



National Bank
of Ukraine

Business Outlook Survey of Kharkiv Oblast*

Q2 2022



*This survey only reflects the opinions of respondents in Kharkiv 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 **Kharkiv oblast** in Q2 2022 showed that against the background of the war respondents expected **the output of Ukrainian goods and services to decrease at a faster pace and the performance of their companies to deteriorate** over the next 12 months. Respondents' inflation and 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 decrease at a faster pace:** the balance of expectations was (-53.3%), compared to (-25.0%) in Q1 2022 (Figure 1). The balance of expectations across Ukraine was (-48.7%). Respondents from the companies engaged in other economic activities had the most pessimistic expectations, with a balance of responses of (-50.0%)
- **prices for consumer goods and services would rise:** 73.3% of respondents expected the inflation rate to be higher than 20.0%, compared to 58.2% across Ukraine. Respondents referred to military actions, production costs and the hryvnia exchange rate as the main inflation drivers (Figure 2)
- **the domestic currency would depreciate more pronouncedly:** 90.0% of respondents (compared to 61.1% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 88.9%
- **the financial and economic standings of their companies would deteriorate at a faster pace:** the balance of expectations was (-33.3%), compared to (-8.3%) in the previous quarter. Across Ukraine, the balance of responses was (-17.1%) (see Table)
- **total sales would drop significantly:** the balance of responses was (-50.0%), compared to 13.5% in Q1 2022. External sales were also expected to drop, but at a slower pace (the balance of responses was (-14.3%), compared to 8.3% in Q1 2022) (see Table). Across Ukraine, the balances of responses were (-19.0%) and (-25.0%) respectively
- **investment in construction and in machinery, equipment, and tools would decrease at a fast pace:** the balances of responses were (-33.3%) and (-41.4%) respectively, compared to 11.4% and 22.9% in Q1 2022. Overall, across Ukraine the balances of responses were (-37.2%) and (-34.7%) respectively (see Table)
- **staff numbers at their companies would decrease significantly:** the balance of responses was (-56.7%), compared to (-2.7%) in Q1 2022 (Figure 4). Across Ukraine, the balance of responses was (-29.0%)
- **both purchase and selling prices would grow at a fast pace:** the balances of responses were 86.7% and 62.1% respectively (compared to 94.6% and 59.5% in Q1 2022). Respondents from trading companies had the highest expectations of a rise in selling prices (83.3%) (Figure 6). Raw material and supplies prices, energy prices, logistical problems and the hryvnia exchange rate were referred to as the main selling price drivers (Figure 7)
- **per-unit production costs would increase:** the balance of responses was 73.3% (compared to 69.4% in Q1 2022). At the same time, respondents expected that wage costs per staff member would increase much more slowly: the balance of responses was 3.3% (compared to 62.2% in the previous quarter) (Figures 4 and 6).

Respondents referred to military actions and their consequences and high prices for energy, raw materials and supplies as **the main drags on the ability of their companies to boost production** (Figure 5).

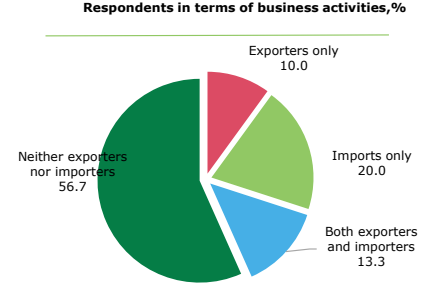
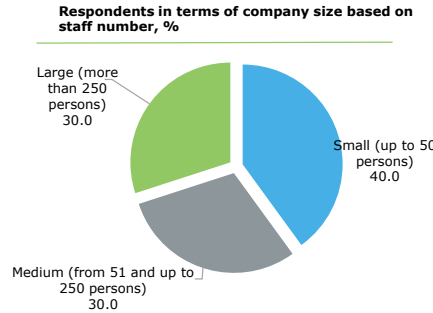
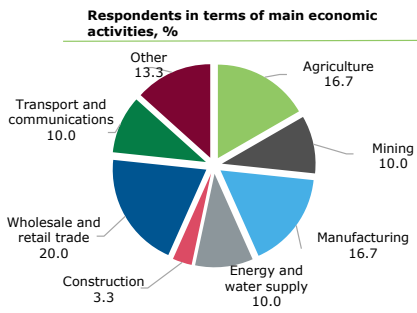
Respondents reported much higher expectations of an increase in their borrowing needs in the near future (Figure 8). 26.7% of the respondents who planned to take out bank loans opted to take out domestic currency loans. Respondents said that bank lending standards had tightened (Figure 9). Other funding sources and high loan rates were cited as the main factors deterring companies from taking out loans (Figure 10).

