



National Bank
of Ukraine

Business Outlook Survey of Ternopil Oblast*

Q3 2019



*This survey only reflects the opinions of respondents in Ternopil oblast (top managers of companies) who were polled in Q3 2019, and does not represent NBU forecasts or estimates

A survey carried out in **Ternopil oblast** in Q3 2019 showed that respondents had high expectations that the Ukrainian economy would grow, and that their companies would develop over the next 12 months. Respondents expected that inflation would be moderate and that the hryvnia would depreciate more slowly.

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

- **the output of Ukrainian goods and services would grow at a fast pace:** the balance of expectations was 60.0% (this was one of the highest assessments across the regions) compared with 45.5% in Q2 2019 (Figure 1) and 30.5% across Ukraine
- **the growth in prices for consumer goods and services would decelerate:** 90.0% of respondents expected the inflation rate to be lower than 10% (compared with 81.8% in the previous quarter and 73.3% across Ukraine). Respondents referred to production costs as **the main inflation driver**
- **the domestic currency would depreciate at a slower pace:** 40.0% of respondents (compared with 70.0% in the previous quarter) expected the hryvnia to weaken against the US dollar, with the figure across Ukraine being 69.0%
- **the financial and economic standings of their companies would improve significantly:** the balance of expectations was 55.6% compared to 30.0% in the previous quarter (see Table) and 20.0% across Ukraine.
- **total sales would grow at a fast pace:** the balance of responses was 66.7% compared with 54.5% across Ukraine (see Table). Respondents also expected an increase in external sales (the balance of responses was 40.0% compared with 0.0% across Ukraine). The balances of responses across Ukraine were 27.1% and 22.7% respectively
- **investment in machinery, equipment and tools would increase** more slowly: the balance of responses was 11.1% compared to 45.5% in the previous quarter. Investment in construction was also expected to decrease: the balance of responses was (-11.1%) compared with 9.1% in the previous quarter. Overall, respondents expected investment spending to rise across Ukraine, the balances of responses being 17.7% and 9.3% respectively
- **staff numbers would decrease:** the balance of responses was (-11.1%) compared to (-18.2%) in Q2 2019 (Figure 4). Across Ukraine, staff numbers were expected to increase (2.2%)
- **both purchase and selling prices would grow further:** the balances of responses were 70.0% and 55.6% respectively (compared with 72.7% and 54.5% in Q2 2019) (Figure 6). Raw material and supplies prices and wage costs were referred to 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 (compared to 63.6% and 72.7% respectively in Q2 2019) (Figures 4 and 6).

The unstable political situation was cited as the **main drag on the ability of companies to boost production** (respondents said that the impact of this factor had strengthened markedly) (Figure 5).

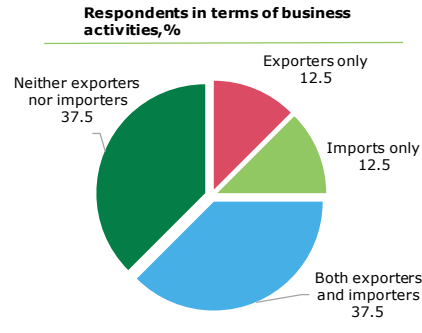
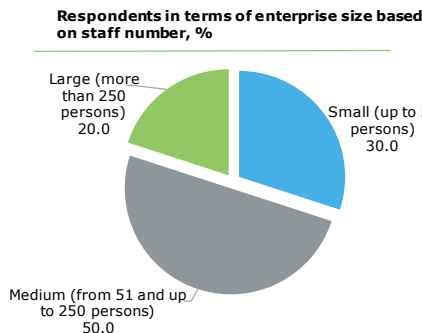
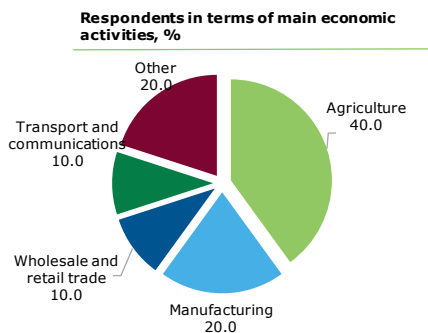
Respondents reported expectations of a significant increase in their borrowing needs in the near future (Figure 8). A total of 66.7% of the respondents who planned to take out corporate loans usually opted for domestic currency loans. Respondents said that lending conditions had softened (Figure 9). Respondents cited high loan rates as the main factor that deterred them from taking out corporate loans (Figure 10).

