



National Bank
of Ukraine

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

Q1 2024



*This survey only reflects the opinions of respondents in Kyiv and Kyiv oblast (top managers of companies) who were polled in Q1 2024, and does not represent NBU forecasts or estimates

A survey of companies carried out in **Kyiv and Kyiv oblast** in Q1 2024 shows that, despite logistical difficulties with crossing the border, weak demand and qualified staff shortages, 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. Inflation and depreciation expectations remained high.

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 responses was 12.9%, compared to 18.5% in Q4 2023 (Figure 1) and 8.5% across Ukraine. The most optimistic expectations were reported by energy and water supply companies (37.5%)
- **prices for consumer goods and services would rise:** 56.8% of respondents expected that the inflation rate would exceed 10.0%, compared to 57.9% in the previous quarter and 51.6% 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:** 84.1% of respondents, compared to 82.4% in the previous quarter, expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 81.1%
- **the financial and economic standings of their companies would improve at a slower pace:** the balance of responses was 6.3% (compared to 14.8% in the previous quarter and 3.7% across Ukraine) (see Table). Respondents from construction companies had the highest expectations (the balance of responses was 44.4%), meanwhile energy and water supply companies said their financial and economic standings would deteriorate (-50.0%)
- **total sales and external sales would increase more slowly:** the balances of responses were 14.0% and 11.4% respectively, compared to 21.8% and 18.6% in the previous quarter (see Table). Across Ukraine, the balances of responses were 10.6% and 6.8% respectively
- **both investment in machinery, equipment, and tools and investment in construction would increase:** the balances of responses were 12.4% and 2.6% respectively, compared to 13.9% and 1.6% respectively in the previous quarter (see Table). Across Ukraine, the balances of responses were 8.3% and (-1.5%) respectively
- **staff numbers would decrease moderately:** the balance of responses was (-0.5%), compared to 4.5% in Q4 2023. Across Ukraine, the balance of responses was (-6.3%) (Figure 4). Respondents from trading companies had the firmest expectations (the balance of responses was 8.1%). The dimmest expectations were reported by respondents from energy and water supply companies (-25.0%)
- **both purchase and selling prices would grow at a fast pace:** the balances of responses were 87.3% and 70.1% respectively (compared to 88.1% and 71.3% respectively in Q4 2023) (Figure 6). Respondents from manufacturing and trading companies had the highest expectations of a rise in selling prices (the balances of responses were 80.0% and 77.8% respectively). Respondents cited wage costs, raw material and supplies prices (the impact of these two latter factors was reported to have increased) and the hryvnia exchange rate 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 59.7% and 66.5% respectively (compared to 60.8% and 64.5% in the previous quarter) (Figures 4 and 6).

Respondents referred to military actions and their consequences, weak demand, and qualified staff shortages as the **main drags on the ability of their companies to boost production** (Figure 5).

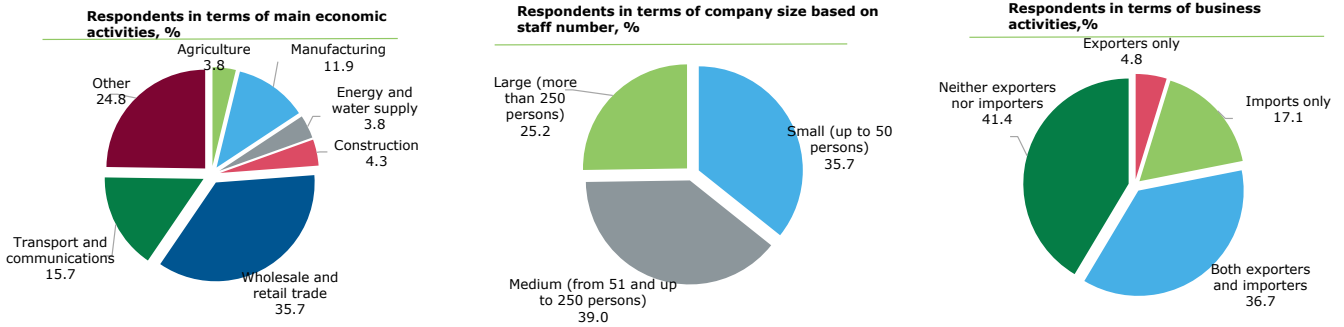
Respondents said that **their borrowing needs would increase more slowly** in the near future (Figure 9). The respondents who planned to take out loans (30.1% of those surveyed) usually opted for domestic currency ones. Respondents improved their assessments of bank lending standards, but still described 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 **94.1% of respondents** said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.3% across Ukraine).

