



National Bank
of Ukraine

Business Outlook Survey of Kharkiv Oblast*

Q4 2019



*This survey only reflects the opinions of respondents in Kharkiv 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 **Kharkiv oblast** in Q4 2019 showed that respondents had high expectations that the Ukrainian economy would grow, and that their companies would develop over the next 12 months. Respondents expected inflation to increase and domestic currency to 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 grow:** the balance of expectations was 26.0% compared with 25.5% in Q3 2019 (Figure 1) and 21.9% across Ukraine. Respondents from agricultural and manufacturing companies had the most optimistic expectations, with a balance of responses of 44.4% for each.
- **prices for consumer goods and services would grow** at a faster pace: 58.8% of respondents expected the inflation rate to be lower than 7.5% (compared with 63.3% in Q3 2019 and 53.8% across Ukraine). Some 2.0% 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 impact of tax changes increased significantly
- **the hryvnia would depreciate at a faster pace:** 72.0% of respondents (compared with 68.0% 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:** the balance of expectations was 20.0% compared with 16.3% in Q3 2019 and 18.6% across Ukraine (see Table). Respondents from mining companies had the most optimistic expectations, with a balance of responses of 71.4%. At the same time, respondents from companies of other economic activities expected that their financial and economic standings would deteriorate
- **total sales would increase** at a fast pace: the balance of responses was 36.7% compared with 21.6% in Q3 2019. Respondents also expected an increase in external sales (the balance of responses was 38.5% compared with 37.5% in Q3 2019) (see Table). The balances of responses across Ukraine were 23.5% and 20.6% respectively
- **investment in construction and in machinery, equipment and tools would increase:** the balances of responses were 14.9% and 14.0% respectively (compared with 8.5% and 20.0% in Q3 2019) (see Table). The balances of responses across Ukraine were 4.7% and 14.7% respectively. The highest expectations of investment spending were reported by mining companies
- **staff numbers at their companies would increase:** the balance of responses was 9.8% compared with (-12.2%) in Q3 2019 (Figure 4). Across Ukraine, staff numbers were expected to decrease (-1.6%). The managers of mining companies were the most pessimistic. The managers of agricultural companies and other economic activities expected a drop in the staff numbers at their companies.
- **both purchase and selling prices would grow:** the balances of responses were 88.2% and 46.0% respectively (compared with 65.3% and 44.0% in Q3 2019). All of the respondents from trade companies expected the growth in selling prices. Labor costs, high energy prices, as well as high raw material and supplies prices, were referred to as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would increase:** the balances of responses were 52.0% and 73.5% respectively (compared to 61.2% and 62.0% in Q3 2019) (Figures 4 and 6).

Respondents referred to lack of working assets as **the main drags on the ability of their companies to boost production** (Figure 5). Assessments of its impact increased significantly. The impact of political situation was assessed significantly higher than in the previous quarter.

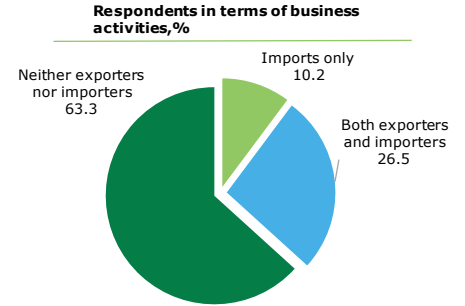
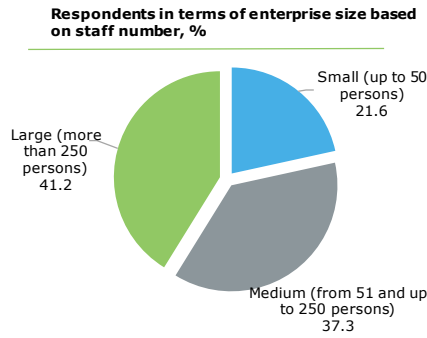
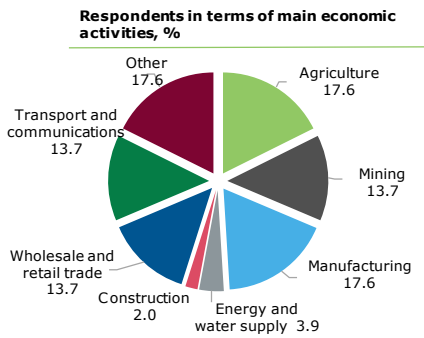
Expectations of borrowing needs in the near future **edged up** (Figure 8). The vast majority of the respondents that planned to take out corporate loans opted for domestic currency loans. Respondents said that lending conditions had tightened (Figure 9). High loan rates were cited as the main factor that deterred companies from taking out corporate loans (Figure 10).

