



National Bank
of Ukraine

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

A survey of companies carried out in **Sumy oblast** in Q2 2020 showed that respondents expected a significant drop in the output of Ukrainian goods and services over the next 12 months on the back of the quarantine. At the same time, respondents had positive expectations about the performance of their companies. Respondents expected that prices would increase at a faster pace, and that the hryvnia would depreciate further.¹

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

- **the output of Ukrainian goods and services would drop significantly:** the balance of expectations was (-42.9%) compared to 7.7% in Q1 2020 (Figure 1) and (-34.1%) across Ukraine
- **prices for consumer goods and services would grow:** 57.1% of respondents expected the inflation rate to be higher than 7.5% compared with 45.1% across Ukraine. Respondents referred to production costs and the hryvnia exchange rate as **the main inflation drivers** (Figure 2)
- **the hryvnia would continue to depreciate:** 57.1% of respondents (compared with 53.8% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 68.2%
- **the financial and economic standings of their companies would improve** at a slower pace: the balance of expectations was 14.3% compared with 36.4% in Q1 2020. Companies across Ukraine expected a deterioration in their financial and economic standings (-1.8%) (see Table) (see Table)
- **total sales would increase:** the balance of responses was 7.1% compared with 0.0% in Q1 2020. External sales were expected to remain unchanged, the balance of responses being 0.0% (as in the previous quarter). Overall, companies across Ukraine expected sales to decrease slightly, the balances of responses being (-0.1%) and (-0.7)% respectively
- **investment both in construction and in machinery, equipment and tools would decrease:** the balances of responses were (-42.9%) and (-14.3%) respectively compared to 0.0% for each in the previous quarter. Across Ukraine, the balances of responses were (-16.1%) and (-10.5%) respectively
- **staff numbers at their companies would decrease** at a faster pace: the balance of responses was (-28.6%) compared to (-7.7%) in Q1 2020 and (-17.3%) across Ukraine (Figure 4)
- **purchase prices would grow rapidly:** the balance of responses was 71.4%. At the same time, respondents expected a drop in selling prices (the balance of responses was (-7.1%)) (Figure 6). Demand 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 decelerate:** the balances of responses were 42.9% for each (compared with 53.8% and 46.2% in Q1 2020) (Figure 4 and 6).

The political situation and weak demand were named as the **main drags on the ability of companies to boost production** (the impact of these factors was reported to have increased) (Figure 5).

Respondents expected a noticeable increase in their 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. The percentage of respondents who said lending conditions had tightened and those who said lending conditions had eased decreased (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 (96.5% across Ukraine).

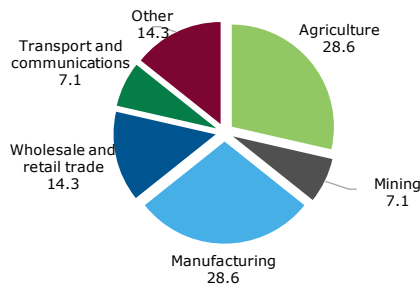
Assessments of financial and economic standings as of the time of the survey (Figure 3)

- **The current financial and economic standings of companies had deteriorated and were assessed as bad:** the balance of responses was (-23.1%) compared with 16.7% in the previous quarter and (-11.6%) across Ukraine).
- **Finished goods stocks had increased and were assessed at a level higher than the normal one:** the balance of responses was 37.5% compared with (-20.0%) in Q1 2020.
- **Unutilized 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 7.7% compared with 0.0% in Q1 2020.

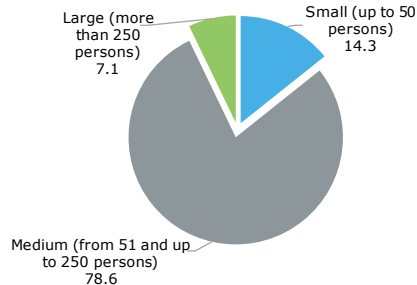
¹ This survey was conducted after the government announced it would relax the quarantine.

