



National Bank
of Ukraine

Business Outlook Survey of Khmelnytskyi Oblast*

Q1 2020

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



*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 Q1 2020 showed that respondents expected a drop in the output of Ukrainian goods and services and weaker development of their companies over the next 12 months. Respondents expected that prices would continue to increase and the domestic currency weaken more noticeably.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 (-7.1%) compared to 0.0% in Q4 2019 (Figure 1). Respondents across Ukraine expected an increase in the output, the balance of responses being 10.4%
- **prices for consumer goods and services would grow:** 71.4% of the surveyed companies expected prices for consumer goods and services to rise by no more than 6.0% compared with 68.5% across Ukraine. Respondents referred to production costs (64.3% of responses) as the main inflation driver (Figure 2). The impact of household income was assessed as significantly higher than in the previous quarter
- **hryvnia would depreciate more pronouncedly:** 75.0% of respondents (64.3% 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 deteriorate** for three quarters running: the balance of expectations was (-14.3%) (in the previous quarter - (-7.1%)) (see Table). Companies across Ukraine expected an improvement in their financial and economic standings (16.9%)
- **total sales would increase:** the balance of responses was 7.1% compared with (-6.7%) in Q4 2019. Respondents also expected an increase in external sales (the balance of responses was 28.6%). The balances of responses across Ukraine were 23.0% and 17.5% respectively
- **investment both in construction and in machinery, equipment and tools would decrease:** the balances of responses were (-28.6%) and (-42.9%) respectively. Across Ukraine, respondents expected investment spending to rise: the balances of responses being 2.4% and 14.1% respectively
- **staff numbers at their companies would decrease significantly:** the balance of responses was (-35.7%) compared to (-13.3%) in Q4 2019 and (-3.9%) across Ukraine (Figure 4)
- **purchase prices would increase at a fast pace** (the balance of responses was 71.4% compared with 80.0% in Q4 2019), while **selling prices would rise slightly** (the balance of responses was 14.3% compared with 33.3% in the previous quarter) (Figure 6). High raw material and supplies prices, energy prices and wage costs 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 35.7% and 42.9% respectively (compared with 35.7% and 66.7% respectively in Q4 2019) (Figures 4 and 6).

Respondents said that excessively high raw material and supplies prices, qualified staff shortage and weak demand were the main drag on the ability of companies to boost production (Figure 5).

Respondents expected a significant increase in borrowing needs in the near future (Figure 8). A total of 57.1% of respondents planned to take out bank loans (mainly domestic currency loans). Assessments of tightening lending standards significantly declined compared to the previous quarter (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** (96.6% across Ukraine).

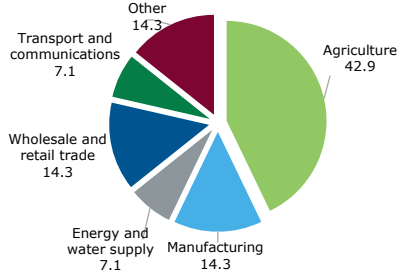
Assessments of financial and economic standings as of the time of the survey (Figure 3)

- **Companies assessed their current financial and economic standings as good:** the balance of responses was 15.4% (compared with 13.3% in the previous quarter and 9.7% across Ukraine).
- **Finished goods stocks increased and were assessed to be at a level higher than the normal one:** the balance of responses was 10.0% (compared with (-10.0%) in Q4 2019).
- **Unutilized production capacity increased.** Respondents said they had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand: the balance of responses was 15.4% (compared with (-20.0%) in Q4 2019).

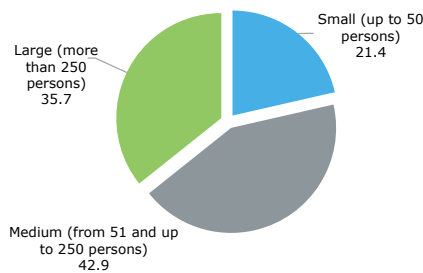
¹ This survey was carried out before quarantine measures were introduced.

Survey Details^{2,3}

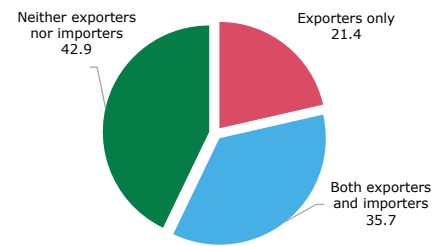
Respondents in terms of main economic activities, %



