



National Bank
of Ukraine

Business Outlook Survey of **Kherson 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 Kherson 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 **Kherson oblast** in Q2 2020 showed that respondents expected a drop in the output of Ukrainian goods and services over the next 12 months, on the back of the quarantine imposed. At the same time, they had positive expectations for the performance of their companies. Respondents expected inflation to increase markedly, and domestic currency to depreciate further.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 (-30.8%) compared with 16.7% in Q1 2020 (Figure 1) and (-34.1%) across Ukraine
- **prices for consumer goods and services would increase significantly:** only 23.1% of respondents expected that inflation would be lower than 7.5% compared with 54.9% across Ukraine. A total of 76.9% of respondents referred to **production costs as the main inflation driver** (Figure 2). The impact of global prices was assessed to be significantly higher than in the previous quarter
- **the hryvnia would continue to depreciate:** a total of 61.5% of respondents (compared to 63.6% 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 improve** at a slower pace: the balance of expectations was 15.4% (compared with 25.0% in the previous quarter). Companies across Ukraine expected a deterioration in their financial and economic standings: the balance of responses was (-1.8%) (see Table)
- **total sales would remain unchanged:** the balance of responses was 0.0% compared with 18.2% in the previous quarter. External sales were expected to increase at a fast pace, the balance of responses being 50.0% (66.7% in Q1 2020). Overall, respondents expected sales to decrease slightly across Ukraine, the balances of responses being (-0.1%) and (-0.7)%, respectively
- **investment in machinery, equipment, and tools would remain at their current level:** the balance of responses was 0.0% compared with 8.3% in Q1 2020. **Investment in construction was expected to decrease:** the balance of response was (-7.7%) compared with (-16.7%) in the previous quarter. Across Ukraine, respondents expected investment spending to decrease, the balances of responses being (-16.1%) and (-10.5%), respectively
- **staff numbers would remain unchanged:** the balance of responses was 0.0% compared with (-18.2%) in Q1 2020. Across Ukraine, staff numbers were expected to decrease, with the balance of responses of (-17.3%) (Figure 4)
- **both purchase and selling prices would grow:** the balances of responses were 76.9% and 61.5%, respectively (compared with 83.3% and 58.3% in Q1 2020) (Figure 6). Raw material and supplies prices and labor costs were referred to as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would grow significantly:** the balances of responses were 69.2% each (compared with 66.7% and 58.3%, respectively, in Q1 2020) (Figures 4 and 6).

Respondents referred to high raw material, supplies and energy prices and tax burden as **the main drags on the ability of their companies to boost production** (assessments of their impact increased) (Figure 5).

Respondents continued to lower their expectations of an increase in borrowing needs in the near future (Figure 8). Respondents that planned to take out bank loans usually opted for domestic currency loans. The percentage of respondents that said lending conditions had tightened decreased (Figure 9). Respondents cited high loan rates as the main factor that deterred them from taking out corporate loans (Figure 10).

All of the respondents said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (compared with 96.5% across Ukraine).

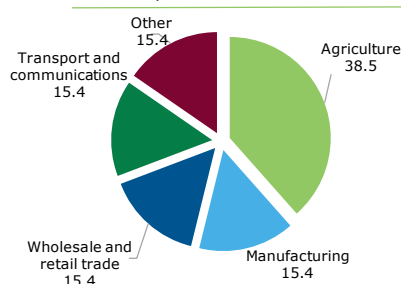
Assessments of financial and economic standings as of the time of the survey (Figure 3)

- **The current financial and economic standings of companies deteriorated and were assessed as bad:** the balance of responses was (-38.5%) compared with 0.0% in the previous quarter and (-11.6%) across Ukraine.
- **Finished goods stocks were at a level lower than the normal one:** the balance of responses was (-22.2%) compared with (-42.2%) in Q1 2020.
- **Unutilized production capacity had increased.** Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand: the balance of responses was 7.7% compared with (-16.7%) in Q1 2020.

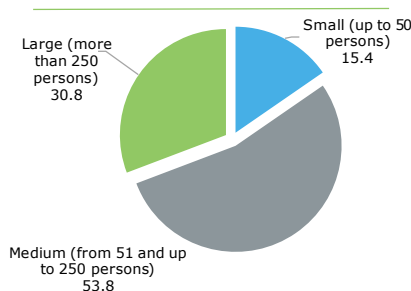
¹ This survey was conducted after the government announced it would relax the quarantine.

