



National Bank
of Ukraine

Business Outlook Survey of Rivne Oblast*

Q1 2020

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



*This survey only reflects the opinions of respondents in Rivne oblast (top managers of companies) who were polled in Q1 2020, and does not represent NBU forecasts or estimates

A survey carried out in Rivne oblast in Q1 2020 showed that respondents expected a drop in the output of Ukrainian goods and services over the next 12 months. They had moderate expectations for the development of their companies over that period. Respondents expected that inflation would be moderate and the domestic currency would continue to depreciate at a slow pace.¹

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 (-23.1%) compared to 33.3% in Q4 2019 and 10.4% across Ukraine
- **the prices of consumer goods and services would rise:** 69.2% of respondents expected the inflation rate to be lower than 6.0% (compared to 68.5% across Ukraine). Respondents referred to household income, production costs and the exchange rate as **the main inflation drivers** (Figure 2)
- **the domestic currency would depreciate moderately:** 33.3% of respondents (compared with 30.8% 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 remain at their current levels:** the balance of expectations was 0.0% (compared to 15.4% in the previous quarter). Companies across Ukraine expected an improvement in their financial and economic standings (16.9%) (see Table)
- **total sales growth would continue to decelerate:** the balance of responses was 7.7% compared with 15.4% in the previous quarter. External sales were expected to grow at a faster pace (the balance of responses was 25.0% compared with 20.0% in Q4 2019). The balances of responses across Ukraine were 23.0% and 17.5% respectively
- **investment in machinery, equipment and tools would increase:** the balance of responses was 20.0% compared to 0.0% in the previous quarter. Investment in construction was expected to decrease at a faster pace: the balance of responses was (-20.0%) compared with (9.1%) in Q4 2019. Overall, across Ukraine, respondents expected investment spending to rise, the balances of responses being 14.1% and 2.4% respectively
- **staff numbers would increase:** the balance of responses was 7.7% compared with 0.0% in Q4 2019 (Figure 4). Across Ukraine, staff numbers were expected to decrease (-3.9%)
- **the growth in both purchase and selling prices would accelerate:** the balances of responses were 83.3% and 61.5% respectively (compared to 71.4% and 50.0% in the previous quarter) (Figure 6). Raw material and supplies prices were cited as the main selling price drivers. The impact of wage costs and the exchange rate was also said to be significant (Figure 7)
- **the growth in per-unit production costs and in wage costs per staff member would accelerate:** the balances of responses were 45.5% and 66.7% respectively (compared to 36.4% and 57.1% in Q4 2019) (Figures 4 and 6).

Insufficient production capacity was **the main drag on the ability of companies to boost production** (the impact of this factor strengthened noticeably) (Figure 5).

Respondents expected that their **borrowing needs would continue to increase** in the near future (Figure 8). The companies that planned to take out corporate loans always opted for domestic currency loans. Respondents said that lending standards had tightened (Figure 9). Respondents referred to high loan rates as the main factor that deterred them from taking out loans (Figure 10).

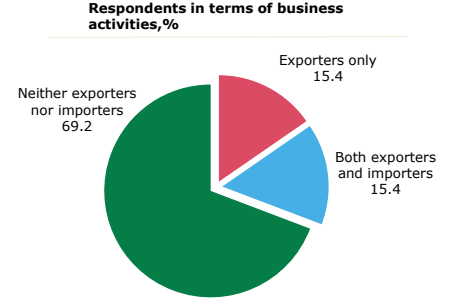
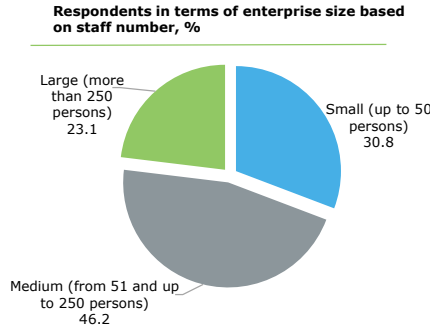
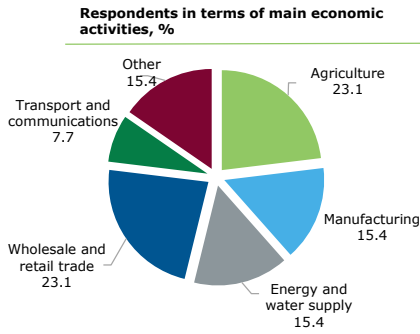
A total of 92.3% of the respondents said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.6% across Ukraine).

