



National Bank
of Ukraine

Business Outlook Survey of Khmelnytskyi Oblast*

Q1 2022

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



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

A survey carried out in **Khmelnytskyi oblast** in Q1 2022 showed that on the eve of the war respondents expected a **decrease in the output of Ukrainian goods and services**. They also had cautious expectations for the performance of their companies over the next 12 months. They expected that prices would continue to rise. 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 (-8.3%) compared to (-20.0%) in Q4 2021 (Figure 1). Across Ukraine, the balance of responses was (-1.7%)
- **prices for consumer goods and services would continue to grow:** 58.3% of respondents expected the inflation rate to exceed 7.5% (compared to 60.0% in the previous quarter and 67.7% across Ukraine). Respondents referred to production costs, global prices and the hryvnia exchange rate (the impact of this factor was reported to have increased compared to the previous survey) as **the main inflation drivers** (Figure 2)
- **the domestic currency would continue to depreciate:** a total of 72.7% of respondents (compared to 76.9% 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 remain unchanged:** the balance of expectations was 0.0% compared to 7.1% 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 (-16.7%) compared to 13.3% in Q4 2021. At the same time, respondents expected external sales to remain unchanged: the balance of responses was 0.0% (compared to 12.5% in Q4 2021). Overall, across Ukraine the balances of responses were 17.0% and 23.3% respectively
- **investment in machinery, equipment, and tools would increase at a slower pace:** the balance of responses was 10.0% compared to 26.7% in Q4 2021. At the same time, investment in construction was expected to decrease: the balance of responses was (-9.1%) compared to 0.0% in the previous quarter. Companies across Ukraine expected investment to increase: the balances of responses were 14.3% and 0.9% respectively (see Table)
- **staff numbers would remain unchanged:** the balance of responses was 0.0%, compared to (-20.0%) in the previous quarter. Across Ukraine, staff numbers were expected to increase moderately (1.5%) (Figure 4)
- **purchase and selling prices would increase at a fast pace:** the balances of responses were 100.0% and 58.3% respectively, compared to 100.0% and 46.7% respectively in the previous quarter (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 would grow more rapidly:** the balance of responses was 70.0% (compared to 60.0% in the previous quarter). At the same time, respondents expected that **wage costs per staff member would increase more slowly:** the balance of responses was 66.7% (compared to 80.0% in Q4 2021) (Figures 4 and 6).

Respondents said that high raw material and supplies prices, energy prices and a lack of working assets were **the main drags on the ability of their companies to boost production**. Respondents also reported a noticeable increase in the impact of the hryvnia exchange rate and the unstable political situation compared to the previous quarter (Figure 5).

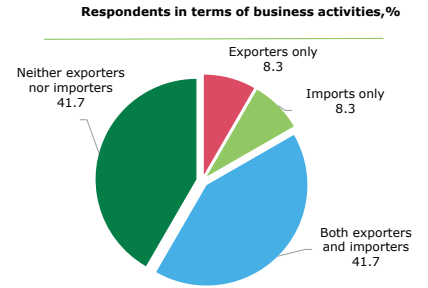
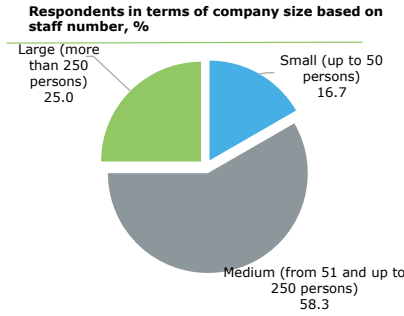
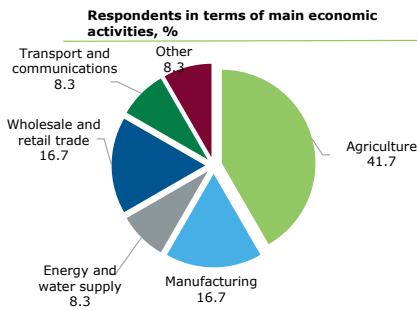
Respondents expected significantly higher **borrowing needs** in the near future (Figure 8). A total of 50.0% of respondents planned to take out bank loans only in the domestic currency. Respondents said that bank lending standards had remained unchanged (Figure 9). Respondents referred to collateral requirements, high loan rates and complicated paperwork as the main factors deterring them from taking out loans (Figure 10).

