



National Bank  
of Ukraine

# Monthly Business Outlook Survey

January 2021

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

Issue No.19  
Statistics and Reporting Department



## Summary

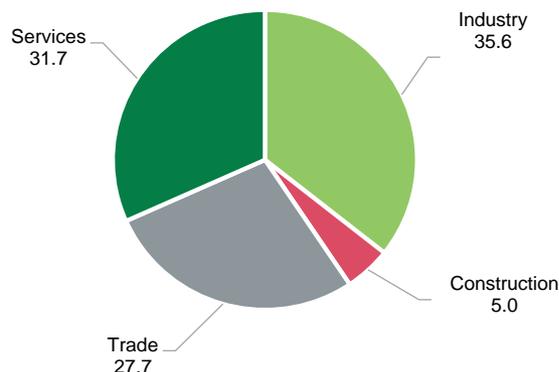
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**Businesses expressed significantly gloomier views about their current economic standings on the back of the tighter quarantine imposed by the Ukrainian government. The business activity expectations index (BAEI) was 37.6 in January, down from 45.5 in December.**

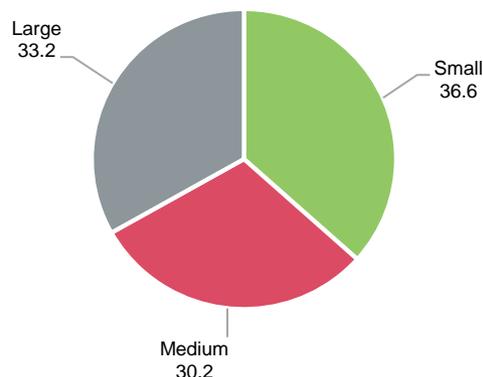
- Business activity, which is usually weak at the start of the year mainly because there are fewer business days in this period, was noticeably depressed by strict quarantine restrictions imposed on the operation of some sectors.
- Companies across all of the surveyed sectors reported considerably dimmer expectations for their business performance. Respondents from the construction and trade sectors were the most downbeat.
- Companies continue to expect a rise in selling prices on the back of higher purchase prices.
- Respondents across all sectors continue to report pessimistic expectations for total staff numbers.

# Survey Details

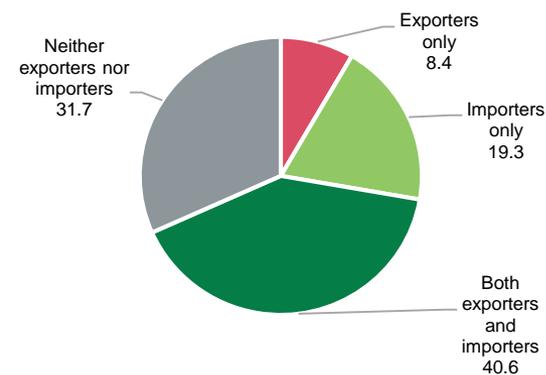
Respondents by sectors of the economy, %



