



National Bank
of Ukraine

Business Outlook Survey of Khmelnytskyi Oblast*

Q2 2021



*This survey only reflects the opinions of respondents in Khmelnytskyi oblast (top managers of companies) who were polled in Q2 2021, and does not represent NBU forecasts or estimates

A survey carried out in **Khmelnytskyi oblast** in Q2 2021 showed that respondents expected a drop in the output of Ukrainian goods and services and had negative expectations for the performance of their companies over the next 12 months. They expected that prices would continue to rise. Depreciation expectations were 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 six quarters in a row): the balance of expectations was (-7.1%) (one of the lowest figures among the regions), compared to (-14.3%) in Q1 2021 (Figure 1). Companies across Ukraine expected the output of Ukrainian goods and services to increase: the balance of responses was 15.9%
- **prices for consumer goods and services would continue to grow**: 57.1% of respondents expected the inflation rate not to exceed 7.5% (compared to 60.0% in the previous quarter and 54.2% across Ukraine). Respondents referred to production costs and global prices (the impact of this factor was reported to have increased) as **the main inflation drivers** (Figure 2)
- **the domestic currency would depreciate significantly**: a total of 71.4% of respondents (compared with 80.0% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 63.6%
- **the financial and economic standings of their companies would deteriorate**: the balance of expectations was (-15.4%) (the lowest figure across the regions) compared with 0.0% in the previous quarter. Companies across Ukraine expected their financial and economic standings to improve, the balance of responses being 18.3% (see Table)
- **total sales would decrease**: the balance of responses was (-14.3%), compared with (-21.4%) in Q1 2021. At the same time, external sales were expected to increase significantly: the balance of responses was 14.3% (compared with (-12.5%) in Q1 2021). Overall, companies across Ukraine expected sales to increase, the balances of responses being 21.0% for each
- **both investment in construction and in machinery, equipment, and tools would increase noticeably**: the balances of responses were 23.1% and 16.7% respectively (compared to (-20.0%) and 0.0% respectively in Q1 2021). The balances of responses across Ukraine were 6.4% and 16.9% respectively (see Table)
- **staff numbers would decrease**: the balance of responses was (-16.7%), compared with (-21.4%) in the previous quarter and (-1.0%) across Ukraine (Figure 4)
- **purchase and selling prices would increase at a fast pace**: the balances of responses were 92.9% and 46.2% respectively, compared with 86.7% and 60.0% respectively in the previous quarter (Figure 6). Energy prices, raw material and supplies prices, and wage costs were referred to as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would increase rapidly**: the balances of responses were 84.6% and 66.7% respectively (compared with 66.7% and 46.7% in Q1 2021) (Figures 4 and 6).

Respondents said that high energy prices and a lack of working assets (the impact of this factor was reported to have increased) were **the main drags on the ability of their companies to boost production** (Figure 5).

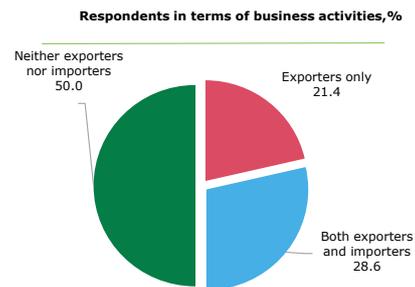
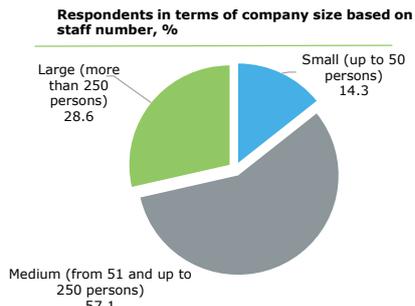
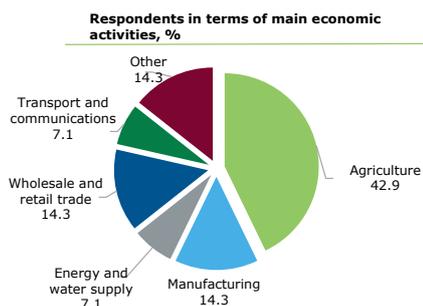
Respondents reported slightly lower expectations of an increase in their borrowing needs in the near future (Figure 8). A total of 64.3% of respondents planned to take out bank loans only in the domestic currency. Respondents said that bank lending standards had been unchanged (Figure 9). Respondents referred to complicated paperwork, collateral requirements and high loan rates as the main factors deterring 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)

