



National Bank  
of Ukraine

## Business Outlook Survey of Chernihiv Oblast\*

Q3 2020



\*This survey only reflects the opinions of respondents in Chernihiv 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 Chernihiv oblast in Q3 2020 showed that respondents expected the output of Ukrainian goods and services to return to growth over the next 12 months amid the adaptive quarantine regime. At the same time, respondents had moderate expectations for the performance of their companies. Respondents expected inflation to decrease. 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 grow:** the balance of expectations was 8.3% compared with (-38.5%) in Q2 2020. Respondents across Ukraine expected a drop in the output, the balance of responses being (-16.1%)
- **prices for consumer goods and services would rise** at a slower pace: a total of 69.2% of the respondents expected that the inflation rate would not exceed 7.5% compared to 58.3% in the previous quarter and 55.6% across Ukraine. Respondents referred to the hryvnia exchange rate and production costs **as the main inflation drivers**. The impact of tax changers was assessed to be significantly higher than in the previous quarter (Figure 2)
- **the domestic currency would depreciate significantly:** a total of 92.3% of respondents (compared with 61.5% in the previous quarter and 83.2% across Ukraine) expected the hryvnia to weaken against the US dollar
- **the financial and economic standings of their companies would remain unchanged:** the balance of expectations was 0.0% compared with (-14.3%) in the previous quarter. Companies across Ukraine expected an improvement in their financial and economic standings (4.4%) (see Table)
- **total sales would increase:** the balance of responses was 25.0% compared with (-15.4%) in Q2 2020. Respondents also expected an increase in external sales (the balance of responses was 25.0% compared with 16.7% in Q2 2020). Overall, companies across Ukraine expected sales to increase moderately, the balances of responses being 9.8% and 4.3% respectively
- **investment in construction would increase:** the balance of responses was 11.1% (compared to (-7.1%) in Q2 2020). **Investment in machinery, equipment and tools was expected to remain unchanged:** the balance of response was 0.0% compared to (-7.1%) in the previous quarter. Across Ukraine, the balances of responses were (-4.7%) and 5.2% respectively
- **staff numbers would decrease:** the balance of responses was (-16.7%) compared with (-28.6%) in Q2 2020 and (-10.8%) across Ukraine
- **the growth in both purchase and selling prices would accelerate:** the balances of responses were 76.9% and 53.8% respectively, compared to 69.2% and 15.4% in the previous quarter (Figure 6). Respondents referred to high raw material and supplies prices, energy prices and wage costs as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would grow** at a faster pace: the balances of responses were 33.3% and 38.5% respectively (28.6% each in Q2 2020) (Figures 4 and 6).

Respondents continued to refer to weak demand as the main drag on the ability of their companies to boost production (53.8% of respondents). The impact of the political situation was assessed to be significantly higher than in the previous quarter (Figure 5).

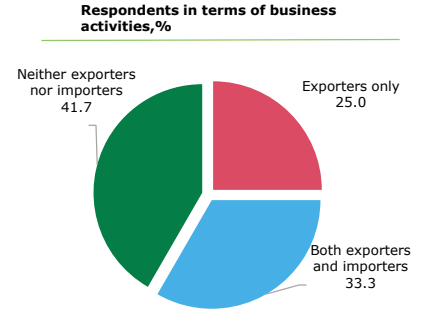
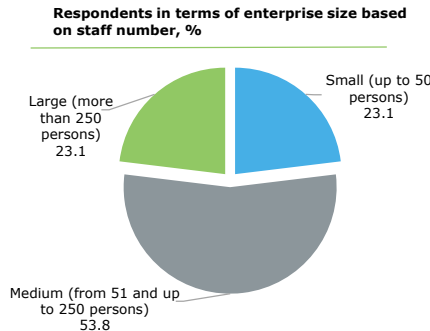
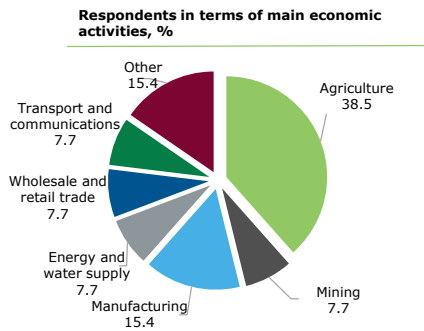
**Respondents reported lower expectations of an increase in their borrowing needs** in the near future (Figure 8). The respondents who planned to take out loans always opted for domestic currency loans. Respondents said that bank lending standards had tightened (Figure 9). Respondents cited high loan rates as the main factor that deterred them from taking out corporate loans (Figure 10).