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

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

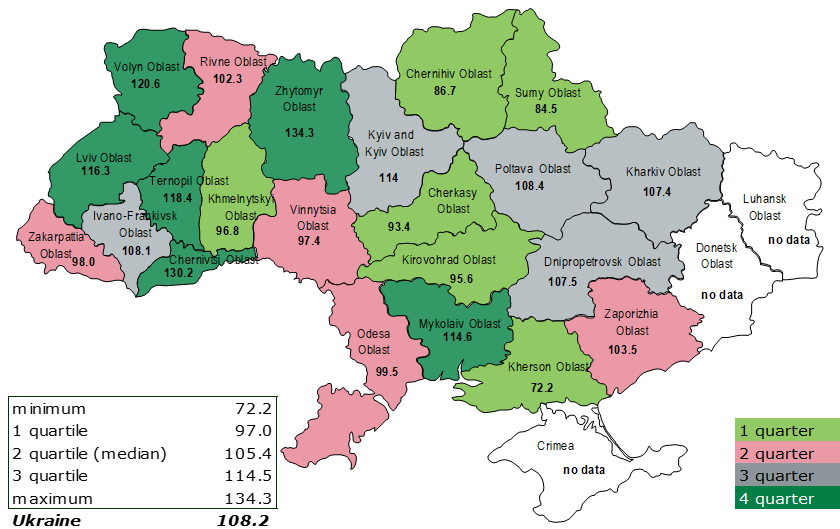
- **Companies assessed their current financial and economic standings as good:** the balance of responses was 16.7% compared to 20.0% in the previous quarter and 6.6% across Ukraine.
- **Finished goods stocks were assessed as lower than normal:** the balance of responses was (-25.0%) compared to 11.1% in Q4 2021.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 33.3%, compared to 0.0% in the previous quarter.

Survey Details^{1,2}



- Period: 2 February through 23 February 2022.
- A total of 12 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, %



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 Khmelnytskyi 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	0.0	-15.4	0.0	7.1	0.0
Total sales	-21.4	-14.3	20.0	13.3	-16.7
Investment in construction	-20.0	23.1	-6.7	0.0	-9.1
Investment in machinery, equipment, and tools	0.0	16.7	13.3	26.7	10.0
Staff numbers	-21.4	-16.7	-6.7	-20.0	0.0

