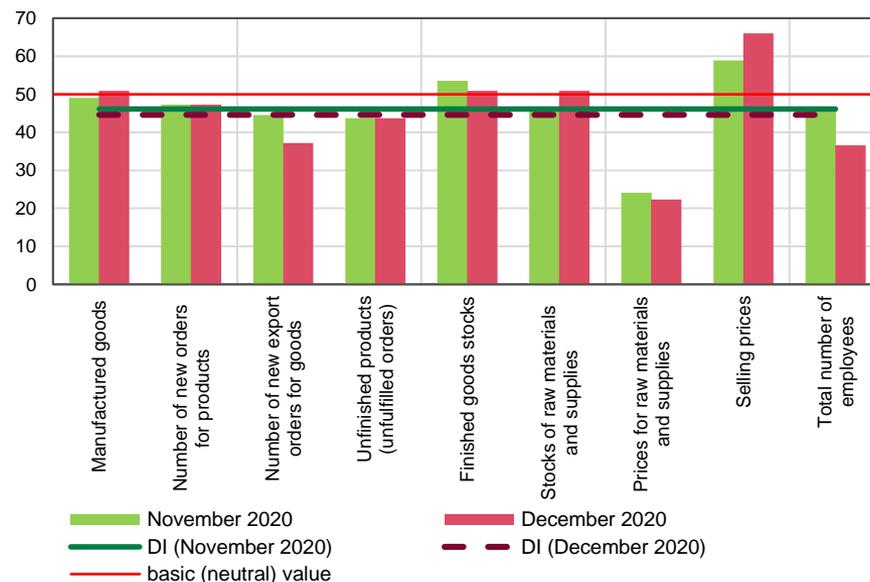


Industry

Diffusion index for industrial companies' expectations of their business situation



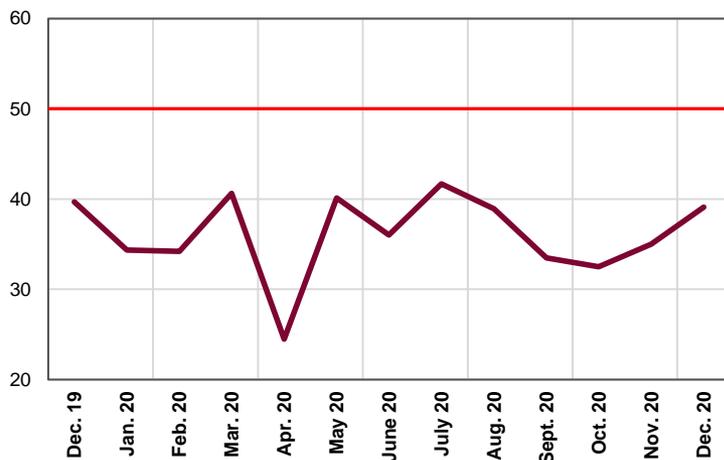
Diffusion indices (DI) for the economic standings of industrial companies



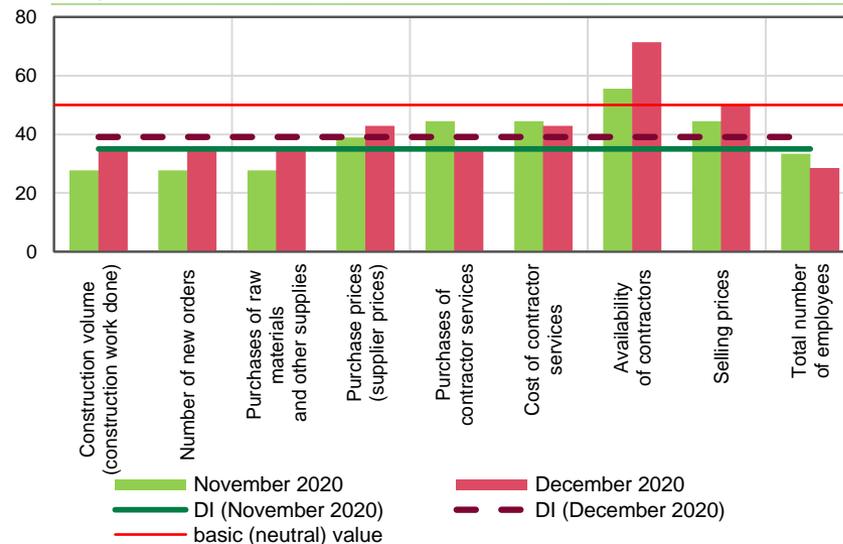
- Industrial companies **continue to report dimmer expectations of their business performance**. The sector's DI was **44.6 in December**, down from 46.1 in November.
- Expectations for the number of new orders for products, including new export orders, **remain below the neutral level**. The DIs were 47.3 and 37.2 respectively (compared to 47.3 and 44.6 in November).
- Companies reported gloomier expectations about total employment** in the sector, as the DI hit an all-time low of 36.6, compared to 45.5 in November.
- Already high expectations of selling price growth rose even higher (the DI being 66.1), fueled by expectations of an increase in raw material and supplies prices (a DI of 22.3).
- Despite reporting more pessimistic views in general, respondents **upgraded their expectations for the amount of manufactured goods**, the DI being 50.9, up from 49.1 in November.

