



National Bank  
of Ukraine

# Business Outlook Survey of Sumy Oblast\*

Q1 2023



\*This survey only reflects the opinions of respondents in Sumy oblast (top managers of companies) who were polled in Q1 2023, and does not represent NBU forecasts or estimates

A survey of companies carried out in Sumy oblast in Q1 2023 showed that despite of the prolonged hostilities and missile attacks on civilian infrastructure respondents softened their expectations of a decrease in the output of Ukrainian goods and services. They also had negative expectations for their companies' performance over the next 12 months. Inflation expectations increased. 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 decrease at a slower pace:** the balance of expectations was (-41.7%), compared to (-58.3%) in Q4 2022 (Figure 1) and (-16.7%) across Ukraine
- **prices for goods and services would rise faster:** 75.0% of respondents expected the inflation rate to be higher than 20.0% compared to 58.3% in the previous quarter and 53.2% across Ukraine. Respondents continued to refer to military actions, production costs, the hryvnia exchange rate, and global prices as **the main inflation drivers** (Figure 2)
- **the hryvnia would depreciate:** 90.9% of respondents (compared to 85.7% in the previous quarter) expected the hryvnia to weaken against the U.S. dollar, the figure across Ukraine being 83.2%
- **the financial and economic standings of their companies would deteriorate:** the balance of expectations was (-16.7%), compared to (-25.0%) in Q4 2022 and (-2.5%) across Ukraine (see Table)
- **total sales would decrease:** the balance of responses was (-25.0%), compared to (-33.3%) in the previous quarter. External sales were also expected to drop, the balance of responses being (-40.0%), compared to (-50.0%) in Q4 2022 (see Table). Across Ukraine, the balances of responses were 2.8% and 2.0% respectively
- **investment in construction would decrease:** the balance of responses was (-62.5%), compared to (-66.7%) in the previous quarter. At the same time, investment in machinery, equipment, and tools was expected to decline at a slower pace: the balance of responses was (-36.4%), up from (-50.0%) in Q4 2022 (see Table). Overall, across Ukraine, the balances of responses were (-17.8%) and (-10.3%) respectively
- **staff numbers at their companies would decrease more slowly:** the balance of responses was (-16.7%), up from (-33.3%) in the previous quarter. Across Ukraine, the balance of responses was (-16.4%) (Figure 4)
- **purchase prices would rise rapidly:** the balance of responses was 100.0% (as in the previous quarter). Respondents also expected that **selling prices would rise:** the balance of responses was 54.5%, compared to 58.3% in Q4 2022 (Figure 6). Raw material and supplies prices, the hryvnia exchange rate, and energy prices (the impact of this factor was reported to have increased) were cited as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would rise:** the balances of responses were 36.4% and 8.3% respectively (compared to 27.3% and 8.3% respectively in the previous quarter) (Figure 4 and 6).

The companies surveyed named military actions and their consequences (mentioned by all of the respondents), the tax burden, and weak demand as the **main drags on their ability to boost production** (Figure 5).

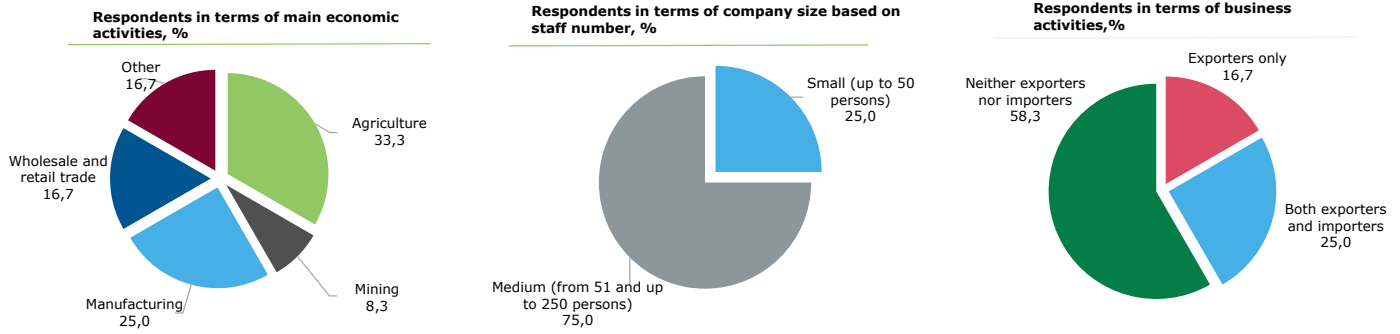
As in previous quarters, the respondents who planned to take out bank loans (the share of these respondents rose to 25.0%) opted only for domestic currency loans (Figure 8). Companies cited the availability of other funding sources, high loan rates, and uncertainty about their ability to meet debt obligations as they fall due as the main factors deterring them from taking out loans (Figure 9).

