



National Bank
of Ukraine

Business Outlook Survey of Sumy Oblast*

Q4 2020



*This survey only reflects the opinions of respondents in Sumy oblast (top managers of companies) who were polled in Q4 2020, and does not represent NBU forecasts or estimates

A survey of companies carried out in **Sumy oblast** in **Q4 2020** showed that respondents expected no change in the output of Ukrainian goods and services over the next 12 months and had positive expectations for the performance of their companies on the back of a tighter quarantine. Respondents expected inflation to decrease. 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 remain unchanged:** the balance of expectations was 0.0% compared to 14.3% in Q3 2020 (Figure 1). Respondents across Ukraine expected a drop in the output, the balance of responses being (-24.4%)
- **prices for consumer goods and services would grow at a slower pace:** 64.3% of respondents said that price growth would not exceed 7.5% (compared to 50.0% in the previous quarter and 49.2% across Ukraine). Respondents referred to production costs and the hryvnia exchange rate as **the main inflation drivers** (Figure 2)
- **the hryvnia would depreciate further:** 78.6% of respondents (compared with 71.4% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 87.1%
- **the financial and economic standings of their companies would improve** at a slower pace: the balance of expectations was 15.4% compared with 30.8% in Q3 2020. Companies across Ukraine expected their financial and economic standings to improve slightly (1.3%) (see Table)
- **total sales would grow at a slower pace:** the balance of responses was 21.4% compared with 28.6% in the previous quarter. Respondents also expected weaker growth in external sales (the balance of responses was 25.0% compared with 57.1% in Q3 2020). Overall, companies across Ukraine expected sales to increase moderately, the balances of responses being 7.1% and 3.8% respectively
- **investment both in construction and in machinery, equipment, and tools would decrease:** the balances of responses were (-28.6%) and (-7.1%) respectively (compared to (-7.1%) and 0.0% respectively in Q3 2020). Across Ukraine, the balances of responses were (-4.5%) and 3.8% respectively
- **staff numbers at their companies would decrease:** the balance of responses was (-7.1%) (as in the previous quarter) compared to (-9.9%) across Ukraine (Figure 4)
- **both purchase and selling prices would increase at a fast pace:** the balances of responses were 92.9% and 64.3% respectively (compared with 92.9% and 42.9% in Q3 2020) (Figure 6). Raw material and supplies, energy 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 accelerate:** the balances of responses were 71.4% for each (compared with 57.1% and 50.0% respectively in Q3 2020) (Figure 4 and 6).

Companies named high energy prices, weak demand and the tax burden as the **main drags on their ability to boost production** (Figure 5).

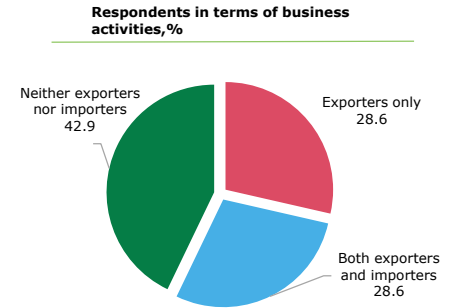
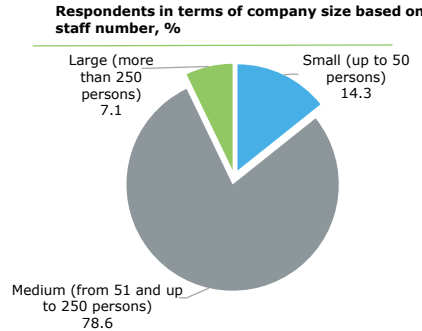
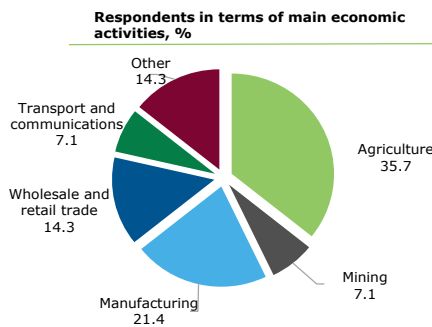
Respondents expected that their **borrowing needs would remain unchanged** in the near future (Figure 8). As in previous quarters, the respondents who planned to take out corporate loans opted only for domestic currency loans. Respondents said that lending standards had softened (Figure 9). High loan rates were cited as the main deterrent to taking out corporate loans (Figure 10).

