



National Bank
of Ukraine

Business Outlook Survey of Zakarpattia Oblast*

Q1 2020

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



*This survey only reflects the opinions of respondents in Zakarpattia 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 **Zakarpattia oblast** in Q1 2020 showed that respondents expected no changes in the output of Ukrainian goods and services and in the development of their companies over the next 12 months. Respondents reported low inflation and weaker depreciation expectations.¹

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

- **the output of Ukrainian goods and services would remain unchanged:** the balance of expectations was 0.0% compared with 54.5% in Q4 2019 (Figure 1) and 10.4% across Ukraine
- **prices for consumer goods and services would rise moderately:** 90.9% of the surveyed companies said that prices for consumer goods and services would not exceed 6.0% (compared to 68.5% across Ukraine). Respondents referred to production costs and household income as **the main inflation drivers** (Figure 2)
- **the hryvnia would depreciate at a slower pace:** a total of 54.5% of respondents (compared to 63.6% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 65.2%
- **the financial and economic standings of their companies would remain unchanged:** the balance of expectations was 0.0% (compared with 36.4% in the previous quarter). Companies across Ukraine expected an improvement in their financial and economic standings (16.9%) (see Table)
- **total sales would decrease:** the balance of responses was (-18.2%) compared with 45.5% in the previous quarter. Across Ukraine, total sales were expected to increase (23.0%) (see Table). External sales were expected to continue to rise at a fast pace: the balance of responses was 60.0% compared with 17.5% across Ukraine
- **investment both in construction and in machinery, equipment and tools would increase:** the balances of responses were 20.0% and 30.0% respectively (compared to 20.0% and 36.4% in Q4 2019). Across Ukraine, respondents expected investment spending to rise at a slower pace: the balances of responses being 2.4% and 14.1% respectively
- **staff numbers would decrease significantly:** the balance of responses was (-54.5%) compared with 0.0% in Q4 2019 and (-3.9%) across Ukraine (Figure 4)
- **both purchase and selling prices would rise at a slower pace:** the balances of responses were 54.5% and 36.4% respectively (compared to 81.8% and 54.5% in Q4 2019) (Figure 6). According to the opinions expressed by 45.5% of respondents, wage costs and the exchange rate were the main selling price drives. Respondents also reported a noticeable increase in the impact of global prices (Figure 7)
- **the growth in per-unit production costs and wage costs per staff member would decelerate:** the balances of responses were 54.5% and 72.7% respectively (compared with 63.6% and 81.8% in Q4 2019) (Figures 4 and 6).

Weak demand was referred to as **the main drag on the ability of companies to boost production**. The impact of a lack of working assets and insufficient production capacity were also said to be significant (Figure 5).

Expectations of borrowing needs in the near future **picked up** (Figure 8). The respondents that planned to take out corporate loans usually opted for domestic currency loans. Respondents said that lending standards had remained unchanged (Figure 9). Respondents referred to high loan rates as the main factor that deterred them from taking out loans (Figure 10).

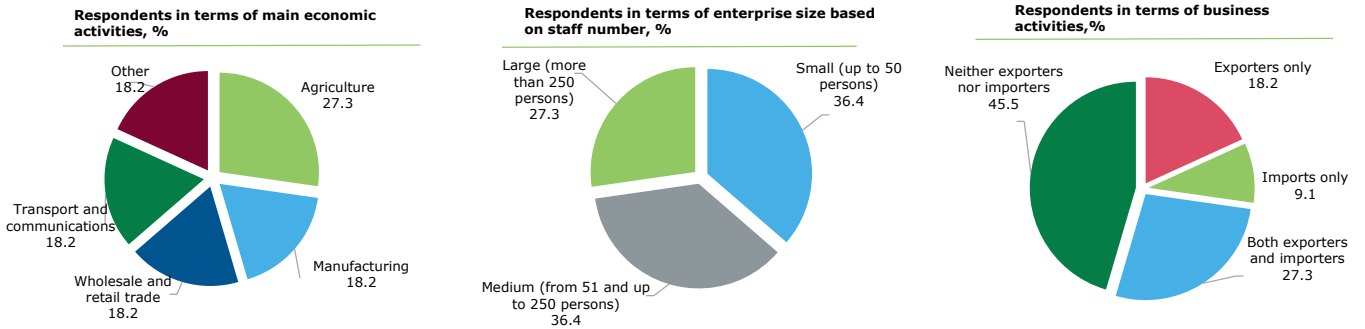
All of the respondents said that they **had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.6% across Ukraine).

