



National Bank
of Ukraine

Business Outlook Survey of Khmelnytskyi Oblast*

Q1 2023



*This survey only reflects the opinions of respondents in Khmelnytskyi oblast (top managers of companies) who were polled in Q1 2023, and does not represent NBU forecasts or estimates

A survey carried out in **Khmelnytskyi oblast** in Q1 2023 showed that, on the back of the prolonged hostilities and massive attacks on civilian infrastructure, respondents expected that the output of Ukrainian goods and services would remain unchanged. They had **negative expectations for their companies' performance** over the next 12 months. Inflation and depreciation expectations weakened but remained strong.

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

- **the output of Ukrainian goods and services would remain unchanged:** the balance of expectations was 0.0%, compared to (-28.6%) in Q4 2022 (Figure 1). Across Ukraine, the balance of responses was (-16.7%)
- **prices for consumer goods and services would rise more slowly:** 69.2% of respondents expected the inflation rate not to exceed 20.0% (compared to 57.1% in the previous quarter and 46.8% across Ukraine). Respondents referred to military actions, the hryvnia exchange rate, and production costs as **main inflation drivers** (Figure 2)
- **the domestic currency would depreciate at a slower pace:** a total of 75.0% of respondents (down from 92.3% in the previous quarter) expected the hryvnia to weaken against the U.S. dollar, the figure across Ukraine being 83.2%
- **the financial and economic standings of their companies would deteriorate:** the balance of expectations was (-8.3%), compared to (-14.3%) in the previous quarter and (-2.5%) across Ukraine (see Table)
- **total domestic sales would increase:** the balance of responses was 7.7%, compared to 7.1% in Q4 2022. **External sales** were expected to drop more quickly: the balance of responses was (-50.0%), down from (-28.6%) in Q4 2022. Overall, 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 7.7%, compared to 7.1% in Q4 2022. Investment in construction was expected to drop noticeably: the balance of responses was (-27.3%), down from 7.1% in Q4 2022. Across Ukraine, the balances of responses were (-10.3%) and (-17.8%) respectively (see Table)
- **staff numbers would be cut:** the balance of responses was (-7.7%), compared to (-14.3%) in the previous quarter. Across Ukraine, the balance of responses was (-16.4%) (Figure 4)
- **purchase prices would increase slowly:** the balance of responses was 76.9%, down from 100.0% in the previous quarter. Respondents also expected that **selling prices** would rise: the balance of responses was 30.8%, compared to 28.6% in Q4 2022 (Figure 6). Energy prices (the impact of this factor was reported to have increased significantly compared to the previous survey), raw material and supplies prices, and the hryvnia exchange rate were referred to as the main selling price drivers (Figure 7)
- **per-unit production costs would rise more rapidly, while wage costs per staff member would grow at a slower pace:** the balance of responses was 61.5% and 30.8% respectively (compared to 46.2% and 64.3% respectively in the previous quarter) (Figures 4 and 6).

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

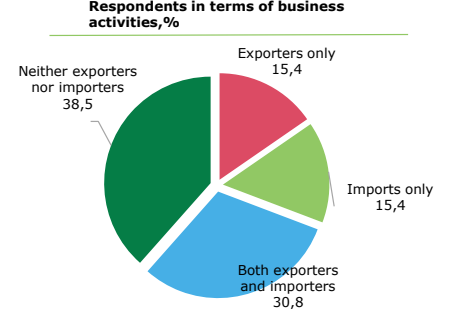
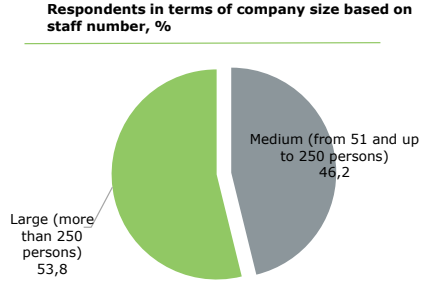
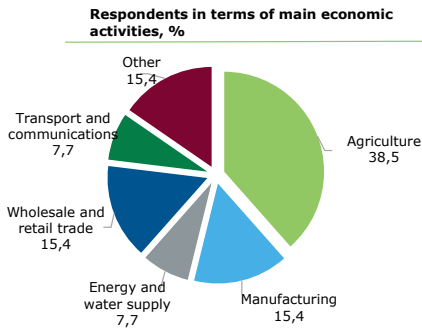
Respondents expected **a rise in their borrowing needs** in the near future (Figure 8). A total of 61.5% of respondents planned to take out bank loans, preferring domestic currency loans. Respondents said that lending conditions had tightened (Figure 9). Respondents referred to the availability of other funding sources, high loan rates, and significant hryvnia exchange rate fluctuations (the impact of this factor was reported to have increased) as the main factors deterring them from taking out loans (Figure 10).

