



National Bank
of Ukraine

Business Outlook Survey of Sumy Oblast*

Q4 2019



*This survey only reflects the opinions of respondents in Sumy oblast (top managers of companies) who were polled in Q4 2019, and does not represent NBU forecasts or estimates

A survey of companies carried out in **Sumy oblast** in Q4 2019 showed that respondents expected no changes in the output of Ukrainian goods and services and had optimistic expectations about the development of their companies over the next 12 months. Depreciation expectations strengthened.

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

- **the output of Ukrainian goods and services would remain unchanged:** the balance of expectations was 0.0% compared to 13.3% in Q3 2019 (Figure 1) and 21.9% across Ukraine
- **prices for consumer goods and services would continue to grow:** 60.0% of the surveyed companies said that growth of prices would not exceed 7.5%, staying the same as in the previous quarter (53.8% across Ukraine). Respondents referred to production costs as the main inflation driver (86.7% of respondents). The impact of tax changes increased significantly (Figure 2)
- **the hryvnia would depreciate at a faster pace:** 60.0% of respondents (compared with 46.7% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 70.7%
- **the financial and economic standings of their companies would improve** more slowly: the balance of expectations was 15.4% compared with compared with 33.3% in Q3 2019 and 18.6% across Ukraine (see Table)
- **total sales growth of their own products would decelerate:** the balance of responses was 20.0% (compared to 33.3% in Q3 2019). External sales were also expected to grow: the balance of responses was 42.9% compared with 50.0% in Q3 2019. The balances of responses across Ukraine were 23.5% and 20.6% respectively
- **investment in machinery, equipment and tools would increase:** the balance of response was 6.7% compared to (-6.7%) in the previous quarter. Investment in construction was expected to remain unchanged: the balance of responses was 0.0% compared with 6.7% in Q3 2019. Overall, across Ukraine, respondents expected investment spending to rise, the balances of responses being 14.7% and 4.7% respectively
- **staff numbers at their companies would decrease** (such expectations have been reported for three quarters running): the balance of responses was (-13.3%) compared to (-6.7%) in Q3 2019 and (-1.6%) across Ukraine (Figure 4)
- **the growth in purchase and selling prices would accelerate:** the balances of responses were 80.0% and 40.0% respectively (compared with 73.3% and 33.3% in the previous quarter) (Figure 6). Raw material and supplies prices were cited as the main selling price drivers (Figure 7)
- **the growth in per-unit production costs and wage costs per staff member would speed up:** the balances of responses were 46.7% and 60.0% respectively (compared with 26.7% and 53.3% in Q3 2019) (Figures 4 and 6).

High raw material and supplies prices were named as the **main drags on the ability of companies to boost production** (Figure 5).

Respondents expected a significant increase in borrowing needs in the near future (Figure 8). As in previous quarters, the respondents who planned to take out corporate loans opted only for domestic currency loans. Respondents assessed the tightening of lending standards higher than compared to the previous quarter (Figure 9). High loan rates were cited as the main deterrent to taking out corporate loans (Figure 10).

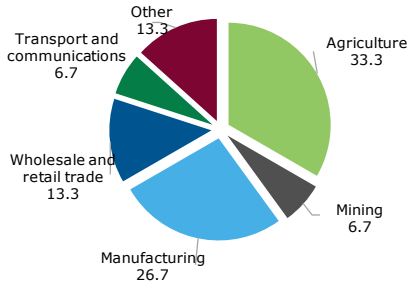
A total of 93.3% of respondents said that they had encountered no difficulties in effecting transactions with funds deposited in bank accounts (96.4% across Ukraine).

