



National Bank
of Ukraine

Business Outlook Survey of Chernivtsi Oblast*

Q1 2020

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



*This survey only reflects the opinions of respondents in Chernivtsi 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 **Chernivtsi oblast** in **Q1 2020** showed that respondents had moderate expectations that the **Ukrainian economy would grow** and that their companies would develop over the next 12 months. Respondents reported high level of inflation and depreciation expectations.¹

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

- **the output of Ukrainian goods and services would increase moderately:** the balance of expectations was unchanged compared to the previous quarter, at 9.1% (Figure 1) and 10.4% across Ukraine
- **prices for consumer goods and services would grow:** 63.6% of respondents expected that inflation would not exceed 6.0% compared with 68.5% across Ukraine. Respondents referred to production costs **as the main inflation driver** (mentioned by 81.8% of respondents) (Figure 2)
- **the domestic currency would depreciate:** 45.5% of respondents expected the hryvnia to weaken against the US dollar (as in the previous quarter) compared with 65.2% across Ukraine
- **their current financial and economic standings would improve** more slowly: the balance of expectations was 9.1% compared to 20.0% in Q4 2019 and 16.9% across Ukraine (see Table)
- **total sales would increase:** the balance of responses was 9.1% (unchanged compared to the previous quarter), across Ukraine – 23.0%. External sales were expected to remain unchanged (such expectations have been reported for three quarters in a row): the balance of responses was 0.0%. Across Ukraine, respondents expected external sales to rise, the balance of responses being 17.5%
- **investment in construction would increase:** the balance of responses was 10.0% compared with 0.0% in the previous quarter. **Investment in machinery, equipment, and tools was expected to remain unchanged:** the balance of responses was 0.0% compared with (-11.1%) in Q4 2019. Overall, respondents expected investment spending to rise across Ukraine, the balances of responses being 2.4% and 14.1% respectively
- **staff numbers would decrease at a faster pace:** the balance of responses was (-20.0%) compared to (-9.1%) in Q4 2019 and (-3.9%) across Ukraine (Figure 4)
- **the growth in purchase and selling prices would accelerate:** the balances of responses were 72.7% and 63.6% respectively (compared with 63.6% and 45.5% in the previous quarter). Wage costs was cited as the main selling price driver (Figure 7)
- **the growth in per-unit production costs and wage costs per staff member would speed up markedly:** the balances of responses were 54.5% and 90.9% respectively (compared with 22.2% and 54.5% in Q4 2019) (Figures 4 and 6).

High energy prices were mentioned as **the main drag on the ability of the companies to boost production**. The impact of raw material and supplies prices and regulatory burden strengthened noticeably (Figure 5).

Companies that planned to take out corporate loans opted for domestic currency loans only. Other funding sources were cited as the main deterrent to taking out corporate loans (Figure 9).

A total of 90.9% respondents have reported having **no difficulties in effecting transactions with funds deposited in bank accounts** (96.6% across Ukraine).

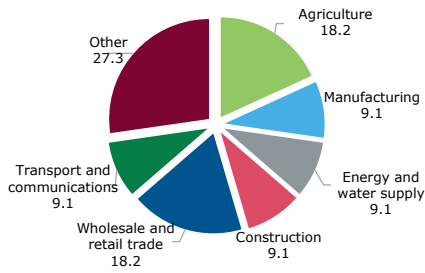
Assessments of financial and economic standings as of the time of the survey (Figure 3)

- **The current financial and economic standings of companies were assessed as good:** the balance of responses was 9.1% (as in the previous quarter) and 9.7% across Ukraine.
- **Stocks of finished goods** decreased and **were assessed to be at normal levels:** the balance of responses was 0.0% (compared with 20.0% in Q4 2019).
- **Companies were operating on the verge of their production capacity:** the balance of responses was 0.0% (compared with (-9.1%) in Q4 2019).

