



National Bank  
of Ukraine

# Business Outlook Survey of **Kyiv and Kyiv Oblast**\*

Q4 2020



\*This survey only reflects the opinions of respondents in Kyiv and Kyiv 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 **Kyiv and Kyiv oblast** in Q4 2020 showed that respondents continued to expect a drop in the output of Ukrainian goods and services over the next 12 months on the back of a tighter quarantine. Respondents had positive expectations for the performance of their companies. They expected the prices to rise and the hryvnia to depreciate more noticeably.

#### 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 (-18.0%) compared with (-20.7%) in Q3 2020 (Figure 1) and (-24.4%) across Ukraine. Respondents from trade companies had the most pessimistic expectations (the balance of expectations was (-34.2%)). At the same time, respondents from energy and water supply companies expected an increase in output
- **prices for consumer goods and services would continue to rise:** 54.1% of respondents expected the inflation rate to be lower than 7.5% compared with 54.4% in the previous quarter and 49.2% across Ukraine. Respondents referred to the exchange rate and production costs **as the main inflation drivers** (Figure 2)
- **the hryvnia would depreciate significantly:** 90.2% of respondents (compared with 84.7% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 87.1%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 11.1% (compared with 9.9% in the previous quarter. Companies across Ukraine expected financial and economic standings to improve slightly – 1.3% (see Table). Respondents from energy and water supply companies had the highest expectations (the balance of responses was 37.5%). At the same time, respondents from construction companies expected a deterioration in their financial and economic standings
- **total sales would increase at a faster pace:** the balance of responses was 19.3% compared with 13.7% in the previous quarter. Respondents also expected an increase in external sales (the balance of responses was 7.1%). Across Ukraine, the balances of responses were 7.1% and 3.8% respectively
- **investment in machinery, equipment, and tools would increase:** the balance of responses was 6.5% compared with 9.2% in the previous quarter. Investment in construction was expected to decrease slightly: the balance of responses was (-2.2%) compared to (-4.9%) in Q3 2020. Across Ukraine, the balances of responses were 3.8% and (-4.5%) respectively
- **staff numbers would increase moderately:** the balance of responses was 3.8% compared to (-2.5%) in Q3 2020. Across Ukraine, staff numbers were expected to decrease, with a balance of responses of (-9.9%) (Figure 4). Respondents from energy and water supply companies had the highest expectations (the balance of responses was 25.0%). At the same time, respondents from construction companies expected a decrease in staff level
- **both purchase and selling prices would grow at a fast pace:** the balances of responses were 83.6% and 60.9% respectively (compared to 78.7% and 59.6% respectively in Q3 2020) (Figure 6). Respondents from manufacturing and construction companies had the highest expectations of a rise in selling prices (the balances of responses were 84.0% and 80.0% respectively). Some 66.0% of respondents cited the exchange rate as the main selling price driver
- **the growth in per-unit production costs and wage costs per staff member would accelerate:** the balances of responses were 52.2% and 57.6% respectively (compared to 38.1% and 44.8% respectively in Q3 2020) (Figures 4, 6).

Respondents referred to the unstable political situation and weak demand as the **main drags on the ability of their companies to boost production** (Figure 5). The impact of exchange rate fluctuations was assessed to be significantly higher than in the previous quarter.

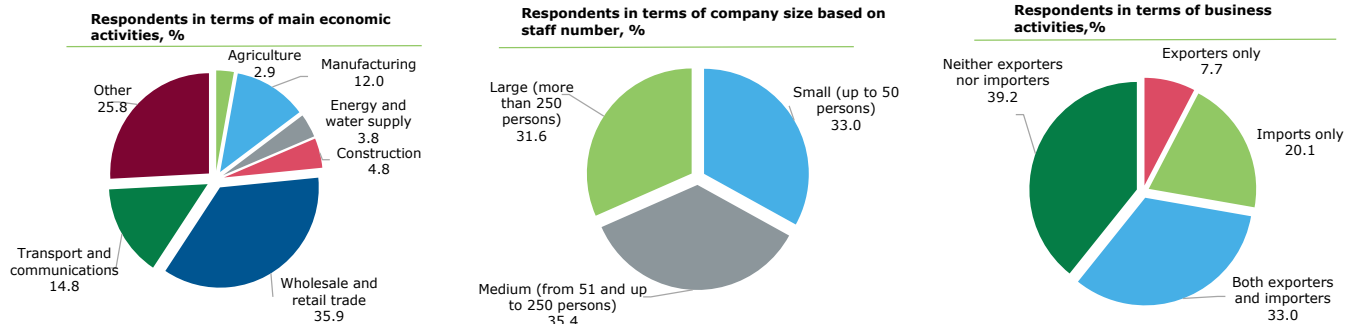
Respondents continued to expect **an increase in their borrowing needs** in the near future (Figure 9). The respondents who planned to take out corporate loans (39.9% of those surveyed) usually opted for domestic currency ones. Respondents said that lending conditions had tightened (Figure 10). Companies continued to refer to high interest rates as the main factor that deterred them from taking out corporate loans (Figure 11).

