



National Bank  
of Ukraine

## Business Outlook Survey of Lviv Oblast\*

Q3 2022



\*This survey only reflects the opinions of respondents in Lviv oblast (top managers of companies) who were polled in Q3 2022, and does not represent NBU forecasts or estimates

A survey of companies carried out in Lviv oblast in Q3 2022 showed that despite the war respondents softened their expectations of a decrease in the output of Ukrainian goods and services over the next 12 months. Respondents also reported less negative expectations for their companies' performance over this period. Prices were expected to increase further, and the depreciation of domestic currency was expected to remain high.

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

- **the output of Ukrainian goods and services would drop at a slower pace:** the balance of expectations was (-10.8%), compared to (-18.9%) in Q2 2022 (Figure 1). The balance across Ukraine was (-37.9%)
- **prices for consumer goods and services would rise:** 54.1% of respondents expected that inflation would not exceed 20.0%, compared to 57.9% in the previous quarter and 28.3% across Ukraine. Respondents referred to the exchange rate, military actions and production costs as **the main inflation drivers** (Figure 2)
- **the domestic currency would depreciate:** 92.1% of respondents (compared to 84.2% in the previous quarter and 88.8% across Ukraine) expected the hryvnia to weaken against the US dollar
- **the financial and economic standings of their companies would deteriorate at a slower pace:** the balance of expectations was (-8.1%) compared to (-11.1%) in the previous quarter and (-15.1%) across Ukraine (see Table). The most optimistic expectations were reported by respondents from trading companies (14.3%)
- **total sales would decrease moderately:** the balance of responses was (-2.7%), compared to 5.4% in the previous quarter. Respondents also expected external sales to decrease: the balance of responses was (-10.5%), compared to (-5.6%) in Q2 2022. The balances of responses across Ukraine were (-7.2%) and (-7.8%) respectively
- **investment in construction and in machinery, equipment, and tools would decrease more slowly:** the balances of responses were (-19.4%) and (-13.5%) compared to (-35.3%) and (-25.0%) in the previous quarter. Across Ukraine, the balances of responses were (-29.3%) and (-25.3%) respectively
- **staff numbers at their companies would decrease:** the balance of responses was (-7.9%) compared to (-5.4%) in Q2 2022 (Figure 4). Across Ukraine, staff numbers were expected to decrease noticeably (-25.5%)
- **both purchase and selling prices would grow at a faster pace:** the balances of responses were 100.0% and 76.3% respectively (compared to 92.1% and 65.8% respectively in Q2 2022) (Figure 6). Respondents from manufacturing and trading companies reported the firmest intentions to raise their selling prices (100.0% for each). The hryvnia exchange rate, raw material and supplies prices, and energy prices were cited as the main selling price drivers (Figure 7)
- **per-unit production costs would grow:** the balance of responses was 83.3% (compared to 75.7% in Q2 2022). At the same time, respondents expected that **wage costs per staff member would grow much more rapidly:** the balance of responses was 60.5% (compared to 29.7% in the previous quarter) (Figures 4 and 6).

Companies cited military actions and their consequences, hryvnia exchange rate fluctuations (the impact of this drag was reported to have increased significantly), and raw material and supplies prices as the **main drags on their ability to boost production** (Figure 5).

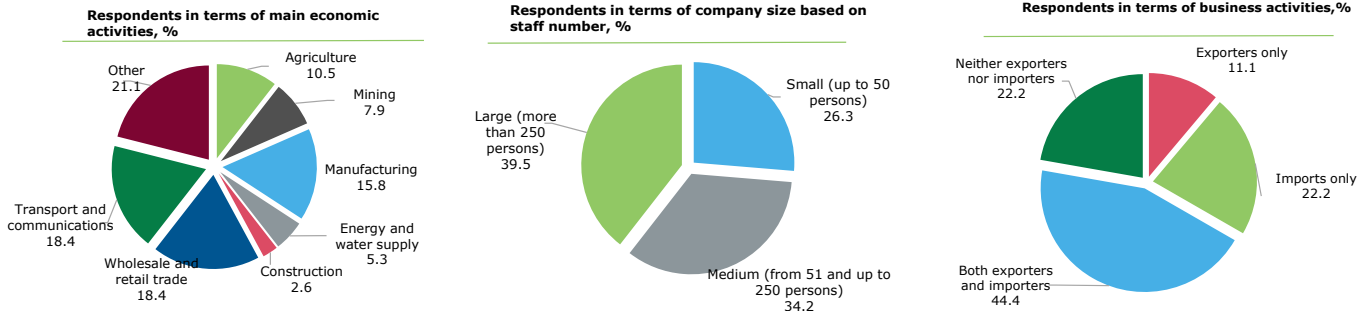
Respondents reported higher expectations of **an increase in their borrowing needs** in the near future (Figure 8). Most of the respondents who planned to take out bank loans (54.1% of respondents) opted for domestic currency loans. Respondents said that bank lending standards had tightened (Figure 9). Respondents referred to high interest rates, other funding sources and collateral requirements 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** (94.1% across Ukraine).

