Main economic tendencies/business expectations in October 2022

(based on the results of the New Monthly Enterprise Survey)

Specially prepared for the meeting on November 15, 2022

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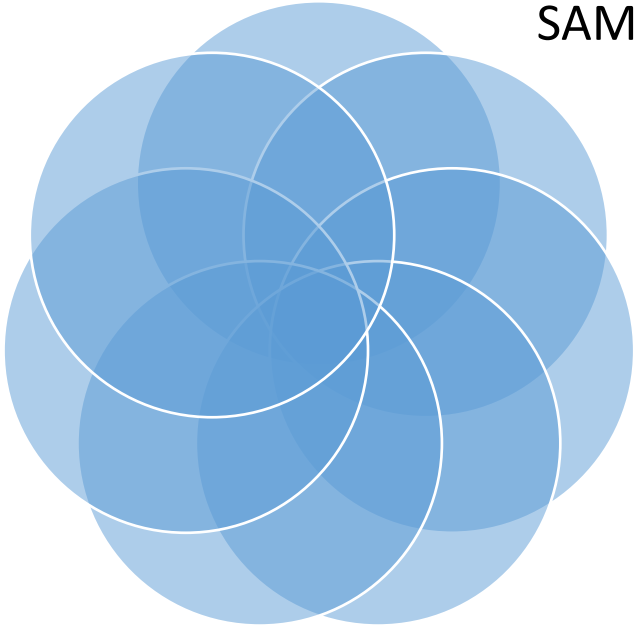
November 15, 2022

ABOUT THE NEW MONTHLY SURVEY

Monthly survey

The field stage of the survey is **October 17-28,2022**

SAMPLE: **468 e**nterprises were surveyed in October 2022



6 monthly surveys have been conducted (since May 2022)

Enterprises of all sizes

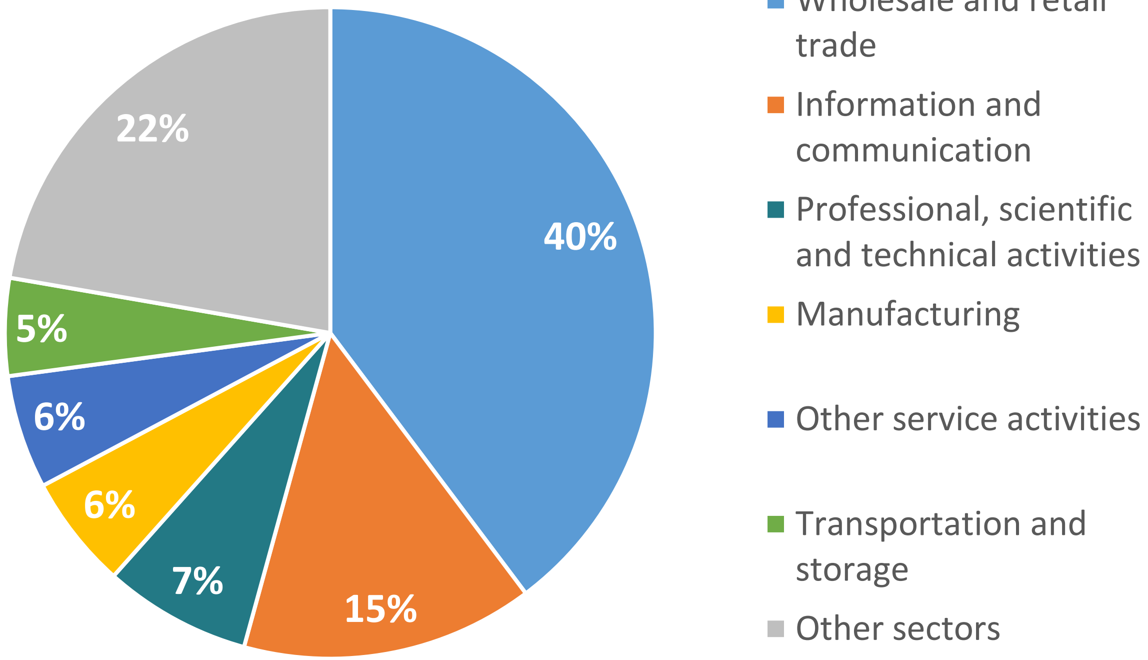
Sectors: Industry +

(Retail, Agro)

