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Monthly Enterprises Survey

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Ukrainian Business in Wartime

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ABOUT THE SURVEY

Dear ladies and gentlemen! We present you with the second issue of the business managers' monthly survey.

The need for comprehensive information on the economic situation is crucial for economic policy in wartime. The Institute for Economic Research and Policy Consulting conducts a monthly enterprise survey using the Business Tendency Survey approach to quickly collect information on the current economic state at the enterprise level. The methodology is designed to assess the situation from the "base level": the judgments and expectations of key economic agents such as entrepreneurs and business managers.

The monthly survey consists of two parts: the regular one and the special one. Respondents will regularly answer questions on the changes in key activity indicators and short-term forecasts for future changes in the same indicators. This entails the dynamics of output (production), sales, exports, debt, new orders, employment, etc. We will also focus on estimates and expectations of the changes in the business climate and business activity at the enterprise in the next six months. This part of the survey applies the business tendency survey methodology, harmonized according to the Joint Harmonized EU Program of Business and Consumer Surveys (BCS) requirements. Where applicable, we will use comparisons with the data from the Quarterly Business Survey that have been conducted since 1998.

The special part of the monthly enterprise survey provides information on specific topics. In the second issue the special part is devoted to the war's impact on the enterprise activities and the challenges to exporting enterprises. Do Ukrainian enterprises continue to export, and what are the main foreign markets after the start of full-scale Russian military aggression.

The monthly survey of business managers is a part of a change in the activities of the project "For Fair and Transparent Customs", funded by the European Union and co-financed by the International Renaissance Foundation, and the ATLAS Network (USA). Monthly trends will be presented in reports such as this one. Quarterly trends will continue to be published in the "Business Survey: Industry" reports, which have been published by the IER since July 2002.

This survey will employ a panel sample, i.e. we plan to survey the same business entities. Building such a sample takes time. Our goal is to receive monthly responses from 500 companies. In the first month, 327 enterprises were surveyed, and in the second month, their number reached 367. Among them are mainly industrial enterprises located in 19 of the 27 regions of Ukraine, including Vinnytsya, Volyn, Dnipropetrovsk, Zakarpattya, Zaporizhya, Ivano-Frankivsk, Kyiv, Kirovohrad, Lviv, Odesa, Poltava, Rivne, Sumy, Ternopil, Khmelnytsky, Cherkasy, Chernivtsi and Chernihiv regions, and Kyiv city.

The data were collected through several data collection methods: online form self-completion and telephone interviews of business representatives with the input of their responses into the online form by interviewers.

The field phase of the survey second wave lasted from June 2 to June 10, 2022. Business managers compared the work results in May 2022 and April 2022, assessed the state of a particular indicator at the time of the survey (June 2022), and gave forecasts for the next two-three or six months, depending on the question. For some questions (where it was mentioned) the work results were compared to ones in the pre-war period (before February 24, 2022). Respondents gave forecasts for the next three months of operation of their enterprises.

The possibilities of the YouControl analytical system (<https://youcontrol.com.ua/>) were used to form the panel sample.

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Monthly Enterprises Survey

Ukrainian Business in Wartime

MAIN RESULTS

In the thick of a full-scale military invasion, June's business expectations for production and employment for the short term remain optimistic, and the level of uncertainty in the short-term horizon has decreased. There has been a significant improvement in half-yearly business expectations, although the level of uncertainty remains high. Lack of fuel in the May survey was the number one obstacle to doing business. The top problems again included rising prices and logistics problems. Ending the war, de-occupying territories, and reducing excise duties and taxes are the most anticipated changes for business.

Enterprises are actively working to resume export activities, but many companies are still unable to export. Export markets are insufficiently diversified due to the effects of the war. Ukrainian entrepreneurs may become more dependent on exports to the EU.

OVERALL INDICATORS OF BUSINESS CLIMATE AND ECONOMIC ENVIRONMENT

- The *index of the current business activity* remains negative but increased slightly compared to the previous month (from -0.36 to -0.32). The enterprises' expectations for the business activity in six months have significantly improved, and the value has doubled from 0.07 to 0.15. However, the level of uncertainty in the six-month expectations remains high.
- Estimates of the overall economic environment remain low, but they have improved compared to the previous month. The *overall economic environment index* increased from -0.54 to -0.44, and the share of "pessimists" decreased from 60.7% to 49.1%.
- Expectations for the future have improved significantly. The *index of expected changes in the overall economic environment* increased from 0.01 to 0.16.
- The level of uncertainty in the six-month prospects remains high. However, there is a decrease in the share of those who failed to make forecasts for the six months. In the short run, a significant decrease in uncertainty was recorded for all indicators of enterprise activity, except for exports.

PRODUCTION

- The *index of changes in production* increased from -0.55 to -0.30. The share of respondents who reported a decrease in production decreased from 70.5% to 44.9%.
- Expectations for production are positive. The *index of expected changes in production* has doubled, from 0.12 to 0.22.

DEMAND AND SALES

- Sales volumes increased, but they remain low. The *index of changes in sales* value increased from -0.48 to -0.36. The worst situation is with micro-enterprises.
- In the next three months, the enterprises expect sales growth along with production revival. The index of expected sales changes increased from 0.11 to 0.23.

DEBTS

- Growth rates of accounts receivables and accounts payables decreased (the values of the respective indices decreased from 0.15 to 0.03 and from 0.10 to 0.01, respectively). In the future, enterprises expect a further decrease in indicators (the values of the respective indices of expected changes are -0.03 and -0.06). There is a high level of uncertainty in the three months term.
- Enterprises are reducing tax arrears; the corresponding index value in June is -0.09. In the next period, the trend of debt reduction is expected to continue; the value of the Index of expected changes in tax arrears is -0.10.

EMPLOYMENT

- The rate of decline in employment at enterprises is slowing down; the index of employment change decreased from -0.54 to -0.30. In the next three months, companies expect employment growth. The index of expected changes increased from 0.01 to 0.03.
- Enterprises report more difficulty finding skilled labor (-0.24) than finding unskilled workers (0.01)

SPECIAL PART**PRODUCTION CAPACITIES DURING THE WAR PERIOD**

- In June 2022, 8% of enterprises stopped operating compared to the pre-war period (10% in May).
- The share of enterprises operating at near-full capacity has doubled (by 75-99% compared to the pre-war scale), from 17% in May to 30% in June, which indicates a gradual resumption of production by some enterprises.
- In June 2022, only 12% of respondents worked at full (or higher) capacity compared to the pre-war period (15% in May).

OBSTACLES TO DOING BUSINESS IN WARTIME

- Lack of fuel, rising prices for raw materials, and difficulties in transporting raw materials or goods throughout Ukraine are the main problems resulting from Russia's full-scale aggression that enterprises faced in June 2022.
- At the same time, the fuel shortages problem became hotter compared to May 2022.
- Property damage has become a more significant obstacle compared to the previous month.

GOVERNMENT POLICY

- Enterprise representatives often assess the government policy on business support neutrally. But the share of negative assessments has increased compared to the previous month.
- Ending the war and de-occupying Ukraine's territories are the most expected changes for the smooth operation of enterprises, according to respondents. Also, many business managers expect an increase in fuel supplies and a reduction in taxes and excise duties.

EXPORTING ENTERPRISES

- In the second wave, 56% of respondents were exporters in early 2022.
- Among exporters, the share of enterprises that stopped exporting due to the war but resumed it doubled, from 9% to 20%. It may indicate that the business is actively working to resume export activities.
- The European Union is strengthening its position as the main export destination for Ukrainian business (89% of exporters surveyed). Ukrainian companies may become more dependent on European exports due to military action and the naval blockade by Russia.

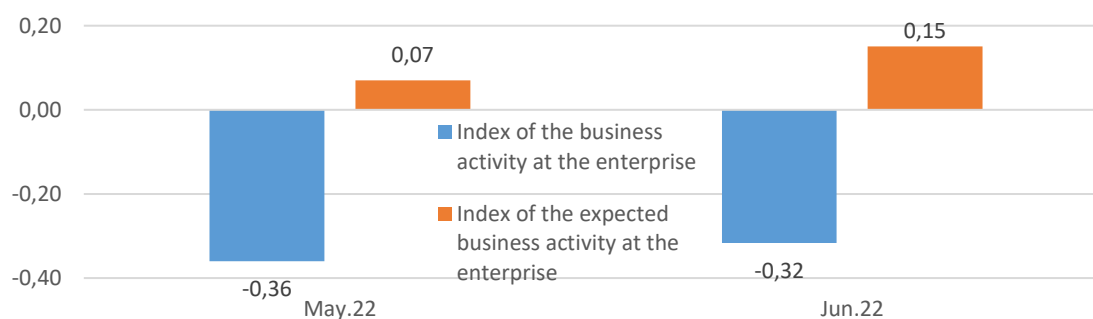
OVERALL INDICATORS AND EXPECTATIONS FOR THE HALF-YEAR PERIOD

BUSINESS ACTIVITY AT THE ENTERPRISE

The index of the business activity remains low. But compared to the previous month, its value has increased (-0.36 and -0.32, respectively). It happened due to a decrease in the share of respondents who assessed the current business activity at the enterprise as bad from 47.4% to 40.1%, and a small decrease in those who positively assessed the situation at the enterprise (decrease from 8.2% to 6.8%). Accordingly, the share of respondents who consider the business activity at the enterprise satisfactory increased from 44.4% to 53.1% in the second wave of the survey.

Expectations for the six months have improved. The share of "optimists" increased from 40% to 44.4%, while the share of "pessimists" decreased slightly, from 30.6% to 29.6%. And the percentage of those not expecting any changes decreased from 29.4% to 26.0%. Thus, *the index of the expected business activity* has doubled, from 0.07 to 0.15. Regarding questions on changes in the business activity for the next six months, the share of respondents who could not forecast for such long-term decreased by only two percentage points (from 45% to 43.3%).

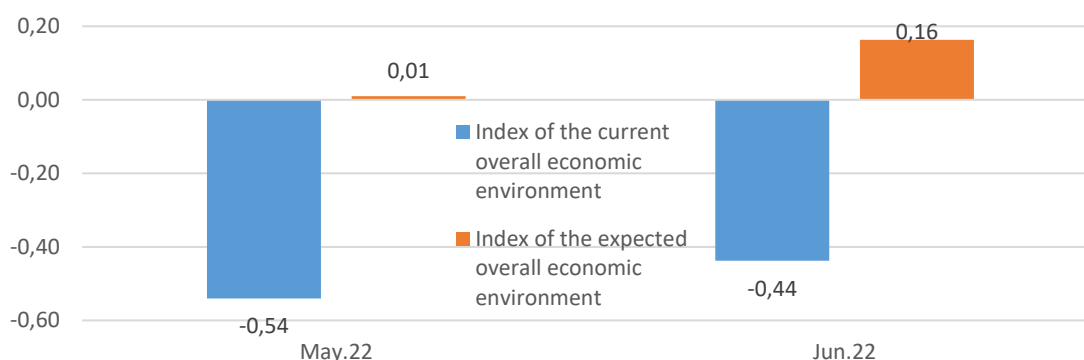
Fig. 1. Business activity at the enterprise, indices



OVERALL ECONOMIC ENVIRONMENT

Estimates of the overall economic environment are now low: the value of the corresponding index is -0.44. However, compared to last month, the assessment improved (the value of the index in May was -0.54). It was due to a decrease in the share of those who assess the overall economic environment as bad from 60.7% to 49.1%. The share of those who believe the overall economic environment is satisfactory increased from 34.6% to 46.2%. And the share of those who assess the overall economic environment as positive has not changed and amounts to 4.7%.

Fig. 2. Overall economic environment, indices



Forecasts for the next six months are more optimistic; *the index of expected changes in the overall economic environment* value increased from 0.01 in May to 0.16 in June. The percentage of "optimists" increased from 38.7% to 46.1%, while the percentage of pessimists decreased from 35.9% to 28.8%. And the share of those who believe that the overall economic environment will not change in the next six months remains unchanged and

amounts to 25.4%. It is also worth noting that, as in the case of the business activity, the percentage of those who could not forecast the state of the overall economic environment for the future is high enough however, it decreased from 47.7% to 43.6%.

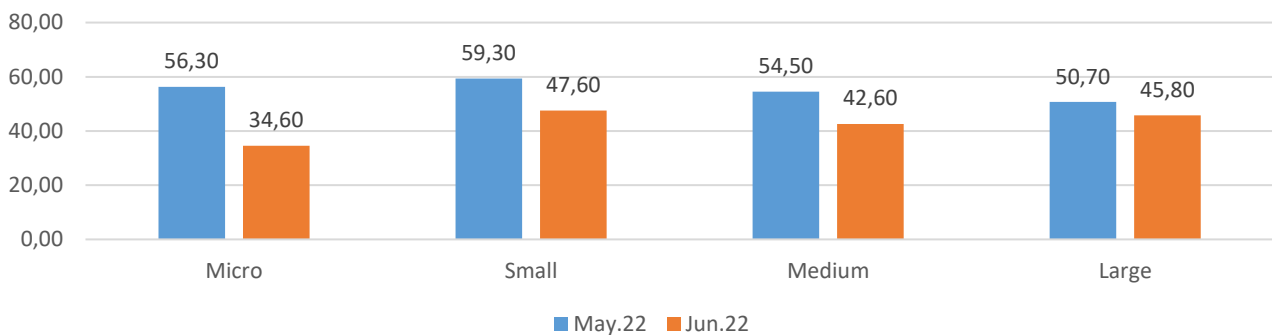
UNCERTAINTY

Half-year expectations

Uncertainty remains a problem for businesses. As mentioned above, the share of respondents who failed to predict changes in the business activity (43.3%) and the overall economic environment (43.6%) for six months remains high enough.