**All respondents said that they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (94.7% across Ukraine).

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

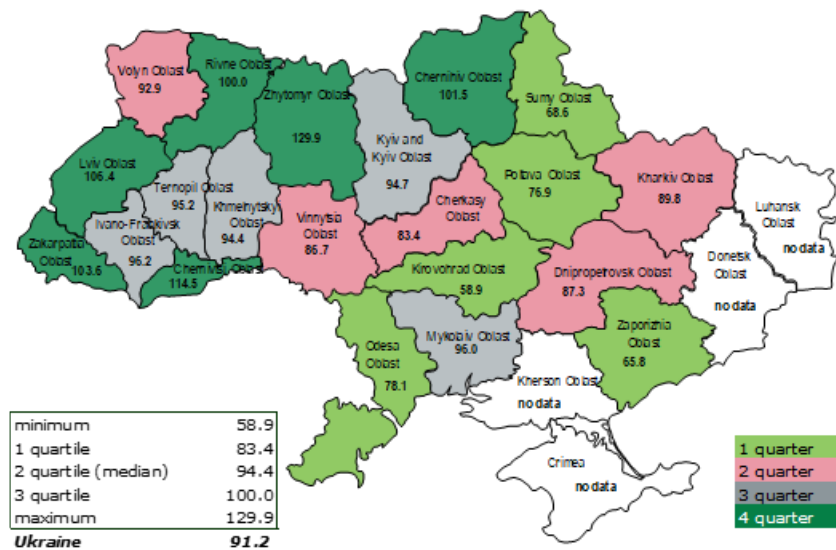
- **Companies assessed their current financial and economic standings as bad:** the balance of responses was (-41.7%) as in the previous quarter. Across Ukraine, the balance of responses was (-16.9%).
- **Finished goods stocks continued to be assessed as lower than normal:** the balance of responses was (-33.3%), compared to (-44.4%) in Q4 2022.
- **Companies had sufficient production capacity to meet any unexpected rise in demand:** the balance of responses was 25.0%, as in Q4 2022.

Survey Details<sup>1,2</sup>



- Period: 30 January through 28 February 2023.
- A total of 12 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 Oblasts<sup>3</sup>, %



<sup>3</sup>a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups  
<sup>3</sup>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 Sumy Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23
Financial and economic standings	-7,7	-20,0	-8,3	-25,0	-16,7
Total sales	-15,4	-60,0	-41,7	-33,3	-25,0
Investment in construction	-36,4	-62,5	-44,4	-66,7	-62,5
Investment in machinery, equipment, and tools	-18,2	-50,0	-63,6	-50,0	-36,4
Staff numbers	0,0	-50,0	-33,3	-33,3	-16,7

<sup>1</sup> This sample was generated in proportion to the contribution of each region and each economic activity to Ukraine's gross value added.

<sup>2</sup> Data for totals and components may be subject to rounding effects.

