National Bank
of Ukraine

Business Outlook Survey **of Sumy Oblast***

Q1 2024

*This survey only reflects the opinions of respondents in Sumy 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 Sumy oblast in Q1 2024 showed that, on the back of security risks and logistical difficulties with crossing the border, respondents expected a drop in the output of Ukrainian goods and services over the next 12 months. **They had negative expectations for their companies' performance** over that period**.** Inflation and 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 at a faster pace**: the balance of expectations was (-46.2%) (the dimmest expectations across the region), down from (-8.3%) in Q4 2023 (Figure 1). The balance of expectations across Ukraine was 8.5%
- **prices for goods and services would rise more quickly:** 61.5% of respondents expected the inflation rate to be higher than 10.0%, compared to 38.5% in the previous quarter and compared to 51.6% across Ukraine. Respondents referred to military actions (reported by all those surveyed), production costs and global prices (the impact of this factor was reported to have increased significantly compared to the previous quarter) as **the main inflation drivers** (Figure 2)
- **the hryvnia would depreciate:** 84.6% of respondents (compared to 66.7% in the previous quarter) expected the hryvnia to weaken against the U.S. dollar, the figure across Ukraine being 81.1%
- **the financial and economic standings of their companies would deteriorate:** the balance of expectations was (-7.7%), compared to 7.7% in Q4 2023. Overall, across Ukraine, the balance of responses was 3.7% (see Table)
- **total sales would increase at a slower pace:** the balance of responses was 7.7%, compared to 25.0% in Q4 2023. At the same time, respondents expected that external sales would decrease significantly: the balance of responses was (-25.0%), down from 16.7% in the previous quarter (see Table). Across Ukraine, the balances of responses were 10.6% and 6.8% respectively
- **investment in construction and in machinery, equipment, and tools would continue to decrease:** the balances of responses were (-40.0%) and (-10.0%) respectively, compared to (-30.0%) and (-20.0%) in the previous quarter (see Table). Overall, across Ukraine, the balances of responses were (-1.5%) and 8.3% respectively
- **staff numbers at their companies would decrease**: the balance of responses (-8.3%), down from 7.7% in the previous quarter. Across Ukraine, the balance of responses was (-6.3%) (Figure 4)
- **purchase prices would rise at a faster pace and selling prices would rise:** the balances of responses were 92.3% and 23.1% respectively (compared to 76.9% and 23.1% in the previous quarter) (Figure 6). Raw material and supplies prices, logistical problems and the hryvnia exchange rate were cited as the main selling price drivers (Figure 7)
- **per-unit production costs would rise more quickly and wage costs would rise:** the balances of responses were 72.7% and 46.2% (compared to 58.3% and 46.2% in Q4 2023) (Figure 4 and 6).

The companies surveyed named military actions and their consequences (reported by all those surveyed), weak demand and high energy prices as the **main drags on their ability to boost production** (Figure 5).

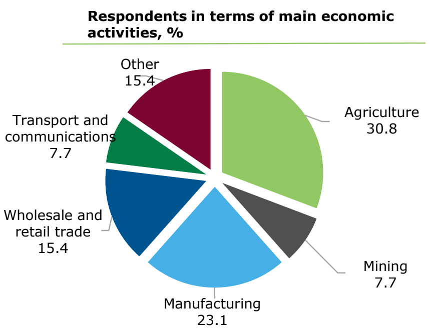
As in previous quarters, the respondents who planned to take out bank loans opted for domestic currency loans (Figure 8). Companies cited high loan rates, uncertainty about their ability to meet debt obligations as they fall due, and the availability of other funding sources as the main factors deterring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

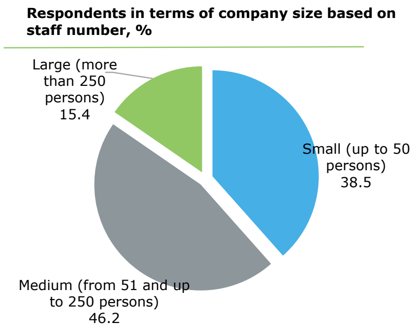
All of the respondents said that they had encountered no difficulties in effecting transactions with funds deposited in bank accounts (96.3% across Ukraine).

