



National Bank
of Ukraine

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

Q4 2019



*This survey only reflects the opinions of respondents in Kyiv and Kyiv oblast (top managers of companies) who were polled in Q4 2019, and does not represent NBU forecasts or estimates

A survey of companies carried out in **Kyiv and Kyiv oblast** in Q4 2019 showed that respondents had high expectations that the Ukrainian economy would grow, and that their companies would develop over the next 12 months. Inflation and depreciation expectations were expected to soften slightly.

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 22.7% compared with 30.5% in Q3 2019 (Figure 1) and 21.9% across Ukraine. Respondents from energy and water supply companies had the most optimistic expectations (the balance of expectations was 44.4%). At the same time, companies in the agricultural sector expected a decline in output
- **prices for consumer goods and services would rise:** a majority of respondents (51.7%) expected the inflation rate to be lower than 7.5% (compared with 50.7% in the previous quarter and 53.8% across Ukraine). Some 0.5% of respondents expected a decrease in prices for consumer goods and services. Respondents referred to production costs as the main inflation driver (Figure 2)
- **the hryvnia would depreciate further:** 73.7% of respondents (compared with 74.4% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 70.7%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 25.7% (compared with 25.2% in the previous quarter) (see Table). Respondents from energy and water supply companies had pessimistic expectations (the balance of responses was (-22.2%))
- **total sales would increase:** the balance of responses was 35.4% compared with 32.4% in the previous quarter. Respondents also expected an increase in external sales (the balance of responses was 31.8% compared with 26.3% in Q3 2019). The balances of responses across Ukraine were 23.5% and 20.6% respectively
- **investment in construction, and in machinery, equipment and tools would increase** more slowly: the balances of responses were 3.6% and 17.8% respectively (compared with 11.4% and 22.6% in Q3 2019 and 4.7% and 14.7% across Ukraine). The highest expectations of investment spending were reported by agricultural companies
- **staff numbers would increase:** the balance of responses was 10.7% compared to 15.0% in Q3 2019 (Figure 4). Agricultural companies had the highest expectations (the balance of responses was 57.1%). Meanwhile, companies in most economic activities expected a reduction in their staff numbers. Across Ukraine, staff numbers were expected to decrease (-1.6%)
- **both purchase and selling prices would grow:** the balances of responses were 73.7% and 51.5% respectively (compared with 78.2% and 59.2% in the previous quarter) (Figure 6). Respondents from manufacturing companies had the highest expectations of a rise in selling prices (the balance of responses was 79.2%). Some 59.6% 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 40.5% and 66.7% respectively (compared to 43.9% and 66.0% in Q3 2019) (Figures 4 and 6).

Respondents referred to the political situation, qualified staff shortages and weak demand as the **main drags on the ability of their companies to boost production** (Figure 5).

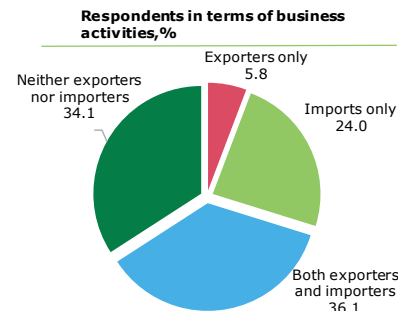
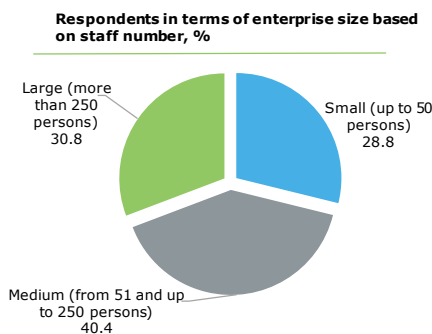
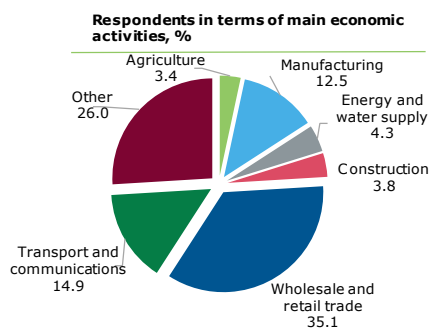
Respondents expected an increase in their borrowing needs in the near future (Figure 9). The respondents who planned to take out corporate loans (41.5% of those surveyed) usually opted for domestic currency loans. Fewer respondents said that lending conditions had tightened (Figure 10). Companies continued to refer to high interest rates as the main factor that deterred them from taking out corporate loans (Figure 11).

