



National Bank
of Ukraine

Business Outlook Survey of Kharkiv Oblast*

Q4 2023



*This survey only reflects the opinions of respondents in Kharkiv oblast (top managers of companies) who were polled in Q4 2023, and does not represent NBU forecasts or estimates

A survey of companies carried out in **Kharkiv oblast** in Q4 2023 showed that, on the back of security risks and logistical difficulties with crossing the border, respondents expected **the output of Ukrainian goods and services to decrease** over the next 12 months. They also **had negative expectations for the performance of their companies** over that period. Prices were expected to rise more slowly. 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 moderately:** the balance of expectations was (-2.1%), compared to 0.0% in Q3 2023 (Figure 1). Across Ukraine, the output was expected to grow (15.2%). Respondents from mining companies had the most optimistic expectations, with a balance of responses of 16.7%. At the same time, transport and communications companies reported the dimmest expectations (-14.3%)
- **prices for consumer goods and services would rise more slowly:** 51.1% of respondents expected the inflation rate to be lower than 10.0%, compared to 30.4% in the previous quarter and 47.6% 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:** 59.6% of respondents (compared to 60.9% in the previous quarter) expected the hryvnia to weaken against the U.S. dollar, the figure across Ukraine being 74.4%
- **the financial and economic standings of their companies would deteriorate:** the balance of expectations was (-14.9%), down from 0.0% in the previous quarter. Across Ukraine, financial and economic standings were expected to improve, the balance of responses being 4.1% (see Table)
- **total sales would decrease:** the balance of responses was (-10.9%), down from 13.0% in Q3 2023. External sales were expected to remain unchanged: the balance of responses was 0.0%, compared to 35.7% in Q3 2023 (see Table). Across Ukraine, the balances of responses were 10.6% and 9.7% respectively
- **both investment in machinery, equipment, and tools and in construction would decrease:** the balances of responses were (-10.9%) and (-13.6%) respectively, compared to (-17.8%) and (-13.6%) respectively in Q3 2023. Overall, across Ukraine the balances of responses were 6.6% and (-6.9%) respectively (see Table)
- **staff numbers at their companies would decrease:** the balance of responses was (-23.4%), compared to (-19.6%) in Q3 2023 (Figure 4). Across Ukraine, the balance of responses was (-6.5%)
- **both purchase and selling prices would grow:** the balances of responses were 85.1% and 46.8% respectively (compared to 89.1% and 50.0% in Q3 2023). Respondents from trading companies had the firmest expectations of a rise in selling prices (100.0%) (Figure 6). Energy prices, raw material and supplies 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 59.6% and 31.9% respectively, compared to 55.6% and 30.4% in the previous quarter (Figures 4 and 6).

Respondents referred to military actions and their consequences, high supplies and raw material prices and energy prices (the impact of the latter factor was reported to have increase) as **the main drags on the ability of their companies to boost production** (Figure 5).

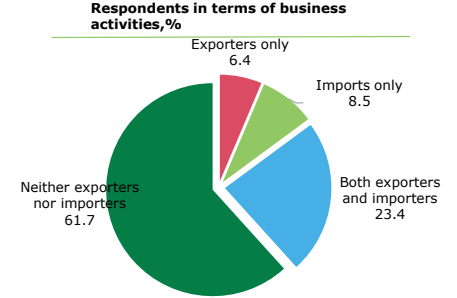
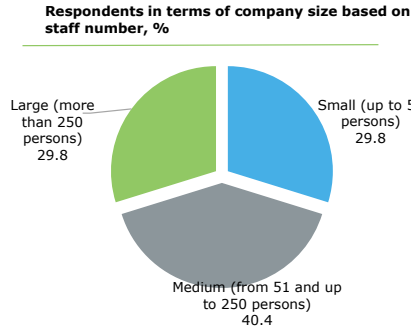
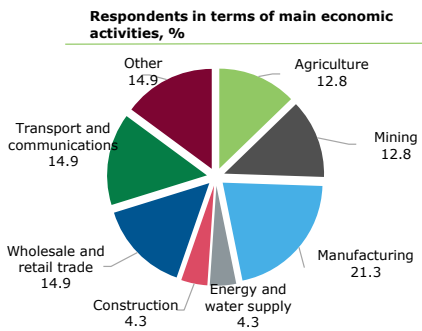
Respondents reported expectations of an increase in their borrowing needs in the near future (Figure 8). Some 31.9% of respondents planned to take out bank loans, usually opting for domestic currency loans. Respondents said that bank lending standards had remained tight (Figure 9). The availability of other funding sources, high loan interest rates and uncertainty about ability to meet debt obligations as they fall due were cited as the main factors deterring companies from taking out loans (Figure 10).