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

- **Respondents assessed their current financial and economic standings as satisfactory:** the balance of responses was 0.0% compared with 9.1% 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 decreased and **were at a level lower than the normal one:** the balance of responses was (-20.0%) (compared with 0.0% in Q4 2019).
- **Companies were operating on the verge of their production capacity:** the balance of responses was 0.0% (compared with 27.3% in Q4 2019).

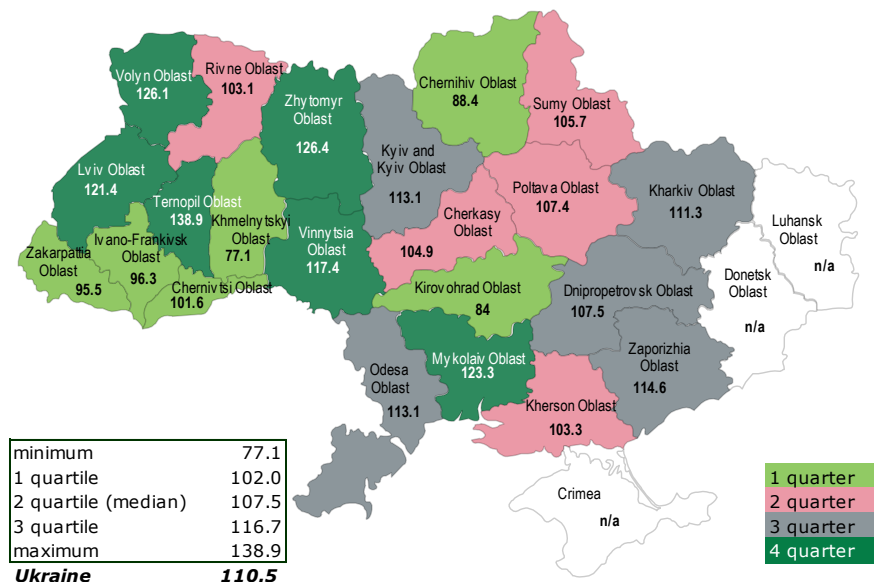
¹ This survey was carried out before quarantine measures were introduced.

Survey Details^{2,3}



- Period: 4 February through 3 March 2020.
- A total of 11 companies were polled.
- No economic activity was able to generate a representative sample.

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 Zakarpattia 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	50.0	16.7	25.0	36.4	0.0
Total sales	41.7	8.3	8.3	45.5	-18.2
Investment in construction	9.1	0.0	18.2	20.0	20.0
Investment in machinery, equipment and tools	45.5	8.3	18.2	36.4	30.0
Staff numbers	0.0	-25.0	8.3	0.0	-54.5

