



National Bank
of Ukraine

Monthly Business Outlook Survey

December 2022

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

Issue No.39
Statistics and Reporting Department



Summary

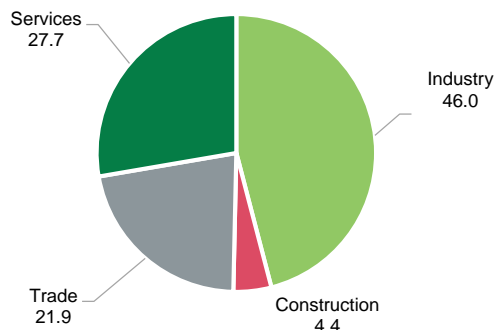
Businesses are stepping down their economic activity on the back of ongoing terrorist attacks and power shortages resulting from the invaders' massive missile strikes on energy infrastructure. **The business activity expectations index (BAEI) was 42.1 in December**, down from 42.7 in November.

- More pronounced negative consequences of hostilities, the risk of further terrorist attacks on critical infrastructure and the large amount of time needed to repair it, declining production, and falling real household income are making it more difficult to conduct economic activity, while also worsening the expectations of all of the surveyed sectors.
- Respondents expected a decrease in their output of goods (services), the number of new orders for products, trade turnover, stocks of raw materials and supplies, and finished goods stocks.
- With expectations of high supplier prices, companies continued to report strong intentions to raise their selling prices.
- Demand for labor is still depressed. Respondents across all sectors reported intentions to cut staff. Construction companies had the most pessimistic expectations for their staff numbers.

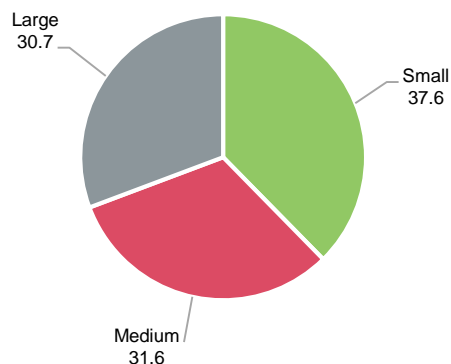
The NBU posts monthly survey results in the open data format. The data are available at the following link: <https://bank.gov.ua/ua/open-data/api-dev>

Survey Details

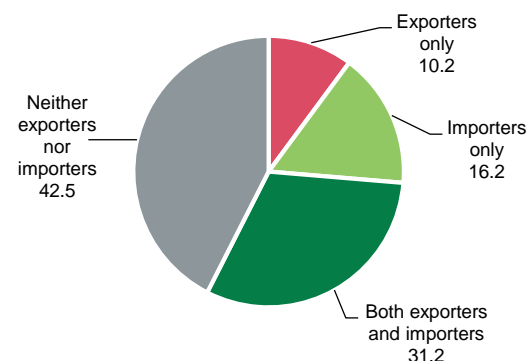
Respondents by sectors of the economy, %



Respondents by company size, %

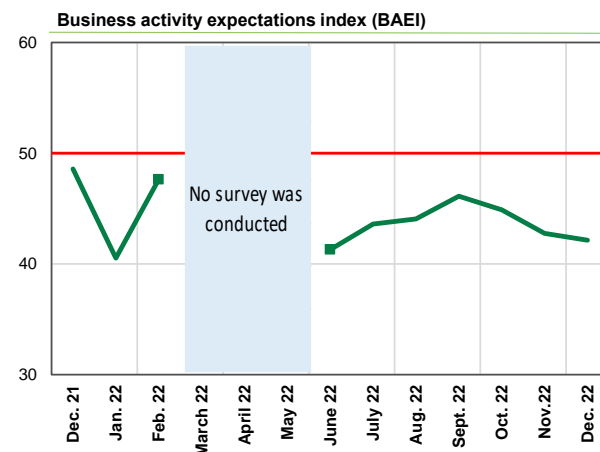


Respondents by business activities, %



- This survey was carried out from 5 December through 22 December 2022
- A total of 433 companies were polled
- Survey horizon: change in companies' performance expectations in December compared to November

