



National Bank  
of Ukraine

## Business Outlook Survey of Dnipropetrovsk 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 Dnipropetrovsk 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 **Dnipropetrovsk oblast** in **Q2 2020** showed that respondents expected a drop in the output of Ukrainian goods and services, and weaker performance of their companies over the next 12 months, on the back of the quarantine. Respondents expected that prices for consumer goods and services would rise and that the domestic currency would depreciate further.<sup>1</sup>

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

- **the output of Ukrainian goods and services would drop:** the balance of expectations was (-29.9%) compared with 4.0% in Q1 2020 (Figure 1) and (-34.1%) across Ukraine. Respondents from agricultural companies reported the most pessimistic expectations (the balance of responses was (-60.0%))
- **prices for consumer goods and services would rise:** 56.6% of respondents expected the inflation rate to be lower than 7.5% compared with 54.9% across Ukraine. Respondents continued to refer to hryvnia exchange rate fluctuations and production costs as the **main inflation drivers** (Figure 2)
- **the hryvnia would depreciate further:** 70.1% of respondents (compared with 67.1% in the previous quarter) expected the hryvnia to weaken against the US dollar, with a figure of 68.2% across Ukraine
- **the financial and economic standings of their companies would deteriorate:** the balance of expectations was (-10.5%) (compared with 9.2% in the previous quarter and (-1.8%) across Ukraine) (see Table). Respondents from agricultural companies were the most pessimistic (with balances of expectations of (-50.0%)). At the same time, trading and manufacturing companies expected an improvement in their financial and economic standings
- **total sales would decrease:** the balance of expectations was (-3.8%) (compared with 18.2% in Q1 2020). Respondents also expected a decrease in external sales: the balance of expectations was (-8.1%) (compared with (-5.0%) in Q1 2020). The balances of responses across Ukraine were (-0.1%) and (-0.7%) respectively
- **investment both in construction and in machinery, equipment and tools would decrease:** the balances of responses were (-18.3%) and (-19.2%) respectively (compared with 7.4% and 10.6% in the previous quarter). The balances of responses across Ukraine were (-16.1%) and (-10.5%) respectively
- **staff numbers would decrease** (such expectations have been reported for four quarters running): the balance of responses was (-19.5%) compared with (-8.0%) in the previous quarter and (-17.3%) across Ukraine (Figure 4). Companies in the manufacturing industry had the most pessimistic expectations (the balance of responses was (-31.8%))
- **purchase prices would rise at a faster pace** (the balance of responses was 73.1%) than selling prices (the balance of responses was 28.2%) (Figure 6). Respondents from manufacturing and trading companies reported the highest expectations of a rise in selling prices (the balances of responses were 54.5% for each). Respondents referred to high energy, raw material and supplies prices and the exchange rate as the main selling price drivers (Figure 7)
- **the growth in per-unit production costs and wage costs per staff member would slow:** the balances of responses were 40.0% and 24.7% respectively (compared with 47.9% and 48.0% respectively in Q1 2020) (Figures 4 and 6).

Weak demand, the political situation and high raw material and supplies prices were cited as **the main drags on the ability of companies to boost production** (Figure 5).

Respondents lowered 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).

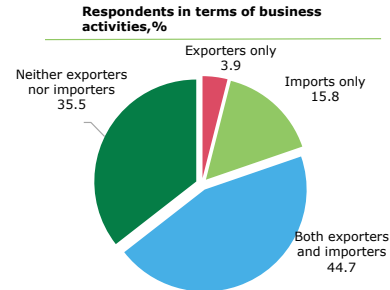
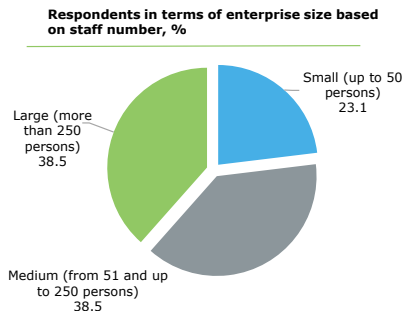
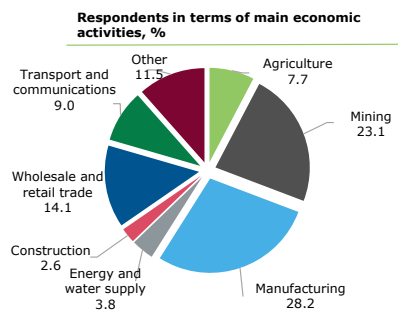
A total of 97.3% of the respondents said that they had encountered no difficulties in effecting transactions with funds deposited in bank accounts (96.5% across Ukraine).

