



National Bank
of Ukraine

Business Outlook Survey of Ternopil Oblast*

Q1 2021



*This survey only reflects the opinions of respondents in Ternopil oblast (top managers of companies) who were polled in Q1 2021, and does not represent NBU forecasts or estimates

A survey carried out in **Ternopil oblast** in Q1 2021 showed that respondents expected an increase in the output of **Ukrainian goods and services** over the next 12 months. At the same time, the respondents had moderate expectations for the performance of their companies The weakening of inflation and depreciation processes are expected.

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

- **the output of Ukrainian goods and services would increase** for the first time since the first quarter of 2020: the balance of expectations was 10.0% compared with (-30.0%) in Q4 2020 (Figure 1) and 5.6% across Ukraine
- **prices for consumer goods and services would grow at a slower pace:** 60% of respondents expected the inflation rate to be lower than 7.5% compared with 50.0% in the previous quarter and 49.3% across Ukraine. Respondents referred to the exchange rate and production costs as **the main inflation drivers** (Figure 2).
- **the domestic currency depreciation would decelerate:** 70.0% of respondents (compared with 80.0% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 74.4%
- **the financial and economic standings of their companies would remain unchanged:** the balance of expectations was 0.0% compared to 11.1% in the previous quarter. The financial and economic standings of companies across Ukraine were expected to improve (12.7%) (see Table)
- **total sales growth would decelerate:** the balance of responses was 10.0% compared with 20.0% in Q4 2020 (see Table). External sales were expected to remain unchanged (the balance of responses was 0.0% for two quarters in a row). Overall, companies across Ukraine expected sales to increase, the balances of responses being 18.0% and 14.9% respectively
- **investment both in construction and in machinery, equipment, and tools would decrease:** the balances of responses were (-25.0%) and (-10.0%) respectively (compared to 22.2% and 10.0% in Q4 2020). Overall, companies across Ukraine expected investments to increase, the balances of responses were 1.4% and 11.7% respectively
- **staff numbers at their companies would increase:** the balance of responses was 10.0% as in Q4 2020 (Figure 4). Across Ukraine, staff numbers were expected to decrease (-1.9%)
- **the growth in both purchase and selling prices would decelerate:** the balances of responses were 60.0% and 20.0% respectively (compared with 90.0% and 40.0% respectively in Q4 2020) (Figure 6). Wage costs and the exchange rate were referred to as the main selling price drivers. Respondents reported a noticeable increase in the impact of domestic competition (Figure 7)
- **per-unit production costs and wage costs per staff member would grow** at a slower pace: the balances of responses were 44.4% and 55.6% compared with 88.9% and 60.0% respectively in Q4 2020 (Figures 4 and 6).

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

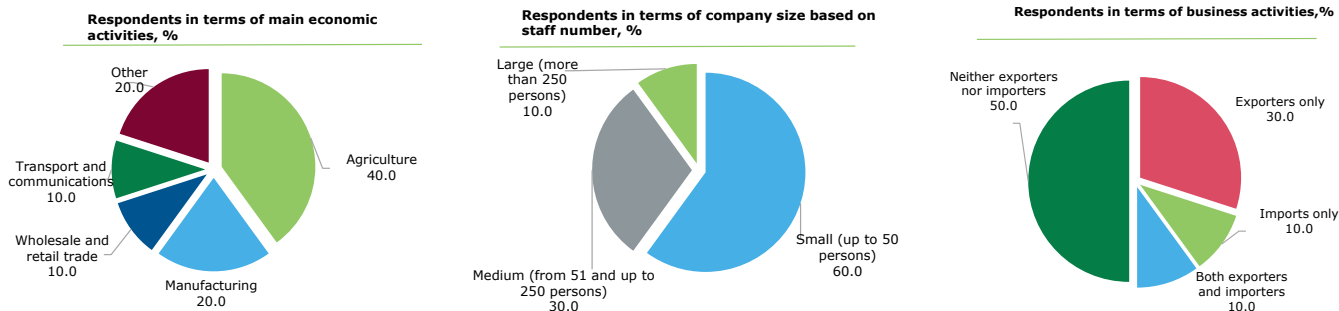
Respondents continued to expect **an increase in their borrowing needs** in the near future (Figure 8). Some 50.0% of respondents planned to take out corporate loans and 80% of them opted for domestic currency ones. Respondents said that lending standards had tightened for the first time in the last five quarters (Figure 9). Respondents referred to high loan rates, complicated paperwork and uncertainty about ability to meet debt obligations as they fall due as the main factors 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** (97.5% across Ukraine).

