



National Bank
of Ukraine

Business Outlook Survey of Kirovohrad Oblast *

Q1 2023



*This survey only reflects the opinions of respondents in Kirovohrad 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 Kirovohrad oblast in Q1 2023 showed that on the back of prolonged hostilities and missile attacks on civilian infrastructure respondents **expected a drop in the output of Ukrainian goods and services** over the next 12 months. Respondents also reported **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:** the balance of expectations was (-50.0%), as in the previous quarter (Figure 1), the balance of responses across Ukraine being (-16.7%)
- **prices for consumer goods and services would grow more quickly:** 58.3% of respondents expected that the inflation rate would exceed 20.0% (compared to 40.0% in the previous quarter and 53.2% 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:** 83.3% of respondents (compared to 90.0% 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 deteriorate at a slower pace:** the balance of expectations was (-25.0%) (the gloomiest expectations among the regions) compared to (-40.0%) in the previous quarter (see Table) and (-2.5%) across Ukraine
- **total sales would drop:** the balance of responses was (-41.7%), compared to (-50.0%) in Q4 2022 (see Table). Overall, across Ukraine, the balance of responses was 2.8%
- **both investment in construction and in machinery, equipment and tools would decrease:** the balances of responses were (-63.6%) and (-50.0%) respectively compared to (-66.7%) and (-50.0%) in the previous quarter. Across Ukraine, the balances of responses were (-17.8%) and (-10.3%) respectively
- **staff numbers at their companies would decrease more slowly:** the balance of responses was (-25.0%) compared to (-50.0%) in Q4 2022. Across Ukraine, the balance of responses was (-16.4%) (Figure 4)
- **purchase and selling prices would rise more slowly:** the balances of responses were 91.7% and 50.0% respectively, down from 100.0% and 60.0% respectively in Q4 2022 (Figure 6). Respondents cited raw material and supply prices, energy prices and the hryvnia exchange rate as **the main selling price drivers** (Figure 7)
- **per-unit production costs would grow significantly more slowly:** the balance of responses was 66.7%, down from 90.0% in Q4 2022. At the same time, respondents expected **wage costs per staff member** to increase: the balance of responses was 54.5%, up from 50.0% in the previous quarter (Figures 6 and 4).

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

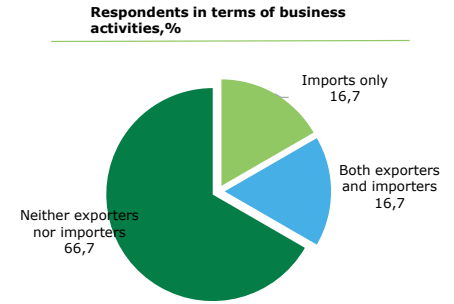
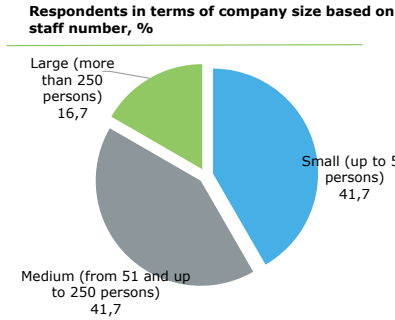
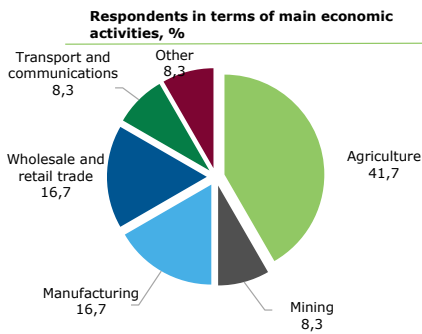
Respondents reported lower expectations of an increase in their borrowing needs in the near future (Figure 8). The respondents who planned to take out bank loans opted for domestic currency loans. Respondents said that lending conditions remained unchanged (Figure 9). Respondents continued to cite high interest rates, uncertainty about their ability to meet debt obligations and collateral requirements 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 (94.7% across Ukraine).

