



National Bank  
of Ukraine

# Business Outlook Survey of Kharkiv Oblast\*

Q2 2021



\*This survey only reflects the opinions of respondents in Kharkiv 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 Kharkiv oblast in Q2 2021 showed that respondents expected the output of Ukrainian goods and services to remain at the current level over the next 12 months. At the same time, respondents had positive expectations for the performance of their companies. Respondents expected inflation and depreciation to remain high.

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

- **the output of Ukrainian goods and services would remain unchanged:** the balance of expectations was 0.0% compared with 6.3% in Q1 2021 (Figure 1). Companies across Ukraine expected an increase in the output of their goods and services (15.9%). Respondents from trading companies and companies engaged in other economic activities had the most optimistic expectations, with a balance of responses of 28.6% for each. At the same time, respondents from the manufacturing industry expected a decrease in output (-36.4%)
- **prices for consumer goods and services would continue to rise:** 54.2% of respondents expected the inflation rate to be higher than 7.5% compared with 54.2% in the previous quarter and 47.9% across Ukraine. Respondents referred to production costs and the exchange rate as **the main inflation drivers** (Figure 2)
- **the domestic currency would continue to depreciate:** 66.7% of respondents (compared with 60.4% 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** (such expectation were reported for the first time since Q2 2020): the balance of expectations was 8.3% compared with (-4.2%) in Q1 2021. At the same time, respondents from the mining industry had pessimistic expectations (-33.3%). The figure across Ukraine was 18.3% (see Table)
- **total sales would grow more quickly:** the balance of responses was 20.4% compared with 4.1% in Q1 2021. External sales were also expected to grow rapidly (the balance of responses was 23.5% compared with 11.1% in Q1 2021) (see Table). 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 8.7% and 13.0% respectively compared with (-6.5%) and 15.2% in Q1 2021. Overall, across Ukraine, the balances of responses were 6.4% and 16.9% respectively (see Table)
- **staff numbers at their companies would decrease:** the balance of responses was (-14.9%) compared with 0.0% in Q1 2021. Across Ukraine, staff numbers were expected to decrease slightly, the balance of responses being (-1.0%) (Figure 4)
- **both purchase and selling prices would grow at a fast pace:** the balances of responses were 91.8% and 59.2% respectively (compared with 91.7% and 58.3% in Q1 2021). Respondents from manufacturing and transportation companies had the highest expectations of a rise in selling prices (Figure 6). Raw material and supplies prices and energy prices were referred to as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would increase:** the balances of responses were 69.6% and 55.3% respectively (compared to 59.6% and 58.3% in Q1 2021) (Figures 4 and 6).

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

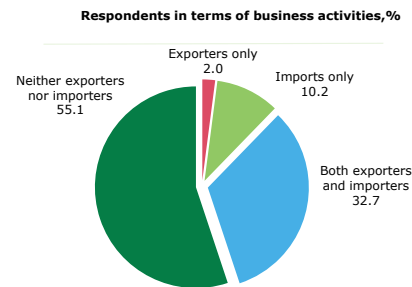
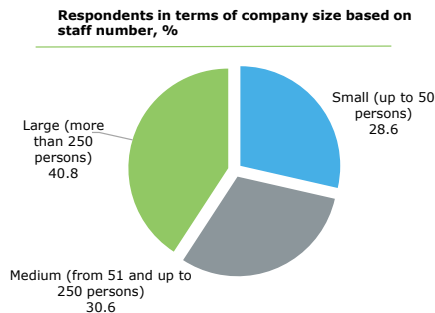
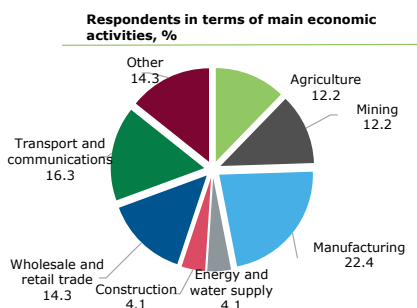
**Respondents expected an increase in their borrowing needs** in the near future (Figure 8). The vast majority of respondents who planned to take out corporate loans opted for domestic currency ones. Respondents said that lending standards had tightened (Figure 9). High loan rates were cited as the main factor deterring companies from taking out corporate loans (Figure 10).

