



National Bank
of Ukraine

Business Outlook Survey of Kyiv and Kyiv Oblast*

Q1 2022

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



*This survey only reflects the opinions of respondents in Kyiv and Kyiv 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 Kyiv and Kyiv oblast in Q1 2022 shows that on the eve of the war respondents continued to expect the output of Ukrainian goods and services to grow over the next 12 months. Respondents had positive expectations for the performance of their companies over that period. They expected higher inflation and stronger depreciation of the domestic currency.

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

- **the output of Ukrainian goods and services would grow:** the balance of responses was 4.4%, compared to 11.1% in Q4 2021 (Figure 1). Overall, across Ukraine respondents expected a decrease in the output of goods and services (-1.7%). Respondents from transport and communications companies had the most optimistic expectations (the balance of responses was 26.9%)
- **prices for consumer goods and services would rise at a faster pace:** 73.5% of respondents expected that the inflation rate would exceed 7.5%, compared to 63.3% in the previous quarter and 67.7% across Ukraine. Respondents referred to the hryvnia exchange rate, production costs, and global prices as the main inflation drivers (Figure 2)
- **the hryvnia would depreciate more:** 85.6% of respondents (compared to 74.0% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 81.6%
- **the financial and economic standings of their companies would improve:** the balance of responses was 13.4% (compared to 20.4% in the previous quarter and 7.2% across Ukraine) (see Table). Respondents from agricultural companies had the highest expectations (the balance of responses was 28.6%)
- **total sales would increase:** the balance of responses was 21.3%, compared to 33.0% in the previous quarter. External sales were also expected to rise (the balance of responses was 26.1%, compared to 17.3% in Q4 2021) (see Table). Across Ukraine, the balances of responses were 17.0% and 23.3% respectively
- **investment in construction and in machinery, equipment, and tools would increase:** the balances of responses were 4.5% and 17.0% respectively, compared to 11.4% and 26.6% in the previous quarter. Across Ukraine, the balances of responses were 17.0% and 23.3% respectively
- **staff numbers would increase:** the balance of responses was 13.9%, compared to 15.6% in Q4 2021. Across Ukraine, the balance of responses was 1.5% (Figure 4). Respondents from energy and water supply companies had the highest expectations (the balance of responses was 28.6%)
- **both purchase and selling prices would grow at a fast pace:** the balances of responses were 91.0% and 71.7% respectively (compared to 87.3% and 68.4% respectively in Q4 2021) (Figure 6). Respondents from construction and trade companies had the highest expectations of a rise in selling prices (the balances of responses were 90.0% and 89.1% respectively). Respondents cited raw material and supplies prices, energy 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 increase:** the balances of responses were 65.8% and 63.5% respectively (compared to 61.7% and 70.5% respectively in Q4 2021) (Figures 4 and 6).

Respondents referred to unstable politic situation (the impact of this factor was reported to have significantly increased compared to the previous quarter), high raw material and supplies prices, and high energy prices as the main drags on the ability of their companies to boost production (Figure 5).

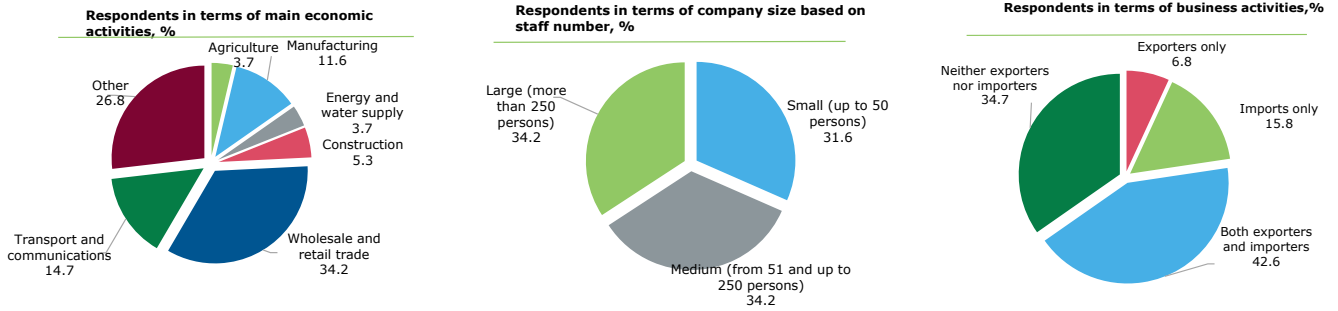
Respondents continued to expect an increase in their borrowing needs in the near future (Figure 9). The respondents who planned to take out loans (43.3% of those surveyed) usually opted for domestic currency ones. Respondents said that bank lending conditions had eased (Figure 10). Companies continued to refer to high interest rates, other funding sources, and tight collateral requirements as the main factors deterring them from taking out loans (Figure 11).

