



National Bank
of Ukraine

Business Outlook Survey of Cherkasy Oblast*

Q3 2019



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

A survey carried out in **Cherkasy oblast** in Q3 2019 showed that respondents had optimistic expectations that the **Ukrainian economy would grow**, and that their companies would develop over the next 12 months. Inflation expectations softened. At the same time, respondents expected the hryvnia to weaken more noticeably.

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

- **the output of Ukrainian goods and services would grow moderately:** the balance of expectations was 22.2% compared with 42.1% in Q2 2019 (Figure 1) and 30.5% across Ukraine
- **prices for consumer goods and services would grow at a slower pace:** 82.7% of respondents expected the inflation rate to be lower than 10.0% (compared with 73.3% in Q2 2019 and 73.3% across Ukraine). Respondents referred to **production costs as the main inflation driver** (Figure 2)
- **the domestic currency would depreciate:** 62.5% of respondents expected the hryvnia to weaken against the US dollar (compared with 50.0% in the previous quarter), with the figure across Ukraine being 69.0%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 22.2% (compared with 25.0% in the previous quarter and 20.0% across Ukraine) (see Table). Respondents from manufacturing and agricultural companies expected no changes in their financial and economic standings
- **total sales would increase moderately:** the balance of responses was 11.1% compared with 21.1% in Q2 2019. Respondents also expected an increase in external sales: as in the previous quarter, the balance of responses was 12.5%). The balances of responses across Ukraine were 27.1% and 22.7% respectively
- **investment both in construction and in machinery, equipment, and tools would increase:** the balances of responses were 12.5% for each (compared with 0.0% and 14.3% in Q2 2019 respectively). Across Ukraine, the balances of responses being 9.3% and 17.7% respectively
- **staff numbers at their companies would decrease further:** the balance of responses was (-16.7%) compared with (-10.5%) in Q2 2019. Across Ukraine, staff numbers were expected to increase (2.2%) (Figure 4). Respondents in the agricultural sector had the most pessimistic expectations, with a balance of responses of (-33.3%).
- **purchase prices would grow rapidly** (the balance of responses was 94.4%). At the same time, respondents expected **moderate growth in selling prices** (the balance of responses was 22.2%) (Figure 6). Respondents cited raw material and supplies prices as the major selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would increase:** the balances of responses were 55.6% and 61.1% respectively (compared to 52.9% and 66.7% in Q2 2019) (Figures 4 and 6).

High energy prices were named as **the main drag on the ability of companies to boost production**. Respondents said that the impact of weak demand had increased noticeably (Figure 5).

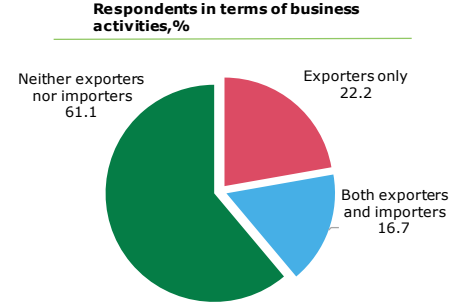
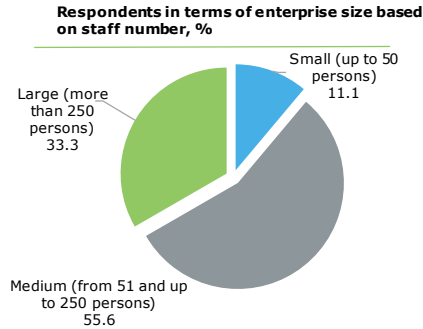
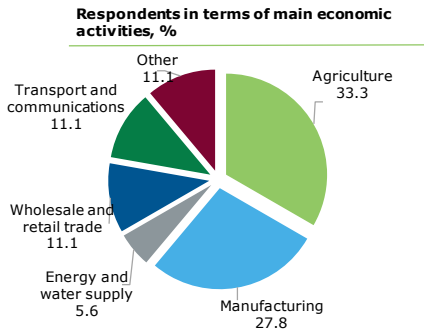
Respondents expected that their borrowing needs would remain unchanged in the near future (Figure 8). The respondents who planned to take out corporate loans (44.4% of responses) opted for domestic currency loans. Respondents said that lending standards had tightened (Figure 9). They cited **high loan rates as the main factor that deterred them from taking out corporate loans** (Figure 10).