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

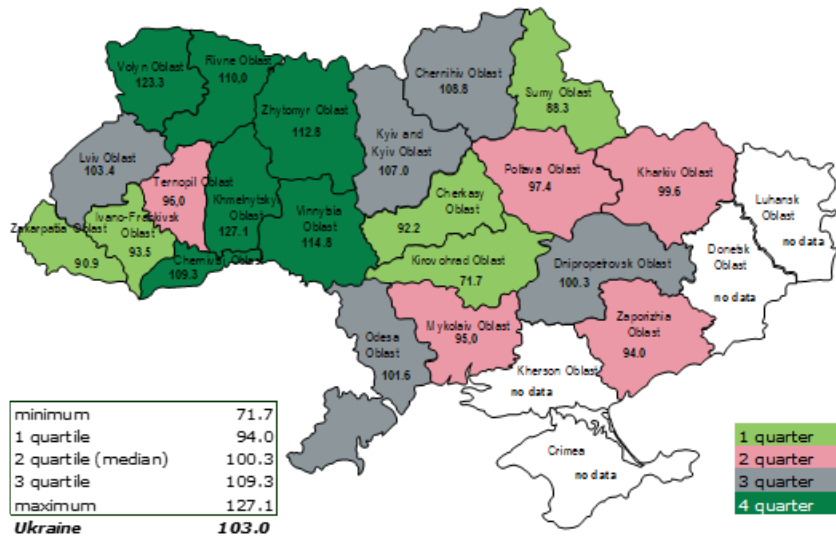
- **Companies assessed their current financial and economic standings as good:** the balance of responses was 14.0% (up from 5.0% in Q4 2023). The firmest assessments were reported by respondents from trading companies (24.0%). Across Ukraine, companies assessed their economic and financial standings as bad (-1.4%).
- **Finished goods stocks were assessed at a level lower than normal:** the balance of responses was (-4.8%), compared to (-23.4%) in Q4 2023.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 17.1%, compared to 11.5% in Q4 2023.

Survey Details^{1,2}



- Period: 31 January through 26 February 2024.
- A total of 210 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
^{**}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 Kyiv and Kyiv Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24
Financial and economic standings	2.0	21.7	7.6	14.8	6.3
Total sales	6.6	21.3	20.2	21.8	14.0
Investment in construction	-10.4	-3.2	-1.6	1.6	2.6
Investment in machinery, equipment, and tools	-8.1	6.6	8.9	13.9	12.4
Staff numbers	-16.5	3.5	0.0	4.5	-0.5

