



National Bank
of Ukraine

Business Outlook Survey of Ternopil Oblast*

Q1 2023



*This survey only reflects the opinions of respondents in Ternopil oblast (top managers of companies) who were polled in Q1 2023, and does not represent NBU forecasts or estimates

A survey carried out in Ternopil oblast in Q1 2023 showed that, on the back of the prolonged hostilities and massive attacks on civilian infrastructure, respondents expected that **the output of Ukrainian goods and services would decrease** over the next 12 months. They also had positive expectations for the performance of their companies over this period. Respondents expected slower inflation. Depreciation expectations increased.

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

- **the output of Ukrainian goods and services would decrease:** the balance of expectations was (-27.3%) (compared to (-30.0%) in Q4 2022) (Figure 1). Across Ukraine, the balance of responses was (-16.7%)
- **prices for goods and services would rise at a slower pace:** 72.7% of respondents expected that the inflation rate would not exceed 20.0%, compared to 63.6% in the previous quarter and 46.8% 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 more quickly:** 72.7% of respondents (up from 54.5% in the previous quarter) expected the hryvnia to weaken against the U.S. dollar, the figure across Ukraine being 83.2%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 18.2%, up from (-20.0%) in the previous quarter. Across Ukraine, the balance of responses was (-2.5%) (see Table)
- **total sales and external sales would drop significantly:** the balances of responses were (-20.0%) and (-40.0%) (down from 0.0% for each in Q4 2022) (see Table). Overall, across Ukraine, companies expected total sales to rise moderately: the balances of responses were 2.8% and 2.0% respectively
- **investment in construction would decrease faster:** the balance of responses was (-22.2%), compared to (-10.0%) in Q4 2022. Investment in machinery, equipment and tools was expected to drop too: balance of responses was (-10.0%) (compared to (-9.1%) in the previous quarter) (see Table). Across Ukraine, the balances of responses were (-17.8%) and (-10.3%) respectively
- **staff numbers at their companies would increase:** the balance of responses was 10.0% (the highest figure among the regions) (compared to 0.0% in Q4 2022) (Figure 4). Across Ukraine, staff numbers were expected to decrease (-16.4%)
- **purchase and selling prices would rise:** the balances of responses were 72.7% and 60.0% respectively (as in the previous quarter) (Figure 6). Raw material and supplies prices, energy prices, and the hryvnia exchange rate were cited as the main selling price drivers (Figure 7)
- **per-unit production costs would increase:** the balance of responses was 66.7%, compared to 60.0% in Q4 2022. At the same time, respondents expected that **wage costs per staff member would rise more slowly:** the balance of responses was 44.4% (compared to 54.5% in the previous quarter) (Figures 4 and 6).

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

Respondents reported weaker **expectations for an increase in their borrowing needs** in the near future (Figure 8). A total of 54.5% of respondents planned to take out bank loans, preferring domestic currency loans. Respondents said that bank lending standards had remained unchanged (Figure 9). Respondents referred to high interest rates, uncertainty about their ability to meet debt obligations as they fall due, the availability of other funding sources, and significant hryvnia exchange rate fluctuations (this factor was reported to have increased) 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 (94.7% across Ukraine).

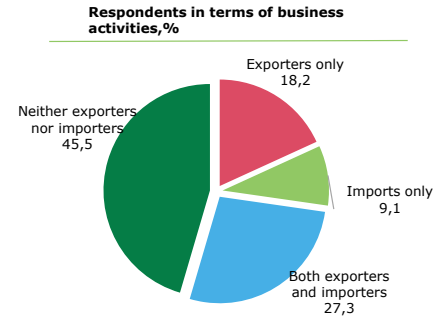
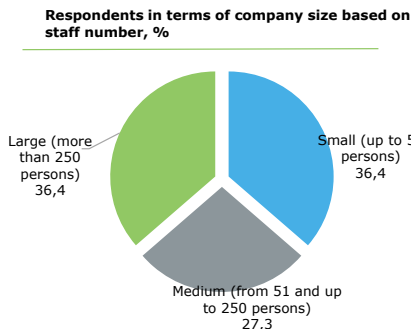
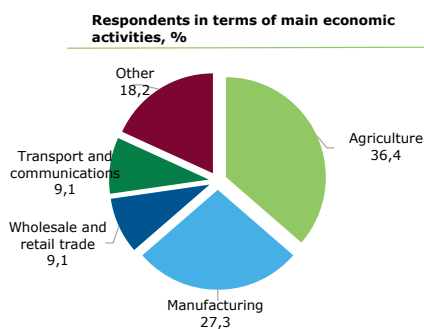
Assessments of financial and economic standings as of the time of the survey (Figure 3)