93.6% of the respondents said that they had encountered no difficulties in effecting transactions with funds deposited in bank accounts (95.8% across Ukraine).

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

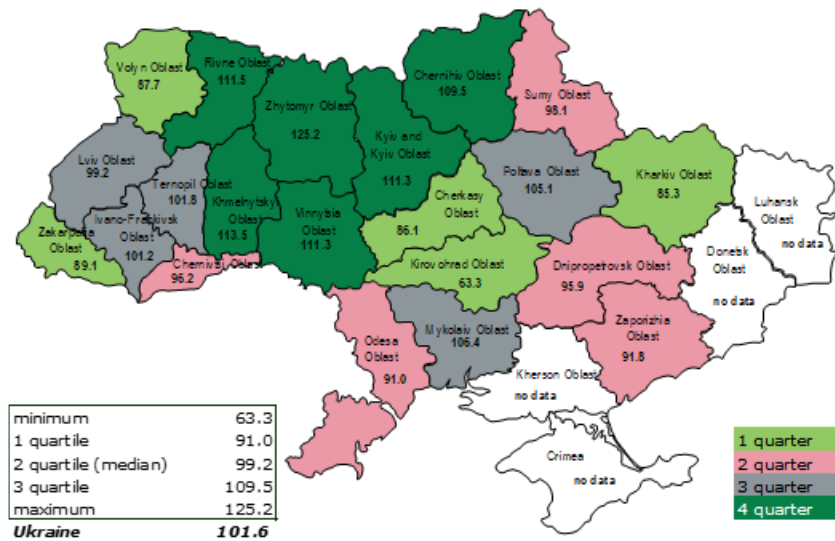
- **Companies assessed their current financial and economic standings as bad:** the balance of responses was (-19.1%), compared to (-21.7%) in the previous quarter and (-5.6%) across Ukraine.
- **Finished goods stocks were assessed as normal:** the balance of responses was 0.0%, compared to 9.5% in Q3 2023.
- **Companies in the oblast had sufficient spare production capacity to meet any unexpected rise in demand:** the balance of responses was 21.7%, compared to 4.7% in the previous quarter.

Survey Details^{1,2}



- Period: 31 October through 28 November 2023.
- A total of 47 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, mining, manufacturing, trade, transport and communications, and other economic activities.

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 Kharkiv Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23
Financial and economic standings	7.7	-4.7	4.1	0.0	-14.9
Total sales	15.8	2.3	10.4	13.0	-10.9
Investment in construction	-30.6	-21.4	0.0	-13.6	-13.6
Investment in machinery, equipment, and tools	-15.8	-11.4	4.3	-17.8	-10.9
Staff numbers	-33.3	-15.9	-16.3	-19.6	-23.4

