



National Bank
of Ukraine

Business Outlook Survey of Khmelnytskyi 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 Khmelnytskyi oblast (top managers of companies) who were polled in Q2 2019, and does not represent NBU forecasts or estimates

A survey carried out in **Khmelnytskyi 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 that prices would continue to increase, and domestic currency would depreciate.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 (-23.1%) compared to (-7.1%) in Q1 2020 and (-34.1%) across Ukraine (Figure 1)
- **prices for consumer goods and services would grow:** a total of 64.3% of the surveyed companies expected prices for consumer goods and services to rise by no more than 7.5% compared with 54.9% across Ukraine. Respondents referred to production costs and hryvnia exchange rate as **the main inflation drivers** (Figure 2)
- **hryvnia would depreciate at a faster pace:** a total of 78.6% of respondents (75.0% 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:** the balance of expectations was 7.1% (in the previous quarter, it was (-14.3%)). At the same time, respondents from agriculture companies expected that their financial and economic standings would deteriorate. Companies across Ukraine expected a deterioration in their financial and economic standings: the balance of responses was (-1.8%) (see Table)
- **total sales would decrease:** the balance of responses was (-21.4%) compared with 7.1% in Q1 2020. External sales were expected to grow at a slower pace, the balance of responses being 14.3% (compared with 28.6% 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 both construction and machinery, equipment and tools would decrease:** the balances of responses were (-15.4%) and (-14.3%), respectively. Across Ukraine, the balances of responses were (-16.1%) and (-10.5%), respectively
- **staff numbers would decrease at a slower pace:** the balance of responses was (-7.1%) compared with (-35.7%) in the previous quarter and (-17.3%) across Ukraine (Figure 4)
- **purchase prices would increase at a fast pace** (the balance of responses was 100.0%), while **selling prices would rise slightly** (the balance of responses was 7.1% compared with 71.4% and 14.3%, respectively, in the previous quarter) (Figure 6). High 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 57.1% and 21.4%, respectively (compared with 35.7% and 42.9%, respectively, in Q1 2020) (Figures 4 and 6).

Respondents said that weak demand was **the main drag on the ability of companies to boost production** (Figure 5). Respondents also assessed the impact of raw material, supplies and energy prices and lack of working assets as high.

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). Respondents said that lending standards had tightened (Figure 9). Respondents referred to high loan rates as the main factor that deterred them from taking out corporate loans (Figure 10).

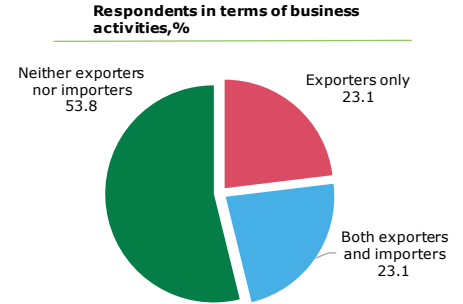
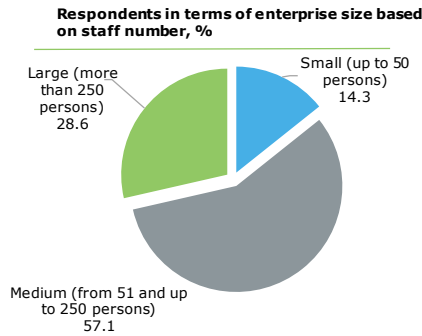
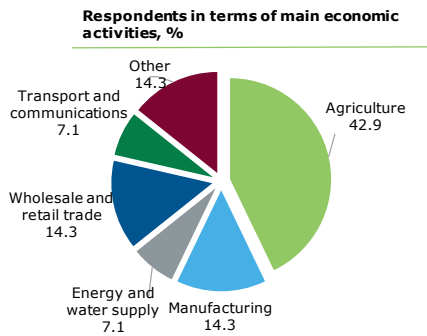
A total of 92.3% of the respondents said that they **had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.5% across Ukraine).

