National Bank
of Ukraine

Business Outlook Survey **of Khmelnytskyi Oblast***

Q4 2020

*This survey only reflects the opinions of respondents in Khmelnytskyi oblast (top managers of companies) who were polled in Q4 2019, and does not represent NBU forecasts or estimates

A survey carried out in Khmelnytskyi oblast in Q4 2020 showed that respondents expected a drop in the output of Ukrainian goods and services and had moderate expectations for the performance of their companies over the next 12 months on the back of a tighter quarantine. They expected that prices would continue to rise and that the domestic currency would 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** (such expectations have been reported for four quarters in a row): the balance of expectations was (-26.7%) compared to (-33.3%) in Q3 2020 and (-24.4%) across Ukraine (Figure 1)
- **prices for consumer goods and services would grow** at a slower pace: 53.3% of respondents expected the inflation rate to be lower than 7.5% (compared to 46.7% in the previous quarter and 49.2% across Ukraine). Respondents referred to production costs and the hryvnia exchange rate as **the main inflation drivers** (Figure 2)
- **the domestic currency would depreciate significantly:** a total of 86.7% of respondents (compared with 78.6% 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 remain unchanged:** the balance of expectations was 0.0% (compared with (-20.0%) in Q3 2020). Companies across Ukraine expected their financial and economic standings to improve slightly (1.3%) (see Table)
- **total sales would decrease:** the balance of responses was (-6.7%) compared with (-13.3%) in Q3 2020. External sales were expected to increase, the balance of responses being 12.5% (compared with 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 decrease:** the balances of responses were (-7.1%) and (-13.3%) respectively compared with (-23.1%) and (-14.3%) in the previous quarter. Across Ukraine, the balances of responses were (-4.5%) and 3.8% respectively
- **staff numbers would decrease significantly**: the balance of responses was (-26.7%) compared with (-33.3%) in the previous quarter and (-9.9%) across Ukraine (Figure 4)
- **purchase prices would increase at a fast pace** (the balance of responses was 92.9%). At the same time, selling prices **were expected to increase at a significantly slower pace:** the balance of responses was 33.3% (compared with 80.0% and (-6.7%) respectively in the previous quarter) (Figure 6). High raw material and supplies prices and wage 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 53.3% and 64.3% respectively (compared with 33.3% and 46.7% in Q3 2020) (Figures 4 and 6).

Respondents said that a lack of working assets and qualified staff shortages were **the main drag on the ability of their companies to boost production** (the impact of these factors was reported to have increased significantly) (Figure 5).

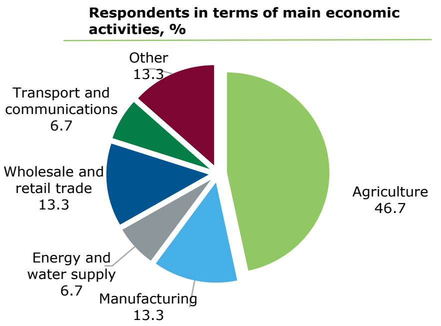
Respondents reported lower expectations of an increase in their borrowing needs in the near future (Figure 8). A total of 60.0% of respondents planned to take out bank loans (mainly domestic currency ones). Respondents said that lending standards had tightened (Figure 9). Respondents referred to high loan rates as the main factor that deterred them from taking out corporate loans (Figure 10).

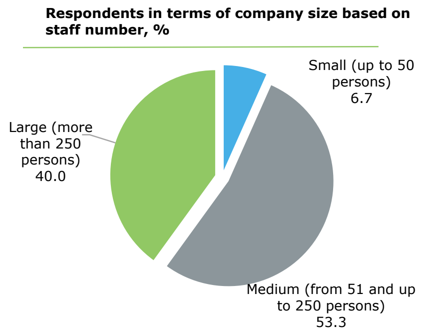
All respondents said that they **had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.9% across Ukraine).

