



National Bank
of Ukraine

Monthly Business Outlook Survey

May 2024

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

Issue No.56
Statistics and Reporting Department



Summary

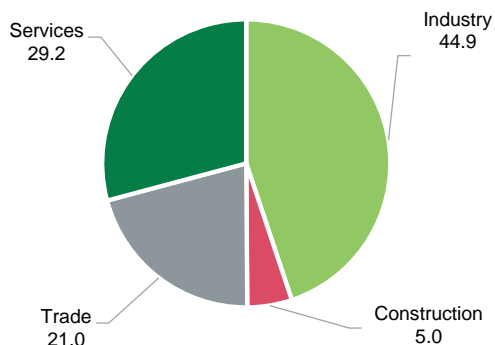
In May, businesses reported negative expectations of their current performance. **The Business Activity Expectations Index (BAEI) was 48.0**, down from 52.3 in April.

- More intense hostilities and missile attacks on infrastructure, power shortages, rising production costs due to high fuel prices and growing logistics costs, weak investment demand, deteriorating exchange rate expectations, considerable shortages of qualified staff, as well as uncertainty about the further course of the war and employee mobilization conditions hampered economic activity, worsening the expectations of all of the surveyed sectors.
- Trading and services companies were the first to respond to the new conditions, by expecting a decline in their trade turnovers, purchases of goods for sale, the number of new orders for services and the amount of services that are being provided.
- Despite weakening them significantly, industrial and construction companies retained their positive expectations about the amount of manufactured goods, the number of new orders for products, construction volumes and the number of new construction orders.
- Despite continuing to report strong expectations of a rise in purchase prices, most respondents said they intended to raise their selling prices more slowly.
- The labor market situation remained challenging. As in the previous survey, only construction companies reported intentions to expand their workforces slightly. Respondents across other sectors worsened their expectations and declared intentions to reduce their workforces further, with the strongest expectations reported by services companies.

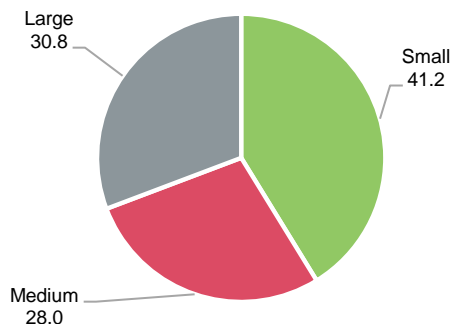
The NBU posts monthly survey results in the open data format. The data are available at the following link:
<https://bank.gov.ua/ua/open-data/api-dev>

Survey Details

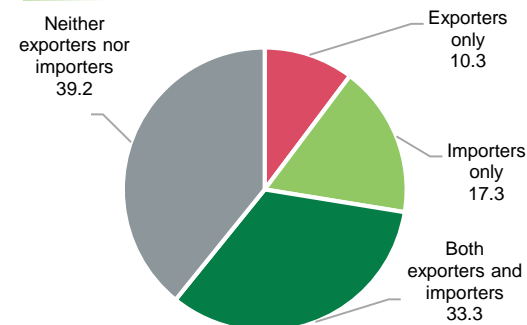
Respondents by sectors of the economy, %



Respondents by company size, %



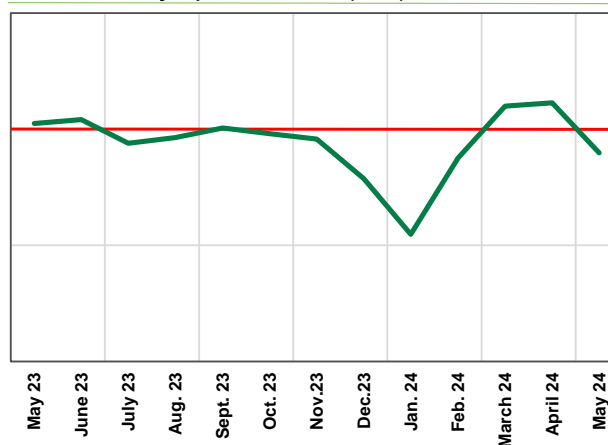
Respondents by business activities, %



- This survey was carried out from 6 May through 23 May 2024
- A total of 439 companies were polled
- Survey horizon: change in companies' performance expectations in May compared to April

Sector	Sector's share used to calculate BAEI, %	Diffusion index (sectoral)		
		April 2024	May 2024	Change m/m
Industry	35.2	51.7	48.8	-2.9
Construction	3.2	53.4	49.8	-3.6
Trade	25.8	51.8	47.7	-4.1
Services	35.8	53.1	47.2	-5.9
Total	100.0	BAEI (total across Ukraine)		
		52.3	48.0	-4.3

