



National Bank
of Ukraine

Business Outlook Survey of Volyn Oblast*

Q3 2023



*This survey only reflects the opinions of respondents in Volyn oblast (top managers of companies) who were polled in Q3 2023, and does not represent NBU forecasts or estimates

A survey of companies carried out in Volyn oblast in Q3 2023 showed that, on the back of a stable energy system, 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 remain high. Depreciation expectations became firmer.

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:** the balance of responses was 81.8% (the highest expectations of the output growth seen in the regions), up from 41.7% in the previous quarter (Figure 1). Across Ukraine, the balance of responses was 9.8%
- **prices for consumer goods and services would rise:** 58.3% of respondents expected that inflation would exceed 15.0%, as in the previous quarter and compared to 47.8% across Ukraine. Respondents referred to production costs, the hryvnia exchange rate (the impact of the latter driver was reported to have increased compared to the previous survey), military actions, and budgetary social spending as **the main inflation drivers** (Figure 2)
- **the domestic currency would depreciate more pronouncedly:** 91.7% of respondents (the highest expectations of hryvnia depreciation seen in the regions) compared to 66.7% in the previous quarter, expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 72.4%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 16.7%, compared to 8.3% in the previous quarter (see Table) and 6.0% across Ukraine
- **total sales would increase:** the balance of responses was 41.7% (compared to 33.3% in Q2 2023) (see Table). The balance of responses across Ukraine was 16.8%
- **investment in machinery, equipment, and tools would increase more slowly:** the balance of responses was 9.1% (compared to 22.2% in Q2 2023). At the same time, respondents expected that investment in construction would drop: the balance of responses was (-18.2%), compared to (-22.2%) in the previous quarter (see Table). Across Ukraine, the balances of responses were 8.8% and (-2.2%) respectively
- **staff numbers at their companies would decrease noticeably:** the balance of responses was (-25.0%) (one of the highest expectations of staff cuts seen in the regions), down from 8.3% in Q2 2023 (Figure 4). Overall, across Ukraine the balance of responses was (-7.0%)
- **purchase prices would grow more rapidly than selling prices:** the balances of responses were 83.3% and 58.3% respectively (compared to 91.7% and 83.3% in the previous quarter) (Figure 6). Raw material and supplies prices, energy prices and demand were referred to as the main selling price drivers (Figure 7)
- **wage costs per staff member would rise at a faster pace than per-unit production costs:** the balances of responses were 83.3% and 75.0% respectively (compared to 58.3% and 75.0% respectively in the previous quarter) (Figures 4 and 6).

Companies cited high raw material and supplies prices, energy prices, military actions and their consequences, and weak demand (the impact of the latter factor was reported to have increased) as **the main drags on their ability to boost production** (Figure 5).

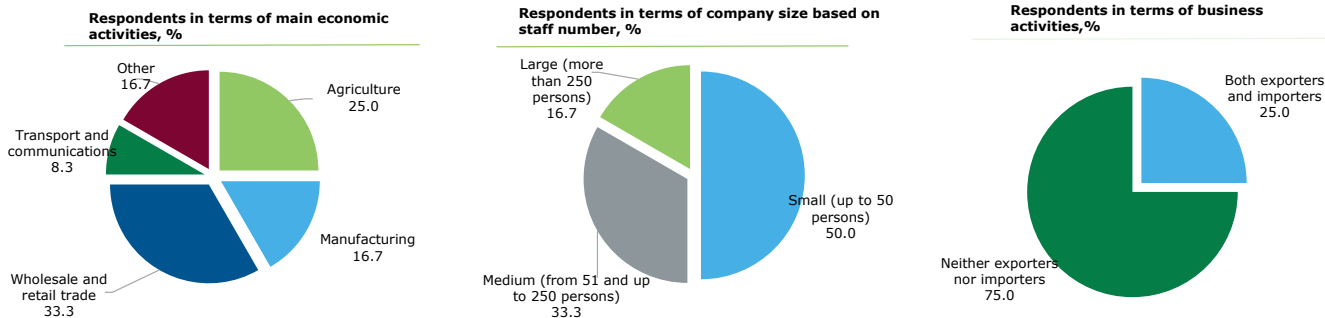
Respondents reported **stronger expectations of an increase in their borrowing needs** in the near future (Figure 8). The share of respondents who planned to take out bank loans increased by 14.4 pp, to 41.7%. All of these respondents said they would only opt for domestic currency loans. Respondents 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)

