



National Bank  
of Ukraine

# Business Outlook Survey of Lviv Oblast\*

Q2 2021



\*This survey only reflects the opinions of respondents in Lviv oblast (top managers of companies) who were polled in Q2 2021, and does not represent NBU forecasts or estimates

A survey of companies carried out in Lviv oblast in Q2 2021 showed that respondents expected that the output of Ukrainian goods and services would grow over the next 12 months. They were very optimistic about the performance of their companies over that period. Respondents expected that prices would continue to rise, while also reporting weaker depreciation expectations.

#### 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 15.8%, compared to 11.1% in Q1 2021 and 15.9% across Ukraine (Figure 1). The most optimistic expectations (57.1%) were reported by respondents from transport companies. At the same time, manufacturing companies expected the output to decrease
- **prices for consumer goods and services would rise:** 57.9% of respondents (compared to 63.9% in the previous quarter and 54.2% across Ukraine) expected that inflation would not exceed 7.5%. Respondents referred to production costs, household income and budgetary social spending as **the main inflation drivers** (Figure 2)
- **the domestic currency would depreciate more slowly:** 68.4% of respondents (compared to 77.8% in the previous quarter and 63.6% 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 25.0% (compared to 25.7% in the previous quarter and 18.3% across Ukraine) (see Table). The most optimistic expectations were reported by respondents from companies engaged in other economic activities
- **total sales would increase:** the balance of responses was 31.6%, compared to 47.2% in the previous quarter. External sales were expected to increase more rapidly: the balance of responses was 36.4%, compared to 23.5% in Q1 2021. The balances of responses across Ukraine were 21.0% for each
- **investment in construction would increase more slowly:** the balance of responses was 11.4% (compared to 26.5% in Q1 2021). At the same time, investment in **machinery, equipment, and tools** was expected to increase at a fast pace: the balance of responses was 34.4% (compared to 30.6% in the previous quarter). Across Ukraine, investment was expected to increase at a slower pace: the balances of responses were 6.4% and 16.9% respectively
- **staff numbers at their companies would decrease:** the balance of responses was (-8.3%), compared to (-2.8%) in Q1 2021 and (-1.0%) across Ukraine (Figure 4). At the same time, respondents from manufacturing companies and companies engaged in other economic activities expected an increase in staff numbers at their companies (16.7% for each)
- **both purchase and selling prices would grow at a fast pace:** the balances of responses were 78.9% and 63.2%, respectively (compared to 86.1% and 72.2% respectively in Q1 2021) (Figure 6). Respondents from trading companies expected the largest increase in their selling prices (83.3%). Raw material and supplies prices, energy 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 77.1% and 56.8% respectively (compared to 75.0% and 66.7% in Q1 2021) (Figures 4 and 6).

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

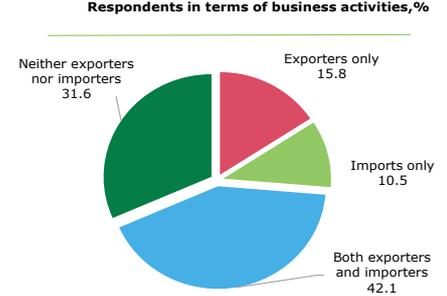
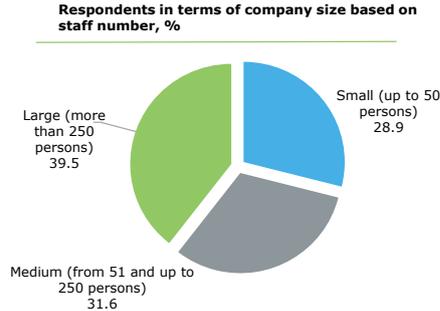
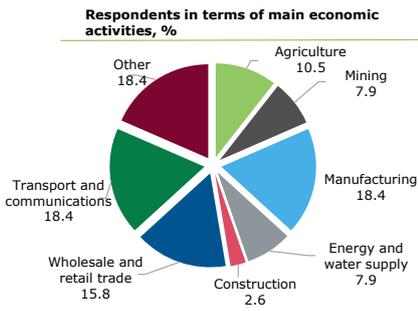
**Respondents reported stronger expectations of an increase in their borrowing needs** in the near future (Figure 8). Most of the respondents who planned to take out bank loans (45.9% of respondents) opted for domestic currency loans. Respondents said that bank lending standards had eased (Figure 9). Respondents referred to collateral requirements and high interest rates as the main factors deterring 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)

