



National Bank
of Ukraine

Business Outlook Survey of Kherson Oblast*

Q4 2020



*This survey only reflects the opinions of respondents in Kherson 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 **Kherson 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:** the balance of expectations was (-23.1%) compared with 7.7% in Q3 2020 and (-24.4%) across Ukraine (Figure 1)
- **prices for consumer goods and services would increase** at a faster pace: the share of respondents who expected that inflation would be higher than 7.5% rose to 76.9% compared with 53.8% in the previous quarter and 50.8% across Ukraine. Respondents referred to production costs, the exchange rate and tax changes as the **main inflation drivers** (Figure 2)
- **the hryvnia would continue to depreciate more pronouncedly:** a total of 92.3% of respondents (compared to 76.9% 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 (-7.7%) compared with 33.3% in the previous quarter. Companies across Ukraine expected their financial and economic standings to improve slightly (1.3%) (see Table)
- **total sales would rise at a slower pace:** the balance of responses was 7.7% compared with 23.1% in the previous quarter. External sales were expected to rise at a fast pace: the balance of responses was 50.0% (0.0% in Q3 2020). Overall, companies across Ukraine expected sales to increase moderately, the balances of responses being 7.1% and 3.8% respectively
- **investment in both construction and machinery, equipment, and tools would increase:** the balances of responses were 8.3% and 15.4% respectively compared with ((-30.0%) and 8.3% in the previous quarter). The balances of responses across Ukraine were (-4.5%) and 3.8% respectively
- **staff numbers would remain unchanged** (such expectations have been reported for three quarters in a row): the balance of responses was 0.0%. Across Ukraine, staff numbers were expected to decrease, with a balance of responses of (-9.9%) (Figure 4)
- **both purchase and selling prices would grow rapidly:** the balances of responses were 92.3% for each (compared with 92.3% and 61.5% in Q3 2020 respectively) (Figure 6). Raw material and supplies prices and labor costs 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 84.6% and 92.3% respectively (compared with 66.7% and 76.9% in Q3 2020) (Figures 4 and 6).

Respondents referred to the tax burden as **the main drag on the ability of their companies to boost production** (Figure 5). The impact of weak demand was reported to have increased significantly compared to the previous quarter.

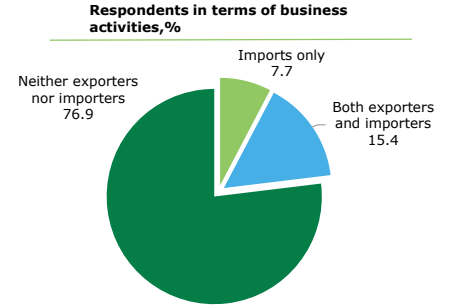
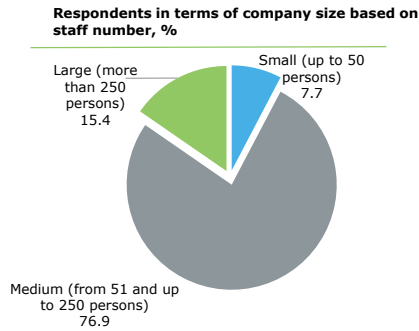
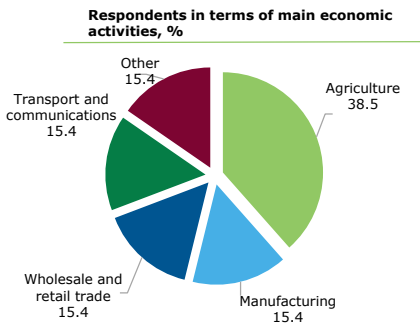
Respondents expected **an increase in their borrowing needs** in the near future (Figure 8). The respondents who planned to take out bank loans usually opted for domestic currency loans. There was an increase in the percentage of respondents reporting tighter lending conditions (Figure 9). Respondents cited high loan rates as the main factor that deterred them from 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** (compared with 96.9% across Ukraine).

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

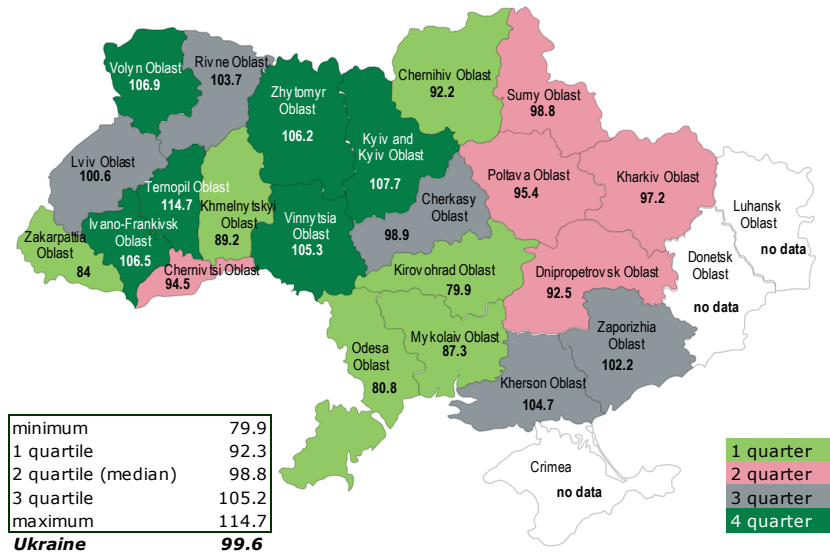
- **Companies assessed their current financial and economic standings as satisfactory:** the balance of responses was 0.0% compared with (-5.6%) in the previous quarter and (-3.2%) across Ukraine.
- **Finished goods stocks** had increased and **were assessed at a level higher than the normal one:** the balance of responses was 14.3% compared with (-14.3%) in Q3 2020.
- **Spare production capacity had decreased.** Respondents said they would need additional capacity to meet any unexpected rise in demand: the balance of responses was (-7.7%) (compared with 23.1% in Q3 2020).

