



National Bank
of Ukraine

Business Outlook Survey of Lviv Oblast*

Q1 2021



*This survey only reflects the opinions of respondents in Lviv oblast (top managers of companies) who were polled in Q1 2021, and does not represent NBU forecasts or estimates

A survey of companies carried out in Lviv oblast in Q1 2021 showed that respondents expected that the output of Ukrainian goods and services would return to growth over the next 12 months. They were optimistic about the performance of their companies over that period. Respondents expected weaker inflation and depreciation.

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

- **the output of Ukrainian goods and services would increase** (such expectations have been reported for the first time in the last three quarters): the balance of expectations was 11.1%, compared to (-13.9%) in Q4 2020 and 5.6% across Ukraine (Figure 1). The most optimistic expectations (60.0%) were reported by respondents from agricultural companies. At the same time, manufacturing companies and companies engaged in other economic activities expected the output to decrease
- **the growth in prices for consumer goods and services would decelerate**: 63.9% of respondents (up from 51.4% in the previous quarter and) expected that inflation would not exceed 7.5%, compared to the balance of responses of 49.3% across Ukraine. Respondents referred to the exchange rate and production costs as **the main inflation drivers** (Figure 2)
- **the domestic currency depreciation would decelerate**: 77.8% of respondents (compared to 94.4% in the previous quarter and 74.4% across Ukraine) expected the hryvnia to weaken against the US dollar
- **the financial and economic standings of their companies would improve at a faster pace**: the balance of expectations was 25.7% (compared to 2.8% in the previous quarter and 12.7% across Ukraine) (see Table). The most optimistic expectations were reported by respondents from transport companies, whereas top managers of manufacturing companies expected a deterioration in their financial and economic standings
- **the growth in total sales would accelerate**: the balance of responses was 47.2%, compared to 22.2% in the previous quarter. External sales were also expected to increase more rapidly: the balance of responses was 23.5%, compared to 11.8% in Q4 2021. The balances of responses across Ukraine were 18.0% and 14.9% respectively
- **investment in construction and in machinery, equipment, and tools would increase**: the balances of responses were 26.5 and 30.6% respectively, compared to 0.0% and 2.9% in the previous quarter. Across Ukraine investments would increase at a slower pace: the balances of responses were 1.4% and 11.7% respectively
- **staff numbers at their companies would decrease insignificantly**: the balance of responses was (-2.8%), compared to (-25.0%) in Q4 2020 and (-1.9%) across Ukraine (Figure 4). At the same time, respondents from trade companies continued to expect an increase in staff numbers at their companies
- **both purchase and selling prices would grow at a fast pace**: the balances of responses were 86.1% and 72.2%, respectively (compared to 86.1% and 63.9% in Q4 2020) (Figure 6). All of the respondents from trade companies expected a rise in their selling prices as in the previous quarter. Energy prices, raw material and supplies prices, and wage costs 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 significantly**: the balances of responses were 75.0% and 66.7% respectively (compared to 72.2% and 71.4% in Q4 2020) (Figures 4 and 6).

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

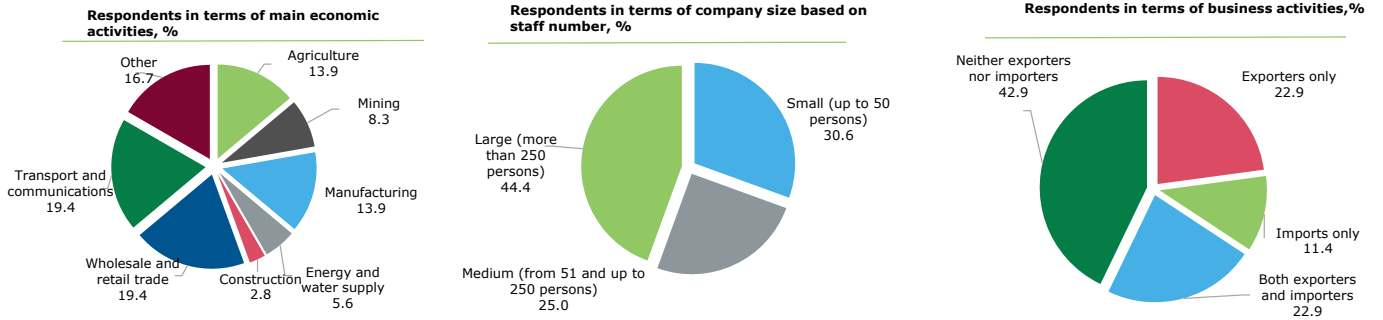
Respondents reported weaker expectations of an increase in their borrowing needs in the near future (Figure 8). Most of the respondents who planned to take out bank loans (44.4% of respondents) opted for domestic currency loans. Respondents said that bank lending standards had eased (Figure 9). Respondents referred to high interest rates as the main factor that deterred them from taking out loans (Figure 10).

