



National Bank  
of Ukraine

## Business Outlook Survey of Kherson Oblast\*

Q1 2020

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



\*This survey only reflects the opinions of respondents in Kherson 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 **Kherson oblast** in **Q1 2020** showed that respondents had optimistic expectations that the Ukrainian economy would grow, and that their companies would develop over the next 12 months. Respondents expected inflation to increase markedly. Depreciation expectations softened.<sup>1</sup>

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

- **the output of Ukrainian goods and services would grow more slowly:** the balance of expectations was 16.7% compared with 50.0% in Q4 2019 (Figure 1) and 10.4% across Ukraine
- **prices for consumer goods and services would increase significantly:** only 41.7% of respondents expected that inflation would be lower than 6.0% compared with 68.5% across Ukraine. 83.3% of respondents referred to **production costs as the main inflation driver** (Figure 2)
- **the domestic currency would depreciate at a slower pace:** a total of 63.6% of respondents (compared to 75.0% 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 25.0% (compared with 30.8% in the previous quarter and 16.9% across Ukraine) (see Table)
- **total sales would grow at a faster pace:** the balance of responses was 18.2% compared with 7.7% in the previous quarter. Respondents also expected an increase in external sales (the balance of responses was 66.7% compared with 33.3% in Q3 2019). The balances of responses across Ukraine were 23.0% and 17.5% respectively
- **investment in machinery, equipment, and tools would grow:** the balance of responses was 8.3% compared with 25.0% in Q4 2019. Investment in construction was expected to decrease: the balance of response was (-16.7%) compared with 0.0% in the previous quarter. Overall, respondents expected investment spending to rise across Ukraine, the balances of responses being 14.1% and 2.4% respectively
- **staff numbers would decrease:** the balance of responses was (-18.2%) compared with 0.0% in Q4 2019 and (-3.9%) across Ukraine (Figure 4)
- **purchase prices would increase at a fast pace** (the balance of responses stayed flat at 83.3% since Q4 2019), while **selling prices would rise at a slower pace** (the balance of responses was 58.3% compared with 66.7% in the previous quarter) (Figure 6). Labor costs and 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:** the balances of responses were 66.7% and 58.3% respectively (compared with 66.7% and 61.5% in Q4 2019) (Figures 4 and 6).

Respondents referred to high raw material and supplies prices and qualified staff shortage as **the main drags on the ability of their companies to boost production** and having stronger effect (assessments of its impact increased) (Figure 5).

Respondents softened their expectations of an increase in borrowing needs in the near future for four quarters running (Figure 8). Respondents who planned to take out bank loans and usually 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).

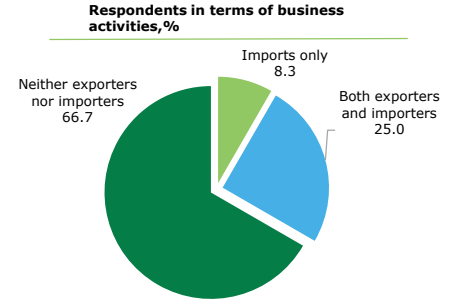
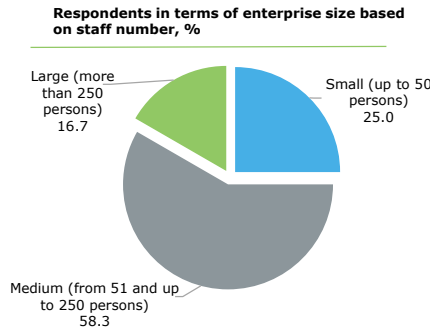
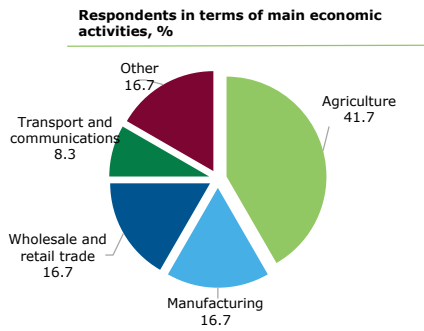
A total of **91.7%** of the respondents said that they had encountered no difficulties in effecting transactions with funds deposited in bank accounts (compared with 96.6% across Ukraine).

