



National Bank
of Ukraine

Business Outlook Survey of **Zakarpattia Oblast***

Q1 2023



*This survey only reflects the opinions of respondents in Zakarpattia 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 **Zakarpattia oblast** in Q1 2023 showed that despite the prolonged hostilities and missile attacks on civilian infrastructure respondents expected the output of Ukrainian goods and services to increase at a faster pace. At the same time, they had cautious expectations for the performance of their companies over the next 12 months. Respondents expected that prices for consumer goods and services would rise more slowly. Depreciation expectations weakened somewhat but still remained high.

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 faster pace:** the balance of expectations was 40.0% (these were the most optimistic expectations among the regions), compared to 18.2% in Q4 2022 (Figure 1). Overall, across Ukraine respondents expected a decrease in output (-16.7%).
- **prices for consumer goods and services would rise more slowly:** 81.8% of respondents said that the growth in the prices of consumer goods and services would not exceed 20.0% (compared to 72.7% in the previous quarter and 46.8% across Ukraine). Respondents continued to refer to military actions, production costs and the hryvnia exchange rate as **the main inflation drivers** (Figure 2)
- **the domestic currency would depreciate at a slower pace:** 81.8% of respondents (compared to 90.9% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 83.2%
- **the financial and economic standings of their companies would remain unchanged:** the balance of expectations was 0.0%, as in the previous quarter, (see Table). Across Ukraine, the balance of expectations was (-2.5%).
- **total sales would increase:** the balance of responses was 18.2%, as in the previous quarter. Respondents also expected external sales to increase: the balance of responses was 40.0% (compared to 33.3% in Q4 2022) (see Table). Across Ukraine, the balances of responses were 2.8% and 2.0% respectively
- **investment in machinery, equipment, and tools would increase:** the balance of responses was 9.1%, up from (-18.2%) in the previous quarter. At the same time, respondents expected investment in construction to remain unchanged: the balance of responses was 0.0%, up from (-18.2%) in Q3 2022. Across Ukraine, the balances of responses were (-10.3%) and (-17.8%) respectively
- **staff numbers at their companies would decrease:** the balance of responses was (-9.1%) (such expectations have been reported for three quarters running) (Figure 4). Across Ukraine, the balance of responses was (-16.4%)
- **purchase prices would grow at a fast pace:** the balance of responses was 90.9%, as in the previous quarter. At the same time, respondents expected that selling prices would rise more slowly: the balance of responses was 63.3%, down from 90.0% in Q4 2022 (Figure 6). The hryvnia exchange rate, high raw material and supplies prices, and energy prices were cited as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would increase at a slower pace:** the balances of responses were 36.4% and 45.5% respectively, compared to 63.6% for each in the previous quarter (Figures 4 and 6).

Companies continued to cite military actions and their consequences, insufficient production capacity (the impact of this factor was reported to have increased significantly compared to the previous survey) and weak demand as **the main drags on their ability to boost production** (Figure 5).

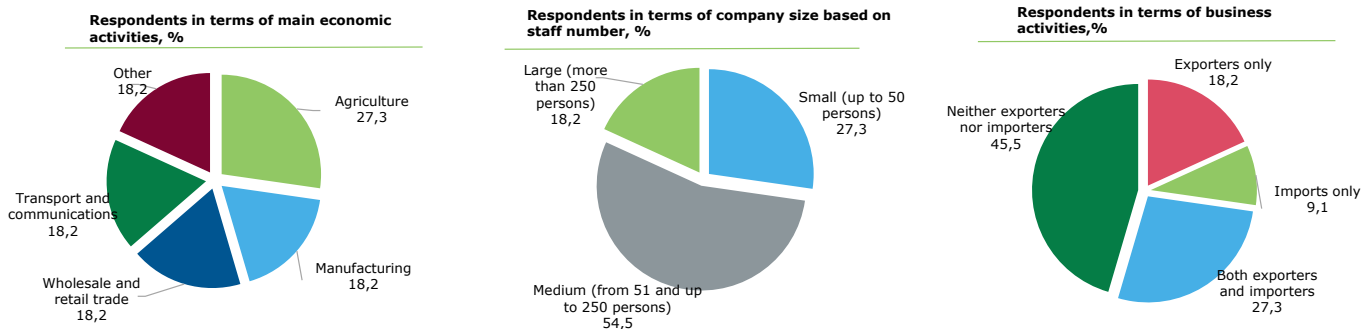
Respondents expected that their borrowing needs would increase significantly in the near future (Figure 8). The companies that planned to take out bank loans only opted to take out domestic currency loans. Respondents continued to refer to other funding sources and high loan rates as the main factors deterring them from taking out loans. The impact of complicated paperwork was reported to have increased compared to the previous survey (Figure 9).

