



National Bank
of Ukraine

Business Outlook Survey of Lviv Oblast*

Q1 2020

**This survey was carried out before
quarantine measures were introduced**



*This survey only reflects the opinions of respondents in Lviv oblast (top managers of companies) who were polled in Q1 2020, and does not represent NBU forecasts or estimates

A survey of companies carried out in Lviv oblast in Q1 2020 showed that respondents had high expectations that the Ukrainian economy would grow, and that their companies would develop over the next 12 months. Respondents expected that inflation to be moderate, domestic currency to depreciate further.¹

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 32.4% (one of the highest figures across the regions) compared with 40.0% in Q4 2019 and 10.4% across Ukraine (Figure 1). The most optimistic expectations were reported by respondents from trade and transport companies (the balances of responses were 57.1% for each). At the same time, companies in the agricultural sector expected a decline in output
- **prices for consumer goods and services would rise moderately:** most respondents (81.1% compared with 68.5% across Ukraine) expected that inflation would not exceed 6.0% (Figure 2). Respondents referred to production costs as **the main inflation driver** (Figure 2)
- **the domestic currency would continue to depreciate:** 70.3% of respondents (compared with 71.4% in the previous quarter and 65.2% across Ukraine) expected the hryvnia to weaken against the US dollar
- **the financial and economic standings of their companies would improve** at a fast pace: the balance of expectations was 38.9% (compared with 27.0% in the previous quarter) (see Table). The most optimistic expectations were reported by transport companies. Respondents from agricultural companies expected that their financial and economic standings would deteriorate
- **total sales would increase:** the balance of responses was 33.3% (compared with 35.1% in Q4 2019). External sales were also expected to grow, the balance of responses being 22.2% (compared with 11.1% in Q4 2019). The balances of responses across Ukraine were 23.0% and 17.5% respectively
- **the growth in investment** both in construction and in machinery, equipment and tools **would decelerate:** the balances of responses were 12.1% and 22.9% respectively (compared with 25.0% and 33.3% in Q4 2019). Across Ukraine, respondents expected investment spending to rise at a much slower pace: the balances of responses being 2.4% and 14.1% respectively
- **staff numbers would remain unchanged:** the balance of responses was 0.0% compared with 8.1% in Q4 2019 (Figure 4). Only managers of companies from other economic activities expected an increase in the staff numbers at their companies. Across Ukraine, staff numbers were expected to decrease (-3.9%)
- **both purchase and selling prices would grow at a fast pace:** the balances of responses were 83.3% and 75.7% respectively compared with 83.3% and 67.6% in Q4 2019 (Figure 6). The highest expectations of selling price growth were reported by respondents from companies in other economic activities and trade (the balances of responses were 100.0% for each). Raw material prices, wage costs, and energy prices were cited as the main selling price drivers (Figure 7)
- **the growth in per-unit production costs and wage costs per staff member would decelerate:** the balances of responses were 62.2% and 68.6% respectively (compared with 70.3% and 86.5% in Q4 2019) (Figure 4 and 6).

A lack of working assets and weak demand were cited as the **main drags on the ability of companies to boost production**. (the impact of this factor strengthened noticeably) (Figure 5).

Respondents expected a noticeable increase in borrowing needs in the near future (Figure 8). Most of the respondents who planned to take out corporate loans (57.1% of respondents) usually opted for domestic currency loans. Respondents said that lending standards remained unchanged (Figure 9). Respondents referred to high interest rates as the main factor that deterred them from taking out loans (Figure 10).

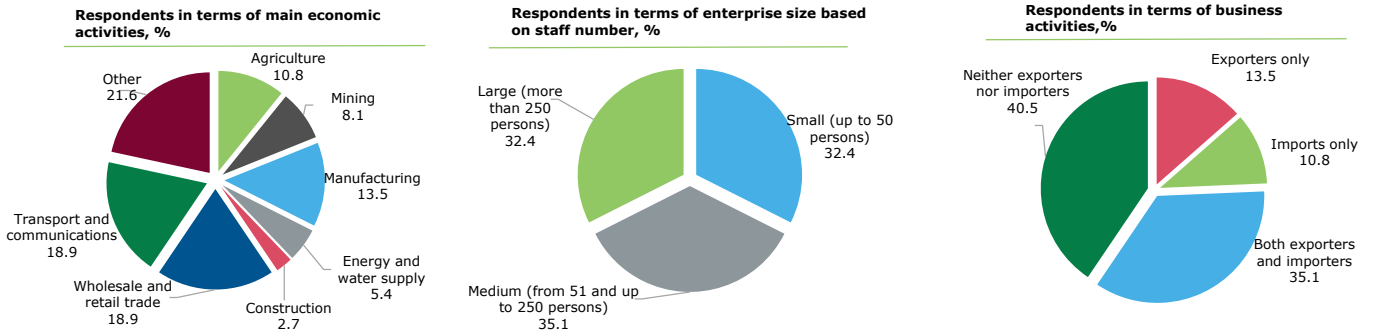
All of the respondents said that they **had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.6% across Ukraine).

