



National Bank
of Ukraine

Business Outlook Survey of Kharkiv Oblast*

Q4 2022



*This survey only reflects the opinions of respondents in Kharkiv oblast (top managers of companies) who were polled in Q4 2022, and does not represent NBU forecasts or estimates

A survey of companies carried out in **Kharkiv oblast** in Q4 2022 showed that despite the war hostilities and terrorist attacks respondents **moderated their expectations of a decrease in the output of Ukrainian goods and services**. They also had positive expectations for the 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 (-17.9%), compared to (-40.0%) in Q3 2022 (Figure 1). The balance of expectations across Ukraine was (-32.3%). Respondents from companies engaged in other economic activities had the most pessimistic expectations, with a balance of responses of (-42.9%)
- **prices for consumer goods and services would rise:** 66.7% of respondents expected the inflation rate to be higher than 20.0%, compared to 70.7% in the previous quarter and 62.4% 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:** 79.5% of respondents (compared to 83.3% in the previous quarter) expected the hryvnia to weaken against the U.S. dollar, the figure across Ukraine being 88.5%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 7.7% (this was one of the highest figures seen across the regions), compared to (-26.2%) in the previous quarter. Across Ukraine, the balance of responses was (-11.5%) (see Table)
- **total sales would increase:** the balance of responses was 15.8%, compared to (-11.9%) in Q3 2022. External sales were also expected to increase (the balance of responses was 9.1%, compared to 0.0% in Q3 2022) (see Table). Across Ukraine, the balances of responses were (-7.3%) and (-6.3%) respectively
- **investment in construction and in machinery, equipment, and tools would decrease more quickly:** the balances of responses were (-30.6%) and (-15.8%) respectively, compared to (-15.0%) and (-9.8%) in Q3 2022. Overall, across Ukraine the balances of responses were (-26.9%) and (-16.6%) respectively (see Table)
- **staff numbers at their companies would decrease:** the balance of responses was (-33.3%), compared to (-38.1%) in Q3 2022 (Figure 4). Across Ukraine, the balance of responses was (-20.1%)
- **both purchase and selling prices would grow at a fast pace:** the balances of responses were 92.3% and 61.5% respectively (compared to 95.2% and 57.1% in Q3 2022). Respondents from trading companies had the firmest expectations of a rise in selling prices (85.7%) (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 at a faster pace:** the balance of responses was 60.5%, up from 47.6% in Q3 2022. At the same time, respondents also expected **wage costs per staff member to increase:** the balance of responses was 27.0% (compared to 19.0% 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).

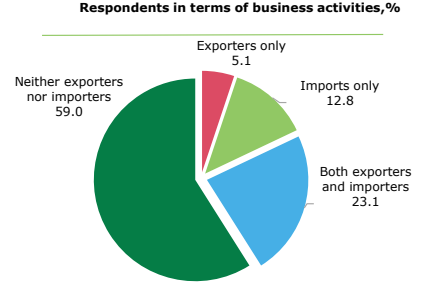
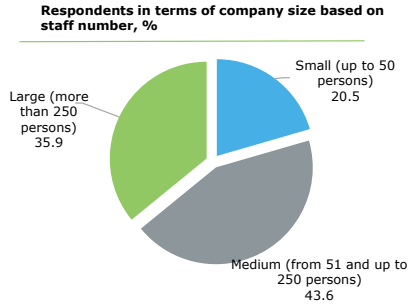
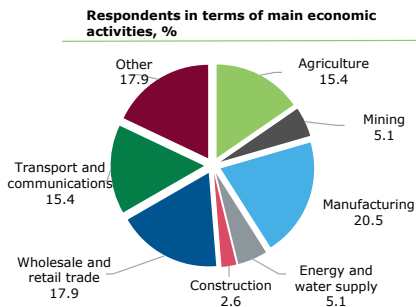
Respondents reported higher expectations of an increase in their borrowing needs in the near future (Figure 8). Some 20.5% of respondents planned to take out bank loans, opting for domestic currency loans only. Respondents said that bank lending standards had remained unchanged (Figure 9). Other funding sources, high loan rates and collateral requirements (the impact of this factor was reported to have increased) were cited as the main factors deterring companies from taking out loans. Respondents also reported an increase in the impact of uncertainty about their ability to meet debt obligations (Figure 10).

