



National Bank  
of Ukraine

## Business Outlook Survey of Kherson Oblast\*

Q1 2021



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

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

- **the output of Ukrainian goods and services would rise:** the balance of expectations was 7.7% compared with (-23.1%) in Q4 2020 and 5.6% across Ukraine (Figure 1)
- **prices for consumer goods and services would increase at a slower pace:** the share of respondents who expected that inflation would be higher than 7.5% dropped to 53.8%, compared with 76.9% 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 significantly:** a total of 84.6% of respondents (compared to 92.3% 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:** the balance of expectations was (-7.7%), as in the previous quarter. Companies across Ukraine expected their financial and economic standings to improve (12.7%) (see Table)
- **the growth in total sales would accelerate:** the balance of responses was 23.1% compared with 7.7% in the previous quarter. External sales were also expected to rise at a faster pace: the balance of responses was 66.7% (50.0% in Q4 2020). The balances of responses across Ukraine were 18.0% and 14.9% respectively
- **investment in machinery, equipment, and tools would remain unchanged:** the balance of responses was 0.0% compared to 15.4% in Q4 2020. **Investment in construction was expected to decrease:** the balance of responses was (-22.2%) compared to 8.3% in the previous quarter. The balances of responses across Ukraine were 11.7% and 1.4% respectively
- **staff numbers would remain unchanged** (such expectations have been reported for four 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 (-1.9%) (Figure 4)
- **both purchase and selling prices would grow more slowly:** the balances of responses were 61.5% and 69.2% respectively (compared with 92.3% for each in Q4 2020) (Figure 6). Raw material and supplies prices, wage costs and demand (the impact of this factor increased noticeably) 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 58.3% and 76.9% respectively (compared with 84.6% and 92.3% in Q4 2020) (Figures 4 and 6).

Respondents referred to weak demand and the tax burden as **the main drags on the ability of their companies to boost production** (Figure 5).

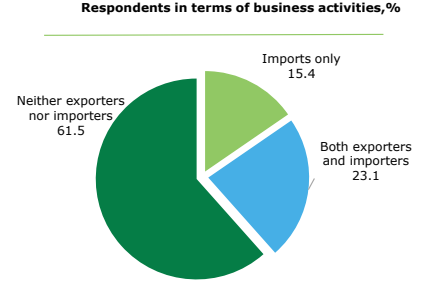
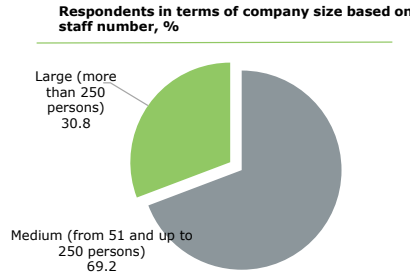
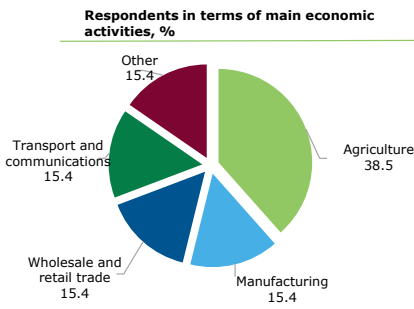
Respondents expected **an increase in their borrowing needs** in the near future (Figure 8). The respondents who planned to take out bank loans usually opted for domestic currency ones. There was a decrease in the percentage of respondents reporting tight lending conditions (Figure 9). Respondents cited 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 97.5% across Ukraine).

