



National Bank
of Ukraine

Business Outlook Survey of Zaporizhzhia Oblast*

Q4 2019



*This survey only reflects the opinions of respondents in Zaporizhzhia oblast (top managers of companies) who were polled in Q4 2019, and does not represent NBU forecasts or estimates

A survey of companies carried out in Zaporizhzhia oblast in Q4 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 expected slightly weaker inflation. Depreciation expectations increased.

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 14.3% compared with 25.0% in Q3 2019 (Figure 1) and 21.9% across Ukraine. At the same time, respondents in the agricultural sector expected the output to remain unchanged (the balance of expectations was 0.0%)
- **prices for consumer goods and services would grow:** 44.8% of respondents expected the inflation rate to be lower than 7.5% (compared with 43.3% in Q3 2019) and 53.8% across Ukraine. Respondents referred to production costs as the **main inflation driver** (Figure 2)
- **the hryvnia would depreciate more pronouncedly:** 89.3% of respondents expected the hryvnia to weaken against the US dollar compared with 80.0% in the previous quarter and 70.7% across Ukraine
- **the financial and economic standings of their companies would improve:** the balance of expectations was 18.5% compared with 25.0% in the previous quarter and 18.6% across Ukraine (see Table)
- **total sales growth would decelerate:** the balance of responses was 20.0% (compared to 23.5% across Ukraine). External sales were also expected to grow more slowly: the balance of responses was 8.3% compared with 35.7% in Q3 2019 and 18.2% across Ukraine
- **investment in machinery, equipment and tools would increase** at a slower pace: the balance of response was 8.0% compared to 22.2% 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 14.7% and 4.7% respectively
- **staff numbers at their companies would increase:** the balance of responses was 6.9% compared with 16.7% in the previous quarter (Figure 4). Respondents from trade companies reported the highest expectations, the balance of responses being 25.0%. Meanwhile, respondents from agricultural and energy and water supply companies expected a drop in the staff numbers at their companies (the balances of responses were (- 20.0%) for each). Across Ukraine, the balance of responses was (-1.6%)
- **the growth in both purchase and selling prices would slow:** the balances of responses were 85.7% and 55.6% respectively (compared to 93.3% and 62.1% in Q3 2019) (Figure 6). Energy, raw material and supplies prices and wage costs were cited as the main selling price drivers (Figure 7)
- **the growth in per-unit production costs and wage costs per staff member would speed up:** the balances of responses were 89.3% and 75.9% respectively compared with 72.4% and 66.7 in Q3 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).

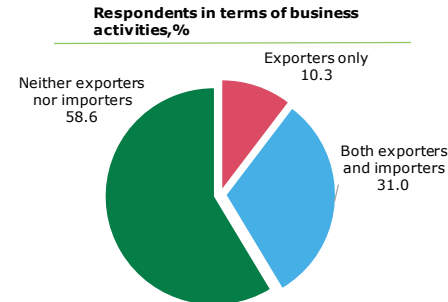
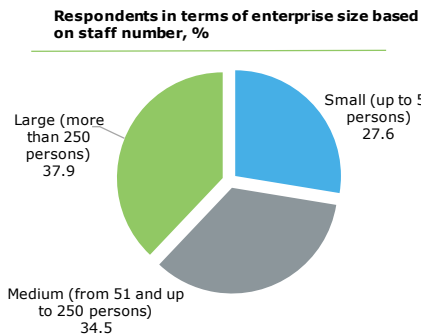
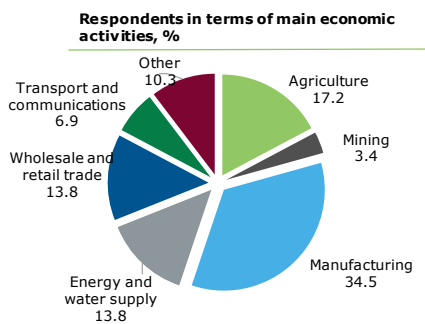
Respondents reported stronger expectations of an increase in their borrowing needs in the near future (Figure 8). The companies that planned to take out corporate loans (42.9% of those surveyed) usually opted for domestic currency loans. Fewer respondents said that lending conditions had tightened (Figure 9). Respondents continued to cite high loan rates as the main factor that deterred them from taking out loans (Figure 10).

