National Bank of Ukraine

Business Outlook Survey **of Lviv Oblast***

Q1 2025

*This survey only reflects the opinions of respondents in Lviv oblast (top managers of companies) who were polled in Q1 2025, and does not represent NBU forecasts or estimates

A survey of companies carried out in **Lviv oblast** in Q1 2025 showed that, despite the war, qualified staff shortages, and high energy prices, respondents expected a rise in the output of Ukrainian goods and services over the next 12 months. Respondents reported positive expectations for the performance of their companies over this period. Prices were expected to rise further. Depreciation expectations were strong.

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

- the output of Ukrainian goods and services would increase: the balance of responses was 21.4%, compared to 15.8% in Q4 2024 (Figure 1). Overall, across Ukraine, the balance of responses was 15.6%
- prices for consumer goods and services would rise further: 63.4% of respondents expected that inflation would exceed 10.0% (compared to 35.1% in Q4 2024 and 60.3% across Ukraine). Respondents continued to refer to military actions, production costs and the hryvnia exchange rate as the main inflation drivers (Figure 2)
- the hryvnia would depreciate: 92.9% of respondents, compared to 94.6% in the previous quarter and 89.1% 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 14.3%, down from 24.3% in the previous quarter. Overall, across Ukraine, the balance of responses was 4.7% (see Table). The most optimistic expectations were reported by respondents from manufacturing companies (37.5%)
- total sales and external sales would increase at a faster pace**:** the balances of responses were 29.3% and 27.8% respectively, compared to 26.3% and 5.6% respectively in Q4 2024 (see Table). The balances of responses across Ukraine were 20.7% and 19.5% respectively
- investment in construction and in machinery, equipment, and tools would increase more quickly**:** the balances of responses were 14.6% and 34.1% respectively, compared to 2.7% and 18.9% respectively in the previous quarter (see Table). Across Ukraine, the balances of responses were 2.7% and 13.4% respectively
- staff numbers at their companies would increase: the balance of responses was 22.0% (these were the highest expectations across the regions), compared to 13.2% in Q4 2024 (Figure 4). Across Ukraine, the balance of responses was (-0.6%)
- both purchase and selling prices would rise more slowly: the balances of responses were 88.1% and 71.4% respectively (compared to 97.3% and 89.5% respectively in Q4 2024) (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 wage costs were cited as the main selling price drivers. The impact of loan rates was reported to have increased significantly, compared to the previous quarter (Figure 7)
- per-unit production costs would grow more rapidly: the balance of responses was 84.2%, up from 73.7% in Q4 2024. Respondents expected that wage costs per staff member would increase: the balance of responses was 78.6%, compared to 73.7% in the previous quarter (Figures 4 and 6).

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

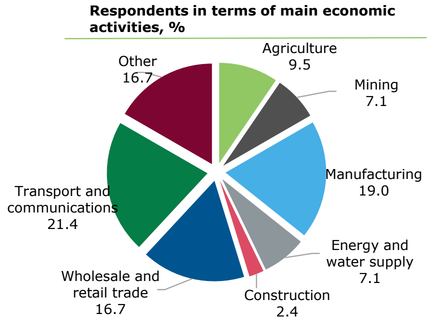
Respondents continued to strongly expect an increase in their borrowing needs in the near future (Figure 8). Most of the respondents who planned to take out bank loans (54.8%) opted for domestic currency loans. Respondents said that lending conditions had tightened (Figure 9). Respondents referred to high interest rates, other funding sources, collateral requirements and complicated paperwork as the main factors deterring them from taking out loans (Figure 10).

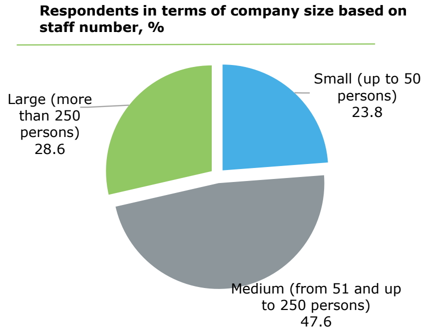
97.6% of respondents said that they had encountered no difficulties in effecting transactions with funds deposited in bank accounts (96.6% across Ukraine).

