



National Bank
of Ukraine

Business Outlook Survey of Volyn Oblast*

Q3 2021



*This survey only reflects the opinions of respondents in Volyn oblast (top managers of companies) who were polled in Q3 2021, and does not represent NBU forecasts or estimates

A survey of companies carried out in Volyn oblast in Q3 2021 showed that respondents continued to expect a rapid rise in the output of Ukrainian goods and services and an improvement in the future performance of their companies over the next 12 months. Respondents expected higher inflation and stronger depreciation.

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

- **the output of Ukrainian goods and services would rise:** the balance of responses was 33.3% compared to 25.0% in the previous quarter and 21.5% across Ukraine (Figure 1)
- **prices for consumer goods and services would grow faster:** 58.3% of respondents expected inflation to exceed 7.5%, compared to 33.3% in Q2 2021 and 53.1% across Ukraine. Respondents referred to production costs as **the main inflation driver** (Figure 2)
- **the domestic currency would depreciate much more pronouncedly:** 91.7% of respondents (compared to 50.0% in the previous quarter) expected the hryvnia to weaken against the US dollar (one of the highest depreciation expectations among all of the regions), the figure across Ukraine being 70.7%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 36.4% (the highest figure among the regions) compared to 27.3% in the previous quarter (see Table) and 12.7% across Ukraine
- **total sales would increase at a slower pace:** the balance of responses was 16.7% (compared to 54.5% in Q2 2021). Respondents also expected external sales to increase at a faster pace (the balance of responses was 66.7% compared to 25.0% in the previous quarter) (see Table). The balances of responses across Ukraine were 27.7% and 66.7% respectively
- **investment in machinery, equipment, and tools would increase significantly:** the balance of responses was 40.0% (compared to 8.3% in Q2 2021). At the same time, respondents expected **investment in construction to remain unchanged:** the balance of responses was 0.0% compared to (-9.1%) in the previous quarter (see Table). Across Ukraine, investment was expected to increase, the balances of responses being 19.3% and 9.7% respectively
- **staff numbers at their companies would decrease:** the balance of responses was (-16.7%) (compared to 0.0% in Q2 2021) (Figure 4). Overall, companies across Ukraine expected that their staff numbers would increase moderately, the balance of responses being 2.2%
- **purchase prices would grow rapidly:** the balance of responses was 100.0% (compared to 66.7% in the previous quarter). **Selling prices were also expected to grow at a fast pace:** the balance of responses was 63.6% (compared to 41.7% in Q2 2021) (Figure 6). Energy prices and raw material and supplies prices were referred to as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would grow at a fast pace:** the balances of responses were 66.7% and 83.3% respectively (compared to 66.7% for each in Q2 2021) (Figures 4 and 6).

Companies cited high raw material and supplies prices, the regulatory burden (the impact of these drivers was reported to have increased significantly compared to the previous survey), and high energy prices as **the main drags on their ability to boost production** (Figure 5).

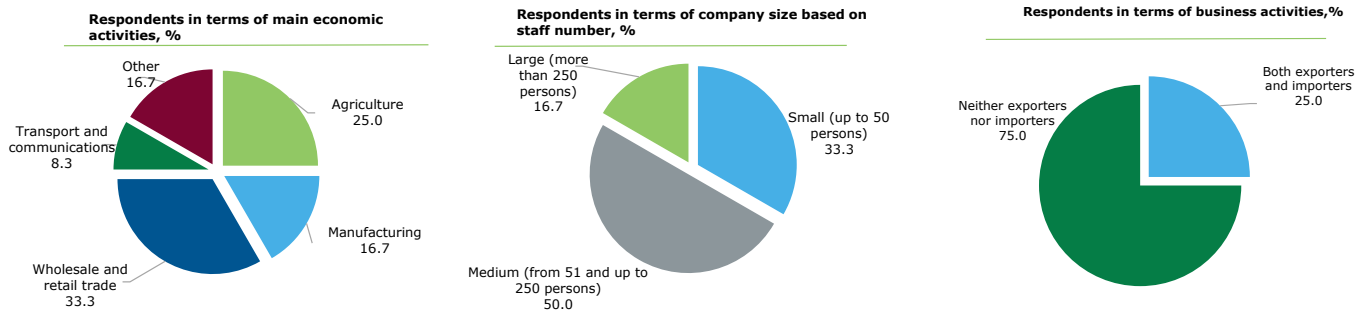
Respondents expected **their borrowing needs to increase** in the near future (Figure 8). The companies that planned to take out bank loans usually opted for domestic currency ones. Respondents said that lending standards had remained unchanged (Figure 9). Respondents cited high loan rates and other funding sources as the main factors deterring them from taking out loans (Figure 10).

