



National Bank
of Ukraine

Business Outlook Survey of Lviv Oblast*

Q4 2020



*This survey only reflects the opinions of respondents in Lviv oblast (top managers of companies) who were polled in Q4 2020, and does not represent NBU forecasts or estimates

A survey of companies carried out in **Lviv oblast** in Q4 2020 showed that respondents continued to expect a drop in the output of Ukrainian goods and services on the back of a tighter quarantine. At the same time, **they were optimistic about the performance of their companies over that period**. Respondents expected inflation to increase and domestic the 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** (such expectations have been reported for three quarters in a row): the balance of expectations was (-13.9%) compared with (-10.8%) in Q3 2020 and (-24.4%) across Ukraine (Figure 1). The most pessimistic expectations (-33.3%) were reported by respondents from companies in other economic activities. At the same time, trade companies expected the output to return to growth
- **prices for consumer goods and services would rise** at a faster pace: 51.4% of respondents (compared with 62.2% in the previous quarter and 49.2% across Ukraine) expected that inflation would not exceed 7.5%. Respondents referred to the exchange rate and production costs as **the main inflation drivers** (Figure 2)
- **the domestic currency would depreciate significantly**: 94.4% of respondents (compared with 86.8% in the previous quarter and 87.1% across Ukraine) expected the hryvnia to weaken against the US dollar
- **the financial and economic standings of their companies would improve slightly**: the balance of expectations was 2.8% (compared with 13.2% in the previous quarter and 1.3% across Ukraine) (see Table). The most optimistic expectations were reported by respondents from companies in other economic activities
- **total sales would increase**: the balance of responses was 22.2% compared with 28.9% in the previous quarter (Table). Respondents also expected an increase in external sales (the balance of responses was 11.8% compared with 0.0% in Q3 2020). Overall, companies across Ukraine expected sales to increase moderately, the balances of responses being 7.1% and 3.8% respectively
- **investment in machinery, equipment and tools would increase moderately**: the balance of responses was 2.9% compared with 10.8% in the previous quarter. **Investment in construction was expected to remain unchanged**: the balance of responses was 0.0% compared with (-2.8%) in Q3 2020. The balances of responses across Ukraine were 3.8% and (-4.5%) respectively
- **staff numbers at their companies would decrease dramatically**: the balance of responses was (-25.0%) compared with (-13.9%) in Q3 2020 and (-9.9%) across Ukraine (Figure 4). At the same time, respondents from transport companies continued to expect an increase in staff numbers at their companies
- **both purchase and selling prices would grow at a faster pace**: the balances of responses were 86.1% and 63.9%, respectively (compared with 89.5% and 63.2% in Q3 2020) (Figure 6). All of the respondents from trade companies expected a rise in their selling prices. Energy prices, wage costs and the exchange rate were cited as the main selling price drivers (Figure 7)
- **the growth in per-unit production costs and wage costs per staff member would accelerate**: the balances of responses were 72.2% and 71.4% respectively (compared with 54.1% and 62.2% in Q3 2020).

Companies cited weak demand, a lack of working assets and high energy prices as the **main drags on their ability to boost production** (Figure 5).

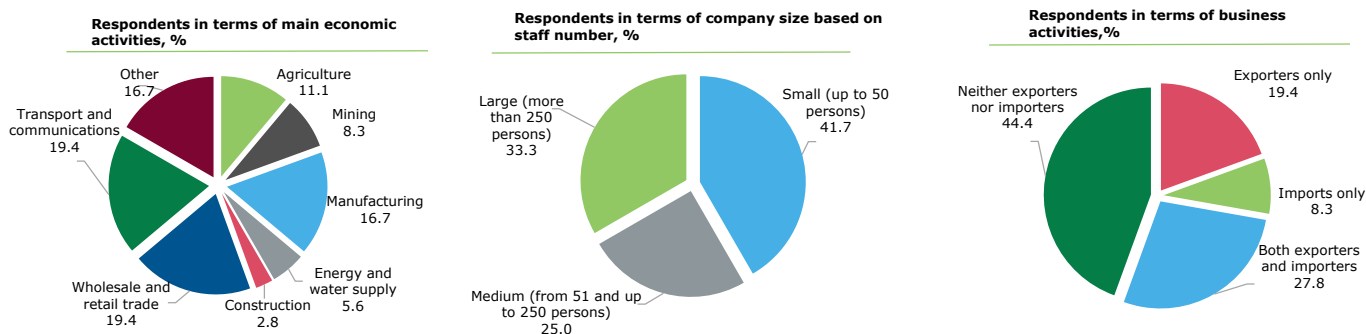
Respondents reported firmer expectations of an increase in their borrowing needs in the near future (Figure 8). Most of the respondents who planned to take out corporate loans (54.3% of respondents) opted for domestic currency loans. The percentage of respondents who said lending conditions had tightened decreased 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).

