



National Bank  
of Ukraine

## Business Outlook Survey of Kyiv and Kyiv 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 Kyiv and Kyiv 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 **Kyiv and Kyiv oblast** in Q2 2020 showed that respondents expected a drop in the output of Ukrainian goods and services over the next 12 months, and had moderately negative expectations for the performance of their companies over that period on the back of the quarantine. Respondents expected that prices would increase, and that the hryvnia would depreciate at a faster pace.<sup>1</sup>

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

- **the output of Ukrainian goods and services would drop:** the balance of expectations was (-39.2%) compared with 11.8% in Q1 2020 (Figure 1) and (-34.1%) across Ukraine. Respondents from trading companies had the most pessimistic expectations (the balance of expectations was (-45.9%)). At the same time, companies in the agricultural sector expected an increase in output
- **prices for consumer goods and services would rise:** 56.7% of respondents expected the inflation rate to be lower than 7.5% compared with 54.9% across Ukraine. Respondents referred to the exchange rate and production costs as the main inflation drivers (Figure 2)
- **the hryvnia would depreciate at a faster pace:** 74.5% of respondents (compared with 69.0% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 68.2%
- **the financial and economic standings of their companies would deteriorate slightly:** the balance of expectations was (-1.0%) (compared with 23.4% in the previous quarter) (see Table). Respondents from transportation companies had the most pessimistic expectations (the balance of responses was (-12.9%)). Meanwhile, respondents from agricultural, manufacturing and trading companies had optimistic expectations. Companies across Ukraine expected a deterioration in their financial and economic standings (-1.8%)
- **total sales would increase** at a slower pace: the balance of responses was 5.4% compared with 30.7% in the previous quarter. External sales were expected to decrease (the balance of responses was (-4.9%) compared with 10.8% in Q1 2020). Overall, companies across Ukraine expected sales to 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:** the balances of responses were (-15.8%) and (-9.2)% respectively compared with (-3.3%) and 11.4% in the previous quarter. Across Ukraine, the balances of responses were (-16.1%) and (-10.5%) respectively
- **staff numbers would drop:** the balance of responses was (-17.3%) (the figure across Ukraine was the same) compared to 3.5% in Q1 2020 (Figure 4). Transportation companies had the most pessimistic expectations (the balance of responses was (-38.7%))
- **purchase prices would rise at a faster pace** (the balance of responses was 71.1%) **than selling prices** (the balance of responses was 43.1%) (Figure 6). Respondents from manufacturing companies had the highest expectations of a rise in selling prices (the balance of responses was 65.2%). Some 57.4% of respondents cited the exchange rate 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 24.7% and 13.0% respectively (compared to 31.3% and 58.0% in Q1 2020) (Figures 4 and 6).

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

**Expectations of borrowing needs** in the near future **picked up** (Figure 9). The respondents who planned to take out corporate loans (40.2% 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 increased 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).

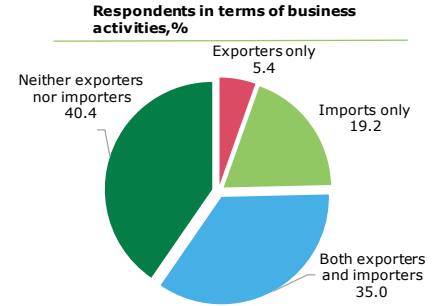
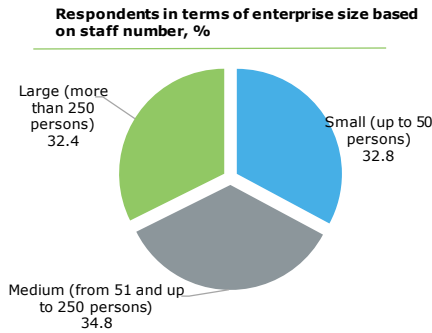
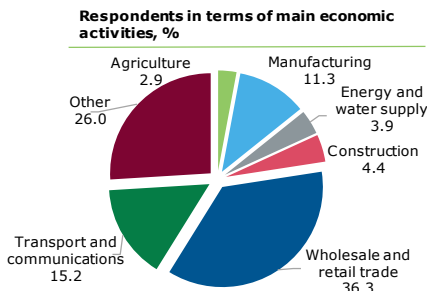
A total of **96.6% of respondents** said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.5% across Ukraine).

