



National Bank
of Ukraine

Business Outlook Survey of Kharkiv Oblast*

Q4 2020



*This survey only reflects the opinions of respondents in Kharkiv 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 **Kharkiv oblast** in Q4 2020 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 on the back of a tighter quarantine. Respondents expected inflation to increase and the domestic currency to depreciate more noticeably.

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

- **the output of Ukrainian goods and services would drop at a faster pace:** the balance of expectations was (-27.5%) compared with (-10.0%) in Q3 2020 (Figure 1) and (-24.4%) across Ukraine. Respondents from agricultural companies had the most pessimistic expectations, with a balance of responses of (-66.7%). At the same time, respondents from the mining industry had firm expectations that the output would grow
- **prices for consumer goods and services would rise** at a faster pace: 66.7% of respondents expected the inflation rate to be higher than 7.5% compared with 49.0% in the previous quarter and 50.8% across Ukraine. Respondents referred to production costs and the exchange rate as the main inflation drivers (Figure 2)
- **the domestic currency would continue to depreciate more pronouncedly:** 84.0% of respondents (compared with 80.0% 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 deteriorate:** the balance of expectations was (-4.0%) compared with (-4.1%) in Q3 2020. At the same time, respondents in the mining and manufacturing industries and from companies in other economic activities had optimistic expectations. Companies across Ukraine expected their financial and economic standings to improve slightly (1.3%) (see Table)
- **total sales would increase at a faster pace:** the balance of responses was 11.8% compared with 4.1% in Q3 2020. Respondents also expected an increase in external sales (the balance of responses was 31.6% compared with 11.8% in Q3 2020) (see Table). Overall, companies across Ukraine expected sales to increase moderately, the balances of responses being 7.1% and 3.8% respectively
- **investment in machinery, equipment, and tools would increase slightly:** the balance of responses was 2.0% compared with 25.0% in Q3 2020). **Investment in construction was expected to decrease:** the balance of response was (-9.8%) compared to 6.3% in the previous quarter. Across Ukraine, the balances of responses were 3.8% and (-4.5%) respectively (see Table)
- **staff numbers at their companies would decrease** (such expectations have been reported for three quarters in a row): the balance of responses was (-13.7%) compared with 0.0% in Q3 2020 and (-9.9%) across Ukraine (Figure 4)
- **both purchase and selling prices would grow at a fast pace:** the balances of responses were 88.2% and 58.8%, respectively (compared with 82.0% and 62.0% in Q3 2020) (Figure 6). Respondents from trading companies had the highest expectations of a rise in selling prices. Raw material and supplies prices and energy prices were referred to 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 52.9% and 52.0% respectively (compared to 56.0% and 57.1% in Q3 2020) (Figures 4 and 6).

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

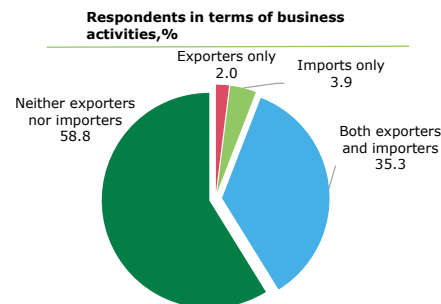
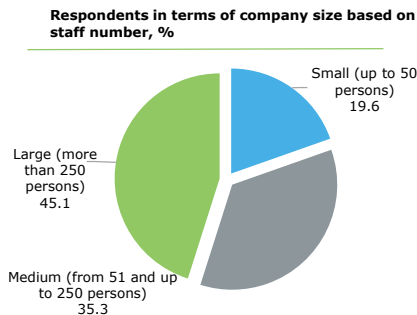
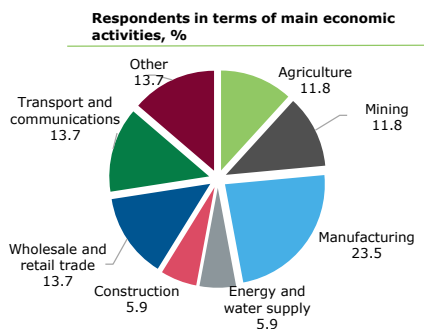
Respondents expected a significant increase in their borrowing needs in the near future (Figure 8). The vast majority of respondents who planned to take out corporate loans opted for domestic currency loans. Respondents said that lending standards had tightened (Figure 9). High loan rates were cited as the main factor that deterred companies from taking out corporate loans (Figure 10).

