



National Bank  
of Ukraine

## Business Outlook Survey of Kirovohrad Oblast \*

Q3 2020



\*This survey only reflects the opinions of respondents in Kirovohrad 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 **Kirovohrad oblast** in **Q3 2020** showed that respondents expected a slower reduction in the output of Ukrainian goods and services and a weaker performance of their companies over the next 12 months amid the extended adaptive quarantine. Respondents reported a weaker consumer price inflation and higher depreciation expectations.

**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 (-8.3%) compared to (-30.8%) in Q2 2020 and (-16.1%) across Ukraine (Figure 1)
- **prices for consumer goods and services would rise moderately:** 75.0% of respondents expected the inflation rate to be lower than 7.5% (compared with 53.8% in the previous quarter and 55.6% across Ukraine). Respondents referred to production costs as **the main inflation driver** (Figure 2)
- **the hryvnia would depreciate markedly:** 63.6% of respondents (compared with 46.2% in the previous quarter) expected the hryvnia to weaken against the US dollar, with a figure of 83.2% across Ukraine
- **the financial and economic standings of their companies would deteriorate** (such expectations have been reported for four quarters running: the balance of expectations was (-25.0%) compared with (-15.4%) in the previous quarter. Companies across Ukraine expected an improvement in their financial and economic standings. The balance of responses was 4.4% (see Table)
- **total sales would decrease:** the balance of responses was (-18.2%) compared with (-23.1%) in the previous quarter (Table). Respondents also expected a decrease in external sales (the balance of responses was (-33.3%) compared with (-25.0%) in Q2 2020). Overall, companies across Ukraine expected sales to increase moderately, the balances of responses were 9.8% and 4.3% respectively
- **investment in construction would decrease:** the balances of responses were (-50.0%) compared with (-38.5%) in Q2 2020. **Investment in machinery, equipment, and tools was expected to remain unchanged:** the balance of response was 0.0% compared with (-30.8%) in the previous quarter. Across Ukraine, the balances of responses were (-4.7%) and 5.2% respectively
- **staff numbers at their companies would drop** noticeably: the balance of responses was (-33.3%) (one of the most pessimistic figure across the regions) compared with (-41.7%) in Q2 2020 and (-10.8%) across Ukraine (Figure 4)
- **purchase prices would rise at a faster pace** (the balance of responses was 83.3%) than selling prices (the balance of responses was 33.3%) compared with 76.9% and 38.5% respectively in the previous quarter (Figure 6). Respondents cited exchange rate as **the main selling price driver**. The impact of wage costs and demand were assessed to be significantly higher than in the previous quarter (Figure 7)
- **per-unit production costs and wage costs per staff member would increase** at a faster pace: the balances of responses were 50.0% and 58.3% respectively (compared with 30.8% for each in Q2 2020) (Figures 6 and 4).

High raw material and supplies prices and weak demand were cited as **the main drags on the ability of companies to boost production** (Figure 5).

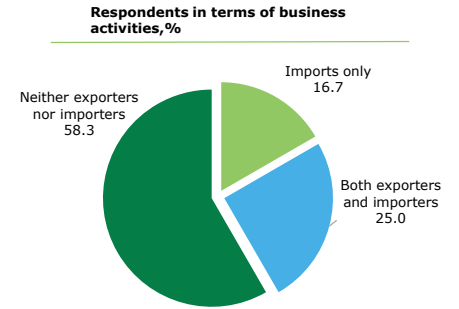
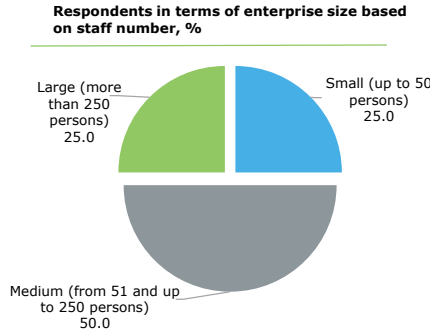
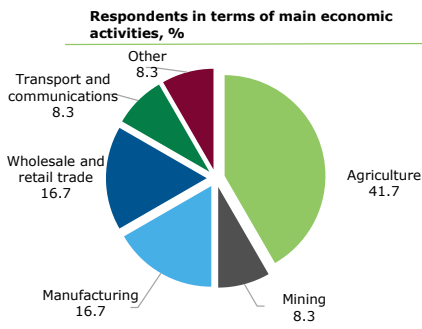
**Respondents expected an increase in their borrowing needs** in the near future (Figure 8). The respondents who planned to take out corporate loans (41.7% of respondents) usually opted for domestic currency loans. Respondents assessed the tightening of lending standards as lower than in the previous quarter (Figure 9). Respondents continued to cite high loan rates as the main factor that deterred them from taking out loans. Respondents also assessed the impact of uncertainty about ability to meet debt obligations as they fall due as high (Figure 10).

