



National Bank
of Ukraine

Business Outlook Survey of Zhytomyr Oblast*

Q1 2023



*This survey only reflects the opinions of respondents in Zhytomyr 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 **Zhytomyr oblast** in Q1 2023 showed that despite prolonged hostilities and missile attacks on civilian infrastructure respondents **softened** their expectations for **a decrease in the output of Ukrainian goods and services**. They had **positive expectations** for their companies' performance over the next 12 months. Inflation and 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 at a significantly slower pace:** the balance of expectations was (-38.5%) compared to (-84.6%) in the previous quarter (Figure 1). Across Ukraine, the balance of responses was (-16.7%)
- **prices for consumer goods and services would increase:** 84.6% of respondents expected that the inflation rate would exceed 20.0% compared to 76.9% 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:** 84.6% of respondents expected the hryvnia to weaken against the US dollar, compared to 92.3% in Q4 2022. The figure across Ukraine was (83.2%)
- **the financial and economic standings of their companies would improve:** the balance of expectations was 25.0% (one of the firmest expectations among the regions), compared to (-15.4%) in the previous quarter (see Table). Across Ukraine, respondents expected the financial and economic standings of their companies to deteriorate: the balance of responses was (-2.5%)
- **total sales would increase significantly faster:** the balance of responses was 66.7%, compared to 15.4% in Q4 2022. Across Ukraine, respondents expected total sales to increase moderately: the balance of responses was 2.8%
- **investment** in construction and in machinery, equipment, and tools **would increase:** the balances of responses were 20.0% and 30.0% respectively, compared to (-9.1%) for each in the previous quarter. The balances of responses across Ukraine were (-17.8%) and (-10.3%) respectively
- **staff numbers would increase:** the balance of responses was 7.7%, as in the previous quarter (among the firmest expectations across the regions) (Figure 4). Across Ukraine, companies expected that their staff numbers would decrease, the balance of responses was (-16.4%)
- **both purchase and selling prices would rise rapidly:** the balances of responses were 100.0% and 92.3% respectively, compared to 100.0% and 76.9% respectively in Q4 2022 (Figure 6). Raw material and supplies prices, energy prices, logistical problems and wage costs (the impact of this driver was reported to have increased) were cited as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would rise at a fast pace:** the balances of responses were 92.3% and 76.9% respectively (compared to 76.9% and 75.0% in Q4 2022 respectively) (Figures 4 and 6).

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

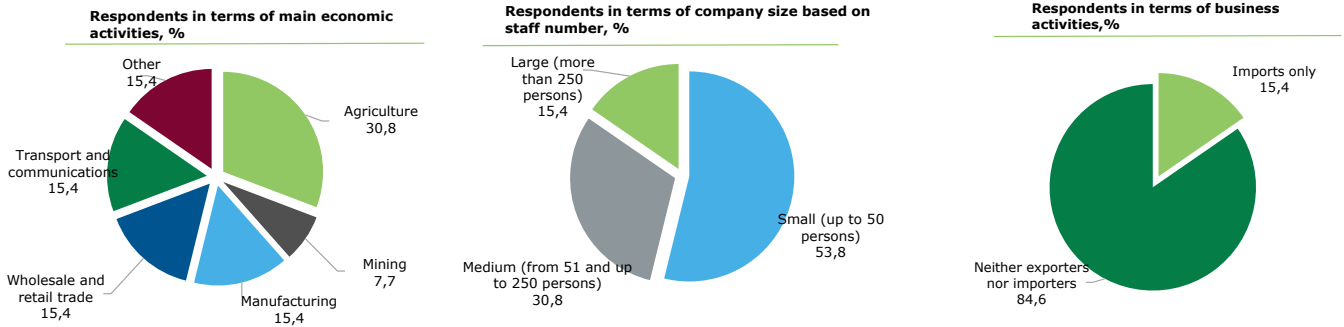
Respondents said that their borrowing needs would increase in the near future (Figure 8). The respondents who planned to take out loans (23.1% of those surveyed) opted only for domestic currency ones. Respondents referred to high interest rates and complicated paperwork (the impact of this driver was reported to have increased) 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** (compared to 94.7% across Ukraine).

