



National Bank
of Ukraine

Business Outlook Survey of Kharkiv Oblast*

Q3 2022



*This survey only reflects the opinions of respondents in Kharkiv oblast (top managers of companies) who were polled in Q3 2022, and does not represent NBU forecasts or estimates

A survey of companies carried out in Kharkiv oblast in Q3 2022 showed that against the background of the war respondents moderated their expectations of a decrease in the output of Ukrainian goods and services and their negative expectations of performance of their companies over the next 12 months. Respondents' inflation and depreciation expectations remained high.

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 slower pace:** the balance of expectations was (-40.0%), compared to (-53.3%) in Q2 2022 (Figure 1). The balance of expectations across Ukraine was (-37.9%). Respondents from the transport and communications companies had the most pessimistic expectations, with a balance of responses of (-62.5%)
- **prices for consumer goods and services would rise:** 70.7% of respondents expected the inflation rate to be higher than 20.0%, compared to 73.3% in the previous quarter and 71.7% across Ukraine. Respondents referred to military actions, the hryvnia exchange rate, and production costs as the main inflation drivers (Figure 2)
- **the domestic currency would depreciate:** 83.3% of respondents (compared to 90.0% in the previous quarter) expected the hryvnia to weaken against the U.S. dollar, the figure across Ukraine being 88.8%
- **the financial and economic standings of their companies would deteriorate at a slower pace:** the balance of expectations was (-26.2%), compared to (-33.3%) in the previous quarter. Across Ukraine, the balance of responses was (-15.1%) (see Table)
- **total sales would drop more slowly:** the balance of responses was (-11.9%), compared to (-50.0%) in Q2 2022. External sales were expected to remain unchanged (the balance of responses was 0.0%, compared to (-14.3%) in Q2 2022) (see Table). Across Ukraine, the balances of responses were (-7.2%) and (-7.8%) respectively
- **investment in construction and in machinery, equipment, and tools would decrease at a slower pace:** the balances of responses were (-15.0%) and (-9.8%) respectively, compared to (-33.3%) and (-41.4%) in Q2 2022. Overall, across Ukraine the balances of responses were (-29.3%) and (-25.3%) respectively (see Table)
- **a decrease in staff numbers at their companies would decelerate:** the balance of responses was (-38.1%), compared to (-56.7%) in Q2 2022 (Figure 4). Across Ukraine, the balance of responses was (-25.5%)
- **both purchase and selling prices would grow at a fast pace:** the balances of responses were 95.2% and 57.1% respectively (compared to 86.7% and 62.1% in Q2 2022). Respondents from manufacturing companies had the highest expectations of a rise in selling prices (100.0%) (Figure 6). Energy prices, raw material and supplies prices, and the hryvnia exchange rate were referred to as the main selling price drivers (Figure 7)
- **per-unit production costs would increase more slowly:** the balance of responses was 47.6% (compared to 73.3% in Q2 2022). At the same time, respondents expected that **wage costs per staff member would increase faster:** the balance of responses was 19.0% (compared to 3.3% 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).

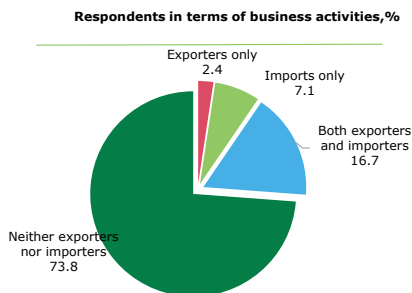
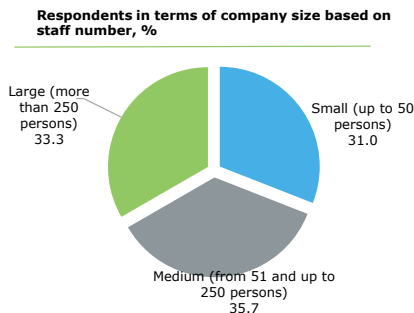
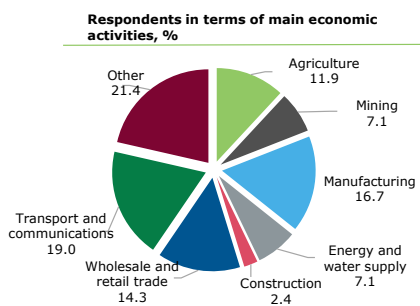
Respondents reported lower expectations of an increase in their borrowing needs in the near future (Figure 8). Some 26.2% of respondents planned to take out bank loans, opting for domestic currency loans only. Respondents said that bank lending standards had tightened (Figure 9). Availability of other funding sources and high loan rates were cited as the main factors deterring companies from taking out loans. Respondents also reported an increase in the impact of the uncertainty about their ability to meet debt obligations. (Figure 10).

