



National Bank
of Ukraine

Monthly Business Outlook Survey

September 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

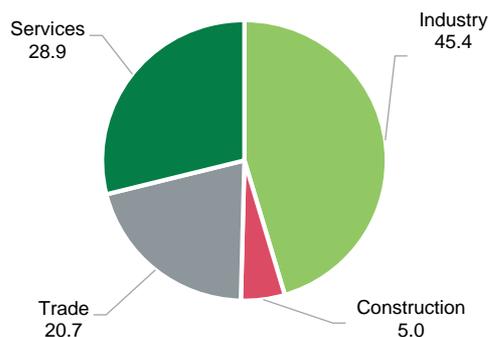
After reporting guarded expectations for two months running, **businesses reported a positive economic outlook in September. The business activity expectations index (BAEI) was 50.1** (compared to 49.3 in August).

- The gradual rebound of production, the establishment of new supply routes, weaker growth in the prices of raw materials and energy, improved inflation and exchange rate expectations, and stable domestic demand helped improve respondents' expectations.
- Construction and trading companies continued to report an optimistic economic outlook, while industrial companies expected no changes. Respondents expected an increase in construction volumes, the amount of manufactured goods, purchases of raw materials and supplies, goods turnover, and in purchases of goods for sale.
- Although softening its negative views, the services sector was the only sector for which the diffusion index still remained below its neutral level.
- Most of the surveyed companies said they intended to raise their selling prices on the back of rising purchase prices.
- Staff expectations were guarded. Trading companies have, for three months in a row, reported intentions to hire more staff. Construction companies expected their staff level to remain unchanged. Conversely, industrial and services companies still continued to report intentions to cut their workforces.

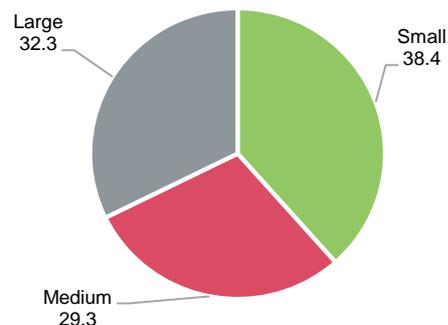
The NBU posts monthly survey results in the open data format. The data are available at the following link: <https://bank.gov.ua/ua/open-data/api-dev>

Survey Details

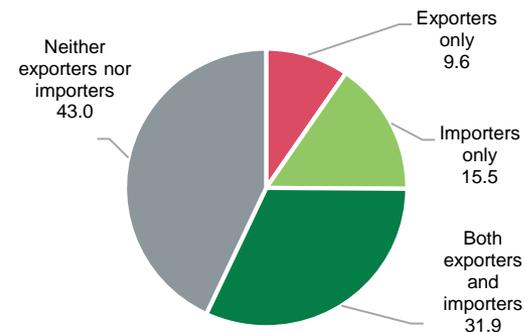
Respondents by sectors of the economy, %



Respondents by company size, %

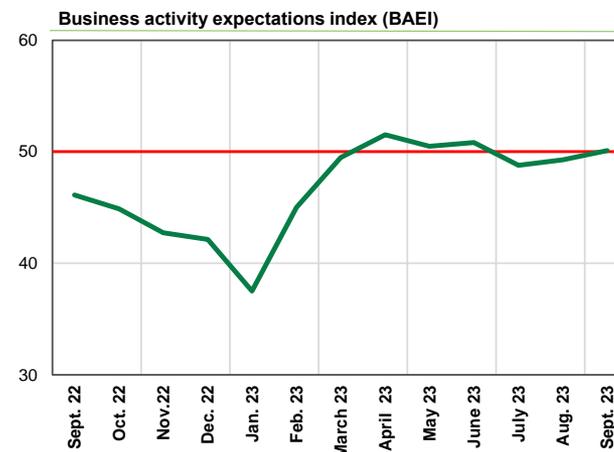


Respondents by business activities, %



- This survey was carried out from 4 September through 22 September 2023
- A total of 502 companies were polled
- Survey horizon: change in companies' performance expectations in September compared to August

