



National Bank
of Ukraine

Business Outlook Survey of Kirovohrad Oblast *

Q2 2021



*This survey only reflects the opinions of respondents in Kirovohrad oblast (top managers of companies) who were polled in Q2 2021, and does not represent NBU forecasts or estimates

A survey of companies carried out in Kirovohrad oblast in Q2 2021 showed that respondents expected the output of Ukrainian goods and services to drop over the next 12 months. At the same time, respondents had positive expectations for the performance of their companies over this period. Respondents continued to expect higher inflation. Depreciation expectations improved.

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 (-8.3%), compared to 0.0% in Q1 2021 (the lowest figure across the regions) (Figure 1). Companies across Ukraine expected that the output of goods and services would grow – the balance of responses was 15.9%
- **prices for consumer goods and services would grow:** 50.0% of respondents expected that the inflation rate would not exceed 7.5% (compared to 41.7% in the previous quarter and 54.2% across Ukraine). Respondents referred to production costs as **the main inflation driver** (Figure 2)
- **the domestic currency would depreciate much more slowly:** only 41.7% of respondents (compared to 75.0% in the previous quarter) expected the hryvnia to weaken against the US dollar, with a figure of 63.6% across Ukraine
- **the financial and economic standings of their companies would improve significantly** (such expectations were reported for the first time since Q3 2019): the balance of expectations was 25.0% compared to (-8.3%) in the previous quarter (see Table). Across Ukraine the balance of responses was 18.3%
- **total sales would remain unchanged:** the balance of responses was 0.0%, compared to (-8.3%) in the previous quarter (see Table). Overall, companies across Ukraine expected sales to increase, the balance of responses being 21.0%
- **investment in construction and in machinery, equipment, and tools would decrease:** the balances of responses were (-33.3%) for each, compared to (-25.0%) and (-8.3%) respectively in Q1 2021. Across Ukraine, investment was expected to increase, the balances of responses being 6.4% and 16.9% respectively
- **staff numbers at their companies would decrease:** the balance of responses was (-16.7%), compared to 0.0% in Q1 2021. Across Ukraine, staff numbers were expected to decrease slightly, the balance of responses being (-1.0%) (Figure 4)
- **purchase prices would rise more rapidly** (the balance of responses was 91.7%) **than selling prices** (the balance of responses was 33.3%) (compared to 100.0% and 63.6% respectively in the previous quarter) (Figure 6). Respondents cited wage costs and energy prices as **the main selling price drivers**. Respondents also said raw material and supplies prices were an important driver (Figure 7)
- **per-unit production costs would rise at a significantly faster pace:** the balance of responses was 83.3% (compared to 75.0% in the previous quarter). At the same time, **wage costs per staff member were expected to increase more slowly:** the balance of responses was 66.7% (compared to 91.7% in Q1 2021) (Figures 6 and 4).

Companies cited high energy prices and the unstable political situation as **the main drags on their ability to boost production** (Figure 5).

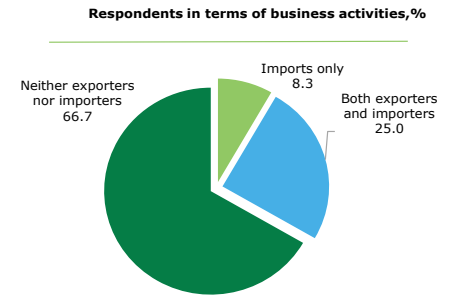
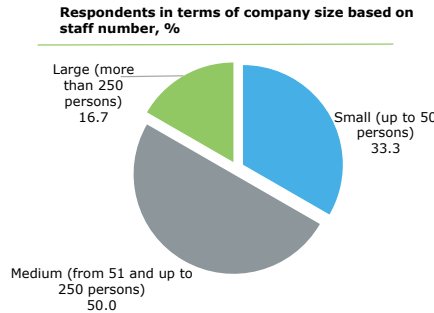
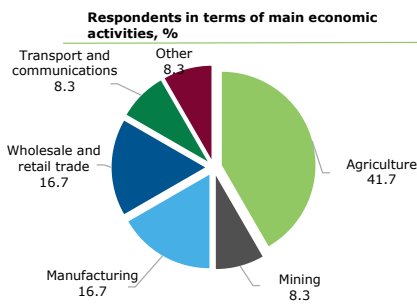
Respondents reported significantly higher expectations for an increase in their borrowing needs in the near future (Figure 8). The respondents who planned to take out bank loans usually opted for domestic currency loans. Respondents said that bank lending standards had tightened (Figure 9). Respondents cited high loan rates as the main factor deterring them from taking out loans. Respondents also named collateral requirements as an important factor (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)