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

- **Companies assessed their current financial and economic standings as good:** the balance of responses was 1.5% (compared with 31.4% in Q1 2020). Across Ukraine, the current financial and economic standings of companies were assessed as bad, the balance of responses being (-11.6%). The best assessments were reported by respondents from agricultural companies (66.7%).
- **Finished goods stocks had increased and were assessed at a level higher than the normal one:** the balance of responses was 1.4% compared with (-1.3%) 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.

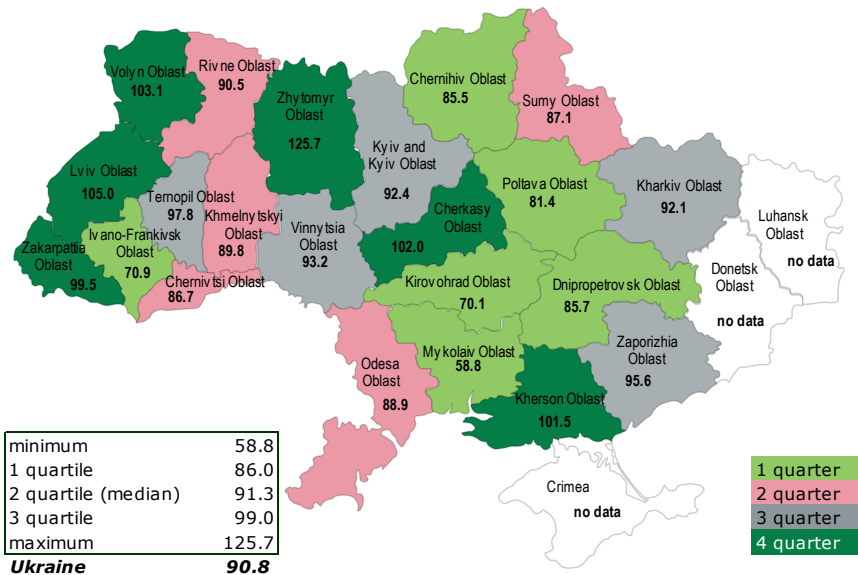
<sup>1</sup> This survey was conducted after the government announced it would relax the quarantine.

Survey Details<sup>2,3</sup>



- Period: 5 May through 2 June 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 Oblasts<sup>4</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, %				
	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
Financial and economic standings	29.4	25.2	25.7	23.4	-1.0
Total sales	38.0	32.4	35.4	30.7	5.4
Investment in construction	9.8	11.4	3.6	-3.3	-15.8
Investment in machinery, equipment and tools	25.5	22.6	17.8	11.4	-9.2
Staff numbers	17.5	15.0	10.7	3.5	-17.3

<sup>2</sup> This sample was generated in proportion to the contribution of each oblast and each economic activity to Ukraine's gross value added.

<sup>3</sup> Data for totals and components may be subject to rounding effects.