A total of **96.4% of respondents** said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (with the figure across Ukraine being the same).

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

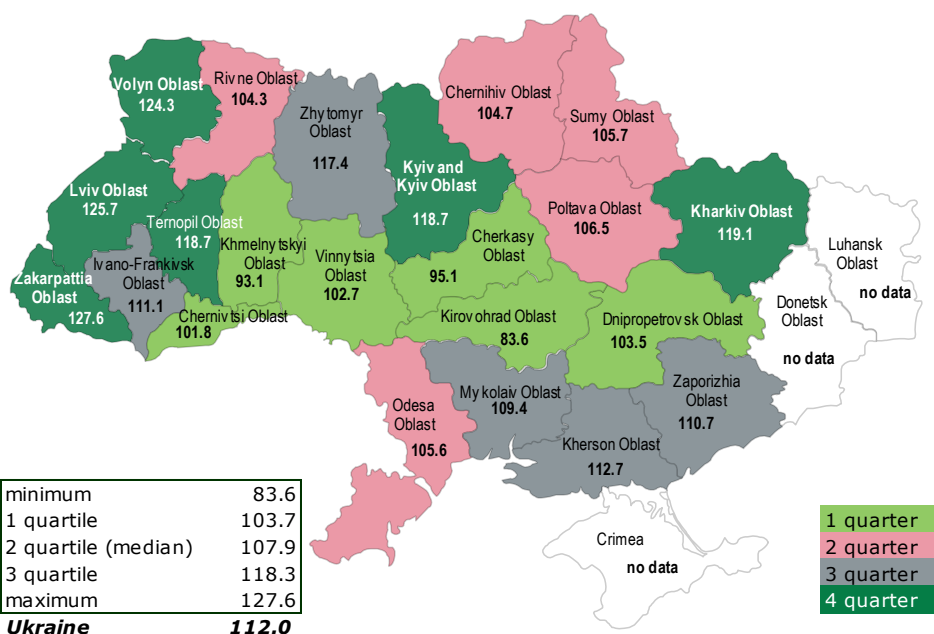
- **Respondents assessed their current financial and economic standings as bad:** the balance of responses was (-17.2%) compared with (-20.0%) in Q3 2019. Across Ukraine, companies assessed their current financial and economic standings as good, the balance of responses being 6.1%. The lowest balance of responses (-40.0%) was reported by respondents from agricultural companies.
- **Finished goods stocked had remained at a level lower than the normal one:** the balance of responses was (-22.2%) compared to (-11.8%) in Q3 2019.
- **Spare production capacity had decreased.** Respondents said they would need additional capacity to meet any unexpected rise in demand: the balance of responses was (-21.4%) compared with 0.0% in Q3 2019.

Survey Details^{1,2}



- Period: 4 November through 2 December 2019.
- A total of 29 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, the manufacturing industry, energy and water supply and trade.

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, %				
	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
Financial and economic standings	6.5	13.3	25.9	25.0	18.5
Total sales	18.8	26.7	27.6	35.7	20.0
Investment in construction	19.2	17.9	0.0	0.0	0.0
Investment in machinery, equipment and tools	15.4	28.6	36.0	22.2	8.0
Staff numbers	6.7	16.1	7.1	16.7	6.9

