# Monthly Business Outlook Survey

November 2023

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

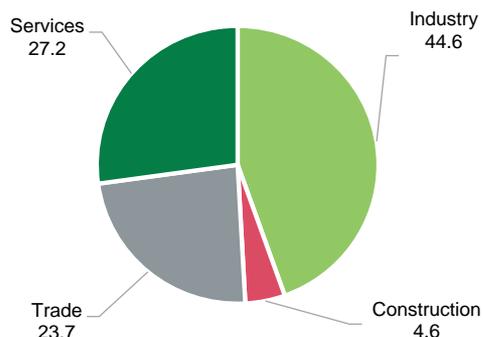Issue No.50
Statistics and Reporting Department

# Summary

**For two months running, companies' expectations of their current performance have been guarded for the near future.The business activity expectations index (BAEI) was 49.1 in November**, down from 49.6 in October.

- Hostilities and their repercussions, rising security risks, disrupted supply chains, somewhat limited electricity supply, higher electricity prices for businesses, tax changes, narrowing investment demand, and shortages of skilled workers, are continuing to dampen companies' economic activity, while also negatively affecting their expectations.

- Industrial, construction and services companies downgraded their performance expectations: respondents expected a decrease in export orders, construction volumes, and in the number of new orders for construction work/services.

- At the same time, industrial companies remained upbeat about the amount of manufactured goods and the number of new orders for products. Meanwhile, services companies expected a rise in provided services, in contrast to the previous month.

- Trading companies remained the only sector to expect an improvement in their performance amid slower inflation, sustained domestic demand, and the increased supply of goods.

- Companies declared intentions to raise their selling prices on the back of ongoing rises in purchase prices.

- Supply on the labor market remains suppressed. Managers across all sectors continued to expect reductions in their workforces, with construction companies reporting the firmest expectations.
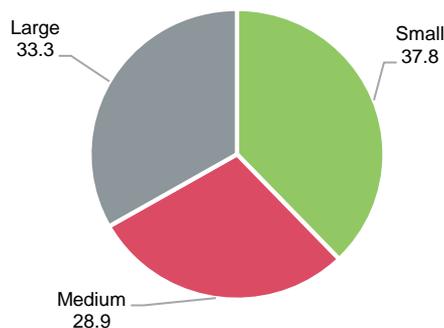
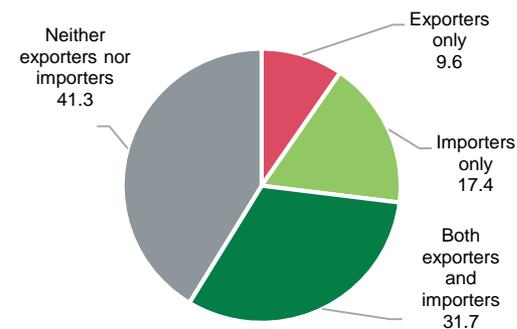The NBU posts monthly survey results in the open data format. The data are available at the following link: https://bank.gov.ua/ua/open-data/api-dev

# Survey Details

**Respondents by sectors of the economy, %**



- Services 27.2
- Industry 44.6
- Construction 4.6
- Trade 23.7

**Respondents by company size, %**



- Large 33.3
- Small 37.8
- Medium 28.9

**Respondents by business activities, %**



- Neither exporters nor importers 41.3
- Exporters only 9.6
- Importers only 17.4
- Both exporters and importers 31.7

- This survey was carried out from 6 November through 23 November 2023
- A total of 460 companies were polled.
- Survey horizon: change in companies' performance expectations in November compared to October

| Sector | Sector's share used to calculate BAEI, % | Diffusion index (sectoral) | | |
|---|---|---|---|---|
| | | October 2023 | November 2023 | Change m/m |
| Industry | 36.8 | 50.0 | 49.2 | -0.8 |
| Construction | 2.5 | 44.8 | 40.6 | -4.2 |
| Trade | 25.2 | 53.0 | 50.9 | -2.2 |
| Services | 35.5 | 47.2 | 48.4 | 1.3 |
| Total | 100.0 | BAEI (total across Ukraine) | | |
| | | 49.6 | 49.1 | -0.5 |