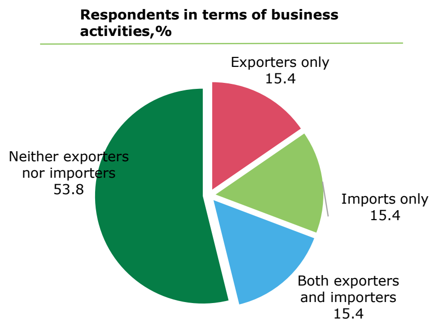
Assessments of financial and economic standings as of the time of the survey (Figure 3)

- **Companies assessed their current financial and economic standings as bad:** the balance of responses was (-30.8%) (among the dimmest assessments across the region), compared to (-7.7%) in the previous quarter. Across Ukraine, the balance of responses was (-1.4%).
- **Finished goods stocks were assessed at normal levels:** the balance of responses was 0.0% compared to (-20.0%) in Q4 2023.
- **Companies had sufficient unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 15.4%, down from 41.7% in Q4 2023.

Survey Details[1,2]

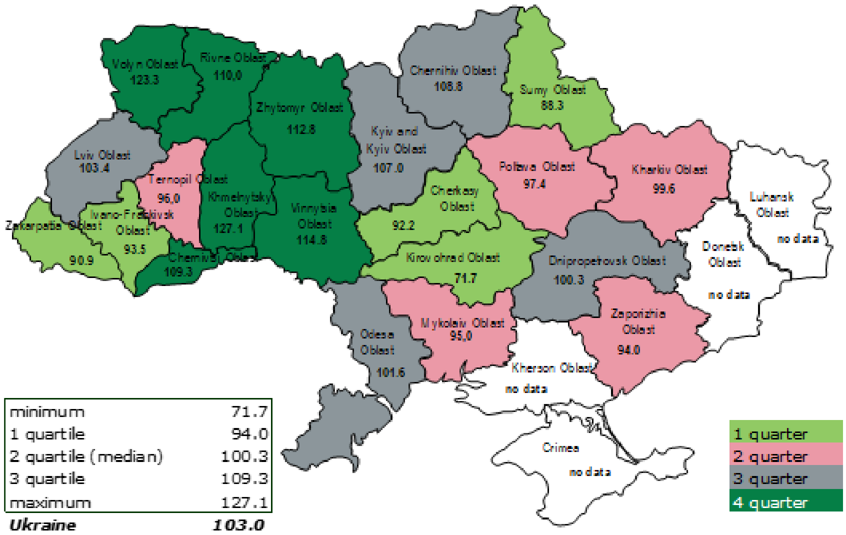






- Period: 1 February through 26 February 2024.
- A total of 13 companies were polled.
- A representative sample was generated on the basis of the agricultural sector.

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



*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 Sumy 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	-16.7	-25.0	-33.3	7.7	-7.7
Total sales	-25.0	-41.7	-41.7	25.0	7.7
Investment in construction	-62.5	-33.3	-22.2	-30.0	-40.0
Investment in machinery, equipment, and tools	-36.4	-27.3	-20.0	-20.0	-10.0
Staff numbers	-16.7	-25.0	-33.3	7.7	-8.3

