



National Bank  
of Ukraine

# Business Outlook Survey of Odesa Oblast \*

Q4 2019



\*This survey only reflects the opinions of respondents in Odesa oblast (top managers of companies) who were polled in Q4 2019, and does not represent NBU forecasts or estimates

A survey of companies carried out in **Odesa oblast** in Q4 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 reported weaker inflation expectations. Depreciation expectations increased.

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

- **the output of Ukrainian goods and services would increase:** the balance of expectations was 18.4% compared with 27.8% in Q3 2019 (Figure 1) and 21.9% across Ukraine (Figure 1). At the same time, companies from other economic activities expected a decline in output
- **the growth in the prices of consumer goods and services would decelerate:** 47.4% of respondents said that price growth would not exceed 7.5% (compared to 42.9% in the previous quarter). Some 2.6% 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 faster pace: 86.5% of respondents (compared with 63.9% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 70.7%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 10.5% (compared to 17.1% in the previous quarter and 18.6% across Ukraine) (see Table). Companies in other economic activities had the most optimistic expectations, the balance of responses being 33.3%
- **total sale growth would decelerate:** the balance of responses was 11.1% compared with 16.7% in the previous quarter. External sales were also expected to increase, the balance of responses being 14.3% (17.6% in Q3 2019). The balances of responses across Ukraine were 23.5% and 20.6% respectively
- **investment in construction and in machinery, equipment, and tools would increase:** the balances of responses were 9.1% and 5.9% respectively compared with 9.4% and 24.2% in the previous quarter and 4.7% and 14.7% across Ukraine
- **staff numbers would decrease:** the balance of responses was (-8.6%) compared with 0.0% in Q3 2019 and (-1.6%) across Ukraine (Figure 4)
- **the growth in both purchase and selling prices would accelerate:** the balances of responses were 81.6% and 47.4% respectively (compared to 75.0% and 38.9% in Q3 2019) (Figure 6). Respondents said that the exchange rate and energy prices were the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would grow:** the balances of responses were 52.8% and 54.3% respectively compared with 57.1% and 44.4% in Q3 2019 (Figures 4 and 6).

Political situation was named as the **main drag on the ability of companies to boost production** (the impact of this factor strengthened noticeably) (Figure 5). Respondents also assessed the impact of energy and raw material and supplies prices as high.

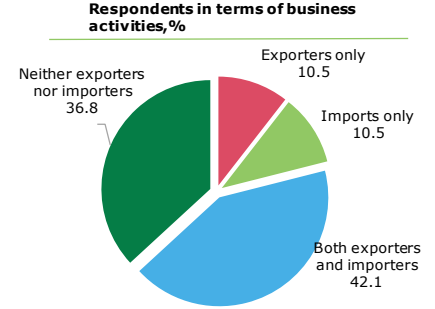
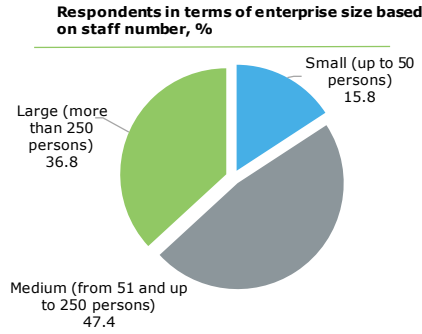
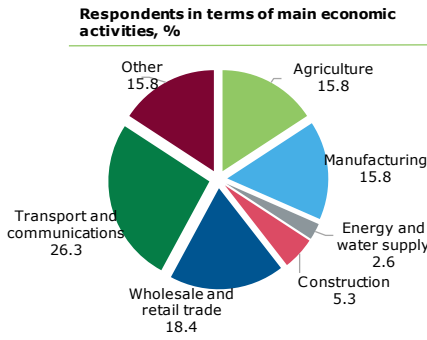
Respondents expected their **borrowing needs to increase** in the near future (Figure 8). A half of respondents planned to take out corporate loans and usually opted for domestic currency loans. Respondents assessed the tightening of lending standards as lower than in the previous quarter (Figure 9). 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 94.7% of respondents** in the region said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.4% 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 deteriorated and were assessed as bad:** the balance of responses was (-2.7%) (compared with 8.6% in Q3 2019 and 6.1% across Ukraine). Respondents in the agricultural sector had the most pessimistic expectations, with a balance of responses of (-50.0%).
- **Finished goods stocks remained at a level below the normal one:** the balance of responses was (-25.0%) (in Q3 2019 it was (-20.0%)).
- **Companies said they had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 7.9% (compared with 9.4% in Q3 2019).