A total of **88.9% of respondents** said 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)

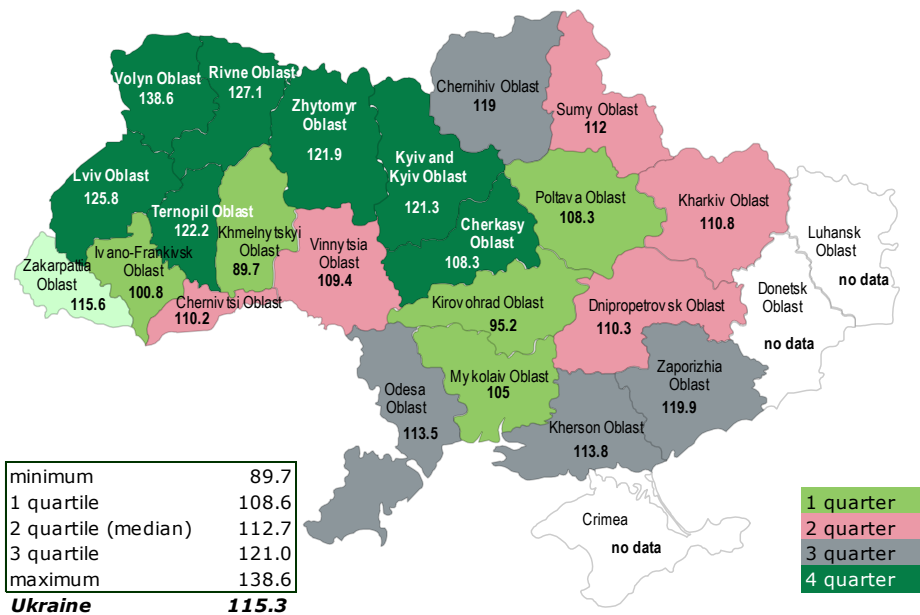
- **The current financial and economic standings of companies improved and were assessed as satisfactory:** the balance of responses was 0.0% (compared with (-10.5%) in the previous survey). Across Ukraine, respondents assessed their current financial and economic standings as positive, with a balance of responses of 9.5%.
- **Finished goods stocks increased and were assessed to be at a level higher than the normal one:** the balance of responses was 15.4% (compared with 0.0% in Q2 2019).
- **Spare production capacity increased.** Companies in the region have a sufficient amount of unutilized production capacity to meet any unexpected rise in demand: the balance of responses was 27.8% (compared to (-5.6%) in the previous quarter).

Survey Details^{1,2}



- Period: 8 August through 28 August 2019.
- A total of 18 companies were polled.
- A representative sample was generated on the basis of the following economic activities: the agricultural sector and the manufacturing industry.

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 sampled where the sample is divided into two equal-sized subgroups

Table. The Business Outlook Index of Companies in Cherkasy 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	5.3	14.3	46.7	25.0	22.2
Total sales	33.3	25.0	47.4	21.1	11.1
Investment in construction	35.0	0.0	5.9	0.0	12.5
Investment in machinery, equipment and tools	29.4	19.0	11.8	14.3	12.5
Staff numbers	-12.5	-26.1	-5.3	-10.5	-16.7

