



National Bank
of Ukraine

Monthly Business Outlook Survey

February 2023

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

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Statistics and Reporting Department



Summary

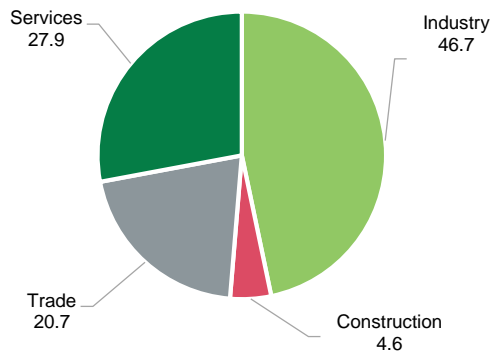
Businesses are gradually adapting to the new conditions, softening their negative expectations for their economic performance. **The business activity expectations index (BAEI) was 45.0 in February**, up from 37.5 in January.

- Economic activity is gradually reviving across all sectors, apart from the construction sector. The revival of companies is being held back the most by power shortages, higher production costs because of purchases of uninterruptible power supplies and fuel, and depressed consumer demand.
- Although reporting more optimistic expectations, most of the surveyed companies said they still intended to cut back on their output of goods and services, while also expecting falls in the number of new orders for products, trade turnover, and inventories/stocks of goods for sale.
- Respondents softened their expectations for a rise in purchase and contractor prices, while also declaring less firm intentions to raise their selling prices.
- Respondents across all sectors continued to report intentions to reduce their workforces, with construction companies declaring the strongest intentions.

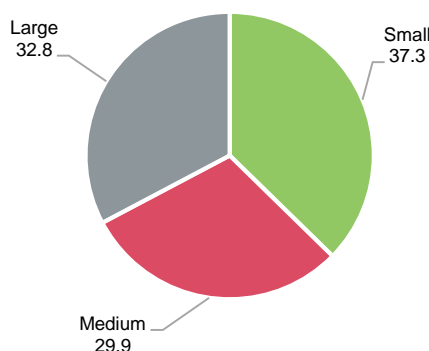
The NBU posts monthly survey results in the open data format. The data are available at the following link: <https://bank.gov.ua/ua/open-data/api-dev>

Survey Details

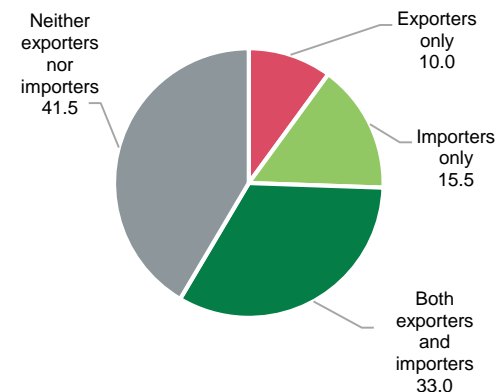
Respondents by sectors of the economy, %



Respondents by company size, %



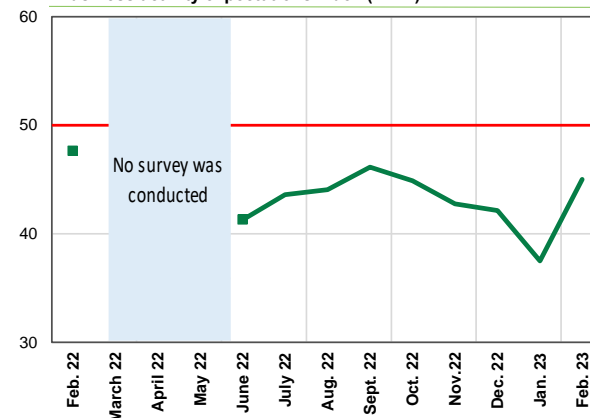
Respondents by business activities, %



- This survey was carried out from 2 February through 21 February 2023
- A total of 458 companies were polled
- Survey horizon: change in companies' performance expectations in February compared to January

