



National Bank
of Ukraine

Business Outlook Survey of **Kyiv and Kyiv Oblast***

Q2 2021



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

A survey of companies carried out in Kyiv and Kyiv oblast in Q2 2021 showed that respondents expected the output of Ukrainian goods and services to grow over the next 12 months. Respondents had positive expectations for the performance of their companies over this period. They also expected slower inflation and depreciation.

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

- **the output of Ukrainian goods and services would grow:** the balance of expectations was 19.5%, compared to 10.3% in Q1 2021 (Figure 1) and 15.9% across Ukraine. Respondents from energy and water supply companies had the most optimistic expectations (the balance of expectations was 50.0%)
- **prices for consumer goods and services would rise** at a slower pace: 55.6% of respondents expected that the inflation rate would not exceed 7.5%, compared to 48.3% in the previous quarter and 54.2% across Ukraine. Respondents referred to production costs and the exchange rate as the main inflation drivers (Figure 2)
- **the hryvnia would depreciate at a slower pace:** 67.5% of respondents (compared to 73.2% 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 improve:** the balance of expectations was 24.6% (compared to 19.7% in the previous quarter and 18.3% across Ukraine) (see Table). Respondents from transport companies had the highest expectations (the balance of responses was 30.3%). At the same time, respondents from construction, energy and water supply companies expected their financial and economic standings to remain unchanged
- **total sales would increase:** the balance of responses was 29.5%, compared to 24.4% in the previous quarter. Respondents also expected an increase in external sales (the balance of responses was 25.0%, compared to 15.6% in Q1 2021). Across Ukraine, the balances of responses were 21.0% for each
- **investment in construction and in machinery, equipment, and tools would increase:** the balances of responses were 6.8% and 17.8% respectively, compared to 2.1% and 10.9% in the previous quarter. Across Ukraine, the balances of responses were 6.4% and 16.9% respectively
- **staff numbers would increase:** the balance of responses was 8.2%, compared to 3.4% in Q1 2021. Across Ukraine, staff numbers were expected to decrease slightly, the balance of responses being (-1.0%) (Figure 4). Respondents from construction companies had the highest expectations (the balance of responses was 22.2%)
- **both purchase and selling prices would grow** at a fast pace: the balances of responses were 77.9% and 59.2% respectively (compared to 82.1% and 60.2% respectively in Q1 2021) (Figure 6). Respondents from energy and water supply companies had the highest expectations of a rise in selling prices (the balance of responses was 100.0%). Respondents cited raw material and supplies prices, the exchange rate and wage costs as the main selling price drivers
- **per-unit production costs and wage costs per staff member would increase:** the balances of responses were 49.7% and 58.5% respectively (compared to 41.7% and 54.4% respectively in Q1 2021) (Figures 4, 6).

Respondents referred to weak demand, the unstable political situation and the tax burden as the main drags on the ability of their companies to boost production (Figure 5). The impact of qualified staff shortages and high raw material and supplies prices was reported to have increased on the previous quarter.

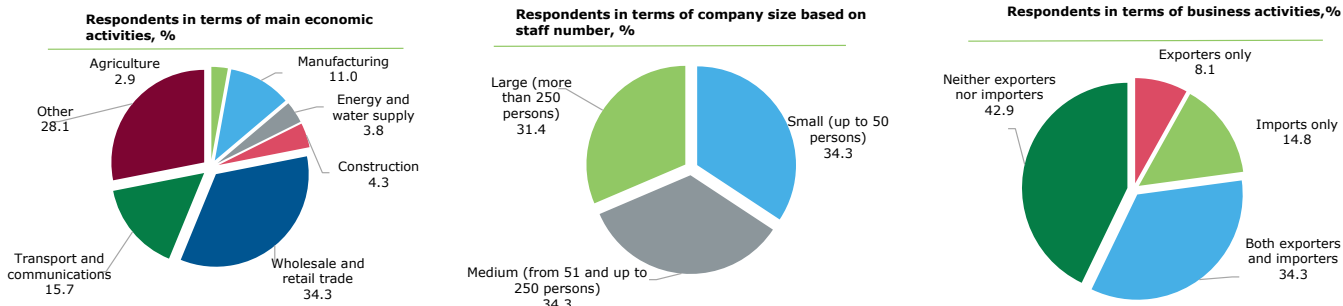
Respondents continued to expect an increase in their borrowing needs in the near future (Figure 9). The respondents who planned to take out loans (31.9% of those surveyed) usually opted for domestic currency ones. Respondents said that bank lending conditions had eased (Figure 10). Companies continued to refer to high interest rates as the main factor deterring them from taking out corporate loans (Figure 11).