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

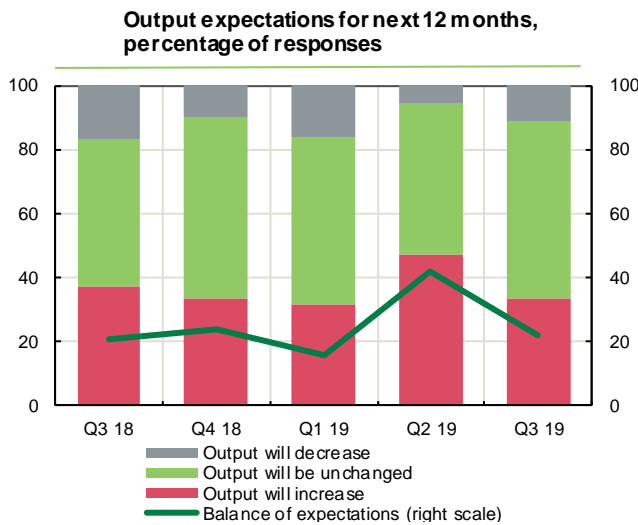


Figure 2

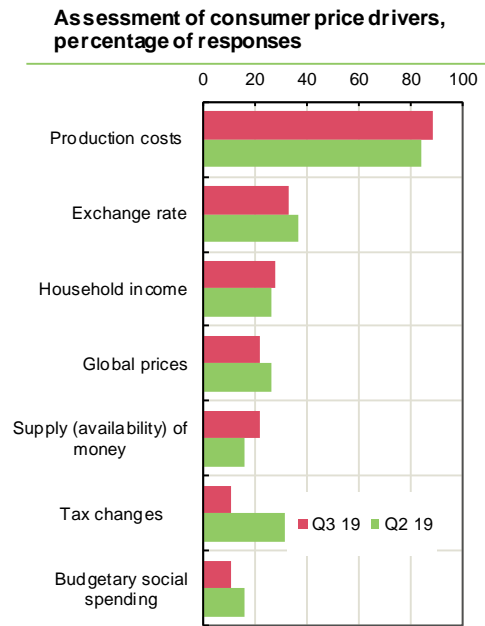


Figure 3

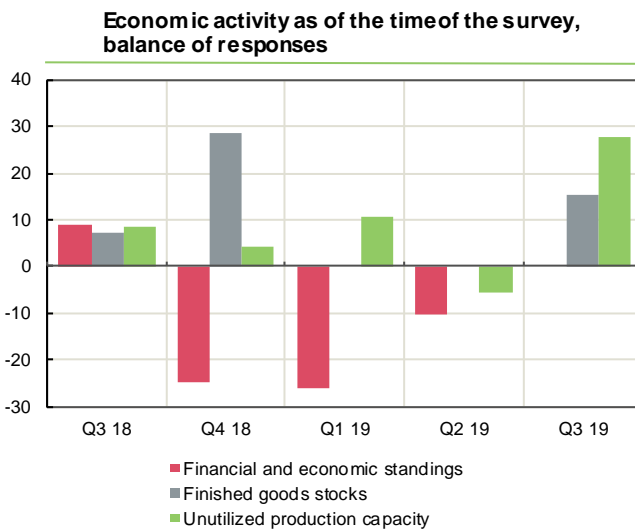


Figure 4



Figure 5

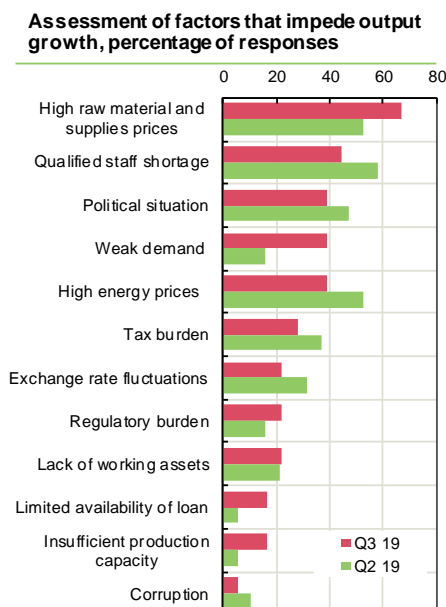