**91.7% 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)**

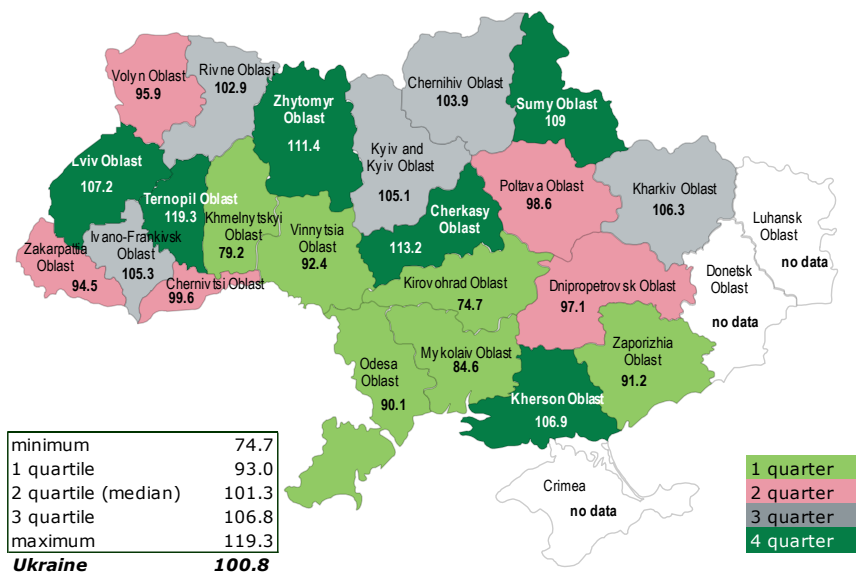
- **The current financial and economic standings of companies improved and were assessed as good:** the balance of responses was 8.3% compared with (-23.1%) in Q2 2020. Across Ukraine, respondents assessed the current financial and economic standings of their companies as bad: the balance of responses was (-5.6%).
- **Finished goods stocks had decreased and were assessed at a level lower than the normal one:** the balance of responses was (-12.5%) compared with 12.5% in Q2 2020.
- **Companies were operating on the verge of their production capacity:** the balance of responses was 0.0% as in the previous quarter.

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



- Period: 4 through 26 August 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 Regions<sup>3</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 Kirovohrad 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	31.3	-7.1	-8.3	-15.4	-25.0
Total sales	18.8	-20.0	-16.7	-23.1	-18.2
Investment in construction	-35.7	-28.6	-37.5	-38.5	-50.0
Investment in machinery, equipment and tools	-13.3	7.1	-9.1	-30.8	0.0
Staff numbers	-25.0	-33.3	-8.3	-41.7	-33.3

<sup>1</sup> This sample was generated in proportion to the contribution of each region 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

