



National Bank
of Ukraine

Monthly Business Outlook Survey

March 2024

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

Issue No.54
Statistics and Reporting Department



Summary

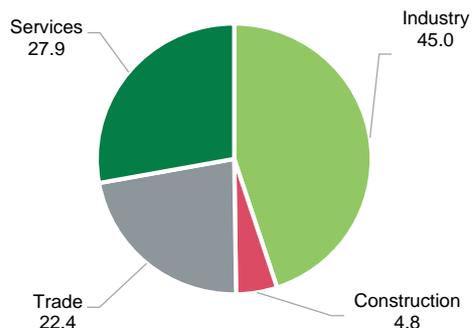
Despite the protracted full-scale war and the adverse effect of the blockade of Ukraine's western borders, Ukrainian businesses are demonstrating the ability to adapt to difficult conditions, and are **optimistic about their performance in the near future. The business activity expectations index (BAEI) was 52.0 in March**, up from 47.5 in February.

- The positive economic outlook across all sectors resulted, among other things, from an increase in maritime and railway transportation, a persistently stable FX market, low inflation expectations, and seasonal factors. More intense missile attacks on critical infrastructure and the risk that international funding will not be sufficient remained constraining factors.
- Trading companies reported the most optimistic expectations. Respondents in the sector expected a further rise in their trade turnovers and in the amount of goods purchased for sale, while also improving their views about their stocks of goods for sale.
- In contrast to previous months, industrial, construction and services companies expected an increase in orders for products, including export orders, construction volumes/ services provided and new orders.
- With stronger growth in purchase prices, companies across all surveyed sectors continued to declare intentions to raise their selling prices.
- Staff expectations have improved somewhat. Construction and trading companies said they intended to expand their workforces slightly, while industrial and services companies continued to report intentions to cut their workforces.

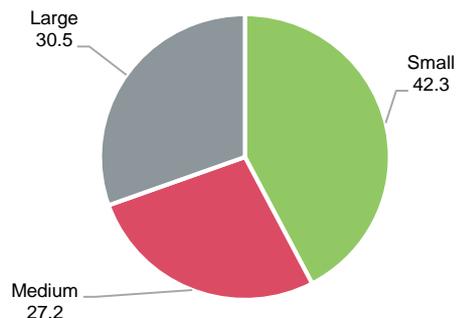
The NBU posts monthly survey results in the open data format. The data are available at the following link: <https://bank.gov.ua/ua/open-data/api-dev>

Survey Details

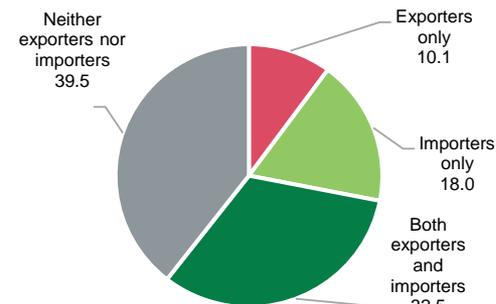
Respondents by sectors of the economy, %



Respondents by company size, %



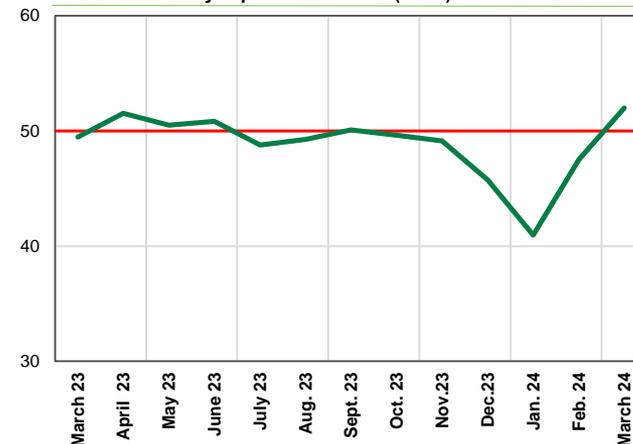
Respondents by business activities, %



- This survey was carried out from 4 March through 21 March 2024
- A total of 456 companies were polled
- Survey horizon: change in companies' performance expectations in March compared to February

