



National Bank
of Ukraine

Business Outlook Survey of Sumy Oblast*

Q3 2023



*This survey only reflects the opinions of respondents in Sumy oblast (top managers of companies) who were polled in Q3 2023, and does not represent NBU forecasts or estimates

A survey of companies carried out in **Sumy oblast** in **Q3 2023** showed that, despite security risks respondents expected a **growth in the output of Ukrainian goods and services** over the next 12 months. They had **negative expectations for their companies' performance** over that period. Inflation expectations remained high. Depreciation expectations strengthened.

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

- **the output of Ukrainian goods and services would increase** (such expectations were reported for the first time since Q3 2021): the balance of expectations was 8.3%, up from (-41.7%) in Q2 2023 (Figure 1). The balance of expectations across Ukraine was 9.8%
- **prices for goods and services would rise:** 83.3% of respondents expected the inflation rate to be higher than 15.0%, as in the previous quarter and compared to 53.4% across Ukraine. Respondents referred to military actions as **the main inflation driver**. The impact of household income, the hryvnia exchange rate and global prices was reported to have increased (Figure 2)
- **the hryvnia would depreciate at a faster pace:** 83.3% of respondents (compared to 75.0% in the previous quarter) expected the hryvnia to weaken against the U.S. dollar, the figure across Ukraine being 72.4%
- **the financial and economic standings of their companies would deteriorate:** the balance of expectations was (-33.3%) (among the dimmest expectations across the regions), compared to (-25.0%) in Q2 2023. Overall, across Ukraine, respondents expected that financial and economic standings would improve (6.0%) (see Table)
- **total sales would decrease:** the balance of responses was (-41.7%), as in the previous quarter. External sales were expected to drop much more rapidly: the balance of responses being (-75.0%) compared to (-20.0%) in Q2 2023 (see Table). Across Ukraine, the balances of responses were 16.8% and 10.6% respectively
- **investment in construction and in machinery, equipment, and tools would decrease more slowly:** the balances of responses were (-22.2%) and (-20.0%) respectively, compared to (-33.3%) and (-27.3%) in the previous quarter (see Table). Overall, across Ukraine, the balances of responses were (-2.2%) and 8.8% respectively
- **staff numbers at their companies would decrease at a faster pace:** the balance of responses was (-33.3%) (the firmest intentions to cut staff among the regions), down from (-25.0%) in the previous quarter. Across Ukraine, the balance of responses was (-7.0%) (Figure 4)
- **purchase prices would rise faster than selling prices:** the balances of responses were 83.3% and 45.5% respectively (compared to 91.7% and 41.7% in the previous quarter) (Figure 6). Energy prices, raw material and supplies prices, and the hryvnia exchange rate were cited as the main selling price drivers (Figure 7)
- **per-unit production costs would rise:** the balance of responses was 45.5% (compared to 50.0% in Q2 2023). At the same time, respondents expected that **wage costs per staff member would increase more rapidly:** the balance of responses was 25.0% (compared to 8.3% in the previous quarter) (Figure 4 and 6).

The companies surveyed named military actions and their consequences (mentioned by all of the respondents), the tax burden, weak demand, high energy prices and insufficient production capacity (the impact of the latter factor was reported to have increased) as the **main drags on their ability to boost production** (Figure 5).

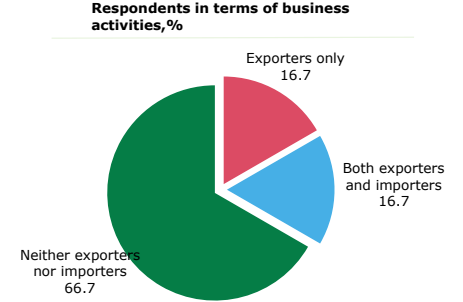
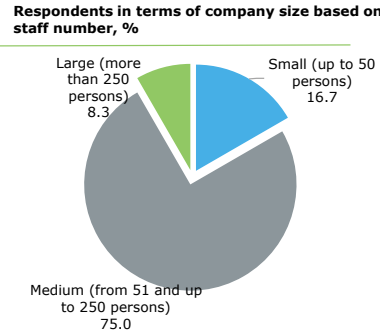
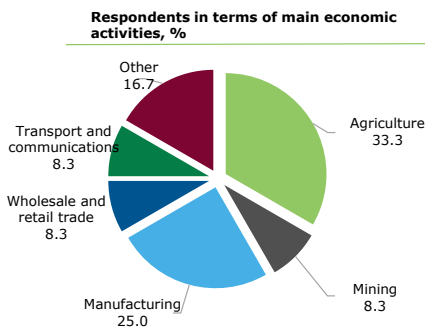
As in previous quarters, the respondents who planned to take out bank loans opted only for domestic currency loans (Figure 8). Companies cited high loan rates, the availability of other funding sources and uncertainty about their ability to meet debt obligations as they fall due as the main factors deterring them from taking out loans (Figure 9).

