



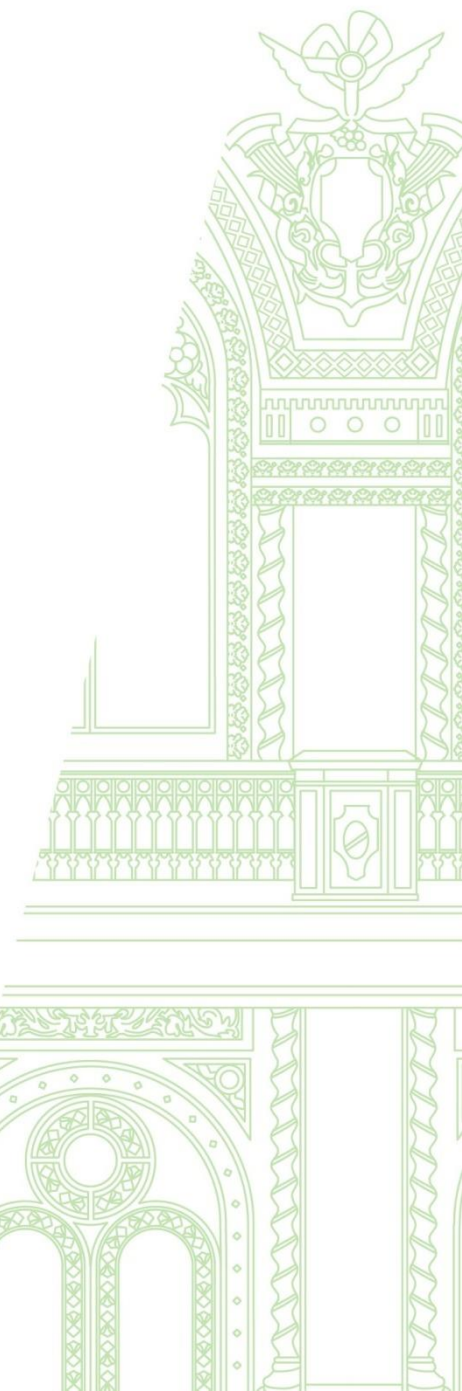
National Bank  
of Ukraine

# Monthly Business Outlook Survey

August 2023

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

Issue No.47  
Statistics and Reporting Department



## Summary

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Although softening in August, companies' expectations of their current performance have been guarded for two months running. **The business activity expectations index (BAEI), at 49.3, came close to the neutral level,** up from 48.8 in July.

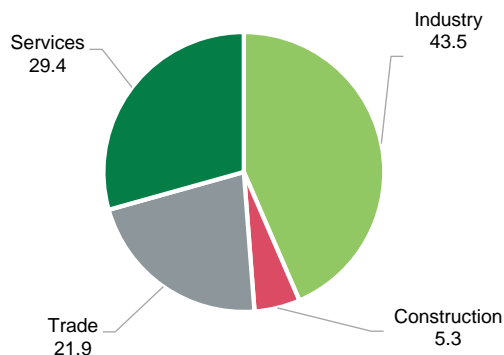
- Persistently high security risks, limited logistical capabilities for exporting, falling exports, more damage to infrastructure, higher fuel prices, and the slow recovery of the labor market are restraining companies' economic activity.
- Trading and construction companies remained upbeat about their economic performance thanks to improved inflation and exchange rate expectations, reviving domestic demand, budgetary financing for the construction and restoration of housing/infrastructure, as well as favorable seasonal factors.
- Industrial and services companies' views remained below their neutral level, despite an improvement in their expectations about the amount of manufactured goods, services provided and services that are being provided.
- Although some companies softened their views, respondents continued to report expectations of a rise in purchase prices, while also declaring intentions to raise their selling prices.
- Staff expectations remained guarded. Only trading companies declared intentions to hire more staff. Conversely, construction companies expected no changes, while industrial and services companies said they would cut their workforces.