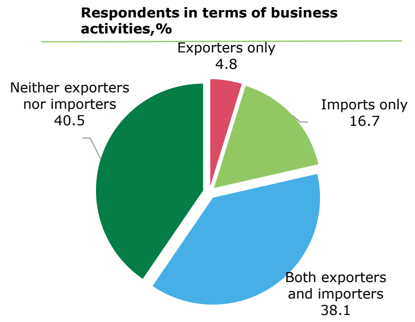
Assessments of financial and economic standings as of the time of the survey (Figure 3)

- Companies assessed their current financial and economic standings as good: the balance of responses was 9.5%, up from 5.8% in Q4 2024, compared to (-3.4%) across Ukraine.
- Finished goods stocks were assessed at lower than normal levels**:** the balance of responses was (-5.0%), compared to (-10.0%) in Q4 2024.
- Companies had a sufficient amount of unutilized production capacity to meet any unexpected rise in demand: the balance of responses was 7.3%, compared to 5.3% in Q4 2024.

Survey Details[1,2]







- Period: 3 February through 27 February 2025.
- A total of 42 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[3], %

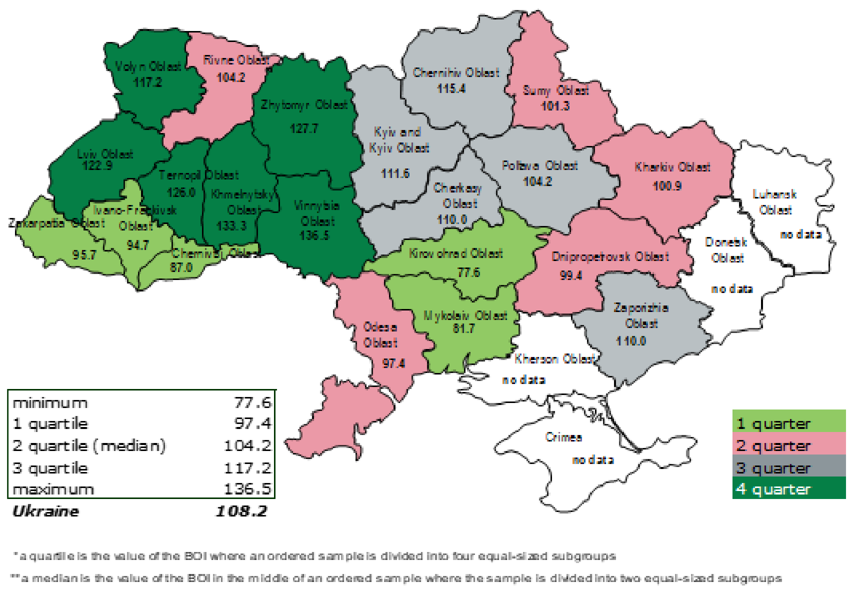


Table. The Business Outlook Index of Companies in Lviv Oblast and Its Components

Expectations over next 12 months for	Balances of responses, %				
	Q1 24	Q2 24	Q3 24	Q4 24	Q1 25
Financial and economic standings	17.1	2.6	16.2	24.3	14.3
Total sales	5.4	5.4	21.6	26.3	29.3
Investment in construction	-2.7	-8.1	-11.1	2.7	14.6
Investment in machinery, equipment, and tools	2.7	13.5	13.9	18.9	34.1
Staff numbers	-5.4	-15.8	8.1	13.2	22.0

