



National Bank  
of Ukraine

# Monthly Business Outlook Survey

May 2020

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

Issue No.11  
Statistics and Reporting Department



## Summary

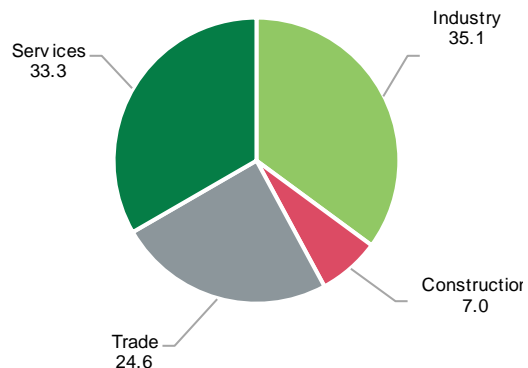
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**Businesses softened their pessimistic expectations amid the gradual lifting of quarantine restrictions.** The business activity expectations index (BAEI) moved up to 36.6 in May, from its record low of 29.9 in April.

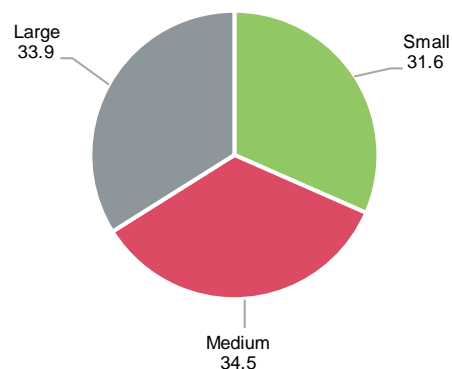
- Businesses across all sectors reported less pessimistic expectations about the economic outlook for May.
- The easing of anti-epidemic restrictions had the most significant impact on the expectations of construction companies.
- Rebounding demand and a stable exchange rate helped soften the sector's expectations about a rise in prices for raw materials and supplies, the cost of contractor services, and selling prices. Nevertheless, construction companies expected an increase in selling prices.
- All sectors of the economy continued to be mostly downbeat about the main results of their operational performance, such as the volume of goods and services produced and sold, the number of new orders, and total staff numbers.
- Services companies' gradual exit from the quarantine had a moderate effect on their expectations, which are still the most pessimistic of all of the sectors of the economy.

# Survey Details

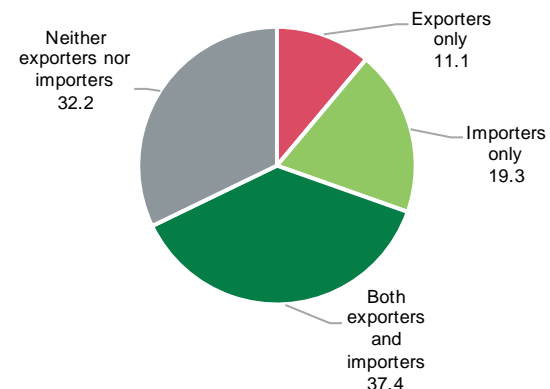
Respondents by sectors of the economy, %



Respondents by company size, %



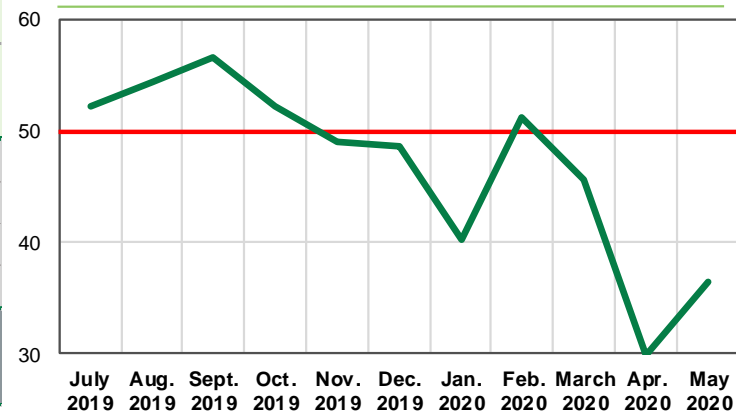
Respondents by business activities, %



- This survey was carried out from 5 May through 25 May 2020
- A total of 171 companies were polled
- Survey horizon: change in companies' performance indicators in May compared to April

