



National Bank
of Ukraine

Business Outlook Survey of Kharkiv 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 Kharkiv 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 **Kharkiv oblast** in Q2 2020 showed that respondents expected a drop in the output of Ukrainian goods and services over the next 12 months and had moderate expectations for the performance of their companies over the next 12 months, on the back of the quarantine imposed. Respondents expected an increase in prices and further depreciation of the domestic currency.¹

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

- **the output of Ukrainian goods and services would drop:** the balance of expectations was (-15.7%) compared with 6.3% in Q1 2020 (Figure 1) and (-34.1%) across Ukraine. Respondents from mining industry had the most pessimistic expectations, with a balance of responses of (-50.0%). At the same time, agricultural and transport companies expected no changes in their output
- **prices for consumer goods and services would grow:** 52.9% of respondents expected the inflation rate to be lower than 7.5% compared with 54.9% across Ukraine. Respondents referred to production costs as the main inflation driver (Figure 2)
- **the hryvnia would continue to depreciate:** 68.6% of respondents (compared with 66.0% 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 remain at their current levels:** the balance of expectations was 0.0% compared with 15.2% in Q1 2020. At the same time, respondents from mining and manufacturing and companies had optimistic expectations, with the balances of responses of 33.3% and 30.8%, respectively. Companies across Ukraine expected a deterioration in their financial and economic standings, the balance of responses being (-1.8%) (see Table)
- **total sales would decrease slightly:** the balance of responses was (-2.0%) compared with 20.8% in Q1 2020. External sales would continue to rise (the balance of responses was 35.3% compared with 31.3% in Q1 2020) (see Table). Overall, respondents expected sales to decrease slightly across Ukraine, the balances of responses being (-0.1%) and (-0.7)%, respectively
- **investment in construction and in machinery, equipment and tools would decrease:** the balances of responses were (-16.0%) and (-8.0%), respectively (compared with 9.1% and 13.6% in Q1 2020) (see Table). The balances of responses across Ukraine were (-16.1%) and (-10.5%), respectively. At the same time, respondents from transport companies expected investment spending to increase
- **staff numbers at their companies would decrease:** the balance of responses was (-13.7%) compared with (-2.1%) in Q1 2020 and (-17.3%) across Ukraine (Figure 4). The managers from other economic activities had the most pessimistic expectations
- **purchase prices would grow at a faster pace than selling prices,** the balances of responses being 68.6% and 29.4%, respectively (Figure 6). Respondents from trading companies had the highest expectations of a rise in selling prices. Raw material and supplies prices was 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 29.4% and 31.4%, respectively (compared to 45.7% and 63.8% in Q1 2020) (Figures 4 and 6).

Respondents referred to high energy prices as **the main drag on the ability of their companies to boost production**. According to respondents, the influence of weak demand increased significantly (Figure 5).

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

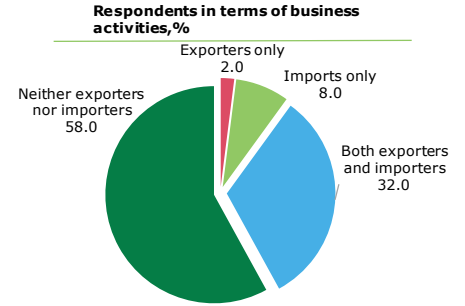
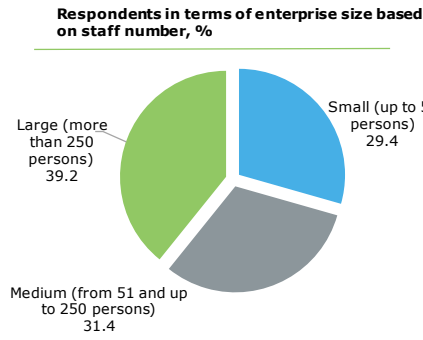
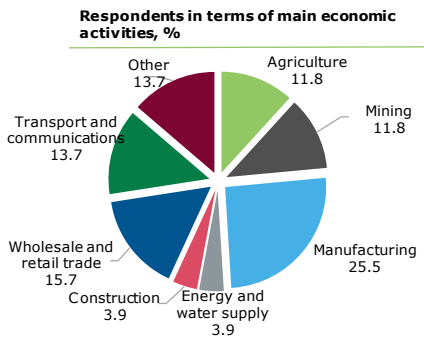
A total of 94.1% of respondents said that they had encountered no difficulties in effecting transactions with funds deposited in bank accounts (96.5% across Ukraine).

