



National Bank
of Ukraine

Business Outlook Survey of Zhytomyr Oblast*

Q4 2023



*This survey only reflects the opinions of respondents in Zhytomyr 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 Zhytomyr 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 also had positive expectations for their companies' performance over the next 12 months. Respondents expected that prices for consumer goods and services would rise more slowly. 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 at a faster pace:** the balance of expectations was 46.2%, up from 30.8% in the previous quarter (Figure 1). Across Ukraine, the balance of responses was 15.2%
- **prices for consumer goods and services would increase more slowly:** 76.9% of respondents expected that the inflation rate would not exceed 10.0%, compared to 7.7% in the previous quarter and 47.6% across Ukraine. Respondents referred to production costs, military actions and the hryvnia exchange rate **as the main inflation drivers** (Figure 2)
- **the domestic currency would depreciate more pronouncedly:** 76.9% of respondents expected the hryvnia to weaken against the US dollar, compared to 53.8% in Q3 2023. The figure across Ukraine was (77.4%)
- **the financial and economic standings of their companies would improve at a slower pace:** the balance of expectations was 15.4%, down from 30.8% in the previous quarter (see Table). Across Ukraine, the balance of responses was 4.1%
- **total sales would increase at a faster pace:** the balance of responses was 63.6% (the firmest expectations reported across the regions), compared to 46.2% in Q3 2023. Across Ukraine, the balance of responses was 10.6%
- **investment in machinery, equipment, and tools would increase:** the balance of responses was 45.5%, compared to 40.0% in the previous quarter. Meanwhile, respondents expected that investment in construction would increase more slowly: the balance of responses was 9.1%, down from 20.0% in Q3 2023 (see Table). The balances of responses across Ukraine were 6.6% and (-6.9%) respectively
- **staff numbers would decrease:** the balance of responses was (-7.7%), down from 0.0% in the previous quarter (Figure 4). Across Ukraine, companies expected that their staff numbers would decrease, the balance of responses was (-6.5%)
- **both purchase and selling prices would rise at a faster pace:** the balances of responses were 92.3% and 84.6% respectively, compared to 83.3% and 61.5% in Q3 2023 (Figure 6). Wage costs, raw material and supplies prices, and energy prices were cited as the main selling price drivers (Figure 7)
- **both per-unit production costs and wage costs per staff member would rise rapidly:** the balances of responses were 92.3% and 100.0% respectively (compared to 84.6% and 76.9% in Q3 2023 respectively) (Figures 4 and 6).

Companies cited military actions and their consequences, qualified staff shortages, weak demand (the impact of the latter two factors was reported to have increased), high energy prices, and raw material and supplies prices as **the main drags on their ability to boost production** (Figure 5).

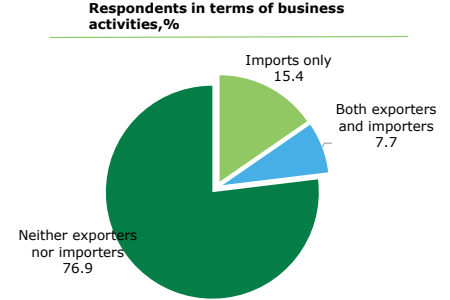
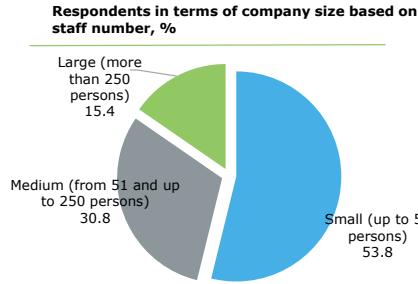
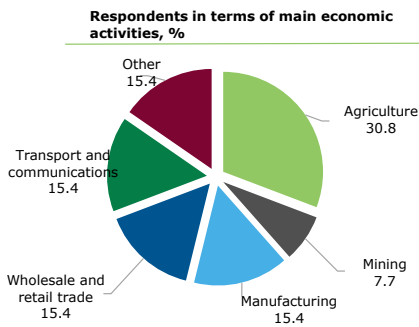
All of the respondents said that their borrowing needs would increase in the near future (Figure 8). The respondents who planned to take out loans (38.5% of those surveyed) opted only for domestic currency ones. Respondents improved their assessments of lending conditions, but still described these conditions as tight (Figure 9). Respondents referred to high interest rates, collateral requirements and hryvnia exchange rate fluctuations as the main factors deterring them from taking out loans (Figure 10).

All of the respondents said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (compared to 95.8% across Ukraine).