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

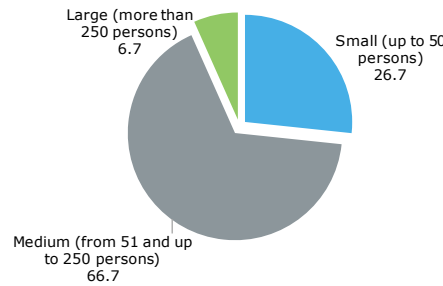
- **The current financial and economic standings of companies were assessed as bad:** the balance of expectations was unchanged compared to the previous quarter, at (-7.1%). Across Ukraine, respondents assessed their current financial and economic standings as positive, with a balance of responses of 6.1%.
- **Stocks of finished goods increased and were assessed to be at normal levels:** the balance of responses was 0.0% (compared with (-16.7%) in Q3 2019).
- **Spare production capacity increased and was sufficient to meet any sudden rise in demand:** the balance of responses was 13.3% compared with (-6.7%) in Q3 2019.

Survey Details^{1,2}

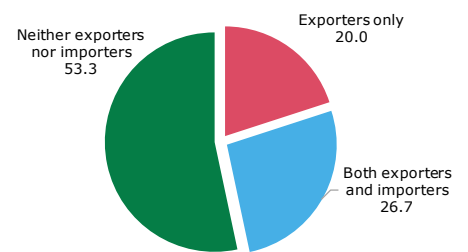
Respondents in terms of main economic activities, %



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

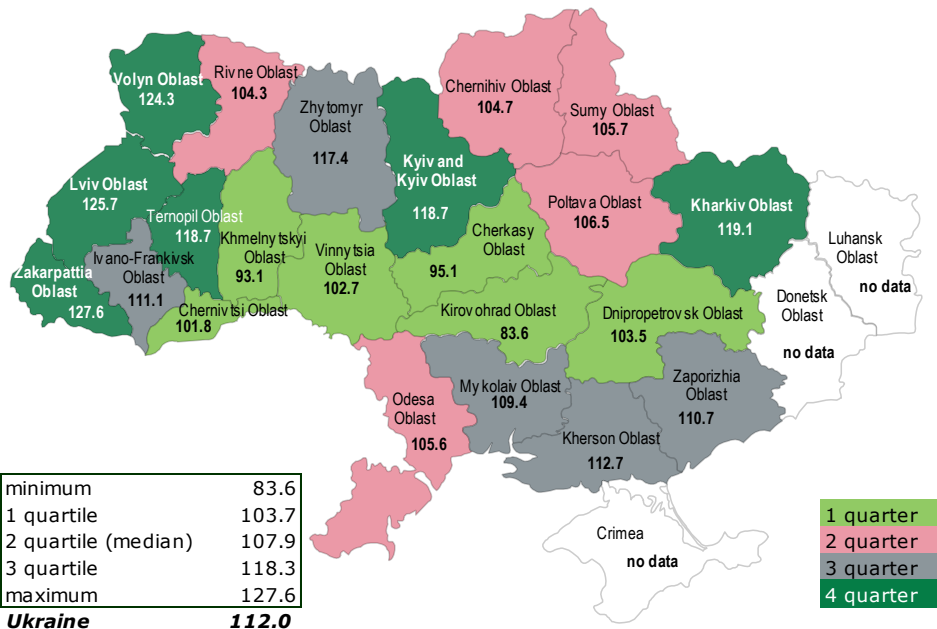


Respondents in terms of business activities, %



- Period: 7 November through 27 November 2019.
- A total of 15 companies were polled.
- A representative sample was generated on the basis of the agricultural sector and the manufacturing industry.

Business Outlook Index for Next 12 Months in Terms of Regions³, %



¹a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups
²a 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 Sumy Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
Financial and economic standings	6.7	30.8	33.3	33.3	15.4
Total sales	22.2	23.1	26.7	33.3	20.0
Investment in construction	5.9	-7.1	-7.7	6.7	0.0
Investment in machinery, equipment and tools	27.8	14.3	13.3	-6.7	6.7
Staff numbers	0.0	0.0	-13.3	-6.7	-13.3

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 development 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