92.5% of the respondents said that they had encountered no difficulties in effecting transactions with funds deposited in bank accounts (94.1% across Ukraine).

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

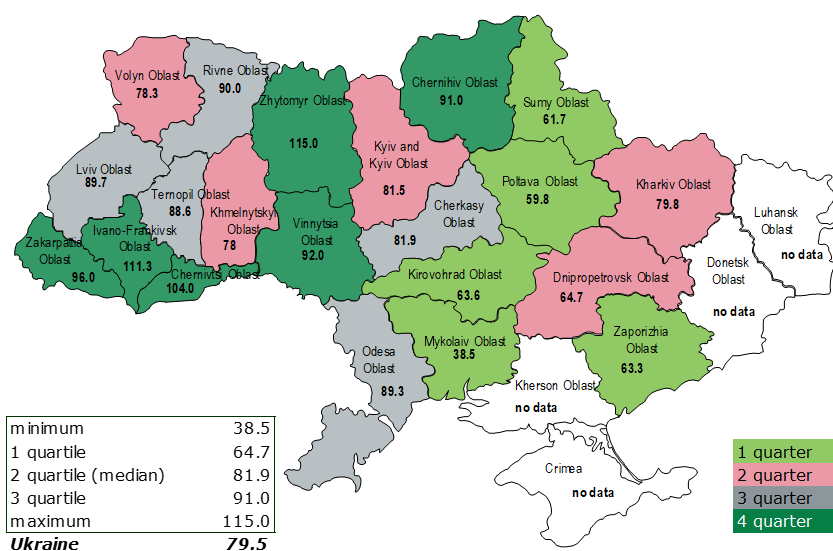
- **Companies' current financial and economic standings were assessed as bad:** the balance of responses was (-40.5%), compared to (-66.7%) in the previous quarter and (-21.8%) across Ukraine.
- **Finished goods stocks were assessed as lower than normal:** the balance of responses was (-10.0%), compared to (-6.7%) in Q2 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 11.9%, compared to 20.0% in the previous quarter.

Survey Details^{1,2}



- Period: 2 August through 31 August 2022.
- A total of 42 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, manufacturing, trade, transport and communications, and other economic activities.

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 Kharkiv Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22
Financial and economic standings	6.3	2.1	-8.3	-33.3	-26.2
Total sales	27.1	22.9	13.5	-50.0	-11.9
Investment in construction	4.7	2.2	11.4	-33.3	-15.0
Investment in machinery, equipment, and tools	13.0	8.5	22.9	-41.4	-9.8
Staff numbers	2.1	-12.5	-2.7	-56.7	-38.1

