



National Bank  
of Ukraine

## Business Outlook Survey of Lviv Oblast\*

**Q2 2020**

This survey was conducted after the government  
announced it would relax the quarantine



\*This survey only reflects the opinions of respondents in Lviv oblast (top managers of companies) who were polled in Q2 2020, and does not represent NBU forecasts or estimates

A survey of companies carried out in **Lviv oblast** in Q2 2020 showed that respondents expected a drop in the output of Ukrainian goods and services over the next 12 months on the back of the quarantine. They were optimistic about the performance of their companies over that period. Respondents expected that inflation would be moderate and that the hryvnia would depreciate less pronouncedly.<sup>1</sup>

#### 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 (-15.8%) compared with 32.4% in Q1 2020 and (-34.1%) across Ukraine (Figure 1). The most pessimistic expectations were reported by respondents from agricultural companies (the balance of responses was (-60.0%)). At the same time, companies in the manufacturing industry expected no change in output
- **prices for consumer goods and services would rise moderately:** most respondents (70.3% compared with 54.9% across Ukraine) expected that inflation would not exceed 7.5% (Figure 2). Respondents referred to production costs as **the main inflation driver** (Figure 2)
- **the domestic currency would depreciate at a slower pace:** 60.5% of respondents (compared with 70.3% in the previous quarter and 68.2% across Ukraine) expected the hryvnia to weaken against the US dollar
- **the financial and economic standings of their companies would improve** at a slower pace: the balance of expectations was 16.7% (compared with 38.9% in the previous quarter) (see Table). The most optimistic expectations were reported by respondents from other economic activities. Companies across Ukraine expected a deterioration in their financial and economic standings (-1.8%) (see Table)
- **total sales would increase more slowly:** the balance of responses was 15.8% (compared with 33.3% in Q1 2020). External sales were expected to remain unchanged, the balance of responses being 0.0% (compared with 22.2% in Q1 2020). Overall, companies across Ukraine expected sales to decrease slightly, the balances of responses being (-0.1%) and (-0.7%) respectively
- **the growth in investment** both in construction and in machinery, equipment and tools **would decelerate:** the balances of responses were 5.6% and 2.7% respectively (compared with 12.1% and 22.9% in Q1 2020). Across Ukraine, respondents expected investment spending to decrease, the balances of responses being (-16.1%) and (10.5%) respectively
- **staff numbers would drop:** the balance of responses was (-15.8%) compared with 0.0% in Q1 2020 and (-17.3%) across Ukraine (Figure 4)
- **both purchase and selling prices would grow at a slower pace:** the balances of responses were 64.9% and 45.9% respectively compared with 83.3% and 75.7% in Q1 2020 (Figure 6). The highest expectations of selling price growth were reported by respondents from trading companies (the balance of responses was 85.7%). Respondents from agricultural expected a fall in their selling prices. Raw material and supplies 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 45.9% and 40.5% respectively (compared with 62.2% and 68.6% in Q1 2020) (Figure 4 and 6).

Weak demand and a lack of working assets were cited as the **main drags on the ability of companies to boost production** (Figure 5).

**Respondents lowered their expectations of an increase in their borrowing needs** in the near future (Figure 8). Most of the respondents who planned to take out corporate loans (60.5% of respondents) opted for domestic currency loans. Respondents said that lending standards had tightened (Figure 9). Respondents referred to high interest rates as the main factor that deterred them from taking out loans (Figure 10).

