



National Bank  
of Ukraine

# Monthly Business Outlook Survey

June 2020

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

Issue No. 12  
Statistics and Reporting Department



## Summary

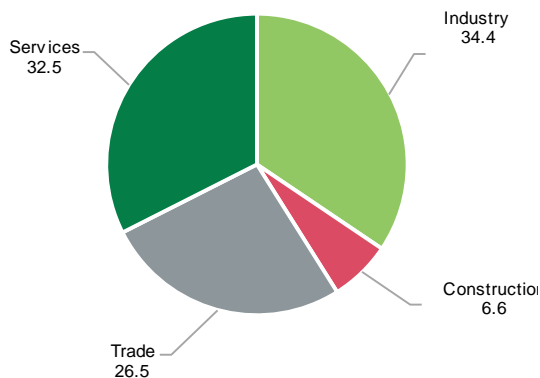
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**The gradual easing of quarantine restrictions helped improve the sentiments of businesses regarding their economic performance. The business activity expectations index (BAEI) moved up by 9.6 bp, to 45.5 in June.**

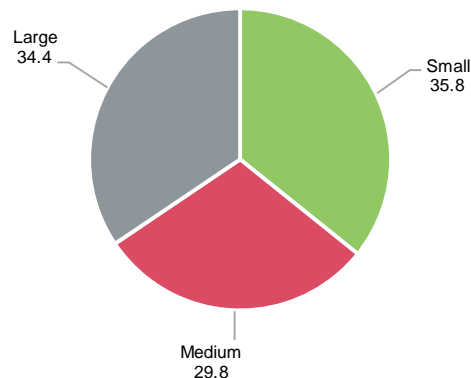
- The next phase of quarantine easing had the most beneficial effect on the economic activity of trading companies. The sector's expectations rose above the neutral level for the first time in the last three months.
- More robust sentiment about the number of new orders and the amount of goods for sale and services show that business activity is gradually picking up.
- Industrial and service companies reported moderate expectations for their operational performance amid continued anti-epidemic restrictions.
- Construction companies expected a decline in their activity.
- Staff expectations remained pessimistic. Respondents across all sectors intended to cut staff, and most of all construction companies.

# Survey Details

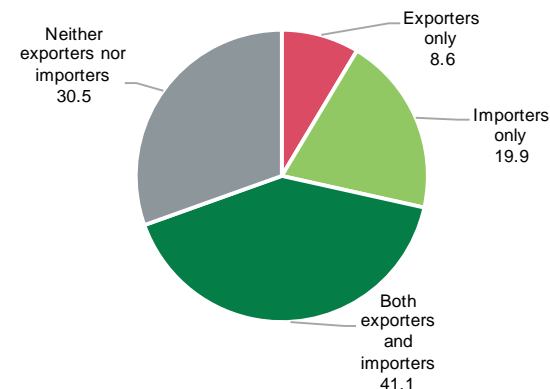
Respondents by sectors of the economy, %



Respondents by company size, %



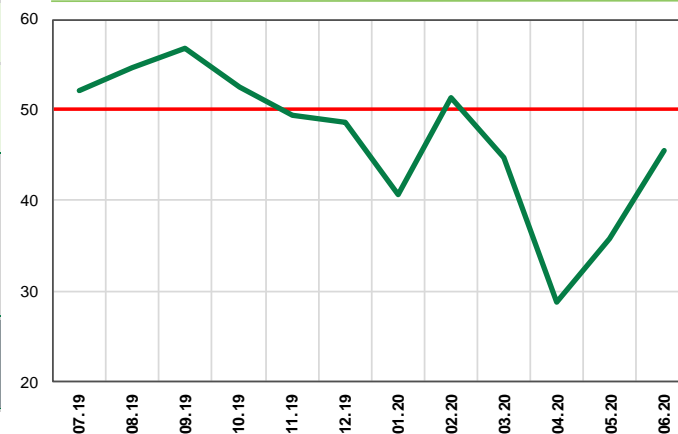
Respondents by business activities, %



- This survey was carried out from 4 June through 24 June 2020
- A total of 151 companies were polled
- Survey horizon: change in companies' performance indicators in June compared to May