All of the respondents said that they had encountered no difficulties in effecting transactions with funds deposited in bank accounts (94.9% across Ukraine).

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

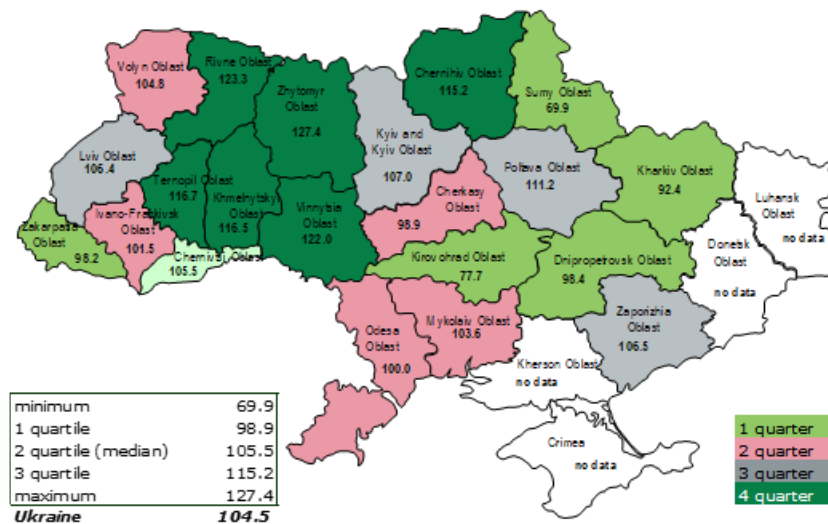
- **Companies assessed their current financial and economic standings as bad:** the balance of responses was (-33.3%), compared to (-25.0%) in the previous quarter. Across Ukraine, the balance of responses was (-5.8%).
- **Finished goods stocks were assessed as normal:** the balance of responses was 0.0%, compared to (-22.2%) in Q2 2023.
- **Companies had sufficient production capacity to meet any unexpected rise in demand:** the balance of responses was 25.0%, up from 16.7% in Q2 2023.

Survey Details^{1,2}



- Period: 31 July through 25 August 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, %



¹a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups
²a 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, %				
	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23
Financial and economic standings	-8.3	-25.0	-16.7	-25.0	-33.3
Total sales	-41.7	-33.3	-25.0	-41.7	-41.7
Investment in construction	-44.4	-66.7	-62.5	-33.3	-22.2
Investment in machinery, equipment, and tools	-63.6	-50.0	-36.4	-27.3	-20.0
Staff numbers	-33.3	-33.3	-16.7	-25.0	-33.3