Figure 6

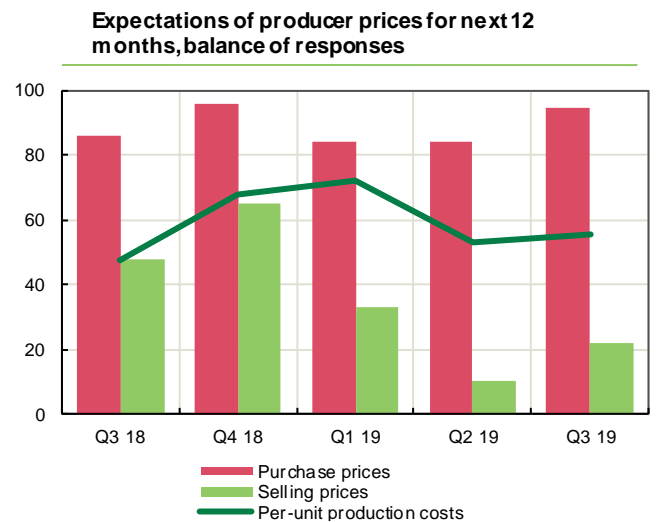


Figure 7

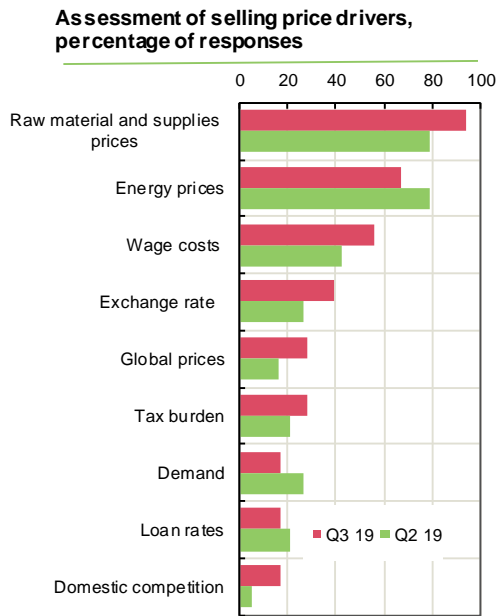


Figure 8

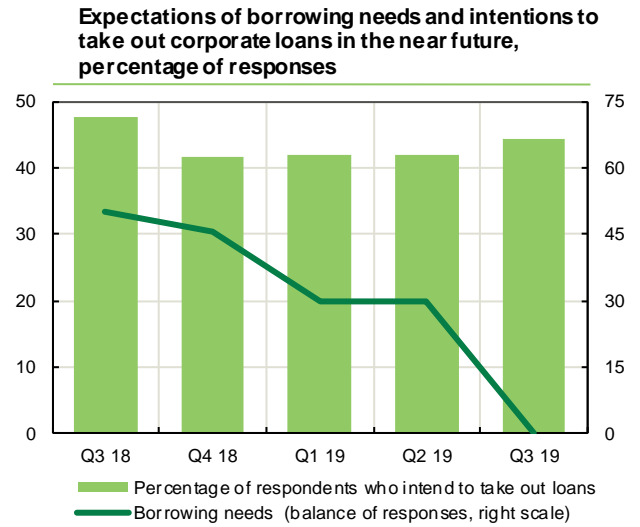


Figure 9

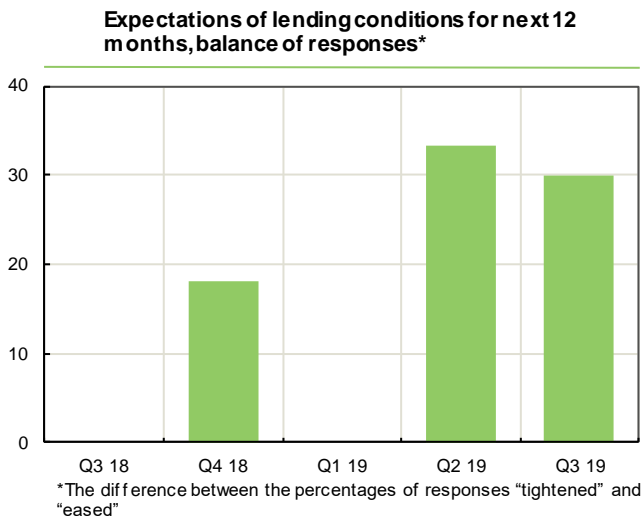
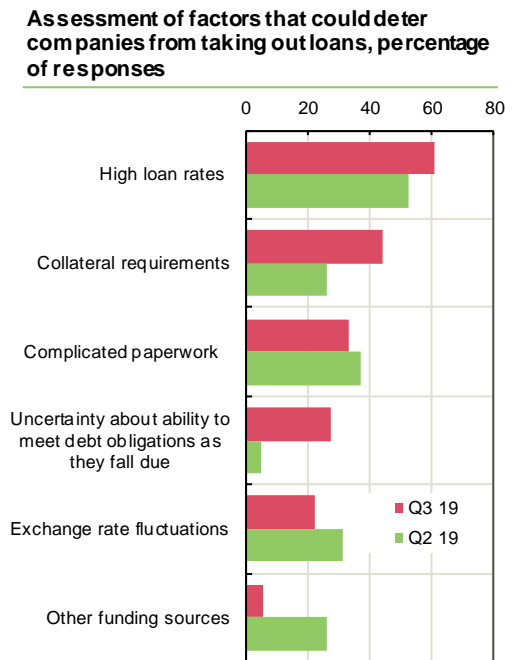


