



National Bank
of Ukraine

Monthly Business Outlook Survey

May 2023

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

Issue No.44
Statistics and Reporting Department



Summary

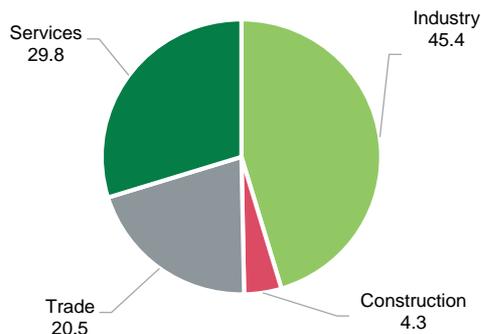
Despite the ongoing full-scale war, companies have reported positive expectations of their current performance for two months running. The business activity expectations index (BAEI) was 50.5 in May (51.5 in April).

- The successful restoration of the energy system, rebounding domestic demand, due to, among other things, the gradual return of Ukrainians from abroad, coupled with a stronger hryvnia, helped shape respondents' positive views about their economic performance in the near future.
- Industrial and trading companies continued to report an optimistic economic outlook, albeit slightly less confidently. Respondents said they intended to step up their output of products/purchase more goods and to expand their trade turnover, while also expecting an increase in new orders. Construction companies reported positive expectations for the first time over the last year-and-a-half, expecting a rise in construction volumes and an increase in purchases of raw materials and supplies.
- The services sector was the only sector for which the diffusion index still remained below the neutral level. That said, services companies expected a slight increase in the amount of services provided and in the number of new orders for services.
- Respondents reported strong expectations of a rise in raw material and supplier prices, while also declaring firm intentions to raise their selling prices.
- Respondents across all of the surveyed sectors continued to report no intentions to expand their workforces.

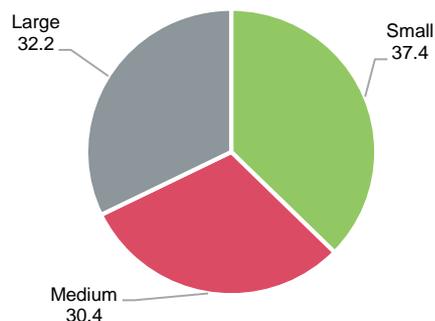
The NBU posts monthly survey results in the open data format. The data are available at the following link:
<https://bank.gov.ua/ua/open-data/api-dev>

Survey Details

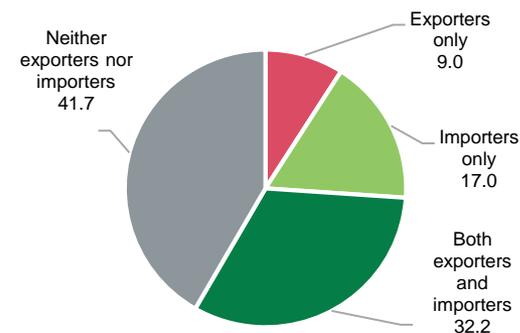
Respondents by sectors of the economy, %



Respondents by company size, %



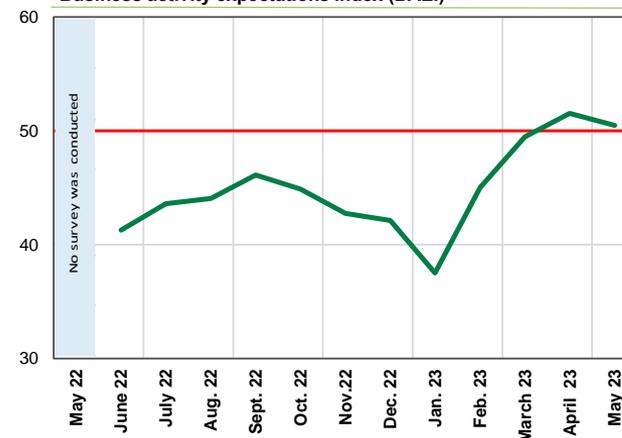
Respondents by business activities, %



- This survey was carried out from 4 May through 24 May 2023
- A total of 487 companies were polled.
- Survey horizon: change in companies' performance expectations in May compared to April

