



National Bank
of Ukraine

Business Outlook Survey of Volyn Oblast*

Q3 2020



*This survey only reflects the opinions of respondents in Volyn oblast (top managers of companies) who were polled in Q3 2020, and does not represent NBU forecasts or estimates

A survey of companies carried out in Volyn oblast in Q3 2020 showed that respondents expected a significant drop in the output of Ukrainian goods and services and had moderate expectations for the performance of their companies over the next 12 months amid the adaptive quarantine regime. Respondents expected higher inflation and significant depreciation.

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 (-53.8%) (this was the most pessimistic view across the regions) compared with (-46.2%) in the previous quarter and (-16.1%) across Ukraine (Figure 1)
- **prices for consumer goods and services would grow at a faster pace:** only 53.8% of respondents expected inflation to be lower than 7.5% compared with 76.9% in the previous quarter and 55.6% across Ukraine. Respondents referred to production costs as **the main inflation driver**. The impact of the exchange rate was assessed to be significantly higher than in the previous quarter (Figure 2)
- **the domestic currency would depreciate significantly:** all of the respondents expected the hryvnia to weaken against the US dollar, compared with 58.3% in the previous quarter and 83.2% across Ukraine
- **the financial and economic standings of their companies would remain unchanged:** the balance of expectations was 0.0% (as in the previous quarter) (see Table). Companies across Ukraine expected an improvement in their financial and economic standings (4.4%)
- **total sales would increase significantly:** the balance of responses was 54.5% (compared with 53.8% in Q2 2020). External sales were expected to increase at a slower pace: the balance of responses was 16.7% compared with 25.0% in the previous quarter. Overall, companies across Ukraine expected sales to increase moderately, the balances of responses being 9.8% and 4.3% respectively
- **investment in construction and in machinery, equipment, and tools would decrease:** the balances of responses were (-25.0%) and (-47.1%) respectively compared with (-15.4%) for each in the previous quarter. The balances of responses across Ukraine were (-4.7%) and 5.2% respectively
- **staff numbers at their companies would decrease:** the balance of responses was (-8.3%) compared with (-7.7%) in Q2 2020 and (-10.8%) across Ukraine (Figure 4)
- **purchase prices would rise at a faster pace** (the balance of responses was 92.3% compared with 61.5% in the previous quarter) than selling prices (the balance of responses was 53.8%) (Figure 6). A total of 61.9% of respondents cited raw material and supplies prices as the main selling price driver (Figure 7)
- **the growth in per-unit production costs and wage costs per staff member would accelerate:** the balances of responses were 54.5% and 53.8% respectively (compared with 23.1% and 25.0% in Q2 2020) (Figure 4 and 6).

High raw material and supplies prices, a lack of working assets and qualified staff shortages were cited as **the main drags on the ability of companies to boost production**. The impact of these factors strengthened noticeably. (Figure 5).

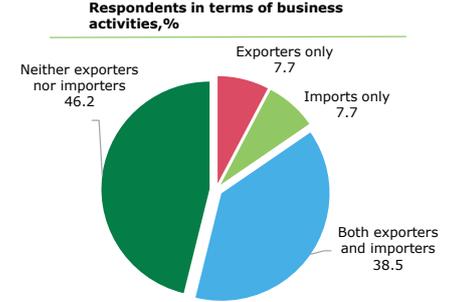
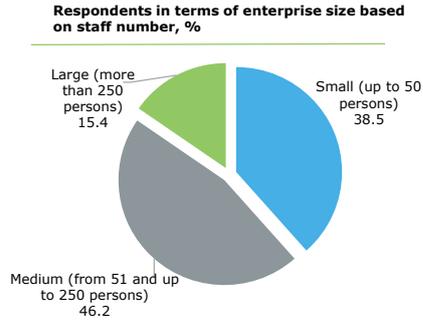
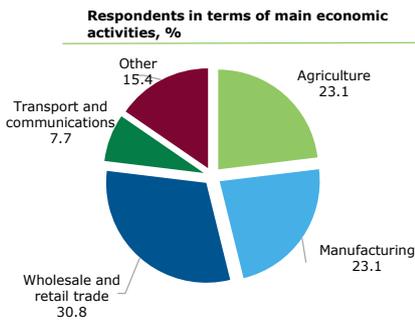
Respondents expected a noticeable increase in their borrowing needs in the near future (Figure 8). The companies that planned to take out corporate loans opted only for domestic currency loans. Respondents said that lending standards had tightened (Figure 9). Respondents were not unanimous with regard to the major factors that deterred companies from taking out loans: companies cited high loan rates, complicated paper work, collateral requirements, uncertainty about their ability to meet debt obligations as they fall due and other funding sources (30.8% each factor) (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)

