National Bank of Ukraine

Business Outlook Survey **of Rivne Oblast***

Q3 2020

*This survey only reflects the opinions of respondents in Rivne 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 Rivne oblast in Q3 2020 showed that respondents had positive expectations that the Ukrainian economy would grow over the next 12 months. At the same time, they expected weaker performance by their companies over that period. Respondents expected that prices would continue to rise and the domestic currency would weaken more noticeably.

The top managers of companies said they expected that over the next 12 months:

- **the output of Ukrainian goods and services would increase:** the balance of expectations was 15.4% (one of the highest figures across the regions) compared to (-27.3%) in Q2 2020 and (-16.1%) across Ukraine
- **the prices of consumer goods and services would rise:** 61.5% of respondents expected the inflation rate to be lower than 7.5% (compared to 66.7% in the previous quarter and 55.6% across Ukraine). Respondents referred to **production costs and the exchange rate as the main inflation drivers** (Figure 2)
- **the hryvnia would depreciate at a faster pace:** 84.6% of respondents (compared with 66.7% 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 deteriorate:** the balance of expectations was (-8.3%) compared to 8.3% in the previous quarter. Companies across Ukraine expected an improvement in their financial and economic standings (4.4%) (see Table)
- **total sales would rise**: the balance of responses was 23.0% compared with 0.0% in Q2 2020. Respondents also expected an increase in external sales: the balance of responses was 40.0% compared with 33.3% 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 machinery, equipment and tools would grow:** the balance of responses was 15.4% compared to (-9.1%) in the previous quarter. Investment in construction was expected to remain unchanged: the balance of responses was 0.0% compared with (-30.0%) in Q2 2020. The balances of responses across Ukraine were 5.2% and (-4.7%) respectively
- **staff numbers would decrease:** the balance of responses was (-15.4%) compared with (-16.7%) in Q2 2020 and (-10.8%) across Ukraine (Figure 4)
- **the growth in purchase prices would accelerate:** the balance of responses was 76.9%. **Selling prices were expected to rise moderately:** the balance of responses was 38.5%. The balances of responses in the previous quarter were 66.7% and 41.7% respectively. Raw material and supplies prices and wage costs were cited as the main selling price drivers (Figure 7)
- **the growth in per-unit production costs and wage costs per staff member would accelerate:** the balances of responses were 38.5% and 69.2% respectively compared with 25.0% and 0.0% in Q2 2020 (Figures 4 and 6).

Insufficient production capacity was the main drag on the ability of companies to boost production (Figure 5). The impact of high raw material and supplies prices and qualified staff shortages strengthened noticeably.

Respondents continued to expect 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 significantly (Figure 9). Respondents referred to other funding sources as the main factor that deterred them from taking out loans (Figure 10).

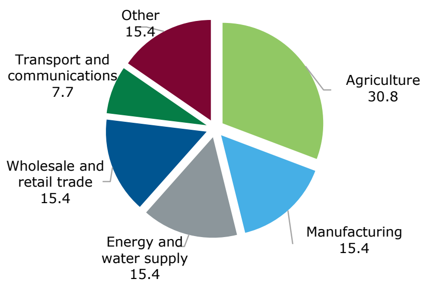
84.6% of respondents said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.6% across Ukraine).

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

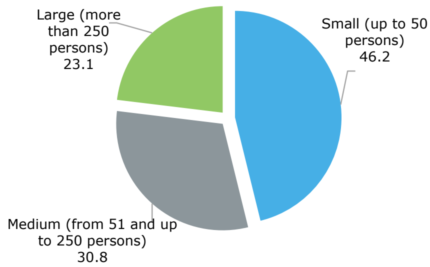
- **The current financial and economic standings of companies had deteriorated and were assessed as bad:** the balance of responses was (-15.4%) compared with 0.0% in Q2 2020 and (-5.6%) across Ukraine.
- **Finished goods stocks had increased and were assessed as normal:** the balance of responses was 0.0% (compared with (-14.3%) in Q2 2020).
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 16.7% compared to 8.3% in Q2 2020. At the same time, more than 80% of respondents would operate at almost full capacity to meet any unexpected rise in demand.

