National Bank
of Ukraine

Business Outlook Survey **of Lviv Oblast***

Q3 2023

*This survey only reflects the opinions of respondents in Lviv oblast (top managers of companies) who were polled in Q3 2023, and does not represent NBU forecasts or estimates

A survey of companies carried out in Lviv oblast in Q3 2023 showed that, on the back of a stable energy system, respondents expected growth 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 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 **slowly**: the balance of expectations was 5.3%, compared to 26.3% in Q2 2023 (Figure 1). The balance across Ukraine was 9.8%
- **prices for consumer goods and services would rise**: 58.3% of respondents expected that inflation would not exceed 15.0% (compared to 55.3% in Q2 2023 and 52.2% 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**: 78.9% of respondents, as in the previous quarter, compared to 72.2% 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 7.9%, as in the previous quarter. Overall, across Ukraine the balance of responses was 6.0% (see Table). The most optimistic expectations were reported by respondents from transport and communications companies (33.3%)
- **total sales and external sales would increase:** the balances of responses were 13.2% and 17.6% respectively, compared to 18.4% and 20.0% in Q2 2023. The balances of responses across Ukraine were 16.8% and 10.6% respectively
- **both investment in construction and in machinery, equipment, and tools would increase:** the balances of responses were 2.7% and 18.9% respectively, compared to 5.7% and 18.9% respectively in the previous quarter (see Table). Across Ukraine, the balances of responses were (-2.2%) and 8.8% respectively
- **staff numbers at their companies would decrease:** the balance of responses was (-10.8%), down from (-5.3%) in Q2 2023 (Figure 4). Across Ukraine, the balance of responses was (-7.0%)
- **both purchase and selling prices would rise at a fast pace:** the balances of responses were 89.5% and 67.6% respectively (compared to 86.8% and 51.4% respectively in Q2 2023) (Figure 6). Respondents from mining and trading companies reported the firmest intentions to raise their selling prices (100.0% for each). Raw material and supplies prices, energy prices and wage costs were cited as the main selling price drivers (Figure 7)
- **per-unit production costs would grow:** the balance of responses was 61.1%, compared to 65.8% in Q2 2023. At the same time, respondents expected that **wage costs per staff member would increase at a slower pace:** the balance of responses was 45.9% (compared to 60.5% in Q2 2023) (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 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 (42.1% of respondents) opted for domestic currency loans. Respondents said that lending conditions 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).

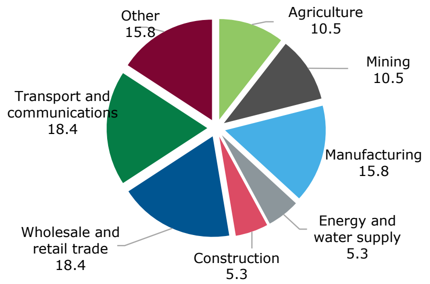
91.9% of respondents said that they **had encountered no difficulties in effecting transactions with funds deposited in bank accounts** (94.9% across Ukraine).

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

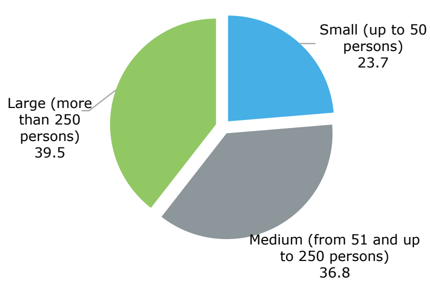
- **Companies' current financial and economic standings had improved and were assessed as good**: the balance of responses was 2.6%, up from (-13.2%) in Q2 2023. Across Ukraine, the balance of responses was (-5.8%).
- **Finished goods stocks had decreased and were assessed at lower than normal levels:** the balance of responses was 10.5%, compared to 4.3% in Q2 2023.
- **Companies said they had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand**: the balance of responses was 5.6%, compared to 10.8% in Q2 2023.

Survey Details[1,2]

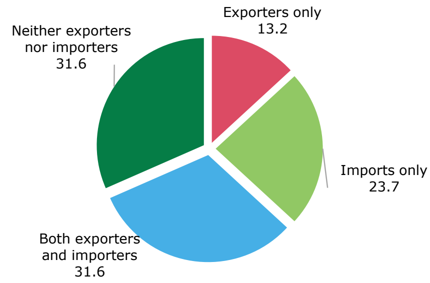
Respondents in terms of main economic activities, %



