"Optimism as an expectation of (economic) counteroffensive"

Main economic trends in March 2023

according to the results of The New Monthly Enterprises Survey, #NRES

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Kyiv, April, 2023

ABOUT THE NEW RAPID ENTERPRISES SURVEY

Monthly survey

The recent data were collected on March **16 – 31, 2023**

11 surveys have already been conducted (since May 2022)

Sectors: **Industry +** (Retail, Agro)

SAMPLE: 580 **enterprises** were surveyed in March

Enterprises of all sizes

Geography: **22 out of 27** regions of Ukraine

Main results 1

In March, the **economic situation** at enterprises significantly **improved,** the **optimism** of enterprise managers in the **short-** and **medium-term perspective increased** significantly.

Main results 2

Assessments of the current situation in the country and at the enterprise **have improved** for the fourth month in a row. **Expectations for 6 months have improved significantly**

The dynamics of changes in production indicators **and expectations** for the next **3 months** have significantly **improved**

Uncertainty in the 6- and 3-month perspective continues to **decrease**, but the **long-term** remains **high** and **unchanged**

The situation at enterprises in March 2023 compared to March 2022 significantly **improved**

Plans for the **next two years** remain **moderately positive**

Main results 3

The obstacle **“interruptions in electricity"** lowered to the **second place** in the list of obstacles

The importance of **“it is dangerous to work"** as an obstacle to doing business continues **to decline**

In February, because of interruptions in electricity, enterprises **lost 6% of total working time (in December it was 23%)**

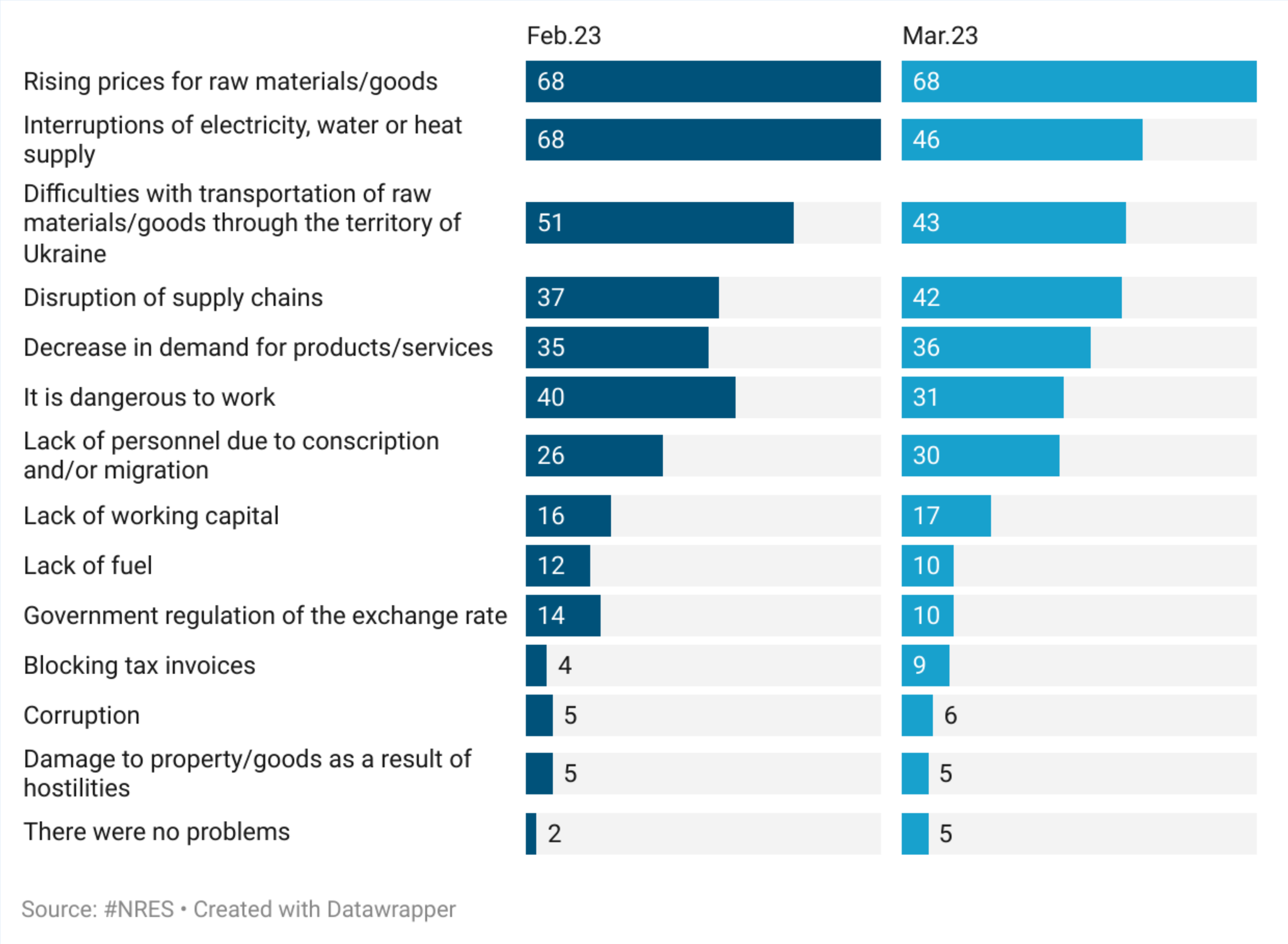
The share of enterprises that temporarily stop **working because of interruptions in electricity lower** from 73% in January to 28% in February

Export activity has revived, but some exporters are still unable to resume sales abroad

Positive assessments of **economic policy** became less

The main obstacles to doing business in wartime, % respondents

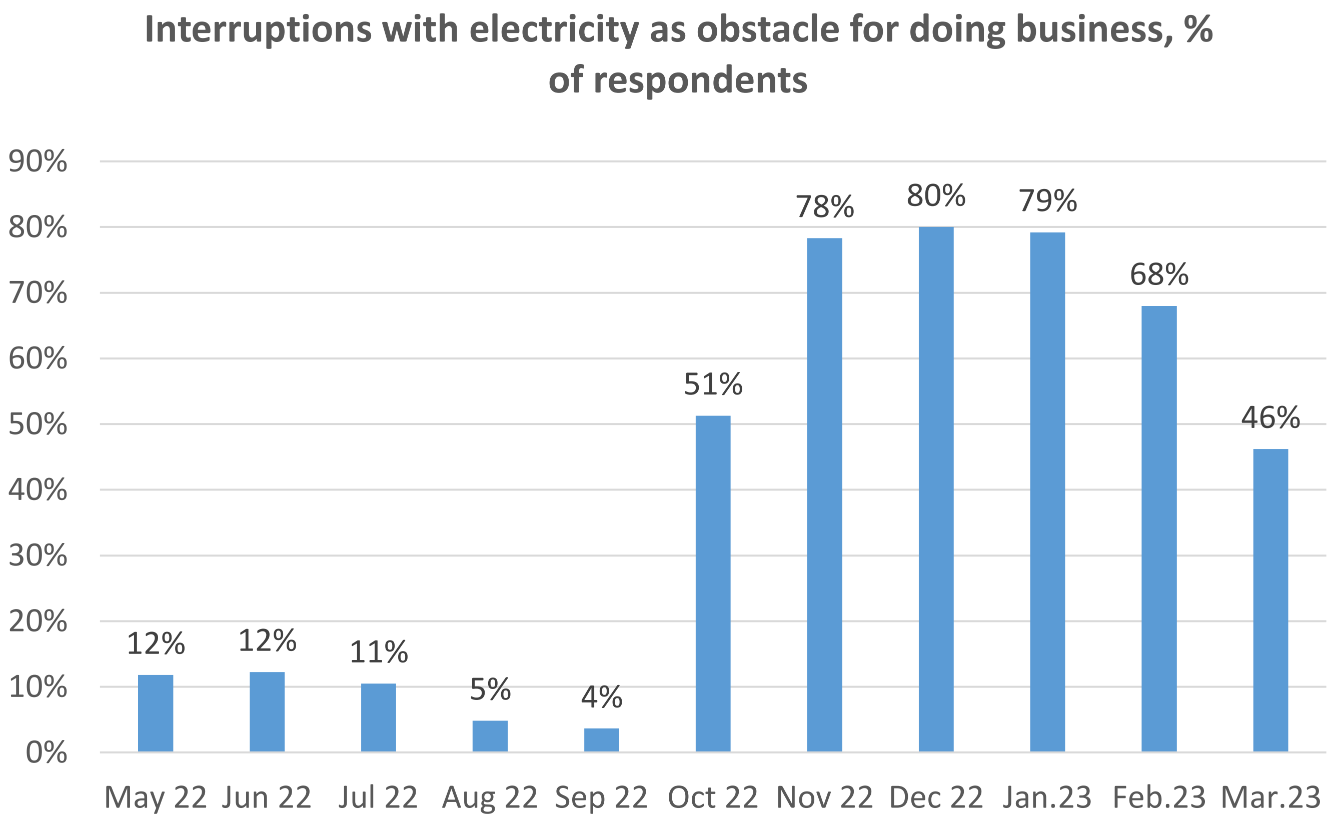
- **Rising prices for raw materials and goods** keeps the leadership in the rating of obstacles to doing business
- The importance of **interruptions of electricity, water or heat supply** as an obstacle is decreasing: in March, this obstacle gave “the lead" and moved to second place in the list
- **Difficulties with transportation of raw materials** remain in third place, although the absolute value of the obstacle has significantly decreased
- It is not so dangerous to work anymore -- % of respondents who says that **it is dangerous** to work has decreased significantly
- **Lack of personnel** continues to gradually **increase in importance**
- **Corruption** and **property damage as a result of hostilities** are rarely talked about