Survey Details[1,2]

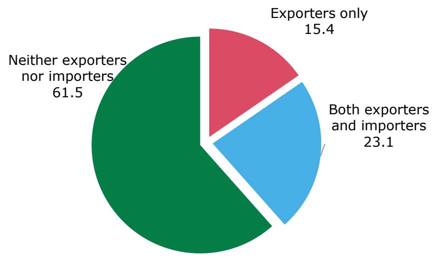
Respondents in terms of main economic activities, %



Respondents in terms of enterprise size based on staff number, %

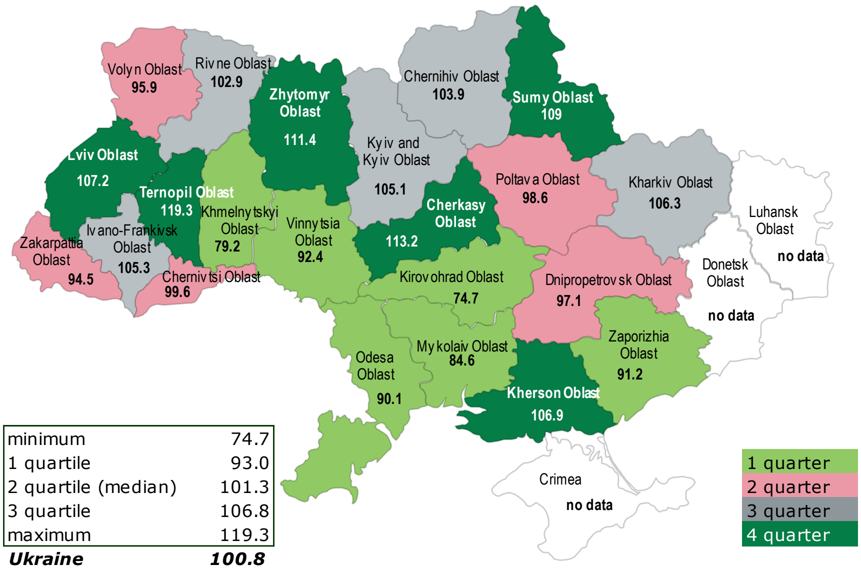


Respondents in terms of business activities,%



- Period: 5 August through 26 August 2020.
- A total of 13 companies were polled.
- A representative sample was generated on the basis of the agricultural sector.

Business Outlook Index for Next 12 Months in Terms of Regions[3], %



minimum	74.7
1 quartile	93.0
2 quartile (median)	101.3
3 quartile	106.8
maximum	119.3
Ukraine	***100.8***

*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, %				
	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20
Financial and economic standings	16.7	15.4	0.0	8.3	-8.3
Total sales	30.8	15.4	7.7	0.0	23.1
Investment in construction	41.7	-9.1	-20.0	-30.0	0.0
Investment in machinery, equipment and tools	30.8	0.0	20.0	-9.1	15.4
Staff numbers	15.4	0.0	7.7	-16.7	-15.4

[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 balances of respondents' responses regarding changes in the financial and economic standings of their companies and future economic activity.