Respondents by company size, %

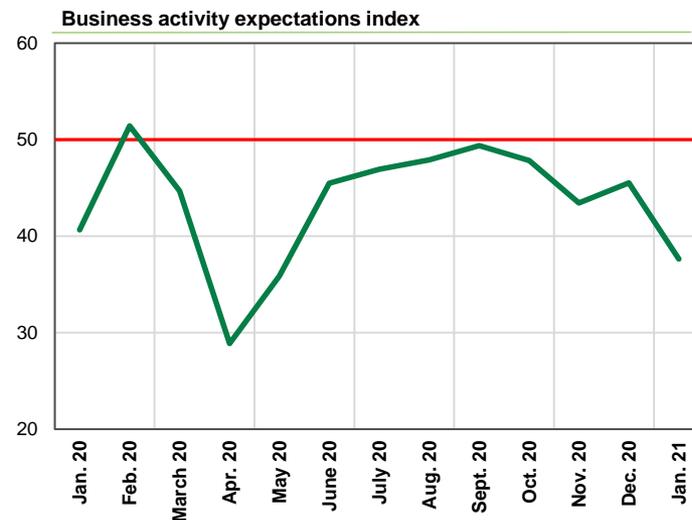


Respondents by business activities, %



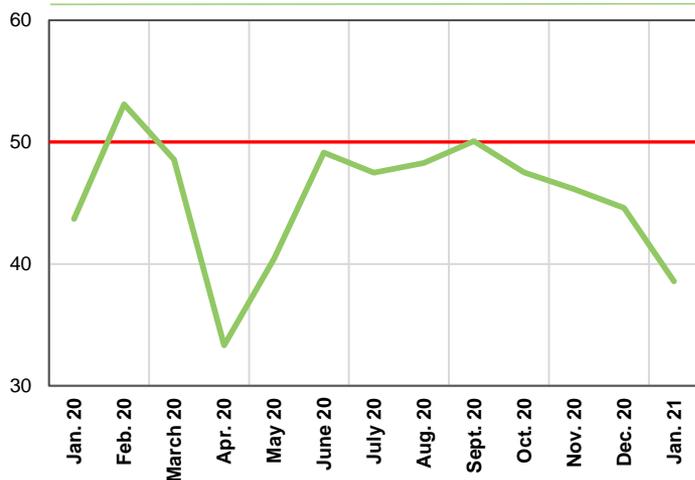
- This survey was carried out from 5 through 25 January 2021
- A total of 202 companies were polled
- Survey horizon: change in companies' performance indicators in January 2021 compared to December 2020

Sector	Sector's contribution to Ukrainian GDP (2019), %	Diffusion index		
		December 2020	January 2021	Change compared to previous month
Industry	32.7	44.6	38.6	-6.0
Construction	4.7	39.1	33.1	-6.0
Trade	22.0	48.5	33.3	-15.2
Services	40.7	45.3	39.7	-5.6
<b>BAI (total across Ukraine)</b>	<b>X</b>	<b>45.5</b>	<b>37.6</b>	<b>-7.8</b>

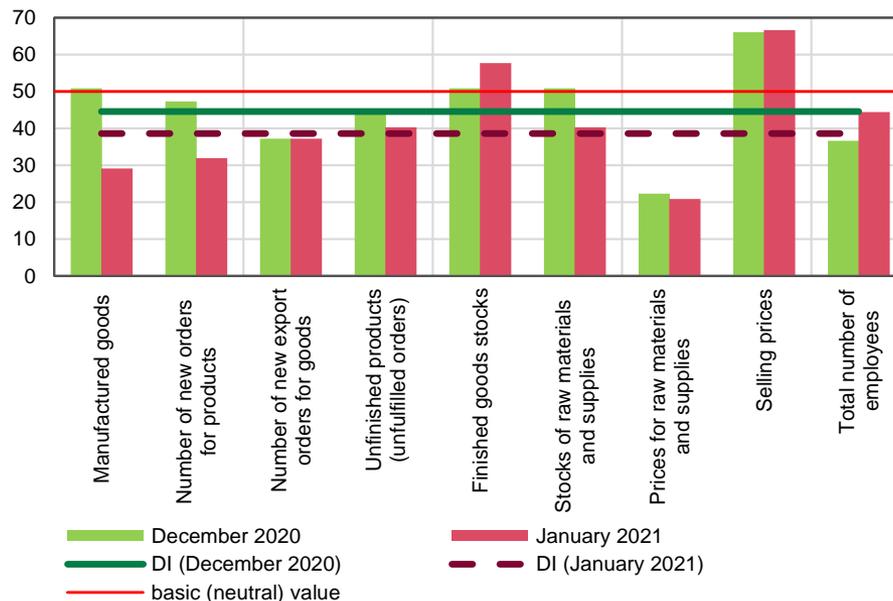


# Industry

Diffusion index for industrial companies' expectations of their business situation