A total of **97.1% 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)

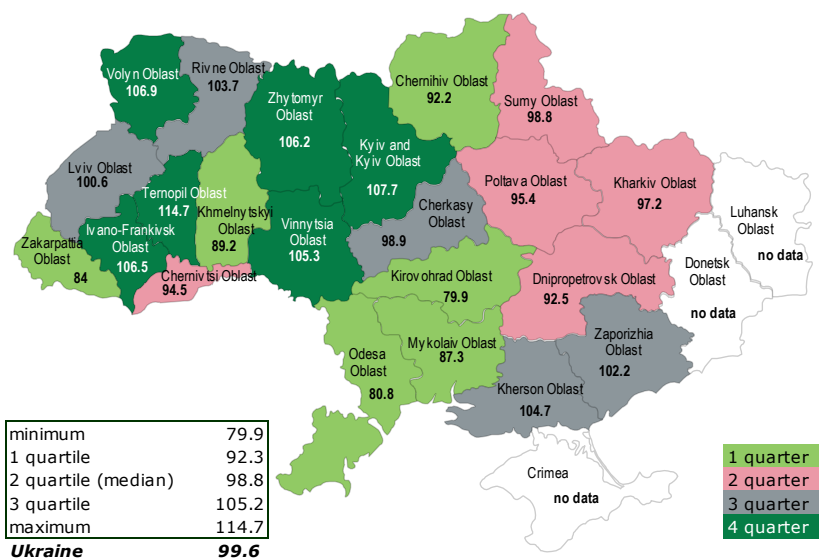
- **Companies assessed their current financial and economic standings as good:** the balance of responses was 8.6% (compared with 7.4% in Q3 2020). The best assessments were reported by respondents from agricultural companies. At the same time, companies from energy and water supply, construction companies had negative assessments. Across Ukraine, the current financial and economic standings of companies were assessed as bad, the balance of responses being (-3.2%).
- **Finished goods stocks were assessed at a level lower than the normal one:** the balance of responses was (-6.6%) compared with (-16.0%) in Q3 2020.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 12.3% compared with 11.0% in Q3 2020.

Survey Details<sup>1,2</sup>



- Period: 4 November through 3 December 2020.
- A total of 209 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, the manufacturing industry, energy and water supply, construction, trade, transport and communications and others economic activities.

Business Outlook Index for Next 12 Months in Terms of Oblasts<sup>3</sup>, %



<sup>3</sup>a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups  
<sup>3</sup>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 Kyiv and Kyiv 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	25.7	23.4	-1.0	9.9	11.1
Total sales	35.4	30.7	5.4	13.7	19.3
Investment in construction	3.6	-3.3	-15.8	-4.9	-2.2
Investment in machinery, equipment, and tools	17.8	11.4	-9.2	9.2	6.5
Staff numbers	10.7	3.5	-17.3	-2.5	3.8

<sup>1</sup> This sample was generated in proportion to the contribution of each oblast and each economic activity to Ukraine's gross value added.

<sup>2</sup> Data for totals and components may be subject to rounding effects.

