National Bank of Ukraine

Business Outlook Survey **of Khmelnytskyi Oblast***

Q2 2024

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

A survey carried out in Khmelnytskyi oblast in Q2 2024 showed that, despite the war, high raw material and supplies prices and qualified staff shortages, respondents expected that the output of Ukrainian goods and services would increase. They had positive expectations about the performance of their companies over the next 12 months. Prices were expected to rise more slowly. Depreciation expectations weakened.

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

- **the output of Ukrainian goods and services would increase:** the balance of expectations was 21.4%, down from 50.0% in Q1 2024 (Figure 1). Overall, across Ukraine, respondents expected that the output would decrease moderately (-0.3%)
- **prices for consumer goods and services would rise somewhat more slowly**: 78.6% of respondents expected the inflation rate not to exceed 10.0% (compared to 71.4% in the previous quarter and 62.8% across Ukraine). Respondents continued to refer to military actions (mentioned by 92.9% of respondents), the hryvnia exchange rate and production costs as **main inflation drivers** (Figure 2)
- **the hryvnia would depreciate:** a total of 64.3% of respondents (compared to 78.6% 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 improve:** the balance of expectations was 7.1%, compared to 21.4% in the previous quarter and (-0.2%) across Ukraine (see Table)
- **total sales would increase:** the balance of responses was 50.0%, as in Q1 2024. External sales were expected to rise at a fast pace: the balance of responses was 100.0%, up from 80.0% in Q1 2024. Overall, across Ukraine the balances of responses were 8.7% and 11.0% respectively
- investment in construction and in machinery, equipment, and tools would rise: the balances of responses were 35.7% and 28.6% respectively, as in Q1 2024. Across Ukraine, the balances of responses were (-5.5%) and 5.4% respectively (see Table)
- **staff numbers would increase**: the balance of responses was 7.1% (among the firmest expectations across regions), compared to 0.0% in the previous quarter. Across Ukraine, the balance of responses was (-10.7%) (Figure 4)
- purchase prices would rise at a slower pace, while selling prices would continue to rise: the balances of responses were 71.4% and 57.1% respectively, compared to 92.9% and 57.1% respectively in Q1 2024 (Figure 6). Raw material and supplies prices, energy prices, the hryvnia exchange rate and logistical problems were referred to as the main selling price drivers (Figure 7)
- wage costs per staff member would rise more quickly, while per-unit production costs would rise at a slower pace: the balances of responses were 53.8% and 57.1% respectively, compared to 35.7% and 71.4% respectively in Q1 2024 (Figures 4 and 6).

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

Respondents reported expectations of higher borrowing needs in the near future (Figure 8). The respondents who planned to take out bank loans (42.9%) usually opted for hryvnia loans. Respondents said that lending conditions had remained unchanged (Figure 9). Companies referred to the availability of other funding sources, high loan rates and strict collateral requirements as the main factors deterring them from taking out loans (Figure 10).

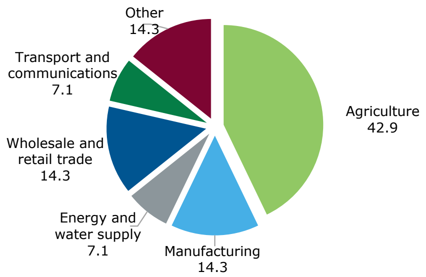
85.7% of the respondents said that they **had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.0% across Ukraine).

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

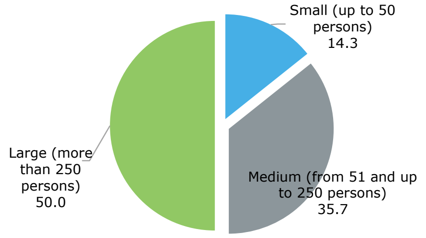
- **Companies assessed their current financial and economic standings as good:** the balance of responses was 7.1%, compared to 28.6% in the previous quarter. Respondents across Ukraine assessed the financial and economic standings of their companies as bad (-4.3%).
- **Finished goods stocks had decreased and were assessed as lower than normal**: the balance of responses was (-11.1%), compared to 0.0% in Q1 2024.
- **Companies were operating on the verge of their production capacity:** the balance of responses was 0.0%, compared to (-14.3%) in the previous quarter.

