



National Bank  
of Ukraine

# Business Outlook Survey of **Kyiv and Kyiv Oblast**\*

Q3 2019



\*This survey only reflects the opinions of respondents in Kyiv and Kyiv oblast (top managers of companies) who were polled in Q3 2019, and does not represent NBU forecasts or estimates

A survey of companies carried out in **Kyiv and Kyiv oblast** in Q3 2019 showed that respondents had high expectations that the Ukrainian economy would grow, and that their companies would develop over the next 12 months. Respondents expected higher inflation. Devaluation expectations remained unchanged.

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

- **the output of Ukrainian goods and services would increase:** the balance of expectations was 30.5% compared with 27.3% in Q2 2019 (Figure 1) and 30.5% across Ukraine. Respondents from transport companies had the most optimistic expectations (the balance of expectations being 48.3%)
- **prices for consumer goods and services would rise:** a majority of respondents (70.4%) expected the inflation rate to be lower than 10% (compared with 81.3% in the previous quarter and 73.3% across Ukraine). Some 1.0% of respondents expected a decrease in prices for consumer goods and services. Respondents continued to refer to production costs and hryvnia exchange rate fluctuations **as the main inflation drivers** (Figure 2)
- **the hryvnia would depreciate:** 74.4% of respondents (compared with 74.9% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 69.0%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 29.4% (compared with 24.0% in the previous quarter) (see Table). Respondents from transport companies had the most optimistic expectations (the balance of responses was 35.7%)
- **total sales would increase:** the balance of responses was 32.4% compared with 38.0% in the previous quarter. Respondents also expected an increase in external sales (the balance of responses was 26.3% compared with 24.0% in Q2 2019). The balances of responses across Ukraine were 27.1% and 22.7% respectively
- **investment in construction, and in machinery, equipment and tools would increase:** the balances of responses were 11.4% and 22.6% respectively (compared with 9.8% and 25.5% in Q2 2019 and 9.3% and 17.7% across Ukraine). The highest expectations for spending on construction were reported by transport companies (with a balance of responses of 24.0%), while those for spending on machinery, equipment and tools were reported by respondents from construction companies (the balance of responses was 50.0%)
- **staff numbers would increase:** the balance of responses was 15.0% compared to 17.5% in Q2 2019 (Figure 4). Across Ukraine, respondents expected that staff numbers would increase at a more moderate pace (the balance of responses was 2.2%). Construction companies had the highest expectations (the balance of responses was 25.0%). Respondents from agricultural companies expected staff numbers to remain unchanged
- **the growth in both purchase and selling prices would slow:** the balances of responses were 78.2% and 59.2% respectively (compared with 79.4% and 60.6% in Q2 2019) (Figure 6). Respondents from energy and water supply companies had the highest expectations of a rise in selling prices (the balance of responses was 77.8%). Some 57.8% of respondents cited wage costs as the main selling price driver (Figure 7)
- **per-unit production costs and wage costs per staff member would increase:** (the balances of responses were 43.9% and 66.0% respectively) (compared to 41.5% and 62.7% in Q2 2019) (Figures 4 and 6).

Respondents referred to weak demand as the **main drag on the ability of their companies to boost production** (Figure 5). Businesses also reported a significant increase in the impact from qualified staff shortages and tax burden.

