



National Bank
of Ukraine

Business Outlook Survey of Volyn Oblast*

Q3 2019



*This survey only reflects the opinions of respondents in Volyn oblast (top managers of companies) who were polled in Q3 2019, and does not represent NBU forecasts or estimates

A survey of companies carried out in Volyn oblast in Q3 2019 showed that respondents continued to have high expectations that the Ukrainian economy would grow, and that their companies would continue to develop over the next 12 months. Inflation expectations softened, while depreciation expectations increased.

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

- **the output of Ukrainian goods and services would grow at a slower pace:** the balance of expectations was 38.5% compared with 61.5% in Q2 2019 (Figure 1) and 30.5% across Ukraine
- the growth in prices for consumer goods and services would be moderate: most respondents (84.6%) said that inflation would not exceed 10.0% compared with 61.5% in the previous quarter and 73.3% of respondents across Ukraine. Respondents continued to refer to production costs and hryvnia exchange rate fluctuations as **the main inflation drivers** (Figure 2)
- **the hryvnia would depreciate at a faster pace:** 83.3% of respondents (compared with 76.9% in the previous quarter) expected the hryvnia to weaken against the US dollar, with the figure across Ukraine being 69.0%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 33.3% compared with 36.4% in the previous quarter and 20.0% across Ukraine (see Table)
- **total sales would grow at a fast pace:** the balance of responses was 50.0% (see Table) compared with 27.1% across Ukraine. Respondents expected a significant deceleration in external sale growth: the balance of responses was 25.0% (compared with 66.7% in Q2 2019)
- **the growth in investment both in construction and in machinery, equipment and tools would accelerate:** the balances of responses were 36.4% and 50.0% respectively (compared to 25.0% and 23.1% in the previous quarter). Across Ukraine, respondents expected investment spending to rise at a significantly slower pace: the balances of responses were 9.3% and 17.7% respectively
- **staff numbers would increase:** the balance of responses was 23.1% compared with 0.0% in Q2 2019 (Figure 4) and 2.2% across Ukraine. Respondents from agricultural companies had the highest expectations
- **both purchase and selling prices would grow at a fast pace:** the balances of responses were 84.6% and 69.2% respectively (compared with 92.3% and 69.2% in Q2 2019) (Figure 6). A total of 69.2% of respondents cited raw material and supplies prices as the main selling price drivers (Figure 7)
- **per-unit production costs would grow at a slower pace:** the balance of responses was 58.3%. At the same time, **wage costs per staff member would increase significantly:** the balance of responses was 91.7% (compared with 69.2% and 84.6% respectively in Q2 2019) (Figures 4 and 6).

High raw material and supplies prices and energy prices **were cited as the main drags on the ability of companies to boost production** (Figure 5).

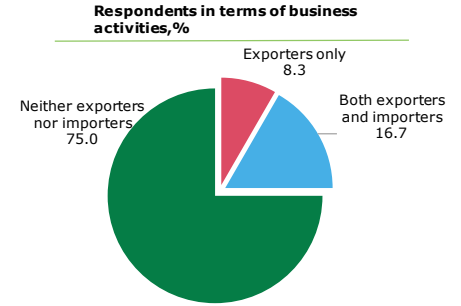
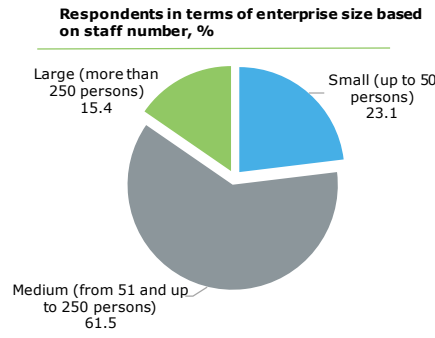
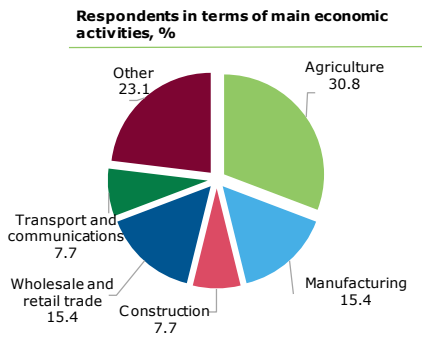
Respondents expected their borrowing needs to remain high in the near future (Figure 8). The companies that planned to take out corporate loans opted for domestic currency loans. Respondents said that lending standards had tightened (Figure 9). Respondents referred to high loan rates as the main factor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

All of the respondents said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (97.4% across Ukraine).

