



National Bank
of Ukraine

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

A survey of companies carried out in **Odesa oblast** in Q2 2020 showed that respondents expected a 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 that prices would continue to increase and that the domestic currency would weaken more noticeably¹.

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

- **the output of Ukrainian goods and services would drop significantly:** the balance of expectations was (-46.2%) (compared to (-10.8%) in Q1 2020 and (-34.1%) across Ukraine) (Figure 1). Respondents from companies in other economic activities reported the most pessimistic expectations (the balance of responses was (-71.4%))
- **prices for consumer goods and services would grow:** 56.4% of respondents said that price growth would not exceed 7.5% (compared to 54.9% across Ukraine). 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:** 87.2% of respondents (compared with 75.7% 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:** the balance of expectations was (-13.2%) (compared to 14.3% in the previous quarter and (-1.8%) across Ukraine) (see Table). Companies from other economic activities had the most pessimistic expectations, the balance of their responses being (-57.1%). Respondents from transportation companies expected that their financial and economic standings would improve
- **total sales would decrease:** the balance of responses was (-21.1%) compared with 22.9% in the previous quarter. Respondents also expected a decrease in external sales (the balance of responses was (-26.3%) compared with 9.5% in Q1 2020). Overall, companies across Ukraine expected sales to decrease only slightly, the balances of responses being (-0.1%) and (-0.7)% respectively
- **investment in machinery, equipment, and tools would increase:** the balance of responses was 8.3% compared to 34.3% in the previous quarter. **Investment in construction was expected to decrease:** the balance of responses was (-10.8%) compared to 3.0% in Q1 2020. Across Ukraine, respondents expected investment spending to decrease: the balances of responses were (-16.1%) and (-10.5%) respectively
- **staff numbers would decrease** (such expectations have been reported for three quarters in a row): the balance of responses was (-18.9%) compared with (-8.8%) in Q1 2020 and (-17.3%) across Ukraine (Figure 4)
- **both purchase and selling prices would grow:** the balances of responses were 79.5% and 35.9% respectively (compared to 75.7% and 32.4% in Q1 2020) (Figure 6). Respondents said that raw material and supplies prices and the exchange rate were the main selling price drivers (Figure 7). The impact of demand was assessed to be significantly higher than in the previous quarter
- **per-unit production costs would grow:** the balance of responses was 57.9%. **Wage costs per staff member were expected to increase at a slower pace:** the balance of responses was 23.7% (54.3% and 55.6% respectively in the previous quarter) (Figures 4 and 6).

Weak demand was named as the **main drag on the ability of companies to boost production** (its impact was reported to have increased noticeably). Respondents also said that the impact of a lack of working assets, the exchange rate and the political situation was significant.

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

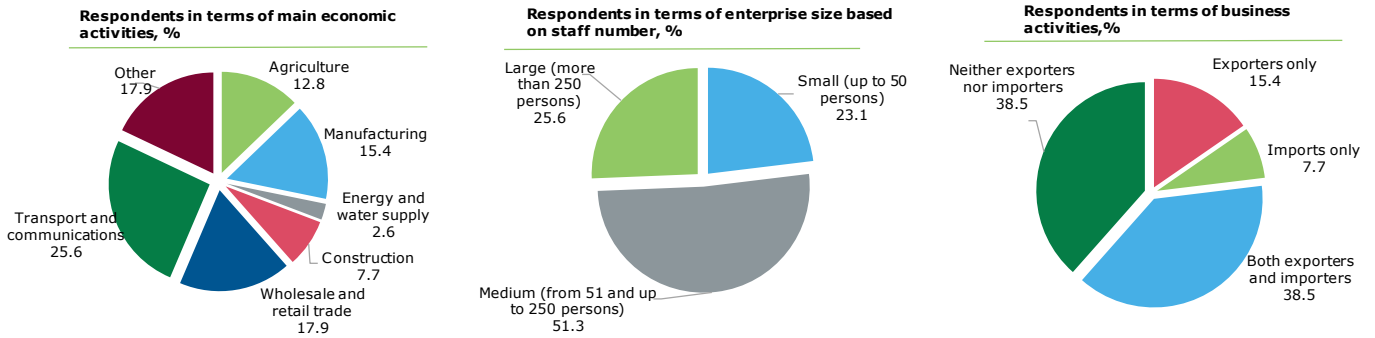
A total of 97.3% of respondents in the region said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.5% across Ukraine).