A total of 96.1% 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)

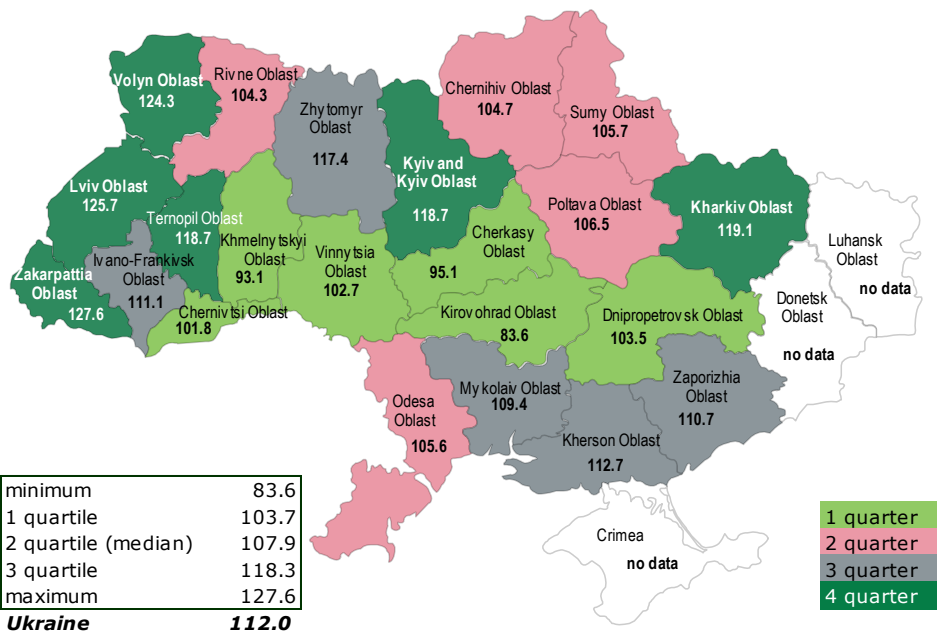
- **The current financial and economic standings of companies were assessed as bad:** the balance of responses was (-11.8%) compared with (-5.9%) in the previous survey. Across Ukraine, respondents assessed their current financial and economic standings as positive, with a balance of responses of 6.1%.
- **Stocks of finished goods increased and were assessed to be at the normal level:** the balance of responses was 0.0% (compared with (-4.8%) in Q3 2019).
- **Spare production capacity decreased.** Respondents said they did not have a sufficient amount of unutilized production capacity to meet an unexpected rise in demand: the balance of responses was (-16.3%)

Survey Details^{1,2}



- Period: 4 November through 28 November 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, %



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 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, %				
	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
Financial and economic standings	2.1	2.1	18.4	16.3	20.0
Total sales	17.4	19.1	26.5	21.6	36.7
Investment in construction	11.9	22.0	15.4	8.5	14.9
Investment in machinery, equipment and tools	13.6	20.0	32.5	20.0	14.0
Staff numbers	2.1	2.2	2.0	-12.2	9.8