A total of **95.7% of respondents** said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.4% across Ukraine).

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

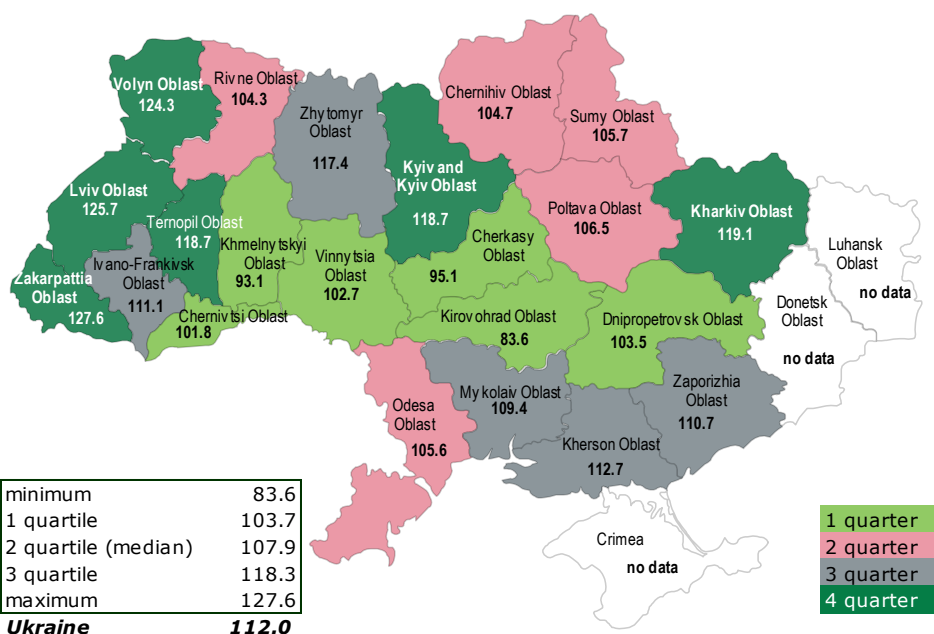
- **Companies assessed their current financial and economic standings as good:** the balance of responses was 19.2% (compared with 23.9% in Q3 2019 and 6.1% across Ukraine). The highest assessments were reported by respondents from agricultural companies (42.9%). At the same time, energy and water supply companies assessed their financial and economic standings as bad
- **Finished goods stocks were at a level higher than the normal one:** the balance of responses was 4.2% compared with 1.3% in Q3 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 (-12.3%) compared with (-9.0%) in Q3 2019.

Survey Details^{1,2}



- Period: 4 November through 29 November 2019.
- A total of 208 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 Oblasts³, %



*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, %				
	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
Financial and economic standings	27.8	24.0	29.4	25.2	25.7
Total sales	44.0	41.6	38.0	32.4	35.4
Investment in construction	13.3	12.0	9.8	11.4	3.6
Investment in machinery, equipment and tools	27.9	21.8	25.5	22.6	17.8
Staff numbers	19.8	9.9	17.5	15.0	10.7

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 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

