



National Bank  
of Ukraine

## Business Outlook Survey of Cherkasy Oblast\*

Q1 2020

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



\*This survey only reflects the opinions of respondents in Cherkasy oblast (top managers of companies) who were polled in Q1 2020, and does not represent NBU forecasts or estimates

A survey of companies carried out in **Cherkasy oblast** in Q1 2020 showed that respondents had positive expectations that the Ukrainian economy would grow, and that their companies would continue to develop over the next 12 months. Respondents reported moderate inflation. Depreciation expectations softened.<sup>1</sup>

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

- **the output of Ukrainian goods and services would increase:** the balance of expectations was 15.8% (compared to (-5.6%) 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 moderately:** 89.5% of respondents expected the inflation rate to be lower than 6.0% compared with 68.5% across Ukraine. Respondents referred to **production costs and exchange rate as the main inflation drivers** (Figure 2)
- **the domestic currency would depreciate at a slower pace:** 35.3% of respondents expected the hryvnia to weaken against the US dollar (compared with 56.3% in the previous quarter), with the figure across Ukraine being 65.2%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 11.8% (compared with 0.0% in the previous quarter and 16.9% across Ukraine) (see Table). At the same time, respondents from agricultural companies expected that their financial and economic standings would deteriorate
- **total sales would rise:** the balance of responses was 10.5% compared with (-15.8%) in Q4 2019. Respondents also expected an increase in external sales: the balance of responses was 14.3% compared with (-14.3%) in Q4 2019, across Ukraine the balances of responses being 23.0% and 17.5% respectively
- **the growth in investment in machinery, equipment, and tools would decelerate:** the balance of responses was 7.7% compared to 17.6% in the previous quarter. Investment in construction was expected to remain unchanged (as in the previous quarter): the balance of responses was 0.0%. Overall, respondents expected investment spending to rise across Ukraine, the balances of responses being 14.1% and 2.4% respectively
- **staff numbers at their companies would decrease at a slower pace:** the balance of responses was (-5.3%) compared with (-26.3%) in Q4 2019 and (-3.9%) across Ukraine (Figure 4). Respondents in the agricultural sector had the most pessimistic expectations, with a balance of responses of (-60.0%)
- **purchase prices would rise at a faster pace** (the balance of responses was 63.2%) than selling prices (the balance of responses was 26.3%) (Figure 6). The growth in prices would decelerate. Raw material and supplies prices and energy prices were cited as the main selling price drivers (Figure 7)
- **the growth in per-unit production costs would decelerate:** the balance of responses was 38.9% compared with 55.6% in Q4 2019. **Wage costs per staff member were expected to increase at a faster pace:** the balance of responses was 63.2% (44.4% in the previous quarter) (Figures 4 and 6).

Qualified staff shortages were named as **the main drag on the ability of companies to boost production** (Figure 5). The impact from weak demand and tax burden increased significantly.

Respondents expected a slower increase in their borrowing needs in the near future (Figure 8). The respondents who planned to take out corporate loans (50.0% of those surveyed) opted for domestic currency loans. Respondents said that lending standards had remained unchanged (Figure 9). Companies cited **high loan rates as the main factor that deterred them from taking out corporate loans** (Figure 10).

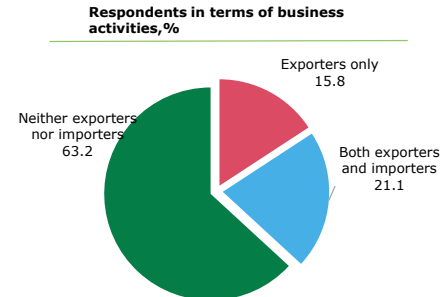
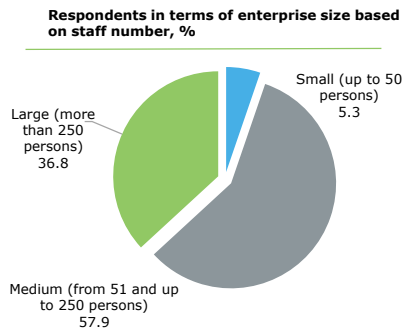
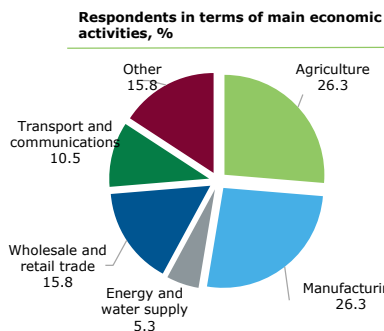
A total of **89.5% of respondents** said they had encountered no difficulties in effecting transactions with funds deposited in bank accounts (96.6% across Ukraine).

