



National Bank
of Ukraine

Business Outlook Survey of Odesa Oblast*

Q1 2022

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



*This survey only reflects the opinions of respondents in Odesa 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 Odesa oblast in Q1 2022 showed that on the eve of the war respondents expected a decrease in the output of Ukrainian goods and services over the next 12 months. At the same time, respondents had positive expectations for the performance of their companies over this period. They also expected inflation to rise further. Depreciation expectations became stronger.

Company managers said they expected that over the next 12 months:

- **the output of Ukrainian goods and services would decrease:** the balance of expectations was (-16.1%), compared to (-8.1%) in Q4 2021 (Figure 1) and (-1.7%) across Ukraine. Respondents from companies engaged in other economic activities reported the most pessimistic expectations – the balance of responses was (-66.7%).
- **prices for consumer goods and services would rise:** 64.5% of respondents said that price growth would be higher than 7.5%, compared to 59.5% in the previous quarter and 67.7% across Ukraine. Respondents continued to refer to the hryvnia exchange rate, production costs and global prices as **the main inflation drivers** (Figure 2)
- **the hryvnia would depreciate at a faster pace:** 80.6% of respondents (compared to 67.6% 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 expectations was 9.7% compared to 2.7% in the previous quarter and 7.2% across Ukraine (see Table). Respondents from manufacturing companies reported the most optimistic expectations (the balance of responses was 66.7%)
- **total sales would increase:** the balance of responses was 19.4%, compared to 0.0% in the previous quarter (see Table). External sales were also expected to grow: the balance of responses was 25.0%, compared to 15.0% in Q4 2021. Across Ukraine, the balances of responses were 17.0% and 23.3% respectively
- **both investment in construction and in machinery, equipment, and tools would decrease:** the balances of responses were (-17.9%) and (-3.4%) respectively, compared to 0.0% and 14.3% in Q4 2021 respectively. Respondents across Ukraine expected that investment would increase: the balances of responses were 0.9% and 14.3% respectively (see Table)
- **staff numbers would continue to decrease:** the balance of responses was (-10.0%), compared to (-10.8%) in Q4 2021. Companies across Ukraine expected that staff number would increase moderately (1.5%) (Figure 4)
- **purchase prices would rise at a faster pace** (the balance of responses was 87.1%) **than selling prices** (the balance of responses was 51.6%) (compared to 89.2% and 56.8% respectively in Q4 2021) (Figure 6). Respondents said that energy prices, raw material and supplies prices and the hryvnia exchange rate were the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would increase, albeit more slowly:** the balances of responses were 54.8% and 51.6% respectively, compared to 61.1% and 67.6% in Q4 2021 (Figures 4 and 6).

Companies named high energy prices and raw material and supplies prices as the **main drags on their ability to boost production**. The impact of high raw material and supplies prices was reported to have increased compared to the previous survey. The impact of the unstable political situation was reported to be significant (Figure 5).

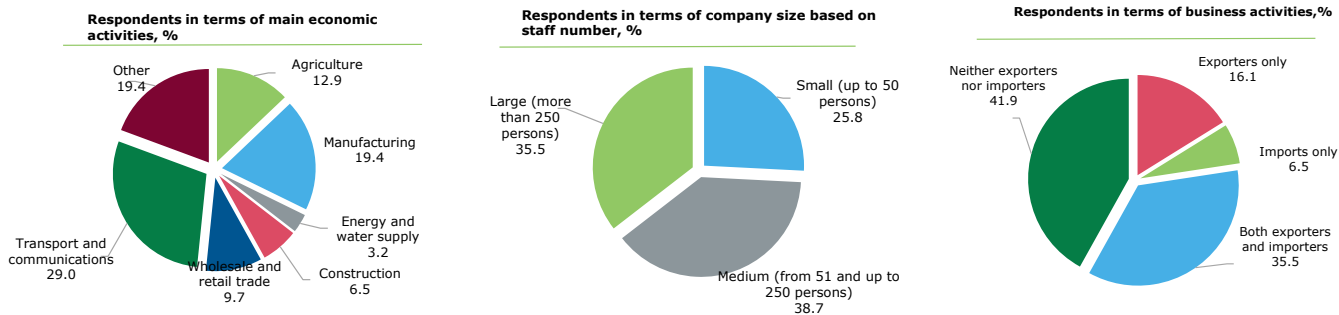
Respondents reported significantly high expectations of **an increase in their borrowing needs** in the near future (Figure 8). The respondents who planned to take out bank loans usually opted for domestic currency loans. Respondents said that bank lending standards had tightened (Figure 9). Respondents also referred to high interest rates, collateral requirements and complicated paperwork as the main factors deterring them from taking out loans (Figure 10).

