National Bank
of Ukraine

Business Outlook Survey **of Rivne Oblast***

Q1 2021

*This survey only reflects the opinions of respondents in Rivne 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 Rivne oblast in Q1 2021 showed that respondents expected a drop in the output of Ukrainian goods and services and weaker performance by their companies over the next 12 months. Respondents also expected higher inflation and a more pronounced depreciation of the domestic currency.

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

- **the output of Ukrainian goods and services would decrease:** the balance of expectations was (-23.1%), as in Q4 2020. Companies across Ukraine expected the output of Ukrainian goods and services to increase: the balance of expectations was 5.6%
- **the prices of consumer goods and services would rise at a faster pace**: half of respondents expected the inflation rate to be lower than 7.5% (compared to 69.2% in the previous quarter and 49.3% across Ukraine). Respondents referred to production costs **as the main inflation driver.** The impact of household income and the exchange rate was also reported to be significant (Figure 2)
- **the hryvnia would depreciate at a faster pace:** 76.9% of respondents (compared with 69.2% 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 remain unchanged**: the balance of expectations was 0.0% compared to (-20.0%) in the previous quarter. Companies across Ukraine expected their financial and economic standings to improve (12.7%) (see Table)
- **total sales would decrease**: the balance of responses was (-15.4%), as in the previous quarter. At the same time, respondents expected a significant rise in external sales: the balance of responses was 50.0% compared with (-16.7%) in Q4 2020. Overall, companies across Ukraine expected sales to increase, the balances of responses being 18.0% and 14.9% respectively
- **the growth in investment in construction would decelerate:** the balance of responses was 7.7% (compared with 15.4% in the previous quarter). **Investment in machinery, equipment, and tools was expected to remain unchanged:** the balance of responses was 0.0% (30.8% in the previous quarter). Across Ukraine, investment was expected to increase, the balances of responses being 1.4% and 11.7% respectively
- **staff numbers would decrease at a fast pace:** the balance of responses was (-27.3%) compared with 7.7% in Q4 2020. Across Ukraine, respondents expected staff numbers to decrease slightly (the balance of responses was (-1.9%)) (Figure 4)
- **both purchase and selling prices would grow rapidly:** the balances of responses were 100.0% and 76.9%, respectively (as in Q4 2020) (Figure 6). Energy prices, raw material and supplies prices and wage costs were cited as 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 46.2% and 61.5% respectively, compared with 53.8% and 76.9% in Q4 2020 (Figures 4 and 6).

Companies named energy prices, raw material and supplies prices and the unstable political situation **as the main drags on their ability to boost production** (the impact of these factors was reported to have increased noticeably compared to the previous quarter) (Figure 5).

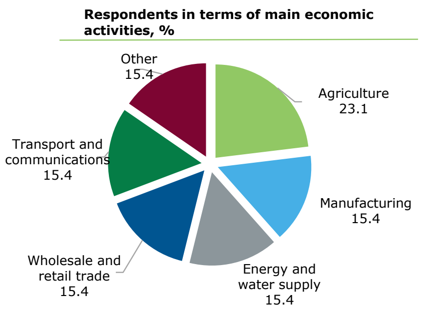
Respondents reported stronger expectations of an increase in their borrowing needs in the near future (Figure 8). The companies that planned to take out corporate loans usually opted for domestic currency ones. Respondents said that lending standards had tightened significantly (Figure 9). Respondents continued to refer to other funding sources as the main factor that deterred them from taking out loans (Figure 10).

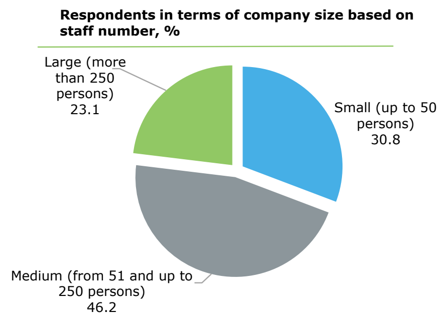
All respondents said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (97.5% across Ukraine).

