



National Bank
of Ukraine

Business Outlook Survey of Kyiv and Kyiv Oblast*

Q1 2020

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



*This survey only reflects the opinions of respondents in Kyiv and Kyiv 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 **Kyiv and Kyiv oblast** in Q1 2020 showed that respondents had more moderate expectations that the Ukrainian economy would continue to grow, and that their companies would develop over the next 12 months. Respondents expected that prices would rise moderately, and that the hryvnia would gradually depreciate less pronouncedly.¹

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

- **the output of Ukrainian goods and services would increase moderately:** the balance of expectations was 11.8% compared with 22.7% in Q4 2019 (Figure 1) and 10.4% across Ukraine. Respondents from manufacturing companies had the most optimistic expectations (the balance of expectations was 30.4%). At the same time, companies in the agricultural sector and construction expected a decline in output
- **prices for consumer goods and services would rise:** a majority of respondents (66.5%) 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 hryvnia would depreciate at a slower pace:** 69.0% of respondents (compared with 73.7% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 65.2%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 23.4% (compared with 25.7% in the previous quarter) (see Table). Respondents from transport companies had the most optimistic expectations (the balance of responses was 28.1%). Meanwhile, respondents from energy and water supply companies had pessimistic expectations (the balance of responses was (-12.5%))
- **total sales would increase:** the balance of responses was 30.7% compared with 35.4% in the previous quarter. Respondents also expected an increase in external sales (the balance of responses was 10.8% compared with 31.8% in Q4 2019). The balances of responses across Ukraine were 23.0% and 17.5% respectively
- **investment in machinery, equipment and tools would increase** more slowly: the balance of responses was 11.4% compared with 17.8%. Investment in construction was expected to decrease: the balance of responses was (-3.3%) compared to 3.6% in the previous quarter. Overall, respondents expected investment spending to rise across Ukraine, the balances of responses being 14.1% and 2.4% respectively. The highest expectations of investment spending were reported by transport companies
- **staff numbers would rise slightly:** the balance of responses was 3.5% compared to 10.7% in Q4 2019 (Figure 4). Construction companies had the highest expectations (the balance of responses was 22.2%). Meanwhile, agricultural, energy and water supply companies and transport expected a reduction in their staff numbers. Across Ukraine, staff numbers were expected to decrease (-3.9%)
- **both purchase and selling prices would grow more slowly:** the balances of responses were 67.5% and 45.0% respectively (compared with 73.7% and 51.5% in the previous quarter) (Figure 6). Respondents from transport companies had the highest expectations of a rise in selling prices (the balance of responses was 59.4%). Some 52.5% of respondents cited wage costs as the main selling price driver (Figure 7)
- **the growth in per-unit production costs and wage costs per staff member would decelerate:** the balances of responses were 31.3% and 58.0% respectively (compared to 40.5% and 66.7% in Q4 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 (48.5% 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 compared to the previous quarter (Figure 10). Companies continued to refer to high interest rates as the main factor that deterred them from taking out corporate loans (Figure 11).

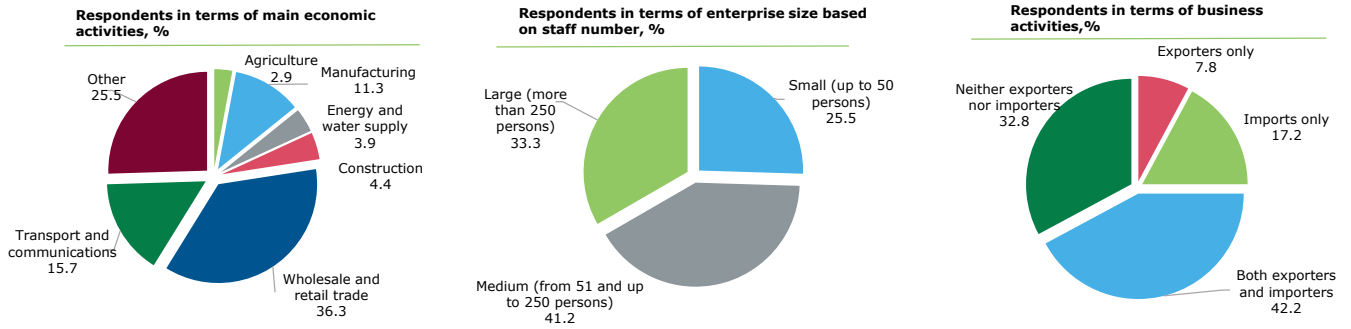
A total of **95.1% of respondents** said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.6% across Ukraine).

