



National Bank
of Ukraine

Business Outlook Survey of Dnipropetrovsk Oblast*

Q2 2022



*This survey only reflects the opinions of respondents in Dnipropetrovsk oblast (top managers of companies) who were polled in Q2 2022, and does not represent NBU forecasts or estimates

A survey of companies carried out in **Dnipropetrovsk oblast** in **Q2 2022** showed that against the background of the war respondents expected that the output of Ukrainian goods and services would decrease at a fast pace. They had negative 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 at a fast pace:** the balance of expectations was (-48.5%) compared to (-9.7%) in Q1 2022 (Figure 1) and (-48.7%) across Ukraine. Respondents from trading companies reported the most pessimistic expectations (the balance of responses was (-71.4%))
- **prices for consumer goods and services would rise:** the share of respondents who expected the inflation rate to exceed 20.0% was 48.5% compared to 58.2% across Ukraine. Respondents referred to military actions, production costs and the exchange rate as the **main inflation drivers** (Figure 2)
- **the domestic currency would depreciate:** 95.5% of respondents (compared to 79.2% in the previous quarter) expected the hryvnia to weaken against the US dollar, with a figure of 88.9% across Ukraine
- **the financial and economic standings of their companies would deteriorate significantly:** the balance of expectations was (-32.4%) compared to 2.8% in the previous quarter and (-17.1%) across Ukraine (see Table). Respondents from trading and transport and communication companies were the most pessimistic (with balances of expectations of (-75.0%) and (-71.4%) respectively
- **total sales would decrease:** the balance of expectations was (-46.2%) (compared to 14.1% in Q1 2022) (see Table). External sales were also expected to drop, but at a faster pace: the balance of expectations was (-51.5%) compared to 23.5% in Q1 2022. Across Ukraine, the balances of responses were (-19.0%) and (-25.0%) respectively
- **investment both in construction and in machinery, equipment, and tools would decrease at a fast pace:** the balances of responses were (-53.8%) and (-55.4%) respectively compared to 4.5% and 24.3% in the previous quarter (see Table). Across Ukraine, the balances of responses were (-37.2%) and (-34.7%) respectively
- **staff numbers would decrease significantly:** the balance of responses was (-44.8%) compared to (-8.3%) in the previous quarter (Figure 4), and (-29.0%) across Ukraine. Companies in the trade sector had the most pessimistic expectations (the balance of responses was (-62.5%). At the same time, respondents from agricultural companies expected that staff numbers at their companies would remain unchanged (the balance of responses was 0.0%)
- **both purchase and selling prices would rise at a fast pace:** the balances of responses were 92.6% and 63.6% respectively (compared to 97.2% and 72.2% respectively in Q1 2022) (Figure 6). Respondents from manufacturing companies reported the highest expectations of a rise in selling prices (the balance of responses was 95.0%). Respondents referred to high raw material and supplies prices, logistical problems and energy prices as the main selling price drivers (Figure 7)
- **per-unit production costs would grow more rapidly:** the balance of responses was 78.5% (compared to 72.9% in Q1 2022). At the same time, respondents expected **wage costs per staff member to grow at a significantly slower pace:** the balance of responses was 21.2% (compared to 61.1% in the previous quarter) (Figures 4 and 6).

Companies cited military actions and their consequences, high raw material and supplies prices, and energy prices as **the main drags on their ability to boost production** (Figure 5).

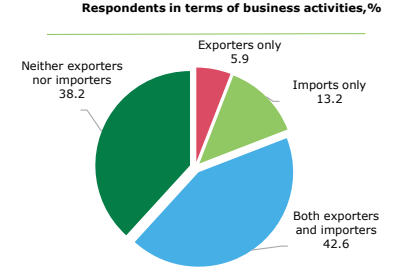
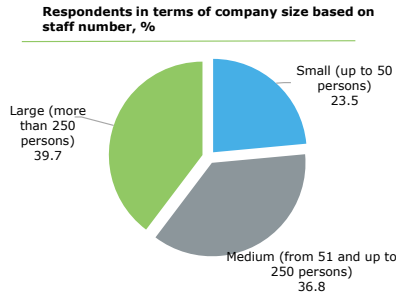
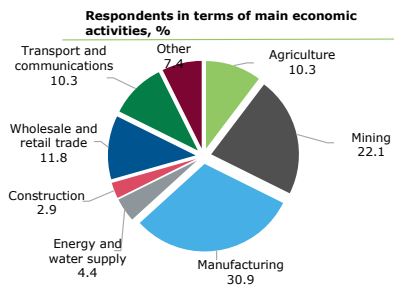
Respondents reported firmer expectations of **an increase in their borrowing needs** in the near future (Figure 8). The companies that planned to take out corporate loans usually opted for domestic currency ones. Respondents said that lending standards had tightened (Figure 9). Respondents referred to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

