



National Bank
of Ukraine

Business Outlook Survey of Kharkiv Oblast*

Q3 2023



*This survey only reflects the opinions of respondents in Kharkiv 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 **Kharkiv oblast** in Q3 2023 showed that, despite regular missile and drone attacks respondents expected the output of Ukrainian goods and services to remain unchanged over the next 12 months. They also had cautious expectations for the performance of their companies over that period. 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 remain unchanged:** the balance of expectations was 0.0%, compared to 18.4% in Q2 2023 (Figure 1). The balance of expectations across Ukraine was 9.8%. Respondents from companies engaged in other economic activities had the most optimistic expectations, with a balance of responses of 42.9%. At the same time, mining and transport and communications companies reported the dimmest expectations (-33.3% for each)
- **prices for consumer goods and services would rise:** 52.2% of respondents expected the inflation rate to be higher than 15.0%, compared to 59.2% in the previous quarter and 47.8% 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:** 60.9% of respondents (compared to 66.7% 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 remain unchanged:** the balance of expectations was 0.0%, down from 4.1% in the previous quarter. Across Ukraine, the balance of responses was 6.0% (see Table)
- **total sales would increase:** the balance of responses was 13.0%, up from 10.4% in Q2 2023. External sales were also expected to rise: the balance of responses was 35.7%, compared to 30.8% in Q2 2023 (see Table). Across Ukraine, the balances of responses were 16.8% and 10.6% respectively
- **both investment in machinery, equipment, and tools and in construction would decrease:** the balances of responses were (-17.8%) and (-13.6%) respectively, down from 4.3% and 0.0% respectively in Q2 2023. Overall, across Ukraine the balances of responses were 8.8% and (-2.2%) respectively (see Table)
- **staff numbers at their companies would decrease:** the balance of responses was (-19.6%), compared to (-16.3%) in Q2 2023 (Figure 4). Across Ukraine, the balance of responses was (-7.0%)
- **both purchase and selling prices would grow:** the balances of responses were 89.1% and 50.0% respectively (compared to 79.6% and 44.9% in Q2 2023). Respondents from trading companies had the firmest expectations of a rise in selling prices (100.0%) (Figure 6). Raw material and supplies prices, energy prices, and wage costs were referred to as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would increase:** the balances of responses were 55.6% and 30.4% respectively, compared to 52.1% and 32.7% in the previous quarter (Figures 4 and 6).

Respondents referred to military actions and their consequences, high supplies and raw material prices and a lack of working assets as **the main drags on the ability of their companies to boost production** (Figure 5).

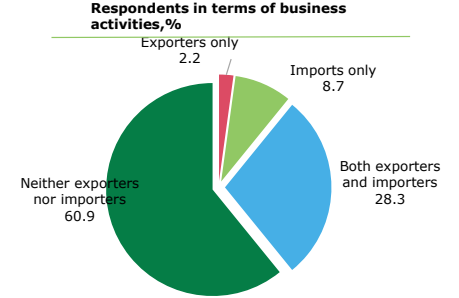
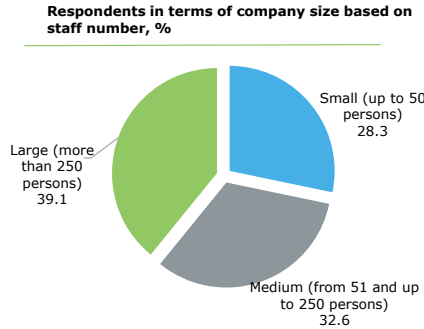
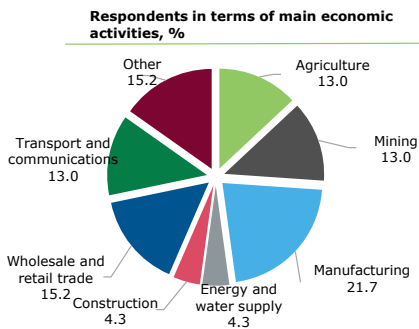
Respondents reported higher expectations of an increase in their borrowing needs in the near future (Figure 8). Some 28.3% of respondents planned to take out bank loans, usually opting for domestic currency loans. Respondents said that bank lending standards had remained tight (Figure 9). The availability of other funding sources, high loan interest rates and uncertainty about ability to meet debt obligations as they fall due 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 (94.9% across Ukraine).

