



National Bank
of Ukraine

Monthly Business Outlook Survey

March 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

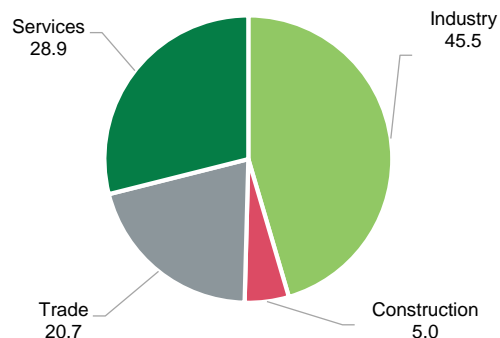
Ukrainian businesses have adapted to the difficult conditions of the full-scale war and continue to improve their economic outlooks. **The business activity expectations index (BAEI), at 49.5, almost reached its neutral level in March**, compared to 45.0 in February.

- In March, companies across all of the surveyed sectors reported more optimistic expectations of their business performance.
- The improved functioning of the energy sector, better external conditions, reestablished logistical chains and stronger consumer sentiment had a positive effect on the expectations of industrial and trading companies, pushing the indices of these sectors above the neutral level. Trading companies said they intended to step up their trade turnover, while industrial companies expected an increase in their output of goods and the number of new orders.
- Although softening their pessimistic expectations of their business performance, construction and services companies still did not expect any increase in construction volumes and services provided.
- Most companies polled said they expected that purchase and contractor prices would grow at a slower pace. They also declared weaker intentions to raise their selling prices.
- Companies across all sectors still report no intentions to expand their workforces.

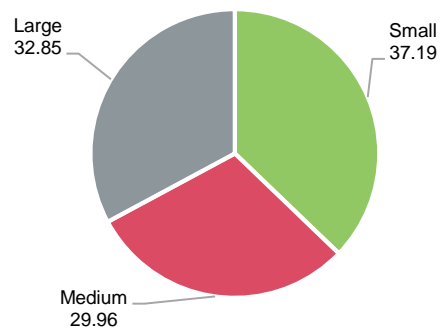
The NBU posts monthly survey results in the open data format. The data are available at the following link: <https://bank.gov.ua/ua/open-data/api-dev>

Survey Details

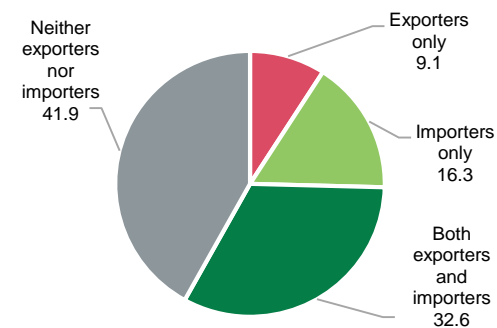
Respondents by sectors of the economy, %



Respondents by company size, %

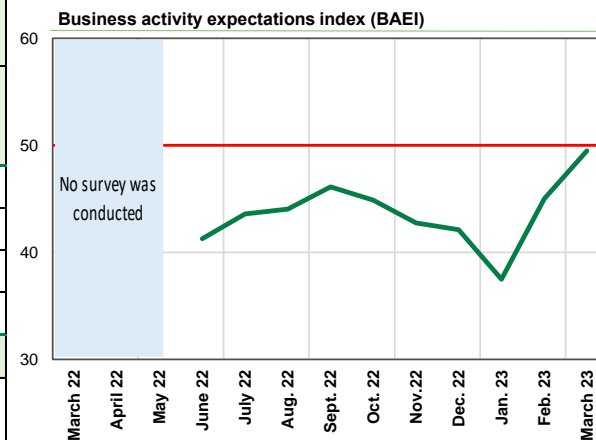


Respondents by business activities, %



- This survey was carried out from 6 March through 24 March 2023
- A total of 484 companies were polled
- Survey horizon: change in companies' performance expectations in March compared to February

