



National Bank
of Ukraine

Business Outlook Survey of Ternopil Oblast*

Q3 2023



*This survey only reflects the opinions of respondents in Ternopil oblast (top managers of companies) who were polled in Q3 2023, and does not represent NBU forecasts or estimates

A survey carried out in Ternopil oblast in Q3 2023 showed that, on the back of a stable energy system respondents expected that the output of Ukrainian goods and services would increase over the next 12 months. They also had positive expectations for the performance of their companies over this period. Respondents also expected that prices for goods and services would rise more slowly. Depreciation expectations strengthened.

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

- **the output of Ukrainian goods and services would increase** (such expectations were reported for the first time since Q1 2022). The balance of expectations was 10.0% (compared to 0.0% in Q2 2023) (Figure 1). Across Ukraine, the balance of responses was 9.8%
- **prices for goods and services would rise more slowly:** 70.0% of respondents expected that the inflation rate would not exceed 15.0%, compared to 60.0% in the previous quarter and 52.2% 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 noticeably:** 77.8% of respondents (up from 66.7% in the previous quarter) expected the hryvnia to weaken against the U.S. dollar, the figure across Ukraine being 72.4%
- **the financial and economic standings of their companies would improve:** the balance of expectations was 11.1%, up from 0.0% in the previous quarter. Across Ukraine, the balance of responses was 6.0% (see Table)
- **both total sales and external sales would increase at a faster pace:** the balances of responses were 11.1% and 50.0% respectively, up from 0.0% and 20.0% respectively in Q2 2023 (see Table). Overall, across Ukraine, the balances of responses were 16.8% and 10.6% respectively
- **investment in construction would increase:** the balance of responses was 11.1%, as in Q2 2023. Investment in machinery, equipment and tools was expected to increase at a faster pace: the balance of responses was 40.0% (up from 0.0% in the previous quarter (see Table). Across Ukraine, the balances of responses were (-2.2%) and 8.8% respectively
- **staff numbers at their companies would increase:** the balance of responses was 10.0% (the highest figure among the regions) (compared to 12.5% in Q2 2023) (Figure 4). Across Ukraine, staff numbers were expected to decrease (-7.0%)
- **purchase and selling prices would rise more slowly:** the balances of responses were 70.0% and 44.4% respectively (compared to 80.0% and 66.7% in the previous quarter) (Figure 6). Energy prices, wage costs and logistical problems (the impact of the latter two drivers was reported to have increased) were cited as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would rise:** the balances of responses were 22.2% and 40.0% respectively, compared to 22.2% and 44.4% respectively in Q2 2023 (Figures 4 and 6).

Companies cited military actions and their consequences as the **main drag on their ability to boost production** (Figure 5).

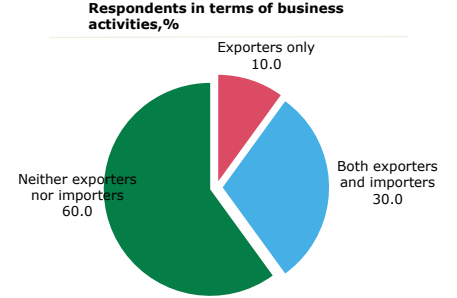
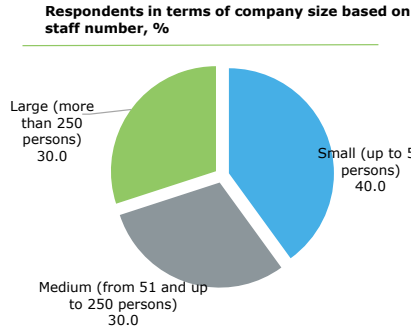
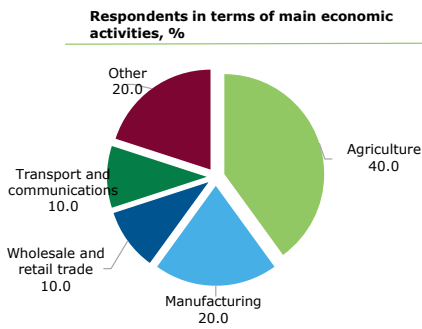
Respondents reported higher **expectations for an increase in their borrowing needs** in the near future (Figure 8). A total of 60.0% of respondents planned to take out bank loans, preferring domestic currency loans. Respondents said that bank lending standards had remain unchanged (Figure 9). Respondents referred to uncertainty about their ability to meet debt obligations as they fall due and high interest 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** (94.9% 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%, as in Q2 2023. Across Ukraine, respondents assessed the current financial and economic standings of their companies as bad: the balance of responses was (-5.8%).
- **Finished goods stocks were assessed as normal:** the balance of responses was 0.0%, up from (-16.7%) in the previous quarter.
- **Companies were operating on the verge of their production capacity:** the balance of responses was 0.0%, up from (-11.1%) in Q2 2023.