A total of 96.1% of 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)

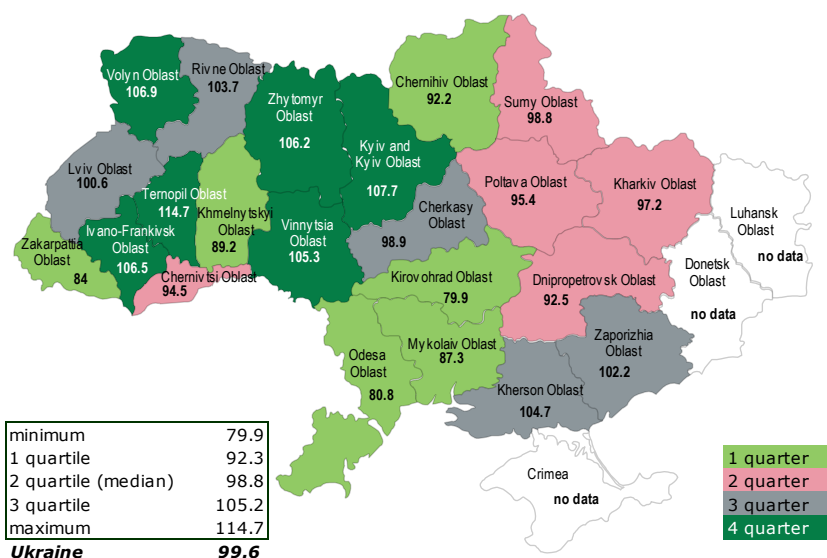
- **Companies have assessed their current financial and economic standings as bad** for three quarters in a row: the balance of responses was (-13.7%) compared with (-4.0%) in the previous quarter and (-3.2%) across Ukraine.
- **Finished goods stocks had decreased to a level lower than the normal one:** the balance of responses was (-6.9%) compared with 0.0% in Q3 2020.
- **Companies in the oblast had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 22.4% compared to 12.5% in the previous quarter.

Survey Details^{1,2}



- Period: 4 November through 3 December 2020.
- A total of 51 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, mining, manufacturing, trade, transport and communications, and other economic activities.

Business Outlook Index for Next 12 Months in Terms of Oblasts³, %



¹a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups
²a 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 Kharkiv 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	20.0	15.2	0.0	-4.1	-4.0
Total sales	36.7	20.8	-2.0	4.1	11.8
Investment in construction	14.9	9.1	-16.0	6.3	-9.8
Investment in machinery, equipment, and tools	14.0	13.6	-8.0	25.0	2.0
Staff numbers	9.8	-2.1	-13.7	0.0	-13.7

¹ This sample was generated in proportion to the contribution of each oblast 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

