



National Bank
of Ukraine

Business Outlook Survey of Sumy Oblast*

Q1 2021



*This survey only reflects the opinions of respondents in Sumy 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 **Sumy oblast** in **Q1 2021** showed that respondents **had high positive expectations for the output of Ukrainian goods and services and 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 significantly:** the balance of expectations was 35.7% (among the highest figure across the regions) compared to 0.0% in Q4 2020 (Figure 1). Respondents across Ukraine expected the output would increase moderately, the balance of responses was 5.6%
- **the growth in prices for consumer goods and services would accelerate:** 71.4% of respondents expected the inflation rate to be higher than 7.5% (compared to 35.7% in the previous quarter and 50.7% across Ukraine). Respondents referred to production costs as **the main inflation driver** (Figure 2)
- **the hryvnia would depreciate at a slower pace:** 64.3% of respondents (compared with 71.4% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 74.4%
- **the financial and economic standings of their companies would improve significantly:** the balance of expectations was 42.9% (the highest figure across the regions) compared with 15.4% in Q4 2020 and 12.7% across Ukraine (see Table)
- **total sales would grow:** the balance of responses was 21.4% as in the previous quarter (see Table). Respondents also expected growth in external sales: the balance of responses was 50.0% (compared with 25.0% in Q4 2020). Across Ukraine, the balances of responses were 18.0% and 14.9% respectively
- **investment in machinery, equipment, and tools would increase:** the balance of responses was 14.3% (compared to (-7.1%) in Q4 2020). At the same time **investment in construction would decrease:** the balance of responses was (-15.4%) (compared to (-28.6%) in Q4 2020). Overall, companies across Ukraine expected that investments would increase, the balances of responses were 11.7% and 1.4% respectively
- **staff numbers at their companies would continue to decrease:** the balance of responses was (-14.3%) (compared to (-7.1%) in the previous quarter). Across Ukraine, staff numbers were expected to decrease insignificantly, with a balance of responses of (-1.9%) (Figure 4)
- **both purchase and selling prices would increase:** the balances of responses were 85.7% and 57.1% respectively (compared with 92.9% and 64.3% in Q4 2020) (Figure 6). Energy, raw materials, and supplies prices and wage costs were cited as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would grow at a slower pace:** the balances of responses were 61.5% and 64.3% respectively (compared with 71.4% per each in Q4 2020) (Figure 4 and 6).

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

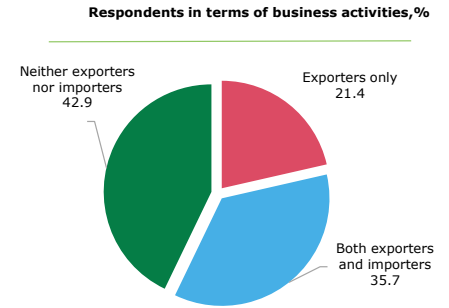
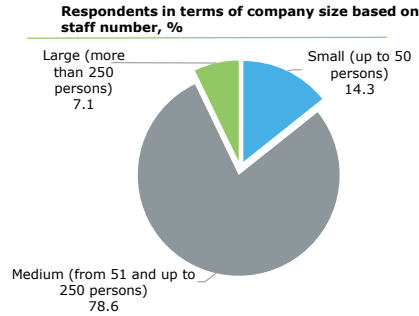
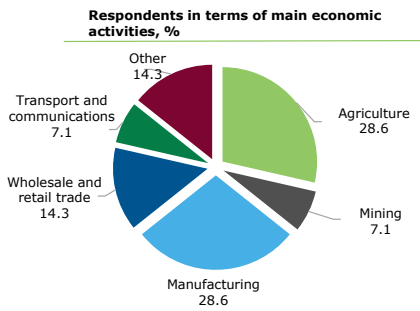
Respondents expected that their **borrowing needs would remain unchanged** in the near future (Figure 8). As in previous quarters, the respondents who planned to take out corporate loans opted only for domestic currency loans. Respondents said that lending standards had softened recently (Figure 9). 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 (97.5% across Ukraine).