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

- **The current financial and economic standings of companies deteriorated and were assessed as bad:** the balance of responses was (-2.7%) compared with 16.2% in Q4 2019 and 9.7% across Ukraine.
- **Finished goods stocks increased to a level higher than the normal one:** the balance of responses was 5.6% (compared with 5.9% in Q4 2019).
- **Companies were operating on the verge of their production capacity:** the balance of responses was 0.0% compared with 2.7% in 4Q 2019.

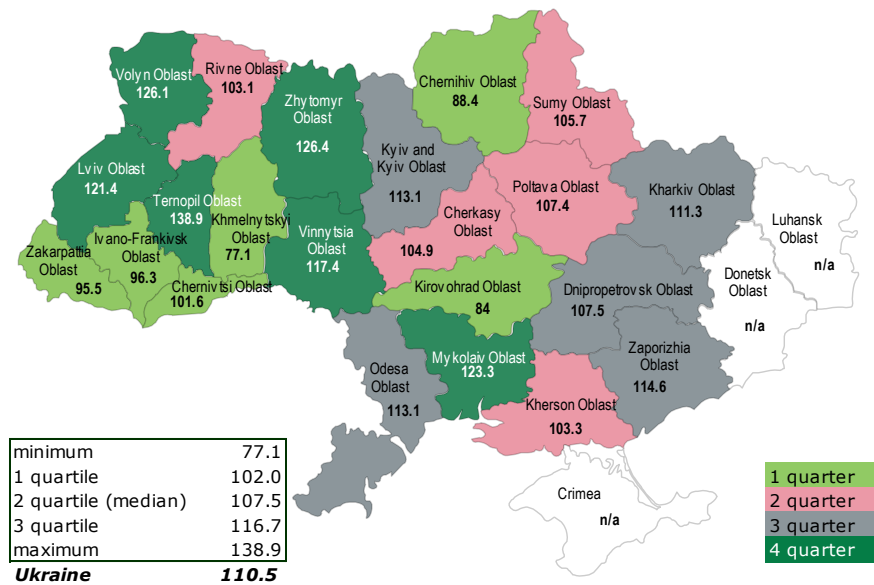
¹ This survey was carried out before quarantine measures were introduced.

Survey Details^{2,3}



- Period: 15 February through 27 February 2020
- A total of 37 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, manufacturing, trade, transport and communications, and other economic activities.

Business Outlook Index for Next 12 Months in Terms of Regions⁴, %



⁴a 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, %				
	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20
Financial and economic standings	28.6	25.0	24.3	27.0	38.9
Total sales	47.2	33.3	50.0	35.1	33.3
Investment in construction	11.4	13.5	13.9	25.0	12.1
Investment in machinery, equipment and tools	28.6	24.3	13.5	33.3	22.9
Staff numbers	19.4	10.8	27.0	8.1	0.0

² This sample was generated in proportion to the contribution of each region and each economic activity to Ukraine's gross value added.
³ Data for totals and components may be subject to rounding effects.
⁴ 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

