



National Bank
of Ukraine

Business Outlook Survey of Cherkasy Oblast*

Q4 2020



*This survey only reflects the opinions of respondents in Cherkasy oblast (top managers of companies) who were polled in Q4 2020, and does not represent NBU forecasts or estimates

A survey of companies carried out in **Cherkasy oblast** in Q4 2020 showed that respondents expected a drop in the output of Ukrainian goods and services over the next 12 months on the back of a tighter quarantine. At the same time, they had positive expectations for the performance of their companies over that period. Respondents reported moderate inflation and higher depreciation expectations.

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

- **the output of Ukrainian goods and services would decrease:** the balance of expectations was (-21.1%) compared to 15.8% in Q3 2020 and (-24.4%) across Ukraine (Figure 1)
- **prices for consumer goods and services would grow moderately:** a total of 72.2% of respondents expected the inflation rate to be lower than 7.5% compared with 68.4% in the previous quarter and 49.2% across Ukraine. Respondents referred to production costs and household income as **the main inflation drivers** (Figure 2)
- **the hryvnia would continue to depreciate more noticeably:** a total of 72.2% of respondents expected the hryvnia to weaken against the US dollar compared with 66.7% in the previous quarter and 87.1% across Ukraine
- **the financial and economic standings of their companies would improve:** the balance of expectations was 11.1% (one of the highest figures across the regions) compared with 29.4% in the previous quarter. Companies across Ukraine expected their financial and economic standings to improve slightly (1.3%) (see Table)
- **total sales would remain unchanged:** the balance of responses was 0.0% compared with 17.6% in Q3 2020. **External sales were expected to increase at a significantly slower pace:** the balance of responses was 16.7% (compared to 40.0% 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 machinery, equipment and tools would remain unchanged:** the balance of responses was 0.0% compared to 12.5% in the previous quarter. **Investment in construction was expected to decrease:** the balance of responses was (-6.3%) compared with 6.3% in the previous quarter. The balances of responses across Ukraine were 3.8% and (-4.5%) respectively
- **staff numbers at their companies would decrease:** the balance of responses was (-10.5%) compared with 0.0% in Q3 2020 and (-9.9%) across Ukraine (Figure 4)
- **both purchase and selling prices would grow significantly:** the balances of responses were 73.7% and 52.6%, respectively (compared with 73.7% and 44.4% in Q3 2020) (Figure 6). Raw material and supplies prices and wage costs were cited as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would increase at a faster pace:** the balances of responses were 68.8% and 64.7% respectively, compared with 66.7% and 61.1% in Q3 2020 (Figures 4 and 6).

Companies named high energy, raw material and supplies prices, qualified staff shortages and weak demand as **the main drags on their ability to boost production** (the impact of these factors was reported to have increased) (Figure 5).

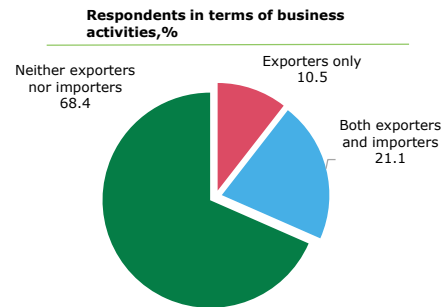
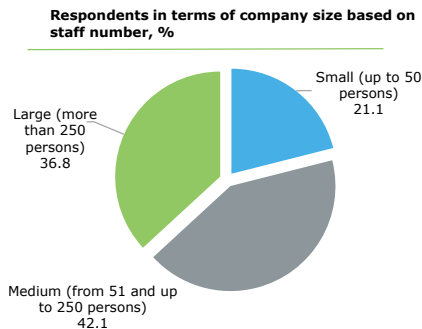
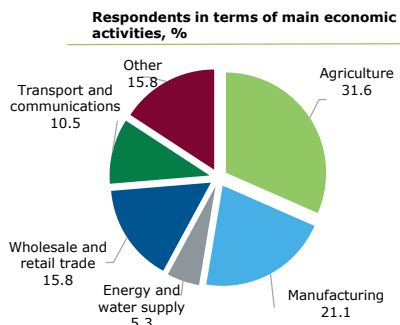
Respondents expected **their borrowing needs to remain unchanged** in the near future (Figure 8). Half of the respondents who planned to take out corporate loans usually opted for domestic currency loans. Respondents said that lending standards had remained unchanged (Figure 9). Companies cited high loan rates, significant exchange rate fluctuations and collateral requirements as the main factors that deterred them from taking out corporate loans (Figure 10).

