



National Bank
of Ukraine

Business Outlook Survey of Kirovohrad Oblast *

Q1 2021



*This survey only reflects the opinions of respondents in Kirovohrad 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 **Kirovohrad oblast** in Q1 2021 showed that respondents expected the output of Ukrainian goods and services to be stable and their companies to perform worse over the next 12 months. Respondents expected higher inflation. Depreciation expectations decreased.

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

- **the output of Ukrainian goods and services would remain unchanged:** the balance of expectations was 0.0%, compared to (-23.1%) in Q4 2020 (Figure 1). Companies across Ukraine expected the output of goods and services would return to growth – the balance of responses was 5.6%
- **the growth in prices for consumer goods and services would accelerate:** 58.3% of respondents expected the inflation rate to be higher than 7.5% (compared to 46.2% in the previous quarter and 49.3% across Ukraine). Respondents referred to production costs as **the main inflation driver** (Figure 2)
- **the domestic currency would depreciate more slowly:** 75.0% of respondents (compared to 84.6% in the previous quarter) expected the hryvnia to weaken against the US dollar, with a figure of 74.4% across Ukraine
- **the financial and economic standings of their companies would deteriorate** (such expectations have been reported for six quarters running): the balance of expectations was (-8.3%) as in the previous quarter (see Table). Companies across Ukraine expected their financial and economic standings to improve, with the balance of responses of 12.7%
- **total sales would decrease:** the balance of responses was (-8.3%), compared to (-7.7%) in the previous quarter (see Table). Respondents also expected external sales to remain unchanged (the balance of responses was 0.0%, compared to (-25.0%) in Q4 2020). Overall, companies across Ukraine expected sales to increase, the balances of responses being 18.0% and 14.9% respectively
- **investment in construction and in machinery, equipment, and tools would decrease:** the balances of responses were (-25.0%) and (-8.3%) respectively, compared to (-30.8%) and (-23.1%) respectively in Q4 2020. Across Ukraine investments would increase, the balances of responses were 1.4% and 11.7% respectively
- **staff numbers at their companies would remain unchanged:** the balance of responses was 0.0%, compared to (-30.8%) in Q4 2020. Across Ukraine, staff numbers were expected to decrease insignificantly, with a balance of responses of (-1.9%) (Figure 4)
- **purchase prices would rise dramatically** (the balance of responses was 100.0%) and the growth in selling prices would accelerate significantly (the balance of responses was 63.6%) (compared to 92.3% and 30.8% respectively in the previous quarter) (Figure 6). Respondents cited the wage costs and energy prices as **the main selling price drivers** (assessments of their impact increased). Respondents also assessed the impact of raw material and supplies prices and the exchange rate as high (Figure 7)
- **the growth in per-unit production costs and wage costs per staff member would accelerate significantly:** the balances of responses were 75.0% and 91.7% respectively (compared to 38.5% and 53.8% in Q4 2020) (Figures 6 and 4).

Companies cited excessively high energy prices and raw material and supplies prices, as well as weak demand, as **the main drags on their ability to boost production** (Figure 5).

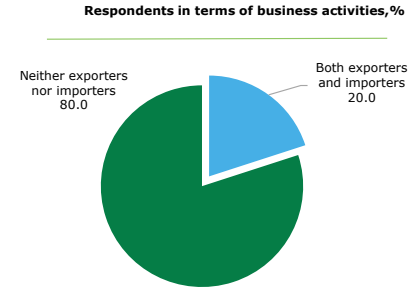
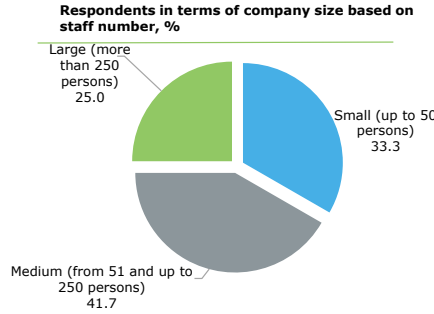
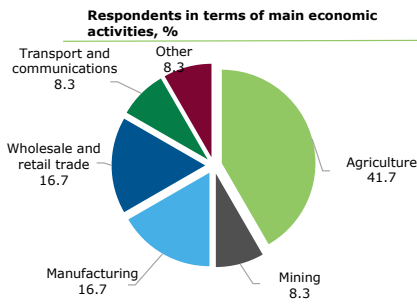
Respondents had higher expectations that their borrowing needs would increase in the near future (Figure 8). The respondents who planned to take out bank loans usually opted for domestic currency loans. Respondents said that bank lending standards had not changed (Figure 9). Respondents cited other funding resources as the main factor that deterred them from taking out loans. Respondents also reported a strong impact of the uncertainty about their ability to meet debt obligations and high loan rates (Figure 10)

