



National Bank  
of Ukraine

# Business Outlook Survey of Lviv Oblast\*

Q1 2023



\*This survey only reflects the opinions of respondents in Lviv oblast (top managers of companies) who were polled in Q1 2023, and does not represent NBU forecasts or estimates

A survey of companies carried out in Lviv oblast in Q1 2023 showed that despite prolonged hostilities and missile attacks on civilian infrastructure respondents softened their expectations of a drop in the output of Ukrainian goods and services over the next 12 months. Respondents also reported positive expectations for their companies' performance over this period. Inflation was expected to become lower. Depreciation expectations became firmer.

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 significantly slower pace:** the balance of expectations was (-5.3%), compared to (-26.3%) in Q4 2022 (Figure 1). The balance across Ukraine was (-16.7%)
- **prices for consumer goods and services would rise more slowly:** 65.8% of respondents expected that inflation would not exceed 20.0% (compared to 54.1% in Q4 2022 and 46.8% across Ukraine). Respondents referred to military actions, production costs and the hryvnia exchange rate as the main inflation drivers (Figure 2)
- **the domestic currency would depreciate at a faster pace:** 97.3% of respondents (compared to 83.3% in the previous quarter and 83.2% 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 16.2%, up from (-2.7%) in the previous quarter (see Table). Respondents across Ukraine expected the financial and economic standings of their companies to deteriorate, with a balance of responses of (-2.5%). The most optimistic expectations were reported by respondents from agricultural companies and companies engaged in other economic activities (33.3% for each)
- **total sales and external sales would increase significantly:** the balances of responses were 16.2% and 25.0% respectively, up from 0.0% and (-4.8%) in Q4 2022. The balances of responses across Ukraine were 2.8% and 2.0% respectively
- **investment in machinery, equipment, and tools would increase:** the balance of responses was 10.8%, up from 2.8% in the previous quarter. Respondents also expected that investment in construction would drop more slowly: the balance of responses was (-8.6%), up from (-31.4%) in Q4 2022. Across Ukraine, the balances of responses were (-10.3%) and (-17.8%) respectively
- **staff numbers at their companies would decrease:** the balance of responses was (-2.6%), down from 2.6% in Q4 2022 (Figure 4). Across Ukraine, the balance of responses was (-16.4%)
- **both purchase and selling prices would rise:** the balances of responses were 94.7% and 63.2% respectively (compared to 97.4% and 63.2% respectively in Q4 2022) (Figure 6). Respondents from trading companies reported the firmest intentions to raise their selling prices (100.0%). Energy prices, raw material and supplies prices and the hryvnia exchange rate were cited as the main selling price drivers (Figure 7)
- **per-unit production costs and wage costs per staff member would grow:** the balances of responses were 78.4% and 50.0% respectively (compared to 83.8% and 57.9% in Q4 2022) (Figures 4 and 6).

Companies cited military actions and their consequences, high energy prices, and raw material and supplies prices as the main drags on their ability to boost production (Figure 5).

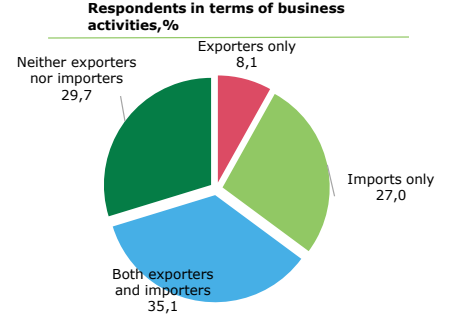
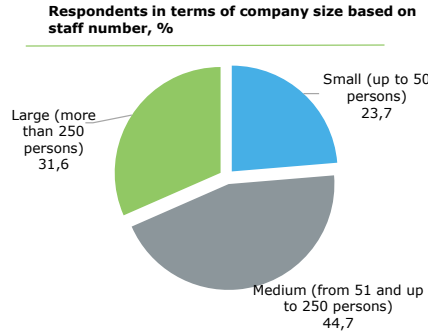
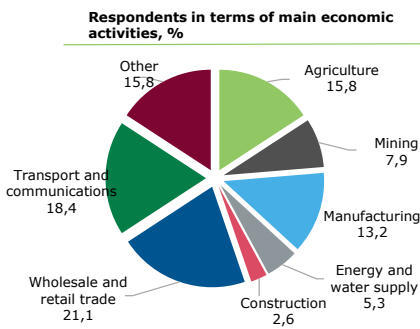
Respondents said they expected an increase in their borrowing needs in the near future (Figure 8). Most of the respondents who planned to take out bank loans (50.0% of respondents) opted for domestic currency loans. Respondents improved their expectations for lending conditions, but still described these conditions as tight (Figure 9). Respondents referred to high interest rates, collateral requirements and other funding sources as the main factors deterring them from taking out loans (Figure 10).