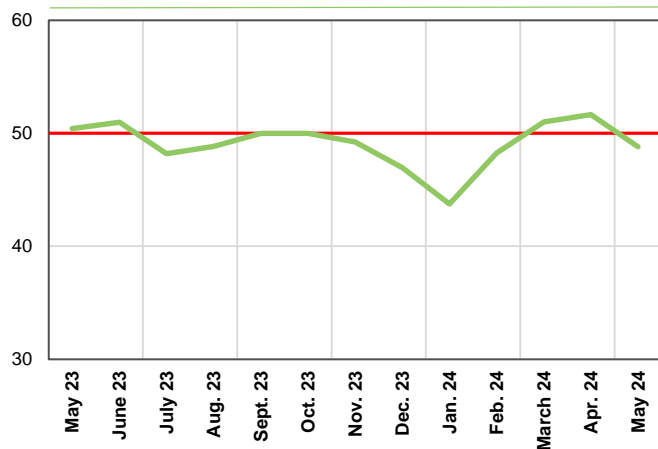
Business activity expectations index (BAEI)



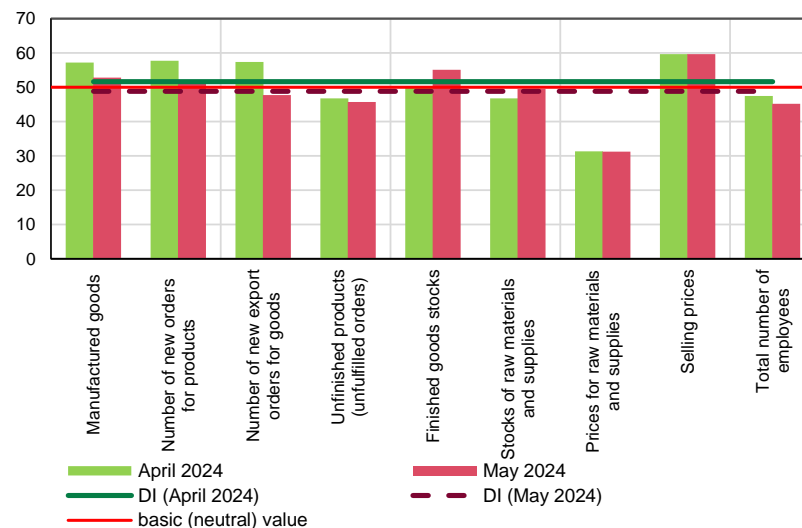
Data for totals and components may be subject to rounding effects

Industry

Diffusion Index of Industrial Companies' Business Activity Expectations



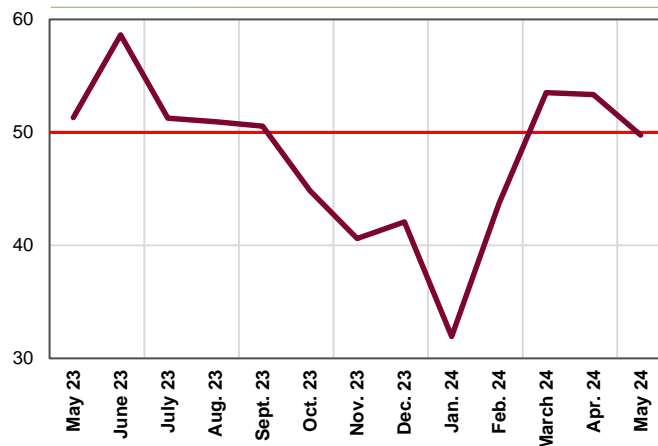
Diffusion Indices (DIs) for industrial companies' performance expectations