91.9% of the respondents said that they had encountered no difficulties in effecting transactions with funds deposited in bank accounts (94.2% across Ukraine).

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

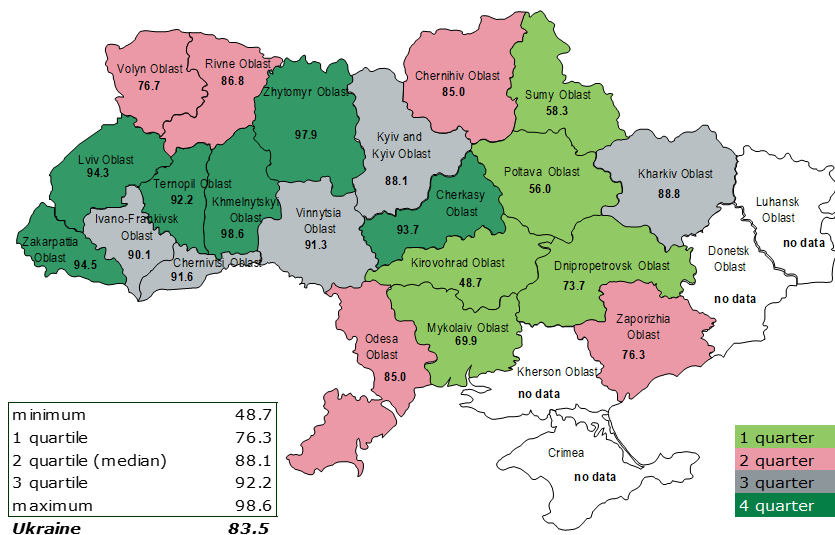
- **Companies assessed their current financial and economic standings as bad:** the balance of responses was (-35.9%), compared to (-40.5%) in the previous quarter and (-19.3%) across Ukraine.
- **Finished goods stocks were assessed as being at normal levels:** the balance of responses was 0.0%, compared to (-10.0%) in Q3 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 2.6%, compared to 11.9% in the previous quarter.

Survey Details^{1,2}



- Period: 2 November through 29 November 2022.
- A total of 39 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, %



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, %				
	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22
Financial and economic standings	2.1	-8.3	-33.3	-26.2	7.7
Total sales	22.9	13.5	-50.0	-11.9	15.8
Investment in construction	2.2	11.4	-33.3	-15.0	-30.6
Investment in machinery, equipment, and tools	8.5	22.9	-41.4	-9.8	-15.8
Staff numbers	-12.5	-2.7	-56.7	-38.1	-33.3

