



National Bank
of Ukraine

Business Outlook Survey
of Chernihiv Oblast*

Q1 2021



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

A survey of companies carried out in Chernihiv oblast in Q1 2021 showed that respondents expected a significant drop in the output of Ukrainian goods and services and had positive expectations for the performance of their companies over the next 12 months. Respondents expected inflation to increase. 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 at a fast pace:** the balance of expectations was (-30.8%) (the lowest figure across the regions), compared with (-8.3%) 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%
- **the growth in prices for consumer goods and services would accelerate:** a total of 61.5% of respondents expected that the inflation rate would exceed 7.5%, compared to 53.8% in the previous quarter and 50.7% across Ukraine. Respondents referred to production costs and the hryvnia exchange rate as the main inflation drivers (Figure 2)
- **the domestic currency would depreciate dramatically:** the hryvnia was expected to weaken against the US dollar by a total of 92.3% of respondents (the highest figure across the regions), compared with 84.6% in the previous quarter and 74.4% across Ukraine
- **the financial and economic standings of their companies would improve:** the balance of expectations was 16.7% (compared to 0.0% in the previous quarter and 12.7% across Ukraine) (see Table)
- **total sales would increase:** the balance of responses was 15.4%, compared with 7.7% in Q4 2020. This included expectations of an increase in external sales (the balance of responses was 12.5%, compared with 28.6% in Q4 2020) (see Table). Across Ukraine, the balances of responses were 18.0% and 14.9% respectively
- **investment in machinery, equipment, and tools would remain unchanged:** the balance of responses was 0.0%, compared with (-7.7%) in the previous quarter. **Investment in construction would decrease:** the balance of responses was (-23.1%), compared with (-8.3%) in Q4 2020. Companies across Ukraine expected investments to increase, the balances of responses were 1.4% and 11.7% respectively
- **staff numbers would continue to decrease:** the balance of responses was (-23.1%), compared with (-30.8%) in Q4 2020 and (-1.9%) across Ukraine
- **purchase prices would rise rapidly** (the balance of responses was 92.3%), and **selling prices would grow moderately** (the balance of responses was 23.1%) (compared with 76.9% and 38.5% in the previous quarter) (Figure 6). Respondents referred to high energy prices, raw material and supplies prices, wage costs, and domestic competition as the main selling price drivers (Figure 7)
- **the growth in per-unit production costs and wage costs per staff member would decelerate:** the balances of responses were 61.5% and 53.8% respectively (compared with 76.9% and 61.5% in Q4 2020) (Figures 4 and 6).

Respondents continued to refer to weak demand as the main drag on the ability of their companies to boost production (61.5% of respondents) (Figure 5).

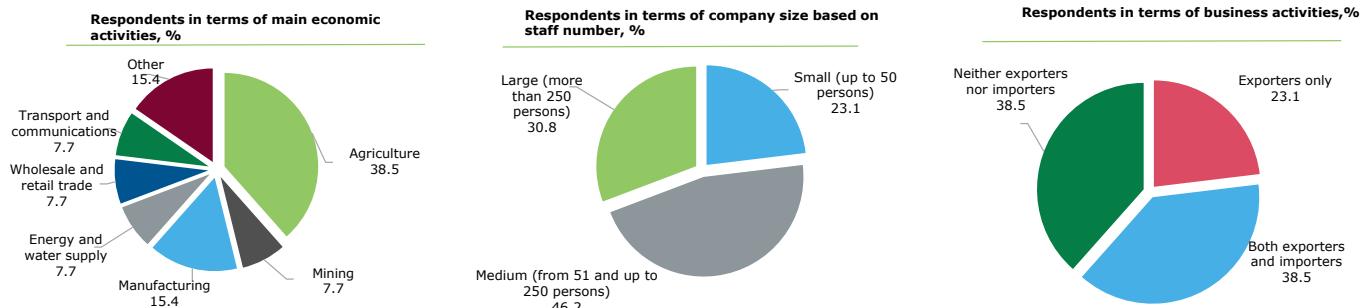
Respondents expected an increase in their borrowing needs in the near future (Figure 8). The respondents who planned to take out bank loans (33.3% of respondents) opted for domestic currency loans. Respondents said that bank lending standards had eased (Figure 9). Respondents cited strict collateral requirements and high loan rates as the main factors that deterred them from taking out loans (Figure 10).