All of the 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)

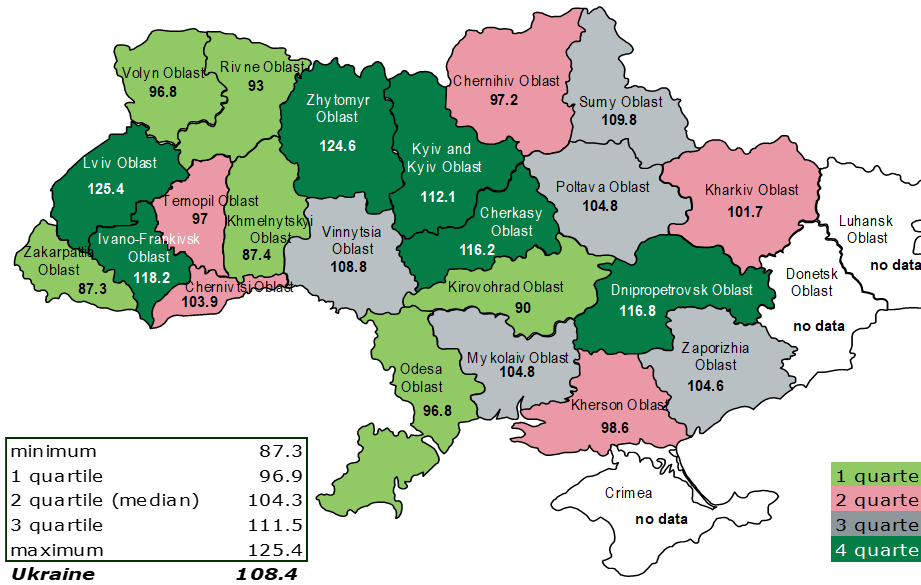
- **Companies assessed their current financial and economic standings as satisfactory:** the balance of responses was 0.0%, compared to 15.4% in Q4 2020 (Figure 3). Across Ukraine, respondents continued to assess the current financial and economic standings of their companies as bad: the balance of responses was (-0.7%).
- **Finished goods stocks decreased and were assessed lower normal:** the balance of responses was (-25.0%), compared to 0.0% in Q4 2020.
- **Unutilized production capacity increased.** Companies had **sufficient unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 9.1% (compared to 7.7% in Q4 2020).

Survey Details^{1,2}



- Period: 3 February through 2 March 2021.
- A total of 12 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 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 Kirovohrad 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	-8.3	-15.4	-25.0	-8.3	-8.3
Total sales	-16.7	-23.1	-18.2	-7.7	-8.3
Investment in construction	-37.5	-38.5	-50.0	-30.8	-25.0
Investment in machinery, equipment, and tools	-9.1	-30.8	0.0	-23.1	-8.3
Staff numbers	-8.3	-41.7	-33.3	-30.8	0.0

