



National Bank
of Ukraine

Business Outlook Survey of Zaporizhzhia Oblast*

Q3 2019



*This survey only reflects the opinions of respondents in Zaporizhzhia oblast (top managers of companies) who were polled in Q3 2019, and does not represent NBU forecasts or estimates

A survey of companies carried out in Zaporizhzhia oblast in Q3 2019 showed that respondents had positive expectations that the Ukrainian economy would grow, and that their companies would continue to develop over the next 12 months. Respondents reported weaker inflation. Depreciation expectations were high.

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

- **the output of Ukrainian goods and services would grow:** the balance of expectations was 25.0% compared with 27.6% in Q2 2019 (Figure 1) and 30.5% across Ukraine. At the same time, respondents in the agricultural sector and other economic activities expected the financial and economic standings of their companies to remain unchanged (the balances of expectations were 0.0%)
- **prices for consumer goods and services would grow** at a slower pace: 60.0% of respondents expected the inflation rate to be lower than 10.0% (compared with 51.7% in Q2 2019) and 73.3% across Ukraine. Respondents referred to production costs as the **main inflation driver** (Figure 2)
- **depreciation expectations would accelerate** at a fast pace: 80.0% of respondents expected the hryvnia to weaken against the US dollar compared with 75.9% % in the previous quarter and 69.0% across Ukraine
- **the financial and economic standings of their companies would improve:** the balance of expectations was 25.0% (compared with 25.9% in the previous quarter) (see Table 1). Respondents from trade companies had the most optimistic expectations: the balance of responses was 50.0%
- **sales of their own products would pick up:** the balance of responses was 35.7% (compared to 27.6% across Ukraine). External sales were also expected to grow: the balance of responses was 18.2% compared with 27.6% and 20.0% in Q2 2019 respectively
- **investment in machinery, equipment and tools would increase:** the balance of response was 22.0% compared to 36.0% in the previous quarter. As in the previous quarter, construction investment was expected to remain unchanged: the balance of responses was 0.0%. Overall, respondents expected investment spending to rise across Ukraine, the balances of responses being 17.7% and 9.3% respectively
- **staff numbers at their companies would increase** more rapidly: the balance of responses was 16.7% compared with 7.1% in the previous quarter (Figure 4) and 2.2% across Ukraine. Respondents from the manufacturing industry reported the highest expectations, the balance of responses being 30.0%. The managers of agricultural companies expected a drop in the staff numbers at their companies
- **both purchase and selling prices would rise at a fast pace:** the balances of responses were 93.3% and 62.1% respectively (compared with 89.7% and 46.4% in the previous quarter) (Figure 6). Respondents cited energy, raw material and supplies prices as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would increase:** the balances of responses were 72.4% and 66.7% respectively compared with 71.4% and 78.6% in Q2 2019 (Figures 4 and 6).

Respondents continued to refer to high energy prices as **the main drag on the ability of their companies to boost production** (Figure 5).

Respondents edged down their expectations of an increase in borrowing needs in the near future (Figure 8). The companies that planned to take out corporate loans (50.0% of responses) usually opted for domestic currency loans. Respondents assessed the tightening of lending standards as lower than in the previous quarter (Figure 9). Respondents continued to cite high loan rates as the main factor that deterred them from taking out loans (Figure 10).

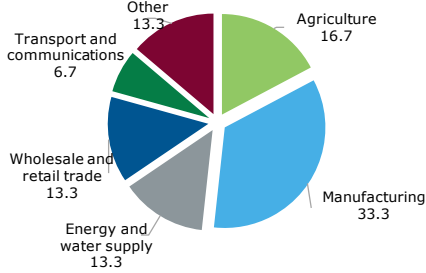
All of the respondents said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (97.4% across Ukraine).

