National Bank of Ukraine

Business Outlook Survey **of Poltava Oblast***

Q2 2021

*This survey only reflects the opinions of respondents in Poltava 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 Poltava oblast in Q2 2021 showed that respondents expected that the output of Ukrainian goods and services would grow, while also reporting optimistic expectations for the performance of their companies over the next 12 months. Inflation expectations remained high. The domestic currency was expected to depreciate more slowly.

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

- **the output of Ukrainian goods and services would increase** at a fast pace: the balance of expectations was 35.0% compared with 17.5% in Q1 2021 and 15.9% across Ukraine (Figure 1)
- **prices for consumer goods and services would grow significantly:** 72.5% of respondents expected the inflation rate to be higher than 7.5% compared with 70.0% in the previous quarter and 45.8% across Ukraine. Respondents referred to production costs as **the main inflation driver** (Figure 2)
- **the domestic currency would depreciate more slowly:** a total of 60.0% of respondents (compared with 79.5% in the previous quarter) expected the hryvnia to weaken against the US dollar, with the figure across Ukraine being 63.6%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 16.7% (compared with 13.2% in Q1 2021). Across Ukraine, the balance of responses was 18.3% (see Table)
- **total sales of their own products would increase:** the balance of responses was 12.5% compared with 5.0% in the previous quarter (see Table). External sales were expected to decrease noticeably: the balance of responses was (-20.0%) compared with 0.0% in Q1 2021. Overall, companies across Ukraine expected sales to increase, the balances of responses being 21.0% for each
- **investment in machinery, equipment, and tools would increase:** the balance of responses was 12.5% (compared to 11.1% in Q1 2021). **Investment in construction was expected to decrease**: the balance of response was (-14.3%) compared to 0.0% in the previous quarter. Across Ukraine, investment was expected to increase, the balances of responses were 16.9% and 6.4% respectively
- **staff numbers at their companies would decrease** (such expectations have been reported for five quarters in a row): the balance of responses was (-2.6%) compared with (-5.1%) in Q1 2021 and (-1.0%) across Ukraine (Figure 4)
- **purchase prices would grow at a faster pace** (the balance of responses was 85.0%) **than selling prices** (the balance of responses was 50.0%) (compared with 92.3% and 52.5% respectively in Q1 2021) (Figure 6). Respondents referred to raw material, supplies, and energy prices and wage costs as the main selling price drivers (Figure 7)
- **per-unit production costs would grow at a fast pace**: the balance of responses was 44.7% compared with 35.9% in Q1 2021. At the same time, **wage costs per staff member were expected to increase at a slower pace:** the balance of responses was 31.6% compared with 62.5% in Q1 2021 (Figures 6 and 4)

Respondents referred to high raw material, supplies, and energy prices as **the main drags on the ability of their companies to boost production** (Figure 5).

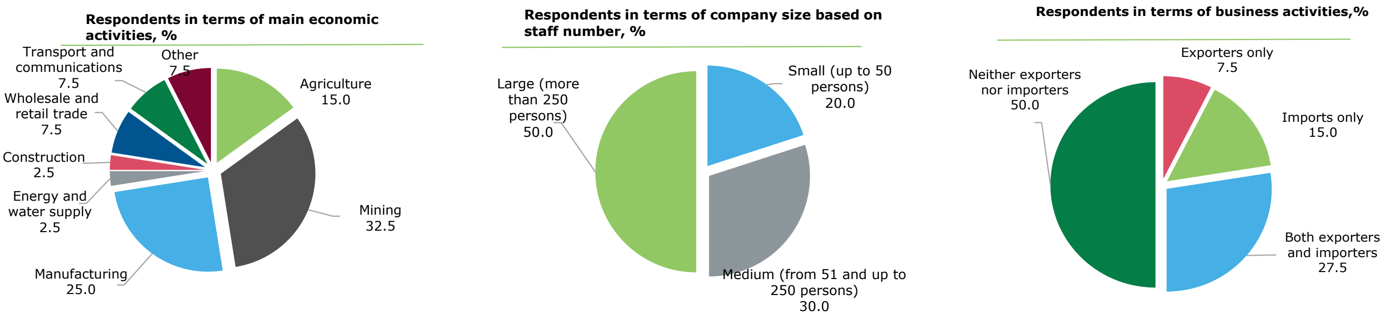
Respondents continued to expect **an increase in their borrowing needs** in the near future (Figure 8). 47.5% of the respondents planned to take out bank loans and opted for domestic currency loans. Lending conditions have eased (Figure 9). Respondents continued to refer to high interest rates as the main factor deterring them from taking out loans (Figure 10).