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 (-7.1%) compared with 15.4% in the previous quarter and (-11.6%) across Ukraine
- **Finished goods stocks decreased and were assessed to be at a level lower than the normal one:** the balance of responses was (-40.0%) compared with 10.0% in Q1 2020.
- **Respondents said they had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 30.8% compared with 15.4% in Q1 2020.

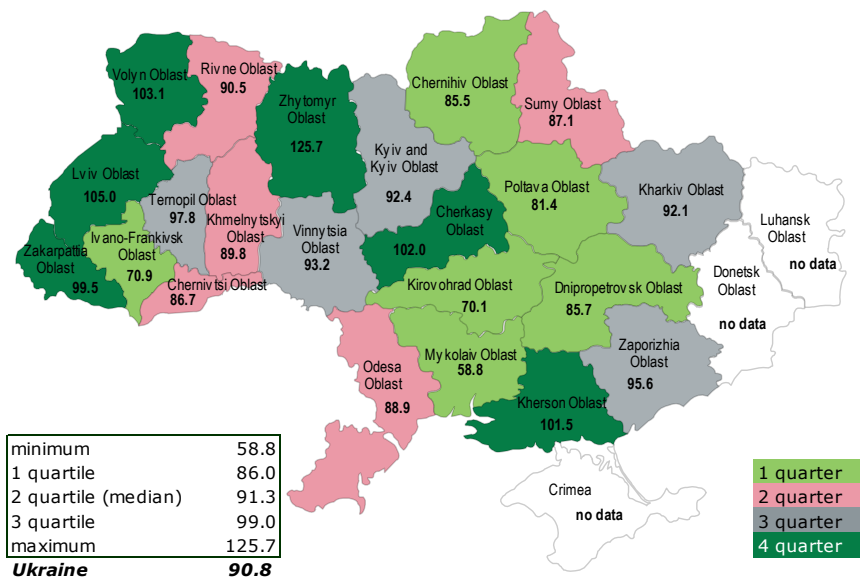
¹ This survey was conducted after the government announced it would relax the quarantine.

Survey Details^{2,3}



- Period: 6 May through 3 June 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, %				
	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
Financial and economic standings	0.0	-7.1	-7.1	-14.3	7.1
Total sales	20.0	-18.8	-6.7	7.1	-21.4
Investment in construction	13.3	-13.3	-14.3	-28.6	-15.4
Investment in machinery, equipment and tools	6.7	0.0	7.1	-42.9	-14.3
Staff numbers	-26.7	-12.5	-13.3	-35.7	-7.1

