



National Bank
of Ukraine

Business Outlook Survey of Zhytomyr Oblast*

Q4 2020



*This survey only reflects the opinions of respondents in Zhytomyr 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 **Zhytomyr oblast** in Q4 2020 showed that respondents expected a significant drop in the output of Ukrainian goods and services and had moderate expectations for the performance of their companies over the next 12 months on the back of a tighter quarantine. Respondents expected inflation to decrease. 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 significantly:** the balance of expectations was (-42.9%) compared with (-35.7%) in Q3 2020 and (-24.4%) across Ukraine (Figure 1)
- **prices for consumer goods and services would rise at a slower pace:** 53.8% of the respondents expected that the inflation rate would be higher than 7.5% (compared with 78.6% in the previous quarter and 50.8% across Ukraine). Respondents continued to refer to production costs as the **main inflation driver** (85.7% of respondents) (Figure 2)
- **the domestic currency would depreciate significantly:** 85.7% of the respondents (compared with 84.6% in the previous quarter) expected the hryvnia to weaken against the US dollar, with the figure across Ukraine being 87.1%
- **the financial and economic standings of their companies would remain unchanged:** the balance of expectations was 0.0%, compared to 7.1% in the previous quarter (see Table). Companies across Ukraine expected financial and economic standings to improve slightly (1.3%)
- **total sales would decrease:** the balance of responses was (-7.1%) compared to 23.1% in Q3 2020. External sales were expected to remain unchanged, the balance of responses being 0.0% ((-33.3%) in Q3 2020). Overall, companies across Ukraine expected sales to increase moderately, the balances of responses being 7.1% and 3.8% respectively
- **the growth in investment** both in construction and in machinery, equipment, and tools **would accelerate:** the balances of responses were 14.3% and 30.8% respectively (compared with 9.1% and 25.0% in Q3 2020). The balances of responses across Ukraine were (-4.5%) and 3.8% respectively
- **staff numbers would decrease:** the balance of responses was (-7.1%) (as in the previous quarter) compared with (-9.9%) across Ukraine (Figure 4)
- **both purchase and selling prices would rise at a fast pace:** the balances of responses were 85.7% and 57.1% respectively compared with 85.7% and 64.3% in the previous quarter (Figure 6). Raw material and supplies prices, wage costs and energy prices were cited 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 57.1% and 61.5% respectively compared with 78.6% and 71.4% in Q3 2020 (Figures 4 and 6).

A lack of working assets was cited as **the main drag on the ability of companies to boost production** (Figure 5). Assessments of raw material and supplies prices impact noticeable increased.

Respondents reported weaker expectations of 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. The percentage of respondents that said lending conditions had tightened decreased (Figure 9). Respondents referred to high loan rates as the main factor that deterred them from taking out loans (Figure 10).

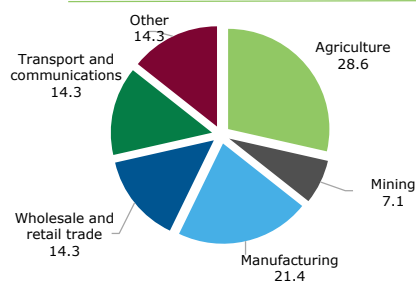
All of the respondents said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (compared with 96.9% across Ukraine).

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

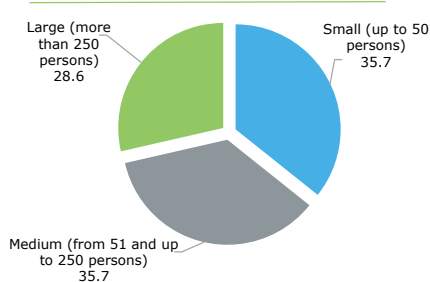
- **The current financial and economic standings of companies** improved and were assessed as **satisfactory:** the balance of responses was 0.0% compared with (-14.3%) in the previous quarter and (-3.2%) across Ukraine
- **Finished goods stocks had remained at normal levels** for three quarters in a row: the balance of responses was 0.0%.
- **Companies of the oblast had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 21.4% (compared to 23.1% in the previous quarter).

