National Bank of Ukraine

Business Outlook Survey **of Ivano-Frankivsk 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 Ivano-Frankivsk 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 Ivano-Frankivsk oblast in Q2 2020 showed that respondents expected a significant drop in the output of Ukrainian goods and services and weaker performance of their companies over the next 12 months on the back of the quarantine. Respondents expected that prices would rise. Depreciation expectations remained high.[1]

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

- **the output of Ukrainian goods and services would drop rapidly:** the balance of expectations was (-62.5%) (this was the most pessimistic view across the regions) compared to 0.0% in Q1 2020 (Figure 1) and (-34.1%) across Ukraine
- **prices for consumer goods and services would grow:** 50.0% of respondents expected the inflation rate to be lower than 7.5% compared with 54.9% across Ukraine. Respondents referred to the exchange rate as the **main inflation driver** (Figure 2). Respondents reported a noticeable increase in the impact of the supply (availability) of money
- **the domestic currency would depreciate significantly:** 81.3% of respondents (compared with 80.0% in the previous quarter) expected the hryvnia to weaken against the US dollar, with a figure of 68.2% across Ukraine
- **the financial and economic standings of their companies would deteriorate** at a faster pace: the balance of responses was (-25.0%) compared with (-6.3%) in the previous quarter and (-1.8%) across Ukraine (see Table)
- **total sales would decrease:** the balance of responses was (-26.7%) compared with 12.5% in the previous quarter. Respondents also expected a decrease in external sales (the balance of responses was (-20.0%) compared with 0.0% in Q1 2020). Overall, companies across Ukraine expected that sales would decrease only slightly, the balances of responses being (-0.1%) and (-0.7)% respectively
- **investment in construction and in machinery, equipment and tools would decrease significantly:** the balances of responses were (-31.3%) and (-37.5)% respectively compared with (-6.3%) and 0.0% in the previous quarter. Across Ukraine, the balances of responses were (-16.1%) and (-10.5%) respectively
- **staff numbers would decrease** (such expectations have persisted for four quarters in a row): the balance of responses was (-25.0%) compared with (-18.8)% in Q1 2020 and (-17.3%) across Ukraine (Figure 4)
- **both purchase and selling prices would grow at a slower pace:** the balances of responses were 56.3% and 37.5% respectively (compared to 73.3% and 60.0% in the previous quarter) (Figure 6). Some 62.5% of respondents said that wage costs were the main selling price driver (Figure 7). The impact of demand, global prices and domestic competition strengthened noticeably
- **the growth in per-unit production costs would accelerate:** the balance of responses was 62.5% compared with 43.8% in Q1 2020. Meanwhile, **wage costs per staff member were expected to increase at a much slower pace**: the balance of responses was 31.3% (compared with 68.8% in the previous quarter) (Figure 4, 6).

Weak demand and the unstable political situation were cited as the **main drags on the ability of companies to boost production** (Figure 5).

Expectations of borrowing needs in the near future **picked up** (Figure 8). Half of the polled companies planned to take out corporate loans and preferred domestic currency ones. Respondents said that lending standards had tightened (Figure 9). Respondents referred to uncertainty about their ability to meet debt obligations as they fall due as the main factor that deterred them from taking out loans (Figure 10).

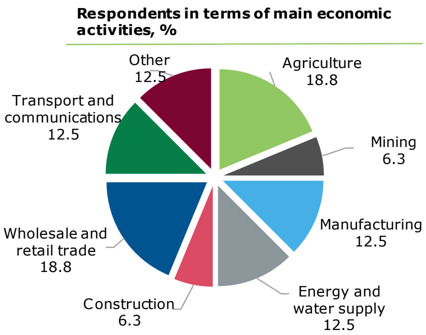
All of the respondents reported **having no difficulties in effecting transactions with funds deposited in bank accounts** (96.5% across Ukraine).

