



National Bank
of Ukraine

Business Outlook Survey of Odesa Oblast *

Q4 2020



*This survey only reflects the opinions of respondents in Odesa 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 **Odesa oblast** in **Q4 2020** showed that respondents expected a further reduction 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. They expected that prices would continue to rise and that the hryvnia would depreciate markedly.

Company managers said they expected that over the next 12 months:

- **the output of Ukrainian goods and services would drop** (such expectations have been reported for four quarters in a row): the balance of expectations was (-30.8%) (compared with (-28.2%) in Q3 2020 and (-24.4%) across Ukraine) (Figure 1). Respondents from companies in the agricultural sector and other economic activities reported the most pessimistic expectations (the balances of responses were (-60.0%) and (-57.1%) respectively)
- **prices for consumer goods and services would rise:** half of respondents said that price growth would not exceed 7.5% compared to 47.4% in the previous quarter and 49.2% across Ukraine. Respondents continued to refer to the hryvnia exchange rate and production costs as **the main inflation drivers** (Figure 2)
- **the hryvnia would depreciate significantly:** 84.6% of respondents (compared with 86.1% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 87.1%
- **the financial and economic standings of their companies would deteriorate:** the balance of expectations was (-15.8%) compared to (0.0%) in the previous quarter (see Table). Companies in the industrial sector expected that their financial and economic standings would improve. Companies across Ukraine had positive expectations: the balance of their responses being 1.3%
- **total sales would decrease at a faster pace:** the balance of responses was (-28.2%) compared with (-7.9%) in the previous quarter. Respondents also expected a decrease in external sales (the balance of responses was (-19.0%) compared with (-13.6%) in Q3 2020). Overall, companies across Ukraine expected sales to increase moderately, the balances of responses being 7.1% and 3.8% respectively
- **investment in machinery, equipment, and tools would remain unchanged** (as in the previous quarter): the balance of responses was 0.0%. **Investment in construction was expected to decrease:** the balance of responses was (-11.1%) compared with (-10.8%) in Q3 2020. Across Ukraine, the balances of responses were 3.8% and (-4.5%) respectively
- **staff numbers would decrease significantly:** the balance of responses was (-41.0%) compared with (-30.8%) in Q3 2020 and (-9.9%) across Ukraine (Figure 4)
- **purchase prices would rise at a faster pace** (the balance of responses was 84.2%) **than selling prices** (the balance of responses was 36.8%) (compared to 82.1% and 31.6% respectively in Q3 2020) (Figure 6). Respondents said that the exchange rate, energy, raw material, and supplies prices were the main selling price drivers (Figure 7)
- **the growth in per-unit production costs and wage costs per staff member would decelerate:** the balances of responses were 53.8% and 28.9% respectively, compared with 59.0% and 47.4% in Q3 2020 (Figures 4 and 6).

Companies named the political situation as the **main drag on their ability to boost production**. The impact of energy, raw material and supplies prices was reported to have increased significantly (Figure 5).

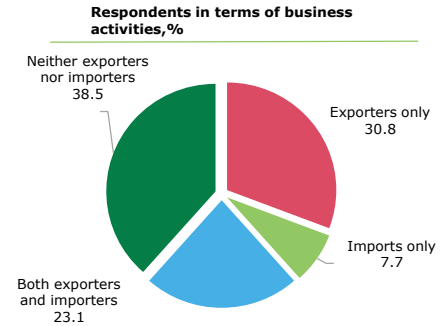
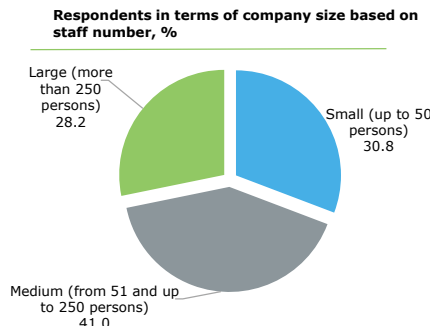
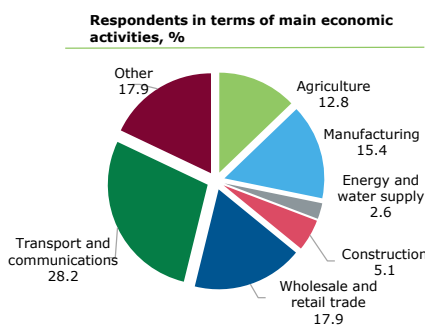
Respondents continued to expect **an increase in their borrowing needs** in the near future (Figure 8). The respondents who planned to take out bank loans usually opted for domestic currency loans. Respondents said that lending standards had tightened (Figure 9). They also continued to refer to high interest rates as the main factor that deterred them from taking out corporate loans (Figure 10).

