National Bank of Ukraine

Business Outlook Survey **of Volyn Oblast***

Q1 2024

*This survey only reflects the opinions of respondents in Volyn 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 Volyn oblast in Q1 2024 showed that, despite logistical difficulties with crossing the border and qualified staff shortages, respondents expected the output of Ukrainian goods and services to increase. They also had positive expectations for their companies' performance over the next 12 months. Inflation and 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 at a faster pace**: the balance of responses was 83.3% (these highest expectations of output growth across the regions have been reported for three quarters in a row), up from 63.6% in the previous quarter (Figure 1). Across Ukraine, the balance of responses was 8.5%
- **prices for consumer goods and services would rise**: 75.0% of respondents expected that inflation would not exceed 10.0%, as in the previous quarter and compared to 48.4% 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:** 81.8% of respondents, compared to 83.3% in the previous quarter, expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 81.8%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 16.7%, compared to 0.0% in the previous quarter (see Table) and 3.7% across Ukraine
- **total sales would increase at a fast pace:** the balance of responses was 66.7% (compared to 0.0% in Q4 2023) (see Table). The balance of responses across Ukraine was 10.6%
- **investment in machinery, equipment, and tools would increase:** the balance of responses was 25.0%, up from (-18.2%) in Q4 2023. Meanwhile, investment in construction was expected to remain unchanged: the balance of responses was 0.0%, compared to (-18.2%) in the previous quarter (see Table). Across Ukraine, the balances of responses were 8.3% and (-1.5%) respectively
- **staff numbers at their companies would increase**: the balance of responses was 8.3%, up from (-25.0%) in Q4 2023 (Figure 4). Overall, across Ukraine the balance of responses was (-6.3%)
- **purchase prices would grow more rapidly than selling prices:** the balances of responses were 91.7% and 66.7% respectively (compared to 83.3% and 58.3% in the previous quarter) (Figure 6). Raw material and supplies prices, wage costs (the impact of this factor was reported to have increased) and demand were referred to as the main selling price drivers (Figure 7)
- **wage costs per staff member and per-unit production costs would rise more quickly:** the balances of responses were 81.8% and 72.7% respectively (compared to 66.7% for each in the previous quarter) (Figures 4 and 6).

Companies cited military actions and their consequences, qualified staff shortages (the impact of this factor was reported to have increased compared to the previous quarter), high raw material and supplies prices, and energy prices as **the main drags on their ability to boost production** (Figure 5).

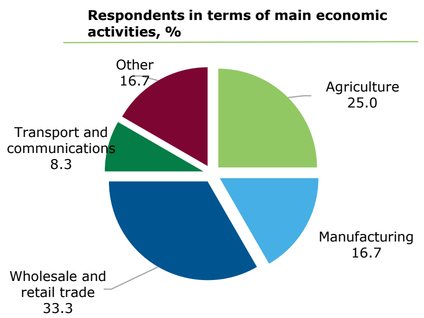
Companies reported **significantly firmer expectations of an increase in their borrowing needs** in the near future (Figure 8). The share of respondents who planned to take out bank loans increased to 41.7%. All of these respondents said they would only opt for domestic currency loans. Respondents cited other funding sources, high loan rates and uncertainty about ability to meet debt obligations as they fall due as the main factor deterring them from taking out loans (Figure 9).

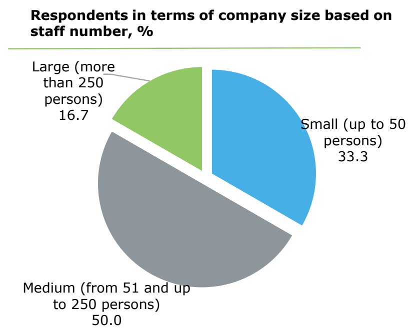
All of the respondents said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.3% across Ukraine).

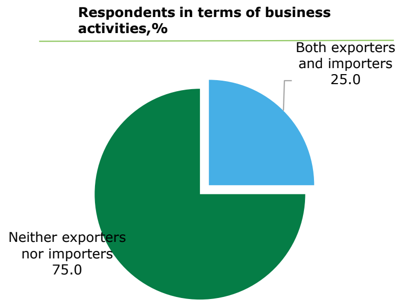
Assessments of financial and economic standings as of the time of the survey (Figure 3)

- **Companies' current financial and economic standings had deteriorated and were assessed as bad:** the balance of responses was (-8.3%), compared to 0.0% in Q4 2023 and (-1.4%) across Ukraine.
- **Finished goods stocks were assessed at lower than normal levels**: the balance of responses was (-16.7%), compared to (-14.3%) in Q4 2023.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand**: the balance of responses was 9.1%, up from (-25.0%) in Q4 2023.

