



National Bank
of Ukraine

Business Outlook Survey of **Kyiv and Kyiv Oblast***

Q4 2022



*This survey only reflects the opinions of respondents in Kyiv and Kyiv oblast (top managers of companies) who were polled in Q4 2022, and does not represent NBU forecasts or estimates

A survey of companies carried out in **Kyiv and Kyiv oblast** in Q4 2022 shows that despite the war and terrorist attacks respondents **softened their expectations for a drop in the output of Ukrainian goods and services** over the next 12 months. Respondents also reported **less negative expectations for their companies' performance over this period**. They expected slower inflation. Depreciation expectations remained strong.

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

- **the output of Ukrainian goods and services would decrease more slowly:** the balance of responses was (-27.1%), compared to (-33.7%) in Q3 2022 (Figure 1) and (-32.3%) across Ukraine. Respondents from construction companies had the most optimistic expectations, with a balance of responses 12.5%. Meanwhile, respondents from transport and communications companies had the dimmest expectations (the balance of responses was (-46.7%))
- **prices for consumer goods and services would rise more slowly:** 63.1% of respondents expected that the inflation rate would exceed 20.0%, compared to 78.3% in the previous quarter and 62.4% across Ukraine. Respondents continued to refer to military actions, the hryvnia exchange rate and production costs **as the main inflation drivers** (Figure 2)
- **the hryvnia would depreciate:** 91.1% of respondents (compared to 88.3% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 88.5%
- **the financial and economic standings of their companies would deteriorate more slowly** the balance of responses was (-4.4%) (compared to (-12.4%) in the previous quarter and (-11.5%) across Ukraine) (see Table). Respondents from energy and water supply companies had the lowest expectations (the balance of responses was (-22.2%))
- **total sales would decrease:** the balance of responses was (-8.7%), compared to (-5.4%) in the previous quarter. External sales were also expected to drop (the balance of responses was (-9.3%), compared to (-5.9%) in Q3 2022) (see Table). Across Ukraine, the balances of responses were (-7.3%) and (-6.3%) respectively
- **investment in construction would decrease:** the balance of responses was (-20.7%) compared to (-26.9%). Respondents also expected investment in machinery, equipment, and tools to decrease at a slower pace: the balance of responses was (-9.7%), up from (-26.1%) in Q3 2022. Across Ukraine, the balances of responses were (-26.9%) and (-16.6%) respectively
- **staff numbers would drop:** the balance of responses was (-15.8%), compared to (-21.7%) in Q3 2022. Across Ukraine, the balance of responses was (-20.1%) (Figure 4). Respondents from transport and communications companies had the most pessimistic expectations (the balance of responses was (-38.7%))
- **both purchase and selling prices would grow** at a fast pace: the balances of responses were 94.1% and 72.5% respectively (compared to 94.6% and 73.6% respectively in Q3 2022) (Figure 6). Respondents from trading companies had the highest expectations of a rise in selling prices (the balance of responses was 93.1%). Respondents cited the hryvnia exchange rate, energy prices and raw material and supplies prices as the main selling price drivers (Figure 7)
- **per-unit production costs would increase:** the balance of responses was 67.8% (compared to 64.0% in the previous quarter). At the same time, respondents in the oblast expected **wage costs per staff member** to increase more quickly: the balance of responses was 39.6% (compared to 29.4% in Q3 2022) (Figures 4 and 6).

Respondents referred to military actions and their consequences, weak demand and high energy prices (the impact of this factor was reported to have increased) as the **main drags on the ability of their companies to boost production** (Figure 5).

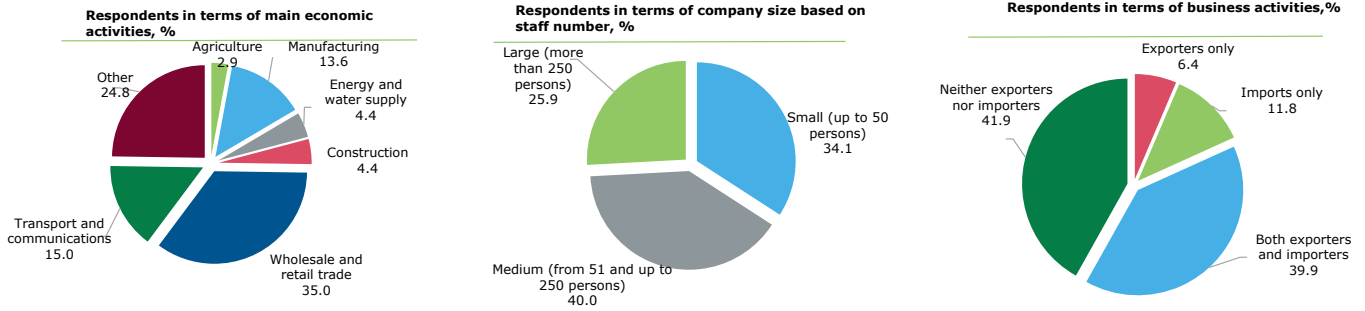
Respondents expected **an increase in their borrowing needs** in the near future (Figure 9). The respondents who planned to take out loans (39.5% of those surveyed) usually opted for domestic currency ones. Respondents said that bank lending conditions had tightened (Figure 10). Companies referred to high interest rates, other funding sources, collateral requirements and hryvnia exchange rate fluctuations as the main factors deterring them from taking out loans (Figure 11).

