



National Bank  
of Ukraine

# Business Outlook Survey of **Kyiv and Kyiv Oblast**\*

Q3 2022



\*This survey only reflects the opinions of respondents in Kyiv and Kyiv oblast (top managers of companies) who were polled in Q3 2022, and does not represent NBU forecasts or estimates

A survey of companies carried out in **Kyiv and Kyiv oblast** in **Q3 2022** shows that against the background of the war respondents continued to expect **the output of Ukrainian goods and services to drop** over the next 12 months. **Respondents also had negative expectations for the performance of their companies** over that period. They expected higher inflation. Depreciation expectations remained strong.

#### 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 responses was (-33.7%), compared to (-39.5%) in Q2 2022 (Figure 1), and (-37.9%) across Ukraine. Respondents from trading companies had the most pessimistic expectations (the balance of responses was (-52.1%))
- **prices for consumer goods and services would rise at a faster pace:** 78.3% of respondents expected that the inflation rate would exceed 20.0%, compared to 60.5% in the previous quarter and 71.7% across Ukraine. Respondents referred to military actions, the hryvnia exchange rate and production costs **as the main inflation drivers** (Figure 2)
- **the hryvnia would depreciate:** 88.3% of respondents (compared to 86.8% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 88.8%
- **the financial and economic standings of their companies would deteriorate:** the balance of responses was (-12.4%) (compared to (-2.7%) in the previous quarter and (-15.1%) across Ukraine) (see Table). Respondents from construction companies had the lowest expectations (the balance of responses was (-55.6%))
- **total sales would decrease:** the balance of responses was (-5.4%), compared to (-10.8%) in the previous quarter. External sales were expected to drop more slowly (the balance of responses was (-5.9%), compared to (-30.7%) in Q2 2022) (see Table). Across Ukraine, the balances of responses were (-7.2%) and (-7.8%) respectively
- **investment in construction and in machinery, equipment, and tools would decrease:** the balances of responses were (-26.9%) and (-26.1%) respectively, compared to (-28.0%) and (-29.8%) in the previous quarter. Across Ukraine, the balances of responses were (-29.3%) and (-25.3%) respectively
- **staff numbers would decrease:** the balance of responses was (-21.7%), compared to (-29.5%) in Q2 2022. Across Ukraine, the balance of responses was (-25.5%) (Figure 4). Respondents from construction companies had the most pessimistic expectations (the balance of responses was (-33.3%))
- **both purchase and selling prices would grow** at a fast pace: the balances of responses were 94.6% and 73.6% respectively (compared to 89.1% and 65.8% respectively in Q2 2022) (Figure 6). Respondents from agricultural companies had the highest expectations of a rise in selling prices (the balance of responses was 83.3%). Respondents cited the hryvnia exchange rate, raw material and supplies prices, and energy prices as the main selling price drivers (Figure 7)
- **per-unit production costs would increase:** the balance of responses was 64.0% (compared to 65.7% in the previous quarter). At the same time, respondents in the oblast expected **wage costs per staff member** to increase more quickly: the balance of responses was 29.4% (compared to 8.2% in Q2 2022) (Figures 4 and 6).

Respondents referred to military actions and their consequences, hryvnia exchange rate fluctuations (the impact of this factor was reported to have increased) and weak demand as the **main drags on the ability of their companies to boost production** (Figure 5).

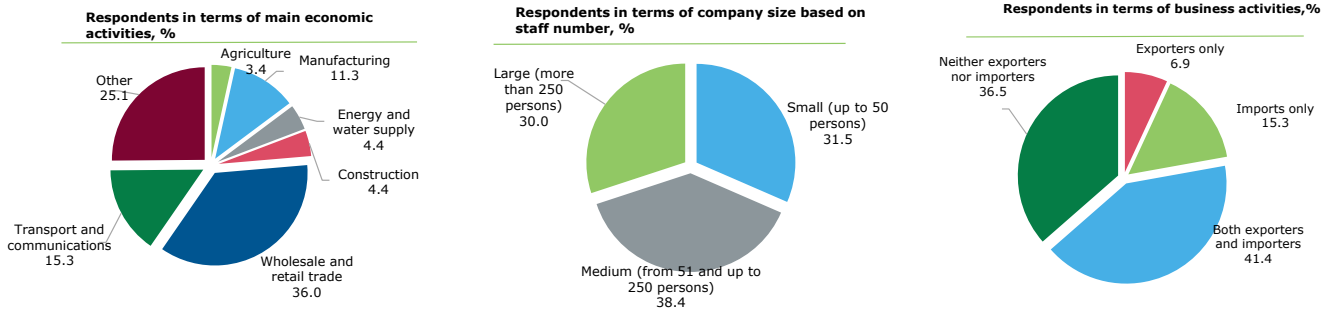
Respondents continued to expect **an increase in their borrowing needs** in the near future (Figure 9). The respondents who planned to take out loans (41.4% of those surveyed) usually opted for domestic currency ones. Respondents said that bank lending conditions had tightened (Figure 10). Companies referred to high interest rates, other funding sources, strict collateral requirements and hryvnia exchange rate fluctuations as the main factors deterring them from taking out loans (Figure 11).

