



National Bank
of Ukraine

Business Outlook Survey of Volyn Oblast*

Q1 2021



*This survey only reflects the opinions of respondents in Volyn oblast (top managers of companies) who were polled in Q1 2021, and does not represent NBU forecasts or estimates

A survey of companies carried out in **Volyn oblast** in Q1 2021 showed that respondents continued to expect a drop in the output of Ukrainian goods and services and weaker performance of their companies over the next 12 months. Respondents expected higher inflation, while also reporting stronger depreciation expectations.

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

- **the output of Ukrainian goods and services would drop at a slower pace:** the balance of expectations was (-8.3%) compared with (-33.3%) in the previous quarter. Companies across Ukraine expected that the output of goods and services would return to growth – the balance of responses was 5.6% (Figure 1)
- **prices for consumer goods and services would grow further:** 50.0% of respondents (as in the previous quarter) expected inflation to be higher than 7.5%, compared to 50.7% across Ukraine. Respondents referred to production costs and the exchange rate as **the main inflation drivers** (Figure 2)
- **the domestic currency would depreciate more pronouncedly:** 90.9% of respondents (compared to 75.0% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 74.4%
- **the financial and economic standings of their companies would deteriorate:** the balance of expectations was (-16.7%) compared with (-10.0%) in the previous quarter (see Table). Companies across Ukraine expected their financial and economic standings to improve (12.7%)
- **total sales would increase:** the balance of responses was 20.0% (compared with 36.4% in Q4 2020). Respondents also expected an increase in external sales (the balance of responses was 25.0% compared with 14.3% in Q4 2020) (see Table). The balances of responses across Ukraine were 18.0% and 14.9% respectively
- **investment both in construction and in machinery, equipment, and tools would decrease:** the balances of responses were (-10.0%) and (-9.1%) respectively (compared with 0.0% and 25.0% in Q4 2020). Across Ukraine, investment was expected to increase, the balances of responses being 1.4% and 11.7% respectively
- **staff numbers at their companies would be unchanged:** the balance of responses was 0.0% compared with (-16.7%) in Q4 2020. Overall, companies across Ukraine expected that their staff numbers would decrease slightly, the balance of responses being (-1.9%) (Figure 4)
- **purchase prices would grow rapidly:** the balance of responses was 100.0% (compared to 91.7% in Q4 2020). **Selling prices were also expected to rise at a fast pace**, the balance of responses was 66.7% (compared to 66.7% in Q4 2020) (Figure 6). Energy prices and raw material and supplies prices 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 decelerate:** the balances of responses were 41.7% and 54.5% respectively (compared with 66.7% and 83.3% in Q4 2020) (Figures 4 and 6).

Companies cited high raw material and supplies prices, a shortage of qualified staff and a lack of working assets as **the main drags on their ability to boost production** (Figure 5).

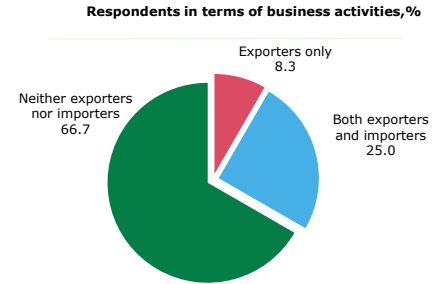
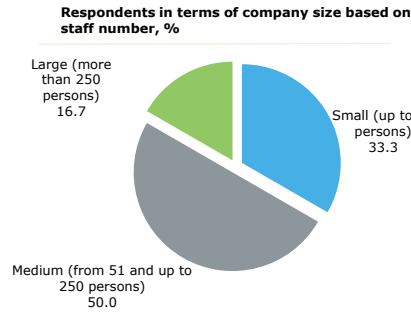
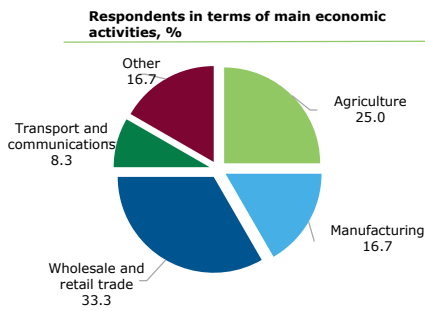
Respondents expected **their borrowing needs to increase** in the near future (Figure 8). The companies that planned to take out corporate loans opted only for domestic currency ones. Respondents said that lending standards had remained unchanged (Figure 9). Respondents cited other funding sources as 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** (97.5% across Ukraine).

