



National Bank
of Ukraine

Business Outlook Survey of Dnipropetrovsk Oblast*

Q4 2020



*This survey only reflects the opinions of respondents in Dnipropetrovsk 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 **Dnipropetrovsk oblast** in Q4 2020 showed that respondents expected that the output of Ukrainian goods and services would decrease at a faster pace and that their companies would perform more weakly over the next 12 months on the back of a tighter quarantine. Respondents expected inflation to increase. Depreciation expectations remained high.

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 faster pace:** the balance of expectations was (-28.9%) compared with (-12.0%) in Q3 2020 (Figure 1) and (-24.4%) across Ukraine. Respondents from transport companies reported the most pessimistic expectations (the balance of responses was (-55.6%))
- **the growth in the prices of consumer goods and services would accelerate:** 55.8% of respondents expected the inflation rate to be higher than 7.5% compared with 36.1% in the previous quarter and 50.8% across Ukraine. Respondents continued to refer to hryvnia exchange rate fluctuations and production costs as the **main inflation drivers** (Figure 2)
- **the domestic currency would depreciate significantly:** 87.0% of respondents (compared with 86.4% in the previous quarter) expected the hryvnia to weaken against the US dollar, with a figure of 87.1% across Ukraine
- **the financial and economic standings of their companies would deteriorate** for three quarters in a row: the balance of expectations was (-10.3%) compared with (-7.1%) in the previous quarter (see Table). Companies across Ukraine expected financial and economic standings to improve slightly (1.3%). Respondents from manufacturing companies were the most pessimistic (with balances of expectations of (-27.3%)). At the same time, companies from other economic activities expected an improvement in their financial and economic standings
- **total sales would decrease:** the balance of expectations was (-1.3%) (compared with 7.1% in Q3 2020) (see Table). Respondents also expected a decrease in external sales: the balance of expectations was (-7.7%) (compared with (-2.4%) in Q3 2020). Overall, companies across Ukraine expected sales to increase moderately, the balances of responses being 7.1% and 3.8% respectively
- **investment both in construction and in machinery, equipment, and tools would decrease:** the balances of responses were (-7.2%) and (-6.8%) respectively compared with 0.0% for each in the previous quarter. The balances of responses across Ukraine were (-4.5%) and 3.8% respectively
- **staff numbers would decrease** (such expectations have been reported for six quarters running): the balance of responses was (-11.8%) compared with (-14.6%) in the previous quarter and (-9.9%) across Ukraine (Figure 4). Companies in the trade had the most pessimistic expectations (the balance of responses was (-30.0%)). At the same time, respondents from other economic activities companies expected an increase of staff numbers at their companies
- **both purchase and selling prices would rise** at a faster pace: the balances of responses were 80.8% and 50.6% respectively (compared with 76.3% and 43.8% respectively in Q3 2020) (Figure 6). Respondents from manufacturing companies reported the highest expectations of a rise in selling prices (the balance of responses was 81.8%). At the same time, respondents from transport companies expected a fall in their selling prices. Respondents referred to high raw material and supplies prices, energy prices and the exchange rate as the main selling price drivers (Figure 7)
- **the growth in per-unit production costs and in wage costs per staff member would accelerate:** the balances of responses were 47.4% and 43.4% respectively (compared with 58.2% and 47.6% respectively in Q3 2020) (Figures 4 and 6).

Weak demand was cited as **the main drag on the ability of companies to boost production** (55.1% of respondents) (Figure 5).