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

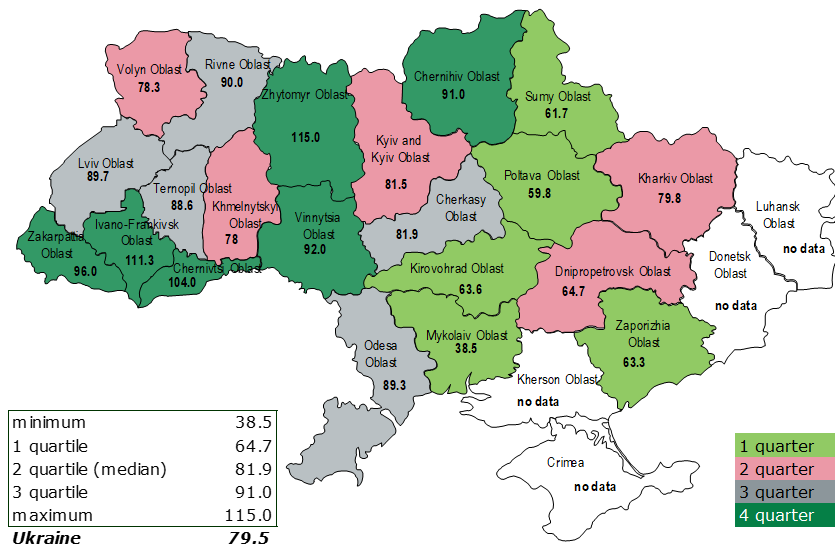
- **Companies' current financial and economic standings had improved and were assessed as good:** the balance of responses was 15.8% (the highest figure among the regions) compared to (5.3%) in Q2 2022. Across Ukraine, respondents assessed their current financial and economic standings as bad (-21.8%).
- **Finished goods stocks had increased and were assessed at higher than normal levels:** the balance of responses was 9.5% compared to (-4.0%) in Q2 2022.
- **Companies said they had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 39.5%, compared to 13.2% in Q2 2022.

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



- Period: 1 August through 29 August 2022.
- 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>3</sup>a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups  
<sup>3</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, %				
	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22
Financial and economic standings	28.9	22.2	26.5	-11.1	-8.1
Total sales	31.6	42.1	29.4	5.4	-2.7
Investment in construction	16.7	8.6	0.0	-35.3	-19.4
Investment in machinery, equipment, and tools	36.1	27.0	22.9	-25.0	-13.5
Staff numbers	-10.5	16.2	2.9	-5.4	-7.9