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

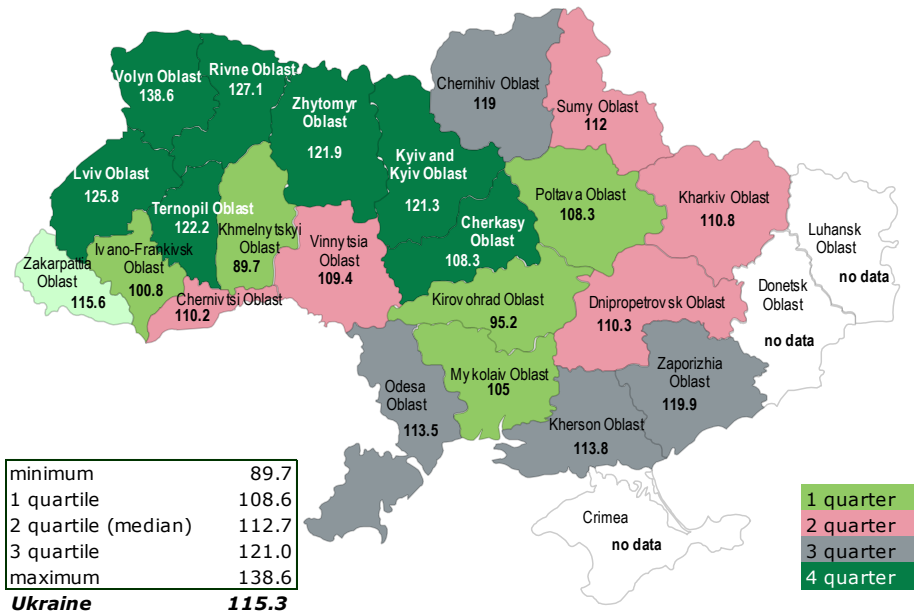
- **The current financial and economic standings of companies** were assessed as **good:** the balance of responses was 15.4% (as the previous quarter) compared with 9.5% across Ukraine.
- **Finished goods stocks remained at a level higher than the normal one:** the balance of responses was 14.3% (compared with 12.5% in Q2 2019).
- **Spare production capacity continued to increase.** Companies in the region have a sufficient amount of unutilized production capacity to meet any unexpected rise in demand: the balance of responses was 23.1% (compared with 7.7% in Q2 2019).

Survey Details^{1,2}



- Period: 5 August through 2 September 2019.
- A total of 13 companies were polled.
- A representative sample was generated on the basis of the agricultural sector.

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



*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 Volyn Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19
Financial and economic standings	20.0	42.9	41.7	36.4	33.3
Total sales	60.0	33.3	46.2	46.2	50.0
Investment in construction	25.0	16.7	18.2	25.0	36.4
Investment in machinery, equipment and tools	25.0	35.7	50.0	23.1	50.0
Staff numbers	7.1	14.3	0.0	0.0	23.1

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 development 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