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

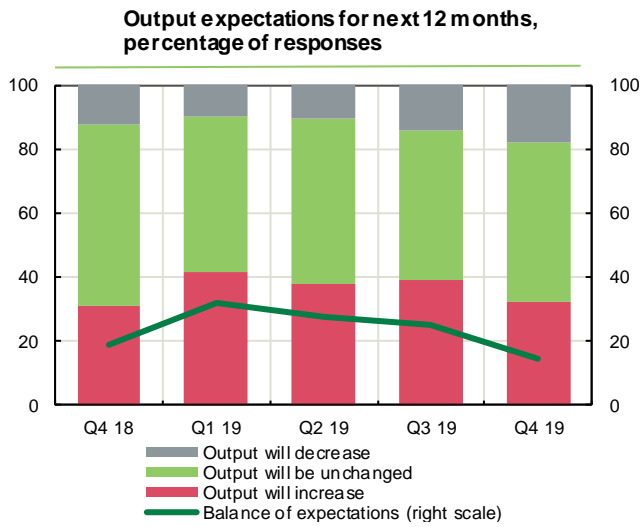


Figure 2

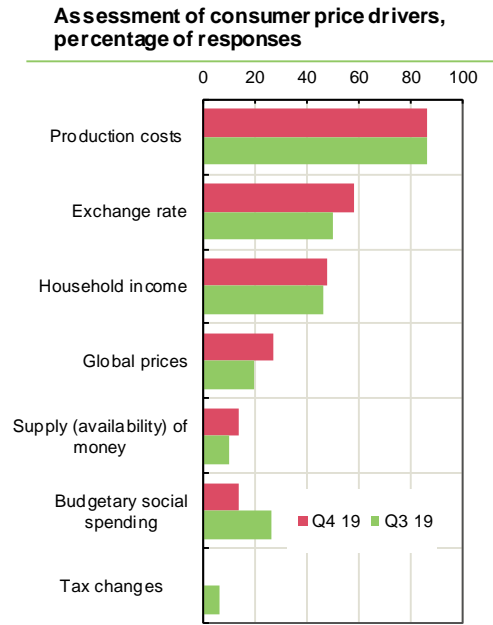


Figure 3

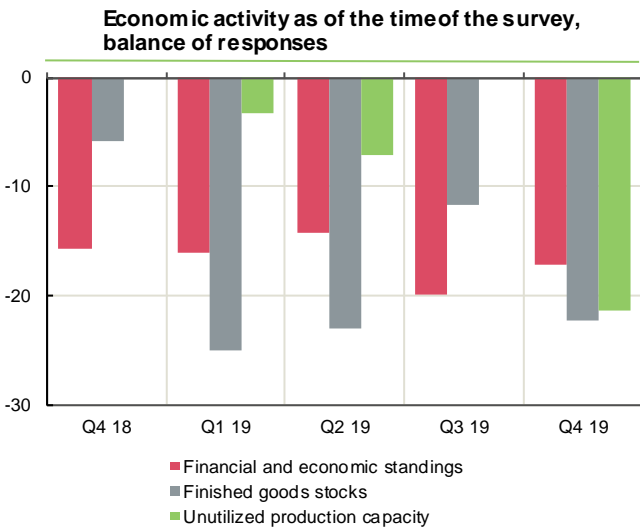


Figure 4

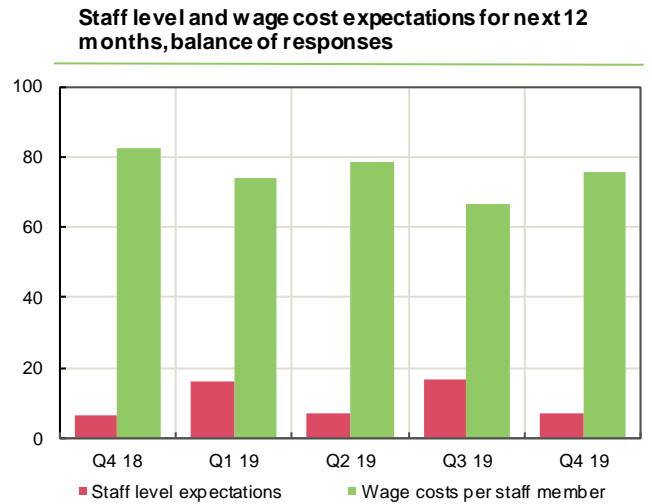


Figure 5

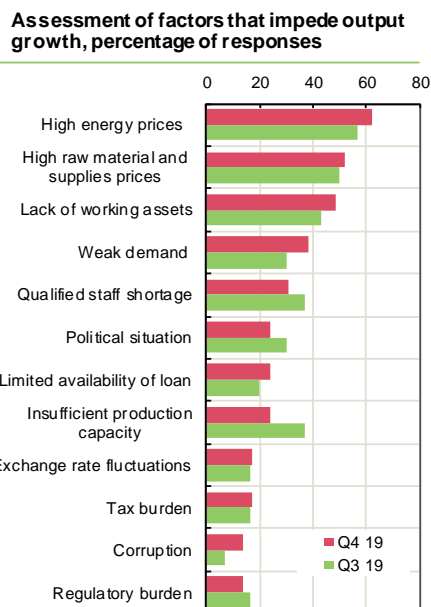


Figure 6

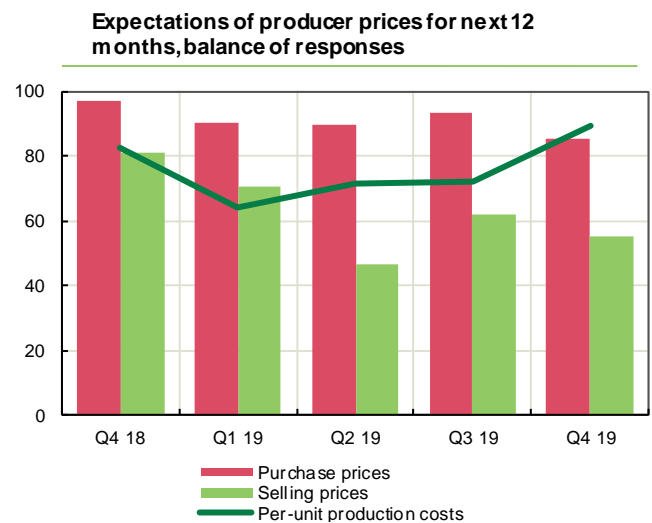


