



National Bank
of Ukraine

Business Outlook Survey of Odesa Oblast *

Q3 2020



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

A survey of companies carried out in Odesa oblast in Q3 2020 showed that respondents expected a slower reduction in the output of Ukrainian goods and services and had moderate expectations for the performance of their companies over the next 12 months amid the extended adaptive quarantine. Respondents expected inflation to increase. Depreciation expectations were high.

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

- **the output of Ukrainian goods and services would drop** at a slower pace: the balance of expectations was (-28.2%) (compared with (-46.2%) in Q2 2020 and (-16.1%) across Ukraine) (Figure 1). Respondents from companies in agricultural and other economic activities reported the most pessimistic expectations (the balance of responses was (-66.7%))
- **the growth in the prices of consumer goods and services would accelerate:** 52.6% of respondents said that price growth would exceed 7.5% compared to 43.6% in the previous quarter and 44.4% 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 significantly:** 86.1% of respondents (compared with 87.2% 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 remain unchanged:** the balance of expectations was 0.0% (compared to (-13.2%) in the previous quarter) (see Table). Companies from agricultural and other economic activities expected that their financial and economic standings would deteriorate. Companies across Ukraine had positive expectations: the balance of their responses being 4.4%
- **total sales would decrease at a slower pace:** the balance of responses was (-7.9%) compared with (-21.1%) in the previous quarter. Respondents also expected a decrease in external sales (the balance of responses was (-13.6%) compared with (-26.3%) in Q2 2020. Overall, companies across Ukraine expected sales to increase moderately, the balances of responses being 9.8% and 4.3% respectively
- **investment in machinery, equipment, and tools would remain unchanged:** the balance of responses was 0.0% compared with 8.3% in the previous quarter. **Investment in construction was expected to decrease:** the balance of responses was (-10.8%), as in the previous quarter. Across Ukraine, the balances of responses were 5.2% and (-4.7%) respectively
- **staff numbers would decrease** (such expectations have been reported for four quarters in a row): the balance of responses was (-30.8%) compared with (-18.9%) in Q2 2020 and (-10.8%) across Ukraine (Figure 4)
- **purchase prices would rise at a faster pace** (the balance of responses was 82.1%) **than selling prices** (the balance of responses was 31.6%) (compared to 79.5% and 35.9% respectively in Q2 2020) (Figure 6). Respondents said that the exchange rate, energy, 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 59.0% and 47.4% respectively, compared with 57.9% and 23.7% in Q2 2020 (Figures 4 and 6).

The political situation was named as the **main drag on the ability of companies to boost production** (assessments of its impact increased). Respondents also said that the impact of the exchange rate, a lack of working assets and weak demand was significant (Figure 5).

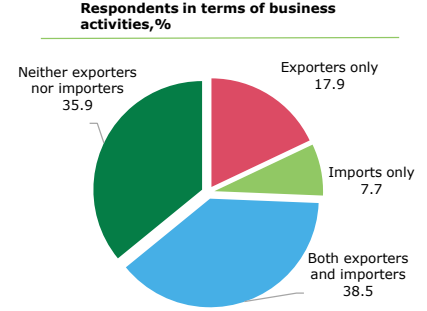
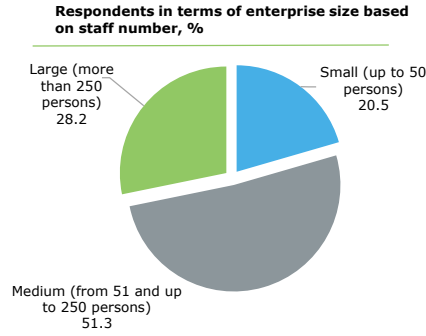
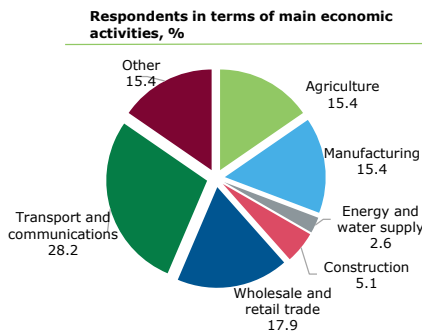
Respondents edged down their expectations of an increase in their borrowing needs in the near future (Figure 8). The respondents who planned to take out bank loans usually opted for domestic currency loans. Respondents said that lending standards had tightened (Figure 9). They also continued to refer to high interest rates as the main factor that deterred them from taking out corporate loans (Figure 10).