A total of 95.0% 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)

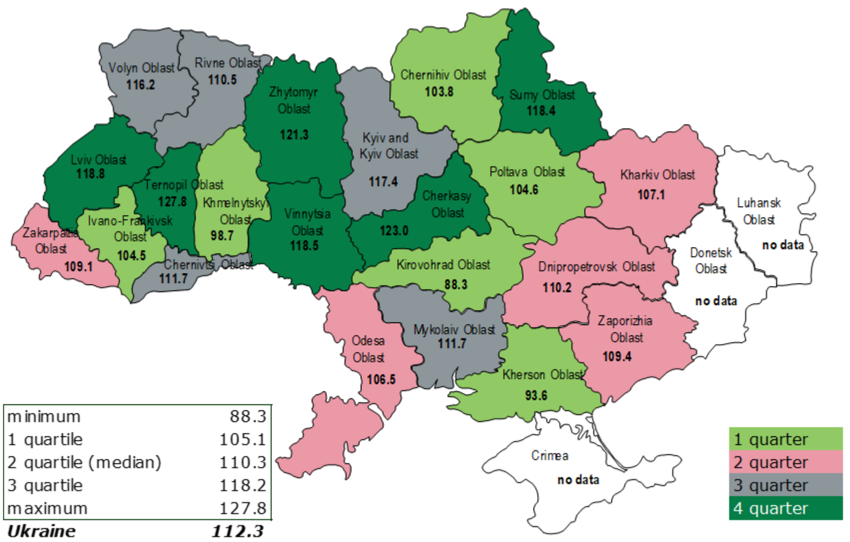
- **Companies have assessed their current financial and economic standings as bad** for five quarters in a row: the balance of responses was (-15.8%) ((-20.0%) in the previous quarter). Companies across Ukraine assessed their current financial and economic standings as good – 6.0%.
- **Finished goods stocks remained at a level lower than the normal one**: the balance of responses was (-25.0%) compared with (-33.3%) in Q1 2021.
- **Spare production capacity had decreased.** Companies were operating on the verge of their production capacity: the balance of responses was 0.0% compared with 5.3% in the previous quarter.

Survey Details[1,2]



- Period: 5 May through 1 June 2021.
- A total of 40 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, the mining and manufacturing industries.

Business Outlook Index for Next 12 Months in Terms of Oblasts[3], %



*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 Poltava 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	-16.7	2.5	0.0	13.2	16.7
Total sales	-11.6	5.0	2.4	5.0	12.5
Investment in construction	-32.6	5.1	-10.5	0.0	-14.3
Investment in machinery, equipment, and tools	-18.6	-2.6	5.3	11.1	10.5
Staff numbers	-13.6	-17.1	-20.0	-5.1	-2.6

[1] This sample was generated in proportion to the contribution of each region 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