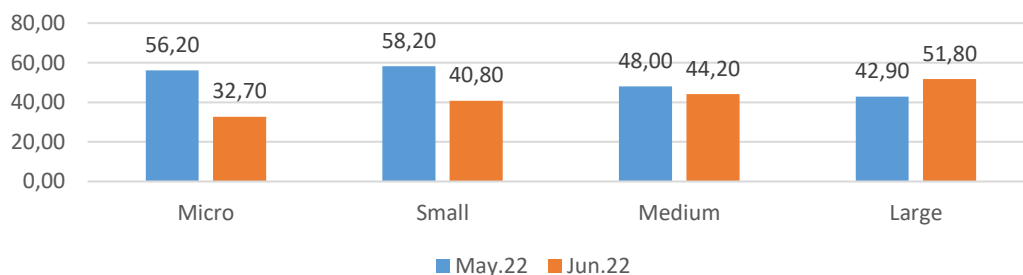
The level of uncertainty and its dynamics depend on the size of enterprises. As the size of the enterprise increases, the share of those who could not decide increases.

Fig. 3. The share of respondents who could not answer the question of changing the overall economic environment in six months



Regarding the overall economic environment, the share of those who could not give a forecast for six months decreased the most among micro-enterprises. If last month there were 56.3%, now it is 34.6%. There was also a significant decrease in the number of supporters of this opinion among small and medium-sized enterprises (from 59.3% to 47.6% and from 54.5% to 42.6%, respectively). And for large enterprises, the share of those who could not give a forecast decreased from only 50.7% to 45.8% of respondents.

Fig. 4. The share of respondents who could not answer the question on changing the business activity in the next six months



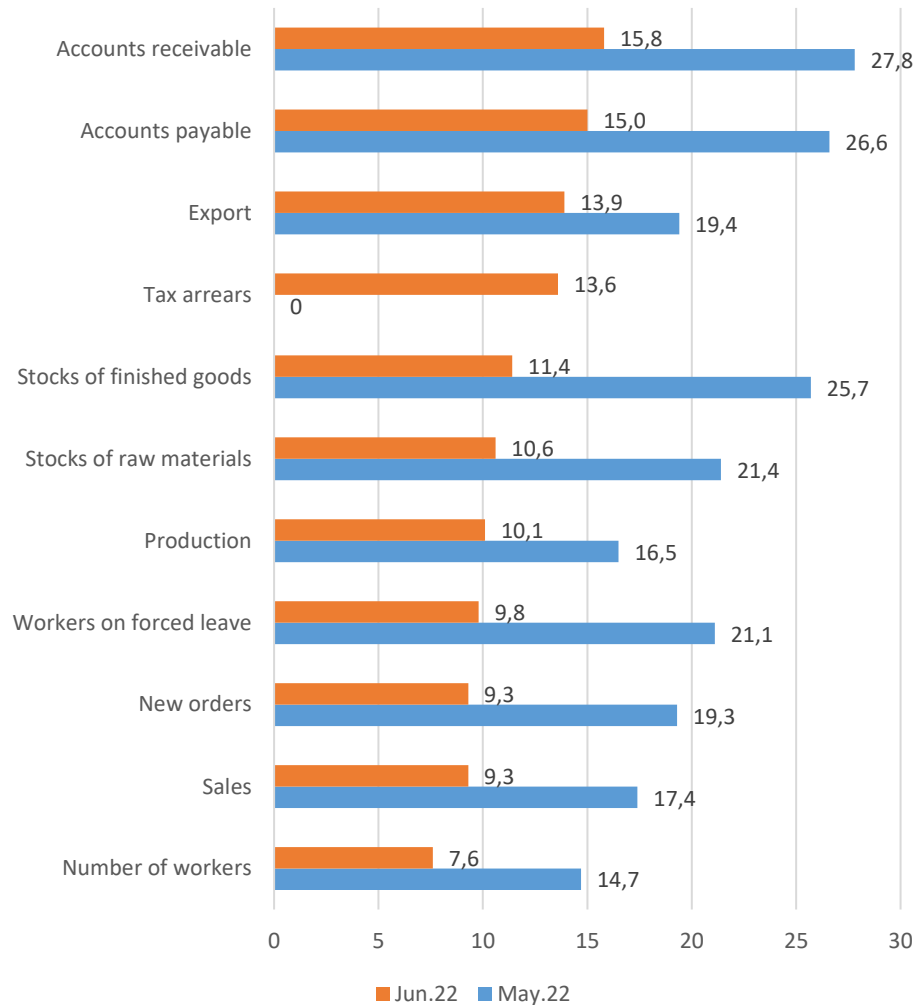
Uncertainty about the business activity at the enterprise also tends to increase as the enterprise size increases. The trend is also recorded in the dynamics of the indicator. Among micro-enterprises, 32.7% of respondents could not give a forecast for the next six months. This percentage is 40.8% among small enterprises; 44.2% among medium, and 51.8% among large enterprises.

Three-month expectations

Uncertainty has decreased significantly in the short run. The share of respondents who could not predict a change in this or that indicator in the three-month decreased by two or three times depending on the indicator. It applies to all indicators, except for exports. For the latter, the share of those who could not decide fell by only 4%.

The indicators of uncertainty remain the biggest for accounts receivable (15.8%) and accounts payable (15.0%), followed by exports (13.9%) and tax arrears (13.6%), which we added to the list of production indicators in June.

Fig. 5. The share of enterprises that could not forecast a change in the indicator in the future three months,% of respondents ¹



¹ The question on tax debts was first added during the second wave of the survey, so there is no data to compare with the previous month.

ENTERPRISE PERFORMANCE INDICATORS AND SHORT-TERM EXPECTATIONS

PRODUCTION

Changes compared to the previous month

The index of changes in production in June compared to May increased from -0.55 to -0.30. The share of those enterprises whose production declined decreased from 70.5% in May to 44.9% in June. The share of enterprises that reported an increase in production increased from 11.8% to 15.4%. At the same time, the share of respondents who did not notice any changes increased from 17.7% to 39.7%.

Size. Depending on the enterprise size, small enterprises where the index is 0.17 feel the best. The indicator for micro-enterprises is the worst - -0.54. The indicators for medium and large enterprises amount to -0.26 and -0.35, respectively.

Region. In the regional context, the situation for the last month was the best in the Rivne region (0.30). The worst situation was in Poltava (-0.82) and Sumy (-0.78) regions.

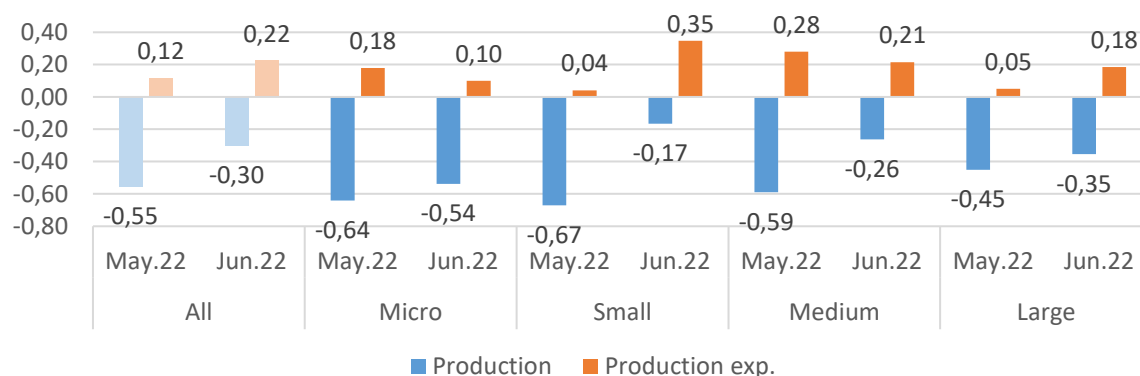
Expectations for changes in production

The enterprises' production plans for three months remain optimistic. The share of enterprises with planned production growth increased slightly from 32.2% in May to 37.7% in June, while the share of those planning to reduce production decreased from 17.9% to 14.0%. As a result, the value of the *Index of expected changes in production* increased to 0.22.

Size. Enterprises of all sizes plan to increase production. Most "optimists" are among small businesses, where the index is 0.35. The indicators of large and medium-sized enterprises show approximately the same result: 0.18 and 0.21, respectively. The lowest indicator of expectations is for micro-enterprises and amounts to 0.10.

Region. Enterprises' plans depend on the location region. The highest expectation indicators are for the Cherkasy region - 0.64, and the Kyiv region and Kyiv city - 0.62 each. The worst expectation indicator is for the Odesa region and amounts to -0.82; the indicators of Vinnytsia and Sumy regions are -0.10 and -0.13, respectively.

Fig. 6. Index of changes in production



SALES

Changes compared to the previous month

The sales index increased from -0.48 to -0.36. The share of enterprises whose sales decreased in May compared to June decreased from 69.3% to 49.2%. At the same time, the share of those whose sales increased changed less significantly, decreasing from 15.2% to 14.1%. The share of enterprises for which nothing has changed over the past month has more than doubled, from 15.5% to 36.7%.

Size. The lowest sales index is for micro-enterprises: -0.55. The indicators of small and medium enterprises differ slightly at - -0.27 and -0.31, respectively. The large enterprises' indicator is -0.39.

Region. The highest sales index is in the Rivne region: 0.32. The lowest indicators are in Zaporizhya (0.79) and Poltava (0.76) regions.

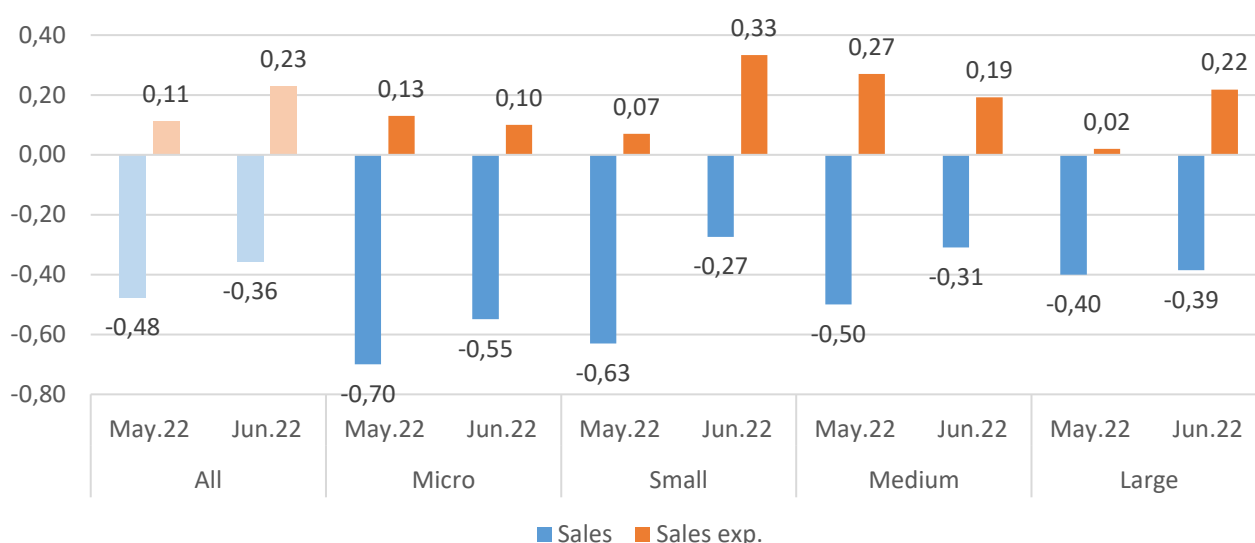
Expected sales changes

The index of expected changes in sales has doubled compared to May and amounts to 0.23 (it was 0.11). The share of respondents who plan to rise sales in the next three months increased from 34.1% to 38.4%. And the share of those expecting a decline decreased from 20.4% to 15.7%. At the same time, the percentage of respondents who believe that nothing will change has varied only slightly and is 45.9% (it was 45.6%).

Size. The highest expectations are expressed by representatives of small enterprises, where the index is 0.33. The indicators of medium and large enterprises differ slightly: 0.19 and 0.22, respectively. The lowest indicator is for micro-enterprises - 0.10.

Region. In terms of regions, the best expectations were recorded in Kyiv (0.71) and Kyiv region (0.71). Instead, in Vinnytsya (-0.10), Sumy (-0.35), and Odesa (-0.55) the indicator is negative.

Fig. 7. Sales change index



EXPORT

Changes compared to the previous month

The value of the *export change index*² slightly worsened compared to May and is equal to -0.48 (it was -0.42). The share of exporting enterprises that increased exports rose from 4.9% to 6.5%. And the share of those whose exports shortened decreased from 71.4% to 51.6%. At the same time, the share of those who did not feel any changes increased from 23.6% to 41.9%.

Size. The lowest values of the export change index are for micro and large enterprises - -0.59 and -0.55, respectively. The indicator of medium-sized enterprises is slightly better and is -0.49. The highest, albeit negative indicator, is for small businesses and amounts to -0.20.

Region. In the regional context, the highest indicators of the export change index are for Ivano-Frankivsk, Ternopil, Chernihiv, and Vinnytsia regions and are equal to zero. The lowest values are for Sumy and Poltava regions (-1).