[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

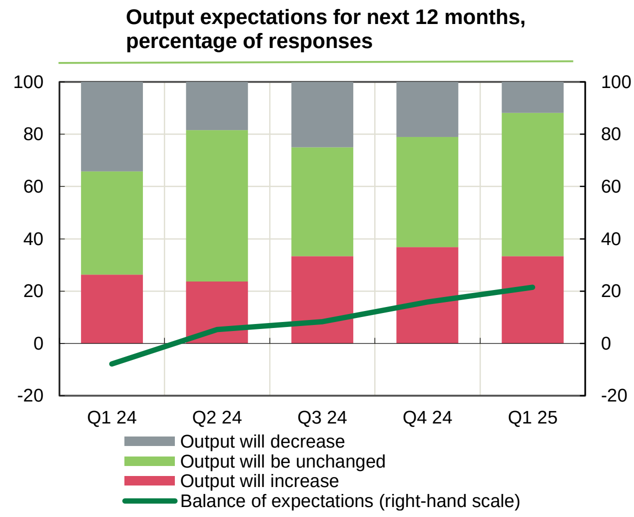


Figure 2

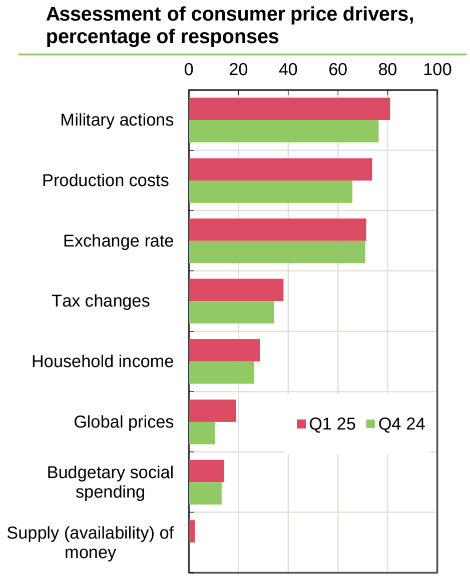


Figure 3

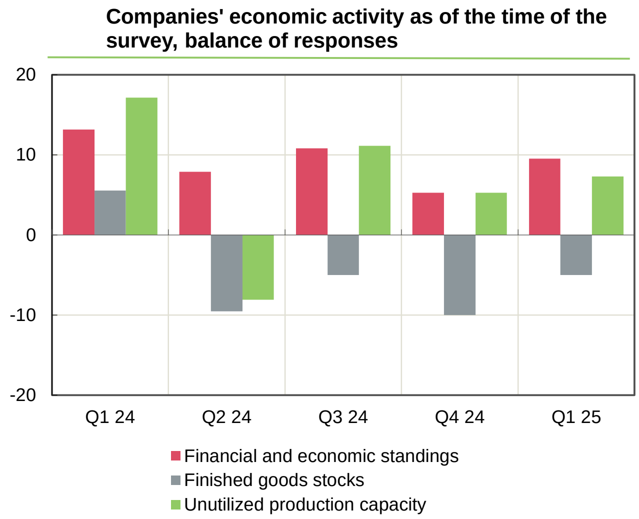


Figure 4

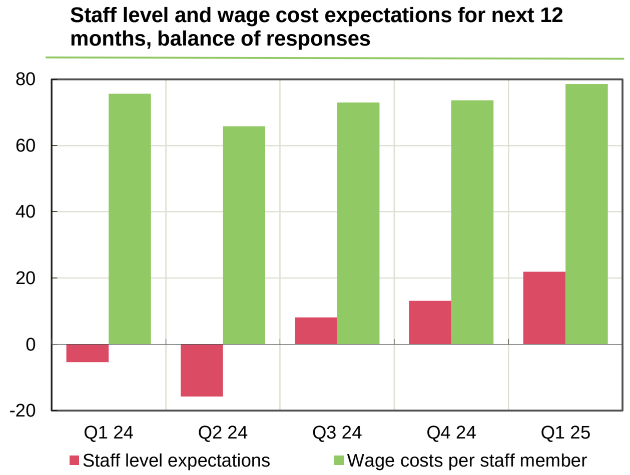


Figure 5

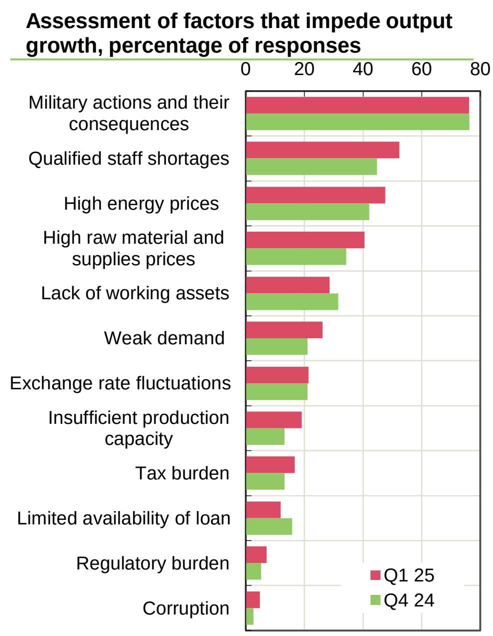


Figure 6