97.4% of respondents said that they had encountered no difficulties in effecting transactions with funds deposited in bank accounts (94.7% across Ukraine).

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

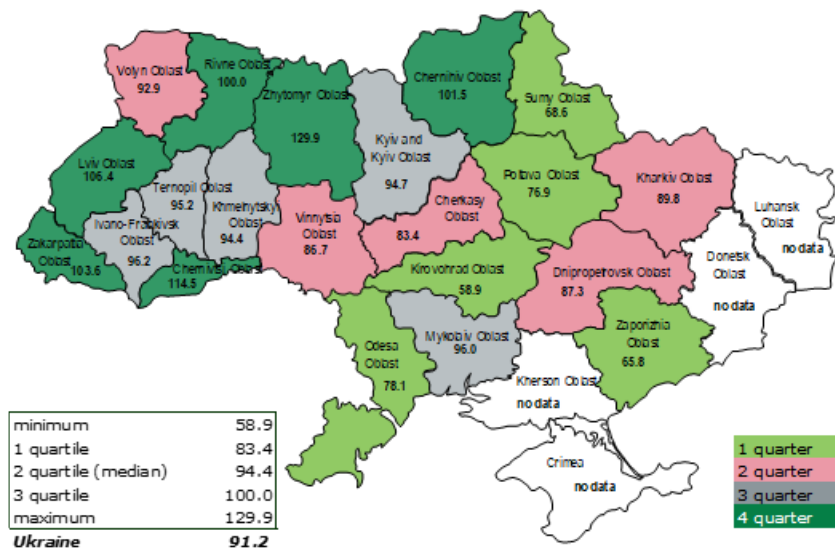
- **Companies' current financial and economic standings had improved and were assessed as good:** the balance of responses was 5.4%, up from (-2.6%) in Q4 2022. Across Ukraine, respondents assessed their current financial and economic standings as bad (-16.9%).
- **Finished goods stocks were assessed at higher than normal levels:** the balance of responses was 8.7% compared to 8.0% in Q4 2022.
- **Companies said they had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 13.2%, compared to 21.1% in Q4 2022.

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



- Period: 31 January through 27 February 2023.
- 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 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 22	Q2 22	Q3 22	Q4 22	Q1 23
Financial and economic standings	26,5	-11,1	-8,1	-2,7	16,2
Total sales	29,4	5,4	-2,7	0,0	16,2
Investment in construction	0,0	-35,3	-19,4	-31,4	-8,6
Investment in machinery, equipment, and tools	22,9	-25,0	-13,5	2,8	10,8
Staff numbers	2,9	-5,4	-7,9	2,6	-2,6

