



National Bank
of Ukraine

Business Outlook Survey of Poltava Oblast*

Q3 2020



*This survey only reflects the opinions of respondents in Poltava 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 **Poltava oblast** in Q3 2020 showed that respondents expected a slower reduction in the output of Ukrainian goods and services over the next 12 months amid the extended adaptive quarantine regime. They were optimistic about the future performance of their companies over that period. Respondents expect inflation to decrease, while they reported higher depreciation expectations.

The top managers of companies 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 (-22.0%) compared with (-31.8%) in Q2 2020 and (-16.1%) across Ukraine (Figure 1)
- **the growth in prices for consumer goods and services would decelerate:** 57.5% of respondents expected the inflation rate to be lower than 7.5% compared with 45.5% in the previous quarter and 55.6% across Ukraine. Respondents referred to production costs as **the main inflation driver** (Figure 2)
- **the domestic currency depreciation would increase:** a total of 70.7% of respondents (compared with 65.9% in the previous quarter) expected the hryvnia to weaken against the US dollar, with the figure across Ukraine being 83.2%
- **the financial and economic standings of their companies would improve slightly:** the balance of expectations was 2.5% (compared with (-16.7%) in Q2 2020 and 4.4% across Ukraine) (see Table)
- **total sales of their own products would increase:** the balance of responses was 5.0% compared with (-11.6%) in the previous quarter (see Table). External sales were expected to increase at a much faster pace (the balance of responses was 23.5% compared with (-14.3% 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 construction would increase:** the balance of responses was 5.1% (compared to (-32.6%) in Q2 2020). Across Ukraine, the balances of responses were (-16.1%) and (-10.5%) respectively. **Investment in machinery, equipment, and tools was expected to decrease** slightly: the balance of response was (-2.6%) compared to (-18.6%) in the previous quarter. Across Ukraine, the balances of responses were (-4.7%) and 5.2% respectively
- **staff numbers at their companies would decrease:** the balance of responses was (-17.1%) compared with (-13.6%) in Q2 2020 and (-10.8%) across Ukraine (Figure 4)
- **purchase prices would rise at a faster pace** (the balance of responses was 82.9%) **than selling prices** (the balance of responses was 43.9%) (compared with 65.9% and 43.2% respectively in Q2 2020) (Figure 6). Respondents referred to wage costs, energy, raw material and supplies prices as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would grow:** the balances of responses were 65.2% and 45.0% respectively, compared with 46.5% and 43.2% respectively in Q2 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).

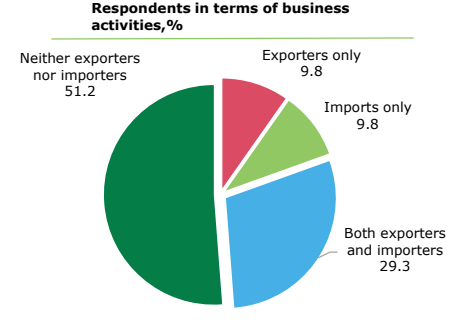
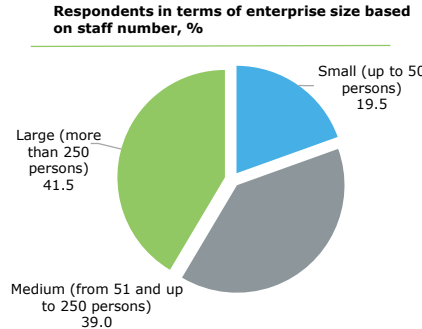
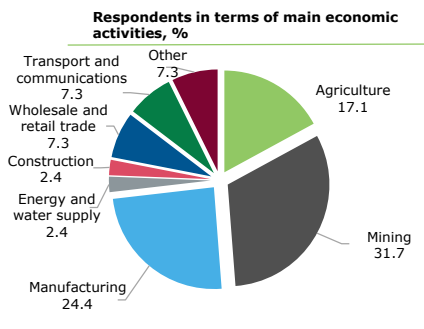
Respondents reported higher expectations of an increase in borrowing needs in the near future (Figure 8). 51.2% of the respondents planned to take out bank loans and usually opted for domestic currency loans. Respondents said that lending conditions had tightened (Figure 9). Respondents continued to refer to high interest rates as the main factor that deterred them from taking out loans (Figure 10).