Figure 7

Assessment of selling price drivers, percentage of responses

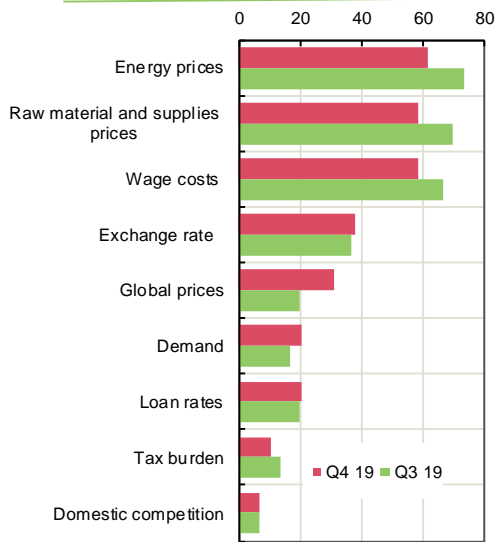


Figure 8

Expectations of borrowing needs and intentions to take out corporate loans in the near future, percentage of responses

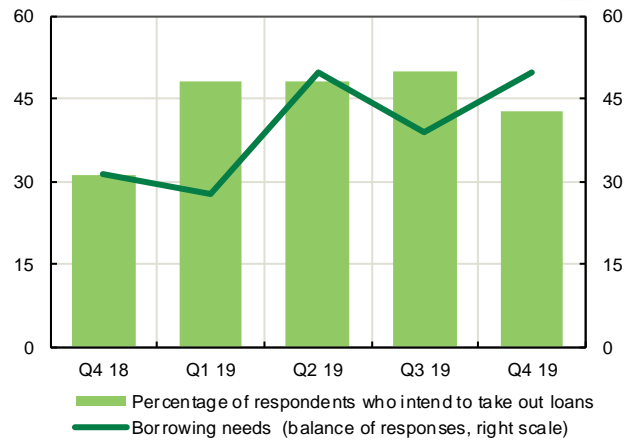
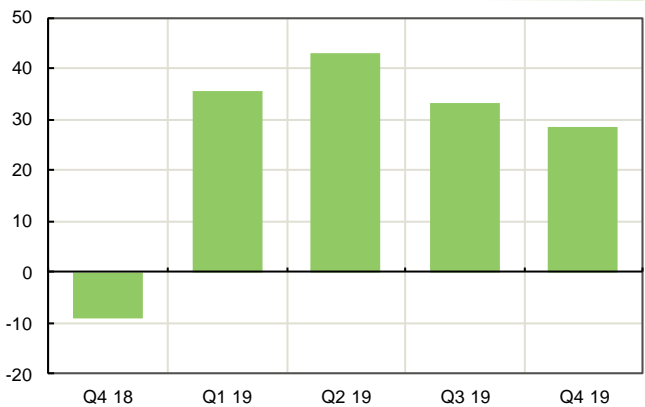


