



National Bank
of Ukraine

Business Outlook Survey of Zaporizhzhia Oblast*

Q1 2020

**This survey was carried out before
quarantine measures were introduced**



*This survey only reflects the opinions of respondents in Zaporizhzhia oblast (top managers of companies) who were polled in Q1 2020, and does not represent NBU forecasts or estimates

A survey of companies carried out in Zaporizhzhia oblast in Q1 2020 showed that respondents had high expectations that the Ukrainian economy would grow, and that their companies would continue to develop over the next 12 months. Respondents expected that prices for consumer goods and services would rise, and that the hryvnia would depreciate less pronouncedly.¹

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 18.5% compared with 14.3% in Q4 2019 (Figure 1) and 10.4% across Ukraine
- **prices for consumer goods and services would grow:** 66.7% of respondents expected the inflation rate to be lower than 6.0% compared with 68.5% across Ukraine. Respondents referred to production costs and the exchange rate as the **main inflation drivers** (Figure 2)
- **the domestic currency would depreciate at a slower pace:** 70.4% of respondents expected the hryvnia to weaken against the US dollar compared with 89.3% in the previous quarter and 65.2% across Ukraine
- **the financial and economic standings of their companies would improve:** the balance of expectations was 26.9% compared with 18.5% in the previous quarter and 16.9% across Ukraine (see Table)
- **total sales of their own products would increase:** the balance of responses was 23.1% (compared to 20.0% in Q4 2019). Respondents also expected an increase in external sales: the balance of responses was 28.6%. The balances of responses across Ukraine were 23.0% and 17.5% respectively
- **investment in machinery, equipment and tools would increase** at a faster pace: the balance of responses was 15.4% compared to 8.0% 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 14.1% and 2.4% respectively
- **staff numbers at their companies would increase:** the balance of responses was 7.4% compared with 6.9% in the previous quarter (Figure 4). Meanwhile, respondents from agricultural companies expected a drop in the staff numbers at their companies (the balance of responses was (-25.0%)). Across Ukraine, the balance of responses was (-3.9%)
- **the growth in both purchase and selling prices would slow:** the balances of responses were 73.1% and 37.5% respectively (compared to 85.7% and 55.6% in Q4 2019) (Figure 6). Wage costs, raw material and supplies prices and the exchange rate 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 significantly:** the balances of responses were 42.3% and 55.6% respectively, compared with 89.3% and 75.9% in Q4 2019 (Figures 4 and 6).

Respondents referred to high energy prices and a lack of working assets as **the main drags on the ability of their companies to boost production** (Figure 5).

Respondents softened their expectations of an increase in their borrowing needs in the near future (Figure 8). The companies that planned to take out corporate loans (44.4% of those surveyed) usually opted for domestic currency loans. The percentage 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).

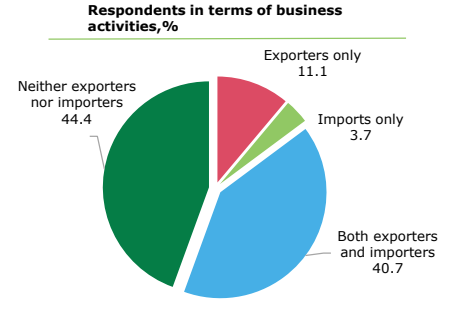
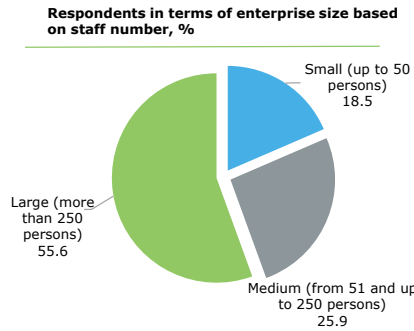
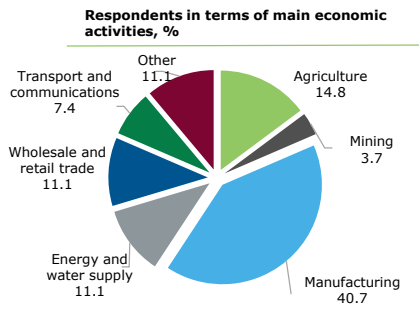
A total of **96.3% of respondents** said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.6% across Ukraine).