A total of 95.5% of respondents said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (93.5% across Ukraine).

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

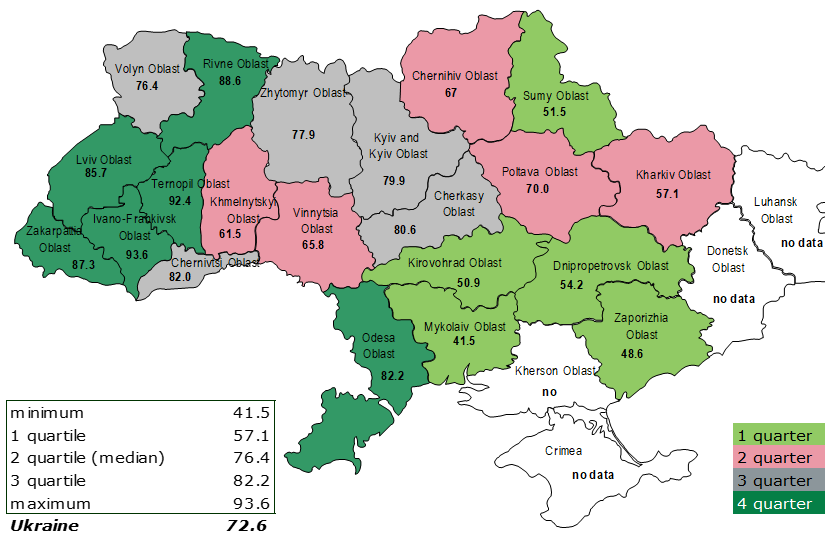
- **Companies' current financial and economic standings had deteriorated and were assessed as bad:** the balance of responses was (-39.7%) compared to (-8.3%) in Q1 2022 and (-28.8%) across Ukraine.
- **Finished goods stocks remained below their normal levels:** the balance of responses was (-8.9%) compared to (-12.5%) in Q1 2022.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 37.3% (compared to 12.5% in Q1 2022).

Survey Details^{1 2}



- Period: 3 May through 31 May 2022.
- A total of 68 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, the mining and manufacturing industries, 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

^{**}a 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, %				
	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22
Financial and economic standings	13.7	1.3	5.2	2.8	-32.4
Total sales	11.5	25.0	13.0	14.1	-42.6
Investment in construction	8.2	8.1	7.0	4.5	-53.8
Investment in machinery, equipment, and tools	14.9	19.7	20.8	24.3	-55.4
Staff numbers	2.6	-6.3	-6.4	-8.3	-44.8

