



National Bank  
of Ukraine

# Business Outlook Survey of Zaporizhzhia Oblast\*

Q1 2023



\*This survey only reflects the opinions of respondents in Zaporizhzhia 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 Zaporizhzhia oblast in Q1 2023 showed that despite prolonged hostilities and missile attacks on civilian infrastructure respondents softened their expectations of a decline in the output of Ukrainian goods and services over the next 12 months. They reported negative expectations for the performance of their companies over the same period. Prices were expected to increase more slowly. Depreciation expectations eased somewhat, but remained high.

#### The top managers of companies expected that over the next 12 months:

- **the output of Ukrainian goods and services would decrease at a noticeably slower pace:** the balance of responses was (-30.8%) (compared to (-68.8%) in the previous quarter) (Figure 1). The balance of responses across Ukraine was (-16.7%)
- **prices for consumer goods and services would rise more slowly:** 61.5% of respondents expected that the inflation rate would exceed 20.0% (compared to 75.0% in the previous quarter and 53.2% 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 less pronouncedly:** 84.6% of respondents expected the hryvnia to weaken against the US dollar, compared to 100.0% in Q4 2022 and 83.2% across Ukraine
- **the financial and economic standings of their companies would deteriorate at a slower pace:** the balance of expectations was (-25.0%) (compared to (-37.5%) in the previous quarter). The balance of responses across Ukraine was (-2.5%) (see Table)
- **total sales would decrease:** the balance of responses was (-15.4) (compared to (-18.8%) in the previous quarter) (see Table). **External sales** were expected to remain unchanged: the balance of responses was 0.0% compared to (-22.2%) in Q4 2022. Overall, across Ukraine, respondents expected sales to increase: the balances of responses were 2.8% and 2.0% respectively
- **investment in construction and in machinery, equipment, and tools would drop:** the balances of responses were (-38.5%) and (-46.2%) respectively (compared to (-18.8%) for each in the previous quarter). Across Ukraine, the balances of responses were (-17.8%) and (-10.3%) respectively
- **staff numbers at their companies would decrease at a faster pace:** the balance of responses was (-46.2%) (compared to (-25.0%) in Q4 2022) (Figure 4). Across Ukraine, the balance of responses was (-16.4%)
- **purchase prices would rise sharply,** the balance of responses being 100.0% (as in the previous quarter). Selling prices were expected to grow more slowly (the balance of responses was 76.9%, down from 87.5% in the previous quarter) (Figure 6). Energy prices, raw material and supplies prices and logistical problems were cited as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would grow more slowly:** the balances of responses were 45.8% and 15.4% respectively (compared to 68.8% and 25.0% respectively in the previous quarter) (Figures 4 and 6).

Respondents referred to military actions and their consequences, high raw material and supplies prices, and weak demand as **the main drags on the ability of their companies to boost production** (Figure 5).

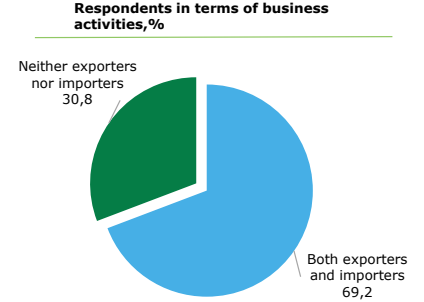
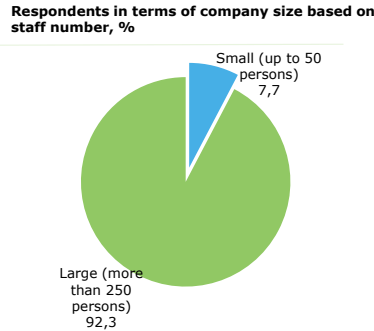
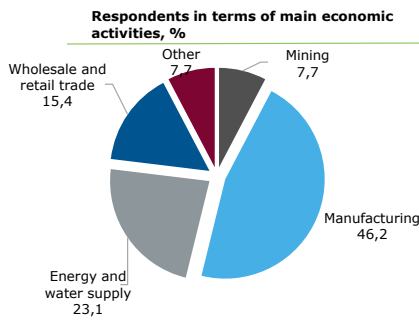
Respondents expected that **their borrowing needs would decrease** in the near future (Figure 8). The companies that planned to take out bank loans fell into two camps: 50.0% of them opted to take domestic currency loans. Respondents said that lending conditions had tightened (Figure 9). High interest rates and uncertainty about their ability to meet debt obligations (the impact of this factor was reported to have increased significantly) were cited as the main factors deterring companies from taking out loans (Figure 10).

