National Bank of Ukraine

Business Outlook Survey **of Poltava Oblast***

Q1 2022

The survey was completed when the war started

*This survey only reflects the opinions of respondents in Poltava 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 Poltava oblast in Q1 2022 showed that on the eve of the war respondents expected that the output of Ukrainian goods and services would decrease. Respondents also reported cautious expectations for the performance of their companies over the next 12 months. Inflation expectations remained high. Depreciation expectations became stronger.

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 expectations was (-10.5%) compared to 14.6% in Q4 2021 and (-1.7%) across Ukraine (Figure 1)
- **prices for consumer goods and services would grow significantly:** 78.9% of respondents expected the inflation rate to be higher than 7.5% compared to 78.0% in the previous quarter and 67.7% across Ukraine. Respondents referred to production costs as **the main inflation driver** (Figure 2)
- **the domestic currency would depreciate further:** 89.5% of respondents (compared to 68.3% in the previous quarter) expected the hryvnia to weaken against the US dollar, with the figure across Ukraine being 81.6%
- **the financial and economic standings of their companies would remain unchanged:** the balance of expectations was 0.0% (compared to 10.0% in Q4 2021). Across Ukraine, respondents expected the financial and economic standings to improve, the balance of responses being 7.2% (see Table)
- **total sales would increase:** the balance of responses was 33.3% compared to 29.3% in the previous quarter (see Table). External sales were also expected to rise: the balance of responses was 27.8% compared to 36.8% in Q4 2021. Overall, across Ukraine the balances of responses were 17.0% and 23.3% respectively
- **investment in machinery, equipment, and tools would increase at a noticeably slower pace:** the balance of responses was 8.6% (compared to 26.3% in the previous quarter). At the same time, respondents expected that investment in construction would remain unchanged: the balance of responses was 0.0% (compared to 22.2% in Q4 2021). Across Ukraine, the balances of responses were 14.3% and 0.9% respectively
- **staff numbers at their companies would remain unchanged**: the balance of responses was 0.0% compared to 12.8% in Q4 2021. Companies across Ukraine expected that staff numbers would increase moderately (1.5%) (Figure 4)
- **purchase prices would grow more slowly** (the balance of responses was 94.7%) **than selling prices** (the balance of responses was 63.2%) (compared to 90.2% and 53.7% respectively in Q4 2021) (Figure 6). Respondents referred to energy, raw material and supplies prices, and wage costs as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would grow more slowly**: the balances of responses were 47.2% and 51.4% respectively (compared to 74.4% and 65.9% in Q4 2021) (Figures 6 and 4)

Respondents referred to high energy prices, the tax burden (the impact of this factor was reported to have increased compared to the previous survey) and high raw material and supplies prices as **the main drags on the ability of their companies to boost production** (Figure 5).

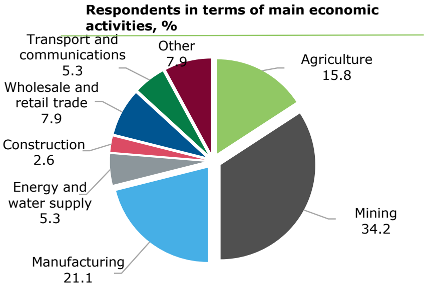
Respondents reported higher expectations of an increase in their borrowing needs in the near future (Figure 8). 43.2% of respondents planned to take out bank loans and usually opted for domestic currency ones. Lending conditions tightened (Figure 9). Respondents continued to refer to high interest rates as the main factor deterring them from taking out loans (Figure 10).

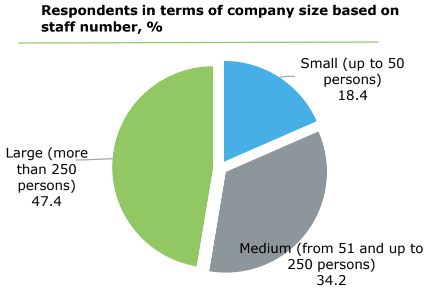
All respondents said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (97.6% across Ukraine).

