National Bank of Ukraine

Business Outlook Survey **of Zhytomyr Oblast***

Q2 2023

*This survey only reflects the opinions of respondents in Zhytomyr oblast (top managers of companies) who were polled in Q2 2023, and does not represent NBU forecasts or estimates

A survey of companies carried out in Zhytomyr oblast in Q2 2023 showed that, on the back of the restoration of the energy system, the gradual revival of domestic demand and the strengthening of the hryvnia exchange rate, respondents expected an increase in the output of Ukrainian goods and services. They also had positive expectations for their companies' performance over the next 12 months. Inflation and depreciation expectations weakened**.**

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

- **the output of Ukrainian goods and services would increase** (such expectations were reported for the first time since Q3 2021): the balance of expectations was 15.4% compared to (-38.5%) in the previous quarter (Figure 1). Across Ukraine, the balance of responses was 17.0%
- **prices for consumer goods and services would increase much more slowly**: 61.5% of respondents expected that the inflation rate would exceed 15.0% compared to 92.3% in the previous quarter and 53.4% across Ukraine. Respondents referred to military actions, production costs, the hryvnia exchange rate and household income **as the main inflation drivers** (Figure 2)
- **the domestic currency would depreciate more slowly:** 69.2% of respondents expected the hryvnia to weaken against the US dollar, compared to 84.6% in Q1 2023. The figure across Ukraine was (72.2%)
- **the financial and economic standings of their companies would improve:** the balance of expectations was 30.8% – which was among the firmest expectations reported across the regions – compared to 25.0% in the previous quarter (see Table). Across Ukraine the balance of responses was 9.6%
- **total sales would increase more slowly:** the balance of responses was 30.8%, compared to 66.7% in Q1 2023. Across Ukraine, the balance of responses was 14.5%
- **investment** in construction and in machinery, equipment, and tools **would increase at a slower pace:** the balances of responses were 11.1% and 10.0% respectively, compared to 20.0% and 30.0% respectively in the previous quarter. The balances of responses across Ukraine were (-2.3%) and 4.2% respectively
- **staff numbers would increase**: the balance of responses was 7.7%, as in the previous quarter (Figure 4). Across Ukraine, companies expected that their staff numbers would decrease moderately, the balance of responses was (-3.8%)
- **both purchase and selling prices would rise at a slower pace**: the balances of responses were 92.3% and 69.2% respectively, compared to 100.0% and 92.3% respectively in Q1 2023 (Figure 6). Raw material and supplies prices, energy prices and wage costs were cited as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would rise more slowly:** the balances of responses were 84.6% and 53.8% respectively (compared to 92.3% and 76.9% in Q1 2023 respectively) (Figures 4 and 6).

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

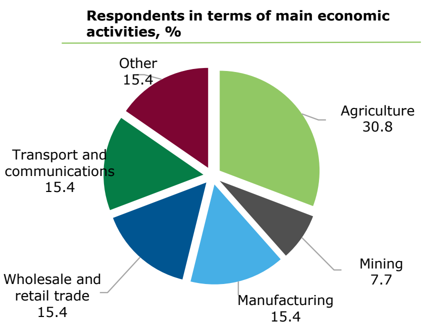
Respondents said that their borrowing needs would continue to increase in the near future (Figure 8). The respondents who planned to take out loans (the share rose to 58.3% of those surveyed) opted only for domestic currency ones. Respondents referred to high interest rates and complicated paperwork (the impact of the latter driver was reported to have increased) as the main factors deterring them from taking out loans (Figure 9).

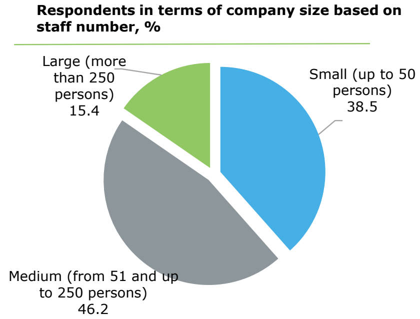
All of the respondents said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (compared to 94.9% across Ukraine).

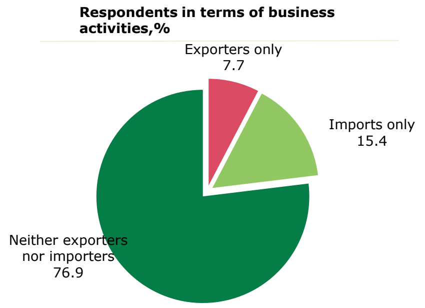
Assessments of financial and economic standings as of the time of the survey (Figure 3)

- **Companies assessed their current financial and economic standings** as **bad:** the balance of responses was (-15.4%), as in the previous quarter. Across Ukraine, the balance of responses was (-11.1%).
- **Finished goods stocks had decreased and were assessed as lower than normal**: the balance of responses was (-12.5%), down from 0.0% in Q1 2023.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand**: the balance of responses was 7.7%, compared to 0.0% in the previous quarter.

