



National Bank
of Ukraine

Business Outlook Survey of Zaporizhzhia Oblast*

Q1 2021



*This survey only reflects the opinions of respondents in Zaporizhzhia 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 Zaporizhzhia oblast in Q1 2021 showed that respondents expected that the output of Ukrainian goods and services would return to growth over the next 12 months. They had positive expectations for the performance of their companies. Respondents expected that inflation would continue to increase. Depreciation expectations weakened.

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

- **the output of Ukrainian goods and services would grow** for the first time since Q2 2020: the balance of expectations was 7.4% compared with (-50.0%) in Q4 2020 (Figure 1) and 5.6% across Ukraine
- **prices for consumer goods and services would continue to rise**: 59.3% of respondents expected that the inflation rate would be higher than 7.5% (compared with 53.6% in the previous quarter and 50.7% 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 at a slower pace**: 74.1% of respondents expected the hryvnia to weaken against the US dollar compared with 89.3% in the previous quarter and 74.4% across Ukraine
- **the financial and economic standings of their companies would improve**: the balance of expectations was 7.7% compared with 3.8% in the previous quarter and 12.7% across Ukraine (see Table)
- **total sales would increase**: the balance of responses was 11.5% (compared to (-11.1%) in Q4 2020) (see Table). External sales were expected to increase too, the balance of responses being 14.3% (compared to 0.0% in Q4 2020). Overall, the balances of responses across Ukraine were 18.0% and 14.9% respectively
- **the growth in investment** both in construction and in machinery, equipment, and tools **would increase moderately**: the balances of responses were 3.8% for each (compared with 0.0% and 14.8% in Q4 2020). Across Ukraine the balances of responses were 1.4% and 11.7% respectively
- **staff numbers at their companies would decrease**: the balance of responses was (-3.7%) compared with 3.6% in the previous quarter. Across Ukraine staff numbers were expected to decrease slightly (-1.9%) (Figure 4)
- **purchase prices would rise at a faster pace** (the balance of responses was 96.3%) **than selling prices** (the balance of responses was 55.6%) compared with 89.3% and 51.9% respectively 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 at a faster pace**: the balances of responses were 74.1% and 81.5% respectively (compared with 50.0% and 63.0% in Q4 2020) (Figures 4 and 6).

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

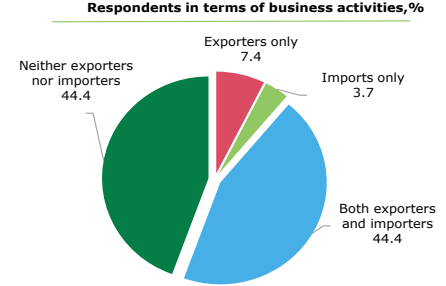
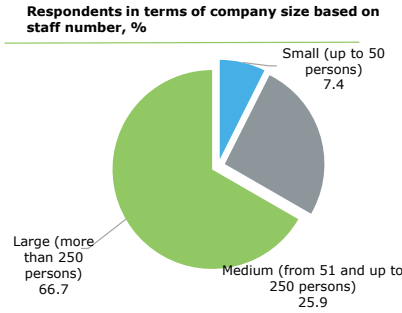
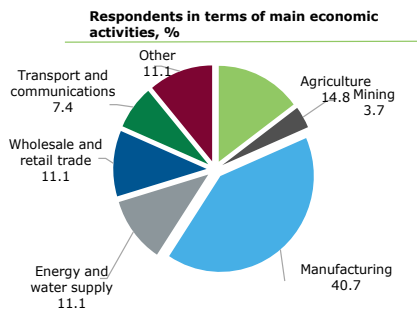
Respondents expected a **significant increase in their borrowing needs** in the near future (Figure 8). The companies that planned to take out corporate loans usually opted for domestic currency ones. Respondents said that lending conditions had tightened (Figure 9). High loan rates were cited as the main factor that deterred companies from taking out loans (Figure 10).

A total of **96.0% of respondents** said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (97.5% across Ukraine).