Construction

Diffusion index for construction companies' expectations of their business situation



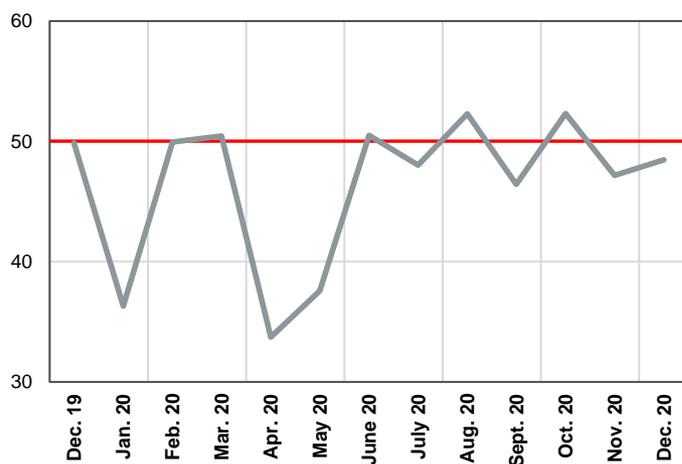
Diffusion indices (DI) for the economic standings of construction companies



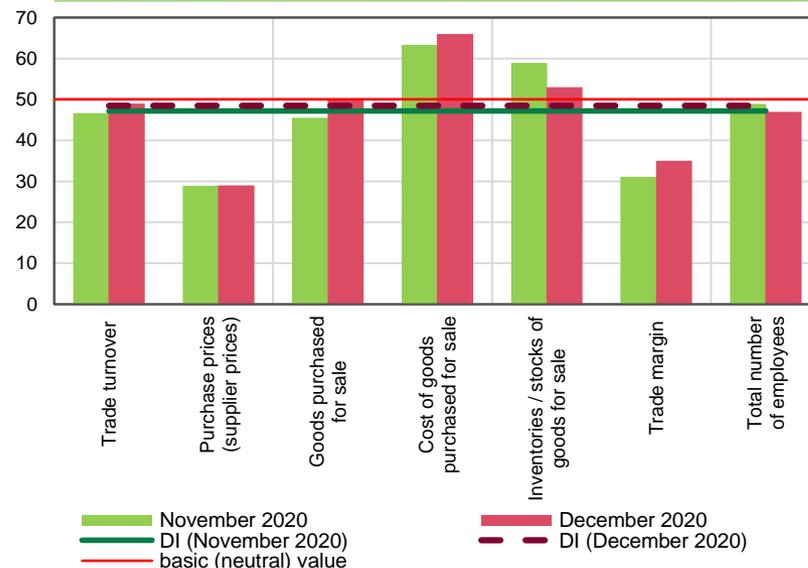
- Despite a slight improvement, the **expectations of construction companies remain the gloomiest** across all sectors. **The sector's DI was 39.1**, up from 35.0 in November.
- The companies were the most downbeat about total employment in the sector** – their already dim expectations became even dimmer (the DI was 28.6, down from 33.3 in November).
- Respondents reported firmer intentions to increase their selling prices (a DI of 50.0) on the back of solid expectations of a rise in supplier and contractor prices (the DIs being 42.9 each).
- Despite some improvement in respondents' expectations for construction volumes, the number of new orders, and purchases of raw materials and supplies, these expectations remained way below the neutral level. The DIs were 35.7 each, compared to 27.8 each in November.

Trade

Diffusion index for trade companies' expectations of their business situation



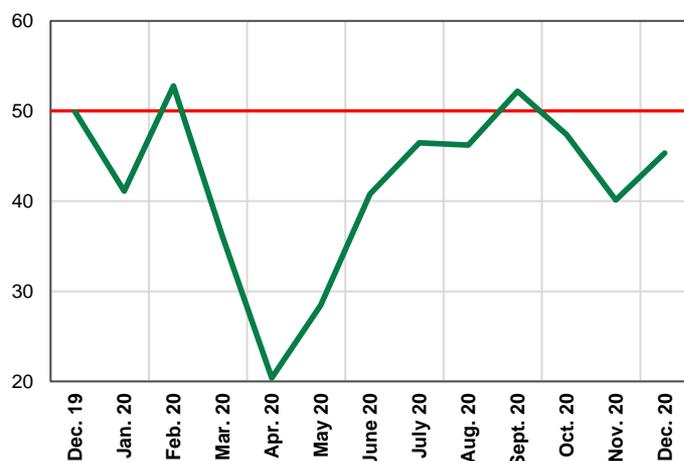
Diffusion indices (DI) for the economic standings of trade companies



