



National Bank
of Ukraine

Business Outlook Survey of Kirovohrad Oblast *

Q1 2020

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



*This survey only reflects the opinions of respondents in Kirovohrad 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 **Kirovohrad oblast** in Q1 2020 showed that respondents expected a drop in the output of Ukrainian goods and services and weaker development of their companies over the next 12 months. Respondents expected that inflation and depreciation of the domestic currency would be moderate.¹

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

- **the output of Ukrainian goods and services would drop significantly:** the balance of expectations was (-18.2%) (compared to (-40.0%) in Q4 2019) (Figure 1). Meanwhile, respondents across Ukraine expected an increase in the output, the balance of responses being 10.4%.
- **prices for consumer goods and services would grow moderately:** 83.3% of respondents expected the inflation rate to be lower than 6.0% (compared with 68.5% across Ukraine). Respondents referred to production costs and exchange rate as **the main inflation drivers** (Figure 2)
- **the domestic currency would continue to depreciate:** 50.0% of respondents (compared with 53.3% in the previous quarter) expected the hryvnia to weaken against the US dollar, with a figure of 65.2% across Ukraine
- **the financial and economic standings of their companies would deteriorate:** the balance of expectations was (-8.3%) compared with (-7.1%) in the previous quarter. Companies across Ukraine expected an improvement in their financial and economic standings (16.9%) (see Table)
- **total sales would decrease:** the balance of responses was (-16.7%) compared with (-20.0%) in the previous quarter. External sales were expected to remain unchanged: the balance of responses was 0.0% (as in the previous quarter). Overall, respondents expected sales to rise across Ukraine, the balances of responses being 23.0% and 17.5% respectively
- **investment both in construction and in machinery, equipment and tools would decrease:** the balances of responses were (-37.5%) and (-9.1%) respectively (compared to (-28.6%) and 7.1% in Q4 2019). Across Ukraine, respondents expected investment spending to rise: the balances of responses being 4.7% and 14.7% respectively
- **staff numbers at their companies would drop** at a slower pace: the balance of responses was (-8.3%) compared with (-33.3%) in Q4 2019 and (-3.9%) across Ukraine (Figure 4)
- **purchase prices would grow:** the balance of responses was 50.0% (compared to 53.3% in the previous quarter). At the same time, respondents expected weak growth in selling prices, with a balance of responses of 16.7% (compared to 13.3% in Q4 2019) (Figure 6). Respondents cited raw material prices, wage costs and exchange rate as **the main selling price drivers** (50.0% of respondents for each) (Figure 7).
- **per-unit production costs and wage costs per staff member would increase:** the balances of responses were 36.4% and 50.0% respectively (compared with 42.9% and 50.0% in Q4 2019) (Figures 6 and 4).

The qualified staff shortage and political situation were cited as **the main drags on the ability of companies to boost production** (the impact of these factors strengthened noticeably). The impact of lack of working assets was assessed to be significantly higher than in the previous quarter (Figure 5).

Respondents expected a significant increase in borrowing needs in the near future (Figure 8). The respondents who planned to take out corporate loans (41.7% of respondents) usually opted for domestic currency loans. Respondents said that lending conditions had softened (Figure 9). Respondents continued to cite high loan rates as the main factor that deterred them from taking out loans (Figure 10).

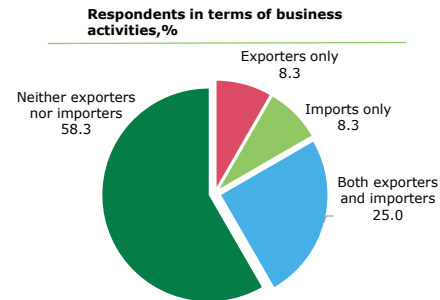
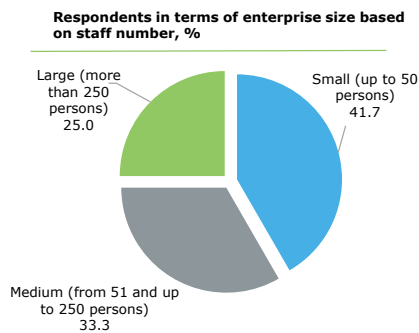
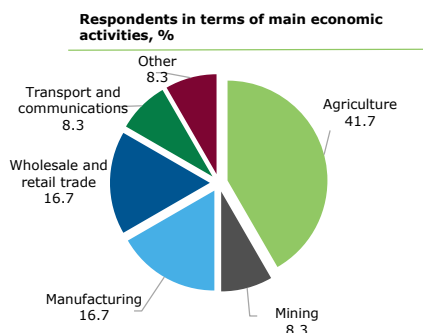
All of the respondents said that they had encountered no difficulties in effecting transactions with funds deposited in bank accounts (96.6% across Ukraine).