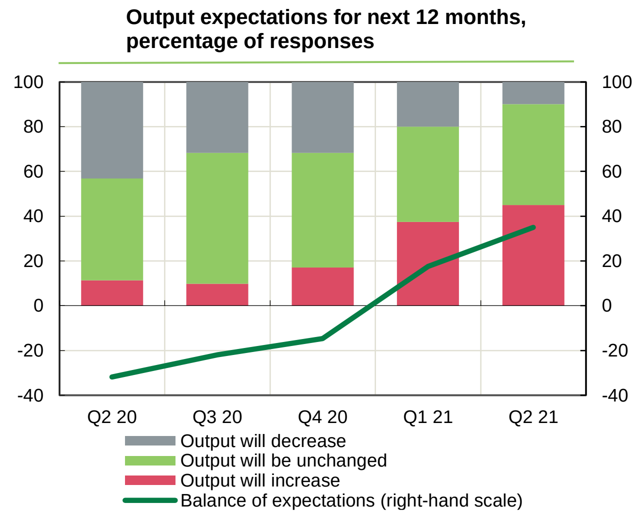


Figure 2

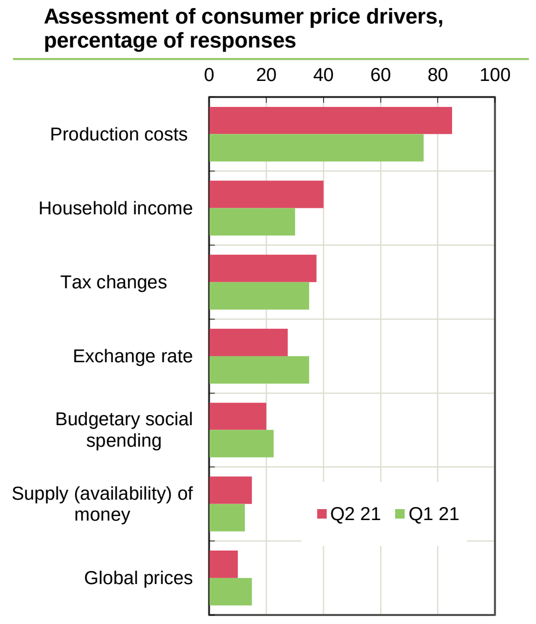


Figure 3

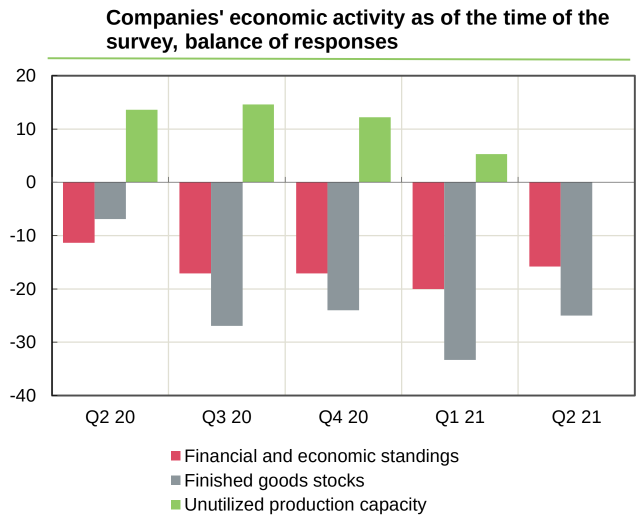


Figure 4

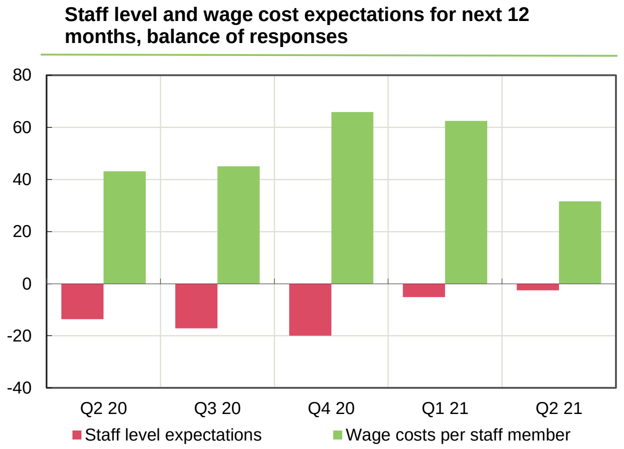


Figure 5

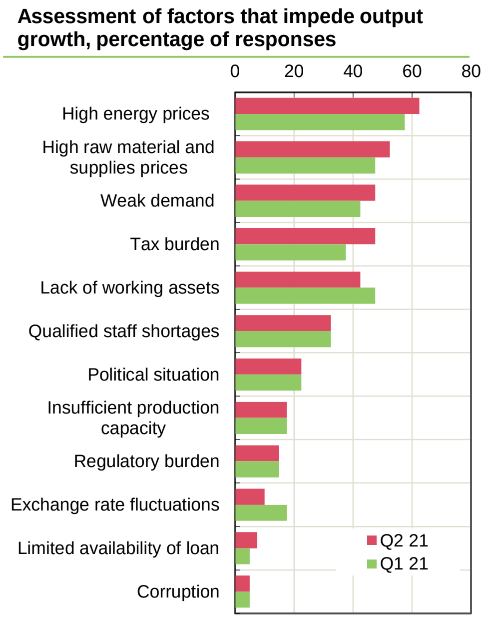


Figure 6

