



National Bank  
of Ukraine

## Business Outlook Survey of Volyn Oblast\*

Q1 2020

**This survey was carried out before  
quarantine measures were introduced**



\*This survey only reflects the opinions of respondents in Volyn oblast (top managers of companies) who were polled in Q1 2020, and does not represent NBU forecasts or estimates

A survey of companies carried out in Volyn oblast in Q1 2020 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 less pronouncedly.<sup>1</sup>

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

- **the output of Ukrainian goods and services would grow more moderately:** the balance of expectations was 25.0% compared with 38.5% in the previous quarter and 10.4% across Ukraine (Figure 1)
- **prices for consumer goods and services would grow moderately:** 75.0% of respondents expected inflation to be lower than 6.0% compared with 68.5% across Ukraine. Respondents referred to production costs as **the main inflation driver**. The impact of tax changes was assessed to be significantly higher than in the previous quarter (Figure 2)
- **the domestic currency would depreciate at a slower pace:** 58.3% of respondents (compared with 63.6% in the previous quarter) expected the hryvnia to weaken against the US dollar, with the figure across Ukraine being 65.2%
- **the financial and economic standings of their companies would improve:** the balance of expectations was unchanged compared to the previous quarter, at 18.2% (the figure across Ukraine being 16.9%) (see Table)
- **total sales would increase significantly:** the balance of responses was 45.5% (compared with 41.7% in Q4 2019). Respondents also expected an increase in external sales: the balance of responses was 50.0% compared with 40.0% in the previous quarter). The balances of responses across Ukraine were 23.0% and 17.5% respectively
- **investment in construction would increase at a fast pace:** the balance of responses was 25.0% (compared with 23.1% in the previous quarter). Respondents also expected the growth of investment in machinery, equipment and tools to speed up markedly: the balance of responses was 41.7% (compared with 23.1% in the previous quarter). Across Ukraine, respondents expected investment spending to rise at a slower pace, the balances of responses being 2.4% and 14.1% respectively
- **staff numbers would remain unchanged:** the balance of responses was 0.0% compared with 15.4% in Q4 2019 (Figure 4). Across Ukraine, staff numbers were expected to decrease (-3.9%)
- **purchase and selling prices would rise at a slower pace:** the balances of responses were 66.7% and 50.0% respectively (compared with 100.0% and 69.2% in Q4 2019) (Figure 6). A total of 53.8% of respondents cited raw material and supplies prices as the main selling price driver (Figure 7)
- **per-unit production costs and wage costs per staff member would increase significantly:** the balances of responses were 50.0% and 81.8% respectively (compared with 61.5% and 69.2% in Q4 2019) (Figure 4 and 6).

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

**Respondents expected a significant 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 conditions had softened (Figure 9). Respondents referred to high loan rates as the main factor that deterred them from taking out loans (Figure 10).

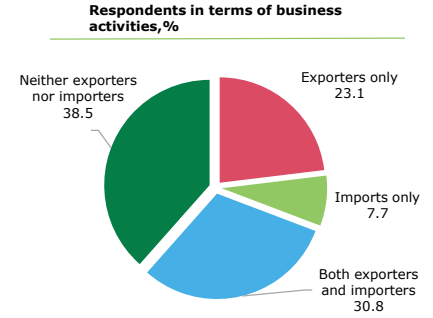
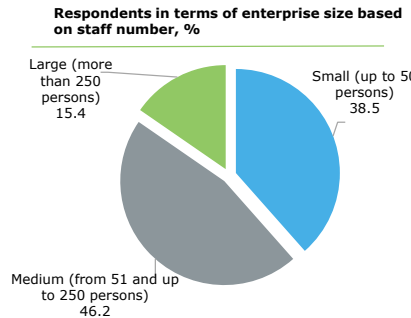
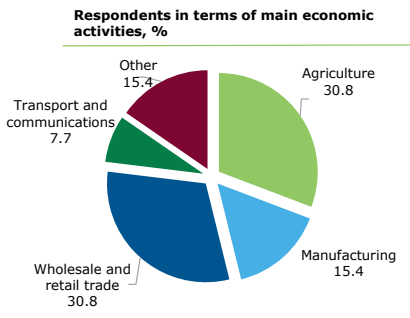
**All of the respondents** said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.6% across Ukraine).