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

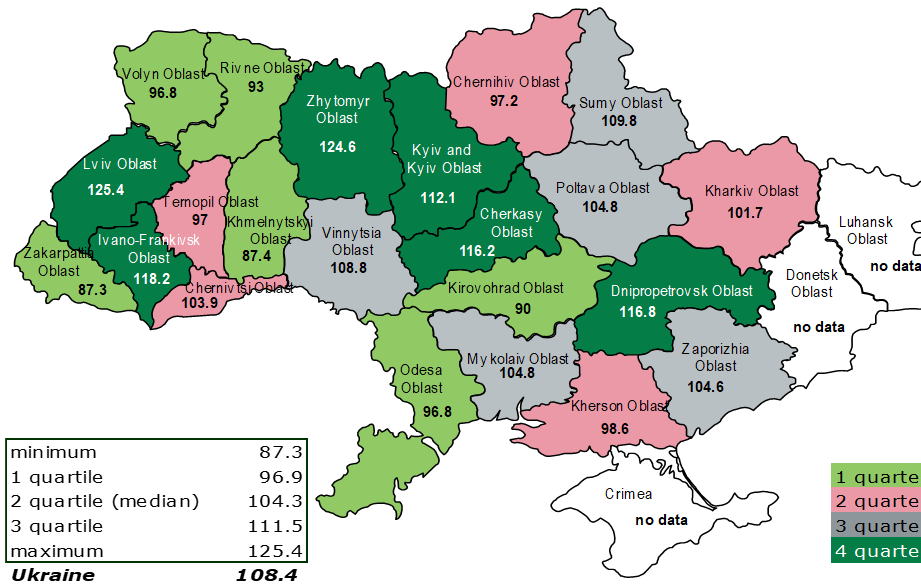
- **Companies assessed their current financial and economic standings as satisfactory:** the balance of responses was 0.0%, as in the previous quarter. Across Ukraine, respondents assessed the current financial and economic standings of their companies as bad: the balance of responses was (-0.7%).
- **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 14.3% in Q4 2020.
- **Spare production capacity had increased.** Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand: the balance of responses was 7.7% (compared with (-7.7%) in Q4 2020).

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



- Period: 4 February through 3 March 2021.
- 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 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 sampled 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, %				
	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21
Financial and economic standings	25.0	15.4	33.3	-7.7	-7.7
Total sales	18.2	0.0	23.1	7.7	23.1
Investment in construction	-16.7	-7.7	-30.0	8.3	-22.2
Investment in machinery, equipment, and tools	8.3	0.0	8.3	15.4	0.0
Staff numbers	-18.2	0.0	0.0	0.0	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

