



National Bank
of Ukraine

Monthly Business Outlook Survey

January 2024

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

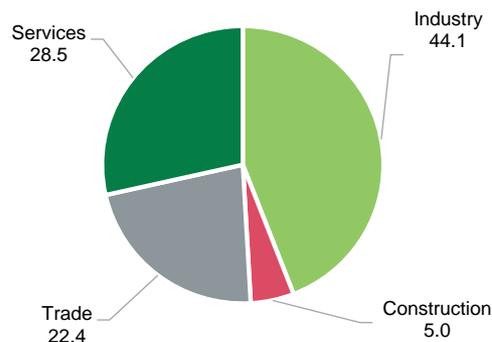
Businesses reported a more pessimistic economic outlook for the near future. The business activity expectations index (BAEI) was 41.0 in January, down from 45.7 in December.

- The increased intensity of hostilities, uncertainty over the timing and amount of external financial assistance, the blockade of Ukraine's western borders, the rising production cost of boosting cyber security, shortages of skilled workers, and a seasonal weakening of economic activity at the beginning of the year resulted in a more pessimistic economic outlook across all surveyed sectors.
- Respondents expected a further decrease in the number of new orders for products, including export orders, stocks of raw materials and supplies, construction volumes, new orders for construction/services, trade turnover, and the amount of goods purchased for sale.
- Companies across all sectors declared intentions to raise their selling prices on the back of firmer expectations of more rapid growth in purchase prices.
- Staff expectations have worsened. Companies across all sectors declared intentions to reduce their workforces, with the strongest intentions reported by construction companies.

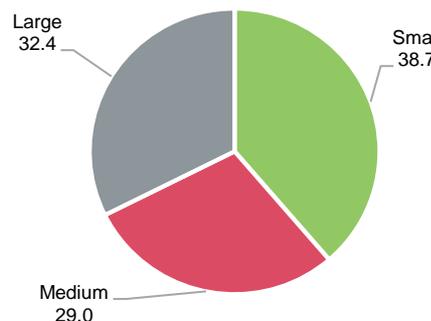
The NBU posts monthly survey results in the open data format. The data are available at the following link:
<https://bank.gov.ua/ua/open-data/api-dev>

Survey Details

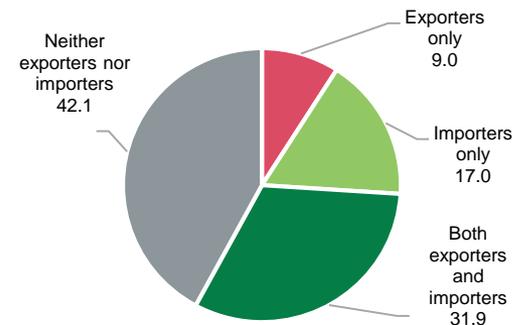
Respondents by sectors of the economy, %



Respondents by company size, %



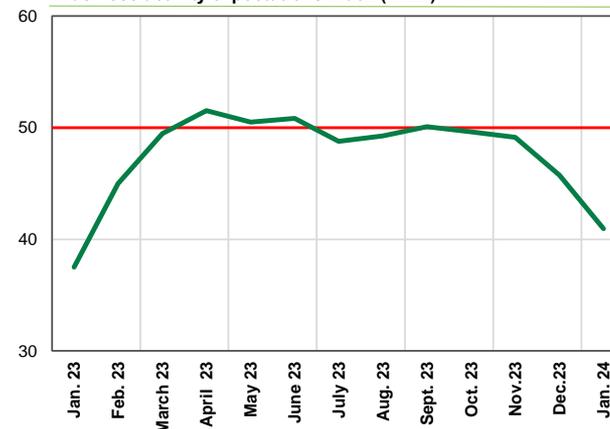
Respondents by business activities, %



- This survey was carried out from 4 January through 23 January 2024
- A total of 442 companies were polled
- Survey horizon: change in companies' performance expectations in January 2024 compared to December 2023