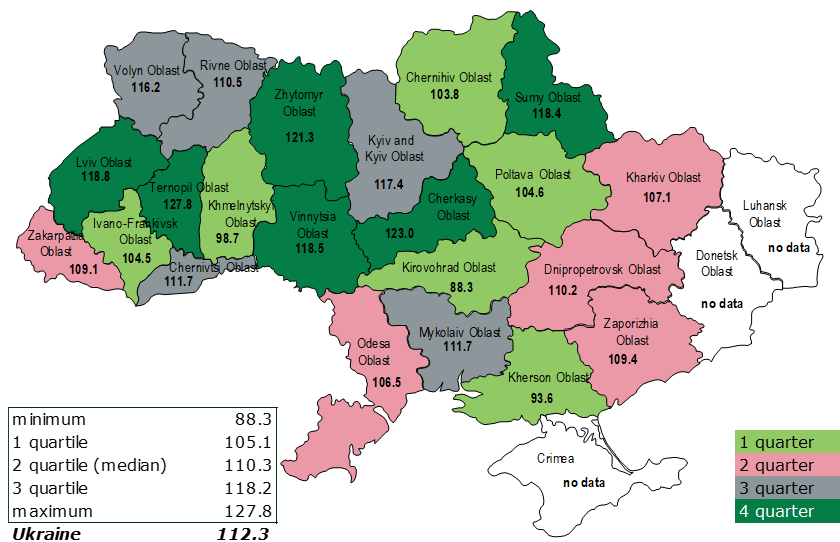
- **Companies had assessed their current financial and economic standings as satisfactory** for two quarters in a row: the balance of responses was 0.0%, unchanged on Q1 2021 (Figure 3). Across Ukraine, respondents continued to assess the current financial and economic standings of their companies as good: the balance of responses was 6.0%.
- **Finished goods stocks were assessed as lower than normal:** the balance of responses was (-25.0), as in Q1 2021.
- **Unutilized production capacity had increased.** Companies had **sufficient unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 16.7% (compared to 9.1% in Q1 2021).

Survey Details^{1,2}



- Period: 11 May through 31 May 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, %



^aa 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, %				
	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21
Financial and economic standings	-15.4	-25.0	-8.3	-8.3	25.0
Total sales	-23.1	-18.2	-7.7	-8.3	0.0
Investment in construction	-38.5	-50.0	-30.8	-25.0	-33.3
Investment in machinery, equipment, and tools	-30.8	0.0	-23.1	-8.3	-33.3
Staff numbers	-41.7	-33.3	-30.8	0.0	-16.7