Figure 1

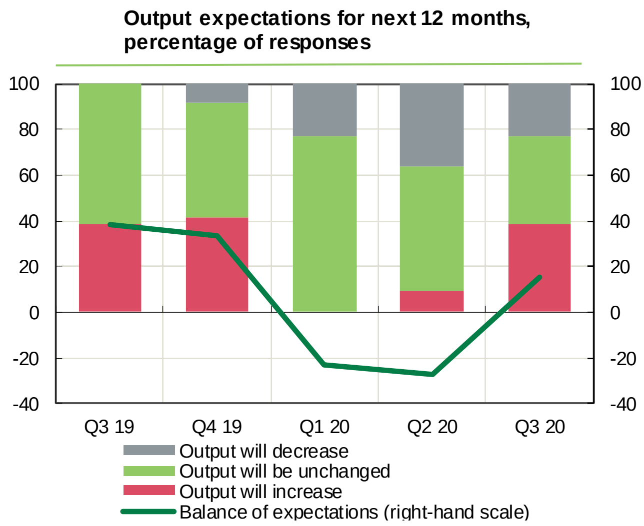


Figure 2

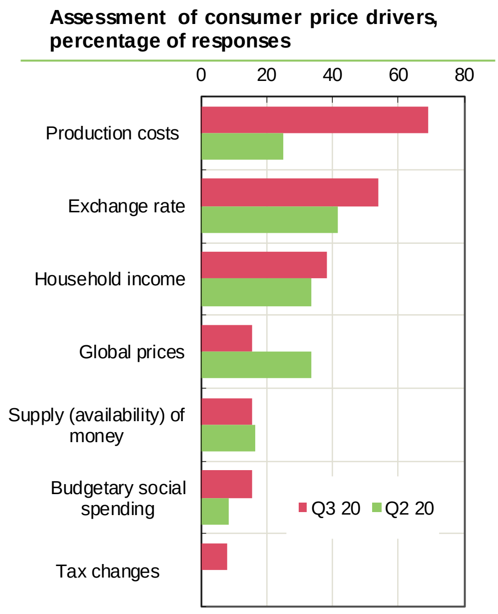


Figure 3

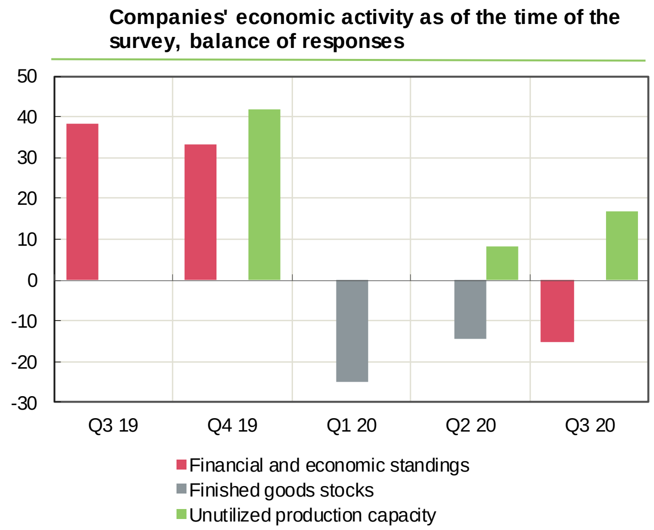


Figure 4

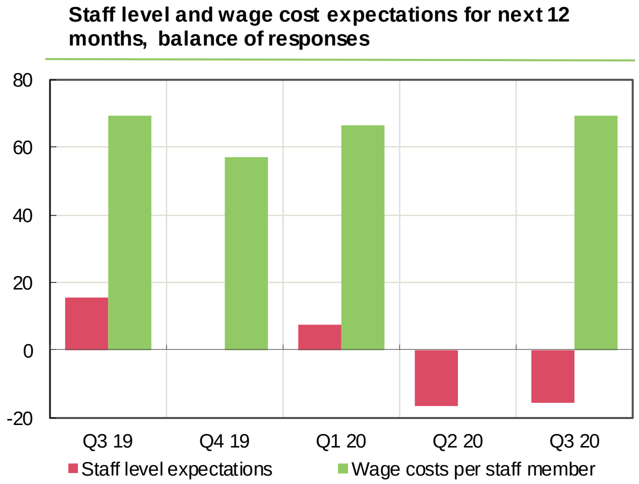


Figure 5

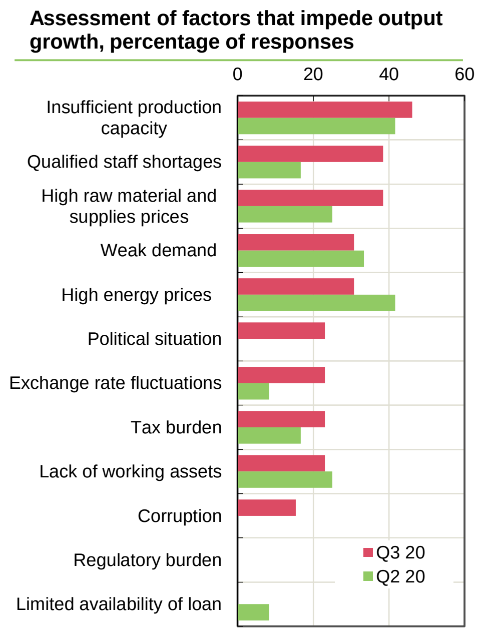


Figure 6