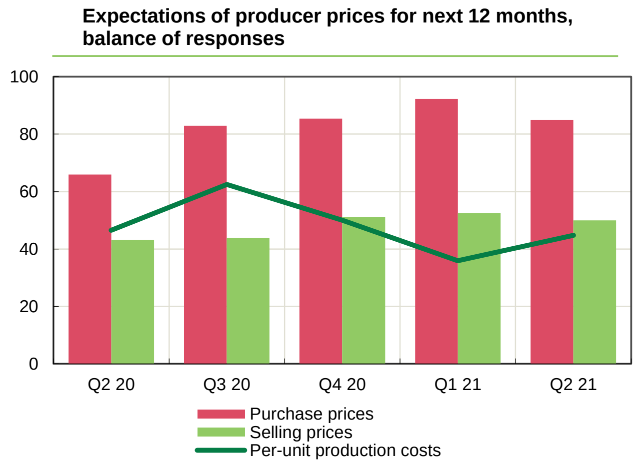


Figure 7

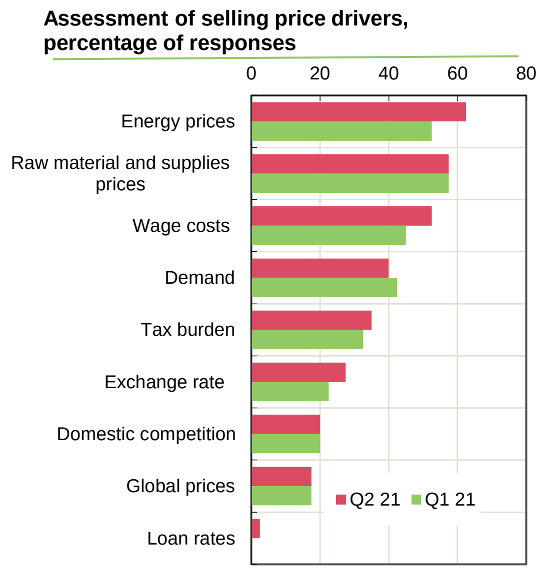


Figure 8

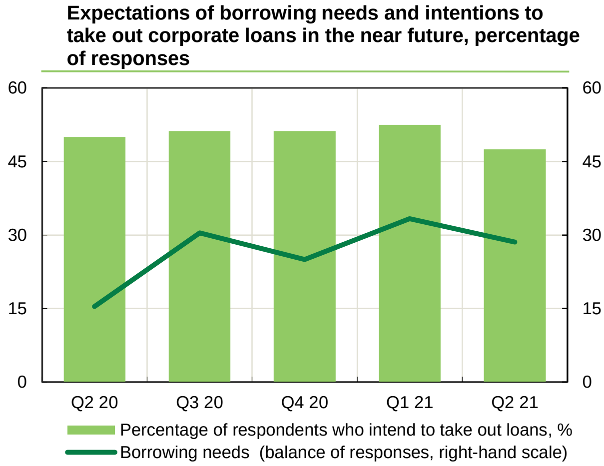
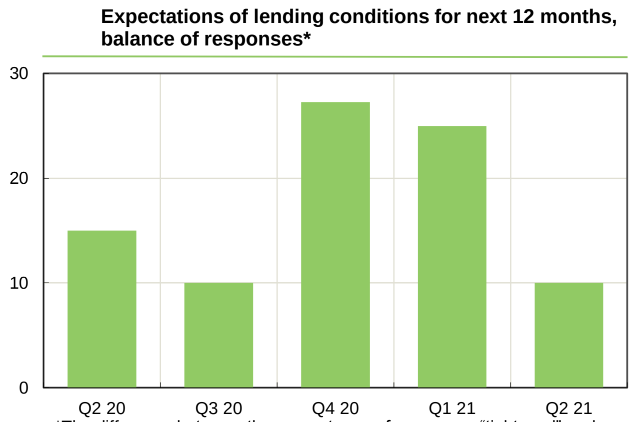


Figure 9



*The difference between the percentages of responses “tightened” and “eased”

Figure 10