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

- **The current financial and economic standings of companies were assessed as bad:** the balance of responses was (-8.3%) compared with (-20.0%) in Q4 2019. Across Ukraine, the current financial and economic standings of companies were assessed as positive: the balance of responses being 9.7%.
- **Respondents continued to assess finished goods stocks at a normal level:** the balance of responses was 0.0%.
- **Spare production capacity increased and was sufficient to meet any sudden rise in demand:** the balance of responses was 16.7% compared with (-6.7%) in Q4 2019.

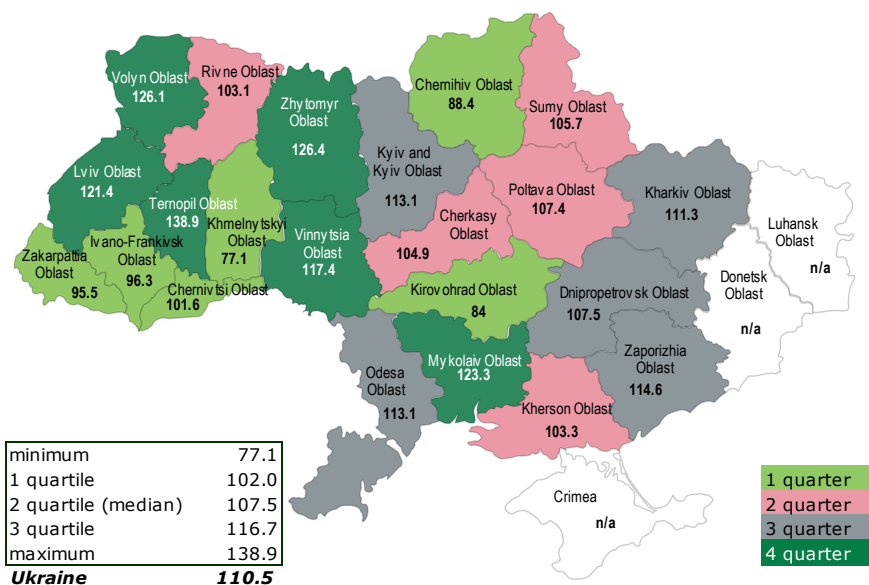
¹ This survey was carried out before quarantine measures were introduced.

Survey Details^{2,3}



- Period: 10 February through 27 February 2020.
- A total of 12 companies were polled.
- A representative sample was generated on the basis of the agricultural sector.

Business Outlook Index for Next 12 Months in Terms of Regions⁴, %



*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 sample where the sample is divided into two equal-sized subgroups

Table. The Business Outlook Index of Companies in Kirovohrad 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	18.8	0.0	31.3	-7.1	-8.3
Total sales	31.3	20.0	18.8	-20.0	-16.7
Investment in construction	-6.7	-7.1	-35.7	-28.6	-37.5
Investment in machinery, equipment and tools	6.3	0.0	-13.3	7.1	-9.1
Staff numbers	-6.3	-20.0	-25.0	-33.3	-8.3

² This sample was generated in proportion to the contribution of each region and each economic activity to Ukraine's gross value added.

³ Data for totals and components may be subject to rounding effects.

