



National Bank
of Ukraine

Business Outlook Survey of Volyn Oblast*

Q4 2020



*This survey only reflects the opinions of respondents in Volyn oblast (top managers of companies) who were polled in Q4 2020, and does not represent NBU forecasts or estimates

A survey of companies carried out in **Volyn oblast** in Q4 2020 showed that respondents expected a significant drop in the output of Ukrainian goods and services and weaker performance of their companies over the next 12 months on the back of a tighter quarantine. Respondents expected further increase in prices and slower depreciation.

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

- **the output of Ukrainian goods and services would drop rapidly:** the balance of expectations was (-33.3%) compared with (-53.8%) in the previous quarter and (-24.4%) across Ukraine (Figure 1)
- **prices for consumer goods and services would grow faster:** 50.0% of respondents expected inflation to be higher than 7.5% compared with 46.2% in the previous quarter and 50.8% across Ukraine. Respondents referred to production costs and exchange rate as **the main inflation drivers** (Figure 2)
- **the domestic currency would depreciate at a slower pace:** 75.0% of respondents (compared to 100.0% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 87.1%
- **the financial and economic standings of their companies would deteriorate:** the balance of expectations was (-10.0%) compared with 0.0% in the previous quarter (see Table). Companies across Ukraine expected financial and economic standings to improve slightly (1.3%)
- **total sales would increase at a slower pace:** the balance of responses was 36.4% (compared with 54.5% in Q3 2020). Respondents also expected an increase in external sales (the balance of responses was 14.3% compared with 16.7% in Q3 2020) (see Table). Overall, companies across Ukraine expected sales to increase moderately, the balances of responses being 7.1% and 3.8% respectively
- **investment in machinery, equipment, and tools would grow:** the balance of responses was 25.0% compared with (-41.7%) in Q3 2020. **Investment in construction** was expected to remain unchanged: the balance of response was 0.0% compared with (-25.0%) in the previous quarter. The balances of responses across Ukraine were 3.8% and (-4.5%) respectively
- **staff numbers at their companies would decrease:** the balance of responses was (-16.7%) compared with (-8.3%) in Q3 2020 and (-9.9%) across Ukraine (Figure 4)
- **both purchase and selling prices would grow at a fast pace:** the balances of responses were 91.7% and 66.7%, respectively (compared with 92.3% and 53.8% in Q3 2020) (Figure 6). Raw material and supplies prices and labor costs were referred to as the main selling price drivers (Figure 7)
- **the growth in per-unit production costs and wage costs per staff member would accelerate significantly:** the balances of responses were 66.7% and 83.3% respectively (compared with 54.5% and 53.8% in Q3 2020) (Figures 4 and 6).

High raw material and supplies prices and qualified staff shortages were cited as **the main drags on the ability of companies to boost production** (Figure 5).

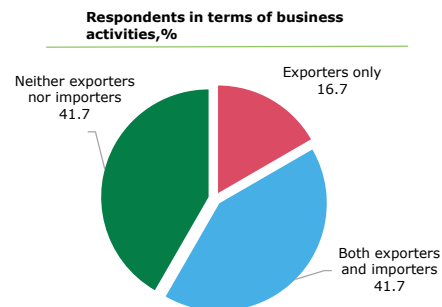
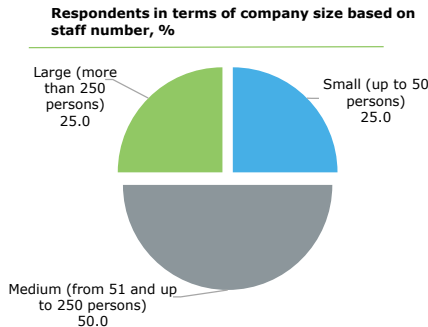
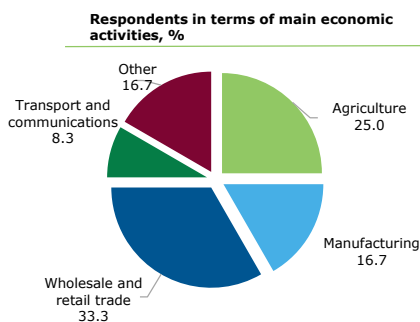
Respondents expected **their borrowing needs to remain unchanged** in the near future (Figure 8). The companies that planned to take out corporate loans opted only for domestic currency loans. The percentage of respondents that said lending conditions had tightened decreased (Figure 9). Respondents cited high loan rates as the main factor that deterred them from taking out corporate loans (Figure 10).

