



National Bank
of Ukraine

Business Outlook Survey of Kirovohrad 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 Kirovohrad 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 Kirovohrad oblast in Q2 2020 showed that respondents expected a drop in the output of Ukrainian goods and services and weaker performance of their companies over the next 12 months on the back of the quarantine. Respondents expected that prices would increase. Depreciation expectations softened.¹

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 (-30.8%) compared to (-18.2%) in Q1 2020 and (-34.1%) across Ukraine (Figure 1)
- **prices for consumer goods and services would grow:** 53.8% of respondents expected the inflation rate to be lower than 7.5% (compared with 54.9% across Ukraine). Respondents referred to production costs as **the main inflation driver** (Figure 2)
- **the domestic currency would gradually depreciate more slowly :** 46.2% of respondents (compared with 50.0% in the previous quarter) expected the hryvnia to weaken against the US dollar, with a figure of 68.2% across Ukraine
- **the financial and economic standings of their companies would deteriorate:** the balance of expectations was (-15.4%) compared with (-8.3%) in the previous quarter and (-1.8%) across Ukraine (see Table)
- **total sales would decrease:** the balance of responses was (-23.1%) compared with (-16.7%) in the previous quarter. Respondents also expected a decrease in external sales (the balance of responses was (-25.0%) compared with 0.0% 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 both in construction and in machinery, equipment and tools would decrease:** the balances of responses were (-38.5%) and (-30.8%) respectively (compared to (-37.5%) and (-9.1%) in Q1 2020). Across Ukraine, the balances of responses were (-16.1%) and (-10.5%) respectively
- **staff numbers at their companies would drop** noticeably: the balance of responses was (-41.7%) compared with (-8.3%) in Q1 2020 and (-17.3%) across Ukraine (Figure 4)
- **both purchase and selling prices would rise at a faster pace:** the balances of responses were 76.9% and 38.5% respectively (compared to 50.0% and 16.7% in Q1 2020) (Figure 6). Respondents cited raw material and supplies prices as **the main selling price driver**. The impact of domestic competition strengthened noticeably (Figure 7).
- **per-unit production costs and wage costs per staff member would increase** at a slower pace: the balance of responses was 30.8% for each (compared with 36.4% and 50.0% in Q1 2020) (Figures 6 and 4).

The political situation and weak demand were cited as **the main drags on the ability of companies to boost production**. The impact of weak demand strengthened noticeably (Figure 5).

Respondents lowered their expectations of an increase in borrowing needs in the near future (Figure 8). The respondents who planned to take out corporate loans (38.5% of respondents) usually opted for domestic currency loans. Respondents said that lending standards had remained unchanged (Figure 9). Respondents continued to cite high loan rates as the main factor that deterred them from taking out loans (Figure 10). The impact of uncertainty about ability to meet debt obligations as they fall due strengthened noticeably

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

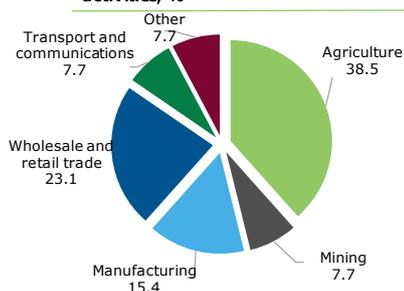
Assessments of financial and economic standings as of the time of the survey (Figure 3)

- **The current financial and economic standings of companies had been assessed as bad** for three quarters in a row: the balance of responses was (-23.1%) compared with (-8.3%) in Q1 2020 and (-11.6%) across Ukraine.
- **Finished goods stocks had increased and were assessed at a level higher than the normal one:** the balance of responses was 12.5% compared with 0.0% in Q1 2020.
- **Companies were operating on the verge of their production capacity:** the balance of responses was 0.0% compared with 16.7% in Q1 2020.