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 satisfactory:** the balance of responses was 0.0% compared to 33.3% in Q4 2019 and 9.7% across Ukraine.
- **Finished goods stocks had decreased and were at a level lower than the normal one:** the balance of responses was (-25.0%) compared with 0.0% in Q4 2019.
- **Spare production capacity decreased. Companies were operating on the verge of their production capacity:** the balance of responses was 0.0% compared to 41.7% in Q4 2019.

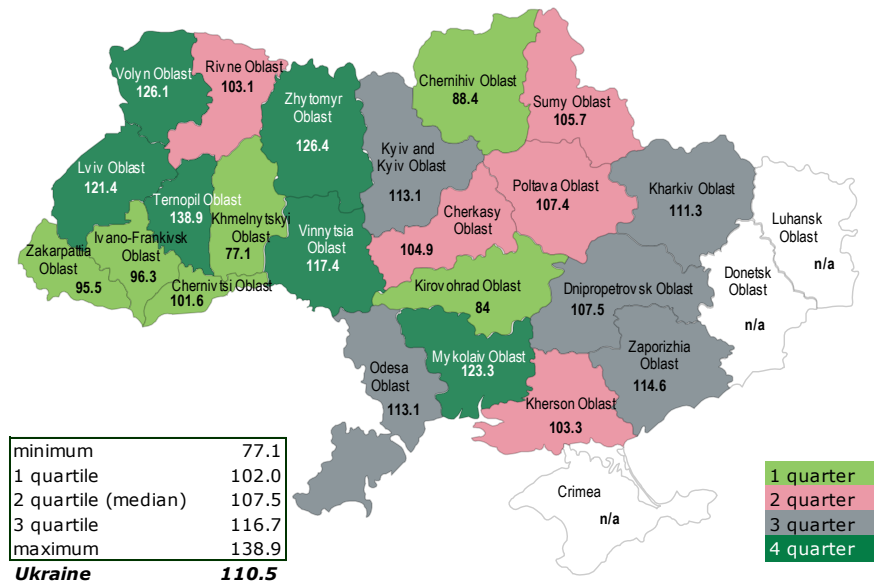
¹ This survey was carried out before quarantine measures were introduced.

Survey Details^{2,3}



- Period: 10 February through 4 March 2020.
- A total of 13 companies were polled.
- No economic activity was able to generate a representative sample.

Business Outlook Index for Next 12 Months in Terms of Regions⁴, %



*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 Rivne 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	36.4	15.4	16.7	15.4	0.0
Total sales	21.4	0.0	30.8	15.4	7.7
Investment in construction	27.3	36.4	41.7	-9.1	-20.0
Investment in machinery, equipment and tools	30.8	33.3	30.8	0.0	20.0
Staff numbers	-14.3	-15.4	15.4	0.0	7.7

² This sample was generated in proportion to the contribution of each region and each economic activity to Ukraine's gross value added.
³ Data for totals and components may be subject to rounding effects.
⁴ The business outlook index (BOI) is an aggregate indicator for expected business development over the next 12 months. It is calculated using balances of respondents' responses regarding changes in the financial and economic standings of their companies and future economic activity.

