



National Bank  
of Ukraine

## Business Outlook Survey of Poltava 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 Poltava 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 **Poltava 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 for consumer goods and services would rise, and that the domestic currency would depreciate further.<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 drop:** the balance of expectations was (-31.8%) compared with 12.8% in Q1 2020 and (-34.1%) across Ukraine (Figure 1)
- **the prices of consumer goods and services would rise:** the share of respondents who said that inflation would exceed 7.5% was 55.5% compared with 45.1% across Ukraine. Respondents referred to production costs as **the main inflation driver** (Figure 2)
- **the domestic currency would depreciate:** a total of 65.9% of respondents (compared with 61.5% in the previous quarter) expected the hryvnia to weaken against the US dollar, with the figure across Ukraine being 68.2%
- **the financial and economic standings of their companies would deteriorate:** the balance of expectations was (-16.7%) (compared with 2.8% in Q1 2020 and (-1.8%) across Ukraine) (see Table)
- **total sales of their own products would decrease:** the balance of responses was (-11.6%) compared with 10.3% in the previous quarter. Respondents also expected a decrease in external sales (the balance of responses was (-14.3%) compared with 28.6% in Q1 2020). Across Ukraine, the balances of responses were (-16.1%) and (-10.5%) respectively
- **investment both in construction and in machinery, equipment and tools would decrease:** the balances of responses were (-32.6%) and (-18.6%) respectively (compared to 5.4% and 16.2% in Q1 2020). Across Ukraine, the balances of responses were (-16.1%) and (-10.5%) respectively
- **staff numbers at their companies would decrease:** the balance of responses was (-13.6%) compared with 2.6% in Q1 2020 and (-17.3%) across Ukraine. At the same time, the managers of agricultural companies expected an increase in staff numbers at their companies (Figure 4)
- **purchase prices would rise at a slower pace:** the balance of responses was 65.9% (compared with 77.5% in the previous quarter). **Meanwhile, selling prices were expected to grow at a faster rate:** the balance of responses was 43.2% (compared with 32.5% 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 would increase at a faster pace, while wage costs per staff member would decelerate.** The balances of responses were 46.5% and 43.2% respectively compared to 42.1% and 60.0% in Q1 2020) (Figures 4 and 6).

Respondents referred to weak demand as **the main drag on the ability of their companies to boost production** (Figure 5). The impact of a lack of working assets was reported to have increased significantly compared to the previous quarter.

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

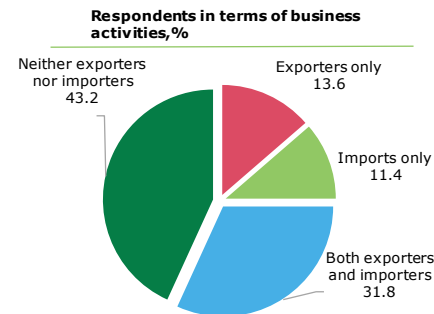
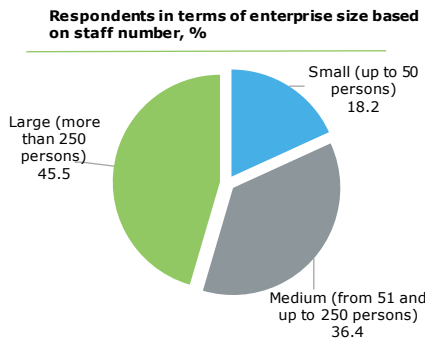
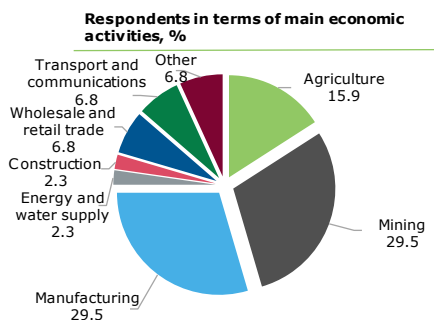
**A total of 95.5% of respondents** said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.5% across Ukraine).

#### 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 (-11.4%) compared to 5.3% in Q1 2020 and (-11.6%) across Ukraine.
- **Finished goods stocks** had decreased and **were assessed at a level lower than the normal one:** the balance of responses was (-6.9%) compared with 3.7% in Q1 2020.
- **Companies in the region had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 13.6% compared with 7.7% in the previous quarter.

