



National Bank
of Ukraine

Business Outlook Survey of Odesa Oblast *

Q1 2021



*This survey only reflects the opinions of respondents in Odesa 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 Odesa oblast in Q1 2021 showed that respondents continued to expect a reduction in the output of Ukrainian goods and services over the next 12 months. At the same time, they expected stronger performance of their companies over this period. The respondents expected that prices would continue to rise and that the hryvnia would depreciate significantly.

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 five quarters in a row): the balance of expectations was (-21.1%), compared to (-30.8%) in Q4 2020 (Figure 1). Companies across Ukraine expected the output of Ukrainian goods and services would return to growth (the balance of responses was 5.6%). Respondents from companies engaged in other economic activities reported the most pessimistic expectations – the balance of responses was (-50.0%)
- **prices for consumer goods and services would rise:** 53.8% of respondents said that price growth would higher than 7.5%, compared to 50.0% in the previous quarter and 50.7% across Ukraine. Respondents continued to refer to the hryvnia exchange rate and production costs as **the main inflation drivers**. Assessments of the impact of global prices increased (Figure 2)
- **the hryvnia would depreciate at a slower pace:** 78.9% of respondents (compared to 86.1% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 74.4%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 5.4% compared to (-15.8%) in the previous quarter and 12.7% across Ukraine (see Table). At the same time, companies in the manufacturing sector expected that their financial and economic standings would deteriorate
- **total sales would return to growth:** the balance of responses was 7.7%, compared to (-28.2%) in the previous quarter (see Table). This included expectations of an increase in external sales: the balance of responses was 22.7%, compared to (-19.0%) in Q4 2020. Across Ukraine, the balances of responses were 18.0% and 14.9% respectively
- **investment in machinery, equipment and tools would increase moderately:** the balance of responses was 2.6%, compared to 0.0% in the previous quarter. **Investment in construction was expected to decrease:** the balance of responses was (-8.1%), compared to (-11.1%) in Q4 2020. Companies across Ukraine expected these investments would increase: the balances of responses were 1.4% and 11.7% respectively
- **staff numbers would decrease at a slower pace:** the balance of responses was (-23.7%), compared to (-41.0%) in Q4 2020 and (-1.9%) across Ukraine (Figure 4)
- **purchase prices would rise at a faster pace** (the balance of responses was 89.7%) **than selling prices** (the balance of responses was 46.2%) (compared to 84.2% and 36.8% respectively in Q4 2020) (Figure 6). Respondents said that the exchange rate, energy prices, and wage costs were the main selling price drivers (Figure 7)
- **the growth in per-unit production costs and wage costs per staff member would accelerate:** the balances of responses were 64.1% and 53.1% respectively, compared to 53.8% and 28.9% in Q4 2020 (Figures 4 and 6).

Companies named excessively high energy and raw material and supplies prices as the **main drags on their ability to boost production**. The impact of weak demand was reported to have increased significantly (Figure 5).

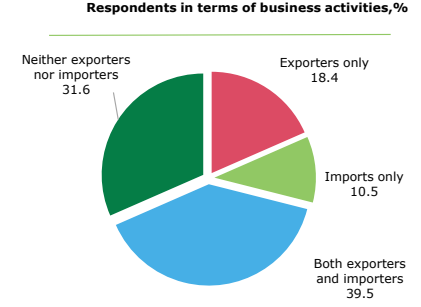
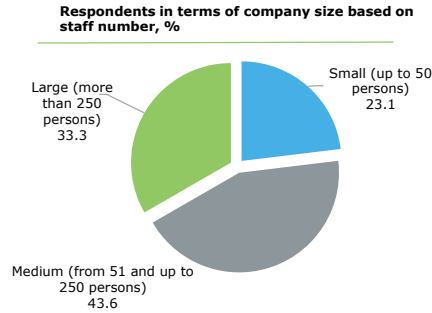
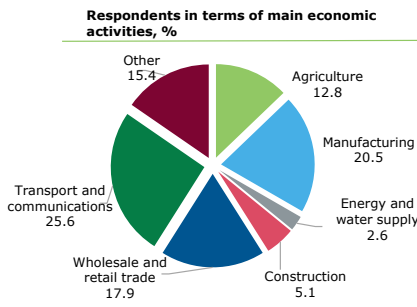
Respondents continued to expect **an increase in their borrowing needs** in the near future (Figure 8). The respondents who planned to take out bank loans usually opted for domestic currency loans. Respondents said that bank lending standards had tightened (Figure 9). They also referred to high interest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

