



National Bank
of Ukraine

Business Outlook Survey of Khmelnytskyi Oblast*

Q1 2021



*This survey only reflects the opinions of respondents in Khmelnytskyi oblast (top managers of companies) who were polled in Q1 2021, and does not represent NBU forecasts or estimates

A survey carried out in **Khmelnytskyi oblast** in Q1 2021 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. They expected that prices would continue to rise. Depreciation expectations are high.

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 five quarters in a row): the balance of expectations was (-14.3%), compared to (-26.7%) in Q4 2020 (Figure 1). Companies across Ukraine expected the output of Ukrainian goods and services would increase: the balance of responses was 5.6%
- **prices for consumer goods and services would grow** at a slower pace: 60.0% of respondents expected the inflation rate not to exceed 7.5% (compared to 53.3% in the previous quarter and 49.3% across Ukraine). Respondents referred to production costs and household income (assessments of this factor increased noticeably) as **the main inflation drivers** (Figure 2)
- **the domestic currency would depreciate significantly**: a total of 80.0% of respondents (compared with 86.7% 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 remain unchanged** (such expectations have been reported for two quarters in a row): the balance of expectations was 0.0%. Companies across Ukraine expected their financial and economic standings to improve, with the balance of responses of 12.7% (see Table)
- **total sales would decrease, both internal and external**: the balances of responses were (-21.4%) and (-12.5%) respectively, compared with (-6.7%) and 12.5% respectively in Q4 2020. Overall, companies across Ukraine expected sales to increase, the balances of responses being 18.0% and 14.9% respectively
- **investment in machinery, equipment, and tools would remain unchanged**: the balance of responses was 0.0% (in Q4 2020 (-13.3%)). **Investment in construction would decrease**: the balance of responses was (-20.0%), compared with (-7.1%) in the previous quarter. Overall, companies across Ukraine expected investments to increase, the balances of responses were 11.7% and 1.4% respectively
- **staff numbers would decrease**: the balance of responses was (-21.4%), compared with (-26.7%) in the previous quarter. Across Ukraine, staff numbers were expected to decrease insignificantly, with a balance of responses of (-1.9%) (Figure 4)
- **purchase and selling prices would increase at a fast pace**: the balances of responses were 86.7% and 60.0% respectively, compared with 92.9% and 33.3% respectively in the previous quarter (Figure 6). Energy prices (assessments of this factor increased) 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 66.7% and 46.7% respectively (compared with 53.3% and 64.3% in Q4 2020) (Figures 4 and 6).

Respondents said that very high prices for energy and raw materials and supplies as well as an excessive tax burden were **the main drag on the ability of their companies to boost production** (the impact was reported to have increased significantly) (Figure 5).

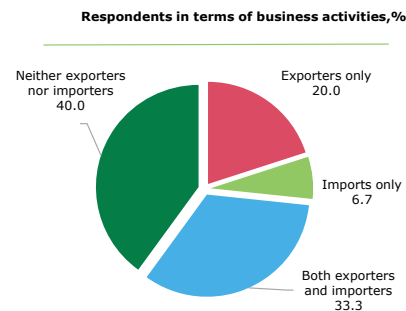
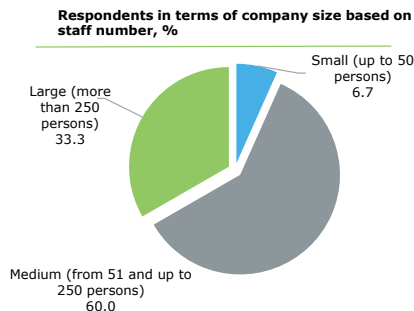
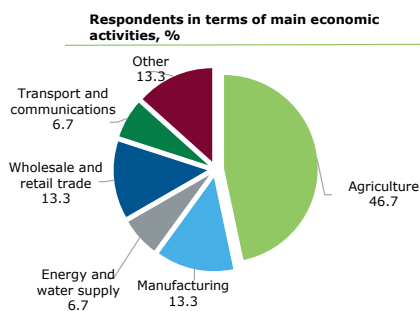
Respondents reported lower expectations of an increase in their borrowing needs in the near future (Figure 8). A total of 66.7% of respondents planned to take out bank loans only in the domestic currency. Respondents said that bank lending standards had tightened (Figure 9). Respondents referred to high loan rates and strict collateral requirements as the main factors that deterred them from taking out loans (Figure 10).