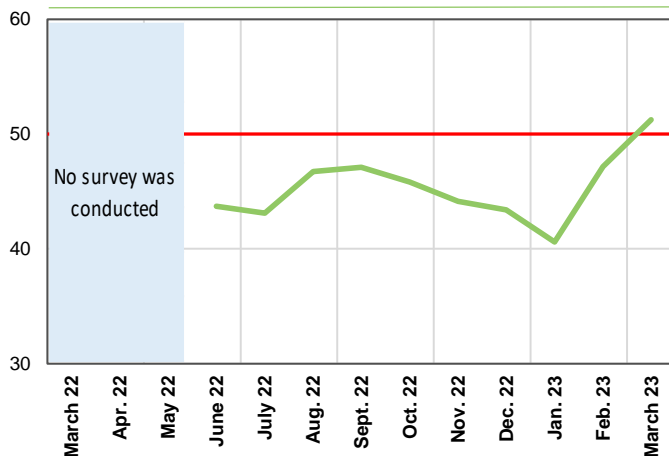
Sector	Sector's share used to calculate BAEI, %	Diffusion index (sectoral)		
		February 2023	March 2023	Change m/m
Industry	34.8	47.2	51.2	4.1
Construction	4.7	33.5	45.9	12.4
Trade	23.3	47.0	53.6	6.6
Services	37.2	43.2	45.7	2.5
Total	100.0	BAEI (total across Ukraine)		
		45.0	49.5	4.5



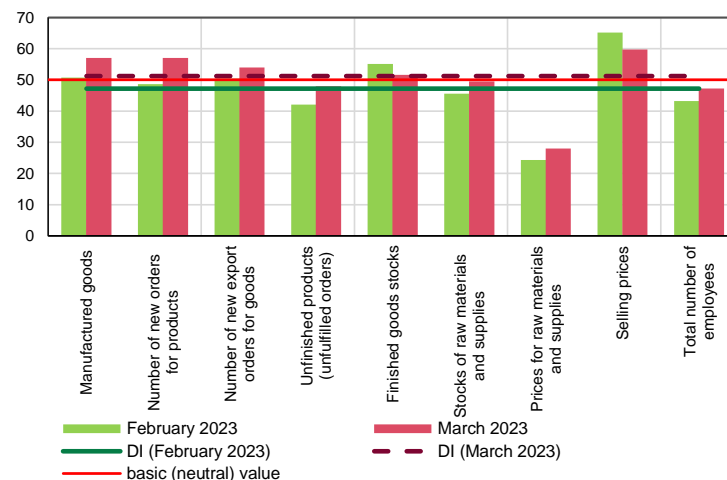
Data for totals and components may be subject to rounding effects

Industry

Diffusion Index of Industrial Companies' Business Activity Expectations



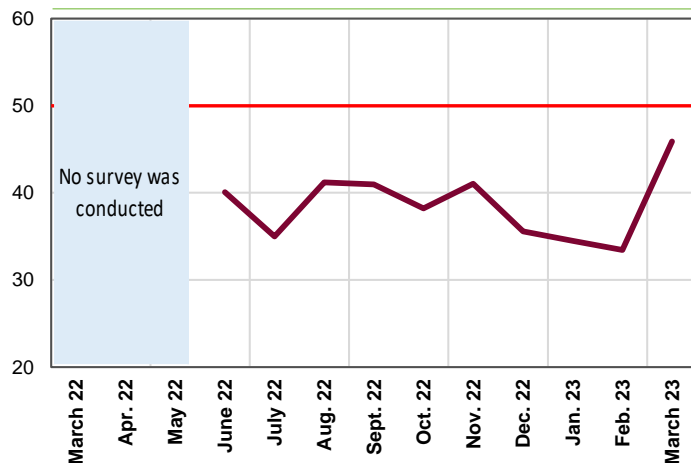
Diffusion Indices (DIs) for industrial companies' performance indicators



- The improved functioning of the energy sector, reestablished supply chains and a more benign external environment had a positive effect on industrial companies' expectations in March. **For the first time since February 2022, industrial companies expected more robust economic performance compared to the previous month, the sector's DI being 51.2**, up from 47.2 in February.
- Respondents expected **an increase in the amount of manufactured goods and the number of new orders for products (including export orders)**, the DIs being 57.0, 57.0 and 53.9 respectively, compared to 50.7, 48.6 and 50.4 in February.
- Respondents markedly softened their negative expectations for the amount of unfinished products (unfulfilled orders), while also reporting weaker expectations for a rise in finished goods stocks, the DIs being 48.0 and 51.6 respectively, compared to 42.1 and 55.1 in February.
- On the back of weaker expectations of higher raw material and supplies prices, companies declared less strong intentions to raise their selling prices, the DIs being 28.0 and 59.8 respectively, compared to 24.3 and 65.2 in February.
- Despite softening their expectations, companies in the sector still reported no intentions to expand their workforces, the DI being 47.3, compared to 43.2 in February.