Survey Details^{1,2}

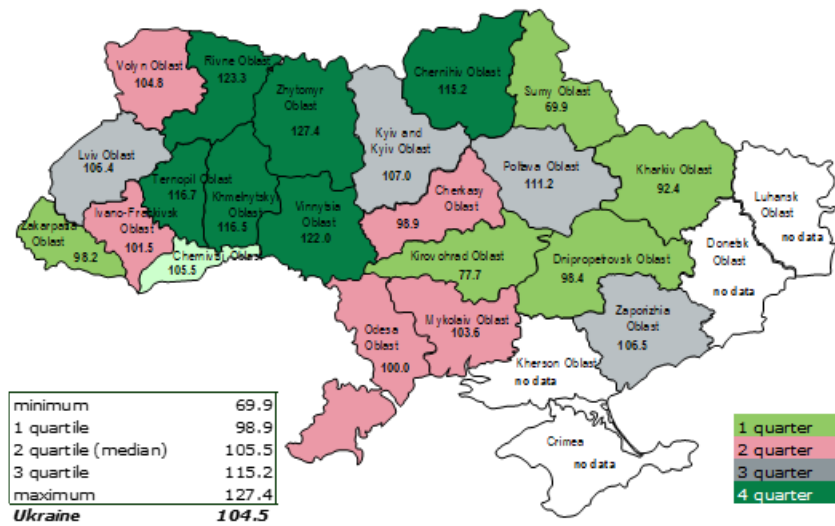


Period: 31 July through 21 August 2023.

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, %



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, %				
	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23
Financial and economic standings	-20.0	-20.0	18.2	0.0	11.1
Total sales	12.5	0.0	-20.0	0.0	11.1
Investment in construction	-22.2	-10.0	-22.2	11.1	11.1
Investment in machinery, equipment, and tools	-37.5	-9.1	-10.0	0.0	40.0
Staff numbers	10.0	0.0	10.0	12.5	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

