



National Bank
of Ukraine

Business Outlook Survey of Volyn Oblast*

Q4 2019



*This survey only reflects the opinions of respondents in Volyn oblast (top managers of companies) who were polled in Q4 2019, and does not represent NBU forecasts or estimates

A survey of companies carried out in Volyn oblast in Q4 2019 showed that respondents had high expectations that the Ukrainian economy would grow, and that their companies would continue to develop over the next 12 months. Respondents expected that inflation would be moderate and that the hryvnia would depreciate more slowly.

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

- **the output of Ukrainian goods and services would grow:** the balance of expectations was unchanged compared to the previous quarter, at 38.5% (21.9% across Ukraine) (Figure 1)
- **prices for consumer goods and services would grow moderately:** a majority of respondents (61.5% as in the previous quarter) expected inflation to be lower than 7.5% compared with 53.8% across Ukraine. Respondents referred to production costs as **the main inflation driver** (Figure 2)
- **the domestic currency would depreciate at a slower pace:** 63.6% of respondents (compared with 83.3% in the previous quarter) expected the hryvnia to weaken against the US dollar, with the figure across Ukraine being 70.7%
- **the financial and economic standings of their companies would improve more slowly:** the balance of expectations was 18.2% compared with 33.3% in the previous quarter and 18.6% across Ukraine (see Table)
- **total sales would increase significantly:** the balance of responses was 41.7% (compared with 50.0% in Q3 2019). Respondents also expected an increase in external sales: the balance of responses was 40.0% compared with 25.0% in the previous quarter). The balances of responses across Ukraine were 23.5% and 20.6% respectively
- **investment both in construction and in machinery, equipment and tools would increase more slowly:** the balances of responses were 23.1% for each (compared to 36.4% and 50.0% in Q3 2019 respectively and 4.7% and 19.0% across Ukraine)
- **staff numbers would increase more slowly:** the balance of responses was 15.4% compared with 23.1% in Q3 2019 (Figure 4). Across Ukraine, staff numbers were expected to decrease (-1.6%)
- **purchase prices would grow rapidly** (the balance of responses was 100.0%), while **selling prices would rise at a slower pace** (the balance of responses was 69.2%) (Figure 6). A total of 53.8% of respondents cited raw material and supplies prices as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would increase significantly:** the balances of responses were 61.5% and 69.2% respectively (compared with 58.3% and 91.7% in Q3 2019) (Figure 4 and 6).

High energy prices were cited as **the main drags on the ability of companies to boost production**. Respondents also reported a noticeable increase in the impact of the political situation (Figure 5).

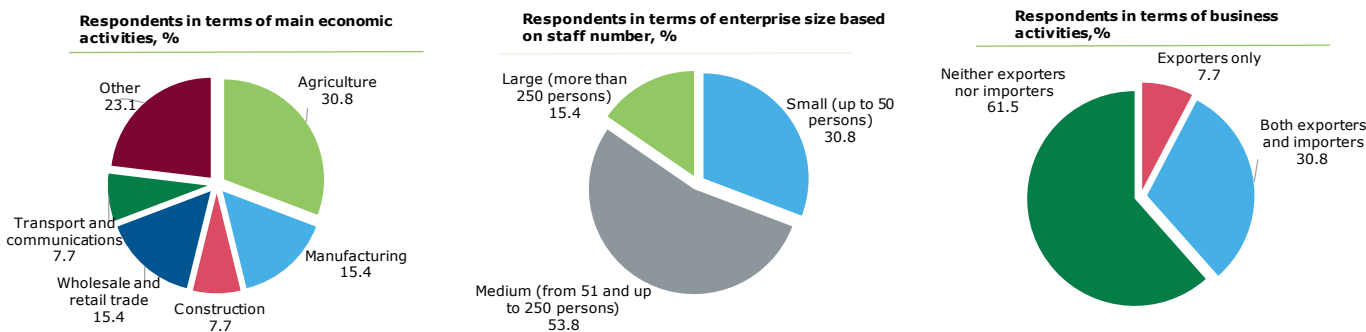
Respondents significantly lowered their expectations of an increase in borrowing needs in the near future (Figure 8). The companies that planned to take out corporate loans opted only for domestic currency loans. Respondents said that lending standards had tightened (Figure 9). Respondents referred to 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** (96.4% across Ukraine).