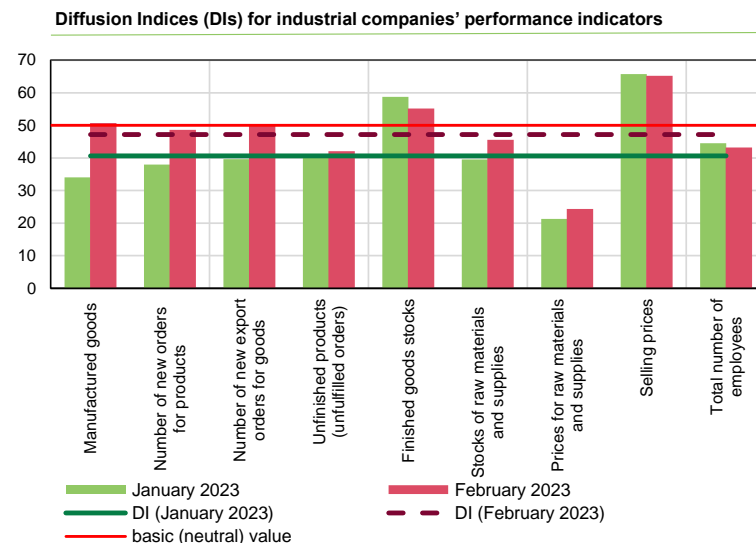
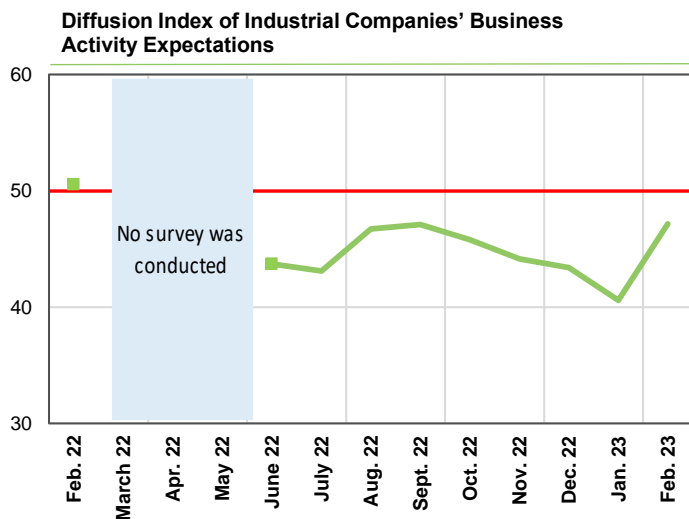
Sector	Sector's share used to calculate BAEI, %	Diffusion index (sectoral)		
		January 2023	February 2023	Change m/m
Industry	34.8	40.6	47.2	6.6
Construction	4.7	34.5	33.5	-1.0
Trade	23.3	33.9	47.0	13.1
Services	37.2	37.2	43.2	5.9
Total	100.0	BAEI (total across Ukraine)		
		37.5	45.0	7.5

Business activity expectations index (BAEI)