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

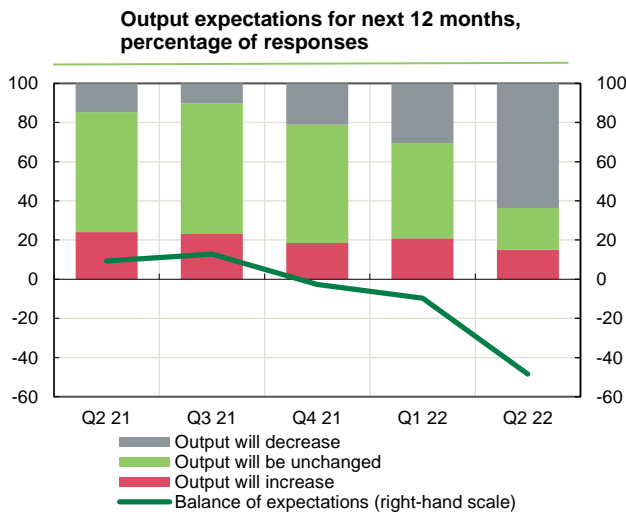


Figure 2

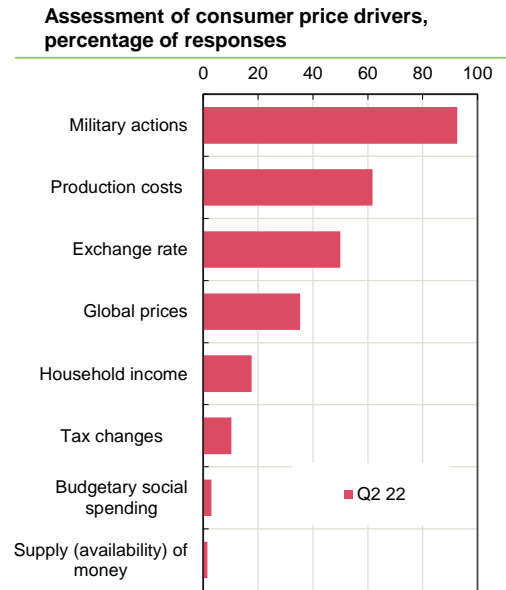


Figure 3

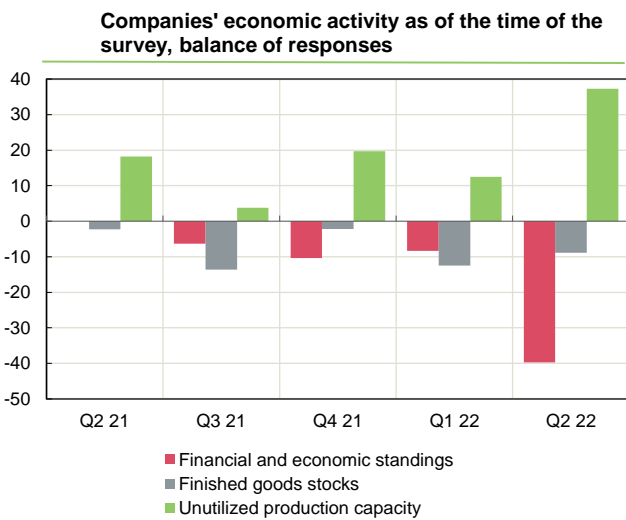


Figure 4

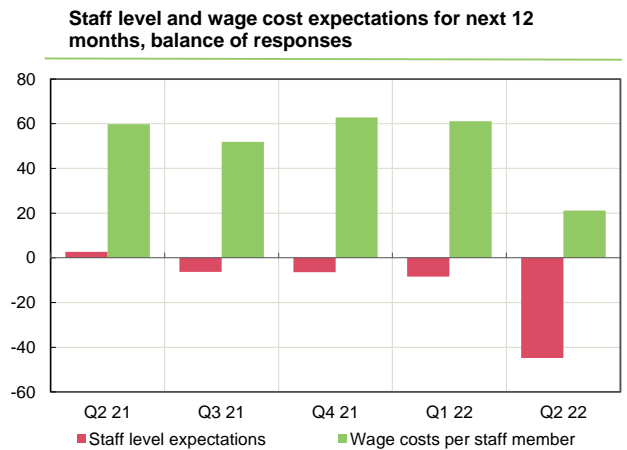


Figure 5

