



National Bank  
of Ukraine

# Business Outlook Survey of Ternopil Oblast\*

Q3 2022



\*This survey only reflects the opinions of respondents in Ternopil oblast (top managers of companies) who were polled in Q3 2022, and does not represent NBU forecasts or estimates

A survey carried out in Ternopil oblast in Q3 2022 showed that against the background of the war respondents significantly moderated their expectations of a decrease in the output of Ukrainian goods and services over the next 12 months. At the same time, respondents had negative expectations for the performance of their companies over this period. Respondents expected lower inflation. Depreciation expectations remained high.

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

- **the output of Ukrainian goods and services would decrease at a noticeably slower pace:** the balance of expectations was (-22.2%) (compared to (-66.7%) in Q2 2022) (Figure 1). Across Ukraine, the balance of responses was (-37.9%)
- **prices for goods and services would grow more slowly:** 66.7% of respondents expected the inflation rate would not exceed 20.0%, compared to 40.0% in the previous quarter and 23.8% across Ukraine. Respondents referred to military actions, production costs, and the hryvnia exchange rate as **the main inflation drivers** (Figure 2)
- **the domestic currency would depreciate:** 88.9% of respondents (compared to 90.0% in the previous quarter) expected the hryvnia to weaken against the U.S. dollar, the figure across Ukraine being 88.8%
- **the financial and economic standings of their companies would deteriorate:** the balance of expectations was (-20.0%) (compared to 0.0% in the previous quarter). Across Ukraine, the balance of responses was (-15.1%) (see Table)
- **total sales would increase:** the balance of responses was 12.5% (compared to (-25.0%) in Q2 2022) (see Table). External sales were also expected to increase: the balance of responses was 20.0% (compared to 25.0% in the previous quarter). Overall, across Ukraine, companies expected total sales to drop: the balances of responses were (-7.2%) and (-7.8%) respectively
- **both investment in construction and in machinery, equipment, and tools would decrease noticeably:** the balances of responses were (-22.2%) and (-37.5%) respectively (compared to (-44.4%) and 12.5% in the previous quarter respectively) (Table). Across Ukraine, the balances of responses were (-29.3%) and (-25.3%) respectively
- **staff numbers at their companies would increase:** the balance of responses was 10.0% (compared to 30.0% in Q2 2022) – the highest figure among the regions for two quarters running (Figure 4). Across Ukraine, staff numbers were expected to decrease noticeably (-25.5%)
- **purchase prices would increase at a slower pace:** the balance of responses was 55.6% (compared to 90.0% in the previous quarter) (Figure 6). Respondents expected that selling prices would increase rapidly: the balance of responses was 62.5% (compared to 66.7% in Q2 2022). Raw material and supplies prices, energy prices, the hryvnia exchange rate, and logistical problems were cited as the main selling price drivers (Figure 7)
- **per-unit production costs would increase more rapidly:** the balance of responses was 77.8%, compared to 55.6% in Q2 2022. At the same time, respondents expected that **wage costs per staff member would rise more slowly:** the balance of responses was 40.0% (compared to 50.0% in the previous quarter) (Figures 4 and 6).

Companies cited military actions and their consequences, weak demand, and high raw material and supplies prices as the **main drags on their ability to boost production** (Figure 5).

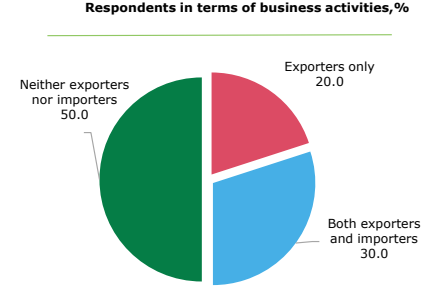
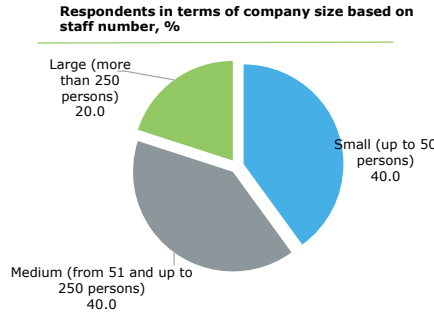
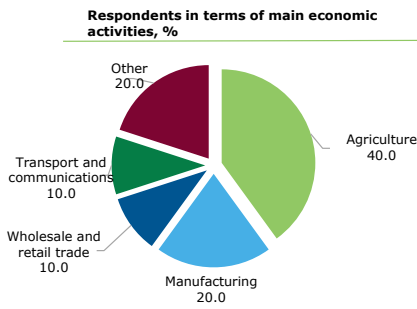
Respondents **expected their borrowing needs to increase** in the near future (Figure 8). A total of 55.6% of respondents planned to take out bank loans, preferring domestic currency loans. Respondents said that bank lending standards had tightened (Figure 9). Respondents referred to high interest rates (the impact of this factor was reported to have increased), uncertainty about their ability to meet debt obligations as they fall due, and availability of 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 (94.1% across Ukraine).