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

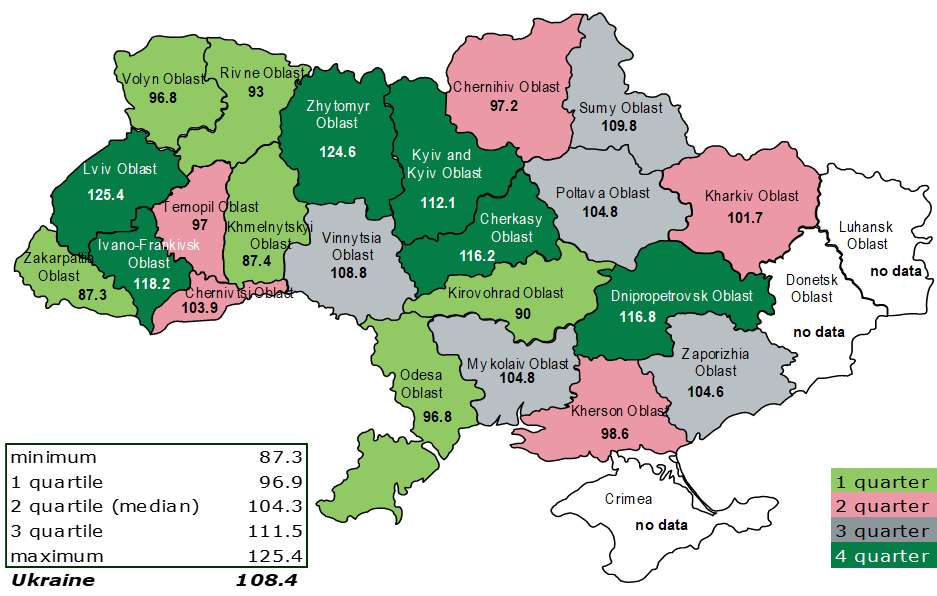
- **Companies assessed their current financial and economic standings as good:** the balance of responses was 30.0% compared with 10.0% in Q4 2020. Across Ukraine, respondents assessed the current financial and economic standings of their companies as bad: the balance of responses was (-0.7%).
- **Respondents assessed their finished goods stocks at a level lower than the normal one:** the balance of responses was (-37.5%) compared with (-28.6%) in Q4 2020.
- **Unutilized production capacity had decreased. Companies said they would need additional capacity to meet any unexpected rise in demand:** the balance of responses was (-11.1%) compared with 12.5% in Q4 2020.

Survey Details^{1,2}



- Period: 3 February through 26 February 2021.
- 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, %



¹a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups
²a 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, %				
	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21
Financial and economic standings	45.5	0.0	36.4	11.1	0.0
Total sales	54.5	10.0	30.0	20.0	10.0
Investment in construction	40.0	-11.1	10.0	22.2	-25.0
Investment in machinery, equipment, and tools	45.5	0.0	20.0	10.0	-10.0
Staff numbers	9.1	-10.0	0.0	10.0	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

