



National Bank  
of Ukraine

## Business Outlook Survey of Zaporizhzhia 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 Zaporizhzhia 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 **Zaporizhzhia oblast** in **Q2 2020** showed that respondents expected a significant drop in the output of Ukrainian goods and services, and had moderate expectations for the performance of their companies over the next 12 months on the back of the quarantine. Respondents reported high inflation and moderate depreciation expectations.<sup>1</sup>

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

- **the output of Ukrainian goods and services would drop significantly:** the balance of expectations was (-55.6%) compared with 18.5% in Q1 2020 (Figure 1) and (-34.1%) across Ukraine
- **prices for consumer goods and services would rise at a fast pace:** 63.0% of the respondents expected that the inflation rate would be higher than 7.5% (compared with 45.1% across Ukraine). Respondents referred to production costs and the exchange rate as the **main inflation drivers** (Figure 2)
- **the domestic currency would continue to depreciate at a slower pace:** 51.9% of respondents expected the hryvnia to weaken against the US dollar compared with 70.4% in the previous quarter and 68.2% across Ukraine
- **the financial and economic standings of their companies would remain unchanged:** the balance of expectations was 0.0% compared with 26.9% in the previous quarter. Companies across Ukraine expected a deterioration in their financial and economic standings (-1.8%) (see Table)
- **total sales of their own products would increase** moderately: the balance of responses was 3.8% (compared to 23.1% in Q1 2020). Respondents also expected a moderate increase in external sales: the balance of responses was 7.7%. Overall, companies across Ukraine expected sales to decrease somewhat, the balances of responses being (-0.1%) and (-0.7)% respectively
- **investment in construction and in machinery, equipment and tools would decrease:** the balances of responses were (-3.7%) and (-7.4)% respectively compared with 0.0% and 15.4% in the previous quarter. Across Ukraine, the balances of responses were (-16.1%) and (-10.5%) respectively
- **staff numbers at their companies would decrease:** the balance of responses was (-14.8%) compared with 7.4% in the previous quarter and (-17.3%) across Ukraine (Figure 4)
- **both purchase and selling prices would rise:** the balances of responses were 74.1% and 48.1% respectively (compared to 73.1% and 37.5% in Q1 2020) (Figure 6). Raw material and supplies prices, wage costs and energy prices were cited as the main selling price drivers (Figure 7)
- **the growth in per-unit production costs would accelerate:** the balance of responses was 63.0% compared with 42.3% in Q1 2020. Meanwhile, **wage costs per staff member were expected to increase at a much slower pace:** the balance of responses was 37.0% (compared with 55.6% in the previous quarter) (Figure 6, 4).

Respondents referred to high energy prices as **the main drag on the ability of their companies to boost production** (Figure 5). The impact of the unstable political situation strengthened noticeably.

**Expectations of borrowing needs** in the near future **picked up** (Figure 8). The companies that planned to take out corporate loans (34.6% of those surveyed) usually opted for domestic currency loans. The difference between the percentage of respondents who said lending conditions had tightened and those who said lending conditions had eased increased (Figure 9). Respondents continued to cite high loan rates as the main factor that deterred them from taking out loans (Figure 10). Respondents also assessed the impact of uncertainty about their ability to meet debt obligations as they fall due as high.

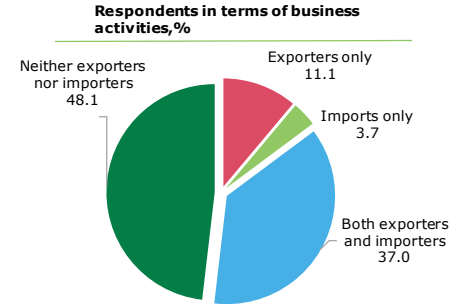
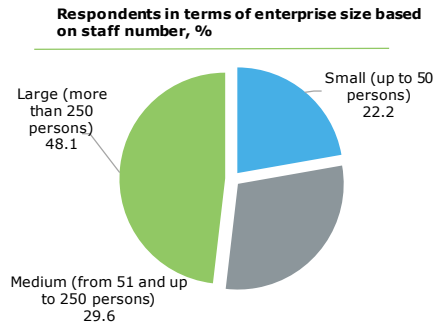
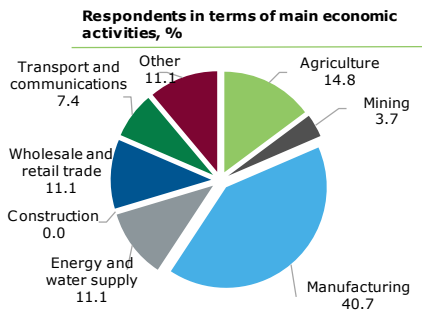
A total of **92.6% of respondents** said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.5% across Ukraine).

