



National Bank
of Ukraine

Business Outlook Survey of **Kyiv and Kyiv Oblast***

Q3 2023



*This survey only reflects the opinions of respondents in Kyiv and Kyiv oblast (top managers of companies) who were polled in Q3 2023, and does not represent NBU forecasts or estimates

A survey of companies carried out in Kyiv and Kyiv oblast in Q3 2023 shows that, on the back of a stable energy system, respondents expected growth in the output of Ukrainian goods and services over the next 12 months. Respondents also reported positive expectations for their companies' performance over this period. Inflation and depreciation expectations remained strong.

The top managers of companies said they expected that over the next 12 months:

- **the output of Ukrainian goods and services would increase more slowly:** the balance of responses was 7.3%, compared to 20.9% in Q2 2023 (Figure 1) and 9.8% across Ukraine. The most optimistic expectations were reported by construction companies (33.3%), while agricultural companies had the dimmest expectations, with a balance of responses of (-33.3%)
- **prices for consumer goods and services would rise:** 51.0% of respondents expected that the inflation rate would exceed 15.0%, compared to 55.4% in the previous quarter and 47.8% across Ukraine. Respondents continued to refer to military actions, the hryvnia exchange rate and production costs **as the main inflation drivers** (Figure 2)
- **the hryvnia would depreciate:** 75.6% of respondents, as in the previous quarter, expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 72.4%
- **the financial and economic standings of their companies would improve at a slower pace:** the balance of responses was 7.6% (compared to 21.7% in the previous quarter and 6.0% across Ukraine) (see Table). Respondents from transport and communications companies had the highest expectations (the balance of responses was 20.8%)
- **total sales would increase:** the balance of responses was 20.2%, compared to 21.3% in the previous quarter. External sales were expected to decrease moderately (the balance of responses was (-2.0%), compared to 9.1% in Q2 2023) (see Table). Across Ukraine, the balances of responses were 16.8% and 10.6% respectively
- **investment in machinery, equipment, and tools would increase:** the balance of responses was 8.9%, up from 6.6% in the previous quarter. Meanwhile, investment in construction was expected to drop moderately: the balance of responses was (-1.6%), compared to (-3.2%) in Q2 2023 (see Table). Across Ukraine, the balances of responses were 8.8% and (-2.2%) respectively
- **staff numbers would remain unchanged:** the balance of responses was 0.0%, compared to 3.5% in Q2 2023. Across Ukraine, the balance of responses was (-7.0%) (Figure 4). Respondents from agricultural companies had the dimmest expectations (the balance of responses was (-33.3%)). At the same time, respondents from energy and water supply companies reported intentions to expand their staff numbers (the balance of responses was 11.1%)
- **both purchase and selling prices would grow** at a fast pace: the balances of responses were 86.1% and 65.8% respectively (compared to 86.8% and 60.9% respectively in Q2 2023) (Figure 6). Respondents from construction and trading companies had the highest expectations of a rise in selling prices (the balances of responses were 75.0% and 79.5% respectively). Respondents cited the hryvnia exchange rate, energy prices, raw material and supplies prices as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would increase:** the balances of responses were 55.8% and 53.6% respectively (compared to 61.4% and 46.3% in the previous quarter) (Figures 4 and 6).

Respondents referred to military actions and their consequences, weak demand, high raw material and supplies prices and the tax burden as the **main drags on the ability of their companies to boost production** (Figure 5).

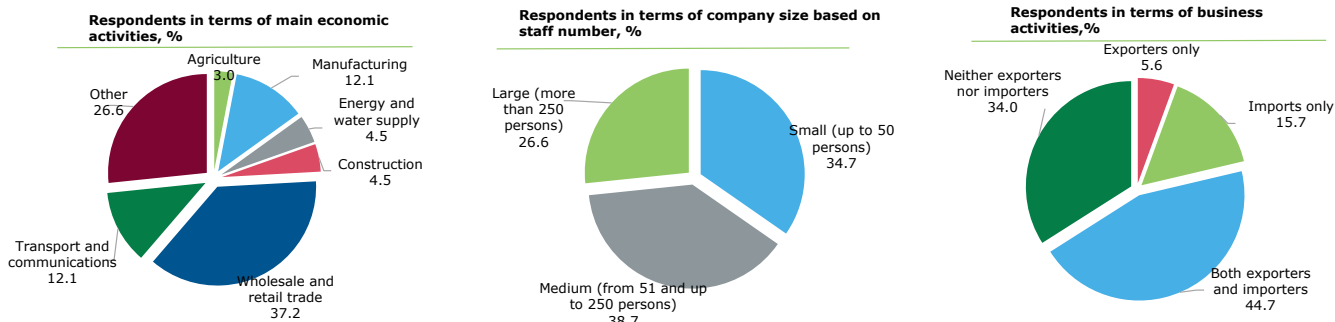
Respondents said that **their borrowing needs would increase** in the near future (Figure 9). The respondents who planned to take out loans (33.3% of those surveyed) usually opted for domestic currency ones. Respondents improved their assessments of bank lending standards, but still described these standards as tight (Figure 10). Companies referred to high interest rates, other funding sources and collateral requirements as the main factors deterring them from taking out loans (Figure 11).

