



National Bank
of Ukraine

Business Outlook Survey of Ternopil Oblast*

Q1 2022

**The survey was completed
when the war started**



*This survey only reflects the opinions of respondents in Ternopil oblast (top managers of companies) who were polled in Q1 2022, and does not represent NBU forecasts or estimates

A survey carried out in Ternopil oblast in Q1 2022 showed that respondents expected on the eve of the war that the output of Ukrainian goods and services would increase over the next 12 months. Respondents also had cautious expectations for the performance of their companies over this period. Respondents expected lower inflation and stronger depreciation.

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 10.0% (compared to 0.0% in Q4 2021) (Figure 1). Respondents across Ukraine expected the output of goods and services to decrease (-1.7%)
- **prices for consumer goods and services would grow at a slower pace:** 50.0% of respondents expected the inflation rate to be higher than 7.5%, compared to 70.0% in the previous quarter and 81.6% across Ukraine. Respondents referred to production costs and the hryvnia exchange rate as **the main inflation drivers** (Figure 2)
- **the domestic currency would depreciate more pronouncedly:** 70.0% of respondents (compared to 55.6% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 81.6%
- **the financial and economic standings of their companies would remain unchanged:** the balance of expectations was 0.0% (compared to 10.0% in the previous quarter). Across Ukraine, respondents expected the financial and economic standings of their companies to improve (7.2%) (see Table)
- **total sales would increase noticeably:** the balance of responses was 33.3% (compared to 0.0% in Q4 2021) (see Table). External sales were also expected to increase: the balance of responses was 20.0% (compared to (-16.7%) in the previous quarter). Overall, across Ukraine the balances of responses were 17.0% and 23.3% respectively
- **investment in machinery, equipment, and tools would increase:** the balance of responses was 40.0% (compared to 22.2% in the previous quarter). At the same time, companies expected that investment in construction would decrease: the balance of responses was (-11.1%) compared to 11.1% in Q4 2021). Across Ukraine, the balances of responses were 14.3% and 0.9% respectively
- **staff numbers at their companies would increase at a faster pace:** the balance of responses was 30.0% (the highest figure among the regions), compared to 20.0% in Q4 2021 (Figure 4). Across Ukraine, staff numbers were expected to increase moderately (1.5%)
- **both purchase and selling prices would increase rapidly:** the balances of responses were 90.0% and 55.6% respectively (compared to 88.9% and 62.5% respectively in Q4 2021) (Figure 6). Raw material and supplies prices, energy prices, wage costs and the hryvnia exchange rate (the impact of this driver was reported to have increased) were referred to as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would increase more slowly:** the balances of responses were 55.6% and 60.0% respectively, compared to 66.7% and 100.0% respectively in Q4 2021 (Figures 4 and 6).

Companies cited high energy prices, raw material and supplies prices, and the tax burden (the impact of this driver was reported to have increased compared to the previous survey) as the **main drags on their ability to boost production** (Figure 5).

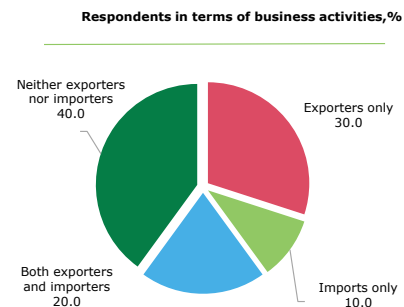
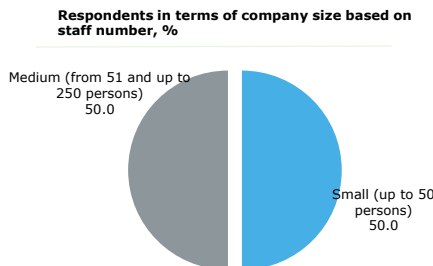
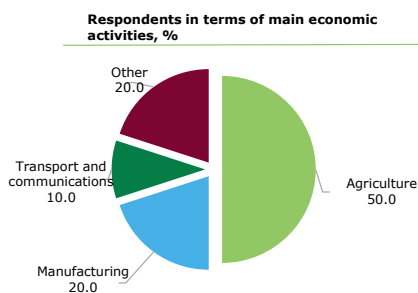
Respondents reported **stronger expectations of an increase in their borrowing needs** in the near future (Figure 8). 50.0% of respondents planned to take out bank loans, with all of them opting to take out domestic currency loans. Respondents said that lending standards had eased (Figure 9). Respondents referred to high loan rates, collateral requirements, complicated paperwork and other funding sources as the main factors deterring them from taking out loans (Figure 10).