A total of **94.7% of respondents** said 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)

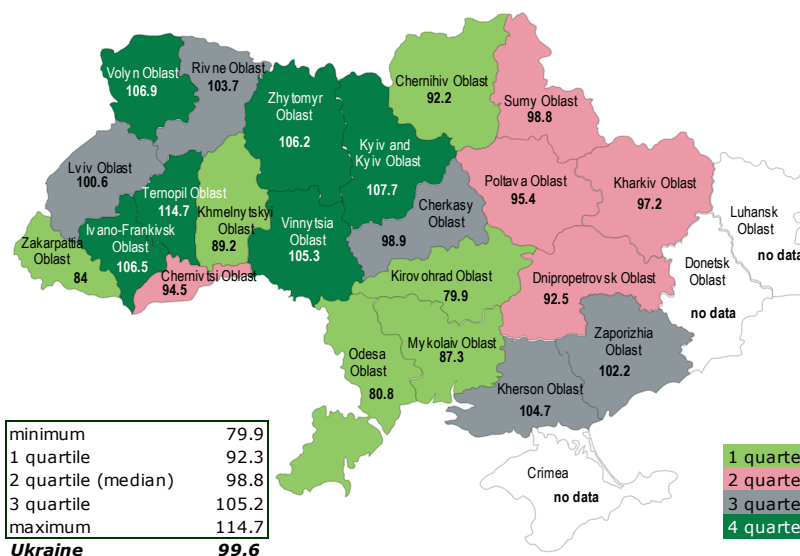
- **Companies have assessed their current financial and economic standings as bad** for three quarters in a row: the balance of responses was (-10.5%) compared with (-21.1%) in Q3 2020 and (-3.2%) across Ukraine.
- **Stocks of finished goods had decreased and were assessed to be at a level lower than the normal one:** the balance of responses was (-10.0%) compared with 0.0% in Q3 2020.
- **Companies were operating on the verge of their production capacity:** the balance of responses was 0.0% compared with 11.8% in Q3 2020.

Survey Details^{1,2}



- Period: 6 November through 1 December 2020.
- A total of 19 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture and the manufacturing industry.

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 Cherkasy 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	0.0	11.8	16.7	29.4	11.1
Total sales	-15.8	10.5	15.8	17.6	0.0
Investment in construction	0.0	0.0	-5.9	6.3	-6.3
Investment in machinery, equipment, and tools	17.6	7.7	0.0	12.5	0.0
Staff numbers	-26.3	-5.3	-16.7	0.0	-10.5

