



National Bank
of Ukraine

Business Outlook Survey of Mykolaiv 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 Mykolaiv oblast (top managers of companies) who were polled in Q2 2020, and does not represent NBU forecasts or estimates

A survey carried out in **Mykolaiv oblast** in Q2 2020 showed that respondents expected a significant 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 prices for consumer goods and services to increase markedly and reported higher depreciation expectations.¹

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

- **the output of Ukrainian goods and services would drop rapidly:** the balance of expectations was (-56.3%) compared with 37.5% in Q1 2020 and (-34.1%) across Ukraine (Figure 1)
- **prices for consumer goods and services would increase significantly:** 62.5% of respondents expected the inflation rate to be higher than 7.5% compared with 45.1% across Ukraine. Respondents referred to production costs and the exchange rate as **the main inflation drivers** (Figure 2)
- **the hryvnia would depreciate at a faster pace:** 87.5% of respondents (compared with 56.3% 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 significantly:** the balance of expectations was (-37.5%) compared to 20.0% in the previous quarter and (-1.8%) across Ukraine (see Table)
- **total sales would decrease:** the balance of responses was (-31.3%) compared with 56.3% in the previous quarter and (-0.1%) across Ukraine. External sales were expected to increase at a much slower pace: the balance of responses was 20.0% compared with 60.0% in Q1 2020
- **investment both in construction and in machinery, equipment and tools would decrease significantly:** the balances of responses were (-43.8%) for each (compared to 13.3% and 33.3% in Q1 2020). Across Ukraine, the balances of responses were (-16.1%) and (10.5%) respectively
- **staff numbers at their companies would decrease** at a fast pace: the balance of responses was (-50.0%) compared with (-6.3%) in Q1 2020 and (-17.3%) across Ukraine (Figure 4)
- **purchase prices would rise at a faster pace** (the balance of responses was 87.5%) than selling prices (the balance of responses was 37.5%) (compared with 81.3% and 37.5% in the previous quarter) (Figure 6). The exchange rate, energy and raw material and supplies prices were cited as the main selling price drivers (Figure 7)
- **the growth in per-unit production costs and wage costs per staff member would decelerate:** the balances of responses were 25.0% and 40.0% respectively (compared with 56.3% and 81.3% in Q1 2020).

Respondents referred to high raw material and supplies prices as the **main drag on the ability of their companies to boost production** (Figure 5). The impact of the political situation and the regulatory burden were assessed to be significantly higher than in the previous quarter.

Respondents expected a significant increase in their borrowing needs in the near future (Figure 8). The respondents that planned to take out bank loans opted for domestic currency loans. Respondents said that lending standards had remained unchanged (Figure 9). High loan rates were cited as the major factor that deterred companies from taking out loans (Figure 10).

A total of **87.5% of respondents** said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.5% across Ukraine).

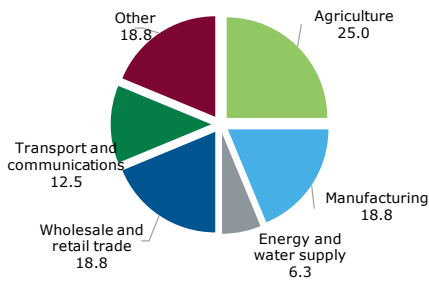
Assessments of financial and economic standings as of the time of the survey (Figure 3)

- **The current financial and economic standings of companies had deteriorated and were assessed as bad:** the balance of responses was (-12.5%) (compared with 0.0% in the previous quarter and (-11.6%) across Ukraine).
- **Finished goods stocks had decreased and were assessed at a level lower than the normal one:** the balance of responses was (-55.6%) compared with 0.0% in Q1 2020.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 18.8% (compared with 26.7% in Q1 2020).

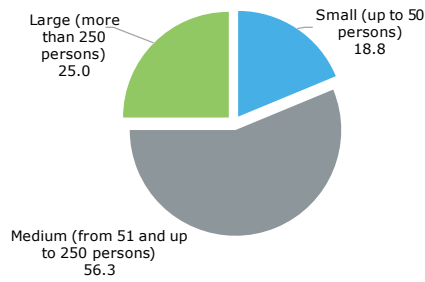
¹ This survey was conducted after the government announced it would relax the quarantine.

