



National Bank
of Ukraine

Business Outlook Survey of Mykolaiv Oblast*

Q3 2020



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

A survey carried out in **Mykolaiv oblast** in Q3 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 amid the extended adaptive quarantine. Inflation and depreciation expectations remained high.

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 (-37.5%) (one of the lowest figures across the regions) compared with (-56.3%) in Q2 2020 and (-16.1%) across Ukraine (Figure 1)
- **prices for consumer goods and services would increase:** 56.3% of respondents expected the inflation rate to be higher than 7.5% compared with 62.5% in the previous quarter and 44.4% across Ukraine. Respondents referred to production costs and the exchange rate as **the main inflation drivers** (Figure 2)
- **the hryvnia would depreciate significantly:** 87.5% of respondents (as 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 deteriorate** at a lower pace: the balance of expectations was (-6.7%) compared to (-37.5%) in the previous quarter (see Table). Companies across Ukraine expected an improvement in their financial and economic standings (4.4%)
- **total sales would increase:** the balance of responses was 6.3% compared with (-31.3%) in the previous quarter. External sales were expected to decrease: the balance of responses was (-16.7%) compared with 20.0% in Q2 2020. Overall, companies across Ukraine expected sales to increase moderately, the balances of responses being 9.8% and 4.3% respectively
- **investment both in construction and in machinery, equipment, and tools would decrease:** the balances of responses were (-31.3%) and (-18.8%) respectively (compared to (-43.8%) for each in Q2 2020). Across Ukraine, the balances of responses were (-4.7%) and 5.2% respectively
- **staff numbers at their companies would decrease:** the balance of responses was (-26.7%) compared with (-50.0%) in Q2 2020 and (-10.8%) across Ukraine (Figure 4)
- **purchase prices would rise at a faster pace** (the balance of responses was 93.8%) **than selling prices** (the balance of responses was 43.8%) (compared with 87.5% and 37.5% in the previous quarter) (Figure 6). The exchange rate and energy, 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 accelerate:** the balances of responses were 43.8% and 60.0% respectively (compared with 25.0% and 40.0% in Q2 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 weak demand was assessed significantly higher than in the previous quarter.

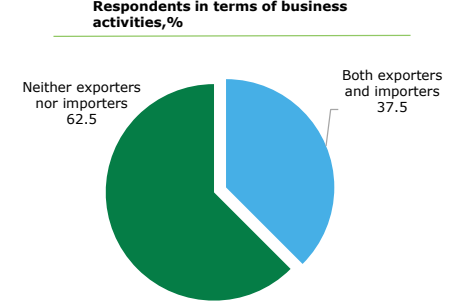
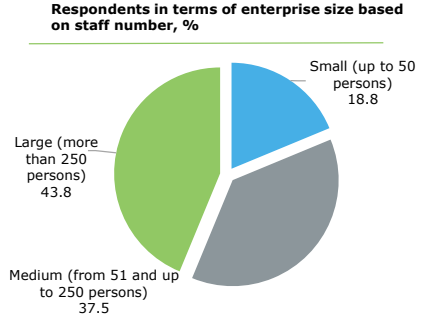
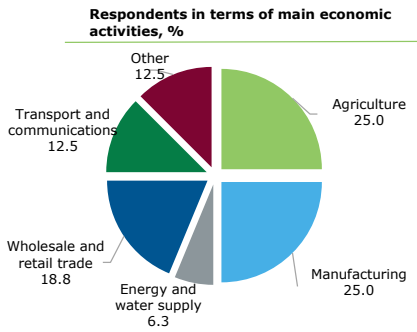
Respondents expected a slower increase in their borrowing needs in the near future (Figure 8). 50.0% of the respondents that planned to take out bank loans opted for domestic currency loans. Respondents said that bank lending standards had tightened (Figure 9). High loan rates were cited as the major factor that deterred companies from taking out loans (Figure 10).

A total of **93.8% 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)

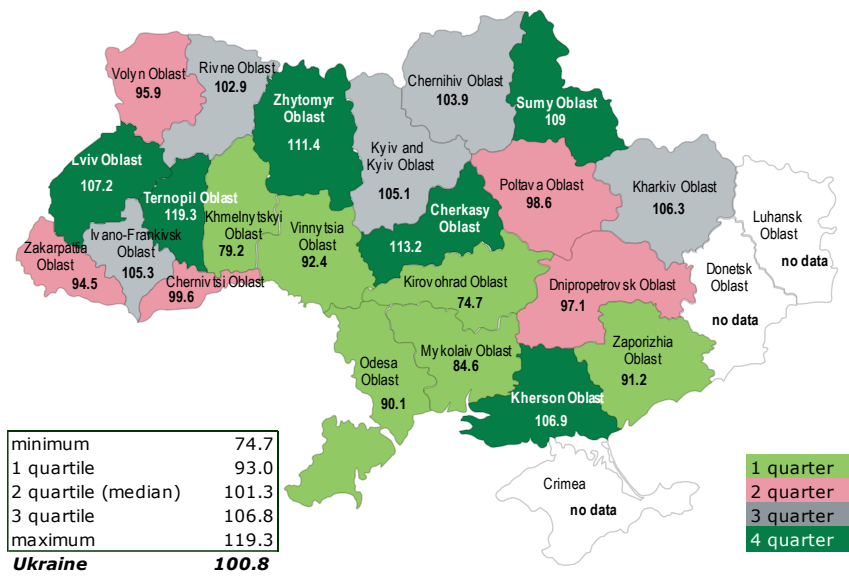
- **The current financial and economic standings of companies were assessed as satisfactory:** the balance of responses was 0.0% (compared with (-12.5%) in the previous quarter). Across Ukraine, respondents assessed their current financial and economic standings as positive, with a balance of responses of (-5.6%) across Ukraine.
- **Finished goods stocks were assessed at a level lower than the normal one:** the balance of responses was (-40.0%) compared with (-55.6%) in Q2 2020.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 12.5% (compared with 18.8% in Q2 2020).

