



National Bank  
of Ukraine

# Business Outlook Survey of Sumy Oblast\*

Q3 2020



\*This survey only reflects the opinions of respondents in Sumy 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 **Sumy oblast** in **Q3 2020** showed that respondents had positive expectations that the **Ukrainian economy would grow over the next 12 months and high expectations for the performance of their companies**. Respondents expected that prices would increase further and that 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 14.3% compared to (-42.9%) in Q2 2020 (one of the highest figures across the regions) (Figure 1). Respondents across Ukraine expected a drop in the output, the balance of responses being (-16.1%)
- **prices for consumer goods and services would grow:** 50.0% of respondents said that price growth would not exceed 7.5% (compared to 42.9% in the previous quarter and 55.6% across Ukraine). Respondents referred to production costs and the hryvnia exchange rate as **the main inflation drivers** (Figure 2)
- **the hryvnia would depreciate at a faster pace:** 71.4% of respondents (compared with 57.1% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 83.2%
- **the financial and economic standings of their companies would improve** at a faster pace: the balance of expectations was 30.8% compared with 14.3% in Q2 2020. Companies across Ukraine expected an improvement in their financial and economic standings, but at a significantly lower pace (4.4%) (see Table)
- **total sales would grow at a faster pace:** the balance of responses was 28.6% compared with 7.1% in the previous quarter. Respondents also expected an increase in external sales (the balance of responses was 57.1% compared with 0.0% 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 remain unchanged:** the balance of responses was 0.0% compared to (-14.3%) in the previous quarter. Investment in construction was expected to decrease: the balance of responses was (-7.1%) compared with (-42.9%) in the previous quarter Across Ukraine, the balances of responses were 5.2% and (-4.7%) respectively
- **staff numbers at their companies would decrease** at a slower pace: the balance of responses was (-7.1%) compared to (-28.6%) in Q2 2020 and (-10.8%) across Ukraine (Figure 4)
- **purchase prices would rise at a faster pace** (the balance of responses was 92.9%) **than selling prices** (the balance of responses was 42.9%) (compared to 42.9% and (-7.1%) respectively in Q2 2020) (Figure 6). Raw material and supplies prices and the exchange rate 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 57.1% and 50.0% respectively (compared with 42.9% for each in Q2 2020) (Figure 4 and 6).

Weak demand and high raw material and supplies prices 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).

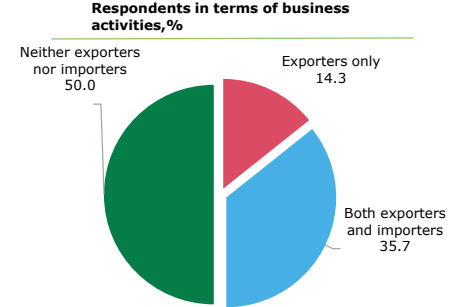
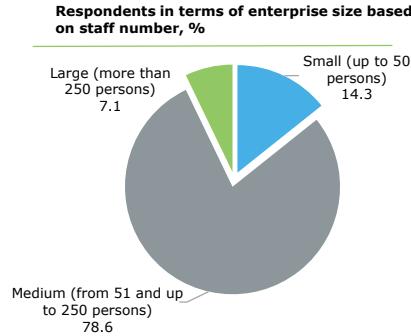
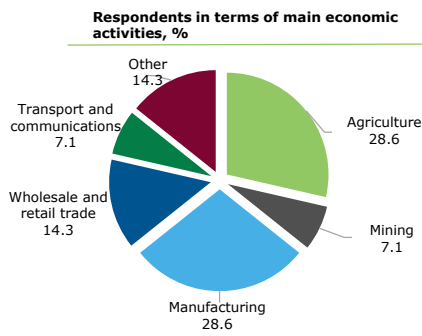
**Respondents expected an increase in their borrowing needs** in the near future (Figure 8). As in previous quarters, the respondents who planned to take out corporate loans opted only for domestic currency loans. Respondents said that lending standards had remained unchanged (Figure 9). High loan rates were cited as the main deterrent to taking out corporate loans (Figure 10).