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

- **The current financial and economic standings of companies deteriorated and were assessed as bad:** the balance of responses was (-23.5%) compared with 0.0% in the previous quarter and (-11.6%) across Ukraine.
- **Finished goods stocks** had decreased and **were assessed at a level lower than the normal one:** the balance of responses was (-11.5%) compared with 0.0% in Q1 2020.
- **Companies of the oblast had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 22.0% compared to 10.9% in the previous quarter.

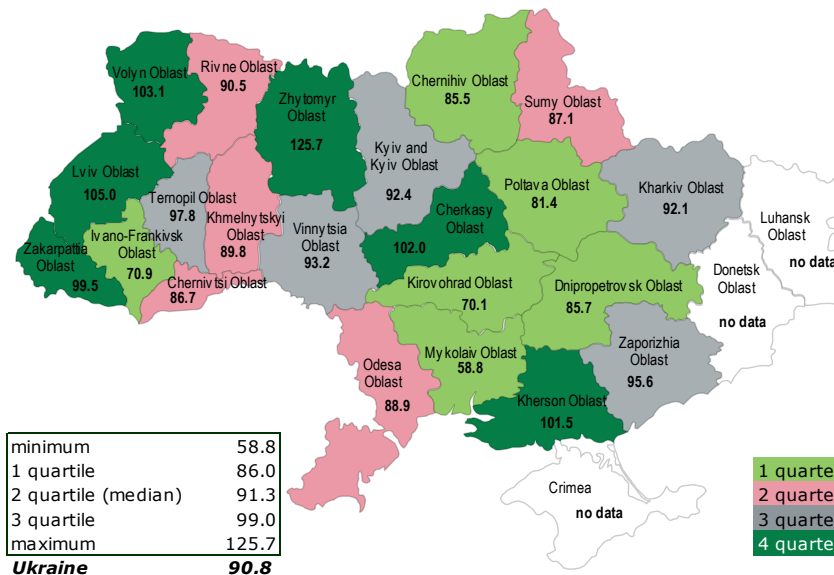
¹ This survey was conducted after the government announced it would relax the quarantine.

Survey Details^{2,3}



- Period: 5 May through 3 June 2020.
- 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 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, %				
	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
Financial and economic standings	18.4	16.3	20.0	15.2	0.0
Total sales	26.5	21.6	36.7	20.8	-2.0
Investment in construction	15.4	8.5	14.9	9.1	-16.0
Investment in machinery, equipment and tools	32.5	20.0	14.0	13.6	-8.0
Staff numbers	2.0	-12.2	9.8	-2.1	-13.7

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 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

