



National Bank
of Ukraine

Business Outlook Survey of Odesa Oblast *

Q3 2021



*This survey only reflects the opinions of respondents in Odesa oblast (top managers of companies) who were polled in Q3 2021, and does not represent NBU forecasts or estimates

A survey of companies carried out in Odesa oblast in Q3 2021 showed that respondents expected an increase in the output of Ukrainian goods and services over the next 12 months. Respondents had positive expectations for the performance of their companies over this period. They also expected inflation to rise, and the hryvnia to depreciate significantly.

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

- **the output of Ukrainian goods and services would grow:** the balance of expectations was 13.2%, compared to 15.8% in Q2 2021 (Figure 1) and 21.5% across Ukraine. Respondents from manufacturing and trading companies reported the most optimistic expectations – the balances of responses were 42.9% for each. At the same time, respondents from transport companies expected a decline in the output of goods and services – the balance of responses was (-10.0%)
- **prices for consumer goods and services would rise:** 60.5% of respondents said that price growth would be higher than 7.5%, compared to 52.6% in the previous quarter and 53.1% 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:** 81.6% of respondents (compared to 71.1% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 70.7%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 15.8% compared to 17.1% in the previous quarter and 12.7% across Ukraine (see Table). Respondents from transport companies reported the most optimistic expectations (the balance of responses was 18.9%)
- **total sales would rise:** the balance of responses was 23.7% compared to 21.1% in the previous quarter (see Table). External sales were also expected to increase: the balance of responses was 32.0%, compared to 19.0% in Q2 2021. Across Ukraine, the balances of responses were 27.7% and 23.5%
- **both investment in construction and in machinery, equipment, and tools would increase:** the balances of responses were 11.1% and 13.9% respectively, compared to (-2.9%) and 8.1% respectively in the previous quarter. The balances of responses across Ukraine were 9.7% and 19.3% respectively
- **staff numbers would decrease:** the balance of responses was (-13.5%), compared to (-10.8%) in Q2 2021. Companies across Ukraine expected that staff number would increase moderately 2.2% (Figure 4)
- **purchase prices would rise at a faster pace** (the balance of responses was 94.7%) **than selling prices** (the balance of responses was 50.0%) (compared to 89.5% and 31.6% respectively in Q2 2021) (Figure 6). Respondents said that energy prices, raw material and supplies prices and the exchange rate were the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would increase:** the balances of responses were 57.0% and 60.5% respectively, compared to 63.2% and 50.0% in Q2 2021 (Figures 4 and 6).

Companies named high raw material and supplies and energy prices as the **main drags on their ability to boost production**. An increase in the impact of insufficient production capacity, weak demand and the hryvnia exchange rate was reported to be significant. The impact of the hryvnia exchange rate was reported to have increased significantly (Figure 5).

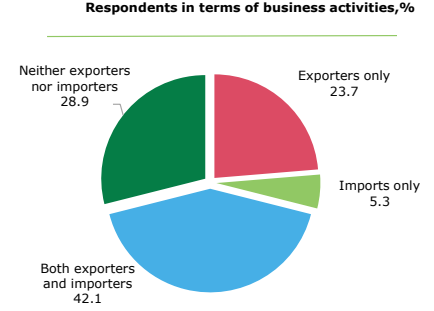
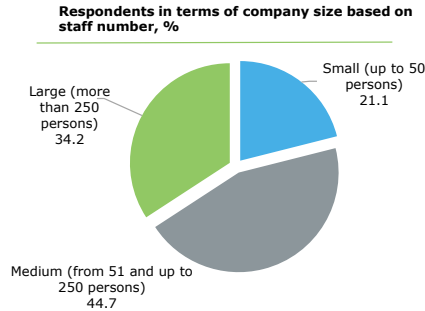
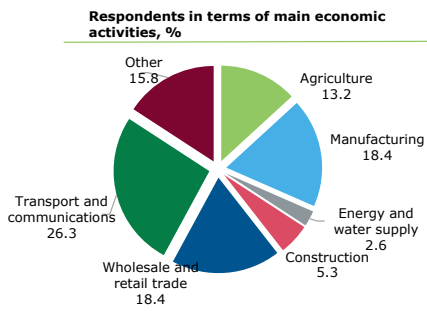
Respondents reported high expectations about **an increase in their borrowing needs** in the near future (Figure 8). The respondents who planned to take out bank loans usually opted for domestic currency loans. Respondents said that bank lending standards had tightened (Figure 9). They also referred to high interest rates, collateral requirements and complicated paperwork as the main factors deterring them from taking out loans (Figure 10).