**84.6% of 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)

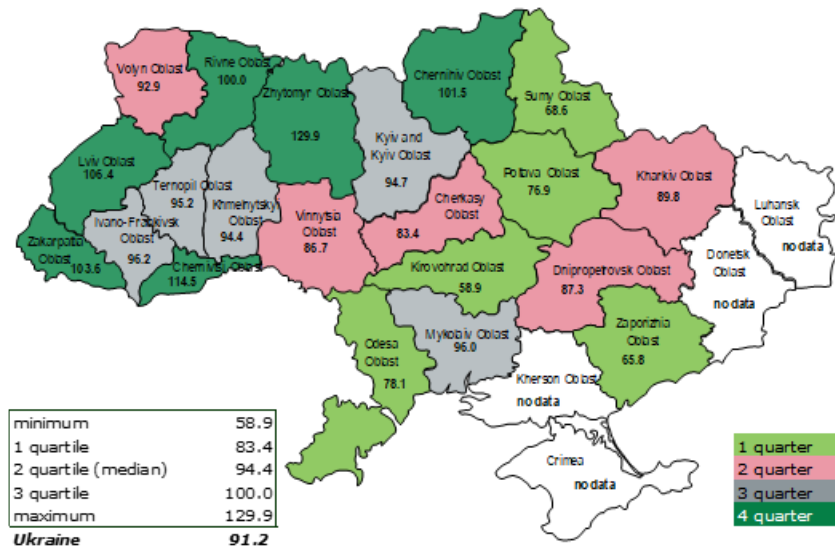
- **Respondents assessed their current financial and economic standings as bad:** the balance of responses was (-46.2%) (one of the dimmest figures among the regions) compared to (-50.0%) in the previous quarter. Across Ukraine, the balance of responses was (-16.9%).
- **Finished goods stocks were assessed at a level lower than the normal one:** the balance of responses was (-70.0%) (compared to (-63.6%) in Q4 2022).
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 38.5%, up from 6.3% in the previous quarter.

Survey Details<sup>1,2</sup>



- Period: 31 January through 27 February 2023.
- A total of 13 companies were polled.
- A representative sample was generated on the basis of the manufacturing industry.

Business Outlook Index for Next 12 Months in Terms of Oblasts<sup>3</sup>, %



<sup>3</sup>a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups

<sup>4</sup>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 Zaporizhzhia Oblast and Its Components<sup>4</sup>

| Expectations over next 12 months for          | Balances of responses, % |       |       |       |       |
|---|--------------------------|-------|-------|-------|-------|
|   | Q1 22                    | Q2 22 | Q3 22 | Q4 22 | Q1 23 |
| Financial and economic standings              |                          | -47,1 | -36,8 | -37,5 | -25,0 |
| Total sales                                   |                          | -20,0 | -36,8 | -18,8 | -15,4 |
| Investment in construction                    |                          | -78,6 | -44,4 | -18,8 | -38,5 |
| Investment in machinery, equipment, and tools |                          | -71,4 | -44,4 | -18,8 | -46,2 |
| Staff numbers                                 |                          | -40,0 | -21,1 | -25,0 | -46,2 |

<sup>1</sup> This sample was generated in proportion to the contribution of each oblast and each economic activity to Ukraine's gross value added.

<sup>2</sup> Data for totals and components may be subject to rounding effects.

<sup>3</sup> 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.