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

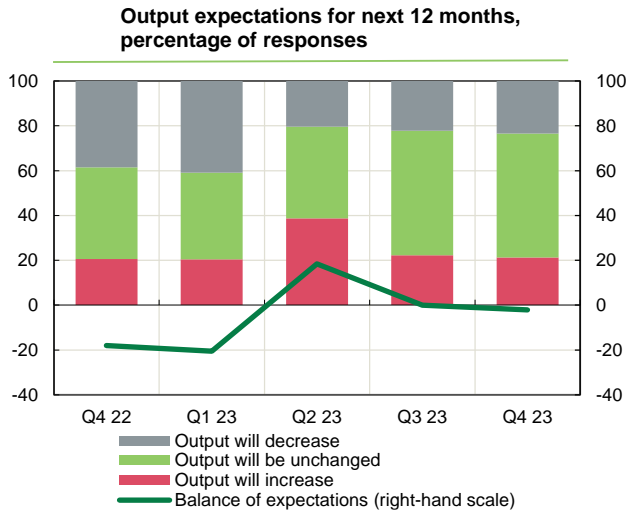


Figure 2

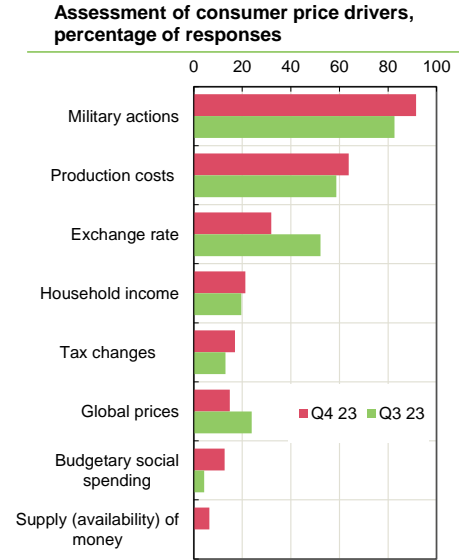


Figure 3

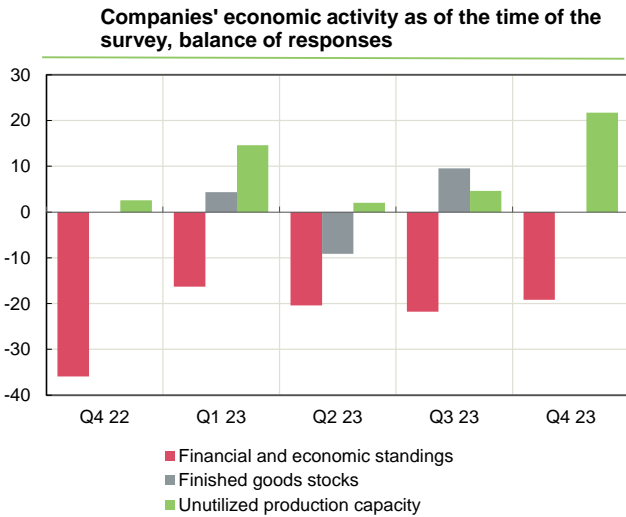


Figure 4



Figure 5