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

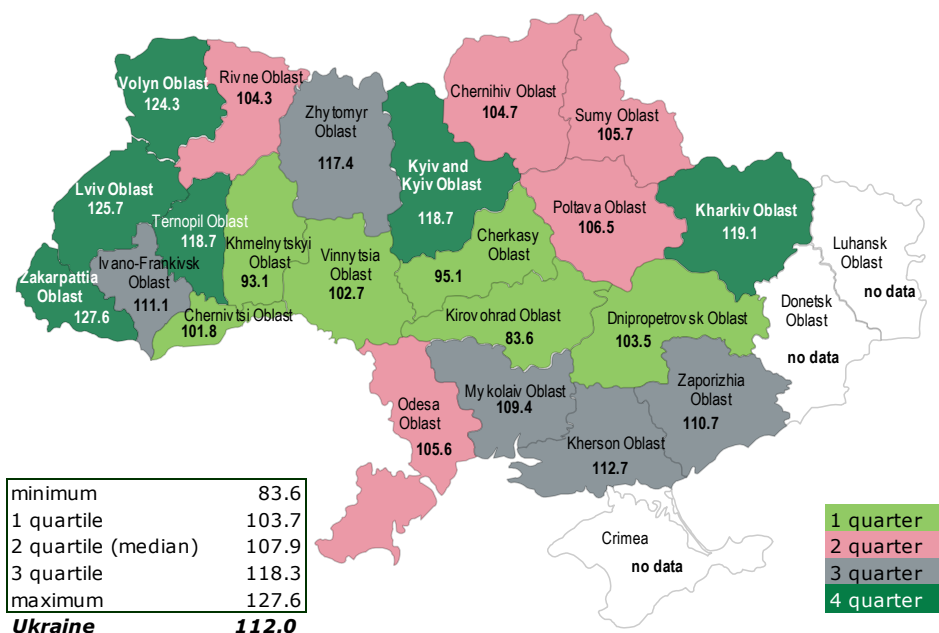
- **The current financial and economic standings of companies** were assessed as **good:** the balance of responses was 23.4% compared with 15.4% in the previous quarter and 6.1% across Ukraine.
- **Finished goods stocks** decreased and **were at a level lower than the normal one:** the balance of responses was (-12.5%) compared with 14.3% in Q3 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 being 23.1% (as in the previous quarter).

Survey Details^{1,2}



- Period: 5 November through 22 November 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 sample 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, %				
	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
Financial and economic standings	42.9	41.7	36.4	33.3	18.2
Total sales	33.3	46.2	46.2	50.0	41.7
Investment in construction	16.7	18.2	25.0	36.4	23.1
Investment in machinery, equipment and tools	35.7	50.0	23.1	50.0	23.1
Staff numbers	14.3	0.0	0.0	23.1	15.4