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

Figure 1

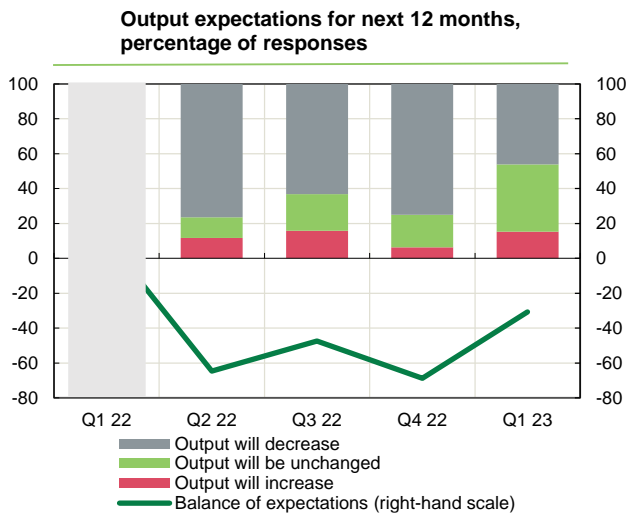


Figure 2

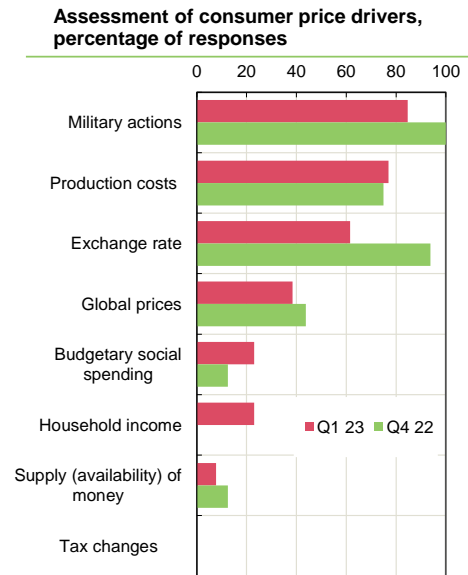


Figure 3

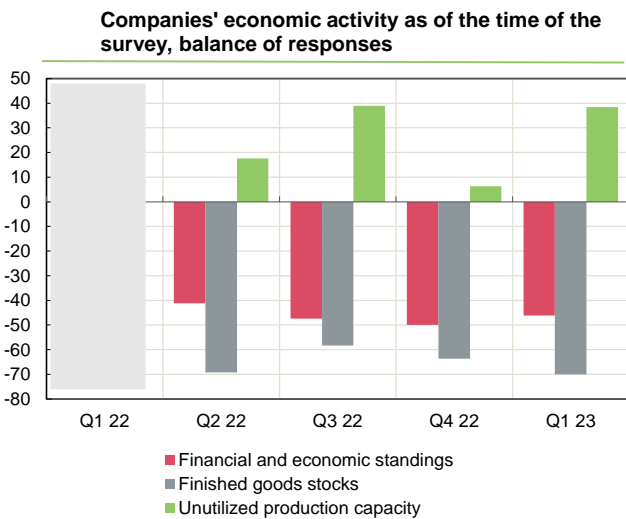


Figure 4



Figure 5

