



National Bank
of Ukraine

Business Outlook Survey of Lviv Oblast*

Q2 2023



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

A survey of companies carried out in Lviv oblast in Q2 2023 showed that, on the back of the restoration of the energy system, the gradual revival of domestic demand and the strengthening of the hryvnia exchange rate, respondents expected growth in the output of Ukrainian goods and services over the next 12 months. Respondents also reported positive expectations for their companies' performance over this period. Inflation was expected to become lower. Depreciation expectations weakened, but remained high.

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

- **the output of Ukrainian goods and services would grow**, (such expectations were reported for the first time since Q1 2022): the balance of expectations was 26.3%, compared to (-5.3%) in Q1 2023 (Figure 1). The balance across Ukraine was 17.0%
- **prices for consumer goods and services would rise more slowly**: 55.3% of respondents expected that inflation would not exceed 15.0% (compared to 42.1% in Q1 2023 and 46.6% across Ukraine). Respondents continued to refer to military actions, production costs and the hryvnia exchange rate as **the main inflation drivers** (Figure 2)
- **the domestic currency would depreciate at a slower pace**: 78.9% of respondents (compared to 97.3% in the previous quarter and 72.2% across Ukraine) expected the hryvnia to weaken against the US dollar
- **the financial and economic standings of their companies would improve**: the balance of expectations was 7.9%, compared to 16.2% in the previous quarter and 9.6% across Ukraine (see Table). The most optimistic expectations were reported by respondents from manufacturing companies (33.3%)
- **total sales and external sales would increase**: the balances of responses were 18.4% and 20.0% respectively, compared to 16.2% and 25.0% in Q1 2023. The balances of responses across Ukraine were 14.5% and 10.9% respectively
- **both investment in construction and in machinery, equipment, and tools would increase**: the balances of responses were 5.7% and 18.9% respectively compared to (-8.6%) and 10.8% respectively 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 decrease**: the balance of responses was (-5.3%), down from (-2.6%) in Q1 2023 (Figure 4). Across Ukraine, the balance of responses was (-3.8%)
- **both purchase and selling prices would rise at a slower pace**: the balances of responses were 86.8% and 51.4% respectively (compared to 94.7% and 63.2% respectively in Q1 2023) (Figure 6). Respondents from trading, transport and communications companies, and companies engaged in other economic activities reported the firmest intentions to raise their selling prices (71.4% for each). Raw material and supplies prices, energy prices and wage costs were cited as the main selling price drivers (Figure 7)
- **per-unit production costs would grow more slowly**: the balance of responses was 65.8%, down from 78.4% in Q1 2023. At the same time respondents expected that **wage costs per staff member would increase at a faster pace**: the balance of responses was 60.5% (compared to 50.0% in Q1 2023) (Figures 4 and 6).

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

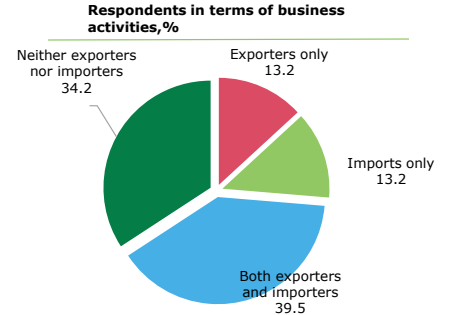
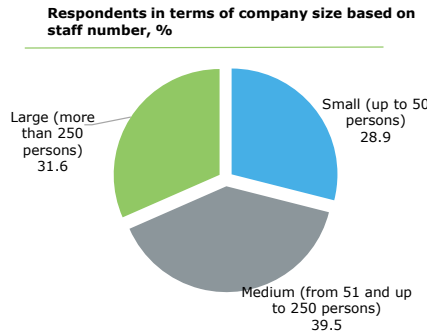
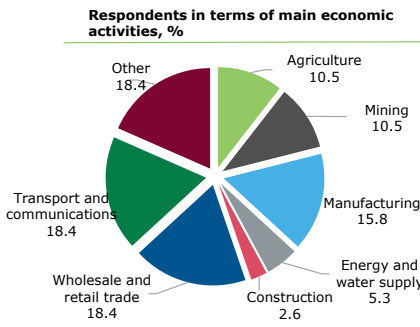
Respondents reported stronger expectations of an increase in their borrowing needs in the near future (Figure 8). Most of the respondents who planned to take out bank loans (44.7% of respondents) opted for domestic currency loans. Respondents improved their expectations for lending conditions, but still described these conditions as tight (Figure 9). Respondents referred to high interest rates, other funding sources and collateral requirements as the main factors deterring them from taking out loans (Figure 10).

