



National Bank
of Ukraine

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

Q4 2023



*This survey only reflects the opinions of respondents in Kyiv and Kyiv 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 **Kyiv and Kyiv oblast** in Q4 2023 shows that, despite security risks and logistical difficulties with crossing the border, respondents **expected growth in the output of Ukrainian goods and services** over the next 12 months. Respondents also reported **positive expectations for their companies' performance** over this period. Prices for consumer goods and services were expected to 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 responses was 18.5%, compared to 7.3% in Q3 2023 (Figure 1) and 15.2% across Ukraine. The most optimistic expectations were reported by manufacturing companies (33.3%)
- **prices for consumer goods and services would rise more slowly:** 57.9% of respondents expected that the inflation rate would exceed 10.0%, compared to 72.4% in the previous quarter and 52.4% 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 more strongly:** 82.4% of respondents, compared to 75.6% in the previous quarter, expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 77.4%
- **the financial and economic standings of their companies would improve:** the balance of responses was 14.8% (compared to 7.6% in the previous quarter and 4.1% across Ukraine) (see Table). Respondents from agricultural companies had the highest expectations (the balance of responses was 33.3%), meanwhile energy and water supply companies said their financial and economic standings would deteriorate (-33.3%)
- **total sales would increase:** the balance of responses was 21.8%, compared to 20.2% in the previous quarter. External sales were expected to increase noticeably (the balance of responses was 18.8%, compared to (-2.0%) in Q3 2023) (see Table). Across Ukraine, the balances of responses were 10.6% and 9.7% respectively
- **investment in machinery, equipment, and tools would increase:** the balance of responses was 13.9%, up from 8.9% in the previous quarter. Meanwhile, investment in construction was expected to rise moderately: the balance of responses was 1.6%, compared to (-1.6%) in Q3 2023 (see Table). Across Ukraine, the balances of responses were 6.6% and (-6.9%) respectively
- **staff numbers would increase:** the balance of responses was 4.5%, compared to 0.0% in Q3 2023. Across Ukraine, the balance of responses was (-6.5%) (Figure 4). Respondents from companies engaged in other economic activity had the firmest expectations (the balance of responses was 17.3%)
- **both purchase and selling prices would grow** at a fast pace: the balances of responses were 88.1% and 71.3% respectively (compared to 86.1% and 65.8% respectively in Q3 2023) (Figure 6). Respondents from construction and trading companies had the highest expectations of a rise in selling prices (the balances of responses were 88.9% and 84.7% respectively). Respondents cited the hryvnia exchange rate, energy prices and wage costs as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would increase:** the balances of responses were 60.8% and 64.5% respectively (compared to 55.8% and 53.6% in the previous quarter) (Figures 4 and 6).

Respondents referred to military actions and their consequences, weak demand, and qualified staff shortages (the impact of the latter factor was reported to have increased compared to the previous survey) as the **main drags on the ability of their companies to boost production**. The impact of high energy prices was reported to have increased significantly (Figure 5).

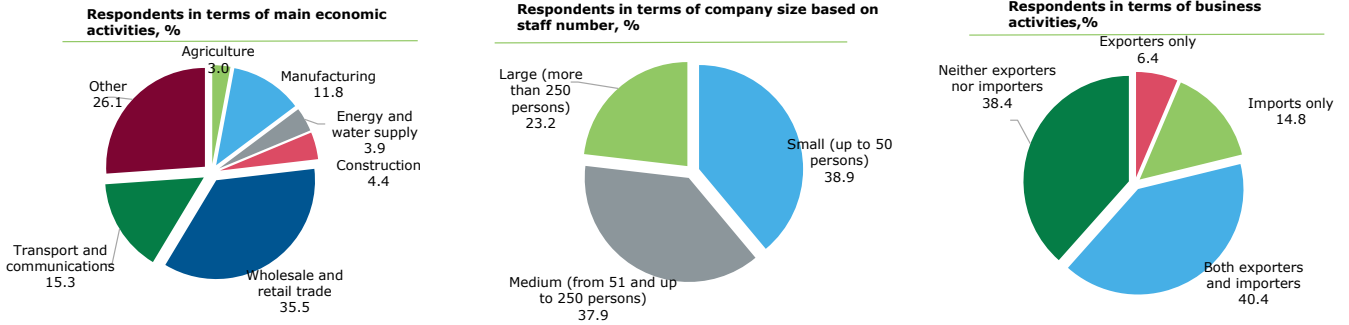
Respondents said that **their borrowing needs would increase somewhat more slowly** in the near future (Figure 9). The respondents who planned to take out loans (36.2% of those surveyed) usually opted for domestic currency ones. Respondents improved their assessments of bank lending standards, but still described these standards as tight (Figure 10). Companies referred to high interest rates, other funding sources and collateral requirements as the main factors deterring them from taking out loans (Figure 11).

