



National Bank
of Ukraine

Business Outlook Survey of Dnipropetrovsk Oblast*

Q1 2020

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



*This survey only reflects the opinions of respondents in Dnipropetrovsk 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 Dnipropetrovsk oblast in Q1 2020 showed that respondents had very moderate expectations that the Ukrainian economy would continue to grow, and that their companies would develop over the next 12 months. Respondents expected that prices for consumer goods and services would rise moderately and that the domestic currency would depreciate further.¹

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

- **the output of Ukrainian goods and services would increase at a slower pace** (such expectations have been reported for three quarters running): the balance of expectations was 4.0% compared with 21.1% in Q4 2019 (Figure 1) and 10.4% across Ukraine. Respondents from companies in other economic activities reported the most bullish expectations (the balance of responses was 37.5%)
- **prices for consumer goods and services would rise:** 64.5% of respondents expected the inflation rate to be lower than 6.0% compared with 68.5% across Ukraine. Respondents continued to refer to production costs and hryvnia exchange rate fluctuations as the **main inflation drivers** (Figure 2)
- **the hryvnia would depreciate further:** 67.1% of respondents (compared with 68.4% in the previous quarter) expected the hryvnia to weaken against the US dollar, with a figure of 65.2% across Ukraine
- **the financial and economic standings of their companies would improve:** the balance of expectations was 9.2% (compared with 13.9% in the previous quarter and 16.9% across Ukraine) (see Table). Respondents from mining companies and companies in other economic activities were the most upbeat (with balances of expectations of 22.2% for each). At the same time, transport companies expected a deterioration in their financial and economic standings
- **total sales would increase:** the balance of expectations was 18.2% (compared with 11.8% in Q4 2019). External sales were expected to decrease (the balance of responses was (-5.0%) compared with (-2.7%) in Q4 2019). Overall, respondents expected sales to rise across Ukraine, the balances of responses being 23.0% and 17.5% respectively
- **investment both in construction and in machinery, equipment and tools would increase:** the balances of responses were 7.4% and 10.6% respectively (compared with 2.9% and 7.0% in the previous quarter and 2.4% and 14.1% across Ukraine)
- **staff numbers would continue to decrease** (such expectations have been reported for three quarters running): the balance of responses was (-8.0%) compared with (-18.1%) in the previous quarter and (-3.9%) across Ukraine (Figure 4). Companies in the agricultural sector had the most pessimistic expectations (the balance of responses was (-33.3%))
- **purchase prices would rise at a faster pace** (the balance of responses was 73.1%) than selling prices (the balance of responses was 41.0%) (Figure 6). Respondents from manufacturing companies reported the highest expectations of a rise in selling prices (the balance of responses was 73.9%). Respondents referred to high energy, raw material and supplies 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 47.9% and 48.0% respectively (compared with 41.1% and 54.7% respectively in Q4 2019) (Figures 4 and 6).

Weak demand was cited as **the main drag on the ability of companies to boost production**. The impact of the political situation was said to have 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. Respondents said that lending standards 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).

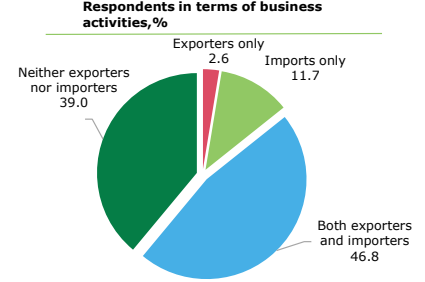
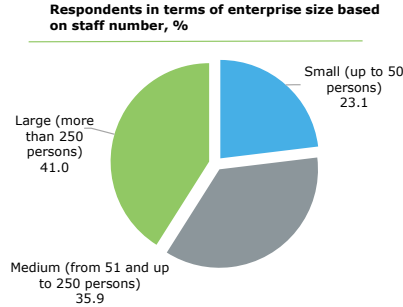
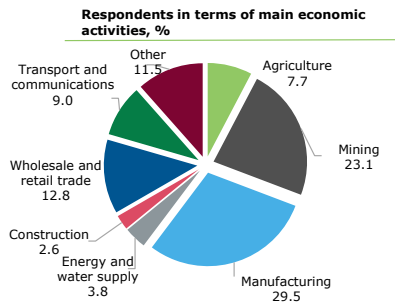
A total of 97.4% of the respondents said that they had encountered no difficulties in effecting transactions with funds deposited in bank accounts (96.6% across Ukraine).

