



National Bank  
of Ukraine

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

Q3 2021



\*This survey only reflects the opinions of respondents in Kyiv and Kyiv oblast (top managers of companies) who were polled in Q3 2021, and does not represent NBU forecasts or estimates

A survey of companies carried out in Kyiv and Kyiv oblast in Q3 2021 showed that respondents continued to expect the output of Ukrainian goods and services to grow over the next 12 months. Respondents had positive expectations for the performance of their companies over this period. They also expected higher inflation and stronger depreciation.

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

- **the output of Ukrainian goods and services would grow:** the balance of expectations was 19.5% compared to 10.3% in Q2 2021 (Figure 1) and 15.9% across Ukraine. Respondents from energy and water supply companies had the most optimistic expectations (the balance of expectations was 50.0%)
- **prices for consumer goods and services would rise** at a faster pace: 58.6% of respondents expected that the inflation rate would exceed 7.5%, compared to 44.4% in the previous quarter and 53.1% across Ukraine. Respondents referred to production costs and the exchange rate **as the main inflation drivers** (Figure 2)
- **the hryvnia would depreciate more pronouncedly:** 74.9% of respondents (compared to 67.5% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 70.7%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 19.2% (compared to 24.6% in the previous quarter and 12.7% across Ukraine) (see Table). Respondents from manufacturing companies had the highest expectations (the balance of responses was 19.2%)
- **total sales would increase:** the balance of responses was 38.5% compared to 29.5% in the previous quarter. Respondents also expected an increase in external sales (the balance of responses was 15.5%, compared to 25.0% in Q2 2021). Across Ukraine, the balances of responses were 27.7% and 23.5% respectively
- **investment in construction and in machinery, equipment, and tools would increase:** the balances of responses were 8.6% and 16.1% respectively, compared to 6.8% and 17.8% in the previous quarter. Across Ukraine, the balances of responses were 9.7% and 19.3% respectively
- **staff numbers would increase:** the balance of responses was 15.9%, compared to 8.2% in Q2 2021. Across Ukraine, staff numbers were expected to increase moderately, the balance of responses being 2.2% (Figure 4). Respondents from trading companies had the highest expectations (the balance of responses was 26.0%)
- **both purchase and selling prices would grow** at a fast pace: the balances of responses were 82.3% and 58.6% respectively (compared to 77.9% and 59.2% respectively in Q2 2021) (Figure 6). Respondents from construction companies had the highest expectations of a rise in selling prices (the balance of responses was 88.9%). Respondents cited wage costs, raw material and supplies prices, and energy prices as the main selling price drivers
- **per-unit production costs and wage costs per staff member would increase:** the balances of responses were 49.5% and 60.9% respectively (compared to 49.7% and 58.5% respectively in Q2 2021) (Figures 4, 6).

Respondents referred to weak demand, the unstable political situation and high raw material and supplies prices as the **main drags on the ability of their companies to boost production** (Figure 5). The impact of high raw material and supplies prices was reported to have increased compared to the previous quarter.

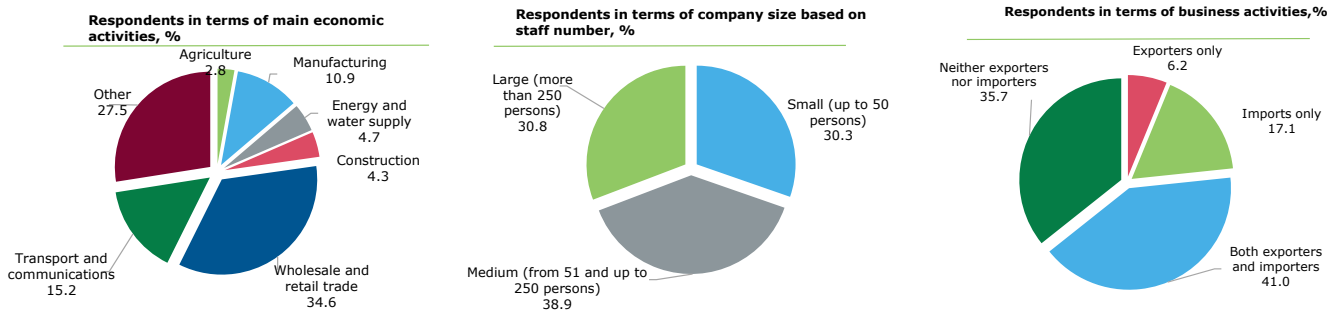
Respondents continued to expect **an increase in their borrowing needs** in the near future (Figure 9). The respondents who planned to take out loans (44.5% of those surveyed) usually opted for domestic currency ones. Respondents said that bank lending conditions had eased (Figure 10). Companies continued to refer to high interest rates as the main factor deterring them from taking out loans (Figure 11).