Interruptions in electricity have almost disappeared

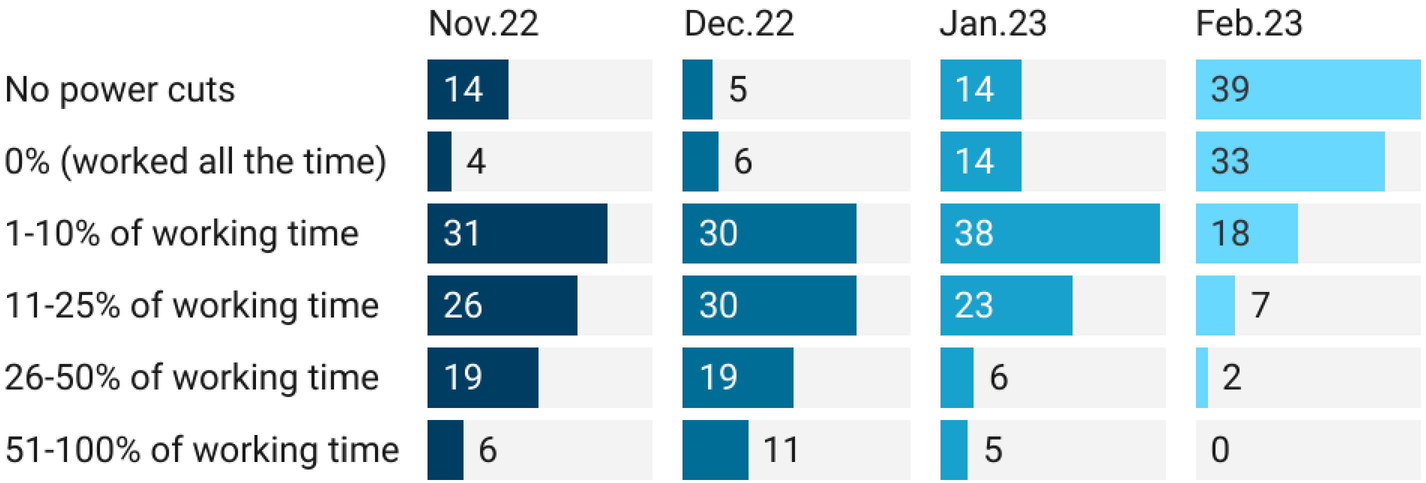
Already more ”electricity”

- In March 2023, the % of respondents who reported about **interruptions in electricity supply** as an obstacle to doing business decreased significantly, from 68% in February to 46% in March 2023
- In the list of obstacles, **interruptions in electricity** lowered **from first to second place** for the first time in several months



Fewer enterprises experienced power cuts

Impact of power cuts on enterprise operations (% of respondents)



Source: #NRES • Created with Datawrapper

Only 28% of enterprises temporarily suspended operations due to power cuts in February; this confirms a significant improvement in the situation in February 2023 (73% in January)

- 39% of enterprises had no power cuts (14% in January)
- 33% of enterprises worked all time (14% in January)
- 18% of enterprises stopped operations for only 1-10% of working time, and 7% stopped for 11-25% of working time
- In February, there were no enterprises that did not operate more than a half (51-100%) of the working time (5% in January)

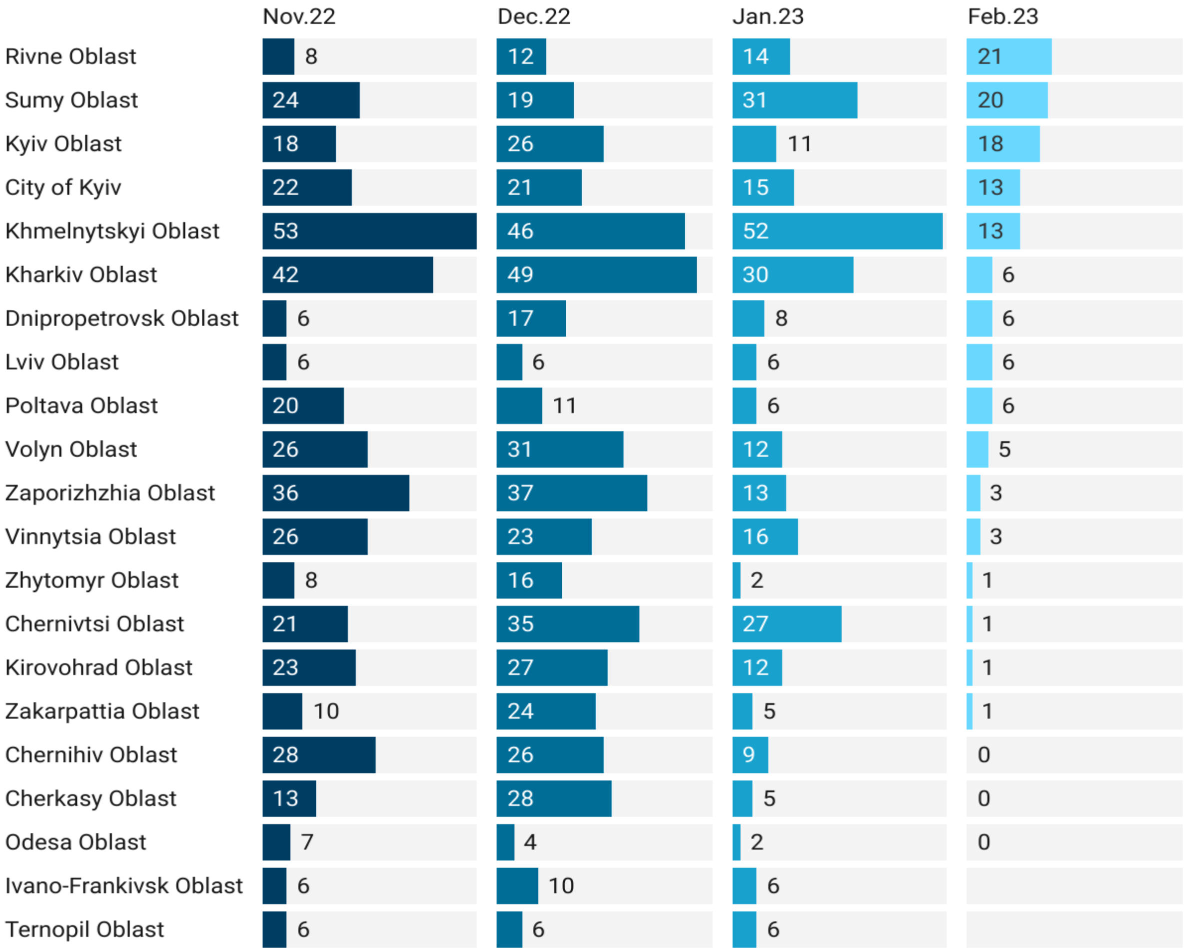
The average time of suspending work due to power cuts continued to decrease

- **In February,** due to interruptions in electricity, enterprises **lost 6% of total working time** (15% in the previous month)
- However, **differences between industries, size of business, and regions** still exist
- Enterprises in Rivne, Sumy, and Kyiv regions experienced the **largest time losses** due to power outages

Average % of time loss

Source: #NRES • Created with Datawrapper

% of working time loss, by regions



Source: #NRES • Created with Datawrapper

Time losses due to lack of electricity have significantly decreased in all groups of enterprises

- The situation **has improved significantly in all industries and for businesses of all sizes**

- **Micro and small enterprises** still have more losses

% of working time loss (by enterprise size)

	Nov.22	Dec.22	Jan.23	Feb.23
Micro	31	33	28	9
Small	21	27	17	7
Medium	17	18	11	5
Large	22	22	11	5

Source: #NRES • Created with Datawrapper

% of working time loss, by industry

	Nov.22	Dec.22	Jan.23	Feb.23
Light industry	19	25	12	4
Woodworking	25	31	18	5
Food industry	18	18	12	5
Chemical industry	20	29	13	6
Construction materials	24	26	25	6
Printing industry	15	28	13	7
Metalworking	34	32	17	10
Machine building	28	25	16	11

Source: #NRES • Created with Datawrapper

It is become less dangerous to work

MOVING FORWARD TOGETHER

INTERNATIONAL RENAISSANCE FOUNDATION

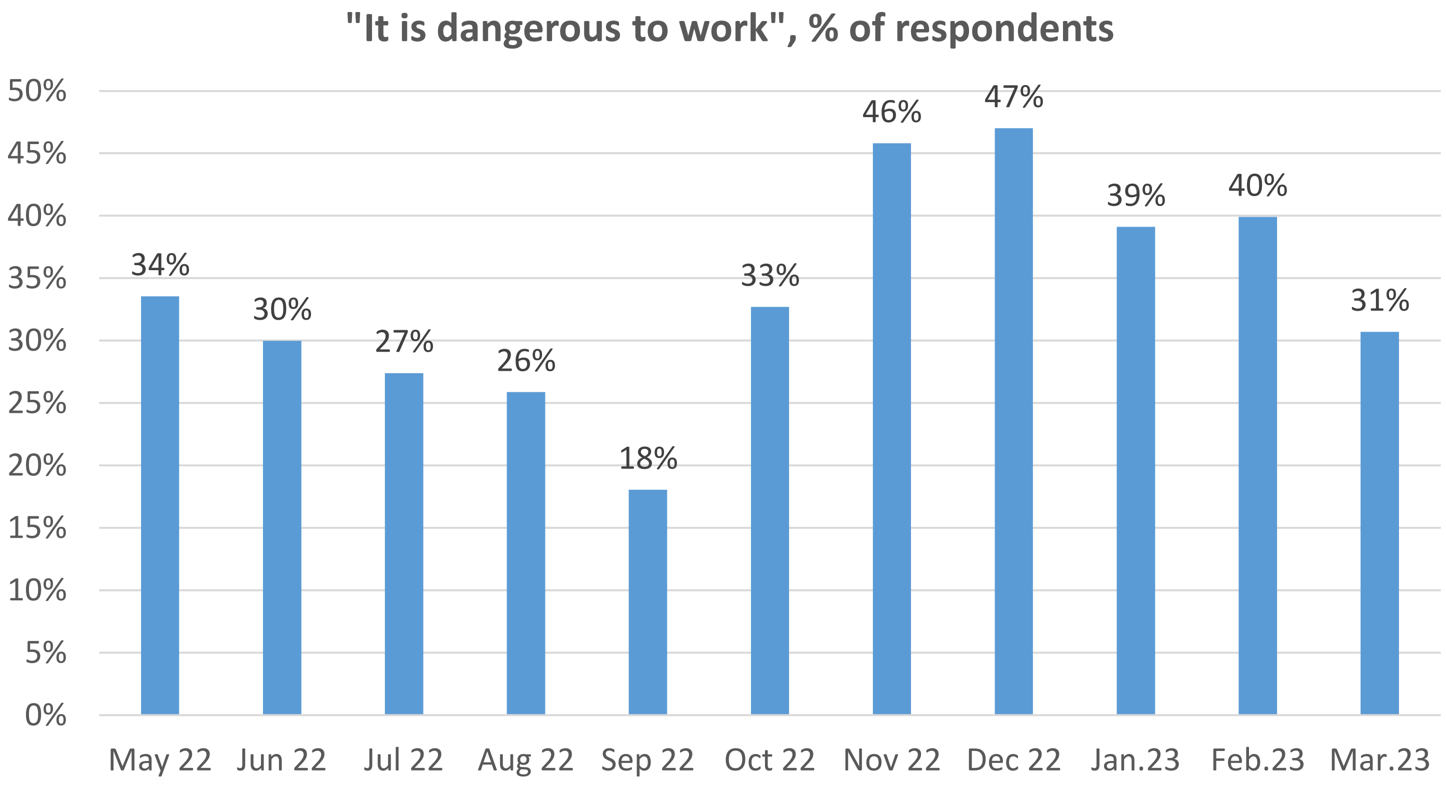
ATLAS NETWORK

INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

The importance of “it is dangerous to work" as an obstacle to doing business continues to decline

