



National Bank
of Ukraine

Business Outlook Survey of Kherson Oblast*

Q3 2021



*This survey only reflects the opinions of respondents in Kherson 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 Kherson oblast in Q3 2021 showed that respondents expected that the output of Ukrainian goods and services would increase significantly over the next 12 months. They also expected that performance of their companies would improve over that period. 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 significantly:** the balance of expectations was 50.0% (the highest expectations among the regions), compared to 0.0% in Q2 2021 and 21.5% across Ukraine (Figure 1)
- **the prices for consumer goods and services would grow at a fast pace:** the share of respondents who expected that inflation would be higher than 7.5% increased to 75.0%, compared to 76.9% in the previous quarter (the highest inflation expectations among the regions) and 53.1% across Ukraine. Respondents referred to production costs as the **main inflation driver** (Figure 2)
- **the hryvnia would depreciate significantly:** a total of 83.3% of respondents (compared to 91.7% 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 18.2% compared to 0.0% in the previous quarter and 12.7 across Ukraine (see Table)
- **total sales would grow:** the balance of responses was 8.3%, same as in the previous quarter (see Table). The balance of responses across Ukraine was 27.7%
- **investment in machinery, equipment, and tools would increase:** the balance of responses was 10.0% compared to (-9.1%) in Q2 2021. At the same time respondents expected that investment in construction would decrease: the balance of responses was (-11.1%), compared to (-22.2%) in the previous quarter. Companies across Ukraine expected investments to increase with the balances of responses being 19.3% and 9.7% respectively (see Table)
- **staff numbers would decrease:** the balance of responses was (-8.3%), compared to (-9.1%) in Q2 2021. Across Ukraine, staff numbers were expected to increase moderately, with a balance of responses of 2.2% (Figure 4)
- **both purchase prices and selling prices would grow rapidly:** the balances of responses were 91.7% for each (compared to 84.6% and 61.5% respectively in Q2 2021) (Figure 6). Wage costs, energy prices, and raw material and supplies 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 72.7% and 66.7% respectively (compared to 50.0% and 46.2% respectively in Q2 2021) (Figures 4 and 6).

Respondents referred to weak demand, the heavy tax burden, high prices of energy, raw materials, and supplies, and the lack of working assets (the impact of this drag was reported to have increased) as **the main drags on the ability of their companies to boost production** (Figure 5).

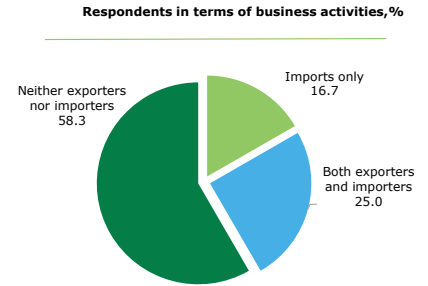
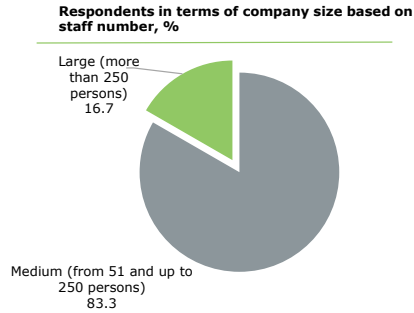
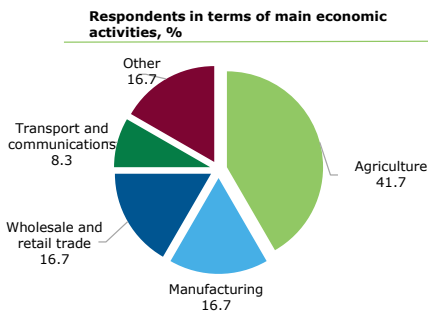
Respondents' expectations of **an increase in their borrowing needs** in the near future **remained high** (Figure 8). The respondents who planned to take out bank loans usually opted for loans in the domestic currency. Respondents said that bank lending conditions had tightened (Figure 9). They cited high loan rates and strict collateral requirements as the main factors deterring them from taking out loans (Figure 10).

