



National Bank  
of Ukraine

## Business Outlook Survey of Poltava Oblast\*

Q1 2020

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



\*This survey only reflects the opinions of respondents in Poltava 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 **Poltava oblast** in **Q1 2020** showed that respondents had more moderate expectations that the Ukrainian economy would grow over the next 12 months. They were optimistic about the further development of their companies over that period. Respondents expected that prices for consumer goods and services would rise. Depreciation expectations softened.<sup>1</sup>

#### 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 slower pace** for three quarters in a row: the balance of expectations was 12.8% compared with 24.3% in Q4 2019 and 10.4% across Ukraine (Figure 1). Respondents from agricultural companies had the most optimistic expectations
- **the prices of consumer goods and services would rise**: the share of respondents who said that inflation would not exceed 6.0% was 70.0% compared with 68.5% across Ukraine. Respondents referred to production costs as **the main inflation driver** (Figure 2)
- **the domestic currency would depreciate at a slower pace**: a total of 61.5% of respondents (compared with 69.4% in the previous quarter) expected the hryvnia to weaken against the US dollar, with the figure across Ukraine being 65.2%
- **the financial and economic standings of their companies would improve slightly**: the balance of expectations was 2.8% (compared with 8.8% in Q4 2019 and 16.9% across Ukraine) (see Table)
- **total sales of their own products would increase**: the balance of responses was 10.3% compared with 13.9% in the previous quarter. Respondents expected an increase in external sales would accelerate significantly: the balance of responses was 28.6% (up by 21.9 pp). Across Ukraine the balances of responses being 23.0% and 17.5% respectively
- **investment both in construction and in machinery, equipment and tools would increase**: the balances of responses were 5.4% and 16.2% respectively (compared to 3.0% and 15.2% in Q4 2019 and 2.4% and 14.1% across Ukraine)
- **staff numbers at their companies would increase slightly** (for the first time for three quarters): the balance of responses was 2.6% compared with (-8.3%) in Q4 2019. Across Ukraine, staff numbers were expected to decrease (-3.9%) (Figure 4)
- **both purchase and selling prices would rise at a faster pace**: the balances of responses were 77.5% and 32.5% respectively (compared with 75.0% and 30.6% in the previous quarter) (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 42.1% and 60.0% respectively (compared with 51.4% and 64.9% in Q4 2019) (Figures 4 and 6).

Respondents continued to refer to weak demand, high raw material and supplies prices and energy prices as **the main drags on the ability of their companies to boost production** (Figure 5).

**Respondents expected an increase in borrowing needs** in the near future (Figure 8). The respondents who planned to take out bank loans (55.0% of responses) usually opted for domestic currency loans. Respondents said that lending conditions had tightened slightly (Figure 9). Respondents continued to refer to high interest rates as the main factor that deterred them from taking out loans (Figure 10).

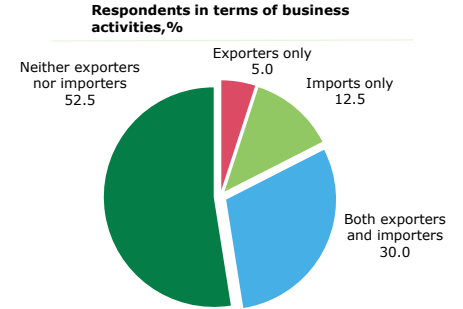
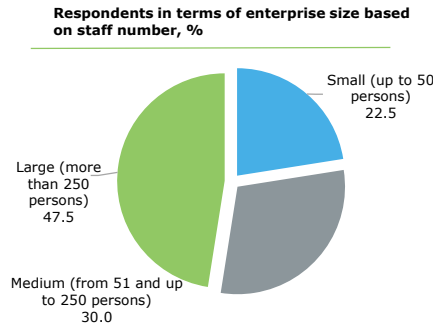
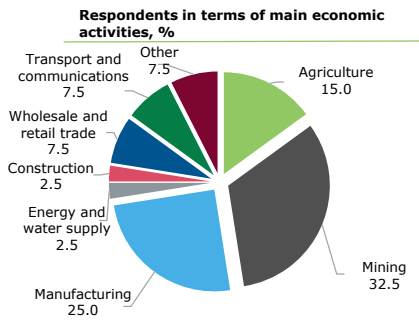
**A total of 97.5% of respondents** said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.6% across Ukraine).

