



National Bank
of Ukraine

Business Outlook Survey of Odesa Oblast *

Q3 2019



*This survey only reflects the opinions of respondents in Odesa oblast (top managers of companies) who were polled in Q3 2019, and does not represent NBU forecasts or estimates

A survey of companies carried out in **Odesa oblast** in Q3 2019 showed that respondents had positive expectations that the Ukrainian economy would grow, and that their companies would continue to develop over the next 12 months.

Respondents expected that prices would increase further. Depreciation expectations softened.

Company managers said they expected that over the next 12 months:

- **the output of Ukrainian goods and services would increase** at a faster pace: the balance of expectations was 27.8% compared with 13.2% in Q2 2019 (Figure 1) and 30.5% across Ukraine (Figure 1). Respondents from manufacturing companies had the most optimistic expectations (the balance of responses was 60.0%).
- **prices for consumer goods and services would rise:** 54.3% of respondents said that price growth would not exceed 10.0% (compared to 60.5% in the previous quarter). Some 2.9% of respondents expected a decrease in prices for consumer goods and services. Respondents continued to refer to **production costs and hryvnia exchange rate fluctuations as the main inflation drivers** (Figure 2)
- **the hryvnia would depreciate** at a slower pace: 63.9% of respondents (compared with 83.8% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 69.0%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 17.1% (compared to 15.8% in the previous quarter and 20.0% across Ukraine) (see Table). Respondents in the manufacturing sector had the most optimistic expectations, the balance of responses being 60.0%
- **total sale growth would decelerate:** the balance of responses was 16.7% compared with 30.6% in the previous quarter. External sales were expected to increase at a faster pace, the balance of responses being 17.6% (10.0% in Q2 2019). The balances of responses across Ukraine were 27.1% and 22.7% respectively
- **investment in construction and in machinery, equipment, and tools would increase:** the balances of responses were 9.4% and 24.2% respectively compared with 2.9% and 23.5% in the previous quarter and 9.3% and 17.7% across Ukraine
- **staff numbers would remain unchanged:** the balance of responses was 0.0% compared with 2.7% in Q2 2019 (Figure 4). An increase in staff numbers was expected across Ukraine (2.2%). Companies in the agricultural sector and in other economic activities expected a reduction in their staff numbers
- **the growth in both purchase and selling prices would decelerate:** the balances of responses were 75.0% and 38.9% respectively (compared to 89.5% and 44.7% in Q2 2019) (Figure 6). Some 56.8% of respondents said that raw material and supplies prices were 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 57.1% and 44.4% respectively compared with 73.7% and 59.5% in Q2 2019 (Figures 4 and 6).

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

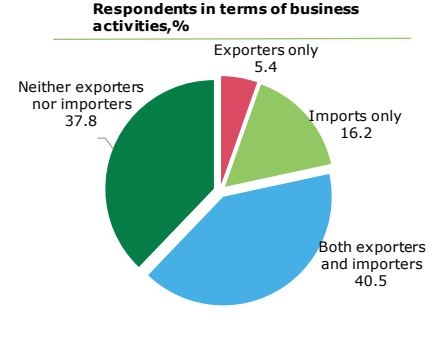
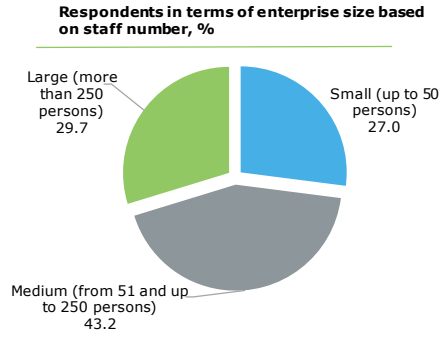
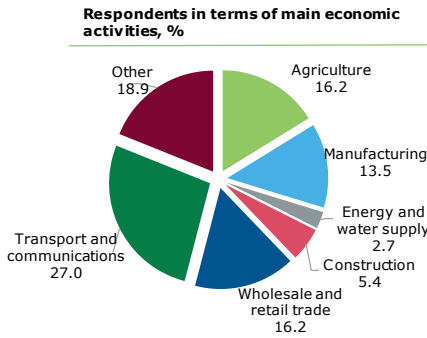
Respondents expected their **borrowing needs to increase** in the near future (Figure 8). Most of the respondents who plan to take out corporate loans usually opt for domestic currency loans. Businesses continued to report tight lending conditions (Figure 9). They also continued to refer to high interest rates as the main factor that deterred them from taking out corporate loans (Figure 10).

