



National Bank
of Ukraine

Business Outlook Survey of Odesa Oblast *

Q1 2020

**This survey was carried out before
quarantine measures were introduced**



*This survey only reflects the opinions of respondents in Odesa oblast (top managers of companies) who were polled in Q1 2020, and does not represent NBU forecasts or estimates

A survey of companies carried out in **Odesa oblast** in Q1 2020 showed that respondents expected a drop in the output of Ukrainian goods and services over the next 12 months. At the same time, they had positive expectations for the development of their companies over that period. Respondents expected inflation to increase markedly. Depreciation expectations softened.¹

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

- **the output of Ukrainian goods and services would drop:** the balance of expectations was (-10.8%) (compared to 18.4% in Q4 2019 and 10.4% across Ukraine) (Figure 1). At the same time, trade companies expected an increase in the output
- **prices for consumer goods and services would grow rapidly:** only 48.6% of respondents said that price growth would not exceed 6.0% (compared to 68.5% across Ukraine). Respondents continued to refer to production costs and hryvnia exchange rate fluctuations as **the main inflation drivers** (Figure 2)
- **the hryvnia would continue to depreciate:** 75.7% of respondents (compared with 86.5% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 65.5%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 14.3% (compared to 10.5% in the previous quarter and 16.9% across Ukraine) (see Table). Agricultural companies had the most optimistic expectations, the balance of responses being 60.0%. Respondents from manufacturing companies expected that their financial and economic standings would deteriorate
- **total sale growth would accelerate:** the balance of responses was 22.9% compared with 11.1% in the previous quarter. External sales were expected to increase slower, the balance of responses being 9.5% (14.3% in Q4 2019). The balances of responses across Ukraine were 23.0% and 17.5% respectively
- **investment in construction would increase moderately:** the balance of responses was 3.0% compared to 9.1% in the previous quarter. **Investment in machinery, equipment, and tools would increase faster:** the balance of responses was 34.3% compared to 5.9% in Q4 2019. The balances of responses across Ukraine were 2.4% and 14.1% respectively
- **staff numbers would decrease** for two quarters in a row: the balance of responses was (-8.8%) compared with (-8.6%) in Q4 2019 and (-3.9%) across Ukraine (Figure 4)
- **the growth in both purchase and selling prices would decelerate:** the balances of responses were 75.7% and 32.4% respectively (compared to 81.6% and 47.4% in Q4 2019) (Figure 6). Respondents said that the energy prices, raw material and supplies 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 54.3% and 55.6% respectively compared with 52.8% and 54.3% in Q4 2019 (Figures 4 and 6).

High energy prices were named as the **main drag on the ability of companies to boost production** (Figure 5). Respondents also assessed the impact of political situation, raw material and supplies prices, and tax burden as high.

Respondents expected their **borrowing needs to increase** in the near future (Figure 8). Respondents who planned to take out bank loans usually opted for domestic currency loans. Respondents said that lending conditions had softened (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).

All of the respondents in the region said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.6% across Ukraine).

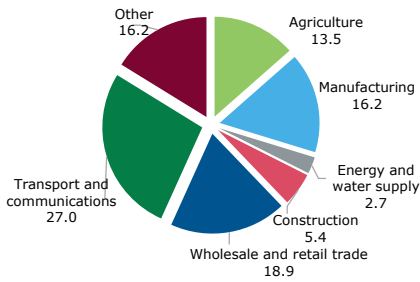
Assessments of financial and economic standings as of the time of the survey (Figure 3)

- **The current financial and economic standings of companies had improved and were assessed as good:** the balance of responses was 8.6% (compared to (-2.7%) in Q4 2019 and 9.7% across Ukraine). Respondents from other economic activities had pessimistic assessments.
- **Finished goods stocks remained at a level below the normal one:** the balance of responses was (-12.5%) (in Q4 2019 it was (-25.0%)).
- **Companies said they had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 5.9% (compared with 7.4% in Q4 2019).