93.3% of the 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)

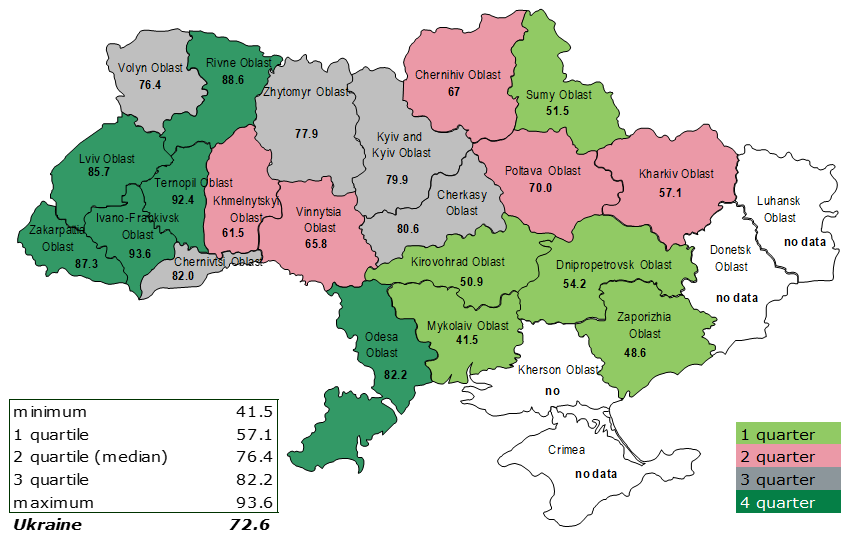
- **Companies' current financial and economic standings had deteriorated and were assessed as bad:** the balance of responses was (-66.7%) (the lowest figure among the regions), compared to 2.7% in the previous quarter and (-28.8%) across Ukraine.
- **Finished goods stocks were assessed at lower than normal levels:** the balance of responses was (-6.7%), compared to 5.3% in Q1 2022.
- **Companies in the oblast had a sufficient amount of spare production capacity to meet any unexpected rise in demand:** the balance of responses was 20.0%, compared to 13.5% in the previous quarter.

Survey Details^{1,2}



- Period: 5 May through 30 May 2022.
- A total of 30 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, manufacturing, trade 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 Kharkiv 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	8.3	6.3	2.1	-8.3	-33.3
Total sales	20.4	27.1	22.9	13.5	-50.0
Investment in construction	8.7	4.7	2.2	11.4	-33.3
Investment in machinery, equipment, and tools	13.0	13.0	8.5	22.9	-41.4
Staff numbers	-14.9	2.1	-12.5	-2.7	-56.7

¹ This sample was generated in proportion to the contribution of each oblast 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

