



National Bank
of Ukraine

Business Outlook Survey of Kharkiv Oblast*

Q3 2020



*This survey only reflects the opinions of respondents in Kharkiv 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 **Kharkiv oblast** in Q3 2020 showed that respondents expected a drop in the output of Ukrainian goods and services and weaker performance by their companies over the next 12 months amid the adaptive quarantine regime. Respondents expected that prices would continue to increase 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 drop:** the balance of expectations was (-10.0%) compared with (-15.7%) in Q2 2020 (Figure 1) and (-16.1%) across Ukraine. Respondents from agricultural companies had the most pessimistic expectations, with a balance of responses of (-33.3%)
- **prices for consumer goods and services would rise:** 51.0% of respondents expected the inflation rate to be lower than 7.5% compared with 52.9% in the previous quarter and 55.6% across Ukraine. Respondents referred to production costs, the exchange rate and household income as the main inflation drivers (Figure 2)
- **the hryvnia would depreciate at a faster pace:** 80.0% of respondents (compared with 68.6% 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 deteriorate:** the balance of expectations was (-4.1%) compared with 0.0% in Q2 2020. At the same time, respondents from companies in other economic activities had optimistic expectations, with a balance of responses of 14.3%. Companies across Ukraine expected an improvement in their financial and economic standings, the balance of responses being 4.4% (see Table)
- **total sales would increase moderately:** the balance of responses was 4.1% compared with (-2.0%) in Q2 2020. Respondents also expected an increase in external sales (the balance of responses was 11.1% compared with 35.3% in Q2 2020) (see Table). Overall, companies across Ukraine expected sales to increase moderately, the balances of responses being 9.8% and 4.3% respectively
- **investment in construction and in machinery, equipment and tools would increase:** the balances of responses were 6.3% and 25.0% respectively (compared with (-16.0%) and (-8.0%) in Q2 2020) (see Table). The balances of responses across Ukraine were (-4.7%) and 5.2% respectively
- **staff numbers would remain unchanged:** the balance of responses was 0.0% compared with (-13.7%) in Q2 2020. Across Ukraine, respondents expected staff numbers to decrease (the balance of responses was (-10.8%)) (Figure 4)
- **the growth in both purchase and selling prices would accelerate:** the balances of responses were 82.0% and 62.0% respectively (compared with 68.6% and 29.4% in Q2 2020) (Figure 6). Respondents from trading and agricultural companies had the highest expectations of a rise in selling prices. Energy prices was referred to as the main selling price driver. Respondents also assessed the impact of raw material and supplies prices, the exchange rate and wage costs as high (Figure 7)
- **the growth in per-unit production costs and wage costs per staff member would decelerate:** the balances of responses were 56.0% and 57.1% respectively (compared to 29.4% and 31.4% in Q2 2020) (Figures 4 and 6).

Respondents referred to high energy prices as **the main drag on the ability of their companies to boost production** (Figure 5).

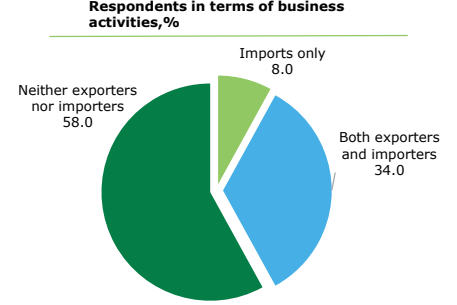
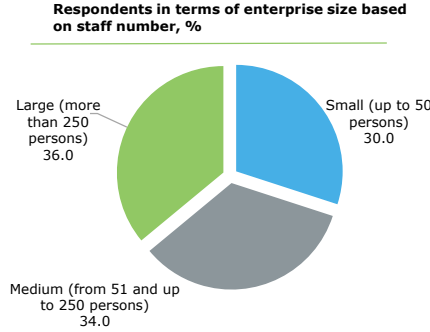
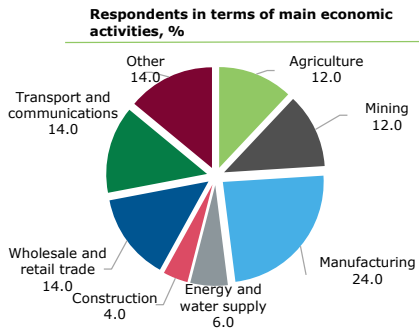
Expectations of borrowing needs in the near future **picked up** (Figure 8). The vast majority of the respondents that planned to take out corporate loans opted for domestic currency loans. Respondents said that lending standards had tightened (Figure 9). High loan rates were cited as the main factor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

