



National Bank
of Ukraine

Business Outlook Survey of Lviv Oblast*

Q3 2019



*This survey only reflects the opinions of respondents in Lviv oblast (top managers of companies) who were polled in Q3 2019, and does not represent NBU forecasts or estimates

A survey of companies carried out in Lviv oblast in Q3 2019 showed that respondents had high expectations that the Ukrainian economy would grow, and that their companies would develop over the next 12 months. Respondents reported weaker inflation and higher depreciation expectations.

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

- **the output of Ukrainian goods and services would increase significantly:** the balance of expectations was 48.6% compared with 37.8% in Q2 2019 and 30.5% across Ukraine (Figure 1). The most optimistic expectations were reported by respondents from mining and transport companies. At the same time, companies in the agricultural sector expected a decline in output
- **the growth in prices for consumer goods and services would decelerate:** most respondents (86.5% compared with 70.3% in the previous quarter and 73.3% across Ukraine) expected that inflation would not exceed 10.0% (Figure 2)
- **the domestic currency would depreciate more pronouncedly:** 75.7% of respondents (compared with 64.9% in the previous quarter and 69.0% 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 24.3% (compared with 25.0% in the previous quarter) (see Table). The most optimistic expectations were reported by companies in the mining industry. Respondents from agricultural companies expected that their financial and economic standings would remain unchanged
- **total sales would increase significantly:** the balance of responses was 50.0% (compared with 33.3% in Q2 2019 and 27.1% across Ukraine). External sales were also expected to grow, the balance of responses being 29.4% (compared with 33.3% in Q2 2019)
- **investment both in construction and in machinery, equipment and tools would increase:** the balances of responses were 13.9% and 13.5% respectively (compared with 13.5% and 24.3% in Q2 2019 and 9.3% and 17.7% across Ukraine)
- **staff numbers would increase significantly:** the balance of responses was 27.0% (the highest expectations among the regions) compared with 10.8% in Q2 2019 (Figure 4) and 2.2% across Ukraine. The highest expectations were reported by respondents from the mining industry. The managers of agricultural companies expected a drop in the staff numbers at their companies
- **both purchase and selling prices would grow at a faster pace:** the balances of responses were 83.8% and 67.6% respectively compared with 73.0% and 51.4% in Q2 2019 (Figure 6). The highest expectations of selling price growth were reported by respondents from companies in other economic activities (the balance of responses was 100.0%). Wage costs were cited as the main selling price driver (70.3% of responses) (Figure 7)
- **per-unit production costs and wage costs per staff member would increase significantly:** the balances of responses were 62.2% and 73.0% respectively (compared with 61.1% and 73.0% in Q2 2019) (Figure 4 and 6).

High energy prices and a lack of working assets were cited as the **main drags on the ability of companies to boost production**. The impact of energy prices and **skilled worker shortages** was also assessed as high (Figure 5).

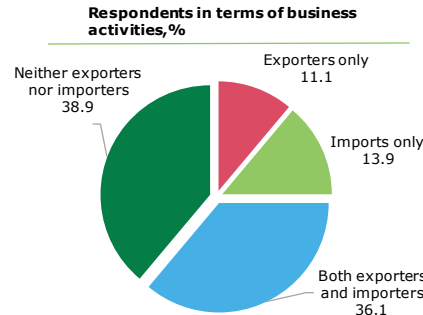
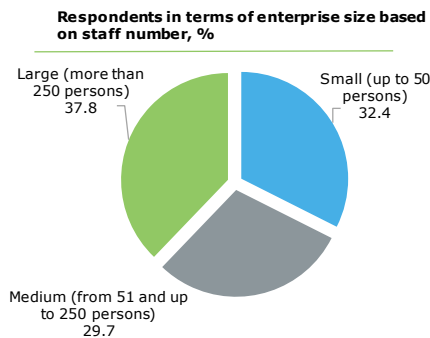
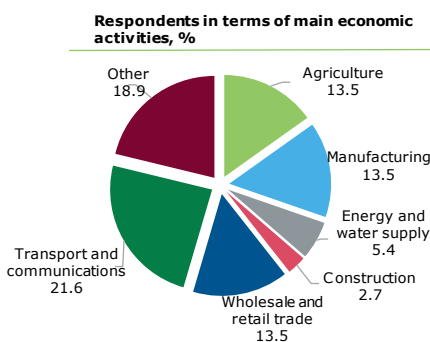
Respondents expected an increase in borrowing needs in the near future (Figure 8). Most of the respondents who plan to take out corporate loans (62.2% of respondents) usually opt for domestic currency loans. Respondents said that lending conditions had tightened (Figure 9). Respondents referred to high interest rates as the main factor that deterred 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** (97.4% across Ukraine).

