



National Bank
of Ukraine

Business Outlook Survey of Kharkiv Oblast*

Q1 2023



*This survey only reflects the opinions of respondents in Kharkiv 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 **Kharkiv oblast** in Q1 2023 showed that, on the back of the prolonged hostilities and massive attacks on civilian infrastructure, respondents **expected the output of Ukrainian goods and services would decrease**. They also had negative expectations for the performance of their companies over the next 12 months. Inflation expectations weakened. 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 decrease:** the balance of expectations was (-20.5%), compared to (-17.9%) in Q4 2022 (Figure 1). The balance of expectations across Ukraine was (-16.7%). Respondents from trading companies had the most pessimistic expectations, with a balance of responses of (-50.0%). At the same time, respondents from agricultural sector reported the firmest expectations (20.0%)
- **prices for consumer goods and services would rise at a slower pace:** 53.5% of respondents expected the inflation rate to be higher than 20.0%, compared to 66.7% in the previous quarter and 53.2% across Ukraine. Respondents referred to military actions, production costs, and the hryvnia exchange rate as the main inflation drivers (Figure 2)
- **the domestic currency would depreciate:** 75.0% of respondents (compared to 79.5% in the previous quarter) expected the hryvnia to weaken against the U.S. dollar, the figure across Ukraine being 83.2%
- **the financial and economic standings of their companies would deteriorate:** the balance of expectations was (-4.7%), down from 7.7% in the previous quarter. Across Ukraine, the balance of responses was (-2.5%) (see Table)
- **total sales would increase more slowly:** the balance of responses was 2.3%, down from 15.8% in Q4 2022. External sales were expected to drop (the balance of responses was (-7.7%), compared to 9.1% in Q4 2022) (see Table). Across Ukraine, the balances of responses were 2.8% and 2.0% respectively
- **investment in construction and in machinery, equipment, and tools would decrease:** the balances of responses were (-21.4%) and (-11.4%) respectively, compared to (-30.6%) and (-15.8%) in Q4 2022. Overall, across Ukraine the balances of responses were (-17.8%) and (-10.3%) respectively (see Table)
- **staff numbers at their companies would decrease more slowly:** the balance of responses was (-15.9%), compared to (-33.3%) in Q4 2022 (Figure 4). Across Ukraine, the balance of responses was (-16.4%)
- **both purchase and selling prices would grow at a slower pace:** the balances of responses were 77.3% and 40.9% respectively (compared to 92.3% and 61.5% in Q4 2022). Respondents from manufacturing companies had the firmest expectations of a rise in selling prices (70.0%) (Figure 6). Raw material and supplies prices, energy prices, and the hryvnia exchange rate were referred to as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would increase:** the balances of responses were 56.8% and 30.2% respectively, compared to 60.5% and 27.0% in the previous quarter (Figures 4 and 6).

Respondents referred to military actions and their consequences and high prices for energy, raw materials, and supplies as **the main drags on the ability of their companies to boost production** (Figure 5).

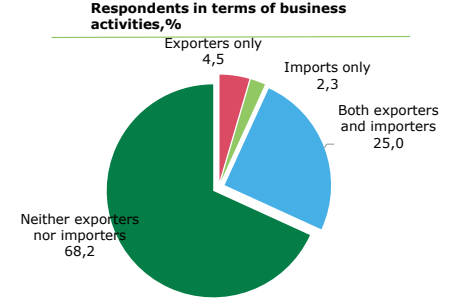
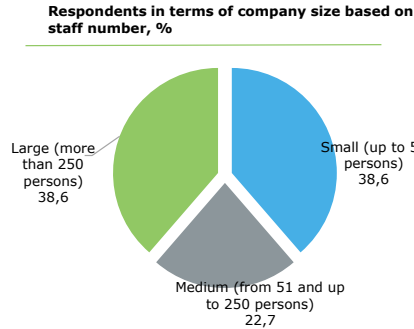
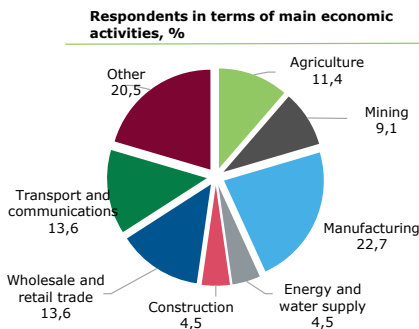
Respondents reported higher expectations of an increase in their borrowing needs in the near future (Figure 8). Some 20.5% of respondents planned to take out bank loans, opting for domestic currency loans only. Respondents said that bank lending standards had tightened (Figure 9). High loan interest rates, the availability of other funding sources, and strict collateral requirements were cited as the main factors deterring companies from taking out loans (Figure 10).