A total of 95.1% 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)

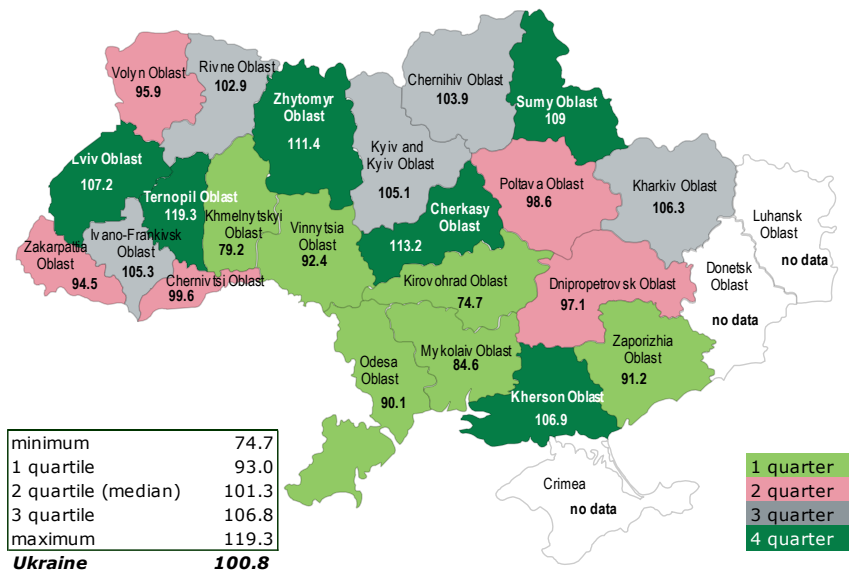
- **The current financial and economic standings of companies were assessed as bad:** the balance of responses was (-17.1%) compared with (-11.4%) in Q2 2020 and (-5.6%) across Ukraine.
- **Finished goods stocks were assessed at a level lower than the normal one:** the balance of responses was (-26.9%) compared with (-6.9%) in Q2 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 14.6% compared with 13.6% in the previous quarter.

Survey Details^{1,2}



- Period: 5 August through 31 August 2020.
- A total of 41 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, %



³a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups
³a 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 19	Q4 19	Q1 20	Q2 20	Q3 20
Financial and economic standings	2.9	8.8	2.8	-16.7	2.5
Total sales	13.9	13.9	10.3	-11.6	5.0
Investment in construction	15.2	3.0	5.4	-32.6	5.1
Investment in machinery, equipment and tools	12.1	15.2	16.2	-18.6	-2.6
Staff numbers	-2.7	-8.3	2.6	-13.6	-17.1

