



National Bank  
of Ukraine

# Monthly Business Outlook Survey

June 2021

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

Issue No. 24  
Statistics and Reporting Department



## Summary

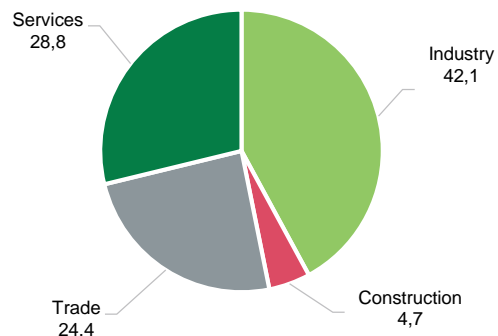
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**Despite the continuing quarantine restrictions, businesses have been upgrading their expectations for their current economic standings for two months in a row. The business activity expectations index (BAEI) moved up to 51.6 in June, from 50.5 in May.**

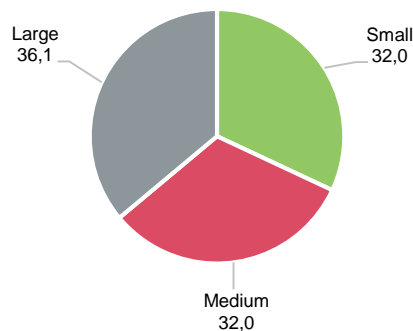
- Industrial and services companies markedly improved their performance expectations, amid a benign external environment, new export orders, and rising domestic and external demand.
- Construction companies upgraded their expectations significantly, reporting positive views on their economic performance on the back of a seasonal rebound in activity and more robust investment demand.
- Trading companies remained downbeat about their economic performance, which could be attributed to weak demand from households.
- Companies across all sectors continued to report intentions to raise their selling prices amid firm expectations of higher raw material prices, purchase prices, and supplier prices.
- Staff expectations remained rather guarded. Only construction companies reported intentions to hire more staff.

# Survey Details

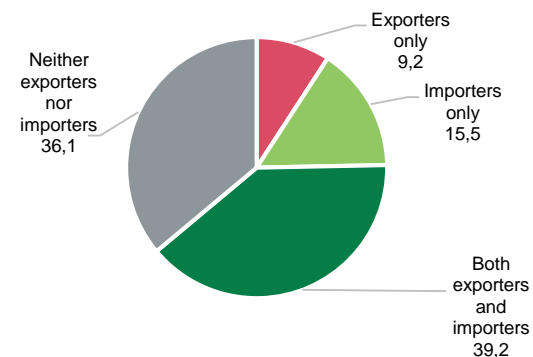
Respondents by sectors of the economy, %



Respondents by company size, %



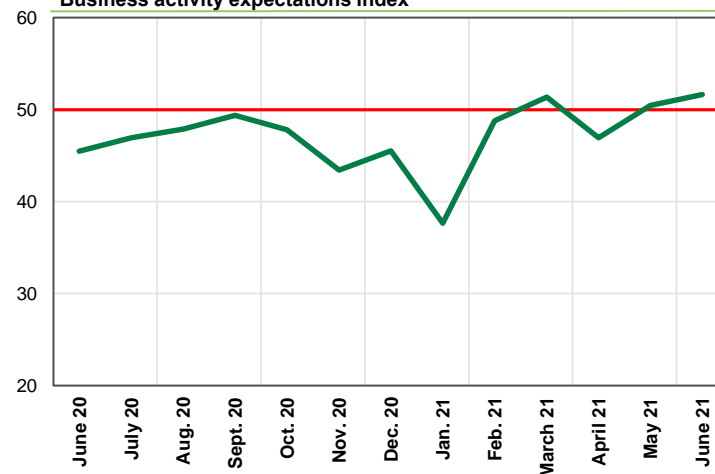
Respondents by business activities, %



- This survey was carried out from 3 June through 22 June 2021
- A total of 316 companies were polled
- Survey horizon: change in companies' performance indicators in June compared to May

