



National Bank
of Ukraine

Business Outlook Survey of Dnipropetrovsk Oblast*

Q1 2022

**The survey was completed
when the war started**



*This survey only reflects the opinions of respondents in Dnipropetrovsk oblast (top managers of companies) who were polled in Q1 2022, and does not represent NBU forecasts or estimates

A survey of companies carried out in Dnipropetrovsk oblast in Q1 2022 showed that on the eve of the war respondents expected that the output of Ukrainian goods and services would decrease. At the same time, they had positive expectations for the performance of their companies over the next 12 months. Respondents expected higher inflation and stronger depreciation.

The top managers of companies said they expected that over the next 12 months:

- **the output of Ukrainian goods and services would decrease:** the balance of expectations was (-9.7%) compared to (-2.6%) in Q4 2021 (Figure 1) and (-1.7%) across Ukraine. Respondents from trading companies reported the most pessimistic expectations (the balance of responses was (-42.9%))
- **prices for consumer goods and services would rise:** the share of respondents who expected the inflation rate to exceed 7.5% rose to 74.6% compared to 57.3% in the previous quarter and 67.7% across Ukraine. Respondents referred to production costs as the **main inflation driver** (Figure 2)
- **the domestic currency would continue to depreciate:** 79.2% of respondents (compared to 71.4% in the previous quarter) expected the hryvnia to weaken against the US dollar, with a figure of 81.6% across Ukraine
- **the financial and economic standings of their companies would improve moderately:** the balance of expectations was 2.8% compared to 5.2% in the previous quarter and 7.2% across Ukraine (see Table). Respondents from agricultural companies were the most optimistic (with a balance of expectations of 33.3%)
- **total sales would increase:** the balance of expectations was 14.1% (compared to 13.0% in Q4 2021) (see Table). External sales were also expected to grow, but at a faster pace: the balance of expectations was 23.5% (compared to 5.4% in Q4 2021). Across Ukraine, the balances of responses were 17.0% and 23.3% respectively
- **investment both in construction and in machinery, equipment, and tools would increase:** the balances of responses were 4.5% and 24.3% respectively compared to 7.0% and 20.8% in the previous quarter (see Table). Across Ukraine, the balances of responses were 0.9% and 14.3% respectively
- **staff numbers would decrease:** the balance of responses was (-8.3%) compared to (-6.4%) in the previous quarter (Figure 4). Across Ukraine, staff numbers were expected to increase moderately (by 1.5%). Companies in the energy and water supply sector had the most pessimistic expectations (the balance of responses was (-50.0%)). At the same time, respondents from agricultural companies expected that staff numbers at their companies would increase (the balance of responses was 16.7%)
- **both purchase and selling prices would rise at a fast pace:** the balances of responses were 97.2% and 72.2% respectively (compared to 93.5% and 74.0% respectively in Q4 2021) (Figure 6). Respondents from manufacturing companies reported the highest expectations of a rise in selling prices (the balances of responses were 95.2%). Respondents referred to high energy prices, raw material and supplies prices, and the hryvnia exchange rate as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would grow more rapidly:** the balances of responses were 72.9% and 61.1% respectively (compared to 74.7% and 62.8% respectively in Q4 2021) (Figures 4 and 6).

Companies cited high energy prices, raw material and supplies prices, and the unstable political situation (the impact of this factor was reported to have increased compared to the previous survey) as **the main drags on their ability to boost production** (Figure 5).

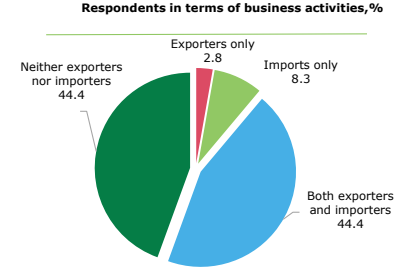
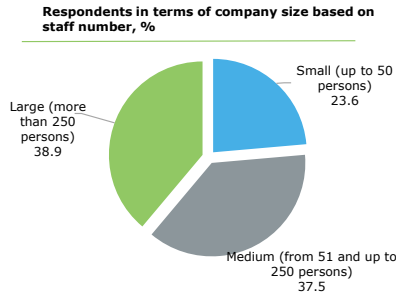
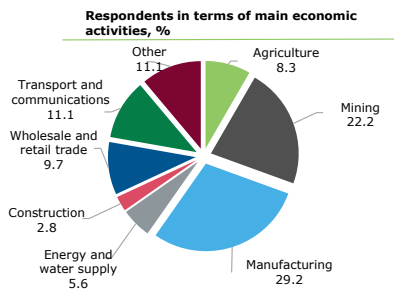
Respondents reported firmer expectations of **an increase in their borrowing needs** in the near future (Figure 8). The companies that planned to take out corporate loans usually opted for domestic currency ones. Respondents said that lending standards had eased (Figure 9). Respondents referred to high loan rates, collateral requirements and other funding sources as the main factors deterring them from taking out loans (Figure 10).

