



National Bank  
of Ukraine

## Business Outlook Survey of Kherson Oblast\*

Q3 2019



\*This survey only reflects the opinions of respondents in Kherson 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 **Kherson oblast** in Q3 2019 showed that respondents had positive expectations that the Ukrainian economy would grow, and that their companies would continue to develop over the next 12 months. Inflation and depreciation expectations softened significantly.

**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 25.0% compared with 0.0% in Q2 2019 (Figure 1) and 30.5% across Ukraine. Respondents in the agricultural sector had the most optimistic expectations, the balance of responses being 60.0%
- **prices for consumer goods and services would grow at a slower rate:** 91.7% of respondents expected the inflation rate to be lower than 10.0% (compared to 66.7% in Q2 2019 and 73.3% across Ukraine). Respondents referred to **production costs as the main inflation driver** (Figure 2)
- **the domestic currency would depreciate at a slower pace:** 58.3% of respondents (compared with 75.0% in the previous quarter) expected the hryvnia to weaken against the US dollar, with the figure of 69.0% across Ukraine
- **the financial and economic standings of their companies would improve more quickly:** the balance of expectations was 33.3% (compared with 18.2% in the previous quarter and 20.0% across Ukraine) (see Table)
- **total sales would increase:** as in the previous quarter, the balance of responses was 16.7% (compared with 27.1% across Ukraine). External sales were expected to remain unchanged: the balance of responses was 0.0% (compared with 50.0% in the previous quarter and 22.7% across Ukraine)
- **investment both in construction and in machinery, equipment and tools would increase:** the balances of responses were 9.1% and 18.2% respectively (compared to (-18.2%) and 8.3% in Q2 2019 and 9.3% and 17.7% across Ukraine)
- **staff numbers would decrease:** the balance of responses was (-8.3%) compared with 0.0% in Q2 2019 (Figure 4). Overall, across Ukraine, respondents intend to hire more staff (2.2%)
- **both purchase and selling prices would increase at a fast pace:** the balances of responses were 90.9% and 72.7% respectively (compared with 91.7% and 50.0% in Q2 2019) (Figure 6). Labor costs, high energy prices and 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 grow rapidly:** the balances of responses were 72.7% and 66.7% respectively (unchanged compared to the previous quarter) (Figures 4 and 6).

Respondents referred to the tax burden and qualified staff shortages as **the main drags on the ability of their companies to boost production** (Figure 5).

**Respondents softened their expectations of an increase in borrowing needs** in the near future (Figure 8). The companies that planned to take out corporate loans (41.7%) usually opted for domestic currency loans. Respondents said that lending standards had remained unchanged (Figure 9). Respondents cited high loan rates as the main factor that deterred them from taking out corporate loans (Figure 10).

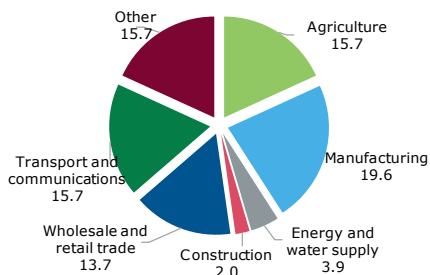
**A total of 91.7% of the respondents said that they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (compared with 97.4% across Ukraine).

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

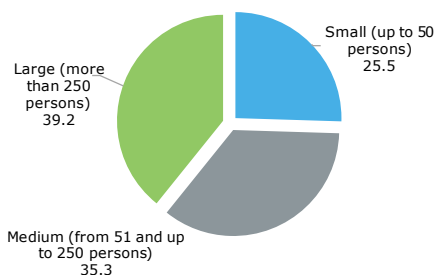
- **The current financial and economic standings of companies remained satisfactory:** the balance of responses was 0.0%. Across Ukraine, respondents assessed the current financial and economic standings of their companies as positive: the balance of responses was 9.5%.
- **Stocks of finished goods remained at a level lower than the normal one:** as in the previous quarter, the balance of responses was (-14.3%).
- **Spare production capacity decreased and was not sufficient to meet any sudden rise in demand:** the balance of responses was (-18.2%) compared with 0.0% in Q2 2019.