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

- **Respondents had been assessing their current financial and economic standings as bad** for eight quarters in a row: the balance of responses was (-22.2%) (as in the previous quarter). Across Ukraine, the balance of responses was (-11.6%).
- **Finished goods stocks had increased and were assessed as normal:** the balance of responses was 0.0% (compared with (-23.1%) in Q1 2020).
- **Spare production capacity had increased.** Companies were operating on the verge of their production capacity: the balance of responses was 0.0% (compared with (-15.4%) in Q1 2020).

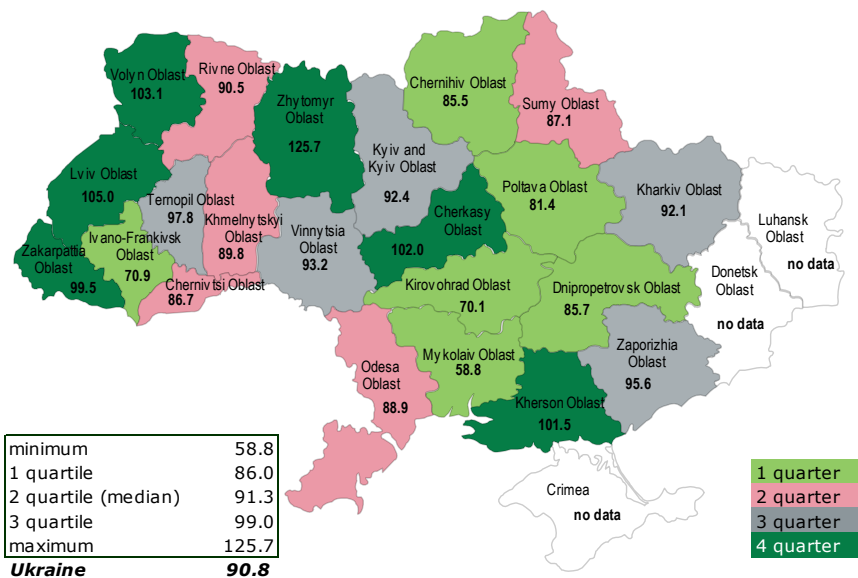
<sup>1</sup> This survey was conducted after the government announced it would relax the quarantine.

Survey Details<sup>2,3</sup>



- Period: 5 May through 3 June 2020.
- A total of 27 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture and the manufacturing industry.

Business Outlook Index for Next 12 Months in Terms of Oblasts<sup>4</sup>, %



\*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 Zaporizhzhia 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	25.9	25.0	18.5	26.9	0.0
Total sales	27.6	35.7	20.0	23.1	3.8
Investment in construction	0.0	0.0	0.0	0.0	-3.7
Investment in machinery, equipment and tools	36.0	22.2	8.0	15.4	-7.4
Staff numbers	7.1	16.7	6.9	7.4	-14.8

<sup>2</sup> This sample was generated in proportion to the contribution of each oblast and each economic activity to Ukraine's gross value added.

<sup>3</sup> Data for totals and components may be subject to rounding effects.

