National Bank of Ukraine

Business Outlook Survey of Dnipropetrovsk Oblast*

Q4 2023

*This survey only reflects the opinions of respondents in Dnipropetrovsk oblast (top managers of companies) who were polled in Q4 2023, and does not represent NBU forecasts or estimates

A survey of companies carried out in Dnipropetrovsk oblast in Q4 2023 showed that, despite security risks and logistical difficulties with crossing the border, respondents expected an increase in the output of Ukrainian goods and services. They had negative expectations for the performance of their companies over the next 12 months. Respondents expected lower inflation. Depreciation expectations strengthened.

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

- **the output of Ukrainian goods and services would increase**: the balance of expectations was 13.9%, compared to 7.6% in Q3 2023 (Figure 1) and 15.2% across Ukraine. Respondents from manufacturing companies expected the highest increase in their output (the balance of expectations was 19.0%)
- **prices for consumer goods and services would rise more slowly:** the share of respondents who expected that the inflation rate would exceed 10.0% was 63.8% compared to 73.4% in the previous quarter and 52.4% across Ukraine. Respondents continued to refer to military actions, production costs and the exchange rate as the **main inflation drivers** (Figure 2)
- **the domestic currency would depreciate more pronouncedly:** 87.2% of respondents (compared to 76.6% in the previous quarter) expected the hryvnia to weaken against the US dollar, with a figure of 77.4% across Ukraine
- **the financial and economic standings of their companies would deteriorate**: the balance of expectations was (-3.7%) compared to (-2.5%) in the previous quarter and 4.1% across Ukraine (see Table). The most optimistic expectations were reported by trading companies, while the most pessimistic expectations were reported by agricultural companies (the balances of expectations were 18.2% and (-42.9%) respectively)
- **total sales would increase moderately:** the balance of expectations was 3.7%, down from 9.0% in Q3 2023 (see Table). External sales were expected to remain unchanged: the balance of expectations was 0.0%, compared to 13.9% in Q3 2023. Across Ukraine, the balances of responses were 10.6% and 9.7% respectively
- **investment in construction would decrease at a faster pace:** the balance of responses was (-13.9%) compared to (-2.7%) in the previous quarter. Respondents also expected that **investment in machinery, equipment, and tools** would decrease moderately: the balance of responses was (-1.3%), up from (-2.7%) in Q3 2023 (see Table). Across Ukraine, the balances of responses were (-6.9%) and 6.6% respectively
- **staff numbers would decrease**: the balance of responses was (-5.2%), compared to (-9.0%) in the previous quarter (Figure 4) and (-6.5%) across Ukraine. Transport and communications companies had the firmest expectations of staff cuts, meanwhile trading companies expected to expand their workforces (the balances of responses were (-33.3%) and 30.0% respectively)
- **both purchase and selling prices would rise:** the balances of responses were 91.1% and 57.0% respectively (compared to 92.4% and 57.0% respectively in Q3 2023) (Figure 6). Respondents from manufacturing companies reported the highest expectations of a rise in selling prices (the balance of responses was 90.5%). Respondents referred to high energy prices, raw material and supplies prices, and wage costs as the main selling price drivers (Figure 7).
- **per-unit production costs and wage costs per staff member would rise:** the balances of responses were 68.0% and 53.8% respectively (compared to 68.8% and 42.3% in Q3 2023) (Figures 4 and 6).

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

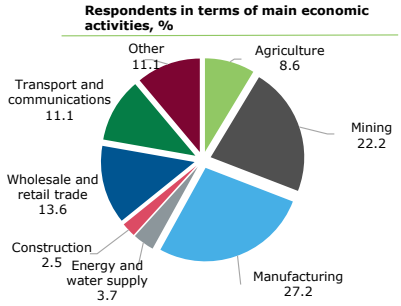
Respondents said that **their borrowing needs would increase** in the near future (Figure 8). The companies that planned to take out corporate loans usually opted for domestic currency ones. Respondents improved their assessments of lending conditions, but still described these conditions as tight (Figure 9). Respondents referred to high loan rates, other funding sources and collateral requirements as the main factors deterring them from taking out loans (Figure 10).