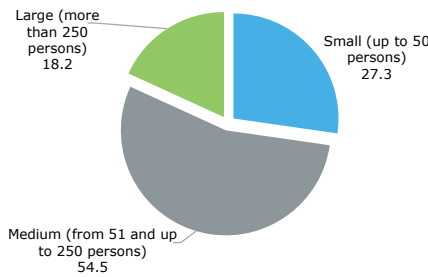
¹ This survey was carried out before quarantine measures were introduced.

Survey Details^{2,3}

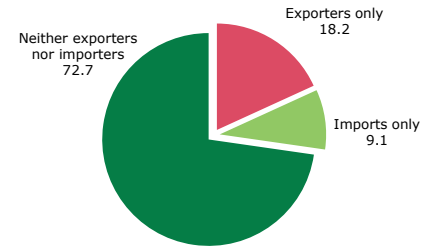
Respondents in terms of main economic activities, %



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

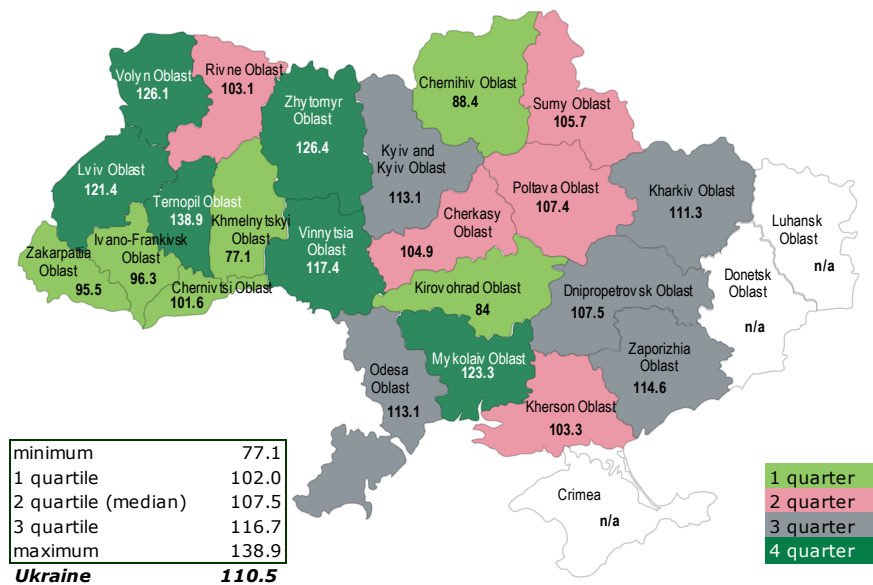


Respondents in terms of business activities, %



- Period: 4 February through 4 March 2020.
- A total of 11 companies were polled.
- No economic activity was able to generate a representative sample.

Business Outlook Index for Next 12 Months in Terms of Oblasts⁴, %



*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 Chernivtsi 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	-20.0	18.2	20.0	20.0	9.1
Total sales	20.0	22.2	20.0	9.1	9.1
Investment in construction	40.0	0.0	22.2	0.0	10.0
Investment in machinery, equipment and tools	20.0	10.0	11.1	-11.1	0.0
Staff numbers	-10.0	-18.2	-22.2	-9.1	-20.0

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

³ Data for totals and components may be subject to rounding effects.