All respondents said that they had encountered no difficulties in effecting transactions with funds deposited in bank accounts (97.6% across Ukraine).

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

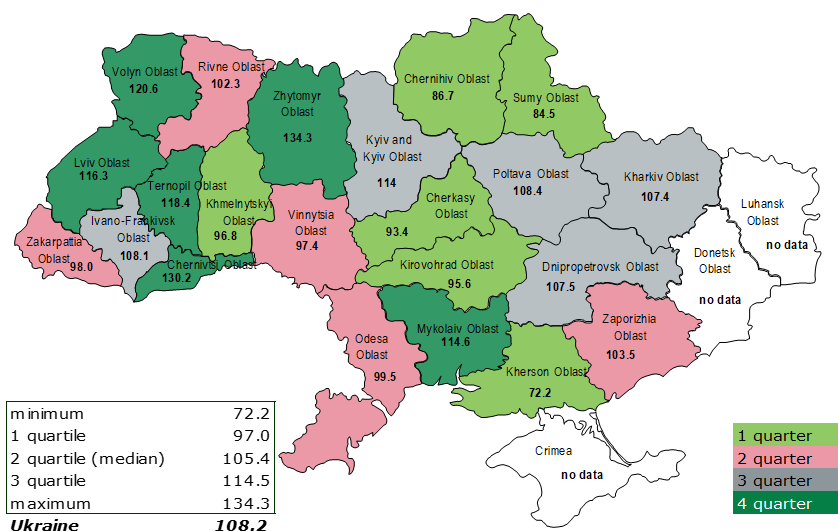
- **Companies assessed their current financial and economic standings as good:** the balance of responses was 20.0%, compared to 0.0% in Q4 2021. Across Ukraine, the balance of responses was 6.6%.
- **Respondents assessed their finished goods stocks as lower than normal:** the balance of responses was (-14.3%), compared to 16.7% in the previous quarter.
- **Companies had sufficient spare production capacity to meet any unexpected rise in demand:** the balance of responses was 33.3%, compared to (-12.5%) in Q4 2021.

Survey Details^{1,2}



- Period: 1 February through 23 February 2022.
- 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 Oblasts³, %



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 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 21	Q2 21	Q3 21	Q4 21	Q1 22
Financial and economic standings	0.0	30.0	30.0	10.0	0.0
Total sales	10.0	0.0	30.0	0.0	33.3
Investment in construction	-25.0	33.3	20.0	11.1	-11.1
Investment in machinery, equipment, and tools	-10.0	55.6	40.0	22.2	40.0
Staff numbers	10.0	20.0	36.4	20.0	30.0

