



National Bank
of Ukraine

Business Outlook Survey of Sumy Oblast*

Q1 2020

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



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

A survey of companies carried out in **Sumy oblast** in **Q1 2020** showed that respondents had moderate expectations that the Ukrainian economy would grow. At the same time, respondents had high expectations about the development of their companies over the next 12 months. Respondents expected that prices would continue to increase. Depreciation expectations softened.¹

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

- **the output of Ukrainian goods and services would grow:** the balance of expectations was 7.7% compared to 0.0% in Q4 2019 (Figure 1) and 10.4% across Ukraine
- **prices for consumer goods and services would grow:** 61.5% of respondents expected the inflation rate to be lower than 6.0% compared with 68.5% across Ukraine. Respondents referred to production costs as **the main inflation drive** (61.5% of respondents). Respondents also assessed the impact of the exchange rate as high (Figure 2)
- **the hryvnia would depreciate at a slower pace:** 53.8% of respondents (compared with 60.0% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 65.2%
- **the financial and economic standings of their companies would improve** at a faster pace: the balance of expectations was 36.4% (one of the highest figures across the regions) compared with 15.4% in Q4 2019 and 16.9% across Ukraine (see Table)
- **total sales and external sales would remain unchanged:** the balance of responses was 0.0% for each (compared to 20.0% and 42.9% respectively). Overall, respondents expected sales to rise across Ukraine, the balances of responses being 23.0% and 17.5% respectively
- **investment both in construction and in machinery, equipment and tools would remain unchanged:** the balance of responses was 0.0% for each compared to 0.0% and 6.7% respectively in the previous quarter. Overall, across Ukraine, respondents expected investment spending to rise, the balances of responses being 2.4% and 14.1% respectively
- **staff numbers at their companies would decrease** (such expectations have been reported for four quarters running): the balance of responses was (-7.7%) compared to (-13.3%) in Q4 2019 and (-3.9%) across Ukraine (Figure 4)
- **the growth in purchase and selling prices would decelerate:** the balances of responses were 76.9% and 30.8% respectively (compared with 80.0% and 40.0% in the previous quarter) (Figure 6). Raw material and supplies prices were cited as the main selling price drivers. The impact of demand was assessed to be significantly higher than in the previous quarter (Figure 7)
- **the growth in per-unit production costs would speed up:** the balance of responses was 53.8% (compared with 46.7% in Q4 2019). **Wage costs per staff member were expected to increase at a slower pace:** the balance of responses was 46.2% (60.0% in the previous quarter) (Figure 4 and 6).

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

Respondents expected their borrowing needs to increase much more slowly 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 said that bank lending standards had tightened significantly (Figure 9). High loan rates were cited as the main deterrent to taking out corporate loans (Figure 10).

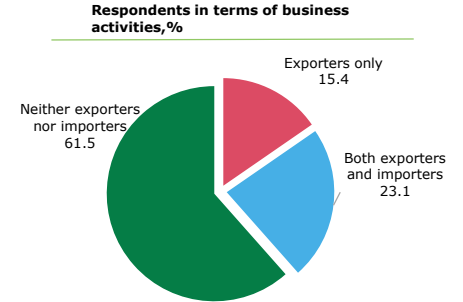
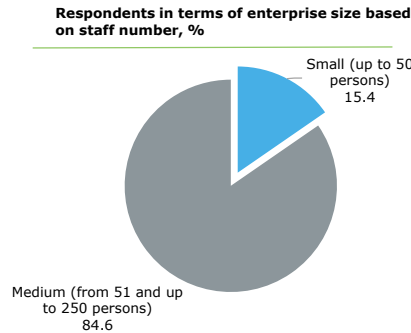
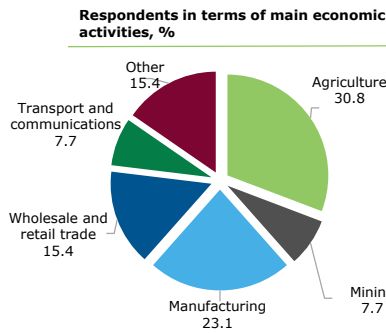
All of the respondents said that they had encountered no difficulties in effecting transactions with funds deposited in bank accounts (96.6% across Ukraine).

