



National Bank
of Ukraine

Business Outlook Survey of Ternopil Oblast*

Q2 2023



*This survey only reflects the opinions of respondents in Ternopil oblast (top managers of companies) who were polled in Q2 2023, and does not represent NBU forecasts or estimates

A survey carried out in **Ternopil oblast** in Q2 2023 showed that, despite of the restoration of the energy system, the gradual revival of domestic demand and the strengthening of the hryvnia exchange rate, respondents expected that the output of Ukrainian goods and services would remain unchanged over the next 12 months. They also had cautious expectations for the performance of their companies over this period. Inflation and 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 remain unchanged:** the balance of expectations was 0.0% (compared to (-27.3%) in Q1 2023) (Figure 1). Across Ukraine, the balance of responses was 17.0%
- **prices for goods and services would rise:** 60.0% of respondents expected that the inflation rate would not exceed 15.0%, compared to 54.5% in the previous quarter and 46.6% 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:** 66.7% of respondents (down from 72.7% in the previous quarter) expected the hryvnia to weaken against the U.S. dollar, the figure across Ukraine being 72.2%
- **the financial and economic standings of their companies would remain unchanged:** the balance of expectations was 0.0%, down from 18.2% in the previous quarter. Across Ukraine, the balance of responses was 9.6% (see Table)
- **total sales would remain unchanged:** the balance of responses was 0.0%, up from (-20.0%) in Q1 2023. At the same time, respondents expected that external sales would increase markedly: the balance of responses was 20.0%, up from (-40.0%) in the previous quarter (see Table). Overall, across Ukraine, the balances of responses were (-2.3%) and 4.5% respectively
- **investment in construction would increase:** the balance of responses was 11.1%, compared to (-22.2%) in Q1 2023. Investment in machinery, equipment and tools was expected to remain unchanged: the balance of responses was 0.0% (compared to (-10.0%) in the previous quarter) (see Table). Across Ukraine, the balances of responses were (-2.3%) and 4.5% respectively
- **staff numbers at their companies would increase:** the balance of responses was 12.5% (the highest figure among the regions) (compared to 10.0% in Q1 2023) (Figure 4). Across Ukraine, staff numbers were expected to decrease (-3.8%)
- **purchase and selling prices would rise:** the balances of responses were 80.0% and 66.7% respectively (compared to 72.7% and 60.0% in the previous quarter) (Figure 6). Energy prices, the hryvnia exchange rate and raw material and supplies prices were cited as the main selling price drivers (Figure 7)
- **per-unit production costs would increase more slowly:** the balance of responses was 22.2%, down from 66.7% in Q1 2023. Respondents also expected **wage costs per staff member to rise:** the balance of responses was 44.4% (as in the previous quarter) (Figures 4 and 6).

Companies cited military actions and their consequences, weak demand, high raw material and supplies prices, energy prices and a lack of working assets (the impact of the latter two factors was reported to have increased significantly) as the **main drags on their ability to boost production** (Figure 5).

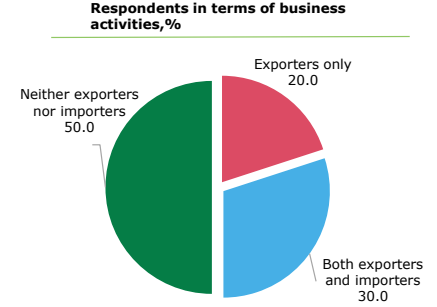
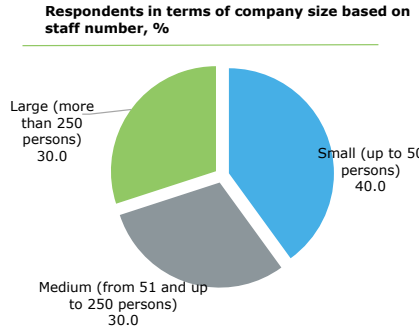
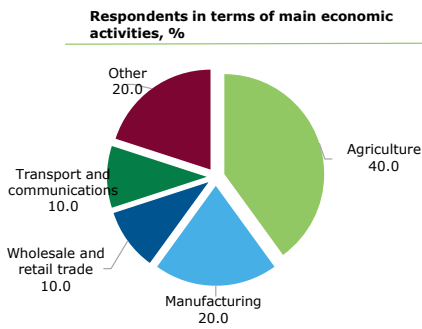
Respondents reported unchanged **expectations for an increase in their borrowing needs** in the near future (Figure 8). A total of 60.0% of respondents planned to take out bank loans, preferring domestic currency loans. Respondents said that bank lending standards had softened (Figure 9). Respondents referred to high interest rates, uncertainty about their ability to meet debt obligations as they fall due and the availability of other funding sources as the main factors deterring them from taking out loans (Figure 10).