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

- **Companies had assessed their current financial and economic standings as bad for three quarters in a row:** the balance of responses was (-5.2%) compared with (-5.4%) in Q4 2019. Across Ukraine, respondents assessed their current financial and economic standings as good, with a balance of responses of 9.7%.
- **Finished goods stocks remained below their normal level:** the balance of responses was (-13.6%) compared with (-4.5%) in Q4 2019.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 32.5% (compared with 21.9% in Q4 2019). Respondents from trade companies reported the largest amount of unutilized production capacity, the balance of responses being 70.0%.

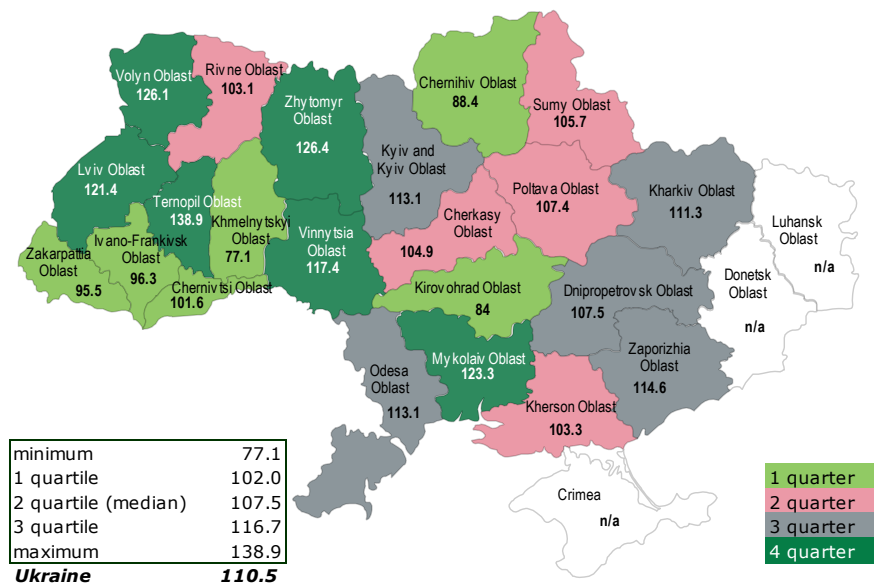
¹ This survey was carried out before quarantine measures were introduced.

Survey Details^{2 3}



- Period: 5 February through 3 March 2020.
- A total of 78 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 Oblasts⁴, %



*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 Dnipropetrovsk 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	7.4	12.3	8.6	13.9	9.2
Total sales	17.6	19.4	18.1	11.8	18.2
Investment in construction	13.6	16.7	13.0	2.9	7.4
Investment in machinery, equipment and tools	26.1	19.1	20.0	7.0	10.6
Staff numbers	0.0	8.3	-8.3	-18.1	-8.0

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 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