All of the respondents said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.9% across Ukraine).

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

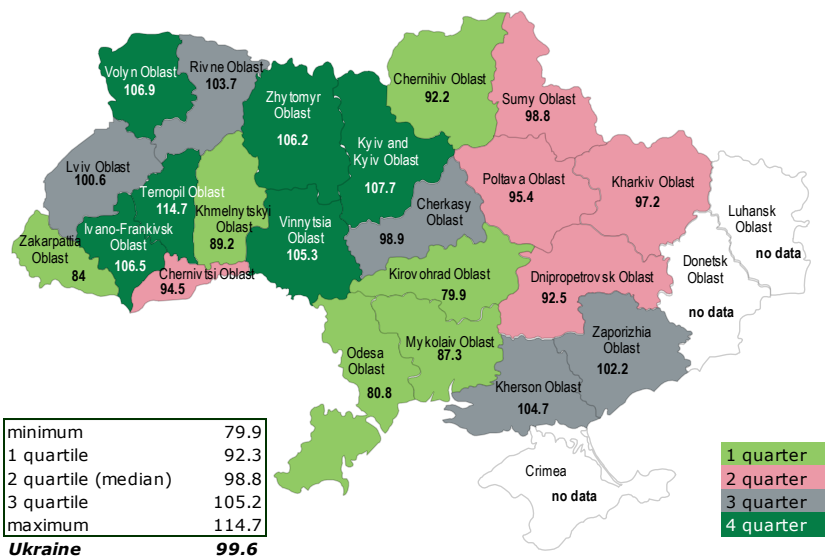
- **The current financial and economic standings of companies** improved and were assessed as **good:** the balance of responses was 25.0% compared with (-23.1%) in the previous quarter. Across Ukraine, the current financial and economic standings of companies were assessed as bad, the balance of responses being (-3.2%)
- **Finished goods stocks had increased and were assessed as normal:** the balance of responses was 0.0% (compared with (-16.7%) in Q3 2020).
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 8.3% (compared with 16.7% in Q3 2020).

Survey Details^{1,2}



- Period: 10 November through 30 November 2020.
- 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 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 Volyn Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20
Financial and economic standings	18.2	18.2	0.0	0.0	-10.0
Total sales	41.7	45.5	53.8	54.5	36.4
Investment in construction	23.1	25.0	-15.4	-25.0	0.0
Investment in machinery, equipment, and tools	23.1	41.7	-15.4	-41.7	25.0
Staff numbers	15.4	0.0	-7.7	-8.3	-16.7