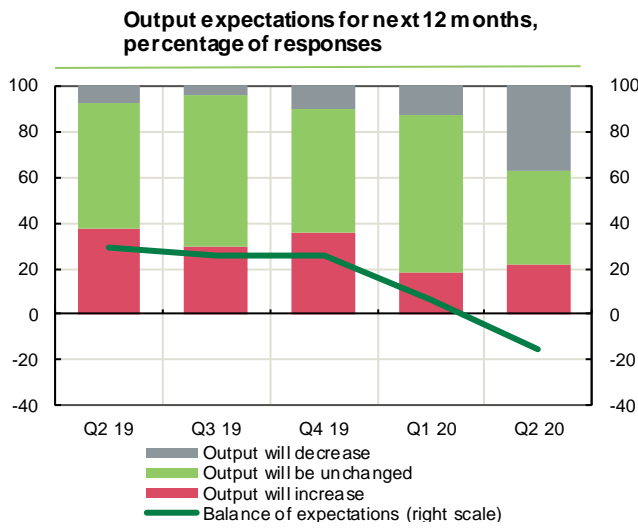


Figure 2

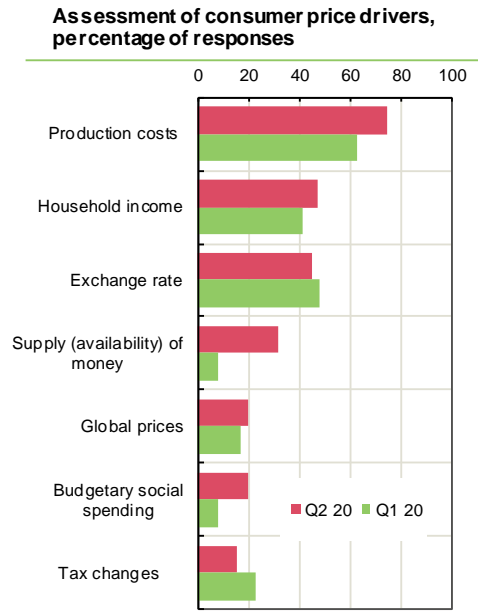


Figure 3

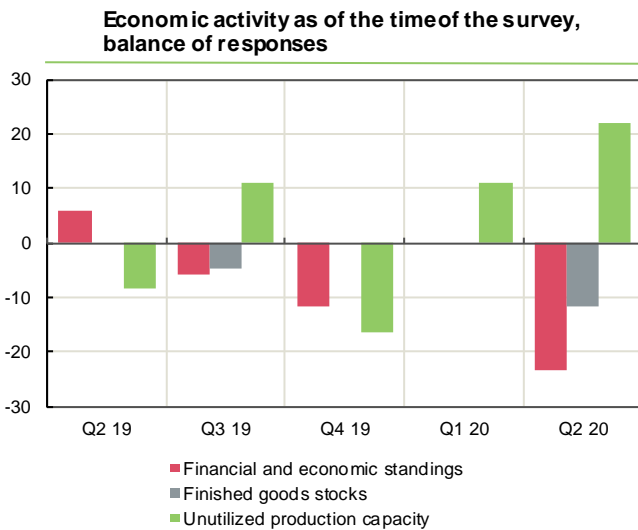


Figure 4



Figure 5

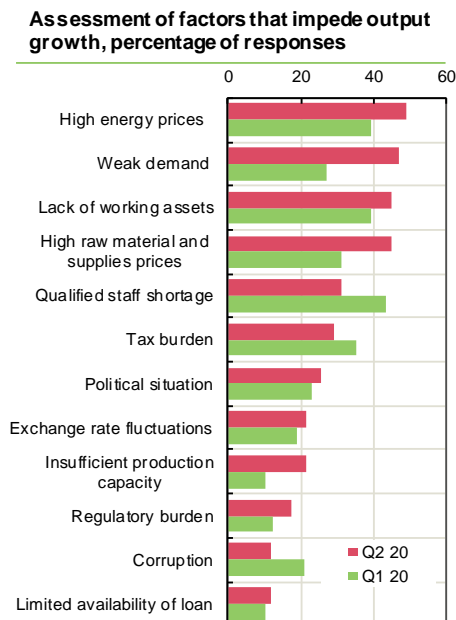


