



National Bank
of Ukraine

Business Outlook Survey of Lviv Oblast*

Q4 2023



*This survey only reflects the opinions of respondents in Lviv oblast (top managers of companies) who were polled in Q4 2023, and does not represent NBU forecasts or estimates

A survey of companies carried out in Lviv oblast in Q4 2023 showed that, despite security risks and logistical difficulties with crossing the border, respondents expected growth in the output of Ukrainian goods and services over the next 12 months. Respondents also reported negative expectations for their companies' performance over this period. Inflation and depreciation expectations remained high.

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

- **the output of Ukrainian goods and services would grow more quickly:** the balance of expectations was 13.9%, compared to 5.3% in Q3 2023 (Figure 1). The balance across Ukraine was 15.2%
- **prices for consumer goods and services would rise:** 57.9% of respondents expected that inflation would not exceed 10.0% (compared to 58.3% in Q3 2023 and 52.4% across Ukraine). Respondents continued to refer to military actions, production costs and the hryvnia exchange rate as **the main inflation drivers** (Figure 2)
- **the domestic currency would depreciate:** 81.1% of respondents, compared to 78.9% in the previous quarter and 77.4% across Ukraine expected the hryvnia to weaken against the US dollar
- **the financial and economic standings of their companies would deteriorate:** the balance of expectations was (-5.3%), down from 7.9% in the previous quarter. Overall, across Ukraine the balance of responses was 4.1% (see Table). The most pessimistic expectations were reported by respondents from transport and communications companies (-25.0%)
- **total sales and external sales would increase:** the balances of responses were 7.9% and 23.8% respectively, compared to 13.2% and 17.6% in Q3 2023. The balances of responses across Ukraine were 10.6% and 9.7% respectively
- **investment in machinery, equipment, and tools would increase:** the balance of responses was 11.4% compared to 18.9% in the previous quarter. Meanwhile, respondents expected that investment in construction would drop: the balance of responses was (-12.5%), down from 2.7% (see Table). Across Ukraine, the balances of responses were 6.6% and (-6.9%) respectively
- **staff numbers at their companies would decrease:** the balance of responses was (-5.7%), up from (-10.8%) in Q3 2023 (Figure 4). Across Ukraine, the balance of responses was (-6.5%)
- **both purchase and selling prices would rise at a fast pace:** the balances of responses were 92.1% and 78.9% respectively (compared to 89.5% and 67.6% respectively in Q3 2023) (Figure 6). Respondents from agricultural 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 more quickly:** the balances of responses were 72.2% and 75.0% respectively, compared to 61.1% and 45.9% respectively in Q3 2023 (Figures 4 and 6).

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

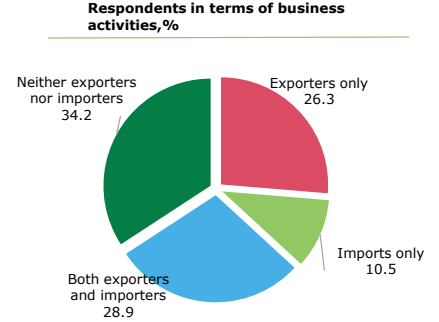
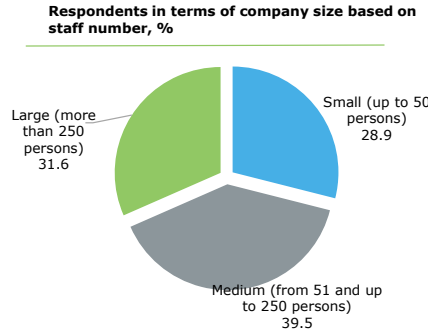
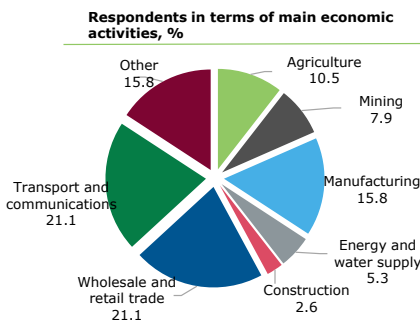
Respondents reported weaker expectations of an increase in their borrowing needs in the near future (Figure 8). Most of the respondents who planned to take out bank loans (55.3% of respondents) opted for domestic currency loans. Respondents improved their assessments of lending conditions, but still described these conditions as tight (Figure 9). Respondents referred to other funding sources, high interest rates, and uncertainty about their ability to meet debt obligations as they fall due, as the main factors deterring them from taking out loans (Figure 10).

94.7% of respondents said that they had encountered no difficulties in effecting transactions with funds deposited in bank accounts (95.8% across Ukraine).