Construction

Diffusion Index of Construction Companies' Business Activity Expectations

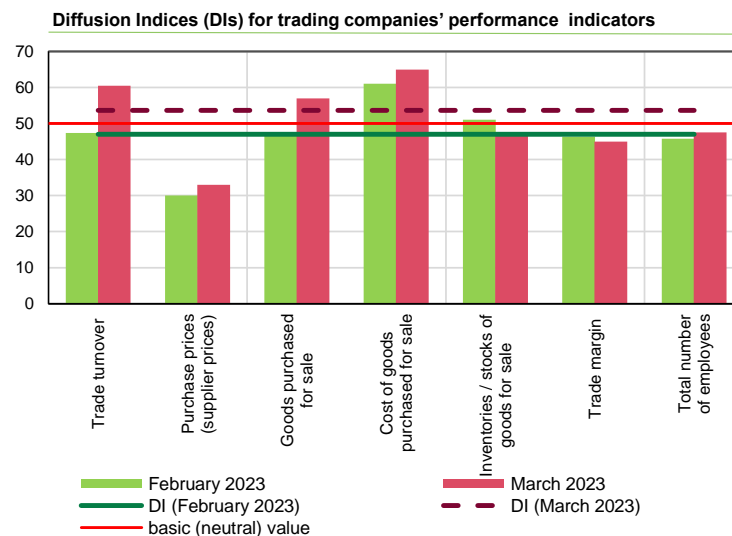
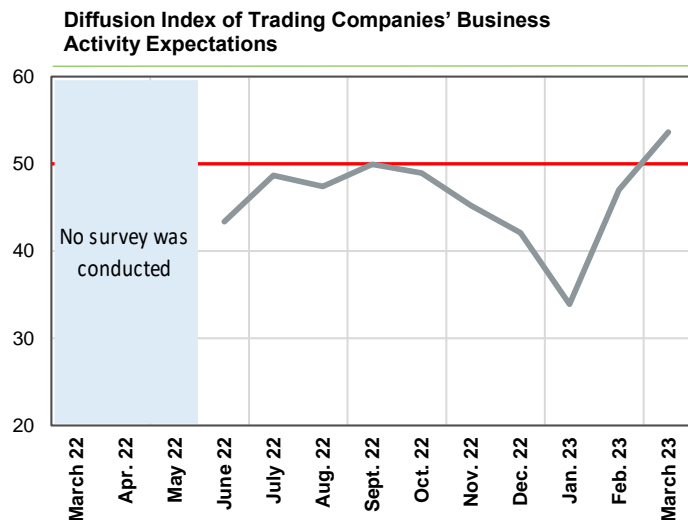


Diffusion Indices (DIs) for construction companies' performance indicators



- Although improving their negative expectations noticeably, **construction companies continued to report a gloomy economic outlook**, the **DI being 45.9** in March, up from 33.5 in February. Seasonal factor contributed to the improvement in expectations.
- Respondents reported intentions to purchase more raw materials and supplies and contractor services, the DIs being 52.1 and 58.3 respectively, compared to 31.0 and 54.8 in February. At the same time, construction companies expected no changes in their construction volumes, the DI being 50.0, up from 28.6 in February.
- Respondents significantly softened their negative expectations for the number of new orders, the DI being 47.9, up from 28.6 in February.
- With expectations of higher prices for contractor services and purchases, respondents continued to report rather strong intentions to raise their selling prices, the DIs being 29.2, 20.8 and 66.7 respectively, compared to 31.0, 21.4 and 66.7 in February.
- Despite softening their negative views markedly, construction companies still reported no intentions to hire more staff, the DI being 41.7, up from 28.6 in February.