All of the respondents said that they had encountered no difficulties in effecting transactions with funds deposited in bank accounts (96.9% across Ukraine).

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

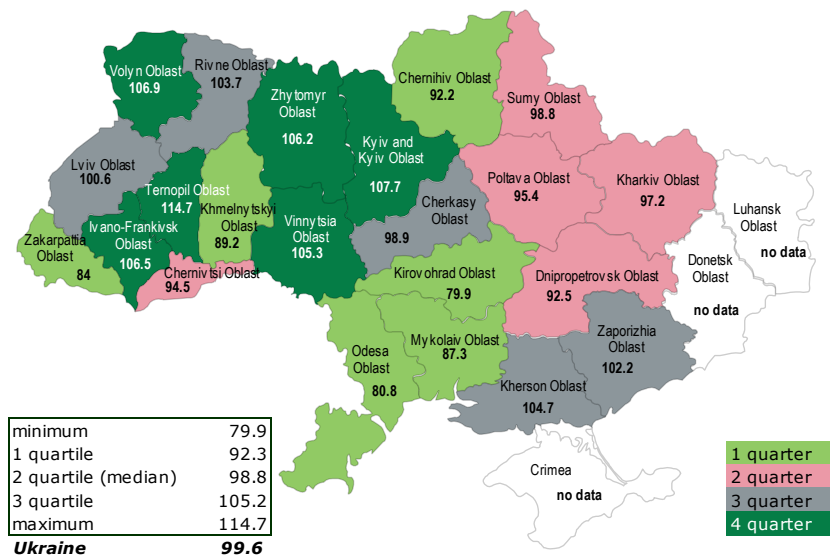
- **The current financial and economic standings of companies had improved and were assessed as satisfactory** the balance of responses was 0.0% compared with (-21.4%) in the previous quarter and (-3.2%) across Ukraine.
- **Respondents assessed their finished goods stocks at a level higher than the normal one:** the balance of responses was 10.0% compared with 0.0% in Q3 2020.
- **Unutilized production capacity had increased. Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 21.4% compared with (-21.4%) in Q3 2020.

Survey Details^{1,2}



- Period: 5 November through 27 November 2020.
- A total of 14 companies were polled.
- A representative sample was generated on the basis of the agricultural sector.

Business Outlook Index for Next 12 Months in Terms of Regions³, %



*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 Sumy Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20
Financial and economic standings	15.4	36.4	14.3	30.8	15.4
Total sales	20.0	0.0	7.1	28.6	21.4
Investment in construction	0.0	0.0	-42.9	-7.1	-28.6
Investment in machinery, equipment, and tools	6.7	0.0	-14.3	0.0	-7.1
Staff numbers	-13.3	-7.7	-28.6	-7.1	-7.1