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

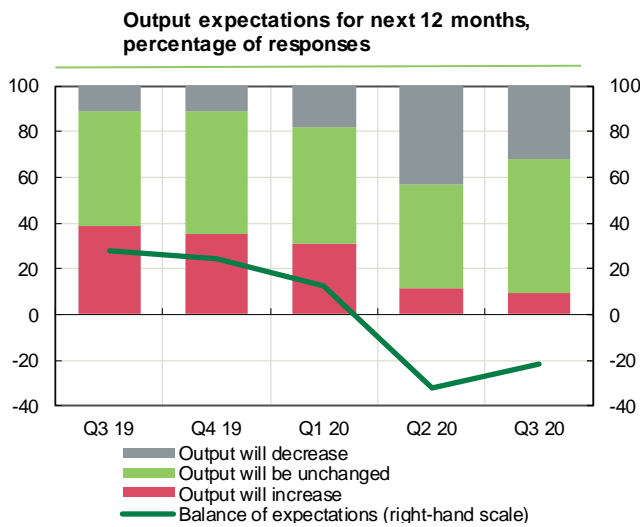


Figure 2

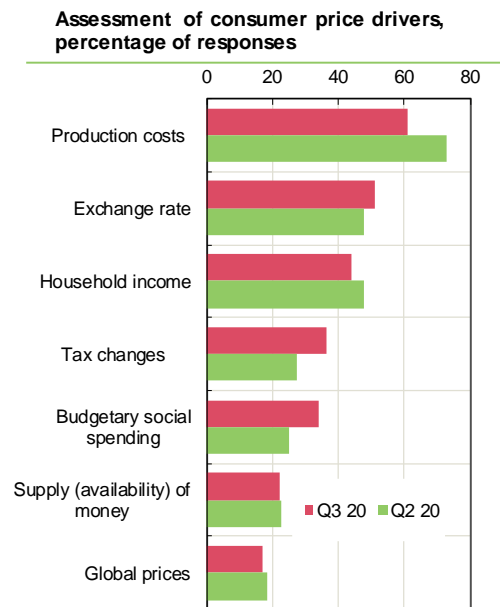


Figure 3

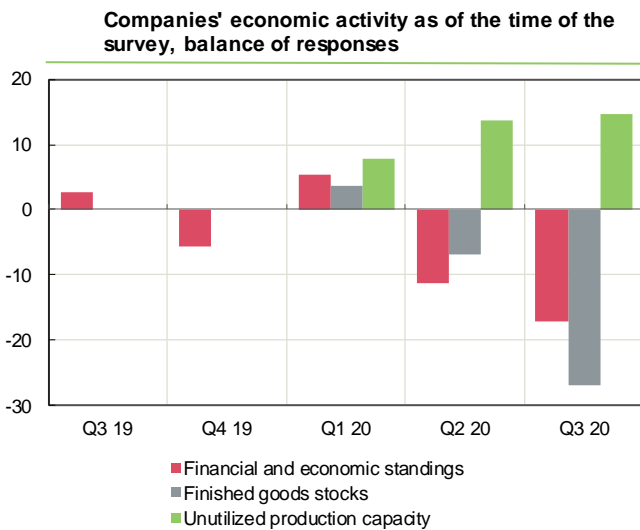


Figure 4

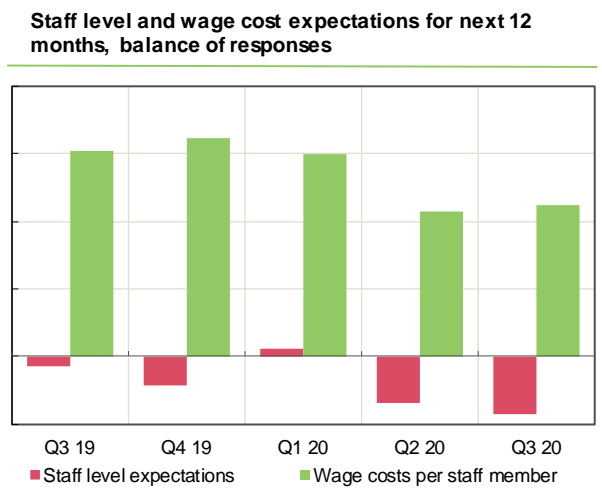


Figure 5