Geography: 21 out of 27 regions of Ukraine

SME Sector in Ukraine

Distribution of SMEs by sectors (2021)



- SMEs (enterprises and individual entrepreneurs) constitute almost 100% of businesses in Ukraine
- SMEs provide 82% of workplaces in the business sector
- SMEs contribute 66% of turnover of business entities
- SMEs provide 32% of Ukraine's exports
- SMEs (small and medium size enterprises) provide 68% of value added (2020)

Source: The State Statistical Service of Ukraine

Impediments to business: impacted by russian rockets' terror and price growing

Inflation will probably be high because the problem of rising prices for raw materials or goods continues to top the list of obstacles (the highest share over the entire survey period)

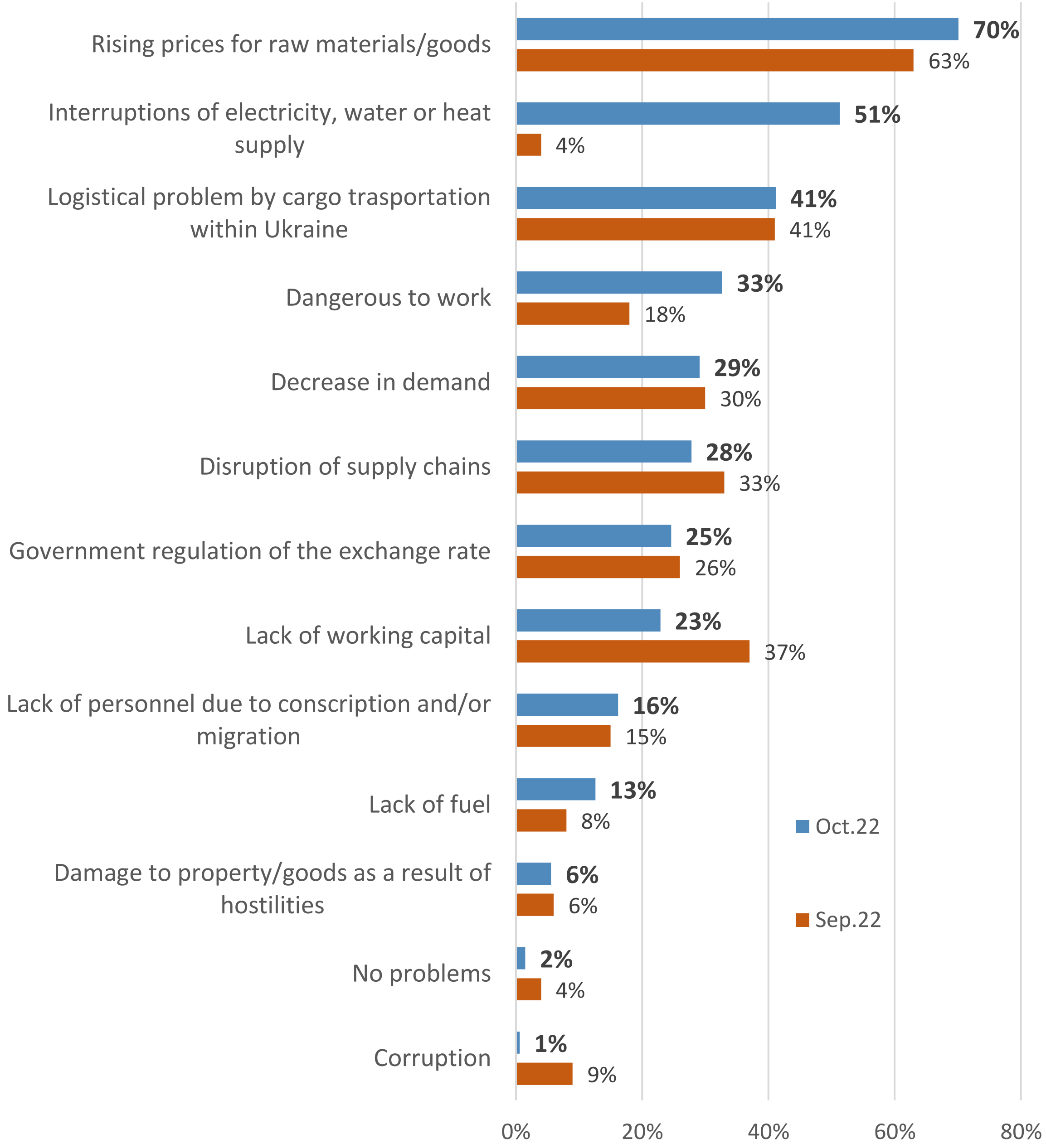
In almost 13 times (!!) increased importance of obstacles "interruptions of electricity, water or heat supply" and it brings the obstacle in 2nd place (51% of respondents)