Companies' current financial and economic standings were assessed as satisfactory: the balance of responses was 0.0%, down from 9.1% in Q4 2022. Across Ukraine, respondents assessed the current financial and economic standings of their companies as bad: the balance of responses was (-16.9%).

Finished goods stocks decreased and were assessed as lower than normal: the balance of responses was (-14.3%), 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 (-10.0%), compared to 0.0% in Q4 2022.

Survey Details^{1,2}

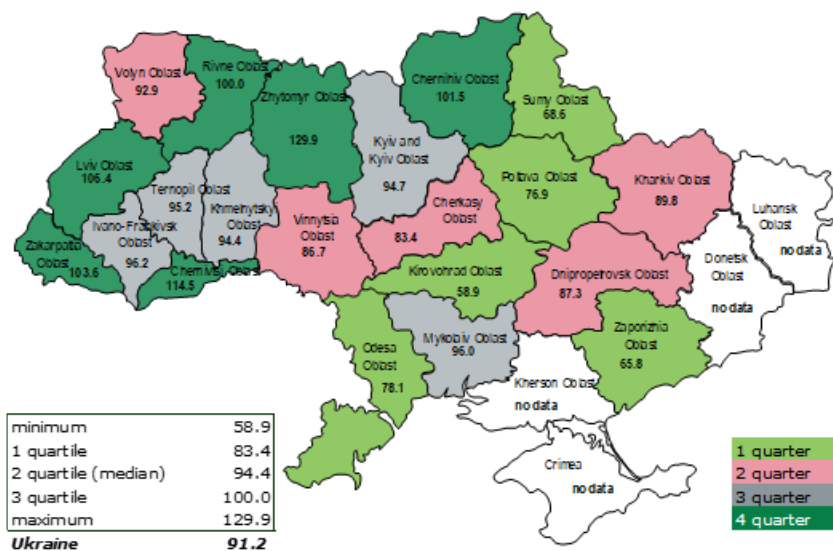


Period: 31 January through 21 February 2023.

A total of 11 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, %



³a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups
³a 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 22	Q2 22	Q3 22	Q4 22	Q1 23
Financial and economic standings	0,0	-11,1	-20,0	-20,0	18,2
Total sales	33,3	-25,0	12,5	0,0	-20,0
Investment in construction	-11,1	-44,4	-22,2	-10,0	-22,2
Investment in machinery, equipment, and tools	40,0	12,5	-37,5	-9,1	-10,0
Staff numbers	30,0	30,0	10,0	0,0	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

