National Bank
of Ukraine

Business Outlook Survey
of Ternopil Oblast*

Q4 2020

*This survey only reflects the opinions of respondents in Ternopil oblast (top managers of companies) who were polled in Q4 2020, and does not represent NBU forecasts or estimates

A survey carried out in Ternopil oblast in Q4 2020 showed that respondents expected a drop in the output of Ukrainian goods and services over the next 12 months on the back of a tighter quarantine. At the same time, they had positive expectations for the performance of their companies. Respondents expected inflation to increase and the domestic currency to depreciate more noticeably.

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

- **the output of Ukrainian goods and services would drop significantly:** the balance of expectations was (-30.0%) compared with 0.0% in Q3 2020 (Figure 1) and (-24.4%) across Ukraine
- **prices for consumer goods and services would grow at a faster pace:** half of respondents expected the inflation rate to be lower than 7.5% compared with 90.0% in the previous quarter and 49.2% across Ukraine. Respondents referred to the exchange rate and production costs as **the main inflation drivers** (Figure 2). The impact of household income was reported to have increased noticeably compared to the previous quarter
- **the domestic currency would depreciate further:** 80.0% of respondents (compared with 72.7% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 87.1%
- **the financial and economic standings of their companies would improve** at a slower pace: the balance of expectations was 11.1% compared to 36.4% in the previous quarter. The financial and economic standings of companies across Ukraine were expected to improve slightly (1.3%) (see Table)
- **total sales would increase at a slower pace:** the balance of responses was 20.0% compared with 30.0% in Q3 2020 (see Table). External sales were expected to remain unchanged (the balance of responses was 0.0% compared with 33.3% in Q3 2020). Overall, companies across Ukraine expected sales to increase moderately, the balances of responses being 7.1% and 3.8% respectively
- **investment both in construction and in machinery, equipment, and tools would increase:** the balances of responses were 22.2% and 10.0% respectively (compared to 10.0% and 20.0% in Q3 2020). Across Ukraine, the balances of responses were (-4.5%) and 3.8% respectively
- **staff numbers at their companies would increase:** the balance of responses was 10.0% compared with 0.0% in Q3 2020. Across Ukraine, staff numbers were expected to decrease (-9.9%) (Figure 4)
- **the growth in both purchase and selling prices would accelerate:** the balances of responses were 90.0% and 40.0% respectively (compared with 81.8% and 30.0% respectively in Q3 2020) (Figure 6). Wage costs and the exchange rate were referred to as the main selling price driver (Figure 7)
- **per-unit production costs and wage costs per staff member would grow** at a fast pace**:** the balances of responses were 88.9% and 60.0% compared with 33.3% and 63.6% respectively in Q3 2020 (Figures 4 and 6).

Companies cited a lack of working assets and high raw material, supplies and energy prices as the **main drags on their ability to boost production** (Figure 5).

Respondents continued to expect **an increase in their borrowing needs** in the near future (Figure 8)**.** Some 40.0% of respondents planned to take out corporate loans and opted for domestic currency ones. Respondents said that lending standards had remained unchanged for four quarter in a row (Figure 9). Respondents referred to high loan rates as the main factor that deterred them from taking out loans. Respondents reported a noticeable increase in the impact of the uncertainty about their ability to meet debt obligations (Figure 10).

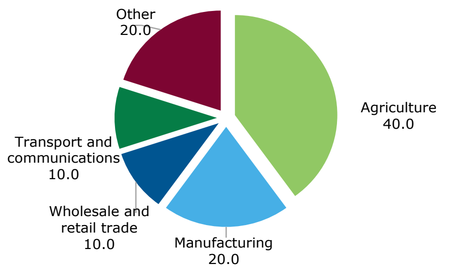
All of the respondents said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.9% across Ukraine).

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

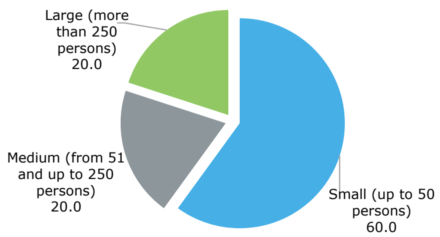
- **Companies assessed their current financial and economic standings as good:** the balance of responses was 10.0% compared with 9.1% in Q3 2020. Across Ukraine, respondents assessed the current financial and economic standings of their companies as bad: the balance of responses was (-3.2%).
- **Respondents 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 Q3 2020.
- **Unutilized production capacity had increased. Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 12.5% compared with 0.0% in Q3 2020.

