



National Bank
of Ukraine

Business Outlook Survey of Zhytomyr Oblast*

Q3 2020



*This survey only reflects the opinions of respondents in Zhytomyr 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 **Zhytomyr oblast** in Q3 2020 showed that respondents expected a drop in the output of Ukrainian goods and services over the next 12 months amid the adaptive quarantine regime. Respondents expected high inflation and domestic currency depreciation. At the same time, **they had positive expectations for the performance of their companies.**

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 faster pace: the balance of expectations was (-35.7%) compared with (-23.1%) in Q2 2020 and (-16.1%) across Ukraine (Figure 1)
- **prices for consumer goods and services would rise at a fast pace:** 78.6% of the respondents expected that the inflation rate would be higher than 7.5% (compared with 69.2% in the previous quarter and 44.4% across Ukraine). Respondents continued to refer to production costs as the **main inflation driver** (92.9% of respondents) (Figure 2)
- **depreciation expectations would strengthen:** 84.6% of the respondents (compared with 61.5% in the previous quarter) expected the hryvnia to weaken against the US dollar, with the figure across Ukraine being 83.2%
- **the financial and economic standings of their companies would improve** more slowly: the balance of expectations was 7.1%, compared to 25.0% in the previous quarter and 4.4% across Ukraine (see Table). At the same time, agricultural companies expected a deterioration in their financial and economic standings
- **total sales would increase at a slower pace:** the balance of responses was 23.1% compared to 46.2% in Q2 2020. Respondents expected a decrease in external sales: the balance of expectations was (-33.3%) compared with 0.0% in Q2 2020. Overall, companies across Ukraine expected sales to increase moderately, the balances of responses being 9.8% and 4.3% respectively
- **the growth in investment** both in construction and in machinery, equipment and tools **would decelerate:** the balances of responses were 9.1% and 25.0% respectively (compared with 30.0% and 27.3% in Q2 2020). The balances of responses across Ukraine were (-4.7%) and 5.2% respectively
- **staff numbers would decrease:** the balance of responses was (-7.1%) compared with 0.0% in the previous quarter and (-10.8%) across Ukraine (Figure 4)
- **both purchase and selling prices would rise at a slower rate:** the balances of responses were 85.7% and 64.3% respectively compared with 100.0% and 76.9% 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 78.6% and 71.4% respectively compared with 75.0% and 69.2% in Q2 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). Respondents reported a noticeable increase in the impact of the political situation.

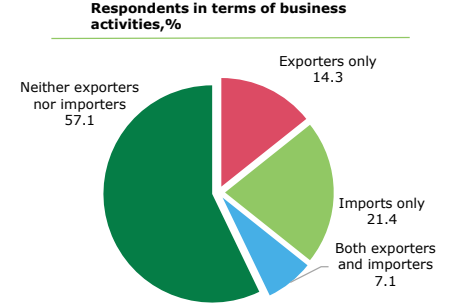
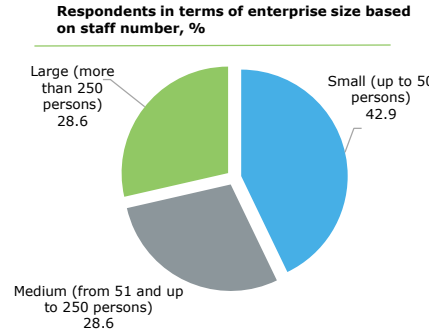
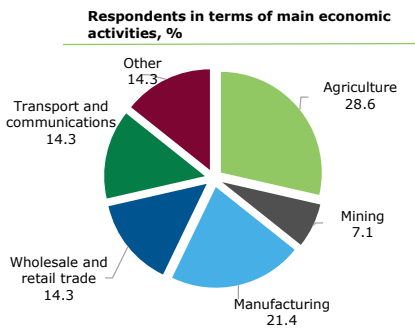
Respondents expected a significant increase in their borrowing needs in the near future (Figure 8). They planned to take out only domestic currency loans. Respondents said that bank lending standards had tightened significantly (Figure 9). Respondents referred to other funding sources as the main factor 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 96.6% across Ukraine).

