



National Bank
of Ukraine

Business Outlook Survey of Chernivtsi 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 Chernivtsi 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 **Chernivtsi oblast** in Q2 2020 showed that respondents expected a drop in the output of Ukrainian goods and services over the next 12 months and had moderate expectations for the performance of their companies over the next 12 months, on the back of the quarantine imposed. Respondents expected an increase in prices and domestic currency depreciation.¹

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

- **the output of Ukrainian goods and services would drop:** the balance of expectations was (-27.3%) compared with 9.1% in Q1 2020 (Figure 1) and (-34.1%) across Ukraine
- **prices for consumer goods and services would grow:** a total of 54.5% of respondents expected that inflation would not exceed 7.5% compared with 54.9% across Ukraine. Respondents referred to production costs and the hryvnia exchange rate **as the main inflation drivers** (Figure 2)
- **the domestic currency would depreciate:** 54.5% of respondents (compared with 45.5% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 68.2%
- **the financial and economic standings of their companies would remain at their current levels:** the balance of expectations was 0.0% compared with 9.1% in Q1 2020. 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 decrease:** the balance of responses was (-27.3%) compared with 9.1% in Q1 2020. Respondents also expected a drop in external sales, the balance of responses being (-66.7%) compared with 0.0% 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 and in machinery, equipment, and tools would decrease:** the balances of responses were (-10.0%) and (-20.0%), respectively, compared with 10.0% and 0.0% in the previous quarter. The balances of responses across Ukraine were (-16.1%) and (-10.5%), respectively
- **staff numbers would decrease:** the balance of responses was (-9.1%) compared to (-20.0%) in Q1 2020 and (-17.3%) across Ukraine (Figure 4)
- **purchase prices would rise at a faster pace** (the balance of responses was 70.0%) **than selling prices** (the balance of responses was 27.3%) (Figure 6). Raw material and supplies prices and the hryvnia exchange rate were referred to as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would grow:** the balances of responses were 54.5% and 36.4%, respectively, compared with 54.5% and 90.9% in Q1 2020 (Figures 4 and 6).

High raw material and supplies prices were mentioned as **the main drag on the ability of the companies to boost production** (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).

All of the respondents reported that they had encountered **no difficulties in effecting transactions with funds deposited in bank accounts** (96.5% across Ukraine).

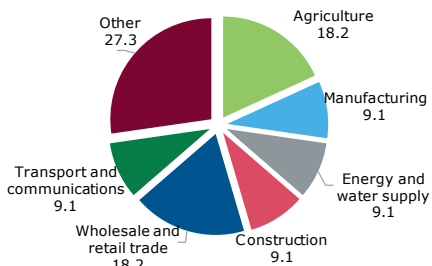
Assessments of financial and economic standings as of the time of the survey (Figure 3)

- **The current financial and economic standings of companies deteriorated and were assessed as bad:** the balance of responses was (-18.2%) compared with 9.1% in the previous quarter and (-11.6%) across Ukraine.
- **Finished goods stocks had increased significantly and were assessed at a level higher than the normal one:** the balance of responses was 50.0% compared with 0.0% in Q1 2020
- **Spare production capacity increased. Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 9.1% compared to 0.0% in Q1 2020.

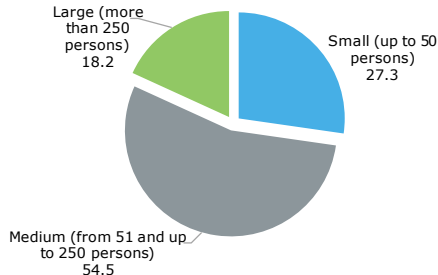
¹ This survey was conducted after the government announced it would relax the quarantine.

Survey Details^{2,3}

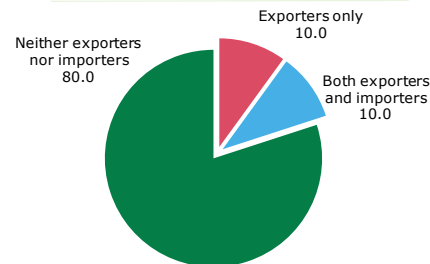
Respondents in terms of main economic activities, %



