



National Bank
of Ukraine

Business Outlook Survey of Rivne 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 Rivne oblast (top managers of companies) who were polled in Q2 2020, and does not represent NBU forecasts or estimates

A survey carried out in Rivne oblast in Q2 2020 showed that respondents expected a drop in the output of Ukrainian goods and services over the next 12 months on the back of the quarantine. They had moderate expectations for the performance of their companies over that period. Respondents expected that inflation would be moderate and reported higher depreciation expectations 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 (-27.3%) compared to (-23.1%) in Q1 2020 and (-34.1%) across Ukraine
- **the prices of consumer goods and services would rise at a slower pace:** 66.7% of respondents expected the inflation rate to be lower than 7.5% (compared to 54.9% across Ukraine). Respondents referred to the exchange rate, household income and global prices as **the main inflation drivers** (Figure 2)
- **hryvnia would depreciate more pronouncedly:** 66.7% of respondents (compared with 33.3% 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 improve:** the balance of expectations was 8.3% (compared to 0.0% in the previous quarter). Companies across Ukraine expected a deterioration in their financial and economic standings (-1.8%) (see Table)
- **total sales would remain unchanged:** the balance of responses was 0.0% compared with 7.7% in the previous quarter. External sales were expected to grow at a somewhat faster pace (the balance of responses was 33.3% compared with 25.0% in Q1 2020). Overall, companies across Ukraine expected sales to decrease slightly, the balances of responses being (-0.1%) and (-0.7)% respectively
- **investment in construction and in machinery, equipment, and tools would decrease:** the balances of responses were (-30.0%) and (-9.1%) respectively compared with (-20.0%) and 20.0% respectively. Across Ukraine, the balances of responses were (-16.1%) and (10.5%) respectively
- **staff numbers would decrease:** the balance of responses was (-16.7%) compared with 7.7% in Q1 2020 and (-17.3%) across Ukraine (Figure 4)
- **the growth in both purchase and selling prices would decelerate:** the balances of responses were 66.7% and 41.7% respectively (compared to 83.3% and 61.5% in the previous quarter) (Figure 6). Raw material and supplies prices and the exchange rate were cited as the main selling price drivers. The impact of global prices and demand was also reported to have increased significantly compared to the previous quarter (Figure 7)
- **the growth in per-unit production costs would decelerate:** the balance of responses was 25.0% (compared to 45.5% in Q1 2020). **Wage costs per staff member were expected to remain unchanged:** the balance of responses was 0.0% (compared to 66.7% in Q1 2020) (Figures 4 and 6).

Insufficient production capacity and high energy prices were the main drags on the ability of companies to boost production (Figure 5). The impact of weak demand strengthened noticeably.

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 other funding sources as the main factor that deterred them from taking out loans (Figure 10).

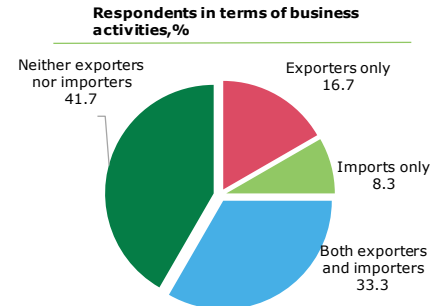
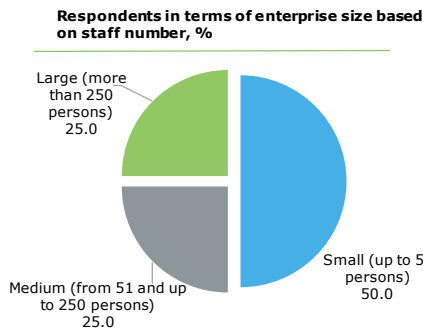
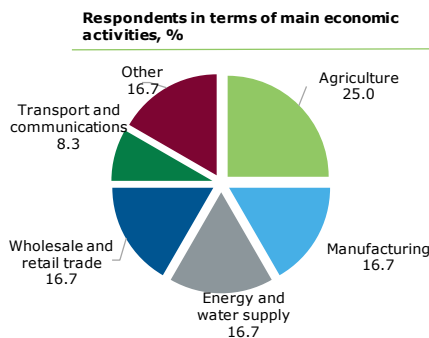
All of the respondents said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.5% across Ukraine).

