



National Bank
of Ukraine

Business Outlook Survey of Kharkiv Oblast*

Q3 2019



*This survey only reflects the opinions of respondents in Kharkiv oblast (top managers of companies) who were polled in Q3 2019, and does not represent NBU forecasts or estimates

A survey of companies carried out in **Kharkiv oblast** in Q3 2019 showed that respondents had positive expectations that the Ukrainian economy would grow, and that their companies would develop over the next 12 months. Respondents expected that prices would increase further, and that the hryvnia would depreciate at a faster pace.

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 25.5% compared with 29.4% in Q2 2019 (Figure 1) and 30.5% across Ukraine. Respondents from transport companies had the most optimistic expectations, with a balance of responses of 50.0%.
- **prices for consumer goods and services would grow moderately:** 75.5% of respondents expected the inflation rate to be lower than 10.0% (compared with 77.1% in Q2 2019 and 73.3% across Ukraine). A total of 4.1% of respondents expected a decrease in prices for consumer goods and services. Respondents referred to production costs **as the main inflation driver** (Figure 2)
- **the hryvnia would depreciate at a faster pace:** 68.0% of respondents (compared with 54.9% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 69.0%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 16.3% compared with 18.4% in Q2 2019 and 20.0% across Ukraine (see Table). Respondents from agricultural companies had the most optimistic expectations, with a balance of responses of 50.0%. At the same time, respondents from trade companies expected that their financial and economic standings would deteriorate
- **total sales would increase:** the balance of responses was 21.6% compared with 26.5% in Q2 2019 and 27.1% across Ukraine. Respondents expected external sale growth to accelerate: the balance of responses was 37.5% (compared with 15.4% in Q2 2019)
- **investment in construction and in machinery, equipment and tools would grow more slowly:** the balances of responses were 8.5% and 20.0% respectively (compared with 15.4% and 32.5% in Q2 2019 and 9.3% and 17.7% across Ukraine) (see Table). The highest expectations of investment spending were reported by manufacturing companies
- **staff numbers at their companies would decrease:** the balance of responses was (-12.2%) compared with 2.0% in Q2 2019 (Figure 4) and 2.2% across Ukraine. The managers of transport companies were the most pessimistic
- **both purchase and selling prices would grow at a slower rate:** the balances of responses were 65.3% and 44.0% respectively (compared with 75.4% and 54.9% in Q2 2019) (Figure 6). High energy, 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 slow:** the balances of responses were 61.2% and 62.0% respectively (compared to 63.3% and 69.4% in Q2 2019) (Figures 4 and 6).

Respondents referred to high raw material and supplies prices, energy prices and qualified staff shortages as **the main drags on the ability of their companies to boost production** (Figure 5).

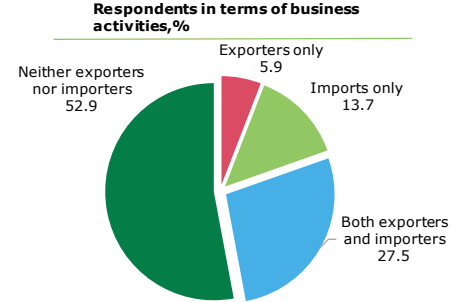
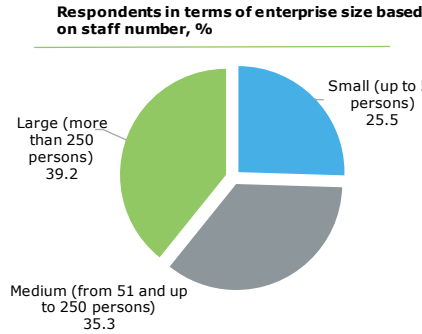
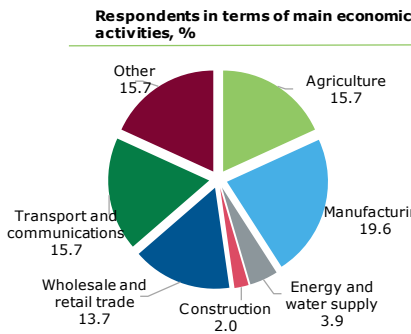
Expectations of borrowing needs in the near future **edged up** (Figure 8). The vast majority of the respondents that planned to take out corporate loans opted for domestic currency loans. Respondents assessed the tightening of lending standards as lower than in the previous quarter (Figure 9). High loan rates were cited as the main factor that deterred companies from 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 (97.4% across Ukraine).