A total of **91.5% of respondents** said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (94.1% across Ukraine).

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

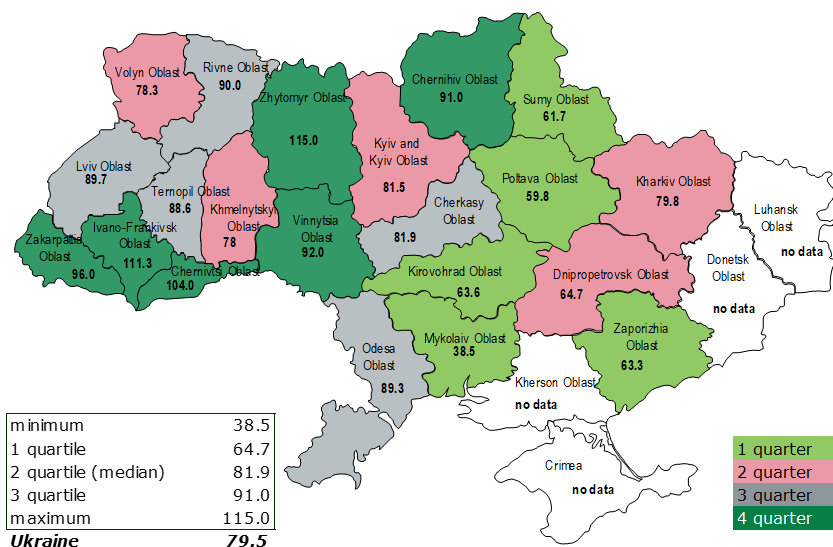
- **Companies assessed their current financial and economic standings as bad:** the balance of responses was (-17.3%) (compared to (-30.1%) in Q2 2022). The lowest assessments were reported by respondents from construction companies (-66.7%). Across Ukraine, the balance of responses was (-21.8%).
- **Finished goods stocks were assessed at a level lower than the normal one:** the balance of responses was (-12.5%), compared to (19.2%) in Q2 2022.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 18.5% compared to 23.2% in Q2 2022.

Survey Details<sup>1,2</sup>



- Period: 1 August through 31 August 2022.
- A total of 203 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 Oblasts<sup>3</sup>, %



<sup>3</sup>a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups  
<sup>3</sup>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, %				
	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22
Financial and economic standings	19.2	20.4	13.4	-2.7	-12.4
Total sales	38.5	33.0	21.3	-10.8	-5.4
Investment in construction	8.6	11.4	4.5	-28.0	-26.9
Investment in machinery, equipment, and tools	16.1	26.6	17.0	-29.8	-26.1
Staff numbers	15.9	15.6	13.9	-29.5	-21.7

<sup>1</sup> This sample was generated in proportion to the contribution of each oblast and each economic activity to Ukraine's gross value added.

<sup>2</sup> Data for totals and components may be subject to rounding effects.

