National Bank of Ukraine

Business Outlook Survey of Zaporizhzhia Oblast*

Q4 2020

*This survey only reflects the opinions of respondents in Zaporizhzhia 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 Zaporizhzhia oblast in Q4 2020 showed that respondents expected a significant drop in the output of Ukrainian goods and services over the next 12 months on the back of a tighter quarantine. At the same time, **they had positive expectations for the performance of their companies.** Respondents expected inflation and depreciation would continue to increase.

The top managers of companies 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 (-50.0%) (the most pessimistic figures across the regions) compared with (-28.6%) in Q3 2020 (Figure 1) and (-24.4%) across Ukraine
- **prices for consumer goods and services would rise** at a faster pace: 53.6% of respondents expected that the inflation rate would be higher than 7.5% (compared with 50.0% in the previous quarter and 50.8% across Ukraine). Respondents referred to production costs, the exchange rate and household income as the **main inflation drivers** (Figure 2)
- **the domestic currency would depreciate significantly:** 89.3% of respondents expected the hryvnia to weaken against the US dollar compared with 82.1% in the previous quarter and 87.1% across Ukraine
- **the financial and economic standings of their companies would improve moderately:** the balance of expectations was 3.8% compared with (-3.7%) in the previous quarter and 1.3% across Ukraine (see Table)
- **total sales would decrease** at a slower pace: the balance of responses was (-11.1%) (compared to (-22.2%) in Q3 2020). External sales were expected to remain unchanged, the balance of responses being 0.0% (compared to 7.7% in Q3 2020). Overall, companies across Ukraine expected sales to increase moderately, the balances of responses being 7.1% and 3.8% respectively
- **investment in machinery, equipment, and tools would grow**: the balance of responses was 14.8% compared with3.8% in Q3 2020. **Investment in construction was expected to remain unchanged**: the balance of response was 0.0% compared with (-4.0%) in the previous quarter. The balances of responses across Ukraine were 3.8% and (-4.5%) respectively
- **staff numbers at their companies would increase moderately**: the balance of responses was 3.6% compared with (-17.9%) in the previous quarter and (-9.9%) across Ukraine (Figure 4)
- **the growth of both purchase and selling prices would accelerate:** the balances of responses were 89.3% and 51.9% respectively compared with 81.5% and 38.5% 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)
- **per-unit production costs** and **wage costs per staff member would grow:** the balances of responses were 50.0% and 63.0% respectively (compared with 53.6% and 50.0% in Q3 2020) (Figures 4 and 6).

Respondents referred to high raw material and supplies prices, energy prices, and a lack of working assets as **the main drags on the ability of their companies to boost production** (Figure 5).

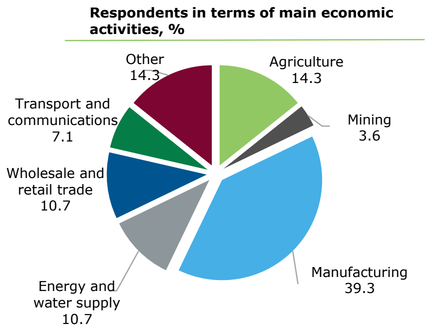
Respondents continued to expect **an increase in their borrowing needs** in the near future (Figure 8). The companies that planned to take out corporate loans usually opted for domestic currency ones. Respondents said that lending conditions had tightened (Figure 9). Respondents continued to cite high loan rates as the main factor that deterred them from taking out loans (Figure 10). Respondents reported a noticeable increase in the impact of the uncertainty about their ability to meet debt obligations.

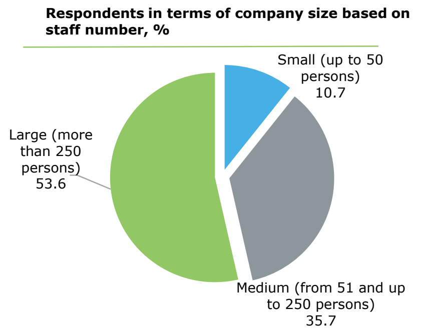
A total of **96.4% of respondents** said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.9% across Ukraine).