Data for totals and components may be subject to rounding effects

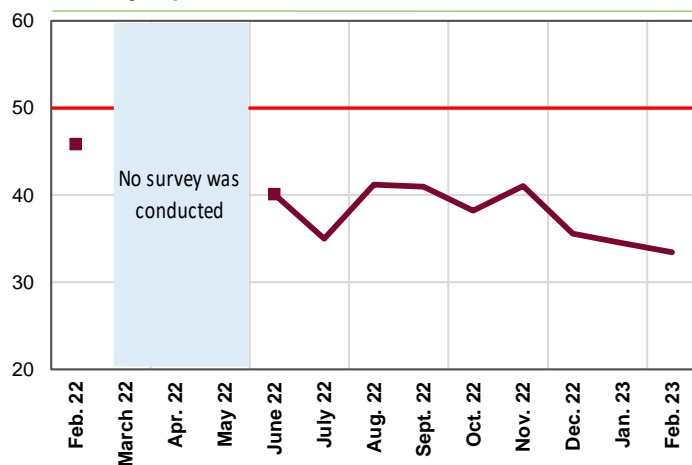
Industry



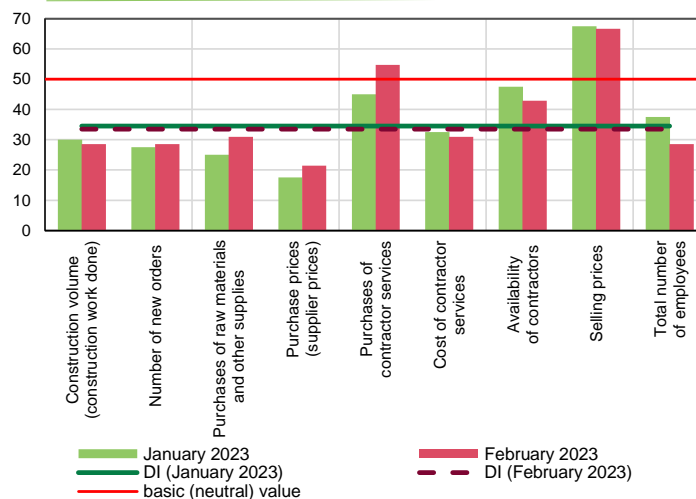
- The gradual revival of power supply and purchases of uninterruptible power supplies **softened the pessimistic expectations of industrial companies** in February, as **the sector's DI moved to 47.2**, up from 40.6 in January.
- Respondents declared intentions to **step up production** (for the first time since October 2022), while also expecting an **increase in the number of new export orders for products** (for the first time since February 2022), the DIs being 50.7 and 50.4 respectively, up from 34.0 and 39.6 in January. While remaining negative, respondents' expectations for the number of new orders for products improved noticeably, the DI being 48.6, up from 38.0 in January.
- Companies reported somewhat less pessimistic views about the amount of unfinished products (unfulfilled orders), the DI being 42.1, up from 40.0 in January.
- Respondents also 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 24.3 and 65.2 respectively, compared to 21.3 and 65.8 in January.
- Respondents remained downbeat about their total staff numbers, the DI being 43.2, down from 44.5 in January.

Construction

Diffusion Index of Construction Companies' Business Activity Expectations



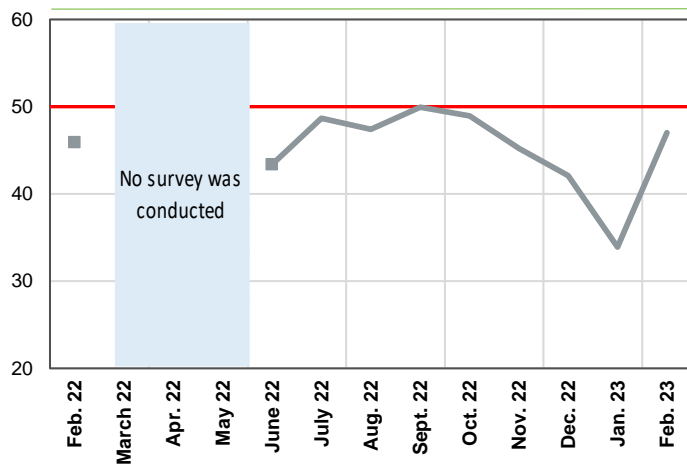
Diffusion Indices (DIs) for construction companies' performance indicators