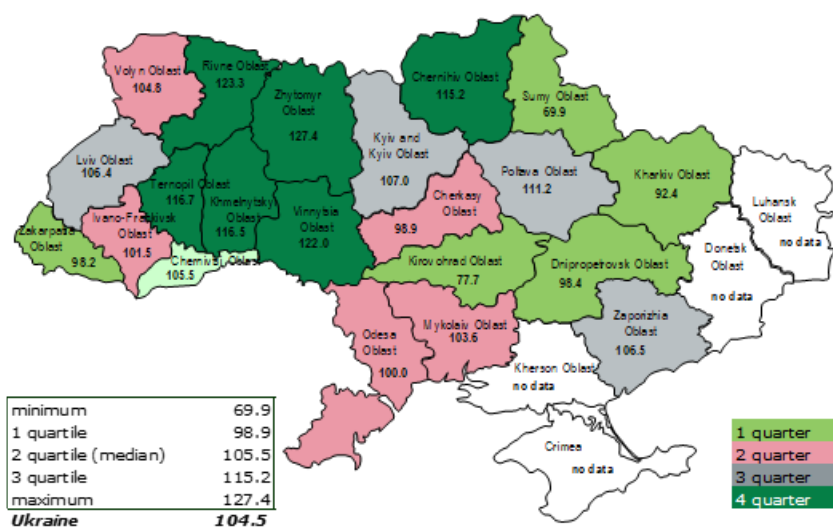
- **Companies assessed their current financial and economic standings as satisfactory:** the balance of responses was 0.0%, down from 16.7% in the previous quarter. Across Ukraine, current financial and economic standings were assessed as bad: the balance of responses was (-5.8%)
- **Finished goods stocks were assessed at normal levels:** the balance of responses was 0.0%, compared to (-28.6%) in Q2 2023.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 8.3%, down from 16.7% Q2 2023.

Survey Details^{1,2}



- Period: 4 August through 24 August 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, %				
	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23
Financial and economic standings	0.0	-33.3	-8.3	8.3	16.7
Total sales	16.7	-8.3	25.0	33.3	41.7
Investment in construction	-50.0	-25.0	-27.3	-22.2	-18.2
Investment in machinery, equipment, and tools	-50.0	-25.0	0.0	22.2	9.1
Staff numbers	-25.0	-25.0	-25.0	8.3	-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