All 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)

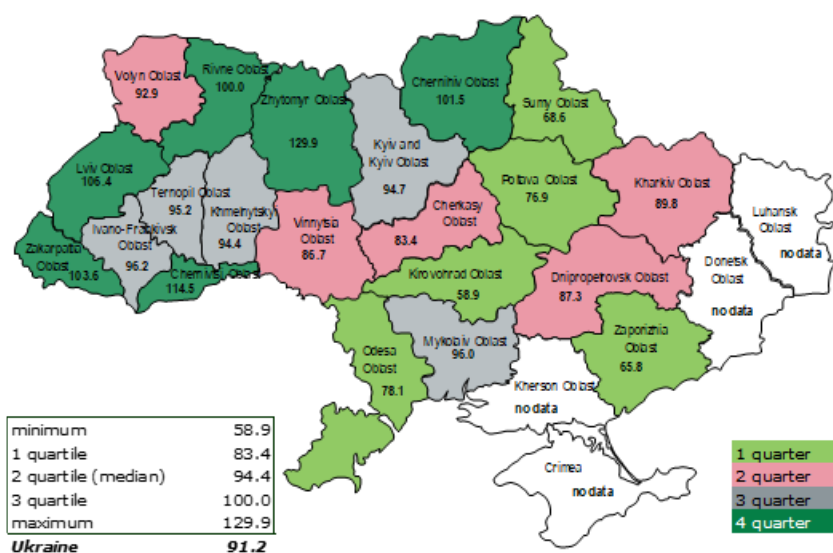
- **Companies said that their current financial and economic standings had deteriorated and assessed them as bad:** the balance of responses was (-36.4%), down from (-27.3%) in the previous quarter. The balance across Ukraine was (-16.9%).
- **Finished goods stocks remained at lower than normal levels:** the balance of responses was (-50.0%), down from (-40.0%) in the previous quarter.
- **Companies said they would need additional capacity to meet any unexpected rise in demand:** the balance of responses was (-18.2%) compared to 18.2% in Q4 2022.

Survey Details^{1,2}



- Period: 30 January through 22 February 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 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 Zakarpattia 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	10,0	-36,4	-18,2	0,0	0,0
Total sales	0,0	-18,2	-20,0	18,2	18,2
Investment in construction	-20,0	-18,2	9,1	-18,2	0,0
Investment in machinery, equipment, and tools	0,0	0,0	18,2	-18,2	9,1
Staff numbers	0,0	9,1	-9,1	-9,1	-9,1

