



National Bank
of Ukraine

Business Outlook Survey of Khmelnytskyi Oblast*

Q3 2023



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

A survey carried out in **Khmelnytskyi oblast** in Q3 2023 showed that, on the back of regular missile attacks respondents expected that the output of Ukrainian goods and services would remain unchanged. They had cautious expectations about their companies' performance over the next 12 months. Inflation expectations weakened. Depreciation expectations remained strong.

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

- **the output of Ukrainian goods and services would decrease:** the balance of expectations was (-13.3%), down from 0.0% in Q2 2023 (Figure 1). Across Ukraine, the balance of responses was 9.8%
- **prices for consumer goods and services would rise more slowly:** 80.0% of respondents expected the inflation rate not to exceed 15.0% (compared to 60.0% in the previous quarter and 52.2% across Ukraine). Respondents referred to military actions, production costs and the hryvnia exchange rate as **main inflation drivers** (Figure 2)
- **the domestic currency would depreciate at a slower pace:** a total of 66.7% of respondents (as in the previous quarter) expected the hryvnia to weaken against the U.S. 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%, compared to (-6.7%) in the previous quarter and 6.0% across Ukraine (see Table)
- **total sales would increase at a faster pace:** the balance of responses was 35.7%, compared to 26.7% in Q2 2023. **External sales** were expected to remain unchanged: the balance of responses was 0.0%, as in Q2 2023. Overall, across Ukraine the balances of responses were 16.8% and 10.6% respectively
- **investment in construction would increase at a slower pace:** the balance of responses was 13.3%, down from 26.7% in Q2 2023. Respondents expected that investment in **machinery, equipment, and tools would grow:** the balance of responses was 26.7%, as in the previous quarter. Across Ukraine, the balances of responses were (-2.2%) and 8.8% respectively (see Table)
- **staff numbers would increase:** the balance of responses was 6.7% compared to (-6.7%) in the previous quarter. Across Ukraine, the balance of responses was (-7.0%) (Figure 4)
- **purchase prices would rise:** the balance of responses was 73.3%, compared to 80.0% in Q2 2023. Respondents also expected that selling prices would rise more rapidly: the balance of responses was 53.3%, up from 28.6% in the previous quarter (Figure 6). Energy prices, raw material and supplies prices, and the hryvnia exchange rate were referred to as the main selling price drivers (Figure 7)
- **wage costs per staff member would rise more rapidly:** the balance of responses was 30.8%, up from 21.4% in Q2 2023. Respondents also expected that **per-unit production costs to rise:** the balance of responses was 57.1% (compared to 60.0% in the previous quarter) (Figures 4 and 6).

Respondents said that military actions and their consequences, high raw material and supplies prices, and energy prices were **the main drags on the ability of their companies to boost production** (Figure 5).

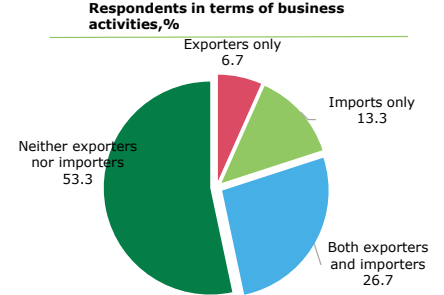
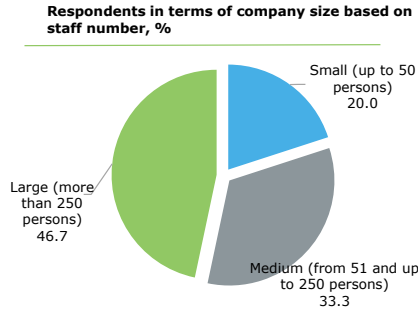
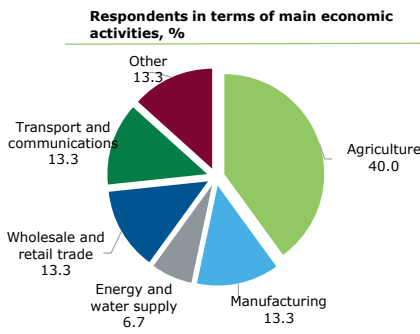
Respondents expected **a drop in their borrowing needs** in the near future (Figure 8). The share of respondents who planned to take out bank loans increased to 46.7%. These respondents preferred hryvnia loans. Respondents improved their assessments of bank lending standards but still described these standards as tight (Figure 9). Companies referred to high loan rates, the availability of other funding sources and strict collateral requirements 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** (94.9% across Ukraine).