#### 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 had been assessed as bad for four quarters in a row:** the balance of responses was (-21.8%) compared with (-5.2%) in Q1 2020 and (-11.6%) across Ukraine.
- **Finished goods stocks had remained below their normal level:** the balance of responses was (-17.8%) compared with (-13.6%) in Q1 2020.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 16.0% (compared with 32.5% in Q1 2020).

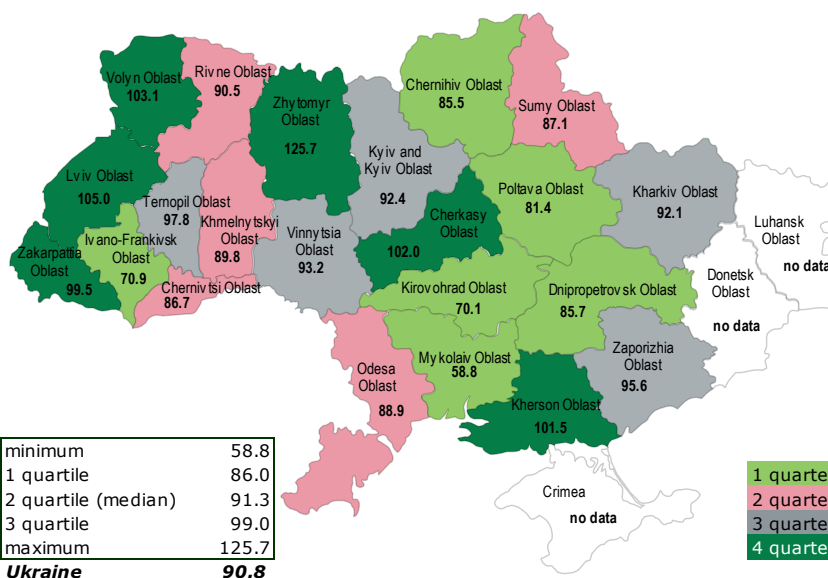
<sup>1</sup> This survey was conducted after the government announced it would relax the quarantine.

Survey Details<sup>2 3</sup>



- Period: 5 May through 3 June 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 Oblasts<sup>4</sup>, %



<sup>4</sup>a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups  
<sup>5</sup>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, %				
	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
Financial and economic standings	12.3	8.6	13.9	9.2	-10.5
Total sales	19.4	18.1	11.8	18.2	-3.8
Investment in construction	16.7	13.0	2.9	7.4	-18.3
Investment in machinery, equipment and tools	19.1	20.0	7.0	10.6	-19.2
Staff numbers	8.3	-8.3	-18.1	-8.0	-19.5

<sup>2</sup> This sample was generated in proportion to the contribution of each oblast and each economic activity to Ukraine's gross value added.

<sup>3</sup> Data for totals and components may be subject to rounding effects.