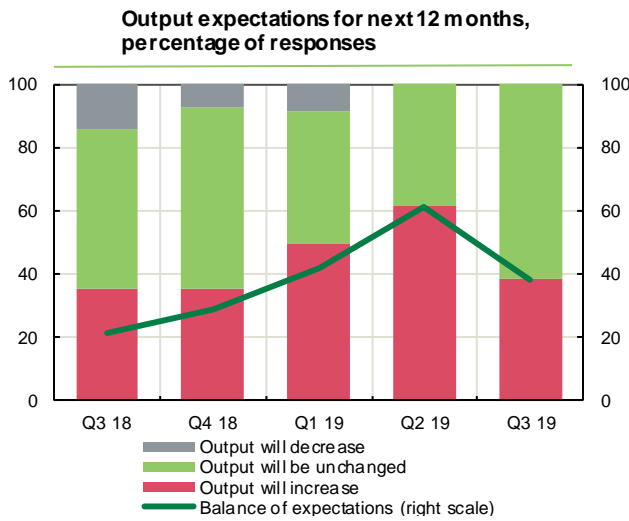


Figure 2

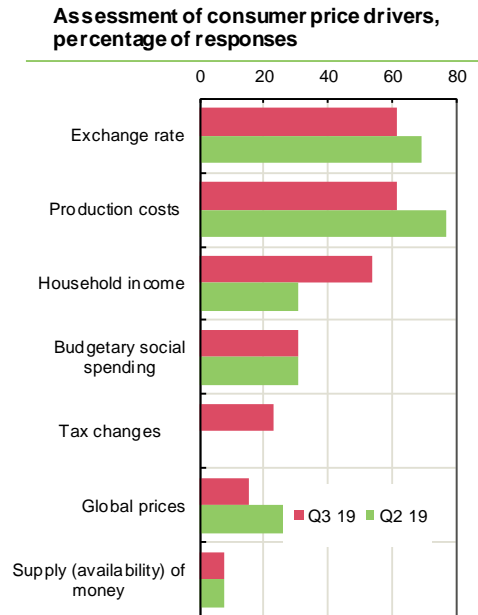


Figure 3

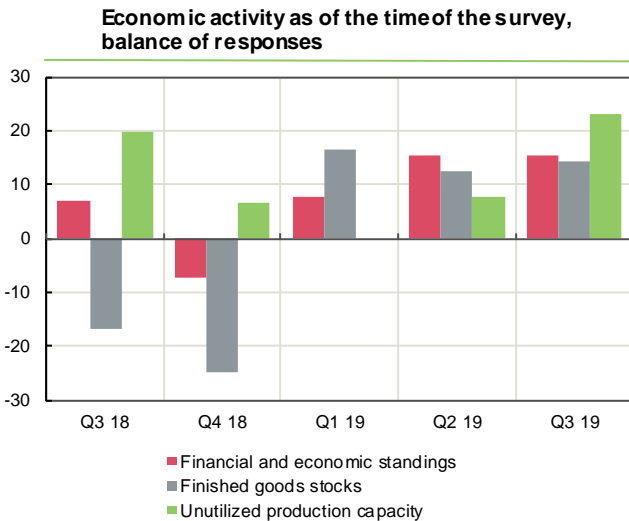


Figure 4

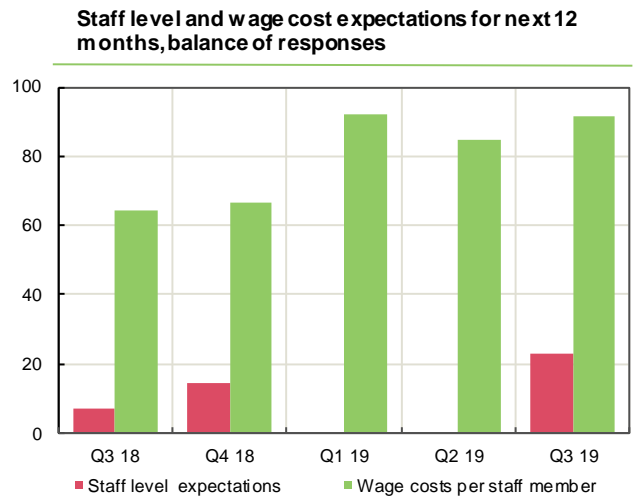


Figure 5

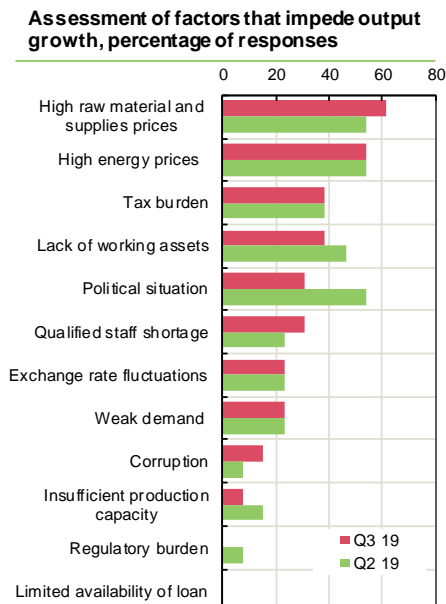


