“Nothing can limit unstoppable optimism”

Main economic trends in May 2023

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

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ABOUT THE NEW RAPID ENTERPRISES SURVEY

Monthly survey

The recent data were collected on May 16 - 31, **2023**

13 surveys have already been conducted (since May 2022)

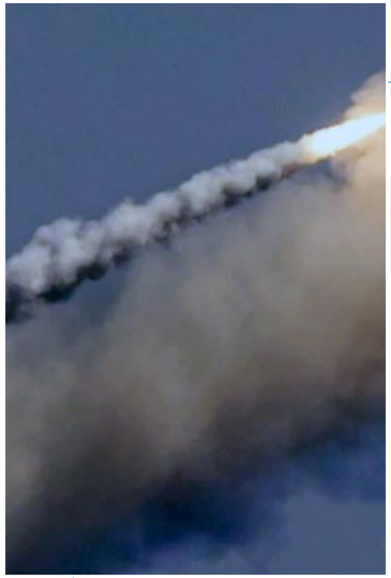
Sectors: **Industry +** (Retail, Agro)

SAMPLE: 563 **enterprises** were surveyed in May

Enterprises of all sizes

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

Main results 1

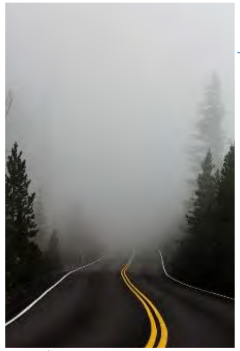


In the background of **military escalation**, business **optimism remains quite high**, while the extended **future** remains **unclear**.

Main results 2

Assessments of the **current business activity at the enterprise** have **slightly deteriorated**, assessments and expectations regarding the **overall economic environment remain unchanged**

The enterprises’ **performance and expectations** for the next 3 months remain **high and without significant change**



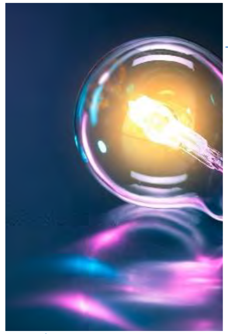
Uncertainty in the 6- and 3-month perspective continues to **decrease already several month in a row**, but the **long-term** remains **high** and **without significant changes**

% of enterprises that **do not plan changes in the next two years has increased**

More than 1/2 of enterprises have had **no idea** about their plans for the **next two years**

Main results 3

The importance of the obstacle **“it is dangerous to work"** slightly **increased** after the **escalation** in May (increased missile attacks)



Interruptions in electricity as an obstacle to doing business **slightly increased**

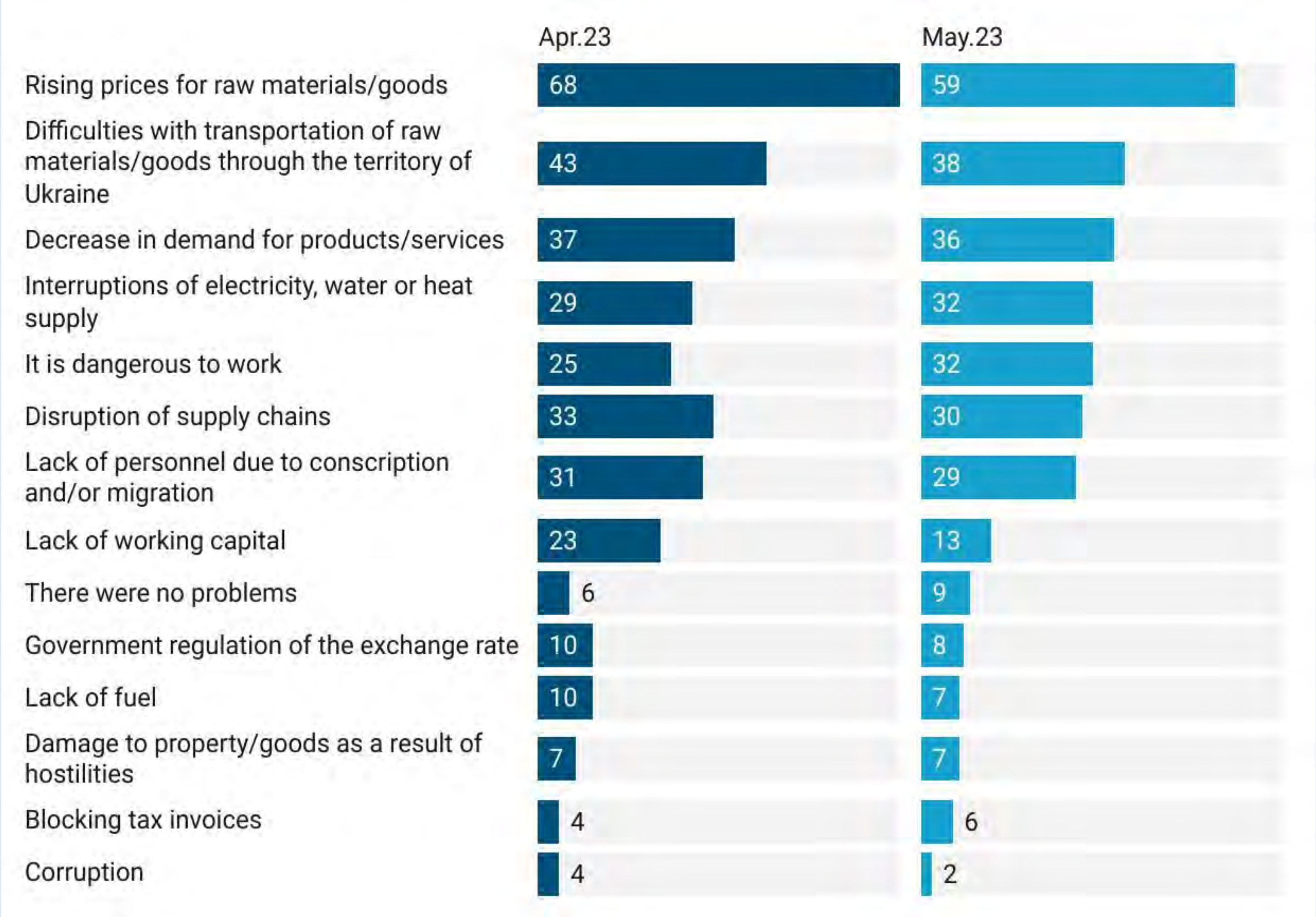
Export activity remains **without** significant changes