A total of 86.4% 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)

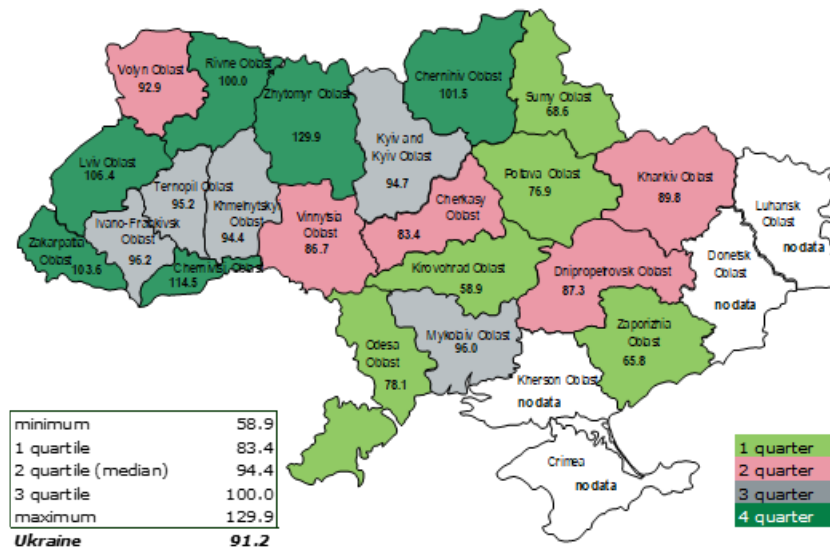
- **Companies assessed their current financial and economic standings as bad:** the balance of responses was (-16.3%), compared to (-35.9%) in the previous quarter and (-16.9%) across Ukraine.
- **Finished goods stocks were assessed as higher than normal:** the balance of responses was 4.3%, compared to 0.0% in Q4 2022.
- **Companies in the oblast had sufficient spare production capacity to meet any unexpected rise in demand:** the balance of responses was 14.6%, compared to 2.6% in the previous quarter.

Survey Details^{1,2}



- Period: 30 January through 28 February 2023.
- A total of 44 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, mining, manufacturing, trade, transportation and communications, and other economic activities.

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 Kharkiv 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	-8,3	-33,3	-26,2	7,7	-4,7
Total sales	13,5	-50,0	-11,9	15,8	2,3
Investment in construction	11,4	-33,3	-15,0	-30,6	-21,4
Investment in machinery, equipment, and tools	22,9	-41,4	-9,8	-15,8	-11,4
Staff numbers	-2,7	-56,7	-38,1	-33,3	-15,9

