



National Bank
of Ukraine

Business Outlook Survey of Zhytomyr 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 Zhytomyr 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 **Zhytomyr oblast** in Q2 2020 showed that respondents expected a drop in the output of Ukrainian goods and services over the next 12 months on the back of the quarantine. They were optimistic about the future performance of their companies over that period. Respondents expected high inflation. Depreciation expectations softened.¹

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 (-23.1%) compared with 28.6% in Q1 2020 and (-34.1%) across Ukraine (Figure 1)
- **prices for consumer goods and services would rise at a fast pace:** 69.2% of the respondents expected that the inflation rate would be higher than 7.5% (compared with 45.1% across Ukraine). Respondents continued to refer to production costs as the **main inflation driver** (Figure 2)
- **the domestic currency would depreciate:** 61.5% of the respondents (compared with 71.4% in the previous quarter) expected the hryvnia to weaken against the US dollar, with the figure across Ukraine being 68.2%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 25.0% (the best assessments across the regions), compared to 23.1% in the previous quarter (see Table). Companies across Ukraine expected a deterioration in their financial and economic standings (-1.8%)
- **total sales would increase at a fast pace:** the balance of responses was 46.2% compared to 42.9% in Q1 2020. External sales were expected to remain unchanged: the balance of responses was 0.0% compared to 25.0% in Q1 2020. Overall, companies across Ukraine expected sales to decrease only slightly, the balances of responses being (-0.1%) and (-0.7%) respectively
- **the growth in investment** both in construction and in machinery, equipment and tools **would decelerate:** the balances of responses were 30.0% and 27.3% respectively (compared with 41.7% and 38.5% in Q1 2020). Across Ukraine, respondents expected investment spending to decrease, the balances of responses being (-16.1%) and (-10.5%) respectively
- **staff numbers would remain unchanged:** the balance of responses was 0.0% compared with (-14.3%) in the previous quarter (Figure 4). Across Ukraine, staff numbers were expected to decrease (-17.3%)
- **both purchase and selling prices would rise** rapidly: the balances of responses were 100.0% and 76.9% respectively compared with 92.9% and 78.6% 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** at a fast pace: the balances of responses were 75.0% and 69.2% respectively compared with 92.9% and 100.0% in Q1 2020 (Figures 4 and 6).

A lack of working assets and qualified staff shortages were cited as **the main drags on the ability of companies to boost production** (Figure 5).

All of the respondents expected an increase in their borrowing needs in the near future (Figure 8). They plan to take out only domestic currency loans. Respondents said that bank lending standards had tightened significantly (Figure 9). Respondents referred to other funding sources as the main factor that deterred them from taking out loans (Figure 10).

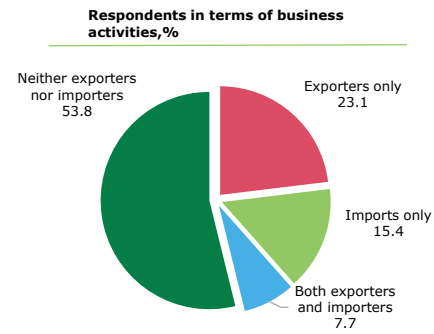
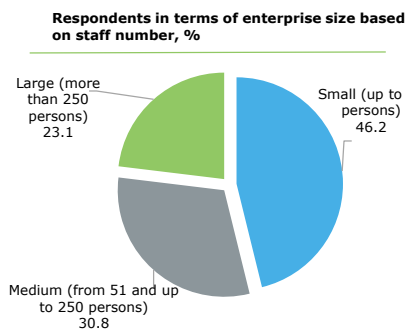
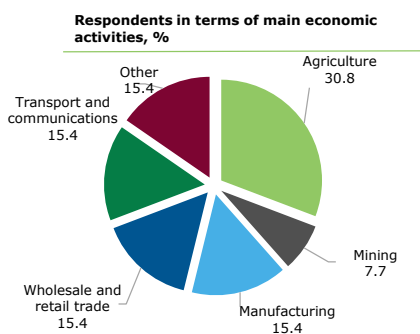
All of the respondents said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (compared with 96.5% across Ukraine).

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 were assessed as bad:** the balance of responses was (-15.4%) compared with (-7.7%) in the previous quarter and (-11.6%) across Ukraine (Figure 3).
- **Finished goods stocks had decreased and were assessed as normal:** the balance of responses was 0.0% (compared with 20.0% in Q1 2020).
- **Companies in the region had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 30.8% (compared to 28.6% in the previous quarter).

