



National Bank
of Ukraine

Business Outlook Survey of Kirovohrad Oblast *

Q4 2020



*This survey only reflects the opinions of respondents in Kirovohrad 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 **Kirovohrad oblast** in Q4 2020 showed that respondents continued to expect a drop in the output of Ukrainian goods and services and weaker performance of their companies over the next 12 months on the back of a tighter quarantine. Respondents expected higher inflation and a more pronounced depreciation of the domestic currency.

The top managers of companies said they 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 (-23.1%) compared to (-8.3%) in Q3 2020 and (-24.4%) across Ukraine (Figure 1)
- **prices for consumer goods and services would rise** at a faster pace: 53.8% of respondents expected the inflation rate to be lower than 7.5% (compared with 75.0% in the previous quarter and 49.2% across Ukraine). Respondents referred to production costs and the exchange rate as **the main inflation drivers** (Figure 2)
- **the domestic currency would depreciate more noticeably**: 84.6% of respondents (compared with 63.6% in the previous quarter) expected the hryvnia to weaken against the US dollar, with a figure of 87.1% across Ukraine
- **the financial and economic standings of their companies would deteriorate** (such expectations have been reported for five quarters running): the balance of expectations was (-8.3%) compared with (-25.0%) in the previous quarter. Companies across Ukraine expected their financial and economic standings to improve slightly (1.3%) (see Table)
- **total sales would decrease**: the balance of responses was (-7.7%) compared with (-18.2%) in the previous quarter (see Table). Respondents also expected a decrease in external sales (the balance of responses was (-25.0%) compared with (-33.3%) in Q3 2020). Overall, companies across Ukraine expected sales to increase moderately, the balances of responses being 7.1% and 3.8% respectively
- **investment both in construction and in machinery, equipment, and tools would decrease**: the balances of responses were (-30.8%) and (-23.1%) respectively (compared to (-50.0%) and 0.0% respectively in Q3 2020). Across Ukraine, the balances of responses were (-4.5%) and 3.8% respectively
- **staff numbers at their companies would drop** at a fast pace: the balance of responses was (-30.8%) compared with (-33.3%) in Q3 2020 and (-9.9%) across Ukraine (Figure 4)
- **purchase prices would rise at a faster pace** (the balance of responses was 92.3%) than selling prices (the balance of responses was 30.8%) (compared with 83.3% and 33.3% respectively in the previous quarter) (Figure 6). Respondents cited the exchange rate as **the main selling price driver**. Respondents also referred to the impact of raw material and supplies prices, wage costs and demand as high (Figure 7)
- **per-unit production costs and wage costs per staff member would increase** at a slower pace: the balances of responses were 38.5% and 53.8% respectively (compared with 50.0% and 58.3% in Q3 2020) (Figures 6 and 4).

Companies cited weak demand and the political situation as **the main drags on their ability to boost production** (Figure 5).

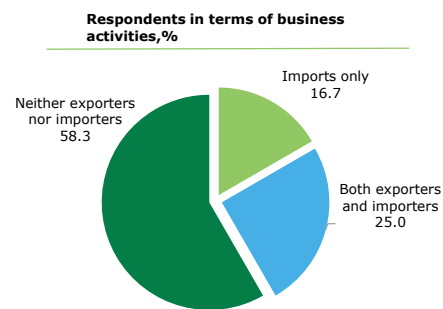
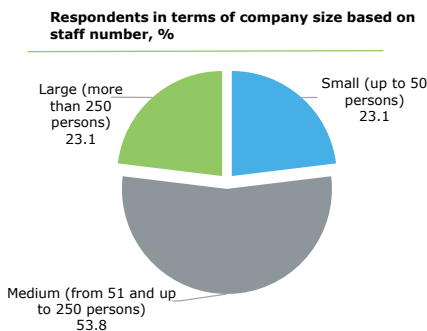
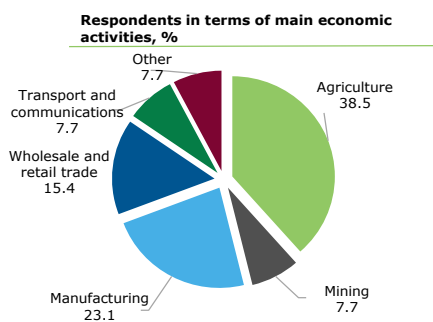
Respondents lowered their expectations of an increase in their borrowing needs in the near future (Figure 8). The respondents who planned to take out corporate loans (38.5% of respondents) usually opted for domestic currency loans. Respondents said that lending standards had tightened (Figure 9). Respondents cited high loan rates and collateral requirements as the main factors that deterred them from taking out loans (Figure 10).