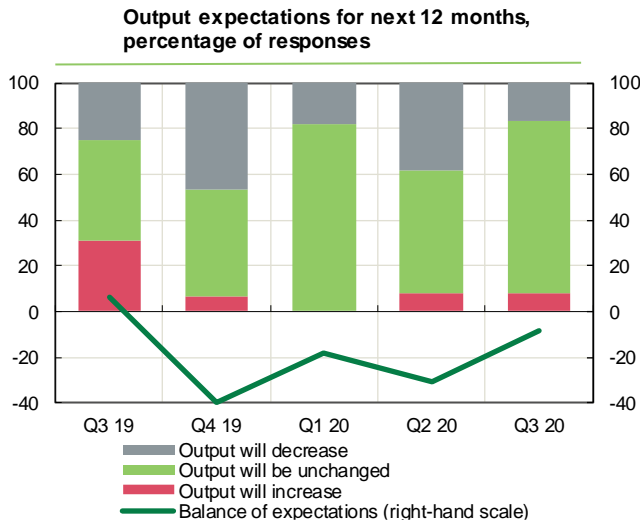


Figure 2

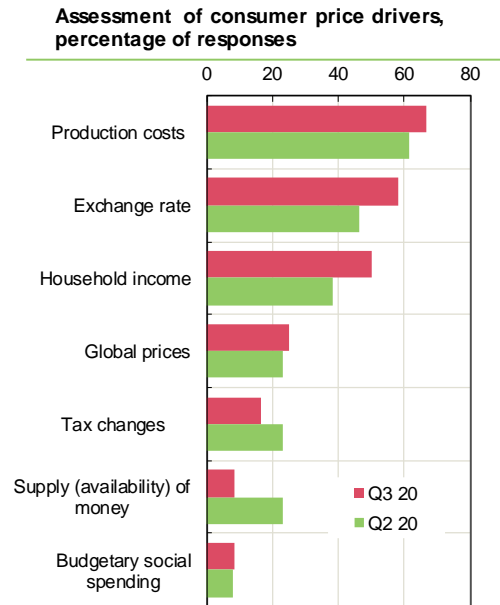


Figure 3

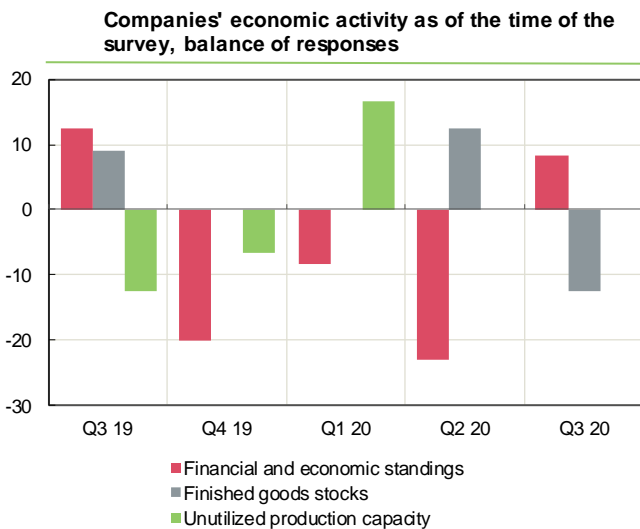


Figure 4

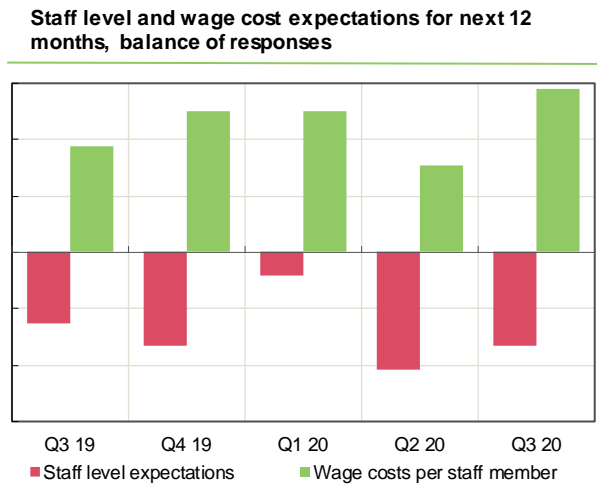


Figure 5

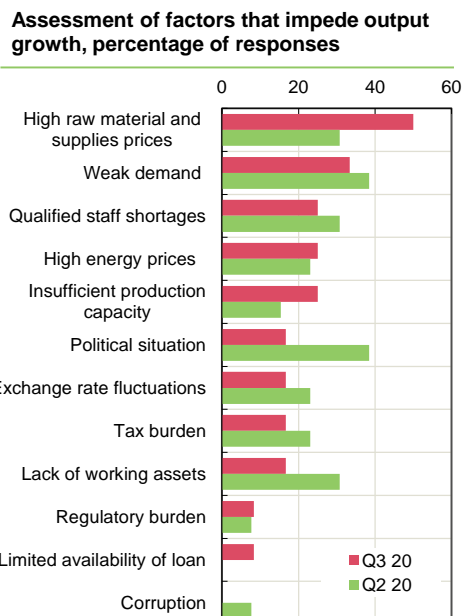