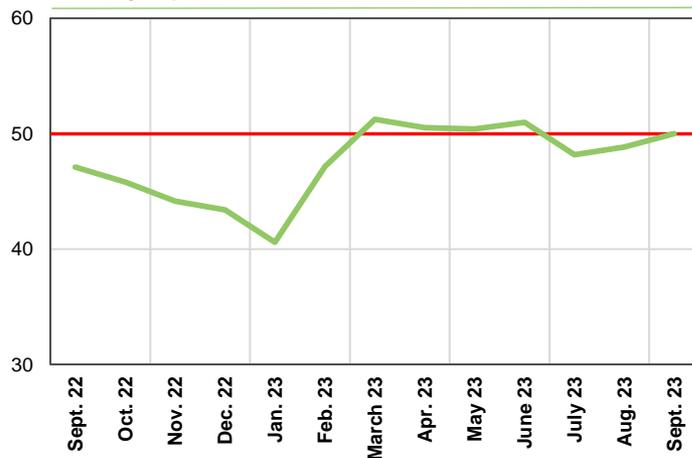
Sector	Sector's share used to calculate BAEI, %	Diffusion index (sectoral)		
		August 2023	September 2023	Change m/m
Industry	36.8	48.8	50.0	1.1
Construction	2.5	51.0	50.6	-0.4
Trade	25.2	52.5	53.3	0.8
Services	35.5	47.3	47.9	0.6
Total	100.0	BAEI (total across Ukraine)		
		49.3	50.1	0.8



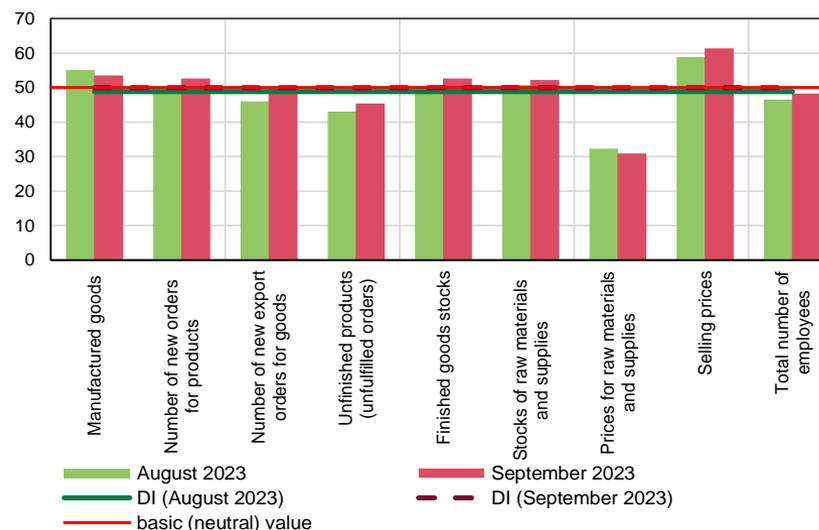
Data for totals and components may be subject to rounding effects

Industry

Diffusion Index of Industrial Companies' Business Activity Expectations



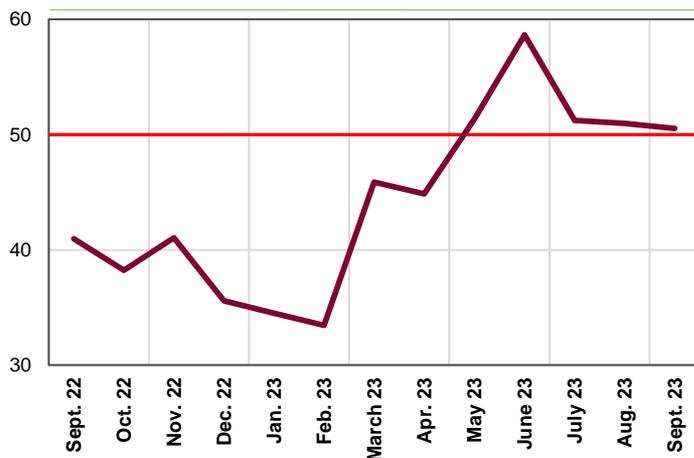
Diffusion Indices (DIs) for industrial companies' performance indicators