Survey Details[1,2]

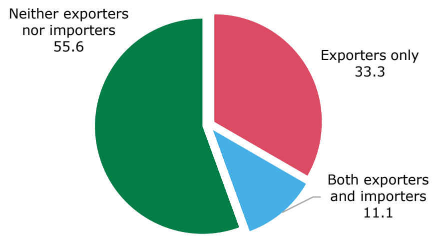
Respondents in terms of main economic activities, %



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

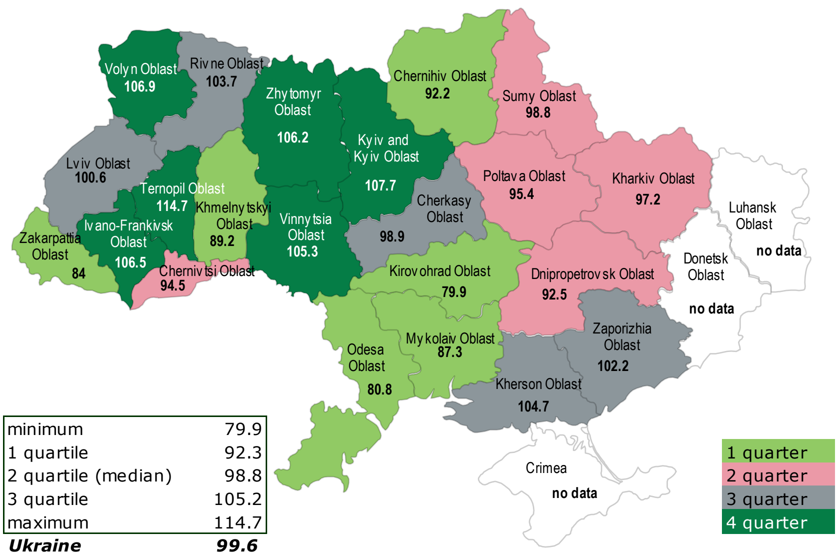


Respondents in terms of business activities,%



- Period: 5 November through 24 November 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 Regions[3], %



*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, %				
	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20
Financial and economic standings	30.0	45.5	0.0	36.4	11.1
Total sales	33.3	54.5	10.0	30.0	20.0
Investment in construction	20.0	40.0	-11.1	10.0	22.2
Investment in machinery, equipment, and tools	10.0	45.5	0.0	20.0	10.0
Staff numbers	0.0	9.1	-10.0	0.0	10.0

[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 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