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 (-7.1%) in Q4 2019. Across Ukraine, respondents assessed their current financial and economic standings as positive, with a balance of responses of 9.7%.
- **Finished goods stocks had decreased and were assessed at a level lower than the normal one:** the balance of responses was (-20.0%) compared with 0.0% in Q4 2019.
- **Unutilized production capacity had decreased. Companies were operating on the verge of their production capacity:** the balance of responses was 0.0% compared to 13.3% in Q4 2019.

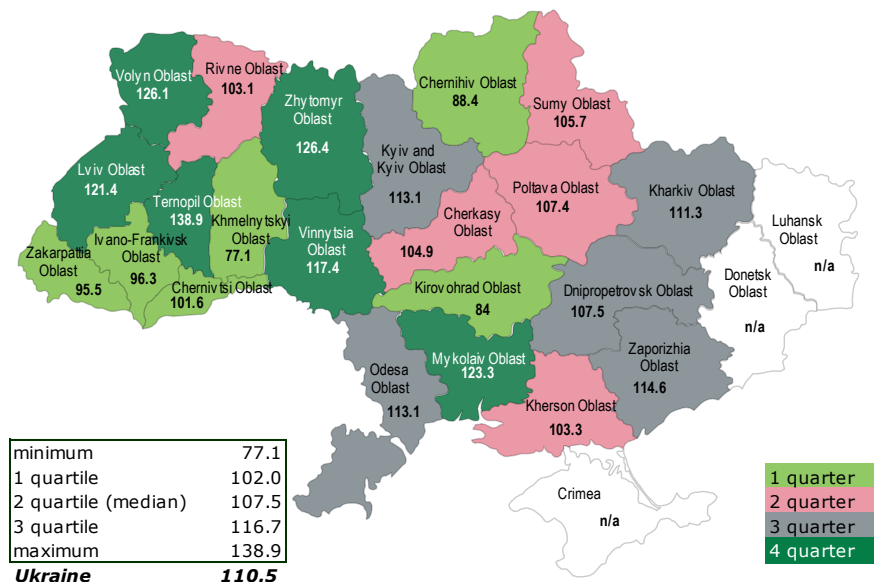
¹ This survey was carried out before quarantine measures were introduced.

Survey Details^{2,3}



- Period: 5 February through 28 February 2020.
- A total of 13 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 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 Sumy 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 | 30.8 | 33.3 | 33.3 | 15.4 | 36.4 |
| Total sales | 23.1 | 26.7 | 33.3 | 20.0 | 0.0 |
| Investment in construction | -7.1 | -7.7 | 6.7 | 0.0 | 0.0 |
| Investment in machinery, equipment and tools | 14.3 | 13.3 | -6.7 | 6.7 | 0.0 |
| Staff numbers | 0.0 | -13.3 | -6.7 | -13.3 | -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 the balances of respondents' responses regarding changes in the financial and economic standings of their companies and future economic activity.

