



National Bank
of Ukraine

Business Outlook Survey of Dnipropetrovsk Oblast*

Q3 2020



*This survey only reflects the opinions of respondents in Dnipropetrovsk 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 **Dnipropetrovsk oblast** in **Q3 2020** showed that respondents expected that the output of Ukrainian goods and services would contract more slowly amid the adaptive quarantine regime. At the same time, they had positive expectations for the performance of their companies. Respondents reported expectations of weaker inflation. Depreciation expectations were high.

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

- **the output of Ukrainian goods and services would drop at a slower pace:** the balance of expectations was (-12.0%) compared with (-29.9%) in Q2 2020 (Figure 1) and (-16.1%) across Ukraine. Respondents from transport companies reported the most pessimistic expectations (the balance of responses was (-37.5%))
- **prices for consumer goods and services would grow at a slower rate:** 63.9% of respondents expected the inflation rate to be lower than 7.5% compared with 56.6% in the previous quarter and 54.9% across Ukraine. Respondents continued to refer to hryvnia exchange rate fluctuations and production costs as the **main inflation drivers** (Figure 2)
- **depreciation expectations would strengthen:** 86.4% of respondents (compared with 70.1% in the previous quarter) expected the hryvnia to weaken against the US dollar, with a figure of 83.2% across Ukraine
- **the financial and economic standings of their companies would improve:** the balance of expectations was 4.4% (as across Ukraine) compared with (-10.5%) in the previous quarter (see Table). Respondents from trading companies were the most optimistic (with balances of expectations of 10.6%). At the same time, energy and water supply, construction and transport companies expected a deterioration in their financial and economic standings
- **total sales would increase:** the balance of expectations was 7.1% (compared with (-3.8%) in Q2 2020). Respondents expected a decrease in external sales: the balance of expectations was (-2.4%) (compared with (-8.1%) in Q2 2020). Overall, companies across Ukraine expected sales to increase moderately, the balances of responses being 9.8% and 4.3% respectively
- **investment both in construction and in machinery, equipment and tools would remain unchanged:** the balances of responses were 0.0% for each compared with (-18.3%) and (-19.2%) respectively in the previous quarter. The balances of responses across Ukraine were (-4.7%) and 5.2% respectively
- **staff numbers would decrease** (such expectations have been reported for five quarters running): the balance of responses was (-14.6%) compared with (-19.5%) in the previous quarter and (-10.8%) across Ukraine (Figure 4). Companies in the agricultural had the most pessimistic expectations (the balance of responses was (-50.0%))
- **both purchase and selling prices would rise:** the balances of responses were 76.3% and 43.8% respectively (compared with 73.1% and 43.8% respectively in Q2 2020). Respondents from manufacturing companies reported the highest expectations of a rise in selling prices (the balance of responses was 54.2%). 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 in wage costs per staff member would decelerate:** the balances of responses were 58.2% and 47.6% respectively (compared with 40.0% and 24.7% respectively in Q2 2020) (Figures 4 and 6).

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

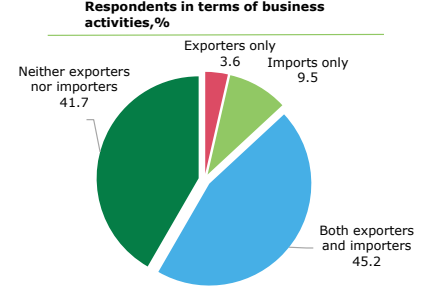
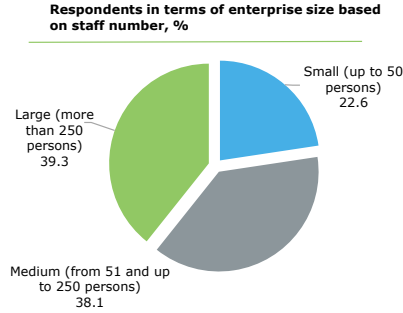
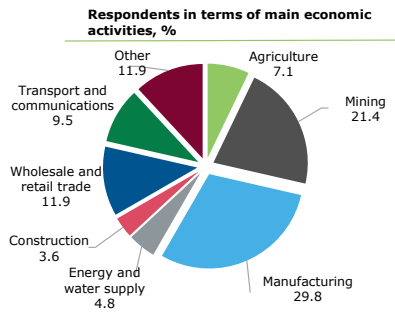
Respondents continued to expect **an increase in their borrowing needs** in the near future (Figure 8). The companies that planned to take out corporate loans usually opted for domestic currency ones. Respondents said that lending standards had remained unchanged (Figure 9). They continued to refer to high loan rates as the main factor that deterred them from taking out loans (Figure 10).