All of the 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)

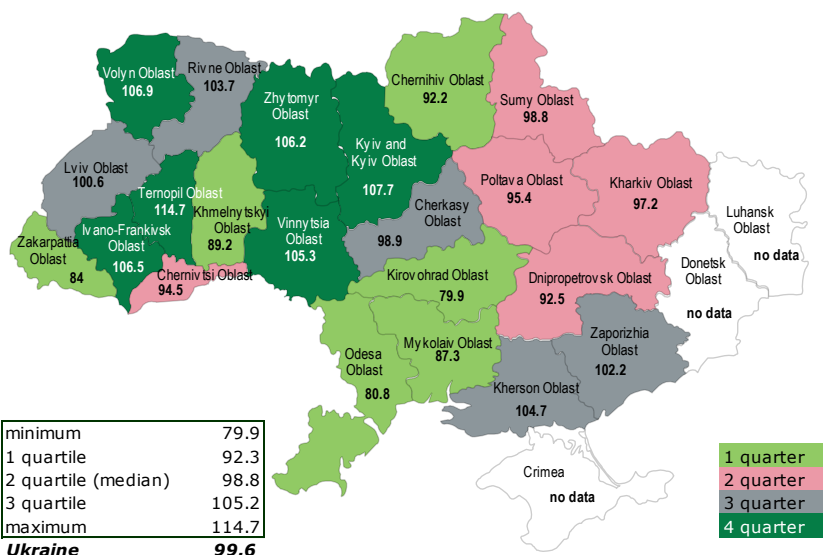
- **Companies assessed their current financial and economic standings as good**: the balance of responses was 15.4% compared with 8.3% in Q3 2020. Across Ukraine, respondents assessed the current financial and economic standings of their companies as bad: the balance of responses was (-3.2%).
- **Finished goods stocks had increased and were assessed at a normal level**: the balance of responses was 0.0% compared with (-12.5%) in Q3 2020.
- **Unutilized 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 7.7% (compared with 0.0% in Q3 2020).

Survey Details^{1,2}



- Period: 6 November through 24 November 2020.
- A total of 13 companies were polled.
- A representative sample was generated on the basis of the agricultural sector.

Business Outlook Index for Next 12 Months in Terms of Regions³, %



³a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups
³a 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 Kirovohrad 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	-7.1	-8.3	-15.4	-25.0	-8.3
Total sales	-20.0	-16.7	-23.1	-18.2	-7.7
Investment in construction	-28.6	-37.5	-38.5	-50.0	-30.8
Investment in machinery, equipment, and tools	7.1	-9.1	-30.8	0.0	-23.1
Staff numbers	-33.3	-8.3	-41.7	-33.3	-30.8

¹ This sample was generated in proportion to the contribution of each region 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

