



National Bank
of Ukraine

Business Outlook Survey of Dnipropetrovsk Oblast*

Q4 2019



*This survey only reflects the opinions of respondents in Dnipropetrovsk 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 Dnipropetrovsk oblast in Q4 2019 showed that respondents had positive expectations that the Ukrainian economy would continue to grow, and that their companies would develop over the next 12 months. At the same time, respondents expected inflation to increase and the domestic currency to depreciate.

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

- **the output of Ukrainian goods and services would increase:** the balance of expectations was 21.1% compared with 26.0% in Q3 2019 (Figure 1) and 21.9% across Ukraine. Respondents from companies in other economic activities reported the most bullish expectations (the balance of responses was 55.6%). At the same time, transport companies expected a decline in the output
- **the growth in prices for consumer goods and services would accelerate:** 45.9% of respondents expected the inflation rate to be lower than 7.5% (compared with 50.7% in Q3 2019 and 53.8% 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 faster pace:** 68.4% of respondents (compared with 61.6% in the previous quarter) expected the hryvnia to weaken against the US dollar, with a figure of 70.7% across Ukraine
- **the financial and economic standings of their companies would improve:** the balance of expectations was 13.9% (compared with 8.6% in the previous quarter and 18.6% across Ukraine) (see Table). Respondents from trade companies were the most upbeat. At the same time, the managers of agricultural companies expected a deterioration in the financial and economic standings of their companies
- **total sales would increase at a slower pace:** the balance of expectations was 11.8% (compared with 18.1% across Ukraine). External sales were expected to decrease (the balance of responses was (-2.7%) compared with 7.9% in Q3 2019). Overall, respondents expected sales to rise across Ukraine, the balances of responses being 23.5% and 20.6% respectively
- **investment both in construction and in machinery, equipment and tools would increase moderately:** the balances of responses were 2.9% and 7.0% respectively (compared with 13.0% and 20.0% in the previous quarter and 4.7% and 14.7% across Ukraine)
- **staff numbers would continue to decrease:** the balance of responses was (-18.1%) compared with (-8.3%) in the previous quarter and (-1.6%) across Ukraine (Figure 4). Companies in the mining industry had the most pessimistic expectations (the balance of responses was (-31.3%))
- **both purchase and selling prices would grow more slowly:** the balances of responses were 71.1% and 50.7% respectively (compared with 80.3% and 54.2% in the previous quarter) (Figure 6). Respondents from manufacturing companies reported the highest expectations of a rise in selling prices (the balance of responses was 68.4%). Respondents referred to high energy, 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 41.1% and 54.7% respectively (compared with 51.4% and 47.9% respectively in Q3 2019) (Figures 4 and 6).

High energy prices were cited as **the main drags on the ability of companies to boost production**. The impact of a lack of working assets strengthened noticeably. (Figure 5).

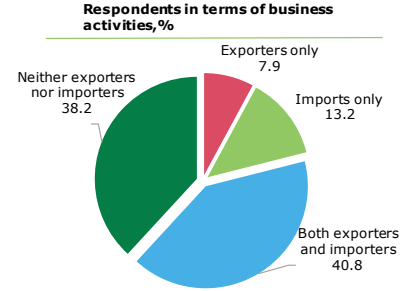
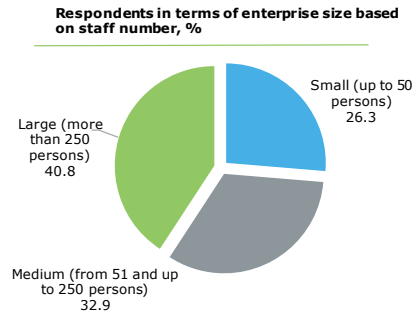
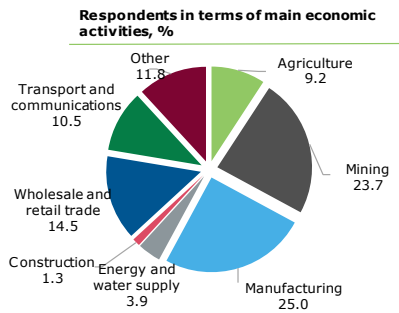
Respondents edged down their expectations of an increase in their borrowing needs in the near future (Figure 8). The companies that planned to take out corporate loans usually opted for domestic currency ones. Fewer respondents said that lending conditions had tightened (Figure 9). They continued to refer 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)