A total of **91.2% 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)

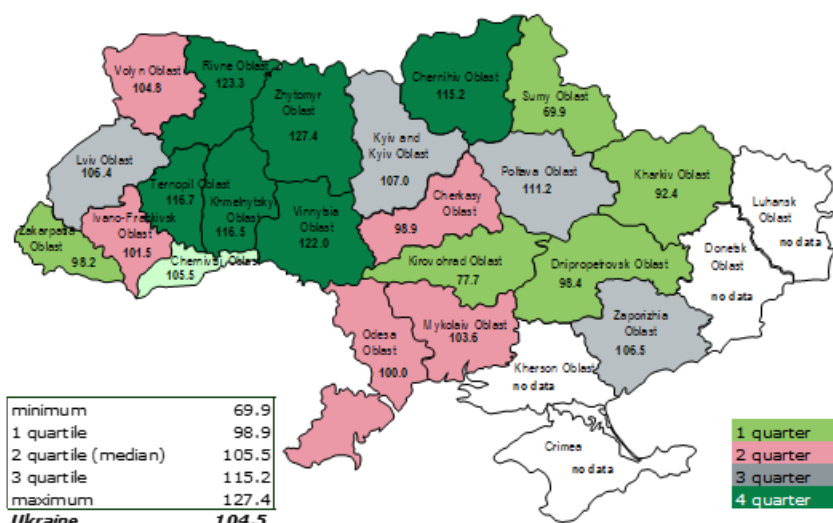
- **Companies said that their current financial and economic standings had improved and assessed these standings as good:** the balance of responses was 6.6% (compared to (-0.5%) in Q2 2023). The firmest assessments were reported by respondents from manufacturing companies (29.2%). Across Ukraine, companies assessed their economic and financial standings as bad (-5.8%).
- **Finished goods stocks were assessed at a level lower than the normal one:** the balance of responses was (-6.5%), compared to (-5.9%) in Q2 2023.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 8.3%, compared to 13.4% in Q2 2023.

Survey Details^{1,2}



- Period: 31 July through 27 August 2023.
- A total of 199 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, the manufacturing industry, energy and water supply, construction, trade, transport and communications, and other economic activities.

Business Outlook Index for Next 12 Months in Terms of Oblasts³, %



¹a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups
²a 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 Kyiv and Kyiv Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23
Financial and economic standings	-12.4	-4.4	2.0	21.7	7.6
Total sales	-5.4	-8.7	6.6	21.3	20.2
Investment in construction	-26.9	-20.7	-10.4	-3.2	-1.6
Investment in machinery, equipment, and tools	-26.1	-9.7	-8.1	6.6	8.9
Staff numbers	-21.7	-15.8	-16.5	3.5	0.0