Survey Details^{2,3}

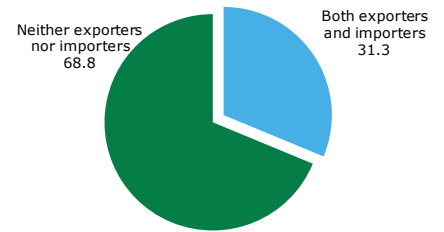
Respondents in terms of main economic activities, %



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

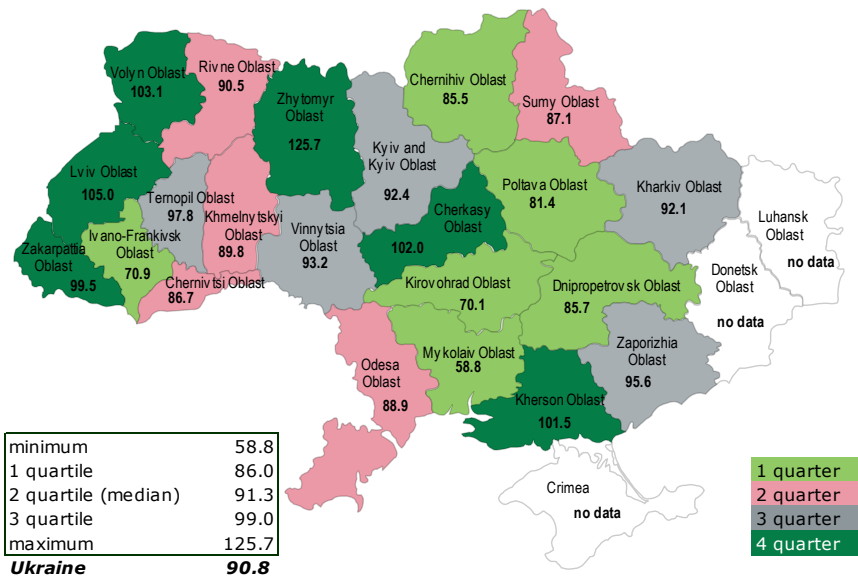


Respondents in terms of business activities, %



- Period: 5 May through 2 June 2020.
- A total of 16 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 Mykolaiv 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	18.8	12.5	12.5	20.0	-37.5
Total sales	44.4	43.8	33.3	56.3	-31.3
Investment in construction	5.6	-11.8	0.0	13.3	-43.8
Investment in machinery, equipment and tools	22.2	11.8	17.6	33.3	-43.8
Staff numbers	-5.6	-31.3	-16.7	-6.3	-50.0

