



National Bank
of Ukraine

Business Outlook Survey of Zhytomyr Oblast*

Q1 2020

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



*This survey only reflects the opinions of respondents in Zhytomyr 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 **Zhytomyr oblast** in Q1 2020 showed that respondents had high expectations that the Ukrainian economy would grow, and that their companies would continue to develop over the next 12 months. Respondents expected that inflation would be moderate and that the hryvnia would depreciate more slowly.¹

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

- **the output of Ukrainian goods and services would grow:** the balance of expectations was 28.6% compared with 0.0% in Q4 2019 and 10.4% across Ukraine (Figure 1)
- **prices for consumer goods and services would grow moderately:** 78.6% of respondents expected inflation to be lower than 6.0% compared with 68.5% across Ukraine. Respondents continued to refer to production costs as the **main inflation driver** (Figure 2)
- **the domestic currency would depreciate at a slower pace:** 71.4% of respondents (compared with 78.6% in the previous quarter) expected the hryvnia to weaken against the US dollar, with the figure across Ukraine being 65.2%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 23.1% (compared to 28.6% in the previous quarter) (see Table) and 16.9% across Ukraine
- **total sales would increase at a fast pace:** the balance of responses was 42.9% compared to 28.6% in Q4 2019. The growth in external sales was expected to decelerate: the balance of responses was 25.0% compared to 50.0% in Q4 2019. The balances of responses across Ukraine were 23.0% and 17.5% respectively
- **the growth in investment** both in construction and in machinery, equipment and tools **would accelerate:** the balances of responses were 41.7% and 38.5% respectively (compared with 15.4% and 21.4% in Q4 2019). Across Ukraine, respondents expected investment spending to rise at a much slower pace, the balances of responses being 2.4% and 14.1% respectively
- **staff numbers would decrease:** the balance of responses was (-14.3%) compared with (-7.1%) in the previous quarter and (-3.9%) across Ukraine (Figure 4)
- **both purchase and selling prices would rise** at a fast pace: the balances of responses were 92.9% and 78.6% respectively compared with 92.9% for each in the previous quarter (Figure 6). Raw material and supplies prices, wage costs and energy prices were cited as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would increase rapidly:** the balances of responses were 92.9% and 100.0% respectively compared with 85.7% and 92.3% in Q4 2019 (Figures 4 and 6).

High energy prices were cited as **the main drag on the ability of companies to boost production**. Respondents also assessed the impact of raw material and supplies prices, qualified staff shortages, a lack of working assets and weak demand as high (Figure 5).

Respondents expected a significant increase in borrowing needs in the near future (Figure 8). The respondents who planned to take out loans always opted for domestic currency corporate loans. The percentage of respondents who said lending conditions had tightened and those who said lending conditions had eased decreased (Figure 9). Respondents referred to high interest rates and collateral requirements as the main factors that deterred them from taking out loans (Figure 10).

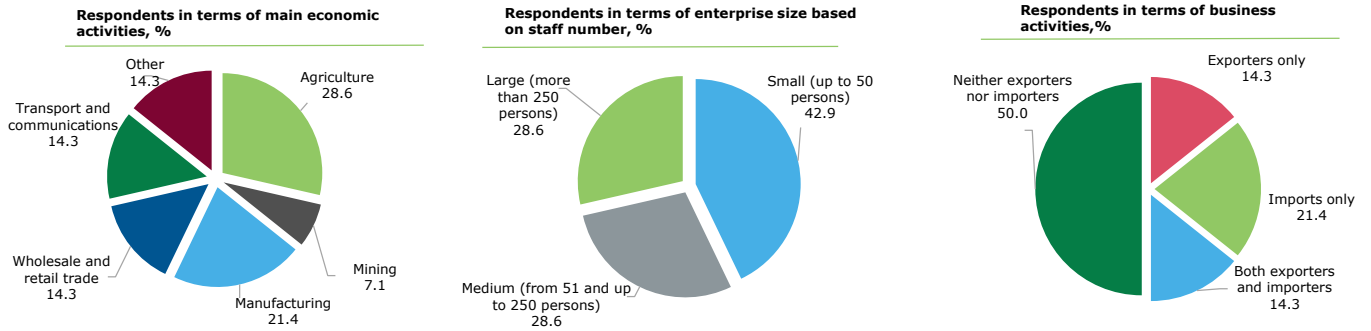
All of the respondents said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (compared with 96.6% across Ukraine).

