



National Bank
of Ukraine

Business Outlook Survey of Khmelnytskyi Oblast*

Q3 2022



*This survey only reflects the opinions of respondents in Khmelnytskyi oblast (top managers of companies) who were polled in Q3 2022, and does not represent NBU forecasts or estimates

A survey carried out in **Khmelnytskyi oblast** in Q3 2022 showed that against the background of the war respondents **moderated their expectations of a decrease in the output of Ukrainian goods and services and had negative expectations for their companies' performance** over the next 12 months. They expected that prices would rise. Depreciation expectations increased.

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 (-23.1%) compared to (-50.0%) in Q2 2022 (Figure 1). Across Ukraine, the balance of responses was (-37.9%)
- **prices for consumer goods and services would rise:** 57.1% of respondents expected the inflation rate to exceed 20.0% (compared to 50.0% in the previous quarter and 71.7% across Ukraine). Respondents referred to military actions (92.9% of respondents in the oblast), the hryvnia exchange rate, and production costs as **main inflation drivers** (Figure 2)
- **the domestic currency would depreciate:** a total of 100.0% of respondents (compared to 92.9% in the previous quarter) expected the hryvnia to weaken against the U.S. dollar, the figure across Ukraine being 88.8%
- **the financial and economic standings of their companies would deteriorate:** the balance of expectations was (-42.9%), compared to (-21.4%) in the previous quarter and (-15.1%) across Ukraine (see Table)
- **total sales would decrease:** the balance of responses was (-14.3%), compared to (-23.1%) in Q2 2022. **External sales** were also expected to drop: the balance of responses was (-14.3%), compared to (-28.6%) in Q2 2022. Overall, across Ukraine the balances of responses were (-7.2%) and (-7.8%) respectively
- **investment in construction and in machinery, equipment, and tools would decrease at a noticeably slower pace:** the balances of responses were (-38.5%) and (-7.1%) respectively, compared to (-57.1%) and (-69.2%) respectively in Q2 2022. Across Ukraine, the balances of responses were (-29.3%) and (-25.3%) respectively (see Table)
- **staff numbers would decrease more slowly:** the balance of responses was (-7.1%), compared to (-21.4%) in the previous quarter. Across Ukraine, the balance of responses was (-25.5%) (Figure 4)
- **purchase prices would increase rapidly:** the balance of responses was 100.0%, compared to 71.4% in the previous quarter. At the same time, respondents expected that **selling prices** would rise more slowly: the balance of responses was 50.0%, compared to 71.4% in Q2 2022 (Figure 6). The hryvnia exchange rate (the impact was reported to have increased), 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 64.3% (compared to 71.4% in the previous quarter). At the same time, respondents expected that **wage costs per staff member would increase more rapidly:** the balance of responses was 35.7% (compared to 14.3% in Q2 2022) (Figures 4 and 6).

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

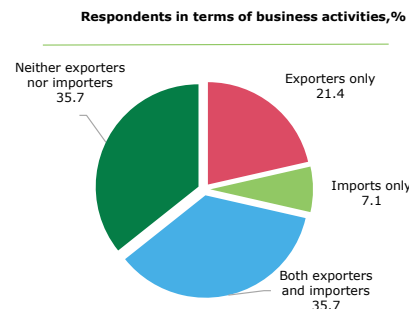
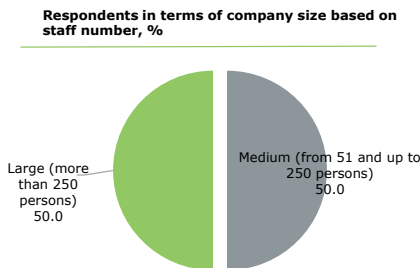
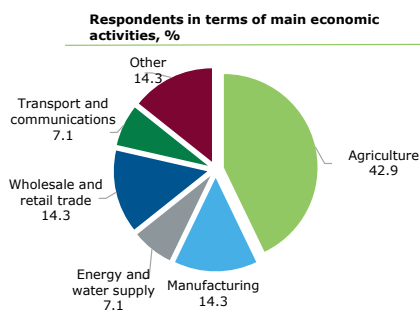
Respondents expected **higher borrowing needs** in the near future (Figure 8). A total of 50.0% of respondents planned to take out bank loans only in the domestic currency. Respondents said that bank lending standards had tightened (Figure 9). Respondents referred to strict collateral requirements and large fluctuations of the hryvnia exchange rate as the main factors deterring them from taking out loans (Figure 10).