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

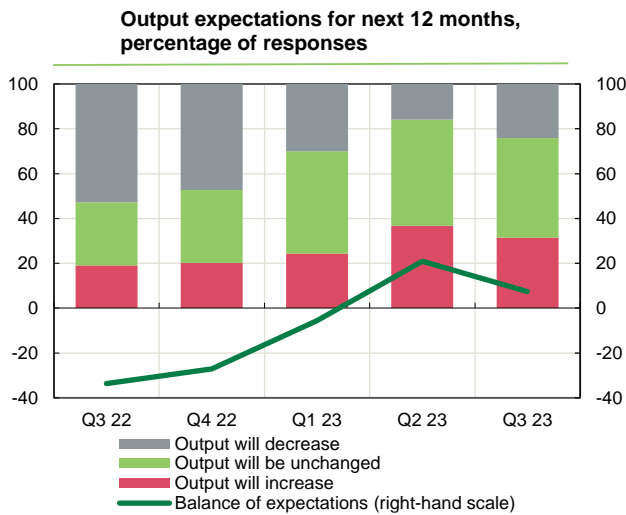


Figure 2

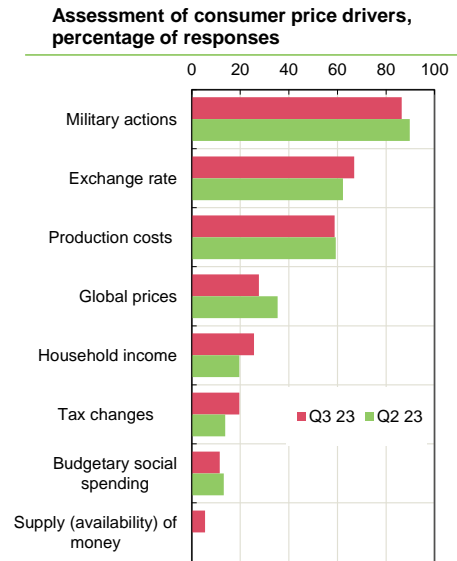


Figure 3

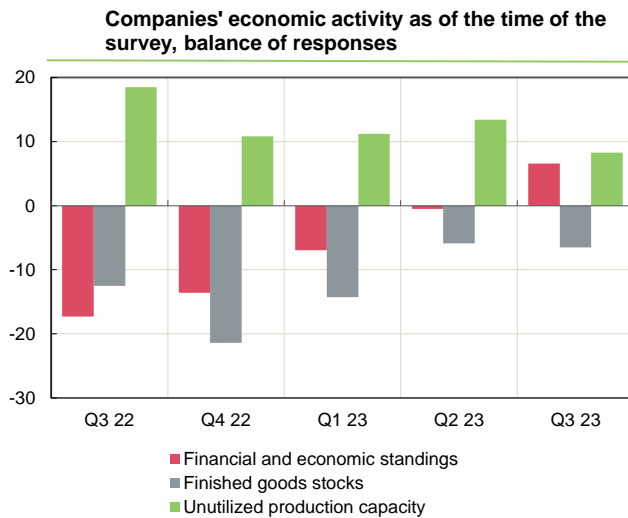


Figure 4



Figure 5

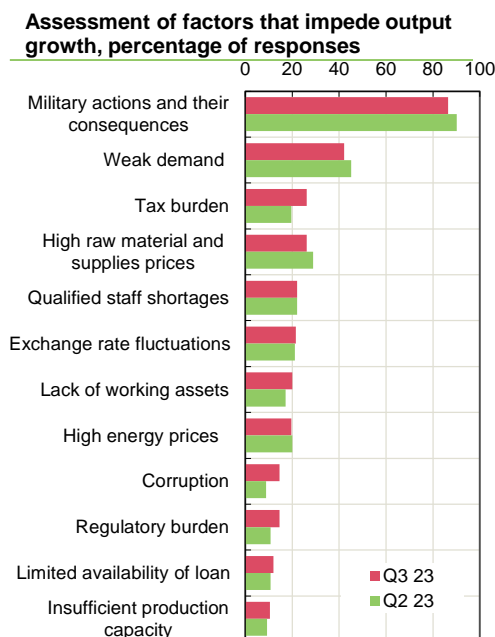