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

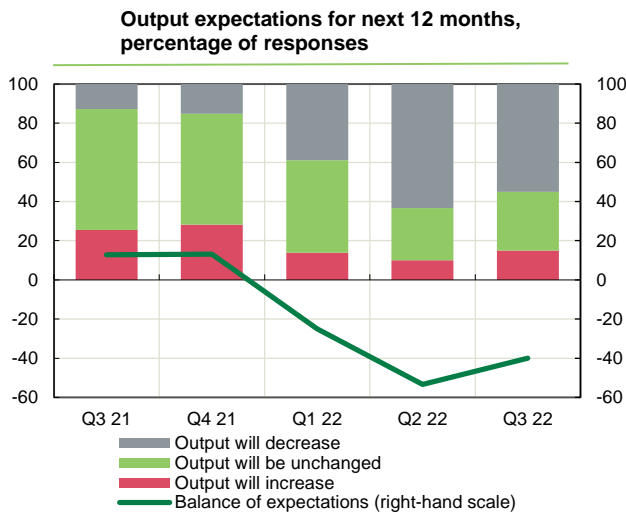


Figure 2

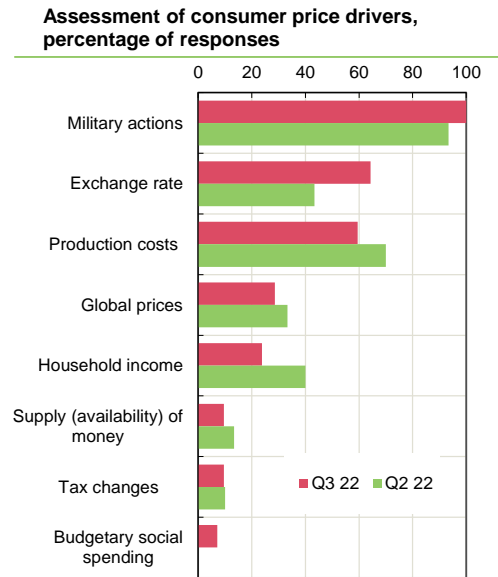


Figure 3

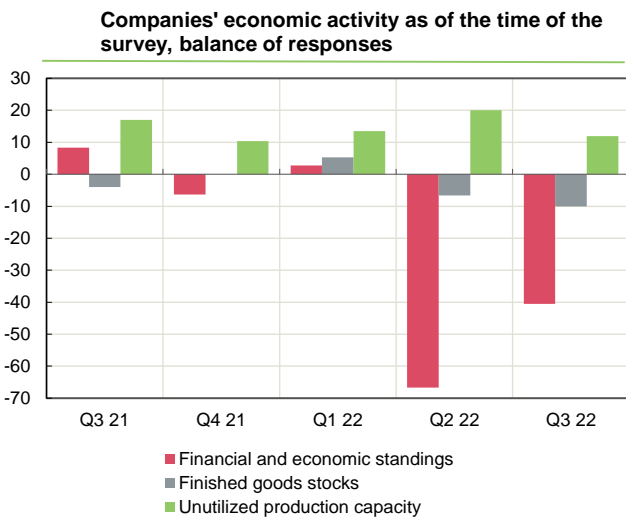


Figure 4

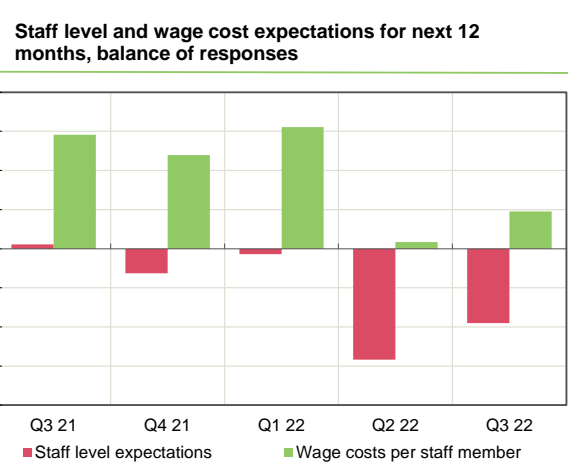


Figure 5