A total of 92.3% of respondents said that they **had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (94.1% across Ukraine).

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

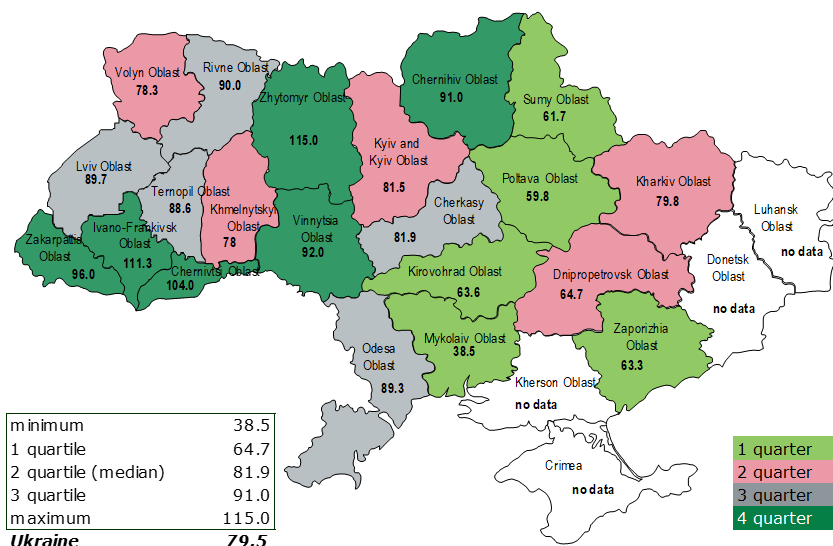
- **Companies' current financial and economic standings improved and were assessed as good:** the balance of responses was 7.1%, compared to 0.0% in the previous quarter. Respondents across Ukraine assessed the financial and economic standings of their companies as bad (-21.8%).
- **Finished goods stocks were assessed as lower than normal:** the balance of responses was (-20.0%) compared to (-33.3%) in Q2 2022.
- **Companies had sufficient unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 21.4%, compared to 0.0% in the previous quarter.

Survey Details^{1,2}



- Period: 3 August through 26 August 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, %



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, %				
	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22
Financial and economic standings	0.0	7.1	0.0	-21.4	-42.9
Total sales	20.0	13.3	-16.7	-23.1	-14.3
Investment in construction	-6.7	0.0	-9.1	-57.1	-38.5
Investment in machinery, equipment, and tools	13.3	26.7	10.0	-69.2	-7.1
Staff numbers	-6.7	-20.0	0.0	-21.4	-7.1