<sup>3</sup> 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

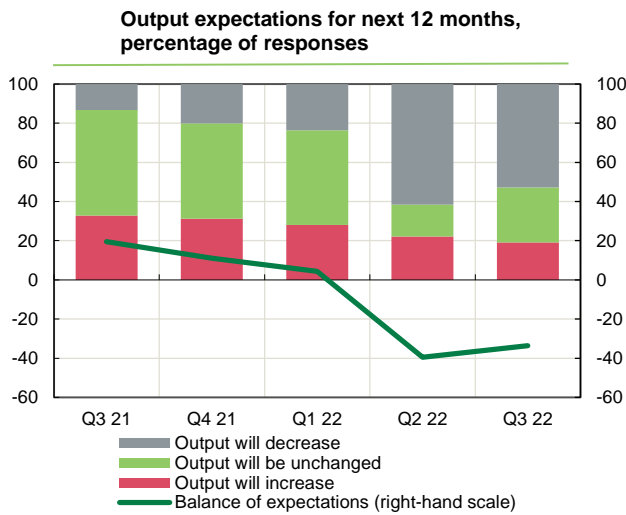


Figure 2

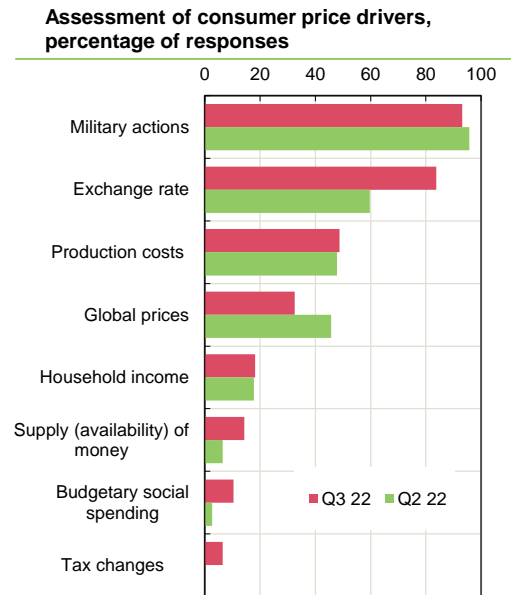


Figure 3

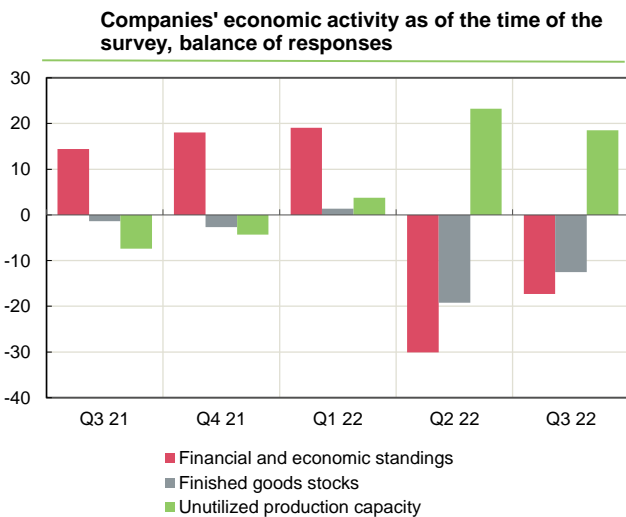


Figure 4

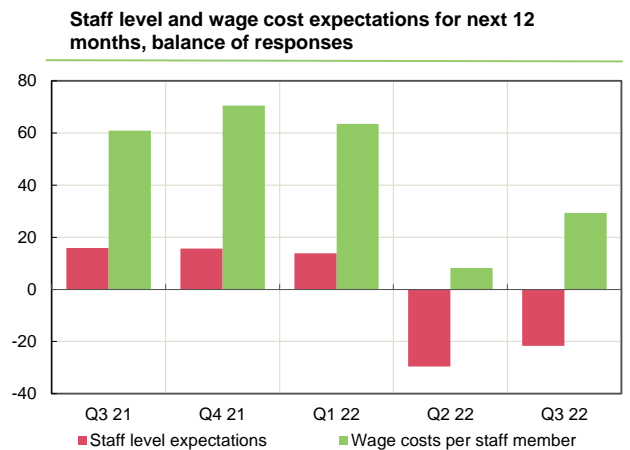


Figure 5