All of the respondents said that they had encountered no difficulties in effecting transactions with funds deposited in bank accounts (97.1% across Ukraine).

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

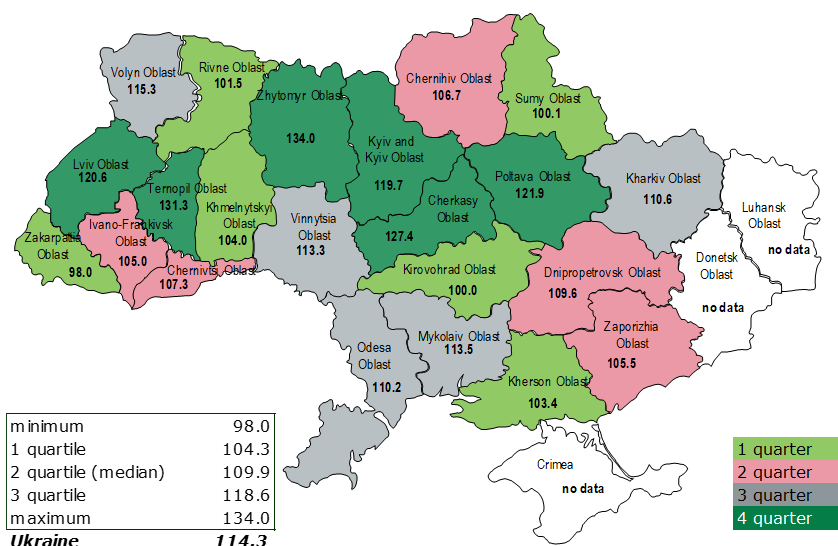
- **Companies assessed their current financial and economic standings as satisfactory:** the balance of responses was 0.0% compared to 16.7% in the previous quarter. Across Ukraine, the balance of responses was 7.0%
- **Finished goods stocks had increased and had been assessed as normal for two quarters in a row:** the balance of responses was 0.0%.
- **Companies were operating on the verge of their production capacity:** the balance of responses was 0.0%, as in Q2 2021.

Survey Details^{1,2}



- Period: 3 August through 27 August 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, %



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 sampled 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, %				
	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21
Financial and economic standings	0.0	-10.0	-16.7	27.3	36.4
Total sales	54.5	36.4	20.0	54.5	16.7
Investment in construction	-25.0	0.0	-10.0	-9.1	0.0
Investment in machinery, equipment, and tools	-41.7	25.0	-9.1	8.3	40.0
Staff numbers	-8.3	-16.7	0.0	0.0	-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