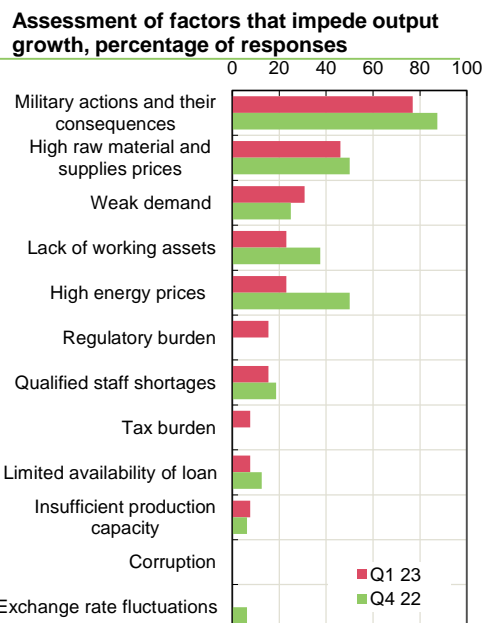


Figure 6

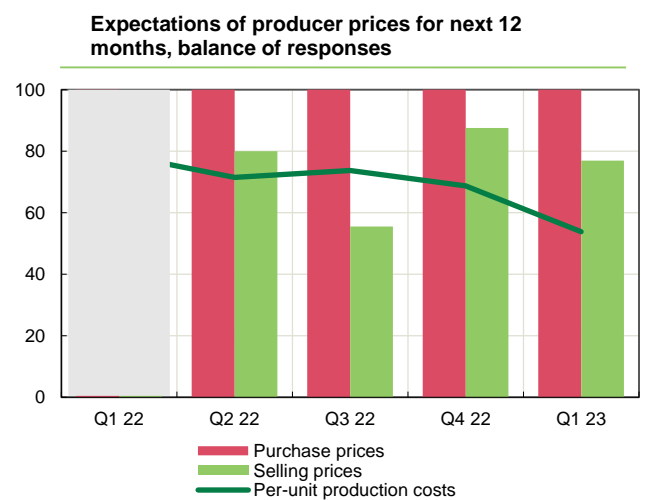


Figure 7

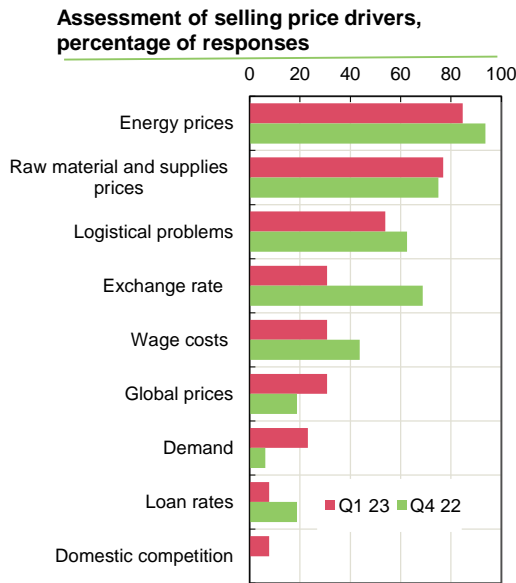


Figure 8

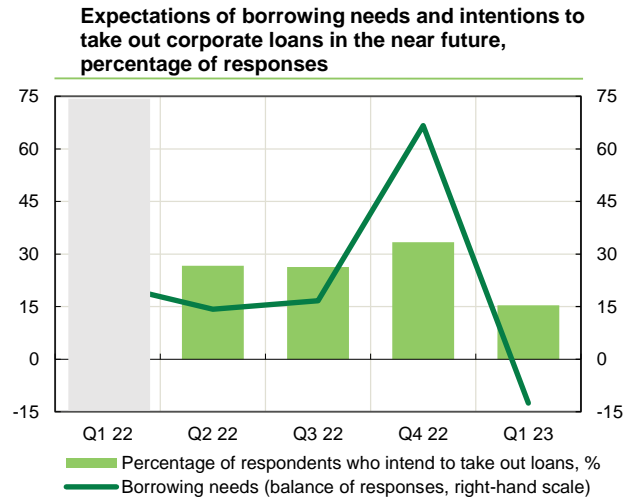


Figure 9

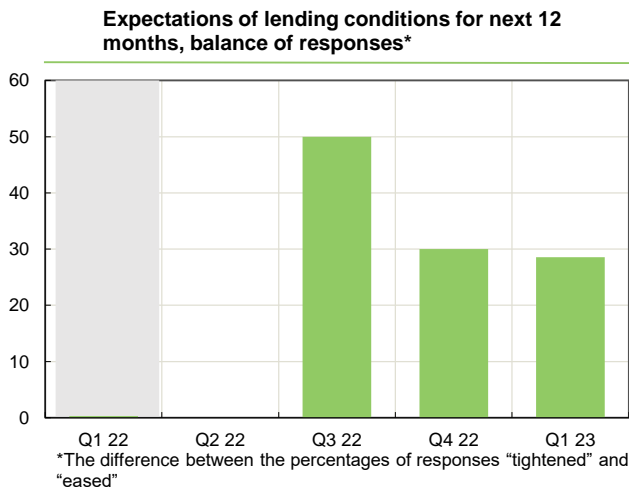


Figure 10