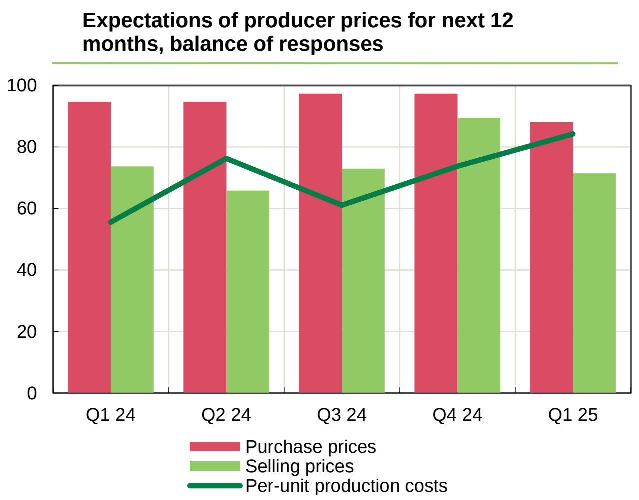


Figure 7

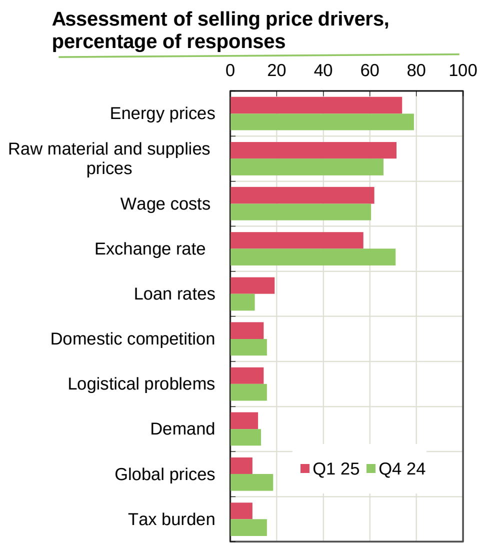


Figure 8

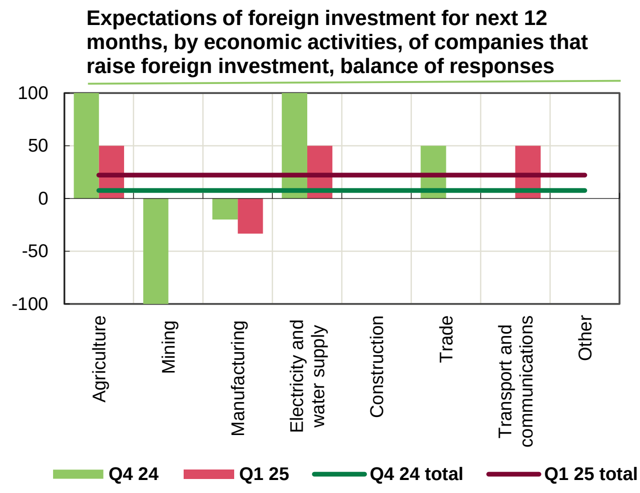


Figure 9

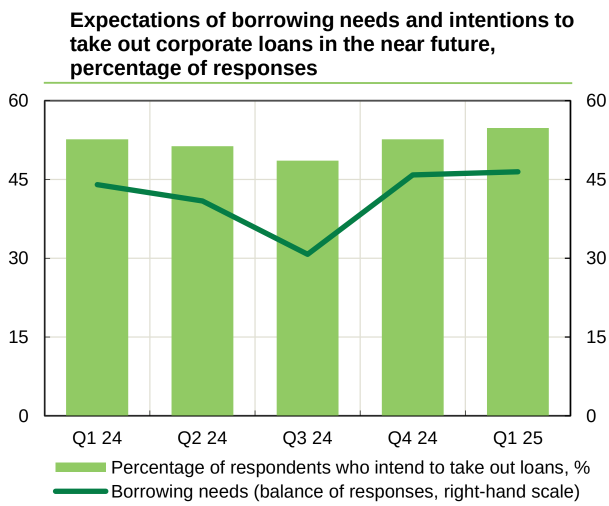
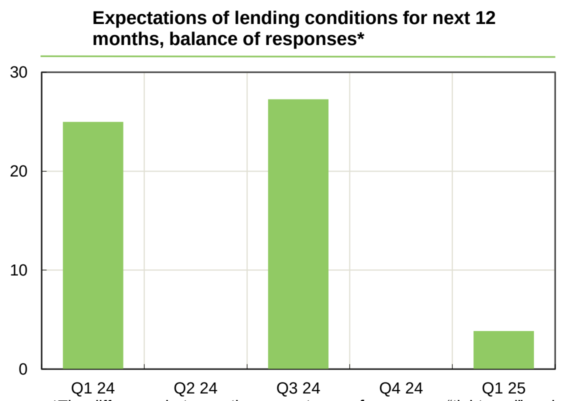


Figure 10



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

Figure 10