



National Bank  
of Ukraine

# Monthly Business Outlook Survey

February 2021

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

Issue No. 20  
Statistics and Reporting Department



## Summary

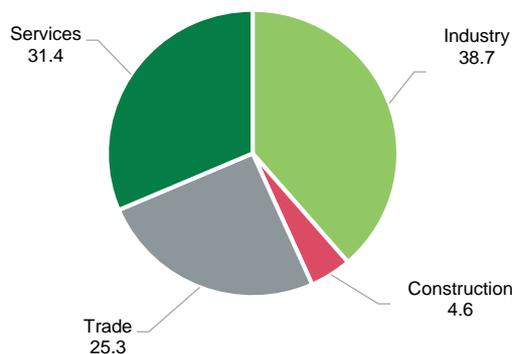
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Despite a noticeable improvement in their sentiment, **businesses are still guarded about their performance expectations**. Companies' expectations remain below the equilibrium level – **the business activity expectations index (BAEI) was 48.8 in February** (compared to 37.6 in January).

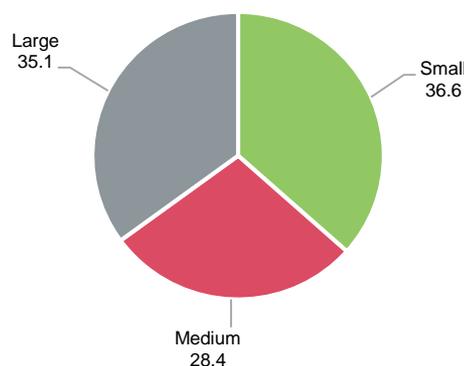
- The BAEI growth was driven by improved expectations across all sectors that take part this survey, and most of all those reported by industrial companies – the expectations of these companies moved above the neutral level on the back of higher external and domestic demand.
- The lifting of the January lockdown had a positive effect on the expectations of trading and services companies, pushing them up, close to the value of 50.0. A further improvement in sentiment about the number of new orders and the amount of goods for sale and services shows that these sectors are resuming operations.
- Meanwhile, construction companies remain the most downbeat, as the trend of their business expectations continues to be determined by the seasonal decline in economic activity.
- Staff expectations remained guarded. Companies across all sectors reported no intentions to expand their workforces.

# Survey Details

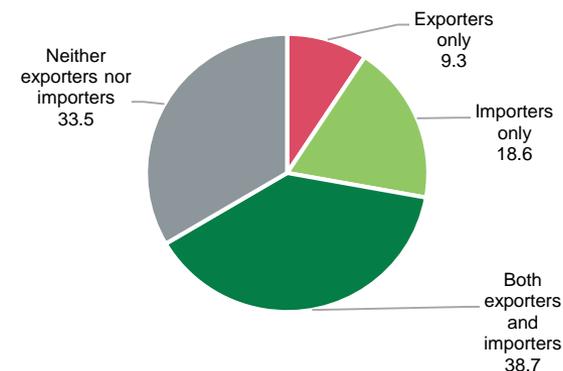
Respondents by sectors of the economy, %



Respondents by company size, %



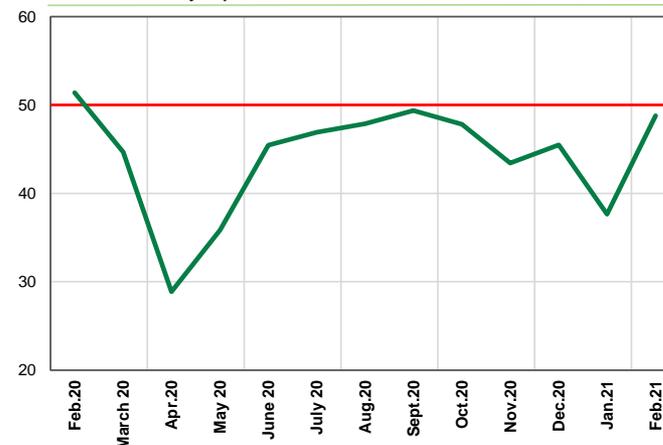
Respondents by business activities, %



- This survey was carried out from 3 February through 19 February 2021
- A total of 194 companies were polled
- Survey horizon: change in companies' performance indicators in February compared to January