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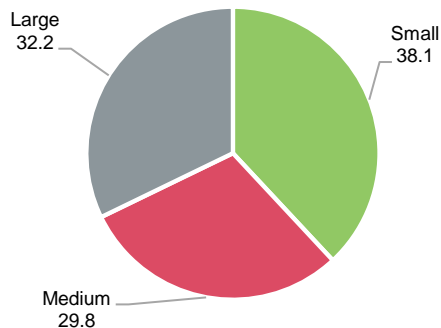
The NBU posts monthly survey results in the open data format. The data are available at the following link:  
<https://bank.gov.ua/ua/open-data/api-dev>

# Survey Details

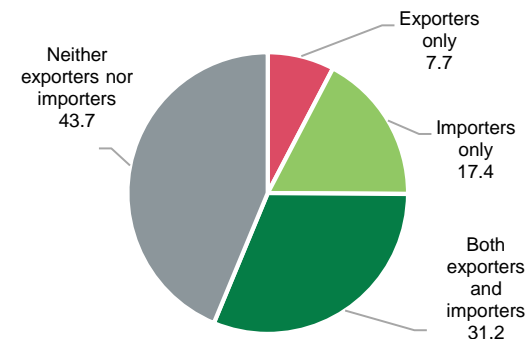
Respondents by sectors of the economy, %



Respondents by company size, %



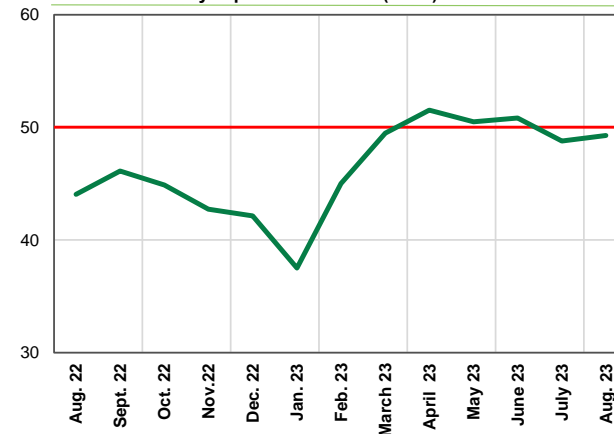
Respondents by business activities, %



- This survey was carried out from 3 August through 23 August 2023
- A total of 494 companies were polled
- Survey horizon: change in companies' performance expectations in August compared to July

Sector	Sector's share used to calculate BAEI, %	Diffusion index (sectoral)		
		July 2023	August 2023	Change m/m
Industry	36.8	48.2	48.8	0.7
Construction	2.5	51.3	51.0	-0.3
Trade	25.2	51.6	52.5	0.9
Services	35.5	47.3	47.3	0.0
Total	100.0	BAEI (total across Ukraine)		
		48.8	49.3	0.5

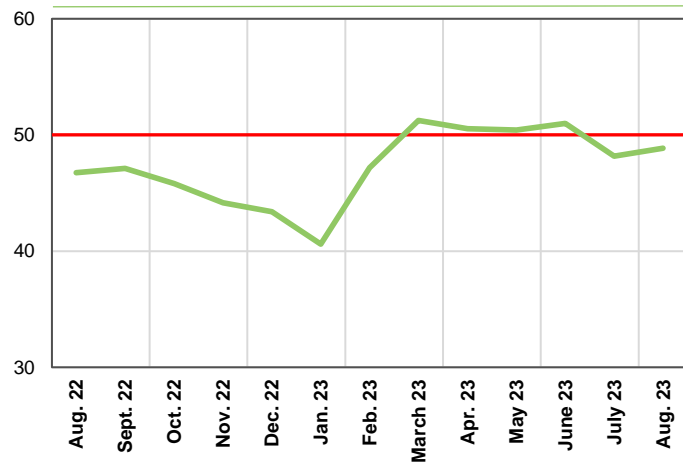
Business activity expectations index (BAEI)



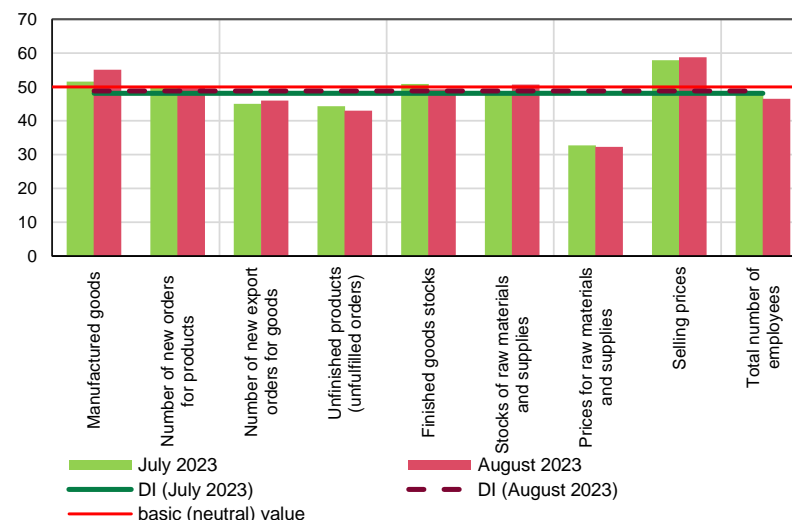
Data for totals and components may be subject to rounding effects

