



National Bank
of Ukraine

Monthly Business Outlook Survey

January 2022

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

Issue No.31
Statistics and Reporting Department



Summary

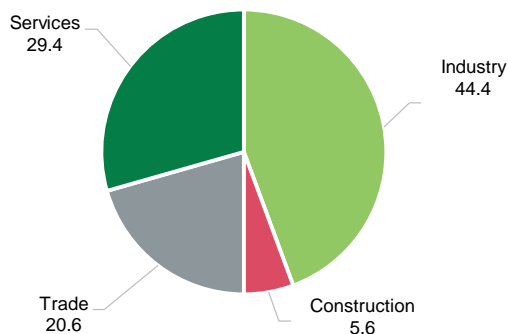
Businesses markedly downgraded their performance expectations. The business activity expectations index (BAEI) was 40.5 in January, down from 48.6 in December.

- 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 an unfavorable external environment, a worsening in the coronavirus situation, a record-high surge in production costs, accelerating inflation, a falling hryvnia exchange rate, higher energy prices, and a greater probability of an escalation of the armed conflict.
- Companies across all of the surveyed sectors reported considerably dimmer expectations for their business performance. Construction companies reported the most pessimistic expectations.
- Most surveyed companies said they intended to cut back on their production volumes, the amount of services provided and purchases of goods.
- Companies said they intended to raise their selling prices amid rising purchase and contractor prices.
- The labor market saw a dramatic drop in supply. Respondents across all sectors, apart from trade, reported intentions to cut staff.

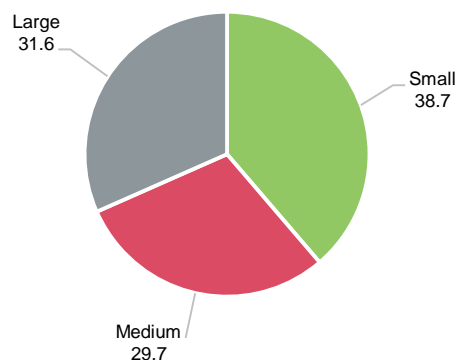
The NBU posts monthly survey results in the open data format. The data are available at the following link: <https://bank.gov.ua/ua/open-data/api-dev>

Survey Details

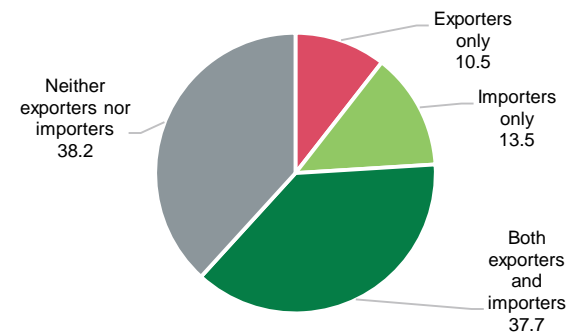
Respondents by sectors of the economy, %



Respondents by company size, %



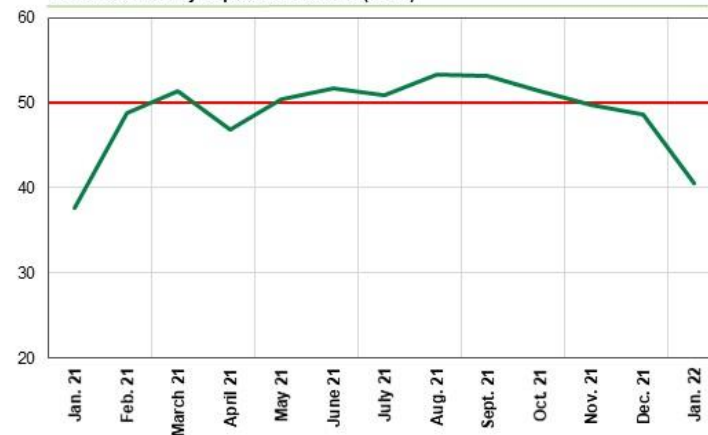
Respondents by business activities, %



- This survey was carried out from 5 January through 24 January 2022
- A total of 408 companies were polled
- Survey horizon: change in companies' performance indicators in January 2022 compared to December 2021

| Sector | Sector's contribution to Ukrainian GDP (2020), %* | Diffusion index | | |
|------------------------------------|---|-----------------|--------------|-----------------------------------|
| | | December 2021 | January 2022 | Change compared to previous month |
| Industry | 30.7 | 49.0 | 42.9 | -6.1 |
| Construction | 4.9 | 47.2 | 33.0 | -14.3 |
| Trade | 23.8 | 49.6 | 40.7 | -8.9 |
| Services | 40.6 | 47.8 | 39.5 | -8.3 |
| BAEI (total across Ukraine) | X | 48.6 | 40.5 | -8.0 |

