



National Bank
of Ukraine

Business Outlook Survey of Zhytomyr Oblast*

Q1 2021



*This survey only reflects the opinions of respondents in Zhytomyr 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 **Zhytomyr oblast** in Q1 2021 showed that respondents continued to expect a drop in the output of Ukrainian goods and services over the next 12 months. At the same time, they had optimistic expectations for the performance of their companies. 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:** the balance of expectations was (-15.4%) compared with (-42.9%) in Q4 2020 (Figure 1). Companies across Ukraine expected that the output of goods and services would return to growth – the balance of responses was 5.6%
- **prices for consumer goods and services would rise** at a slower pace: 53.8% of respondents expected that the inflation rate would be lower than 7.5% (compared with 46.2% in the previous quarter and 49.3% across Ukraine). Respondents continued to refer to production costs **as the main inflation driver** (92.3% of respondents) (Figure 2)
- **the domestic currency would depreciate significantly:** 84.6% of respondents (compared with 85.7% in the previous quarter) expected the hryvnia to weaken against the US dollar, with the figure across Ukraine being 74.4%
- **the financial and economic standings of their companies would improve significantly:** the balance of expectations was 38.5%, compared to 0.0% in the previous quarter and 12.7% across Ukraine (see Table)
- **total sales would increase:** the balance of responses was 23.1% compared to (-7.1%) in Q4 2020 and 18.0% across Ukraine
- **the growth in investment** both in construction and in machinery, equipment, and tools **would increase at a fast pace:** the balances of responses were 23.1% and 30.8% respectively (compared with 14.3% and 30.8% in Q4 2020). Across Ukraine, investments would rise at a slower pace, the balances of responses being 1.4% and 11.7% respectively
- **staff numbers would increase:** the balance of responses was 7.7% (compared with (-7.1%) in the previous quarter. Across Ukraine, staff numbers were expected to decrease slightly (-1.9%) (Figure 4)
- **both purchase and selling prices would rise at a fast pace:** the balances of responses were 84.6% and 69.2% respectively compared with 85.7% and 57.1% in the previous quarter (Figure 6). Raw material and supplies prices, together with 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 accelerate:** the balances of responses were 76.9% and 66.7% respectively compared with 57.1% and 61.5% in Q4 2020 (Figures 4 and 6).

Companies cited a lack of working assets and energy prices as **the main drags on their ability to boost production** (Figure 5).

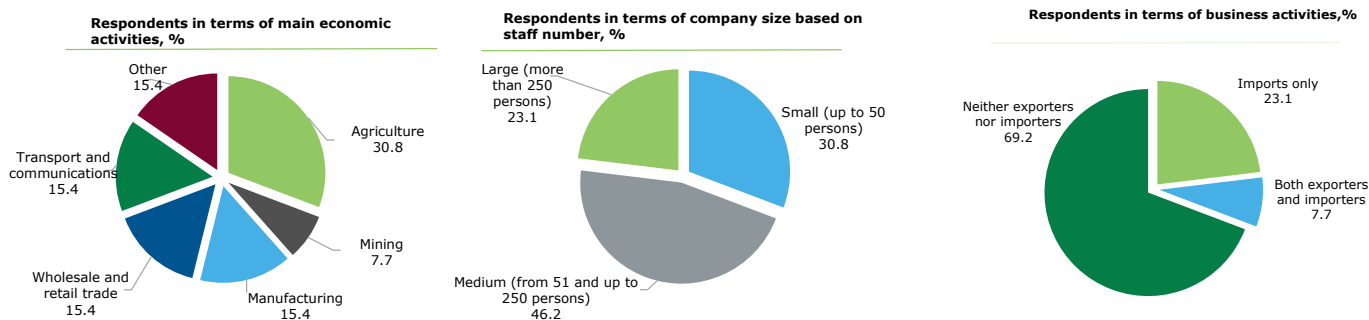
Respondents reported higher expectations of an increase in their borrowing needs in the near future (Figure 8). The companies that planned to take out corporate loans usually opted for domestic currency ones. Respondents said that lending conditions had tightened significantly (Figure 9). Respondents referred to high loan rates and other funding sources as the main factors 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 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 satisfactory:** the balance of responses was 0.0%, as 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 remained at lower levels than normal:** the balance of responses was (-16.7%) compared with 0.0% in Q4 2020.
- **Companies in the oblast had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 16.7% (compared to 21.4% in the previous quarter).