# Industry

Diffusion Index of Industrial Companies' Business Activity Expectations



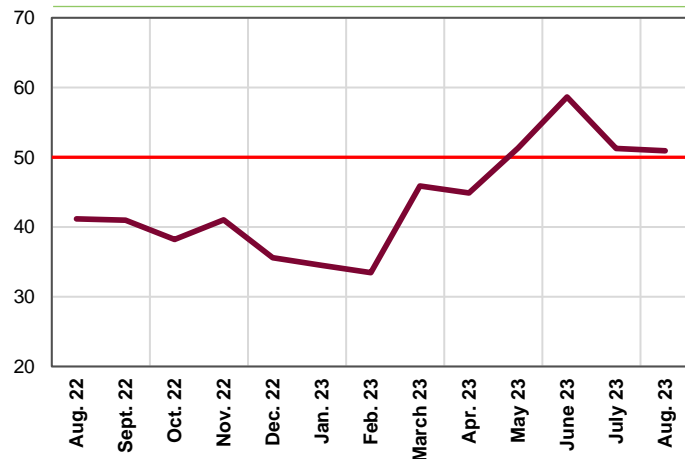
Diffusion Indices (DIs) for industrial companies' performance indicators



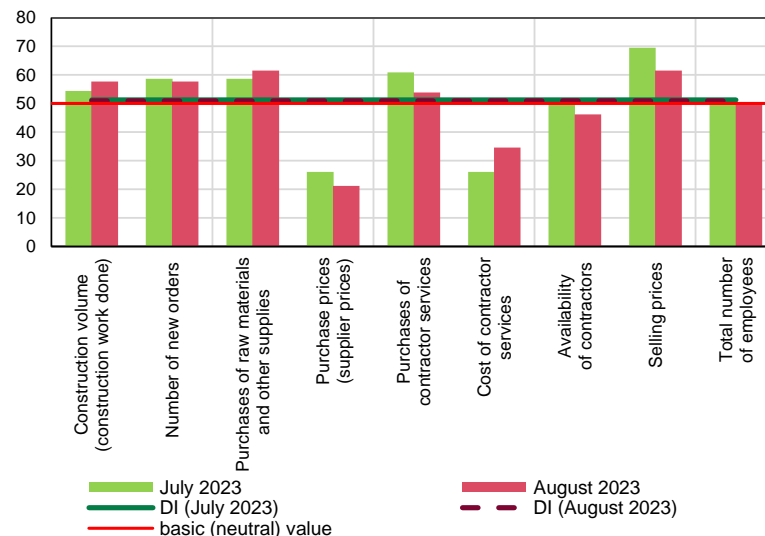
- Industrial companies have reported guarded expectations for their economic performance in the near future on the back of disrupted supply chains, reduced export capabilities and higher fuel prices, the sector's DI being **48.8**, up from 48.2 in July.
- Respondents were more confident about a rise in the amount of manufactured goods, while also expecting an increase in stocks of raw materials and supplies and the number of new orders for products, the DIs being 55.1, 50.7 and 50.2 respectively, compared to 51.6, 48.2 and 50.0 in July. Respondents upgraded their expectations about their finished goods stocks, the DI being 49.3, compared to 50.9 in July.
- In contrast, respondents continued to expect a decrease in the number of new export orders, while also reporting more pessimistic views about the amount of unfinished products (unfulfilled orders), the DIs being 46.0 and 43.0 respectively, compared to 45.0 and 44.3 in July.
- With expectations of a moderate rise in raw material and supplies prices, companies reported intentions to raise their selling prices only slightly, the DIs being 32.3 and 58.8 respectively, compared to 32.7 and 58.0 in July.
- Respondents reported stronger intentions to reduce their workforces, the DI being 46.5, down from 48.0 in July.