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

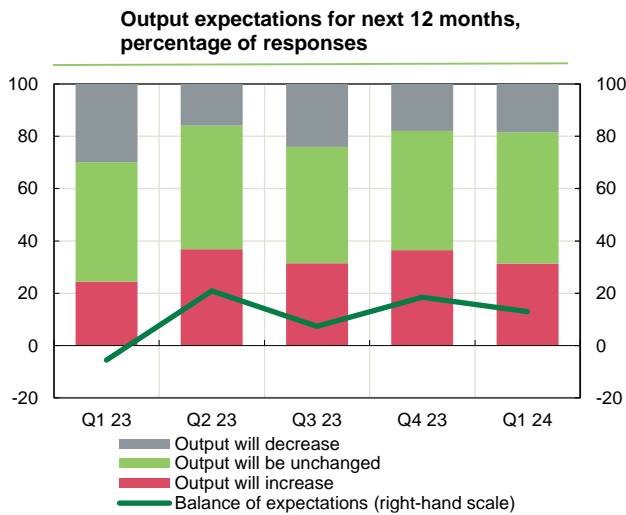


Figure 2

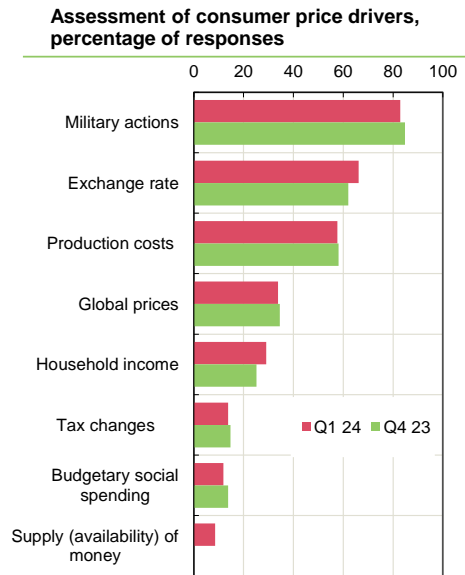


Figure 3

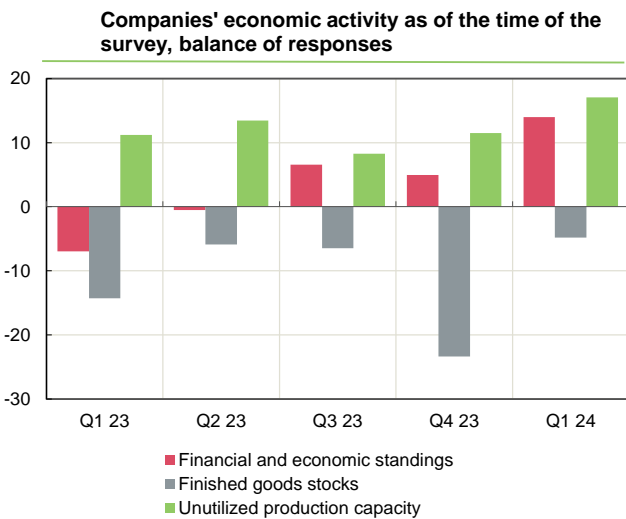


Figure 4



Figure 5

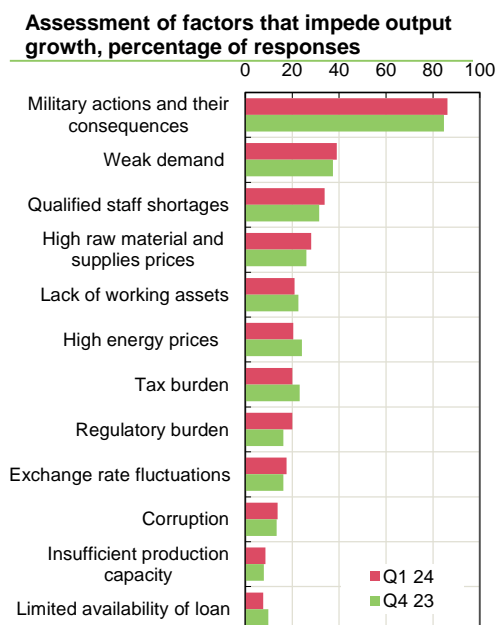


