



National Bank
of Ukraine

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

Q1 2021



*This survey only reflects the opinions of respondents in Kyiv and Kyiv 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 **Kyiv and Kyiv oblast** in **Q1 2021** showed that respondents expected the output of Ukrainian goods and services would return to growth over the next 12 months. The respondents had positive expectations for the performance of their companies over this period. Respondents expected prices to continue rising and the hryvnia to depreciate more slowly.

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

- **the output of Ukrainian goods and services would grow** for the first time in the last three quarters: the balance of expectations was 10.3%, compared to (-18.0%) in Q4 2020 (Figure 1) and 5.6% across Ukraine. Respondents from energy and water supply companies had the most optimistic expectations (the balance of expectations was 37.5%)
- **prices for consumer goods and services would rise** at a faster pace: 51.7% of respondents expected the inflation rate to be higher than 7.5%, compared to 45.9% in the previous quarter and 50.7% across Ukraine. Respondents referred to the exchange rate and production costs as the main inflation drivers (Figure 2)
- **the hryvnia depreciation would decelerate**: 73.2% of respondents (compared to 90.2% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 74.4%
- **the financial and economic standings of their companies would improve**: the balance of expectations was 19.7% (compared to 11.1% in the previous quarter and 12.7% across Ukraine) (see Table). Respondents from agricultural companies had the highest expectations (the balance of responses was 33.3%). At the same time, respondents from construction companies expected their financial and economic standings would not change
- **total sales would increase at a faster pace**: the balance of responses was 24.4%, compared to 19.3% in the previous quarter. Respondents also expected an increase in external sales (the balance of responses was 15.6%). Across Ukraine, the balances of responses were 18.0% and 14.9% respectively
- **investment in construction and in machinery, equipment, and tools would increase**: the balances of responses were 2.1% and 10.9%, respectively compared to (-2.2%) and 6.5% in the previous quarter. Across Ukraine, the balances of responses were 1.4% and 11.7% respectively
- **staff numbers would increase moderately**: the balance of responses was 3.4%, compared to 3.8% in Q4 2020. Across Ukraine, staff numbers were expected to decrease insignificantly, with a balance of responses of (-1.9%) (Figure 4). Respondents from trade companies had the highest expectations (the balance of responses was 15.5%)
- **both purchase and selling prices would grow** at a fast pace: the balances of responses were 82.1% and 60.2% respectively (compared to 83.6% and 60.9% respectively in Q4 2020) (Figure 6). Respondents from manufacturing and construction companies had the highest expectations of a rise in selling prices (the balances of responses were 91.3% and 88.9% respectively). Respondents cited the exchange rate and wage costs as the main selling price drivers. Assessments of the impact of energy prices and raw material and supplies prices were also high
- **the growth in per-unit production costs and wage costs per staff member would decelerate**: the balances of responses were 41.7% and 54.4% respectively (compared to 52.2% and 57.6% respectively in Q4 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 energy prices was assessed to be significantly higher than in the previous quarter.

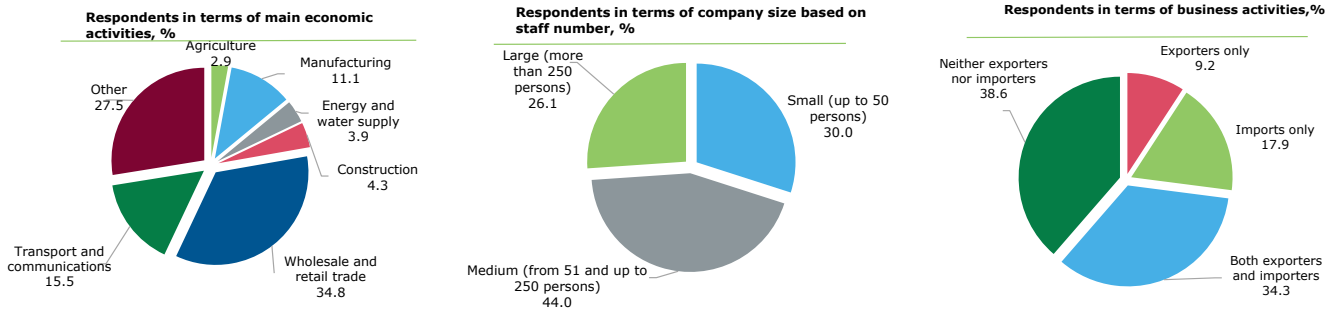
Respondents continued to expect **an increase in their borrowing needs** in the near future (Figure 9). The respondents who planned to take out loans (39.7% of those surveyed) usually opted for domestic currency ones. Respondents said that bank lending conditions had eased (Figure 10). Companies continued to refer to high interest rates as the main factor that deterred them from taking out corporate loans (Figure 11).

