



National Bank  
of Ukraine

## Business Expectations Development under Martial Law

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## Summary

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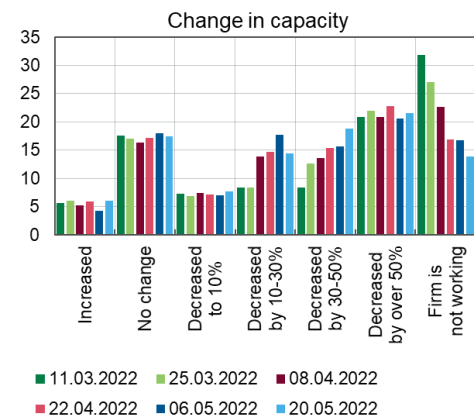
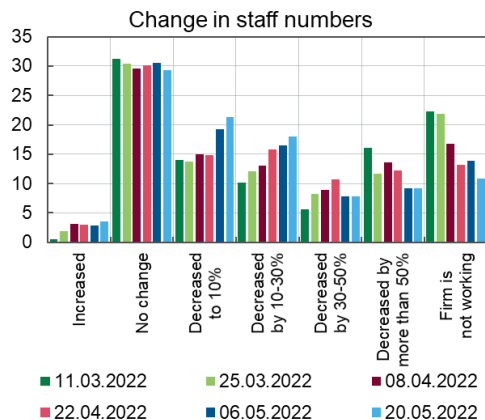
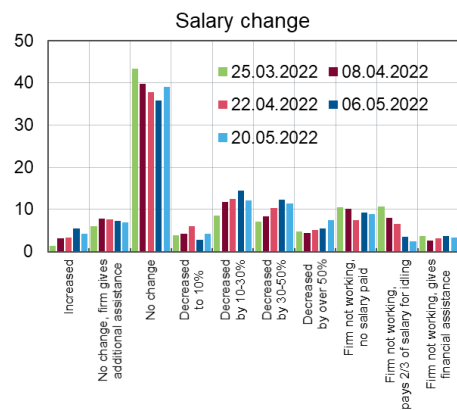
- With the start of the full-scale war in February 2022, the NBU stepped up its two-way communications with businesses, and business surveys evolved accordingly.
- We introduced quick surveys of enterprises and continued to conduct quarterly and monthly surveys maintaining the quota and the sample's breakdown by sector, company size, and business activity.
- Results became one of the few sources of data for the NBU on businesses' activities and the economy's overall standing, as the State Statistics Service of Ukraine had significantly reduced the scope of economic development data publications.
- The NBU continues to hold meetings with enterprises participating in our surveys and monitors their areas of concern.

## With no official data available about the real sector's condition, we developed and implemented biweekly business surveys

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- NBU introduced quick business surveys to gather data on enterprises' activities on 9 March 2022.
- The survey questionnaire contained seven questions:
  - 1) How has the number of active employees changed compared to the pre-war period?
  - 2) How has salary payments at your company changed from pre-war times? (question added starting with the second survey)
  - 3) How has capacity utilization at your company changed?
  - 4) What are the main reasons for capacity utilization changes?
  - 5) How have selling prices for your products changed compared to pre-war time?
  - 6) How long will your company survive on current resource stock (raw materials, personnel, components, financing, energy, etc.) last?
  - 7) Did your company use the chance to switch to 2% sales tax? (question added in the second half of May 2022).
- Survey frequency: every two weeks.
- Survey format: phone interview.
- The last quick survey was conducted at the end of May 2022.

## Quick surveys enabled us to obtain real-time data on businesses' production potential



- The first quick survey showed confusion of businesses: more than 25% of firms were out of operation in two weeks after beginning of war. Others highlighted a significant decrease in capacity utilization, a decline in staff and cuts in salaries.
- Subsequent polls showed signs of gradual recovery: a decrease in the number of firms that had halted their work, and an increase in the number of businesses that had scaled up capacity utilization.
- At the end of May 2022, the number of companies that were out of operation had halved compared to early March. However, those that had returned to work were operating significantly below their pre-war employment levels (down 30%). The situation with employment and salaries remained complicated.