A total of 89.7% of respondents in the region 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)

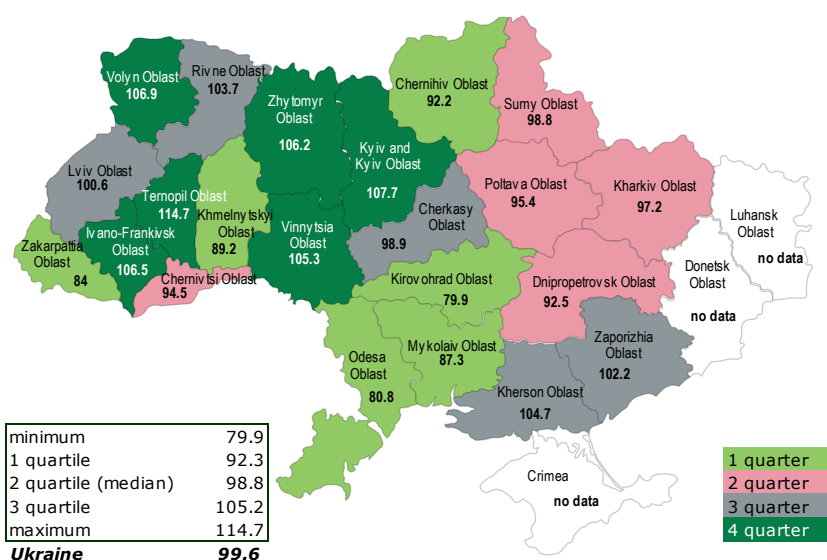
- **Companies have assessed their current financial and economic standings as bad** for three quarters in a row: the balance of responses was (-15.8%) compared with (-10.5%) in Q3 2020 and (-3.2%) across Ukraine.
- **Finished goods stocks remained at a level below the normal one:** the balance of responses was (-16.7%) (in Q3 2020 it was (-22.2%)).
- **Companies said they had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 7.9% (compared with 7.7% in Q3 2020).

Survey Details^{1,2}



- Period: 6 November through 2 December 2020.
- A total of 39 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, manufacturing, trade, transport and communications, and other economic activities.

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 Odesa 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	10.5	14.3	-13.2	0.0	-15.8
Total sales	11.1	22.9	-21.1	-7.9	-28.2
Investment in construction	9.1	3.0	-10.8	-10.8	-11.1
Investment in machinery, equipment, and tools	5.9	34.3	8.3	0.0	0.0
Staff numbers	-8.6	-8.8	-18.9	-30.8	-41.0

