National Bank of Ukraine

Business Outlook Survey of **Chernivtsi Oblast** *

Q2 2023

*This survey only reflects the opinions of respondents in Chernivtsi 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 Chernivtsi 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 that the output of Ukrainian goods and services would increase over the next 12 months**. They had positive expectations for the performance of their companies** over that period**.** Respondents expected inflation to remain high. Depreciation expectations strengthened.

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 36.4%, compared to 30.0% in Q1 2023 and 17.0% across Ukraine (Figure 1)
- **prices for consumer goods and services would grow:** a total of 50.0% of respondents expected that inflation would not exceed 15.0%, as in the previous survey, and compared to 46.6% 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 more pronouncedly:** 90.0% of respondents (up from 72.7% in the previous quarter) expected the hryvnia to weaken against the U.S. dollar, the figure across Ukraine being 72.2%
- **the financial and economic standings of their companies would improve at a slower pace**: the balance of expectations was 9.1%, down from 27.3% in Q1 2023. The balance across Ukraine was 9.6% (see Table)
- **total sales would increase:** the balance of responses was 36.4%, compared to 9.1% in Q1 2023. Across Ukraine, the balance of responses was 14.5% (see Table)
- **investment in construction and in machinery, equipment, and tools would rise**: the balances of responses were 18.2% and 20.0% respectively, compared to 27.3% and 18.2% in the previous quarter. The balances of responses across Ukraine were (-2.3%) and 4.5% respectively
- **staff numbers would decrease more quickly**: the balance of responses was (-30.0%), compared to (-9.1%) in Q1 2023. Across Ukraine, the balance of responses was (-3.8%) (Figure 4)
- **purchase and selling prices would decelerate, but growth for selling prices would decelerate faster:** the balances of responses were 90.9% and 45.5% respectively (compared to 100.0% and 70.0% in Q1 2023) (Figure 6). Raw material and supplies prices, energy prices and wage costs (the impact of this factor was reported to have increased) were referred to as the main selling price drivers (Figure 7)
- **the growth in per-unit production costs and in wage costs per staff member would accelerate at a faster pace**: the balances of responses were 63.6% and 54.5% respectively, up from 40.0% and 27.3% respectively in Q1 2023 (Figures 4 and 6).

Respondents referred to high energy prices, a lack of working capital (the impact of this factor was reported to have increased compared to the previous survey), and military actions and their consequences as the **main drags on the ability of their companies to boost production** (Figure 5).

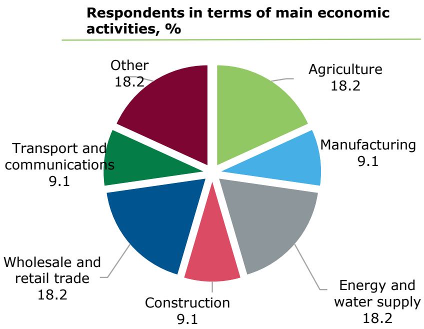
Respondents reported **higher expectations of an increase in their borrowing needs** in the near future. The respondents who planned to take out loans (the share of those respondents rose to 40.0%) only opted for domestic currency loans (Figure 8). Respondents said that bank lending conditions had remain unchanged (Figure 9). Respondents cited the availability of other funding sources, high loan rates, collateral requirements and high loan rates as the main factors deterring them from taking out loans (Figure 10).

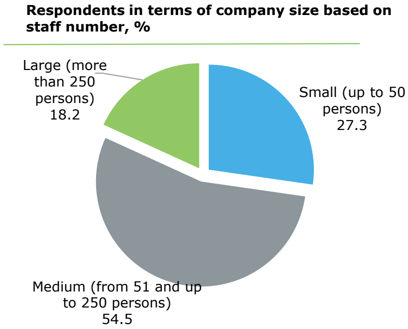
All of the respondents said that they had encountered **no difficulties in effecting transactions with funds deposited in bank accounts** (94.9% across Ukraine).