A total of 92.3% of 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)

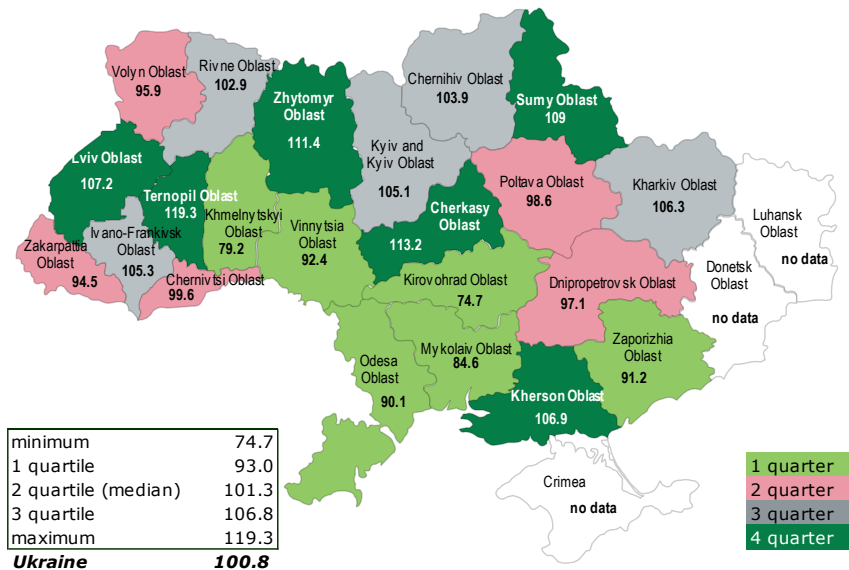
- **The current financial and economic standings of companies were assessed as bad:** the balance of responses was (-10.5%) compared with (-13.5%) in Q2 2020 and (-5.6%) across Ukraine.
- **Finished goods stocks had remained at a level below the normal one:** the balance of responses was (-22.2%) (in Q2 2020 it was (-21.4%)).
- **Companies said they had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 7.7% (compared with 5.4% in Q2 2020).

Survey Details^{1,2}



- Period: 5 through 31 August 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 Regions³, %



³ 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 sample 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 19	Q4 19	Q1 20	Q2 20	Q3 20
Financial and economic standings	17.1	10.5	14.3	-13.2	0.0
Total sales	16.7	11.1	22.9	-21.1	-7.9
Investment in construction	9.4	9.1	3.0	-10.8	-10.8
Investment in machinery, equipment and tools	24.2	5.9	34.3	8.3	0.0
Staff numbers	0.0	-8.6	-8.8	-18.9	-30.8