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

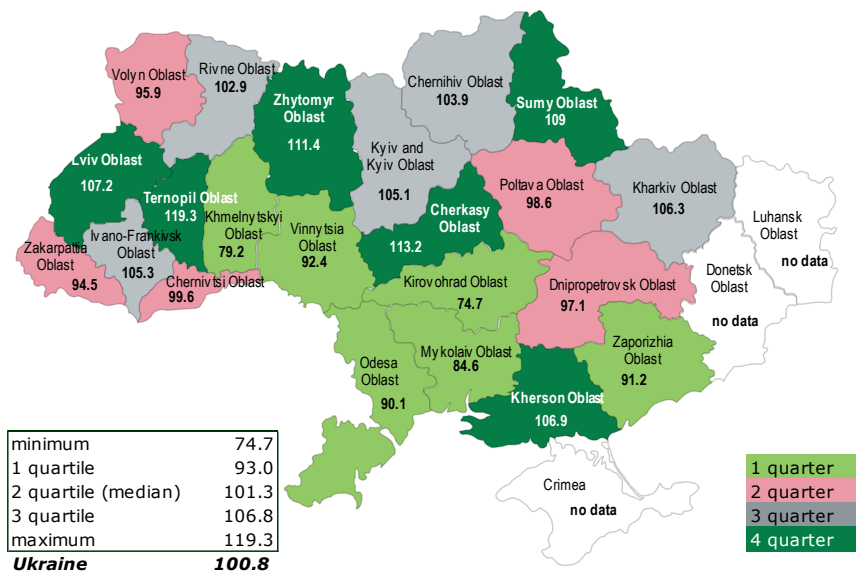
- **The current financial and economic standings of companies were assessed as bad:** the balance of responses was (-14.3%) compared with (-15.4%) in the previous quarter and (-5.6%) across Ukraine (Figure 3).
- **Finished goods stocks had remained at normal levels:** the balance of responses was 0.0% (as in the previous quarter).
- **Companies in the region had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 23.1% (compared to 30.8% in the previous quarter).

Survey Details^{1,2}



- Period: 4 August through 31 August 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 Oblasts³, %



*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, %				
	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20
Financial and economic standings	16.7	28.6	23.1	25.0	7.1
Total sales	35.7	28.6	42.9	46.2	23.1
Investment in construction	28.6	15.4	41.7	30.0	9.1
Investment in machinery, equipment and tools	35.7	21.4	38.5	27.3	25.0
Staff numbers	-7.1	-7.1	-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 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