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

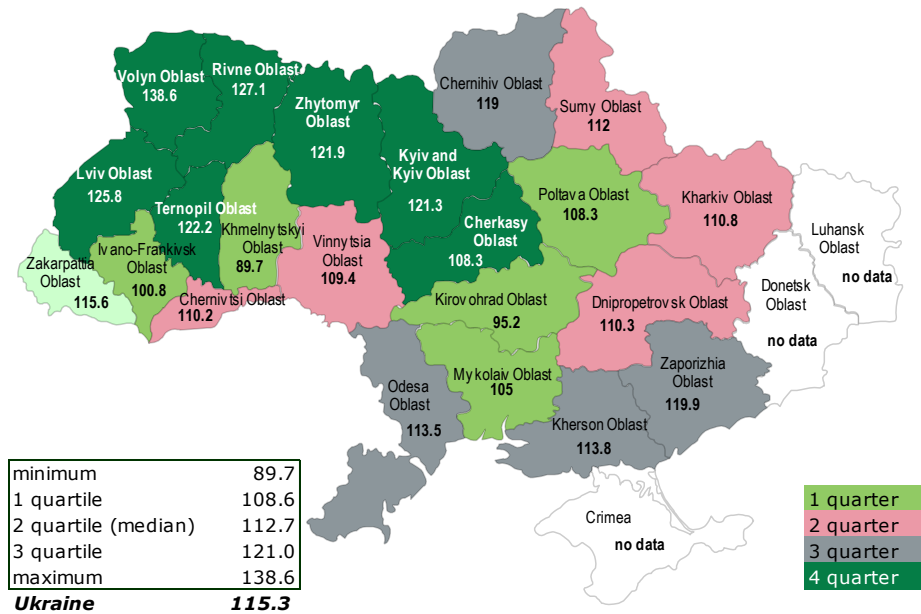
- **The current financial and economic standings of companies worsened and were assessed as bad:** the balance of responses was (-5.9%) compared with 5.9% in the previous survey and 9.5% across Ukraine.
- **Stocks of finished goods decreased and were assessed to be at a level below the normal one:** the balance of responses was (-4.8%) compared with 0.0% in Q2 2019.
- **Spare production capacity increased.** Respondents said they had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand: the balance of responses was 10.9% (compared with (-8.5%) in Q2 2019).

Survey Details^{1,2}



- Period: 5 August through 29 August 2019.
- A total of 51 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, mining, manufacturing, trade, transport and communications, and other economic activities.

Business Outlook Index for Next 12 Months in Terms of Oblasts³, %



³a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups
³a 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 Kharkiv Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19
Financial and economic standings	10.4	2.1	2.1	18.4	16.3
Total sales	28.6	17.4	19.1	26.5	21.6
Investment in construction	14.9	11.9	22.0	15.4	8.5
Investment in machinery, equipment and tools	26.1	13.6	20.0	32.5	20.0
Staff numbers	-3.8	2.1	2.2	2.0	-12.2

¹ This sample was generated in proportion to the contribution of each oblast 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