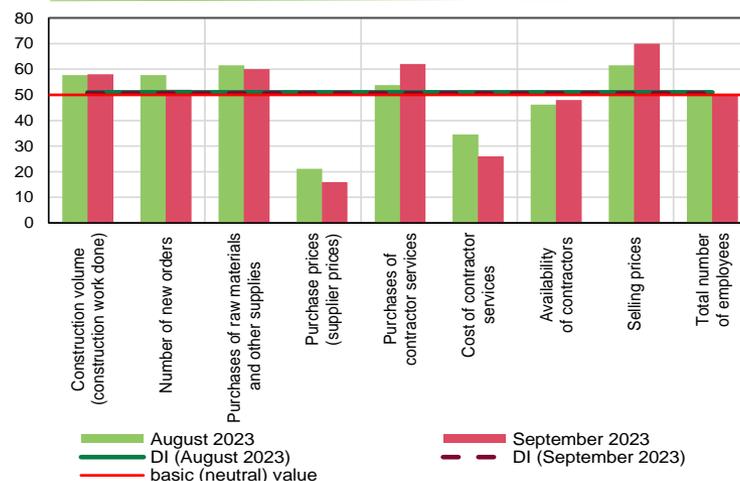
- **Industrial companies upgraded their economic outlook in September** on the back of the gradual restoration of production, the establishment of new supply routes, and decelerating inflation. The sector's DI reached its equilibrium level of 50.0, up from 48.8 in August.
- Respondents **remained upbeat about the amount of manufactured goods, the number of new orders for products, and about stocks of raw materials and supplies**, the DIs being 53.5, 52.6 and 52.2 respectively, compared to 55.1, 50.2 and 50.7 in August. The number of new export orders was expected to remain unchanged on the previous month, the DI reached its neutral level of 50.0, up from 46.0 in August.
- Companies reported less pessimistic views about the amount of unfinished products (unfulfilled orders) (a DI of 45.4 compared to 43.0 in August), but were more downbeat about their finished goods stocks (a DI of 52.6 compared to 49.3 in August).
- With firmer expectations of a rise in raw material and supplies prices, companies continued to declare intentions to raise their selling prices, the DIs being 30.9 and 61.4 respectively, compared to 32.3 and 58.8 in August.
- Respondents reported weaker intentions to reduce their workforces, the DI being 48.2, up from 46.5 in August.

Construction

Diffusion Index of Construction Companies' Business Activity Expectations



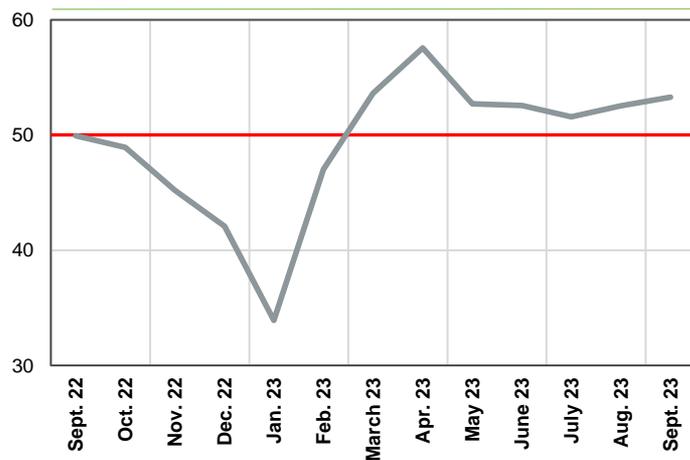
Diffusion Indices (DIs) for construction companies' performance indicators