A total of 97.1% of respondents said that they had encountered no difficulties in effecting transactions with funds deposited in bank accounts (97.6% across Ukraine).

Assessments of financial and economic standings as of the time of the survey (Figure 3)

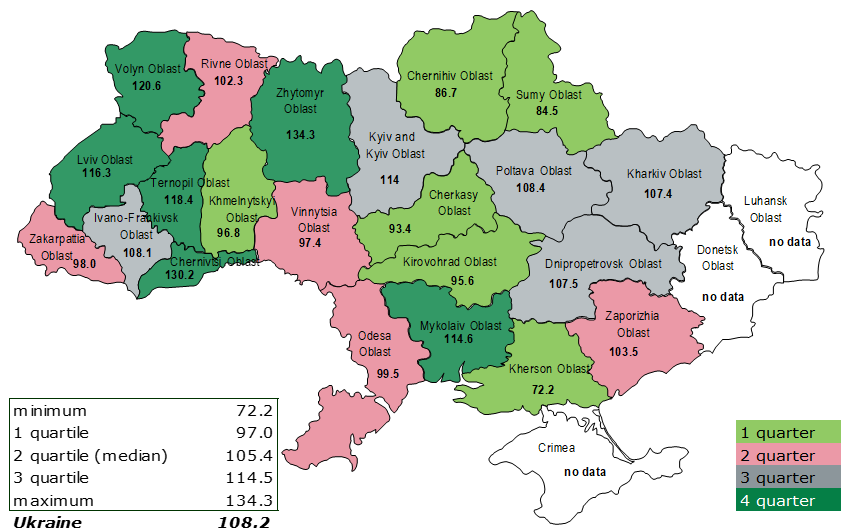
- **Companies assessed their current financial and economic standings as bad:** the balance of responses was (-8.3%) compared to (-10.4%) in Q4 2021. Companies across Ukraine assessed their current financial and economic standings as good (6.6%).
- **Finished goods stocks remained below their normal levels:** the balance of responses was (-12.5%) compared to (-2.2%) in Q4 2021.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 12.5% (compared to 19.7% in Q4 2021).

Survey Details^{1 2}



- Period: 31 January through 23 February 2022.
- A total of 72 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, the mining and manufacturing industries, energy and water supply, trade, transport and communications, and other economic activities.

Business Outlook Index for Next 12 Months in Terms of Oblasts³, %



³a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups
³a median is the value of the BOI in the middle of an ordered sample where the sample is divided into two equal-sized subgroups

Table. The Business Outlook Index of Companies in Dnipropetrovsk Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22
Financial and economic standings	7.8	13.7	1.3	5.2	2.8
Total sales	24.1	11.5	25.0	13.0	14.1
Investment in construction	15.5	8.2	8.1	7.0	4.5
Investment in machinery, equipment, and tools	23.6	14.9	19.7	20.8	24.3
Staff numbers	13.2	2.6	-6.3	-6.4	-8.3

¹ This sample was generated in proportion to the contribution of each oblast and each economic activity to Ukraine's gross value added.
² Data for totals and components may be subject to rounding effects.
³ The business outlook index (BOI) is an aggregate indicator for expected business performance over the next 12 months. It is calculated using the balances of respondents' responses regarding changes in the financial and economic standings of their companies and future economic activity.