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

- **The current financial and economic standings of companies remained satisfactory** for four 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 9.7%.
- **Finished goods stocks were at a level higher than the normal one:** the balance of responses was (-42.9%) compared with (-83.3%) in Q4 2019.
- **Shortages of unutilized production capacity were reported for three quarters in a row:** the balance of responses was (-16.7%) (compared to (-25.0%) in Q4 2019).

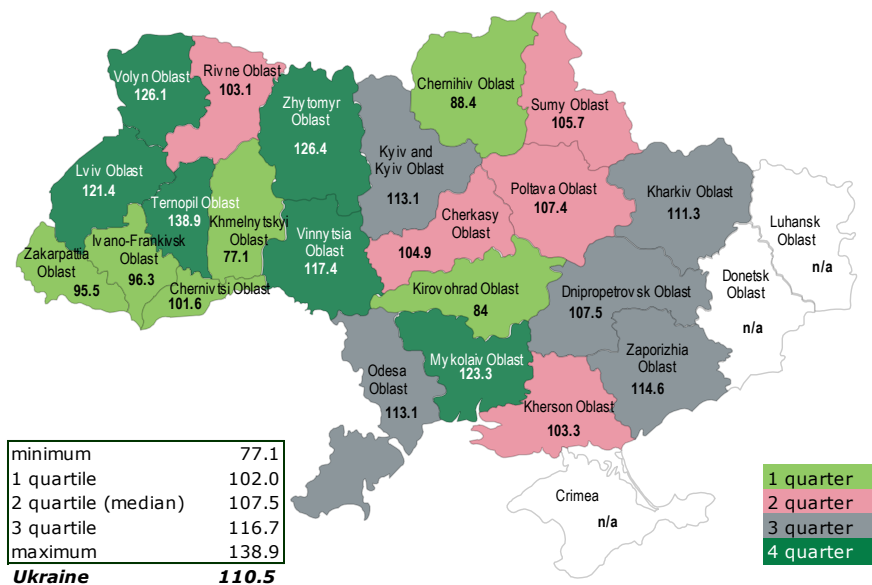
<sup>1</sup> This survey was carried out before quarantine measures were introduced.

Survey Details<sup>2,3</sup>



- Period: 2 February through 28 February 2020.
- 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>4</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 sample 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, %				
	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20
Financial and economic standings	23.1	18.2	33.3	30.8	25.0
Total sales	23.1	16.7	16.7	7.7	18.2
Investment in construction	0.0	-18.2	9.1	0.0	-16.7
Investment in machinery, equipment and tools	7.7	8.3	18.2	25.0	8.3
Staff numbers	-23.1	0.0	-8.3	0.0	-18.2

<sup>2</sup> This sample was generated in proportion to the contribution of each oblast and each economic activity to Ukraine's gross value added.

<sup>3</sup> Data for totals and components may be subject to rounding effects.