Survey Details^{2,3}

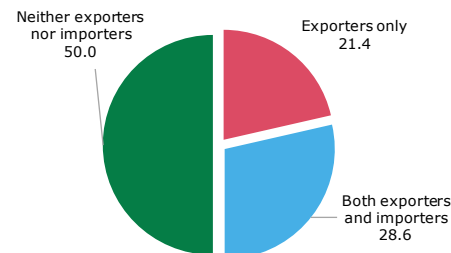
Respondents in terms of main economic activities, %



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

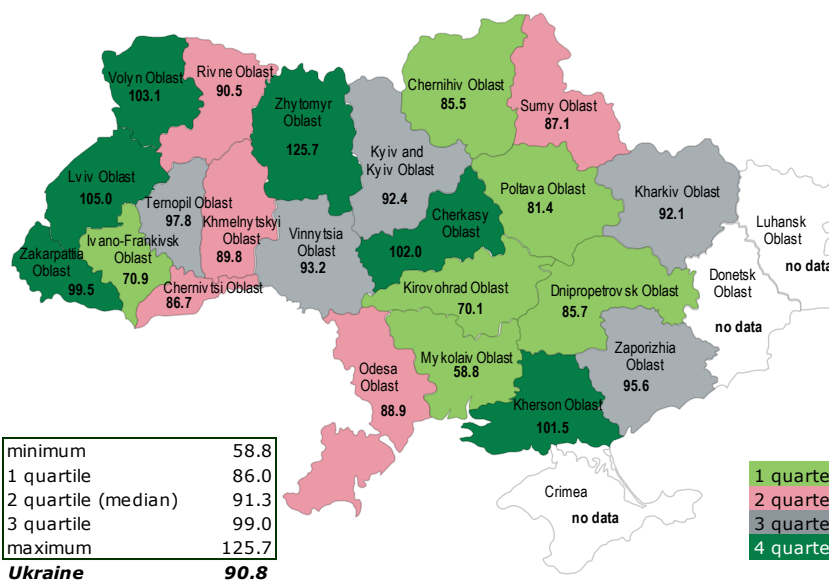


Respondents in terms of business activities, %



- Period: 5 May through 3 June 2020.
- A total of 14 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, %				
	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
Financial and economic standings	33.3	33.3	15.4	36.4	14.3
Total sales	26.7	33.3	20.0	0.0	7.1
Investment in construction	-7.7	6.7	0.0	0.0	-42.9
Investment in machinery, equipment and tools	13.3	-6.7	6.7	0.0	-14.3
Staff numbers	-13.3	-6.7	-13.3	-7.7	-28.6

