



National Bank
of Ukraine

Monthly Business Outlook Survey

July 2023

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

Issue No.46
Statistics and Reporting Department



Summary

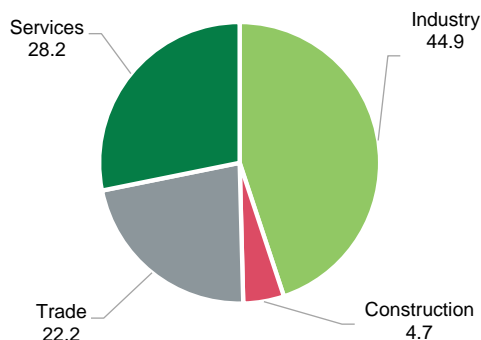
Following three consecutive months of positive expectations, in July businesses reported a guarded economic outlook. **The Business Activity Expectations Index (BAEI) was 48.8 in July**, down from 50.8 in June.

- Higher electricity prices for businesses, the reimposition of pre-war taxes on fuel prices, the halt in the operations of the grain corridor, more intense missile attacks on infrastructure, together with considerable shortages of qualified staff, had an adverse effect on companies' expectations.
- Construction and trading companies continued to report an optimistic performance outlook amid favorable weather conditions and decelerating consumer inflation. Meanwhile, industrial and services companies worsened their expectations.
- Most respondents said they intended to raise their selling prices on the back of higher purchase prices.
- Employment expectations were guarded. Only trading companies declared intentions to hire more staff. Conversely, industrial and services companies said they intended to cut their workforces. Meanwhile, construction companies expected no changes.

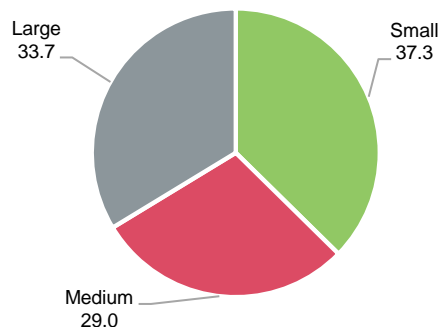
The NBU posts monthly survey results in the open data format. The data are available at the following link:
<https://bank.gov.ua/ua/open-data/api-dev>

Survey Details

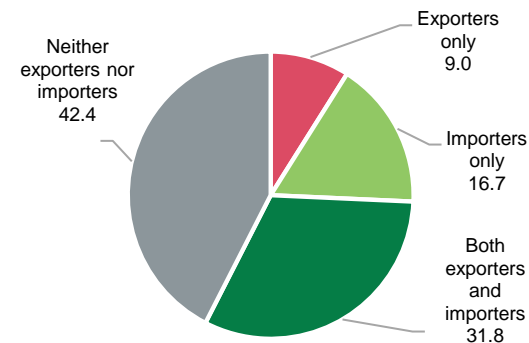
Respondents by sectors of the economy, %



Respondents by company size, %

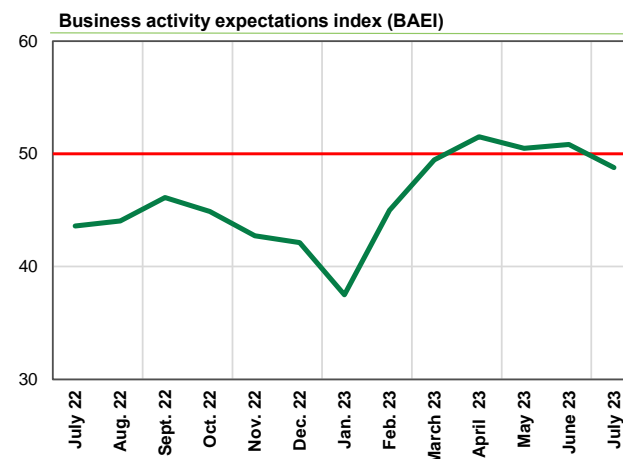


Respondents by business activities, %



- This survey was carried out from 5 July through 24 July 2023
- A total of 490 companies were polled
- Survey horizon: change in companies' performance expectations in July compared to June