Expected changes in exports

The value of the *index of expected changes in exports* increased from 0.07 in May to 0.11 in June 2022. The share of respondents who expect an increase in exports soon decreased from 27.6% to 24.5%. At the same time, 14.4%

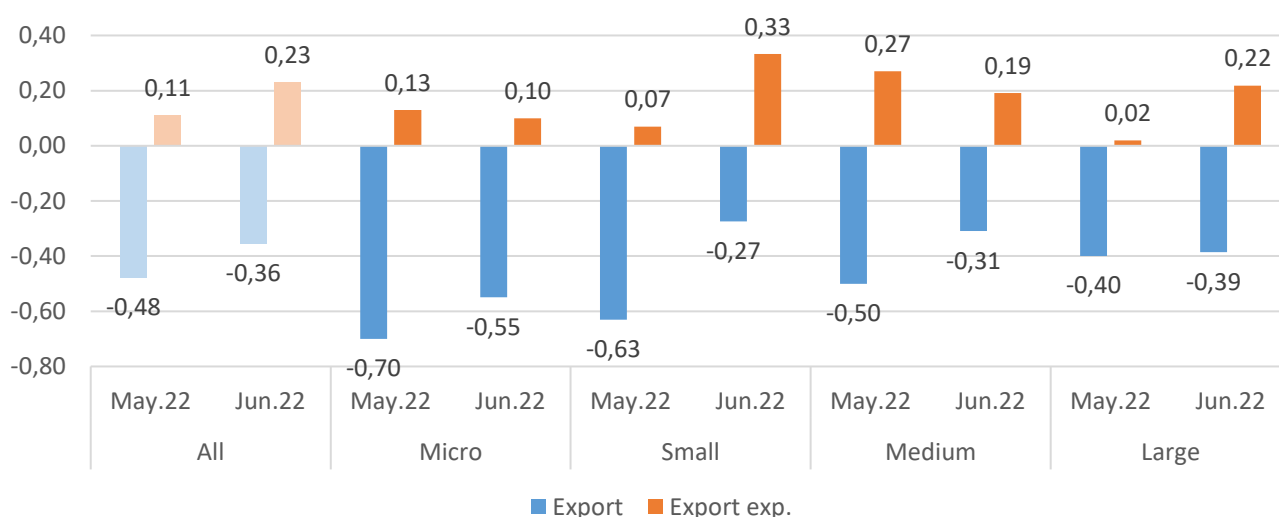
² Calculated only for exporting companies.

believe that exports will decrease (it was 14.6%). The share of those expecting no changes increased from 57.8% to 61.1%.

Size. The highest indicator of the index of expected changes in exports is for small enterprises and amounts to 0.16. The indicators of medium and large enterprises differ slightly (0.10 and 0.11), respectively. At the same time, the lowest and only negative index is for micro-enterprises (-0.10).

Region. The highest value of the index of expected changes in exports was recorded for the Kyiv region (0.53). The business representatives of the Sumy region have the worst expectations (-1).

Fig. 8. Index of changes in exports



STOCKS OF RAW MATERIALS

Changes compared to the previous month

The raw materials stock index increased from -0.62 to -0.41. The share of respondents who reported an increase in raw material stocks last month increased from 2.3% to 6.9%, while the share of respondents who indicated a decrease shortened from 67.4% to 46.9%. 46.3% reported that nothing had changed compared to the previous month (30.2%).

Size. The lowest raw material stocks index is for micro (-0.53) and medium (-0.48) enterprises. The large enterprises' indicator is equal to -0.35. The highest is the indicator of small enterprises (-0.28).

Region. The decrease in raw material stocks least affected the Rivne region, where the value of the index is equal to zero. Indicators of all other regions have a negative value, and the lowest indicator is for the Chernivtsi region (-0.76).

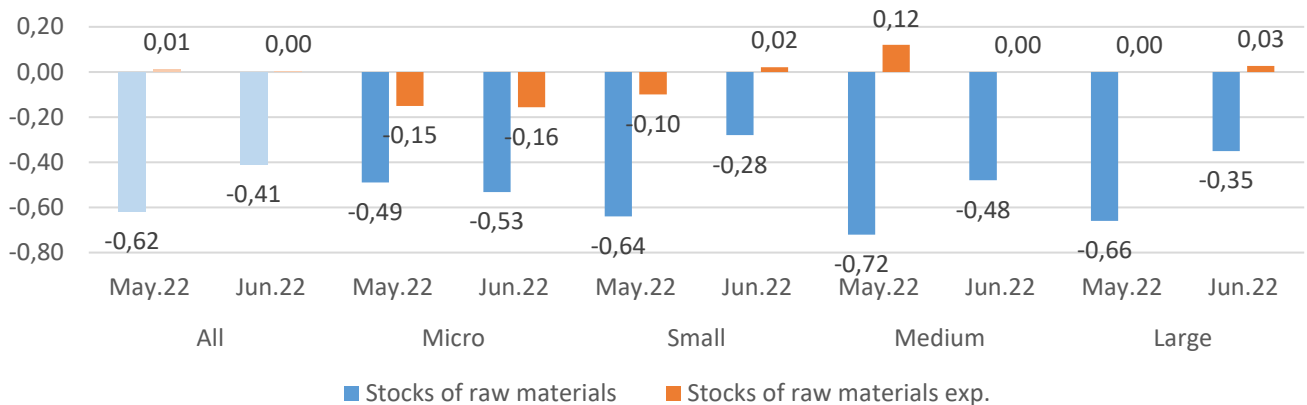
Expected changes in raw material stocks

At the same time, for the next three months, the entrepreneurs surveyed almost do not expect changes in this indicator: the *index of expected changes in finished goods stocks* is equal to zero (0.01 in May). While in May, the number of respondents who thought that stocks of finished products would increase/or decrease was the same and amounted to 23.3%, in June, the sharing changed slightly to 21.9%/22.2%, respectively. However, the share of those who believe the situation will not change has increased from 53.3% to 55.9%.

Size. The index of expected changes in raw material stocks for small, medium, and large enterprises differs slightly and is 0.02, 0.00, and 0.03, respectively, and is negative for micro-enterprises (-0.16).

Region. The highest index of expected changes in raw material stocks is for the Zaporizhya region and amounts to 0.53. The lowest value of the index is for the Cherkasy region - (-0.64).

Fig. 9. Indices of change in stocks of raw materials



STOCKS OF FINISHED GOODS

Changes compared to the previous month

The finished goods stock index increased significantly and is equal to -0.17 (was -0.33). The share of respondents who reported a decrease in stocks of finished goods decreased from 49.6% to 31.6%, while for 20.0% of respondents they increased (15.5% in May). The share of respondents who did not feel any changes increased from 48.4% to 34.9%.

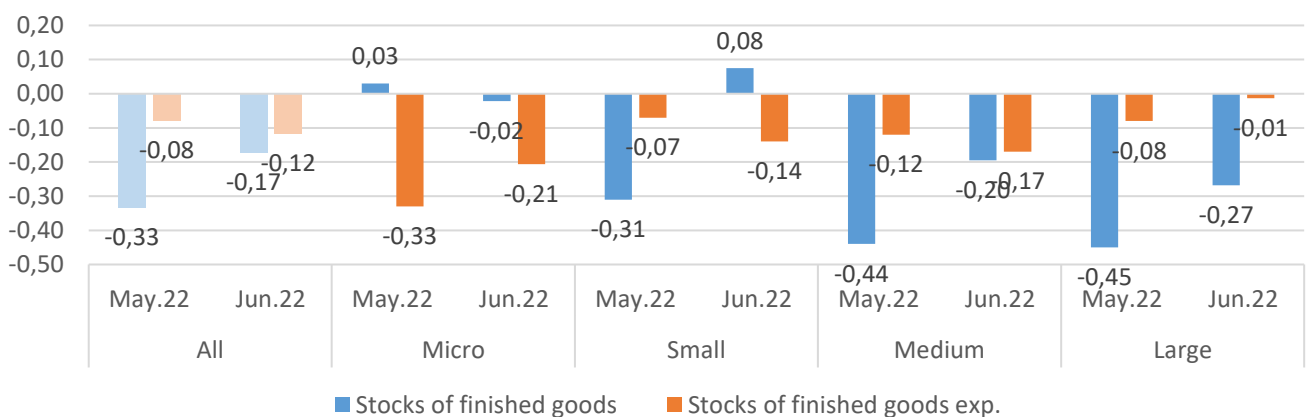
Size. The highest and only positive value of the Index of finished goods stocks is recorded for small enterprises (0.08). For micro-enterprises, this value is -0.02. At the same time, the indicator differs slightly for medium (-0.20) and large enterprises (-0.27).

Rigion. Among businesses in different regions, the most significant reduction in stocks is observed in Ivano-Frankivsk and Kirovohrad regions (the corresponding index was -0.60 and -0.83), and the highest values are for Sumy (0.29), Zakarpattya (0.25) and Volyn (0.23) regions.

Expected changes in finished goods stocks

The expected finished goods stocks index decreased from -0.08 to -0.12. The share of respondents who believes stocks of finished goods will decrease in the next three increased from 23.5% to 27.9%, while the share of those who expect them to increase rose from 11.5% to 15.1%. More than half of the respondents, 57.1%, believe no changes will take place (65% in May).

Fig. 10. Indices of changes in stocks of finished goods



Size. The indicator value differs slightly for small (-0.14), medium (-0.17), and micro (-0.21) enterprises. It is the highest for large enterprises (-0.01).

Region. The highest indicator of expectations is for the Cherkasy region and is 0.58. The values for Chernivtsi (-0.40), Odesa (-0.42), and Chernihiv regions (-0.44) and Kyiv (-0.45) are the lowest.

NEW ORDERS

Changes compared to the previous month

The *new orders index* in June compared to May increased from -0.52 to -0.30. The percentage of respondents who reported a decrease in the number of new orders last month declined from 67.8% to 43.9%. The percentage of those whose number of orders increased rose by only one-tenth from 14.3% to 14.4%. At the same time, the share of those who did not feel changes doubled from 17.8% to 41.7%.

Size. The distribution based on the size of enterprises is almost the same for small (-0.26) and medium (-0.25) enterprises. The value of large enterprises is -0.30, and the indicator of micro-enterprises is the lowest and is equal to -0.48.

Region. Among different regions, new orders decreased the most in Zaporizhyya (-0.68) and Ivano-Frankivsk (-0.67) regions, while in Rivne (0.18), Vinnytsya, and Cherkasy (0.09 each) regions they increased the most.

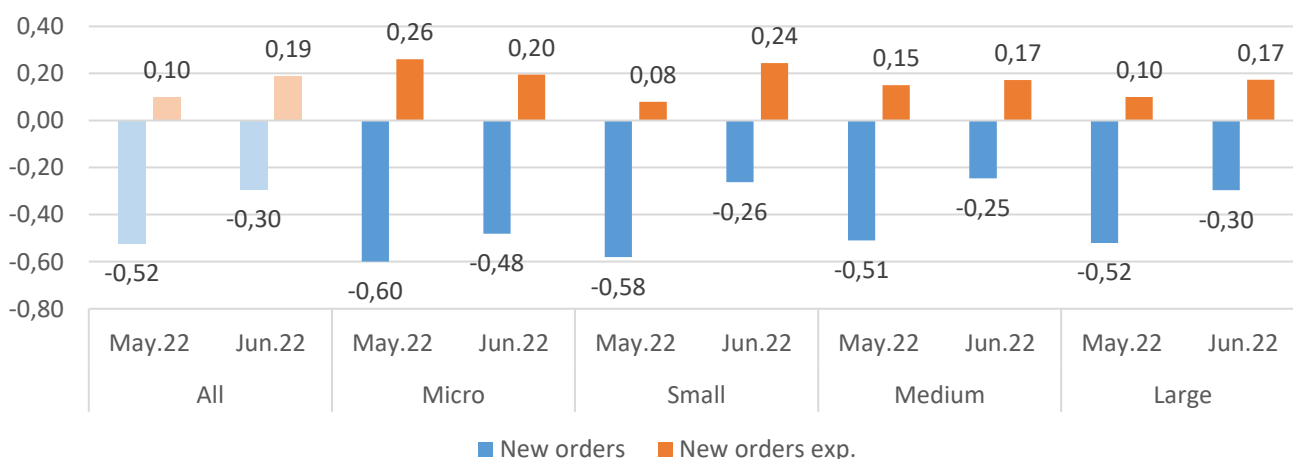
Expected changes to new orders

The business expects significant improvements in the next three months: the index of expected changes in the order portfolio is positive and increased from 0.10 to 0.19. The share of those who expect an increase in this indicator grew from 35.5% to 37.3%. And the share of those who believe that the number of orders will decrease shortened from 19.8% to 17.8%. 44.9% vs. 44.7% of respondents do not expect any changes in the next three months.

Size. The indicator of expectations is the same and the lowest for large and medium-sized enterprises (0.17). The indicator of micro-enterprises is 0.20, and the value of small enterprises is the highest - 0.24.

Region. In Dnipropetrovsk (0.60) and Cherkasy (0.58) regions, businesses expect an increase in new orders to a greater extent than in others. At the same time, in Sumy (-0.38) and Odesa (-0.40) regions, the expectations of a decrease in the number of new orders prevail the most.

Fig. 11. Indices of changes in new orders



ACCOUNT RECEIVABLES

Changes compared to the previous month

The value of the *account receivables index* decreased from 0.15 to 0.03. At the same time, the share of respondents who reported an increase in receivables decreased from 34.3% to 22.8%. And the share of those for whom it declined decreased from 17.5% to 19.5%. The share of those for whom nothing has changed over the past month has increased from 48.1% to 57.7%.