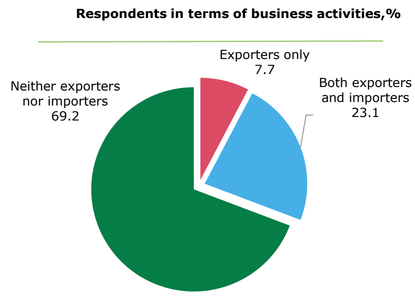
Assessments of financial and economic standings as of the time of the survey (Figure 3)

- **The current financial and economic standings of companies had deteriorated and were assessed as bad:** the balance of responses was (-15.4%) compared with 7.7% in Q4 2020 and (-0.7%) across Ukraine.
- **Finished goods stocks had decreased and were assessed at a level lower than the normal one**: the balance of responses was (-14.3%) compared with 20.0% in Q4 2020.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 23.1% compared to 15.4% in Q4 2020.

Survey Details[1,2]

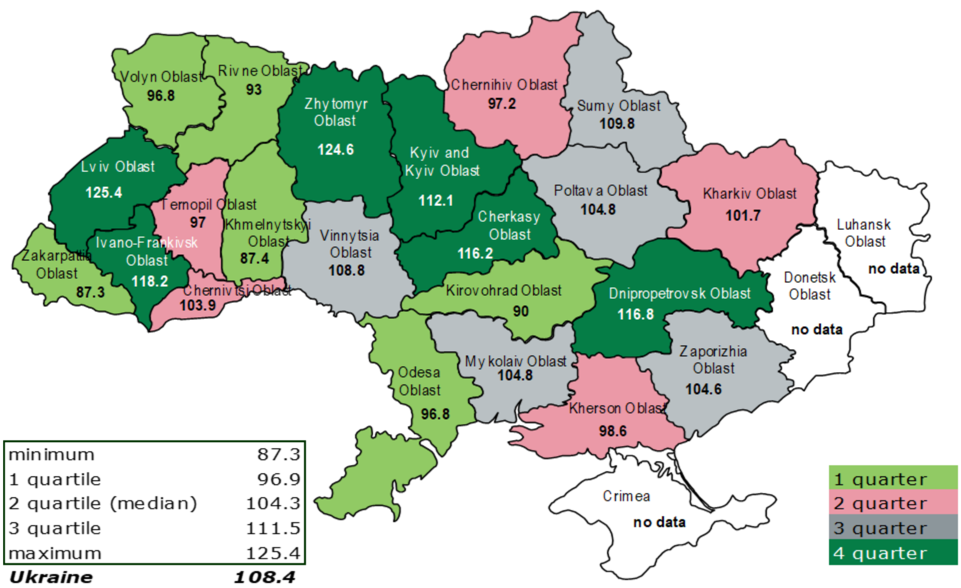






- Period: 4 February through 2 March 2021.
- A total of 13 companies were polled.
- No economic activity was able to generate a representative sample.

Business Outlook Index for Next 12 Months in Terms of Regions[3], %



*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 Rivne 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	0.0	8.3	-8.3	-20.0	0.0
Total sales	7.7	0.0	23.1	-15.4	-15.4
Investment in construction	-20.0	-30.0	0.0	15.4	7.7
Investment in machinery, equipment, and tools	20.0	-9.1	15.4	30.8	0.0
Staff numbers	7.7	-16.7	-15.4	7.7	-27.3

[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 balances of respondents' responses regarding changes in the financial and economic standings of their companies and future economic activity.