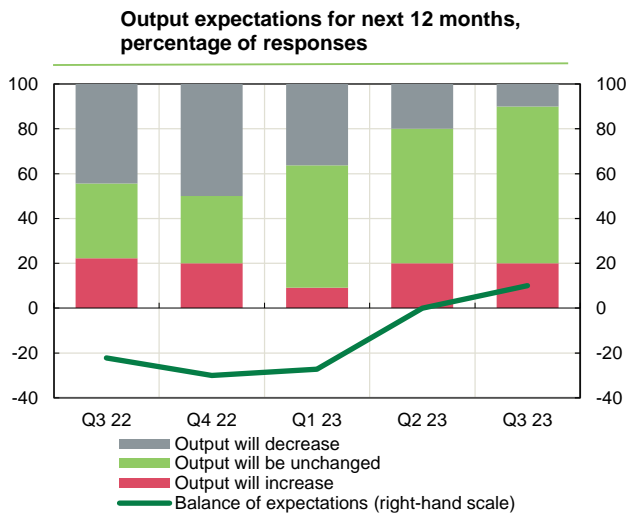


Figure 2

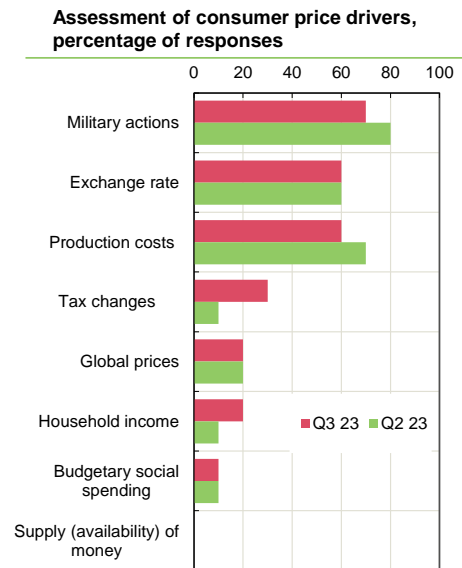


Figure 3

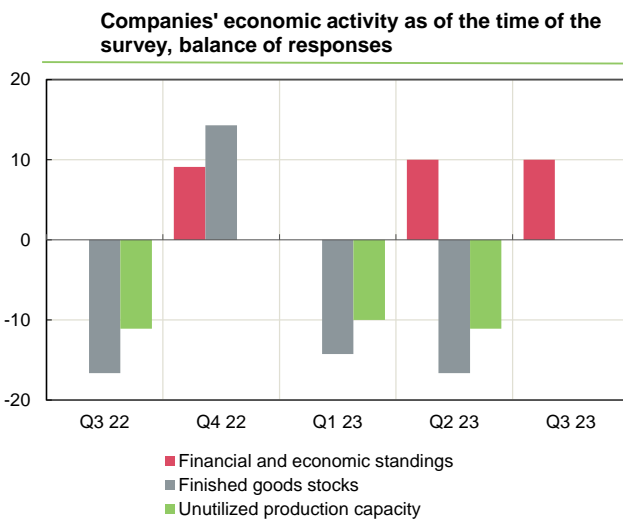


Figure 4



Figure 5

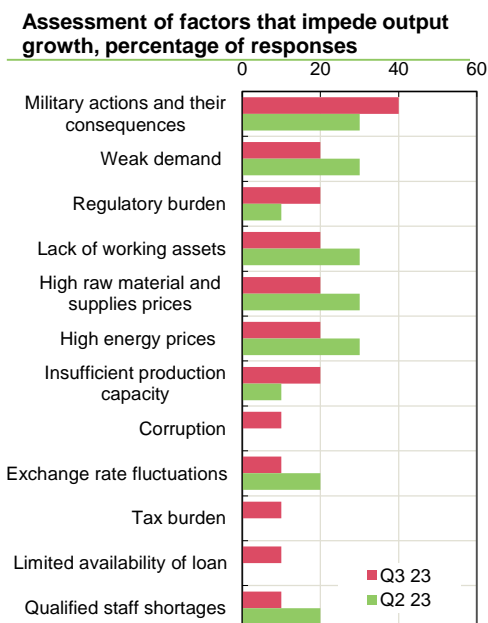


Figure 6

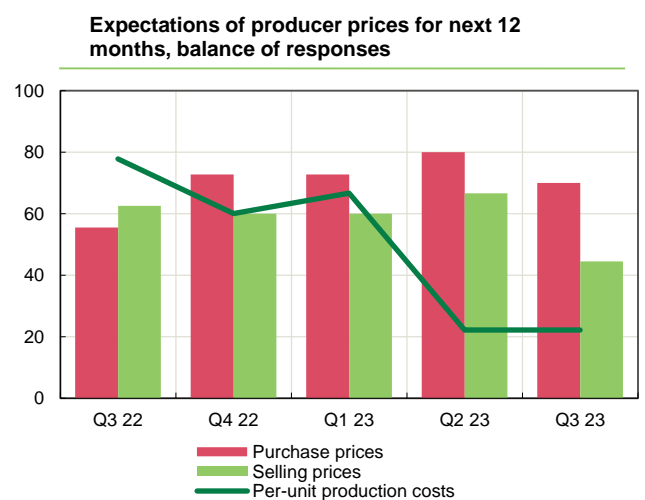


Figure 7

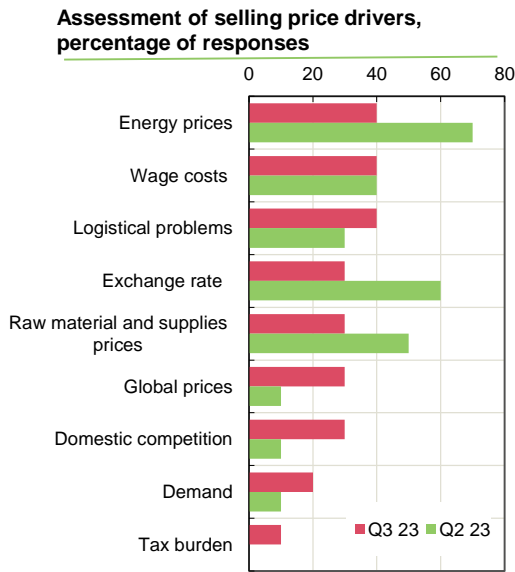


Figure 8

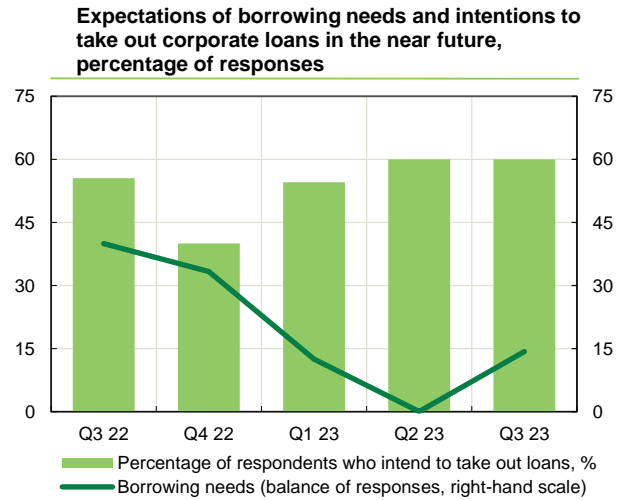


Figure 9

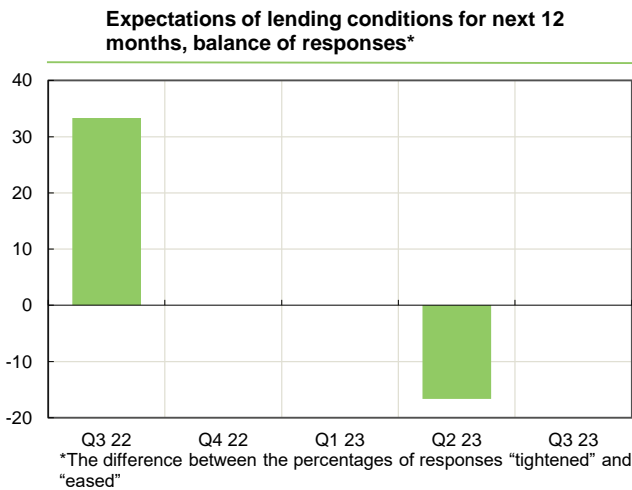


Figure 10