A total of 94.7% of respondents in the oblast said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (97.1% across Ukraine).

Assessments of financial and economic standings as of the time of the survey (Figure 3)

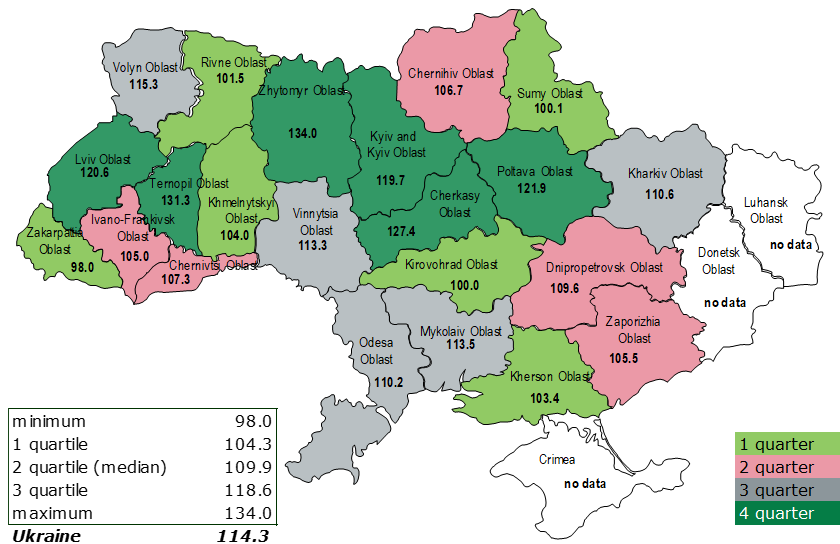
- **Companies assessed their current financial and economic standings as good** for the first time since Q1 2020: the balance of responses was 2.6%, compared to (-7.9%) in Q2 2021 and 7.0% across Ukraine.
- **Finished goods stocks remained below their normal levels:** the balance of responses was (-12.5%), compared to (-7.7%) in Q2 2021.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 2.9%, compared to 0.0% in Q2 2021.

Survey Details^{1,2}



- Period: 3 August through 1 September 2021.
- A total of 38 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, %



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 Odessa Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21
Financial and economic standings	0.0	-15.8	5.4	17.1	15.8
Total sales	-7.9	-28.2	7.7	21.1	23.7
Investment in construction	-10.8	-11.1	-8.1	-2.9	11.1
Investment in machinery, equipment, and tools	0.0	0.0	2.6	8.1	13.9
Staff numbers	-30.8	-41.0	-23.7	-10.8	-13.5