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

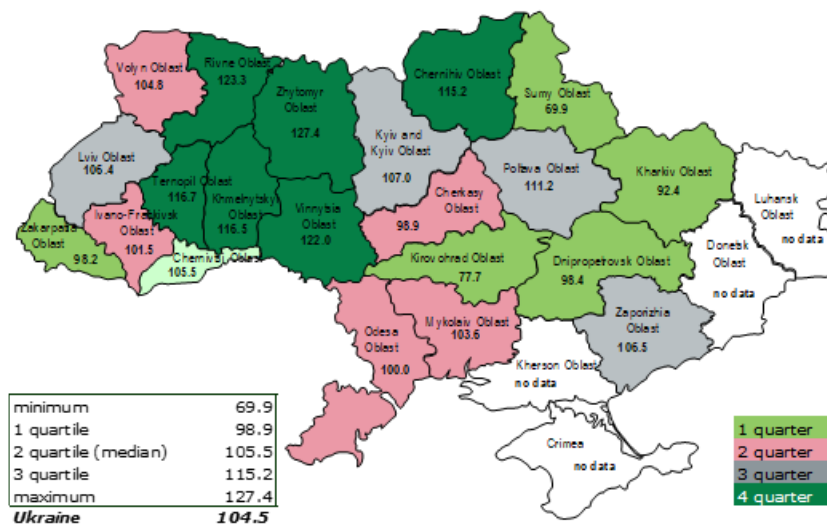
- **Companies assessed their current financial and economic standings as bad:** the balance of responses was (-21.7%), compared to (-20.4%) in the previous quarter and (-5.8%) across Ukraine.
- **Finished goods stocks had increased and were assessed as higher than normal:** the balance of responses was 9.5% compared to (-9.1%) in Q2 2023.
- **Companies in the oblast had sufficient spare production capacity to meet any unexpected rise in demand:** the balance of responses was 4.7%, compared to 2.0% in the previous quarter.

Survey Details^{1,2}



- Period: 31 July through 29 August 2023.
- A total of 46 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, mining, 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, %				
	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23
Financial and economic standings	-26.2	7.7	-4.7	4.1	0.0
Total sales	-11.9	15.8	2.3	10.4	13.0
Investment in construction	-15.0	-30.6	-21.4	0.0	-13.6
Investment in machinery, equipment, and tools	-9.8	-15.8	-11.4	4.3	-17.8
Staff numbers	-38.1	-33.3	-15.9	-16.3	-19.6