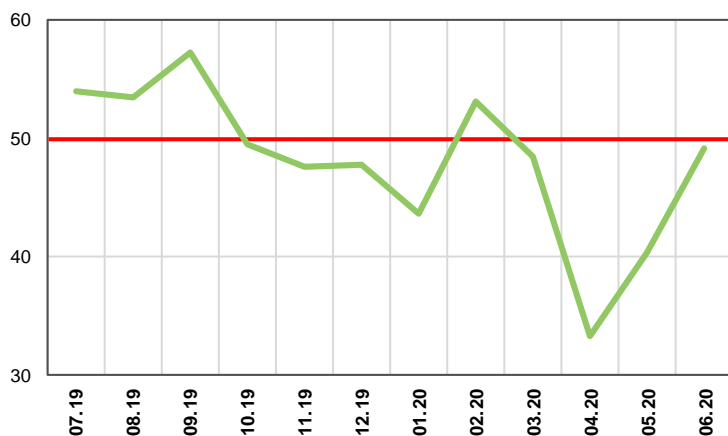
Sector	Sector's contribution to Ukrainian GDP (2019)	Diffusion index		
		May 2020	June 2020	Change compared to previous month
Industry	33.1	40.4	49.2	+8.7
Construction	4.5	40.1	36.0	-4.1
Trade	21.9	37.6	50.5	+12.9
Services	40.5	28.5	40.8	+12.3
<b>BAEI (total across Ukraine)</b>	<b>X</b>	<b>35.9</b>	<b>45.5</b>	<b>+9.6</b>

Business activity expectations index

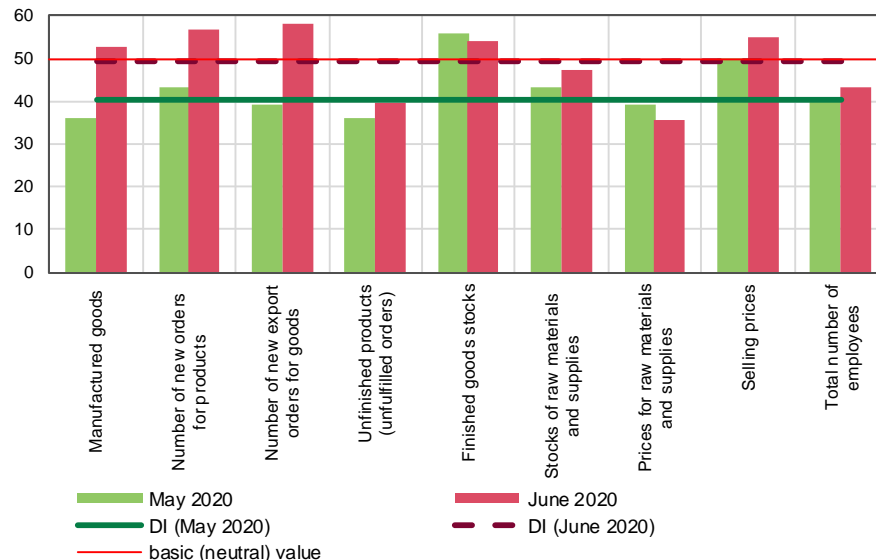


# Industry

Diffusion index for industrial companies' expectations of their business situation



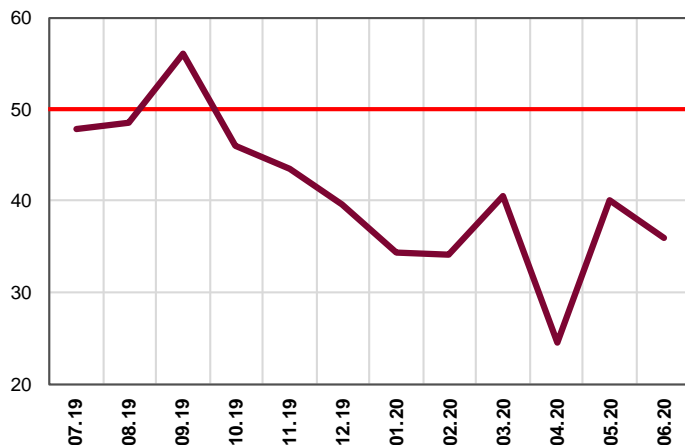
Diffusion indices (DI) for the economic standings of industrial companies