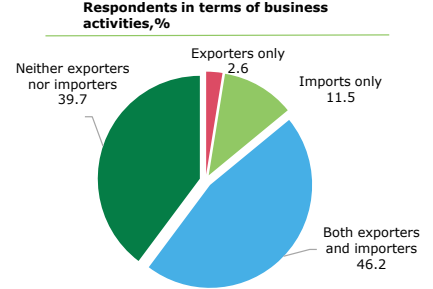
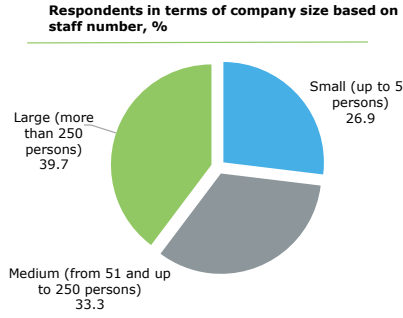
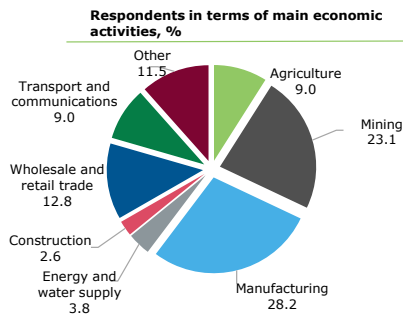
Respondents continued to expect **an increase in their borrowing needs** in the near future (Figure 8). The companies that planned to take out corporate loans usually opted for domestic currency ones. Respondents said that lending standards had remained unchanged (Figure 9). They continued to refer to high loan rates as the main factor that deterred them from taking out loans (Figure 10).

A total of 96.1% of 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)

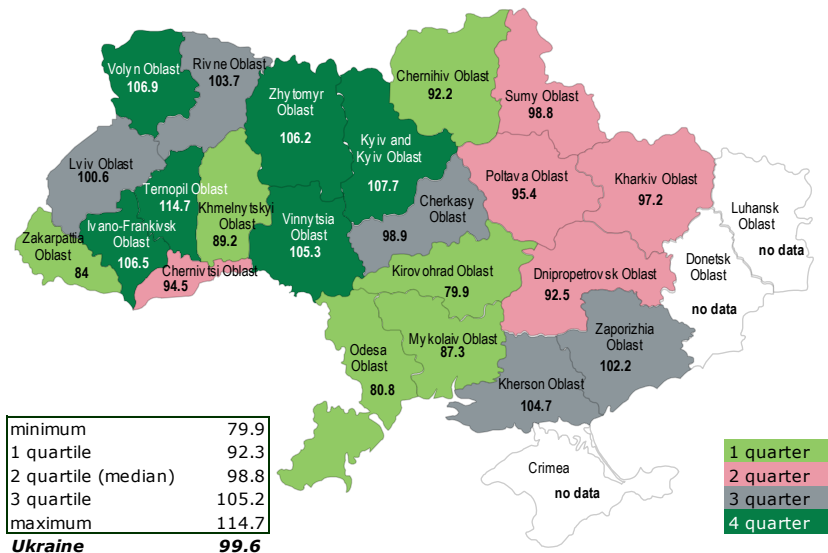
- **The current financial and economic standings of companies had been assessed as bad** for six quarters in a row: the balance of responses was (-15.4%) compared with (-13.1%) in Q3 2020 and (-3.2%) across Ukraine.
- **Finished goods stocks remained below their normal level:** the balance of responses was (-20.0%) compared with (-18.8%) in Q3 2020.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 19.7% (compared with 26.8% in Q3 2020).

Survey Details^{1 2}



- Period: 5 November through 1 December 2020.
- A total of 78 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, the mining and manufacturing industries, trade, transport and communications, and other economic activities.

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 sampled where the sample is divided into two equal-sized subgroups

Table. The Business Outlook Index of Companies in Dnipropetrovsk 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	13.9	9.2	-10.5	-7.1	-10.3
Total sales	11.8	18.2	-3.8	7.1	-1.3
Investment in construction	2.9	7.4	-18.3	0.0	-7.2
Investment in machinery, equipment, and tools	7.0	10.6	-19.2	0.0	-6.8
Staff numbers	-18.1	-8.0	-19.5	-14.6	-11.8