Logistical problems within Ukraine remain at the 3rd position in the rating

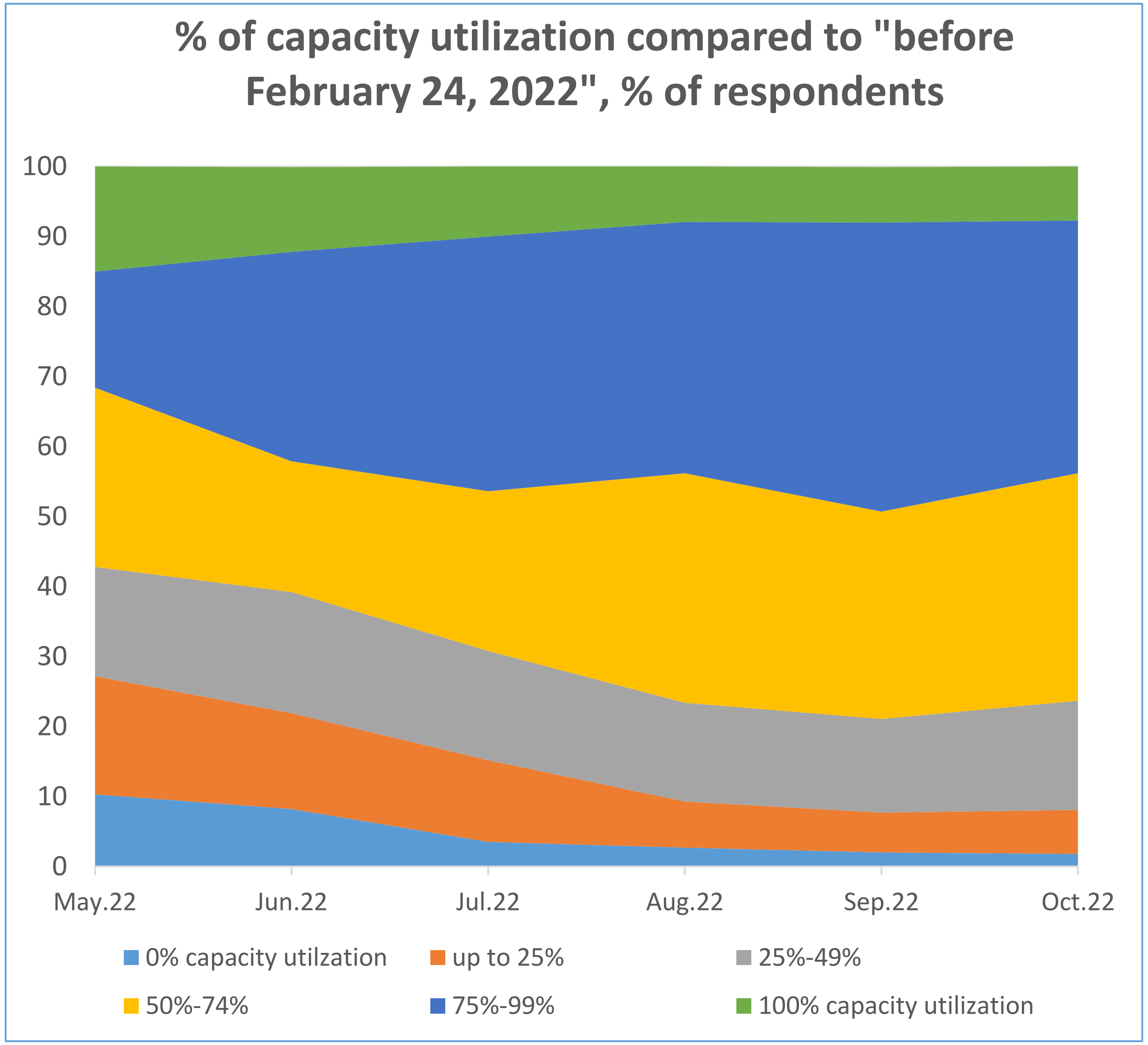
Enterprises felt less secure themselves in October (from 18% till 33% increase % of answer "it is dangerous to work"), this imped took 4th position