A total of 93.5% of respondents in the oblast 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)

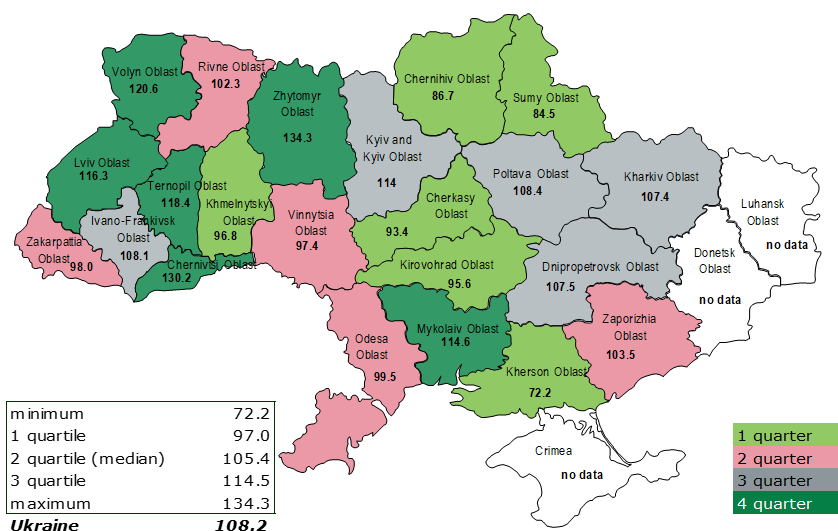
- **Companies assessed their current financial and economic standings as bad:** the balance of responses was (-3.2%), compared to 0.0% in Q4 2021. Companies across Ukraine assessed their financial and economic standings as good (6.6).
- **Finished goods stocks remained below their normal levels:** the balance of responses was (-16.7%), compared to (-26.7%) in Q4 2021.
- **Spare production capacity had increased.** Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand: the balance of responses was 6.7%, compared to (-2.8%) in Q4 2021.

Survey Details^{1,2}



- Period: 1 February through 23 February 2022.
- A total of 31 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, manufacturing, 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 Odessa 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	5.4	17.1	15.8	2.7	9.7
Total sales	7.7	21.1	23.7	0.0	19.4
Investment in construction	-8.1	-2.9	11.1	0.0	-17.9
Investment in machinery, equipment, and tools	2.6	8.1	13.9	14.3	-3.4
Staff numbers	-23.7	-10.8	-13.5	-10.8	-10.0

