



National Bank
of Ukraine

Business Outlook Survey of Odesa Oblast *

Q3 2023



*This survey only reflects the opinions of respondents in Odesa 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 Odesa oblast in Q3 2023 showed that, on the back of active missile and drone attacks, respondents expected a drop in the output of Ukrainian goods and services over the next 12 months. They had positive expectations for the performance of their companies over this period. Inflation expectations remained high. Depreciation expectations strengthened.

Company managers said they expected that over the next 12 months:

- **the output of Ukrainian goods and services would decrease:** the balance of expectations was (-7.7%), compared to (-10.3%) in Q2 2023 (Figure 1). Overall, across Ukraine respondents expected that the output of their companies would increase (9.8%). Respondents from companies engaged in other economic activities reported the most pessimistic expectations (-50.0%), meanwhile respondents from manufacturing companies reported the most optimistic expectations (33.3%)
- **prices for consumer goods and services would rise:** 51.3% of respondents said that price growth would not be higher than 15.0%, compared to 50.0% in the previous quarter and 52.2% 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 more rapidly:** 76.9% of respondents (compared to 55.0% 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:** the balance of expectations was 5.1%, compared to 2.5% in the previous quarter and 6.0% across Ukraine (see Table). Respondents from manufacturing companies reported the firmest expectations (the balance of responses was 33.3%)
- **total sales would decrease:** the balance of responses was (-2.6%), down from 7.5% in the previous quarter (see Table). External sales were expected to grow: the balance of responses was 11.8%, compared to 4.5% in Q2 2023. 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 10.5%, compared to 15.8% in Q2 2023. Meanwhile, respondents expected that investment in construction would decrease: the balance of responses was (-2.7%), down from 10.5% in the previous quarter (see Table). Across Ukraine, the balances of responses were 8.8% and (-2.2%) respectively (see Table)
- **staff numbers would decrease:** the balance of responses was (-10.3%), compared to 0.0% in Q2 2023. Overall, across Ukraine, respondents expected that staff numbers would decrease moderately (-7.0%) (Figure 4)
- **purchase prices would rise more slowly than selling prices:** the balances of responses were 86.8% and 57.9% respectively (compared to 90.0% and 45.0% respectively in Q2 2023) (Figure 6). Respondents said that energy prices, raw material and supplies prices and the hryvnia exchange rate were the main selling price drivers (Figure 7)
- **per-unit production costs would increase:** the balance of responses was 65.8%, compared to 57.5% in Q2 2023. Respondents expected that growth in **wage costs per staff member** would decelerate: the balance of responses was 20.5%, down from 32.5% (Figures 4 and 6).

Companies named military actions and their consequences and high energy, raw material and supplies prices as the **main drags on their ability to boost production** (Figure 5).

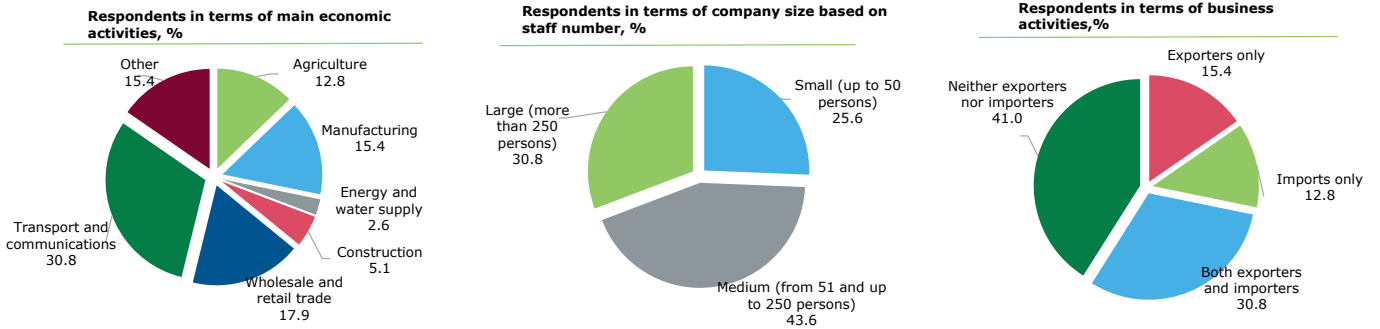
Respondents reported firmer expectations of **an increase in their borrowing needs** in the near future (Figure 8). The respondents who planned to take out bank loans usually opted for domestic currency loans. Respondents noticeably improved their assessments of bank lending standards, but still described these standards as tight (Figure 9). Respondents also referred to high interest rates, other funding sources and collateral requirements as the main factors deterring them from taking out loans (Figure 10).