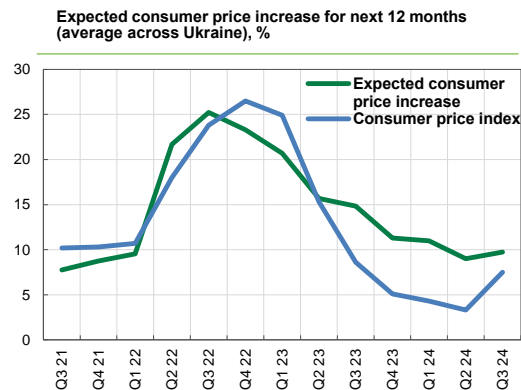
Quarterly surveys:  
resumed in May 2022

## Quarterly surveys: renewed

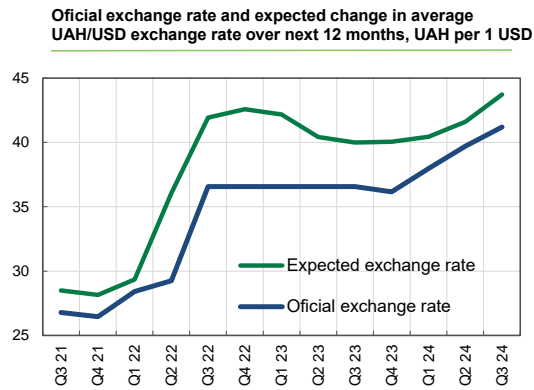
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- In May 2022, after the invaders were pushed out of northern Ukraine, regular quarterly surveys were resumed with questions updated with several wartime factors:
  - impact of logistical issues on company's selling prices,
  - impact on the company's capacity to recover output growth,
  - dependence of inflation expectations on military operations.

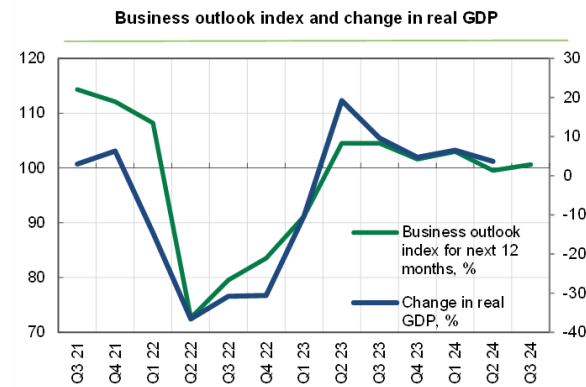
# The findings of the surveys demonstrated a strong adaptive relationship between the business outlook and indicators of economic development



