



National Bank
of Ukraine

Business Outlook Survey of Odesa Oblast *

Q2 2021



*This survey only reflects the opinions of respondents in Odesa 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 Odesa oblast in Q2 2021 showed that respondents expected an increase in the output of Ukrainian goods and services over the next 12 months. Respondents had positive expectations for the performance of their companies over this period. Respondents also expected that prices would continue to rise, and that the hryvnia would depreciate significantly.

Company managers said they expected that over the next 12 months:

- **the output of Ukrainian goods and services would grow:** the balance of expectations was 15.8%, compared to (-21.1%) in Q1 2021 (Figure 1) and 15.9% across Ukraine. Respondents from companies engaged in other economic activities reported the most optimistic expectations – the balance of responses was 66.7%. At the same time, respondents from manufacturing companies expected a decline in the output of goods and services – the balance of responses was (-28.6%)
- **prices for consumer goods and services would rise:** over a half of respondents (52.6%) said that price growth would be higher than 7.5%, compared to 53.8% in the previous quarter and 45.8% across Ukraine. Respondents continued to refer to the hryvnia exchange rate and production costs as **the main inflation drivers** (Figure 2)
- **the hryvnia would depreciate significantly:** 71.1% of respondents (compared to 78.9% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 63.3%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 17.1% compared to 5.4% in the previous quarter and 18.3% across Ukraine (see Table). Respondents from companies engaged in other economic activities reported the most optimistic expectations (the balance of responses was 50.0%)
- **total sales would rise:** the balance of responses was 21.1%, compared to 7.7% in the previous quarter (see Table). External sales were also expected to increase: the balance of responses was 19.0%, compared to 22.7% in Q1 2021. Across Ukraine, the balances of responses were 21.0% for each
- **investment in machinery, equipment, and tools would increase:** the balance of responses was 8.1%, compared to 2.6% in the previous quarter. **Investment in construction was expected to decrease:** the balance of responses was (-2.9%), compared to (-8.1%) in Q1 2021. Companies across Ukraine expected investment to rise: the balances of responses were 16.9% and 6.4% respectively
- **staff numbers would decrease:** the balance of responses was (-10.8%), compared to (-23.7%) in Q1 2021. Companies across Ukraine expected that staff number would decrease slightly (-1.0%) (Figure 4)
- **purchase prices would rise at a faster pace** (the balance of responses was 89.5%) **than selling prices** (the balance of responses was 31.6%) (compared to 89.7% and 46.2% respectively in Q1 2021) (Figure 6). Respondents said that energy prices, the exchange rate, and raw material and supplies prices were the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would increase:** the balances of responses were 63.2% and 50.0% respectively, compared to 64.1% and 53.1% in Q1 2021 (Figures 4 and 6).

Companies named high energy, raw material and supplies prices, and the unstable political situation as the **main drags on their ability to boost production**. The impact of insufficient production capacity was reported to have increased significantly (Figure 5).

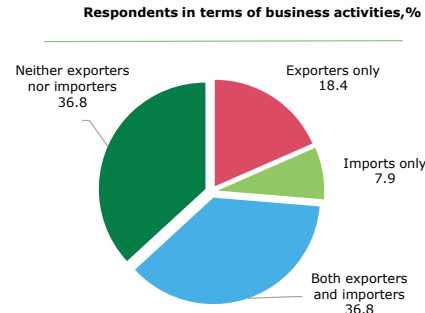
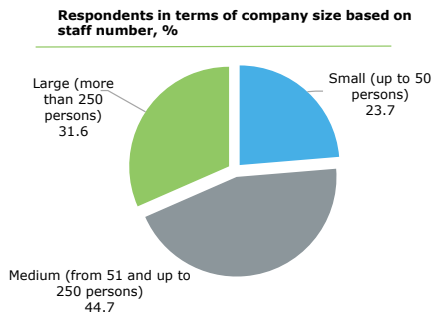
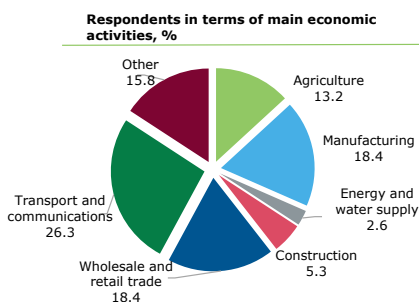
Respondents reported high expectations about **an increase in their borrowing needs** in the near future (Figure 8). The respondents who planned to take out bank loans usually opted for domestic currency loans. Respondents said that bank lending standards had tightened (Figure 9). They also referred to collateral requirements, high interest rates and complicated paperwork as the main factors deterring them from taking out loans (Figure 10).