A total of **98.6% of respondents** said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (97.1% across Ukraine).

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

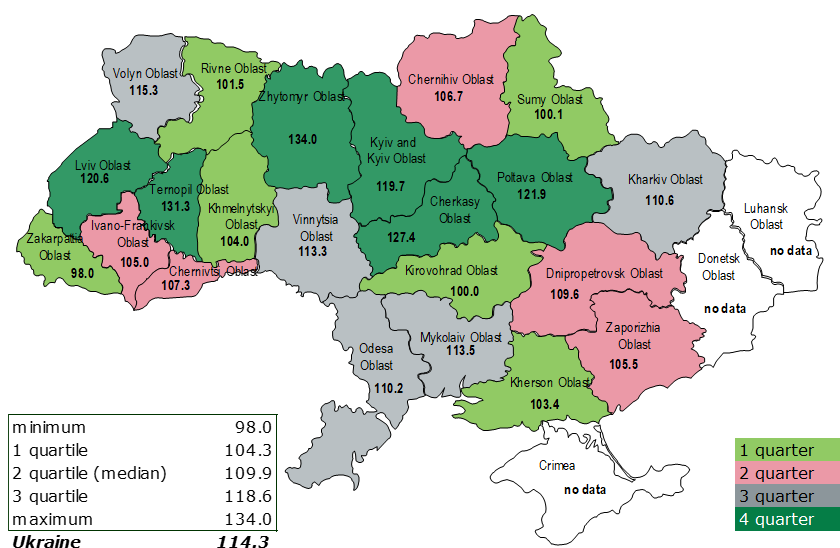
- **Companies assessed their current financial and economic standings as good:** the balance of responses was 14.4% (compared to 13.5% in Q2 2021). The best assessments were reported by respondents from building companies. Across Ukraine, the balance of responses was 7.0%.
- **Finished goods stocks had decreased and were assessed at a level lower than the normal one:** the balance of responses was (-1.4%), compared to 1.4% in Q2 2021.
- **Spare production capacity had decreased further. Companies said they would need additional production capacity to meet any unexpected rise in demand:** the balance of responses was (-7.4%) compared to (-1.0%) in Q2 2021.

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



- Period: 3 August through 31 August 2021.
- A total of 211 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 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>\*\*</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, %				
	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21
Financial and economic standings	9.9	11.1	19.7	24.6	19.2
Total sales	13.7	19.3	24.4	29.5	38.5
Investment in construction	-4.9	-2.2	2.1	6.8	8.6
Investment in machinery, equipment, and tools	9.2	6.5	10.9	17.8	16.1
Staff numbers	-2.5	3.8	3.4	8.2	15.9

