



National Bank
of Ukraine

Business Outlook Survey of Chernivtsi Oblast*

Q3 2020



*This survey only reflects the opinions of respondents in Chernivtsi oblast (top managers of companies) who were polled in Q3 2020, and does not represent NBU forecasts or estimates

A survey of companies carried out in **Chernivtsi oblast** in Q3 2020 showed that respondents expected the output of Ukrainian goods and services to decrease more slowly over the next 12 months amid the adaptive quarantine regime. At the same time, they had positive expectations for the performance of their companies. Respondents reported moderate inflation expectations. Depreciation expectations were high.

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

- **the output of Ukrainian goods and services would drop** at a slower pace: the balance of expectations was (-9.1%) compared with (-27.3%) in Q2 2020 (Figure 1) and (-16.1%) across Ukraine
- **prices for consumer goods and services would grow moderately:** a total of 81.8% of respondents expected that inflation would not exceed 7.5% compared with 54.5% in the previous quarter and 55.6% across Ukraine. Respondents referred to production costs **as the main inflation driver** (Figure 2)
- **the domestic currency would depreciate significantly:** 90.0% of respondents (compared with 54.5% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 83.2%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 9.1% compared with 0.0% in Q2 2020 and 4.4% across Ukraine (see Table)
- **total sales would increase:** the balance of responses was 9.1% compared with (-27.3%) in Q2 2020. External sales were expected to remain unchanged, the balance of responses being 0.0% compared with (-66.7%) in Q2 2020. Overall, companies across Ukraine expected sales to increase, the balances of responses being 9.8% and 4.3% respectively
- **investment in construction would remain unchanged:** the balance of responses was 0.0% compared to (-10.0%) in the previous quarter. Investment in machinery, equipment and tools was expected to decrease: the balance of responses was (-10.0%) compared with (-20.0%) in the previous quarter. The balances of responses across Ukraine were (-4.7%) and 5.2% respectively
- **staff numbers would decrease:** the balance of responses was (-10.0%) compared to (-9.1%) in Q2 2020 and (-10.8%) across Ukraine (Figure 4)
- **both purchase and selling prices would rise slightly:** the balances of responses were 45.5% and 36.4% respectively (compared with 70.0% and 27.3% respectively in Q2 2020) (Figure 6). Wage costs and energy prices were referred to as the main selling price drivers (the impact of these factors was reported to have increased) (Figure 7)
- **per-unit production costs would grow:** the balance of responses was 54.5% (as in the previous quarter) and 36.4%, respectively, compared with 54.5% and 90.9% in Q2 2020. **Wage costs per staff member were expected to increase at a significantly faster pace:** the balance of responses was 81.8% (36.4% in the previous quarter) (Figures 4 and 6).

A lack of working assets and qualified staff shortages were mentioned as **the main drags on the ability of the companies to boost production** (the impact of these factors was reported to have increased) (Figure 5). The impact of companies' limited ability to take out loans strengthened noticeably.

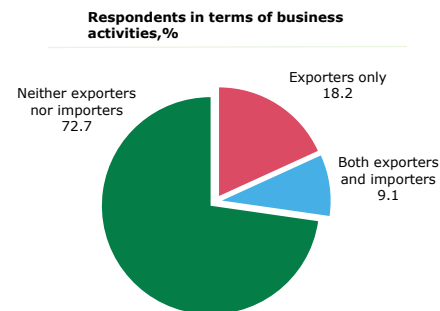
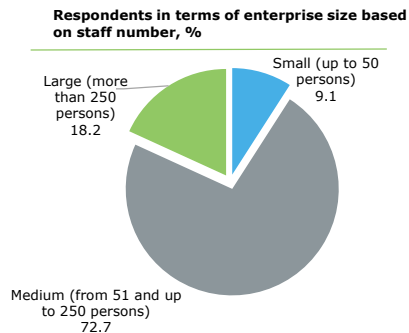
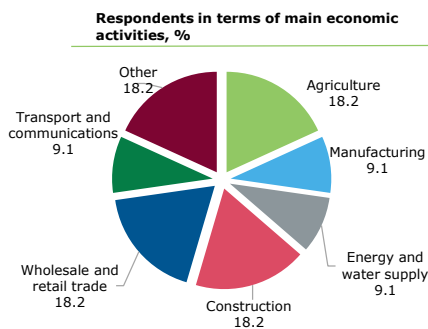
The companies that planned to take out corporate loans opted for domestic currency loans only. Other funding sources were cited as the main deterrent to taking out corporate loans (Figure 9).