Sector	Sector's share used to calculate BAEI, %	Diffusion index (sectoral)		
		April 2023	May 2023	Change m/m
Industry	36.8	50.5	50.4	-0.1
Construction	2.5	44.9	51.3	6.4
Trade	25.2	57.6	52.7	-4.8
Services	35.5	48.8	48.9	0.2
Total	100.0	BAEI (total across Ukraine)		
		51.5	50.5	-1.0

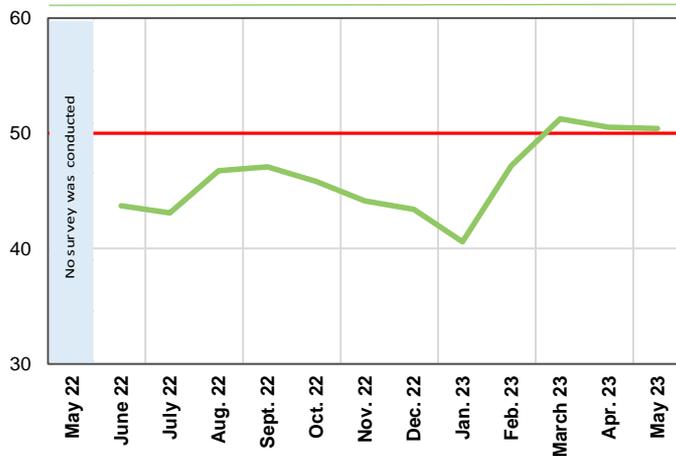
Business activity expectations index (BAEI)



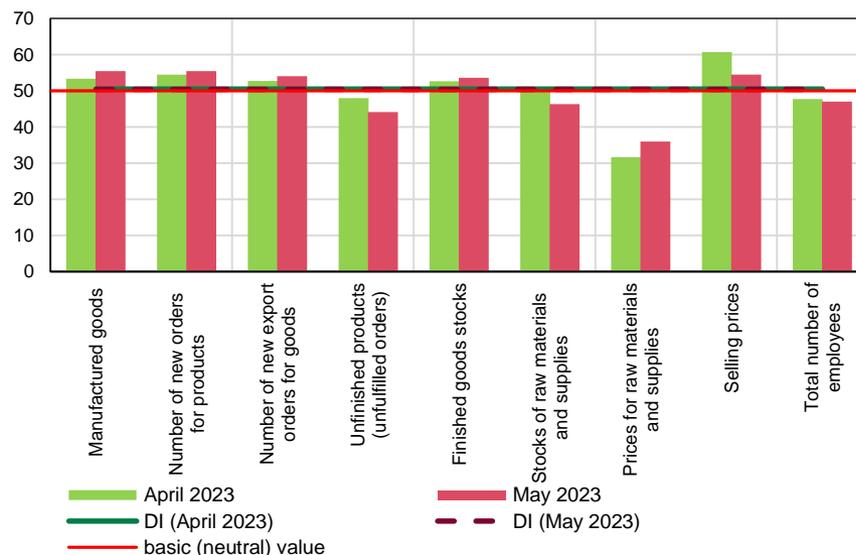
Data for totals and components may be subject to rounding effects

Industry

Diffusion Index of Industrial Companies' Business Activity Expectations



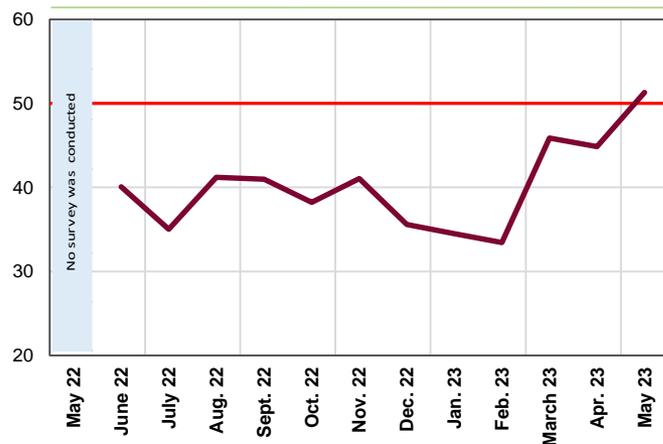
Diffusion Indices (DIs) for industrial companies' performance indicators