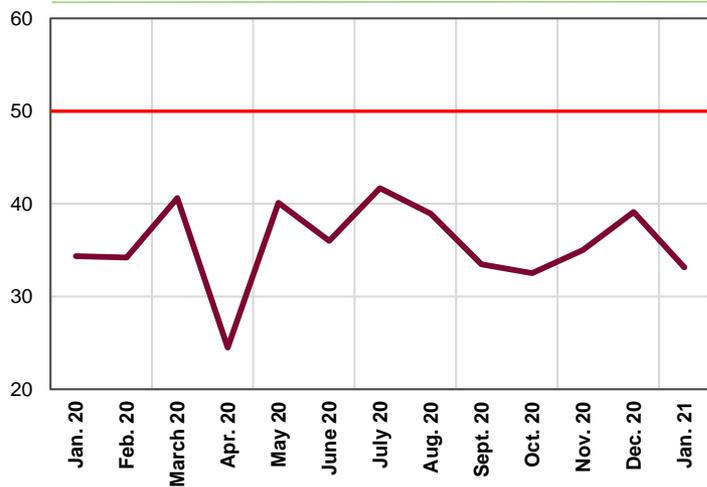
Diffusion indices (DIs) for the economic standings of industrial companies



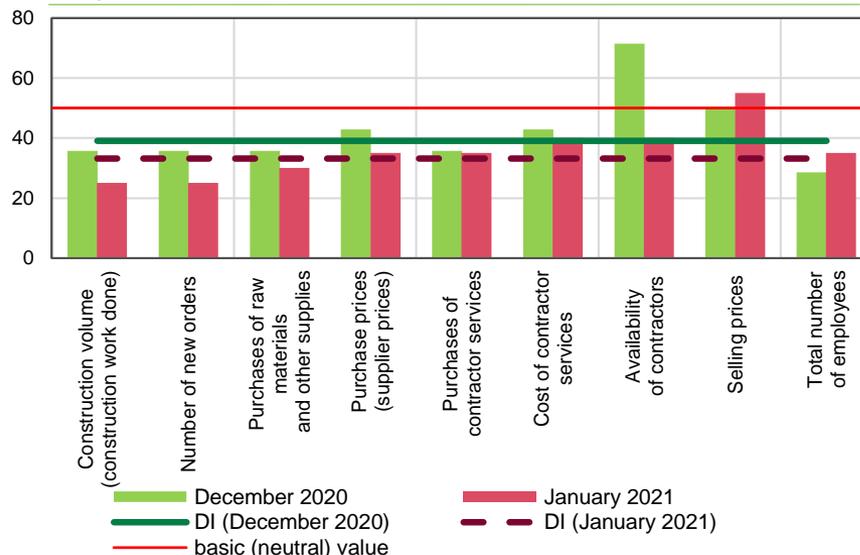
- Companies in the industrial sector said they **were more downbeat about their business performance**. **The sector's DI was 38.6** in January, down from 44.6 in December.
- Respondents markedly **downgraded their expectations for the amount of manufactured goods and the number of new orders for products**, the DIs being 29.2 and 31.9 respectively (compared to 50.9 and 47.3 in December).
- Companies also reported dimmer expectations for raw material and supplies stocks and prices, the DIs being 40.3 and 20.8 respectively, compared to 50.9 and 22.3 in December.
- Expectations of selling price growth remain high (66.7 DI).
- Although improving, **respondents' expectations for staff numbers have not reached the neutral level**, the DI being 44.4, compared to 36.6 in December.

# Construction

Diffusion index for construction companies' expectations of their business situation



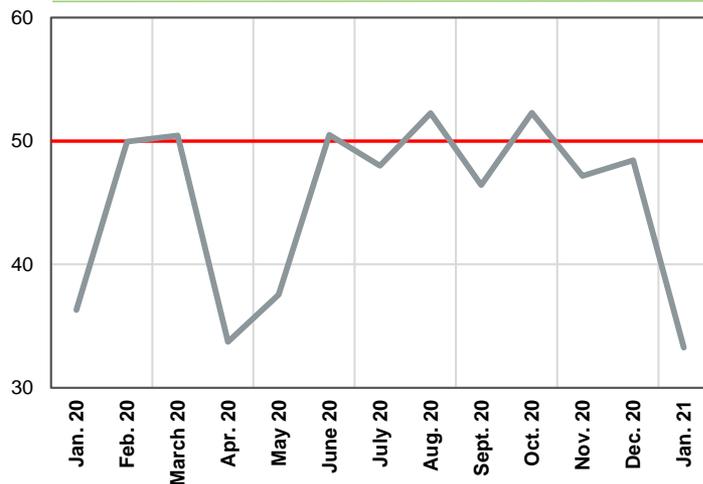
Diffusion indices (DIs) for the economic standings of construction companies