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

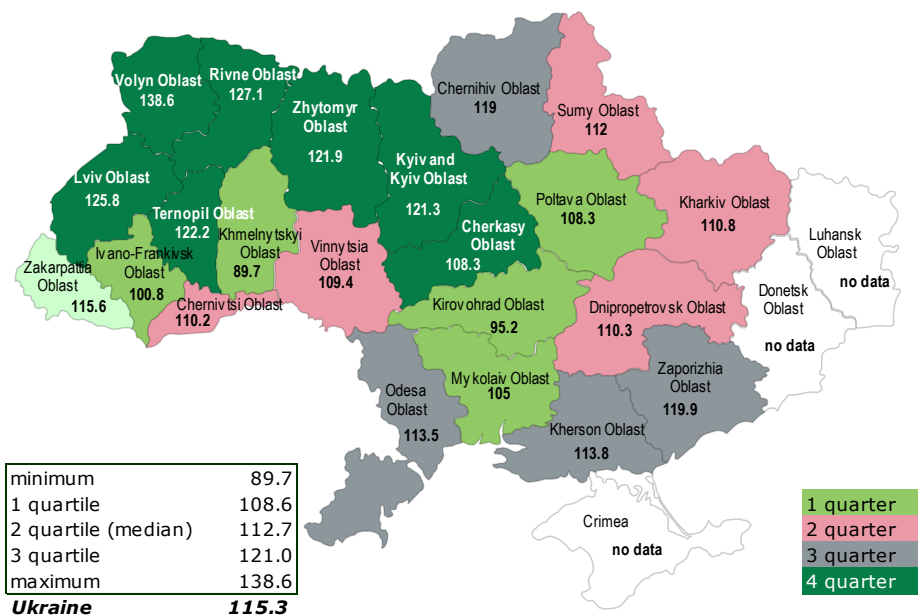
- **The current financial and economic standings of companies improved and were assessed as good:** the balance of responses was 24.3% (compared with 16.7% in Q2 2019 and 9.5% across Ukraine). The best assessments were reported by companies from other economic activities, the balance of responses being 71.4%.
- **Stocks of finished goods have remained at a level lower than the normal one** for three quarters in a row: the balance of responses was (-5.0%) (compared to (-5.3%) in Q2 2019).
- **Spare production capacity increased and was sufficient to meet any sudden rise in demand:** the balance of responses was 5.4% compared with (-11.8%) in Q2 2019. Respondents from transport companies and the mining industry continued to report the largest production capacity shortages.