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 (-22.2%) compared with (-17.2%) in Q4 2019. Across Ukraine, companies assessed their current financial and economic standings as good, the balance of responses being 9.7%.
- **Finished goods stocked remained at a level lower than the normal one:** the balance of responses was (-23.1%) compared to (-22.2%) in Q4 2019.
- **Respondents continued to reports shortages of unutilized production capacity.** Respondents said they did not have a sufficient amount of unutilized production capacity to meet any unexpected rise in demand: the balance of responses was (-15.4%) compared with (-21.4%) in Q4 2019.

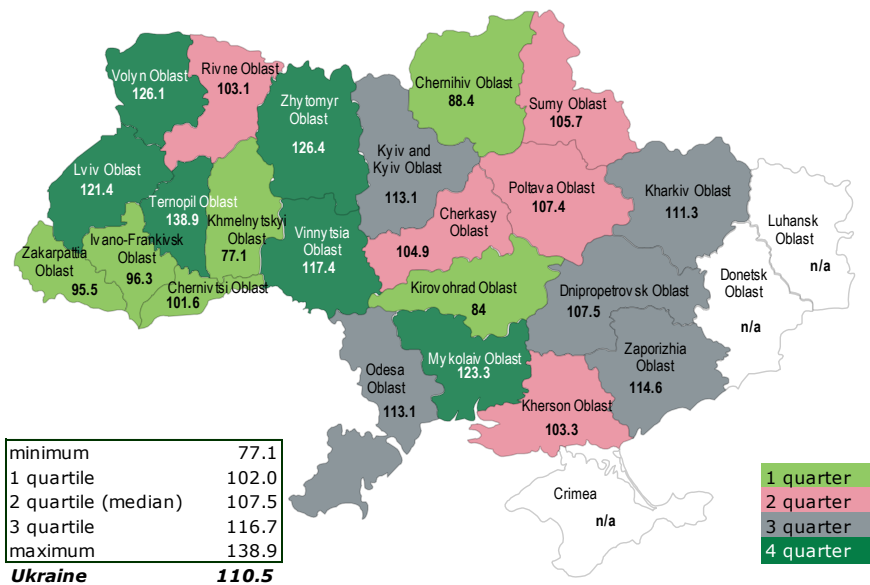
¹ This survey was carried out before quarantine measures were introduced.

Survey Details^{2,3}



- Period: 4 February through 2 March 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 Oblasts⁴, %



^aa 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, %				
	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20
Financial and economic standings	13.3	25.9	25.0	18.5	26.9
Total sales	26.7	27.6	35.7	20.0	23.1
Investment in construction	17.9	0.0	0.0	0.0	0.0
Investment in machinery, equipment and tools	28.6	36.0	22.2	8.0	15.4
Staff numbers	16.1	7.1	16.7	6.9	7.4

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 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

