



National Bank
of Ukraine

Business Outlook Survey of Kharkiv Oblast*

Q1 2020

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



*This survey only reflects the opinions of respondents in Kharkiv 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 **Kharkiv oblast** in Q1 2020 showed that respondents had moderate expectations that the Ukrainian economy would grow, and that their companies would develop over the next 12 months. Respondents reported moderate inflation. 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 slightly:** the balance of expectations was 6.3% compared with 26.0% in Q4 2019 (Figure 1) and 10.4% across Ukraine. Respondents from trade companies had the most optimistic expectations, with a balance of responses – 57.1%. At the same time, companies in the manufacturing industry and other economic activity expected a decline in output
- **prices for consumer goods and services would grow moderately:** 70.2% 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 driver** (Figure 2)
- **the hryvnia would depreciate at a slower pace:** 66.0% of respondents (compared with 72.0% 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:** the balance of expectations was 15.2% compared with 20.0% in Q4 2019 and 16.9% across Ukraine (see Table). Respondents from manufacturing companies had the most optimistic expectations, with a balance of responses of 20.0%. At the same time, respondents from agricultural and trade companies expected that their financial and economic standings would deteriorate
- **total sales would increase** at a slower pace: the balance of responses was 20.8% compared with 36.7% in Q4 2019. Respondents also expected an increase in external sales (the balance of responses was 31.3% compared with 38.5% in Q4 2019) (see Table). The balances of responses across Ukraine were 23.0% and 17.5% respectively
- **investment in construction and in machinery, equipment and tools would increase** at a slower pace: the balances of responses were 9.1% and 13.6% respectively (compared with 14.9% and 14.0% in Q4 2019) (see Table). The balances of responses across Ukraine were 2.4% and 14.1% respectively. The highest expectations of investment spending were reported by trade companies
- **staff numbers at their companies would decrease:** the balance of responses was (-2.1%) compared with 9.8% in Q4 2019 and (-3.9%) across Ukraine (Figure 4). The managers of manufacturing companies were the most pessimistic
- **the growth in both purchase and selling prices would decelerate:** the balances of responses were 62.5% and 31.3% respectively (compared with 88.2% and 46.0% in Q4 2019). Respondents from trade companies had the highest expectations of a rise in selling prices. Raw material and supplies prices and energy prices, labor costs were referred to as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would increase at a slower pace:** the balances of responses were 45.7% and 63.8% respectively (compared to 52.0% and 73.5% in Q4 2019) (Figures 4 and 6).

Respondents referred to qualified staff shortage (assessments of its impact increased significantly), as well as high energy prices and lack of working assets, as **the main drags on the ability of their companies to boost production** and (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. Assessments of tightening lending standards declined compared to the previous quarter (Figure 9). High loan rates were cited as the main factor that deterred companies from taking out corporate loans (Figure 10).

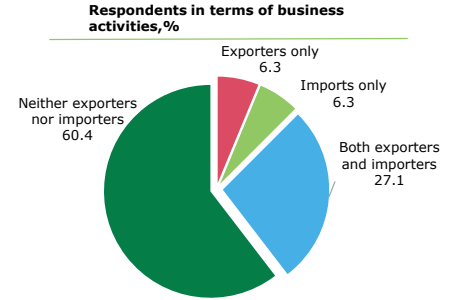
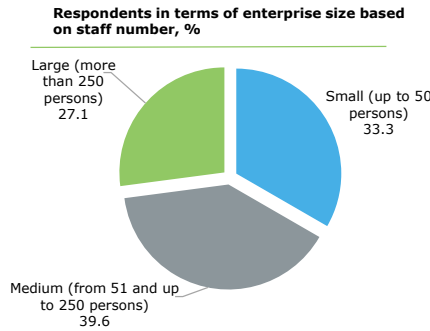
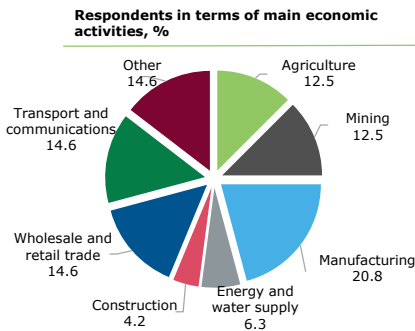
A total of 95.7% of respondents said that they had encountered no difficulties in effecting transactions with funds deposited in bank accounts (96.6% across Ukraine).