Size. The highest rate of receivables is for small businesses (0.10). At the same time, for micro-enterprises, this indicator is the lowest (-0.04).

Region. The highest increase in receivables was recorded in Kyiv, where the corresponding index was 0.64, and the highest decrease was in the Odesa region (-0.55).

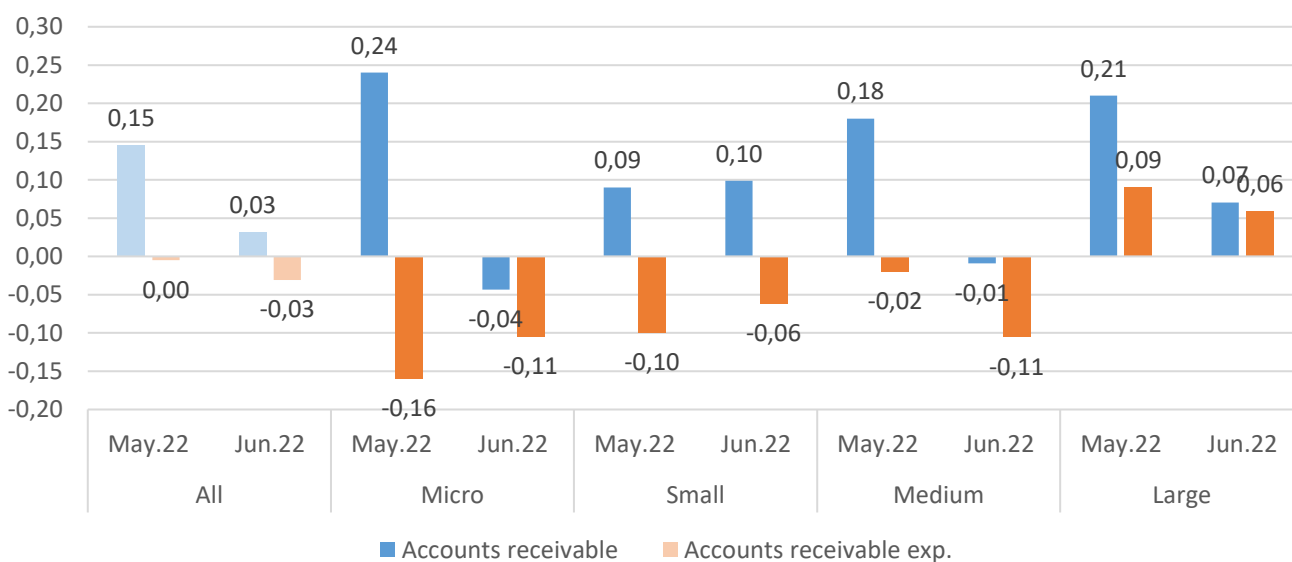
Expected changes in account receivables

Over the next three months, 11.1% of respondents expect an increase in this indicator (it was 10.2%). And the share of those expecting a decrease increased from 14% to 16.6%. The share of those who believe that nothing will change has decreased from 75.8% to 72.4%. The *index of expected changes in receivables* decreased from zero to -0.03.

Size. The only positive value is the figure for large enterprises, which is 0.06. For all other enterprises, the value is negative. It is the lowest for micro and medium enterprises (-0.11 each).

Region. Kyiv city shows the highest value (0.33). The lowest value of the indicator is for the Poltava region (-0.55).

Fig. 12. Indices of changes in receivables



ACCOUNT PAYABLES

Changes compared to the previous month

The *account payables index* decreased compared to May from 0.10 to 0.01. The share of respondents who reported an increase in payables decreased from 28.8% to 19.6%, while the share of those for whom it decreased changed only slightly, increasing from 17.6% to 17.9%. The share of those for whom nothing has changed over the past month has increased from 53.6% to 62.5%.

Size. The account payables index is the lowest and the only negative for medium-sized enterprises (-0.03). The indicators for small (0.04) and large (0.05) enterprises differ only slightly, and the indicator for micro-enterprises is slightly lower (0.02).

Region. Account payables increased the most for enterprises in Kyiv (the value of the corresponding index is 0.41) and decreased the most for businesses in Odesa (-0.52) and Sumy (-0.54) regions.

Expected changes in account payables

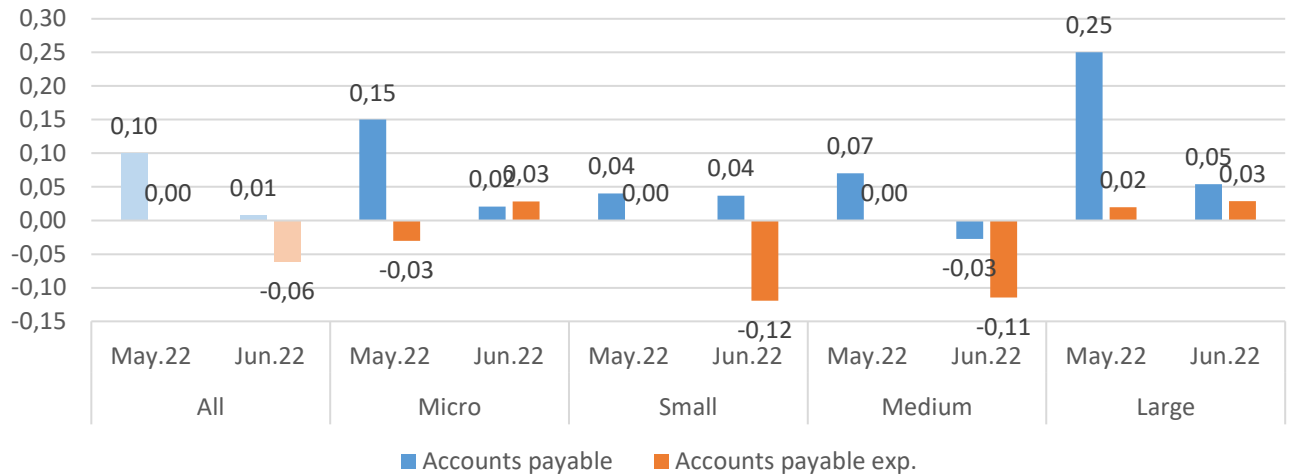
The *index of expected payables* is negative and decreased from zero to -0.06. If in May, the shares of respondents expecting an increase or decrease in payables were the same and amounted to 11.7%, in June, the percentage

was 19.6% and 17.9%, respectively. The share of respondents who believe nothing will change has decreased from 76.7% to 62.5%.

Size. The index of expectations is the same and positive for large and micro-enterprises and is equal to 0.03. At the same time, the value differs only slightly for small and medium enterprises and is -0.12 and -0.11, respectively.

Region. The expectations indicator is the highest for the Zaporizhya region (0.24) and the lowest for Odesa and Sumy regions (-0.44 each).

Fig. 13. Index of changes in account payables



TAX ARREARS

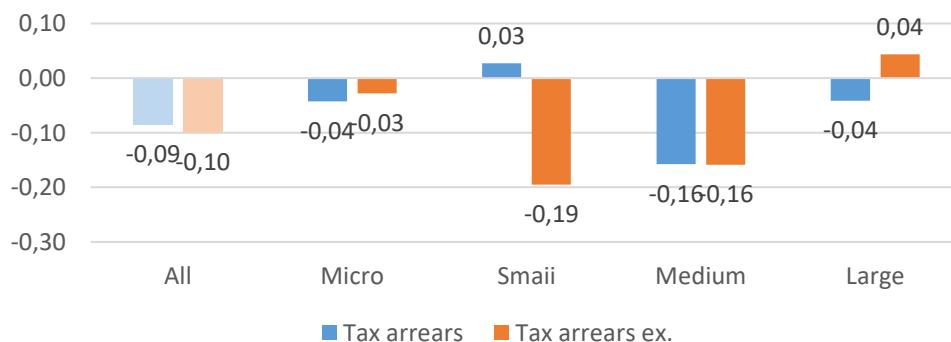
Changes compared to the previous month

The tax arrears index in June 2022 is -0.09. The share of enterprises that reported a decrease in tax arrears last month was 18.9%, while for 12.3% it increased. And 68.8% believe that no changes have taken place.

Size. The lowest tax arrears index is for medium-sized enterprises (-0.16). The indicator of micro and large enterprises is the same and is equal to -0.04. The indicator for small enterprises is the only one with a positive value and amounts to 0.03.

Region. Tax arrears increased the most for enterprises in Kyiv (0.28) and decreased the most for businesses in the Zaporizhya region (-0.40).

Fig. 14. Index of changes in tax arrears



Expected changes in tax arrears

The index of expected tax arrears is negative and equal to -0.10. 17.3% of respondents predict a decrease in tax arrears, while only 6.9% expect an increase. And 75.8% of respondents do not expect changes.

Size. The highest indicator of expectations is for large enterprises. It also has the only positive value - 0.04. The indicator of micro-enterprises is -0.03. At the same time, the indicators of small (-0.19) and medium (-0.16) ones do not differ much, although the values of small ones are the lowest.

Region. The expectations are the highest for the Zaporizhyya region (0.24) and the lowest for the Sumy region (-0.60).

NUMBER OF WORKERS

Changes compared to the previous month

The *index of the number of workers* at the enterprise increased from -0.54 to -0.30. The share of respondents surveyed who reported a decrease in the number of workers involved in all enterprise operations decreased from 57.8% to 36.1%. At the same time, the share of those who indicated an increase grew from 1.9% to 7.2%. For 56.7%, nothing has changed over the past month (it was 40.3%).

Size. This indicator is the lowest for small enterprises (-0.22). For micro and medium enterprises, the value does not differ and is -0.32. And the rate of large enterprises is -0.31.

Region. The highest employment rate is for Rivne and Chernihiv regions (0.05 each). The lowest values are for Zaporizhyya (-0.79) and Kyiv (-0.59) regions.

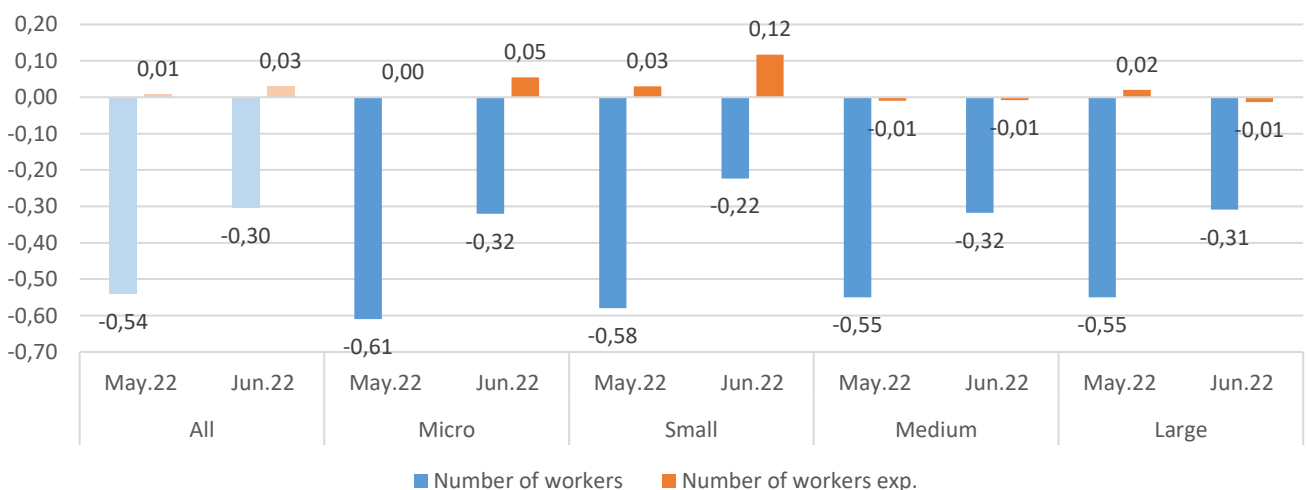
Expected changes in the number of workers

For the next three months, entrepreneurs and business managers expect some improvement: the *index of changes in the number of workers* increased from 0.01 to 0.03. At the same time, in May, the percentage of respondents who believed that the number of employees would increase or decrease was almost the same and amounted to 15.9% and 14.1%, respectively. And in June, this sharing was 17.4% and 14.0 %, respectively. The share of those who believe nothing will change has decreased slightly, from 69.9% to 68.6%.

Size. The indicators for large and medium-sized enterprises do not differ, have a negative value, and are -0.01. The indicator for micro-enterprises is 0.05, while the value for small enterprises is the largest and is equal to 0.12.

Region. The highest indicator of expectations is for Zaporizhyya (0.53). It is the lowest for the Odesa region (-0.45).

Fig. 15. Index of changes in the number of workers



WORKERS ON FORCED LEAVE

Changes compared to the previous month

Although the number of workers on forced leave index remained positive, it decreased significantly, from 0.35 in May to 0.05 in June. The share of business representatives who reported an increase in the number of workers on forced leave halved from 48.7% to 21.6%. At the same time, the share of those who indicated a decrease increased from 11.6% to 14.6%. The share of those for whom the situation has not changed over the past month has increased from 39.6% to 63.7%.

Size. The situation is the worst for micro-enterprises, where the corresponding index is 0.31. At the same time, for small, medium, and large enterprises, the value of the index differs only slightly - 0.06, 0.02, and 0.04, respectively.

Region. Among the different regions, such an increase is observed in Zakarpattya (0.58) and Zaporizhyya (0.53) regions, and the decrease in the number of workers on forced leave is most often reported in the Odesa region (-0.50).