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

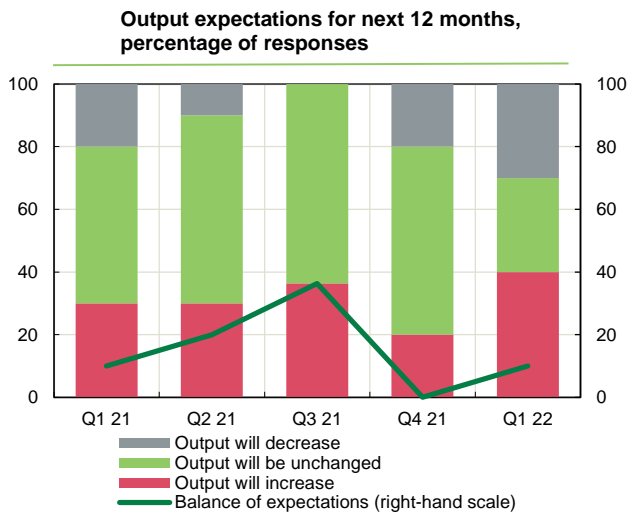


Figure 2

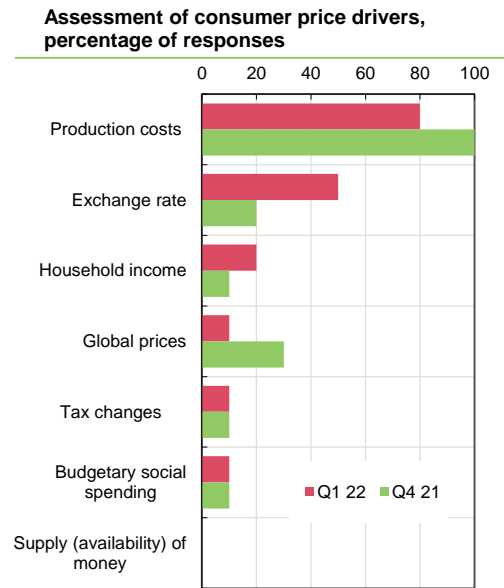


Figure 3

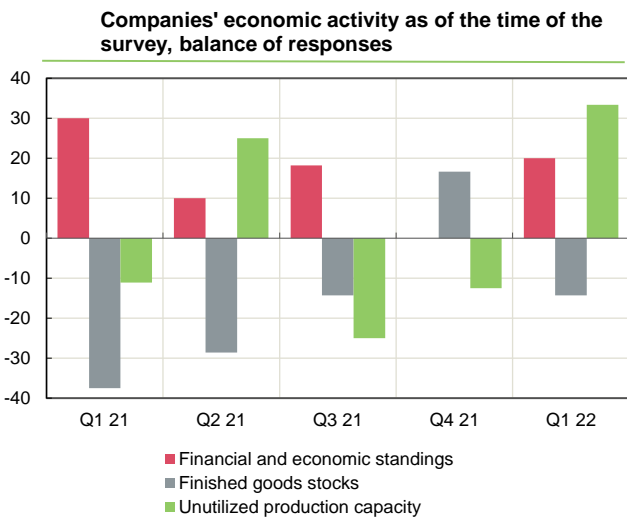


Figure 4

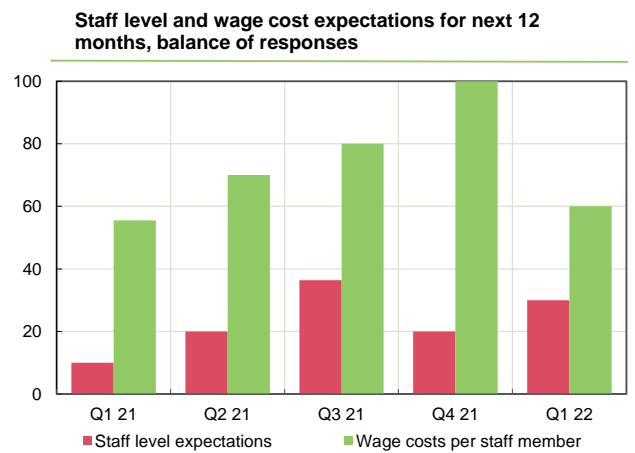


Figure 5