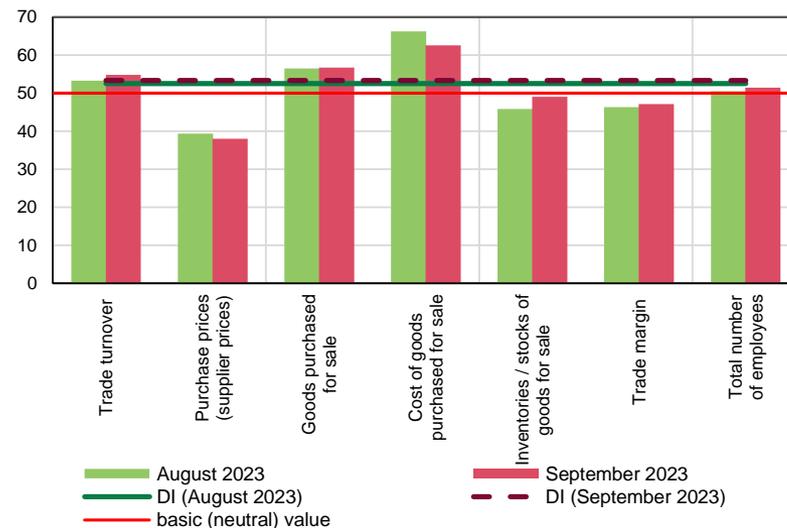
- Construction companies have reported a positive economic outlook for five months running, thanks to reviving demand for mortgage loans issued under preferential lending programs, budgetary financing for the construction and restoration of roads, and seasonal factors – **the sector's DI was 50.6 in September**, down from 51.0 in August.
- Respondents were slightly more confident about an increase in construction volumes (a DI of 58.0 compared to 57.7 in August), while also continuing to expect an increase in the number of new orders and in purchases of raw materials and supplies (DIs of 62.0 and 60.0 respectively compared to 57.7 and 61.5 in August).
- Respondents declared much stronger intentions to purchase contractor services, while also reporting significantly firmer expectations of a rise in the cost of contractor services, the DIs being 62.0 and 26.0 respectively, compared to 53.8 and 34.6 in August. Respondents also softened their negative views about the availability of contractors, the DI being 48.0, compared to 46.2 in August.
- With rising purchase prices, respondents reported intentions to raise their selling prices at a faster pace, the DIs being 16.0 and 70.0 respectively, compared to 21.2 and 61.5 in August.
- For three 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



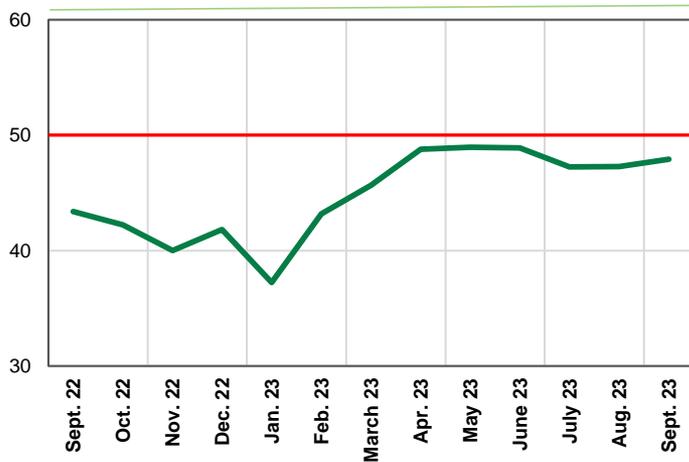
Diffusion Indices (DIs) for trading companies' performance indicators



