National Bank
of Ukraine

Business Outlook Survey of **Zakarpattia Oblast***

Q3 2023

*This survey only reflects the opinions of respondents in Zakarpattia oblast (top managers of companies) who were polled in Q3 2023, and does not represent NBU forecasts or estimates

A survey of companies carried out in Zakarpattia oblast in Q3 2023 showed that, on the back of a stable energy system, respondents expected the output of Ukrainian goods and services to increase. They had cautious expectations for the performance of their companies over the next 12 months. Respondents expected that prices for consumer goods and services would rise more slowly. Depreciation expectations weakened.

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 36.4%, compared to 45.5% in Q2 2023 (Figure 1). Overall, across Ukraine the balance of responses was 9.8%.
- **prices for consumer goods and services would rise more slowly:** 72.7% of respondents said that growth in the prices of consumer goods and services would not exceed 15.0% (compared to 63.6% in the previous quarter and 52.2% 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 at a slower pace:** 54.5% of respondents (compared to 63.6% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 72.4%
- **the financial and economic standings of their companies would remain unchanged:** the balance of expectations was 0.0%, down from 9.1% in the previous quarter (see Table). Across Ukraine, the balance of expectations was 6.0%.
- **total sales would increase:** the balance of responses was 18.2%, as in the previous quarter. Respondents expected external sales to remain unchanged: the balance of responses was 0.0% (compared to 16.7% in Q2 2023) (see Table). Across Ukraine, the balances of responses were 16.8% and 10.6% respectively
- **both investment in construction and in machinery, equipment, and tools would decrease more slowly**: the balances of responses were (-18.2%) and (-9.1%) respectively, up from (-36.4%) and (-27.3%) respectively in the previous quarter. Across Ukraine, the balances of responses were (-2.2%) and 8.8% respectively
- **staff numbers at their companies would remain unchanged:** the balance of responses was 0.0%, up from (-9.1%) in the previous quarter (Figure 4). Across Ukraine, the balance of responses was (-7.0%)
- **purchase prices would grow faster than selling prices:** the balances of responses were 90.9% and 63.6% respectively, compared to 100.0% and 72.7% respectively in the previous quarter (Figure 6). High energy prices, raw material and supplies prices, the hryvnia exchange rate and wage costs were cited as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would increase at a faster pace:** the balances of responses were 45.5% and 54.5% respectively, compared to 36.4% for each in the previous quarter (Figures 4 and 6).

Companies cited military actions and their consequences and weak demand as **the main drags on their ability to boost production.** The impact of a lack of working assets was reported to have increase significantly (Figure 5).

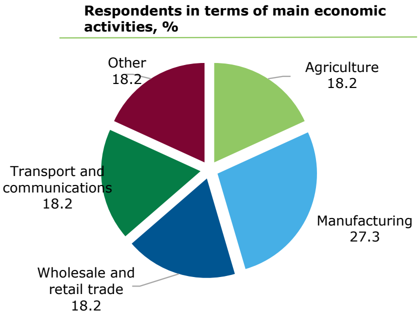
The share of respondents who planned to take out bank loans remained at the level of the previous quarter – 9.1% (Figure 8). The companies that planned to take out bank loans only opted for domestic currency loans. Respondents referred to other funding sources, uncertainty about their ability to meet debt obligations as they fall due and high loan rates as the main factors deterring them from taking out loans (Figure 9).

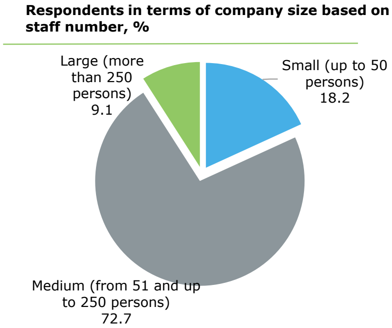
All of the respondents said that they **had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (94.9% across Ukraine).

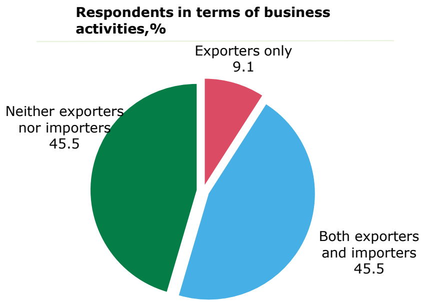
Assessments of financial and economic standings as of the time of the survey (Figure 3)

- **Companies assessed their current financial and economic standings as satisfactory:** the balance of responses was 0.0%, compared to (-9.1%) in the previous quarter. The balance across Ukraine was (-5.8%).
- **Finished goods stocks were assessed at normal levels:** the balance of responses was 0.0%, up from (-50.0%) in the previous quarter.
- **Companies said they would need additional capacity to meet any unexpected rise in demand:** the balance of responses was (-9.1%), compared to 27.3% in Q2 2023.