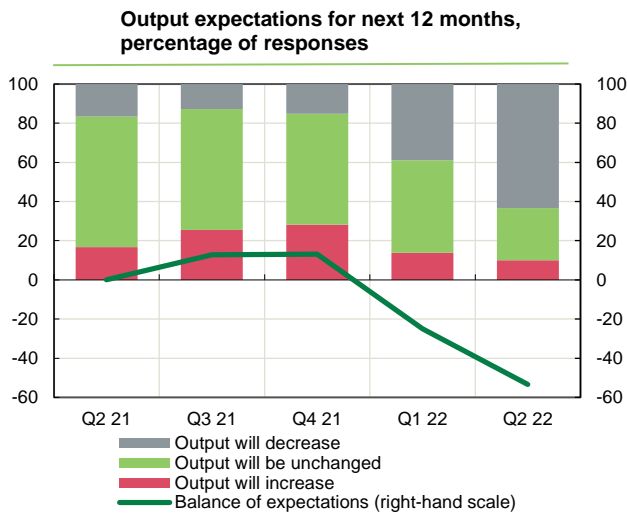


Figure 2

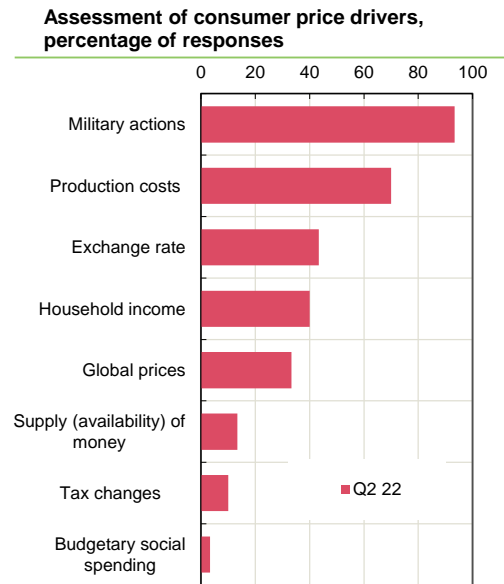


Figure 3

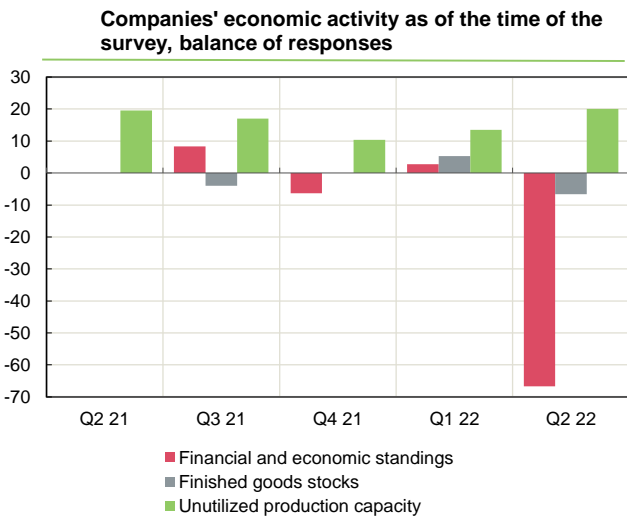


Figure 4

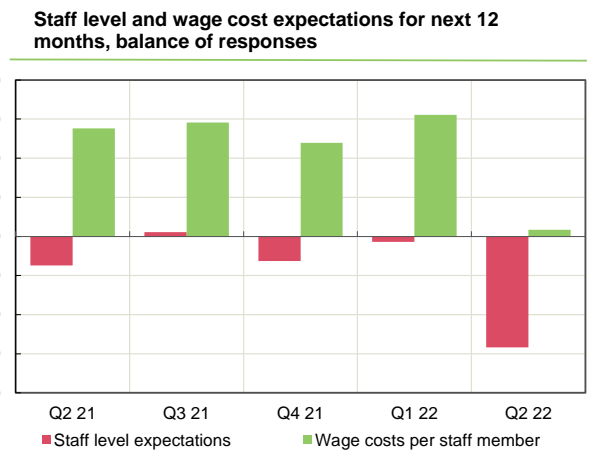


Figure 5

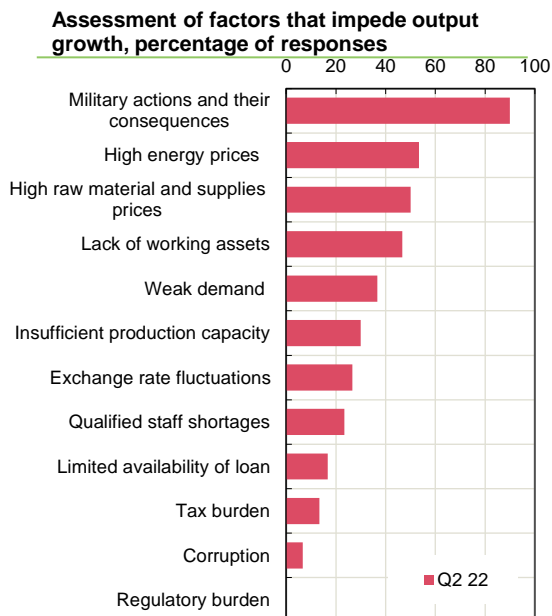


