



National Bank
of Ukraine

Business Outlook Survey of Chernivtsi Oblast*

Q3 2019



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

A survey of companies carried out in **Chernivtsi oblast** in **Q3 2019** showed that respondents had moderate expectations that the **Ukrainian economy would grow** and that their companies would continue to develop over the next 12 months. Inflation and depreciation expectations were reported to have softened.

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

- **the output of Ukrainian goods and services would remain unchanged:** the balance of expectations was 0.0% compared to 18.2% in Q2 2019 (Figure 1). Across Ukraine, respondents expected an increase in the output (with a balance of responses of 30.5%)
- **the growth in prices for consumer goods and services would decelerate:** 90.0% of respondents expected that inflation would not exceed 10.0% (compared with 81.8% in the previous quarter and 73.3% across Ukraine). Respondents referred to production costs and the hryvnia exchange rate **as the main inflation drivers** (Figure 2)
- **the domestic currency would depreciate at a slower pace:** 50.0% of respondents expected the hryvnia to weaken against the US dollar (compared with 81.8% in the previous quarter and 69.0% across Ukraine)
- **their current financial and economic standings would improve more slowly:** the balance of responses was 10.0% compared with 18.2% in Q2 2019 and 20.0% across Ukraine (see Table)
- **total sales would grow:** the balance of responses was 20.0% compared with 22.2% in the previous quarter and 27.1% across Ukraine. External sales were expected to remain unchanged: the balance of responses was 0.0% (compared with (-33.3%) in Q2 2019)
- **investment in construction and in machinery, equipment, and tools would increase:** the balances of responses were 22.2% and 11.1% respectively compared with 0.0% and 10.0% in the previous quarter and 9.3% and 17.7% across Ukraine
- **staff numbers would decrease further:** the balance of responses was (-22.2%) (compared to (-18.2%) in Q2 2019) (Figure 4). Across Ukraine, staff numbers were expected to increase (2.2%)
- **the growth in purchase and selling prices would decelerate:** the balances of responses were 50.0% and 44.4% respectively (compared to 81.8% and 54.5% in the previous survey) (Figure 6). The exchange rate was named as the most important source of selling price growth (Figure 7). The impact of raw material and supplies prices and wage costs was also said to be significant
- **per-unit production costs and wage costs per staff member would increase markedly:** the balances of responses were 60.0% and 70.0% respectively (compared to 50.0% and 45.5% in Q2 2019) (Figures 4 and 6).

The tax burden was **cited as the main drag on the ability of companies to boost production** (Figure 5). The impact of energy prices and raw material and supplies prices was also said to be significant.

A total of 20.0% of respondents who planned to take out loans opted for domestic currency loans. High loan rates were cited as the main deterrent to taking out corporate loans (Figure 9).

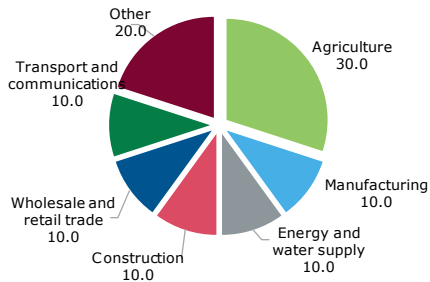
All of the respondents have for ten quarters in a row reported having **no difficulties in effecting transactions with funds deposited in bank accounts** (97.4% across Ukraine).

Assessments of financial and economic standings as of the time of the survey (Figure 3)

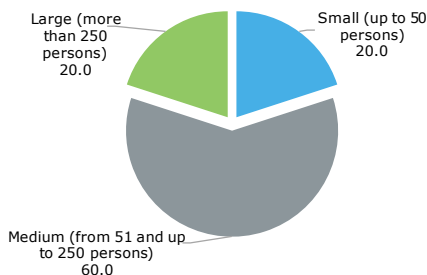
- **The current financial and economic standings of companies were assessed as good:** the balance of responses was 10.0% (compared with 18.2% in Q2 2019) and 9.5% across Ukraine.
- **Finished goods stocks decreased and were assessed to be at normal levels:** the balance of responses was 0.0% compared with 16.7% in Q2 2019.
- **Unutilized production capacity decreased.** Respondents said they would need additional capacity to meet any unexpected rise in demand: the balance of responses was (-20.0%) (compared with 0.0% in Q2 2019).