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

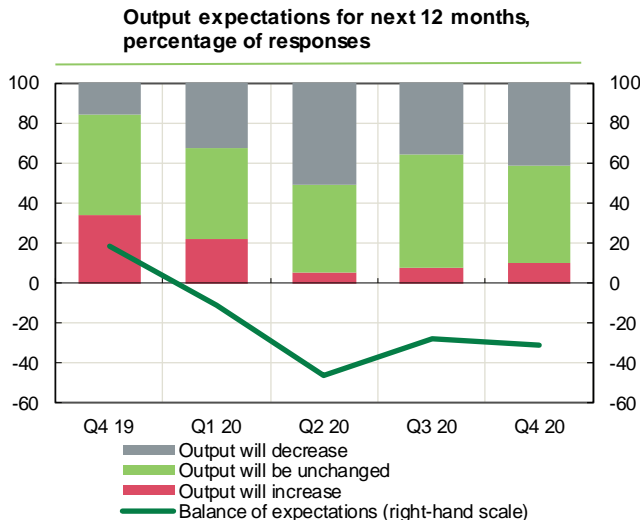


Figure 2

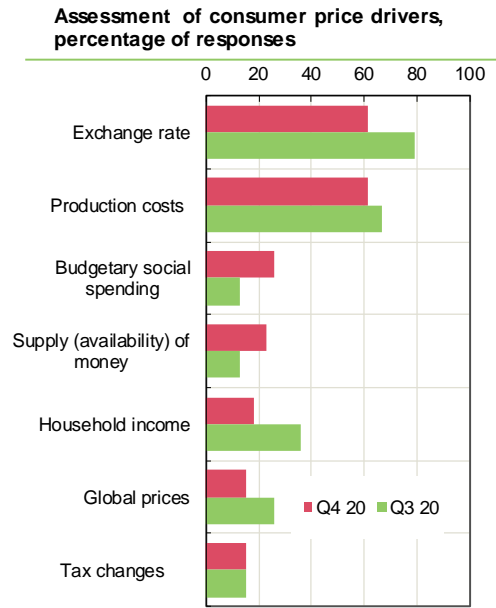


Figure 3

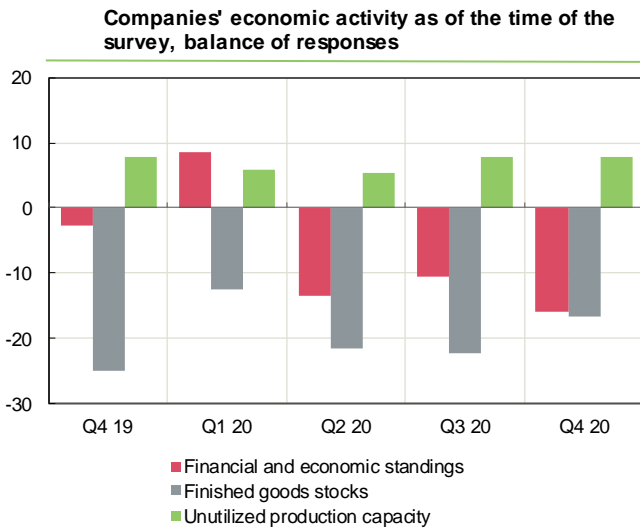


Figure 4

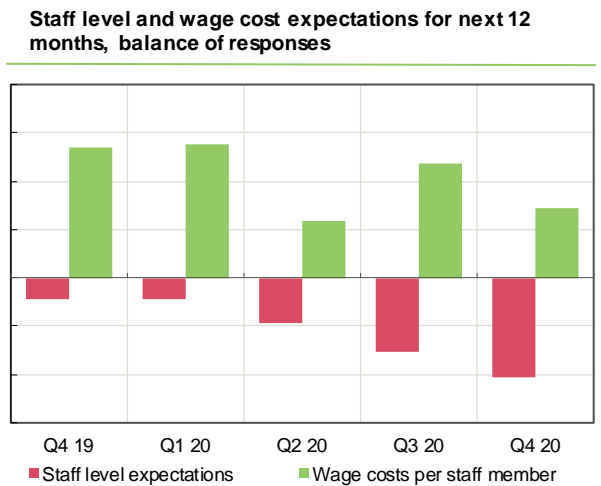


Figure 5

