



National Bank
of Ukraine

Monthly Business Outlook Survey

May 2021

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

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Department

Statistics and Reporting



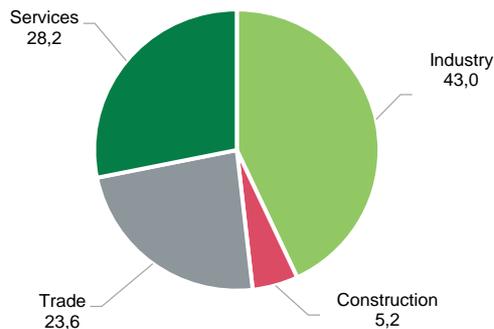
Summary

Businesses slightly upgraded their expectations for their performance amid the gradual easing of strict quarantine restrictions. The business activity expectations index (BAEI) moved up to 50.5 in May, from 46.9 in April.

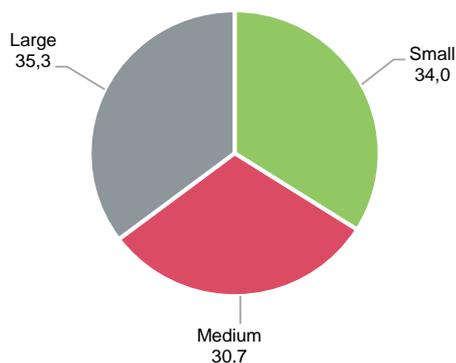
- Industrial and services companies were upbeat about their performance, expecting an increase in the number of new orders on the back of a benign external environment, new export orders, and rising domestic and external demand.
- Trading companies' performance expectations improved, almost reaching the neutral level, propped up by robust consumer demand.
- The diffusion index of the construction sector moved down, to slightly below the neutral level, dragged down by the pessimistic views expressed by some residential housing and non-residential facility construction companies.
- Companies across all sectors continued to report intentions to raise their selling prices amid firm expectations for higher raw material prices, purchase prices, and supplier prices.
- Staff expectations remained guarded. Companies across almost all sectors, apart from the trade sector, reported no intentions to expand their workforces.

Survey Details

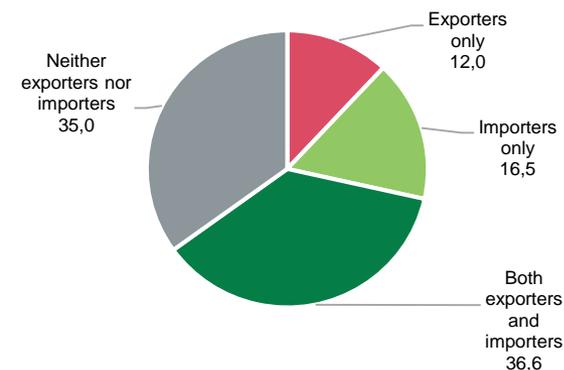
Respondents by sectors of the economy, %