A total of 97.4% of respondents in the oblast 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)

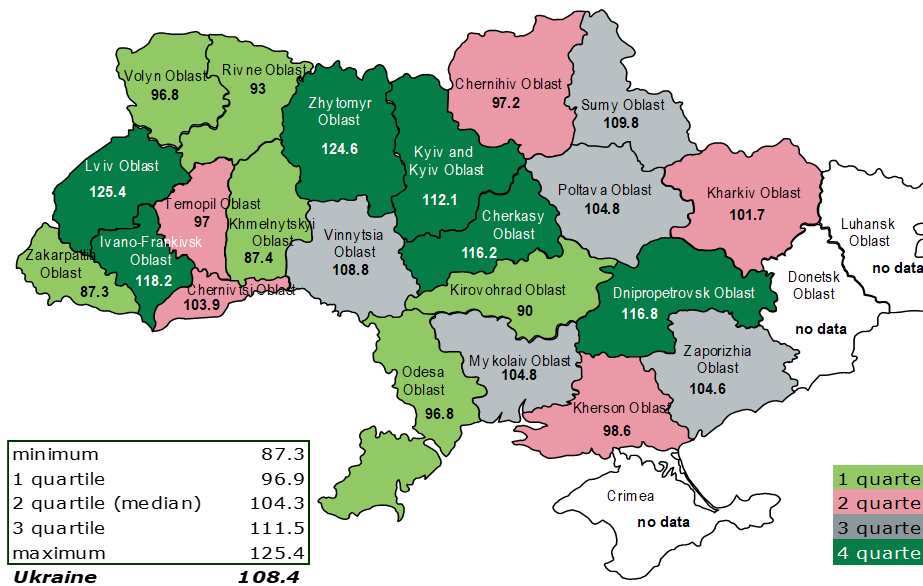
- **Companies have assessed their current financial and economic standings as bad** for four quarters in a row: the balance of responses was (-7.7%), compared to (-15.8%) in Q4 2020 and (-0.7%) across Ukraine.
- **Finished goods stocks remained below normal:** the balance of responses was (-33.3%), compared to (-16.7%) in Q4 2020.
- **Companies said they had sufficient unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 13.2%, compared to 7.9% in Q4 2020.

Survey Details^{1,2}



- Period: 3 February through 1 March 2021.
- 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 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 Odesa 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	14.3	-13.2	0.0	-15.8	5.4
Total sales	22.9	-21.1	-7.9	-28.2	7.7
Investment in construction	3.0	-10.8	-10.8	-11.1	-8.1
Investment in machinery, equipment, and tools	34.3	8.3	0.0	0.0	2.6
Staff numbers	-8.8	-18.9	-30.8	-41.0	-23.7