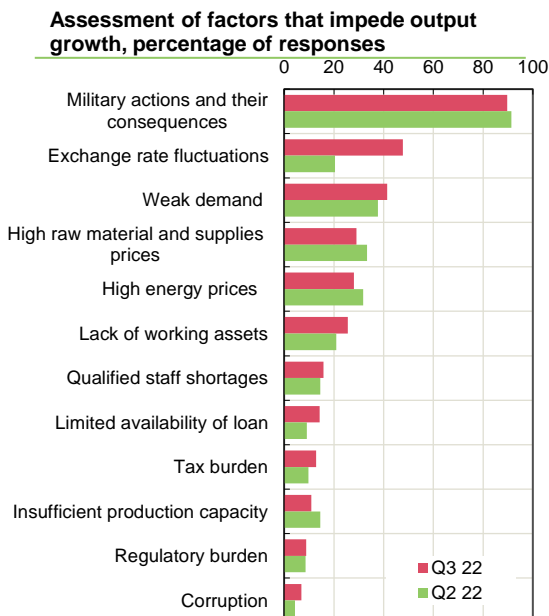


Figure 6

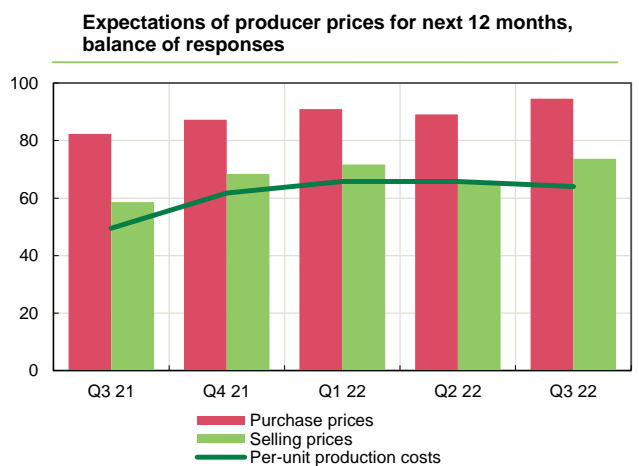


Figure 7

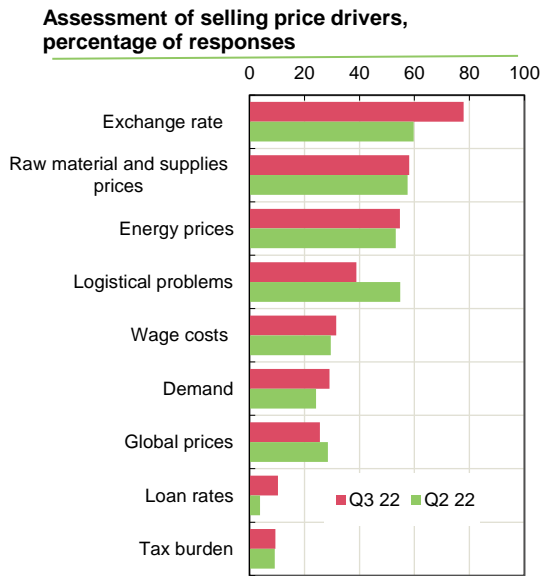


Figure 8

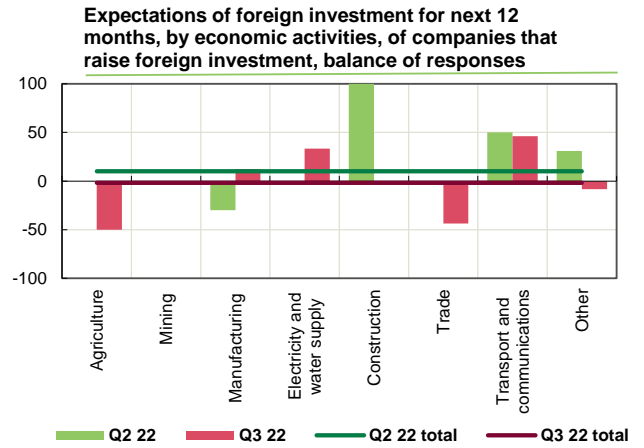


Figure 9

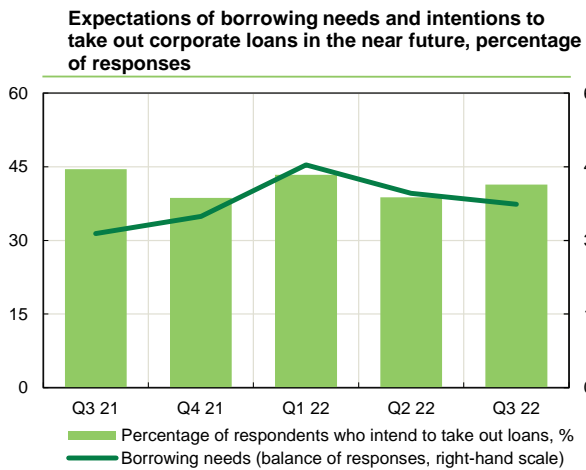


Figure 10

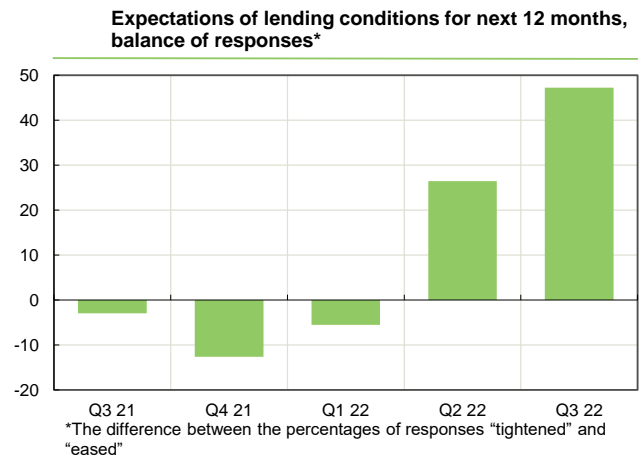


Figure 11