Figure 6

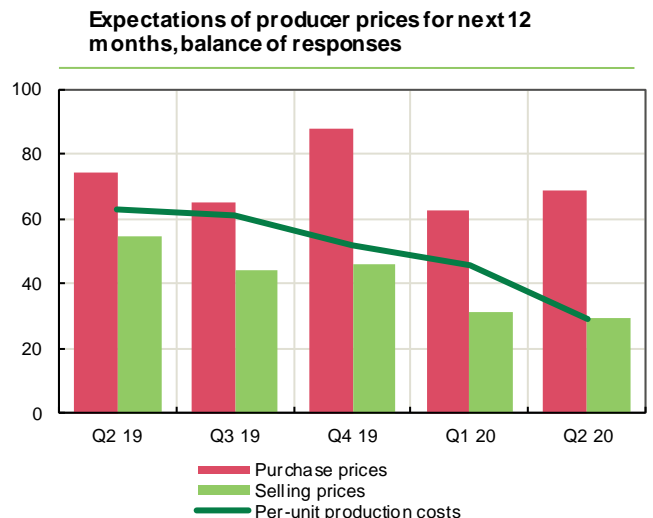


Figure 7

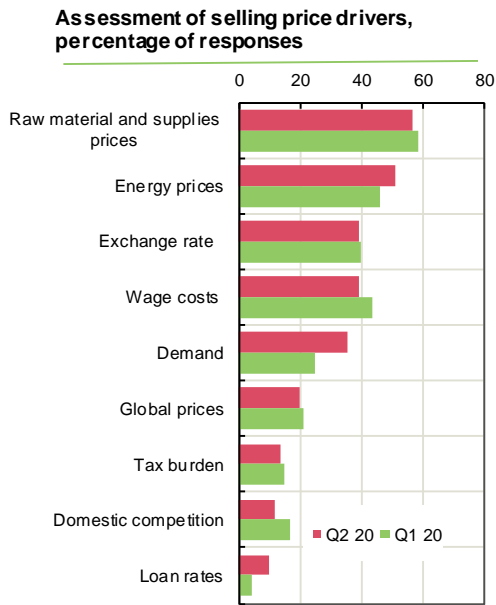


Figure 8

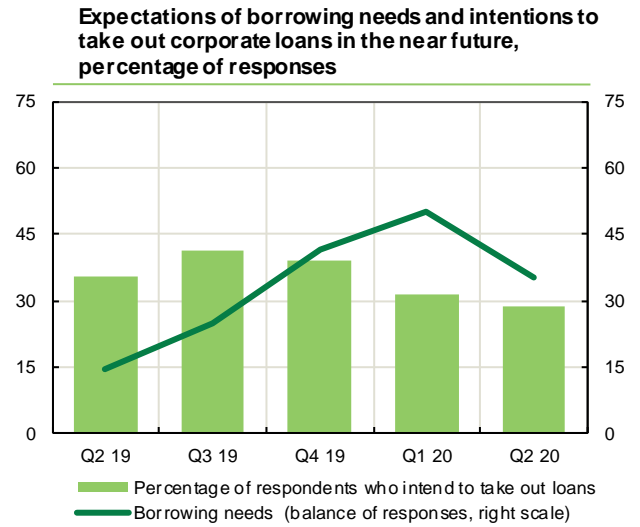


Figure 9

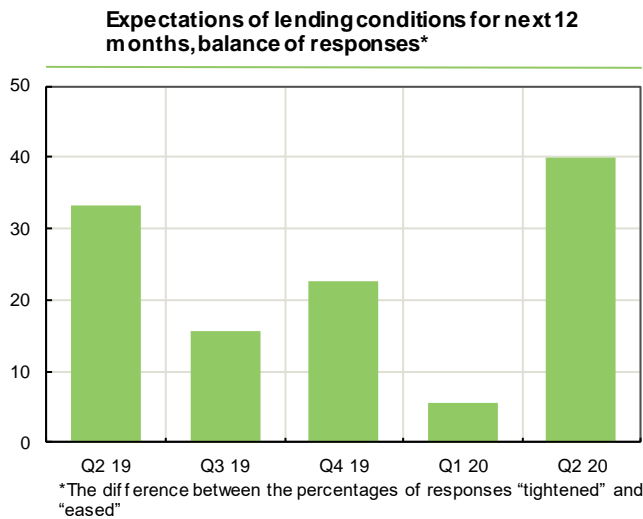


Figure 10