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

- **The current financial and economic standings of companies** were assessed as **bad:** the balance of responses was (-7.7%) compared with (-7.1%) in Q4 2019. Across Ukraine, respondents assessed the current financial and economic standings of their companies as positive: the balance of responses was 9.7%.
- **Finished goods stocks had increased and were assessed at a level higher than the normal one:** the balance of responses was 20.0% (compared with 10.0% in Q4 2019).
- **Companies in the region had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 28.6% (compared to 23.1% in the previous quarter).

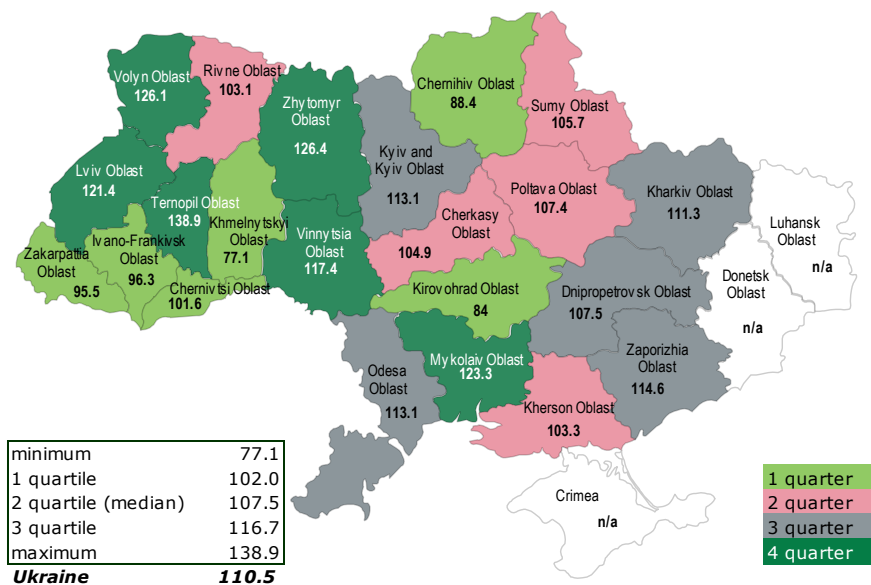
¹ This survey was carried out before quarantine measures were introduced.

Survey Details^{2,3}



- Period: 4 February through 3 March 2020.
- 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 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 Zhytomyr 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	21.4	45.5	16.7	28.6	23.1
Total sales	50.0	38.5	35.7	28.6	42.9
Investment in construction	50.0	23.1	28.6	15.4	41.7
Investment in machinery, equipment and tools	50.0	35.7	35.7	21.4	38.5
Staff numbers	14.3	0.0	-7.1	-7.1	-14.3