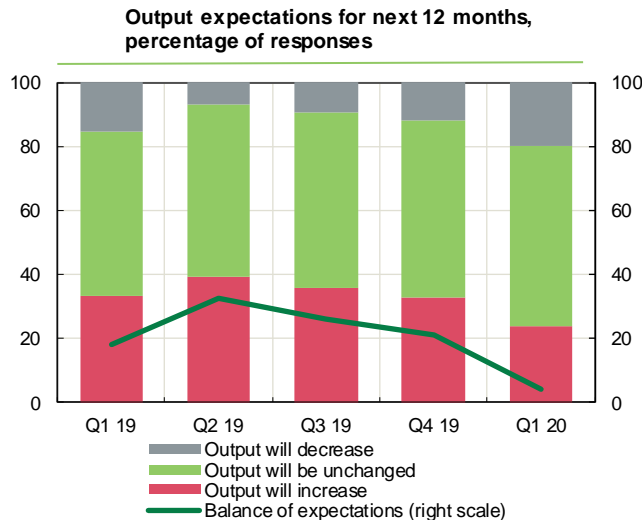


Figure 2

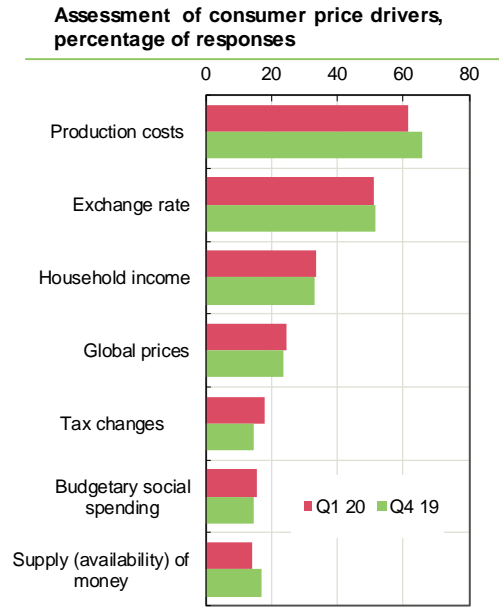


Figure 3

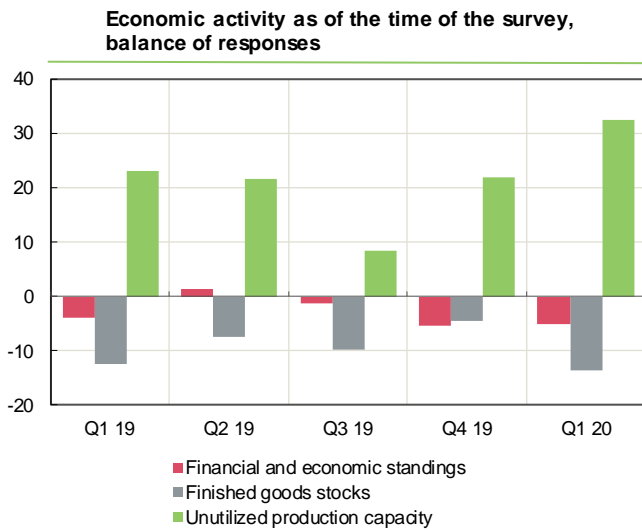


Figure 4



Figure 5

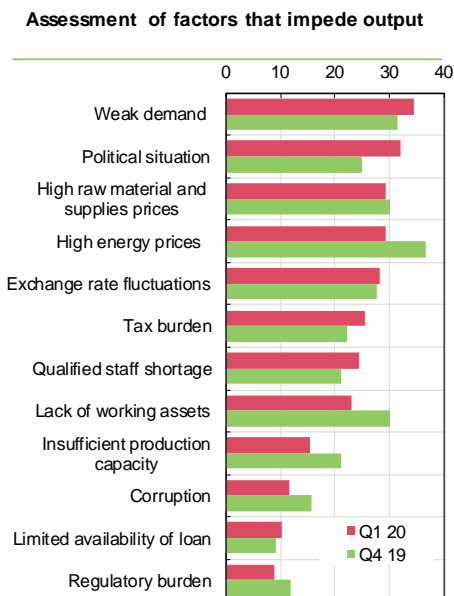