Survey Details^{1,2}

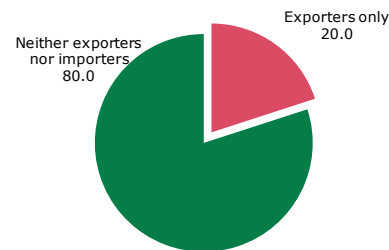
Respondents in terms of main economic activities, %



Respondents in terms of enterprise size based on staff number, %

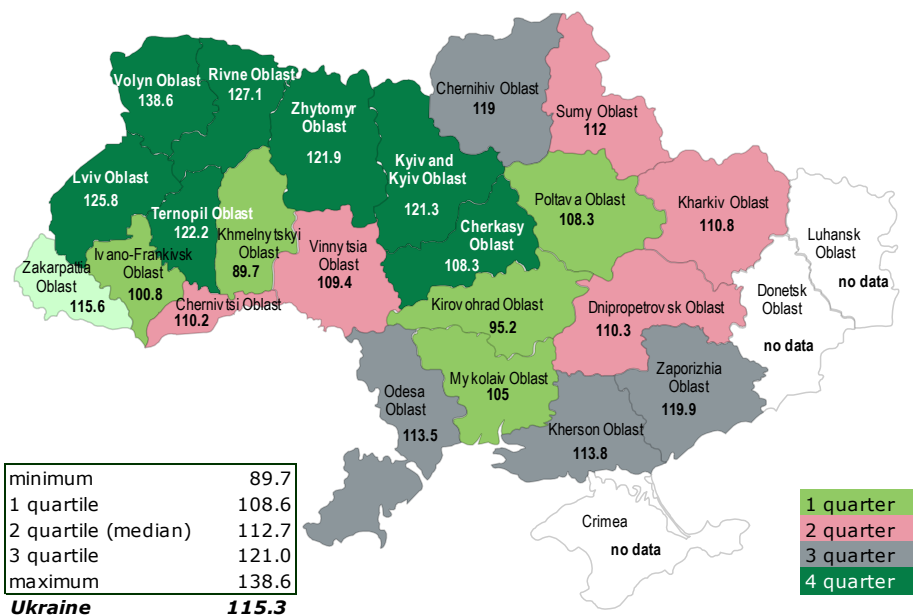


Respondents in terms of business activities, %



- Period: 7 August through 28 August 2019.
- A total of 10 companies were polled.
- No economic activity was able to generate a representative sample.

Business Outlook Index for Next 12 Months in Terms of Oblasts³, %



*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 Chernivtsi 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	30.0	12.5	-20.0	18.2	20.0
Total sales	40.0	22.2	20.0	22.2	20.0
Investment in construction	0.0	0.0	40.0	0.0	22.2
Investment in machinery, equipment and tools	20.0	44.4	20.0	10.0	11.1
Staff numbers	-20.0	11.1	-10.0	-18.2	-22.2