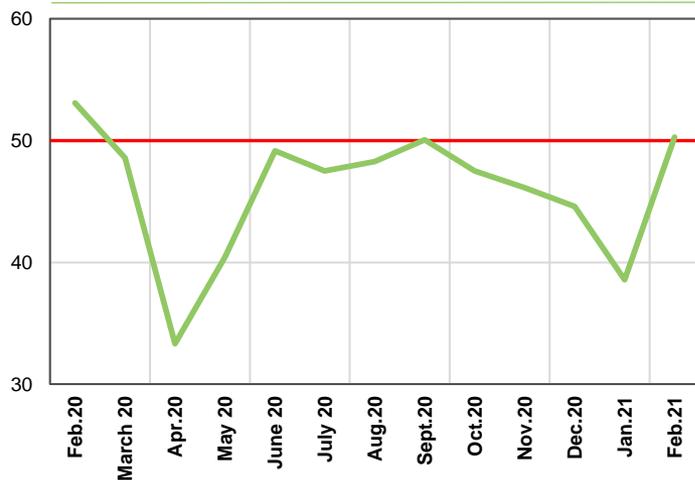
Sector	Sector's contribution to Ukrainian GDP (2019)	Diffusion index		
		January 2021	February 2021	Change compared to previous month
Industry	32.7	38.6	50.3	11.7
Construction	4.7	33.1	35.3	2.2
Trade	22.0	33.3	49.0	15.7
Services	40.7	39.7	49.0	9.2
<b>BAEI (total across Ukraine)</b>	<b>X</b>	<b>37.6</b>	<b>48.8</b>	<b>+11.2</b>

Business activity expectations index

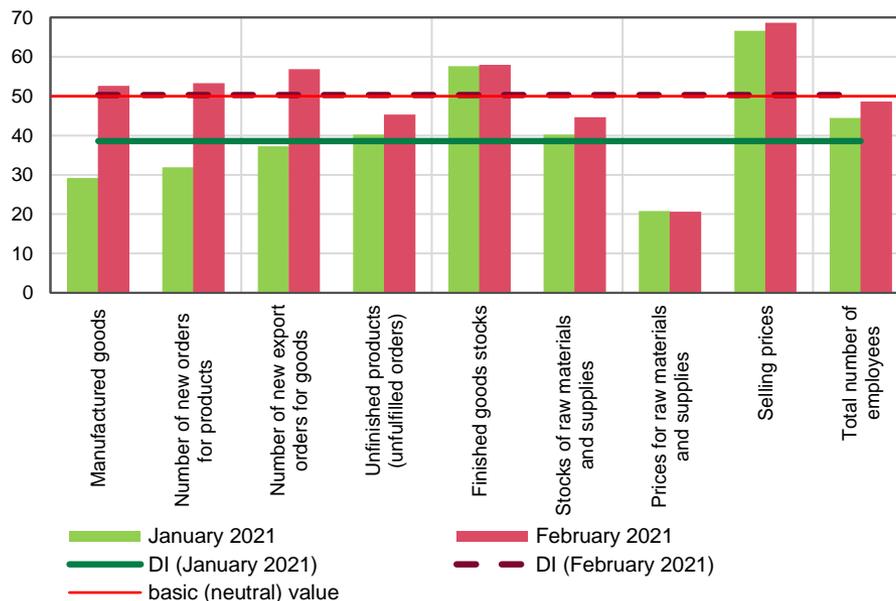


# Industry

Diffusion index for industrial companies' expectations of their business situation