<sup>3</sup> 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

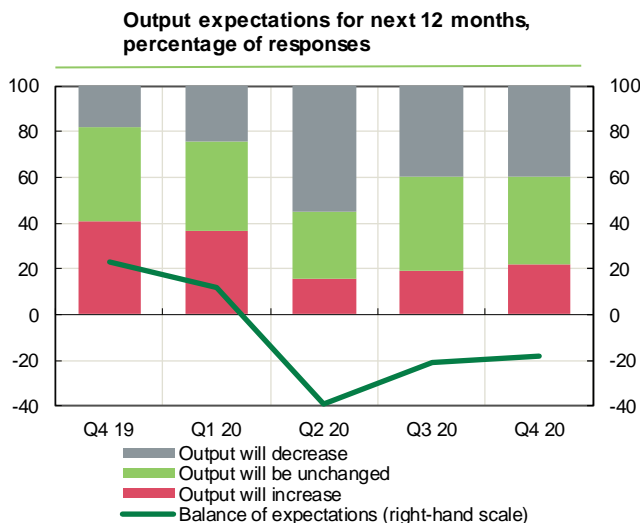


Figure 2

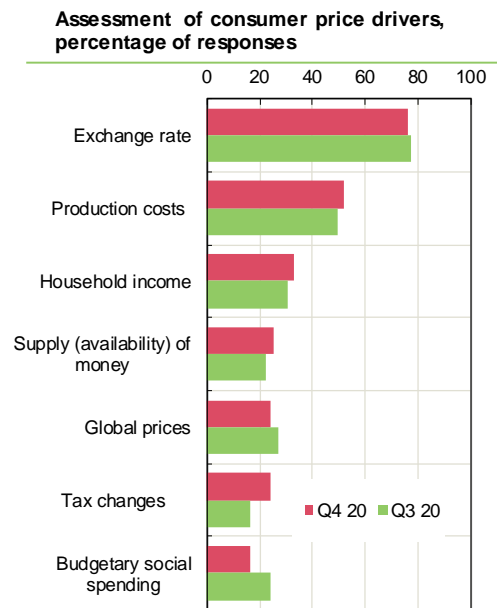


Figure 3

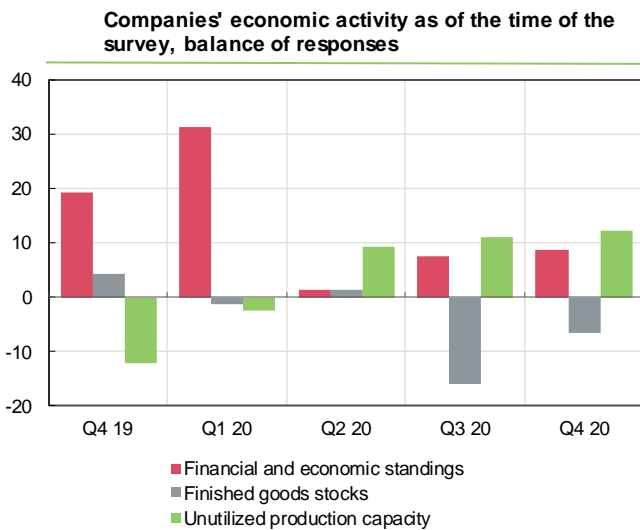


Figure 4



Figure 5

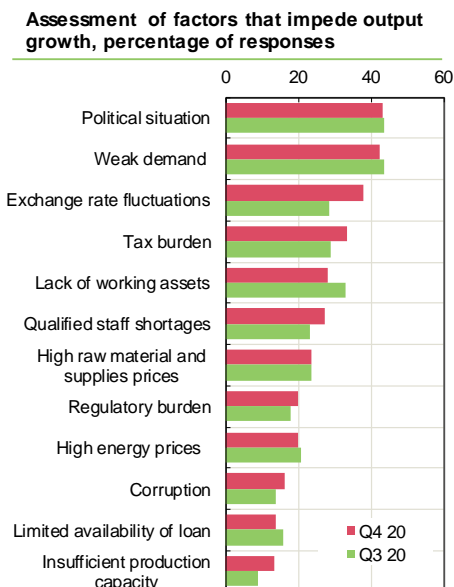