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 satisfactory:** the balance of responses was 0.0% compared with (-11.8%) in the previous survey. Across Ukraine, respondents assessed their current financial and economic standings as positive, with a balance of responses of 9.7%.
- **Stocks of finished goods remained to be at the normal level:** the balance of responses was 0.0% (as in the previous quarter).
- **Spare production capacity increased and was sufficient to meet any sudden rise in demand:** the balance of responses was 10.9% compared with 16.3% in Q4 2019.

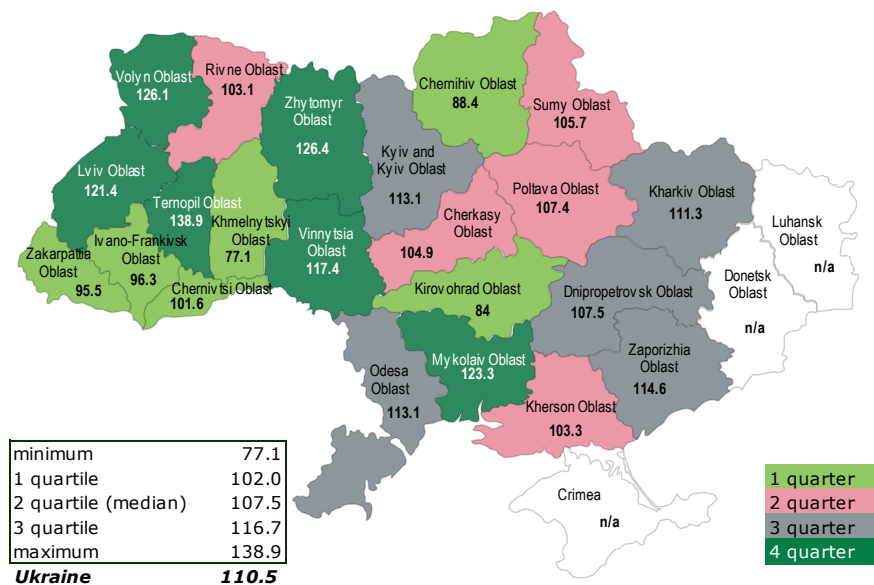
¹ This survey was carried out before quarantine measures were introduced.

Survey Details^{2,3}



- Period: 10 February through 4 March 2020.
- A total of 48 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 Oblasts⁴, %



*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 Kharkiv 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	2.1	18.4	16.3	20.0	15.2
Total sales	19.1	26.5	21.6	36.7	20.8
Investment in construction	22.0	15.4	8.5	14.9	9.1
Investment in machinery, equipment and tools	20.0	32.5	20.0	14.0	13.6
Staff numbers	2.2	2.0	-12.2	9.8	-2.1

² This sample was generated in proportion to the contribution of each oblast 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

