



National Bank
of Ukraine

Business Outlook Survey of Volyn Oblast*

Q1 2023



*This survey only reflects the opinions of respondents in Volyn oblast (top managers of companies) who were polled in Q1 2023, and does not represent NBU forecasts or estimates

A survey of companies carried out in Volyn oblast in Q1 2023 showed that against the background of prolonged hostilities and missile attacks on civilian infrastructure respondents continued to **expect the output of Ukrainian goods and services to drop**. They **softened their negative expectations for their companies' performance over the next 12 months**. 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 drop:** the balance of responses was (-83.3%) compared to (-75.0%) in the previous quarter (Figure 1). Across Ukraine, the balance of responses was (-16.7%)
- **prices for consumer goods and services would rise more slowly:** 91.7% of respondents expected that inflation would exceed 20.0%, compared to 100.0% in the previous quarter and 53.2% across Ukraine. Respondents referred to military actions, production costs and the exchange rate as **the main inflation drivers** (Figure 2)
- **the domestic currency would depreciate:** 100.0% of respondents, as in the previous quarter, expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 83.2%
- **the financial and economic standings of their companies would deteriorate at a slower pace:** the balance of expectations was (-8.3%), compared to (-33.3%) in the previous quarter (see Table) and (-2.5%) across Ukraine
- **total sales would increase:** the balance of responses was 25.0% (compared to (-8.3%) in Q4 2022) (see Table). The balance of responses across Ukraine was 2.8%
- **investment in machinery, equipment, and tools would remain unchanged:** the balance of responses was 0.0% (compared to (-25.0%) in Q4 2022). At the same time, respondents expected that investment in construction would drop: the balance of responses was (-27.3%), down from (-25.5%) in the previous quarter (see Table). Across Ukraine, the balances of responses were (-10.3%) and (-17.8%) respectively
- **staff numbers at their companies would decrease:** the balance of responses was (-25.0%) (as in Q4 2022) (Figure 4). Overall, across Ukraine the balance of responses was (-16.4%)
- **purchase prices would grow more rapidly than selling prices:** the balances of responses were 91.7% and 75.0% respectively (compared to 100.0% and 75.0% in the previous quarter) (Figure 6). Energy prices, raw material and supplies prices and logistical problems were referred to as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would rise:** the balances of responses were 83.3% and 58.3% respectively (compared to 75.0% and 58.3% respectively in the previous quarter) (Figures 4 and 6).

Companies cited military actions and their consequences (reported by 100.0% of respondents), high raw material and supplies prices, and energy prices as **the main drags on their ability to boost production** (Figure 5).

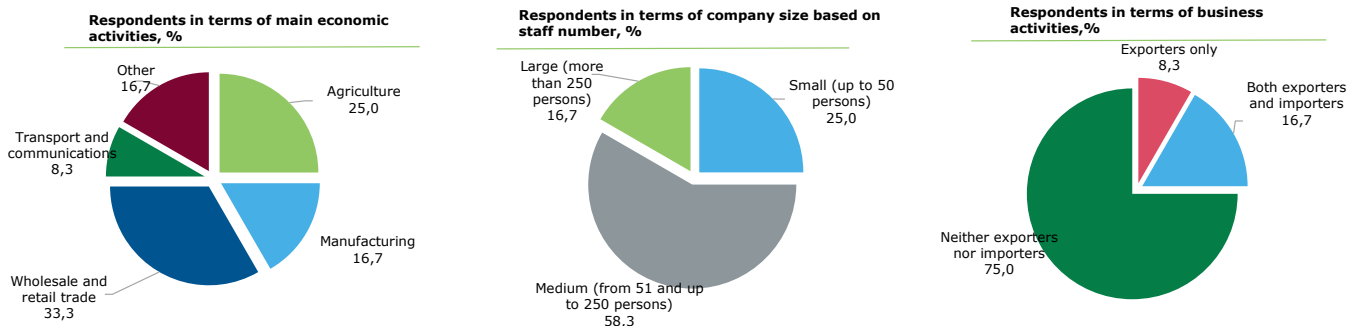
Respondents reported **significantly higher expectations of an increase in their borrowing needs** in the near future (Figure 8). The share of respondents who planned to take out bank loans increased to 16.7%. All of these respondents said they would opt only for domestic currency loans. Respondents cited other funding sources, uncertainty about their ability to meet debt obligations and high loan rates as the main factors deterring them from taking out loans (Figure 9).

All of the respondents said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (94.7% across Ukraine).

