



National Bank
of Ukraine

Monthly Business Outlook Survey

April 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



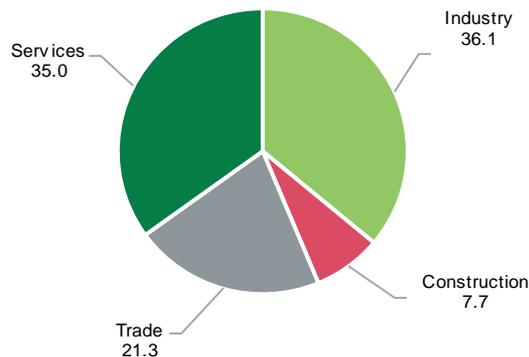
Summary

Business sentiment has been declining sharply for two months in a row on the back of the quarantine imposed in Ukraine. The business activity expectations index (BAEI) hit a new low of **29.9** in April, compared to 45.8 in March.

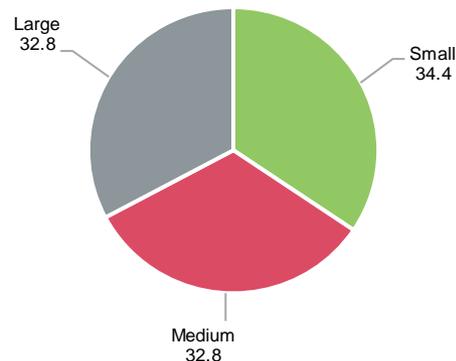
- The decline was brought about by a considerable worsening in the expectations of companies from all economic sectors that participate in this survey.
- The most downbeat were respondents from the services sector.
- Significant staff cuts were expected by respondents across all sectors, and most of all by construction companies.
- Businesses also softened their expectations for growth in selling prices.

Survey Details

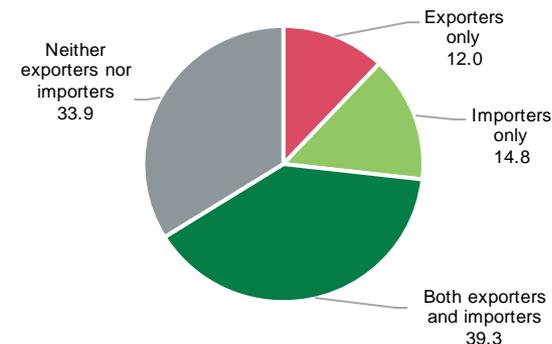
Respondents by sectors of the economy, %



Respondents by company size, %



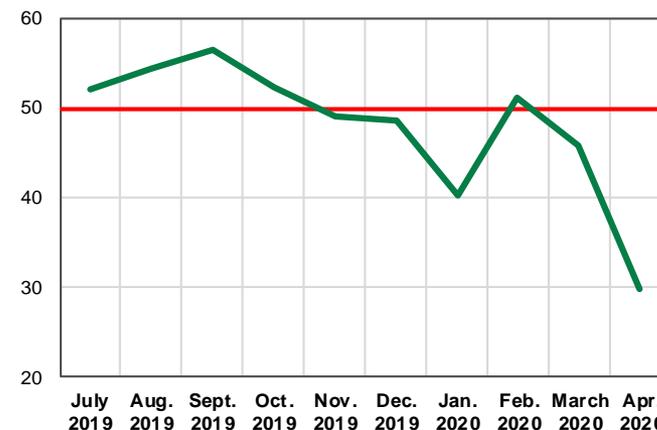
Respondents by business activities, %



- This survey was carried out from 6 April through 24 April 2020
- A total of 183 companies were polled
- Survey horizon: change in companies' performance indicators in April compared to March