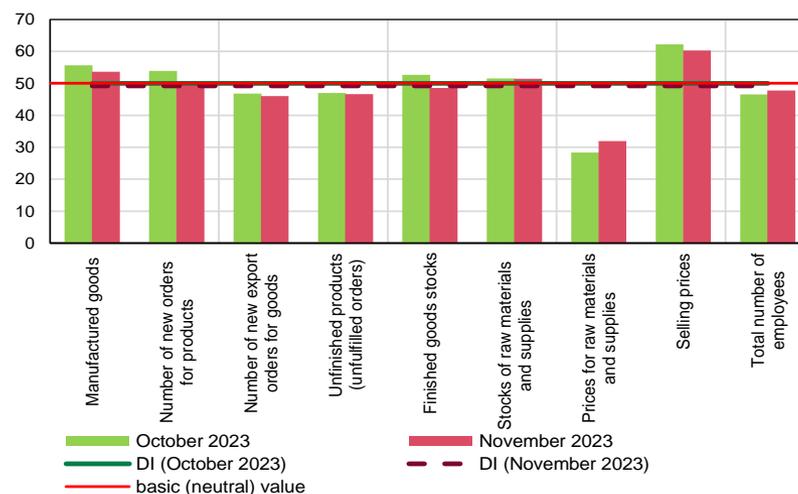**Business activity expectations index (BAEI)**
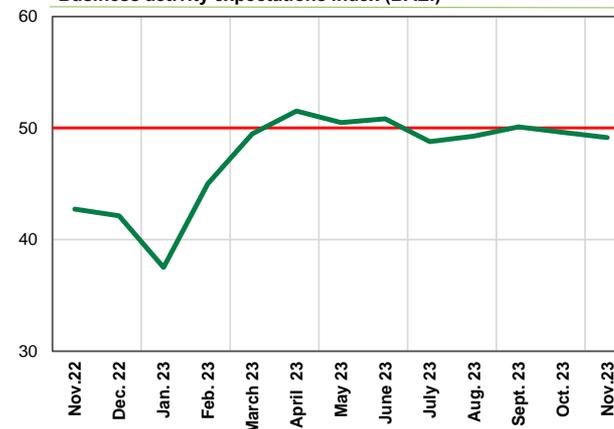


Data for totals and components may be subject to rounding effects

# Industry

**Diffusion Index of Industrial Companies' Business Activity Expectations**
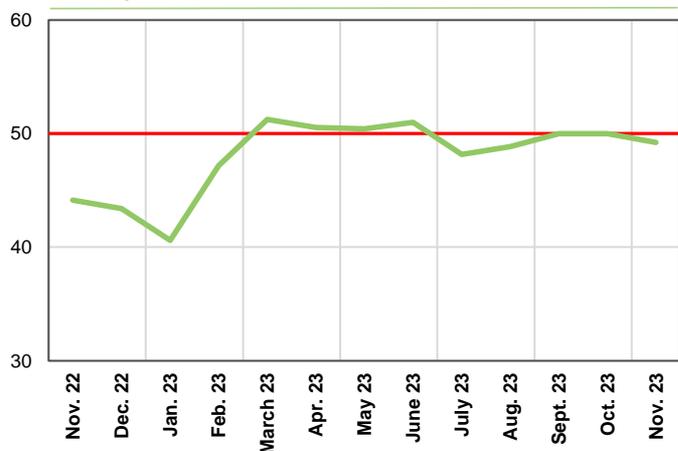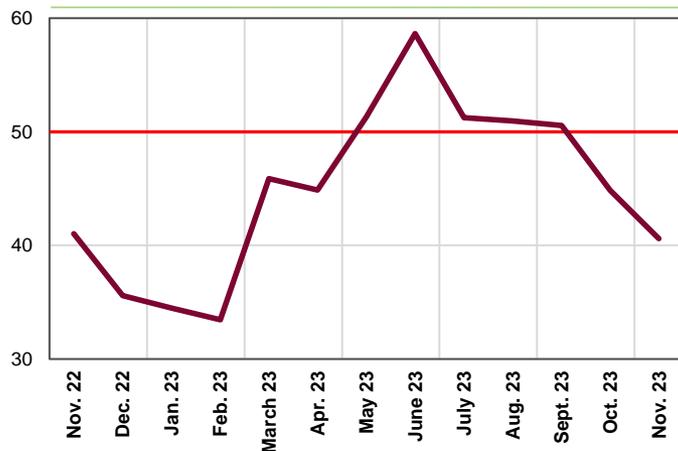


**Diffusion Indices (DIs) for industrial companies' performance expectations**



- **In November, industrial companies expected a deterioration in their economic performance** due to difficulties with exporting goods, disrupted supply chains, and more fierce hostilities. The sector's DI was 49.2, down from 50.0 in October.

