



National Bank  
of Ukraine

## Business Outlook Survey of Kharkiv Oblast\*

Q1 2021



\*This survey only reflects the opinions of respondents in Kharkiv 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 Kharkiv oblast in Q1 2021 showed that respondents expected **the output of Ukrainian goods and services to return to growth** and **weaker performance by their companies over the next 12 months**. Respondents reported weaker inflation and depreciation expectations.

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

- **the output of Ukrainian goods and services would increase** (such expectations were reported for the first time in the last three quarters): the balance of expectations was 6.3% compared with (-27.5%) in Q4 2020 (Figure 1) and 5.6% across Ukraine. Respondents from agricultural companies had the most optimistic expectations, with a balance of responses 33.3%. At the same time, respondents from the mining industry expected a decrease in output
- **prices for consumer goods and services would rise** at a slower pace: 52.1% of respondents expected the inflation rate to be lower than 7.5% compared with 33.3% in the previous quarter and 49.3% across Ukraine. Respondents referred to production costs and the exchange rate as **the main inflation drivers** (Figure 2)
- **the domestic currency would depreciate more slowly**: 60.4% of respondents (compared with 84.0% 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 deteriorate** (such expectations have been reported for three quarters in a row): the balance of expectations was (-4.2%) compared with (-4.0%) in Q4 2020. At the same time, respondents from agricultural companies had optimistic expectations. Companies across Ukraine expected their financial and economic standings to improve (12.7%) (see Table)
- **total sales would grow more slowly**: the balance of responses was 4.1% compared with 11.8% in Q4 2020. External sales were also expected to rise at a slower pace (the balance of responses was 11.1% compared with 31.6% in Q4 2020) (see Table). 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 15.2% compared with 2.0% in Q4 2020. **Investment in construction was expected to decrease**: the balance of response was (-6.5%) compared to (-9.8%) in the previous quarter. Overall, companies across Ukraine expected investment to increase, the balances of responses being 1.4% and 11.7% respectively (see Table)
- **staff numbers at their companies would remain unchanged**: the balance of responses was 0.0% compared with (-13.7%) in Q4 2020. Across Ukraine, staff numbers were expected to decrease slightly, the balance of responses being (-1.9%) (Figure 4)
- **both purchase and selling prices would grow at a fast pace**: the balances of responses were 91.7% and 58.3%, respectively (compared with 88.2% and 58.8% in Q4 2020) (Figure 6). Respondents from transportation 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 accelerate**: the balances of responses were 59.6% and 58.3% respectively (compared to 52.9% and 52.0% in Q4 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).

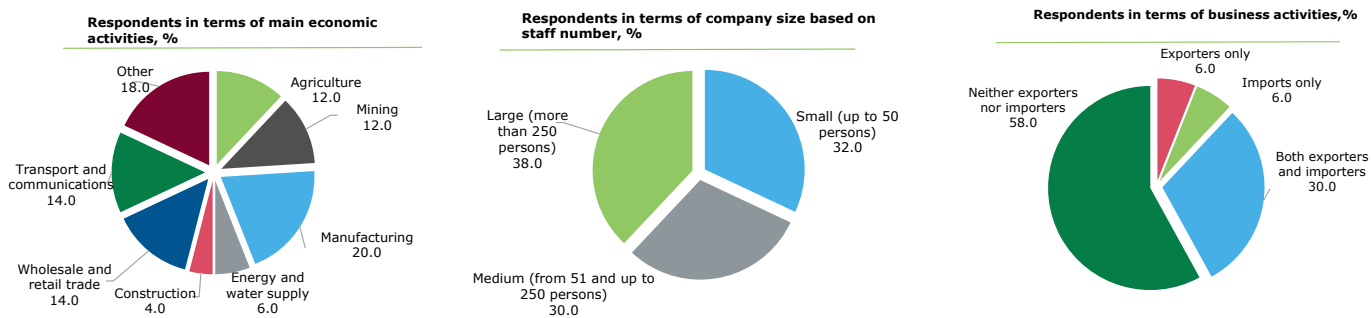
**Respondents expected a decrease in their borrowing needs** in the near future (Figure 8). The vast majority of respondents who planned to take out corporate loans opted for domestic currency ones. Respondents said that lending standards had tightened (Figure 9). High loan rates were cited as the main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