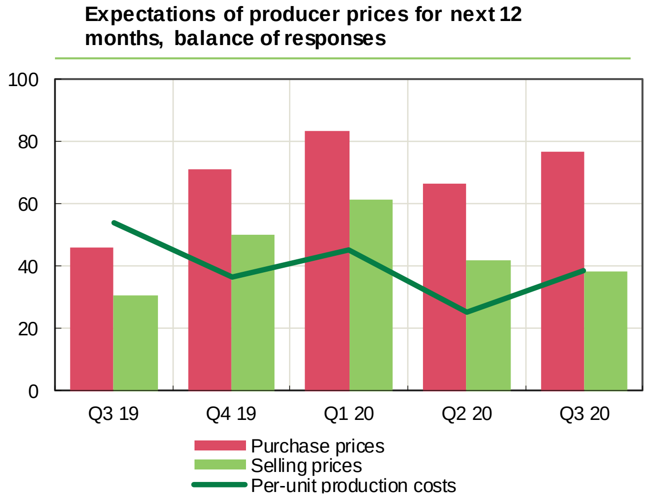


Figure 7

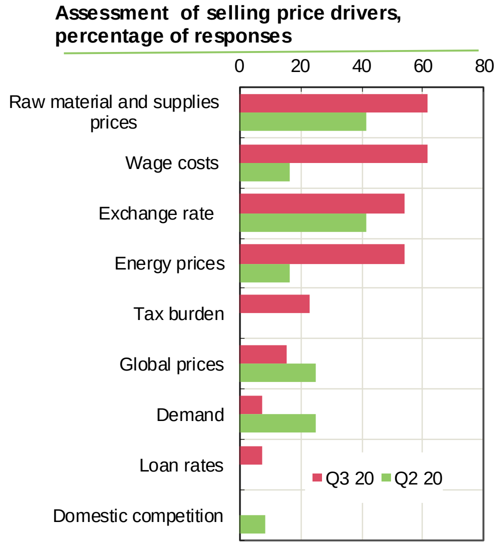


Figure 8

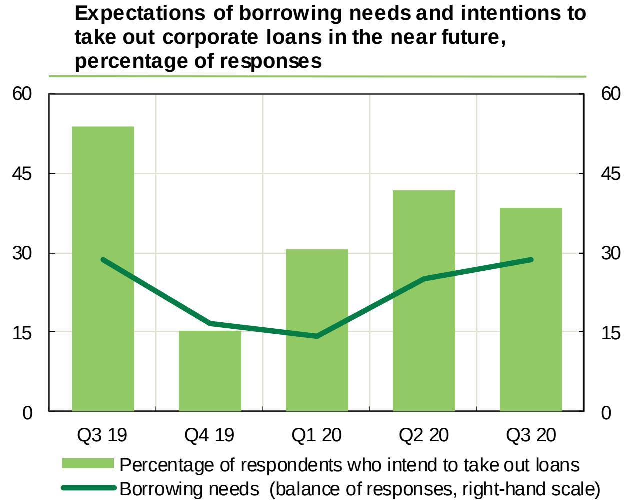
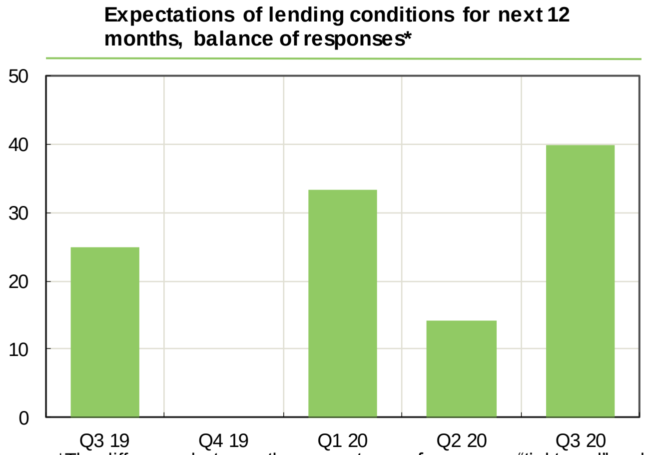


Figure 9



*The difference between the percentages of responses "tightened" and "eased"

Figure 10