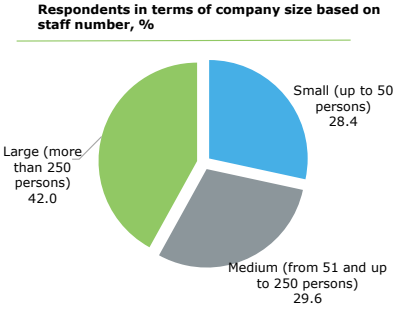
A total of 96.2% of respondents said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (95.8% across Ukraine).

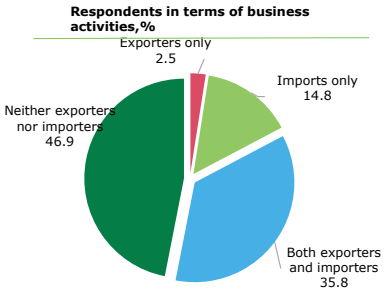
Assessments of financial and economic standings as of the time of the survey (Figure 3)

- **Companies assessed their current financial and economic standings as bad**: the balance of responses was (-21.0%), (compared to (-21.5%) in Q3 2023 and (-5.6%) across Ukraine).
- **Finished goods stocks had decreased and were assessed at lower than normal levels:** the balance of responses was (-6.5%), down from 4.4% in Q3 2023.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand**: the balance of responses was 22.1%, down from 29.3% in Q3 2023.

Survey Details[1] [2]

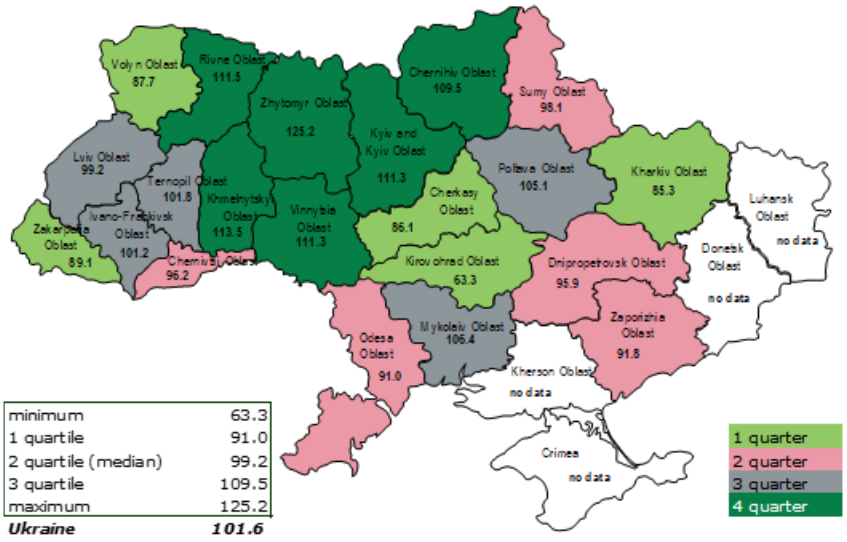






- Period: 31 October through 28 November 2023.
- A total of 81 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, the mining and manufacturing industries, trade, transport and communications, and other economic activities.

Business Outlook Index for Next 12 Months in Terms of Oblasts[3], %



*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 Dnipropetrovsk Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23
Financial and economic standings	-20.8	-4.0	-9.0	-2.5	-3.7
Total sales	-11.0	-1.3	0.0	9.0	3.7
Investment in construction	-42.0	-23.3	-15.4	-2.7	-13.9
Investment in machinery, equipment, and tools	-31.5	-13.9	-16.7	-2.7	-1.3
Staff numbers	-26.0	-21.1	-7.6	-9.0	-5.2