**A total of 93.9% of 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)

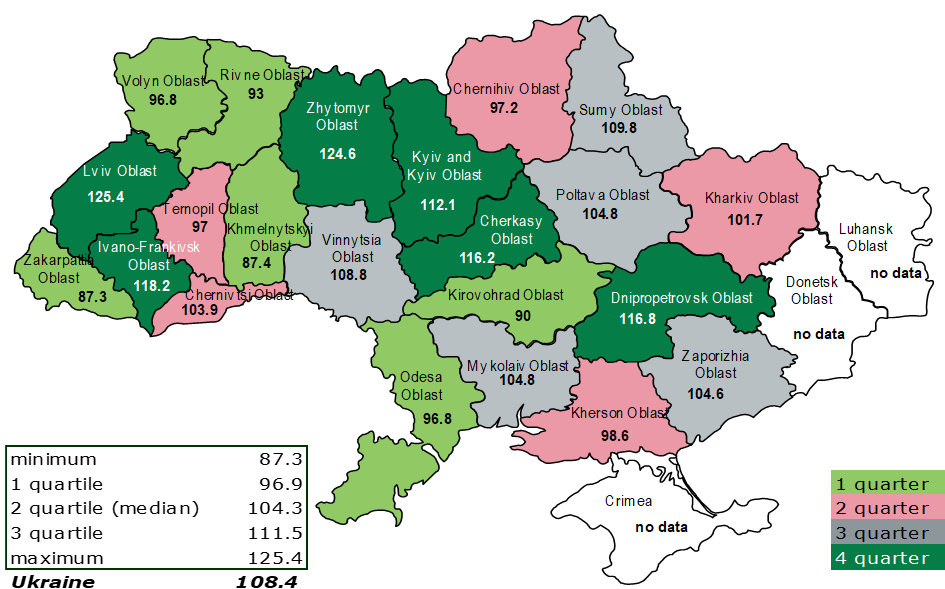
- **Companies had assessed their current financial and economic standings as bad** for four quarters in a row: the balance of responses was (-6.1%) compared with (-13.7%) in the previous quarter and (-0.7%) across Ukraine.
- **Finished goods stocks** were assessed at **levels lower than normal**: the balance of responses was (-8.3%) compared with (-6.9%) in Q4 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 11.1% compared to 22.4% in the previous quarter.

### Survey Details<sup>1,2</sup>



- Period: 3 February through 2 March 2021.
- A total of 50 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 Oblasts<sup>3</sup>, %



\*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 sample where the sample is divided into two equal-sized subgroups

**Table. The Business Outlook Index of Companies in Kharkiv Oblast and Its Components**

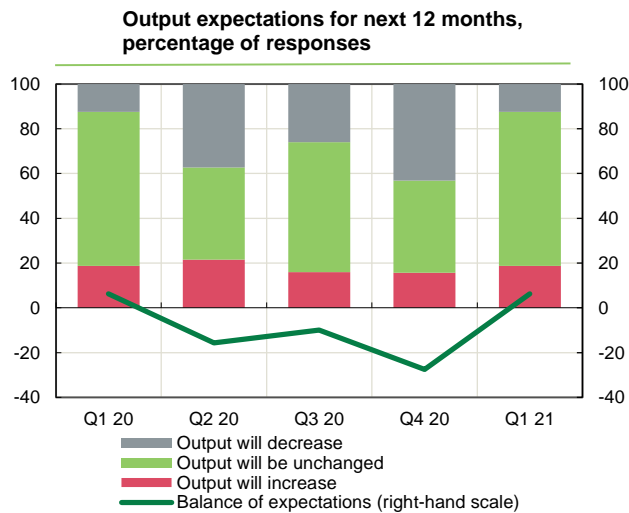
Expectations over next 12 months for	Balances of responses, %				
	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21
Financial and economic standings	15.2	0.0	-4.1	-4.0	-4.2
Total sales	20.8	-2.0	4.1	11.8	4.1
Investment in construction	9.1	-16.0	6.3	-9.8	-6.5
Investment in machinery, equipment, and tools	13.6	-8.0	25.0	2.0	15.2
Staff numbers	-2.1	-13.7	0.0	-13.7	0.0

<sup>1</sup> This sample was generated in proportion to the contribution of each oblast and each economic activity to Ukraine's gross value added.