The problem of lack of personnel became less important at the background of October events

SMEs are more likely to experience financial and demand issues and larges businesses – infrastructure and logistical issues.



In October, the recovery of production slowed down



Positive:

- Only 2% of surveyed enterprises do not operate (2% in September), and only 6% of enterprises are loaded by less than 25% (as was in September).

Mix:

- While the share of enterprises that operated at full capacity is quite low, the deterioration of the indicator has stopped (8% recorded in 3 months in a row (October, September, and August in contrast 15% in May, 12% in June, 10% in July).

Negative:

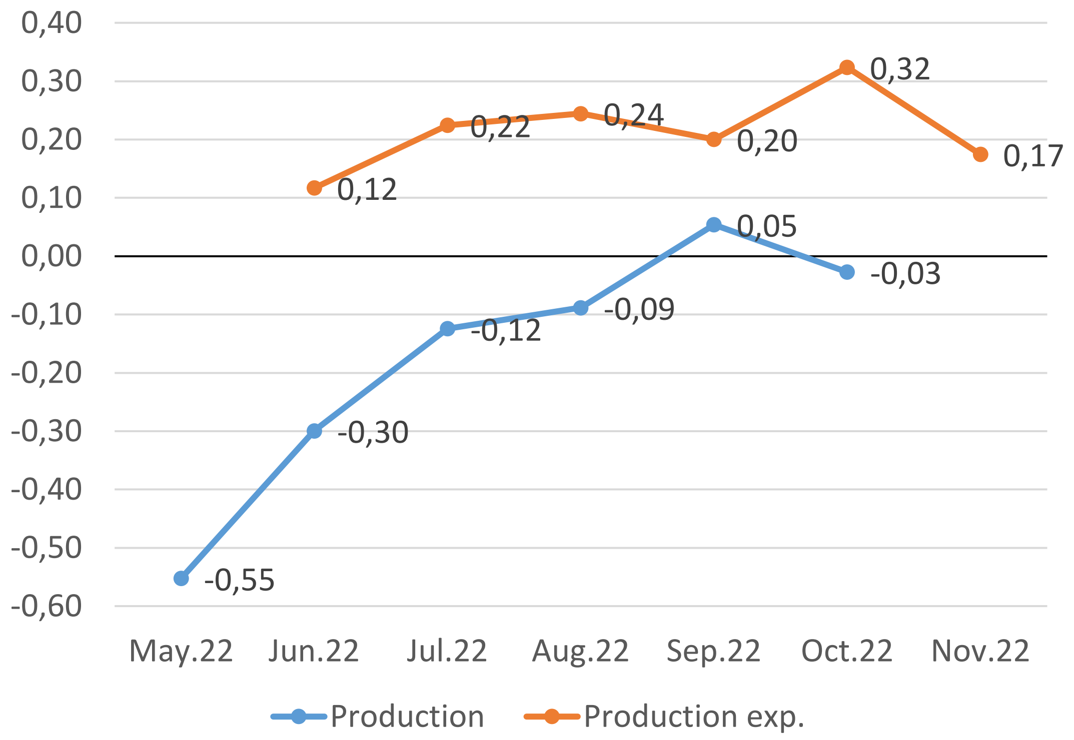
- The share of at enterprises operating at 75%-99% capacity decreased (from 41% in September to 36% in October).

