



National Bank  
of Ukraine

## Business Outlook Survey of Cherkasy 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 Cherkasy oblast (top managers of companies) who were polled in Q2 2020, and does not represent NBU forecasts or estimates

A survey of companies carried out in **Cherkasy oblast** in Q2 2020 showed that respondents had positive expectations for the growth of the Ukrainian economy and the performance of their companies over the next 12 months. Respondents reported moderate inflation and depreciation expectations.<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** (this was expected by respondents from only one region): the balance of expectations was 10.5% compared to 15.8% in Q1 2020 (Figure 1). Respondents across Ukraine expected a drop in the output, the balance of responses being (-34.1%)
- **prices for consumer goods and services would grow moderately:** a total of 73.7% of respondents expected the inflation rate to be lower than 7.5% compared with 54.9% across Ukraine. Respondents referred to the hryvnia exchange rate as **the main inflation drivers** (Figure 2)
- **the domestic currency would depreciate at a moderate pace:** a total of 47.4% of respondents expected the hryvnia to weaken against the US dollar compared with 35.3% in the previous quarter, with the figure across Ukraine being 68.2%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 16.7% compared with 11.8% in the previous quarter. Companies across Ukraine expected a deterioration in their financial and economic standings, with the balance of responses of (-1.8%) (see Table)
- **total sales would rise:** the balance of responses was 15.8% compared with 10.5% in Q1 2020. External sales were expected to decrease (the balance of responses was (-14.3%) compared with 14.3% 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 construction would decrease:** the balance of responses was (-5.9%) compared to 0.0% in the previous quarter. **Investment in machinery, equipment and tools was expected to remain unchanged:** the balance of responses was 0.0%. Across Ukraine, respondents expected investment spending to decrease, the balances of responses being (-16.1%) and (-10.5%), respectively
- **staff numbers at their companies would decrease:** the balance of responses was (-16.7%) compared with (-5.3%) in Q1 2020 and (-17.3%) across Ukraine (Figure 4)
- **purchase prices would rise at a faster pace** (the balance of responses was 52.6%) **than selling prices** (the balance of responses was 10.5%) (Figure 6). The growth in prices would decelerate. Raw material and supplies prices were cited as the main selling price driver (Figure 7). The respondents said that the impact of demand increased significantly
- **per-unit production costs and wage costs per staff member would grow** at a moderate pace: the balances of responses were 29.4% and 16.7%, respectively, compared with 38.9% and 63.2% in Q1 2020 (Figures 4 and 6).

Raw material and supplies and weak demand were named as **the main drag on the ability of companies to boost production** (assessments of their impact increased) (Figure 5). The influence of the unstable political situation increased significantly.

**Respondents expected an increase in their borrowing needs** in the near future (Figure 8). All of the respondents planning to take out corporate loans opted for the domestic currency ones. Respondents said that lending standards had tightened (Figure 9). Companies cited **high loan rates as the main factor that deterred them from taking out corporate loans** (Figure 10).

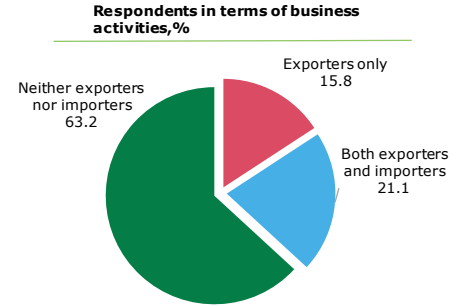
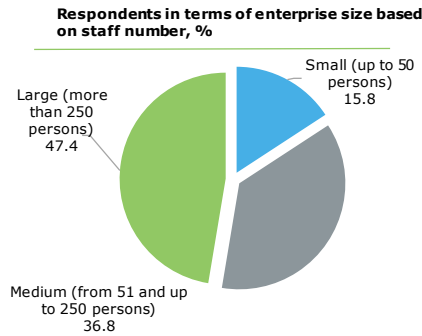
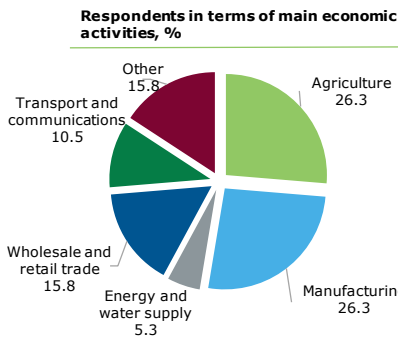
A total of **84.2% of respondents** said they had encountered no difficulties in effecting transactions with funds deposited in bank accounts (96.5% across Ukraine).

