



National Bank
of Ukraine

Business Outlook Survey of Lviv Oblast*

Q3 2020



*This survey only reflects the opinions of respondents in Lviv oblast (top managers of companies) who were polled in Q3 2020, and does not represent NBU forecasts or estimates

A survey of companies carried out in Lviv oblast in Q3 2020 showed that respondents expected a slower reduction in the output of Ukrainian goods and services over the next 12 months amid the extended adaptive quarantine. At the same time, they were optimistic about the performance of their companies over that period. Respondents expected inflation to increase and domestic currency to depreciate more noticeably.

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 (-10.8%) compared with (-15.8%) in Q2 2020 and (-16.1%) across Ukraine (Figure 1). The most pessimistic expectations (-50.0%) were reported by respondents from companies of other economic activities. At the same time, companies in the manufacturing industry expected continued growth of output
- **prices for consumer goods and services would rise:** most respondents (62.2% compared with 70.3% in the previous quarter and 55.6% across Ukraine) expected that inflation would not exceed 7.5%. Respondents referred to exchange rate as **the main inflation driver** (Figure 2)
- **hryvnia would depreciate more pronouncedly:** 86.8% of respondents (compared with 60.5% in the previous quarter and 83.2% 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 13.2% (compared with 16.7% in the previous quarter and 4.4% across Ukraine) (see Table). The most optimistic expectations were reported by respondents from agricultural companies
- **total sales would increase** at a faster pace: the balance of responses was 28.9% (compared with 15.8% in Q2 2020). External sales were expected to remain unchanged, the balance of responses being 0.0% as in the previous quarter. Overall, companies across Ukraine expected sales to increase moderately, the balances of responses being 9.8% and 4.3% respectively
- **investment in machinery, equipment, and tools would increase:** the balance of responses was 10.8% compared with 2.7% in the previous quarter. **Investment in construction would decrease** slightly: the balance of responses was (-2.8%) compared with 5.6% in Q2 2020. The balances of responses across Ukraine were 5.2% and (-4.7%) respectively
- **staff numbers would drop:** the balance of responses was (-13.9%) compared with (-15.8%) in Q2 2020 and (-10.8%) across Ukraine (Figure 4). At the same time, respondents from transport companies expected an increase of staff numbers at their companies
- **the growth in both purchase and selling prices would accelerate significantly:** the balances of responses were 89.5% and 63.2% respectively (compared with 64.9% and 45.9% in Q2 2020) (Figure 6). All of the respondents from companies of other economic activities expected a rise in their selling prices. Raw material, supplies, and energy prices and wage costs were cited as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would grow** at a faster pace: the balances of responses were 54.1% and 62.2% respectively (compared with 45.9% and 40.5% in Q2 2020) (Figures 4 and 6).

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

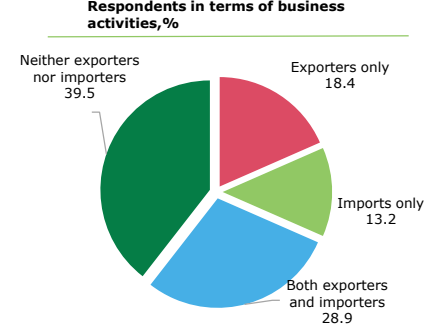
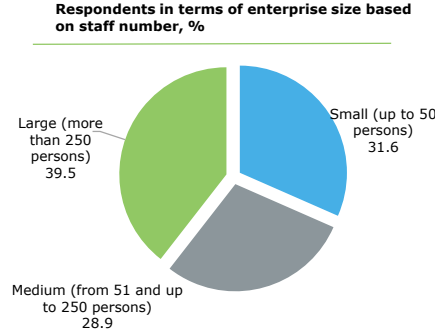
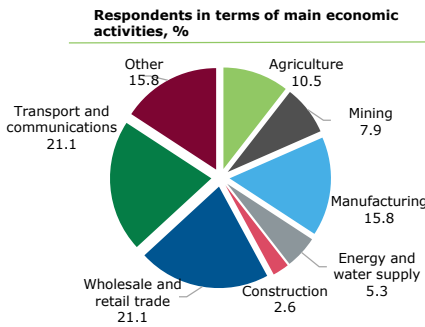
Respondents lowered their expectations of an increase in their borrowing needs in the near future (Figure 8). Most of the respondents who planned to take out corporate loans (44.7% of respondents) opted for domestic currency loans. The percentage of respondents who said lending conditions had tightened increased compared to the previous quarter (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)