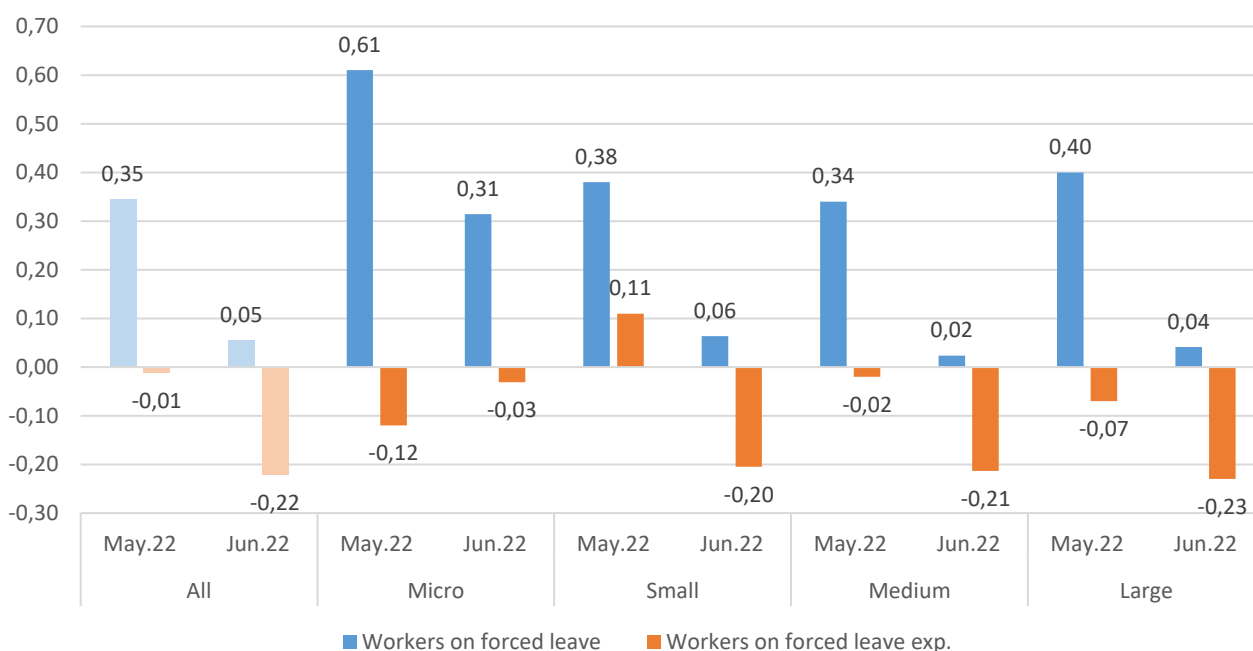
Expected change in the number of workers on forced leave

The index of expected changes in the number of workers on forced leave also decreased significantly, from -0.01 to -0.22. The percentage of those who believe that the number of such employees at their company will decrease increased from 13.8% to 25.9%. It is significantly higher than the percentage of those who believe that the number of workers on forced leave will increase - 6.3% (it was 13.4%). However, the share of those who think no change will take place decreased from 72.7% to 67.7%.

Size. Small businesses expect the highest increase in the number of workers on forced leave, and their index is -0.03. The indicators for small (-0.20), medium (-0.21), and large (-0.23) companies differ slightly and are significantly lower than the highest indicator.

Region. Businesses expect the highest increase in the number of workers on forced leave in the Zakarpattya region, (the corresponding index is 0.11). In the Zaporizhyya region (-0.59) and Kyiv city (-0.58), on the contrary, the expectations prevail that such workers will be fewer.

Fig. 16. Indices of changes in the number of workers on forced leave



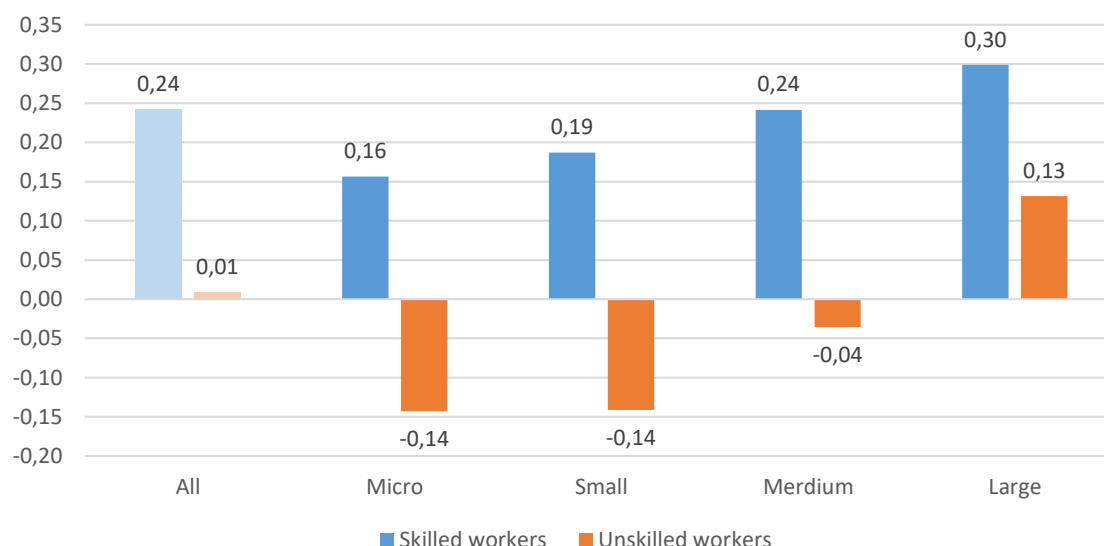
SKILLED AND UNSKILLED WORKERS

The *skilled workers' index* is positive (0.24) compared to the *unskilled workers' index*, where the value is negative, albeit close to zero (-0.01). It shows that entrepreneurs have more difficulty finding a skilled workforce. The share of business managers who indicated that skilled workers are harder to find is higher (29.7%) than the share of those who have difficulty finding unskilled workers (16.8%). At the same time, the percentage of those who indicated that it is easier to find unskilled workers (20.4%) is three times higher than those who find it easier to find skilled workers (6.6%). We should note that the share of those who do not experience any changes in the search for skilled workers (63.6%) is only slightly higher than the one for whom nothing has changed in searching for unskilled workers (62.8%).

Size. It is easier for micro (0.16) and small (0.19) enterprises and harder for medium (0.24) and large (0.30) ones to look for skilled workers. The index of difficulties in finding unskilled workers is the same for micro and small enterprises and amounts to -0.14. The index for medium-sized enterprises is -0.04. The only positive value is for large enterprises (0.13).

Region. It is easiest to look for skilled workers in Chernihiv (-1) and Vinnytsia (-0.05) regions. It is the most difficult in Poltava (0.54) and Dnipropetrovsk (0.67) regions. Chernihiv (-1) and Sumy (-0.69) regions do not have difficulties finding unskilled workers. Dnipropetrovsk (0.44) and Odesa (0.50) regions have the most difficulties finding unskilled labor.

Fig. 17. Indices of change in skilled and unskilled workers



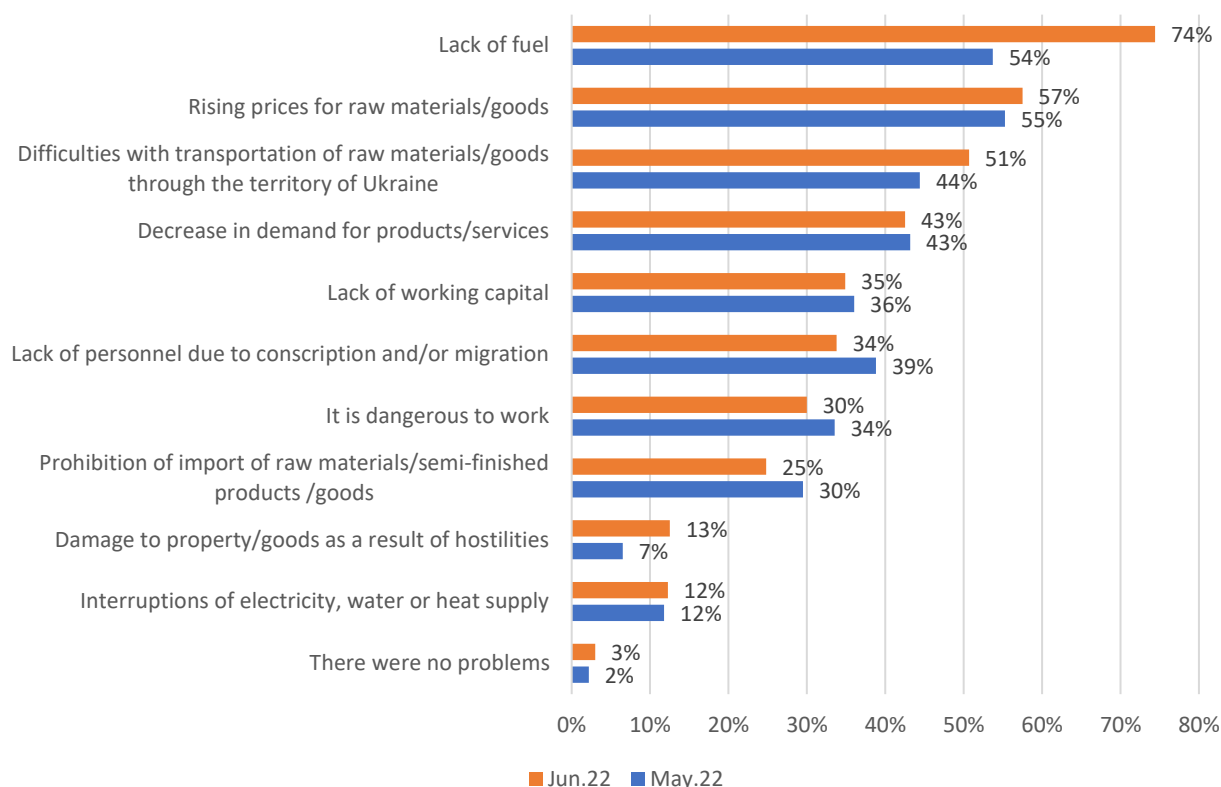
SPECIAL PART OF THE SURVEY

THE IMPACT OF WAR ON ENTERPRISES

Challenges to business in wartime

In June 2022, the lack of fuel was the biggest challenge for the surveyed businesses: it was reported by 74% of the enterprises. This share increased significantly compared to May 2022, when fuel shortages hindered 54% of enterprises, although being one of the main problems for business. The problem of rising prices for enterprises' raw materials or goods took second place with a strong breakaway. It was reported by 57% of the surveyed enterprises. It is almost the same as the results for May 2022, when the growth of production and goods costs was a problem for 55% of respondents and was also one of the most common problems for business.

Fig. 18. The most important problems for the business surveyed



Half of the enterprises (51%) report difficulties transporting raw materials or finished goods across Ukraine. This problem is the third biggest obstacle for businesses. In June 2022, it was reported slightly more often than in May (44%). The problem of declining demand for enterprises' products or services got the fourth place. 43% of the business surveyed complained about this, the same as in the previous month. About a third of the surveyed enterprises report such problems as the lack of working capital (35%), labor shortage due to conscription or their departure from the region (34%), and the fact that it is dangerous to work (30%). We should mention that the shares of businesses that experience labor shortages and say that it is dangerous to work decreased slightly over the month: in May 2022, they were, respectively, 39% and 34%.

25% of businesses said that the ban on raw materials imports from other countries is a problem for them. 13% of respondents reported property damage; 12% reported power outages and water or heat supply interruptions. At the same time, the share of the enterprises that report property damage increased compared to May 2022 (back then, this share was 7%). Some companies have mentioned other problems: corruption, interference by tax and regulatory authorities, low purchasing capabilities of the population, the excessive gap between the official and market exchange rates of foreign currencies, suspension of VAT refunds, and other problems. And only 3% of enterprises reported in June 2022 that they did not face any problems.

Challenges for businesses by size. Businesses of different sizes face various challenges caused by Russian aggression, but not to the same extent. Micro-enterprises differ from larger businesses as only for this size category the problem of fuel shortage did not come to the fore in June 2022. Here a decrease in demand for enterprises' products or services has the most negative impact. It is mentioned by 63% of micro business representatives. Instead, the problem of fuel shortage and the problem of rising prices for raw materials are in second place for micro-enterprises. Both of these problems are reported by 58% of managers of such enterprises.

For comparison, for small, medium, and large enterprises, the fuel shortage problem came to the fore. It is most often indicated by medium-sized enterprises (80% of them). At the same time, the importance of reducing the demand for enterprises' products or services, which has become a major obstacle for microbusinesses, decreases with the increase in enterprises' size. 48% of respondents indicate it among small enterprises, 39% among medium, and 29% among large. On the other hand, large enterprises are more likely than smaller businesses to complain about the ban on raw materials imports. 37% of them have faced this problem, while among micro, small and medium-sized businesses, from 13% to 24%. We should also note that the current problem of labor shortage due to the migration or conscription is sharper for small enterprises to a greater extent than for other categories of enterprises by size, including microbusinesses. It was reported by 43% of small enterprises. Micro-business more often than other businesses by size reported such problems as damage to property or goods due to hostilities (17%) and interruptions in electricity, water, or heat supply (21%).