#### 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 (-31.6%) compared with 5.6% in Q1 2020 and (-11.6%) across Ukraine.
- **Stocks of finished goods increased and were at a level higher than the normal one:** the balance of responses was 8.3% compared with (-8.3%) in Q1 2020.
- **Companies in the region had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 29.4% compared with 22.2% in Q1 2020.

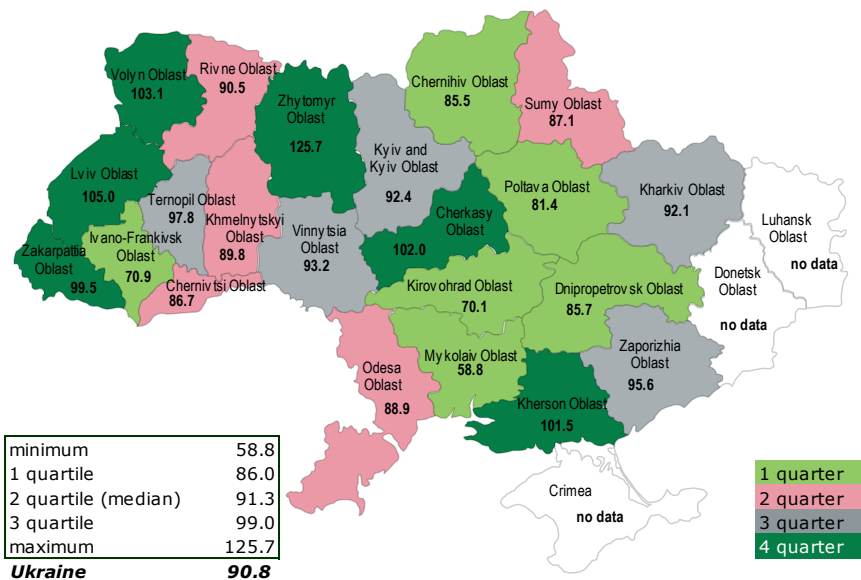
<sup>1</sup> This survey was conducted after the government announced it would relax the quarantine.

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



- Period: 5 May through 2 June 2020.
- A total of 19 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture and 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, %				
	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
Financial and economic standings	25.0	22.2	0.0	11.8	16.7
Total sales	21.1	11.1	-15.8	10.5	15.8
Investment in construction	0.0	12.5	0.0	0.0	-5.9
Investment in machinery, equipment and tools	14.3	12.5	17.6	7.7	0.0
Staff numbers	-10.5	-16.7	-26.3	-5.3	-16.7

<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 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