All respondents said that they **had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (97.5% across Ukraine).

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

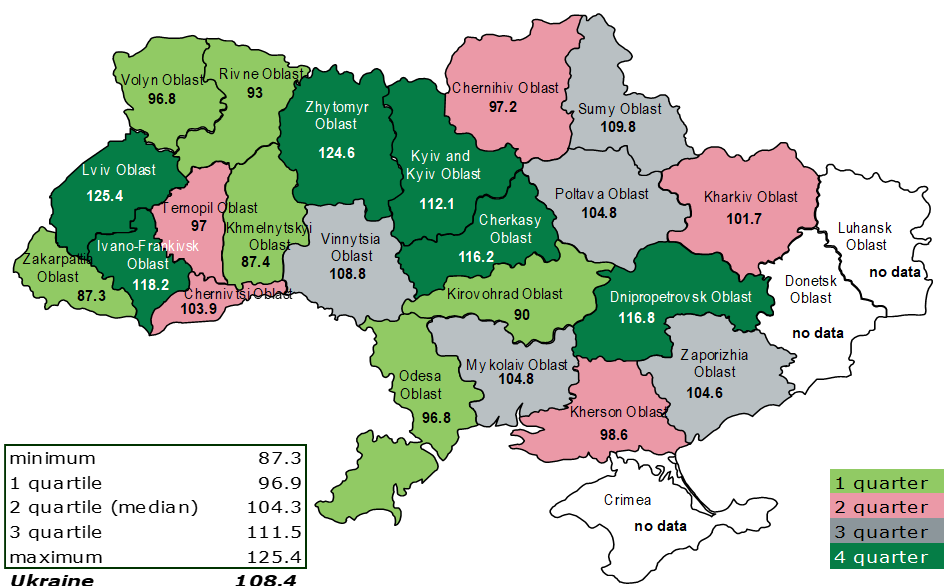
- **Companies assessed their current financial and economic standings as good**: the balance of responses was 13.3% as in the previous quarter. Across Ukraine, respondents assessed the current financial and economic standings of their companies as bad: the balance of responses was (-0.7%).
- **Finished goods stocks were assessed lower than normal**: the balance of responses was (-10.0%), compared with (-9.1%) in Q4 2020.
- **Companies in the oblast had sufficient unutilized production capacity to meet any unexpected rise in demand**: the balance of responses was 21.4%, compared to 6.7% in the previous quarter.

Survey Details^{1,2}



- Period: 9 February through 1 March 2021.
- 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 Oblasts³, %



*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 Khmelnytskyi 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	-14.3	7.1	-20.0	0.0	0.0
Total sales	7.1	-21.4	-13.3	-6.7	-21.4
Investment in construction	-28.6	-15.4	-23.1	-7.1	-20.0
Investment in machinery, equipment, and tools	-42.9	-14.3	-14.3	-13.3	0.0
Staff numbers	-35.7	-7.1	-33.3	-26.7	-21.4