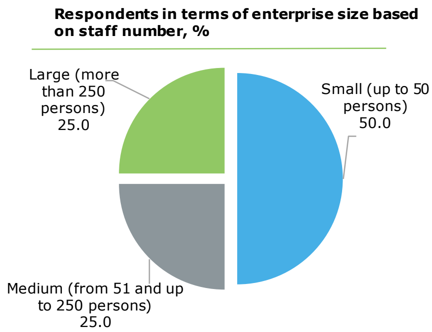
Assessments of financial and economic standings as of the time of the survey (Figure 3)

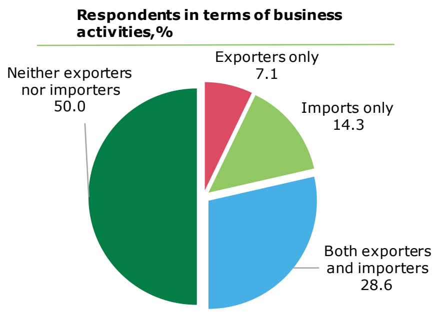
- **The current financial and economic standings of companies had deteriorated and were assessed as bad:** the balance of responses was (-18.8%) compared with 6.3% in the previous quarter and (-11.6%) across Ukraine).
- **Finished goods stocks** had increased and **were assessed at a level higher than the normal one:** the balance of responses was 25.0% compared with (-12.5%) in Q1 2020.
- **Spare production capacity had increased.** Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand: the balance of responses was 20.0% compared with (-37.5%) in Q1 2020.

[1] This survey was conducted after the government announced it would relax the quarantine.

Survey Details[2,3]

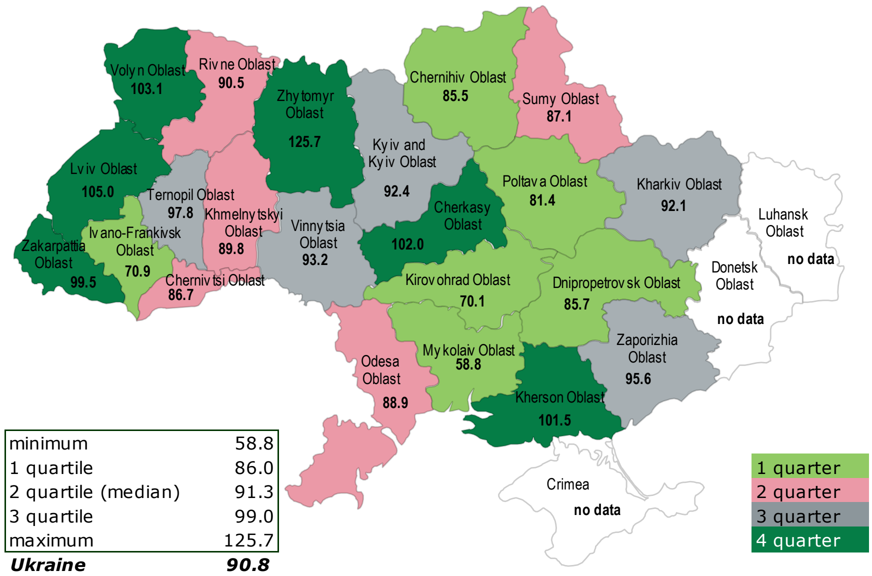






- Period: 6 through 28 May 2020.
- A total of 16 companies were polled.
- No economic activity was able to generate a representative sample.

Business Outlook Index for Next 12 Months in Terms of Oblasts[4], %



*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 Ivano-Frankivsk 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	23.5	16.7	11.1	-6.3	-25.0
Total sales	33.3	22.2	27.8	12.5	-26.7
Investment in construction	-16.7	-12.5	0.0	-6.3	-31.3
Investment in machinery, equipment and tools	0.0	-11.1	22.2	0.0	-37.5
Staff numbers	5.6	-11.1	-5.6	-18.8	-25.0

[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 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

