



National Bank
of Ukraine

Business Outlook Survey of Lviv Oblast*

Q1 2024



*This survey only reflects the opinions of respondents in Lviv oblast (top managers of companies) who were polled in Q1 2024, and does not represent NBU forecasts or estimates

A survey of companies carried out in Lviv oblast in Q1 2024 showed that, on the back of logistical difficulties with crossing the border, respondents **expected a drop in the output of Ukrainian goods and services** over the next 12 months. Respondents reported **positive expectations for their companies' performance** over this period. Inflation expectations remained high. Depreciation expectations strengthened

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

- **the output of Ukrainian goods and services would drop:** the balance of expectations was (-7.9%), compared to 13.9% in Q4 2023 (Figure 1). The balance across Ukraine was 8.5%
- **prices for consumer goods and services would rise at a somewhat slower pace:** 62.2% of respondents expected that inflation would not exceed 10.0% (compared to 57.9% in Q4 2023 and 48.4% across Ukraine). Respondents continued to refer to production costs, military actions and the hryvnia exchange rate as **the main inflation drivers** (Figure 2)
- **the domestic currency would depreciate more pronouncedly:** 91.9% of respondents, compared to 81.1% in the previous quarter and 81.1% 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 17.1%, up from (-5.3%) in the previous quarter. Overall, across Ukraine, the balance of responses was 3.7% (see Table). The most optimistic expectations were reported by respondents from agricultural companies (50.0%)
- **total sales would increase moderately:** the balance of responses was 5.4%, compared to 7.9% in Q4 2023. Respondents also expected that external sales would increase at a slower pace: the balance of responses was 12.5%, down from 23.8% in Q4 2023 (see Table). The balances of responses across Ukraine were 10.6% and 6.8% respectively
- **investment in machinery, equipment, and tools would increase more slowly:** the balance of responses was 2.7% compared to 11.4% in the previous quarter. Meanwhile, respondents expected that investment in construction would drop at a slower pace: the balance of responses was (-2.7%), down from (-12.5%) (see Table). Across Ukraine, the balances of responses were 8.3% and (-1.5%) respectively
- **staff numbers at their companies would decrease:** the balance of responses was (-5.4%), compared to (-5.7%) in Q4 2023 (Figure 4). Across Ukraine, the balance of responses was (-6.3%)
- **both purchase and selling prices would rise:** the balances of responses were 94.7% and 73.7% respectively (compared to 92.1% and 78.9% respectively in Q4 2023) (Figure 6). Respondents from manufacturing companies reported the firmest intentions to raise their selling prices (83.3%). Raw material and supplies prices, wage costs and energy prices were cited as the main selling price drivers (Figure 7)
- **per-unit production costs would grow more slowly:** the balance of responses was 55.6%, down from 72.2% in Q4 2023. Respondents expected that wage costs per staff member would increase: the balance of responses was 75.7%, compared to 75.0% in the previous quarter (Figures 4 and 6).

Companies cited military actions and their consequences, qualified staff shortages and weak demand (the impact of the latter two factors was reported to have increased), and high raw material and supplies prices as the **main drags on their ability to boost production** (Figure 5).

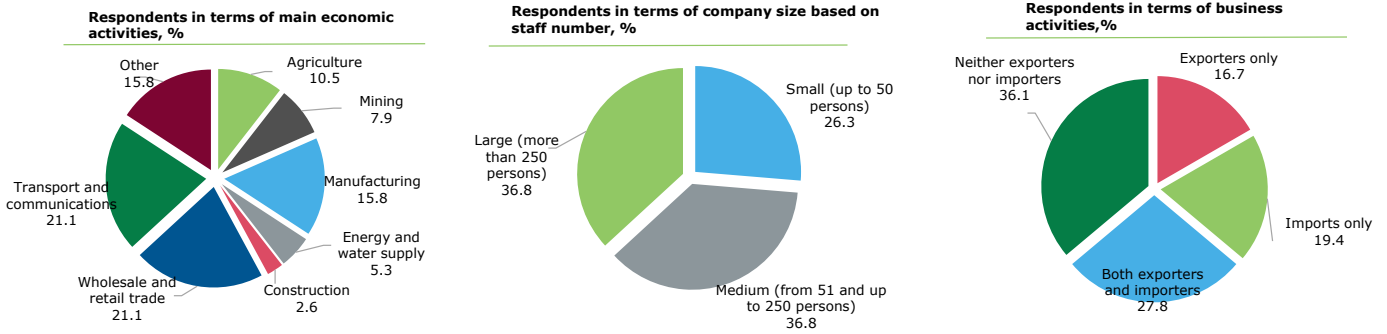
Respondents reported **significantly higher expectations of an increase in their borrowing needs** in the near future (Figure 8). Most of the respondents who planned to take out bank loans (52.6% of respondents) opted for domestic currency loans. Respondents said that lending conditions had tightened (Figure 9). Respondents referred to other funding sources, high interest rates, collateral requirements 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).