Survey Details^{1,2}

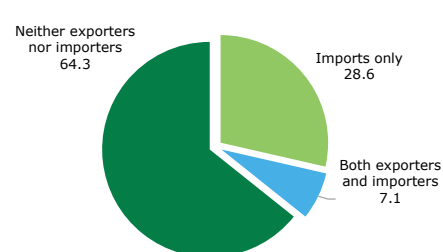
Respondents in terms of main economic activities, %



Respondents in terms of company size based on staff number, %

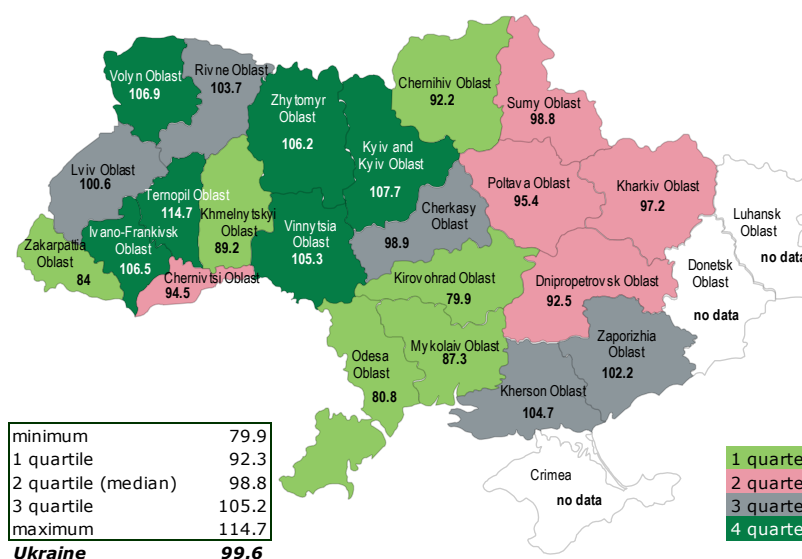


Respondents in terms of business activities, %



- Period: 5 November through 30 November 2020.
- A total of 14 companies were polled.
- A representative sample was generated on the basis of the agricultural 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 Zhytomyr 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 | 28.6 | 23.1 | 25.0 | 7.1 | 0.0 |
| Total sales | 28.6 | 42.9 | 46.2 | 23.1 | -7.1 |
| Investment in construction | 15.4 | 41.7 | 30.0 | 9.1 | 14.3 |
| Investment in machinery, equipment, and tools | 21.4 | 38.5 | 27.3 | 25.0 | 30.8 |
| Staff numbers | -7.1 | -14.3 | 0.0 | -7.1 | -7.1 |