#### 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 5.6% compared with (-5.6%) in Q4 2019 and 9.7% across Ukraine.
- **Stocks of finished goods** continued to decrease and **were at a level lower than the normal one:** the balance of responses was (-8.3%) compared with 0.0% in Q4 2019.
- **Companies in the region had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 22.2% (compared with 27.8% in Q4 2019).

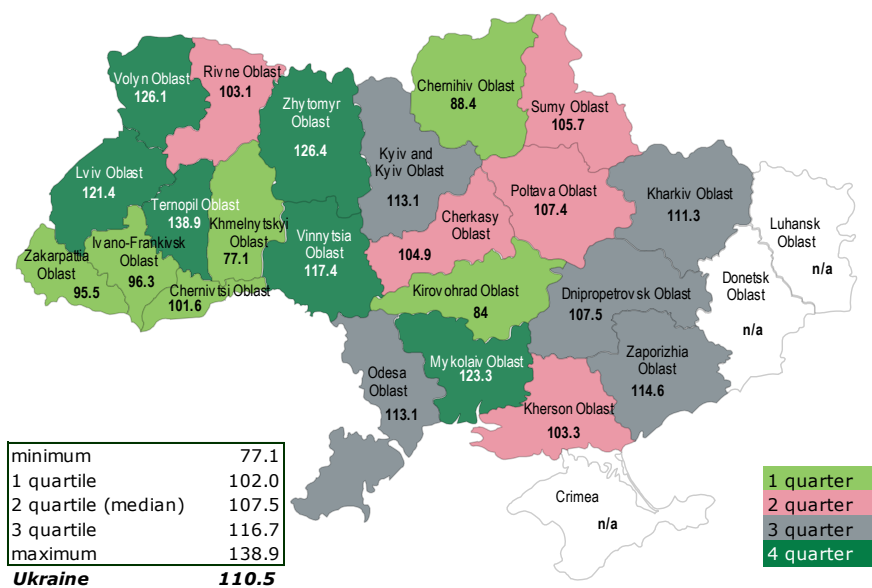
<sup>1</sup> This survey was carried out before quarantine measures were introduced.

Survey Details<sup>2,3</sup>



- Period: 4 February through 3 March 2020.
- A total of 19 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 Oblasts<sup>4</sup>, %



\*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 sample 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, %				
	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20
Financial and economic standings	46.7	25.0	22.2	0.0	11.8
Total sales	47.4	21.1	11.1	-15.8	10.5
Investment in construction	5.9	0.0	12.5	0.0	0.0
Investment in machinery, equipment and tools	11.8	14.3	12.5	17.6	7.7
Staff numbers	-5.3	-10.5	-16.7	-26.3	-5.3

<sup>2</sup> This sample was generated in proportion to the contribution of each oblast and each economic activity to Ukraine's gross value added.

<sup>3</sup> Data for totals and components may be subject to rounding effects.