A total of **98.0% 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)

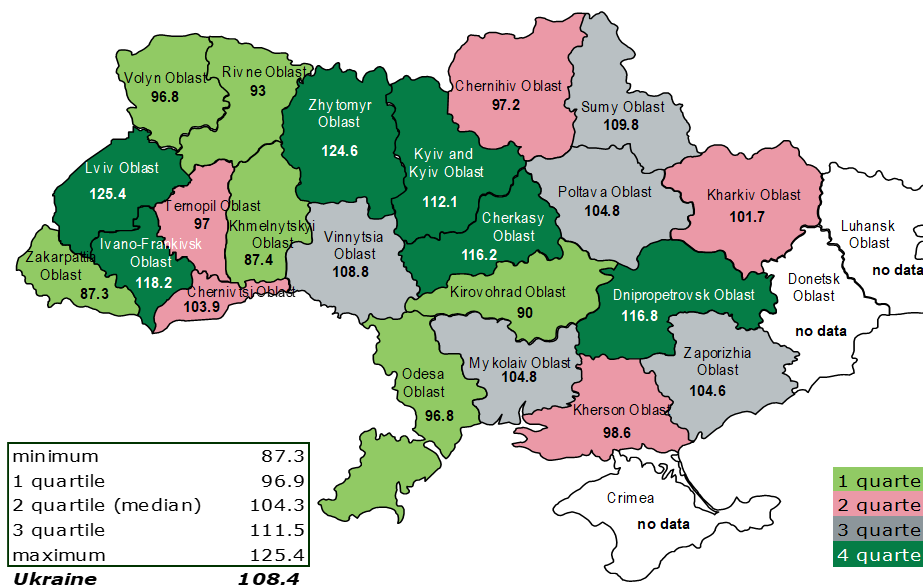
- **Companies assessed their current financial and economic standings as good**: the balance of responses was 3.9% (compared to 8.6% in Q4 2020). The best assessments were reported by respondents from manufacturing companies. Across Ukraine, the current financial and economic standings of companies continued to be assessed as bad, the balance of responses being (-0.7%).
- **Finished goods stocks increased and were assessed higher than normal**: the balance of responses was 1.3%, compared to (-6.6%) in Q4 2020.
- **Companies had sufficient unutilized production capacity to meet any unexpected rise in demand**: the balance of responses was 10.7%, compared to 12.3% in Q4 2020.

Survey Details^{1,2}



- Period: 2 February through 3 March 2021.
- A total of 207 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 other economic activities.

Business Outlook Index for Next 12 Months in Terms of Oblasts³, %



¹a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups
²a 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 Kyiv and Kyiv 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	23.4	-1.0	9.9	11.1	19.7
Total sales	30.7	5.4	13.7	19.3	24.4
Investment in construction	-3.3	-15.8	-4.9	-2.2	2.1
Investment in machinery, equipment, and tools	11.4	-9.2	9.2	6.5	10.9
Staff numbers	3.5	-17.3	-2.5	3.8	3.4