A total of 97.3% of respondents in the oblast 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)

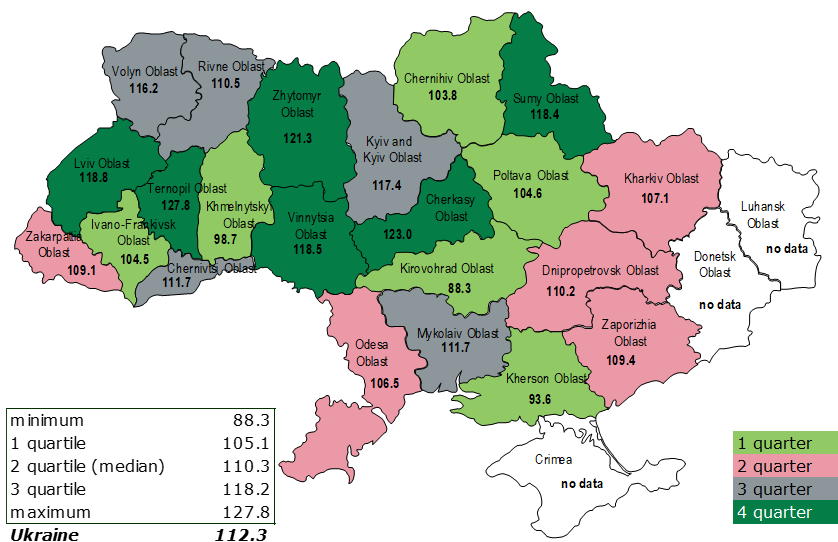
- **Companies had assessed their current financial and economic standings as bad** for five quarters in a row: the balance of responses was (-7.9%), compared to (-7.7%) in Q1 2021. Companies across Ukraine assessed their current financial and economic standings as good – the balance of responses was 6.0%.
- **Finished goods stocks remained below normal levels:** the balance of responses was (-7.7%), compared to (-33.3%) in Q1 2021.
- **Spare production capacity had decreased.** Companies said they would need additional capacity to meet any unexpected rise in demand: the balance of responses was 0.0%, compared to 13.2% in Q1 2021.

Survey Details^{1,2}



- Period: 5 May through 31 May 2021.
- A total of 38 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, manufacturing, trade, transport and communications, and other economic activities.

Business Outlook Index for Next 12 Months in Terms of Oblasts³, %



^aa 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 Odessa 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	-13.2	0.0	-15.8	5.4	17.1
Total sales	-21.1	-7.9	-28.2	7.7	21.1
Investment in construction	-10.8	-10.8	-11.1	-8.1	-2.9
Investment in machinery, equipment, and tools	8.3	0.0	0.0	2.6	8.1
Staff numbers	-18.9	-30.8	-41.0	-23.7	-10.8

