



National Bank
of Ukraine

Business Outlook Survey of Ternopil Oblast*

Q2 2021



*This survey only reflects the opinions of respondents in Ternopil oblast (top managers of companies) who were polled in Q2 2021, and does not represent NBU forecasts or estimates

A survey carried out in Ternopil oblast in Q2 2021 showed that respondents expected an increase in the output of Ukrainian goods and services and that they had positive expectations for the performance of their companies over the next 12 months. Respondents continued to expect higher prices and more pronounced 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 20.0% compared with 10.0% in Q1 2021 (Figure 1) and 15.9% across Ukraine
- **prices for consumer goods and services would grow:** 50% of respondents expected the inflation rate to be lower than 7.5% compared with 60.0% in the previous quarter and 54.2% across Ukraine. Respondents referred to production costs and the exchange rate as **the main inflation drivers** (Figure 2).
- **the domestic currency would depreciate further:** 66.7% of respondents (compared with 70.0% in the previous quarter) expected the hryvnia to weaken against the US dollar, the figure across Ukraine being 63.6%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 30.0% compared to 0.0% in the previous quarter. Across Ukraine, the balance of responses was 18.3% (see Table)
- **total sales growth would remain unchanged:** the balance of responses was 0.0% compared with 10.0% in Q1 2021 (see Table). External sales were expected to return to growth for the first time since Q3 2020: the balance of responses was 20.0% (compared to 0.0% in the previous quarter). Overall, companies across Ukraine expected sales to increase, the balances of responses being 21.0% for each.
- **investment both in construction and in machinery, equipment, and tools would increase significantly:** the balances of responses were 33.3% and 55.6% respectively (compared to (-25.0%) and (-10.0%) in Q1 2021). Across Ukraine, the balances of responses were 6.4% and 16.9% respectively
- **staff numbers at their companies would increase:** the balance of responses was 20.0%, compared to 10.0% in Q1 2021 (Figure 4). Across Ukraine, staff numbers were expected to decrease slightly (-1.0%)
- **both purchase and selling prices would increase:** the balances of responses were 60.0% and 33.3% respectively (compared with 60.0% and 20.0% respectively in Q1 2021) (Figure 6). Wage costs, energy prices, raw material and supplies prices were referred to as the main selling price drivers. Respondents reported an increase in the impact of two last drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would grow** at a faster pace: the balances of responses were 66.7% and 70.0% respectively, compared with 44.4% and 55.6% respectively in Q1 2021 (Figures 4 and 6).

Companies cited a lack of working assets and energy prices as the **main drags on their ability to boost production** (Figure 5). Respondents reported a noticeable increase in the impact of the tax burden compared to the previous survey.

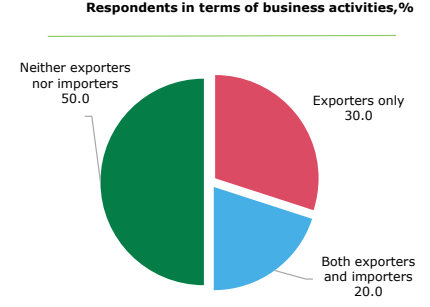
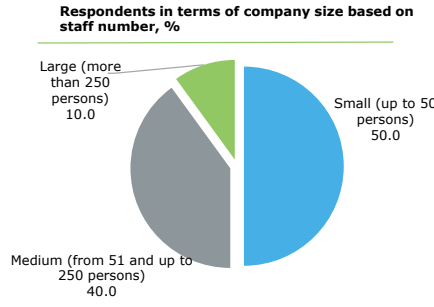
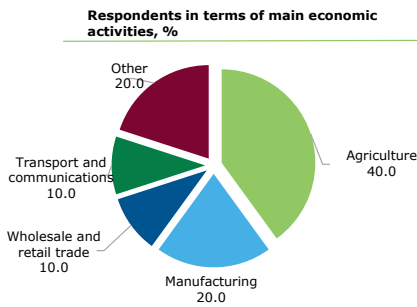
Respondents expected that **their borrowing needs would remain high** in the near future (Figure 8). Some 50.0% of respondents planned to take out corporate loans, of whom 100.0% opted for domestic currency ones. Respondents said that lending standards had eased (Figure 9). Respondents referred to collateral requirements (the impact of this factor was reported to have increased) and high loan rates as the main factors deterring 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)

