



National Bank  
of Ukraine

## Business Outlook Survey of Kherson Oblast\*

Q4 2019



\*This survey only reflects the opinions of respondents in Kherson 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 **Kherson 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. At the same time, 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** at a fast pace: the balance of expectations was 50.0% compared with 25.0% in Q3 2019 (Figure 1) and 21.9% across Ukraine
- **the growth in prices for consumer goods and services would accelerate:** half of respondents expected that inflation would be lower than 7.5% (compared with 58.3% in the previous quarter) and 53.8% across Ukraine. Respondents referred to **production costs as the main inflation driver** (Figure 2)
- **depreciation expectations would strengthen:** a total of 75.0% of respondents (compared to 58.3% 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** at a fast pace: the balance of expectations was 30.8% (compared with 33.3% in the previous quarter and 18.6% across Ukraine) (see Table)
- **total sales would grow:** the balance of responses was 7.7% compared with 23.5% across Ukraine. Respondents also expected an increase in external sales (the balance of responses was 33.3% compared with 20.6% across Ukraine)
- **investment in machinery, equipment, and tools would grow:** the balance of responses was 25.0% compared with 18.2% in Q3 2019. Investment in construction was expected to remain unchanged: the balance of response was 0.0% compared to 9.1% in the previous quarter. Overall, respondents expected investment spending to rise across Ukraine, the balances of responses being 14.7% and 4.7% respectively
- **staff numbers would remain unchanged:** the balance of responses was 0.0% compared with (-8.3%) in Q3 2019 (Figure 4). Across Ukraine, staff numbers were expected to decrease (-1.6%)
- **both purchase and selling prices would increase at a slower pace:** the balances of responses were 83.3% and 66.7% respectively (compared with 90.9% and 72.7% in Q3 2019) (Figure 6). Labor costs, high energy, 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 at a slower pace:** the balances of responses were 66.7% and 61.5% respectively (compared with 72.7% and 66.7% in Q3 2019) (Figures 4 and 6).

Respondents referred to the tax burden and high raw material and supplies prices as **the main drags on the ability of their companies to boost production** and having stronger effect (Figure 5).

**Respondents softened their expectations of an increase in borrowing needs** in the near future (Figure 8). Half of the respondents that planned to take out corporate loans opted for domestic currency loans. Companies said that lending standards had tightened significantly (Figure 9). Respondents cited high loan rates as the main factor that deterred them from taking out corporate loans (Figure 10). Respondents said that the impact of exchange rate fluctuations had strengthened markedly.

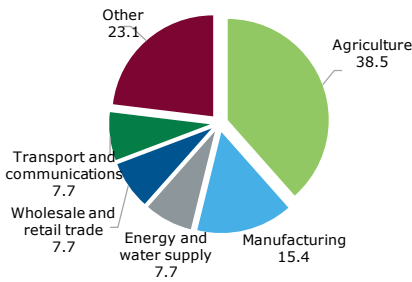
**A total of 84.6% of the respondents said that they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (compared with 96.4% across Ukraine).

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

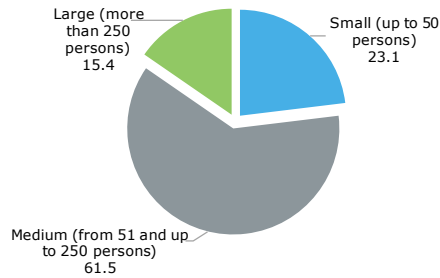
- **The current financial and economic standings of companies remained satisfactory** for three quarters in a row: the balance of responses was 0.0%. Across Ukraine, respondents assessed the current financial and economic standings of their companies as positive: the balance of responses was 6.1%.
- **Stocks of finished goods were at a level significant lower than the normal one:** the balance of responses was (-83.3%) compared with (-14.3%) in Q3 2019.
- **Capacity shortages increased:** the balance of responses was (-25.0%) (compared to (-18.2%) in Q3 2019).