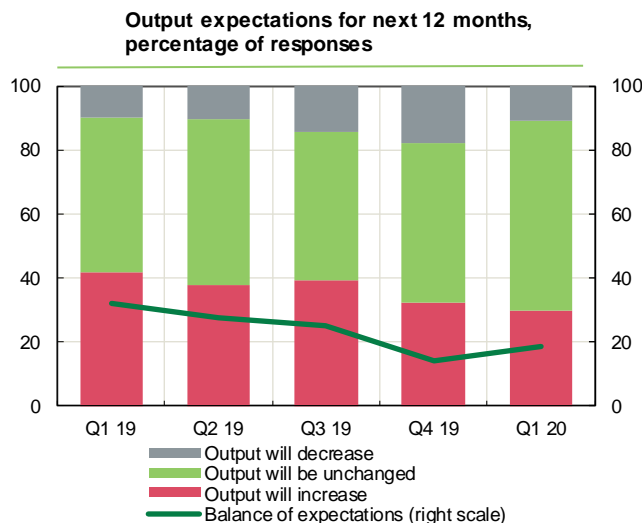


Figure 2

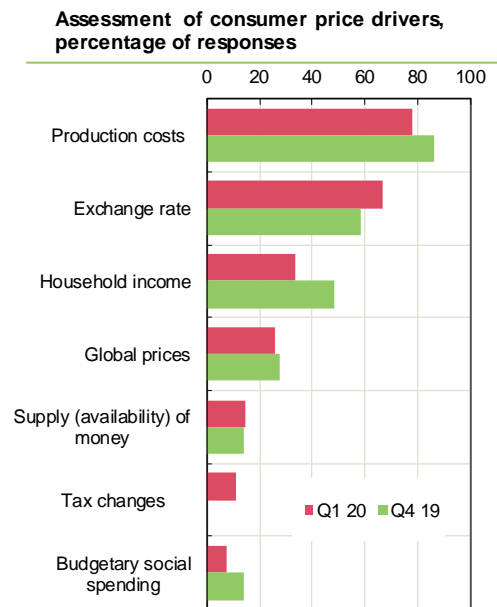


Figure 3

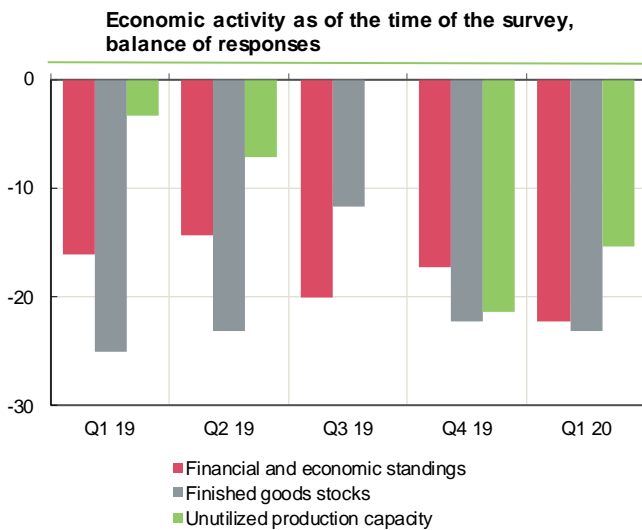


Figure 4

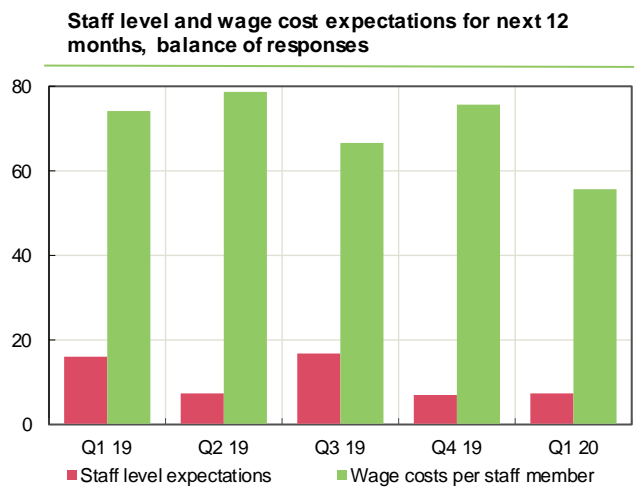


Figure 5

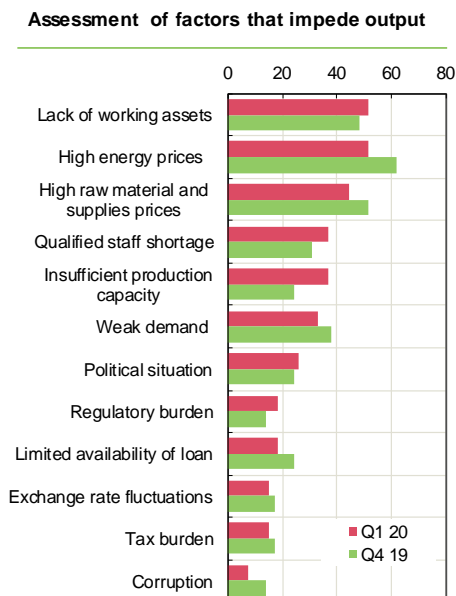