Figure 1

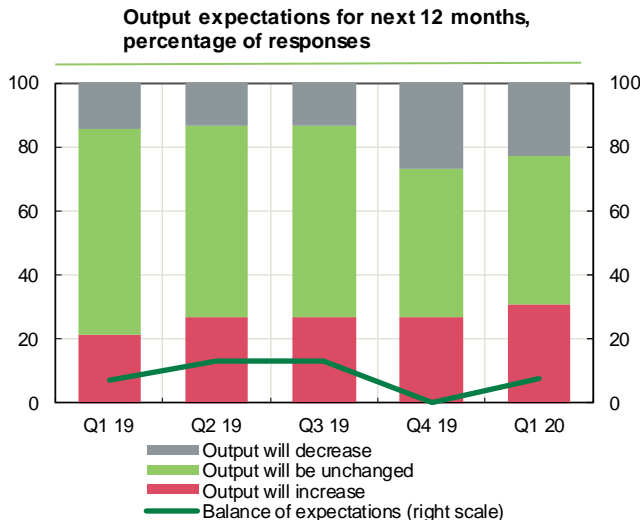


Figure 2

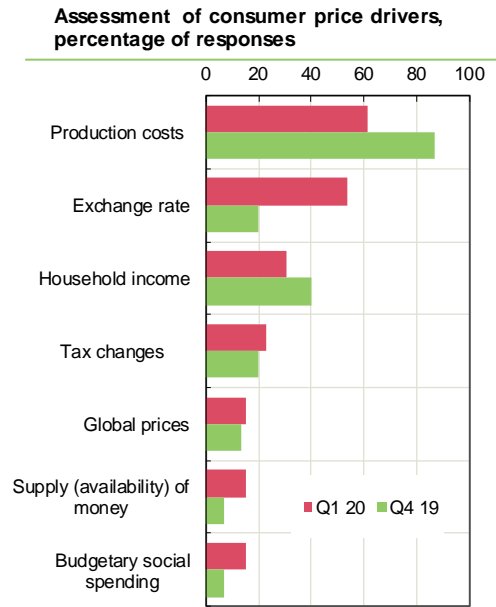


Figure 3

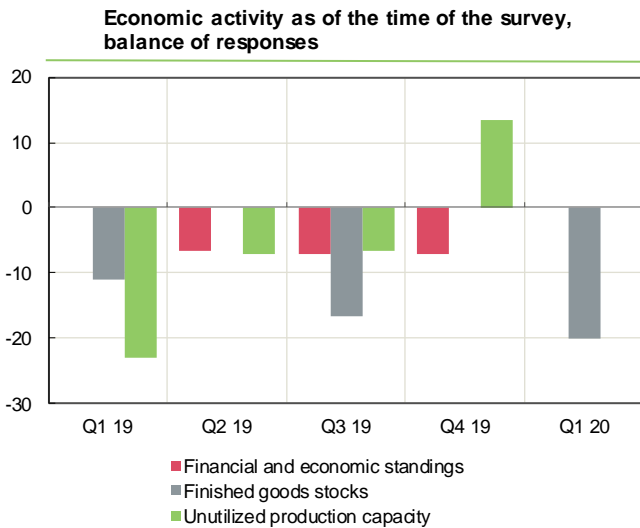


Figure 4

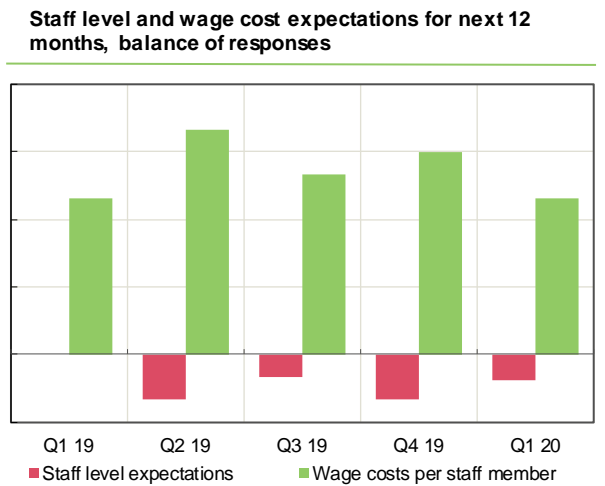


Figure 5

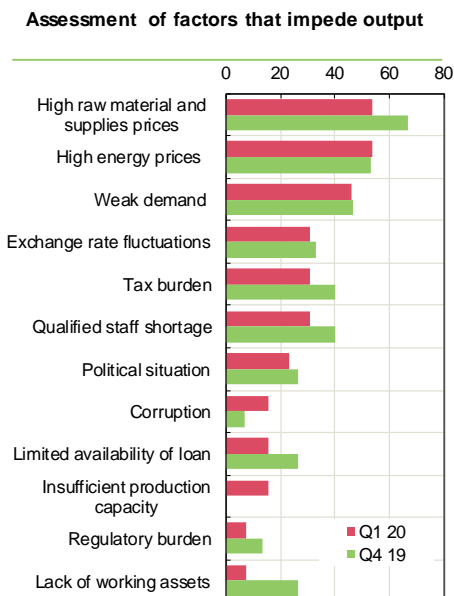