Figure 1

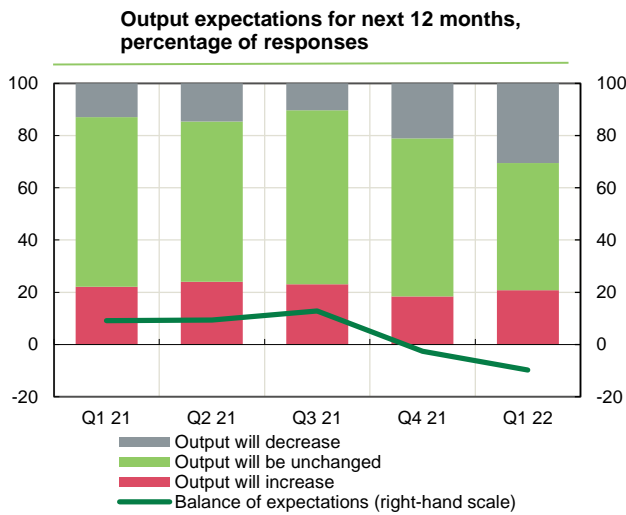


Figure 2

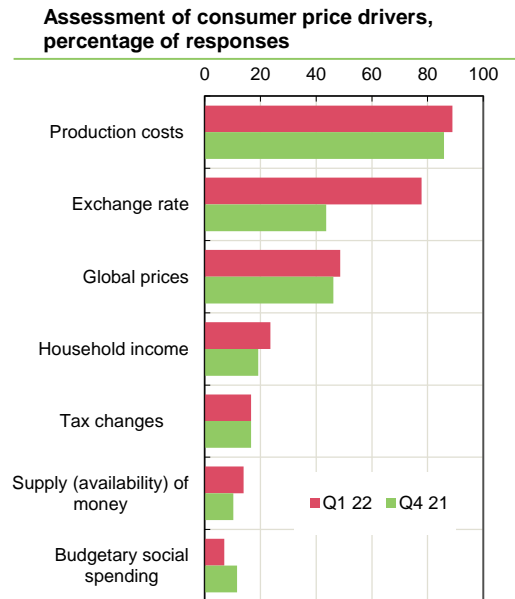


Figure 3

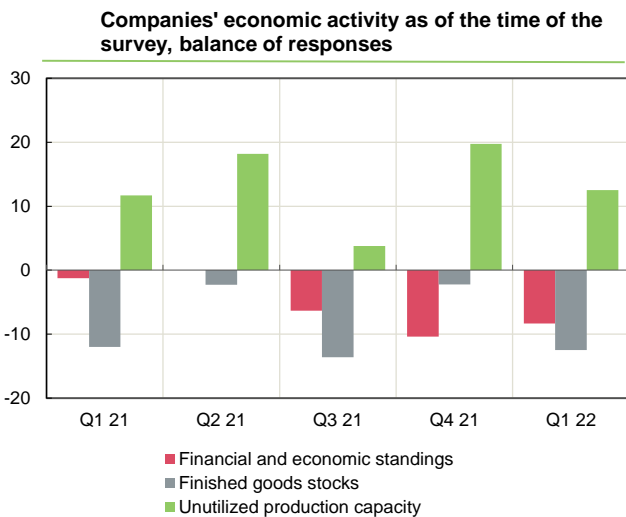


Figure 4

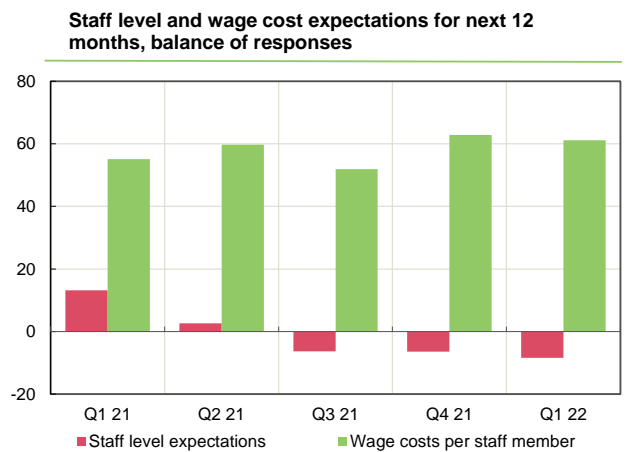


Figure 5

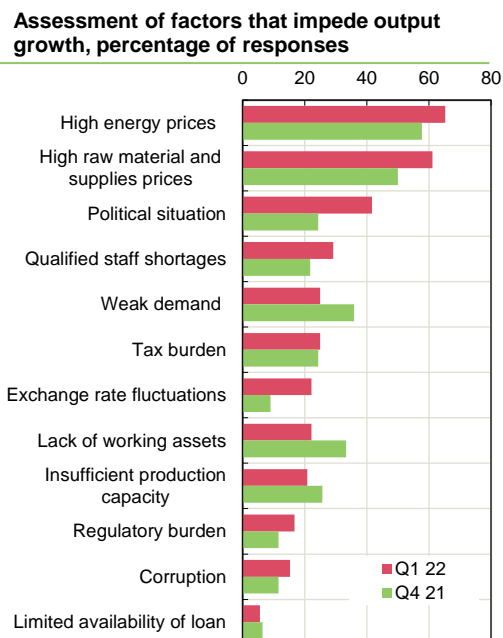