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

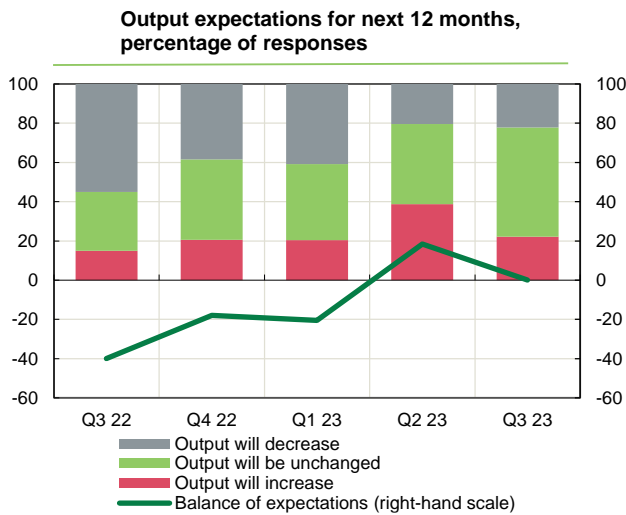


Figure 2

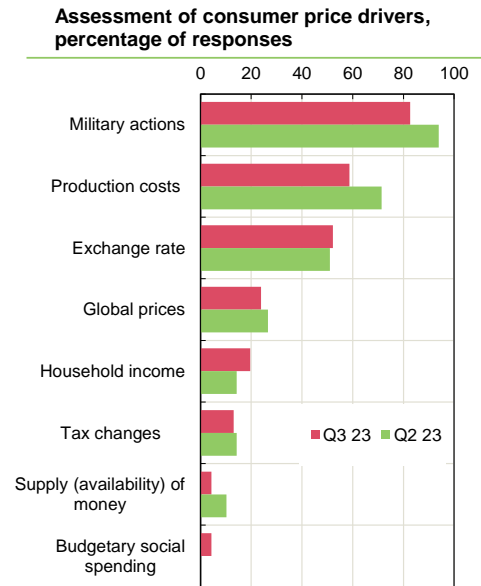


Figure 3

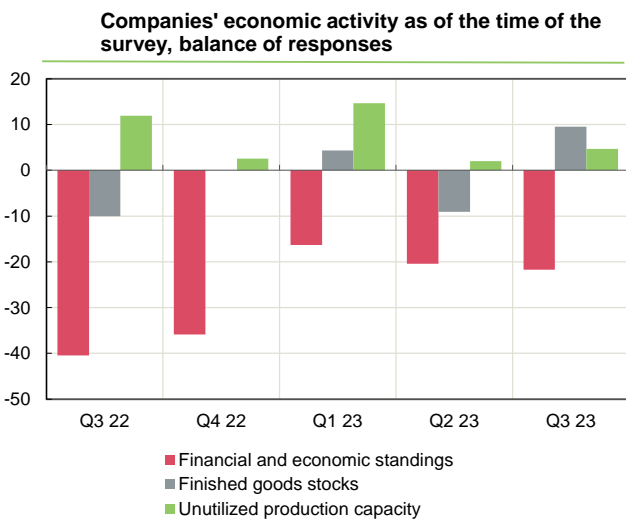


Figure 4

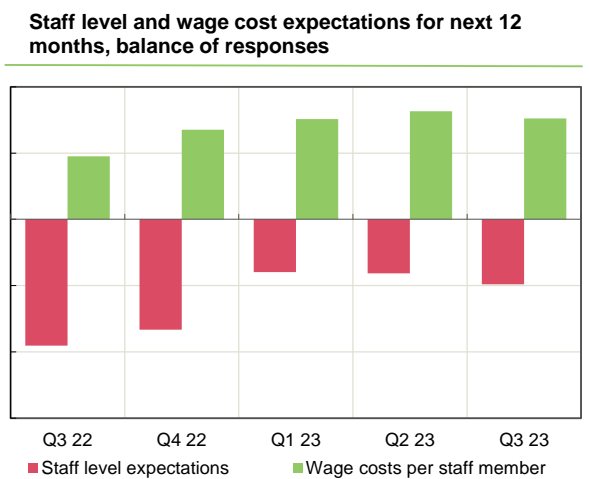


Figure 5