A total of 98.8% of 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)

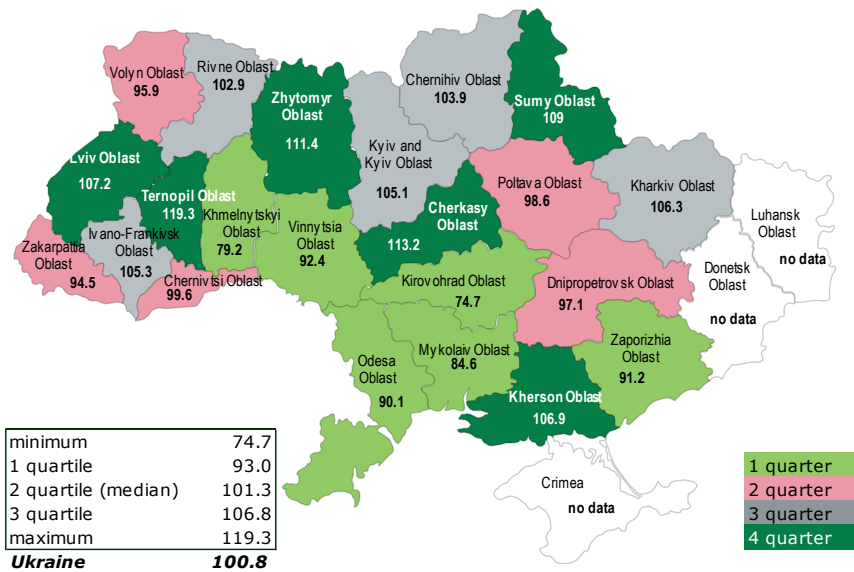
- **The current financial and economic standings of companies had been assessed as bad for five quarters in a row:** the balance of responses was (-13.1%) compared with (-21.8%) in Q2 2020 and (-5.6%) across Ukraine.
- **Finished goods stocks remained below their normal level:** the balance of responses was (-18.8%) compared with (-17.8%) in Q2 2020.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 26.8% (compared with 16.0% in Q2 2020).

Survey Details^{1 2}



- Period: 7 August through 1 September 2020.
- A total of 84 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, the mining and manufacturing industries, energy and water supply, 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, %				
	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20
Financial and economic standings	8.6	13.9	9.2	-10.5	-7.1
Total sales	18.1	11.8	18.2	-3.8	7.1
Investment in construction	13.0	2.9	7.4	-18.3	0.0
Investment in machinery, equipment and tools	20.0	7.0	10.6	-19.2	0.0
Staff numbers	-8.3	-18.1	-8.0	-19.5	-14.6