# Construction

Diffusion Index of Construction Companies' Business Activity Expectations



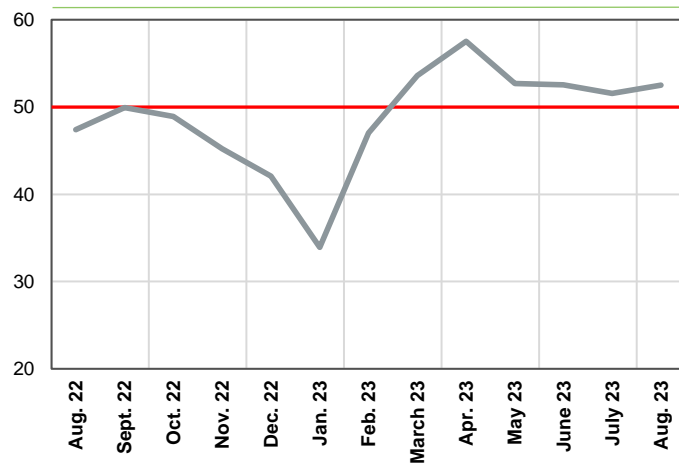
Diffusion Indices (DIs) for construction companies' performance indicators



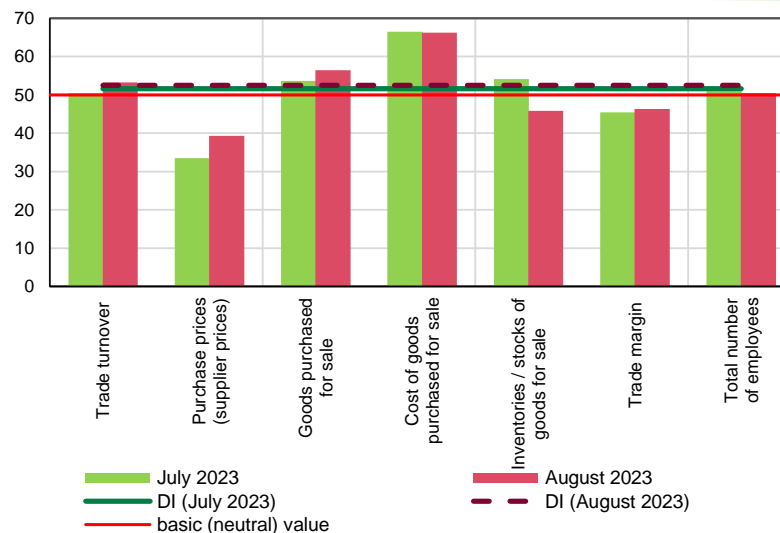
- Construction companies have reported a positive economic outlook for four months running due to the restored production of construction materials, budgetary financing for the construction and restoration of housing/infrastructure, and seasonal factors, the DI being 51.0 in August, compared to 51.3 in July.
- As in previous months, respondents expected an increase in construction volumes, the number of new orders, and in purchases of raw materials and supplies, the DIs being 57.7, 57.7 and 61.5 respectively, compared to 54.3, 58.7 and 58.7 in July. Respondents reported weaker expectations of a rise in purchases of contractor services and in the cost of contractor services, the DIs being 53.8 and 34.6 respectively, compared to 60.9 and 26.1 in July.
- Despite a rise in supplier prices, companies reported weaker intentions to raise their selling prices, the DIs being 21.2 and 61.5 respectively, compared to 26.1 and 69.6 in July.
- Respondents downgraded their expectations of the availability of contractors, the DI being 46.2, down from 50.0 July.
- For two months running, companies in the sector have reported no intentions either to cut or hire more staff, the DI being 50.0.

# Trade

Diffusion Index of Trading Companies' Business Activity Expectations



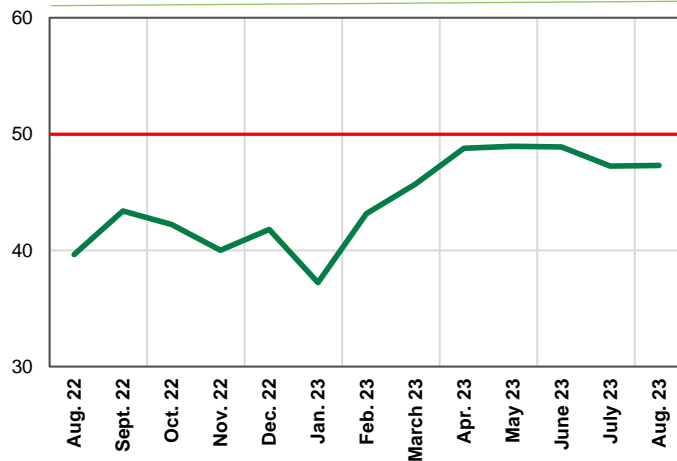
Diffusion Indices (DIs) for trading companies' performance indicators