Respondents in terms of company size based on staff number, %

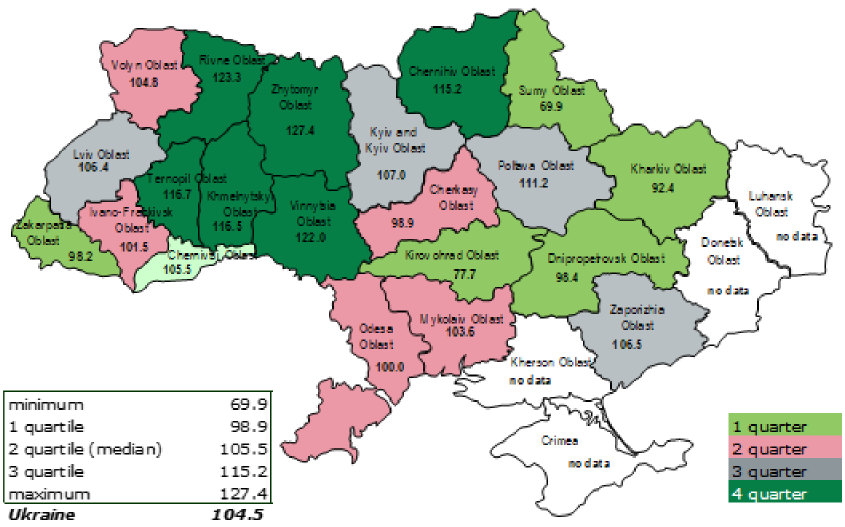


Respondents in terms of business activities,%



- Period: 31 July through 24 August 2023.
- A total of 38 companies were polled.
- A representative sample was generated on the basis of the following economic activities: agriculture, mining, manufacturing, trade, transport and communications, and other economic activities.

Business Outlook Index for Next 12 Months in Terms of Oblasts[3], %



*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, %				
	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23
Financial and economic standings	-8.1	-2.7	16.2	7.9	7.9
Total sales	-2.7	0.0	16.2	18.4	13.2
Investment in construction	-19.4	-31.4	-8.6	5.7	2.7
Investment in machinery, equipment, and tools	-13.5	2.8	10.8	18.9	18.9
Staff numbers	-7.9	2.6	-2.6	-5.3	-10.8

