



National Bank
of Ukraine

Business Outlook Survey of Sumy Oblast*

Q1 2022

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



*This survey only reflects the opinions of respondents in Sumy 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 **Sumy 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 **had negative expectations for the performance of their companies** over the next 12 months. Inflation expectations remained high. Depreciation expectations intensified.

The top managers of companies said they expected that over the next 12 months:

- **the output of Ukrainian goods and services would decrease significantly:** the balance of expectations was (-38.5%) compared to 0.0% in Q4 2021 (Figure 1) and (-1.7%) across Ukraine
- **prices for goods and services would rise:** 76.9% of respondents expected the inflation rate to be higher than 7.5% compared to 84.6% in the previous quarter and 67.7% across Ukraine. Respondents continued to refer to production costs as **the main inflation driver** (Figure 2)
- **the hryvnia would depreciate rapidly:** 92.3% of respondents (compared to 84.6% 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 deteriorate:** the balance of expectations was (-7.7%) compared to 8.3% in Q4 2021 and 7.2% across Ukraine (see Table)
- **total sales would decrease:** the balance of responses was (-15.4%), as in the previous quarter (see Table). Across Ukraine, the balance of responses was 17.0%
- **both investment in construction and in machinery, equipment, and tools would decrease:** the balances of responses were (-36.4%) and (-18.2%) respectively compared to (-27.3%) and 0.0% in Q4 2021 respectively. Overall, companies across Ukraine expected that investment would increase, the balances of responses being 0.9% and 14.3% respectively
- **staff numbers at their companies would remain unchanged:** the balance of responses was 0.0% (compared to (-7.4%) in the previous quarter). Across Ukraine, staff numbers were expected to increase moderately, the balance of responses being 1.5% (Figure 2)
- **purchase prices would rise at a faster pace than selling prices:** the balances of responses were 100.0% and 69.2% respectively (as in Q4 2021) (Figure 6). Energy prices, together with raw material and supplies prices and wage costs, were cited as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would rise:** the balances of responses were 46.2% and 53.8% respectively (compared to 53.8% and 46.2% in Q4 2021) (Figure 4 and 6).

Companies named high energy prices, weak demand and the tax burden (the impact of this driver was reported to have increased compared to the previous survey) as the **main drags on their ability to boost production** (Figure 5).

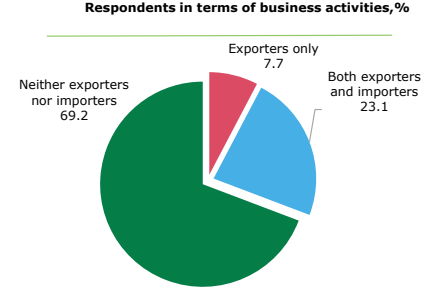
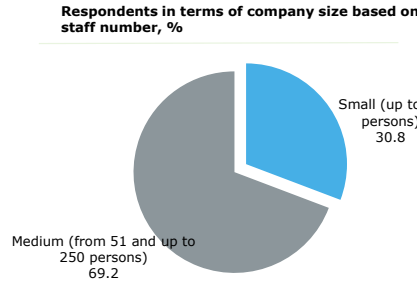
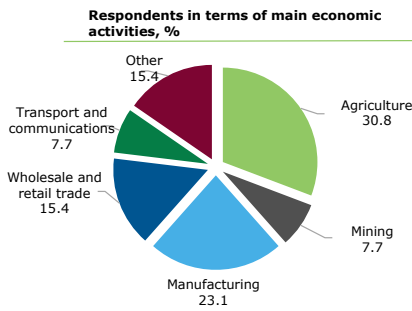
Respondents said that their **borrowing needs would increase significantly** in the near future (Figure 8). As in previous quarters, the respondents who planned to take out bank loans opted only for domestic currency loans. Respondents said that bank lending standards had remained unchanged (Figure 9). Companies cited collateral requirements, other funding sources and high loan rates as the main factors deterring them from taking out loans (Figure 10).