[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

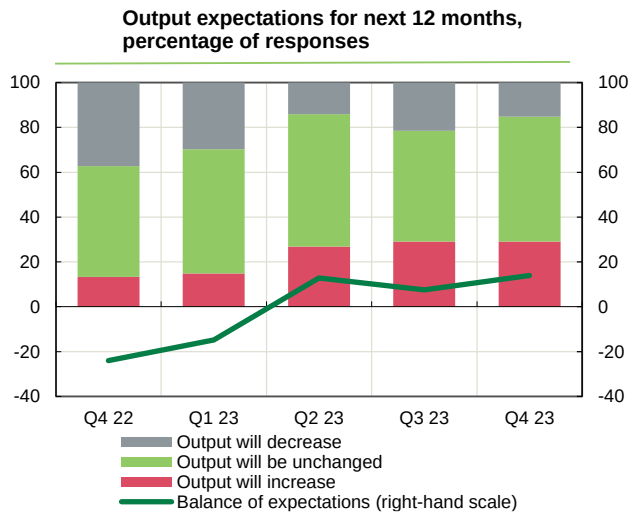


Figure 2

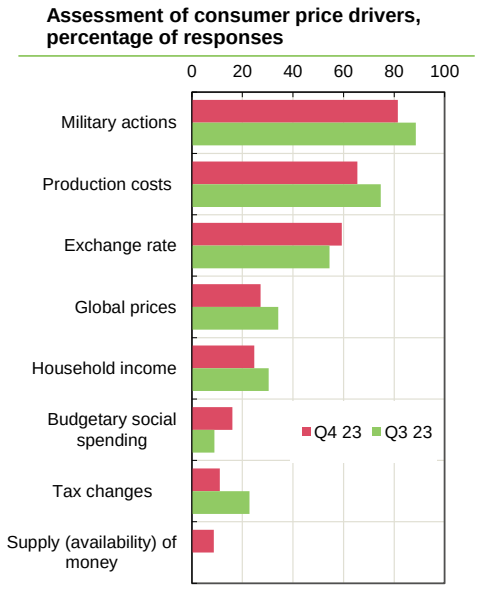


Figure 3

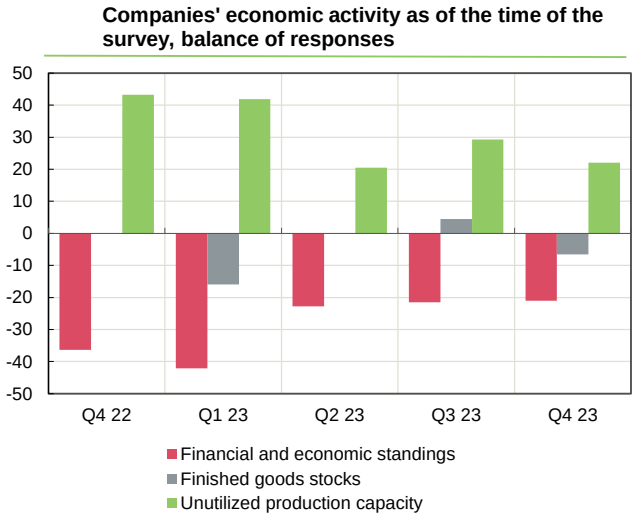
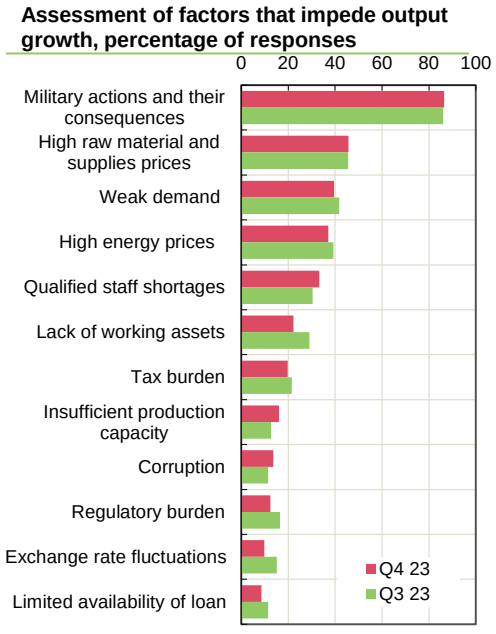


Figure 4

Figure 5



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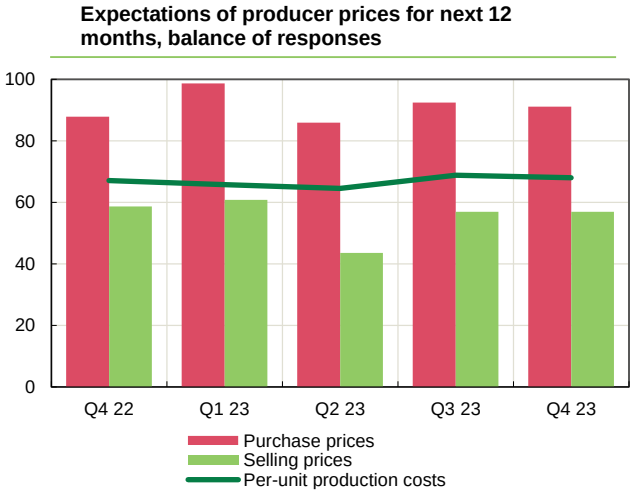