Survey Details^{2,3}

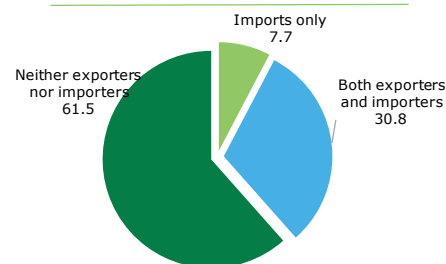
Respondents in terms of main economic activities, %



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

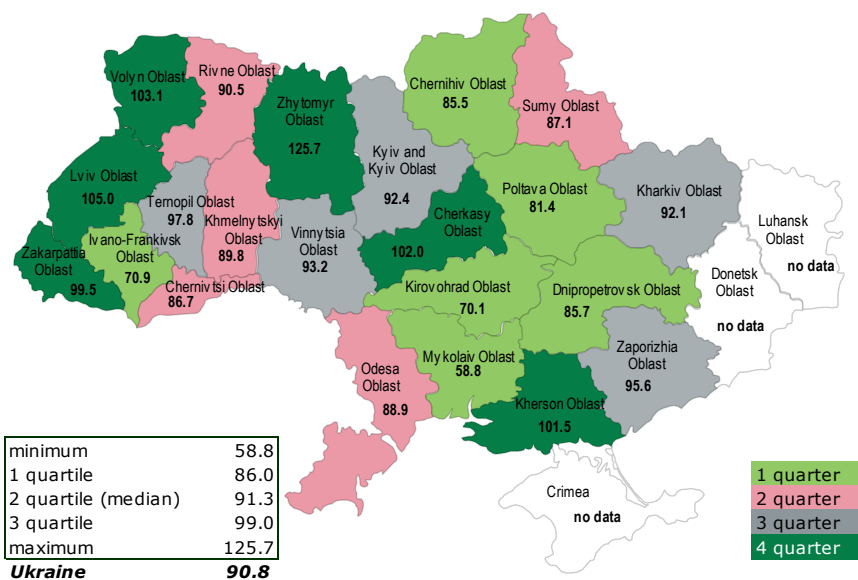


Respondents in terms of business activities, %



- Period: 5 May through 3 June 2020.
- 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 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 Kherson 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	18.2	33.3	30.8	25.0	15.4
Total sales	16.7	16.7	7.7	18.2	0.0
Investment in construction	-18.2	9.1	0.0	-16.7	-7.7
Investment in machinery, equipment and tools	8.3	18.2	25.0	8.3	0.0
Staff numbers	0.0	-8.3	0.0	-18.2	0.0