A total of **95.0% 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)

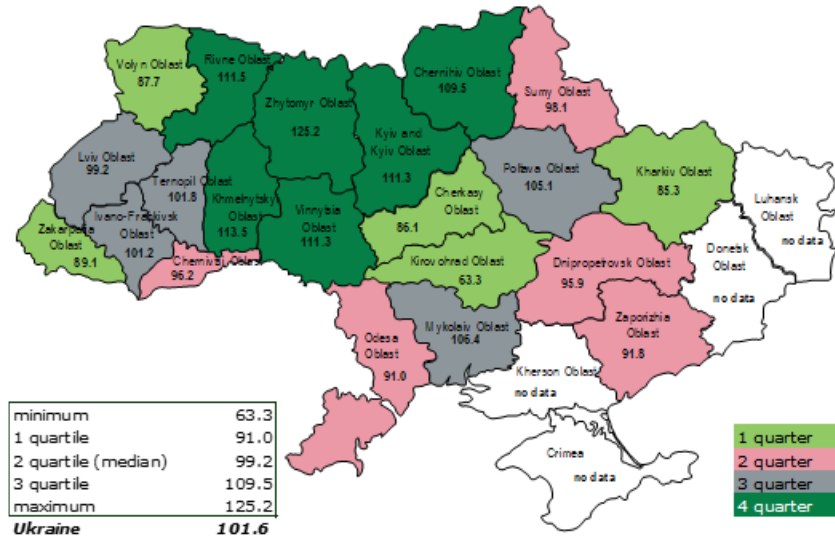
- **Companies assessed their current financial and economic standings as good:** the balance of responses was 5.0% (compared to 6.6% in Q3 2023). The firmest assessments were reported by respondents from manufacturing and trading companies (12.5% for each). Across Ukraine, companies assessed their economic and financial standings as bad (-5.6%).
- **Finished goods stocks were assessed at a level lower than the normal one:** the balance of responses was (-23.4%), compared to (-6.5%) in Q3 2023.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 11.5%, compared to 8.3% in Q3 2023.

Survey Details^{1,2}



- Period: 31 October through 27 November 2023.
- A total of 203 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, %



³a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups
³a 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 22	Q1 23	Q2 23	Q3 23	Q4 23
Financial and economic standings	-4.4	2.0	21.7	7.6	14.8
Total sales	-8.7	6.6	21.3	20.2	21.8
Investment in construction	-20.7	-10.4	-3.2	-1.6	1.6
Investment in machinery, equipment, and tools	-9.7	-8.1	6.6	8.9	13.9
Staff numbers	-15.8	-16.5	3.5	0.0	4.5