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

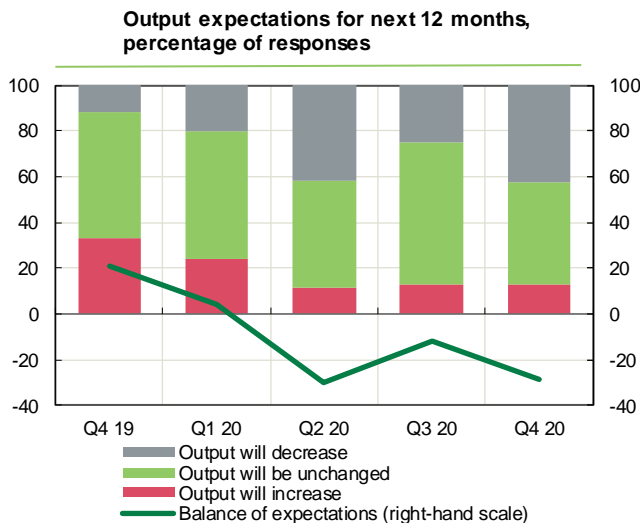


Figure 2

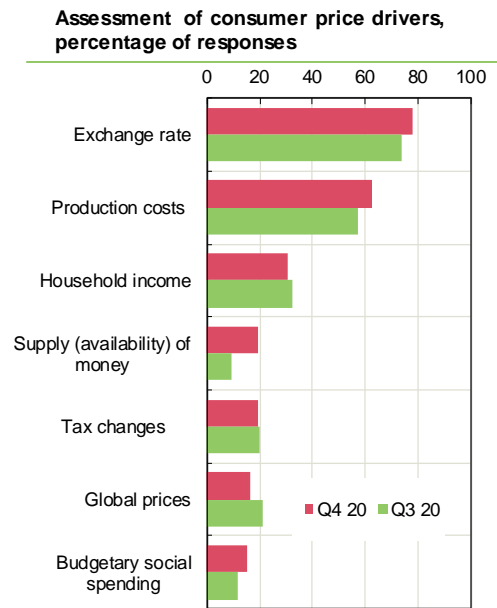


Figure 3

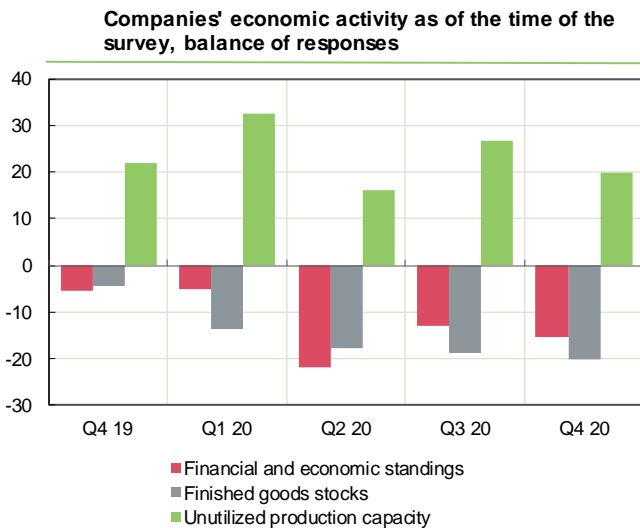


Figure 4



Figure 5