A total of 97.8% 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)

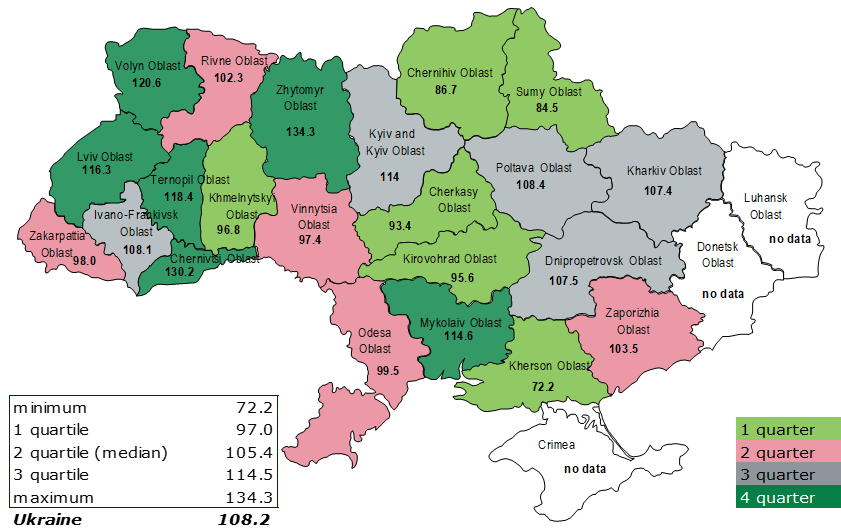
- **Companies assessed their current financial and economic standings as good:** the balance of responses was 19.0% (compared to 18.0% in Q4 2021). The best assessments were reported by respondents from trade companies. Across Ukraine, the balance of responses was 6.6%.
- **Finished goods stocks were assessed at a level higher than the normal one:** the balance of responses was 1.4%, compared to (-2.7%) in Q4 2021.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 3.7% compared to (-4.3%) in Q4 2021.

Survey Details^{1,2}



- Period: 31 January through 23 February 2022.
- A total of 190 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, the manufacturing industry, energy and water supply, construction, 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
³**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 Kyiv and Kyiv 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	19.7	24.6	19.2	20.4	13.4
Total sales	24.4	29.5	38.5	33.0	21.3
Investment in construction	2.1	6.8	8.6	11.4	4.5
Investment in machinery, equipment, and tools	10.9	17.8	16.1	26.6	17.0
Staff numbers	3.4	8.2	15.9	15.6	13.9