Figure 6

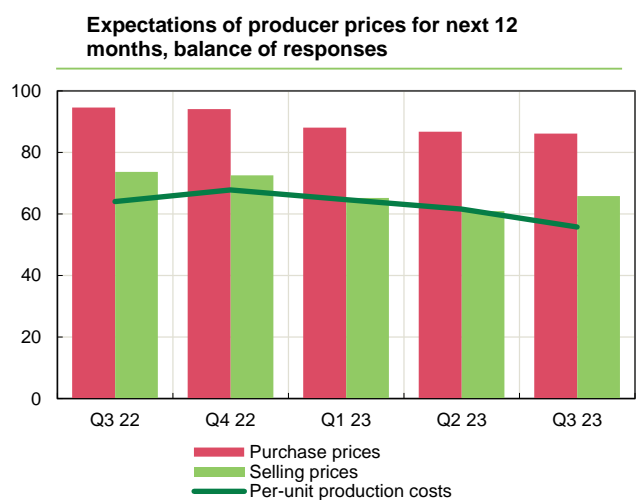


Figure 7

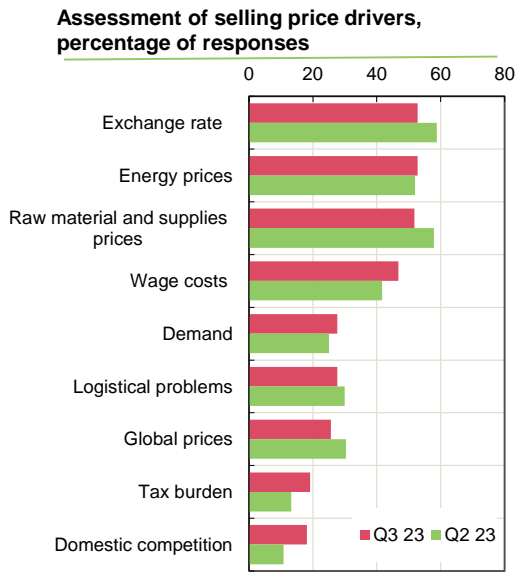


Figure 8

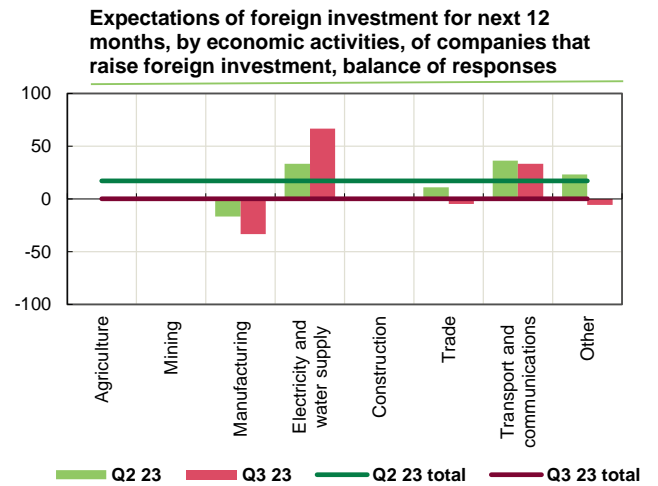


Figure 9

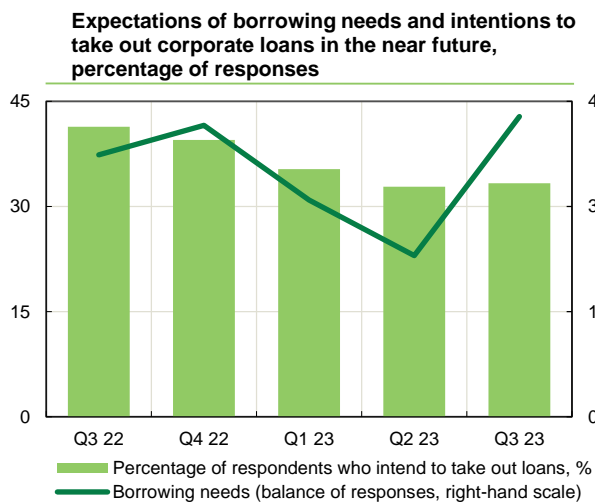


Figure 10

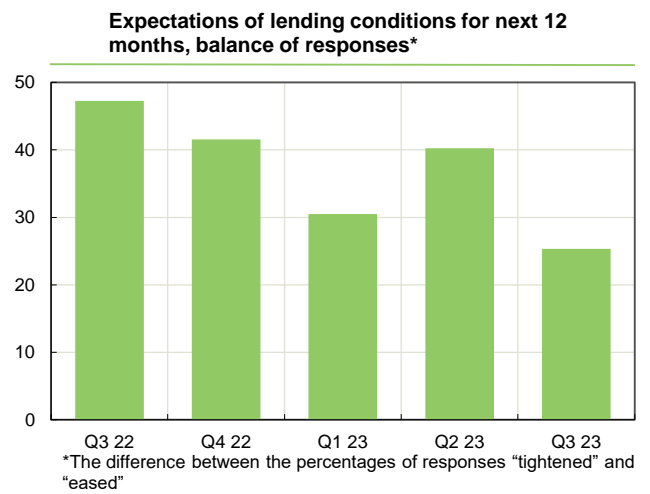


Figure 11