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

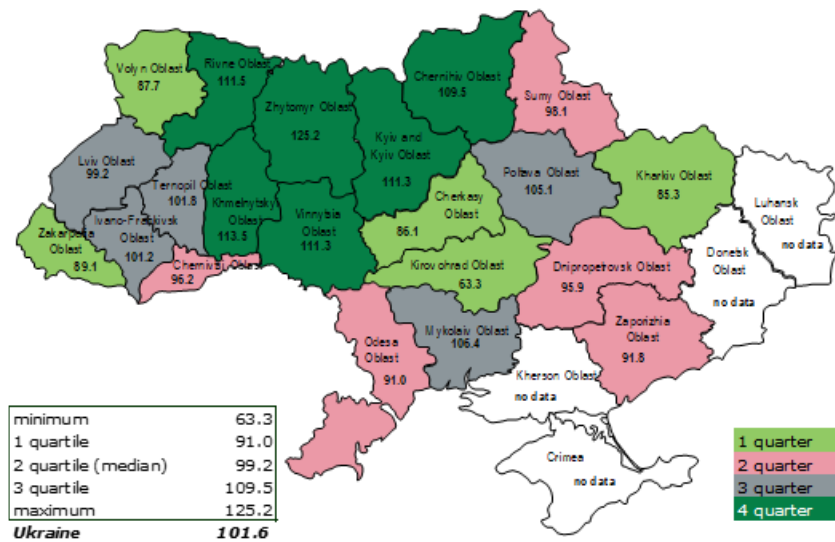
- **Companies assessed their current financial and economic standings as good:** the balance of responses was 2.6%, as in Q3 2023. Across Ukraine, the balance of responses was (-5.6%).
- **Finished goods stocks were assessed at normal levels:** the balance of responses was 0.0%, compared to 10.5% in Q3 2023.
- **Companies said they had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 5.4%, compared to 5.6% in Q3 2023.

Survey Details^{1,2}



- Period: 31 October through 24 November 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 Oblasts³, %



*a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups
 **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, %				
	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23
Financial and economic standings	-2.7	16.2	7.9	7.9	-5.3
Total sales	0.0	16.2	18.4	13.2	7.9
Investment in construction	-31.4	-8.6	5.7	2.7	-12.5
Investment in machinery, equipment, and tools	2.8	10.8	18.9	18.9	11.4
Staff numbers	2.6	-2.6	-5.3	-10.8	-5.7

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

Динаміка очікувань щодо зміни обсягів виробництва товарів та послуг в Україні в наступні 12 місяців, відсоток відповідей

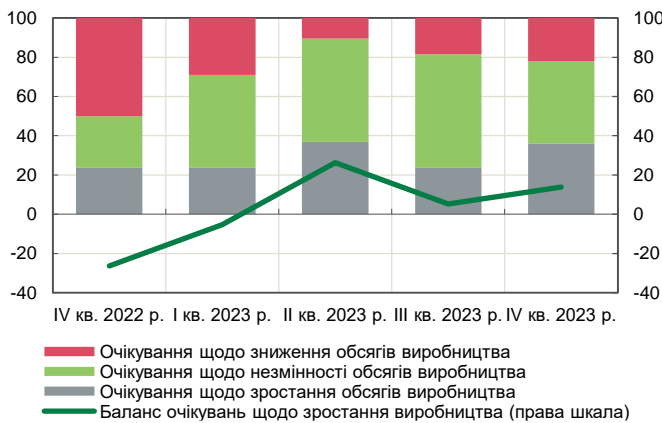


Figure 2

Оцінка респондентами факторів, які зумовили їх очікування щодо зростання цін на споживчі товари та послуги, відсоток відповідей

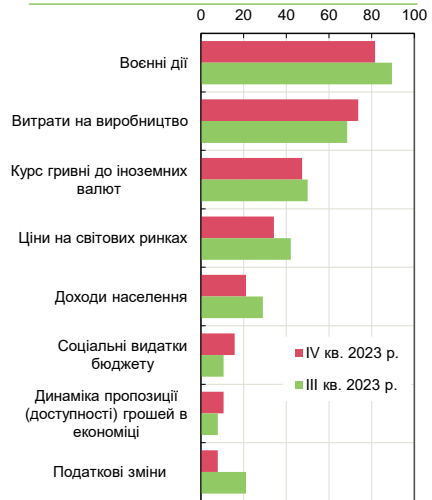


Figure 3

Економічна активність підприємств на момент опитування, баланс відповідей

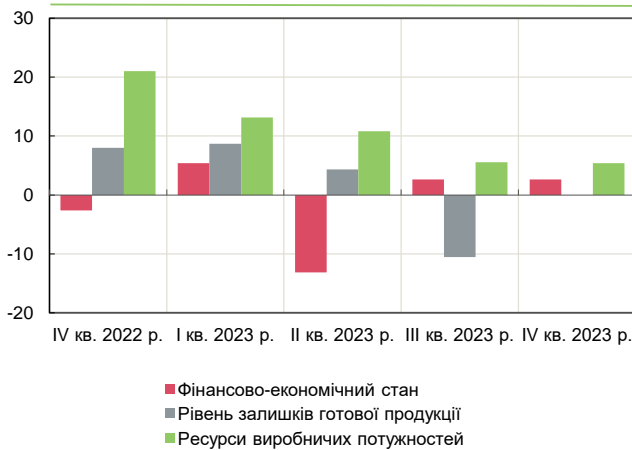


Figure 4

Динаміка очікувань респондентів щодо зміни кількості працівників та оплати праці одного найманого працівника у наступні 12 місяців, баланс відповідей