A total of 97.9% 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)

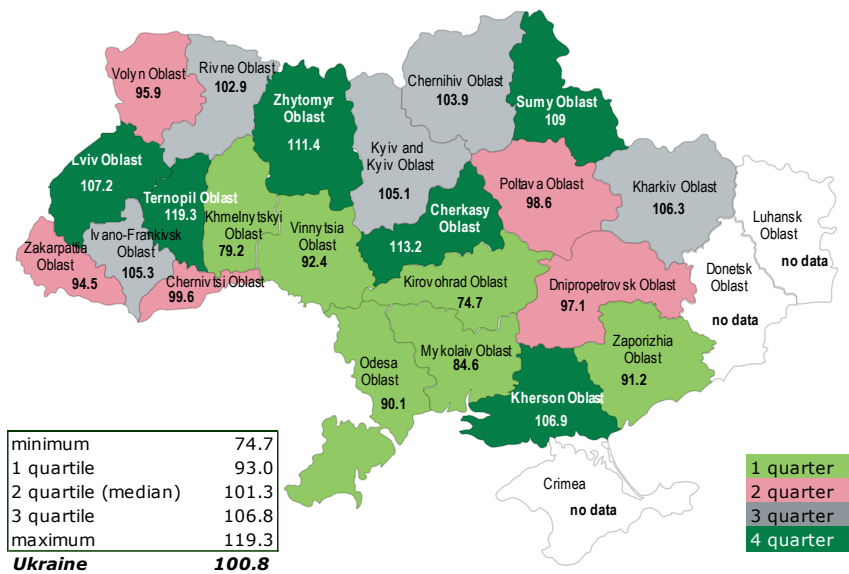
- **The current financial and economic standings of companies were assessed as bad:** the balance of responses was (-4.0%) compared with (-23.5%) in the previous quarter and (-5.6%) across Ukraine.
- **Finished goods stocks had increased and to a normal level:** the balance of responses was 0.0% compared with (-11.5%) in Q2 2020.
- **Companies in the oblast had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 12.5% compared to 22.0% in the previous quarter.

Survey Details^{1,2}



- Period: 4 August through 9 September 2020.
- A total of 50 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, %



*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, %				
	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20
Financial and economic standings	16.3	20.0	15.2	0.0	-4.1
Total sales	21.6	36.7	20.8	-2.0	4.1
Investment in construction	8.5	14.9	9.1	-16.0	6.3
Investment in machinery, equipment and tools	20.0	14.0	13.6	-8.0	25.0
Staff numbers	-12.2	9.8	-2.1	-13.7	0.0

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 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