Assessments of financial and economic standings as of the time of the survey (Figure 3)

- **The current financial and economic standings of companies were assessed as satisfactory:** the balance of responses was 0.0% (unchanged on the previous quarter). Across Ukraine, the current financial and economic standings of companies were assessed as bad, the balance of responses being (-11.6%)
- **Finished goods stocks were assessed at a level lower than the normal one:** the balance of responses was (-14.3%) compared with (-25.0%) in Q1 2020.
- **Spare production capacity had increased. Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 8.3% compared to 0.0% in Q1 2020.

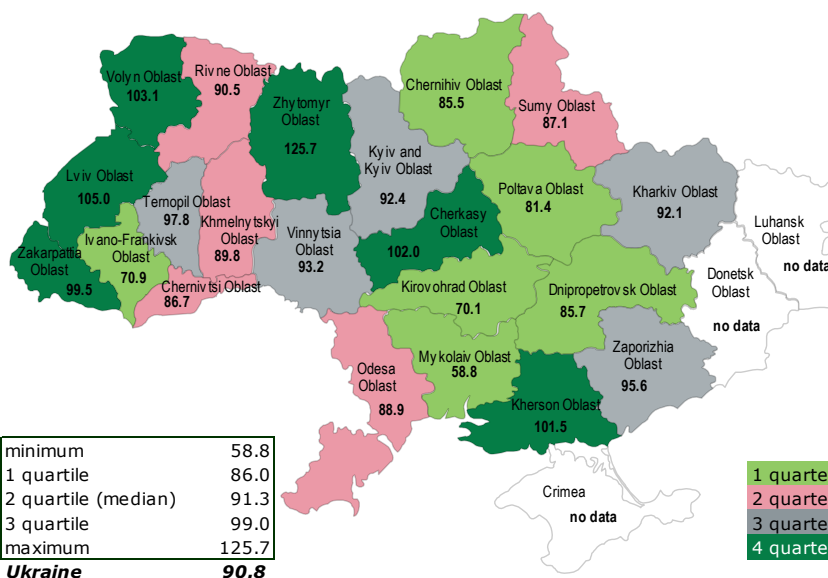
¹ This survey was conducted after the government announced it would relax the quarantine.

Survey Details^{2,3}



- Period: 5 May through 1 June 2020.
- A total of 12 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 sampled 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, %				
	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
Financial and economic standings	15.4	16.7	15.4	0.0	8.3
Total sales	0.0	30.8	15.4	7.7	0.0
Investment in construction	36.4	41.7	-9.1	-20.0	-30.0
Investment in machinery, equipment and tools	33.3	30.8	0.0	20.0	-9.1
Staff numbers	-15.4	15.4	0.0	7.7	-16.7

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 performance 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