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

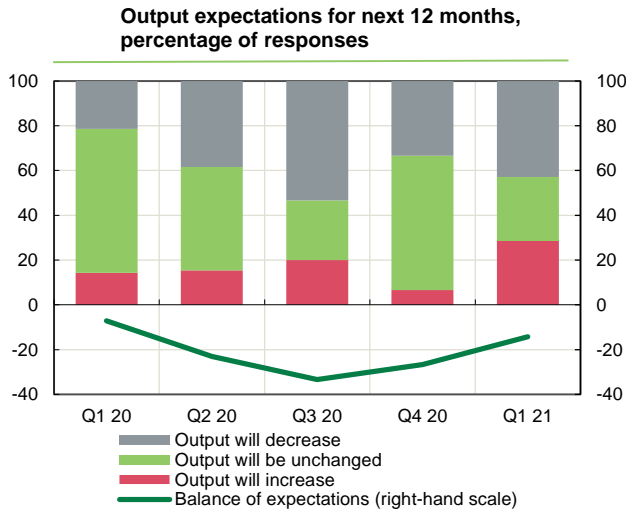


Figure 2

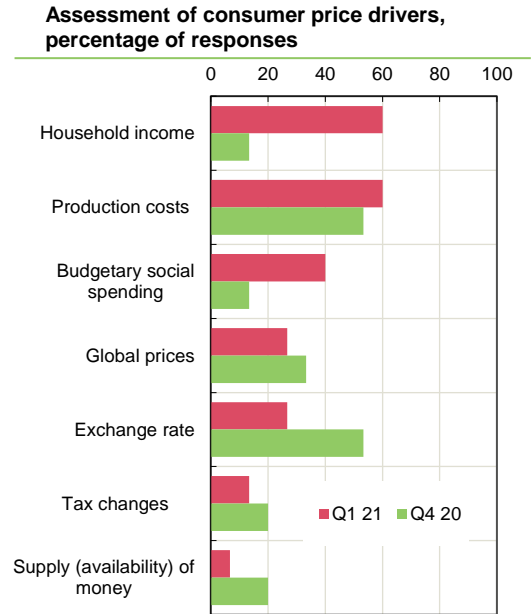


Figure 3

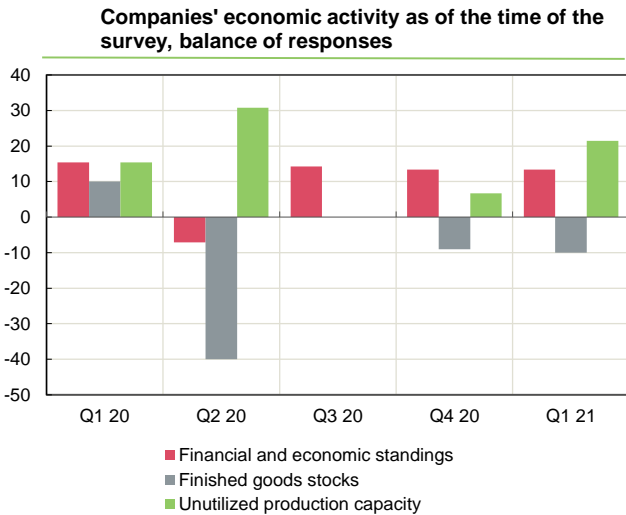


Figure 4

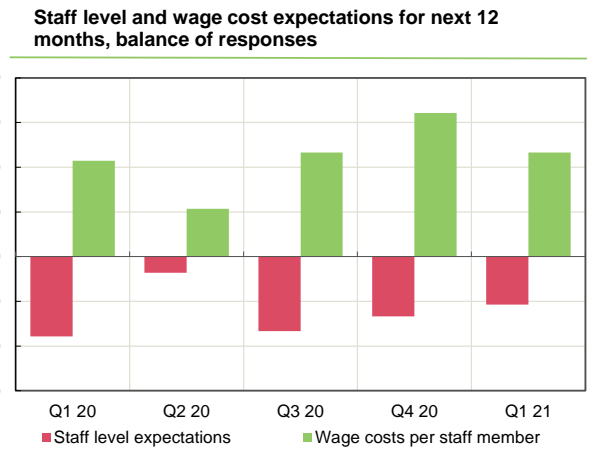


Figure 5