90.0% of respondents said that **they had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (94.9% across Ukraine).

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

- **Companies' current financial and economic standings had improved and were assessed as good:** the balance of responses was 10.0% (one of the highest figures seen across the regions), up from 0.0% in Q1 2023. Across Ukraine, respondents assessed the current financial and economic standings of their companies as bad: the balance of responses was (-11.1%).
- **Finished goods stocks had decreased and were assessed as lower than normal:** the balance of responses was (-16.7%), down from (-14.3%) 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 (-10.0%) in Q1 2023.

Survey Details^{1,2}

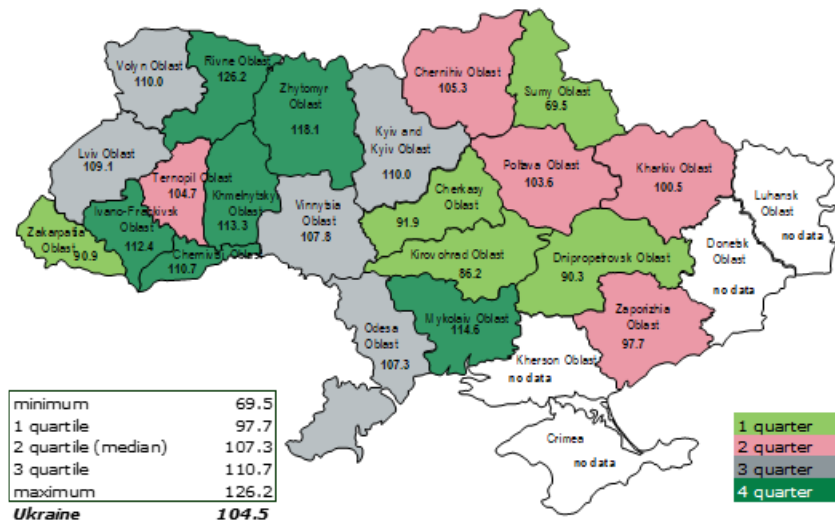


Period: 2 May through 24 May 2023.

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, %				
	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23
Financial and economic standings	-11.1	-20.0	-20.0	18.2	0.0
Total sales	-25.0	12.5	0.0	-20.0	0.0
Investment in construction	-44.4	-22.2	-10.0	-22.2	11.1
Investment in machinery, equipment, and tools	12.5	-37.5	-9.1	-10.0	0.0
Staff numbers	30.0	10.0	0.0	10.0	12.5