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

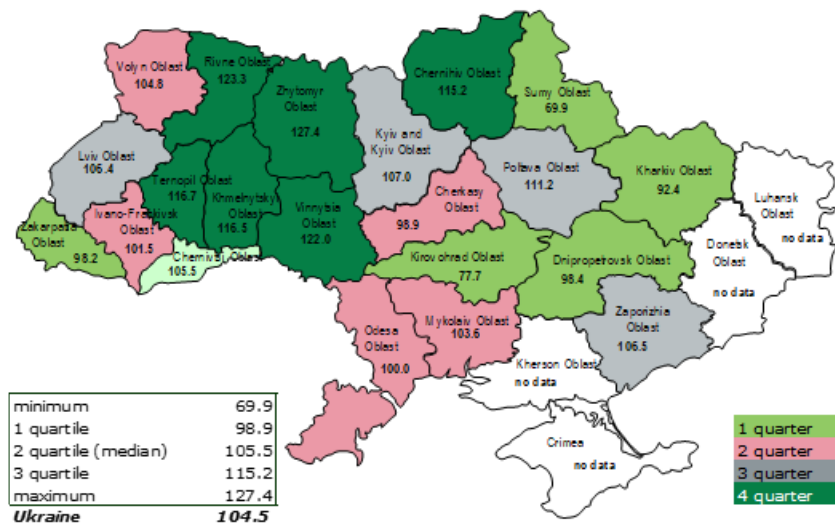
- **Companies assessed their current financial and economic standings as good:** the balance of responses was 33.3%, compared to 6.7% in the previous quarter. Respondents across Ukraine assessed the financial and economic standings of their companies as bad (-5.8%).
- **Finished goods stocks were assessed as lower than normal:** the balance of responses was (-18.2%), compared to 20.0% in Q2 2023.
- **Companies were operating on the verge of their production capacity:** the balance of responses was 0.0%, compared to 13.3% in the previous quarter.

Survey Details^{1,2}



- Period: 31 July through 25 August 2023.
- A total of 15 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 Khmelnytskyi 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 | -42.9 | -14.3 | -8.3 | -6.7 | 0.0 |
| Total sales | -14.3 | 7.1 | 7.7 | 26.7 | 35.7 |
| Investment in construction | -38.5 | 7.1 | -27.3 | 26.7 | 13.3 |
| Investment in machinery, equipment, and tools | -7.1 | 7.1 | 7.7 | 26.7 | 26.7 |
| Staff numbers | -7.1 | -14.3 | -7.7 | -6.7 | 6.7 |