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

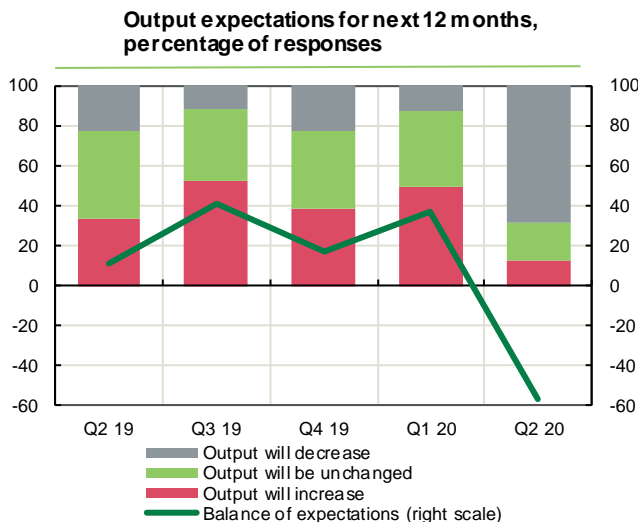


Figure 2

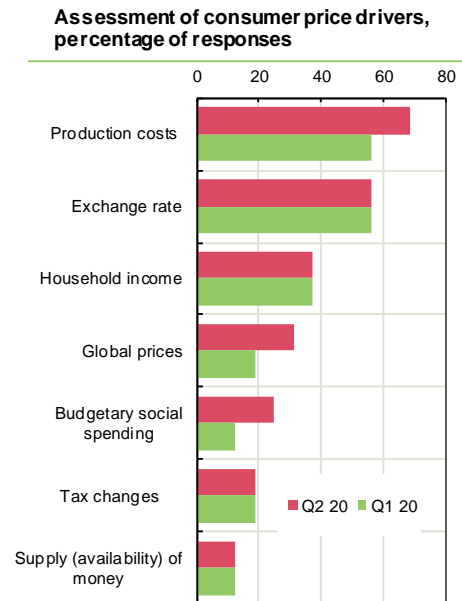


Figure 3

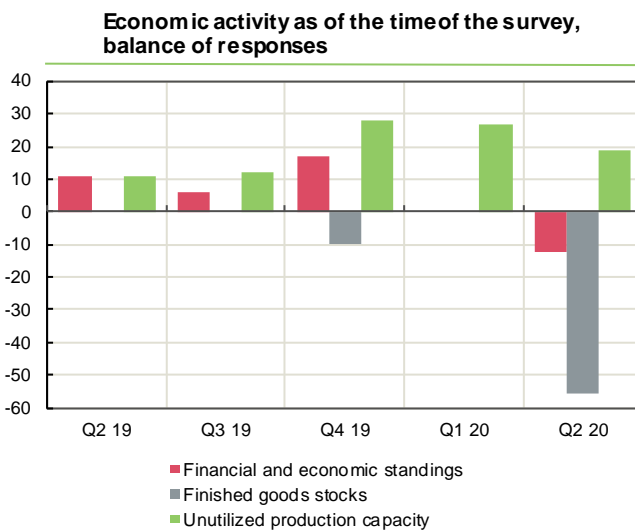


Figure 4

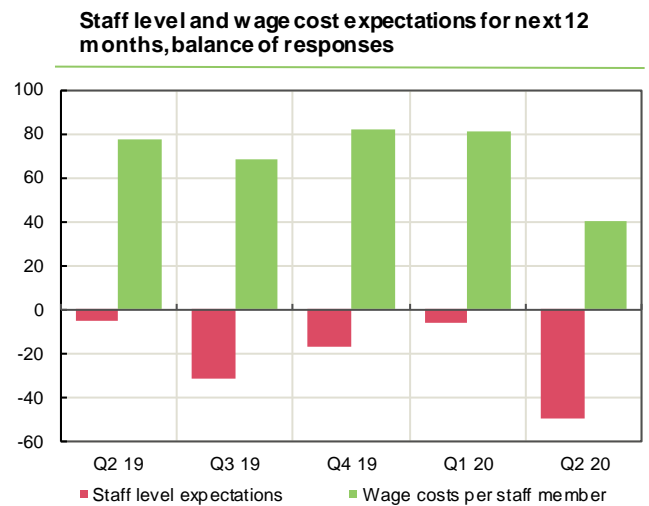


Figure 5