Source: NBU estimates on the basis of survey data



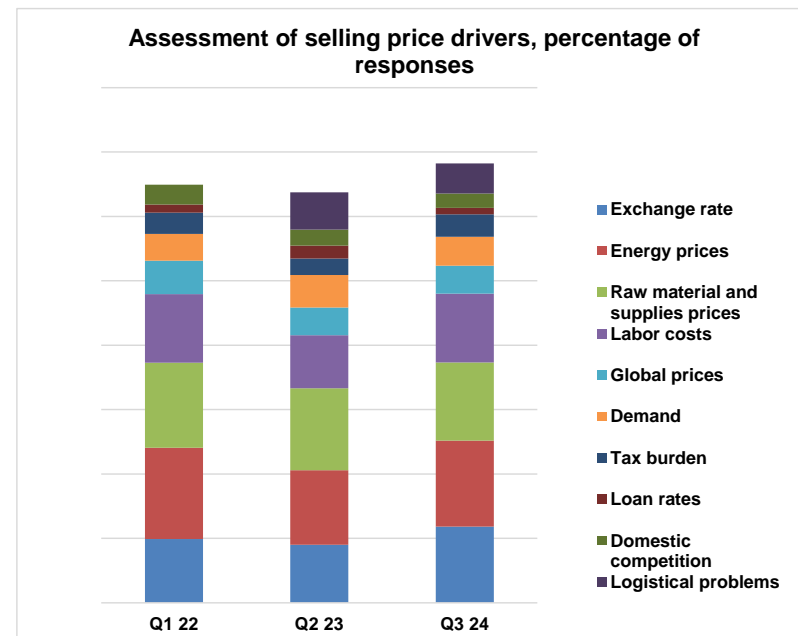
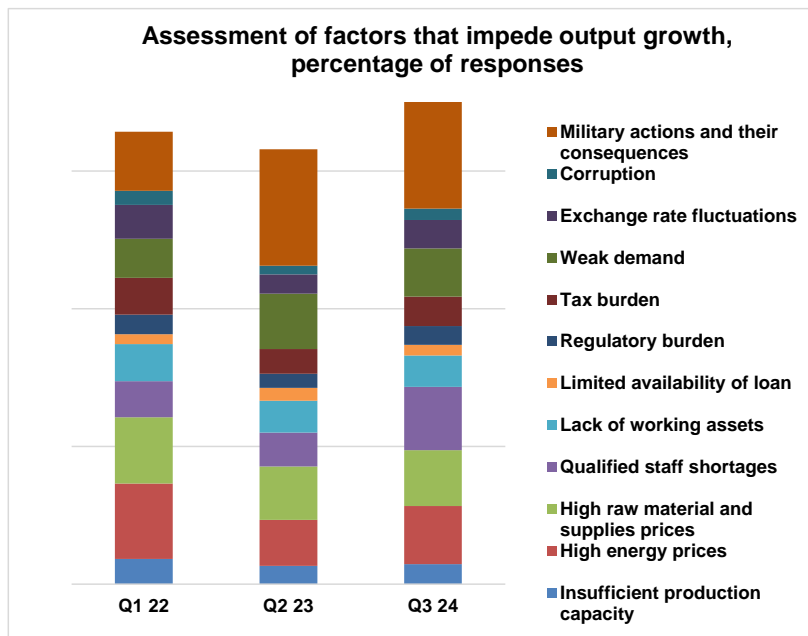
Expected exchange rate calculations were adjusted to factor in replies that the exchange rate will not change.



Source: NBU estimates on the basis of survey data

- The first quarterly survey showed that the consequences of military operations immediately affected the outlook: business activity index fall and rapid increase in inflationary and exchange rate expectations.
- Inflation expectations began to decline as the exchange rate outlook stabilized, businesses quickly adapted to the new realities and improved their output expectations with the frontline stabilization.
- The exchange rate outlook started to improve after receiving partner countries' assistance and after the effective smooth transition to the new exchange rate level.

## Factors associated with the war have become the main factors affecting enterprises

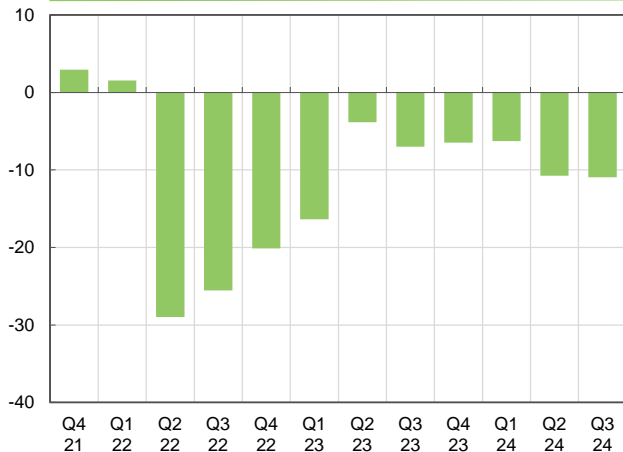


- Since the beginning of the military invasion to the present day, military operations and their aftermath, lack of skilled workers, high energy prices caused by the destruction of a part of the energy infrastructure, high prices for raw materials and supplies, labor costs, and the hryvnia exchange rate against foreign currencies have been the main factors limiting the companies' capacity to increase output and affecting changes in selling prices.