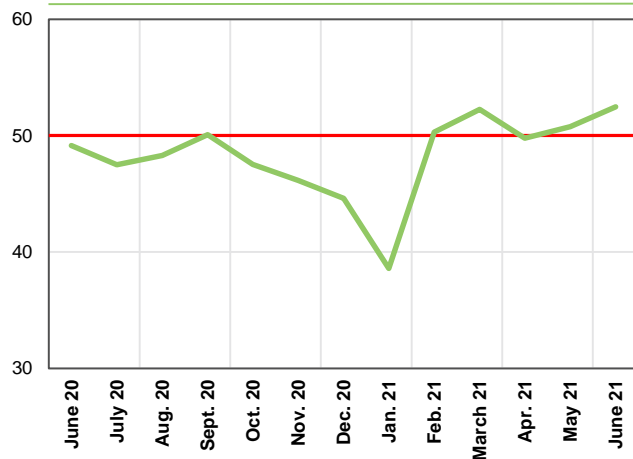
Sector	Sector's contribution to Ukrainian GDP (2020)*	Diffusion index		
		May 2020	June 2021	Change compared to previous month
Industry	30,7	50,8	52,5	+1,7
Construction	4,9	49,4	58,1	+8,7
Trade	23,8	49,9	48,2	-1,7
Services	40,6	50,7	52,3	+1,6
<b>BAI (total across Ukraine)</b>	<b>X</b>	<b>50,5</b>	<b>51,6</b>	<b>+1,2</b>

Business activity expectations index

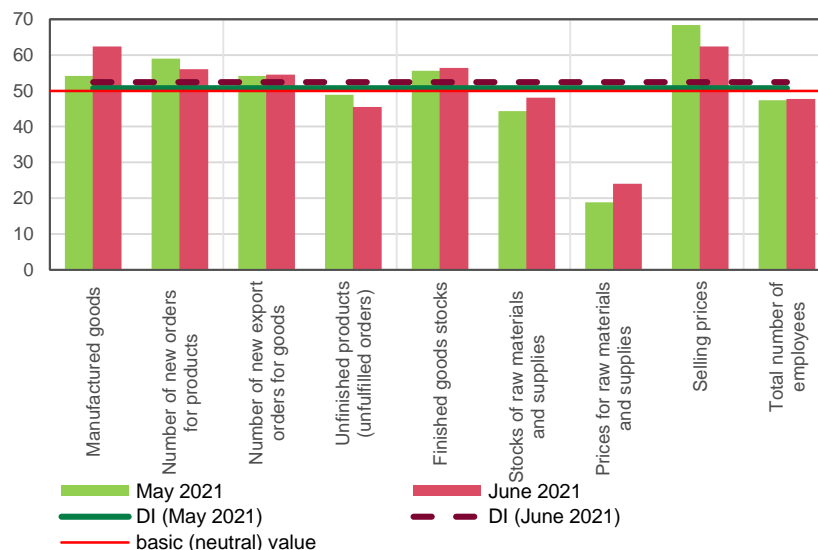


# Industry

Diffusion index for industrial companies' expectations of their business situation



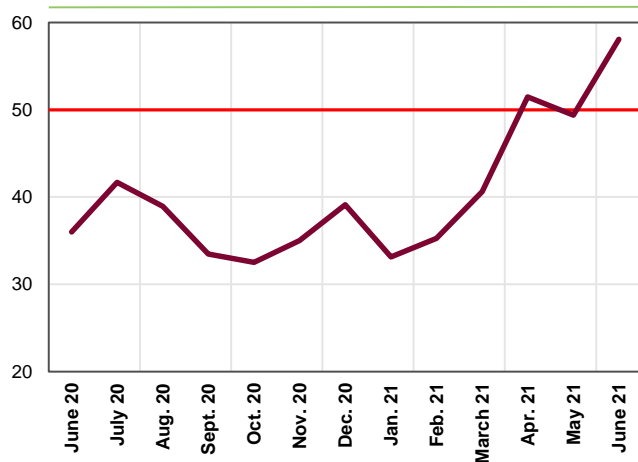
Diffusion indices (DI) for the economic standings of industrial companies



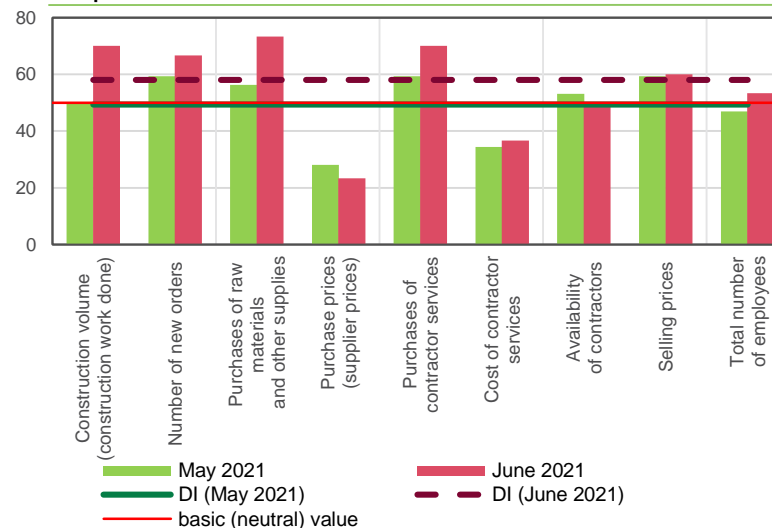
- Industrial companies said they were more upbeat about their economic performance. The sector's DI was **52.5** in June, up from 50.8 in May.
- Respondents reported a significant improvement in their expectations for the amount of manufactured goods, and were optimistic about the number of new orders for products, including export orders, the DIs being 62.4, 56.0 and 54.5 respectively, compared to 54.1, 59.0 and 54.2 in May.
- Respondents continued to report intentions to raise their selling prices amid strong expectations of higher raw material and supplies prices, the DIs being 62.4 and 24.1 respectively, compared to 68.4 and 18.8 in May.
- Expectations about stocks of raw materials and supplies remain pessimistic, the DI being 48.1, compared to 44.4 in May.
- Industrial companies still **report no intentions to expand their workforces**, the DI being 47.7, up from 47.4 in May.