<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

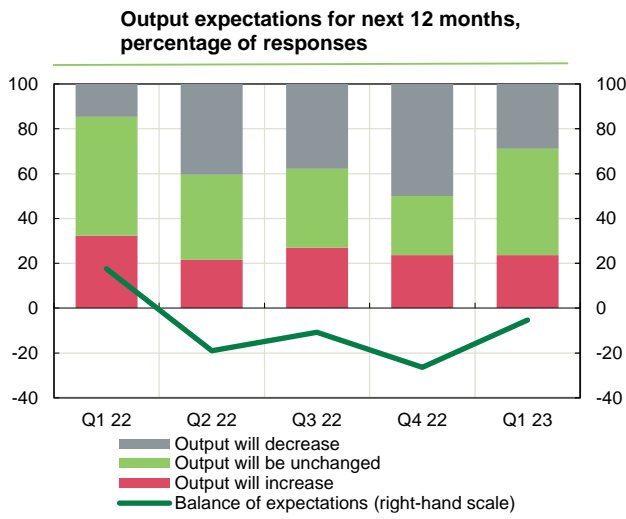


Figure 2

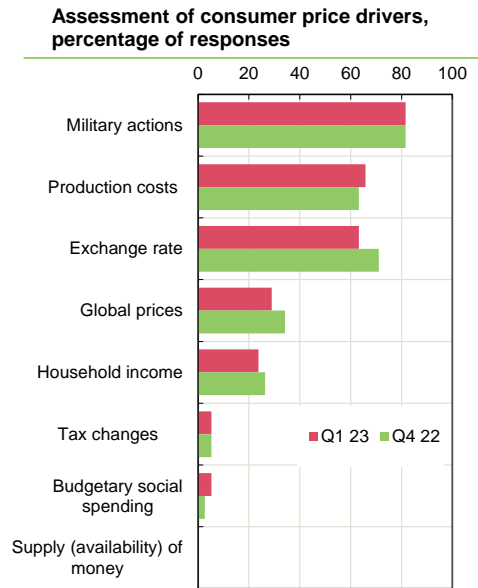


Figure 3

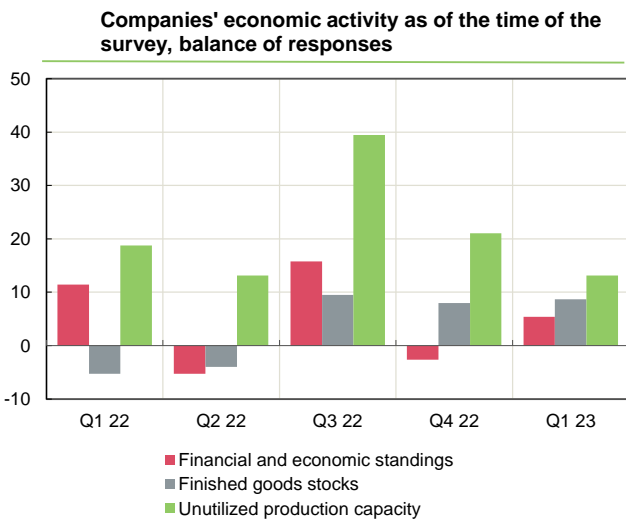


Figure 4

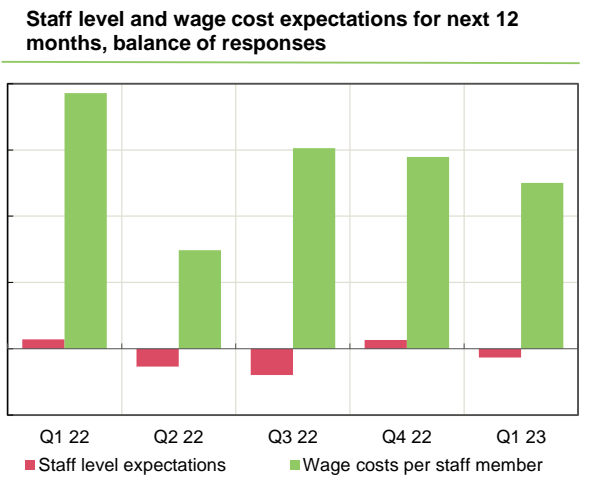


Figure 5

