



National Bank
of Ukraine

Business Outlook Survey of Vinnytsia Oblast*

Q2 2020

This survey was conducted after the government announced it would relax the quarantine



*This survey only reflects the opinions of respondents in Vinnytsia oblast (top managers of companies) who were polled in Q2 2020, and does not represent NBU forecasts or estimates

A survey of companies carried out in **Vinnytsia oblast** in Q2 2020 showed that respondents expected a drop in the output of Ukrainian goods and services over the next 12 months on the back of the quarantine. They were optimistic about the future performance of their companies over that period. Respondents expected that prices would rise and that the domestic currency would depreciate further.¹

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

- **the output of Ukrainian goods and services would drop significantly:** the balance of expectations was (-33.3%) compared with 23.8% in Q1 2020 and (-34.1%) across Ukraine (Figure 1). Respondents from agricultural companies had the most pessimistic expectations (the balance of responses was (-62.5%)). At the same time, manufacturing companies expected that growth in the output of Ukrainian goods and services would speed up
- **prices for consumer goods and services would rise:** 52.4% of the respondents expected that the inflation rate would be higher than 7.5% (compared with 45.1% across Ukraine). Respondents referred to production costs as **the main inflation driver** (90.5% of responses) (Figure 2)
- **the domestic currency would continue to depreciate:** 61.9% of respondents (compared to 60.0% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 68.2%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 20.0% (compared with 15.0% in the previous quarter). This was one of the best assessments across the regions (see Table). Respondents from agricultural companies had the most optimistic expectations. Companies across Ukraine expected a deterioration in their financial and economic standings (-1.8%) (see Table)
- **total sales would decrease:** the balance of responses was (-10.5%) compared with 33.3% in the previous quarter (see Table). External sales were expected to remain unchanged: the balance of responses was 0.0% compared with 25.0% in Q1 2020. Overall, companies across Ukraine expected sales to decrease slightly, the balances of responses being (-0.1%) and (-0.7)% respectively
- **investment in construction and in machinery, equipment and tools would decrease:** the balances of responses were (-10.0%) and (-14.3%) respectively compared with 10.0% and 28.6% in the previous quarter. Across Ukraine, the balances of responses were (-16.1%) and (-10.5%) respectively
- **staff numbers at their companies would drop:** the balance of responses was (-19.0%) compared with 0.0% in the previous quarter and (-17.3%) across Ukraine (Figure 4)
- **purchase prices would rise at a faster pace** (the balance of responses was 95.2% compared with 85.7% in the previous quarter) than selling prices (the balance of responses was 61.9%, unchanged on the previous quarter) (Figure 6). A total of 76.2% of respondents cited raw material and supplies prices as the main source of selling price growth (Figure 7)
- **the growth in per-unit production costs and wage costs per staff member would decelerate significantly:** the balances of responses were 47.1% and 33.3% respectively compared with 71.4% and 76.2% in Q1 2020 (Figures 4 and 6)

High raw material and supplies prices **were cited as the main drags on the ability of companies to boost production** (by 66.7% of respondents). Respondents also reported a noticeable decrease in the impact of the tax burden (Figure 5).

Respondents expected a significant increase in their borrowing needs in the near future (Figure 8). The companies that planned to take out corporate loans opted only for domestic currency loans. Respondents said that lending standards had tightened (Figure 9). Companies cited **high loan rates as the main factor that deterred them from taking out loans** (Figure 10).

