



National Bank  
of Ukraine

## Business Outlook Survey of Ternopil Oblast\*

Q1 2020

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



\*This survey only reflects the opinions of respondents in Ternopil oblast (top managers of companies) who were polled in Q1 2020, and does not represent NBU forecasts or estimates

A survey carried out in **Ternopil oblast** in Q1 2020 showed that respondents had high expectations that the Ukrainian economy would grow, and that their companies would develop over the next 12 months. Respondents reported moderate inflation expectations and unchanged depreciation expectations.<sup>1</sup>

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

- **the output of Ukrainian goods and services would increase:** the balance of expectations was 36.4% compared with 45.5% in Q4 2019 (Figure 1) and 10.4% across Ukraine
- **prices for consumer goods and services would grow moderately:** 81.8% of respondents expected the inflation rate to be lower than 6.0% compared with 68.5% across Ukraine. Respondents referred to production costs and the exchange rate as **the main inflation drivers** (Figure 2)
- **the hryvnia would depreciate:** a total of 54.5% of respondents (as in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 65.2%
- **the financial and economic standings of their companies would improve** at a fast pace: the balance of expectations was 45.5% (the highest figure across the regions) compared to 30.0% in the previous quarter (see Table) and 16.9% across Ukraine
- **the growth in total sales would accelerate:** the balance of responses was 54.5% compared with 33.3% in Q4 2019. Respondents also expected an increase in external sales (the balance of responses was 75.0% compared with 66.7% in Q4 2019). Across Ukraine, respondents expected sales to rise at a much slower pace: the balances of responses being 23.0% and 17.5% respectively
- **the growth in investment both in construction and in machinery, equipment and tools would speed up markedly:** the balances of responses were 40.0% and 45.5% respectively compared with 20.0% and 10.0% in Q4 2019. Across Ukraine, respondents had moderate expectations that investment would grow: the balances of responses were 2.4% and 14.1% respectively
- **staff numbers would increase:** the balance of responses was 9.1% compared with 0.0% in Q4 2019 (Figure 4). Across Ukraine, staff numbers were expected to decrease (-3.9%)
- **the growth in both purchase and selling prices would decelerate:** the balances of responses were 63.6% and 36.4% respectively (compared with 72.7% and 70.0% in Q4 2019) (Figure 6). The exchange rate 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 54.5% and 63.6% respectively (compared to 70.0% and 90.0% in Q4 2019) (Figures 4 and 6).

A lack of working assets was named as the **main drag on the ability of companies to boost production** (Figure 5). Respondents also assessed the impact of weak demand and the political situation as high.

**Respondents expected a noticeable increase in borrowing needs** in the near future (Figure 8). Some 45.5% respondents planned to take out corporate loans and 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).

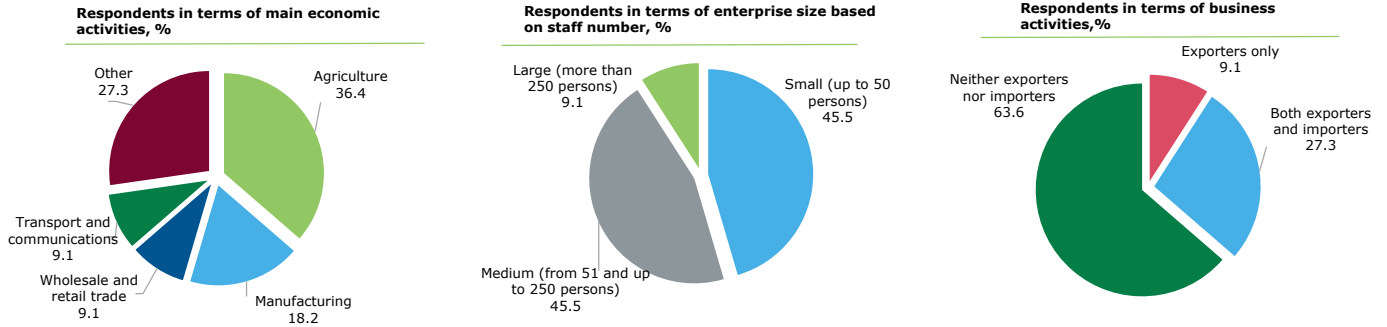
**All of the respondents** said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.6% across Ukraine).

