



National Bank
of Ukraine

Business Outlook Survey of Zakarpattia 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 Zakarpattia 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 **Zakarpattia 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. Respondents were optimistic about the future development of their companies over that period. Companies reported moderate inflation and higher 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 drop significantly:** the balance of expectations was (-45.5%) compared with 0.0% in Q1 2020 (Figure 1) and (-34.1%) across Ukraine
- **prices for consumer goods and services would rise moderately:** 72.7% of the surveyed companies said that growth in the prices of consumer goods and services would not exceed 7.5% (compared to 54.9% across Ukraine). Respondents referred to the exchange rate as **the main inflation driver** (Figure 2). Respondents also reported a noticeable increase in the impact of budgetary social spending
- **the hryvnia would depreciate at a faster pace:** a total of 72.7% of respondents (compared to 54.5% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 68.2%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 18.2% (compared with 0.0% in the previous quarter). Companies across Ukraine expected a deterioration in their financial and economic standings (-1.8%) (see Table)
- **total sales would increase:** the balance of responses was 18.2% compared with (-18.2%) in the previous quarter (see Table). Respondents also expected growth in external sales: the balance of responses was 16.7% (compared with 60.0% in the previous quarter). Overall, companies across Ukraine expected sales to decrease only slightly, the balances of responses being (-0.1%) and (-0.7%) respectively
- **investment both in construction and in machinery, equipment and tools would decrease:** the balances of responses were (-30.0%) and (-9.1%) respectively (compared to 20.0% and 30.0% in Q1 2020). The balances of responses across Ukraine were (-16.1%) and (-10.5%) respectively
- **staff numbers would remain unchanged:** the balance of responses was 0.0% compared with (-54.5%) in Q1 2020 and (-3.9%) across Ukraine (Figure 4). Across Ukraine, respondents expected staff numbers to decrease (the balance of responses was (-17.3%))
- **both purchase and selling prices would rise:** the balances of responses were 63.6% and 36.4% respectively (compared to 54.5% and 36.4% in Q1 2020) (Figure 6). According to the opinions expressed by 63.6% of respondents, the exchange rate was the main selling price driver. Respondents also reported a noticeable increase in the impact of demand (Figure 7)
- **the growth in per-unit production costs and wage costs per staff member would decelerate significantly:** the balances of responses were 18.2% and 27.3% respectively (compared with 54.5% and 72.7% in Q1 2020) (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 was 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 bank lending standards had tightened (Figure 9). Respondents referred to high loan rates as the main factor that deterred them from taking out loans (Figure 10).

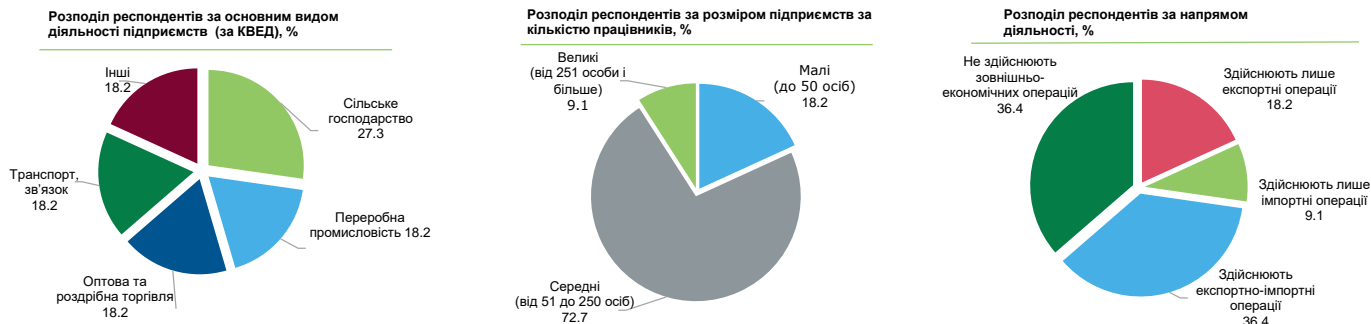
All of the respondents said that they **had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.5% across Ukraine).

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 (-9.1%) compared with 0.0% in the previous quarter and (-11.6%) across Ukraine (Figure 3).
- **Finished goods stocks had increased and were assessed as normal:** the balance of responses was 0.0% (compared with (-20.0%) in Q1 2020).
- **Unutilized production capacity had decreased.** Companies in the region had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand: the balance of responses was 27.3% (compared to 0.0% in the previous quarter).