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

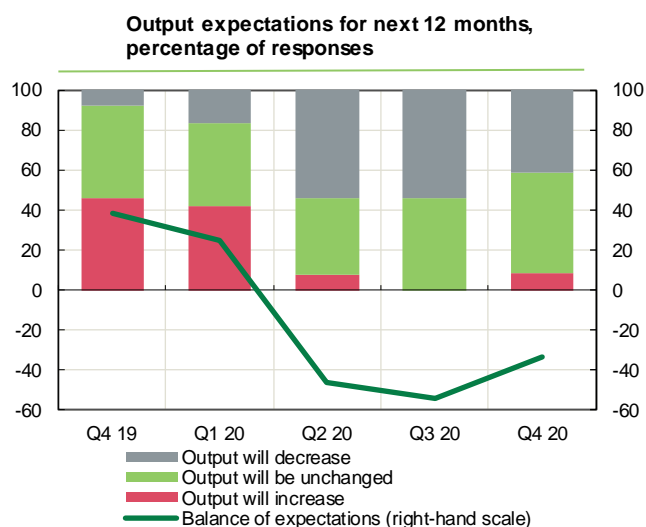


Figure 2

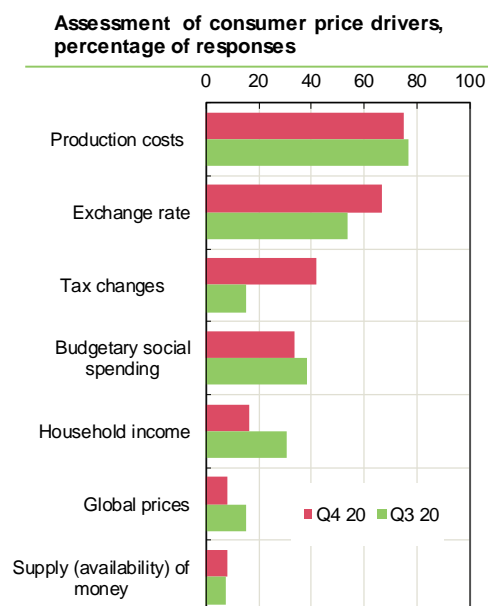


Figure 3

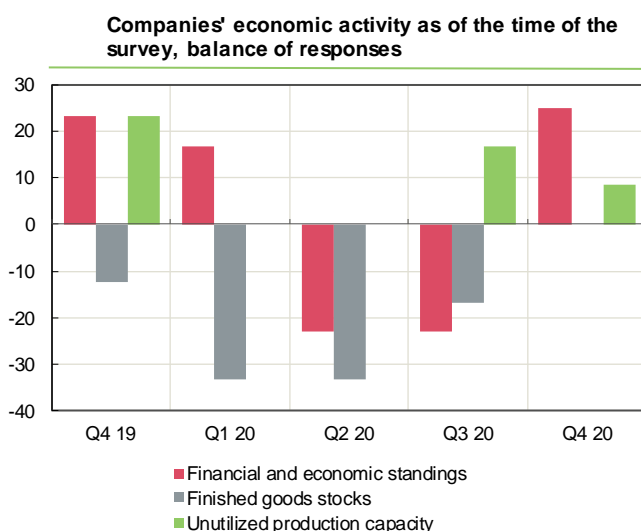


Figure 4



Figure 5

