



National Bank
of Ukraine

Business Outlook Survey of Ternopil 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 Ternopil oblast (top managers of companies) who were polled in Q2 2020, and does not represent NBU forecasts or estimates

A survey carried out in **Ternopil oblast** in Q2 2020 showed that respondents expected a drop in the output of Ukrainian goods and services over the next 12 months, on the back of the quarantine imposed. They had moderate expectations for the performance of their companies. Respondents reported moderate inflation expectations and unchanged depreciation expectations.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 (-40.0%) compared with 36.4% in Q1 2020 (Figure 1) and (-34.1%) across Ukraine
- **prices for consumer goods and services would grow moderately:** 80.0% of respondents expected the inflation rate to be lower than 7.5% compared with 54.9% across Ukraine. Respondents referred to production costs as **the main inflation driver** (Figure 2). The impact of budgetary social spending was assessed to be significantly higher
- **the hryvnia would depreciate at a slower pace:** a half of respondents (compared with 54.5% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 68.2%
- **the financial and economic standings of their companies would remain at their current levels:** the balance of expectations was 0.0% compared to 45.5% in the previous quarter. Companies across Ukraine expected a deterioration in their financial and economic standings (-1.8%) (see Table)
- **the growth in total sales would decelerate:** the balance of responses was 10.0% compared with 54.5% in Q1 2020 (see Table). Respondents also expected a slower increase in external sales (the balance of responses was 50.0% compared with 75.0% 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 would decrease:** the balance of responses was (-11.1%) compared with 40.0% in Q1 2020. **Investment in machinery, equipment, and tools was expected to remain unchanged** (the balance of responses – 0.0% compared with 45.5% in the previous quarter). Across Ukraine, respondents expected investment spending to decrease, the balances of responses being (-16.1%) and (-10.5%), respectively
- **staff numbers would decrease:** the balance of responses was (-10.0%) compared with 9.1% in Q1 2020 and (-17.3%) across Ukraine (Figure 4)
- **the growth in purchase prices would decelerate:** the balance of responses was 50.0% compared with 63.6% in Q1 2020. Selling prices would grow moderately: the balance of responses was 10.0% compared with 36.4% in Q1 2020 (Figure 6). Raw material and supplies prices, the hryvnia exchange rate, and wage costs were referred to as the main selling price drivers (Figure 7)
- **the growth in per-unit production costs and wage costs per staff member would decelerate significantly:** the balances of responses were 22.2% each compared with 54.5% and 63.6%, respectively, in Q1 2020 (Figures 4 and 6).

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

Respondents expected an increase in borrowing needs in the near future (Figure 8). Some 40.0% of the total number of respondents planned to take out corporate loans and opted for domestic currency ones. 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 90.0% of the respondents said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.5% across Ukraine).

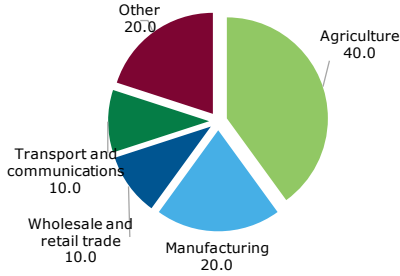
Assessments of financial and economic standings as of the time of the survey (Figure 3)

- **The current financial and economic standings of companies were assessed as good:** the balance of responses was 20.0% (the highest figure across the regions) compared with 9.1% in Q1 2020. Across Ukraine, respondents assessed the current financial and economic standings of their companies as bad: the balance of responses was (-11.6%).
- **Respondents continued to assess their finished goods stocks at a level lower than the normal one:** the balance of responses was (-14.3%) compared with (-28.6%) in Q1 2020.
- **Spare production capacity increased. Companies were operating on the verge of their production capacity:** the balance of responses was 0.0% compared to (-20.0%) in Q1 2020.

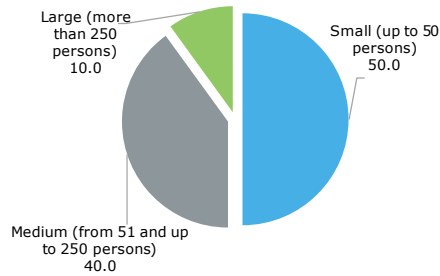
¹ This survey was conducted after the government announced it would relax the quarantine.