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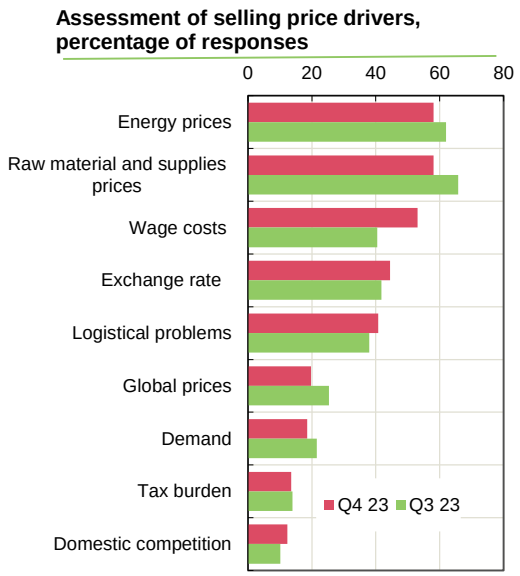

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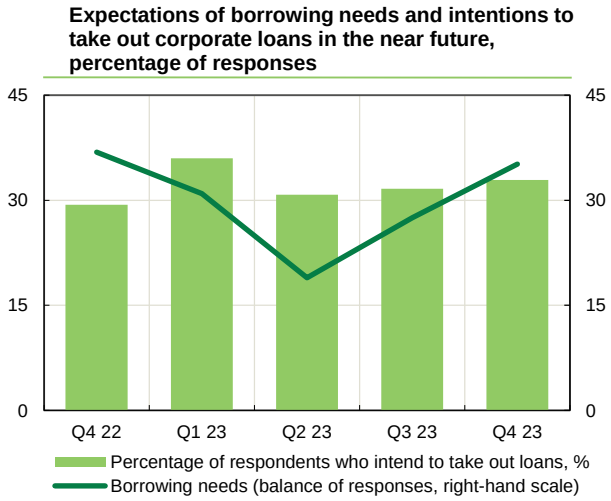

Figure 9

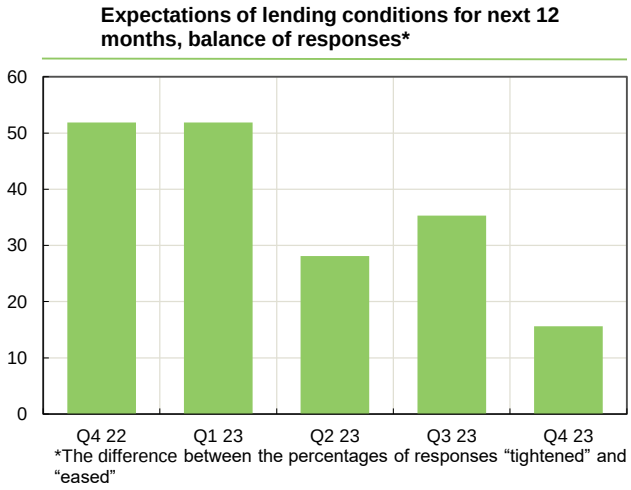
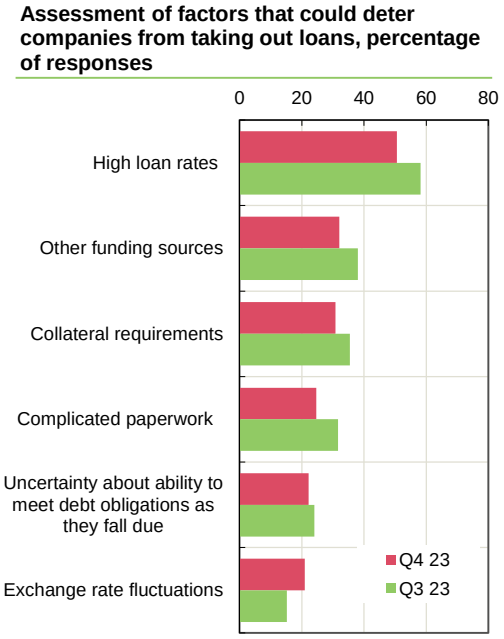
Figure 10