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

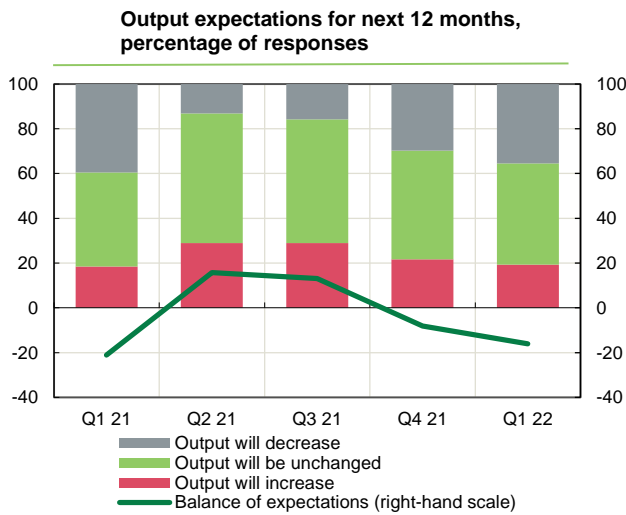


Figure 2

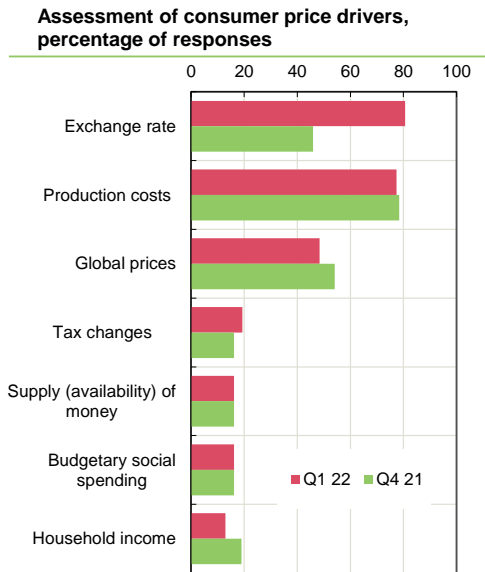


Figure 3

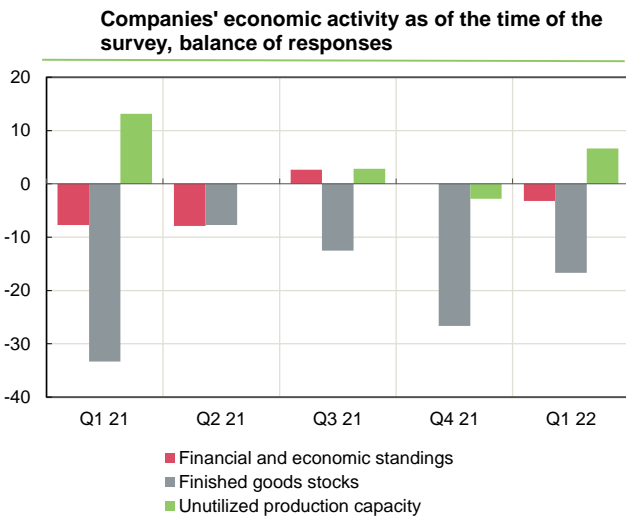


Figure 4



Figure 5