Survey Details^{2,3}

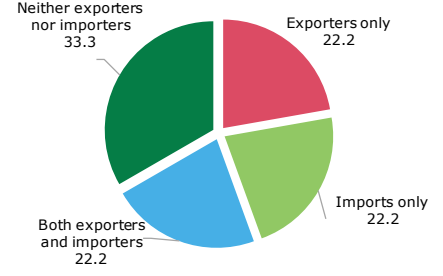
Respondents in terms of main economic activities, %



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

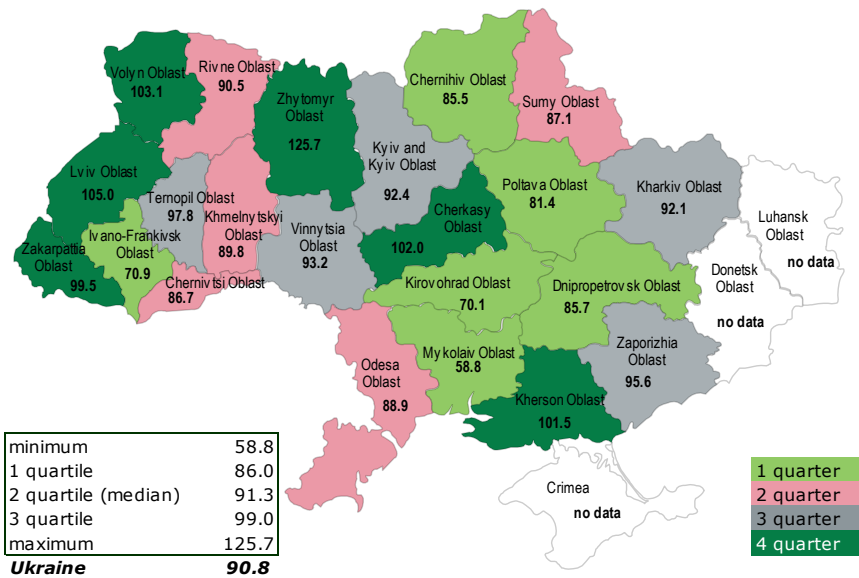


Respondents in terms of business activities, %



- Period: 5 through 26 May 2020.
- 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 Regions⁴, %



*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, %				
	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
Financial and economic standings	30.0	55.6	30.0	45.5	0.0
Total sales	54.5	66.7	33.3	54.5	10.0
Investment in construction	9.1	-11.1	20.0	40.0	-11.1
Investment in machinery, equipment and tools	45.5	11.1	10.0	45.5	0.0
Staff numbers	-18.2	-11.1	0.0	9.1	-10.0

² This sample was generated in proportion to the contribution of each region 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