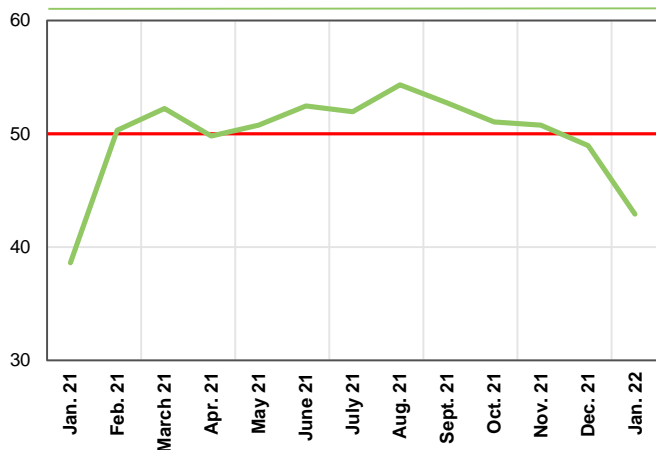
Business activity expectations index (BAEI)



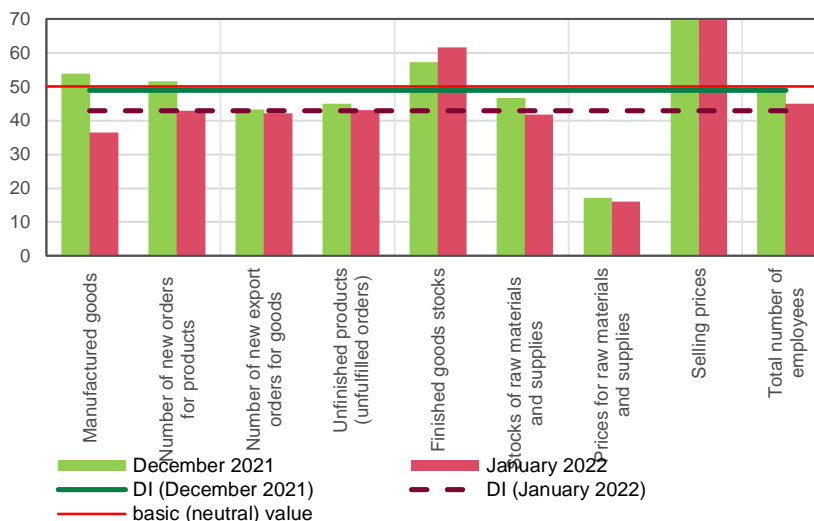
Data for totals and components may be subject to rounding effects.

Industry

Diffusion Index of Industrial Companies' Business Activity Expectations



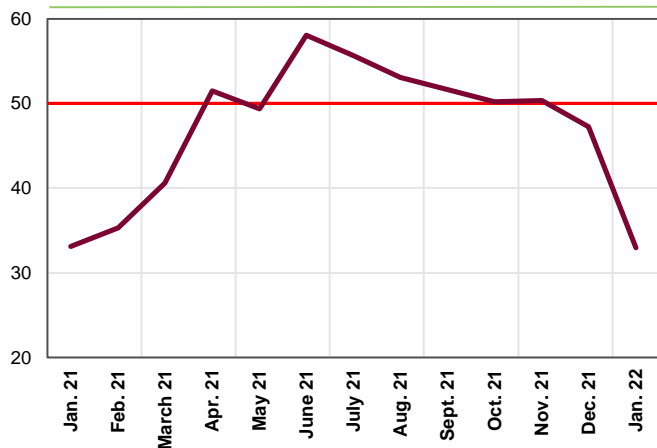
Diffusion Indices (DIs) for industrial companies' performance indicators