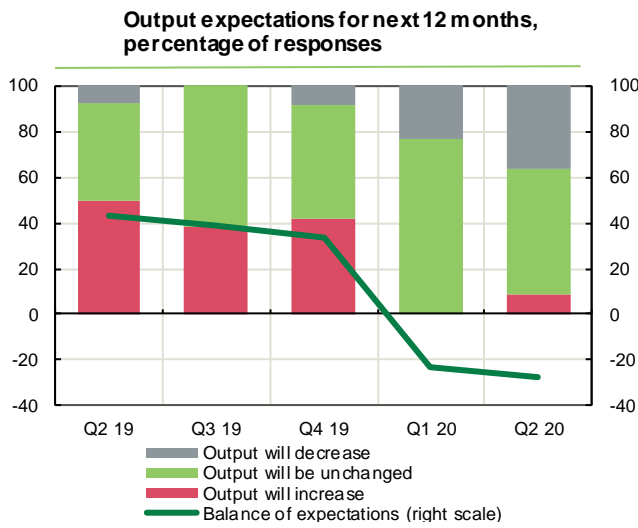


Figure 2

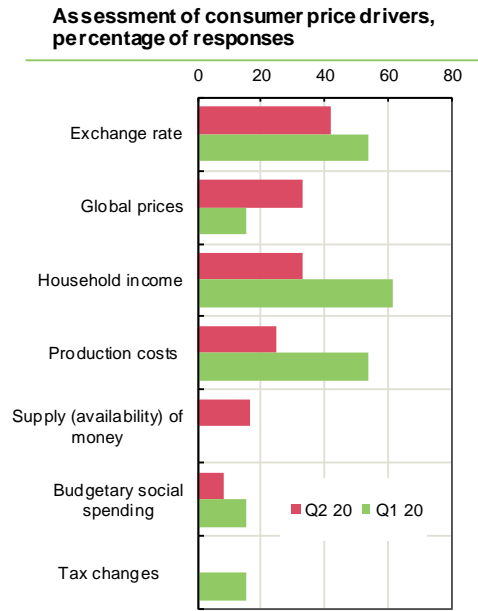


Figure 3

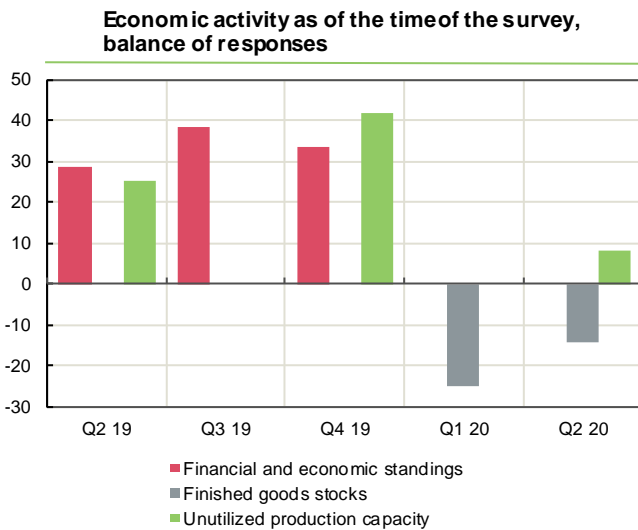


Figure 4

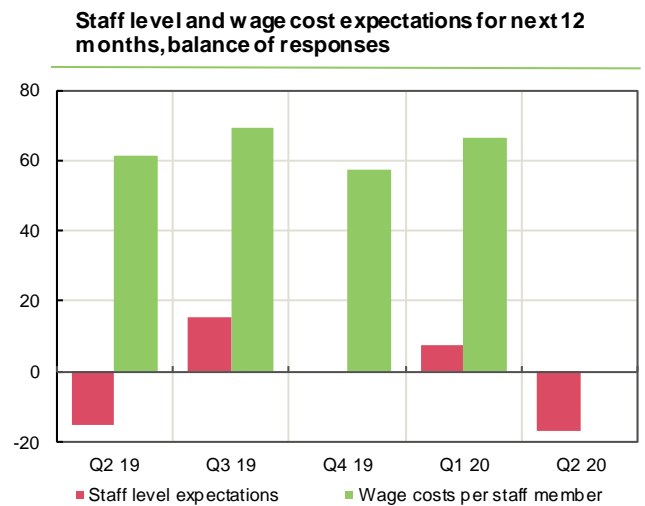


Figure 5

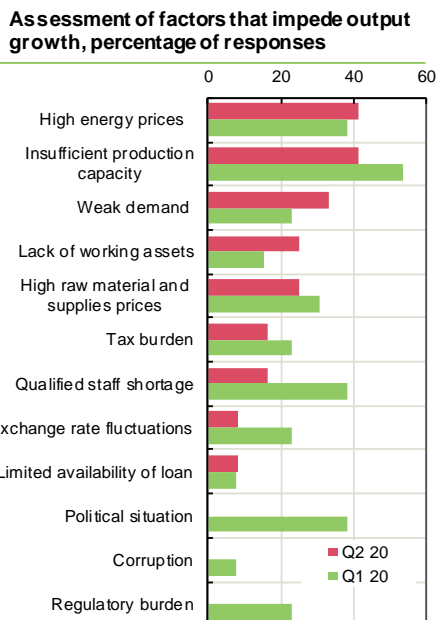