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

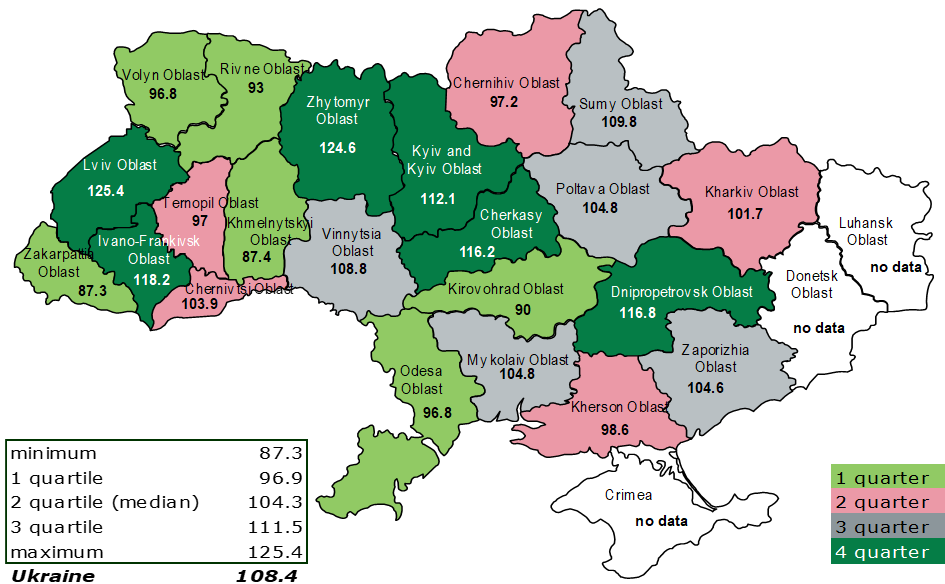
- **The current financial and economic standings of companies had deteriorated and were assessed as bad:** the balance of responses was (-21.4%) compared with 0.0% in the previous quarter and (-0.7%) across Ukraine.
- **Respondents' finished goods stocks had decreased and were assessed at a level lower than the normal one:** the balance of responses was (-10.0%) compared with 10.0% in Q4 2020.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 15.4% compared with 21.4% in Q4 2020.

Survey Details^{1,2}



- Period: 5 February through 26 February 2021.
- A total of 14 companies were polled.
- A representative sample was generated on the basis of the agricultural sector and manufacturing companies.

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 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, %				
	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21
Financial and economic standings	36.4	14.3	30.8	15.4	42.9
Total sales	0.0	7.1	28.6	21.4	21.4
Investment in construction	0.0	-42.9	-7.1	-28.6	-15.4
Investment in machinery, equipment, and tools	0.0	-14.3	0.0	-7.1	14.3
Staff numbers	-7.7	-28.6	-7.1	-7.1	-14.3

