



National Bank
of Ukraine

Business Outlook Survey of Dnipropetrovsk Oblast*

Q3 2019



*This survey only reflects the opinions of respondents in Dnipropetrovsk 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 Dnipropetrovsk oblast in Q3 2019 showed that respondents had optimistic expectations that the Ukrainian economy would grow further, and that their companies would develop over the next 12 months. Respondents expected that inflation would decline further, and that the domestic currency 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 moderately:** the balance of expectations was 26.0% compared with 32.4% in Q2 2019 (Figure 1) and 30.5% across Ukraine. Respondents from companies in other economic activities reported the most bullish expectations (the balance of responses was 66.7%)
- **prices for consumer goods and services would grow moderately:** 74.0% of respondents expected the inflation rate to be lower than 10.0% (compared with 67.1% in Q2 2019 and 73.3% across Ukraine). Some 1.4% of respondents anticipated a decrease in prices for consumer goods and services. 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 slower pace:** 61.6% of respondents (compared with 75.7% in the previous quarter) expected the hryvnia to weaken against the US dollar, with a figure of 69.0% across Ukraine
- **the financial and economic standings of their companies would improve:** the balance of expectations was 8.6% (compared with 12.3% in the previous quarter) (see Table). Respondents from manufacturing companies were the most upbeat. At the same time, the managers of transport companies continued to expect a deterioration in the financial and economic standings of their companies
- **total sales would increase at a slower pace:** the balance of expectations was 18.1% (compared with 27.1% across Ukraine). Respondents also expected slower growth in external sales, the balance of responses being 7.9% compared with 22.7% across Ukraine
- **investment both in construction and in machinery, equipment and tools would increase:** the balances of responses were 13.0% and 20.0% respectively (compared with 16.7% and 19.1% in the previous quarter and 9.3% and 17.7% across Ukraine)
- **staff numbers would decrease:** the balance of responses was (-8.3%) compared with 8.3% in the previous quarter (Figure 4). Across Ukraine, staff numbers were expected to increase (2.2%). Companies in the mining industry had the most pessimistic expectations (the balance of responses was (-23.5%))
- **purchase prices would grow at a fast pace:** the balance of responses was 80.3% (compared to 76.4% in Q2 2019). **The growth in selling prices was expected to decelerate:** the balance of responses was 54.2% (compared to 57.7% in Q2 2019) (Figure 6). Respondents from manufacturing companies reported the highest expectations of a rise in selling prices (the balance of responses was 94.7%). Respondents referred to high raw material and supplies prices and energy prices as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would grow:** the balances of responses were 51.4% and 47.9% respectively (compared with 47.8% and 45.8% respectively in Q2 2019) (Figures 4 and 6).

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

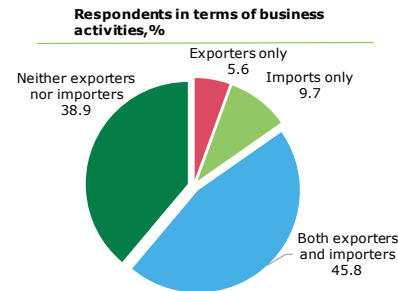
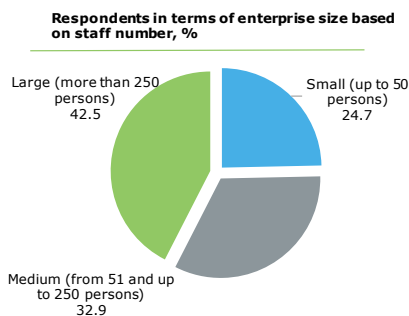
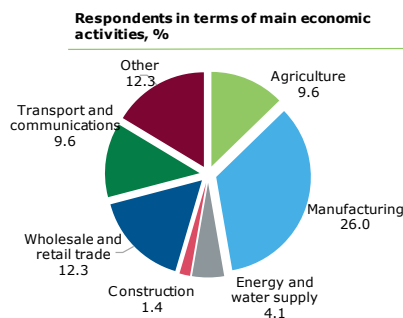
Respondents continue to report significant borrowing needs (Figure 8). The companies that planned to take out corporate loans usually opted for domestic currency ones. Respondents assessed the tightening of lending standards lower than in the previous quarter (Figure 9). They continued to refer to high loan rates as the main factor that deterred them from taking out loans (Figure 10).