**A total of 92.3% 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)**

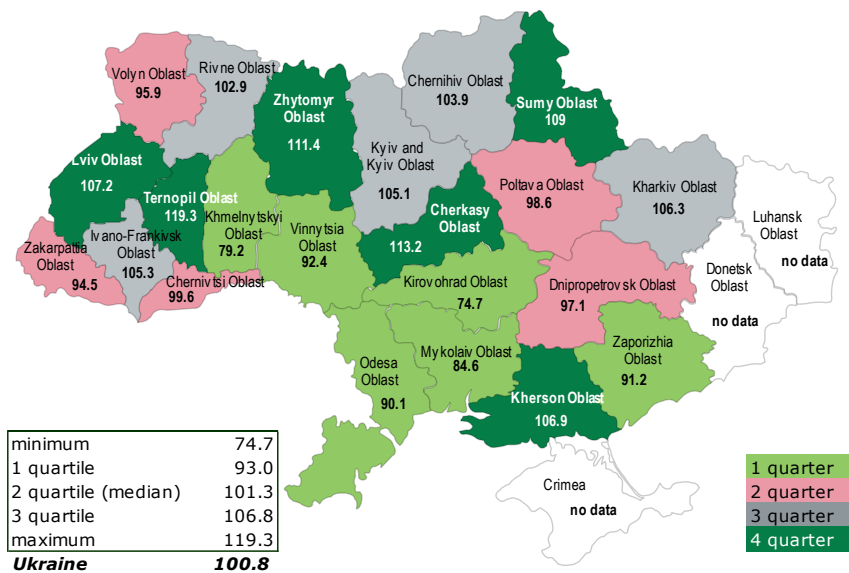
- **The current financial and economic standings of companies had been assessed as bad** for four quarters in a row: the balance of responses was (-23.1%) compared with (-35.7%) in Q2 2020 and (-5.6%) across Ukraine.
- **Respondents assessed their finished goods stocks at a level higher than the normal one:** the balance of responses was 12.5% compared with 10.0% in the previous quarter.
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 16.7% compared with 0.0% in Q2 2020.

Survey Details<sup>1,2</sup>



- Period: 8 through 31 August 2020.
- A total of 13 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 Oblasts<sup>3</sup>, %



<sup>3</sup>a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups  
<sup>\*\*</sup>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	16.7	0.0	0.0	-14.3	0.0
Total sales	28.6	7.7	0.0	-15.4	25.0
Investment in construction	14.3	8.3	-15.4	-7.1	11.1
Investment in machinery, equipment and tools	28.6	23.1	-14.3	-7.1	0.0
Staff numbers	7.1	-15.4	-28.6	-28.6	-16.7

<sup>1</sup> This sample was generated in proportion to the contribution of each oblast and each economic activity to Ukraine's gross value added.  
<sup>2</sup> Data for totals and components may be subject to rounding effects.  
<sup>3</sup> 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