**92.9% 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)

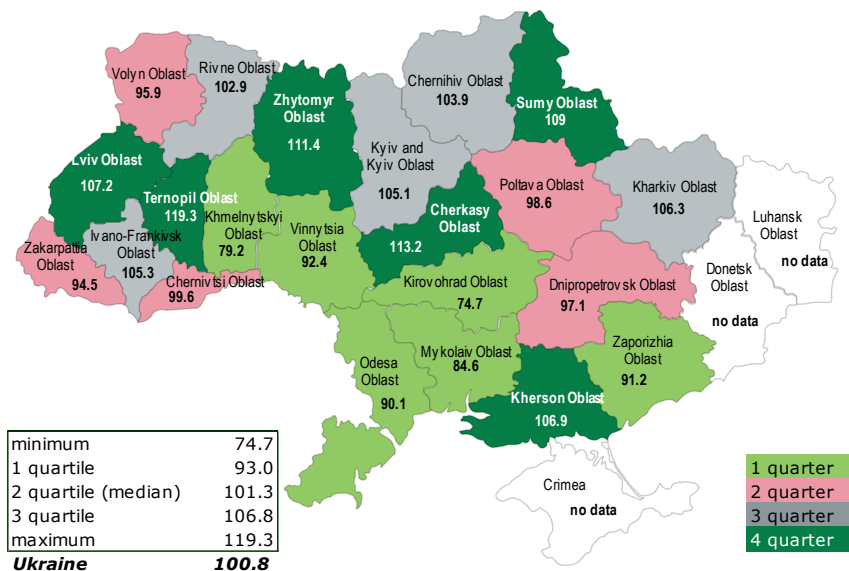
- **The current financial and economic standings of companies were assessed as bad:** the balance of responses was (-21.4%) compared with (-30.8%) in the previous quarter and (-5.6%) across Ukraine.
- **Finished goods stocks were at a normal level:** the balance of responses was 0.0% compared with 37.5% in Q2 2020.
- **Unutilized production capacity had decreased. Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was (-21.4%) compared with 7.7% in Q2 2020.

Survey Details<sup>1,2</sup>



- Period: 5 August through 26 August 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 Regions<sup>3</sup>, %



<sup>3</sup>a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups

<sup>3</sup>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, %				
	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20
Financial and economic standings	33.3	15.4	36.4	14.3	30.8
Total sales	33.3	20.0	0.0	7.1	28.6
Investment in construction	6.7	0.0	0.0	-42.9	-7.1
Investment in machinery, equipment and tools	-6.7	6.7	0.0	-14.3	0.0
Staff numbers	-6.7	-13.3	-7.7	-28.6	-7.1

<sup>1</sup> This sample was generated in proportion to the contribution of each region and each economic activity to Ukraine's gross value added.

<sup>2</sup> Data for totals and components may be subject to rounding effects.