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

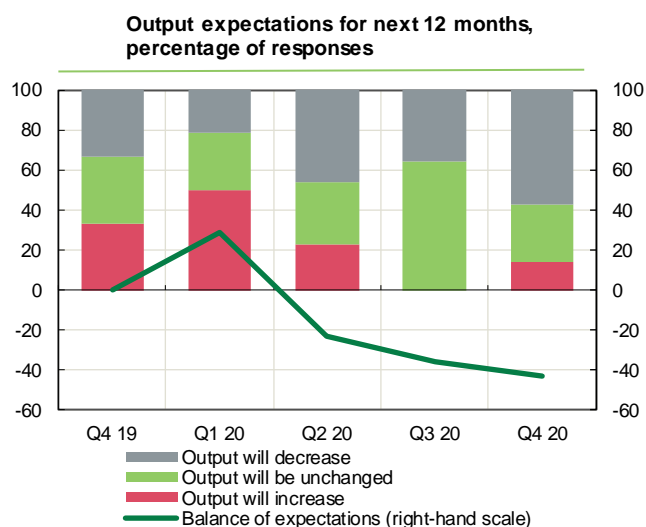


Figure 2

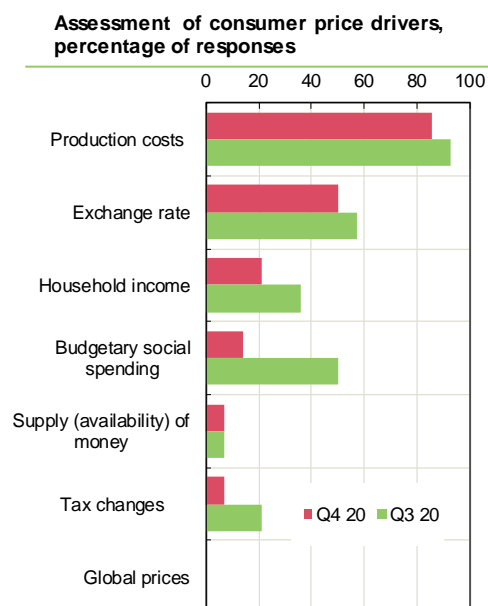


Figure 3

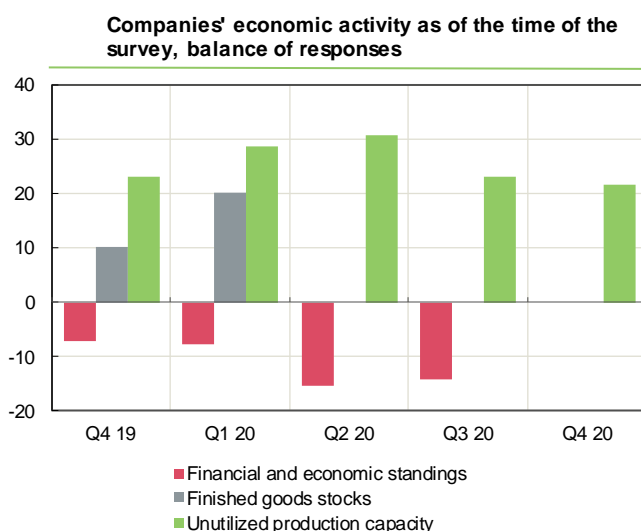


Figure 4

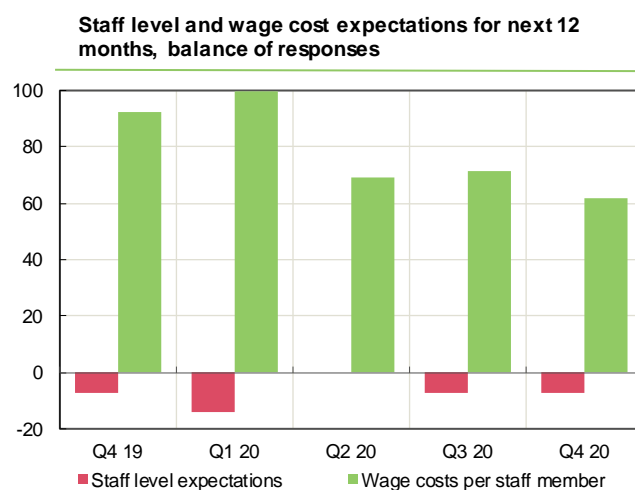


Figure 5

