



National Bank
of Ukraine

Business Outlook Survey of **Poltava Oblast***

Q1 2021



*This survey only reflects the opinions of respondents in Poltava 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 **Poltava oblast** in **Q1 2021** showed that respondents expected the output of Ukrainian goods and services would return to growth, and had optimistic expectations for the performance of their companies over the next 12 months. Inflation and depreciation expectations were high.

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

- **the output of Ukrainian goods and services would increase** for the first time in the last three quarters: the balance of expectations was 17.5% compared with (-14.6%) in Q4 2020 and 5.6% across Ukraine (Figure 1)
- **prices for consumer goods and services would grow at a fast pace:** 70.0% of respondents expected the inflation rate to be higher than 7.5% compared with 61.0% in the previous quarter and 50.7% across Ukraine. Respondents referred to production costs as **the main inflation driver** (Figure 2)
- **the domestic currency would continue to depreciate:** a total of 79.5% of respondents (compared with 85.4% in the previous quarter) expected the hryvnia to weaken against the US dollar, with the figure across Ukraine being 74.4%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 13.2% (compared with 0.0% in Q4 2020). Across Ukraine the balance of responses was 12.7% (see Table)
- **total sales of their own products would increase slightly:** the balance of responses was 5.0% compared with 2.4% in the previous quarter (see Table). External sales were expected to remain unchanged: the balance of responses was 0.0% compared with (-11.1%) in Q4 2020. Overall, companies across Ukraine expected sales to increase, the balances of responses being 18.0% and 14.9% respectively
- **investment in machinery, equipment, and tools would increase:** the balance of responses was 11.1% (compared to 5.3% in Q4 2020). **Investment in construction would remain unchanged:** the balance of response was 0.0% compared to (-10.5%) in the previous quarter. Across Ukraine investments would increase, the balances of responses were 1.4% and 11.7% respectively
- **staff numbers at their companies would decrease** (such expectations have been reported for four quarters in a row): the balance of responses was (-5.1%) compared with (-20.0%) in Q4 2020 and (-1.9%) across Ukraine (Figure 4)
- **purchase prices would grow at a faster pace** (the balance of responses was 92.3%) **than selling prices** (the balance of responses was 52.5%) (compared with 85.4% and 51.2% respectively in Q4 2020) (Figure 6). Respondents referred to raw material and supplies prices and energy prices as the main selling price drivers (Figure 7)
- **the growth in per-unit production costs would decelerate:** the balance of responses was 35.9% compared with 50.0% in Q4 2020. At the same time, **the wage costs per staff member would increase rapidly:** the balance of responses was 62.5% compared with 65.9% in Q4 2020 (Figures 6 and 4)

Respondents referred to high raw material, supplies, and energy prices and lack of working assets as **the main drags on the ability of their companies to boost production** (Figure 5).

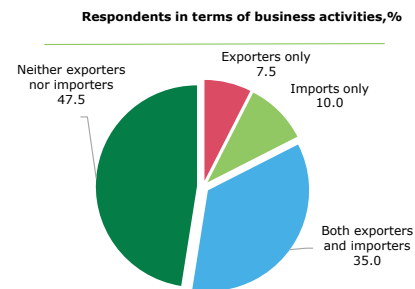
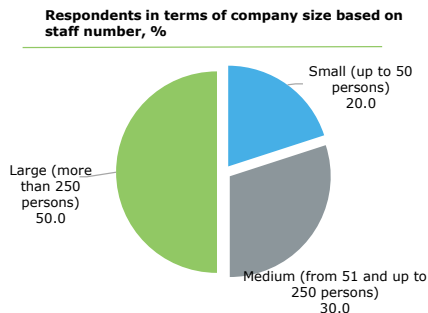
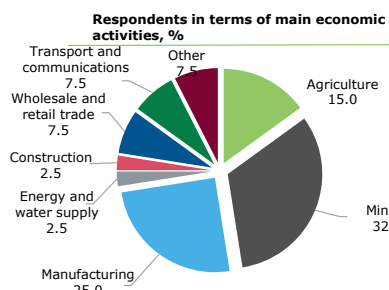
Respondents continued to expect **an increase in their borrowing needs** in the near future (Figure 8). 52.5% of the respondents planned to take out bank loans and opted for domestic currency loans. The lending conditions had tightened (Figure 9). Respondents continued to refer to high interest rates as the main factor that deterred them from taking out loans (Figure 10).