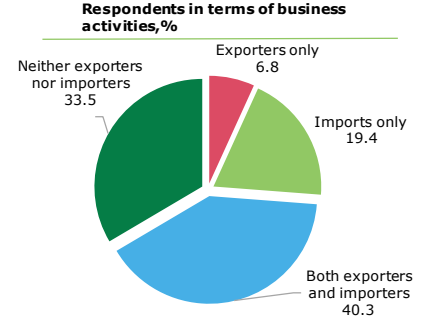
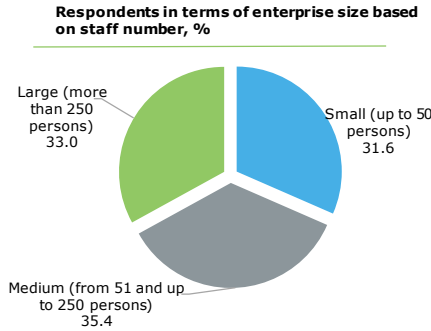
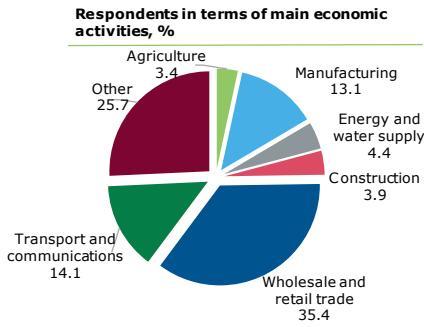
**Respondents expected an increase in borrowing needs** in the near future (Figure 9). The respondents who planned to take out corporate loans (38.8% of responses) usually opted for domestic currency loans. Respondents said that lending conditions had tightened (Figure 10). They also continued to refer to high interest rates as the main factor that deterred them from taking out corporate loans (Figure 11).

A total of **96.6% of respondents** said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (97.4% across Ukraine).

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

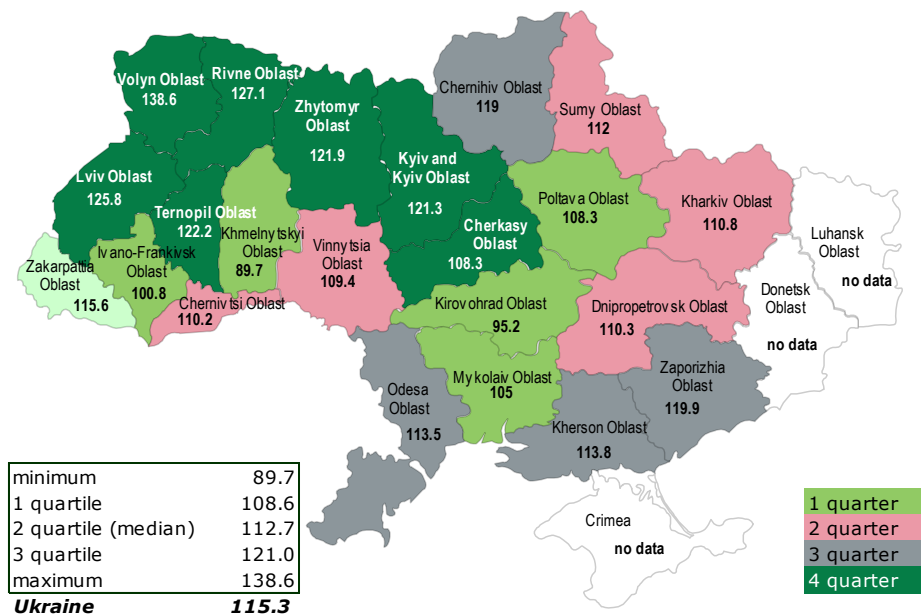
- **Companies assessed their current financial and economic standings as good:** the balance of responses was 23.9% (compared with 26.8% in Q2 2019 and 9.5% across Ukraine). The highest assessments were reported by respondents from agricultural companies (42.9%).
- **Finished goods stocks increased and were at a level higher than the normal one:** the balance of responses was 1.3% compared with (-8.8%) in Q2 2019. Agricultural and manufacturing companies assessed their finished goods stocks at a level below the normal one.
- **Spare production capacity decreased.** 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 (-9.0%) compared with 0.5% in Q2 2019. The largest shortages of production capacity were reported by agricultural companies (the balance of responses being (-57.1%)).

Survey Details<sup>1,2</sup>



- Period: 5 August through 30 August 2019.
- A total of 206 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, the manufacturing industry, energy and water supply, construction, trade, transport and communications and others economic activities.