A total of 94.6% of respondents in the region said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (97.4% across Ukraine).

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

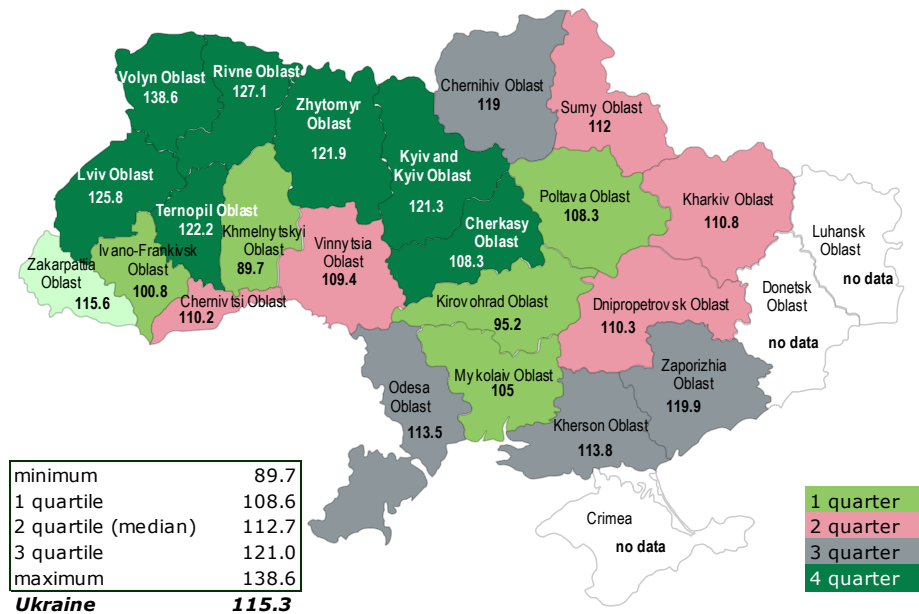
- **Respondents assessed their current financial and economic standings as good:** the balance of responses was 8.6% compared to 9.5% across Ukraine. The highest assessments were reported by respondents from agricultural companies (40.0%)
- **Finished goods stocks remained at a level below the normal one:** the balance of responses was (-20.0%) (in Q2 2019 it was (-26.7%)).
- **Companies said they had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 9.4% (compared with 15.8% in Q2 2019).

Survey Details^{1,2}



- Period: 6 August through 2 September 2019.
- A total of 37 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, manufacturing, trade, transport and communications, and other economic activities.

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



*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 Odesa Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19
Financial and economic standings	10.5	5.3	13.2	15.8	17.1
Total sales	12.8	7.3	25.6	30.6	16.7
Investment in construction	5.7	0.0	8.8	2.9	9.4
Investment in machinery, equipment and tools	20.0	13.5	26.5	23.5	24.2
Staff numbers	-7.7	0.0	8.1	2.7	0.0

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 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

