National Bank of Ukraine

Business Outlook Survey **of Rivne Oblast***

Q3 2021

*This survey only reflects the opinions of respondents in Rivne 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 Rivne oblast in Q3 2021 showed that respondents expected the output of Ukrainian goods and services would remain unchanged over the next 12 months. At the same time, respondents had **negative expectations for the performance of their companies** over this period**.** Respondents also expected moderate inflation and 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 remain unchanged:** the balance of expectations was 0.0% compared to 25.0% in Q2 2021 (Figure 1). Across Ukraine, the output of goods and services was expected to grow (21.5%)
- **the prices of consumer goods and services would rise**: 69.2% of respondents expected the inflation rate to be lower than 7.5% (same as in the previous quarter), compared to 46.9% across Ukraine. Respondents referred to production costs **as the main inflation driver** (Figure 2)
- **the hryvnia would depreciate:** 61.5% of respondents (same as in the previous quarter) expected the hryvnia to weaken against the US dollar, with the figure across Ukraine being 70.7%
- **the financial and economic standings of their companies would deteriorate**: the balance of expectations was (-15.4%) (the lowest expectations among the regions) compared to (-9.1%) in Q2 2021. Companies across Ukraine expected their financial and economic standings to improve (12.7%) (see Table)
- **total sales would decrease**: the balance of responses was (-7.7%), compared to 7.7% in the previous quarter. Respondents expected that external sales would remain unchanged for the second quarter in a row: the balance of responses was 0.0%. Overall, companies across Ukraine expected sales to increase, the balances of responses being 27.7% and 23.5% respectively
- **investment in construction and investment in machinery, equipment, and tools would increase:** the balances of responses were 30.8% and 15.4% respectively (compared to 30.8% and 23.1% in the previous quarter). Across Ukraine, the balances of responses were 9.7% and 19.3% respectively
- **staff numbers would decrease:** the balance of responses was (-15.4%) compared to 0.0% in Q2 2021. Across Ukraine, respondents expected staff numbers to increase moderately (the balance of responses was 2.2%) (Figure 4)
- **both purchase and selling prices would grow:** the balances of responses were 76.9% and 61.5% respectively (compared to 69.2% and 46.2% respectively in Q2 2021) (Figure 6). Raw material and supplies prices (the impact was reported to have increased) 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 accelerate:** the balances of responses were 46.2% and 76.9% respectively, compared to 38.5% and 53.8% in Q2 2021 (Figures 4 and 6).

Companies named high energy prices and raw material and supplies prices (the impact was reported to have increased) **as the main drags on their ability to boost production.** Assessments of qualified staff shortages and weak demand were also high (Figure 5).

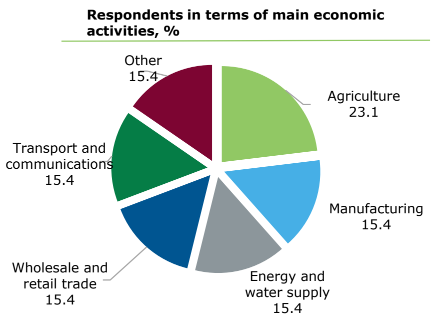
Respondents expected an increase in their borrowing needs in the near future (Figure 8). The companies that planned to take out bank loans opted for both domestic and foreign currencies (50.0% for each). Respondents said that bank lending standards had remained unchanged (Figure 9). Respondents referred to high loan rates and other funding sources as the main factor deterring them from taking out loans (Figure 10).

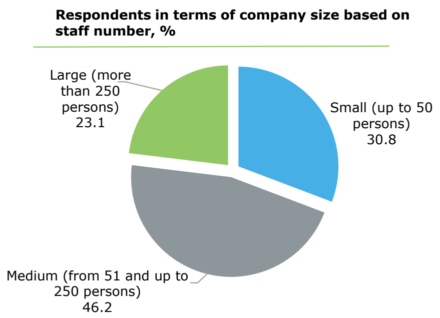
92.3% of respondents said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (97.1% across Ukraine).

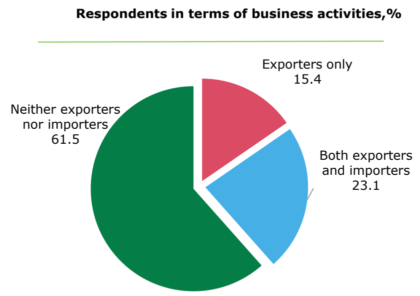
Assessments of financial and economic standings as of the time of the survey (Figure 3)

- **The current financial and economic standings of companies were assessed as satisfactory:** the balance of responses was 0.0%, compared to 23.1% in Q2 2021. Companies across Ukraine assessed their current financial and economic standings as good (7.0%).
- **Finished goods stocks had increased and were assessed as higher than normal**: the balance of responses was 20.0%, compared to 0.0% in Q2 2021.
- Spare production capacity had decreased. **Companies said they would need additional capacity to meet any unexpected rise in demand:** the balance of responses was (-7.7%), compared to 7.7% in Q2 2021.