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

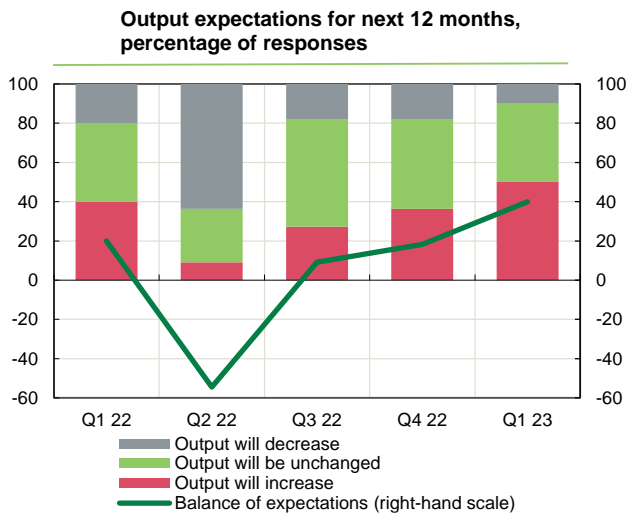


Figure 2

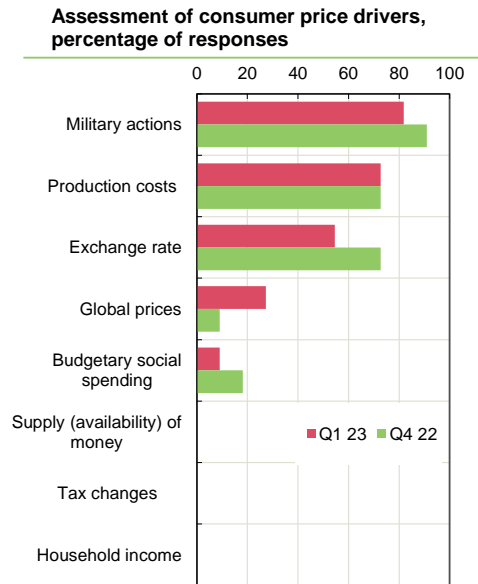


Figure 3

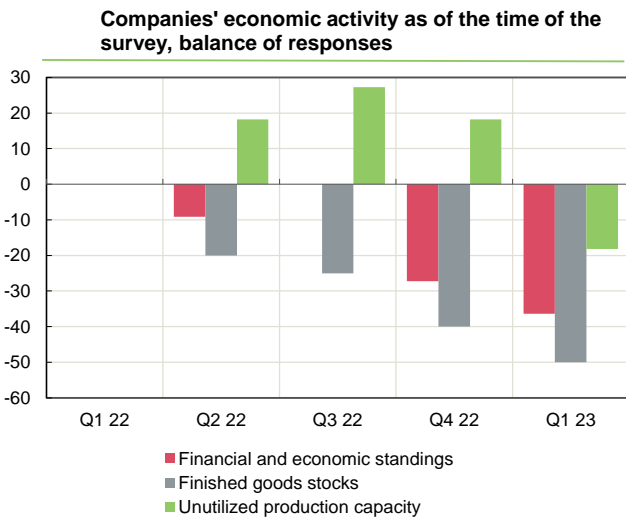


Figure 4

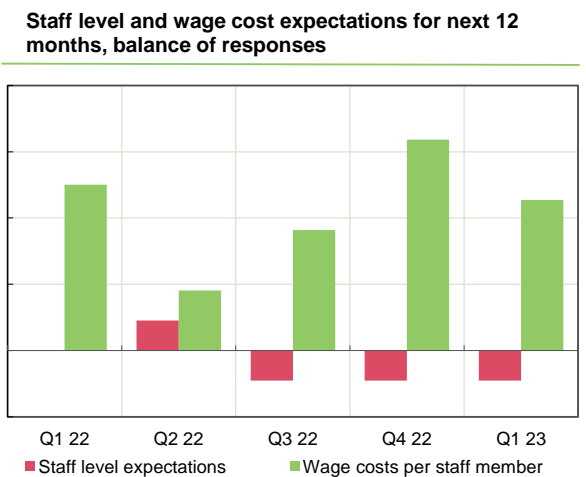