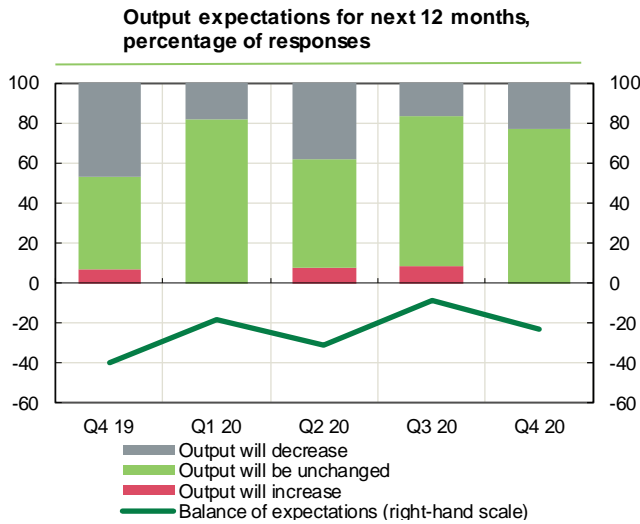


Figure 2

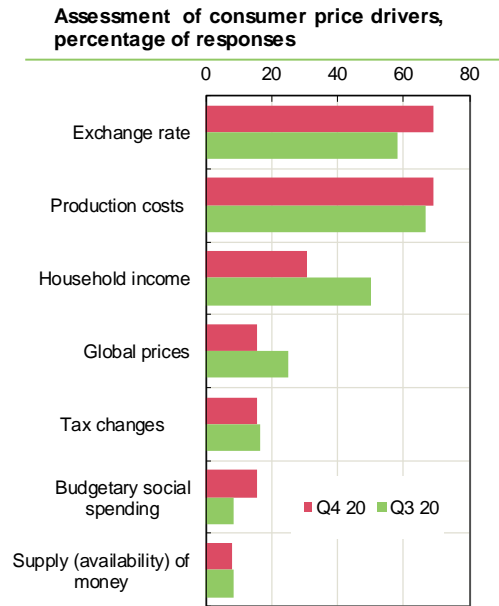


Figure 3

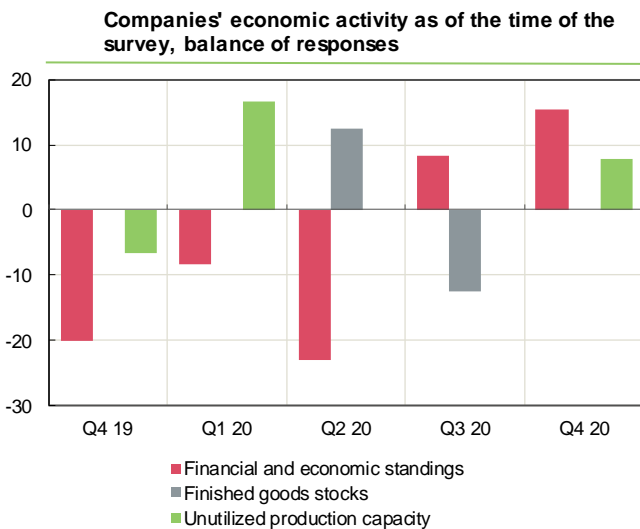


Figure 4

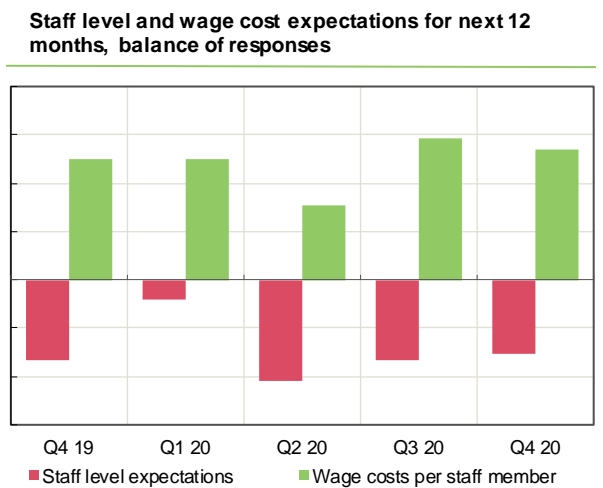


Figure 5

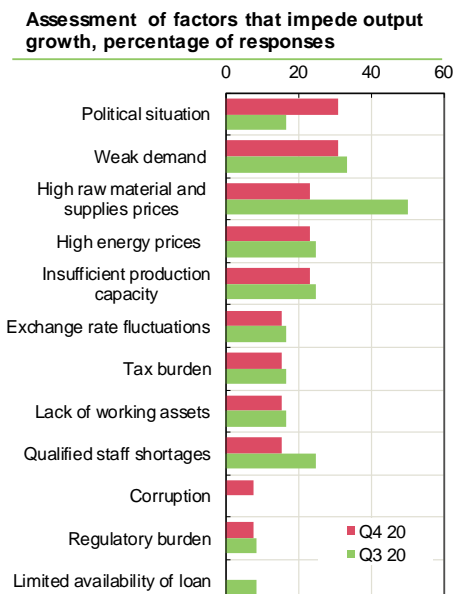