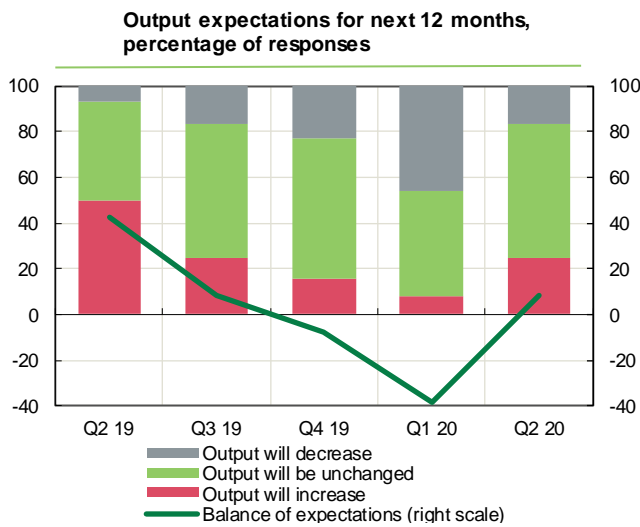


Figure 2

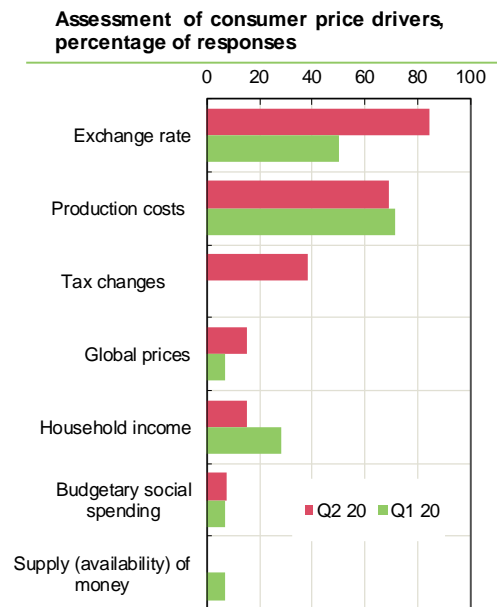


Figure 3

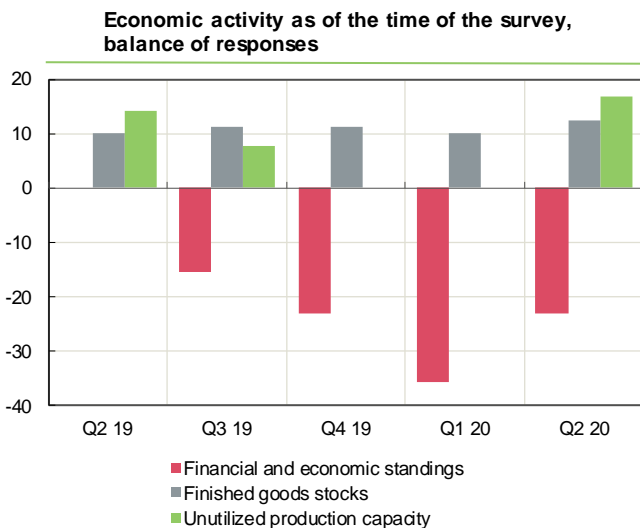


Figure 4



Figure 5

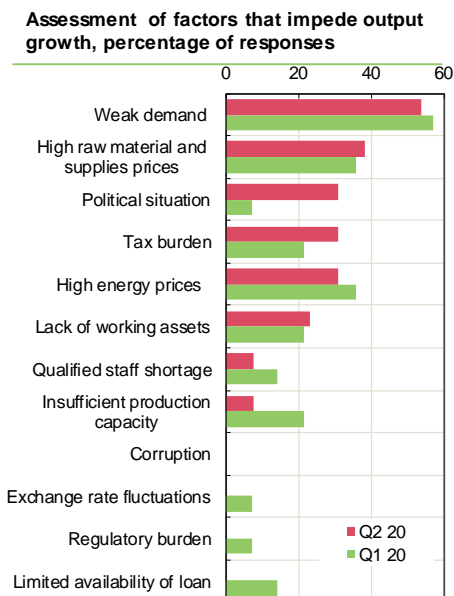