Challenges for businesses by region. There are also differences in the impact of the problems created for business by Russian aggression at the regional level³. The problem of fuel shortage, which got first place in Ukraine as a whole, is reported by different shares of respondents in different regions. In Ivano-Frankivsk and Kirovohrad regions all respondents complain about it (100% each), and for most other regions this share is over 75%. And in the Dnipropetrovsk region and Kyiv, the shares of such enterprises are the smallest: 20% and 14%, respectively.

The increase in prices for raw materials and supplies is most acute for the businesses of the Ivano-Frankivsk and Rivne regions, where 91% of respondents pointed to this problem, and Sumy region, where they were 89%. In Chernivtsi (82% of respondents) and Volyn (78%) regions, businesses most often mention difficulties in transporting goods throughout Ukraine. The decrease in demand for products and services mostly affected enterprises in Volyn (65%), Vinnytsia (64%), and Khmelnytsky regions (61%). This problem also affected more than 50% of enterprises in the Chernihiv, Odesa, Sumy, and Zakarpattia regions. The lack of working capital is most acute among businesses in Kyiv (59%), as well as Rivne (55%) and Volyn (52%) regions. In Kyiv, more often than in other regions, businesses also point out a lack of labor due to the conscription or departure of employees (77% of respondents) and that it is dangerous to work (86%). The problem of workers' departure is also often reported in the Lviv region (65%), and the danger associated with work in Dnepropetrovsk (70%) and Vinnytsia (68%) regions.

The ban on raw materials imports from abroad affected the surveyed enterprises from Ternopil (73%) and Chernivtsi (65%) regions the most. Damage to property or goods due to military actions and interruptions in electricity, water, or heat supply is most often reported in Chernihiv (58% and 63% of respondents, respectively) and Odesa (52% and 57%, respectively) regions.

The war impact on production volume

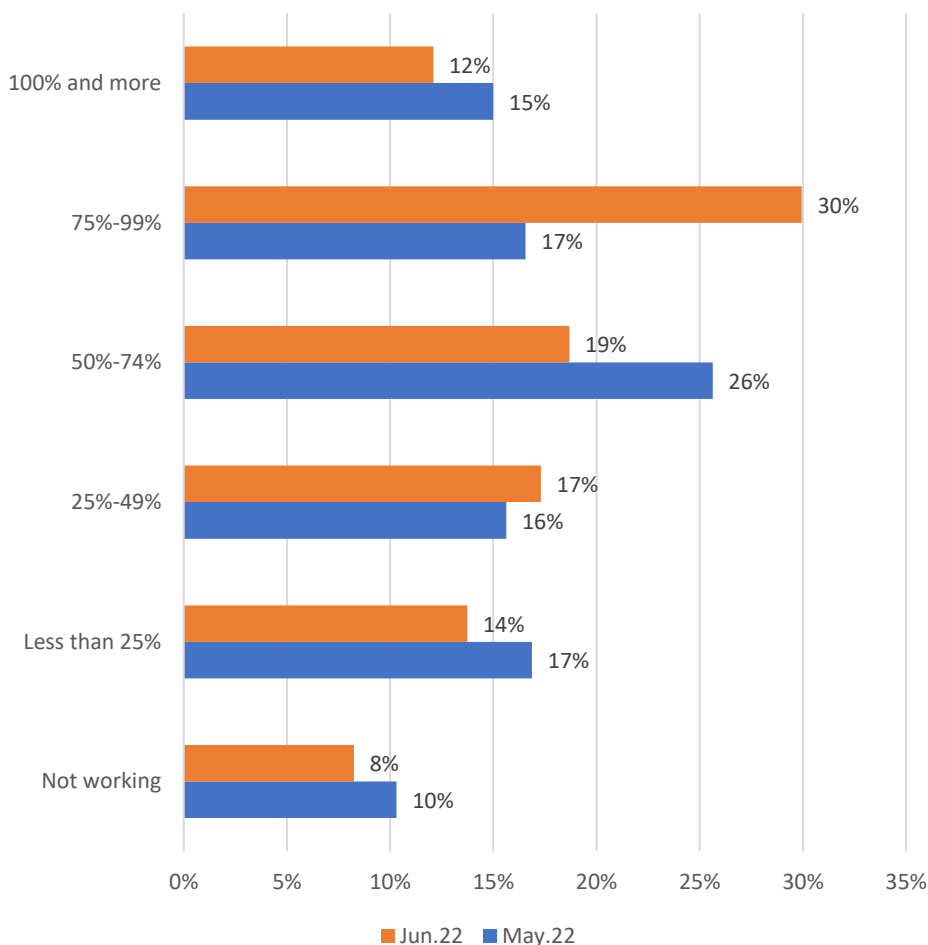
About 8% of companies surveyed said they had ceased operations during the war. It is approximately at the level of the previous month (10%), which may indicate a slow resumption of production among those companies that have completely stopped working. In contrast, in June, 12% of respondents worked at 100% or more compared to pre-war volumes (almost at the level of May - 15%).

The share of enterprises operating at near full capacity (75-99% of the pre-war volumes) has almost doubled from 17% in May to 30% in June. It may indicate a faster production recovery among some of the surveyed enterprises.

³ The comparison does not include regions where enterprises were not surveyed. For more details see the "Sample" chapter.

At the same time, the share of enterprises operating at less than 25% of pre-war production volumes (from 17% to 14%) and at the level of 50-74% (from 26% and 19%) decreased.

Fig. 19. The impact of war on the enterprises' work (% of respondents)



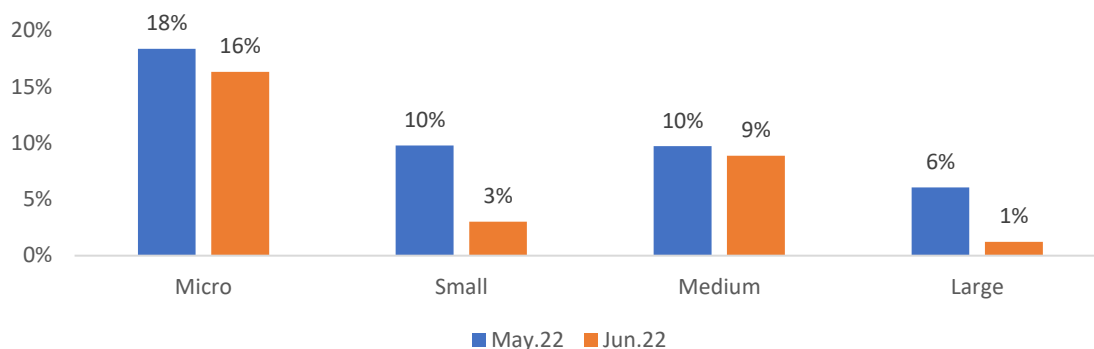
Results for businesses by size and industries⁴. Representatives of microbusiness feel the impact of the war on production the most. As in the previous wave, micro-enterprises have the highest share of businesses that do not work (16% in June vs. 18% in May). However, there is also a high share of inactive medium-sized enterprises (9% in June vs. 10% in May). At the same time, only 1% of large enterprises do not work (6% in May). Among small enterprises, the corresponding figure is also low: only 3% of respondents do not work (10% in May).

The highest share of entities that maintain production at 100% or more is among small businesses (14% of respondents). There is also a high share of enterprises operating at full capacity among medium and large entities (13% and 12%). At the same time, the corresponding figure is only 6% for micro-enterprises, which only confirms the greater war impact on microbusinesses.

The obtained results confirm some sectoral differences. For example, 9% of industrial enterprises and 10% of service representatives do not work. At the same time, no businesses in the agricultural sector have stopped working. In addition, 15% of industrial enterprises, 10% of agricultural enterprises, and only 7% of services work for less than 25% of pre-war capacity. For comparison, among representatives of services and agriculture, 20% of respondents work for 100% or more, and among industrial - only 11%. Thus, the production sector could suffer the most among the analyzed activities.

⁴ The results analysis is not available to the trade sector due to the insufficient content of the subsample.

Fig. 20. The share of enterprises that ceased operations compared to the pre-war period (by size of enterprise,%)

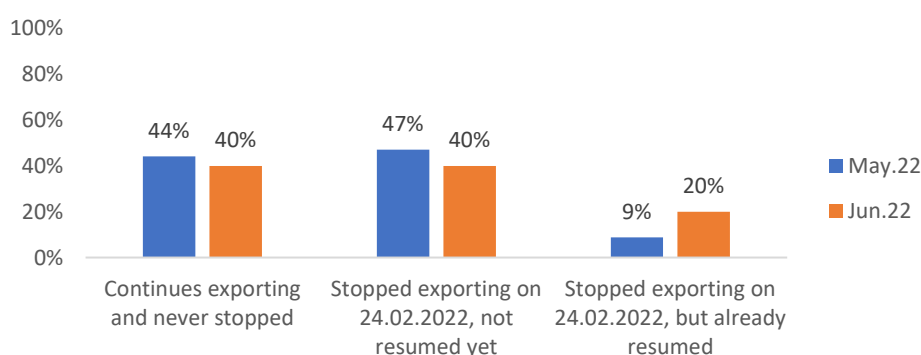


Results by region. The highest share of enterprises that do not work is recorded in the Odesa region (52%). There are also high shares of non-working enterprises in Zaporizhia (21%), Chernihiv (21%), Cherkasy (17%), Kirovohrad (15%), and Kyiv (10%) regions. A high number of non-operating enterprises in regions without active military actions may indicate the impact of the war on key enterprise markets, logistics, and supply. In contrast, no entities in the western regions have completely stopped operating. Western regions continue to show full capacity among many respondents. Thus, 64% of Rivne and 53% of Ternopil enterprises operate 100% or more. At the same time, in some regions, no enterprises are maintaining high production volumes (Dnipropetrovsk, Zaporizhya, Kirovohrad, Poltava, Sumy regions, and Kyiv city).

THE WAR IMPACT ON THE ENTERPRISES' EXPORT ACTIVITIES

Within the second wave of the survey, 56% of the enterprises surveyed (among those who were able to answer) were or are exporters (55% in the previous wave)⁵. The available responses of the exporting respondents confirm that a full-scale war has become a significant obstacle to foreign economic activity. For instance, 40% of surveyed exporters stopped exporting after February 24, 2022, and as of June, could not resume it. At the same time, the share of such enterprises decreased by seven percentage points compared to the previous month (from 47%). In contrast, the share of enterprises that stopped exporting but resumed it doubled from 9% to 20%. It may indicate that the business is actively working to resume export activities. Compared to the previous wave of research, the share of enterprises that want to start exporting for the first time has hardly changed. If in May 7% of respondents planned to launch exports, in June they were 5%. It confirms that part of the business remains optimistic about the future.

Fig. 21. Impact on export activities (% of exporters surveyed)

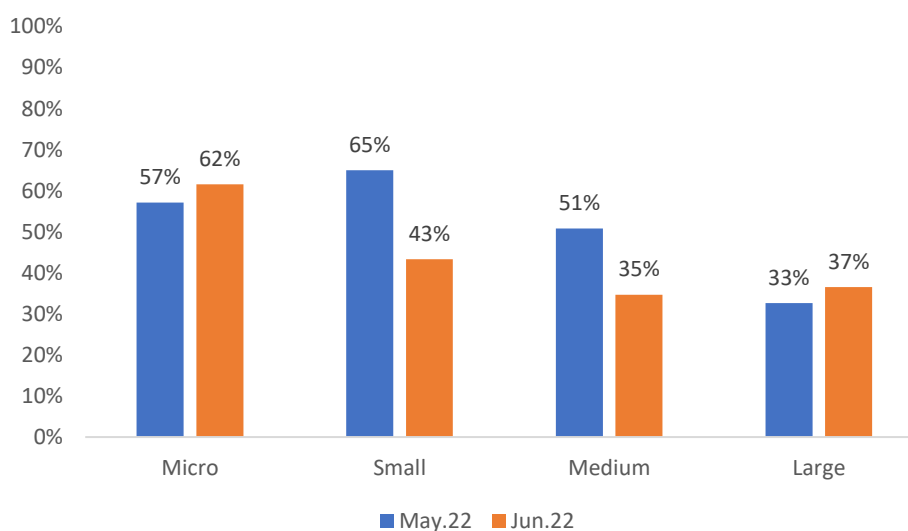


Results for businesses by size and industries. The results confirm that micro and small business export activities are currently experiencing more acute problems than medium and large businesses. For example, 62% of micro and 43% of small enterprises stopped exporting and could not resume export. At the same time, this share is 35%

⁵ We should note that such a high level of business involvement in export activities also reflects the characteristics of the sample for the survey, which primarily reflects the largest enterprises in the production industry.

among medium and 37% among large enterprises. In comparison, in the previous month, the negative war impact was felt more by the SME sector as a whole (65% of small and 51% of medium-sized enterprises against 33% of large ones in May). However, the SME sector was able to partially close the gap and resume operations within a month.

Fig. 22. Enterprises that stopped exporting but could not recover, by the size of enterprises (% of exporters surveyed)



About 90% of the exporters surveyed are representatives of the processing industry, and for other sectors, the sample is not representative. Thus, the export activities results primarily represent the situation in the production sector. At the same time, among industry representatives, 37% of respondents did not stop exporting, 43% completely stopped it did not resume, and 19% resumed it after suspension.