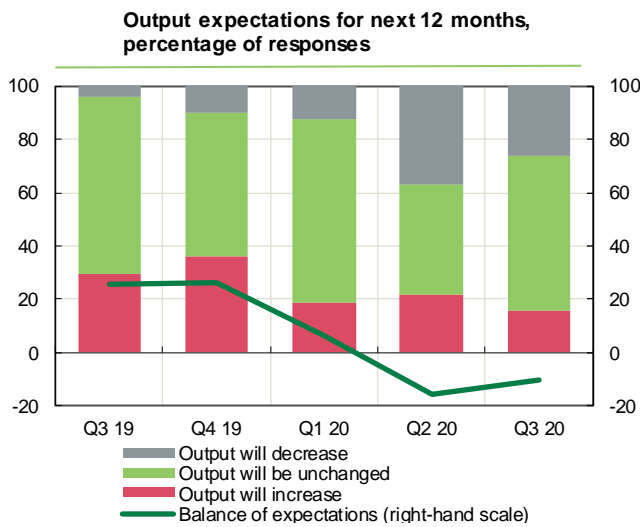


Figure 2

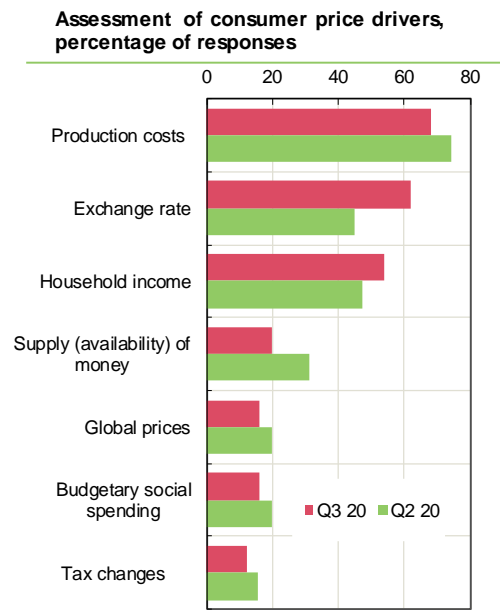


Figure 3

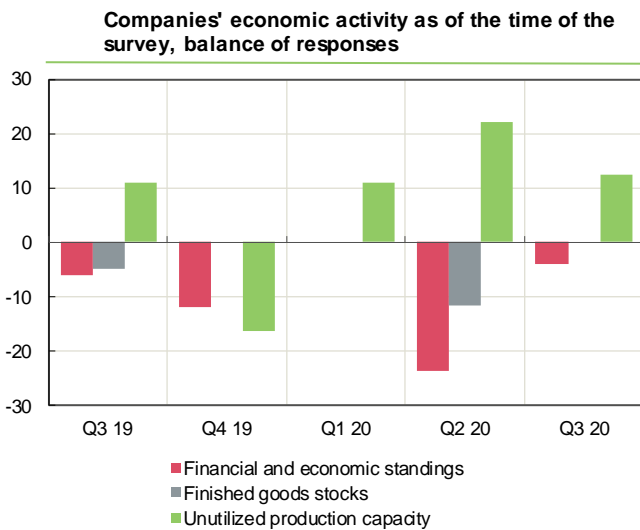


Figure 4



Figure 5

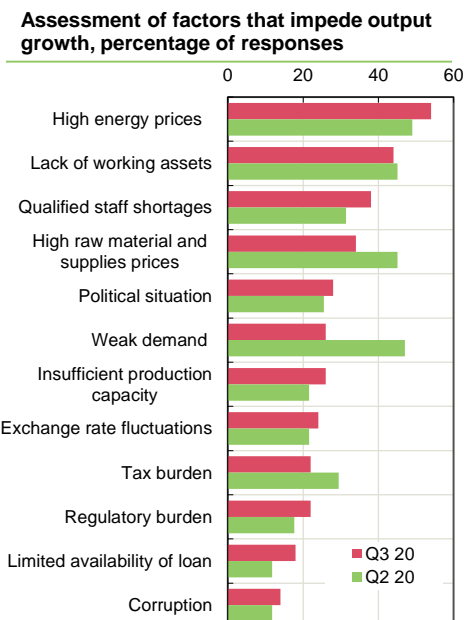