A total of 91.7% of the respondents said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (compared to 97.1% across Ukraine).

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

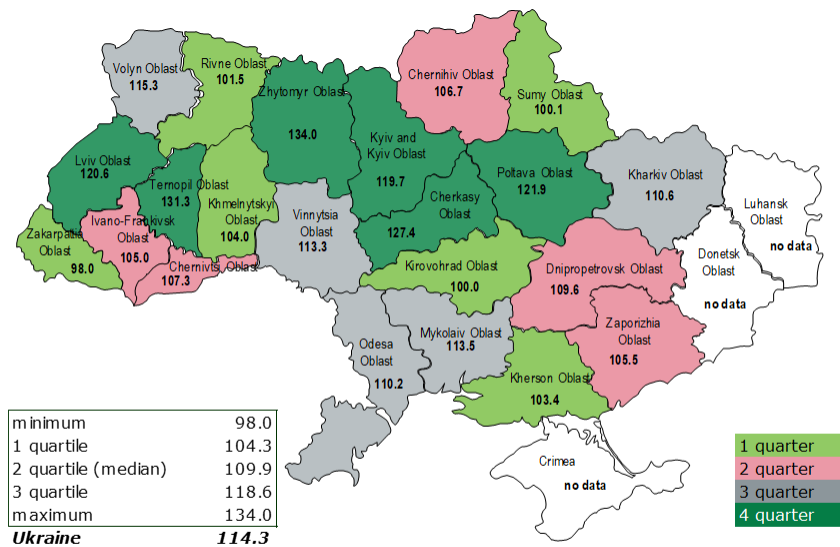
- **The current financial and economic standings of companies had improved and were assessed as good:** the balance of responses was 8.3% (such expectations have been reported for the first time since Q2 2018). Across Ukraine, the balance of responses was 7.0%.
- **Finished goods stocks were continued being assessed as lower than normal:** the balance of responses was (-12.5%), compared to (-22.2%) in Q2 2021.
- **Companies were operating on the verge of their production capacity:** the balance of responses was 0.0% (compared to (-15.4%) in Q2 2021).

Survey Details^{1,2}



- Period: 3 August through 25 August 2021.
- A total of 12 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, %



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 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, %				
	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21
Financial and economic standings	33.3	-7.7	-7.7	0.0	18.2
Total sales	23.1	7.7	23.1	8.3	8.3
Investment in construction	-30.0	8.3	-22.2	-22.2	-11.1
Investment in machinery, equipment, and tools	8.3	15.4	0.0	-9.1	10.0
Staff numbers	0.0	0.0	0.0	-9.1	-8.3