A total of 95.0% of 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)

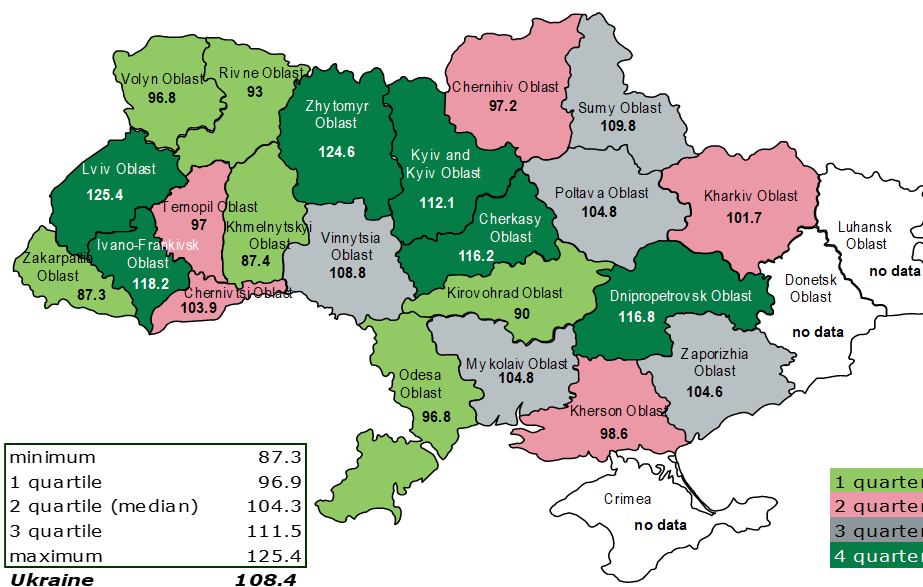
- **Companies have assessed their current financial and economic standings as bad** for four quarters in a row: the balance of responses was (-20.0%) ((-17.1%) in the previous quarter) and compared to (-0.7%) across Ukraine.
- **Finished goods stocks remained at a level lower than the normal one:** the balance of responses was (-33.3%) compared with (-24.0%) in Q4 2020.
- **Companies in the region had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 5.3% compared with 12.2% in the previous quarter.

Survey Details^{1,2}



- Period: 4 February through 1 March 2021.
- A total of 40 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, the mining and manufacturing industries.

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 sample where the sample is divided into two equal-sized subgroups

Table. The Business Outlook Index of Companies in Poltava 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	2.8	-16.7	2.5	0.0	13.2
Total sales	10.3	-11.6	5.0	2.4	5.0
Investment in construction	5.4	-32.6	5.1	-10.5	0.0
Investment in machinery, equipment, and tools	16.2	-18.6	-2.6	5.3	11.1
Staff numbers	2.6	-13.6	-17.1	-20.0	-5.1