Survey Details<sup>1,2</sup>

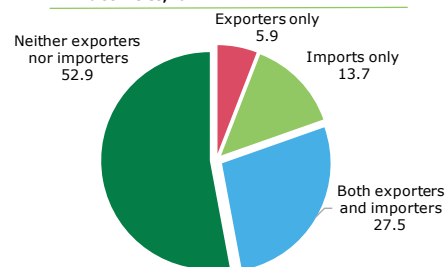
Respondents in terms of main economic activities, %



Respondents in terms of enterprise size based on staff number, %

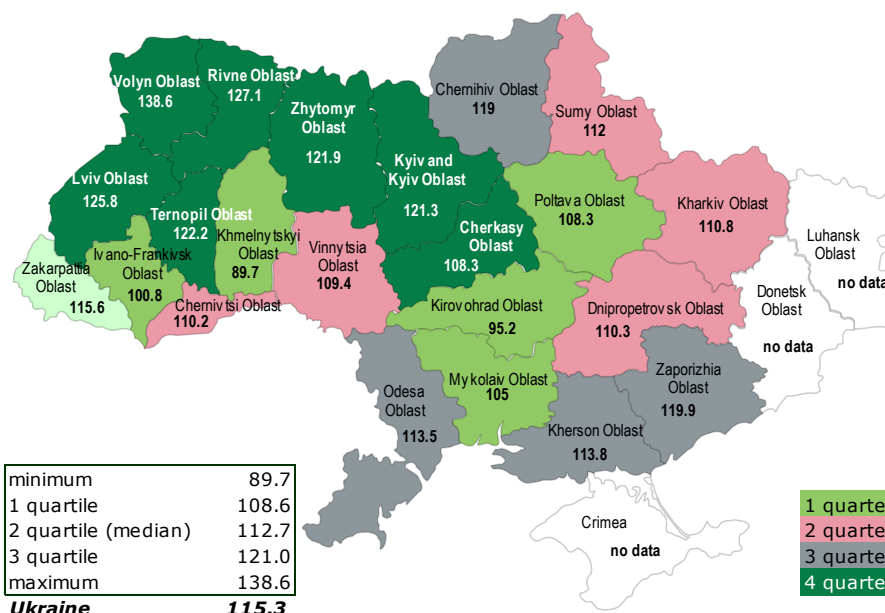


Respondents in terms of business activities, %



- Period: 8 August through 2 September 2019.
- A total of 12 companies were polled.
- A representative sample was generated on the basis of the agricultural sector.

Business Outlook Index for Next 12 Months in Terms of Oblasts<sup>3</sup>, %



<sup>3</sup>a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups  
<sup>3</sup>a 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 Kherson 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

<sup>1</sup> This sample was generated in proportion to the contribution of each oblast and each economic activity to Ukraine's gross value added.

<sup>2</sup> Data for totals and components may be subject to rounding effects.