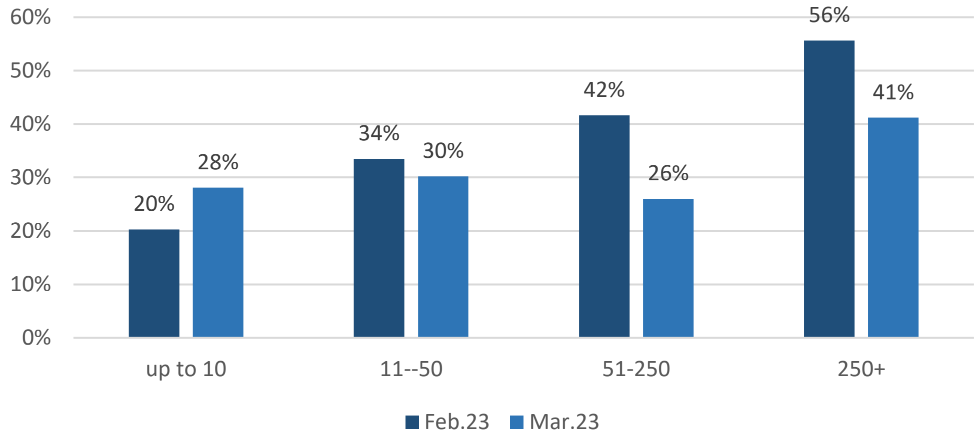
- In March 2023, the share of enterprises that reported that **it is dangerous to work** decreased from 40% to 31%

- In the list of obstacles, “it is dangerous to work“ **lowered from fourth to sixth place**



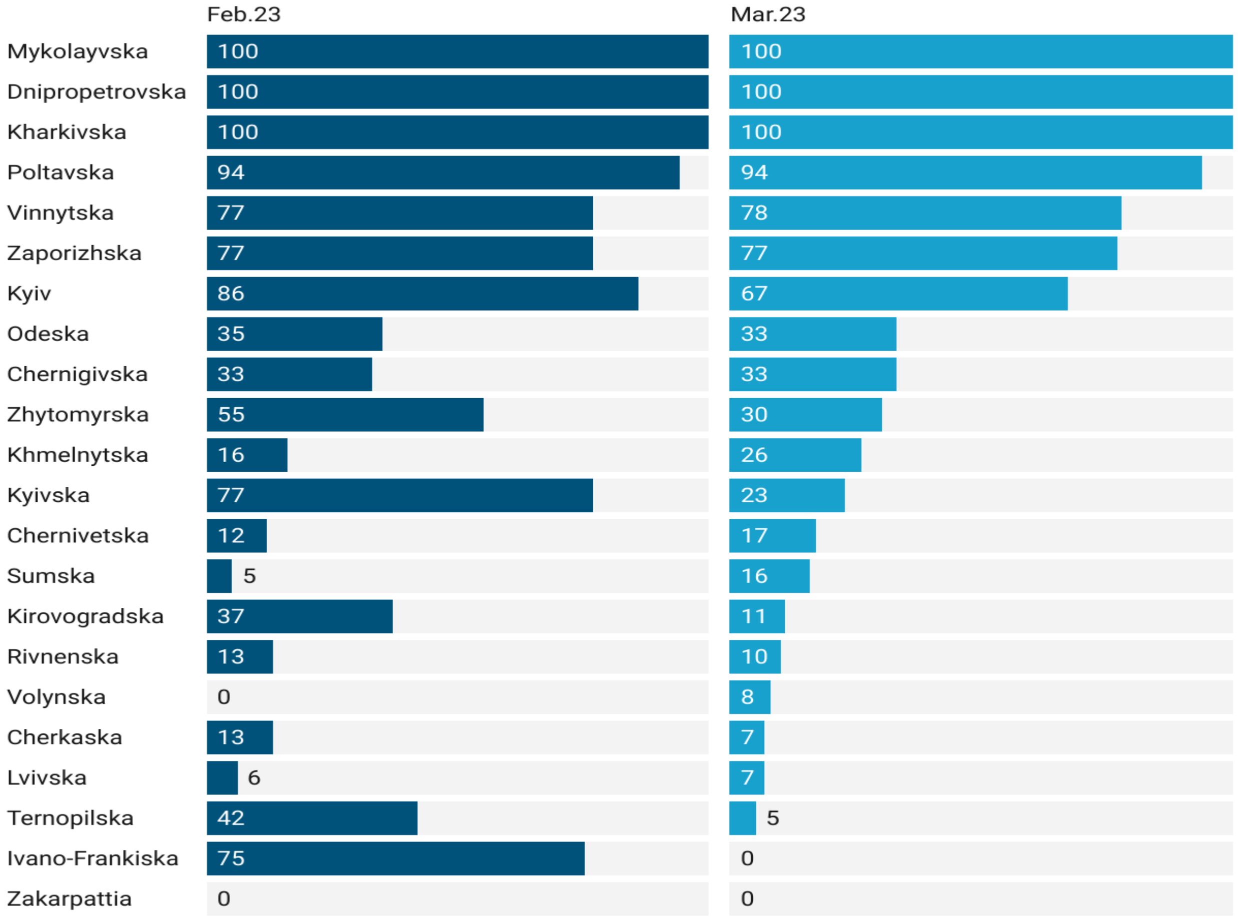
“It is dangerous to work” in different dimensions

"It is dangerous to work" by the size groups, % respondents



- % of enterprises that chose **“it is dangerous to work"** as an obstacle to doing business **decreased for all groups**, except for micro-businesses
- **In regional dimension**, in the “home front", **the assessment of the safety** of the activity environment is increasing

"It is dangerous to work" by oblast, % of respondents



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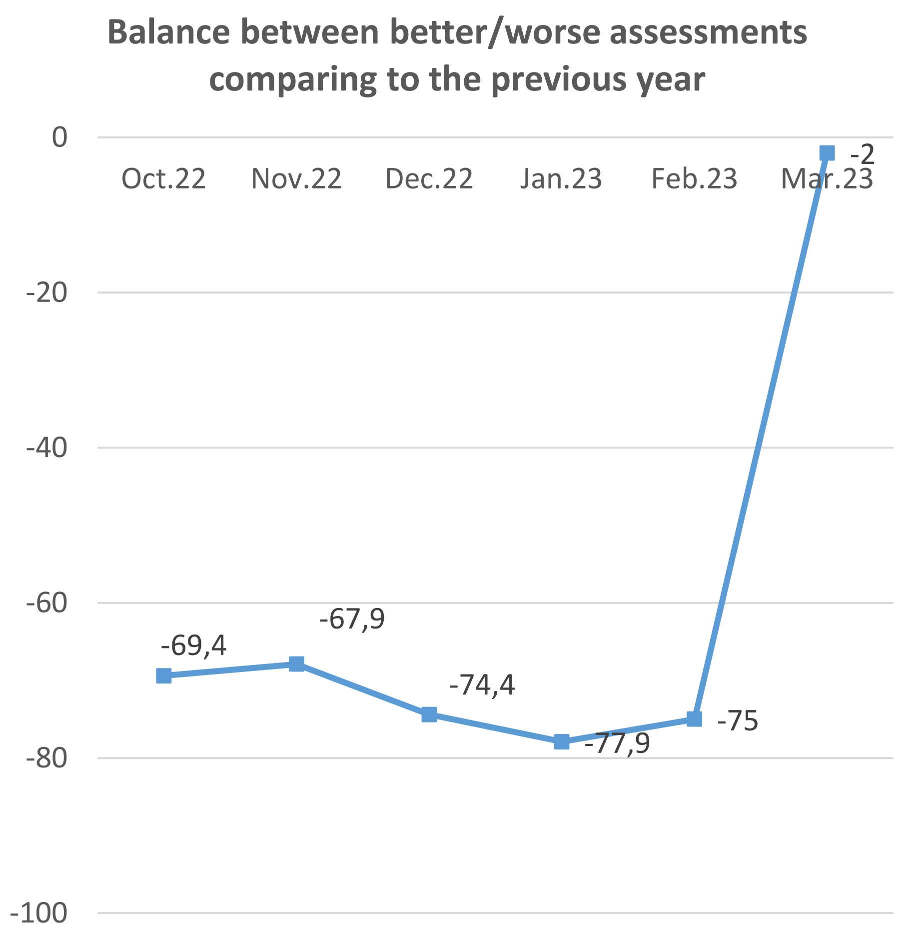
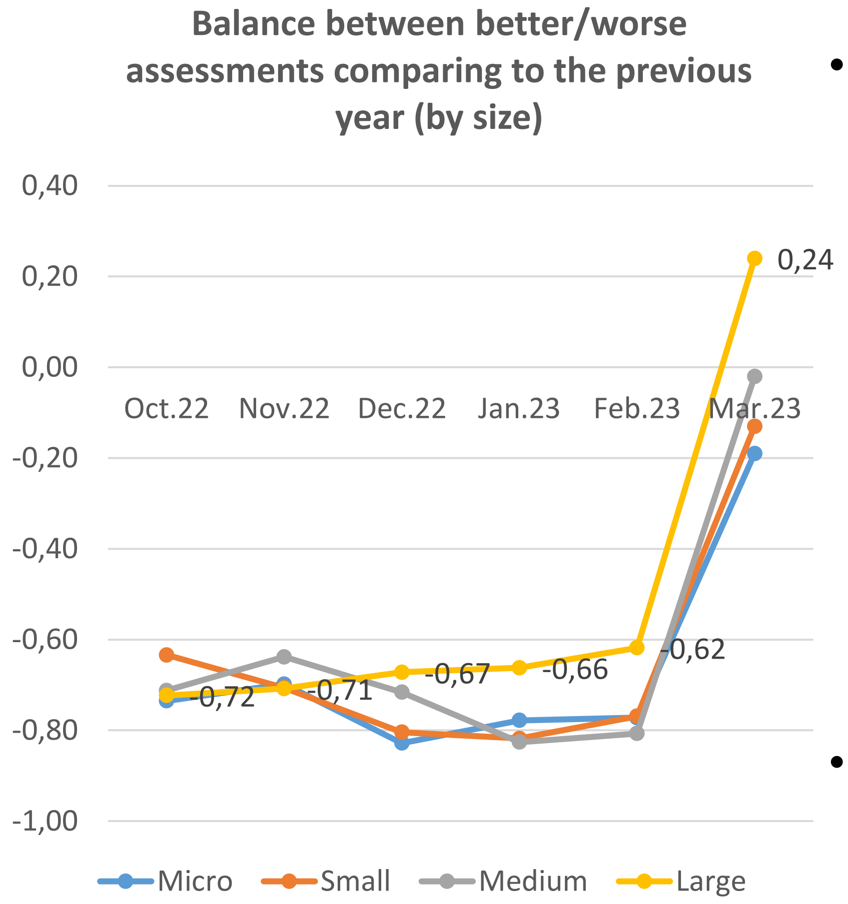
March to March: changes over the past year