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

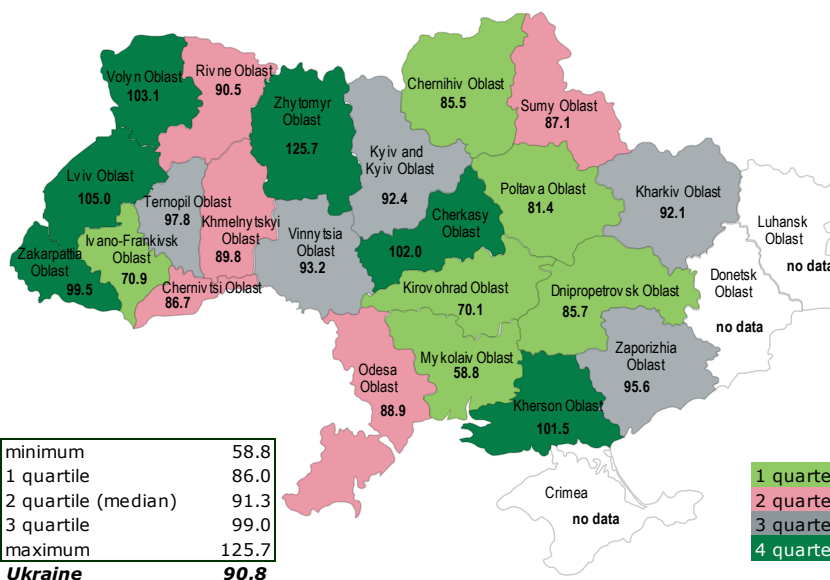


Respondents in terms of business activities, %



- Period: 5 through 28 May 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 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, %				
	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
Financial and economic standings	18.2	20.0	20.0	9.1	0.0
Total sales	22.2	20.0	9.1	9.1	-27.3
Investment in construction	0.0	22.2	0.0	10.0	-10.0
Investment in machinery, equipment and tools	10.0	11.1	-11.1	0.0	-20.0
Staff numbers	-18.2	-22.2	-9.1	-20.0	-9.1

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 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