A total of **98.6% of 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)

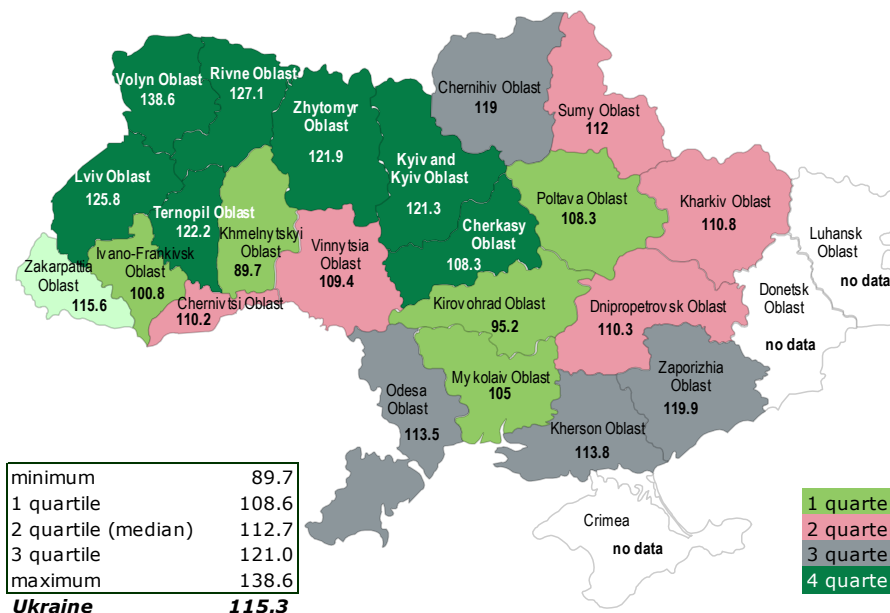
- **The current financial and economic standings of companies deteriorated and were assessed as bad:** the balance of responses was (-1.4%) compared with 1.4% in Q2 2019. Across Ukraine, respondents assessed their current financial and economic standings as positive, with a balance of responses of 9.5%.
- **Finished goods stocks remained below the normal level:** the balance of responses was (-9.8%) compared with (-7.5%) in Q2 2019. The lowest balance of responses was reported by companies in the mining industry (-41.7%).
- Companies have a sufficient amount of unutilized production capacity to meet any unexpected rise in demand: the balance of responses was 8.3% (compared with 21.4% in Q2 2019). Respondents from manufacturing companies reported the highest level of unutilized production capacity, the balance of responses being 26.3%. At the same time, production capacity shortages were reported by companies in the mining industry and other economic activities.

Survey Details¹



- Period: 5 August through 2 September 2019.
- A total of 73 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, the mining and manufacturing industries, trade, transport and communications, and other economic activities.

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 Dnipropetrovsk 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	12.2	13.5	7.4	12.3	8.6
Total sales	16.3	25.6	17.6	19.4	18.1
Investment in construction	7.5	18.5	13.6	16.7	13.0
Investment in machinery, equipment and tools	18.8	25.0	26.1	19.1	20.0
Staff numbers	1.1	4.4	0.0	8.3	-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 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