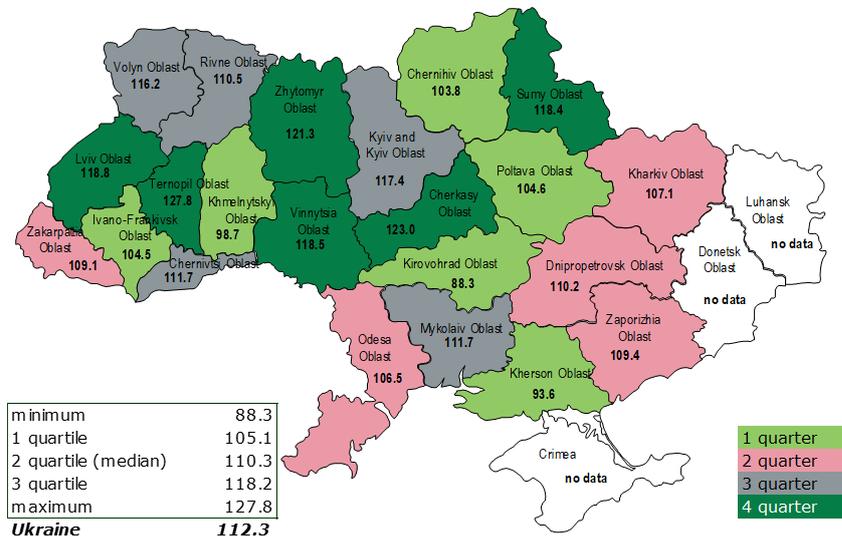
- **Companies assessed their current financial and economic standings as good:** the balance of responses was 13.2%, compared to 11.4% in Q1 2021 and 6.0% across Ukraine.
- **Finished goods stocks were assessed as higher than normal:** the balance of responses was 5.0%, compared to (-4.8%) in Q1 2021.
- **Spare production capacity had increased. Companies had sufficient unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 2.7%, compared to (-9.4%) in Q1 2021.

Survey Details<sup>1,2</sup>



- Period: 5 May through 28 May 2021.
- 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 Oblasts<sup>3</sup>, %



<sup>1</sup>a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups  
<sup>2</sup>a 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, %				
	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21
Financial and economic standings	16.7	13.2	2.8	25.7	25.0
Total sales	15.8	28.9	22.2	47.2	31.6
Investment in construction	5.6	-2.8	0.0	26.5	11.4
Investment in machinery, equipment, and tools	2.7	10.8	2.9	30.6	34.3
Staff numbers	-15.8	-13.9	-25.0	-2.8	-8.3

<sup>1</sup> This sample was generated in proportion to the contribution of each region and each economic activity to Ukraine's gross value added.  
<sup>2</sup> Data for totals and components may be subject to rounding effects.  
<sup>3</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