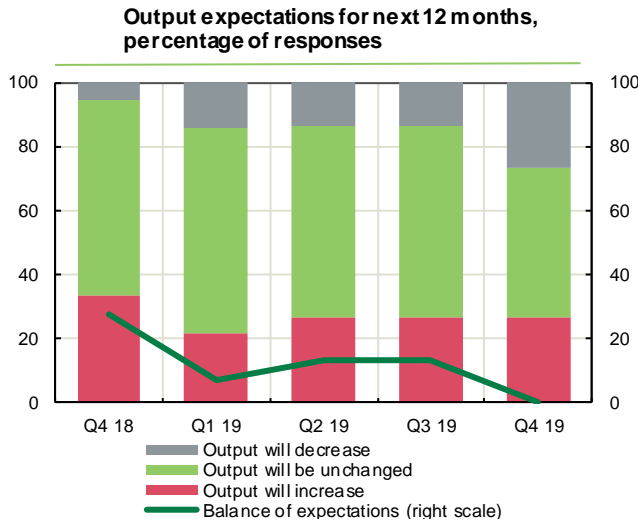


Figure 2

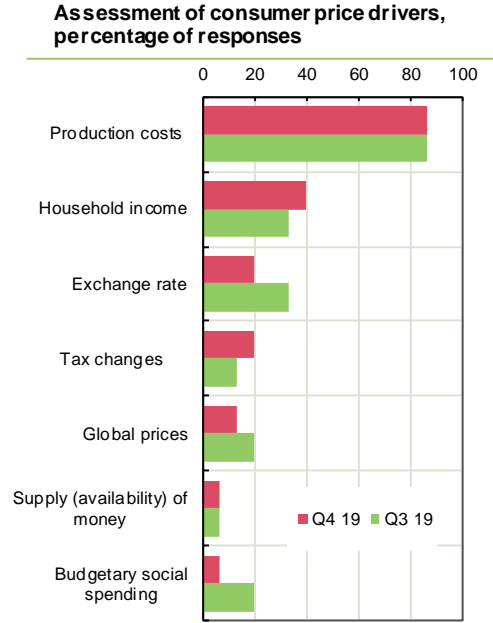


Figure 3

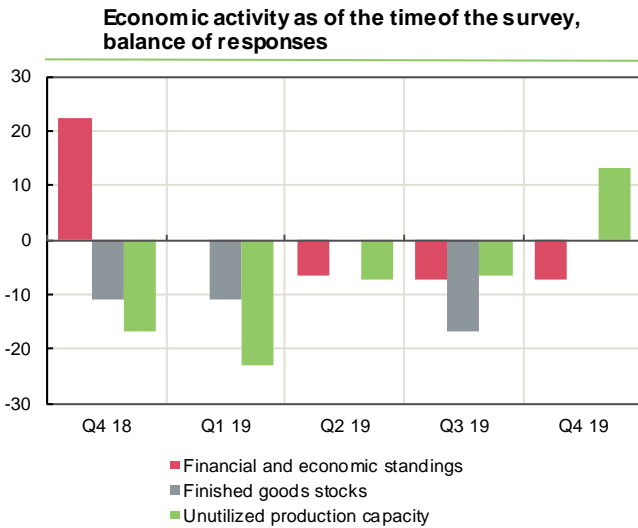


Figure 4