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

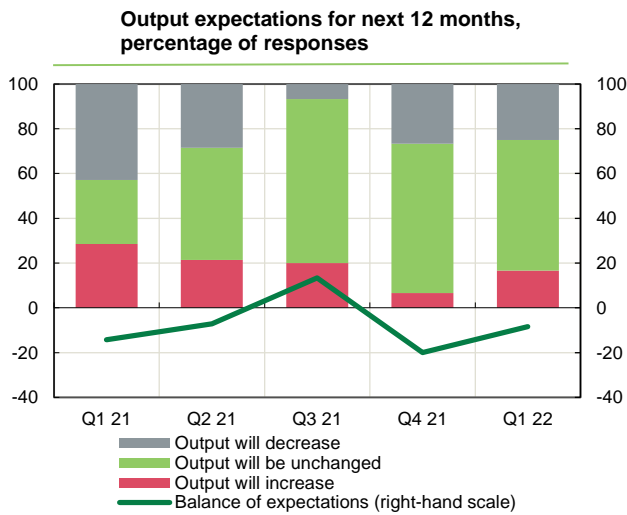


Figure 2

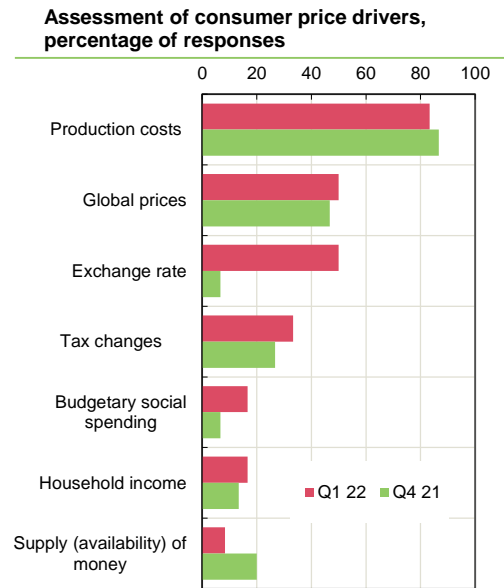


Figure 3

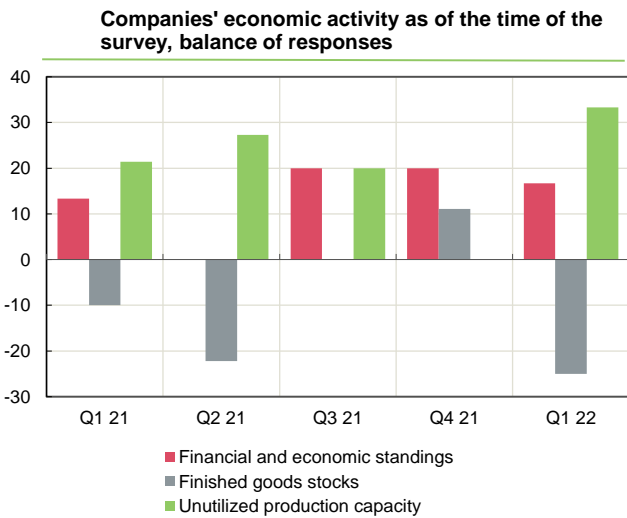


Figure 4

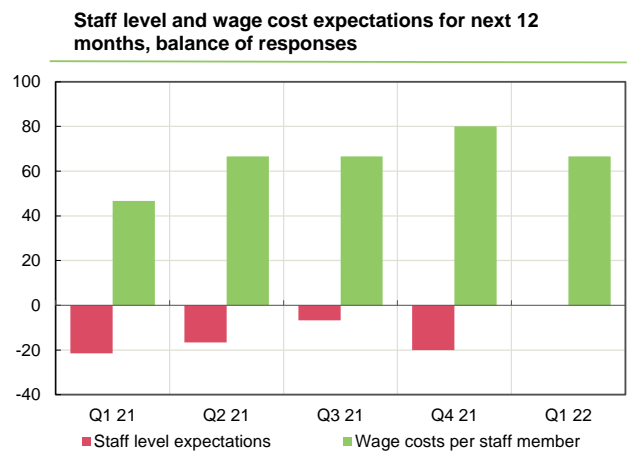


Figure 5