<sup>4</sup> 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

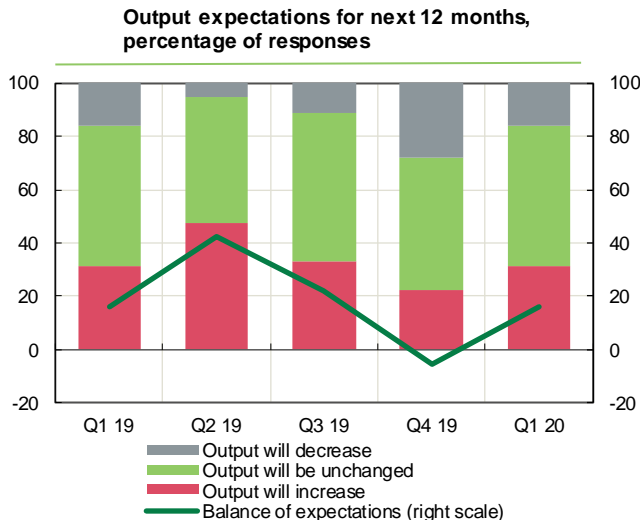


Figure 2

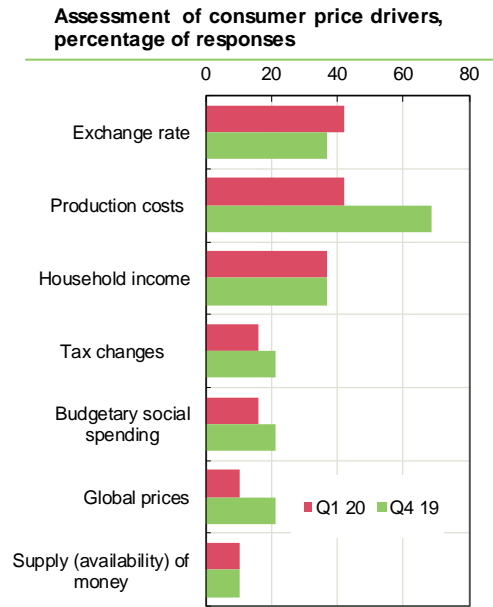


Figure 3

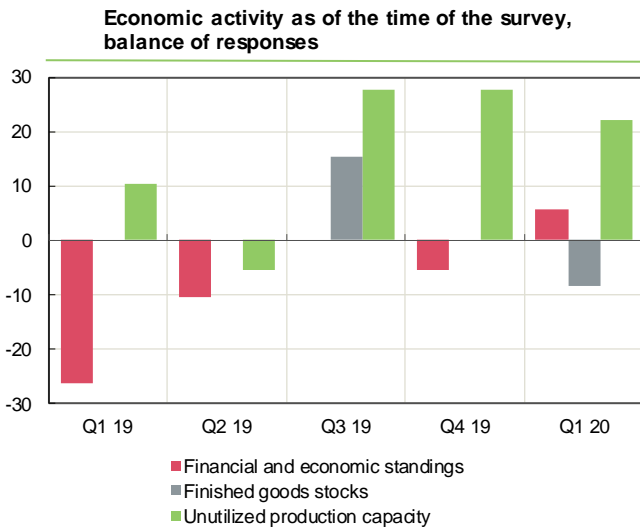


Figure 4



Figure 5