All of 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)

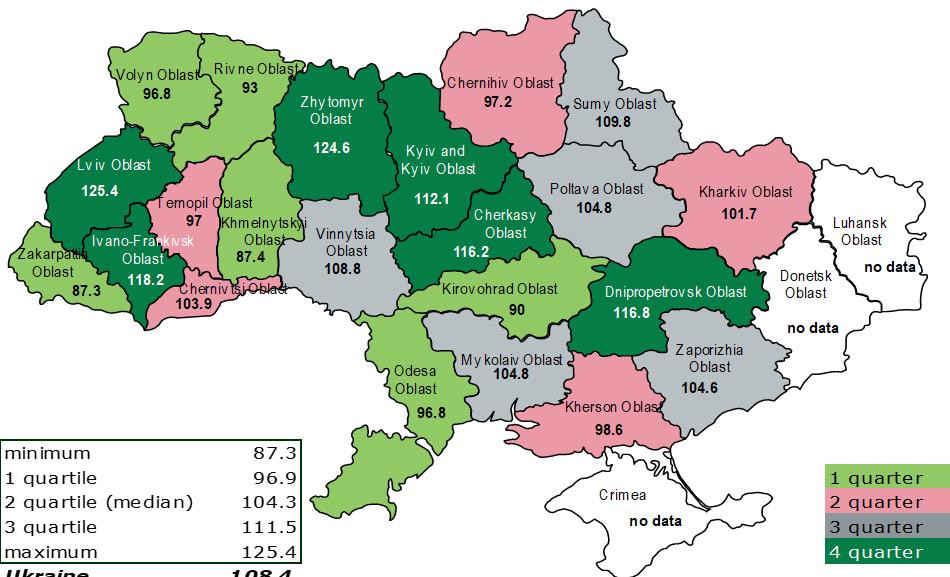
- **Companies assessed their current financial and economic standings as bad** for six quarters in a row: the balance of responses was (-7.7%), same as in Q4 2020; across Ukraine, the balance of responses was (-0.7%).
- **Stocks of finished goods increased and were assessed higher than normal:** the balance of responses was 11.1%, compared with (-11.1%) in the previous quarter.
- **Spare production capacity remained insufficient.** Respondents said they would need additional capacity to meet any unexpected rise in demand: the balance of responses was (-7.7%), same as in Q4 2020.

Survey Details^{1,2}



- Period: 5 February through 1 March 2021.
- A total of 13 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 sample where the sample is divided into two equal-sized subgroups

Table. The Business Outlook Index of Companies in Chernihiv 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	0.0	-14.3	0.0	0.0	16.7
Total sales	0.0	-15.4	25.0	7.7	15.4
Investment in construction	-15.4	-7.1	11.1	-8.3	-23.1
Investment in machinery, equipment, and tools	-14.3	-7.1	0.0	-7.7	0.0
Staff numbers	-28.6	-28.6	-16.7	-30.8	-23.1