All of the respondents in the oblast 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)

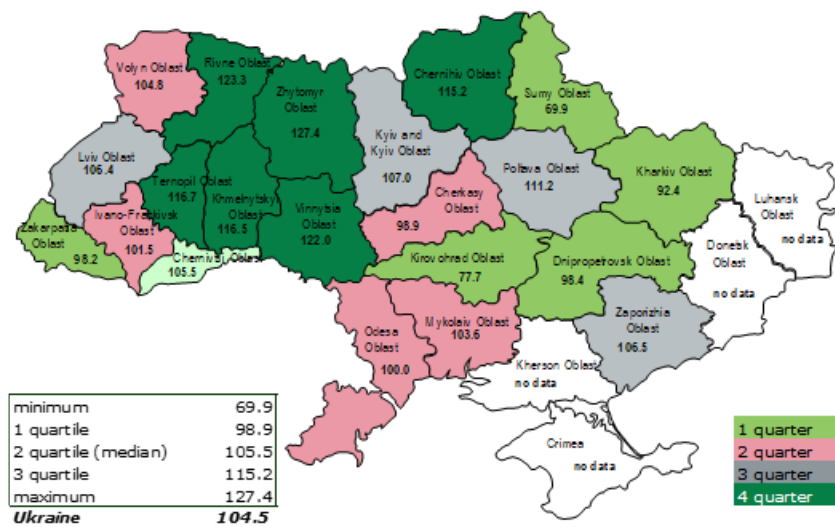
- **Companies assessed their current financial and economic standings as bad:** the balance of responses was (-2.6%), compared to (-7.5%) in Q2 2023 and (-5.8%) across Ukraine.
- **Finished goods stocks had increased and were assessed above their normal levels:** the balance of responses was 14.3%, up from (-21.4%) in Q2 2023.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 33.3%, compared to 23.1% in Q2 2023.

Survey Details^{1,2}



- Period: 31 July through 25 August 2023.
- A total of 39 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, manufacturing, trade, transport and communications, and other economic activities.

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



³a 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 Odessa 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	-5.6	-10.8	-26.3	2.5	5.1
Total sales	8.1	2.7	-21.1	7.5	-2.6
Investment in construction	-13.5	-16.7	-19.4	10.5	-2.7
Investment in machinery, equipment, and tools	-10.8	-13.9	-16.2	15.8	10.5
Staff numbers	-31.6	-36.1	-26.3	0.0	-10.3

