



National Bank
of Ukraine

Business Outlook Survey of Poltava Oblast*

Q3 2019



*This survey only reflects the opinions of respondents in Poltava 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 **Poltava 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 for consumer goods and services would rise. Depreciation expectations remained high.

The top managers of companies said they expected that over the next 12 months:

- **the output of Ukrainian goods and services would grow at a faster pace:** the balance of expectations was 27.8% compared with 18.9% in Q2 2019 and 30.5% across Ukraine (Figure 1). Respondents from mining and agricultural companies had the most optimistic expectations (the balances of responses were 50.0% for each). Meanwhile, the managers of manufacturing companies expected a drop in output
- **the prices of consumer goods and services would rise:** the share of respondents who said that inflation would not exceed 10.0% was 64.9% compared with 67.6% in the previous quarter and 73.3% across Ukraine. Some 2.7% of respondents expected a decrease in prices for consumer goods and services. Respondents referred to production costs as **the main inflation driver** (Figure 2)
- **the domestic currency would depreciate at a fast pace:** a total of 80.6% of respondents (compared with 83.8% in the previous quarter) expected the hryvnia to weaken against the US dollar, with the figure across Ukraine being 69.0%
- **the financial and economic standings of their companies would improve slightly:** the balance of expectations was 2.9% (compared with 20.6% in Q2 2019 and 20.0% across Ukraine) (see Table)
- **the growth in total sales of their own products would continue to decelerate:** the balance of responses was 13.9% (Table 1) compared with 16.7% in Q2 2019 and 27.1% across Ukraine. External sales were expected to decrease further, the balance of responses being (-5.6%) compared with (-6.3%) in Q2 2019
- **investment both in construction and in machinery, equipment and tools would increase:** the balances of responses were 15.2% and 12.1% respectively (compared to 6.5% and 23.3% in Q2 2019 and 9.3% and 17.7% across Ukraine). The highest expectations of investment spending were reported by mining companies. Respondents from manufacturing companies expected investment cuts
- **staff numbers would decrease at a slower pace:** the balance of responses was (-2.7%) compared with (-11.1%) in the previous quarter (Figure 4). Across Ukraine, respondents expected an increase in staff numbers, with a balance of responses of 2.2%
- **the growth in both purchase and selling prices would slow:** the balances of responses were 81.1% (down by 10.3 pp) and 32.4% (down by 24.3 pp) respectively (Figure 6). Respondents referred to high energy, raw material and supplies prices and wage costs as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would increase at a slower pace:** the balances of responses were 42.9% and 61.1% respectively (compared with 68.8% and 68.6% in Q2 2019) (Figures 4, 6).

Respondents continued to refer to high energy prices as **the main drags on the ability of their companies to boost production** (Figure 5).

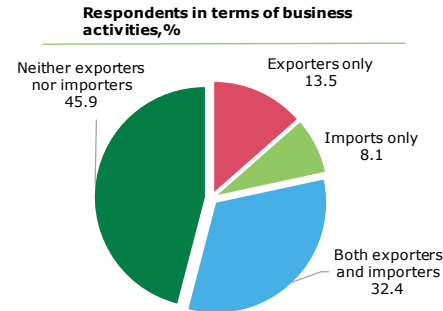
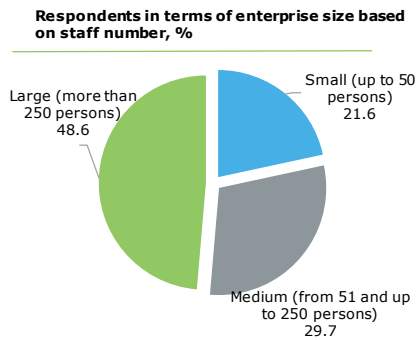
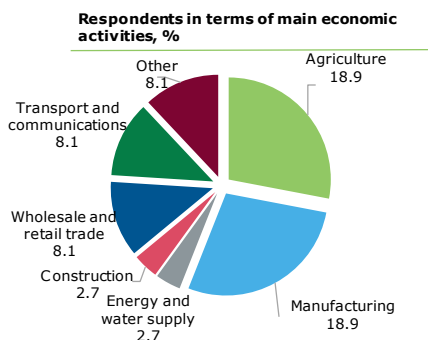
Expectations of borrowing needs in the near future **edged down** (Figure 8). The respondents who planned to take out bank loans (54.1% of responses) opted for domestic currency loans. Respondents assessed the tightening of lending standards as lower than in the previous quarter (Figure 9). Respondents continued to refer to high interest rates as the main factor that deterred them from taking out loans (Figure 10).

