



National Bank
of Ukraine

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

Q1 2023



*This survey only reflects the opinions of respondents in Kyiv and Kyiv oblast (top managers of companies) who were polled in Q1 2023, and does not represent NBU forecasts or estimates

A survey of companies carried out in **Kyiv and Kyiv oblast** in **Q1 2023** shows that despite prolonged hostilities and missile attacks on civilian infrastructure respondents **softened their expectations for a drop in the output of Ukrainian goods and services** over the next 12 months. Respondents also reported **positive expectations for their companies' performance** over this period. They expected slower 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 much more slowly:** the balance of responses was (-5.6%), compared to (-27.1%) in Q4 2022 (Figure 1) and (-16.7%) across Ukraine. Respondents from energy and water supply companies had the most optimistic expectations, with a balance of responses of 22.2%. Meanwhile, respondents from agricultural companies had the dimmest expectations (the balance of responses was (-50.0%))
- **prices for consumer goods and services would rise more slowly:** 54.0% of respondents expected that the inflation rate would exceed 20.0%, compared to 63.1% in the previous quarter and 53.2% across Ukraine. Respondents continued to refer to military actions, the hryvnia exchange rate and production costs **as the main inflation drivers** (Figure 2)
- **the hryvnia would depreciate:** 84.3% of respondents (compared to 91.1% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 83.2%
- **the financial and economic standings of their companies would improve:** the balance of responses was 2.0% (compared to (-4.4%) in the previous quarter and (-2.5%) across Ukraine) (see Table). Respondents from energy and water supply companies had the highest expectations (the balance of responses was 22.2%)
- **total sales would increase:** the balance of responses was 6.6%, compared to (-8.7%) in the previous quarter. External sales were also expected to rise (the balance of responses was 1.2%, compared to (-9.3%) in Q4 2022) (see Table). Across Ukraine, the balances of responses were 2.8% and 2.0% respectively
- **investment in construction and in machinery, equipment, and tools would decrease:** the balances of responses were (-10.4%) and (-8.1%) respectively compared to (-20.7%) and (-9.7%) respectively (see Table). Across Ukraine, the balances of responses were (-17.8%) and (-10.3%) respectively
- **staff numbers would drop:** the balance of responses was (-16.5%), compared to (-15.8%) in Q4 2022. Across Ukraine, the balance of responses was (-16.4%) (Figure 4). Respondents from construction companies had the dimmest expectations (the balance of responses was (-44.4%)). At the same time, respondents from energy and water supply companies reported intentions to expand their staff numbers (the balance of responses was 11.1%)
- **both purchase and selling prices would grow** at a fast pace: the balances of responses were 88.1% and 65.2% respectively (compared to 94.1% and 72.5% respectively in Q4 2022) (Figure 6). Respondents from construction companies had the highest expectations of a rise in selling prices (the balance of responses was 88.9%). 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 and wage costs per staff member would increase:** the balances of responses were 64.6% and 37.5% respectively (compared to 67.8% and 39.6% in the previous quarter) (Figures 4 and 6).

Respondents referred to military actions and their consequences, weak demand and high raw material and supplies prices as the **main drags on the ability of their companies to boost production** (Figure 5).

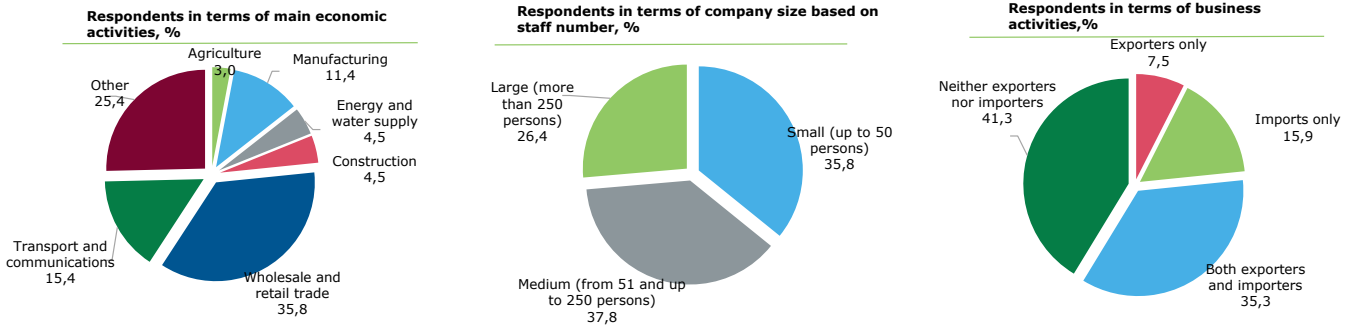
Respondents reported **lower expectations of an increase in their borrowing needs** in the near future (Figure 9). The respondents who planned to take out loans (35.3% of those surveyed) usually opted for domestic currency ones. Respondents improved their expectations for lending conditions, but still described these conditions as tight (Figure 10). Companies referred to high interest rates, collateral requirements and other funding sources as the main factors deterring them from taking out loans (Figure 11).