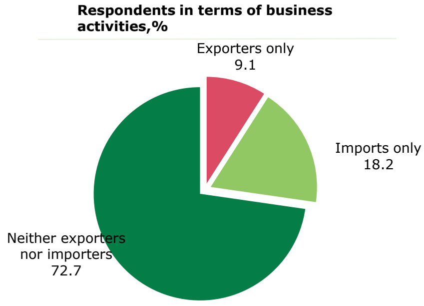
Assessments of financial and economic standings as of the time of the survey (Figure 3)

- **Companies assessed their current financial and economic standings as satisfactory:** the balance of responses was 0.0% (these assessments have been reported for two quarters running). Across Ukraine, current financial and economic standings were assessed as bad: the balance of responses was (-11.1%).
- **Finished goods stocks were assessed as lower than normal**: the balance of responses was (-20.0%), compared to (-25.0%) in Q1 2023.
- **Companies had sufficient production capacity to meet any unexpected rise in demand:** the balance of responses was 20.0%, compared to 10.0% in Q1 2023.

Survey Details[1,2]

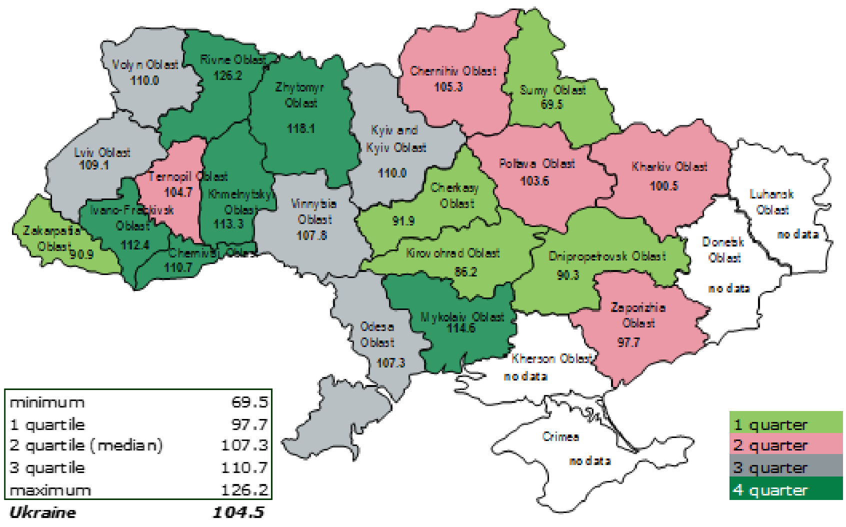






- Period: 2 May through 29 May 2023.
- A total of 11 companies were polled.
- No economic activity was able to generate a representative sample.

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 Chernivtsi 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	10.0	20.0	10.0	27.3	9.1
Total sales	0.0	20.0	-10.0	9.1	36.4
Investment in construction	-36.4	-20.0	-10.0	27.3	18.2
Investment in machinery, equipment, and tools	-45.5	10.0	-10.0	18.2	20.0
Staff numbers	-18.2	-10.0	-22.2	-9.1	-30.0

