



National Bank
of Ukraine

Business Outlook Survey of Chernihiv Oblast*

Q1 2020

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



*This survey only reflects the opinions of respondents in Chernihiv 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 **Chernihiv oblast** in Q1 2020 showed that respondents expected a drop in the output of Ukrainian goods and services and had moderate expectations for the development of their companies over the next 12 months. Respondents expected that inflation would be moderate. Depreciation expectations were high.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 (-7.7%) compared with 8.3% in Q4 2019 (Figure 1). Across Ukraine respondents expected an increase in the output, the balance of responses being 10.4%
- **prices for consumer goods and services would grow moderately:** 78.6% of the respondents expected that the inflation rate would not exceed 6.0% compared to 68.5% across Ukraine. Respondents referred to production costs and the hryvnia exchange rate **as the main inflation drivers** (Figure 2). Respondents reported a noticeable increase in the impact of the budgetary social spending
- **the hryvnia would depreciate:** a total of 71.4% of respondents (compared with 76.9% in the previous quarter and 65.2% across Ukraine) expected the hryvnia to weaken against the US dollar
- **the financial and economic standings of their companies would remain at their current levels:** the balance of expectations was 0.0% (as in the previous quarter) compared with 16.9% across Ukraine (see Table)
- **total sales of their own products would remain unchanged:** the balance of responses was 0.0% compared with 7.7% in the previous quarter. External sales were expected to grow at a fast pace: the balance of expectations was 50.0% compared with 28.6% in the previous quarter. Overall, respondents expected sales to rise across Ukraine, the balances of responses being 23.0% and 17.5% respectively
- **investment both in construction and in machinery, equipment and tools would decrease:** the balances of responses were (-15.4%) and (-14.3%) respectively (compared with 8.3% and 23.1% in Q4 2019). Overall, across Ukraine, respondents expected investment spending to rise, the balances of responses being 2.4% and 14.1% respectively
- **staff numbers would decrease at a faster pace:** the balance of responses was (-28.6%) compared with (-15.4%) in the previous quarter and (-3.9%) across Ukraine (Figure 4)
- **purchase prices would increase at a fast pace** (the balance of responses was 85.7% compared with 69.2% in Q4 2019), while **selling prices would rise at a much slower pace** (the balance of responses was 38.5% compared with 50.0% in the previous quarter) (Figure 6). Respondents referred to high raw material and supplies prices and wage costs as the main selling price drivers (Figure 7)
- **the growth in per-unit production costs and in wage costs per staff member would decelerate:** the balances of responses were 50.0% for each indicator compared to 69.2% for each in Q4 2019 (Figures 4 and 6).

Weak demand was named as **the main drag on the ability of companies to boost production** (57.1% of respondents) (Figure 5).

Respondents reported higher expectations of an increase in borrowing needs in the near future (Figure 8). The respondents who planned to take out loans (50% of the total number of respondents) usually opted for domestic currency loans. Respondents said that lending standards had remained unchanged (Figure 9). Respondents referred to **high loan rates as the main factor that deterred them from taking out loans** (Figure 10).

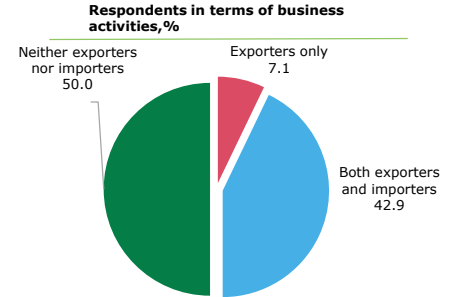
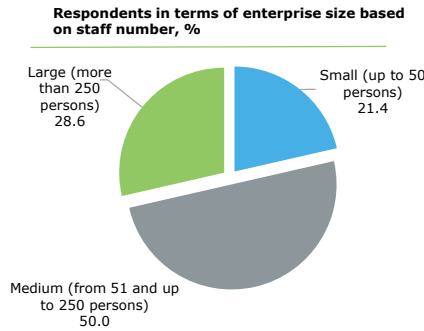
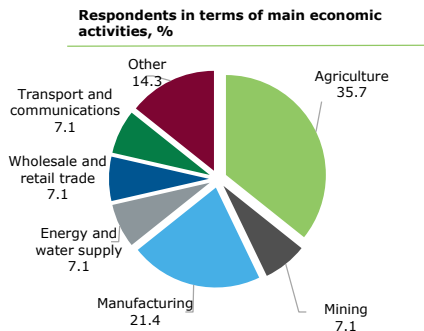
A total of 92.9% of respondents said that they had encountered no difficulties in effecting transactions with funds deposited in bank accounts (96.6% across Ukraine).