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

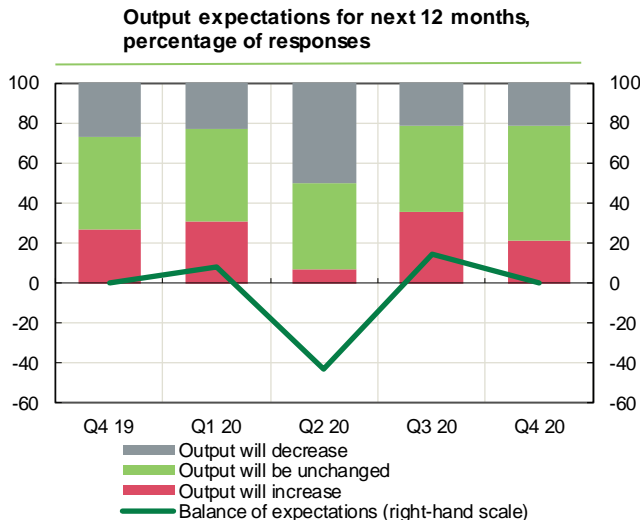


Figure 2

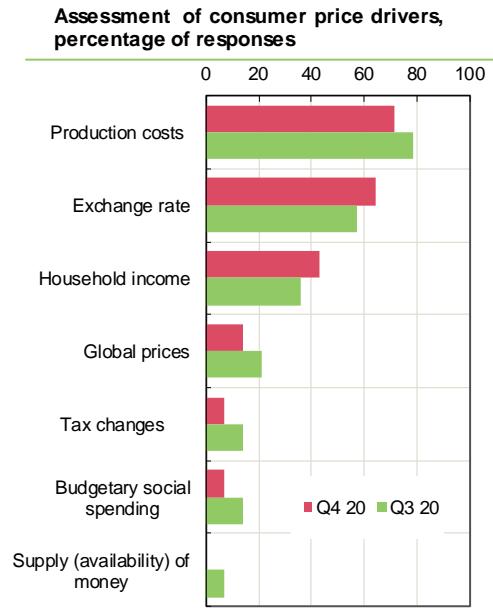


Figure 3

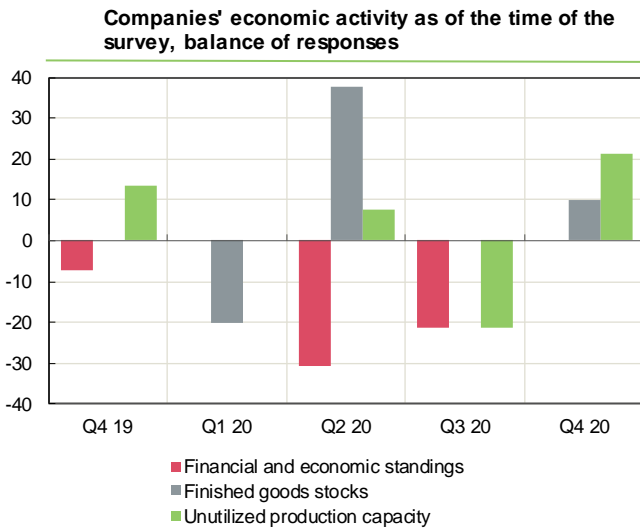


Figure 4

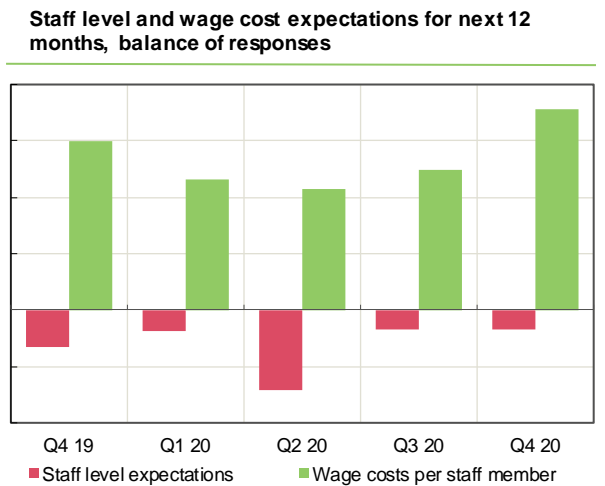


Figure 5

