



National Bank  
of Ukraine

# Business Outlook Survey of Kharkiv Oblast\*

Q3 2021



\*This survey only reflects the opinions of respondents in Kharkiv 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 Kharkiv oblast in Q3 2021 showed that respondents expected the output of Ukrainian goods and services to increase and the development of their companies to improve over the next 12 months. Respondents' expectations of inflation and depreciation remained high.

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

- **the output of Ukrainian goods and services would increase:** the balance of expectations was 12.8%, compared to 0.0% in Q2 2021 (Figure 1). The balance of expectations across Ukraine was 21.5%. Respondents from trading companies had the most optimistic expectations, with a balance of responses of 57.1%. At the same time, respondents from the mining industry and companies engaged in other economic activities expected that output would remain unchanged (0.0% for each)
- **prices for consumer goods and services would continue to rise:** 68.8% of respondents expected the inflation rate to be higher than 7.5%, compared to 54.2% in the previous quarter and 53.1% across Ukraine. Respondents referred to production costs, the hryvnia exchange rate, and global prices as the main inflation drivers (Figure 2)
- **the domestic currency would continue to depreciate:** 59.6% of respondents (compared to 66.7% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 70.7%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 6.3%, compared to 8.3% in Q2 2021. At the same time, respondents from transport companies had pessimistic expectations (-25.0%). The figure across Ukraine was 12.7% (see Table)
- **total sales would grow:** the balance of responses was 27.1%, compared to 20.4% in Q2 2021, including external sales, which were also expected to grow but at a faster rate (the balance of responses was 42.1%, compared to 23.5% in Q2 2021) (see Table). Across Ukraine, the balances of responses were 27.7% and 23.5% respectively
- **investment in construction and in machinery, equipment, and tools would increase:** the balances of responses were 4.7% and 13.0% respectively, compared to 8.7% and 13.0% in Q2 2021. Overall, across Ukraine, the balances of responses were 9.7% and 19.3% respectively (see Table)
- **staff numbers at their companies would increase moderately:** the balance of responses was 2.1%, compared to (-14.9%) in Q2 2021 (Figure 4) and 2.2% across Ukraine
- **both purchase and selling prices would grow at a fast pace:** the balances of responses were 91.7% and 66.7% respectively (compared to 91.8% and 59.2% in Q2 2021). Respondents from trading companies had the highest expectations of a rise in selling prices (71.4%) (Figure 6). Energy prices and raw material and supplies prices were referred to as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would increase:** the balances of responses were 59.6% and 58.3% respectively (compared to 69.6% and 55.3% in Q2 2021) (Figures 4 and 6).

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

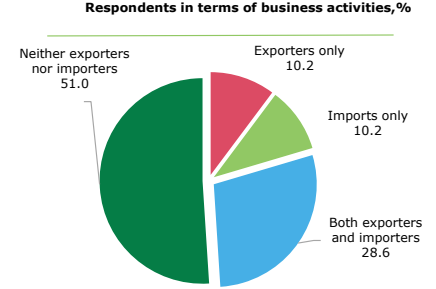
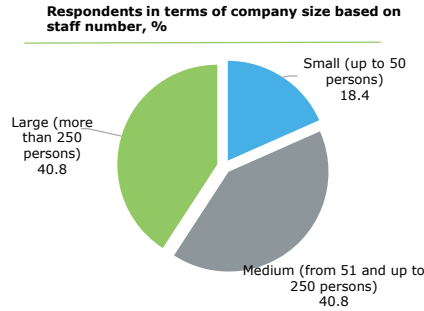
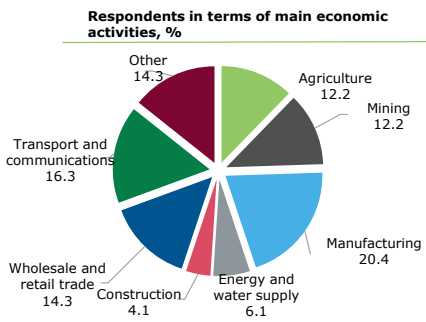
**Respondents expected an increase in their borrowing needs** in the near future (Figure 8). The vast majority of respondents who planned to take out bank loans opted for loans in the domestic currency. Respondents said that bank lending standards had remained unchanged (Figure 9). High loan rates and other funding sources were cited as the main factors deterring companies from taking out loans (Figure 10).

