



National Bank  
of Ukraine

# Business Outlook Survey of Kyiv and Kyiv Oblast\*

Q3 2020



\*This survey only reflects the opinions of respondents in Kyiv and Kyiv oblast (top managers of companies) who were polled in Q3 2020, and does not represent NBU forecasts or estimates

A survey of companies carried out in **Kyiv and Kyiv oblast** in Q3 2020 showed that respondents expected that the output of Ukrainian goods and services would drop more slowly amid the adaptive quarantine regime. Respondents had positive expectations for the performance of their companies over the next 12 months. They expected that prices would increase and that the hryvnia would depreciate at a faster pace.

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

- **the output of Ukrainian goods and services would drop** at a slower pace: the balance of expectations was (-20.7%) compared with (-39.2%) in Q2 2020 (Figure 1) and (-16.1%) across Ukraine. Respondents from transport companies had the most pessimistic expectations (the balance of expectations was (-34.4%)). At the same time, companies in the manufacturing sector expected a moderate increase in output
- **prices for consumer goods and services would rise**: 54.4% of respondents expected the inflation rate to be lower than 7.5% compared with 56.7% in the previous quarter and 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**: 84.7% of respondents (compared with 74.5% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 83.2%
- **the financial and economic standings of their companies would improve**: the balance of expectations was 9.9% (compared with (-1.0%) in the previous quarter and 4.4% across Ukraine) (see Table). Respondents from manufacturing companies had the highest expectations (the balance of responses was 26.1%). At the same time, respondents from energy and water supply, construction and transport companies expected a deterioration in their financial and economic standings
- **total sales would increase**: the balance of responses was 13.7% compared with 5.4% in the previous quarter. Respondents also expected an increase in external sales (the balance of responses was 5.1%). Across Ukraine, the balances of responses were 9.8% and 4.3% respectively
- **investment in machinery, equipment and tools would increase**: the balance of responses was 9.2% compared with (-9.2%) in the previous quarter. Investment in construction was expected to decrease at a slower pace: the balance of responses was (-4.9%) compared to (-15.8%) in Q2 2020. Across Ukraine, the balances of responses were 5.2% and (-4.7%) respectively
- **staff numbers would drop slightly**: the balance of responses was (-2.5%) compared to (-17.3%) in Q2 2020 and (-10.8%) across Ukraine (Figure 4). Transportation companies had the most pessimistic expectations (the balance of responses was (-31.3%))
- **both purchase and selling prices would grow**: the balances of responses were 78.7% and 59.6% respectively (compared to 71.1% and 43.1% in Q2 2020) (Figure 6). Respondents from manufacturing and trading companies had the highest expectations of a rise in selling prices (the balances of responses were 78.3% and 77.8% respectively). Some 60.3% 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 accelerate significantly**: the balances of responses were 38.1% and 44.8% respectively (compared to 24.7% and 13.0% in Q2 2020) (Figures 4, 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).

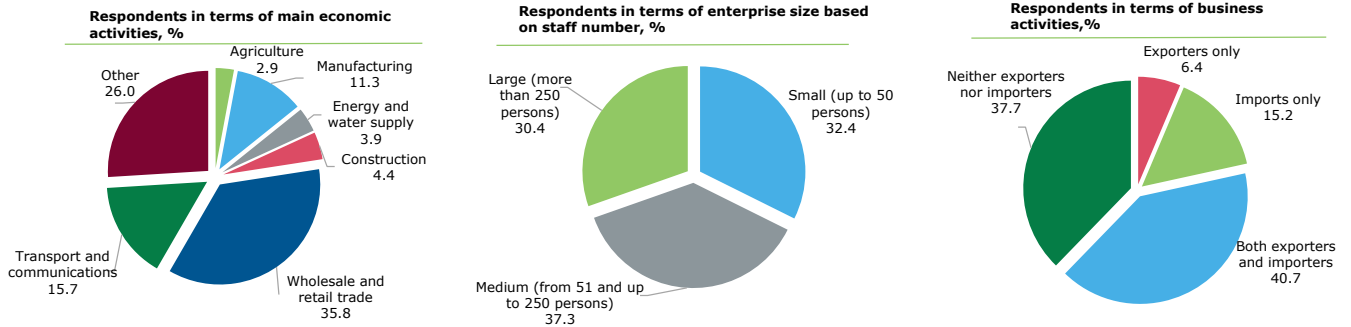
**Expectations of borrowing needs** in the near future **picked up** (Figure 9). The respondents who planned to take out corporate loans (44.3% of those surveyed) usually opted for domestic currency ones. The percentage of respondents who said lending conditions had tightened and those who said lending 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 **97.5% 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)