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

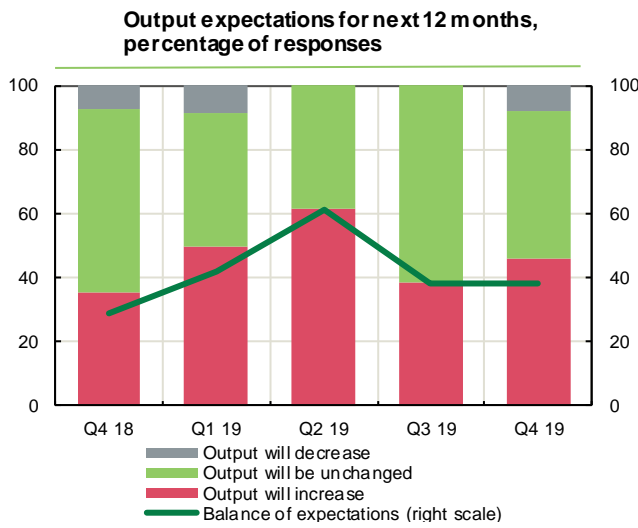


Figure 2

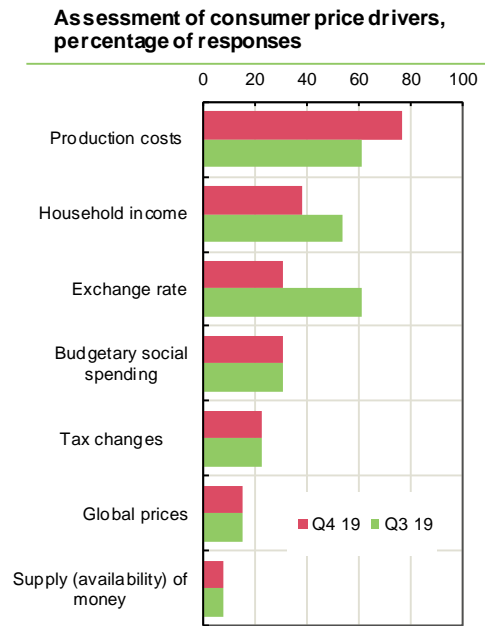


Figure 3

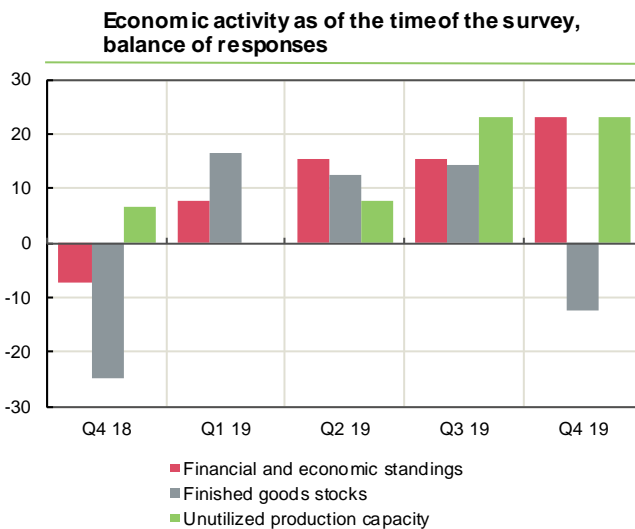


Figure 4

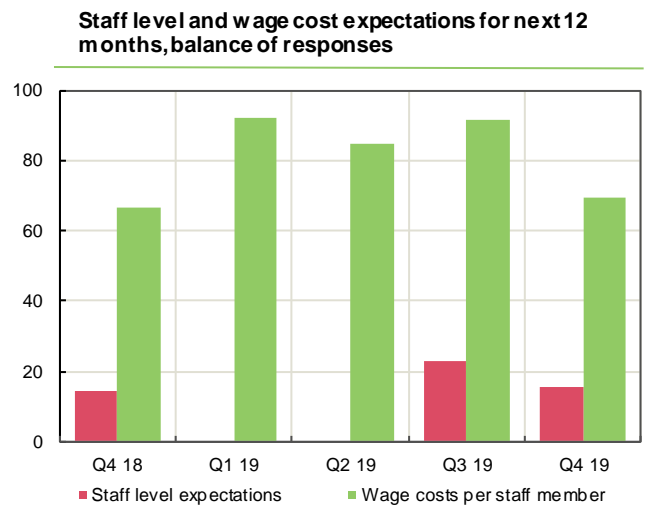


Figure 5

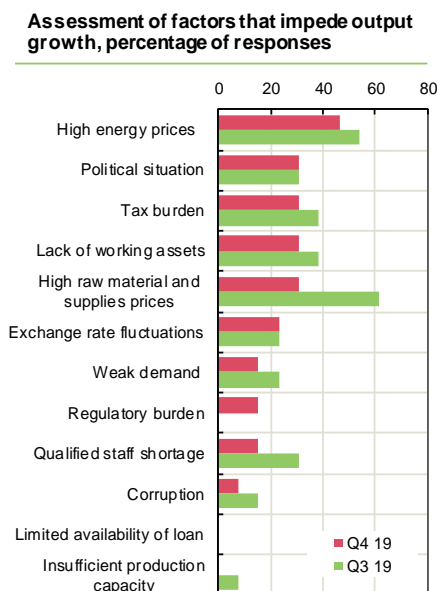


Figure 6

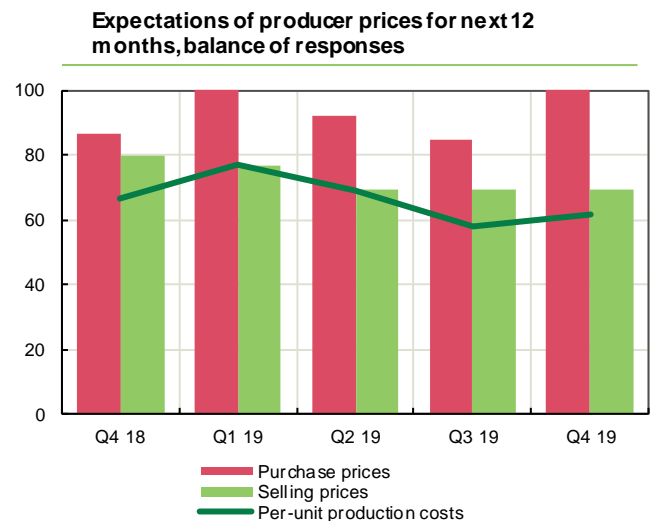


Figure 7

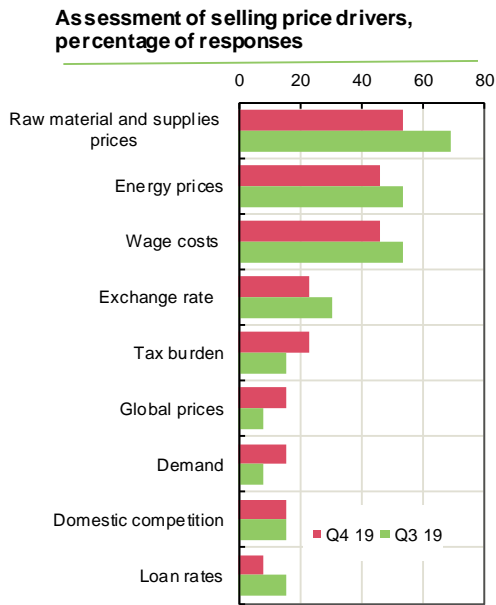


Figure 8

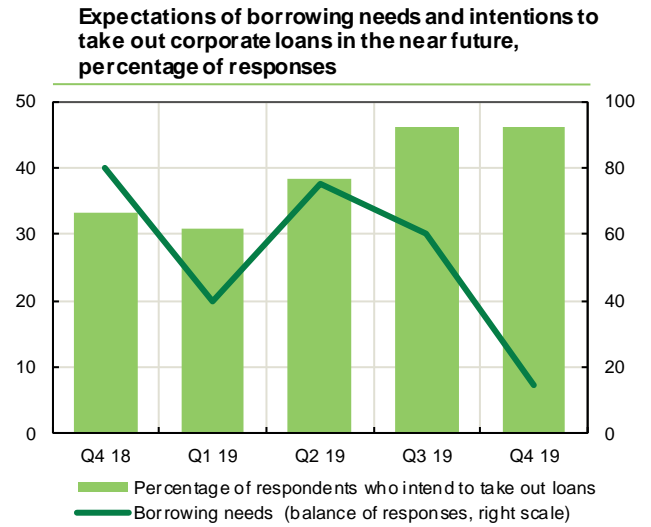


Figure 9

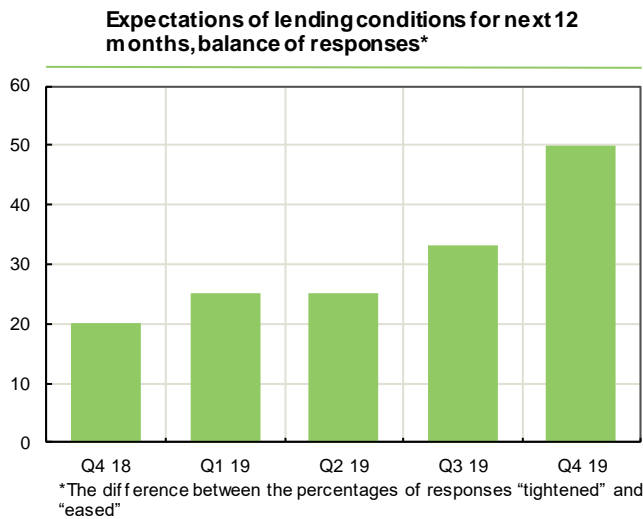
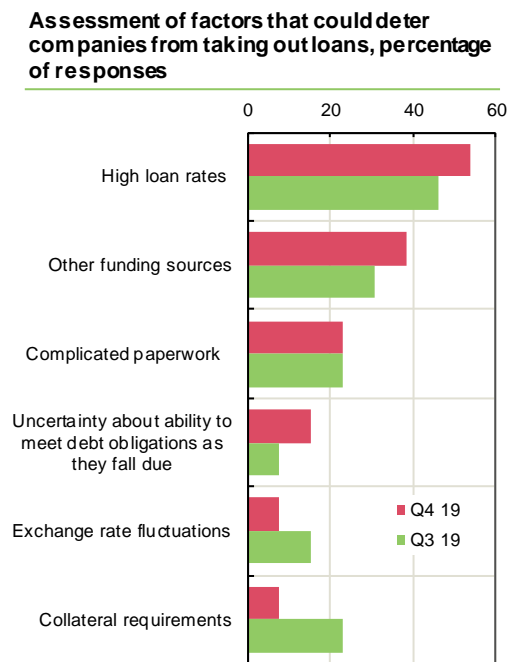


Figure 10



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	January - September	January - October	January - November						
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	96.7	95.6	94.8	...	...	...	...	...	...
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	50.5	48.3	54.9	...	...	...	...	...	...
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	97.5	96.3	95.5	...	...	...	...	...	...