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

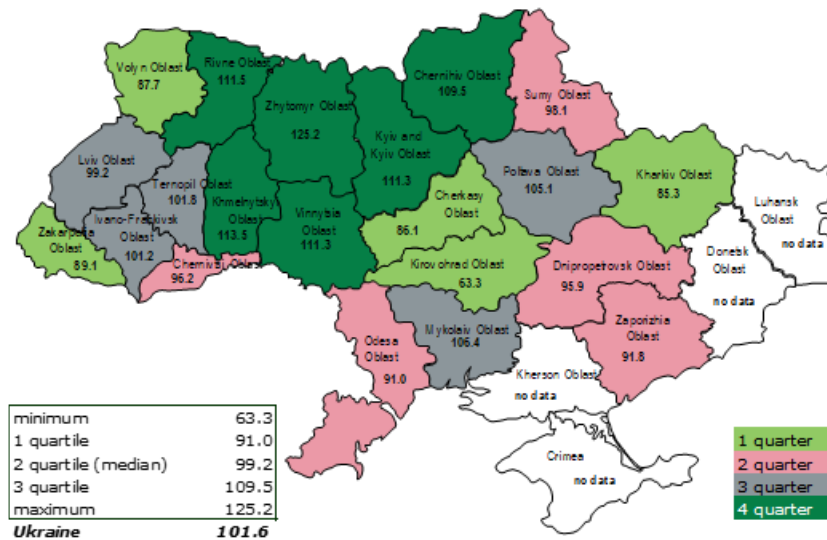
- **Companies assessed their current financial and economic standings as bad:** the balance of responses was (-23.1%), down from (-15.4%) in the previous quarter. Across Ukraine, the balance of responses was (-5.6%).
- **Finished goods stocks had increased and were assessed as higher than normal:** the balance of responses was 28.6%, up from 14.3% in Q3 2023.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 15.4%, compared to 7.7% in the previous quarter.

Survey Details^{1,2}



- Period: 31 October through 23 November 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, %



³a 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 Zhytomyr 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	-15.4	25.0	30.8	30.8	15.4
Total sales	15.4	66.7	30.8	46.2	63.6
Investment in construction	-9.1	20.0	11.1	20.0	9.1
Investment in machinery, equipment, and tools	-9.1	30.0	10.0	40.0	45.5
Staff numbers	7.7	7.7	7.7	0.0	-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