Business activity at enterprises compared to "what it was year ago"

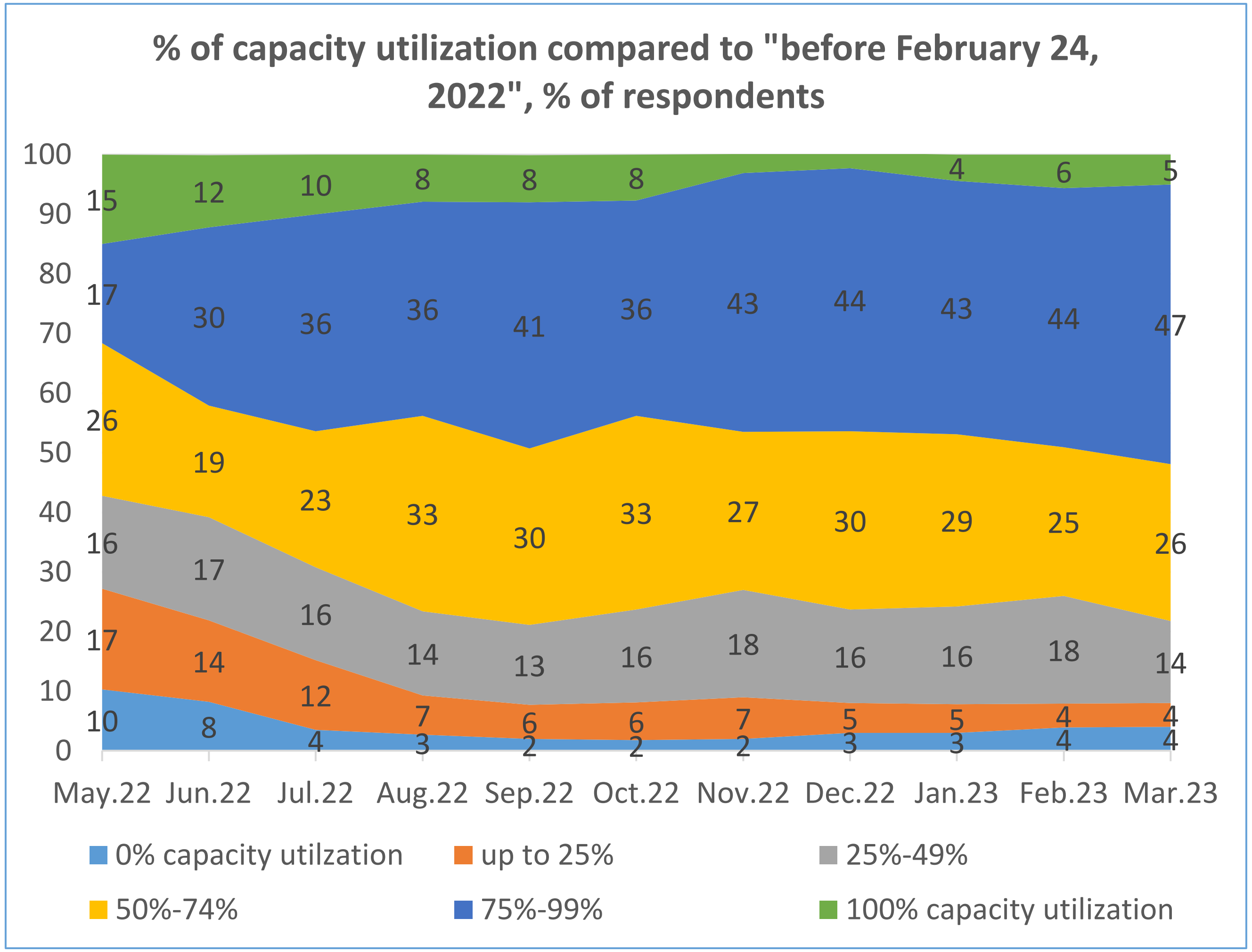




- **Business activity at the enterprise** compared to **"what was year ago"** has significantly **improved**
  - % of those **who consider the situation better increased** from 6% to 41%, at the same time
  - % of those **for whom the situation is worse decreased** from 81% to 43%.
  - % of those for whom **"nothing has changed" slightly increased** from 14% to 17%.
- **Large enterprises** feels better than others

The results of the enterprises' work and expectations for the future

Reactivation after "blackouts"



In March, the highest share of enterprises operating at almost full and full capacity for the entire time of the survey was 52%, in particular:

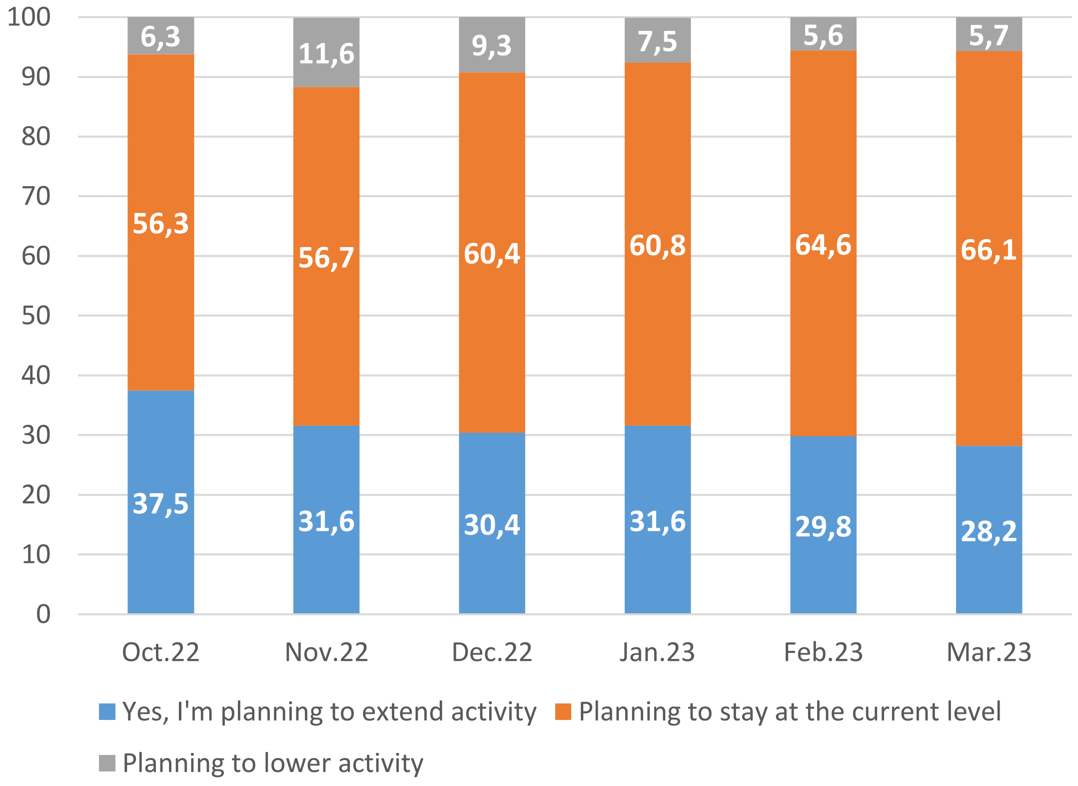
- **5%** of enterprises are working **at full capacity** (100% or more), which is approximately at the level of the previous month (6%)
- The share of enterprises **working at almost full capacity** (75%-99%) **increased from 44% to 47%**

At the same time:

- The share of enterprises that **do not operate at all** - 4% (at the level of previous surveys)

In the perspective of two years without changes: moderately positive plans against the background of high uncertainty

Expectations in the two-year perspective



Uncertainty in the two-year perspective

"It is hard to predict what will be with activities of our enterprise in 2 years", % of answer

	Oct.22	Nov.22	Dec.22	Jan.23	Feb.23	Mar.23
It's hard to predict	42.3	54.2	51.9	56	57.4	56