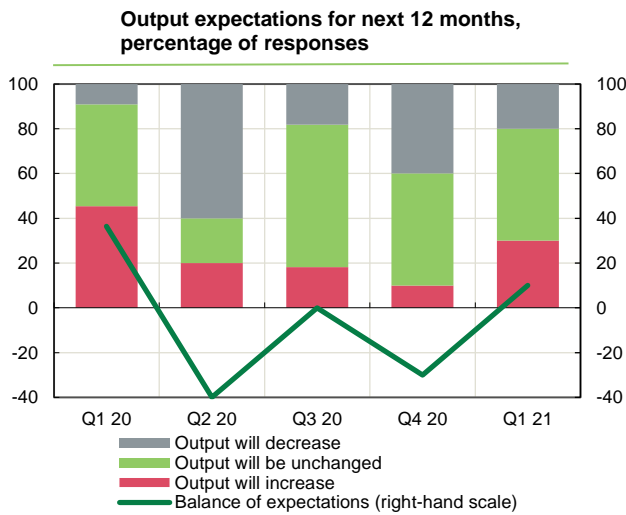


Figure 2

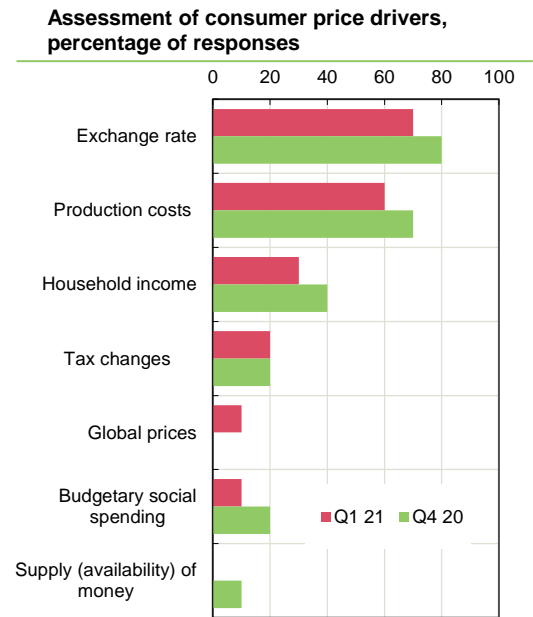


Figure 3

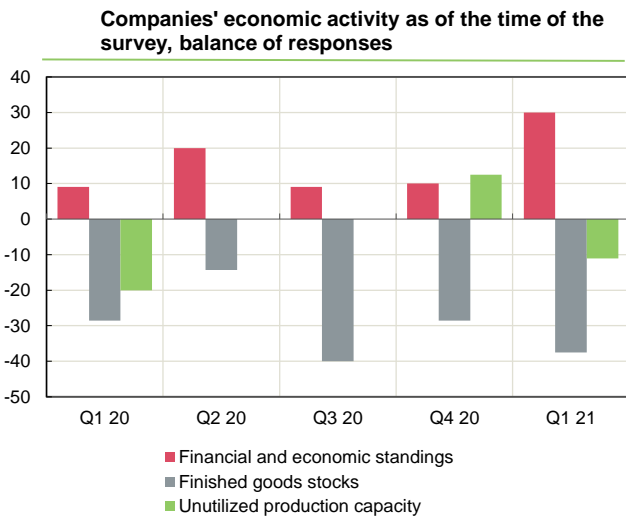


Figure 4

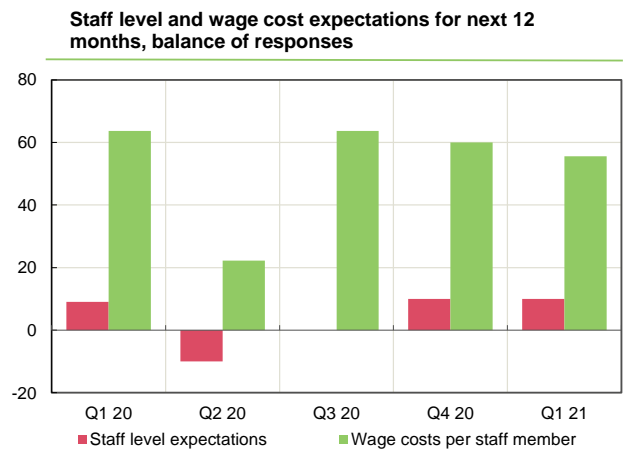


Figure 5

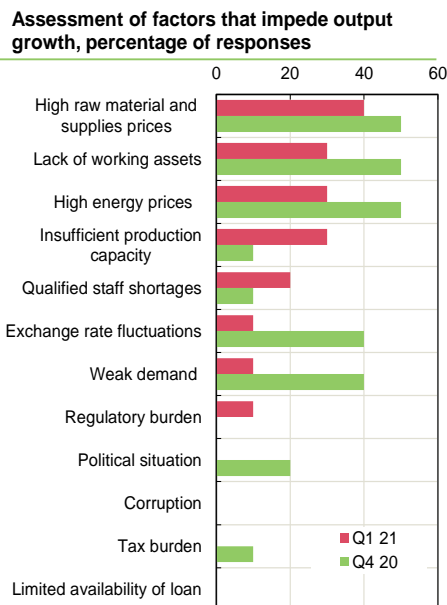