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

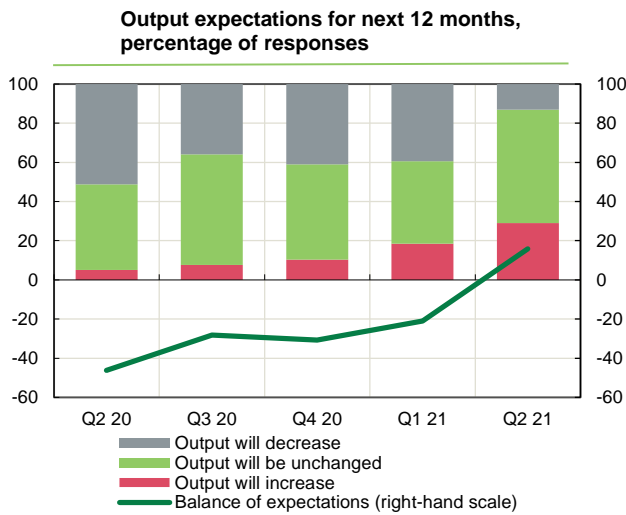


Figure 2

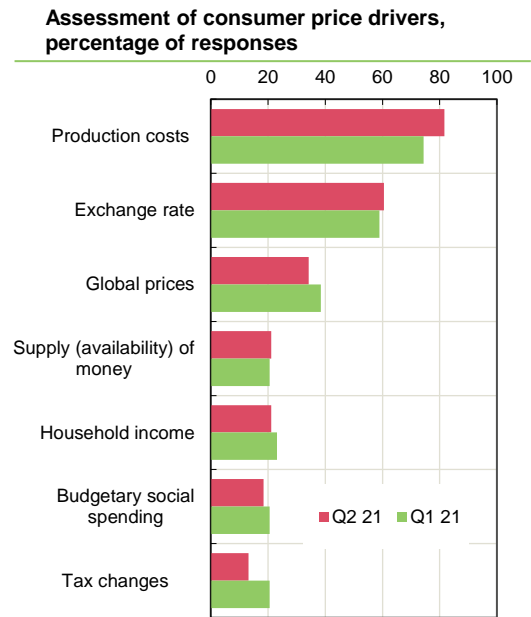


Figure 3

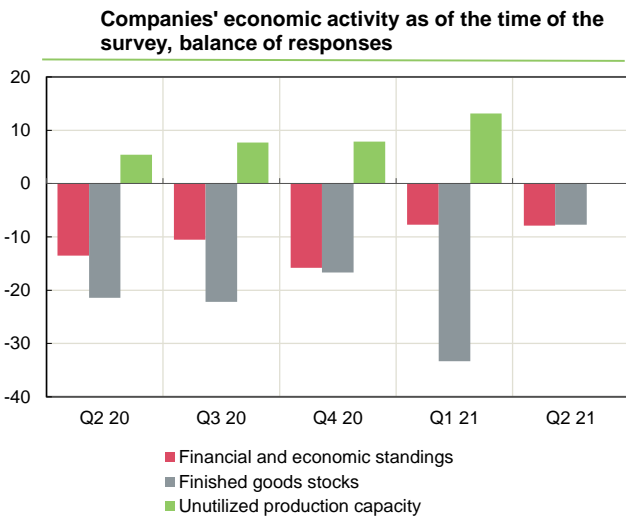


Figure 4

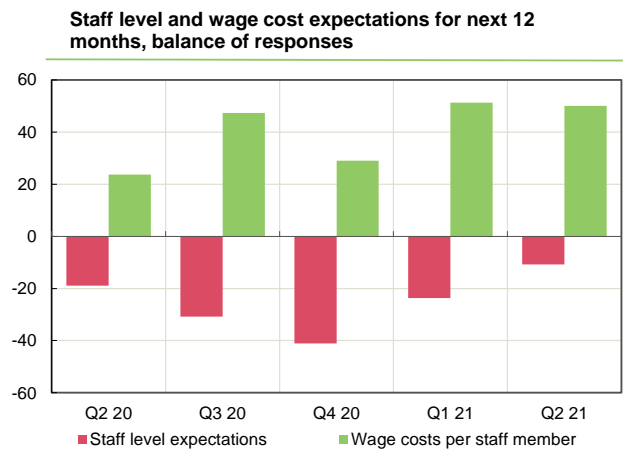


Figure 5

