



National Bank  
of Ukraine

## Business Outlook Survey of Lviv Oblast\*

Q1 2022

**The survey was completed  
when the war started**



\*This survey only reflects the opinions of respondents in Lviv oblast (top managers of companies) who were polled in Q1 2022, and does not represent NBU forecasts or estimates

A survey of companies carried out in Lviv oblast in Q1 2021 showed that on the eve of the war respondents continued to expect 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. Prices were expected to increase further, and the domestic currency was expected to continue to depreciate.

#### 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 17.6%, compared to 10.5% in Q4 2021 (Figure 1). Respondents across Ukraine expected the output of goods and services to decrease (-1.7%). The most optimistic expectations were reported by respondents from manufacturing companies – 40.0%
- **prices for consumer goods and services would rise:** 52.9% of respondents (compared to 56.8% in the previous quarter and 32.3% across Ukraine) expected that inflation would not exceed 7.5%. Respondents referred to production costs, the exchange rate (the impact of this driver was reported to have increased) and household income as **the main inflation drivers** (Figure 2)
- **the domestic currency would continue to depreciate:** 73.5% of respondents (compared to 67.6% in the previous quarter and 81.6% 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 26.5% compared to 22.2% in the previous quarter and 7.2% across Ukraine (see Table). The most optimistic expectations were reported by respondents from companies engaged in other economic activities
- **total sales would increase more slowly:** the balance of responses was 29.4%, compared to 42.1% in the previous quarter. At the same time, respondents expected external sales to increase: the balance of responses was 41.2%, compared to 33.3% in Q4 2021. The balances of responses across Ukraine were 17.0% and 23.3% respectively
- **investment in machinery, equipment, and tools would increase:** the balance of responses was 22.9% compared to 27.0% in the previous quarter. At the same time, respondents expected investment in construction to remain unchanged: the balance of responses was 0.0% (compared to 8.6% in Q4 2021). Across Ukraine, the balances of responses were 14.3% and 0.9% respectively
- **staff numbers at their companies would increase at a slower pace:** the balance of responses was 2.9% compared to 16.2% in Q4 2021 (Figure 4). Across Ukraine, staff numbers were expected to increase moderately (1.5%)
- **both purchase and selling prices would grow at a fast pace:** the balances of responses were 97.1% and 62.9% respectively (compared to 92.1% and 71.1% respectively in Q4 2021) (Figure 6). Respondents from manufacturing and trading companies reported the firmest intentions to raise their selling prices (100.0% for each). Energy prices, raw material and supplies 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 rapidly:** the balances of responses were 82.4% and 77.1% respectively (compared to 91.9% and 83.8% in Q4 2021) (Figures 4 and 6).

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

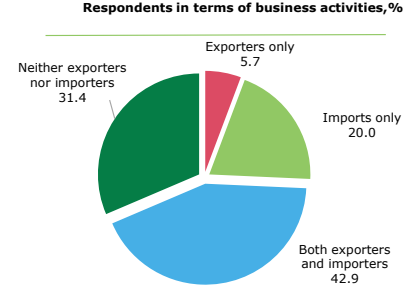
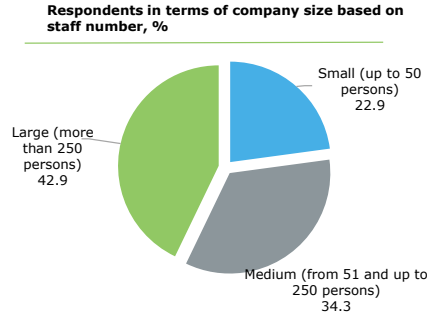
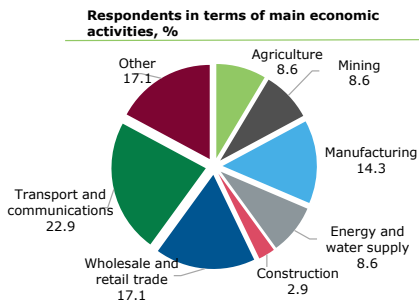
Respondents reported weaker expectations of **an increase in their borrowing needs** in the near future (Figure 8). Most of the respondents who planned to take out bank loans (54.3% of respondents) opted for domestic currency loans. Respondents said that bank lending standards had tightened (Figure 9). Respondents referred to high interest rates, collateral requirements, complicated paperwork and the exchange rate (the impact of this factor was reported to have increased) 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** (97.6% across Ukraine).

