



National Bank
of Ukraine

Business Outlook Survey of Kharkiv Oblast*

Q2 2024



*This survey only reflects the opinions of respondents in Kharkiv oblast (top managers of companies) who were polled in Q2 2024, and does not represent NBU forecasts or estimates

A survey of companies carried out in **Kharkiv oblast** in Q2 2024 showed that, on the back of the war, qualified staff shortages and high energy prices, respondents reported weakened their expectations for the output of Ukrainian goods and services over the next 12 months. Respondents also downgraded their expectations for the performance of their companies over that period. Inflation was expected to decline. Depreciation expectations remained strong.

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

- the output of Ukrainian goods and services would decrease: the balance of expectations was (-13.3%), compared to 6.7% in Q1 2024 (Figure 1). Across Ukraine, the balance of responses was (-0.3%). Respondents from trading companies reported the dimmest expectations (-33.3%). Meanwhile, respondents from agricultural companies were the only optimists, with a balance of responses of 60.0%
- **prices for consumer goods and services would rise more slowly**: 62.2% of respondents expected the inflation rate to be lower than 10.0%, compared to 50.0% in the previous quarter and 62.8% across Ukraine. Respondents referred to military actions (mentioned by 93.3% of those surveyed), production costs, and the hryvnia exchange rate as the main inflation drivers (Figure 2)
- the hryvnia would depreciate: 75.6% of respondents (as in the previous quarter) expected the hryvnia to weaken against the U.S. dollar, the figure across Ukraine being 84.9%
- the financial and economic standings of their companies would deteriorate: the balance of expectations was (-26.7%) (among the dimmest expectations across the regions), down from (-13.3%) in the previous quarter. Across Ukraine, the balance of responses was (-0.2%) (see Table)
- total sales would drop: the balance of responses was (-11.1%), compared to 13.3% in Q1 2024 (see Table). Meanwhile, external sales were expected to remain unchanged: the balance of responses was 0.0%, down from 7.7% in the previous quarter. Across Ukraine, the balances of responses were 8.7% and 11.1% respectively
- **investment in machinery, equipment, and tools would increase**: the balance of responses was 4.5%, compared to 6.7% in Q1 2024. Respondents expected that investment in construction would decrease: the balance of responses was (-9.3%), down from 6.8% in the previous quarter. Overall, across Ukraine the balances of responses were 5.4% and (-5.5%) respectively (see Table)
- staff numbers at their companies would decrease: the balance of responses was (-18.2%), compared to (-15.6%) in Q1 2024 (Figure 4). Across Ukraine, the balance of responses was (-10.7%)
- both purchase and selling prices would grow: the balances of responses were 88.9% and 55.8% respectively (compared to 90.9% and 54.5% in Q1 2024). Respondents from manufacturing companies had the firmest expectations of a rise in selling prices (90.9%) (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 would increase more quickly: the balance of responses was 66.7%, compared to 58.1% in the previous quarter. Respondents also expected that wage costs per staff member would rise: the balance of responses was 47.7%, as in Q1 2024 (Figures 4 and 6).

Respondents referred to military actions and their consequences (mentioned by 95.6% of those surveyed), qualified staff shortages and high energy prices as **the main drags on the ability of their companies to boost production** (Figure 5).

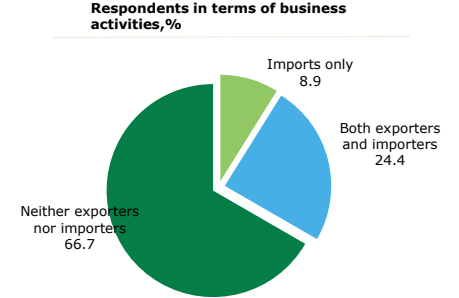
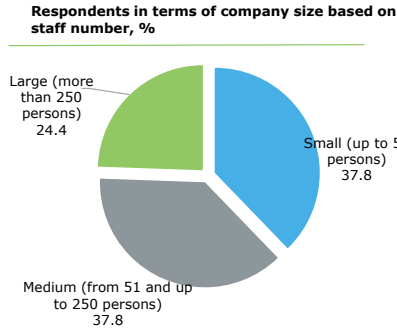
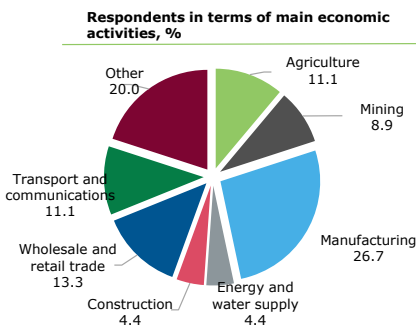
Respondents expected that their borrowing needs would rise more slowly in the near future (Figure 8). Some 33.3% of respondents planned to take out bank loans, opting for domestic currency loans only. Respondents said that bank lending standards had tightened (Figure 9). The availability of other funding sources, high loan interest rates and collateral requirements were cited as the main factors deterring companies from taking out loans (Figure 10).