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

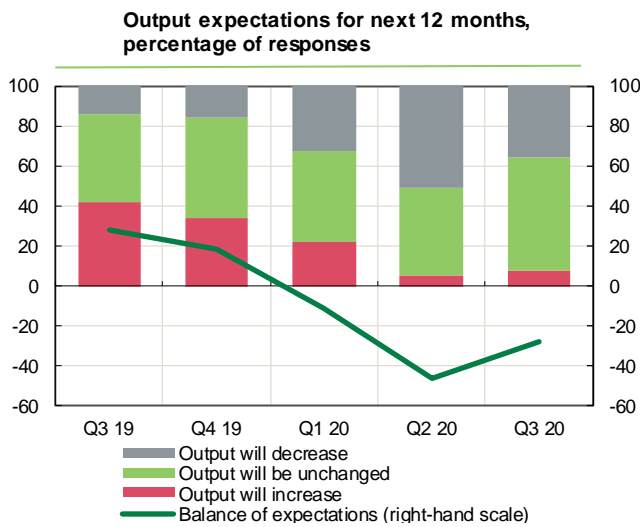


Figure 2

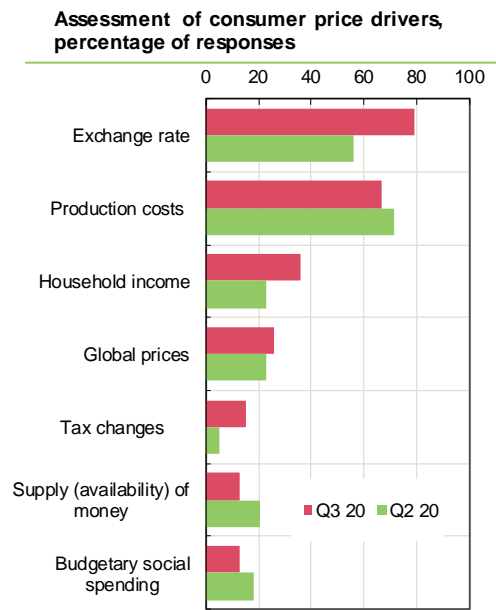


Figure 3

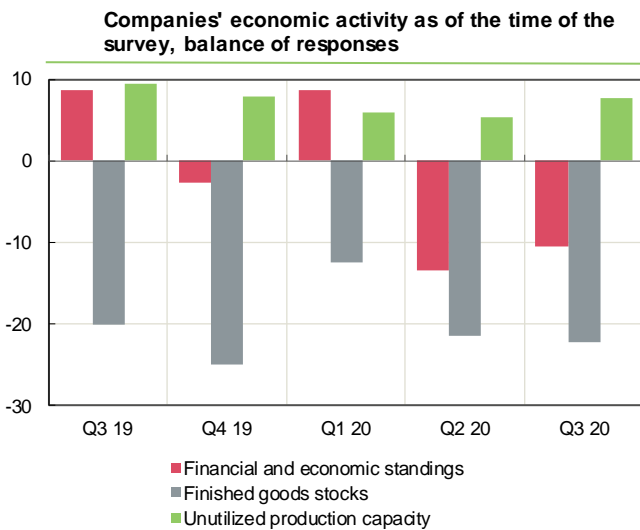


Figure 4



Figure 5