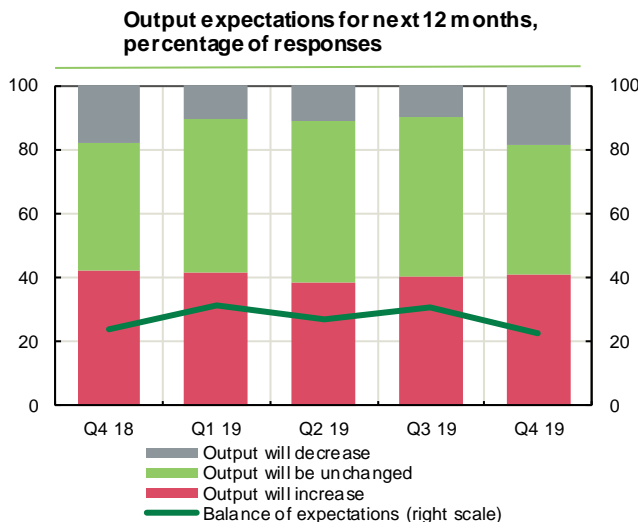


Figure 2

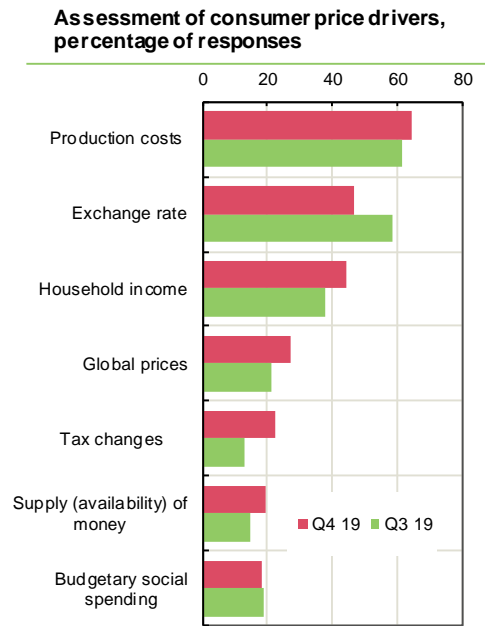


Figure 3

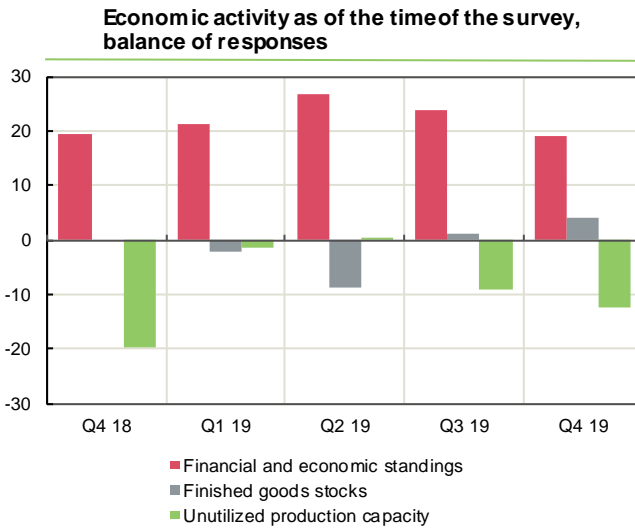


Figure 4

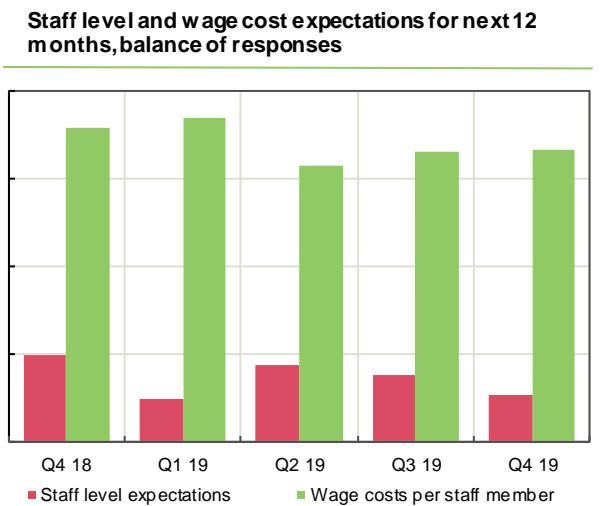


