National Bank of Ukraine

Business Outlook Survey **of Rivne Oblast***

Q2 2022

*This survey only reflects the opinions of respondents in Rivne oblast (top managers of companies) who were polled in Q2 2022, and does not represent NBU forecasts or estimates

A survey of companies carried out in Rivne oblast in Q2 2022 showed that against the background of the war respondents expected that the output of Ukrainian goods and services would drop. Respondents also had **negative expectations for the performance of their companies** over the next 12 months**.** Respondents also expected higher inflation and depreciation of the domestic currency.

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 (-33.3%) compared to 25.0% in Q1 2022 (Figure 1). Across Ukraine, the balance of responses was (-48.7%)
- **prices for consumer goods and services would rise**: 50.0% of respondents expected the inflation rate to be higher than 20.0% (compared to 58.2% across Ukraine). Respondents referred to military actions, the hryvnia exchange rate and production costs **as the main inflation drivers** (Figure 2)
- **the hryvnia would depreciate at a faster pace:** 91.7% of respondents (75.0% in the previous quarter) expected the hryvnia to weaken against the US dollar, with the figure across Ukraine being 88.9%
- **the financial and economic standings of their companies would deteriorate**: the balance of expectations was (-16.7%) compared to 8.3% in Q1 2022. The figure across Ukraine was (-17.1%) (see Table)
- **total sales would drop**: the balance of responses was (-25.0%), compared to 0.0% in the previous quarter. External sales were expected to remain unchanged, the balance of responses being 0.0%, compared to 20.0% in Q1 2022. Overall, across Ukraine the balances of responses were (-19.0%) and (-25.0%) respectively
- **investment in machinery, equipment, and tools would increase at a slower pace:** the balance of responses was 18.2% (as in the previous quarter). At the same time, respondents expected investment in construction to drop: the balance of responses was (-8.3%) (compared to 18.2% in Q1 2022). Across Ukraine, the balances of responses were (-34.7%) and (-37.2%) respectively
- **staff numbers would decrease:** the balance of responses was (-25.0%) compared to (-33.3%) in Q1 2022. Across Ukraine, the balance of responses was (-29.0%) (Figure 4)
- **purchase prices would grow rapidly:** the balance of responses was 100.0% (compared to 83.3% in Q1 2022). At the same time, respondents expected selling prices to grow more slowly: the balance of responses was 41.7% (compared to 58.3% in the previous quarter) (Figure 6). Raw material and supplies prices, energy prices and logistical problems were cited as the main selling price drivers (Figure 7)
- **per-unit production costs would rise at a faster pace:** the balance of responses was 66.7% (compared to 50.0% in Q1 2022). At the same time, respondents in the oblast expected that wage costs per staff member would remain unchanged: the balance of responses was 0.0% (compared to 41.7% in Q1 2022) (Figures 4 and 6).

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

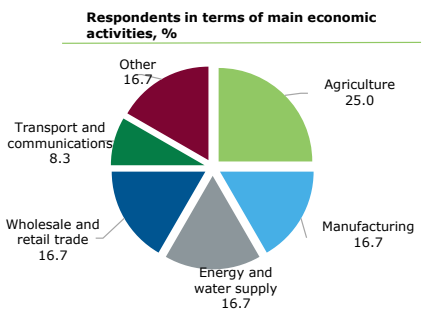
Respondents expected a significant increase in their borrowing needs in the near future (Figure 8). The companies that planned to take out bank loans usually opted for national currency ones. Respondents said that bank lending standards had tightened significantly (Figure 9). Respondents referred to uncertainty about their ability to meet debt obligation as they fall due, other funding sources, hryvnia exchange rate fluctuations and collateral requirements as the main factors deterring them from taking out loans (Figure 10).

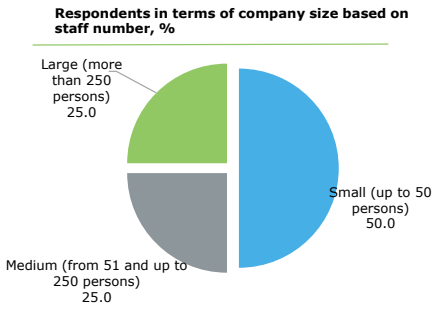
A total of 91.7% of respondents said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (93.5% across Ukraine).