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

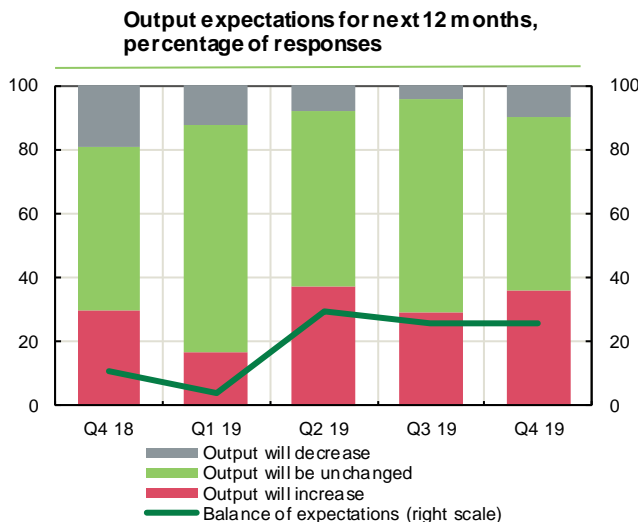


Figure 2

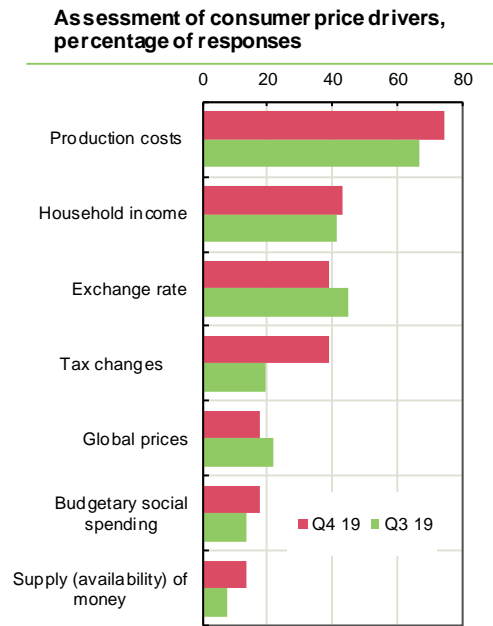


Figure 3

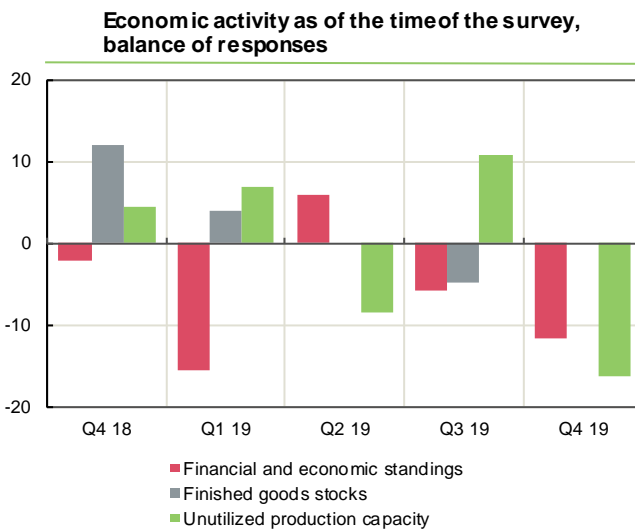


Figure 4

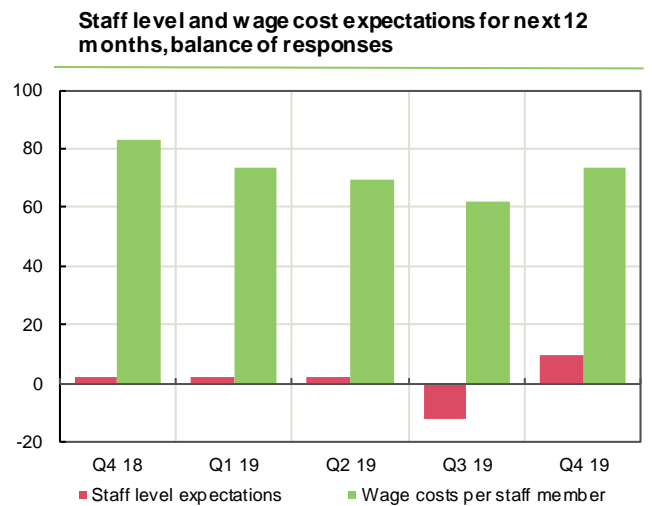


Figure 5

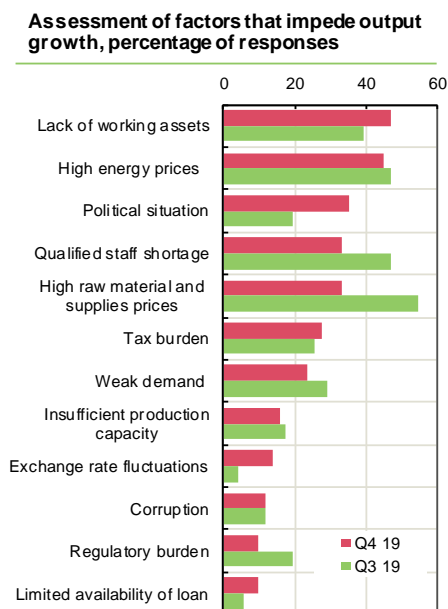


Figure 6

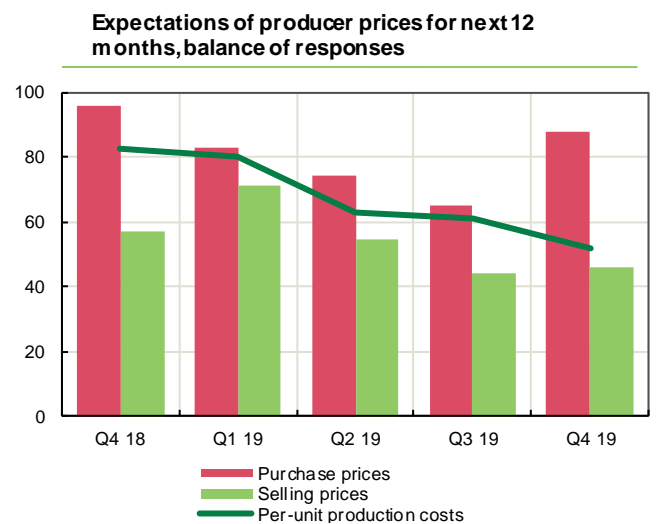


Figure 7

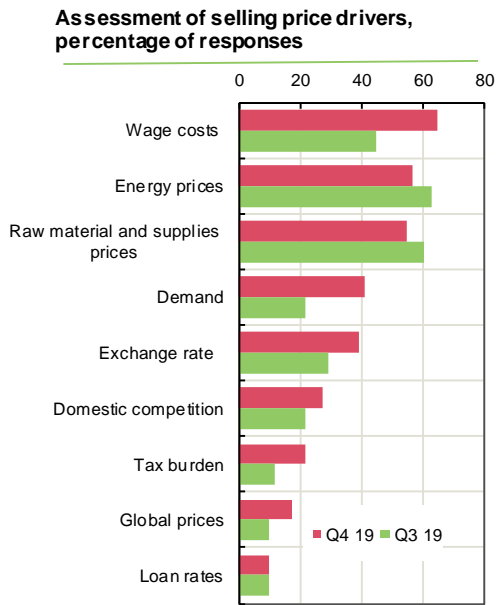


Figure 8

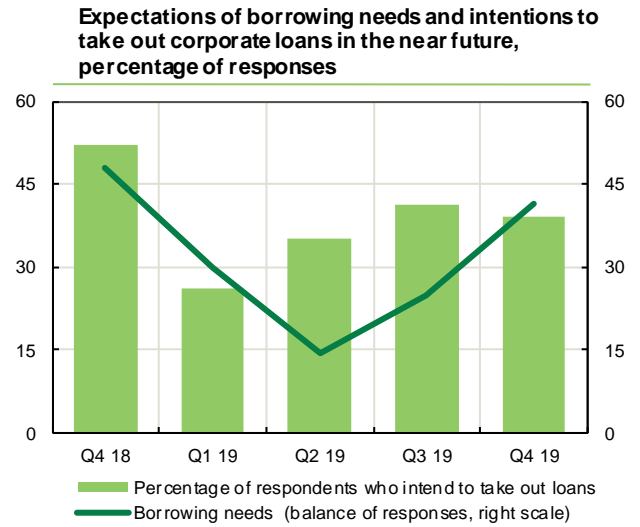


Figure 9

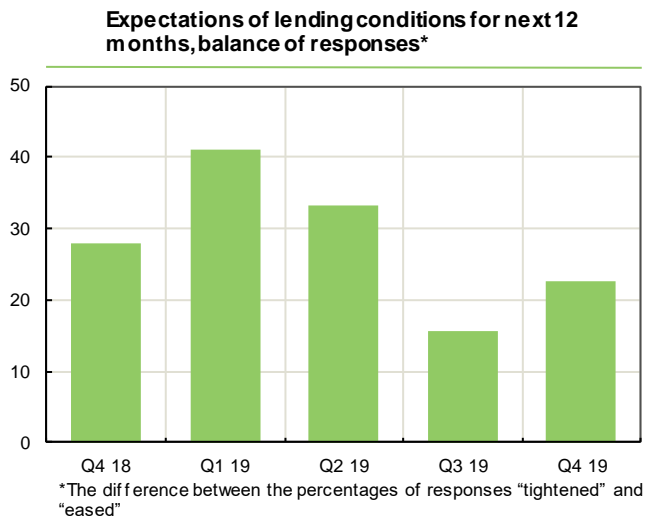
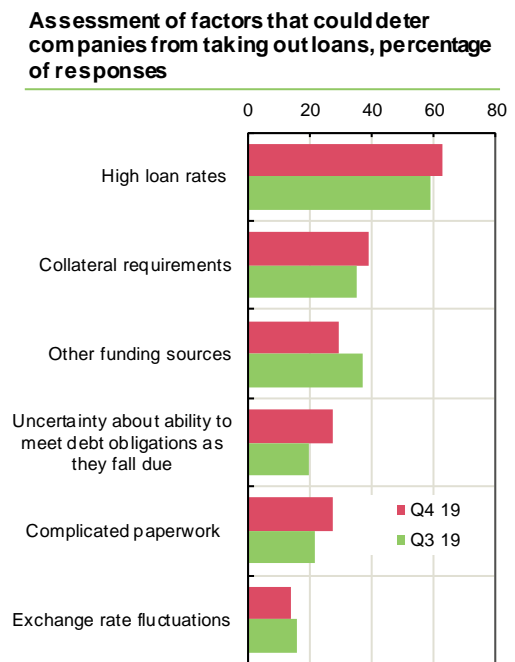


Figure 10



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	January - September	January - October	January - November											
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	99.4	98.4	97.5	...	...	...	...	...	...
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	101.8	100.6	99.9	...	...	...	...	...	...	...
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	99.0	97.6	96.5	...	...	...	...	...	...	...	...
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	98.4	97.4	95.8	...	...	...	...	...	...	...	...	...