Source: #NRES • Created with Datawrapper

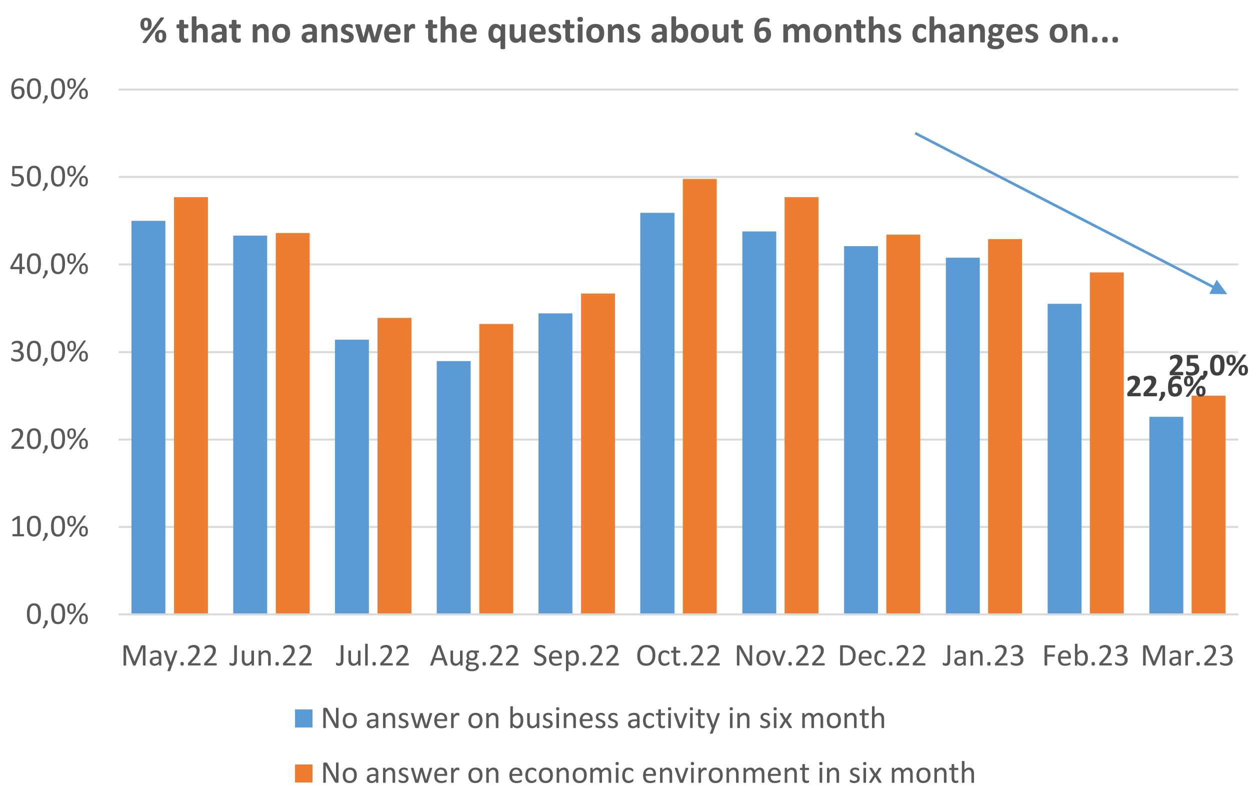
"It is hard to predict what will be with activities of our enterprise in 2 years", % of answer by size of enterprise

	Oct.22	Nov.22	Dec.22	Jan.23	Feb.23	Mar.23
Micro	28.6	52.8	46.6	46.3	49.2	48.4
Small	39.9	53.6	55.8	55.9	54.4	54
Medium	44.2	53.2	50.5	57.5	62.6	57.2
Large	48.2	57.5	52	58.6	57.3	61.3

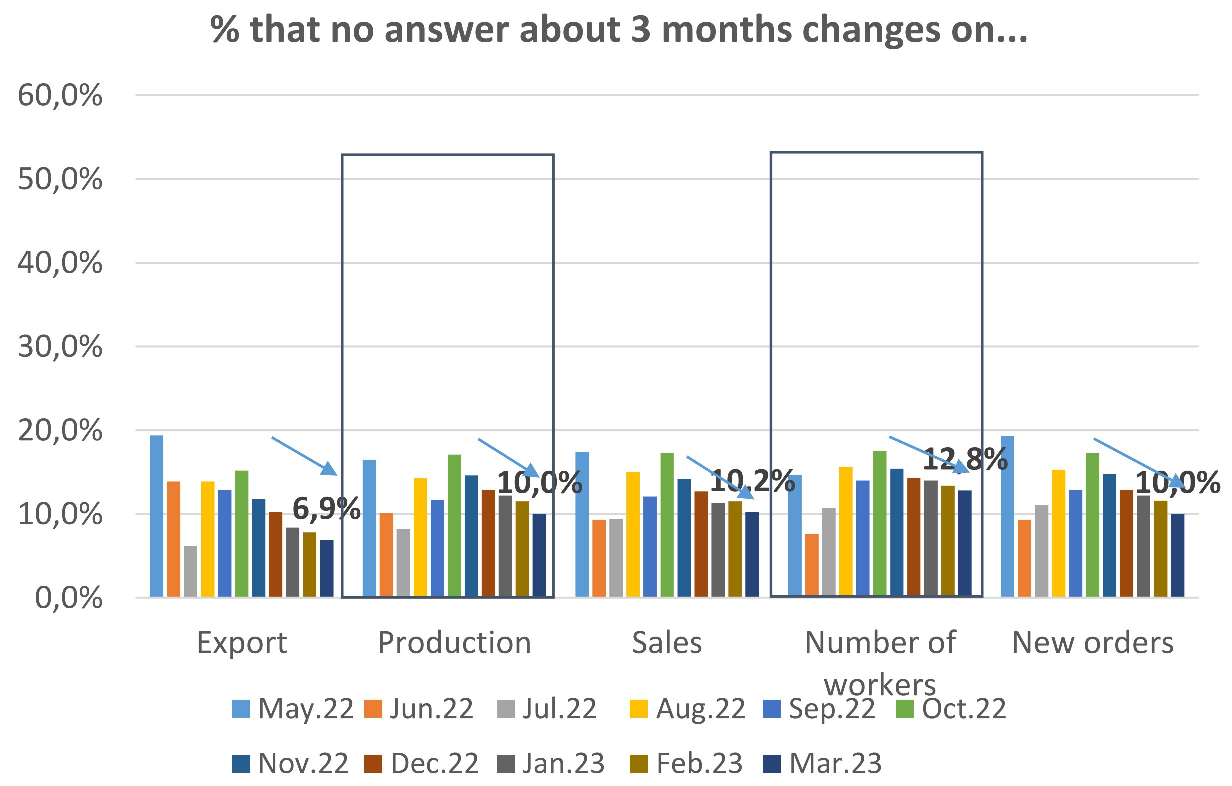
Source: #NRES • Created with Datawrapper