⁴ 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

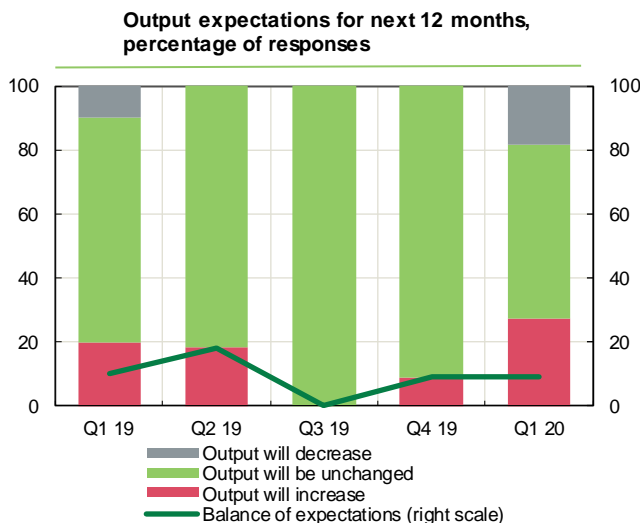


Figure 2

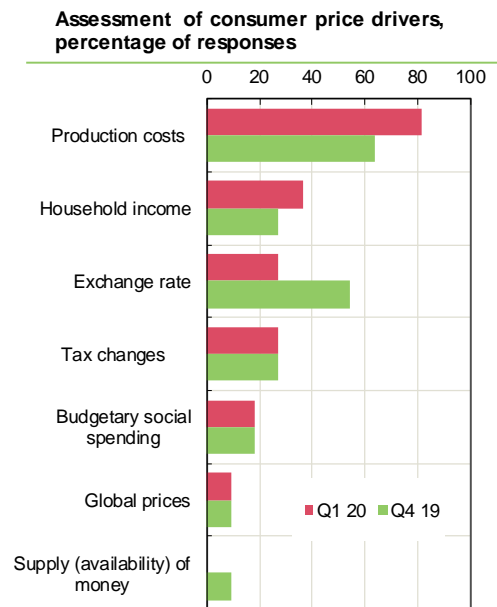


Figure 3

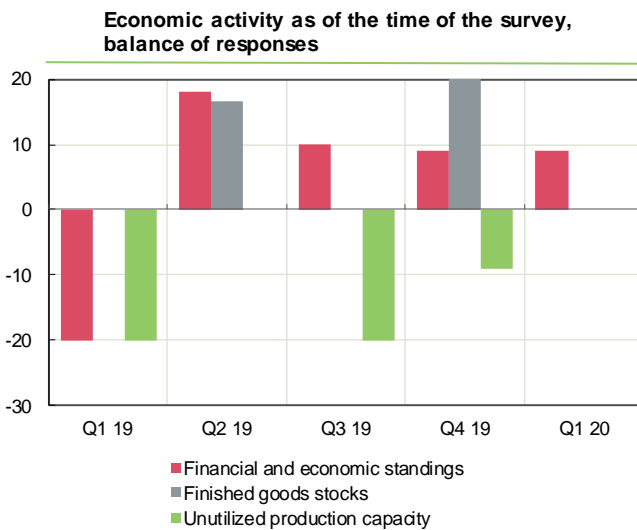


Figure 4

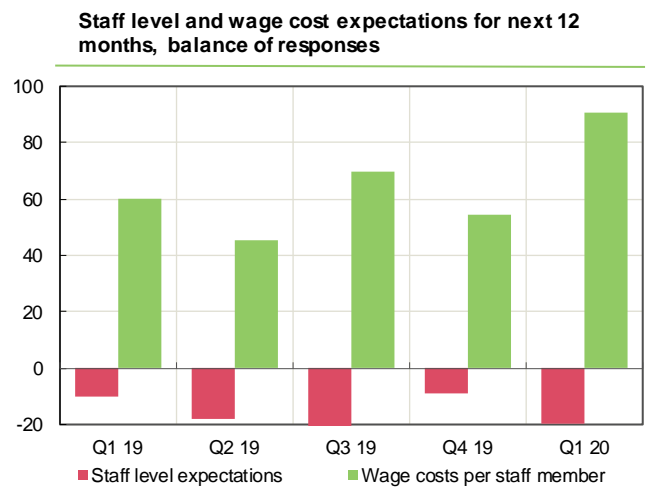