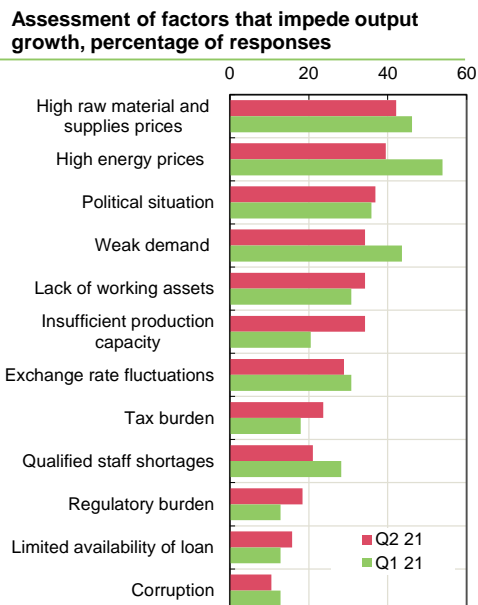


Figure 6

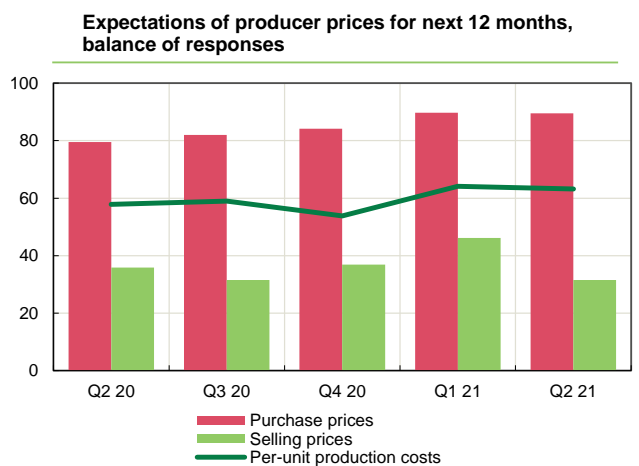


Figure 7

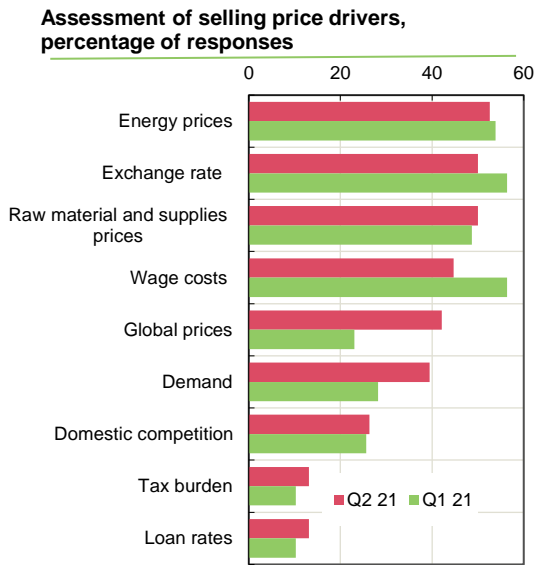


Figure 8

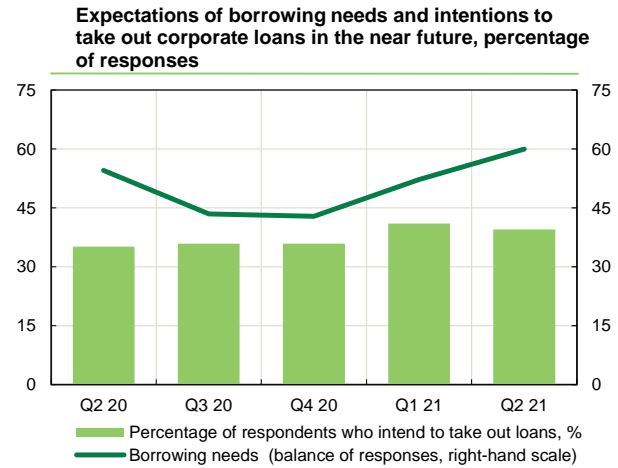


Figure 9

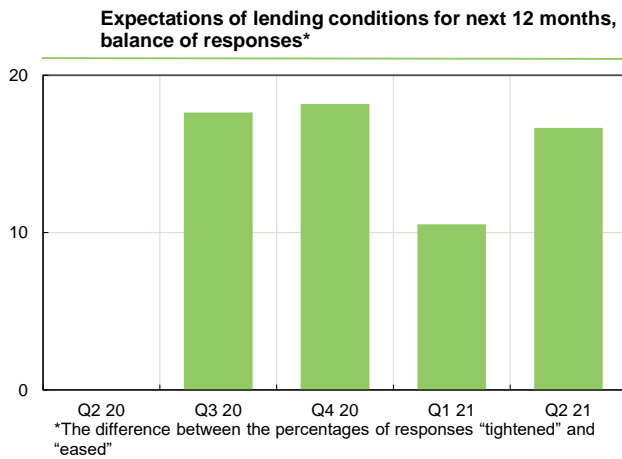


Figure 10