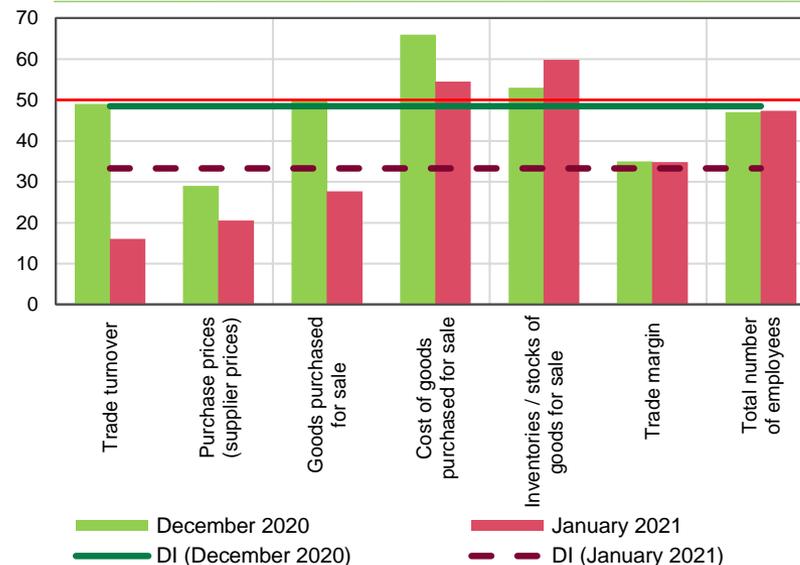
- Construction companies' expectations declined further, remaining gloomier than those of companies in all other sectors. The sector's DI was 33.1, down from 39.1 in December.
- Respondents expect a sharp drop in construction volumes, the number of new orders, and purchases of raw materials and supplies, the DIs being 25.0, 25.0 and 30.0 respectively (compared to 35.7 for each in December).
- Companies reported firmer intentions to increase their selling prices (a DI of 55.0) on the back of stronger expectations of a rise in contractor prices and dimmer expectations for the availability of contractors (the DIs being 40.0 for each).
- Companies continue to be downbeat about their total number of employees, the DI being 35.0, compared to 28.6 in December.

# Trade

Diffusion index for trade companies' expectations of their business situation



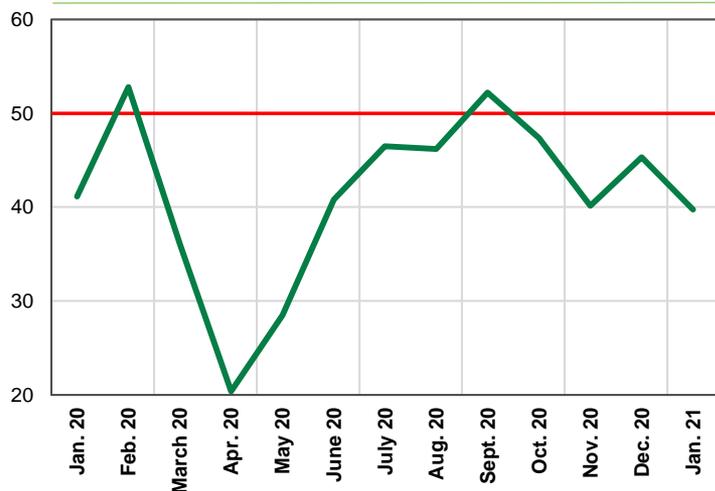
Diffusion indices (DIs) for the economic standings of trade companies