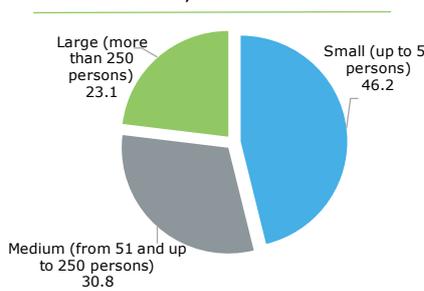
¹ This survey was conducted after the government announced it would relax the quarantine

Survey Details^{2,3}

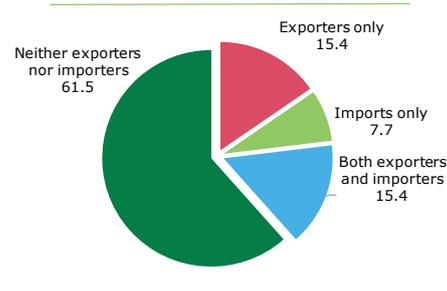
Respondents in terms of main economic activities, %



Respondents in terms of enterprise size based on staff number, %

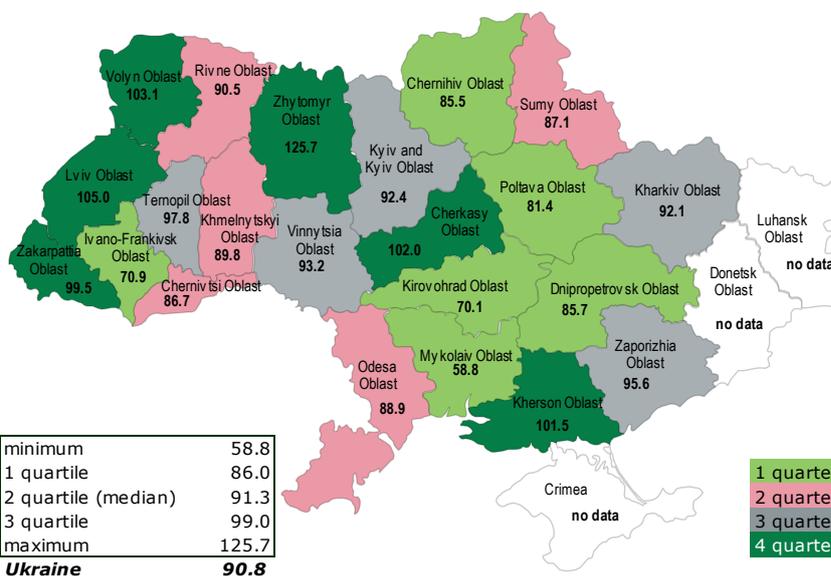


Respondents in terms of business activities, %



- Period: 5 through 29 May 2020.
- A total of 13 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, %				
	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
Financial and economic standings	0.0	31.3	-7.1	-8.3	-15.4
Total sales	20.0	18.8	-20.0	-16.7	-23.1
Investment in construction	-7.1	-35.7	-28.6	-37.5	-38.5
Investment in machinery, equipment and tools	0.0	-13.3	7.1	-9.1	-30.8
Staff numbers	-20.0	-25.0	-33.3	-8.3	-41.7

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 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