<sup>4</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

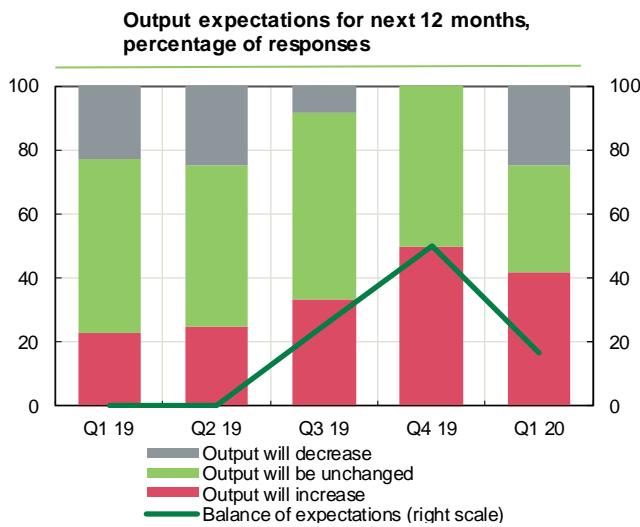


Figure 2

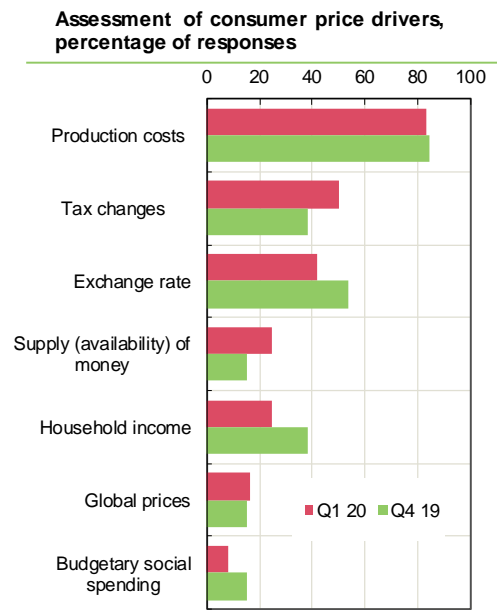


Figure 3

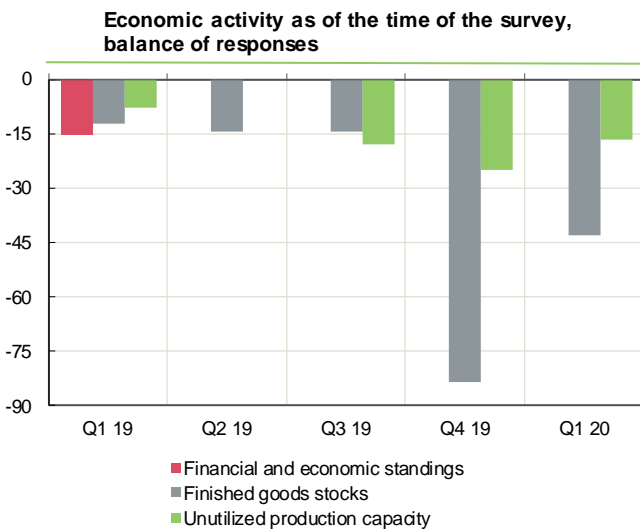


Figure 4



Figure 5