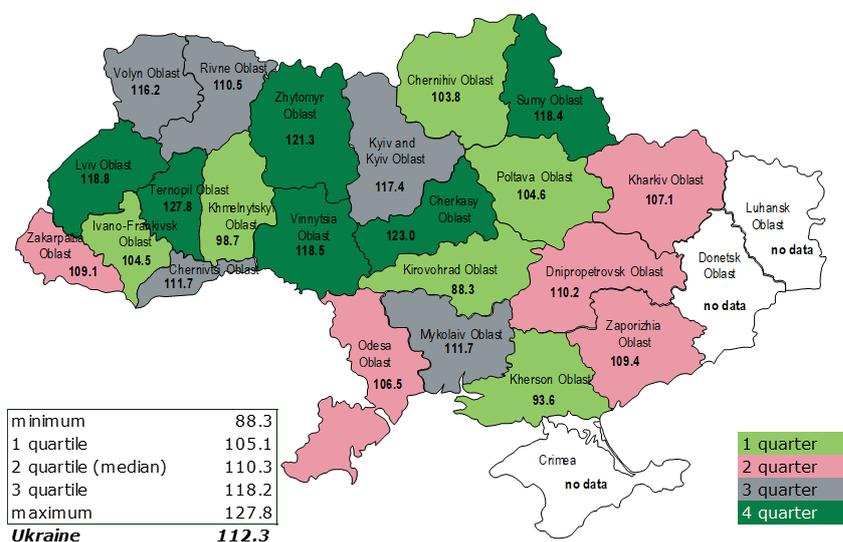
- **Companies assessed their current financial and economic standings as satisfactory**: the balance of responses was 0.0% compared with 13.3% in the previous quarter. Across Ukraine, respondents assessed the current financial and economic standings of their companies as good: the balance of responses was 6.0%.
- **Finished goods stocks were assessed as lower than normal**: the balance of responses was (-22.2%), compared with (-10.0%) in Q1 2021.
- **Companies in the oblast had sufficient unutilized production capacity to meet any unexpected rise in demand**: the balance of responses was 27.3%, compared to 21.4% in the previous quarter.

Survey Details^{1,2}



- Period: 6 May through 2 June 2021.
- A total of 14 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 Khmelnytskyi Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21
Financial and economic standings	7.1	-20.0	0.0	0.0	-15.4
Total sales	-21.4	-13.3	-6.7	-21.4	-14.3
Investment in construction	-15.4	-23.1	-7.1	-20.0	23.1
Investment in machinery, equipment, and tools	-14.3	-14.3	-13.3	0.0	16.7
Staff numbers	-7.1	-33.3	-26.7	-21.4	-16.7