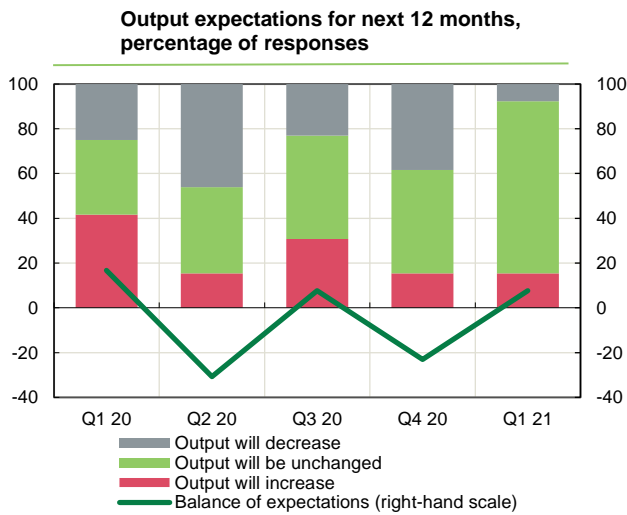


Figure 2

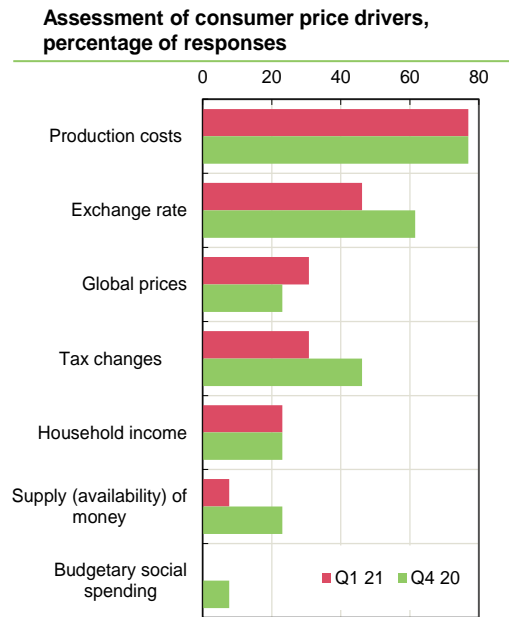


Figure 3

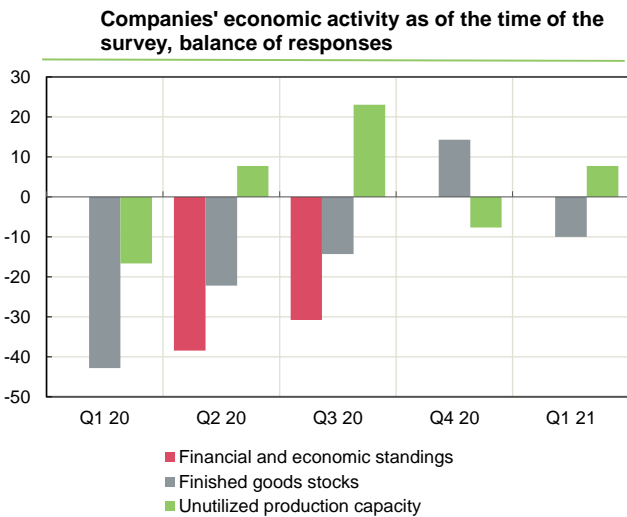


Figure 4

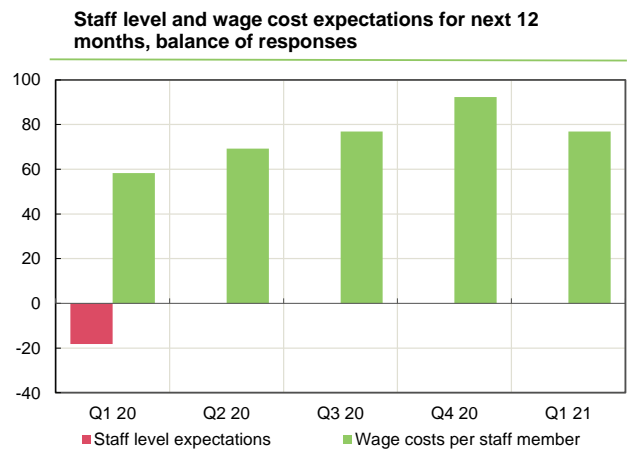


Figure 5

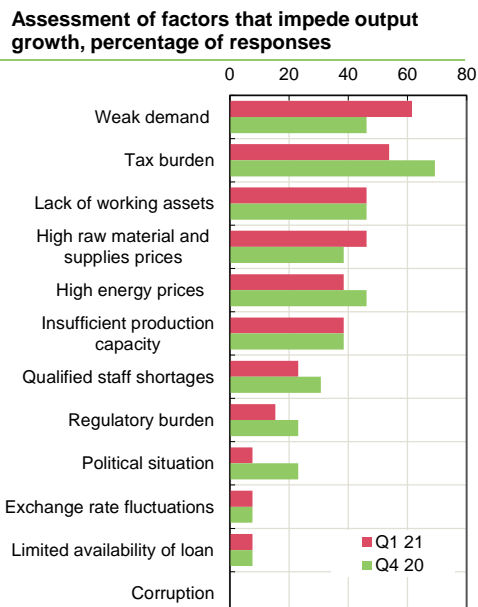