**A total of 95.8% 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)

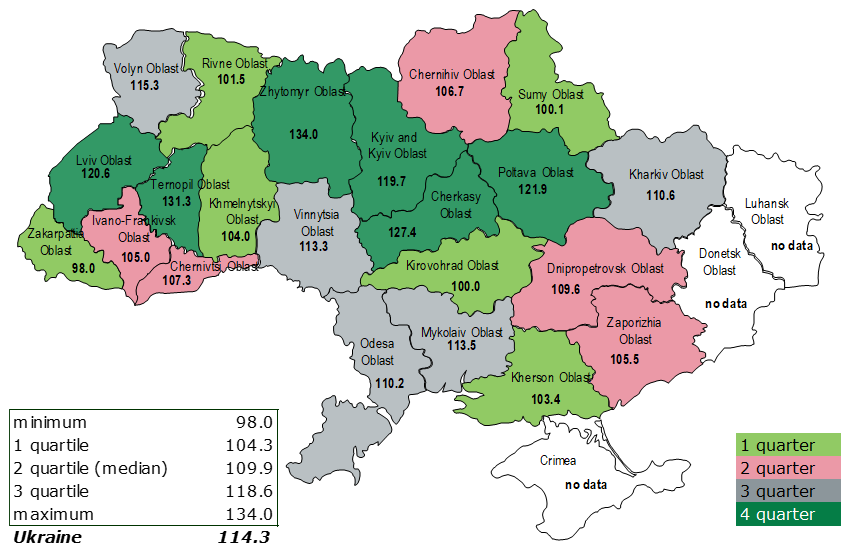
- **The current financial and economic standings of companies had improved and were assessed as good:** the balance of responses was 8.3%, compared to 0.0% in the previous quarter and 7.0% across Ukraine.
- **Finished goods stocks were assessed below their normal level:** the balance of responses was (-4.0%), compared to 0.0% in Q2 2021.
- **Companies in the oblast had sufficient spare production capacity to meet any unexpected rise in demand:** the balance of responses was 17.0%, compared to 19.6% in the previous quarter.

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



- Period: 4 August through 28 August 2021.
- A total of 49 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>, %



<sup>1</sup>a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups  
<sup>2</sup>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, % |       |       |       |       |
|---|--------------------------|-------|-------|-------|-------|
|   | Q3 20                    | Q4 20 | Q1 21 | Q2 21 | Q3 21 |
| Financial and economic standings              | -4.1                     | -4.0  | -4.2  | 8.3   | 6.3   |
| Total sales                                   | 4.1                      | 11.8  | 4.1   | 20.4  | 27.1  |
| Investment in construction                    | 6.3                      | -9.8  | -6.5  | 8.7   | 4.7   |
| Investment in machinery, equipment, and tools | 25.0                     | 2.0   | 15.2  | 13.0  | 13.0  |
| Staff numbers                                 | 0.0                      | -13.7 | 0.0   | -14.9 | 2.1   |