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

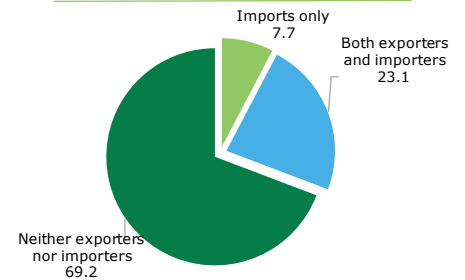
Respondents in terms of main economic activities, %



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

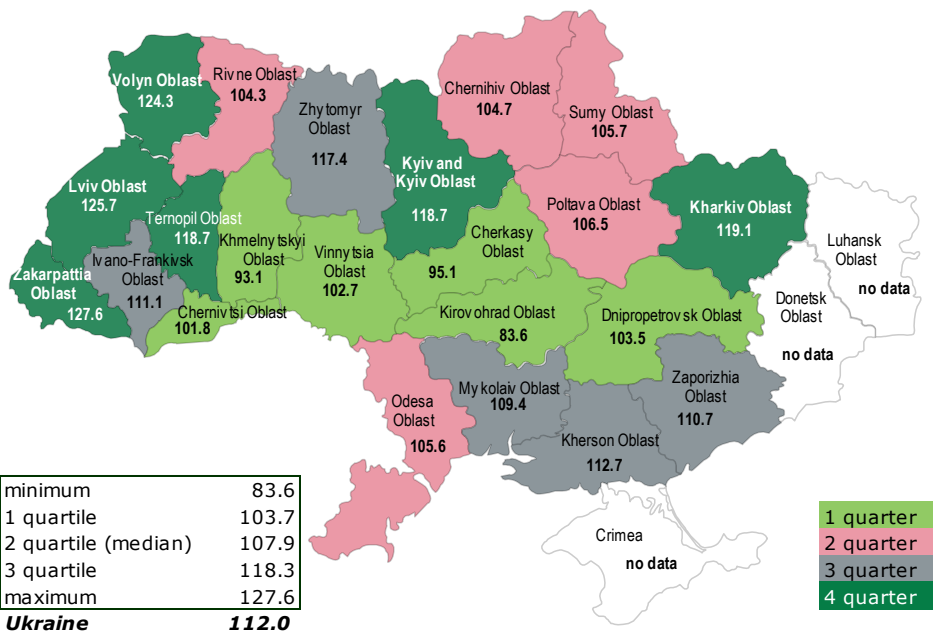


Respondents in terms of business activities, %



- Period: 7 November through 27 November 2019.
- A total of 13 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>, %



\*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 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, %				
	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
Financial and economic standings	7.7	23.1	18.2	33.3	30.8
Total sales	0.0	23.1	16.7	16.7	7.7
Investment in construction	20.0	0.0	-18.2	9.1	0.0
Investment in machinery, equipment and tools	41.7	7.7	8.3	18.2	25.0
Staff numbers	-21.4	-23.1	0.0	-8.3	0.0