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

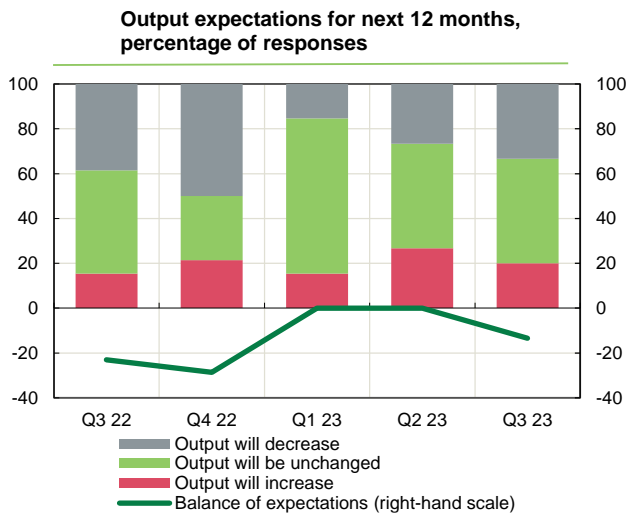


Figure 2

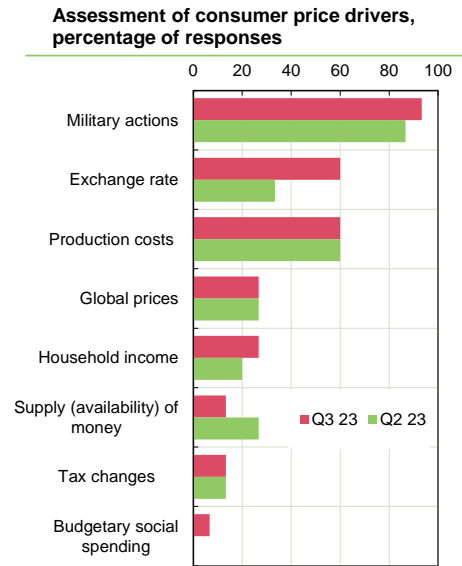


Figure 3

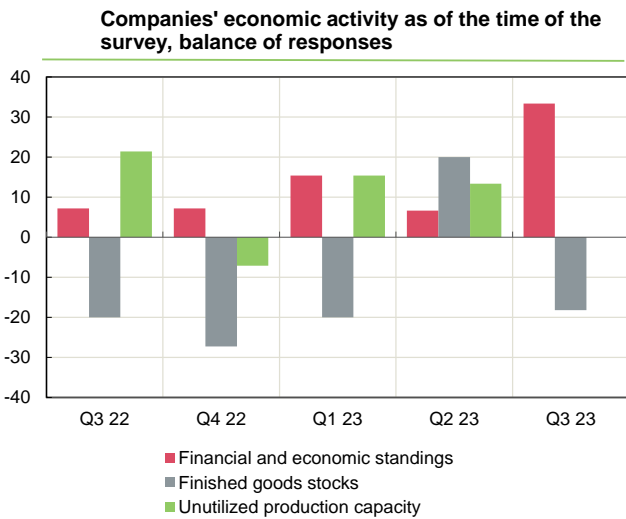


Figure 4

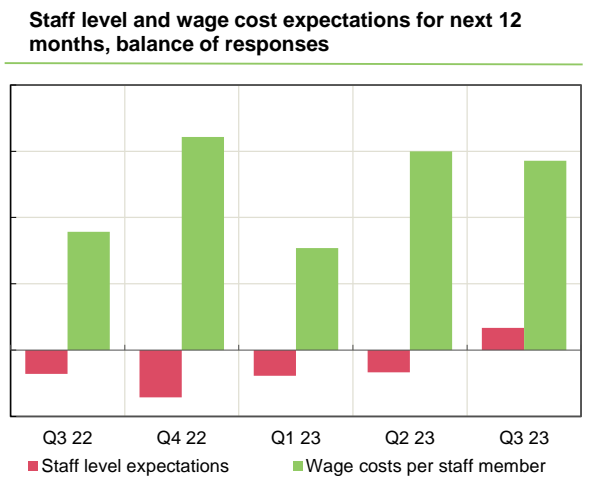


Figure 5