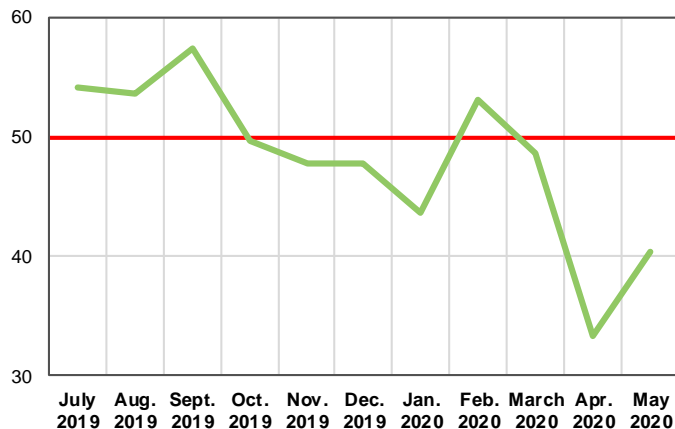
Sector	Sector's contribution to Ukrainian GDP (2018,%)	Diffusion index		
		April 2020	May 2020	DI change compared to previous month
Industry	38.9	33.3	40.4	+7.1
Construction	4.3	24.5	40.1	+15.6
Trade	32.3	33.7	37.6	+3.8
Services	24.6	20.4	28.5	+8.1
<b>BAEI (total across Ukraine)</b>	<b>X</b>	<b>29.9</b>	<b>36.6</b>	<b>+6.7</b>

Business activity expectations index

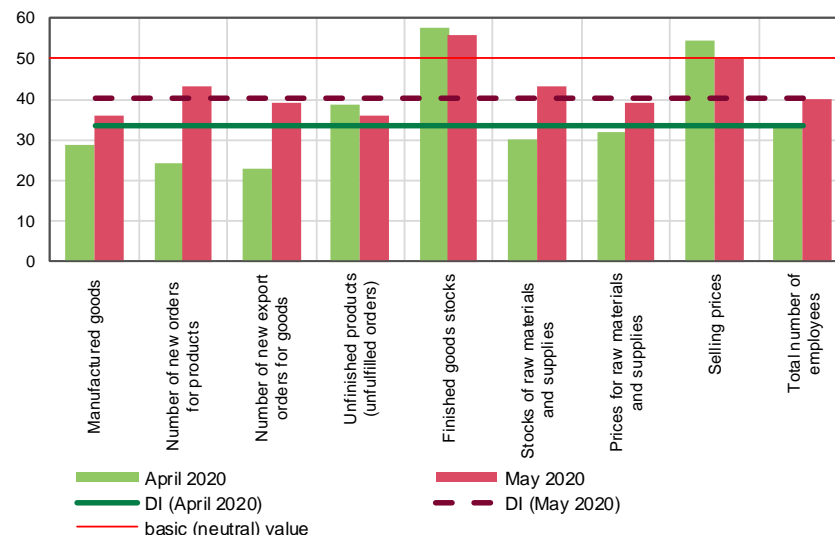


# Industry

Diffusion index for industrial companies' expectations of their business situation



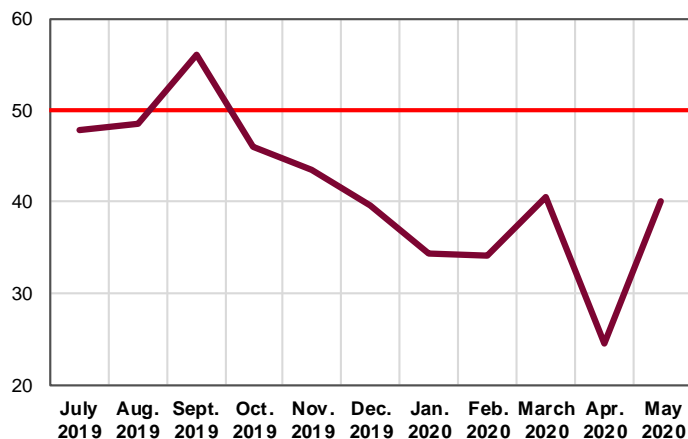
Diffusion indices (DI) for the economic standings of industrial companies