- Respondents continued to expect, albeit at a slower pace, an increase in the amount of manufactured goods and the number of new orders for products, the DIs being 53.7 and 50.7 respectively, compared to 55.7 and 53.9 in October.

- Conversely, respondents somewhat strengthened their pessimistic views about the number of new export orders and the amount of unfinished products, the DIs being 46.1 and 46.6 respectively, down from 46.8 and 46.9 in October.

- Meanwhile, respondents upgraded their views, to a positive level, about their finished goods stocks, the DI being 48.5, compared to 52.6 in October.

- With somewhat weaker expectations of a rise in raw material and supplies prices, companies declared intentions to raise their selling prices more moderately, the DIs being 32.0 and 60.2 respectively, compared to 28.4 and 62.2 in October.

- Industrial companies did not report any intentions to hire more staff, the DI being 47.8, up from 46.5 in October.

# Construction

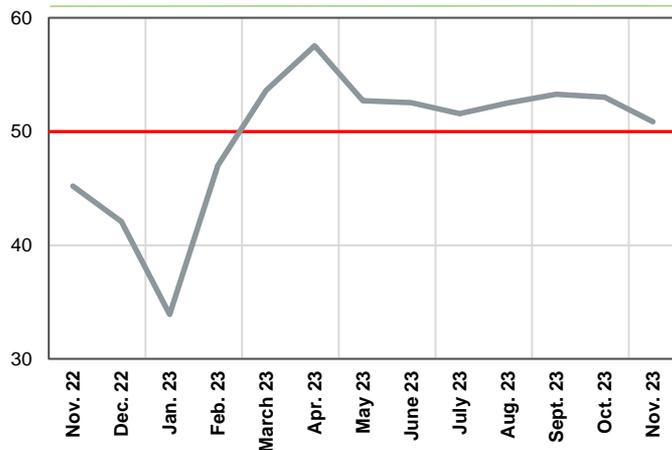**Diffusion Index of Construction Companies' Business Activity Expectations**



**Diffusion Indices (DIs) for construction companies' performance expectations**
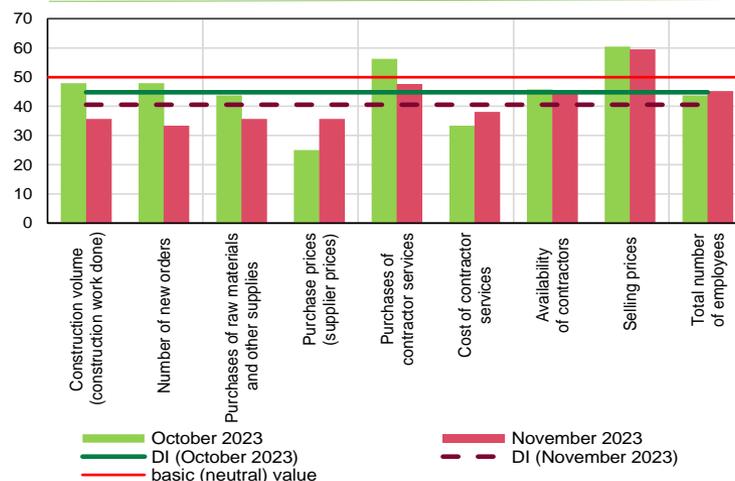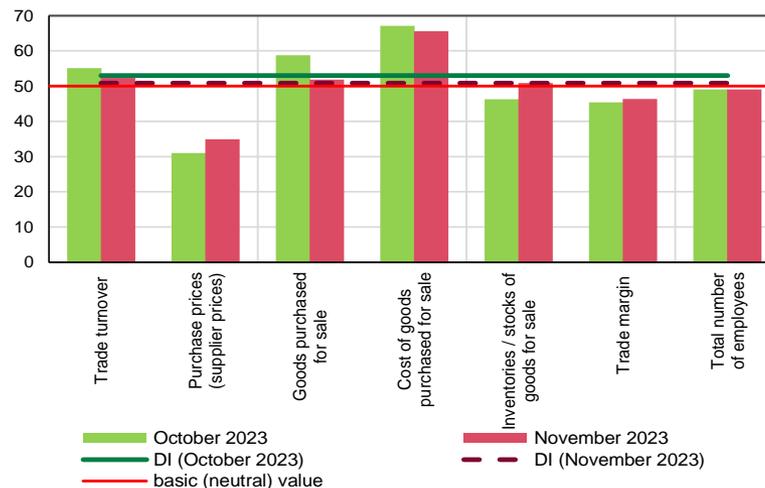