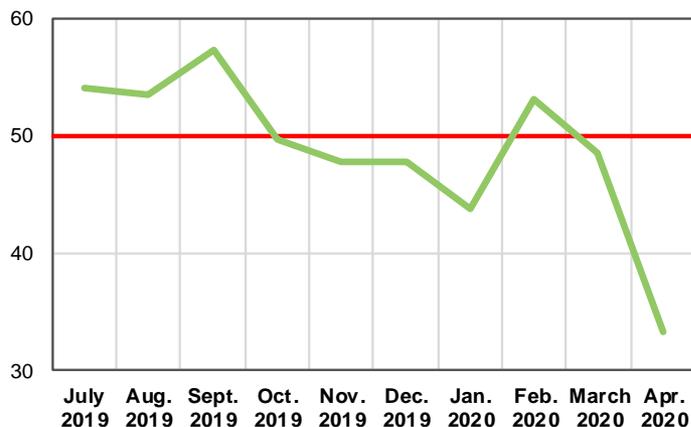
Sector	Sector's contribution to Ukrainian GDP (2018), %	Diffusion index		
		March 2020	April 2020	DI change compared to previous month
Industry	38.9	48.6	33.3	-15.3
Construction	4.3	40.6	24.5	-16.2
Trade	32.3	50.4	33.7	-16.7
Services	24.6	36.1	20.4	-15.7
BAEI (total across Ukraine)	X	45.8	29.9	-15.9

Business activity expectations indices

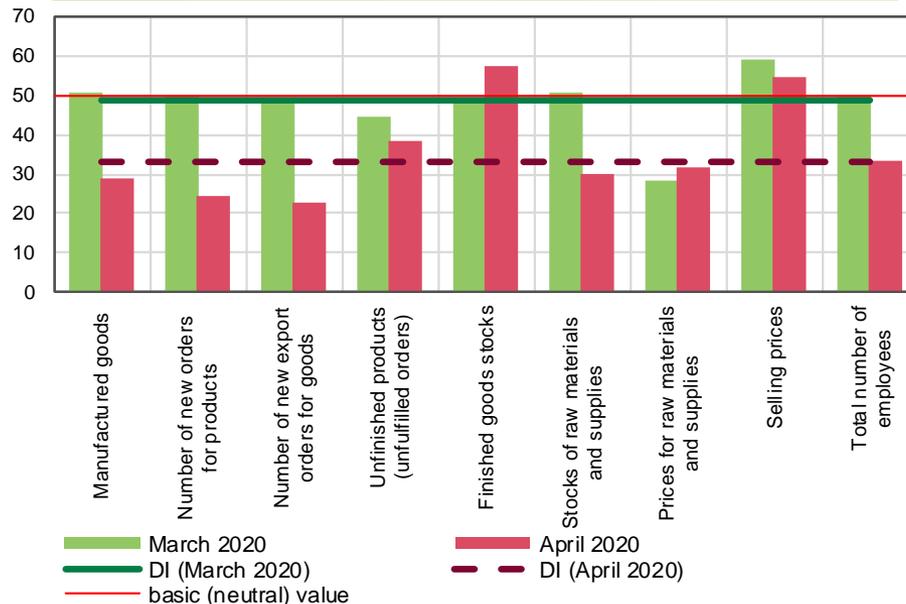


Industry

Diffusion index for industrial companies' expectations of their business situation



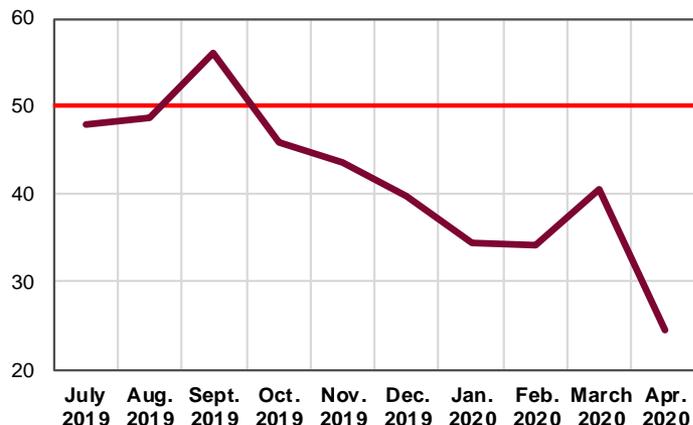
Diffusion indices (DI) for the economic standings of industrial companies



