National Bank of Ukraine

Business Outlook Survey **of Kirovohrad Oblast** *

Q3 2022

*This survey only reflects the opinions of respondents in Kirovohrad 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 Kirovohrad oblast in Q3 2022 showed that despite the war respondents softened their expectations of a decrease in the output of Ukrainian goods and services over the next 12 months**. Respondents also reported less negative expectations for their companies' performance** over this period. Companies expected higher inflation. Hryvnia 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 drop at a much slower pace:** the balance of expectations was (-36.4%) compared to (-72.7%) in the previous quarter (Figure 1), the balance of responses across Ukraine being (-37.9%)
- **prices for consumer goods and services would grow**: 54.5% of respondents expected that the inflation rate would exceed 20.0% (compared to 36.4% in the previous quarter and 71.7% across Ukraine). Respondents continued to refer to military actions, production costs and the hryvnia exchange rate as **the main inflation drivers** (Figure 2)
- **the domestic currency would depreciate**: 81.8% of respondents (compared to 90.9% 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 at a slower pace:** the balance of expectations was (-27.3%) compared to (-36.4%) in the previous quarter (see Table) and (-15.1%) across Ukraine
- **total sales would drop at a slower pace**: the balance of responses was (-18.2%) compared to (-54.5%) in Q2 2022 (see Table). Overall, across Ukraine, the balance of responses was (-7.2%)
- **investment in construction would decrease:** the balance of responses was (-54.5%), as in the previous quarter. Respondents also expected that investment in machinery, equipment and tools would drop more slowly: the balance of responses was (-36.4%) compared to (-63.6%) in Q2 2022. Across Ukraine, the balances of responses were (-29.2%) and (-25.3%) respectively
- **staff numbers at their companies would decrease**: the balance of responses was (-45.5%) compared to (-36.4%) in Q2 2022. Across Ukraine, the balance of responses was (-25.5%) (Figure 4)
- **purchase prices would rise rapidly** (the balance of responses was 100.0%). Respondents also expected that **selling prices** would rise much more quickly (the balance of responses was 72.7%) (compared to 100.0% and 27.3% respectively in the previous quarter) (Figure 6). Respondents cited energy prices, the hryvnia exchange rate (the impact of these two drivers was reported to have increased compared to the previous survey) and raw material and supplies prices as **the main selling price drivers** (Figure 7)
- **per-unit production costs and wage costs per staff member would grow more rapidly:** the balances of responses were 72.7% and 45.5% respectively (compared to 36.4% and 9.1% in the previous quarter) (Figures 6 and 4).

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

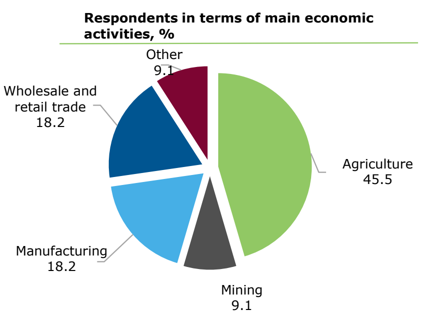
Respondents expected an increase in their borrowing needs in the near future (Figure 8). The respondents who planned to take out bank loans opted for domestic currency loans. Respondents said that bank lending standards had tightened (Figure 9). Respondents cited high interest rates (the impact of this factor was reported to have increased significantly), other funding sources and uncertainty about their ability to meet debt obligations as the main factors deterring them from taking out loans (Figure 10).

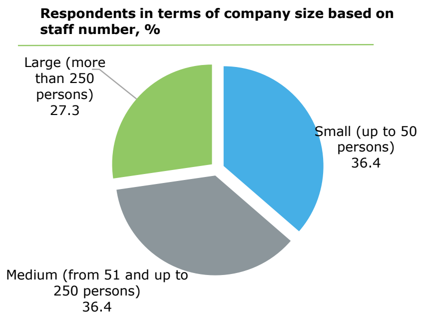
All of the respondents said that they **had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (94.1% across Ukraine).