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

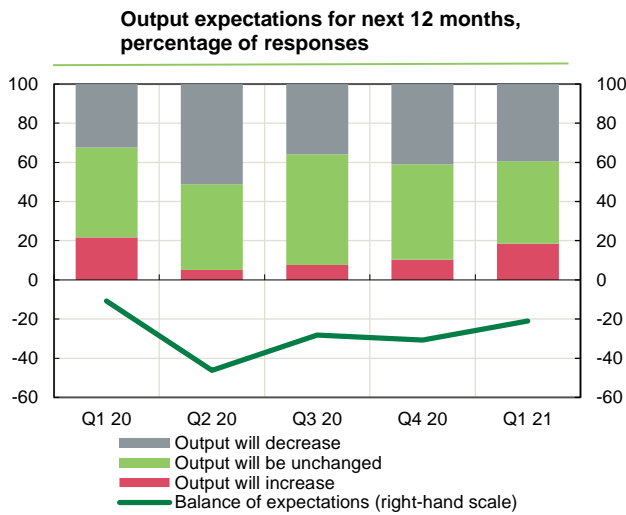


Figure 2

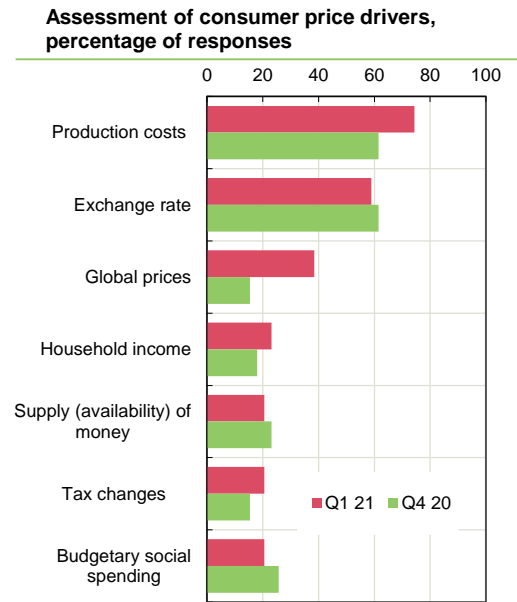


Figure 3

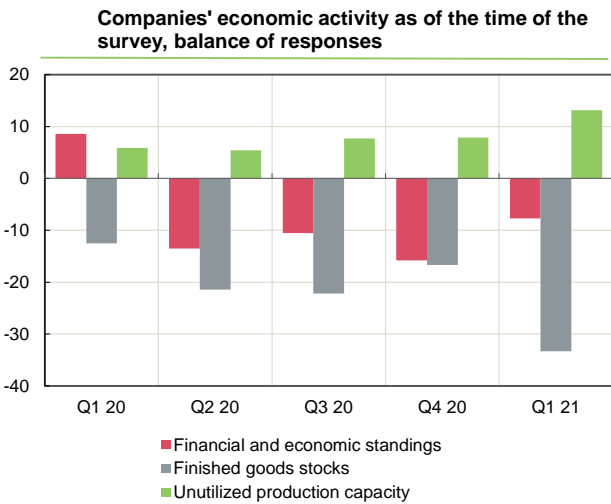


Figure 4

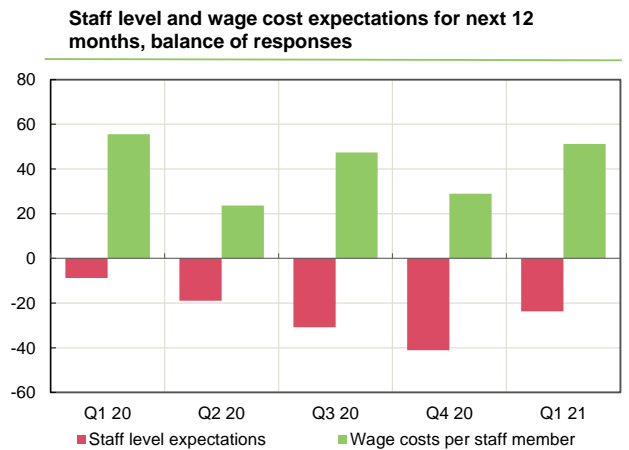


Figure 5