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 (-13.5%) (compared to 8.6%) in Q1 2020 and (-11.6%) across Ukraine.
- **Finished goods stocks had remained at a level below the normal one:** the balance of responses was (-21.4%) (in Q1 2020 it was (-12.5%)).
- **Companies said they had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 5.% (compared with 5.9% in Q1 2020).

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

Survey Details^{2,3}



- Period: 6 May through 3 June 2020.
- A total of 39 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, %

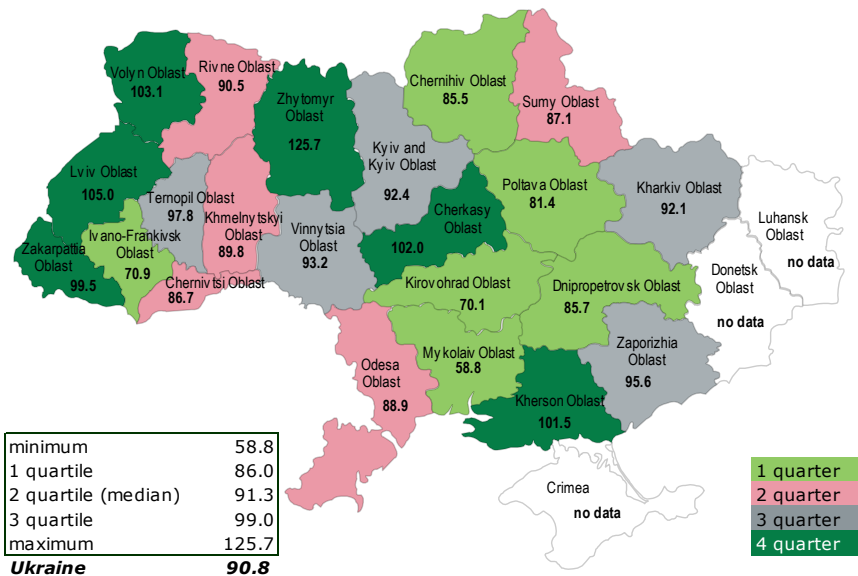


Table. The Business Outlook Index of Companies in Odesa Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
Financial and economic standings	15.8	17.1	10.5	14.3	-13.2
Total sales	30.6	16.7	11.1	22.9	-21.1
Investment in construction	2.9	9.4	9.1	3.0	-10.8
Investment in machinery, equipment and tools	23.5	24.2	5.9	34.3	8.3
Staff numbers	2.7	0.0	-8.6	-8.8	-18.9