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

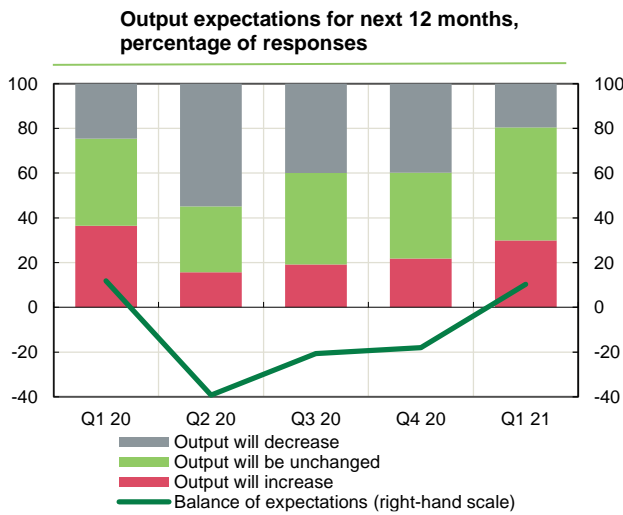


Figure 2

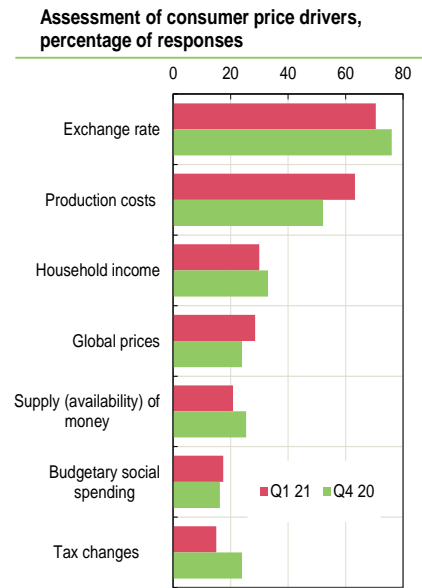


Figure 3

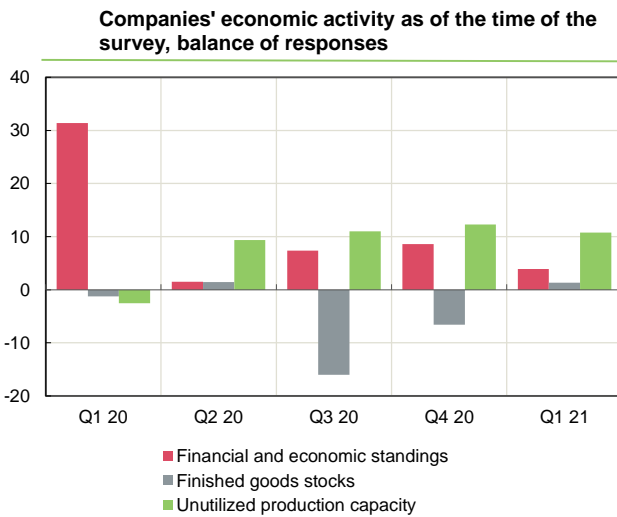


Figure 4



Figure 5

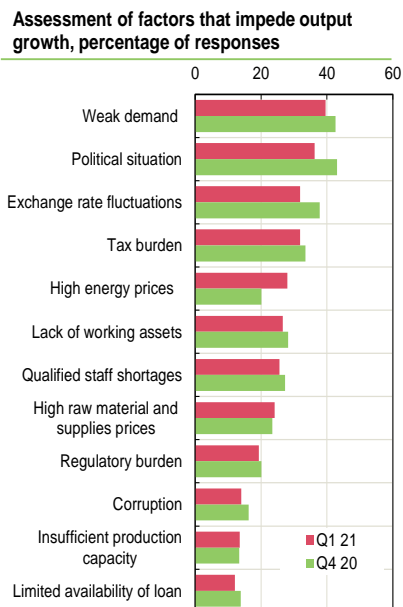