All of the respondents said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (97.4% across Ukraine).

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

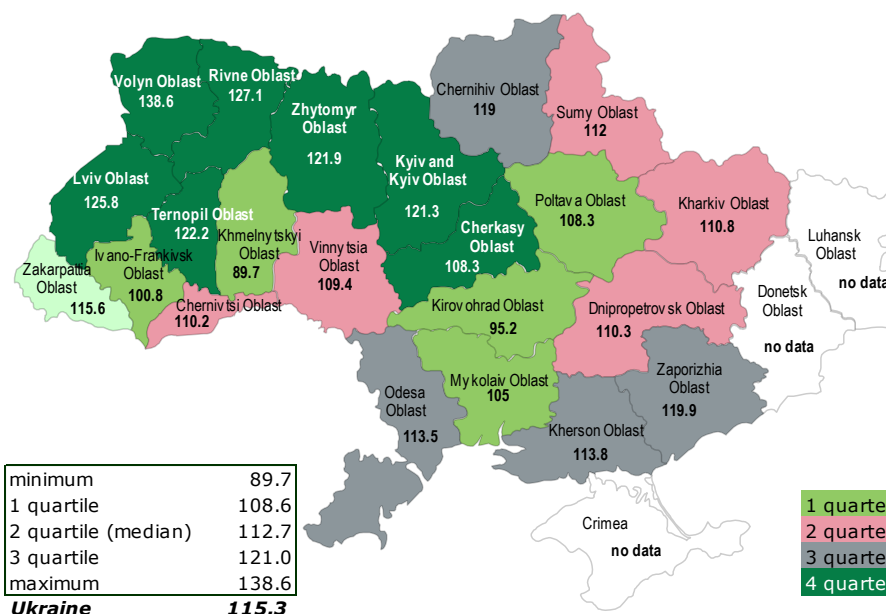
- **The current financial and economic standings of companies were assessed as good:** the balance of responses was 20.0% compared to 36.4% in Q2 2019 and 9.5% across Ukraine.
- **Stocks of finished goods remained at a level lower than the normal one:** the balance of responses was (-16.7%) compared to (-14.3%) in Q2 2019.
- **Companies were operating on the verge of their production capacity:** the balance of responses was 0.0% compared with 18.2% in Q2 2019.

Survey Details^{1,2}



- Period: 6 August through 30 August 2019.
- A total of 10 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 Regions³, %



*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 Ternopil Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19
Financial and economic standings	23.1	53.3	40.0	30.0	55.6
Total sales	53.8	73.3	80.0	54.5	66.7
Investment in construction	-16.7	30.8	22.2	9.1	-11.1
Investment in machinery, equipment and tools	-16.7	42.9	60.0	45.5	11.1
Staff numbers	7.1	26.7	-11.1	-18.2	-11.1

¹ This sample was generated in proportion to the contribution of each region 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 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

