



National Bank  
of Ukraine

# Monthly Business Outlook Survey

July 2021

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

Issue No.25

Statistics and Reporting Department



## Summary

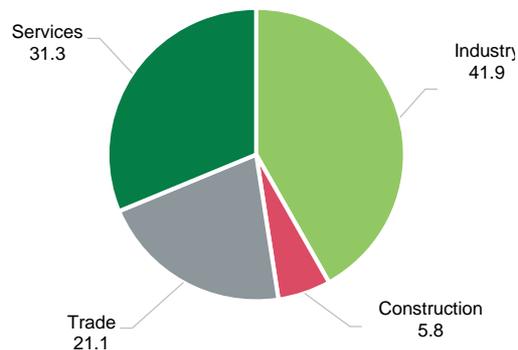
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Despite the continuing quarantine restrictions, businesses remain upbeat about their economic performance – the business activity expectations index (BAEI) was 50.8 in July, down from 51.6 in June.

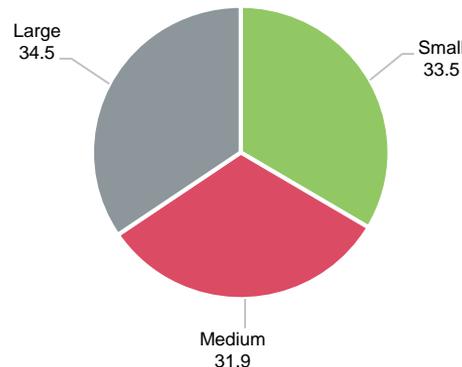
- A rebound in investment activity, stronger consumer demand, a benign external environment, eased quarantine restrictions and the faster pace of the vaccination campaign positively impacted expectations across all sectors of the economy.
- Construction companies have been reporting the most optimistic expectations about their economic performance for two months running on the back of a seasonal revival in road and highway construction, and more robust investment demand for residential housing and non-residential facilities.
- Trade was the only sector to express negative views about its performance. That said, the sector's index came very close to the neutral level, pushed up by upbeat expectations for trade turnover and the amount of goods purchased for sale.
- Construction and services companies said they intended to hire more staff, while industrial and trading companies reported no intentions to expand their workforces.

# Survey Details

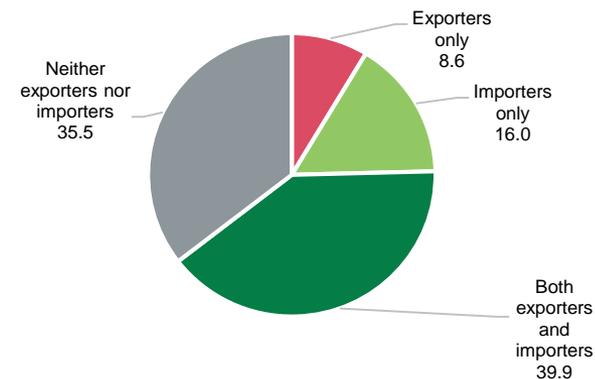
Respondents by sectors of the economy, %