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

- **Companies assessed their current financial and economic standings as good:** the balance of responses was 31.4% (compared with 19.2% in Q4 2019 and 9.7% across Ukraine). The highest assessments were reported by respondents from agricultural companies (50.0%).
- **Finished goods stocks had decreased and were assessed at a level lower than the normal one:** the balance of responses was (-1.3%) compared with 4.2% in Q4 2019.
- **Respondents continued to report 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 (-2.5%) compared with (-12.3%) in Q4 2019.

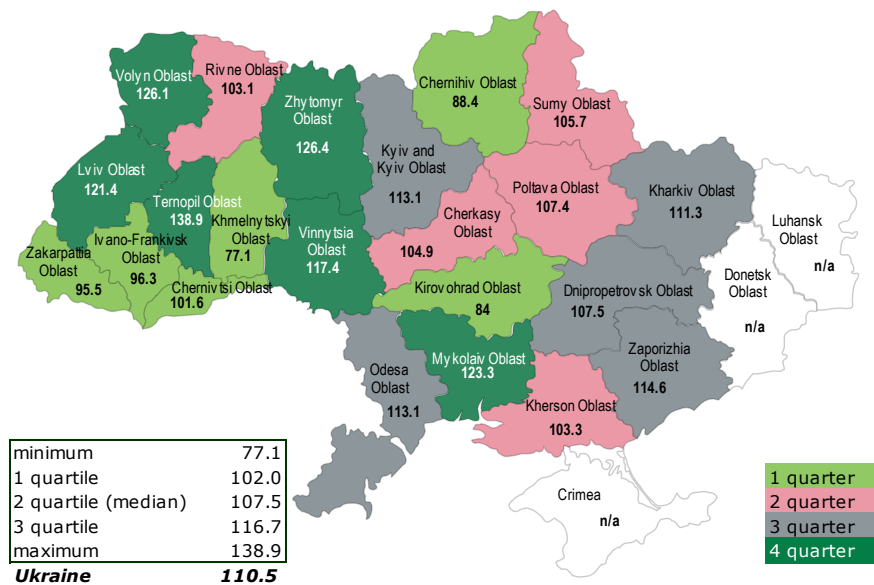
¹ This survey was carried out before quarantine measures were introduced.

Survey Details^{2,3}



- Period: 4 February through 4 March 2020.
- A total of 204 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 Oblasts⁴, %



⁴a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups
⁵a 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, %				
	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20
Financial and economic standings	24.0	29.4	25.2	25.7	23.4
Total sales	41.6	38.0	32.4	35.4	30.7
Investment in construction	12.0	9.8	11.4	3.6	-3.3
Investment in machinery, equipment and tools	21.8	25.5	22.6	17.8	11.4
Staff numbers	9.9	17.5	15.0	10.7	3.5

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.
⁴The 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