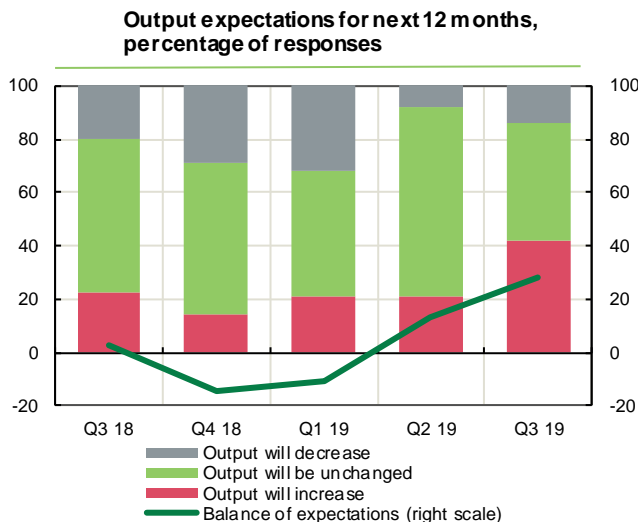


Figure 2

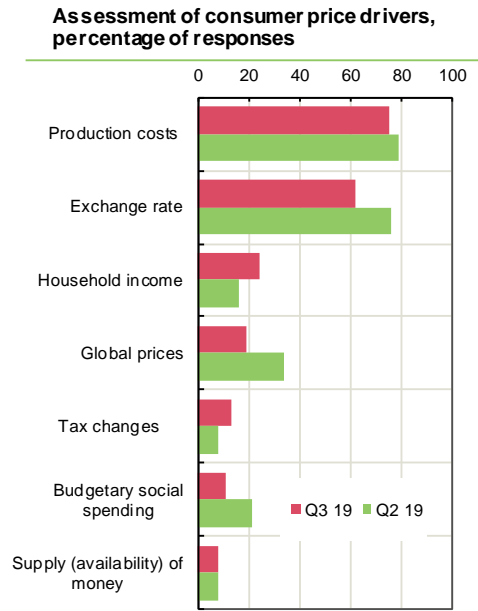


Figure 3

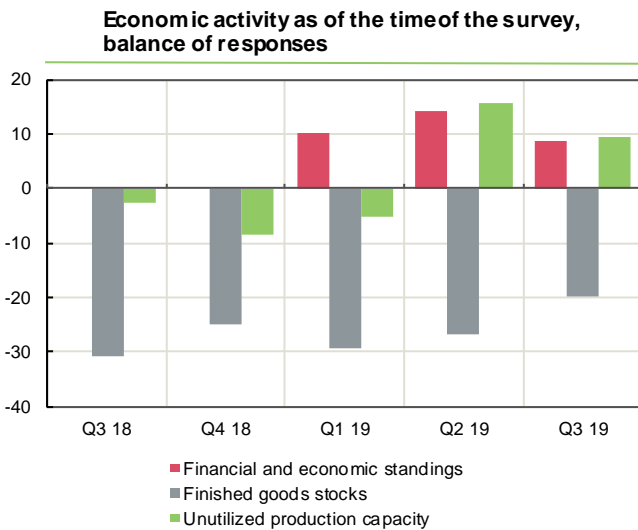


Figure 4

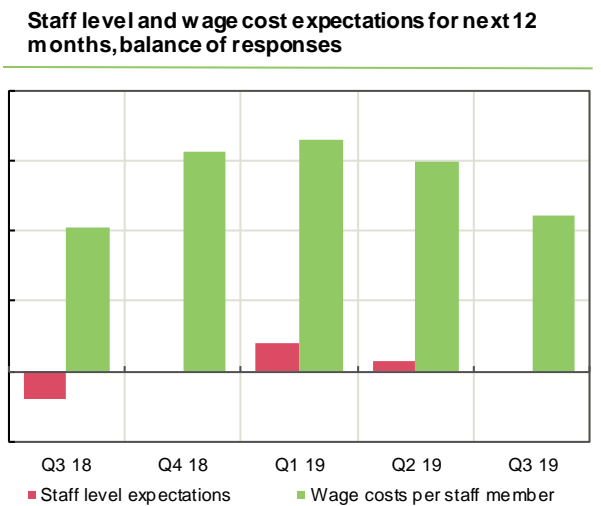


Figure 5

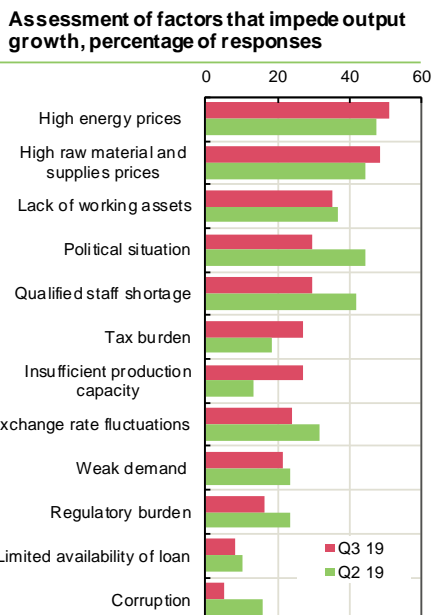