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

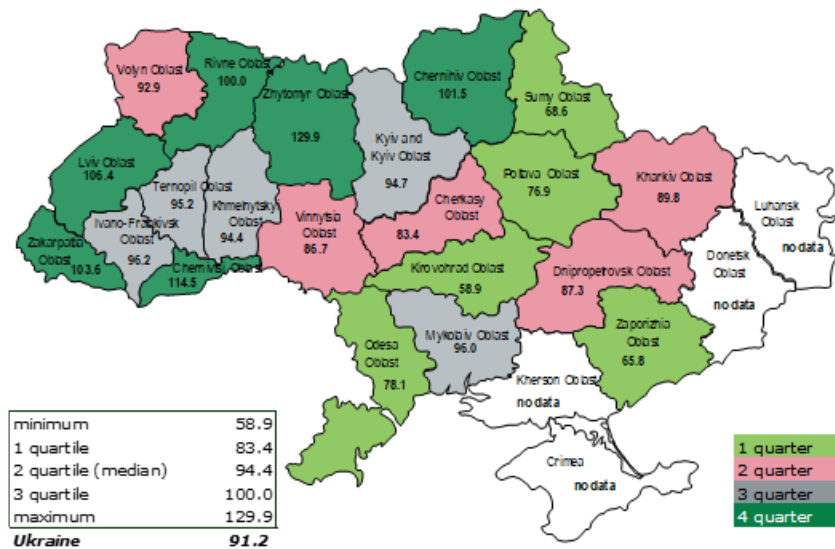
- **Companies assessed their current financial and economic standings as bad:** the balance of responses was (-15.4%) compared to (-23.1%) in the previous quarter. Across Ukraine, the balance of responses was (-16.9%).
- **Finished goods stocks were assessed as normal:** the balance of responses was 0.0%, down from 11.1% in Q4 2022.
- **Companies were operating on the verge of their production capacity:** the balance of responses was 0.0%, compared to 15.4% in the previous quarter.

Survey Details^{1,2}



- Period: 6 February through 27 February 2023.
- A total of 13 companies were polled.
- A representative sample was generated on the basis of the agricultural sector.

Business Outlook Index for Next 12 Months in Terms of Oblasts³, %



³a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups
⁴a 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 Zhytomyr Oblast and Its Components⁴

Expectations over next 12 months for	Balances of responses, %				
	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23
Financial and economic standings		-25,0	16,7	-15,4	25,0
Total sales		-9,1	50,0	15,4	66,7
Investment in construction		-28,6	0,0	-9,1	20,0
Investment in machinery, equipment, and tools		-14,3	0,0	-9,1	30,0
Staff numbers		-33,3	8,3	7,7	7,7

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.
⁴ The oblast had no representative sample in Q1 2022 as the survey ended early due to the start of the war.