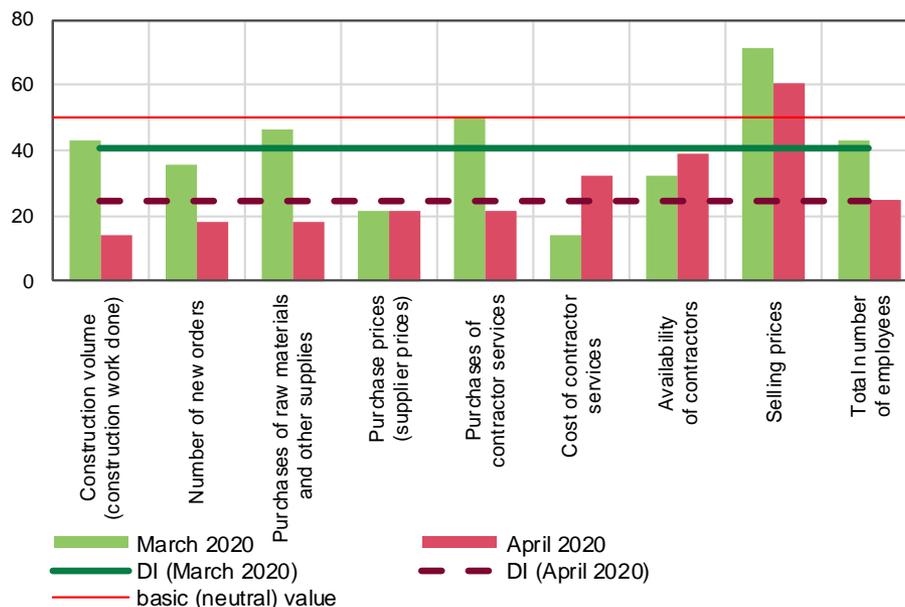
- Respondents in the industrial sector markedly strengthened **their negative business performance expectations**. **The sector's DI dropped to 33.3 in April**, compared to 48.6 in March.
- Respondents reported the **most pessimistic expectations** for the amount of manufactured goods and the number of new orders for products, including new export orders, the DIs being 28.8, 24.2 and 22.9 respectively (compared to 50.9, 50.0 and 48.6 in March).
- Meanwhile, respondents reported healthy expectations of a drop in **finished goods stocks**, the DI being 57.6, up from 48.2 in March.
- Companies in the sector said they had strong intentions to **lay off staff**, the DI being **33.3**, down from 50.0 in March.

Construction

Diffusion index for construction companies' expectations of their business situation



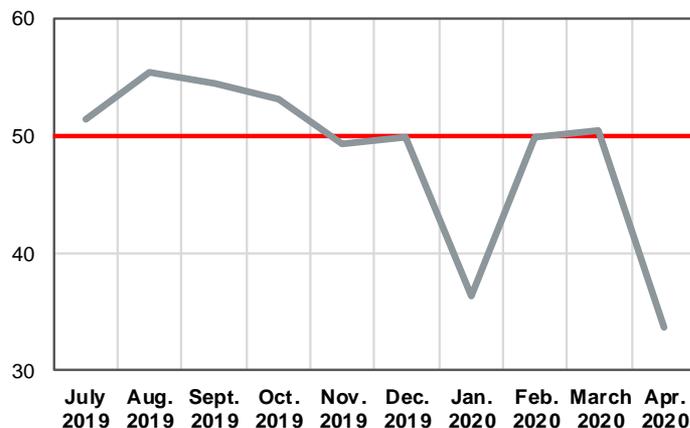
Diffusion indices (DI) for the economic standings of construction companies