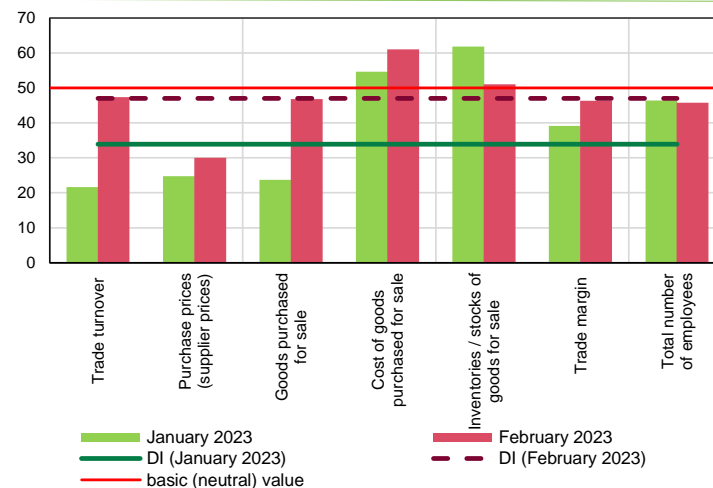
- **Construction companies reported the most guarded views about their economic performance** on the back of seasonal factor, consumers' weak purchasing power and power shortages, the **DI being 33.5** in February, down from 34.5 in January.
- Companies worsened their negative expectations of the amount of construction work done, the DI being 28.6, down from 30.0 in January. At the same time, respondents expected a drop in the number of new orders and in purchases of raw materials and supplies, the DIs being 28.6 and 31.0 respectively, compared to 27.5 and 25.0 in January.
- Respondents also said that the availability of contractors had decreased, the DI being 42.9, down from 47.5 in January.
- With high supplier and contractor prices, respondents continued to report strong intentions to raise their selling prices, the DIs being 21.4, 31.0 and 66.7 respectively, compared to 17.5, 32.5 and 67.5 in January.
- Respondents reported intentions to **cut their workforces significantly**, the DI being 28.6, down from 37.5 in January.

Trade

Diffusion Index of Trading Companies' Business Activity Expectations



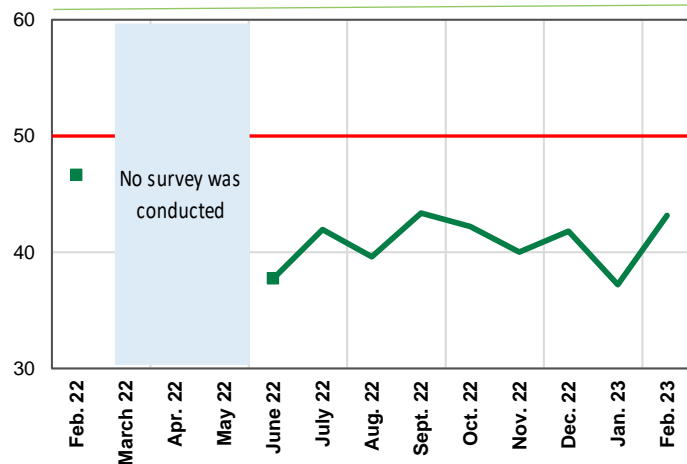
Diffusion Indices (DIs) for trading companies' performance indicators