92.1% of respondents said that they **had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (96.3% across Ukraine).

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

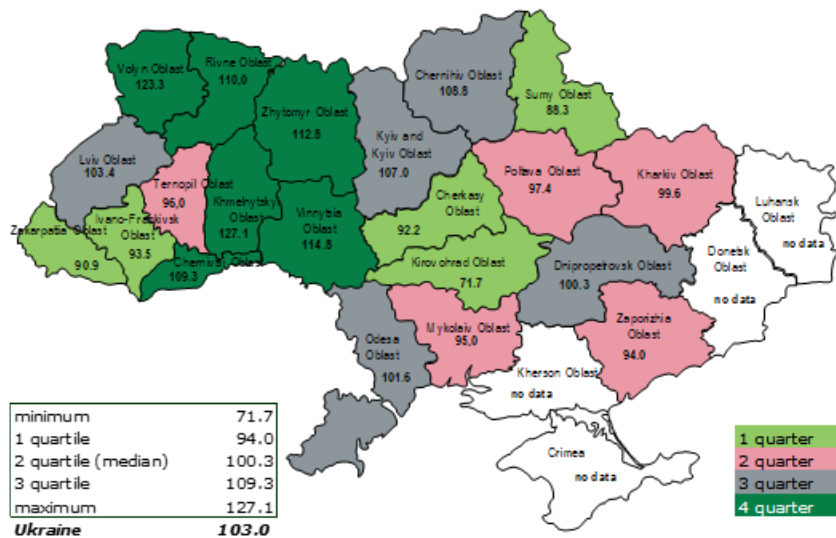
- **Companies assessed their current financial and economic standings as good:** the balance of responses was 13.2%, up from 2.6% in Q4 2023. Across Ukraine, the balance of responses was (-1.4%).
- **Finished goods stocks were assessed at higher than normal levels:** the balance of responses was 5.6%, compared to 0.0% in Q4 2023.
- **Companies said they had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand:** the balance of responses was 17.1%, compared to 5.4% in Q4 2023.

Survey Details^{1,2}



- Period: 31 January through 26 February 2024.
- 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, %



¹a quartile is the value of the BOI where an ordered sample is divided into four equal-sized subgroups
²a 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 23	Q2 23	Q3 23	Q4 23	Q1 24
Financial and economic standings	16.2	7.9	7.9	-5.3	17.1
Total sales	16.2	18.4	13.2	7.9	5.4
Investment in construction	-8.6	5.7	2.7	-12.5	-2.7
Investment in machinery, equipment, and tools	10.8	18.9	18.9	11.4	2.7
Staff numbers	-2.6	-5.3	-10.8	-5.7	-5.4