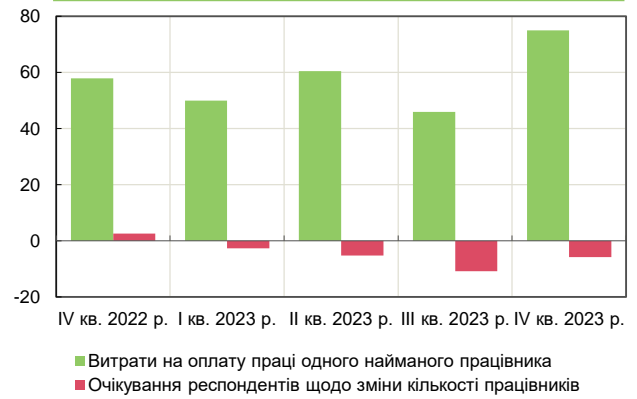


Figure 5

Оцінка респондентами факторів, які обмежують спроможність їх підприємств збільшувати виробництво, відсоток відповідей



Figure 6

Динаміка очікувань щодо змін цін виробників у наступні 12 місяців, баланс відповідей

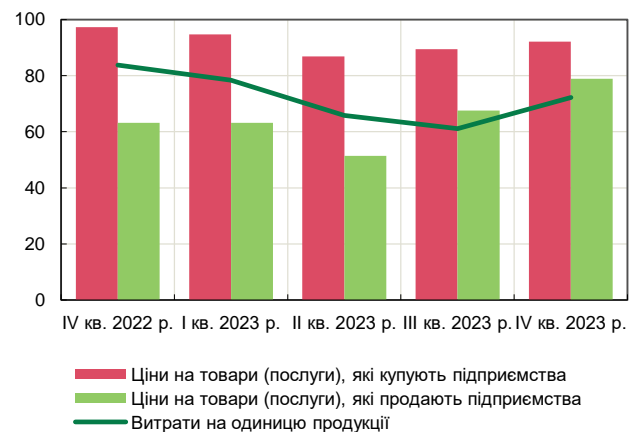


Figure 7

Оцінка респондентами факторів, які впливають на зміни рівня відпускних цін на товари та послуги, відсоток відповідей



Figure 8

Очікування респондентів щодо потреби в запозичених коштах та плани щодо банківських кредитів найближчим часом, відсоток відповідей

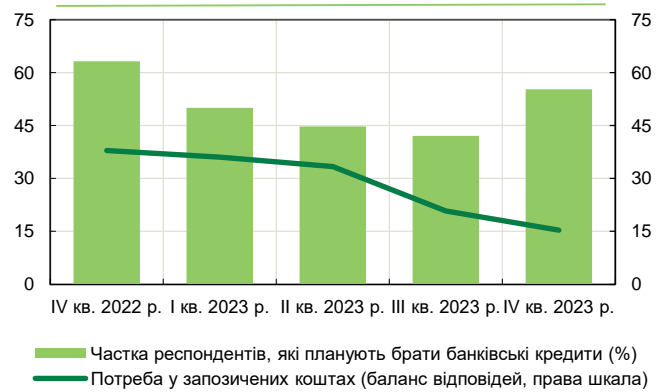
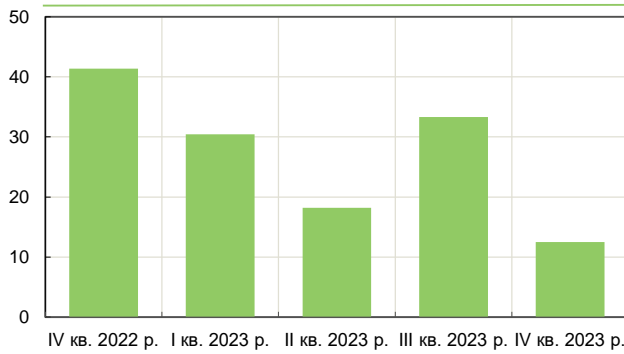


Figure 9

Динаміка оцінок респондентів щодо змін умов отримання банківського кредиту, баланс відповідей*



*Різниця між відсотками відповідей респондентів "стали жорсткішими" та "пом'якшилися"

Figure 10

Оцінка респондентами факторів, які можуть змусити підприємство уникати/відкладати використання кредитних послуг банків, відсоток відповідей