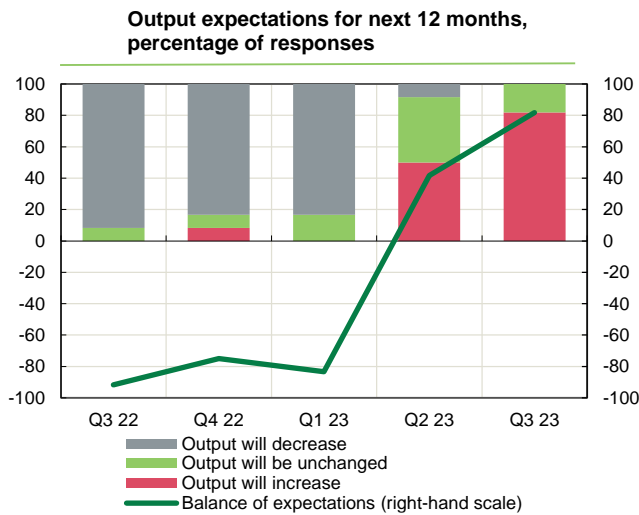


Figure 2

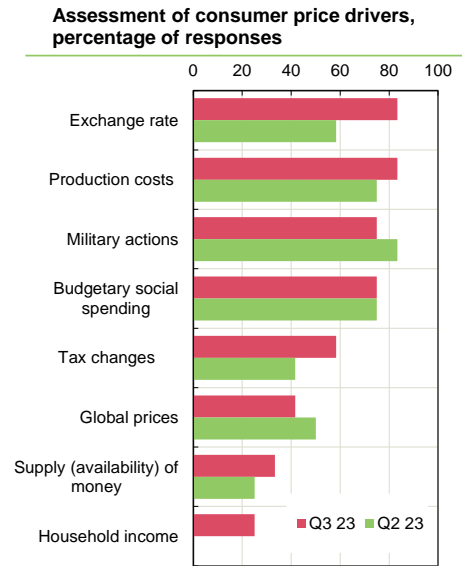


Figure 3

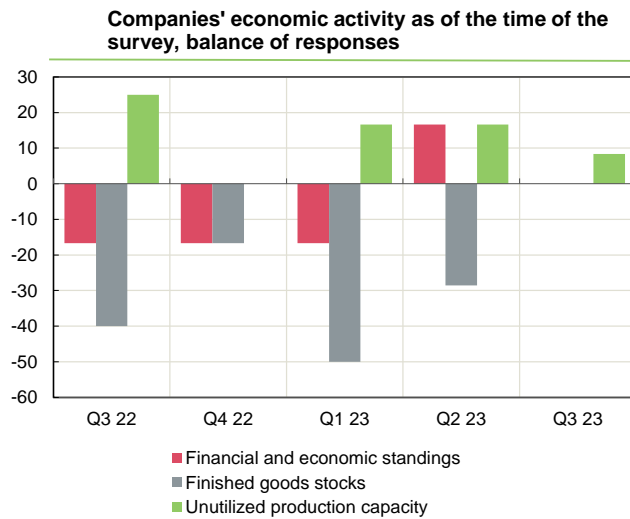


Figure 4



Figure 5

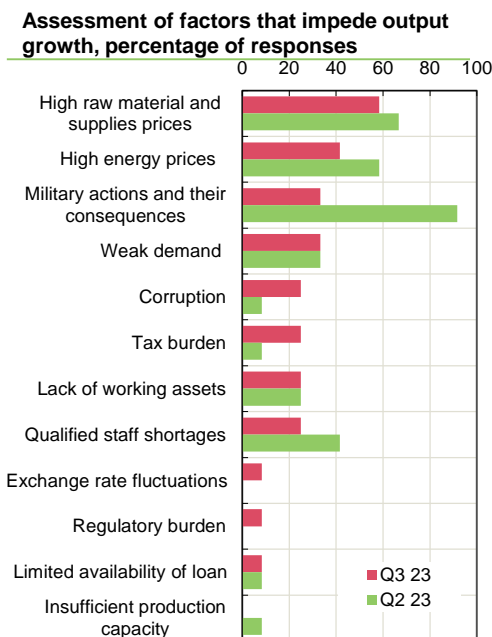


Figure 6

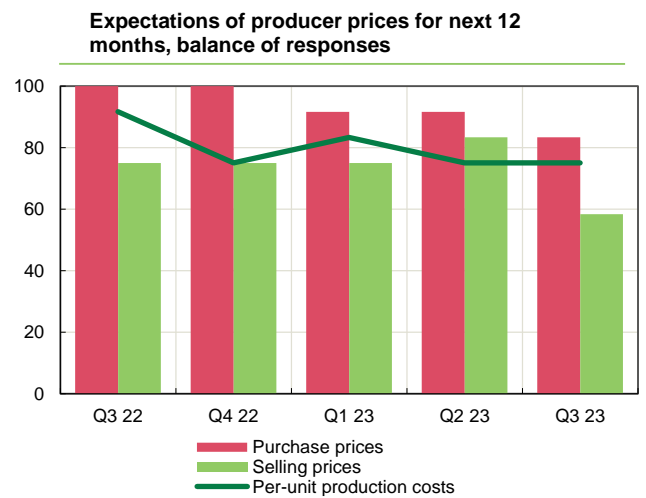


Figure 7

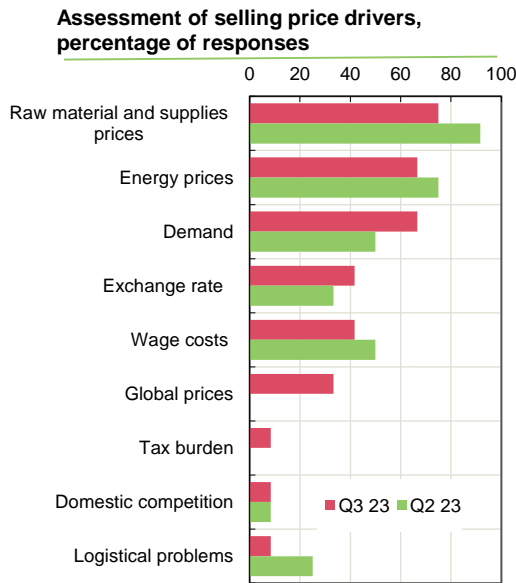


Figure 8

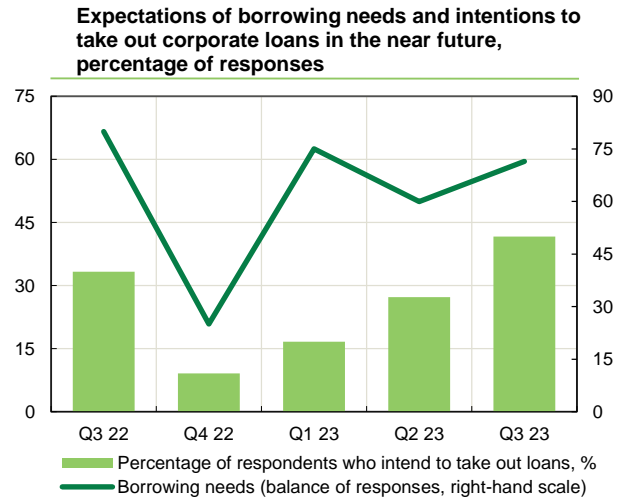


Figure 9

Оцінка респондентами факторів, які можуть змусити підприємство уникати/відкладати використання кредитних послуг банків, відсоток відповідей