#### 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 good:** the balance of responses was 9.1% compared with 54.5% in Q4 2019 and 9.7% across Ukraine.
- **Respondents continued to assess their finished goods stocks at a level lower than the normal one:** the balance of responses was (-28.6%) (compared with (-40.0%) in Q4 2019).
- **Unutilized production capacity had decreased.** Respondents said they would need additional capacity to meet any unexpected rise in demand: the balance of responses was (-20.0%) (compared with 0.0% in Q4 2019).

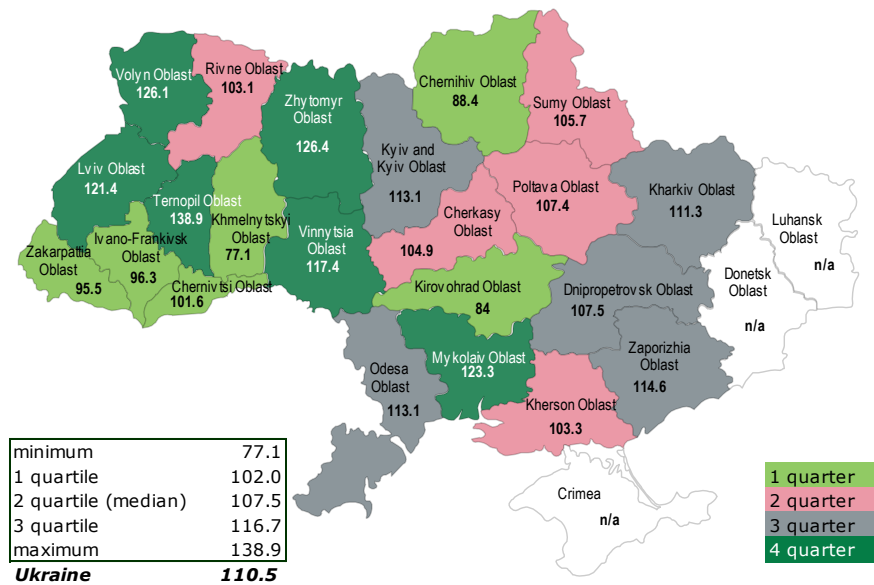
<sup>1</sup> This survey was carried out before quarantine measures were introduced.

Survey Details<sup>2,3</sup>



- Period: 4 February through 4 March 2020.
- A total of 11 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 Regions<sup>4</sup>, %



\*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 Ternopil 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	40.0	30.0	55.6	30.0	45.5
Total sales	80.0	54.5	66.7	33.3	54.5
Investment in construction	22.2	9.1	-11.1	20.0	40.0
Investment in machinery, equipment and tools	60.0	45.5	11.1	10.0	45.5
Staff numbers	-11.1	-18.2	-11.1	0.0	9.1

<sup>2</sup> This sample was generated in proportion to the contribution of each region and each economic activity to Ukraine's gross value added.

<sup>3</sup> Data for totals and components may be subject to rounding effects.