<sup>3</sup> 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

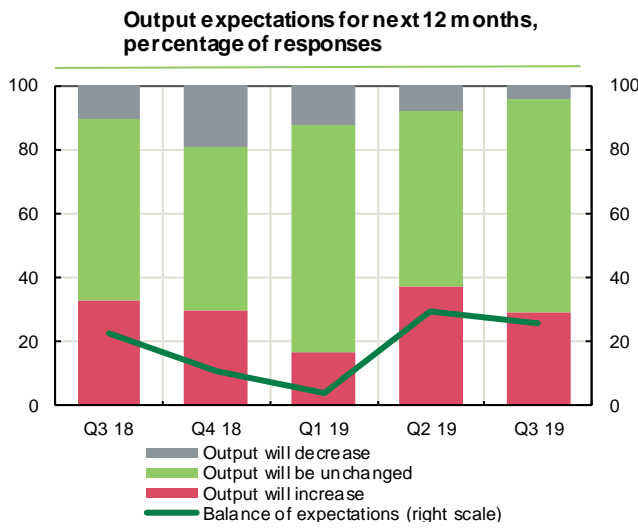


Figure 2

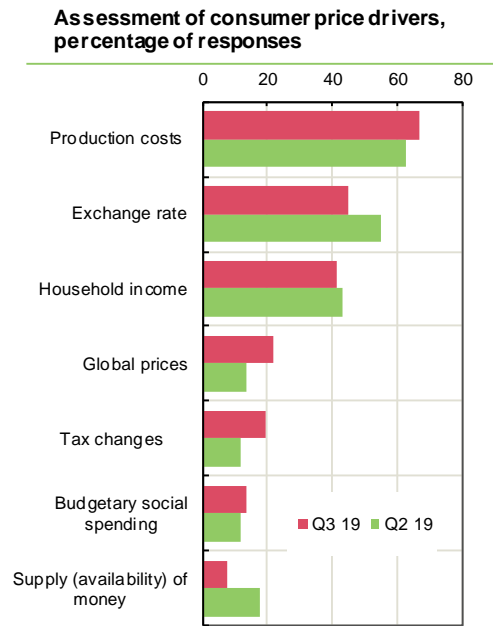


Figure 3

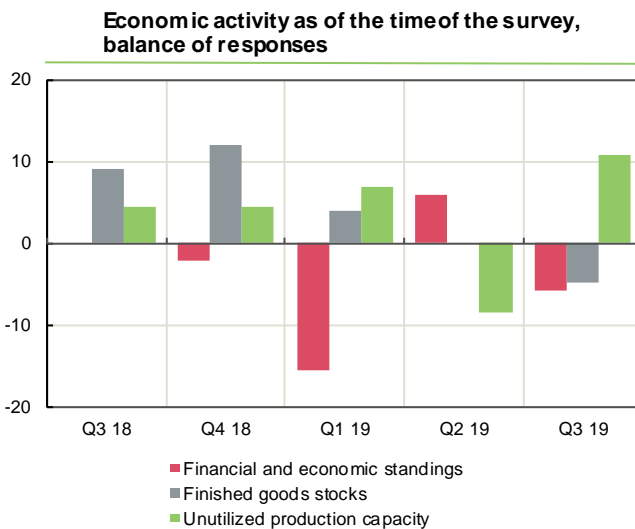


Figure 4

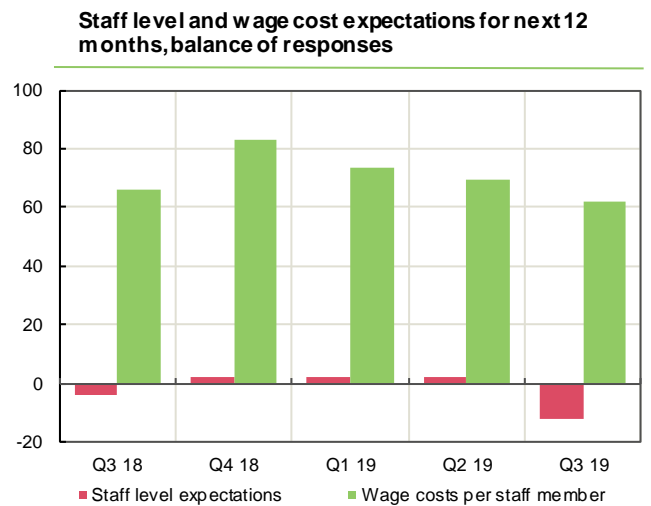


Figure 5