92.3% of 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)

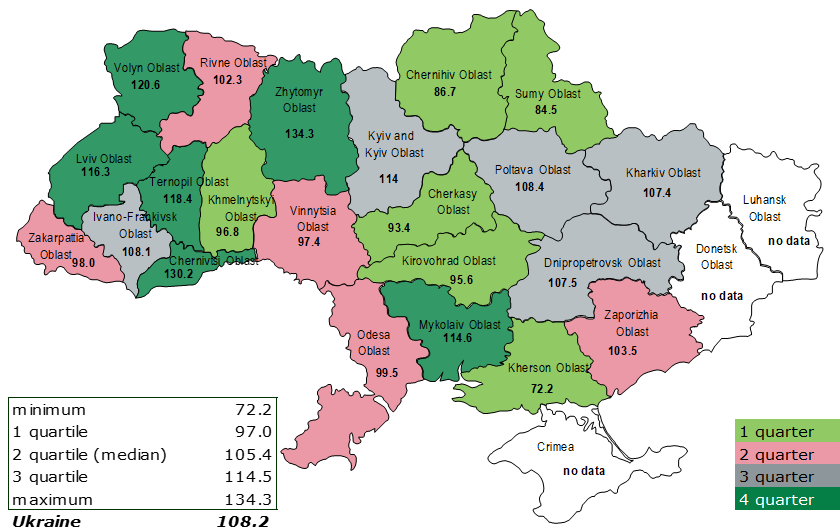
- **The current financial and economic standings of companies had deteriorated and were assessed as bad:** the balance of responses was (-15.4%), compared to 15.4% in the previous quarter. Companies across Ukraine assessed their financial and economic standings as good, with a balance of responses of 6.6%.
- **Finished goods stocks were assessed as lower than normal:** the balance of responses was (-28.6%), compared to (-25.0%) in Q4 2021.
- **Companies were operating on the verge of their production capacity:** the balance of responses was 0.0%, compared to 15.4% in Q4 2021.

Survey Details^{1,2}



- Period: 1 February through 22 February 2022.
- A total of 13 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, %



^aa 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 Sumy 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	42.9	25.0	25.0	8.3	-7.7
Total sales	21.4	30.8	7.7	-15.4	-15.4
Investment in construction	-15.4	0.0	-16.7	-27.3	-36.4
Investment in machinery, equipment, and tools	14.3	36.4	0.0	0.0	-18.2
Staff numbers	-14.3	0.0	-15.4	-7.7	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