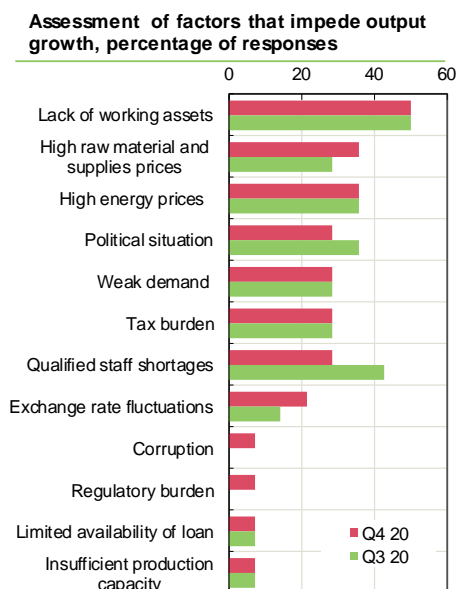


Figure 6

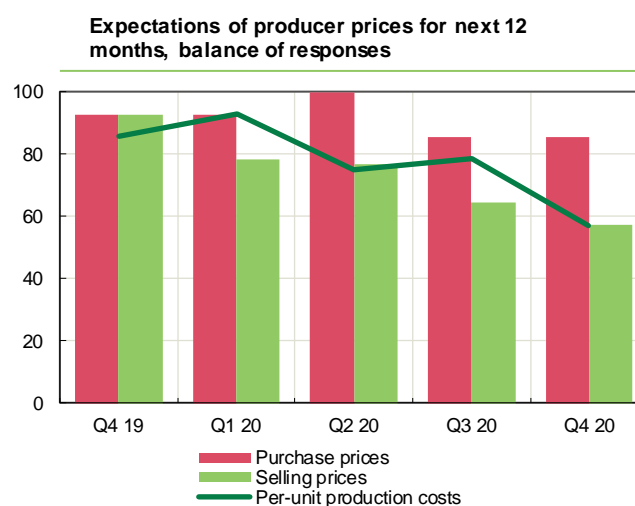


Figure 7

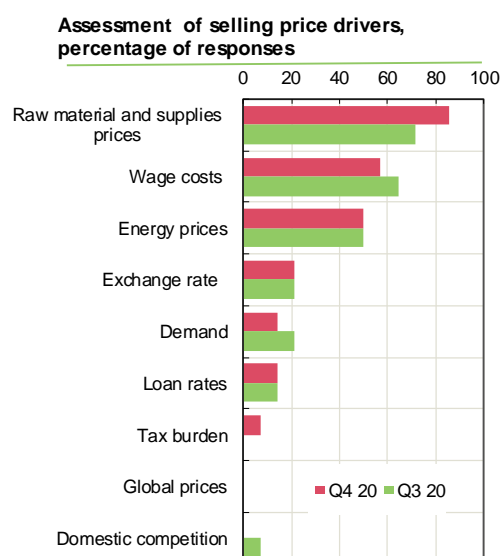


Figure 8

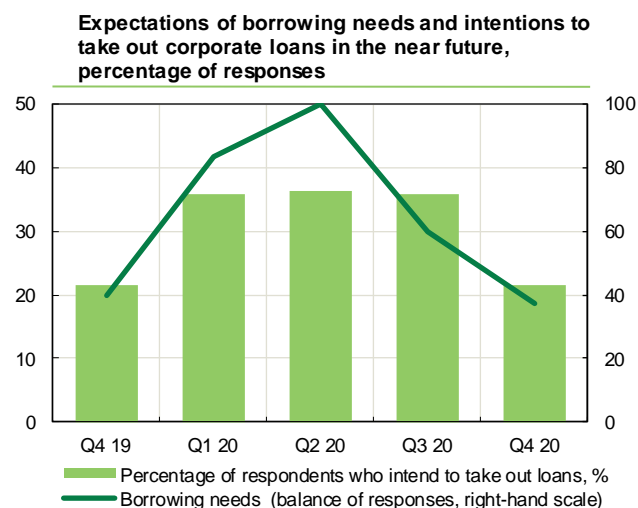


Figure 9

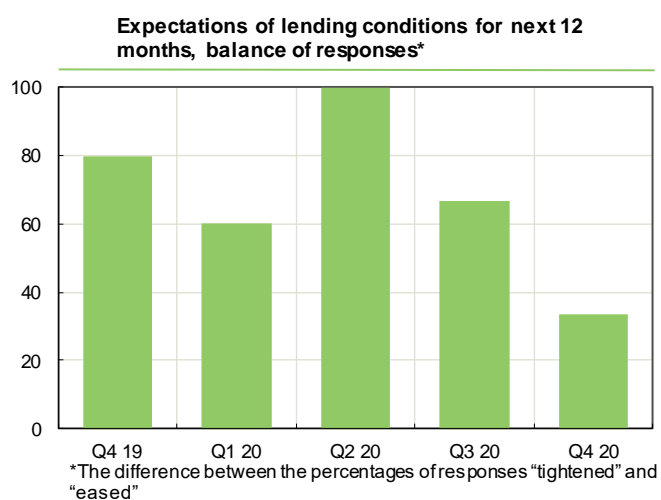


Figure 10