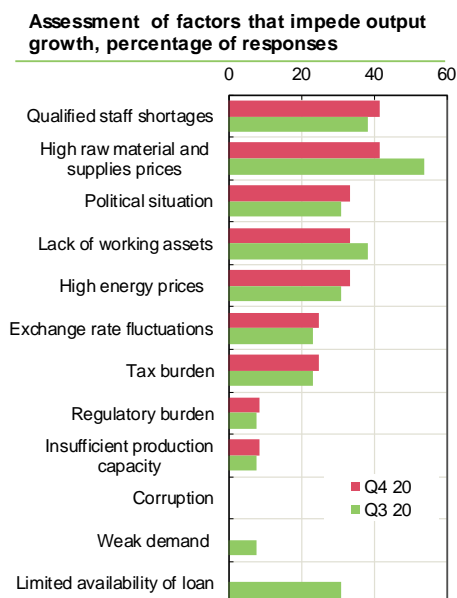


Figure 6

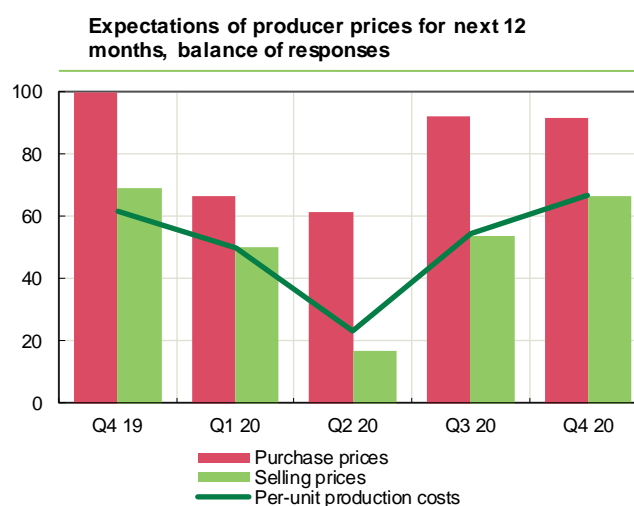


Figure 7

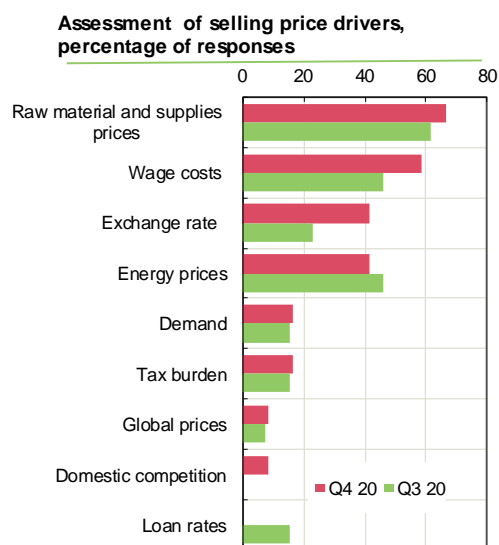


Figure 8

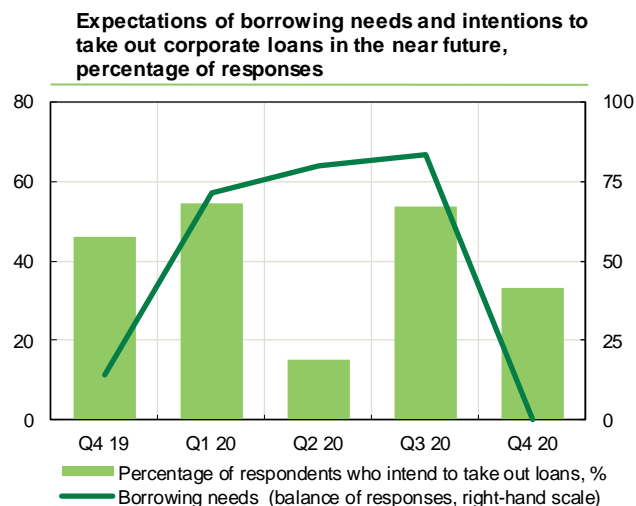


Figure 9

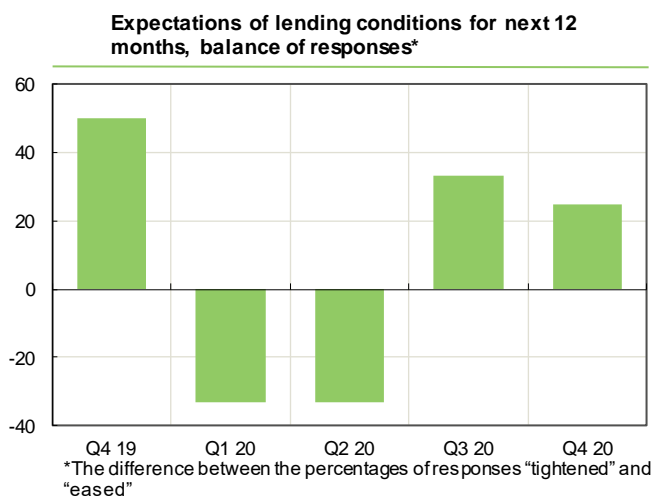


Figure 10