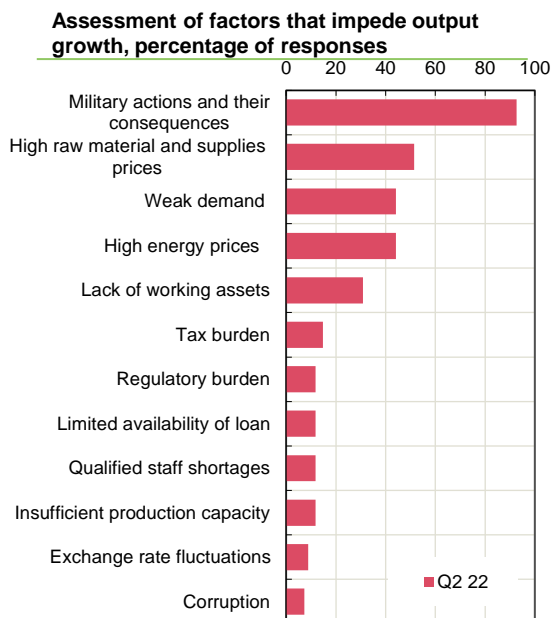


Figure 6

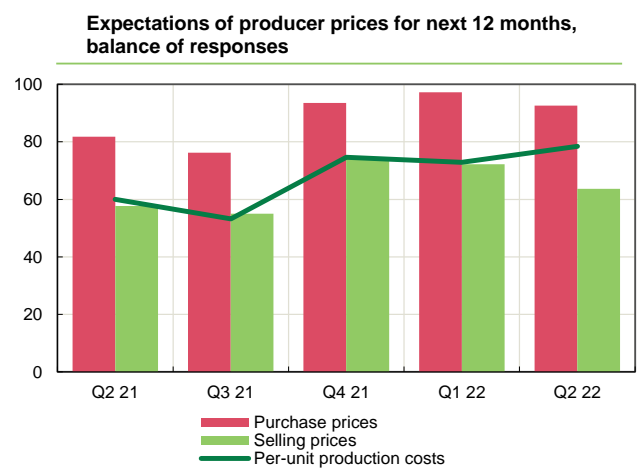


Figure 7

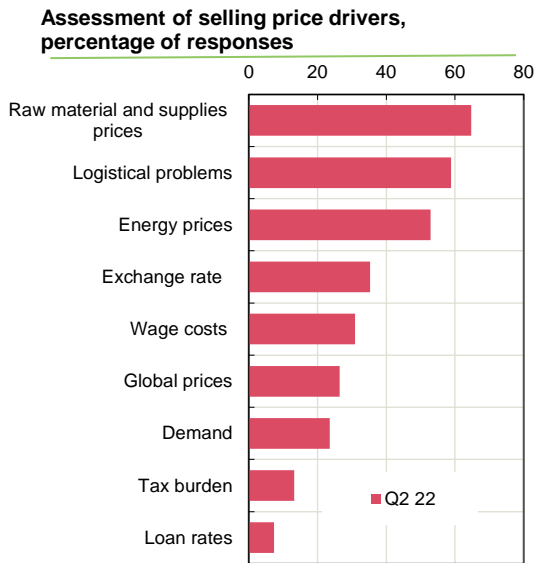


Figure 8

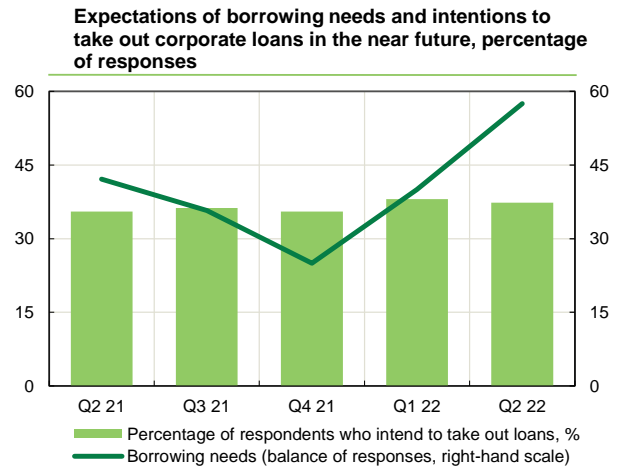


Figure 9

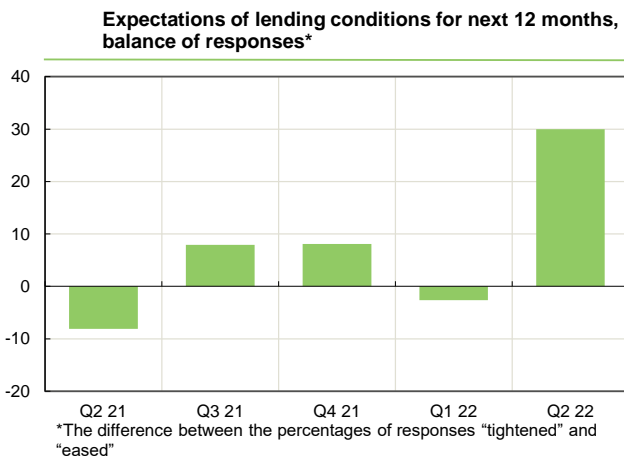


Figure 10