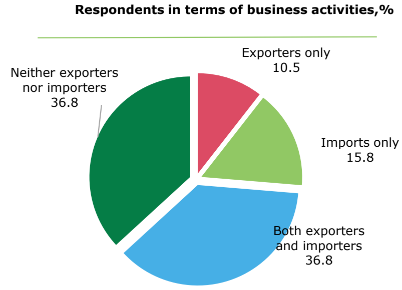
Assessments of financial and economic standings as of the time of the survey (Figure 3)

- **Companies assessed their current financial and economic standings as good**: the balance of responses was 2.6% (compared to 0.0% in the previous quarter). The balance across Ukraine was 6.6%.
- **Finished goods stocks remained at a level lower than the normal one**: the balance of responses was (-4.5%) compared to (-4.0%) in Q4 2021.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand**: the balance of responses was 11.4% compared to (-9.8%) in the previous quarter.

Survey Details[1,2]

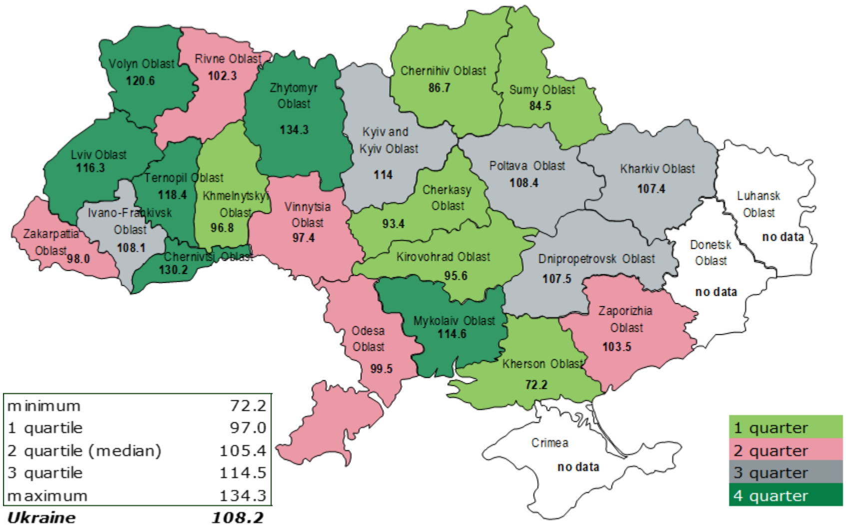






- Period: 31 January through 23 February 2022.
- A total of 38 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture and the mining and manufacturing industries.

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 Poltava 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	13.2	16.7	13.2	10.0	0.0
Total sales	5.0	12.5	25.0	29.3	33.3
Investment in construction	0.0	-14.3	22.2	22.2	0.0
Investment in machinery, equipment, and tools	11.1	10.5	36.1	26.3	8.6
Staff numbers	-5.1	-2.6	12.8	12.8	0.0

