



National Bank
of Ukraine

Business Outlook Survey of Kherson Oblast*

Q3 2020



*This survey only reflects the opinions of respondents in Kherson 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 **Kherson oblast** in Q3 2020 showed that respondents expected the output of Ukrainian goods and services to return to growth over the next 12 months amid the adaptive quarantine regime. They had high expectations for the performance of their companies. Inflation and depreciation expectations also were high.

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 7.7% compared with (-30.8%) in Q2 2020 (Figure 1). Respondents across Ukraine expected a drop in the output, the balance of responses being (-16.1%)
- **prices for consumer goods and services would increase:** 53.8% of respondents expected that inflation would be higher than 7.5% compared with 76.9% in the previous quarter and 44.4% across Ukraine. A total of 84.6% of respondents referred to **production costs as the main inflation driver** (Figure 2). The impact of household income and the exchange rate was assessed to be significantly higher than in the previous quarter
- **the hryvnia would depreciate more pronouncedly:** a total of 76.9% of respondents (compared to 61.5% 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 improve:** the balance of expectations was 33.3% (one of the highest figures across the regions) compared with 15.4% in the previous quarter. Companies across Ukraine expected a moderate improvement in their financial and economic standings: the balance of responses was 4.4% (see Table)
- **total sales would rise:** the balance of responses was 23.1% compared with 0.0% in the previous quarter. External sales were expected to remain unchanged, the balance of responses being 0.0% (50.0% in Q2 2020). Overall, companies across Ukraine expected sales to increase moderately, the balances of responses being 9.8% and 4.3% respectively
- **investment in machinery, equipment and tools would grow:** the balance of responses was 8.3% compared with 0.0% in Q2 2020. **Investment in construction was expected to decrease:** the balance of response was (-30.0%) compared with (-7.7%) in the previous quarter. The balances of responses across Ukraine were 5.2% and (-4.7%) respectively
- **staff numbers would remain unchanged:** the balance of responses was 0.0% (as in the previous quarter). Across Ukraine, staff numbers were expected to decrease, with a balance of responses of (-10.8%) (Figure 4)
- **both purchase and selling prices would grow at a fast pace:** the balances of responses were 92.3% and 61.5%, respectively (compared with 76.9% and 61.5% in Q2 2020) (Figure 6). Labor costs and 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 significantly:** the balances of responses were 66.7% and 76.9% respectively (compared with 69.2% each in Q2 2020) (Figures 4 and 6).

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

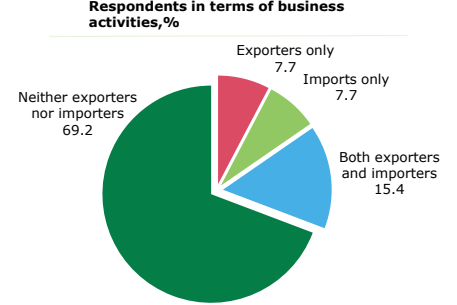
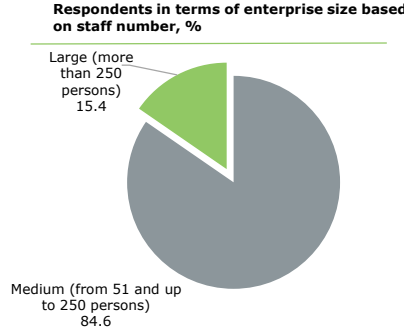
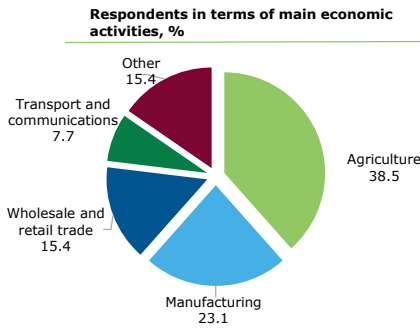
Respondents expected **their borrowing needs to remain unchanged** in the near future (Figure 8). The respondents that planned to take out bank loans usually opted for domestic currency loans. The percentage of respondents that said lending conditions had tightened decreased (Figure 9). Respondents cited 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 96.6% across Ukraine).