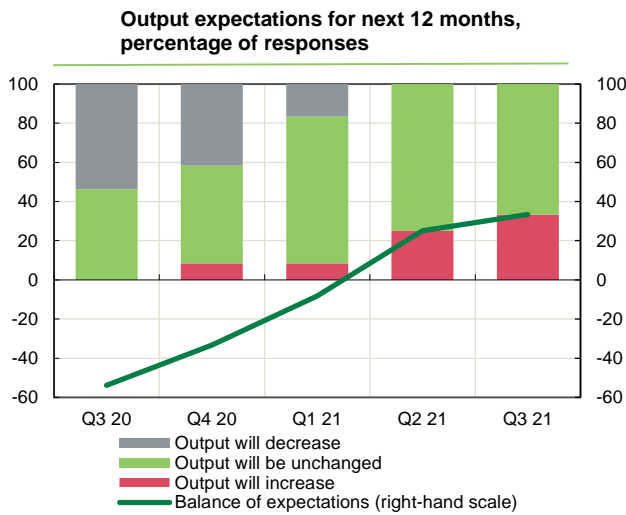


Figure 2

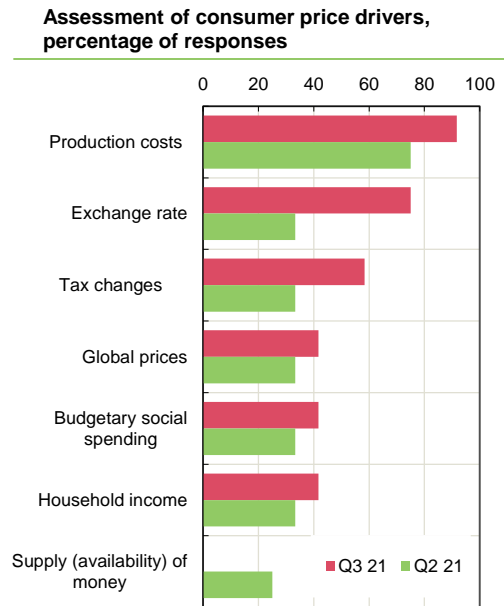


Figure 3

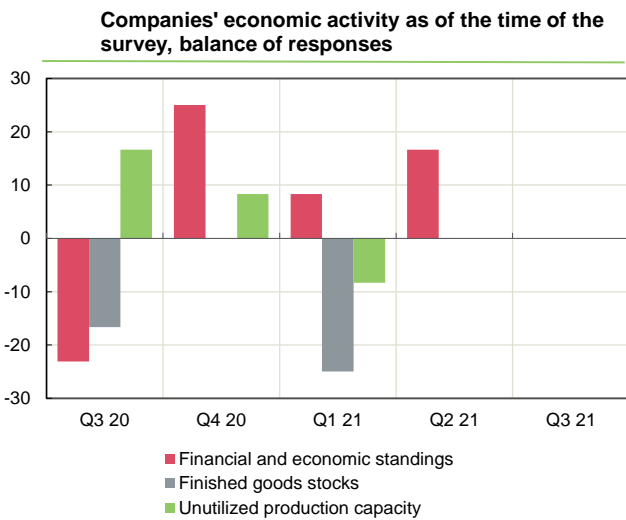


Figure 4

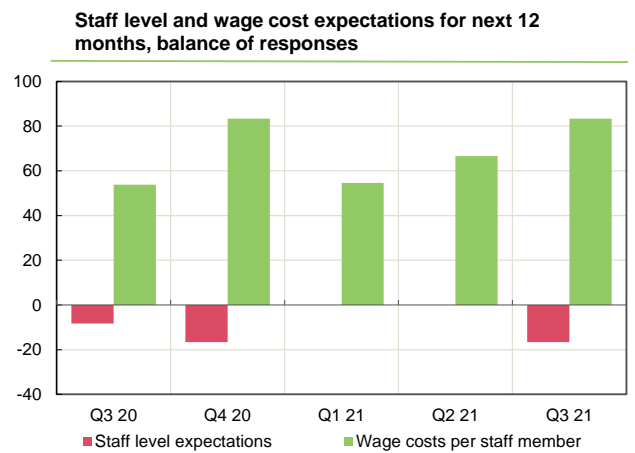


Figure 5

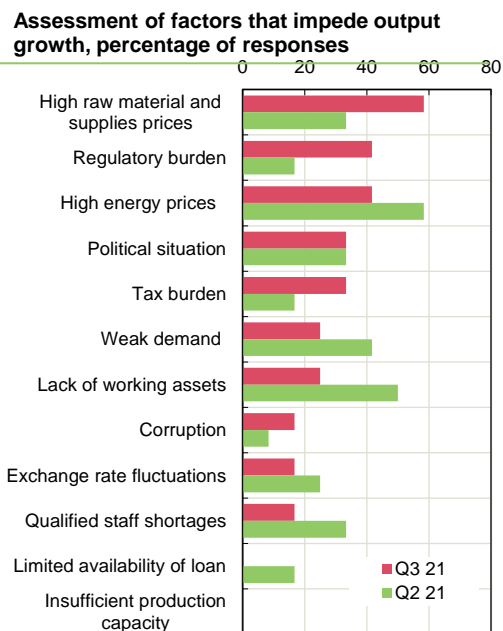