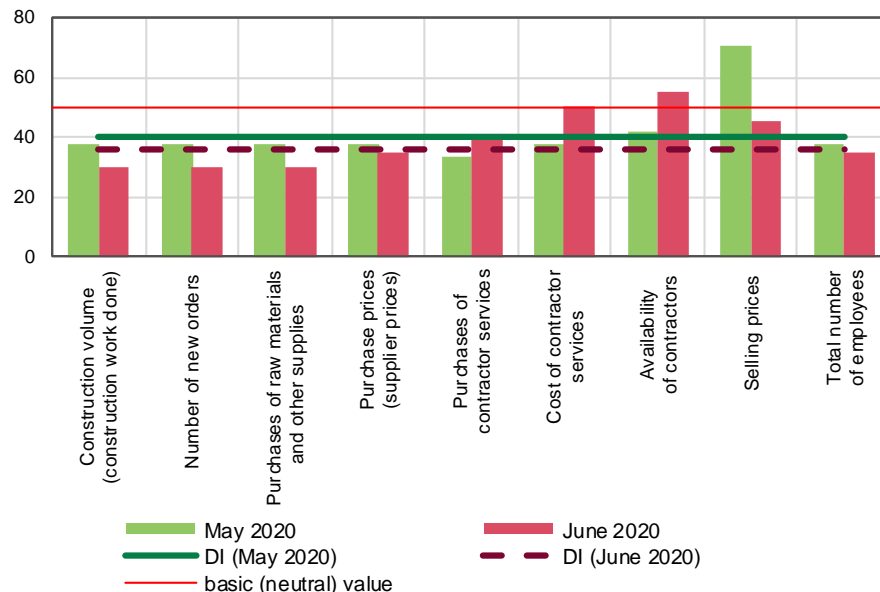
- **Although improving their sentiments, respondents from industrial companies continued to be downbeat about their performance in June.** The sector's DI was **49.2**, up from 40.4 in May.
- Companies in the sector **expect an increase** in new orders for products, including new export orders, as well as a rise in production volumes, the DIs being 56.7, 58.3 and 52.9 respectively (compared to 43.3, 39.2 and 35.8 in May). Expectations for selling price growth picked up, the DI being 54.8, compared to 50.0 in May.
- **Expectations about stocks of materials and supplies remain moderate**, the DI being 47.1 compared to 43.3 in May.
- Industrial companies continue to refer to stocks of **unfinished products** as being low, with a 39.4 DI.
- Companies **continued to be pessimistic about total employment in the sector**, the DI being 43.3, up from 40.0 in May.

# Construction

Diffusion index for construction companies' expectations of their business situation



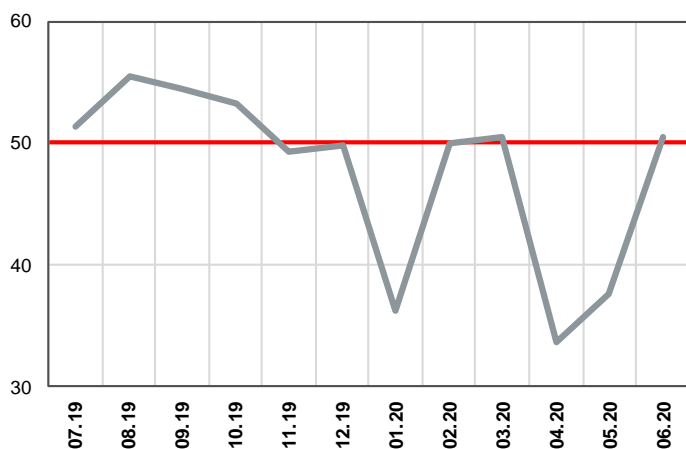
Diffusion indices (DI) for the economic standings of construction companies



- Companies in the construction sector **remain the most pessimistic, compared to companies in other sectors. The sector's DI was 36.0**, down from 40.1 in May.
- Respondents **downgraded their expectations for construction volumes, the number of new orders, and purchases of raw materials and supplies**, the DI being 30.0, compared to 37.5 in May.
- The sector's selling price **expectations declined dramatically** on the back of low demand, the DI being 45.0, down from 70.8 in May.
- As quarantine restrictions continued, respondents reported stronger intentions to **lay off staff**, the DI being 35.0, down from 37.5 in May.

# Trade

Diffusion index for trade companies' expectations of their business situation



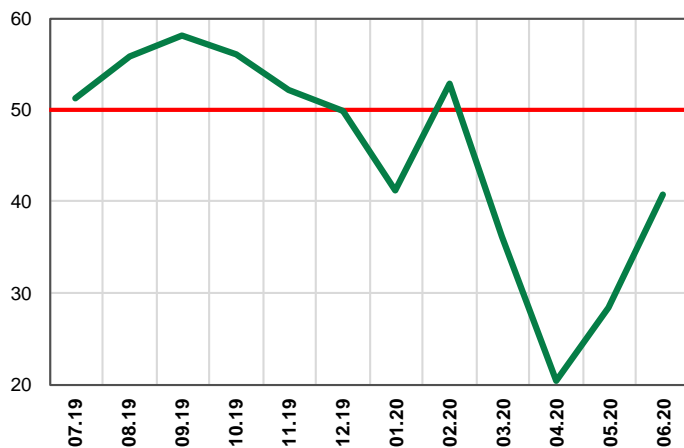
Diffusion indices (DI) for the economic standings of trade companies



