



National Bank
of Ukraine

Business Outlook Survey of Volyn 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 Volyn 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 Volyn oblast in Q2 2020 showed that respondents expected a drop in the output of Ukrainian goods and services and had moderate expectations for the performance of their companies over the next 12 months on the back of the quarantine. Respondents expected that inflation and the depreciation of the domestic currency would be moderate.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 (-46.2%) compared with 25.0% in the previous quarter and (-34.1%) across Ukraine (Figure 1)
- **prices for consumer goods and services would grow moderately:** 76.9% of respondents expected inflation to be lower than 7.5% compared with 54.9% across Ukraine. Respondents referred to production costs as **the main inflation driver**. The impact of household income was assessed to be significantly higher than in the previous quarter (Figure 2)
- **the domestic currency would depreciate at a moderate pace:** 30.8% of respondents (compared with 58.3% in the previous quarter) expected the hryvnia to weaken against the US dollar, with the figure across Ukraine being 68.2%
- **the financial and economic standings of their companies would remain unchanged:** the balance of expectations was 0.0% compared with 18.2% in the previous quarter. Meanwhile, respondents from trading companies had pessimistic expectations, with a balance of responses of (-50.0%) (see Table). Companies across Ukraine expected a deterioration in their financial and economic standings (-1.8%) (see Table)
- **total sales would increase significantly:** the balance of responses was 53.8% (compared with 45.5% in Q1 2020). External sales were expected to increase at a slower pace: the balance of responses was 25.0% compared with 50.0% in the previous quarter. 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 balance of responses was (-15.4%) for each compared with 25.0% and 41.7% respectively in the previous quarter. The balances of responses across Ukraine were (-16.1%) and (-10.5%) respectively
- **staff numbers at their companies would decrease:** the balance of responses was (-7.7%) compared with 0.0% in Q1 2020 and (-17.3%) across Ukraine (Figure 4)
- **purchase prices would increase at a reasonably fast pace** (the balance of responses was 61.5%), while **selling prices would rise only slightly** (the balance of responses was 16.7%) (Figure 6). A total of 69.2% 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 at a significantly slower pace:** the balances of responses were 23.1% and 25.0% respectively (compared with 50.0% and 81.8% in Q1 2020) (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 weak demand and the tax burden. (Figure 5).

Respondents expected a noticeable 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 conditions had continued to soften (Figure 9). Respondents referred to other funding sources as the main factor that deterred them from taking out loans (Figure 10).

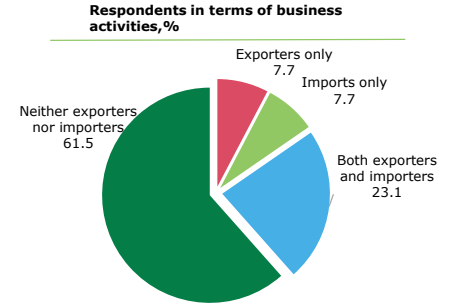
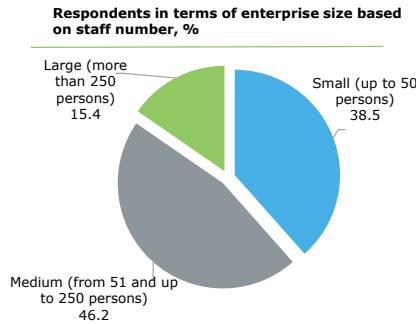
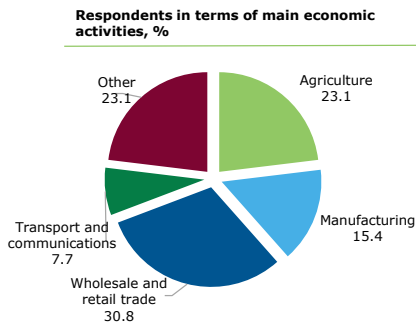
All of the respondents said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.5% across Ukraine).

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

- **The current financial and economic standings of companies had deteriorated and were assessed as bad:** the balance of responses was (-23.1%) compared with 16.7% in the previous quarter and (-11.6%) across Ukraine.
- **Respondents had assessed their finished goods stocks at a level lower than the normal one** for three quarters in a row: as in the previous quarter, the balance of responses was (-33.3%).
- **Companies were operating on the verge of their production capacity:** as in the previous quarter, the balance of responses was 0.0%. Production capacity shortages were reported by trading companies.