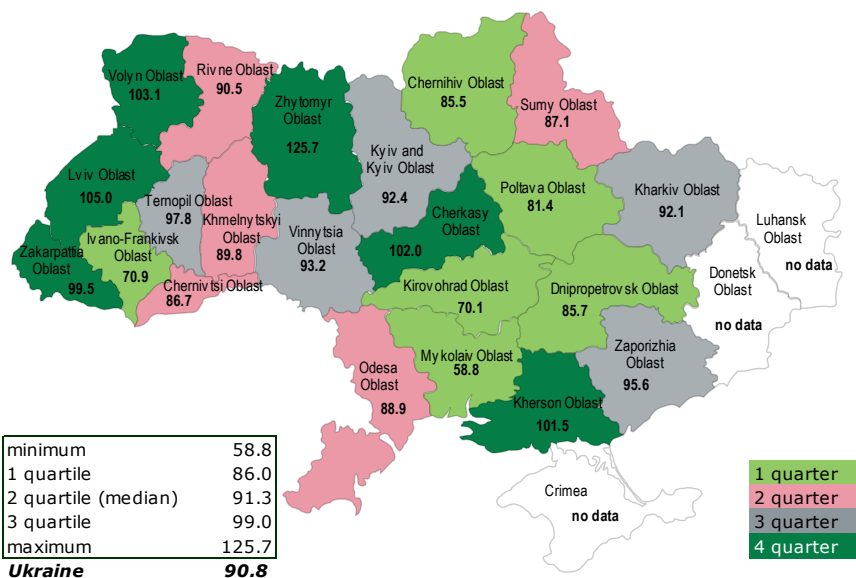
¹ This survey was conducted after the government announced it would relax the quarantine.

Survey Details^{2,3}



- Period: 6 through 29 May 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 sampled 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, %				
	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
Financial and economic standings	16.7	25.0	36.4	0.0	18.2
Total sales	8.3	8.3	45.5	-18.2	18.2
Investment in construction	0.0	18.2	20.0	20.0	-30.0
Investment in machinery, equipment and tools	8.3	18.2	36.4	30.0	-9.1
Staff numbers	-25.0	8.3	0.0	-54.5	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