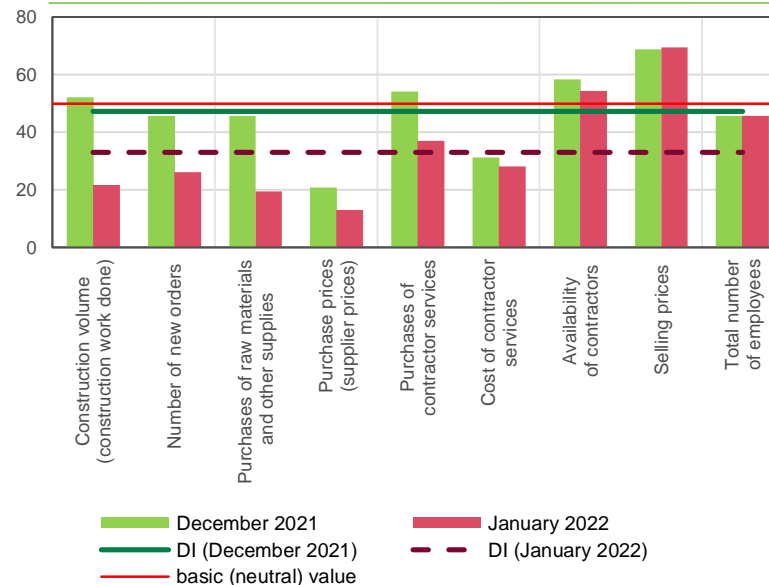
- Companies in the industrial sector **reported gloomier expectations of their performance** in January compared to the previous month. **The sector's DI was 42.9**, down from 49.0 in December.
- Respondents sharply downgraded their expectations for the amount of manufactured goods and the number of new orders for products**, the DIs being 36.5 and 42.8 respectively, down from 53.9 and 51.7 in December. **Companies' pessimistic expectations of the number of new export orders** worsened further, the DI being 42.1, down from 43.3 in December.
- Meanwhile, respondents reported expectations of a rise in their **finished goods stocks**, the DI being 61.6, up from 57.2 in December.
- With **rising raw material and supplies prices** (the DI dropped to 16.0 compared to 17.1 in December), most industrial companies intend to markedly raise their selling prices (the DI was 74.9, up from 70.4 in December).
- Companies **reported stronger intentions to cut their workforces**, the sector's DI being 45.0, down from 48.6 in December.

Construction

Diffusion Index of Construction Companies' Business Activity Expectations



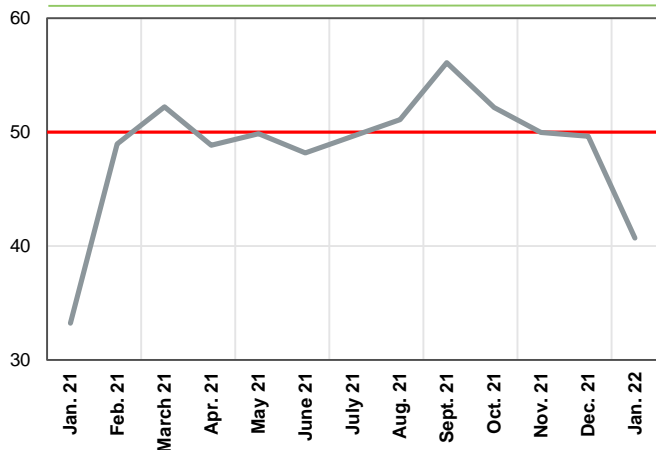
Diffusion Indices (DIs) for construction companies' performance indicators