Figure 6

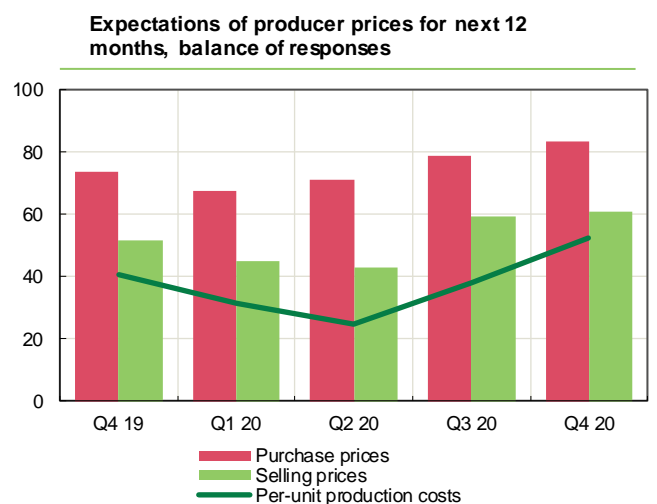


Figure 7

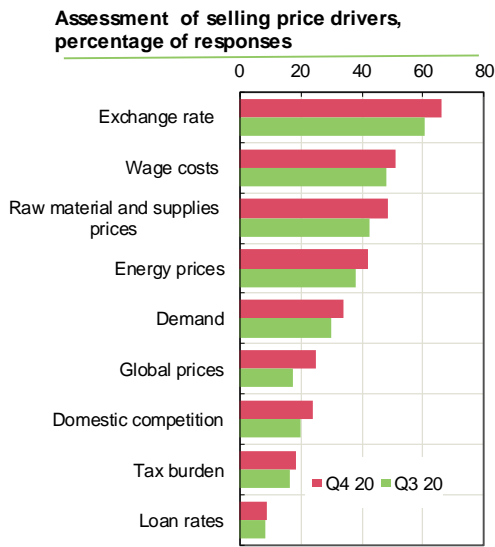


Figure 8

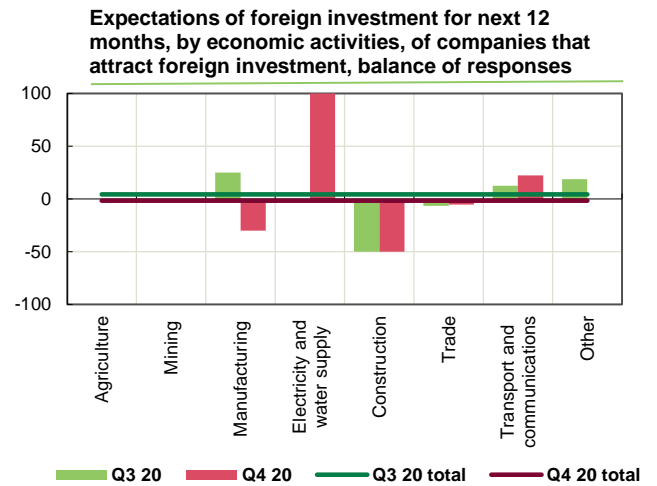


Figure 9

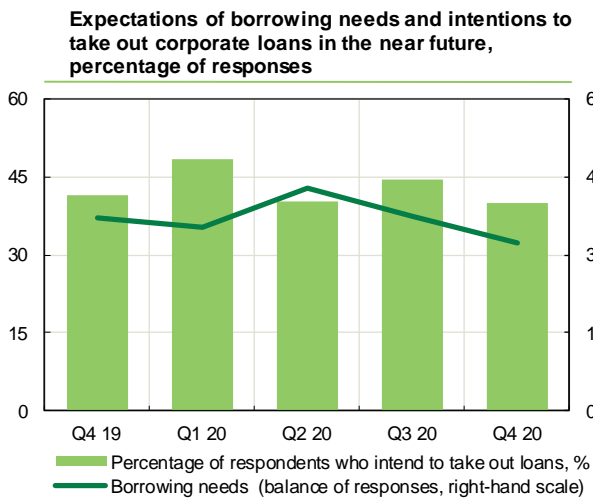


Figure 10

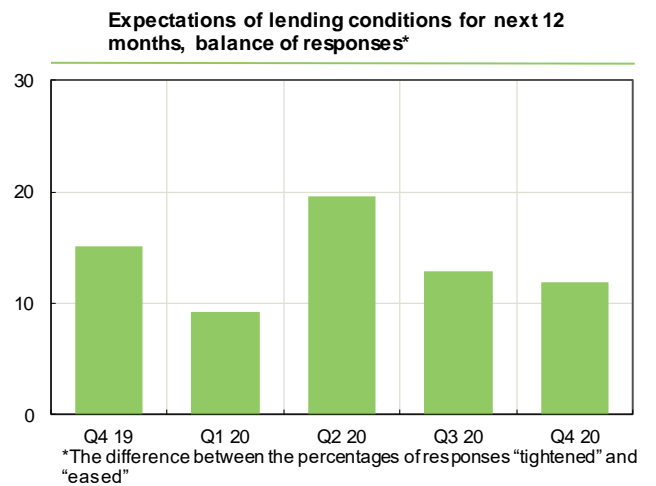


Figure 11