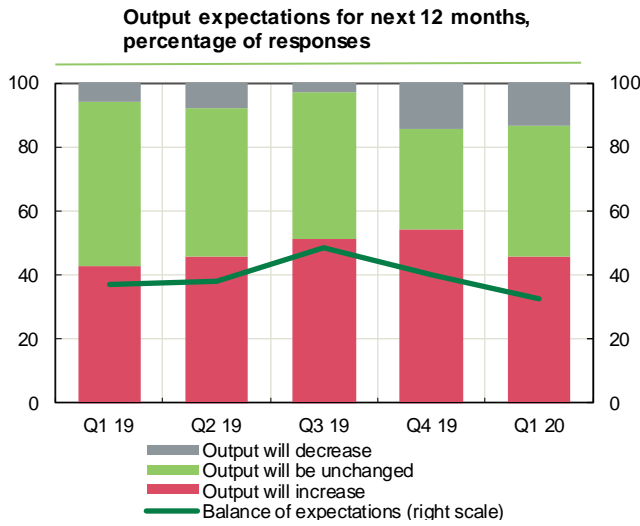


Figure 2

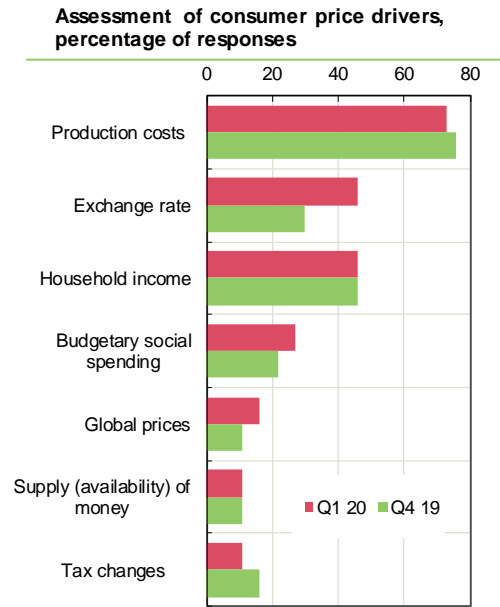


Figure 3

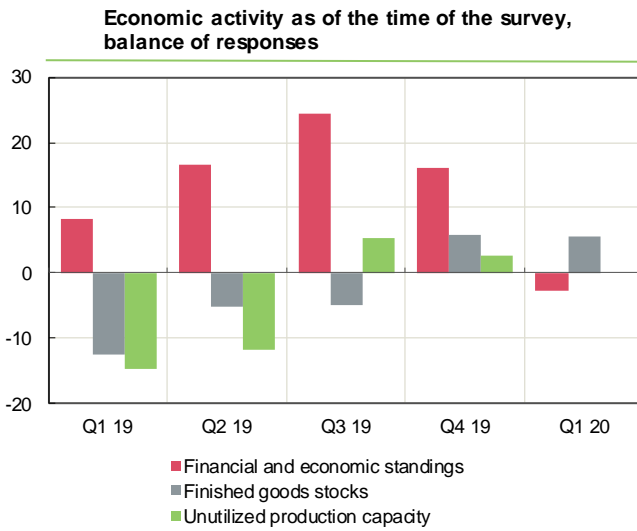


Figure 4

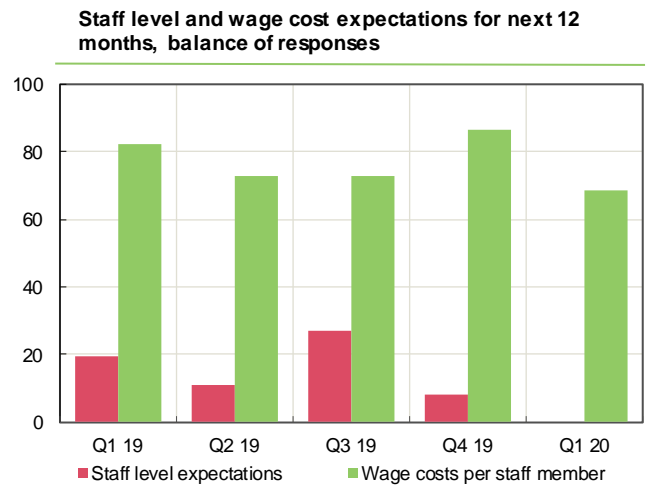


Figure 5

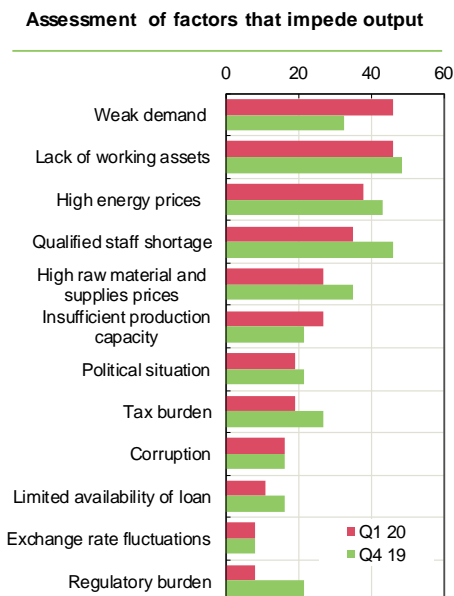