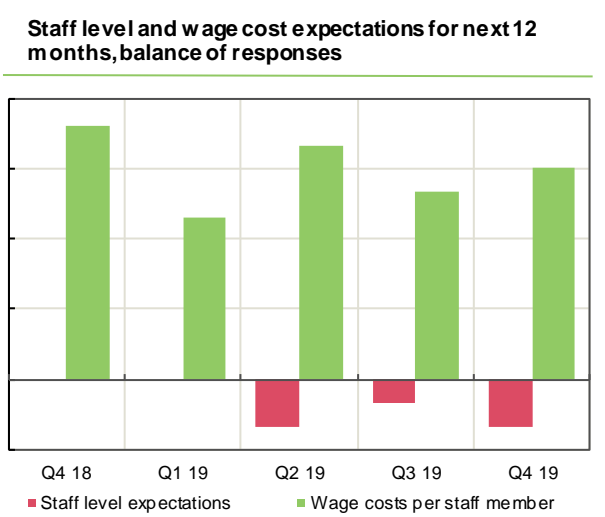


Figure 5

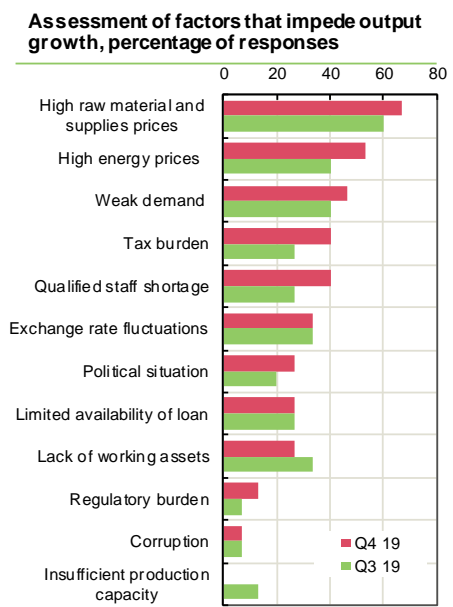


Figure 6

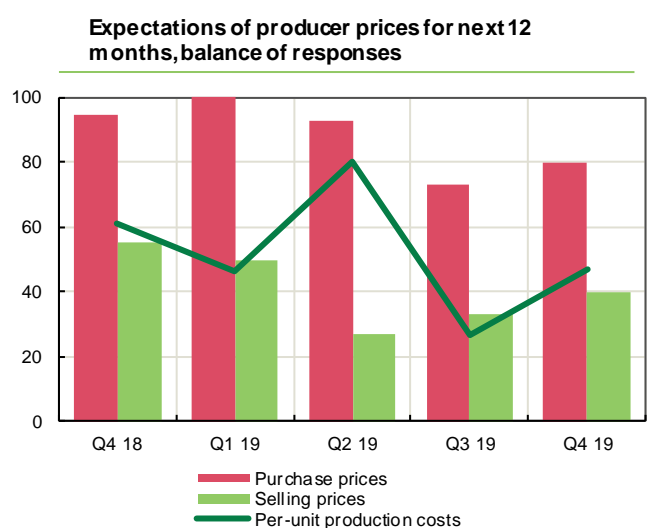


Figure 7

