



National Bank
of Ukraine

Business Outlook Survey of Khmelnytskyi Oblast*

Q3 2020



*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 2020** showed that respondents expected a drop in the output of Ukrainian goods and services and weaker performance by their companies over the next 12 months amid the adaptive quarantine regime. Respondents expected inflation to increase and the domestic currency to depreciate further.

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

- **the output of Ukrainian goods and services would have dropped for three quarters in a row:** the balance of expectations was (-33.3%) compared to (-23.1%) in Q2 2020 and (-16.1%) across Ukraine (Figure 1)
- **prices for consumer goods and services would grow at a faster pace:** a total of 53.3% of the surveyed companies expected prices for consumer goods and services to rise by more than 7.5% compared with 35.7% in the previous quarter and 44.4% across Ukraine. Respondents referred to production costs and the hryvnia exchange rate as **the main inflation drivers** (Figure 2)
- **the domestic currency would continue to depreciate:** a total of 78.6% of respondents (as 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 deteriorate:** the balance of expectations was (-20.0%) (compared to 7.1% in the previous quarter). At the same time, respondents from agricultural companies had positive expectations. Companies across Ukraine also expected an improvement in their financial and economic standings: the balance of responses was 4.4% (see Table)
- **total sales would decrease:** the balance of responses was (-13.3%) compared with (-21.4%) in Q2 2020. External sales were expected to remain unchanged, the balance of responses being 0.0% (compared with 14.3% 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 both construction and machinery, equipment and tools would decrease:** the balances of responses were (-23.1%) and (-14.3%) respectively compared with (-15.4%) and (-14.3%) in the previous quarter. Across Ukraine, the balances of responses were (-4.7%) and 5.2% respectively
- **staff numbers would decrease at a faster pace:** the balance of responses was (-33.3%) compared with (-7.1%) in the previous quarter and (-10.8%) across Ukraine (Figure 4)
- **purchase prices would increase at a fast pace** (the balance of responses was 80.0%). At the same time, respondents expected a fall in their selling prices (the balance of responses was (-6.7%) compared with 100.0% and 7.1% respectively in the previous quarter) (Figure 6). High raw material and supplies prices and demand were referred to as the main selling price drivers (Figure 7)
- **the growth in per-unit production costs would decelerate:** the balance of responses was 33.3% compared with 57.1% in Q2 2020. **Wage costs per staff member were expected to grow at a faster pace:** the balance of responses was 46.7% compared with 21.4% in Q2 2020 (Figures 4 and 6).

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

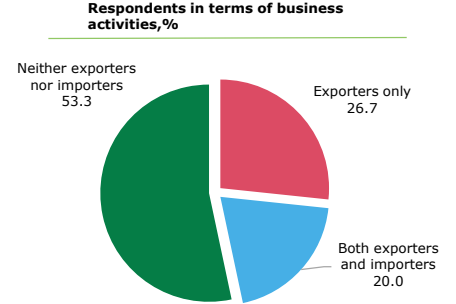
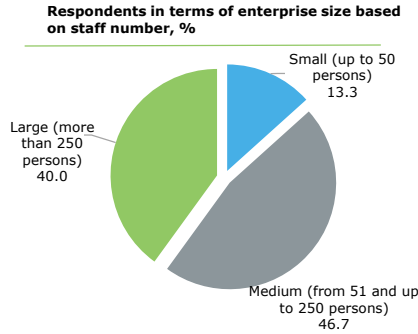
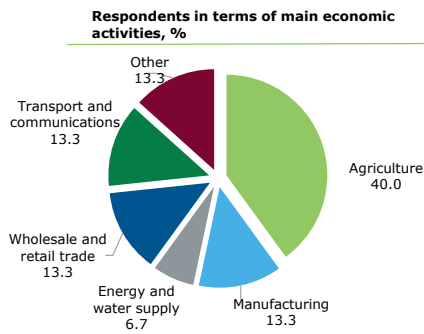
Respondents expected a significant increase in their borrowing needs in the near future (Figure 8). A total of 60.0% of respondents planned to take out bank loans (mainly domestic currency ones). Respondents said that lending standards had tightened (Figure 9). Respondents referred to high loan rates as the main factor that deterred them from taking out corporate loans (Figure 10).