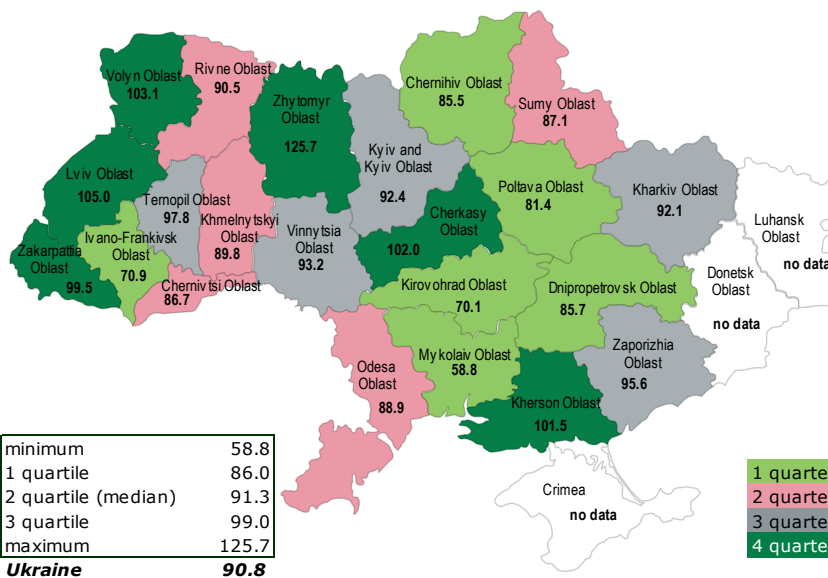
¹ This survey was conducted after the government announced it would relax the quarantine.

Survey Details^{2,3}



- Period: 7 May through 2 June 2020.
- A total of 13 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 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, %				
	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
Financial and economic standings	45.5	16.7	28.6	23.1	25.0
Total sales	38.5	35.7	28.6	42.9	46.2
Investment in construction	23.1	28.6	15.4	41.7	30.0
Investment in machinery, equipment and tools	35.7	35.7	21.4	38.5	27.3
Staff numbers	0.0	-7.1	-7.1	-14.3	0.0

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 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