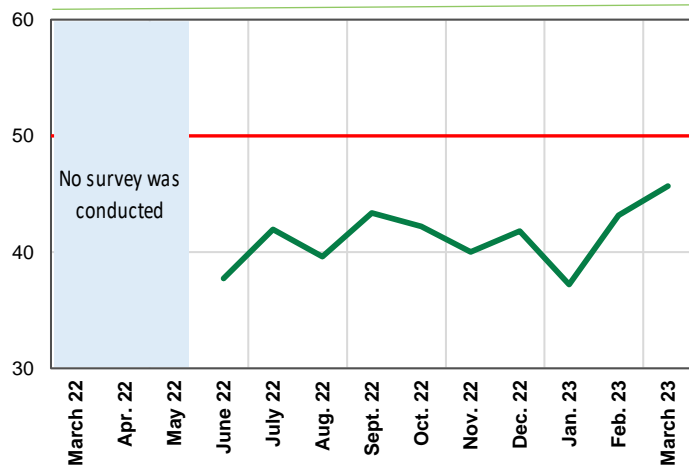
Trade



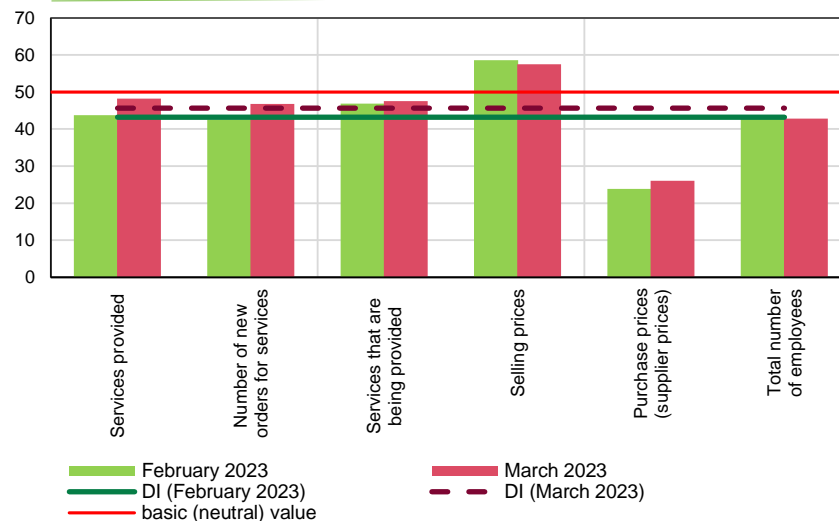
- Rebounding consumer sentiment, the improved supply of electric power, coupled with an increase in the supply of goods, had a positive effect on trading companies' expectations. In March, the diffusion index of trading companies' economic performance expectations moved above its neutral level for the first time since November 2021, hitting 53.6 (compared to 47.0 in February).
- Companies expected an increase in their trade turnover, while also reporting intentions to purchase more goods for sale, the DIs being 60.5 and 57.0 respectively, up from 47.4 and 46.8 in February. At the same time, companies expected a rise in the price of goods purchased for sale, the DI being 65.0, up from 61.1 in February.
- On the back of softer expectations for purchase prices, respondents declared intentions to cut their trade margins slightly, the DIs being 33.0 and 45.0 respectively, compared to 30.0 and 46.3 in February.
- Companies remained downbeat about their staff numbers, the DI being 47.5, up from 45.8 in February.

Services

Diffusion Index of Service Providers' Business Activity Expectations



Diffusion Indices (DIs) for services companies' performance indicators



- Despite there being a seasonal revival, **services companies reported the gloomiest economic outlook** among other sectors of the economy, the **DI being 45.7** in March, up from 43.2 in February.
- Respondents somewhat improved their pessimistic expectations for the amount of services provided, the number of new orders, and the amount of services that are being provided, the DIs being 48.2, 46.8 and 47.5 respectively, compared to 43.8, 42.6 and 46.9 in February.
- With weaker expectations of a rise in supplier prices, respondents reported less firm intentions to raise their selling prices, the DIs being 26.1 and 57.5 respectively, compared to 23.8 and 58.6 in February.
- Like other sectors, services companies continued to report intentions to cut their staff numbers, the DI being 42.9, down from 43.0 in February.



Annexes

Data on surveys of industrial companies in March 2023

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Manufactured goods	30	53	16
Number of new orders for products	32	50	18
Number of new export orders for goods	23	62	15
Unfinished products (unfulfilled orders)	10	75	15
Finished goods stocks	19	59	22
Stocks of raw materials and supplies	21	56	22
Prices for raw materials and supplies	48	49	4
Selling prices	24	72	4
Total number of employees	7	80	13

Data on surveys of construction companies in March 2023

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Construction volume (construction work done)	25	50	25
Number of new orders	13	71	17
Purchases of raw materials and supplies	25	54	21
Purchase prices (supplier prices)	58	42	0
Purchases of contractor services	29	58	13
Cost of contractor services*	42	58	0
Availability of contractors	8	79	13
Selling prices	33	67	0
Total number of employees	17	50	33

Data on surveys of trading companies in March 2023

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Trade turnover	38	45	17
Purchase prices (supplier prices)	38	58	4
Goods purchased for sale	33	48	19
Cost of goods purchased for sale	44	42	14
Inventories / stocks of goods for sale*	24	57	19
Trade margin	9	72	19
Total number of employees	4	87	9

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

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Services provided	21	55	24
Number of new orders for services	19	56	25
Services that are being provided	17	61	22
Selling prices	19	76	4
Purchase prices (supplier prices)	50	48	2
Total number of employees	5	76	19

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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