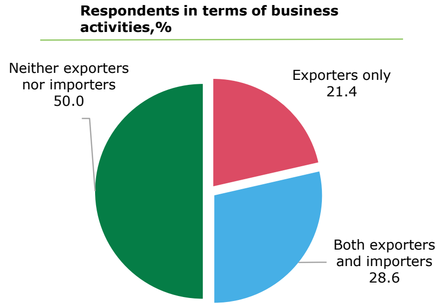
Assessments of financial and economic standings as of the time of the survey (Figure 3)

- **Companies assessed their current financial and economic standings as good:** the balance of responses was 13.3% compared with 14.3% in the previous quarter and (-3.2%) across Ukraine
- **Finished goods stocks** had decreased and **were assessed to be at a level lower than the normal one**: the balance of responses was (-9.1%) compared with 0.0% in Q3 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 6.7% compared to 0.0% in the previous quarter.

Survey Details[1,2]







- Period: 6 November through 27 November 2020.
- A total of 15 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[3], %

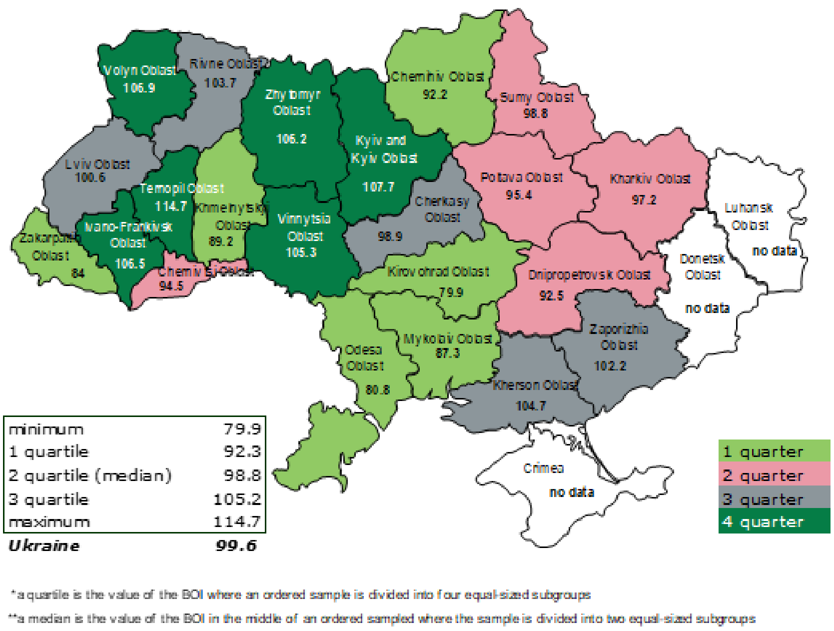


Table. The Business Outlook Index of Companies in Khmelnytskyi Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20
Financial and economic standings	-7.1	-14.3	7.1	-20.0	0.0
Total sales	-6.7	7.1	-21.4	-13.3	-6.7
Investment in construction	-14.3	-28.6	-15.4	-23.1	-7.1
Investment in machinery, equipment, and tools	7.1	-42.9	-14.3	-14.3	-13.3
Staff numbers	-13.3	-35.7	-7.1	-33.3	-26.7

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[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