Survey Details^{1,2}



- Period: 7 August through 2 September 2019.
- A total of 37 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 Regions³, %



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 Lviv Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19
Financial and economic standings	30.0	28.2	28.6	25.0	24.3
Total sales	48.7	46.3	47.2	33.3	50.0
Investment in construction	18.9	18.4	11.4	13.5	13.9
Investment in machinery, equipment and tools	29.3	35.0	28.6	24.3	13.5
Staff numbers	14.6	26.8	19.4	10.8	27.0

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 development 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

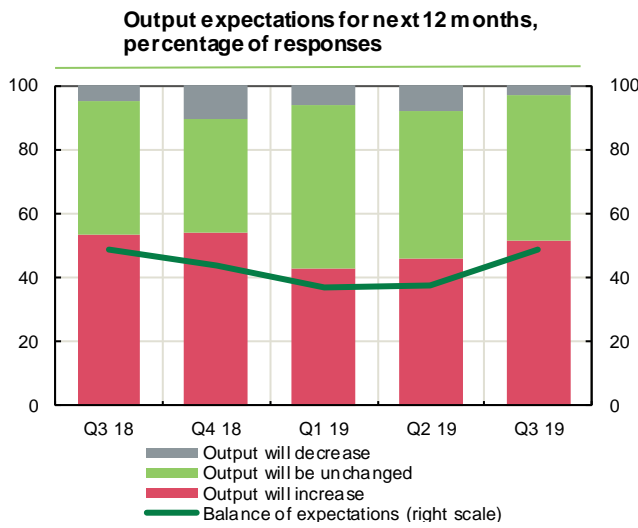


Figure 2

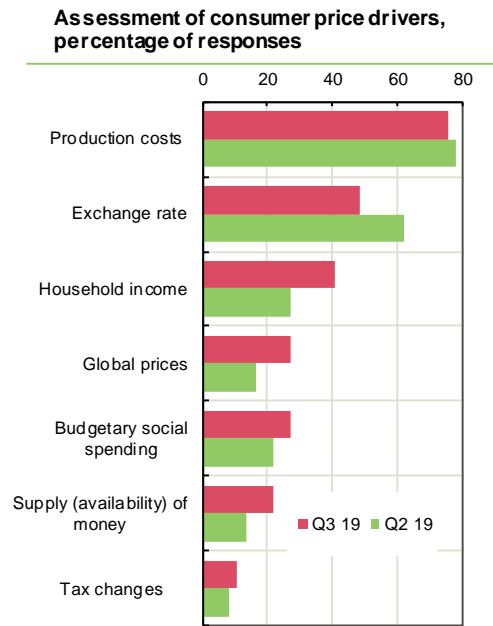


Figure 3