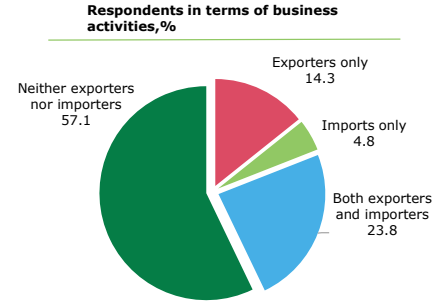
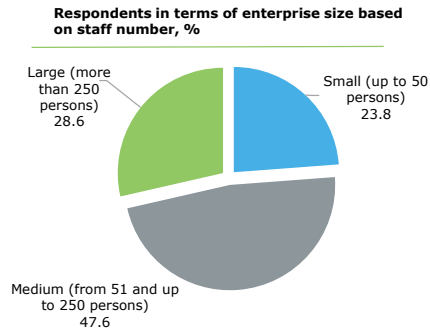
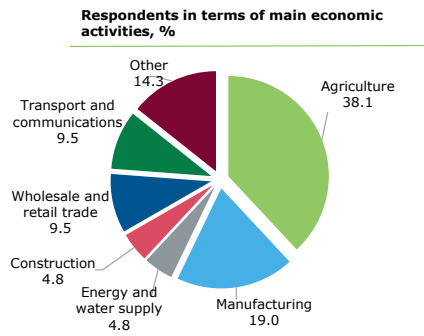
All respondents said that they **had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.5% across Ukraine).

Assessments of financial and economic standings as of the time of the survey (Figure 3)

- **Respondents assessed their current financial and economic standings as satisfactory:** the balance of responses was 0.0% compared with 19.0% in Q1 2020. Across Ukraine, the current financial and economic standings of companies were assessed as bad, the balance of responses being (-11.6%).
- **Stocks of finished goods had remained at a level lower than the normal one:** the balance of responses was (-15.4%) (compared to (-7.7%) in Q1 2020).
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 19.0% (compared with 14.3% in Q1 2020).

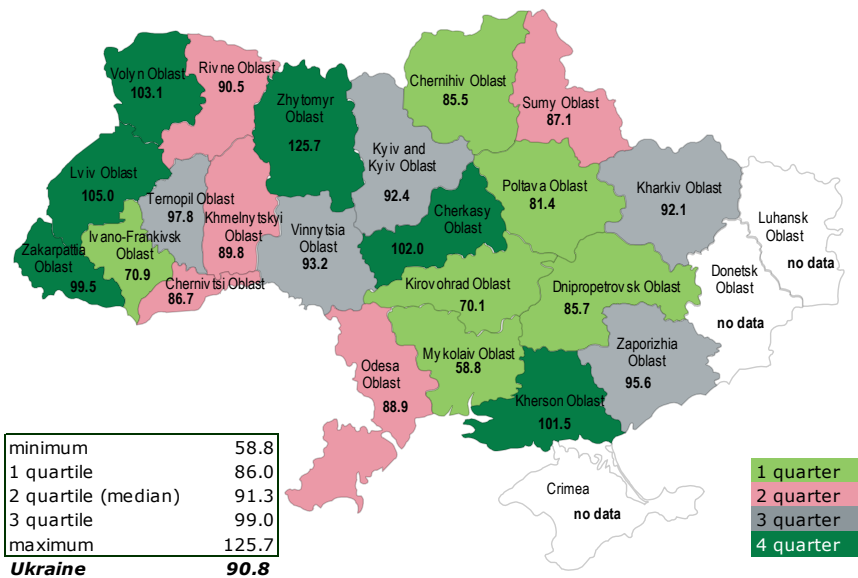
¹ This survey was conducted after the government announced it would relax the quarantine.

Survey Details^{2,3}



- Period: 5 May through 2 June 2020.
- A total of 21 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture and the manufacturing industry.

Business Outlook Index for Next 12 Months in Terms of Oblasts⁴, %



*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 sample where the sample is divided into two equal-sized subgroups

Table. The Business Outlook Index of Companies in Vinnytsia Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
Financial and economic standings	25.0	15.8	23.8	15.0	20.0
Total sales	45.5	35.0	20.0	33.3	-10.5
Investment in construction	33.3	5.3	-5.6	10.0	-10.0
Investment in machinery, equipment and tools	19.0	5.3	-5.6	28.6	-14.3
Staff numbers	4.5	-14.3	-19.0	0.0	-19.0

² This sample was generated in proportion to the contribution of each oblast and each economic activity to Ukraine's gross value added.

³ Data for totals and components may be subject to rounding effects.

