National Bank of Ukraine

Business Outlook Survey **of Zaporizhzhia Oblast***

Q3 2020

*This survey only reflects the opinions of respondents in Zaporizhzhia oblast (top managers of companies) who were polled in Q3 2020, and does not represent NBU forecasts or estimates

A survey of companies carried out in Zaporizhzhia oblast in Q3 2020 showed that respondents expected that the output of Ukrainian goods and services would drop less quickly and that their companies would perform more weakly over the next 12 months amid the adaptive quarantine regime. Respondents expected that prices would rise and that the hryvnia would depreciate less pronouncedly.

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

- **the output of Ukrainian goods and services would drop** at a slower pace: the balance of expectations was (-28.6%) compared with (-55.6%) in Q2 2020 (Figure 1) and (-16.1%) across Ukraine
- **prices for consumer goods and services would rise** at a slower pace: 50.0% of respondents expected that the inflation rate would be higher than 7.5% (compared with 63.0% in the previous quarter and 45.1% across Ukraine). Respondents referred to production costs and the exchange rate as the **main inflation drivers** (Figure 2)
- **depreciation expectations would strengthen significantly:** 82.1% of respondents expected the hryvnia to weaken against the US dollar compared with 51.9% in the previous quarter and 83.2% across Ukraine
- **the financial and economic standings of their companies would deteriorate:** the balance of expectations was (-3.7%) compared with 0.0% in the previous quarter. Companies across Ukraine expected an improvement in their financial and economic standings (4.4%) (see Table)
- **total sales would decrease**: the balance of responses was (-22.2%) (compared to 3.8% in Q2 2020). Respondents expected an increase in external sales: the balance of responses was 7.7% (as in the previous quarter). Overall, companies across Ukraine expected sales to increase moderately, the balances of responses being 9.8% and 4.3% respectively
- **investment in construction would decrease**: the balance of responses was (-4.0%) compared with (-3.7%) in Q2 2020. Investment in machinery, equipment, and tools was expected to increase slightly: the balance of responses was 3.8% compared with (-7.4%) in the previous quarter. Across Ukraine, the balances of responses were (-4.7%) and 5.2% respectively
- **staff numbers at their companies would decrease**: the balance of responses was (-17.9%) compared with (-14.8%) in the previous quarter and (-10.8%) across Ukraine (Figure 4)
- **purchase prices would rise at a faster pace** (the balance of responses was 81.5%) than selling prices (the balance of responses was 38.5%) (compared with 74.1% and 48.1% in the previous quarter) (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** and **wage costs per staff member would decelerate:** the balances of responses were 53.6% and 50.0% respectively (compared with 63.0% and 37.0% in Q2 2020) (Figure 6, 4).

Respondents referred to high raw material and supplies prices and a lack of working assets as **the main drags on the ability of their companies to boost production** (Figure 5). Respondents also assessed the impact of energy prices, qualified staff shortages and weak demand as high.

Respondents reported weaker expectations of an increase in their borrowing needs in the near future (Figure 8). The companies that planned to take out corporate loans usually opted for domestic currency ones. The difference between the percentages of respondents who said lending conditions had tightened and those who said lending conditions had eased decreased (Figure 9). Respondents continued to cite high loan rates as the main factor that deterred them from taking out loans (Figure 10). Respondents reported a noticeable increase in the impact of the other funding sources factor.

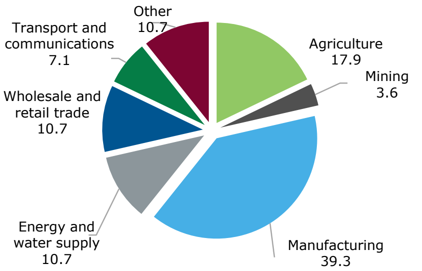
A total of **96.4% of respondents** said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.6% across Ukraine).

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

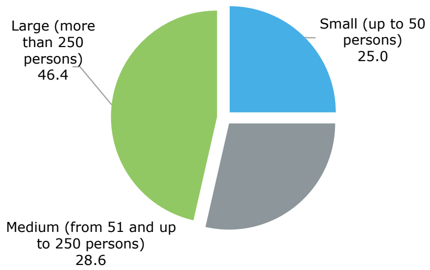
- **Respondents assessed their current financial and economic standings as bad**: the balance of responses was (-14.3%) compared with (-22.2%) in the previous quarter and (-5.6%) across Ukraine.
- **Finished goods stocks had increased and were assessed at a level higher than the normal one**: the balance of responses was 5.9% compared with 0.0% in Q2 2020.
- **Spare production capacity had increased.** Companies were operating on the verge of their production capacity: the balance of responses was 7.4% (compared with 0.0% in Q2 2020).

