



National Bank
of Ukraine

Business Outlook Survey
of Khmelnytskyi Oblast*

Q2 2022



*This survey only reflects the opinions of respondents in Khmelnytskyi oblast (top managers of companies) who were polled in Q2 2022, and does not represent NBU forecasts or estimates.

A survey carried out in **Khmelnytskyi oblast** in Q2 2022 showed that against the background of the war respondents expected a **decrease in the output of Ukrainian goods and services**. They also had **negative expectations for the performance of their companies** over the next 12 months. They expected that prices would rise. Depreciation expectations intensified.

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 (-50.0%) compared to (-8.3%) in Q1 2022 (Figure 1). Across Ukraine, the balance of responses was (-48.7%)
- **prices for consumer goods and services would rise:** 50.0% of respondents expected the inflation rate to exceed 20.0% (compared to 58.2% across Ukraine). A total of 92.9% of respondents referred to military actions as **the main inflation driver** (Figure 2)
- **the domestic currency would depreciate more noticeably:** a total of 92.9% of respondents (compared to 72.7% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 88.9%
- **the financial and economic standings of their companies would deteriorate:** the balance of expectations was (-21.4%) compared to 0.0% in the previous quarter and (-17.1%) across Ukraine (see Table)
- **total sales would decrease:** the balance of responses was (-23.1%) compared to (-16.7%) in Q1 2022. External sales were also expected to drop: the balance of responses was (-28.6%) (compared to 0.0% in Q1 2022). Overall, across Ukraine the balances of responses were (-19.0%) and (-25.0%) respectively
- **investment in construction and in machinery, equipment, and tools would decrease at a fast pace:** the balances of responses were (-57.1%) and (-69.2%) respectively, compared to (-9.1%) and 10.0% respectively in Q1 2022. Across Ukraine, the balances of responses were (-37.2%) and (-34.7%) respectively (see Table)
- **staff numbers would decrease:** the balance of responses was (-21.4%), compared to 0.0% in the previous quarter. Across Ukraine, the balance of responses was (-29.0%) (Figure 4)
- **purchase prices would increase more slowly:** the balance of responses was 71.4%, compared to 100.0% in the previous quarter. At the same time respondents expected that selling prices would rise more quickly: the balance of responses was 71.4%, compared to 58.3% in Q1 2022 (Figure 6). Logistical problems, energy prices, and raw material and supplies prices were referred to as the main selling price drivers (Figure 7)
- **per-unit production costs would grow:** the balance of responses was 71.4% (compared to 70.0% in the previous quarter). At the same time, respondents expected that **wage costs per staff member would increase much more slowly:** the balance of responses was 14.3% (compared to 66.7% in Q1 2022) (Figures 4 and 6).

Respondents said that military actions and their consequences, high energy prices, and raw material and supplies prices were **the main drags on the ability of their companies to boost production** (Figure 5).

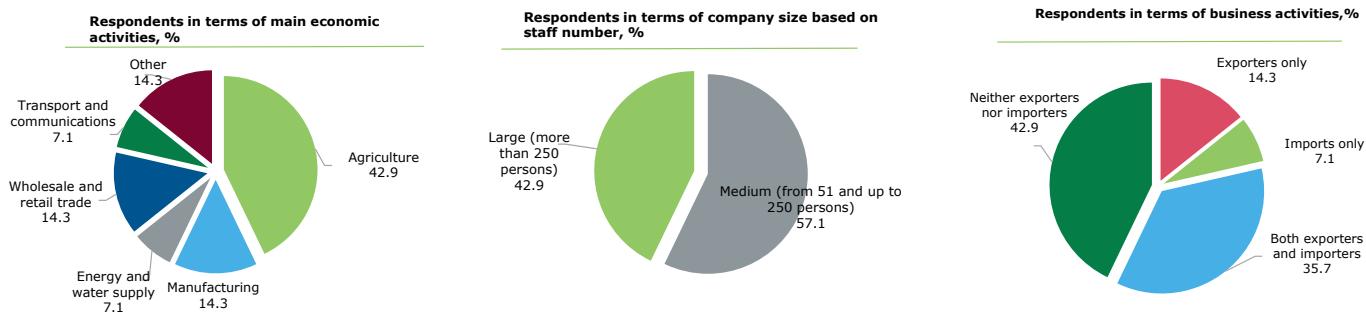
Respondents expected higher **borrowing needs** in the near future (Figure 8). A total of 57.1% of respondents planned to take out bank loans only in the domestic currency. Respondents said that bank lending standards had remained unchanged (Figure 9). Respondents referred to collateral requirements, high loan rates and complicated paperwork as the main factors deterring them from taking out loans (Figure 10).