#### 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 16.7% compared with 23.1% in the previous quarter and 9.7% across Ukraine.
- **Respondents assessed their finished goods stocks at a level lower than the normal one:** the balance of responses was (-33.3%) compared with (-12.5%) in Q4 2019.
- **Companies were operating on the verge of their production capacity:** the balance of responses was 0.0% (compared with 23.1% in Q4 2019). Production capacity shortages were reported by agricultural companies.

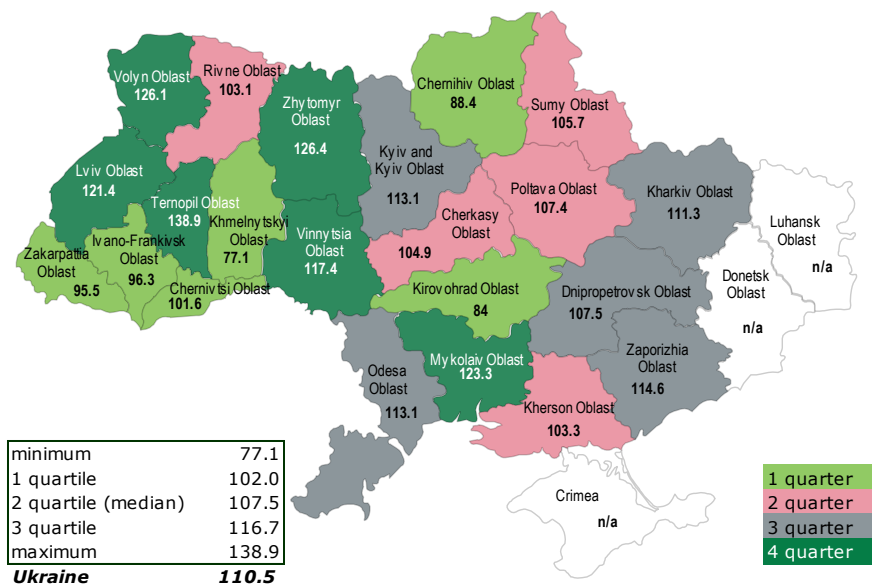
<sup>1</sup> This survey was carried out before quarantine measures were introduced.

Survey Details<sup>2,3</sup>



- Period: 11 February through 3 March 2020.
- A total of 13 companies were polled.
- A representative sample was generated on the basis of the agricultural sector and trade.

Business Outlook Index for Next 12 Months in Terms of Oblasts<sup>4</sup>, %



\*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, %				
	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20
Financial and economic standings	41.7	36.4	33.3	18.2	18.2
Total sales	46.2	46.2	50.0	41.7	45.5
Investment in construction	18.2	25.0	36.4	23.1	25.0
Investment in machinery, equipment and tools	50.0	23.1	50.0	23.1	41.7
Staff numbers	0.0	0.0	23.1	15.4	0.0

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

<sup>3</sup> Data for totals and components may be subject to rounding effects.