Survey Details[1,2]

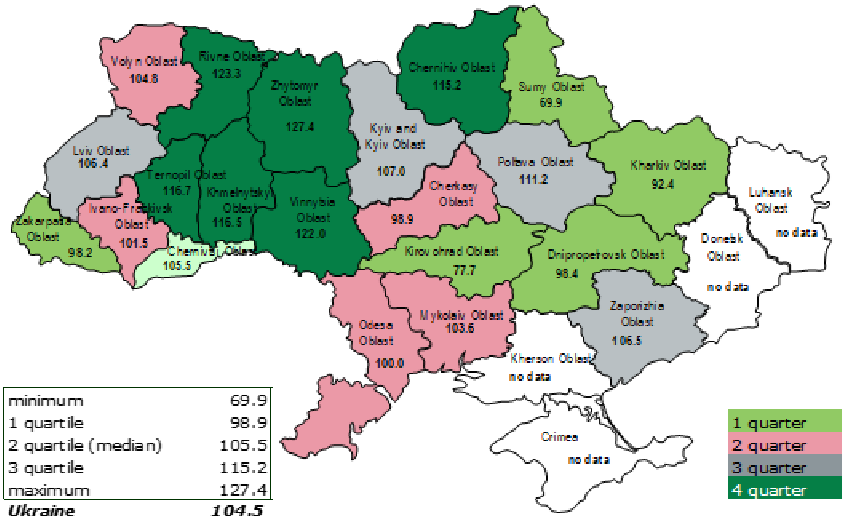






- Period: 31 July through 23 August 2023.
- A total of 11 companies were polled.
- No economic activity was able to generate a representative sample.

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 Zakarpattia Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23
Financial and economic standings	-18.2	0.0	0.0	9.1	0.0
Total sales	-20.0	18.2	18.2	18.2	18.2
Investment in construction	9.1	-18.2	0.0	-36.4	-18.2
Investment in machinery, equipment, and tools	18.2	-18.2	9.1	-27.3	-9.1
Staff numbers	-9.1	-9.1	-9.1	-9.1	0.0