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

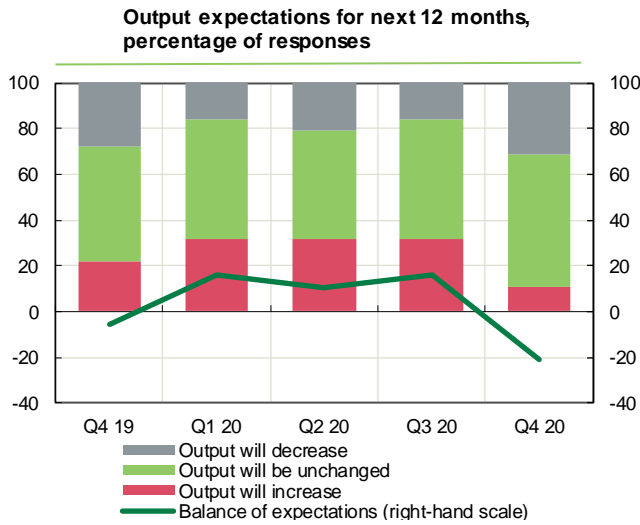


Figure 2

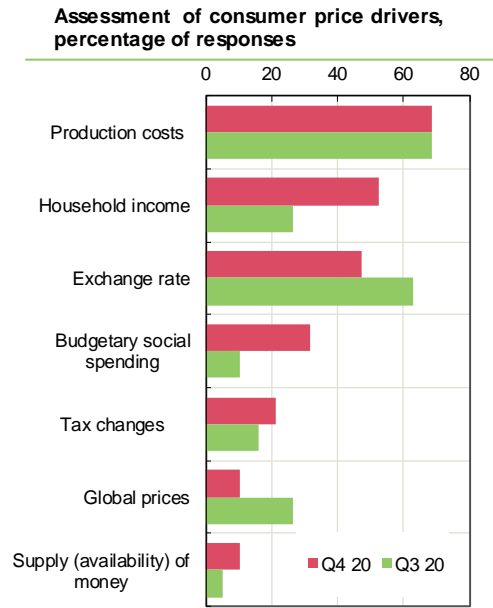


Figure 3

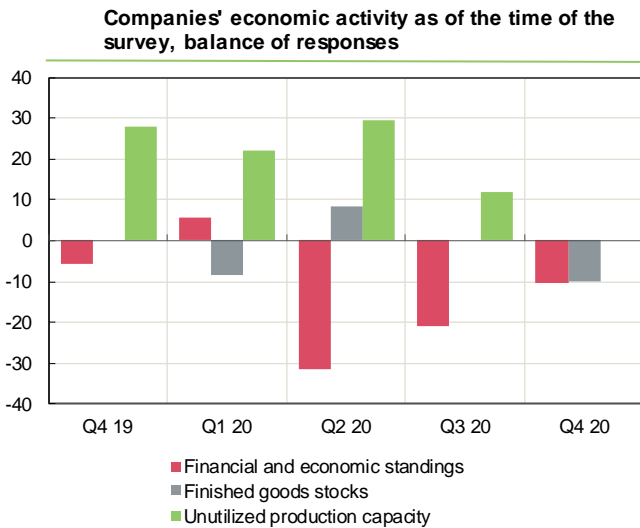


Figure 4

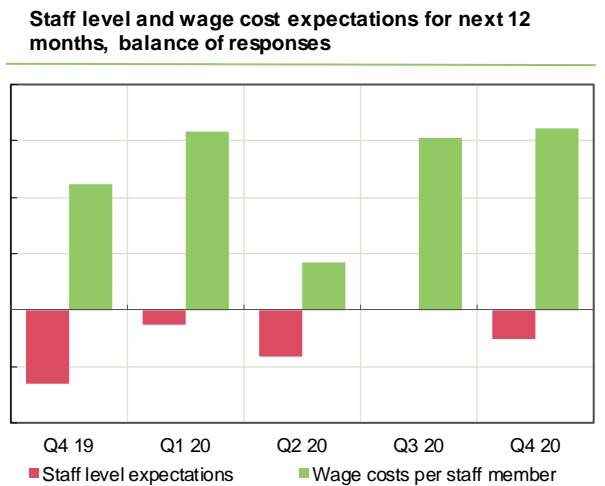


Figure 5