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

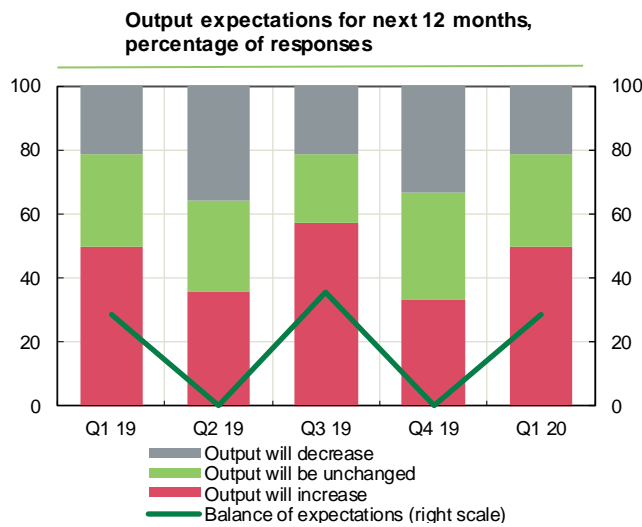


Figure 2

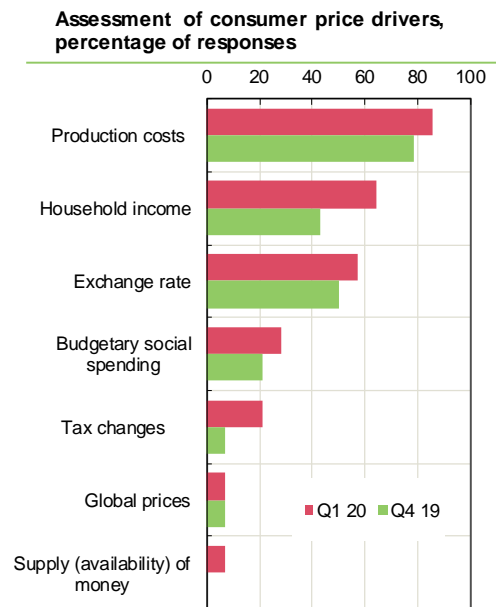


Figure 3

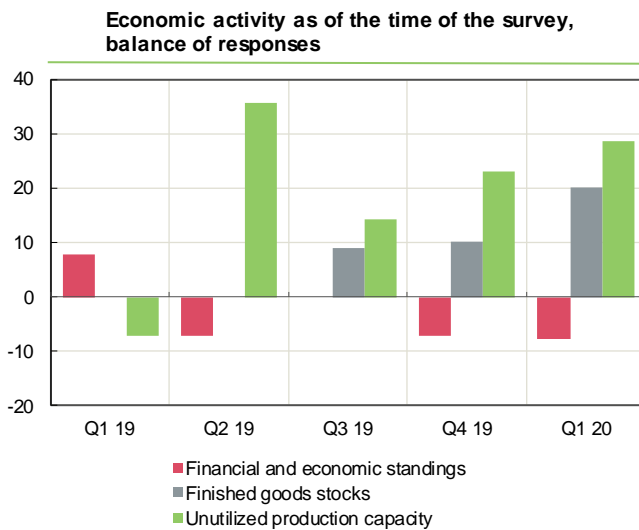


Figure 4



Figure 5

