



National Bank
of Ukraine

Business Outlook Survey of Zhytomyr Oblast*

Q3 2019



*This survey only reflects the opinions of respondents in Zhytomyr 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 **Zhytomyr oblast** in Q3 2019 showed that respondents had high expectations that the Ukrainian economy would grow. At the same time, they had moderate expectations for the development of their companies over that period. The growth in prices for consumer goods and services was expected to decelerate. Depreciation expectations remained high.

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 35.7% compared with 0.0% in Q2 2019 (Figure 1) and 30.5% across Ukraine
- **the growth in the prices of consumer goods and services would decelerate:** 64.3% of respondents expected the inflation rate to be lower than 10.0% (compared to 50.0% in the previous quarter and 73.3% 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 markedly:** as in the previous quarter, a total of 92.9% of respondents expected the hryvnia to weaken against the US dollar, with the figure across Ukraine being 69.0%
- **the financial and economic standings of their companies would improve** more slowly: the balance of expectations was 16.7% (compared to 45.5% in the previous quarter) (see Table) and 20.0% across Ukraine
- **sales of their own products would increase:** the balance of responses was 35.7% compared with 38.5% in Q2 2019 and 27.1% across Ukraine. Respondents expected rapid growth in external sales: the balance of responses was 40.0% compared to 22.7% across Ukraine
- **investment both in construction and in machinery, equipment and tools would increase:** the balance of responses was 28.6% and 35.7% respectively compared with 23.1% and 35.7% in Q2 2019. Across Ukraine, respondents expected investment spending to rise at a slower pace: the balances of responses being 9.3% and 17.7% respectively
- **staff numbers would decrease:** the balance of responses was (-7.1%) compared with 0.0% in Q2 2019 (Figure 4). Across Ukraine, staff numbers were expected to increase (2.2%)
- **both purchase and selling prices would rise at a slower pace:** the balances of responses were 78.6% and 53.8% respectively (compared with 100.0% and 64.3% in the previous quarter) (Figure 6). Energy, raw material and supplies prices and wage costs were cited as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would increase:** the balances of responses were 91.7% and 92.3% respectively compared with 78.6% and 92.9% in Q2 2019 (Figures 4 and 6).

High energy prices continued to be cited as **the main drags on the ability of companies to boost production**. Respondents also said that the impact from a lack of working assets had increased noticeably (50.0% of respondents) (Figure 5).

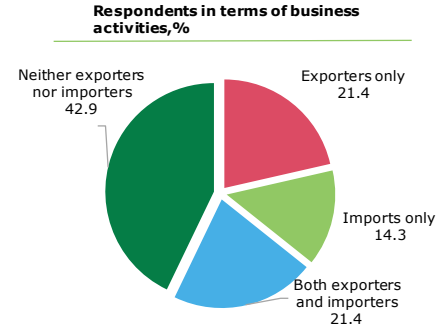
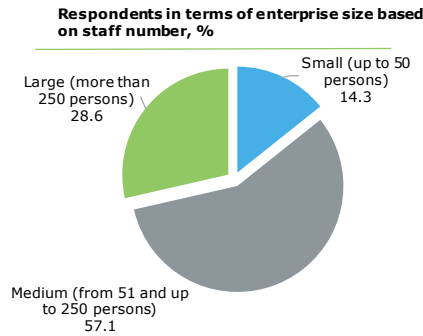
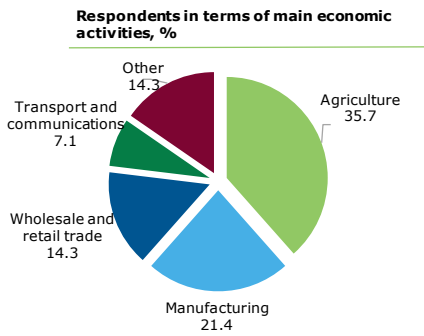
Expectations of an increase in borrowing needs in the near future remained **high** (Figure 8). A total of 64.3% of respondents who planned to take out loans opted for domestic currency corporate loans. Respondents said that bank lending standards had tightened (Figure 9). Businesses also continued to cite 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** (compared with 97.4% across Ukraine).