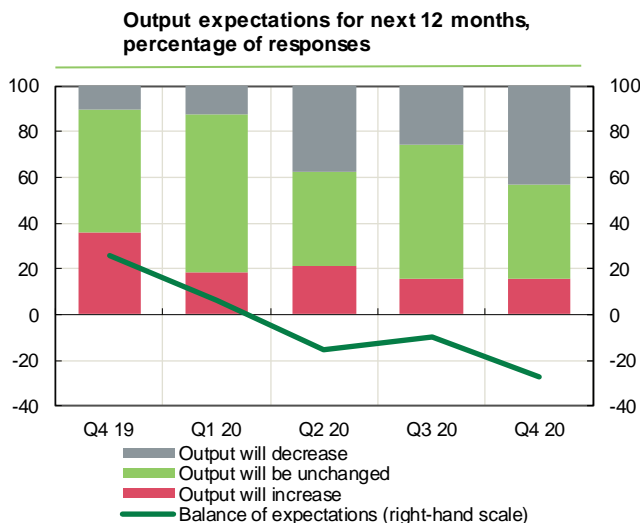


Figure 2

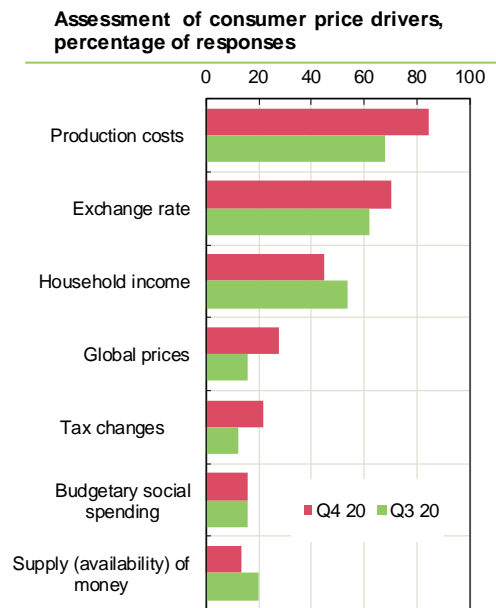


Figure 3

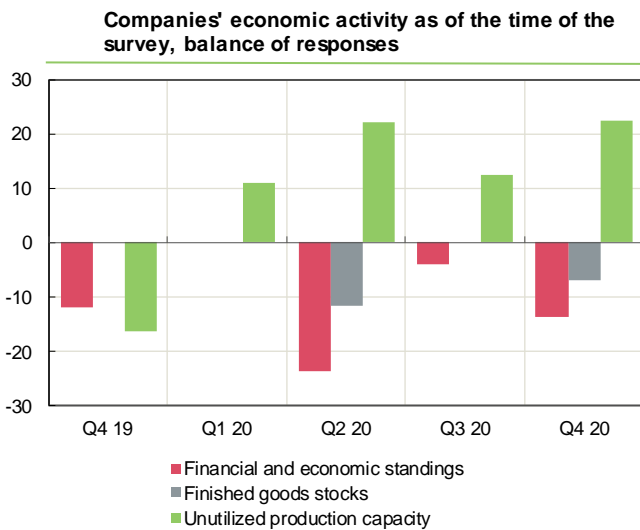


Figure 4

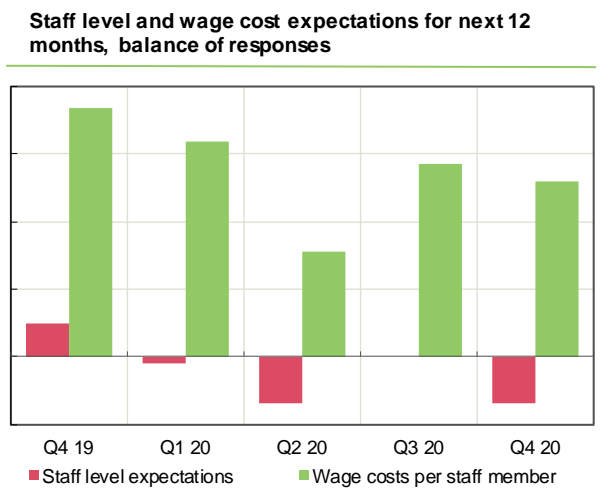


Figure 5

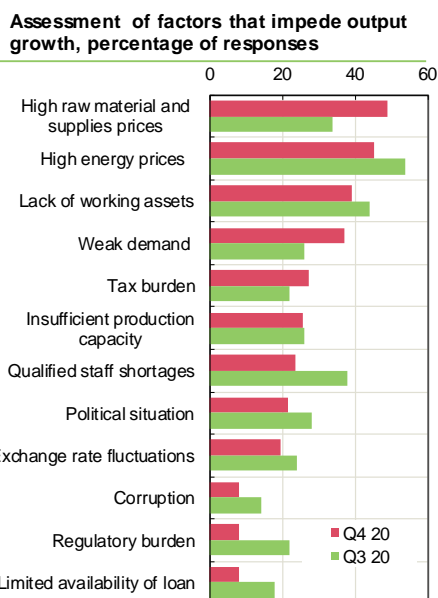