**A total of 97.8% 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)

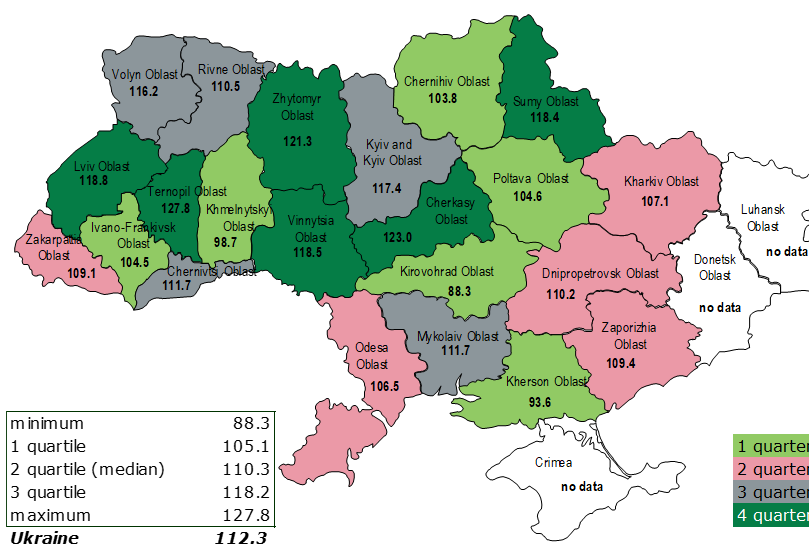
- **Companies' current financial and economic standings had improved and were assessed as satisfactory:** the balance of responses was 0.0% compared with (-6.1%) in the previous quarter. Companies across Ukraine assessed their financial and economic standings as good (6.0%).
- **Finished goods stocks** were assessed as being **at normal levels:** the balance of responses was 0.0% compared with (-8.3%) in Q1 2021.
- **Companies in the oblast had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 19.6% compared to 11.1% in the previous quarter.

Survey Details<sup>1,2</sup>



- Period: 6 May through 2 June 2021.
- A total of 49 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, mining, manufacturing, trade, transport and communications, and other economic activities.

Business Outlook Index for Next 12 Months in Terms of Oblasts<sup>3</sup>, %



<sup>3</sup>a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups

<sup>3</sup>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 Kharkiv 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	0.0	-4.1	-4.0	-4.2	8.3
Total sales	-2.0	4.1	11.8	4.1	20.4
Investment in construction	-16.0	6.3	-9.8	-6.5	8.7
Investment in machinery, equipment, and tools	-8.0	25.0	2.0	15.2	13.0
Staff numbers	-13.7	0.0	-13.7	0.0	-14.9

<sup>1</sup> This sample was generated in proportion to the contribution of each oblast and each economic activity to Ukraine's gross value added.

<sup>2</sup> Data for totals and components may be subject to rounding effects.