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

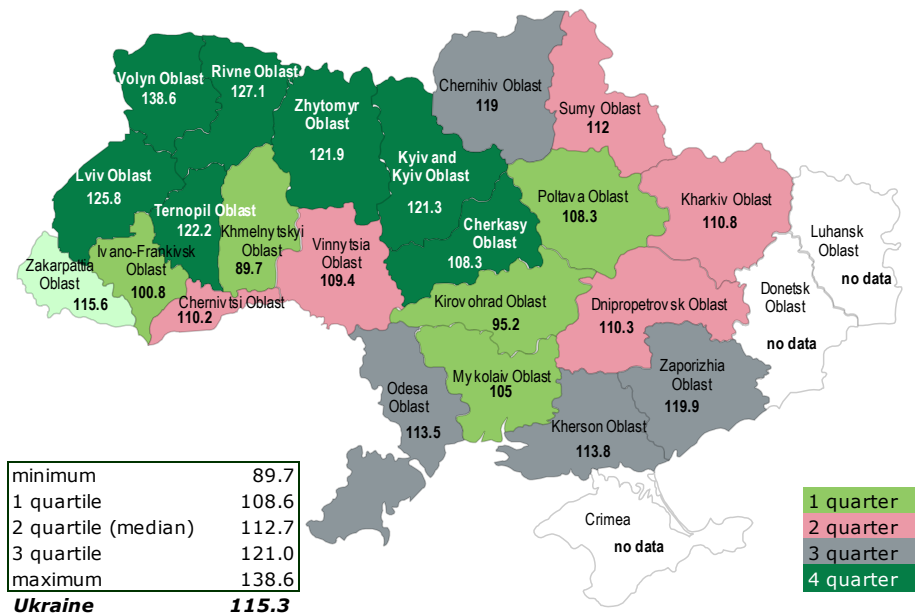
- **The current financial and economic standings of companies improved and were assessed as satisfactory:** the balance of responses was 0.0% (compared with (-7.1%) in Q2 2019 and 9.5% across Ukraine).
- **Finished goods stocks increased and were assessed to be at a level higher than the normal one:** the balance of responses was 9.1% (compared with 0.0% in Q2 2019).
- **Companies in the region have a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 14.3% (compared to 35.7% in the previous quarter).

Survey Details^{1,2}



- Period: 6 August through 3 September 2019.
- A total of 14 companies were polled.
- A representative sample was generated on the basis of the agricultural sector.

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 Zhytomyr 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	16.7	0.0	21.4	45.5	16.7
Total sales	47.4	44.4	50.0	38.5	35.7
Investment in construction	26.3	26.3	50.0	23.1	28.6
Investment in machinery, equipment and tools	26.3	21.1	50.0	35.7	35.7
Staff numbers	0.0	11.1	14.3	0.0	-7.1

