



National Bank
of Ukraine

Business Outlook Survey of Khmelnytskyi Oblast*

Q3 2019



*This survey only reflects the opinions of respondents in Khmelnytskyi oblast (top managers of companies) who were polled in Q3 2019, and does not represent NBU forecasts or estimates

A survey carried out in **Khmelnytskyi oblast** in Q3 2019 showed that respondents had moderate expectations that the Ukrainian economy would grow. At the same time, respondents expected weaker development of their companies over the next 12 months. Respondents expected that prices would increase further. The domestic currency was expected to depreciate at a slower pace.

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

- **growth in the output of Ukrainian goods and services would be moderate:** the balance of expectations was 6.7% (compared to (-6.3%) in Q2 2019 and 30.5% across Ukraine) (Figure 1). Respondents from agricultural companies had the most optimistic expectations: the balance of responses was 16.7%
- **prices for consumer goods and services would continue to grow:** 62.5% of the surveyed companies expected prices for consumer goods and services to rise by no more than 10.0% (compared with 60.0% in the previous quarter and 73.3% across Ukraine). Respondents referred to production costs (81.3% of responses) as the main inflation driver (Figure 2)
- **the hryvnia would depreciate at a slower pace:** 60.0% of respondents (80.0% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 69.0%
- **the financial and economic standings of their companies would deteriorate:** the balance of expectations was (-7.1%) compared to 0.0% in the previous quarter (see Table). Companies across Ukraine expected an improvement in their financial and economic standings (20.0%)
- **total sales would decrease:** the balance of responses was (-18.8%) compared with 20.0% in Q2 2019. Across Ukraine, total sales were expected to increase (27.1%) (see Table). External sales were expected to continue to rise: the balance of responses was 28.6% (as in the previous quarter) compared with 22.7% across Ukraine
- **investment in construction would decrease:** the balance of responses was (-13.3%) compared with 13.3% in Q2 2019. Investment in machinery, equipment, and tools was expected to remain unchanged: the balance of responses was 0.0% compared with 6.7% in Q2 2019. Overall, respondents expected investment spending to rise across Ukraine, the balances of responses being 9.3% and 17.7% respectively
- **staff numbers would continue to decrease:** the balance of responses was (-12.5%) compared to (-26.7%) in Q2 2019 (Figure 4). Across Ukraine, staff numbers were expected to increase: the balance of responses was 2.2%
- **purchase prices would increase at a fast pace** (the balance of responses was 93.3% compared with 85.7% in Q2), while **selling prices would rise at a slower pace** (the balance of responses was 26.7% compared with 28.6% in the previous quarter) (Figure 6). Wage costs and high raw material and supplies prices were referred to as the main selling price drivers (Figure 7)
- **the growth in per-unit production costs and wage costs per staff member would slow:** the balances of responses were 50.0% and 37.5% respectively (compared with 53.3% and 50.0% in Q2 2019) (Figures 4 and 6).

Respondents said that weak demand and a lack of working assets were **the main drags on the ability of their companies to boost production** (respondents said that the impact of this factor had increased). The impact from insufficient production capacity increased significantly (Figure 5).

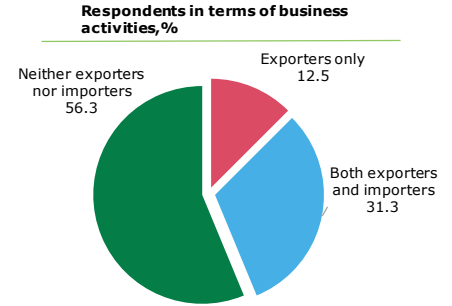
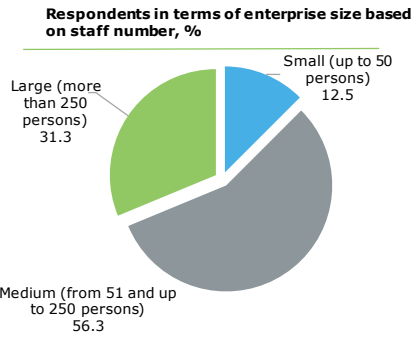
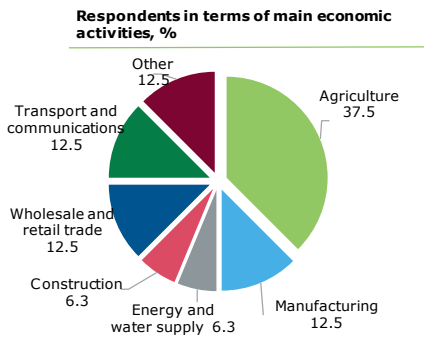
Respondents expected a noticeable increase in their borrowing needs in the near future (Figure 8). A total of 56.3% of respondents planned to take out bank loans (mainly domestic currency loans). Respondents said that lending conditions had tightened (Figure 9). Respondents referred to **high loan rates 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 (97.4% across Ukraine).