<sup>4</sup> 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

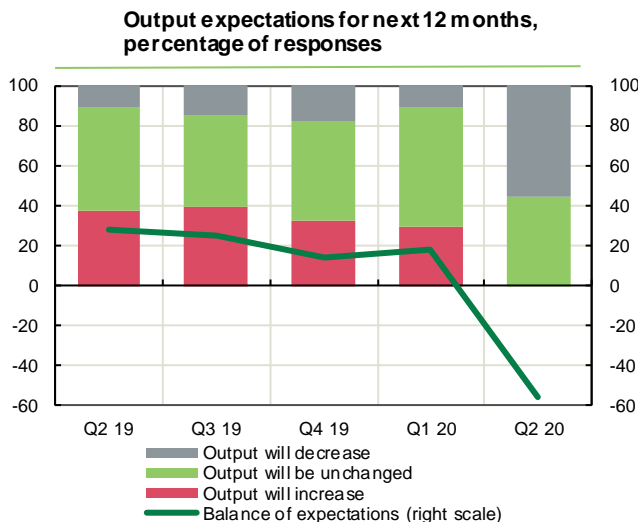


Figure 2

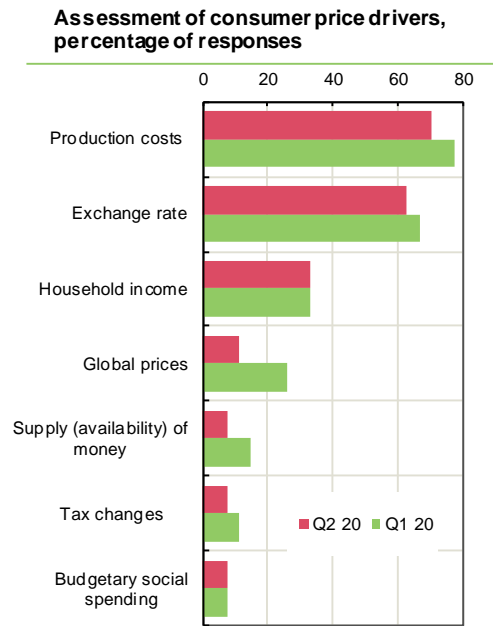


Figure 3

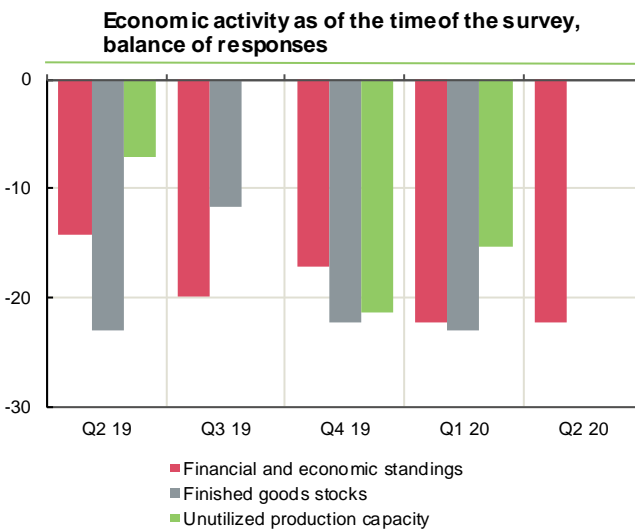


Figure 4

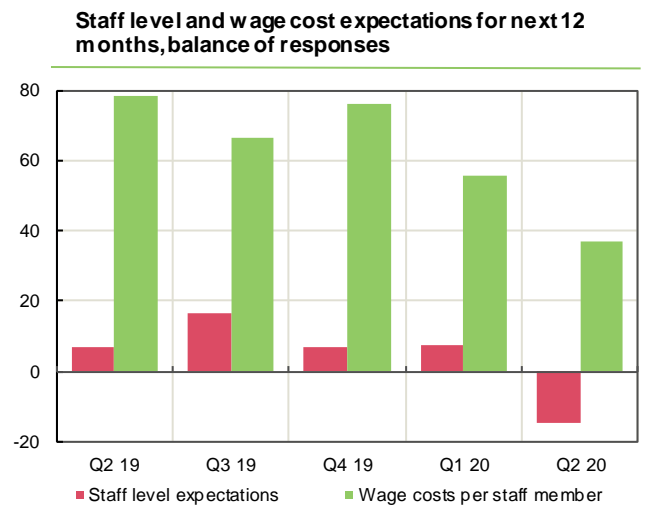