Survey Details[1,2]

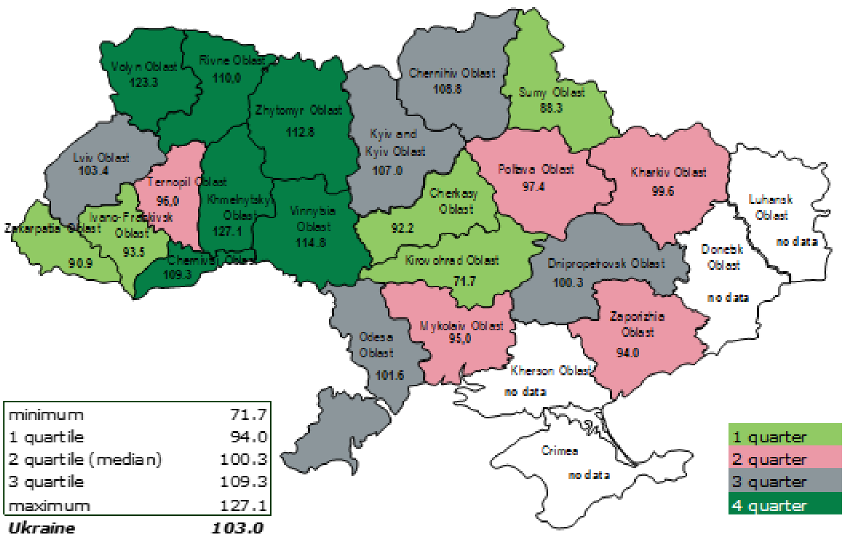






- Period: 31 January through 22 February 2024.
- A total of 12 companies were polled.
- A representative sample was generated on the basis of the trade sector.

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 Volyn 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	-8.3	8.3	16.7	0.0	16.7
Total sales	25.0	33.3	41.7	0.0	66.7
Investment in construction	-27.3	-22.2	-18.2	-18.2	0.0
Investment in machinery, equipment, and tools	0.0	22.2	9.1	-18.2	25.0
Staff numbers	-25.0	8.3	-25.0	-25.0	8.3