Figure 6

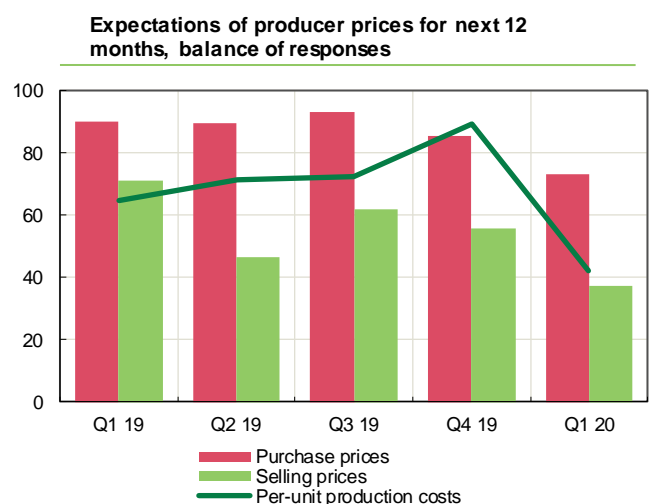


Figure 7

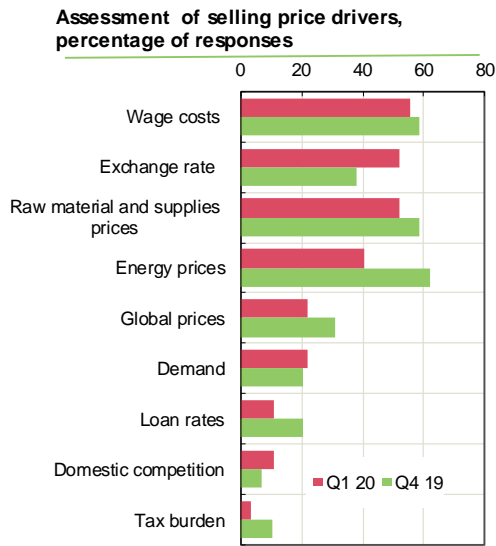


Figure 8

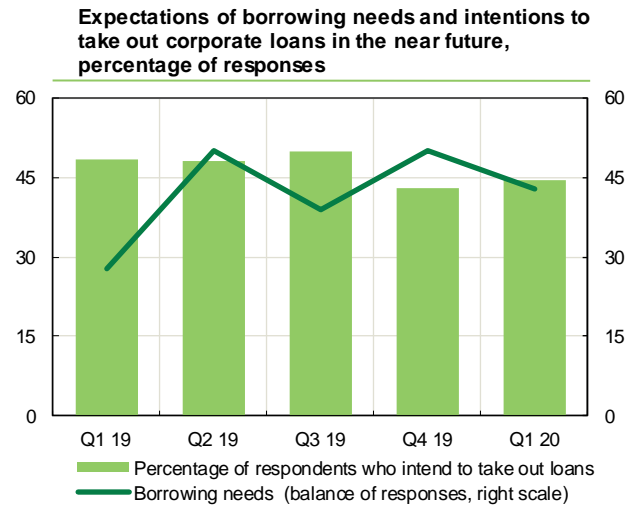


Figure 9

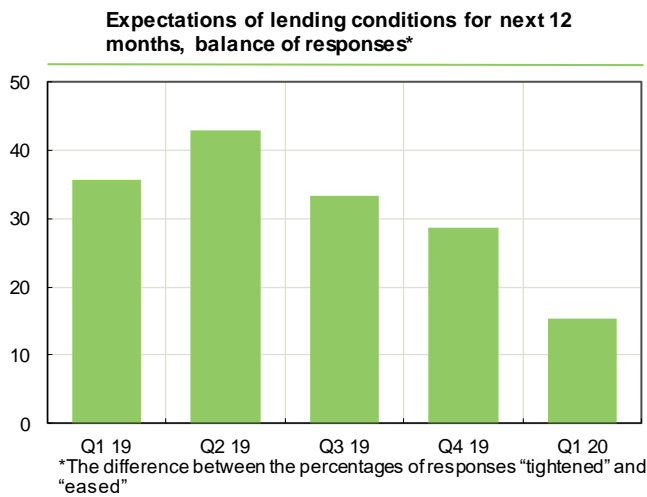


Figure 10