Survey Details[1,2]

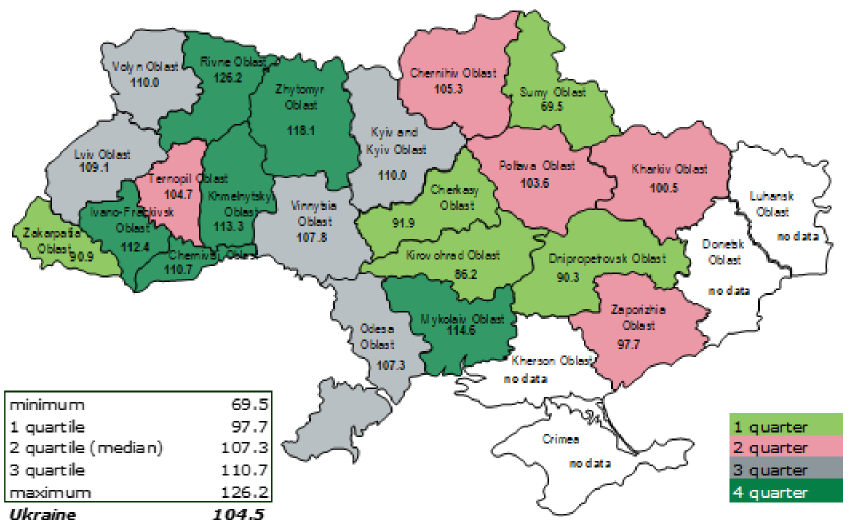






- Period: 3 May through 26 May 2023.
- A total of 13 companies were polled.
- A representative sample was generated on the basis of the agricultural sector.

Business Outlook Index for Next 12 Months in Terms of Oblasts[3], %



*a 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 Zhytomyr Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23
Financial and economic standings	-25.0	16.7	-15.4	25.0	30.8
Total sales	-9.1	50.0	15.4	66.7	30.8
Investment in construction	-28.6	0.0	-9.1	20.0	11.1
Investment in machinery, equipment, and tools	-14.3	0.0	-9.1	30.0	10.0
Staff numbers	-33.3	8.3	7.7	7.7	7.7