Figure 1

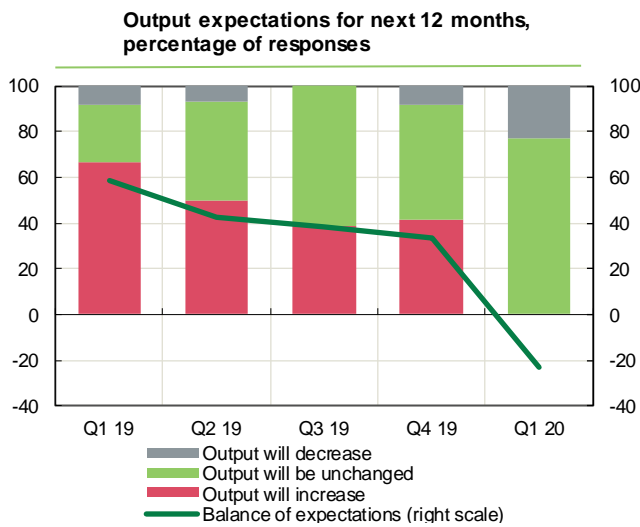


Figure 2

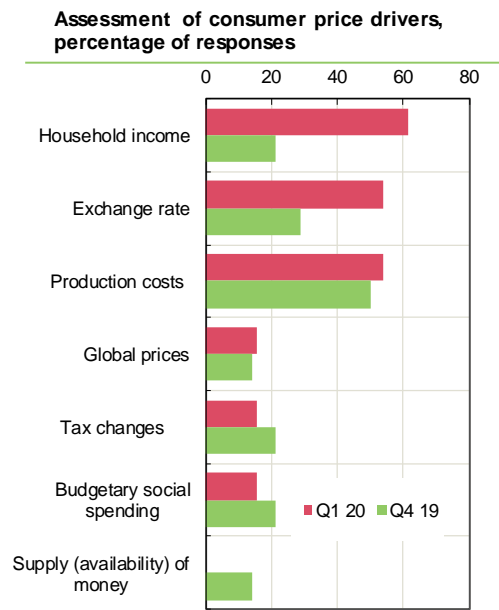


Figure 3

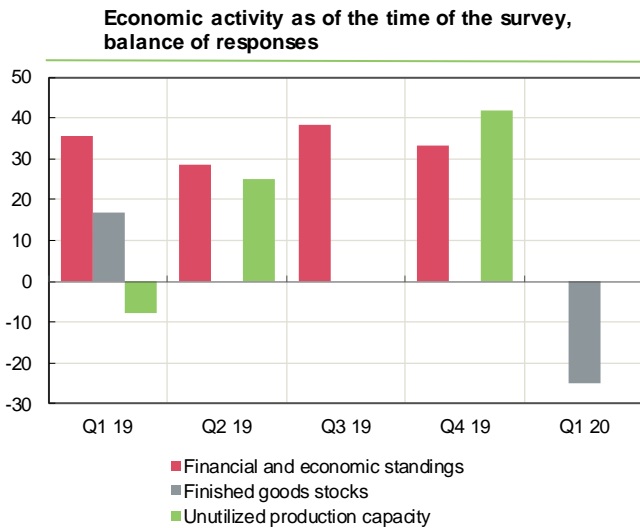


Figure 4



Figure 5

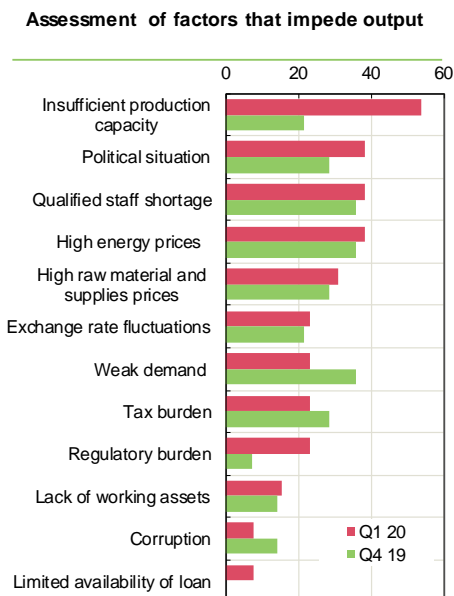