Respondents by company size, %

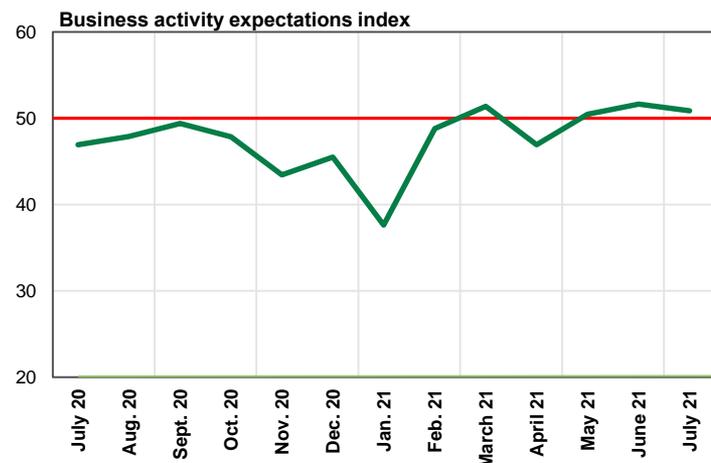


Respondents by business activities, %



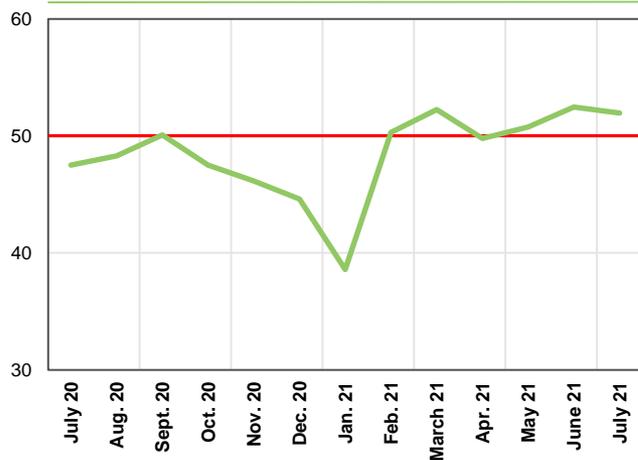
- This survey was carried out from 5 July through 23 July 2021
- A total of 313 companies were polled
- Survey horizon: change in companies' performance indicators in July compared to June

Sector	Sector's contribution to Ukrainian GDP (2020), %*	Diffusion index		
		June 2021	July 2021	Change compared to previous month
Industry	30.7	52.5	51.9	-0.5
Construction	4.9	58.1	55.6	-2.5
Trade	23.8	48.2	49.7	+1.5
Services	40.6	52.3	50.1	-2.1
<b>BAE (total across Ukraine)</b>	<b>X</b>	<b>51.6</b>	<b>50.8</b>	<b>-0.8</b>



# Industry

Diffusion index for industrial companies' expectations of their business situation



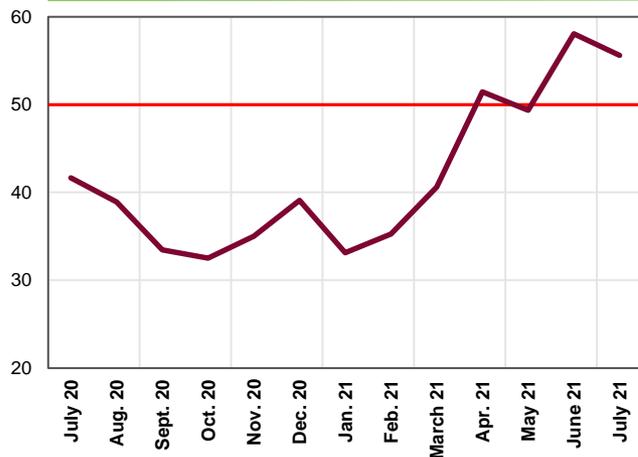
Diffusion indices (DIs) for the economic standings of industrial companies



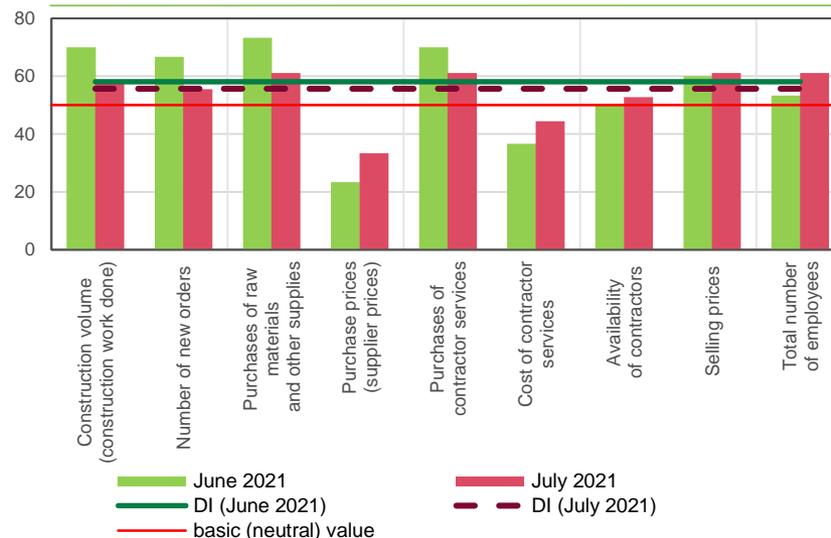
- Industrial companies have been upbeat about their economic performance for three months running. The sector's DI was 51.9 in July, down from 52.5 in June.
- Respondents expected an increase in the amount of manufactured goods and the number of new orders for products, including export orders, the DIs being 59.5, 56.5 and 53.9 respectively, compared to 62.4, 56.0 and 54.5 in June.
- Respondents reported intentions to raise their selling prices amid strong expectations of higher raw material and supplies prices, the DIs being 63.7 and 25.6 respectively, compared to 62.4 and 24.1 in June.
- Expectations about stocks of raw materials and supplies became dimmer, the DI being 43.9, compared to 48.1 in June.
- Companies in the sector still report **no intentions to expand their workforces**, the DI being 48.9, compared to 47.7 in June.