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 bad:** the balance of responses was (-23.1%) compared with (-15.4%) in Q4 2019. Across Ukraine, the current financial and economic standings of companies were assessed as positive: the balance of responses being 9.7%.
- **Respondents assessed their finished goods stocks at a level higher than the normal one:** the balance of responses was 11.1% (unchanged compared to the previous quarter).
- **Spare production capacity had decreased. Companies were operating on the verge of their production capacity:** the balance of responses being 0.0% (compared with 7.7% in Q4 2019).

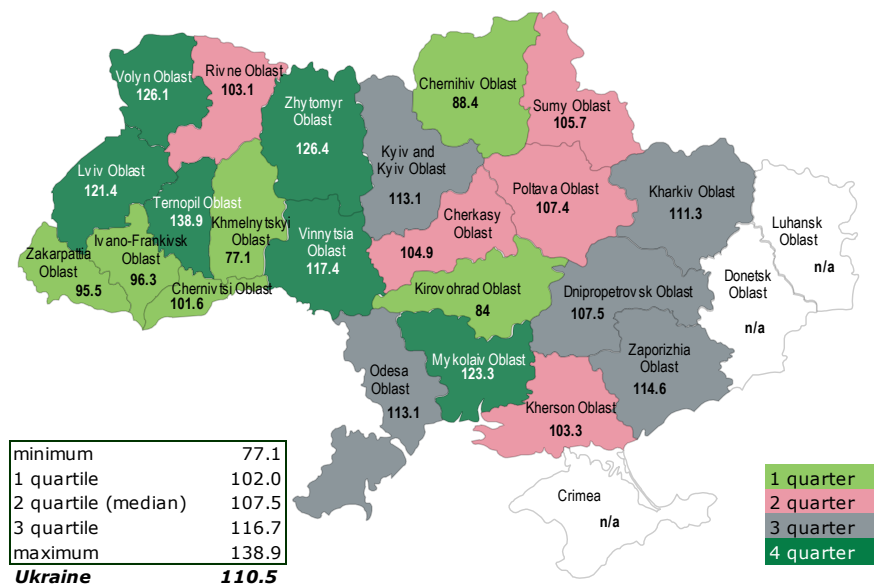
¹ This survey was carried out before quarantine measures were introduced.

Survey Details^{2,3}



- Period: 7 February through 2 March 2020.
- A total of 14 companies were polled.
- A representative sample was generated on the basis of the agricultural sector.

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 Chernihiv 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	60.0	33.3	16.7	0.0	0.0
Total sales	7.1	28.6	28.6	7.7	0.0
Investment in construction	25.0	0.0	14.3	8.3	-15.4
Investment in machinery, equipment and tools	21.4	21.4	28.6	23.1	-14.3
Staff numbers	0.0	21.4	7.1	-15.4	-28.6