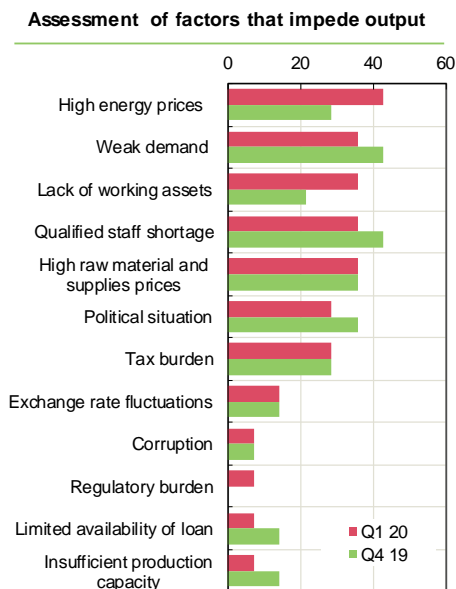


Figure 6

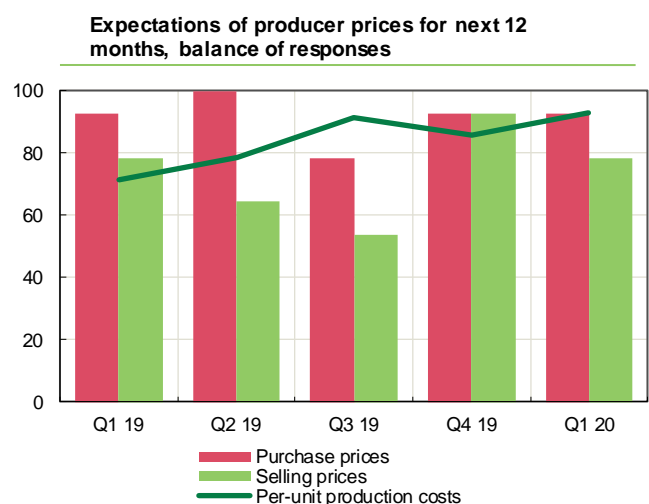


Figure 7

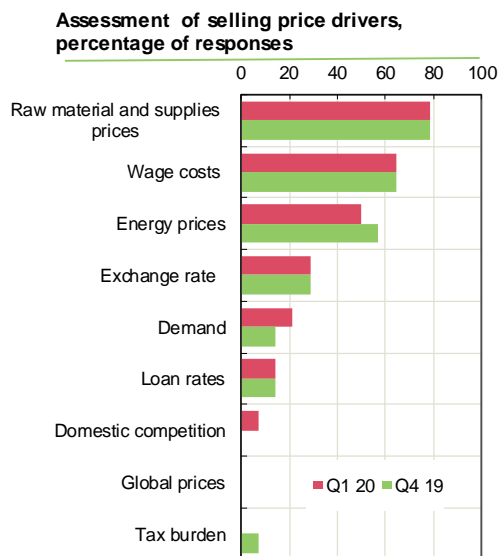


Figure 8

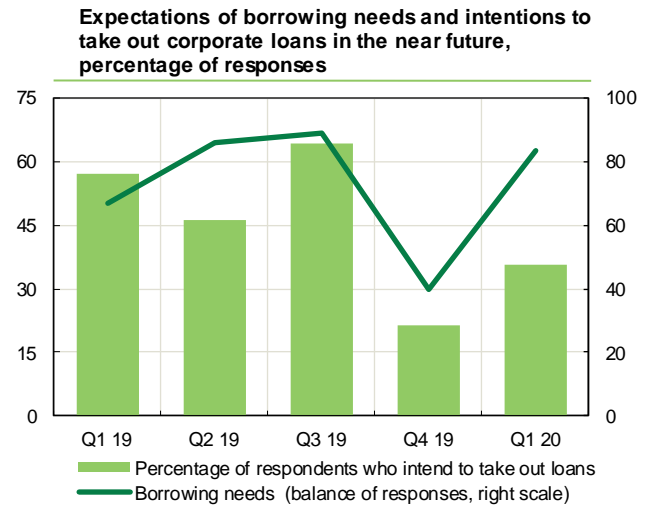


Figure 9

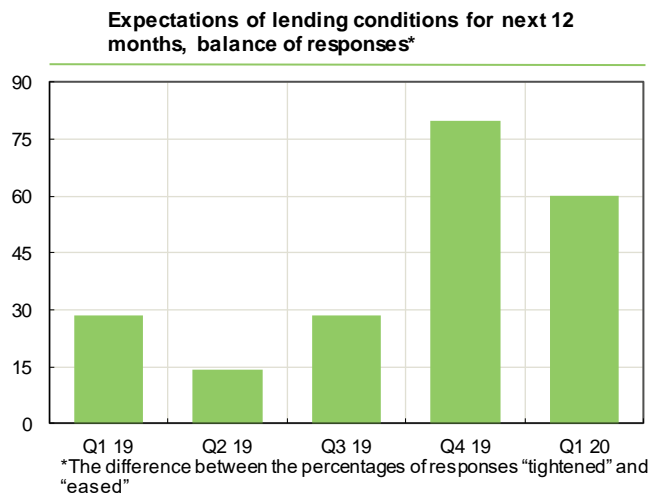


Figure 10