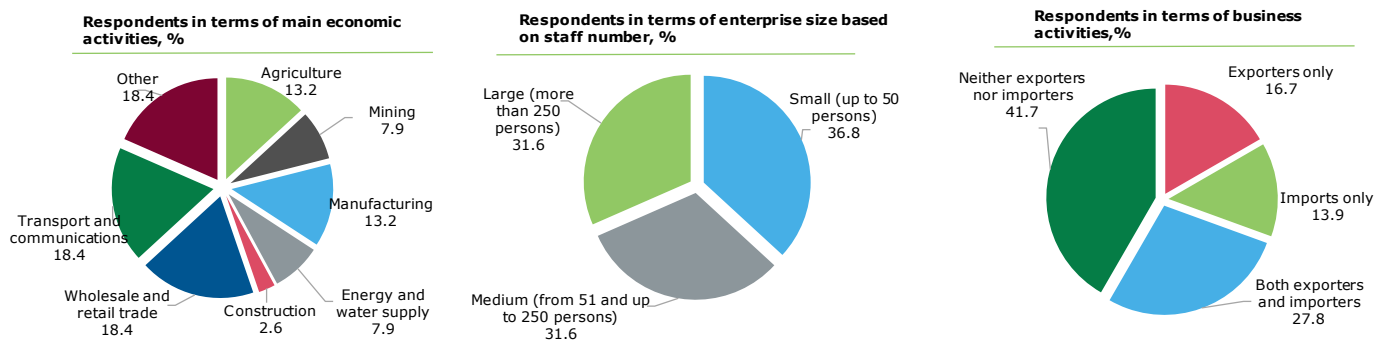
**All of the respondents** said that they **had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.5% across Ukraine).

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

- **The current financial and economic standings of companies were assessed as bad:** the balance of responses was (-7.9%) compared with (-2.7%) in Q1 2020 and (-11.6%) across Ukraine.
- **Finished goods stocks had decreased to a level lower than the normal one:** the balance of responses was (-14.3%) (compared with 5.6% in Q1 2020).
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 13.2% compared with 0.0% in Q1 2020.

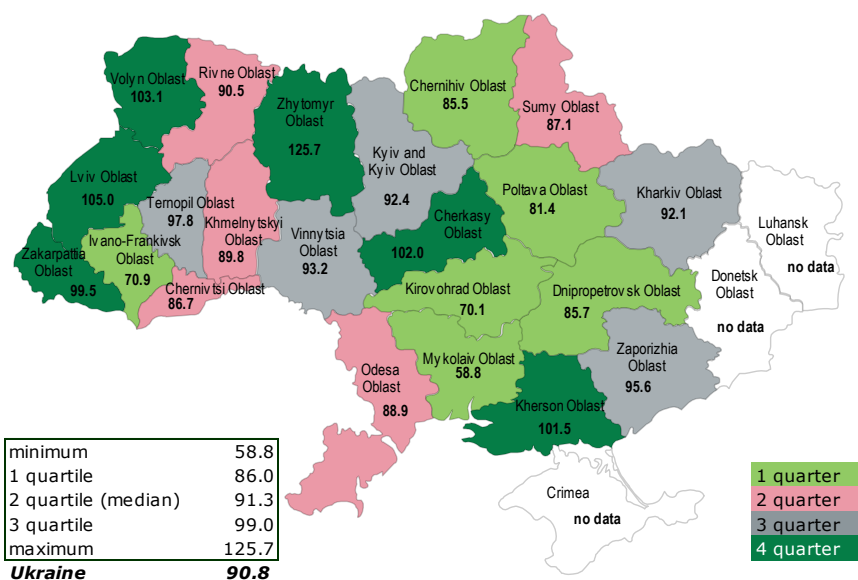
<sup>1</sup> This survey was conducted after the government announced it would relax the quarantine.

### Survey Details<sup>2,3</sup>



- Period: 6 through 29 May 2020
- A total of 38 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 Regions<sup>4</sup>, %



\*a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups

\*\*a 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 19	Q3 19	Q4 19	Q1 20	Q2 20
Financial and economic standings	25.0	24.3	27.0	38.9	16.7
Total sales	33.3	50.0	35.1	33.3	15.8
Investment in construction	13.5	13.9	25.0	12.1	5.6
Investment in machinery, equipment and tools	24.3	13.5	33.3	22.9	2.7
Staff numbers	10.8	27.0	8.1	0.0	-15.8

<sup>2</sup> This sample was generated in proportion to the contribution of each region and each economic activity to Ukraine's gross value added.

<sup>3</sup> Data for totals and components may be subject to rounding effects.