<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

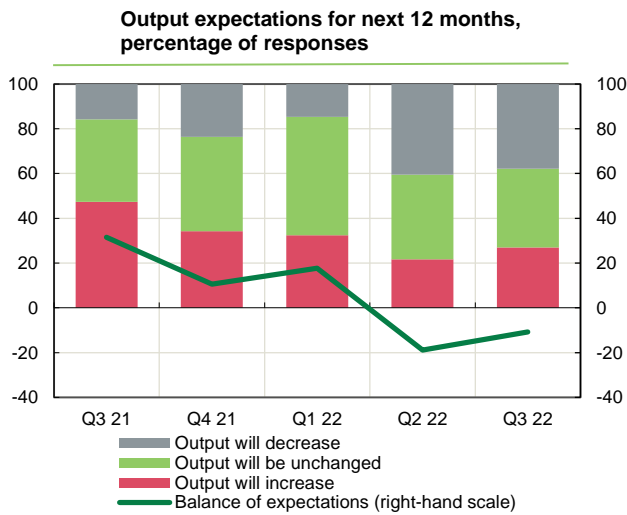


Figure 2

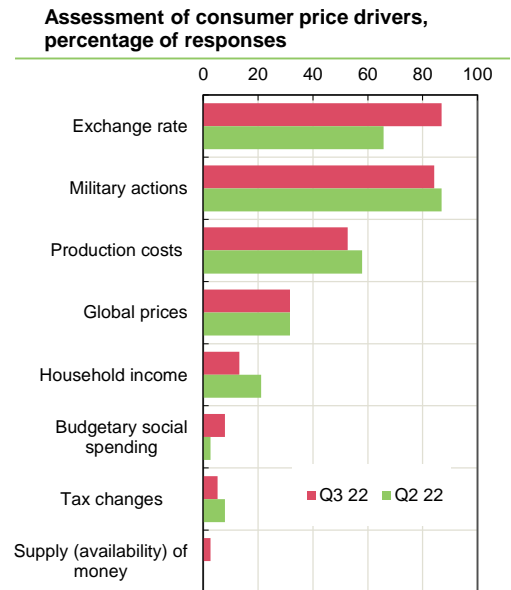


Figure 3

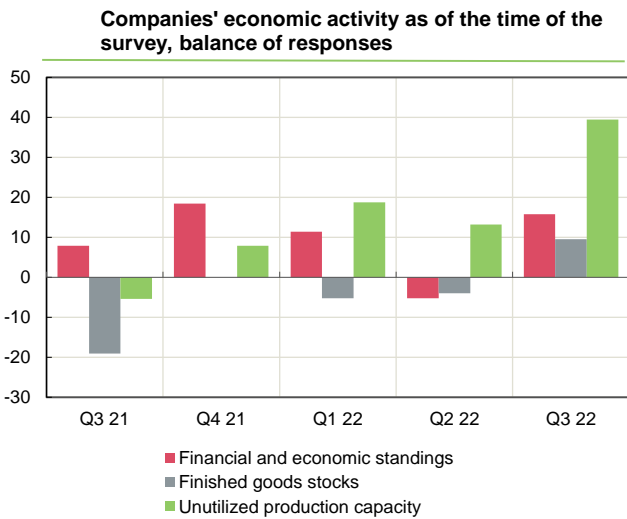


Figure 4

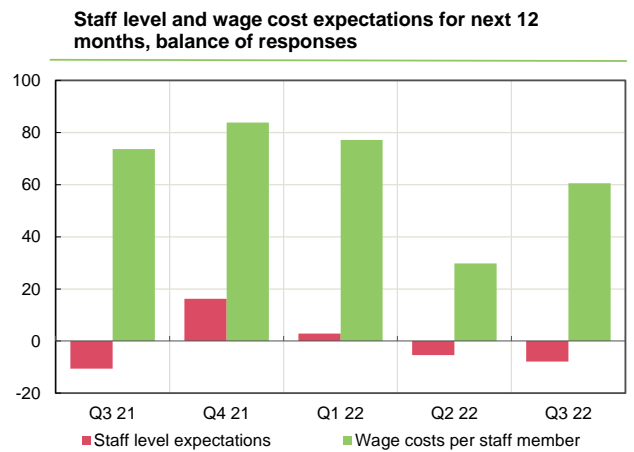


Figure 5