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

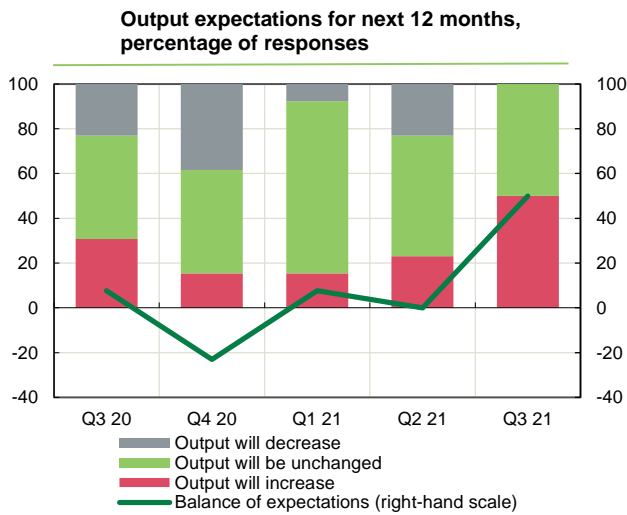


Figure 2

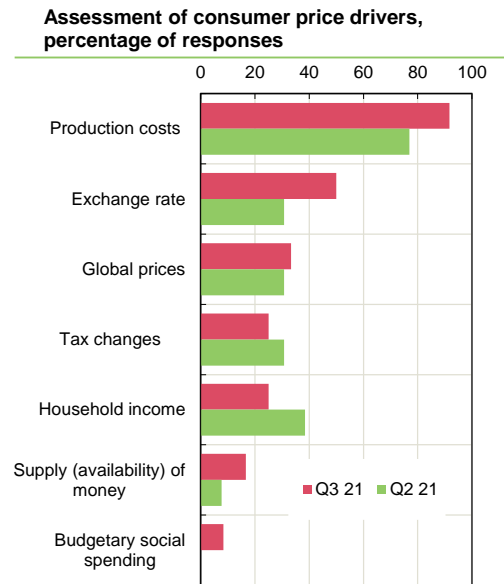


Figure 3

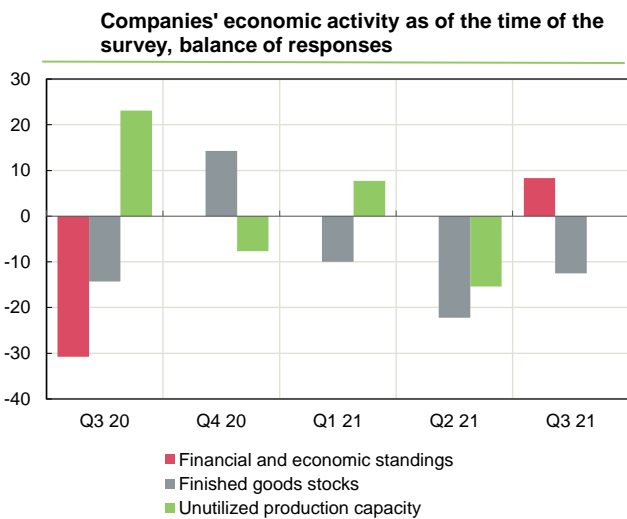


Figure 4

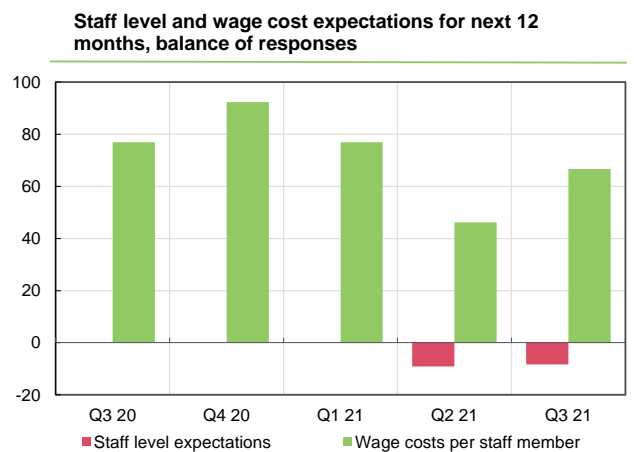


Figure 5