Figure 1

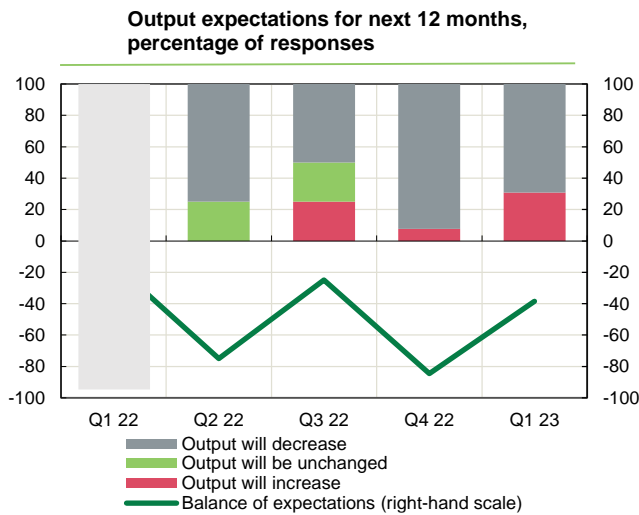


Figure 2

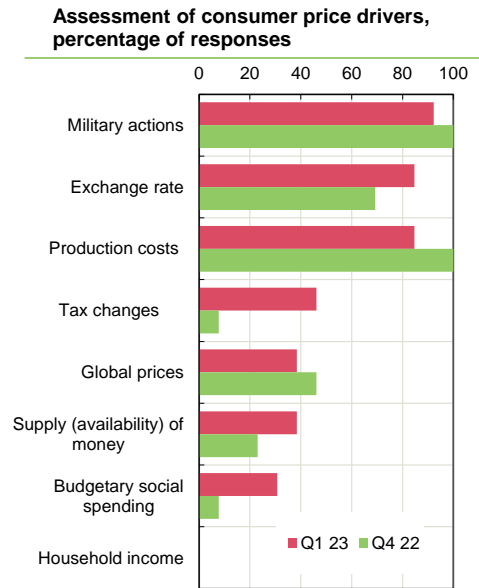


Figure 3

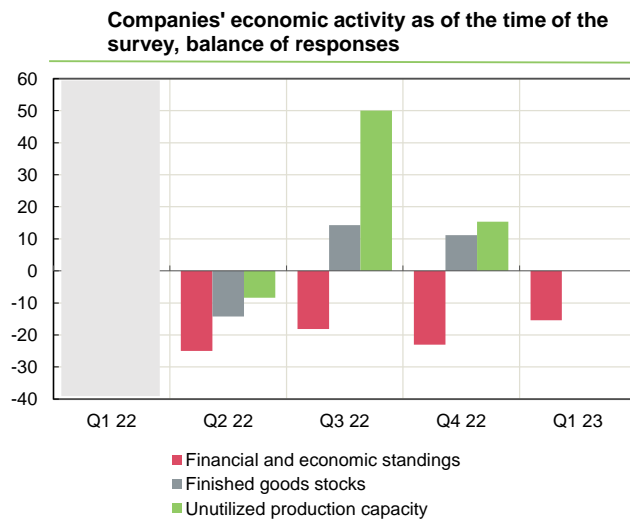


Figure 4



Figure 5

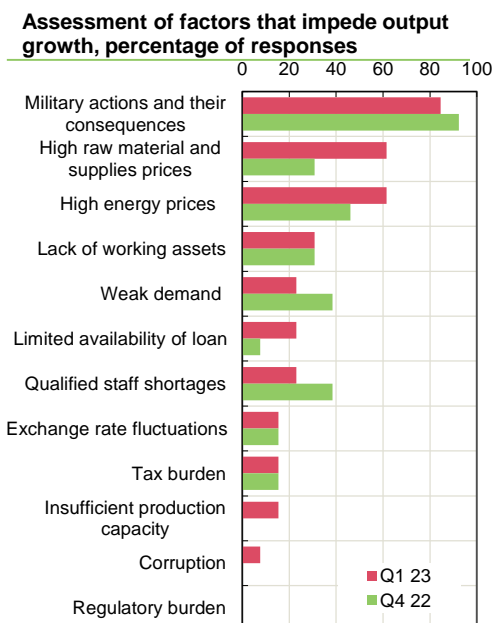


Figure 6

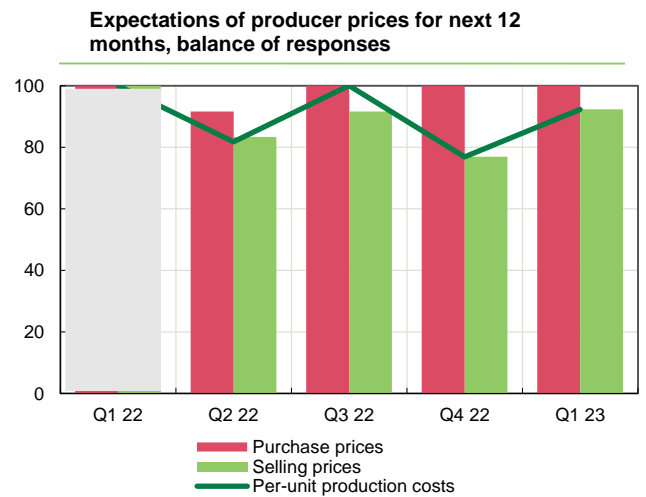


Figure 7

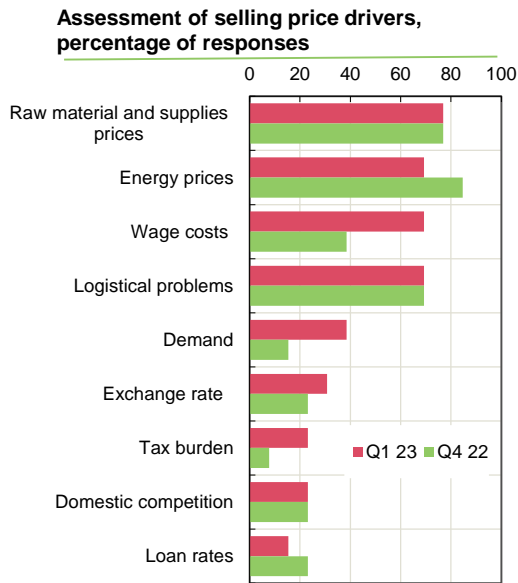


Figure 8

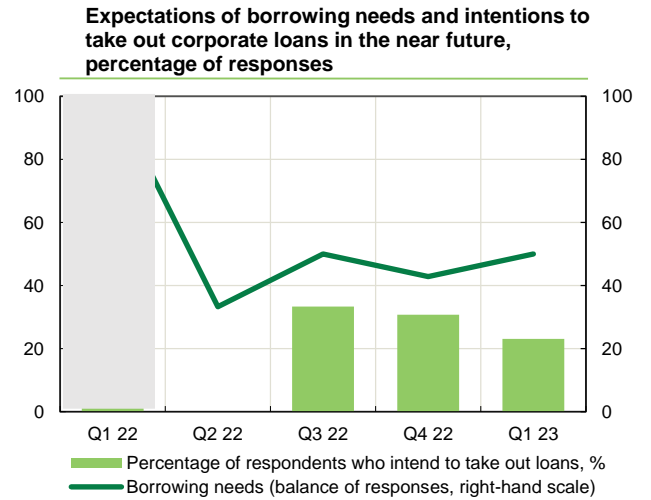


Figure 9