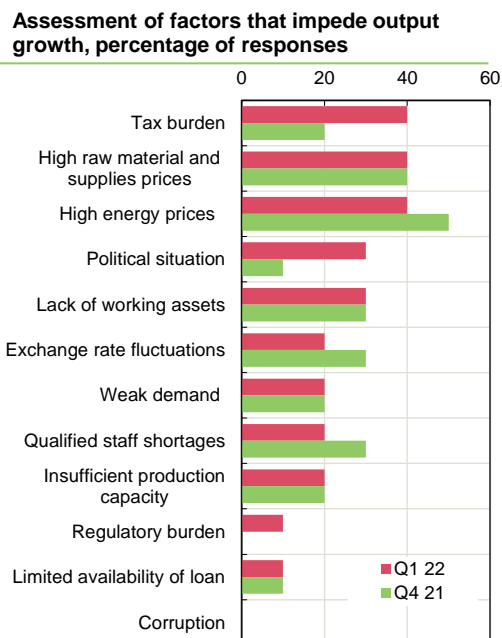


Figure 6

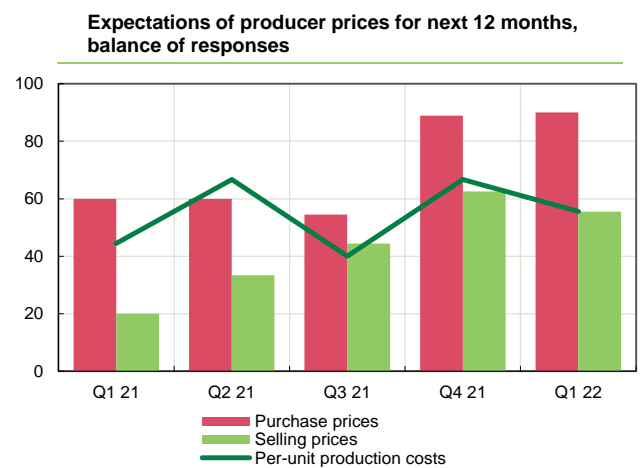


Figure 7

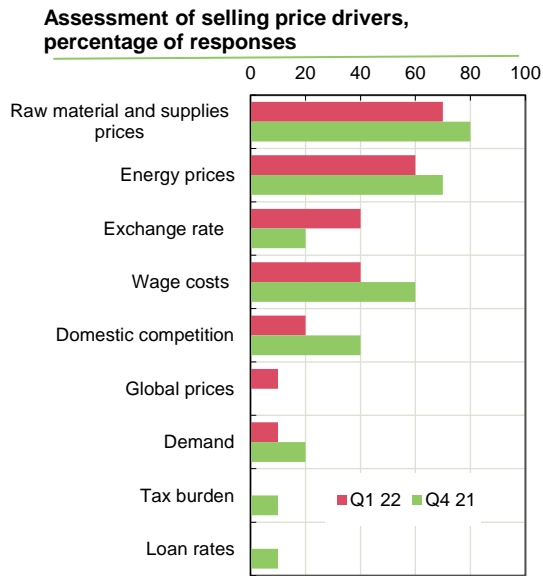


Figure 8

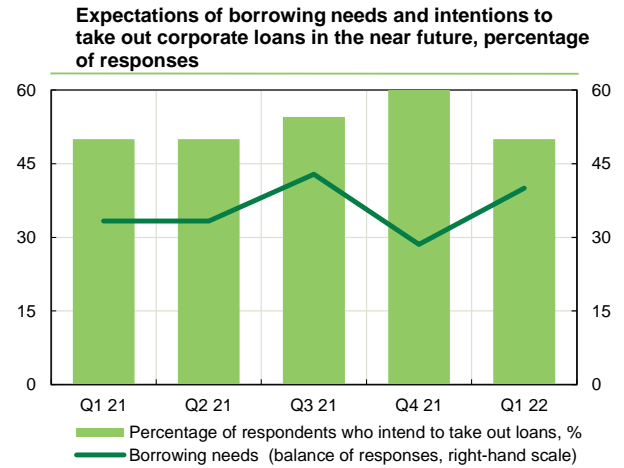


Figure 9

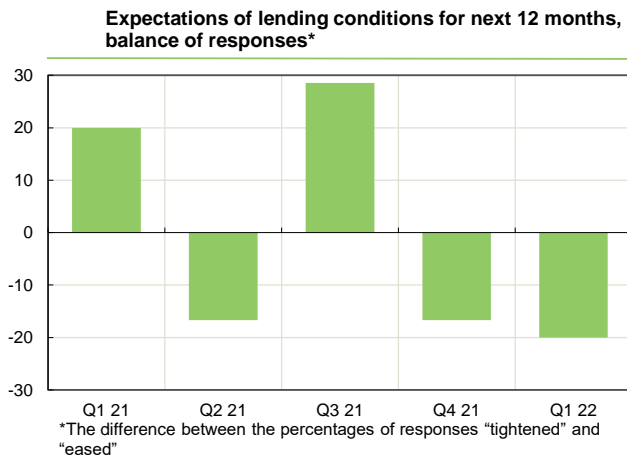


Figure 10