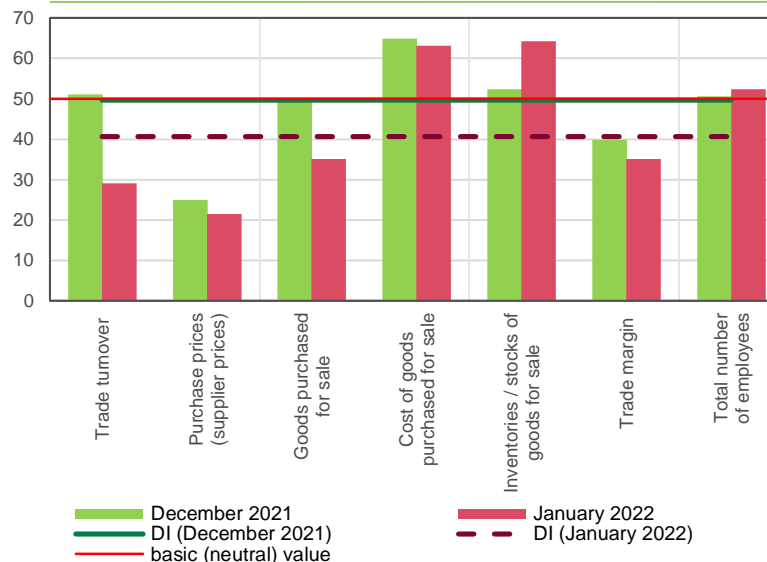
- Respondents from the construction sector were the **most downbeat about their January performance** among other economic sectors – **their DI dropped to 33.0**, down from 47.2 in December.
- The seasonal factor and a large number of days-off and holidays markedly worsened companies' expectations for **construction volumes, the number of new orders, and purchases of raw materials and supplies**: the DIs for these indicators moved down to 21.7, 26.1 and 19.6 respectively, compared to 52.1, 45.8 and 45.8 in December.
- **Respondents** continued to report **strong expectations of an increase in contractor and purchase prices**, the DIs being 28.3 and 13.0 respectively, down from 31.3 and 20.8 in December. In response, companies **intend to raise their selling prices**, the DI being 69.6, up from 68.8 in December.
- Respondents said they intended to lay off staff, the DI being 45.7, compared to 45.8 in December.

Trade

Diffusion Index of Trading Companies' Business Activity Expectations



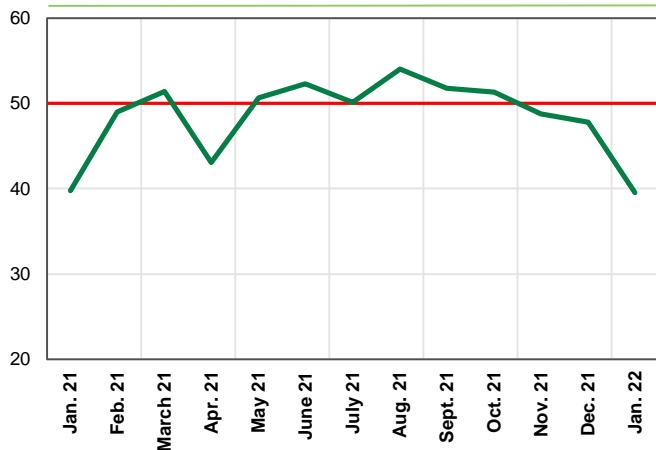
Diffusion Indices (DIs) for trading companies' performance indicators



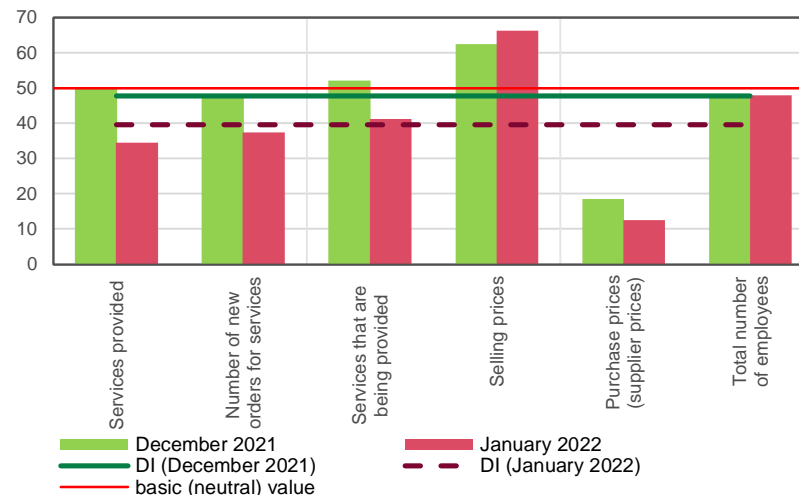
- Trading companies noticeably downgraded their expectations for the sector's economic outlook in January, as the DI dropped to 40.7, down from 49.6 in December.
- Respondents were most pessimistic about trade turnover and the amount of goods purchased for sale, the DIs being 29.2 and 35.1 respectively, compared to 51.2 and 50.0 in December.
- With firm expectations of a rise in purchase prices (a DI of 21.4), companies continued to report robust expectations of a rise in the price of goods purchased for sale (a DI of 63.1). Respondents continued to report intentions to decrease their trade margins, while also expecting an increase in their inventories/stocks of goods purchased for sale, the DIs being 35.1 and 64.3 respectively, compared to 39.9 and 52.4 in December.
- Despite more sluggish business activity in the sector, respondents have been upbeat about their staff numbers for two months running, the DI being 52.4, up from 50.6 in December.