- **Construction companies were the most pessimistic among other sectors about their economic performance in the short term**, because of rising production costs, narrowing investment demand, shortages of skilled workers and seasonal conditions: **the DI was 40.6**, down from 44.8 in October.

- Respondents expected a further <u>drop in construction volumes, the number of new orders, and in purchases of raw materials and supplies</u>, the DIs being 35.7, 33.3 and 35.7 respectively, compared to 47.9, 47.9 and 43.8 in October.

- Despite softening their views about the cost of contractor services, respondents reported intentions to purchase less of these services, the DIs being 38.1 and 47.6 respectively, compared to 33.3 and 56.3 in October. Respondents remained downbeat about the availability of contractors, the DI being 45.2, down from 45.8 in October.

- With significantly weaker expectations of slower growth in supplier prices, respondents declared intentions to cut their selling prices at a slightly slower pace, the DIs being 35.7 and 59.5 respectively, compared to 25.0 and 60.4 in October.

- Respondents continued to <u>report intentions to cut their workforces</u>, the DI being 45.2, up from 43.8 in October.

# Trade

**Diffusion Index of Trading Companies' Business Activity Expectations**



**Diffusion Indices (DIs) for trading companies' performance expectations**



Legend:
- October 2023
- DI (October 2023)
- basic (neutral) value
- November 2023
- DI (November 2023)

- **Trading companies have remained the most optimistic among other sectors – they have reported a positive economic outlook for nine months running,** thanks to weaker inflationary pressures, a persistently stable FX market, and domestic demand, **the DI being 50.9**, down from 53.0 in October.

- Respondents continued to declare intentions to further increase, albeit at a slower pace, their goods turnover and the amount of goods purchased for sale, the DIs being 52.3 and 51.8 respectively, compared to 55.1 and 58.8 in October. At the same time, companies expected a decrease in their stocks of goods for sale, the DI being 50.9, up from 46.3 in October.

- Companies expected weaker growth in purchase prices and in the cost of goods purchased for sale, the DIs being 34.9 and 65.6 respectively, compared to 31.0 and 67.1 in October.

- Respondents declared intentions to cut their trade margins, the DI being 46.3, up from 45.4 in October.

- Companies reported intentions to reduce their workforces, the DI being 49.1, unchanged on October.