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

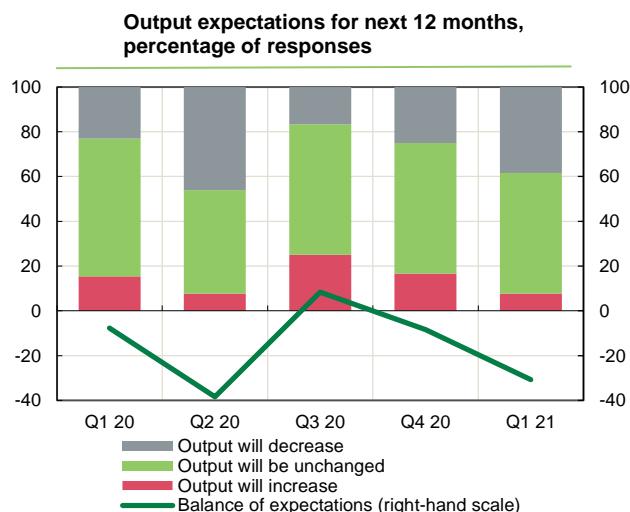


Figure 2

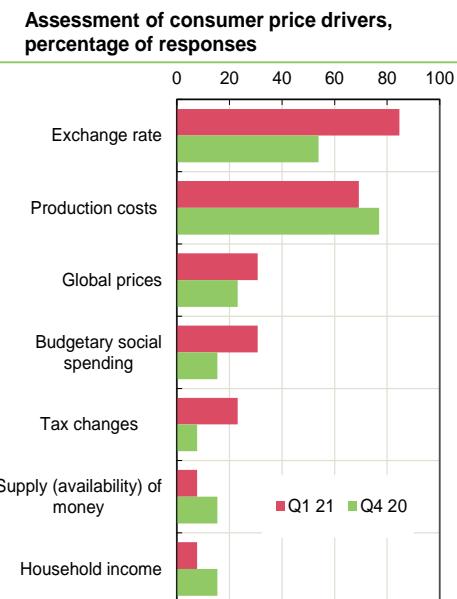


Figure 3

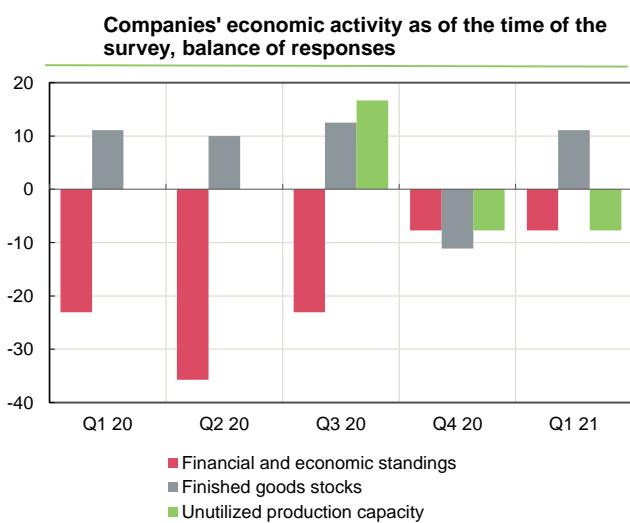


Figure 4

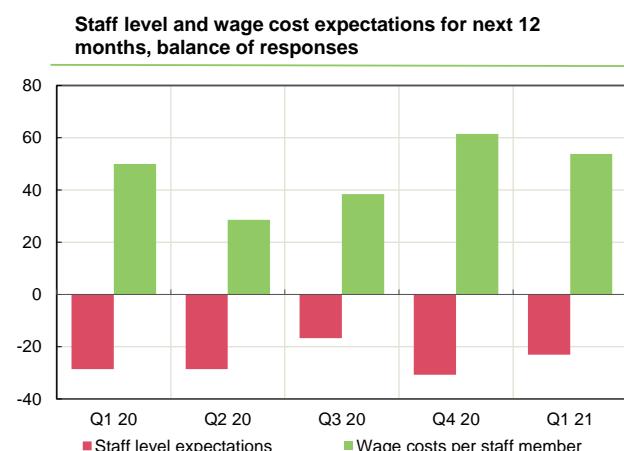


Figure 5

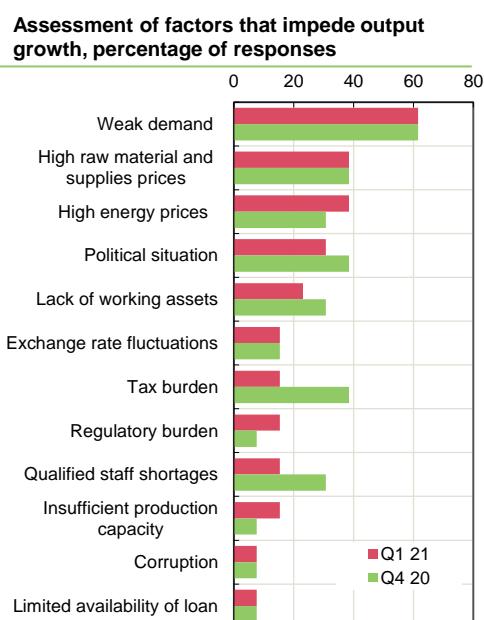