Figure 5

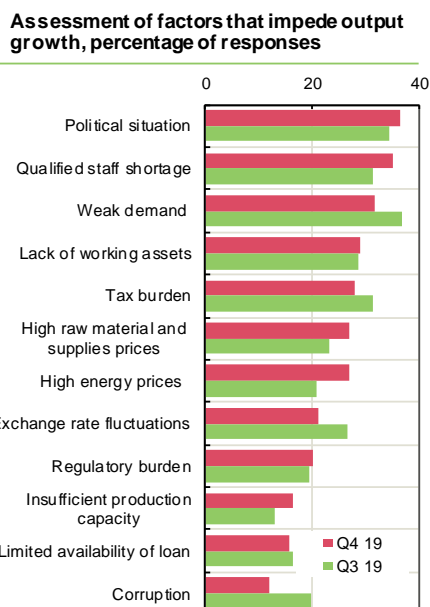


Figure 6

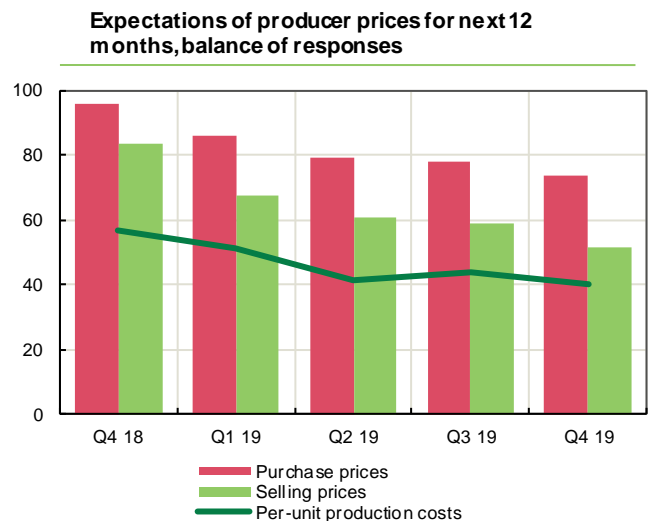


Figure 7

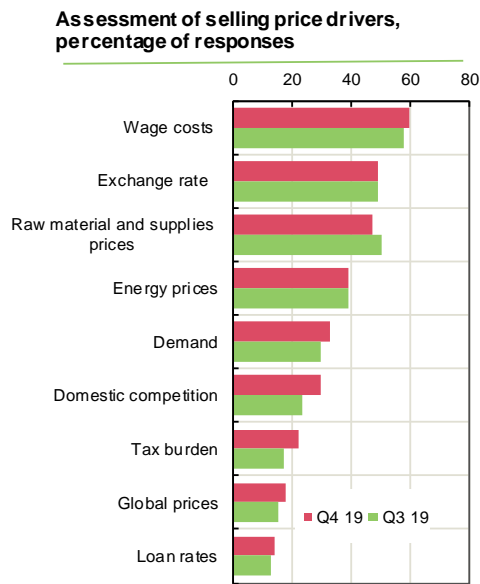


Figure 8