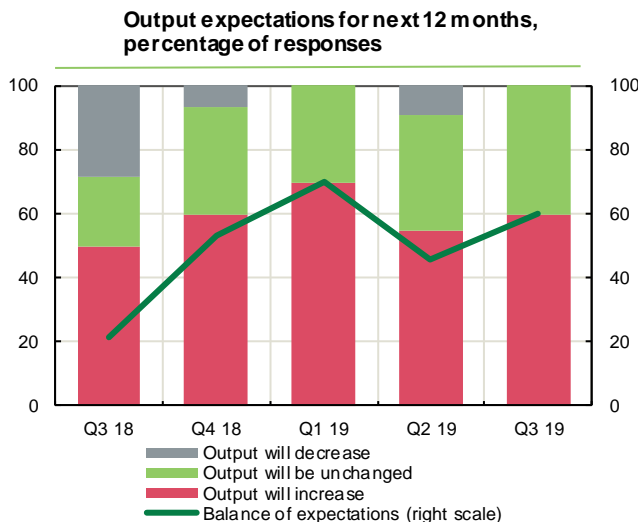


Figure 2

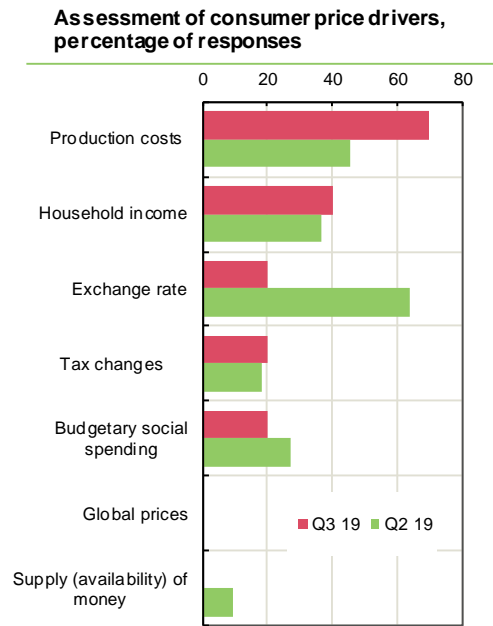


Figure 3

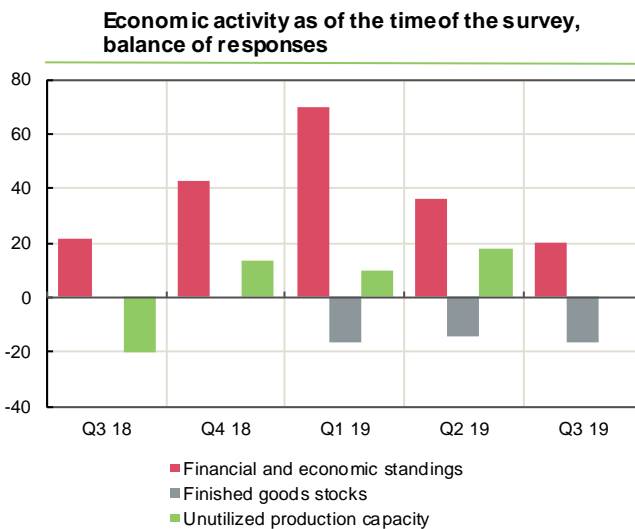


Figure 4



Figure 5

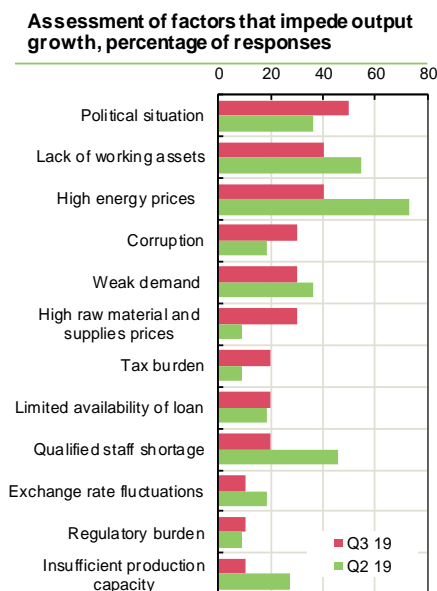


Figure 6

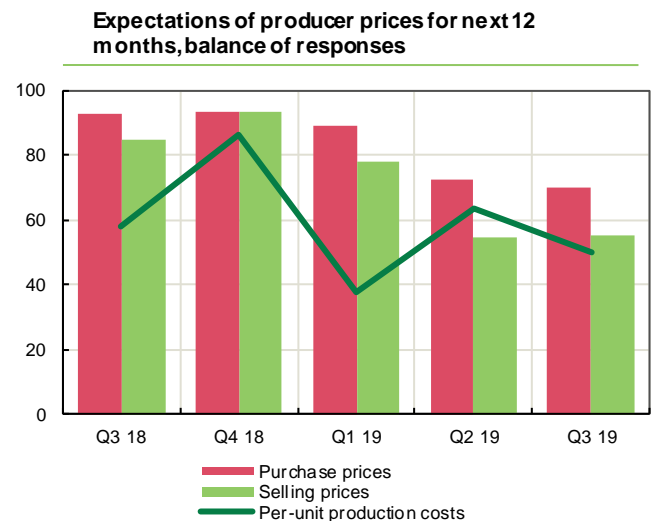


Figure 7