#### 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 5.3% compared to (-5.7%) in Q4 2019 and 9.7% across Ukraine.
- **Finished goods stocks** had increased and **were assessed at a level higher than the normal one** the balance of responses was 3.7% (compared with 0.0% in Q4 2019).
- **Spare production capacity continued to increase**. Companies in the region have a sufficient amount of unutilized production capacity to meet any unexpected rise in demand: the balance of responses being 7.7% compared with 0.0% in the previous quarter.

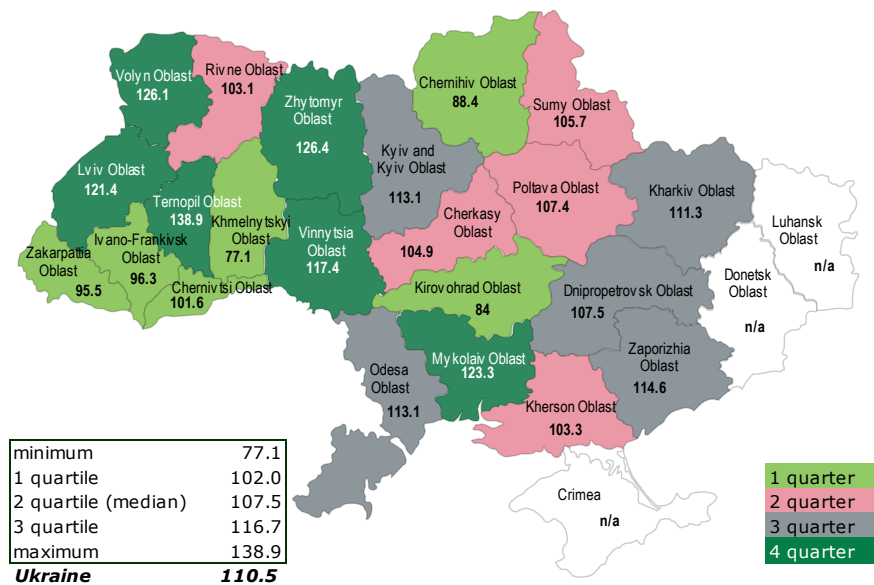
<sup>1</sup> This survey was carried out before quarantine measures were introduced.

Survey Details<sup>2,3</sup>



- Period: 6 February through 2 March 2020.
- A total of 40 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, mining and manufacturing industries.

Business Outlook Index for Next 12 Months in Terms of Regions<sup>4</sup>, %



\*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 Poltava 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	16.7	20.6	2.9	8.8	2.8
Total sales	27.8	16.7	13.9	13.9	10.3
Investment in construction	5.9	6.5	15.2	3.0	5.4
Investment in machinery, equipment and tools	14.7	23.3	12.1	15.2	16.2
Staff numbers	2.7	-11.4	-2.7	-8.3	2.6

<sup>2</sup> This sample was generated in proportion to the contribution of each region and each economic activity to Ukraine's gross value added.

<sup>3</sup> Data for totals and components may be subject to rounding effects.