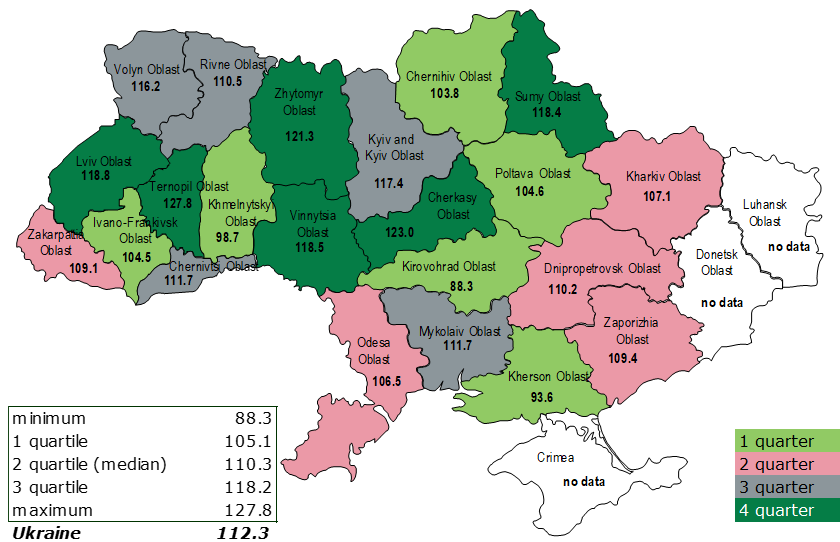
- **Companies assessed their current financial and economic standings as good:** the balance of responses was 10.0% compared with 30.0% in Q1 2021. Across Ukraine, the balance of responses was 6.0%.
- **Respondents assessed their finished goods stocks at a level lower than the normal one:** the balance of responses was (-28.6%) compared with (-37.5%) in Q1 2021.
- **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 25.0% compared with (-11.1%) in Q1 2021.

Survey Details^{1,2}



- Period: 5 May through 31 May 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, %



³a 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, %				
	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21
Financial and economic standings	0.0	36.4	11.1	0.0	30.0
Total sales	10.0	30.0	20.0	10.0	0.0
Investment in construction	-11.1	10.0	22.2	-25.0	33.3
Investment in machinery, equipment, and tools	0.0	20.0	10.0	-10.0	55.6
Staff numbers	-10.0	0.0	10.0	10.0	20.0