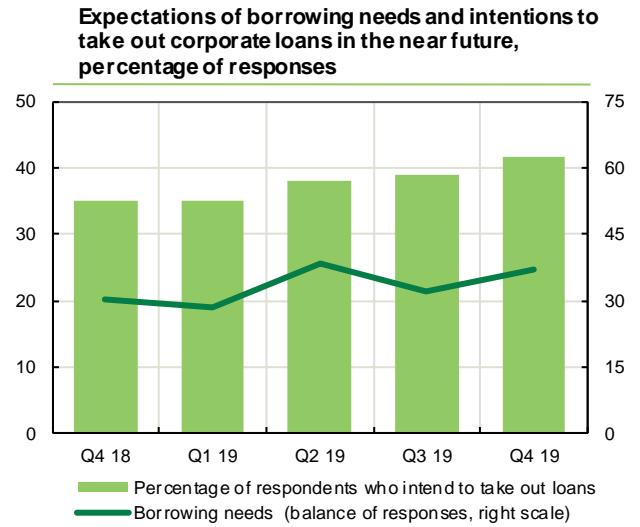


Figure 9

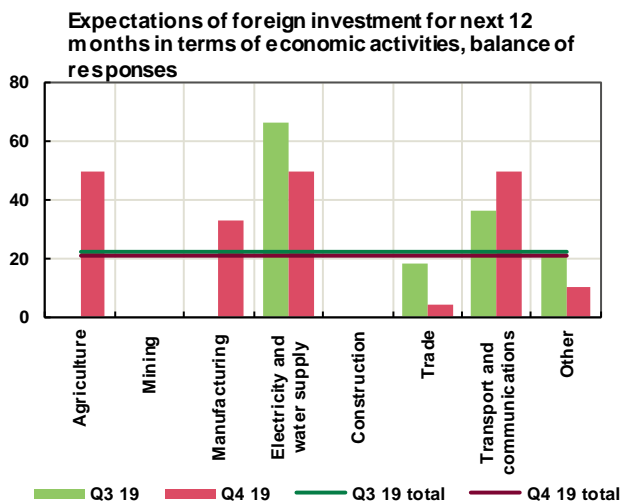


Figure 10

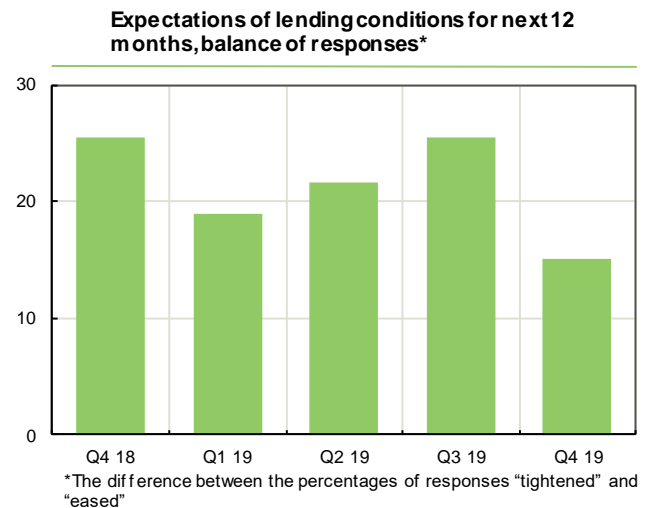
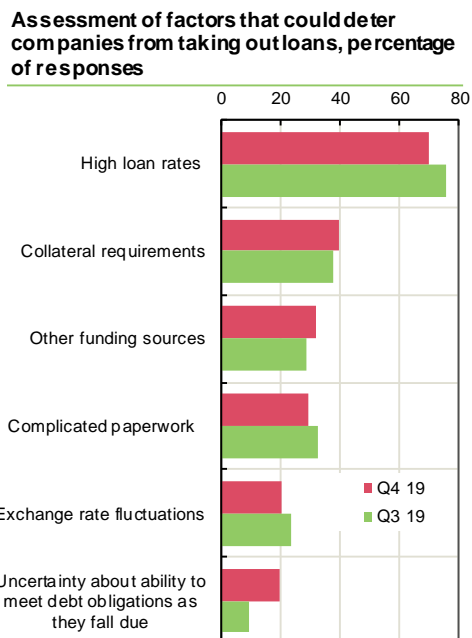