Figure 6

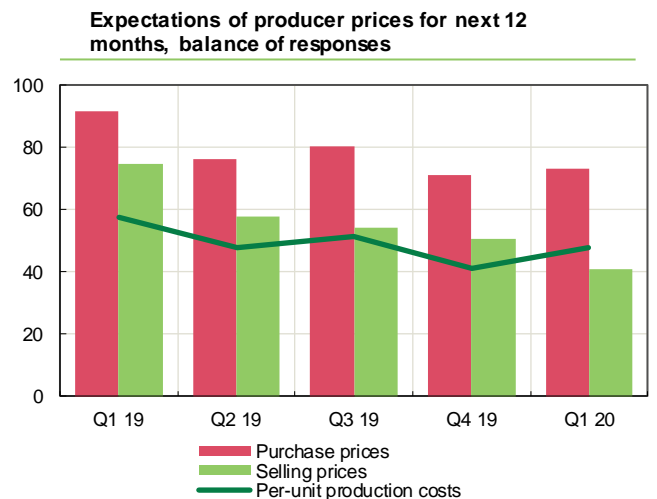


Figure 7

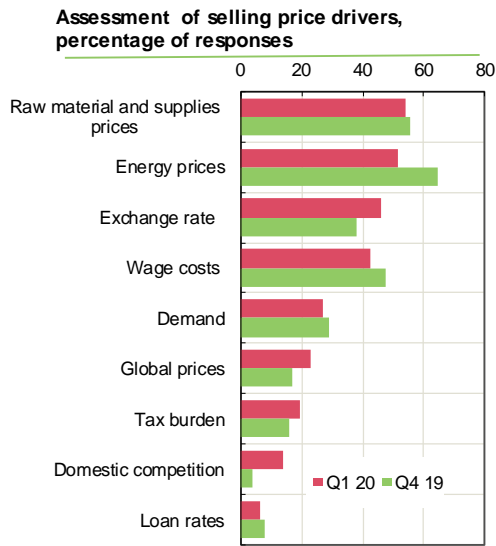


Figure 8

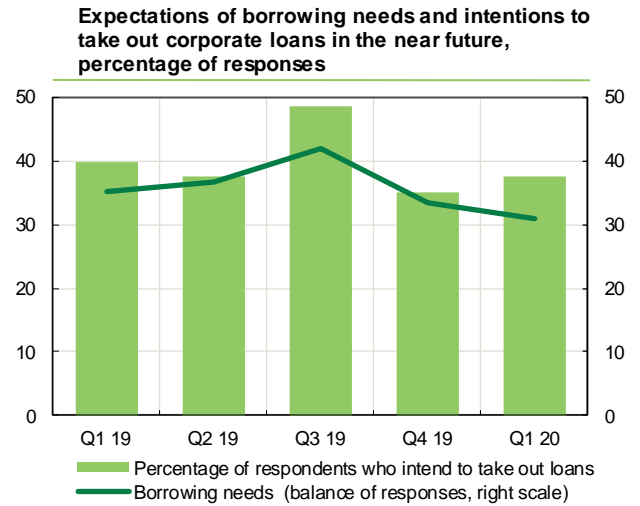


Figure 9

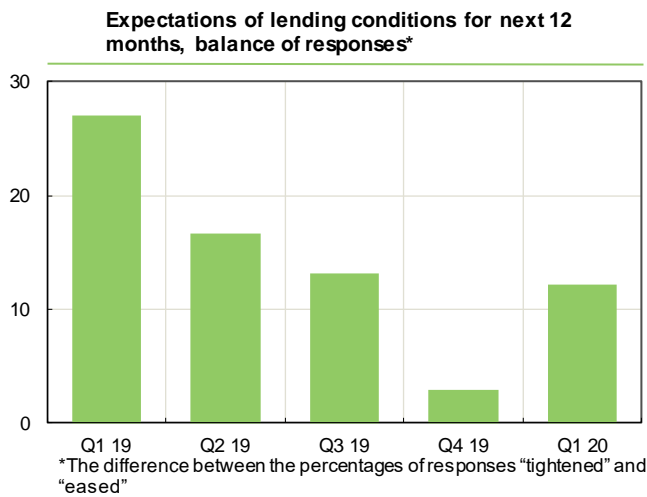


Figure 10