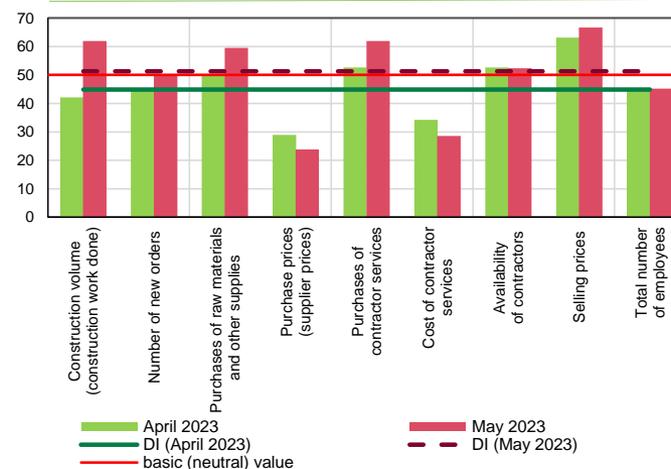
- **Respondents from industrial companies have remained upbeat for three months in a row** thanks to reliable power supplies and new shipment routes. **The sector's DI was 50.4 in May**, compared to 50.5 in April.
- Respondents continued to expect **an increase in the amount of manufactured goods and the number of new orders, including export orders**, the DIs being 55.4, 55.4 and 54.0 respectively, compared to 53.3, 54.5 and 52.8 in April.
- On the back of the expected fall in raw material and supplies prices (DI of 36.0 compared to 31.7 in April), respondents declared less strong intentions to raise their selling prices (DI of 54.5, down from 60.7 in April).
- Companies reported more pessimistic views about the amount of unfinished products (unfulfilled orders), the DI being 44.1, down from 48.0 in April.
- Despite the sector's more optimistic economic outlook, companies in the sector still report no intentions to expand their workforces, the DI being 47.1, compared to 47.8 in April.

Construction

Diffusion Index of Construction Companies' Business Activity Expectations



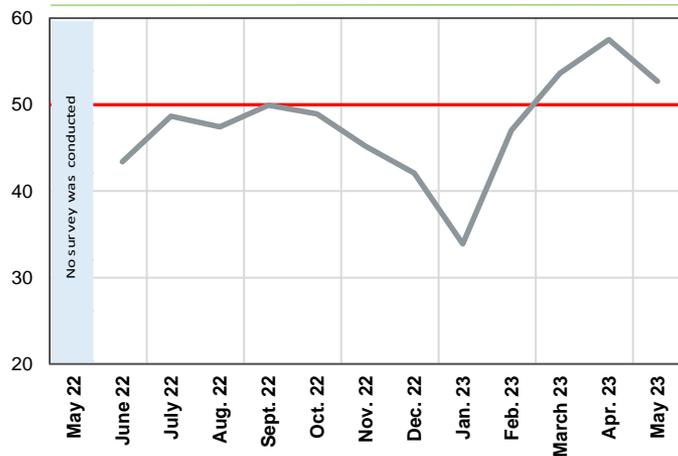
Diffusion Indices (DIs) for construction companies' performance indicators