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

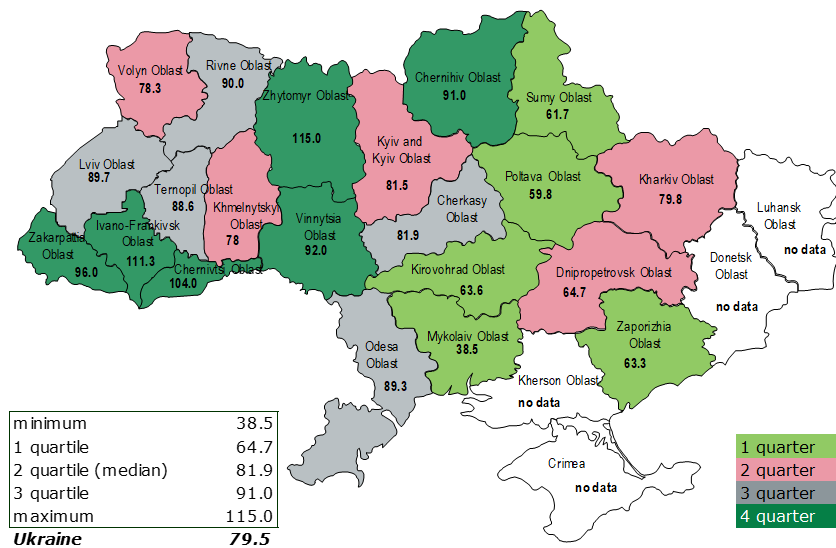
- **Companies assessed their current financial and economic standings as satisfactory:** the balance of responses was 0.0%, compared to 10.0% in Q2 2022. Across Ukraine, respondents assessed the current financial and economic standings of their companies as bad: the balance of responses was (-21.8%).
- **Finished goods stocks decreased and were assessed as lower than normal:** the balance of responses was (-16.7%), compared to 16.7% in the previous quarter.
- **Companies said they would need additional capacity to meet any unexpected rise in demand:** the balance of responses was (-11.1%), compared to 11.1% in Q2 2022.

Survey Details<sup>1,2</sup>



- Period: 1 August through 24 August 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 Oblasts<sup>3</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, % |       |       |       |       |
|---|--------------------------|-------|-------|-------|-------|
|   | Q3 21                    | Q4 21 | Q1 22 | Q2 22 | Q3 22 |
| Financial and economic standings              | 30.0                     | 10.0  | 0.0   | -11.1 | -20.0 |
| Total sales                                   | 30.0                     | 0.0   | 33.3  | -25.0 | 12.5  |
| Investment in construction                    | 20.0                     | 11.1  | -11.1 | -44.4 | -22.2 |
| Investment in machinery, equipment, and tools | 40.0                     | 22.2  | 40.0  | 12.5  | -37.5 |
| Staff numbers                                 | 36.4                     | 20.0  | 30.0  | 30.0  | 10.0  |

<sup>1</sup> This sample was generated in proportion to the contribution of each region and each economic activity to Ukraine's gross value added.

<sup>2</sup> Data for totals and components may be subject to rounding effects.