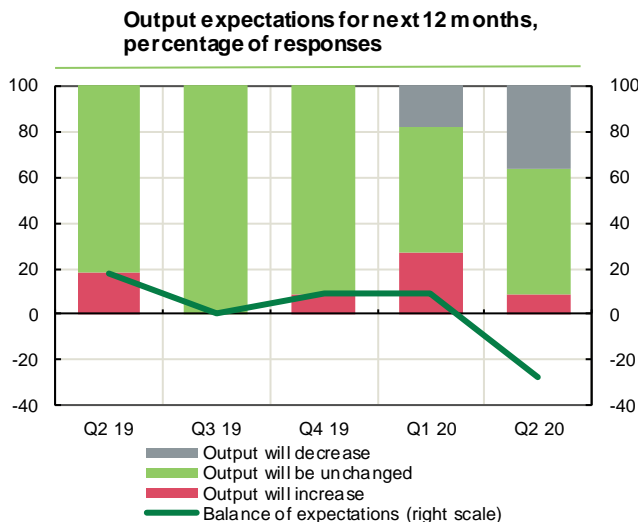


Figure 2

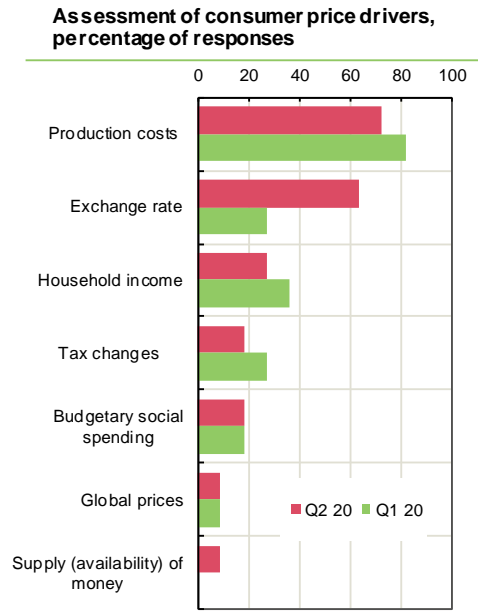


Figure 3

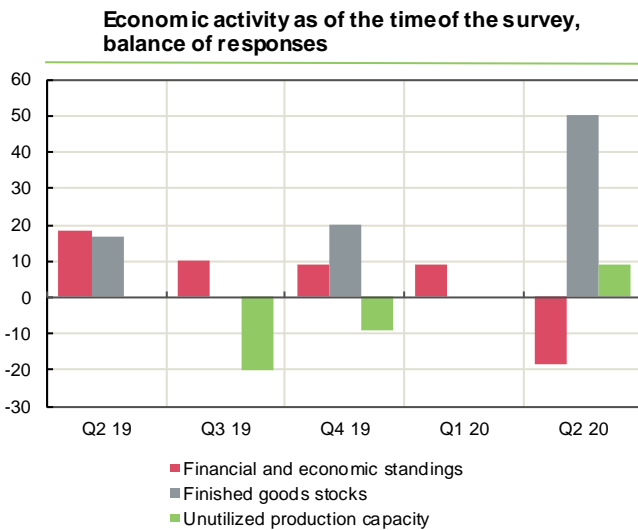


Figure 4



Figure 5

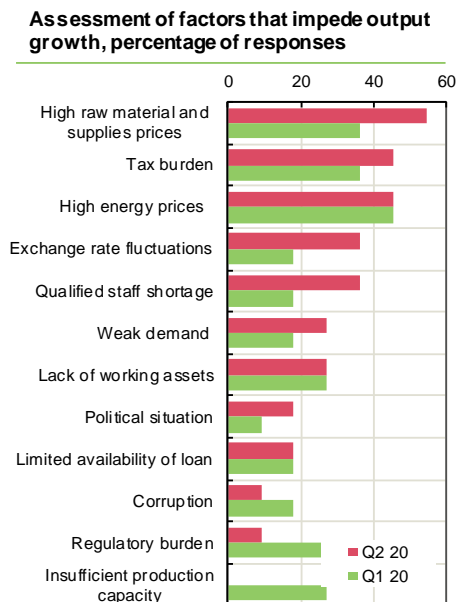


Figure 6

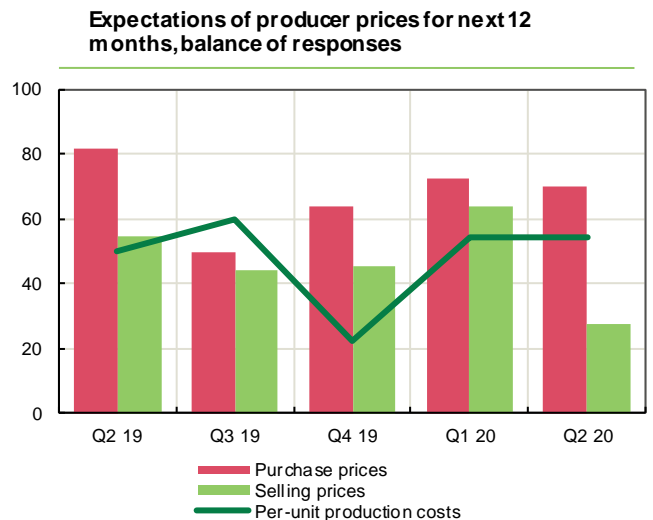


Figure 7

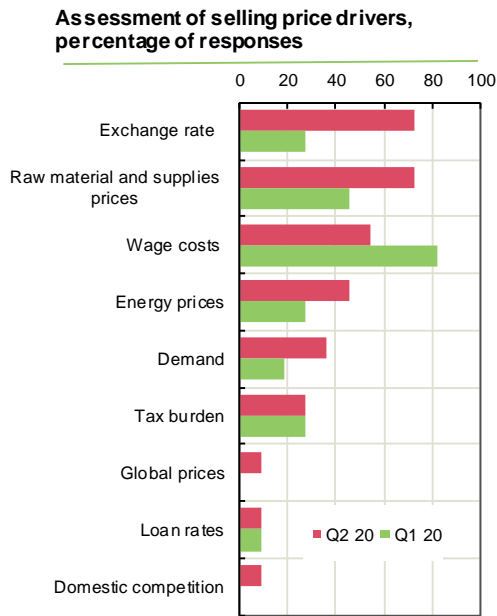


Figure 8

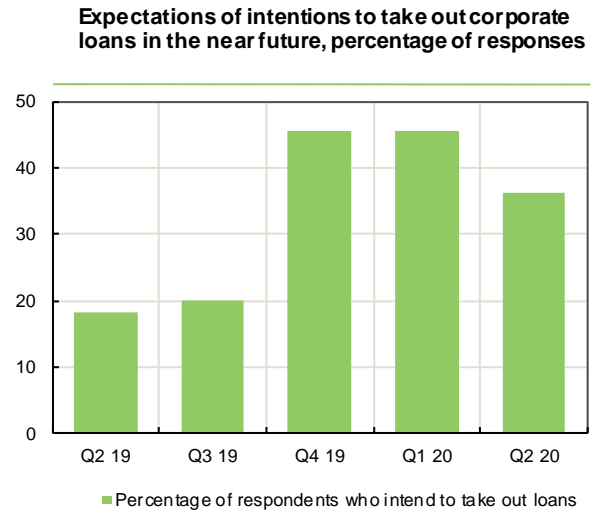


Figure 9

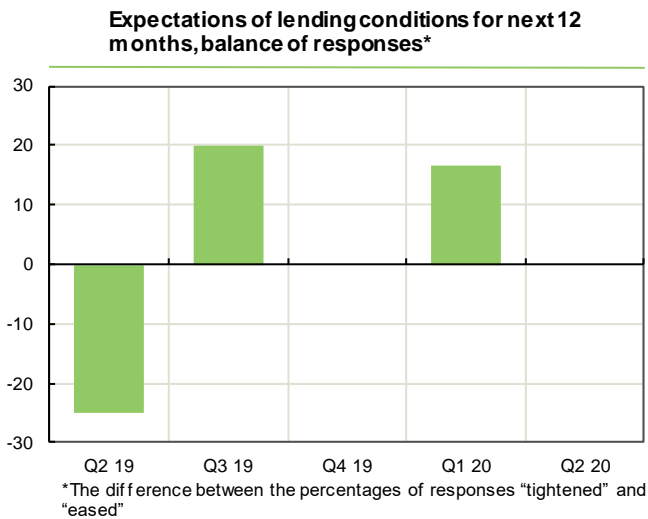


Figure 10