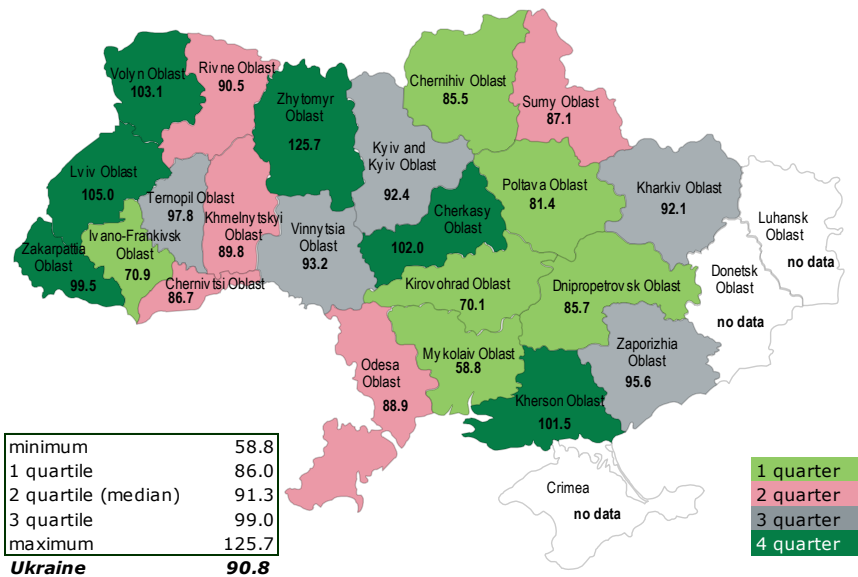
¹ This survey was conducted after the government announced it would relax the quarantine.

Survey Details^{2,3}



- Period: 8 May through 1 June 2020.
- A total of 13 companies were polled.
- A representative sample was generated on the basis of the trade sector.

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



⁴a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups
⁵a 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, %				
	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
Financial and economic standings	36.4	33.3	18.2	18.2	0.0
Total sales	46.2	50.0	41.7	45.5	53.8
Investment in construction	25.0	36.4	23.1	25.0	-15.4
Investment in machinery, equipment and tools	23.1	50.0	23.1	41.7	-15.4
Staff numbers	0.0	23.1	15.4	0.0	-7.7