Figure 6

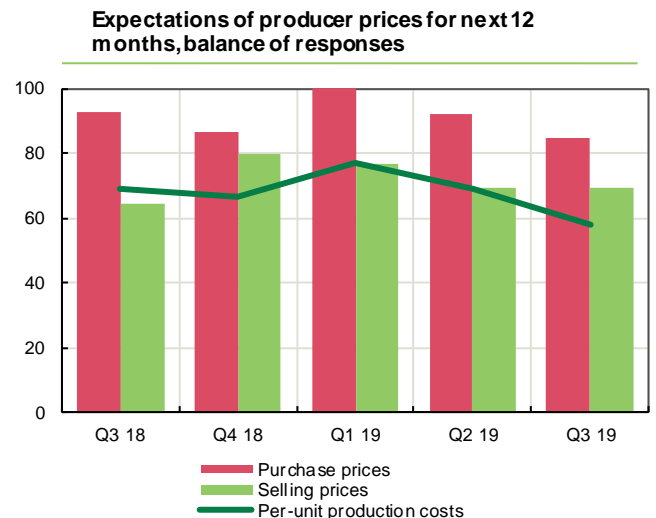


Figure 7

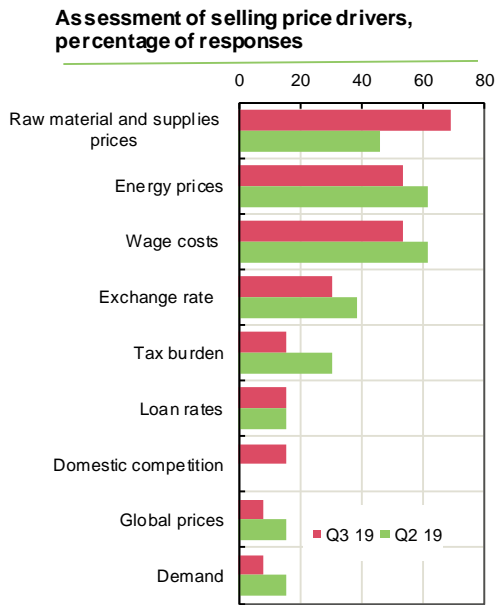


Figure 8

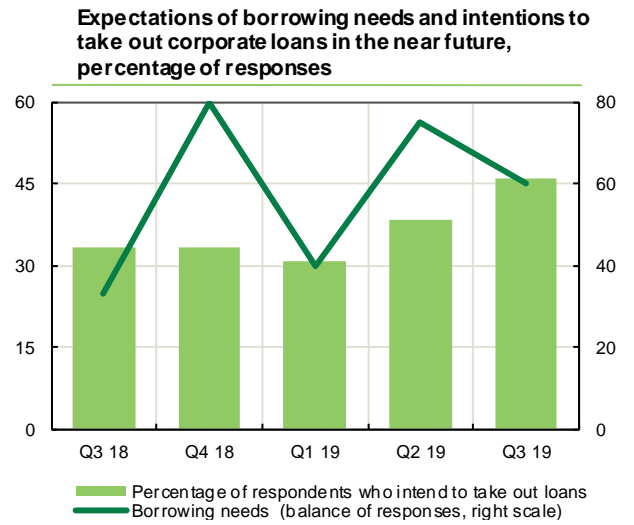


Figure 9

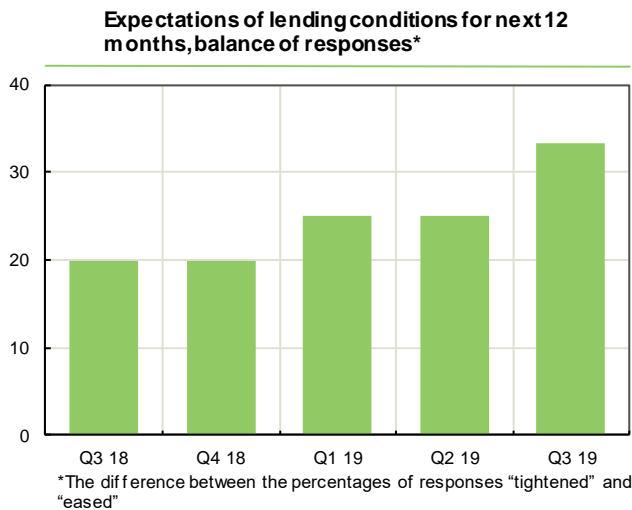
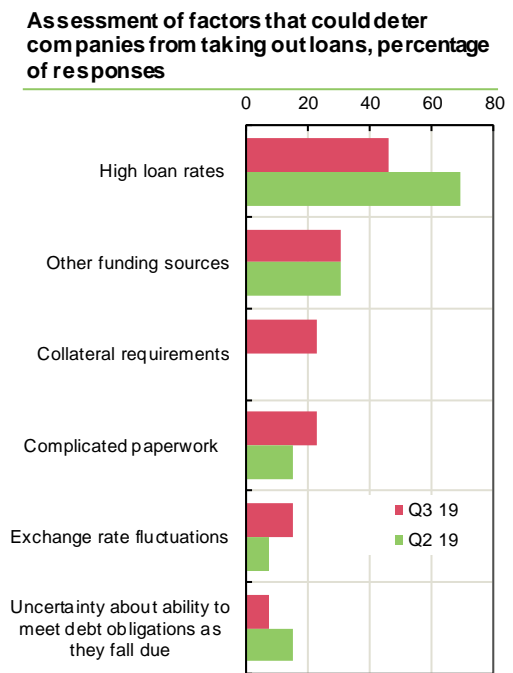