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

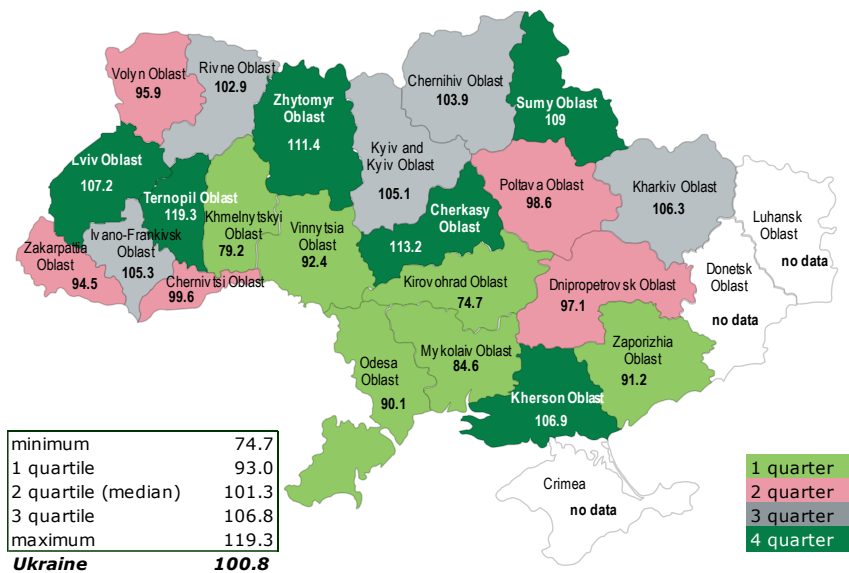
- **The current financial and economic standings of companies were assessed as bad:** the balance of responses was (-5.6%) compared with (-38.5%) in the previous quarter and (-5.6%) across Ukraine.
- **Finished goods stocks were at a level lower than the normal one:** the balance of responses was (-14.3%) compared with (-22.2%) in Q2 2020.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 23.1% compared with 7.7% in Q2 2020.

Survey Details^{1,2}



- Period: 4 through 29 August 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 Oblasts³, %



¹a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups
²a 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, %				
	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20
Financial and economic standings	33.3	30.8	25.0	15.4	33.3
Total sales	16.7	7.7	18.2	0.0	23.1
Investment in construction	9.1	0.0	-16.7	-7.7	-30.0
Investment in machinery, equipment and tools	18.2	25.0	8.3	0.0	8.3
Staff numbers	-8.3	0.0	-18.2	0.0	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