<sup>3</sup> 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

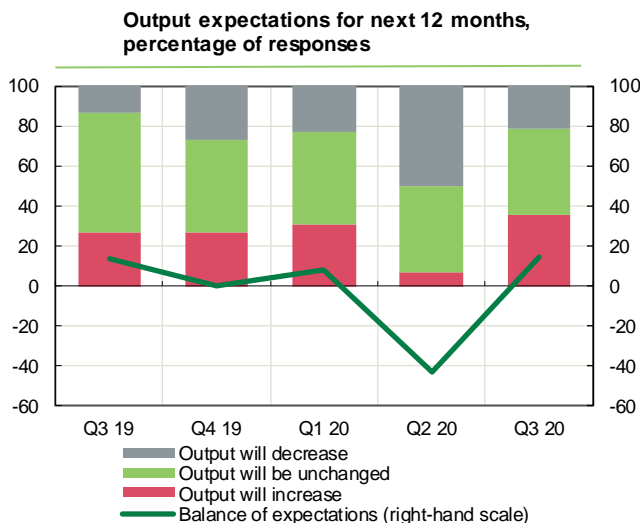


Figure 2

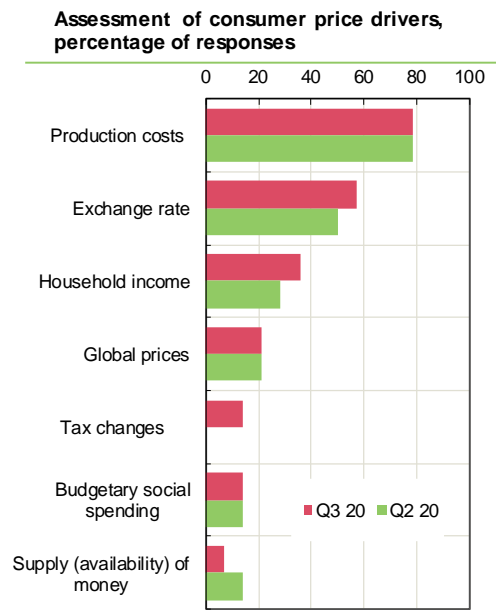


Figure 3

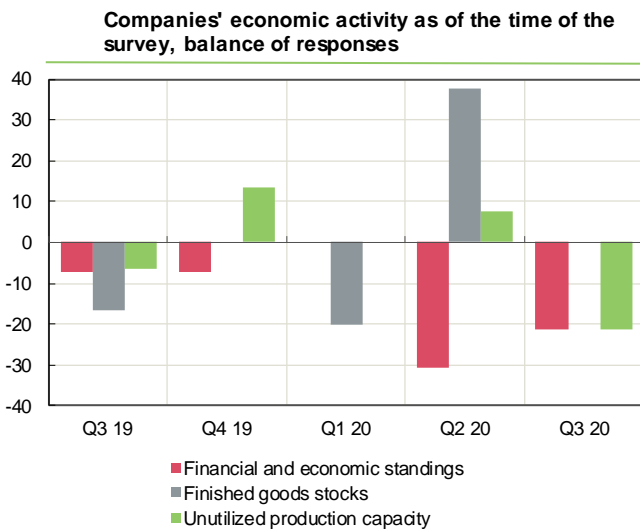


Figure 4

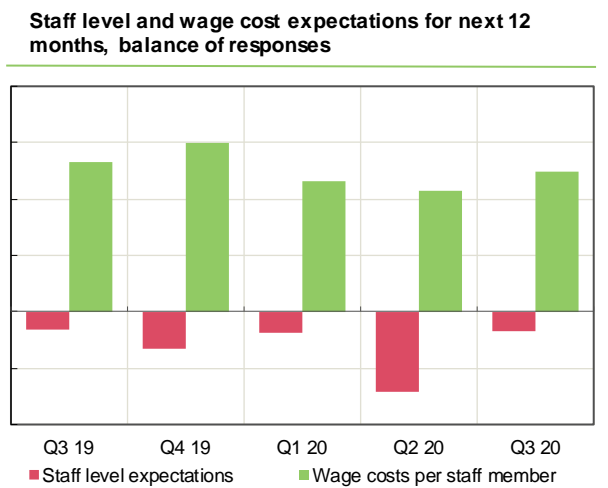