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

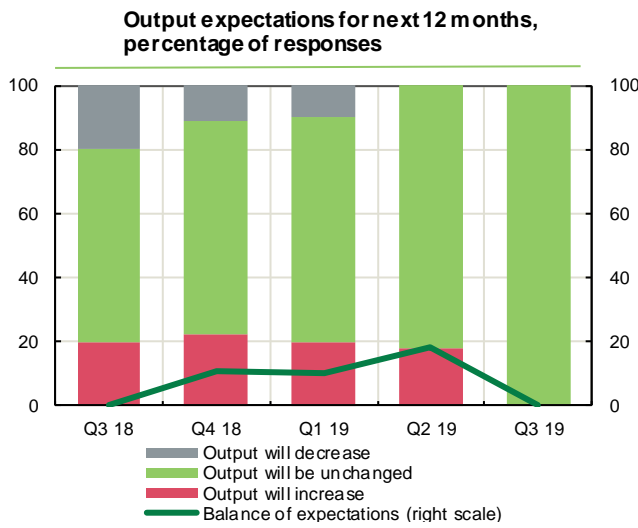


Figure 2

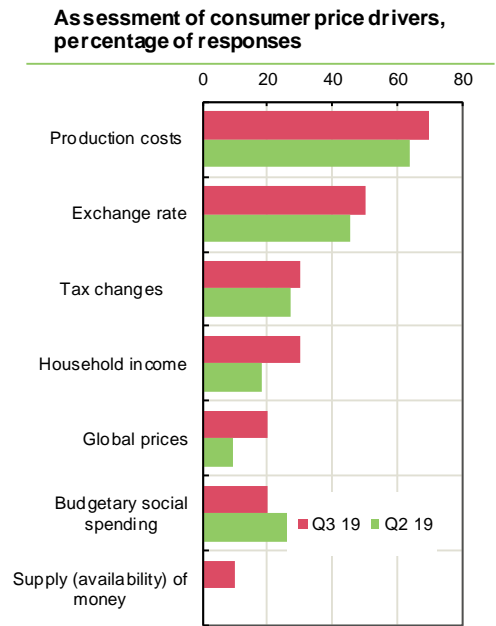


Figure 3

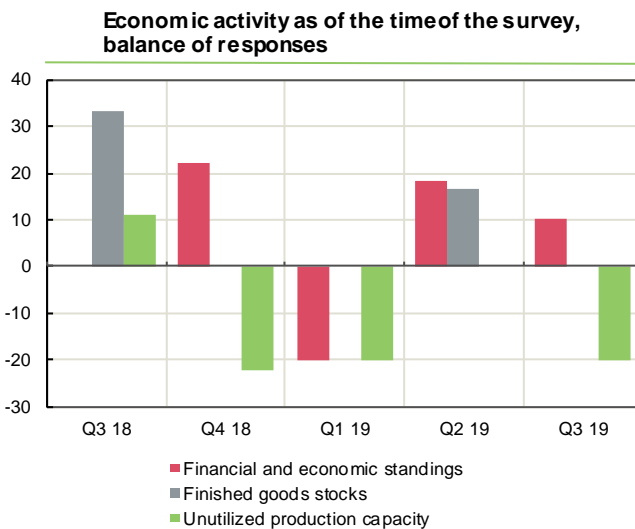


Figure 4

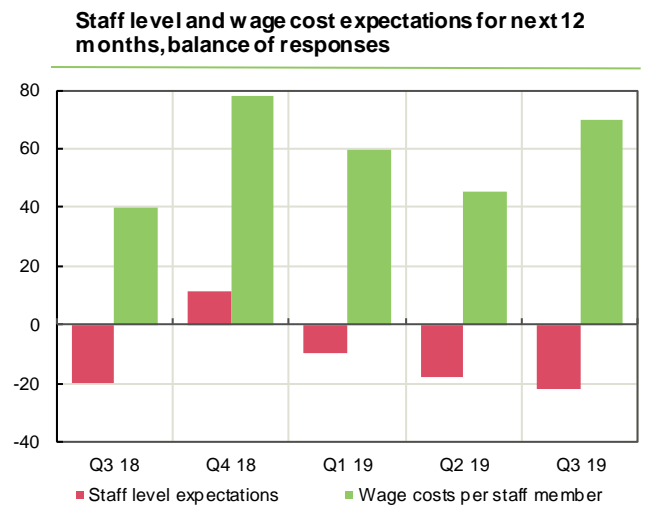