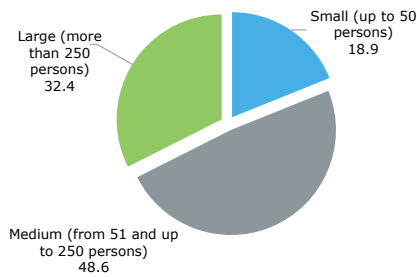
¹ This survey was carried out before quarantine measures were introduced.

Survey Details^{2,3}

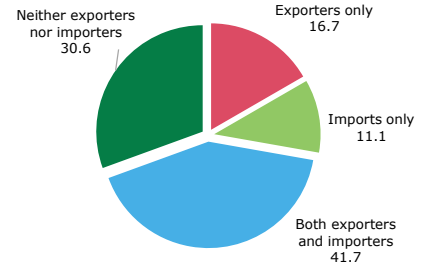
Respondents in terms of main economic activities, %



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

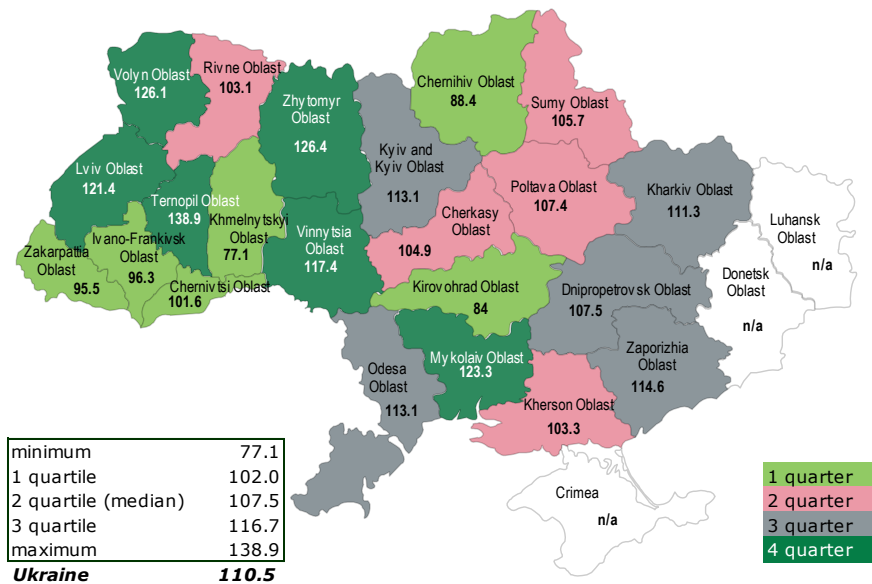


Respondents in terms of business activities, %



- Period: 4 February through 3 March 2020.
- 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 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 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, %				
	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20
Financial and economic standings	13.2	15.8	17.1	10.5	14.3
Total sales	25.6	30.6	16.7	11.1	22.9
Investment in construction	8.8	2.9	9.4	9.1	3.0
Investment in machinery, equipment and tools	26.5	23.5	24.2	5.9	34.3
Staff numbers	8.1	2.7	0.0	-8.6	-8.8

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 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