Business Outlook Index for Next 12 Months in Terms of Oblasts<sup>3</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 sampled where the sample is divided into two equal-sized subgroups

Table. The Business Outlook Index of Companies in Kyiv and Kyiv Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19
Financial and economic standings	18.9	27.8	24.0	29.4	25.2
Total sales	32.0	44.0	41.6	38.0	32.4
Investment in construction	15.3	13.3	12.0	9.8	11.4
Investment in machinery, equipment and tools	23.9	27.9	21.8	25.5	22.6
Staff numbers	18.3	19.8	9.9	17.5	15.0

<sup>1</sup> This sample was generated in proportion to the contribution of each oblast and each economic activity to Ukraine's gross value added.

<sup>2</sup> Data for totals and components may be subject to rounding effects.

<sup>3</sup> 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

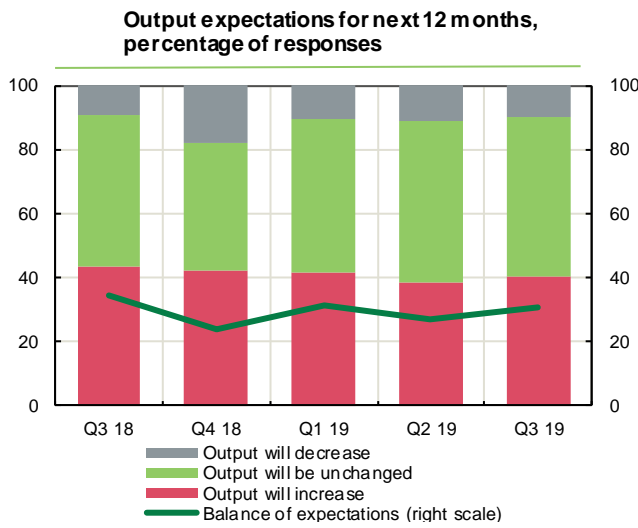


Figure 2

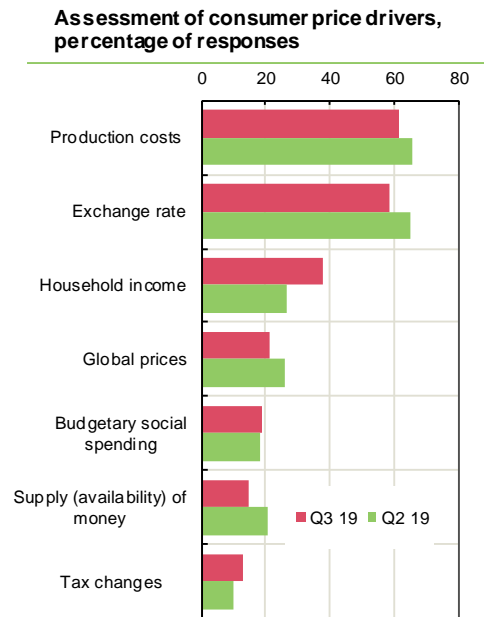