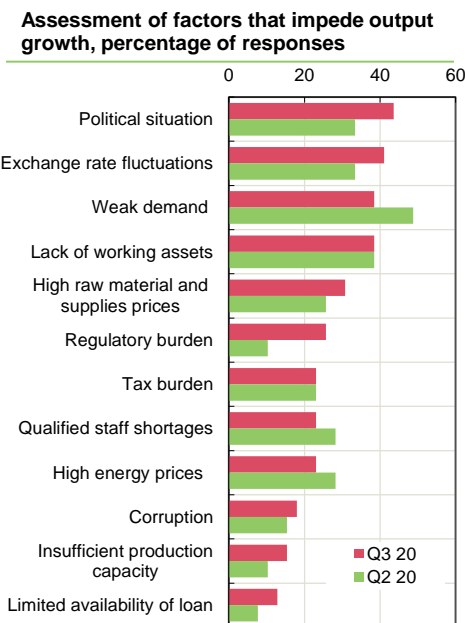


Figure 6

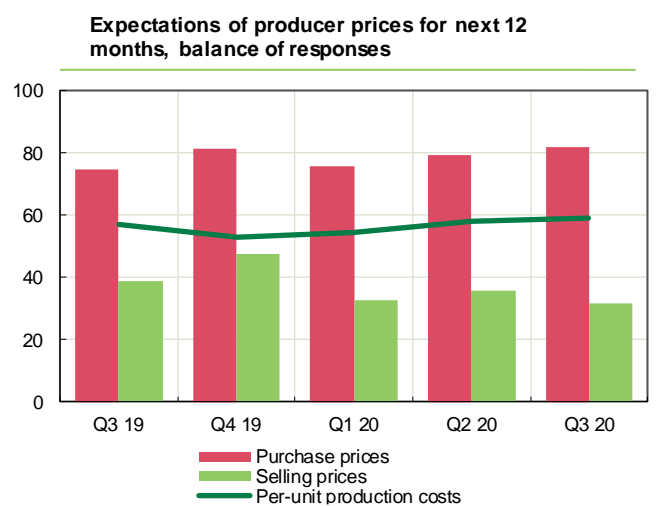


Figure 7

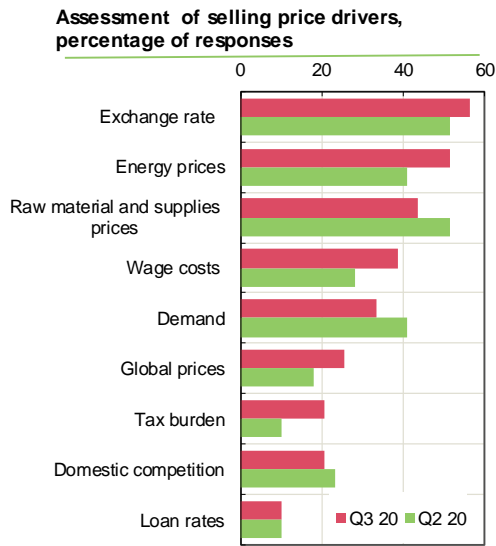


Figure 8

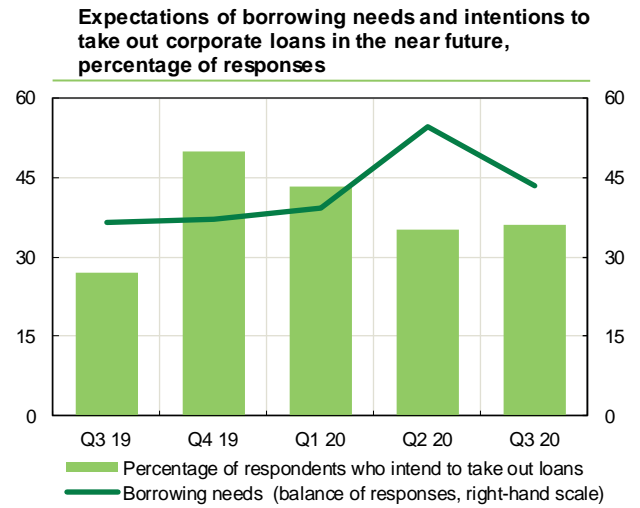


Figure 9

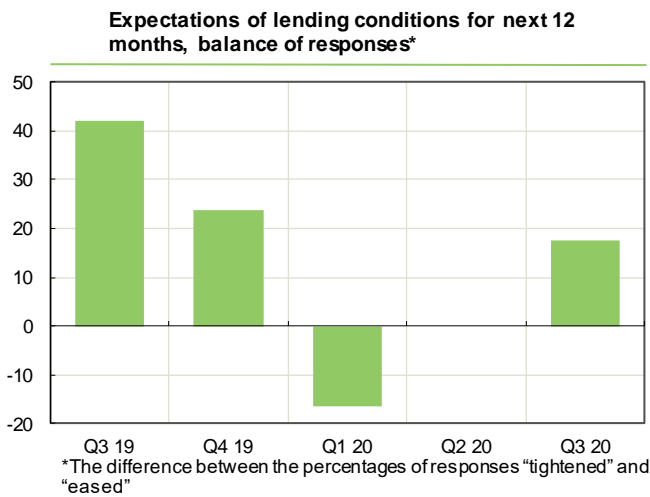


Figure 10