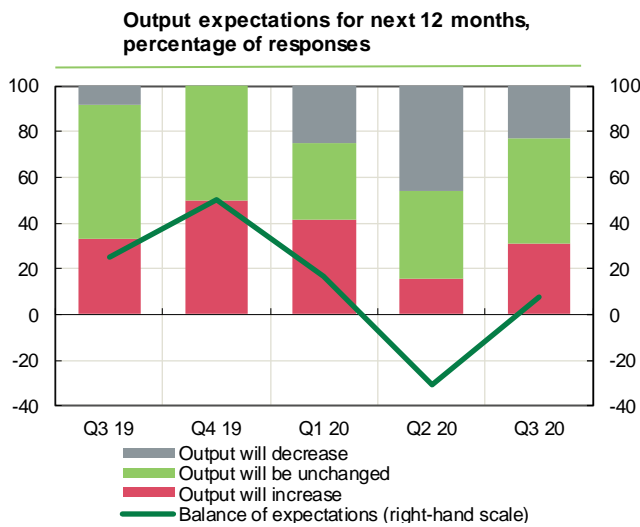


Figure 2

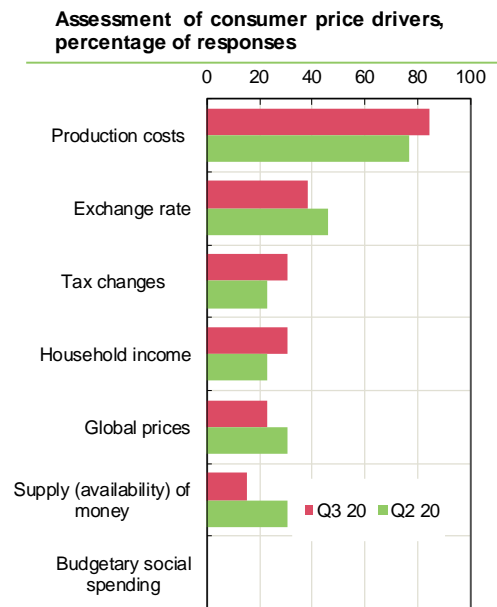


Figure 3

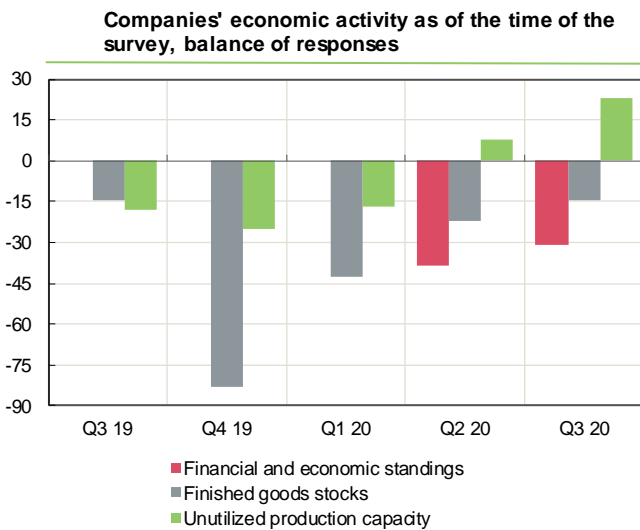


Figure 4



Figure 5

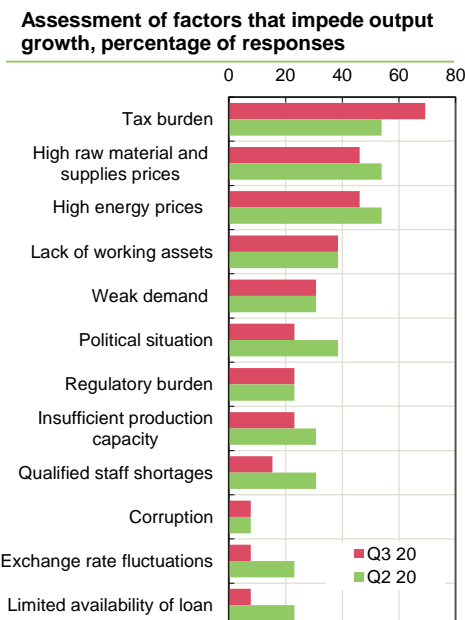


Figure 6

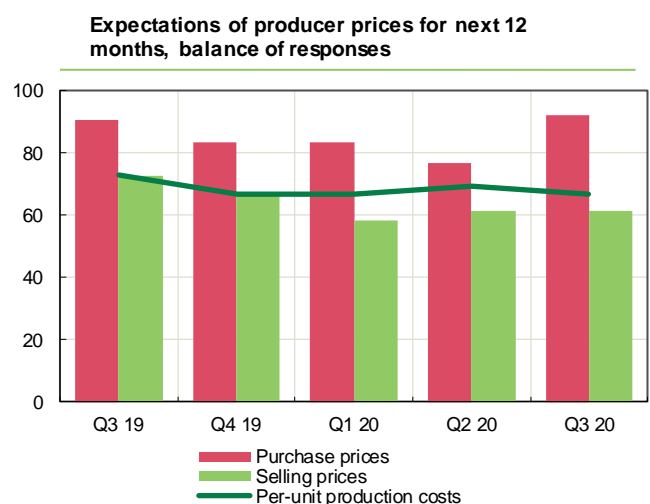


Figure 7

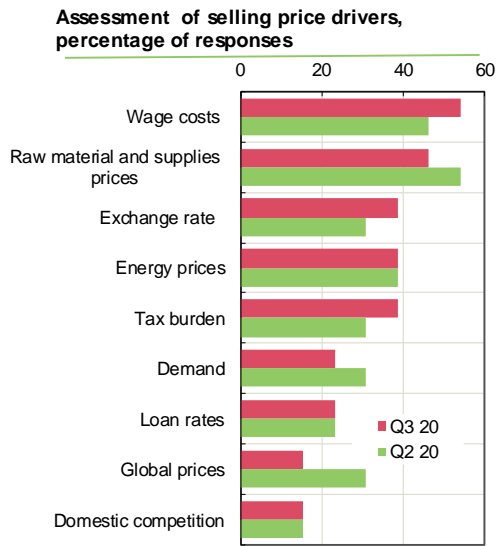


Figure 8

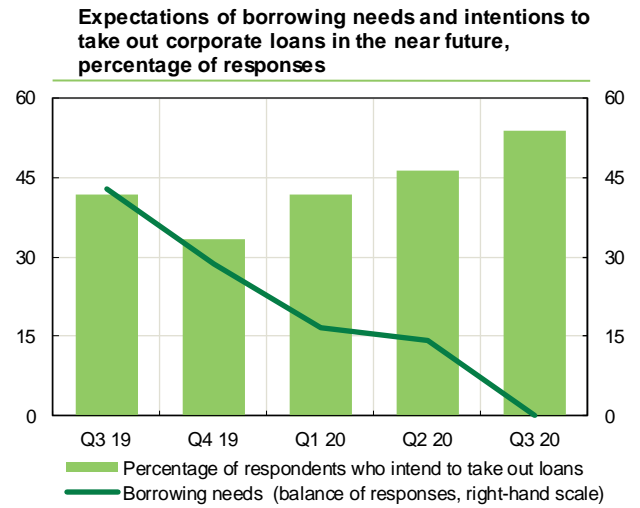


Figure 9

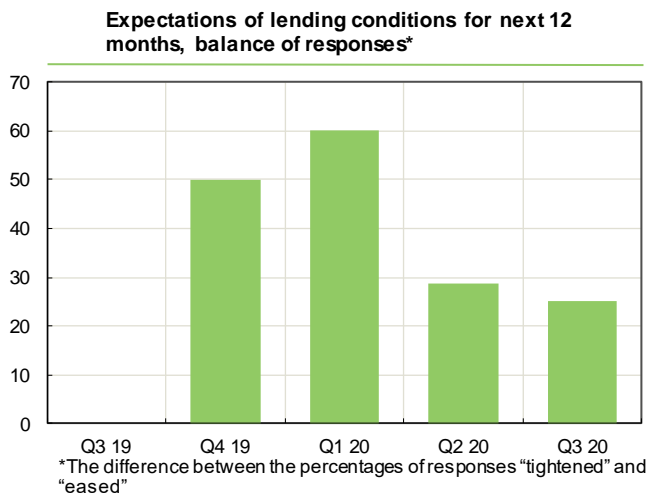


Figure 10