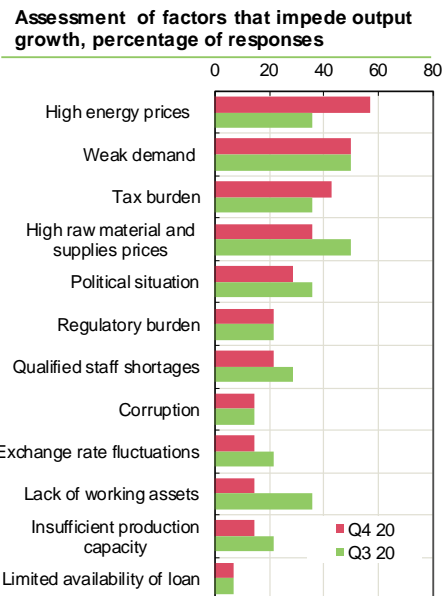


Figure 6

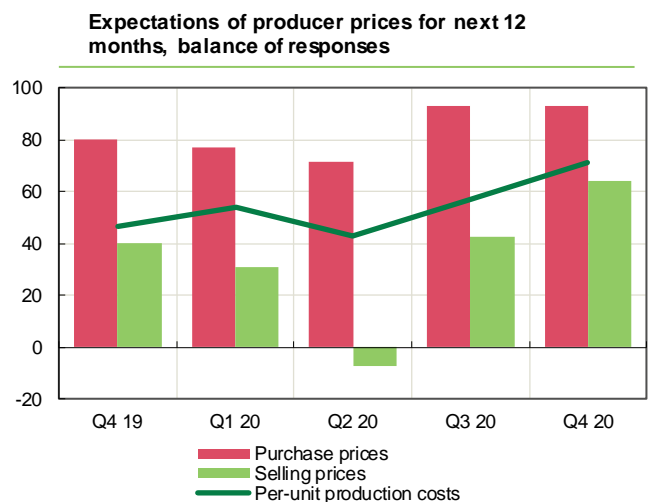


Figure 7

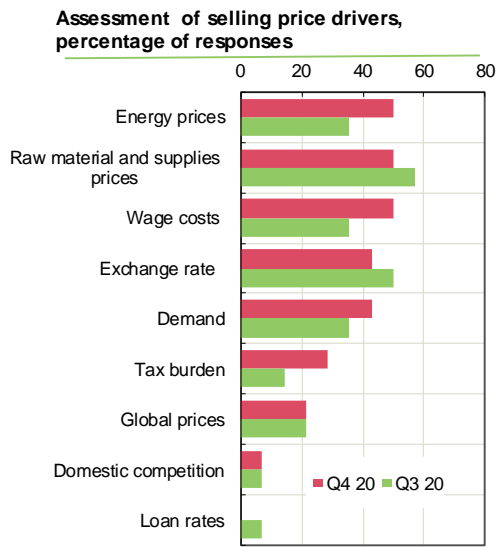


Figure 8

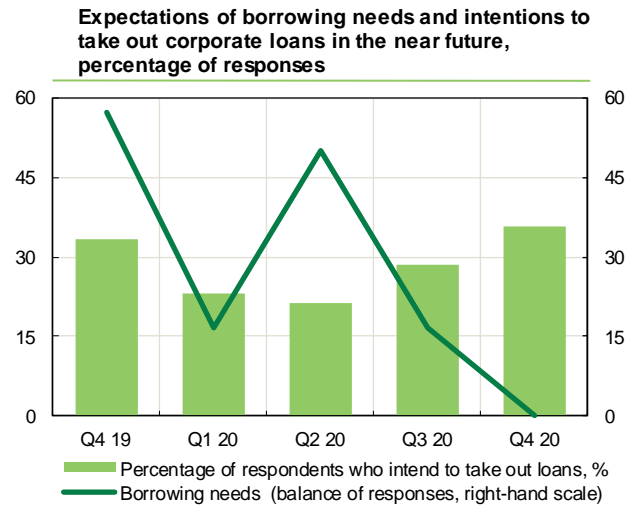


Figure 9

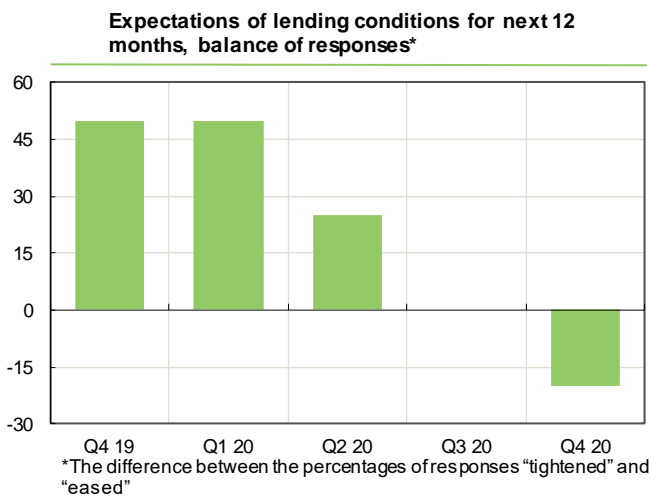


Figure 10