A total of 97.2% of the respondents said that they **had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.9% across Ukraine).

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

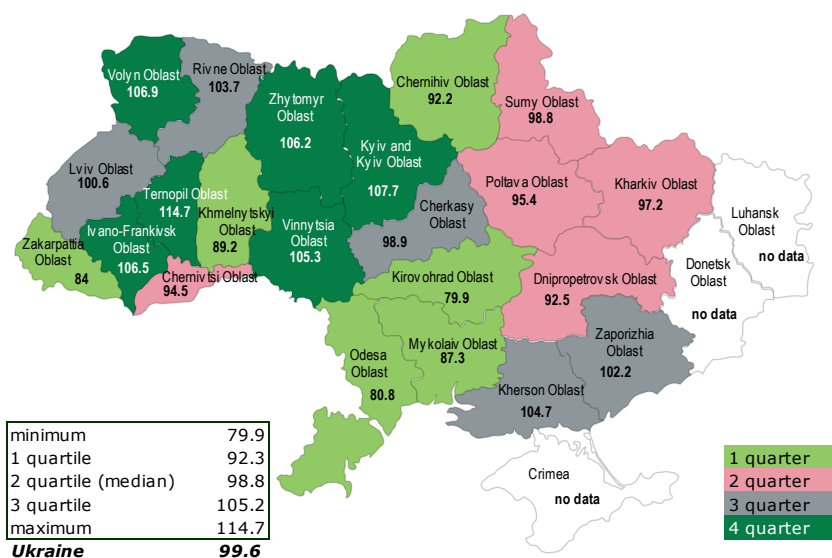
- **Companies have assessed their current financial and economic standings as bad** for four quarters running: the balance of responses was (-13.9%) compared with (-5.3%) in Q3 2020 and (-3.2%) across Ukraine.
- **Finished goods stocks had significantly decreased to a level lower than the normal one**: the balance of responses was (-22.2%) (compared with 5.6% in Q3 2020).
- **Companies were operating on the verge of their production capacity**: the balance of responses was 0.0% compared with 2.7% in Q3 2020

Survey Details^{1,2}



- Period: 6 November through 30 November 2020.
- A total of 36 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, %



*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, %				
	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20
Financial and economic standings	27.0	38.9	16.7	13.2	2.8
Total sales	35.1	33.3	15.8	28.9	22.2
Investment in construction	25.0	12.1	5.6	-2.8	0.0
Investment in machinery, equipment, and tools	33.3	22.9	2.7	10.8	2.9
Staff numbers	8.1	0.0	-15.8	-13.9	-25.0

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 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