All respondents said that they had encountered no difficulties in effecting transactions with funds deposited in bank accounts (97.5% across Ukraine).

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

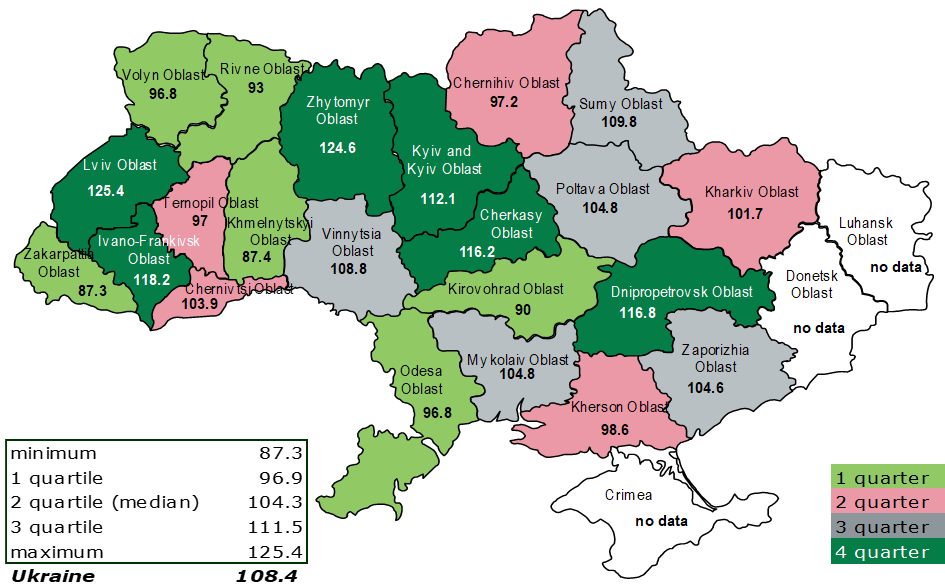
- **Companies reported their current financial and economic standings had improved and assessed them as good** for the first time in the last four quarters: the balance of responses was 11.4%, compared to (-13.9%) in Q4 2020. At the same time, companies across Ukraine assessed their financial and economic standings as bad: the balance of responses was (-0.7%).
- **Finished goods stocks decreased to a level lower than normal**: the balance of responses was (-4.8%), compared to (-22.2%) in Q4 2020.
- **Spare production capacity decreased. Companies did not have sufficient unutilized production capacity to meet any unexpected rise in demand**: the balance of responses was (-9.4%), compared to 0.0% in Q4 2020.

Survey Details^{1,2}



- Period: 3 February through 1 March 2021.
- 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 Oblasts³, %



³a 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 sampled 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 20	Q2 20	Q3 20	Q4 20	Q1 21
Financial and economic standings	38.9	16.7	13.2	2.8	25.7
Total sales	33.3	15.8	28.9	22.2	47.2
Investment in construction	12.1	5.6	-2.8	0.0	26.5
Investment in machinery, equipment, and tools	22.9	2.7	10.8	2.9	30.6
Staff numbers	0.0	-15.8	-13.9	-25.0	-2.8