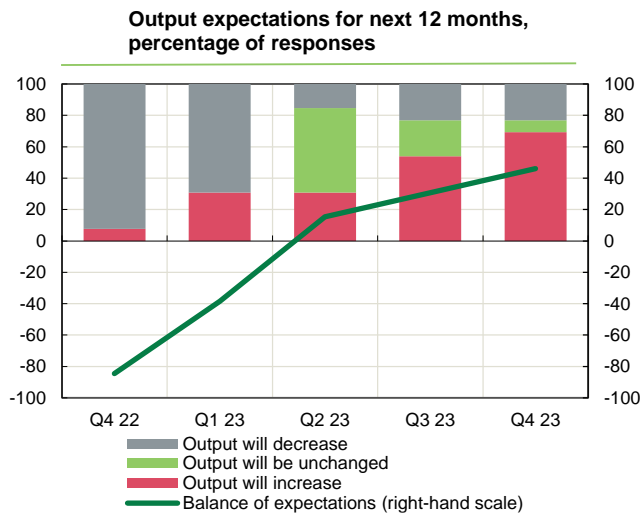


Figure 2

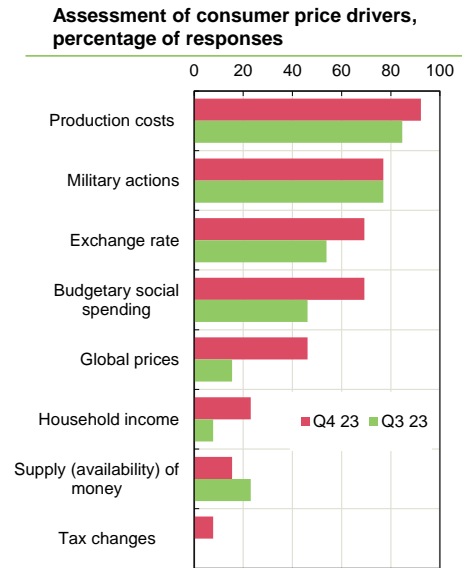


Figure 3

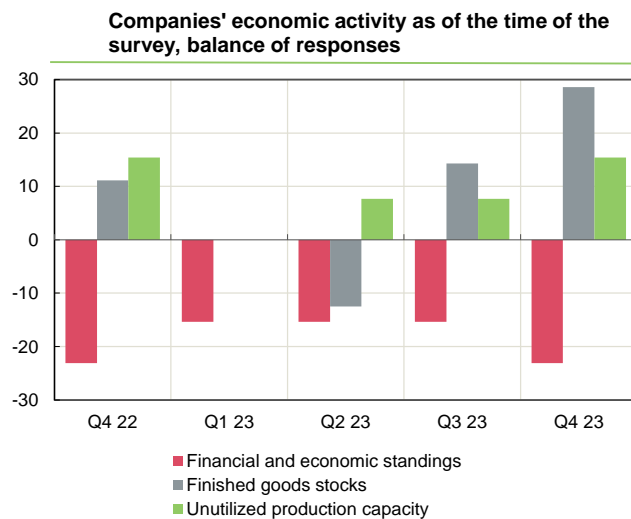


Figure 4



Figure 5

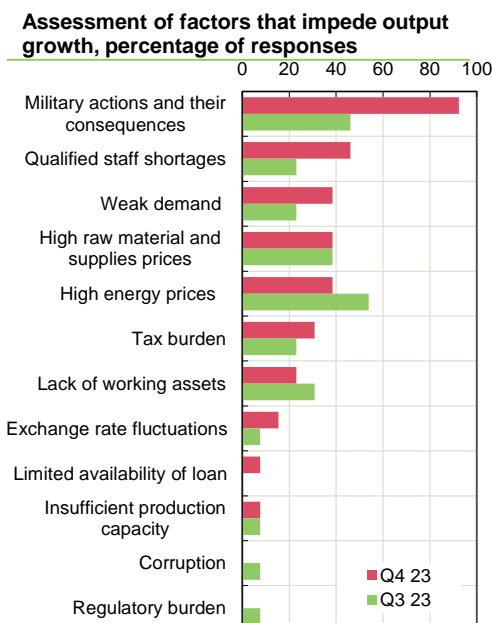


Figure 6

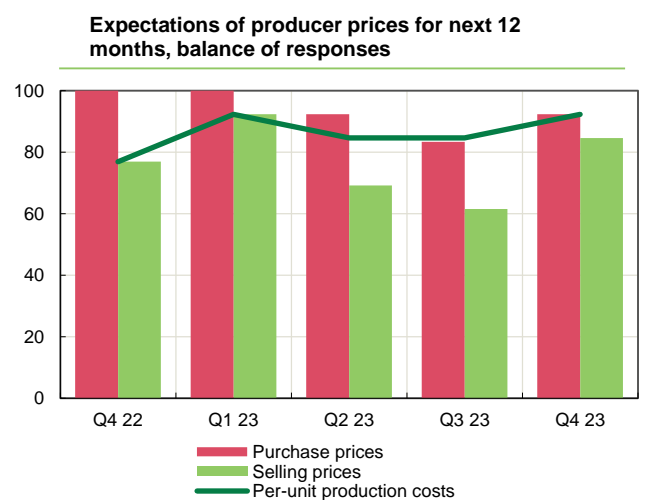


Figure 7

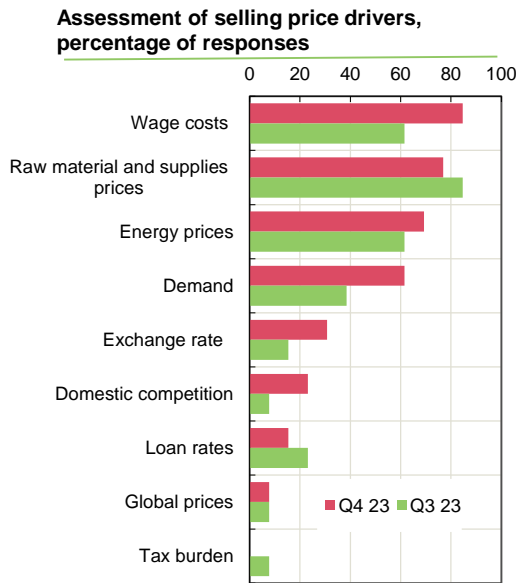


Figure 8

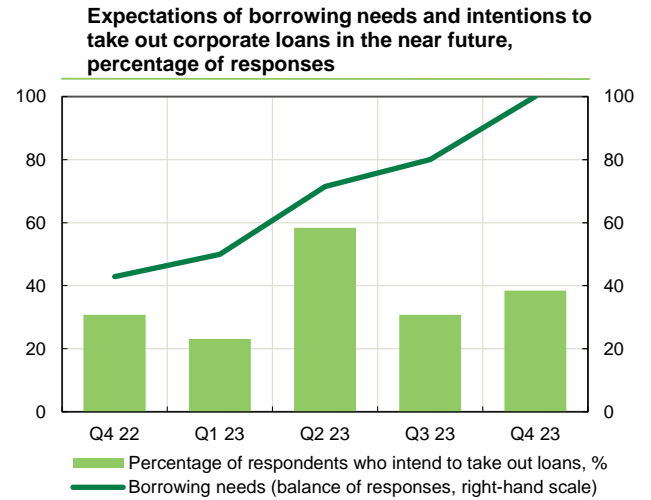


Figure 9

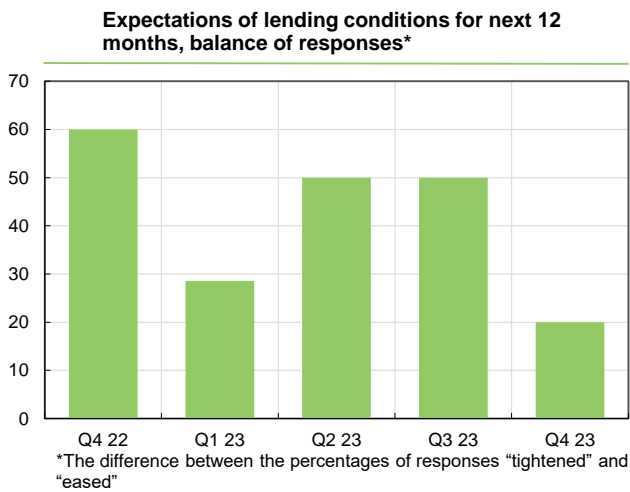


Figure 10