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

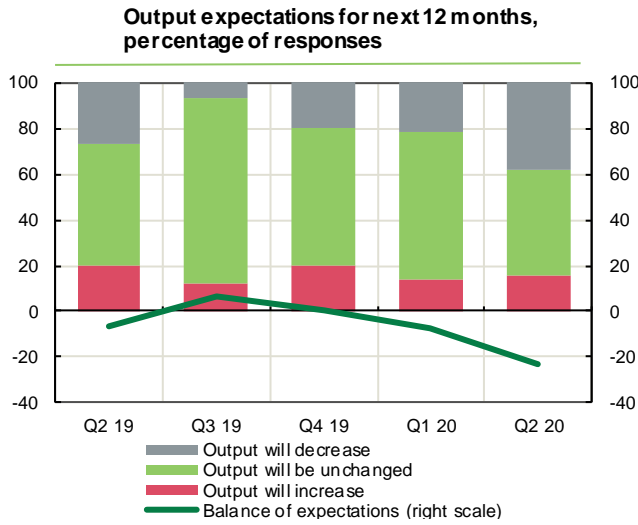


Figure 2

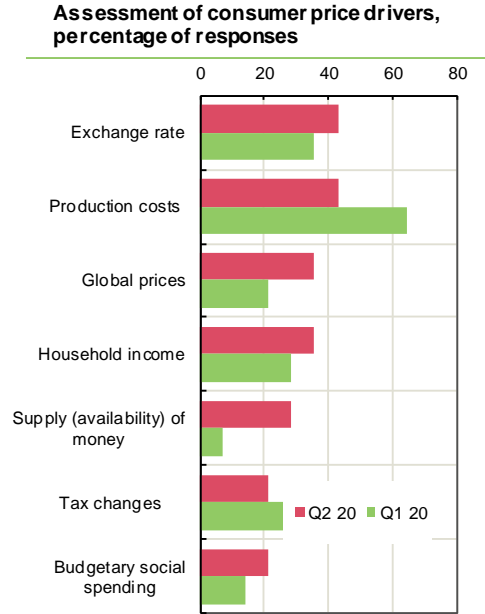


Figure 3

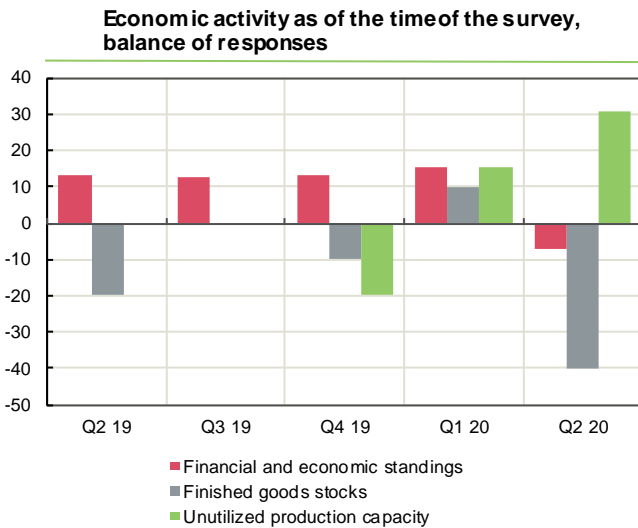


Figure 4

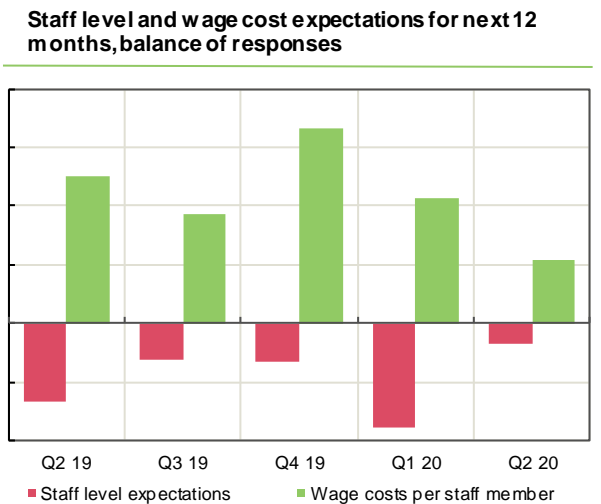


Figure 5