90.9% of the respondents reported that 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)

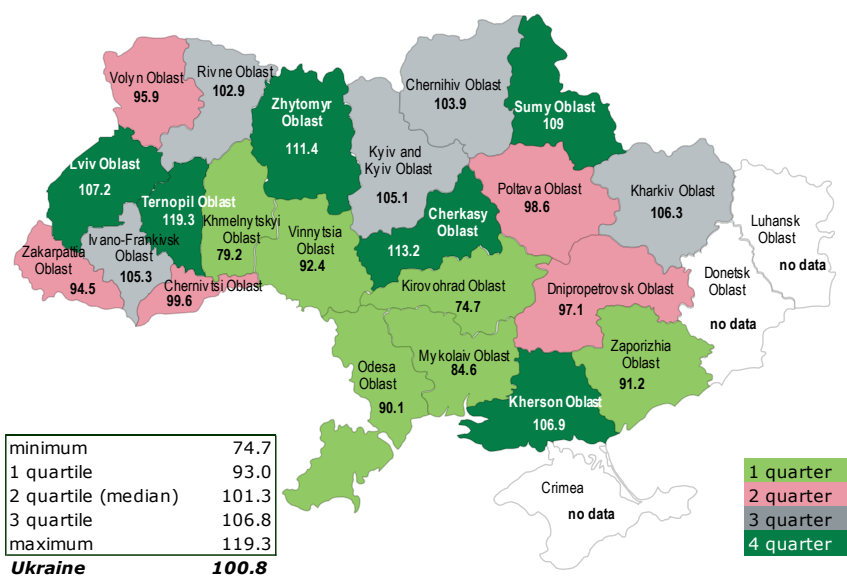
- **The current financial and economic standings of companies were assessed as satisfactory:** the balance of responses was 0.0% compared with (-18.2%) in the previous quarter. Across Ukraine, the current financial and economic standings of companies were assessed as bad, the balance of responses being (-5.6%).
- **Finished goods stocks had decreased significantly and were assessed to be at a normal level:** the balance of responses was 0.0% compared with 50.0% in Q2 2020
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 27.3% compared to 9.1% in Q2 2020.

Survey Details^{1,2}



- Period: 5 through 28 August 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 Oblasts³, %



³a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups

³a 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, %				
	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20
Financial and economic standings	20.0	20.0	9.1	0.0	9.1
Total sales	20.0	9.1	9.1	-27.3	9.1
Investment in construction	22.2	0.0	10.0	-10.0	0.0
Investment in machinery, equipment and tools	11.1	-11.1	0.0	-20.0	-10.0
Staff numbers	-22.2	-9.1	-20.0	-9.1	-10.0

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 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