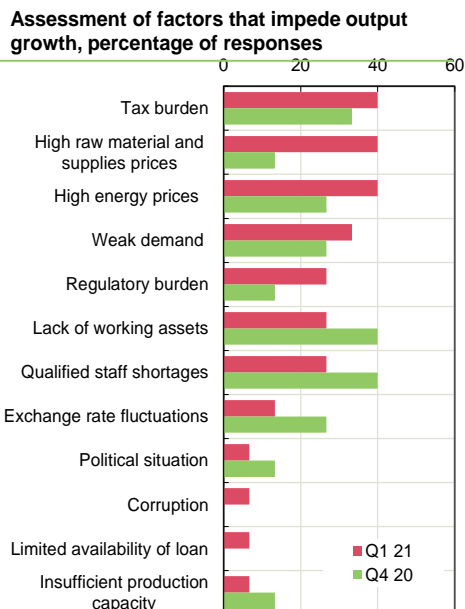


Figure 6

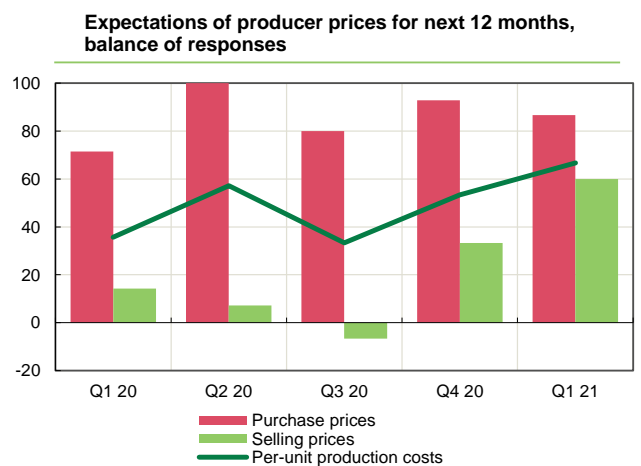


Figure 7

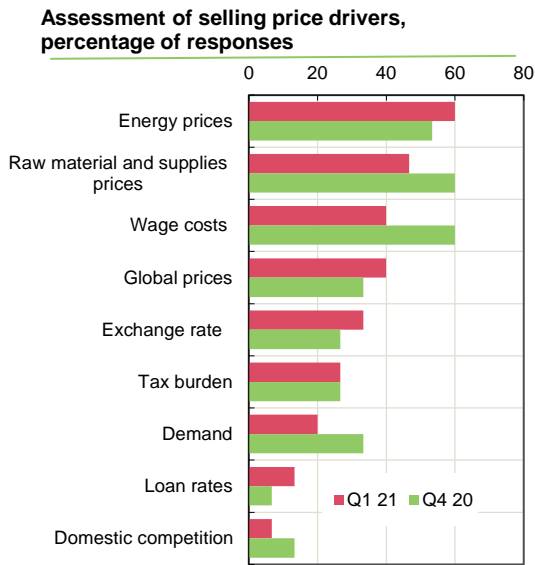


Figure 8

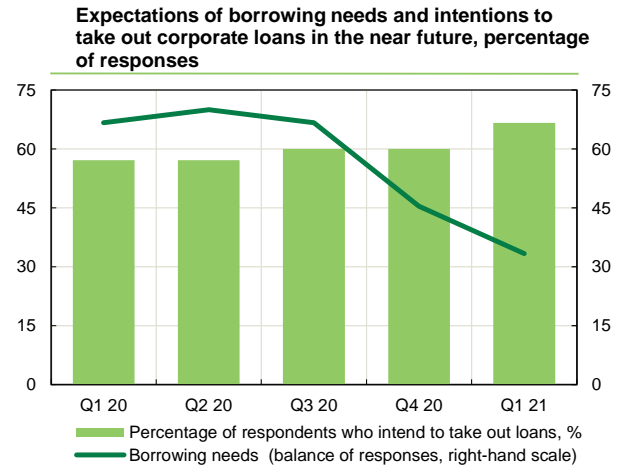


Figure 9

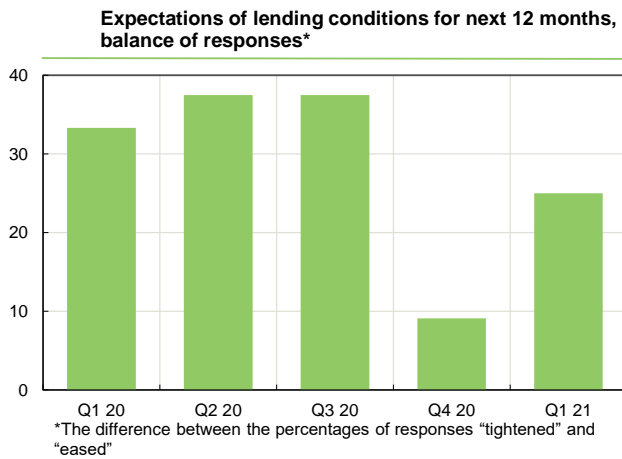


Figure 10