Figure 6

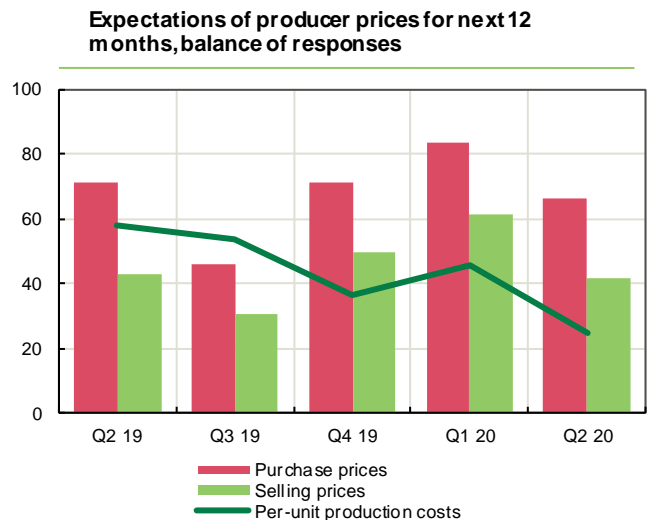


Figure 7

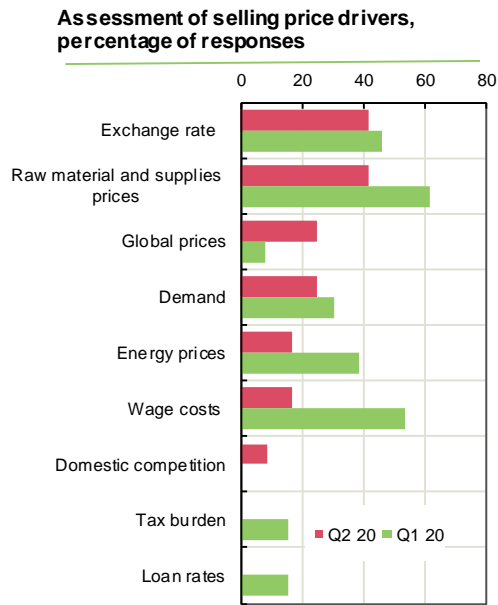


Figure 8

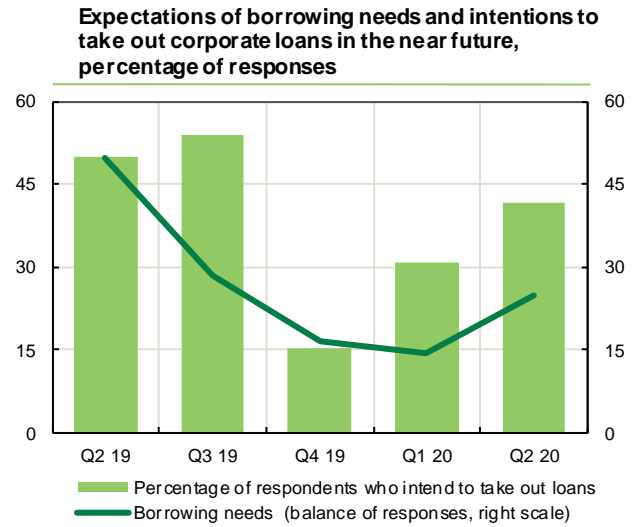


Figure 9

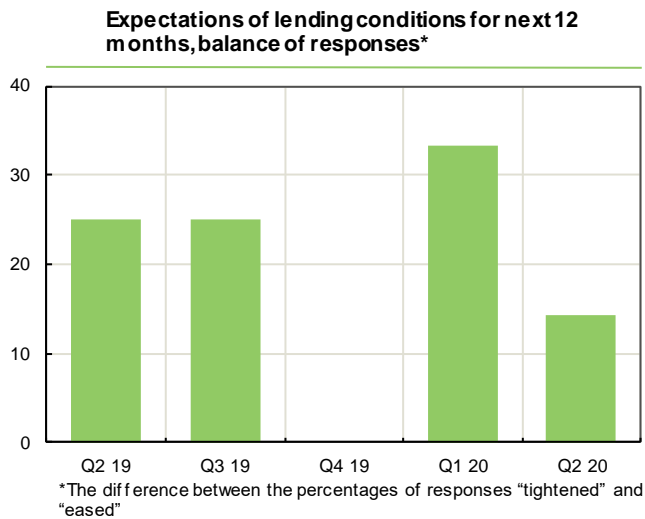


Figure 10