# Construction

Diffusion index for construction companies' expectations of their business situation



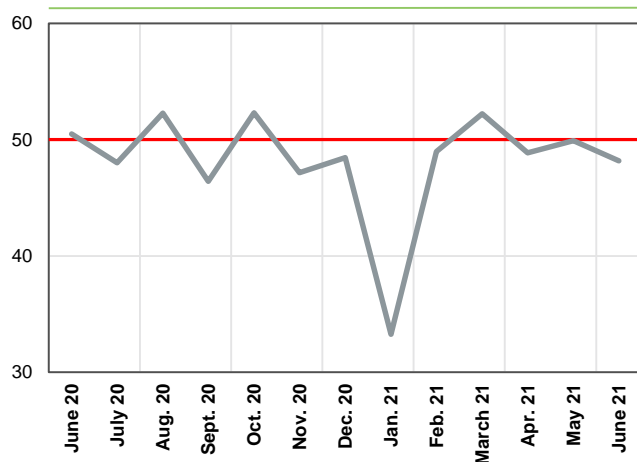
Diffusion indices (DI) for the economic standings of construction companies



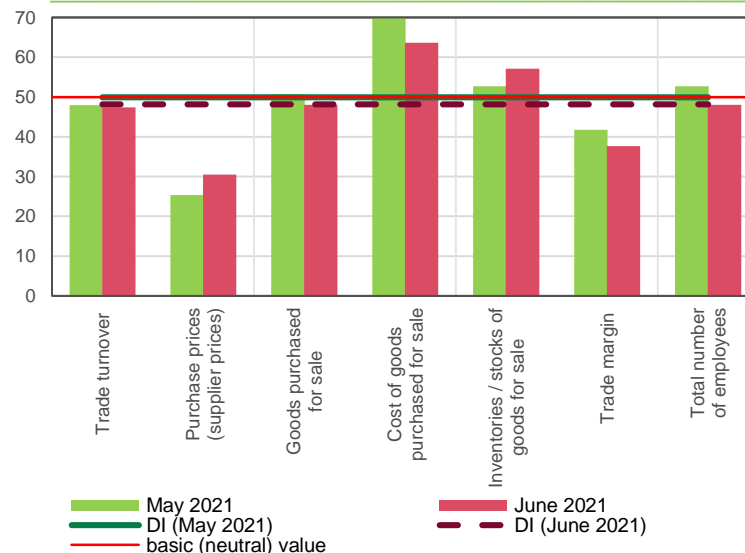
- Construction companies **significantly upgraded** their performance expectations. **The sector's DI moved up from 49.4 in May to 58.1 in June – the highest figure among the sectors.**
- Respondents reported reasonably high expectations for the amount of construction work done and the number of new orders, the DIs being 70.0 and 66.7 respectively, compared to 50.0 and 59.4 in May. Despite strong expectations of higher supplier and contractor prices (DIs of 23.3 and 36.7 respectively), respondents reported intentions to purchase more raw materials and supplies and contractor services (DIs of 73.3 and 70.0 respectively).
- For the first time since September 2019, construction companies said they planned to hire more staff, the DI being 53.3, up from 46.9 in May.