A total of **93.5% of respondents** said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (94.7% across Ukraine).

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

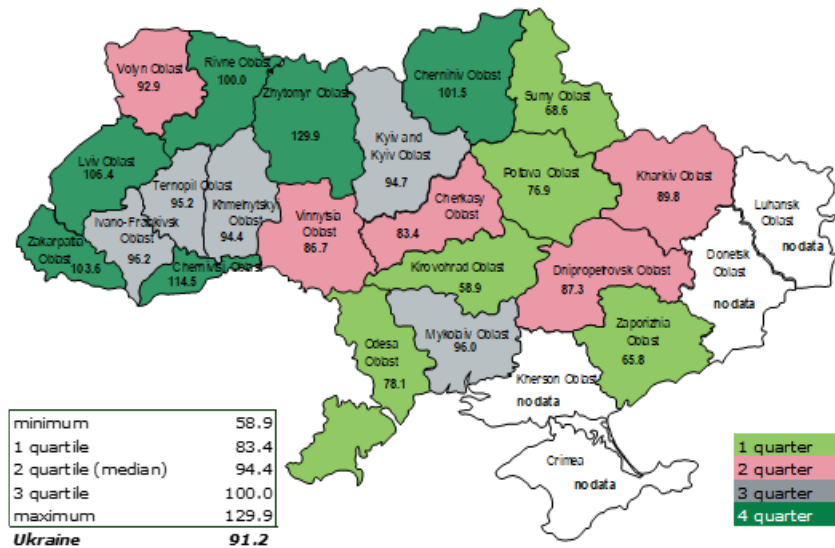
- **Companies assessed their current financial and economic standings as bad:** the balance of responses was (-7.0%) (compared to (-13.6%) in Q4 2022). The lowest assessments were reported by respondents from construction companies (-44.4%). Across Ukraine, the balance of responses was (-16.9%).
- **Finished goods stocks were assessed at a level lower than the normal one:** the balance of responses was (-14.3%), compared to (-21.4%) in Q4 2022.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 11.2% compared to 10.8% in Q4 2022.

Survey Details^{1,2}



- Period: 30 January through 27 February 2023.
- A total of 201 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
^{**}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 22	Q2 22	Q3 22	Q4 22	Q1 23
Financial and economic standings	13,4	-2,7	-12,4	-4,4	2,0
Total sales	21,3	-10,8	-5,4	-8,7	6,6
Investment in construction	4,5	-28,0	-26,9	-20,7	-10,4
Investment in machinery, equipment, and tools	17,0	-29,8	-26,1	-9,7	-8,1
Staff numbers	13,9	-29,5	-21,7	-15,8	-16,5