A total of **92.2% of respondents** said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (94.2% across Ukraine).

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

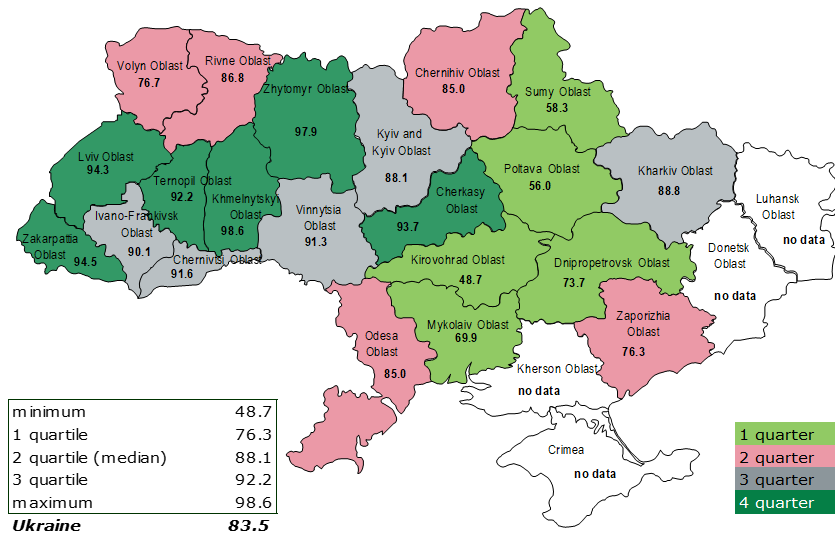
- **Companies assessed their current financial and economic standings as bad:** the balance of responses was (-13.6%) (compared to (-17.3%) in Q3 2022). The lowest assessments were reported by respondents from construction companies (-66.7%). Across Ukraine, the balance of responses was (-19.3%).
- **Finished goods stocks were assessed at a level lower than the normal one:** the balance of responses was (-21.4%), compared to (-12.5%) in Q3 2022.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 10.8% compared to 18.5% in Q3 2022.

Survey Details^{1,2}



- Period: 31 October through 30 November 2022.
- A total of 205 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, the manufacturing industry, energy and water supply, construction, trade, transport and communications, and other economic activities.

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 Kyiv and Kyiv Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22
Financial and economic standings	20.4	13.4	-2.7	-12.4	-4.4
Total sales	33.0	21.3	-10.8	-5.4	-8.7
Investment in construction	11.4	4.5	-28.0	-26.9	-20.7
Investment in machinery, equipment, and tools	26.6	17.0	-29.8	-26.1	-9.7
Staff numbers	15.6	13.9	-29.5	-21.7	-15.8