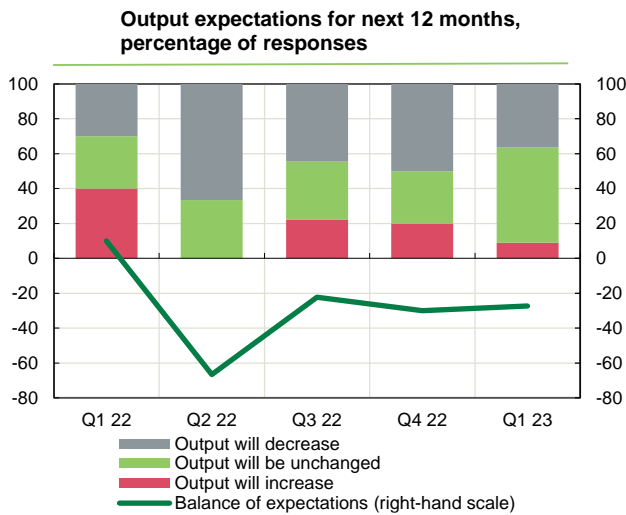


Figure 2

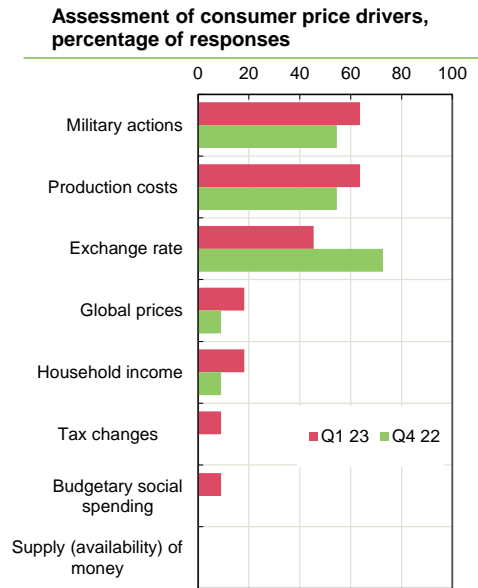


Figure 3

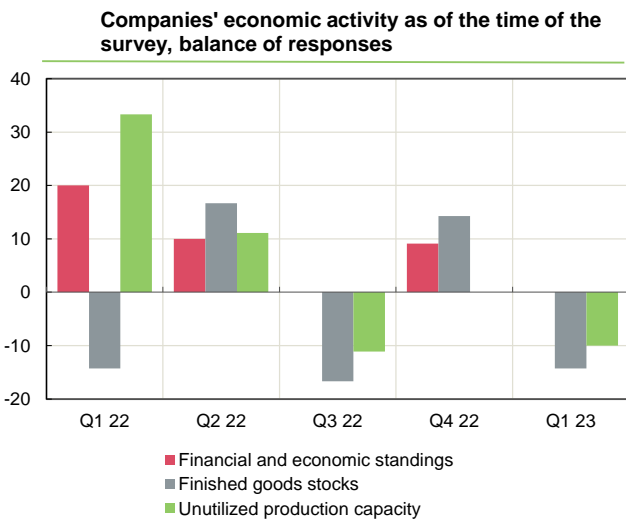


Figure 4

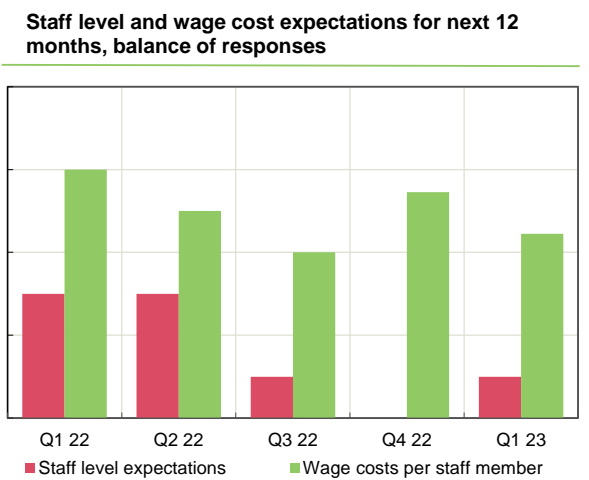


Figure 5

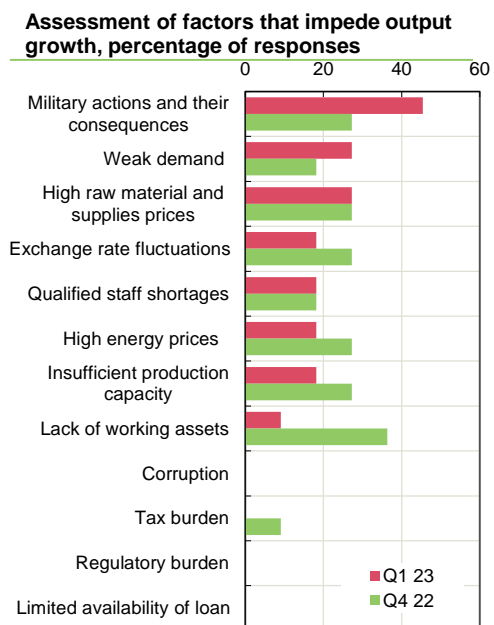