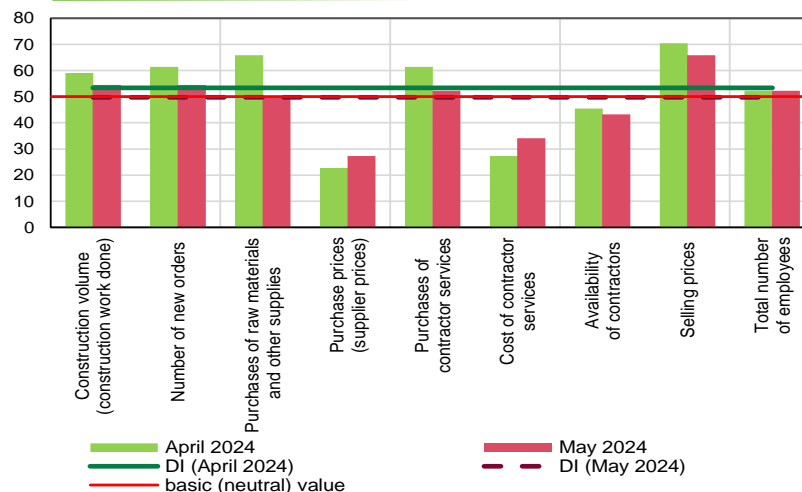
- Industrial companies worsened their economic outlook for May amid high security risks, rising production costs and power shortages. After two months of positive expectations, the sector's DI dropped below its neutral level, to 48.8, down from 51.7 in April.
- The drop resulted from softer positive expectations for the amount of manufactured goods and the number of new orders for products, the DIs being 52.8 and 51.8 respectively, down from 57.2 and 57.7 in April). Respondents also expected a drop in the number of new export orders, the DI being 47.7, down from 57.4 in April.
- Respondents were more downbeat about their finished goods stocks and the amount of unfinished products (unfulfilled orders), the DIs being 55.1 and 45.7 respectively, compared to 50.0 and 46.8 in April.
- Despite expectations of a substantial rise in raw material and supplies prices, companies reported intentions to raise their selling prices only moderately, the DIs being 31.2 and 59.6 respectively, compared to 31.3 and 59.7 in April.
- Respondents were more downbeat about their total staff numbers, the DI being 45.2, down from 47.5 in April.

Construction

Diffusion Index of Construction Companies' Business Activity Expectations



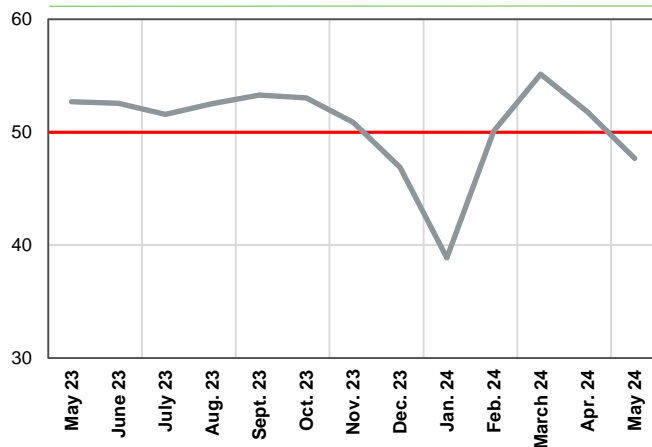
Diffusion Indices (DIs) for construction companies' performance expectations



- Despite favorable weather conditions and sustained domestic demand, **construction companies were pessimistic about their economic performance, the DI being 49.8 in May**, down from 53.4 in April.
- Respondents said they were less optimistic about an increase in **construction volumes and the number of new orders**, the DIs being 54.5 for each, down from 59.1 and 61.4 respectively in April. Companies expected their purchases of raw materials and supplies to remain at the previous month's level, the DI being 50, down from 65.9 in April.
- Respondents reported gloomier expectations about the availability of contractors, while also expecting a much smaller increase in purchases of contractor services, the DIs being 43.2 and 52.3 respectively, compared to 45.5 and 61.4 in April. Respondents also said the cost of contractor services would remain high, the DI being 34.1, up from 27.3 in April.
- Companies said they would raise their selling prices more slowly on the back of weaker expectations of an increase in supplier prices, the DIs being 65.9 and 27.3 respectively, compared to 70.5 and 22.7 in April.
- In contrast to other sectors, **construction companies continued to report intentions to expand their workforces**, the DI being 52.3, unchanged on the previous month.

Trade

Diffusion Index of Trading Companies' Business Activity Expectations



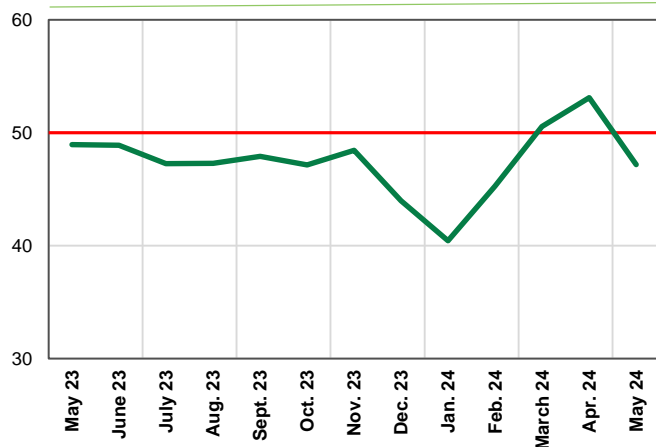
Diffusion Indices (DIs) for trading companies' performance expectations