A total of 92.9% respondents said that they **had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (93.5% across Ukraine).

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

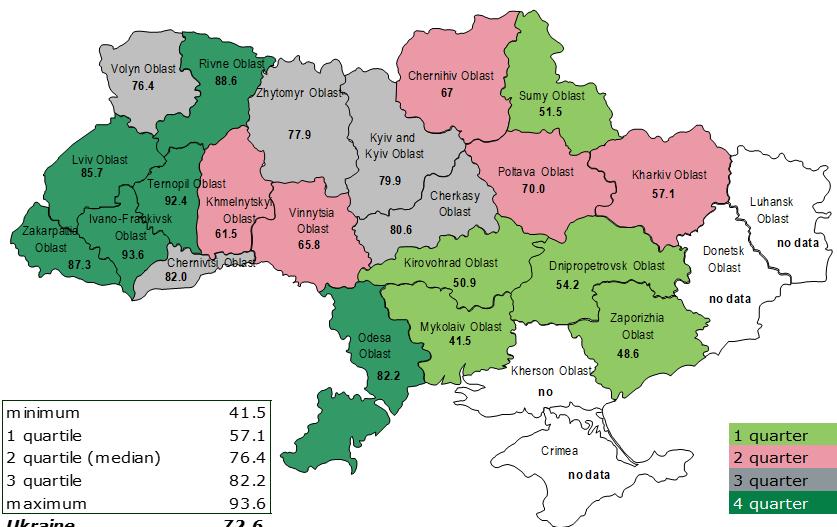
- **Companies assessed their current financial and economic standings as satisfactory:** the balance of responses was 0.0% compared to 16.7% in the previous quarter. Respondents across Ukraine assessed the financial and economic standings of their companies as bad (-28.8%).
- **Finished goods stocks were assessed as lower than normal:** the balance of responses was (-33.3%) compared to (-25.0%) in Q1 2022.
- **Companies were operating on the verge of their production capacity:** the balance of responses was 0.0%, compared to 33.3% in the previous quarter.

Survey Details^{1,2}



- Period: 4 May through 30 May 2022.
- A total of 14 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, %



*a 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 Khmelnytskyi Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22
Financial and economic standings	-15.4	0.0	7.1	0.0	-21.4
Total sales	-14.3	20.0	13.3	-16.7	-23.1
Investment in construction	23.1	-6.7	0.0	-9.1	-57.1
Investment in machinery, equipment, and tools	16.7	13.3	26.7	10.0	-69.2
Staff numbers	-16.7	-6.7	-20.0	0.0	-21.4