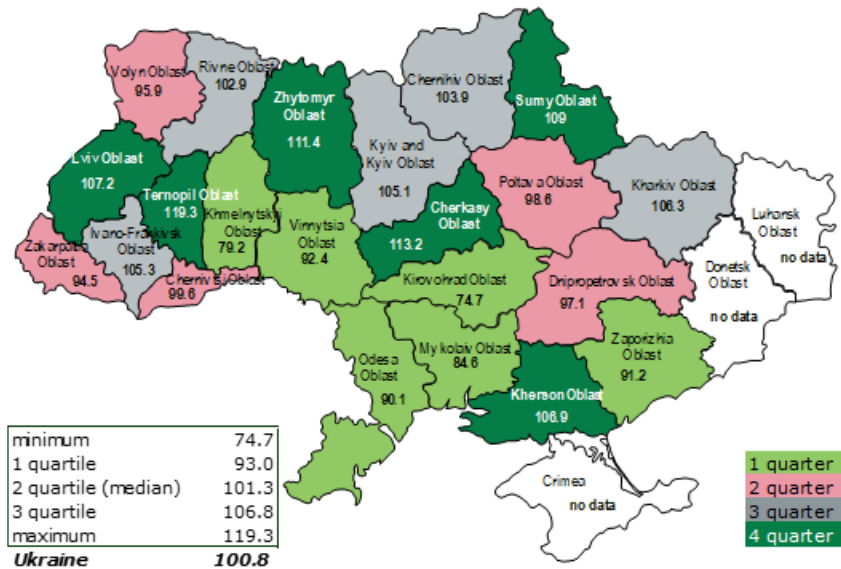
- **The current financial and economic standings of companies were assessed as bad** for three quarters running: the balance of responses was (-5.3%) compared with (-7.9%) in Q2 2020 and (-5.6%) across Ukraine.
- **Finished goods stocks had increased to a level higher than the normal one:** the balance of responses was 5.6% (compared with (-14.3%) in Q2 2020).
- **Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 2.7% compared with 13.2% in Q2 2020.

Survey Details^{1,2}



- Period: 6 through 31 August 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 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 19	Q4 19	Q1 20	Q2 20	Q3 20
Financial and economic standings	24.3	27.0	38.9	16.7	13.2
Total sales	50.0	35.1	33.3	15.8	28.9
Investment in construction	13.9	25.0	12.1	5.6	-2.8
Investment in machinery, equipment and tools	13.5	33.3	22.9	2.7	10.8
Staff numbers	27.0	8.1	0.0	-15.8	-13.9