Figure 6

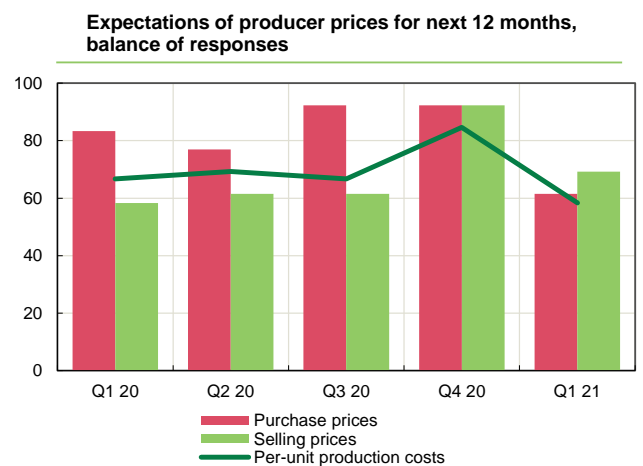


Figure 7

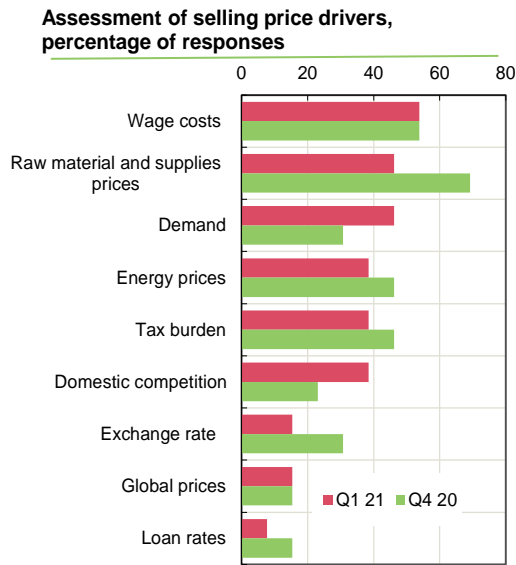


Figure 8

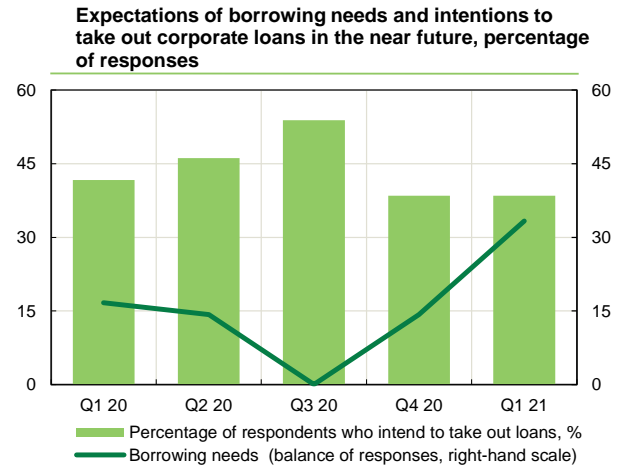


Figure 9

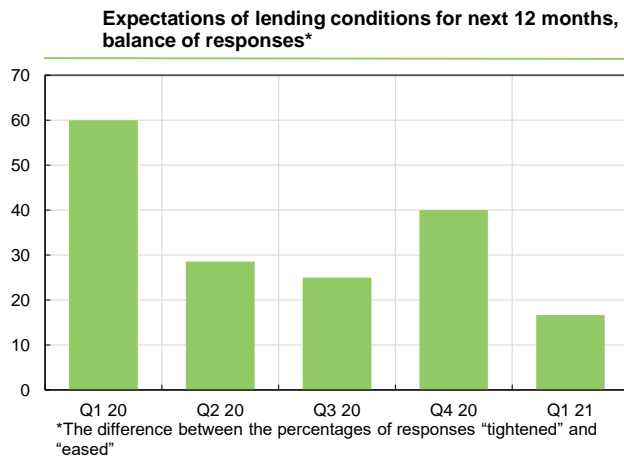


Figure 10