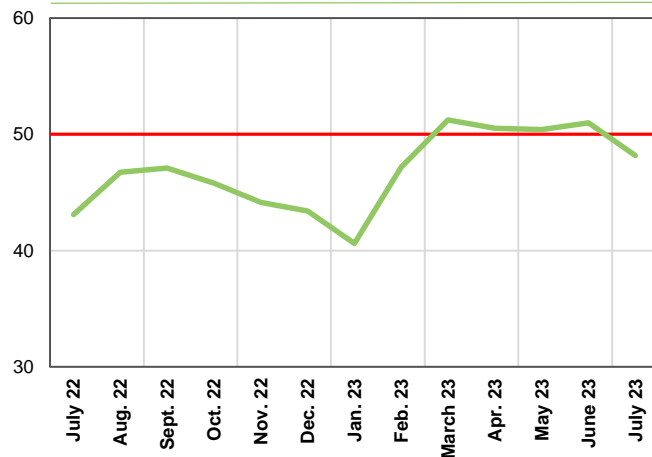
| Sector | Sector's share used to calculate BAEI, % | Diffusion index (sectoral) | | |
|--------------|--|-----------------------------|-----------|------------|
| | | June 2023 | July 2023 | Change m/m |
| Industry | 36.8 | 51.0 | 48.2 | -2.8 |
| Construction | 2.5 | 58.6 | 51.3 | -7.4 |
| Trade | 25.2 | 52.5 | 51.6 | -1.0 |
| Services | 35.5 | 48.9 | 47.3 | -1.6 |
| Total | 100.0 | BAEI (total across Ukraine) | | |
| | | 50.8 | 48.8 | -2.0 |



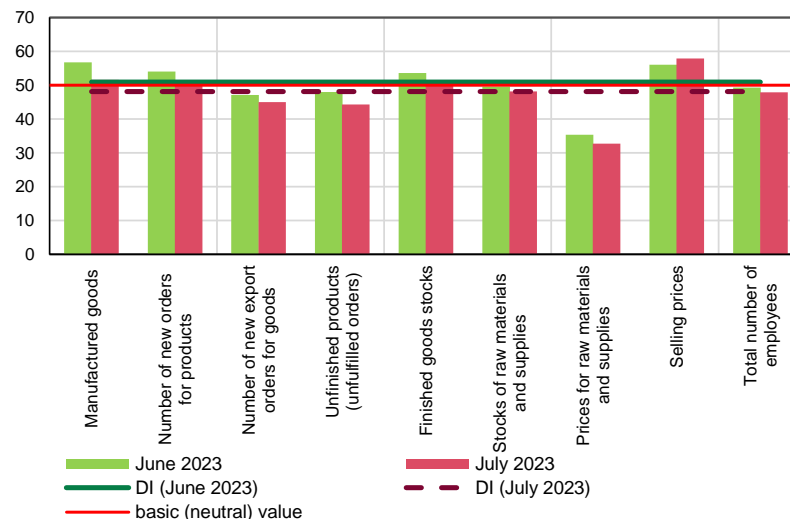
Data for totals and components may be subject to rounding effects

Industry

Diffusion Index of Industrial Companies' Business Activity Expectations



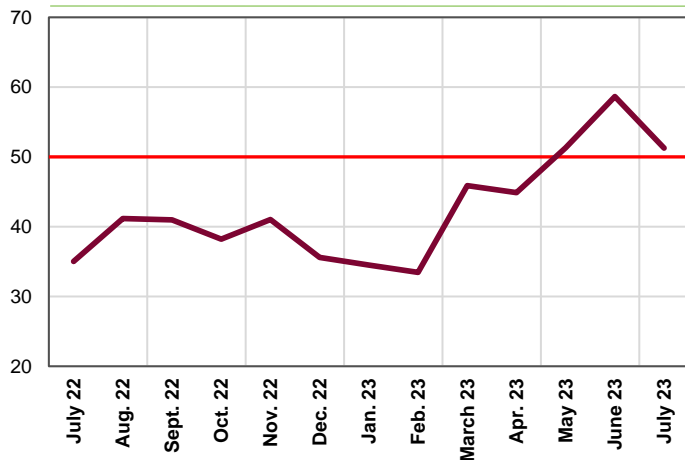
Diffusion Indices (DIs) for industrial companies' performance indicators