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

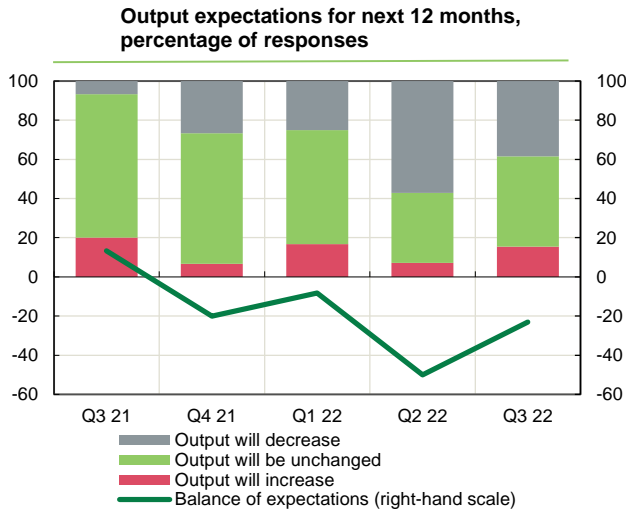


Figure 2

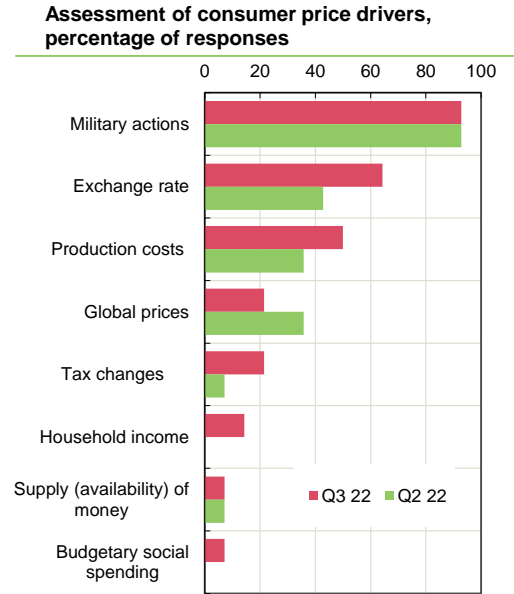


Figure 3

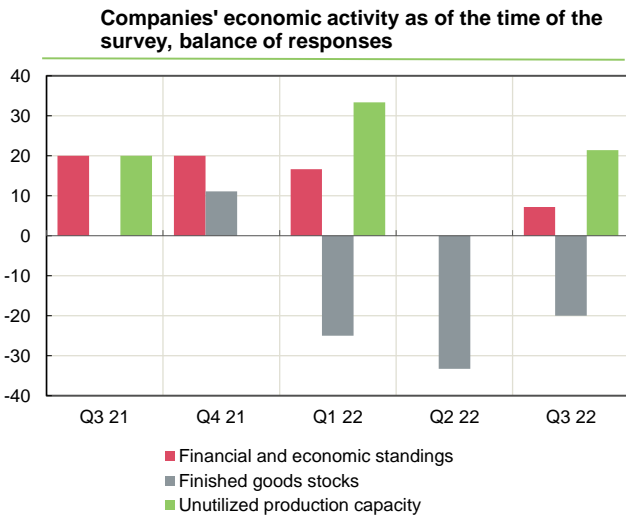


Figure 4

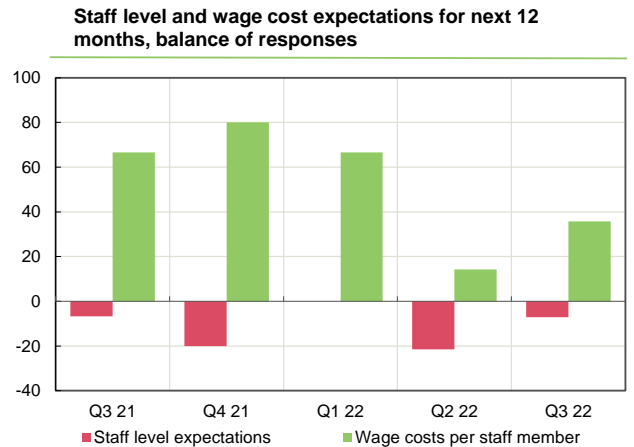


Figure 5