Figure 6

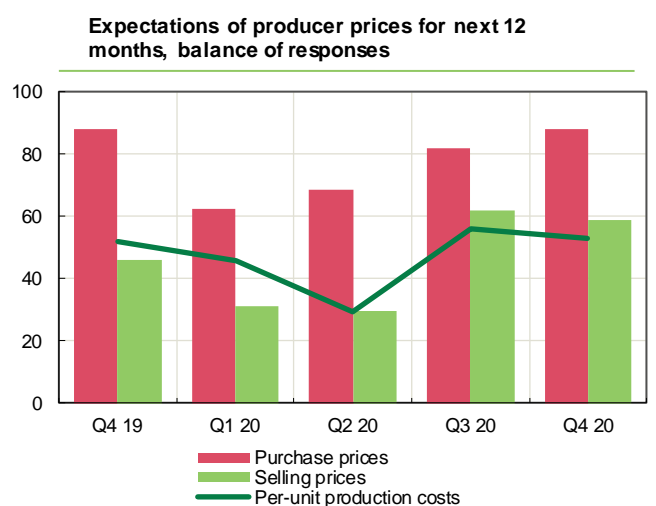


Figure 7

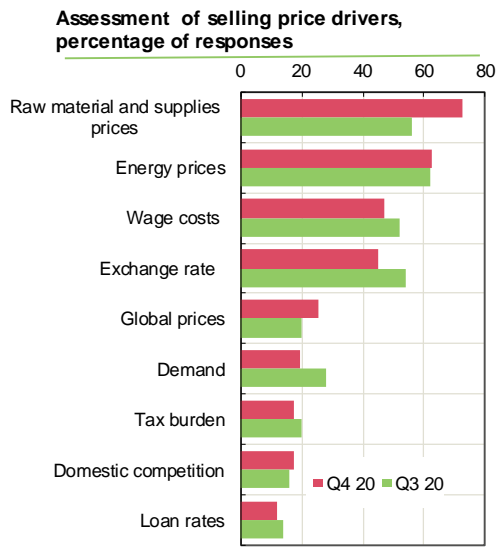


Figure 8

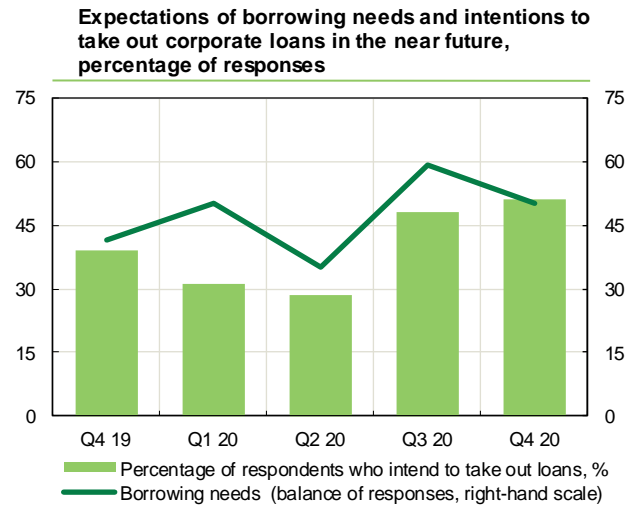


Figure 9

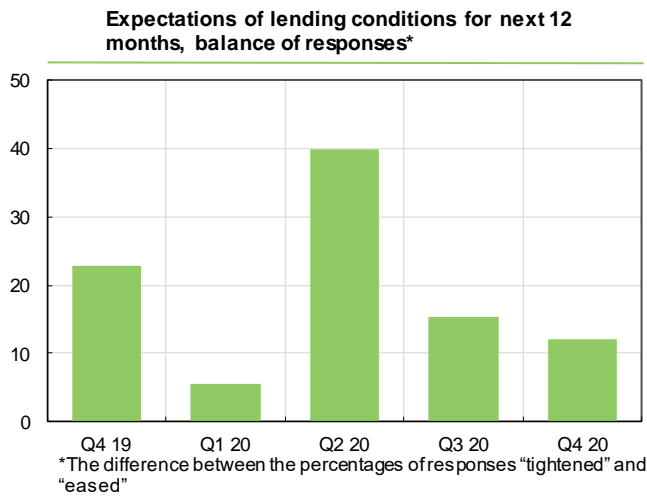


Figure 10