Uncertainty about the near future is decreasing for the fifth month in a row

Half-year horizon

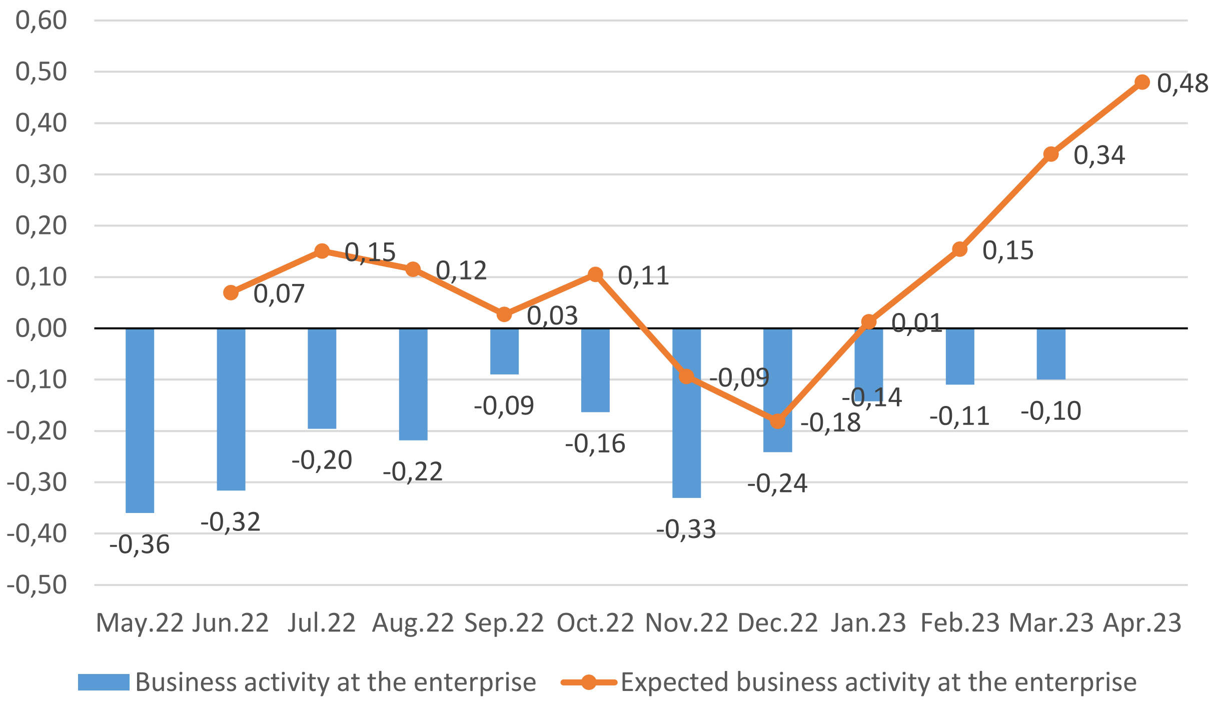


Three-month horizon

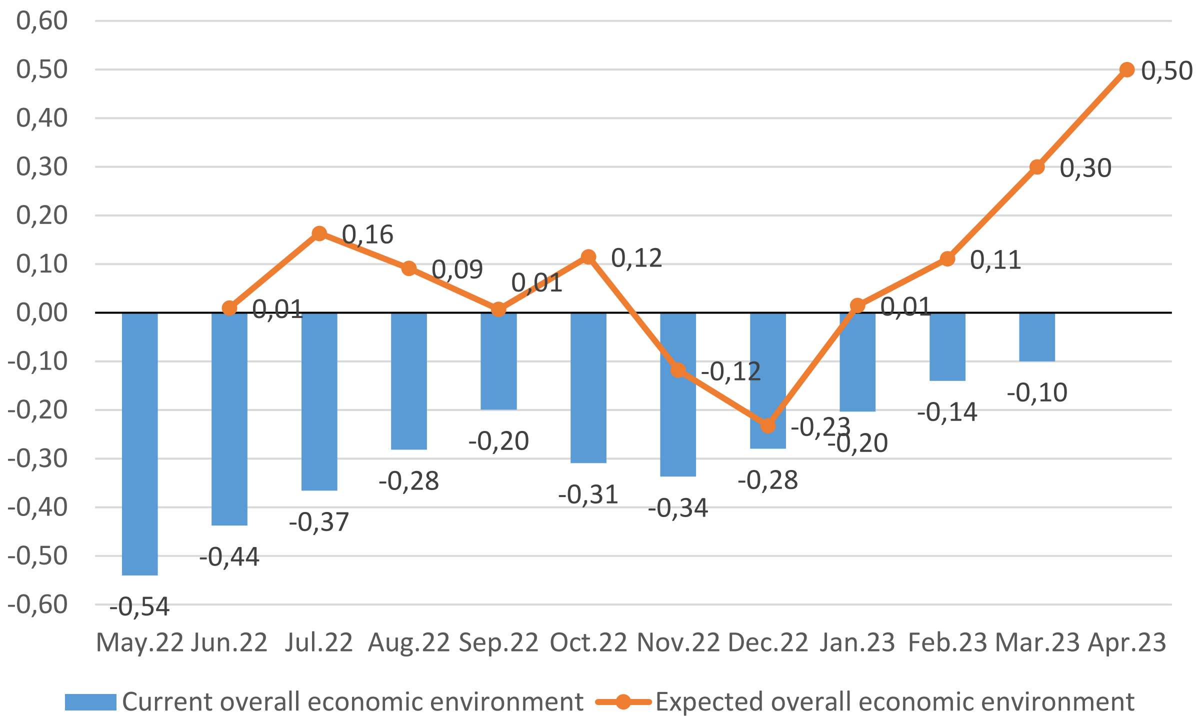


Half-year expectations: optimism continues to grow

Business activity at the enterprise

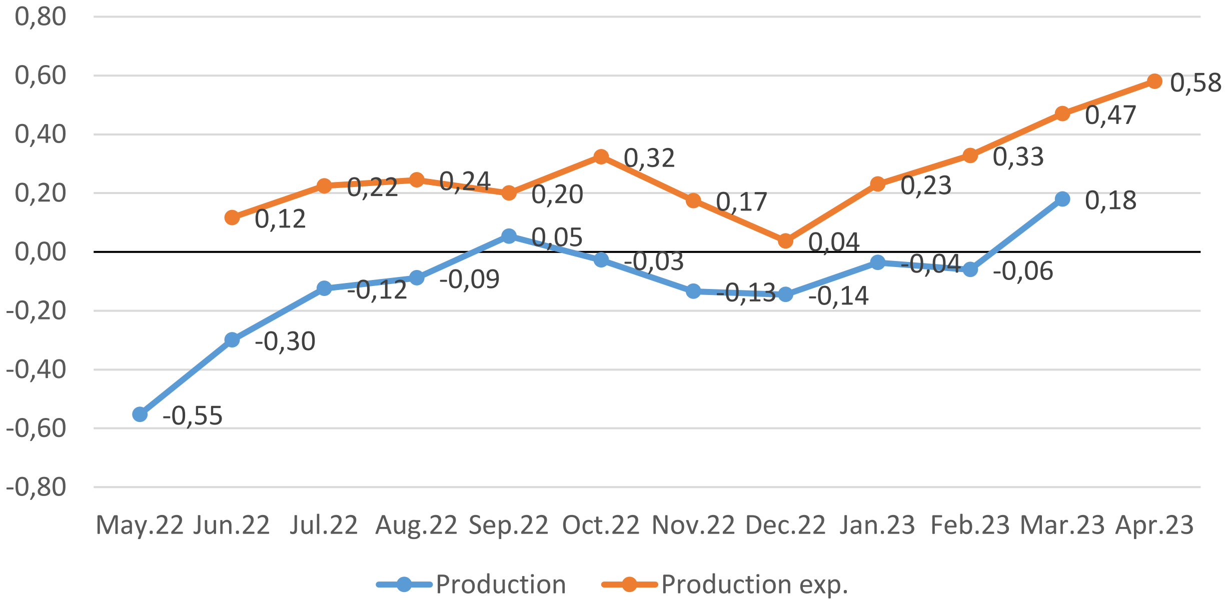


Overall economic situation in the country

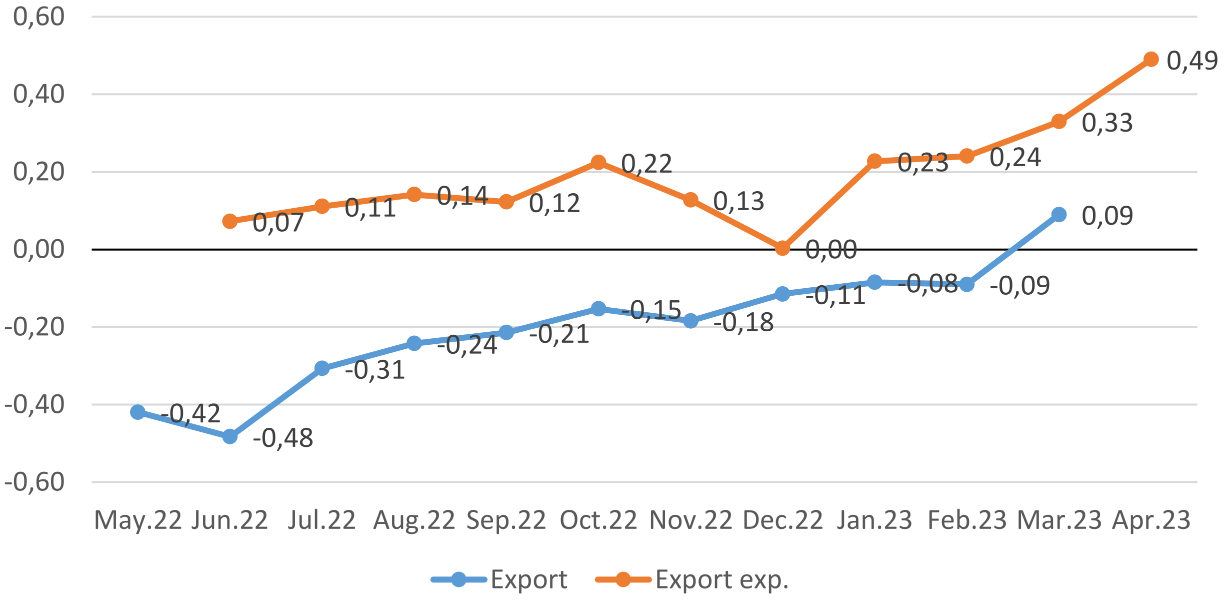


Production and Export: Improving of results and expectations

Production



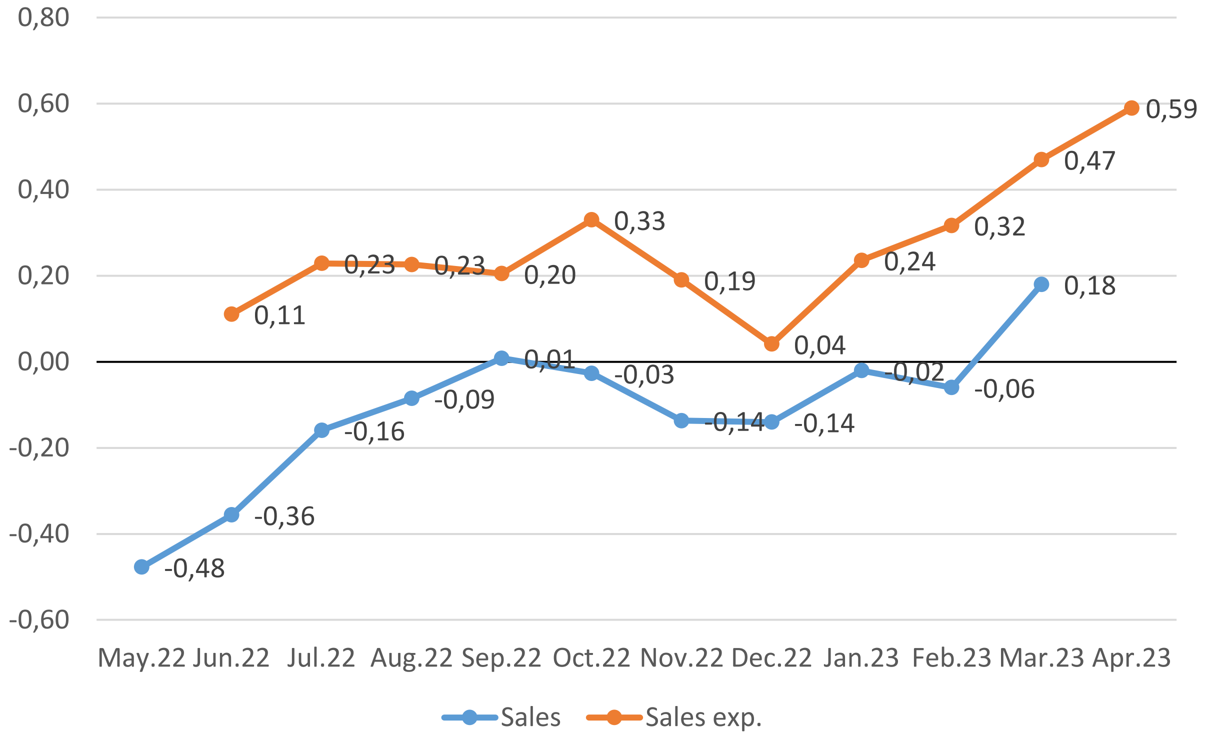
Export



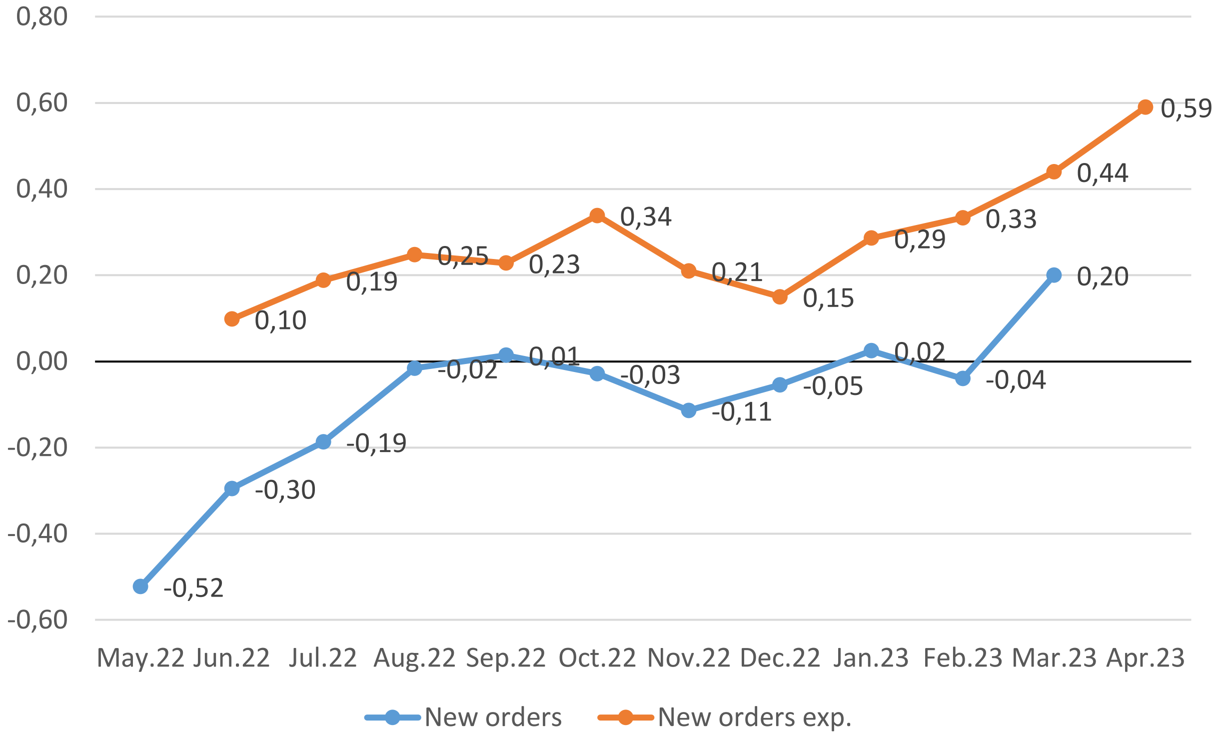
- In March compared to February, **the share of enterprises that planned production growth** in the next 3-4 months increased from 49.1% to 60.1%
- The share of enterprises **that planned to reduce production** decreased from 5.0% in February to 3.8% in March
- From 45.9% to 36.1%, the share of enterprises that **plan to maintain production volumes in the coming months** at the previous level decreased