Figure 11



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	January - September	January - October	January - November			
1	Volume indices of gross regional product (in previous year's prices, in percent)	99.4	94.0	105.7	104.6	106.5 ²	...	...	...	...	...	...	...	...	...	...	...	...	...	...
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	97.5	98.0	98.6	98.6	98.6	98.6
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	88.5	91.3	94.7	94.7	94.7	94.7
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	96.8	96.9	97.7	97.7	97.7	97.7
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	95.6	96.4	98.6	98.6	98.6	98.6
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	91.7	91.6	93.5	93.5	93.5	93.5
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	98.3	98.9	99.0	99.0	99.0	99.0
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	104.2	103.3	104.1	104.1	104.1	104.1
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	96.4	95.6	95.2	95.2	95.2	95.2
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	100.6	99.5	100.9	100.9	100.9	100.9
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	91.2	91.3	91.0	91.0	91.0	91.0
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	103.9	107.3	106.2	106.2	106.2	106.2
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	99.7	97.2	96.7	96.7	96.7	96.7
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	129.4	126.7	129.7	129.7	129.7	129.7
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	112.5	113.1	113.7	113.7	113.7	113.7
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	81.9	82.4	81.8	81.8	81.8	81.8
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	115.7	119.3	119.8	119.8	119.8	119.8
19	Profit/loss of large and medium companies before tax (UAH million) ³	-28994.4	-18556.4	8199.7	13080.0	-6186.4	...	...	...	...	...	...	...	...	...	...	...	...	...	...
20	Capital investment index	80.0	99.0	124.8	94.1	109.8	...	...	154.7	...	...	125.8	...	...	127.1	...	...	...	...	...
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	103.5	104.5	105.0	105.0	105.0	105.0
22	Real disposable income	92.3	79.5	104.7	111.5	113.9 ²	...	...	...	...	...	...	...	...	...	...	...	...	...	...
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	111.7	111.9	112.0	112.0	112.0	112.0
24	Number of applicants per vacancy as of end of period	11	11	7	3	2	3	3	2	2	2	2	2	1	1	1	2	2	2	2

¹ This information is confidential under the Law of Ukraine On State Statistics.

² Preliminary data.

³ 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	January - September	January - October	January - November						
1	Volume indices of gross regional product (in previous year's prices, in percent)	96.1	93.3	105.5	105.7	102.9 ²	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
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	97.2	96.7	96.3	96.3	96.3	96.3	96.3	96.3	96.3
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	96.0	95.4	95.2	95.2	95.2	95.2	95.2	95.2	95.2
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	96.0	95.3	94.1	94.1	94.1	94.1	94.1	94.1	94.1
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	101.1	99.4	98.6	98.6	98.6	98.6	98.6	98.6	98.6
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	73.1	72.9	75.1	75.1	75.1	75.1	75.1	75.1	75.1
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	83.8	82.1	82.8	82.8	82.8	82.8	82.8	82.8	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	101.4	100.8	100.7	100.7	100.7	100.7	100.7	100.7	100.7
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	90.4	90.2	89.2	89.2	89.2	89.2	89.2	89.2	89.2
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	103.6	103.9	103.7	103.7	103.7	103.7	103.7	103.7	103.7
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	104.5	104.4	102.9	102.9	102.9	102.9	102.9	102.9	102.9
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	124.8	127.1	126.5	126.5	126.5	126.5	126.5	126.5	126.5
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	140.8	141.6	143.0	143.0	143.0	143.0	143.0	143.0	143.0
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	123.9	123.5	122.0	122.0	122.0	122.0	122.0	122.0	122.0
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	106.5	106.5	106.5	106.5	106.5	106.5	106.5	106.5	106.5
19	Profit/loss of large and medium companies before tax (UAH million) ³	-272289.1	-138642.1	28350.4	131946.8	100268.7	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
20	Capital investment index	83.3	108.8	107.5	121.4	130.6	...	...	117.2	...	...	109.1	...	...	...	111.3	...	...	...	...	...	...	...
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	104.3	104.8	104.6	104.6	104.6	104.6	104.6	104.6	104.6
22	Real disposable income	100.2	85.3	106.2	110.6	108.6 ²	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
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	108.1	108.1	108.3	108.3	108.3	108.3	108.3	108.3	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	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6

¹ This information is confidential under the Law of Ukraine On State Statistics.

² Preliminary data.

³ 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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