Survey Details[1,2]

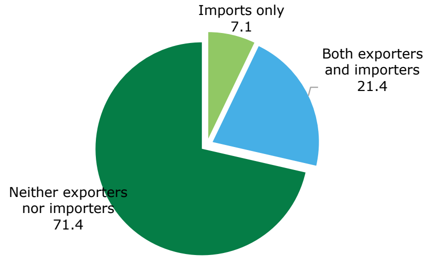
Respondents in terms of main economic activities, %



Respondents in terms of company size based on staff number, %

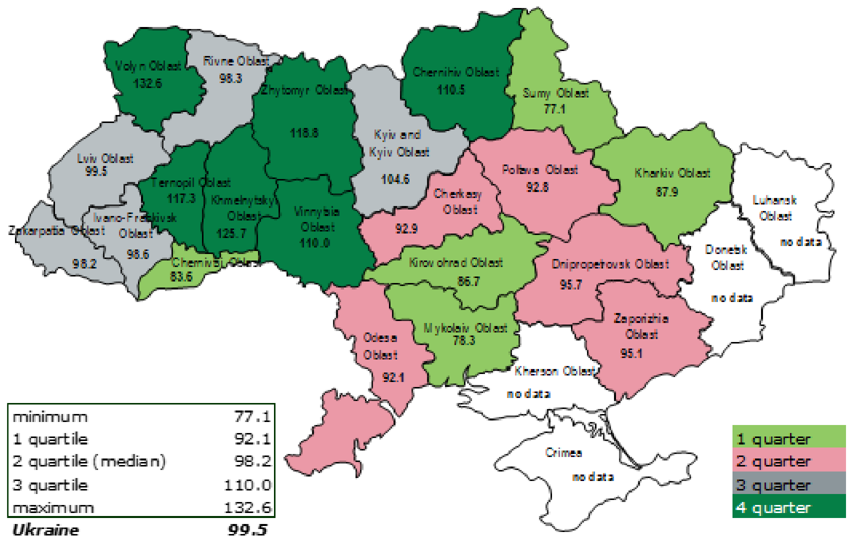


Respondents in terms of business activities,%



- Period: 31 April through 27 May 2024.
- 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 Oblasts[3], %



*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 23	Q3 23	Q4 23	Q1 24	Q2 24
Financial and economic standings	-6.7	0.0	7.1	21.4	7.1
Total sales	26.7	35.7	46.2	50.0	50.0
Investment in construction	26.7	13.3	0.0	35.7	35.7
Investment in machinery, equipment, and tools	26.7	26.7	28.6	28.6	28.6
Staff numbers	-6.7	6.7	-14.3	0.0	7.1

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[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