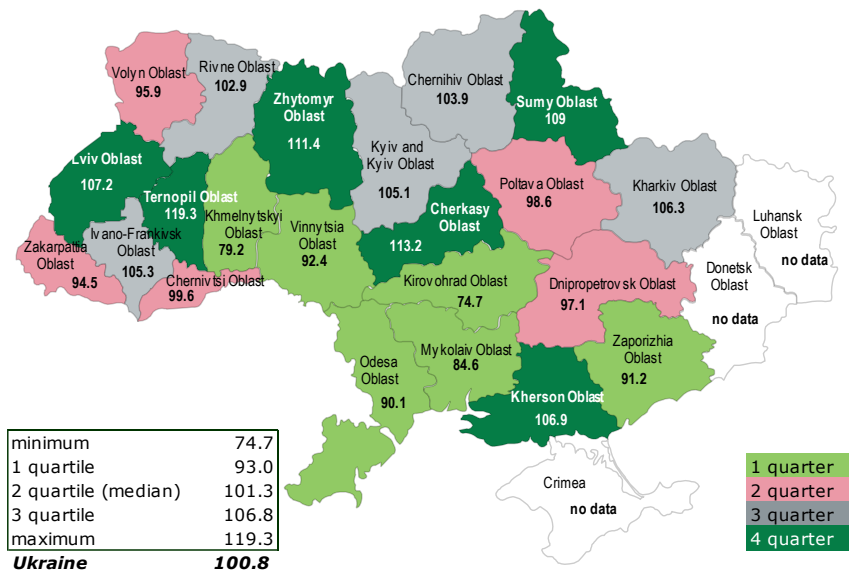
- **Companies assessed their current financial and economic standings as good**: the balance of responses was 7.4% (compared with 1.5% in Q2 2020). The best assessments were reported by respondents from trading companies. At the same time, companies from energy and water supply, construction and transport companies had negative assessments. Across Ukraine, the current financial and economic standings of companies were assessed as bad, the balance of responses being (-5.5%).
- **Finished goods stocks had decreased and were assessed at a level lower than the normal one**: the balance of responses was (-16.0%) compared with 1.4% in Q2 2020.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand**: the balance of responses was 11.0% compared with 9.4% in Q2 2020.

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



- Period: 3 August through 2 September 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>3</sup>, %



<sup>1</sup>a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups  
<sup>2</sup>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 19	Q4 19	Q1 20	Q2 20	Q3 20
Financial and economic standings	25.2	25.7	23.4	-1.0	9.9
Total sales	32.4	35.4	30.7	5.4	13.7
Investment in construction	11.4	3.6	-3.3	-15.8	-4.9
Investment in machinery, equipment and tools	22.6	17.8	11.4	-9.2	9.2
Staff numbers	15.0	10.7	3.5	-17.3	-2.5

<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 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