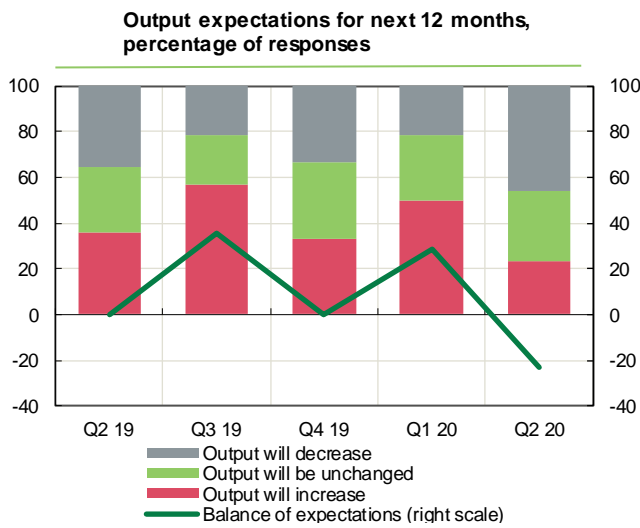


Figure 2

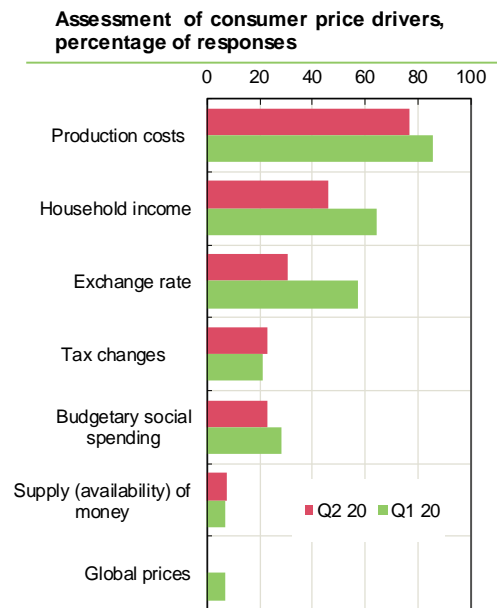


Figure 3

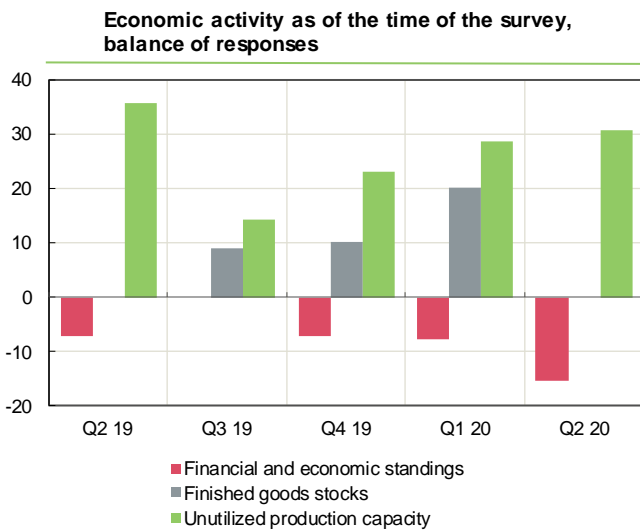


Figure 4



Figure 5

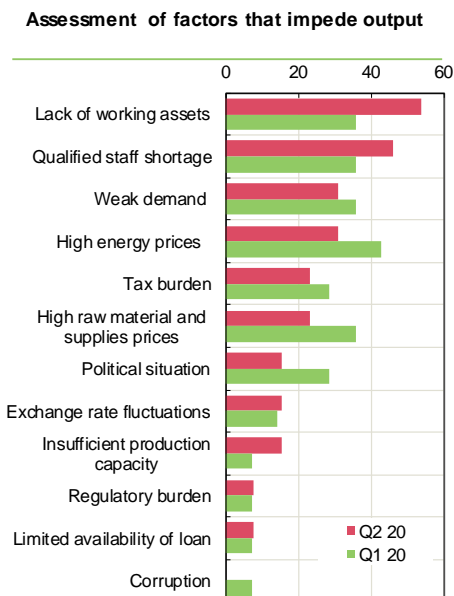


Figure 6

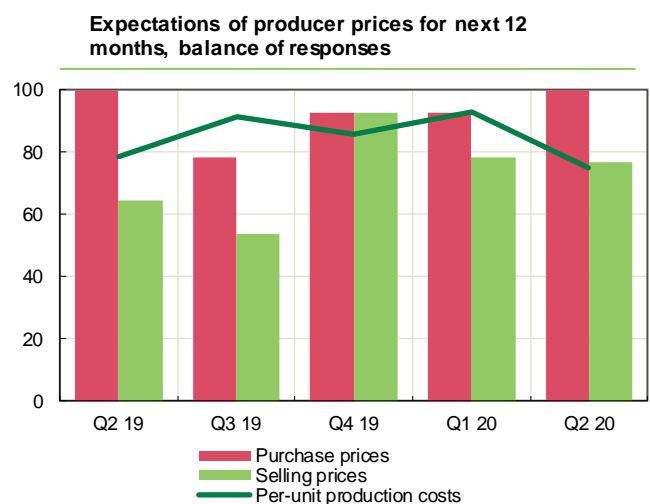


Figure 7

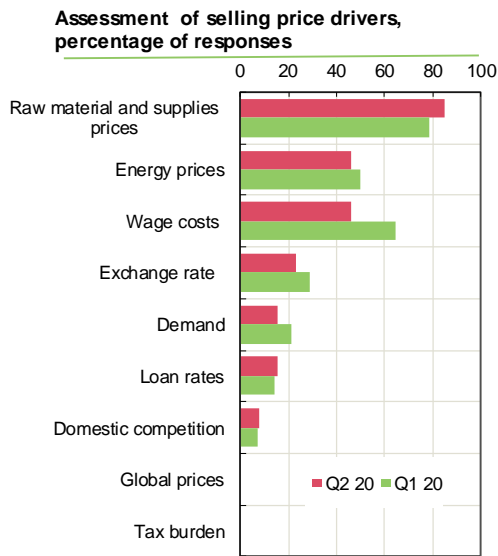


Figure 8

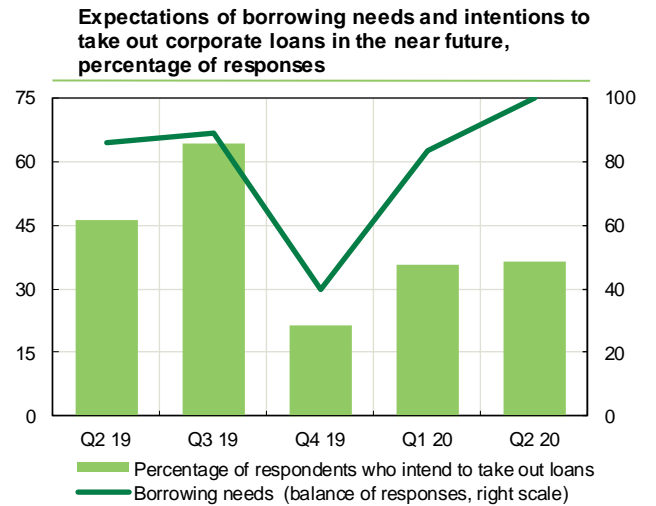


Figure 9

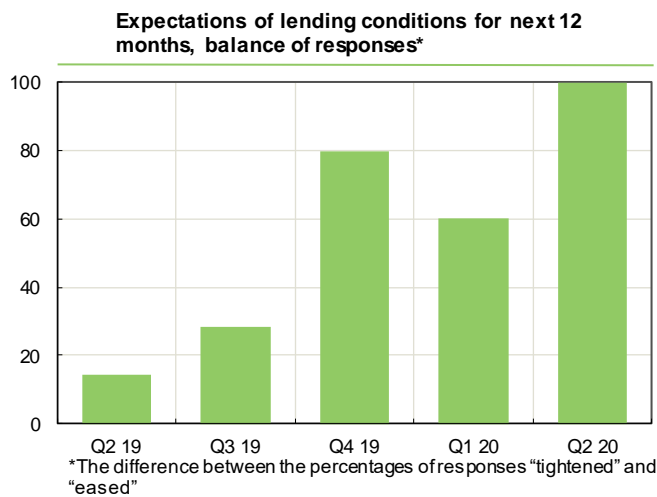


Figure 10