Figure 6

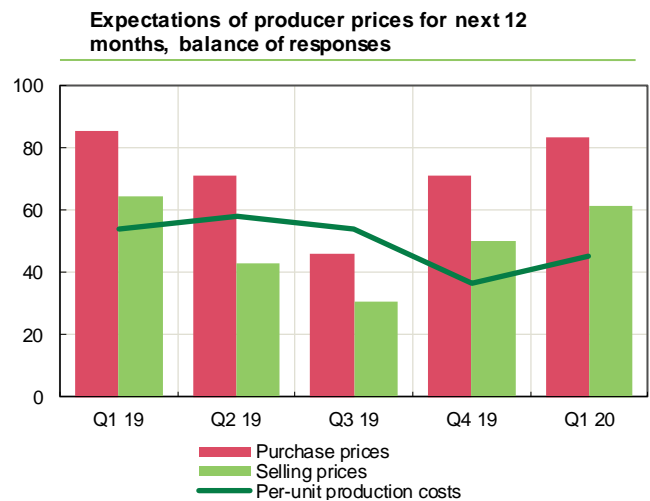


Figure 7

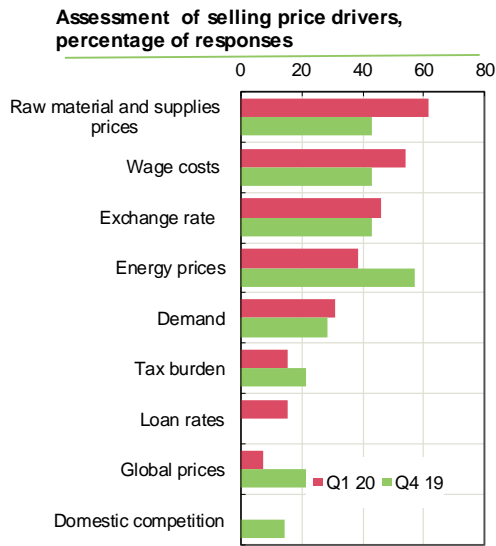


Figure 8

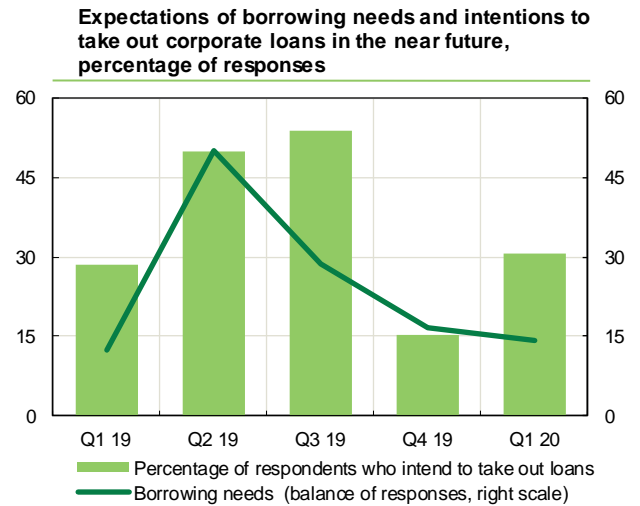


Figure 9

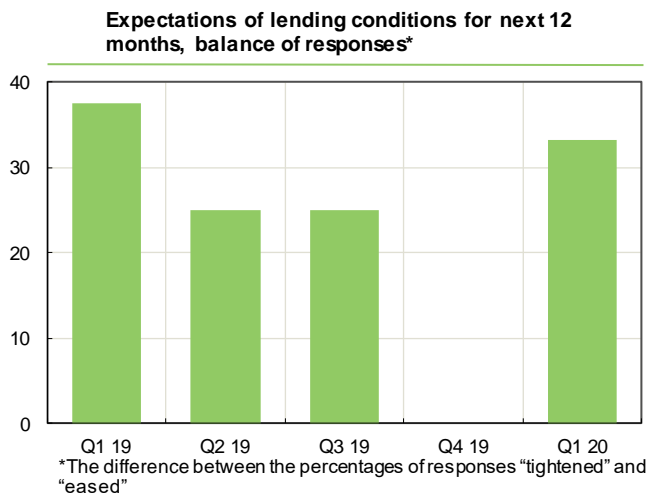


Figure 10