Figure 3

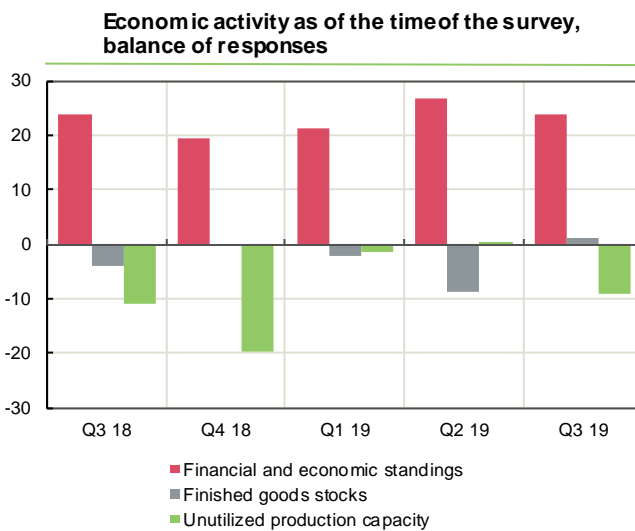


Figure 4

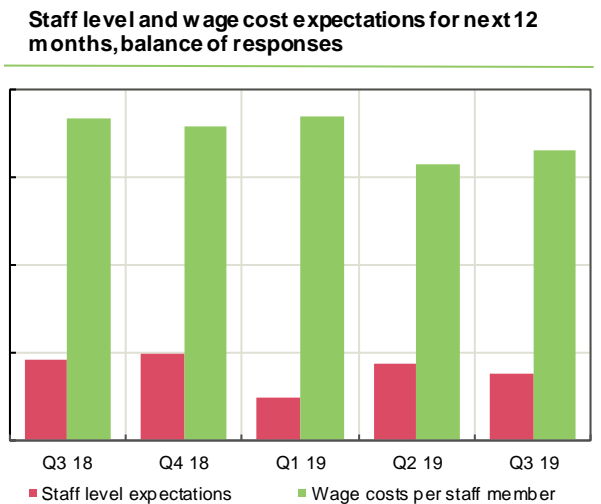


Figure 5

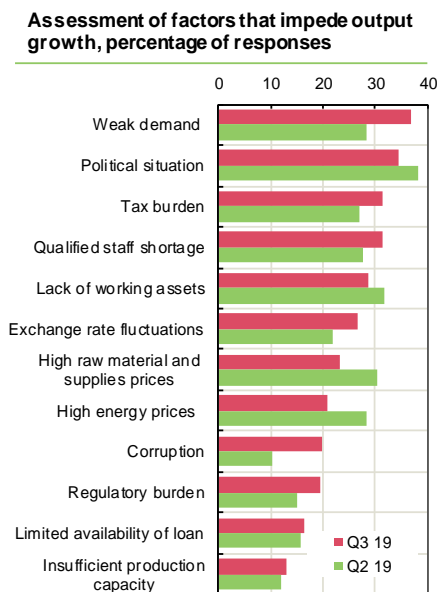


Figure 6

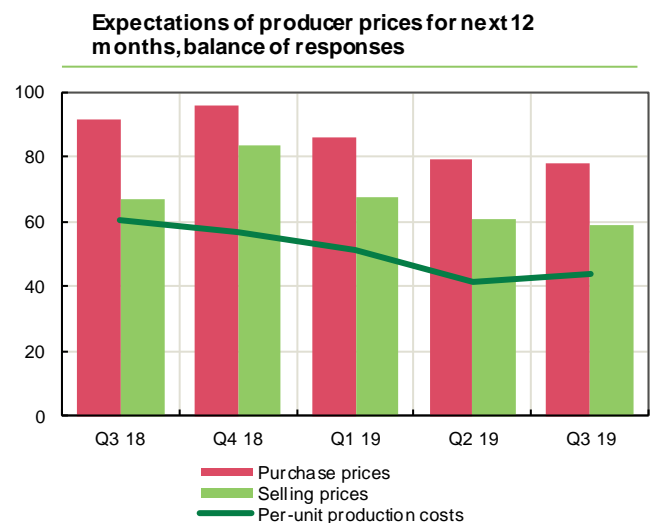




Figure 7

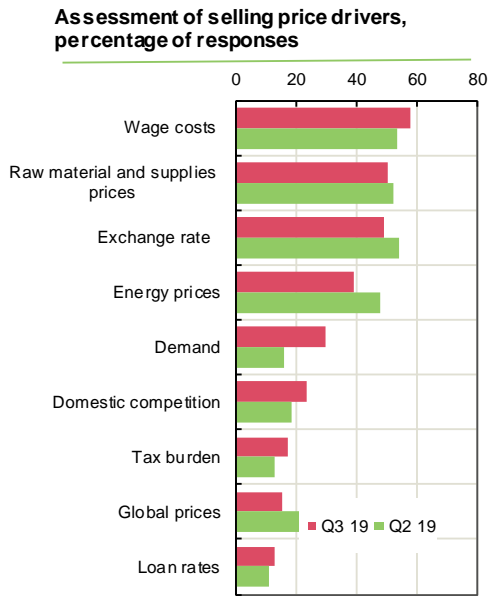


Figure 8

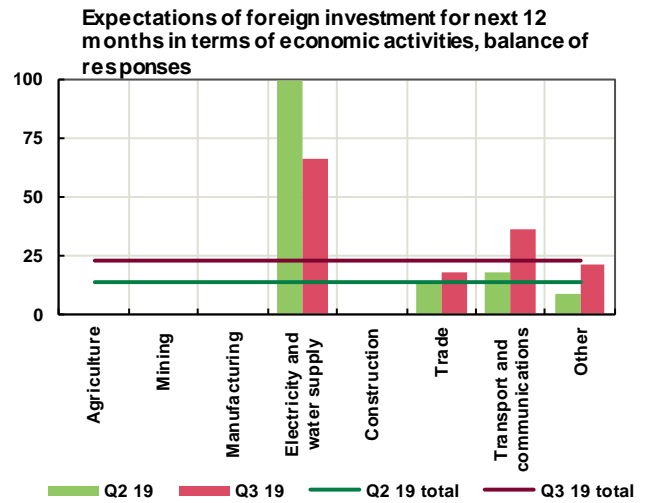


Figure 9

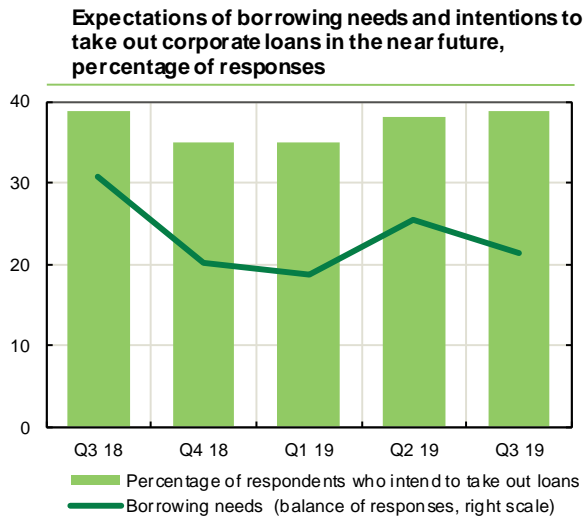


Figure 10

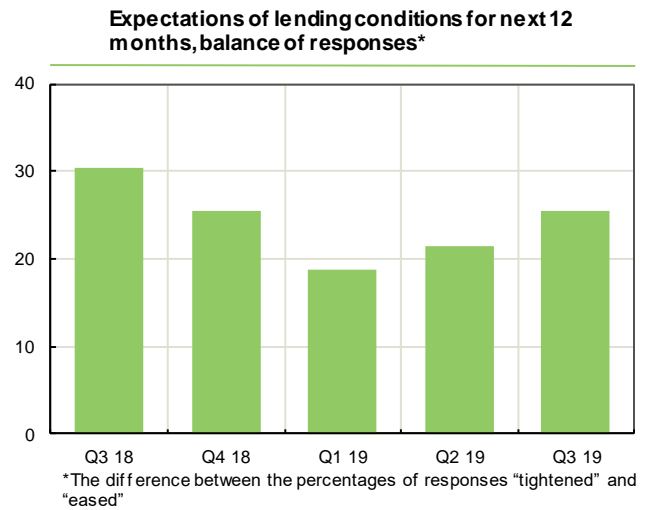
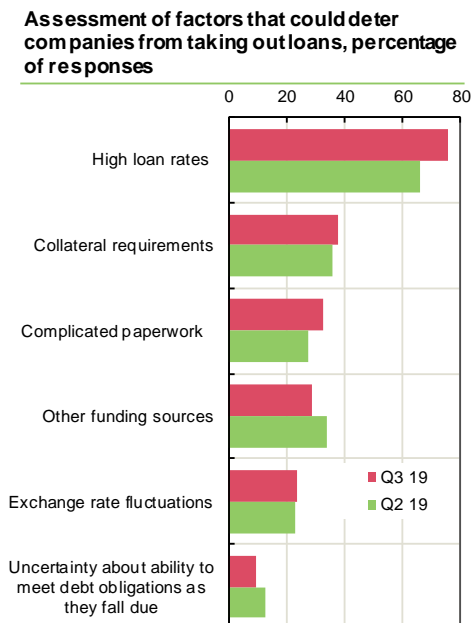