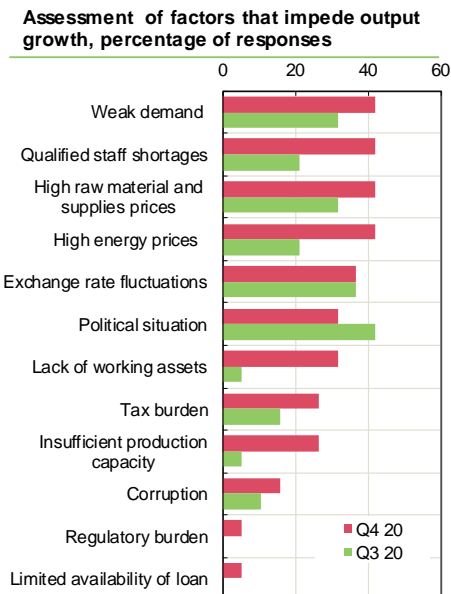


Figure 6

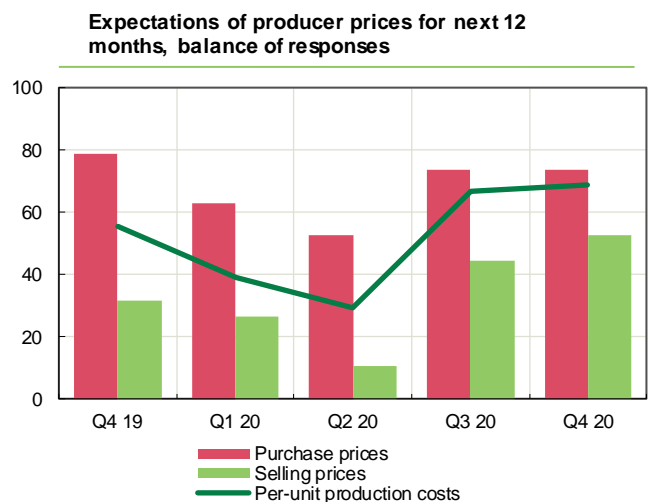


Figure 7

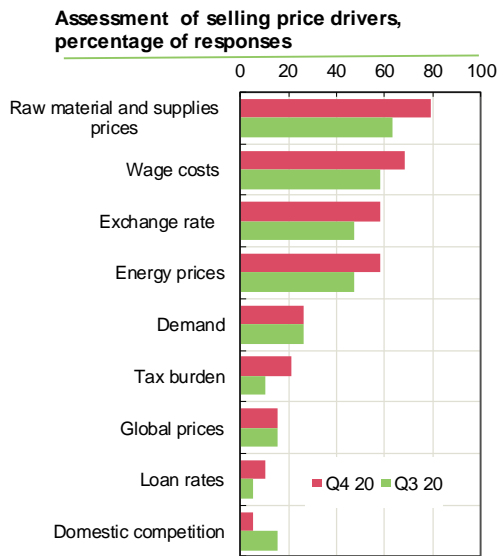


Figure 8

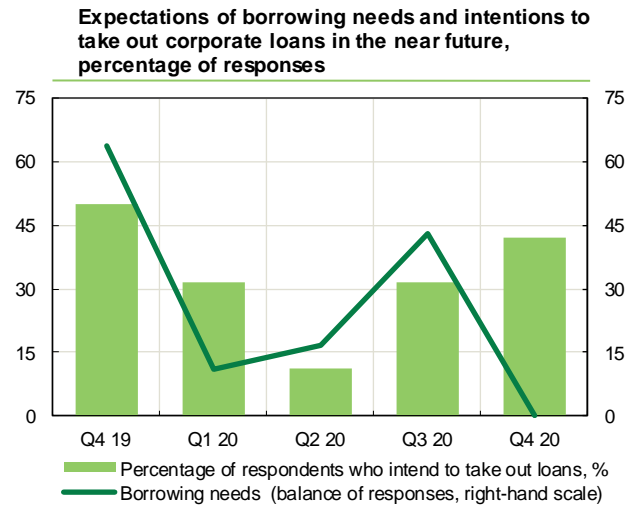


Figure 9

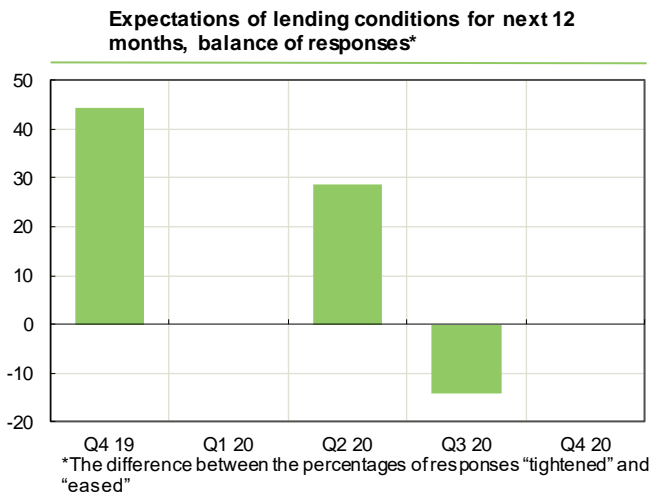


Figure 10