Figure 6

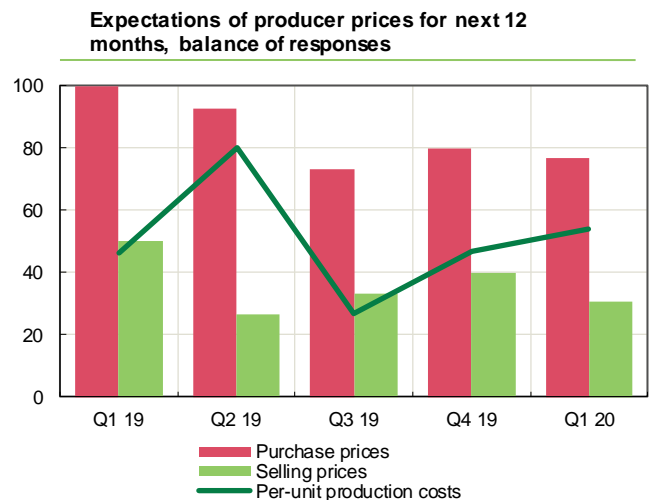


Figure 7

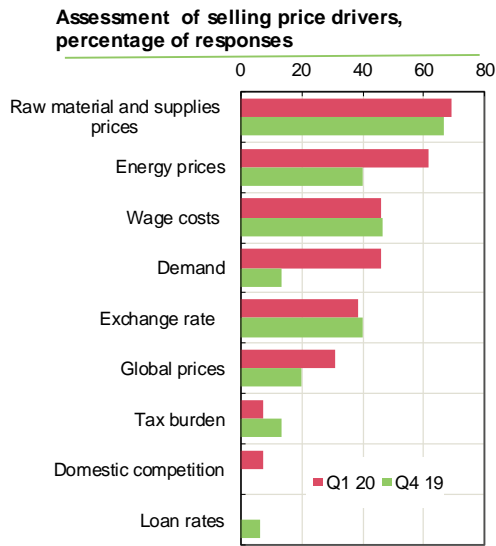


Figure 8

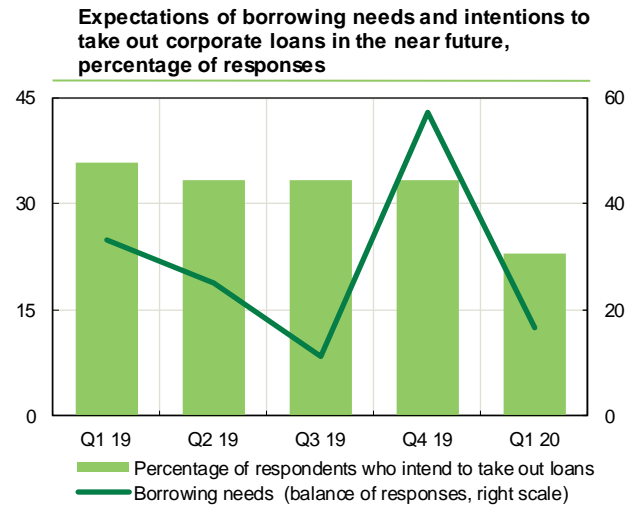


Figure 9

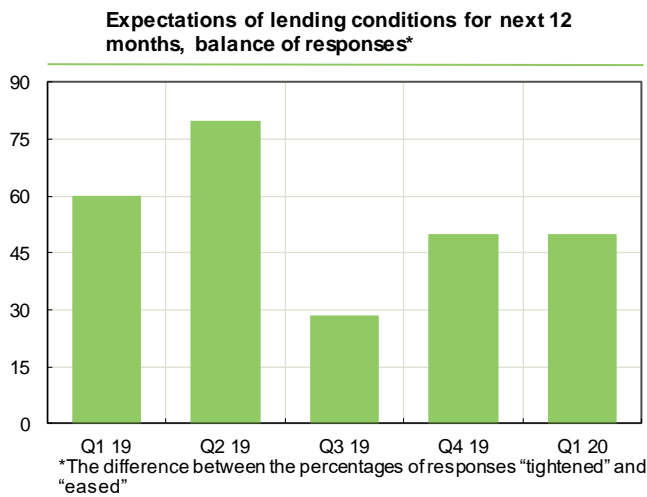


Figure 10