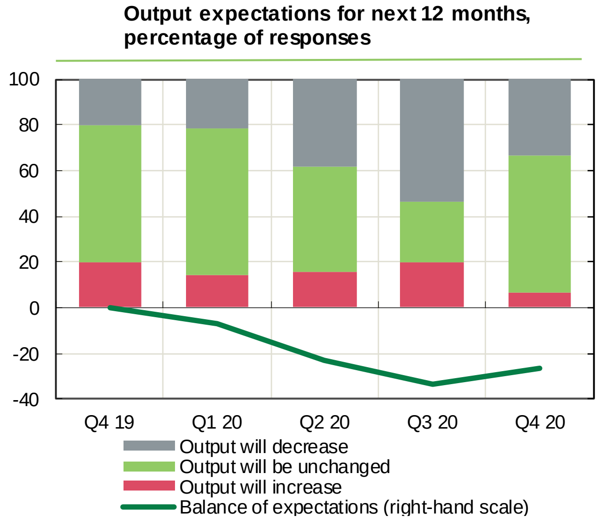


Figure 2

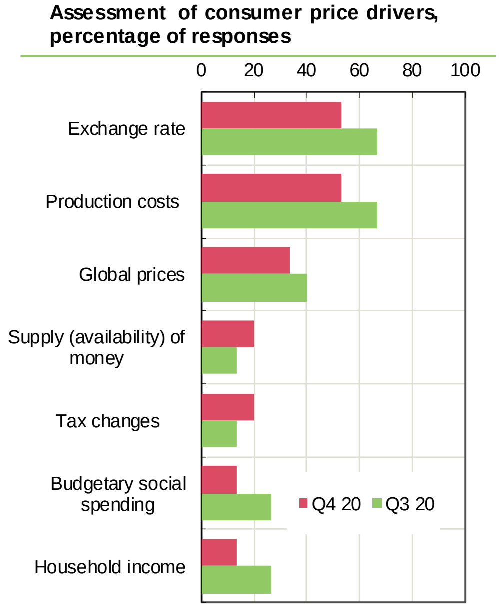


Figure 3

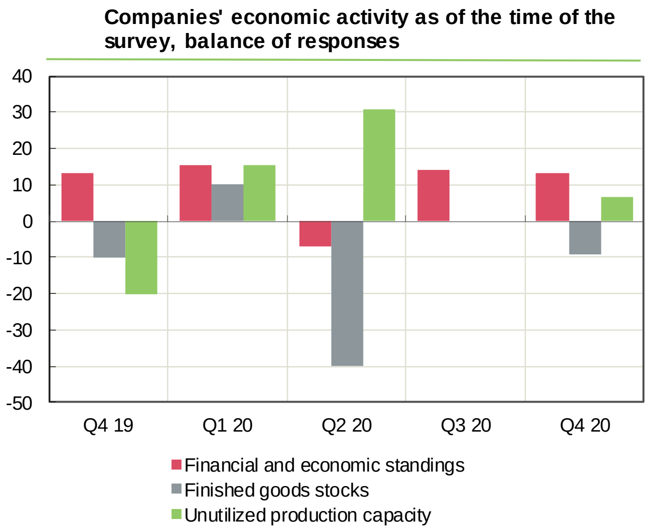


Figure 4

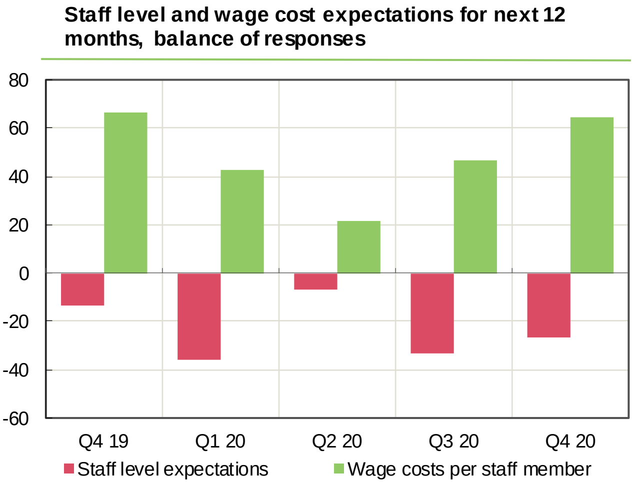


Figure 5

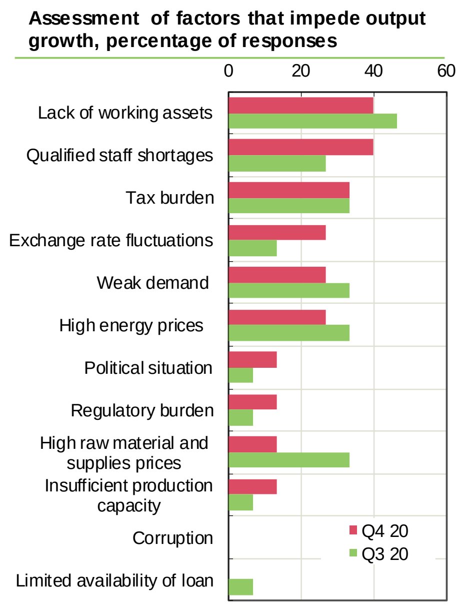


Figure 6