Figure 1

Output expectations for next 12 months, percentage of responses

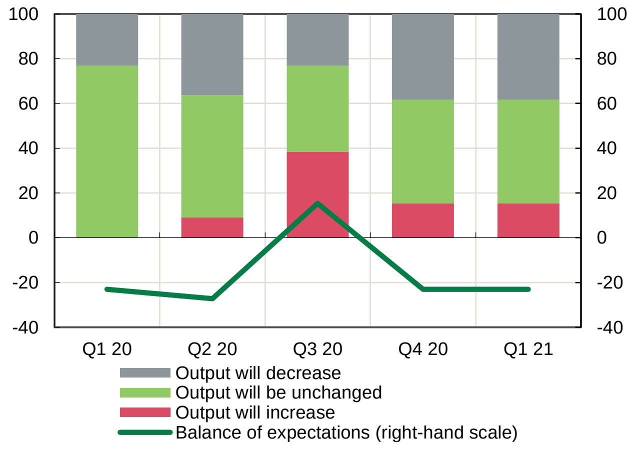


Figure 2

Assessment of consumer price drivers, percentage of responses

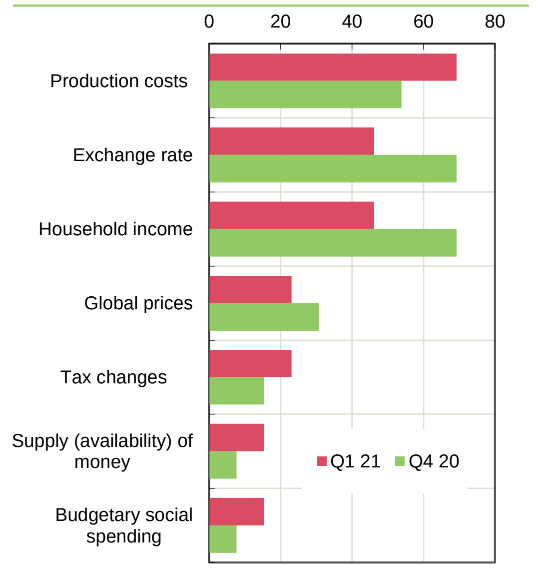


Figure 3

Companies' economic activity as of the time of the survey, balance of responses

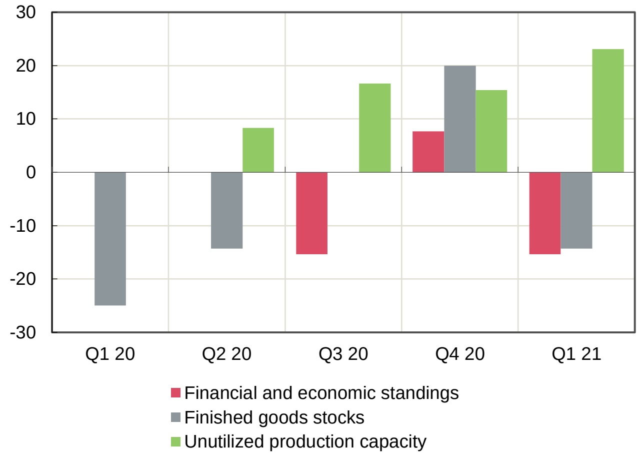


Figure 4

Staff level and wage cost expectations for next 12 months, balance of responses

Figure 5