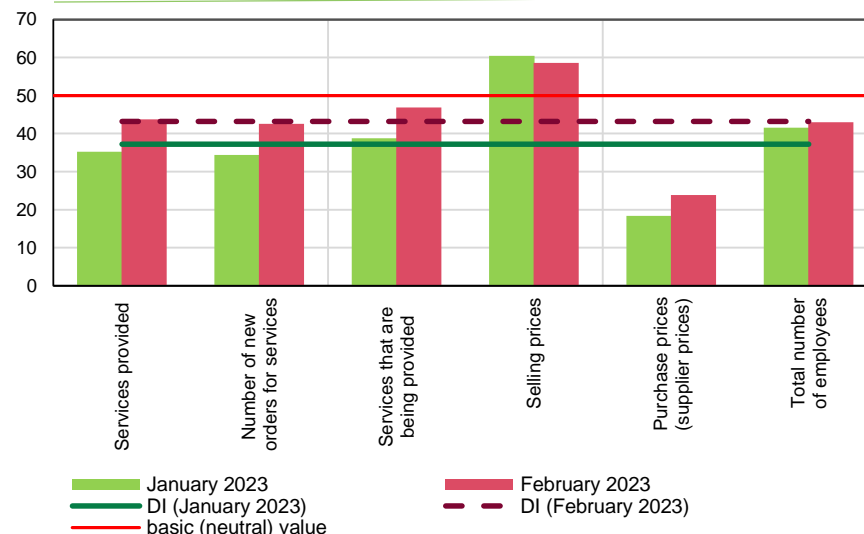
- Companies' gradual adaptation to power outages, reestablished supply chains and seasonal factor **significantly softened trading companies' negative expectations for their economic performance** in February, the **DI being 47.0**, up from 33.9 in January.
- Respondents markedly improved their views about their trade turnover and the amount of goods purchased for sale, the DIs being 47.4 and 46.8 respectively, compared to 21.6 and 23.7 in January. Respondents expected a decrease in their inventories/stocks of goods for sale, the DI being 51.1, down from 61.9 in January.
- Companies reported weaker intentions to cut their trade margins, the DI being 46.3, up from 39.2 in January.
- Respondents slightly softened their expectations of a rise in purchase prices, the DI being 30.0, up from 24.7 in January. At the same time, companies expected the price of goods purchased for sale to rise at a faster pace, the DI being 61.1, up from 54.6 in January.
- Trading companies continued to expect reductions in their workforces, the DI being 45.8, compared to 46.4 in January.

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 a decline in people's purchasing power, higher tariffs and logistical hurdles, the **DI being 43.2** in February, up from 37.2 in January.
- Respondents significantly softened their negative expectations for the amount of services provided, the number of new orders, and the amount of services that are being provided, the DIs being 43.8, 42.6 and 46.9 respectively, compared to 35.2, 34.4 and 38.8 in January.
- With less strong expectations of a rise in purchase prices, companies reported weaker intentions to raise their selling prices, the DIs being 23.8 and 58.6 respectively, compared to 18.4 and 60.4 in January.
- Respondents reported somewhat weaker intentions to reduce their workforces, the DI being 43.0, up from 41.6 in January.



Annexes

Data on surveys of industrial companies in February 2023

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Manufactured goods	30	42	29
Number of new orders for products	24	50	27
Number of new export orders for goods	20	61	19
Unfinished products (unfulfilled orders)	5	75	21
Finished goods stocks	17	55	28
Stocks of raw materials and supplies	19	53	28
Prices for raw materials and supplies	54	44	2
Selling prices	33	64	3
Total number of employees	4	79	17

Data on surveys of construction companies in February 2023

% responses

Indicator	Will increase	Will remain unchanged	Will decrease
Construction volume (construction work done)	5	48	48
Number of new orders	10	38	52
Purchases of raw materials and supplies	10	43	48
Purchase prices (supplier prices)	57	43	0
Purchases of contractor services	24	62	14
Cost of contractor services*	38	62	0
Availability of contractors	5	76	19
Selling prices	43	48	10
Total number of employees	0	57	43

Data on surveys of trading companies in February 2023

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Trade turnover	26	42	32
Purchase prices (supplier prices)	41	58	1
Goods purchased for sale	25	43	32
Cost of goods purchased for sale	37	48	15
Inventories / stocks of goods for sale*	21	56	23
Trade margin	8	76	16
Total number of employees	2	87	11

Data on surveys of companies in the services sector in February 2023

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Services provided	14	59	27
Number of new orders for services	14	57	29
Services that are being provided	13	67	20
Selling prices	23	72	5
Purchase prices (supplier prices)	54	45	2
Total number of employees	4	78	18

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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