



National Bank
of Ukraine

Business Outlook Survey of Kherson Oblast*

Q1 2021

**The survey was completed
when the war started**



*This survey only reflects the opinions of respondents in Kherson oblast (top managers of companies) who were polled in Q1 2022, and does not represent NBU forecasts or estimates

A survey of companies carried out in Kherson oblast in Q1 2022 showed that respondents expected that on the eve of the war the output of Ukrainian goods and services would decrease significantly over the next 12 months. At the same time, respondents reported negative expectations for their companies' performance over this period. 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 significantly:** the balance of expectations was (-40.0%) (the most pessimistic expectations among the regions) compared to 50.0% in Q4 2021 and (-1.7%) across Ukraine (Figure 1)
- **the prices for consumer goods and services would grow at a fast pace:** the share of respondents who expected that inflation would be higher than 7.5% increased to 80.0%, compared to 67.7% in the previous quarter and 81.6% across Ukraine. Respondents referred to production costs and the hryvnia exchange rate (the impact of this driver was reported to have increased) as the **main inflation drivers** (Figure 2)
- **the hryvnia would depreciate significantly:** a total of 90.0% of respondents (compared to 91.7% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 81.6%
- **the financial and economic standings of their companies would deteriorate:** the balance of expectations was (-10.0%) compared to 0.0% in the previous quarter. Companies across Ukraine expected their financial and economic standings to improve (7.2%) (see Table)
- **total sales would decrease:** the balance of responses was (-10.0%) compared to 8.3% in the previous quarter (see Table). The balance of responses across Ukraine was 17.0%
- **both investment in construction and in machinery, equipment, and tools would decrease significantly:** the balances of responses were (-55.5%) and (-33.3%) respectively, compared to 0.0% and 10.0% in Q4 2021 respectively. Companies across Ukraine expected investment to increase, the balances of responses being 0.9% and 14.3% respectively (see Table)
- **staff numbers would decrease noticeably:** the balance of responses was (-30.0%), compared to 0.0% in Q4 2021. Across Ukraine, staff numbers were expected to increase moderately, with a balance of responses of 1.5% (Figure 4)
- **both purchase prices and selling prices would grow rapidly:** the balances of responses were 100.0% and 80.0% respectively (compared to 100.0% and 91.7% in Q4 2021 respectively) (Figure 6). Energy prices, raw material and supplies 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 grow more slowly:** the balances of responses were 60.0% and 50.0% respectively (compared to 66.7% and 50.0% respectively in Q4 2021) (Figures 4 and 6).

Respondents referred to high prices for energy, raw materials and supplies, a lack of working assets and the tax burden (the impact of this factor was reported to have increased) as the **main drags on the ability of their companies to boost production** (Figure 5).

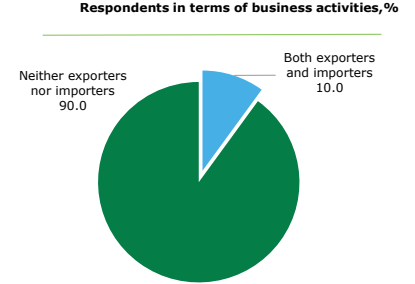
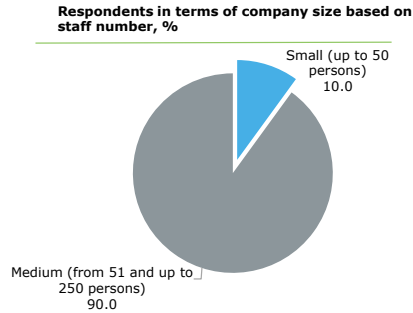
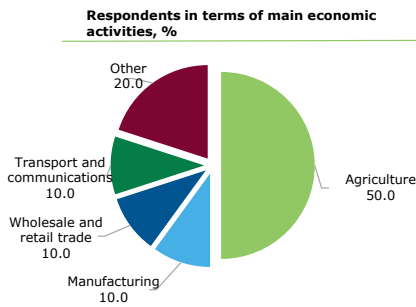
Respondents reported **weaker expectations of an increase in their borrowing needs** in the near future (Figure 8). The respondents who planned to take out bank loans opted for loans in the domestic currency only. Companies cited high loan rates, strict collateral requirements and other funding sources as the main factors deterring them from taking out loans (Figure 9).

All respondents said that they had encountered no difficulties in effecting transactions with funds deposited in bank accounts (compared to 97.6% across Ukraine).