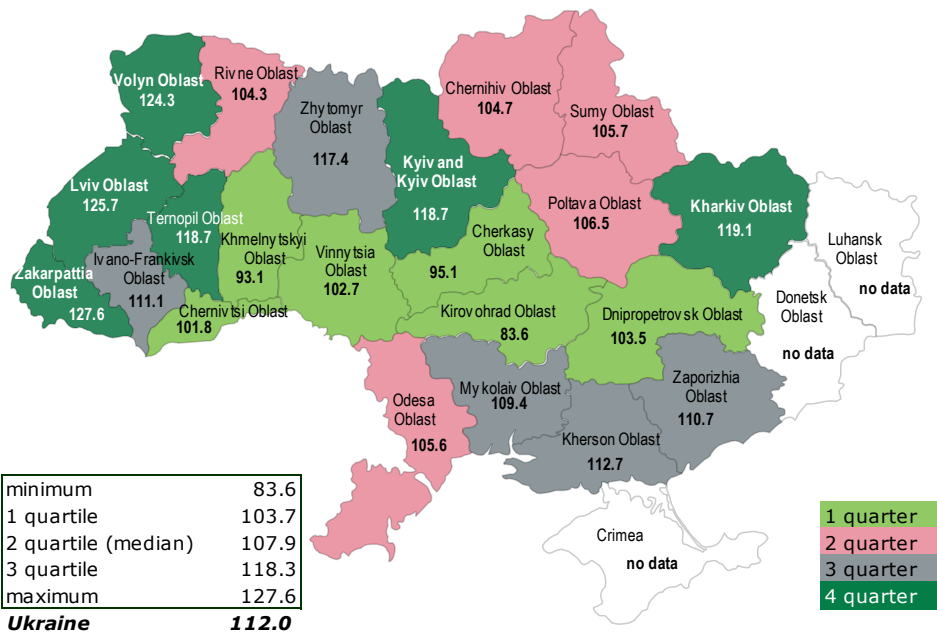
- **Companies have assessed their current financial and economic standings as bad for two quarters in a row:** the balance of responses was (-5.4%) compared with (-1.4%) in Q3 2019. Across Ukraine, respondents assessed their current financial and economic standings as good, with a balance of responses of 6.1%.
- **Finished goods stocks remained below their normal level:** the balance of responses was (-4.5%) compared with (-9.8%) in Q3 2019.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 21.9% (compared with 8.3% in Q3 2019). Respondents from manufacturing companies reported the highest level of unutilized production capacity, the balance of responses being 42.1%. At the same time, production capacity shortages were reported by agricultural companies.

Survey Details¹



- Period: 4 November through 2 December 2019.
- A total of 76 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, %



¹a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups
²a 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, %				
	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
Financial and economic standings	13.5	7.4	12.3	8.6	13.9
Total sales	25.6	17.6	19.4	18.1	11.8
Investment in construction	18.5	13.6	16.7	13.0	2.9
Investment in machinery, equipment and tools	25.0	26.1	19.1	20.0	7.0
Staff numbers	4.4	0.0	8.3	-8.3	-18.1