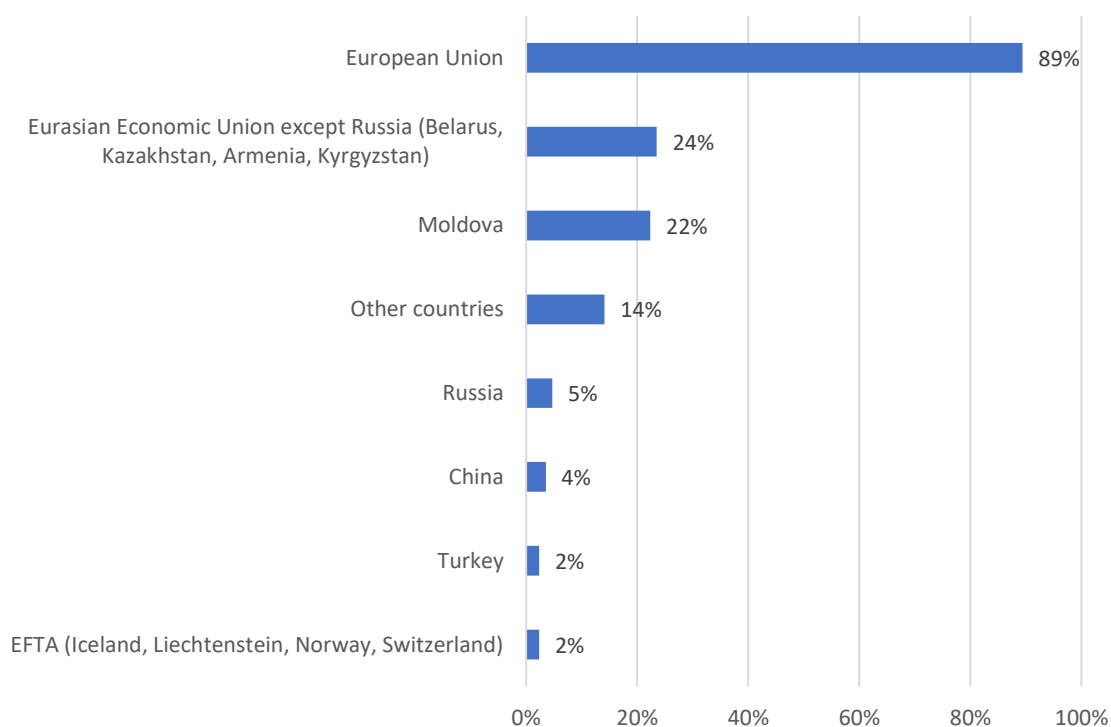
Results by regions⁶. As in the previous wave of the survey, there are no geographical patterns in the distribution of the results, which confirms the significant war impact on exporters in all regions. In particular, 44% of exporters from Dnipropetrovsk, 42% from Chernihiv, and 46% from Vinnytsia regions stopped export activity and did not resume it. At the same time, this indicator is 33% for the Kyiv region and 64% for the Poltava region. It confirms that exporters were affected by the war, regardless of the presence of military actions in the regions. Zakarpattya has the lowest share of enterprises that stopped exporting and could not recover - only 7% (in May - 13%).

The main export directions

According to the survey, the European Union is the main export destination for Ukrainian businesses. Over the past three months, 89% of active exporters surveyed exported to EU countries. At the same time, another 2% supplied their products to the countries of the European Free Trade Association (EFTA). Such results confirm that Ukrainian companies had more opportunities to maintain the European direction of exports due to military action and the naval blockade by Russia. In addition, 22% of enterprises exported to Moldova, which today is also one of the windows to Europe for the export activities of Ukrainian business. At the same time, only 4% of respondents exported to China, only 2% to Turkey, and 14% to other countries. We should mention that 24% of respondents exported to the countries of the Eurasian Economic Union except Russia (Belarus, Kazakhstan, Armenia, and Kyrgyzstan). In addition, despite the war, 5% of exporters made deliveries to Russia. However, this outcome may be caused by the closure of old contracts and a distorted perception of time during the war. Thus, they could deliver before the war began.

⁶ For some regions, the results are not available due to insufficient subsample size.

Fig. 23. Please indicate to which countries your company has been exporting in the last three months? (% of exporters surveyed who were able to respond)



For comparison, EU countries have traditionally been the main trade destination for Ukrainian exporters, according to the annual study "Trade Facilitation in Ukraine," prepared within the project "Public Initiative "For Transparent and Fair Customs."⁷ In 2021, 71% of respondents exported to the EU and 10% to the EFTA. In addition, they often exported to Russia (16.6%), Turkey (13.6%), and China (13.9%). Despite the different sampling methods, we can assume that the war forced the reduction of export destinations due to production and logistics problems.

Results for businesses by size and industries. The European Union remains the main export destination for enterprises of various sizes.⁸ 94% of small, 90% of large, and 88% of medium-sized enterprises exported to the EU. Thus, the results in this area differ slightly. At the same time, as enterprises grow, so does the prospect of more diversified exports. Thus, only 6% of small enterprises and 16% of medium and large ones supplied their products to other countries. Also, medium and large enterprises more often (19% and 39%) exported to the countries of the Eurasian Economic Union than small ones (12%). Also, medium and large enterprises mainly export to the EFTA, Turkey, and China. We should note that industrial enterprises dominate both in the study sample as a whole and in the exporters' subsample. Thus, the overall results generally reflect the situation primarily in the processing industry. At the same time, the analysis for other sectors is not available due to insufficient subsample size.

Number of trading partners

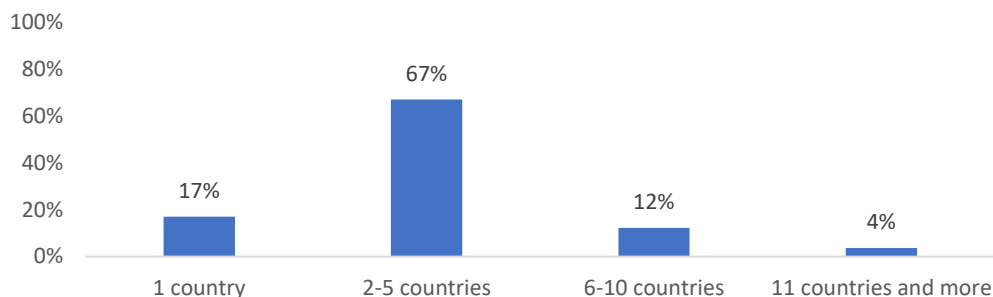
For the first time, respondents were asked to estimate the number of countries to which they exported products in the last three months. Most of the exporters surveyed (67%) export to two-five countries. At the same time, 12% of exporting respondents supplied their products to six-ten countries, and only 4% to eleven or more countries. A significant share of respondents delivered to only one country (17% of respondents). It may indicate a significant dependence of part of the business on a limited number of foreign markets. In May, half of the

⁷ Anhel Y., Kuziakiv O., Fedets I. Simplification of trade procedures in Ukraine: estimates and expectations of business, 2021. Kyiv, 2022. See <http://www.ier.com.ua/ua/publications/reports?pid=6894>

⁸ The subsample size is insufficient for micro-enterprises, so there is no analysis of the results for enterprises of this size.

exporters (50%) reported a decrease in the number of export destinations compared to the pre-war period. And only 30% of respondents did not feel any changes. Thus, a small number of destination countries in June may be due to a similar reduction in the number of available markets.

Fig. 24. The number of countries to which the company has exported in the last three months (% of exporters surveyed who were able to respond)



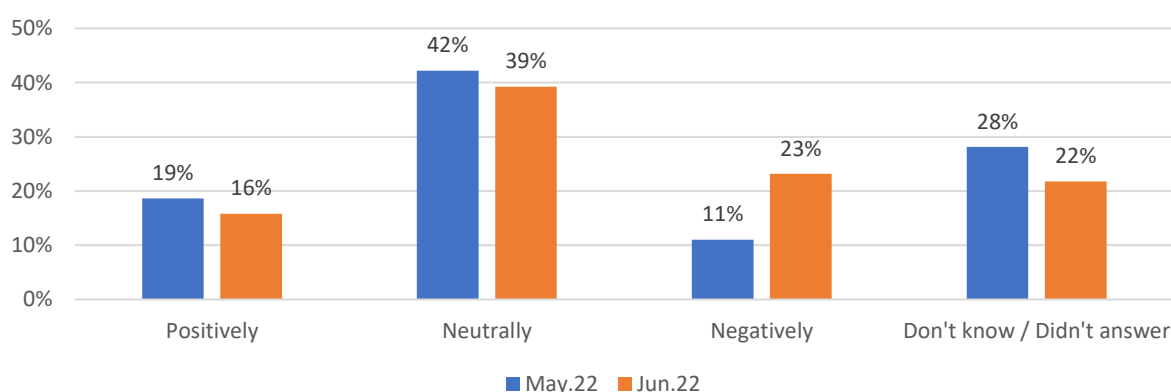
Results for businesses by size^{9,10}. The export opportunities of enterprises increase with the growth of their size. SMEs are more likely to have buyers in only one country. For example, 25% of small, 19% of medium, and 7% of large enterprises indicated delivery of goods to only one country. A similar distribution of results is also among enterprises that deliver goods to two countries – 31% for small, 19% for medium, and 17% for large ones. At the same time, mainly medium and large businesses deliver goods to more than five countries.

GOVERNMENT POLICY

Assessment of government policy to support business

The interviewed enterprises representatives assessed the government policy to support business for the second time. Compared to May 2022, in the June survey, the share of the respondents unable to assess the policy decreased: from 28% to 22%. Instead, the frequency of negative government policy assessments increased: while in May 2022, 11% of respondents gave negative assessments, in June, the corresponding share was 23%. The most common assessments remain neutral. In June, they were made by 39% of respondents. 16% assessed the state policy on business support positively. The shares of positive and neutral assessments decreased slightly compared to May.

Fig. 25. Assessment of government policy to support business



Positive assessments of how the state supports business are most often given by small (20%) and medium (17%) enterprises, while among micro and large enterprises these shares are about twice smaller. In turn, representatives of large enterprises are more likely than other businesses to assess government support to the

⁹ The results are not available for micro-enterprises due to insufficient sample size.

¹⁰ The results in the subsample are representative only for industry.

business negatively. 33% gave negative assessments, while among representatives of smaller enterprises – no more than 25%. Microbusinesses are noted by the largest share of the respondents who could not assess the state policy to support business: 27%.

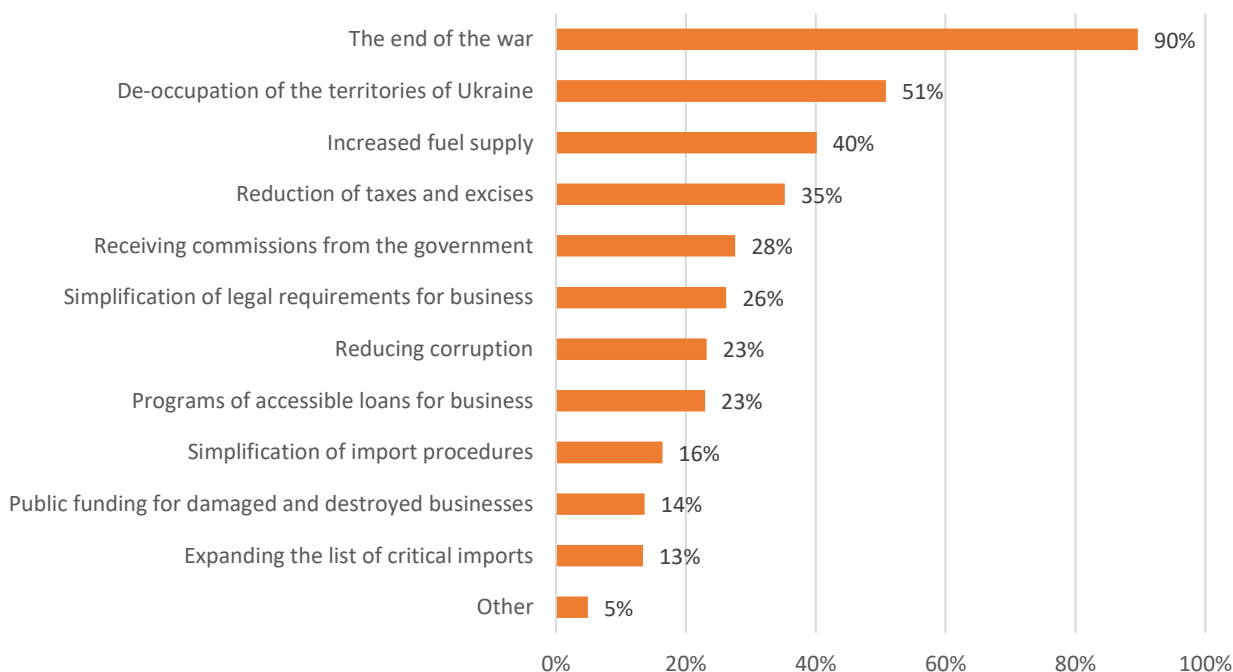
In the Ternopil region, the surveyed businesses are more often positive about the government policy on business support than in other regions. Here, 47% of respondents gave positive assessments of this policy and none of the the respondents gave negative ones. On the other hand, more than half of the respondents in Kirovohrad (62%), Zaporizhya (53%), and Odesa (52%) regions assessed the state policy on business support negatively. At the same time, in Zaporizhya and Kirovohrad regions, none of the respondents gave positive assessments. In addition, the highest share of respondents (45%) who could not answer this question was recorded in the Vinnytsya region.

What will improve the situation for businesses? Expected steps and changes

Ukrainian businesses are looking forward to the end of the war most of all. Speaking about the events and changes that would best improve the situation for their business, 90% of the respondents named the end of the war as such an event. Besides this, the opinions of business representatives diverge. 51% of the respondents said that the situation for their business would improve with the de-occupation of the territories of Ukraine. This change came in second place among the expected events and changes for business.