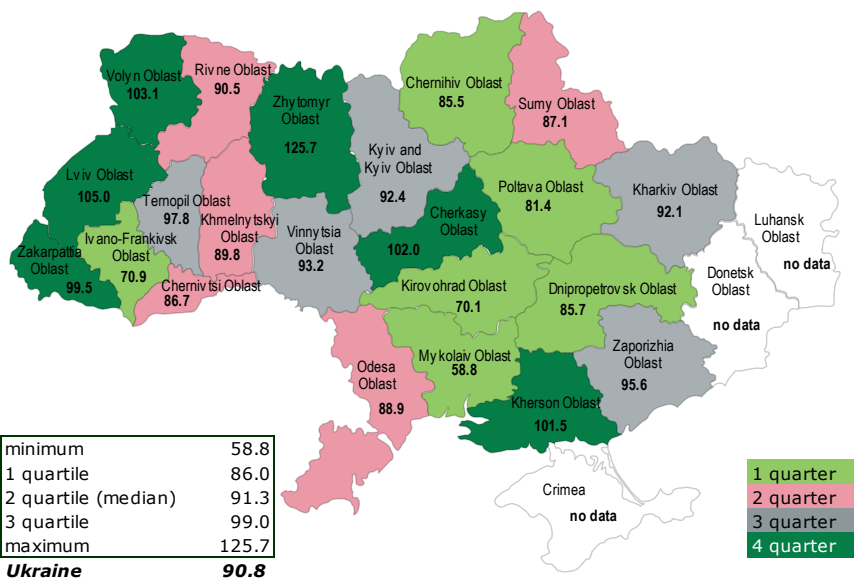
<sup>1</sup> This survey was conducted after the government announced it would relax the quarantine.

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



- Period: 5 May through 3 June 2020.
- A total of 44 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 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, %				
	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
Financial and economic standings	20.6	2.9	8.8	2.8	-16.7
Total sales	16.7	13.9	13.9	10.3	-11.6
Investment in construction	6.5	15.2	3.0	5.4	-32.6
Investment in machinery, equipment and tools	23.3	12.1	15.2	16.2	-18.6
Staff numbers	-11.4	-2.7	-8.3	2.6	-13.6

<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 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