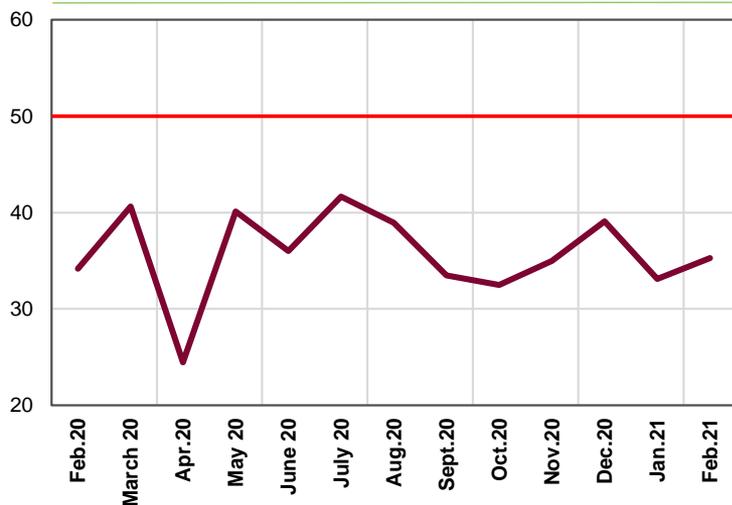
Diffusion indices (DI) for the economic performance of industrial companies



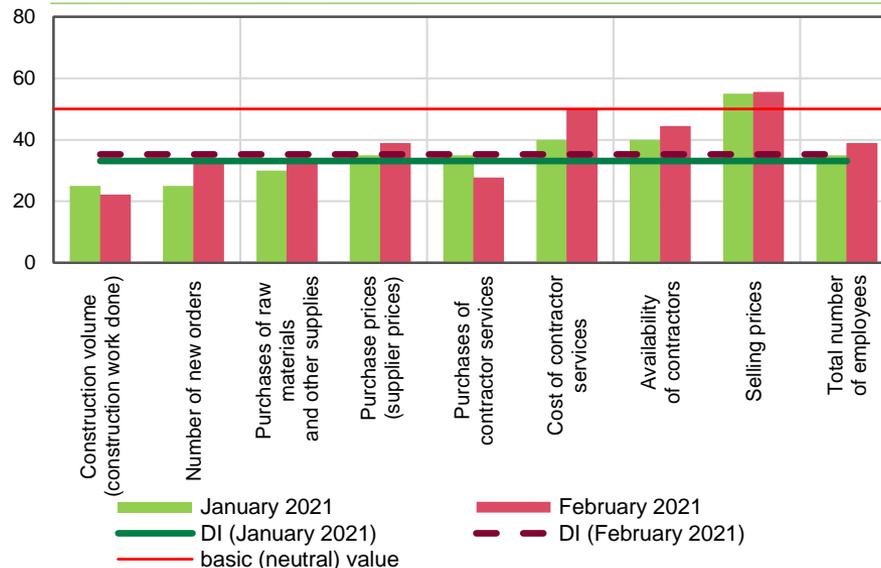
- **In February, industrial companies reported positive expectations of their business performance, for the first time in the last four months.** The sector's DI was 50.3, up from 38.6 in January.
- Respondents reported a significant improvement in their expectations for the amount of manufactured goods and the number of new orders for products, including export orders, the DIs being 52.7, 53.3 and 56.9 respectively compared to 29.2, 31.9 and 37.2 in January.
- Companies slightly improved their expectations for their raw material stocks and selling prices, the DIs being 44.7 and 68.7, up from 40.3 and 66.7 in January.
- Although improving, respondents' expectations for staff numbers have not reached the neutral level, the DI being 48.7, compared to 44.4 in January.

# Construction

Diffusion index for construction companies' expectations of their business situation



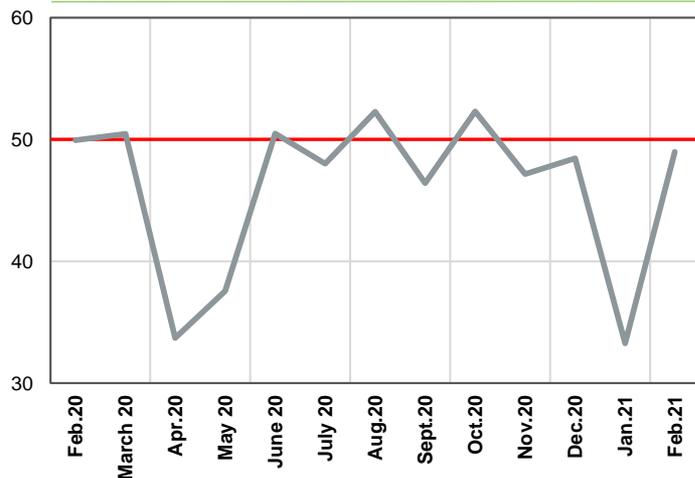
Diffusion indices (DI) for the economic standings of construction companies