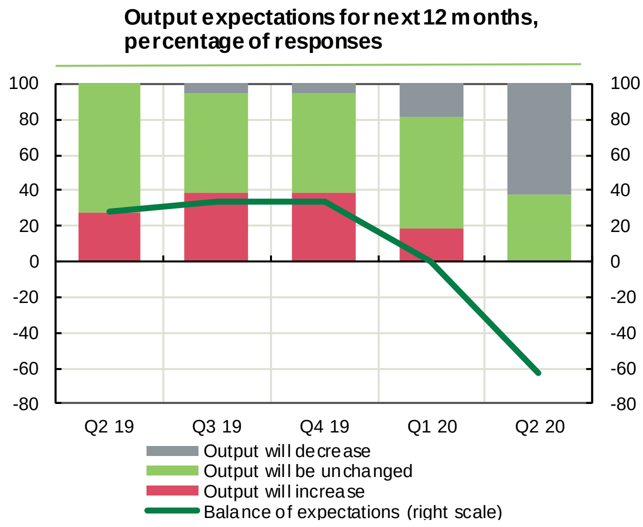


Figure 2

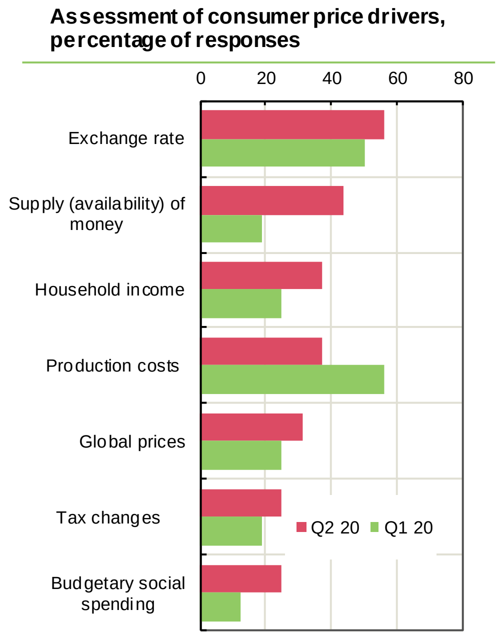


Figure 3

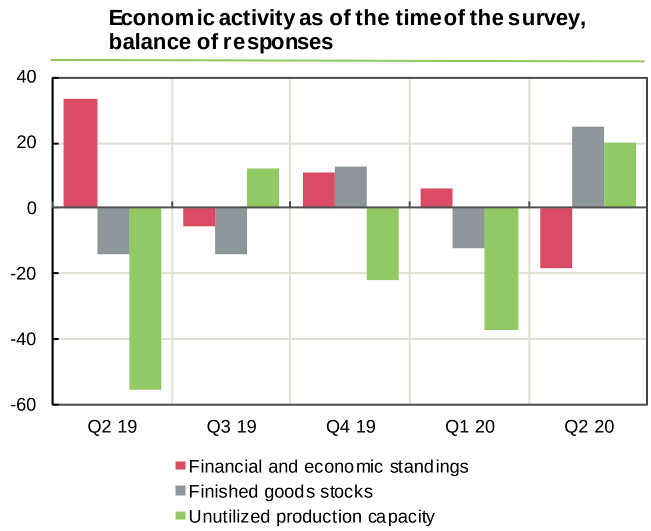


Figure 4

Figure 5

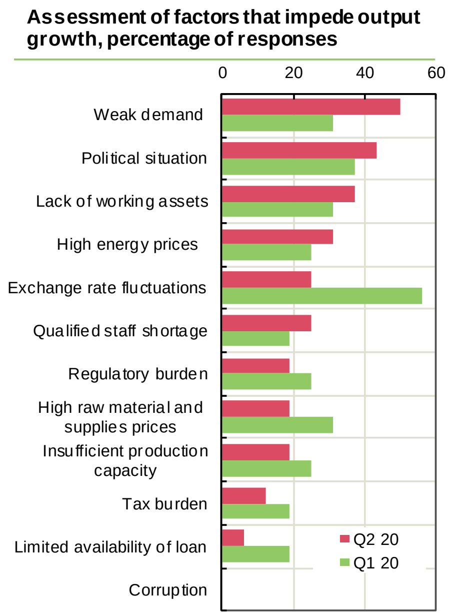


Figure 6

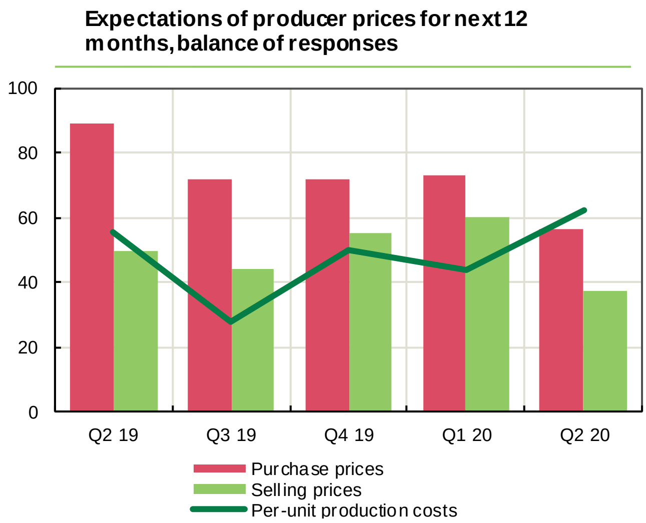