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

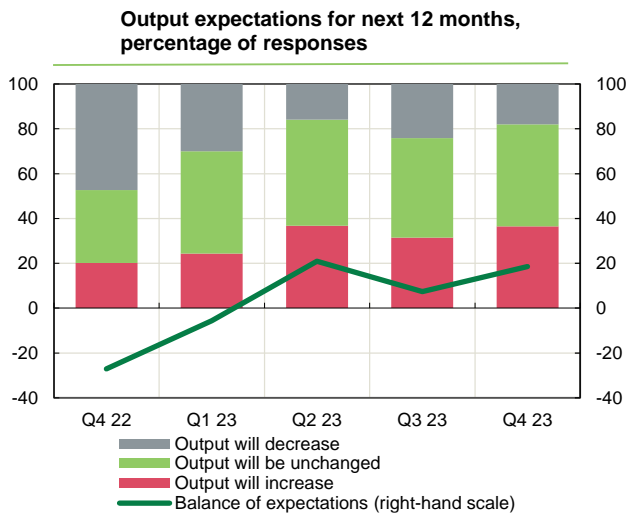


Figure 2

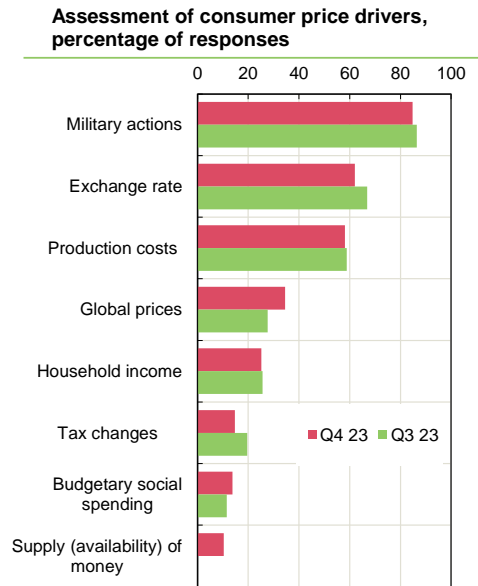


Figure 3

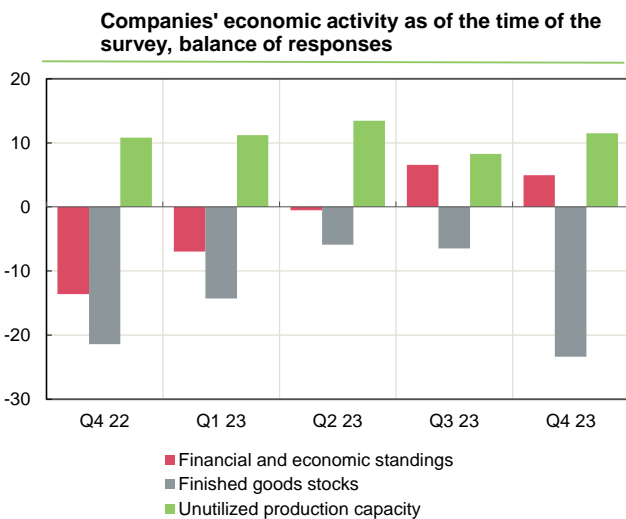


Figure 4

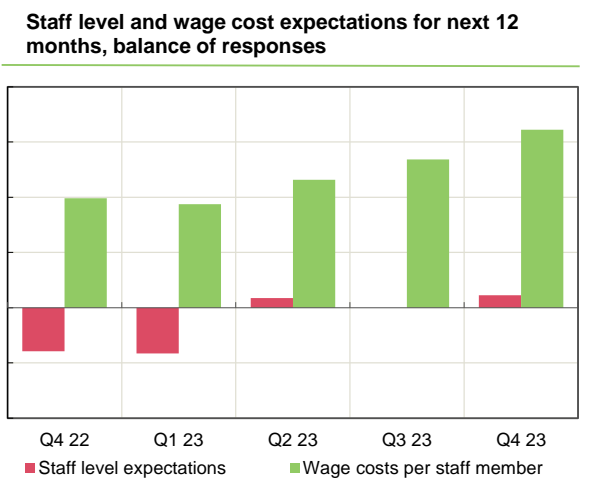


Figure 5

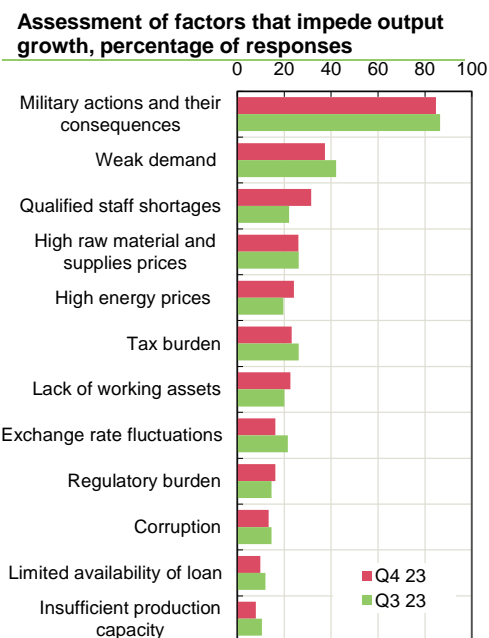