95.6% of the respondents said that they had encountered no difficulties in effecting transactions with funds deposited in bank accounts (96.0% across Ukraine).

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

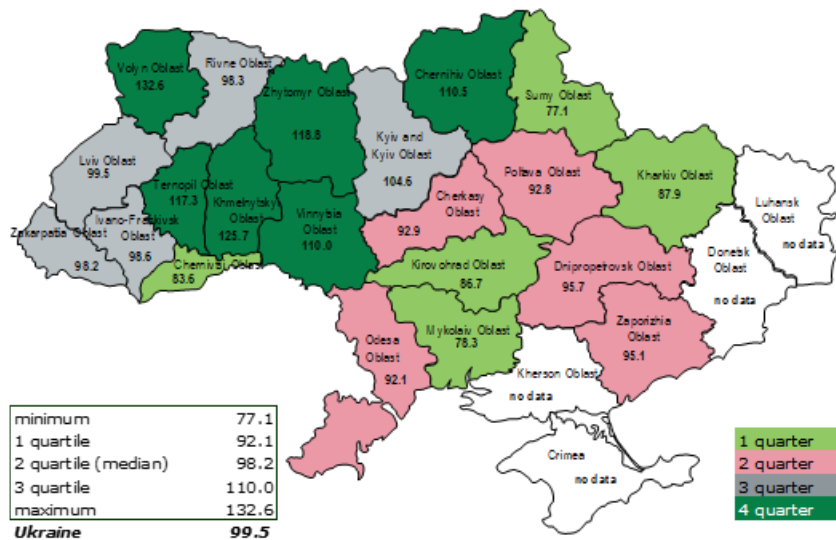
- **Companies assessed their current financial and economic standings as bad**: the balance of responses was (-15.6%), compared to (-20.0%) in the previous quarter and (-4.3%) across Ukraine.
- **Finished goods stocks had decreased and were assessed as lower than normal**: the balance of responses was (-17.4%), compared to 5.0% in Q1 2024.
- **Companies in the oblast had sufficient spare production capacity to meet any unexpected rise in demand**: the balance of responses was 18.2%, as in the previous quarter.

Survey Details^{1,2}



- Period: 30 April through 28 May 2024.
- A total of 45 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, %				
	Q2 23	Q3 23	Q4 23	Q1 24	Q2 24
Financial and economic standings	4.1	0.0	-14.9	-13.3	-26.7
Total sales	10.4	13.0	-10.9	13.3	-11.1
Investment in construction	0.0	-13.6	-13.6	6.8	-9.3
Investment in machinery, equipment, and tools	4.3	-17.8	-10.9	6.7	4.5
Staff numbers	-16.3	-19.6	-23.4	-15.6	-18.2