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

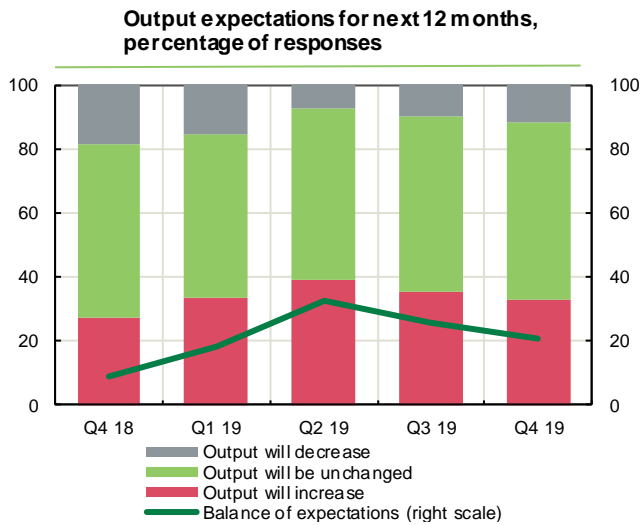


Figure 2

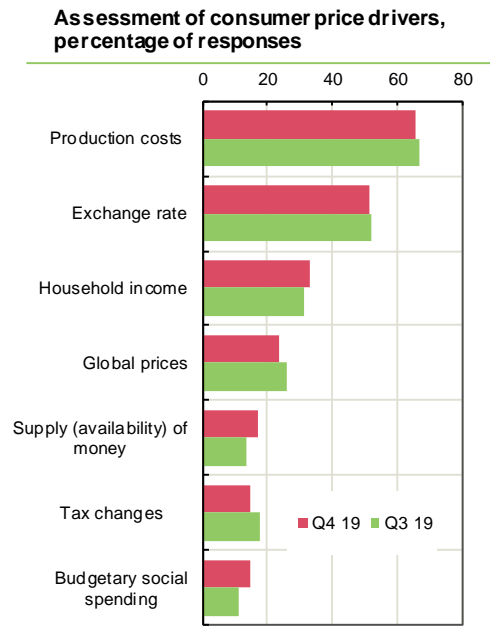


Figure 3

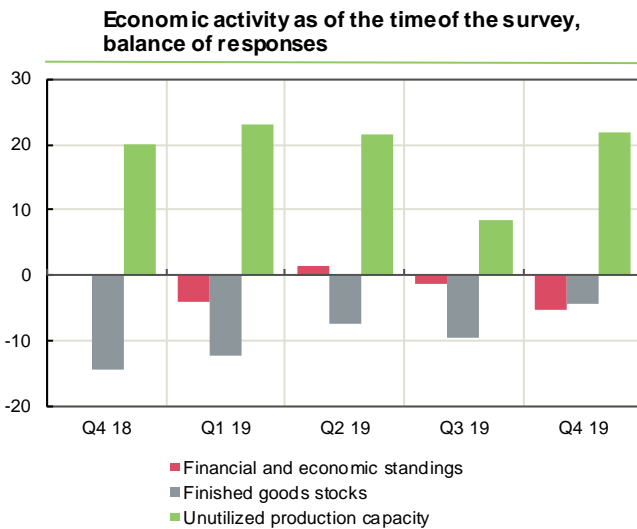


Figure 4

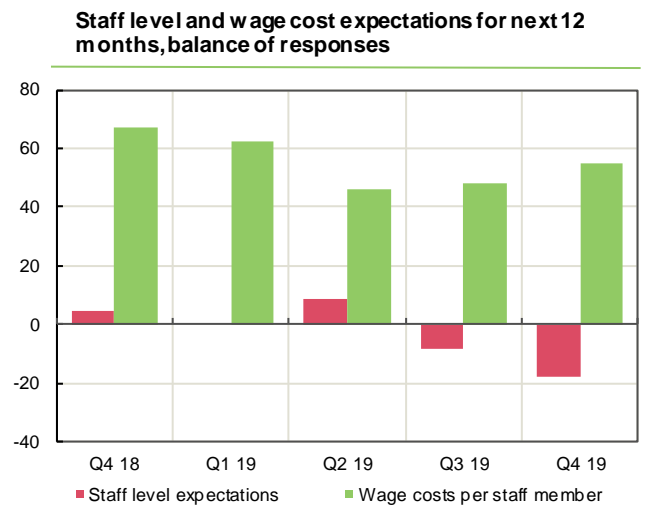


Figure 5

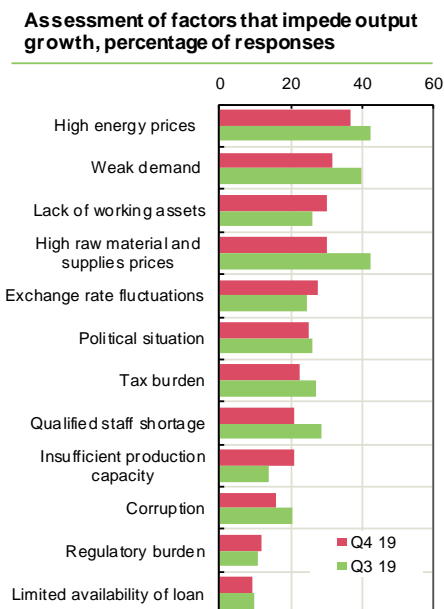


Figure 6

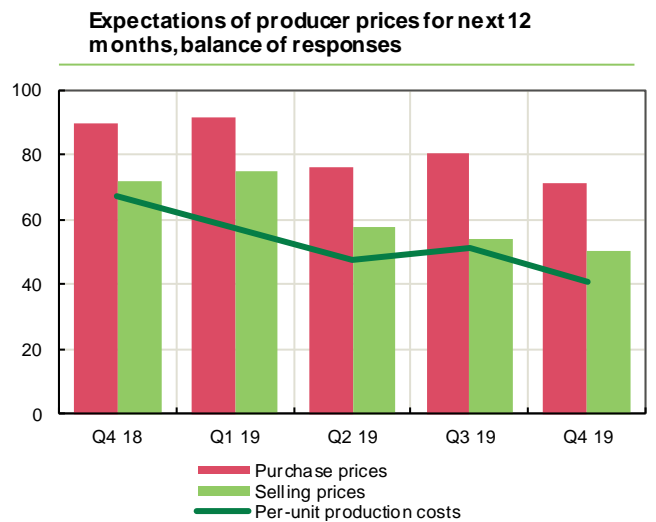


Figure 7

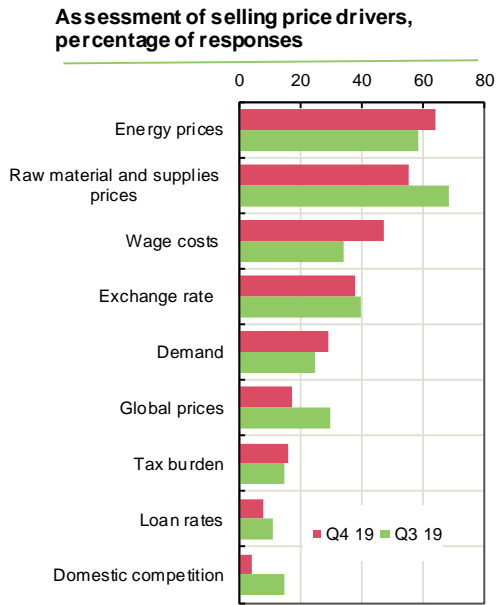


Figure 8

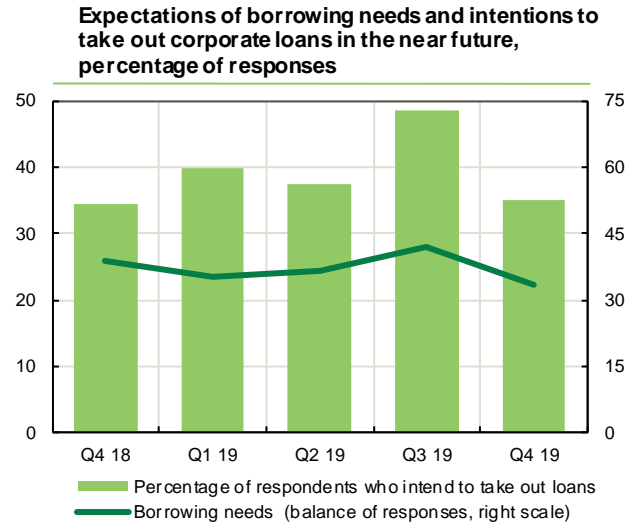


Figure 9

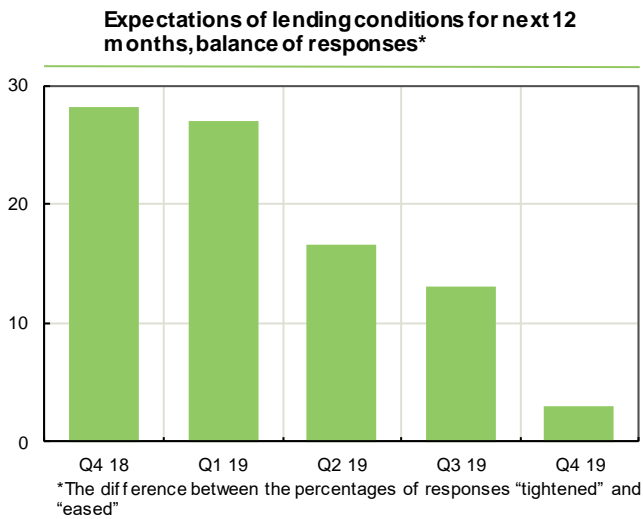
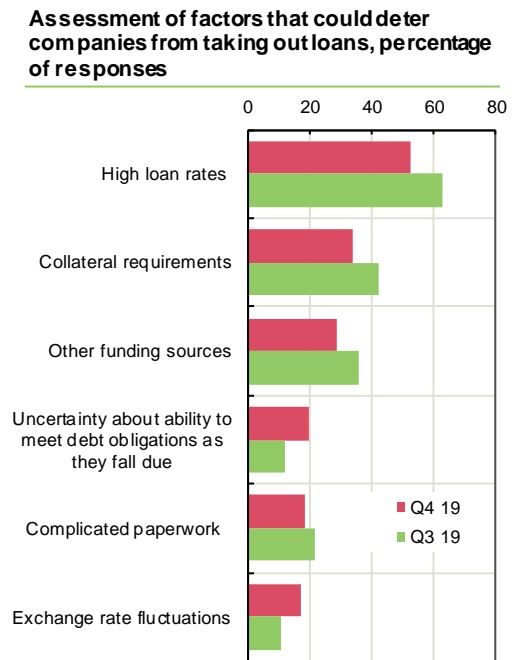


Figure 10



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	January - September	January - October	January - November						
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	103.2	102.7	101.6	100.6	...	...	...	...	...
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	102.7	101.6	100.6	...	...	...	...	...	...
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	105.7	104.4	103.4	...	...	...	...	...	...