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

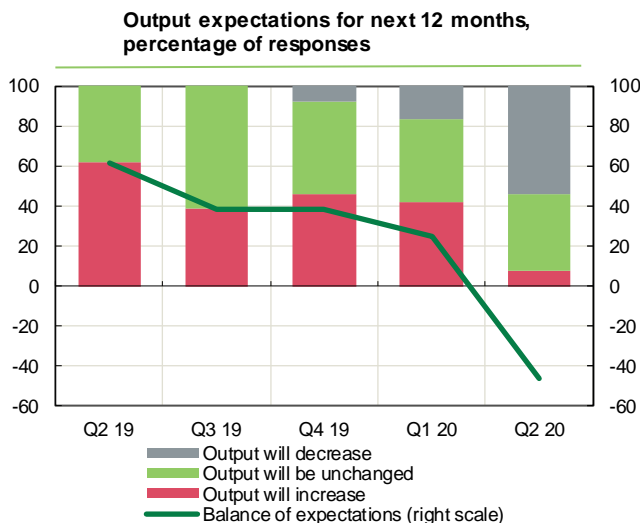


Figure 2

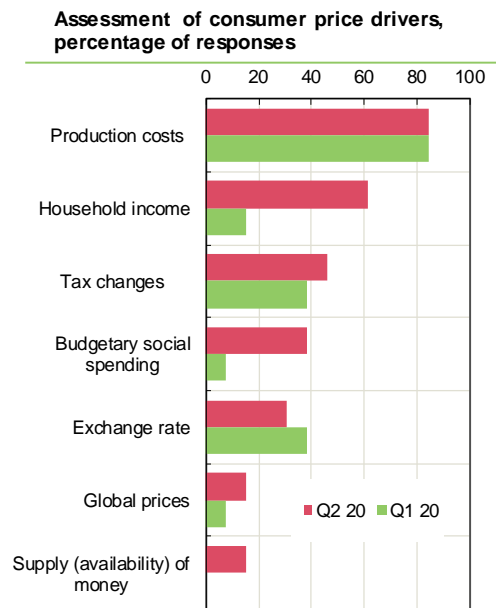


Figure 3

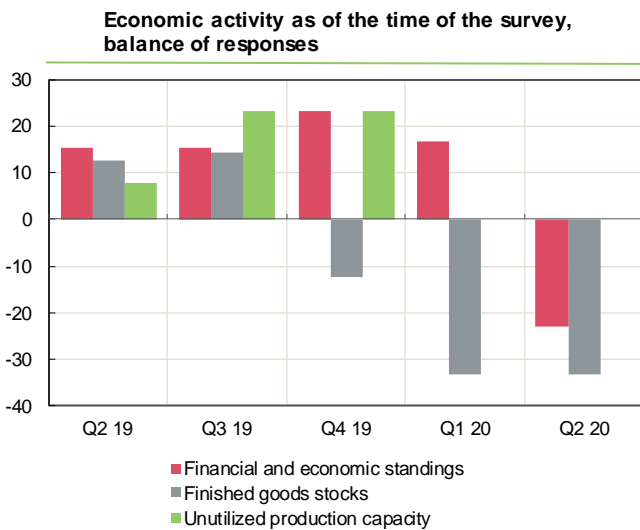


Figure 4



Figure 5

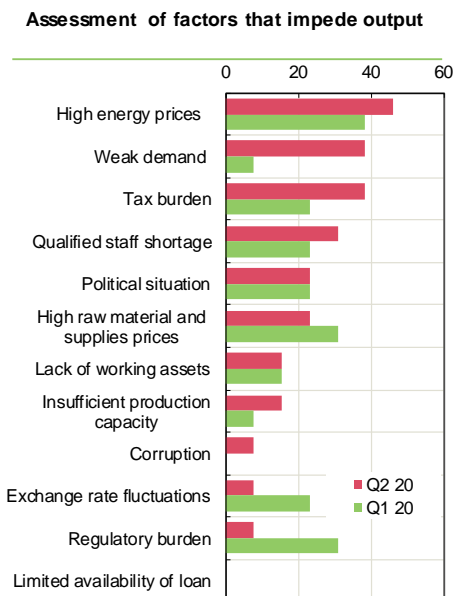


Figure 6

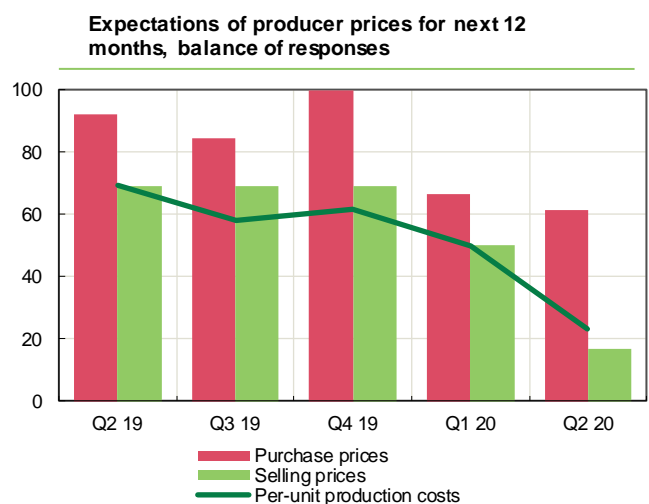


Figure 7

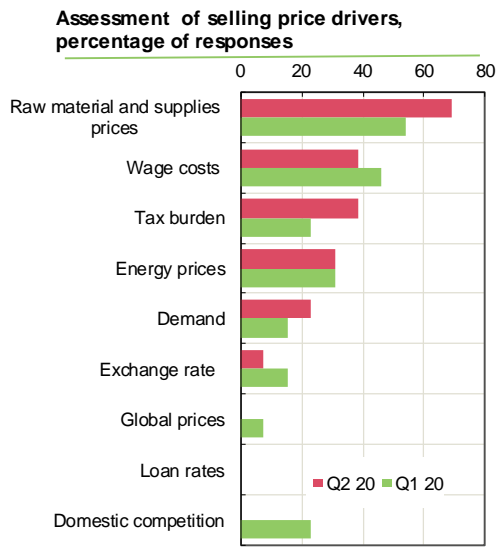


Figure 8

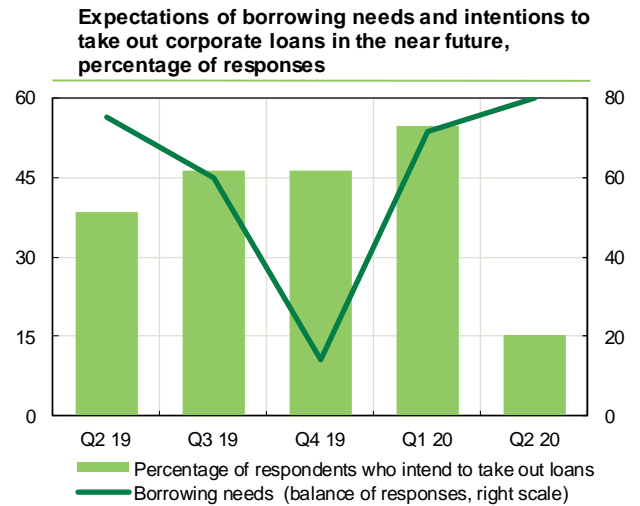


Figure 9

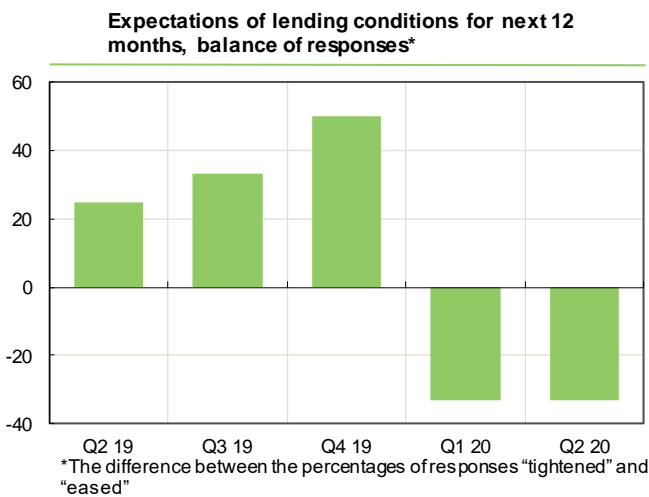


Figure 10