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

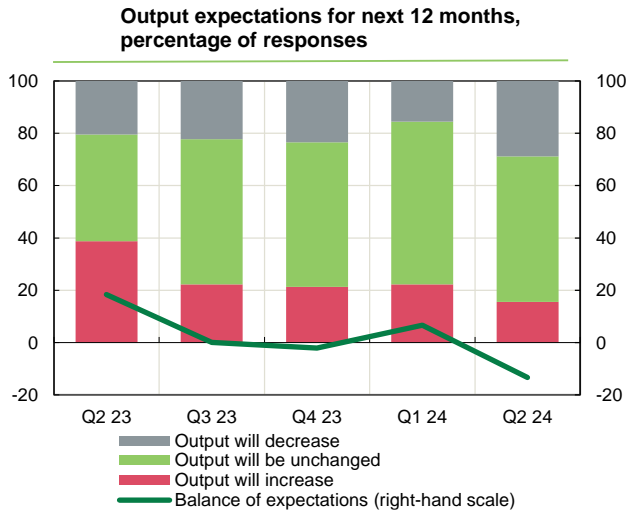


Figure 2

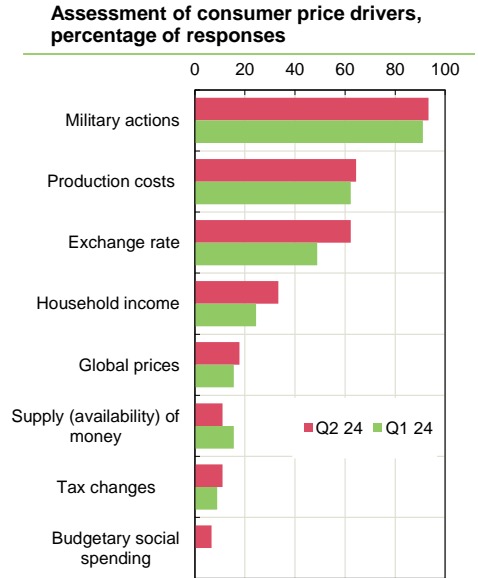


Figure 3

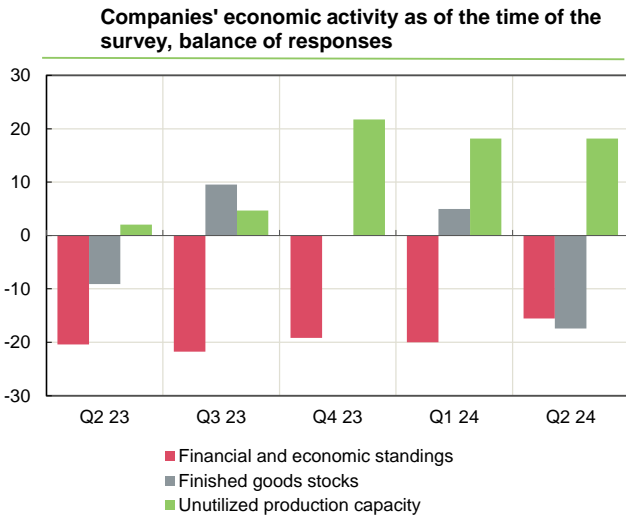


Figure 4

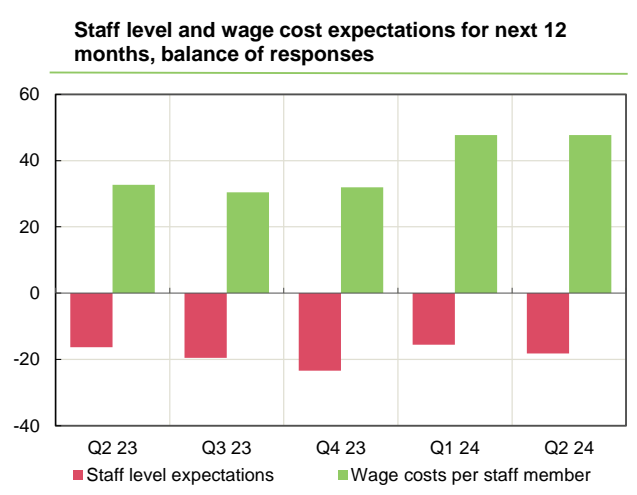


Figure 5