Survey Details[1,2]

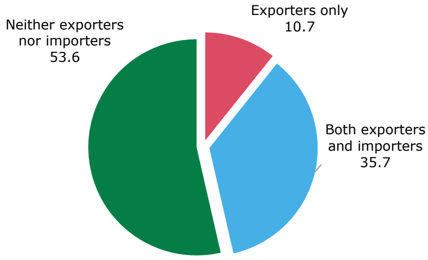
Respondents in terms of main economic activities, %



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

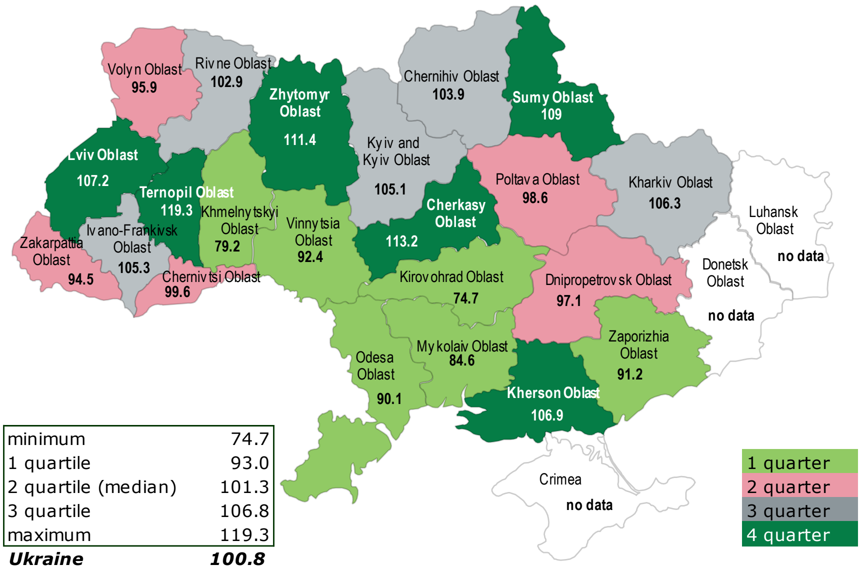


Respondents in terms of business activities,%



- Period: 4 August through 1 September 2020.
- A total of 28 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[3], %



*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 19	Q4 19	Q1 20	Q2 20	Q3 20
Financial and economic standings	25.0	18.5	26.9	0.0	-3.7
Total sales	35.7	20.0	23.1	3.8	-22.2
Investment in construction	0.0	0.0	0.0	-3.7	-4.0
Investment in machinery, equipment and tools	22.2	8.0	15.4	-7.4	3.8
Staff numbers	16.7	6.9	7.4	-14.8	-17.9

[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 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