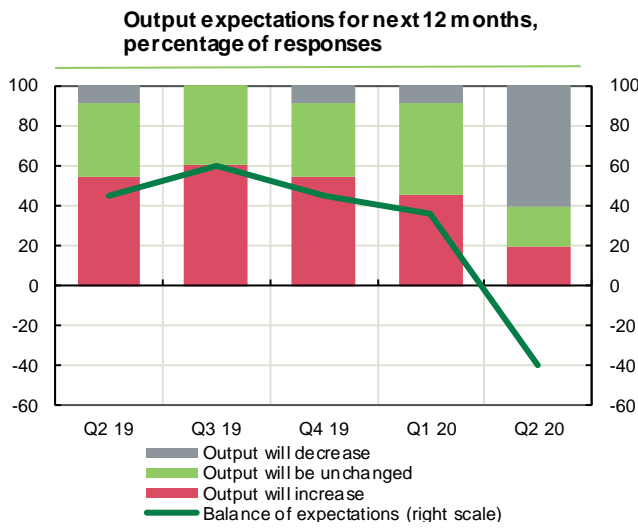


Figure 2

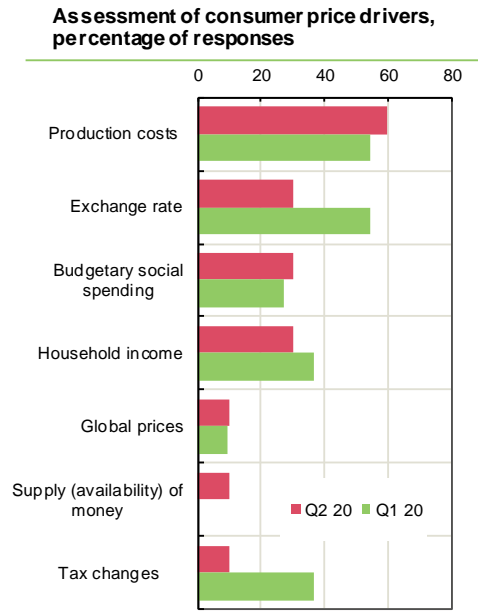


Figure 3

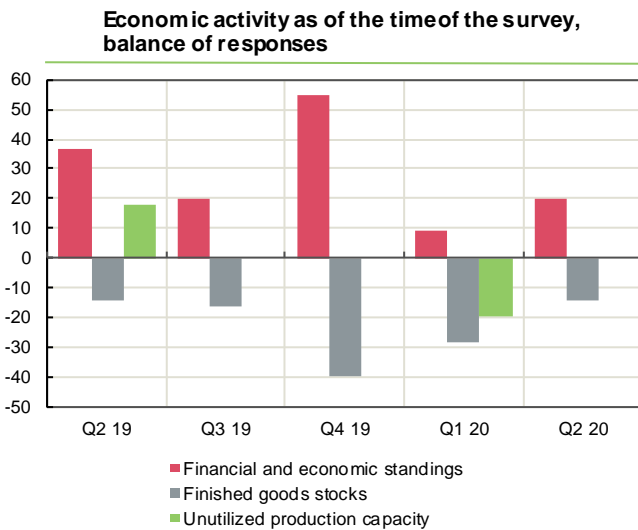


Figure 4

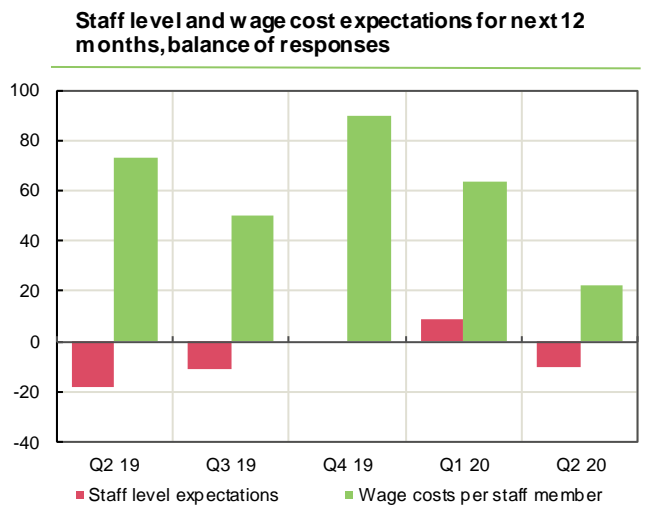


Figure 5

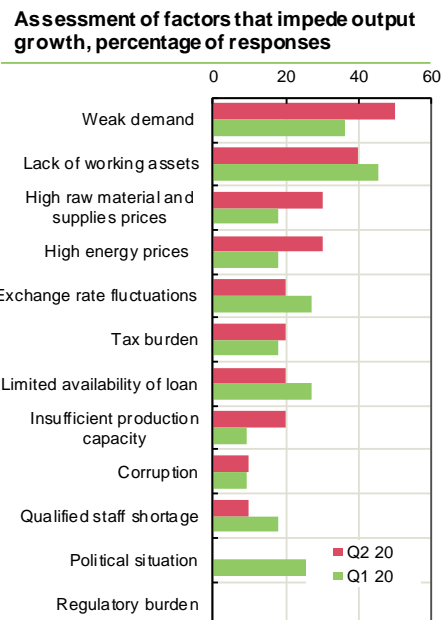