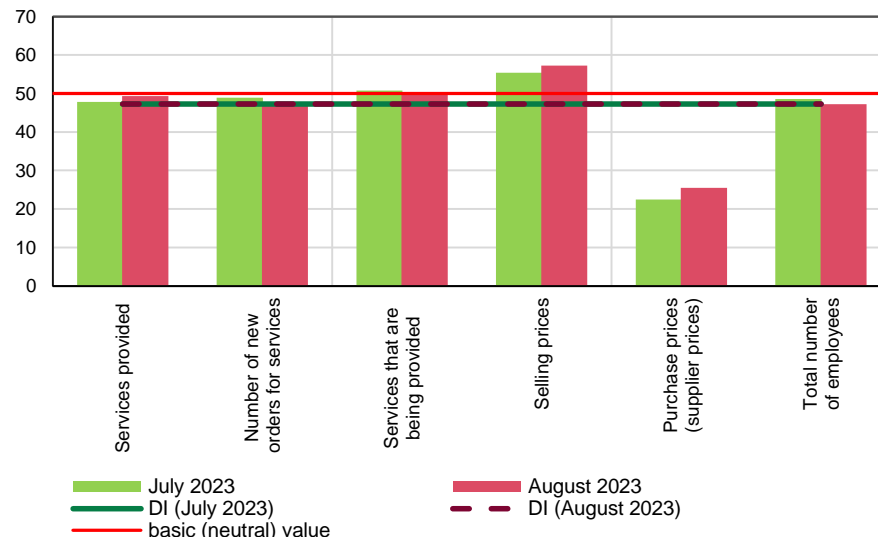
- Trading companies have reported a positive economic outlook for six months running on the back of constant domestic demand, the stable operation of the energy system, and improved inflation and exchange rate expectations. The sector's DI was 52.5 in August, up from 51.6 in July.
- Respondents expected a further increase in trade turnover and the amount of goods purchased for sale: the DI was 53.2 and 56.5 respectively, compared to 50.5 and 53.7 in July.
- Respondents continued to expect a rise in the prices of goods purchased for sale, while also expecting weaker growth in purchase prices, the DIs being 66.2 and 39.4 respectively, compared to 66.5 and 33.5 in July.
- Companies noticeably improved their views about their stocks of goods for sale, the DI being 45.8, down from 54.1 in July.
- Respondents still declared intentions to cut their trade margins, the DI being 46.3, up from 45.4 in July.
- For two months in a row, trading companies have remained the only sector that intended to hire more staff, the DI being 50.5, compared to 50.9 in July.

# Services

Diffusion Index of Service Providers' Business Activity Expectations



Diffusion Indices (DIs) for services companies' performance indicators



- Services companies have reported the most guarded performance expectations compared to other sectors** because of the ongoing blockade of the grain corridor – which adversely affected transportation – households' weak purchasing power and depressed demand. **The sector's DI, at 47.3, remained at the level of the previous month.**
- Respondents remained downbeat about the amount of services provided and the number of new orders for services, the DIs being 49.3 and 47.6, compared to 47.8 and 48.9 in July.
- Despite softening their expectations of a rise in purchase prices (DI of 25.5, up from 22.5 in July), respondents declared intention to raise their selling prices more quickly (DI of 57.2, up from 55.4 in July).
- At the same time, companies expected a slight increase in the amount of services that are being provided, the DI being 50.3, compared to 50.7 in July.
- Respondents reported stronger intentions to cut their workforces, the DI being 47.2, down from 48.6 in July.



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# *Annexes*

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## Data on surveys of industrial companies in August 2023

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Manufactured goods	28	53	18
Number of new orders for products	21	58	21
Number of new export orders for goods	11	71	19
Unfinished products (unfulfilled orders)	6	75	20
Finished goods stocks	19	63	18
Stocks of raw materials and supplies	24	54	22
Prices for raw materials and supplies	39	57	4
Selling prices	21	75	4
Total number of employees	8	76	15

## Data on surveys of construction companies in August 2023

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Construction volume (construction work done)	35	46	19
Number of new orders	35	46	19
Purchases of raw materials and supplies	38	46	15
Purchase prices (supplier prices)	58	42	0
Purchases of contractor services	19	69	12
Cost of contractor services*	38	54	8
Availability of contractors	0	92	8
Selling prices	27	69	4
Total number of employees	19	62	19

## Data on surveys of trading companies in August 2023

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Trade turnover	27	53	20
Purchase prices (supplier prices)	28	66	6
Goods purchased for sale	31	52	18
Cost of goods purchased for sale	40	53	7
Inventories / stocks of goods for sale*	27	55	19
Trade margin	9	74	17
Total number of employees	9	82	8

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

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Services provided	19	60	21
Number of new orders for services	19	58	23
Services that are being provided	17	68	16
Selling prices	19	77	4
Purchase prices (supplier prices)	49	51	0
Total number of employees	8	78	14

## Main Terms and Definitions

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- **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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