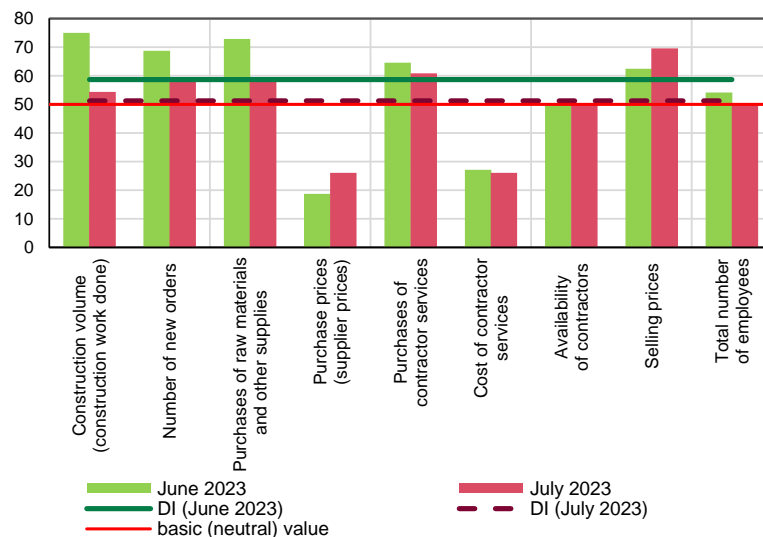
- **After reporting optimistic expectations for four months, industrial companies expected a deterioration in their economic performance in the near future** – the sector's DI dropped below its equilibrium level in July, to **48.2**, down from 51.0 in June.
- Respondents expected a decrease in the number of new export orders and the amount of unfinished products (unfulfilled orders), the DIs being 45.0 and 44.3 respectively, down from 47.1 and 48.0 in June. They also reported more pessimistic expectations about their stocks of raw materials and supplies, the DI being 48.2, compared to 49.5 in June.
- With firmer expectations of a rise in raw material and supplies prices, companies continued to report intentions to raise their selling prices, the DIs being 32.7 and 58.0 respectively, compared to 35.4 and 56.1 in June.
- Respondents expected a slight increase in the amount of manufactured goods, the DI being 51.6, down from 56.8 in June. The number of new orders was expected to remain at last month's level, the DI being 50.0, down from 54.1 in June.
- Respondents remained downbeat about their total staff numbers, the DI being 48.0, down from 49.3 in June.

Construction

Diffusion Index of Construction Companies' Business Activity Expectations



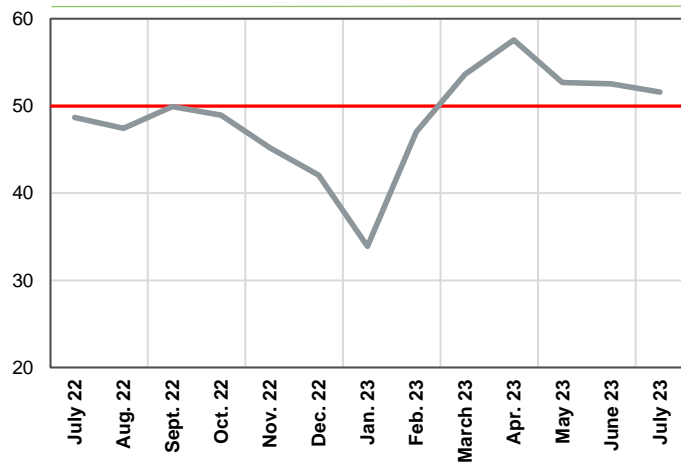
Diffusion Indices (DIs) for construction companies' performance indicators