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

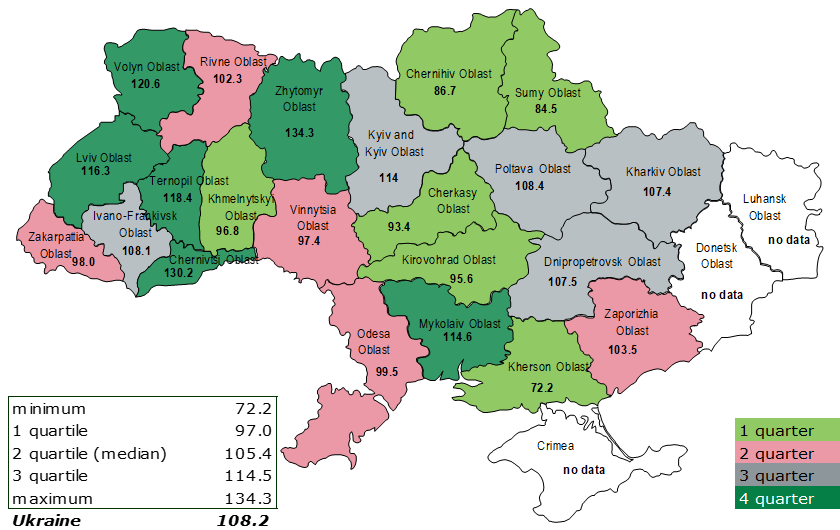
- **Companies assessed their current financial and economic standings as bad:** the balance of responses was (-10.0%) (compared to (-8.3%) in Q4 2021). Across Ukraine, the current financial and economic standings were assessed as good (6.6%).
- **Respondents continued to assess their finished goods stocks as lower than normal:** the balance of responses was (-25.0%), compared to (-28.6%) in Q4 2021.
- **Companies were operating on the verge of their production capacity:** the balance of responses was 0.0% (compared to (-16.7%) in Q4 2021).

Survey Details^{1,2}



- Period: 1 February through 22 February 2022.
- A total of 10 companies were polled.
- A representative sample was generated on the basis of the agricultural sector.

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 Kherson Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22
Financial and economic standings	-7.7	0.0	18.2	0.0	-10.0
Total sales	23.1	8.3	8.3	8.3	-10.0
Investment in construction	-22.2	-22.2	-11.1	0.0	-55.6
Investment in machinery, equipment, and tools	0.0	-9.1	10.0	10.0	-33.3
Staff numbers	0.0	-9.1	-8.3	0.0	-30.0