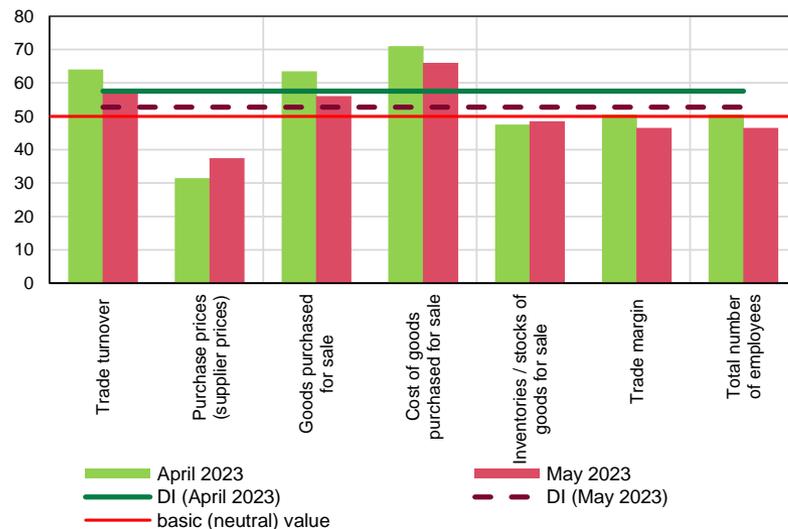
- The gradual resumption of operations of most domestic producers of construction materials, rebounding demand, together with seasonal factors, significantly improved construction companies' performance expectations. **For the first time after November 2021, companies in the sector expected growth, the DI being 51.3**, up from 44.9 in April.
- Respondents expected an increase in construction volumes, while also declaring intentions to purchase more raw materials and supplies, the DIs being 61.9 and 59.5 respectively, compared to 42.1 and 50.0 in April. Companies expected no change in the number of new orders.
- Despite expectations of a rise in the cost of contractor services, respondents reported much stronger intentions to purchase contractor services, the DIs being 28.6 and 61.9 respectively, compared to 34.2 and 52.6 in April. Respondents also expected a slight improvement in the availability of contractors, the DI being 52.4, compared to 52.6 in April.
- Construction companies declared firmer intentions to raise their selling prices (DI of 66.7 compared to 63.2 in April) amid expectations of a surge in supplier prices (DI of 23.8 compared to 28.9 in April).
- Companies in the sector continued to report less strong intentions to cut their workforces, the DI being 45.2, up from 44.7 in April.

Trade

Diffusion Index of Trading Companies' Business Activity Expectations



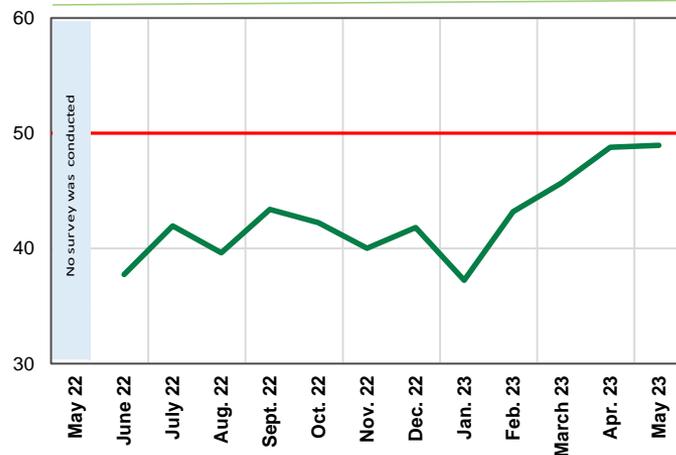
Diffusion Indices (DIs) for trading companies' performance indicators