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

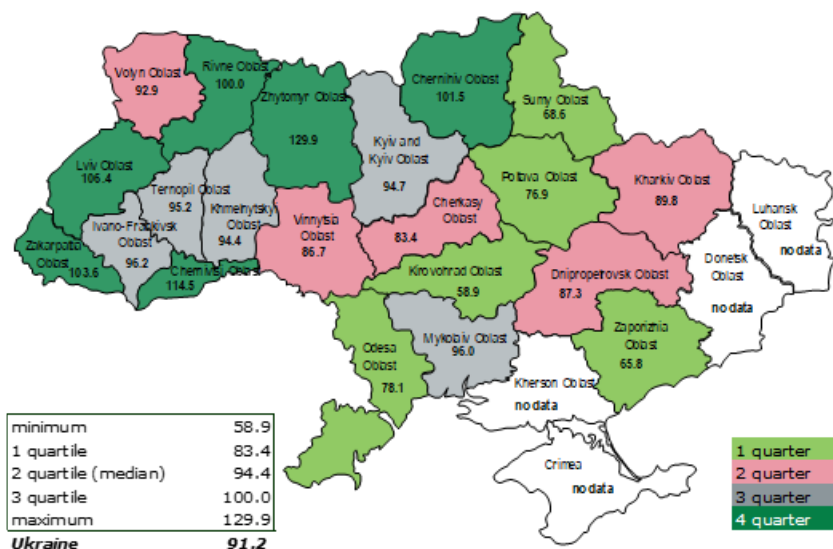
- **Companies assessed their current financial and economic standings as bad:** the balance of responses was (-16.7%), such expectations have been reported for three quarters running. Across Ukraine, the balance of responses was (-16.9%)
- **Finished goods stocks were assessed at lower than normal levels:** the balance of responses was (-50.0%) compared to (-16.7%) in Q4 2022.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 16.7% compared to 0.0% in Q4 2022.

Survey Details^{1,2}



- Period: 31 January through 24 February 2023.
- A total of 12 companies were polled.
- A representative sample was generated on the basis of the trade 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
³a 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 Volyn Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23
Financial and economic standings	11,1	-33,3	0,0	-33,3	-8,3
Total sales	55,6	18,2	16,7	-8,3	25,0
Investment in construction	25,0	-44,4	-50,0	-25,0	-27,3
Investment in machinery, equipment, and tools	11,1	-33,3	-50,0	-25,0	0,0
Staff numbers	0,0	-25,0	-25,0	-25,0	-25,0