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

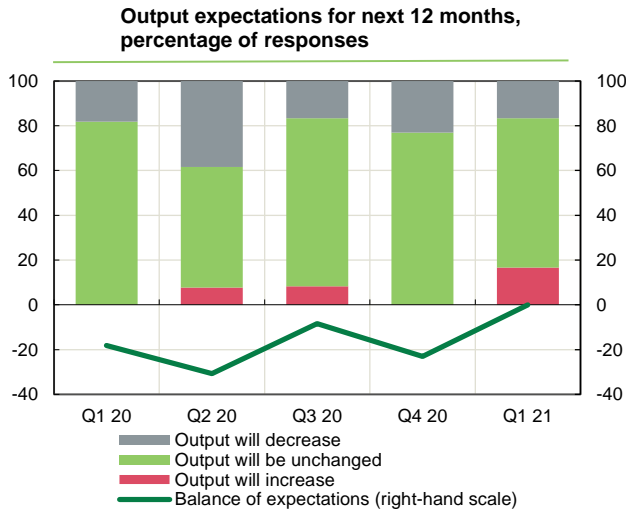


Figure 2

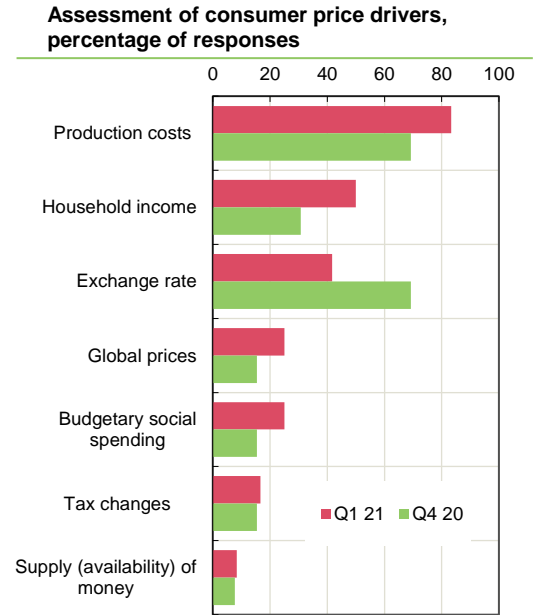


Figure 3

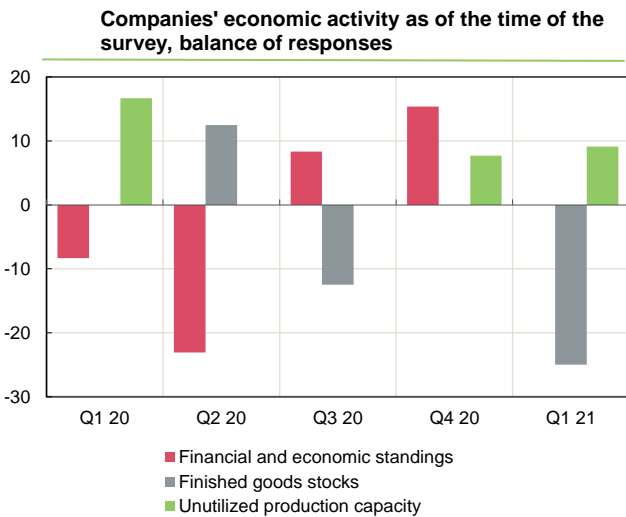


Figure 4

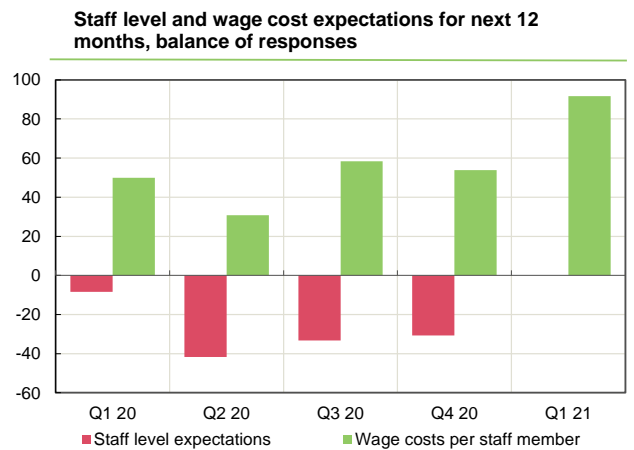


Figure 5