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

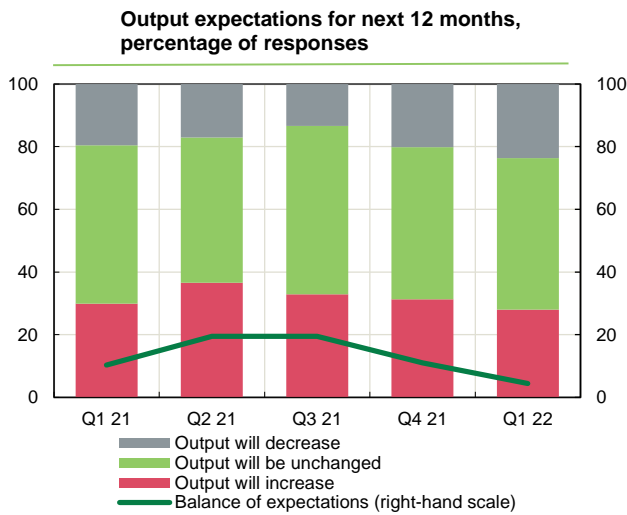


Figure 2

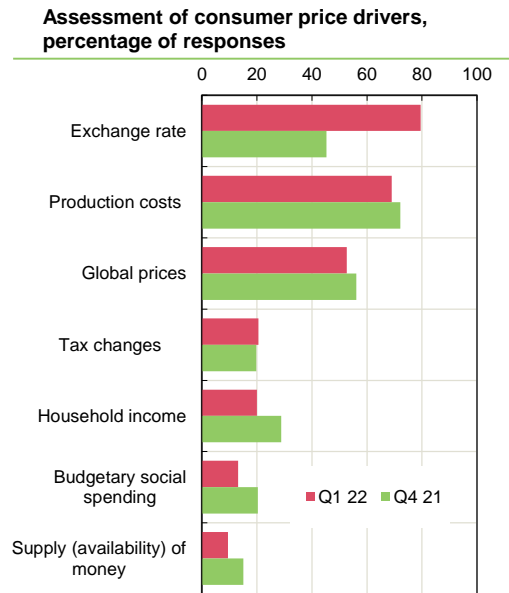


Figure 3

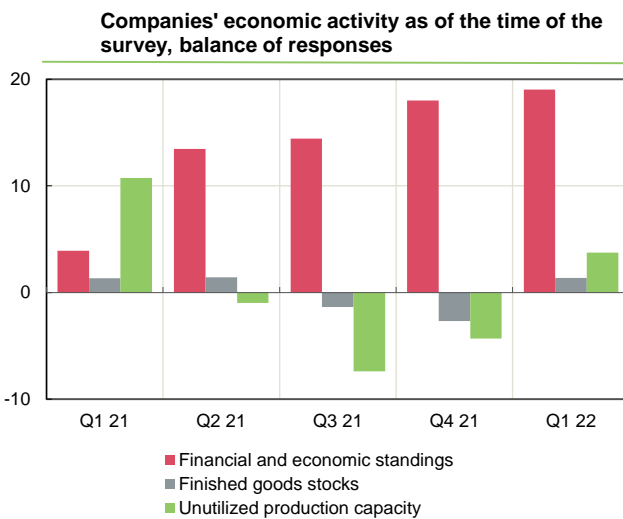


Figure 4

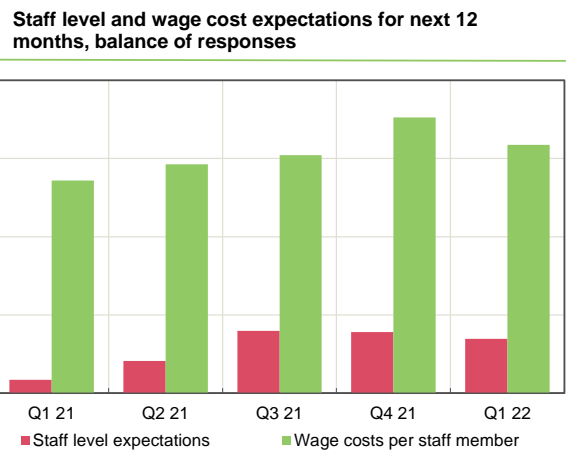


Figure 5

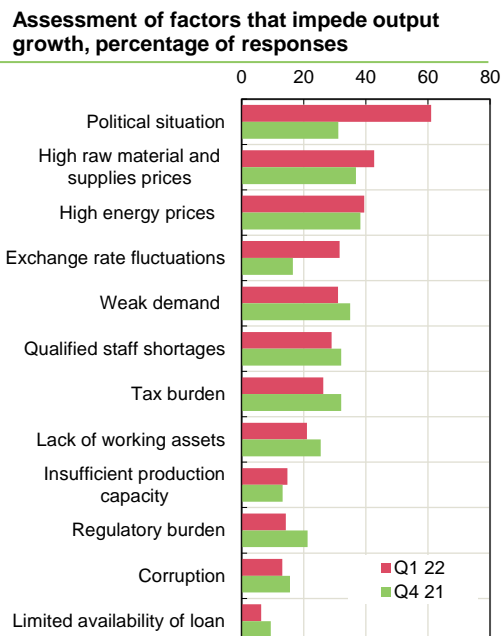