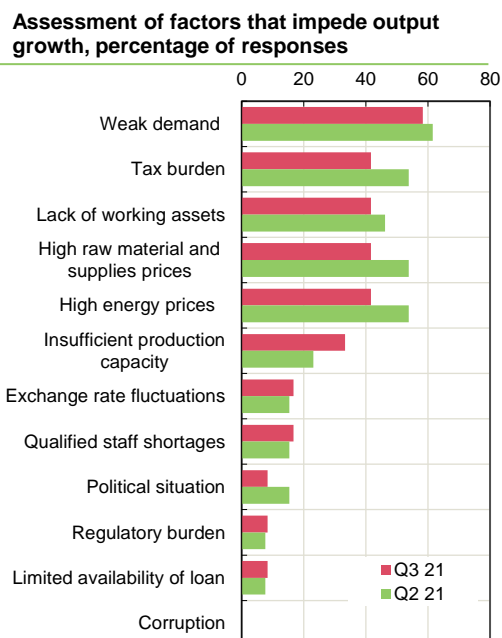


Figure 6

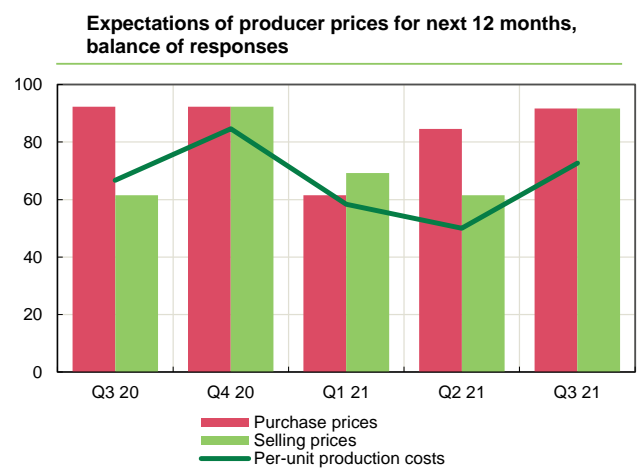


Figure 7

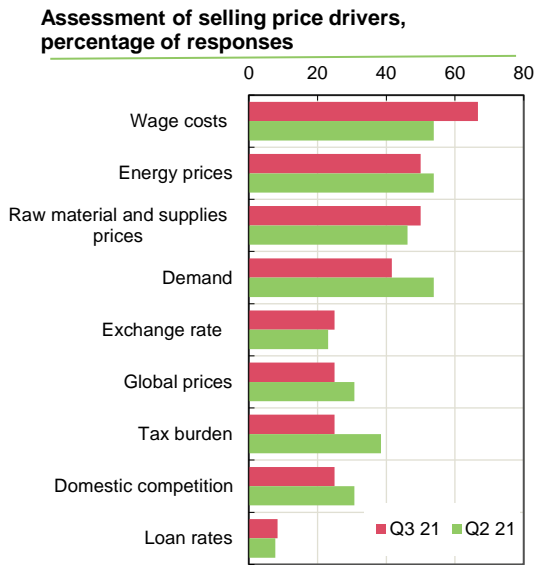


Figure 8

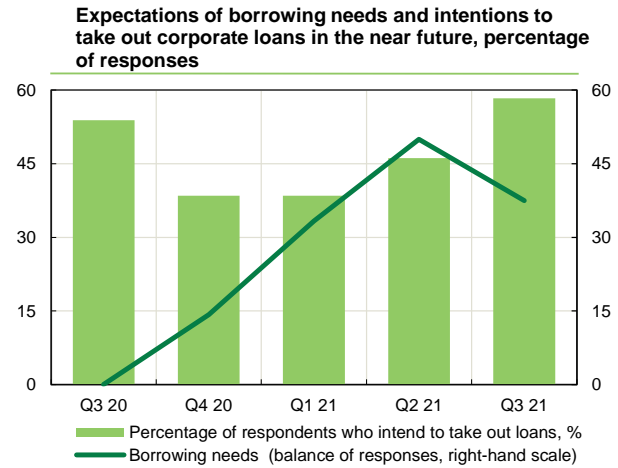


Figure 9

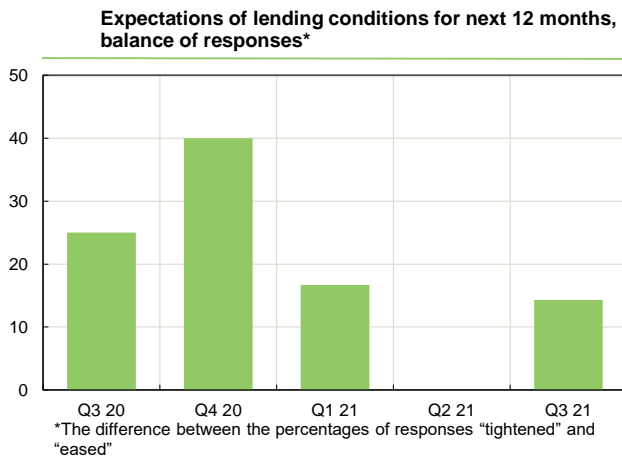


Figure 10