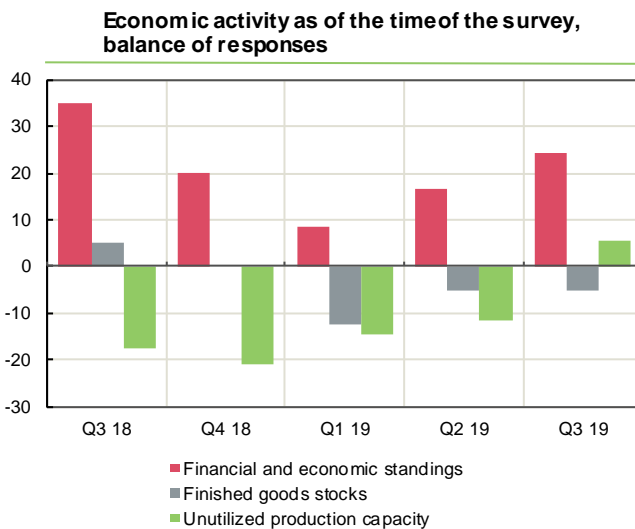


Figure 4

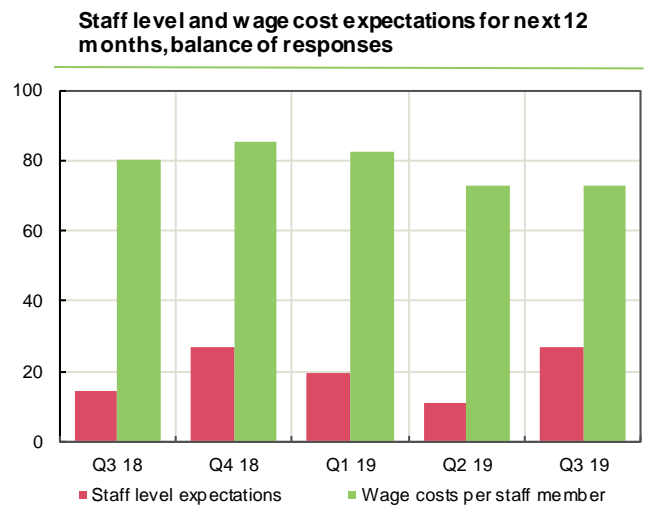


Figure 5

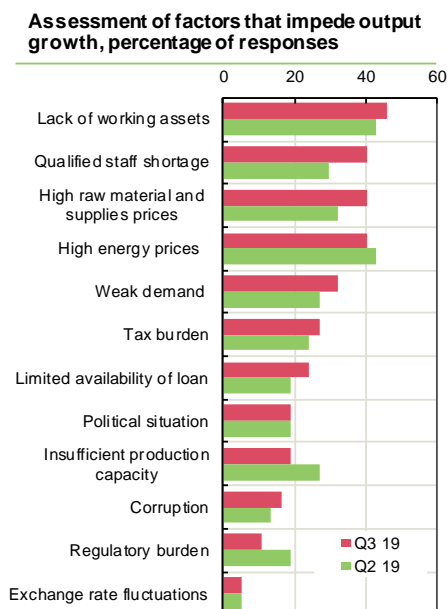


Figure 6

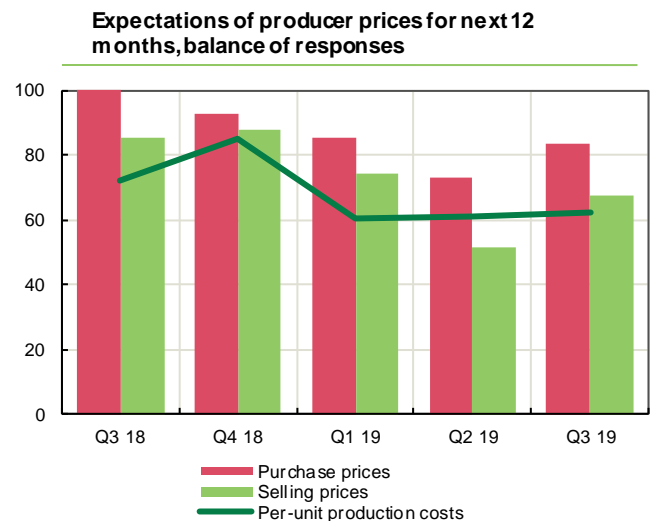


Figure 7

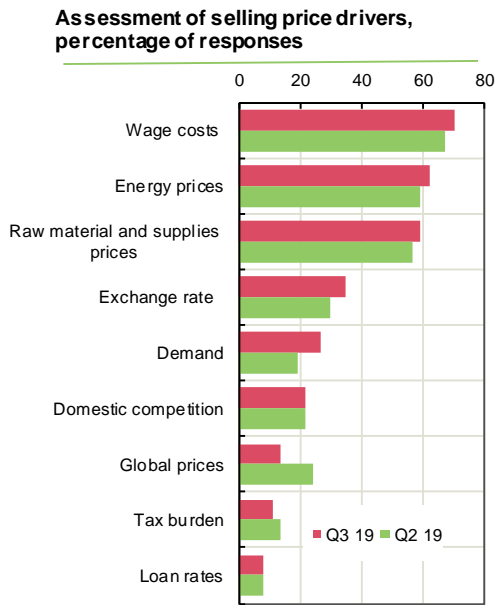


Figure 8

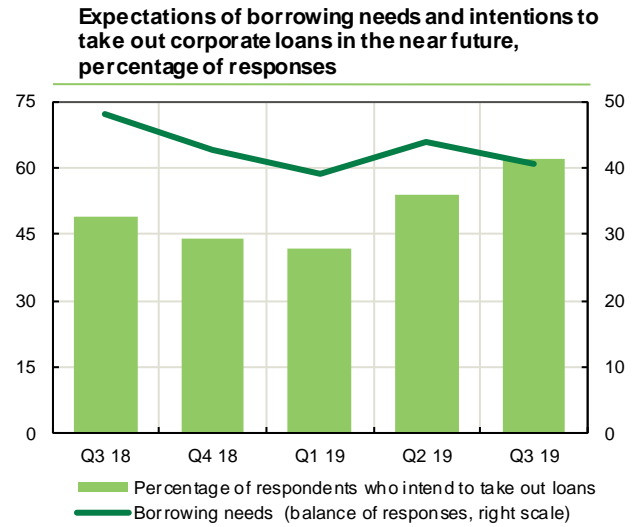


Figure 9

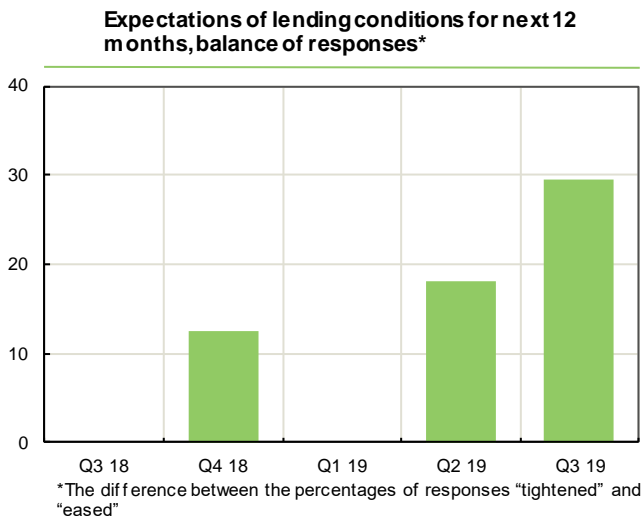
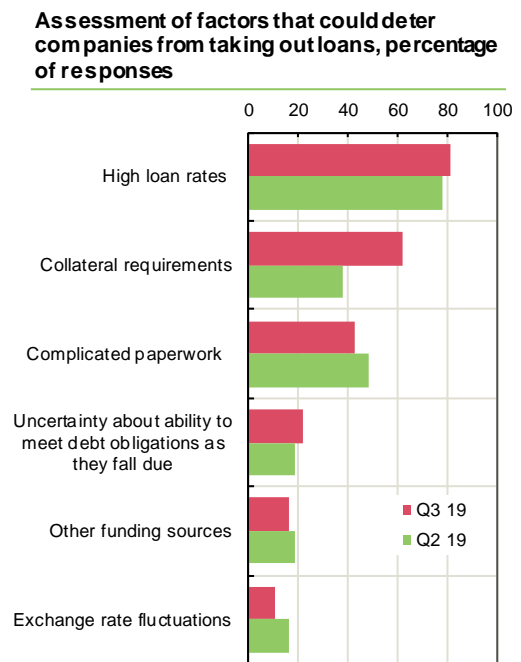