Figure 6

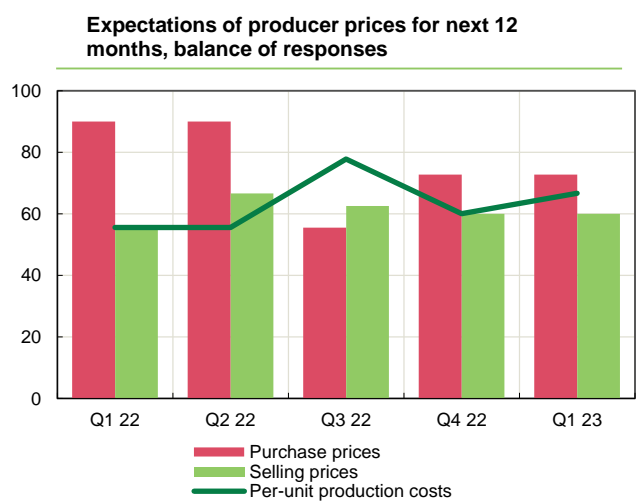


Figure 7

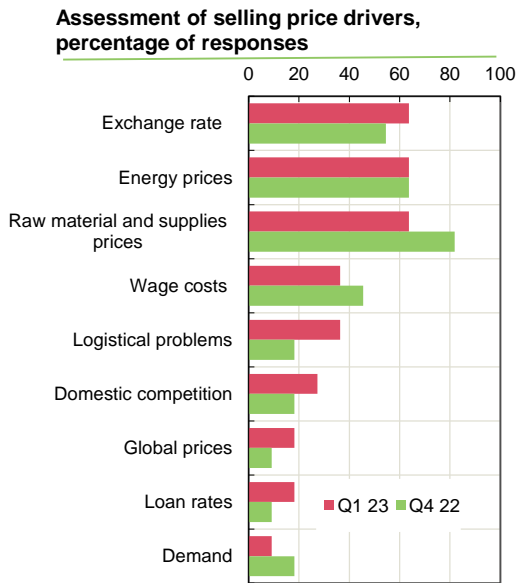


Figure 8

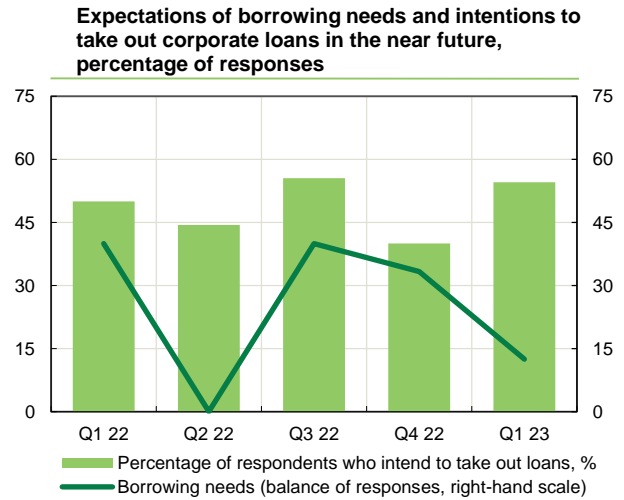


Figure 9

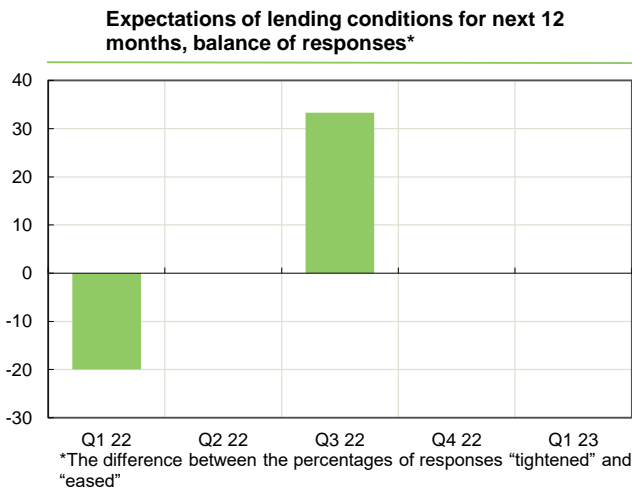


Figure 10