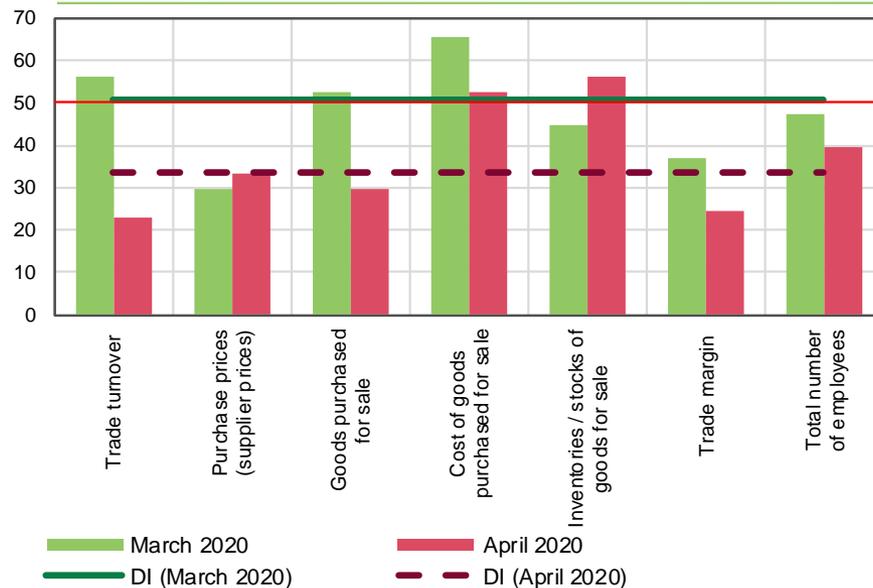
- **Companies in the construction sector reported significantly higher expectations of weaker performance in April. The sector's DI dropped to 24.5 in April, compared to 40.6 in March.**
- **Companies' expectations for construction volumes, purchases of raw materials and supplies, and purchases of contractor services worsened the most, the DIs being 14.3, 17.9 and 21.4 respectively, compared to 42.9, 46.4 and 50.0 in March.**
- Construction companies also continued to be pessimistic about purchase prices, the DI being 21.4.
- Meanwhile, construction companies continued to **report healthy expectations for selling prices**, the DI being 60.7.
- **Companies in the construction sector were the most pessimistic about their staff numbers compared to other sectors, the DI being 25.0, down from 42.9 in March.**

Trade

Diffusion index for trade companies' expectations of their business situation



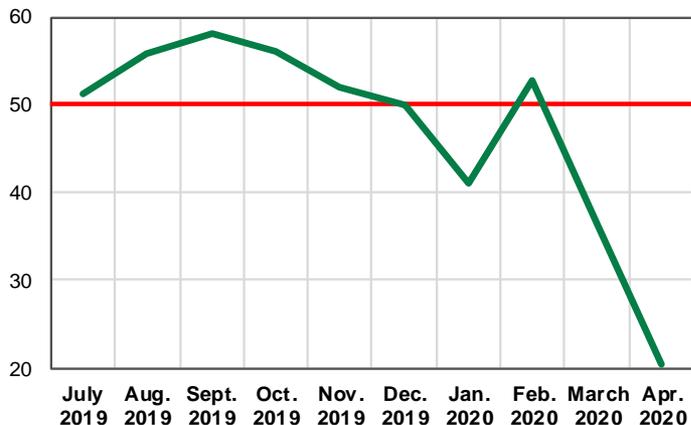
Diffusion indices (DI) for the economic standings of trade companies