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

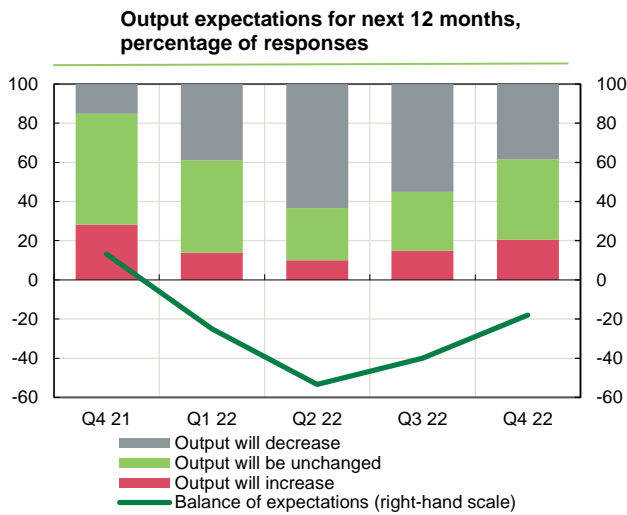


Figure 2

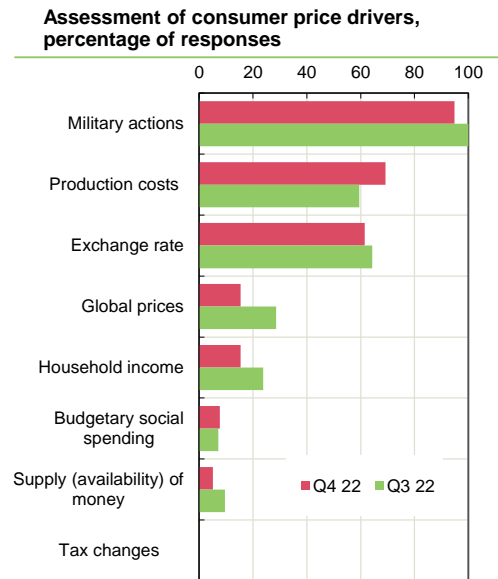


Figure 3

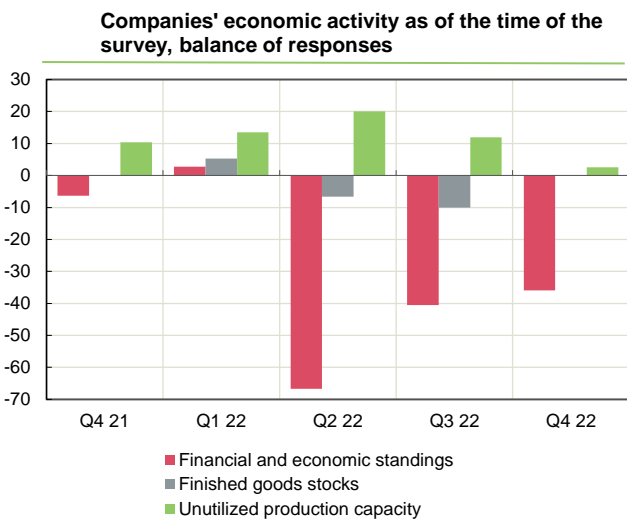


Figure 4

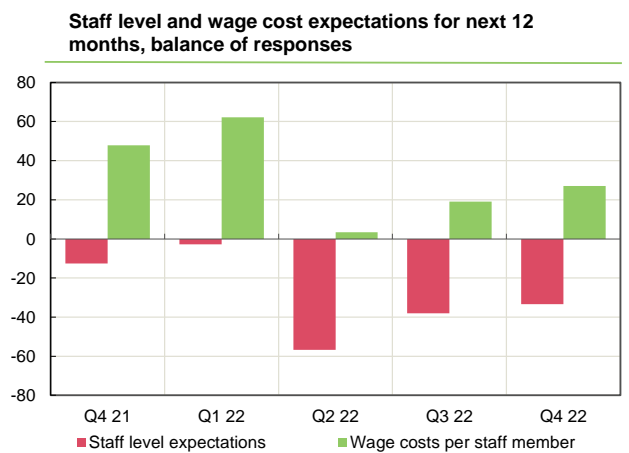


Figure 5