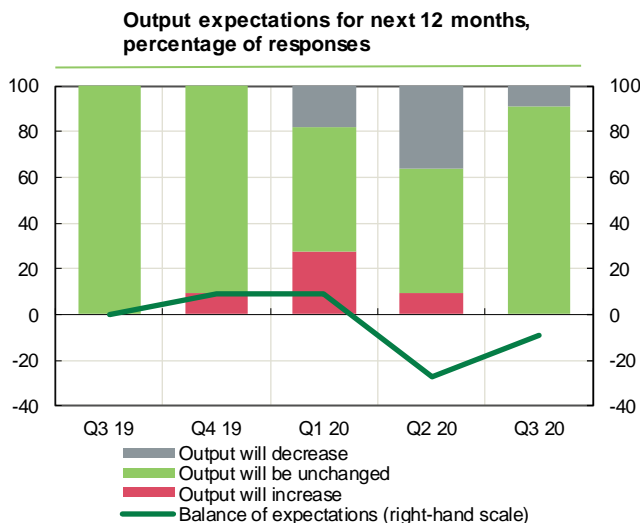


Figure 2

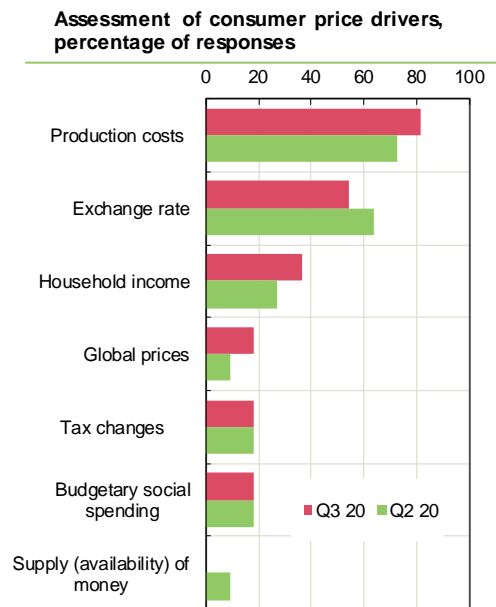


Figure 3

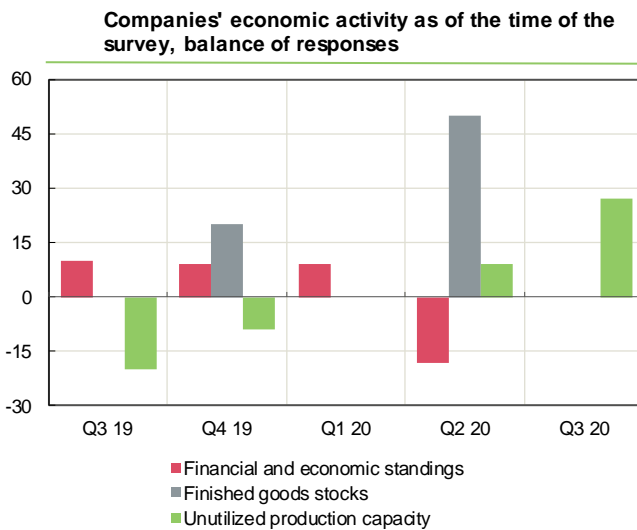


Figure 4



Figure 5

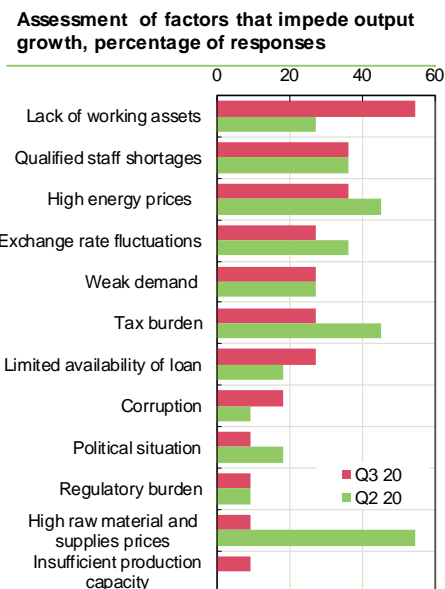


Figure 6

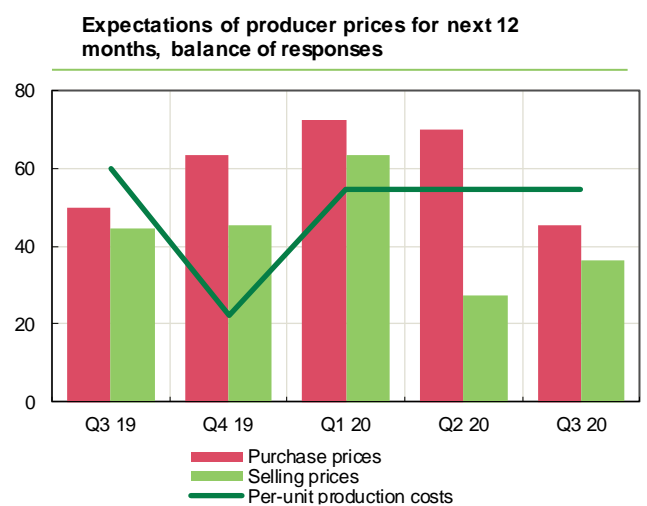


Figure 7

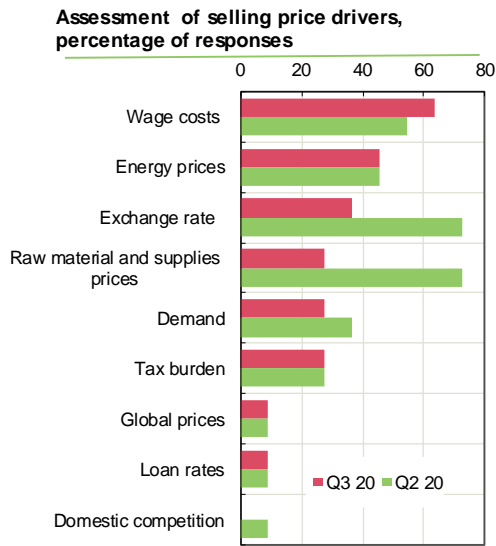


Figure 8

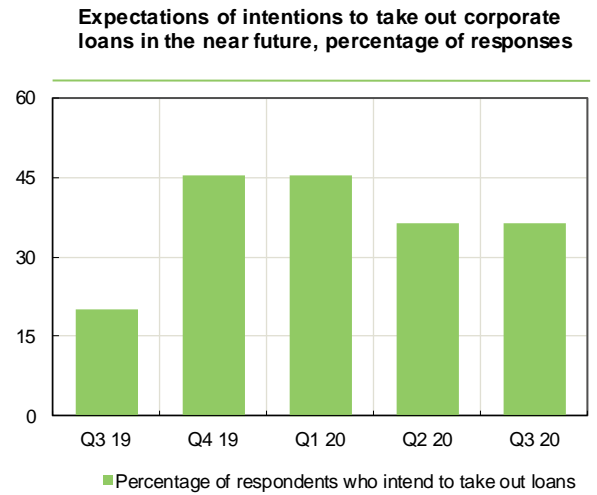


Figure 9