<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

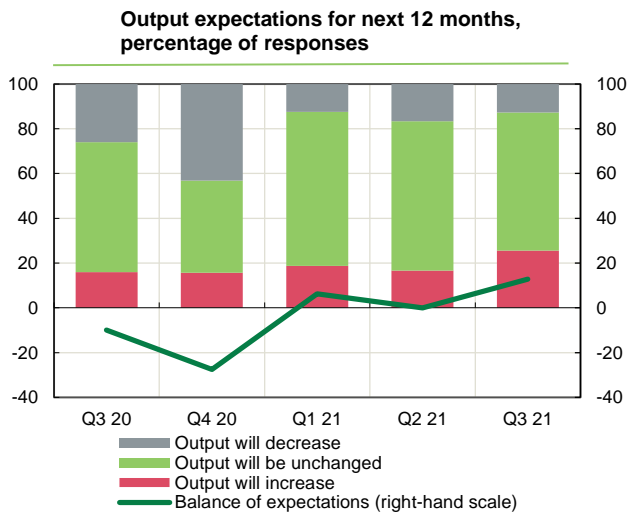


Figure 2

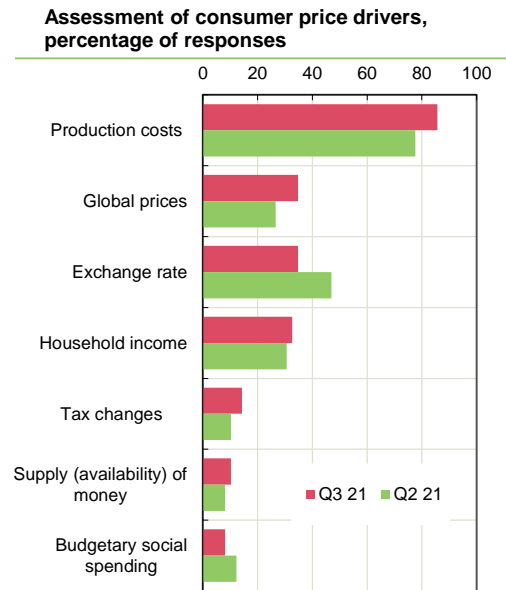


Figure 3

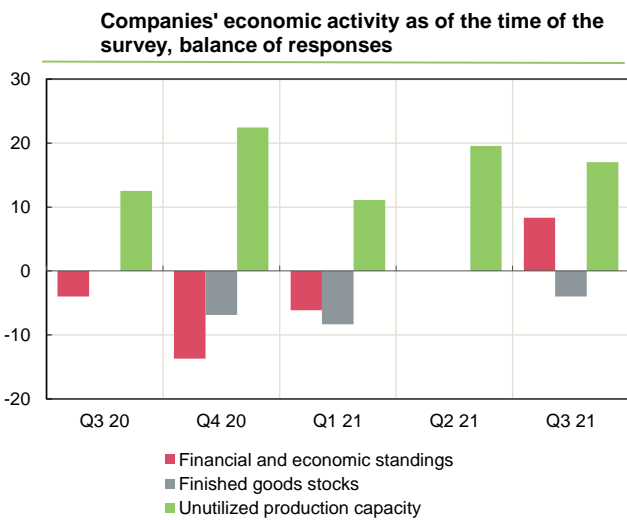


Figure 4

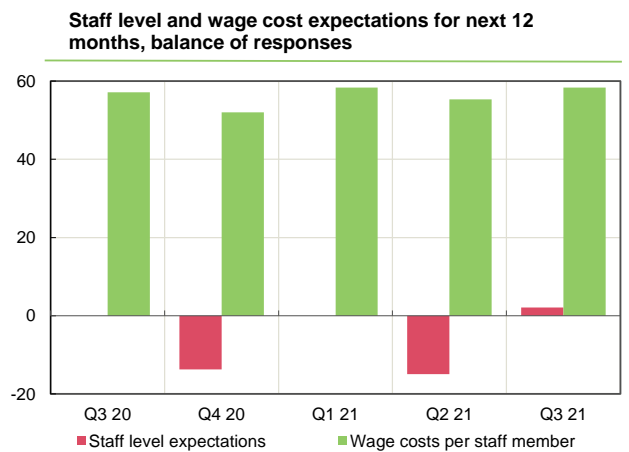


Figure 5