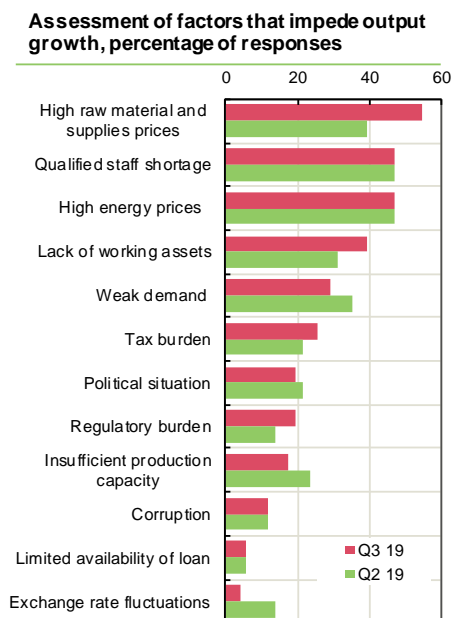


Figure 6

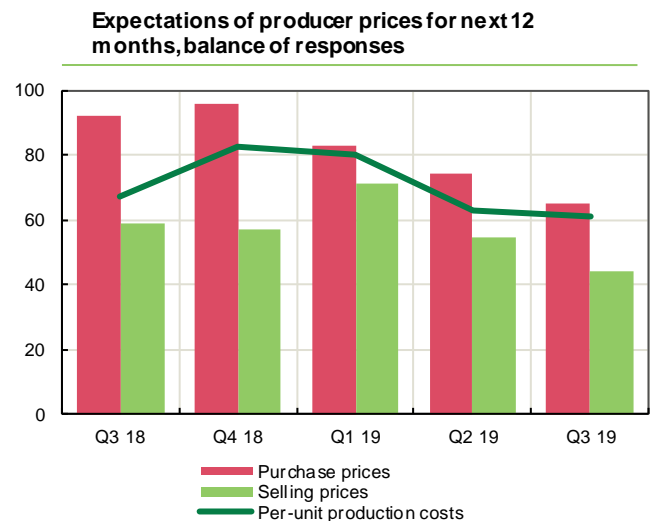


Figure 7

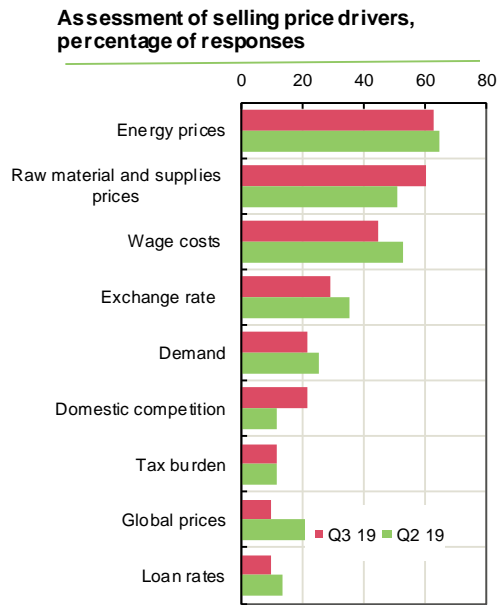


Figure 8

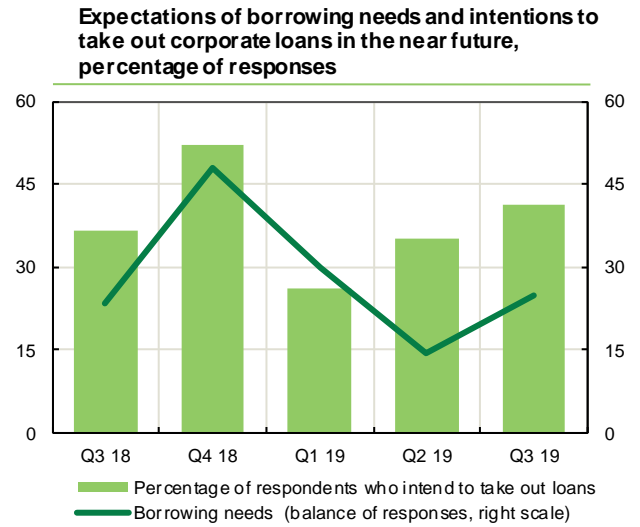


Figure 9

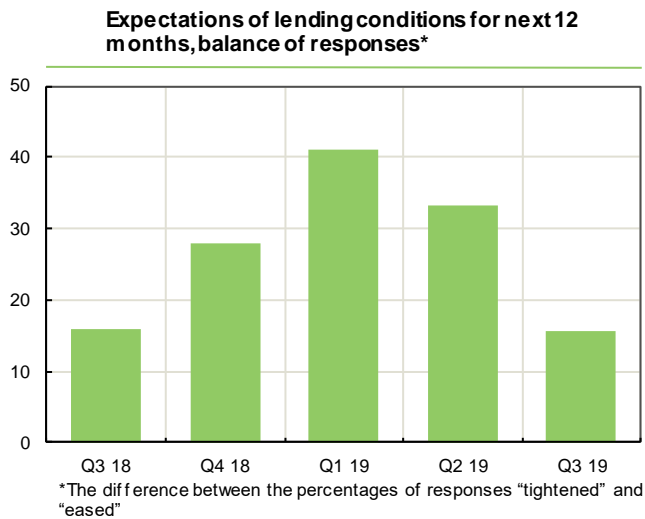
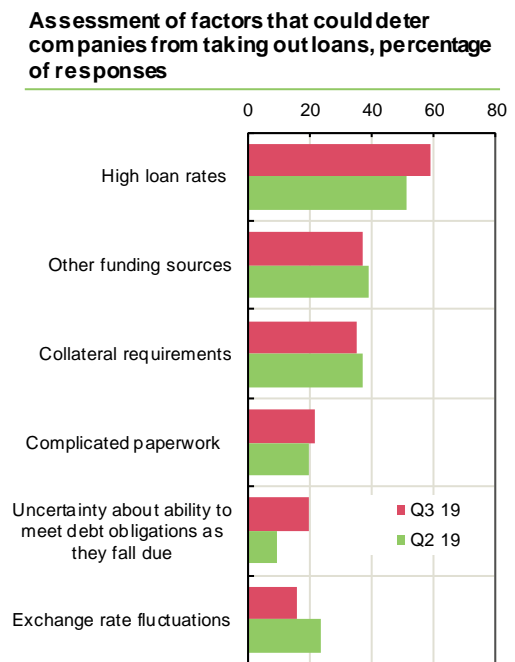