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

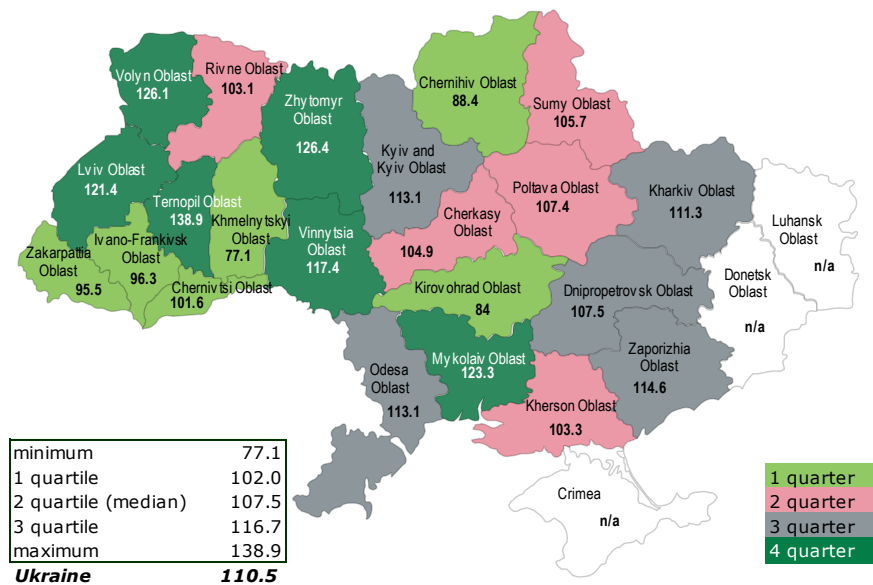


Respondents in terms of business activities, %



- Period: 11 February through 3 March 2020.
- A total of 14 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 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, %				
	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20
Financial and economic standings	12.5	0.0	-7.1	-7.1	-14.3
Total sales	31.3	20.0	-18.8	-6.7	7.1
Investment in construction	20.0	13.3	-13.3	-14.3	-28.6
Investment in machinery, equipment and tools	40.0	6.7	0.0	7.1	-42.9
Staff numbers	-6.3	-26.7	-12.5	-13.3	-35.7

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 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