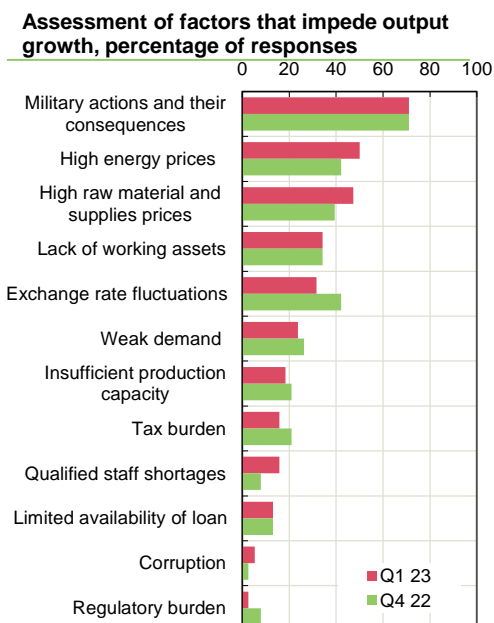


Figure 6

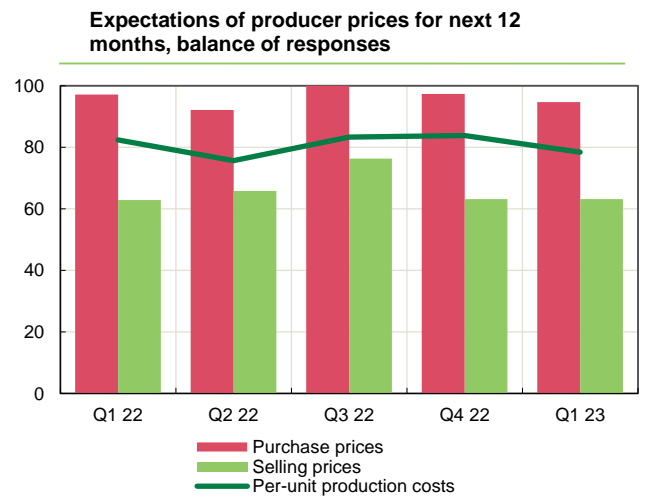




Figure 7

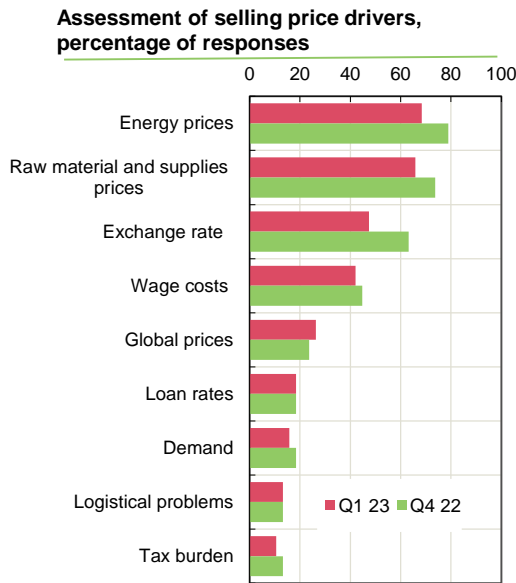


Figure 8

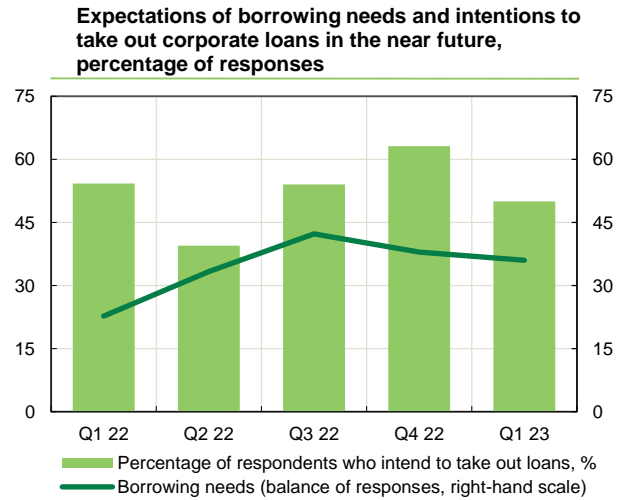


Figure 9

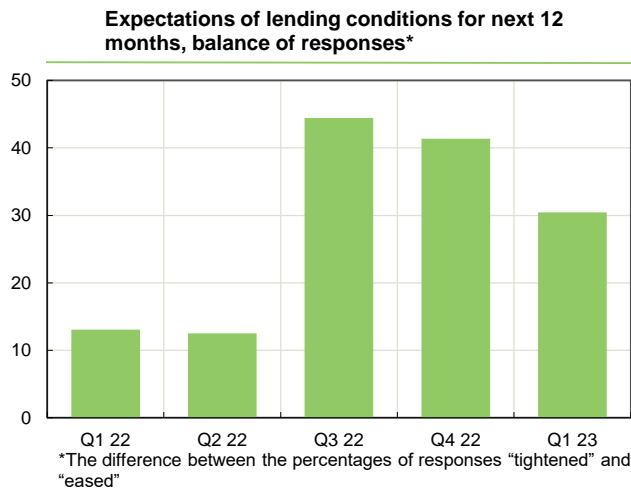


Figure 10

