



National Bank
of Ukraine

Business Outlook Survey of Chernihiv 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 Chernihiv 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 **Chernihiv oblast** in Q2 2020 showed that respondents expected a drop in the output of Ukrainian goods and services and poor performance of their companies over the next 12 months, on the back of the quarantine imposed. Respondents expected that prices would increase. Depreciation expectations became lower.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 (-38.5%) compared with (-7.7%) in Q1 2020 and (-34.1%) across Ukraine (Figure 1)
- **prices for consumer goods and services would grow:** a total of 58.3% of the respondents expected that the inflation rate would not exceed 7.5% compared to 54.9% across Ukraine. Respondents referred to production costs and the hryvnia exchange rate **as the main inflation drivers** (Figure 2)
- **the hryvnia would depreciate at a slower pace:** a total of 61.5% of respondents (compared with 71.4% in the previous quarter and 68.2% across Ukraine) expected the hryvnia to weaken against the US dollar
- **the financial and economic standings of their companies would deteriorate:** the balance of expectations was (-14.3%) compared with 0.0% in the previous quarter and (-1.8%) across Ukraine (see Table)
- **total sales would decrease:** the balance of responses was (-15.4%) compared with 0.0% in Q1 2020. Respondents expected a significant deceleration in external sales growth: the balance of responses was 16.7% compared with 50.0% 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 (-7.1%) each compared with (-15.4%) and (-14.3%), respectively, in Q1 2020. The balances of responses across Ukraine were (-16.1%) and (-10.5%), respectively
- **staff numbers would decrease:** the balance of responses, as in the previous quarter, was (-28.6%) compared with (-17.3%) across Ukraine (Figure 4)
- **the growth in both purchase and selling prices would decelerate:** the balances of responses were 69.2% and 15.4%, respectively, compared to 85.7% and 38.5% in the previous quarter. Selling prices would rise at a moderate pace (Figure 6). Respondents referred to high raw material and supplies prices and demand 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 28.6% each (in Q1 2020, 50.0% each) (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 usually opted for domestic currency loans. Respondents said that bank lending standards had tightened (Figure 9). Respondents referred to uncertainty about ability to meet debt obligations **as the main factor that deterred them from taking out loans**. Respondents reported an increase in the impact of the other funding sources (Figure 10).

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

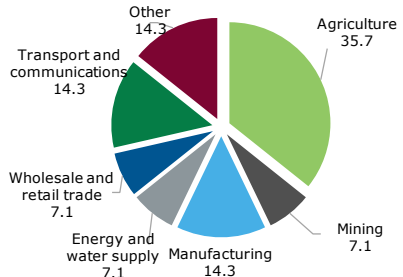
Assessments of financial and economic standings as of the time of the survey (Figure 3)

- **The current financial and economic standings of companies were assessed as bad** for three quarters in a row: the balance of responses was (-35.7%) (the lowest figure across the regions) compared with (-23.1%) in Q1 2020 and (-11.6%) across Ukraine.
- **Respondents assessed their finished goods stocks at a level higher than the normal one:** the balance of responses was 10.0% compared with 11.1% in the previous quarter.
- **Companies were operating on the verge of their production capacity,** the balance of responses being 0.0% (as in the previous quarter).

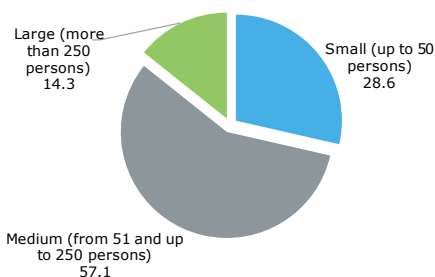
¹ This survey was conducted after the government announced it would relax the quarantine.