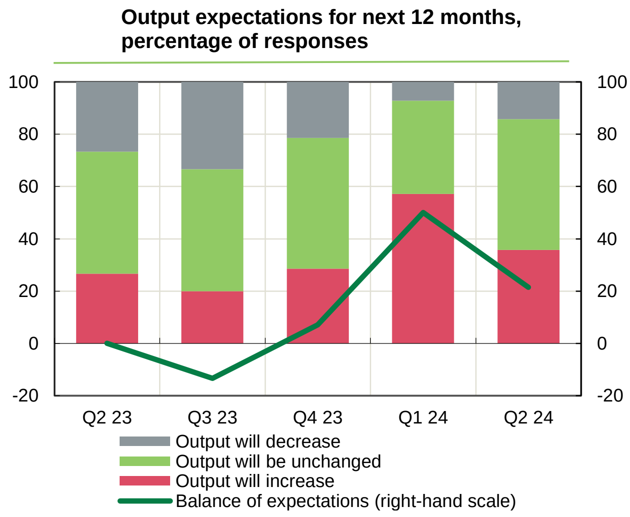


Figure 2

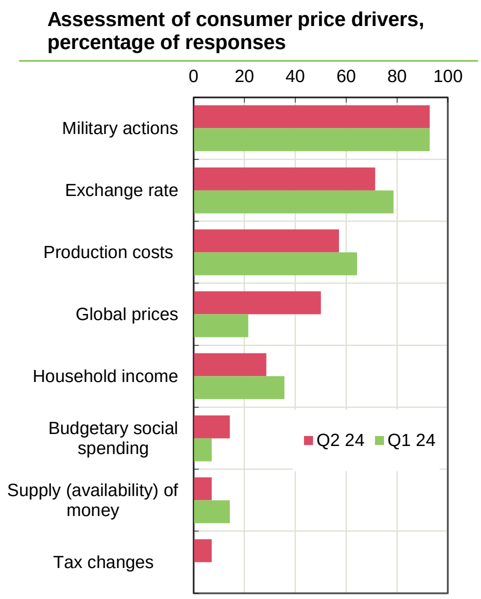


Figure 3

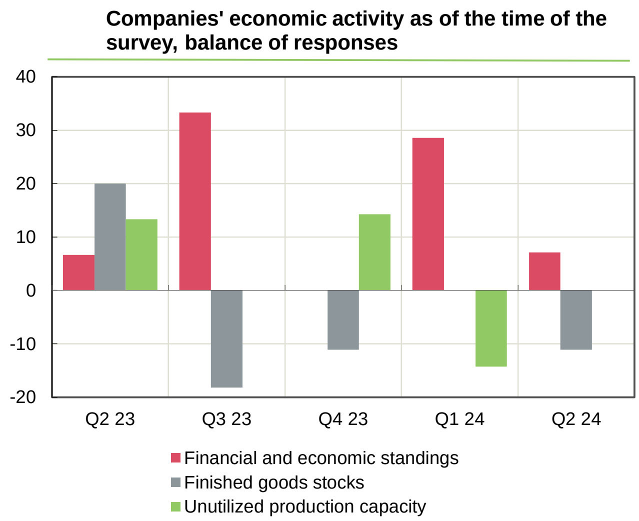


Figure 4

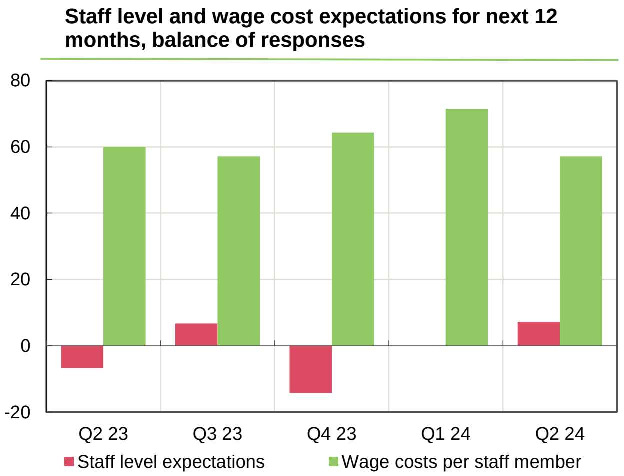


Figure 5

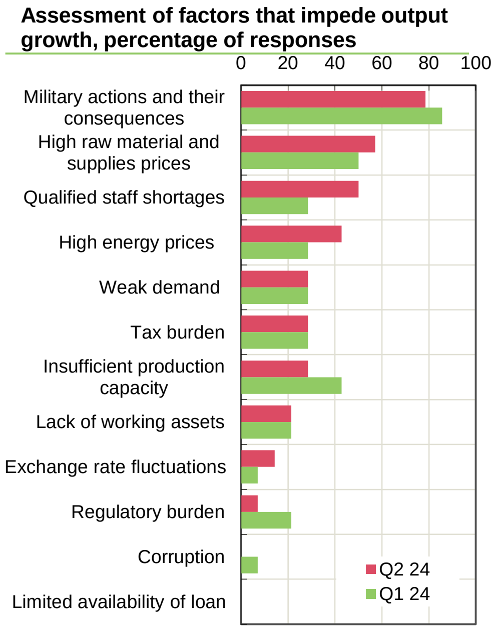


Figure 6

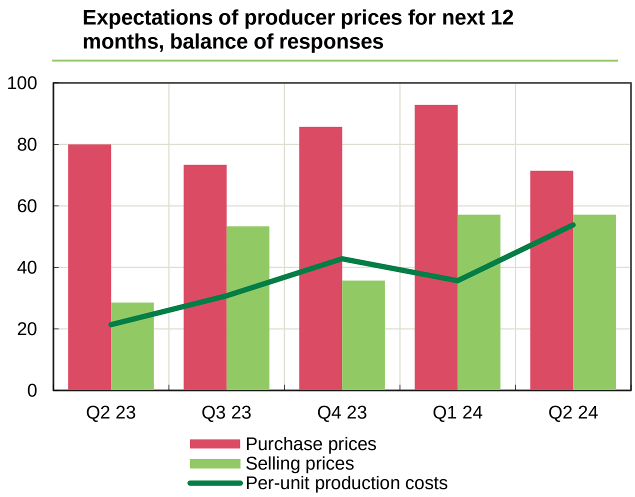


Figure 7

Assessment of selling price drivers, percentage of responses

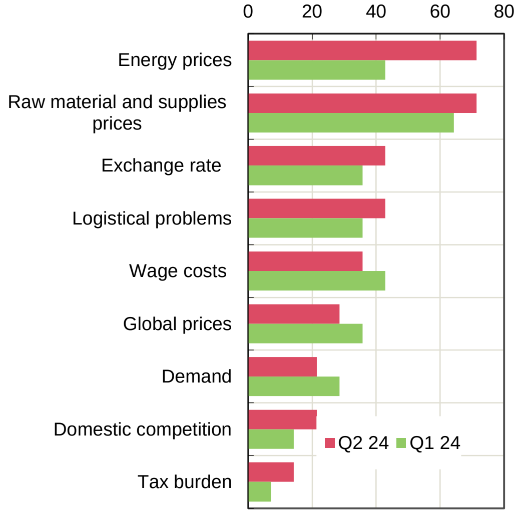


Figure 8