<sup>4</sup> 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

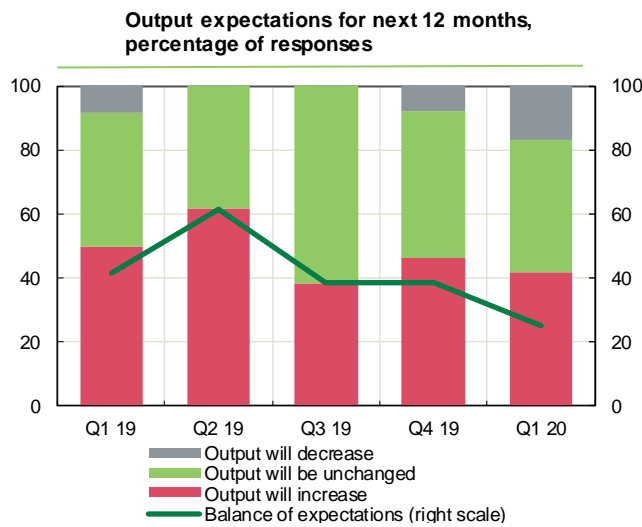


Figure 2

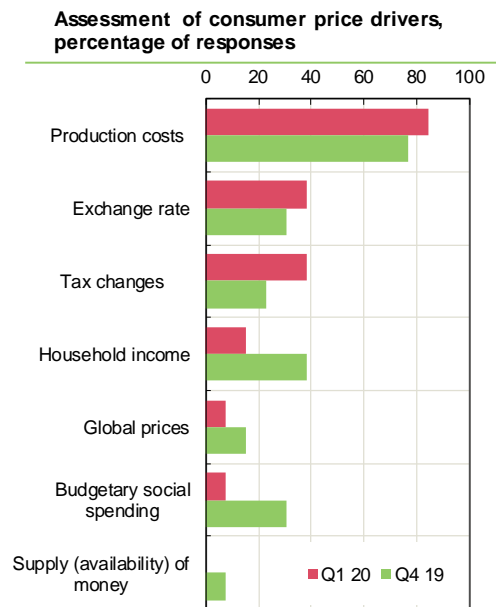


Figure 3

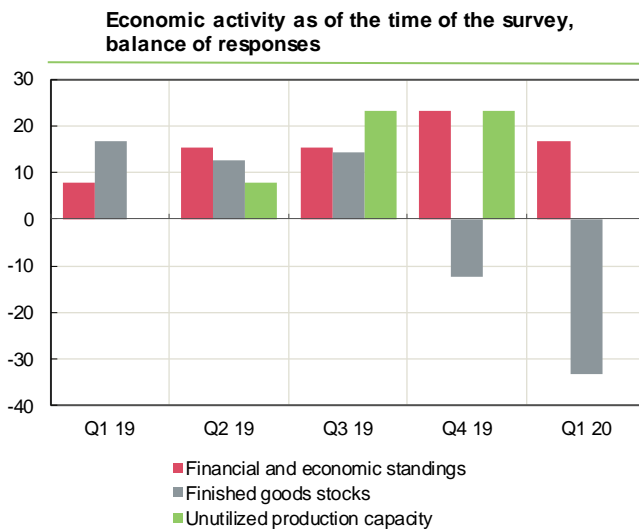


Figure 4



Figure 5