[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

Output expectations for next 12 months, percentage of responses

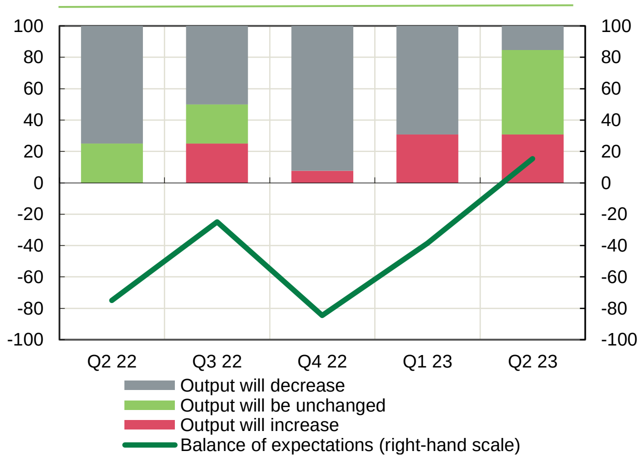


Figure 2

Assessment of consumer price drivers, percentage of responses

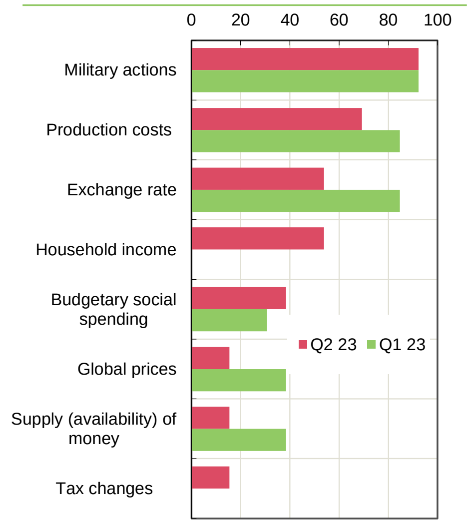


Figure 3

Companies' economic activity as of the time of the survey, balance of responses

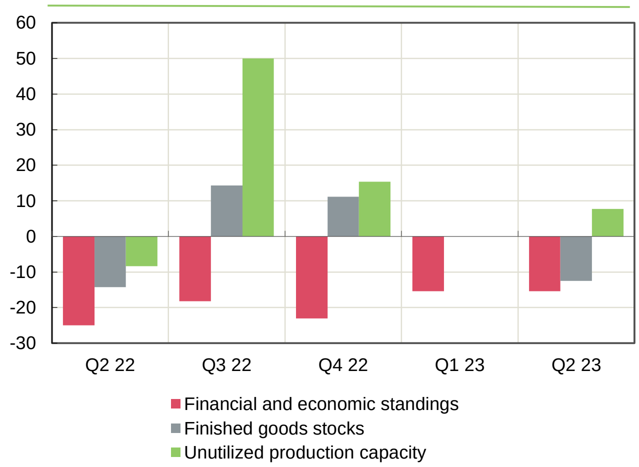


Figure 4

Staff level and wage cost expectations for next 12 months, balance of responses

Figure 5

Assessment of factors that impede output growth, percentage of responses

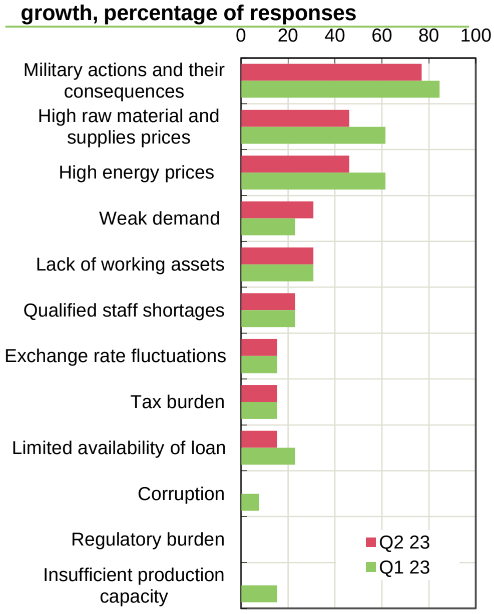


Figure 6

Expectations of producer prices for next 12 months, balance of responses

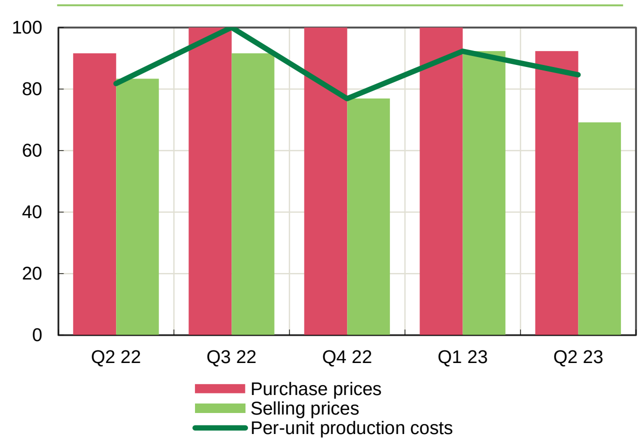


Figure 7

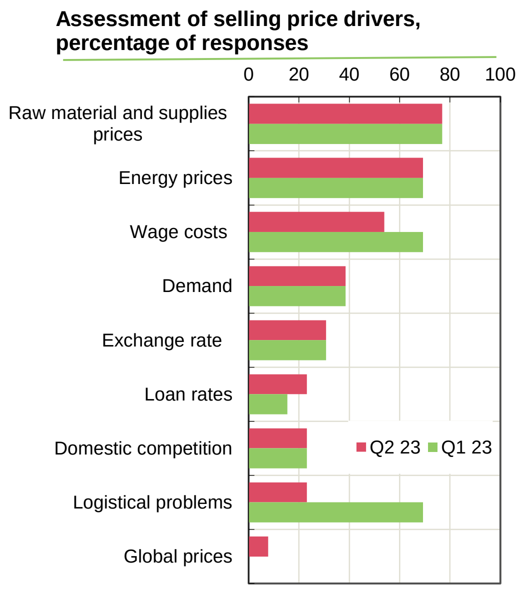


Figure 8

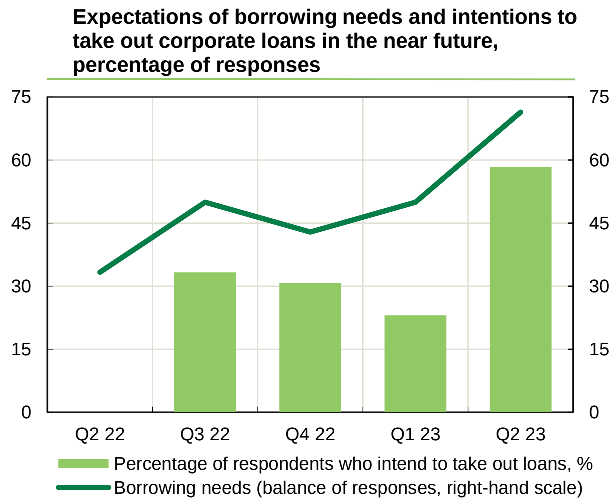


Figure 9