Figure 6

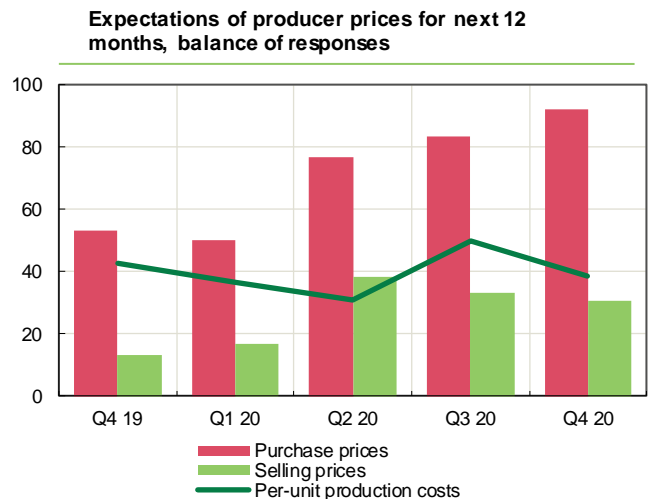


Figure 7

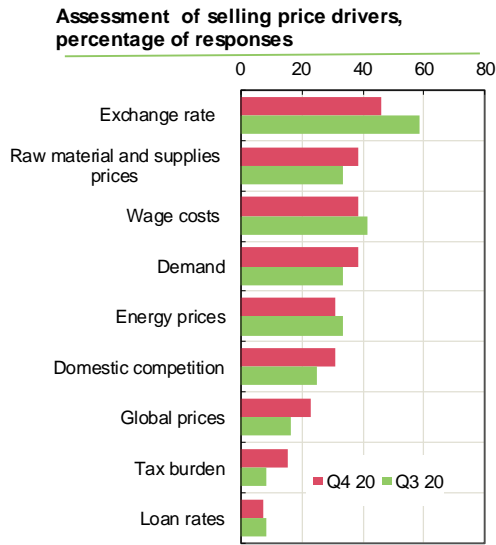


Figure 8

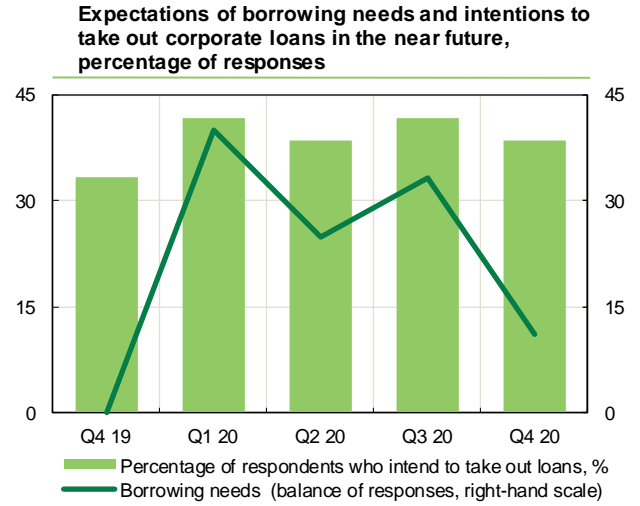


Figure 9

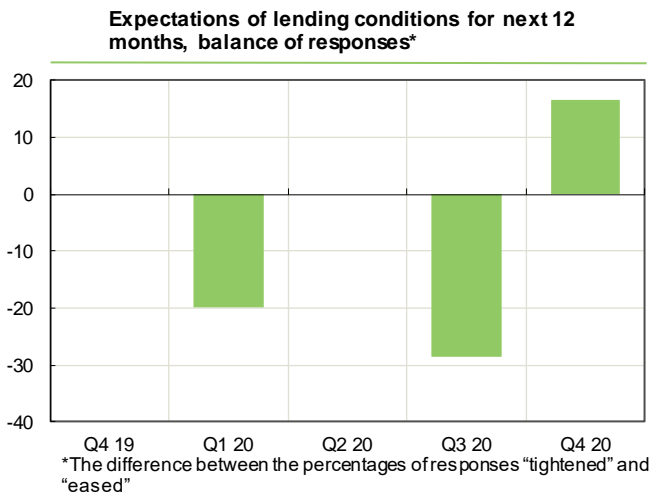


Figure 10