All 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)

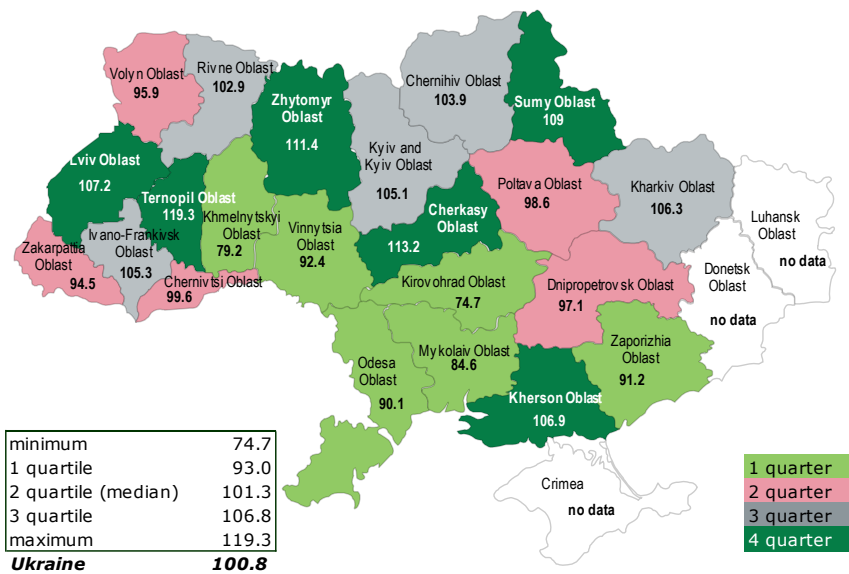
- **The current financial and economic standings of companies had improved and were assessed as good:** the balance of responses was 14.3% compared with (-7.1%) in the previous quarter and (-5.6%) across Ukraine
- **Finished goods stocks had increased and were assessed to be at a normal level:** the balance of responses was 0.0% compared with (-40.0%) in Q2 2020.
- **Companies were operating on the verge of their production capacity:** the balance of responses was 0.0% compared with 30.8% in Q2 2020.

Survey Details^{1,2}



- Period: 5 through 31 August 2020.
- A total of 15 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 Khmelnytskyi 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	-7.1	-7.1	-14.3	7.1	-20.0
Total sales	-18.8	-6.7	7.1	-21.4	-13.3
Investment in construction	-13.3	-14.3	-28.6	-15.4	-23.1
Investment in machinery, equipment and tools	0.0	7.1	-42.9	-14.3	-14.3
Staff numbers	-12.5	-13.3	-35.7	-7.1	-33.3