<sup>3</sup> 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

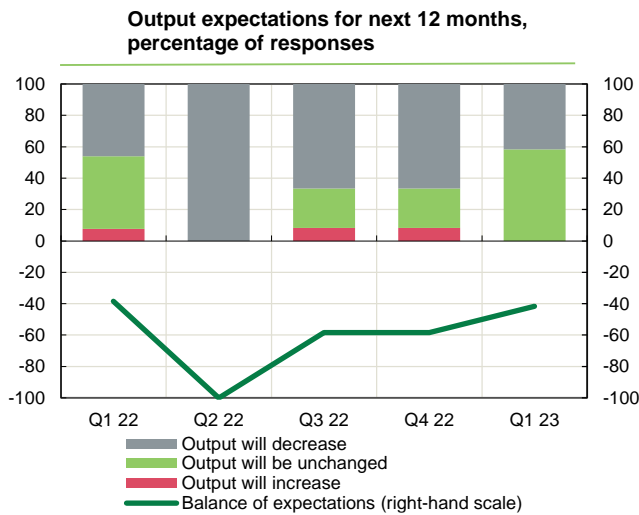


Figure 2

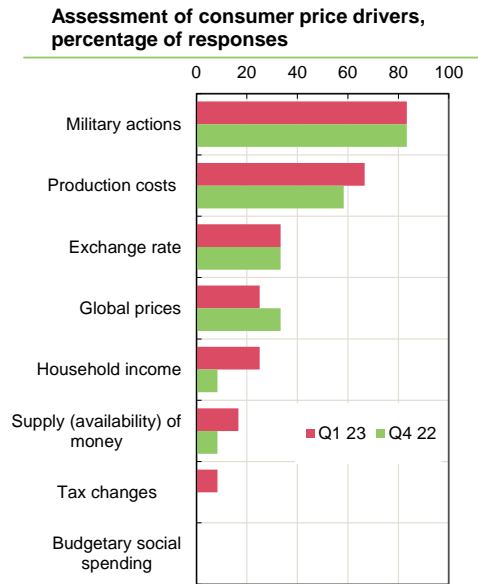


Figure 3

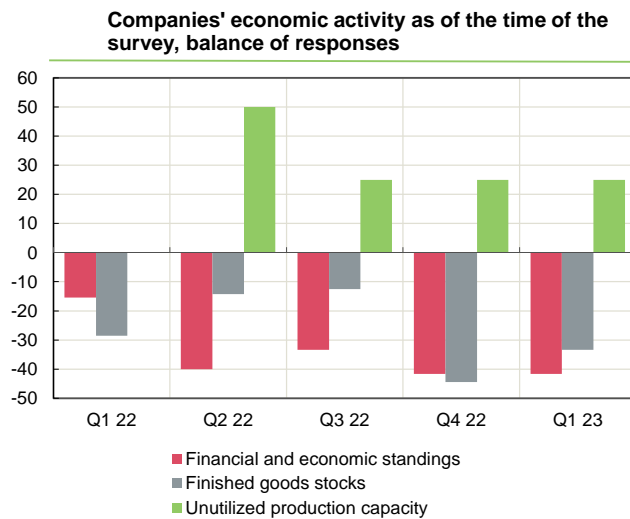


Figure 4