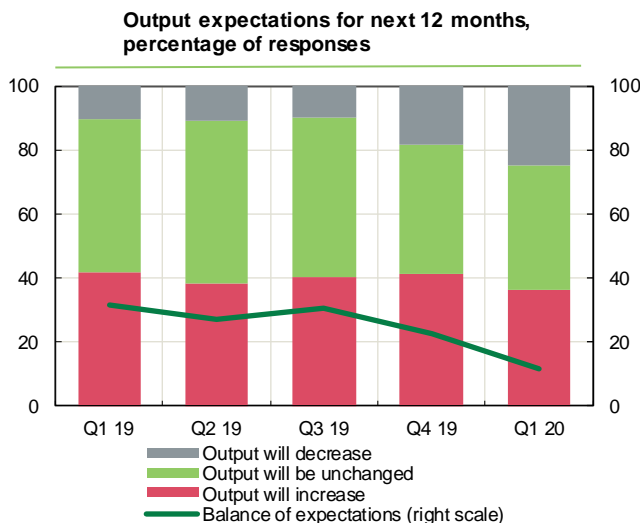


Figure 2

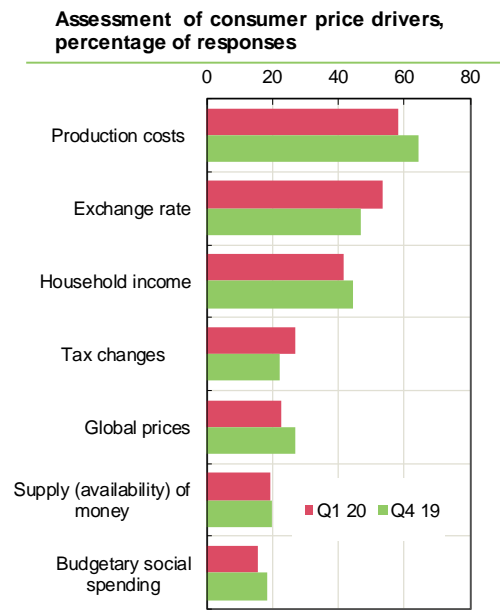


Figure 3

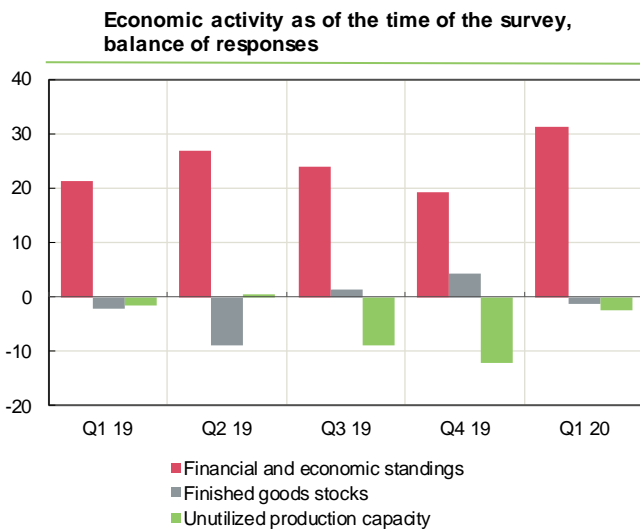


Figure 4

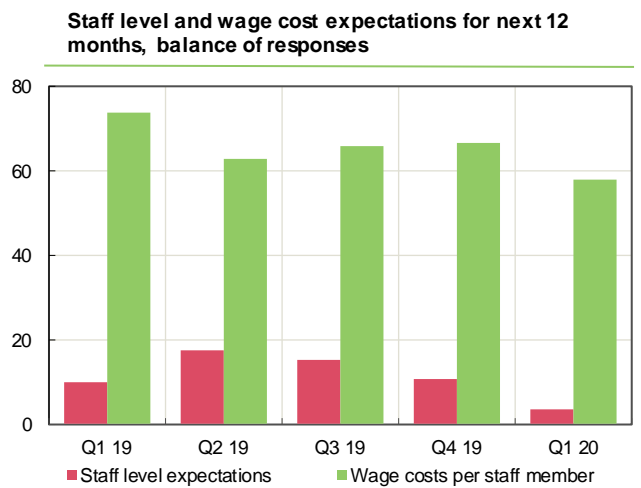


Figure 5

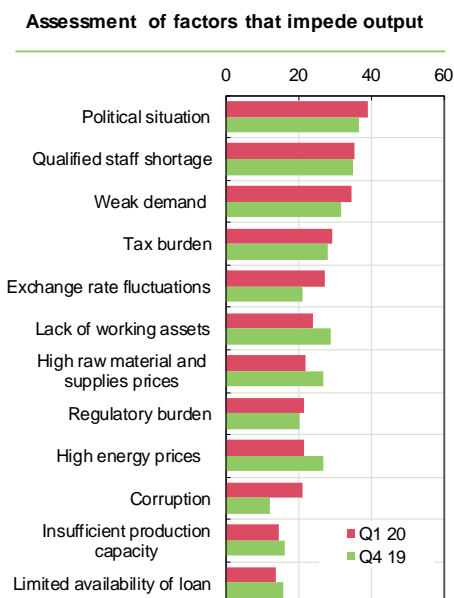


Figure 6