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

Figure 1

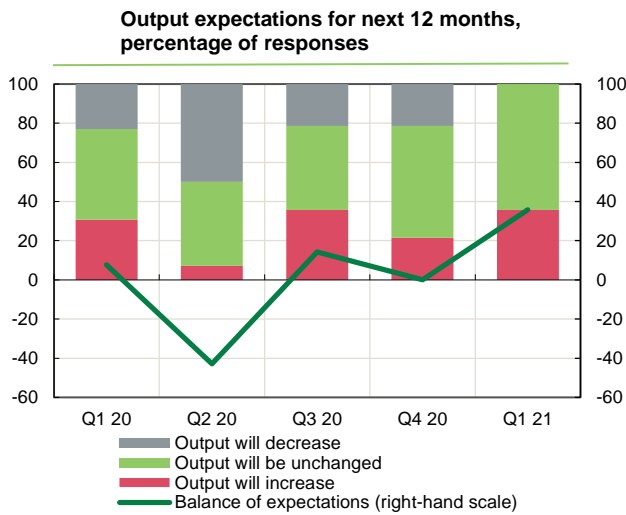


Figure 2

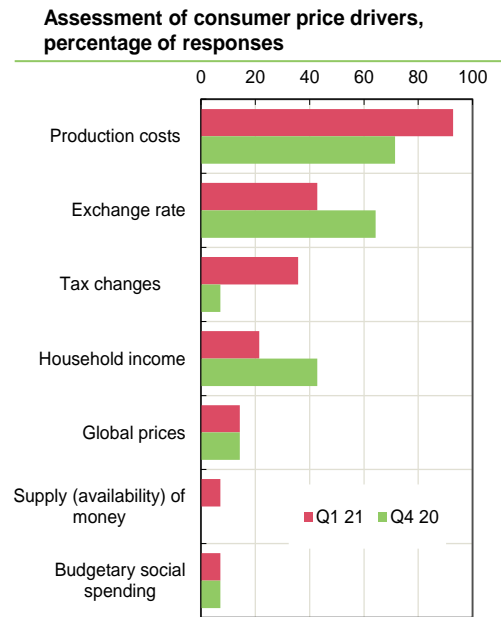


Figure 3

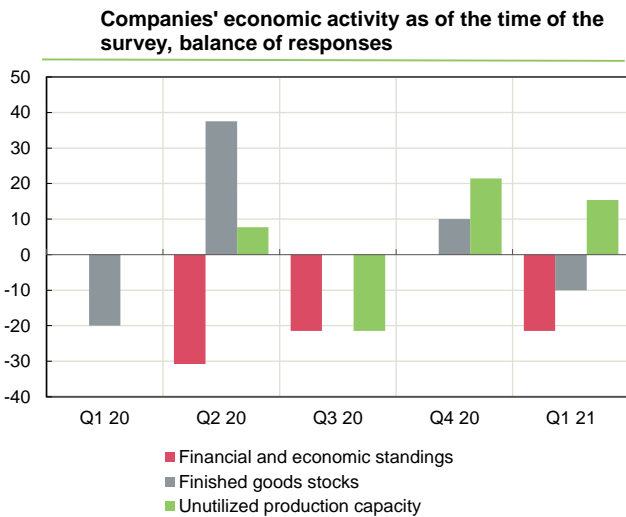


Figure 4

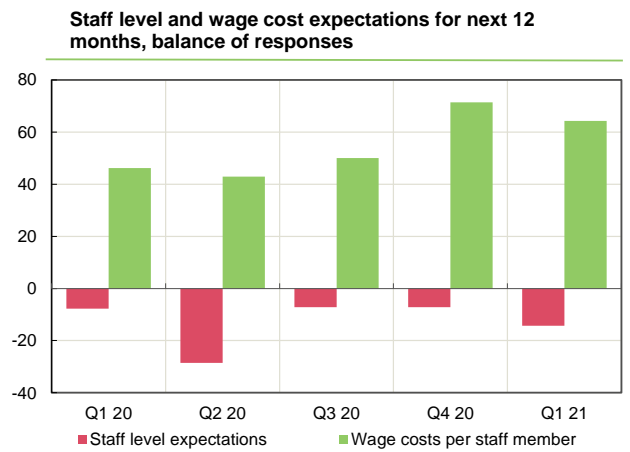