Figure 6

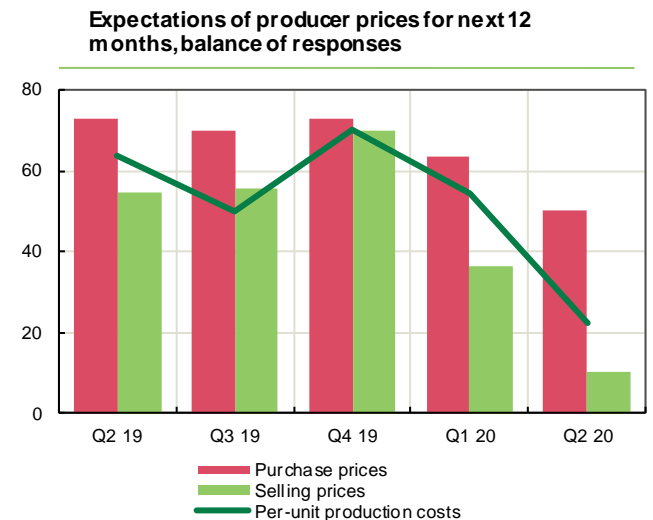


Figure 7

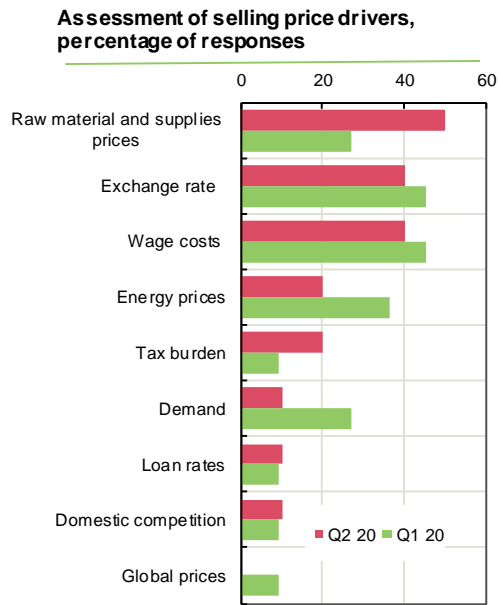


Figure 8

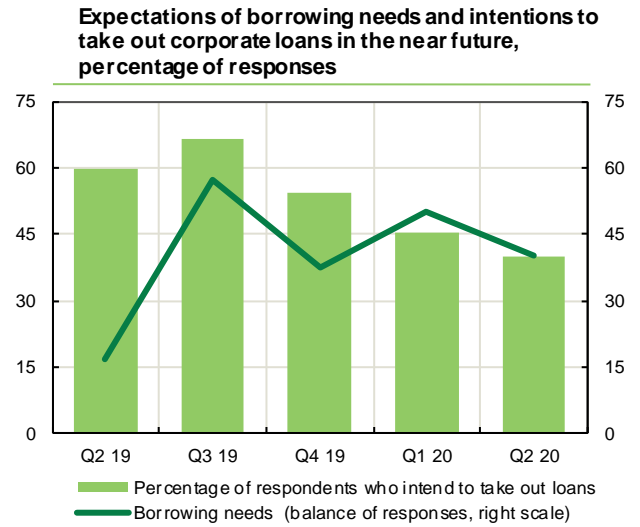


Figure 9

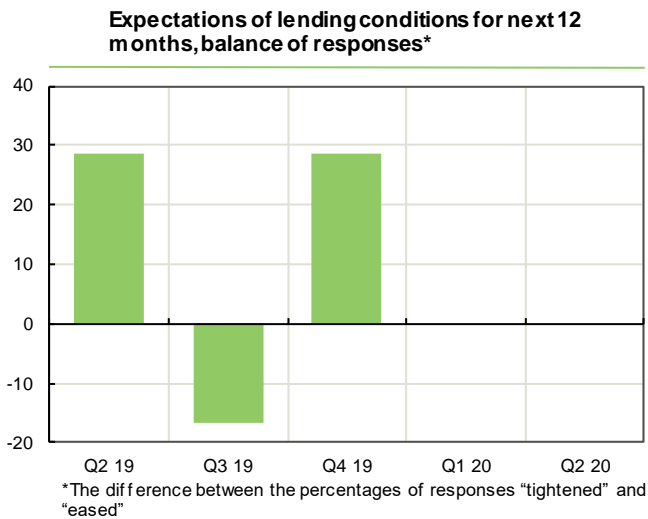


Figure 10