Expectations of borrowing needs and intentions to take out corporate loans in the near future, percentage of responses

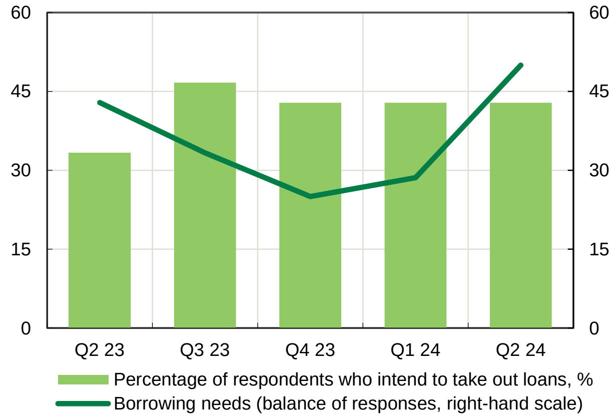
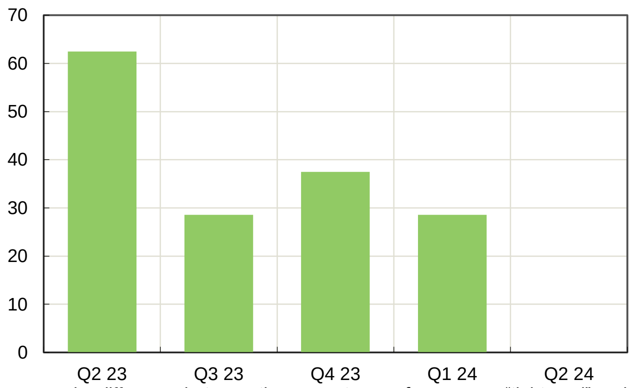


Figure 9

Expectations of lending conditions for next 12 months, balance of responses*



*The difference between the percentages of responses “tightened” and “eased”

Figure 10

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