<sup>4</sup>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

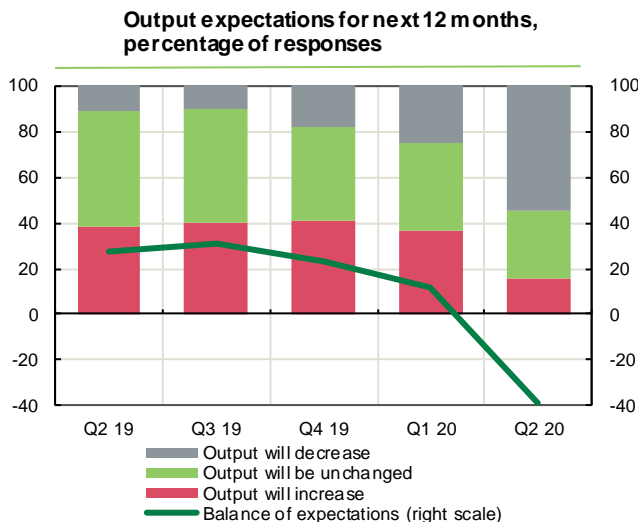


Figure 2

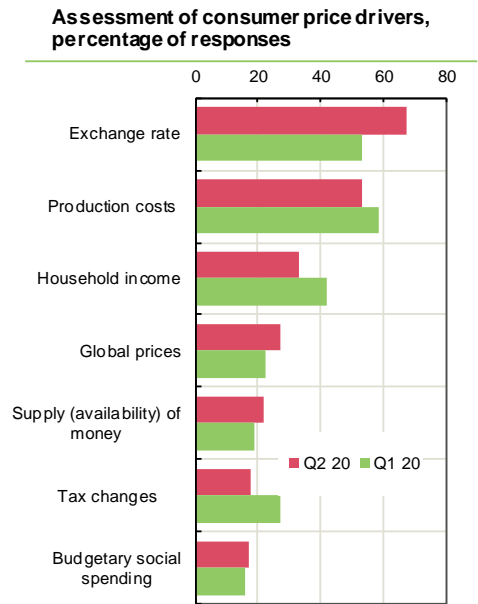


Figure 3

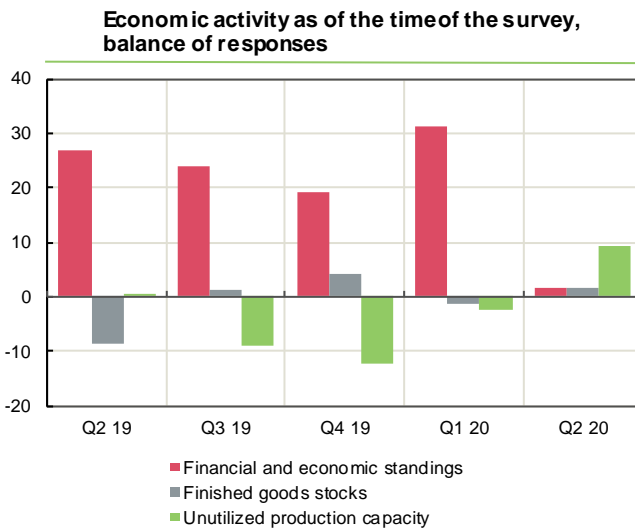


Figure 4

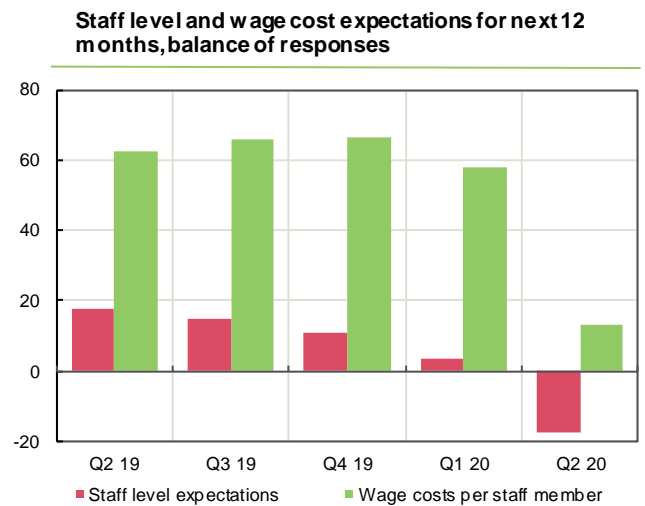


Figure 5