Figure 5

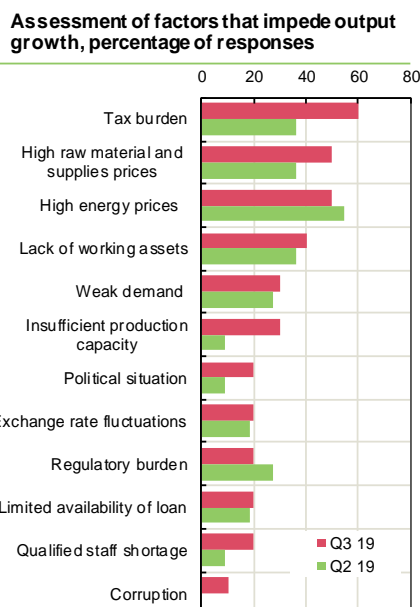


Figure 6

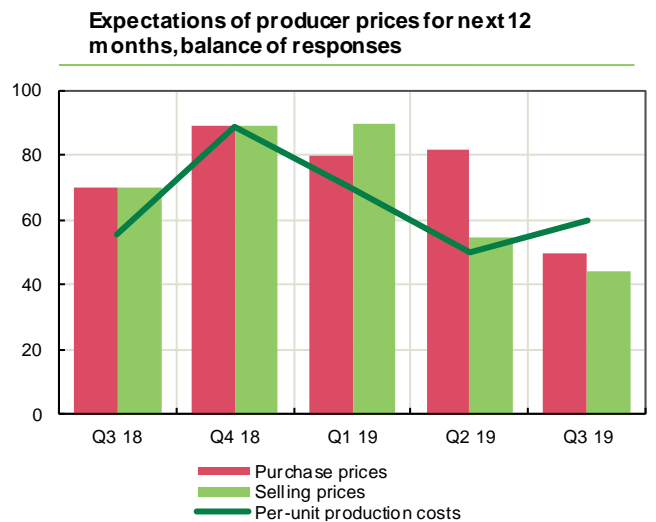


Figure 7

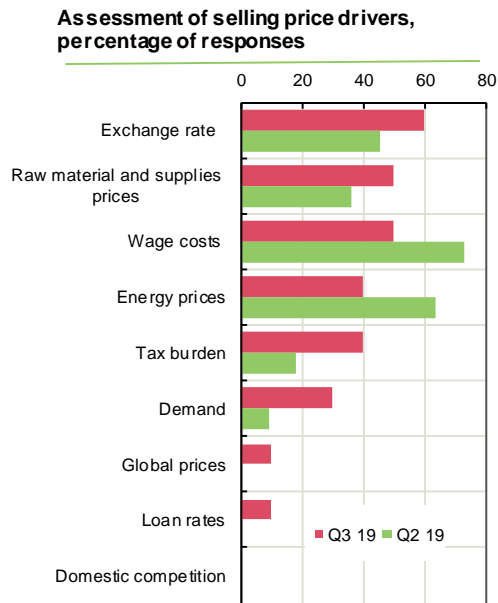


Figure 8

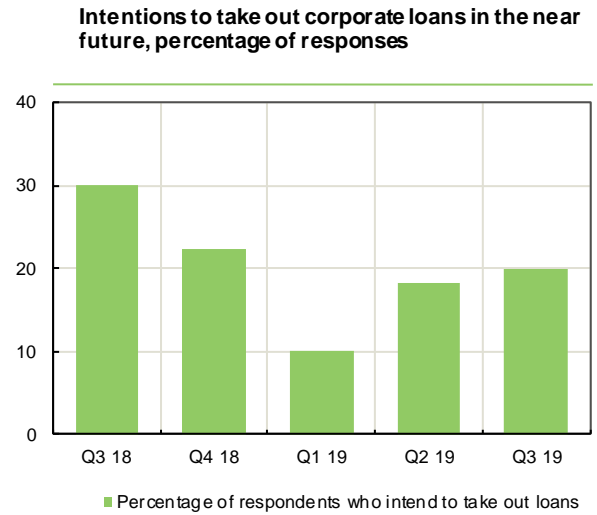
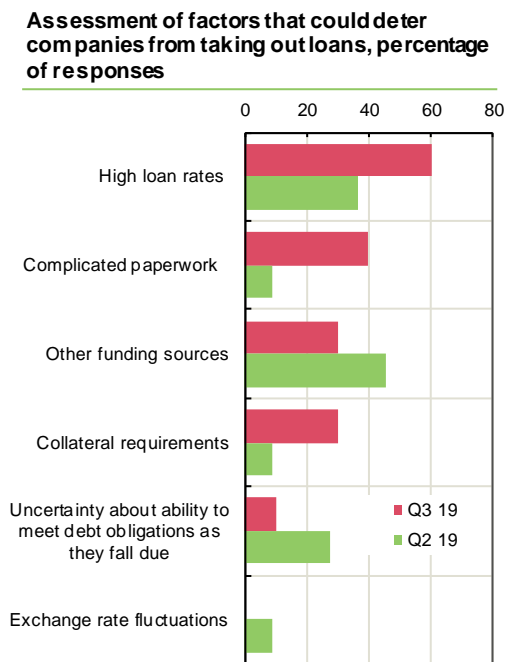