Survey Details^{2,3}

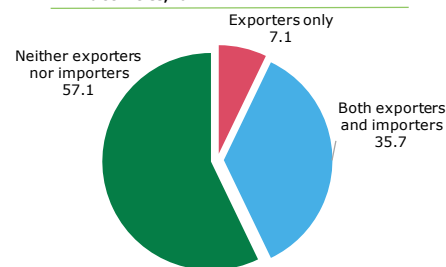
Respondents in terms of main economic activities, %



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

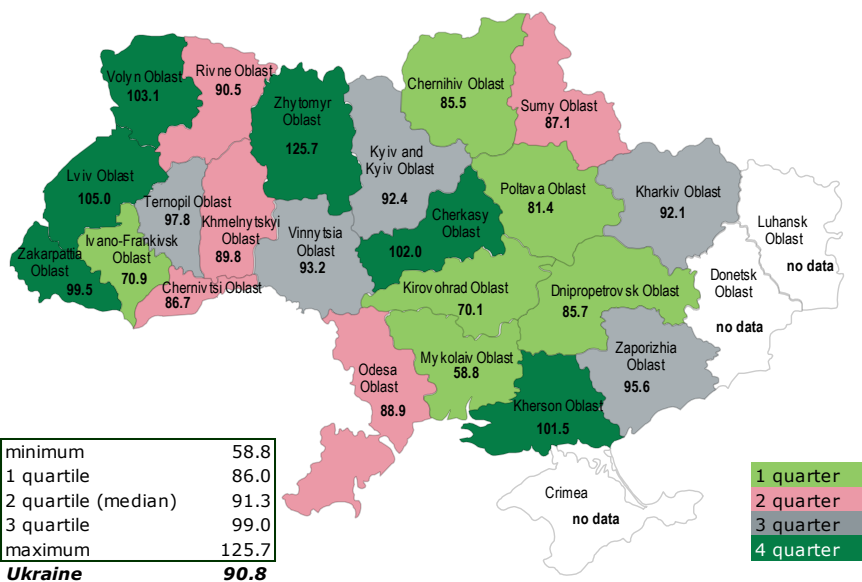


Respondents in terms of business activities, %



- Period: 6 May through 2 June 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, %				
	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
Financial and economic standings	33.3	16.7	0.0	0.0	-14.3
Total sales	28.6	28.6	7.7	0.0	-15.4
Investment in construction	0.0	14.3	8.3	-15.4	-7.1
Investment in machinery, equipment and tools	21.4	28.6	23.1	-14.3	-7.1
Staff numbers	21.4	7.1	-15.4	-28.6	-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 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