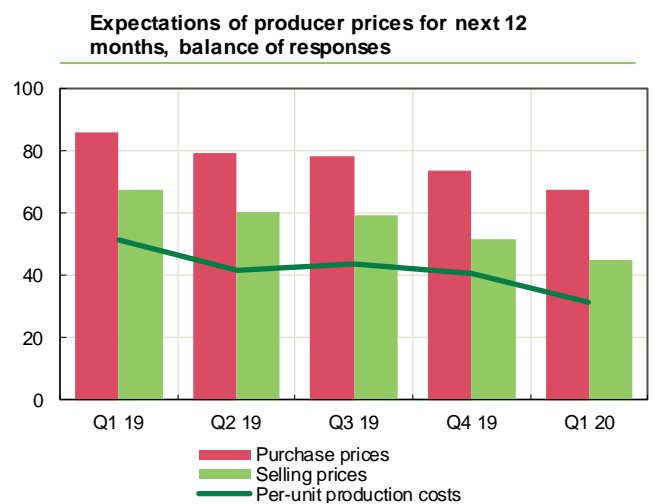


Figure 7

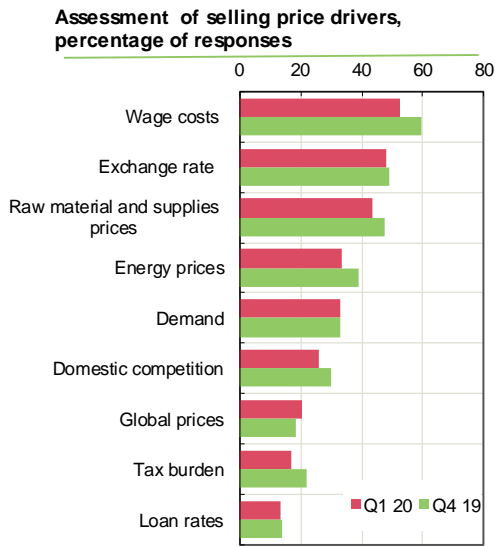


Figure 8

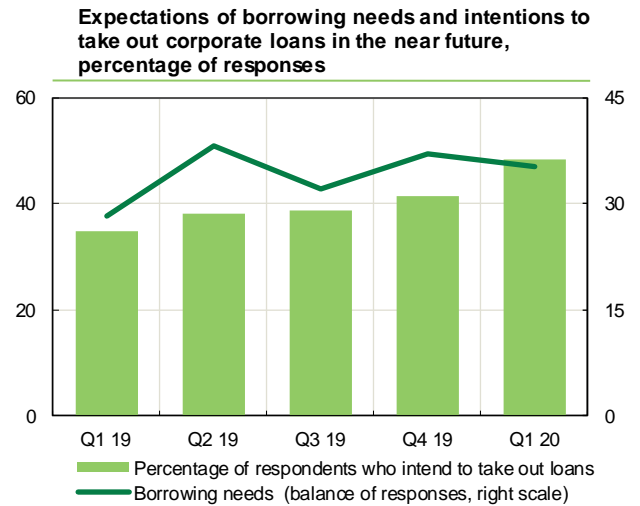


Figure 9

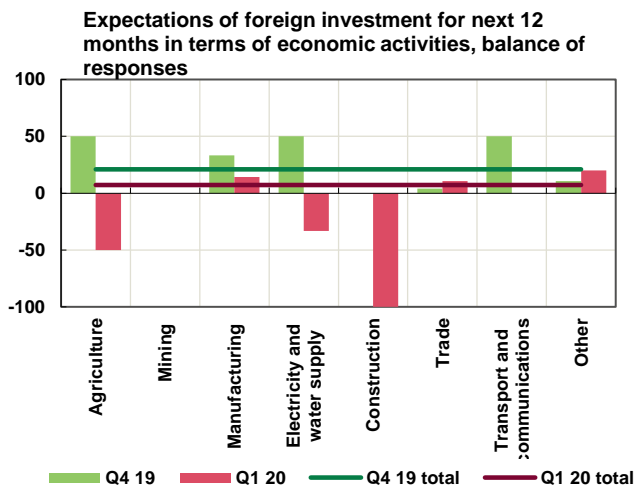


Figure 10

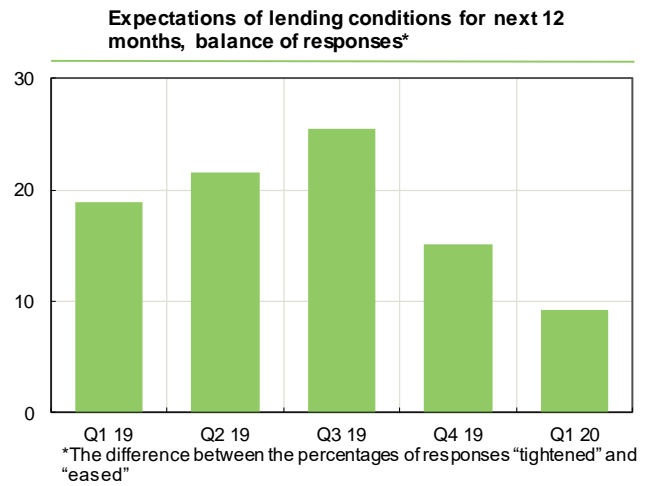


Figure 11