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

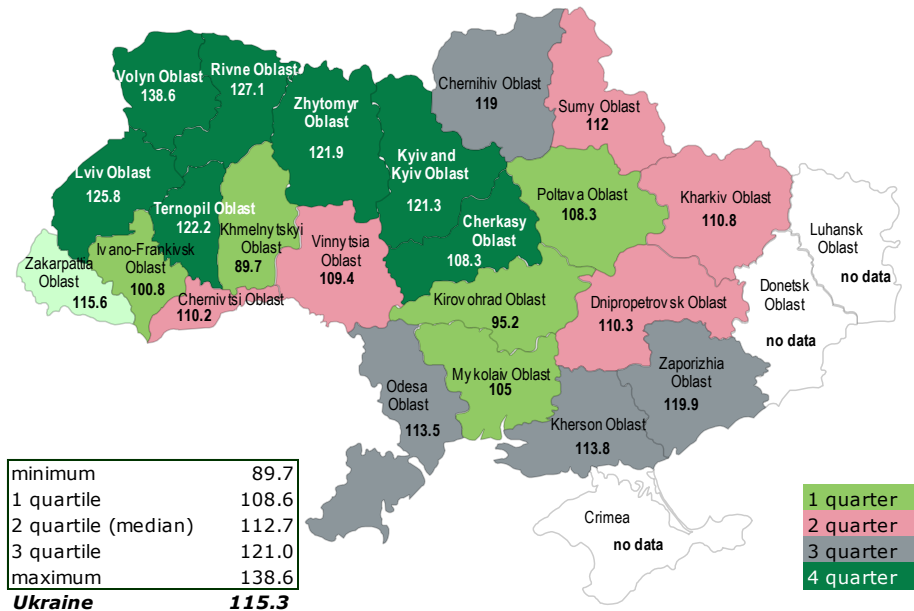
- **Companies assessed their current financial and economic standings as good:** the balance of responses was 12.5% (compared with 13.3% in the previous quarter and 9.5% across Ukraine).
- **Finished goods stocks increased and were assessed to be at the normal level:** the balance of responses was 0.0% (compared with (-20.0%) in Q2 2019).
- **Companies were operating on the verge of their production capacity:** the balance of responses was 0.0% (as in Q2 2019).

Survey Details^{1,2}



- Period: 8 August through 3 September 2019.
- A total of 16 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, %



*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 Khmelnytskyi 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	-5.9	0.0	12.5	0.0	-7.1
Total sales	31.6	44.4	31.3	20.0	-18.8
Investment in construction	11.8	12.5	20.0	13.3	-13.3
Investment in machinery, equipment and tools	15.8	23.5	40.0	6.7	0.0
Staff numbers	10.5	-5.6	-6.3	-26.7	-12.5

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 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