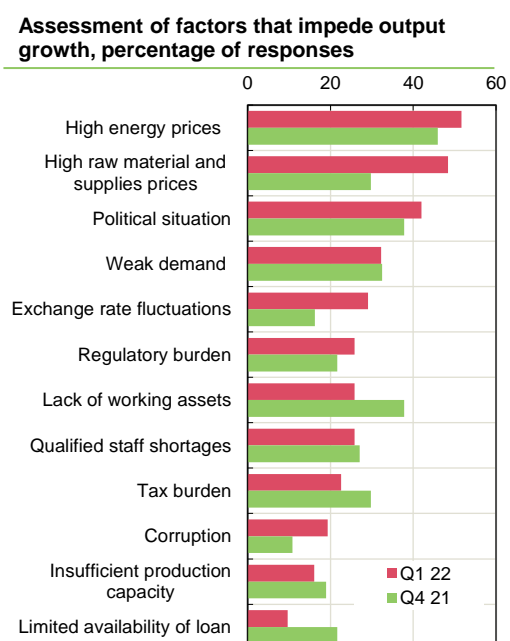


Figure 6

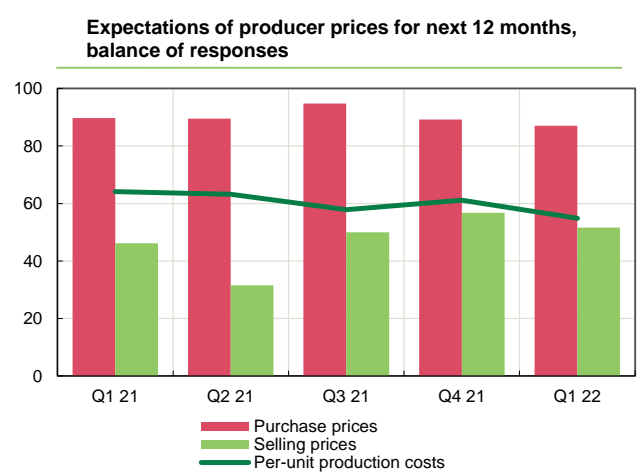


Figure 7

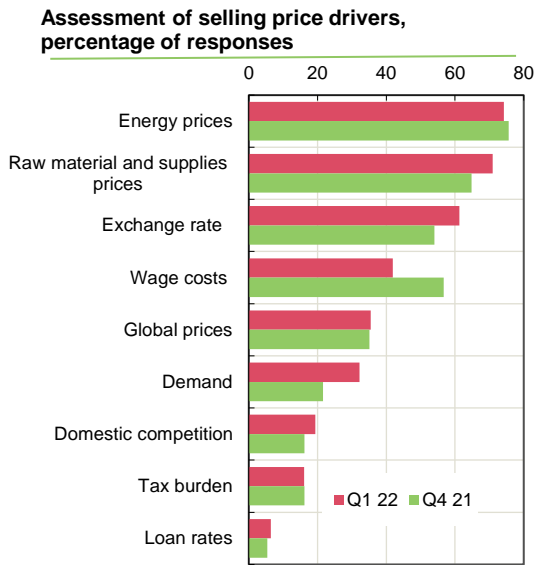


Figure 8

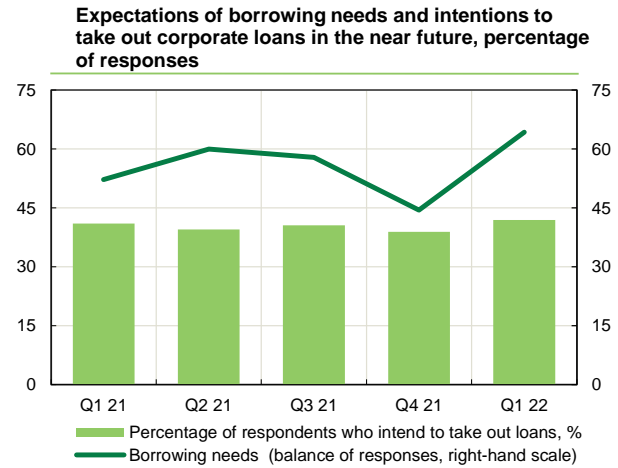


Figure 9

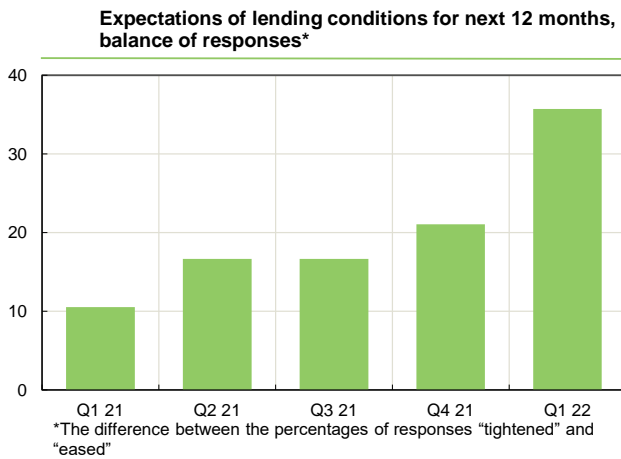


Figure 10