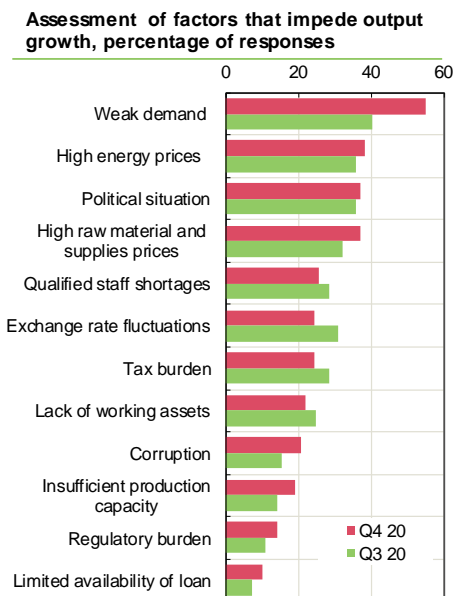


Figure 6

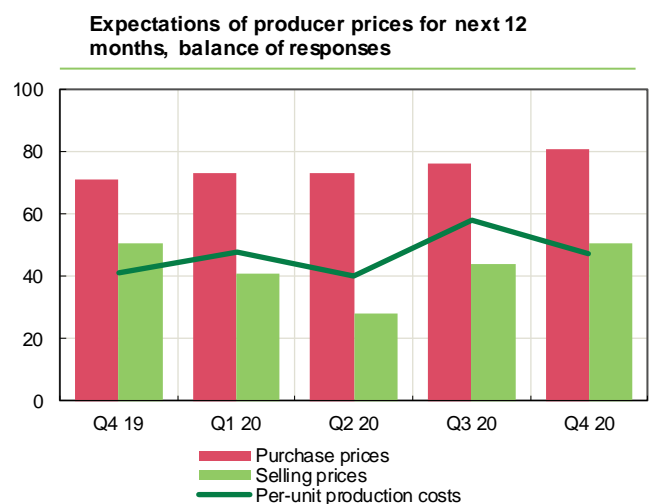


Figure 7

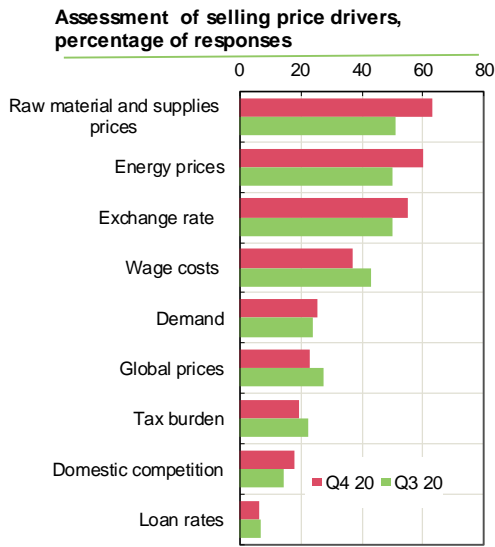


Figure 8

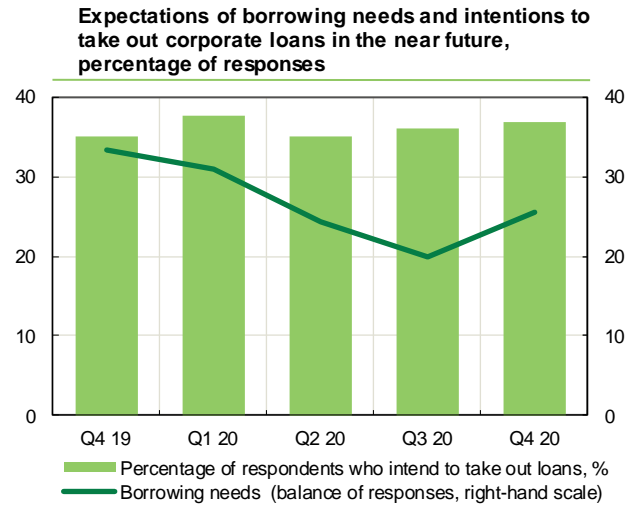


Figure 9

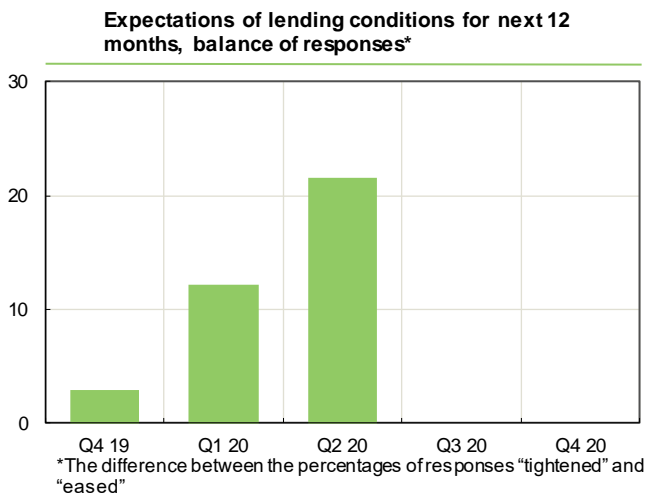


Figure 10