Figure 11



**Key Indicators of Social and Economic Development of Kyiv 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			
1	Volume indices of gross regional product (in previous year's prices, in percent)	99.4	94.0	105.7	104.6	106.5 <sup>2</sup>	...	...	...	...	...	...	...	...	...	...	...
2	Industrial production index	101.6	93.0	106.2	110.3	102.0	102.0	99.2	97.4	98.9	97.7	96.1	96.8	97.5			
3	Mining and quarrying	92.9	91.6	85.8	97.9	87.8	10.3	28.0	52.4	60.7	69.1	71.2	82.4	85.5			
4	Manufacturing	103.3	94.3	106.6	115.7	99.8	100.7	97.6	97.0	98.7	97.5	95.8	96.3	97.0			
5	Production of food, beverages and tobacco	101.6	93.7	101.3	115.8	105.7	114.6	103.4	98.1	99.7	97.2	95.0	94.6	96.0			
6	Textile production, production of clothing, leather, leather goods and other materials	90.1	131.7	105.8	90.8	88.0	86.3	80.6	91.2	98.6	93.1	91.6	93.6	94.9			
7	Production of wood products, paper, printing	98.1	84.8	109.7	108.1	105.0	88.0	92.0	94.5	94.9	96.6	97.3	97.4	97.9			
8	Production of coke and petrochemicals	...	...	...	...	...	...	...	...	...	...	...	...	...			
9	Production of chemicals and chemical products	84.9	109.5	92.9	105.2	97.2	109.2	111.7	106.6	105.6	103.1	99.9	100.9	102.3			
10	Production of rubber and plastic products, other nonmetallic mineral products	96.8	101.8	116.0	115.8	92.3	78.4	88.5	95.3	96.6	95.6	94.8	96.9	97.5			
11	Metallurgical production, manufacturing of finished metal products, except machinery and equipment	136.2	82.6	116.8	118.7	88.9	94.4	90.7	90.4	95.7	96.1	96.3	97.5	99.1			
12	Mechanical engineering, except for repair and installation of machinery and equipment	96.7	116.0	94.7	104.0	106.4	112.4	99.3	96.7	96.4	96.3	92.7	92.6	90.8			
13	Electricity, gas, steam and conditioning air supply	91.2	83.4	105.3	76.1	124.2	111.4	108.9	100.8	101.2	99.6	98.8	100.5	101.8			
14	Agricultural production index	105.8	89.2	109.8	95.7	123.8	94.5	93.6	99.7	94.1	96.8	95.6	108.9	96.9			
15	Construction production index	63.3	99.7	133.0	122.3	103.9	112.2	118.1	131.7	132.1	131.4	130.7	128.1	128.9			
16	Freight turnover	93.7	182.0	65.3	100.5	94.2	97.2	101.3	106.7	107.2	108.3	108.1	109.8	111.3			
17	Passenger turnover	99.5	98.2	113.9	116.4	109.1	99.5	98.1	92.3	89.1	86.8	84.9	83.1	82.2			
18	Volume index of retail trade turnover (in comparable prices, in percent)	96.8	90.6	106.0	111.7	108.0	111.3	111.1	111.7	110.9	113.2	114.2	114.5	116.0			
19	Profit/loss of large and medium companies before tax (UAH million) <sup>3</sup>	-28994.4	-18556.4	8199.7	13080.0	...	...	...	...	...	...	...	...	...			
20	Capital investment index	80.0	99.0	124.8	94.1	109.8	...	...	154.7	...	...	125.8	...	...			
21	Consumer price index (compared with December of previous year)	124.7	144.3	112.2	113.8	110.0	101.0	101.6	102.5	103.5	104.7	103.6	103.2	102.9			
22	Real disposable income	92.3	79.5	104.7	111.5	113.9 <sup>2</sup>	...	...	...	...	...	...	...	...			
23	Real wage index	91.8	78.0	112.1	119.5	113.8	109.2	110.5	111.7	112.4	112.2	111.5	111.7	111.5			
24	Number of applicants per vacancy as of end of period	11	11	7	3	2	3	3	2	2	2	2	2	1			

<sup>1</sup> This information is confidential under the Law of Ukraine On State Statistics.