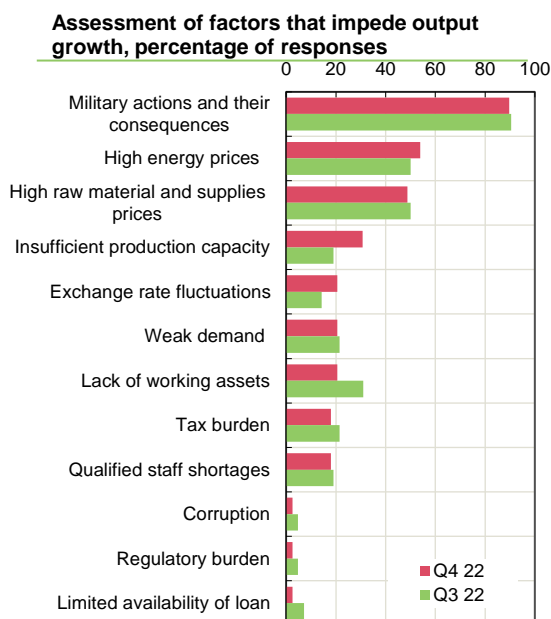


Figure 6

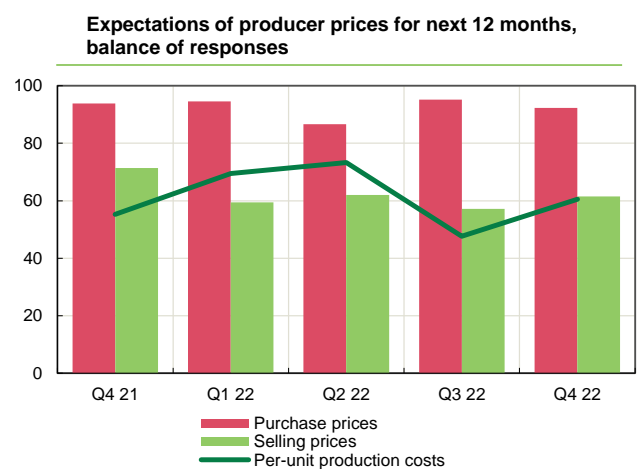


Figure 7

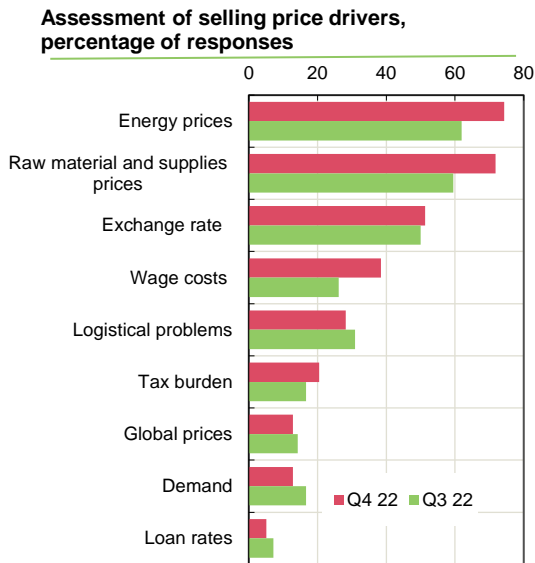


Figure 8

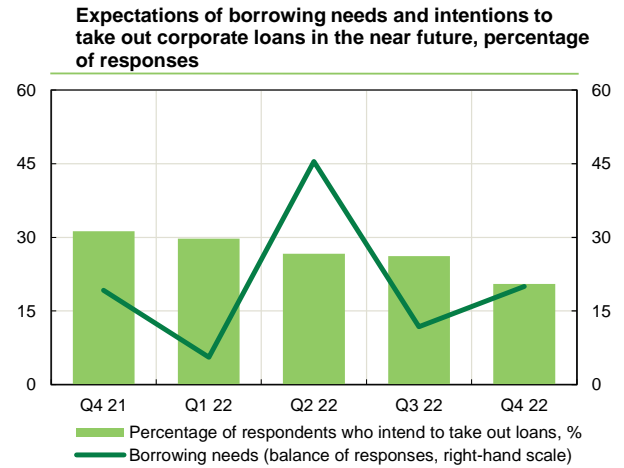


Figure 9

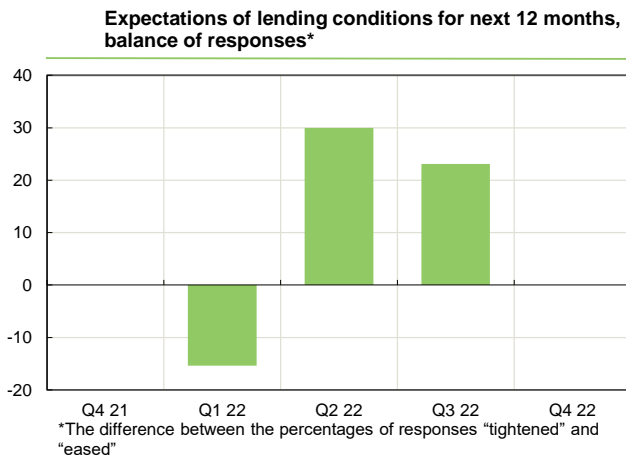


Figure 10