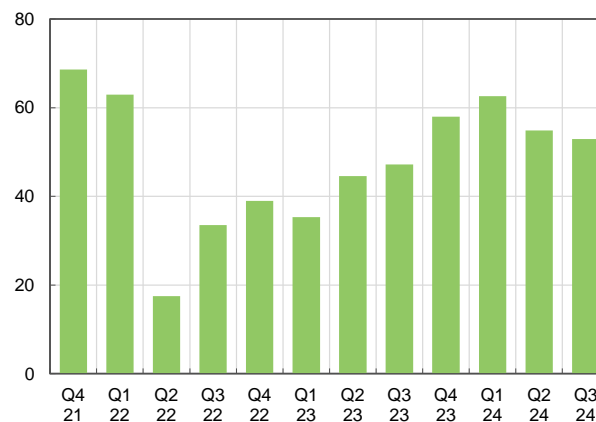


## Labor shortage has become a new challenge for businesses today

Staff level expectations for next 12 months, balance of responses



Expectations of wage costs per staff member for next 12 months, balance of responses

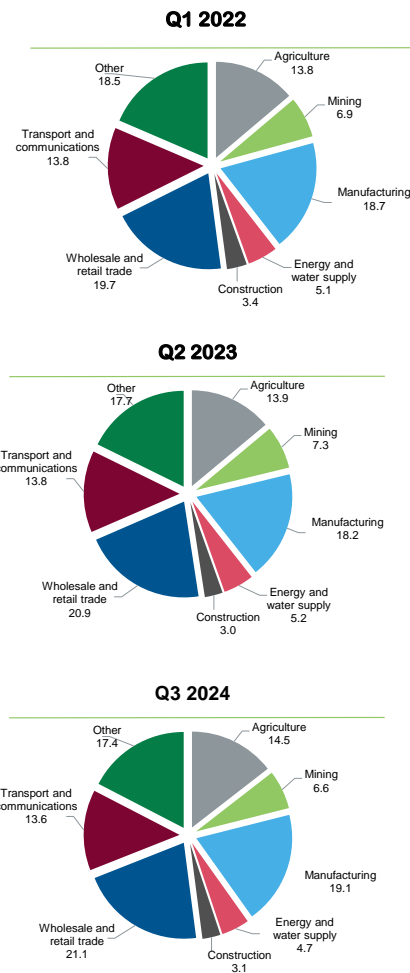


- As part of the population evacuated abroad and part was mobilized into the Armed Forces of Ukraine, a labor shortage has occurred. The lack of qualified personnel poses a particular problem.
- The labor shortage resulted in stronger expectations for higher salaries.

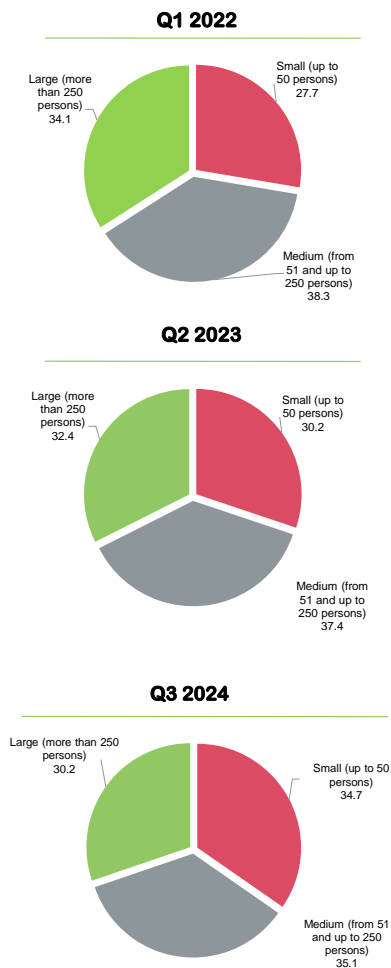
# Despite the full-scale war, the NBU has maintained the sample's breakdown by sector of the economy, company size, and business activity