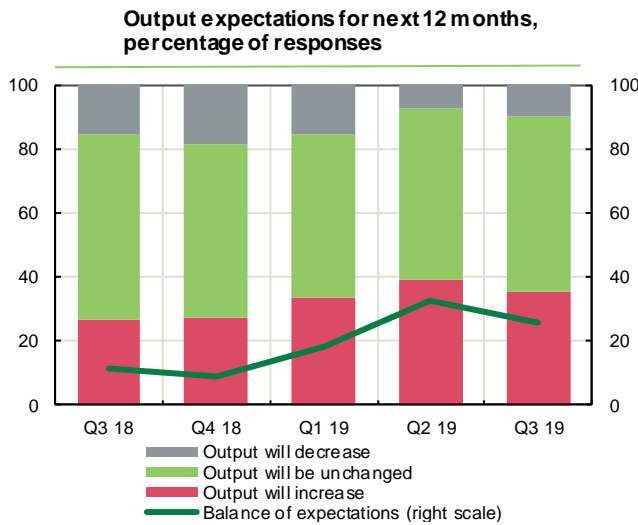


Figure 2

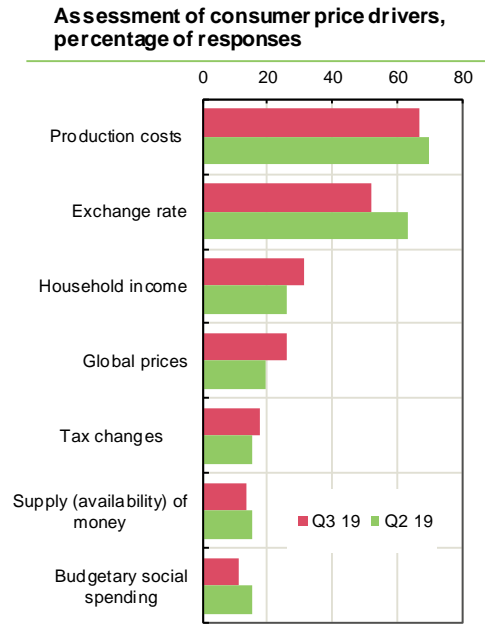


Figure 3

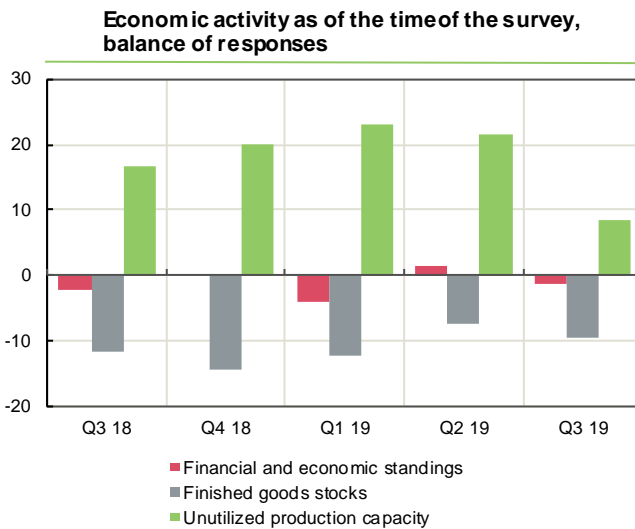


Figure 4

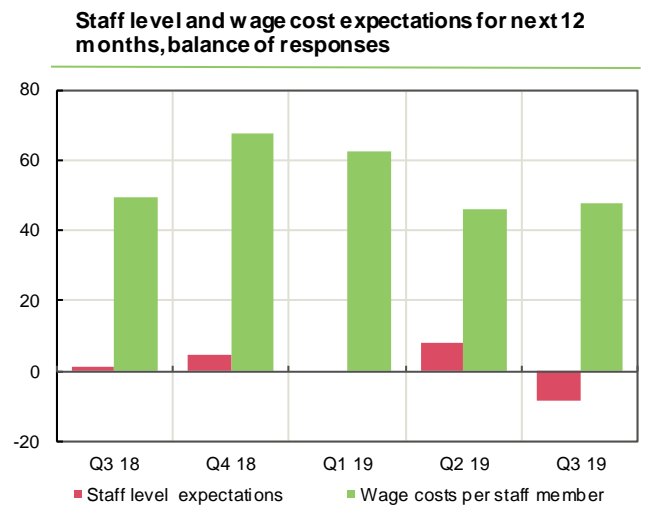


Figure 5

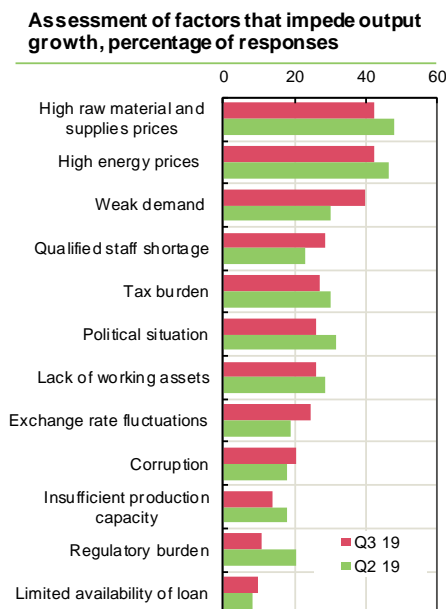