[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

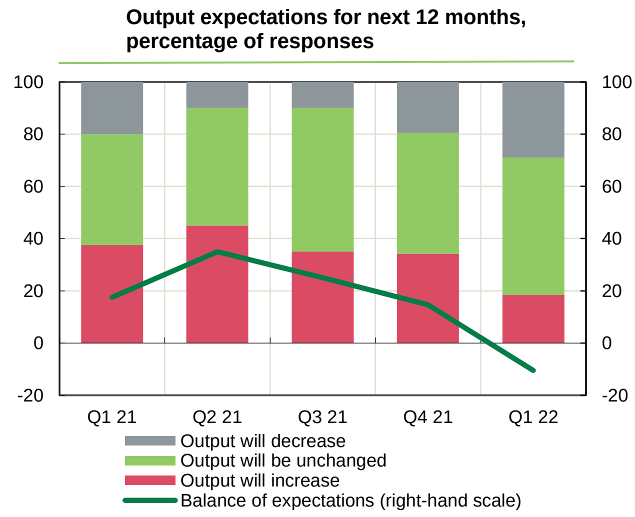


Figure 2

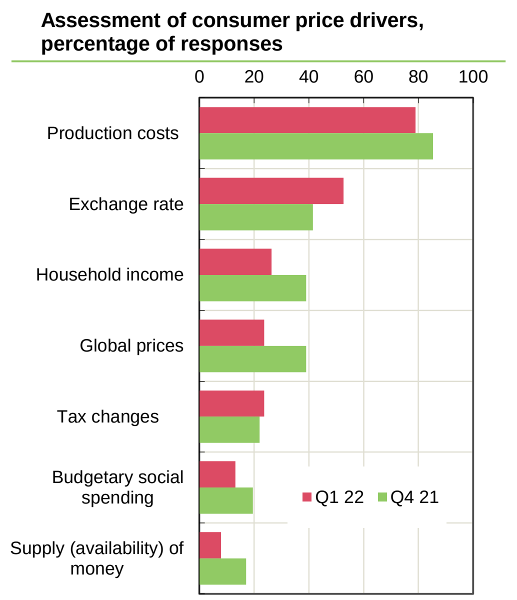


Figure 3

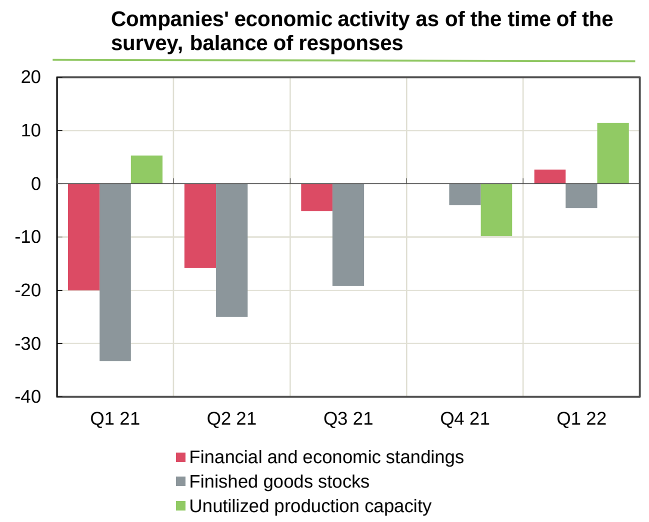


Figure 4

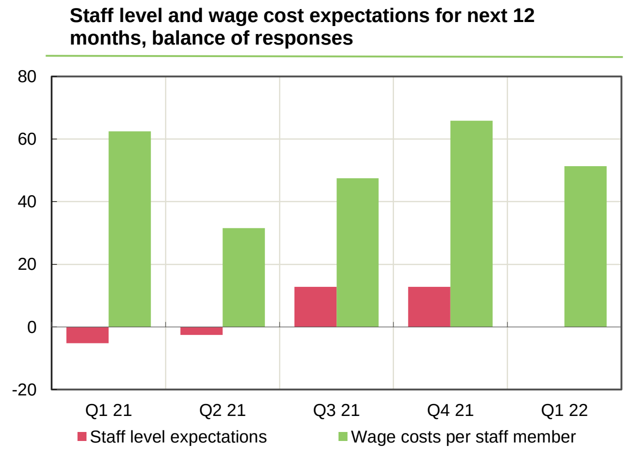


Figure 5

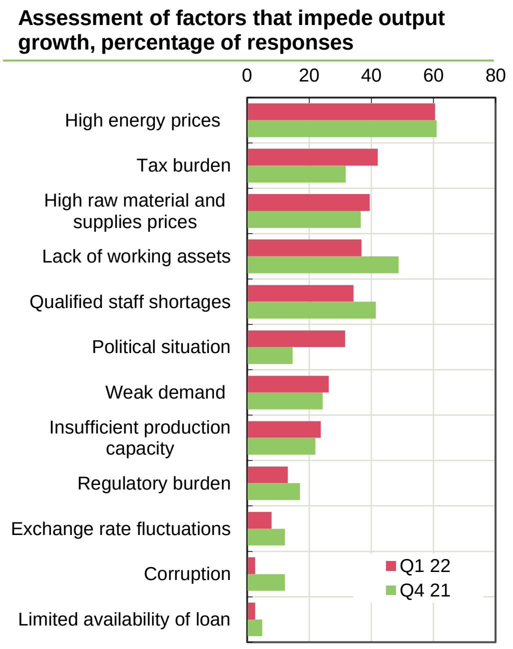