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

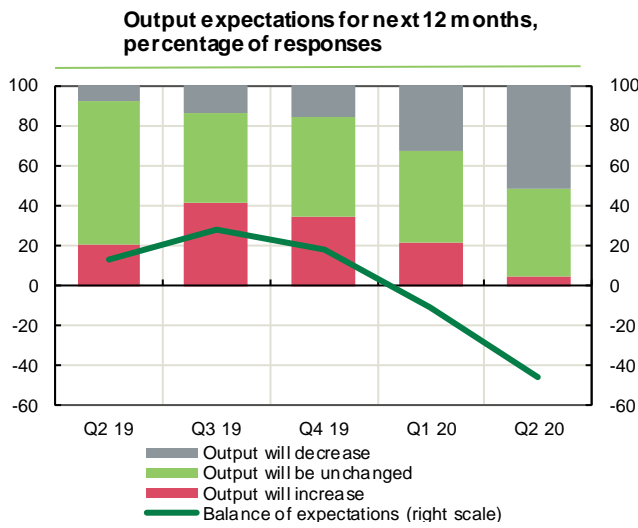


Figure 2

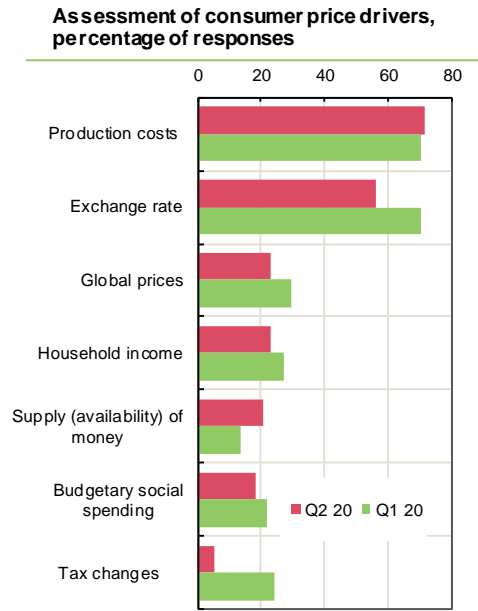


Figure 3

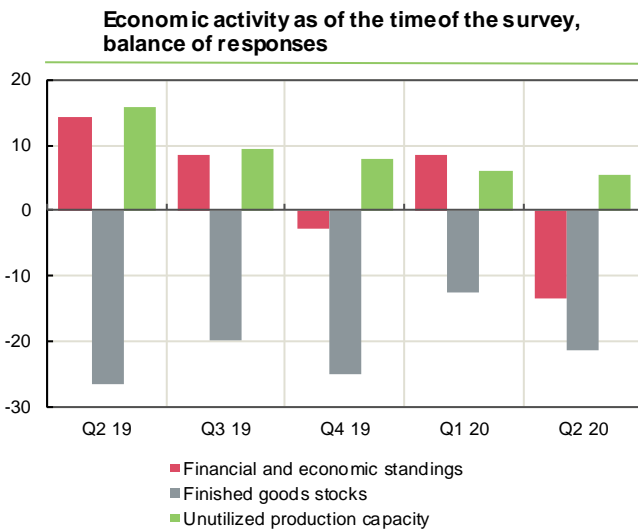


Figure 4



Figure 5