Figure 6

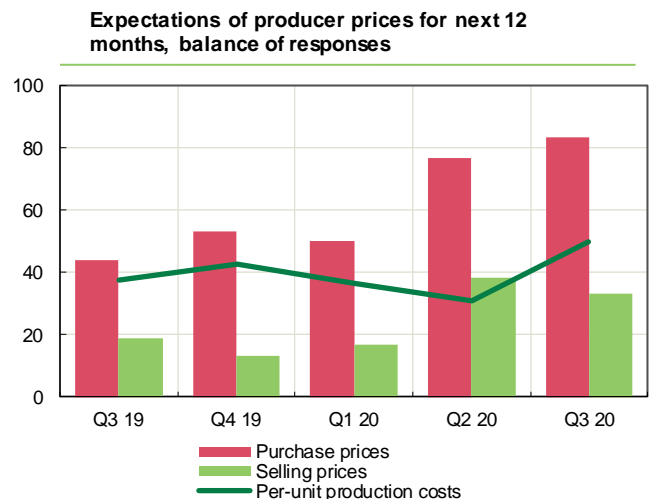


Figure 7

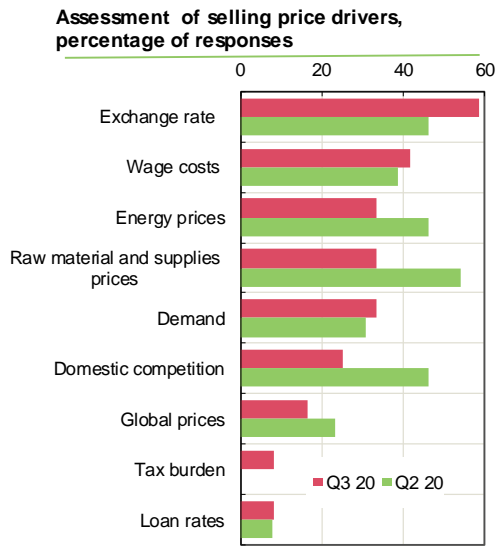


Figure 8

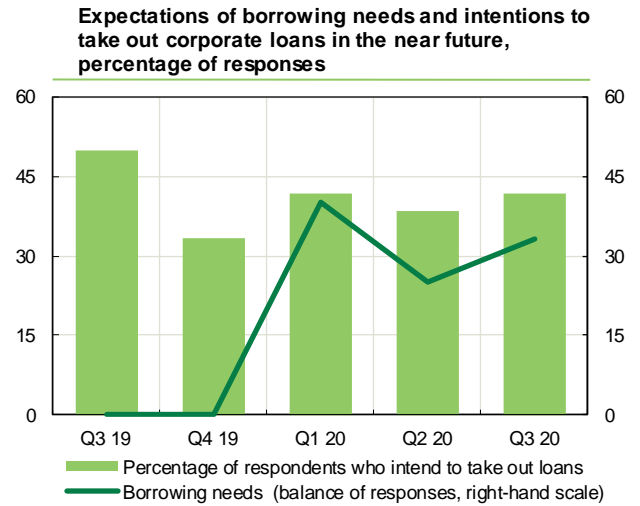


Figure 9

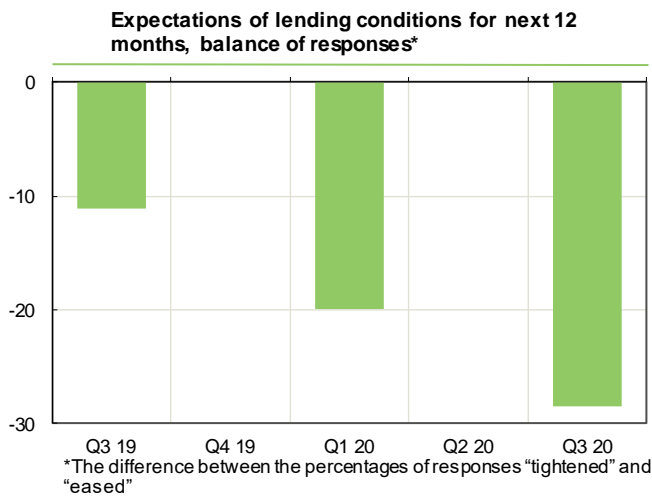


Figure 10