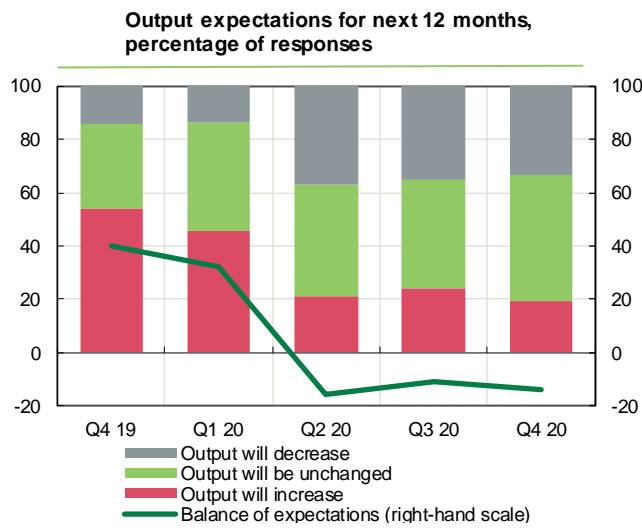


Figure 2

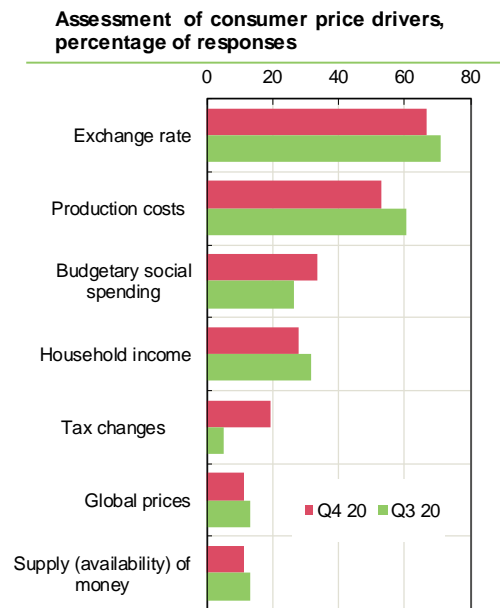


Figure 3

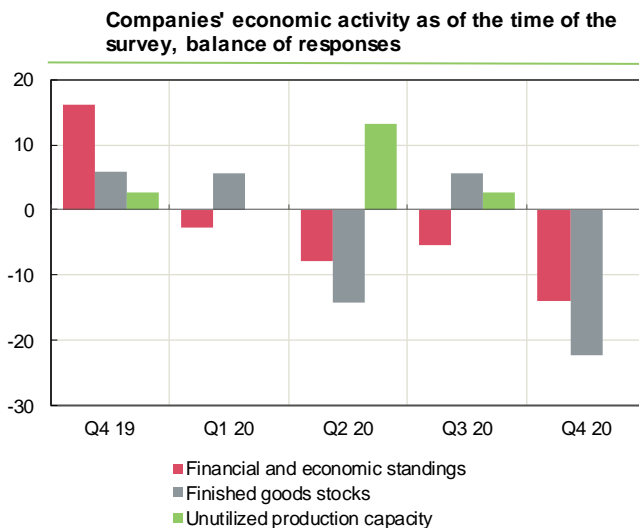


Figure 4

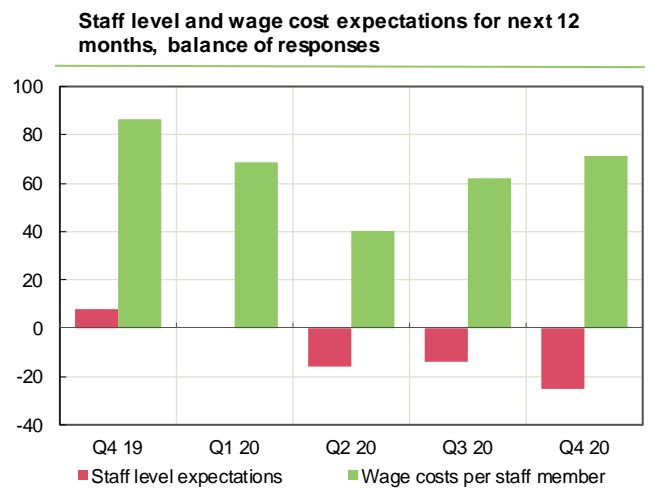


Figure 5

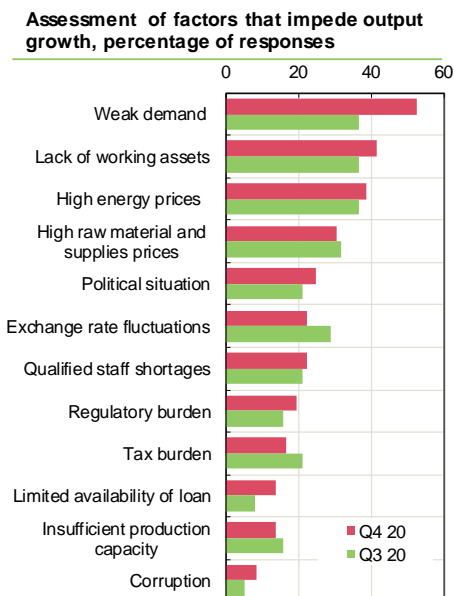