Survey Details[1,2]

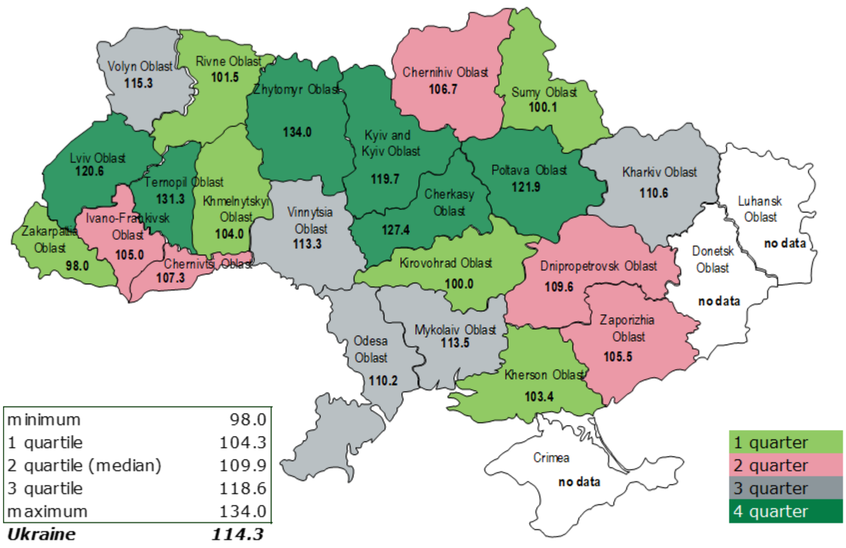






- Period: 4 August through 28 August 2021.
- A total of 13 companies were polled.
- No economic activity was able to generate a representative sample.

Business Outlook Index for Next 12 Months in Terms of Oblasts[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, %				
	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21
Financial and economic standings	-8.3	-20.0	0.0	-9.1	-15.4
Total sales	23.1	-15.4	-15.4	7.7	-7.7
Investment in construction	0.0	15.4	7.7	30.8	30.8
Investment in machinery, equipment, and tools	15.4	30.8	0.0	23.1	15.4
Staff numbers	-15.4	7.7	-27.3	0.0	-15.4