Figure 6

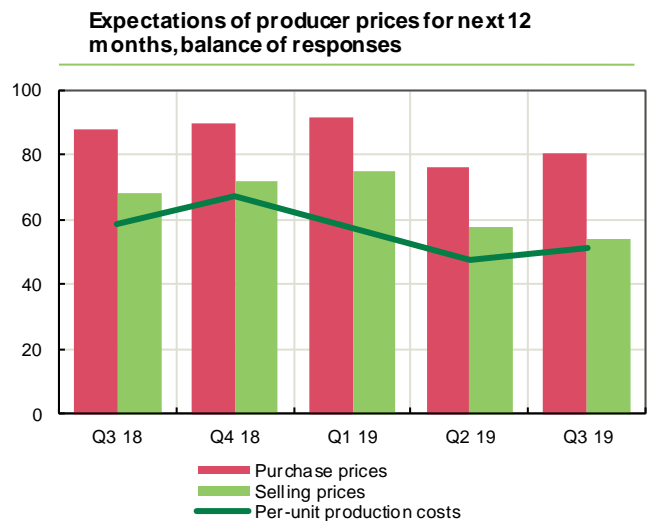


Figure 7

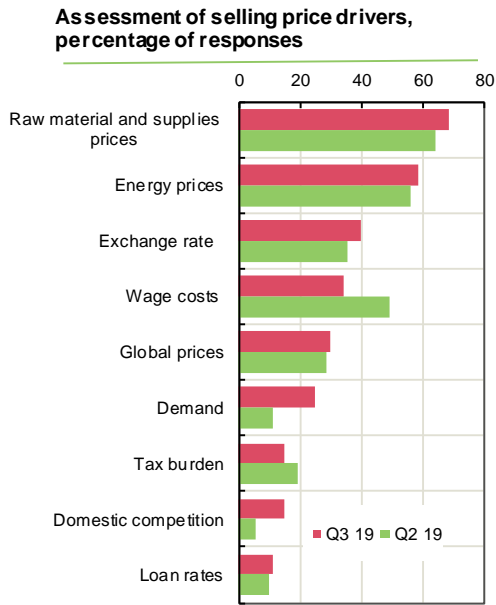


Figure 8

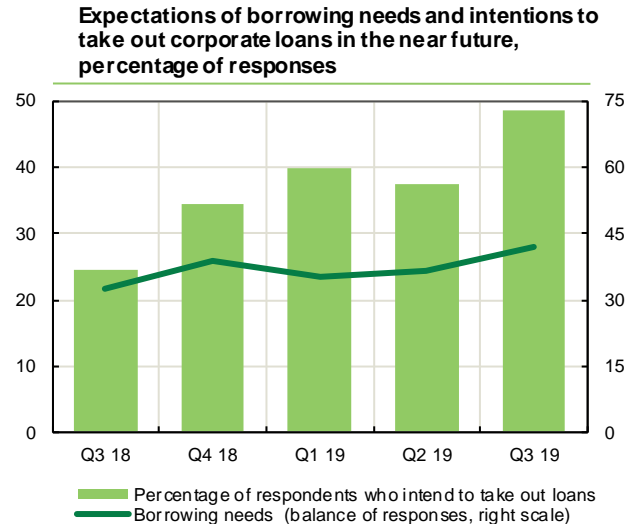


Figure 9

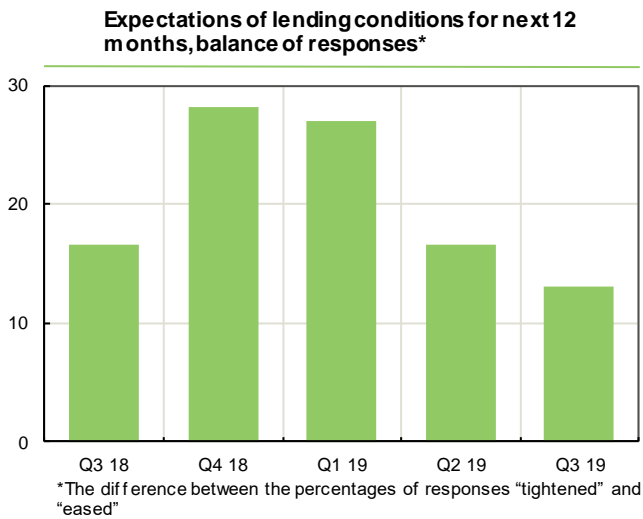
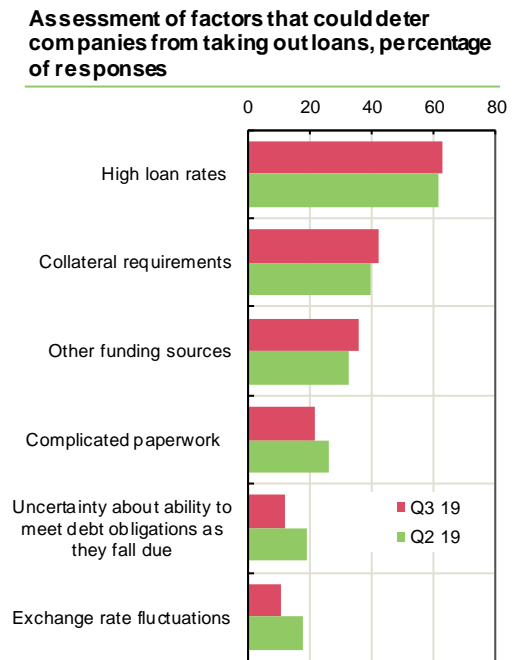