<sup>4</sup> 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

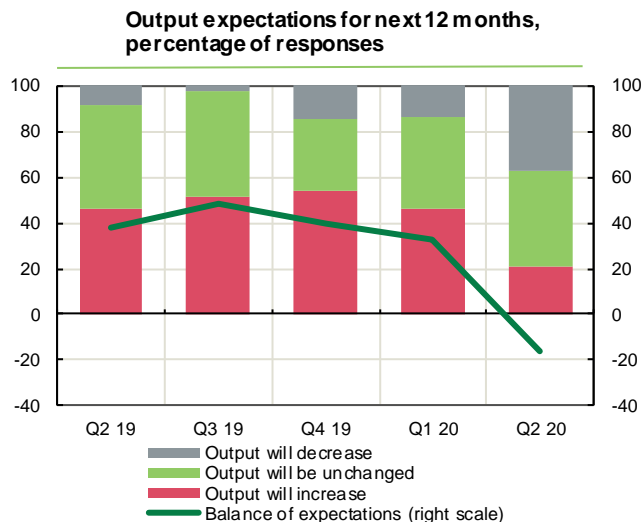


Figure 2

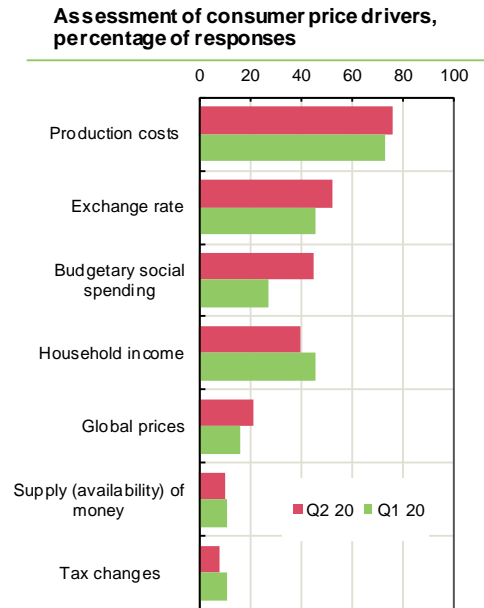


Figure 3

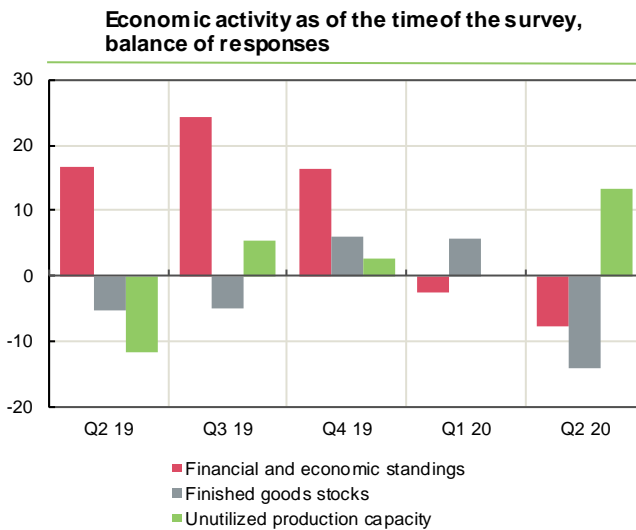


Figure 4



Figure 5

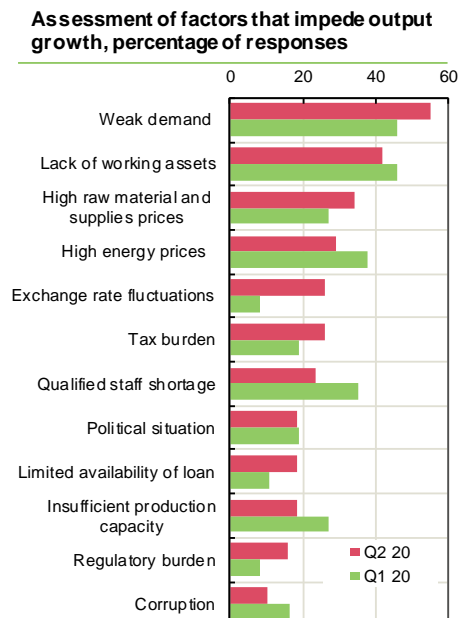