# Construction

Diffusion index for construction companies' expectations of their business situation



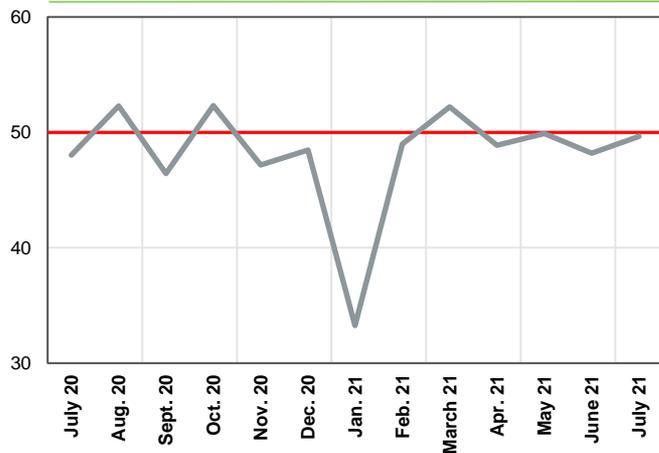
Diffusion indices (DIs) for the economic standings of construction companies



- Construction companies have been reporting the most optimistic expectations about their economic performance for two months running, the DI being 55.6, compared to 58.1 in June.
- Respondents expressed optimistic views about their construction volumes, the number of new orders, purchases of contractor services and purchases of raw materials and supplies, the DIs being 58.3, 55.6, 61.1 and 61.1 respectively, compared to 70.0, 66.7, 70.0 and 73.3 in June.
- Although downgrading their negative expectations for purchase prices and the cost of contractor services (DIs of 33.3 and 44.4 respectively compared to 23.3 and 36.7 in June), respondents continued to report firm intentions to increase their selling prices (a DI of 61.6 compared to 60.0 in June).
- Companies reported significantly stronger intentions to expand their workforces, the DI being 61.1, up from 53.3 in June.

# Trade

Diffusion index for trading companies' expectations of their business situation



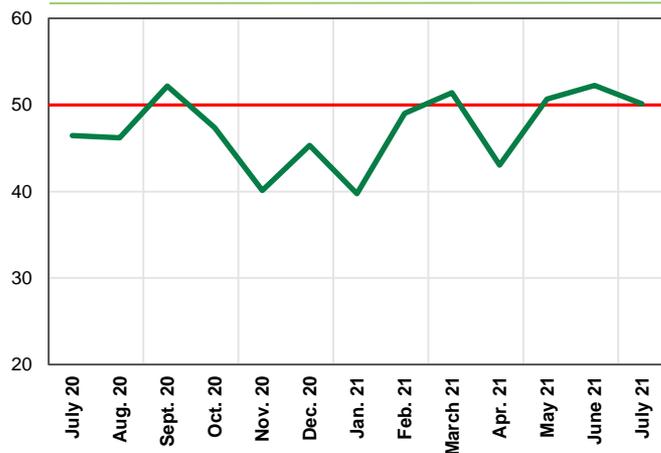
Diffusion indices (DIs) for the economic standings of trading companies