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

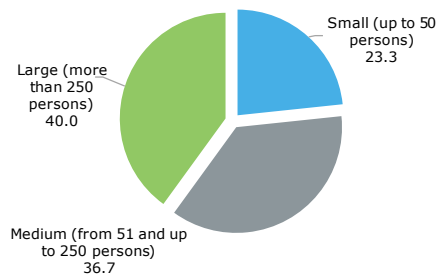
- **Respondents have assessed their current financial and economic standings as bad** for five quarters in a row: the balance of responses was (-20.0%) compared with (-14.3%) in Q2 2019. Across Ukraine, companies assessed their current financial and economic standings as positive: the balance of responses being 9.5%. The lowest balance of responses (-40.0%) was reported by respondents from manufacturing companies.
- **Stocks of finished goods remained at a level lower than the normal one:** the balance of responses was (-11.8%) compared to (-23.1%) in Q2 2019.
- **Companies were operating on the verge of their production capacity:** the balance of responses was 0.0% compared with (-7.1%) in Q2 2019.

Survey Details^{1,2}

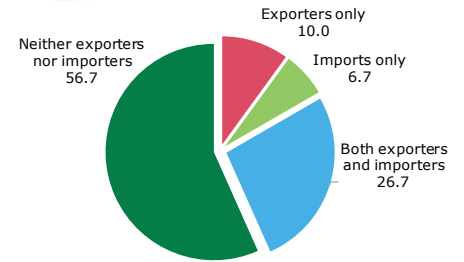
Respondents in terms of main economic activities, %



Respondents in terms of enterprise size based on staff number, %

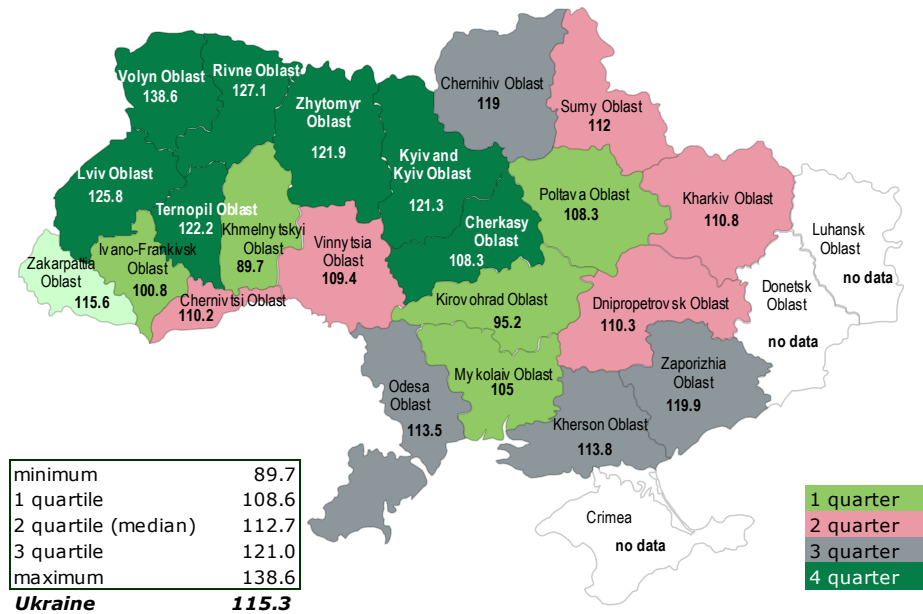


Respondents in terms of business activities, %



- Period: 7 August through 3 September 2019.
- A total of 30 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, the manufacturing industry, energy and water supply, trade and other economic activities.