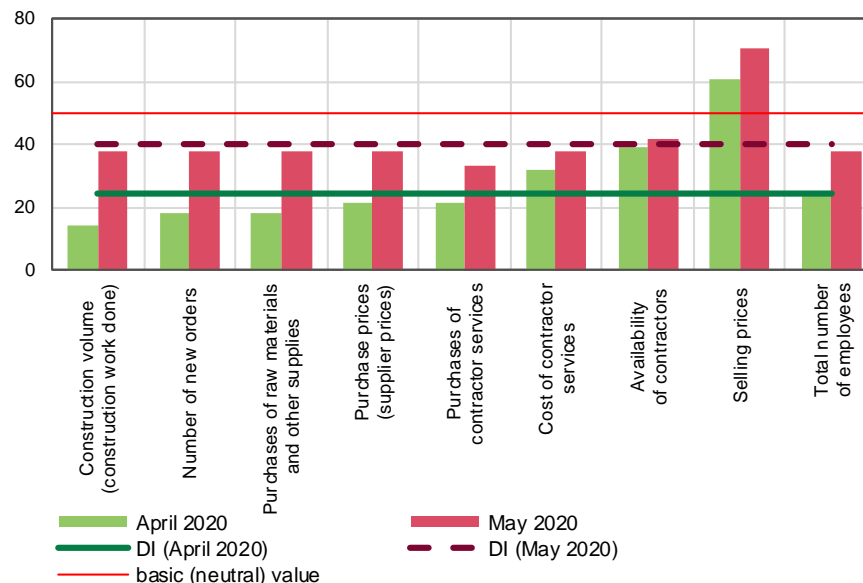
- Although softening their expectations, respondents in the industrial sector continued to report **negative business performance expectations**. The sector's DI edged up slightly, but **still remained below the neutral level, at 40.4** (compared to 33.3 in April).
- Respondents **continued to report pessimistic expectations** for the amount of manufactured goods and the number of new orders for products, including new export orders, the DIs being 35.8, 43.3 and 39.2 respectively (compared to 28.8, 24.2 and 22.9 in April). Despite declining output, respondents expected a drop in **finished goods stocks**, the DI being 55.8, down from 57.6 in April.
- With expectations of a rise in raw material and supplies prices gradually stabilizing (the DI moved up to 39.2 from 31.8 in April), **businesses softened their pessimistic expectations for a decrease in raw material and supplies stocks** (the DI grew to 43.3 from 30.3 in April). Businesses also said they **expected no increase in selling prices** (with a DI of 50.0).
- Companies in the sector still remain pessimistic about their total **number of employees**, the DI being 40.0 compared to 33.3 in April.

# Construction

Diffusion index for construction companies' expectations of their business situation



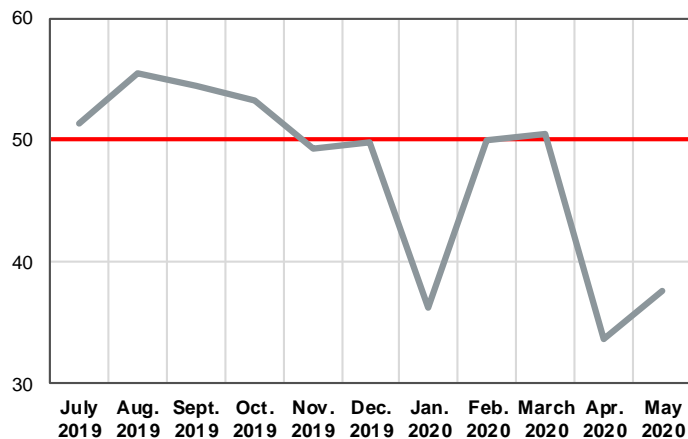
Diffusion indices (DI) for the economic standings of construction companies