Figure 10



Key Indicators of Social and Economic Development of Dnipropetrovsk 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)	95.1	90.3	98.4	102.1	102.5 ²	...	...	...	...	...	...	...	...
2	Industrial production index	92.5	92.1	99.3	100.1	103.0	98.0	99.6	103.0	103.6	104.0	104.6	104.1	104.0
3	Mining and quarrying	94.5	97.0	96.4	96.8	102.2	97.9	100.9	103.7	103.2	103.4	104.4	103.6	103.7
4	Manufacturing	89.2	89.8	100.3	107.8	103.8	99.0	99.4	104.7	107.0	107.5	107.2	106.9	106.4
5	Production of food, beverages and tobacco	93.8	106.8	103.2	106.4	96.9	101.9	101.3	101.1	102.0	103.4	101.9	102.9	102.2
6	Textile production, production of clothing, leather, leather goods and other materials	79.7	88.9	106.6	91.6	98.5	86.2	87.4	91.1	89.3	88.9	89.2	83.7	85.2
7	Production of wood products, paper, printing	87.5	79.0	91.9	112.5	96.7	90.8	85.0	82.1	81.9	83.7	83.1	84.2	83.9
8	Production of coke and petrochemicals	111.5	105.3	103.9	106.1	103.8	92.5	97.1	99.6	100.7	103.3	102.6	100.2	100.3
9	Production of chemicals and chemical products	94.9	82.5	108.2	99.9	105.5	94.7	95.6	100.5	104.7	106.0	107.0	106.6	108.9
10	Production of rubber and plastic products, other nonmetallic mineral products	97.4	83.3	103.1	105.3	97.6	97.1	98.3	102.8	106.6	105.8	101.7	101.2	101.2
11	Metallurgical production, manufacturing of finished metal products, except machinery and equipment	93.5	86.9	103.4	102.0	103.2	97.8	97.1	105.3	108.2	108.8	109.1	108.6	107.0
12	Mechanical engineering, except for repair and installation of machinery and equipment	64.9	84.1	99.9	136.2	108.6	98.4	101.4	108.5	107.6	106.3	107.2	108.1	108.8
13	Electricity, gas, steam and conditioning air supply	97.0	66.6	125.8	80.7	103.8	92.9	88.4	84.9	83.6	82.6	86.2	85.7	87.3
14	Agricultural production index	94.1	106.3	100.3	100.5	102.7	103.1	103.8	102.4	101.6	97.3	117.6	111.1	110.9
15	Construction production index	87.6	91.0	100.0	136.7	125.1	148.7	135.0	148.1	140.6	136.8	135.2	134.4	133.9
16	Freight turnover	86.6	82.3	119.0	97.7	102.3	100.4	100.1	100.7	101.6	101.6	100.4	98.7	97.6
17	Passenger turnover	82.3	82.9	92.4	105.5	99.8	100.1	101.2	102.4	103.1	100.0	99.5	98.7	98.2
18	Volume index of retail trade turnover (in comparable prices, in percent)	99.1	80.6	103.1	108.3	108.0	105.8	107.9	109.3	109.9	111.0	112.2	112.5	113.0
19	Profit/loss of large and medium companies before tax (UAH million) ³	-54911.4	-46485.5	7329.3	50923.6	...	...	...	...	...	...	...	...	...
20	Capital investment index	80.2	98.2	115.5	128.9	129.4	...	...	142.8	...	...	123.6	...	...
21	Consumer price index (compared with December of previous year)	125.7	142.6	112.7	112.8	109.2	101.2	101.8	102.5	103.9	104.3	103.9	102.9	102.5
22	Real disposable income	94.0	81.1	99.2	112.8	114.8 ²	...	...	...	...	...	...	...	...
23	Real wage index	97.1	78.8	102.3	119.1	115.8	113.0	112.3	112.9	113.5	113.0	112.6	112.5	112.6
24	Number of applicants per vacancy as of end of period	6	14	9	6	4	4	4	3	3	3	3	3	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