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

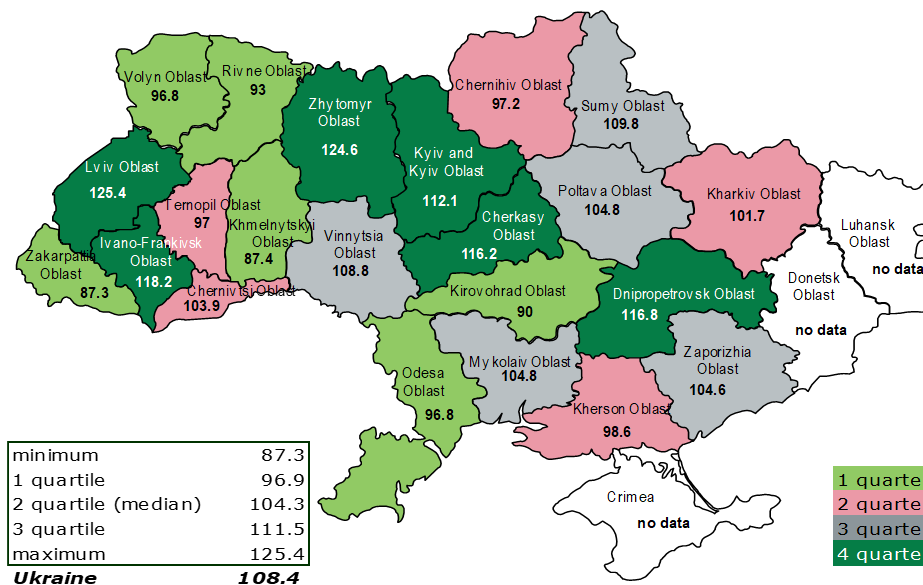
- **Companies assessed their current financial and economic standings as good:** the balance of responses was 8.3% compared with 25.0% in the previous quarter. Across Ukraine, the current financial and economic standings of companies were assessed as bad, the balance of responses being (-0.7%)
- **Finished goods stocks had decreased and were assessed at levels lower than normal:** the balance of responses was (-25.0%) (compared with 0.0% in Q4 2020).
- **Spare production capacity had decreased.** Companies said they would need additional capacity to meet any unexpected rise in demand: the balance of responses was (-8.3%) (compared with 8.3% in Q4 2020).

Survey Details^{1,2}



- Period: 4 February through 1 March 2021.
- 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, %				
	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21
Financial and economic standings	18.2	0.0	0.0	-10.0	-16.7
Total sales	45.5	53.8	54.5	36.4	20.0
Investment in construction	25.0	-15.4	-25.0	0.0	-10.0
Investment in machinery, equipment, and tools	41.7	-15.4	-41.7	25.0	-9.1
Staff numbers	0.0	-7.7	-8.3	-16.7	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