<sup>4</sup> 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

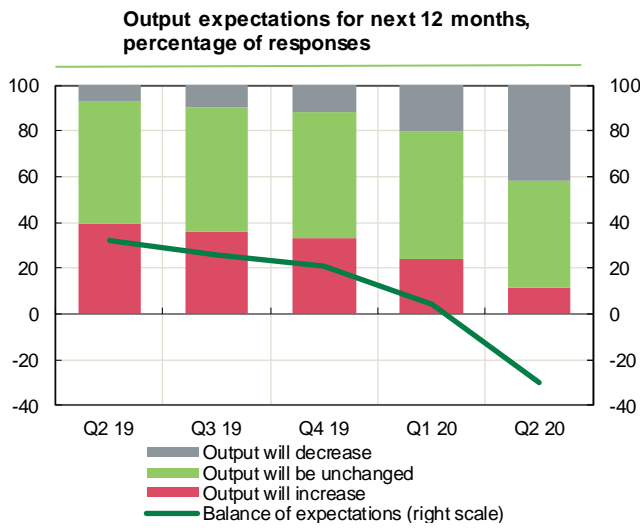


Figure 2

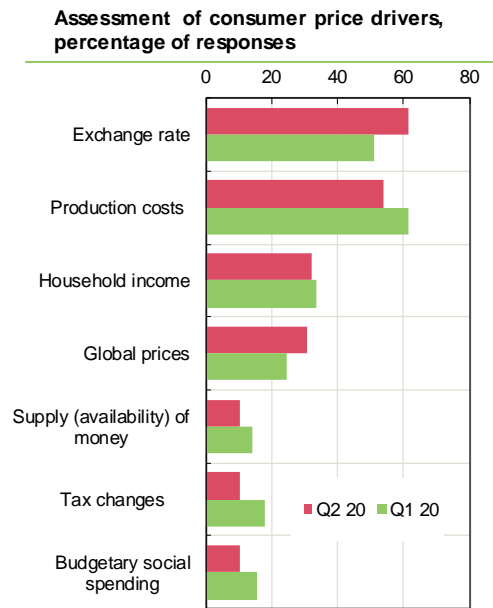


Figure 3

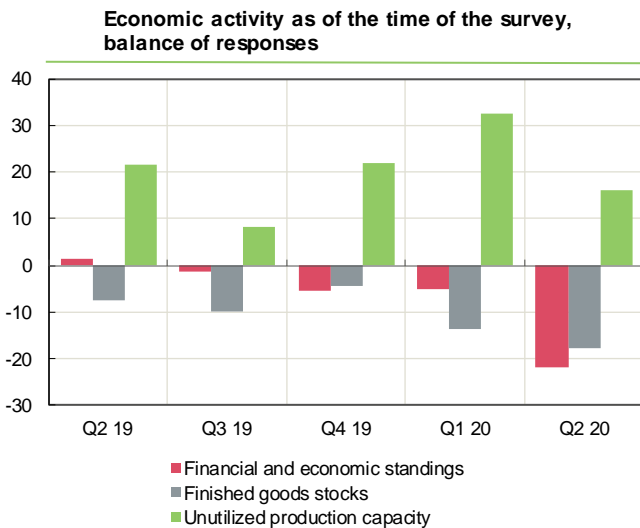


Figure 4

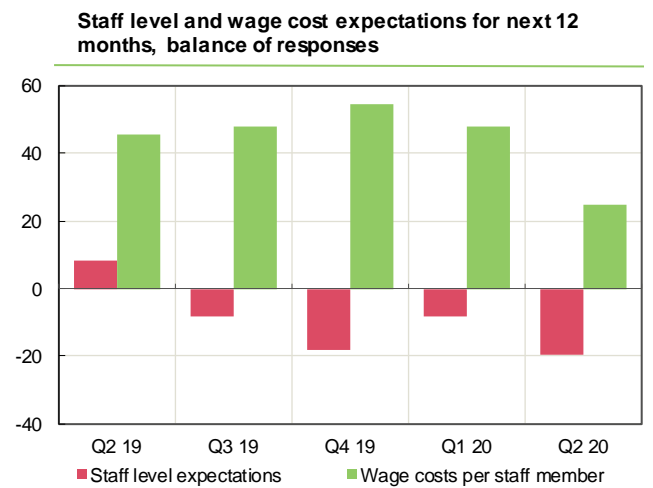