⁴ 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

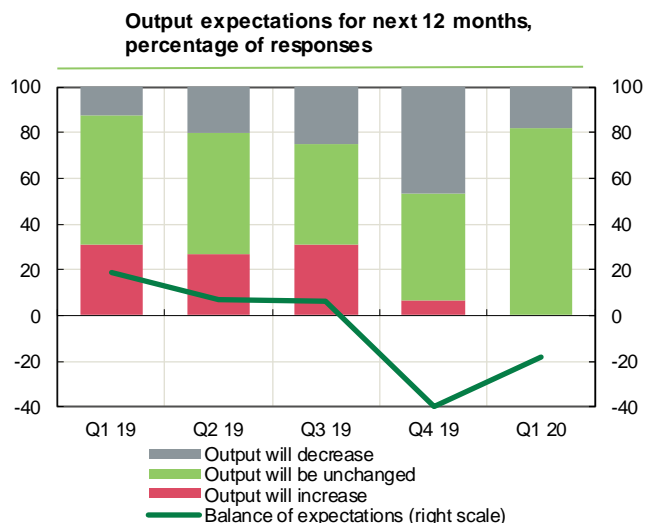


Figure 2

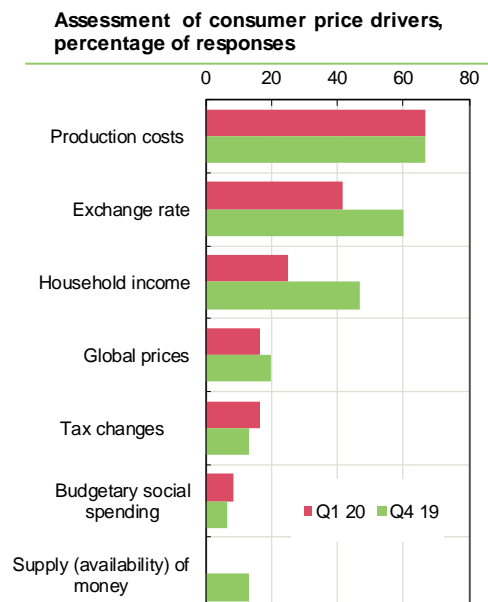


Figure 3

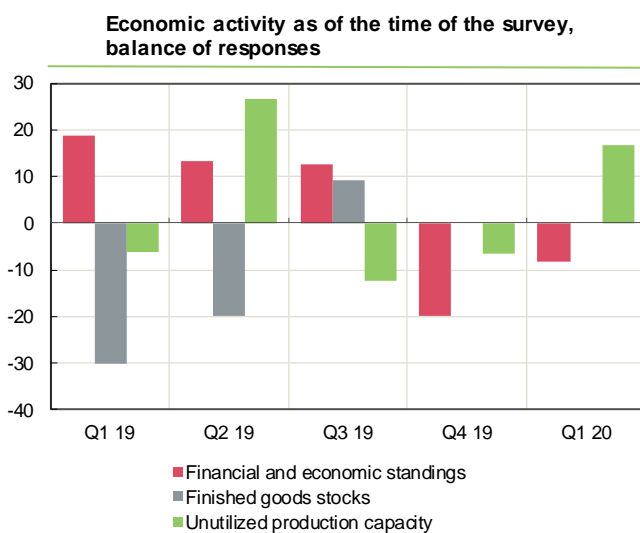


Figure 4



Figure 5