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

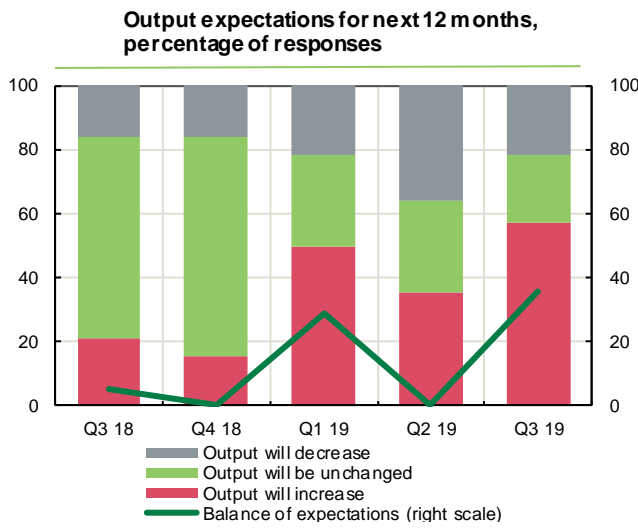


Figure 2

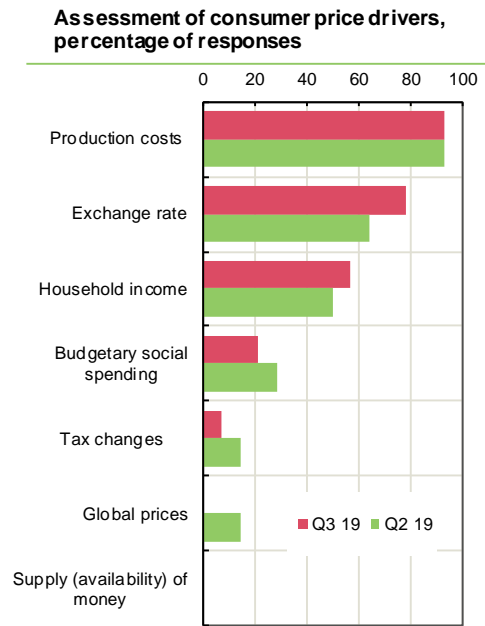


Figure 3

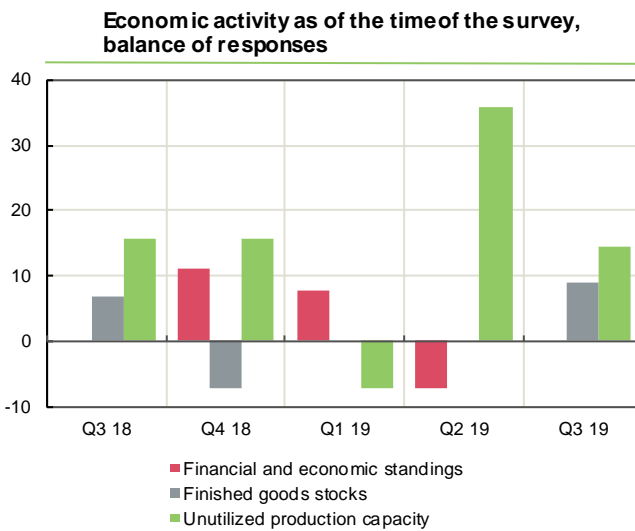


Figure 4

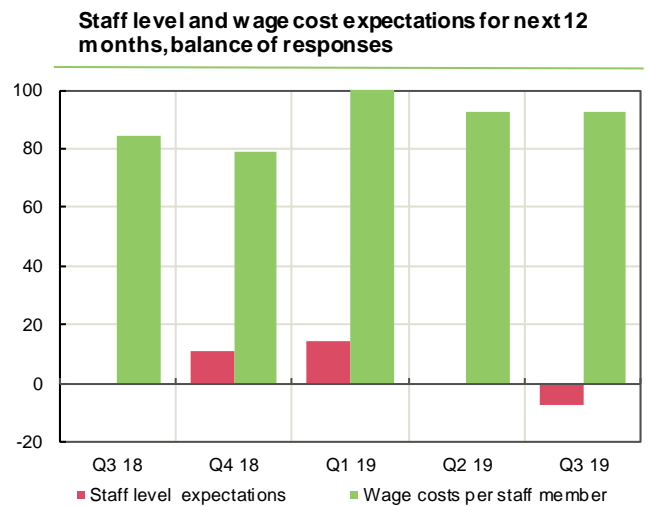


Figure 5