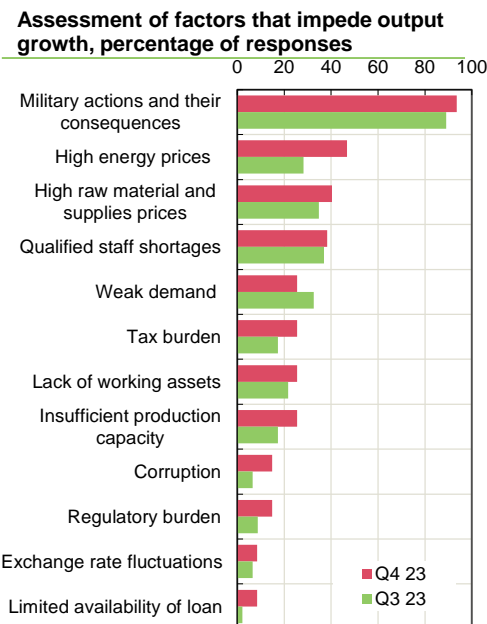


Figure 6

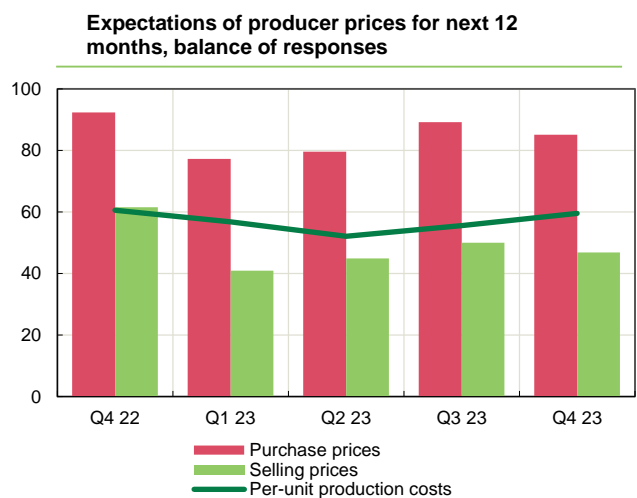


Figure 7

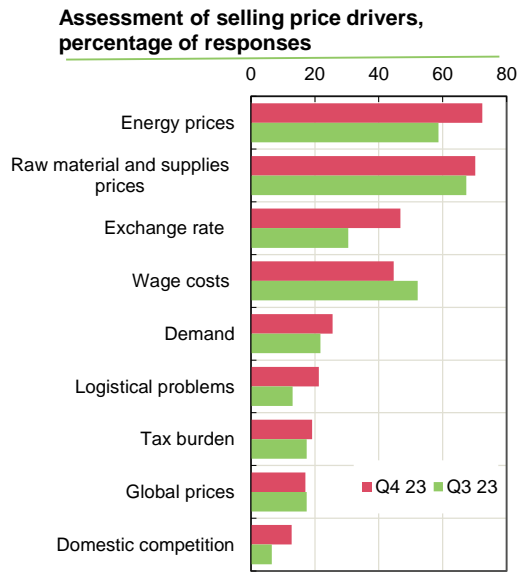


Figure 8

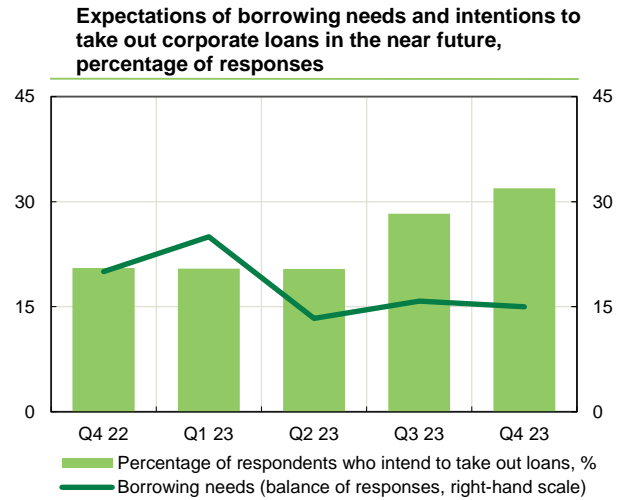


Figure 9

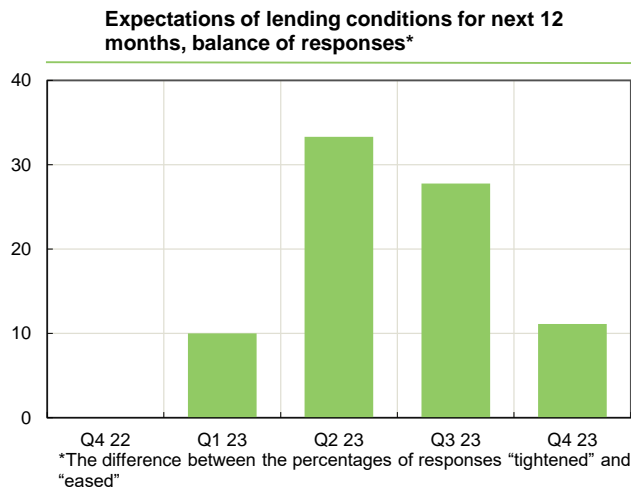


Figure 10