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

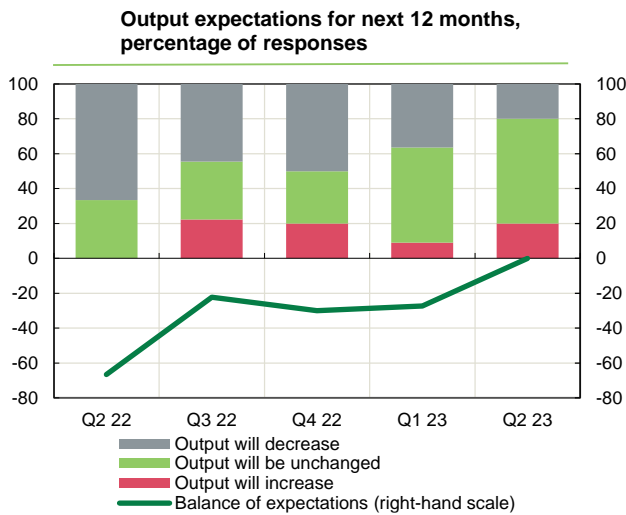


Figure 2

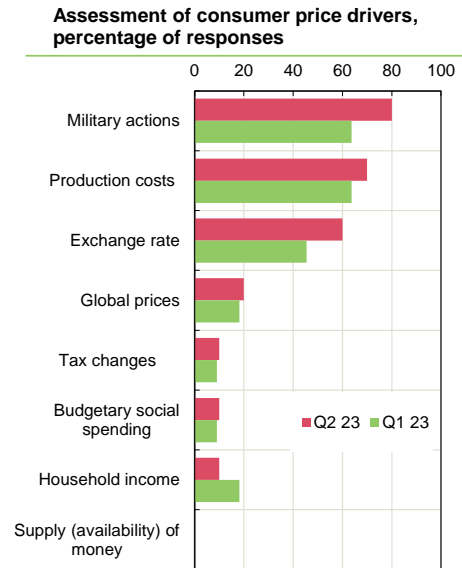


Figure 3

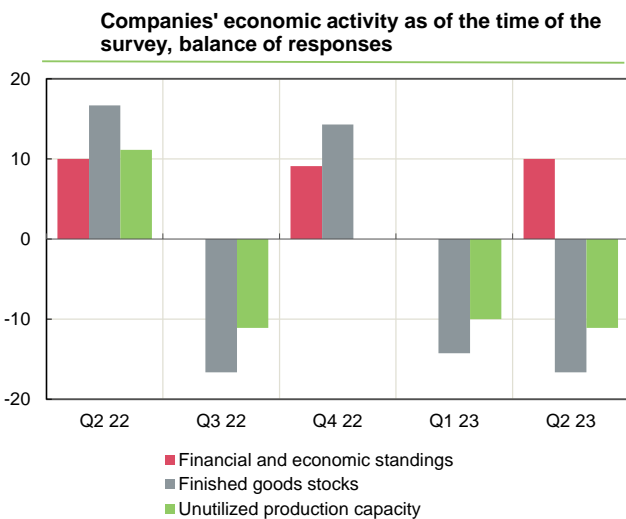


Figure 4

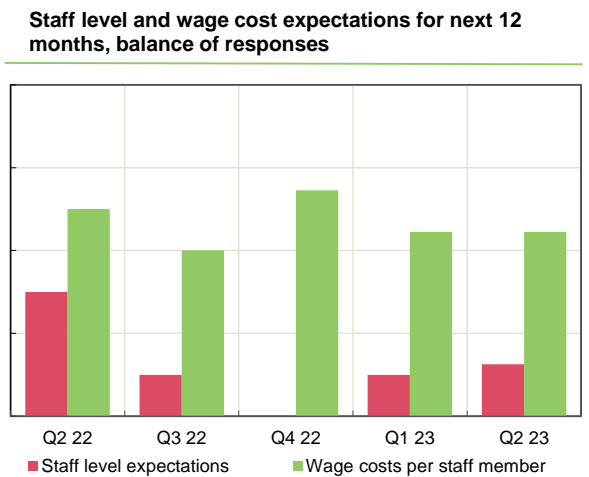


Figure 5