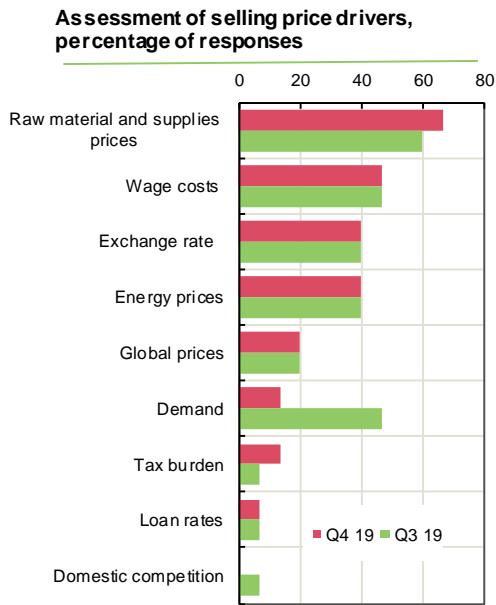


Figure 8

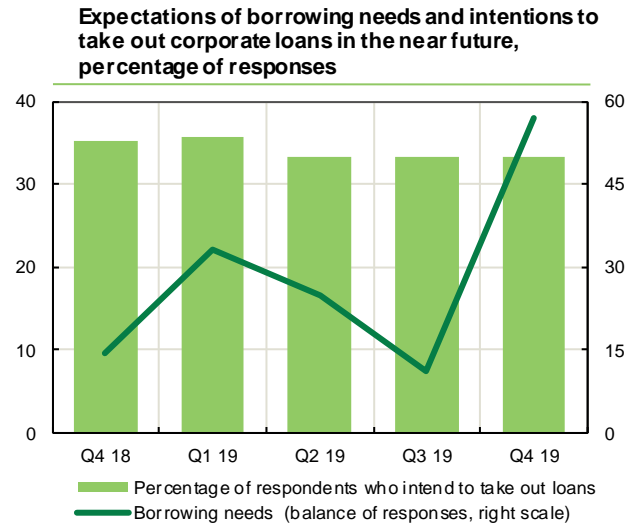


Figure 9

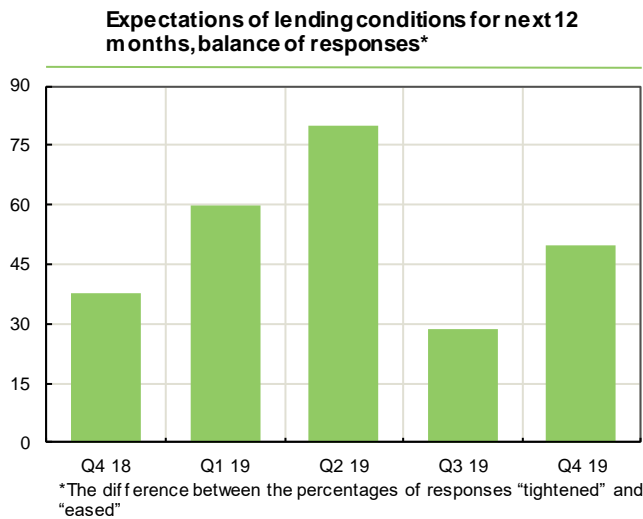
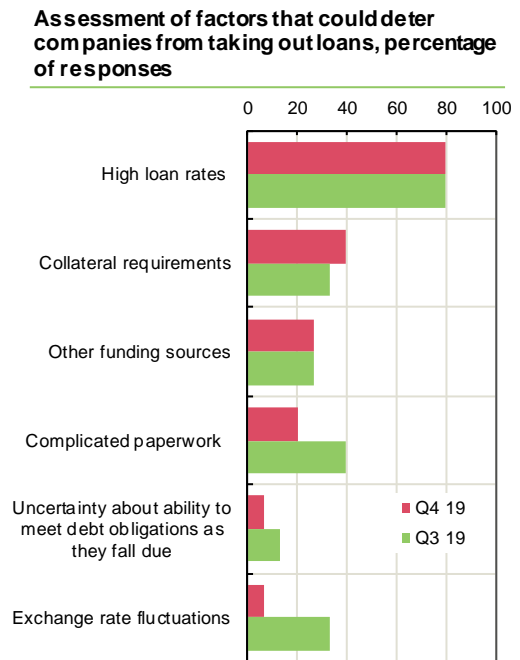