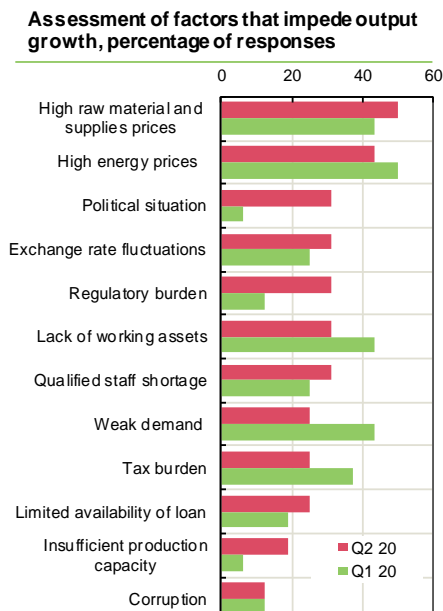


Figure 6

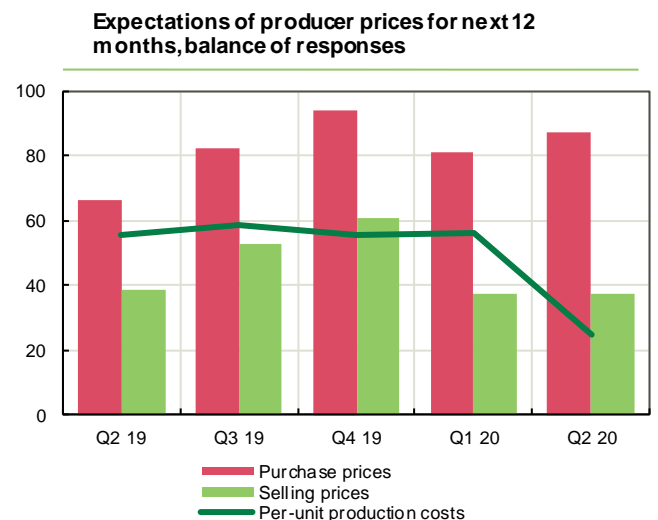


Figure 7

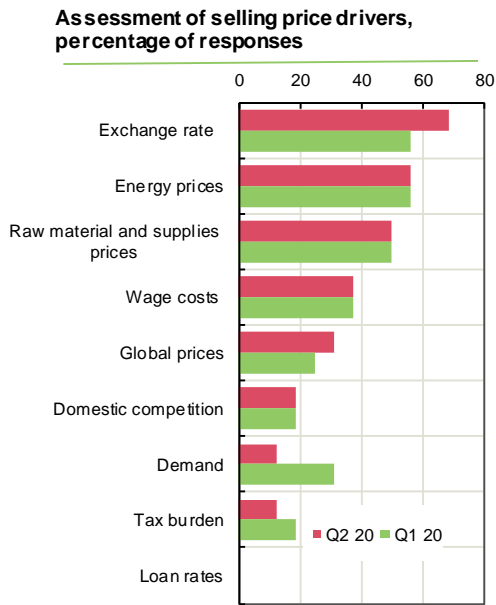


Figure 8

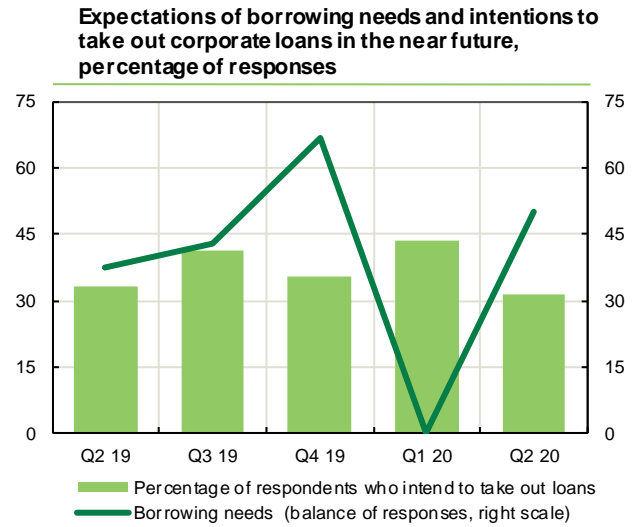


Figure 9

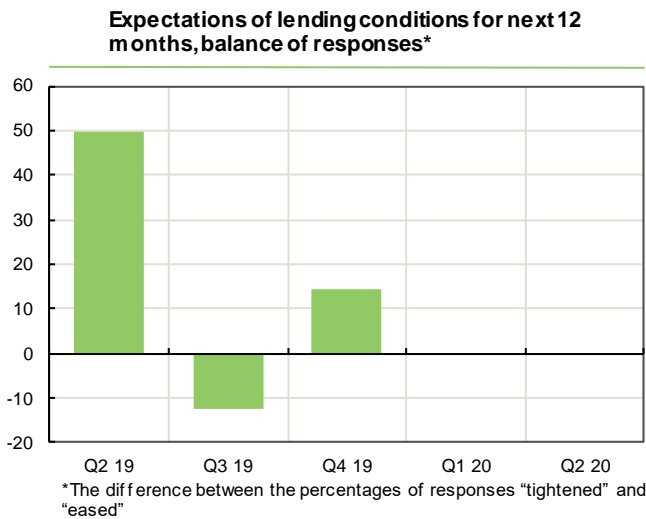


Figure 10