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

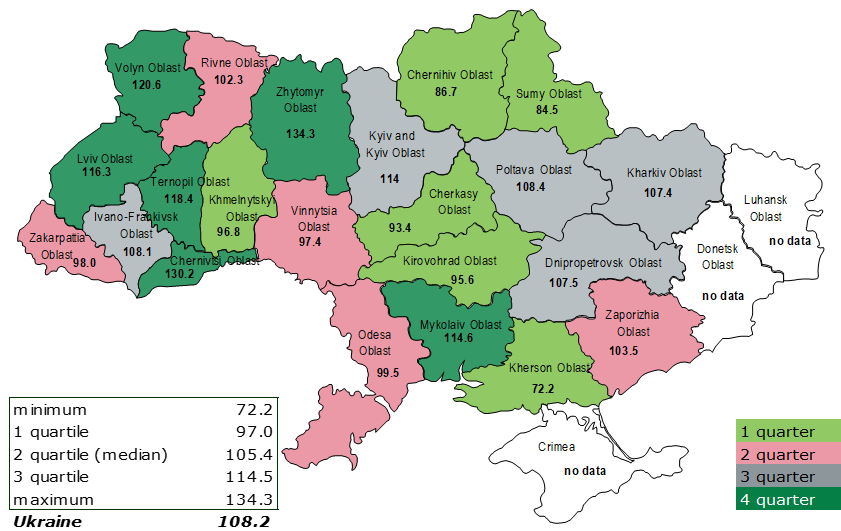
- **Companies assessed their current financial and economic standings as good:** the balance of responses was 11.4% compared to 18.4% in Q4 2021 and 6.6% across Ukraine.
- **Finished goods stocks had decreased and were assessed at lower than normal levels:** the balance of responses was (-5.3%) compared to 0.0% in Q4 2021.
- **Spare production capacity had increased. Companies said they had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 18.8%, compared to (-7.9%) in Q4 2021.

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



- Period: 31 January through 23 February 2022.
- A total of 35 companies were polled.
- A representative sample was generated on the basis of the following economic activities: manufacturing, trade, transport and communications, and other economic activities.

Business Outlook Index for Next 12 Months in Terms of Oblasts<sup>3</sup>, %



<sup>3</sup>a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups  
<sup>\*\*</sup>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, %				
	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22
Financial and economic standings	25.7	25.0	28.9	22.2	26.5
Total sales	47.2	31.6	31.6	42.1	29.4
Investment in construction	26.5	11.4	16.7	8.6	0.0
Investment in machinery, equipment, and tools	30.6	34.3	36.1	27.0	22.9
Staff numbers	-2.8	-8.3	-10.5	16.2	2.9