Sector	Sector's share used to calculate BAEI, %	Diffusion index (sectoral)		
		December 2023	January 2024	Change m/m
Industry	35.2	46.9	43.7	-3.2
Construction	2.8	42.1	31.9	-10.1
Trade	26.0	46.9	38.9	-8.0
Services	36.0	44.0	40.4	-3.5
Total	100.0	BAEI (total across Ukraine)		
		45.7	41.0	-4.8

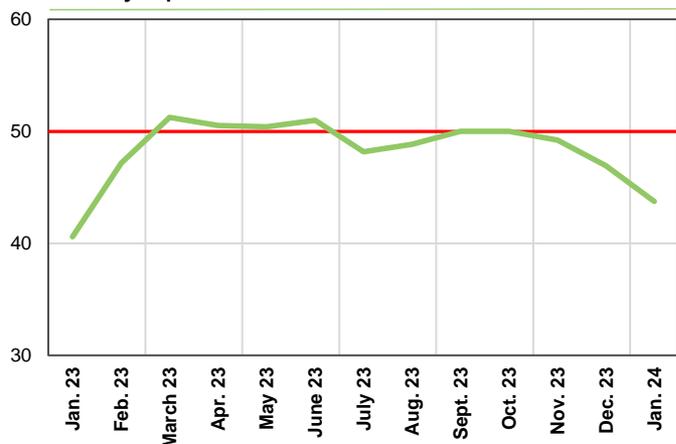
Business activity expectations index (BAEI)



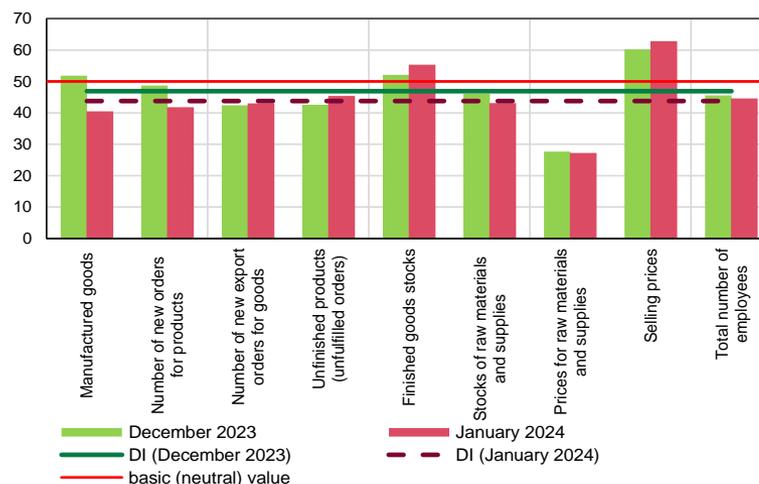
Data for totals and components may be subject to rounding effects

Industry

Diffusion Index of Industrial Companies' Business Activity Expectations



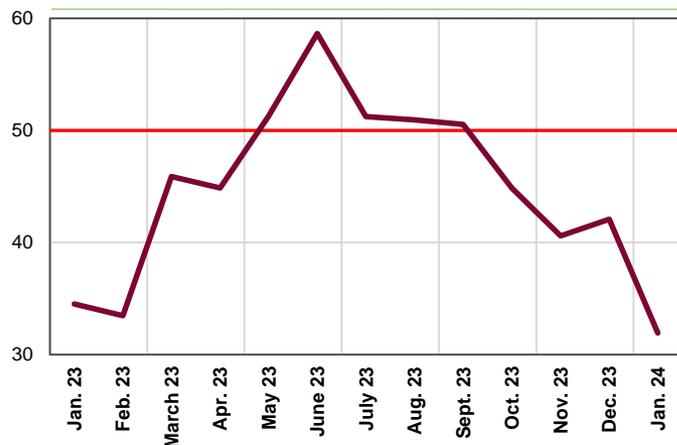
Diffusion Indices (DIs) for industrial companies' performance expectations