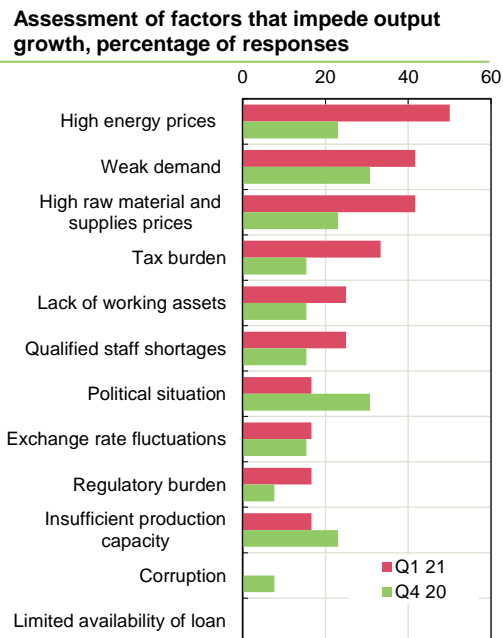


Figure 6

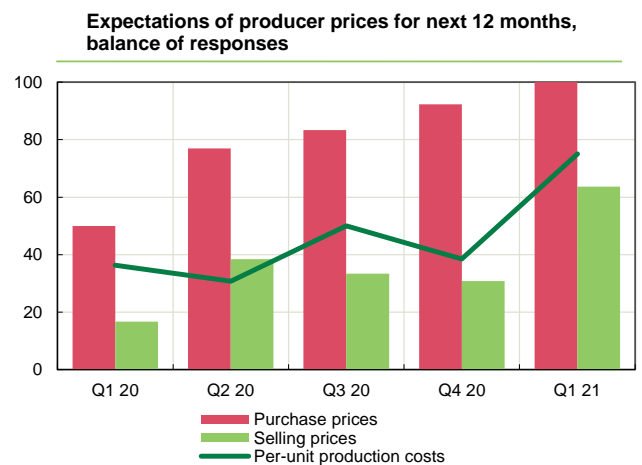


Figure 7

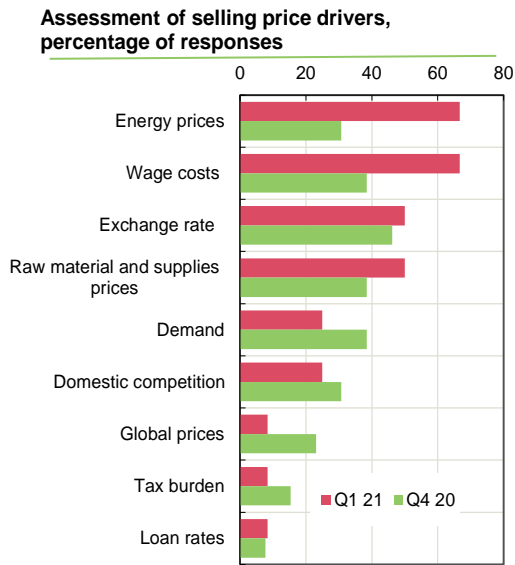


Figure 8

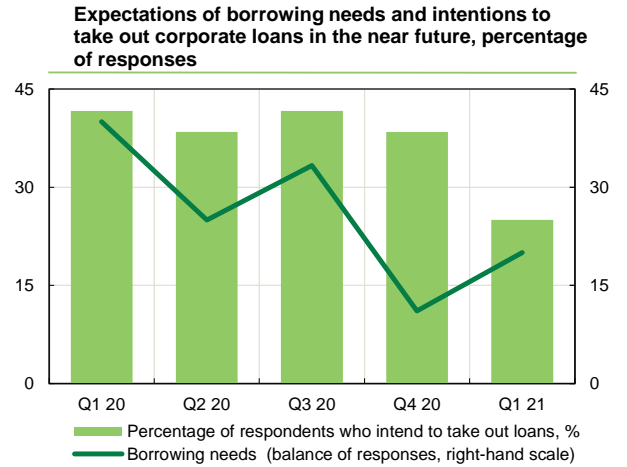


Figure 9

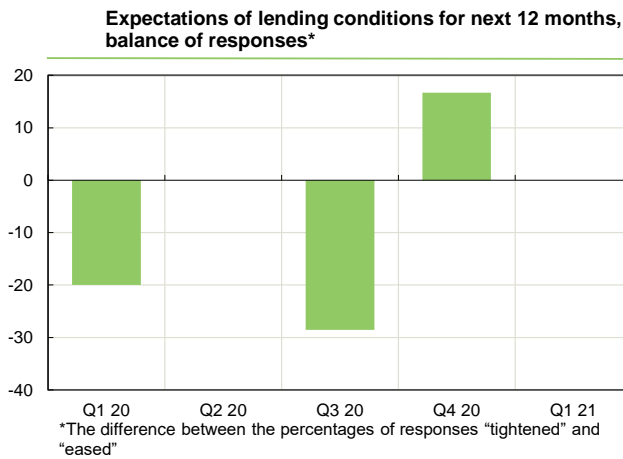


Figure 10