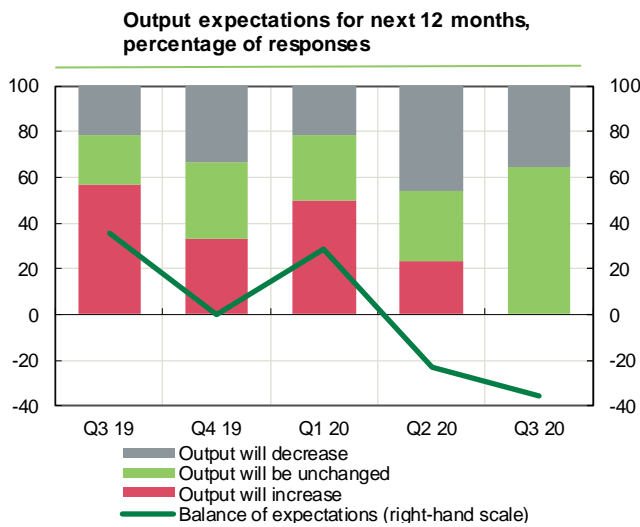


Figure 2

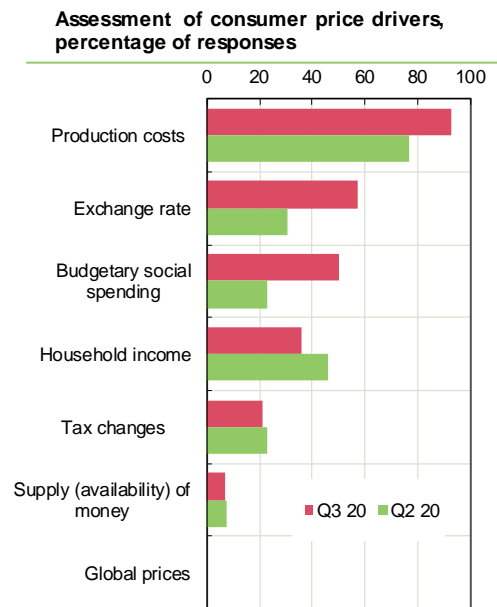


Figure 3

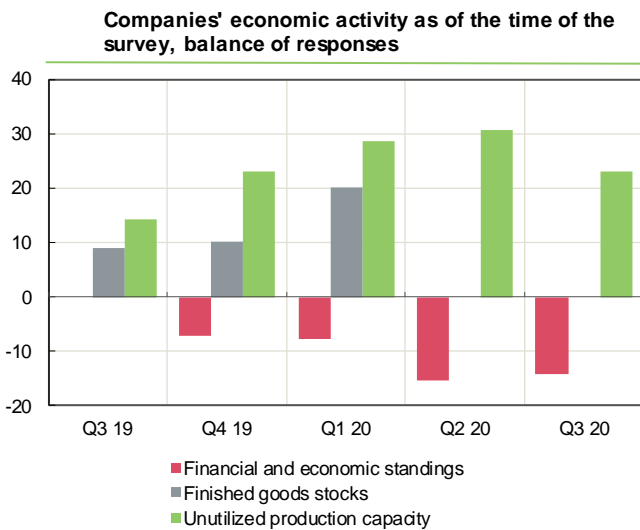


Figure 4



Figure 5

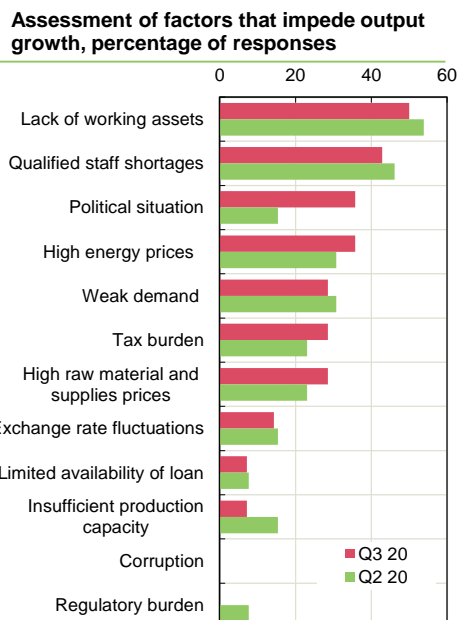


Figure 6

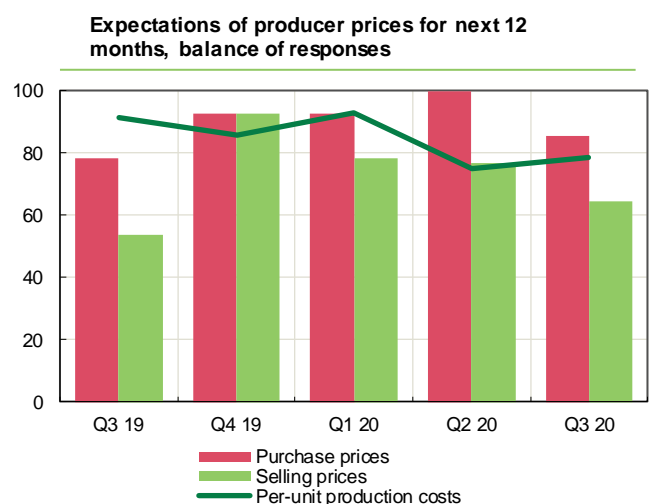


Figure 7

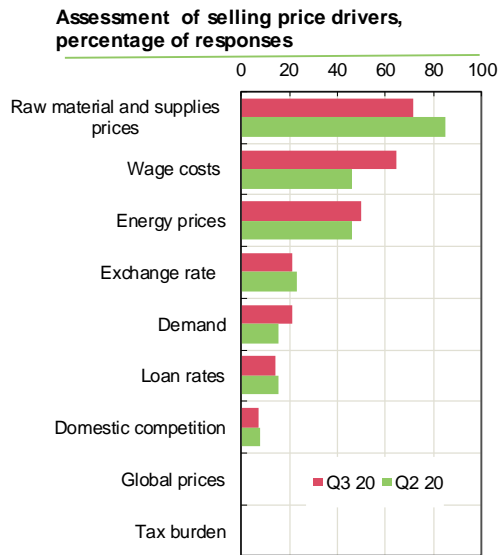


Figure 8

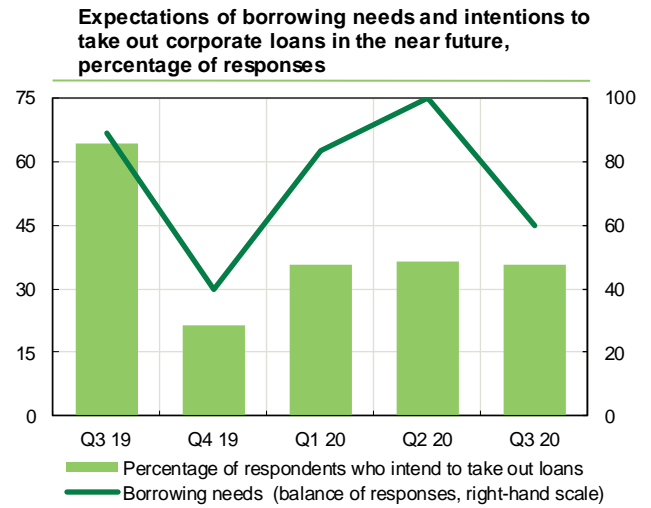


Figure 9

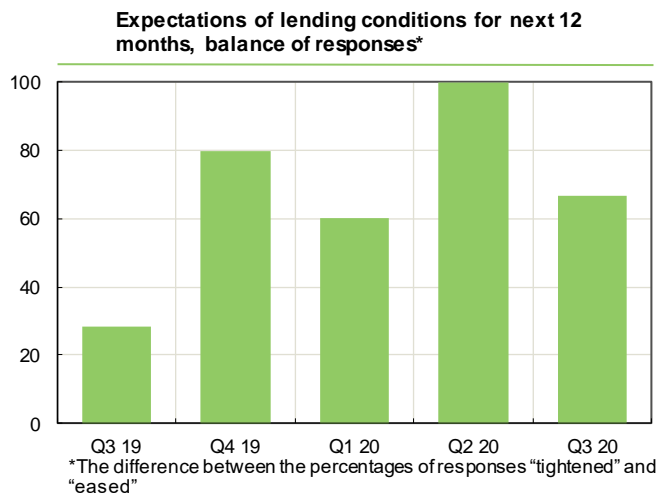


Figure 10