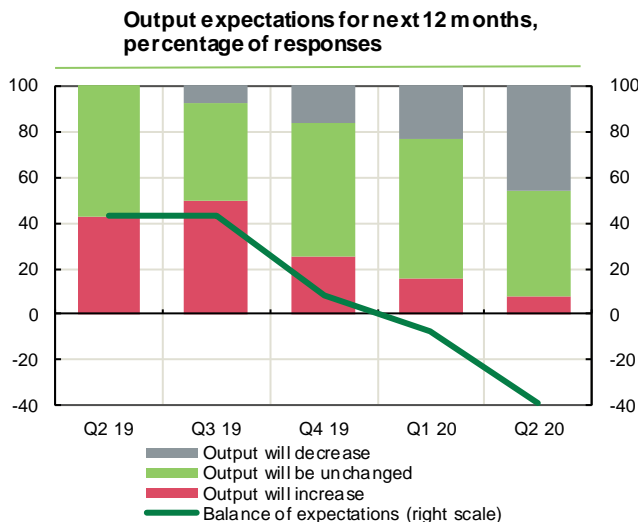


Figure 2

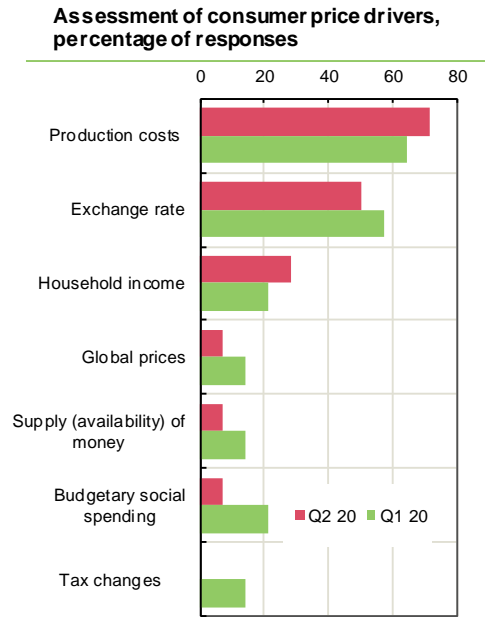


Figure 3

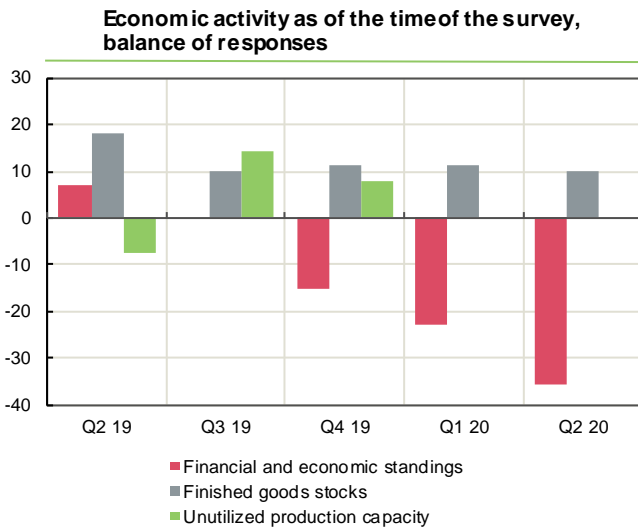


Figure 4

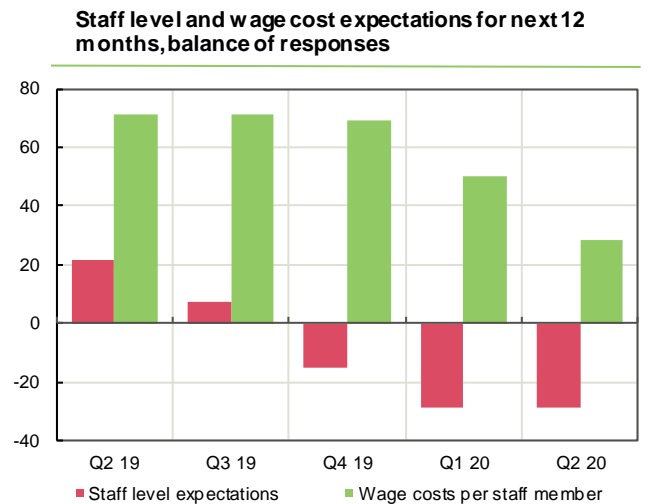


Figure 5

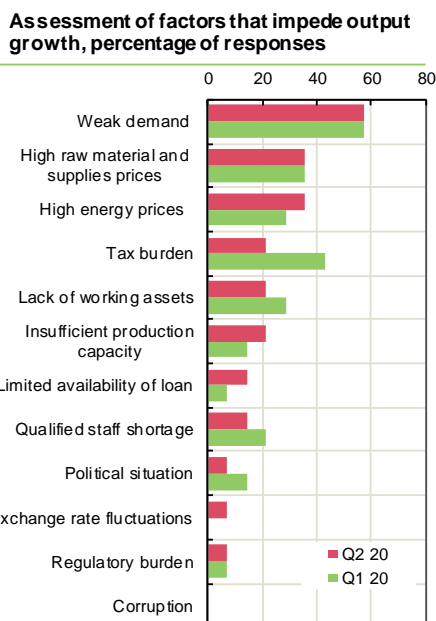