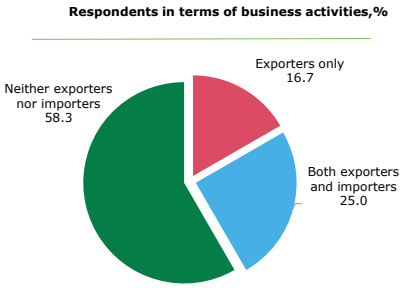
Assessments of financial and economic standings as of the time of the survey (Figure 3)

- **Companies' current financial and economic standings had deteriorated and were assessed as bad:** the balance of responses was (-33.3%), compared to 8.3% in Q1 2022 and (-28.8%) across Ukraine.
- **Finished goods stocks were assessed at normal levels**: the balance of responses was 0.0%, compared to (-25.0%) 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 27.3%, compared to 25.0% in Q1 2022.

Survey Details[1,2]

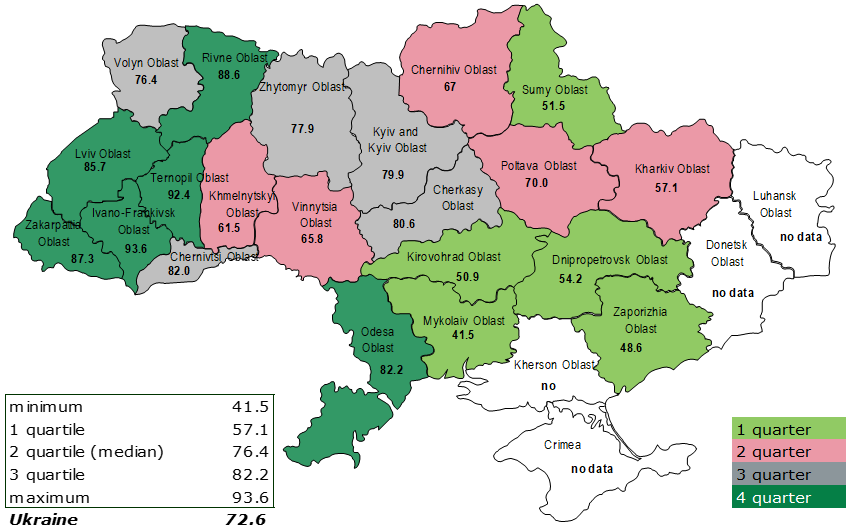






- Period: 3 May through 30 May 2022.
- A total of 12 companies were polled.
- No economic activity was able to generate a representative sample.

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 Rivne Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22
Financial and economic standings	-9.1	-15.4	15.4	8.3	-16.7
Total sales	7.7	-7.7	8.3	0.0	-25.0
Investment in construction	30.8	30.8	25.0	18.2	-8.3
Investment in machinery, equipment, and tools	23.1	15.4	33.3	18.2	18.2
Staff numbers	0.0	-15.4	-8.3	-33.3	-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 balances of respondents' responses regarding changes in the financial and economic standings of their companies and future economic activity.