[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

Output expectations for next 12 months, percentage of responses

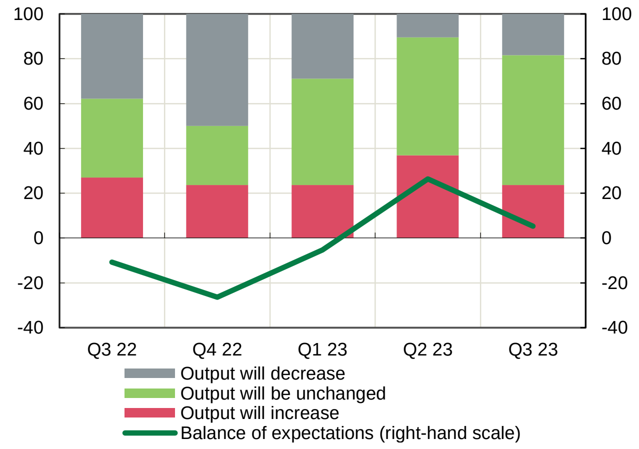


Figure 2

Assessment of consumer price drivers, percentage of responses

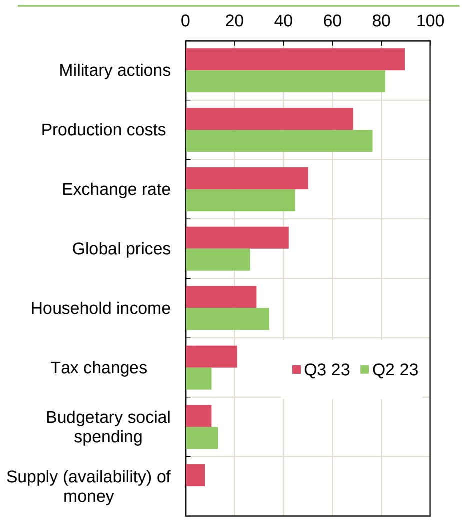


Figure 3

Companies' economic activity as of the time of the survey, balance of responses

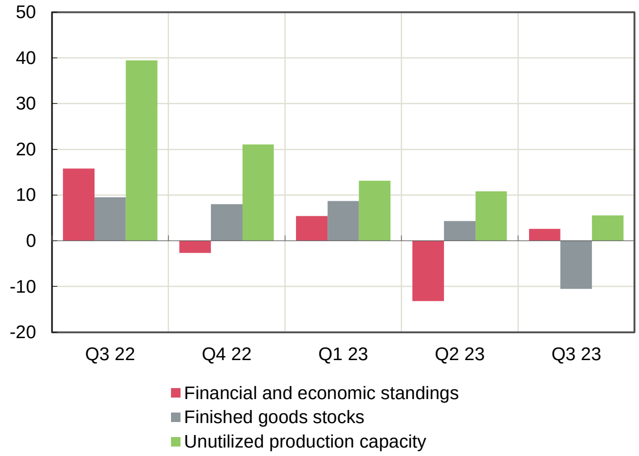


Figure 4

Staff level and wage cost expectations for next 12 months, balance of responses

Figure 5

Assessment of factors that impede output growth, percentage of responses

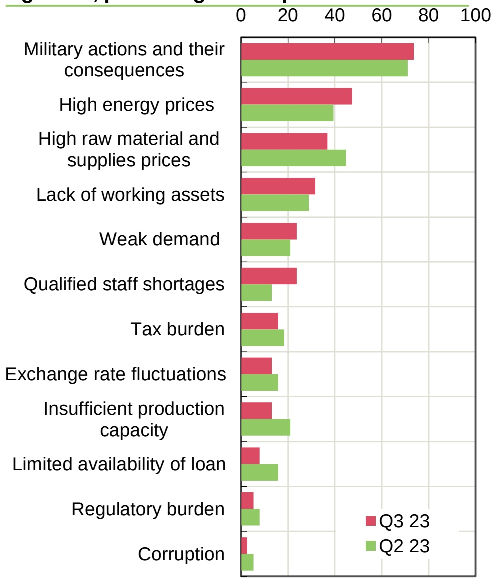


Figure 6

Expectations of producer prices for next 12 months, balance of responses

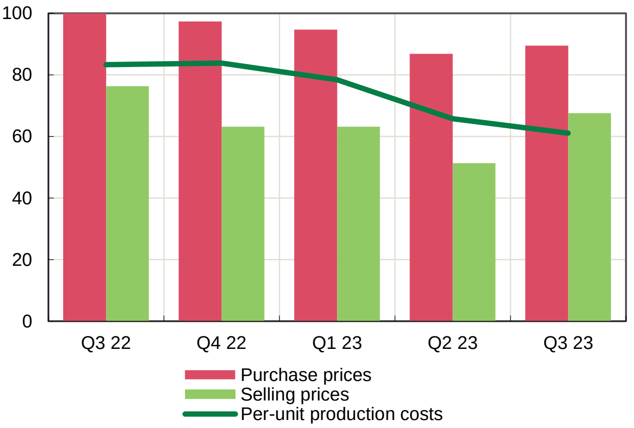


Figure 7

Assessment of selling price drivers, percentage of responses

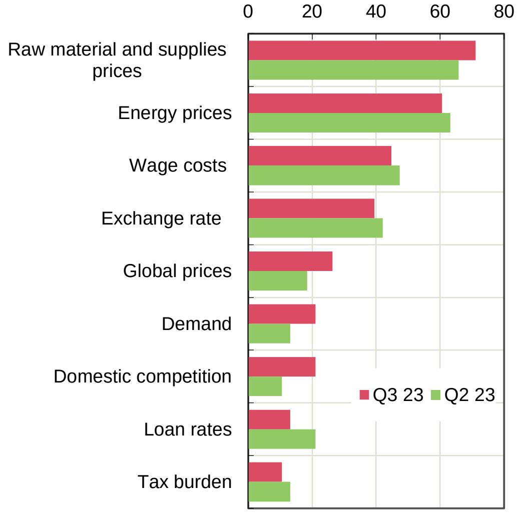


Figure 8

Expectations of borrowing needs and intentions to take out corporate loans in the near future, percentage of responses

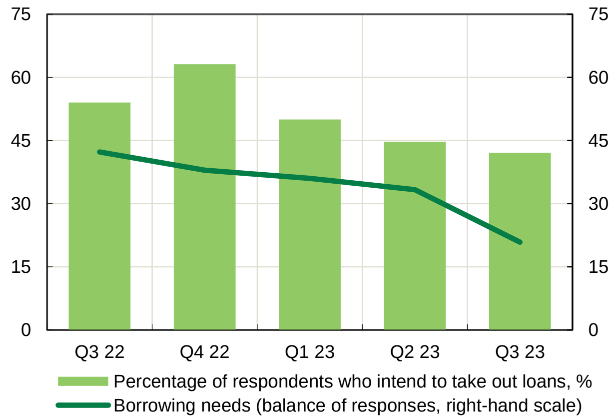
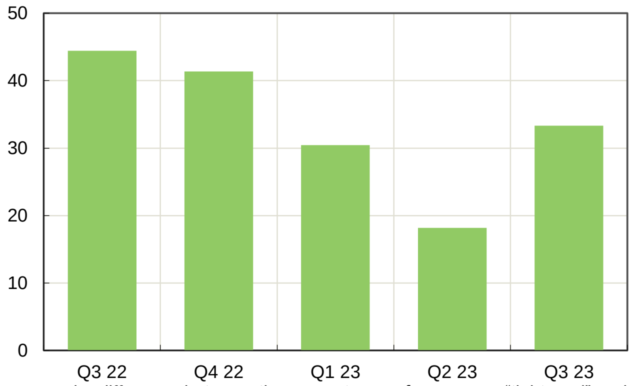


Figure 9

Expectations of lending conditions for next 12 months, balance of responses*



*The difference between the percentages of responses “tightened” and “eased”

Figure 10

Assessment of factors that could deter companies from taking out loans, percentage of responses