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

Figure 1

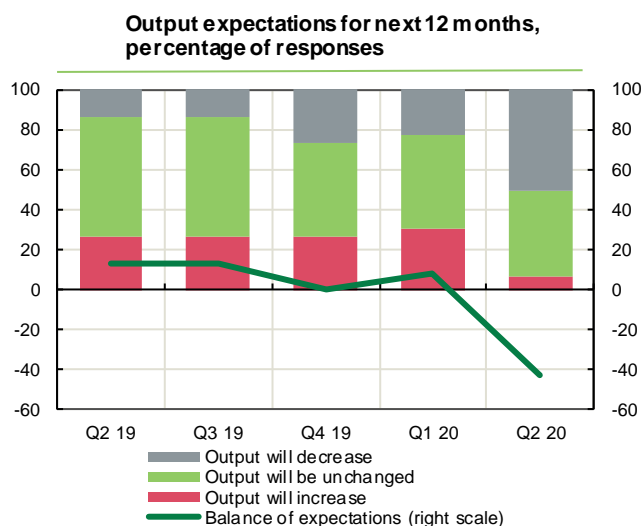


Figure 2

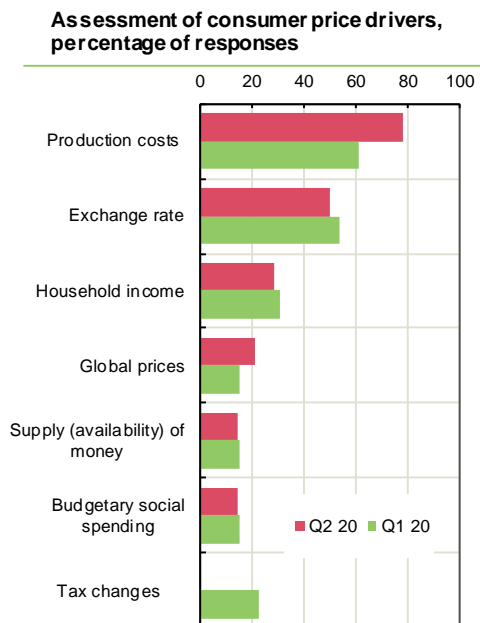


Figure 3

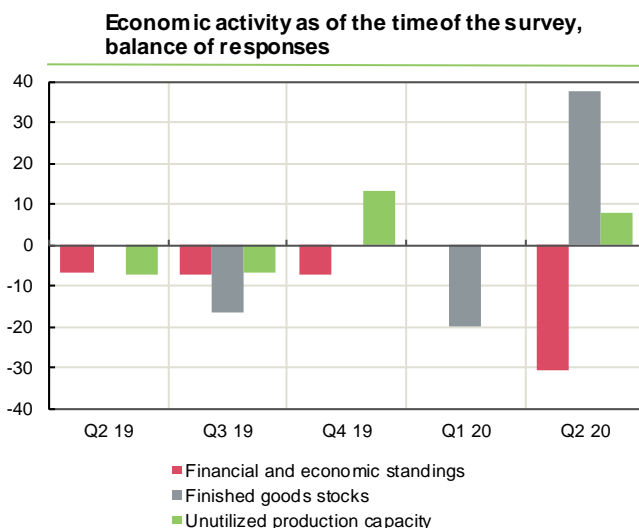


Figure 4

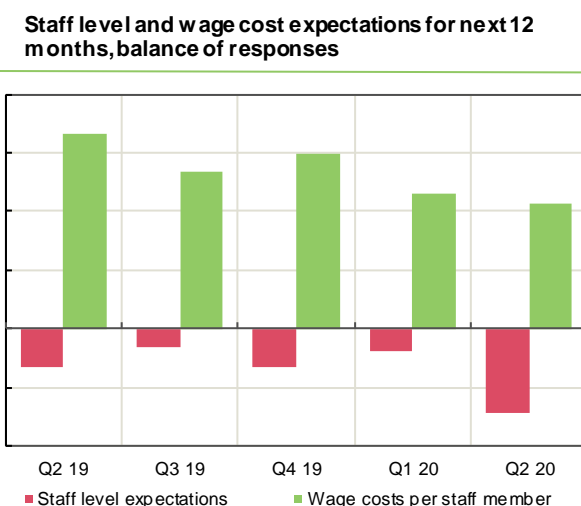