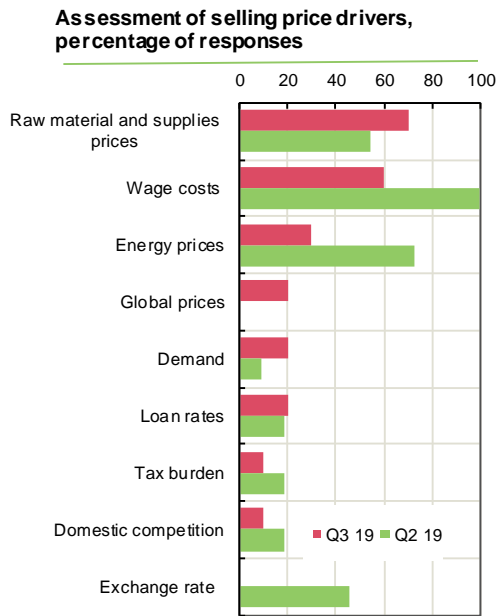


Figure 8

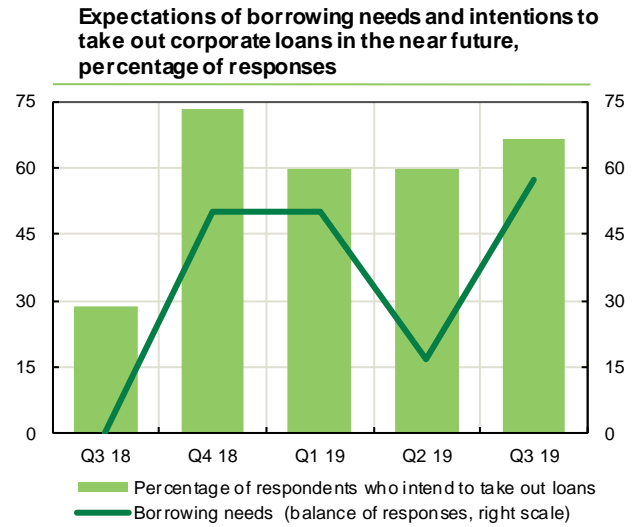


Figure 9

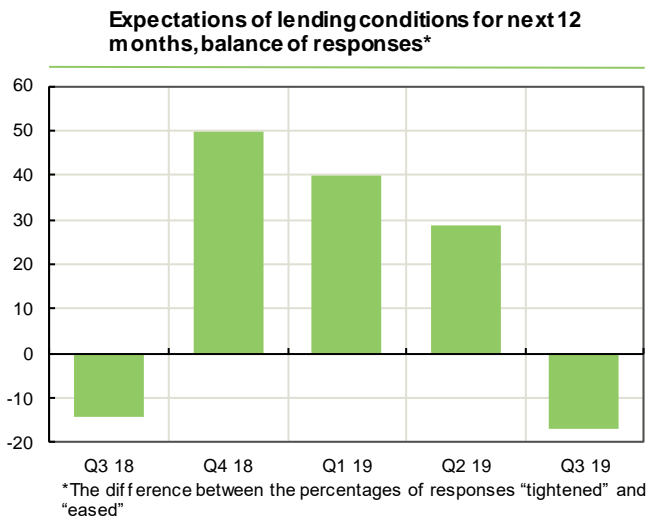
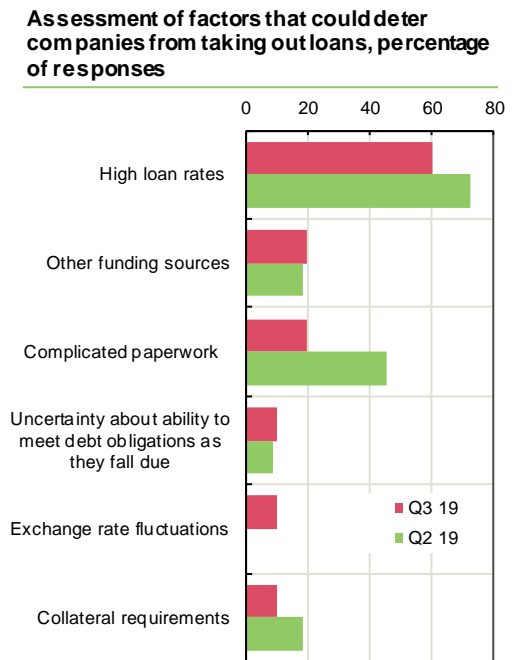


Figure 10



Key Indicators of Social and Economic Development of Ternopil Oblast in 2014 – 2019