Figure 6

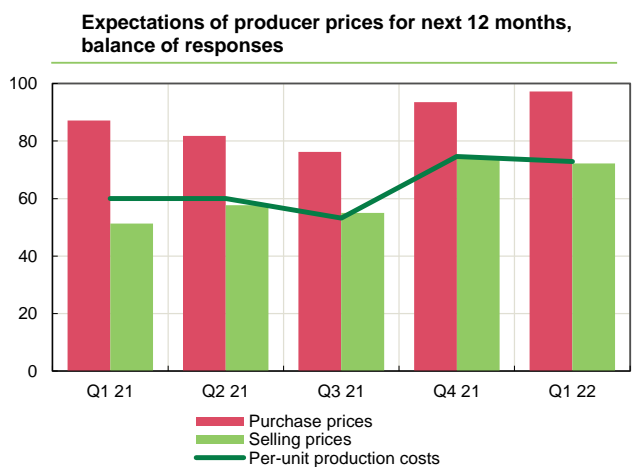


Figure 7

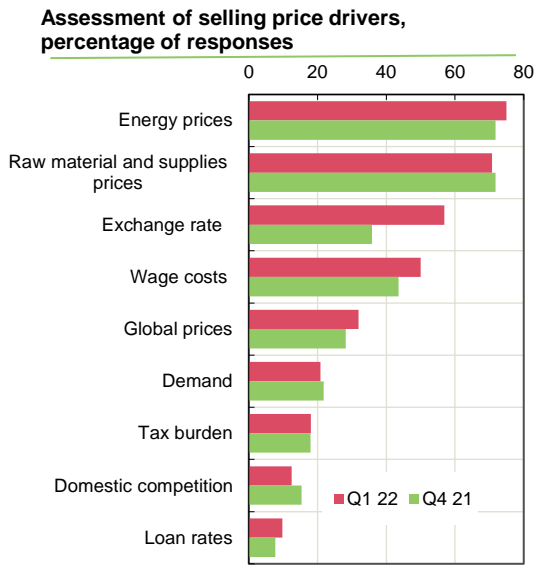


Figure 8

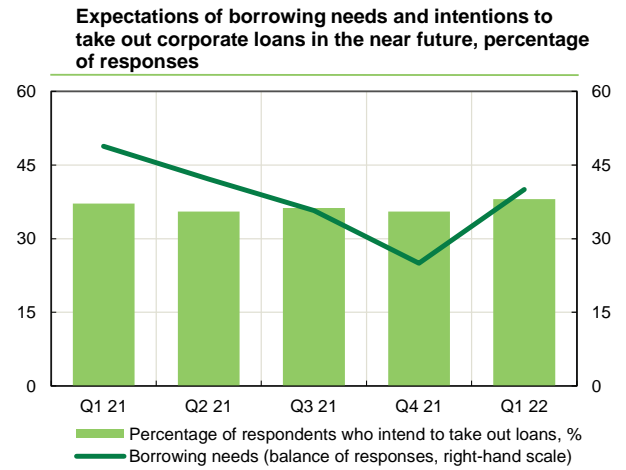


Figure 9

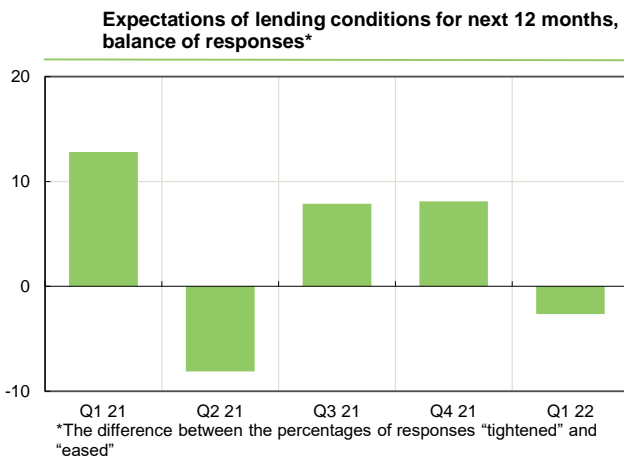


Figure 10