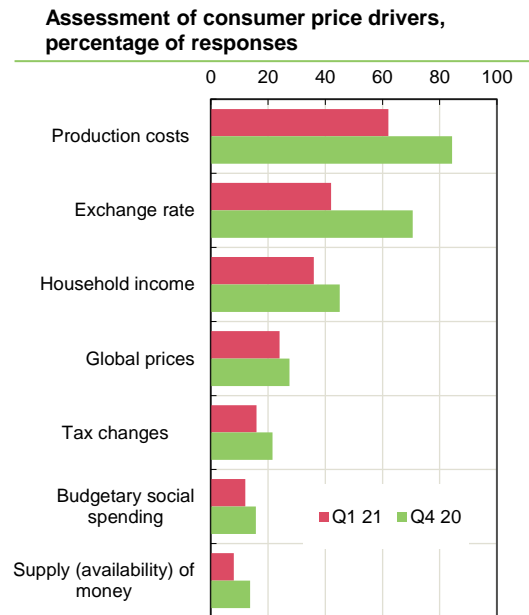
<sup>2</sup> Data for totals and components may be subject to rounding effects.

<sup>3</sup> 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.

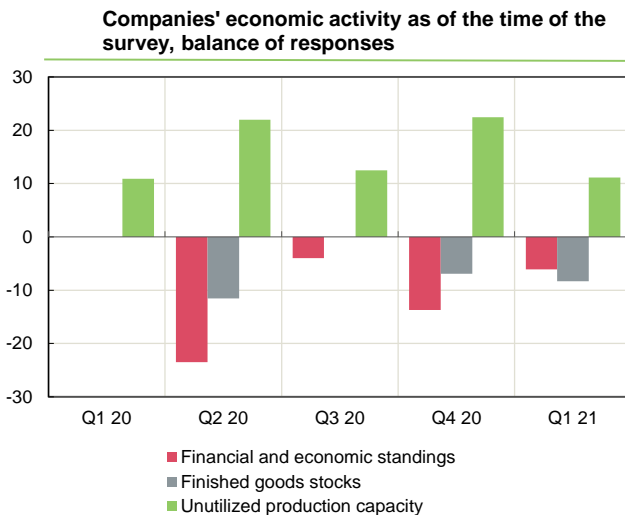
**Figure 1**



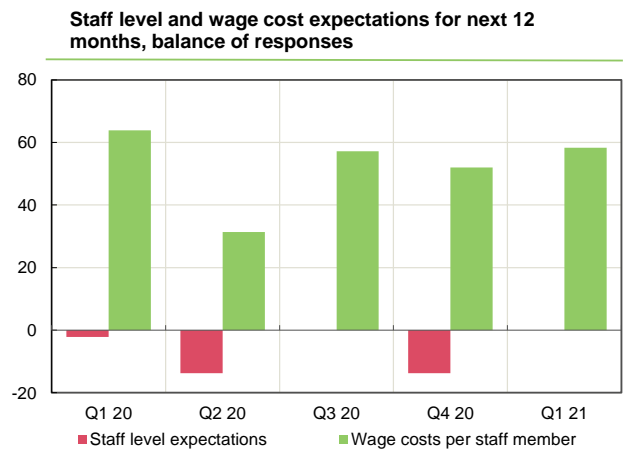
**Figure 2**



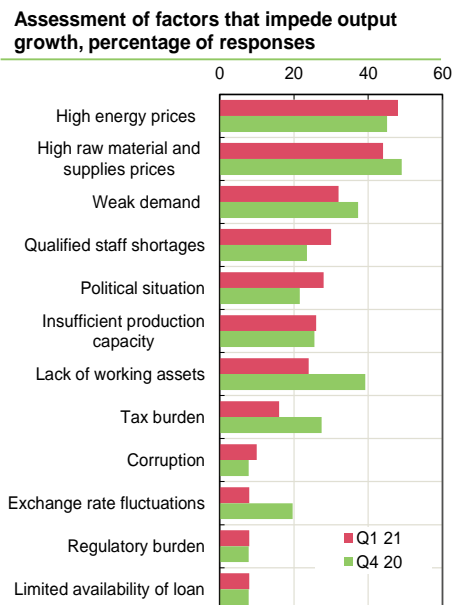
