



National Bank
of Ukraine

Business Outlook Survey of Chernivtsi Oblast*

Q1 2023



*This survey only reflects the opinions of respondents in Chernivtsi 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 **Chernivtsi oblast** in Q1 2023 showed that, despite of the prolonged hostilities and massive attacks on civilian infrastructure, respondents expected that the output of Ukrainian goods and services would increase. They had positive expectations for the performance of their companies over the next 12 months. Respondents expected higher inflation. 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 increase:** the balance of expectations was 30.0% (one of the highest figures seen among the regions), up from (-30.0%) in Q4 2022 and (-16.7%) across Ukraine (Figure 1)
- **prices for consumer goods and services would grow at a faster pace:** a total of 60.0% of respondents expected that inflation would not exceed 20.0%, compared to 70.0% in the previous survey and 46.8% across Ukraine. Respondents referred to military actions, production costs, and the hryvnia exchange rate as the main inflation drivers (Figure 2)
- **the domestic currency would depreciate:** 72.7% of respondents (down from 80.0% 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 improve at a faster pace:** the balance of expectations was 27.3% (the highest figure among the regions reported for four quarters running), up from 10.0% in Q4 2022. The balance across Ukraine was (-2.5%) (see Table)
- **total sales would increase:** the balance of responses was 9.1%, compared to (-10.0%) in Q4 2022. Across Ukraine, the balance of responses was 2.8% (see Table)
- **investment in construction and in machinery, equipment, and tools would rise:** the balances of responses were 27.3% and 18.2% respectively, up from (-10.0%) for each in the previous quarter). The balances of responses across Ukraine were (-17.8%) and (-10.3%) respectively
- **staff numbers would decrease more slowly:** the balance of responses was (-9.1%), compared to (-22.2%) in Q4 2022. Across Ukraine, the balance of responses was (-16.4%) (Figure 4)
- **purchase and selling prices would grow at a fast pace:** the balances of responses were 100.0% and 70.0% respectively (compared to 90.0% and 70.0% in Q4 2022) (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)
- **per-unit production costs and wage costs per staff member would grow more slowly:** the balances of responses were 40.0% and 27.3% respectively, down from 77.8% and 50.0% respectively in Q4 2022 (Figures 4 and 6).

Respondents referred to military actions and their consequences, high energy prices, and a lack of working capital (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).

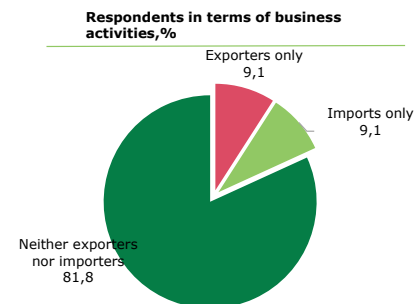
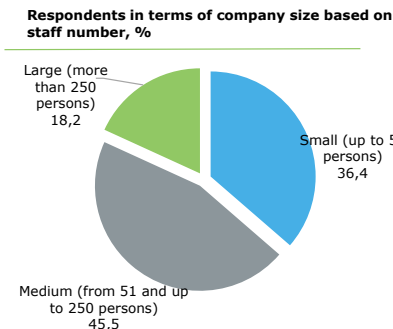
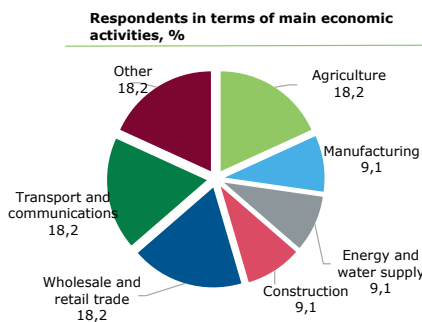
Respondents reported **weaker expectations of an increase in their borrowing needs** in the near future. Respondents who planned to take out loans (27.3%) opted for domestic currency loans only (Figure 8). Respondents said that bank lending conditions had tightened (Figure 9). Respondents cited availability of other funding sources, high loan rates, and complicated paperwork 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** (94.7% across Ukraine).

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

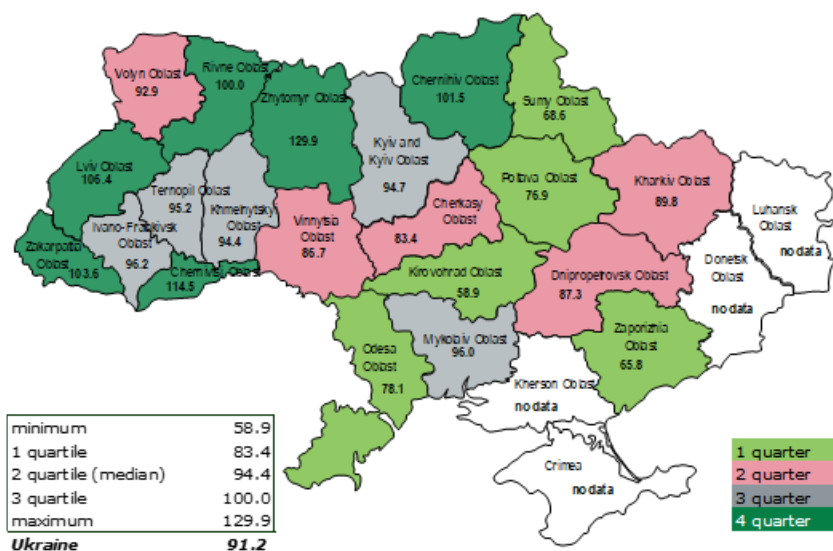
- **Companies said that their current financial and economic standings were assessed as satisfactory:** the balance of responses was 0.0%, compared to (-10.0%) in the previous quarter. Across Ukraine, the balance of responses was (-16.9%).
- **Finished goods stocks were assessed as lower than normal:** the balance of responses was (-25.0%), compared to (-50.0%) in Q4 2022.
- **Companies had sufficient production capacity to meet any unexpected rise in demand:** the balance of responses was 10.0%, compared to 33.3% in Q4 2022.