% of the same period of the previous year, unless stated otherwise

No.	Indicators	2014	2015	2016	2017	2018	2019							
							January	January - February	January - March	January - April	January - May	January - June	January - July	January - August
1	Volume indices of gross regional product (in previous year's prices, in percent)	108.0	93.7	98.5	105.6	102.0 ²	...	...	...	...	...	...	...	...
2	Industrial production index	116.5	92.1	110.3	108.5	98.2	98.3	102.3	100.5	103.1	102.1	102.2	103.2	101.2
3	Mining and quarrying	101.7	162.0	115.9	103.6	105.0	105.1	100.9	100.1	100.4	98.8	99.6	100.2	101.4
4	Manufacturing	118.7	90.5	110.8	110.8	97.4	96.2	105.5	104.2	106.4	104.6	104.3	105.3	102.3
5	Production of food, beverages and tobacco	114.1	89.6	116.3	119.2	100.8	101.7	112.1	109.0	109.9	103.4	102.0	101.4	98.1
6	Textile production, production of clothing, leather, leather goods and other materials	92.3	111.7	97.1	88.1	77.3	74.3	77.5	83.8	82.5	82.4	79.0	78.1	80.0
7	Production of wood products, paper, printing	107.6	105.5	142.5	101.6	97.2	93.7	87.0	92.0	88.3	85.9	85.2	83.3	78.9
8	Production of coke and petrochemicals	... ¹	... ¹	... ¹	... ¹	... ¹	... ¹	... ¹	... ¹	... ¹	... ¹	... ¹	... ¹	... ¹
9	Production of chemicals and chemical products	52.8	95.5	65.4	126.7	98.5	101.8	90.4	93.4	107.0	93.6	96.7	93.3	89.7
10	Production of rubber and plastic products, other nonmetallic mineral products	124.1	120.7	107.1	104.0	92.6	84.1	94.2	100.4	102.1	101.2	97.2	97.7	97.6
11	Metallurgical production, manufacturing of finished metal products, except machinery and equipment	101.0	86.7	116.0	115.0	114.7	151.8	148.9	149.1	146.7	135.9	121.7	123.3	120.8
12	Mechanical engineering, except for repair and installation of machinery and equipment	157.7	71.3	112.4	99.2	93.2	75.4	94.2	91.2	97.9	108.3	115.3	123.4	120.5
13	Electricity, gas, steam and conditioning air supply	98.1	91.4	105.0	100.2	98.9	101.5	94.4	90.3	93.5	94.6	95.2	95.5	95.6
14	Agricultural production index	113.9	88.8	104.6	111.1	103.9	106.1	104.6	104.5	104.9	104.8	102.6	107.0	101.5
15	Construction production index	102.7	95.9	129.6	103.1	93.6	98.8	119.2	127.4	127.5	125.2	124.9	123.0	127.8
16	Freight turnover	114.4	97.3	98.3	104.4	125.6	59.0	56.9	62.3	68.2	66.3	62.8	61.8	62.4
17	Passenger turnover	94.9	108.3	95.3	95.6	100.4	98.7	97.1	98.6	99.0	97.9	96.7	95.0	94.6
18	Volume index of retail trade turnover (in comparable prices, in percent)	98.7	86.9	103.2	99.5	110.6	108.4	107.7	108.1	109.9	114.8	115.3	117.0	117.1
19	Profit/loss of large and medium companies before tax (UAH million) ³	-5796.2	-2088.0	-55.3	-4865.3	...	...	...	...	...	...	...	...	...
20	Capital investment index	71.7	115.2	117.2	142.3	103.7	...	...	131.0	...	...	121.4	...	...
21	Consumer price index (compared with December of previous year)	125.4	145.1	111.6	113.3	109.7	101.1	101.2	102.0	103.3	103.6	103.2	103.1	102.8
22	Real disposable income	86.5	85.8	103.1	111.9	108.3 ²	...	...	...	...	...	...	...	...
23	Real wage index	95.1	77.2	109.8	129.5	113.7	109.7	110.9	110.8	111.7	111.1	110.3	110.5	109.8
24	Number of applicants per vacancy as of end of period	13	5	9	9	8	6	5	4	4	4	4	4	3

¹ This information is confidential under the Law of Ukraine On State Statistics.

² Preliminary data.

³ These data exclude banks' profits/losses. Data on agricultural companies engaged in plant cultivation, animal husbandry and mixed farming are only available in annual reports.

Annual data include profits/losses of large, medium, small and micro companies.

Source: Ukraine's State Statistics Service

Legend

Periods (...) - no data

Dash (-) - no events