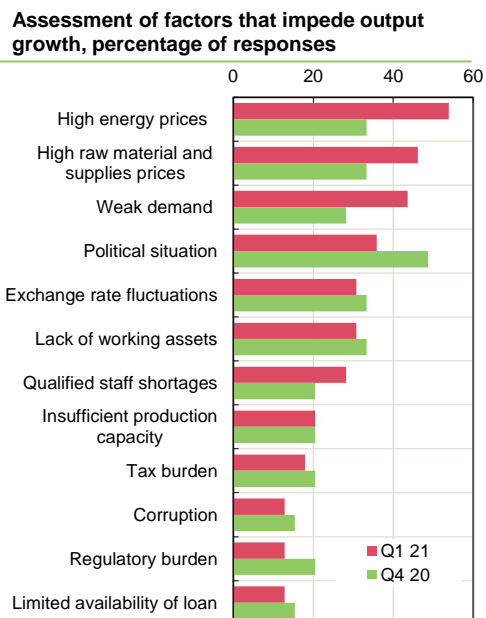


Figure 6

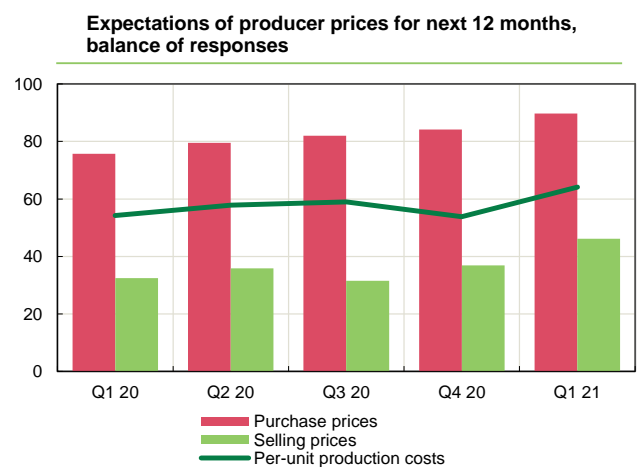


Figure 7

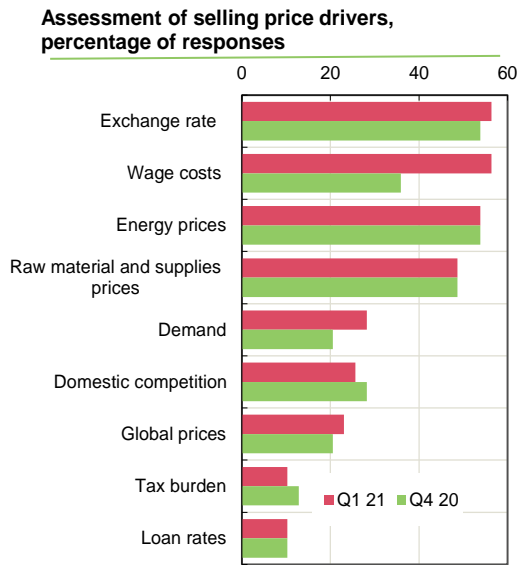


Figure 8

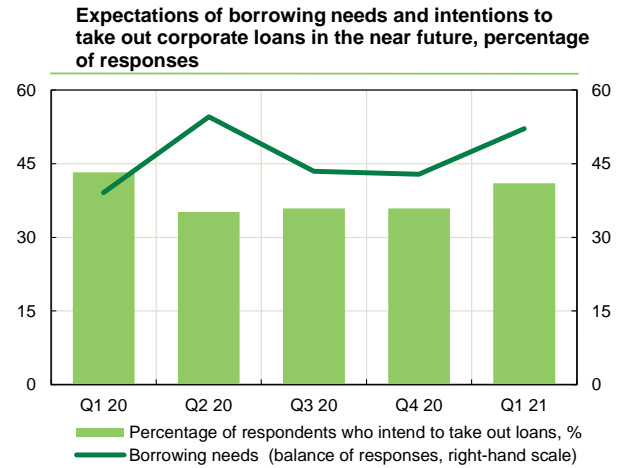


Figure 9

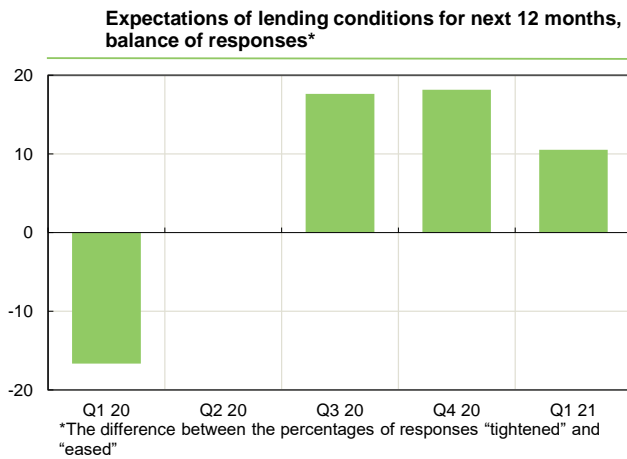


Figure 10