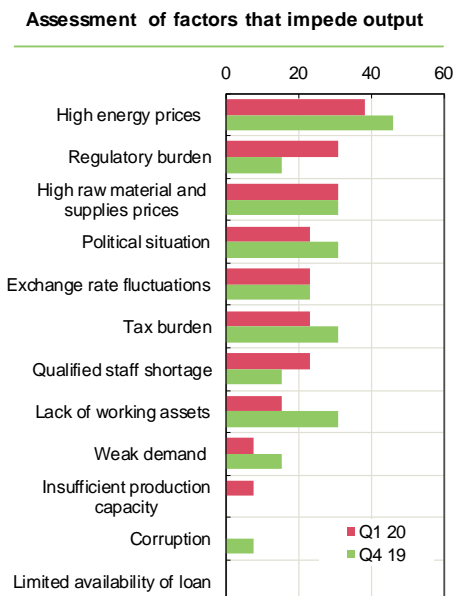


Figure 6

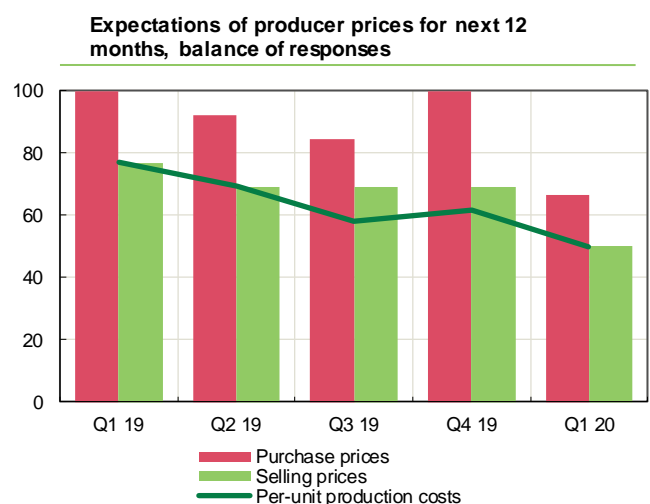


Figure 7

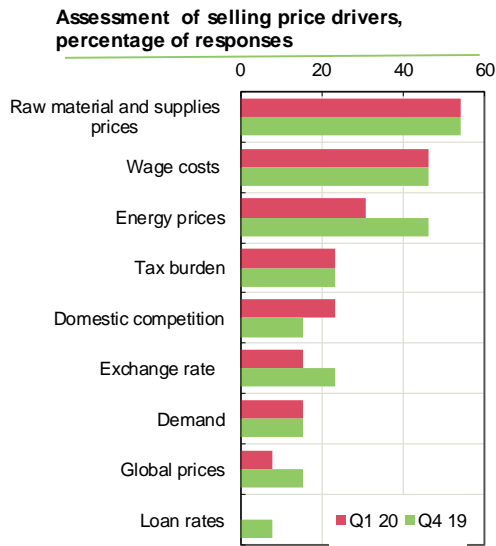


Figure 8

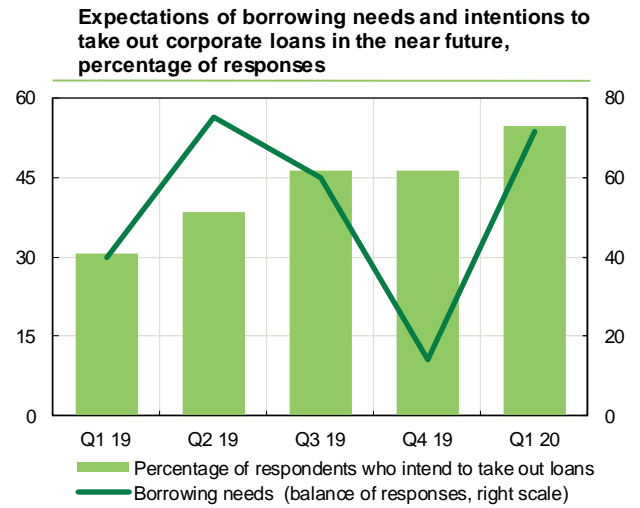


Figure 9

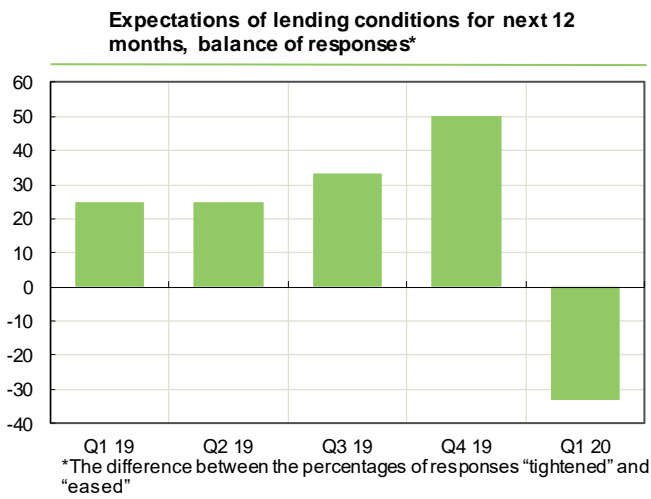


Figure 10