Sales and new orders: improving of results and expectations

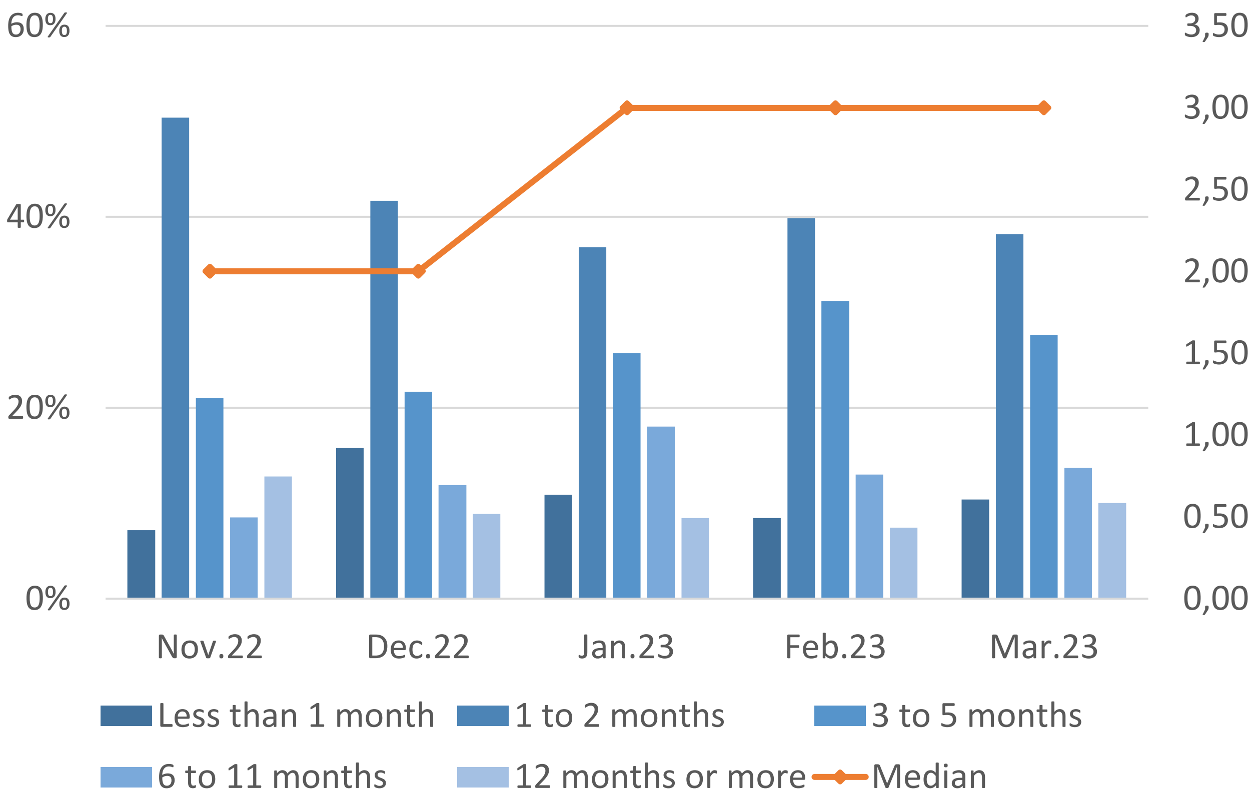
Sales



New orders



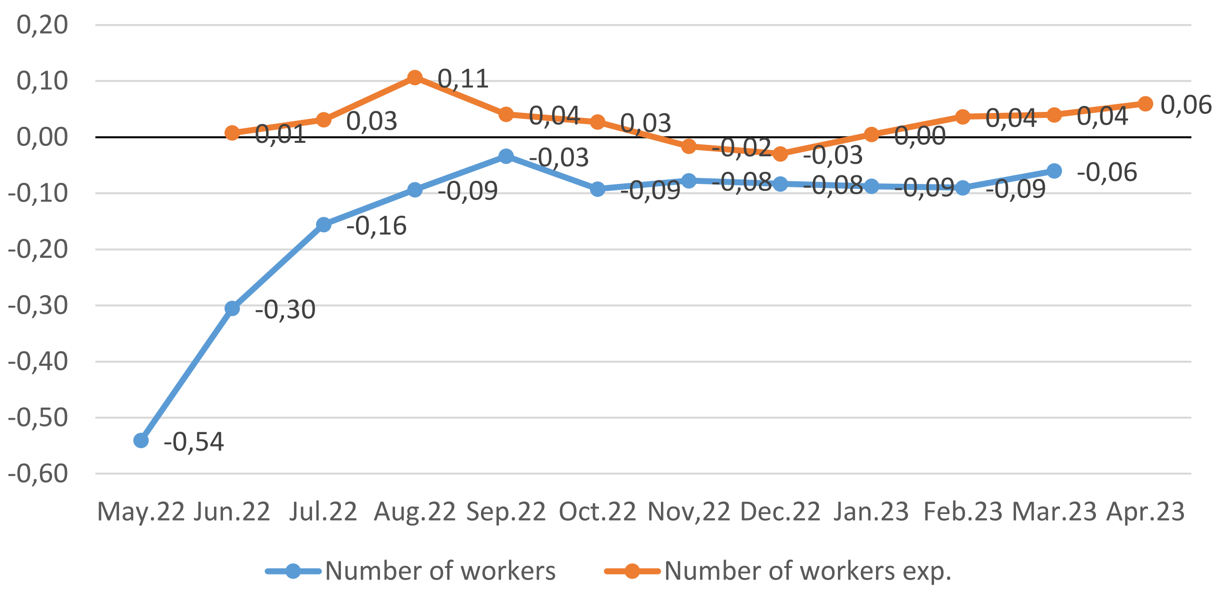
The term of having orders has not changed



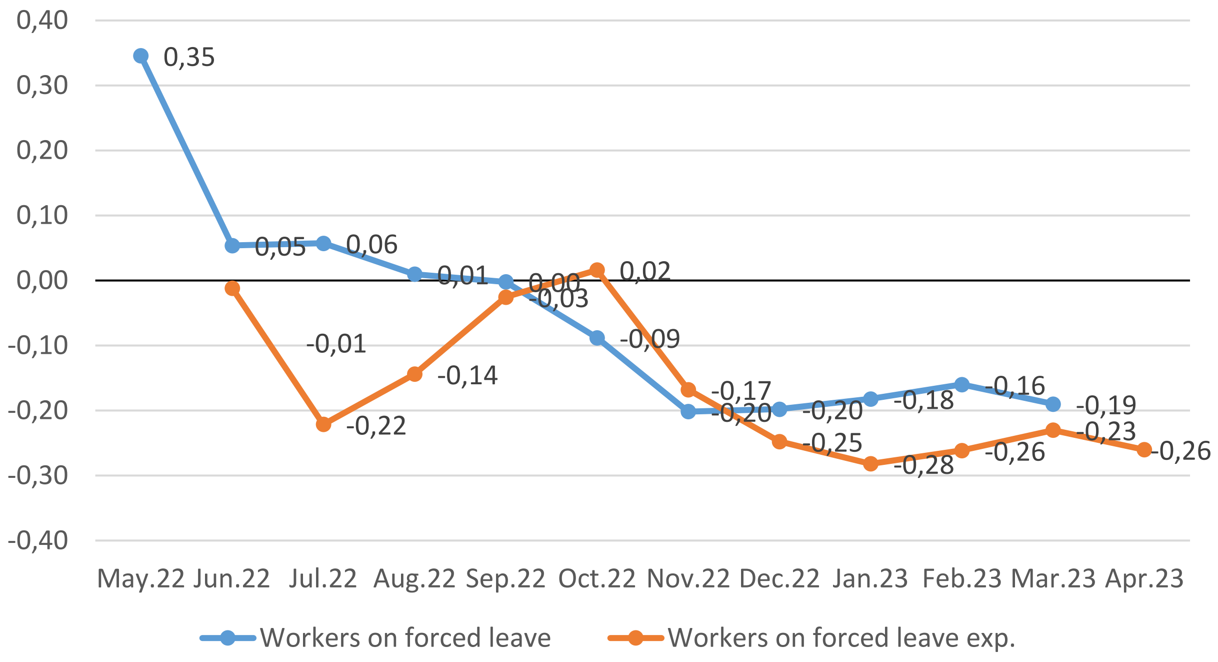
- In March 2023, enterprises **were provided with orders** for an average of 3 months (median)
- This is the same as in January and February 2023, **but more than in November-December 2022**, when the average term was 2 months
- The share of enterprises having orders for a period of **6 months or more** increased slightly in March