A total of 97.3% of respondents 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)

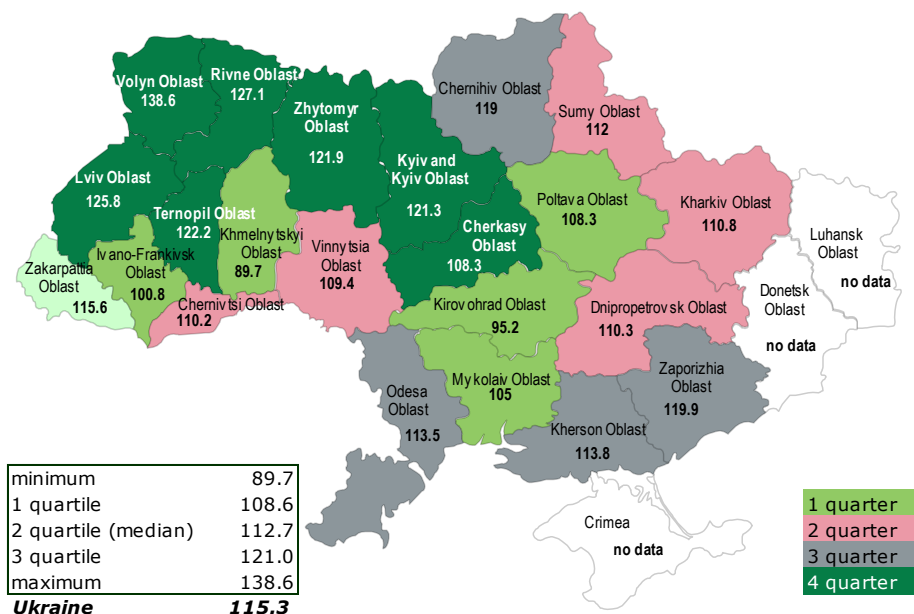
- **The current financial and economic standings of companies improved and were assessed as good:** the balance of responses was 2.8% compared to (-8.3%) in Q2 2019 and 9.5% across Ukraine.
- **Stocks of finished goods increased and were assessed to be the normal level:** the balance of responses was 0.0% (compared with (-4.5%) in Q2 2019).
- **Companies were operating on the verge of their production capacity:** the balance of responses was 0.0% compared with (-2.8%) in Q2 2019.

Survey Details^{1,2}

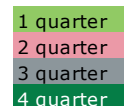


- Period: 6 August through 2 September 2019.
- A total of 37 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture and the mining and manufacturing industries.

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



minimum	89.7
1 quartile	108.6
2 quartile (median)	112.7
3 quartile	121.0
maximum	138.6



¹a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups

²a 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 Poltava 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	14.7	14.7	16.7	20.6	2.9
Total sales	25.0	40.0	27.8	16.7	13.9
Investment in construction	6.5	10.0	5.9	6.5	15.2
Investment in machinery, equipment and tools	20.6	16.1	14.7	23.3	12.1
Staff numbers	5.7	9.1	2.7	-11.4	-2.7