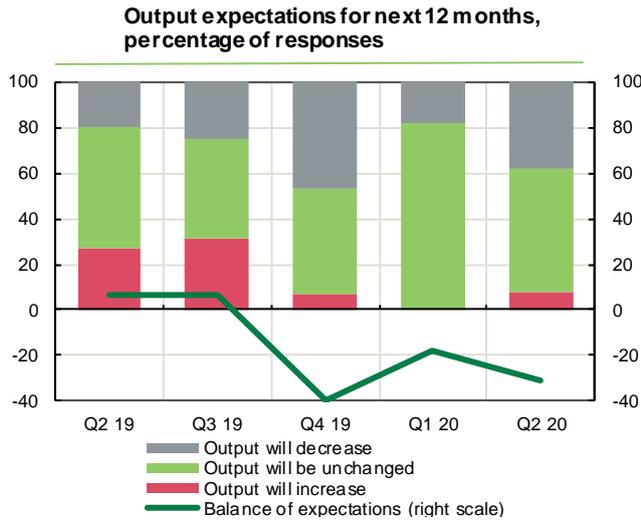


Figure 2

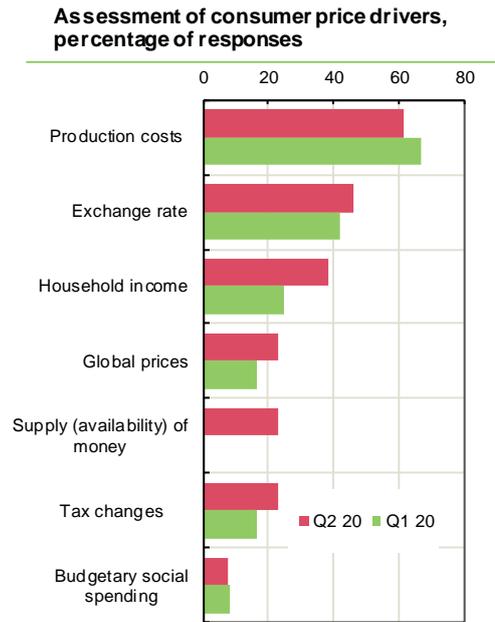


Figure 3

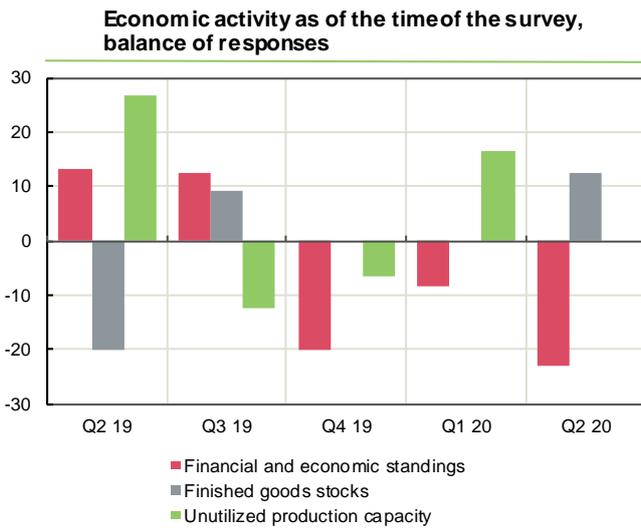


Figure 4

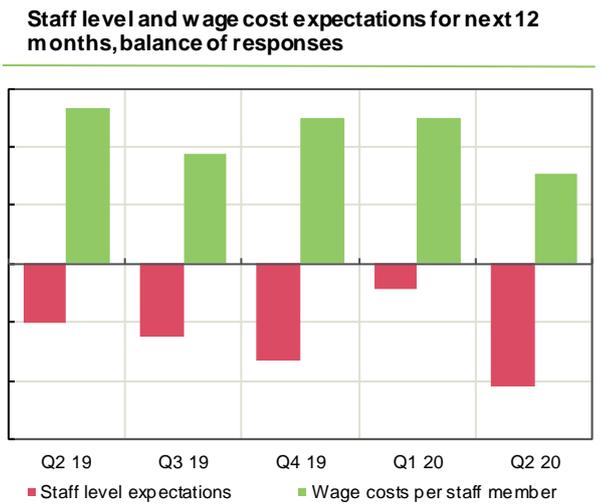


Figure 5

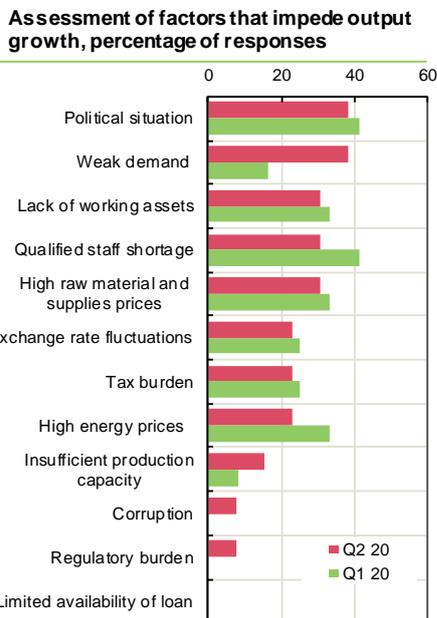