## Sample's breakdown

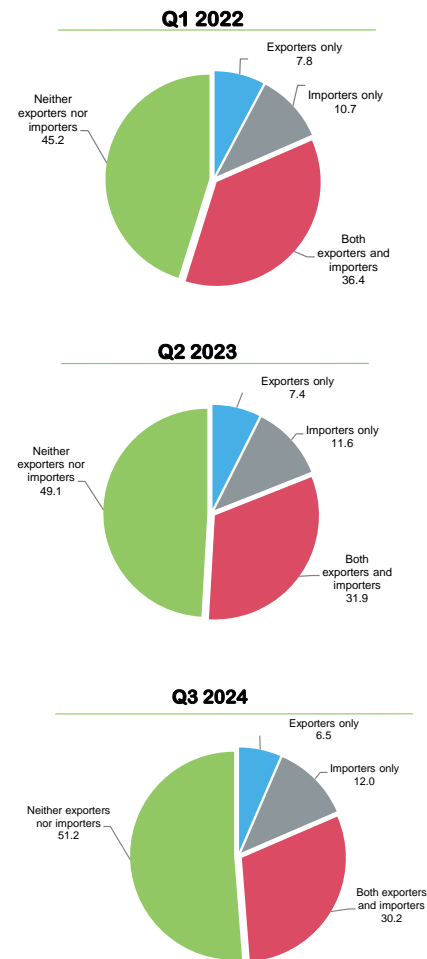
by sector of the economy



by company size



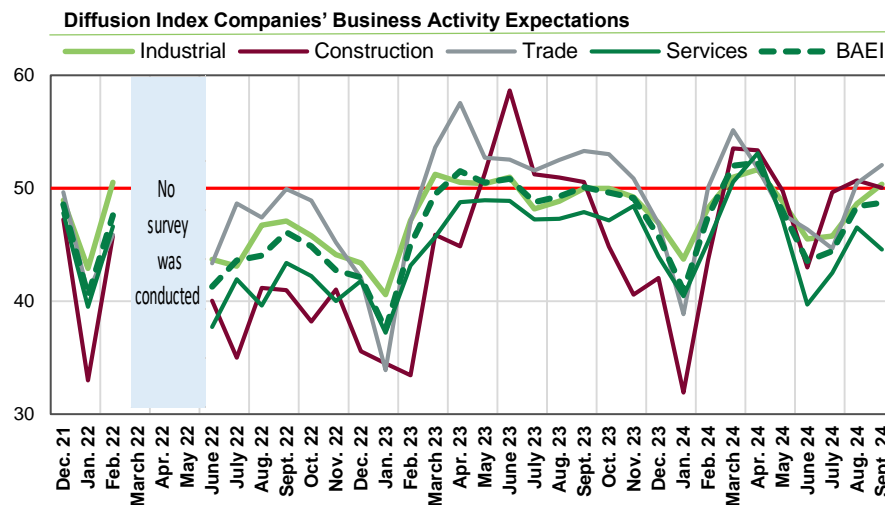
by business activity





## Monthly Business Outlook Survey: resumed in June 2022

## Monthly Business Outlook Survey was resumed in June 2022



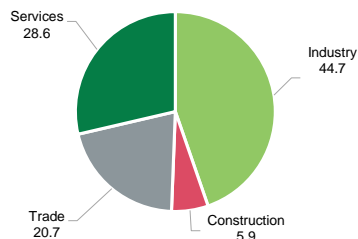
- From June 2022 to the present day, respondents' assessments have been heavily influenced by the shelling of critical infrastructure, power outages, fuel supply, logistics, personnel migration, and mobilization/
- The survey results show that respondents in the manufacturing sector are least affected by the impact of said factors and have more moderate fluctuations in expectations, while respondents in construction, services, and trade are more sensitive to the impact of both negative and positive factors/
- In particular, construction companies' expectations are influenced mainly by seasonal factors, availability of skilled personnel, and sources of funding. Services companies are very quick to respond to changes in demand and problems with logistics, while trading companies quickly react to electricity shortages, availability of goods, and exchange rate fluctuations. Changes in production costs (fuel prices, logistics costs, purchase of alternative power sources, labor costs) and export capacity have a significant impact on the expectations of industrial enterprises.