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

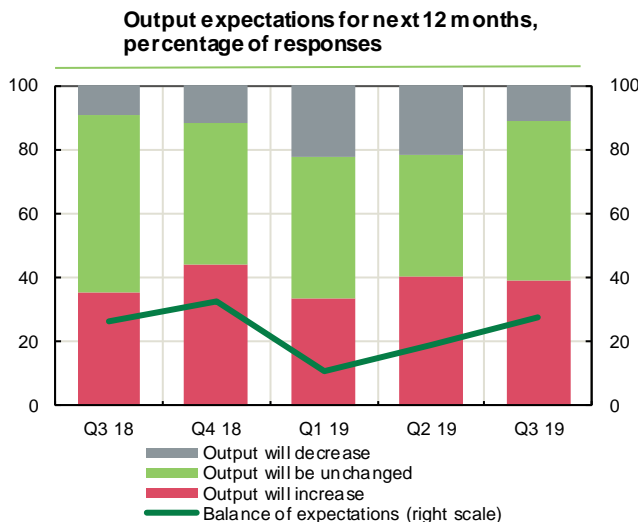


Figure 2

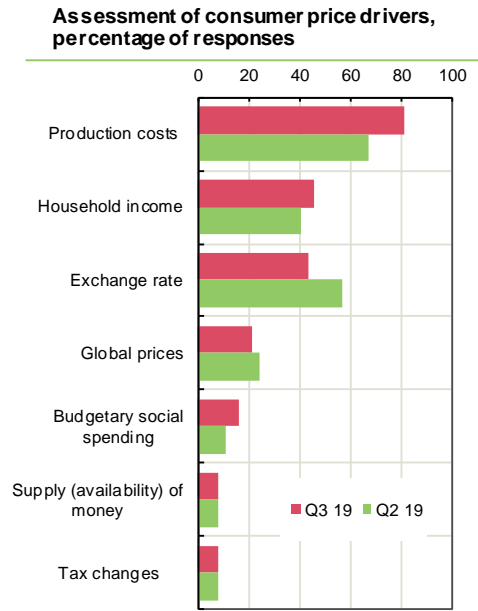


Figure 3

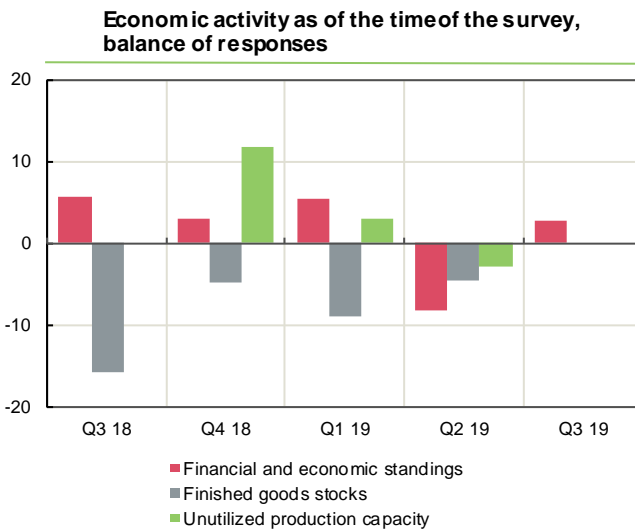


Figure 4



Figure 5

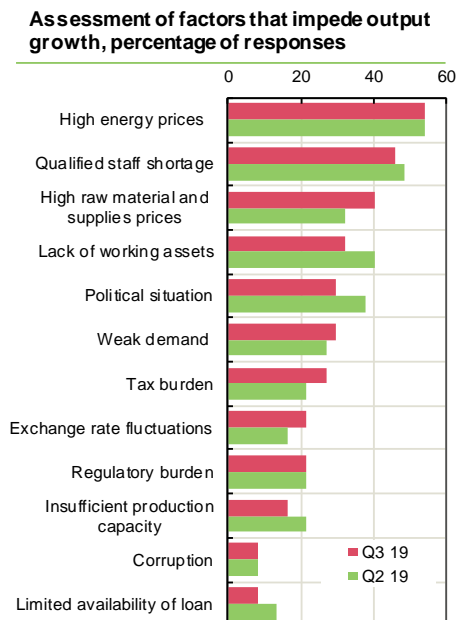