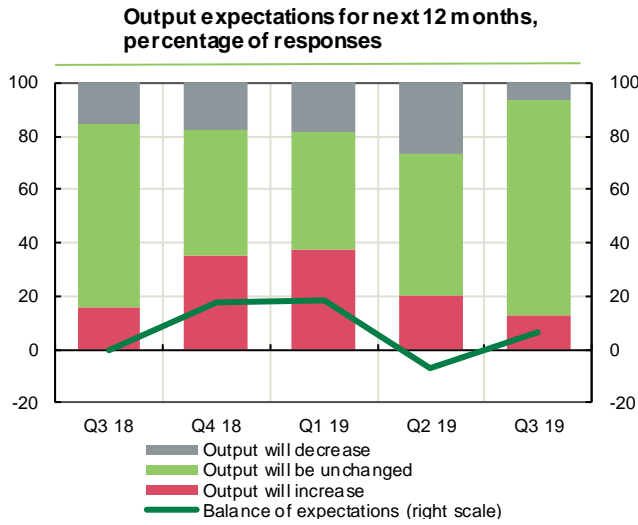


Figure 2

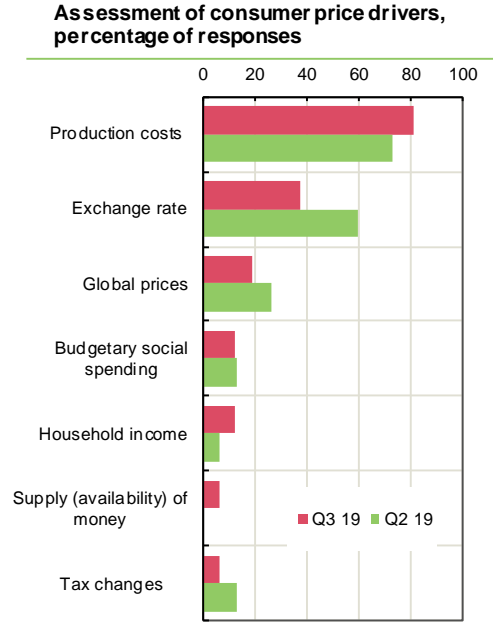


Figure 3

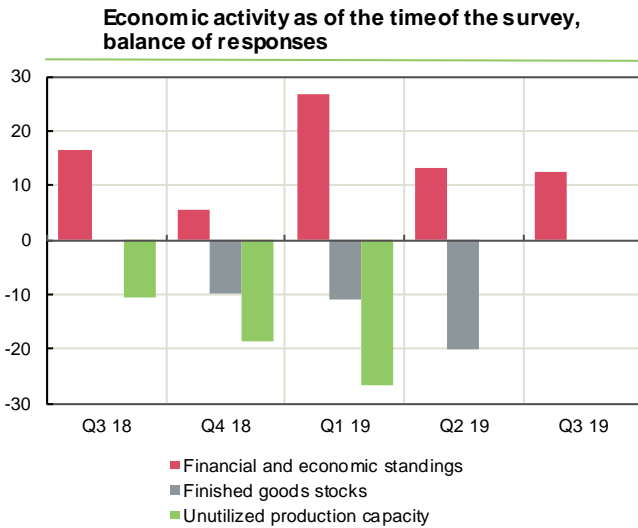


Figure 4

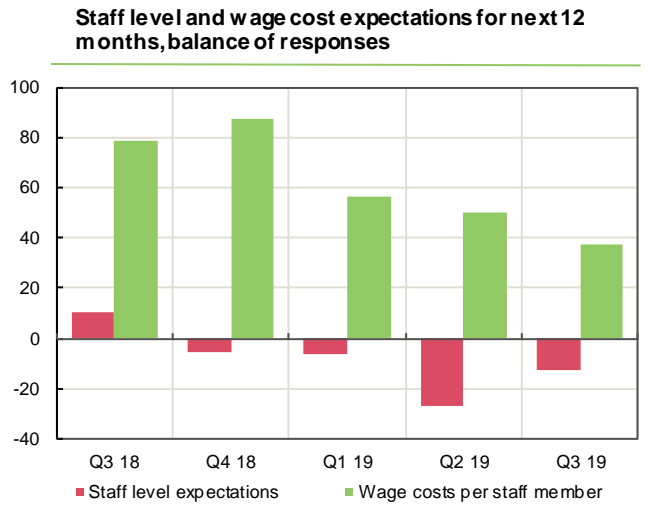


Figure 5

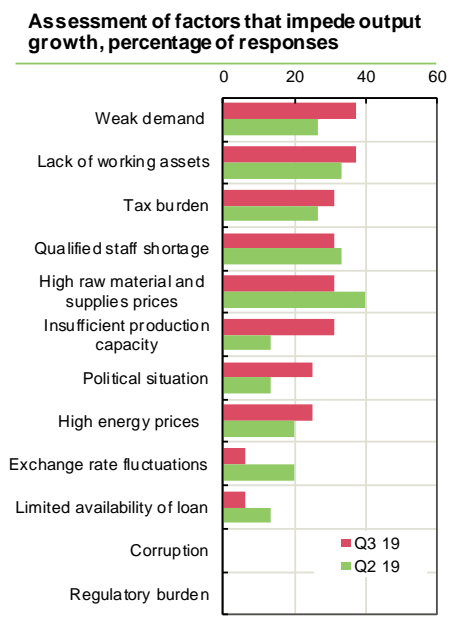