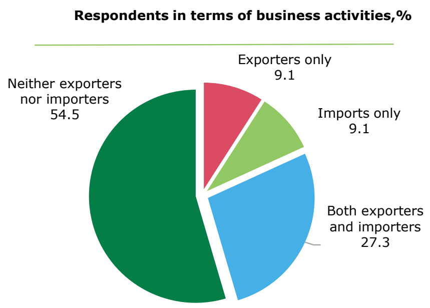
Assessments of financial and economic standings as of the time of the survey (Figure 3)

- **Companies assessed their current financial and economic standings as bad:** the balance of responses was (-9.1%) compared to (-27.3%) in Q2 2022 (Figure 3). Across Ukraine, the balance of responses was (-21.8%).
- **Finished goods stocks were assessed at lower than normal levels:** the balance of responses was (-37.5%), compared to (-33.3%) in the previous quarter.
- **Companies said they would need additional capacity to meet any unexpected rise in demand**: the balance of responses was (-9.1%) compared to 0.0% in Q2 2022.

Survey Details[1,2]

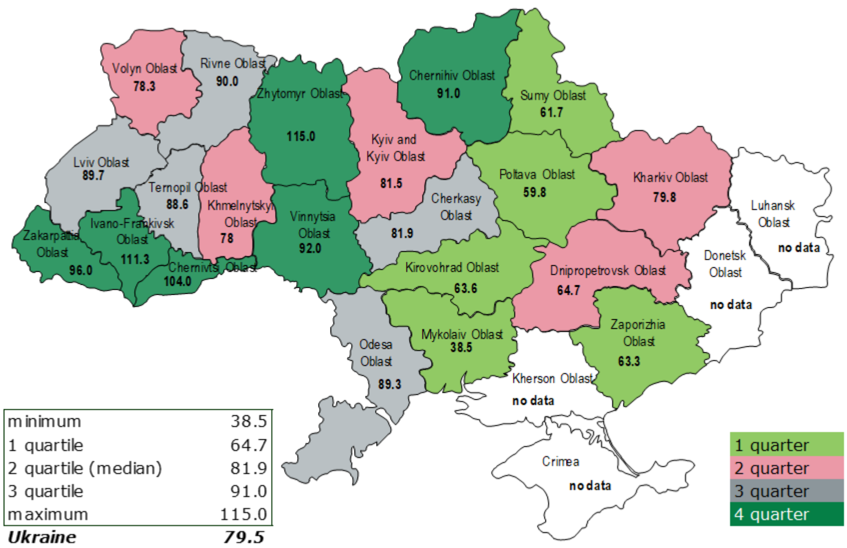






- Period: 1 August through 26 August 2022.
- A total of 11 companies were polled.
- A representative sample was generated on the basis of the agricultural sector.

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 sampled where the sample is divided into two equal-sized subgroups

Table. The Business Outlook Index of Companies in Kirovohrad 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	0.0	-8.3	-11.1	-36.4	-27.3
Total sales	0.0	0.0	-11.1	-54.5	-18.2
Investment in construction	-8.3	-8.3	-11.1	-54.5	-54.5
Investment in machinery, equipment, and tools	16.7	9.1	11.1	-63.6	-36.4
Staff numbers	-8.3	-16.7	0.0	-36.4	-45.5

[1] This sample was generated in proportion to the contribution of each region 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

