



National Bank
of Ukraine

Business Outlook Survey of Volyn Oblast*

Q2 2023



*This survey only reflects the opinions of respondents in Volyn oblast (top managers of companies) who were polled in Q2 2023, and does not represent NBU forecasts or estimates

A survey of companies carried out in Volyn oblast in Q2 2023 showed that, on the back of the restoration of the energy system, the gradual revival of domestic demand and the strengthening of the hryvnia exchange rate, respondents expected the output of Ukrainian goods and services to increase. They also had positive expectations for their companies' performance over the next 12 months. Respondents expected that prices for consumer goods and services would rise much 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 at a fast pace** (such expectations were reported for the first time since the beginning of the full-scale war): the balance of responses was 41.7%, up from (-83.3%) in the previous quarter (Figure 1). Across Ukraine, the balance of responses was 17.0%
- **prices for consumer goods and services would rise much more slowly**: 58.3% of respondents expected that inflation would exceed 15.0%, compared to 91.7% in the previous quarter and 53.4% across Ukraine. Respondents referred to military actions, production costs and budgetary social spending (the impact of the latter driver was reported to have increased noticeably compared to the previous survey) as **the main inflation drivers** (Figure 2)
- **the domestic currency would depreciate more slowly**: 66.7% of respondents (100.0% in the previous quarter), expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 72.2%
- **the financial and economic standings of their companies would improve**: the balance of expectations was 8.3%, compared to (-8.3%) in the previous quarter (see Table) and 9.6% across Ukraine
- **total sales would increase**: the balance of responses was 33.3% (compared to 25.0% in Q1 2023) (see Table). The balance of responses across Ukraine was 14.5%
- **investment in machinery, equipment, and tools would increase**: the balance of responses was 22.2% (compared to 0.0% in Q1 2023). At the same time, respondents expected that investment in construction would drop: the balance of responses was (-22.2%), compared to (-27.3%) in the previous quarter (see Table). Across Ukraine, the balances of responses were 4.5% and (-2.3%) respectively
- **staff numbers at their companies would rise**: the balance of responses was 8.3%, up from (-25.0%) in Q1 2023 (Figure 4). Overall, across Ukraine respondents expected staff numbers to decrease moderately: the balance of responses was (-3.8%)
- **purchase prices would grow more rapidly than selling prices**: the balances of responses were 91.7% and 83.3% respectively (compared to 91.7% and 75.0% in the previous quarter) (Figure 6). Raw material and supplies prices, energy prices, wage costs and demand for companies' own products (the impact of the latter two drivers was reported to have increased compared to the previous survey) 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 75.0% and 58.3% respectively (compared to 83.3% and 58.3% respectively in the previous quarter) (Figures 4 and 6).

Companies cited military actions and their consequences (reported by 91.7% of respondents), high raw material and supplies prices, and energy prices as **the main drags on their ability to boost production** (Figure 5).

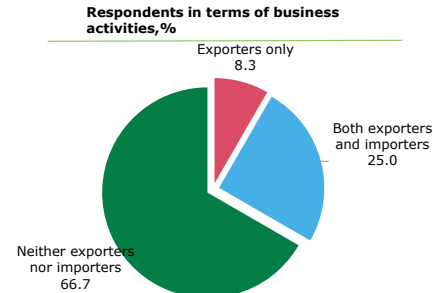
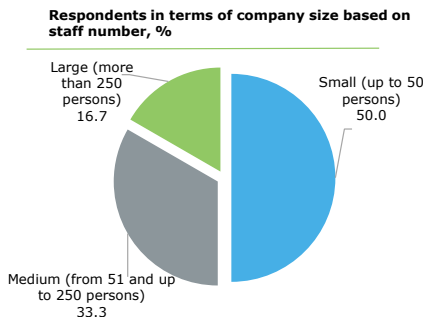
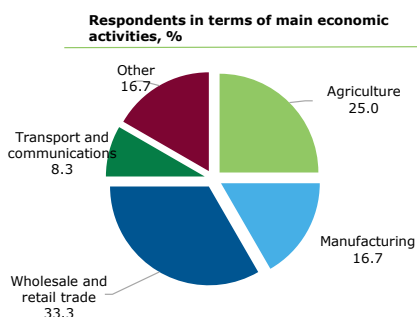
Respondents reported **lower expectations of an increase in their borrowing needs** in the near future (Figure 8). The share of respondents who planned to take out bank loans increased to 27.3%. All of these respondents said they would opt only for domestic currency loans. Respondents cited other funding 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** (94.9% across Ukraine).