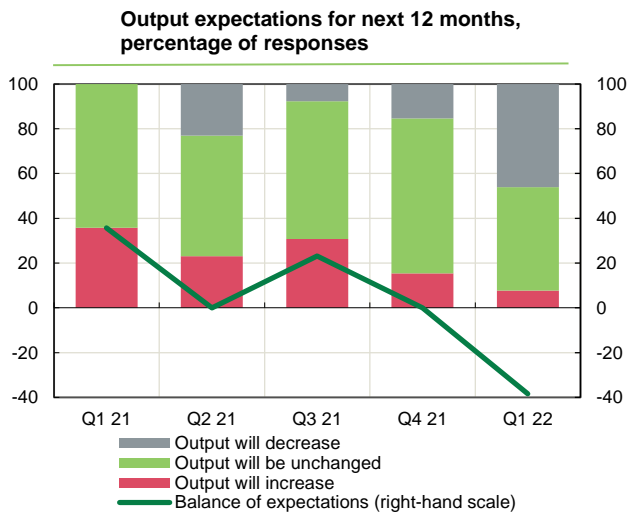


Figure 2

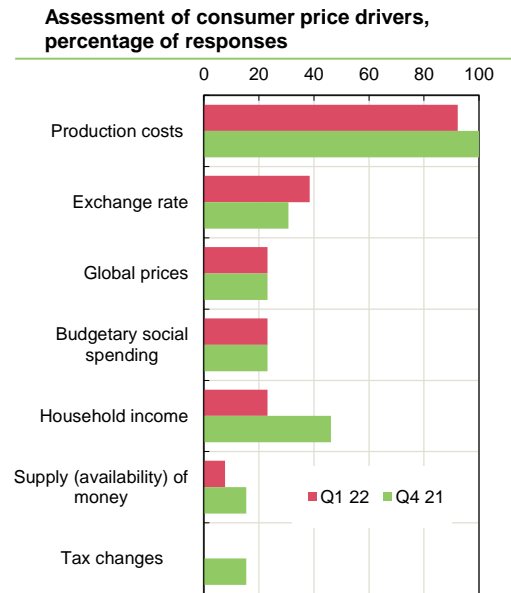


Figure 3

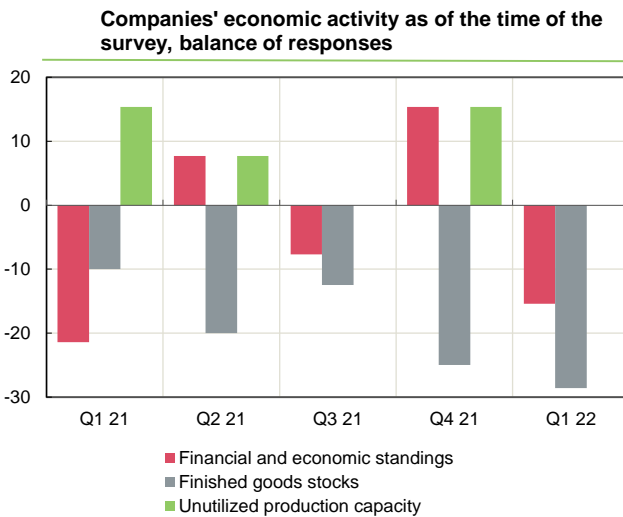


Figure 4

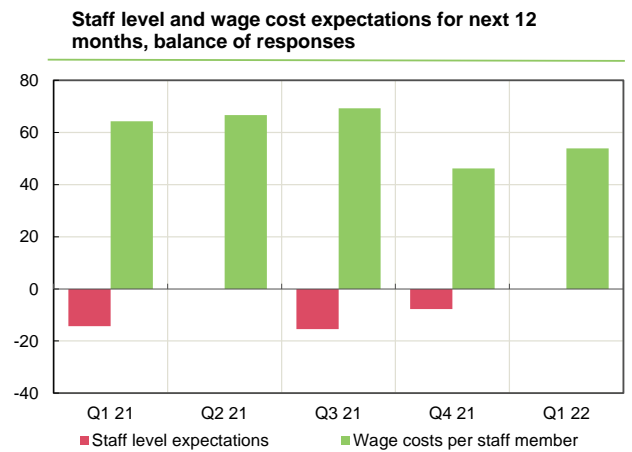


Figure 5

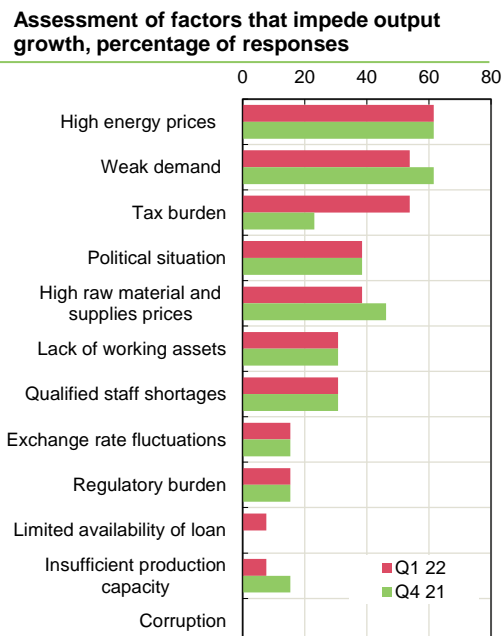