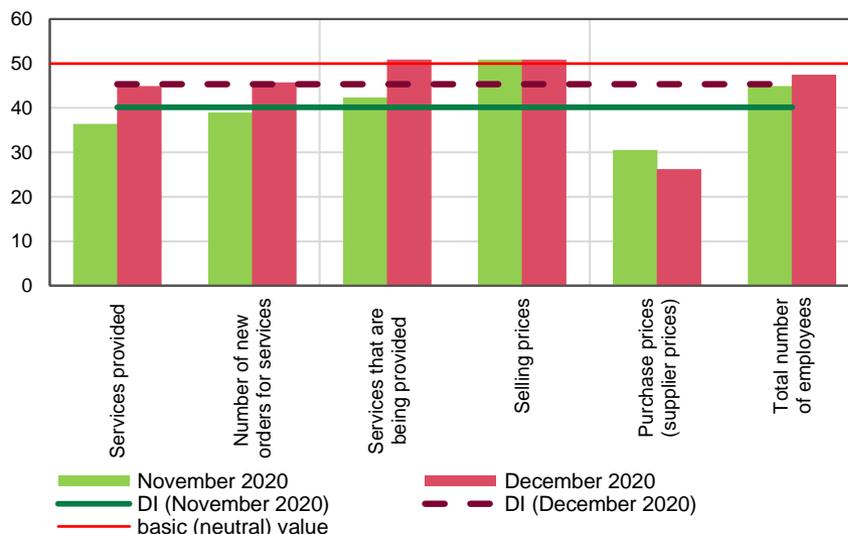
- Trade companies' expectations of their business situation showed some improvement, yet they **remained below the neutral level, the DI being 48.5** compared to 46.7 in November.
- With firm expectations of a rise in purchase prices, companies reported stronger expectations of a rise in the price of goods purchased for sale (a DI of 66.0). Respondents also expected a slight increase in trade margins, the DI being 35.0, up from 31.1 in November.
- The companies were more pessimistic about total employment in the sector**, the DI being 47.0, down from 48.9 in November.
- Given a seasonal increase in demand, respondents had more confident expectations of an increase in trade turnover and the amount of goods purchased for sale, the DIs being 49.0 and 50.0 respectively, compared to 46.7 and 45.6 in November.

Services

Diffusion index for services companies' expectations of their business situation



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



- Compared to other sectors, companies in the services sector reported the biggest improvement in their expectations for December performance. In spite of that, their **expectations have still not reached the neutral level, the DI being 45.3**, compared to 40.1 in November.
- Respondents improved their expectations for the amount of services provided, the number of new orders, and the amount of services that are being provided, the DIs being 44.9, 45.8 and 50.8 respectively, compared to 36.4, 39.0 and 42.4 in November.
- Despite a **rise in supplier prices** (the DI dropped from 36.5 to 26.3), respondents do not intend to raise their selling prices (a DI of 50.8).
- Companies in the services sector, like those in other sectors, reported intentions to **reduce their workforces**, the DI being 47.5, up from 44.9 in November.



Annexes

Data on surveys of industrial companies in December 2020

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Manufactured goods	27	48	25
Number of new orders for products	25	45	30
Number of new export orders for goods	14	47	40
Unfinished products (unfulfilled orders)	7	73	20
Finished goods stocks	18	63	20
Stocks of raw materials and supplies	23	55	21
Prices for raw materials and supplies	55	45	0
Selling prices	38	57	5
Total number of employees	2	70	29

Data on surveys of construction companies in December 2020

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Construction volume (construction work done)	0	71	29
Number of new orders	0	71	29
Purchases of raw materials and supplies	0	71	29
Purchase prices (supplier prices)	14	86	0
Purchases of contractor services	0	71	29
Cost of contractor services*	14	86	0
Availability of contractors	43	57	0
Selling prices	14	71	14
Total number of employees	0	57	43

Data on surveys of trading companies in December 2020

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Trade turnover	34	30	36
Purchase prices (supplier prices)	48	46	6
Goods purchased for sale	32	36	32
Cost of goods purchased for sale	46	40	14
Inventories / stocks of goods for sale*	28	38	34
Trade margin	12	46	42
Total number of employees	6	82	12

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

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Services provided	20	49	31
Number of new orders for services	19	54	27
Services that are being provided	20	61	19
Selling prices	7	88	5
Purchase prices (supplier prices)	47	53	0
Total number of employees	5	85	10

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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