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	103.2	102.1	101.8	...	...	...	...	...	...
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	86.6	86.5	85.3	...	...	...	...	...	...
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	83.1	82.5	81.7	...	...	...	...	...	...
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	100.6	99.9	99.2	...	...	...	...	...	...
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	109.9	109.6	109.0	...	...	...	...	...	...
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	100.6	100.9	101.0	...	...	...	...	...	...
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	104.8	102.3	100.4	...	...	...	...	...	...
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	110.0	110.8	111.0	...	...	...	...	...	...
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	86.0	86.7	84.7	...	...	...	...	...	...
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	112.5	107.6	107.7	...	...	...	...	...	...
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	133.4	129.1	126.5	...	...	...	...	...	...
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	97.1	96.8	95.5	...	...	...	...	...	...
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	98.3	97.9	97.1	...	...	...	...	...	...
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	112.6	112.7	112.9	...	...	...	...	...	...
19	Profit/loss of large and medium companies before tax (UAH million) ³	-54911.4	-46485.5	7329.3	50923.6	33344.5	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
20	Capital investment index	80.2	98.2	115.5	128.9	129.4	...	...	142.8	...	...	123.6	...	...	121.8	...	...	...	...	...	...	...	...
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	103.2	104.0	103.9	...	...	...	...	...	...
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	112.9	112.7	112.9	...	...	...	...	...	...
24	Number of applicants per vacancy as of end of period	6	14	9	6	4	4	4	3	3	3	3	3	3	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