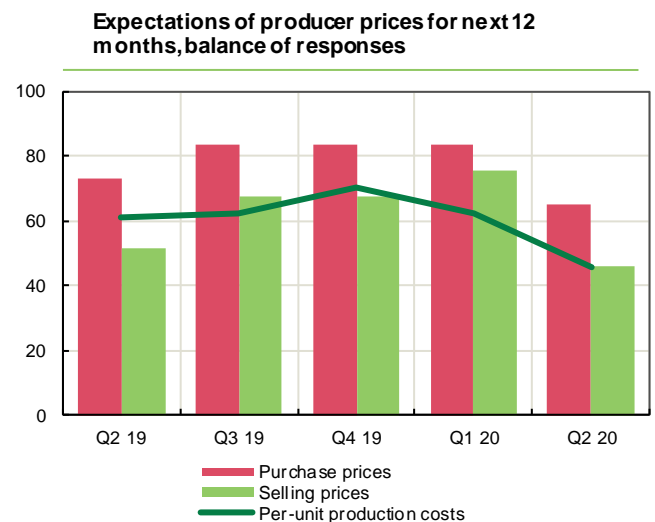
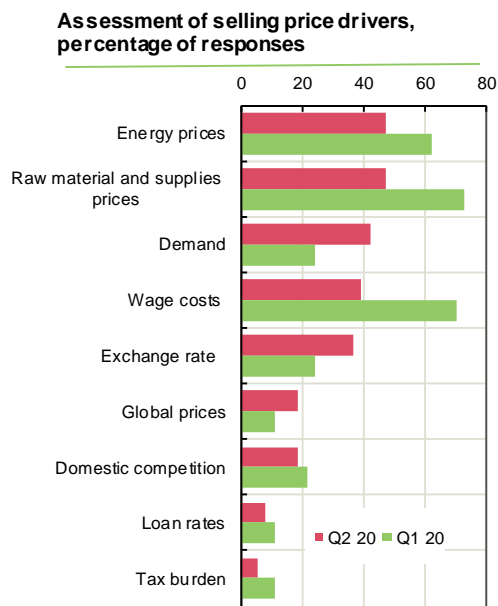


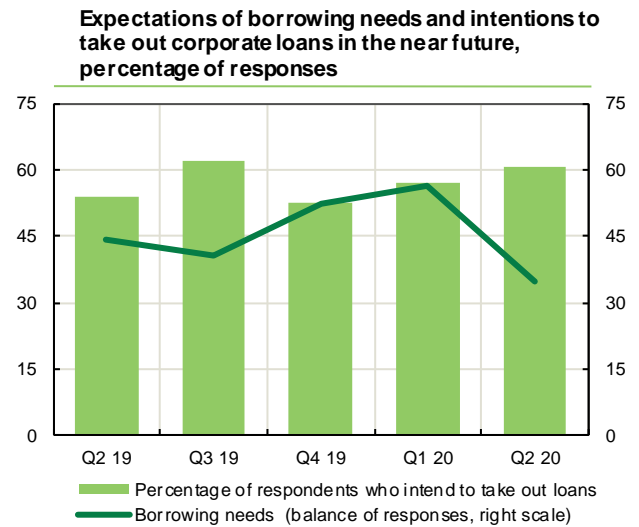
Figure 6



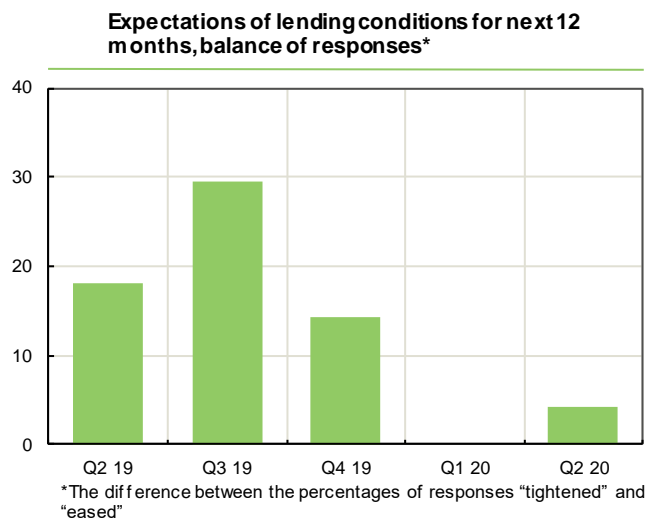
**Figure 7**



**Figure 8**



**Figure 9**



**Figure 10**