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

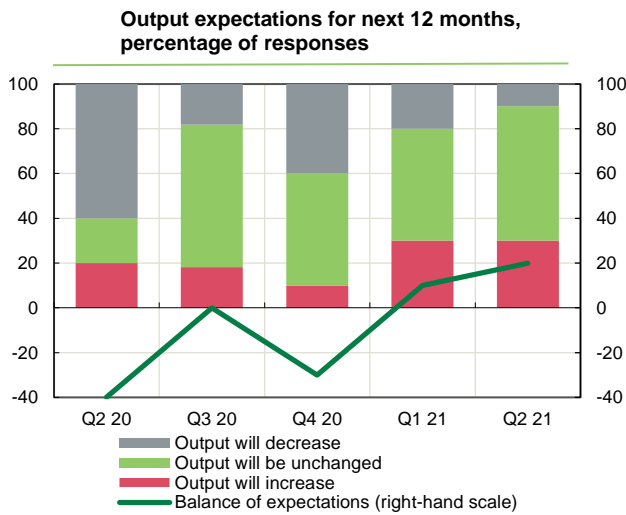


Figure 2

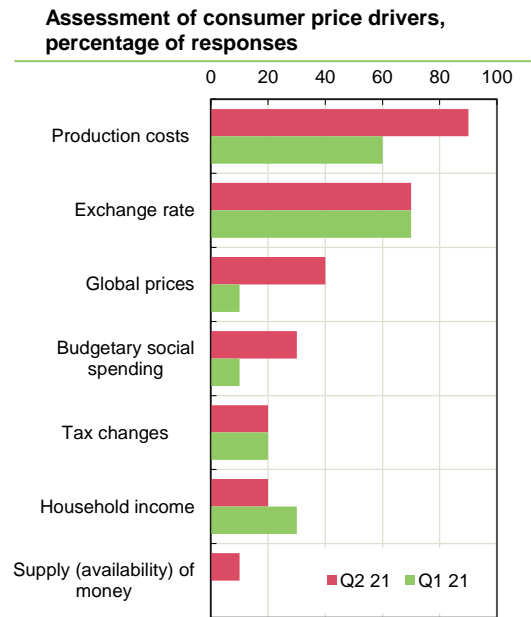


Figure 3

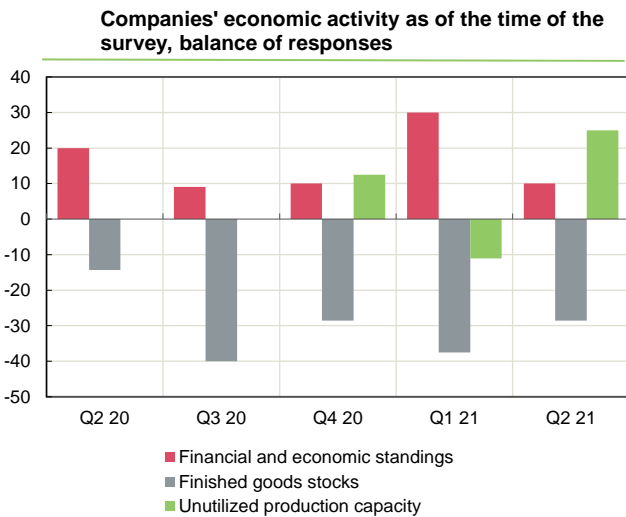


Figure 4

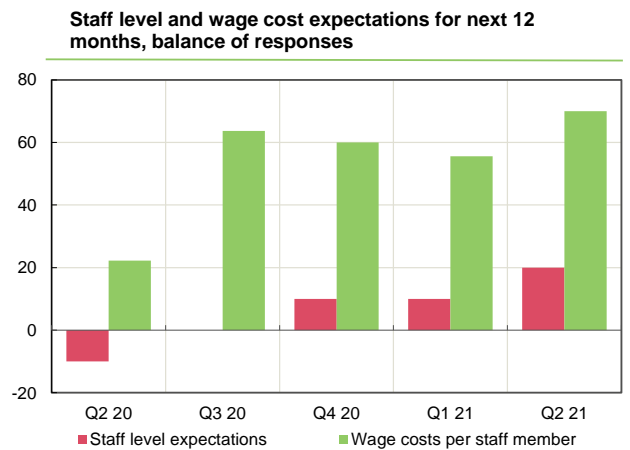


Figure 5