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

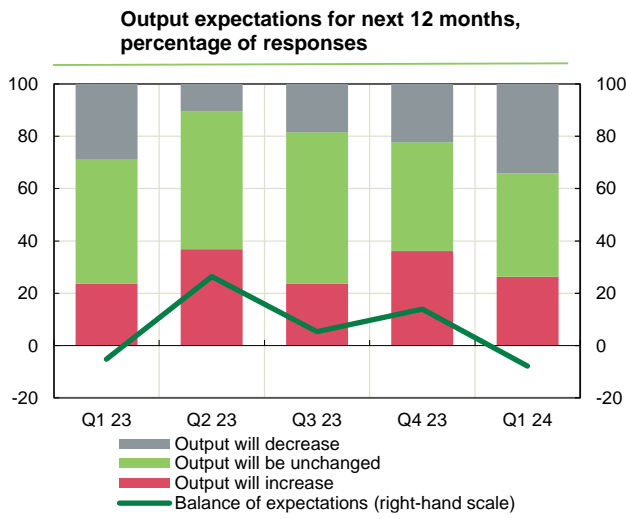


Figure 2

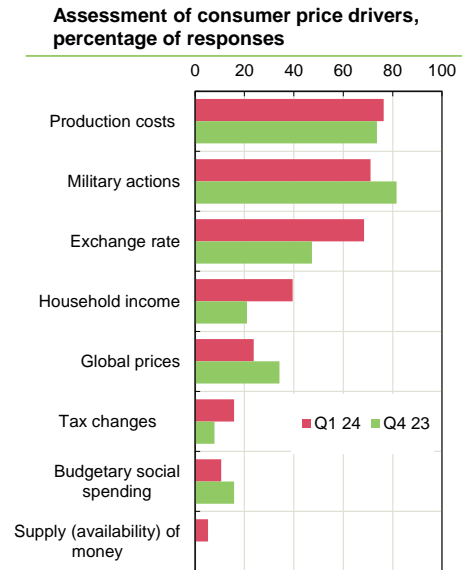


Figure 3

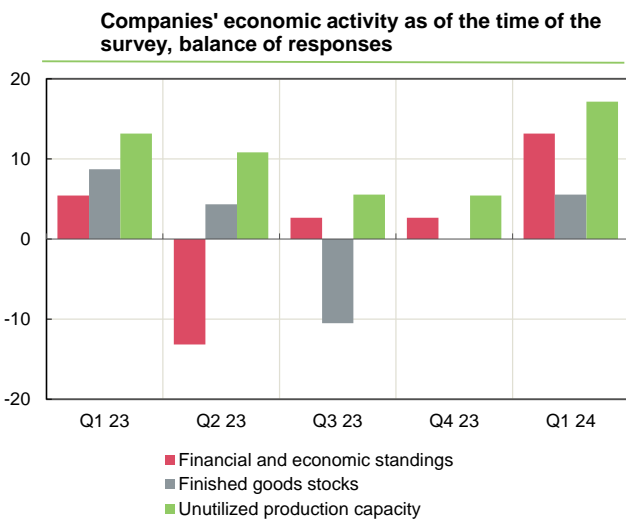


Figure 4

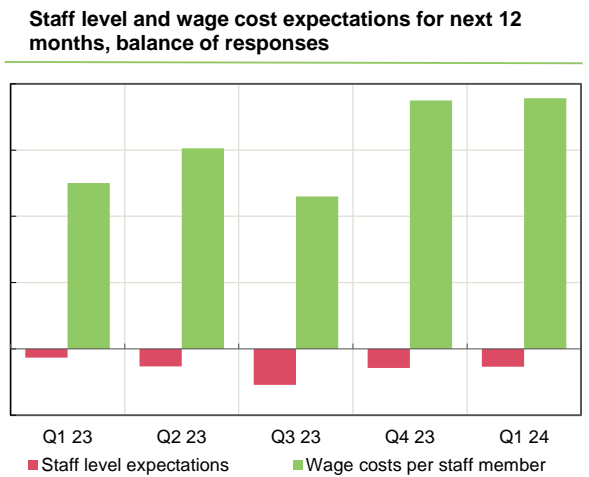


Figure 5