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

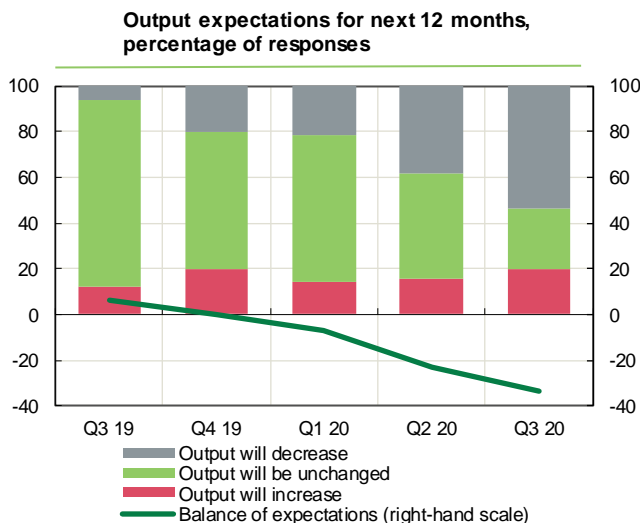


Figure 2

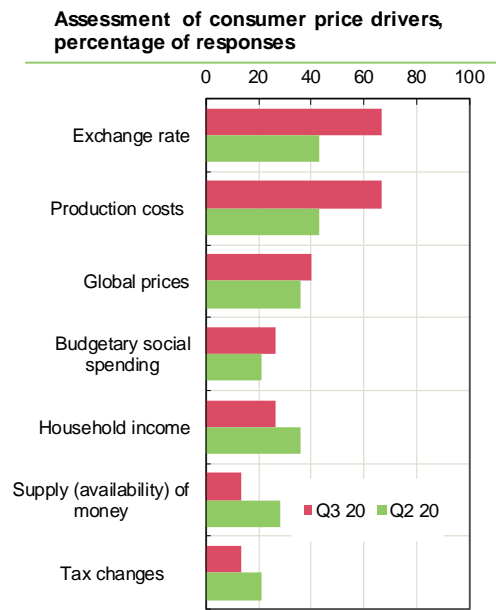


Figure 3

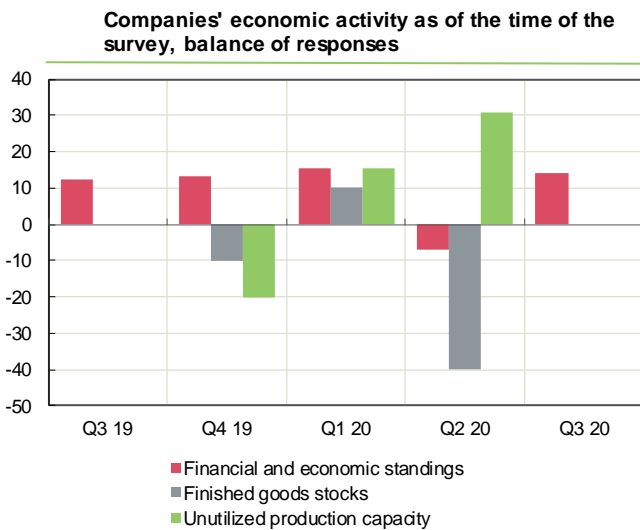


Figure 4

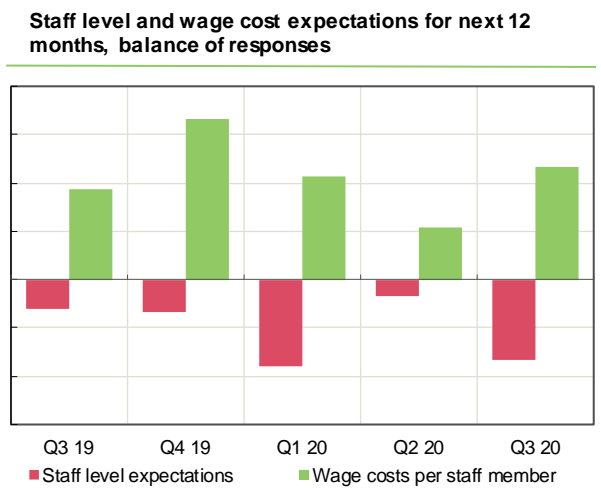


Figure 5