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

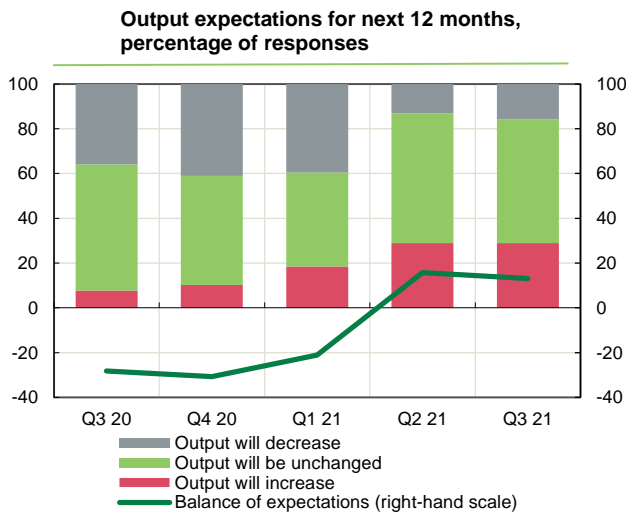


Figure 2

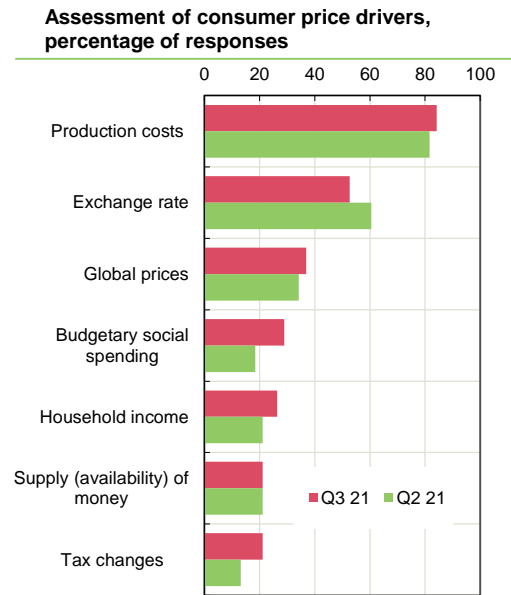


Figure 3

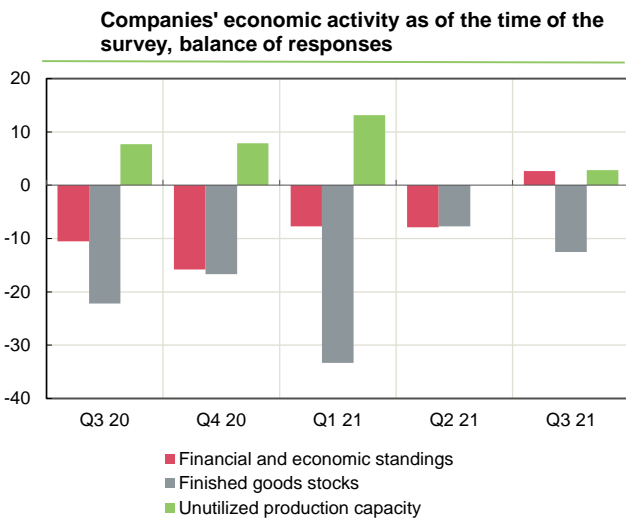


Figure 4

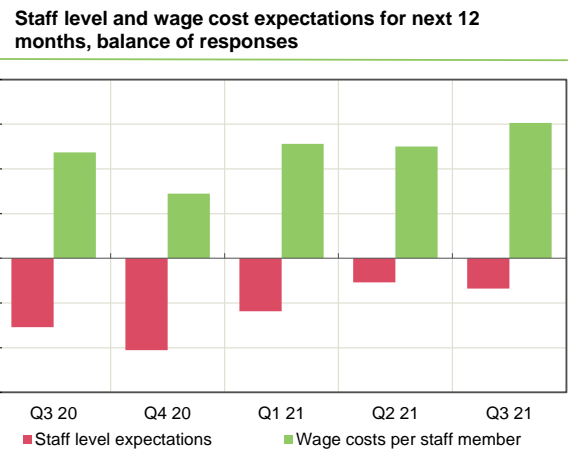


Figure 5