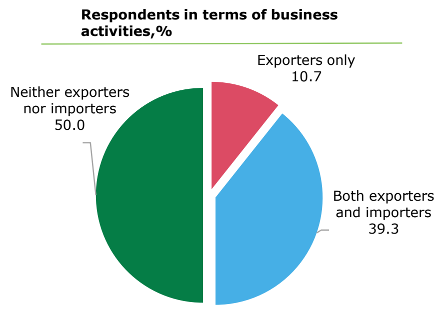
Assessments of financial and economic standings as of the time of the survey (Figure 3)

- **Respondents assessed their current financial and economic standings as bad**: the balance of responses was (-23.1%) compared with (-14.3%) in the previous quarter and (-3.2%) across Ukraine.
- **Finished goods stocks had decreased and were assessed at a level lower than the normal one**: the balance of responses was (-22.2%) compared with 5.9% in Q3 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 (-14.8%) (compared with 7.4% in Q3 2020).

Survey Details[1,2]

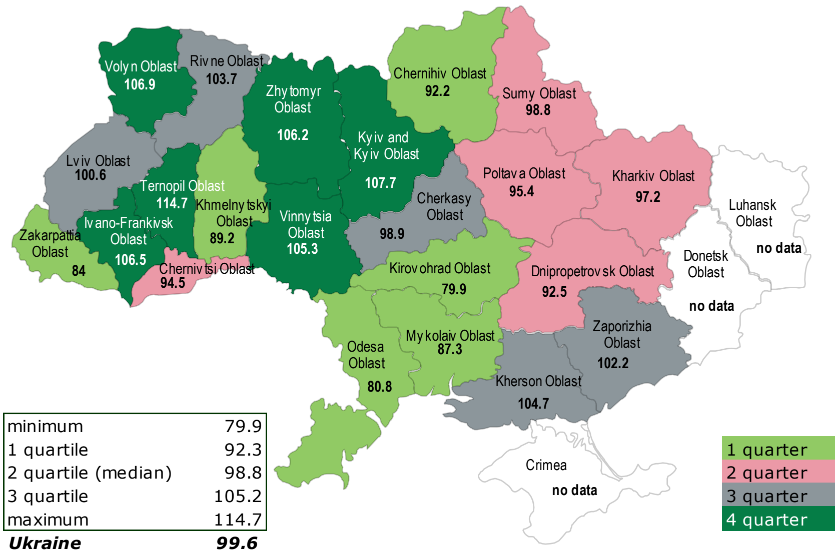






- Period: 5 November through 2 December 2020.
- A total of 28 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, manufacturing industry and other economic activities.

Business Outlook Index for Next 12 Months in Terms of Oblasts[3], %



*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 Zaporizhzhia 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	18.5	26.9	0.0	-3.7	3.8
Total sales	20.0	23.1	3.8	-22.2	-11.1
Investment in construction	0.0	0.0	-3.7	-4.0	0.0
Investment in machinery, equipment, and tools	8.0	15.4	-7.4	3.8	14.8
Staff numbers	6.9	7.4	-14.8	-17.9	3.6