[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

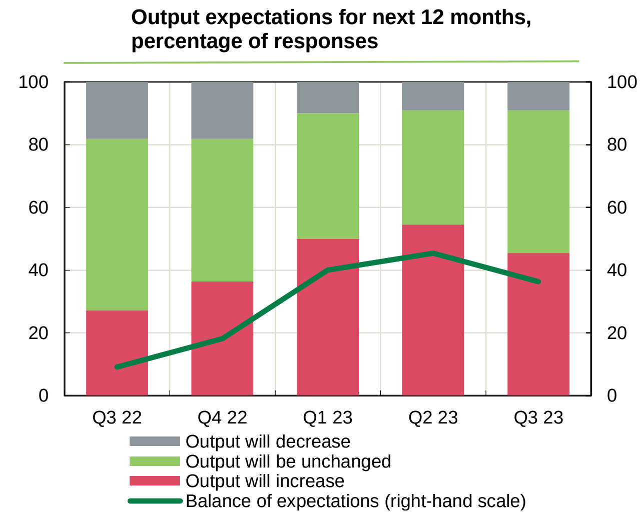


Figure 2

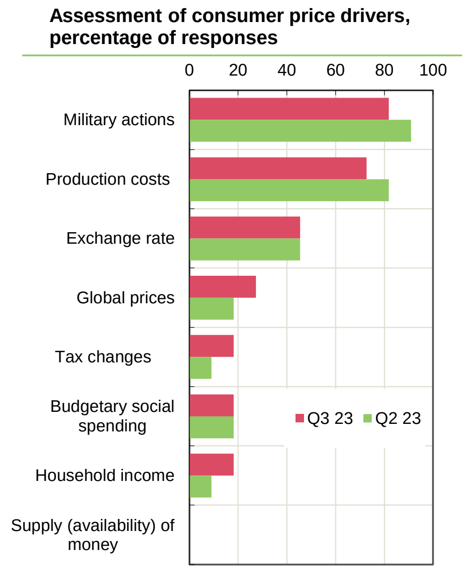


Figure 3

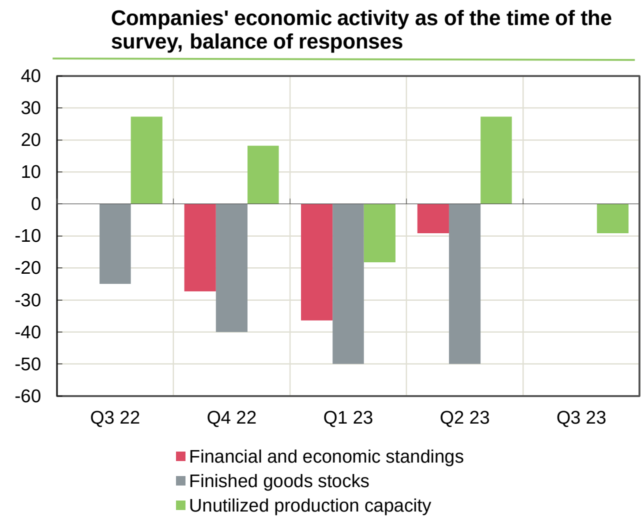


Figure 4

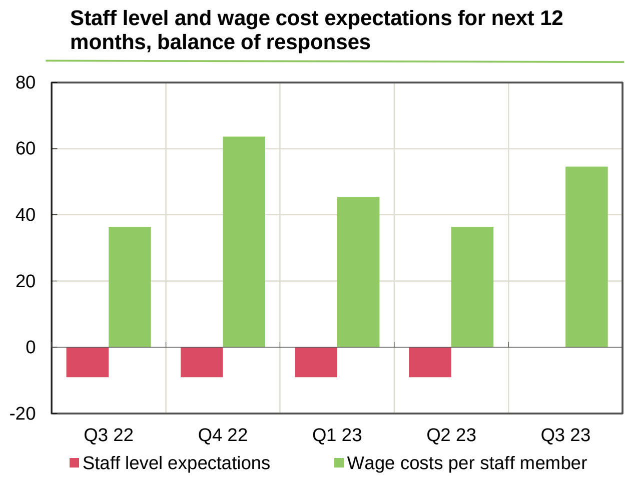


Figure 5

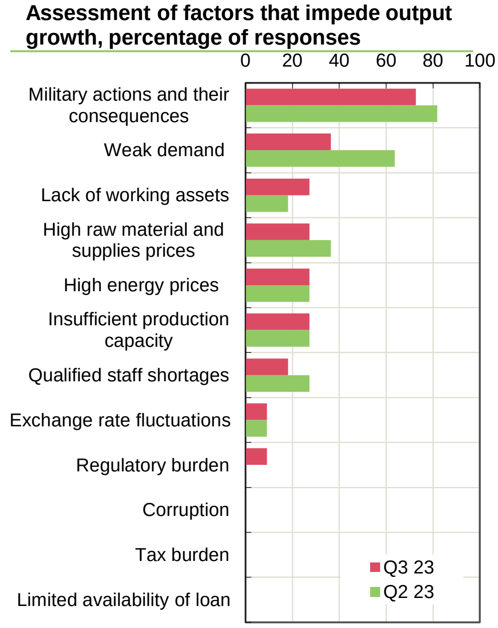


Figure 6

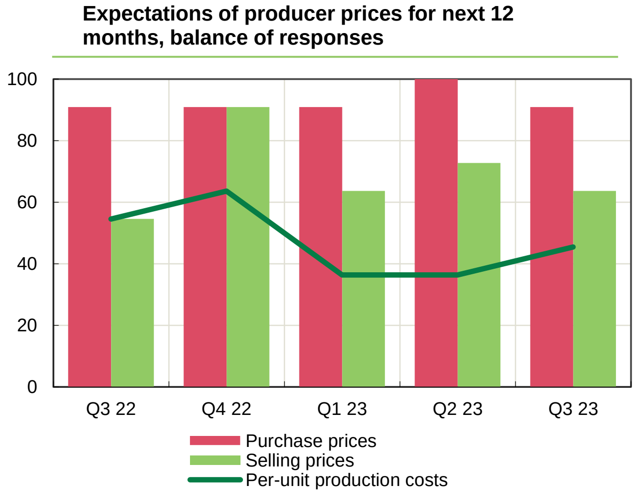


Figure 7

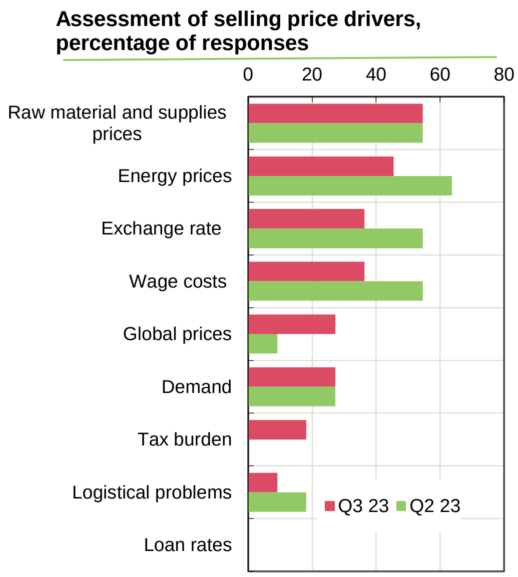


Figure 8

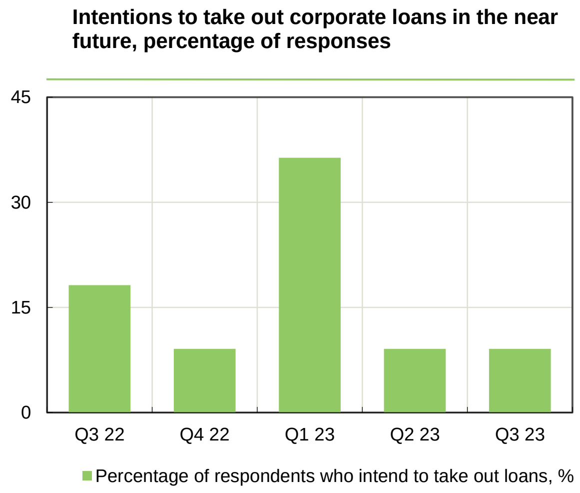


Figure 9