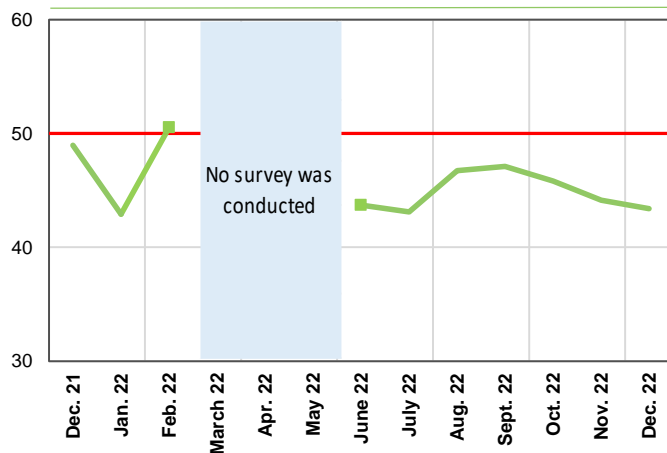
Sector	Sector's share used to calculate BAEI, %	Diffusion index (sectoral)		
		November 2022	December 2022	Change m/m
Industry	35.3	44.1	43.4	-0.8
Construction	4.8	41.0	35.6	-5.4
Trade	23.6	45.2	42.1	-3.1
Services	36.3	40.0	41.8	1.8
Total	100.0	BAEI (total across Ukraine)		
		42.7	42.1	-0.6



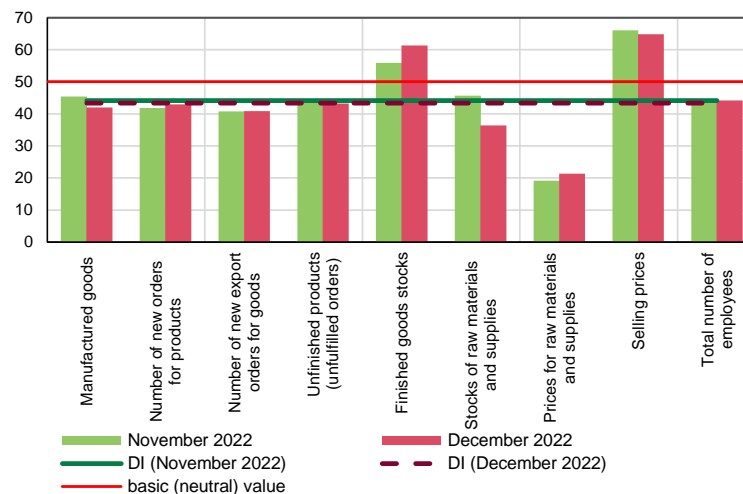
Data for totals and components may be subject to rounding effects

Industry

Diffusion Index of Industrial Companies' Business Activity Expectations



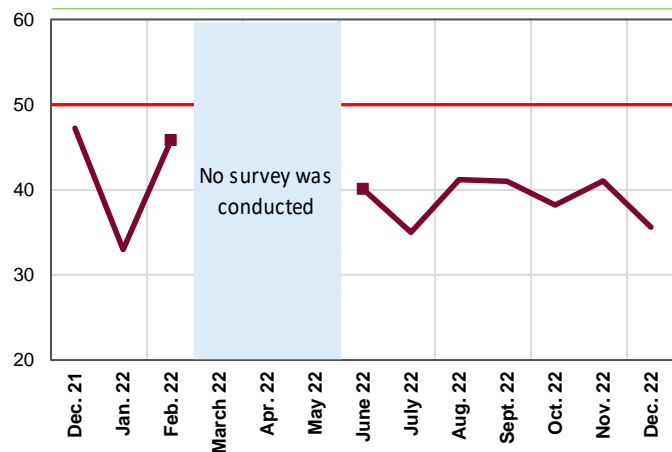
Diffusion Indices (DIs) for industrial companies' performance indicators