A total of 97.1% 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)

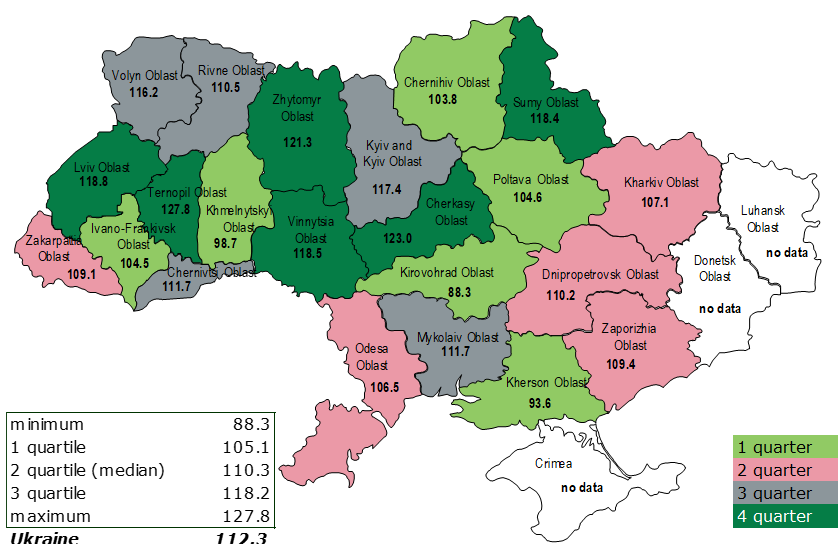
- **Companies assessed their current financial and economic standings as good:** the balance of responses was 13.5% (compared to 3.9% in Q1 2021). The best assessments were reported by respondents from agricultural companies. Across Ukraine, the balance of responses was 6.0%.
- **Finished goods stocks were assessed as higher than normal:** the balance of responses was 1.4%, compared to 1.3% in Q1 2021.
- **Spare production capacity had decreased. Companies said they would need additional production capacity to meet any unexpected rise in demand:** the balance of responses was (-1.0%), compared to 10.7% in Q1 2021.

Survey Details^{1,2}



- Period: 5 May through 2 June 2021.
- A total of 210 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, the manufacturing industry, energy and water supply, construction, trade, transport and communications, and other economic activities.

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
³**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 Kyiv and Kyiv 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	-1.0	9.9	11.1	19.7	24.6
Total sales	5.4	13.7	19.3	24.4	29.5
Investment in construction	-15.8	-4.9	-2.2	2.1	6.8
Investment in machinery, equipment, and tools	-9.2	9.2	6.5	10.9	17.8
Staff numbers	-17.3	-2.5	3.8	3.4	8.2