Respondents by company size, %

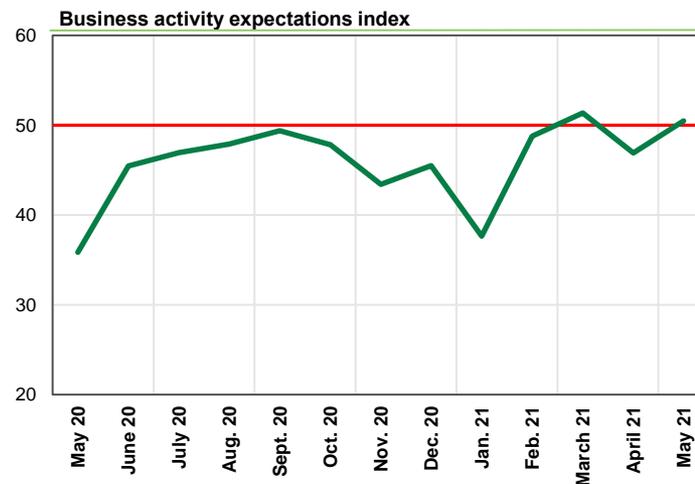


Respondents by business activities, %



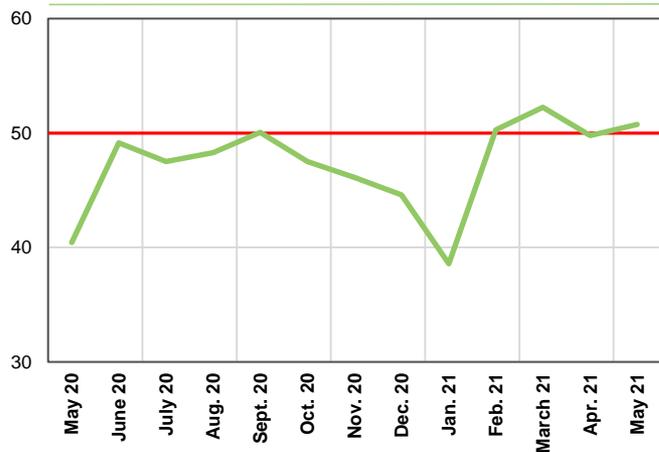
- This survey was carried out from 5 May through 24 May 2021
- A total of 309 companies were polled
- Survey horizon: change in companies' performance indicators in May compared to April

Sector	Sector's contribution to Ukrainian GDP (2019)	Diffusion index		
		April 2021	May 2021	Change compared to previous month
Industry	32,7	49,8	50,8	+1,0
Construction	4,7	51,5	49,4	-2,1
Trade	22,0	48,9	49,9	+1,0
Services	40,7	43,0	50,7	+7,6
BAI (total across Ukraine)	X	46,9	50,5	+3,5

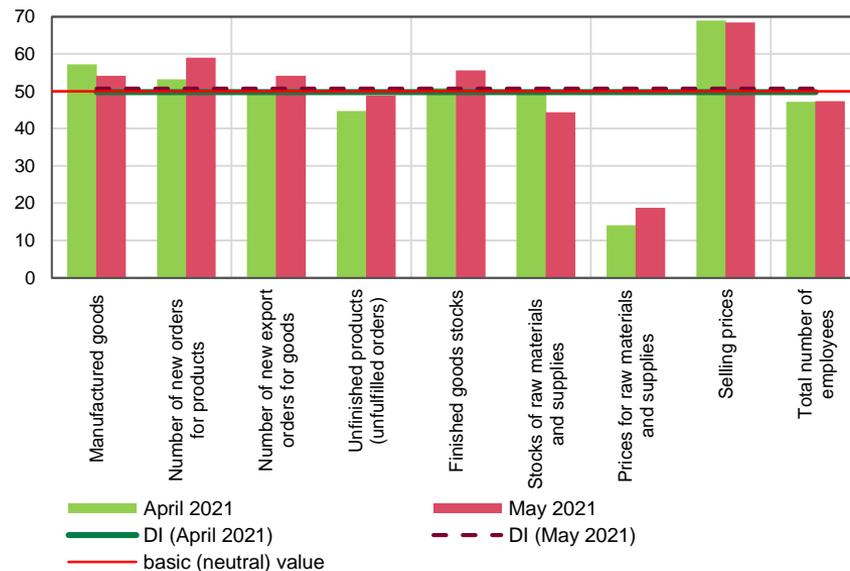


Industry

Diffusion index for industrial companies' expectations of their business situation