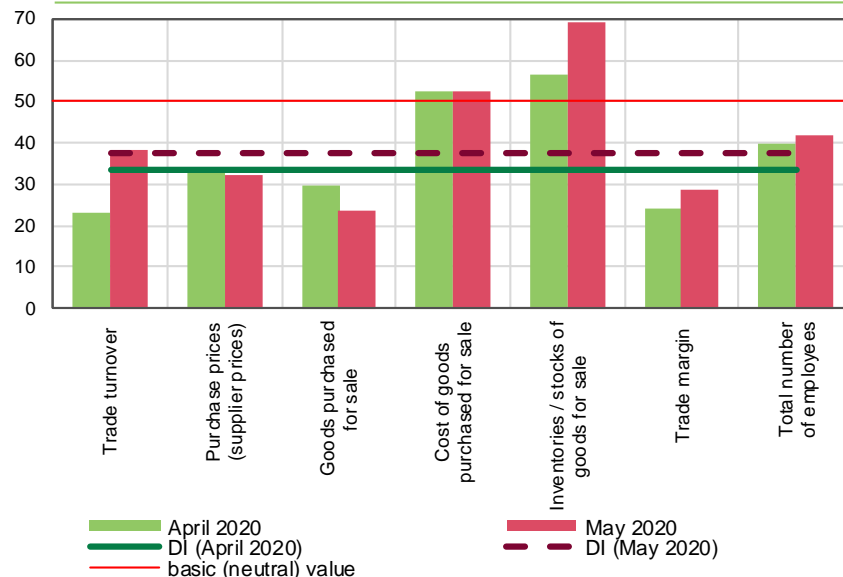
- Construction companies have almost **regained the level of expectations they had before the introduction of quarantine restrictions**. The sector's DI was 40.1, up from 24.5 in April.
- Expectations for **construction volumes, the number of new orders and purchases of raw materials and supplies** improved most of all: the DI was 37.5 for each, compared to 14.3, 17.9 and 17.9 respectively in April.
- Companies in the sector were still **downbeat about purchase price movements and the cost of contractor services**, the DI was 37.5 for each, up from 21.4 and 32.1 respectively in April.
- Expectations of a rise in selling prices grew and continued to be robust** (70.8 DI), driven by persisting expectations of a rise in purchase prices and the cost of contractor services.
- Respondents softened their **intentions to lay off staff**, the DI being 37.5, up from 25.0 in April.

# Trade

Diffusion index for trade companies' expectations of their business situation



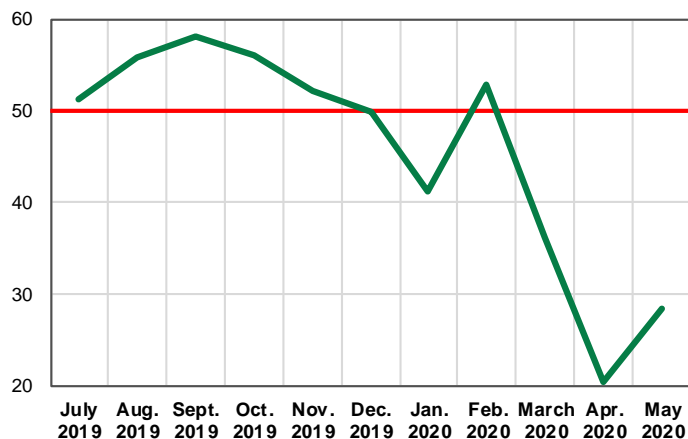
Diffusion indices (DI) for the economic standings of trade companies