Figure 10



Key Indicators of Social and Economic Development of Sumy Oblast in 2014 – 2019

% of the same period of the previous year, unless stated otherwise

No.	Indicators	2014	2015	2016	2017	2018	2019																	
							January	January - February	January - March	January - April	January - May	January - June	January - July	January - August	January - September	January - October	January - November							
1	Volume indices of gross regional product (in previous year's prices, in percent)	100.4	96.7	96.6	100.2	103.9 ²	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
2	Industrial production index	88.1	98.4	91.2	101.7	110.3	98.9	93.6	95.2	102.1	106.6	107.5	104.9	102.3	101.5	99.5	99.0	...	...	...	...	...	...
3	Mining and quarrying	92.1	85.9	85.6	79.1	111.8	101.0	101.3	103.0	103.4	104.0	103.8	103.1	103.4	103.7	103.5	103.6	...	...	...	...	...	...
4	Manufacturing	87.5	100.6	90.7	108.4	111.9	96.3	89.8	92.2	101.4	107.2	108.3	104.9	101.5	100.5	97.9	97.1	...	...	...	...	...	...
5	Production of food, beverages and tobacco	95.0	76.8	97.8	99.6	108.5	119.3	112.5	106.2	108.0	113.0	111.5	110.5	107.9	107.4	106.0	105.0	...	...	...	...	...	...
6	Textile production, production of clothing, leather, leather goods and other materials	93.2	118.0	102.3	105.6	87.7	94.4	85.1	80.5	85.9	114.3	119.7	124.0	131.7	134.5	138.5	140.9	...	...	...	...	...	...
7	Production of wood products, paper, printing	103.1	107.8	115.4	119.9	110.2	81.4	81.5	78.0	74.9	74.8	72.7	72.9	73.3	75.3	76.3	77.1	...	...	...	...	...	...
8	Production of coke and petrochemicals	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
9	Production of chemicals and chemical products	135.0	141.6	52.7	99.9	201.5	78.2	38.7	63.9	123.1	135.3	148.8	119.3	104.2	101.9	93.8	95.5	...	...	...	...	...	...
10	Production of rubber and plastic products, other nonmetallic mineral products	64.8	99.5	117.4	105.2	74.9	105.4	106.7	101.5	99.1	97.1	91.6	92.2	95.8	93.9	93.8	95.9	...	...	...	...	...	...
11	Metallurgical production, manufacturing of finished metal products, except machinery and equipment	107.6	115.4	116.0	109.1	117.0	103.4	113.2	116.6	107.6	105.2	102.2	99.2	94.4	92.3	91.9	92.3	...	...	...	...	...	...
12	Mechanical engineering, except for repair and installation of machinery and equipment	78.7	95.9	92.3	108.1	102.1	76.2	82.7	82.5	85.4	90.7	89.6	90.9	91.3	90.3	88.9	85.9	...	...	...	...	...	...
13	Electricity, gas, steam and conditioning air supply	87.9	99.0	103.8	91.7	97.9	107.2	103.7	103.1	104.2	105.6	106.5	107.4	107.2	107.3	107.7	108.1	...	...	...	...	...	...
14	Agricultural production index	109.7	95.4	103.5	100.0	111.5	98.3	100.0	100.0	99.3	98.3	98.2	110.4	97.7	105.2	105.9	105.8
15	Construction production index	90.6	89.3	116.5	98.2	92.0	271.0	202.9	182.9	170.4	145.2	130.8	125.1	120.3	112.5	112.1	111.0
16	Freight turnover	94.7	74.1	78.1	107.3	93.0	90.3	95.0	102.0	103.2	103.2	102.8	106.5	108.6	111.6	113.7	116.2
17	Passenger turnover	78.2	98.1	103.2	99.4	96.3	93.1	97.7	95.3	96.0	97.0	96.8	96.5	96.7	97.0	96.2	95.7
18	Volume index of retail trade turnover (in comparable prices, in percent)	98.2	84.1	104.1	108.3	108.8	103.6	103.8	105.6	105.7	102.9	103.0	102.6	102.5	102.0	101.9	102.1
19	Profit/loss of large and medium companies before tax (UAH million) ³	-680.0	4653.5	6015.6	5365.1	1354.9
20	Capital investment index	89.1	103.2	135.4	119.5	108.5	104.2	110.0	109.9
21	Consumer price index (compared with December of previous year)	124.7	145.5	114.2	113.6	109.7	101.2	101.8	102.3	103.6	104.5	104.4	103.6	103.0	103.9	104.6	105.0
22	Real disposable income	90.3	84.2	101.5	109.5	108.4 ²
23	Real wage index	94.8	78.4	104.3	124.3	110.6	106.5	108.4	109.0	108.6	107.7	108.0	108.2	107.9	108.0	108.1	108.3
24	Number of applicants per vacancy as of end of period	26	27	15	12	11	10	7	5	6	5	6	5	4	5	5	8

¹ This information is confidential under the Law of Ukraine On State Statistics.

² Preliminary data.

³ These data exclude banks' profits/losses. Data on agricultural companies engaged in plant cultivation, animal husbandry and mixed farming are only available in annual reports.

Annual data include profits/losses of large, medium, small and micro companies.

Source: Ukraine's State Statistics Service

Legend

Periods (...) - no data

Dash (-) - no events