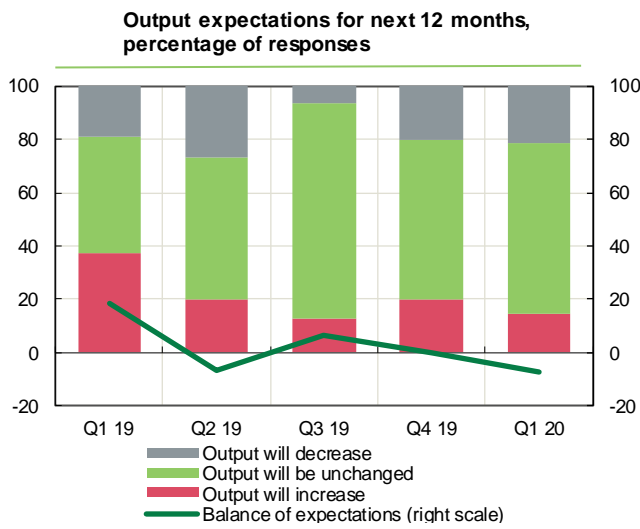


Figure 2

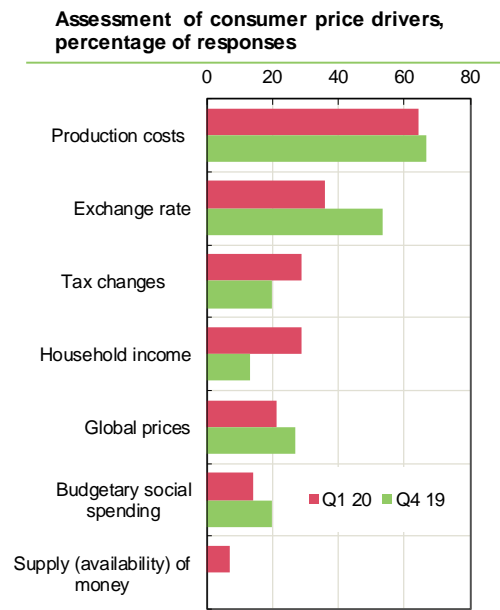


Figure 3

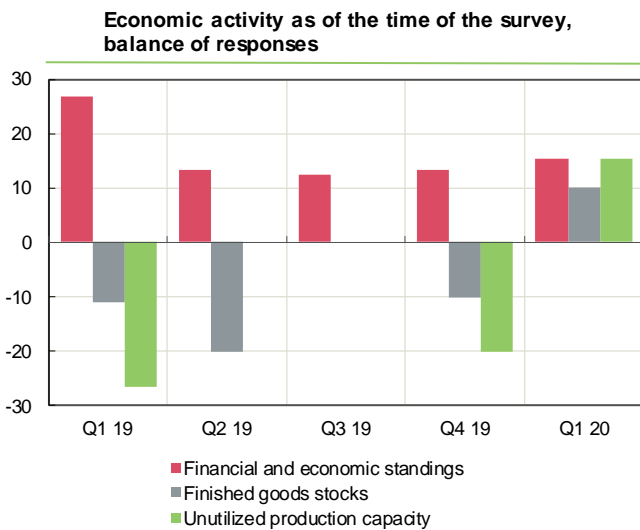


Figure 4



Figure 5

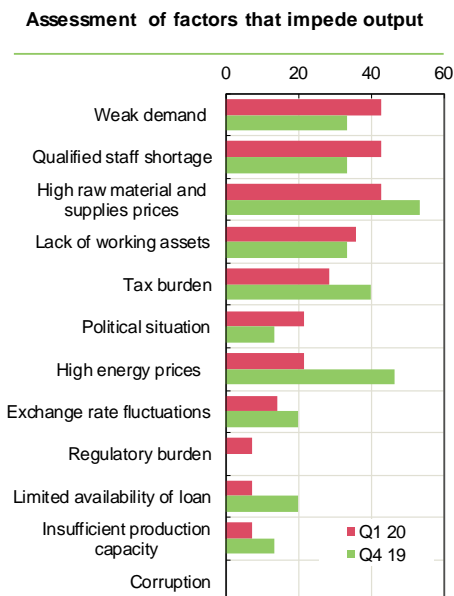


Figure 6

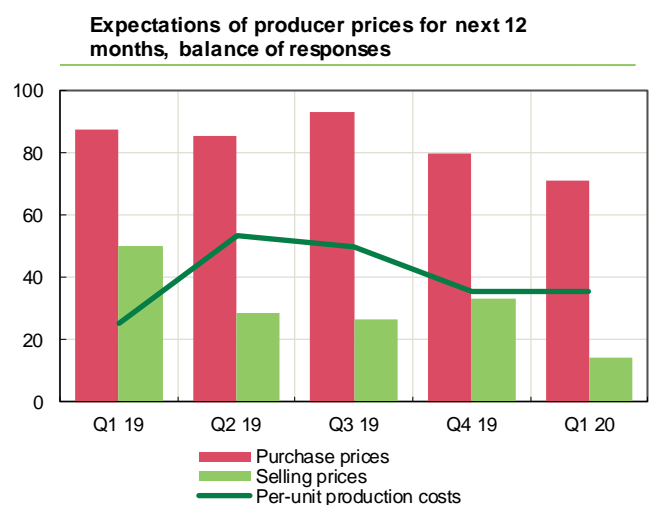


Figure 7

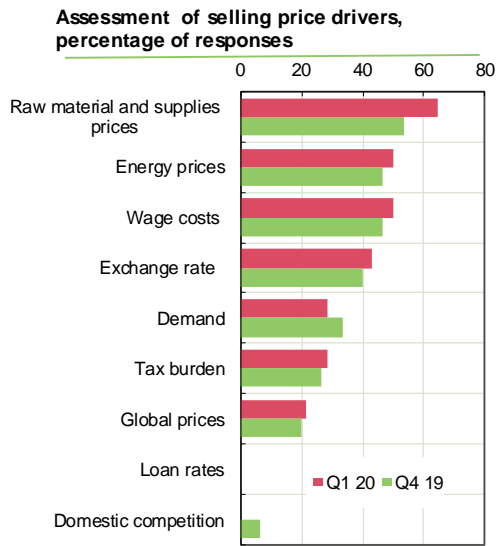


Figure 8

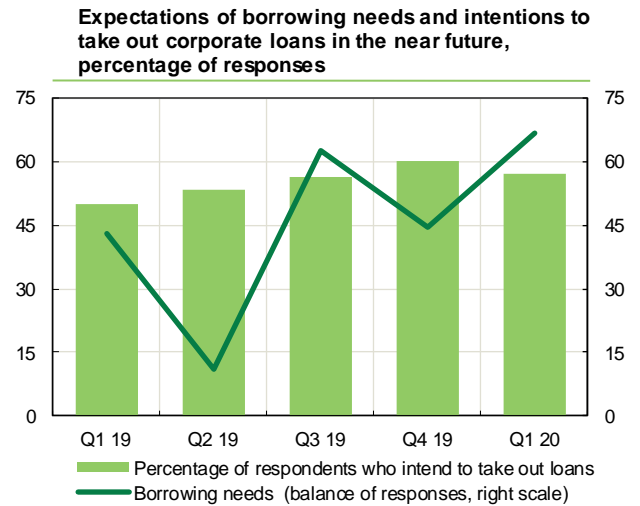


Figure 9

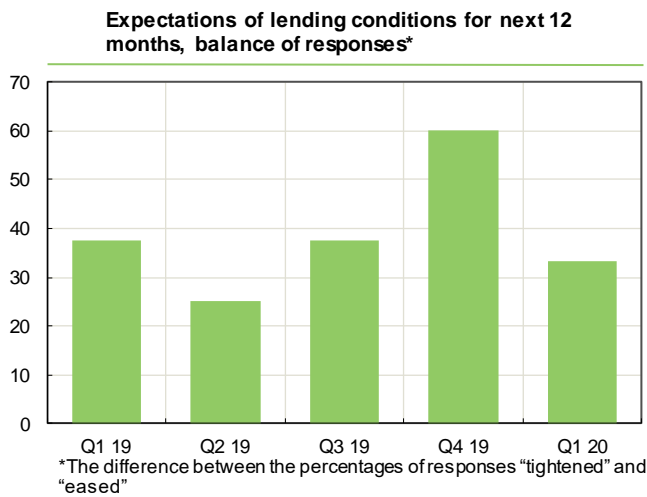


Figure 10