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



- Period: 4 November through 3 December 2019.
- A total of 38 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 Regions<sup>3</sup>, %

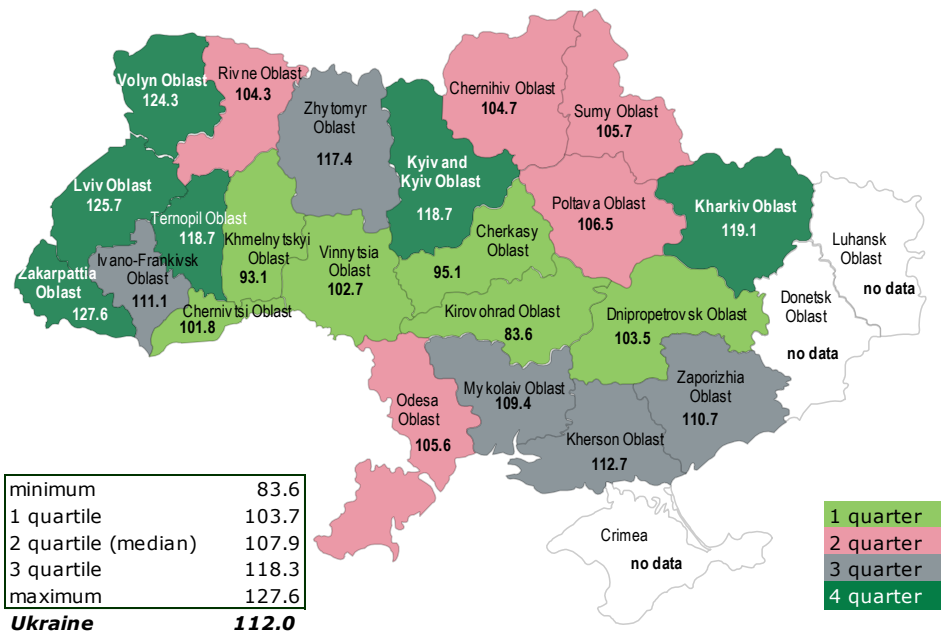


Table. The Business Outlook Index of Companies in Odesa Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
Financial and economic standings	5.3	13.2	15.8	17.1	10.5
Total sales	7.3	25.6	30.6	16.7	11.1
Investment in construction	0.0	8.8	2.9	9.4	9.1
Investment in machinery, equipment and tools	13.5	26.5	23.5	24.2	5.9
Staff numbers	0.0	8.1	2.7	0.0	-8.6

<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 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