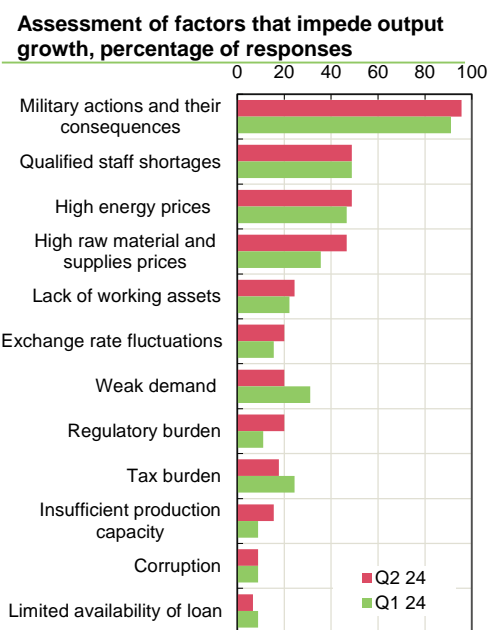


Figure 6

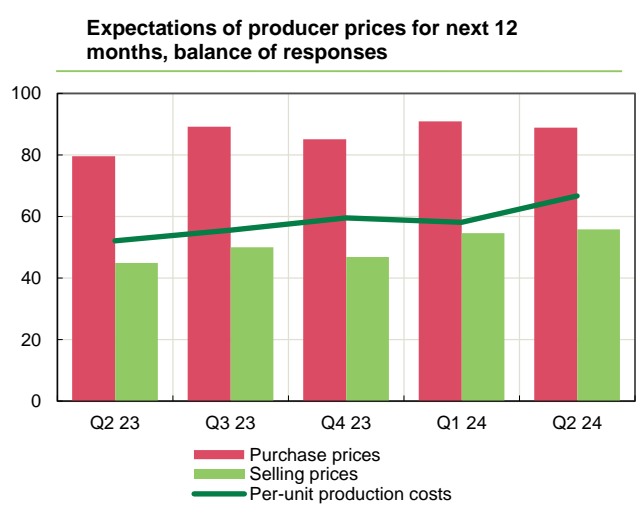


Figure 7

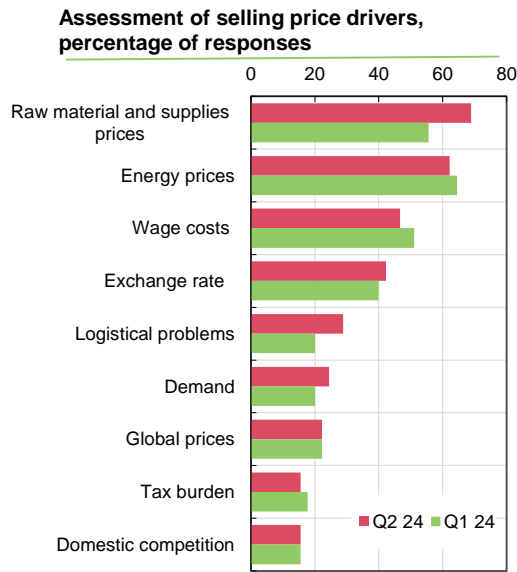


Figure 8

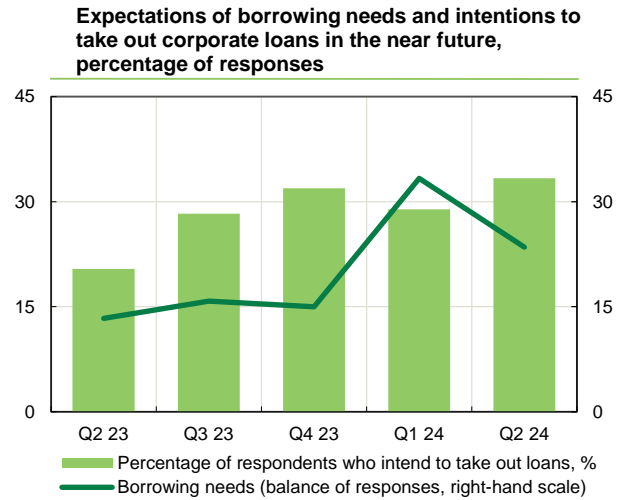


Figure 9

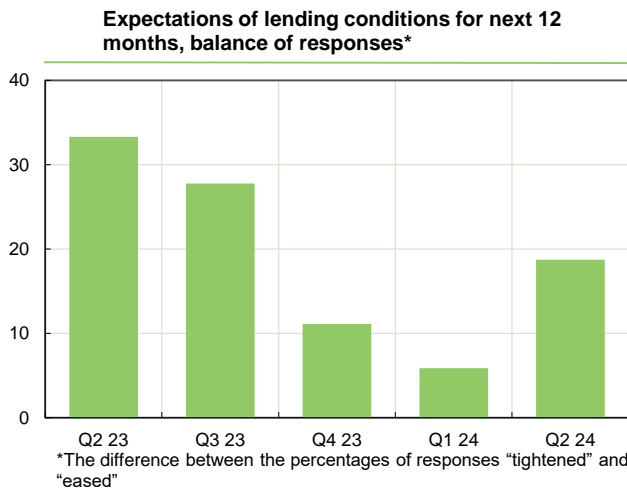


Figure 10