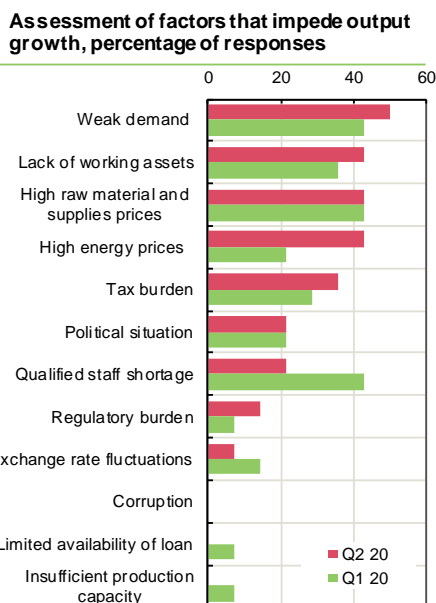


Figure 6

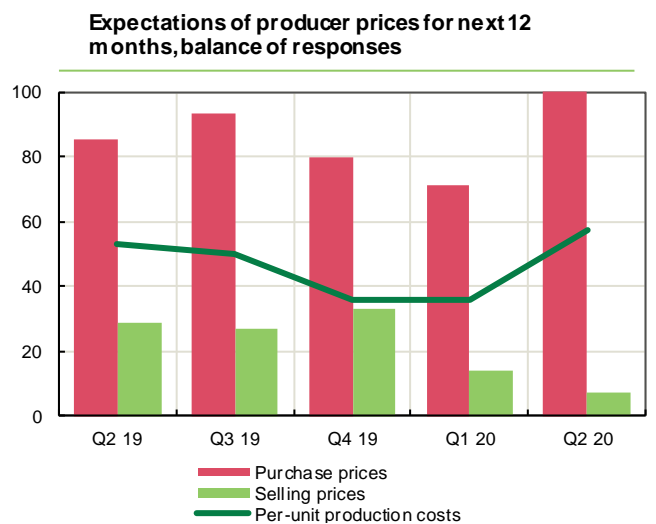


Figure 7

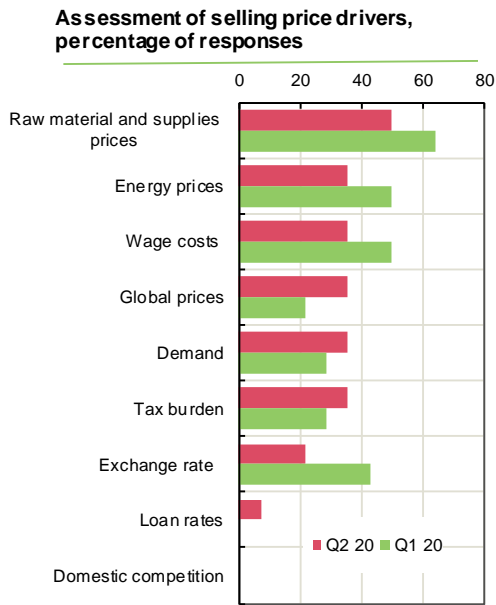


Figure 8

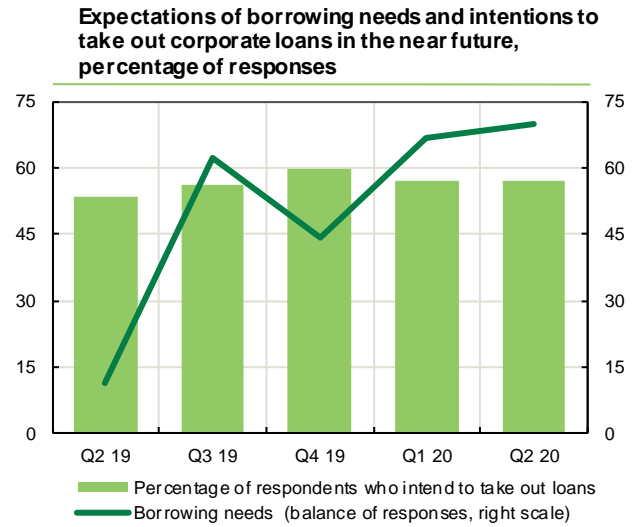


Figure 9

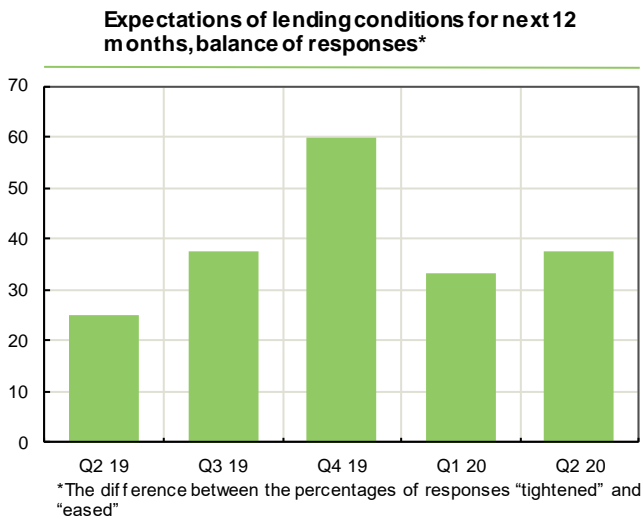


Figure 10