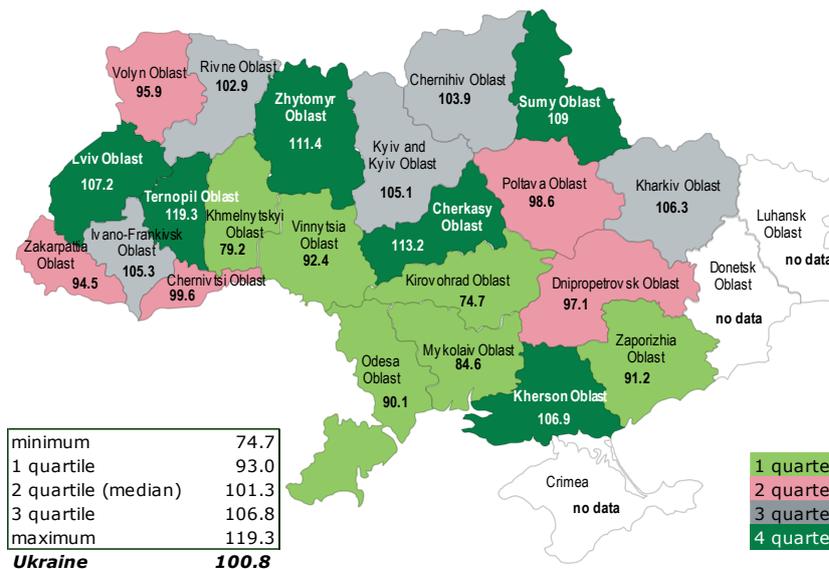
- **The current financial and economic standings of companies were assessed as bad:** the balance of responses was (-23.1%) (as in the previous quarter) compared with (-5.6%) across Ukraine.
- **Respondents had assessed their finished goods stocks at a level lower than the normal one** for four quarters in a row: the balance of responses was (-16.7%) compared with (-33.3%) in the previous quarter.
- **Unutilized production capacity had increased.** Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand: the balance of responses was 16.7% (compared with 0.0% in Q2 2020).

Survey Details^{1,2}



- Period: 11 August through 1 September 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 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, %				
	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20
Financial and economic standings	33.3	18.2	18.2	0.0	0.0
Total sales	50.0	41.7	45.5	53.8	54.5
Investment in construction	36.4	23.1	25.0	-15.4	-25.0
Investment in machinery, equipment and tools	50.0	23.1	41.7	-15.4	-41.7
Staff numbers	23.1	15.4	0.0	-7.7	-8.3

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 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