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

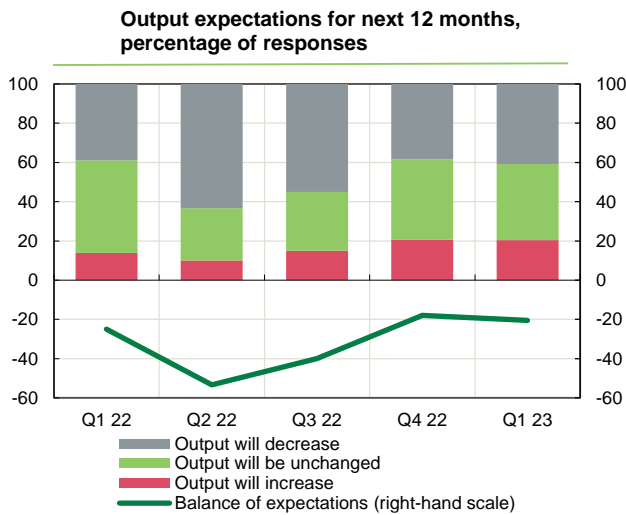


Figure 2

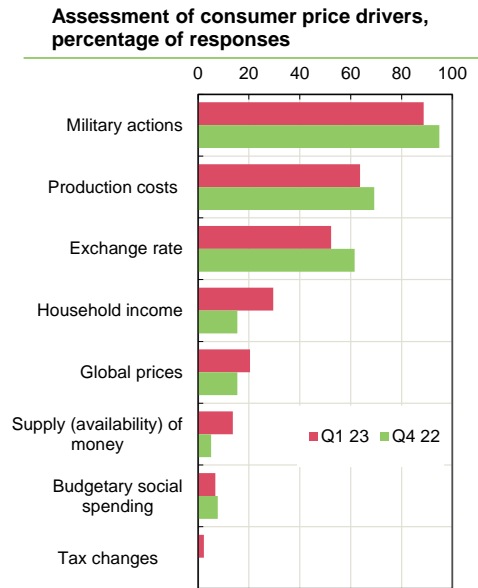


Figure 3

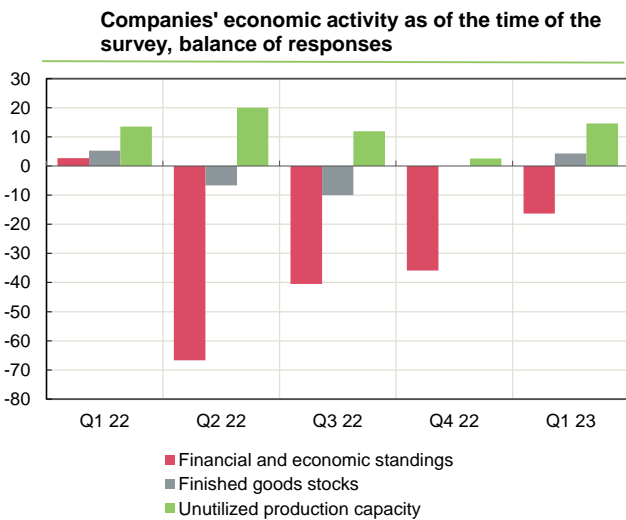


Figure 4

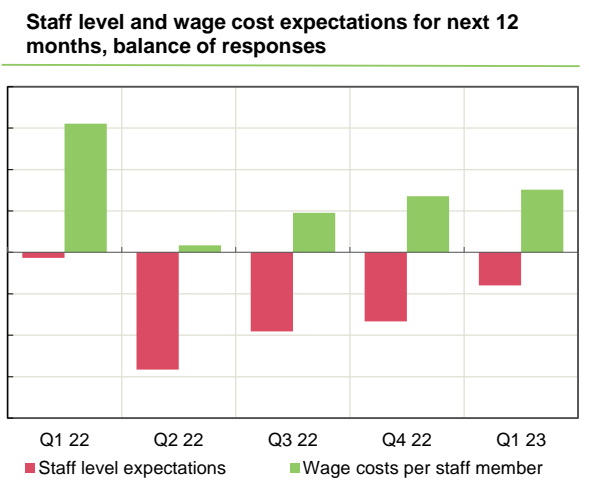


Figure 5