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

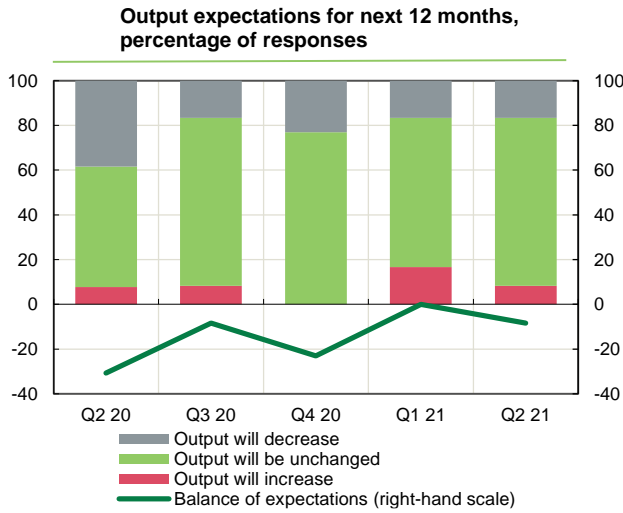


Figure 2

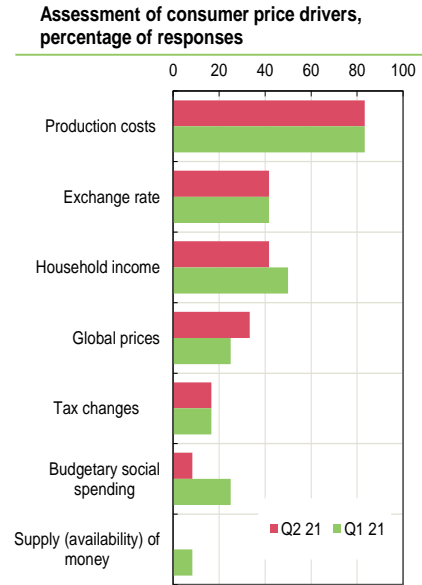


Figure 3

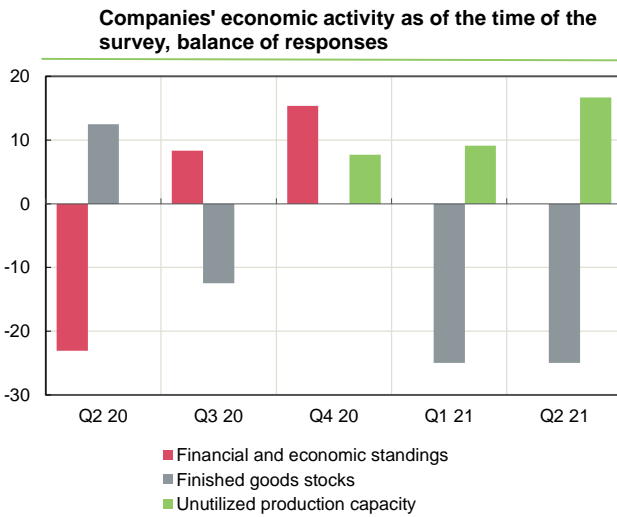


Figure 4



Figure 5

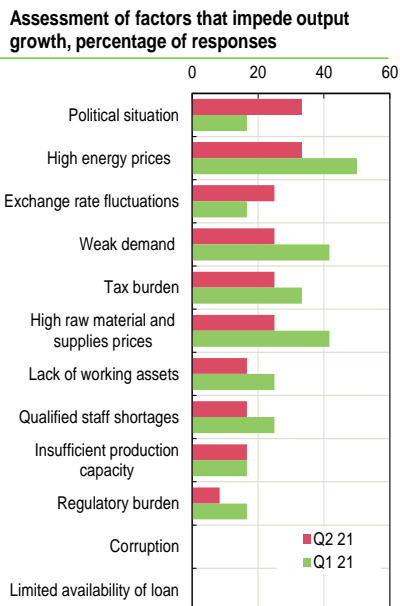


Figure 6

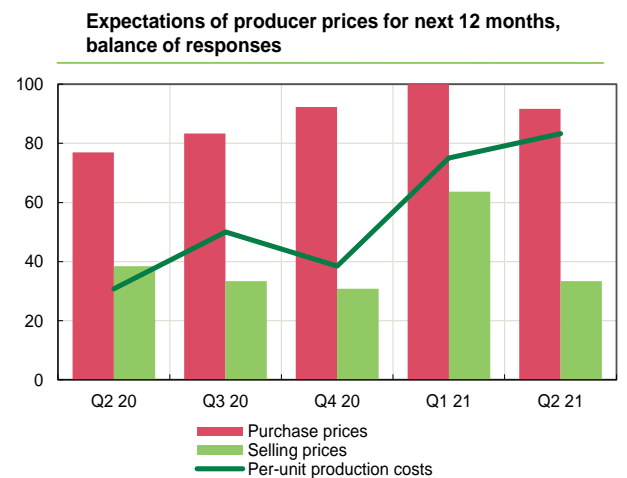


Figure 7

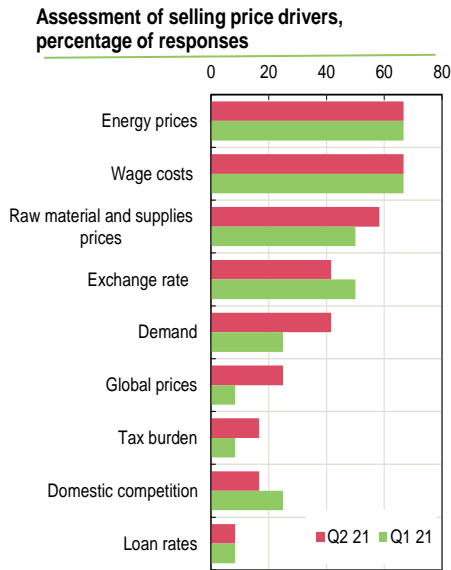


Figure 8

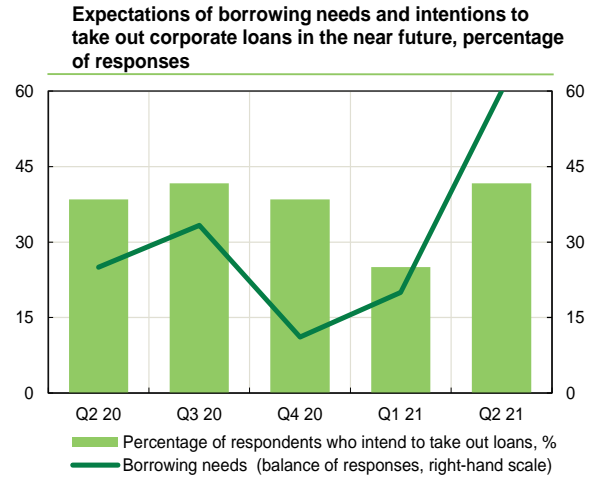


Figure 9

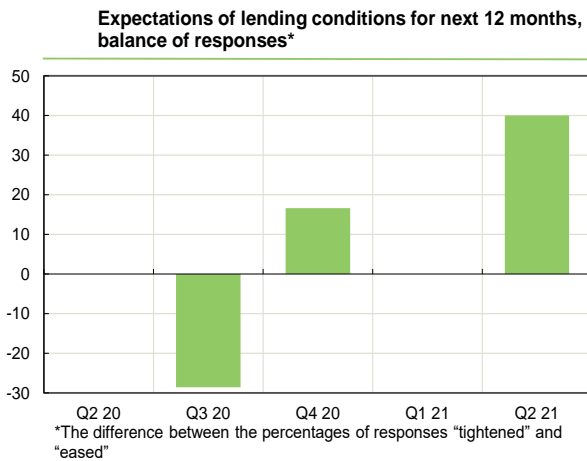


Figure 10