<sup>3</sup> 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

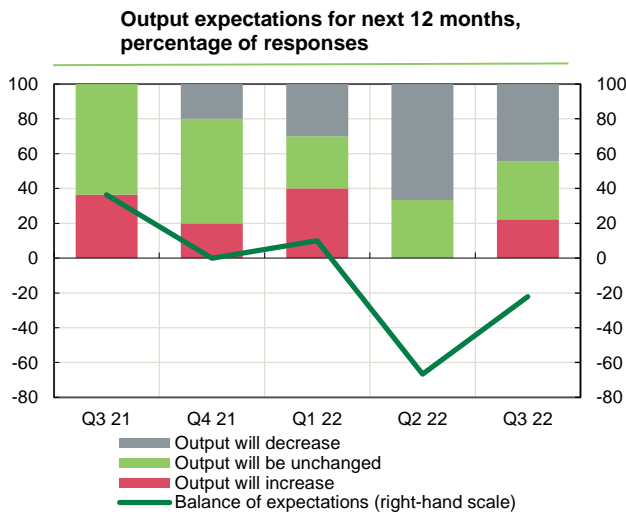


Figure 2

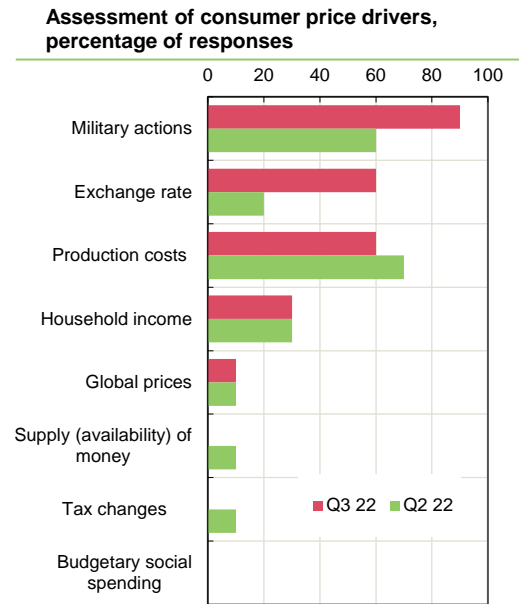


Figure 3

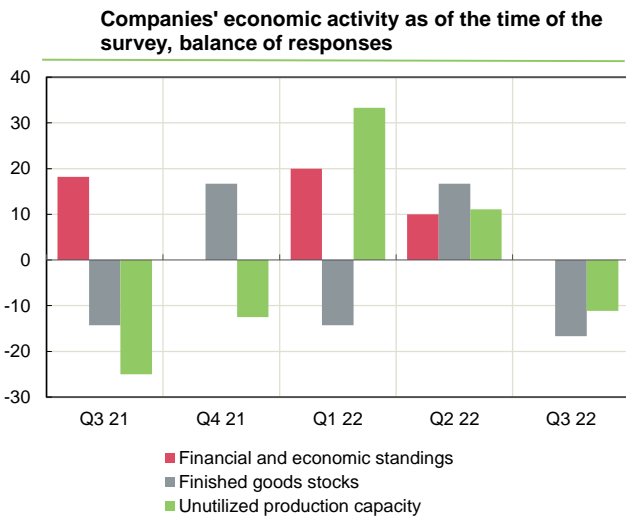


Figure 4

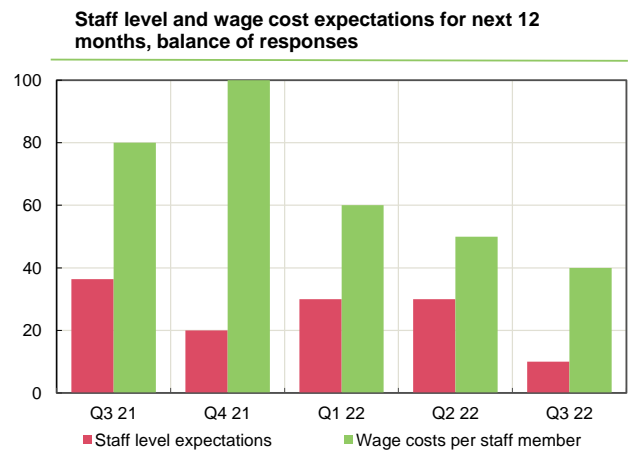