Figure 6

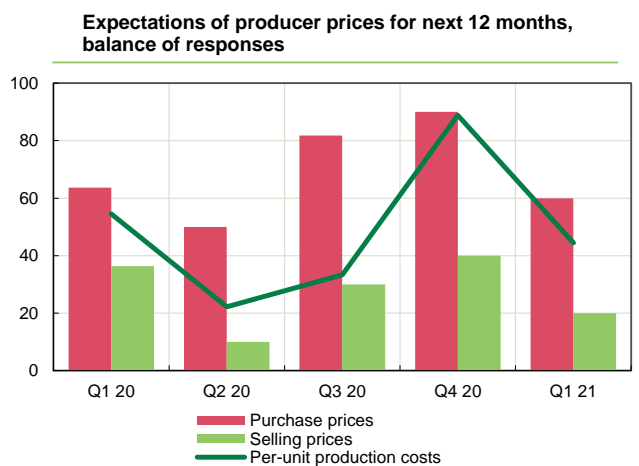


Figure 7

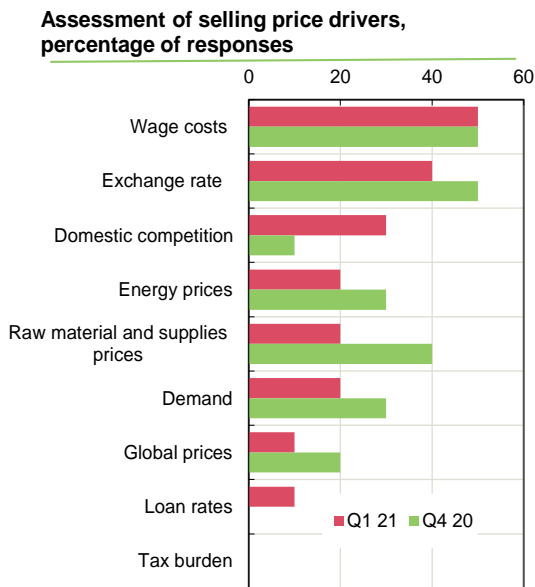


Figure 8

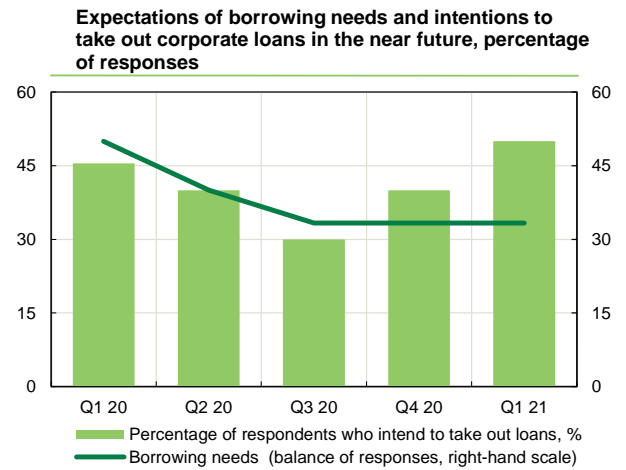


Figure 9

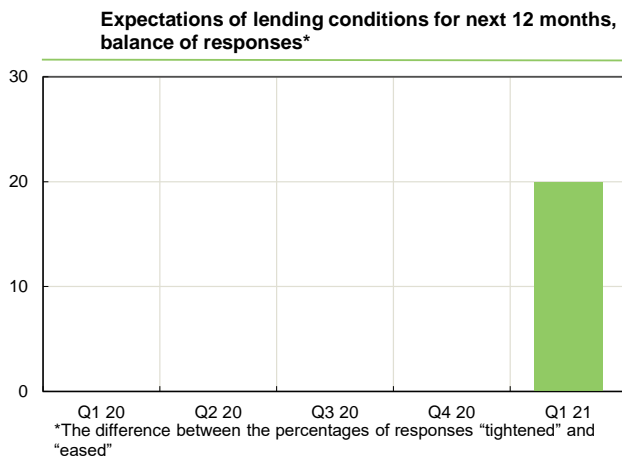


Figure 10