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

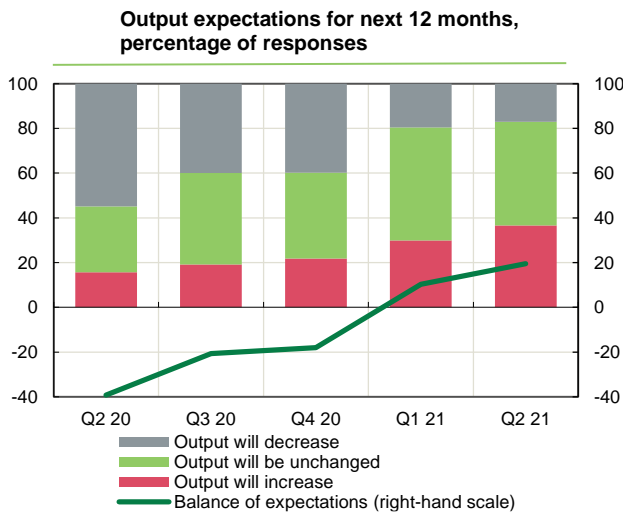


Figure 2

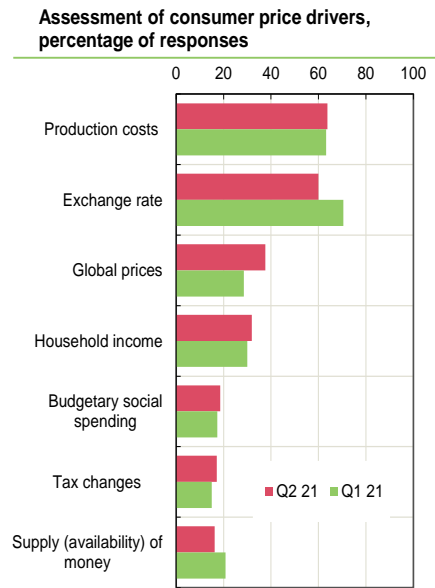


Figure 3

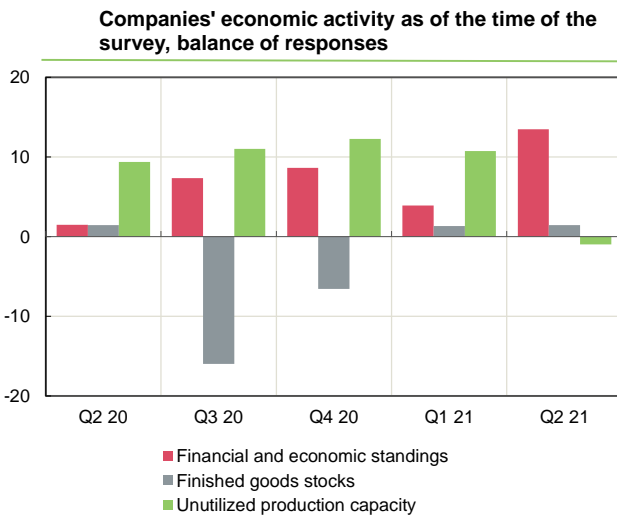


Figure 4

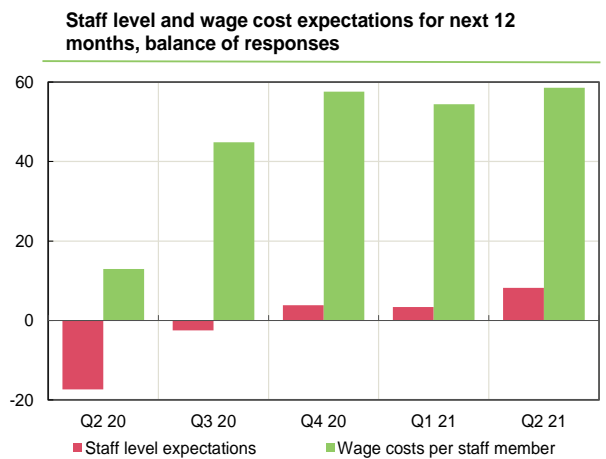


Figure 5

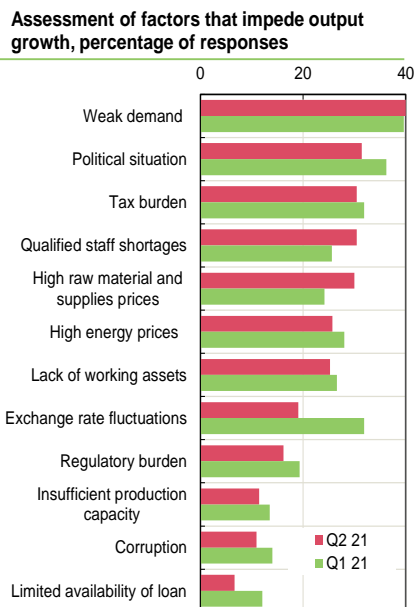