Figure 10



Key Indicators of Social and Economic Development of Lviv Oblast in 2014 – 2019

% of the same period of the previous year, unless stated otherwise

No.	Indicators	2014	2015	2016	2017	2018	2019							
							January	January - February	January - March	January - April	January - May	January - June	January - July	January - August
1	Volume indices of gross regional product (in previous year's prices, in percent)	100.9	95.2	99.3	103.8	105.4 ²	...	...	...	...	...	...	...	...
2	Industrial production index	97.2	98.5	99.3	106.0	102.4	94.3	91.8	93.7	94.5	96.5	95.9	96.1	96.3
3	Mining and quarrying	102.1	102.0	95.6	101.6	105.1	108.2	107.0	106.4	106.6	105.8	105.1	104.4	104.5
4	Manufacturing	97.3	94.8	99.3	106.7	104.7	93.3	91.9	95.8	97.1	99.4	98.1	98.5	98.1
5	Production of food, beverages and tobacco	98.0	93.3	106.5	108.9	106.3	84.5	89.4	93.4	95.9	97.7	98.9	100.2	100.8
6	Textile production, production of clothing, leather, leather goods and other materials	104.2	96.5	111.4	112.6	97.0	76.3	76.9	79.6	81.7	84.0	84.5	84.9	86.5
7	Production of wood products, paper, printing	93.9	94.4	112.7	109.0	105.1	107.7	101.7	99.0	99.1	98.9	97.3	99.1	97.6
8	Production of coke and petrochemicals	...	...	...	...	...	...	...	...	...	...	...	...	...
9	Production of chemicals and chemical products	89.7	73.9	102.2	99.9	103.6	65.4	79.1	78.6	85.9	88.7	86.6	86.5	87.2
10	Production of rubber and plastic products, other nonmetallic mineral products	89.3	102.2	110.6	102.5	103.7	114.3	119.3	125.3	120.9	110.5	107.2	108.9	107.8
11	Metallurgical production, manufacturing of finished metal products, except machinery and equipment	96.3	120.6	97.6	102.4	100.0	124.6	108.1	104.5	104.2	103.4	100.5	98.3	97.8
12	Mechanical engineering, except for repair and installation of machinery and equipment	95.6	95.9	100.5	101.8	106.5	93.7	83.7	92.8	90.0	98.6	93.7	92.1	90.4
13	Electricity, gas, steam and conditioning air supply	91.6	117.1	103.5	106.5	88.7	86.6	79.0	74.3	72.7	74.8	76.9	76.4	79.3
14	Agricultural production index	105.5	97.1	102.6	106.1	103.8	118.4	114.7	112.6	110.4	109.3	104.5	105.6	100.9
15	Construction production index	89.6	120.1	122.3	111.9	111.5	149.7	139.8	140.4	145.8	141.2	139.5	141.1	139.7
16	Freight turnover	104.2	101.4	101.2	104.3	103.4	89.1	87.6	91.0	92.9	94.1	94.5	94.5	93.4
17	Passenger turnover	96.2	100.1	100.9	94.2	95.4	103.2	101.0	99.2	98.8	99.6	98.8	98.5	98.6
18	Volume index of retail trade turnover (in comparable prices, in percent)	98.4	87.3	107.5	113.5	105.3	108.2	109.5	109.7	109.9	108.8	109.7	110.0	108.7
19	Profit/loss of large and medium companies before tax (UAH million) ³	-8822.5	-7491.3	1671.4	4577.5	...	...	...	...	...	...	...	...	...
20	Capital investment index	88.5	106.5	130.7	126.0	101.9	...	...	114.5	...	...	110.8	...	...
21	Consumer price index (compared with December of previous year)	126.7	145.2	111.9	113.0	110.1	100.8	101.4	102.1	103.0	103.9	103.4	102.8	102.5
22	Real disposable income	90.2	82.0	104.7	113.2	110.7 ²	...	...	...	...	...	...	...	...
23	Real wage index	93.3	79.4	110.3	123.6	112.7	108.4	108.8	109.1	109.0	108.8	108.5	107.8	107.5
24	Number of applicants per vacancy as of end of period	26	16	6	3	2	2	2	2	2	2	2	2	1

¹ This information is confidential under the Law of Ukraine On State Statistics.

² Preliminary data.

³ These data exclude banks' profits/losses. Data on agricultural companies engaged in plant cultivation, animal husbandry and mixed farming are only available in annual reports.

Annual data include profits/losses of large, medium, small and micro companies.

Source: Ukraine's State Statistics Service

Legend

Periods (...) - no data

Dash (-) - no events