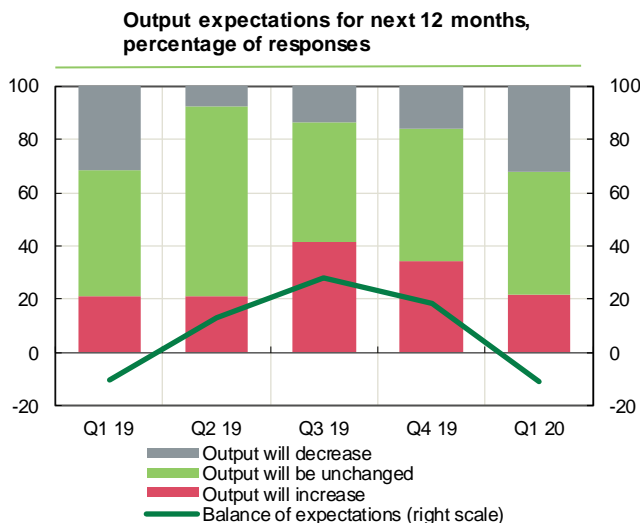


Figure 2

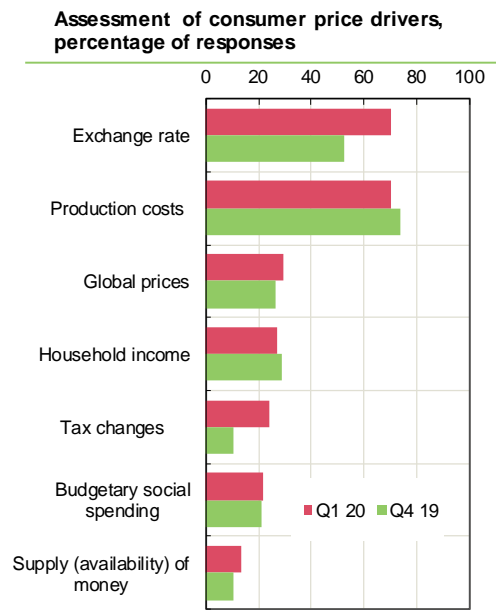


Figure 3

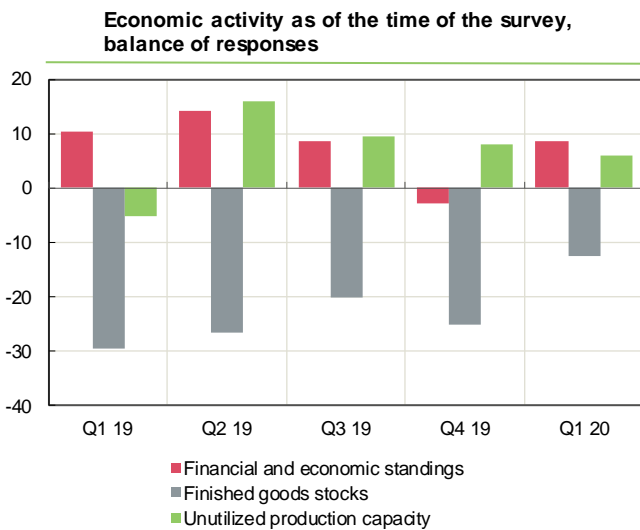


Figure 4



Figure 5

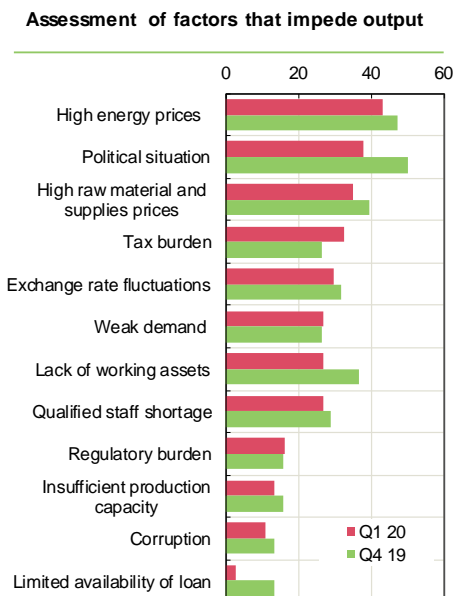