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

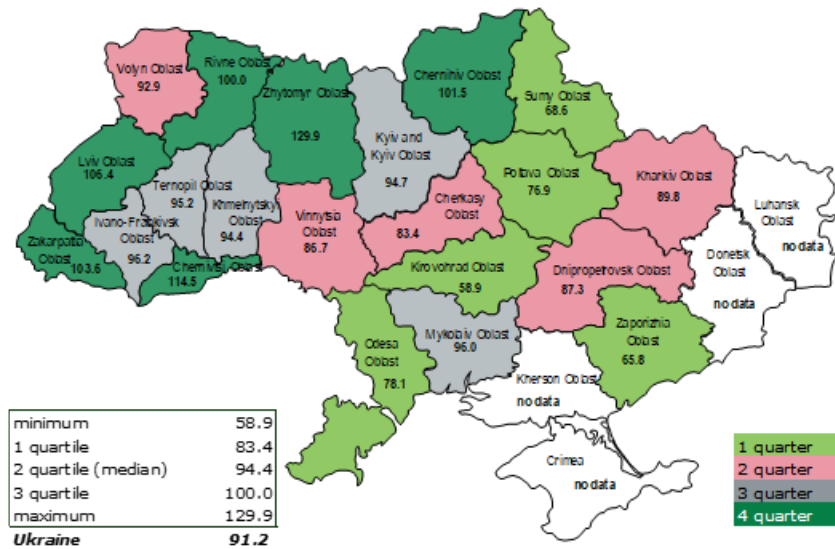
- **Companies assessed their current financial and economic standings as bad:** the balance of responses was (-16.7%) compared to (-20.0%) in Q4 2022 (Figure 3). Across Ukraine, the balance of responses was (-16.9%).
- **Finished goods stocks were assessed at lower than normal levels:** the balance of responses was (-22.2%), compared to (-16.7%) in the previous quarter.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 8.3% compared to 0.0% in Q4 2022.

Survey Details^{1,2}



- Period: 30 January through 28 February 2023.
- A total of 12 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 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 Kirovohrad 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	-11,1	-36,4	-27,3	-40,0	-25,0
Total sales	-11,1	-54,5	-18,2	-50,0	-41,7
Investment in construction	-11,1	-54,5	-54,5	-66,7	-63,6
Investment in machinery, equipment, and tools	11,1	-63,6	-36,4	-50,0	-50,0
Staff numbers	0,0	-36,4	-45,5	-50,0	-25,0