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

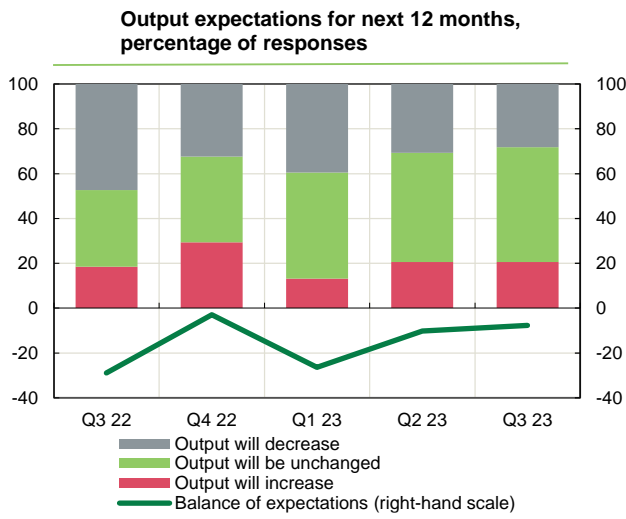


Figure 2

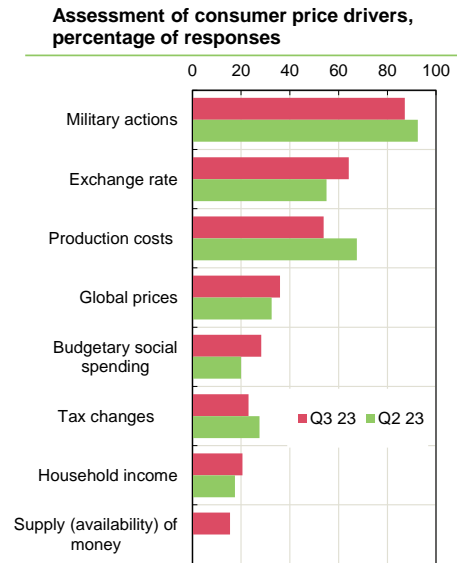


Figure 3

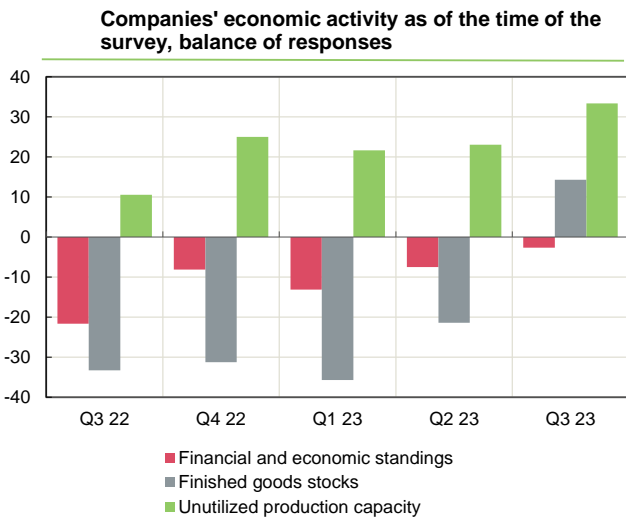


Figure 4



Figure 5