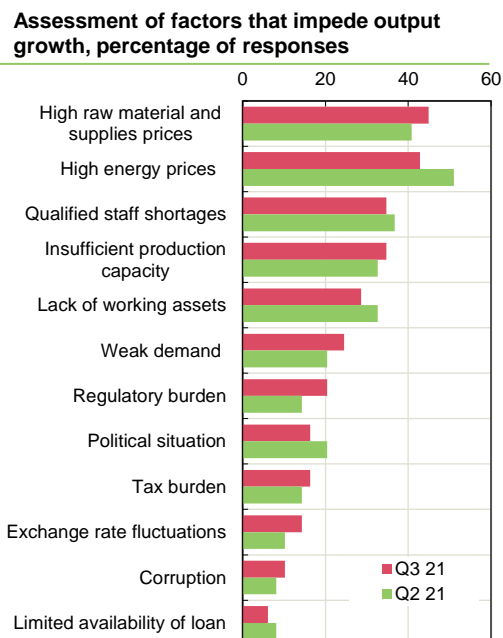


Figure 6

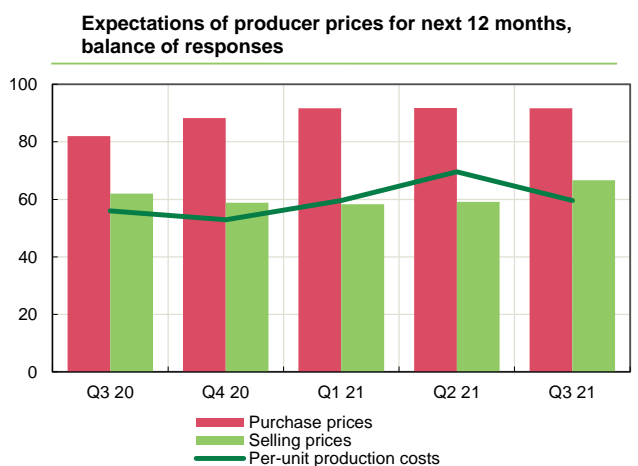


Figure 7

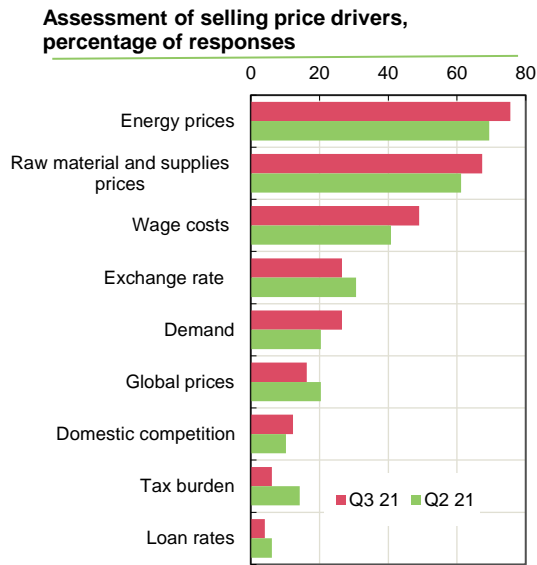


Figure 8

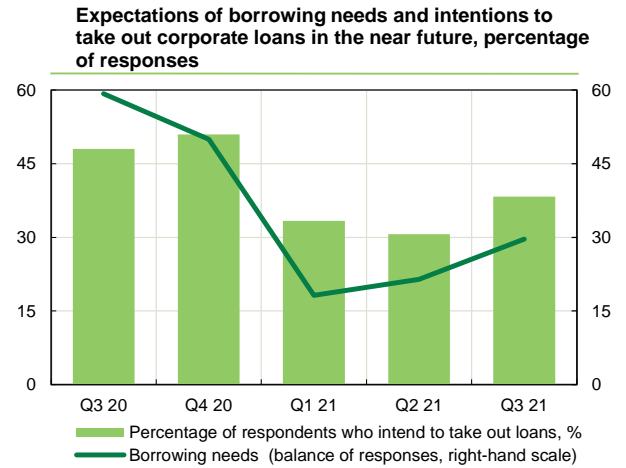


Figure 9

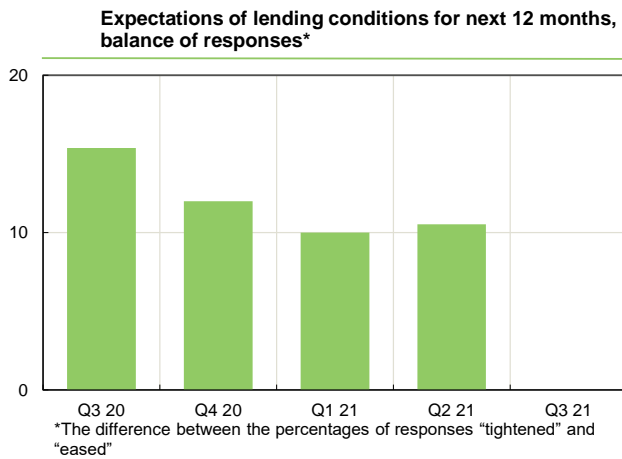


Figure 10