Figure 5

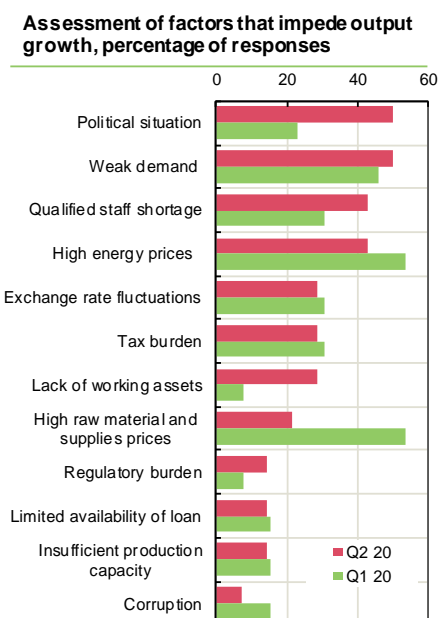


Figure 6

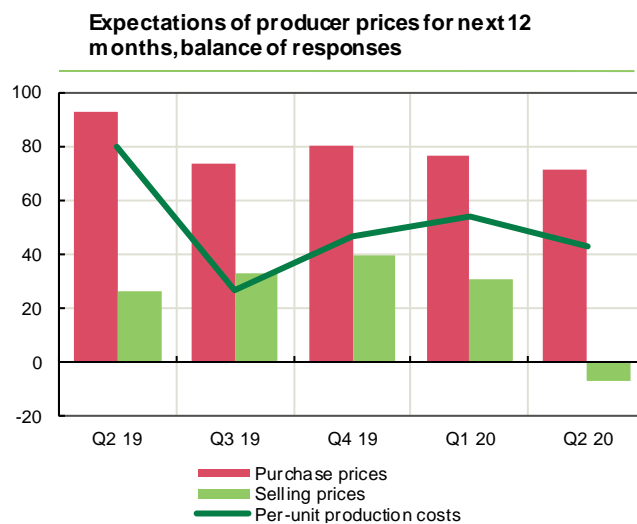


Figure 7

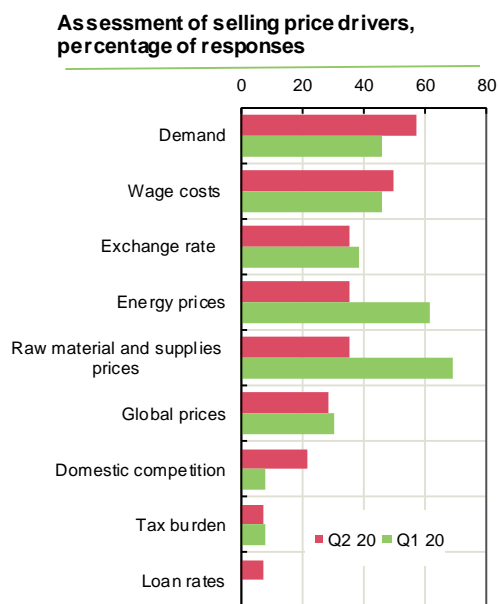


Figure 8

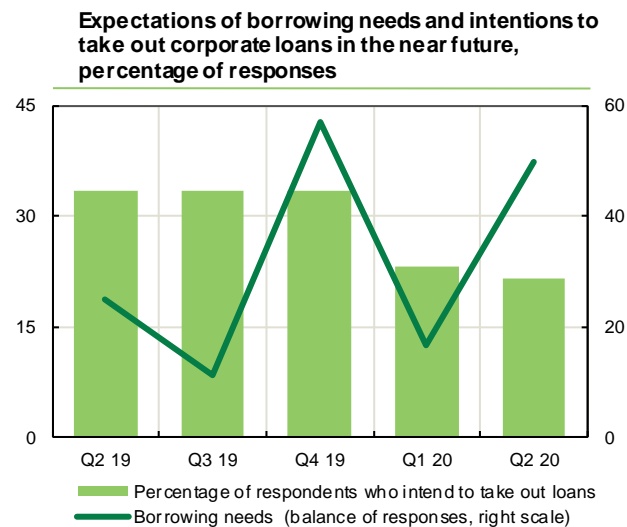


Figure 9

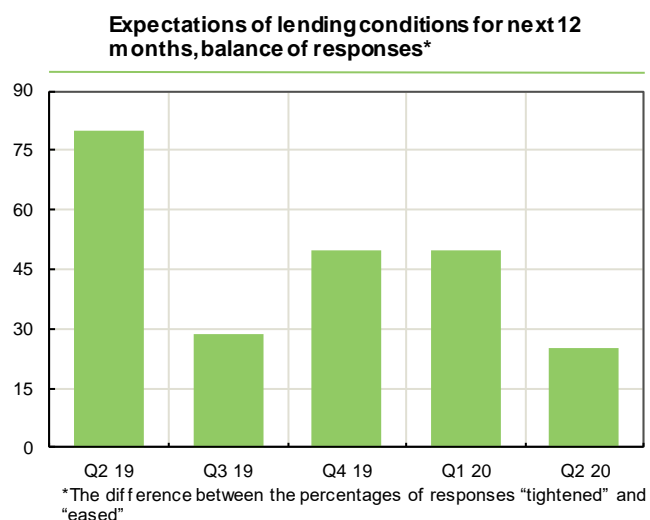


Figure 10