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

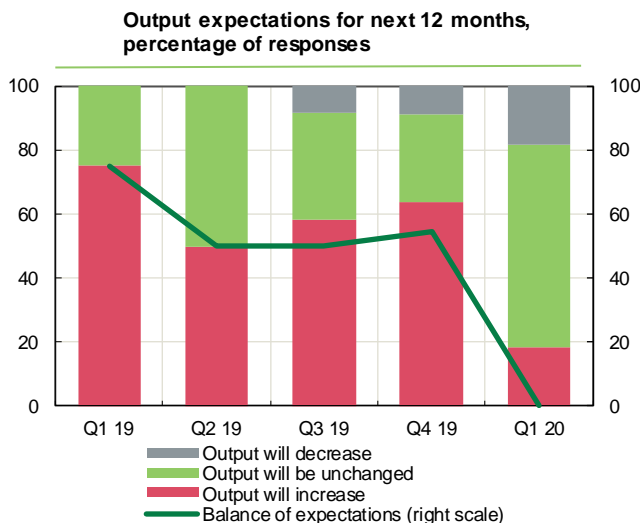


Figure 2

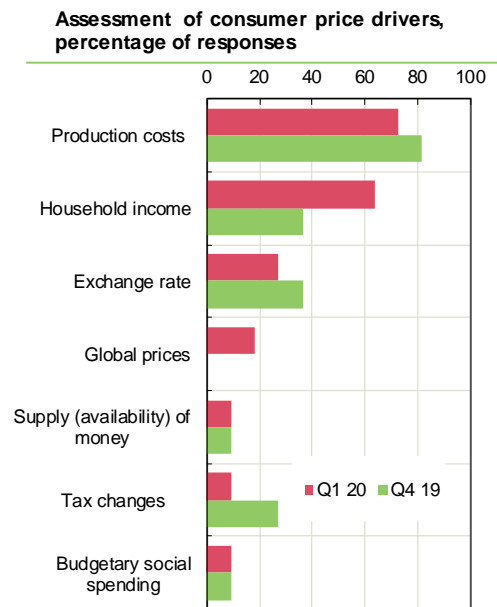


Figure 3

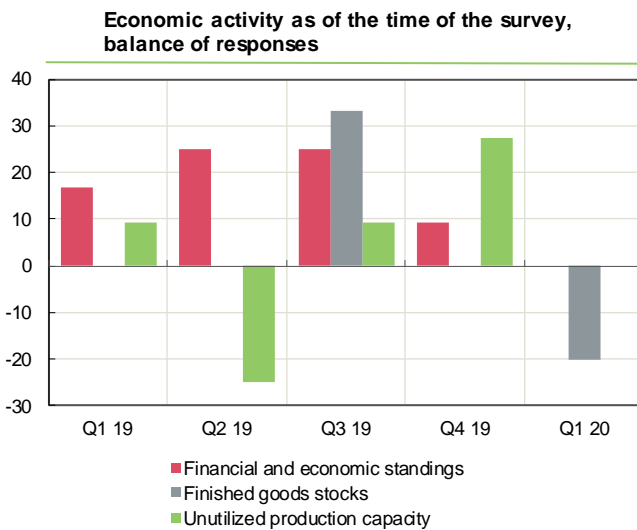


Figure 4



Figure 5