Figure 1

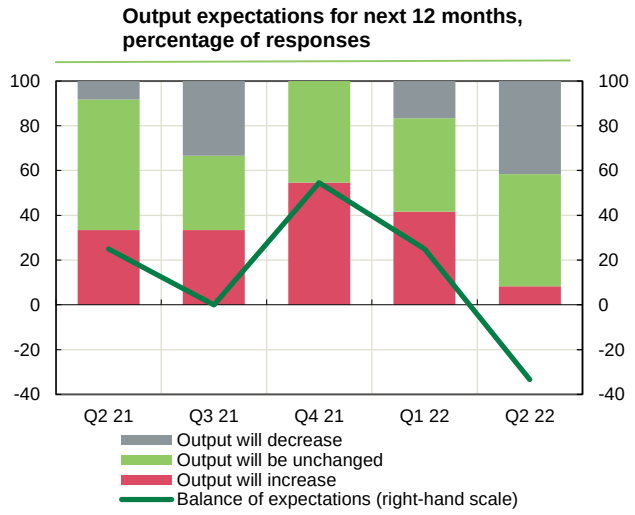


Figure 2

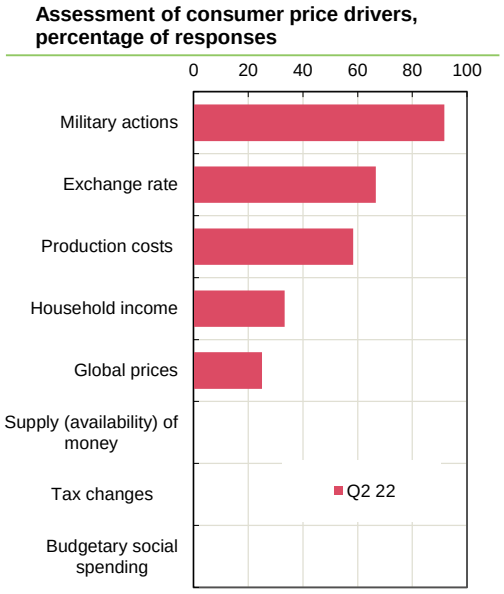


Figure 3

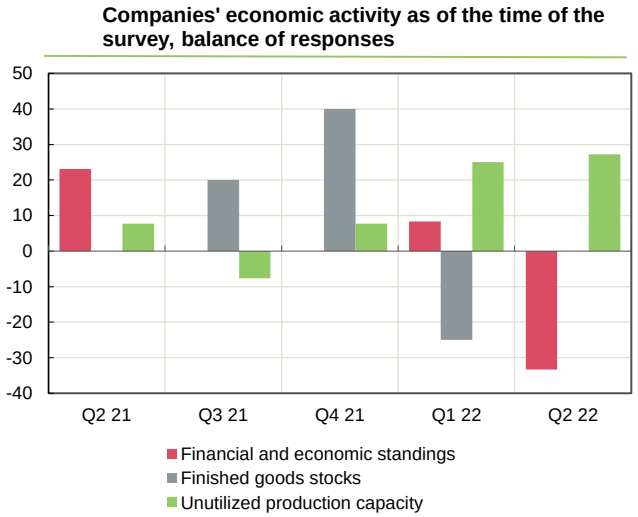


Figure 4

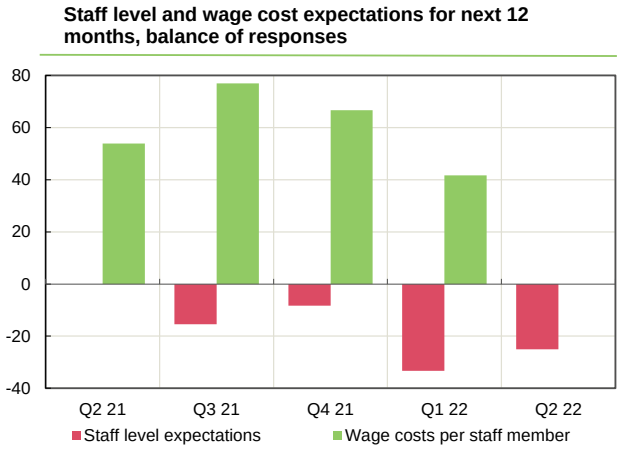
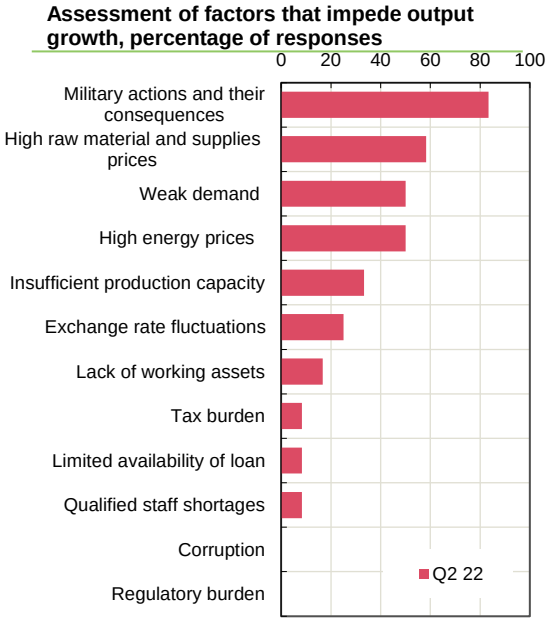