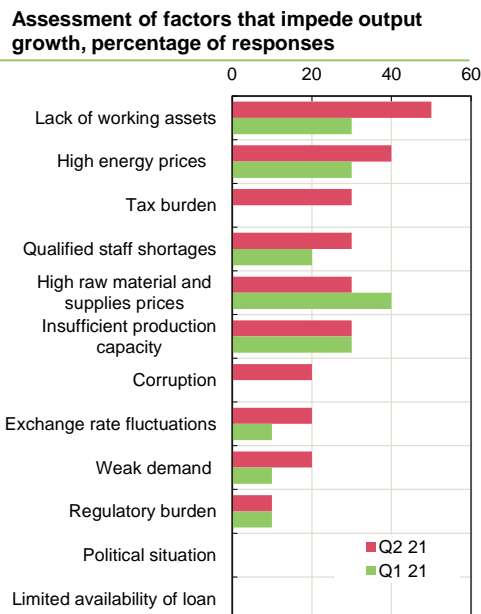


Figure 6

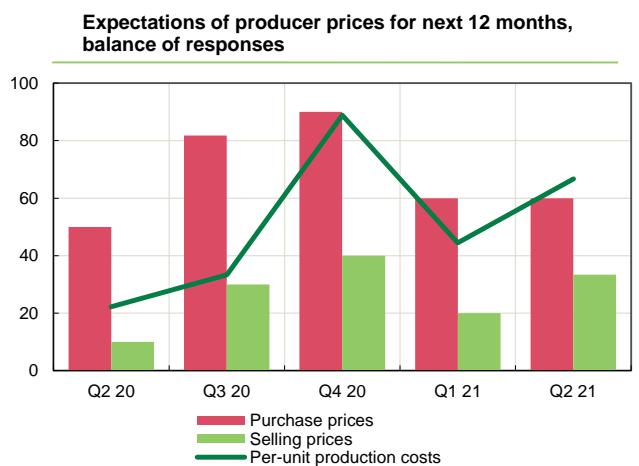


Figure 7

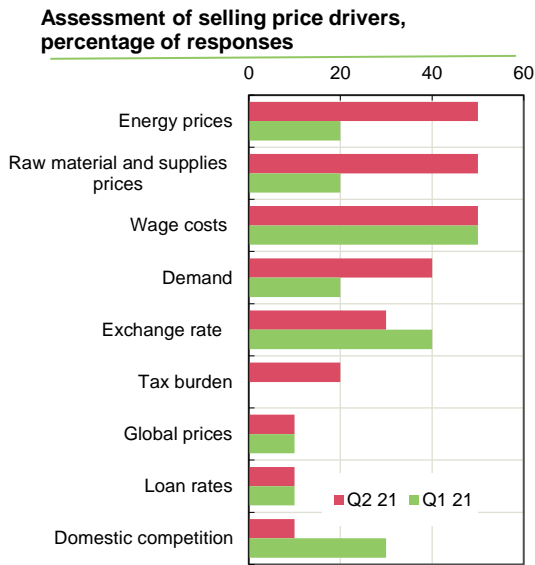


Figure 8

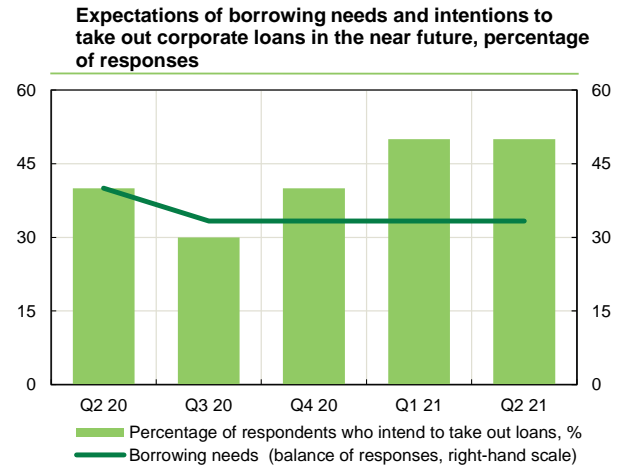


Figure 9

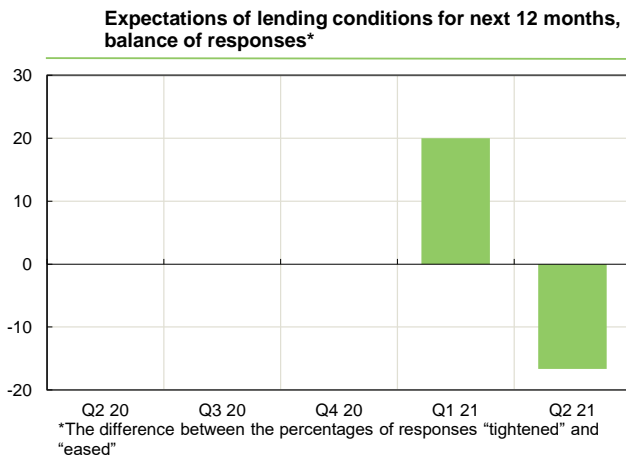


Figure 10