Figure 6

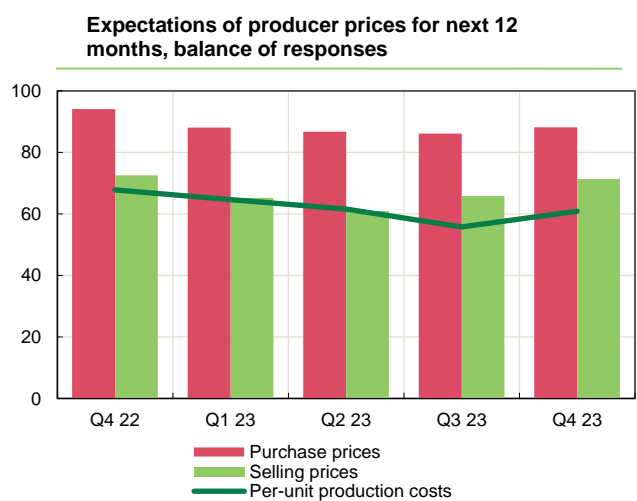


Figure 7

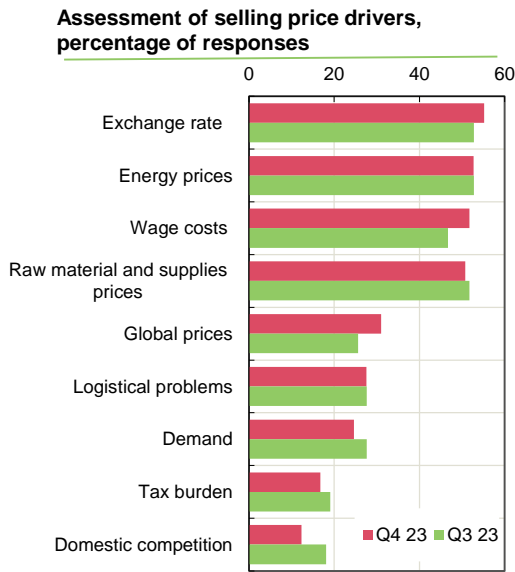


Figure 8

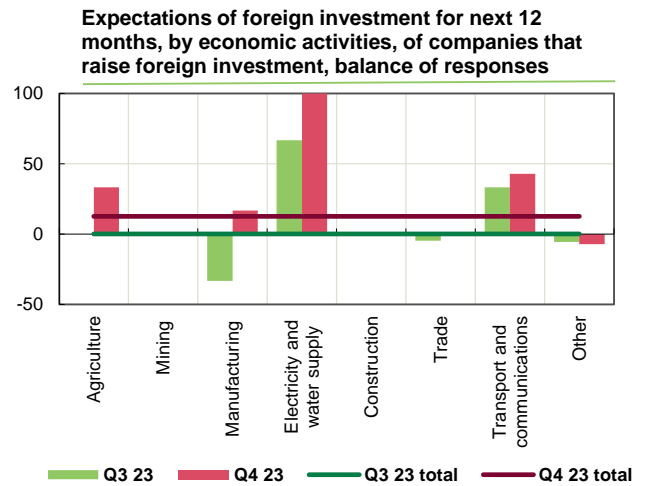


Figure 9

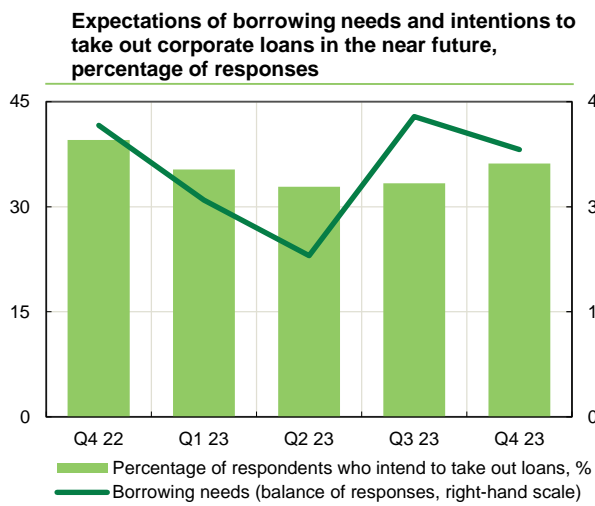


Figure 10

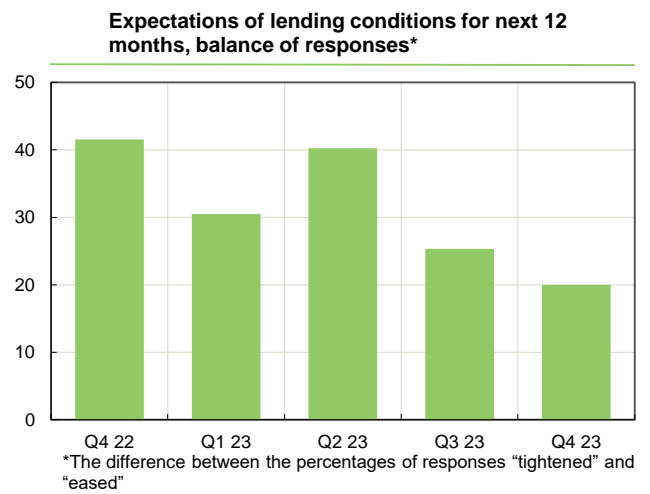


Figure 11