Figure 6

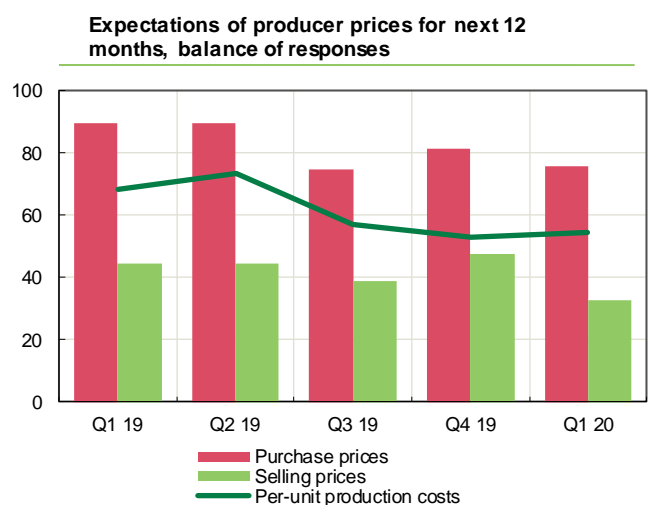


Figure 7

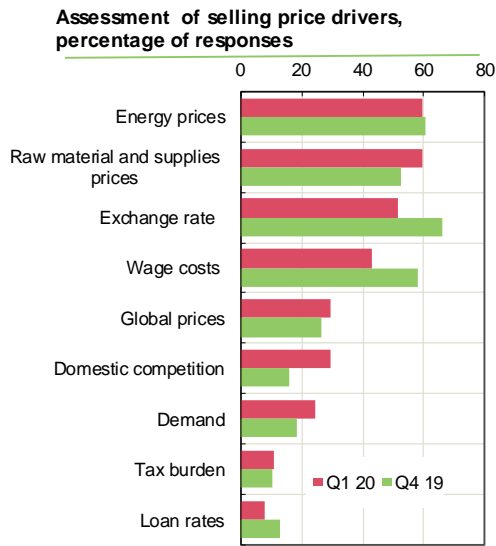


Figure 8

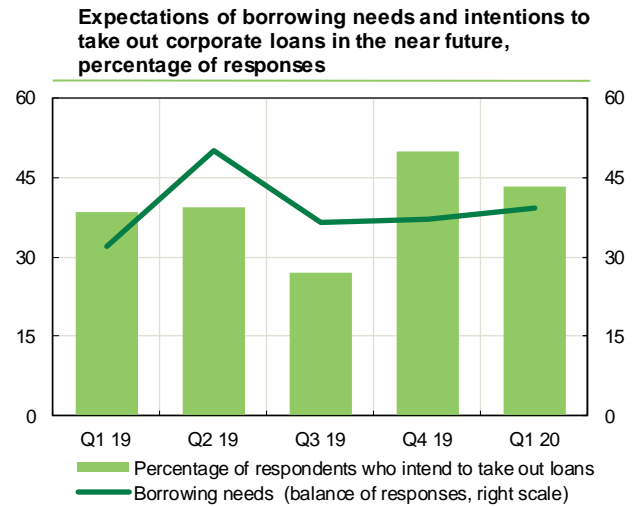


Figure 9

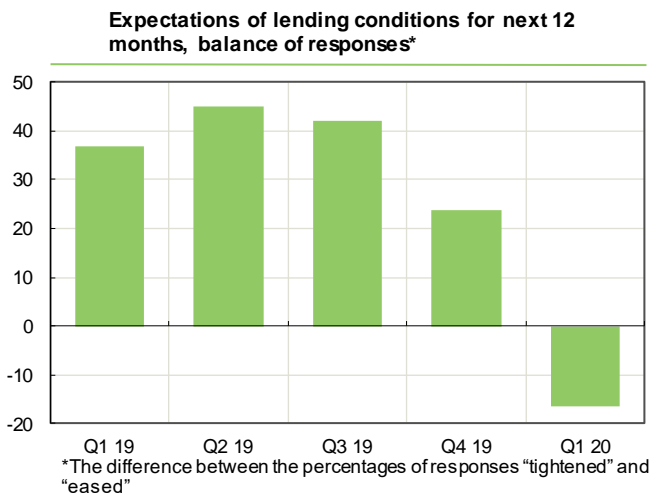


Figure 10