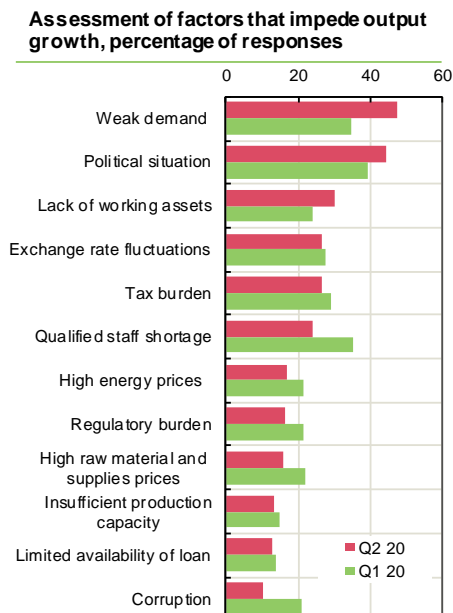


Figure 6

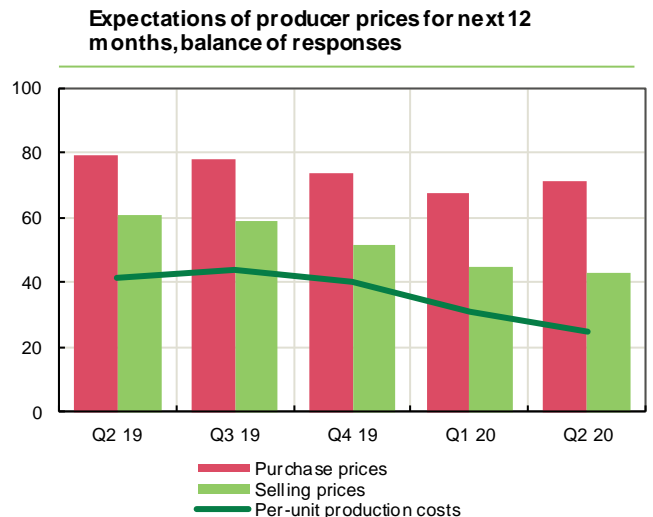


Figure 7

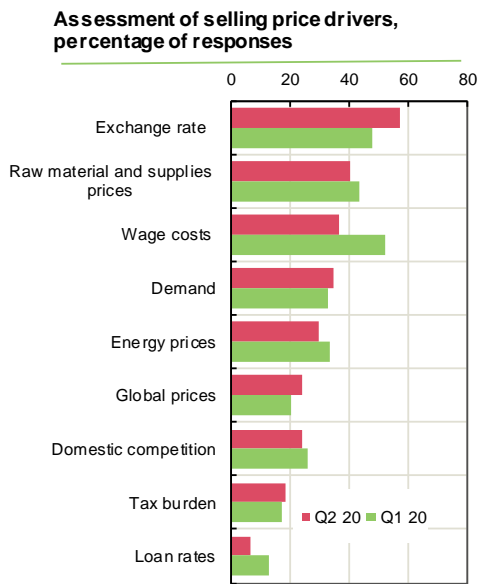


Figure 8

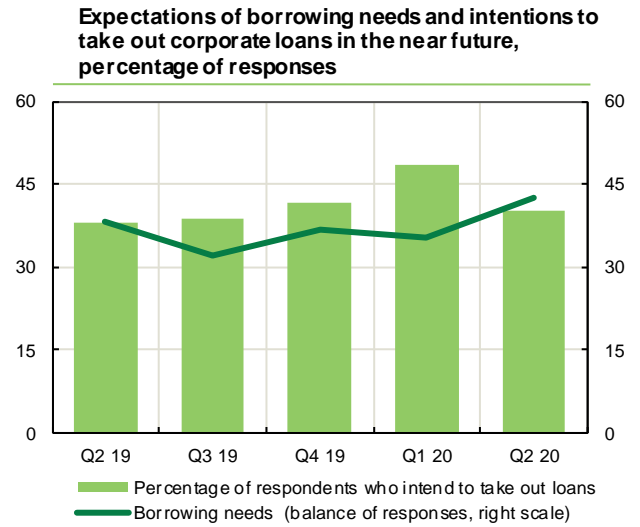


Figure 9

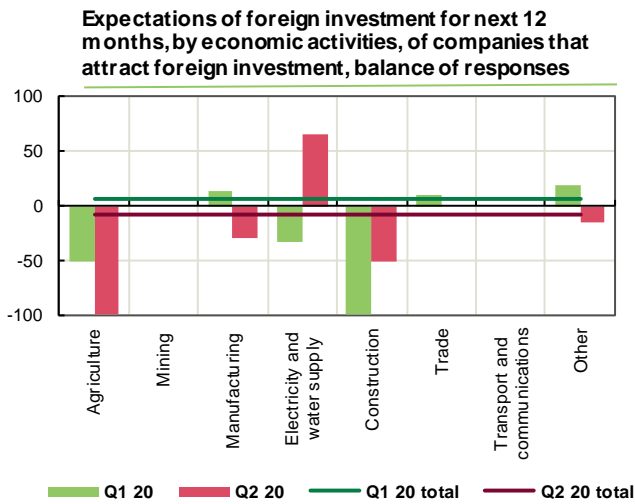


Figure 10

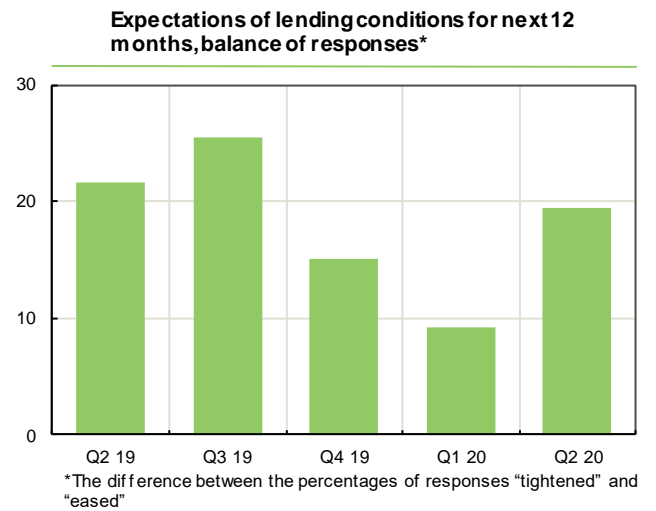


Figure 11