[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

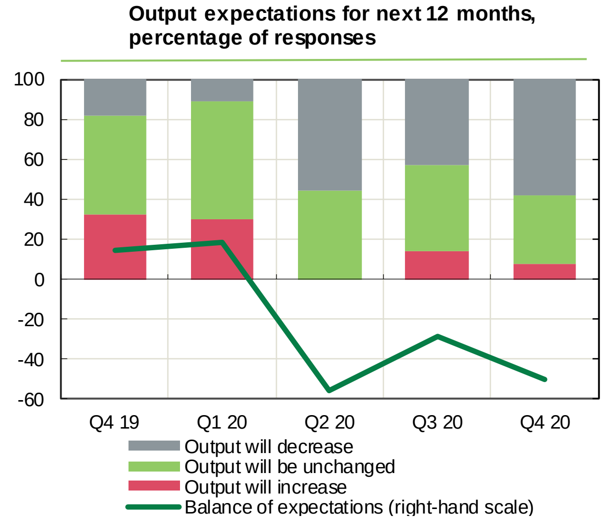


Figure 2

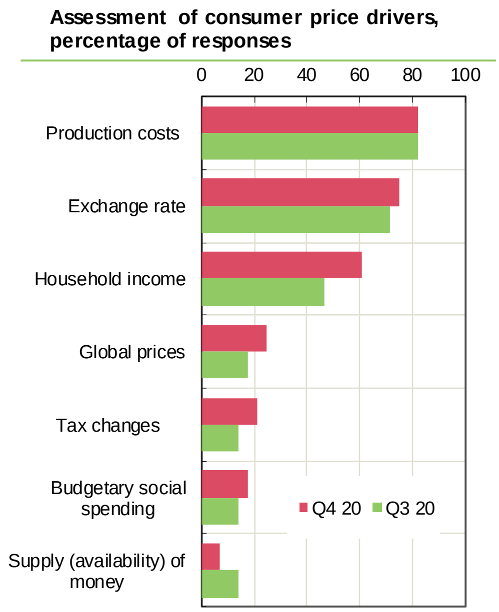


Figure 3

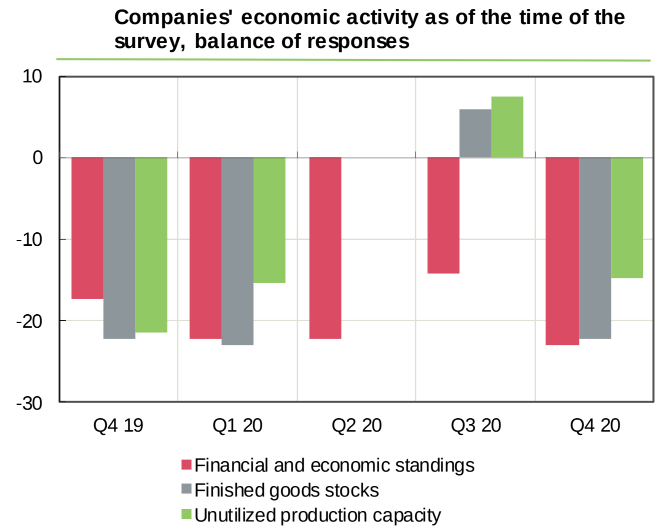


Figure 4

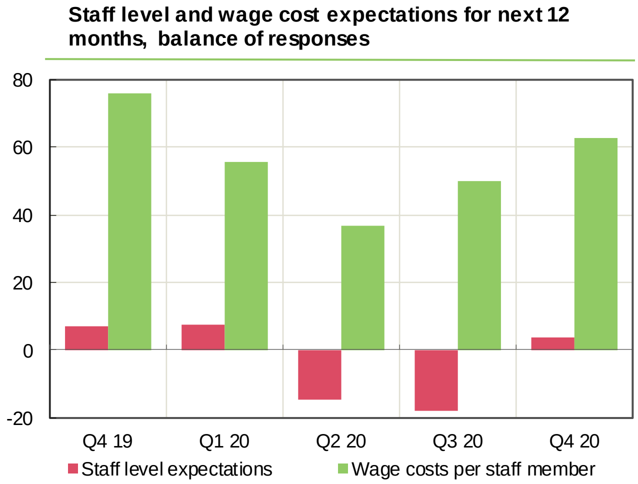


Figure 5

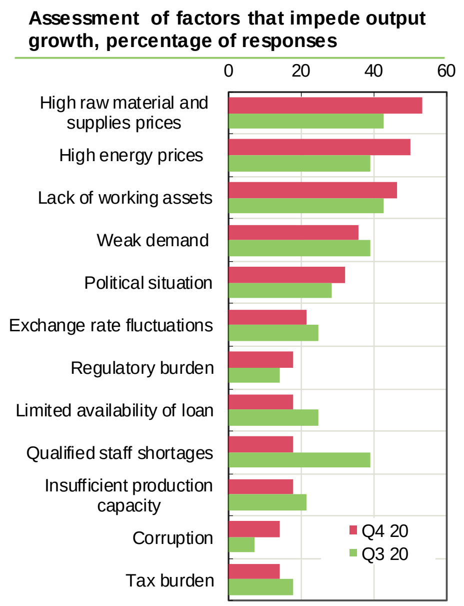