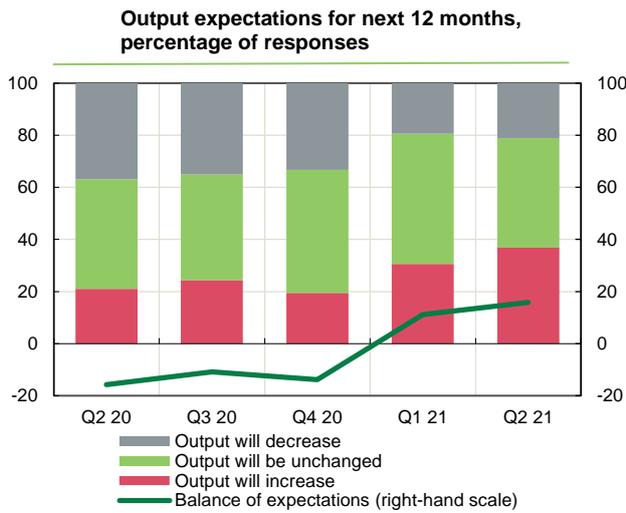


Figure 2

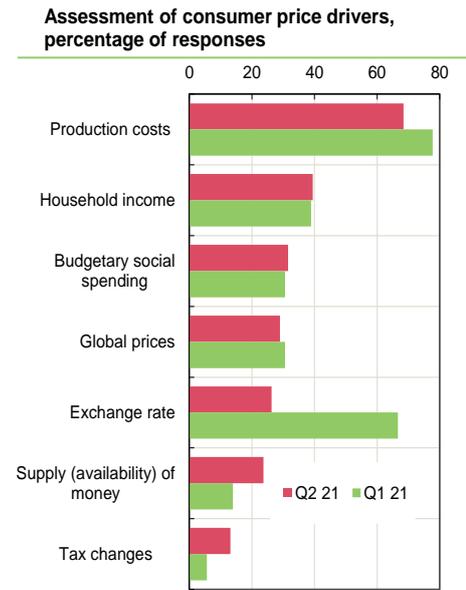


Figure 3

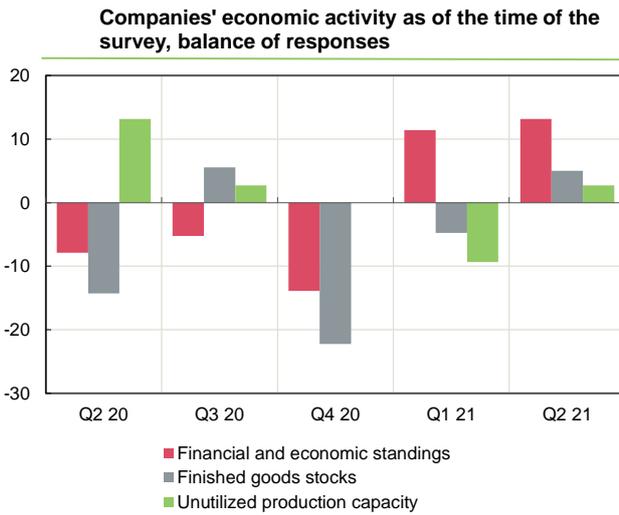


Figure 4

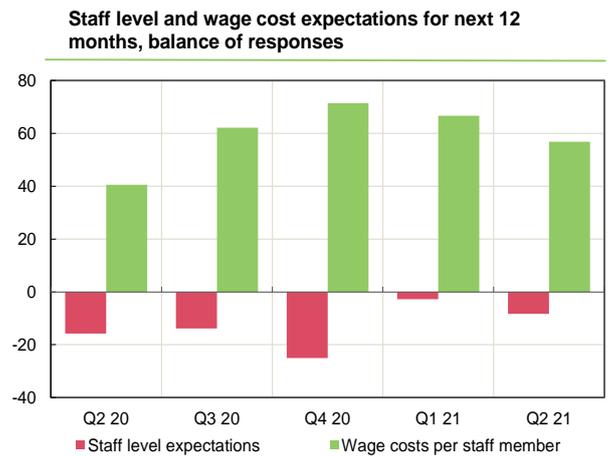


Figure 5

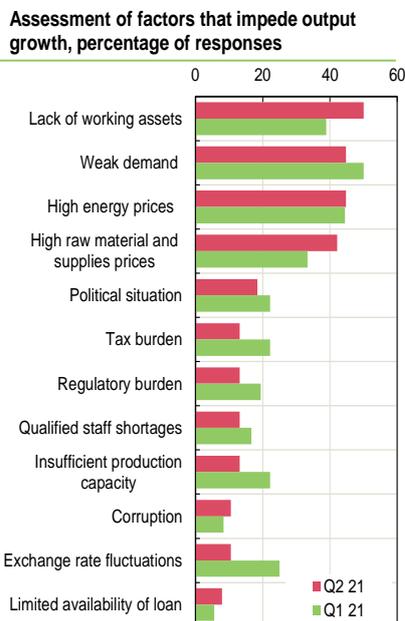