Survey Details^{1,2}



- Period: 6 February through 23 February 2023.
- 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 Oblasts³, %



*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, %				
	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23
Financial and economic standings	40,0	10,0	20,0	10,0	27,3
Total sales	55,6	0,0	20,0	-10,0	9,1
Investment in construction	11,1	-36,4	-20,0	-10,0	27,3
Investment in machinery, equipment, and tools	22,2	-45,5	10,0	-10,0	18,2
Staff numbers	22,2	-18,2	-10,0	-22,2	-9,1

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

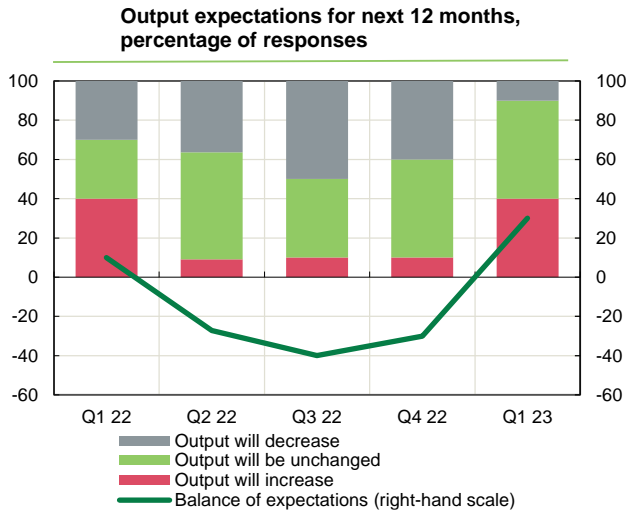


Figure 2

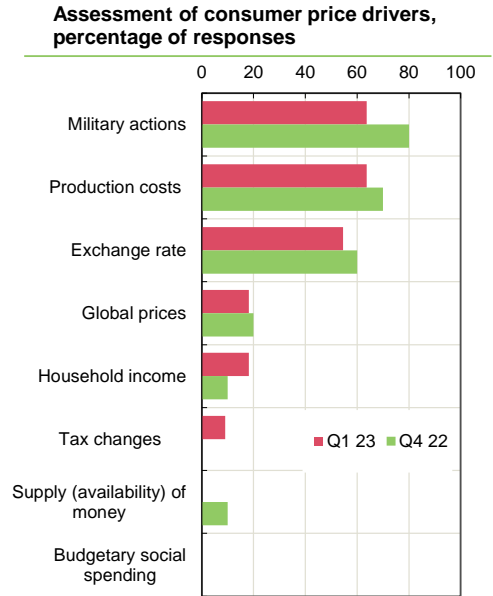


Figure 3

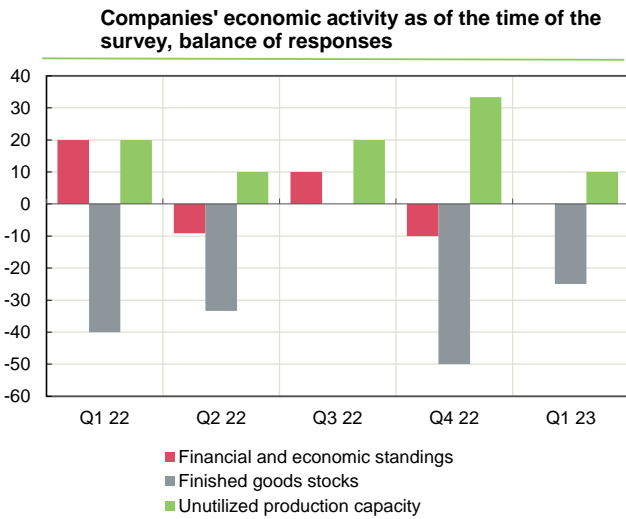


Figure 4



Figure 5

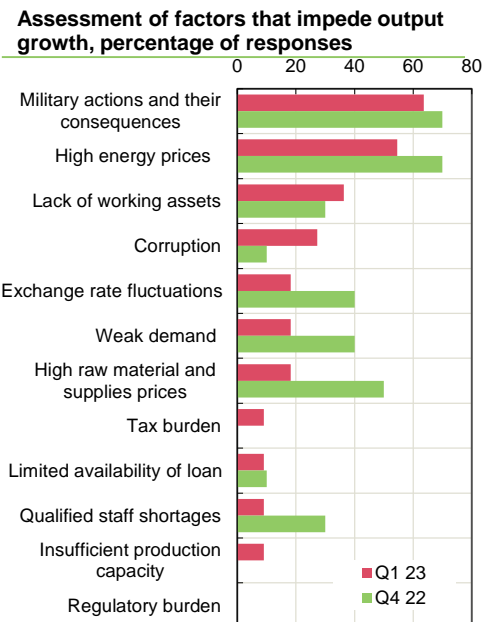


Figure 6

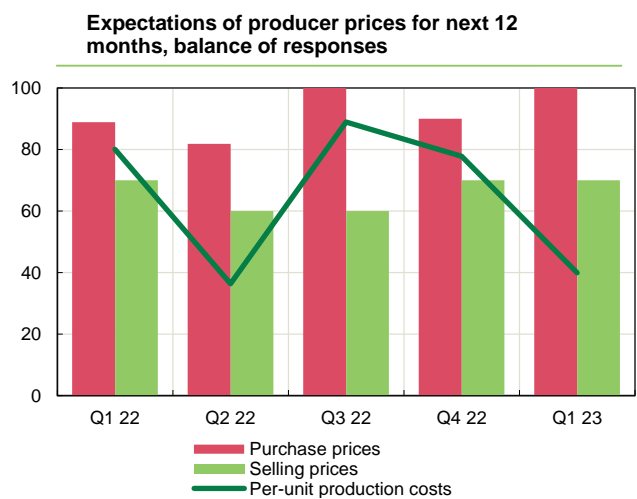


Figure 7

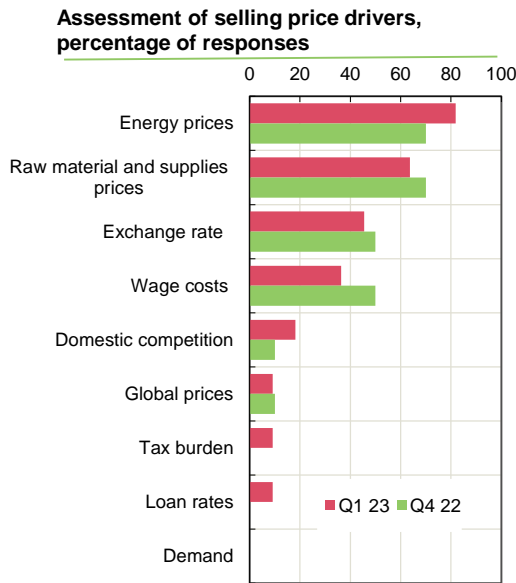


Figure 8

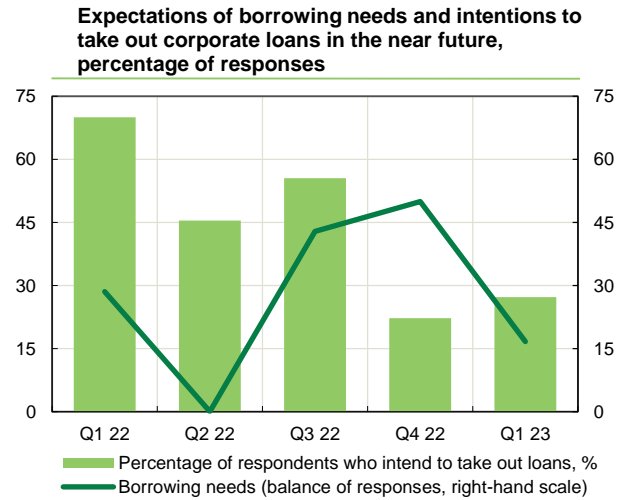


Figure 9

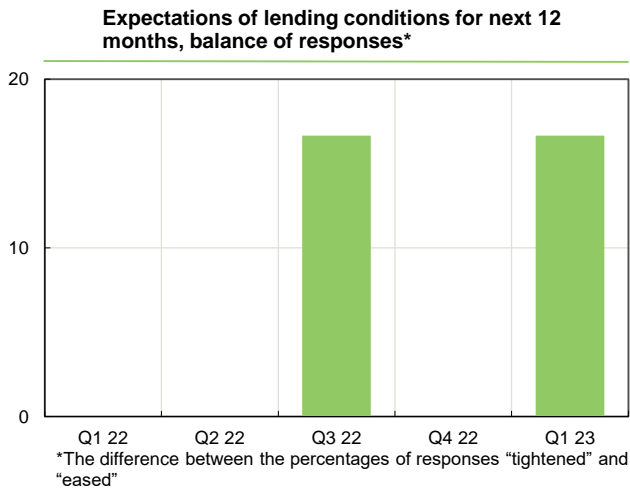


Figure 10