# Services

**Diffusion Index of Service Providers' Business Activity Expectations**
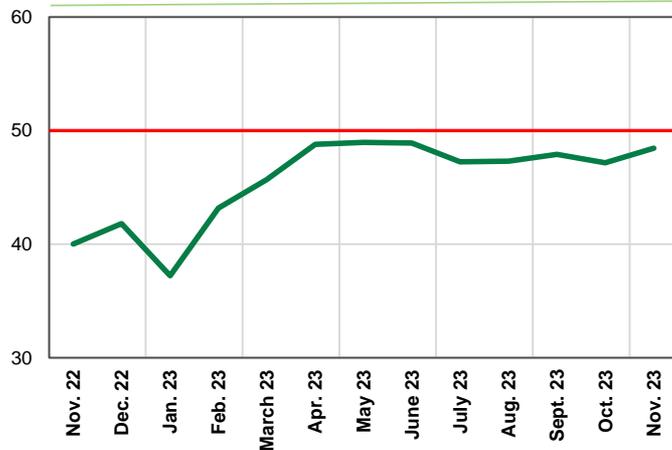


**Diffusion Indices (DIs) for services companies' performance expectations**
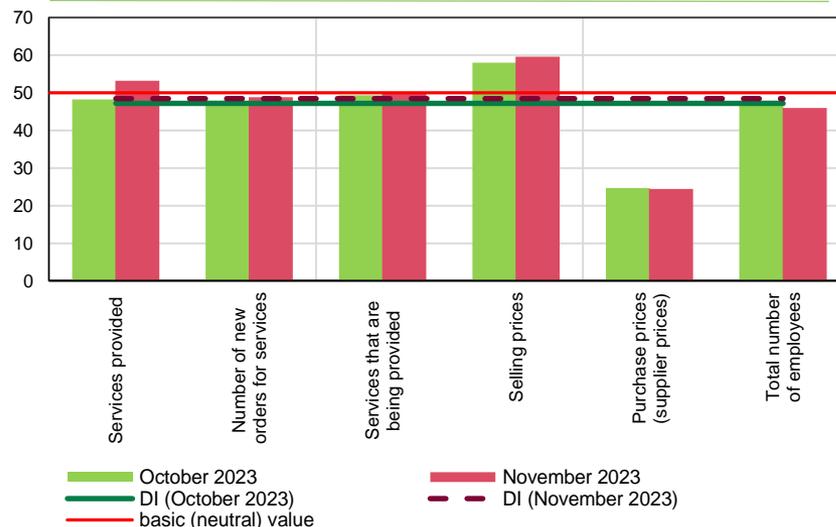


- **Services companies slightly softened their negative views of their economic performance in the short-term**, the DI being 48.4, up from 47.2 in October.

- Respondents expected a rise in the amount of services provided, the DI being to 53.2, up from 48.3 in October. At the same time, respondents softened their expectations about a drop in the number of new orders, the DI being 48.8, up from 47.9 in October. Respondents expected no change in the amount of services that are being provided, the DI being 50.0, up from 49.3 in October.

- With expectations of higher purchase prices, respondents reported intentions to raise their selling prices, the DIs being 24.4 and 59.6 respectively, compared to 24.7 and 58.0 in October.

- Respondents declared stronger intentions to cut their staff, the DI being 46.0, down from 47.9 in October.

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# *Annexes*

# Data on surveys of industrial companies in November 2023

% responses

| Indicator | Will increase | Will remain unchanged | Will decrease |
|---|---|---|---|
| Manufactured goods | 29 | 50 | 21 |
| Number of new orders for products | 24 | 53 | 23 |
| Number of new export orders for goods | 14 | 64 | 22 |
| Unfinished products (unfulfilled orders) | 11 | 72 | 18 |
| Finished goods stocks | 21 | 60 | 19 |
| Stocks of raw materials and supplies | 21 | 60 | 19 |
| Prices for raw materials and supplies | 40 | 57 | 3 |
| Selling prices | 22 | 77 | 1 |
| Total number of employees | 7 | 82 | 11 |

# Data on surveys of construction companies in November 2023

% responses

| Indicator | Will increase | Will remain unchanged | Will decrease |
|---|---|---|---|
| Construction volume (construction work done) | 5 | 62 | 33 |
| Number of new orders | 10 | 48 | 43 |
| Purchases of raw materials and supplies | 10 | 52 | 38 |
| Purchase prices (supplier prices) | 29 | 71 | 0 |
| Purchases of contractor services | 14 | 67 | 19 |
| Cost of contractor services* | 24 | 76 | 0 |
| Availability of contractors | 5 | 81 | 14 |
| Selling prices | 24 | 71 | 5 |
| Total number of employees | 10 | 71 | 19 |

# Data on surveys of trading companies in November 2023

% responses

| Indicator | Will increase | Will remain unchanged | Will decrease |
|---|---|---|---|
| Trade turnover | 26 | 53 | 21 |
| Purchase prices (supplier prices) | 32 | 66 | 2 |
| Goods purchased for sale | 27 | 50 | 23 |
| Cost of goods purchased for sale | 41 | 49 | 10 |
| Inventories / stocks of goods for sale* | 22 | 54 | 24 |
| Trade margin | 6 | 80 | 14 |
| Total number of employees | 7 | 83 | 9 |

# Data on surveys of companies in the services sector in November 2023

% responses

| Indicator | Will increase | Will remain unchanged | Will decrease |
|---|---|---|---|
| Services provided | 25 | 57 | 18 |
| Number of new orders for services | 22 | 53 | 25 |
| Services that are being provided | 18 | 65 | 18 |
| Selling prices | 22 | 76 | 2 |
| Purchase prices (supplier prices) | 52 | 47 | 1 |
| Total number of employees | 6 | 81 | 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 that is calculated on the basis of each sector's share in the weight structure.

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