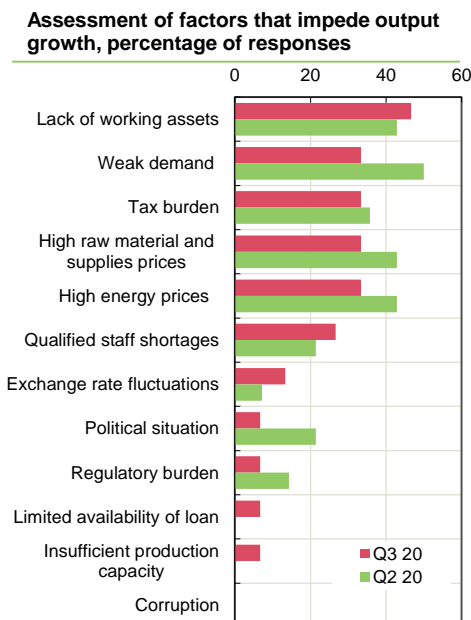


Figure 6

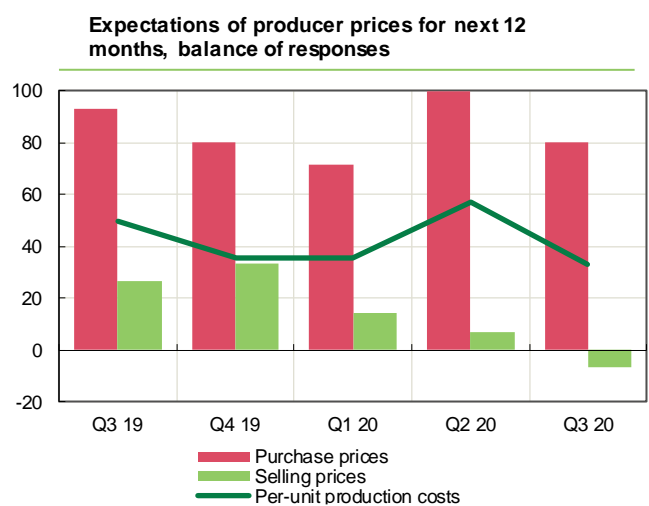


Figure 7

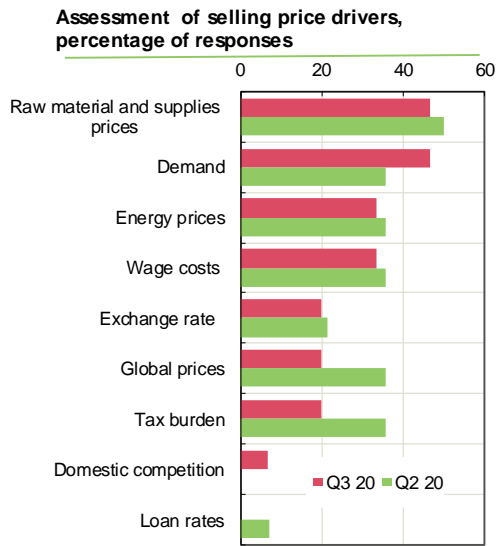


Figure 8

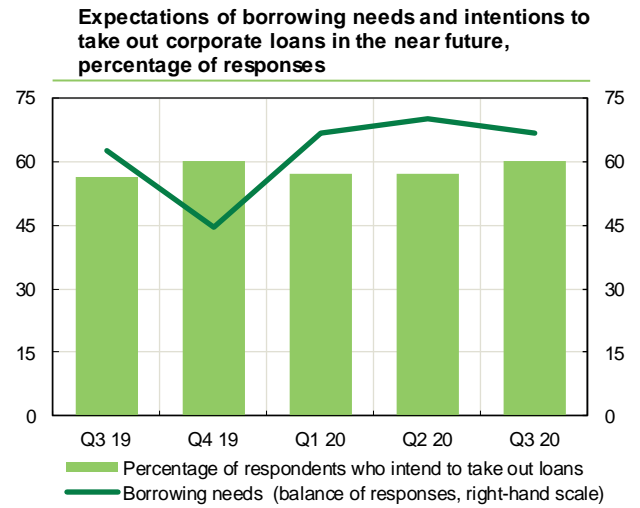


Figure 9

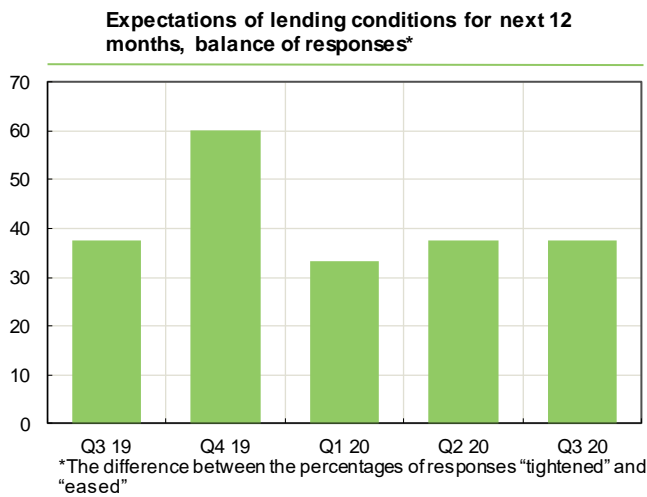


Figure 10