Sector	Sector's share used to calculate BAEI, %	Diffusion index (sectoral)		
		February 2024	March 2024	Change m/m
Industry	35.2	48.3	51.0	2.7
Construction	2.8	43.7	53.5	9.8
Trade	26.0	50.1	55.1	5.1
Services	36.0	45.3	50.6	5.3
Total	100.0	BAEI (total across Ukraine)		
		47.5	52.0	4.5

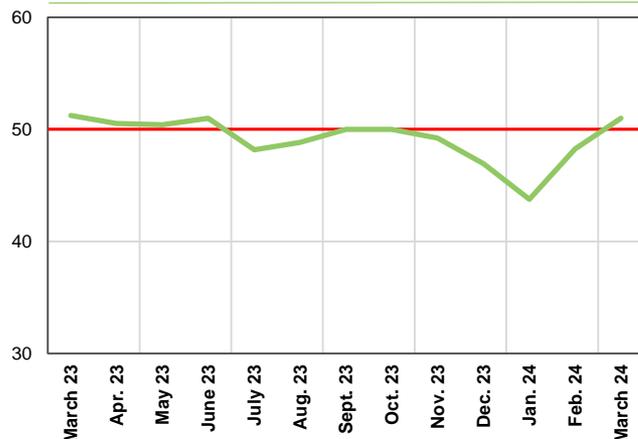
Business activity expectations index (BAEI)



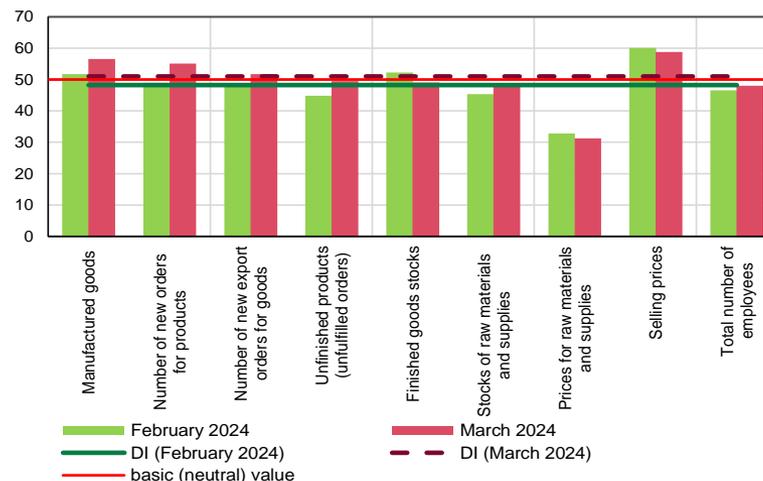
Data for totals and components may be subject to rounding effects

Industry

Diffusion Index of Industrial Companies' Business Activity Expectations



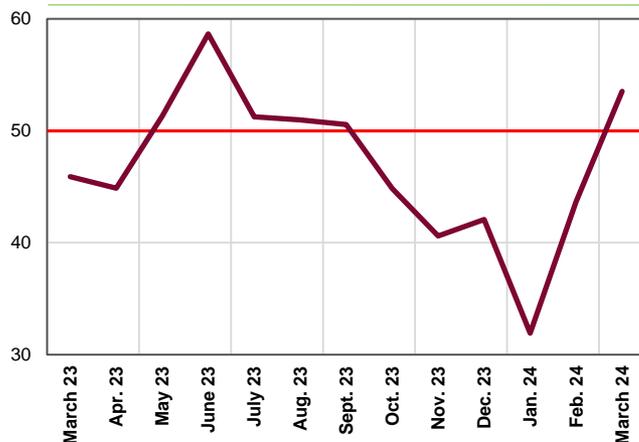
Diffusion Indices (DIs) for industrial companies' performance expectations