Figure 6

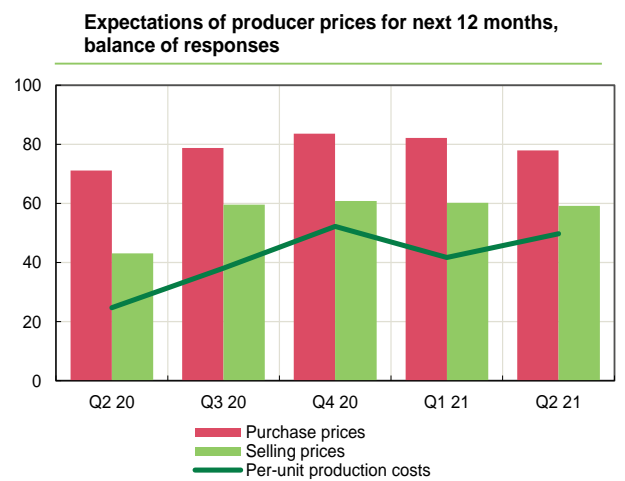


Figure 7

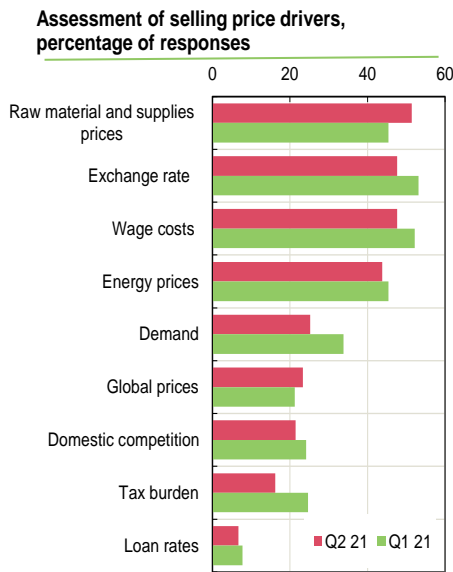


Figure 8

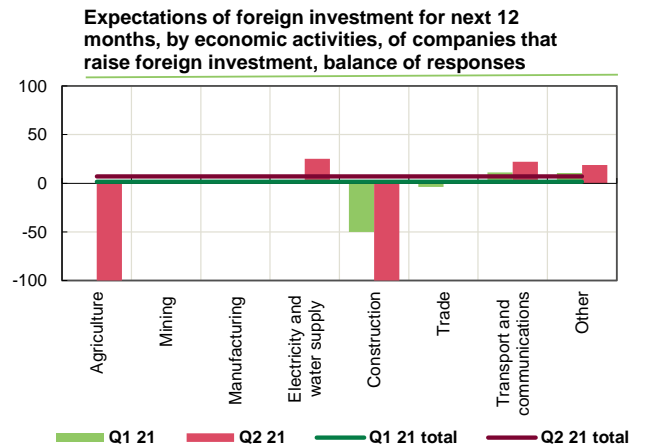


Figure 9

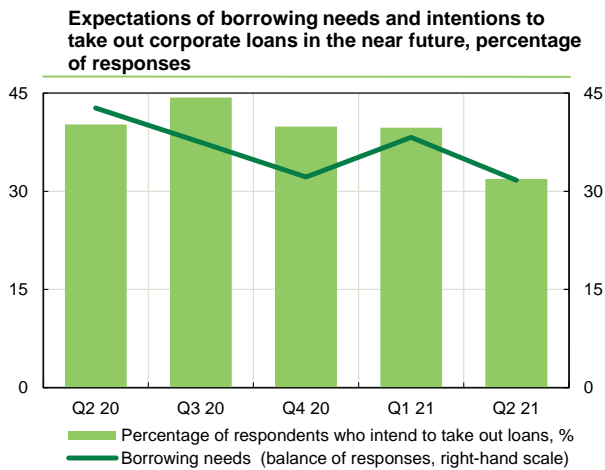


Figure 10

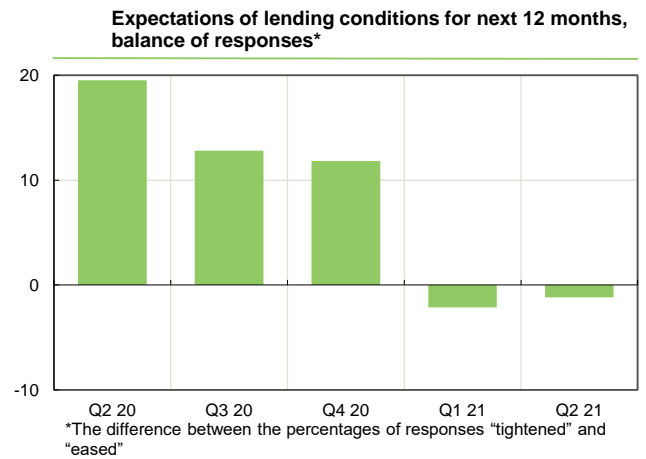


Figure 11