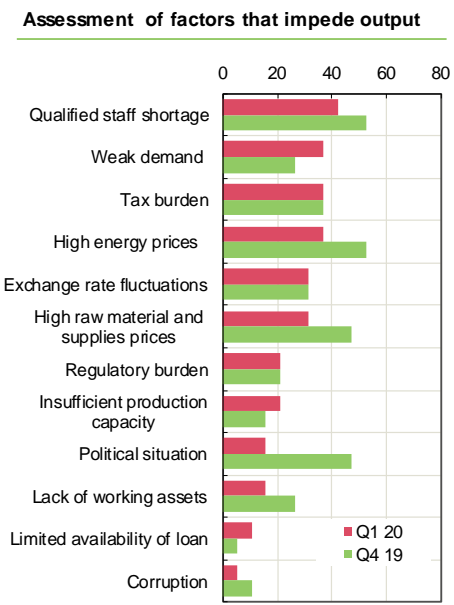


Figure 6

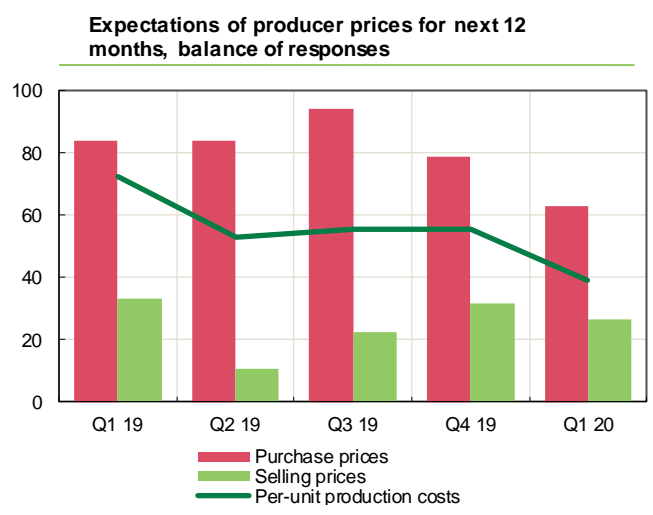


Figure 7

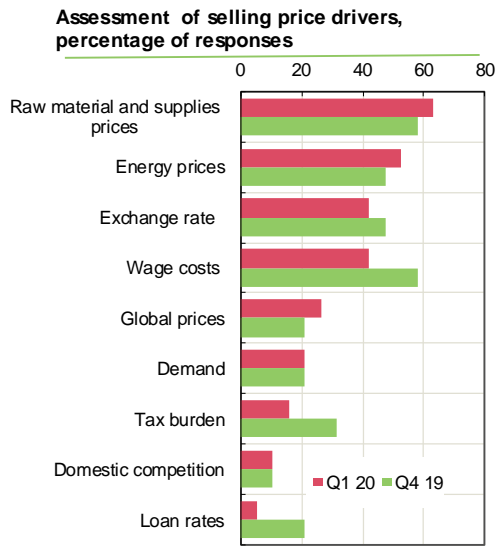


Figure 8

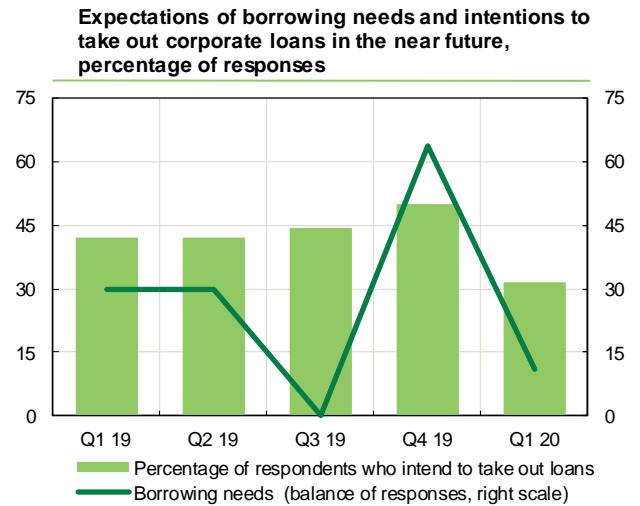


Figure 9

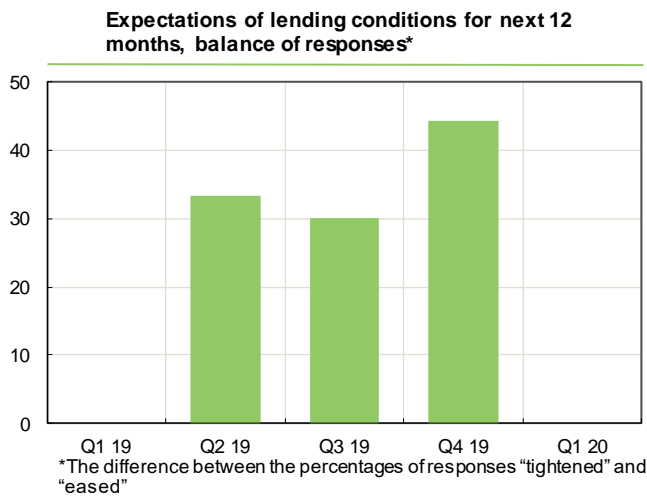


Figure 10