# The NBU has managed to keep the sample structure of both quarterly and monthly surveys at the pre-war level

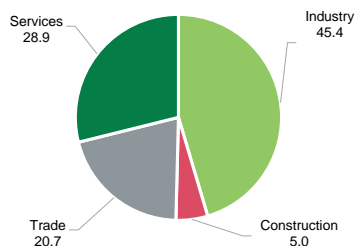
## Sample's breakdown

by sector of the economy

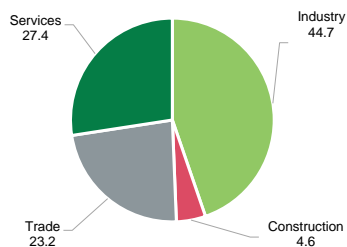
Respondents by sectors of the economy, % (12/2021)



Respondents by sectors of the economy, % (09/2023)

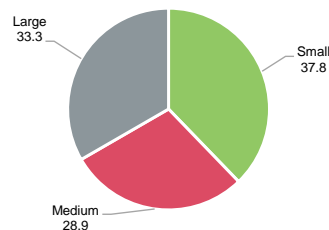


Respondents by sectors of the economy, % (09/2024)

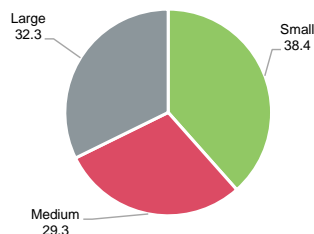


by company size

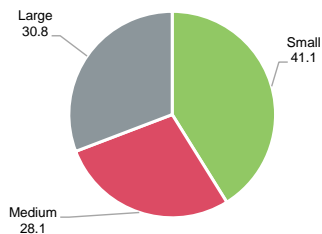
Respondents by company size, % (12/2021)



Respondents by company size, % (09/2023)

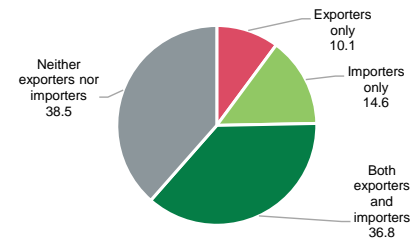


Respondents by company size, % (09/2024)

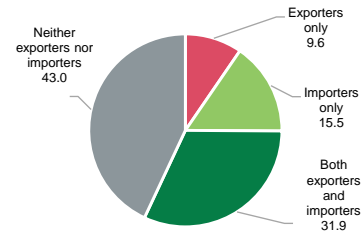


by business activity

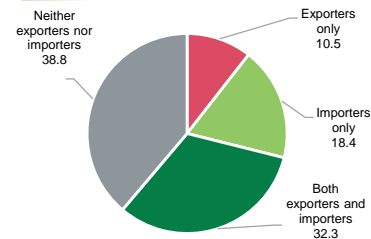
Respondents by business activities, % (12/2021)



Respondents by business activities, % (09/2023)



Respondents by business activities, % (09/2024)



## **Despite martial law, the NBU continues to hold meetings with top managers of enterprises participating in the NBU's business outlook surveys**

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- the NBU resumed its meetings with respondents in October 2022.
- The meetings are aimed to inform businesses about the regulator's key efforts during the war and to receive interactive feedback. Meeting format: online.
- At the first meeting enterprises showed a strong interest in obtaining more information about the current state of the NBU's monetary policy, efforts to maintain financial stability, and ensure currency regulation and financial monitoring.
- Feedback indicates that respondents are mostly concerned about currency control and financial monitoring, as many enterprises have external economic relations.
- As before the full-scale invasion, meetings are held twice a year.



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