[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

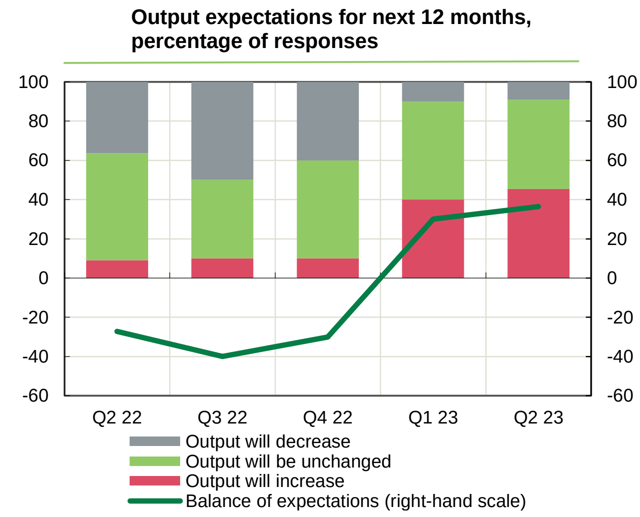


Figure 2

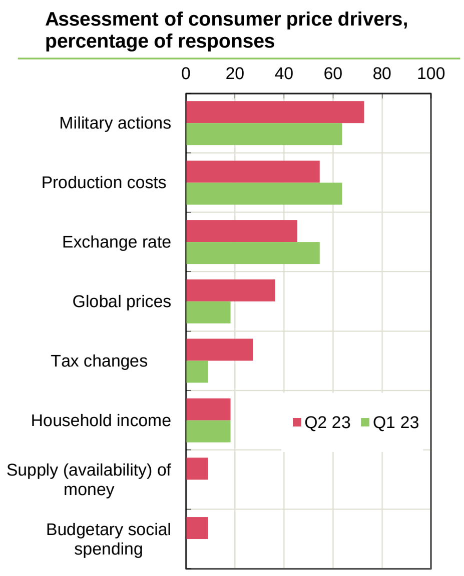


Figure 3

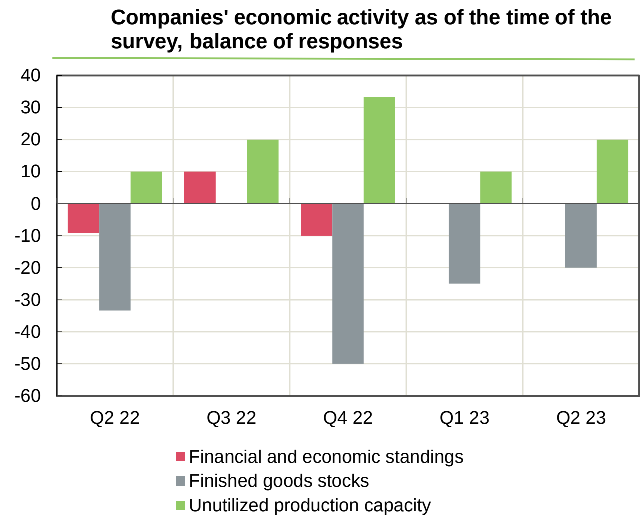


Figure 4

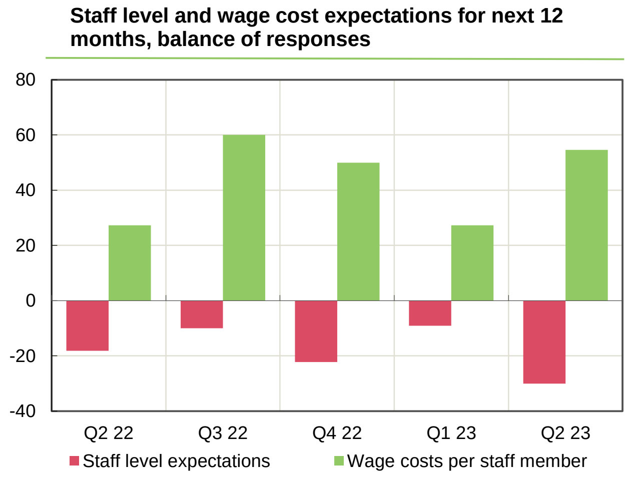


Figure 5

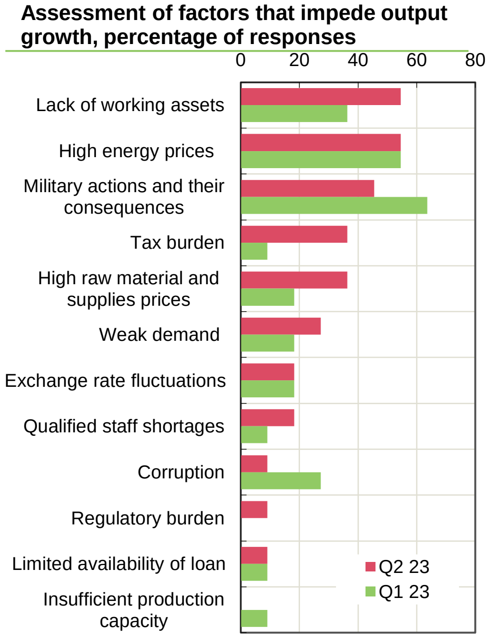