Figure 6

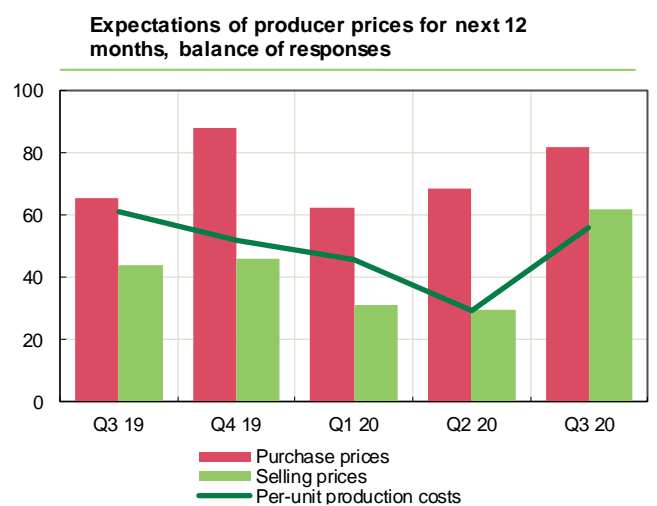


Figure 7

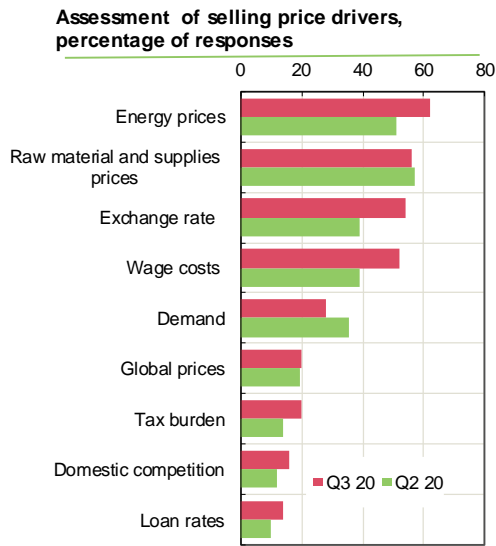


Figure 8

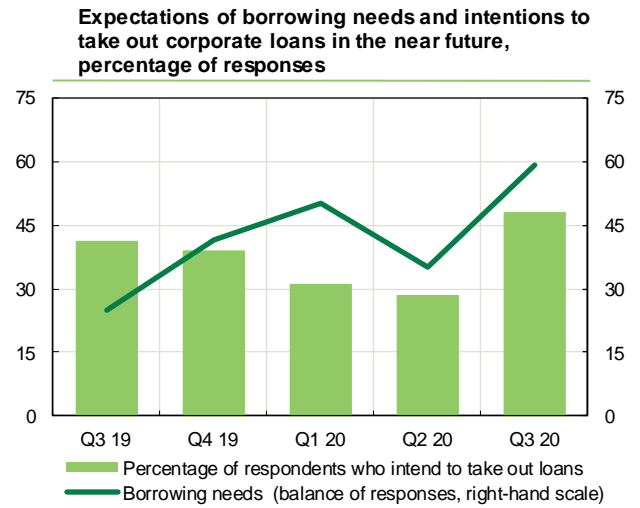


Figure 9

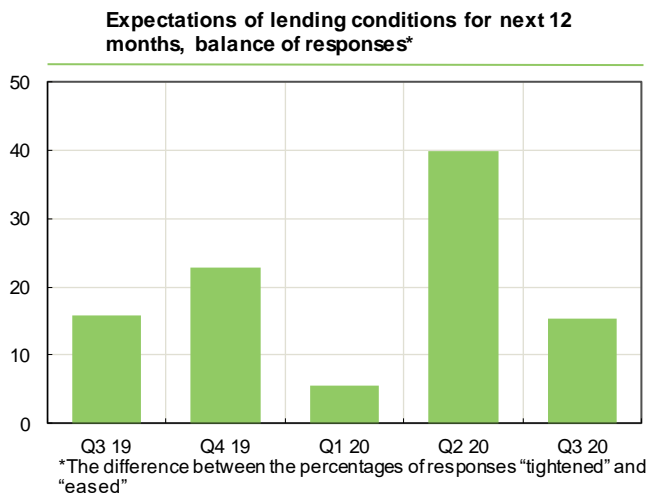


Figure 10