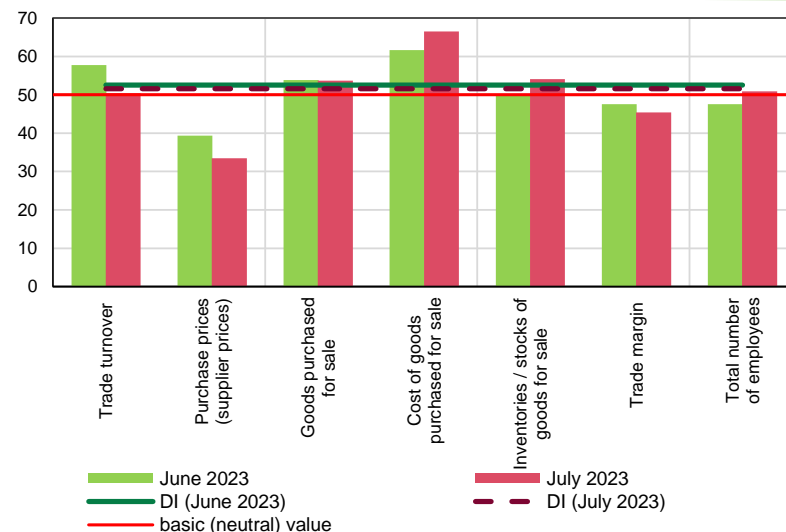
- The rebounding construction of roads, bridges, tunnels and pipelines, coupled with seasonal factors, contributed to construction companies' **positive views about their economic performance (these positive views have been reported for three months in a row). The DI was 51.3**, down from 58.6 in June.
- Respondents **continued to expect an increase**, albeit at a significantly slower pace, **in construction volumes, the number of new orders and in purchases of raw materials and supplies**, the DIs being 54.3, 58.7 and 58.7 respectively, compared to 75.0, 68.8 and 72.9 in June.
- With strong expectations of a rise in purchase prices, respondents declared intentions to raise their selling prices further, the DIs being 26.1 and 69.6 respectively, compared to 18.8 and 62.5 in June.
- Respondents continued to report high assessments of the prices of contractor services, the DI being 26.1, compared to 27.1 in June. The availability of contractors remained at the level of last month, the DI being 50.0.
- Companies in the sector said they did not intend either to hire or cut staff, the DI being 50.0, compared to 54.2 in June.

Trade

Diffusion Index of Trading Companies' Business Activity Expectations



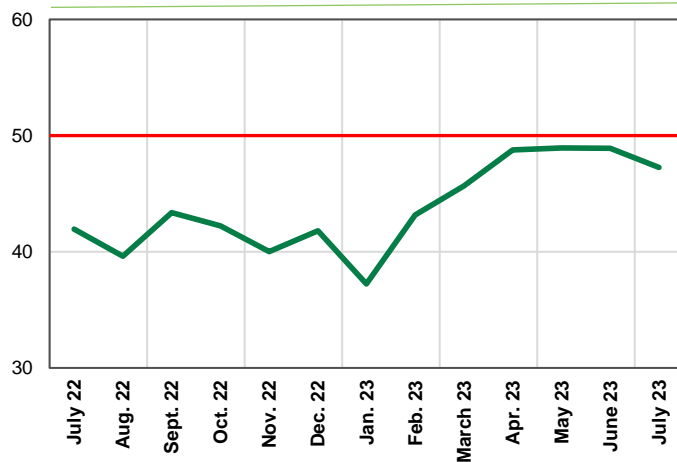
Diffusion Indices (DIs) for trading companies' performance indicators



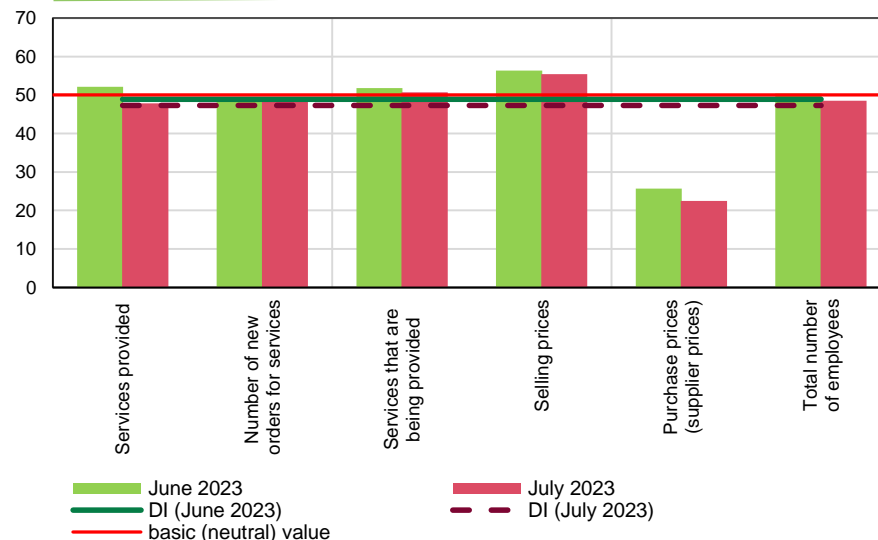
- The saturation of the market with goods, together with slower inflation, are having a positive effect on trading companies' economic outlooks. The **sector's DI** has been above its neutral level for five months running – **51.6**, compared to 52.5 in June.
- Respondents continued to report intentions to purchase more goods for sale, the DI being 53.7, compared to 53.9 in June. Respondents remained upbeat about their goods turnover, the DI being 50.5, down from 57.8 in June.
- At the same time, companies expected a faster increase in the prices of goods purchased for sale on the back of high supplier prices, the DIs being 66.5 and 33.5 respectively, compared to 61.7 and 39.3 in June.
- As in the two previous months, respondents reported intentions to cut their trade margins, the DI being 45.4, compared to 47.6 in June.
- Unlike companies in other sectors, **trading companies reported intentions to expand their workforces, the DI being 50.9**, up from 47.6 in June.

