National Bank of Ukraine

Business Outlook Survey of **Chernivtsi Oblast** *

Q2 2024

*This survey only reflects the opinions of respondents in Chernivtsi oblast (top managers of companies) who were polled in Q2 2024, and does not represent NBU forecasts or estimates

A survey of companies carried out in Chernivtsi oblast in Q2 2024 showed that, on the back of the war, a lack of working assets, high energy prices, respondents downgraded their expectations for the output of Ukrainian goods and services and for the performance of their companies over the next 12 months**.** Respondents expected prices 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 decrease**:** the balance of expectations was (-45.5%) (among the dimmest expectations across the regions), compared to 18.2% in Q1 2024 and (0.3%) across Ukraine (Figure 1)
- **prices for consumer goods and services would grow more slowly:** a total of 72.7% of respondents expected that inflation would not exceed 10.0%, compared to 54.5% in the previous survey and 62.8% across Ukraine. Respondents referred to military actions, production costs, and the hryvnia exchange rate **as the main inflation drivers** (Figure 2)
- the hryvnia would depreciate: 90.0% of respondents (up from 70.0% in the previous quarter) expected the hryvnia to weaken against the U.S. dollar, the figure across Ukraine being 84.9%
- the financial and economic standings of their companies would deteriorate: the balance of expectations was (-27.3%) (the dimmest expectations across the regios), down from (-18.2%) in Q1 2024. The balance across Ukraine was (-0.2%) (see Table)
- total sales would decrease: the balance of responses was (-9.1%), compared to 10.0% in Q1 2024. Across Ukraine, the balance of responses was 8.7% (see Table)
- investment in construction and in machinery, equipment, and tools would drop: the balances of responses were (-9.1%) for each, compared to 27.3% and 18.2% in the previous quarter (see Table). The balances of responses across Ukraine were (-5.5%) and 5.4% respectively
- staff numbers would decrease noticeably: the balance of responses was (-27.3%), compared to 9.1% in Q1 2024. Across Ukraine, the balance of responses was (-10.7%) (Figure 4)
- purchase prices would grow at a slower pace, while selling prices would grow more rapidly: the balances of responses were 81.8% and 72.7% respectively, compared to 90.9% and 45.5% in Q1 2024 (Figure 6). Wage costs, energy prices, raw material and supplies prices and the hryvnia exchange rate were referred to as the main selling price drivers (Figure 7)
- per-unit production costs would rise: the balance of responses was 45.5%, as in Q1 2024. Meanwhile, wage costs per staff member were expected to grow more slowly: the balance of responses was 27.3%, down from 54.5% in the previous quarter (Figures 4 and 6).

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

Respondents expected that their borrowing needs would increase in the near future. The respondents who planned to take out loans (36.4%) opted only for domestic currency loans (Figure 8). Respondents cited the availability of other funding sources, collateral requirements and high loan rates as the main factors deterring them from taking out loans (Figure 9).

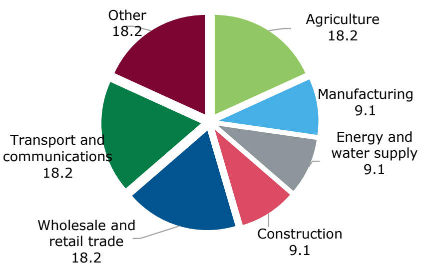
All of the respondents said that they had encountered **no difficulties in effecting transactions with funds deposited in bank accounts** (96.0% across Ukraine).

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

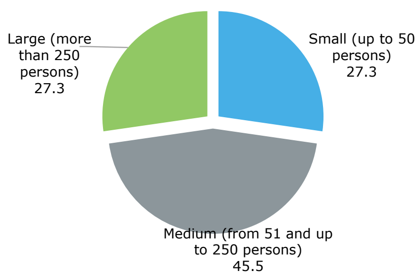
- **Companies assessed their current financial and economic standings as good:** the balance of responses was 54.5% (the firmest assessment across the regions), up from 45.5% in Q1 2024. Across Ukraine, current financial and economic standings were assessed as bad: the balance of responses was (-4.3%).
- **Finished goods stocks were assessed as normal**: the balance of responses was 0.0% (such assessments have been reported for three quarters in a row).
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 18.2%, compared to 0.0% in Q1 2024.