For SMEs:

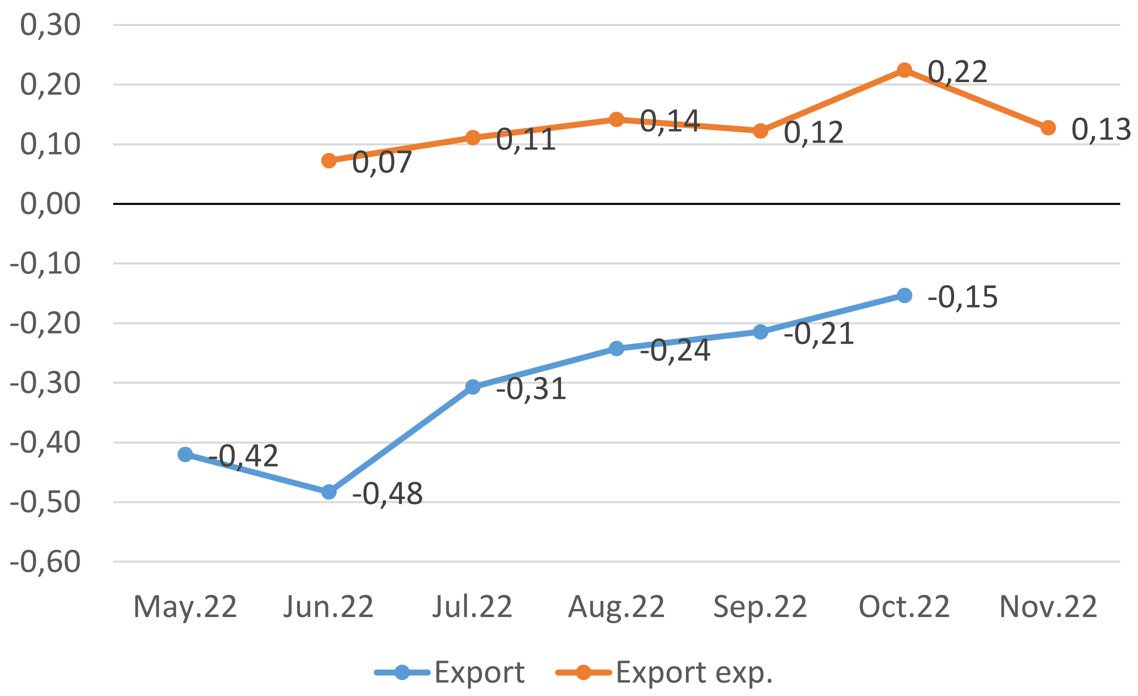
- Microbusinesses still have the lowest capacity to recover production (10% still not operational), but small and medium size reach.

Past changes and expectations for three months: the current performance in production has worsened, but for exports, it has improved