Survey Details^{1,2}



- Period: 5 November through 28 November 2020.
- A total of 13 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 Oblasts³, %



³a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups
³a 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 Kherson 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	30.8	25.0	15.4	33.3	-7.7
Total sales	7.7	18.2	0.0	23.1	7.7
Investment in construction	0.0	-16.7	-7.7	-30.0	8.3
Investment in machinery, equipment, and tools	25.0	8.3	0.0	8.3	15.4
Staff numbers	0.0	-18.2	0.0	0.0	0.0

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

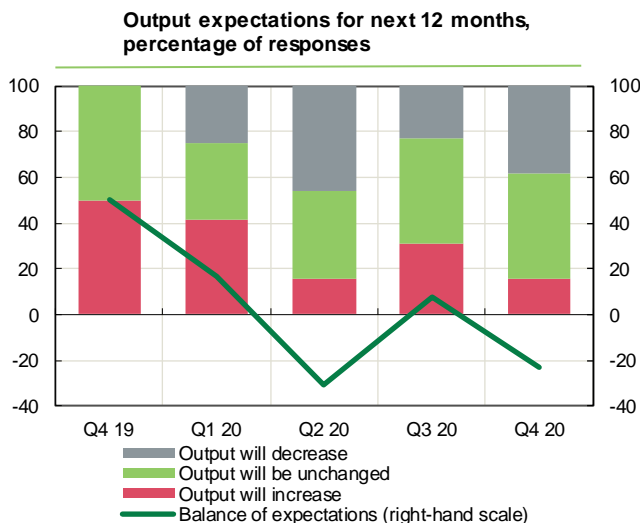


Figure 2

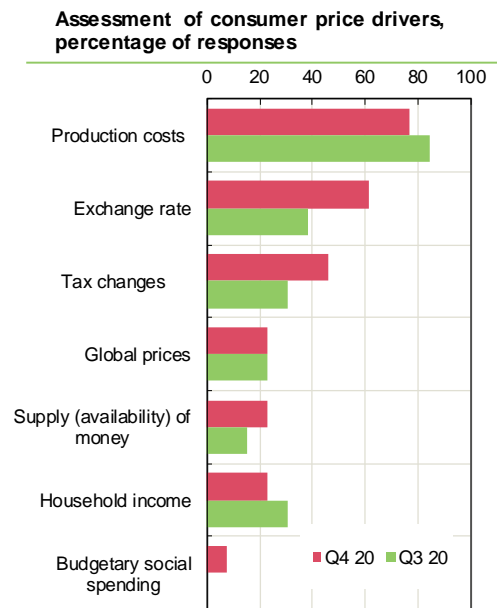


Figure 3

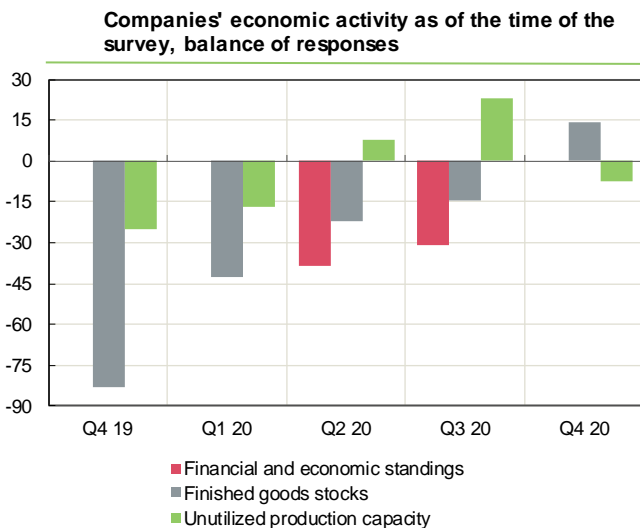


Figure 4



Figure 5

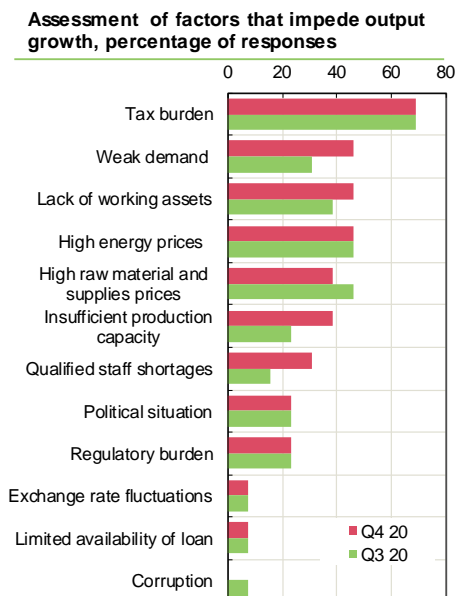


Figure 6

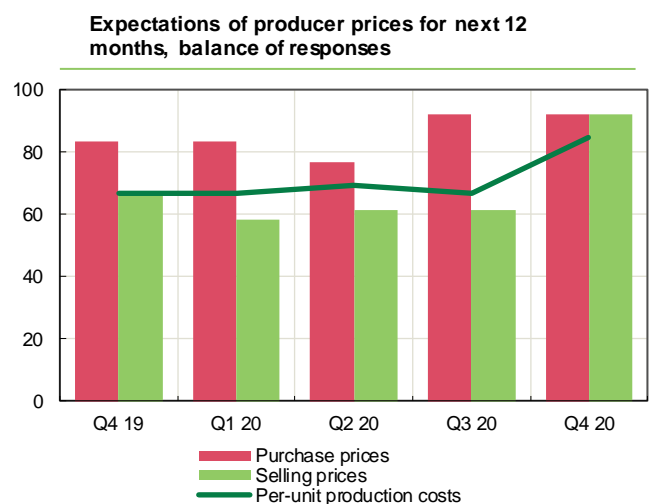


Figure 7

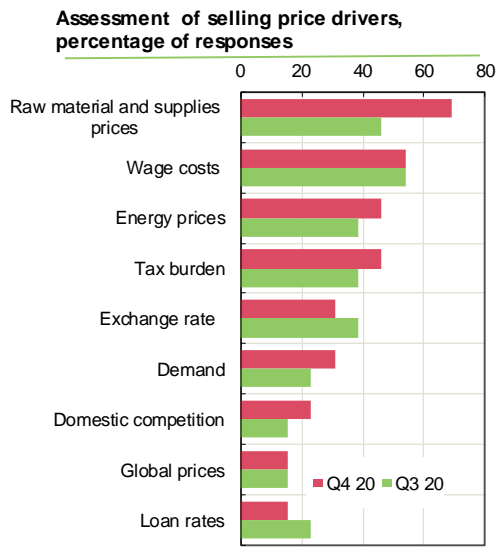


Figure 8

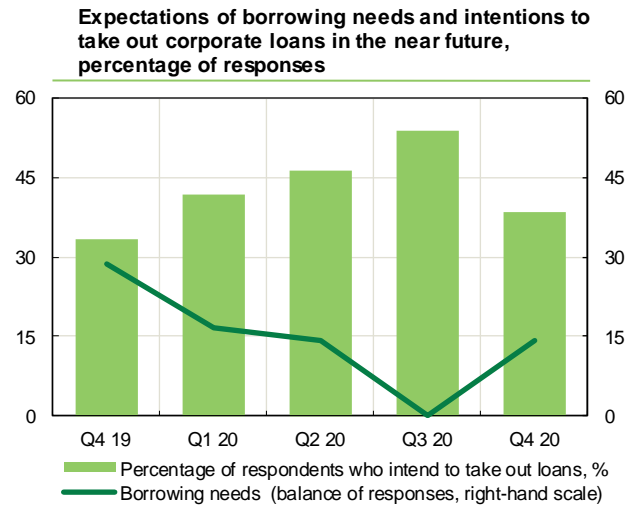


Figure 9

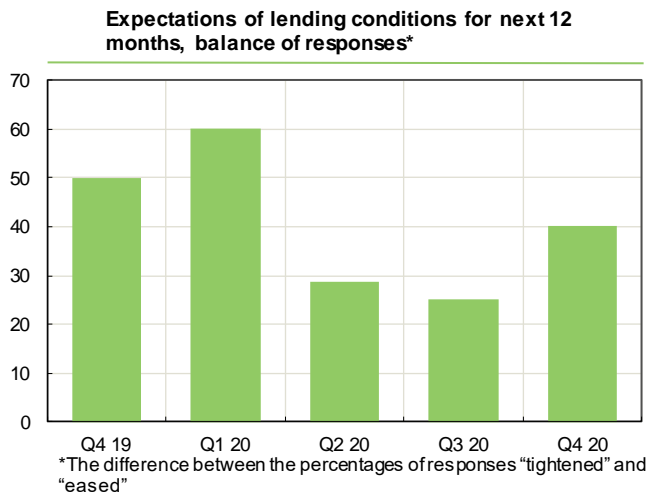


Figure 10