# Trade

Diffusion index for trading companies' expectations of their business situation



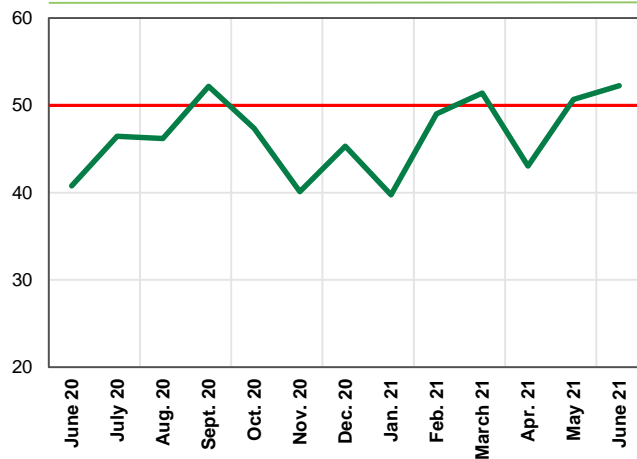
Diffusion indices (DI) for the economic standings of trading companies



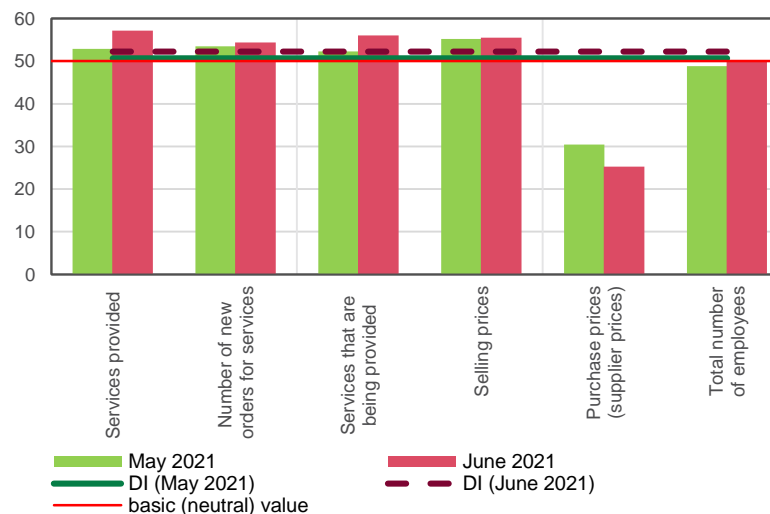
- Trading companies have been downbeat about their business performance for three months running – their DI dropped to 48.2, down from 49.9 in May, remaining below the neutral level.
- Respondents reported dimmer expectations about all performance indicators, such as trade turnover, goods purchased for sale, and staff numbers, the DIs being 47.4, 48.1 and 48.1 respectively, down from 47.9, 50.7 and 52.7 in May.
- With firm expectations of a rise in purchase prices (a DI of 30.5), companies continued to report robust expectations of a rise in the price of goods purchased for sale (a DI of 63.6).
- Most companies in the sector expected a further decrease in trade margins, the DI being 37.7, down from 41.8 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



- Companies in the services sector reported optimistic performance expectations, as their DI moved up to **52.3** from 50.7 in May.
- Respondents expected an improvement in all performance indicators. Services companies reported the most optimistic expectations for the volume of services provided (a DI of 57.1) and the volume of services that are being provided (a DI of 56.0).
- With strong expectations of a rise in purchase prices (a DI of 25.3), companies reported intentions to raise their selling prices, the DI being 55.5, up from 55.2 in May.
- Respondents still reported no intentions to expand their workforces, the DI being 50.0, compared to 48.9 in May.



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# *Annexes*

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## Data on surveys of industrial companies in June 2021

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Manufactured goods	46	33	21
Number of new orders for products	36	40	24
Number of new export orders for goods	26	57	17
Unfinished products (unfulfilled orders)	9	73	18
Finished goods stocks	15	57	28
Stocks of raw materials and supplies	20	57	23
Prices for raw materials and supplies	56	39	5
Selling prices	30	65	5
Total number of employees	10	76	14

## Data on surveys of construction companies in June 2021

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Construction volume (construction work done)	47	47	7
Number of new orders	40	53	7
Purchases of raw materials and supplies	53	40	7
Purchase prices (supplier prices)	53	47	0
Purchases of contractor services	47	47	7
Cost of contractor services*	27	73	0
Availability of contractors	13	73	13
Selling prices	20	80	0
Total number of employees	20	67	13

## Data on surveys of trading companies in June 2021

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Trade turnover	26	43	31
Purchase prices (supplier prices)	44	51	5
Goods purchased for sale	29	39	32
Cost of goods purchased for sale	48	31	21
Inventories / stocks of goods for sale*	19	47	34
Trade margin	5	65	30
Total number of employees	6	83	10

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

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Services provided	31	53	16
Number of new orders for services	29	52	20
Services that are being provided	26	59	14
Selling prices	14	82	3
Purchase prices (supplier prices)	49	51	0
Total number of employees	10	80	10

## 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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