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

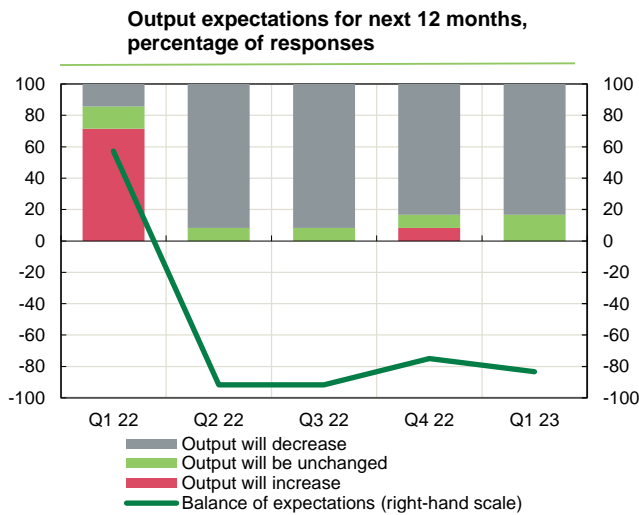


Figure 2

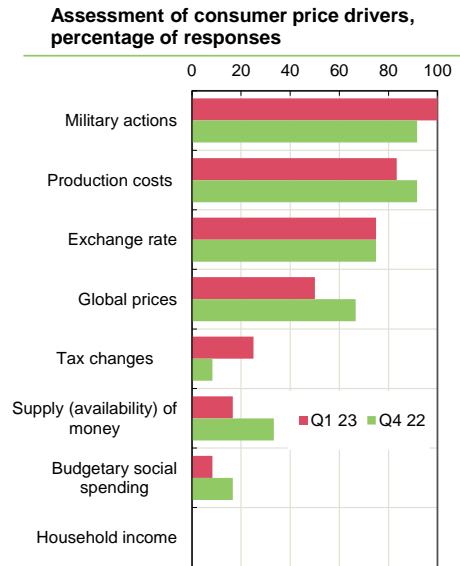


Figure 3

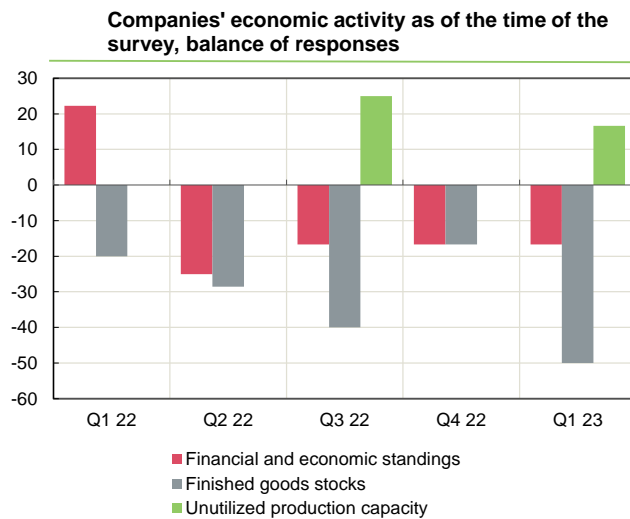


Figure 4



Figure 5

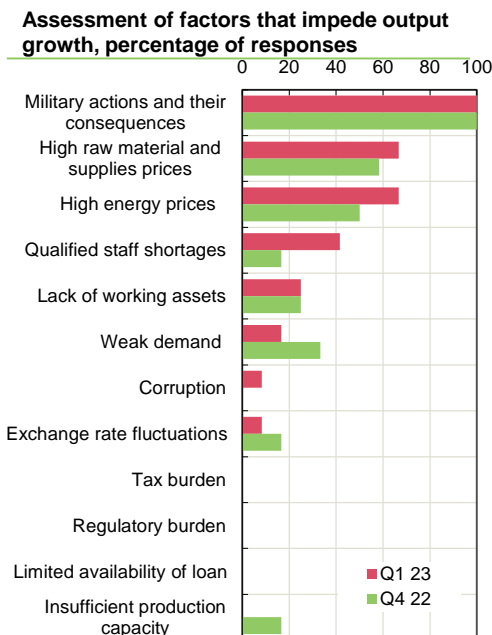


Figure 6

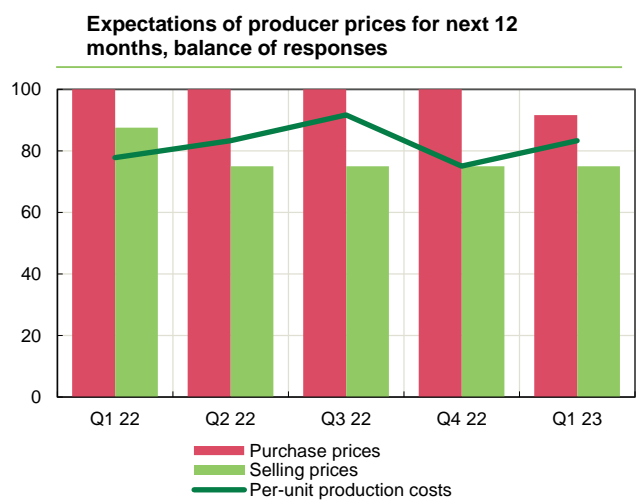


Figure 7

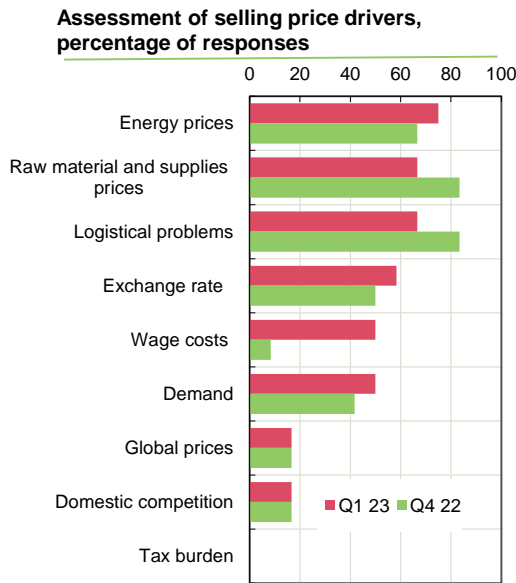


Figure 8

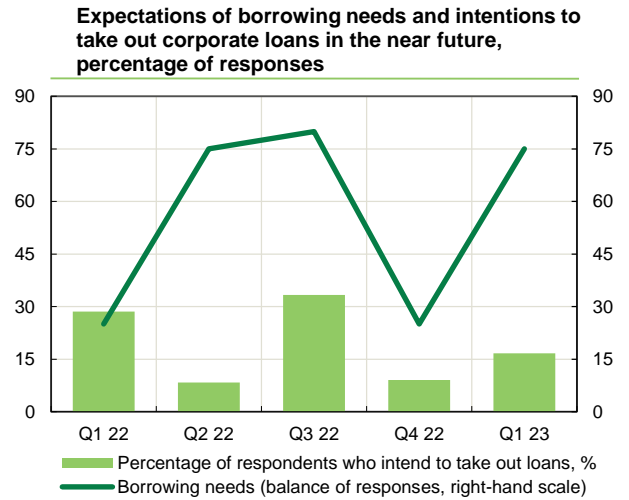


Figure 9