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

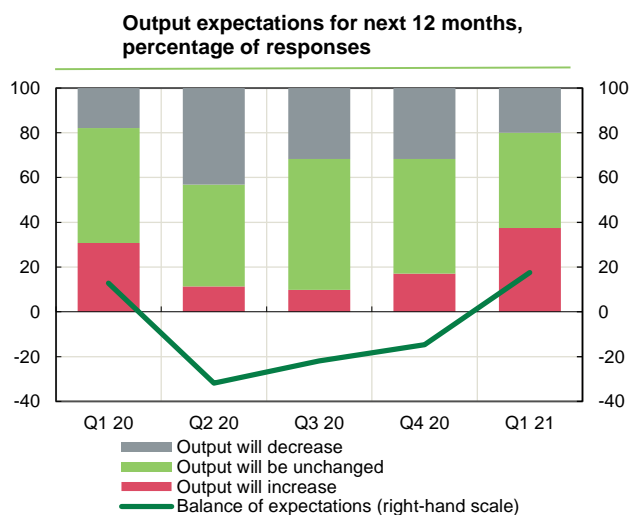


Figure 2

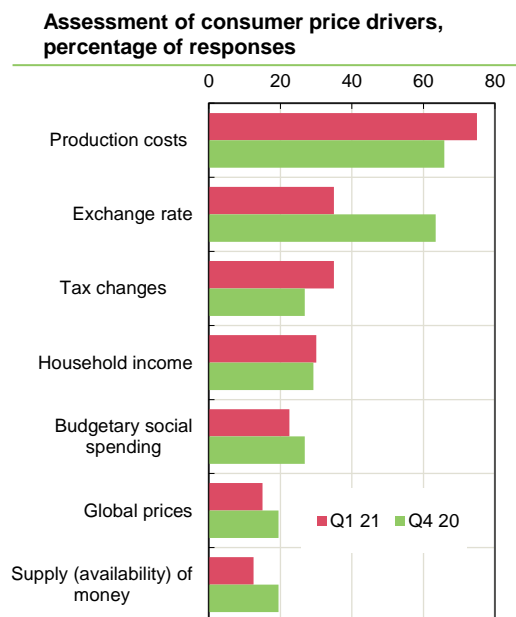


Figure 3

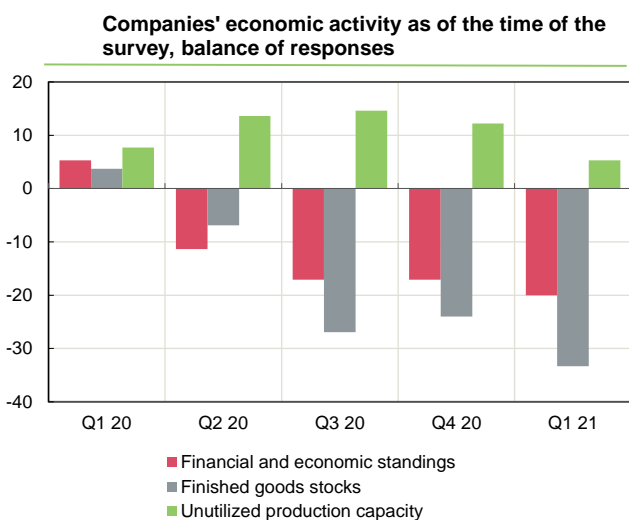


Figure 4



Figure 5

