National Bank of Ukraine

# Business Outlook Survey **of Sumy Oblast***

## Q2 2023


*This survey only reflects the opinions of respondents in Sumy oblast (top managers of companies) who were polled in Q2 2023, and does not represent NBU forecasts or estimates

**A survey of companies carried out in Sumy oblast in Q2 2023 showed that, despite the restoration of the energy system, the gradual revival of domestic demand and the strengthening of the hryvnia exchange rate, respondents continued to expect a decline in the output of Ukrainian goods and services** over the next 12 months. **They also had negative expectations for their companies' performance** over that period**.** Inflation and depreciation expectations weakened, but 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**: the balance of expectations was (-41.7%) (the strongest expectations of a decline in output among the regions), as in Q1 2023 (Figure 1). The balance of expectations across Ukraine was17.0%
- **prices for goods and services would rise at a slower pace:** 83.3% of respondents expected the inflation rate to be higher than 15.0% compared to 91.7% in the previous quarter and 53.4% across Ukraine. Respondents continued to refer to military actions (mentioned by all of the respondents), production costs and tax changes (the impact of this factor was reported to have increased markedly compared to the previous survey) as **the main inflation drivers** (Figure 2)
- **the hryvnia would depreciate more slowly:** 75.0% of respondents (compared to 90.9% in the previous quarter) expected the hryvnia to weaken against the U.S. dollar, the figure across Ukraine being 72.2%
- **the financial and economic standings of their companies would deteriorate**: the balance of expectations was (-25.0%), compared to (-16.7%) in Q1 2023 and 9.6% across Ukraine (see Table)
- **total sales would decrease at a faster pace:** the balance of responses was (-41.7%), down from (-25.0%) in the previous quarter. External sales were expected to drop more slowly, the balance of responses being (-20.0%) compared to (-40.0%) in Q1 2023 (see Table). Across Ukraine, the balances of responses were 14.5% and 10.9% respectively
- **investment in construction and in machinery, equipment, and tools would decrease more slowly:** the balances of responses were (-33.3%) and (-27.3%) respectively, compared to (-62.5%) and (-36.4%) in the previous quarter (see Table). Overall, across Ukraine, the balances of responses were (-2.3%) and 4.5% respectively
- **staff numbers at their companies would decrease**: the balance of responses was (-25.0%) (the firmest intentions to cut staff among the regions), down from (-16.7%) in the previous quarter. Across Ukraine, the balance of responses was (-3.8%) (Figure 4)
- **purchase prices would rise rapidly:** the balance of responses was 91.7% (compared to 100.0% in the previous quarter). At the same time, respondents expected **selling prices to rise more slowly**: the balance of responses was 41.7%, down from 54.5% in Q1 2023 (Figure 6). Raw material and supplies prices, the hryvnia exchange rate, and energy prices 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 50.0% and 8.3% respectively (compared to 36.4% 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), weak demand, the tax burden and high energy prices as the **main drags on their ability to boost production** (Figure 5).

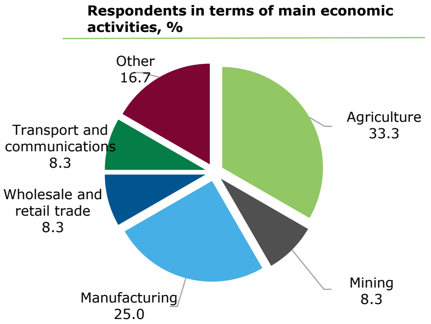
As in previous quarters, the respondents who planned to take out bank loans (the share of these respondents was 25.0%) opted only for domestic currency loans (Figure 8). Companies cited high loan rates, the availability of other funding sources and uncertainty about their ability to meet debt obligations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

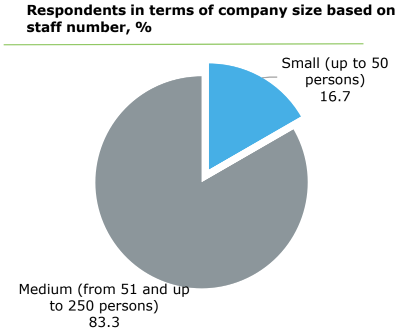
**91.7% of respondents said that they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (94.9% across Ukraine).

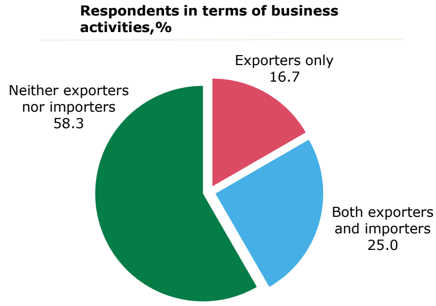
**Assessments of financial and economic standings as of the time of the survey** (Figure 3)

- **Companies assessed their current financial and economic standings as bad:** the balance of responses was (-25.0%), compared to (-41.7%) in the previous quarter. Across Ukraine, the balance of responses was (-11.1%).
- **Finished goods stocks continued to be assessed as lower than normal:** the balance of responses was (-22.2%), compared to (-33.3%) in Q1 2023.
- **Companies had sufficient production capacity to meet any unexpected rise in demand:** the balance of responses was 16.7%, down from 25.0% in Q1 2023.