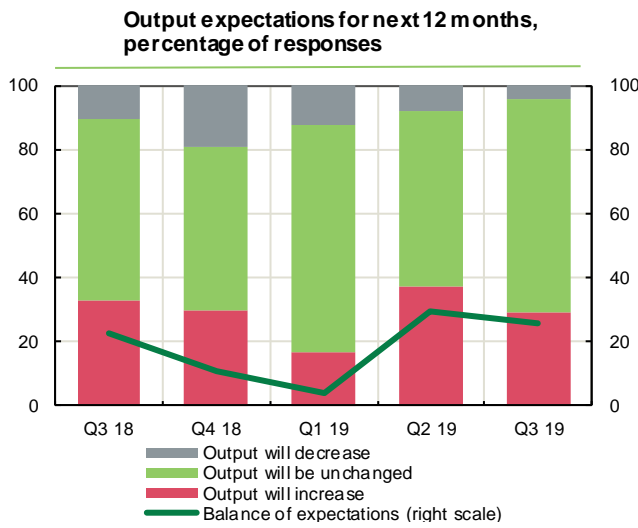


Figure 2

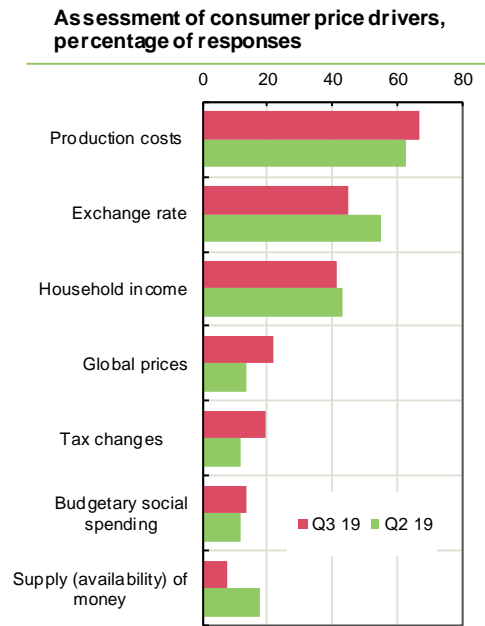


Figure 3

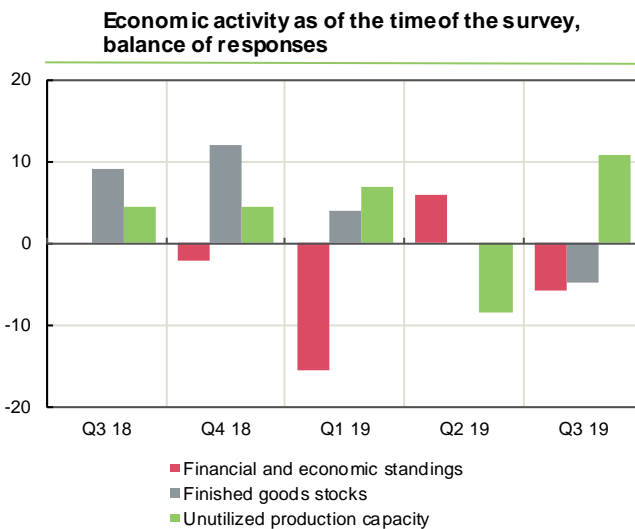


Figure 4

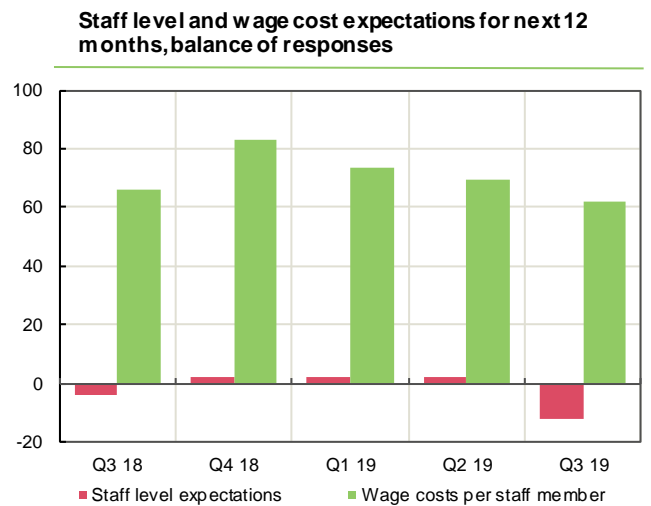


Figure 5

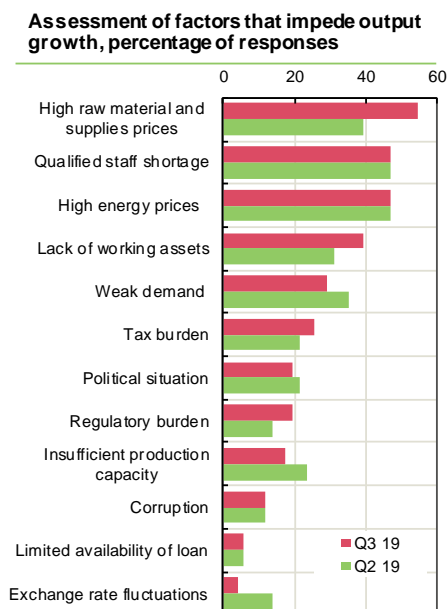