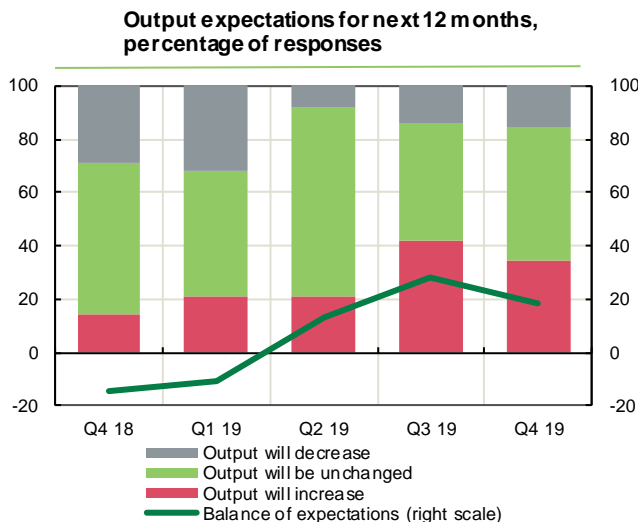


Figure 2

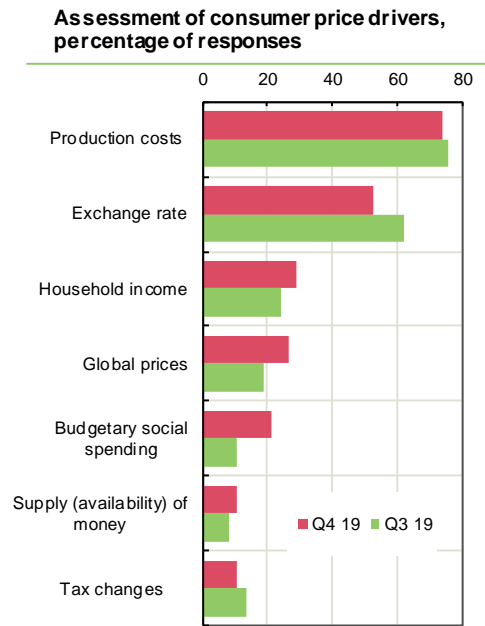


Figure 3

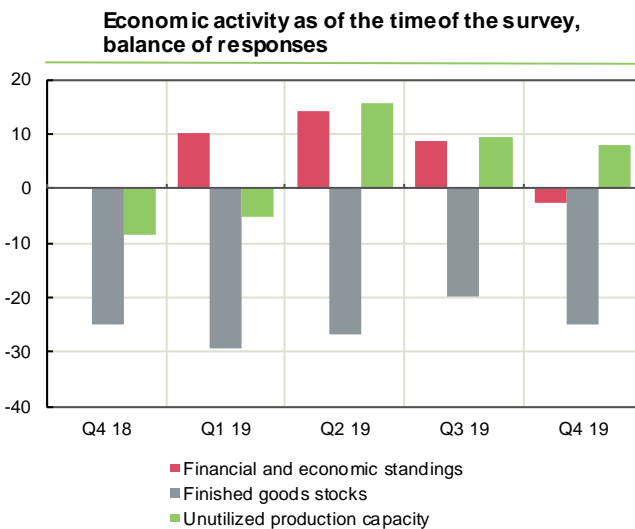


Figure 4

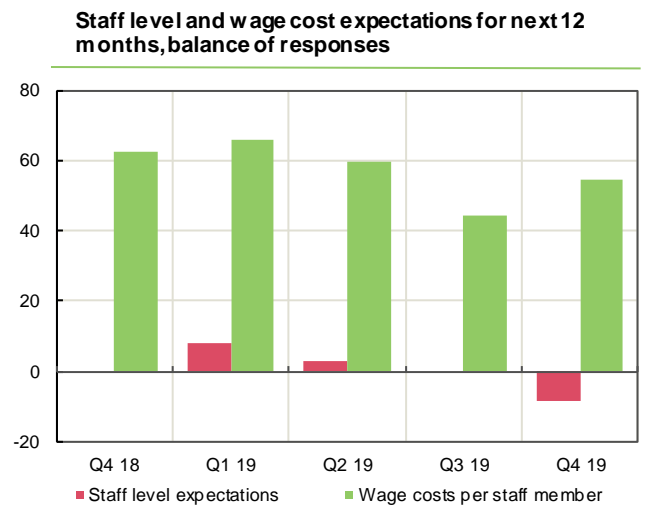


Figure 5

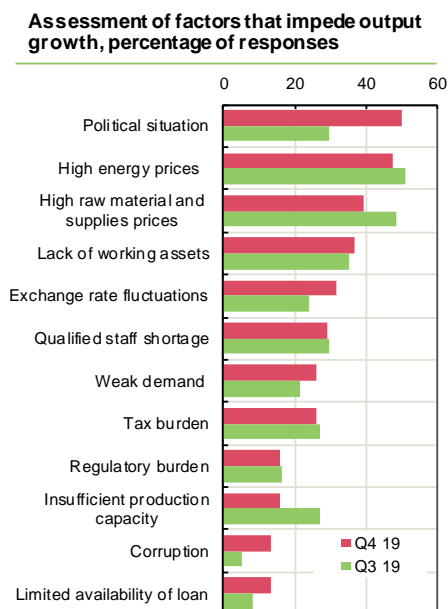


Figure 6

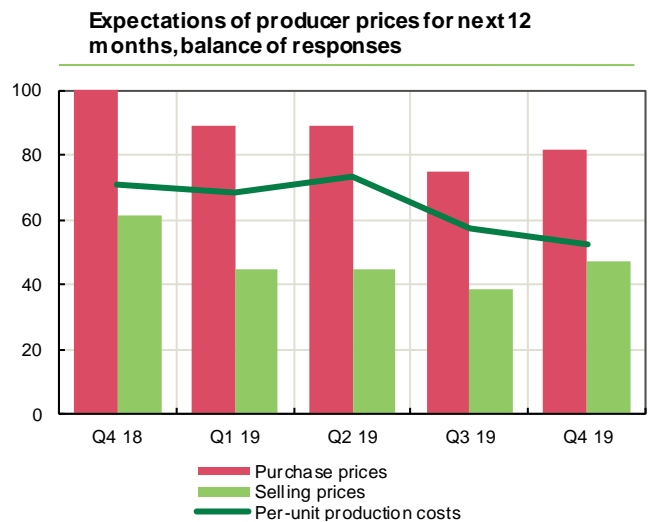


Figure 7

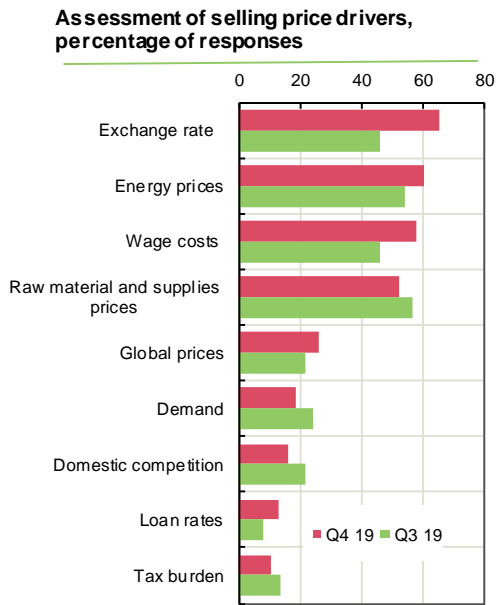


Figure 8

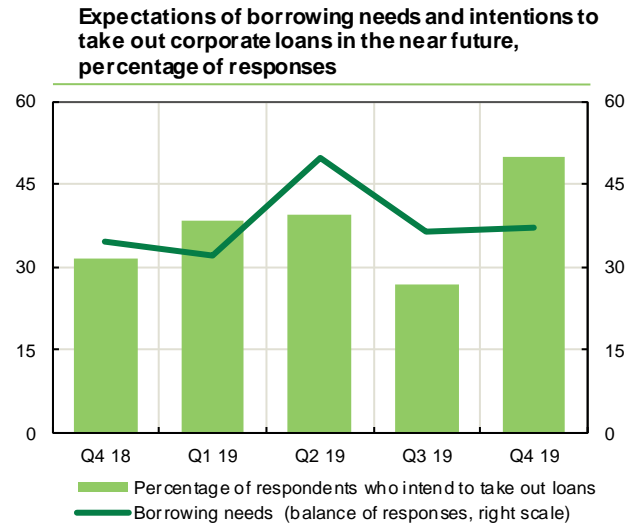


Figure 9

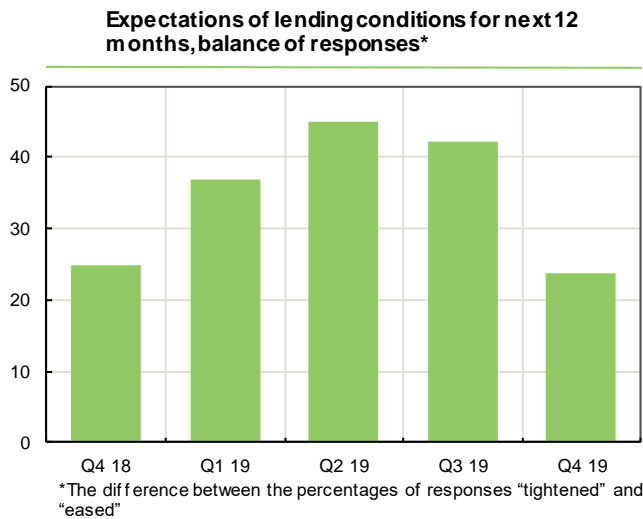
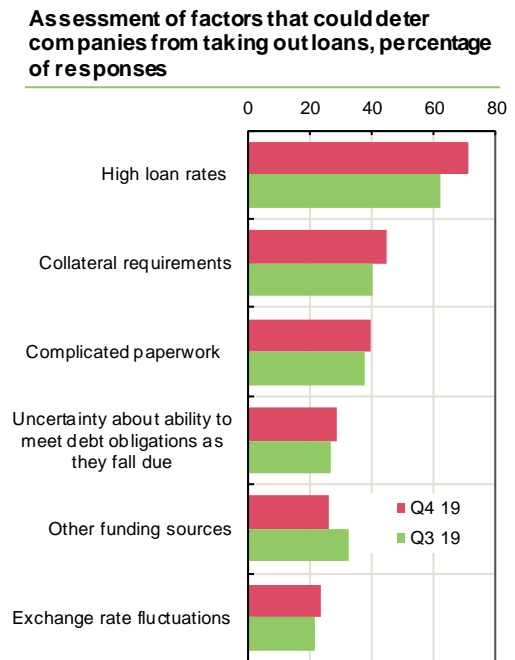


Figure 10



**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	January - September	January - October	January - November			
1	Volume indices of gross regional product (in previous year's prices, in percent)	98.3	95.8	104.2	104.2	100.9 <sup>2</sup>	...	...	...	...	...	...	...	...	...	...	...	...	...	...
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	104.4	105.3	106.8	106.8	106.8	106.8
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	74.0	69.3	72.7	72.7	72.7	72.7