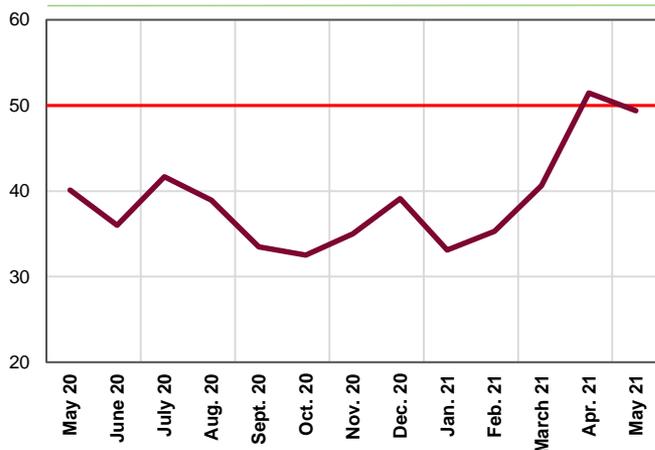
Diffusion indices (DI) for the economic standings of industrial companies



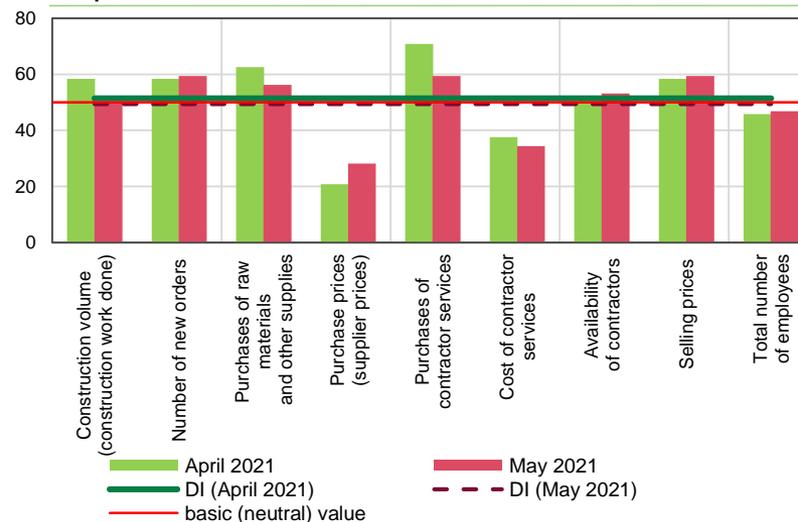
- Industrial companies were upbeat about their performance in May. **The sector's DI was 50.8**, up from 49.8 in April.
- Persistently high expectations for the amount of manufactured goods (a DI of 54.1) were accompanied by a significant improvement in expectations for an increase in the number of new orders, including new export orders, the DIs being 59.0 and 54.2 respectively, compared to 53.2 and 50.0 in April.
- Respondents continued to report firm expectations for a rise in raw material and supplies prices and selling prices, the DIs being 18.8 and 68.4 respectively, compared to 14.1 and 69.0 in April. Companies also expected an increase in their finished goods stocks, the DI being 55.6 compared to 50.8 in April.
- Companies continued to be pessimistic about total employment in the sector, the DI being 47.4, up from 47.2 in April.

Construction

Diffusion index for construction companies' expectations of their business situation



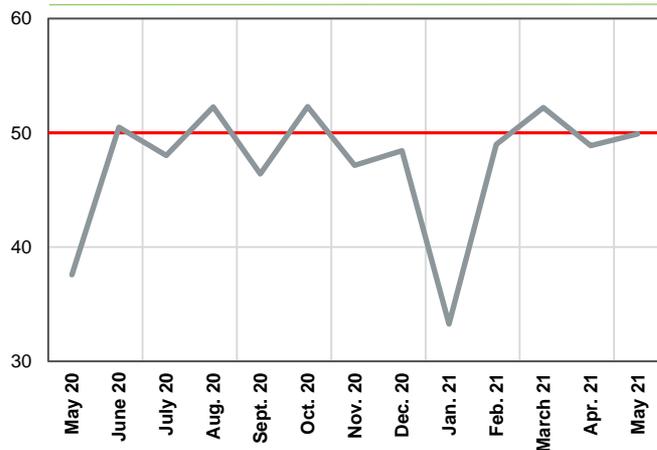
Diffusion indices (DI) for the economic standings of construction companies