Employment expectations: remain unchanged

Number of workers



Number of workers on forced leave

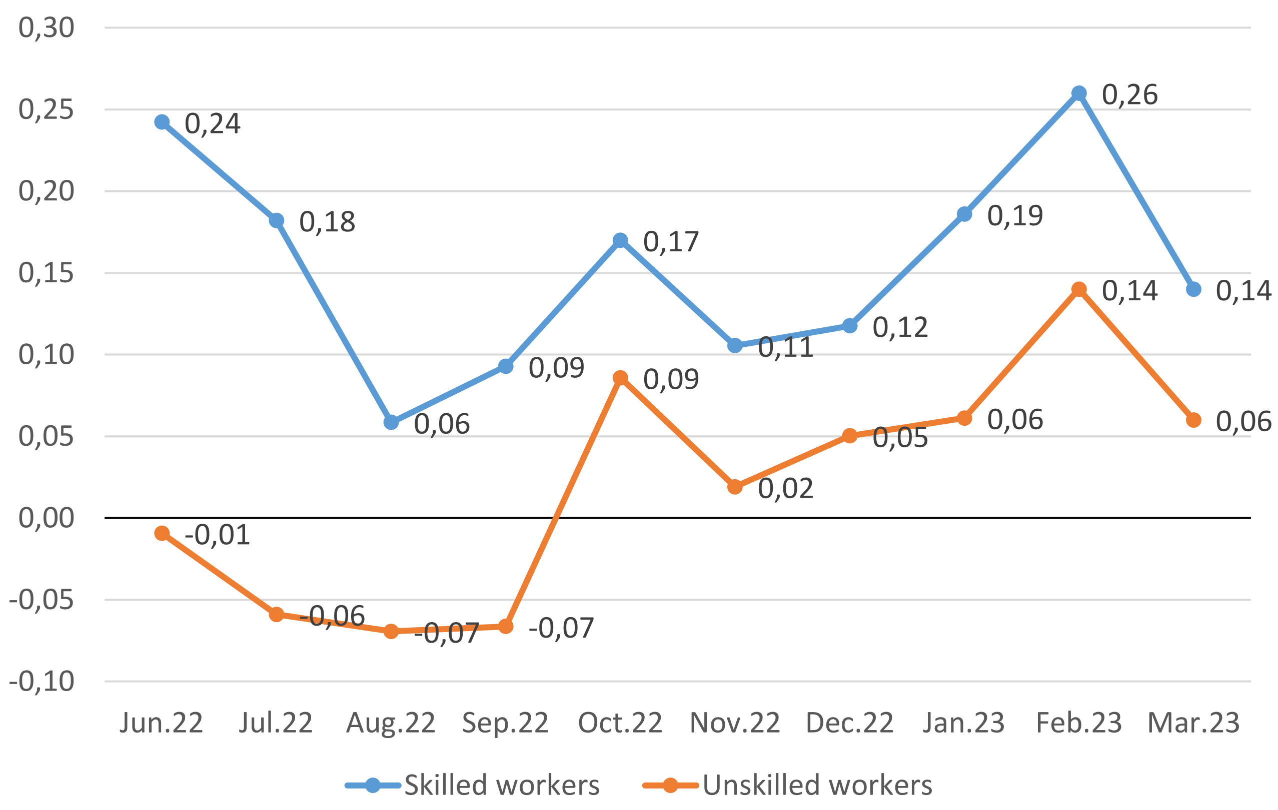


- % of enterprises **planning employment growth slightly increased** from 6.4% to 8.3%
- % of enterprises **intending to reduce** the number of employees **slightly decreased**, from 4.2% to 3.4%
- % of enterprises at which **no changes in employment are expected decreased slightly**, from 89.4% to 88.3%

- % of enterprises that **will increase the number of employees on forced leave decreased slightly**, from 2.9% to 0.9%
- % of enterprises that **are going to reduce** employees on forced leave **increased slightly**, from 26.4% to 27.3%
- **% unchanged slightly increased**, from 70.7% to 71.8%

Labor market: difficulties in finding workers decrease after rising for two months in a row

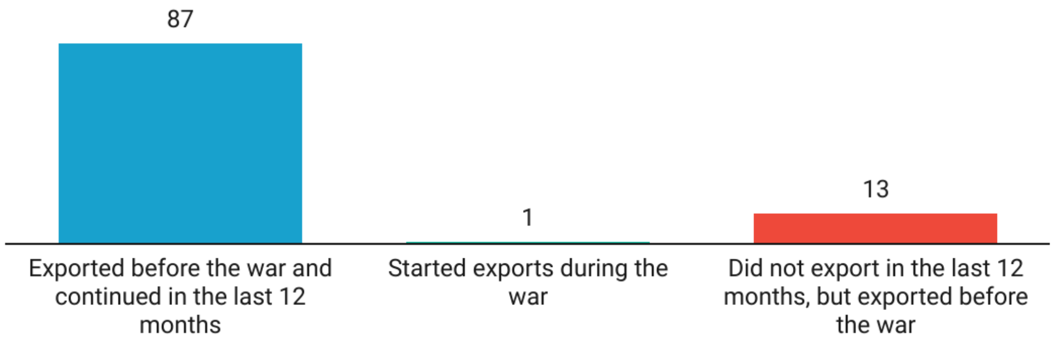
Problems in finding workers



- % of those who find **it more difficult to find** skilled workers **decreased** from 27.0% to 19.9%
- % of those who find it **easier to find** skilled workers **increased** from 2.2% to 5.0%
- % of those who **find it difficult to find** unskilled workers **decreased** from 18.8% to 13.3%
- % of those who **find it easier to find** unskilled workers **almost did not change** (7.0% vs. 6.8%)

Export: some businesses are still unable to resume export activities

War impact on export activities, % of exporters

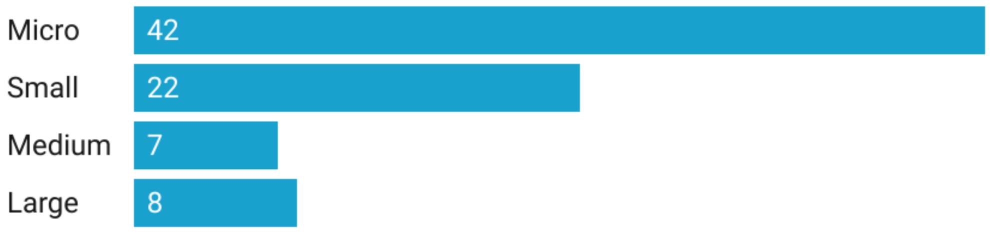


Source: #NRES • Created with Datawrapper

62% of respondents were exporters before the war or started exporting during the war

- **13% of exporters did not export** in the last 12 months, but exported before the war
- **Micro-business** still face **more challenges -** 42% of micro-enterprises have not exported in the last 12 months
- Exporters-manufacturers of construction materials and metallurgical enterprises suffered the most, and light industry was the least suffered

Did not export in the last 12 months, % of exporters



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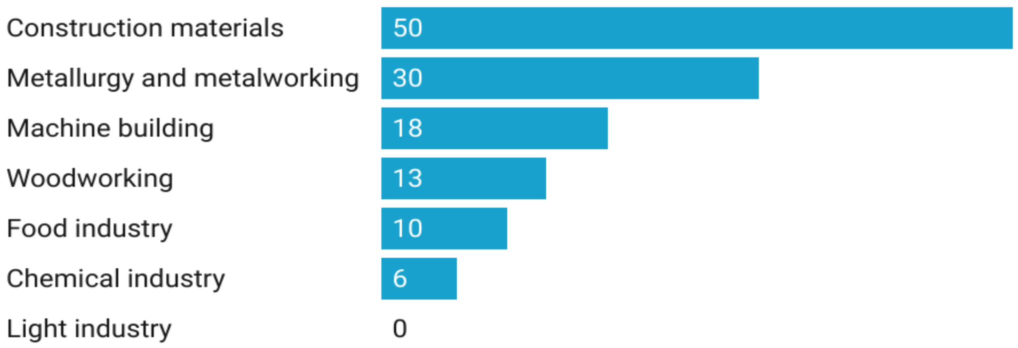
Did not export in the last 12 months, % of exporters by industry



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Assessments of government's policy

Positive assessments of economic policy became less

	May.22	June.22	July.22	Aug.22	Sep.22	Oct.22	Nov.22	Dec.22	Jan.23	Feb.23	Mar.23
Positively	19	16	10	10	10	16	23	21	21	24	20
Neutrally	42	39	50	51	57	48	46	49	53	56	56
Negatively	11	23	22	28	22	21	21	18	15	11	11
Don't know / Didn't answer	28	22	18	12	11	14	11	11	12	9	12

Source: #NRES • Created with Datawrapper

- In March 2023, **positive assessments** of government policy to support business **became less, but the % of negative assessments did not change**
- As before, **business mostly neutrally assess** the state policy on business support: 56% of respondents gave such evaluations as last month
- In March 2023, compared to February, the share of undecided respondents slightly increased: from 9% to 12%

New monthly enterprise 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.

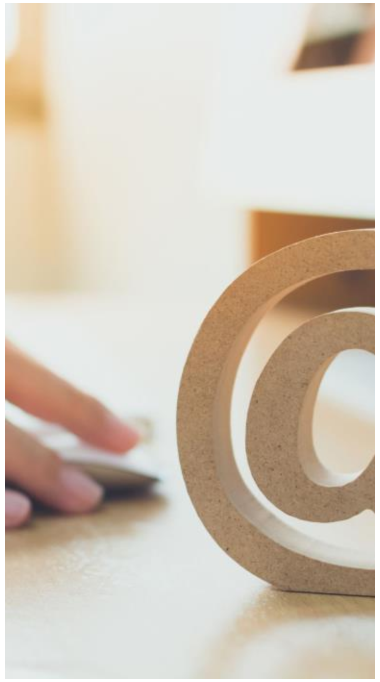
The monthly survey consists of two parts: the regular one and the special one. Respondents will regularly answer questions on the changes in key activity indicators and short-term forecasts for future changes in the same indicators: output (production), sales, exports, debt, new orders, employment, etc. 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 22 of 27 regions of Ukraine**, including Vinnytsya, Volyn, Dnipropetrovsk, Zhytomyr, Zakarpattya, Zaporizhzhia, Ivano-Frankivsk, Kyiv, Kirovohrad, Lviv, Mykolayv, Odesa, Poltava, Rivne, Sumy, Ternopil, Kharkiv, Khmelnytskyy, Cherkasy, Chernivtsi and Chernihiv regions and the Kyiv city.

The field stage of the 11-th wave lasted from March 16 to March 31, 2023. The enterprise managers compared the work results in March 2023 with February 2023, assessed the indicators at the time of the survey (March 2023), and gave forecasts for the next two, three, or six months, depending on the question. In certain issues (where indicated), the work results were compared with the pre-war period (before February 24, 2022).

Our contacts



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