## Survey Details[1,2]

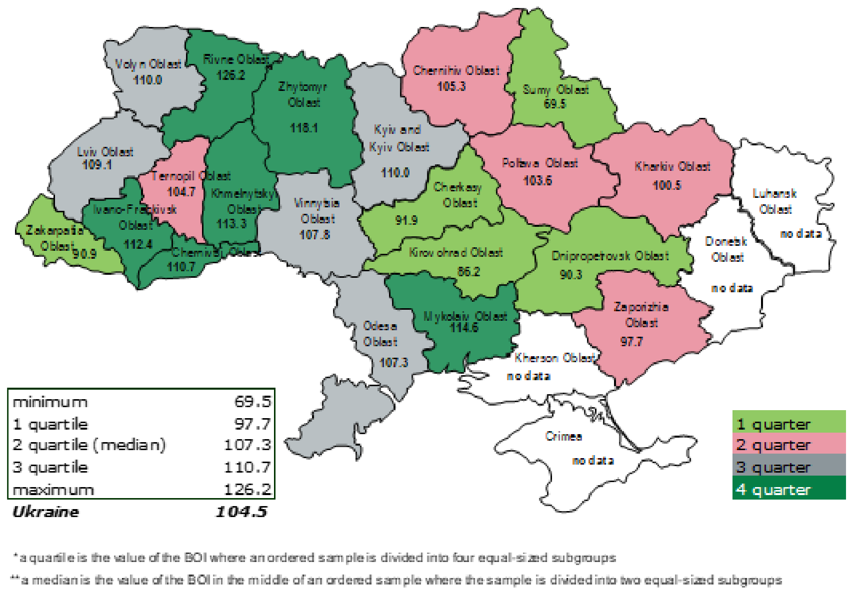



- Period: 4 May through 30 May 2023.
- A total of 12 companies were polled.
- A representative sample was generated on the basis of the agricultural sector.

## Business Outlook Index for Next 12 Months in Terms of Oblasts[3], %




## Table. The Business Outlook Index of Companies in Sumy Oblast and Its Components

| Expectations over next 12 months for | Balances of responses, % | | | | |
|---|---|---|---|---|---|
| | Q2 22 | Q3 22 | Q4 22 | Q1 23 | Q2 23 |
| Financial and economic standings | -20.0 | -8.3 | -25.0 | -16.7 | -25.0 |
| Total sales | -60.0 | -41.7 | -33.3 | -25.0 | -41.7 |
| Investment in construction | -62.5 | -44.4 | -66.7 | -62.5 | -33.3 |
| Investment in machinery, equipment, and tools | -50.0 | -63.6 | -50.0 | -36.4 | -27.3 |
| Staff numbers | -50.0 | -33.3 | -33.3 | -16.7 | -25.0 |

[1] This sample was generated in proportion to the contribution of each region 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