Figure 6

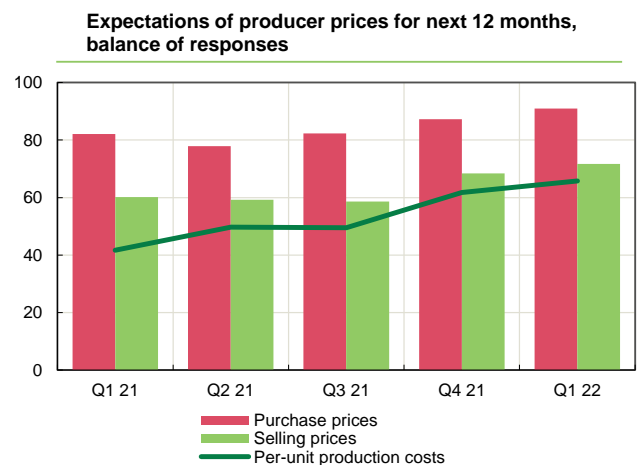


Figure 7

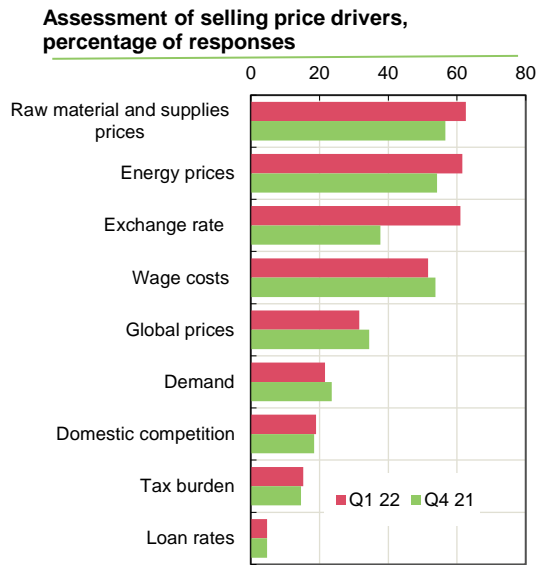


Figure 8

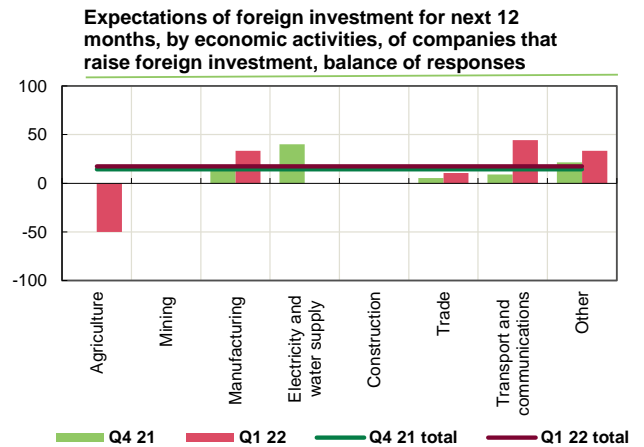


Figure 9

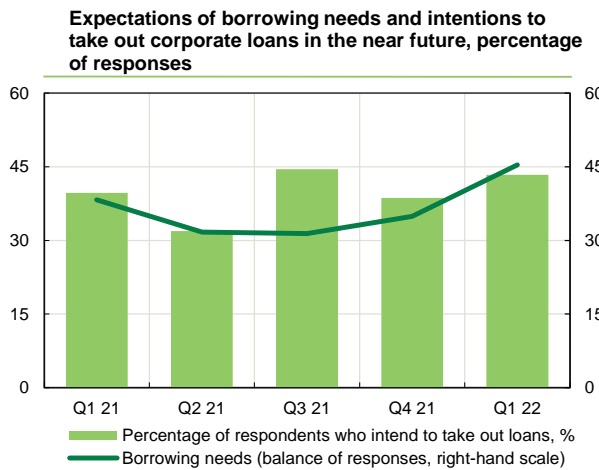


Figure 10

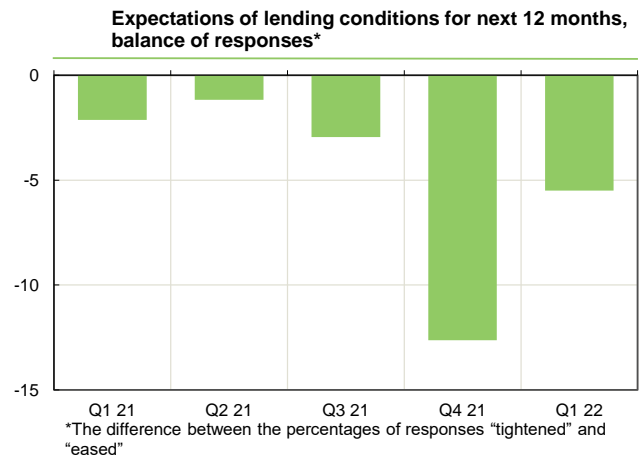


Figure 11