<sup>4</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

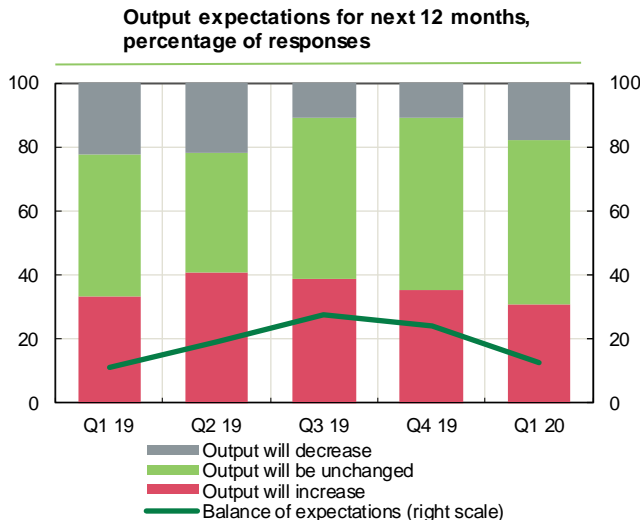


Figure 2

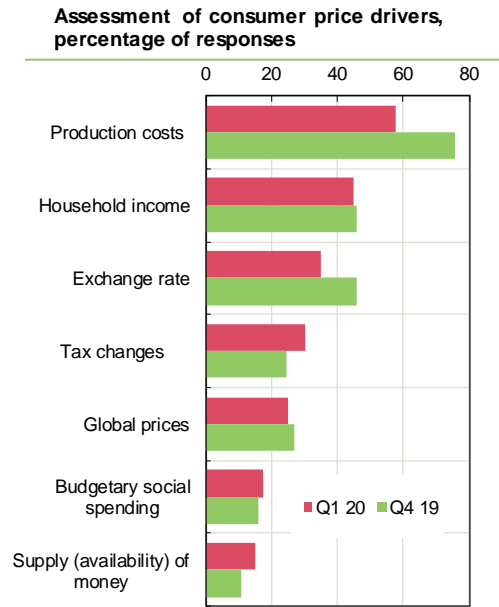


Figure 3

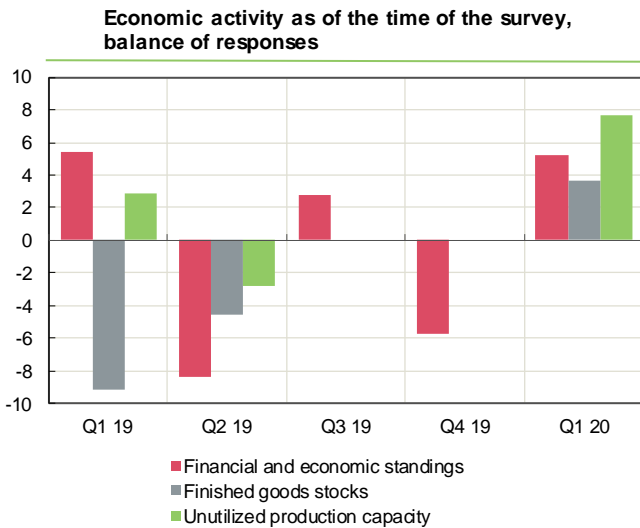


Figure 4



Figure 5