Figure 5

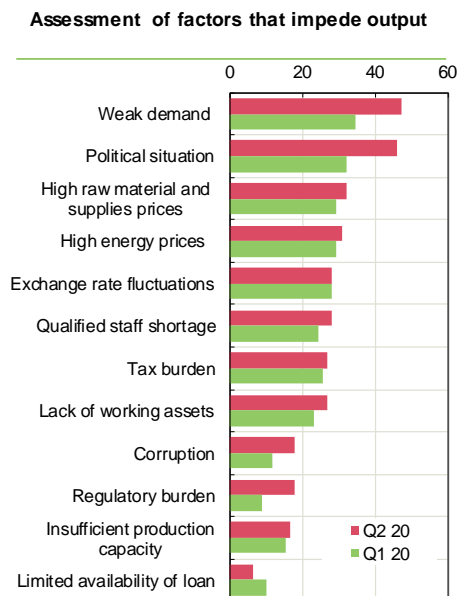


Figure 6

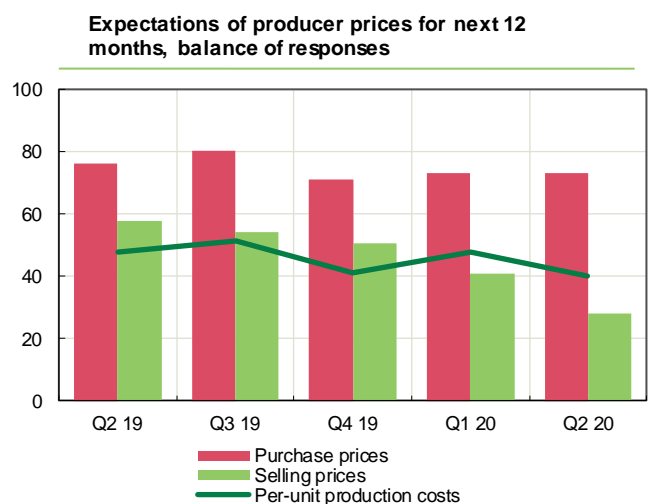


Figure 7

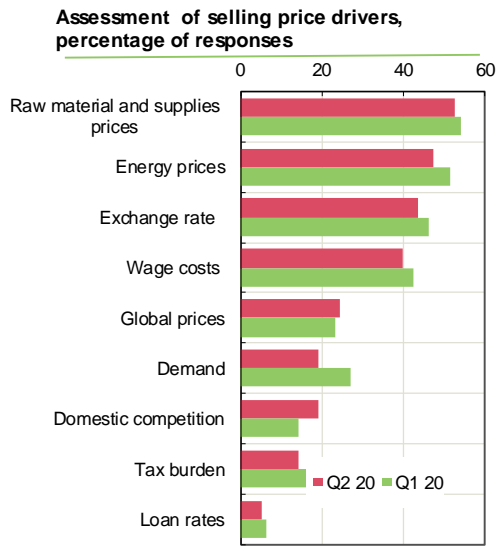


Figure 8

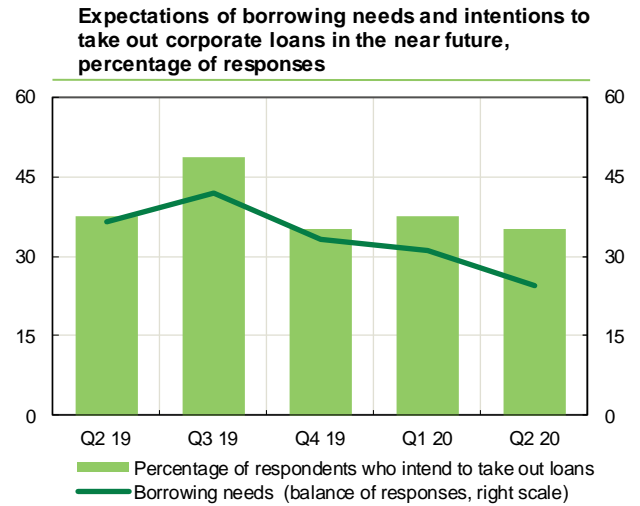


Figure 9

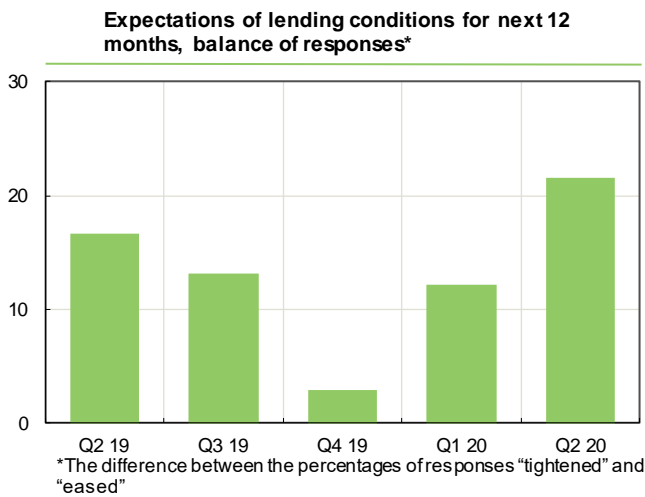


Figure 10