<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

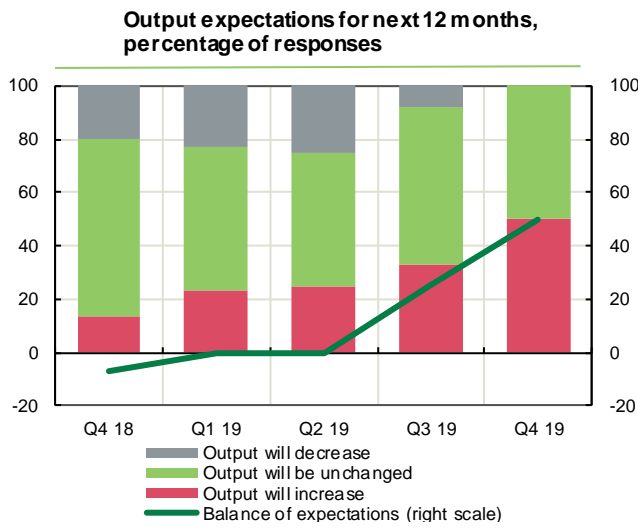


Figure 2

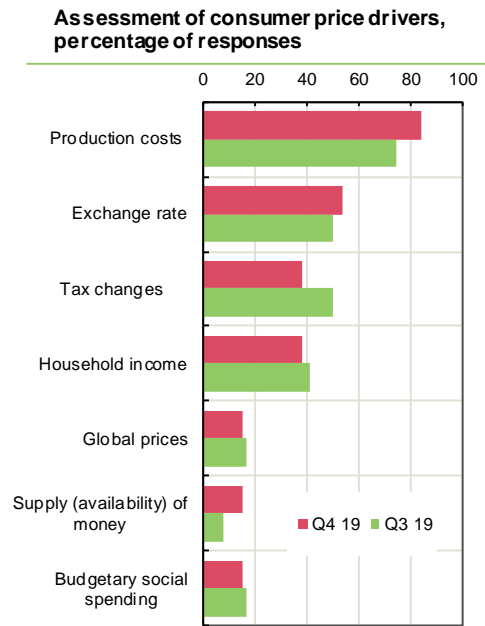


Figure 3

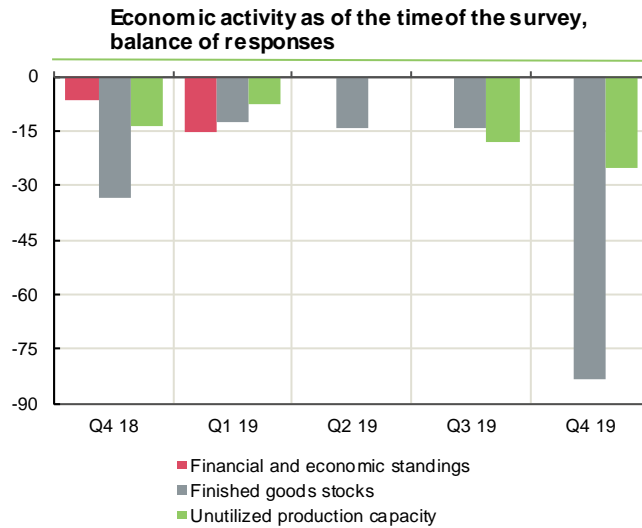


Figure 4

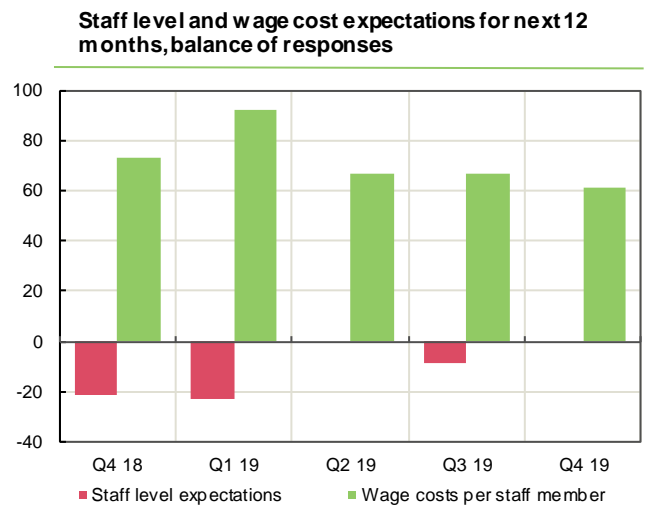


Figure 5

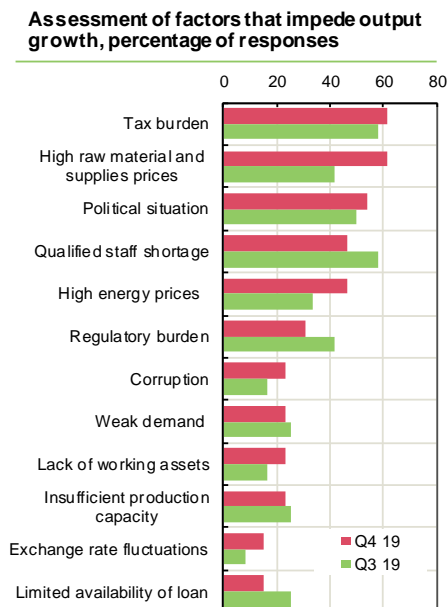


Figure 6

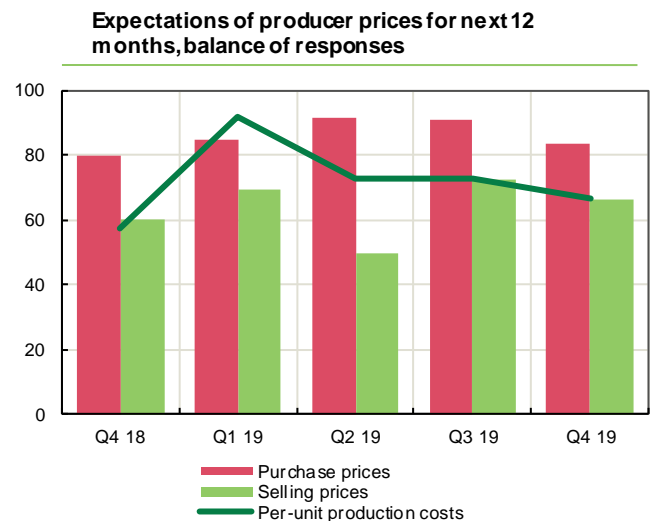


Figure 7

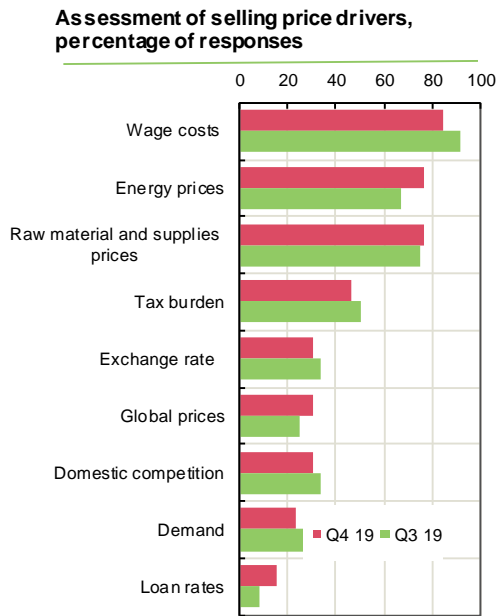


Figure 8

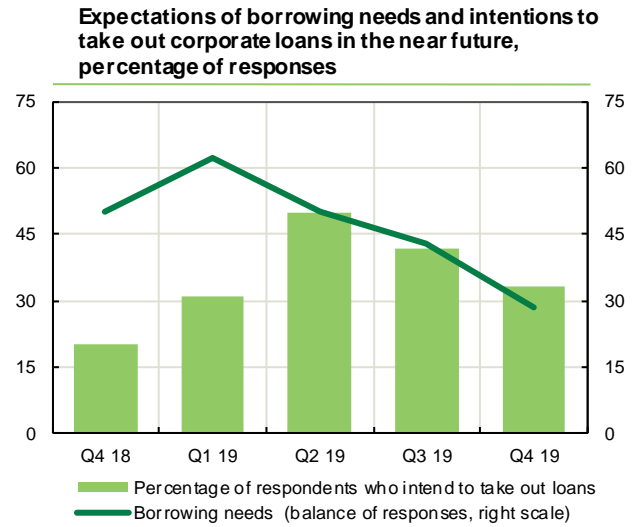


Figure 9

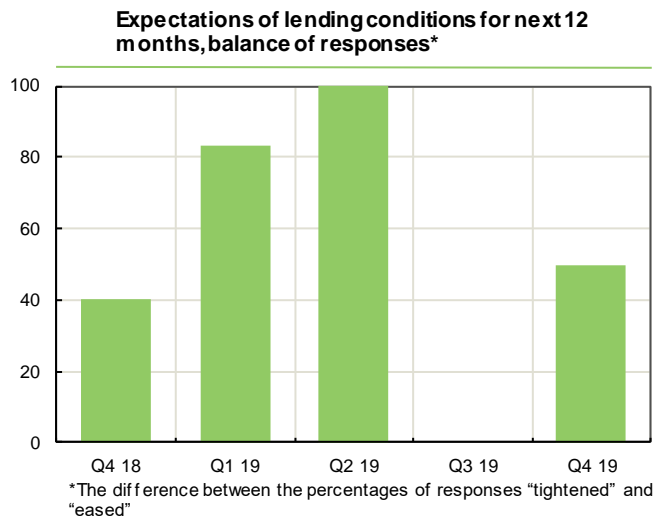
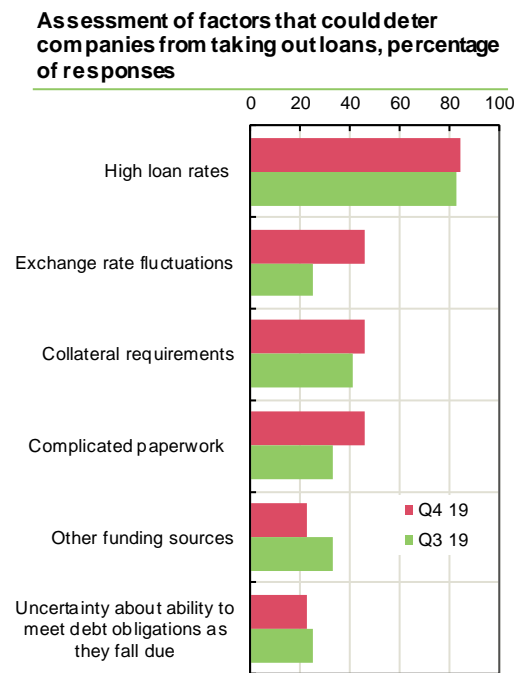


Figure 10





**Key Indicators of Social and Economic Development of Kherson Oblast in 2014 – 2019**

% of the same period of the previous year, unless stated otherwise is

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)	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	104.6	103.5	103.6	...	...	...	...	...	...	
3	Mining and quarrying	72.2	161.5	123.9	73.3	88.0	...	...	...	1388.4	925.2	439.6	373.8	296.7	242.0	191.3	161.3	...	...	...	...	...	...	