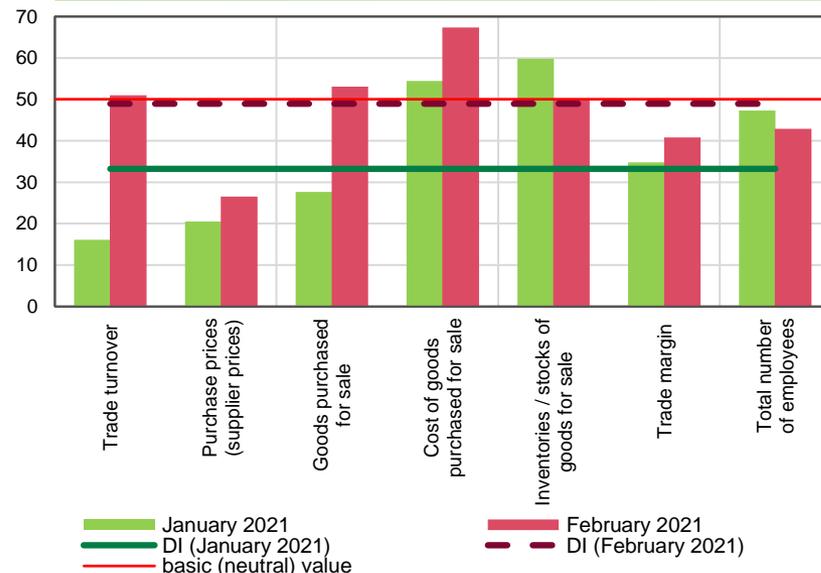
- Construction companies continued to report negative expectations for their business performance. The sector's DI was 35.3, up from 33.1 in January.
- Respondents remained downbeat about their construction volumes, the number of new orders, purchases of contractor services and purchases of raw materials and supplies, the DIs being 22.2, 33.3, 27.8 and 33.3 respectively.
- Companies continued to expect a rise in their selling prices on the back of their expectations of an increase in supplier prices and the cost of contractor services, the DIs being 55.6, 38.9 and 50.0 respectively compared to 55.0, 35.0 and 40.0 in January).
- Companies also remained downbeat about their total number of employees, the DI being 38.9, compared to 35.0 in January.

# Trade

Diffusion index for trading companies' expectations of their business situation



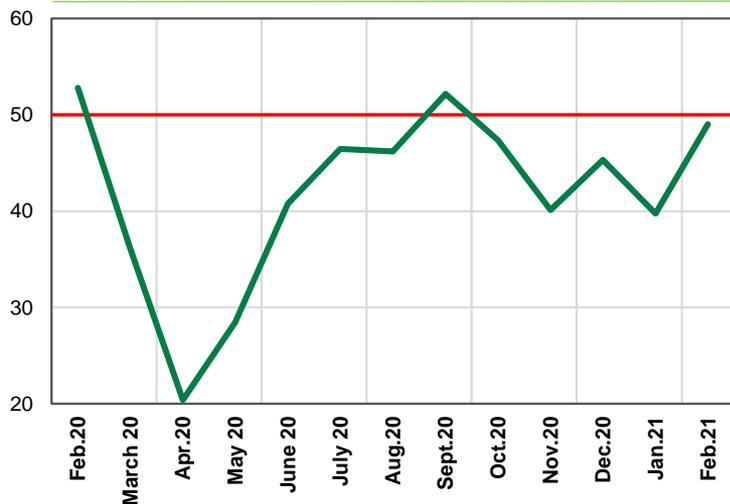
Diffusion indices (DI) for the economic standings of trading companies



