



National Bank
of Ukraine

Business Outlook Survey of Chernivtsi Oblast*

Q2 2021



*This survey only reflects the opinions of respondents in Chernivtsi 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 Chernivtsi oblast in Q2 2021 showed that respondents expected that the output of Ukrainian goods and services would increase. They also had positive expectations for the performance of their companies over the next 12 months. Respondents reported higher inflation expectations, while reporting weaker depreciation expectations.

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

- **the output of Ukrainian goods and services would increase** (such expectations were reported for the first time in the last 12 months): the balance of expectations was 9.1%, compared with (-10.0%) in Q1 2021 and 15.9% across Ukraine (Figure 1)
- **prices for consumer goods and services would continue to grow:** a total of 63.6% of respondents expected that inflation would not exceed 7.5%, compared with 72.7% in the previous quarter and 54.2% across Ukraine. Respondents referred to production costs and the exchange rate as the main inflation drivers. Respondents also reported an increase in the impact of household income compared to the previous survey (Figure 2)
- **the domestic currency would depreciate significantly more slowly:** 36.4% of respondents (the lowest depreciation expectations among the regions) (compared with 54.5% 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 18.2%, unchanged on the previous quarter, and compared to 18.3% across Ukraine (see Table)
- **total sales would increase:** the balance of responses was 18.2%, compared with 18.2% in Q1 2021 and 21.0% across Ukraine (see Table)
- **both investment in construction and in machinery, equipment, and tools would increase:** the balances of responses were 22.2% and 40.0%, compared to (-10.0%) and 11.1% in the previous quarter. The balances of responses across Ukraine were 6.4% and 16.9% respectively
- **staff numbers would decrease significantly:** the balance of responses was (-40.0%) (the lowest figure among regions), compared to (-18.2%) in Q1 2021 and (-1.0%) across Ukraine (Figure 4)
- **purchase and selling prices would continue to grow:** the balances of responses were 72.7% and 54.5% respectively (as in Q1 2021) (Figure 6). Energy prices, together with raw material and supplies prices, were referred to as the main selling price drivers. The impact of wage costs was also reported to have increased (Figure 7)
- **per-unit production costs and wage costs per staff member would grow more slowly:** the balances of responses were 45.5% and 63.6% respectively, compared with 55.6% and 72.7% in Q1 2021 (Figures 4 and 6).

Respondents referred to high energy prices and the tax burden as the main drags on the ability of their companies to boost production (Figure 5).

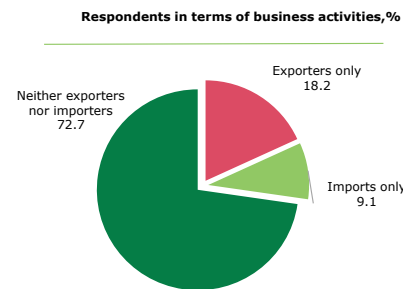
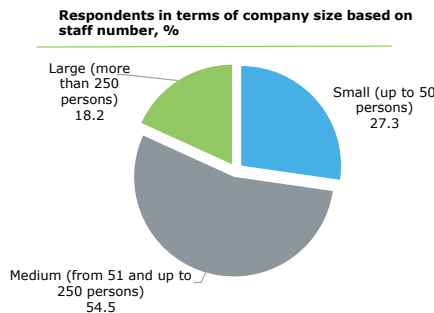
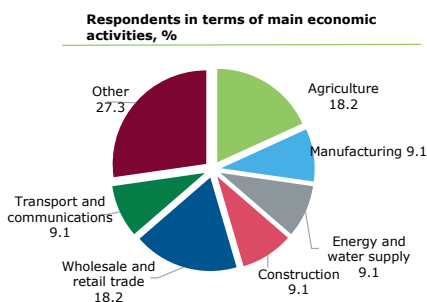
Companies planned to take out only hryvnia loans. Other funding sources were cited as the main factor deterring them from taking out loans. The impact of high loan interest rates was also assessed as high (Figure 9).

All of the 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)

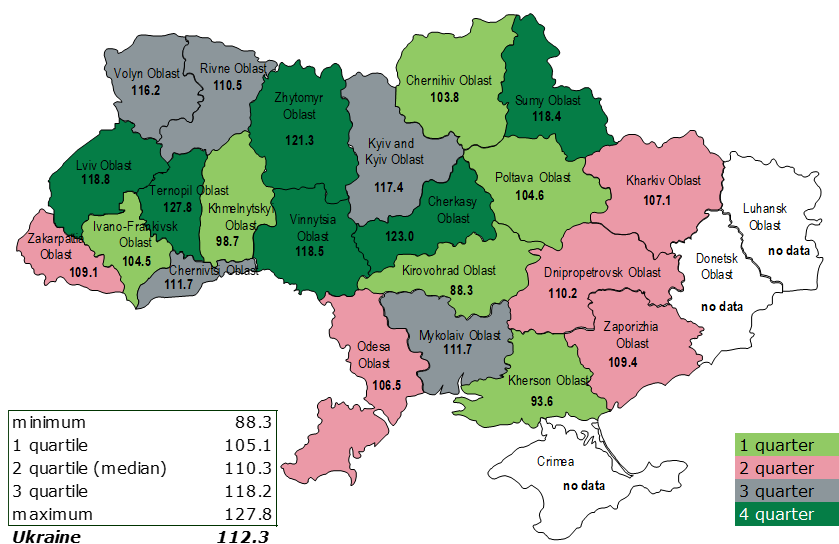
- **The current financial and economic standings of companies** were assessed as good: the balance of responses was 18.2%, compared with 9.1% in the previous quarter. Across Ukraine, the balance of responses was 6.0%.
- **Finished goods stocks had decreased and were assessed as lower than normal:** the balance of responses was (-33.3%), compared with 0.0% in Q1 2021
- **Companies had sufficient unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 44.4%, compared to 30.0% in Q1 2021.