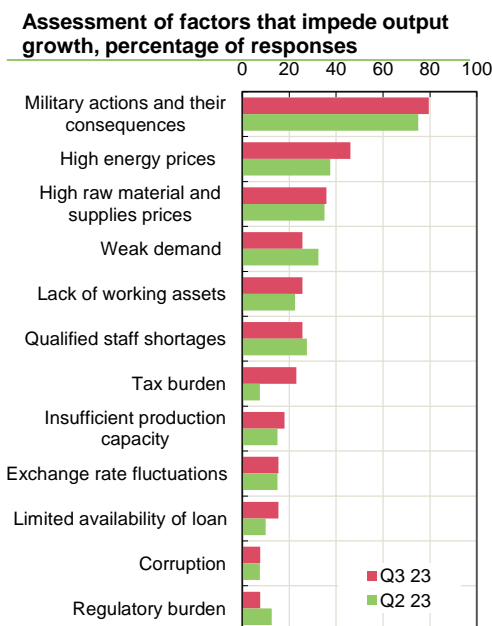


Figure 6

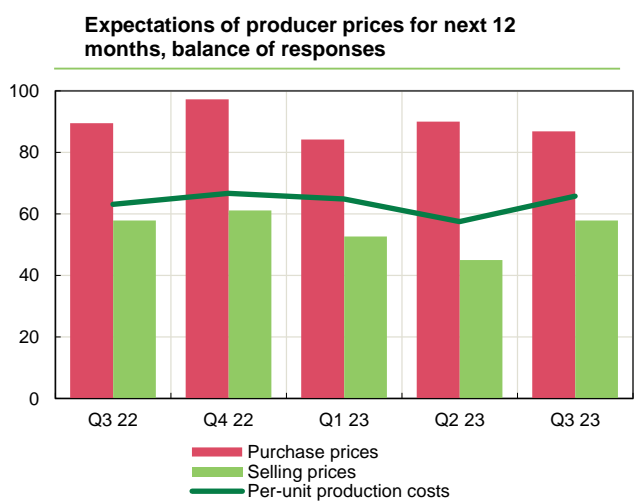


Figure 7

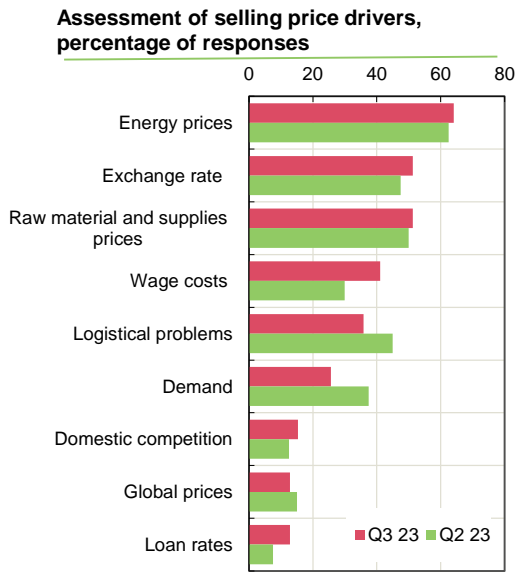


Figure 8

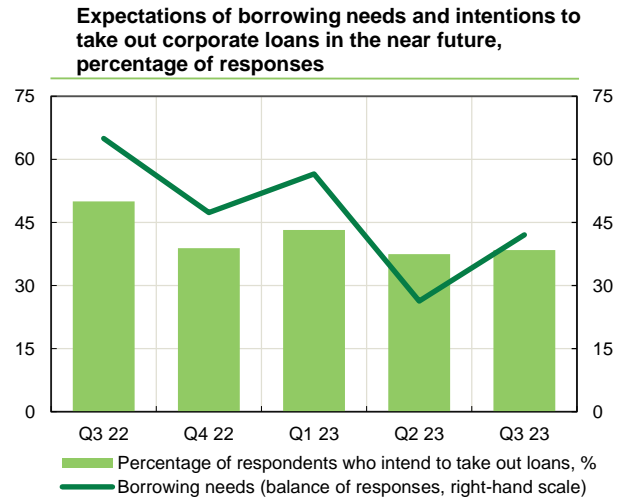


Figure 9

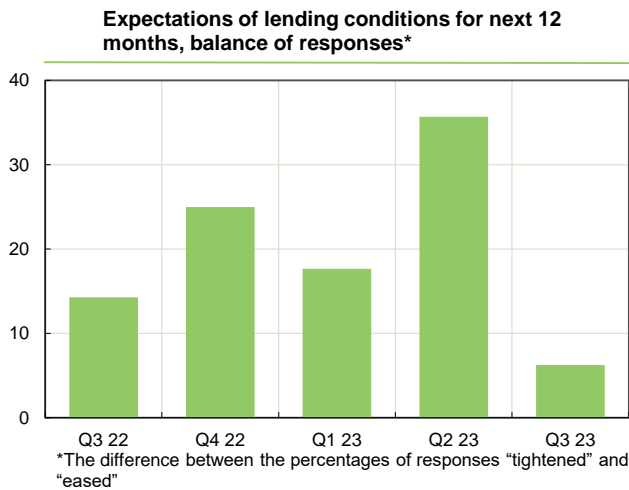


Figure 10