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

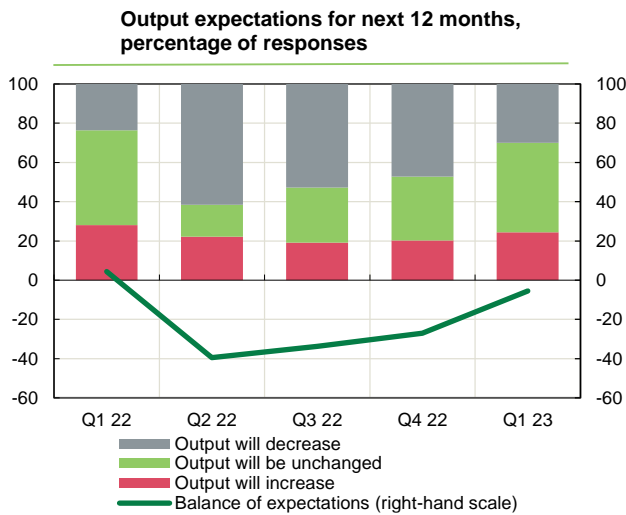


Figure 2

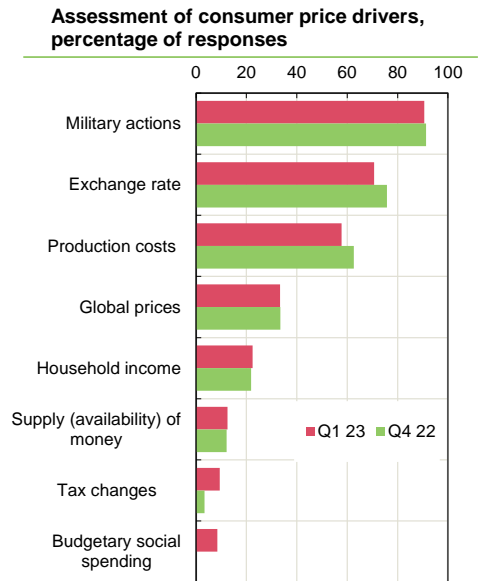


Figure 3

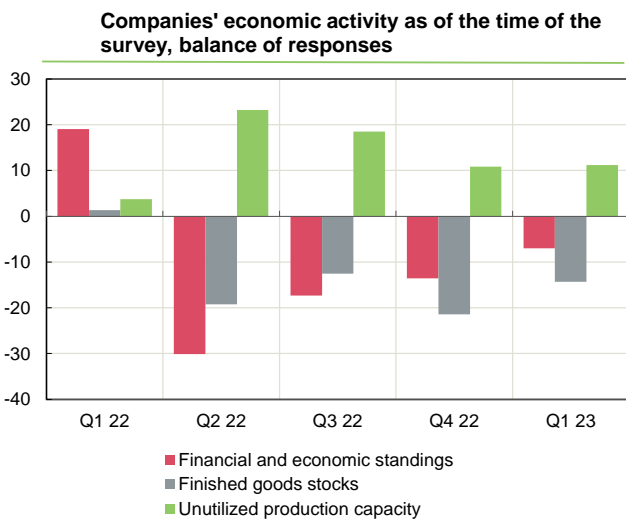


Figure 4

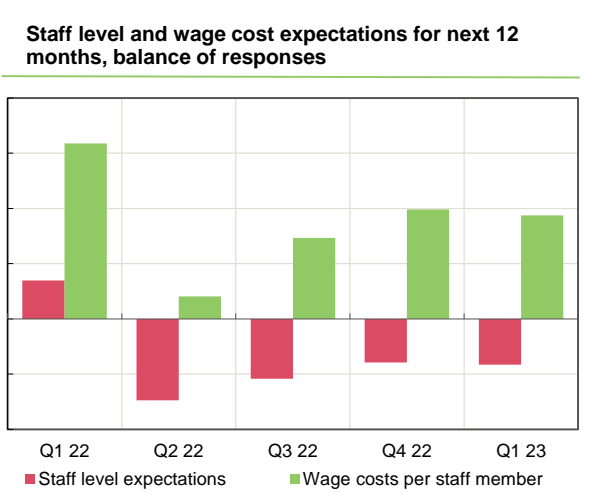


Figure 5

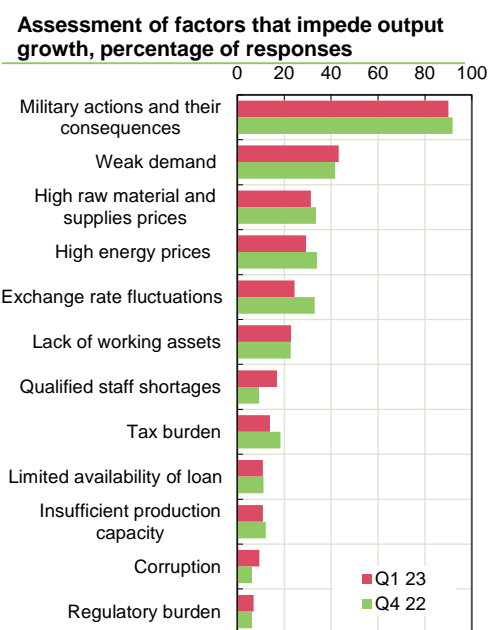