Figure 6

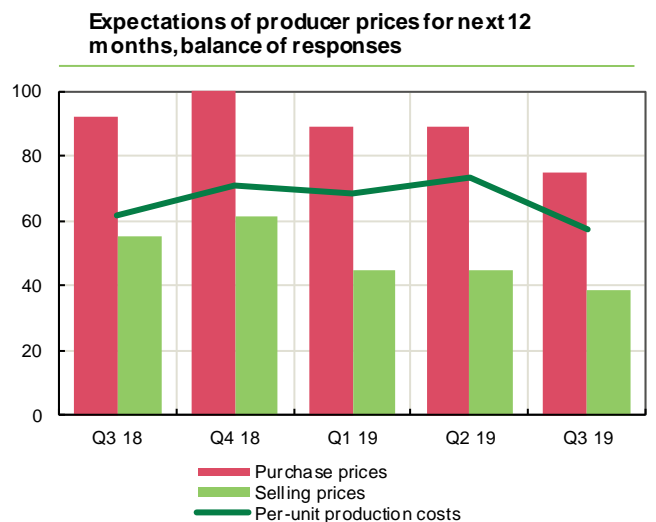


Figure 7

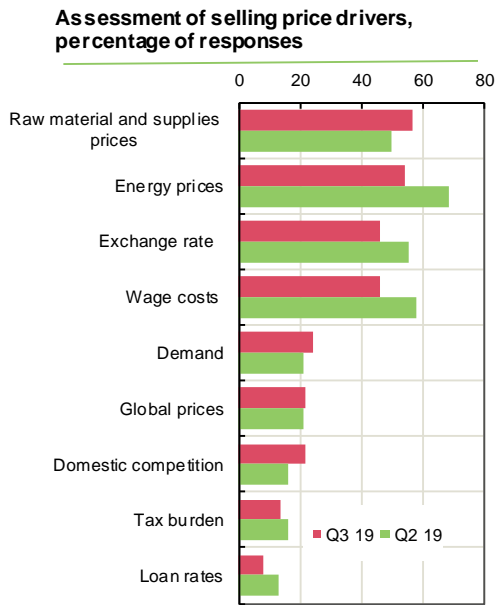


Figure 8

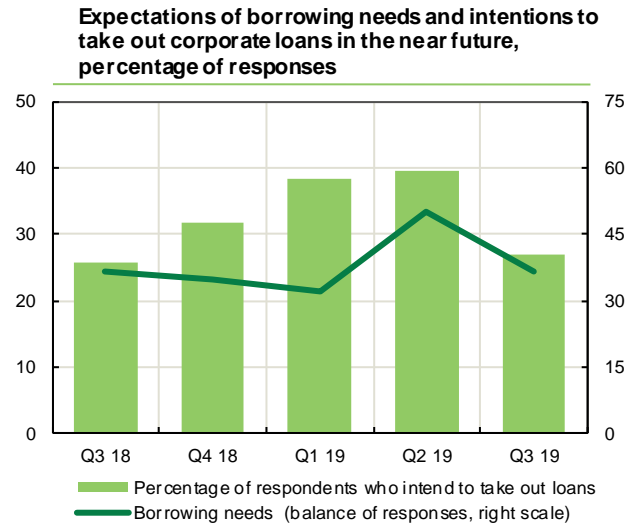


Figure 9

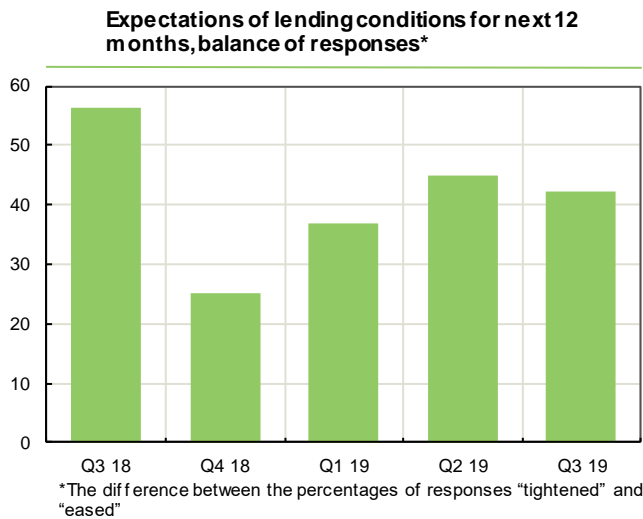
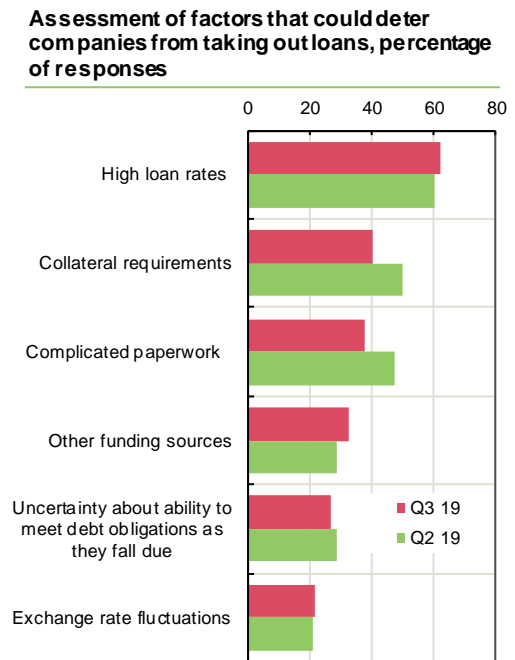