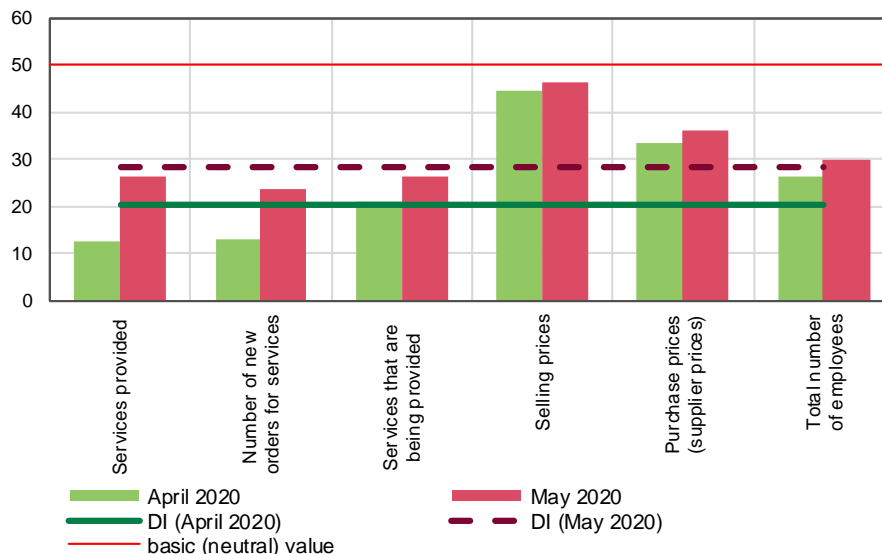
- Despite the gradual easing of quarantine restrictions, the **expectations of trade companies remain low, the DI being 37.6** compared to 33.7 in April.
- Depressed demand and restrictive measures contributed to companies' **pessimistic expectations about trade turnover and the amount of goods purchased for sale**, the DIs being 38.1 and 23.8 respectively, compared to 23.1 and 29.5 in April.
- Trade companies were even more confident that **supplier prices would grow**, the DI being 32.1, down from 33.3 in April.
- Pessimistic expectations for the amount of sold goods, an increase in supplier prices and higher costs related to the requirement to take anti-epidemic security measures **resulted in low expectations for trade margins** (the DI was 28.6, up from 24.4 in April).
- Respondents continue to report intentions to lay off **staff**, the DI being 41.7, up from 39.7 in April.

# Services

Diffusion index for services companies' expectations of their business situation



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



- Despite the gradual easing of restrictions and the resumption of operations of some companies, respondents from the services sector **continue to report the most pessimistic expectations of all of the sectors, the DI being 28.5** compared to 20.4 in April.
- Services companies continue to expect a drop in the **amount of services provided and the numbers of new orders for services**, the DIs being 26.3 and 23.7 respectively, up from 12.5 and 13.3 in April.
- Even with robust and persisting expectations of a **rise in purchase prices** (a DI of 36.0), companies continued to say that they planned to slightly cut **their selling prices**, the DI being 46.5, compared to 44.5 in April.
- The quarantine restrictions that were in place in May continued to shape respondents' strong intentions to **lay off staff**, the DI being 29.8, up from 26.6 in April.



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# *Annexes*

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## Data on surveys of industrial companies in May 2020

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Manufactured goods	22	28	50
Number of new orders for products	27	33	40
Number of new export orders for goods	19	41	41
Unfinished products (unfulfilled orders)	7	58	35
Finished goods stocks	22	45	33
Stocks of raw materials and supplies	18	50	32
Prices for raw materials and supplies	28	65	7
Selling prices	15	70	15
Total number of employees	3	73	23

## Data on surveys of construction companies in May 2020

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Construction volume (construction work done)	8	58	33
Number of new orders	8	58	33
Purchases of raw materials and supplies	8	58	33
Purchase prices (supplier prices)	33	58	8
Purchases of contractor services	8	50	42
Cost of contractor services*	25	75	0
Availability of contractors	0	83	17
Selling prices	42	58	0
Total number of employees	0	75	25

## Data on surveys of trade companies in May 2020

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Trade turnover	24	29	48
Purchase prices (supplier prices)	38	60	2
Goods purchased for sale	12	24	64
Cost of goods purchased for sale	31	43	26
Inventories / stocks of goods for sale*	7	48	45
Trade margin	5	48	48
Total number of employees	5	74	21

## Data on surveys of companies in the services sector in May 2020

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Services provided	12	28	60
Number of new orders for services	12	23	65
Services that are being provided	11	32	58
Selling prices	7	79	14
Purchase prices (supplier prices)	37	54	9
Total number of employees	2	56	42

## Main Terms and Definitions

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- **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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