Figure 6

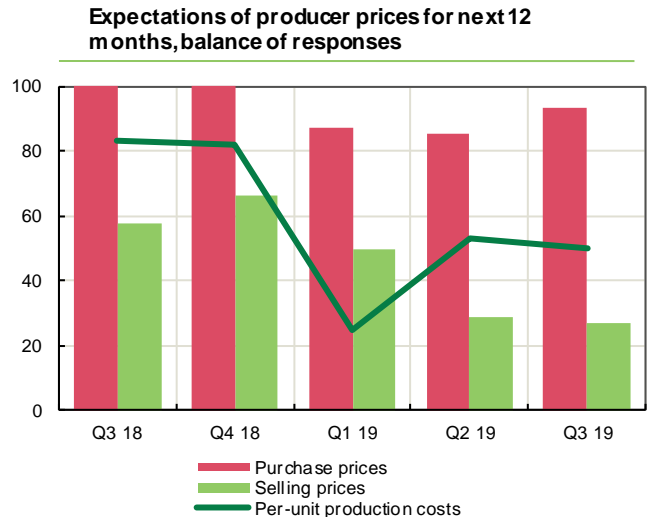


Figure 7

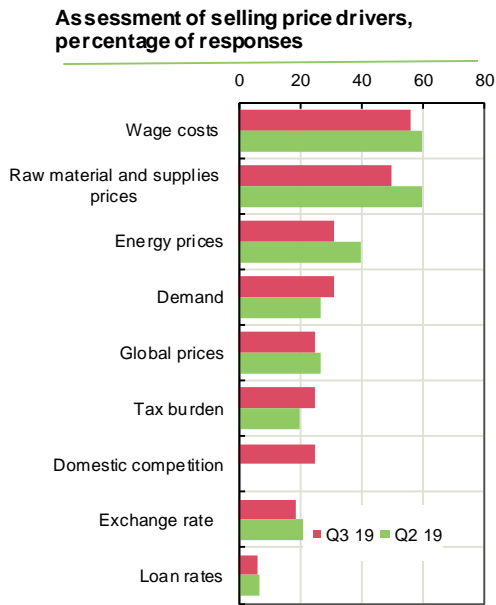


Figure 8

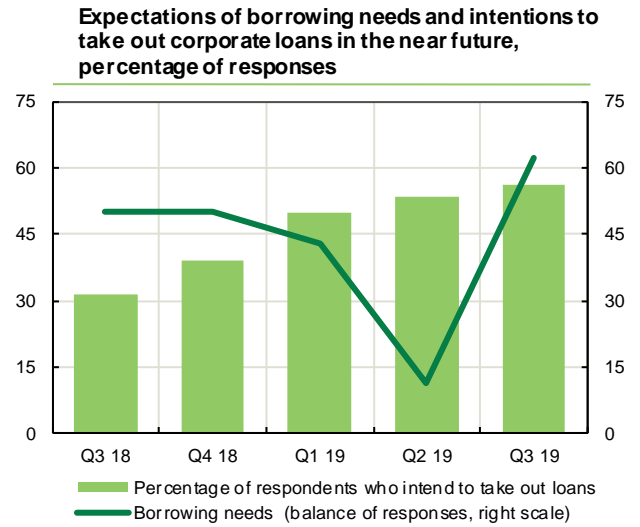


Figure 9

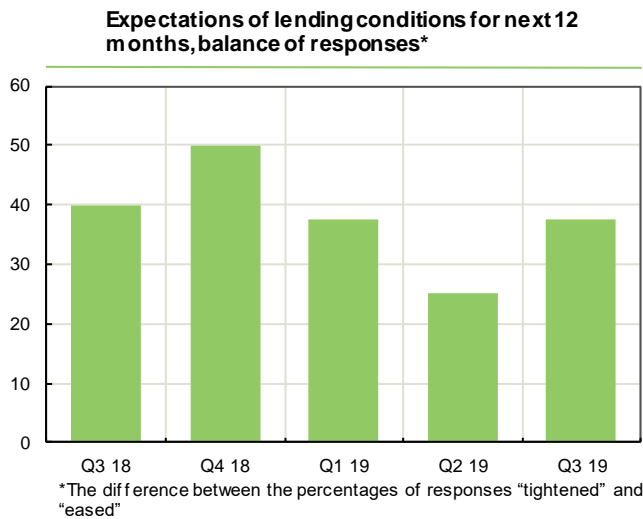
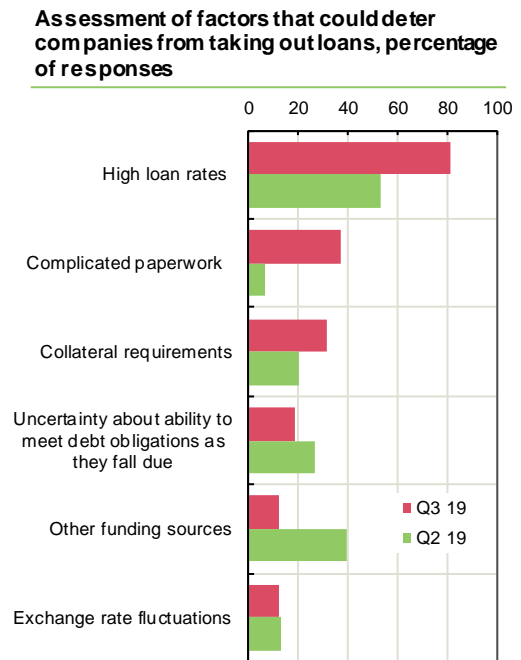