Survey Details^{1,2}



- Period: 3 February through 1 March 2021.
- A total of 13 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, %

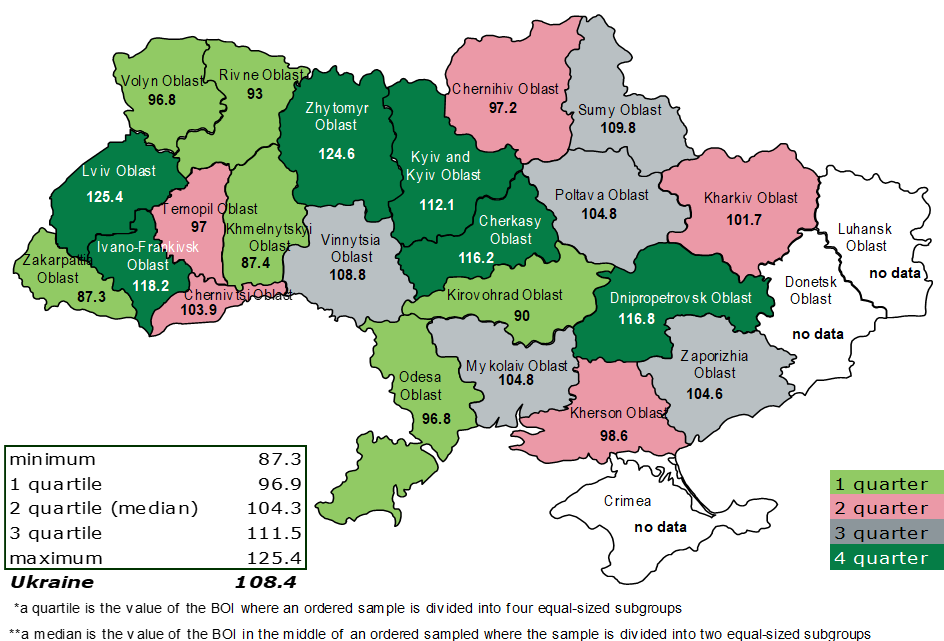


Table. The Business Outlook Index of Companies in Zhytomyr Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21
Financial and economic standings	23.1	25.0	7.1	0.0	38.5
Total sales	42.9	46.2	23.1	-7.1	23.1
Investment in construction	41.7	30.0	9.1	14.3	23.1
Investment in machinery, equipment, and tools	38.5	27.3	25.0	30.8	30.8
Staff numbers	-14.3	0.0	-7.1	-7.1	7.7