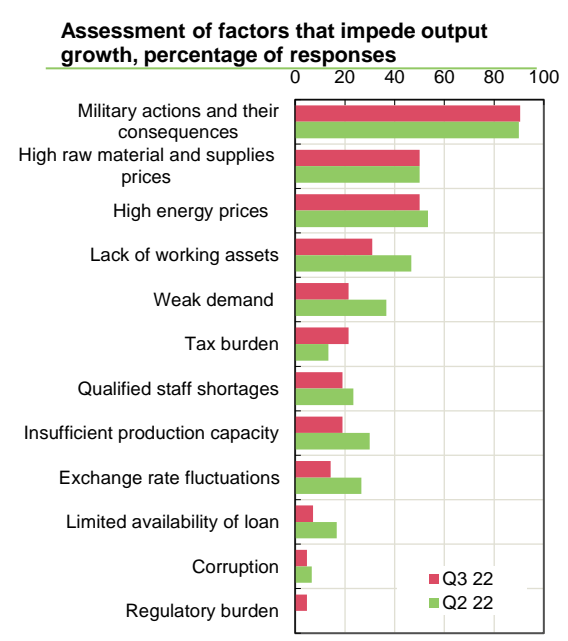


Figure 6

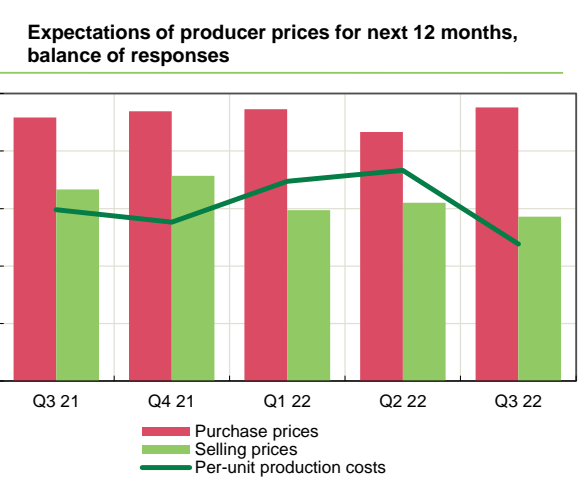


Figure 7

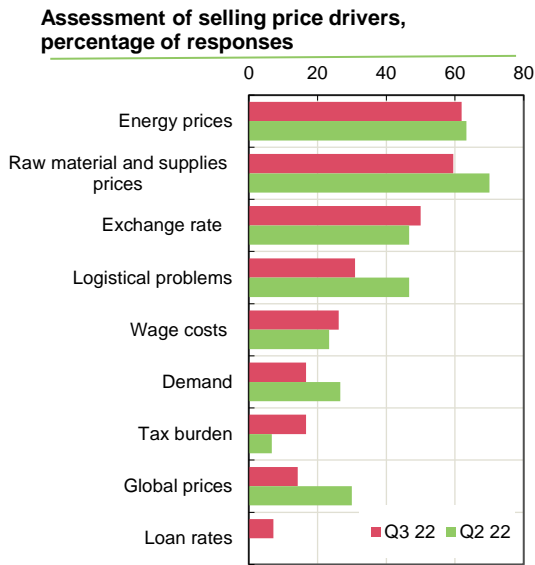


Figure 8

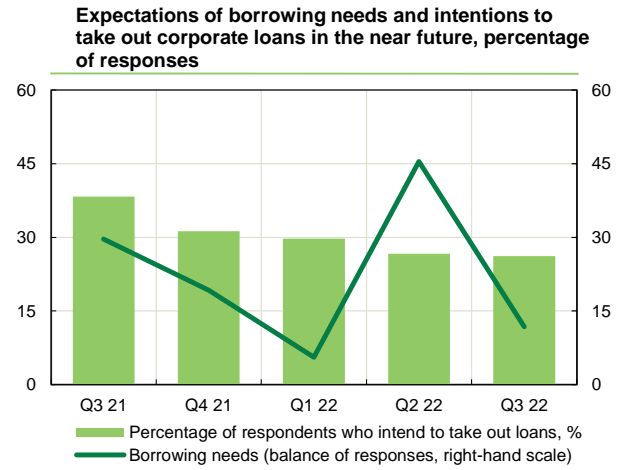


Figure 9

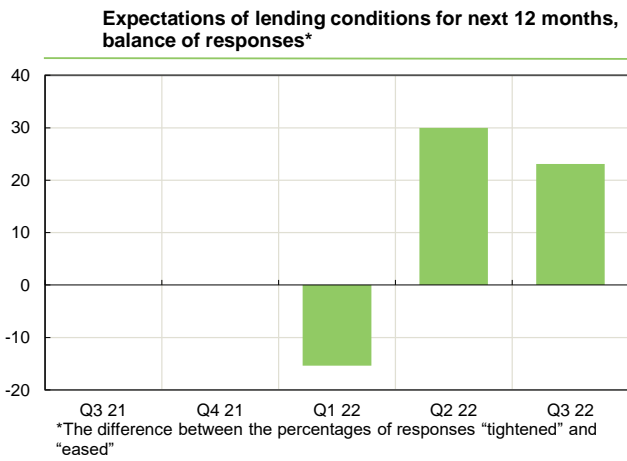


Figure 10