Figure 5



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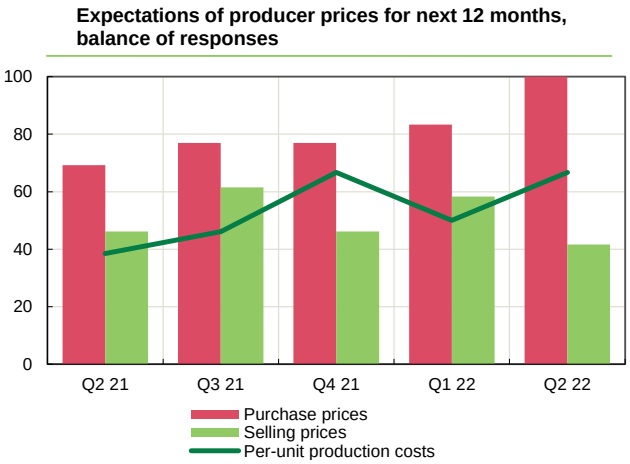
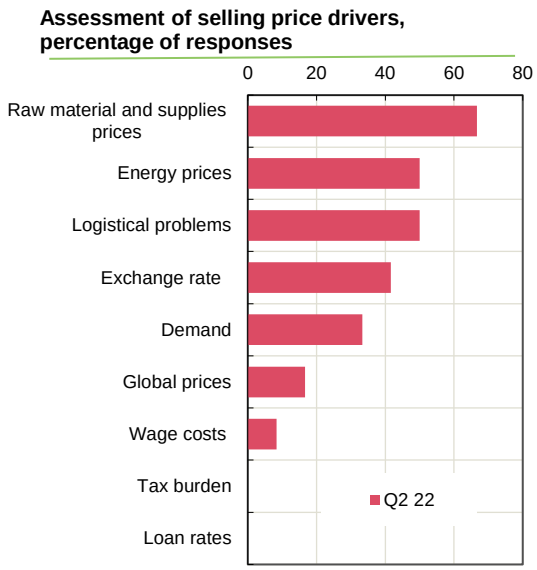


Figure 7



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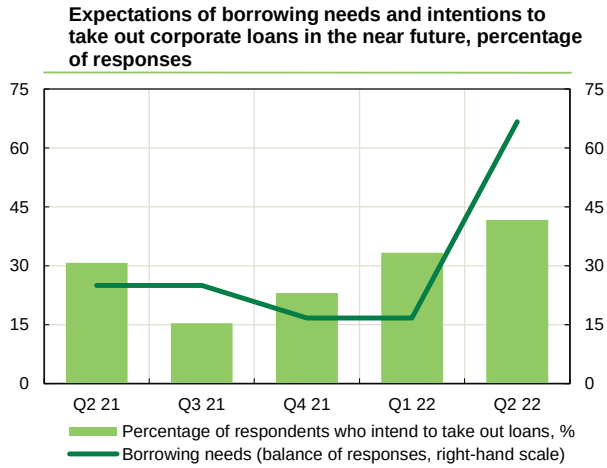

Figure 9

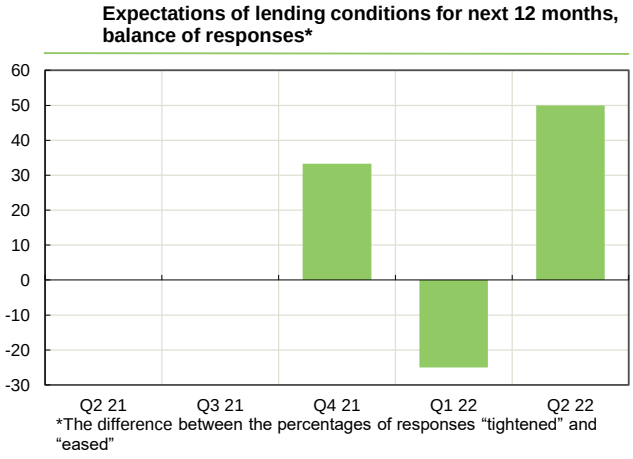
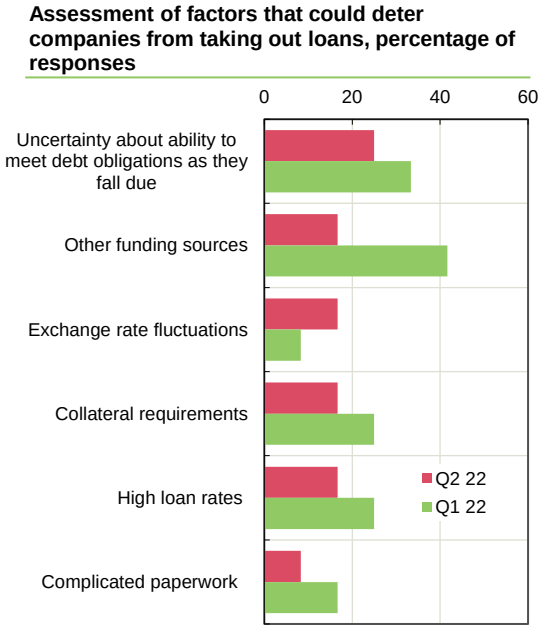
Figure 10