All 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)

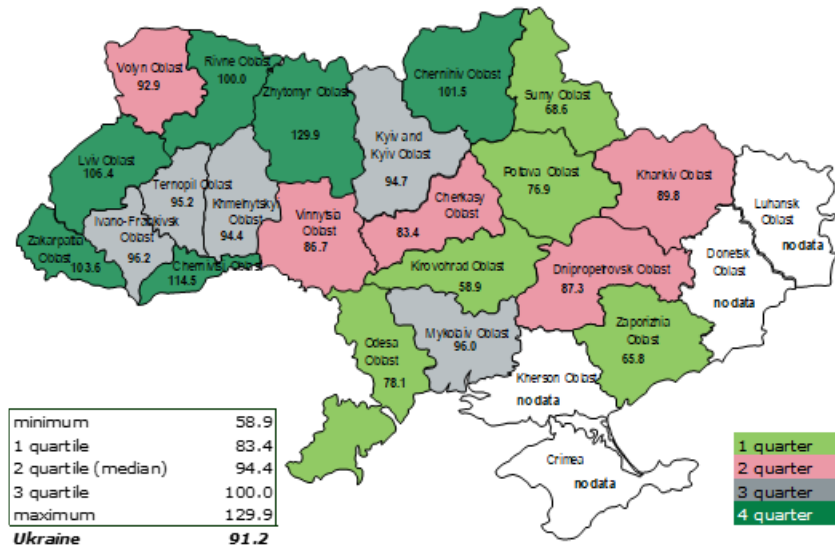
- **Companies' current financial and economic standings were assessed as good:** the balance of responses was 15.4%, up from 7.1% in the previous quarter. Respondents across Ukraine assessed the financial and economic standings of their companies as bad (-16.9%).
- **Finished goods stocks were assessed as lower than normal:** the balance of responses was (-20.0%), compared to (-27.3%) in Q4 2022.
- **Companies had sufficient production capacity to meet any unexpected rise in demand:** the balance of responses was 15.4%, compared to (-7.1%) in the previous quarter.

Survey Details^{1,2}



- Period: 30 January through 28 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, %



*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 Khmelnytskyi 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	0,0	-21,4	-42,9	-14,3	-8,3
Total sales	-16,7	-23,1	-14,3	7,1	7,7
Investment in construction	-9,1	-57,1	-38,5	7,1	-27,3
Investment in machinery, equipment, and tools	10,0	-69,2	-7,1	7,1	7,7
Staff numbers	0,0	-21,4	-7,1	-14,3	-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.