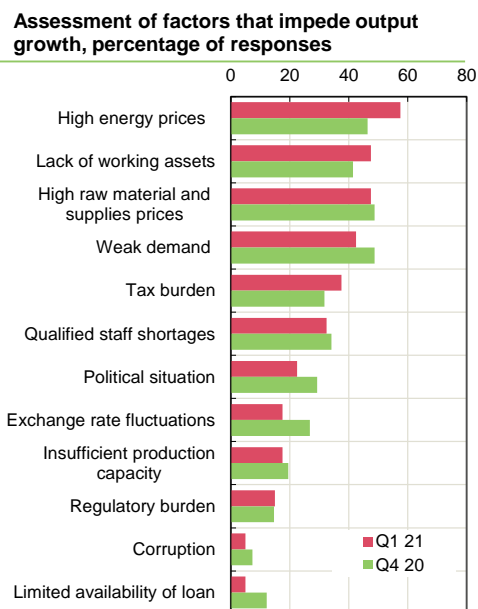


Figure 6

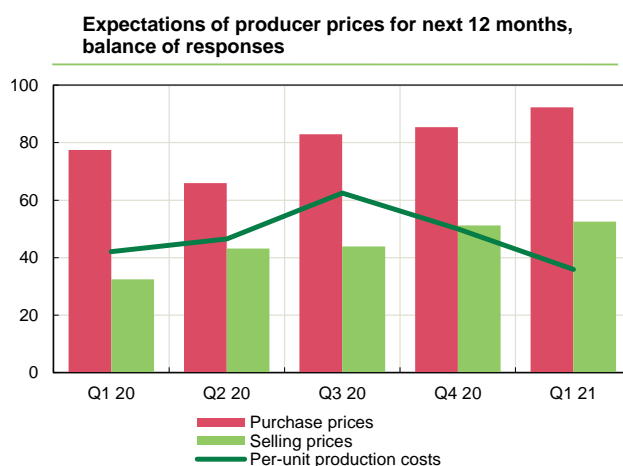


Figure 7

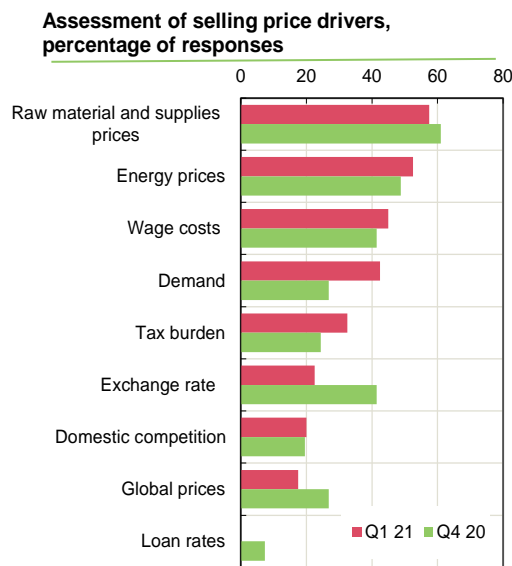


Figure 8

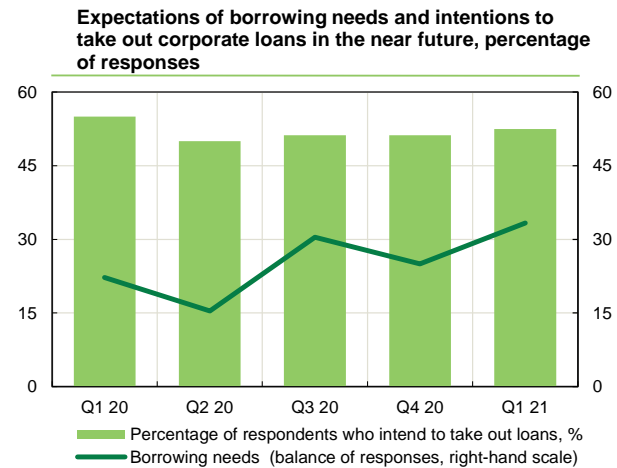


Figure 9

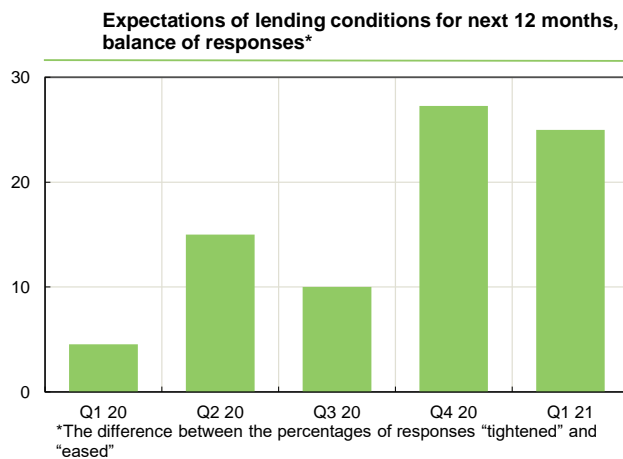


Figure 10