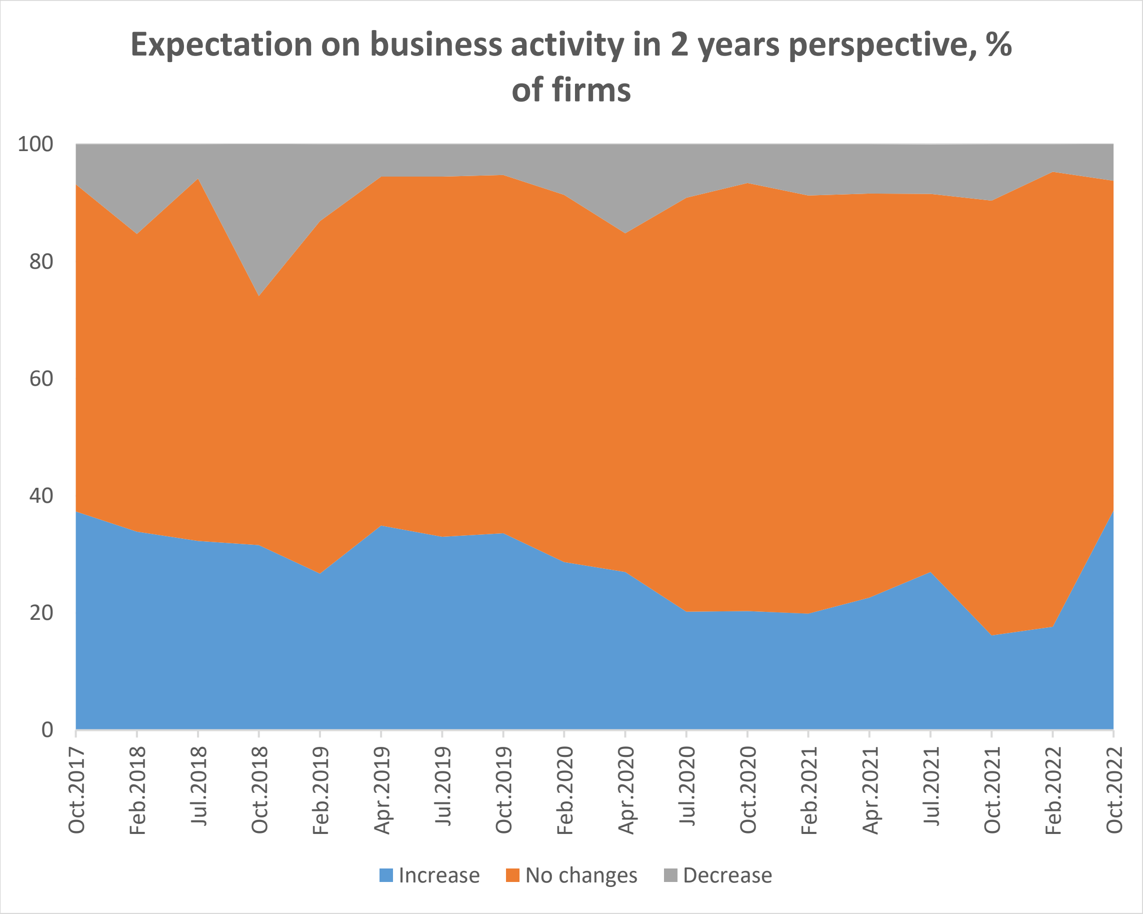
Production

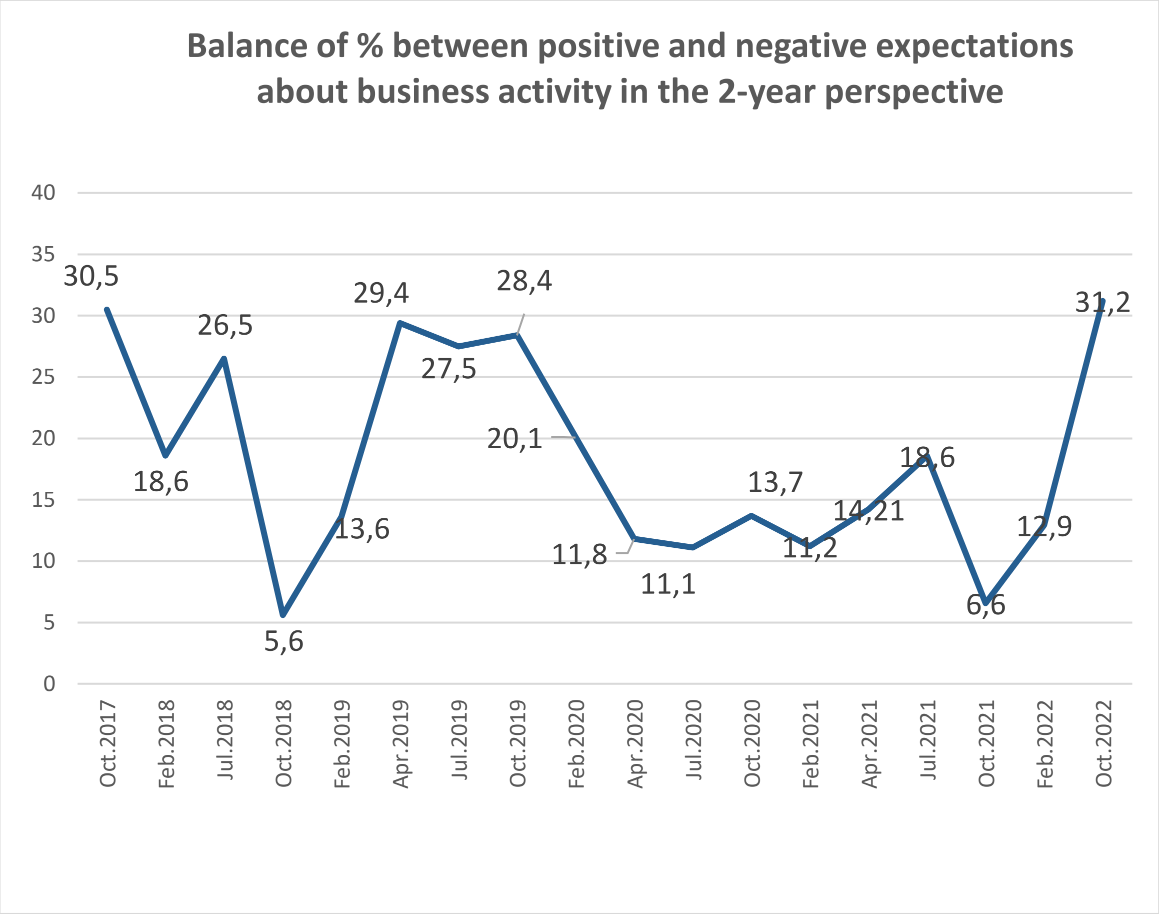


Export

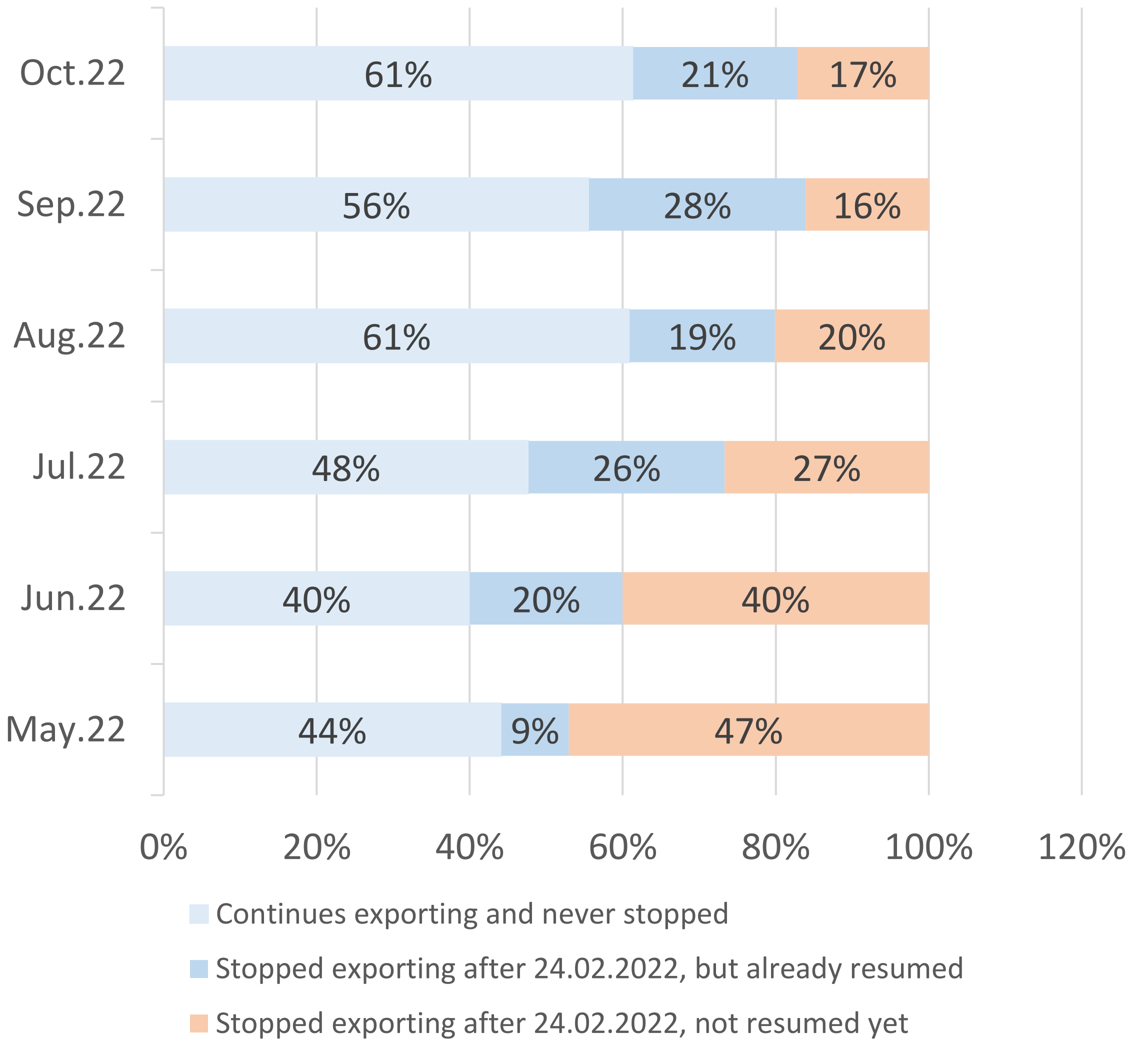


Long-term expectations: despite terror business are VERY optimistic





The war impact on export activity



- 51% of respondents were exporters as of the beginning of 2022
- Exports continue to steadily recover in the manufacturing sector as a whole
- For four months in a row, the share of enterprises that stopped exporting after February 24 and could not resume it continued to decrease
- The share of enterprises that want to start exporting for the first time remains low - only 1% of respondents in October (2% in September and 7% in May)

The war impact on export activity (impediments to exports)

- Logistics issues predominate among the main obstacles for exporters: lines at the western borders, a sea blockade, and a lack of railway wagons/trucks/drivers