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	101.7	96.3	91.4	...	...	...	...	...	...
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	81.9	81.8	80.9	...	...	...	...	...	...
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	104.5	103.5	103.5	...	...	...	...	...	...
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	120.1	112.2	111.0	...	...	...	...	...	...
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	106.7	105.4	104.2	...	...	...	...	...	...
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	101.3	98.9	97.0	...	...	...	...	...	...
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	86.6	87.4	88.2	...	...	...	...	...	...
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	94.8	94.2	93.4	...	...	...	...	...	...
14	Agricultural production index	106.3	95.4	101.9	104.8	103.2	93.3	98.9	98.7	98.2	98.3	107.0	100.5	100.7	101.4	100.1	...	...	...	...	...	...	...
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	126.3	125.3	122.8	...	...	...	...	...	...
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	105.5	105.9	106.2	...	...	...	...	...	...
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	96.5	96.4	96.0	...	...	...	...	...	...
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	107.7	109.7	110.0	...	...	...	...	...	...
19	Profit/loss of large and medium companies before tax (UAH million) ³	-6768.9	-3180.1	351.6	2123.8	2173.5	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
20	Capital investment index	89.5	137.7	97.5	105.5	112.1	...	...	166.9	...	...	176.0	...	...	171.1	...	...	...	...	...	...	...	...
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	103.6	104.6	104.9	...	...	...	...	...	...
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	109.1	108.9	109.1	...	...	...	...	...	...
24	Number of applicants per vacancy as of end of period	22	15	6	4	3	3	3	2	2	2	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