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

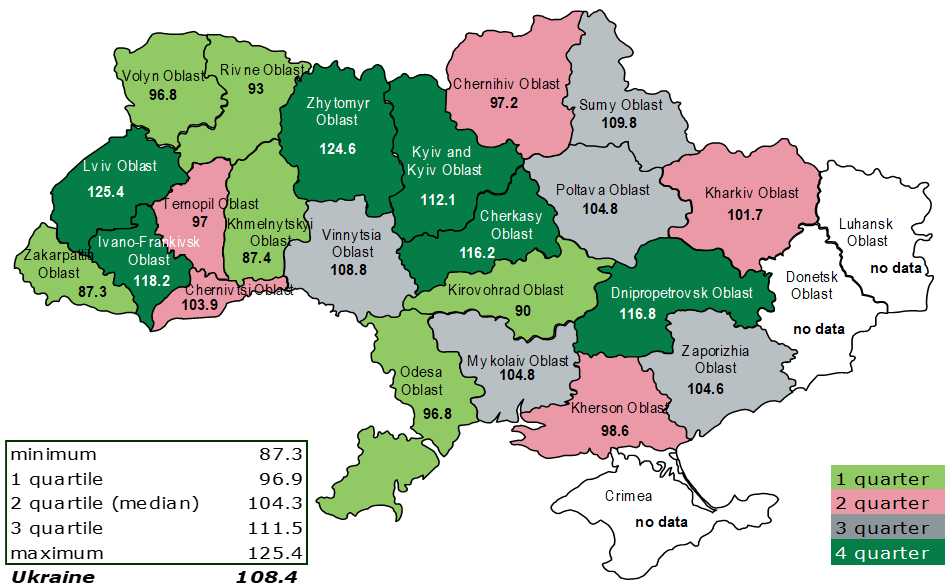
- **Respondents assessed their current financial and economic standings as bad**: the balance of responses was (-28.0%) compared with (-23.1%) in the previous quarter and (-0.7%) across Ukraine.
- **Finished goods stocks had decreased and were assessed at a level lower than the normal one**: the balance of responses was (-16.7%) compared with (-22.2%) in Q4 2020.
- **Spare production capacity had increased**. Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand: the balance of responses was 3.8% (compared with (-14.8%) in Q4 2020).

Survey Details^{1,2}



- Period: 3 February through 1 March 2021.
- A total of 27 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture and the manufacturing industry.

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 Zaporizhzhia 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	26.9	0.0	-3.7	3.8	7.7
Total sales	23.1	3.8	-22.2	-11.1	11.5
Investment in construction	0.0	-3.7	-4.0	0.0	3.8
Investment in machinery, equipment, and tools	15.4	-7.4	3.8	14.8	3.8
Staff numbers	7.4	-14.8	-17.9	3.6	-3.7