<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

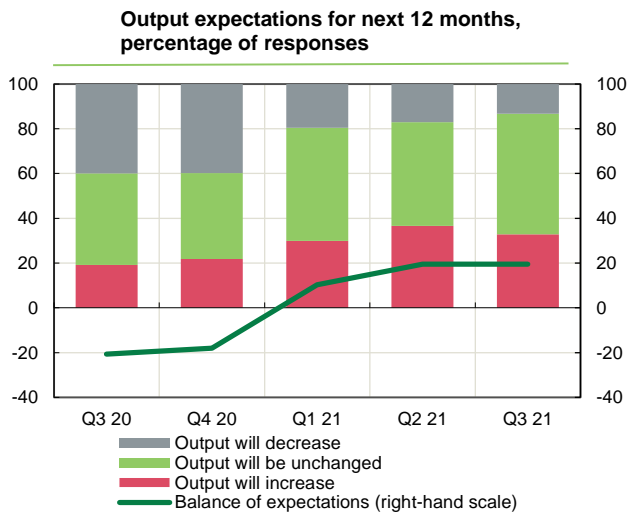


Figure 2

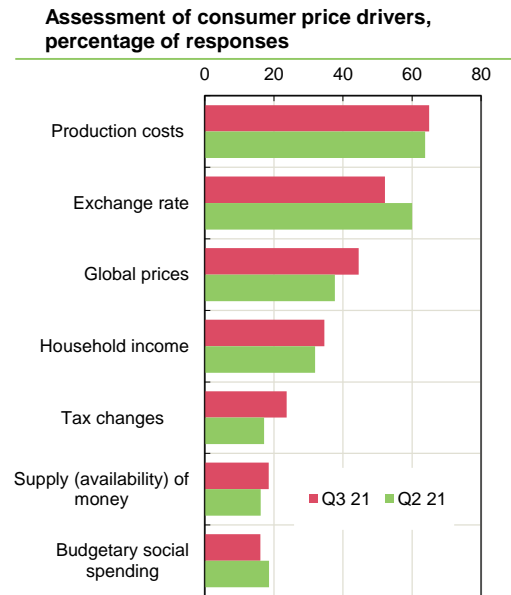


Figure 3

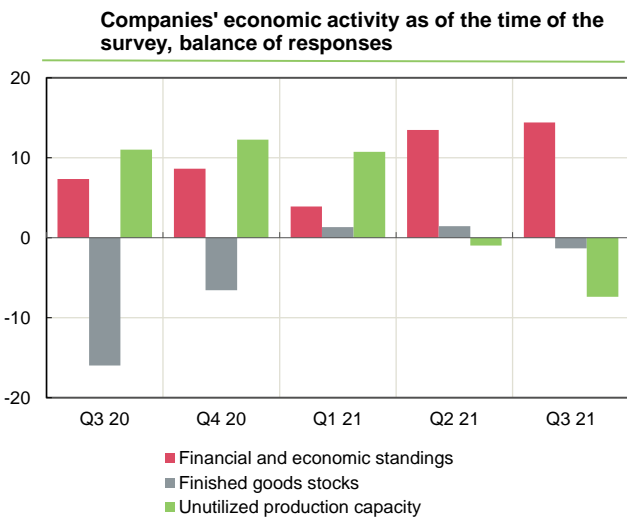


Figure 4

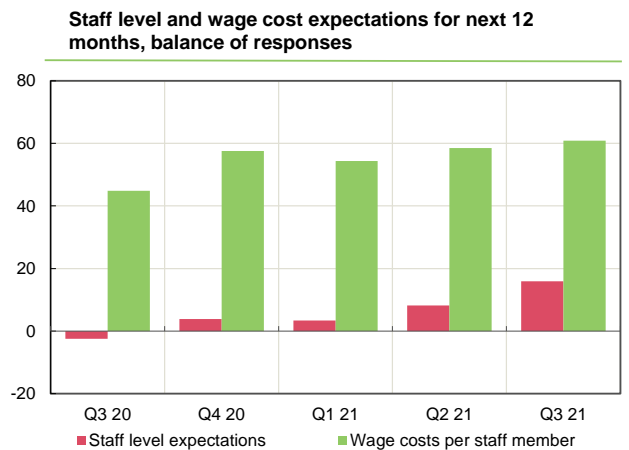


Figure 5

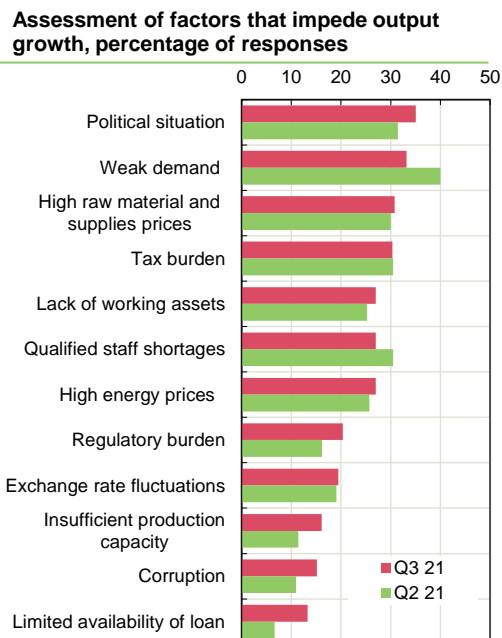