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

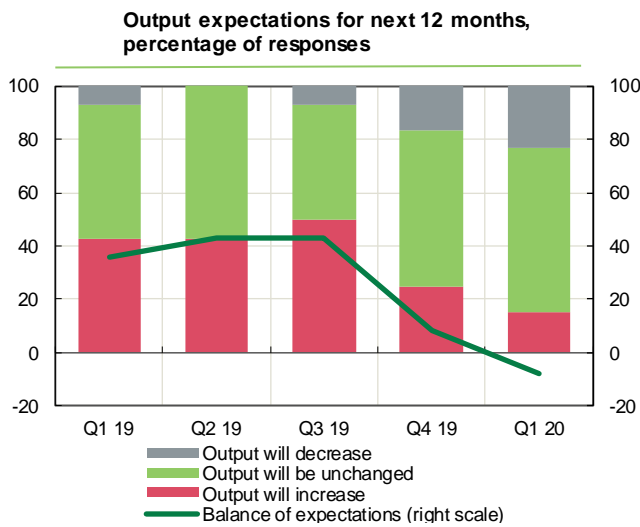


Figure 2

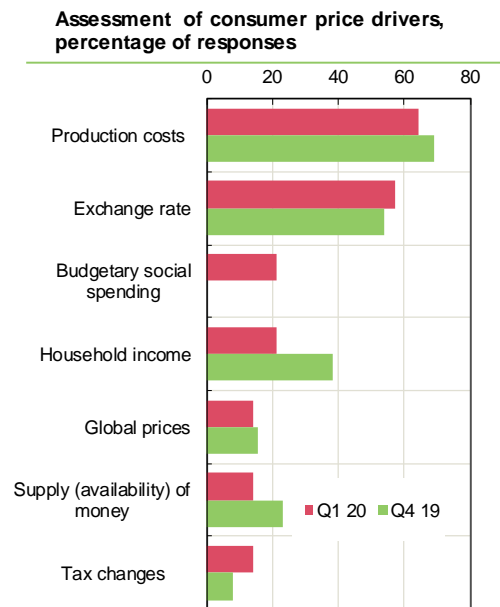


Figure 3

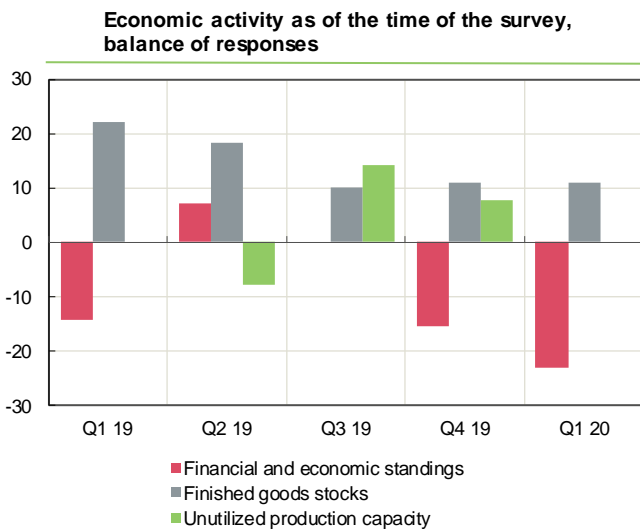


Figure 4



Figure 5