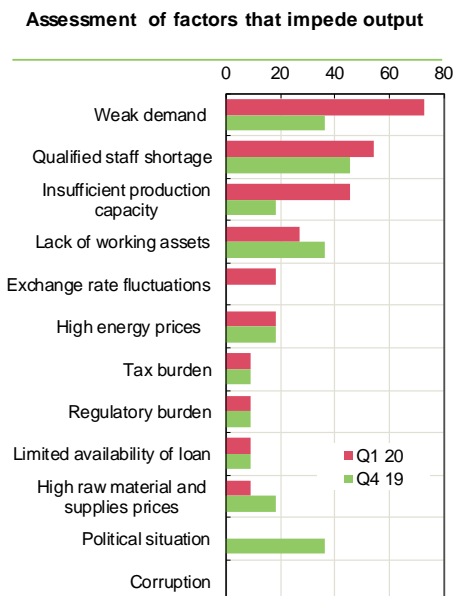


Figure 6

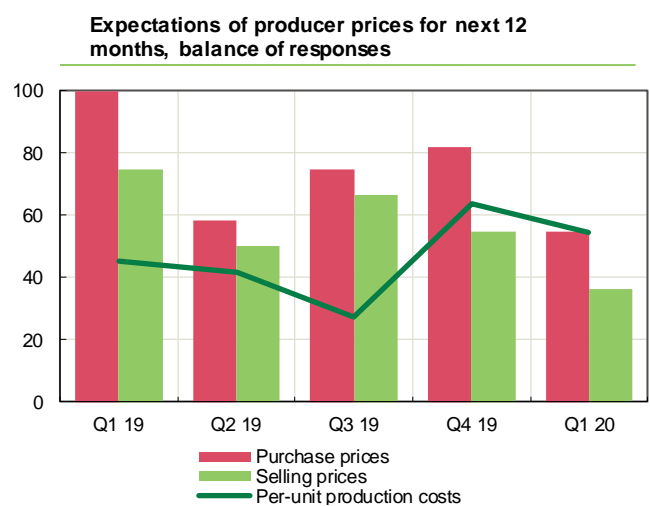


Figure 7

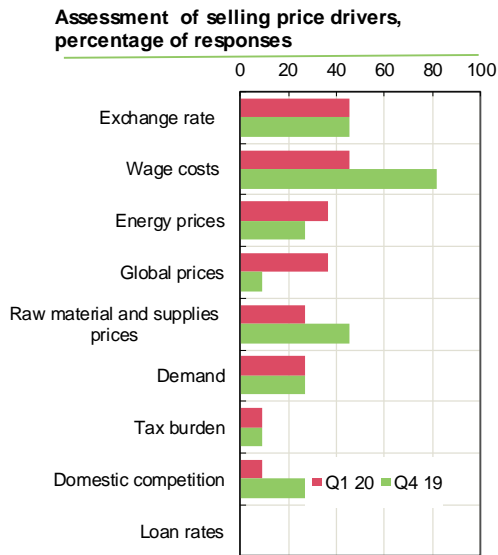


Figure 8

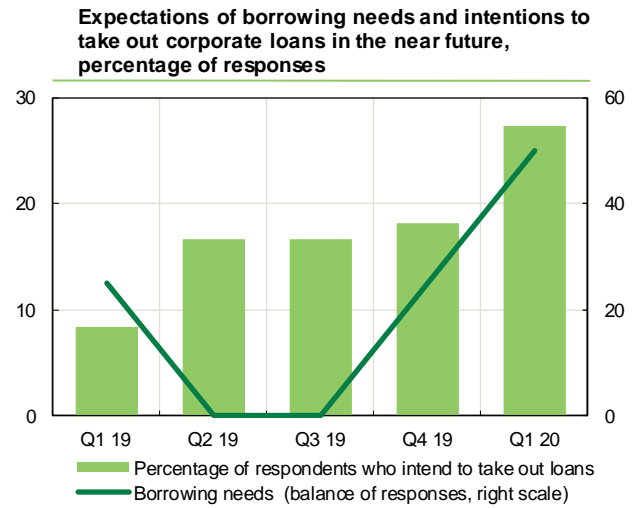


Figure 9

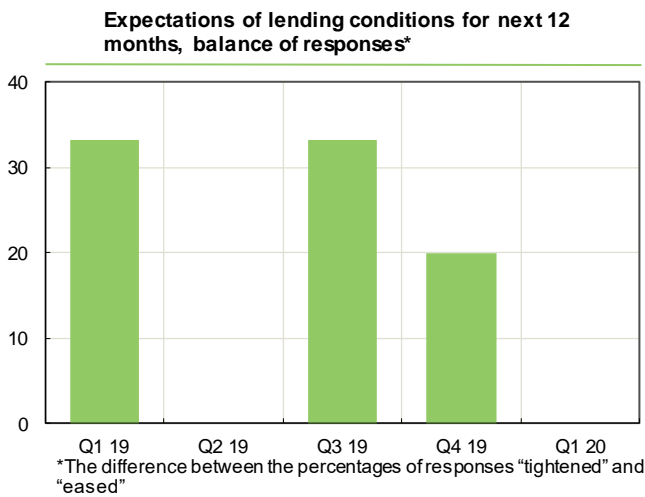


Figure 10