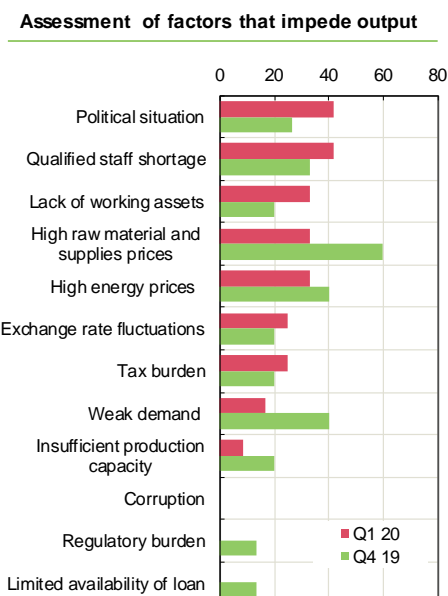


Figure 6

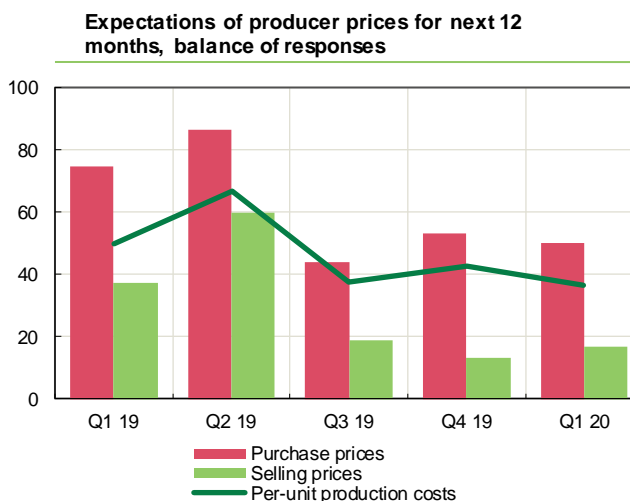


Figure 7

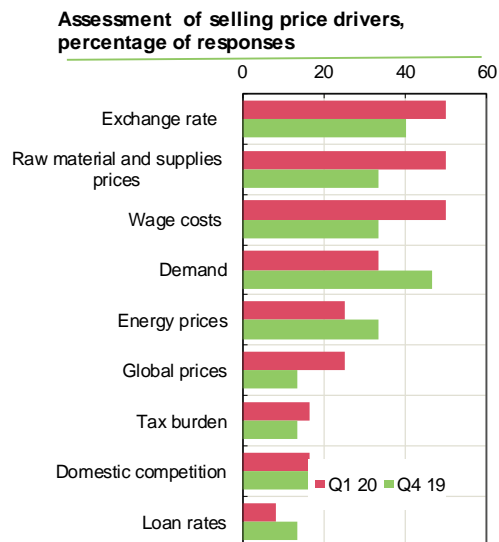


Figure 8

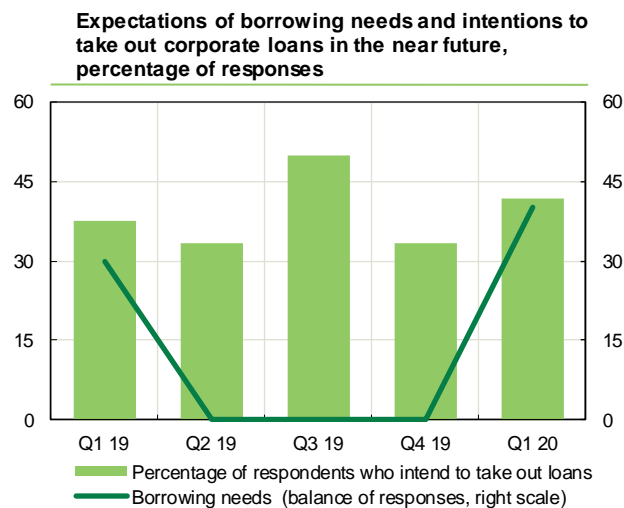


Figure 9

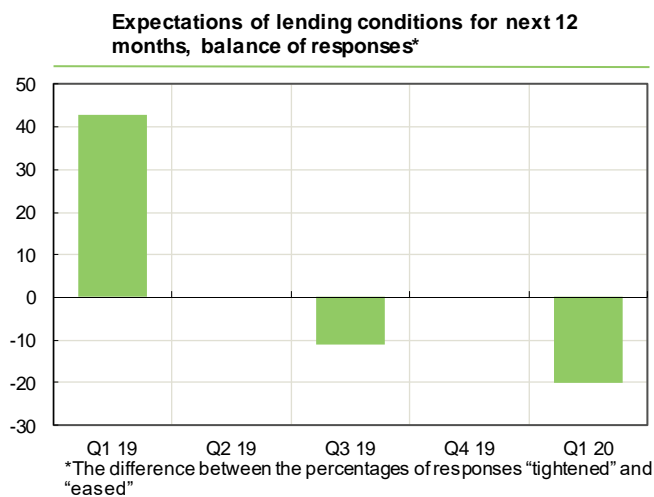


Figure 10