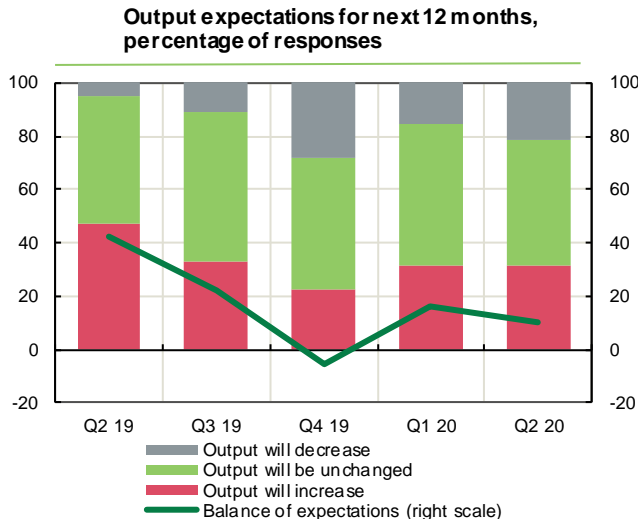


Figure 2

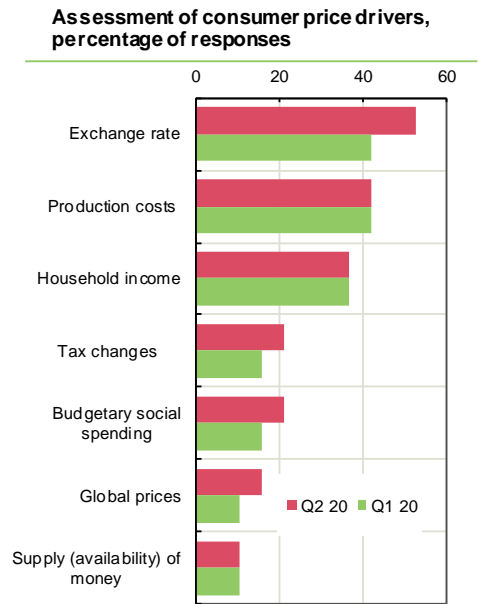


Figure 3

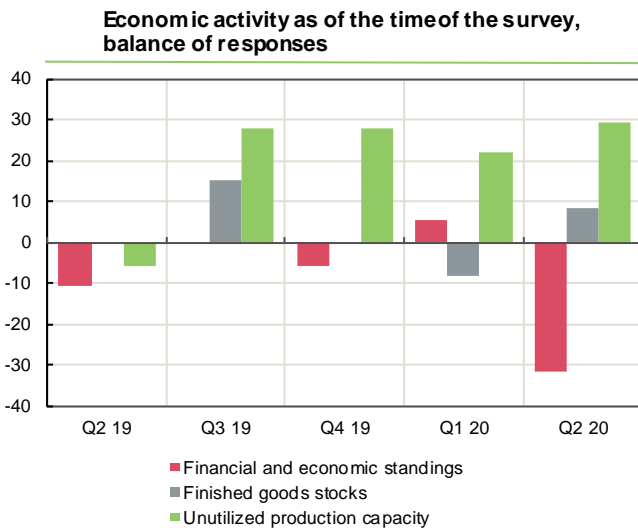


Figure 4

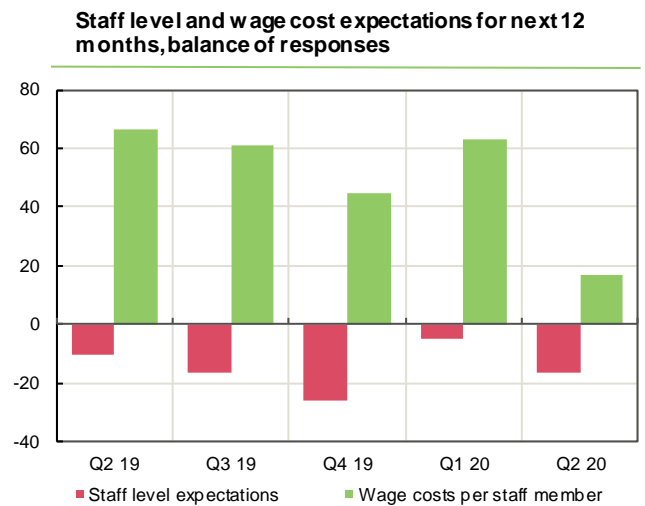


Figure 5

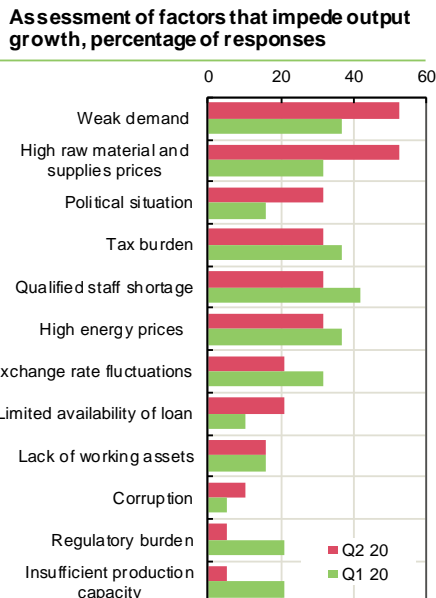