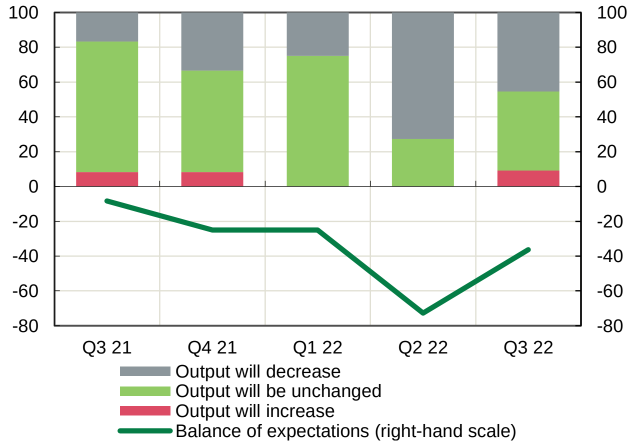


Figure 2

Assessment of consumer price drivers, percentage of responses

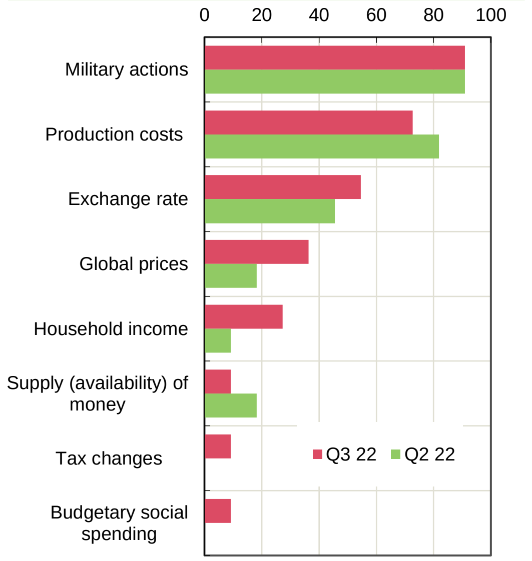


Figure 3

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

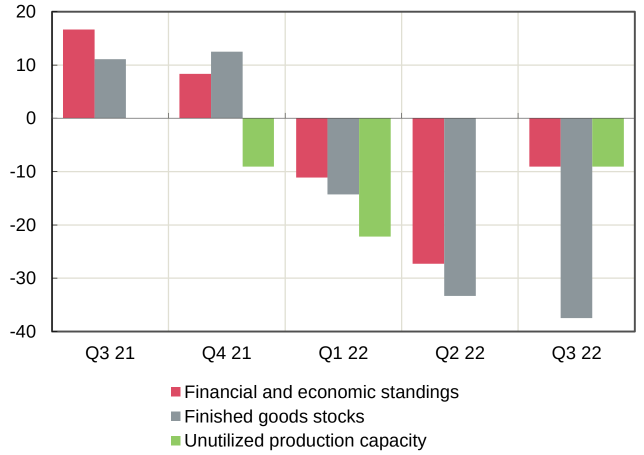


Figure 4

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

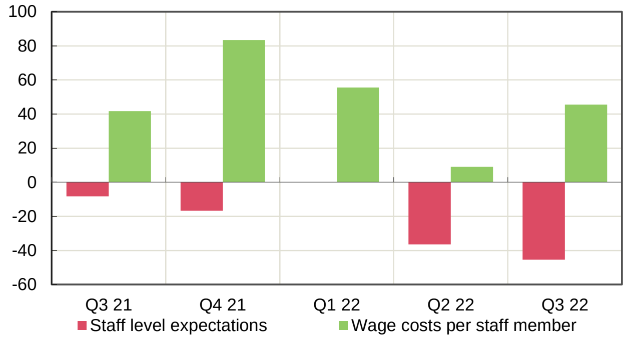


Figure 5

Assessment of factors that impede output growth, percentage of responses