Figure 6

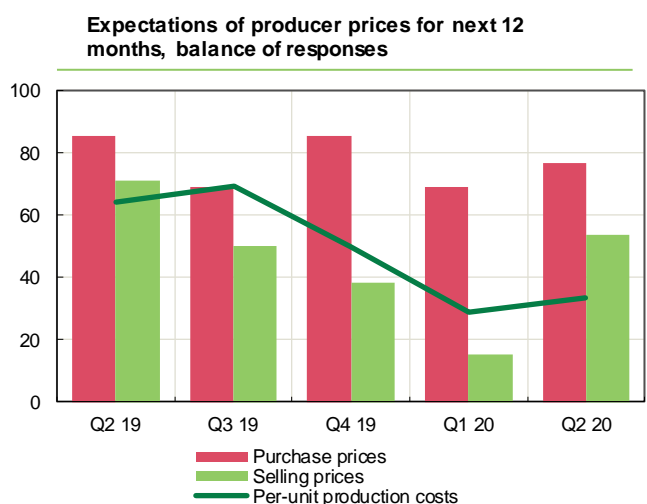


Figure 7

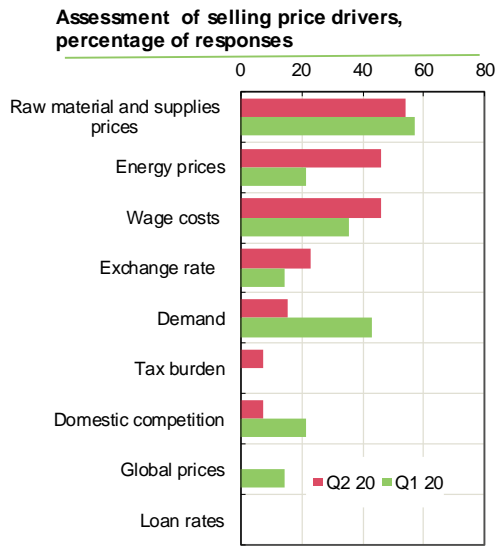


Figure 8

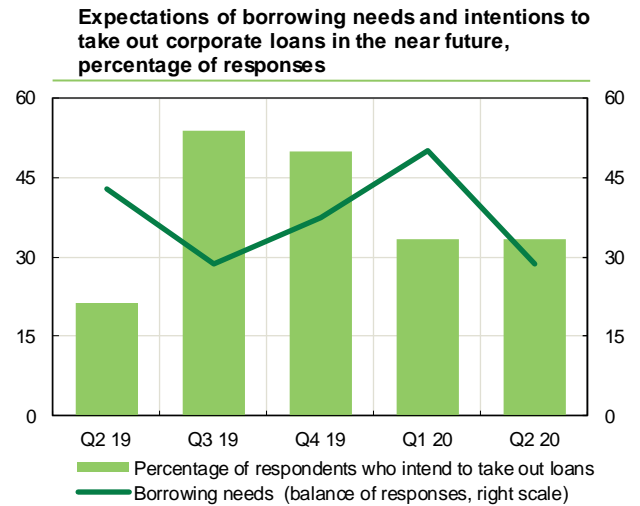


Figure 9

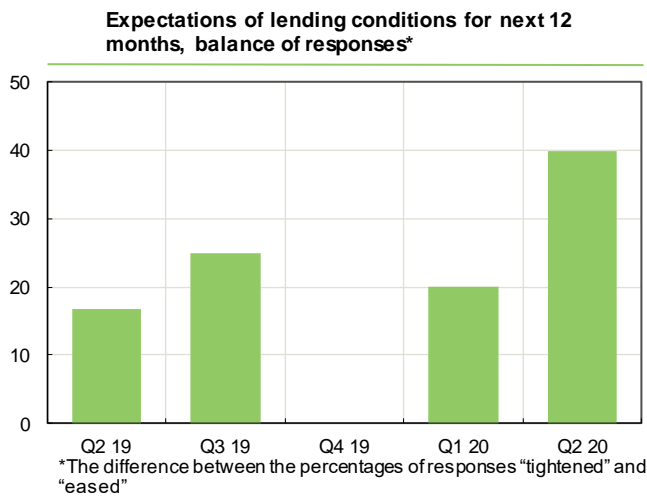


Figure 10