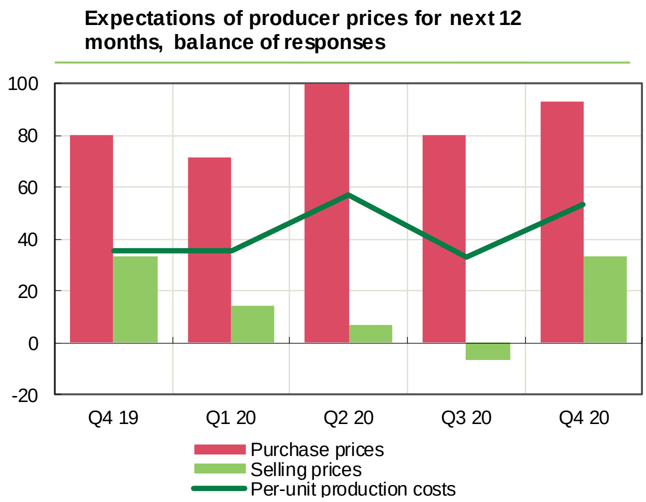


Figure 7

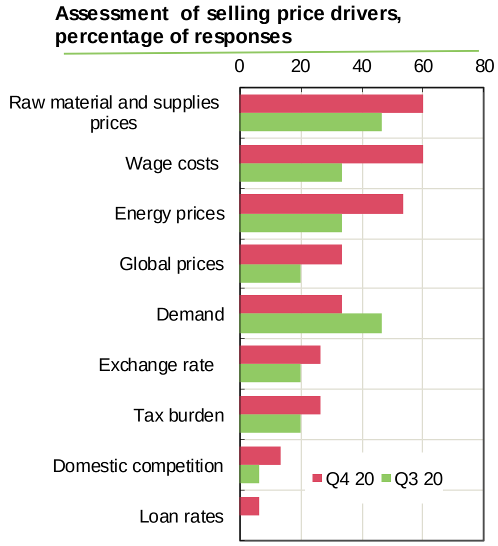


Figure 8

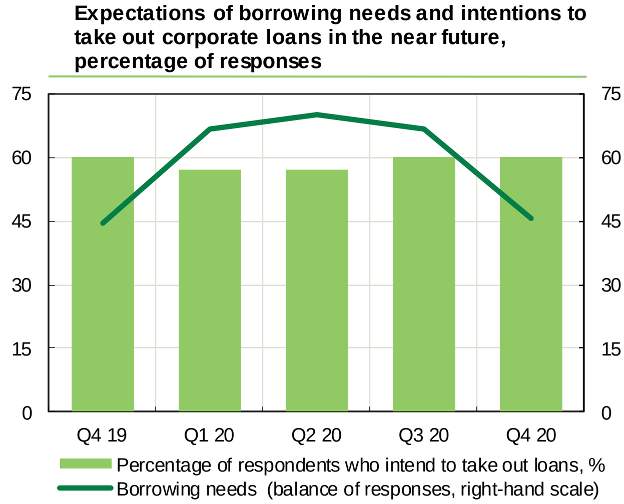
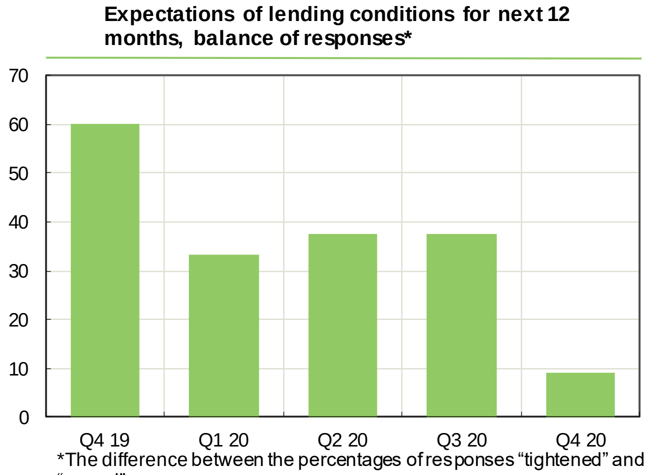


Figure 9



*The difference between the percentages of responses “tightened” and “eased”

Figure 10