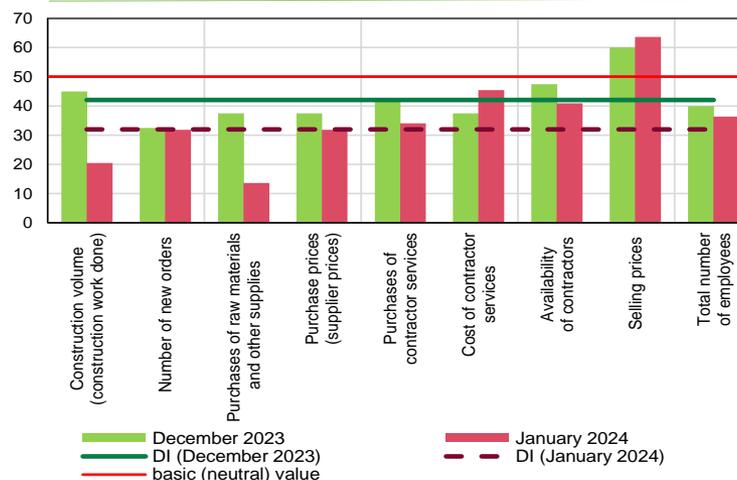
- In January, **industrial companies reported more pessimistic expectations** amid rising pressures from production costs and logistical hurdles with crossing the border with Western countries, **the sector's DI being 43.7**, down from 46.9 in December.
- **Respondents noticeably downgraded their expectations for the amount of manufactured goods and the number of new orders for products**, the DIs being 40.5 and 41.8 respectively, down from 51.8 and 48.7 in December. Industrial companies also expected a further decline in their stocks of raw materials and supplies, the DI being 43.1, down from 46.1 in December.
- Respondents remained downbeat about the number of new export orders and the amount of unfinished products, the DIs being 43.1 and 45.4 respectively, compared to 42.5 and 42.6 in December.
- Companies reported dimmer expectations for their finished goods stocks, the DI being 55.4, up from 52.1 in December.
- With firm expectations of an increase in raw material and supplies prices, respondents declared intentions to raise their selling prices further, the DIs being 27.2 and 62.8 respectively, compared to 27.6 and 60.3 in December
- Industrial companies reported more pessimistic expectations for their staff numbers, the sector's DI being 44.6, down from 45.5 in December.

Construction

Diffusion Index of Construction Companies' Business Activity Expectations



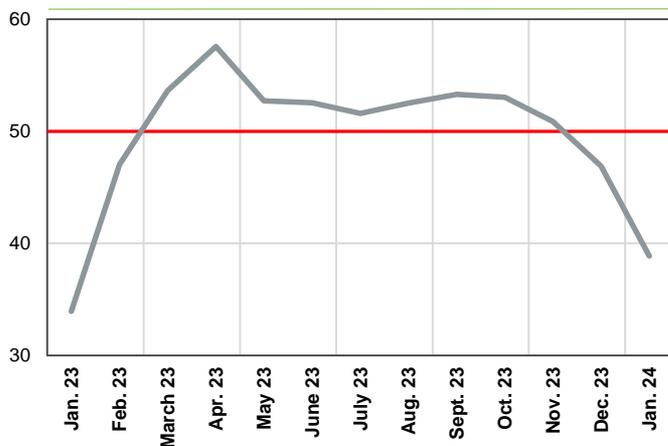
Diffusion Indices (DIs) for construction companies' performance expectations