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

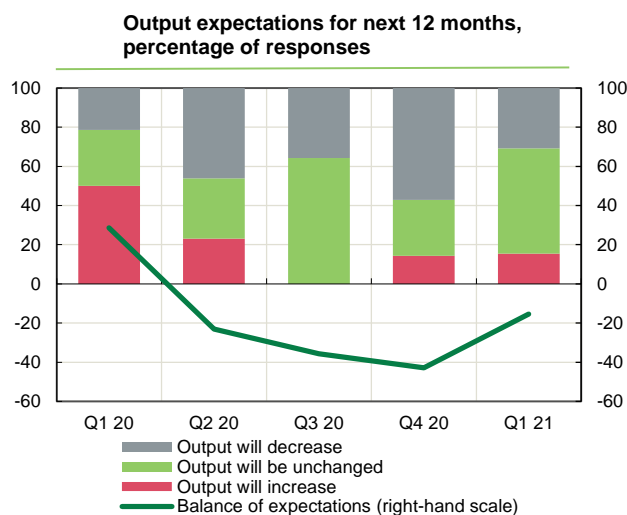


Figure 2

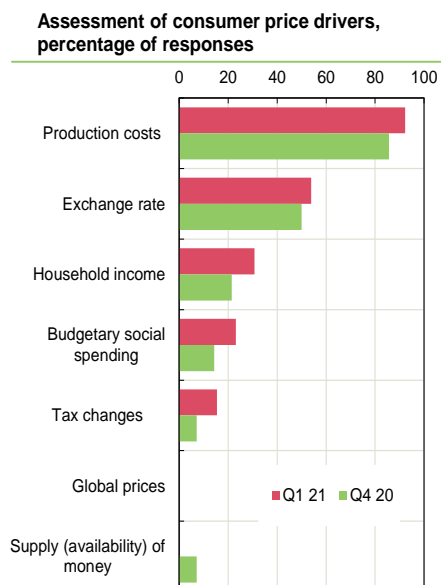


Figure 3

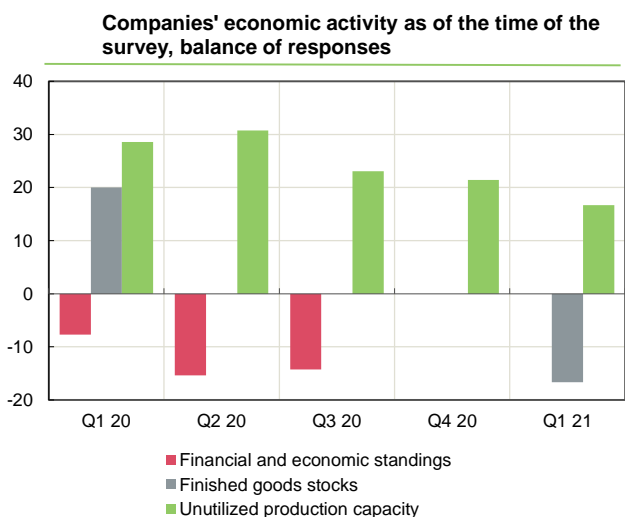


Figure 4



Figure 5

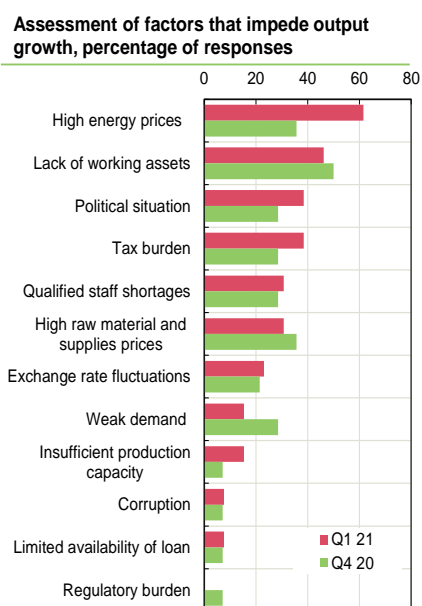


Figure 6

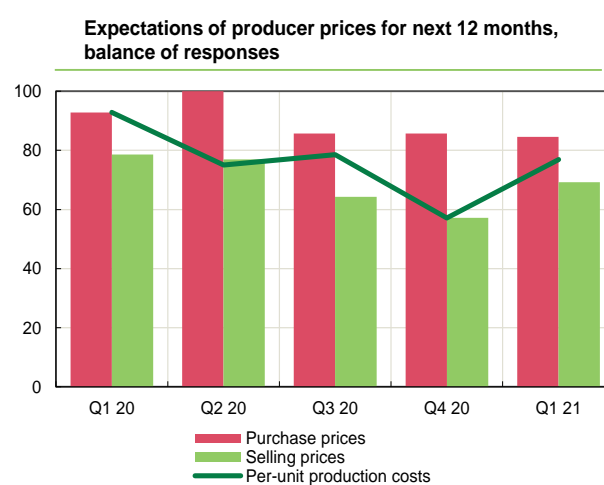


Figure 7

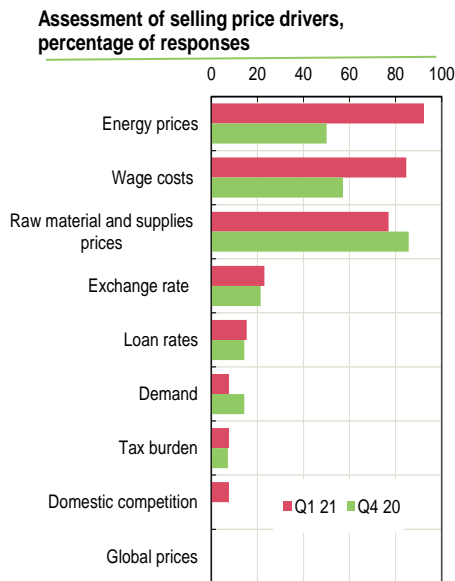


Figure 8

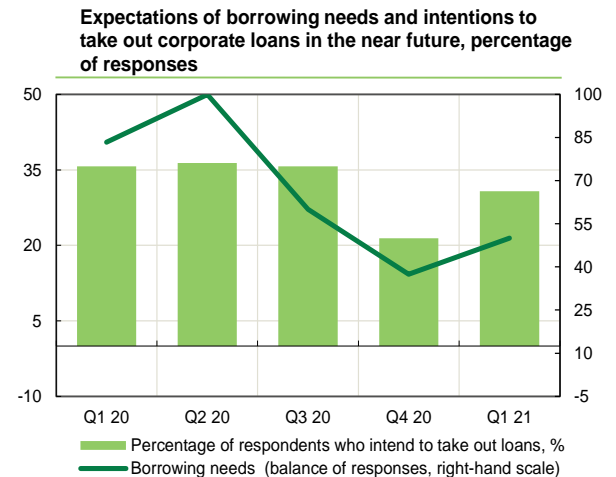


Figure 9

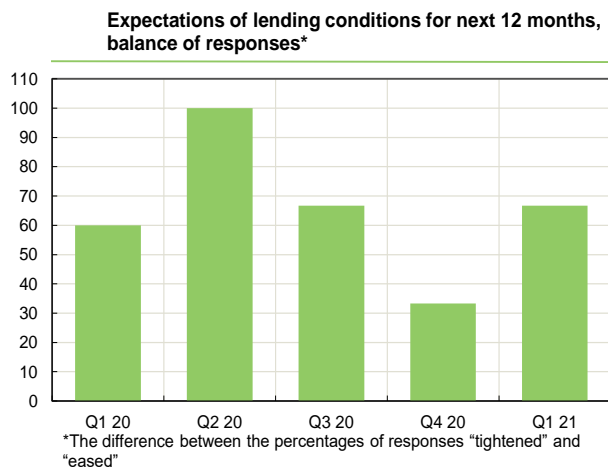


Figure 10