91.9% 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)

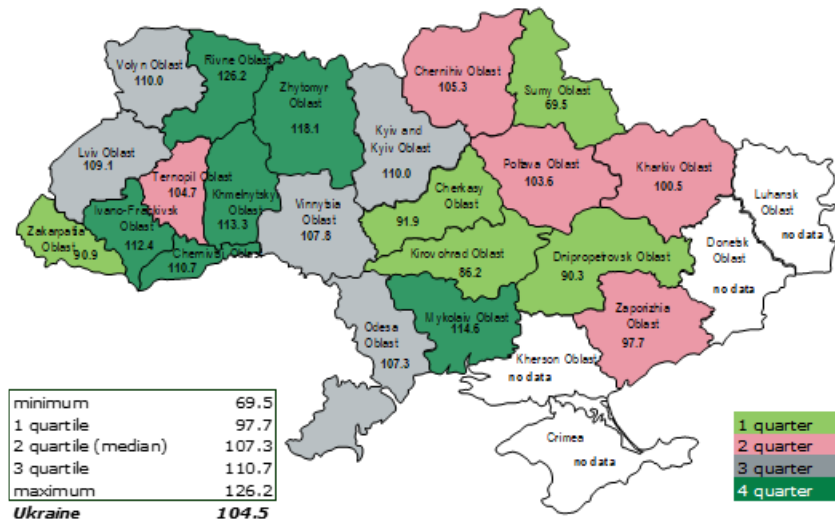
- **Companies' current financial and economic standings had deteriorated and were assessed as bad**: the balance of responses was (-13.2%), down from 5.4% in Q1 2023. Across Ukraine, the balance of responses was 11.1%.
- **Finished goods stocks were assessed at higher than normal levels**: the balance of responses was 4.3% compared to 8.7% in Q1 2023.
- **Companies said they had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand**: the balance of responses was 10.8%, compared to 13.2% in Q1 2023.

Survey Details^{1,2}



- Period: 2 May through 26 May 2023.
- A total of 38 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, mining, manufacturing, trade, transport and communications, and other economic activities.

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
⁴a 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 Lviv 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	-8.1	-2.7	16.2	7.9
Total sales	5.4	-2.7	0.0	16.2	18.4
Investment in construction	-35.3	-19.4	-31.4	-8.6	5.7
Investment in machinery, equipment, and tools	-25.0	-13.5	2.8	10.8	18.9
Staff numbers	-5.4	-7.9	2.6	-2.6	-5.3