Figure 6

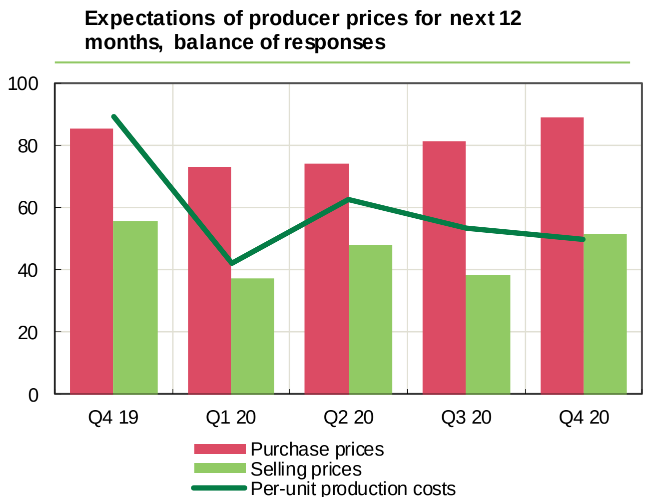


Figure 7

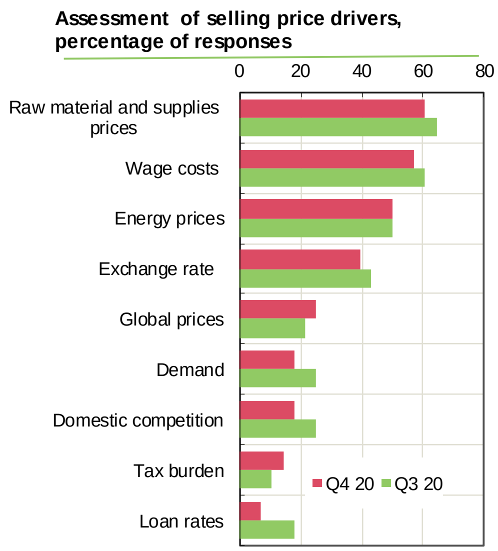


Figure 8

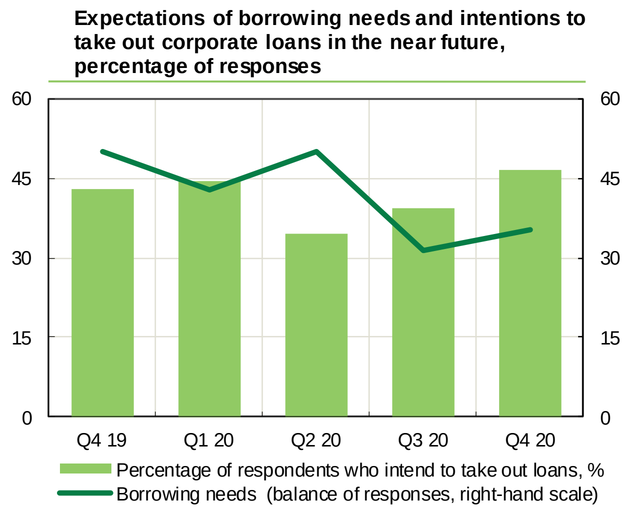
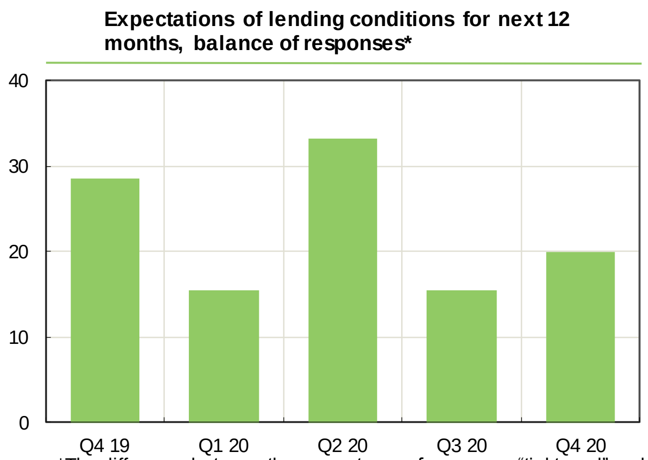


Figure 9



*The difference between the percentages of responses “tightened” and “eased”

Figure 10