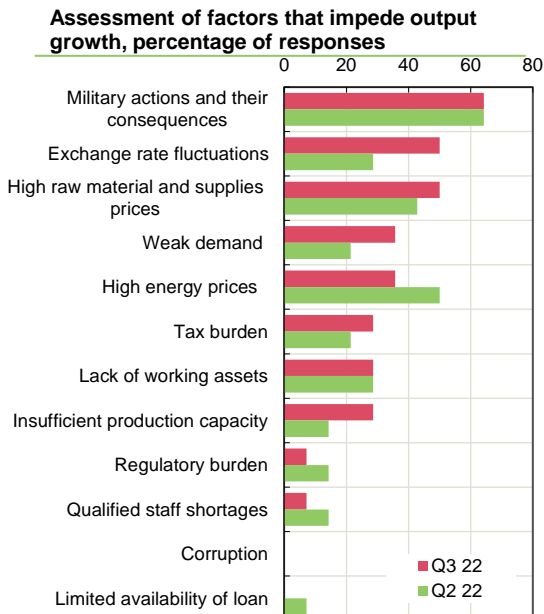


Figure 6

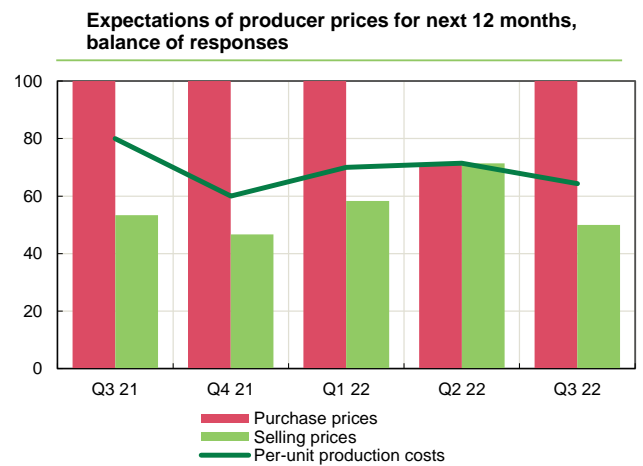


Figure 7

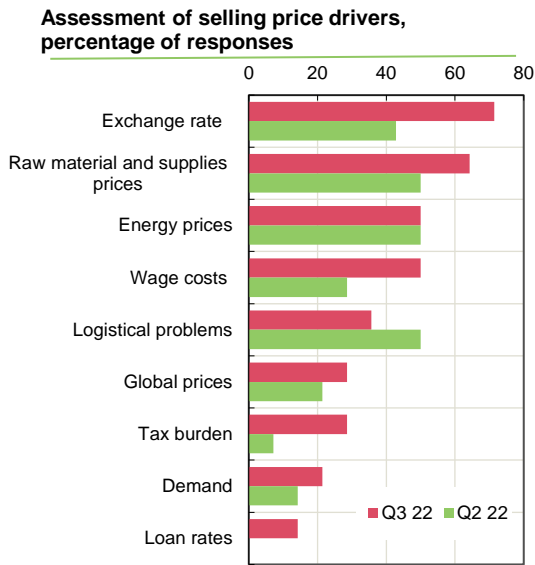


Figure 8

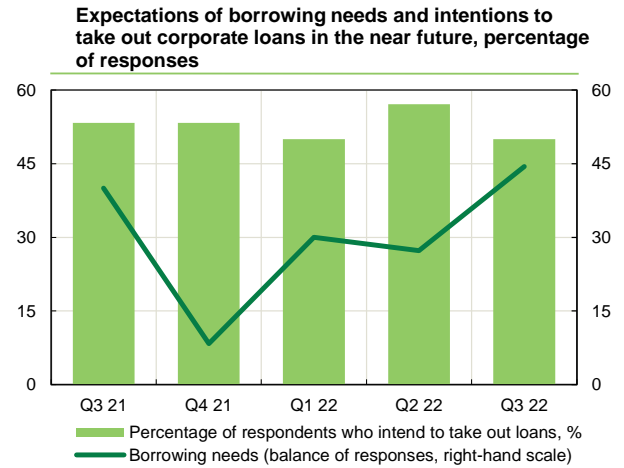


Figure 9

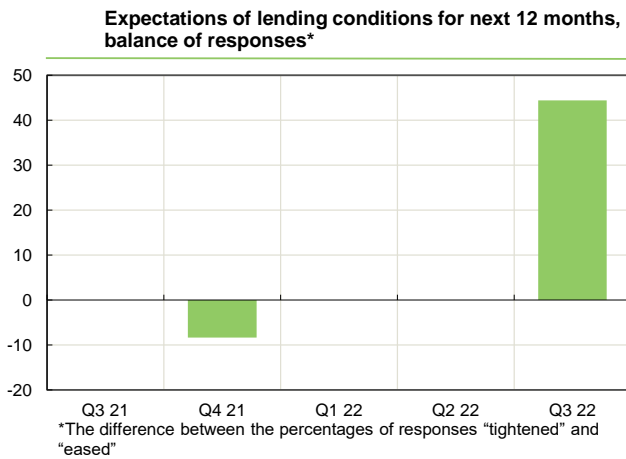


Figure 10