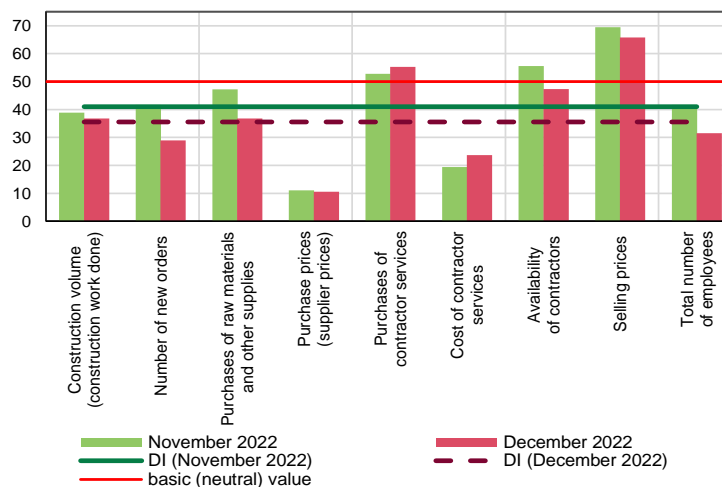
- Constant power cuts reduced production and deepened industrial companies' gloomy economic outlook for December, as the **sector's DI dropped to 43.4**, down from 44.1 in November.
- Respondents reported **dimmer expectations for the amount of manufactured goods and the amount of unfinished production**, the DIs being 42.0 and 43.2 respectively, compared to 45.4 and 43.9 in November.
- Respondents reported **much stronger expectations** of a decrease in their stocks of raw materials and supplies and in their finished goods stocks, the DIs being 36.4 and 61.3 respectively, compared to 45.7 and 55.9 in November.
- Respondents were less downbeat about the number of new orders for products, including export orders, the DIs being 43.0 and 40.9 respectively, compared to 41.8 and 40.8 in November.
- Respondents somewhat softened their expectations of a rise in raw material and supply prices, while also reporting less strong intentions to raise their selling prices, the DIs being 21.4 and 64.8 respectively, compared to 19.1 and 66.1 in November.
- Respondents remained downbeat about their total staff numbers**, the DI being 44.2, up from 43.4 in November.

Construction

Diffusion Index of Construction Companies' Business Activity Expectations



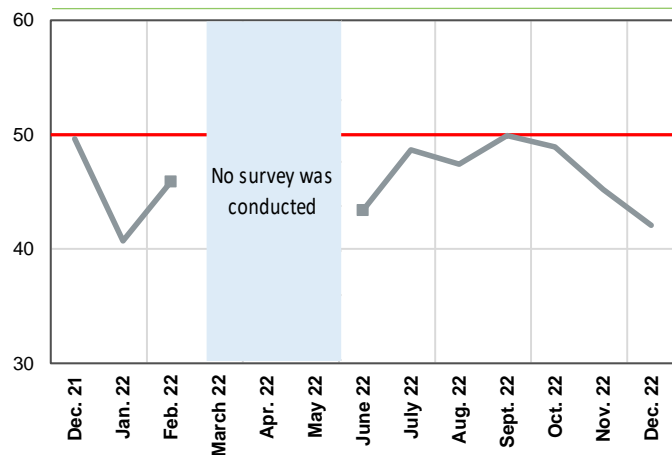
Diffusion Indices (DIs) for construction companies' performance indicators