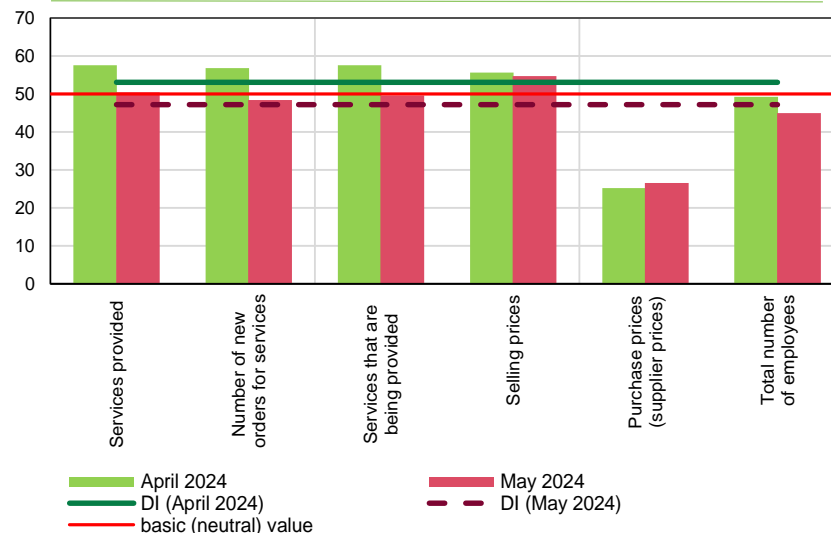
- Trading companies reported dimmer performance expectations on the back of growing import prices, high fuel prices and declining demand, the sector's DI being 47.7 in May, down from 51.8 in April.
- Respondents significantly downgraded their expectations, expecting a drop in their trade turnover and the amount of goods purchased for sale, the DIs being 46.7 and 48.4 respectively, down from 54.5 and 54.0 in April. Companies were pessimistic again about their stocks of goods for sale, the DI being 52.7, up from 48.5 in April.
- Respondents expected a slower increase in purchase prices and in the cost of goods purchased for sale, the DIs being 33.7 and 61.4 respectively, compared to 29.8 and 67.2 in April.
- Respondents expressed firmer intentions to cut their trade margins, DI being 42.4, down from 48.5 in April.
- For two months running, companies in the sector have reported intentions to reduce their workforces, the DI being 46.7, down from 49.0 in April.

Services

Diffusion Index of Service Providers' Business Activity Expectations



Diffusion Indices (DIs) for services companies' performance expectations



- **Services companies reported the gloomiest economic outlook** due to shortages of qualified staff, higher logistics costs and depressed demand, **the sector's DI being 47.2**, down from 53.1 in April.
- Respondents retained their positive expectations about **the amount of provided services**, despite weakening them significantly, the DI being 50.4, down from 57.6 in April. At the same time, services companies were **downbeat about the number of new orders for services and the amount of services being provided**, the DIs being 48.4 and 49.6 respectively, down from 56.8 and 57.6 in April.
- Respondents continued to report strong expectations of an increase in purchase prices, the DI being 26.6, up from 25.2 on April. Companies said they intended to raise their selling prices more slowly, the DI being 54.7, down from 55.6 in April.
- Companies in the sector were the most pessimistic about their **total staff numbers**, **the DI being 44.9**, down from 49.2 in April.



Annexes

Data on surveys of industrial companies in May 2024

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Manufactured goods	27	52	21
Number of new orders for products	24	56	20
Number of new export orders for goods	15	65	20
Unfinished products (unfulfilled orders)	10	72	18
Finished goods stocks	15	60	25
Stocks of raw materials and supplies	23	52	24
Prices for raw materials and supplies	39	59	2
Selling prices	21	77	2
Total number of employees	8	75	17

Data on surveys of construction companies in May 2024

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Construction volume (construction work done)	27	55	18
Number of new orders	27	55	18
Purchases of raw materials and supplies	23	55	23
Purchase prices (supplier prices)	45	55	0
Purchases of contractor services	27	50	23
Cost of contractor services*	32	68	0
Availability of contractors	9	68	23
Selling prices	32	68	0
Total number of employees	14	77	9

Data on surveys of trading companies in May 2024

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Trade turnover	18	57	25
Purchase prices (supplier prices)	33	67	0
Goods purchased for sale	22	53	25
Cost of goods purchased for sale	34	55	11
Inventories / stocks of goods for sale*	16	62	22
Trade margin	7	72	22
Total number of employees	4	85	11

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

Indicator	% responses		
	Will increase	Will remain unchanged	Will decrease
Services provided	25	51	24
Number of new orders for services	23	50	27
Services that are being provided	20	59	21
Selling prices	16	78	6
Purchase prices (supplier prices)	48	50	2
Total number of employees	6	77	16

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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