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 sampled where the sample is divided into two equal-sized subgroups

Table. The Business Outlook Index of Companies in Zaporizhzhia Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19
Financial and economic standings	3.6	6.5	13.3	25.9	25.0
Total sales	16.7	18.8	26.7	27.6	35.7
Investment in construction	0.0	19.2	17.9	0.0	0.0
Investment in machinery, equipment and tools	25.0	15.4	28.6	36.0	22.2
Staff numbers	23.3	6.7	16.1	7.1	16.7

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 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

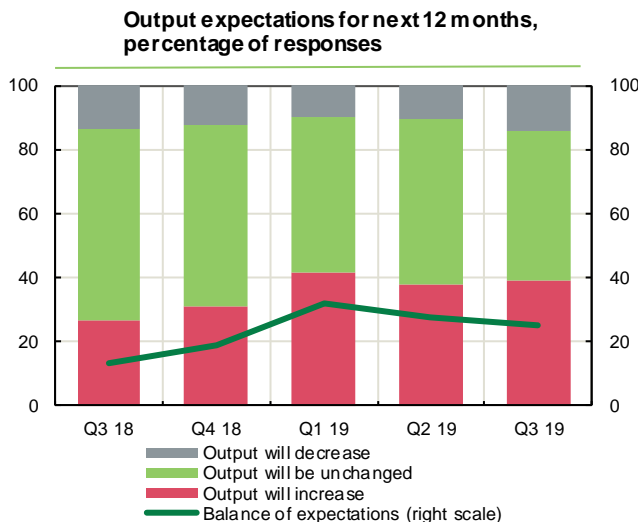


Figure 2

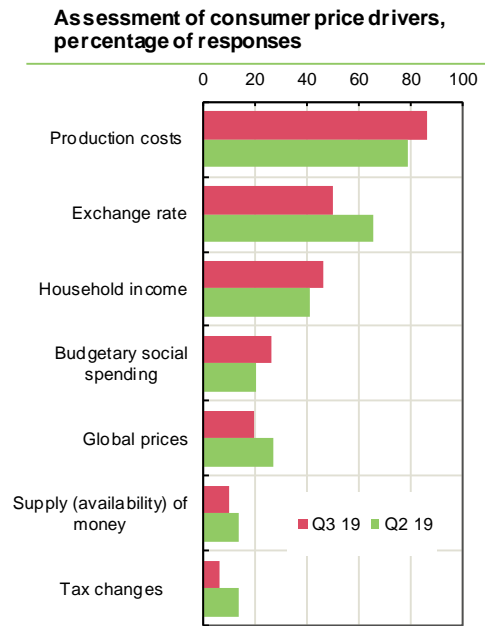


Figure 3

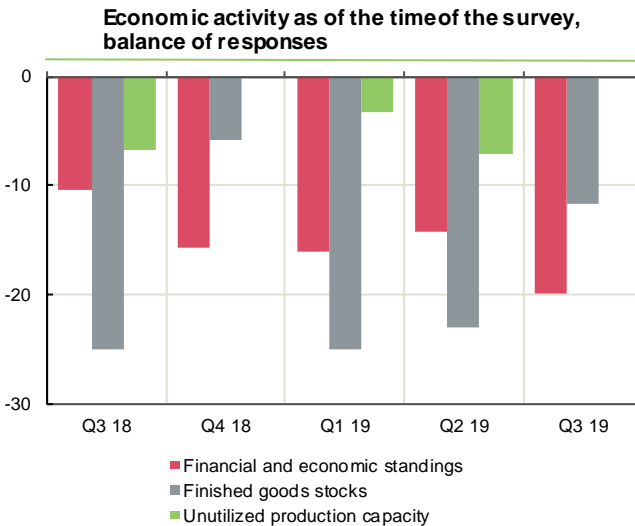


Figure 4

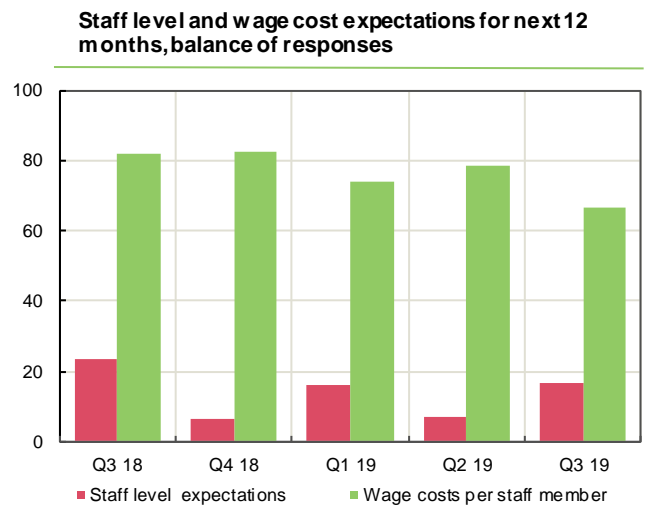