Figure 1

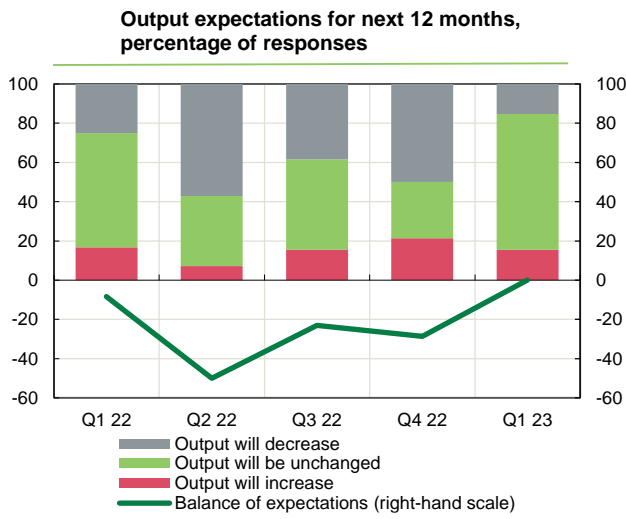


Figure 2

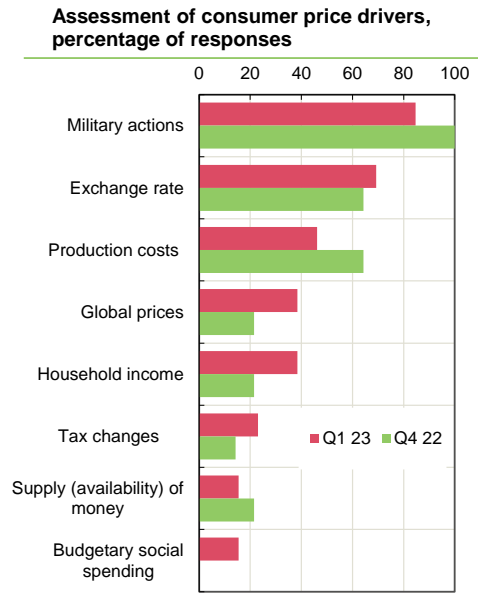


Figure 3

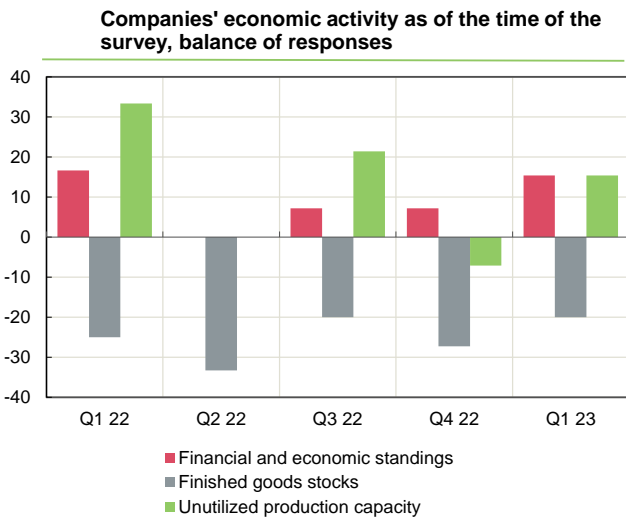


Figure 4

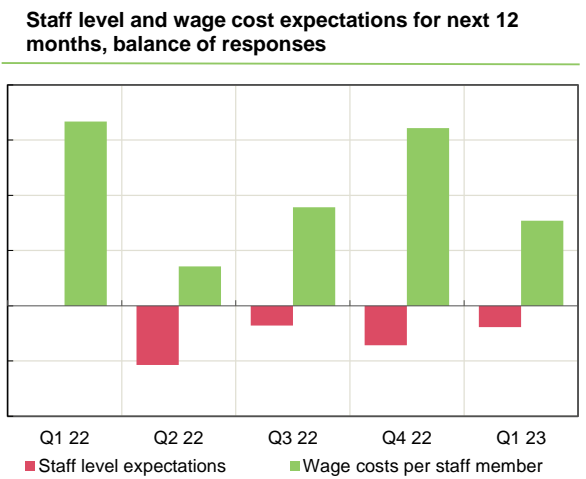


Figure 5

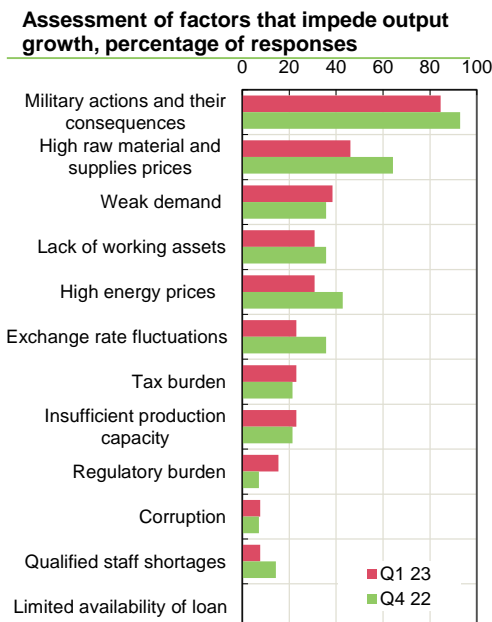