Figure 6

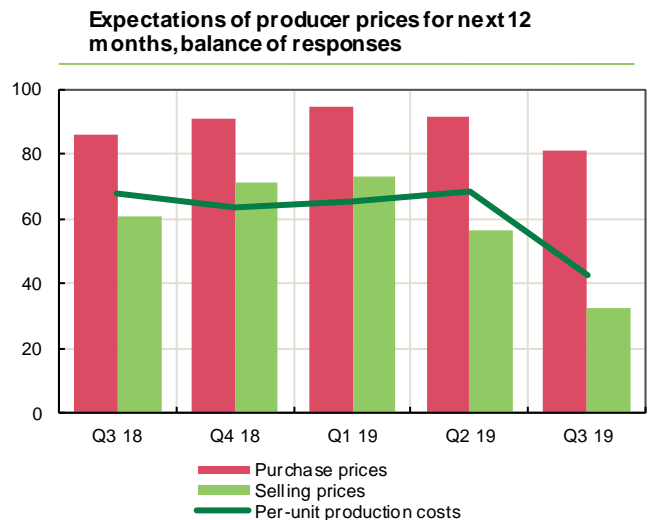


Figure 7

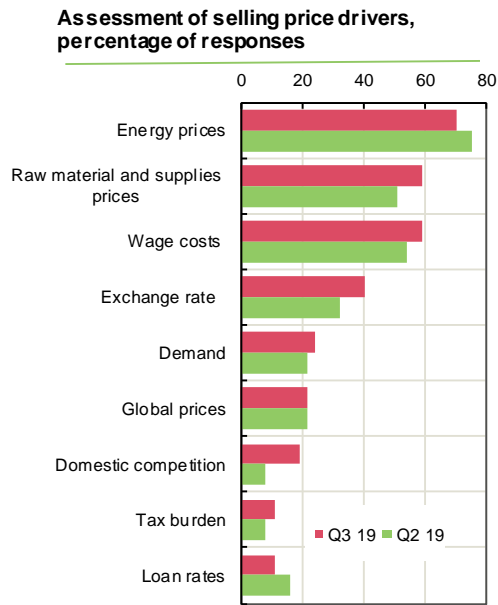


Figure 8

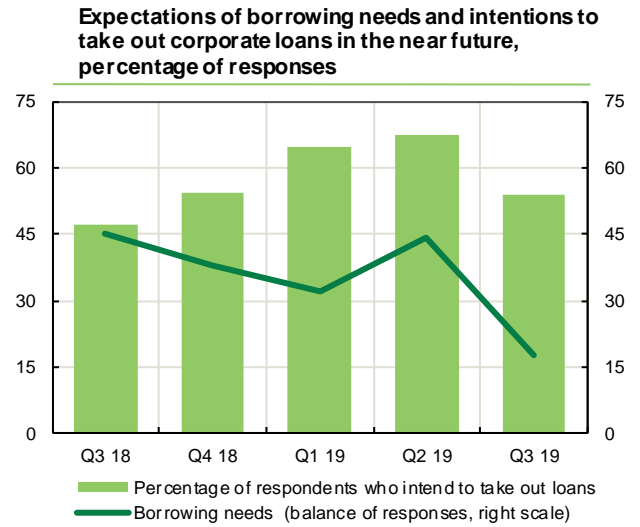


Figure 9

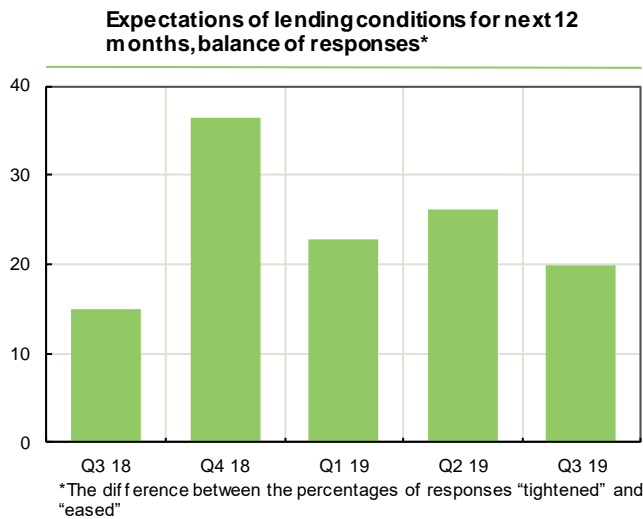
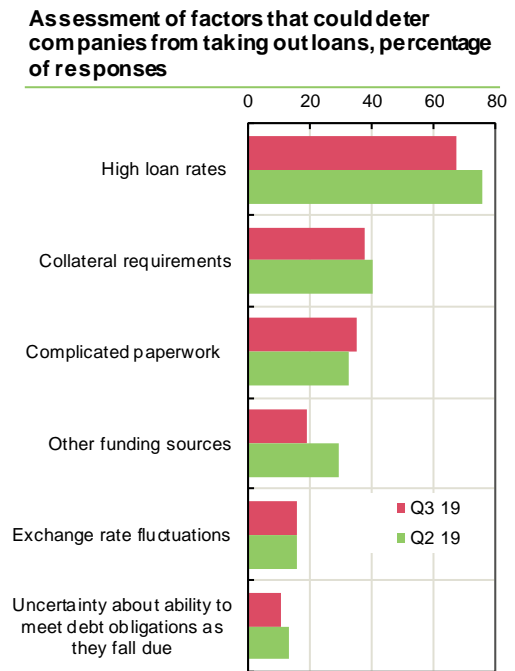