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

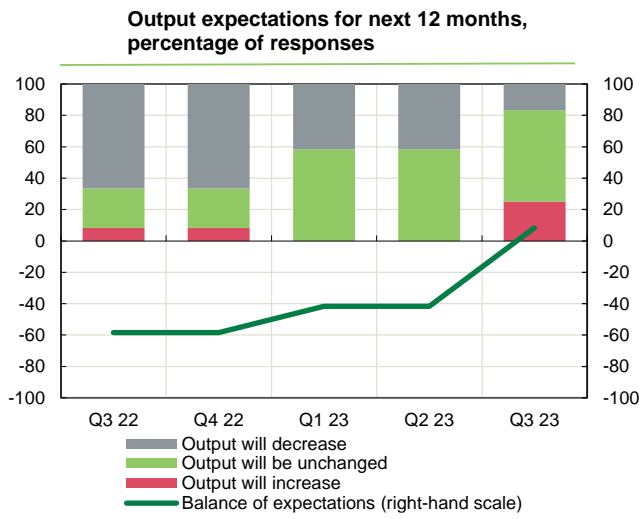


Figure 2

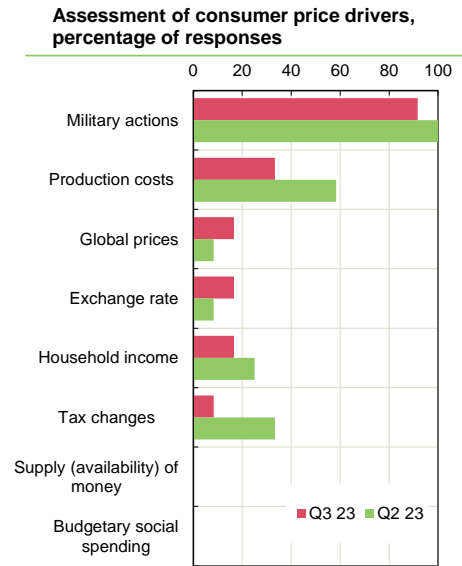


Figure 3

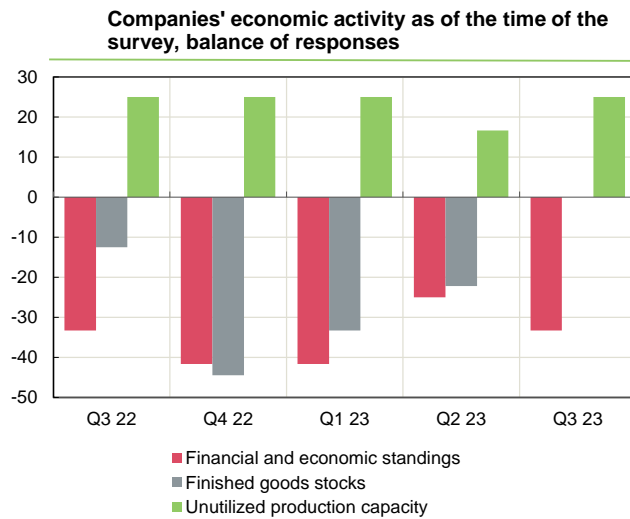


Figure 4



Figure 5

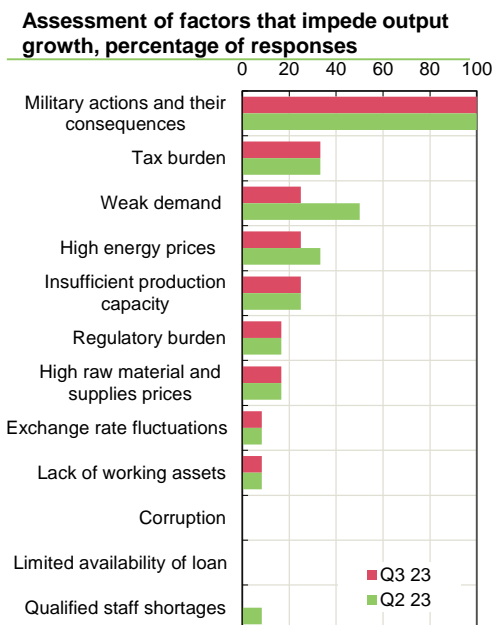


Figure 6

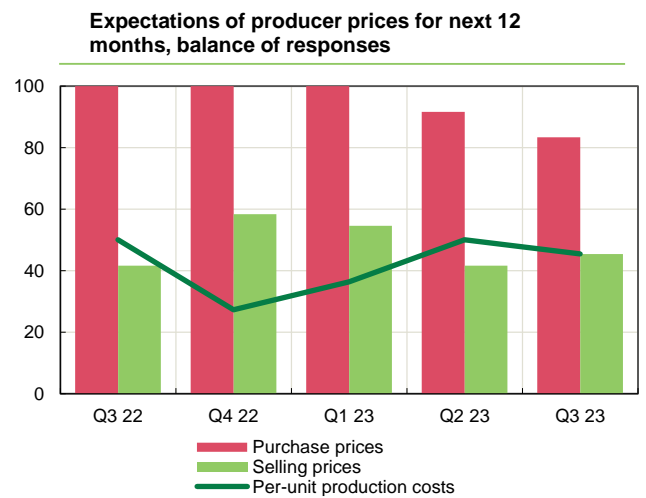


Figure 7

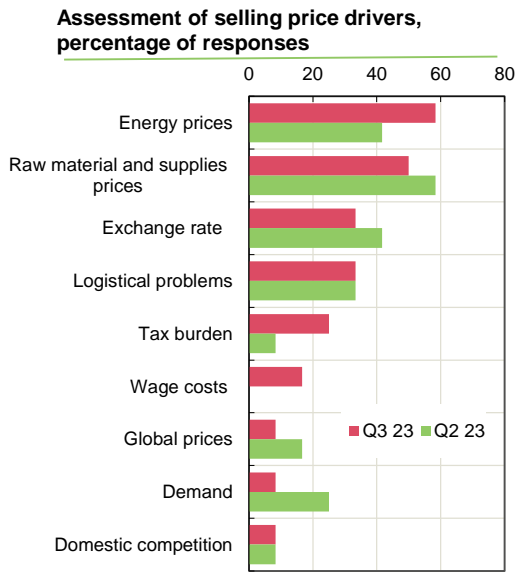


Figure 8

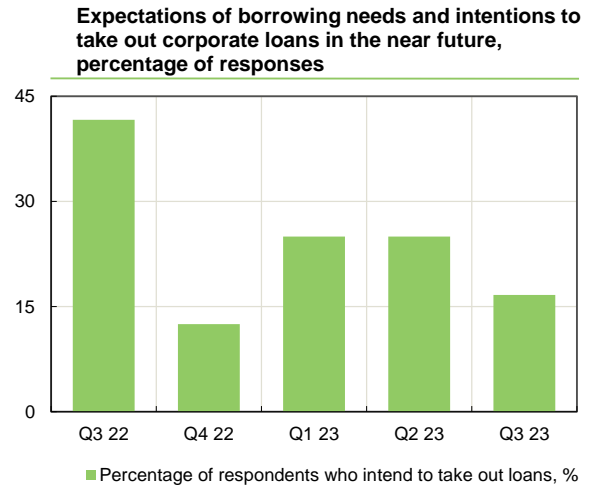


Figure 9