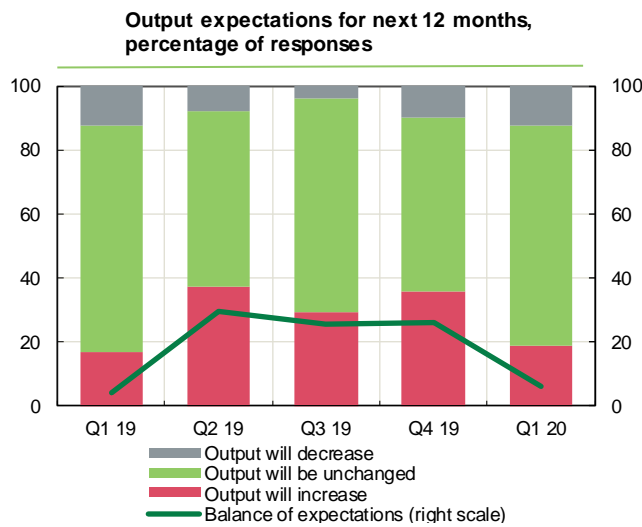


Figure 2

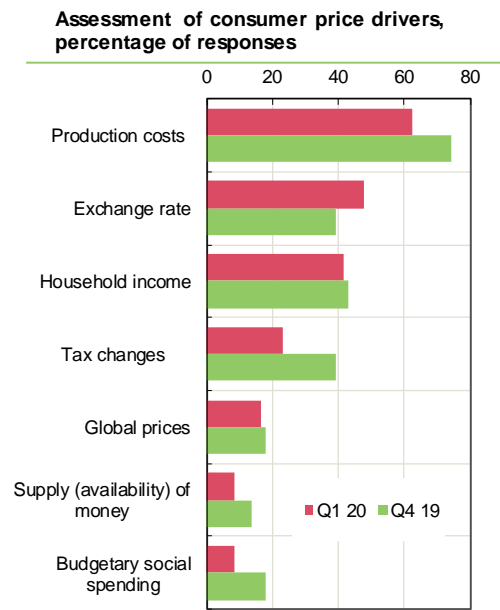


Figure 3

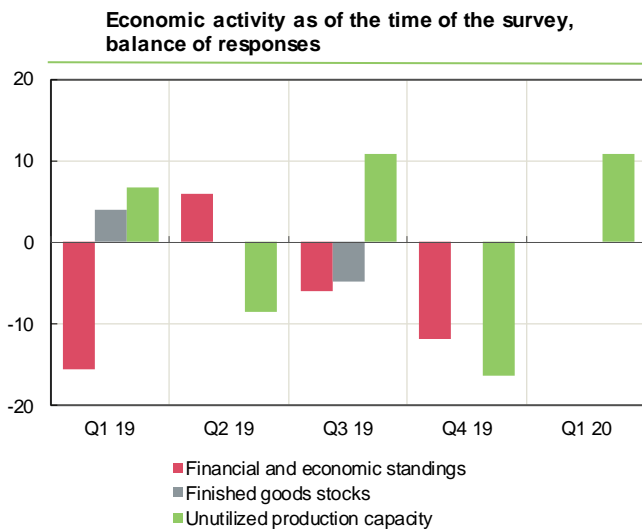


Figure 4



Figure 5

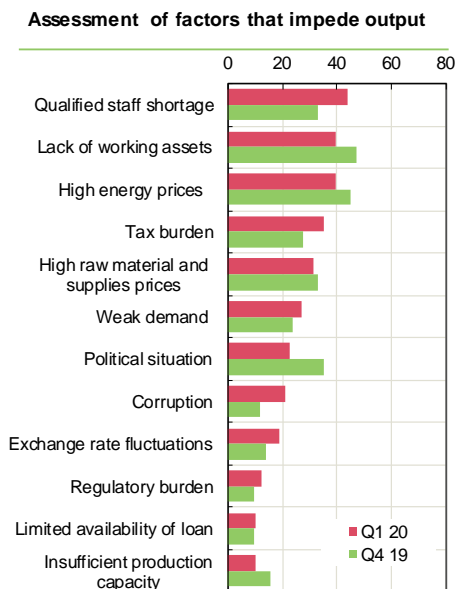