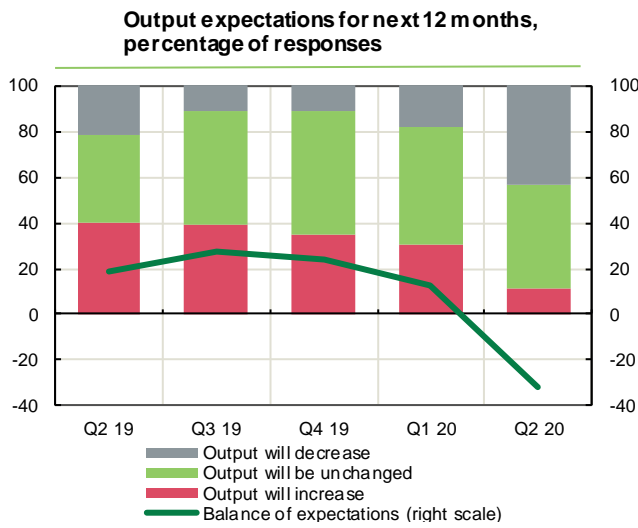


Figure 2

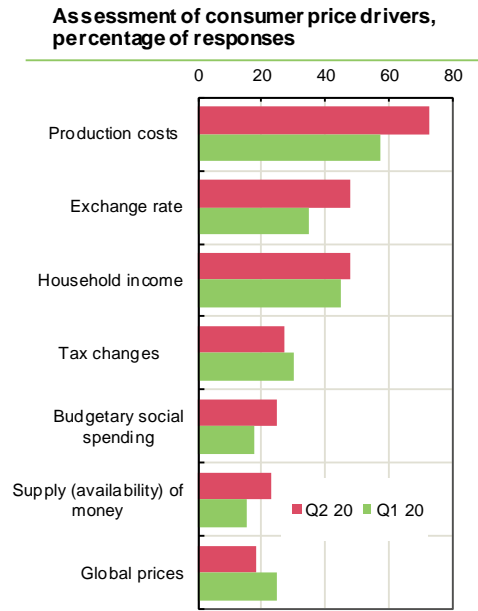


Figure 3

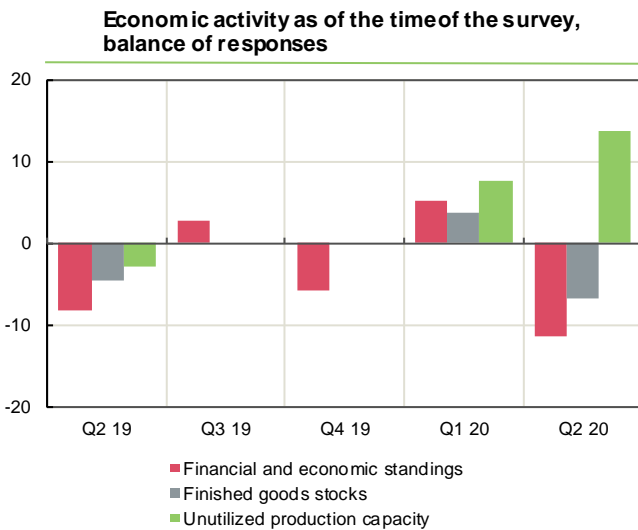


Figure 4



Figure 5

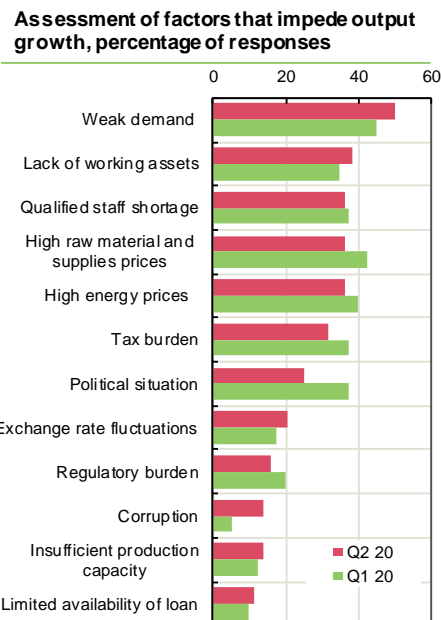


Figure 6

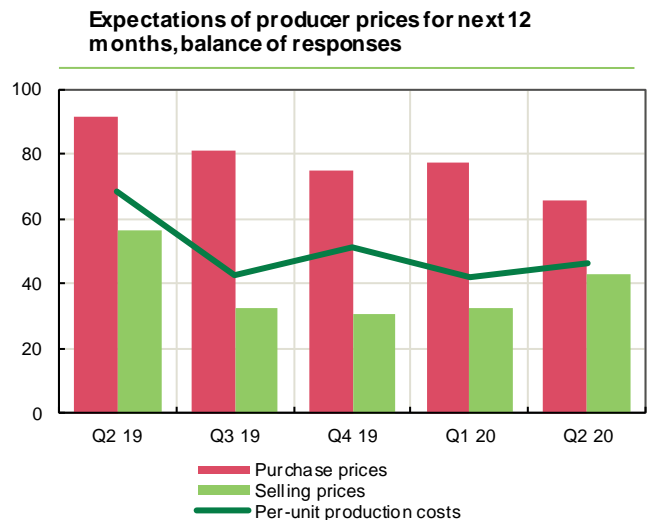


Figure 7

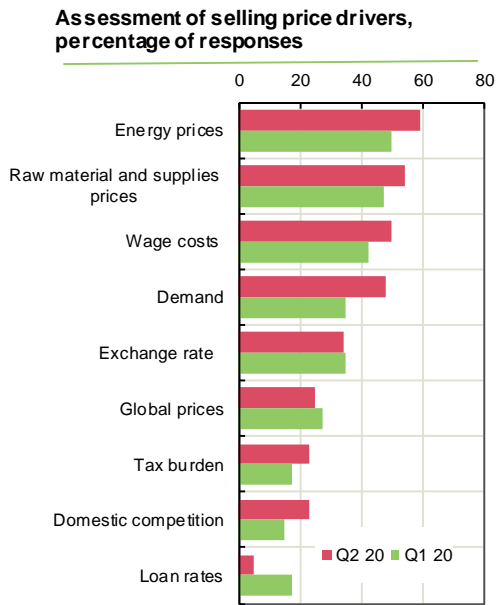


Figure 8

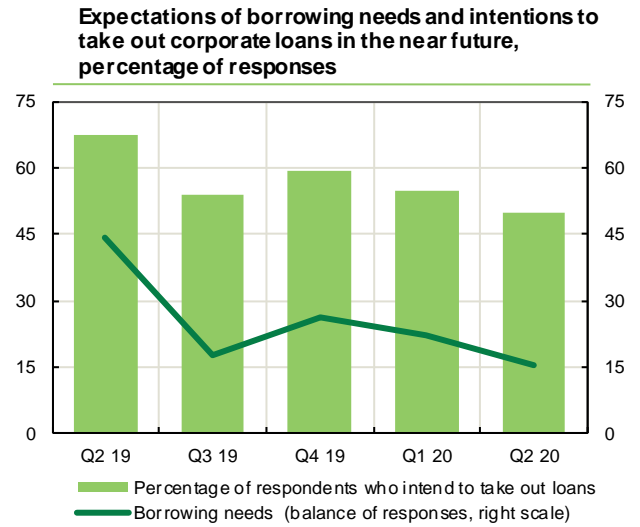


Figure 9

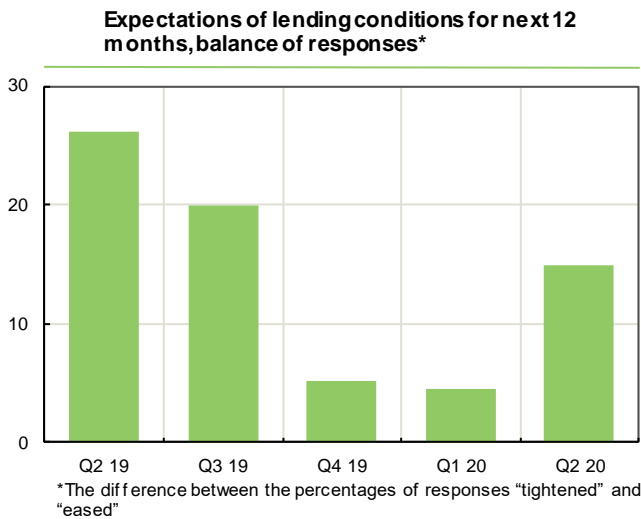


Figure 10