⁴ 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

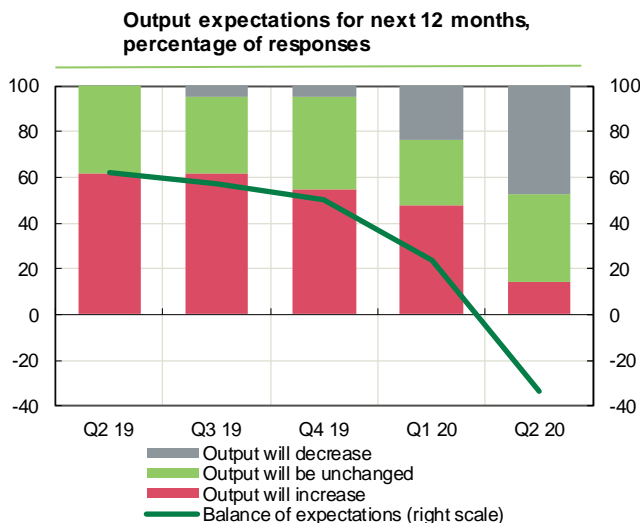


Figure 2

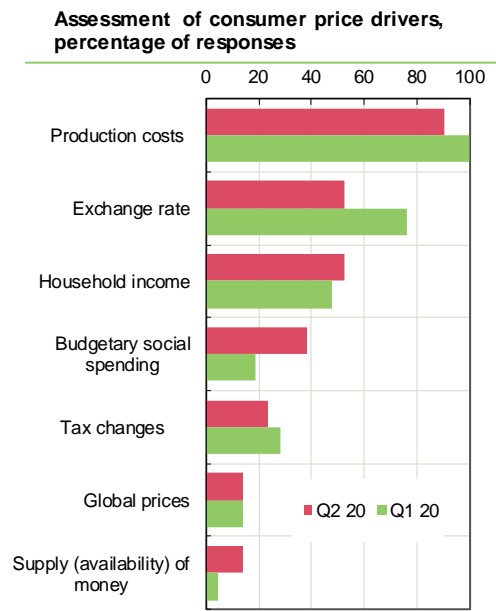


Figure 3

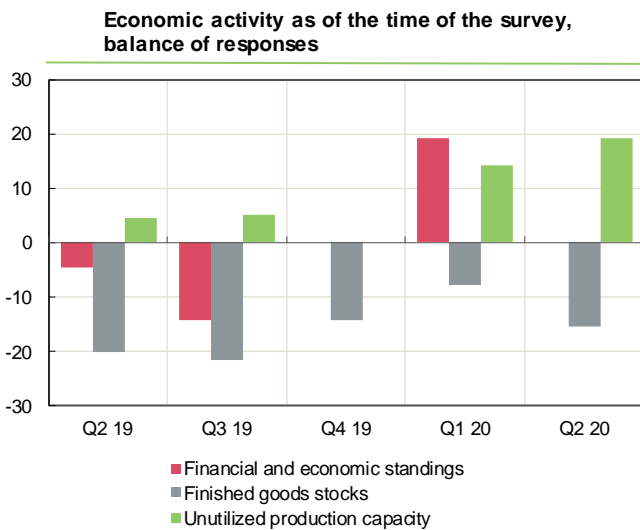


Figure 4



Figure 5