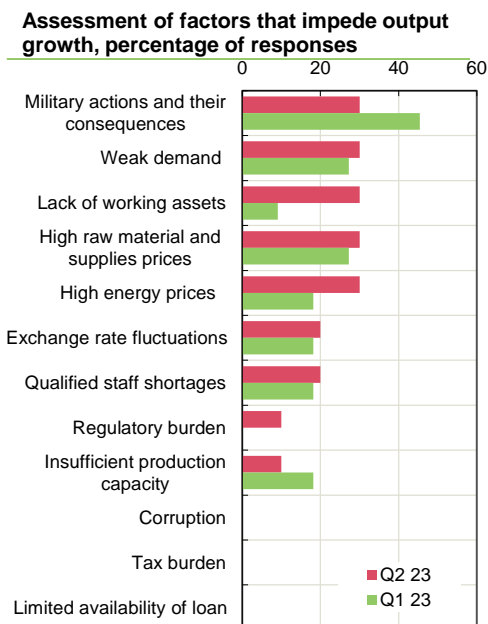


Figure 6

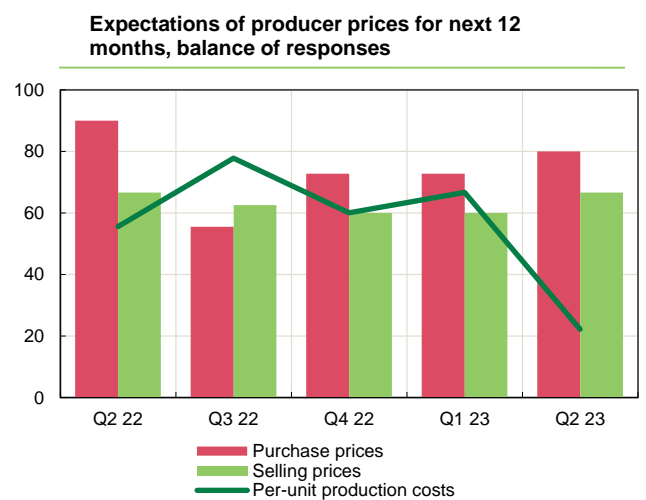


Figure 7

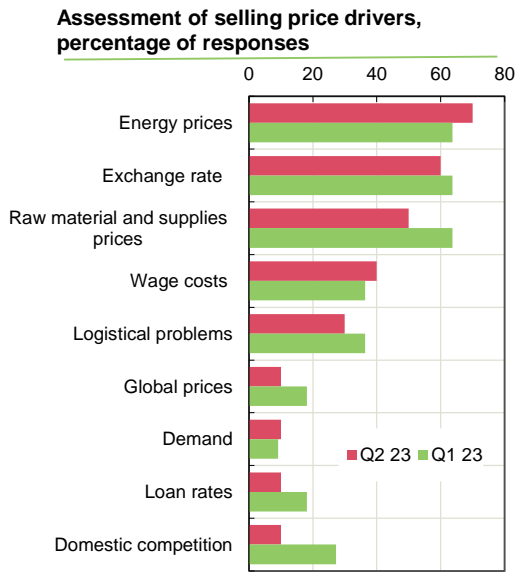


Figure 8

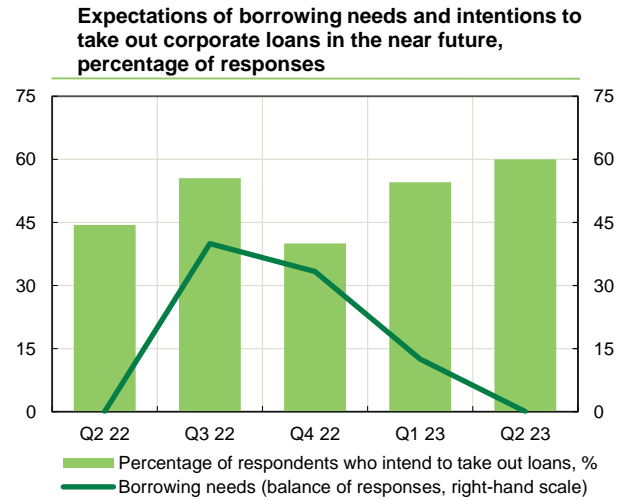


Figure 9

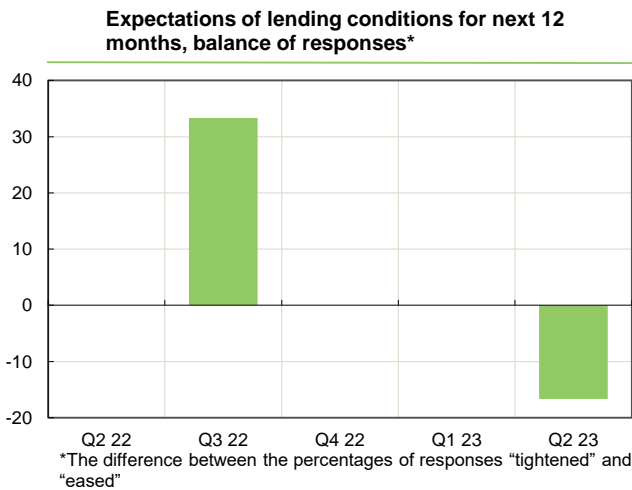


Figure 10