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	96.6	96.5	96.6	...	...	...	...	...	...	...
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	99.2	99.2	99.5	...	...	...	...	...	...	...
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	111.1	103.6	96.0	...	...	...	...	...	...	...
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	111.4	111.4	108.8	...	...	...	...	...	...	...
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	103.3	106.9	106.9	...	...	...	...	...	...	...
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	110.2	108.6	106.8	...	...	...	...	...	...	...
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	98.3	97.9	97.0	...	...	...	...	...	...	...
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	71.7	71.8	73.4	...	...	...	...	...	...	...
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	122.8	120.2	121.1	...	...	...	...	...	...	...
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	107.2	103.0	102.2	...	...	...	...	...	...	...
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	138.2	144.7	141.1	...	...	...	...	...	...	...
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	113.6	112.2	108.7	...	...	...	...	...	...	...
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	103.4	103.6	103.3	...	...	...	...	...	...	...
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	102.2	102.4	102.6	...	...	...	...	...	...	...
19	Profit/loss of large and medium companies before tax (UAH million) <sup>3</sup>	-2500.6	2378.9	3748.5	4040.1	494.2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
20	Capital investment index	86.1	119.4	135.8	150.7	89.3	...	...	236.3	...	...	...	168.5	...	...	144.2	...	...	...	...	...	...	...	...
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	103.3	104.0	103.7	...	...	...	...	...	...	...
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	107.1	107.1	107.3	...	...	...	...	...	...	...
24	Number of applicants per vacancy as of end of period	27	35	28	24	20	15	10	6	7	4	4	4	3	4	3	6	...	...	...	...	...	...	...

<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