Survey Details^{1,2}



- Period: 5 May through 26 May 2021.
- A total of 11 companies were polled.
- No economic activity was able to generate a representative sample.

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
^{**}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 Chernivtsi 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	9.1	9.1	18.2	18.2
Total sales	-27.3	9.1	-18.2	18.2	18.2
Investment in construction	-10.0	0.0	0.0	-10.0	22.2
Investment in machinery, equipment, and tools	-20.0	-10.0	0.0	11.1	40.0
Staff numbers	-9.1	-10.0	-18.2	-18.2	-40.0

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

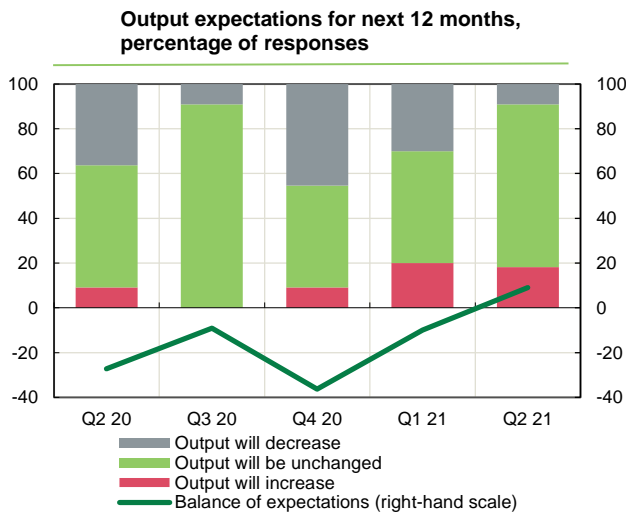


Figure 2

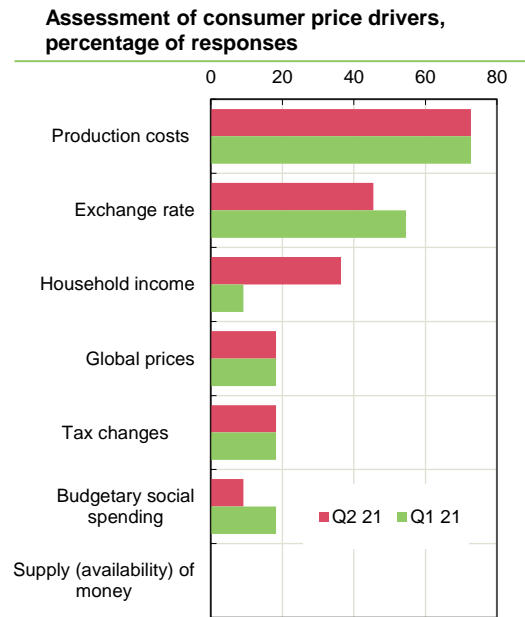


Figure 3

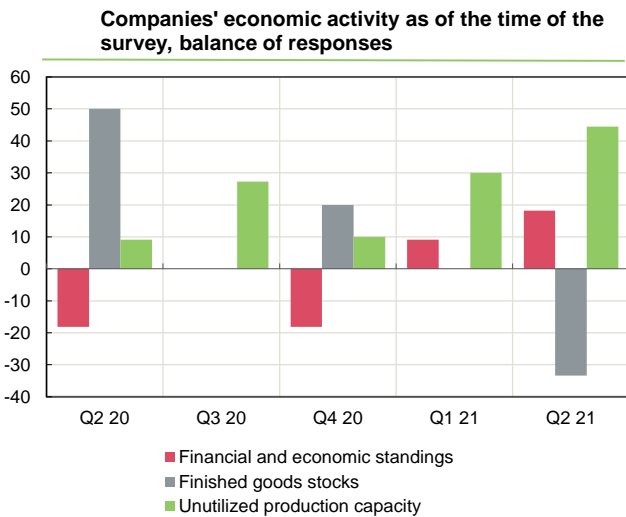


Figure 4

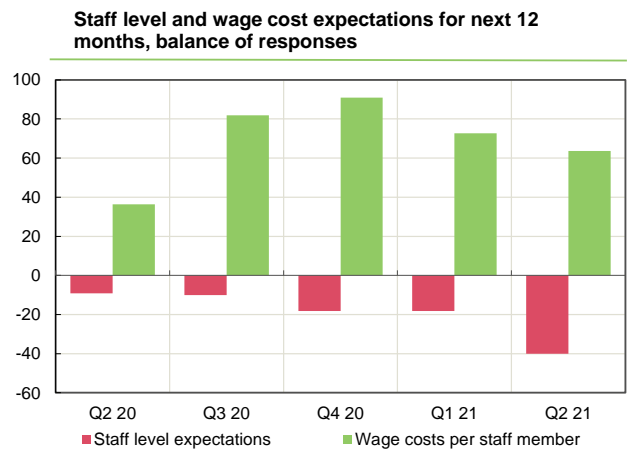


Figure 5

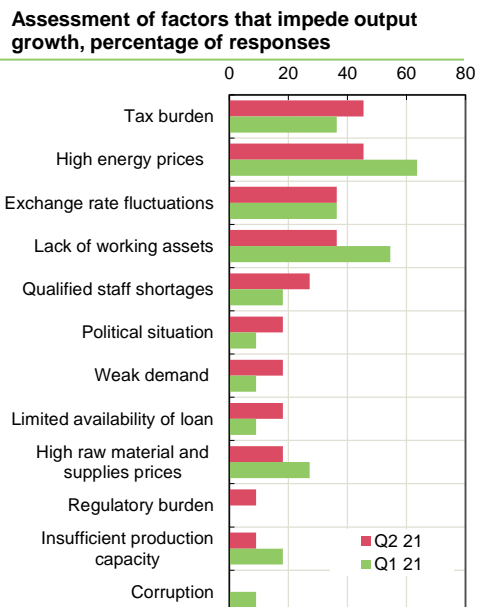


Figure 6

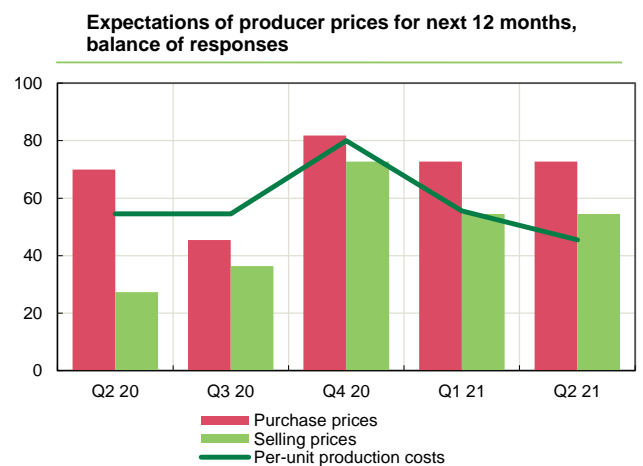


Figure 7

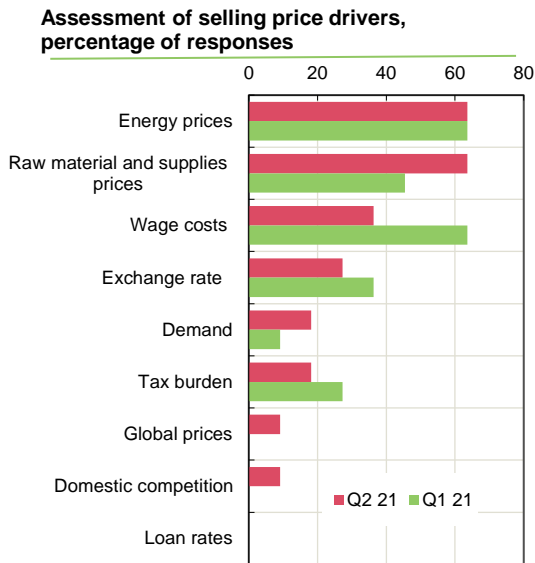


Figure 8

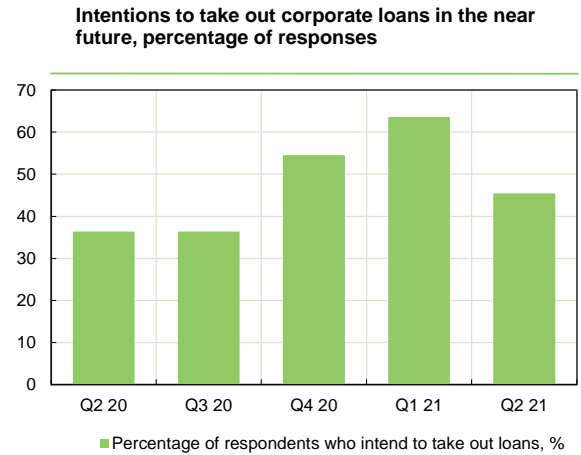


Figure 9