Figure 6

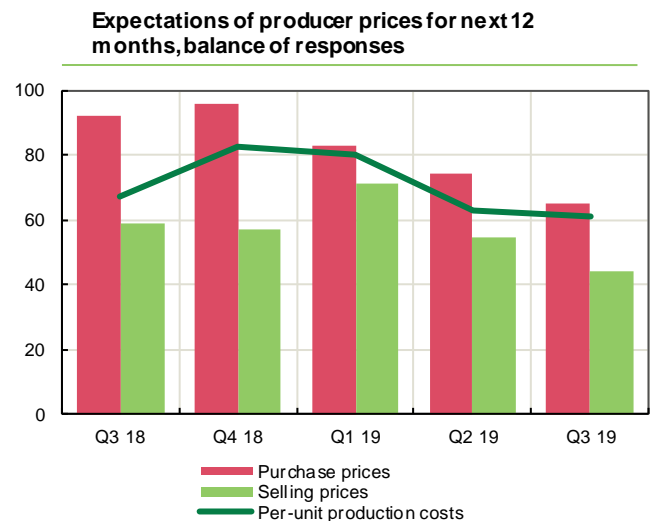


Figure 7

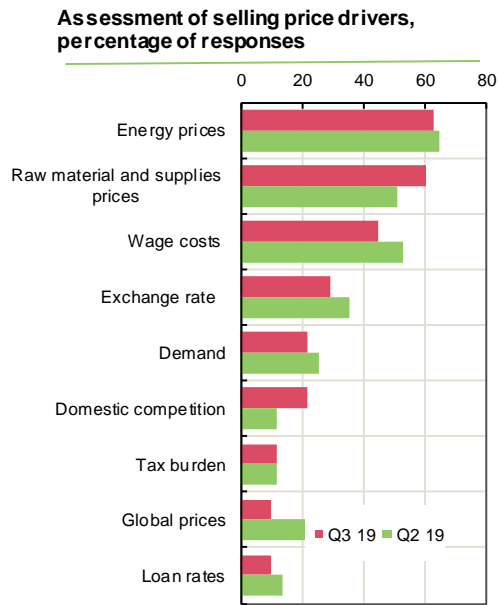


Figure 8

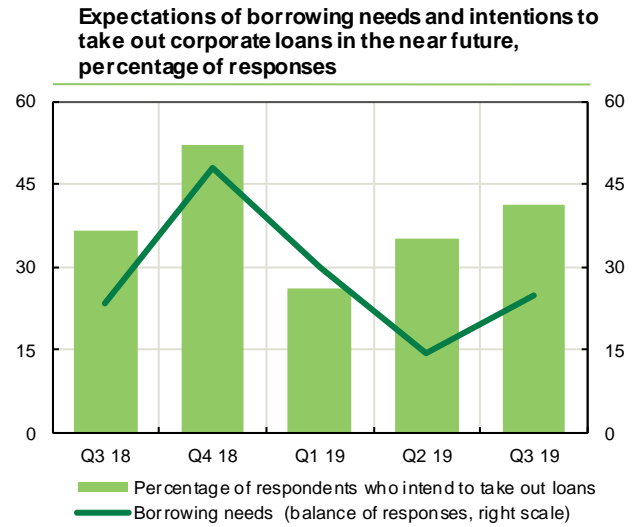


Figure 9

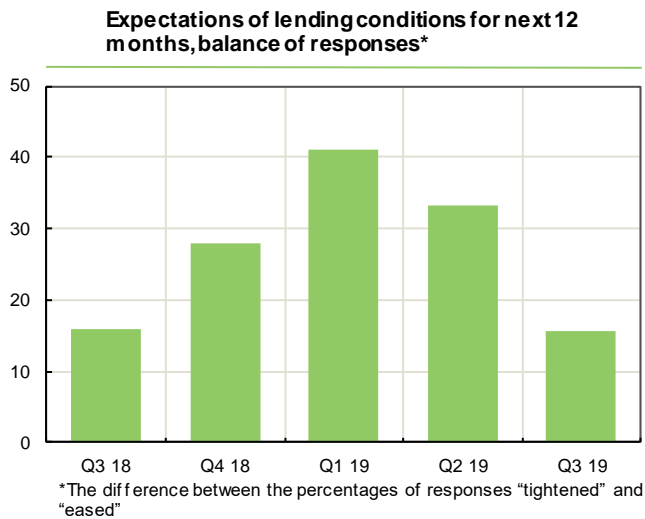
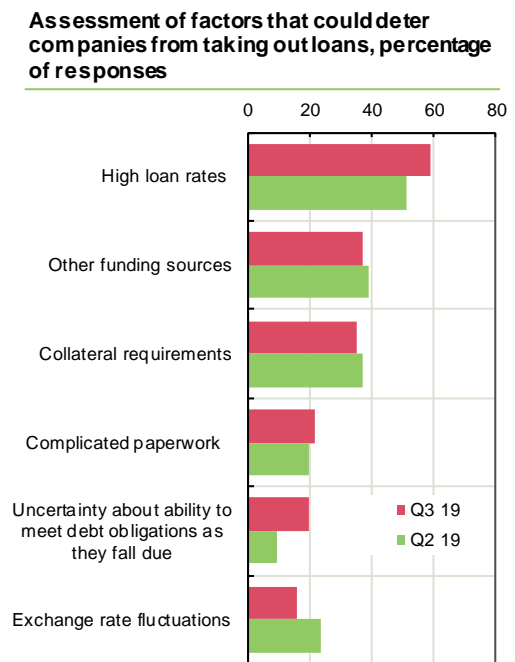