Figure 10



Key Indicators of Social and Economic Development of Volyn Oblast in 2014 – 2019

% of the same period of the previous year, unless stated otherwise

No.	Indicators	2014	2015	2016	2017	2018	2019							
							January	January - February	January - March	January - April	January - May	January - June	January - July	January - August
1	Volume indices of gross regional product (in previous year's prices, in percent)	101.1	95.3	108.2	105.3	103.3 ²	...	...	...	...	...	...	...	...
2	Industrial production index	103.2	98.6	100.2	105.7	102.2	96.2	95.3	98.5	97.4	96.9	95.4	95.3	96.0
3	Mining and quarrying	73.5	114.7	70.5	82.1	92.1	42.6	60.7	61.9	58.7	53.6	40.3	45.4	49.9
4	Manufacturing	104.6	98.6	100.4	106.6	102.3	96.6	95.7	99.9	98.5	97.7	96.4	96.1	96.8
5	Production of food, beverages and tobacco	110.3	96.1	89.2	99.8	100.8	99.7	99.2	101.3	102.2	102.6	102.2	101.1	101.7
6	Textile production, production of clothing, leather, leather goods and other materials	90.8	115.1	94.5	127.1	109.5	109.7	99.4	90.3	90.7	89.5	89.3	87.4	83.9
7	Production of wood products, paper, printing	94.0	99.4	111.9	110.0	108.0	109.0	101.9	102.8	104.2	104.4	103.5	103.3	104.1
8	Production of coke and petrochemicals	92.0	108.9	88.9	115.8	...	...	...	...	...	...	...	...	...
9	Production of chemicals and chemical products	110.4	97.4	96.4	91.5	226.3	282.2	321.4	164.5	139.5	119.6	110.4	111.4	123.5
10	Production of rubber and plastic products, other nonmetallic mineral products	105.6	102.3	99.0	104.7	97.1	103.5	101.6	106.8	110.3	108.6	107.0	107.3	106.7
11	Metallurgical production, manufacturing of finished metal products, except machinery and equipment	78.0	85.0	120.2	117.5	119.9	103.6	108.8	109.0	113.6	107.2	102.7	100.8	101.5
12	Mechanical engineering, except for repair and installation of machinery and equipment	112.7	108.4	92.6	108.0	94.9	85.6	81.6	82.1	81.1	81.9	81.6	83.6	84.8
13	Electricity, gas, steam and conditioning air supply	98.0	95.6	105.4	101.4	102.1	96.9	94.5	90.7	92.0	94.1	93.9	94.3	94.4
14	Agricultural production index	106.3	95.4	101.9	104.8	103.2	93.3	98.9	98.7	98.7	98.2	98.3	107.0	100.5
15	Construction production index	86.7	133.8	110.6	99.0	100.7	136.6	124.4	114.9	127.3	117.7	118.7	124.0	127.4
16	Freight turnover	87.9	112.2	104.0	111.1	118.1	110.6	111.2	112.0	113.0	111.3	108.1	108.2	106.9
17	Passenger turnover	101.1	89.3	97.5	100.1	108.5	103.8	100.0	98.6	98.2	97.1	96.2	96.5	97.2
18	Volume index of retail trade turnover (in comparable prices, in percent)	96.4	87.0	100.1	94.2	102.5	102.0	100.7	100.9	104.9	110.7	110.8	109.9	107.5
19	Profit/loss of large and medium companies before tax (UAH million) ³	-6768.9	-3180.1	351.6	2123.8	...	...	...	...	...	...	...	...	...
20	Capital investment index	89.5	137.7	97.5	105.5	112.1	...	...	166.9	...	...	176.0	...	...
21	Consumer price index (compared with December of previous year)	125.9	143.3	111.8	114.6	109.9	100.8	101.3	102.0	103.0	103.5	103.4	102.9	103.0
22	Real disposable income	90.8	82.5	106.0	112.2	108.0 ²	...	...	...	...	...	...	...	...
23	Real wage index	93.5	78.9	109.0	125.5	112.7	109.8	109.7	109.4	109.8	109.4	109.3	109.5	109.2
24	Number of applicants per vacancy as of end of period	22	15	6	4	3	3	3	2	2	2	2	2	2

¹ This information is confidential under the Law of Ukraine On State Statistics.

² Preliminary data.

³ These data exclude banks' profits/losses. Data on agricultural companies engaged in plant cultivation, animal husbandry and mixed farming are only available in annual reports.

Annual data include profits/losses of large, medium, small and micro companies.

Source: Ukraine's State Statistics Service

Legend

Periods (...) - no data

Dash (-) - no events