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

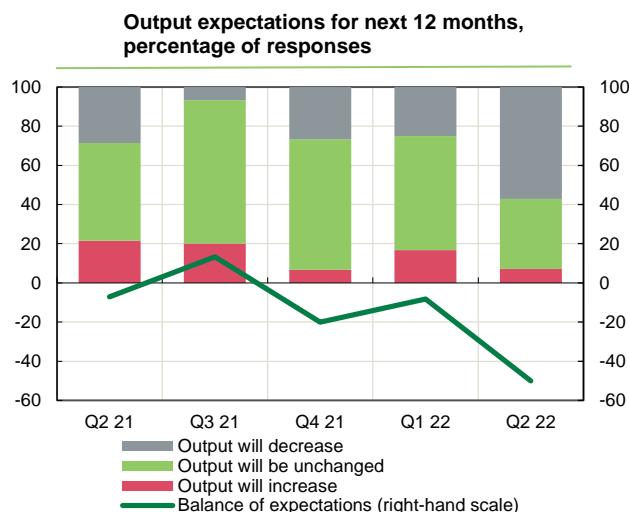


Figure 2

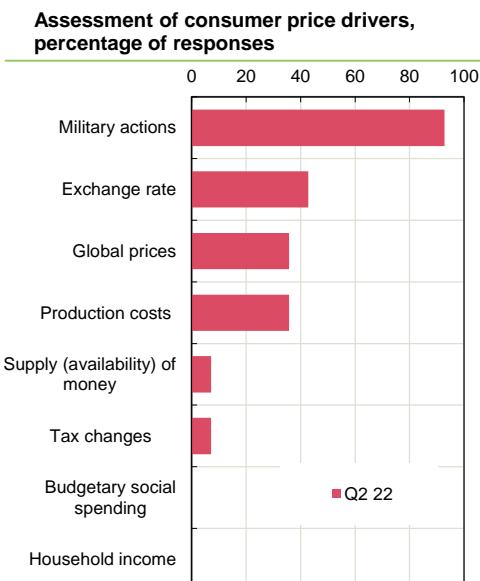


Figure 3

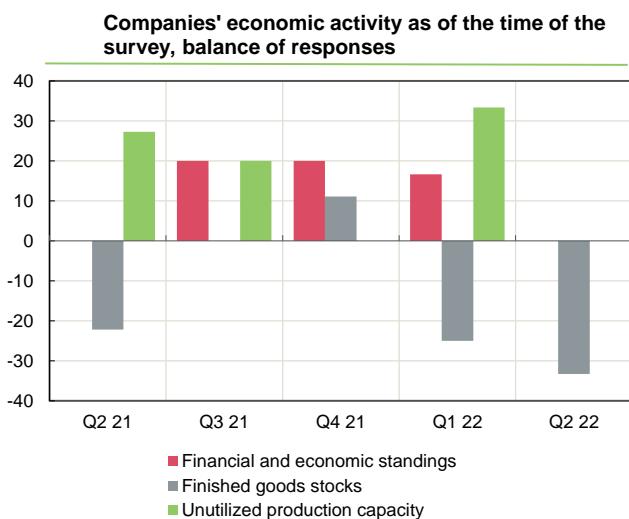


Figure 4



Figure 5

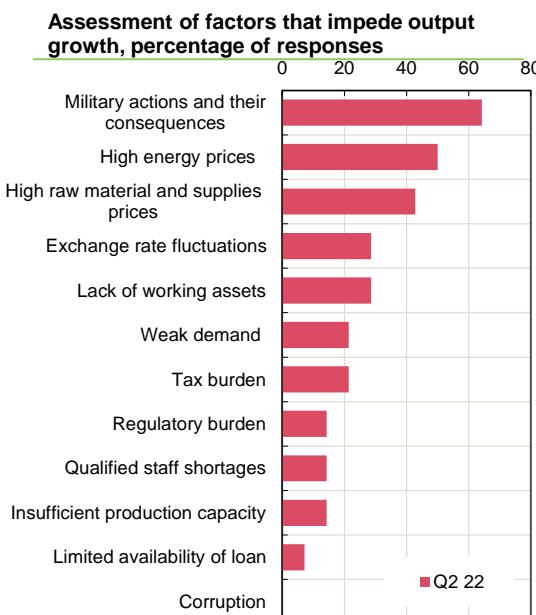


Figure 6

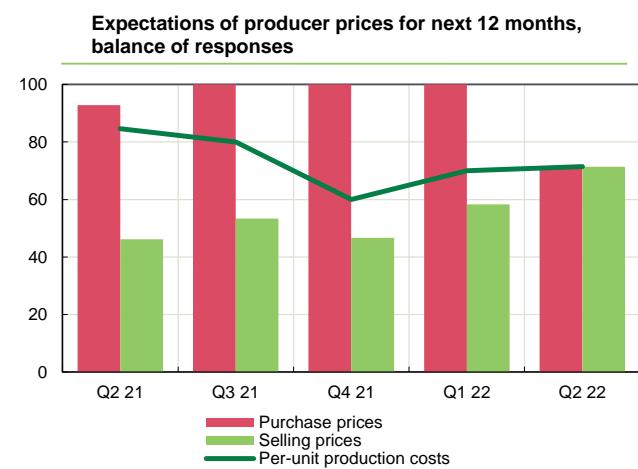
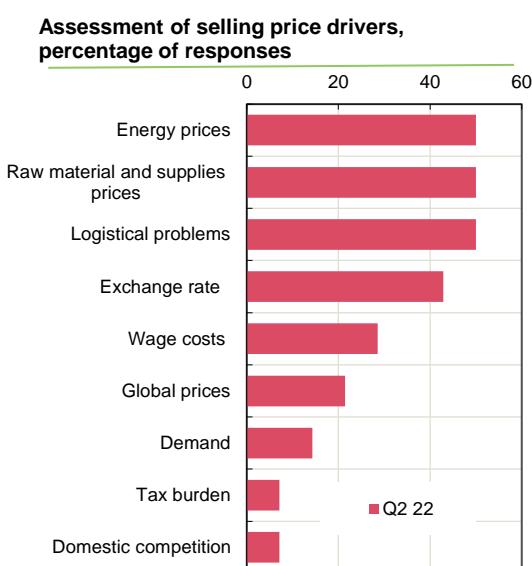
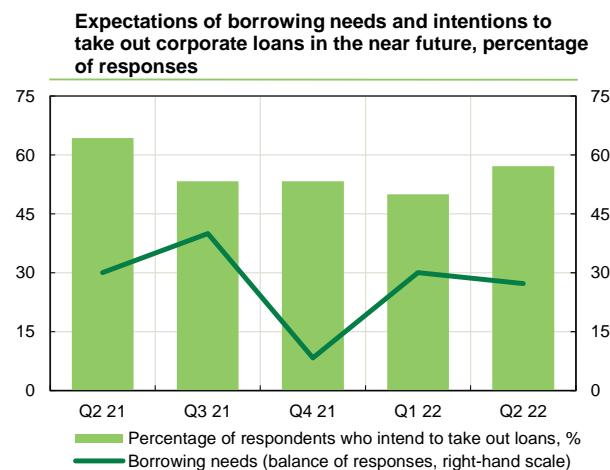
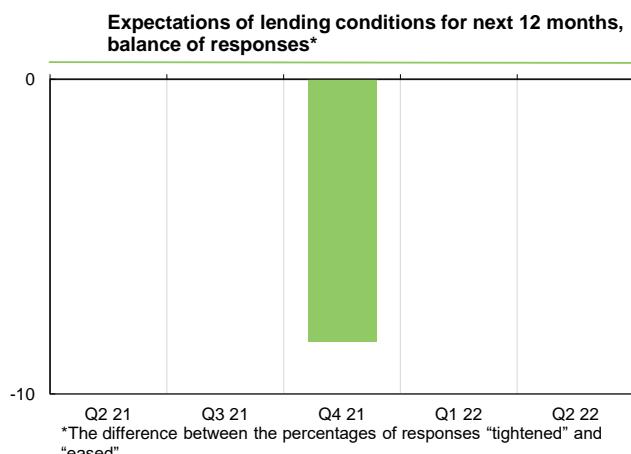
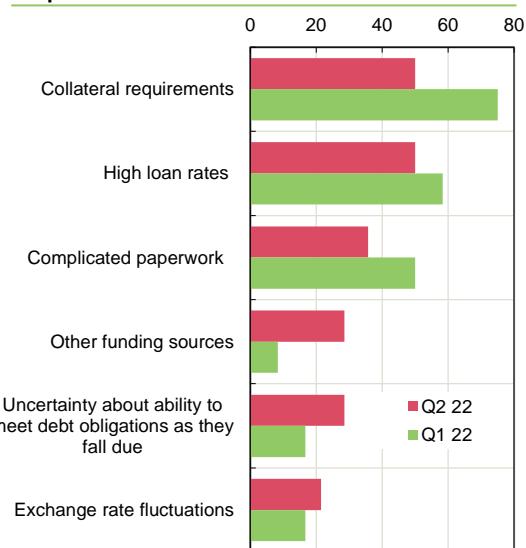


Figure 7

Figure 8

Figure 9

Figure 10
Assessment of factors that could deter companies from taking out loans, percentage of responses



Factor	Q2 22 (%)	Q1 22 (%)
Collateral requirements	~50	~75
High loan rates	~50	~60
Complicated paperwork	~40	~50
Other funding sources	~30	~5
Uncertainty about ability to meet debt obligations as they fall due	~30	~20
Exchange rate fluctuations	~20	~20

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