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

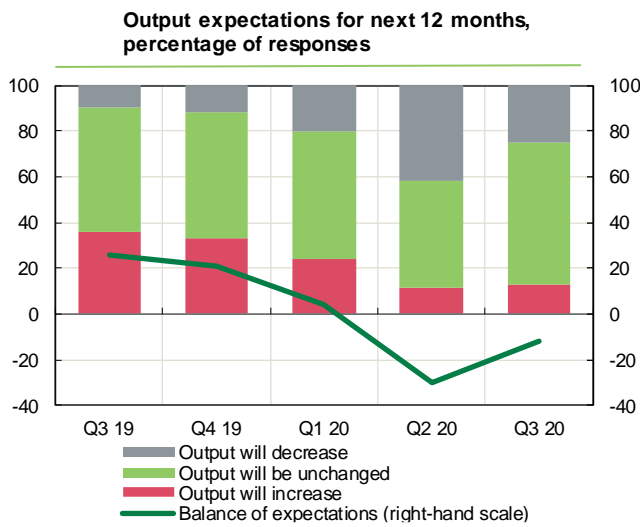


Figure 2

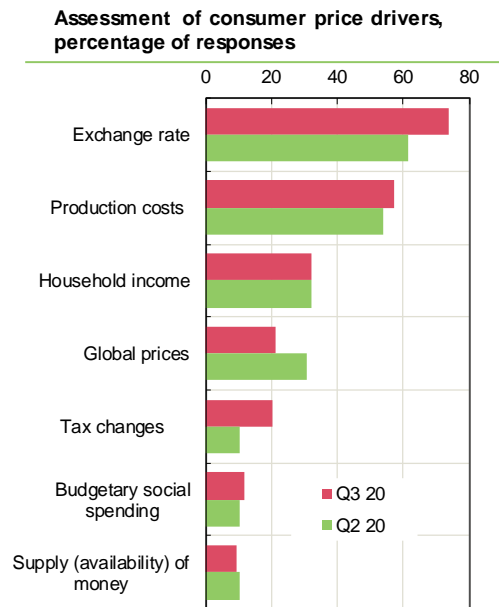


Figure 3

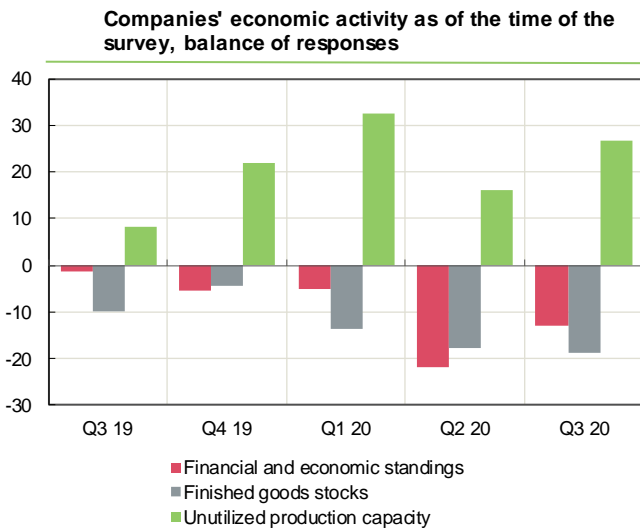


Figure 4

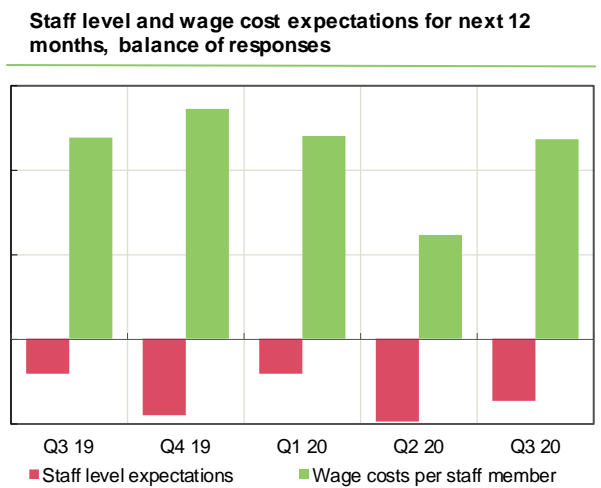


Figure 5