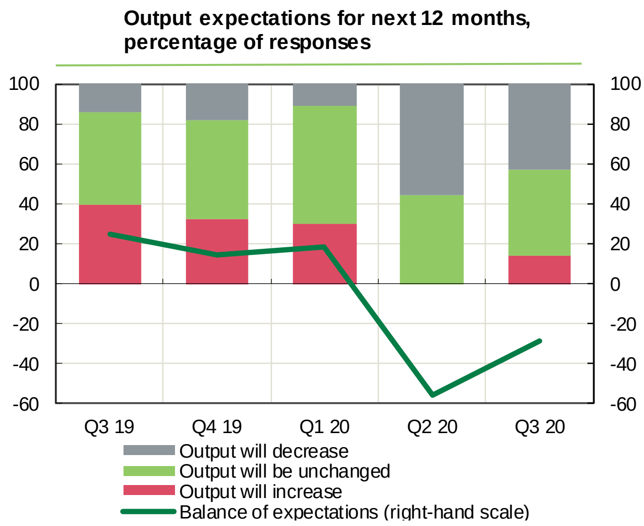


Figure 2

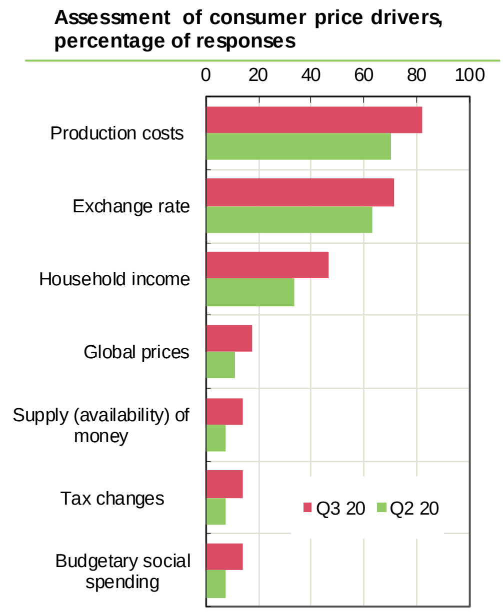


Figure 3

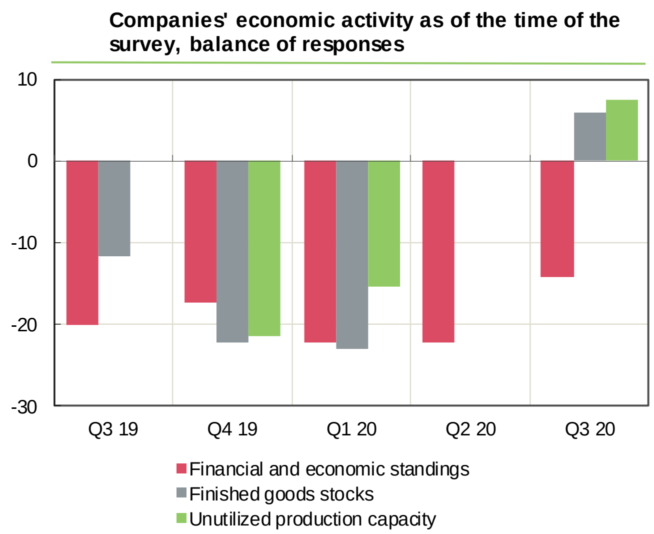


Figure 4

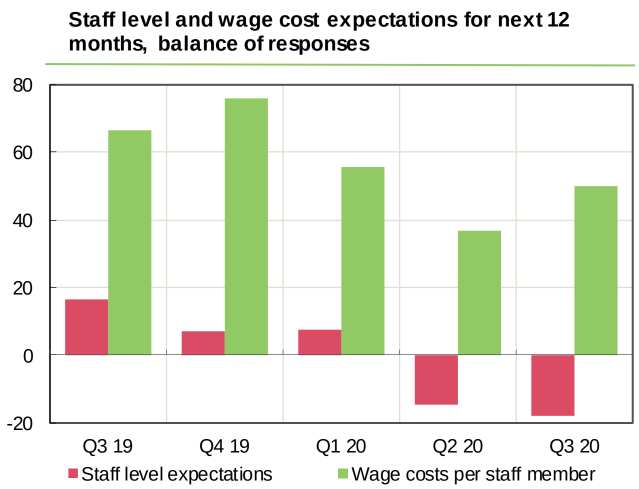


Figure 5

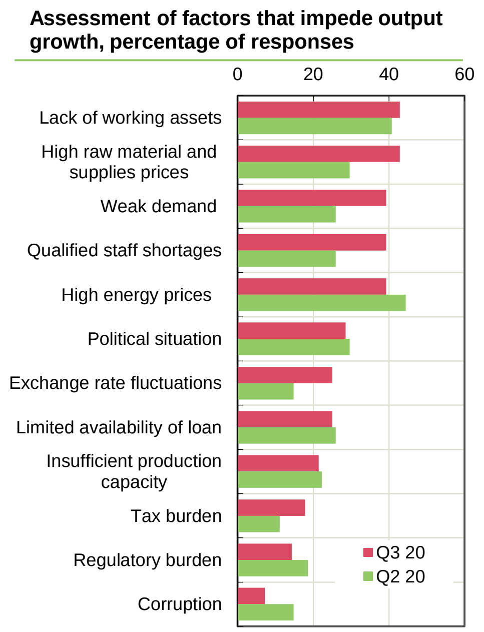