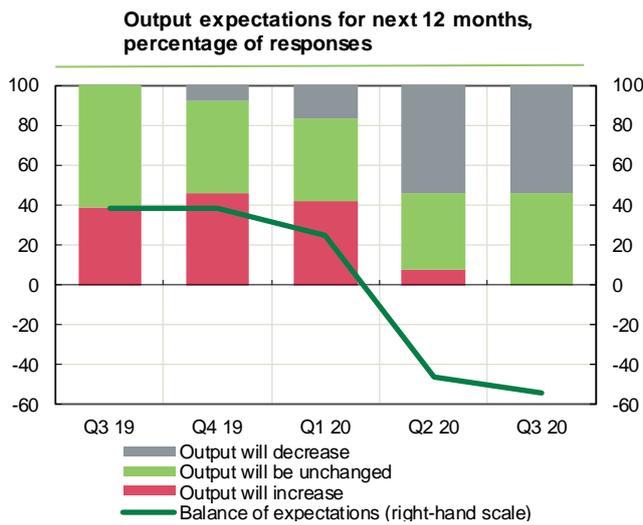


Figure 2

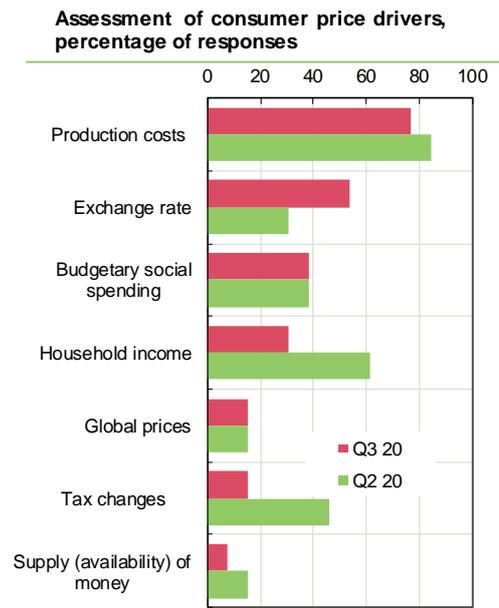


Figure 3

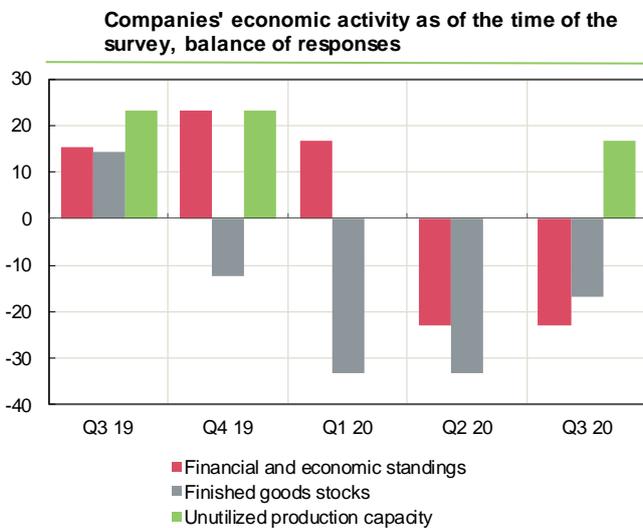


Figure 4

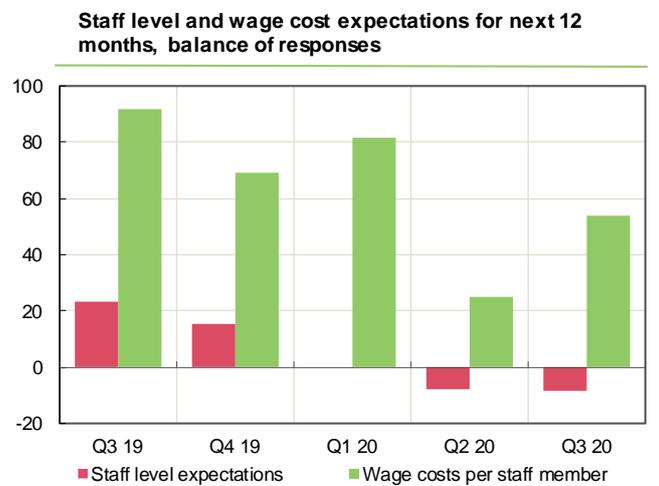


Figure 5

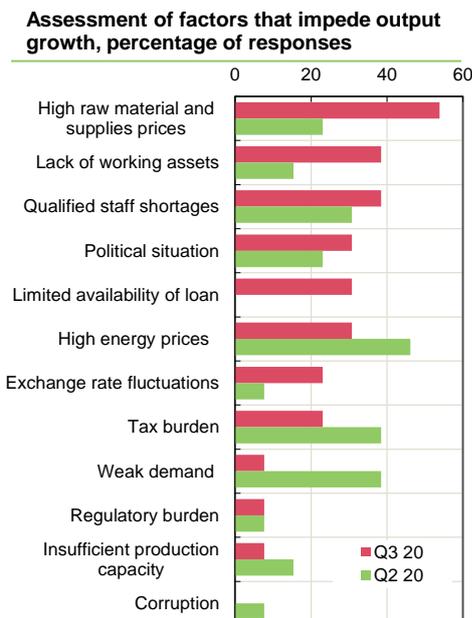