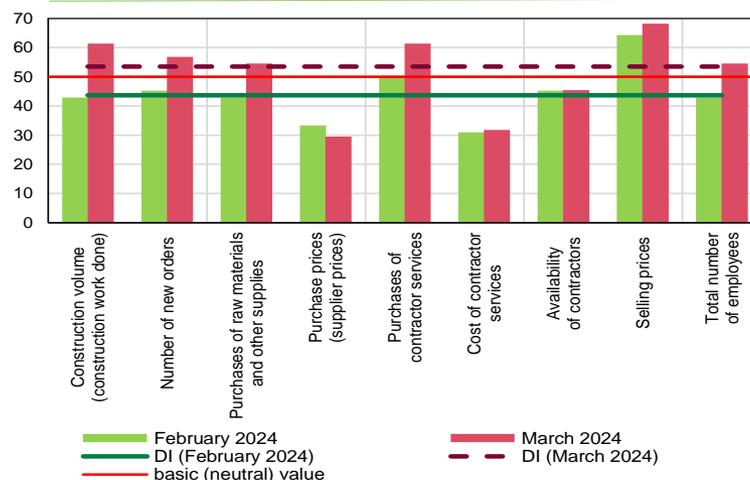
- Industrial companies reported positive performance expectations for the near future on the back of stable consumer demand, a sustainable FX market, and low inflation expectations. **The sector's DI was 51.0 in March**, up from 48.3 in February.
- Respondents were upbeat about the amount of manufactured goods, the number of new orders for products and the number of new export orders, the DIs being 56.6, 55.1 and 51.7 respectively, compared to 51.7, 49.0 and 47.9 in February. Expectations about the amount of unfinished products came very close to the neutral level, the DI being 49.5, up from 44.8 in February.
- For the first time in the last three months, respondents upgraded their views, to a positive level, about their **finished goods stocks**, the DI being 49.0, compared to 52.2 in February. Respondents also softened their negative views about their stocks of raw materials and supplies, the DI being 48.0, compared to 45.3 in February.
- Despite firm expectations of a rise in raw material and supplies prices, companies declared intentions to raise their selling prices at a slower pace, the DIs being 31.2 and 58.8 respectively, compared to 32.8 and 60.1 in February.
- Companies in the sector remained downbeat about their total staff numbers, the DI being 48.0, compared to 46.6 in February.

Construction

Diffusion Index of Construction Companies' Business Activity Expectations



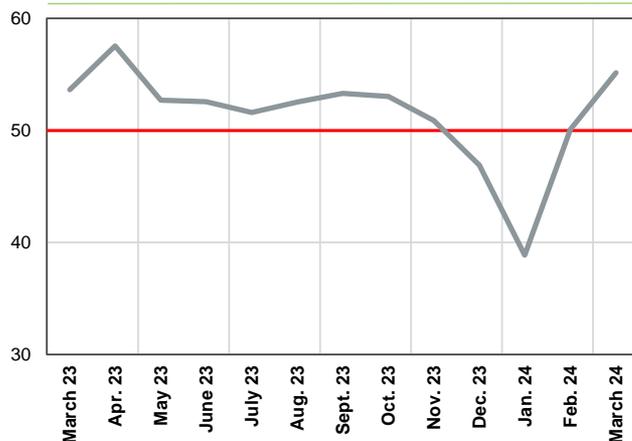
Diffusion Indices (DIs) for construction companies' performance