Figure 10



Key Indicators of Social and Economic Development of Cherkasy 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)	98.9	95.0	101.8	98.3	105.7 ²	...	...	...	...	...	...	...	...
2	Industrial production index	94.7	90.8	106.3	99.1	102.3	102.3	101.5	101.3	100.7	100.9	100.4	101.2	101.9
3	Mining and quarrying	83.6	96.2	99.4	97.1	93.4	80.3	86.5	102.7	108.6	101.4	92.8	94.2	92.8
4	Manufacturing	94.8	90.1	106.5	100.0	102.0	103.5	103.0	103.2	102.4	102.5	101.7	102.6	103.4
5	Production of food, beverages and tobacco	97.1	91.5	103.4	99.7	98.4	104.0	106.3	105.8	103.4	103.1	101.5	101.7	103.1
6	Textile production, production of clothing, leather, leather goods and other materials	117.2	108.4	95.2	92.8	103.0	84.0	85.3	91.9	98.0	102.0	105.0	109.6	114.2
7	Production of wood products, paper, printing	74.6	60.9	75.2	112.3	157.7	98.0	93.6	87.2	93.3	98.3	98.0	101.7	106.4
8	Production of coke and petrochemicals	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Production of chemicals and chemical products	94.4	85.1	126.2	65.6	119.2	135.7	107.1	105.6	102.9	106.4	116.3	116.7	115.2
10	Production of rubber and plastic products, other nonmetallic mineral products	88.3	110.7	94.6	99.9	98.7	66.2	70.6	82.2	87.3	90.0	90.8	89.0	88.5
11	Metallurgical production, manufacturing of finished metal products, except machinery and equipment	108.1	113.5	122.5	121.6	101.1	84.9	87.1	87.2	84.1	84.4	82.8	82.9	86.3
12	Mechanical engineering, except for repair and installation of machinery and equipment	79.7	83.8	141.4	118.7	90.8	77.9	79.9	94.3	93.2	96.8	95.7	100.3	102.2
13	Electricity, gas, steam and conditioning air supply	94.9	93.7	105.9	94.8	105.0	99.4	96.8	94.5	94.3	94.4	95.0	95.4	95.6
14	Agricultural production index	98.4	99.4	102.5	88.5	122.8	113.1	109.7	107.1	105.4	105.1	104.5	113.1	101.2
15	Construction production index	69.5	95.4	114.7	108.9	123.8	111.4	117.1	116.3	113.8	114.1	110.4	106.2	99.2
16	Freight turnover	96.7	98.7	98.1	107.2	93.9	96.1	99.2	103.9	106.2	108.8	112.1	112.3	109.8
17	Passenger turnover	79.1	100.3	100.2	106.1	101.8	100.4	100.9	102.2	99.8	100.0	99.3	99.5	100.0
18	Volume index of retail trade turnover (in comparable prices, in percent)	99.3	85.3	103.0	112.3	107.3	107.9	105.6	106.9	107.0	115.6	116.3	116.2	114.2
19	Profit/loss of large and medium companies before tax (UAH million) ³	-5833.6	3719.0	6417.0	6955.0	...	...	...	...	...	...	...	...	...
20	Capital investment index	80.3	111.1	135.0	118.7	132.4	...	...	97.1	...	...	102.4	...	...
21	Consumer price index (compared with December of previous year)	124.2	143.8	112.7	114.6	109.7	100.7	100.9	102.0	102.9	103.4	103.1	103.0	102.7
22	Real disposable income	89.3	82.3	104.7	111.6	107.0 ²	...	...	...	...	...	...	...	...
23	Real wage index	93.7	78.2	109.7	124.8	111.4	109.2	109.2	110.5	110.8	110.3	109.5	109.9	109.5
24	Number of applicants per vacancy as of end of period	65	42	43	74	34	23	17	10	12	10	10	11	9

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