Figure 5

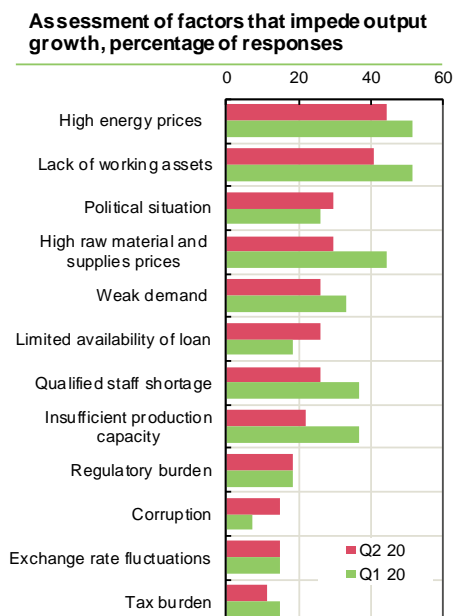


Figure 6

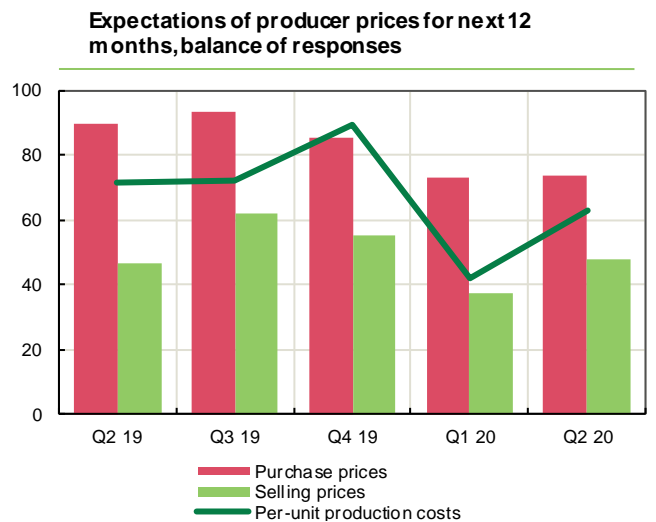




Figure 7

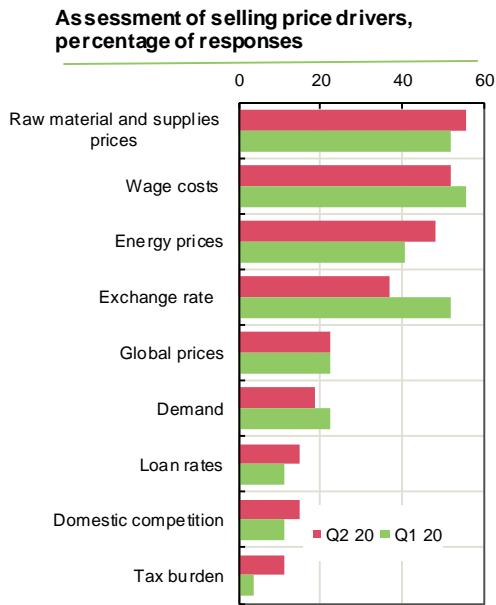


Figure 8

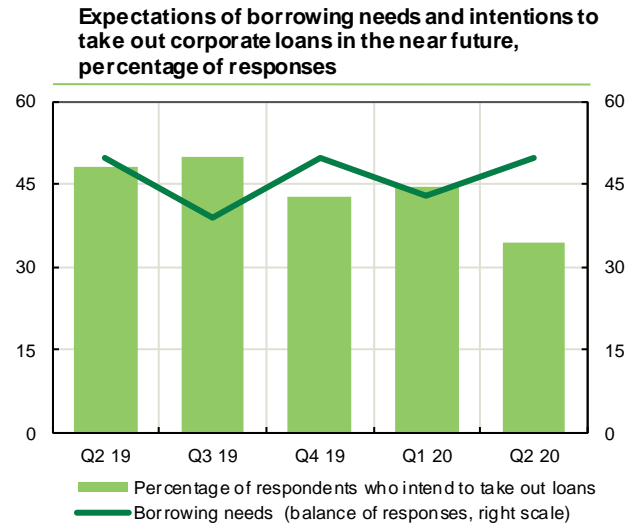


Figure 9

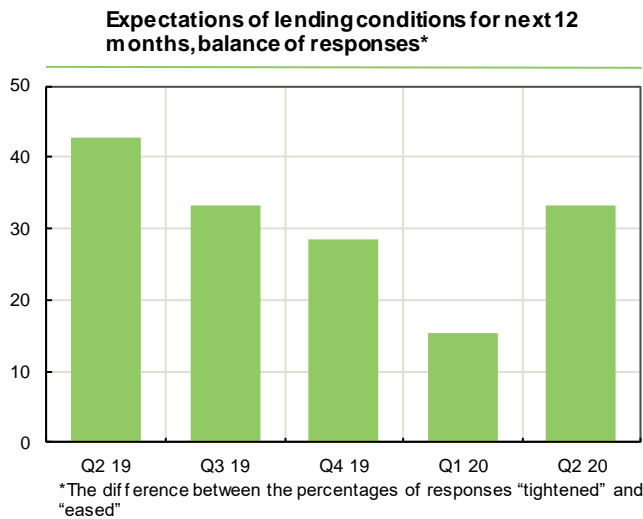


Figure 10