Figure 9

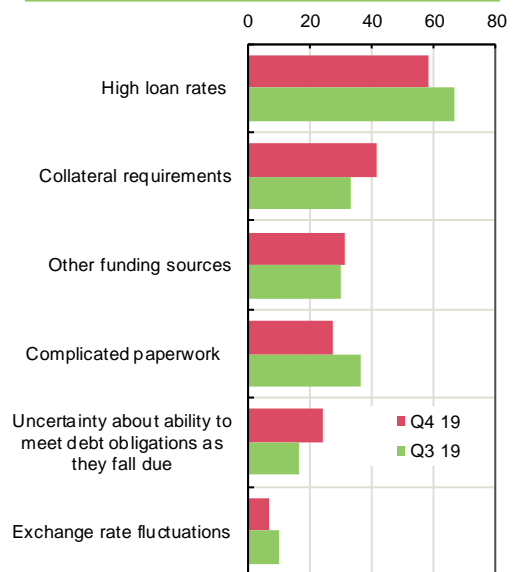
Expectations of lending conditions for next 12 months, balance of responses*



*The difference between the percentages of responses "tightened" and "eased"

Figure 10

Assessment of factors that could deter companies from taking out loans, percentage of responses



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	January - September	January - October	January - November						
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	95.8	96.4	95.9	95.9	95.9	95.9	95.9	95.9	95.9
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	101.0	101.3	101.3	101.3	101.3	101.3	101.3	101.3	101.3
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	94.9	95.2	94.3	94.3	94.3	94.3	94.3	94.3	94.3
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	95.8	95.7	96.4	95.9	95.9	95.9	95.9	95.9	95.9
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	96.8	96.8	92.4	92.4	92.4	92.4	92.4	92.4	92.4
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	93.7	93.0	92.8	92.8	92.8	92.8	92.8	92.8	92.8
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	98.1	98.8	96.7	96.7	96.7	96.7	96.7	96.7	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	95.1	95.6	96.5	96.5	96.5	96.5	96.5	96.5	96.5
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	99.1	100.0	99.5	99.5	99.5	99.5	99.5	99.5	99.5
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	96.6	97.0	96.7	96.7	96.7	96.7	96.7	96.7	96.7
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	93.4	93.5	91.6	91.6	91.6	91.6	91.6	91.6	91.6
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	96.5	98.1	98.7	98.7	98.7	98.7	98.7	98.7	98.7
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	127.2	123.9	122.6	122.6	122.6	122.6	122.6	122.6	122.6
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	101.8	94.1	94.8	94.8	94.8	94.8	94.8	94.8	94.8
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	101.0	102.1	101.7	101.7	101.7	101.7	101.7	101.7	101.7
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	109.8	110.4	109.8	109.8	109.8	109.8	109.8	109.8	109.8
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	109.8	109.7	110.0	110.0	110.0	110.0	110.0	110.0	110.0
19	Profit/loss of large and medium companies before tax (UAH million) ³	-9113.7	-2761.5	13739.1	20939.6	12849.6	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
20	Capital investment index	89.8	84.9	131.3	147.4	88.0	...	...	90.7	...	...	95.6	...	...	103.3	...	...	...	...	...	...	...
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	103.6	103.8	103.5	103.5	103.5	103.5	103.5	103.5	103.5
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	111.7	111.6	111.6	111.6	111.6	111.6	111.6	111.6	111.6
24	Number of applicants per vacancy as of end of period	86	185	46	26	26	14	11	6	6	5	6	4	4	4	5	8	8	8	8	8	8	

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