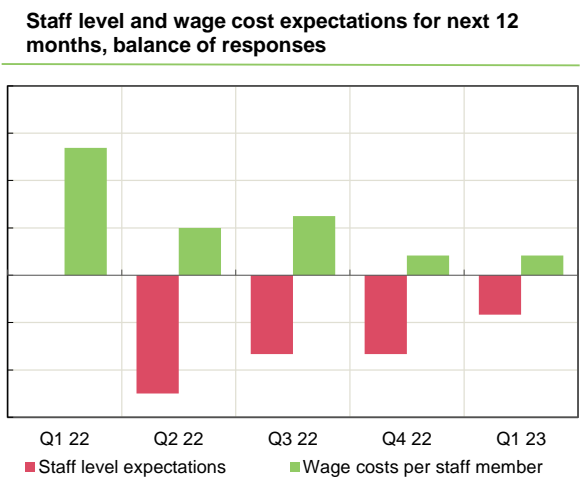


Figure 5

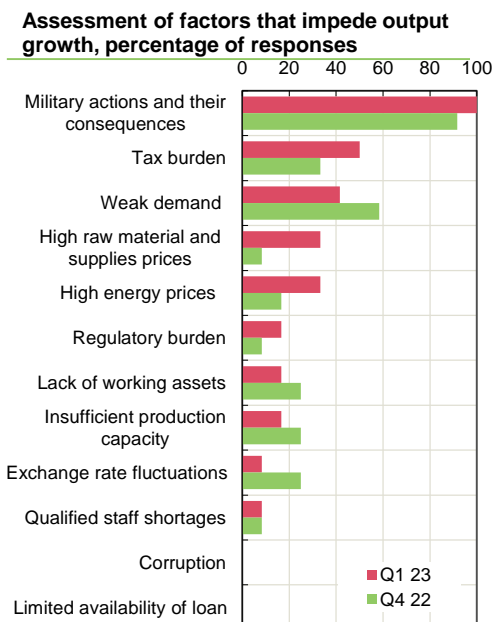


Figure 6

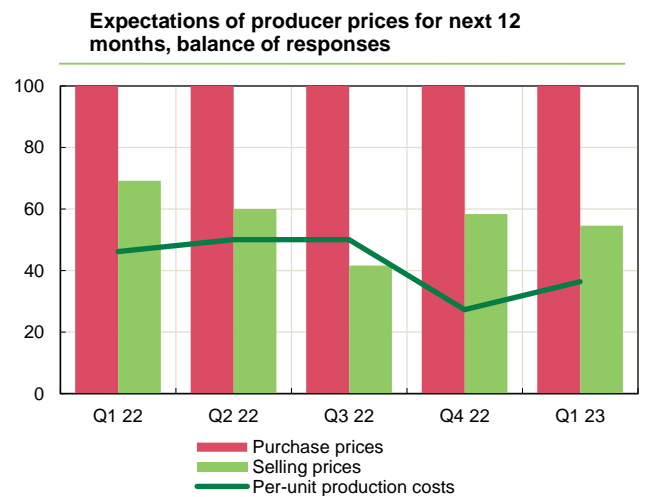


Figure 7

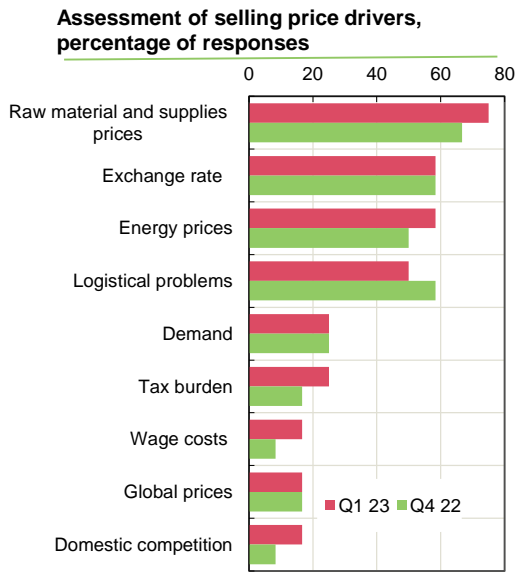


Figure 8

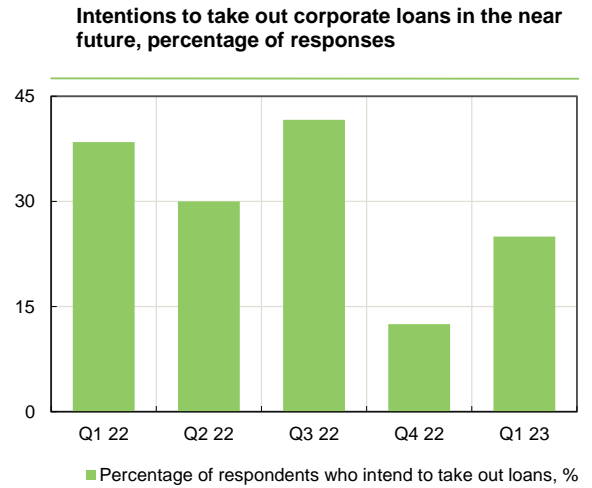


Figure 9