<sup>3</sup> 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

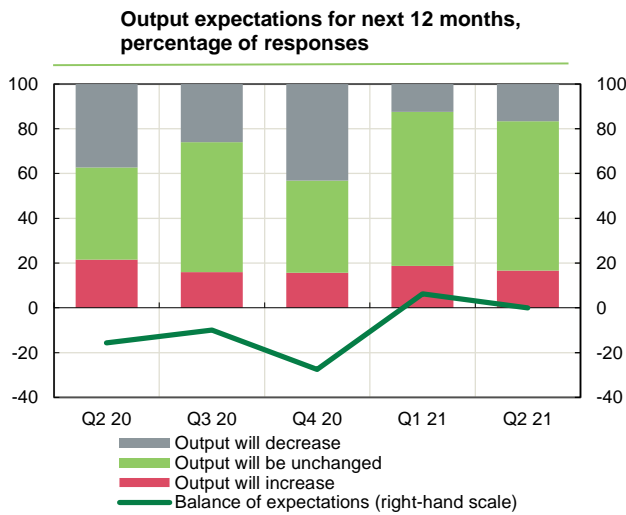


Figure 2

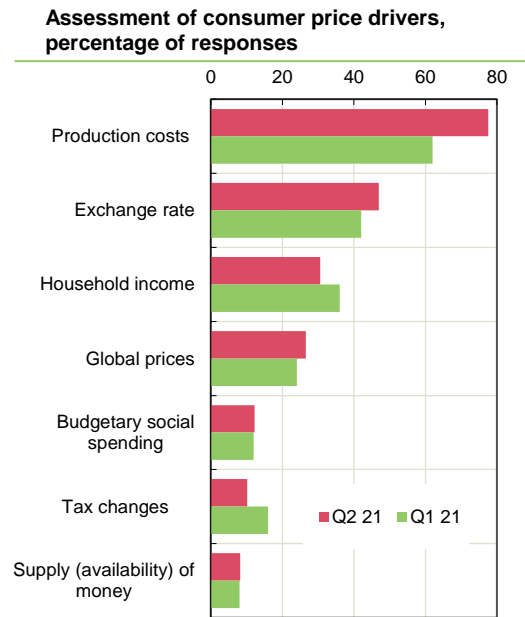


Figure 3

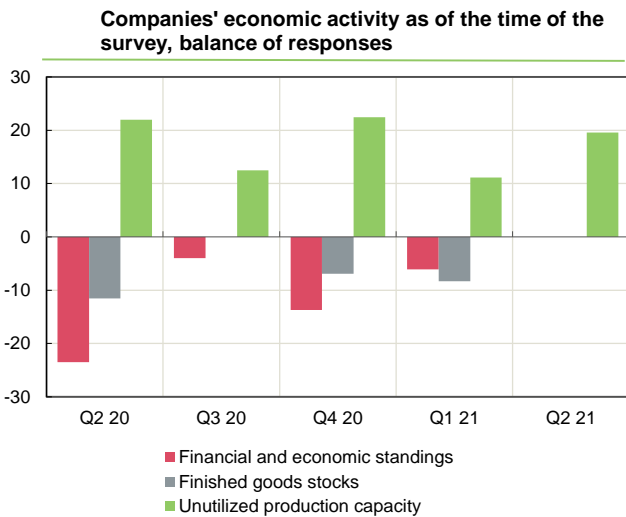


Figure 4

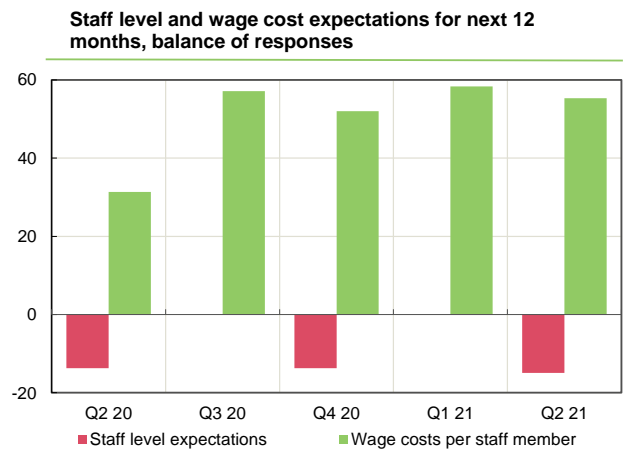