Figure 5

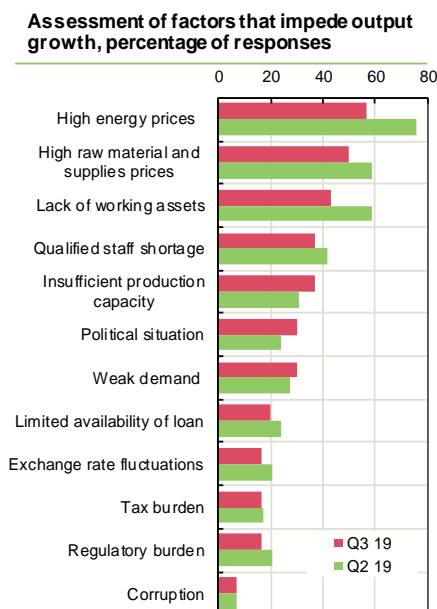


Figure 6

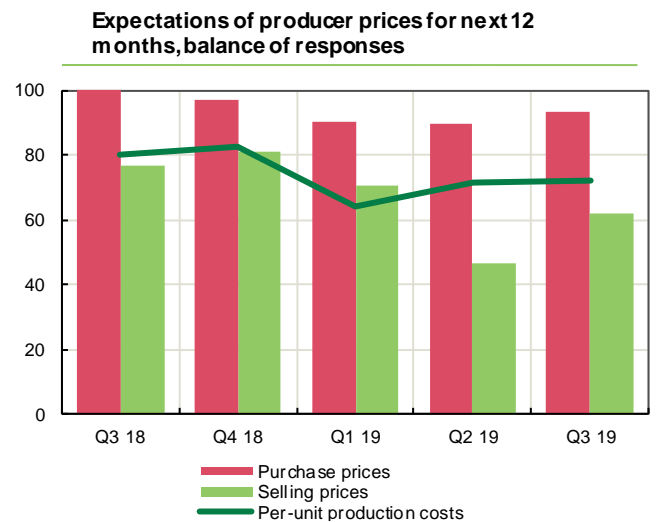


Figure 7

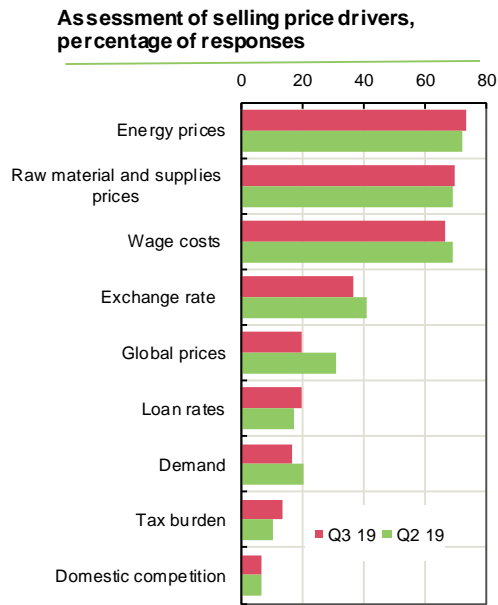


Figure 8

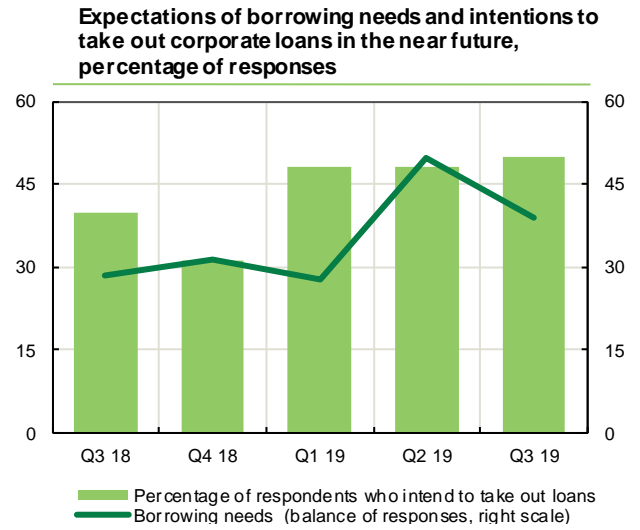


Figure 9

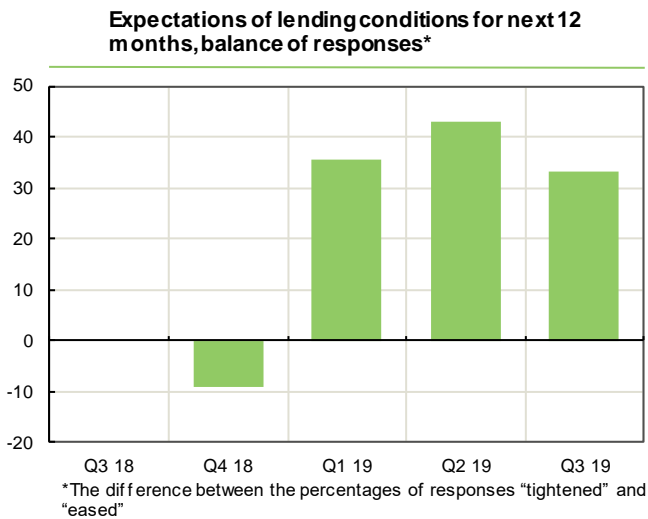
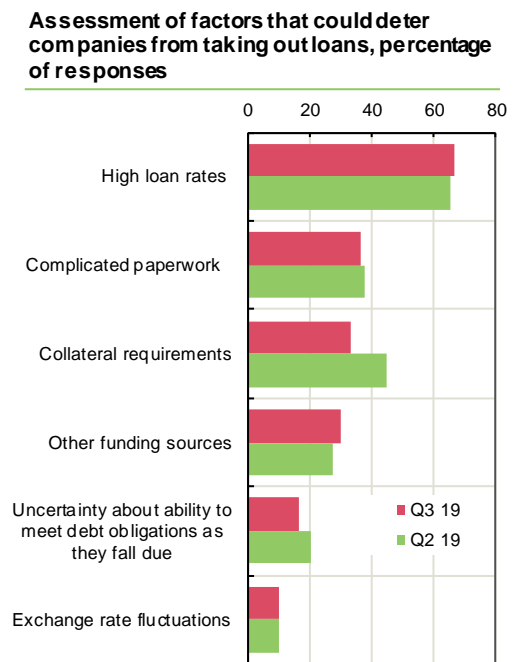


Figure 10



Key Indicators of Social and Economic Development of Zaporizhzhia Oblast in 2014 – 2019