Figure 6

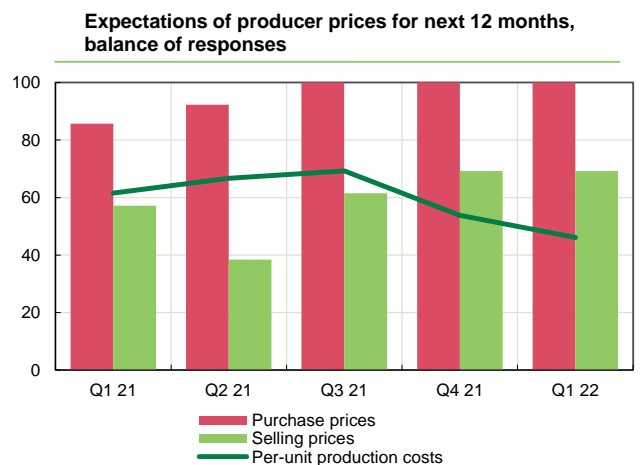


Figure 7

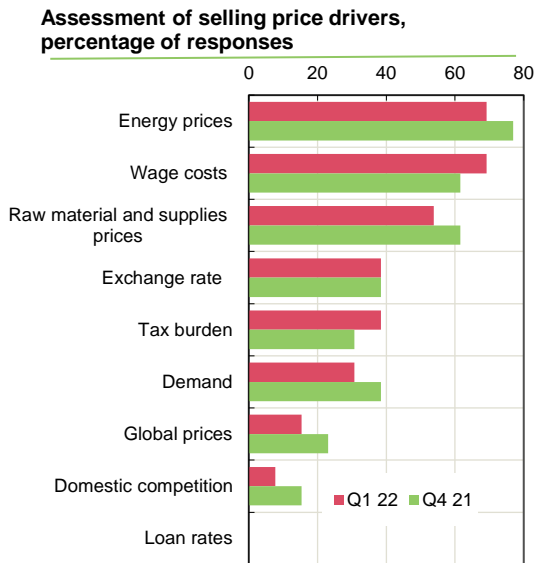


Figure 8

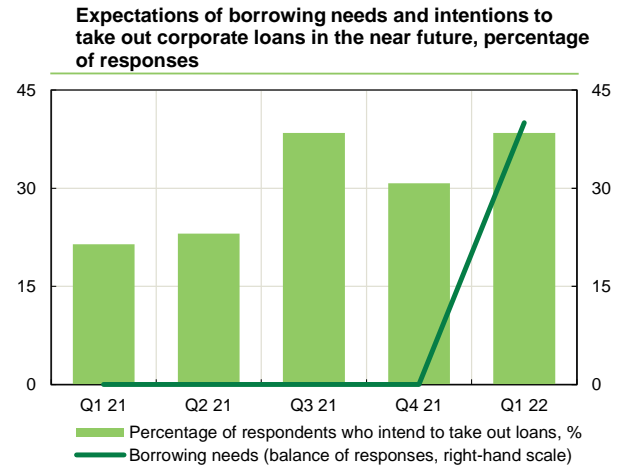


Figure 9

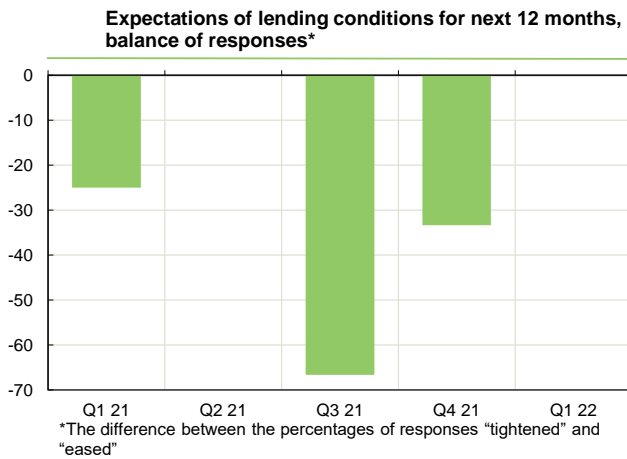


Figure 10