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

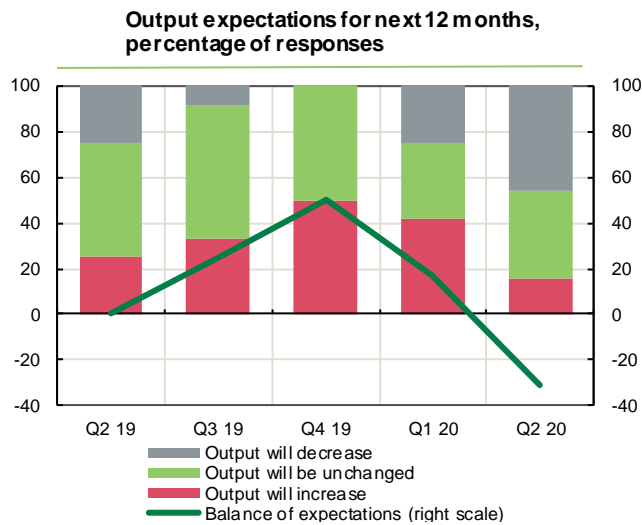


Figure 2

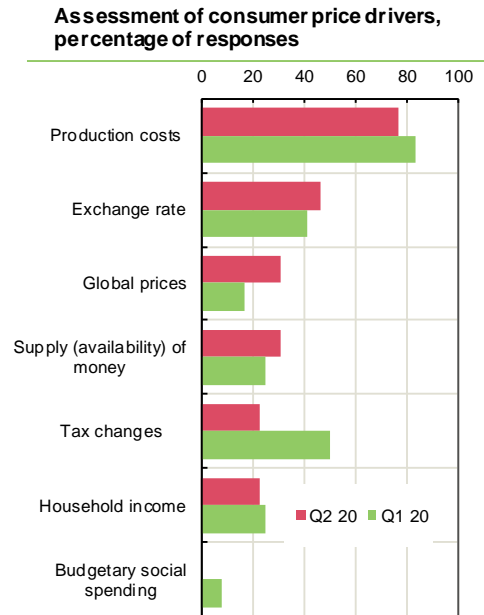


Figure 3

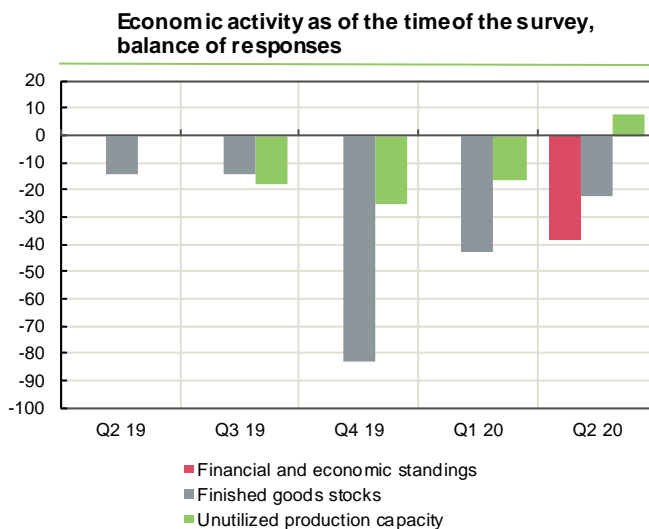


Figure 4

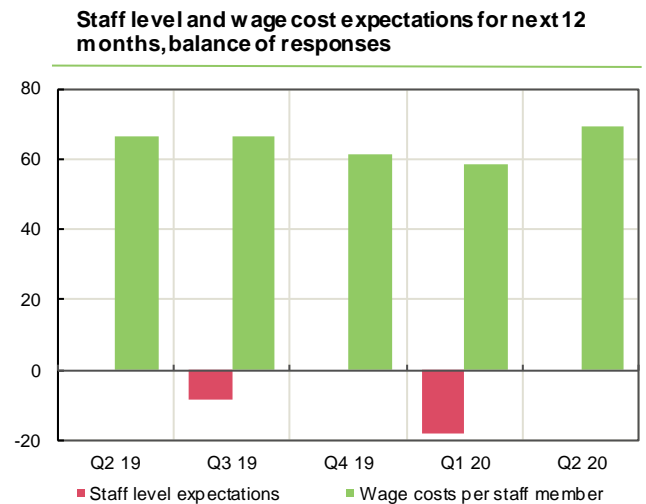


Figure 5