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

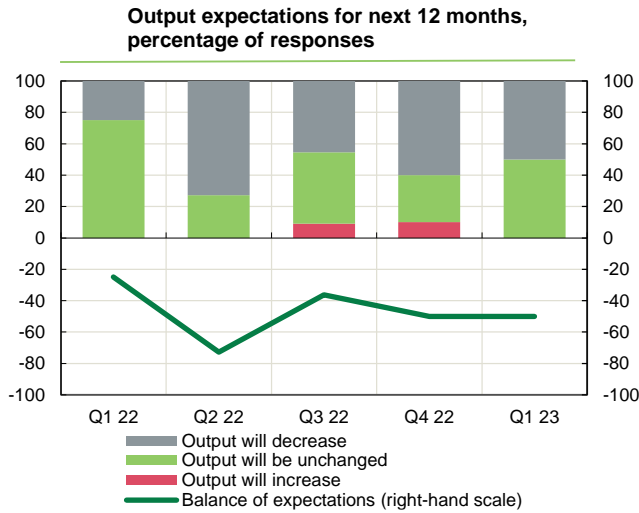


Figure 2

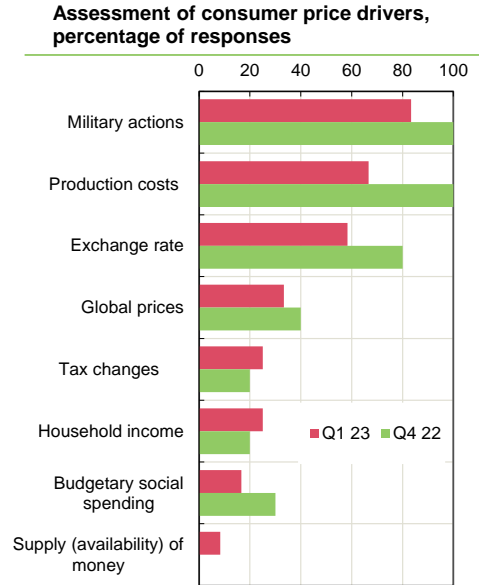


Figure 3

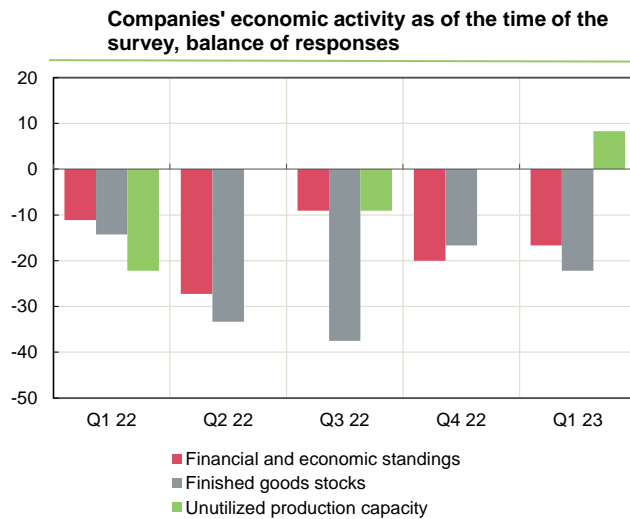


Figure 4

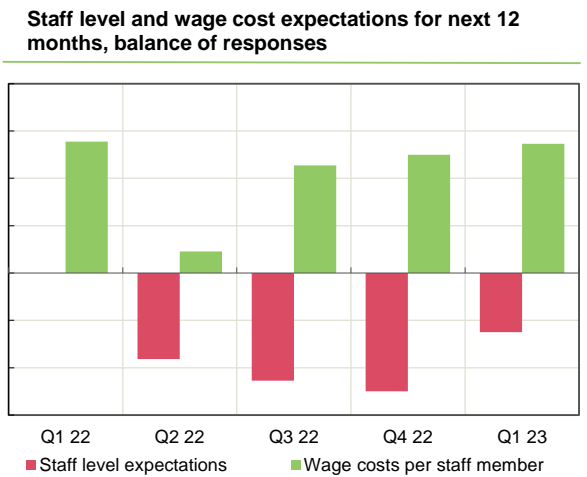


Figure 5