Figure 6

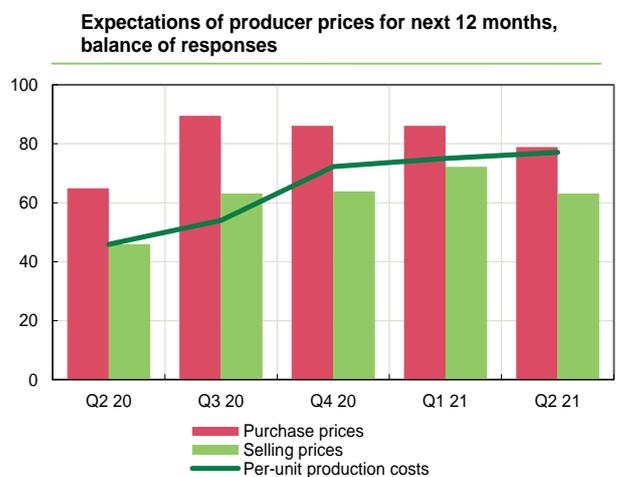


Figure 7

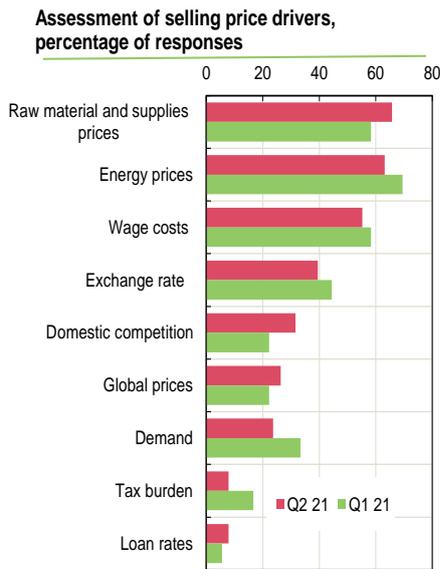


Figure 8

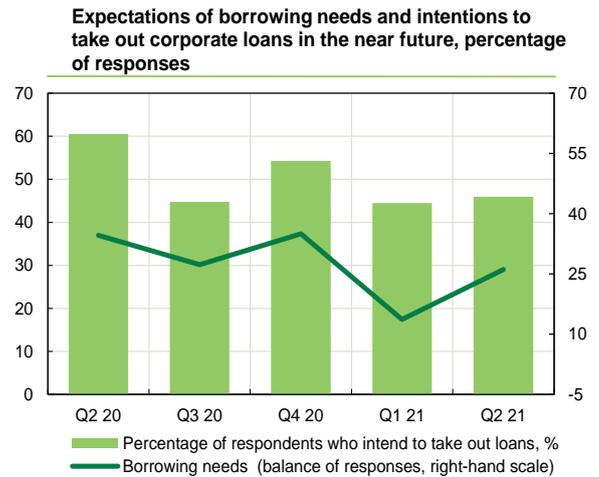


Figure 9

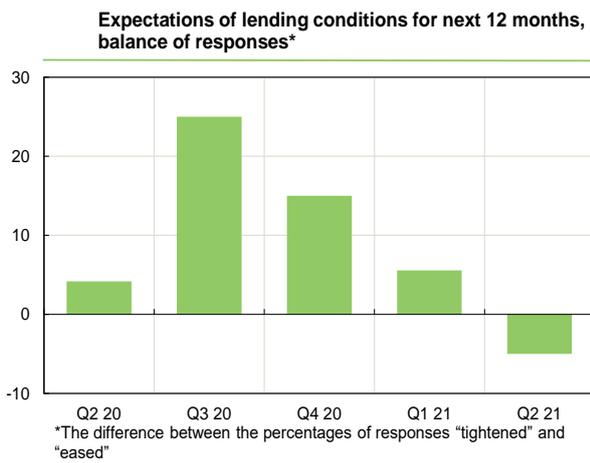


Figure 10