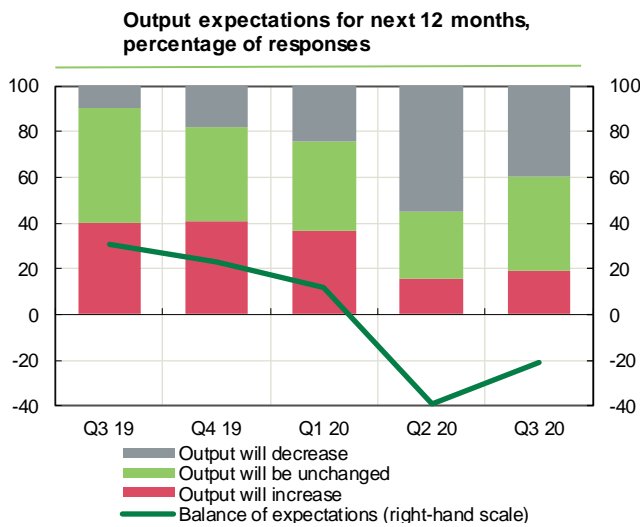


Figure 2

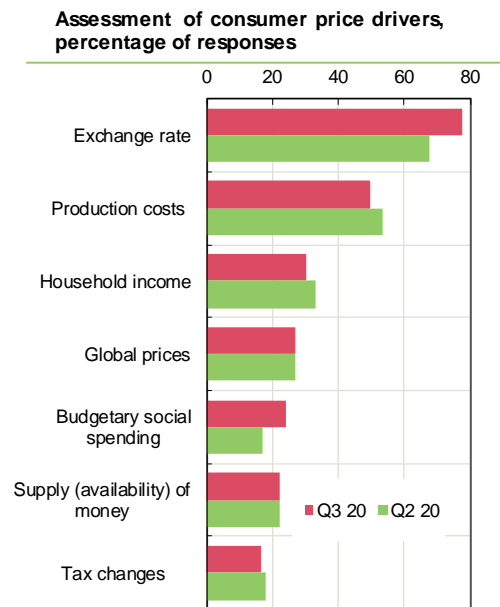


Figure 3

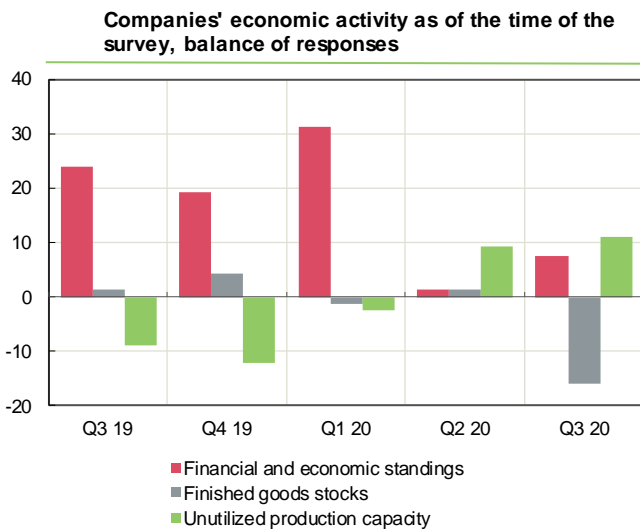


Figure 4



Figure 5

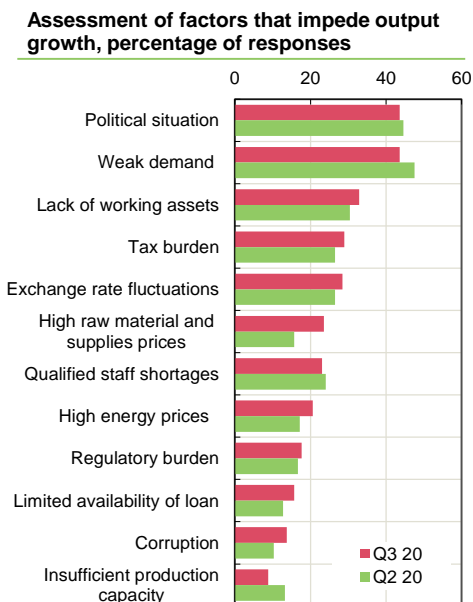


Figure 6