Figure 5

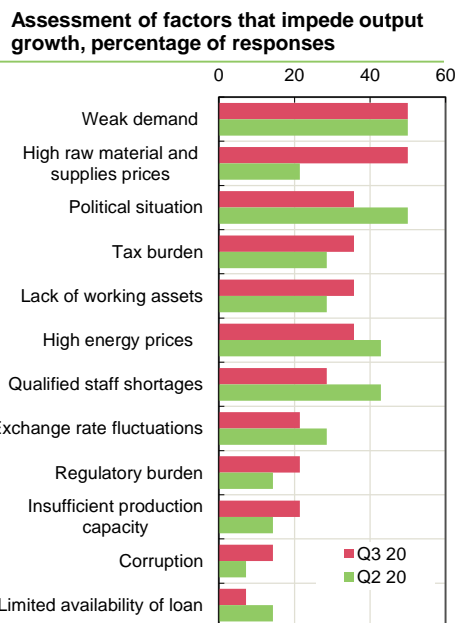


Figure 6

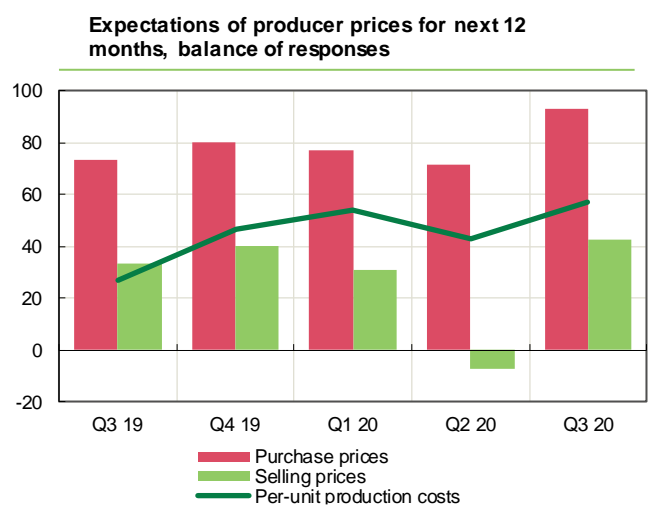


Figure 7

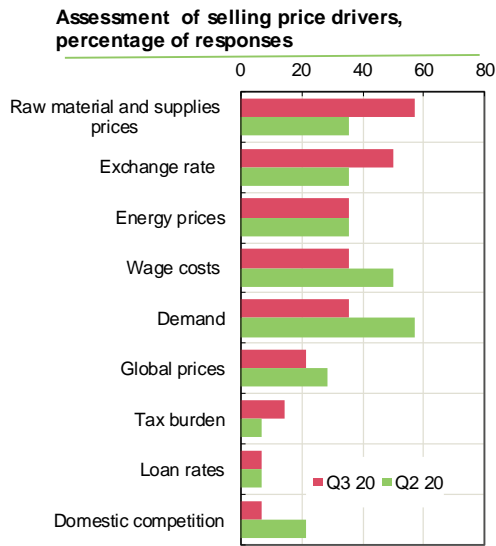


Figure 8

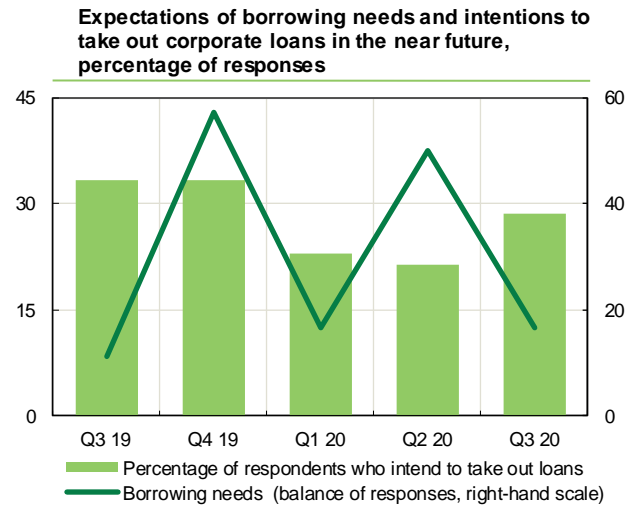


Figure 9

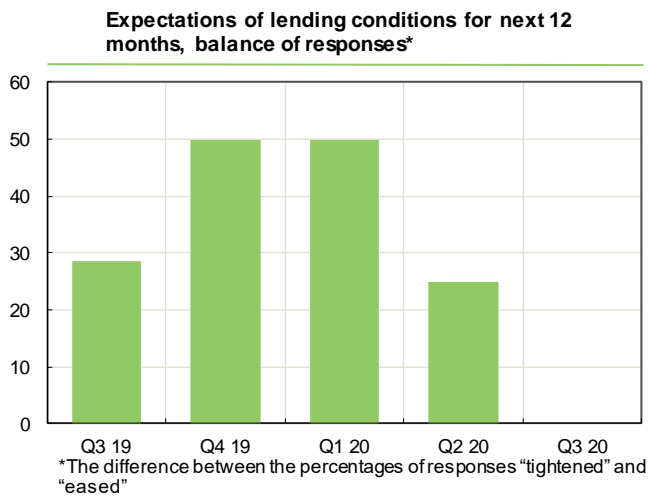


Figure 10