Figure 6

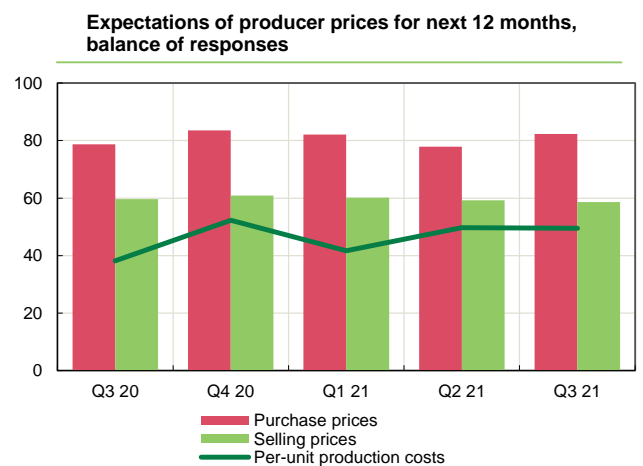


Figure 7

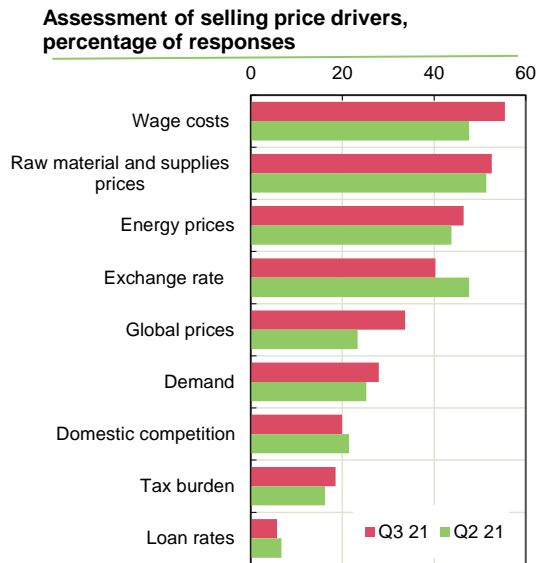


Figure 8

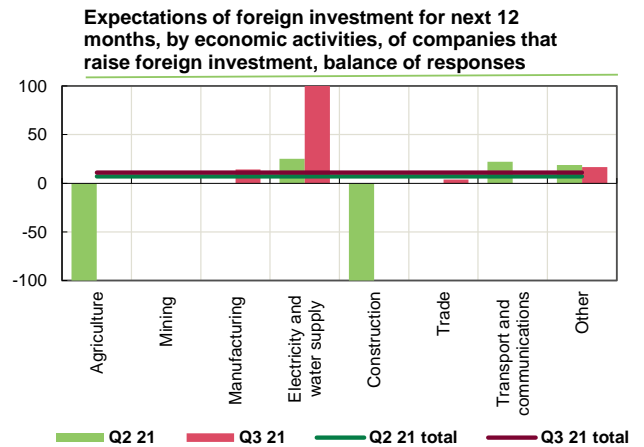


Figure 9

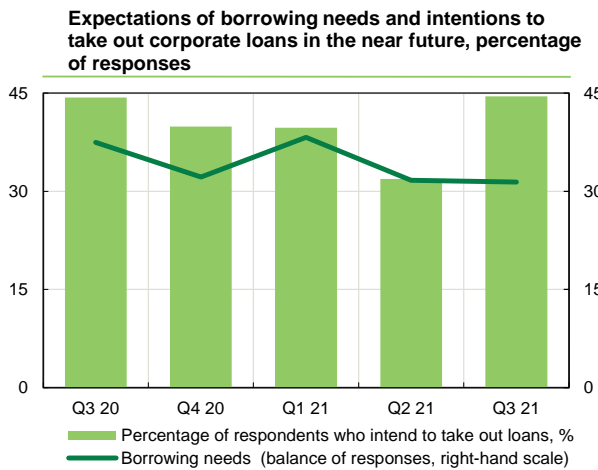


Figure 10

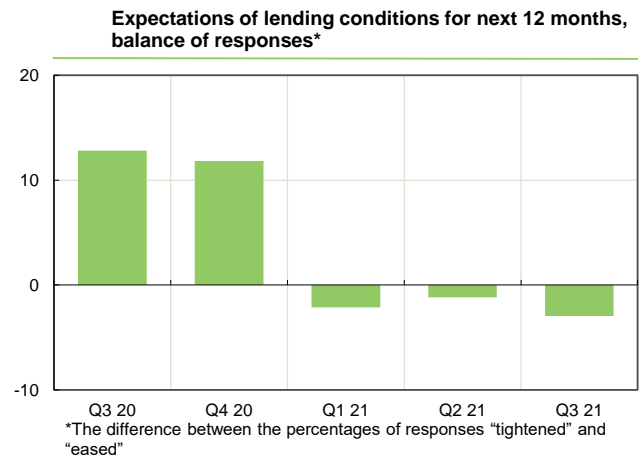


Figure 11