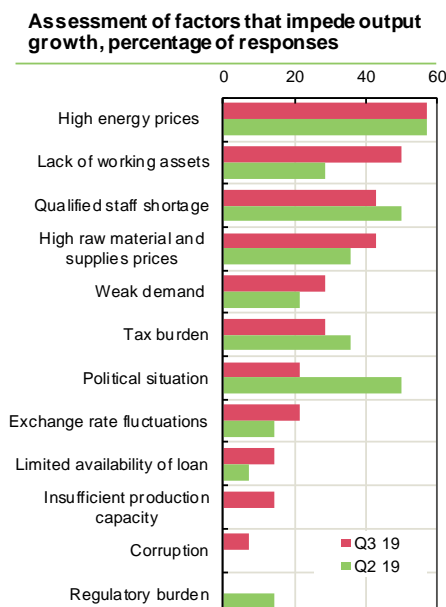


Figure 6

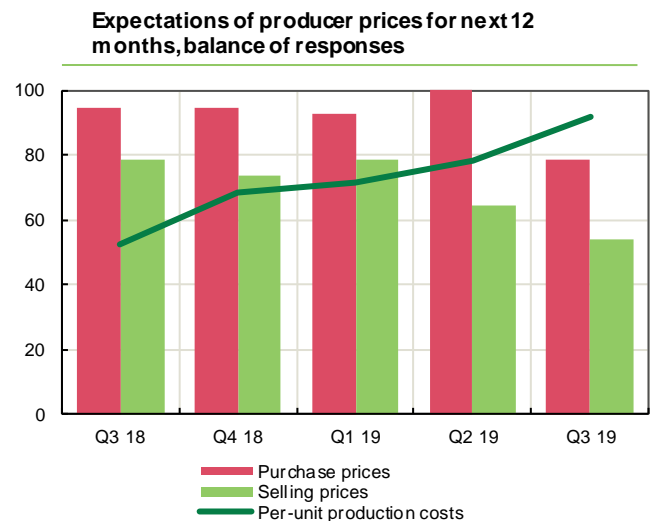


Figure 7

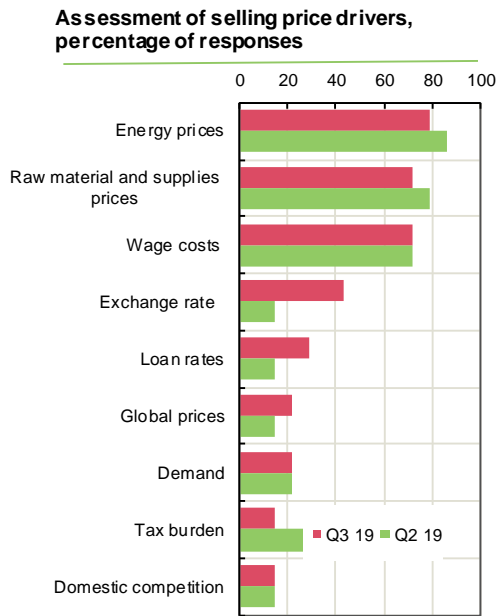


Figure 8

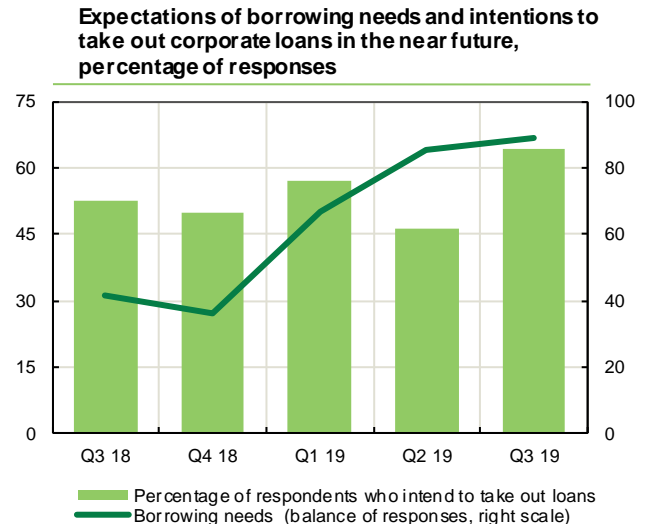


Figure 9

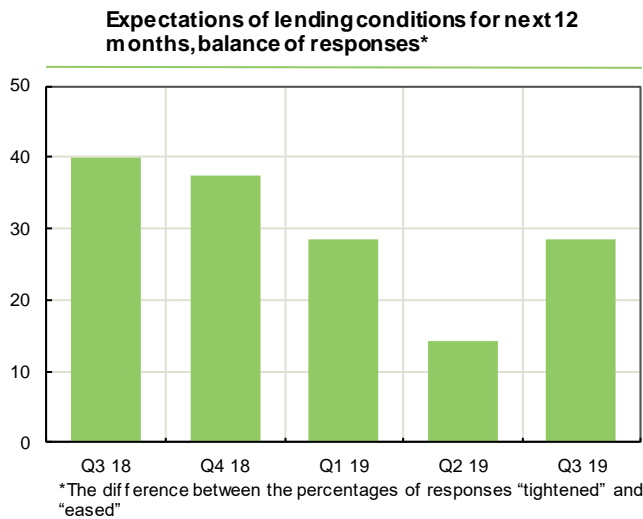
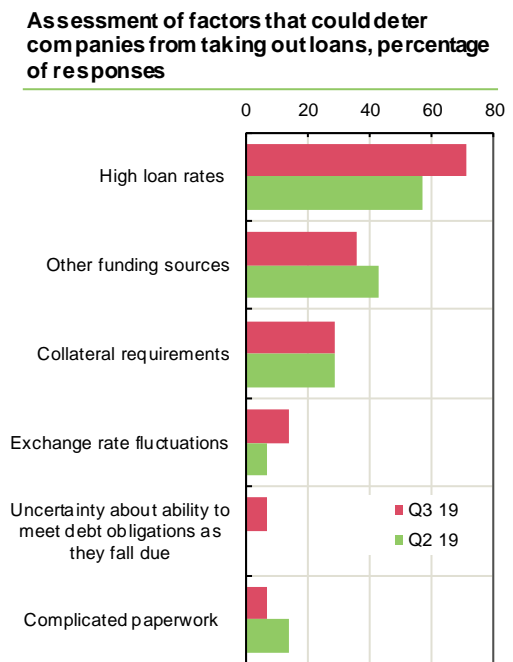