Figure 10



Key Indicators of Social and Economic Development of Poltava 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)	96.0	93.8	97.9	97.2	105.8 ²	...	...	...	...	...	...	...	...
2	Industrial production index	92.9	96.2	100.1	98.9	101.5	101.7	101.9	100.0	100.1	101.6	101.0	100.6	100.4
3	Mining and quarrying	100.2	102.7	98.3	96.6	99.6	98.7	103.0	101.7	103.6	106.0	105.7	104.7	104.5
4	Manufacturing	83.6	86.0	103.6	103.2	104.4	108.1	100.2	97.4	94.5	94.9	93.9	94.4	94.0
5	Production of food, beverages and tobacco	110.1	96.7	100.3	87.2	95.3	99.7	93.1	90.9	92.4	91.6	90.3	91.0	90.6
6	Textile production, production of clothing, leather, leather goods and other materials	97.6	108.7	108.3	86.1	103.6	119.0	79.3	75.4	85.7	82.3	82.5	85.0	84.6
7	Production of wood products, paper, printing	95.3	94.0	110.2	87.0	107.7	81.1	75.5	85.5	86.5	85.9	87.3	88.4	87.4
8	Production of coke and petrochemicals	83.3	...	...	...	...	...	97.9	88.8	...	...	...	...	...
9	Production of chemicals and chemical products	93.3	...	...	...	...	...	88.1	84.0	82.6	...	...	...	...
10	Production of rubber and plastic products, other nonmetallic mineral products	90.5	100.4	96.1	103.7	106.1	95.8	101.6	105.3	104.2	103.7	102.2	102.5	99.9
11	Metallurgical production, manufacturing of finished metal products, except machinery and equipment	81.2	93.7	119.4	114.6	153.3	64.8	80.9	75.5	36.8	47.3	53.5	68.0	72.0
12	Mechanical engineering, except for repair and installation of machinery and equipment	55.9	66.8	108.6	139.3	115.6	125.9	115.4	113.9	109.5	108.2	105.2	102.7	102.1
13	Electricity, gas, steam and conditioning air supply	88.3	93.9	96.6	95.5	104.1	100.8	99.5	97.3	97.4	97.4	97.7	97.8	98.0
14	Agricultural production index	96.9	107.3	103.3	83.2	124.0	101.2	100.1	99.8	99.8	100.1	102.5	108.1	103.0
15	Construction production index	99.9	84.6	91.5	119.4	98.4	82.7	106.2	105.9	110.6	107.3	105.7	105.6	102.8
16	Freight turnover	113.0	101.6	93.7	100.4	95.4	101.7	104.0	107.4	111.9	113.9	114.2	113.9	113.7
17	Passenger turnover	104.1	92.8	93.7	102.1	102.6	115.4	114.4	109.3	109.7	110.0	110.0	110.1	110.4
18	Volume index of retail trade turnover (in comparable prices, in percent)	95.4	81.7	106.6	110.5	112.3	107.3	106.4	106.0	105.7	102.4	102.7	102.5	102.8
19	Profit/loss of large and medium companies before tax (UAH million) ³	-3247.5	3929.7	8922.9	12091.6	...	...	...	...	...	...	...	...	...
20	Capital investment index	86.1	70.0	132.2	133.8	105.5	...	...	132.7	...	...	132.5	...	...
21	Consumer price index (compared with December of previous year)	123.8	145.0	114.2	113.1	109.3	101.0	101.5	102.7	104.0	104.7	104.0	103.3	102.9
22	Real disposable income	92.2	81.3	102.1	110.6	111.0 ²	...	...	...	...	...	...	...	...
23	Real wage index	94.9	78.8	106.1	122.5	115.9	113.5	112.7	113.0	112.6	111.6	111.0	110.4	109.7
24	Number of applicants per vacancy as of end of period	18	21	14	11	5	6	5	4	4	4	4	4	3

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