<sup>4</sup> 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

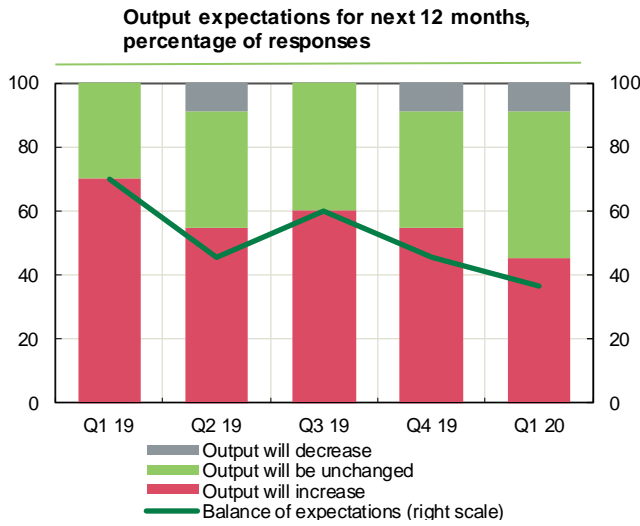


Figure 2

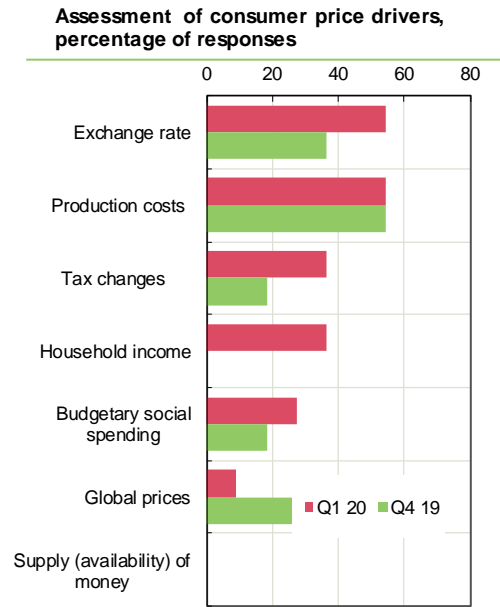


Figure 3

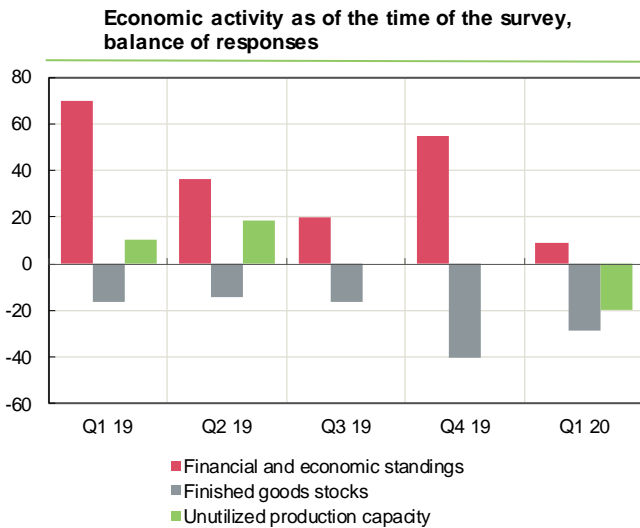


Figure 4



Figure 5