Figure 6

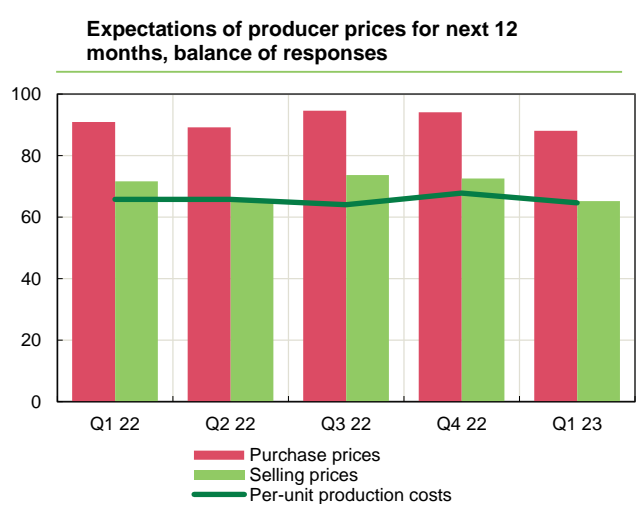


Figure 7

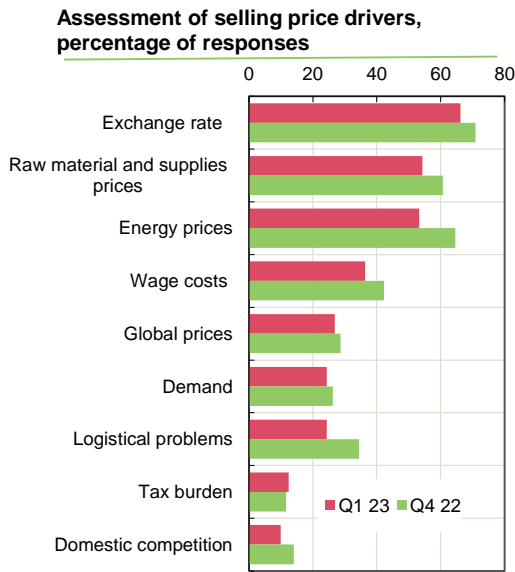


Figure 8

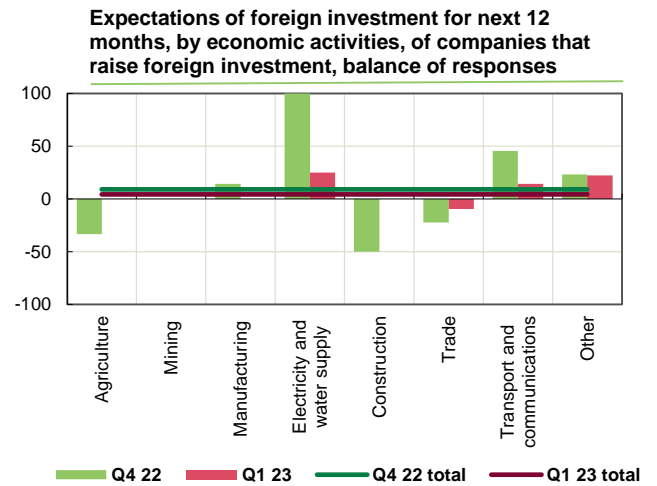


Figure 9

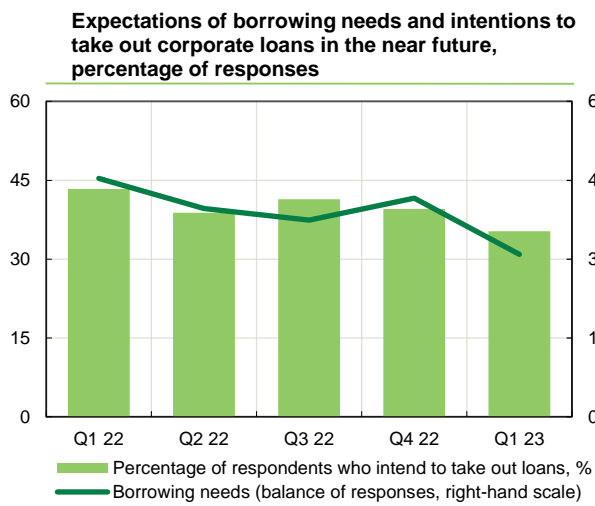


Figure 10

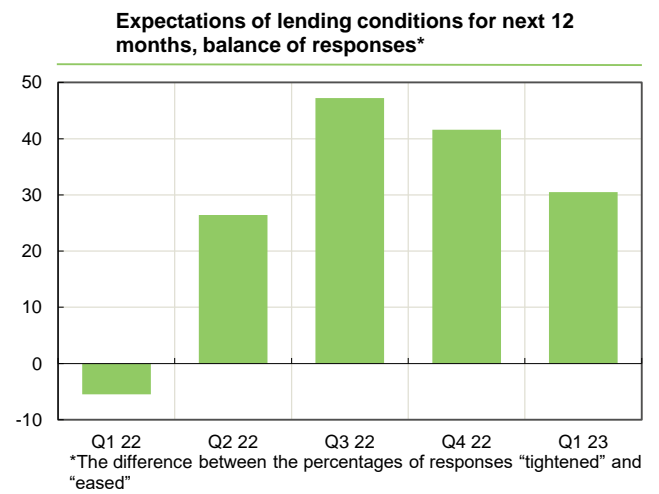


Figure 11