Services

Diffusion Index of Service Providers' Business Activity Expectations



Diffusion Indices (DIs) for services companies' performance indicators



- Respondents in the services sector have been projecting weaker performance for their companies for three months running, the DI being 39.5, down from 47.8 in December.
- Respondents expected a **slump in the amount of services provided, the number of new orders, and the amount of services that are being provided**, the DIs being 34.6, 37.5 and 41.3 respectively, compared to 50.0, 47.8 and 52.2 in December.
- With even **stronger expectations for a rise in supplier prices** (a DI of 12.5), companies reported **intentions to raise their selling prices**, the DI being 66.3, up from 62.5 in December.
- Given their poorer business performance, services companies intended to **cut their staff** further, as the DI dropped to 47.9, down from 48.3 in December.



Annexes

Data on surveys of industrial companies in January 2022

| Indicator | % responses | | |
|--|---------------|-----------------------|---------------|
| | Will increase | Will remain unchanged | Will decrease |
| Manufactured goods | 17 | 40 | 44 |
| Number of new orders for products | 20 | 45 | 35 |
| Number of new export orders for goods | 12 | 61 | 28 |
| Unfinished products (unfulfilled orders) | 11 | 64 | 25 |
| Finished goods stocks | 12 | 52 | 35 |
| Stocks of raw materials and supplies | 19 | 45 | 36 |
| Prices for raw materials and supplies | 69 | 30 | 1 |
| Selling prices | 52 | 46 | 2 |
| Total number of employees | 7 | 76 | 17 |

Data on surveys of construction companies in January 2022

| Indicator | % responses | | |
|--|---------------|-----------------------|---------------|
| | Will increase | Will remain unchanged | Will decrease |
| Construction volume (construction work done) | 9 | 26 | 65 |
| Number of new orders | 9 | 35 | 57 |
| Purchases of raw materials and supplies | 4 | 30 | 65 |
| Purchase prices (supplier prices) | 74 | 26 | 0 |
| Purchases of contractor services | 13 | 48 | 39 |
| Cost of contractor services* | 43 | 57 | 0 |
| Availability of contractors | 17 | 74 | 9 |
| Selling prices | 39 | 61 | 0 |
| Total number of employees | 4 | 83 | 13 |

Data on surveys of trading companies in January 2022

| Indicator | % responses | | |
|---|---------------|-----------------------|---------------|
| | Will increase | Will remain unchanged | Will decrease |
| Trade turnover | 13 | 32 | 55 |
| Purchase prices (supplier prices) | 64 | 29 | 7 |
| Goods purchased for sale | 17 | 37 | 46 |
| Cost of goods purchased for sale | 48 | 31 | 21 |
| Inventories / stocks of goods for sale* | 13 | 45 | 42 |
| Trade margin | 5 | 61 | 35 |
| Total number of employees | 12 | 81 | 7 |

Data on surveys of companies in the services sector in January 2022

| Indicator | % responses | | |
|-----------------------------------|---------------|-----------------------|---------------|
| | Will increase | Will remain unchanged | Will decrease |
| Services provided | 14 | 41 | 45 |
| Number of new orders for services | 18 | 40 | 43 |
| Services that are being provided | 12 | 59 | 29 |
| Selling prices | 36 | 61 | 3 |
| Purchase prices (supplier prices) | 76 | 23 | 1 |
| Total number of employees | 7 | 83 | 11 |

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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