Figure 10



Key Indicators of Social and Economic Development of Khmelnytskyi 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)	102.3	92.2	104.7	106.4	101.2 ²	...	...	...	...	...	...	...	...
2	Industrial production index	97.8	95.7	104.7	101.6	95.3	84.5	82.3	82.0	86.1	87.5	85.8	85.1	84.5
3	Mining and quarrying	98.1	115.4	128.1	93.8	88.1	110.7	105.3	120.1	114.6	102.5	100.1	101.2	102.9
4	Manufacturing	106.0	88.0	101.4	106.9	95.5	72.4	79.3	84.9	88.8	90.9	90.4	90.8	91.3
5	Production of food, beverages and tobacco	131.2	69.0	111.9	112.7	92.9	51.0	67.6	76.1	81.0	83.2	85.9	87.8	89.8
6	Textile production, production of clothing, leather, leather goods and other materials	85.2	67.3	105.7	147.8	100.5	103.3	99.9	97.6	99.2	98.2	97.6	98.5	101.2
7	Production of wood products, paper, printing	154.8	157.5	120.6	103.1	115.7	131.7	119.1	117.4	111.2	107.2	102.5	103.2	106.8
8	Production of coke and petrochemicals	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Production of chemicals and chemical products	70.2	112.1	77.0	89.4	89.9	46.2	32.5	36.2	37.3	39.1	38.7	40.6	44.3
10	Production of rubber and plastic products, other nonmetallic mineral products	90.0	98.5	97.4	102.8	108.8	93.4	101.9	107.5	109.2	105.9	101.6	98.6	98.0
11	Metallurgical production, manufacturing of finished metal products, except machinery and equipment	84.4	101.4	104.6	106.6	85.0	75.3	78.9	85.0	95.0	101.4	103.6	100.3	98.4
12	Mechanical engineering, except for repair and installation of machinery and equipment	100.2	97.6	90.3	95.2	87.7	74.3	71.4	74.2	77.8	82.3	80.9	81.9	82.1
13	Electricity, gas, steam and conditioning air supply	81.5	113.9	109.1	92.8	95.6	109.1	85.9	75.4	79.6	80.4	76.7	74.1	71.6
14	Agricultural production index	115.4	87.3	108.2	112.0	102.6	101.6	105.3	102.2	102.3	101.6	98.7	110.2	100.6
15	Construction production index	91.2	108.9	107.6	127.2	121.0	85.9	99.9	129.0	136.3	134.2	125.3	116.2	109.2
16	Freight turnover	94.1	101.4	95.5	94.1	94.5	105.7	106.3	106.8	106.0	106.2	105.6	105.3	104.5
17	Passenger turnover	96.6	98.1	97.9	98.8	91.4	90.1	89.0	89.8	91.7	92.6	93.7	94.0	94.2
18	Volume index of retail trade turnover (in comparable prices, in percent)	93.1	83.5	104.6	106.0	101.3	104.7	105.3	107.2	107.8	112.2	112.8	113.4	111.1
19	Profit/loss of large and medium companies before tax (UAH million) ³	-3396.1	-479.9	3005.9	1846.2	...	...	...	...	...	...	...	...	...
20	Capital investment index	102.6	136.5	123.4	111.6	96.5	...	...	79.8	...	...	107.1	...	...
21	Consumer price index (compared with December of previous year)	123.7	142.5	111.4	113.8	109.2	100.9	101.1	102.0	102.9	102.9	102.7	102.5	102.4
22	Real disposable income	88.6	86.5	103.5	111.0	107.8 ²	...	...	...	...	...	...	...	...
23	Real wage index	96.8	77.8	106.9	128.0	111.8	109.0	109.5	111.7	110.9	110.4	109.9	110.0	109.8
24	Number of applicants per vacancy as of end of period	75	44	28	10	8	7	6	4	4	4	4	4	3

¹ This information is confidential under the Law of Ukraine On State Statistics.

² Preliminary data.

³ 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