Figure 6

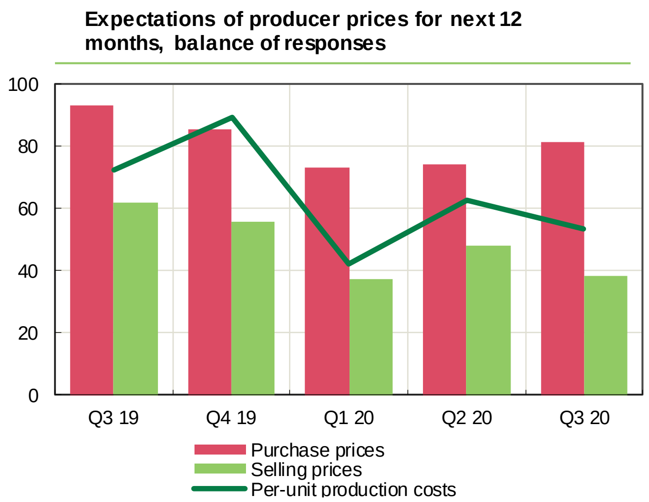


Figure 7

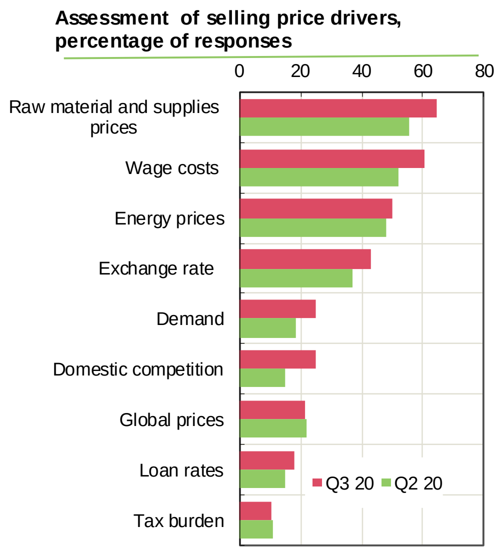


Figure 8

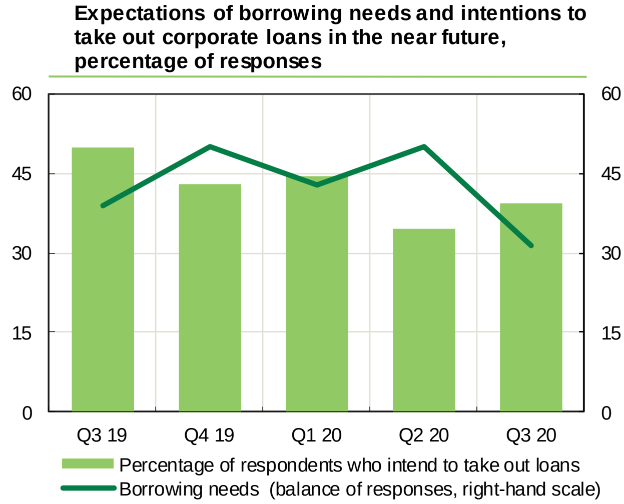


Figure 9

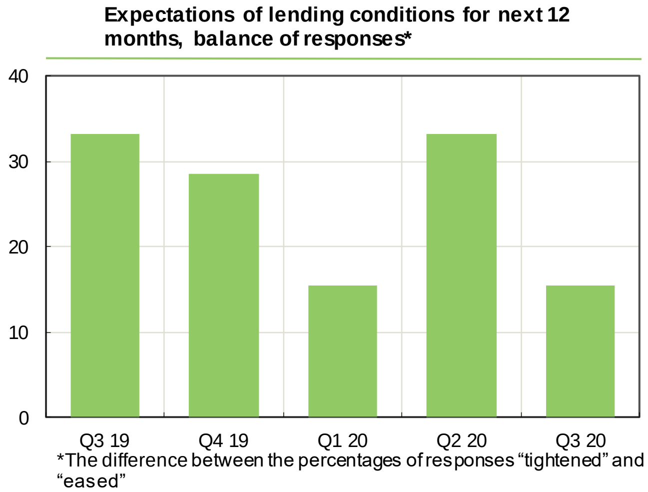


Figure 10