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

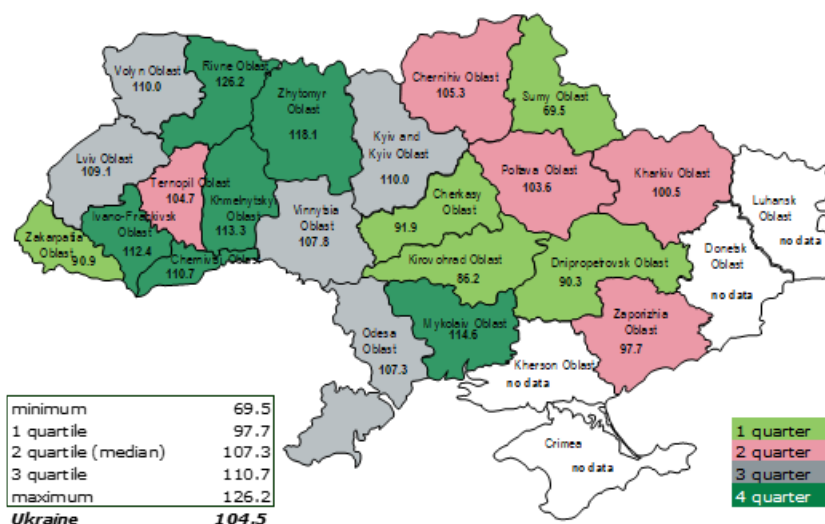
- **Companies assessed their current financial and economic standings as good**: the balance of responses was 16.7%, up from (-16.7%) in the previous quarter. Across Ukraine, current financial and economic standings were assessed as bad: the balance of responses was (-11.1%)
- **Finished goods stocks were assessed at lower than normal levels**: the balance of responses was (-28.6%) compared to (-50.0%) in Q1 2023.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand**: the balance of responses was 16.7%, as in Q1 2023.

Survey Details^{1,2}



- Period: 2 May through 23 May 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, %



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 Volyn Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23
Financial and economic standings	-33.3	0.0	-33.3	-8.3	8.3
Total sales	18.2	16.7	-8.3	25.0	33.3
Investment in construction	-44.4	-50.0	-25.0	-27.3	-22.2
Investment in machinery, equipment, and tools	-33.3	-50.0	-25.0	0.0	22.2
Staff numbers	-25.0	-25.0	-25.0	-25.0	8.3