**Figure 3**



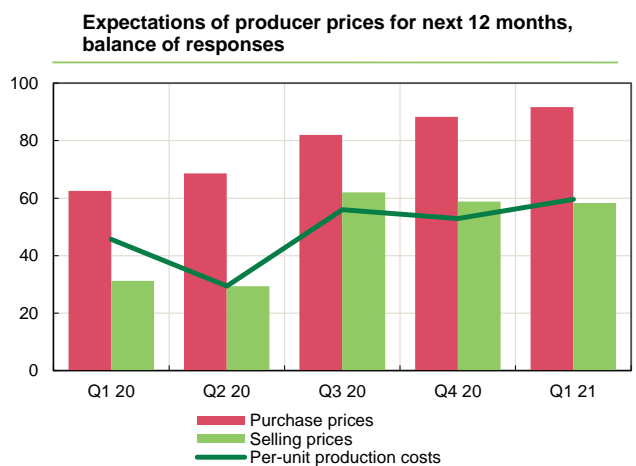
**Figure 4**



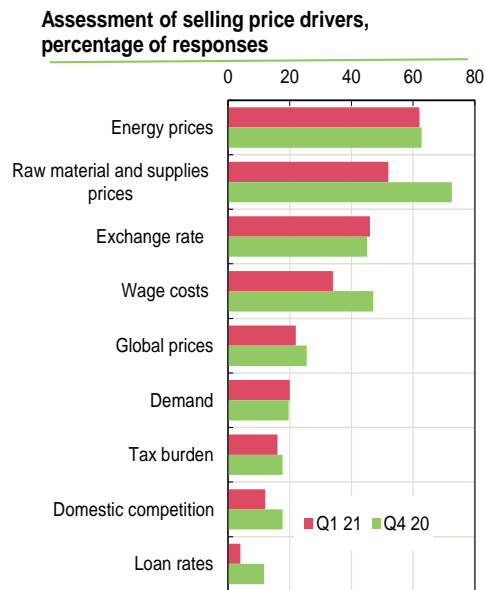
**Figure 5**



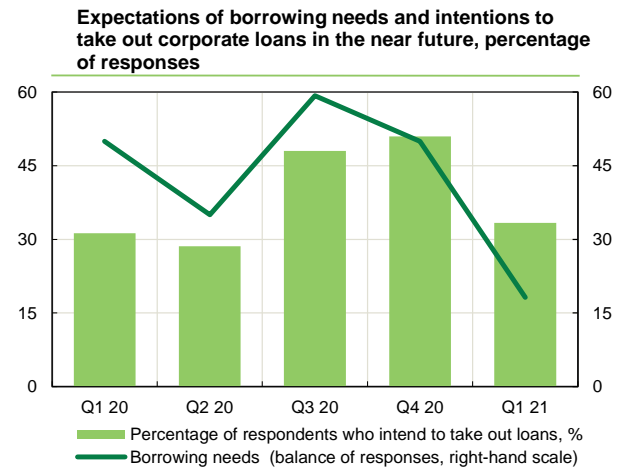
**Figure 6**



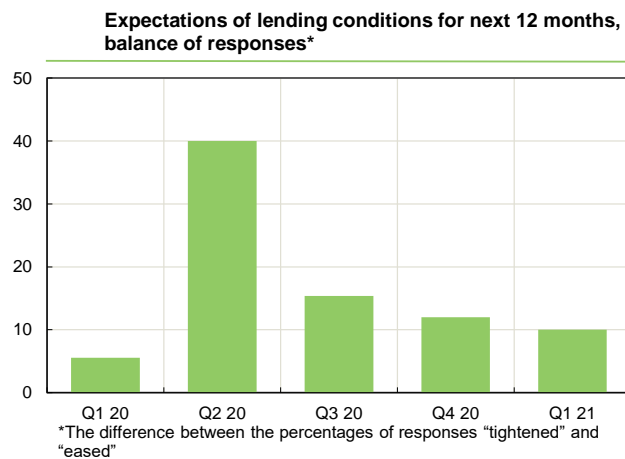
**Figure 7**



**Figure 8**



**Figure 9**



**Figure 10**