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

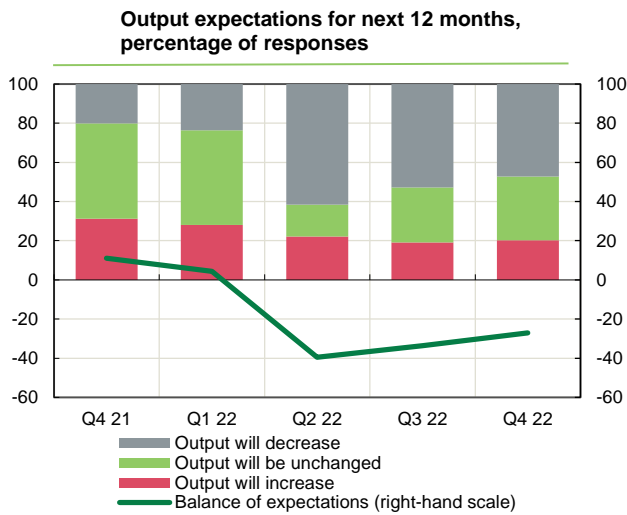


Figure 2

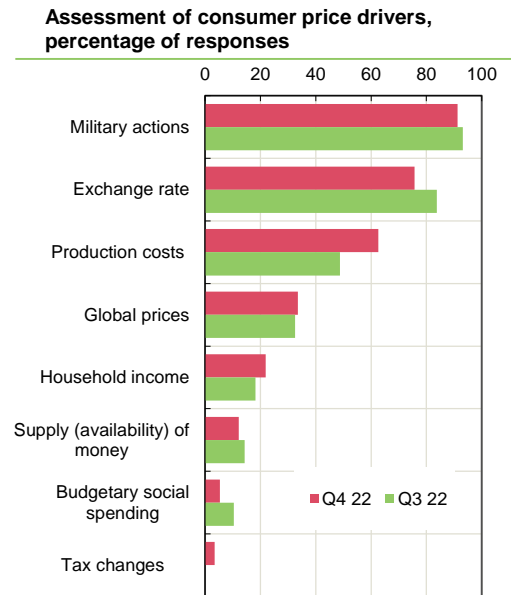


Figure 3

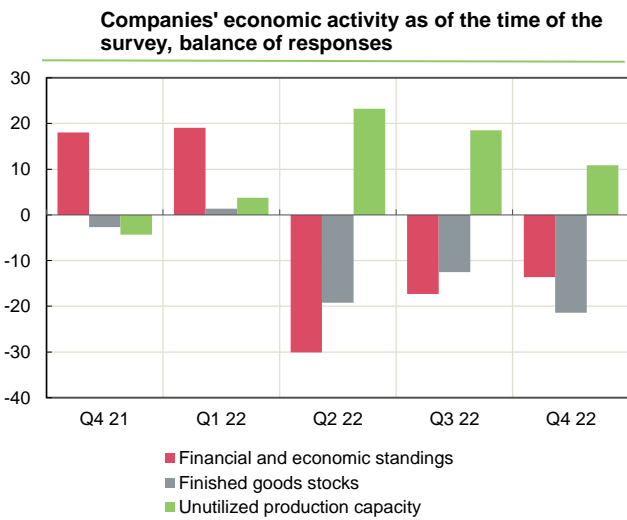


Figure 4

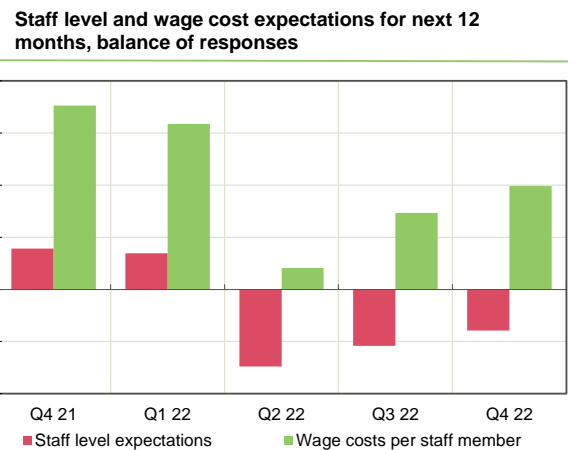


Figure 5

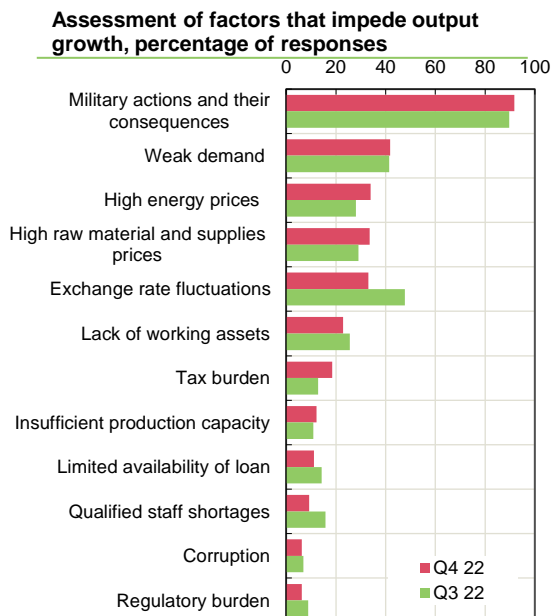