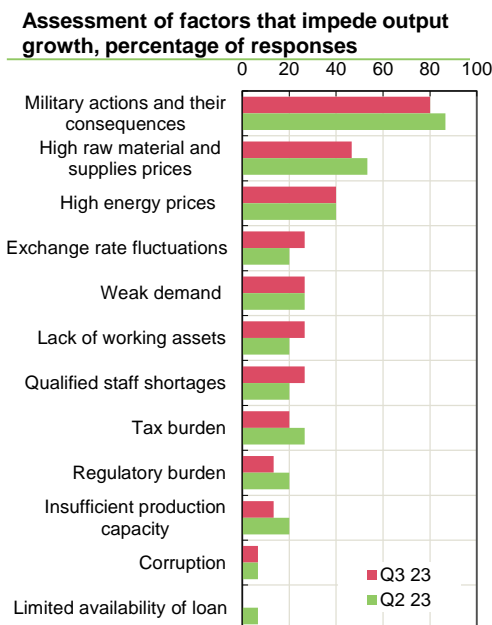


Figure 6

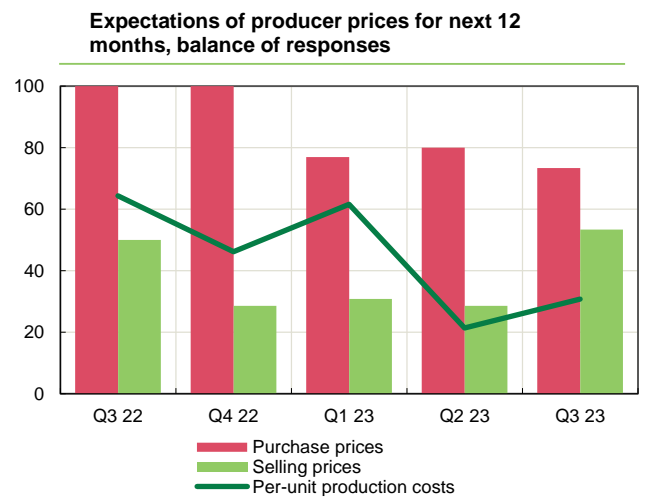


Figure 7

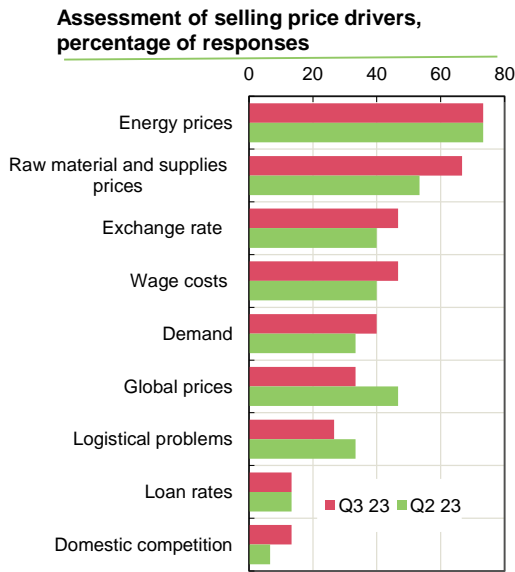


Figure 8

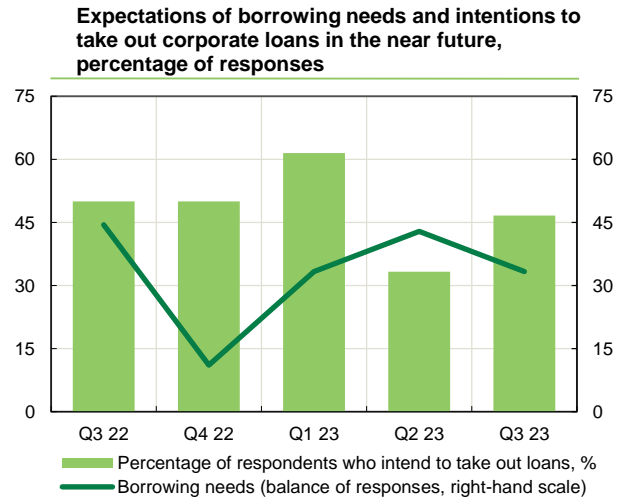


Figure 9

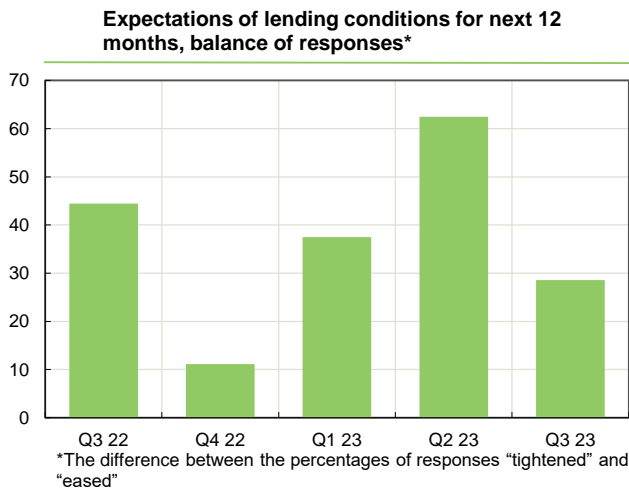


Figure 10