Figure 5

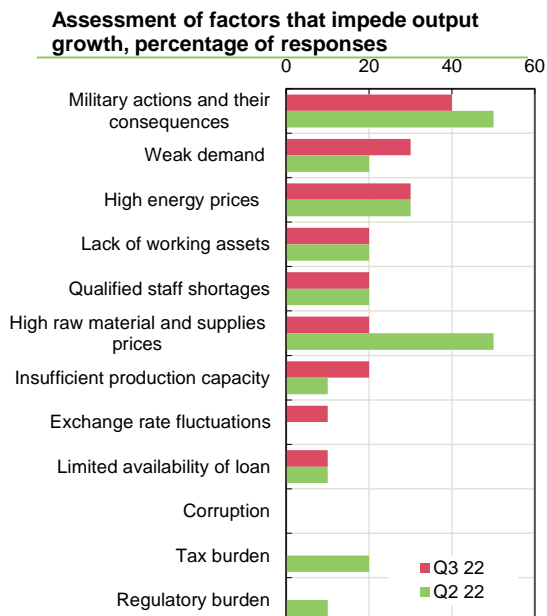


Figure 6

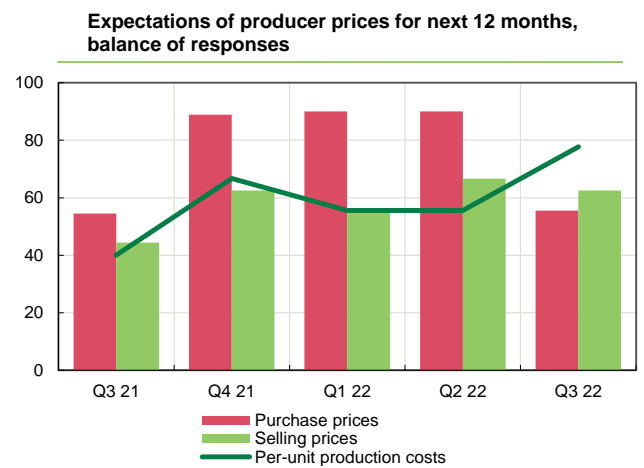


Figure 7

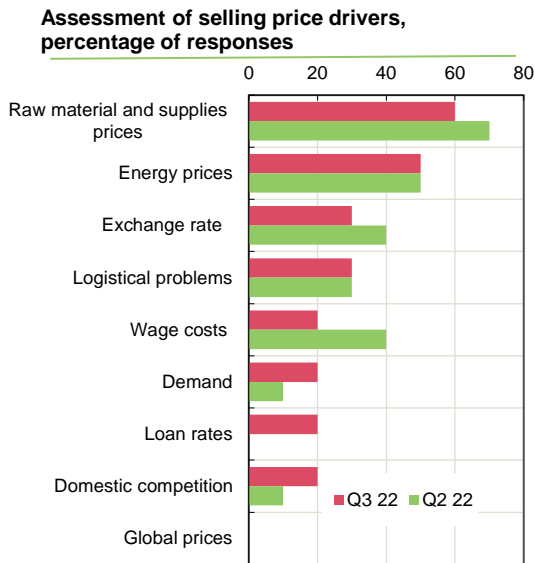


Figure 8

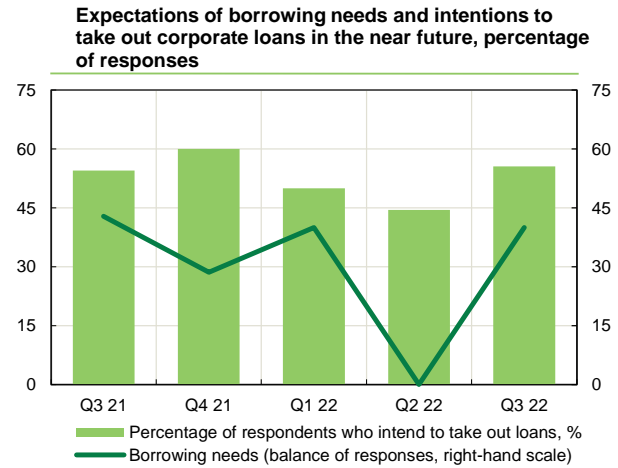


Figure 9

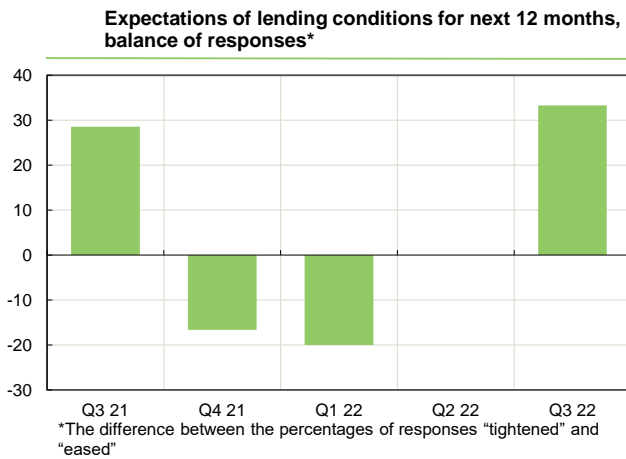


Figure 10