Figure 6

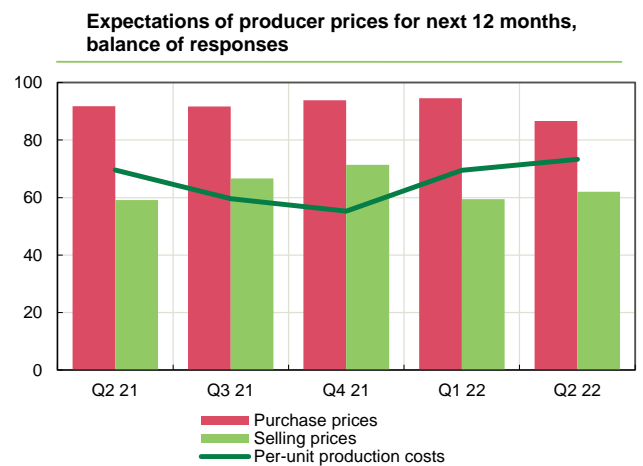


Figure 7

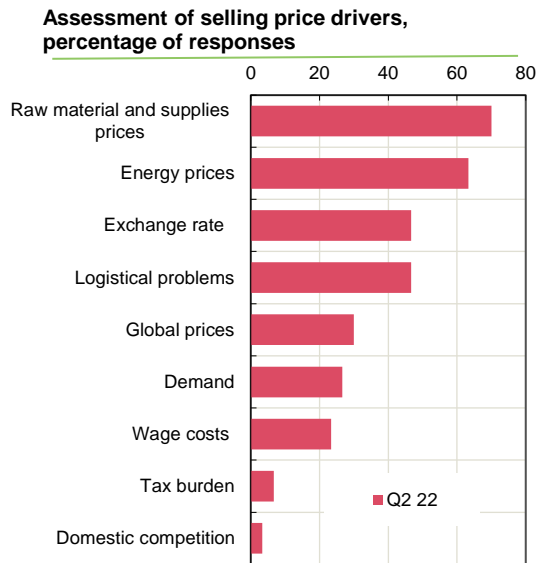


Figure 8

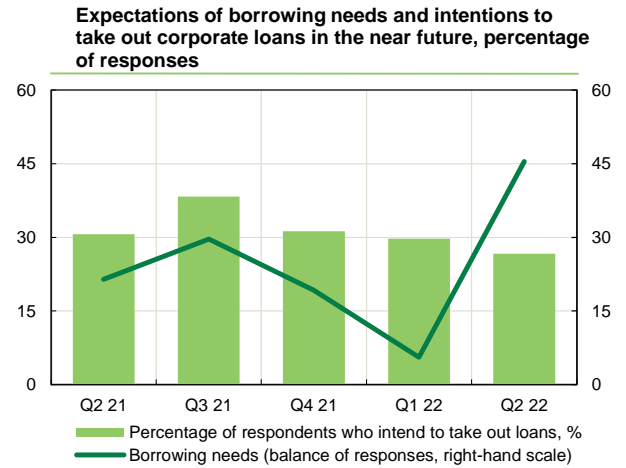


Figure 9

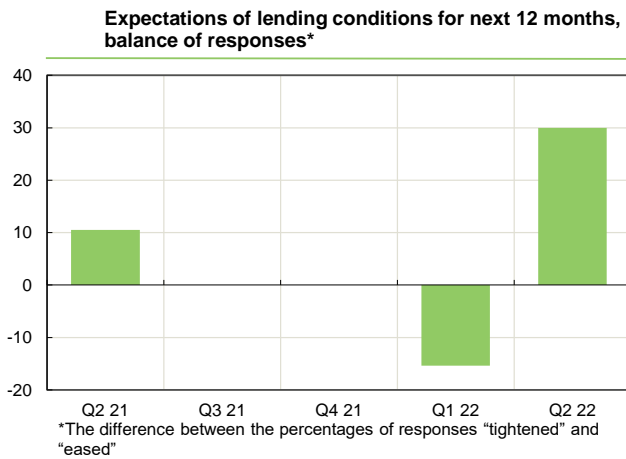


Figure 10