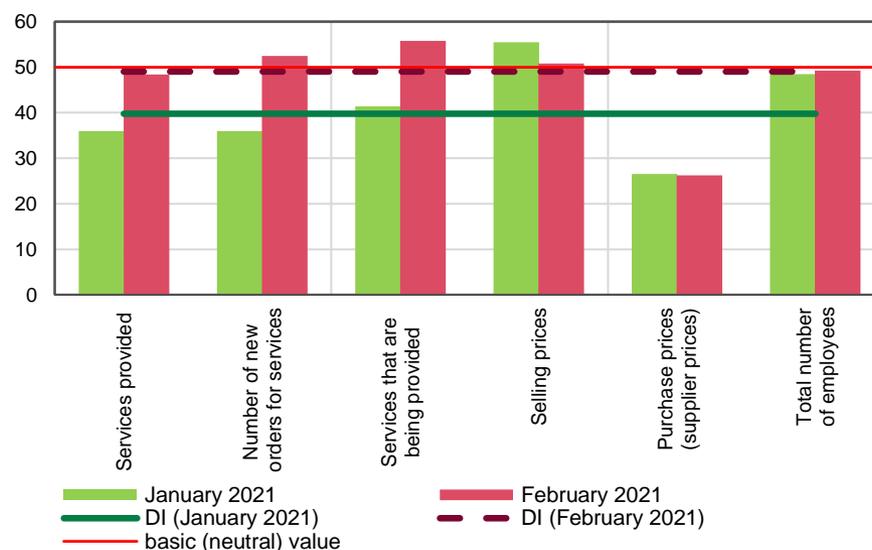
- **Trading companies' expectations improved markedly**, almost reaching the equilibrium level, as the sector's DI moved up to 49.0, from 33.3 in January.
- Respondents noticeably improved their expectations for trade turnover and the amount of goods purchased for sale, the DIs being 51.0 and 53.1 respectively, up from 16.1 and 27.7 in January.
- Expectations of higher prices for goods purchased for sale also rose, the DI being 67.3, up from 54.5 in January.
- Respondents reported somewhat stronger expectations of an increase in the trade margin (the DI moved up to 40.8 in February) amid firmer expectations of a rise in purchase prices (a DI of 26.5). The DIs in January were 34.8 and 20.5 respectively.
- Respondents also reported stronger intentions to reduce their workforces, the DI being 42.9, down from 47.3 in January.

# Services

Diffusion index for services companies' expectations of their business situation



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



- **Although rising significantly, services companies' expectations** of their February **business performance** did not reach the equilibrium level, the sector's DI being 49.0, up from 39.7 in January.
- Respondents expected a spike in the amount of services provided, the number of new orders, and the amount of services that are being provided, the DIs being 48.4, 52.5 and 55.7 respectively, compared to 35.9, 35.9 and 41.4 in January.
- Despite robust expectations of a rise in purchase prices (a DI of 26.2), companies said they did not intend to raise their selling prices, the DI being 50.8, compared to 26.6 and 55.5 in January.
- Companies in the sector still report no intentions to expand their workforces, the DI being 49.2, compared to 48.4 in January.



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# *Annexes*

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## Data on surveys of industrial companies in February 2021

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Manufactured goods	31	44	25
Number of new orders for products	33	40	27
Number of new export orders for goods	25	63	12
Unfinished products (unfulfilled orders)	4	83	13
Finished goods stocks	11	63	27
Stocks of raw materials and supplies	19	52	29
Prices for raw materials and supplies	61	36	3
Selling prices	43	52	5
Total number of employees	8	81	11

## Data on surveys of construction companies in February 2021

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

## Data on surveys of trading companies in February 2021

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Trade turnover	33	37	31
Purchase prices (supplier prices)	49	49	2
Goods purchased for sale	35	37	29
Cost of goods purchased for sale	49	37	14
Inventories / stocks of goods for sale*	27	47	27
Trade margin	6	69	24
Total number of employees	4	78	18

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

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Services provided	21	54	25
Number of new orders for services	30	46	25
Services that are being provided	30	52	18
Selling prices	10	82	8
Purchase prices (supplier prices)	48	52	0
Total number of employees	10	79	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.
- **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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