<sup>2</sup> Preliminary data.

<sup>3</sup> 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

**Key Indicators of Social and Economic Development of Kyiv 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
1	Volume indices of gross regional product (in previous year's prices, in percent)	96.1	93.3	105.5	105.7	102.9 <sup>2</sup>	...	...	...	...	...	...	...	...
2	Industrial production index	85.9	94.6	104.4	95.8	98.1	98.2	101.0	99.4	100.1	99.4	97.2	97.8	96.8
3	Mining and quarrying	...	...	...	...	...	...	...	...	...	...	...	...	...
4	Manufacturing	85.0	94.9	104.0	95.0	97.2	95.7	98.4	97.6	98.6	98.0	95.5	96.6	95.5
5	Production of food, beverages and tobacco	84.2	87.2	95.0	97.5	96.0	94.3	95.8	101.2	102.1	99.4	98.7	98.6	96.3
6	Textile production, production of clothing, leather, leather goods and other materials	103.9	107.3	89.6	127.9	88.5	86.1	80.3	81.1	84.5	100.7	98.6	100.1	102.2
7	Production of wood products, paper, printing	90.7	86.5	91.2	68.6	83.8	76.4	75.5	76.2	73.6	71.2	69.3	70.7	72.5
8	Production of coke and petrochemicals	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Production of chemicals and chemical products	96.8	69.7	97.6	115.9	89.0	119.3	99.2	91.1	88.8	87.4	83.8	85.0	82.8
10	Production of rubber and plastic products, other nonmetallic mineral products	85.6	108.6	105.8	108.0	97.2	97.7	108.3	105.2	105.6	104.0	101.8	101.9	101.0
11	Metallurgical production, manufacturing of finished metal products, except machinery and equipment	85.7	107.2	108.2	95.8	105.4	117.3	100.6	101.0	99.1	96.8	92.4	92.8	91.1
12	Mechanical engineering, except for repair and installation of machinery and equipment	73.0	106.6	101.6	81.4	100.0	91.9	89.5	94.2	97.0	101.2	100.3	102.4	102.5
13	Electricity, gas, steam and conditioning air supply	92.2	92.1	107.3	100.5	103.6	105.5	109.3	105.3	105.9	105.2	105.1	104.1	104.1
14	Agricultural production index	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Construction production index	80.4	86.2	126.7	133.0	100.9	78.7	102.3	113.6	119.3	119.4	119.5	123.3	124.7
16	Freight turnover	102.6	95.4	95.5	120.0	86.7	113.9	159.0	136.6	137.3	136.9	137.9	138.4	140.5
17	Passenger turnover	91.3	99.5	109.5	122.0	107.4	123.0	122.8	123.0	127.6	127.3	126.7	125.7	125.1
18	Volume index of retail trade turnover (in comparable prices, in percent)	96.9	86.1	104.8	108.9	103.4	103.5	103.5	103.5	103.5	103.5	104.5	105.5	106.5
19	Profit/loss of large and medium companies before tax (UAH million) <sup>3</sup>	-272289.1	-138642.1	28350.4	131946.8	...	...	...	...	...	...	...	...	...
20	Capital investment index	83.3	108.8	107.5	121.4	130.6	...	...	117.2	...	...	109.1	...	...
21	Consumer price index (compared with December of previous year)	125.8	138.6	114.0	113.4	108.8	101.2	101.8	103.3	104.5	105.4	104.6	103.5	103.1
22	Real disposable income	100.2	85.3	106.2	110.6	108.6 <sup>2</sup>	...	...	...	...	...	...	...	...
23	Real wage index	94.5	84.2	114.3	111.3	110.2	108.2	109.2	110.1	110.4	109.1	108.7	108.5	108.3
24	Number of applicants per vacancy as of end of period	2.3	4.3	2.1	1.4	1.1	1.0	0.7	0.7	0.7	0.7	0.7	0.6	0.6

<sup>1</sup> This information is confidential under the Law of Ukraine On State Statistics.

<sup>2</sup> Preliminary data.

<sup>3</sup> 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.

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