% of the same period of the previous year, unless stated otherwise

No.	Indicators	2014	2015	2016	2017	2018	2019							
							January	January - February	January - March	January - April	January - May	January - June	January - July	January - August
1	Volume indices of gross regional product (in previous year's prices, in percent)	100.4	94.7	99.7	103.1	101.9 ²	...	...	...	...	...	...	...	...
2	Industrial production index	96.8	95.3	96.9	106.2	103.6	94.1	96.6	95.9	96.9	96.8	95.6	95.6	95.7
3	Mining and quarrying	101.6	100.6	95.8	103.5	104.8	99.1	96.4	99.9	103.2	100.3	99.7	100.0	100.6
4	Manufacturing	94.8	93.4	100.6	105.2	102.8	93.1	97.8	96.7	97.4	97.6	95.6	95.5	95.3
5	Production of food, beverages and tobacco	101.8	94.8	101.4	99.2	97.5	98.6	97.0	98.5	96.2	94.6	95.4	96.3	95.8
6	Textile production, production of clothing, leather, leather goods and other materials	68.2	116.1	96.1	113.1	114.3	96.8	96.4	122.9	108.5	103.2	96.8	99.8	95.9
7	Production of wood products, paper, printing	99.4	89.4	97.2	94.9	110.8	93.8	91.3	95.3	97.2	97.6	97.2	96.7	96.5
8	Production of coke and petrochemicals	92.5	71.5	105.4	106.9	97.6	94.0	92.1	94.1	94.8	97.0	96.7	96.2	96.7
9	Production of chemicals and chemical products	93.1	95.0	92.5	135.5	103.5	89.5	90.9	91.3	94.1	95.9	93.7	93.8	94.7
10	Production of rubber and plastic products, other nonmetallic mineral products	95.2	95.0	109.6	111.0	89.4	73.4	91.3	94.7	96.8	98.1	98.7	98.6	97.5
11	Metallurgical production, manufacturing of finished metal products, except machinery and equipment	98.0	98.1	99.5	106.1	103.9	95.7	95.3	95.8	96.8	97.6	95.9	95.3	95.7
12	Mechanical engineering, except for repair and installation of machinery and equipment	91.2	93.4	98.9	107.6	105.4	85.1	103.8	100.8	102.6	102.0	97.8	96.8	95.5
13	Electricity, gas, steam and conditioning air supply	101.6	99.1	86.4	110.9	103.5	94.8	93.3	92.2	93.0	93.2	94.1	94.1	94.9
14	Agricultural production index	96.6	109.3	98.7	96.7	85.6	93.8	94.2	94.5	94.1	93.5	130.9	126.1	120.1
15	Construction production index	79.5	97.6	98.8	132.7	120.8	94.8	114.0	99.0	85.9	106.9	102.0	108.2	100.0
16	Freight turnover	102.9	108.1	110.0	108.3	105.2	100.2	99.6	99.0	101.6	103.1	102.0	100.4	99.8
17	Passenger turnover	71.0	82.1	107.5	110.4	111.2	103.4	105.3	105.8	109.0	108.4	103.5	107.1	108.8
18	Volume index of retail trade turnover (in comparable prices, in percent)	98.0	79.3	105.5	105.9	105.0	104.8	105.2	105.5	106.3	108.6	110.1	110.3	109.8
19	Profit/loss of large and medium companies before tax (UAH million) ³	-9113.7	-2761.5	13739.1	20939.6	...	...	...	...	...	...	...	...	...
20	Capital investment index	89.8	84.9	131.3	147.4	88.0	...	...	90.7	...	...	96.6	...	...
21	Consumer price index (compared with December of previous year)	125.7	142.1	112.3	114.1	109.2	101.4	101.5	102.5	104.0	104.4	103.7	103.4	103.0
22	Real disposable income	94.1	80.4	104.6	107.9	112.0 ²	...	...	...	...	...	...	...	...
23	Real wage index	96.6	80.8	107.3	116.8	114.8	114.6	113.7	114.6	113.6	112.7	112.3	112.2	111.9
24	Number of applicants per vacancy as of end of period	86	185	46	26	26	14	11	6	6	5	6	4	4

¹ This information is confidential under the Law of Ukraine On State Statistics.

² Preliminary data.

³ These data exclude banks' profits/losses. Data on agricultural companies engaged in plant cultivation, animal husbandry and mixed farming are only available in annual reports.

Annual data include profits/losses of large, medium, small and micro companies.

Source: Ukraine's State Statistics Service

Legend

Periods (...) - no data

Dash (-) - no events