<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

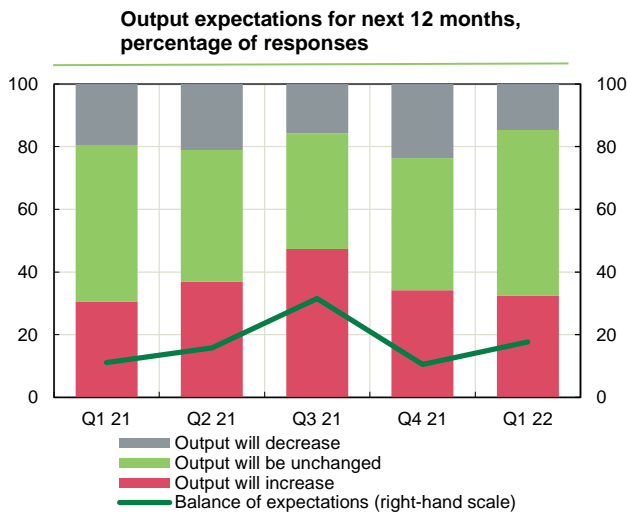


Figure 2

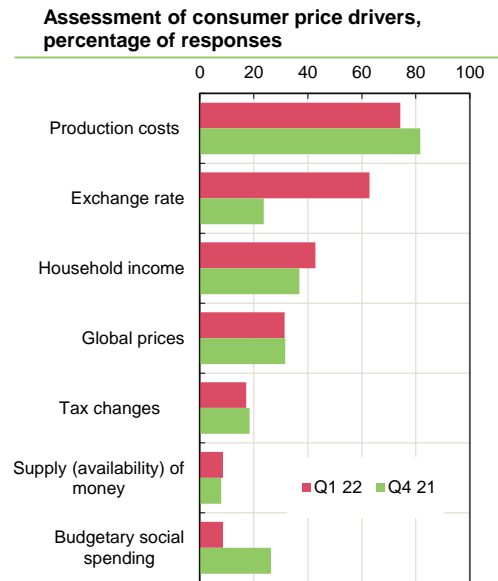


Figure 3

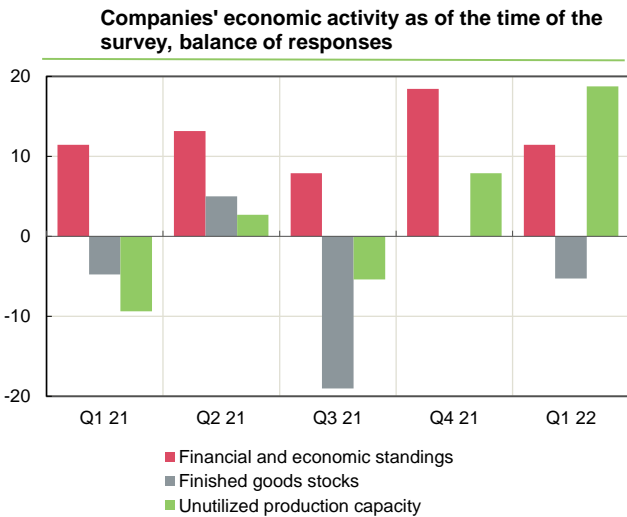


Figure 4

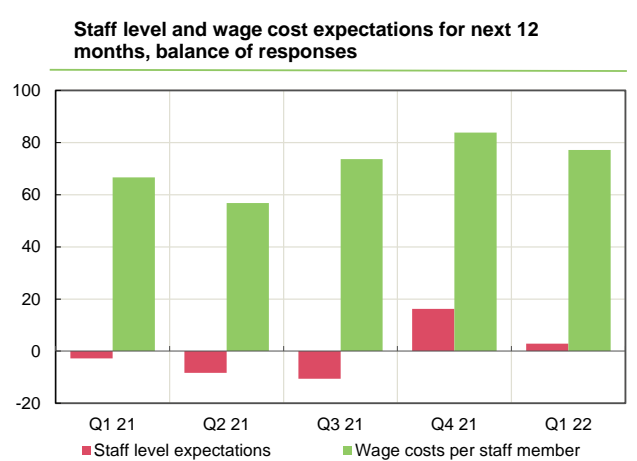


Figure 5