Figure 6

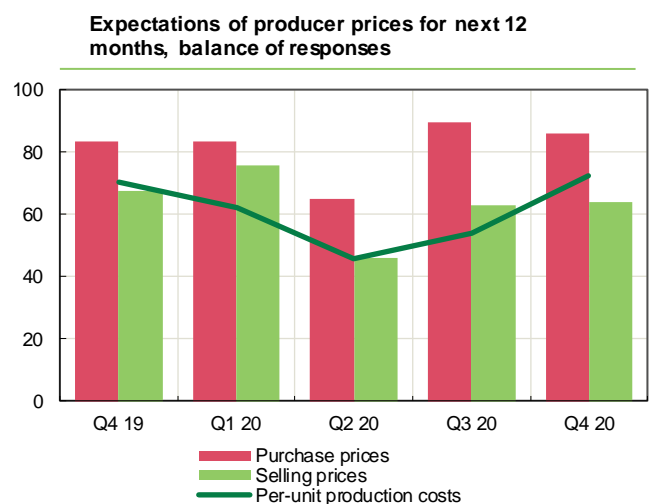


Figure 7

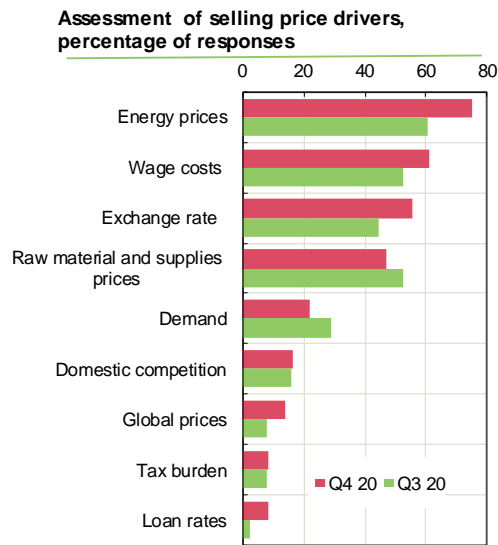


Figure 8

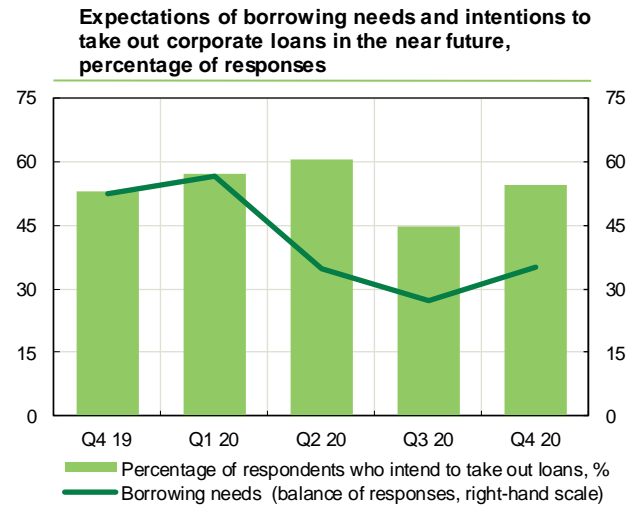


Figure 9

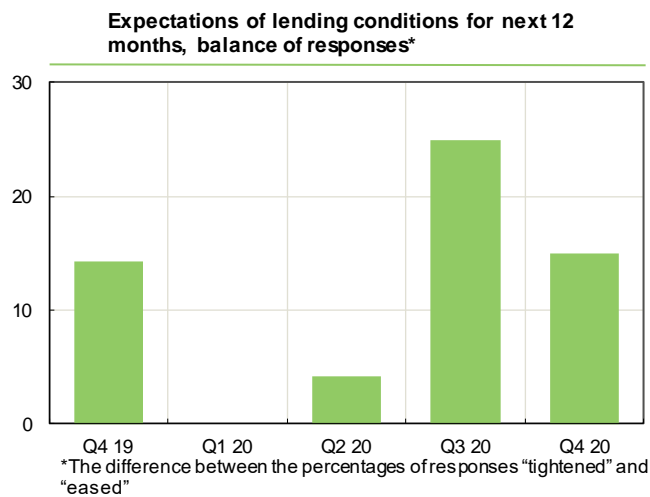


Figure 10