- The problem of lines has become twice as urgent compared to May
- Compared to May, businesses experience problems related to customs work several times more often: complex customs formalities and corruption
- Thanks to the recovery of production, the business is less likely to experience the problem of meeting demand in foreign markets
- Small businesses are more likely to face inability to meed demand in foreign markets

New monthly enterprises survey. Methodology

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.

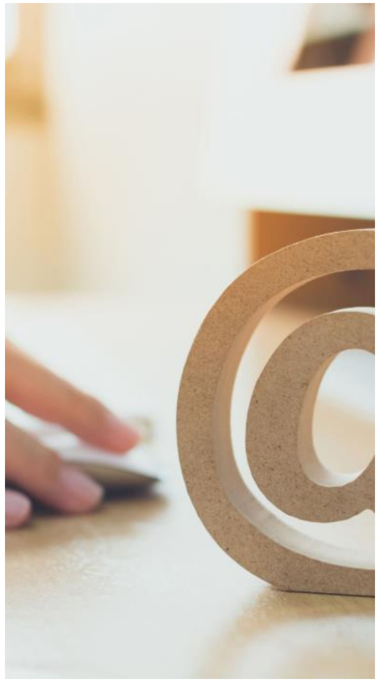
The monthly survey consists of two parts: the regular one and the special one. Respondents will regularly answer questions on the changes in key activity indicators and short-term forecasts for future changes in the same indicators: output (production), sales, exports, debt, new orders, employment, etc. 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.

The special part of the Monthly survey provides information on specific topics. A special part examines the enterprises' problems, the war's impact on production volumes, export activity, basic business needs, and the assessment of government policy..

This survey uses a panel sample that includes 500+ enterprises located in 21 of 27 regions of Ukraine, including Vinnytsya, Volyn, Dnipropetrovsk, Zhytomyr, Zakarpattya, Zaporizhzhya, Ivano-Frankivsk, Kyiv, Kirovohrad, Lviv, Mykolayiv, Odesa, Poltava, Rivne, Sumy, Ternopil, Khmelnytskyy, Cherkasy, Chernivtsi and Chernihiv regions and the Kyiv city.

The field stage of the sixth wave lasted from October 17 to October 28, 2022. The enterprises' managers compared the results of work in October 2022 with September 2022, assessed the state of indicators at the time of the survey (October 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 work.

Contacts



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