Although the lack of fuel was the most acute problem for the surveyed enterprises in June 2022, the increase in fuel supplies ranks third among the expectations: after the end of the war and de-occupation of Ukraine. It was named as the expected event by 40% of business representatives. About a third of respondents (35%) expect the reduction in taxes and excise duties. Approximately one in four respondents believe that government commissions (28%), simplification of legal requirements for business (26%), reduction of corruption (23%), and availability of affordable loan programs for business (23%) will improve the situation for their business. Less than 20% of respondents chose options such as simplifying import procedures, expanding the list of critical imports, and financing the affected and destroyed business by the state.

Fig. 26. Expected measures and changes that, according to respondents, will improve the situation of their business



Some respondents added their own expectations for their business. They include unification of high-tech equipment certification in Ukraine and the EU, reduction of bureaucratic procedures, opportunity for men to go on business trips abroad, skilled personnel training, and return of skilled specialists.

In the previous monthly survey, in May 2022, enterprises' representatives could name their own options for expected steps of government economic or regulatory policy that would improve the situation for their enterprises. Answers to this question most often included expectations of tax and customs benefits, affordable loans, simplification of legislation and customs procedures, government orders and investments in the reconstruction of war-affected businesses, as well as information and advice on new business conditions during martial law. In addition, in a previous survey, respondents often indicated on their own initiative that Ukraine needed to win the war first and for peace to come. This answer was the most common in various wordings, although it went beyond the question, which in the previous survey concerned only economic or regulatory measures.

Expected measures and changes by the enterprise size. The end of the war is a top priority for businesses of all sizes. The largest shares of business managers in each group of enterprises by size chose this option, answering the question of what changes or events would improve the situation for their business. They ranged from 92% among micro and small businesses to 84% among large ones. At the same time, the de-occupation of Ukraine's territories is the most critical from the point of view of big business: 61% of representatives of this enterprise group expect this. Large enterprises also differ from smaller ones as the issue of reducing taxes and excises is not so acute for them. It is expected by 24% of large enterprises compared to 37% -40% of other enterprises grouped by size.

About a third of micro and small enterprises would like to receive commissions from the government. It is more than among medium-sized and large enterprises, where about a quarter of respondents expressed such a desire. And micro-businesses pay more attention than other companies to the reduction of corruption: 33% of micro-enterprises expect this, while among other business groups, this share does not exceed 26%. It is also worth noting that the need for affordable loans for businesses is growing along with the reduction in the size of enterprises. Among large enterprises, the share of those hoping to obtain affordable loans is the lowest: 16%. It gradually increases to 20% for medium-sized enterprises and up to 28% for small ones. And for micro-enterprises, it is the highest: 33%.

Expected measures and changes by region. In most regions, 75% or more of local surveyed businesses named the end of the war among the events and changes that would help them the most. In some regions, such as Dnipropetrovsk, Lviv, Odesa, Ternopil, and Khmelnytsky, the share of the business that considers the end of the war to be one of the most necessary events reaches 100%. On the other hand, the end of the war was not mentioned as much often in Ivano-Frankivsk, Kirovohrad, and Chernivtsi regions. But even here, the share of the surveyed business, which named it among the most-needed changes, exceeds 50%.

In Ivano-Frankivsk and Chernivtsi regions, as well as in Lviv, Rivne, and Ternopil regions, more than 80% of business representatives said that their business needed the de-occupation of Ukraine's territories. These shares of respondents are higher here than in other areas. An increase in fuel supplies is most expected in Zakarpattya (95% of respondents) and Volyn (78%) regions, and a decrease in taxes and excises in Sumy (61%), Zakarpattya and Ternopil regions (more than 50% of respondents).

The business of Kyiv is waiting for orders from the state more than those located in other regions. 68% of local businesses said that these orders would improve the situation for their business, and in other regions, the corresponding share does not exceed 55%. In Poltava and Cherkasy regions, the highest shares of business managers expect simplification of legal requirements for business: they are equal to or exceed 50%. Reducing corruption is especially important for businesses in Odesa (61%), Ternopil (53%), and Zakarpattya regions (50%). The need to simplify import procedures is most often expressed by enterprise representatives in the Chernivtsi region (59%). In addition, in Chernivtsi and Ivano-Frankivsk regions, businesses consider it necessary to expand the list of critical imports more often than in other regions (47% and 45%, respectively).

SURVEY METHODOLOGY

This report presents the results of the second Monthly Survey “Ukrainian Business in the Wartime”. A monthly enterprise survey is conducted using a combination of several data collection methods: self-completion of the online checklist and telephone interviews of business representatives filling out their responses into an online check-list.

First, the IER sent out a questionnaire to Ukrainian companies as an online form. Some respondents filled it out themselves. The IER also conducted a survey through partners in the regions, when the same questions were asked to business representatives by interviewers, and their answers were added to an online checklist. As a result, all responses (filled by the respondents themselves and provided to the interviewers) were collected in one database. After the survey, IER experts monitored and cleaned up the data and analyzed the responses.

In this survey, we continue examining the indicators of the business climate and conditions studied by the IER in the quarterly surveys of industrial enterprises within the project "Business Survey." It includes aggregated industry prospects indicator and indices that in numerical terms show recent changes in such important business indicators as production and sales, exports, raw materials and supplies stocks, the new orders number, etc., and business expectations for their chances for the next one-two months short period.

These indices are calculated according to a single methodology. We count responses as +1 when the company responds that the rate has increased, 0 if it has not changed, and -1 if it has decreased. For example, if out of 100 respondents, 20 indicated an increase in production, 50 respondents its reduction, and 30 said that everything remained unchanged, the corresponding value of the index will be -0.30. A positive (negative) index value means that the share of enterprises where production has increased is larger (smaller) than the number of those where production has decreased.

Such indices help control the dynamics of changes in these indicators, compare them over time and quickly assess the general direction of changes in business conditions and the situation at the enterprises.

The field phase of the survey lasted from June 2 to June 10, 2022.

THE SAMPLE

A total of 367 companies were surveyed in the second wave of the survey. They are located in Vinnytsia, Volyn, Dnipropetrovsk, Zakarpattia, Zaporizhya, Ivano-Frankivsk, Kyiv, Kirovohrad, Lviv, Odesa, Poltava, Rivne, Sumy, Ternopil, Khmelnytskyi, Cherkasy, Chernivtsi and Chernihiv regions as well as in Kyiv city. There are from 10 to 31 enterprises surveyed in each of these regions¹¹.

The largest share of the sample are industrial enterprises: 320 enterprises or 87% of the sample. Another 30 enterprises (8% of the sample) are service enterprises. The agricultural and trade sectors account for a small share of the enterprises surveyed. They are ten agricultural enterprises (3% of the sample), and seven enterprises in the trade sector (2% of the sample).

There are enterprises differing in sizes determined by the number of employees among the companies surveyed. 52 enterprises, or 14% of the sample, are micro-enterprises (up to 10 employees inclusive). 103 enterprises, or 28% of the sample, are small companies (from 11 to 50 employees). Medium-sized enterprises (from 51 to 250 employees) amount to 129 or 35% of the sample. 83 enterprises, or 23% of the sample, are large enterprises (more than 250 employees).

¹¹ The survey indicated the area in which the company was before the full-scale Russian invasion on February 24, 2022.

APPENDIX 1. Survey results in figures

Performance indicators of enterprises and business environment

Performance indicators of enterprises and business environment by size, indices of change (June 2022)

	Total	Micro	Small	Medium	Large
Production	-0.30	-0.54	-0.17	-0.26	-0.35
Expected changes in production	0.22	0.10	0.35	0.21	0.18
Sales	-0.36	-0.55	-0.27	-0.31	-0.39
Expected sales changes	0.23	0.10	0.33	0.19	0.22
Export	-0.48	-0.59	-0.20	-0.49	-0.55
Expected changes in exports	0.11	-0.10	0.16	0.10	0.11
Account receivables	0.03	-0.04	0.10	-0.01	0.07
Expected changes in account receivables	-0.03	-0.11	-0.06	-0.11	0.06
Account payables	0.01	0.02	0.04	-0.03	0.05
Expected changes in accounts payable	-0.06	0.03	-0.12	-0.11	0.03
Tax arrears	-0.09	-0.04	0.03	-0.16	-0.04
Expected changes in tax arrears	-0.10	-0.03	-0.19	-0.16	0.04
Stocks of raw materials	-0.41	-0.53	-0.28	-0.48	-0.35
Expected changes in stocks of raw material	0.00	-0.16	0.02	0.00	0.03
Stocks of finished goods	-0.17	-0.02	0.08	-0.20	-0.27
Expected changes in stocks of finished goods	-0.12	-0.21	-0.14	-0.17	-0.01
New orders	-0.30	-0.48	-0.26	-0.25	-0.30
Expected changes in new orders	0.19	0.20	0.24	0.17	0.17
Number of workers	-0.30	-0.32	-0.22	-0.32	-0.31
Expected changes in the number of workers	0.03	0.05	0.12	-0.01	-0.01
Number of workers on forced leave	0.05	0.31	0.06	0.02	0.04
Expected changes in the number of workers on forced leave	-0.22	-0.03	-0.20	-0.21	-0.23
Assessment of the business activity	-0.32	-0.54	-0.33	-0.27	-0.29
Expected changes in the business activity	0.15	-0.10	0.32	0.06	0.26
Assessment of overall economic environment	-0.44	-0.57	-0.45	-0.40	-0.43
Expected changes in the overall economic environment	0.16	0.03	0.33	0.13	0.15
Skilled workers	0.24	0.16	0.19	0.24	0.30
Unskilled workers	-0.01	-0.14	-0.14	-0.04	0.13

Challenges faced by business in wartime

Challenges faced by business in wartime, by size of business, indices of change (June 2022)

	Total	Micro	Small	Medium	Large
Lack of fuel	74%	58%	75%	80%	76%
Rising prices for raw materials, supplies, goods	57%	58%	59%	56%	58%
Difficulties to transport raw materials/ goods throughout Ukraine	51%	42%	49%	53%	54%
Decrease in demand for products/services	43%	63%	48%	39%	29%

Lack of working capital	35%	38%	40%	34%	28%
Labor shortage due to conscription and/or migration	34%	21%	43%	34%	30%
It is dangerous to work	30%	21%	34%	33%	25%
Ban for import of raw materials/semi-finished products/goods	25%	13%	24%	22%	37%
Damage to property/goods due to hostilities	13%	17%	9%	14%	12%
Interruptions to electricity, water or heat supply	12%	21%	8%	13%	11%
Did not face problems	3%	0%	1%	1%	2%

Assessments of the government policy to support business

Assessment of the government policy on business support by the size of the business, (June 2022) % of respondents

	Total	Micro	Small	Medium	Large
Positive	16%	10%	20%	17%	12%
Neutral	39%	39%	42%	42%	33%
Negative	23%	25%	16%	23%	33%
Don't know / Didn't answer	22%	27%	22%	19%	23%

Expected steps and changes for business

Expected steps and changes for business (June 2022), by business size

	Total	Micro	Small	Medium	Large
The end of the war	90%	92%	92%	90%	84%
De-occupation of Ukraine's territories	51%	33%	57%	46%	61%
Increase in fuel supply	40%	44%	38%	41%	40%
Reduction of taxes and excises	35%	38%	37%	40%	24%
Receiving state orders	28%	35%	31%	23%	25%
Simplification of legal requirements for business	26%	27%	30%	23%	25%
Reducing corruption	23%	33%	17%	26%	20%
Affordable loans programs for business	23%	33%	28%	20%	16%
Simplification of import procedures	16%	12%	11%	21%	19%
Government funding for damaged and destroyed businesses	14%	10%	16%	13%	16%
Expanding the list of critical imports	13%	10%	6%	17%	19%
Other	5%	10%	3%	7%	1%

The war impact

Assessments of the war impact on the volume of goods and services production (by size of business), % of respondents (June 2022)

	Total	Micro	Small	Medium	Large
The company does not work	8%	16%	3%	9%	1%
Works on less than 25% of pre-war volumes	14%	20%	16%	10%	14%
Approximately 25% -49% of pre-war volumes	17%	29%	16%	14%	19%
Approximately 50% -74% of pre-war volumes	19%	12%	18%	22%	21%
Approximately 75% -99% of pre-war volumes	30%	16%	32%	33%	33%
100% or more of the pre-war volumes	12%	14%	13%	12%	12%

The war impact on export

Changes in export activity due to the war, (June 2022) % of respondents

	Total	Micro	Small	Medium	Large
The company exports as of today and did not stop during the war	40%	31%	37%	43%	42%
The company stopped exporting after the full-scale war began on 24.02.2022 and now does not export	40%	62%	43%	35%	37%
The company stopped exporting after the full-scale war began but has now restored it	20%	8%	20%	22%	21%

Export directions (June 2022),% of respondents

	Total	Micro ¹²	Small	Medium	Large
EU countries	89%	-	94%	88%	90%
European Free Trade Association countries (Norway, Switzerland, Iceland, Liechtenstein)	2%	-	0%	0%	6%
Russia	5%	-	6%	0%	6%
Countries of the Eurasian Economic Union except Russia (Belarus, Kazakhstan, Armenia, Kyrgyzstan)	24%	-	12%	19%	39%
Turkey	2%		0%	0%	6%
China	4%		0%	9%	0%
Moldova	22%		24%	19%	26%
Other	14%		6%	16%	16%

¹² The subsample size is insufficient for the analysis of micro-enterprises in this issue.