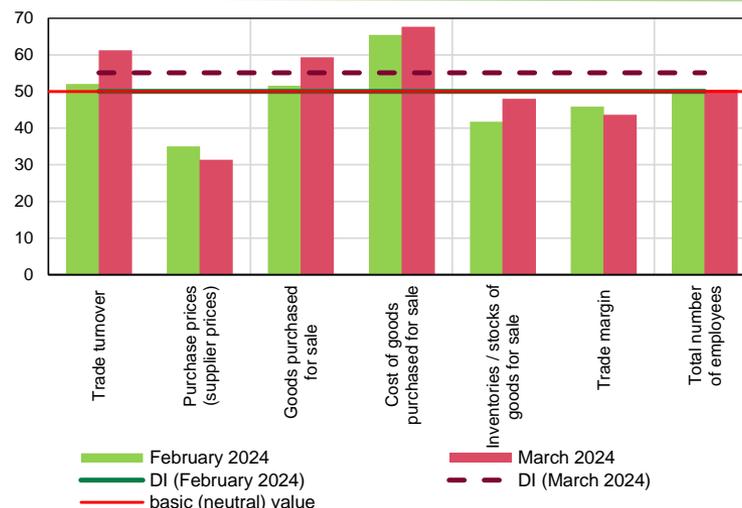
- Budgetary financing for the restoration of infrastructure, coupled with favorable weather conditions, had a positive effect on the economic outlook of construction companies, the DI being 53.5, up from 43.7 in February.
- Respondents expected an increase in construction volumes, the number of new orders and in purchases of raw materials and supplies, the DIs being 61.4, 56.8 and 54.5 respectively, compared to 42.9, 45.2 and 42.9 in February.
- Despite retaining negative views about the cost of contractor services and the availability of contractors, respondents expected to purchase more contractor services, the DIs being 31.8, 45.5 and 61.4 respectively, compared to 31.0, 45.2 and 50.0 in February.
- Companies declared intentions to raise their selling prices on the back of ongoing rises in purchase prices, the DIs being 68.2 and 29.5 respectively, compared to 64.3 and 33.3 in February.
- For the first time in the last six months, respondents said they intended to hire more staff, the DI being 54.5, up from 42.9 in February.

Trade

Diffusion Index of Trading Companies' Business Activity Expectations



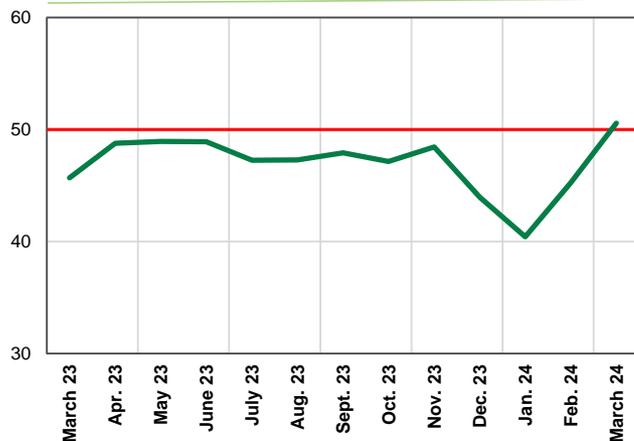
Diffusion Indices (DIs) for trading companies' performance expectations