[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

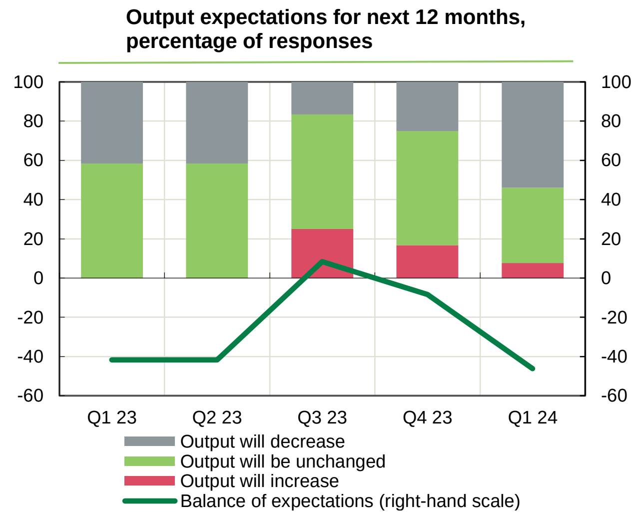


Figure 2

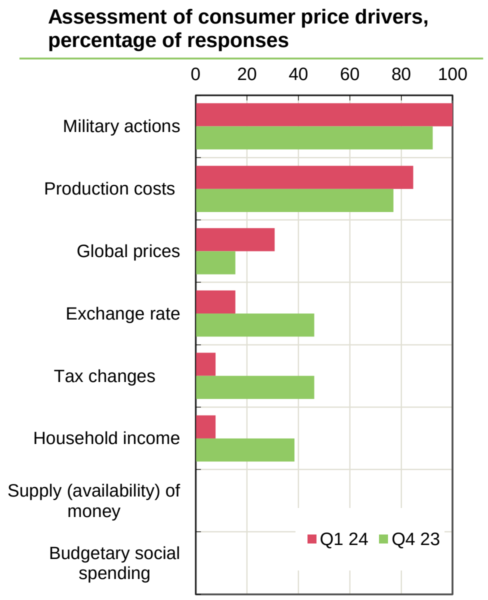


Figure 3

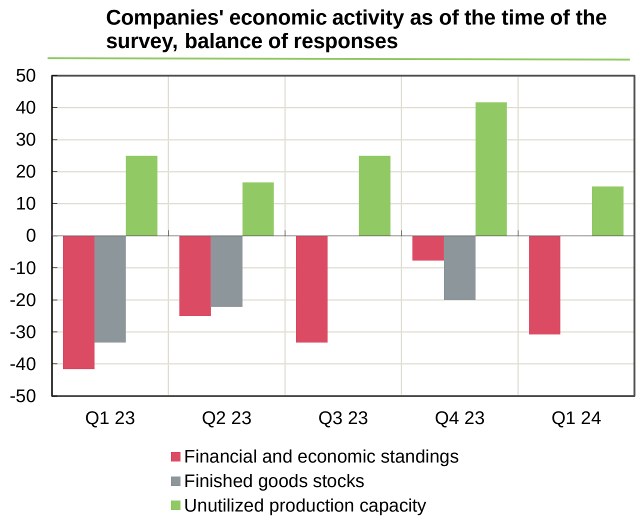


Figure 4

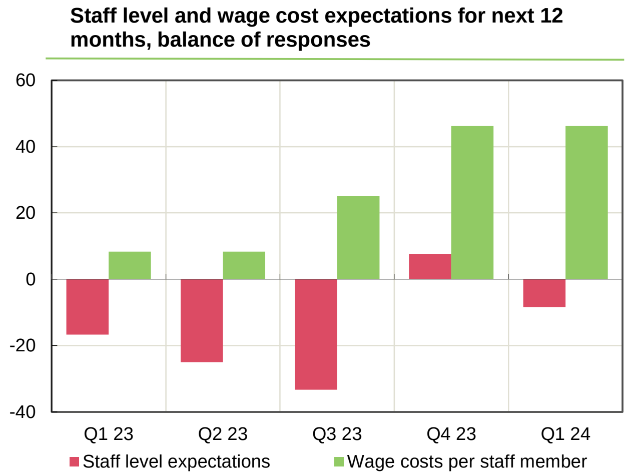