Figure 5

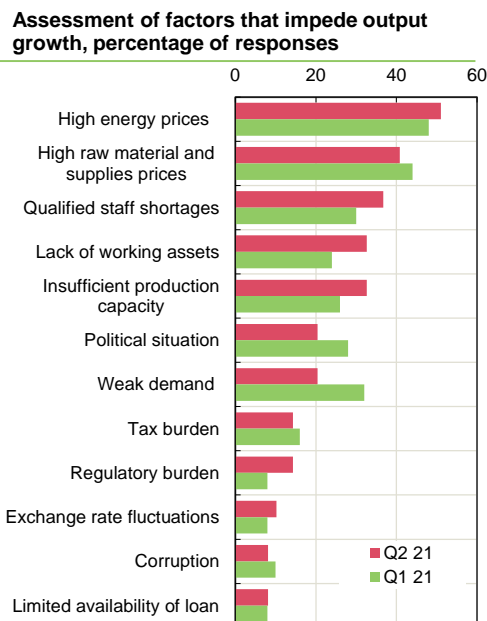


Figure 6

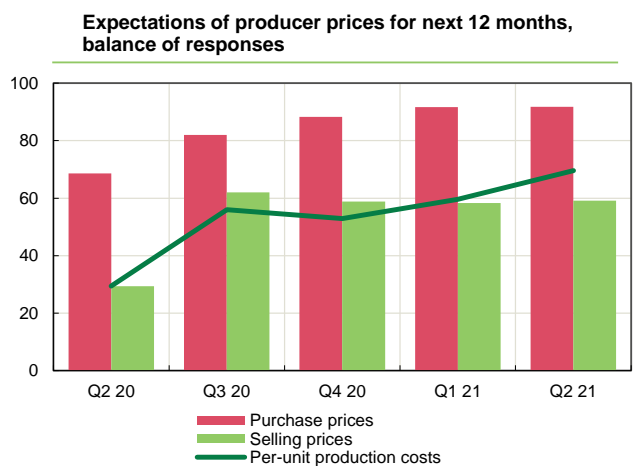


Figure 7

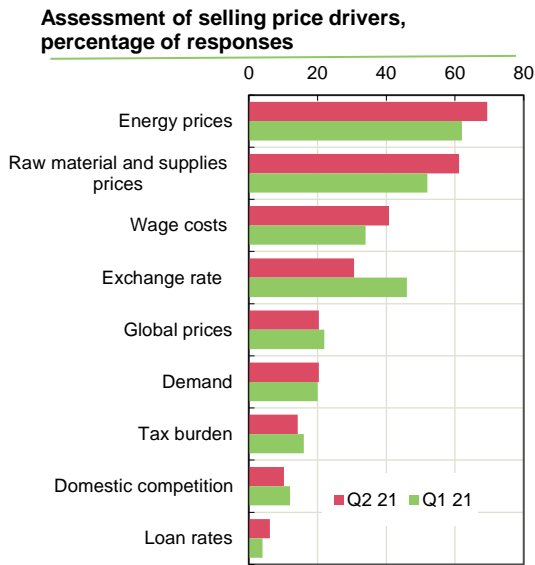


Figure 8

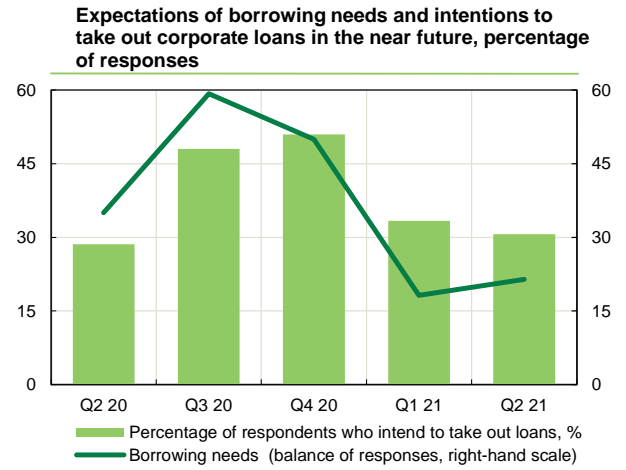


Figure 9

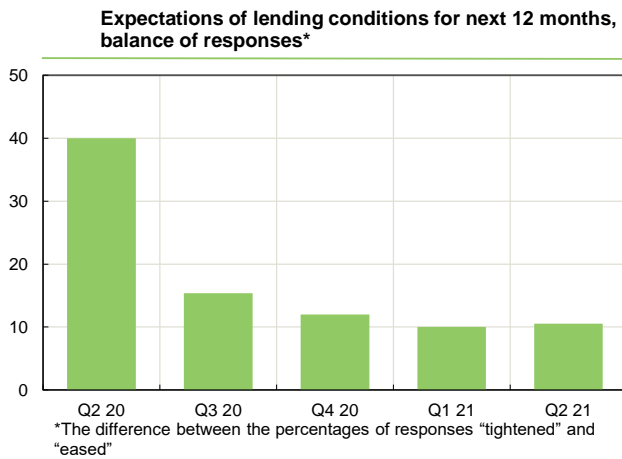


Figure 10