[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

Output expectations for next 12 months, percentage of responses

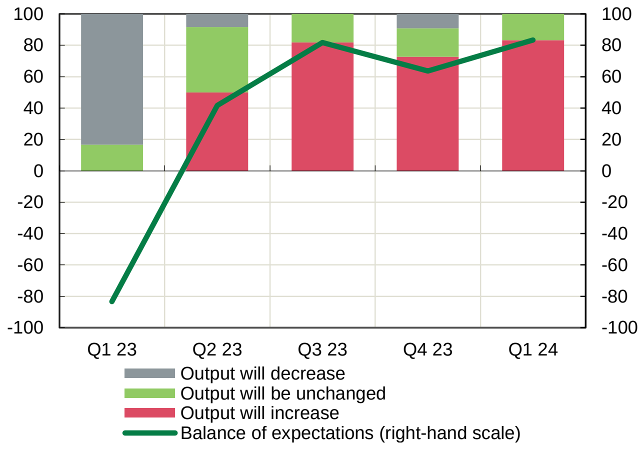


Figure 2

Assessment of consumer price drivers, percentage of responses

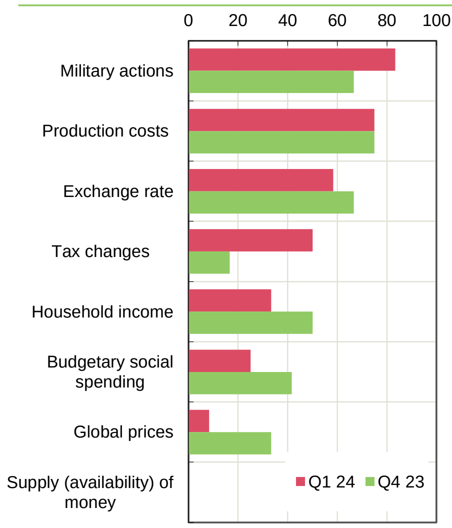


Figure 3

Companies' economic activity as of the time of the survey, balance of responses

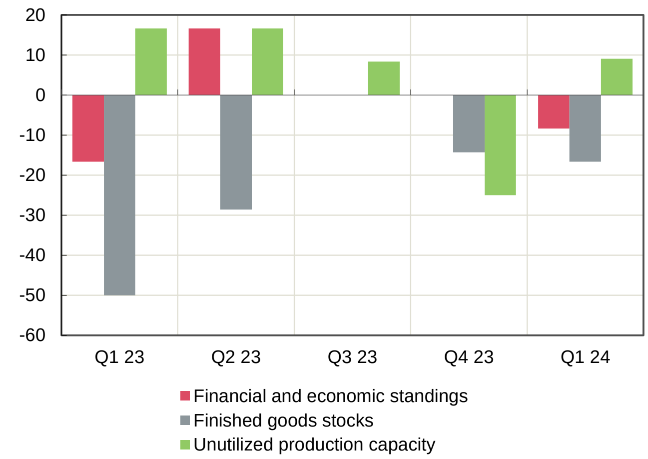


Figure 4

Staff level and wage cost expectations for next 12 months, balance of responses

Figure 5

Assessment of factors that impede output growth, percentage of responses

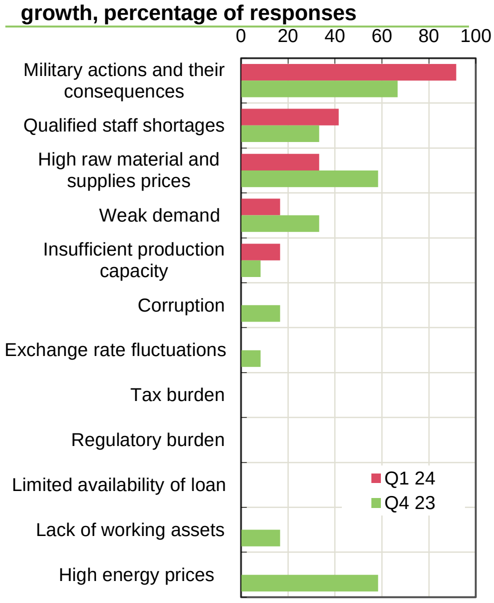


Figure 6

Expectations of producer prices for next 12 months, balance of responses

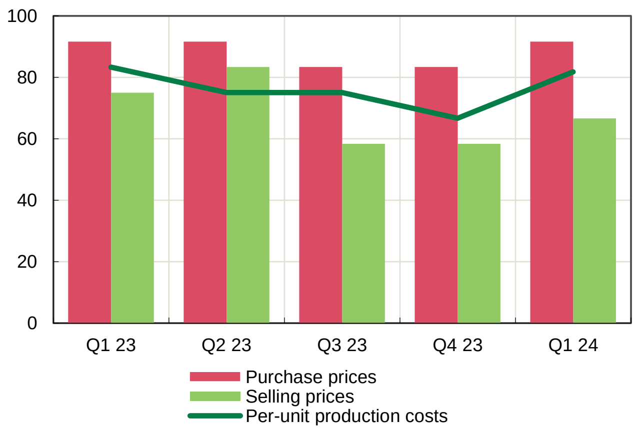


Figure 7

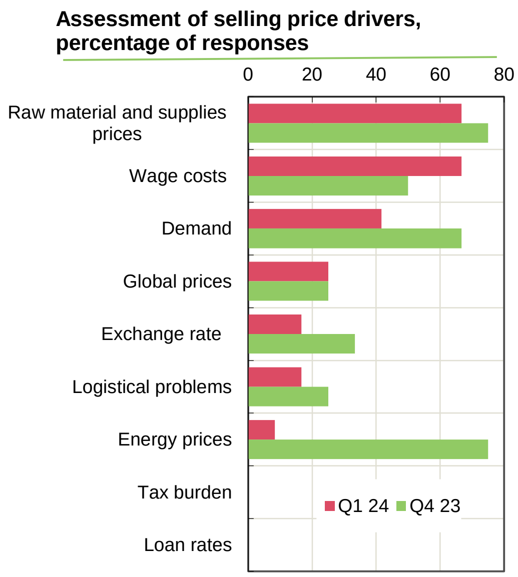


Figure 8

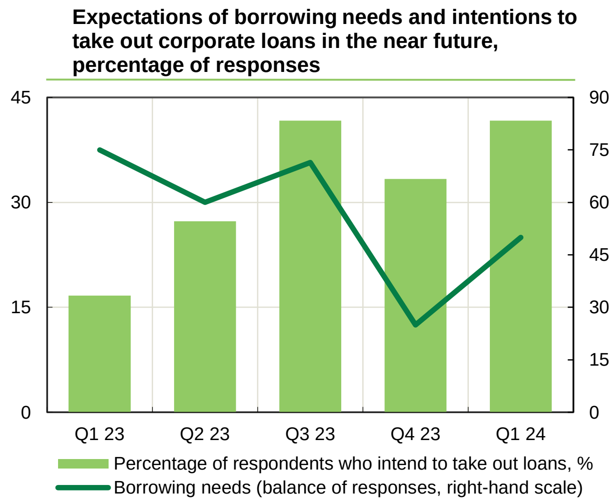


Figure 9