Figure 5

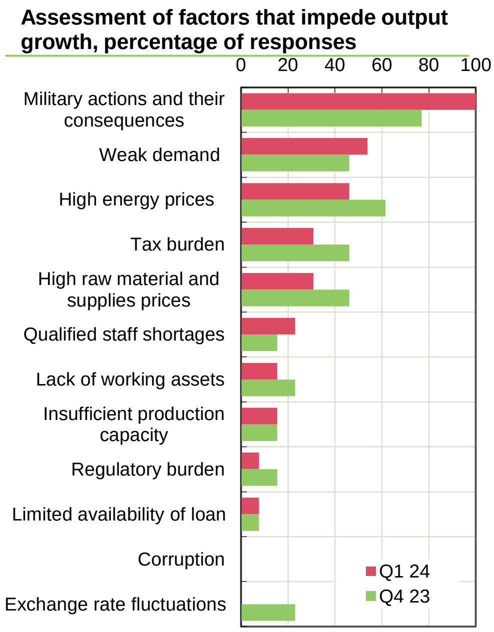


Figure 6

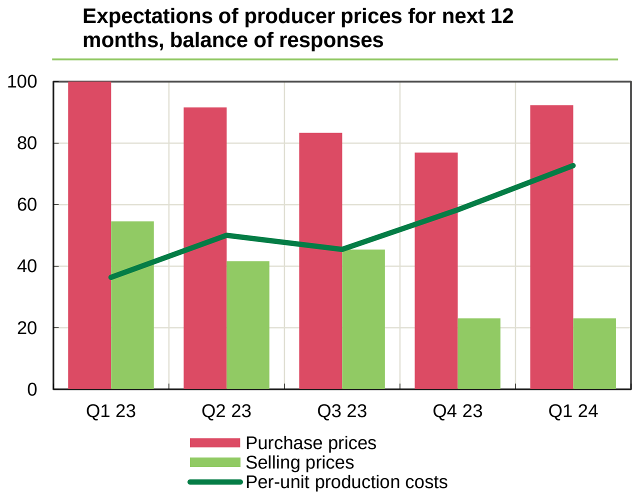


Figure 7

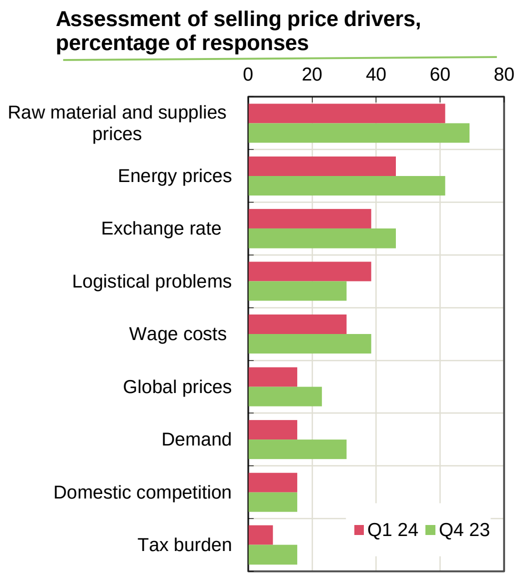


Figure 8

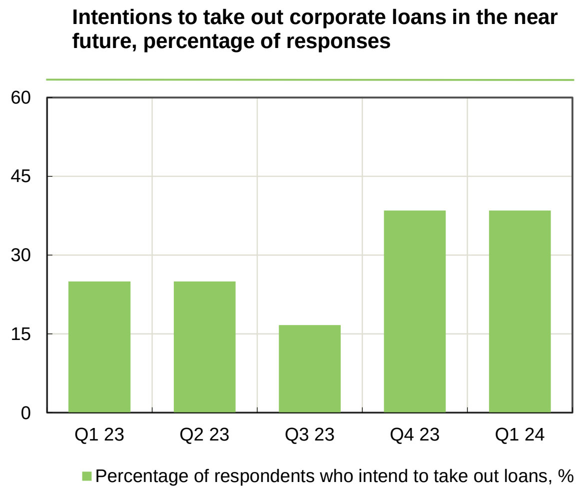


Figure 9