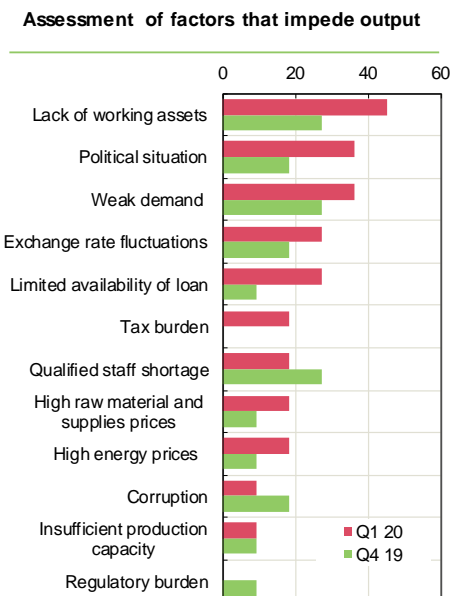


Figure 6

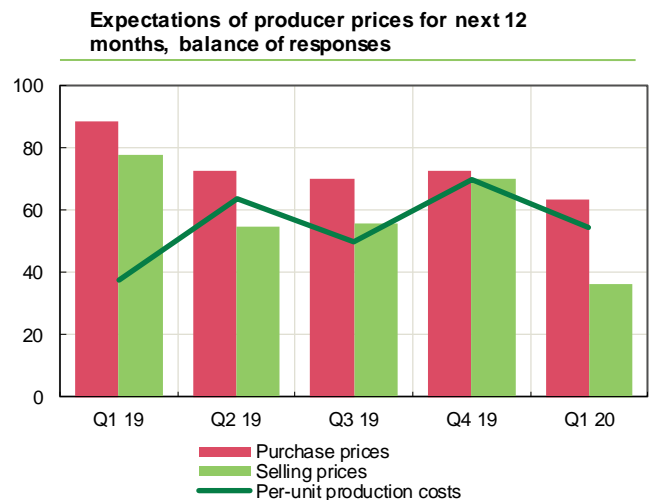


Figure 7

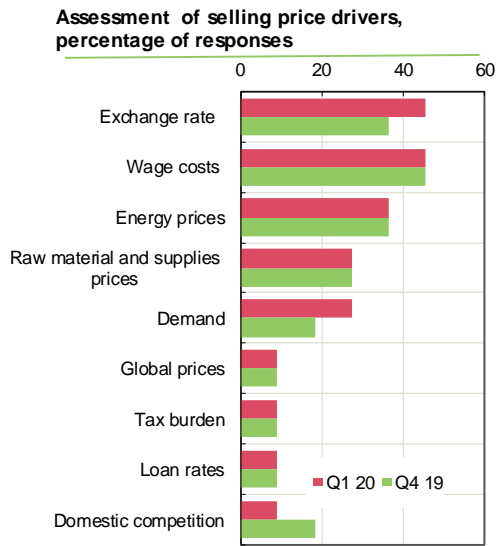


Figure 8

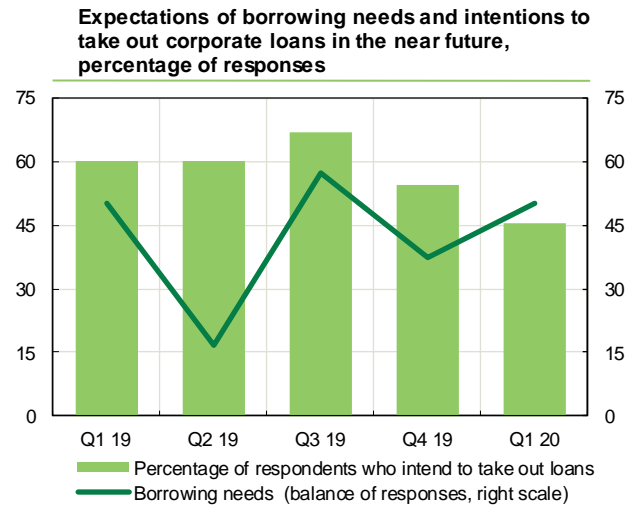


Figure 9

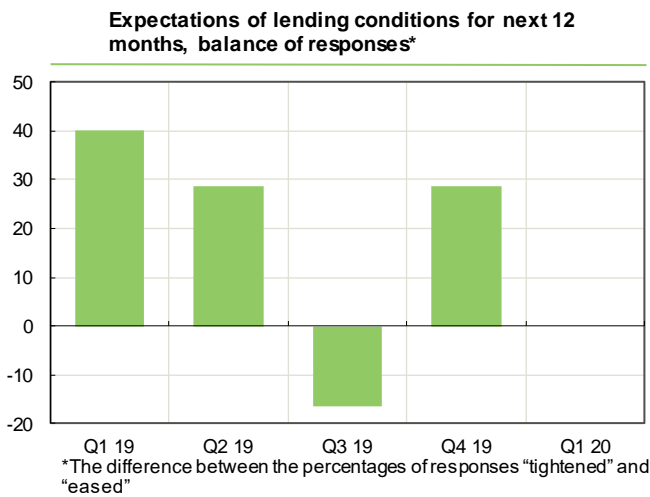


Figure 10