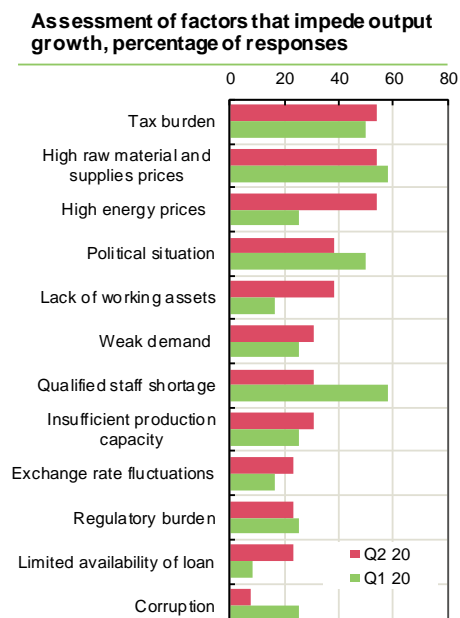


Figure 6

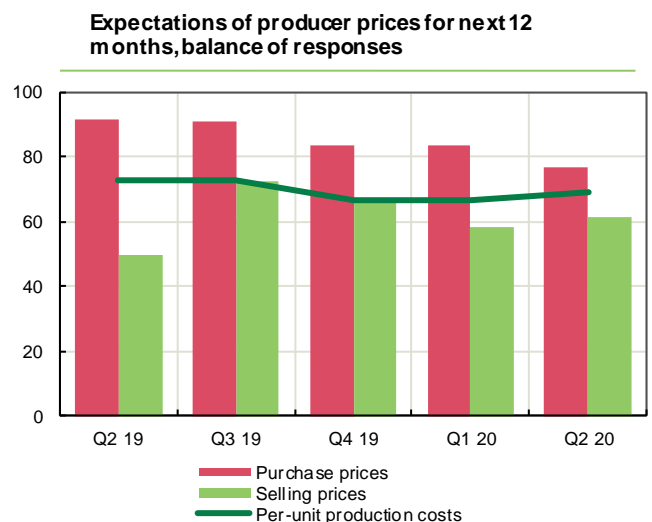


Figure 7

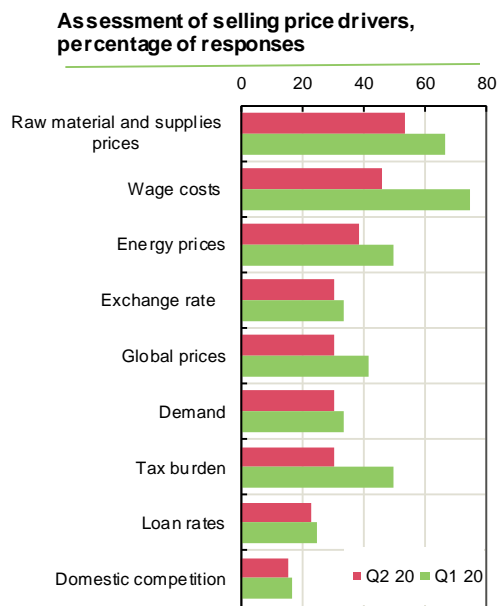


Figure 8

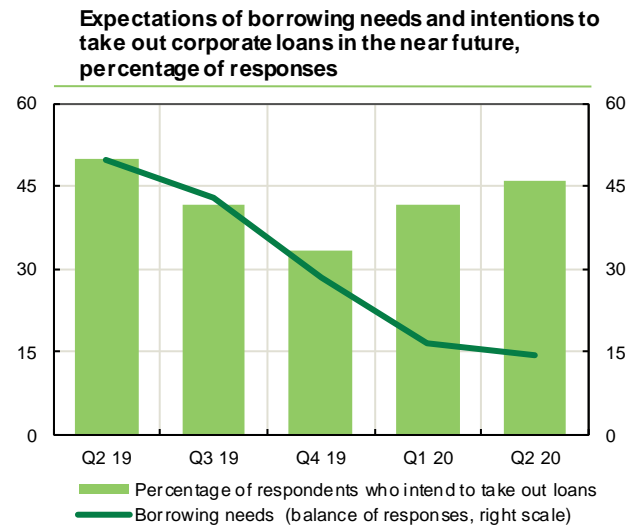


Figure 9

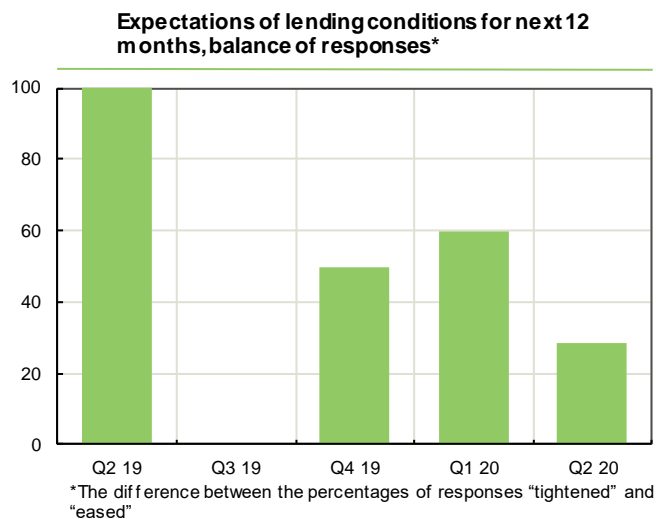


Figure 10