Figure 10



**Key Indicators of Social and Economic Development of Kherson 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)	99.7	98.7	102.8	100.8	100.6 <sup>2</sup>	...	...	...	...	...	...	...	...
2	Industrial production index	96.4	98.1	102.0	103.2	101.1	105.0	103.6	104.4	105.5	105.6	104.6	105.3	104.1
3	Mining and quarrying	72.2	161.5	123.9	73.3	88.0	...	...	...	1388.4	925.2	439.6	373.8	296.7
4	Manufacturing	98.0	99.0	101.2	101.2	95.1	101.0	99.9	98.7	99.3	98.8	96.6	96.7	96.0
5	Production of food, beverages and tobacco	115.3	97.6	95.4	96.1	93.9	104.3	104.8	101.1	100.7	100.6	98.5	98.5	97.8
6	Textile production, production of clothing, leather, leather goods and other materials	37.5	127.6	100.1	136.0	75.4	143.4	75.9	68.5	86.9	84.7	108.8	105.2	101.0
7	Production of wood products, paper, printing	95.2	80.4	95.2	109.3	110.4	118.0	114.0	113.1	115.7	115.5	113.7	114.8	113.3
8	Production of coke and petrochemicals	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Production of chemicals and chemical products	118.6	82.0	119.9	163.5	119.5	70.2	93.0	126.5	122.2	112.6	105.6	102.2	104.2
10	Production of rubber and plastic products, other nonmetallic mineral products	86.2	104.7	122.6	113.4	103.9	98.4	107.5	119.2	119.1	115.4	110.6	111.1	110.3
11	Metallurgical production, manufacturing of finished metal products, except machinery and equipment	101.4	116.3	87.3	102.3	84.8	107.2	97.2	108.2	122.4	119.6	109.4	109.5	103.0
12	Mechanical engineering, except for repair and installation of machinery and equipment	66.2	70.2	132.4	102.0	93.4	100.8	89.1	79.6	75.9	73.2	72.0	71.4	71.9
13	Electricity, gas, steam and conditioning air supply	91.5	91.5	103.6	114.0	123.3	115.1	112.5	117.0	118.5	119.6	122.2	123.6	121.0
14	Agricultural production index	105.1	105.0	103.7	99.6	100.5	94.1	96.2	93.7	92.9	92.1	96.7	107.6	107.7
15	Construction production index	72.6	93.8	113.8	134.6	98.7	88.9	92.8	107.1	154.3	154.5	147.8	159.6	142.2
16	Freight turnover	92.9	100.8	101.3	102.4	98.6	142.0	121.2	123.9	125.8	119.3	117.7	116.1	114.8
17	Passenger turnover	95.4	88.9	103.2	84.8	72.9	80.1	90.0	95.9	97.7	99.3	100.6	101.5	102.4
18	Volume index of retail trade turnover (in comparable prices, in percent)	97.1	86.1	103.0	110.1	104.8	104.3	106.3	108.0	106.9	102.1	102.5	102.3	102.1
19	Profit/loss of large and medium companies before tax (UAH million) <sup>3</sup>	-2500.6	2378.9	3748.5	4040.1	...	...	...	...	...	...	...	...	...
20	Capital investment index	86.1	119.4	135.8	150.7	89.3	...	...	236.3	...	...	168.5	...	...
21	Consumer price index (compared with December of previous year)	124.1	145.8	112.8	114.4	109.5	101.1	101.5	102.8	104.6	105.1	104.3	103.1	103.0
22	Real disposable income	85.2	89.2	102.9	107.5	107.9 <sup>2</sup>	...	...	...	...	...	...	...	...
23	Real wage index	94.5	78.3	112.7	123.3	109.5	108.1	107.6	108.4	108.0	107.3	107.3	107.3	107.0
24	Number of applicants per vacancy as of end of period	27	35	28	24	20	15	10	6	7	4	4	4	3

<sup>1</sup> This information is confidential under the Law of Ukraine On State Statistics.

<sup>2</sup> Preliminary data.

<sup>3</sup> 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