Figure 6

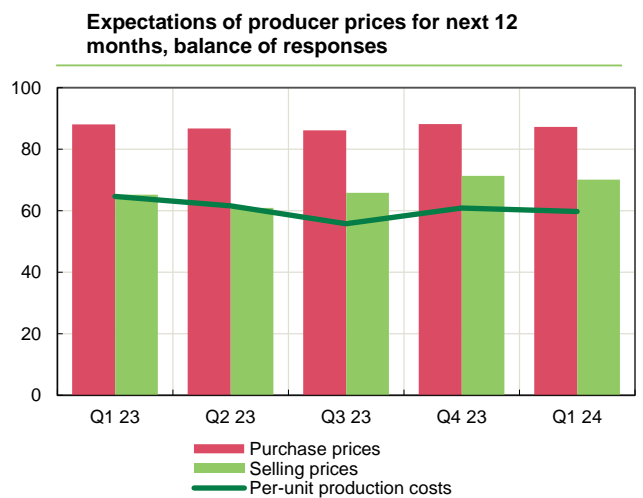


Figure 7

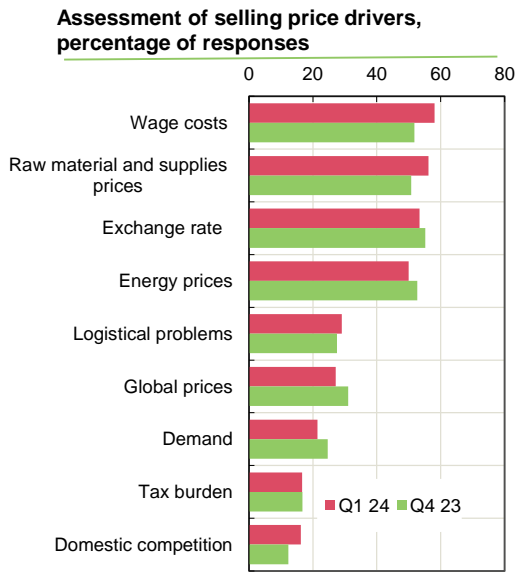


Figure 8

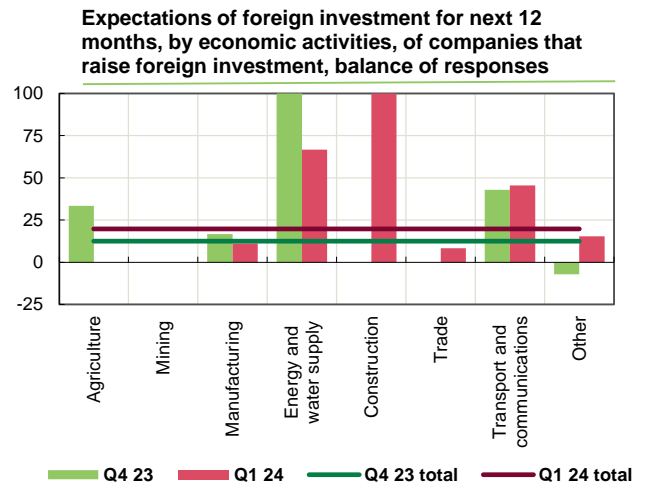


Figure 9

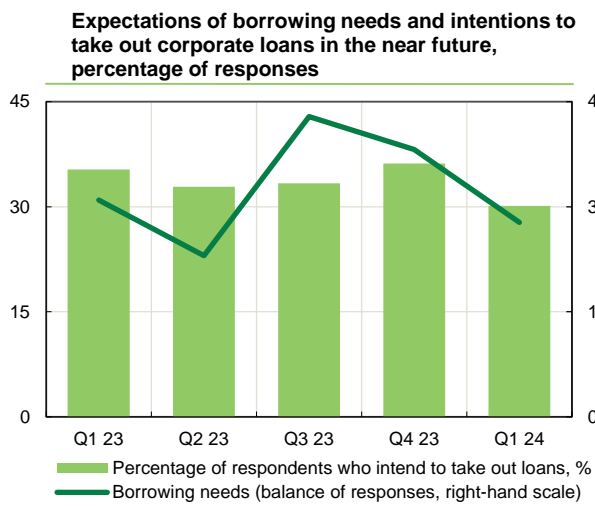


Figure 10

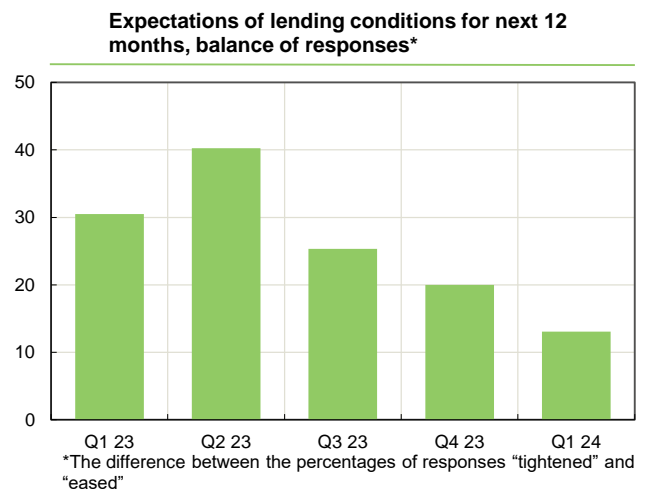


Figure 11