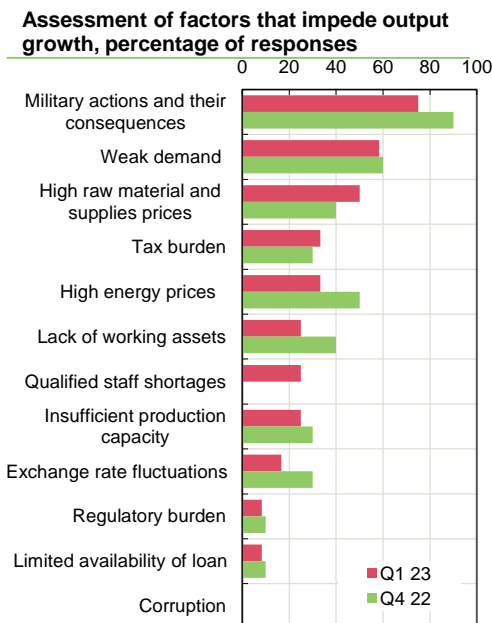


Figure 6

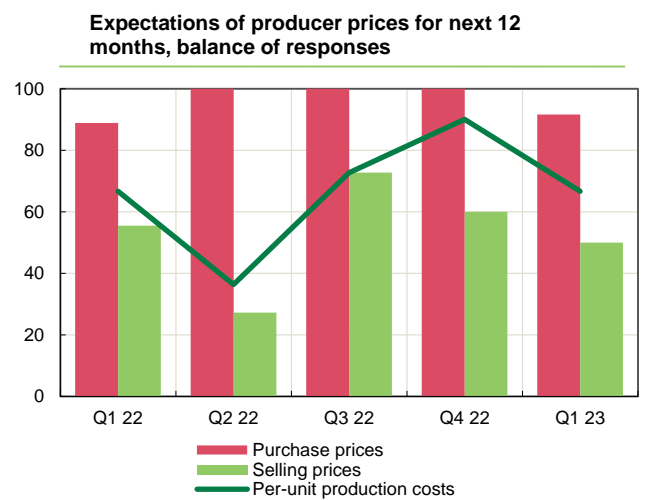


Figure 7

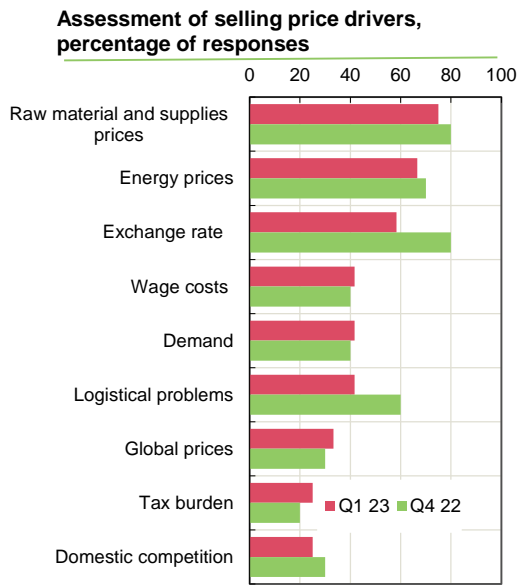


Figure 8

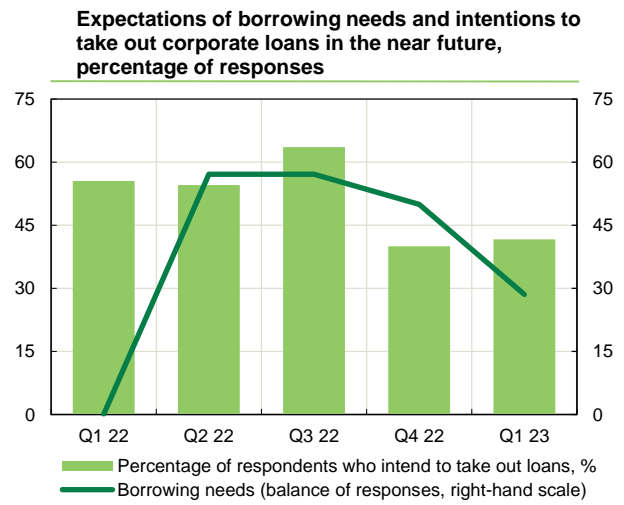


Figure 9

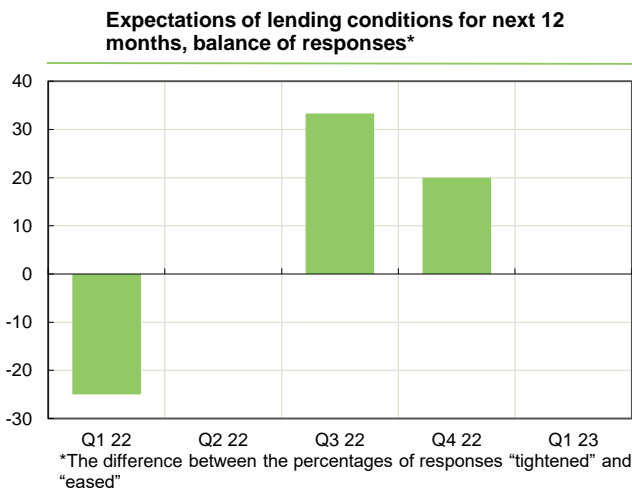


Figure 10