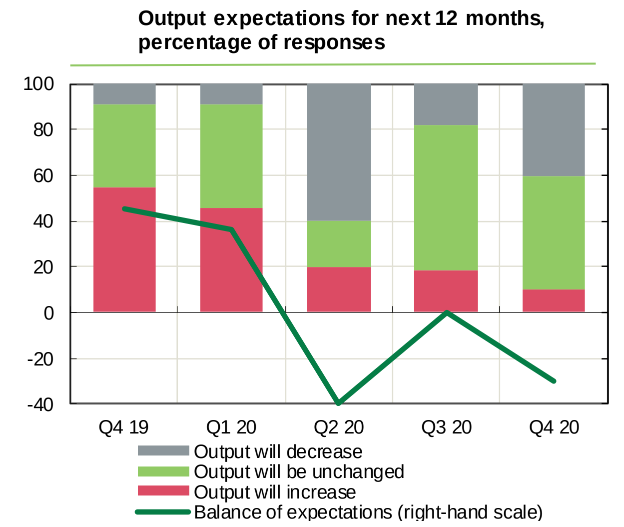


Figure 2

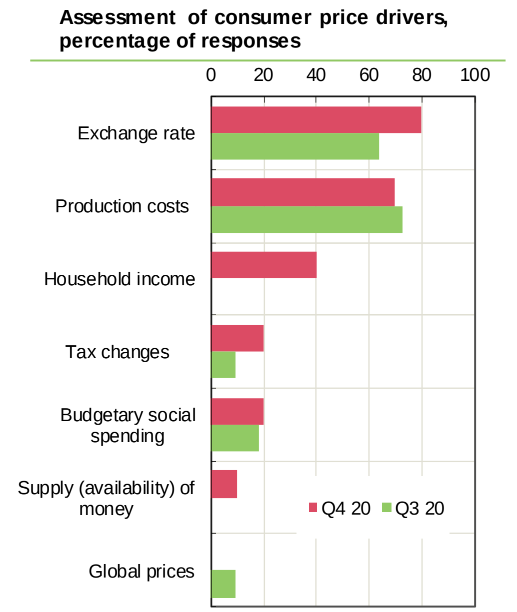


Figure 3

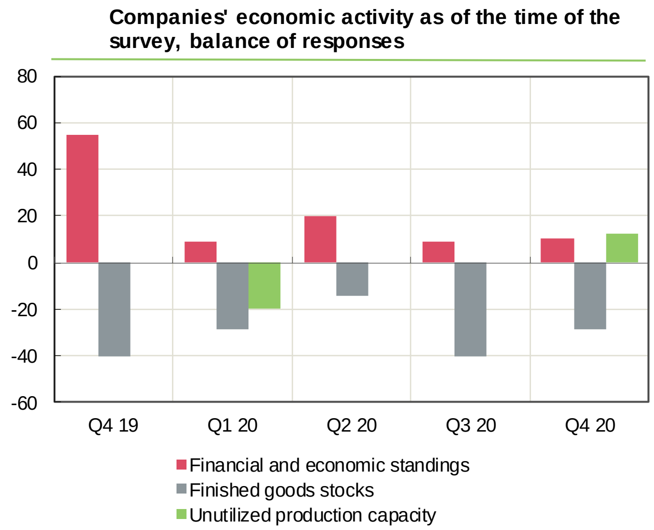


Figure 4

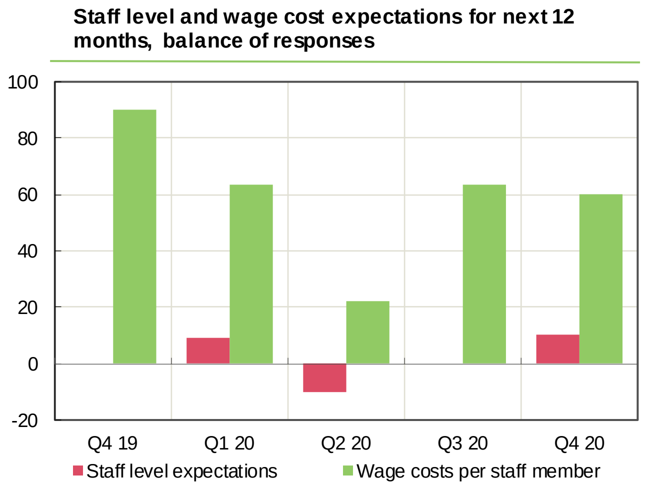


Figure 5

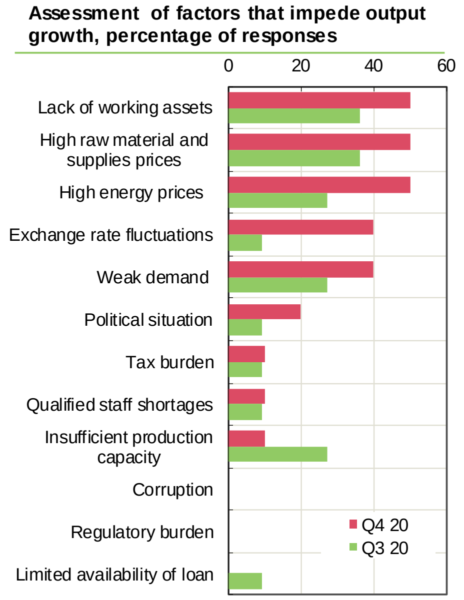