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

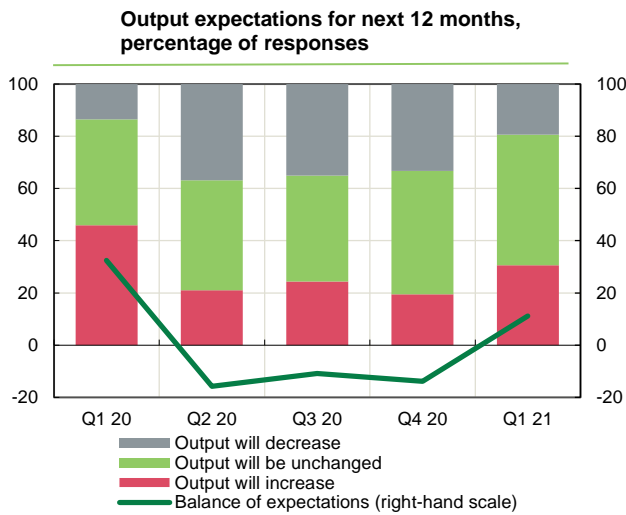


Figure 2

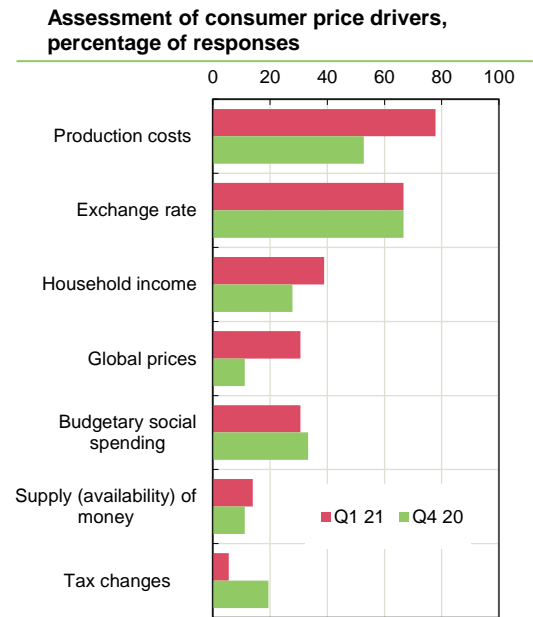


Figure 3

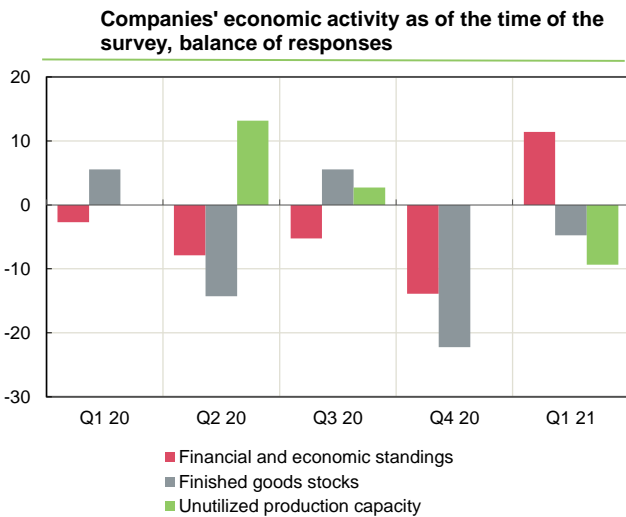


Figure 4

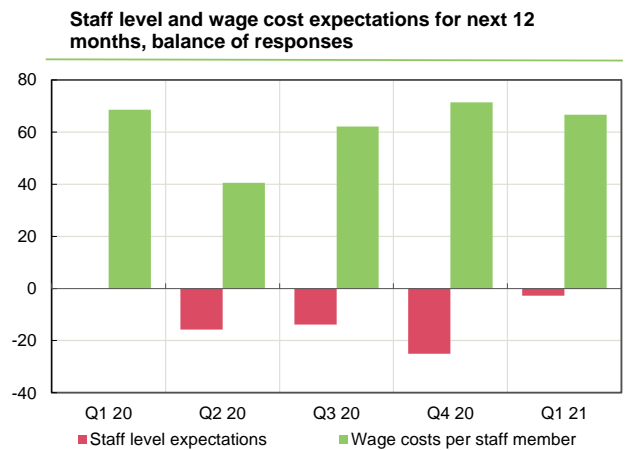


Figure 5