Figure 5

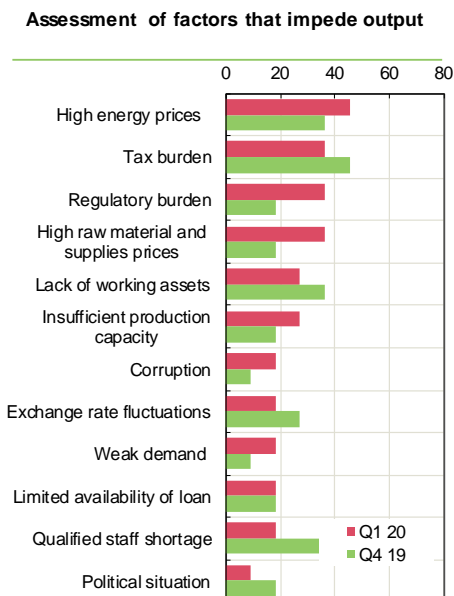


Figure 6

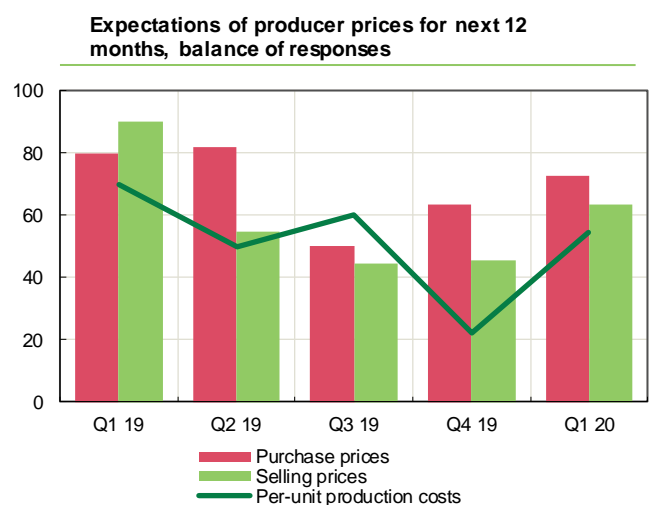


Figure 7

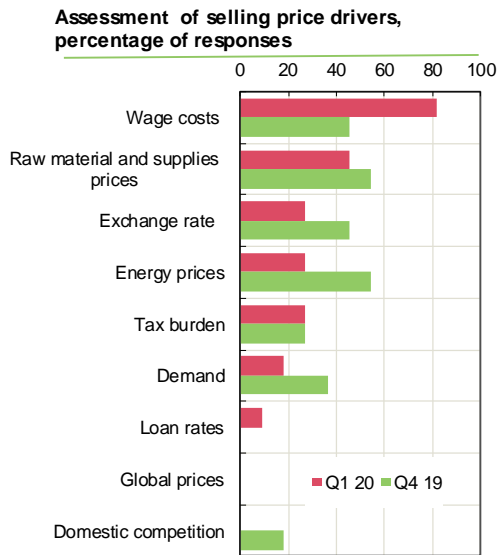


Figure 8

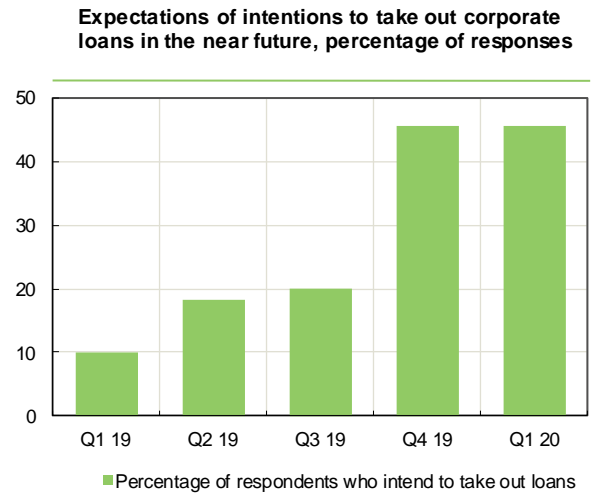


Figure 9