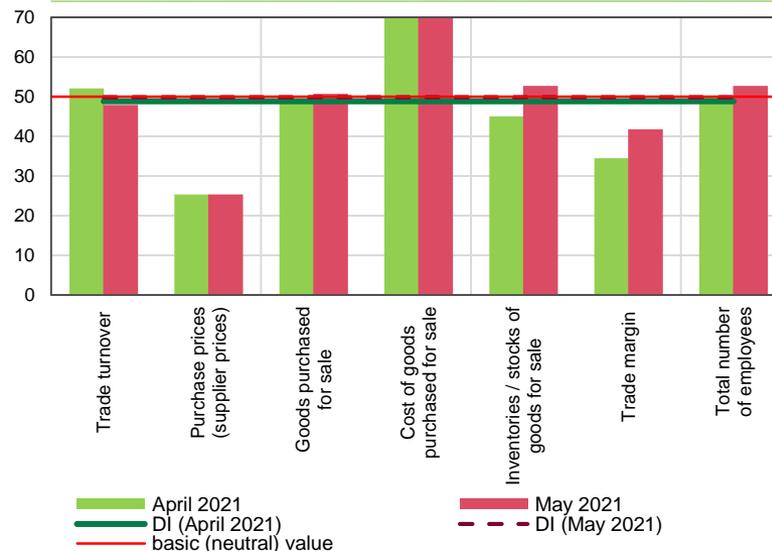
- Construction companies **downgraded their performance expectations** – the sector’s DI dropped below its neutral level, to 49.4, down from 51.5 in April.
- Respondents continued to report **strong expectations** for a rise in supplier prices, the cost of contractor services and selling prices, the DIs being 28.1, 34.4 and 59.4 respectively, compared to 20.8, 37.5 and 58.3 in April.
- Companies **continued to be pessimistic about total employment in the sector**, the DI being 46.9, up from 45.8 in April.
- As in the previous month, respondents were **upbeat** about the number of new orders, purchases of raw materials and supplies, contractor services and the availability of contractors, the DIs being 59.4, 56.3, 59.4 and 53.1 respectively, compared to 58.3, 62.5, 70.8 and 50.0 in April.
- Construction volumes were expected to remain at last month’s level.

Trade

Diffusion index for trading companies' expectations of their business situation



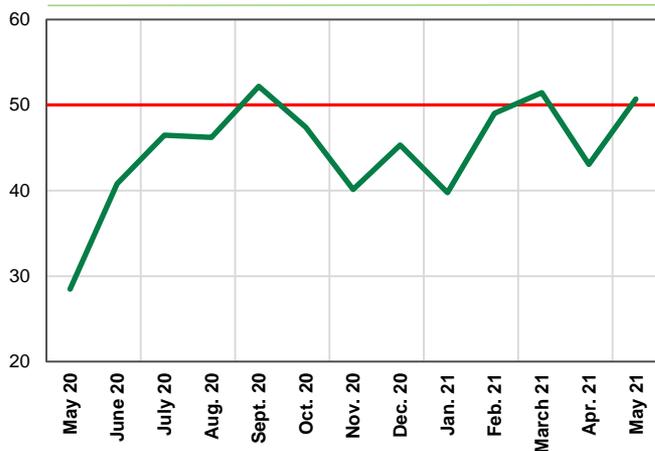
Diffusion indices (DI) for the economic standings of trading companies