Figure 6

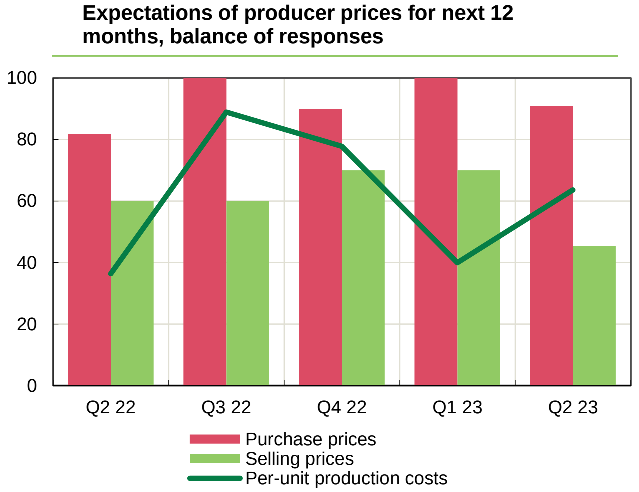


Figure 7

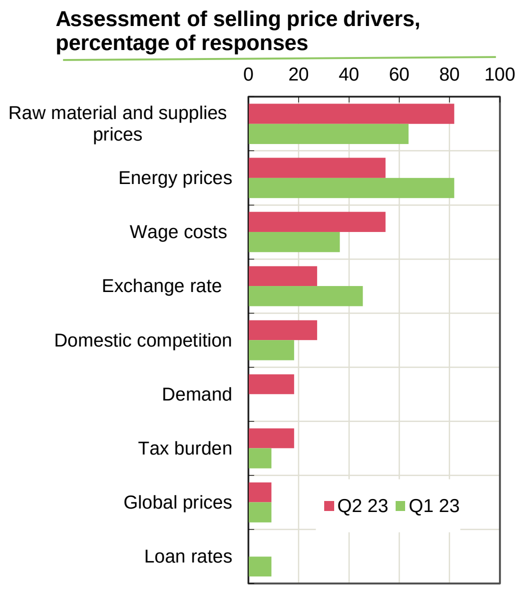


Figure 8

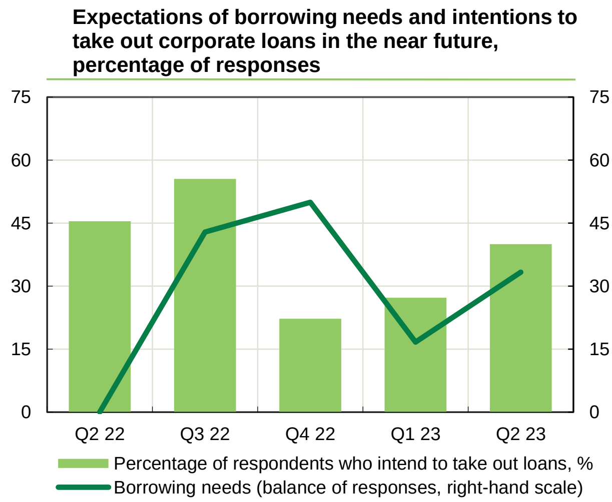
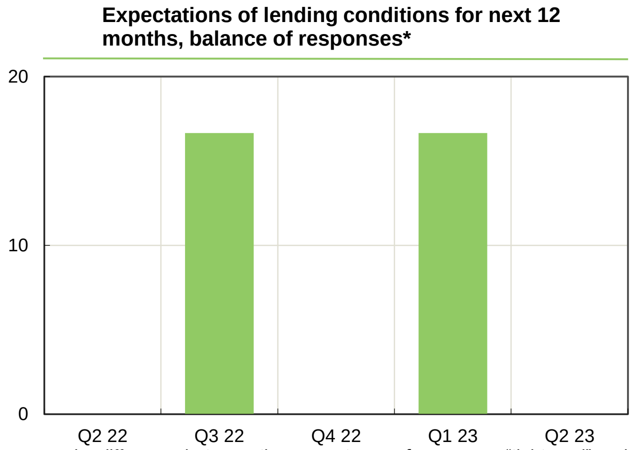


Figure 9



*The difference between the percentages of responses "tightened" and "eased"

Figure 10