Figure 6

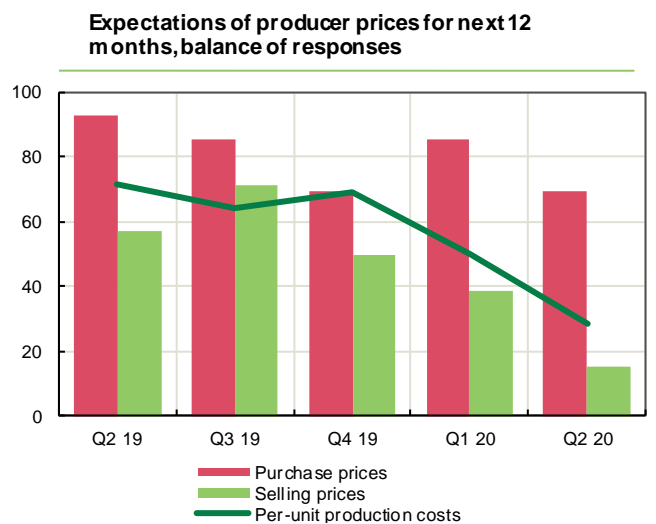


Figure 7

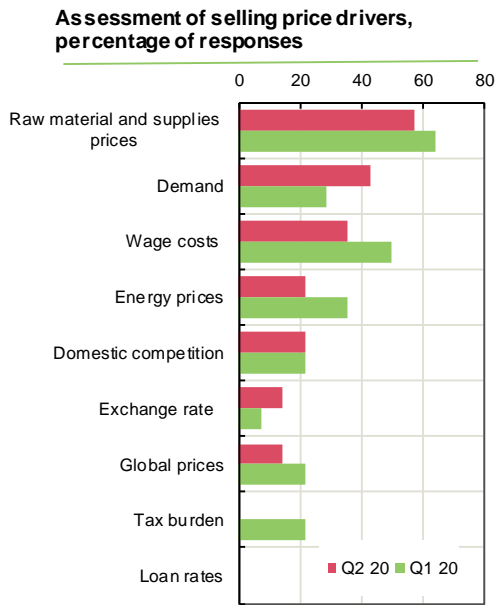


Figure 8

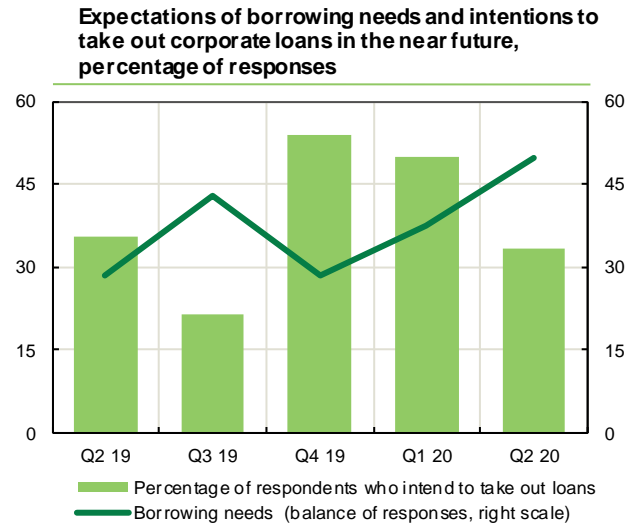


Figure 9

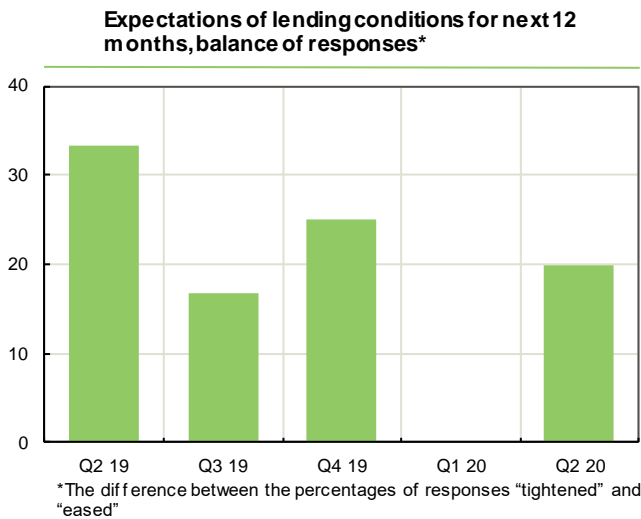


Figure 10