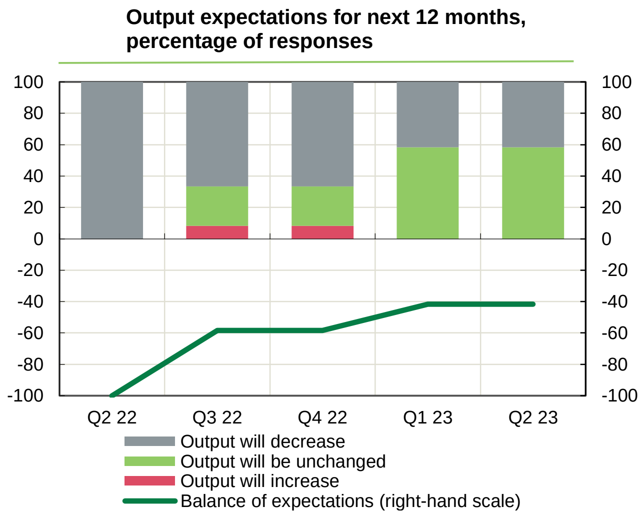



Figure 2

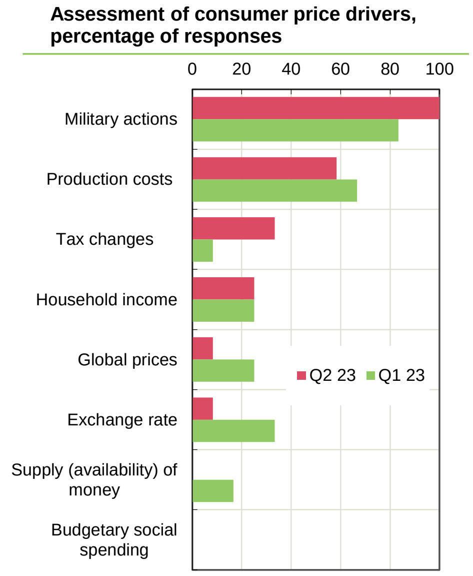



Figure 3

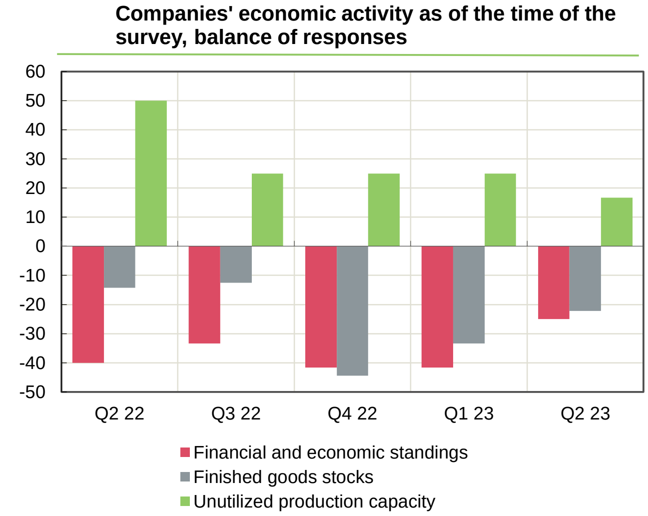



Figure 4


Figure 5

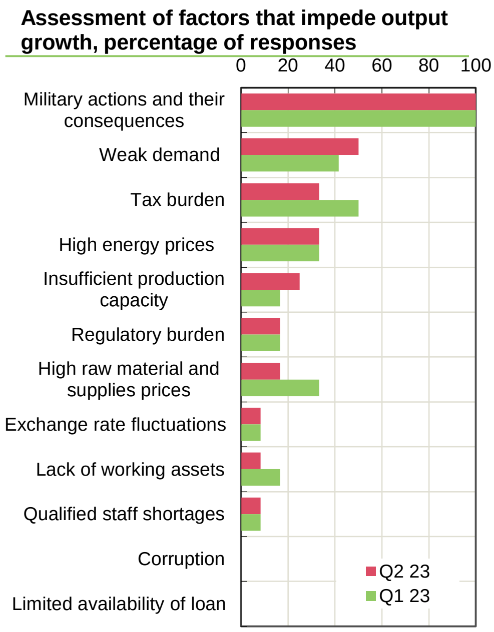



Figure 6

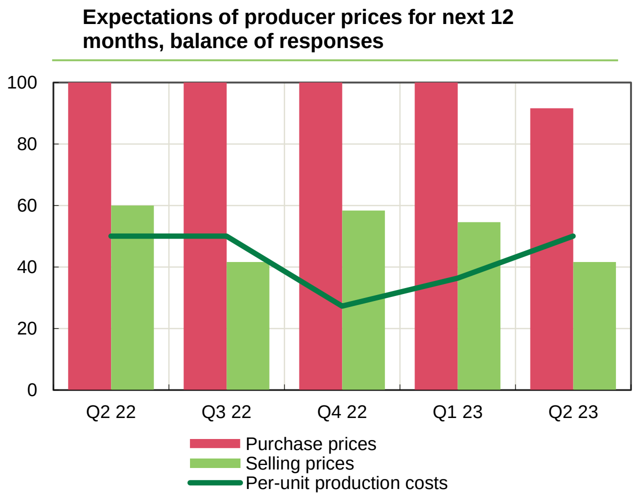


Figure 7

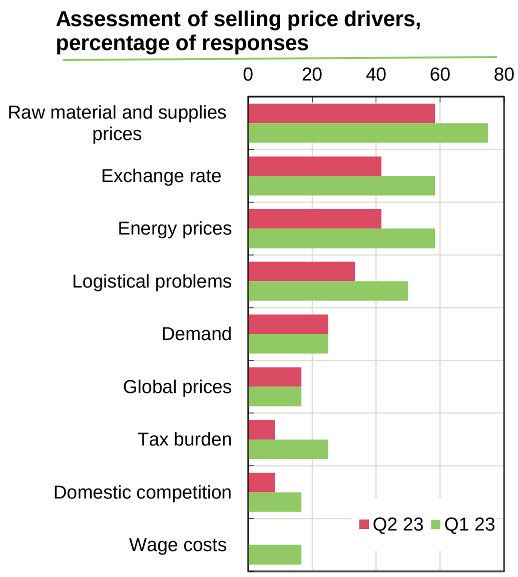



Figure 8

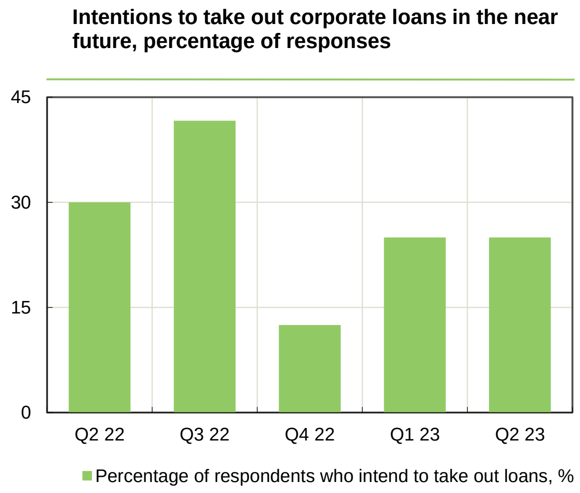



Figure 9