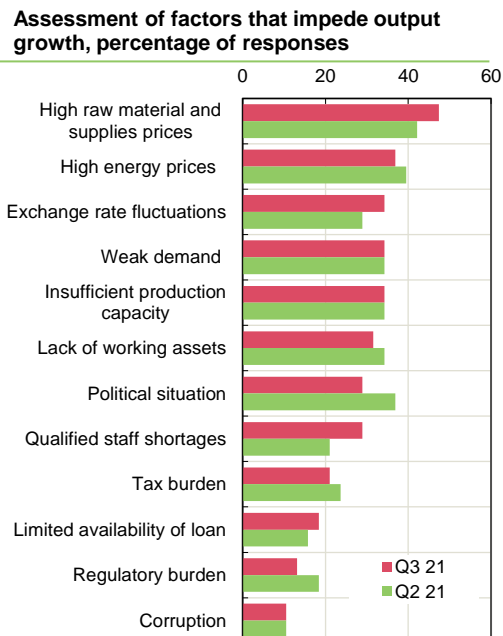


Figure 6

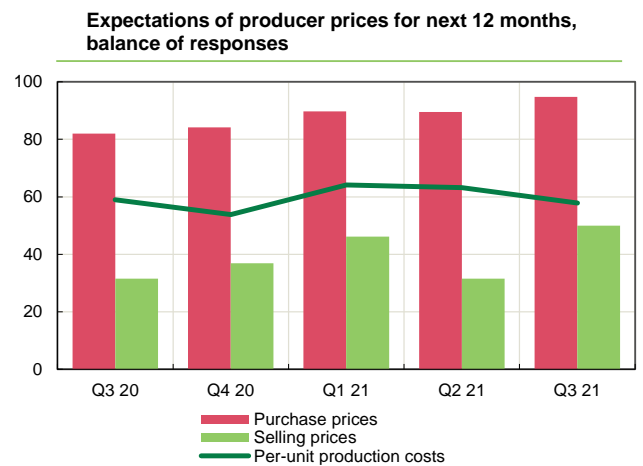


Figure 7

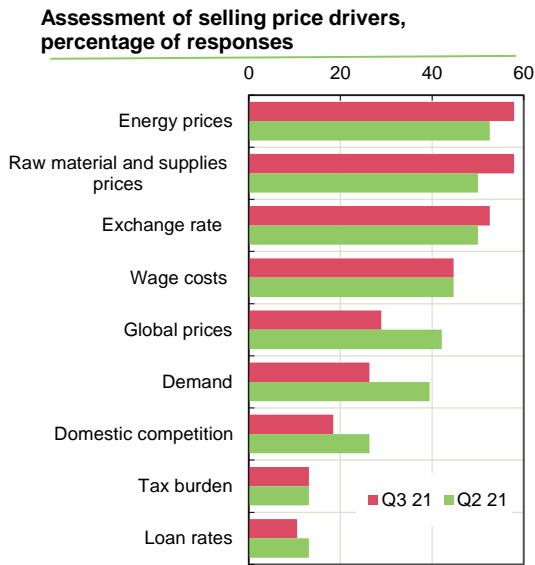


Figure 8

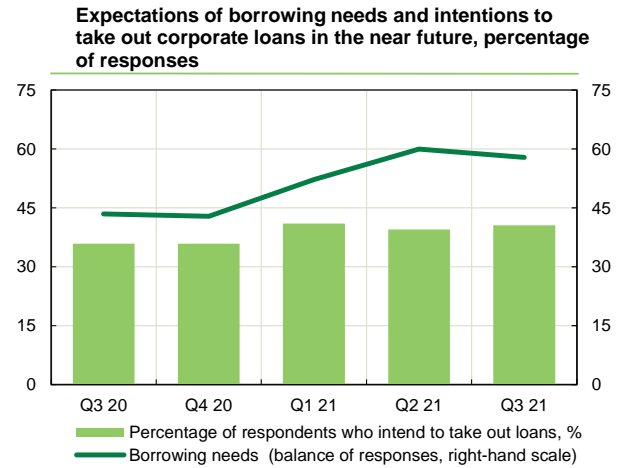


Figure 9

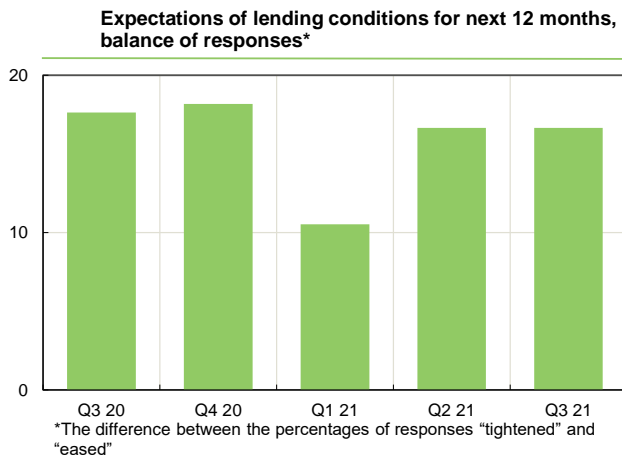


Figure 10