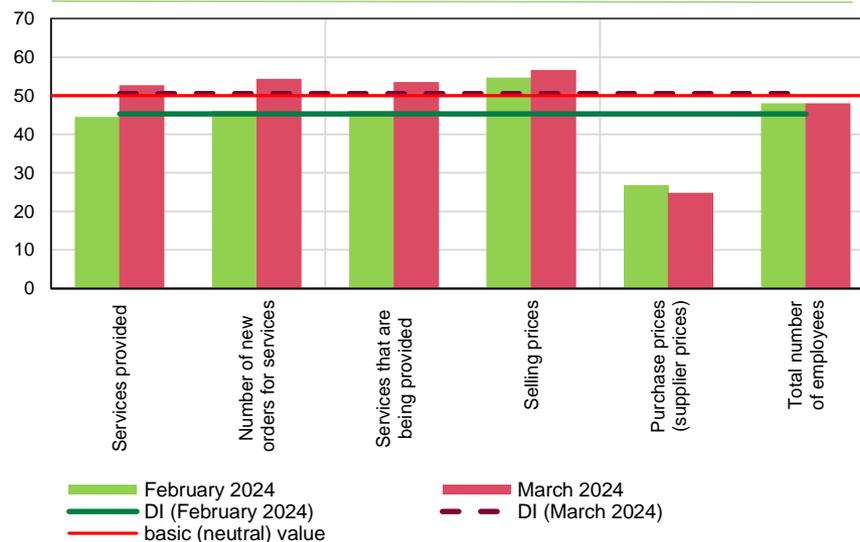
- Despite the negative effect of the blockade of Ukraine's western border on exports of goods, trading companies have remained the most optimistic among other sectors – they have reported a positive economic outlook for two months running, thanks to an increase in maritime and railway transportation, slower inflation, and stable consumer demand. **The sector's DI was 55.1**, up from 50.1 in February.
- Respondents expected a further rise in trade turnover and the amount of goods purchased for sale, the DIs being 61.3 and 59.3 respectively, compared to 52.1 and 51.5 in February. At the same time, respondents reported firmer expectations of a rise in stocks of goods for sale, the DI being 48.0, up from 41.8 in February.
- Respondents reported expectations of a further rise in purchase prices and the cost of goods purchased for sale, the DIs being 31.4 and 67.6 respectively, compared to 35.1 and 65.5 in February.
- Companies continued to report intentions to cut their trade margins, the DI being 43.6, compared to 45.9 in February.
- Respondents continued to report intentions to expand their workforces slightly, the DI being 50.5, unchanged on the previous month.

Services

Diffusion Index of Service Providers' Business Activity Expectations



Diffusion Indices (DIs) for services companies' performance expectations



- Services companies, for the first time since October 2021, reported a positive economic outlook thanks to improved supply chains and a pickup in demand, the DI being 50.6 in March, up from 45.3 in February.
- Respondents expected an increase in the amount of services provided, the number of new orders for services, and the amount of services that are being provided, the DIs being 52.8, 54.3 and 53.5 respectively, compared to 44.5, 46.1 and 46.1 in February.
- Respondents said they intended to raise their selling prices at a faster pace (DI of 56.7, up from 54.7 in February) on the back of a further increase in purchase prices (DI of 24.8, down from 26.8 in February).
- Companies continued to report guarded views about their staff numbers, the DI being 48.0, unchanged on February.



Annexes

Data on surveys of industrial companies in March 2024

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Manufactured goods	32	49	19
Number of new orders for products	27	56	17
Number of new export orders for goods	20	63	17
Unfinished products (unfulfilled orders)	13	74	14
Finished goods stocks	24	53	22
Stocks of raw materials and supplies	21	53	25
Prices for raw materials and supplies	41	55	4
Selling prices	22	74	4
Total number of employees	7	82	11

Data on surveys of construction companies in March 2024

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Construction volume (construction work done)	27	68	5
Number of new orders	27	59	14
Purchases of raw materials and supplies	23	64	14
Purchase prices (supplier prices)	45	50	5
Purchases of contractor services	23	77	0
Cost of contractor services*	36	64	0
Availability of contractors	9	73	18
Selling prices	36	64	0
Total number of employees	18	73	9

Data on surveys of trading companies in March 2024

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Trade turnover	36	50	14
Purchase prices (supplier prices)	37	63	0
Goods purchased for sale	34	50	16
Cost of goods purchased for sale	45	45	10
Inventories / stocks of goods for sale*	24	57	20
Trade margin	5	77	18
Total number of employees	9	83	8

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

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Services provided	23	60	17
Number of new orders for services	27	55	18
Services that are being provided	23	61	16
Selling prices	17	80	3
Purchase prices (supplier prices)	52	46	2
Total number of employees	9	79	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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