Survey Details[1,2]

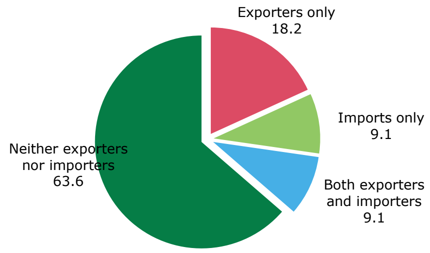
Respondents in terms of main economic activities, %



Respondents in terms of company size based on staff number, %

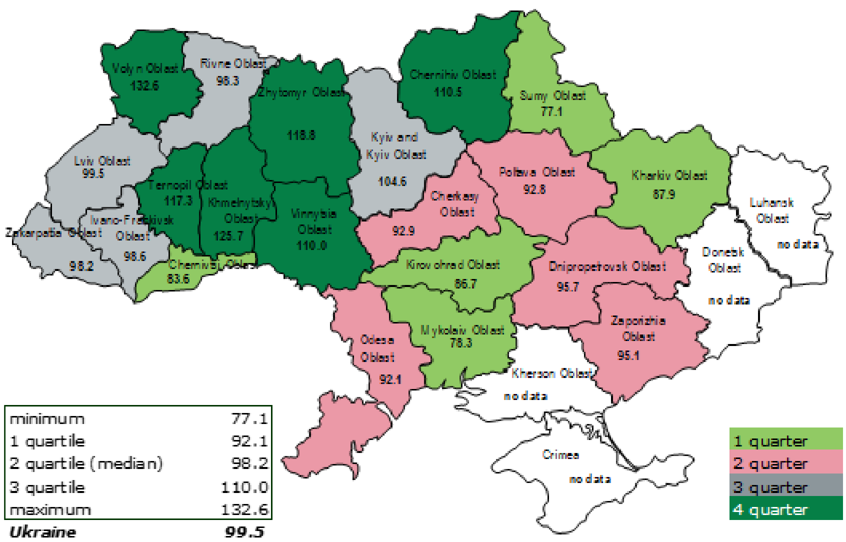


Respondents in terms of business activities,%



- Period: 30 April through 21 May 2024.
- 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 Chernivtsi Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q2 23	Q3 23	Q4 23	Q1 24	Q2 24
Financial and economic standings	9.1	-9.1	9.1	-18.2	-27.3
Total sales	36.4	18.2	-10.0	10.0	-9.1
Investment in construction	18.2	9.1	-9.1	27.3	-9.1
Investment in machinery, equipment, and tools	20.0	18.2	18.2	18.2	-9.1
Staff numbers	-30.0	-9.1	-27.3	9.1	-27.3