Figure 5

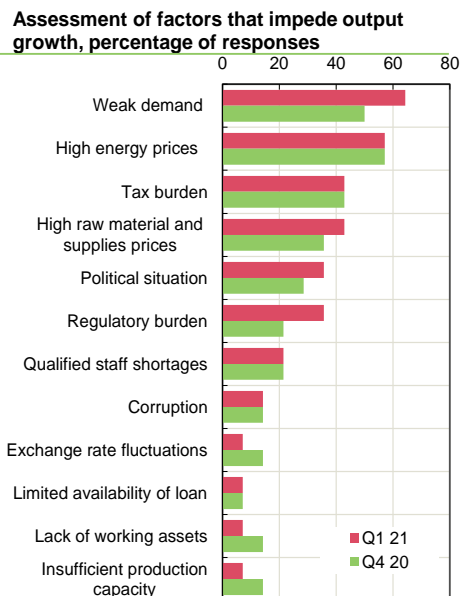


Figure 6

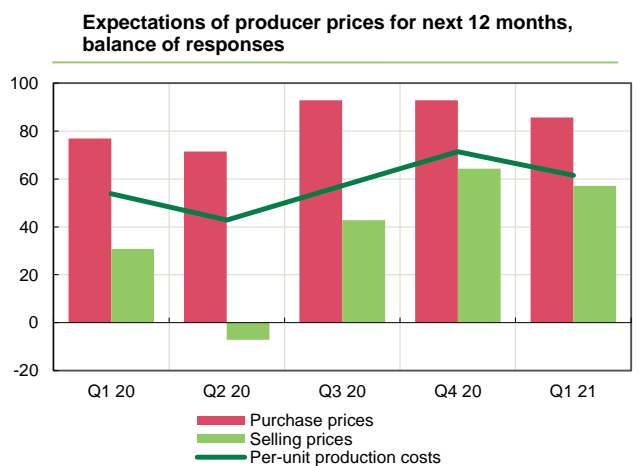


Figure 7

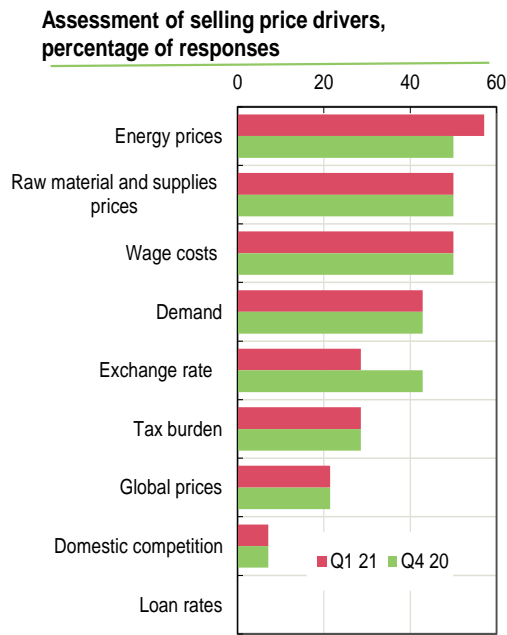


Figure 8

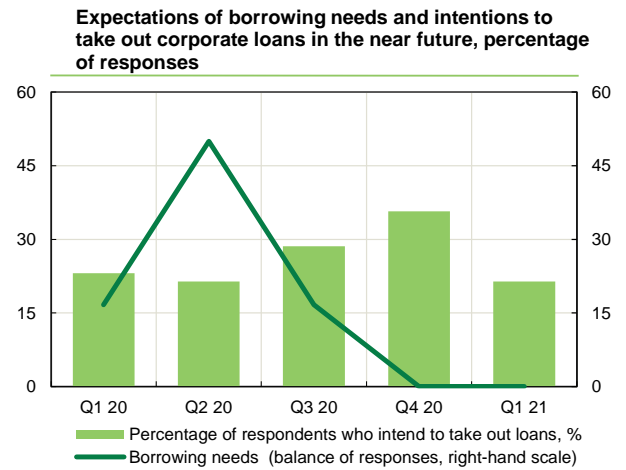


Figure 9

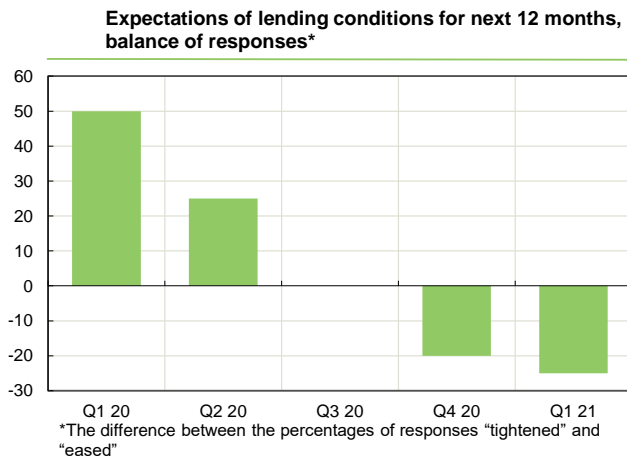


Figure 10