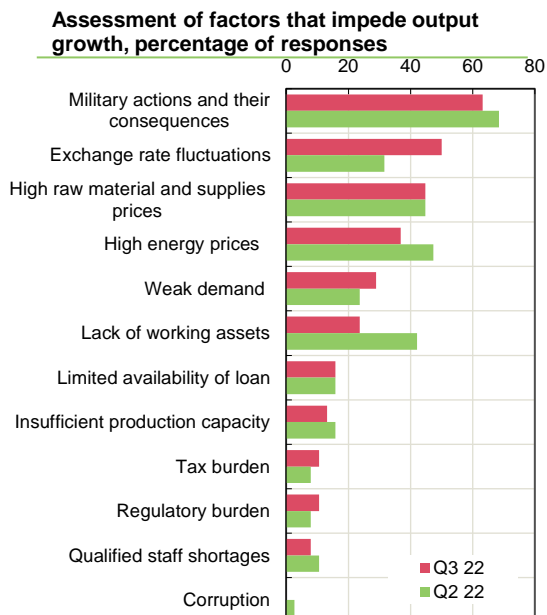


Figure 6

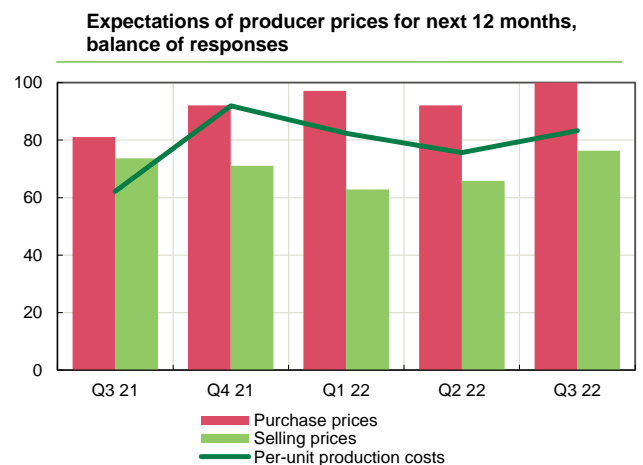


Figure 7

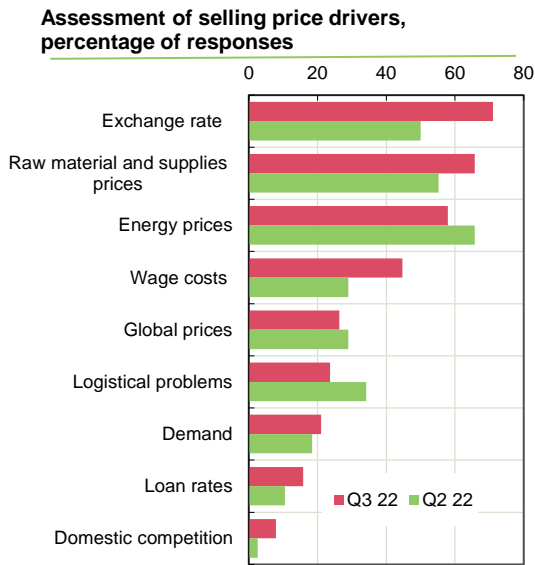


Figure 8

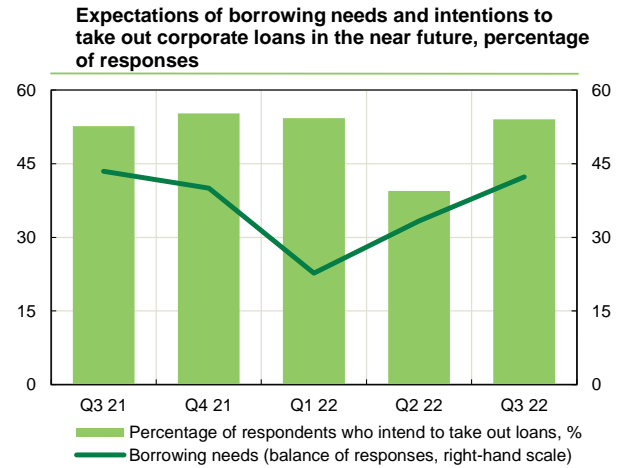


Figure 9

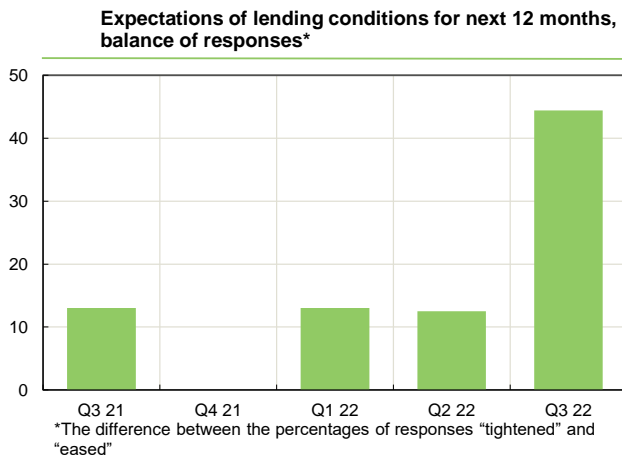


Figure 10