Figure 10



Key Indicators of Social and Economic Development of Kharkiv 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
1	Volume indices of gross regional product (in previous year's prices, in percent)	97.9	90.9	102.1	101.4	101.8 ²	...	...	...	...	...	...	...	...
2	Industrial production index	94.8	88.2	105.8	106.1	102.9	98.8	94.8	98.4	100.5	99.2	99.3	100.0	99.6
3	Mining and quarrying	100.9	98.3	102.6	104.9	107.4	105.9	106.7	107.3	107.3	106.5	105.4	104.1	102.9
4	Manufacturing	95.5	89.2	105.8	108.9	101.3	96.6	92.3	97.5	100.2	99.0	99.3	100.0	99.5
5	Production of food, beverages and tobacco	105.9	100.5	100.8	102.6	92.9	79.2	82.9	97.1	104.4	103.9	102.0	99.8	98.3
6	Textile production, production of clothing, leather, leather goods and other materials	92.1	89.2	103.9	101.0	86.0	94.8	92.2	98.3	100.7	103.1	98.2	96.9	95.2
7	Production of wood products, paper, printing	95.3	84.9	100.7	101.4	114.5	102.5	119.1	113.3	115.8	111.1	107.1	108.5	105.9
8	Production of coke and petrochemicals	87.2	89.0	120.2	93.0	78.7	99.2	98.8	102.9	98.4	100.2	99.0	99.0	99.3
9	Production of chemicals and chemical products	104.8	99.2	77.9	110.4	119.9	106.6	103.1	103.1	102.9	103.7	102.6	103.0	104.0
10	Production of rubber and plastic products, other nonmetallic mineral products	95.3	80.0	107.5	108.3	95.5	94.4	96.1	97.6	97.4	95.8	94.9	95.7	94.4
11	Metallurgical production, manufacturing of finished metal products, except machinery and equipment	88.4	86.5	113.0	119.1	99.3	94.0	106.4	107.4	106.6	108.6	103.9	102.1	101.5
12	Mechanical engineering, except for repair and installation of machinery and equipment	87.5	80.1	114.9	109.5	108.6	115.6	102.9	97.5	93.5	91.9	97.0	100.3	100.7
13	Electricity, gas, steam and conditioning air supply	85.9	72.1	110.2	85.8	112.6	102.7	97.0	93.8	94.3	92.0	91.1	93.6	96.3
14	Agricultural production index	103.1	97.2	106.6	90.1	106.0	104.4	106.7	108.9	108.7	108.3	123.3	119.0	110.2
15	Construction production index	89.6	102.5	131.1	122.9	101.5	105.7	114.4	124.1	122.3	116.9	114.4	117.5	111.8
16	Freight turnover	95.8	97.7	101.0	99.7	88.9	85.9	87.3	89.6	90.4	90.8	90.9	89.9	89.6
17	Passenger turnover	82.8	96.0	102.1	101.2	99.5	95.0	95.0	93.0	93.6	93.9	93.6	93.1	93.5
18	Volume index of retail trade turnover (in comparable prices, in percent)	98.6	81.1	104.3	106.8	101.7	104.8	107.2	109.0	107.4	104.7	105.0	104.6	104.7
19	Profit/loss of large and medium companies before tax (UAH million) ³	-5888.5	-2769.8	3750.1	9790.1	...	...	...	...	...	...	...	...	...
20	Capital investment index	76.9	109.6	135.9	111.6	109.3	...	...	115.7	...	...	104.0	...	...
21	Consumer price index (compared with December of previous year)	125.3	144.2	114.1	113.8	111.2	101.0	102.3	103.3	104.0	104.6	104.0	103.3	103.2
22	Real disposable income	89.8	81.5	102.9	109.1	111.0 ²	...	...	...	...	...	...	...	...
23	Real wage index	93.9	77.3	106.2	119.6	110.1	108.1	108.5	108.6	109.0	108.9	108.8	108.7	108.2
24	Number of applicants per vacancy as of end of period	12	13	8	7	7	6	4	4	4	4	3	3	3

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