Survey Details^{1,2}



- Period: 5 through 31 August 2020.
- A total of 16 companies were polled.
- A representative sample was generated on the basis of the agricultural and manufacturing sectors.

Business Outlook Index for Next 12 Months in Terms of Regions³, %



¹a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups
²a 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, %				
	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20
Financial and economic standings	12.5	12.5	20.0	-37.5	-6.7
Total sales	43.8	33.3	56.3	-31.3	6.3
Investment in construction	-11.8	0.0	13.3	-43.8	-31.3
Investment in machinery, equipment and tools	11.8	17.6	33.3	-43.8	-18.8
Staff numbers	-31.3	-16.7	-6.3	-50.0	-26.7

¹ This sample was generated in proportion to the contribution of each region and each economic activity to Ukraine's gross value added.
² Data for totals and components may be subject to rounding effects.
³ 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

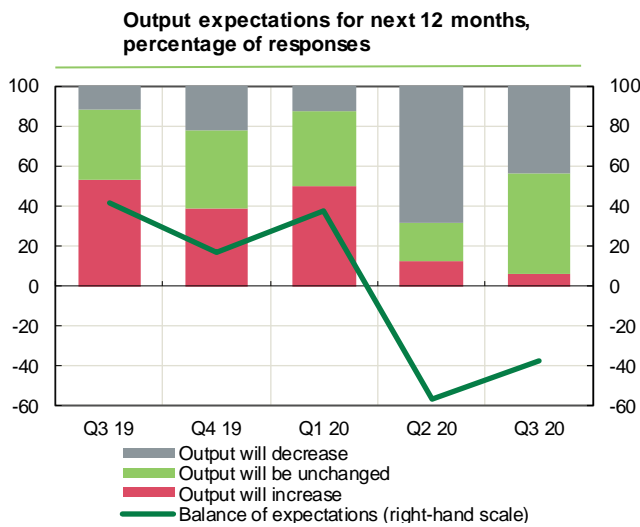


Figure 2

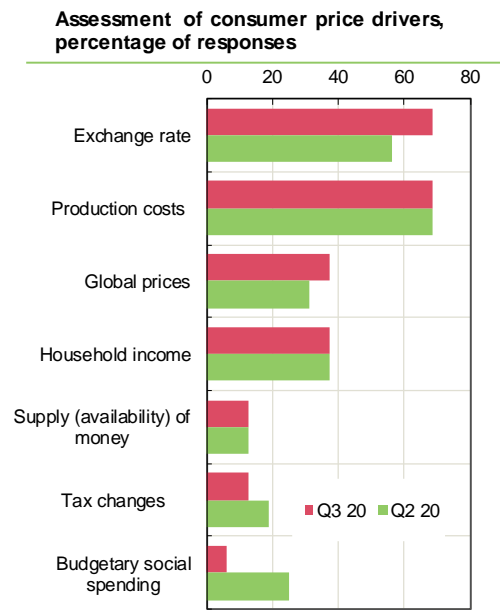


Figure 3

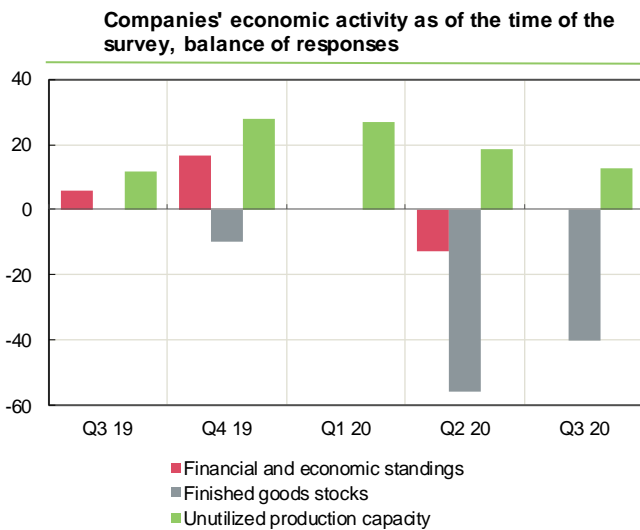


Figure 4



Figure 5

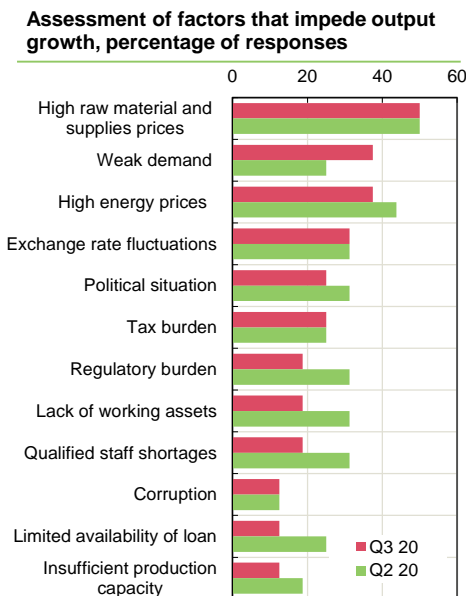


Figure 6

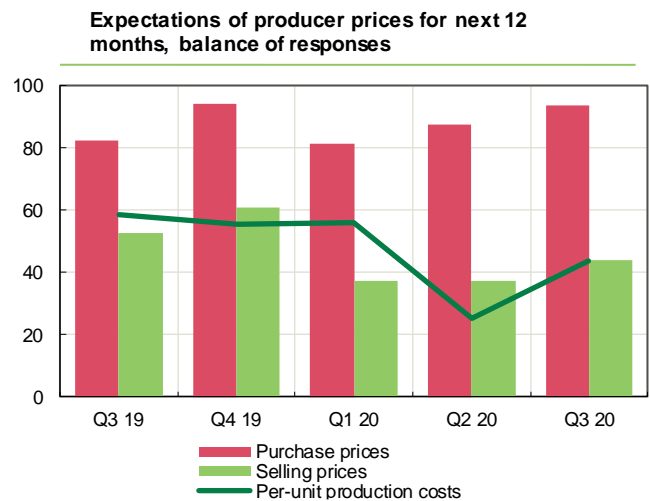


Figure 7

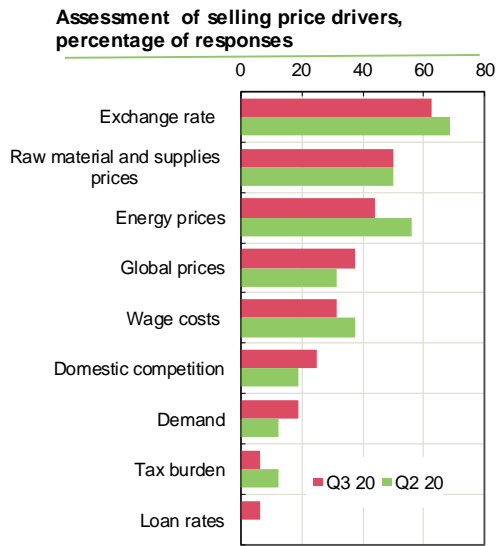


Figure 8

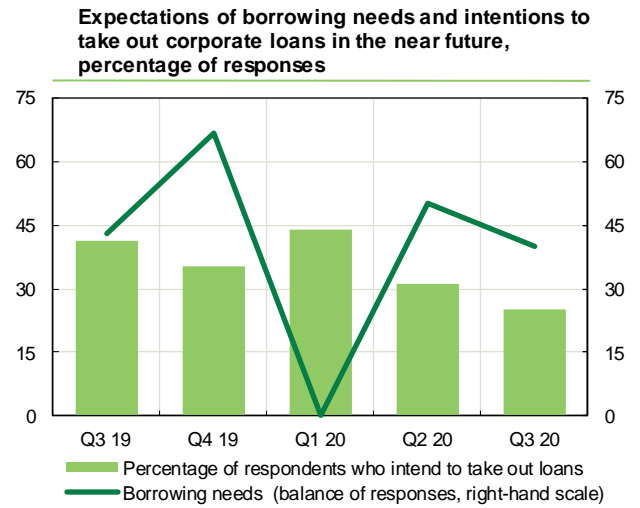


Figure 9

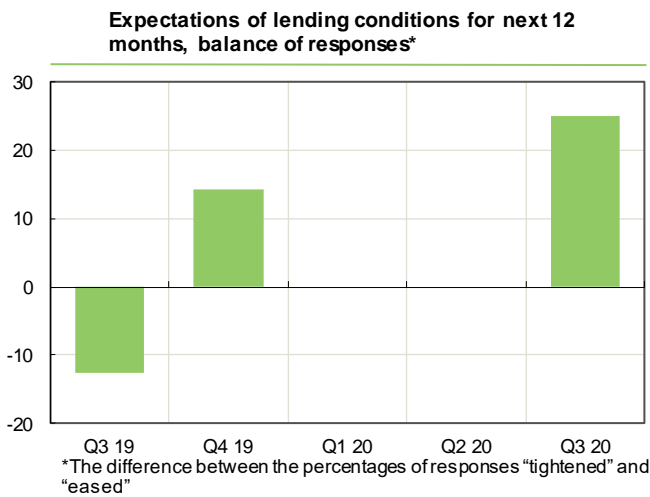


Figure 10