Services

Diffusion Index of Service Providers' Business Activity Expectations



Diffusion Indices (DIs) for services companies' performance indicators



- Services companies continued to report the most guarded economic outlook** among other sectors of the economy due to the blocked grain corridor, higher fuel prices and falling demand because of households' weak purchasing power. The sector's **DI was 47.3**, down from 48.9 in June.
- For the first time since April 2023, respondents were **downbeat about the amount of services provided**, the **DI being 47.8**, down from 52.1 in June. Respondents also expected a decrease in the number of new orders for services, the DI being 48.9, up from 48.2 in June. The amount of services that are being provided was expected to rise slightly, the DI being 50.7, down from 51.8 in June.
- Despite stronger expectations of a rise in purchase prices, companies reported weaker intentions to raise their selling prices, the DIs being 22.5 and 55.4 respectively, compared to 25.7 and 56.3 in June.
- Companies negative economic outlook resulted in their **pessimistic employment expectations**, the **DI being 48.6**, down from 50.4 in June.



Annexes

Data on surveys of industrial companies in July 2023

| Indicator | % responses | | |
|--|---------------|-----------------------|---------------|
| | Will increase | Will remain unchanged | Will decrease |
| Manufactured goods | 26 | 51 | 23 |
| Number of new orders for products | 22 | 56 | 22 |
| Number of new export orders for goods | 11 | 68 | 21 |
| Unfinished products (unfulfilled orders) | 9 | 71 | 20 |
| Finished goods stocks | 21 | 56 | 23 |
| Stocks of raw materials and supplies | 20 | 56 | 24 |
| Prices for raw materials and supplies | 40 | 55 | 5 |
| Selling prices | 22 | 72 | 6 |
| Total number of employees | 10 | 77 | 14 |

Data on surveys of construction companies in July 2023

| Indicator | % responses | | |
|--|---------------|-----------------------|---------------|
| | Will increase | Will remain unchanged | Will decrease |
| Construction volume (construction work done) | 22 | 65 | 13 |
| Number of new orders | 30 | 57 | 13 |
| Purchases of raw materials and supplies | 30 | 57 | 13 |
| Purchase prices (supplier prices) | 52 | 43 | 4 |
| Purchases of contractor services | 26 | 70 | 4 |
| Cost of contractor services* | 48 | 52 | 0 |
| Availability of contractors | 9 | 83 | 9 |
| Selling prices | 39 | 61 | 0 |
| Total number of employees | 13 | 74 | 13 |

Data on surveys of trading companies in July 2023

| Indicator | % responses | | |
|---|---------------|-----------------------|---------------|
| | Will increase | Will remain unchanged | Will decrease |
| Trade turnover | 25 | 51 | 24 |
| Purchase prices (supplier prices) | 36 | 61 | 3 |
| Goods purchased for sale | 28 | 52 | 20 |
| Cost of goods purchased for sale | 42 | 49 | 9 |
| Inventories / stocks of goods for sale* | 18 | 55 | 27 |
| Trade margin | 10 | 71 | 19 |
| Total number of employees | 8 | 85 | 6 |

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

| Indicator | % responses | | |
|-----------------------------------|---------------|-----------------------|---------------|
| | Will increase | Will remain unchanged | Will decrease |
| Services provided | 20 | 57 | 24 |
| Number of new orders for services | 21 | 56 | 23 |
| Services that are being provided | 20 | 62 | 18 |
| Selling prices | 17 | 78 | 6 |
| Purchase prices (supplier prices) | 56 | 43 | 1 |
| Total number of employees | 10 | 77 | 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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