Figure 6

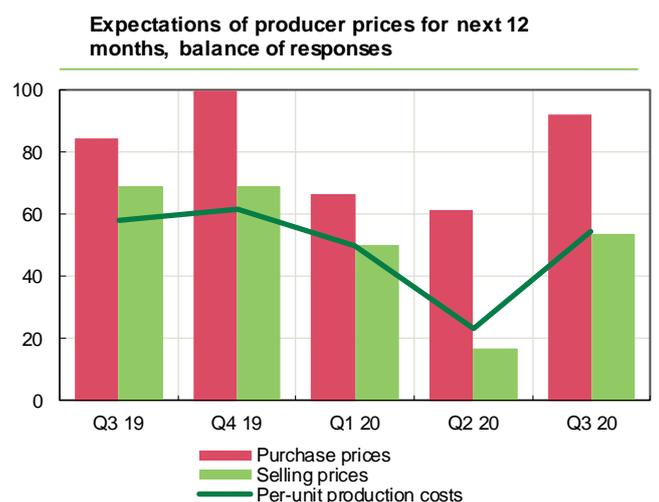


Figure 7

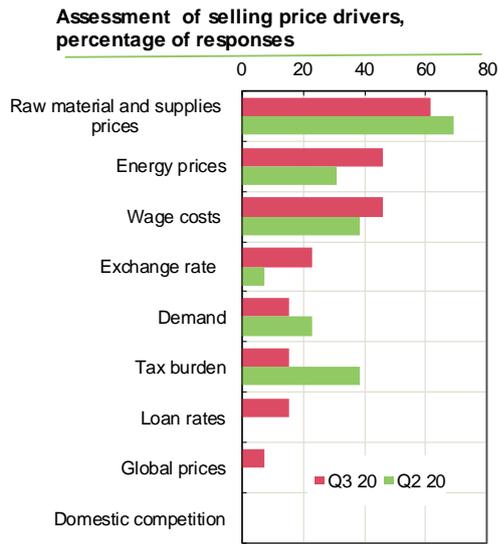


Figure 8

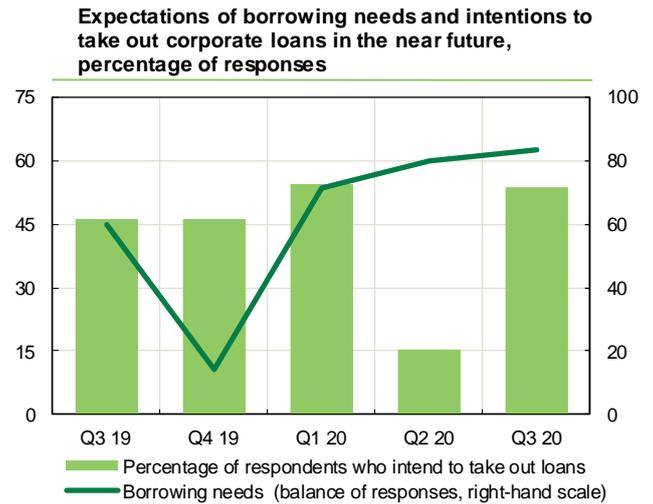


Figure 9

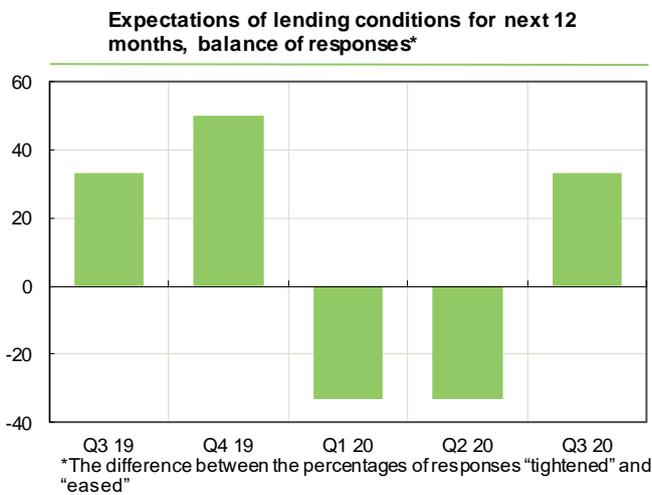


Figure 10