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	93.7	93.9	93.7	...	...	...	...	...	...	...	...	...
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	104.8	101.3	97.1	...	...	...	...	...	...	...	...	...	...
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	98.9	94.8	96.7	...	...	...	...	...	...	...	...	...	...
9	Production of chemicals and chemical products	104.8	99.2	77.9	110.4	119.9	106.6	103.1	102.9	103.7	102.6	103.0	104.0	103.9	103.5	104.3	...	...	...	...	...	...	...	...	...	...	...
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	93.8	93.7	93.6	...	...	...	...	...	...	...	...	...	...
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	99.9	98.0	96.5	...	...	...	...	...	...	...	...	...	...
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	98.7	97.0	96.7	...	...	...	...	...	...	...	...	...	...
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	99.7	102.4	102.6	...	...	...	...	...	...	...	...	...	...	...
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	107.9	101.6	100.2	...	...	...	...	...	...	...	...	...	...	...
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	114.6	113.6	112.2	...	...	...	...	...	...	...	...	...	...	...
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	89.6	89.7	89.8	...	...	...	...	...	...	...	...	...	...	...
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	93.0	93.4	93.0	...	...	...	...	...	...	...	...	...	...	...
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	104.8	104.8	104.9	...	...	...	...	...	...	...	...	...	...	...
19	Profit/loss of large and medium companies before tax (UAH million) ³	-5888.5	-2769.8	3750.1	9790.1	4593.4	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
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	103.9	104.9	104.9	...	...	...	...	...	...	...	...	...	...	...
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	108.3	108.2	108.3	...	...	...	...	...	...	...	...	...	...	...
24	Number of applicants per vacancy as of end of period	12	13	8	7	7	6	4	4	4	4	3	3	3	2	2	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