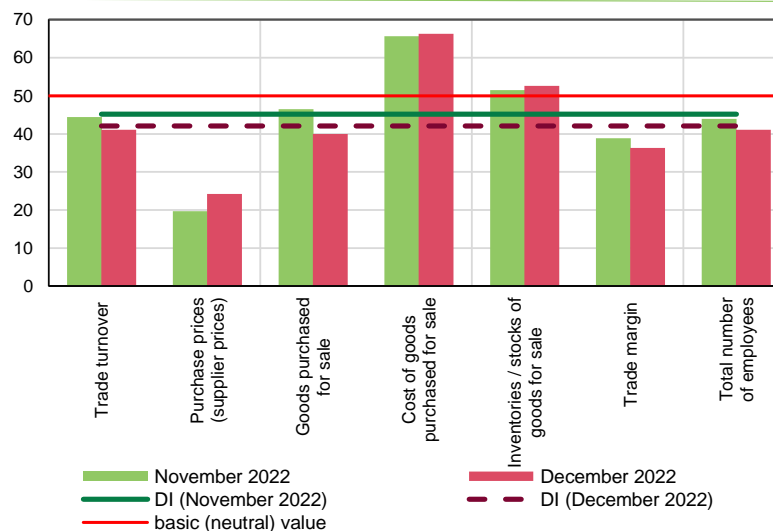
- Construction companies reported the most guarded views about their economic performance amid weak demand for housing, rising production costs, frequent blackouts, and seasonal factors: **in December the sector's DI dropped to 35.6**, down from 41.0 in November.
- With **significantly dimmer expectations for the number of new orders**, companies expected a **sizeable decrease in purchases of raw materials and supplies**, the DIs being 28.9 and 36.8 respectively, down from 41.7 and 47.2 in November.
- Companies **downgraded their expectations** of the amount of construction work done, the DI being 36.8, down from 38.9 in November.
- With expectations of high contractor and purchase prices (DIs of 23.7 and 10.5 respectively compared to 19.4 and 11.1 in November), respondents **continued to report strong intentions** to raise their selling prices, the DI being 65.8, down from 69.4 in November. Respondents also said that the **availability of contractors had decreased**, the DI being 47.4, down from 55.6 in November.
- Respondents reported intentions to **cut their workforces significantly**, the DI being 31.6, down from 41.7 in November.

Trade

Diffusion Index of Trading Companies' Business Activity Expectations



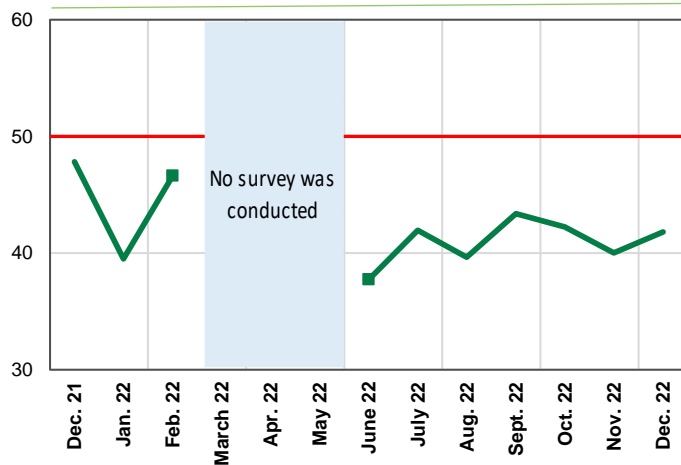
Diffusion Indices (DIs) for trading companies' performance indicators