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

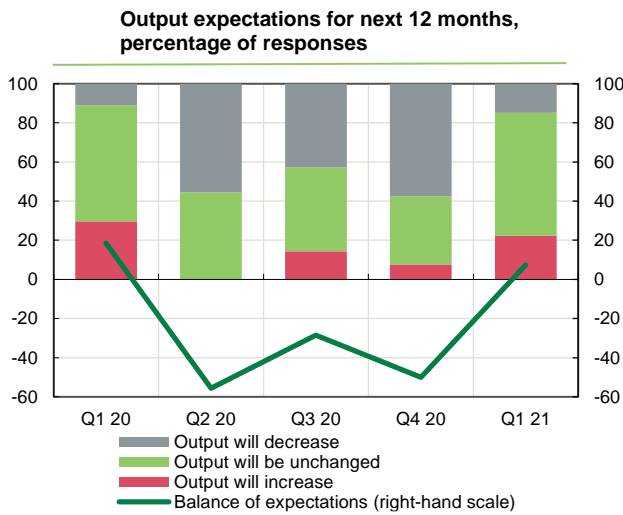


Figure 2

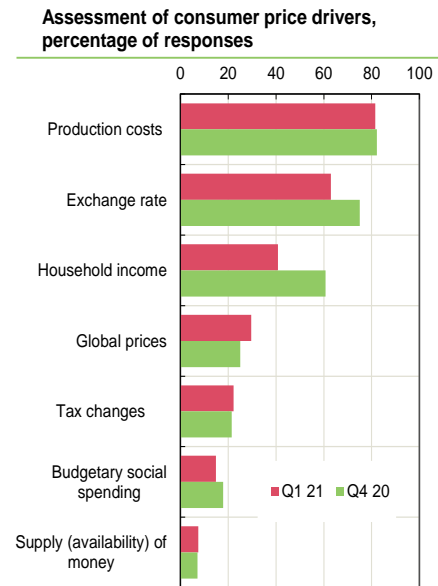


Figure 3

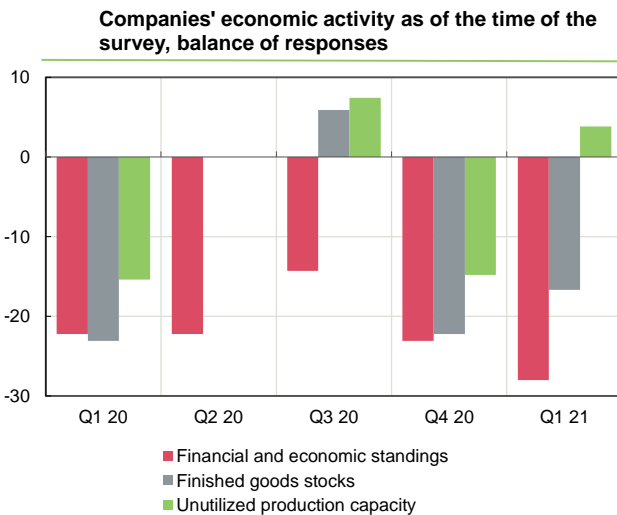


Figure 4



Figure 5

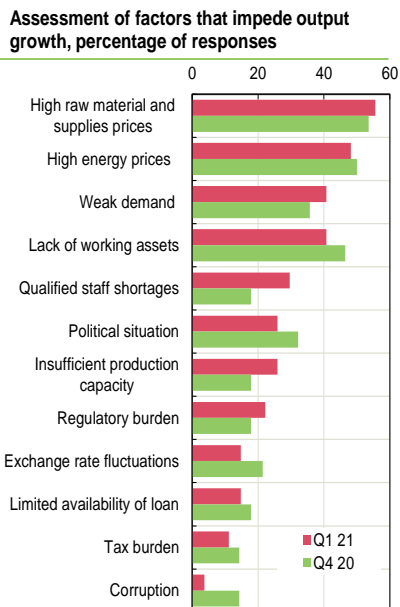


Figure 6

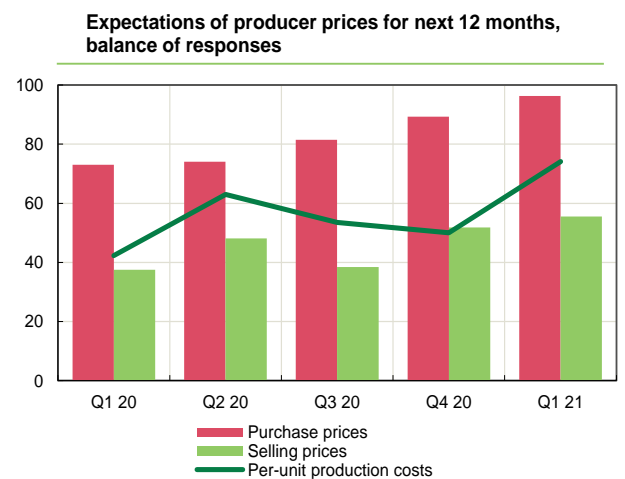


Figure 7

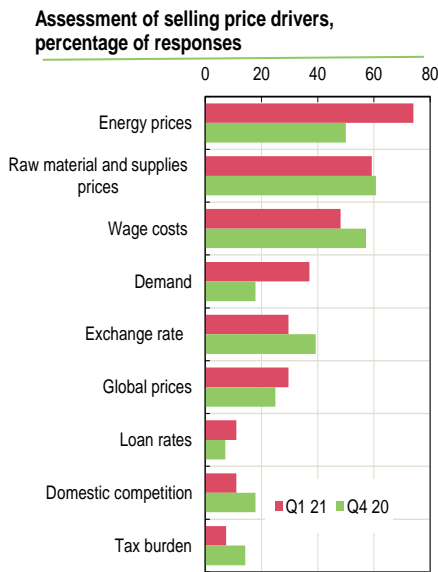


Figure 8

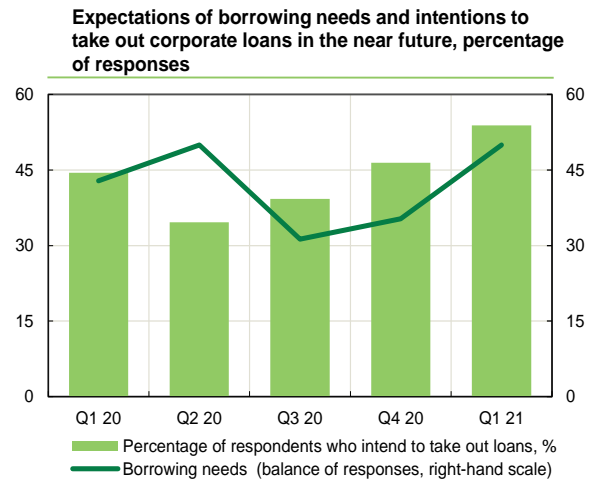


Figure 9

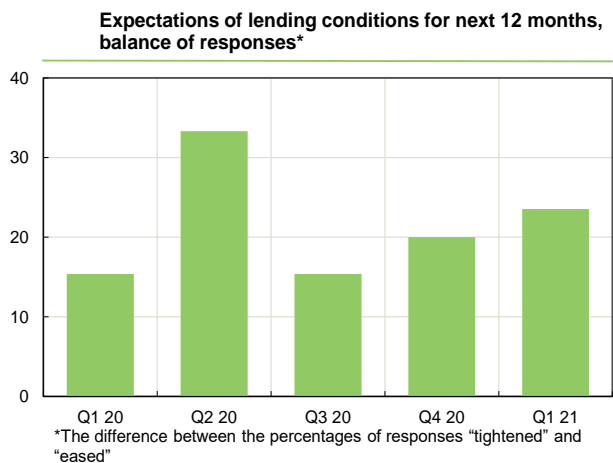


Figure 10