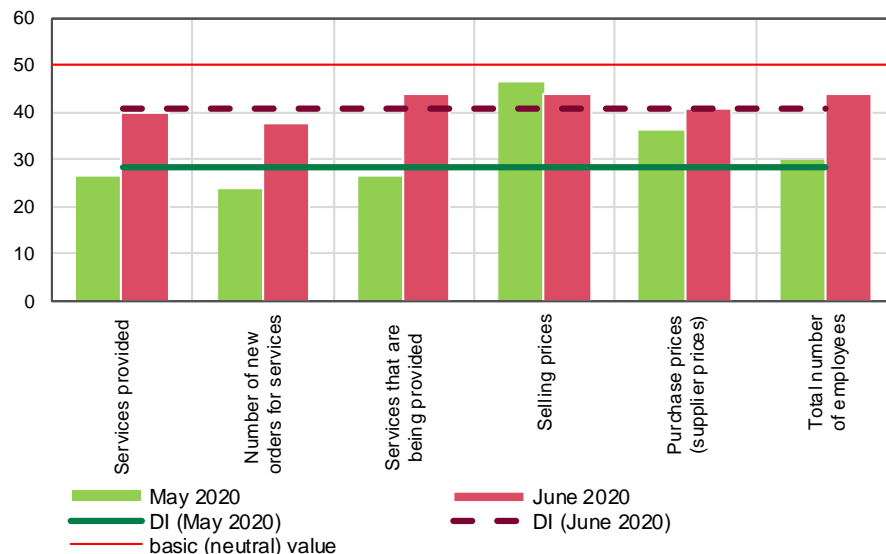
- **Trade companies improved their expectations markedly**, the DI increasing to 50.5, up from 37.6 in May.
- Respondents in the sector were upbeat about their goods turnover, the DI moving up by 19.7 bp, to 57.5, from 38.1 in May.
- **Expectations of higher prices for goods purchased for sale remained healthy**, the DI being 57.5, up from 52.4 in May.
- Although improving noticeably, **expectations for the amount of goods purchased for sale** remained below the neutral level, the DI being 43.8, up from 23.8 in May.
- Respondents continued to report intentions to **lay off staff**, the DI being 48.8, up from 41.7 in May.

# Services

Diffusion index for services companies' expectations of their business situation



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



- Service companies are gradually resuming operations, but still **remain pessimistic** about their performance, the DI being 40.8, up from 28.5 in May.
- Respondents reported more robust expectations for the amount of services provided, services being provided, and the number of new orders. The DIs moved up to 39.8, 43.9 and 37.8 respectively, but still remained **below the neutral level**.
- Companies downgraded their selling price expectations, the DI being 43.9, down from 46.5 in May.
- Respondents softened their pessimistic expectations for their staff numbers, with the DI moving up to 43.9, from 29.8 in May.



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# *Annexes*

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## Data on surveys of industrial companies in June 2020

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Manufactured goods	37	33	31
Number of new orders for products	37	40	23
Number of new export orders for goods	28	61	11
Unfinished products (unfulfilled orders)	2	75	23
Finished goods stocks	17	58	25
Stocks of raw materials and supplies	21	52	27
Prices for raw materials and supplies	35	60	6
Selling prices	17	75	8
Total number of employees	6	75	19

## Data on surveys of construction companies in June 2020

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Construction volume (construction work done)	10	40	50
Number of new orders	10	40	50
Purchases of raw materials and supplies	10	40	50
Purchase prices (supplier prices)	30	70	0
Purchases of contractor services	0	80	20
Cost of contractor services*	10	80	10
Availability of contractors	30	50	20
Selling prices	0	90	10
Total number of employees	0	70	30

## Data on surveys of trade companies in June 2020

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Trade turnover	43	30	28
Purchase prices (supplier prices)	25	73	3
Goods purchased for sale	28	33	40
Cost of goods purchased for sale	40	35	25
Inventories / stocks of goods for sale*	13	48	40
Trade margin	13	58	30
Total number of employees	8	83	10

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

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Services provided	22	35	43
Number of new orders for services	20	35	45
Services that are being provided	20	47	33
Selling prices	2	84	14
Purchase prices (supplier prices)	29	61	10
Total number of employees	4	80	16

## 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.



# National Bank of Ukraine

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