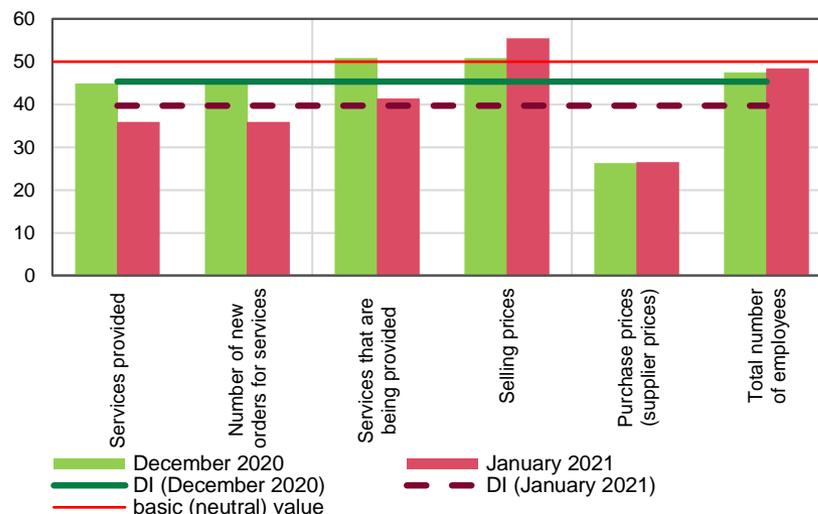
- **Companies in the sector significantly downgraded their expectations of their January performance, the sector's DI was 33.3**, down from 48.5 in December. Trading companies downgraded their expectations the most compared to other sectors, which could be partly attributed to the usual decline in economic activity in the first month of the year.
- Respondents expected a dramatic decrease in trade turnover and the amount of goods purchased for sale, the DIs being 16.1 and 27.7 respectively, compared to 49.0 and 50.0 in December.
- With rising purchase prices (a DI of 20.5), companies continued to report robust expectations of a rise in the prices of goods purchased for sale (a DI of 54.5).
- Respondents continue to report intentions to lay off staff, the DI being 47.3, compared to 47.0 in December.

# Services

Diffusion index for services companies' expectations of their business situation



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



- Companies in the services sector continue to report gloomy expectations for their performance, the sector's DI being 39.7, compared to 45.3 in December.
- Respondents expected a drop in the amount of services provided, the number of new orders, and the amount of services that are being provided, the DIs being 35.9, 35.9 and 41.4 respectively, compared to 44.9, 45.8 and 50.8 in December.
- With expectations of ongoing purchase price growth (a DI of 26.6), companies reported intentions to raise their selling prices, the DI being 55.5, up from 50.8 in December.
- Compared to companies in other sectors, companies in the services sector reported more moderate intentions to lay off staff, the DI being 48.4 compared to 47.5 in December.



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# *Annexes*

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## Data on surveys of industrial companies in January 2021

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Manufactured goods	13	33	54
Number of new orders for products	13	39	49
Number of new export orders for goods	15	45	40
Unfinished products (unfulfilled orders)	7	67	26
Finished goods stocks	17	51	32
Stocks of raw materials and supplies	17	47	36
Prices for raw materials and supplies	58	42	0
Selling prices	35	64	1
Total number of employees	4	81	15

## Data on surveys of construction companies in January 2021

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Construction volume (construction work done)	10	30	60
Number of new orders	0	50	50
Purchases of raw materials and supplies	10	40	50
Purchase prices (supplier prices)	30	70	0
Purchases of contractor services	10	50	40
Cost of contractor services*	20	80	0
Availability of contractors	10	60	30
Selling prices	20	70	10
Total number of employees	0	70	30

## Data on surveys of trading companies in January 2021

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Trade turnover	7	18	75
Purchase prices (supplier prices)	59	41	0
Goods purchased for sale	16	23	61
Cost of goods purchased for sale	41	27	32
Inventories / stocks of goods for sale*	21	38	41
Trade margin	9	52	39
Total number of employees	4	88	9

## Data on surveys of companies in the services sector in January 2021

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Services provided	22	28	50
Number of new orders for services	19	34	47
Services that are being provided	23	36	41
Selling prices	19	73	8
Purchase prices (supplier prices)	50	47	3
Total number of employees	11	75	14

## 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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