Assessment of factors that impede output growth, percentage of responses

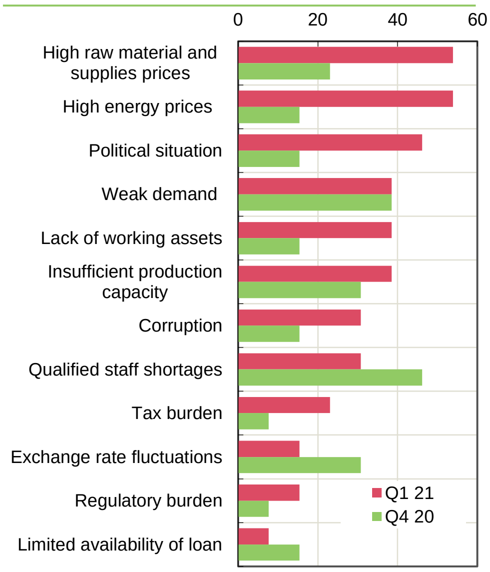


Figure 6

Expectations of producer prices for next 12 months, balance of responses

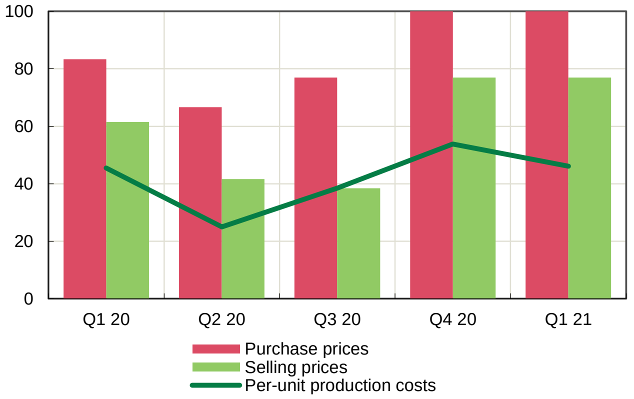


Figure 7

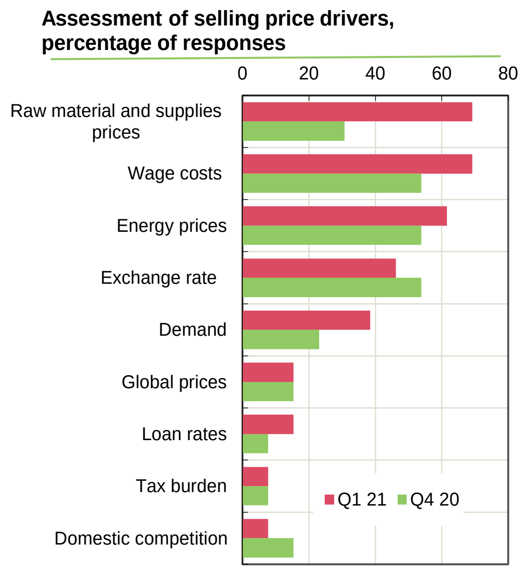


Figure 8

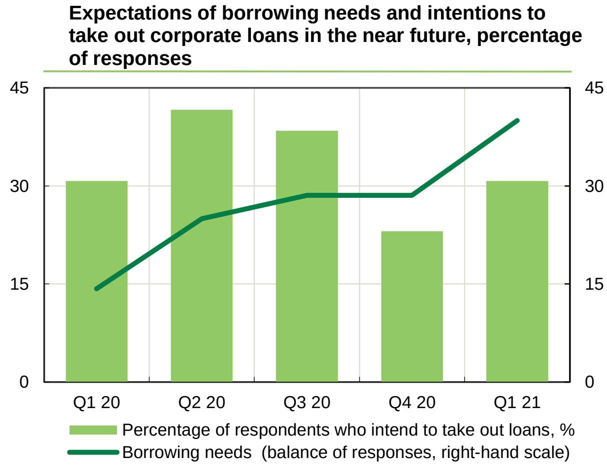
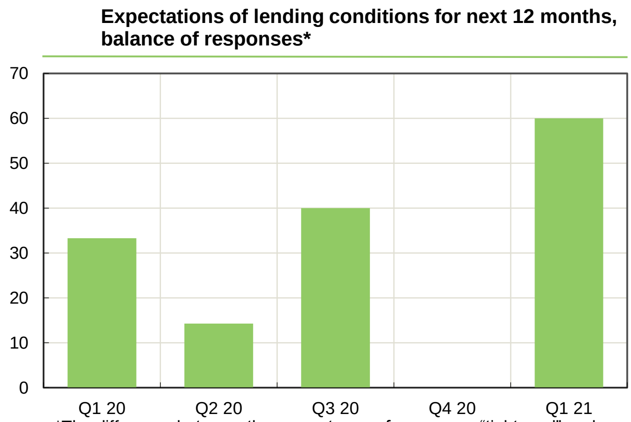


Figure 9



*The difference between the percentages of responses “tightened” and “eased”

Figure 10