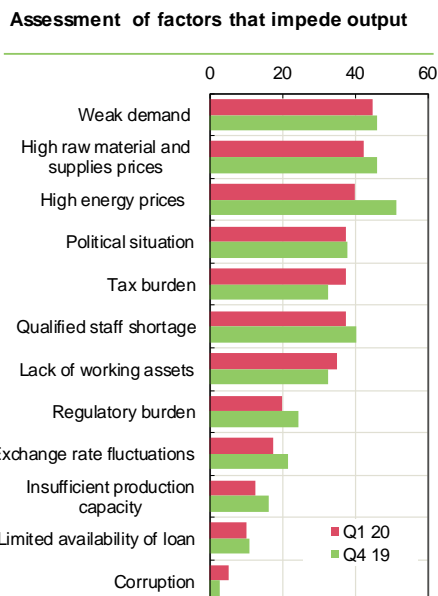


Figure 6

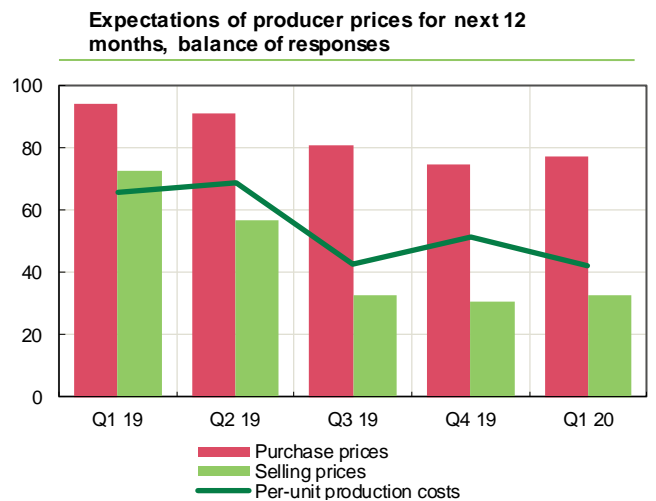


Figure 7

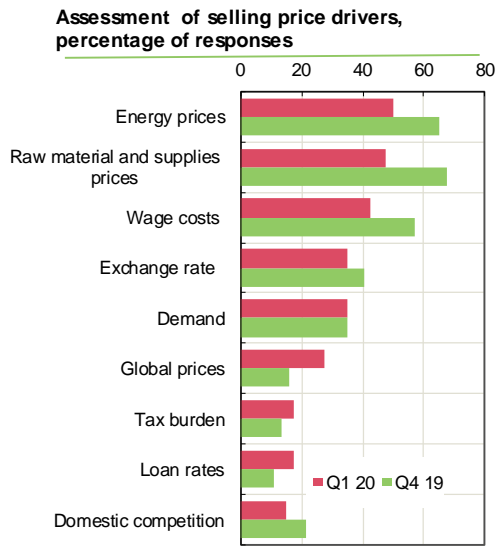


Figure 8

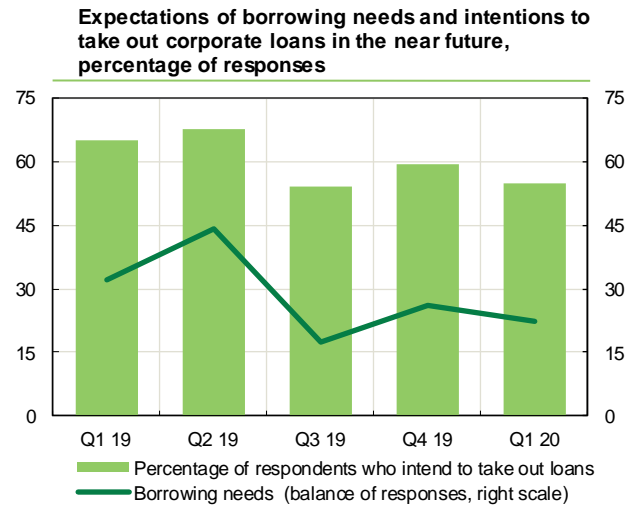


Figure 9

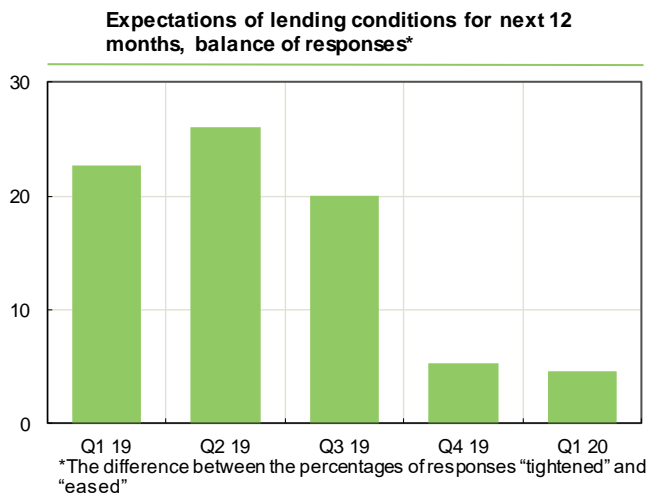


Figure 10