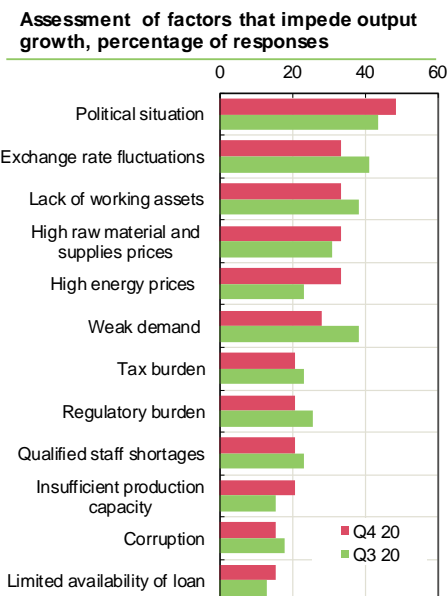


Figure 6

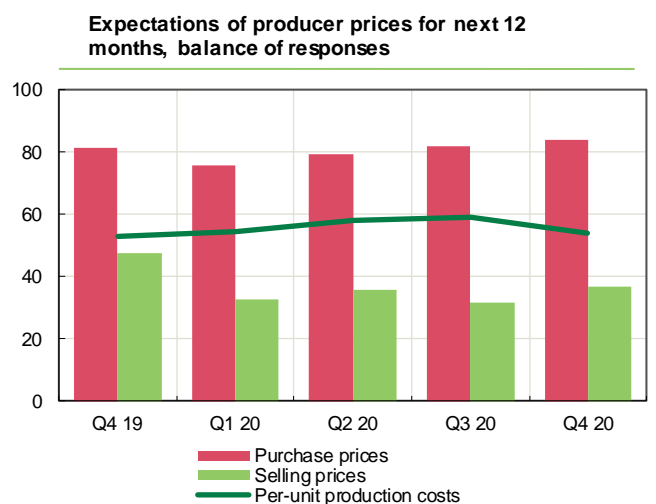


Figure 7

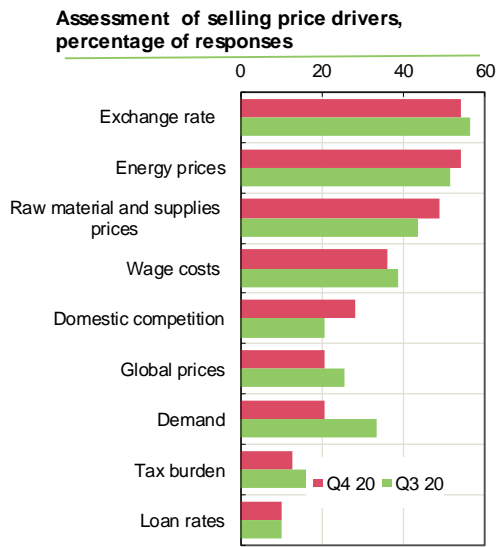


Figure 8

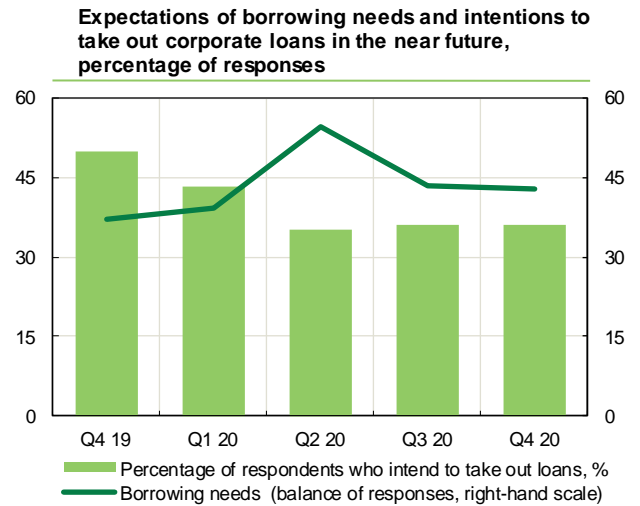


Figure 9

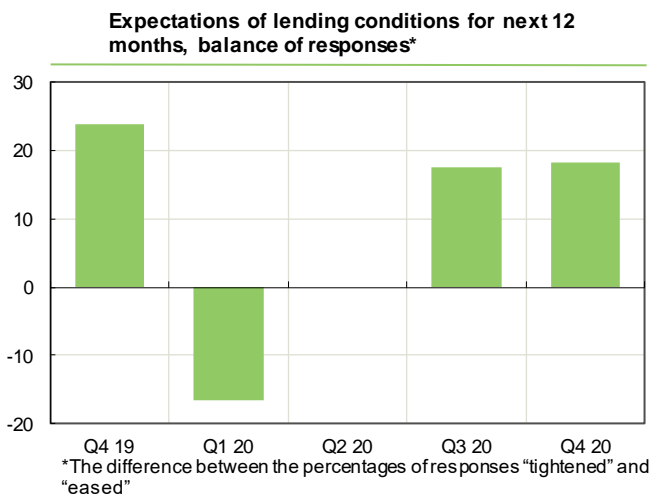


Figure 10