Figure 6

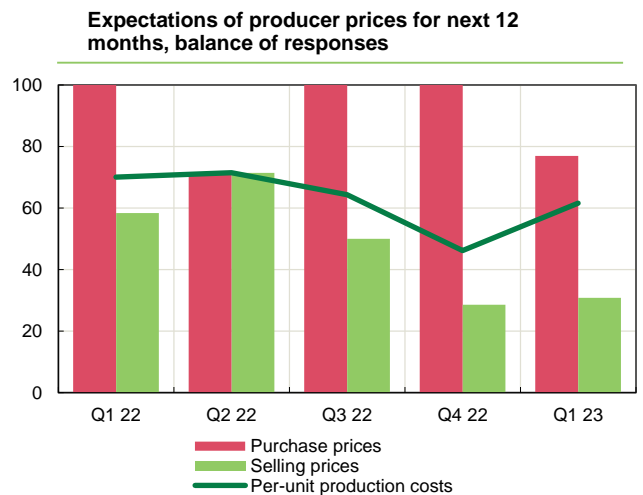


Figure 7

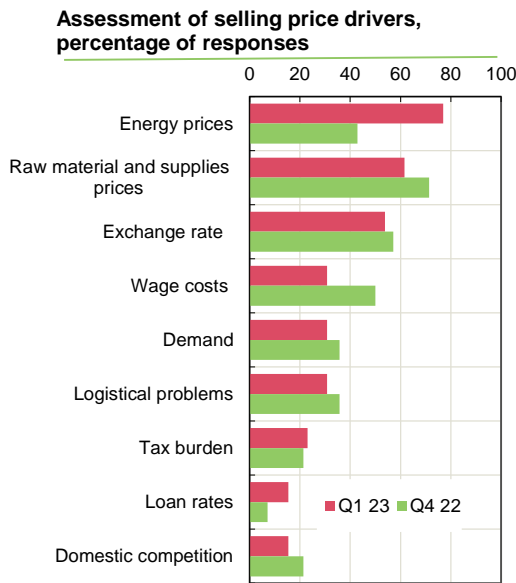


Figure 8

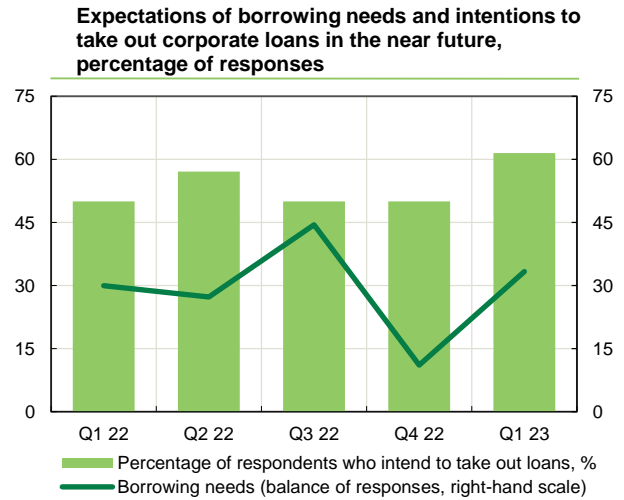


Figure 9

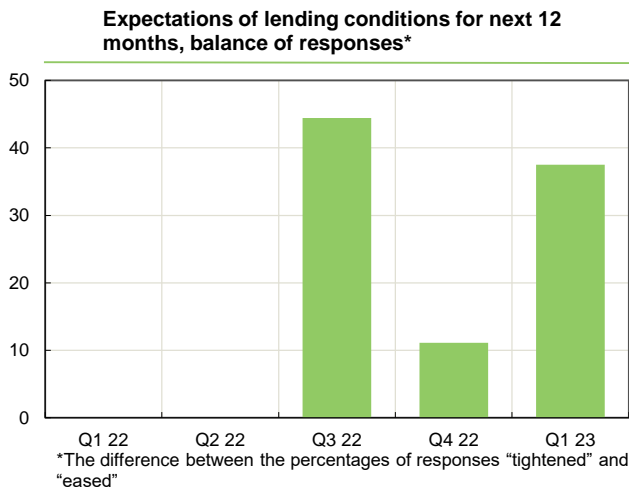


Figure 10