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

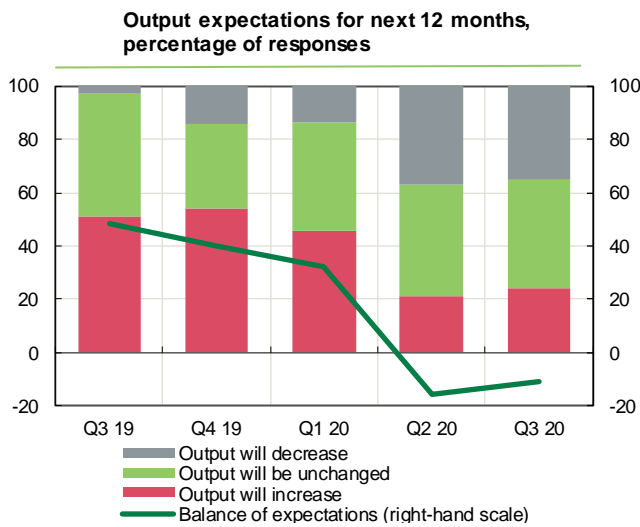


Figure 2

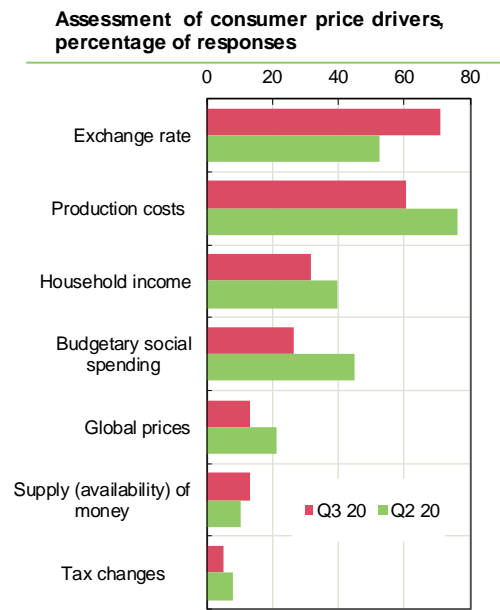


Figure 3

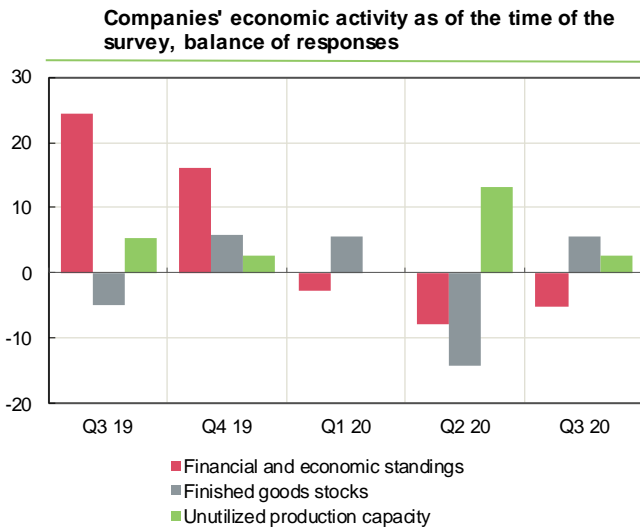


Figure 4

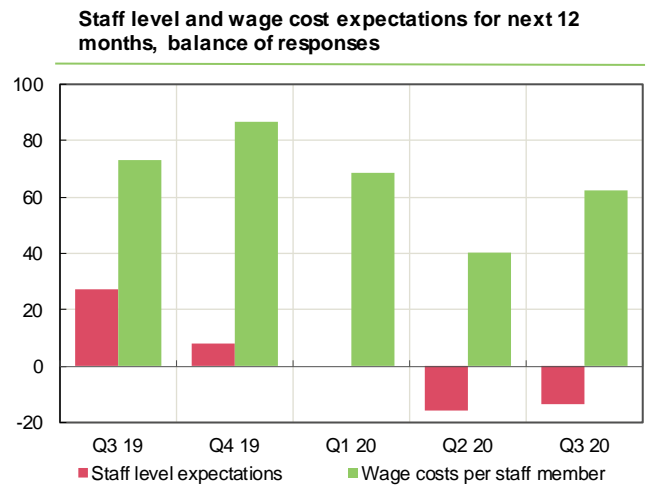


Figure 5