[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

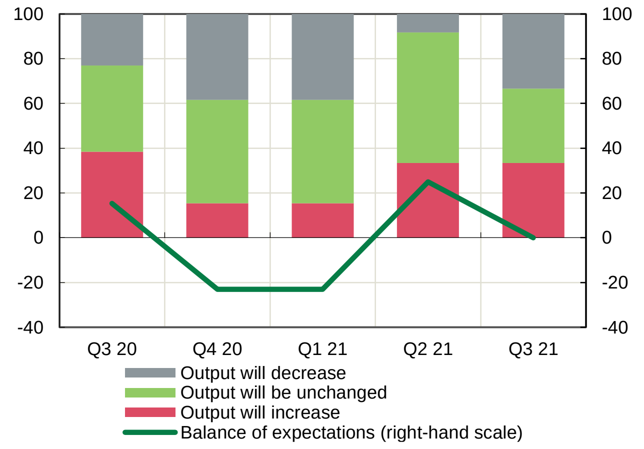


Figure 2

Assessment of consumer price drivers, percentage of responses

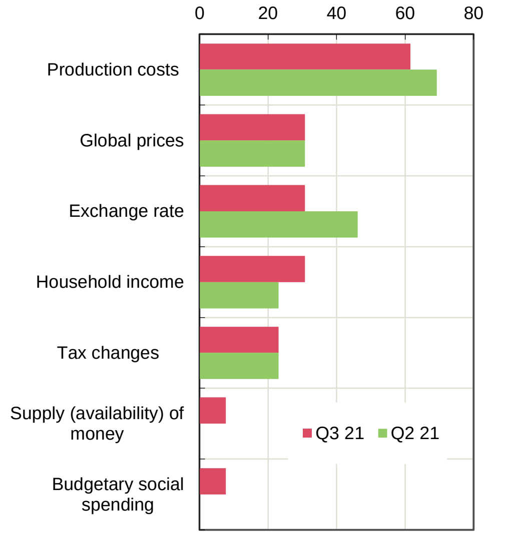


Figure 3

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

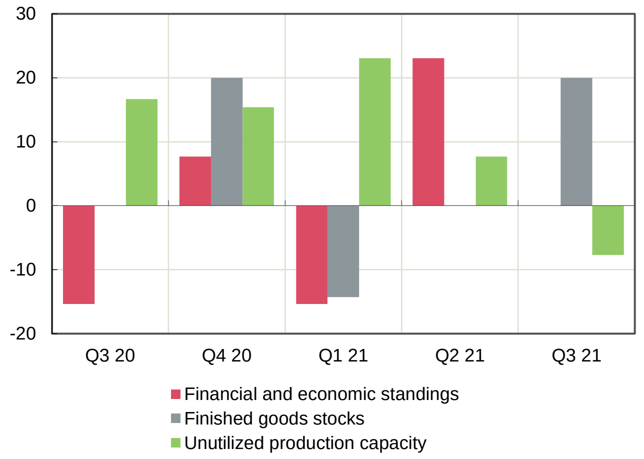


Figure 4

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

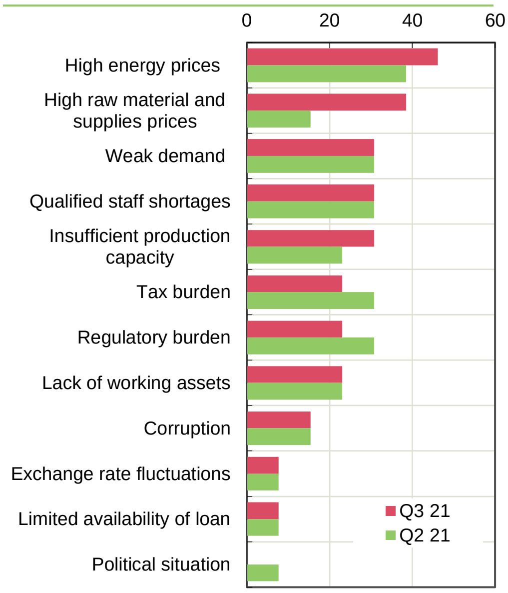


Figure 6

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

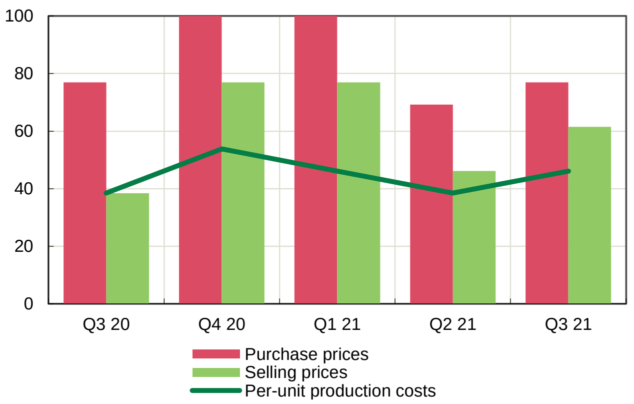


Figure 7

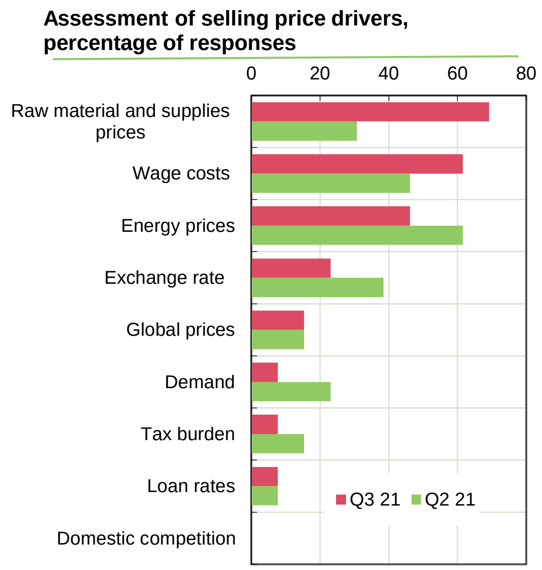


Figure 8

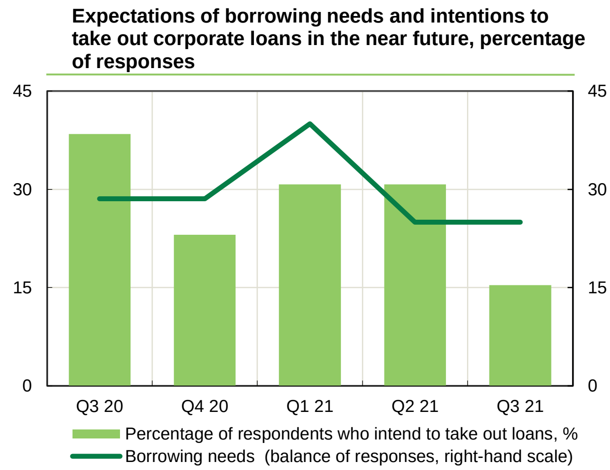
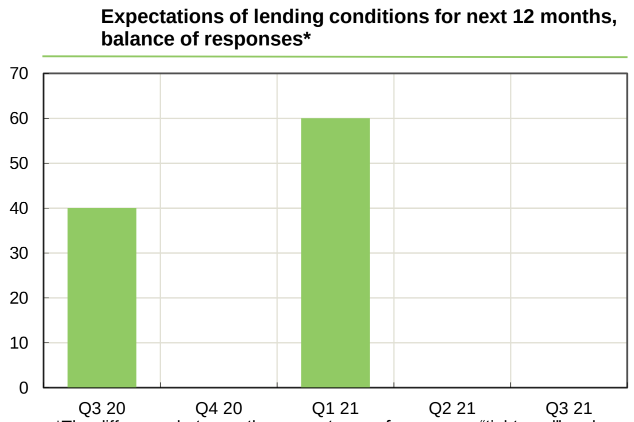


Figure 9



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

Figure 10