Figure 6

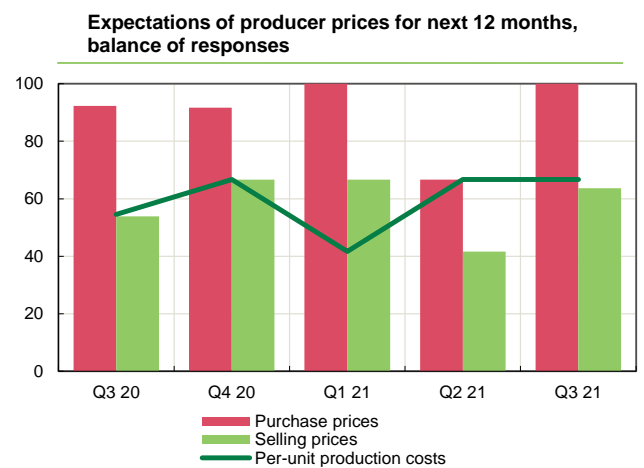


Figure 7

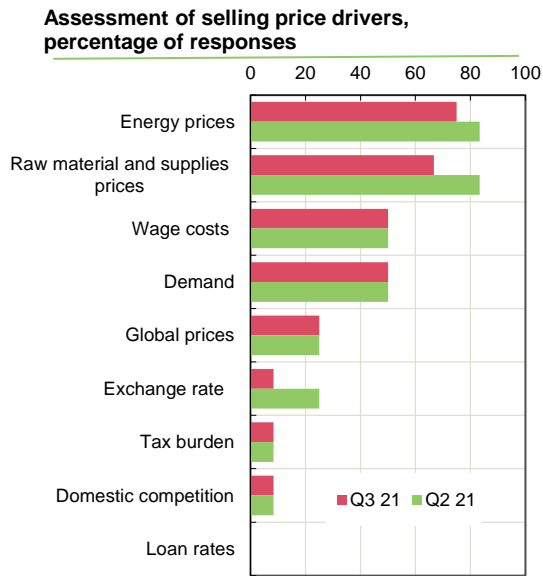


Figure 8

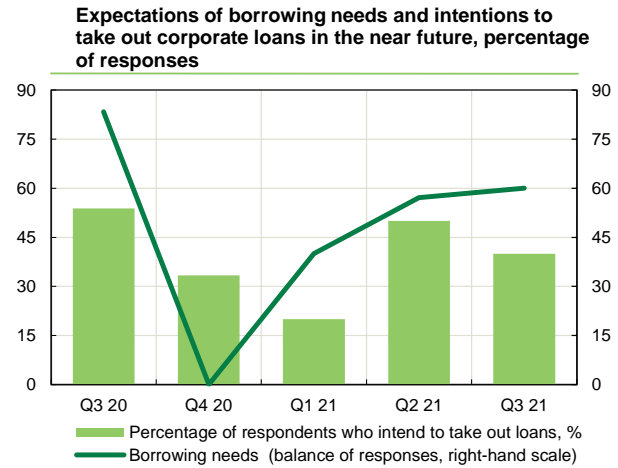


Figure 9

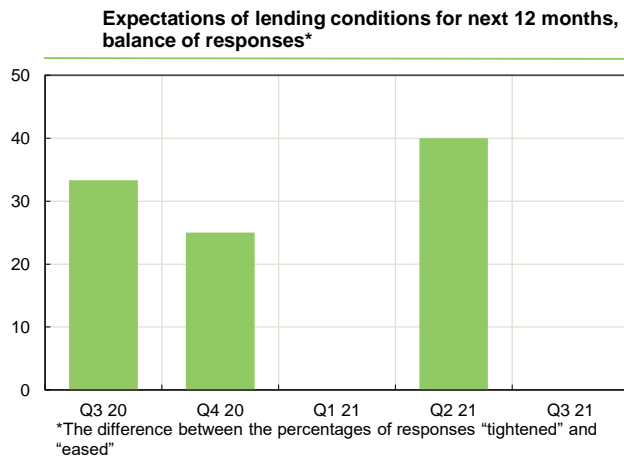


Figure 10