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

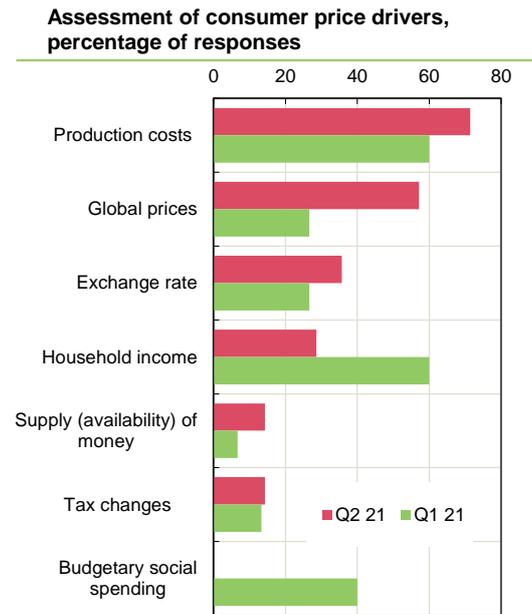


Figure 3

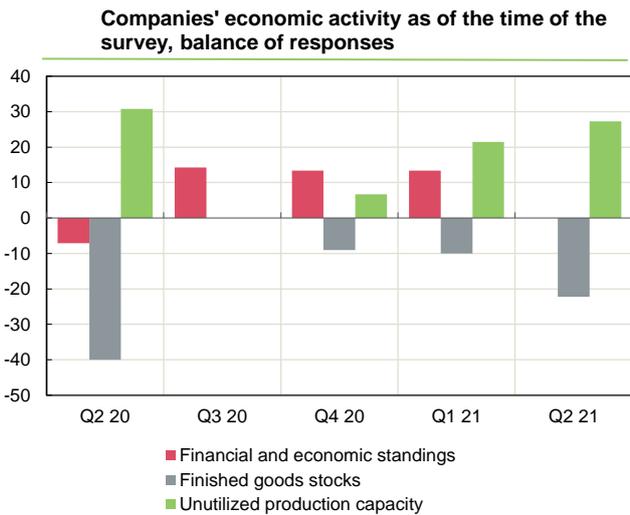


Figure 4

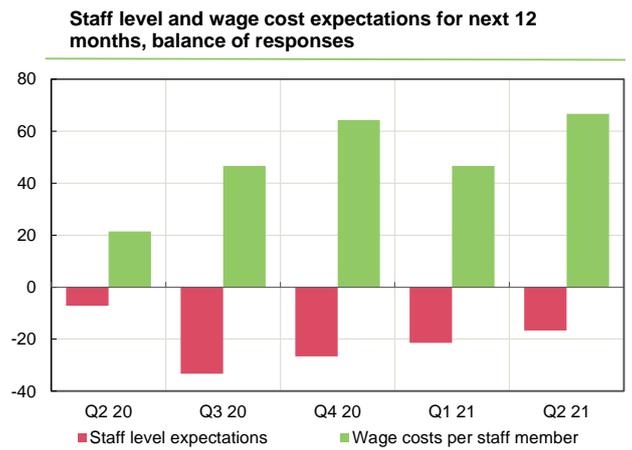


Figure 5

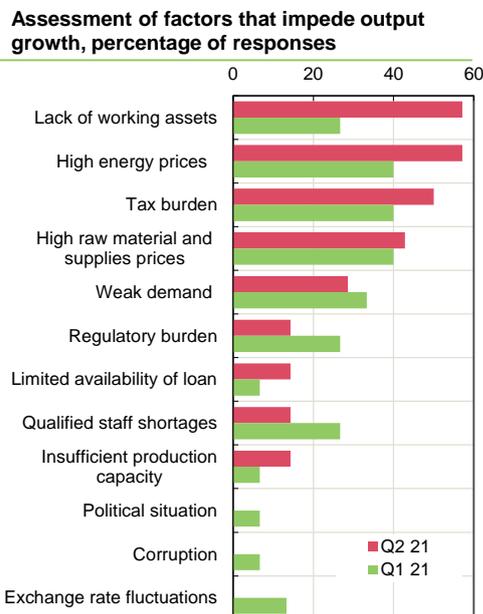


Figure 6

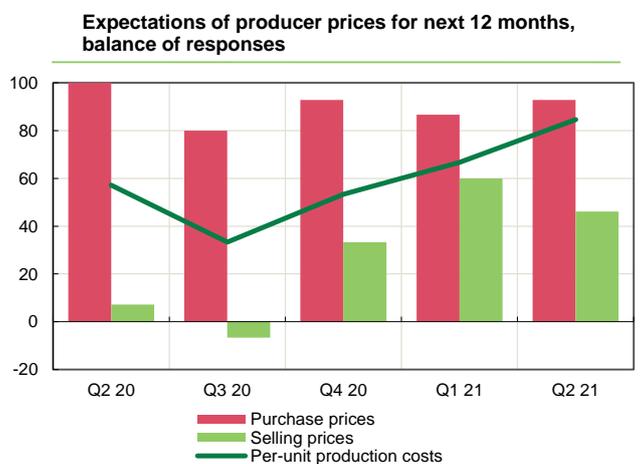


Figure 7

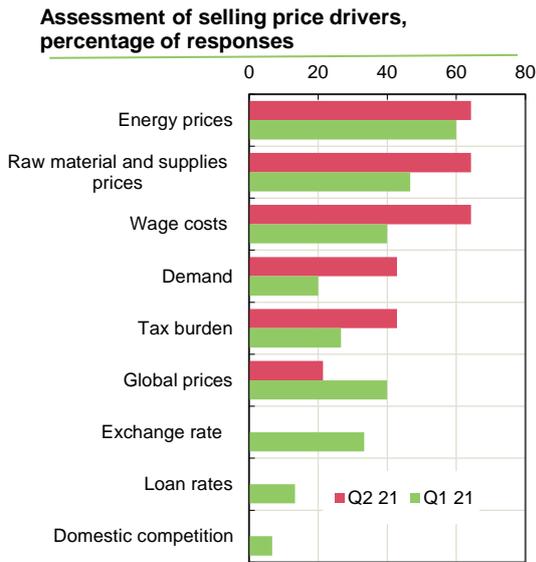


Figure 8

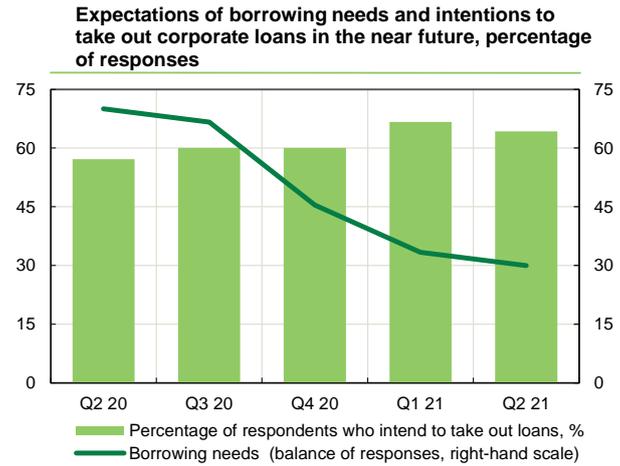


Figure 9

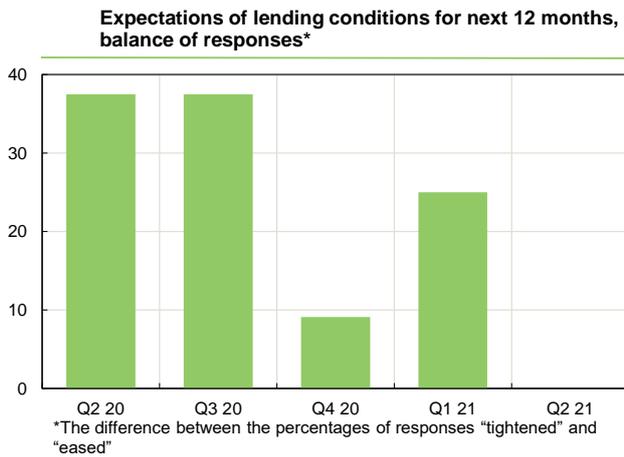


Figure 10