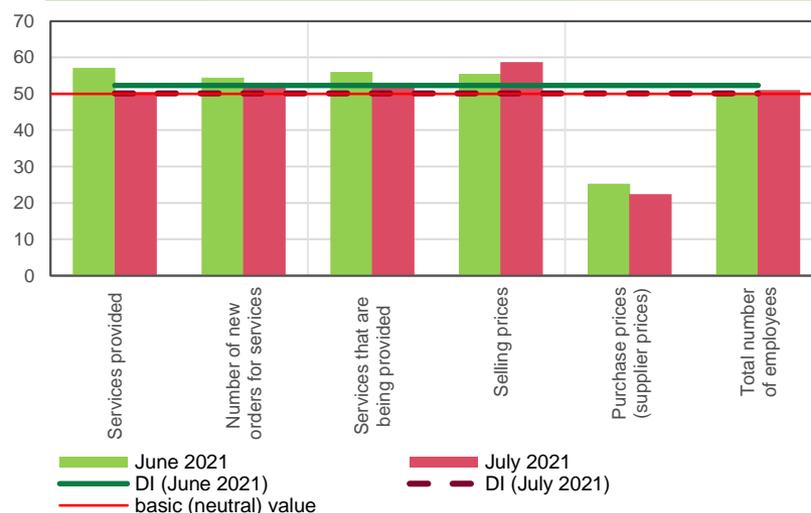
- Although improving on the previous month, **respondents' expectations for their economic performance have not reached the neutral level, the DI being 49.7**, compared to 48.2 in June.
- Respondents expected an increase in trade turnover and the amount of goods purchased for sale, the DIs being 50.8 for each, compared to 47.4 and 48.1 respectively in June.
- With firm expectations of a rise in purchase prices, companies reported stronger expectations of a rise in the price of goods purchased for sale, the DIs being 32.6 and 68.2 respectively, compared to 30.5 and 63.6 in June.
- Companies in the sector **still report no intentions to hire more staff**, the DI being 48.5, compared to 48.1 in June.

# Services

Diffusion index for services companies' expectations of their business situation



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



- For performance in July, services companies slightly downgraded their optimistic expectations, the DI being 50.1, compared to 52.3 in June.
- Respondents were less upbeat about an increase in the amount of services provided, the number of new orders, and the amount of services that are being provided, the DIs being 50.5, 53.1 and 53.1 respectively, compared to 57.1, 54.4 and 56.0 in June.
- With stronger expectations of purchase price growth (a 22.4 DI compared to 25.3 in June), companies intend to raise their selling prices, the DI being 58.7, up from 55.5 in June.
- For the first time since September 2020, respondents said they planned to hire more staff, the DI being 51.0, up from 50.0 in June.



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# *Annexes*

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## Data on surveys of industrial companies in July 2021

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Manufactured goods	40	40	21
Number of new orders for products	34	44	21
Number of new export orders for goods	27	54	19
Unfinished products (unfulfilled orders)	10	72	18
Finished goods stocks	15	59	26
Stocks of raw materials and supplies	18	51	31
Prices for raw materials and supplies	55	39	6
Selling prices	34	60	6
Total number of employees	11	76	13

## Data on surveys of construction companies in July 2021

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Construction volume (construction work done)	33	50	17
Number of new orders	28	56	17
Purchases of raw materials and supplies	33	56	11
Purchase prices (supplier prices)	33	67	0
Purchases of contractor services	28	67	6
Cost of contractor services*	11	89	0
Availability of contractors	11	83	6
Selling prices	22	78	0
Total number of employees	39	44	17

## Data on surveys of trading companies in July 2021

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Trade turnover	29	44	27
Purchase prices (supplier prices)	36	62	2
Goods purchased for sale	27	47	26
Cost of goods purchased for sale	50	36	14
Inventories / stocks of goods for sale*	23	52	26
Trade margin	3	68	29
Total number of employees	6	85	9

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

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Services provided	24	52	23
Number of new orders for services	29	49	22
Services that are being provided	23	59	17
Selling prices	18	81	1
Purchase prices (supplier prices)	55	45	0
Total number of employees	13	76	11

## 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.
- **BAEI** 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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