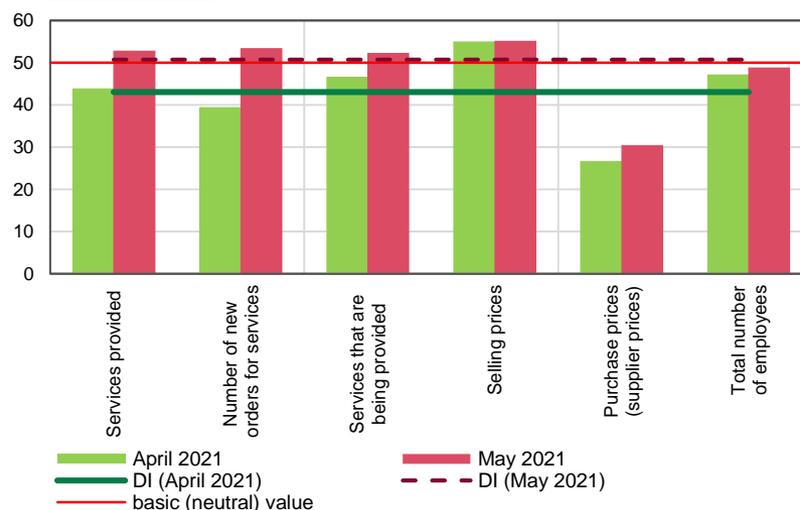
- Trade companies' expectations of their business performance showed some improvement on the previous month, practically reaching the neutral level, the DI being 49.9, compared to 48.9 in April.
- For the first time since October 2019, respondents reported intentions to expand their workforces slightly, the DI being 52.7, up from 50.0 in April.
- Companies expected a gradual increase in the amount of goods purchased for sale amid strong expectations of a higher cost of goods purchased for sale and decreased trade turnover, the DIs being 50.7, 70.5 and 47.9 respectively, compared to 49.3, 71.1 and 52.1 in April. At the same time, respondents were pessimistic about the trade margin, the DI being 41.8, up from 34.5 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



- Services companies' expectations improved, exceeding the neutral level. **The sector's DI was 50.7, up from 43.0 in April.**
- Respondents reported significantly stronger expectations for an increase in the volume of services provided (a DI of 52.9), the number of new orders for services (a DI of 53.4), and the volume of services that are being provided (a DI of 52.3). In April, these figures were considerably smaller, at 43.9, 39.4 and 46.7 respectively.
- Companies expected high purchase prices (supplier prices), the DI being 30.5, up from 26.7 in April. At the same time, companies said they intended to raise their selling prices – the DI moved up to 55.2, compared to 55.0 in April.
- Companies in the sector still **report no intentions to expand their workforces**, the DI being 48.9, compared to 47.2 in April.



Annexes

Data on surveys of industrial companies in May 2021

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Manufactured goods	31	47	23
Number of new orders for products	38	41	20
Number of new export orders for goods	25	58	17
Unfinished products (unfulfilled orders)	10	78	12
Finished goods stocks	17	56	28
Stocks of raw materials and supplies	15	59	26
Prices for raw materials and supplies	64	35	2
Selling prices	39	59	2
Total number of employees	8	80	13

Data on surveys of construction companies in May 2021

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Construction volume (construction work done)	25	50	25
Number of new orders	38	44	19
Purchases of raw materials and supplies	31	50	19
Purchase prices (supplier prices)	44	56	0
Purchases of contractor services	31	56	13
Cost of contractor services*	31	69	0
Availability of contractors	13	81	6
Selling prices	19	81	0
Total number of employees	13	69	19

Data on surveys of trading companies in May 2021

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Trade turnover	29	38	33
Purchase prices (supplier prices)	52	45	3
Goods purchased for sale	29	44	27
Cost of goods purchased for sale	53	34	12
Inventories / stocks of goods for sale*	19	56	25
Trade margin	12	59	29
Total number of employees	15	75	10

Data on surveys of companies in the services sector in May 2021

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Services provided	29	48	23
Number of new orders for services	31	45	24
Services that are being provided	23	59	18
Selling prices	15	80	5
Purchase prices (supplier prices)	41	56	2
Total number of employees	11	75	14

Main Terms and Definitions

- **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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