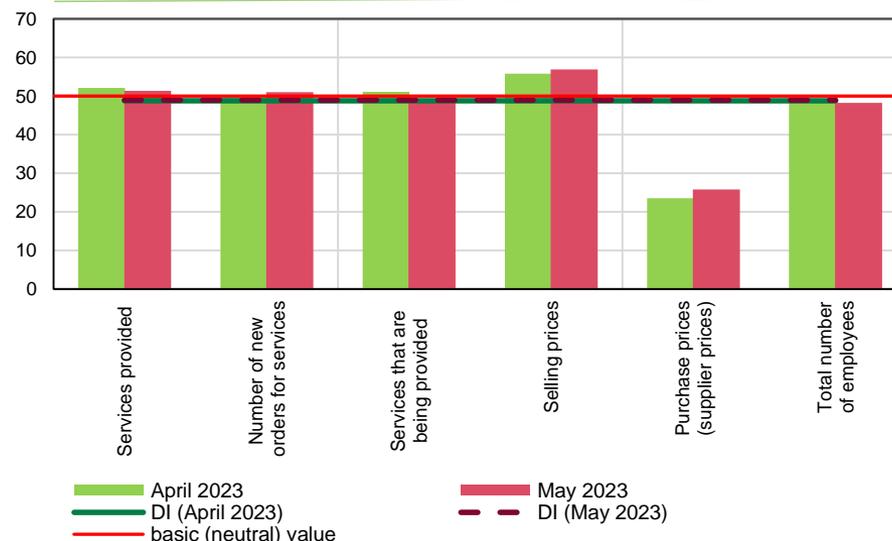
- Trading companies continued to expect an improvement in their performance amid reviving domestic demand and slower inflation. The sector's DI was 52.7 in May, compared to 57.6 in April.
- Companies said they had somewhat weaker, albeit still high, expectations for their trade turnover and purchases of goods for sale, the DIs being 57.0 and 56.0 respectively, compared to 64.0 and 63.5 in April. Respondents expected a decrease in their stocks of goods for sale, the DI being 48.5, up from 47.5 in April.
- Respondents expected a slower rise in the prices of goods purchased for sale, while also expecting weaker growth in purchase prices, the DIs being 66.0 and 37.5 respectively, compared to 71.0 and 31.5 in April.
- In contrast to the previous month, respondents once again declared intentions to cut their trade margins, while also returning to negative expectations about their staff numbers, the DIs being 46.5 for each, compared to 50.5 for each in April.

Services

Diffusion Index of Service Providers' Business Activity Expectations



Diffusion Indices (DIs) for services companies' performance indicators



- **Services companies continued to report a negative economic outlook in May, the DI being 48.9**, up from 48.8 in April.
- At the same time, respondents have been expecting a slight increase in the amount of services provided for two months running, the DI being 51.4, down from 52.2 in April. **For the first time since October 2021, companies expected a rise in the number of new orders for services**, the DI being 51.0, up from 49.6 in April. At the same time, companies expected a decrease in the amount of services that are being provided, the DI being 49.3, down from 51.1 in April.
- Despite a slight softening in expectations about purchase prices (DI of 25.9 compared to 23.6 in April), respondents continued to declare intentions to raise their selling prices (DI of 56.9 compared to 55.8 in April).
- Companies remained pessimistic about their total staff numbers, the DI being 48.3, down from 48.9 in April.



Annexes

Data on surveys of industrial companies in May 2023

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Manufactured goods	31	49	20
Number of new orders for products	29	54	18
Number of new export orders for goods	23	61	15
Unfinished products (unfulfilled orders)	7	75	19
Finished goods stocks	15	62	23
Stocks of raw materials and supplies	19	55	26
Prices for raw materials and supplies	34	60	6
Selling prices	18	74	9
Total number of employees	10	75	15

Data on surveys of construction companies in May 2023

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Construction volume (construction work done)	29	67	5
Number of new orders	14	71	14
Purchases of raw materials and supplies	24	71	5
Purchase prices (supplier prices)	52	48	0
Purchases of contractor services	29	67	5
Cost of contractor services*	43	57	0
Availability of contractors	14	76	10
Selling prices	33	67	0
Total number of employees	10	71	19

Data on surveys of trading companies in May 2023

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Trade turnover	36	42	22
Purchase prices (supplier prices)	30	65	5
Goods purchased for sale	34	44	22
Cost of goods purchased for sale	42	48	10
Inventories / stocks of goods for sale*	26	51	23
Trade margin	9	75	16
Total number of employees	4	85	11

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

% responses

Indicator	Will increase	Will remain unchanged	Will decrease
Services provided	26	52	23
Number of new orders for services	23	55	21
Services that are being provided	21	57	22
Selling prices	17	79	3
Purchase prices (supplier prices)	51	46	3
Total number of employees	7	83	10

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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