Figure 7

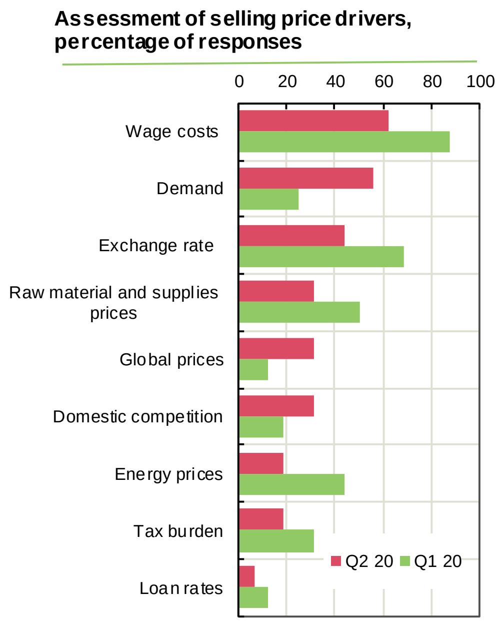


Figure 8

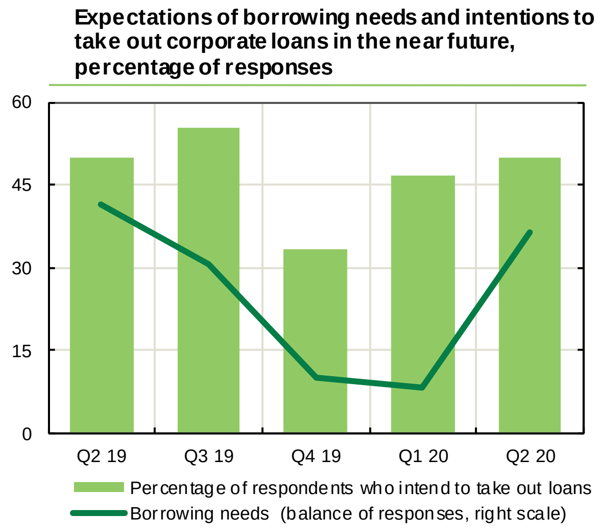
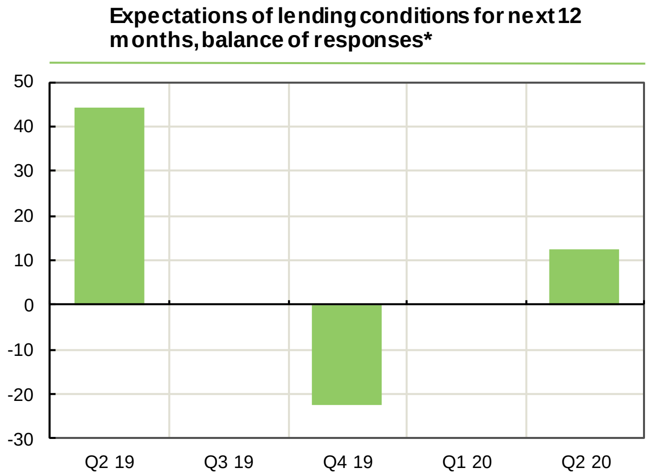


Figure 9



*The difference between the percentages of responses “tightened” and “eased”

Figure 10