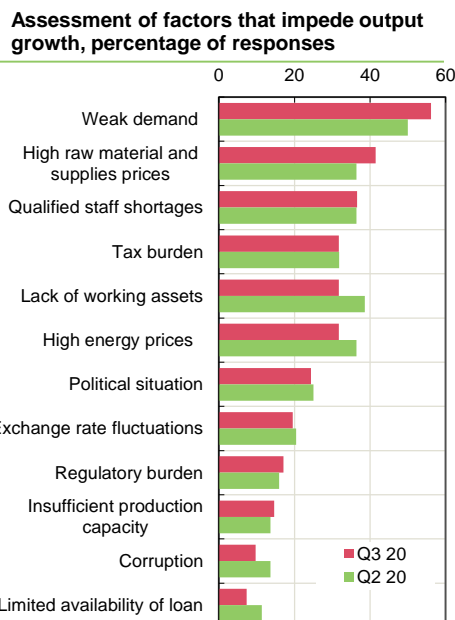


Figure 6

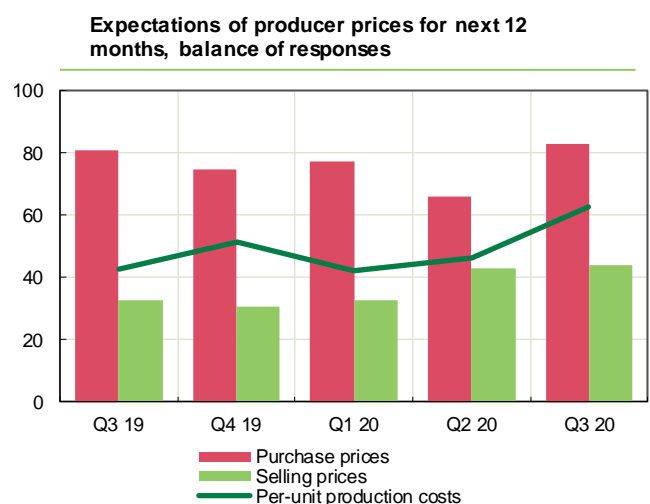


Figure 7

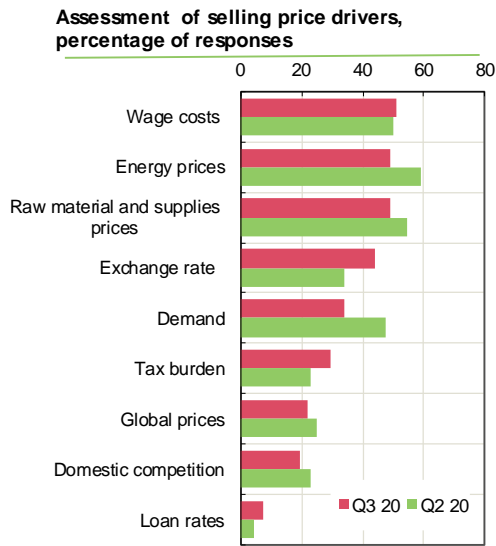


Figure 8

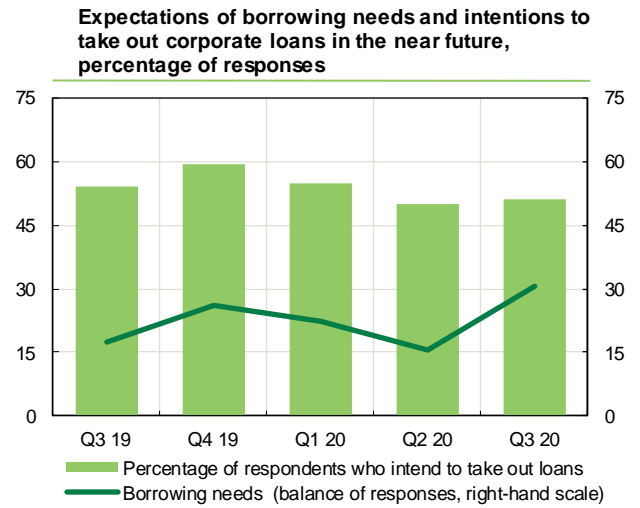


Figure 9

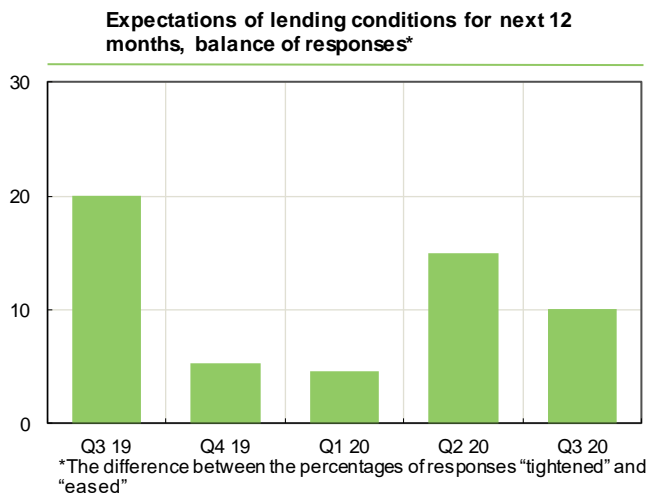


Figure 10