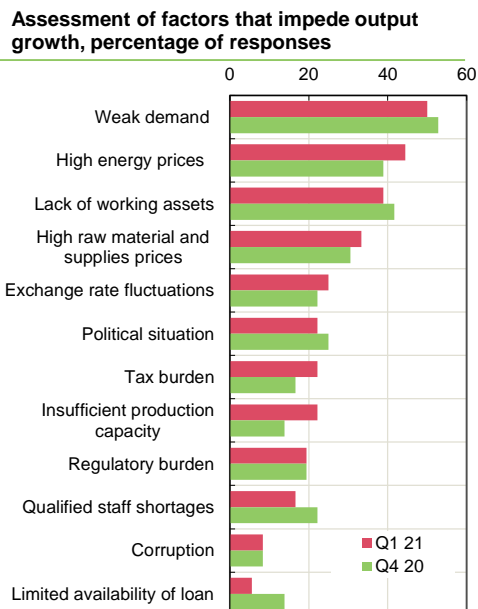


Figure 6

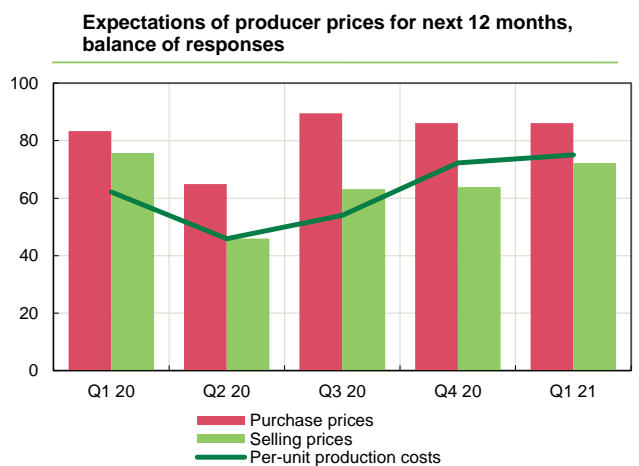


Figure 7

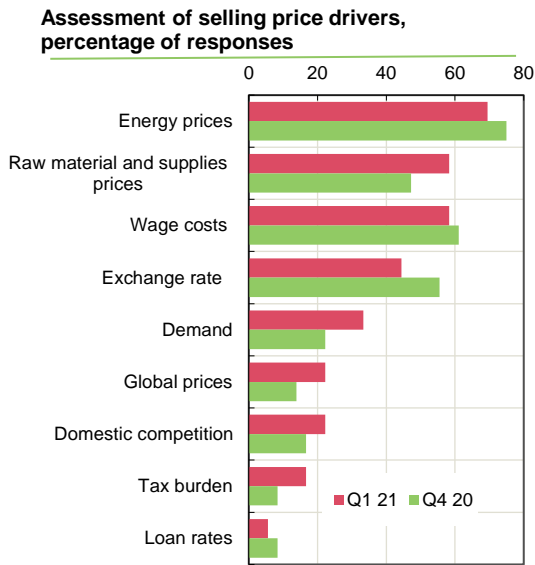


Figure 8

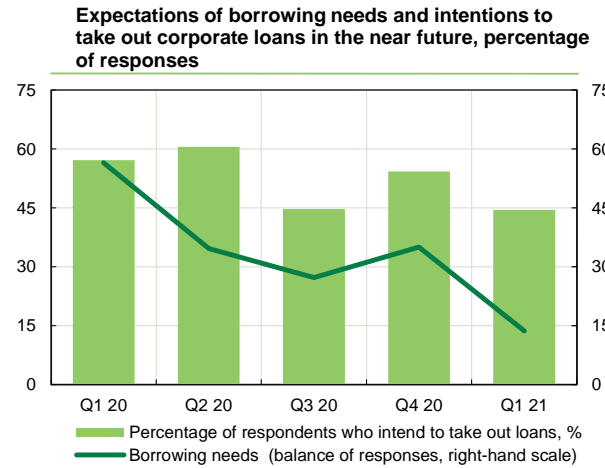


Figure 9

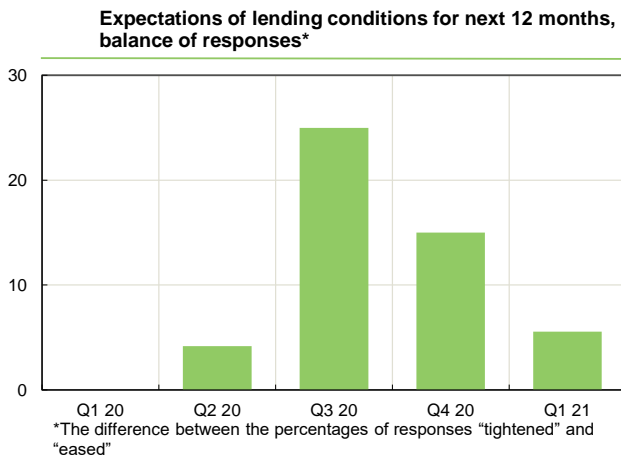


Figure 10