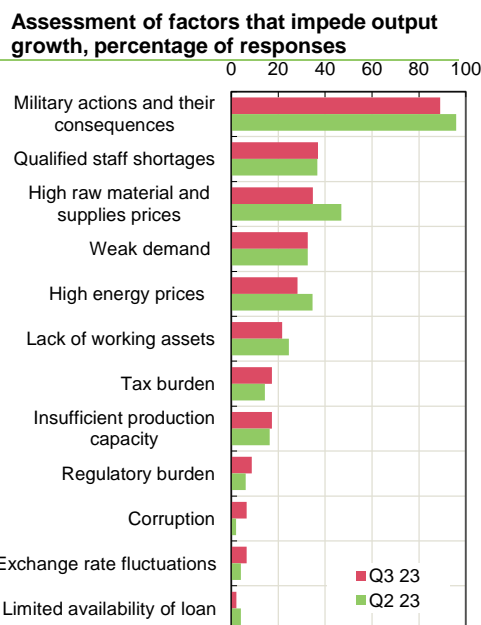


Figure 6

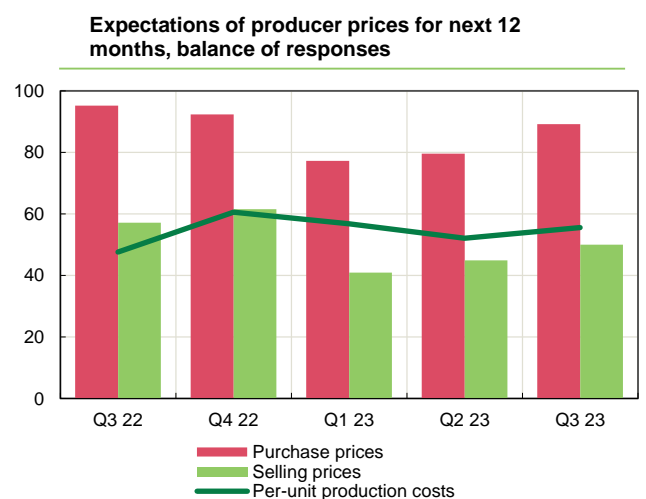


Figure 7

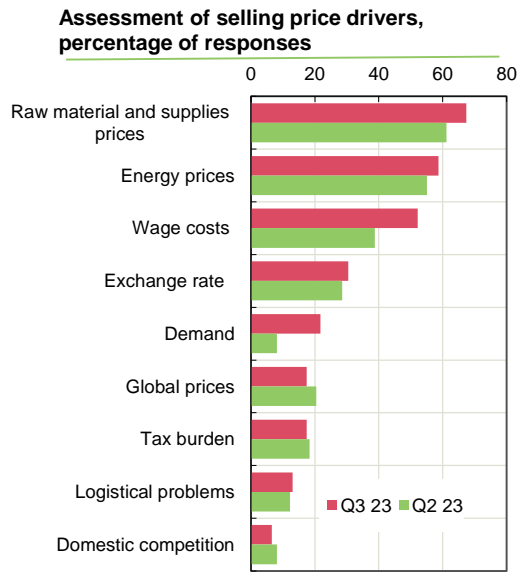


Figure 8

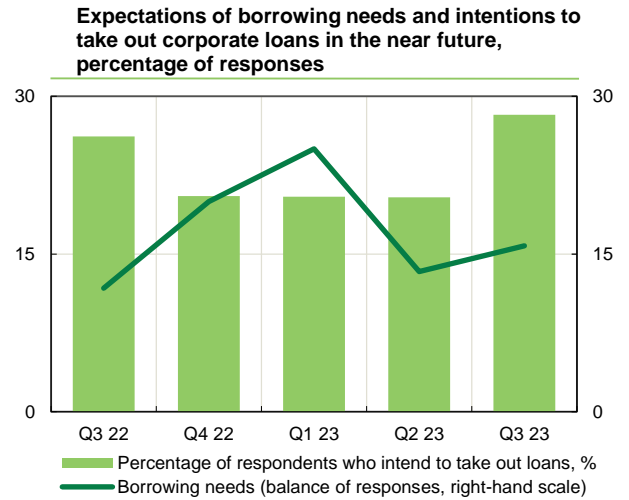


Figure 9

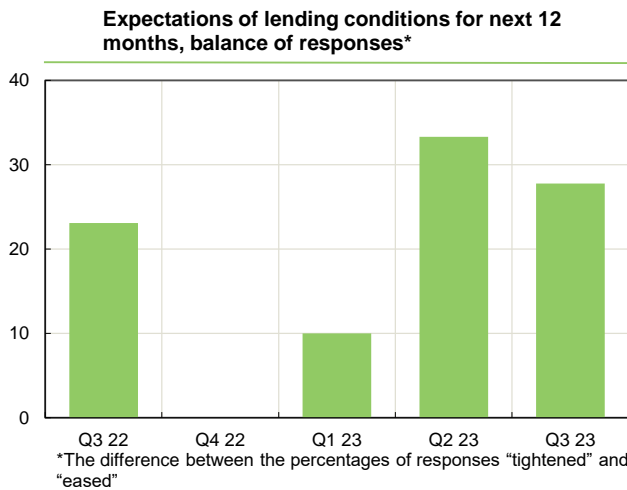


Figure 10