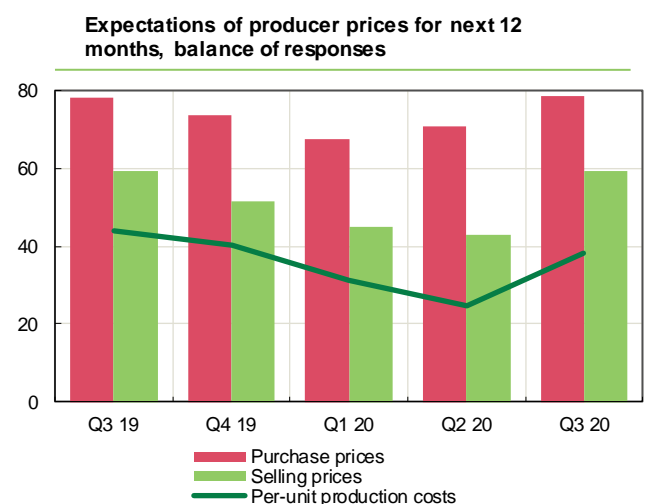


Figure 7

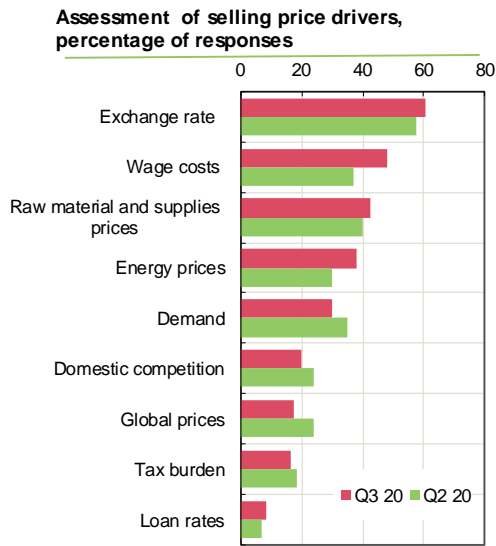


Figure 8

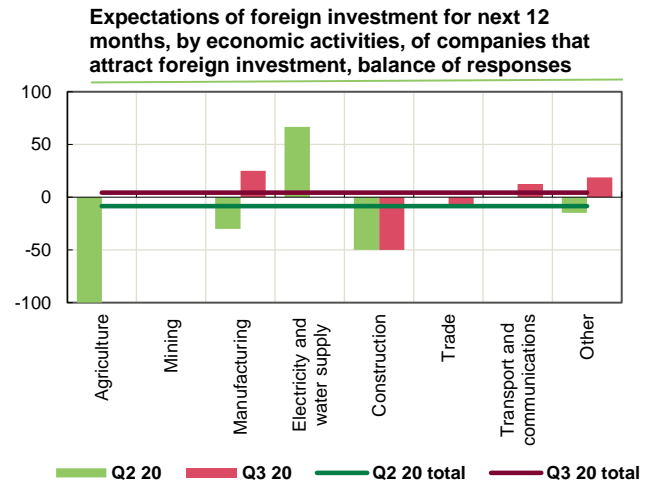


Figure 9

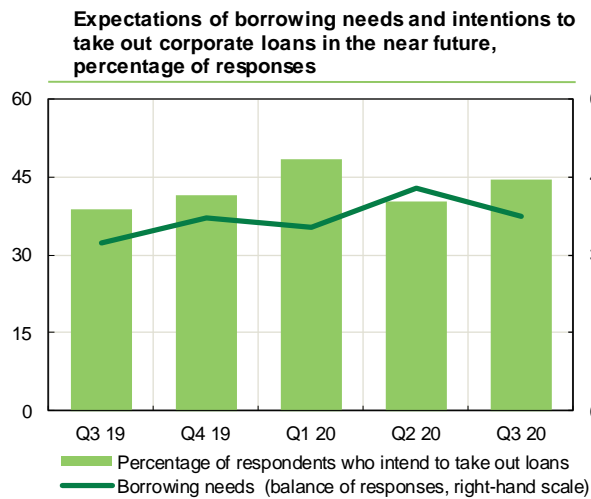


Figure 10

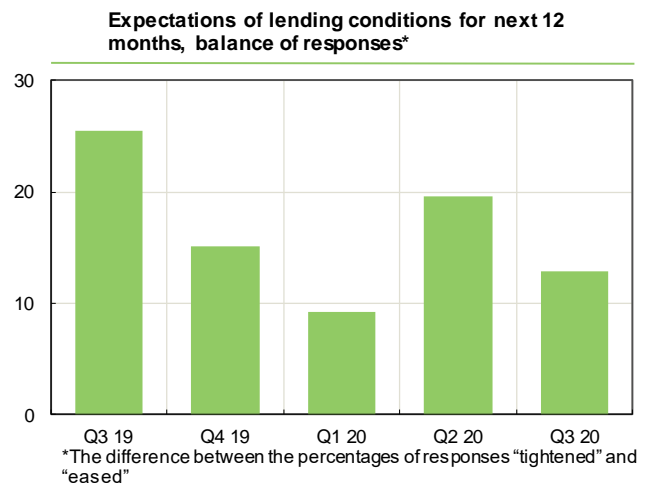


Figure 11