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

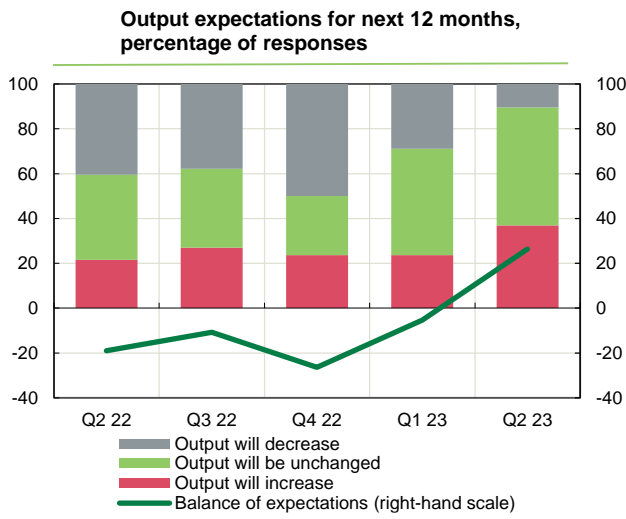


Figure 2

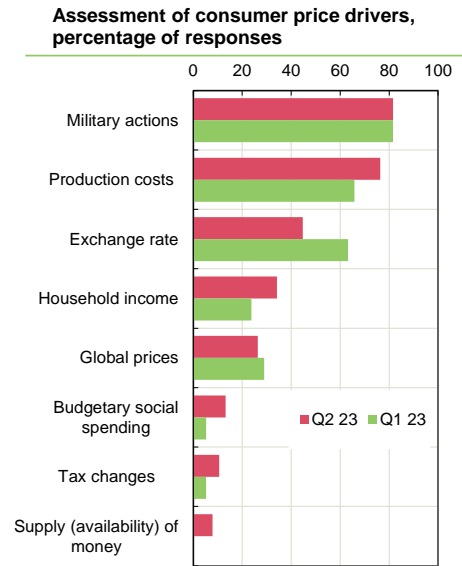


Figure 3

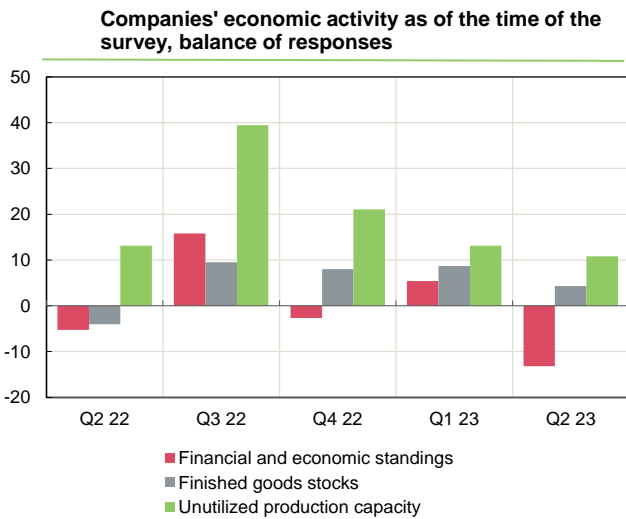


Figure 4



Figure 5