Figure 6

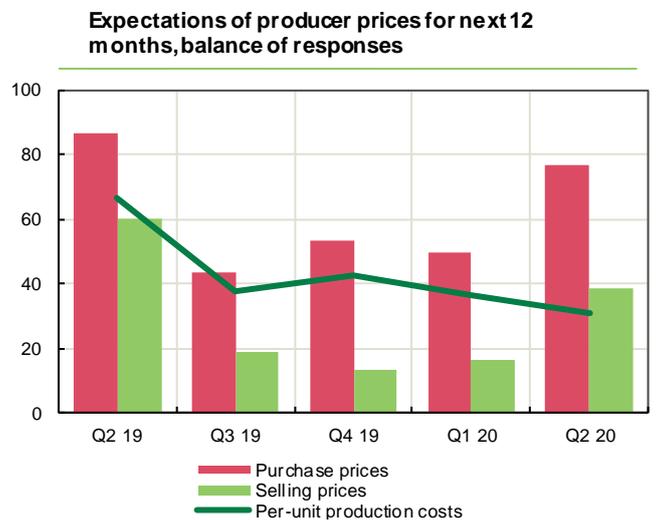


Figure 7

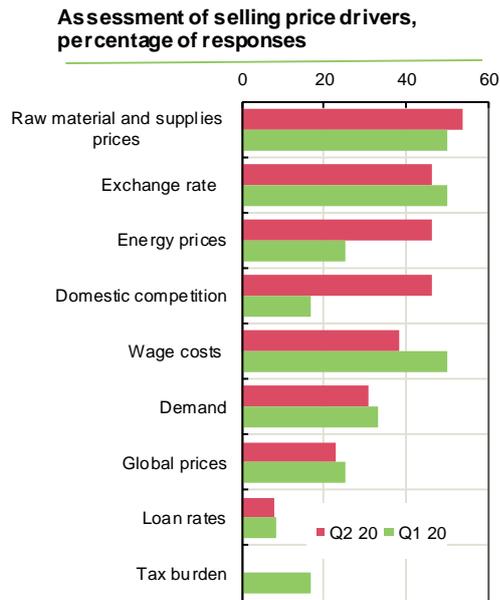


Figure 8

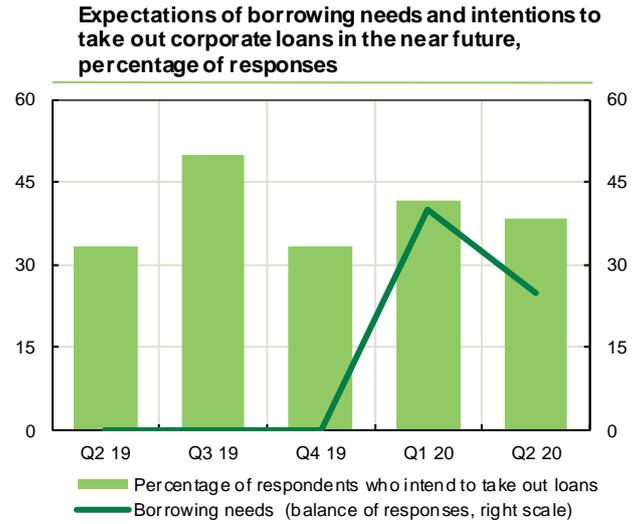


Figure 9

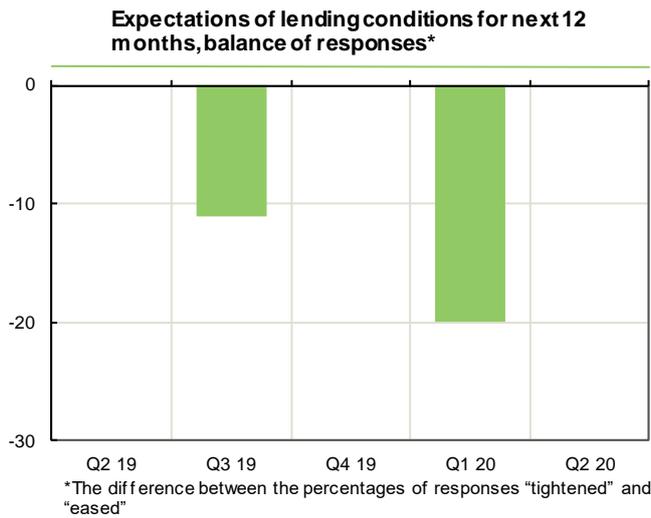


Figure 10