Figure 5

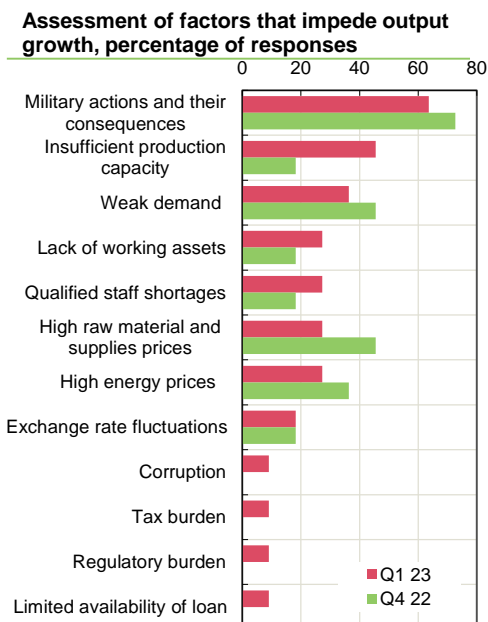


Figure 6

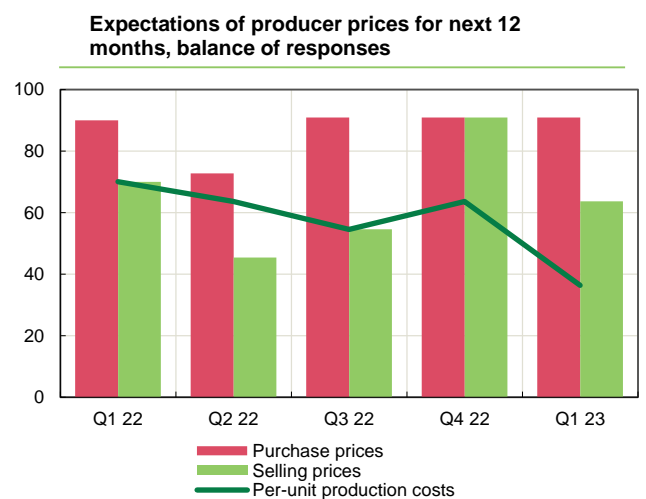


Figure 7

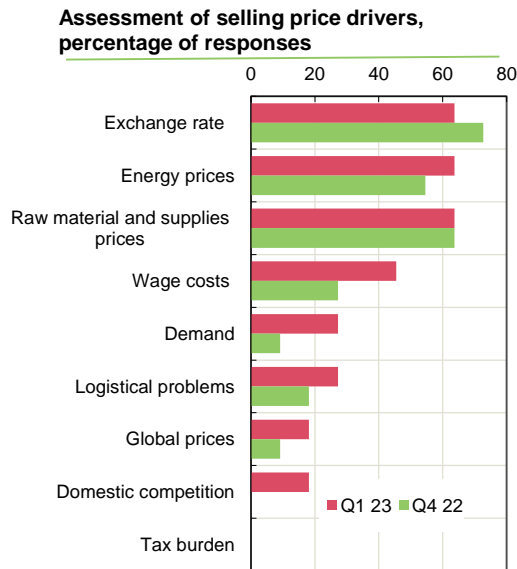


Figure 8

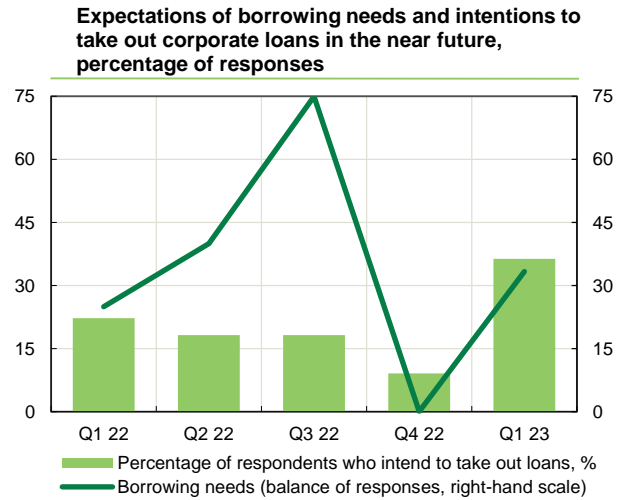


Figure 9