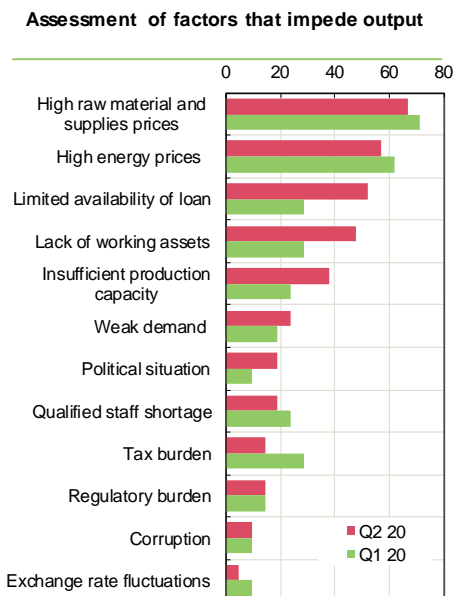


Figure 6

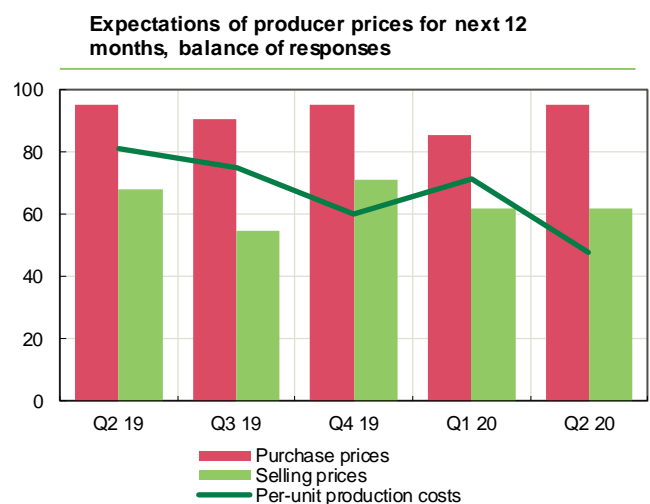


Figure 7

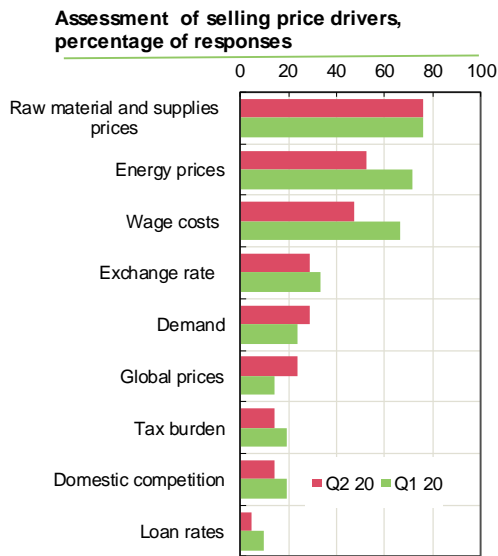


Figure 8

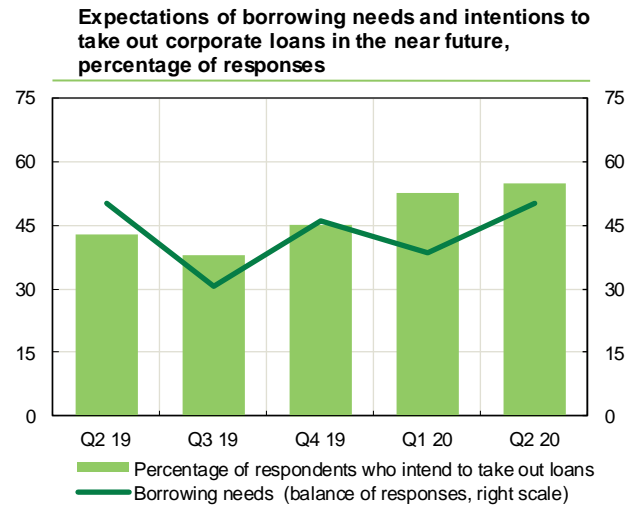


Figure 9

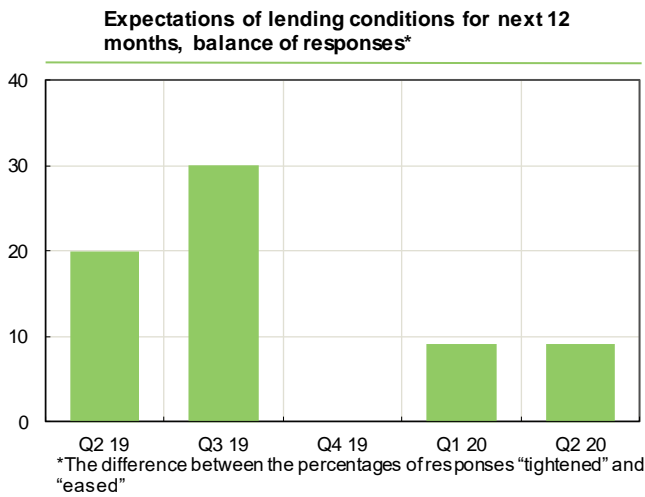


Figure 10