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	105.2	106.1	107.7	107.7	107.7	107.7
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	106.4	107.0	108.9	108.9	108.9	108.9
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	97.1	93.6	92.5	92.5	92.5	92.5
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	99.0	99.2	98.3	98.3	98.3	98.3
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	78.2	90.1	102.0	102.0	102.0	102.0
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	119.2	119.2	119.3	119.3	119.3	119.3
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	91.9	92.8	92.7	92.7	92.7	92.7
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	92.3	91.1	91.0	91.0	91.0	91.0
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	99.4	100.0	100.0	100.0	100.0	100.0
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	95.5	91.6	91.6	91.6	91.6	91.6
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	97.9	103.6	104.1	104.1	104.1	104.1
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	105.4	105.3	104.8	104.8	104.8	104.8
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	102.8	102.9	101.1	101.1	101.1	101.1
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	112.7	112.1	112.4	112.4	112.4	112.4
19	Profit/loss of large and medium companies before tax (UAH million) <sup>3</sup>	-29526.0	-15663.4	-1024.6	6793.2	3555.2	...	...	...	...	...	...	...	...	...	...	...	...	...	...
20	Capital investment index	67.3	79.6	163.4	128.8	95.9	...	...	108.4	...	...	92.8	...	...	91.4	...	...	...	...	...
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	103.2	104.0	103.7	103.7	103.7	103.7
22	Real disposable income	83.8	88.0	104.9	110.6	109.8 <sup>2</sup>	...	...	...	...	...	...	...	...	...	...	...	...	...	...
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	106.3	106.5	107.0	107.0	107.0	107.0
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	2	3	3	3	3

<sup>1</sup> This information is confidential under the Law of Ukraine On State Statistics.

<sup>2</sup> Preliminary data.

<sup>3</sup> 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