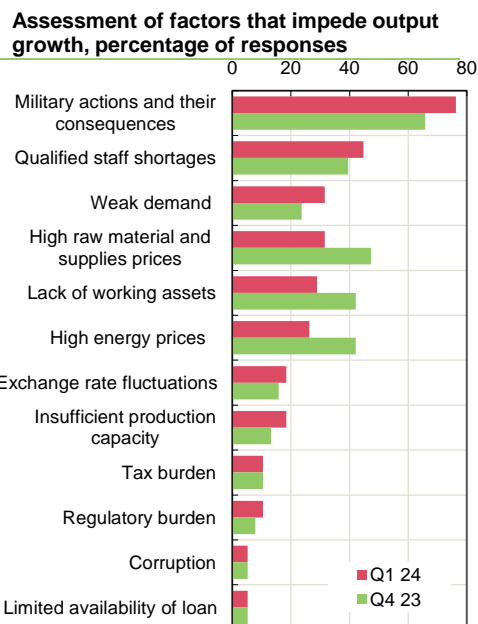


Figure 6

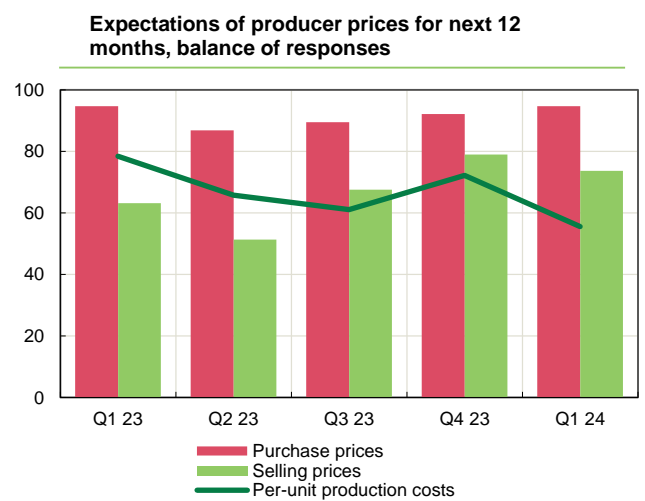


Figure 7

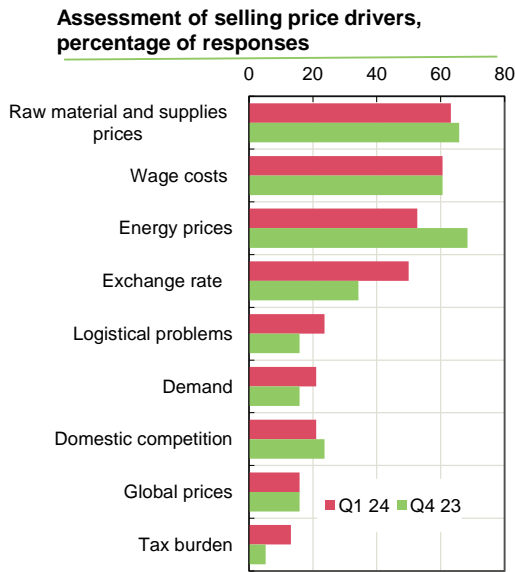


Figure 8

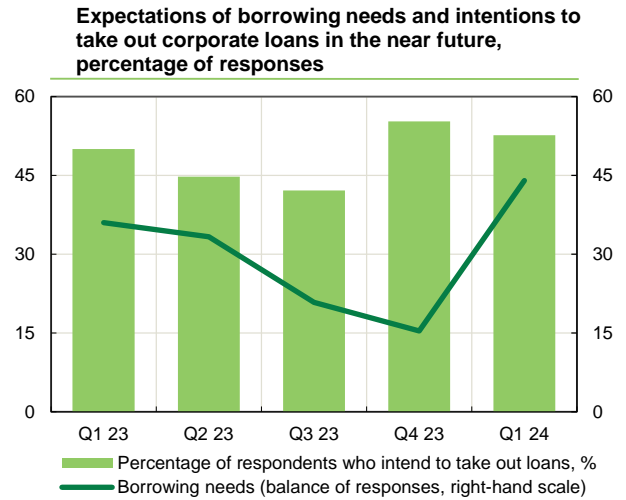


Figure 9

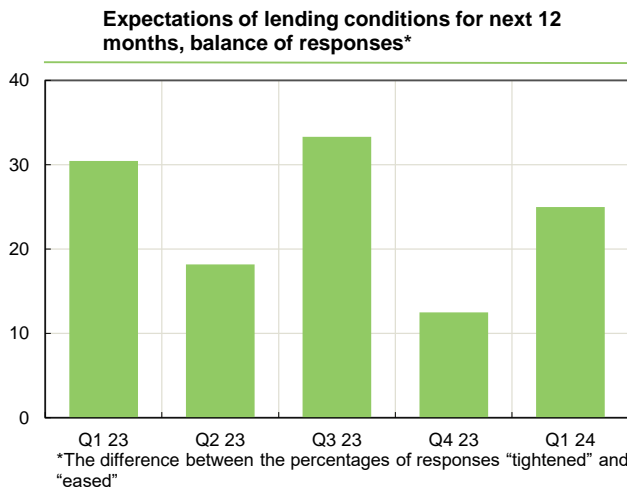


Figure 10