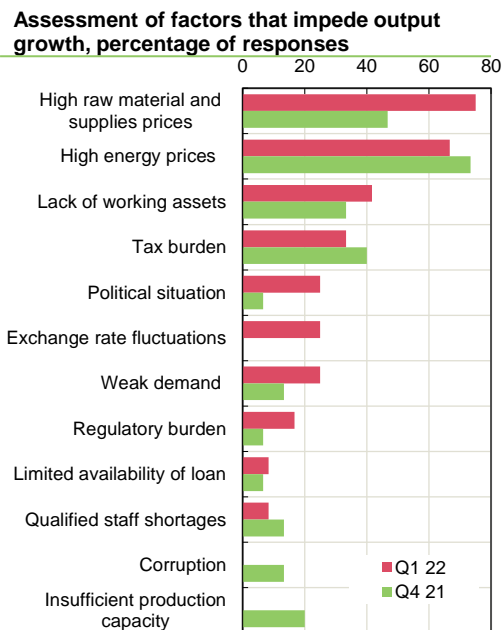


Figure 6

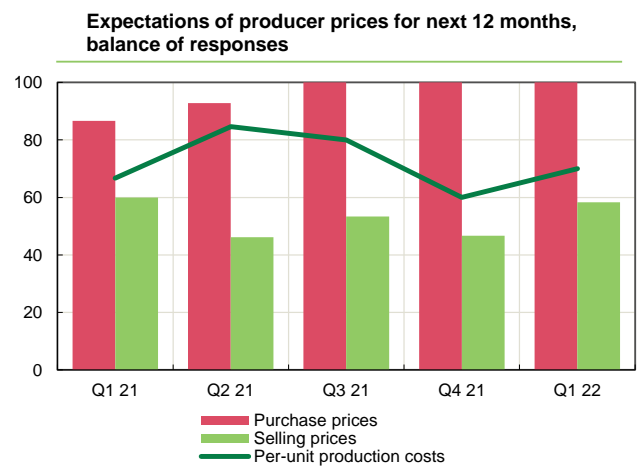


Figure 7

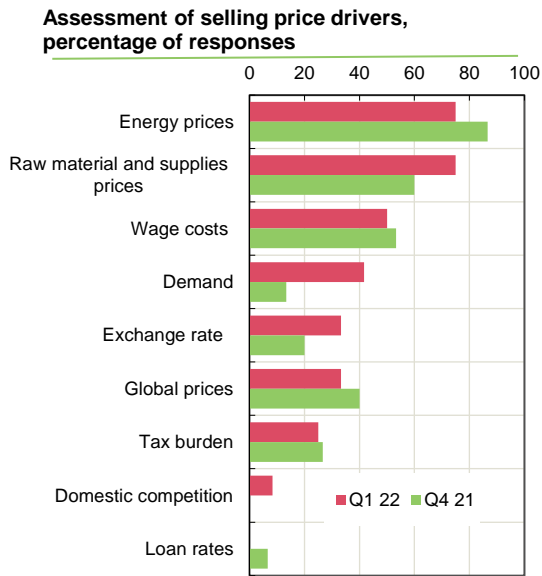


Figure 8

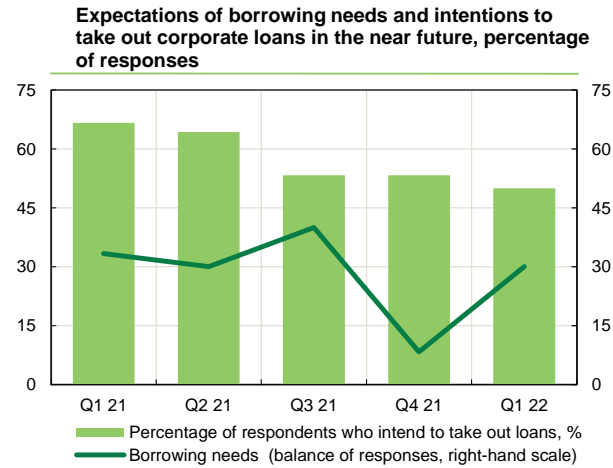


Figure 9

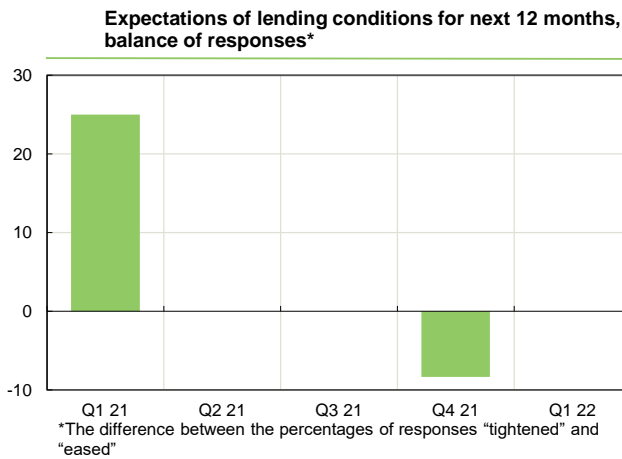


Figure 10