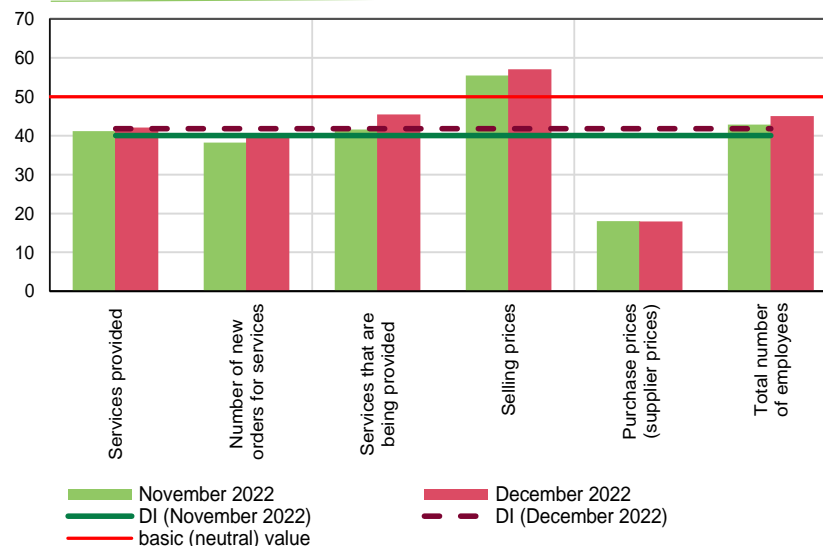
- Trading companies reported a more negative outlook for their economic activity amid blackouts and weaker consumer demand due to declining household income, the **DI being 42.1** in December, **down from 45.2** in November.
- Respondents were **more pessimistic about their trade turnover and the amount of goods purchased for sale**, the DIs being 41.1 and 40.0 respectively, compared to 44.4 and 46.5 in November.
- Respondents reported stronger expectations for a drop in their stocks of goods for sale and for a decrease in their trade margins, the DIs being 52.6 and 36.3 respectively, compared to 51.5 and 38.9 in November.
- Companies slightly softened their expectations for a rise in purchase prices, the DI being 24.2, up from 19.7 in November. At the same time, companies continued to report firm expectations of a rise in the price of goods purchased for sale, the DI being 66.3, up from 65.7 in November.
- Respondents continued to **declare intentions to cut their workforces**, the DI being 41.1, down from 43.9 in November.

Services

Diffusion Index of Service Providers' Business Activity Expectations



Diffusion Indices (DIs) for services companies' performance indicators



- Although softening their negative expectations somewhat, services companies continued to report a gloomy economic outlook because of the impossibility of fully reestablishing logistical chains and due to depressed demand, the **sector's DI being 41.8** in December, up from 40.0 in November.
- Respondents reported less pessimistic expectations of a decrease** in the amount of services provided, the number of new orders, and the amount of services that are being provided, the DIs being 42.1, 40.4 and 45.4 respectively, compared to 41.2, 38.2 and 41.6 in November.
- With slightly firmer expectations of an increase in purchase prices, respondents declared intentions to raise their selling prices, the DIs being 17.9 and 57.1 respectively, compared to 18.1 and 55.5 in November.
- Compared to the previous month, companies in the services sector were the least pessimistic about their total staff numbers, the DI being 45.0, up from 42.9 in November.



Annexes

Data on surveys of industrial companies in December 2022

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Manufactured goods	21	42	37
Number of new orders for products	20	46	34
Number of new export orders for goods	12	57	30
Unfinished products (unfulfilled orders)	11	64	25
Finished goods stocks	13	52	35
Stocks of raw materials and supplies	11	51	38
Prices for raw materials and supplies	59	40	2
Selling prices	33	63	4
Total number of employees	5	79	16

Data on surveys of construction companies in December 2022

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Construction volume (construction work done)	16	42	42
Number of new orders	11	37	53
Purchases of raw materials and supplies	16	42	42
Purchase prices (supplier prices)	79	21	0
Purchases of contractor services	37	37	26
Cost of contractor services*	53	47	0
Availability of contractors	5	84	11
Selling prices	32	68	0
Total number of employees	0	63	37

Data on surveys of trading companies in December 2022

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Trade turnover	23	36	41
Purchase prices (supplier prices)	56	40	4
Goods purchased for sale	21	38	41
Cost of goods purchased for sale	43	46	11
Inventories / stocks of goods for sale*	24	46	29
Trade margin	7	58	35
Total number of employees	1	80	19

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

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Services provided	18	49	33
Number of new orders for services	18	46	37
Services that are being provided	16	59	25
Selling prices	20	74	6
Purchase prices (supplier prices)	64	36	0
Total number of employees	3	83	13

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 that is calculated on the basis of each sector's share in the weight structure.



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