Figure 6

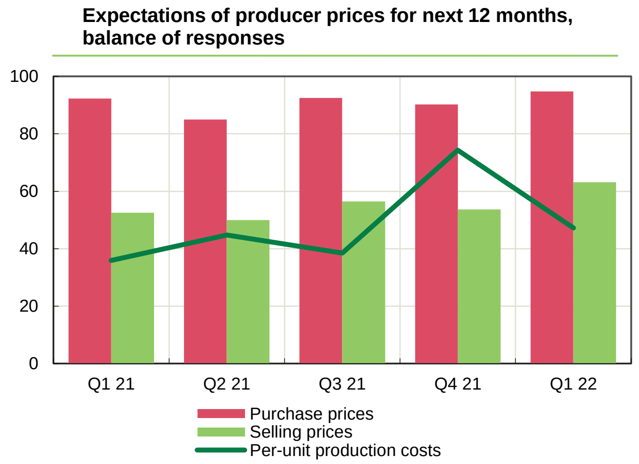


Figure 7

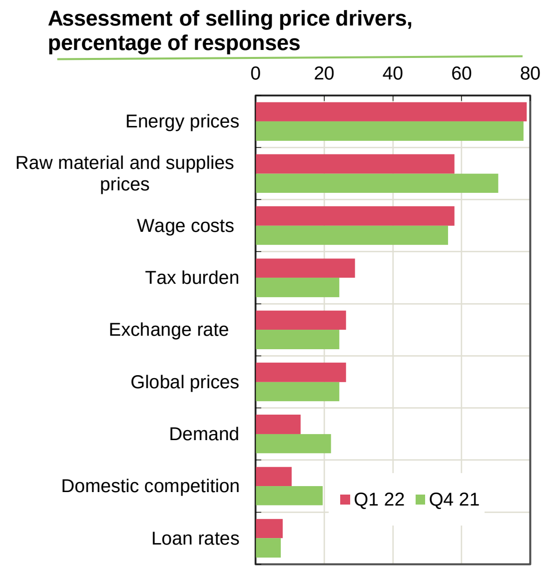


Figure 8

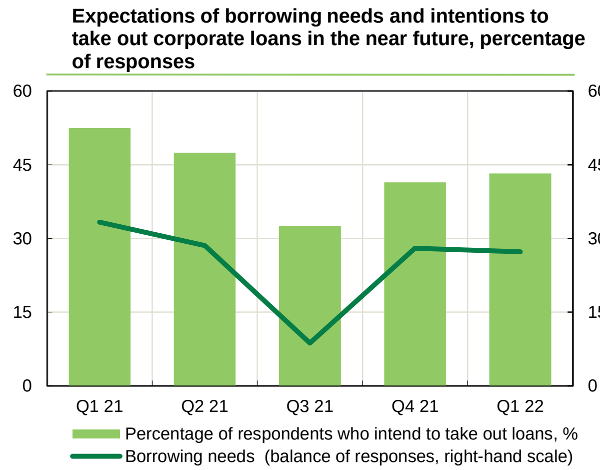
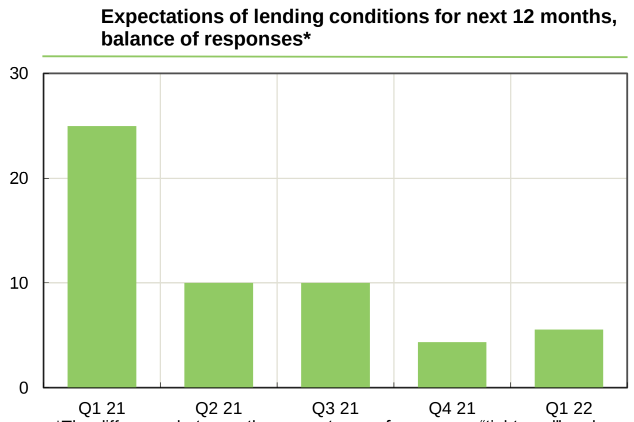


Figure 9



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

Figure 10