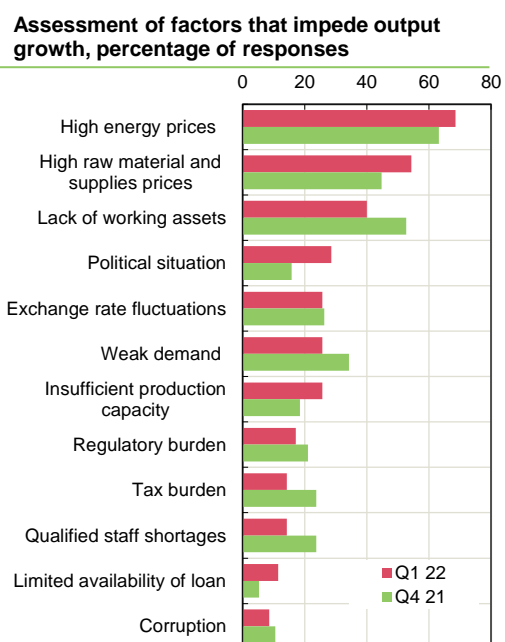


Figure 6

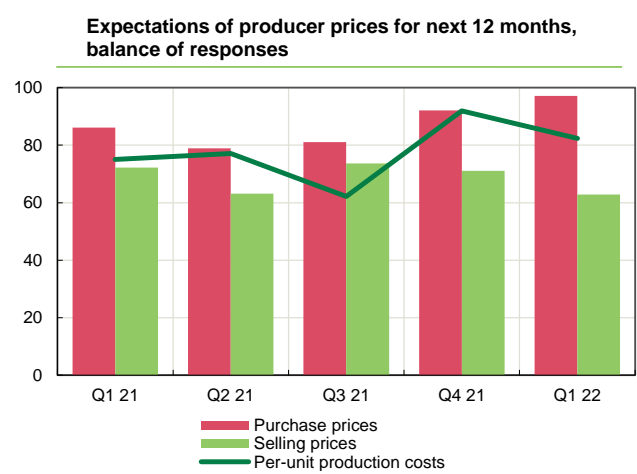


Figure 7

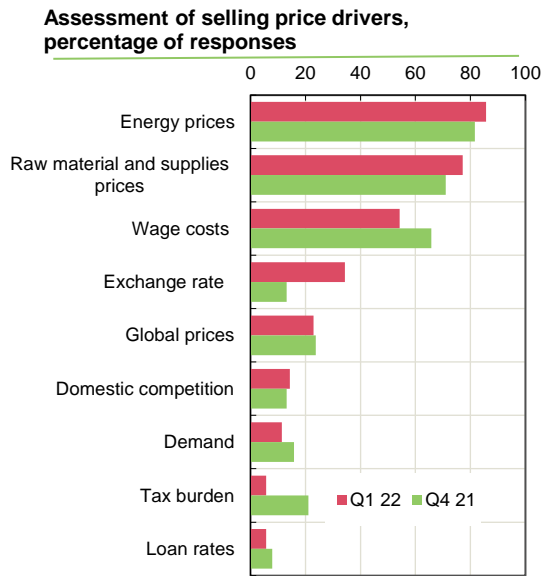


Figure 8

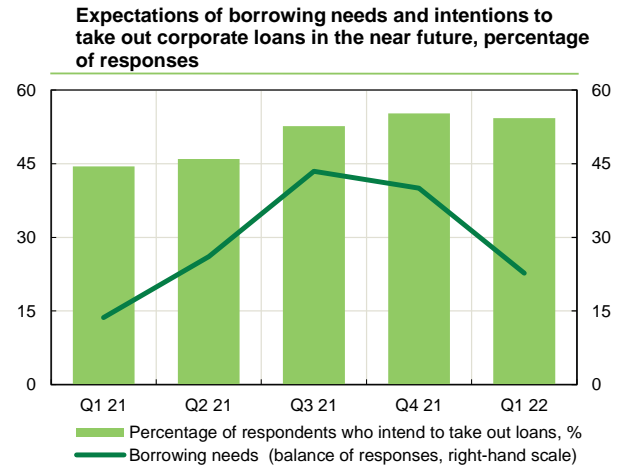


Figure 9

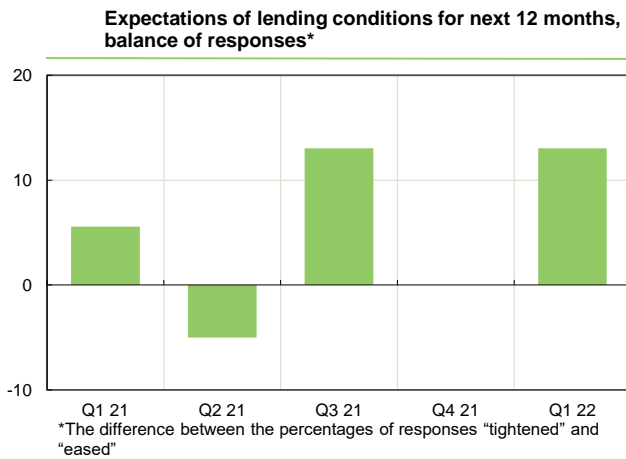


Figure 10