Figure 6

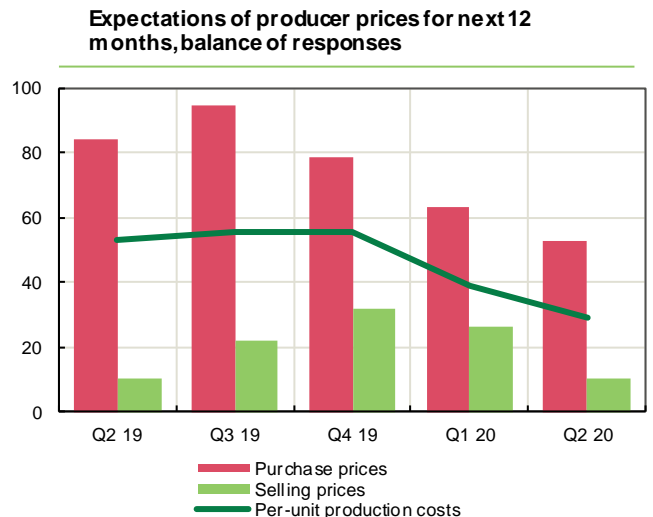


Figure 7

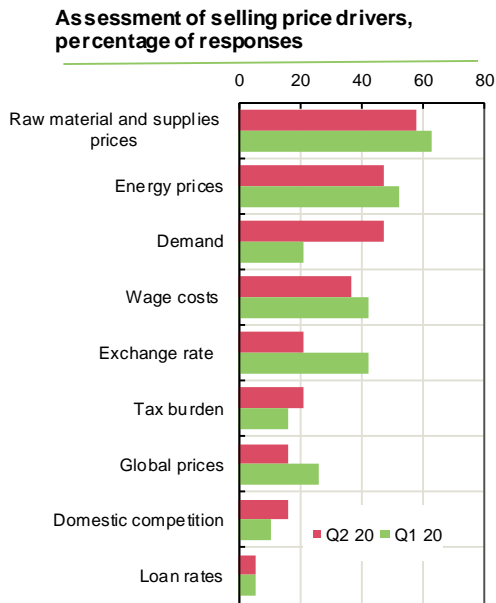


Figure 8

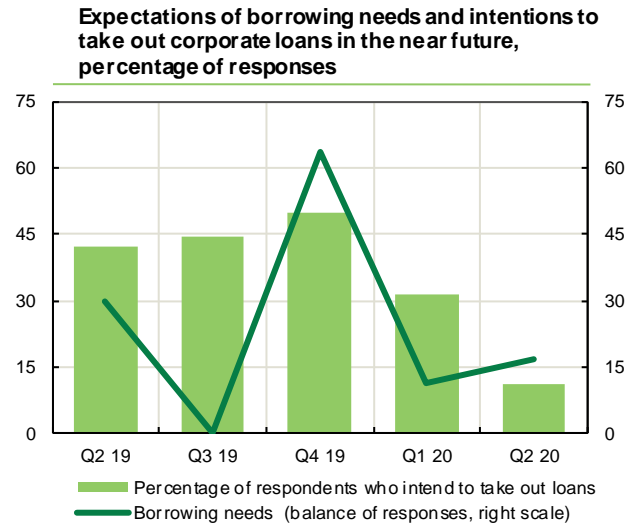


Figure 9

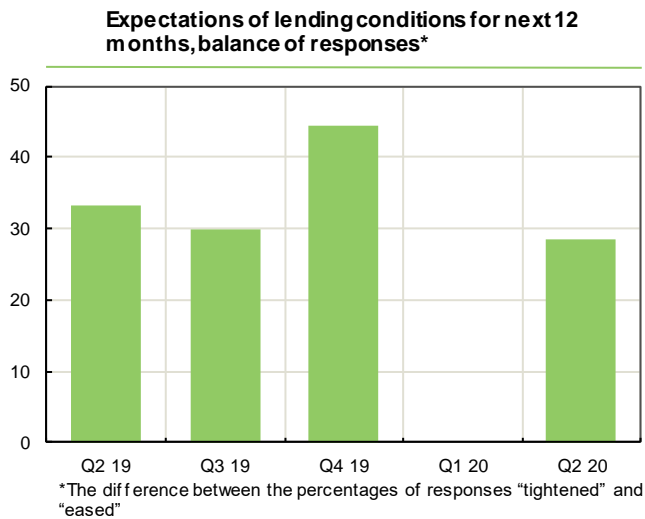


Figure 10