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

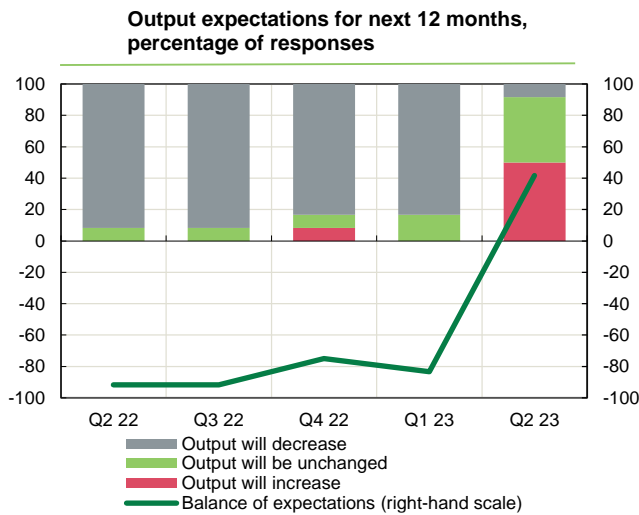


Figure 2

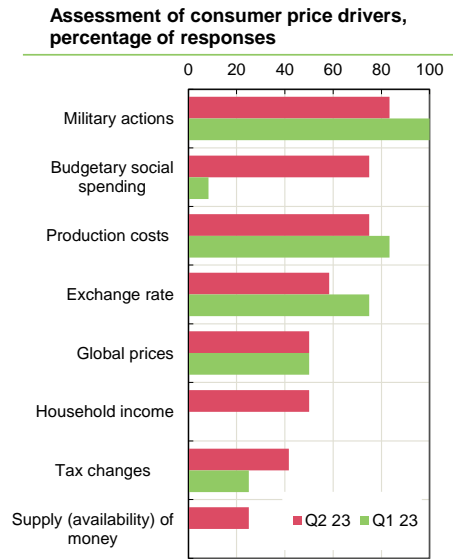


Figure 3

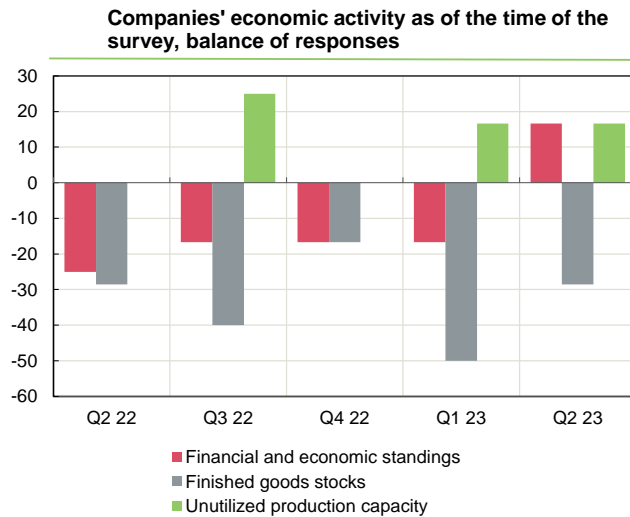


Figure 4



Figure 5

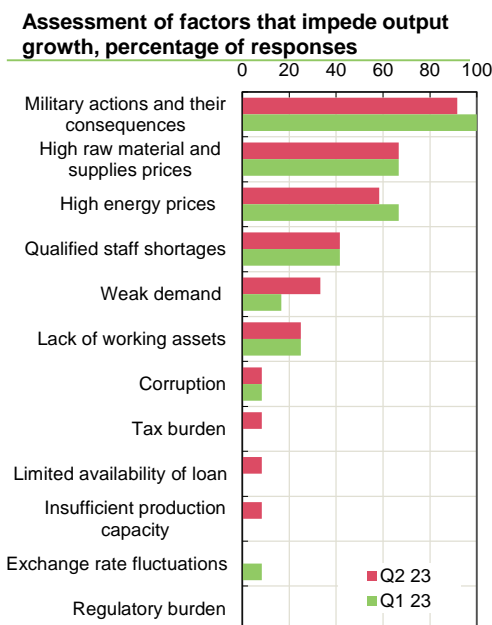


Figure 6

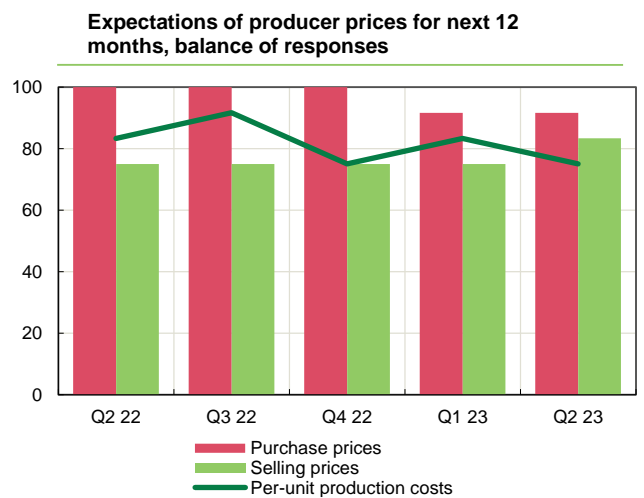


Figure 7

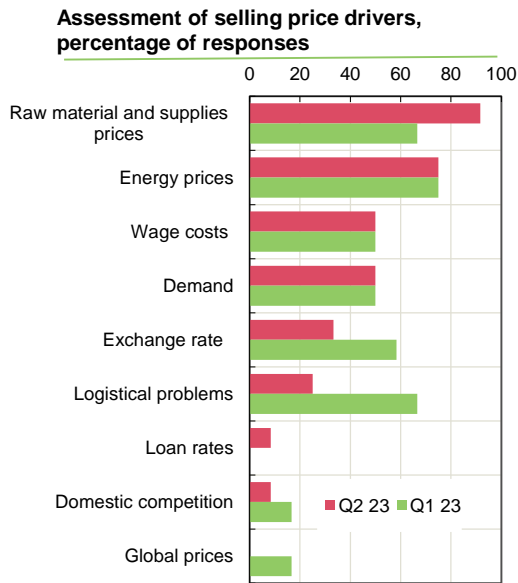


Figure 8

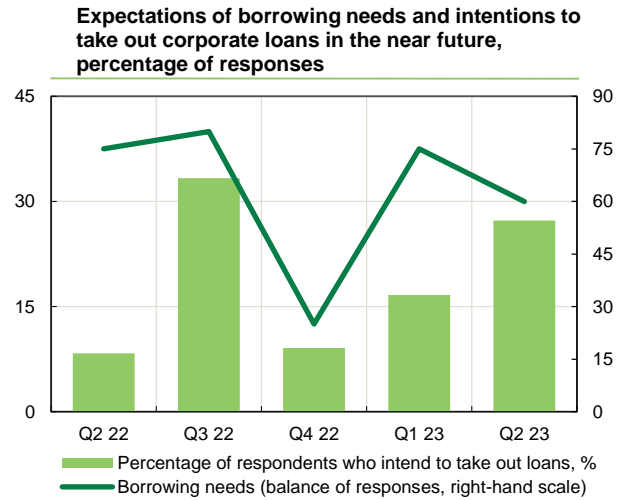


Figure 9