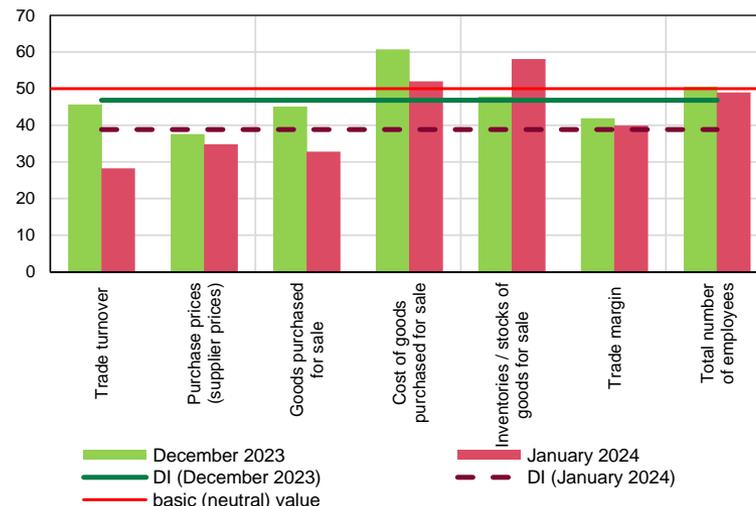
- On the back of fierce fighting, shortages of qualified staff and seasonal factors, respondents from the construction sector were the **most downbeat about their January performance** among other economic sectors – **their DI dropped to 31.9**, down from 42.1 in December (a low not seen since May 2020).
- Companies significantly downgraded their expectations for construction volumes, the number of new orders, and purchases of raw materials and supplies: the DIs being 20.5, 31.8 and 13.6 respectively, down from 45.0, 32.5 and 37.5 in December.
- Despite expectations of slower growth in the cost of contractor services, respondents said they intended to purchase fewer of these services, the DIs being 45.5 and 34.1 respectively, compared to 37.5 and 42.5 in December. At the same time, respondents were more downbeat about the availability of contractors, the DI being 40.9, down from 47.5 in December.
- With firmer expectations of a rise in purchase prices, respondents reported stronger intentions to raise their selling prices, the DIs being 31.8 and 63.6 respectively, compared to 37.5 and 60.0 in December.
- Given their poorer business performance, construction companies intended to cut their staff further, as the DI dropped to 36.4, down from 40.0 in December.

Trade

Diffusion Index of Trading Companies' Business Activity Expectations



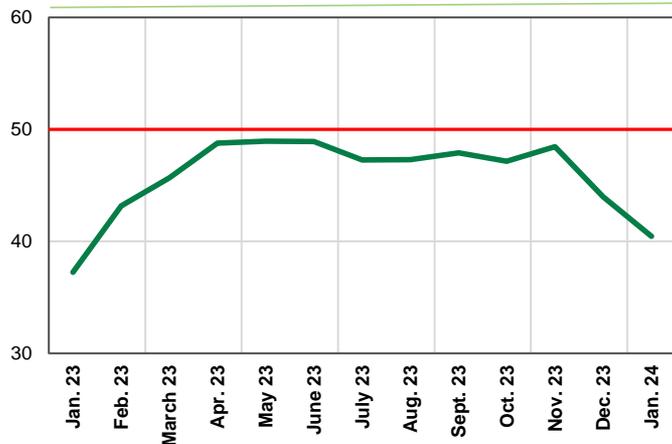
Diffusion Indices (DIs) for trading companies' performance expectations