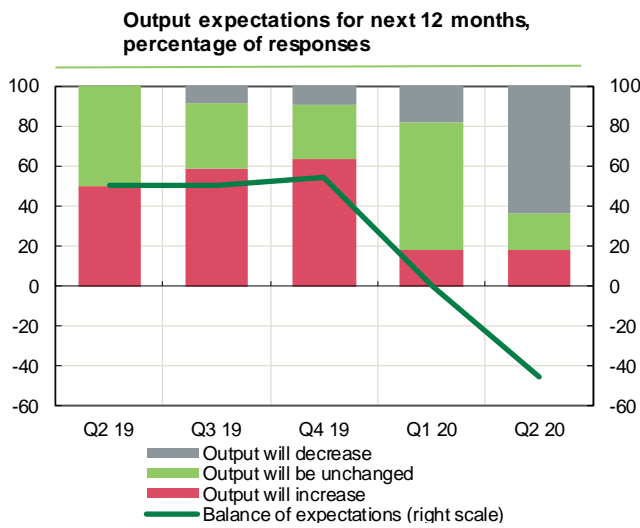


Figure 2

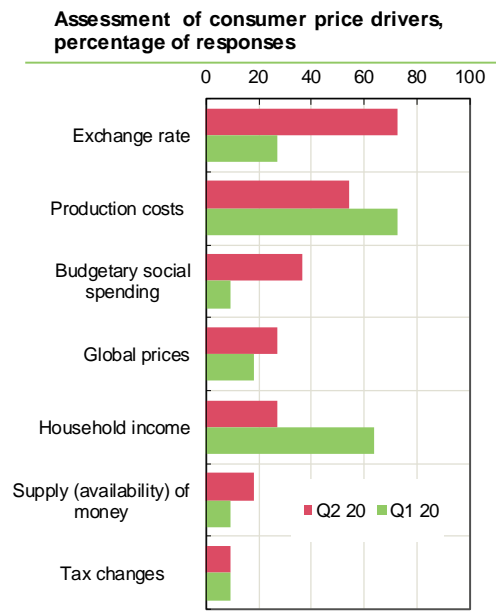


Figure 3

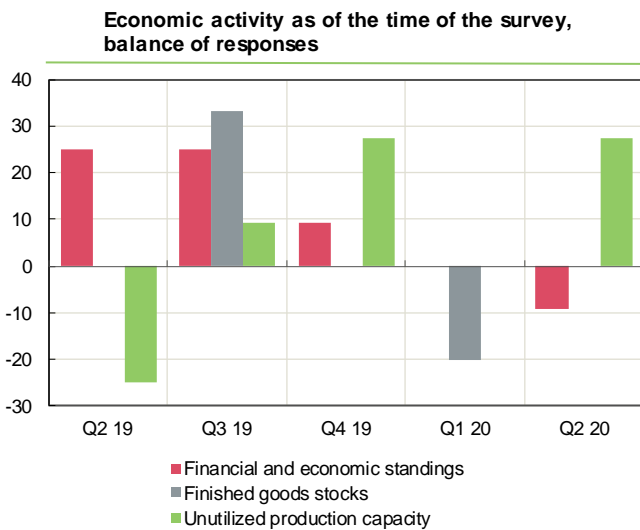


Figure 4



Figure 5

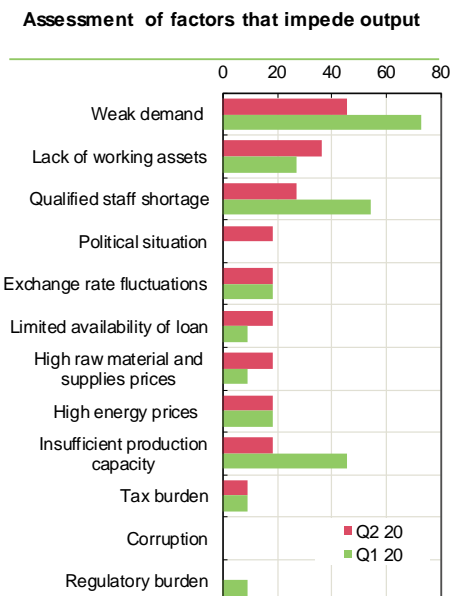


Figure 6

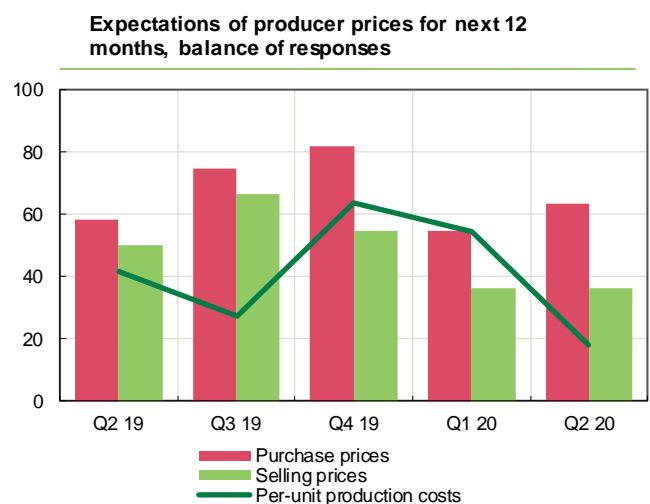


Figure 7

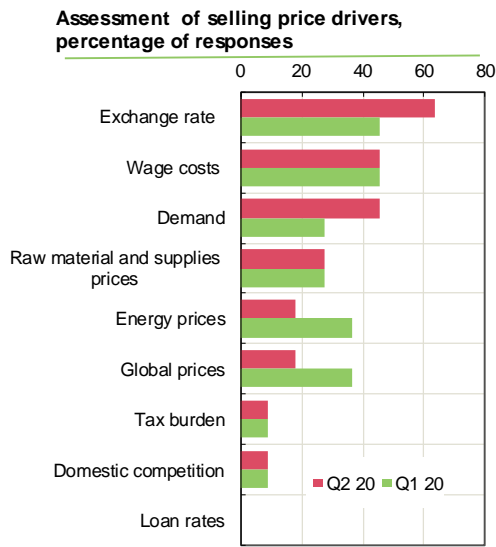


Figure 8

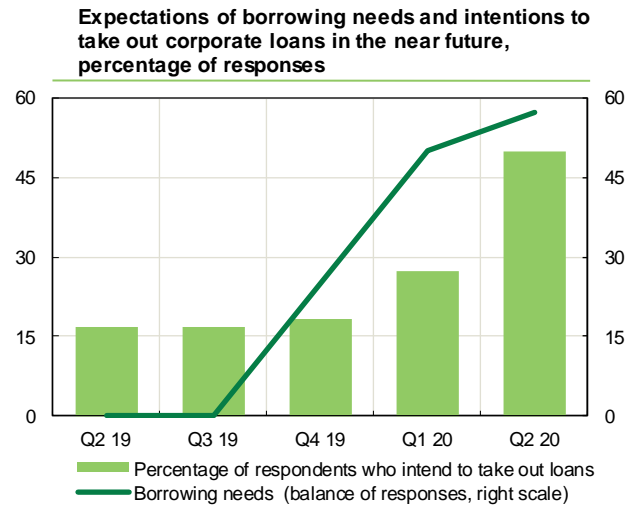


Figure 9

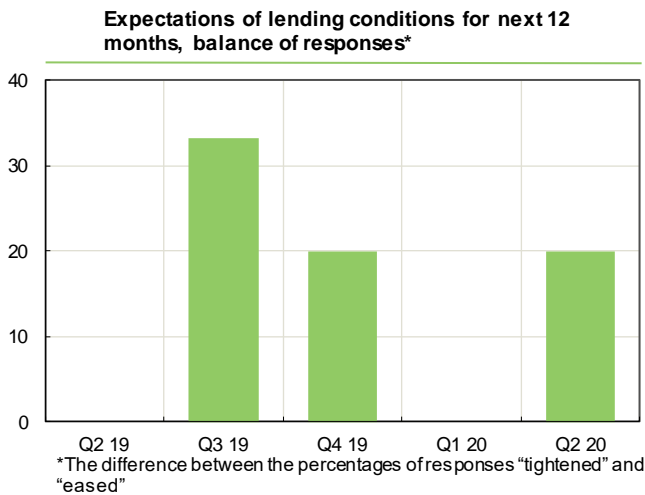


Figure 10