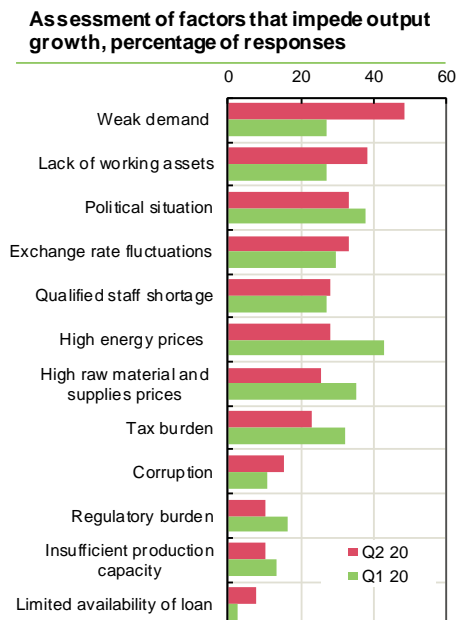


Figure 6

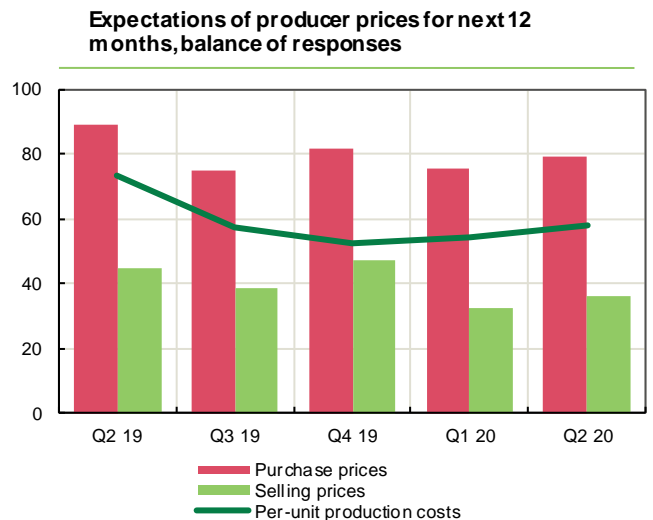


Figure 7

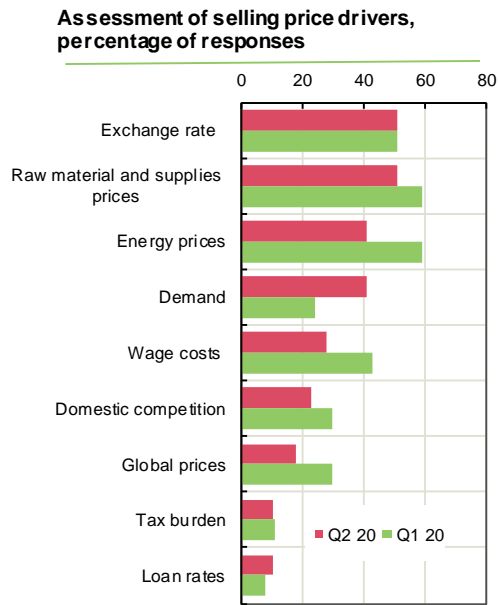


Figure 8

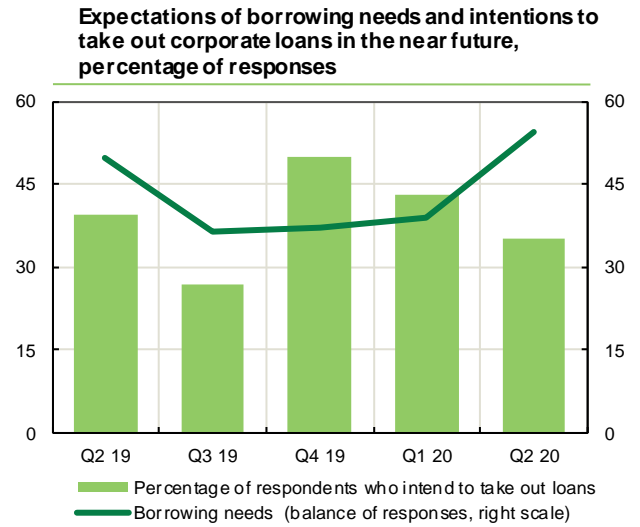


Figure 9

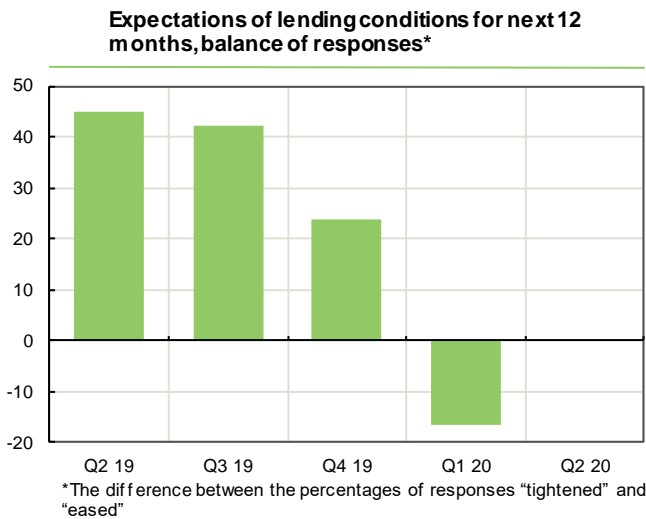


Figure 10