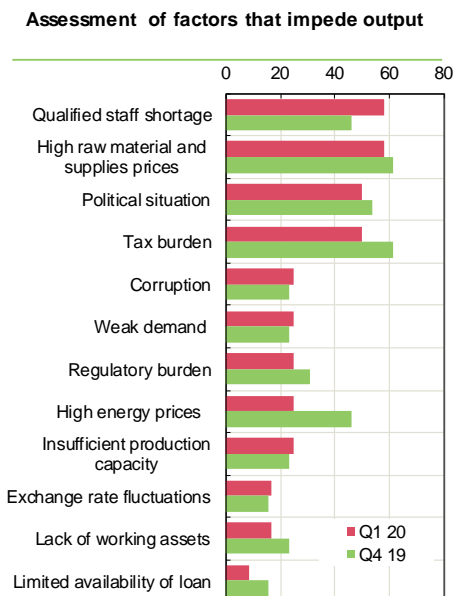


Figure 6

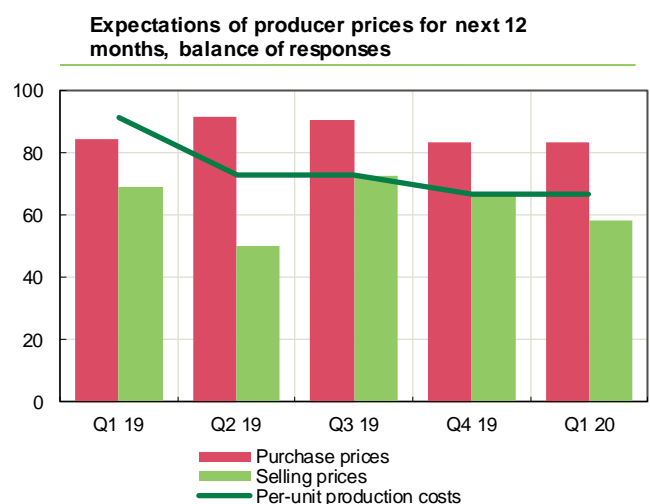


Figure 7

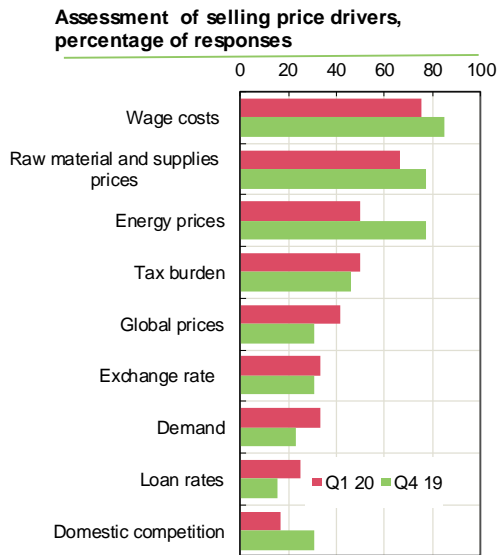


Figure 8

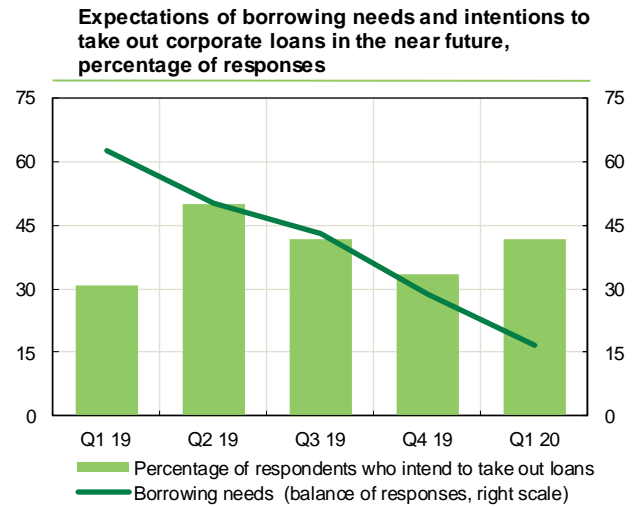


Figure 9

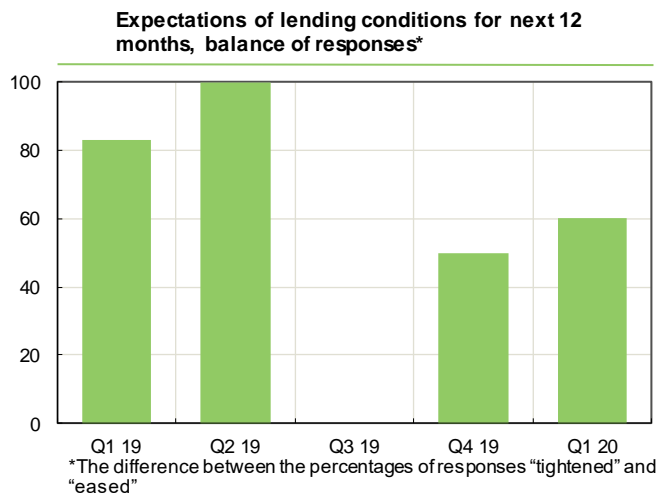


Figure 10