Figure 6

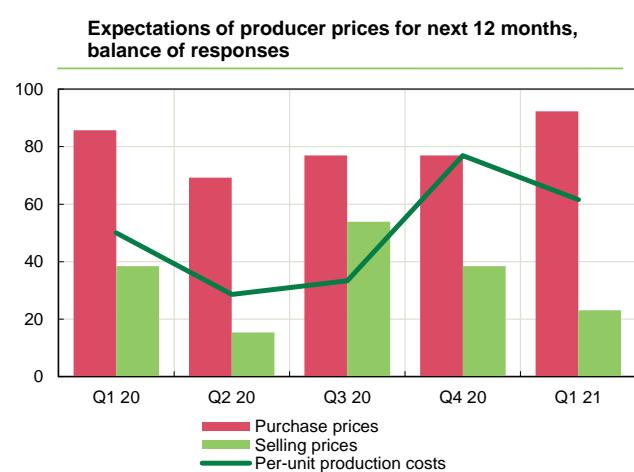


Figure 7

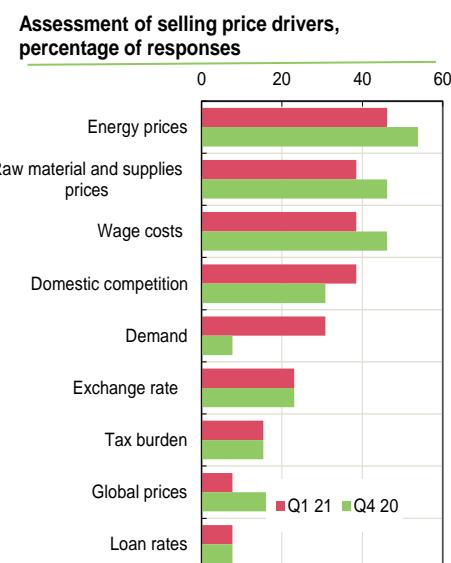


Figure 8

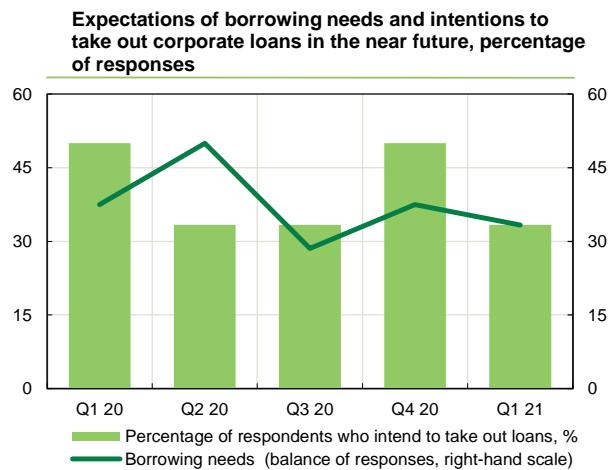


Figure 9

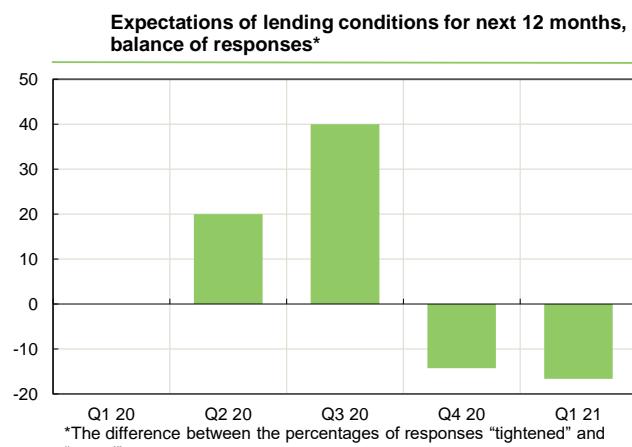


Figure 10

Assessment of factors that could deter companies from taking out loans, percentage of responses