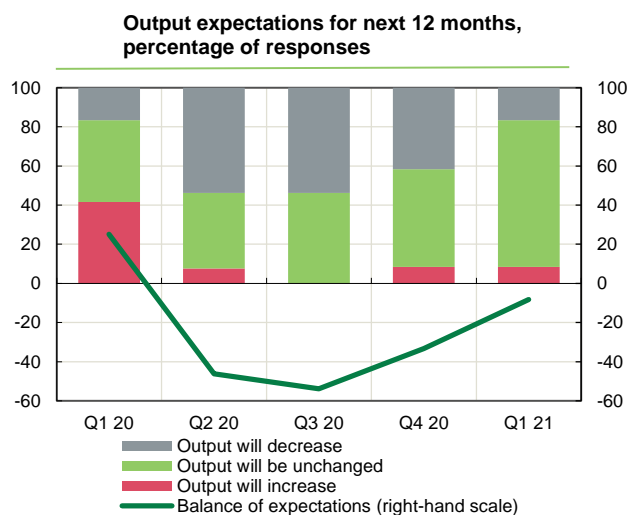


Figure 2

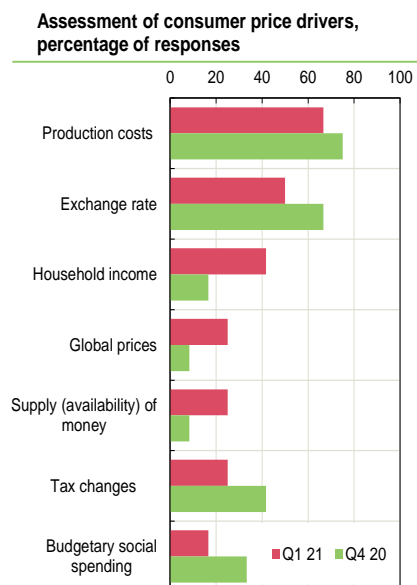


Figure 3

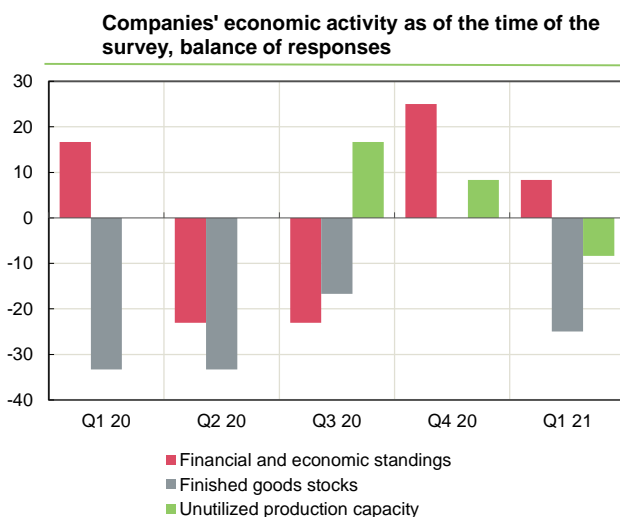


Figure 4



Figure 5

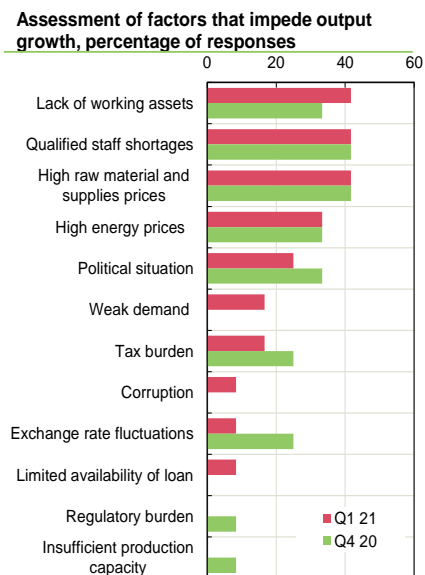


Figure 6

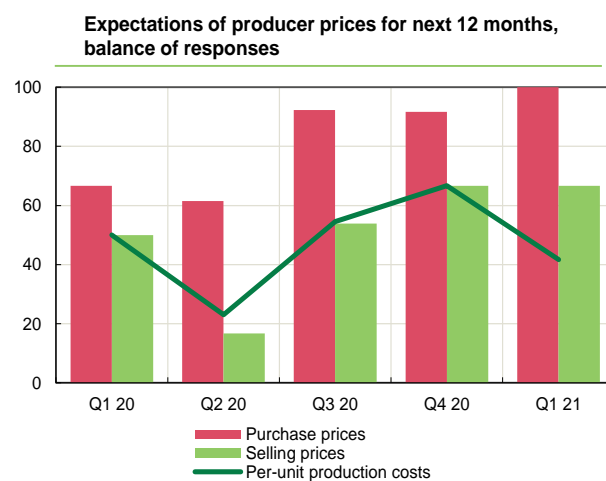


Figure 7

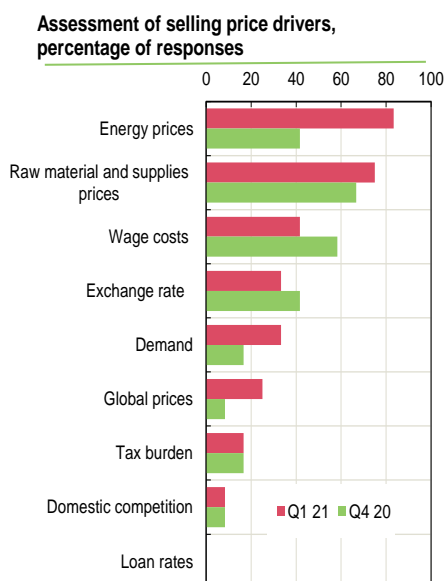


Figure 8

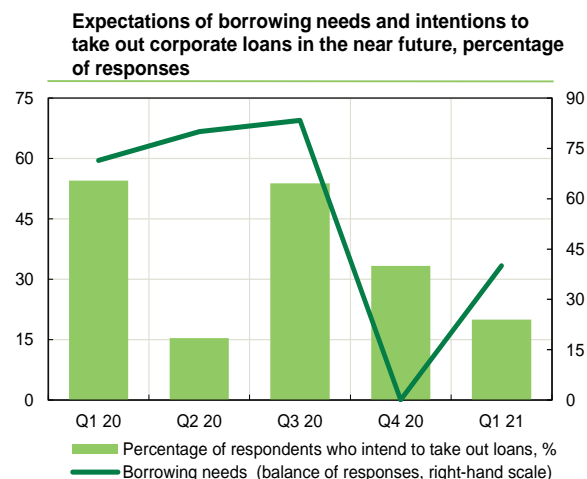


Figure 9

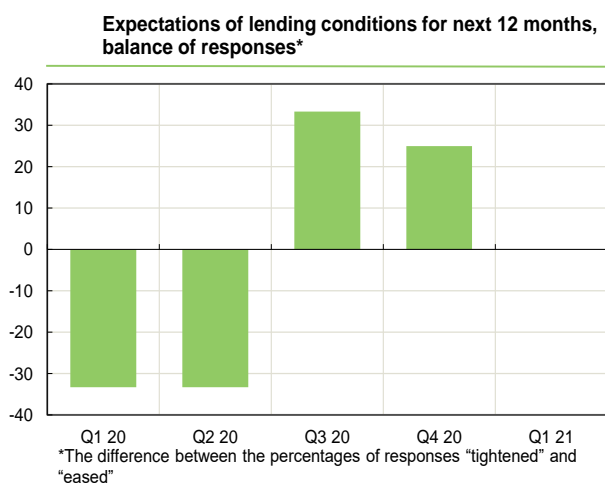


Figure 10