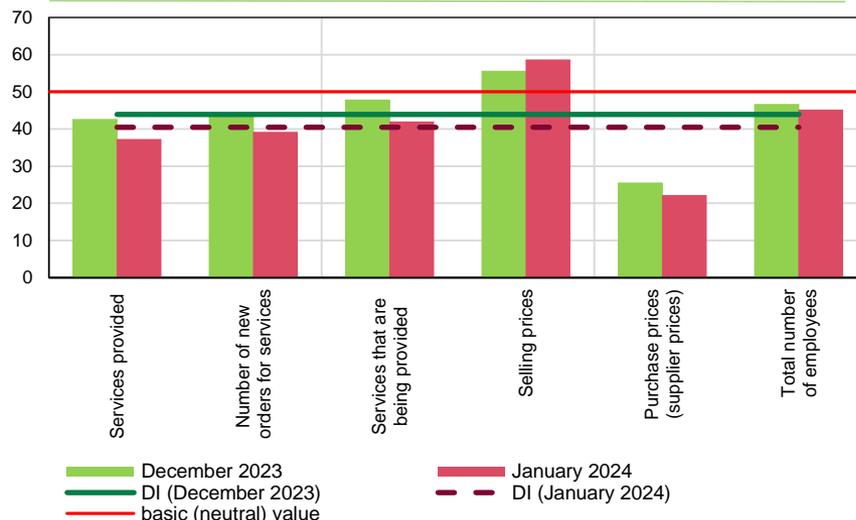
- **For two months in a row, trading companies have been reporting a more pessimistic economic outlook** amid higher import prices because of the blockade of Ukraine's western borders, high fuel prices and weaker demand. **The sector's DI was 38.9**, down from 46.9 in December.
- Respondents were most pessimistic about trade turnover and the amount of goods purchased for sale, the DIs being 28.3 and 32.8 respectively, compared to 45.7 and 45.2 in December. Companies also expected a sizeable increase in inventories/stocks of goods purchased for sale, the DI being 58.1, up from 47.8 in December.
- Companies significantly softened their expectations for a rise in the cost of goods purchased for sale, the DI being 52.0, down from 60.8 in December.
- Respondents expected a further increase in supplier prices, the DI being 34.8, down from 37.6 in December. Trading companies continued to declare their intentions to cut their trade margins, the DI being 39.9, down from 41.9 in December.
- In contrast to the previous month, respondents said they intended to reduce their workforces slightly the DI being 49.0, compared to 50.5 in December.

Services

Diffusion Index of Service Providers' Business Activity Expectations



Diffusion Indices (DIs) for services companies' performance expectations



- Service sector companies reported a **gloomier economic outlook amid falling demand because of higher prices (including due to the need to safeguard cyber security), and amid security risks, the DI being 40.4**, down from 44.0 in December.
- Respondents expected a further drop in the amount of services provided, the number of new orders, and the amount of services that are being provided, the DIs being 37.3, 39.3 and 42.1 respectively, compared to 42.7, 43.5 and 48.0 in December.
- With firmer expectations of a rise in purchase prices, respondents reported intentions to raise their selling prices further, the DIs being 22.2 and 58.7 respectively, compared to 25.6 and 55.7 in December.
- Respondents continued to report intentions to lay off staff, the DI being 45.2, compared to 46.7 in December.



Annexes

Data on surveys of industrial companies in January 2024

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Manufactured goods	19	43	38
Number of new orders for products	19	46	35
Number of new export orders for goods	19	49	32
Unfinished products (unfulfilled orders)	10	71	19
Finished goods stocks	14	62	25
Stocks of raw materials and supplies	16	53	30
Prices for raw materials and supplies	48	50	2
Selling prices	29	68	3
Total number of employees	4	81	15

Data on surveys of construction companies in January 2024

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Construction volume (construction work done)	5	32	64
Number of new orders	9	45	45
Purchases of raw materials and supplies	0	27	73
Purchase prices (supplier prices)	45	45	9
Purchases of contractor services	5	59	36
Cost of contractor services*	27	55	18
Availability of contractors	0	82	18
Selling prices	32	64	5
Total number of employees	5	64	32

Data on surveys of trading companies in January 2024

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Trade turnover	8	40	52
Purchase prices (supplier prices)	34	62	4
Goods purchased for sale	11	43	45
Cost of goods purchased for sale	25	54	21
Inventories / stocks of goods for sale*	16	52	32
Trade margin	5	70	25
Total number of employees	5	88	7

Data on surveys of companies in the services sector in January 2024

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Services provided	11	52	37
Number of new orders for services	13	52	35
Services that are being provided	12	60	28
Selling prices	22	73	5
Purchase prices (supplier prices)	56	44	0
Total number of employees	6	79	15

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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