Figure 9



Key Indicators of Social and Economic Development of Chernivtsi 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)	98.3	94.7	99.4	103.5	104.5 ²	...	...	...	...	...	...	...	...
2	Industrial production index	92.9	98.3	96.9	106.7	105.8	99.6	103.1	102.1	103.5	106.6	105.5	103.5	100.8
3	Mining and quarrying	89.9	147.8	82.3	116.9	90.3	78.3	89.3	87.3	101.6	94.3	86.6	89.1	89.1
4	Manufacturing	91.2	91.4	96.2	106.9	107.8	105.4	110.6	112.8	113.0	111.3	108.2	107.3	104.3
5	Production of food, beverages and tobacco	99.9	93.0	92.1	100.5	97.5	104.5	115.6	130.6	130.3	124.2	120.3	115.9	106.4
6	Textile production, production of clothing, leather, leather goods and other materials	98.1	108.4	89.5	118.6	68.4	49.7	52.3	55.7	59.3	65.1	65.2	66.2	63.2
7	Production of wood products, paper, printing	105.8	98.8	109.1	95.7	99.0	98.4	102.3	103.0	100.4	98.9	93.5	94.9	93.0
8	Production of coke and petrochemicals	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Production of chemicals and chemical products	65.5	43.6	100.8	90.0	80.6	49.6	54.4	84.3	81.6	92.5	95.5	92.1	93.7
10	Production of rubber and plastic products, other nonmetallic mineral products	100.6	86.6	98.1	107.2	105.4	71.2	91.4	93.8	104.2	102.3	96.8	96.0	96.9
11	Metallurgical production, manufacturing of finished metal products, except machinery and equipment	101.2	82.2	99.5	99.2	123.3	111.9	65.9	67.9	78.2	72.1	60.9	66.6	67.9
12	Mechanical engineering, except for repair and installation of machinery and equipment	66.5	80.6	93.7	118.6	175.6	154.7	165.7	159.4	153.8	151.8	152.4	150.6	145.9
13	Electricity, gas, steam and conditioning air supply	97.6	111.5	99.5	105.4	103.5	92.9	93.4	88.2	90.3	100.1	102.4	98.2	95.6
14	Agricultural production index	104.2	91.1	100.0	105.3	105.3	103.7	103.1	103.7	102.5	102.0	100.0	104.0	100.2
15	Construction production index	83.4	89.0	99.5	109.1	93.3	47.3	38.8	95.0	101.6	101.8	106.9	121.5	123.3
16	Freight turnover	93.6	97.9	106.5	108.5	113.6	123.1	121.0	119.7	120.3	119.5	118.6	118.9	117.7
17	Passenger turnover	105.2	86.3	63.5	101.2	113.7	95.1	94.0	95.0	93.6	92.8	93.1	93.6	93.5
18	Volume index of retail trade turnover (in comparable prices, in percent)	99.7	86.3	99.7	104.9	105.2	105.8	106.6	105.4	103.9	100.8	101.0	100.0	99.4
19	Profit/loss of large and medium companies before tax (UAH million) ³	-910.2	417.8	426.7	-227.8	...	...	...	...	...	...	...	...	...
20	Capital investment index	63.9	132.4	85.9	106.4	106.7	...	...	123.1	...	...	125.7	...	...
21	Consumer price index (compared with December of previous year)	123.5	142.0	111.0	112.4	108.7	100.9	101.5	102.3	103.0	104.1	103.1	102.6	102.3
22	Real disposable income	85.7	87.2	105.2	113.4	107.1 ²	...	...	...	...	...	...	...	...
23	Real wage index	93.2	78.1	112.1	129.1	112.7	109.4	109.3	108.8	109.6	108.9	108.7	109.2	109.1
24	Number of applicants per vacancy as of end of period	23	17	11	5	4	5	5	4	4	4	4	3	3

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