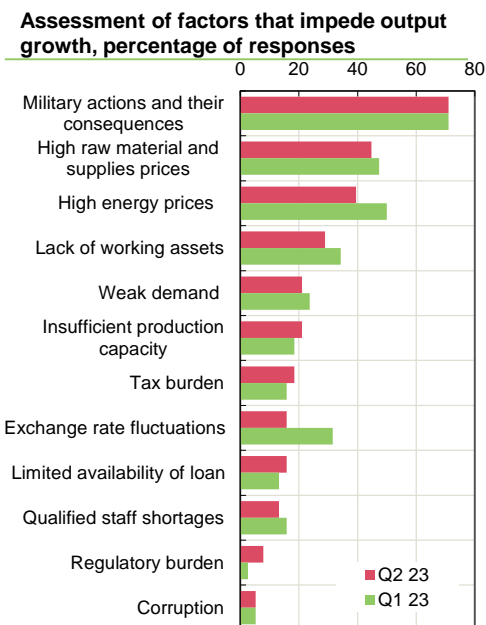


Figure 6

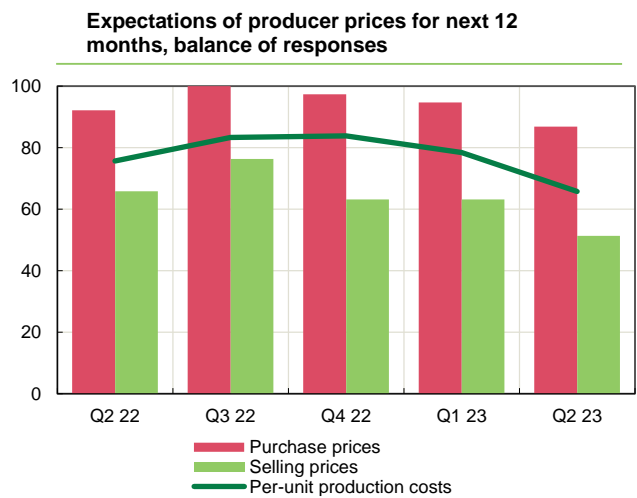


Figure 7

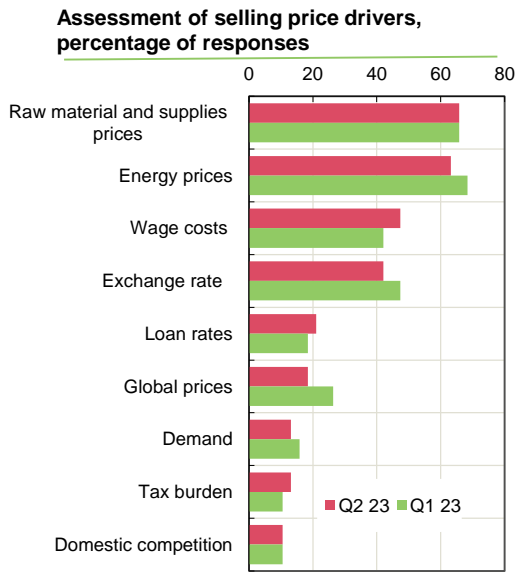


Figure 8

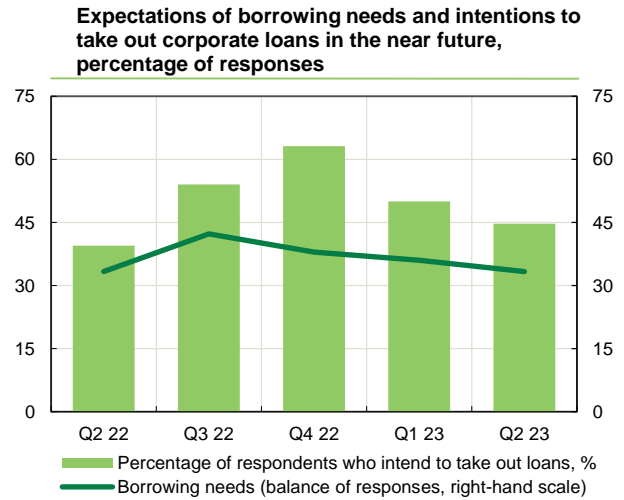


Figure 9

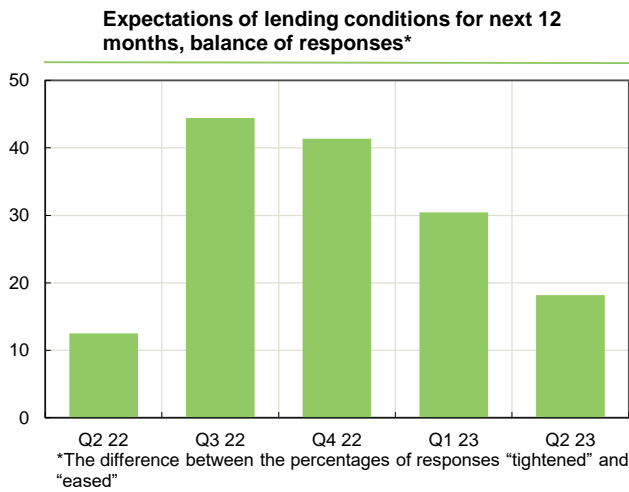


Figure 10