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

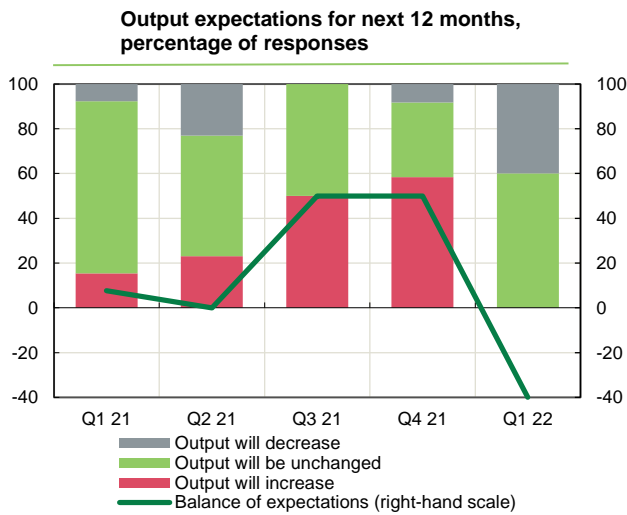


Figure 2

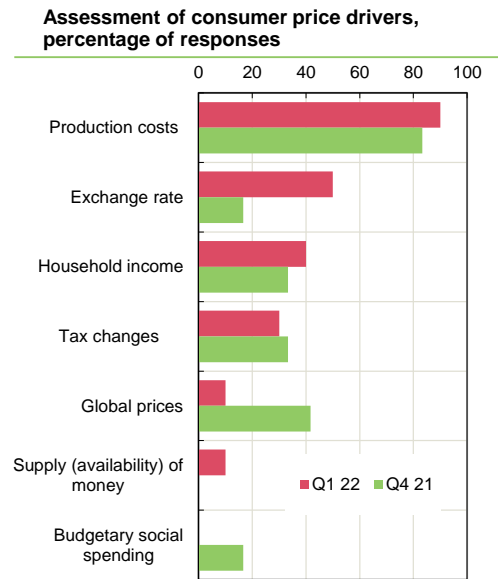


Figure 3

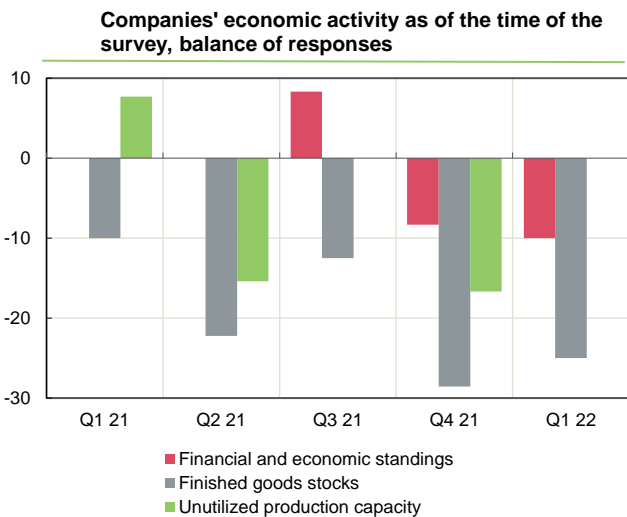


Figure 4

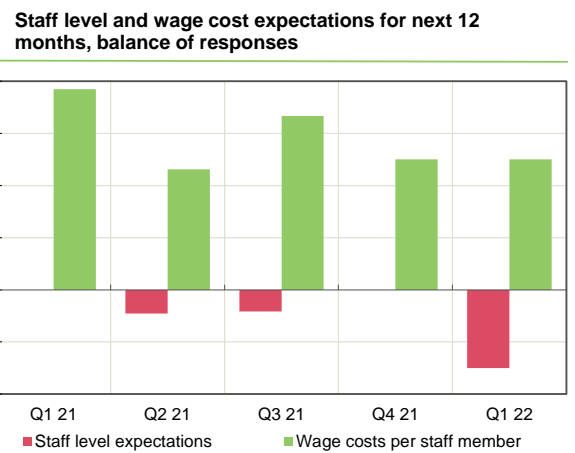


Figure 5

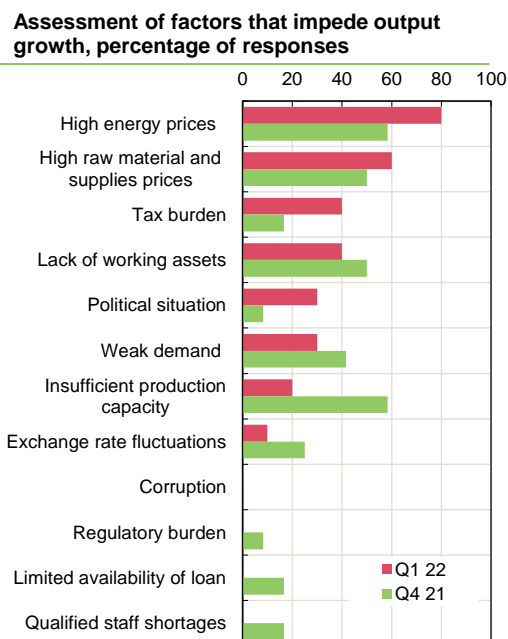


Figure 6

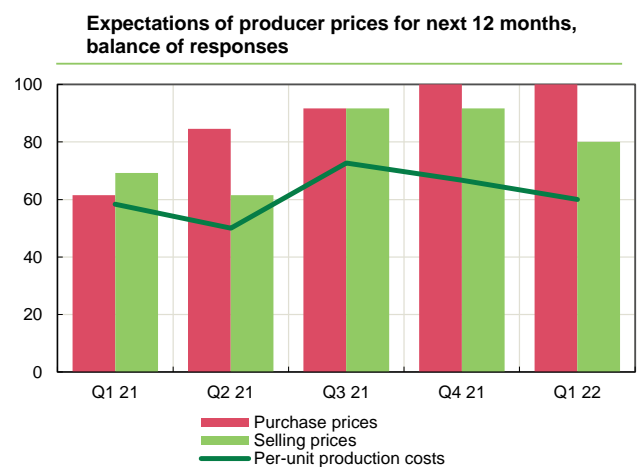


Figure 7

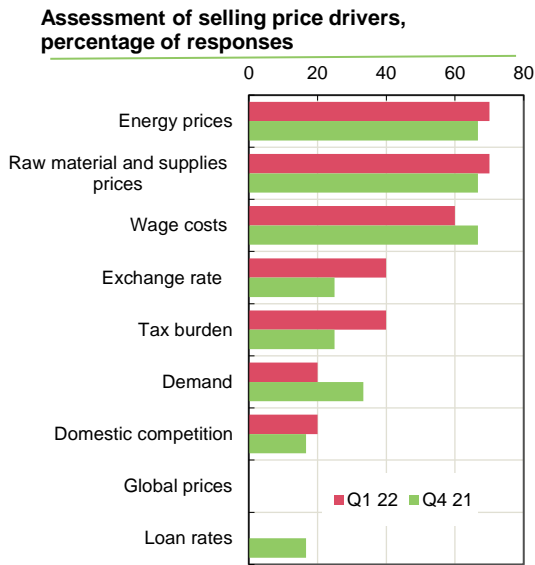


Figure 8

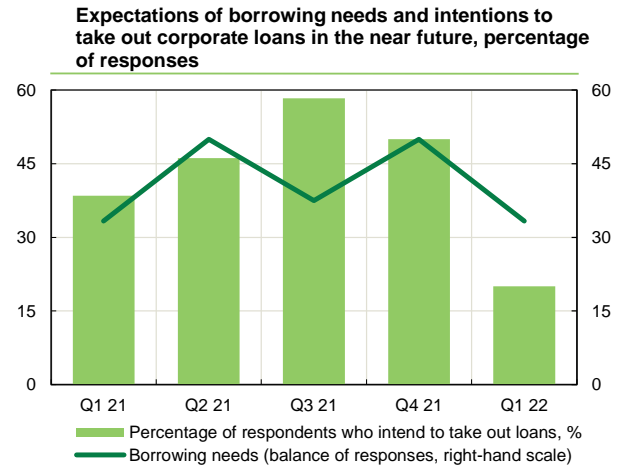


Figure 9