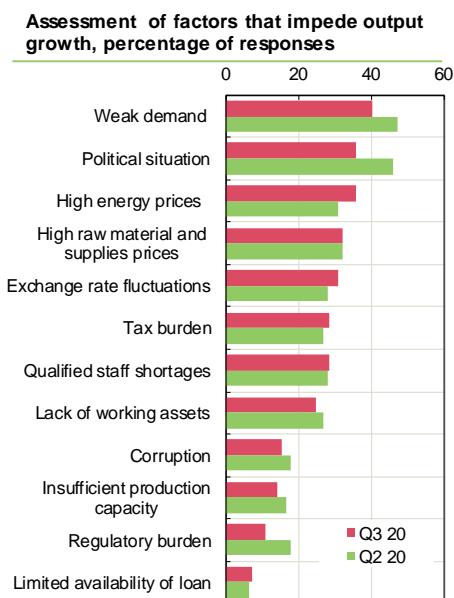


Figure 6

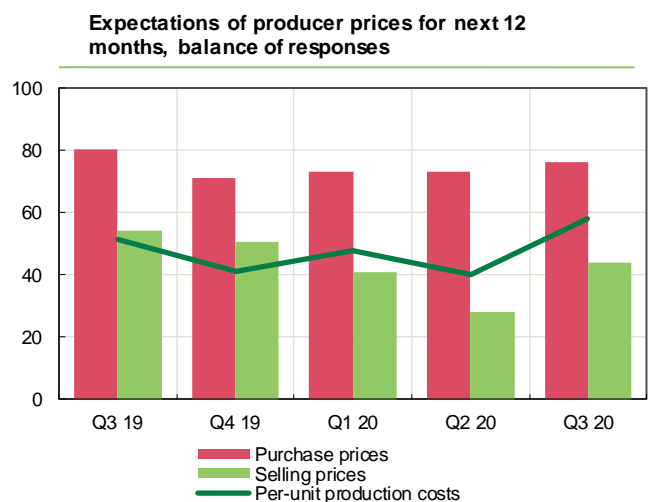


Figure 7

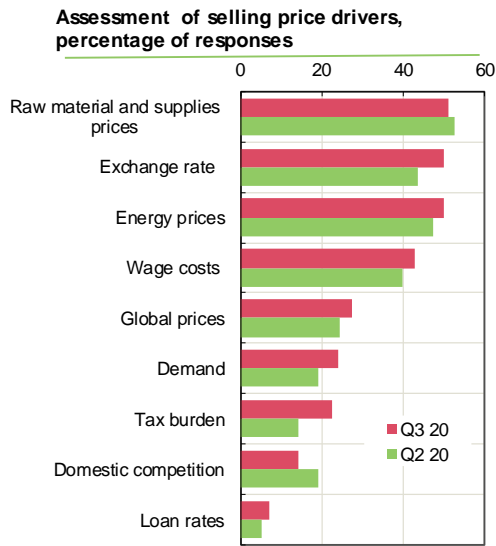


Figure 8

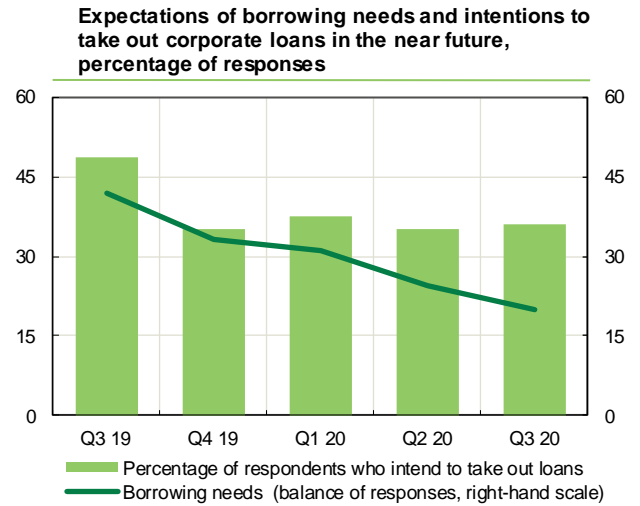


Figure 9

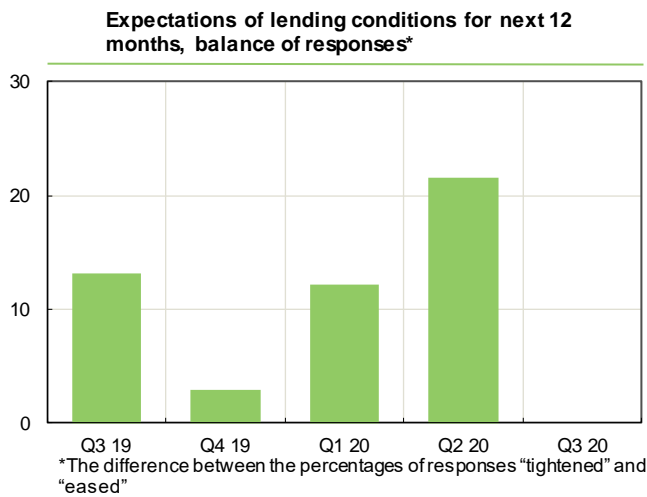


Figure 10