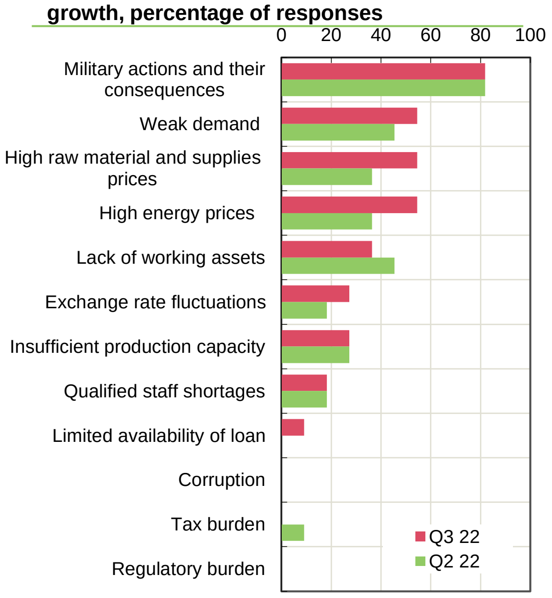


Figure 6

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

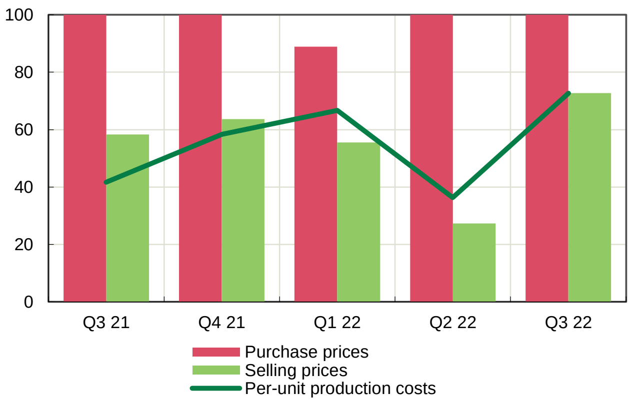


Figure 7

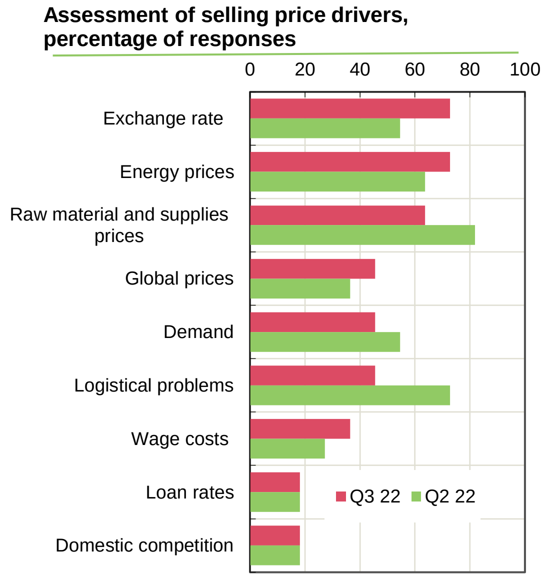


Figure 8

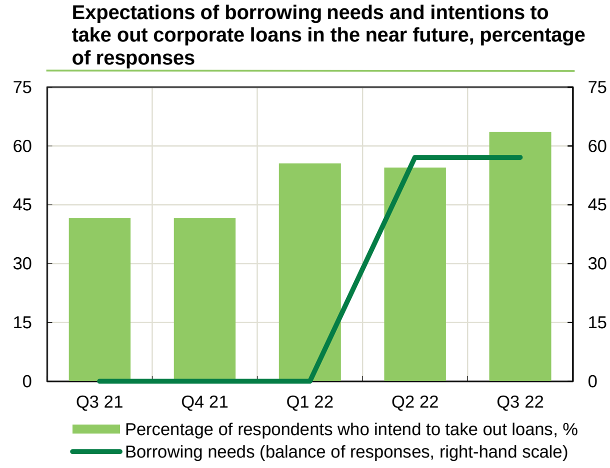
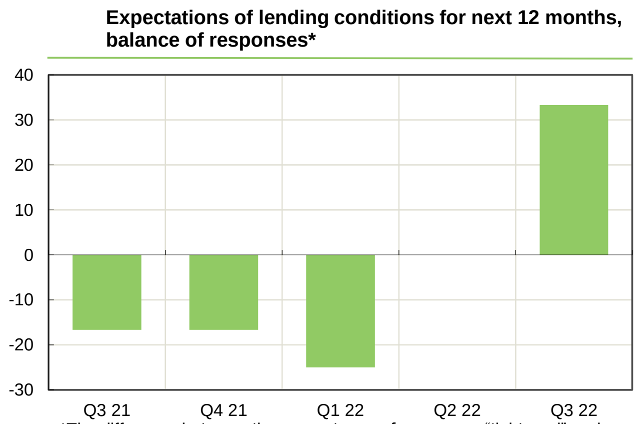


Figure 9



*The difference between the percentages of responses “tightened” and “eased”

Figure 10