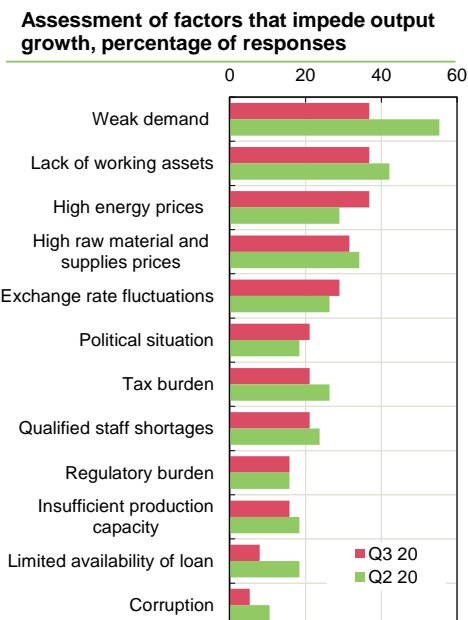


Figure 6

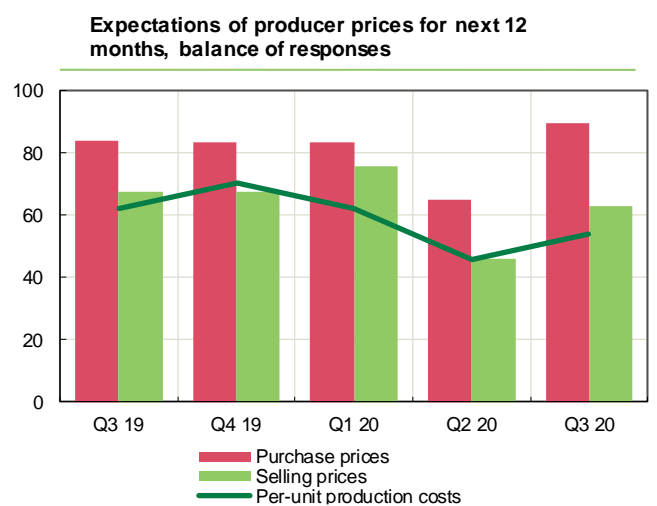


Figure 7

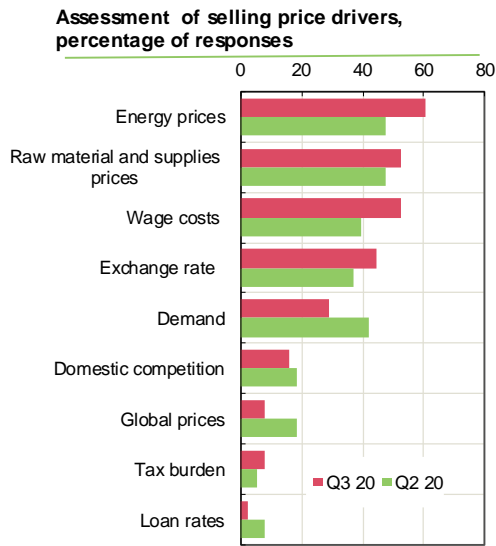


Figure 8

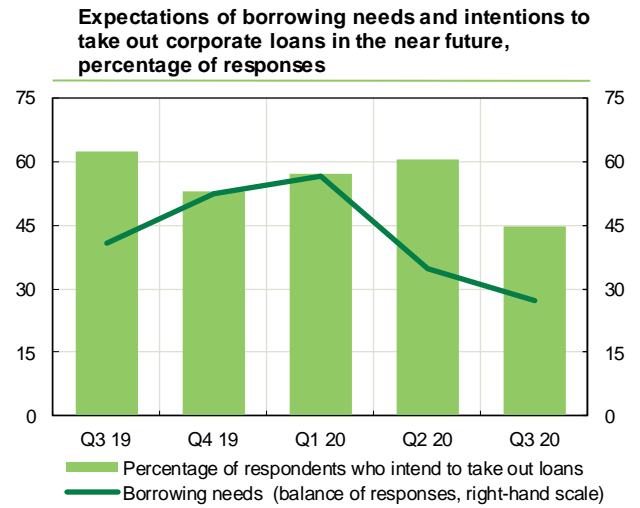


Figure 9

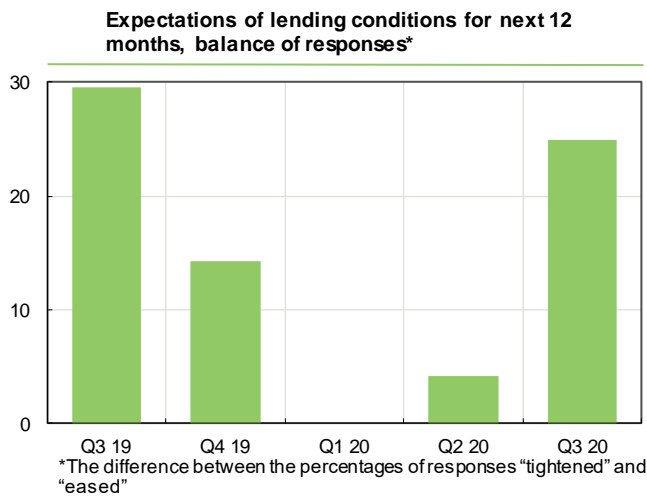


Figure 10