Figure 6

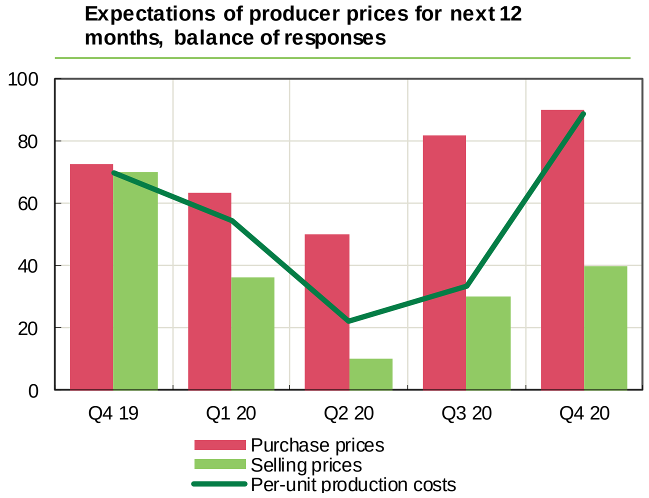


Figure 7

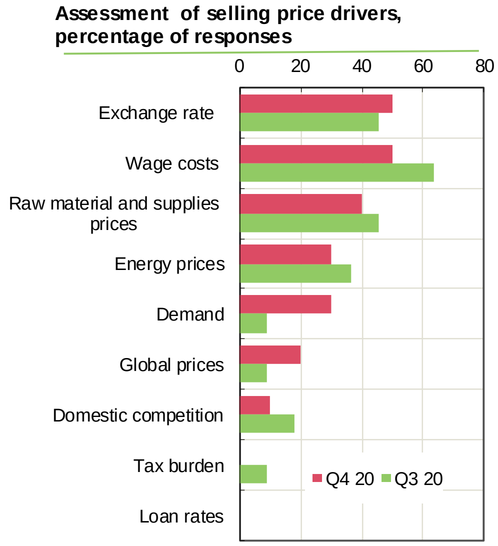


Figure 8

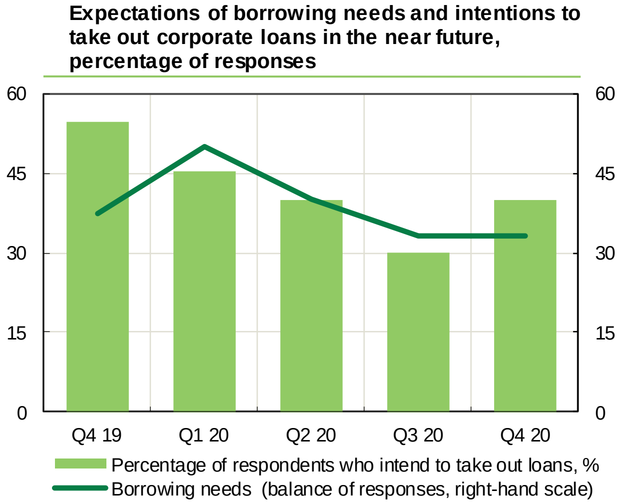


Figure 9

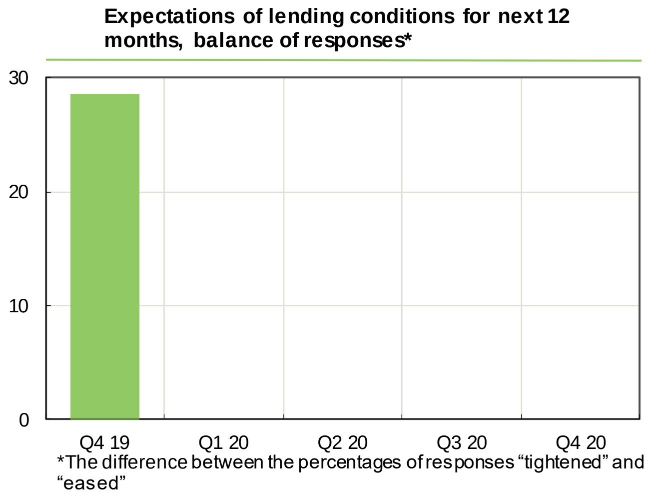


Figure 10