[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

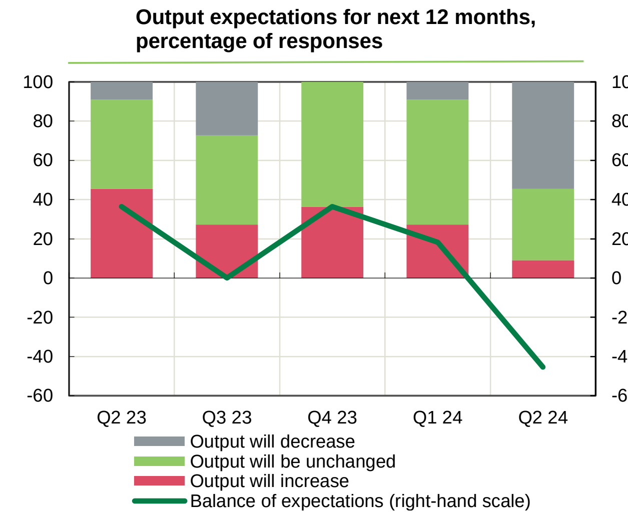


Figure 2

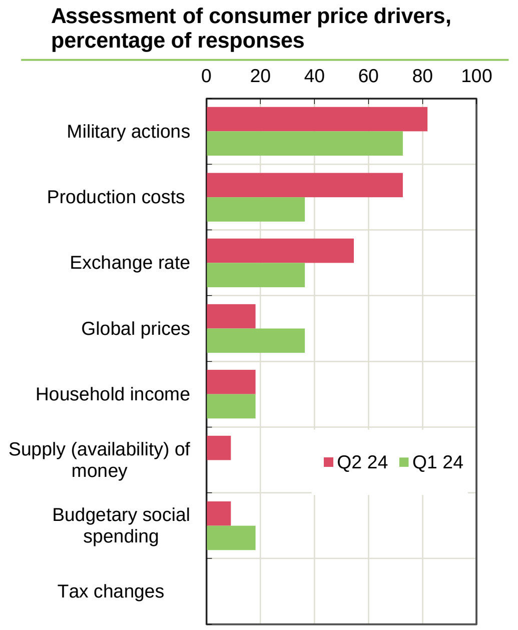


Figure 3

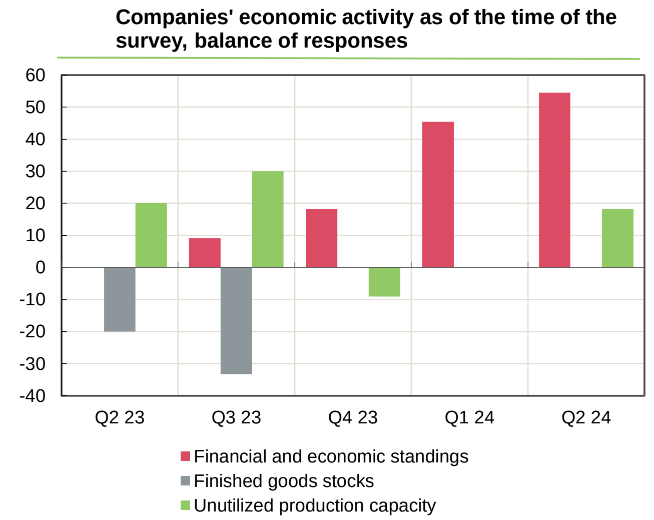


Figure 4

Figure 5

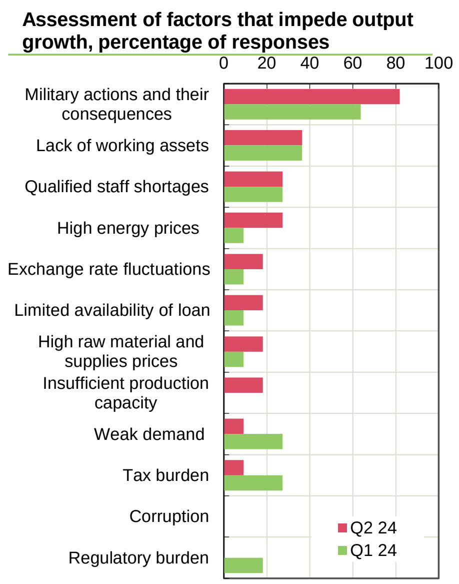


Figure 6

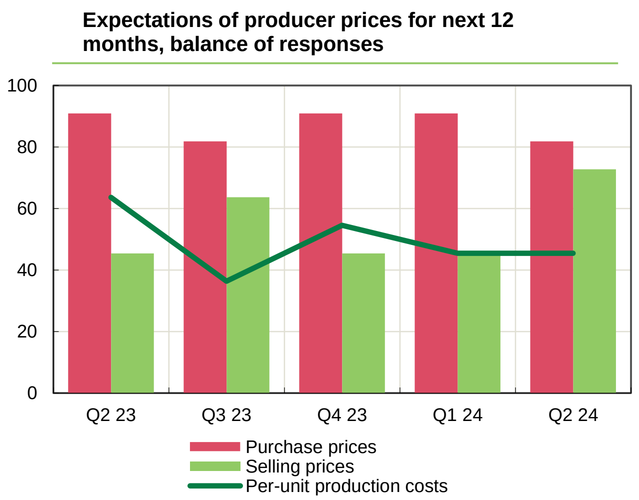


Figure 7

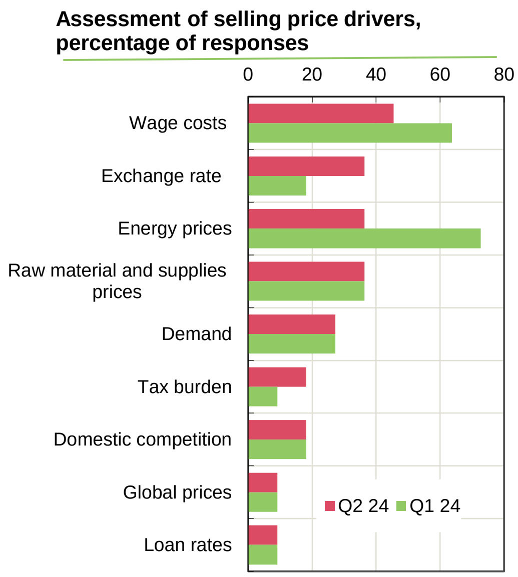


Figure 8

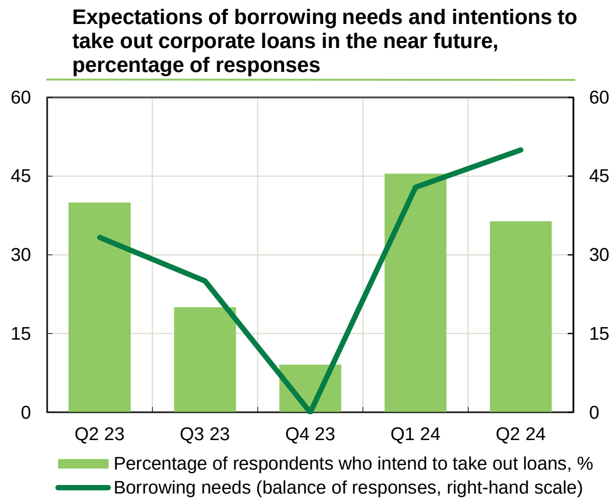


Figure 9