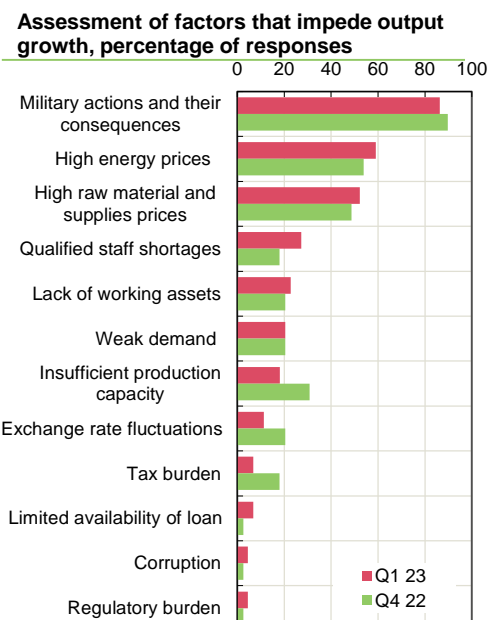


Figure 6

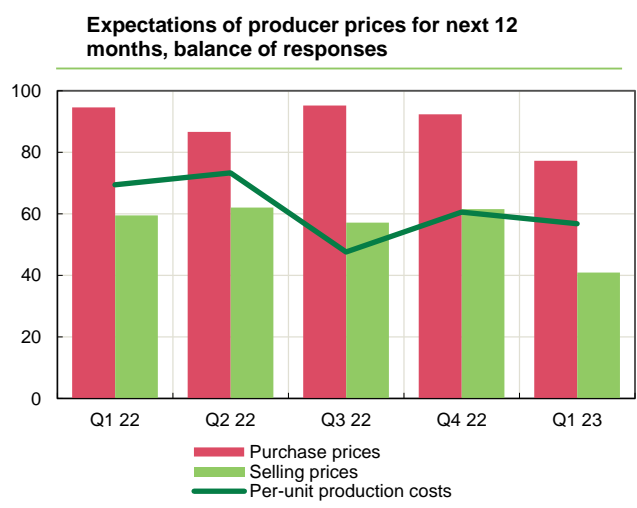


Figure 7

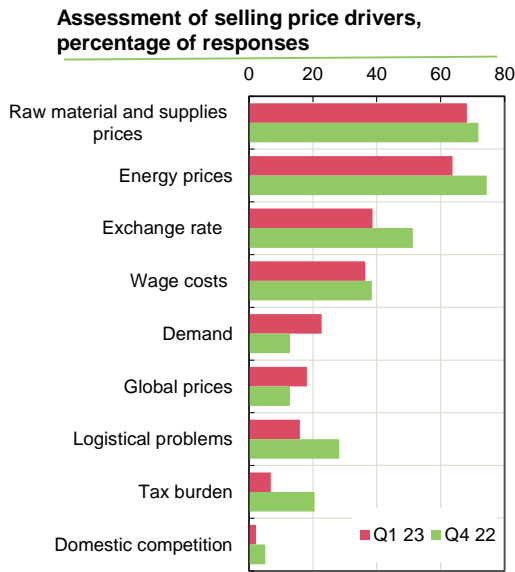


Figure 8

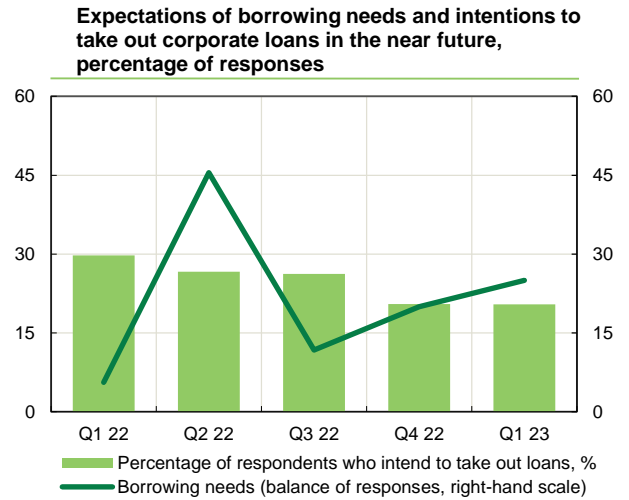


Figure 9

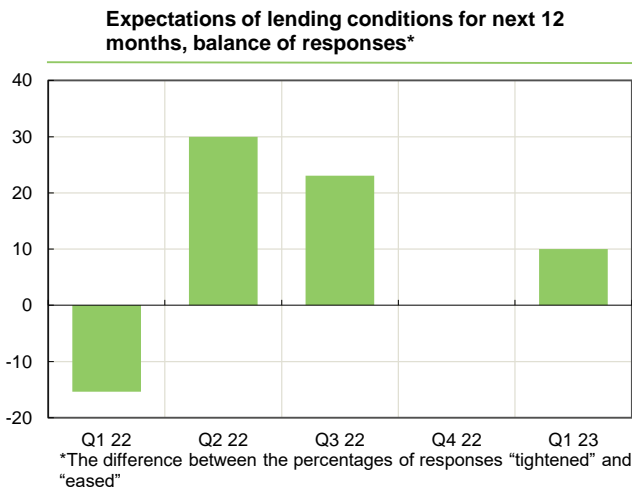


Figure 10