Figure 6

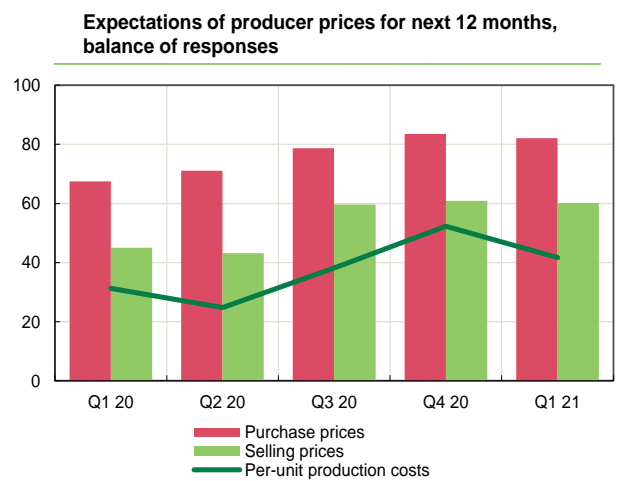


Figure 7

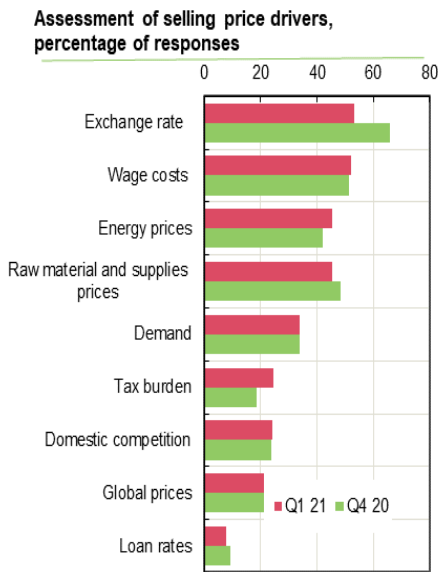


Figure 8

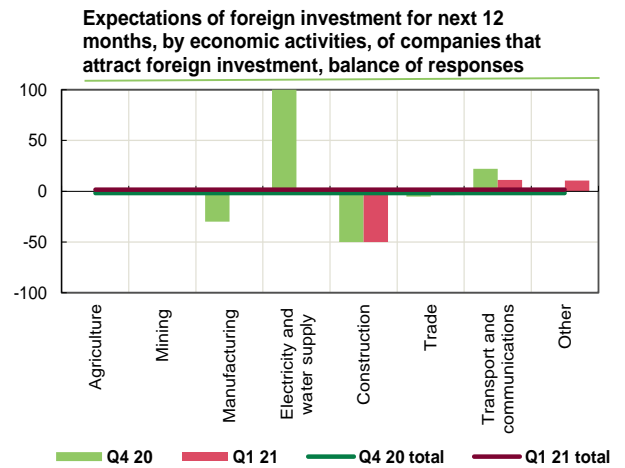


Figure 9

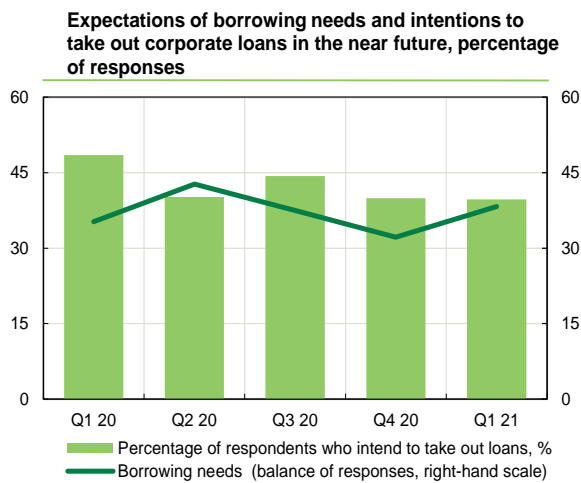


Figure 10

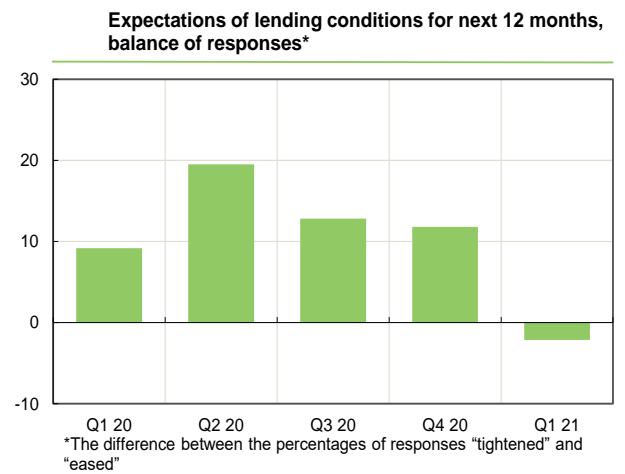


Figure 11