Figure 6

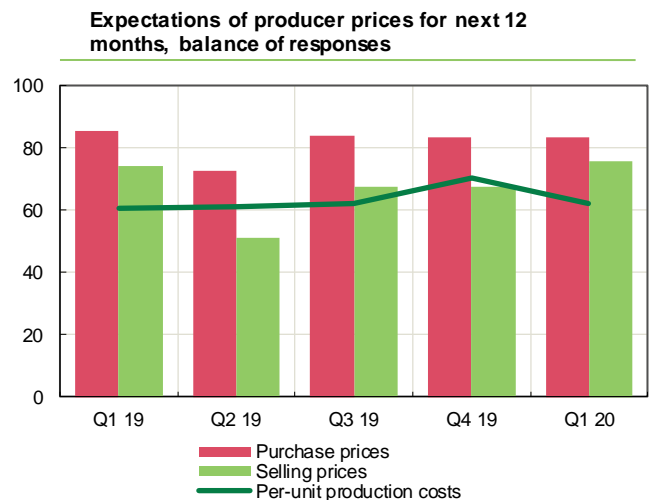


Figure 7

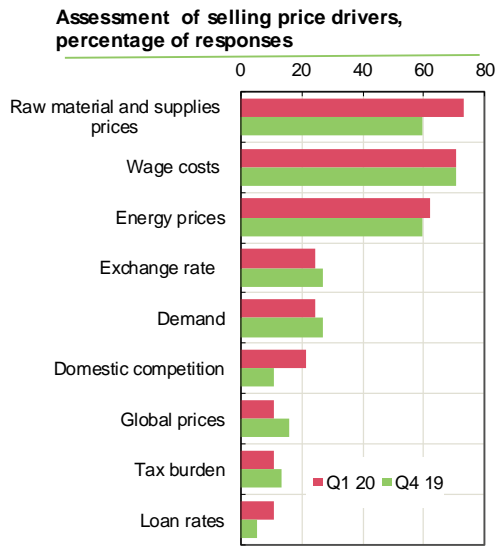


Figure 8

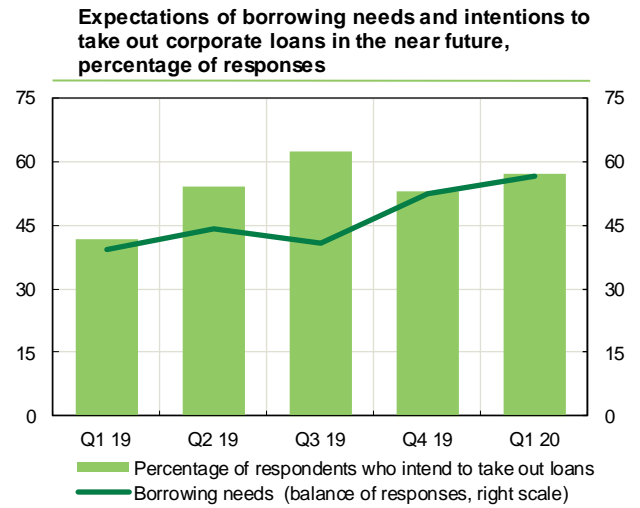


Figure 9

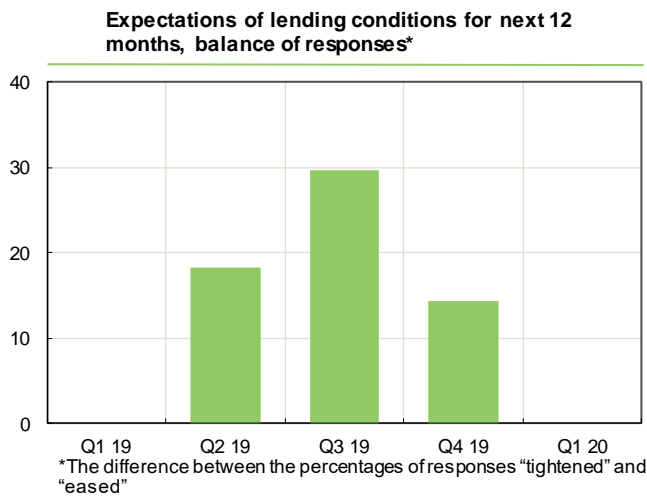


Figure 10