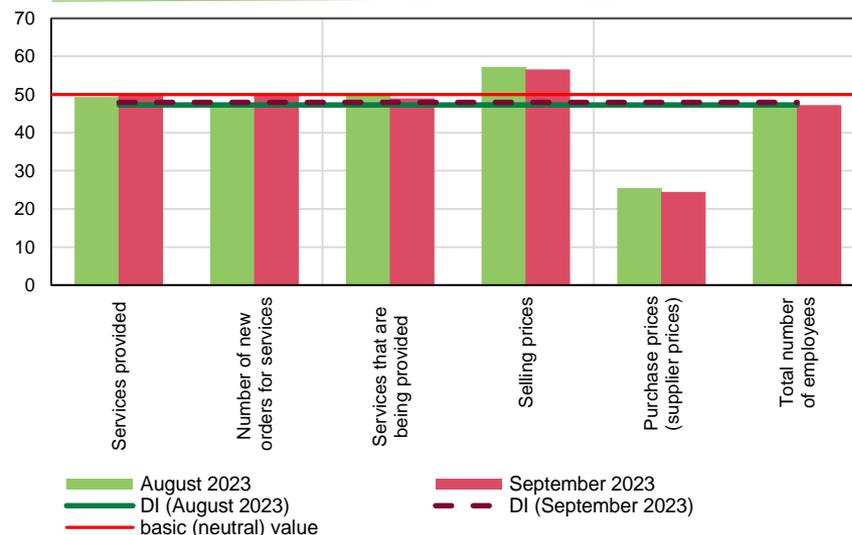
- Trading companies have remained the most upbeat among the sectors – they have reported positive performance expectations for seven months in a row amid stable consumer sentiment, an ample supply of goods, and decelerating inflation. The sector's DI was 53.3 in September, compared to 52.5 in August.
- Respondents declared intentions to further increase their goods turnover and the amount of goods purchased for sale, the DIs being 54.8 and 56.7 respectively, compared to 53.2 and 56.5 in August.
- Despite stronger expectations of a rise in purchase prices (a DI of 38.0 compared to 39.4 in August), companies softened their expectations of a rise in the price of goods purchased for sale (a DI of 62.5 compared to 66.2 in August).
- Respondents reported less firm intentions to cut their trade margins, the DI being 47.1, up from 46.3 in August.
- Companies remained upbeat about their stocks of goods for sale, the DI being 49.0, up from 45.8 in August.
- Only trading companies have, for three months in a row, reported intentions to hire more staff, the DI being 51.4, up from 50.5 in August.

Services

Diffusion Index of Service Providers' Business Activity Expectations



Diffusion Indices (DIs) for services companies' performance indicators



- Although **softening their negative expectations somewhat in September**, services companies continued to report a **negative economic outlook** due to disrupted logistical chains, higher fuel prices, and depressed demand, the **DI being 47.9**, up from 47.3 in August.
- In contrast to the two previous months, respondents said **they expected a slight increase in the amount of services provided**, the DI being 50.3, up from 49.3 in August. At the same time, services companies softened their negative views about the number of new orders, as the DI, at 49.7, came very close to its neutral level (compared to 47.6 in August).
- After reporting positive views for three months running, respondents expected a decrease in the amount of services that are being provided, the DI being 49.0, down from 50.3 in August.
- Respondents reported weaker intentions to raise their selling prices, despite expectations of a faster rise in purchase prices, the DIs being 56.6 and 24.5 respectively, compared to 57.2 and 25.5 in August.
- Respondents continued to report intentions to cut their workforces, as the DI, at 47.2, remained unchanged on the previous month.



Annexes

Data on surveys of industrial companies in September 2023

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Manufactured goods	27	53	20
Number of new orders for products	25	55	20
Number of new export orders for goods	19	63	19
Unfinished products (unfulfilled orders)	9	73	18
Finished goods stocks	16	63	21
Stocks of raw materials and supplies	25	54	21
Prices for raw materials and supplies	42	55	4
Selling prices	27	69	4
Total number of employees	10	77	13

Data on surveys of construction companies in September 2023

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Construction volume (construction work done)	36	44	20
Number of new orders	24	56	20
Purchases of raw materials and supplies	40	40	20
Purchase prices (supplier prices)	68	32	0
Purchases of contractor services	32	60	8
Cost of contractor services*	48	52	0
Availability of contractors	4	88	8
Selling prices	40	60	0
Total number of employees	12	76	12

Data on surveys of trading companies in September 2023

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Trade turnover	30	50	20
Purchase prices (supplier prices)	29	66	5
Goods purchased for sale	33	48	19
Cost of goods purchased for sale	36	54	11
Inventories / stocks of goods for sale*	20	62	18
Trade margin	10	75	15
Total number of employees	8	88	5

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

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Services provided	19	62	19
Number of new orders for services	21	58	21
Services that are being provided	15	68	17
Selling prices	15	83	2
Purchase prices (supplier prices)	51	49	0
Total number of employees	7	81	12

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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