Figure 6

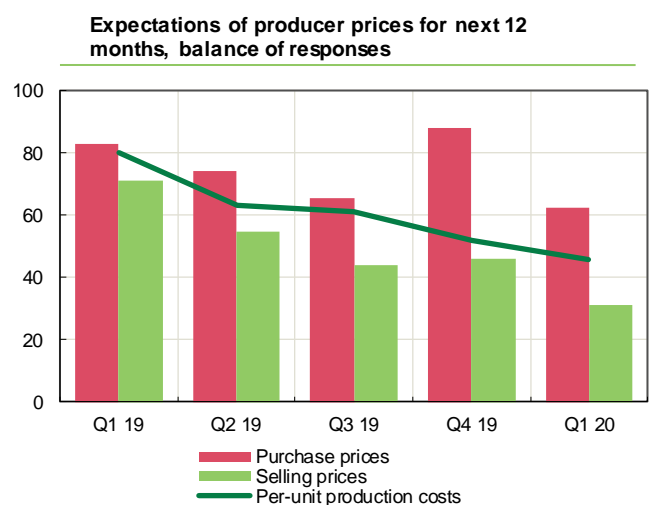


Figure 7

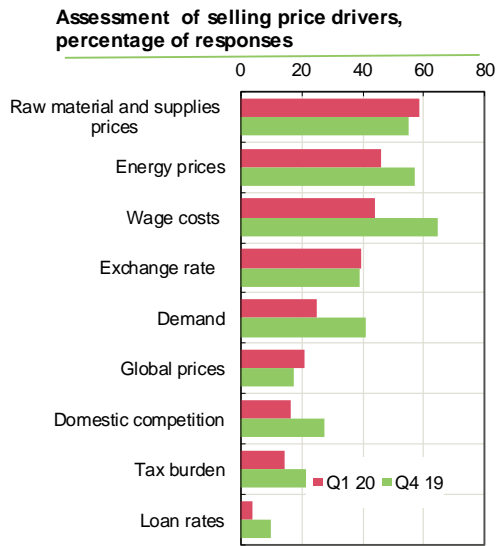


Figure 8

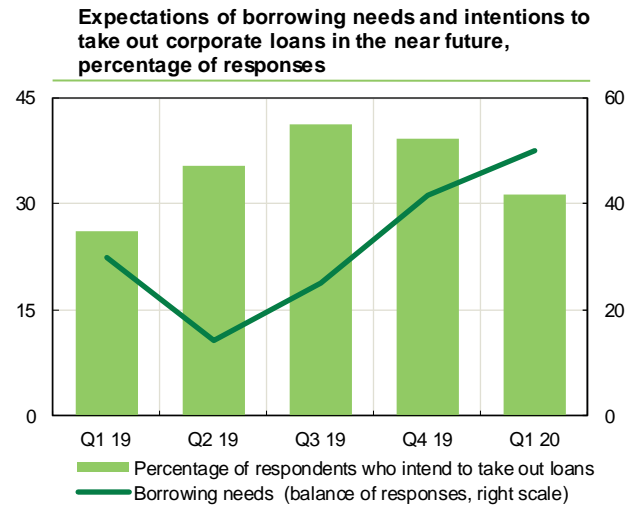


Figure 9

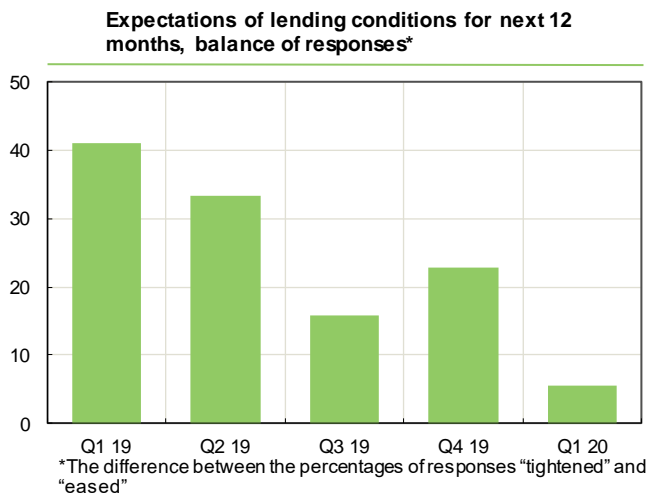


Figure 10