Figure 6

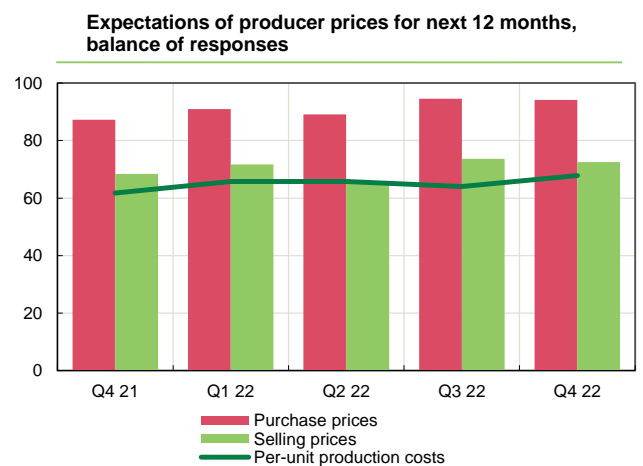


Figure 7

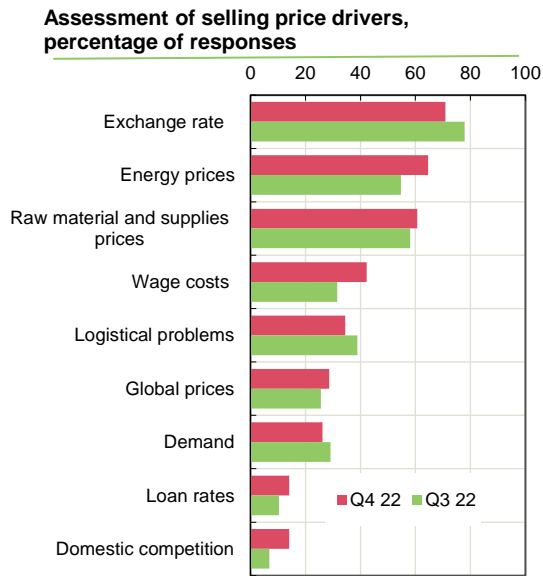


Figure 8

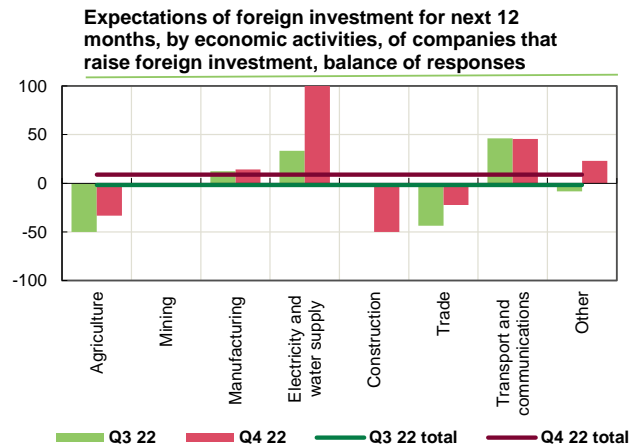


Figure 9

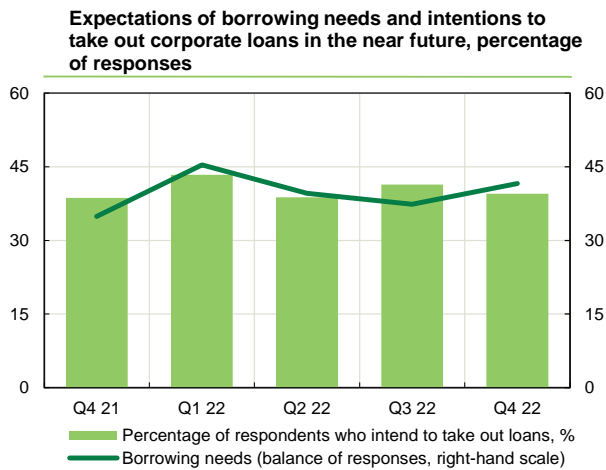


Figure 10

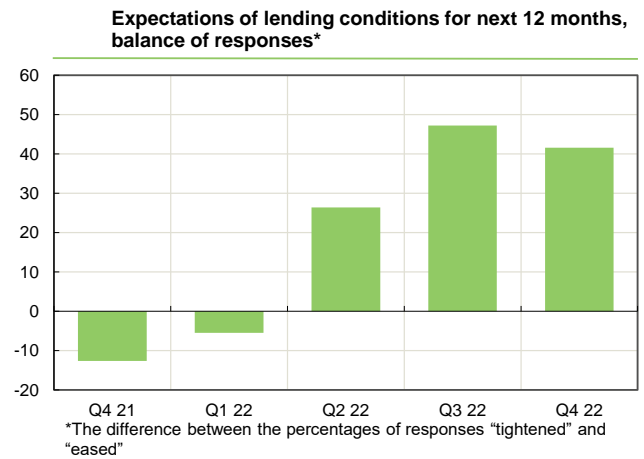


Figure 11