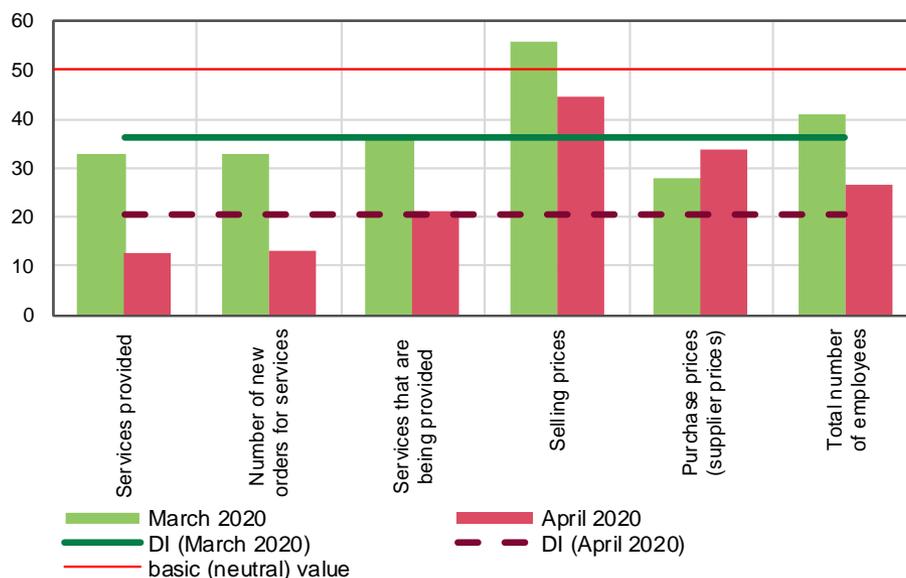
- Trade companies returned to reporting pessimistic sentiments. The sector's DI dropped to 33.7 in April, compared to 50.4 in March.
- Respondents were **most pessimistic about trade turnover and the amount of goods purchased for sale**, the DIs being 23.1 and 29.5 respectively, compared to 56.4 and 52.6 in March.
- Companies in the sector again reported stronger intentions to **lay off staff**, the DI being 39.7, down from 47.4 in March.
- Despite facing significant complications in their business environment, trade companies **remained upbeat about the cost of goods purchased for sale**, the DI being 52.6, down from 65.4 in March.

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 the most pessimistic views of economic conditions in April, the DI being 20.4**, down from 36.1 in March.
- **Respondents' expectations** for the volume of services provided and the number of new orders for services were **at an all-time low**, the DIs being 12.5 and 13.3 respectively, compared to 32.8 each in March.
- With weaker expectations of a drop in purchase prices (a DI of 33.6), **companies softened their expectations for their selling prices**, the DI being 44.5, compared to 55.7 in March.
- As with companies in other sectors, companies in the services sector **expected a reduction in their staff numbers**, the DI being 26.6, compared to 41.0 in March.



Annexes

Data on surveys of industrial companies in April 2020

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Manufactured goods	17	24	59
Number of new orders for products	15	18	67
Number of new export orders for goods	6	33	60
Unfinished products (unfulfilled orders)	8	62	30
Finished goods stocks	24	36	39
Stocks of raw materials and supplies	6	48	45
Prices for raw materials and supplies	41	55	5
Selling prices	17	76	8
Total number of employees	2	64	35

Data on surveys of construction companies in April 2020

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Construction volume (construction work done)	7	14	79
Number of new orders	7	21	71
Purchases of raw materials and supplies	7	21	71
Purchase prices (supplier prices)	71	14	14
Purchases of contractor services	7	29	64
Cost of contractor services*	43	50	7
Availability of contractors	7	64	29
Selling prices	29	64	7
Total number of employees	0	50	50

Data on surveys of trade companies in April 2020

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Trade turnover	15	15	69
Purchase prices (supplier prices)	41	51	8
Goods purchased for sale	21	18	62
Cost of goods purchased for sale	38	28	33
Inventories / stocks of goods for sale*	21	46	33
Trade margin	5	38	56
Total number of employees	0	79	21

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

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Services provided	5	16	80
Number of new orders for services	5	17	78
Services that are being provided	6	30	64
Selling prices	9	70	20
Purchase prices (supplier prices)	41	52	8
Total number of employees	0	53	47

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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