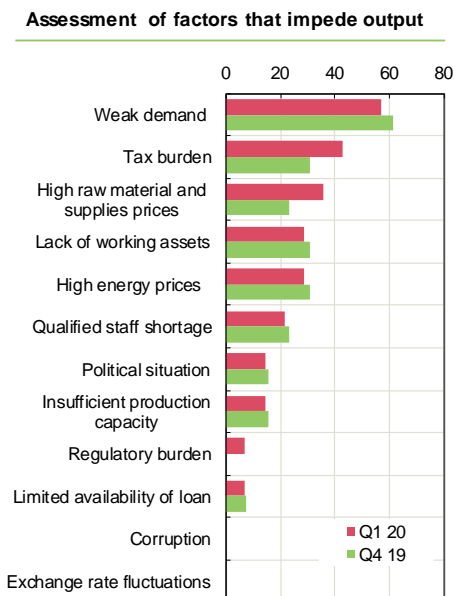


Figure 6

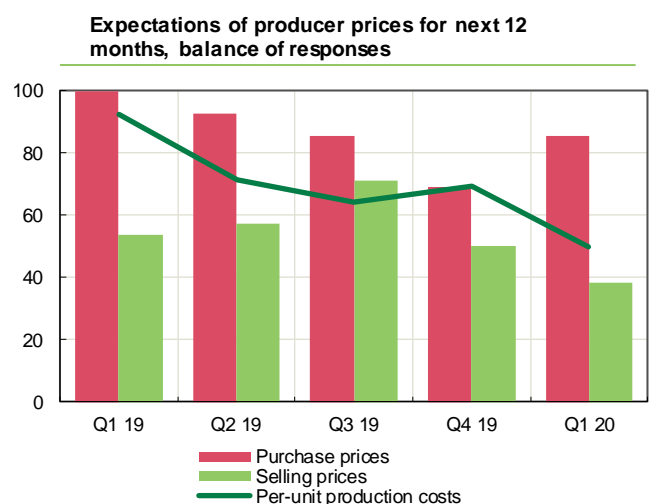


Figure 7

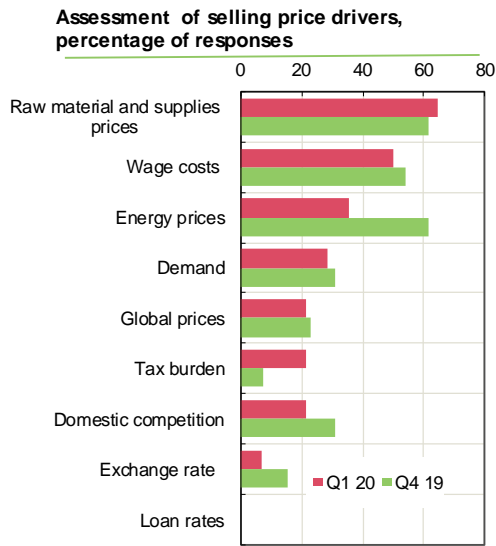


Figure 8

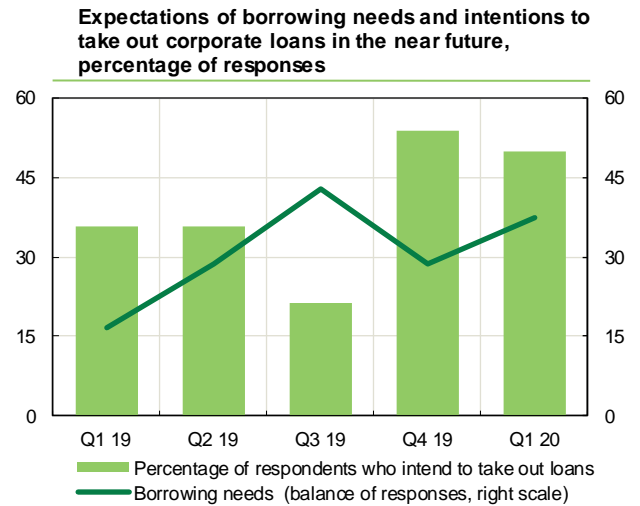


Figure 9

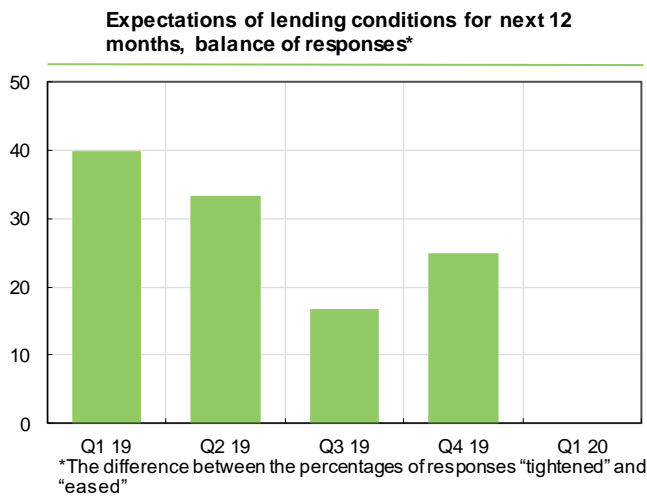


Figure 10