Figure 10



Key Indicators of Social and Economic Development of Odessa Oblast in 2014 – 2019

% of the same period of the previous year, unless stated otherwise

No.	Indicators	2014	2015	2016	2017	2018	2019							
							January	January - February	January - March	January - April	January - May	January - June	January - July	January - August
1	Volume indices of gross regional product (in previous year's prices, in percent)	98.3	95.8	104.2	104.2	100.9 ²	...	...	...	...	...	...	...	...
2	Industrial production index	99.7	96.1	109.2	112.2	92.4	101.2	96.0	98.5	98.8	100.5	99.6	101.3	102.7
3	Mining and quarrying	46.6	86.0	198.1	153.3	80.4	-	170.0	368.9	235.7	89.0	87.9	70.9	73.5
4	Manufacturing	97.9	94.0	111.5	114.5	91.3	100.3	95.2	98.9	99.3	101.1	99.9	101.8	103.3
5	Production of food, beverages and tobacco	113.8	100.1	112.7	121.2	90.0	102.6	97.1	103.5	101.9	104.7	104.3	105.2	106.4
6	Textile production, production of clothing, leather, leather goods and other materials	87.2	89.1	98.0	107.2	93.0	142.5	133.4	123.2	118.3	111.4	105.9	101.7	99.8
7	Production of wood products, paper, printing	106.4	74.6	89.0	88.3	99.4	92.1	101.3	101.8	102.8	103.1	100.9	101.6	97.9
8	Production of coke and petrochemicals	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Production of chemicals and chemical products	84.9	119.0	77.3	65.1	82.7	54.9	26.0	26.4	30.3	37.3	41.0	45.3	61.4
10	Production of rubber and plastic products, other nonmetallic mineral products	88.8	91.9	128.2	115.3	97.5	80.8	84.4	94.2	101.2	102.9	107.1	113.4	116.7
11	Metallurgical production, manufacturing of finished metal products, except machinery and equipment	78.0	103.1	117.9	115.6	107.1	87.2	86.9	90.3	89.1	88.8	89.4	91.2	91.4
12	Mechanical engineering, except for repair and installation of machinery and equipment	93.1	109.0	110.1	105.8	96.0	81.3	77.7	83.0	91.5	91.6	90.1	90.6	89.3
13	Electricity, gas, steam and conditioning air supply	109.5	105.1	94.5	96.3	101.1	106.6	100.0	95.0	95.2	96.6	97.5	98.1	98.7
14	Agricultural production index	97.4	96.2	111.6	99.4	101.1	97.8	96.7	95.4	95.1	95.0	91.7	94.8	94.9
15	Construction production index	94.9	80.2	133.8	149.3	111.5	170.9	160.4	110.1	117.4	107.0	89.4	90.1	91.2
16	Freight turnover	102.2	105.7	88.9	105.7	96.8	97.0	99.0	102.1	103.4	104.9	104.9	105.5	105.2
17	Passenger turnover	85.5	100.1	125.8	98.2	99.6	101.9	101.3	102.1	105.3	103.9	101.2	101.4	102.6
18	Volume index of retail trade turnover (in comparable prices, in percent)	91.2	84.2	106.3	114.1	103.4	107.8	107.8	109.2	109.0	115.2	116.1	115.0	113.3
19	Profit/loss of large and medium companies before tax (UAH million) ³	-29526.0	-15663.4	-1024.6	6793.2	...	...	...	...	...	...	...	...	...
20	Capital investment index	67.3	79.6	163.4	128.8	95.9	...	...	108.4	...	...	92.8	...	...
21	Consumer price index (compared with December of previous year)	127.2	144.6	113.6	114.6	109.3	101.0	101.4	102.6	103.2	104.3	103.9	102.7	102.5
22	Real disposable income	83.8	88.0	104.9	110.6	109.8 ²	...	...	...	...	...	...	...	...
23	Real wage index	93.2	80.6	108.1	116.6	110.5	105.6	107.5	107.9	108.1	107.0	106.4	106.1	106.1
24	Number of applicants per vacancy as of end of period	7	9	5	5	4	4	3	2	2	2	2	2	1

¹ This information is confidential under the Law of Ukraine On State Statistics.

² Preliminary data.

³ These data exclude banks' profits/losses. Data on agricultural companies engaged in plant cultivation, animal husbandry and mixed farming are only available in annual reports.

Annual data include profits/losses of large, medium, small and micro companies.

Source: Ukraine's State Statistics Service

Legend

Periods (...) - no data

Dash (-) - no events