Figure 10



Key Indicators of Social and Economic Development of Zhytomyr 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)	103.6	98.1	105.2	105.0	106.1 ²	...	...	...	...	...	...	...	...
2	Industrial production index	107.1	110.0	105.7	109.5	97.5	92.5	93.5	92.3	93.4	91.7	91.2	90.6	90.6
3	Mining and quarrying	120.9	124.1	114.3	118.3	86.1	75.7	70.1	68.0	73.7	74.8	75.2	76.9	77.7
4	Manufacturing	101.5	103.3	103.1	106.7	102.9	97.7	103.7	103.4	102.1	98.8	97.9	96.2	95.9
5	Production of food, beverages and tobacco	11.3	97.8	95.8	101.5	102.7	123.5	116.7	113.9	107.4	101.5	99.4	99.4	98.5
6	Textile production, production of clothing, leather, leather goods and other materials	98.0	103.9	87.0	106.9	96.4	91.5	92.1	89.5	90.2	91.1	91.4	93.6	94.3
7	Production of wood products, paper, printing	101.8	94.9	103.1	116.4	106.0	100.1	110.2	115.0	114.9	111.7	107.5	106.3	104.4
8	Production of coke and petrochemicals	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Production of chemicals and chemical products	102.9	89.7	94.7	114.0	106.2	90.5	96.0	99.4	102.3	100.0	97.1	95.5	91.7
10	Production of rubber and plastic products, other nonmetallic mineral products	92.0	98.7	104.0	100.7	103.8	111.7	115.7	112.2	111.3	109.2	106.4	102.9	100.7
11	Metallurgical production, manufacturing of finished metal products, except machinery and equipment	111.8	116.8	98.3	108.9	94.5	87.1	90.2	94.5	94.8	96.7	97.4	98.1	98.1
12	Mechanical engineering, except for repair and installation of machinery and equipment	80.6	109.7	110.5	108.0	107.3	82.7	95.7	99.8	96.8	92.9	89.9	87.7	91.2
13	Electricity, gas, steam and conditioning air supply	98.1	95.3	102.1	99.8	103.3	100.9	96.6	94.6	95.6	96.4	97.0	97.0	97.0
14	Agricultural production index	105.1	91.2	116.7	105.8	111.9	102.5	102.2	101.5	102.1	101.7	100.6	109.5	102.0
15	Construction production index	83.8	87.7	139.0	142.4	107.3	103.5	122.9	141.0	139.9	125.1	125.8	131.1	129.9
16	Freight turnover	101.9	82.1	98.2	123.5	107.0	98.4	95.0	98.6	102.8	96.2	97.3	99.1	101.1
17	Passenger turnover	98.2	100.2	95.8	100.8	142.2	59.1	58.9	56.5	57.3	54.9	55.7	57.9	58.5
18	Volume index of retail trade turnover (in comparable prices, in percent)	99.7	86.7	100.2	105.6	110.2	106.8	106.2	106.8	106.9	106.0	106.4	105.7	104.4
19	Profit/loss of large and medium companies before tax (UAH million) ³	-2470.6	3.1	2552.1	2004.9	...	...	...	...	...	...	...	...	...
20	Capital investment index	79.6	110.5	127.5	129.3	102.4	...	...	75.3	...	...	84.8	...	...
21	Consumer price index (compared with December of previous year)	125.2	143.7	112.6	113.0	109.1	101.0	101.3	102.1	102.9	103.4	103.0	102.7	102.5
22	Real disposable income	91.0	82.7	104.5	113.0	109.7 ²	...	...	...	...	...	...	...	...
23	Real wage index	95.7	76.9	109.6	126.6	114.5	107.2	107.5	107.8	107.6	106.9	106.8	107.0	106.8
24	Number of applicants per vacancy as of end of period	11	17	11	7	6	5	5	4	4	5	4	4	3

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