Assessments of **economic policy** are still neutral and without change

Obstacles to doing business in wartime

The main obstacles to doing business in wartime, % respondents

- **Rising prices for raw materials and goods** hold the top position despite the lowering of % enterprises that informed about the issue
- **Logistical problems** also still hold the **2nd** place, although the absolute value of this obstacle decreased
- The importance of electricity interruptions and **the danger to work** as obstacles **increased a bit** after the war increased the number of missile attacks. **Both obstacles shared the 4th place in the ranking**
- **1/3** of respondents felt a **lack of personnel; the** importance of the impediment **remains** without significant changes
- **Corruption** is not a significant problem, according to the survey results



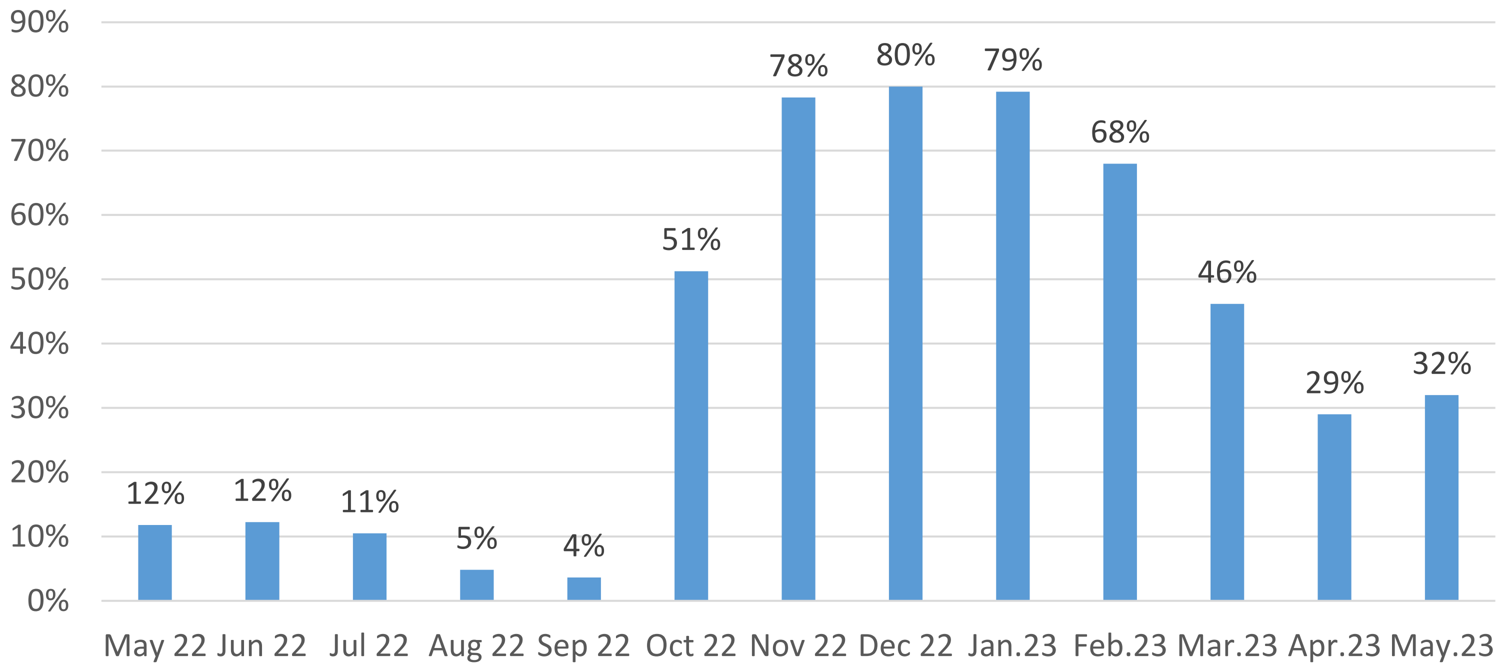
Problems with electricity remain

"Electricity" is still the issue

- In May 2023, the % of respondents who reported **interruptions in electricity supply** as an obstacle to doing business slightly increased

- In the list of obstacles, **interruptions in electricity moved from 6th to the 4th place**

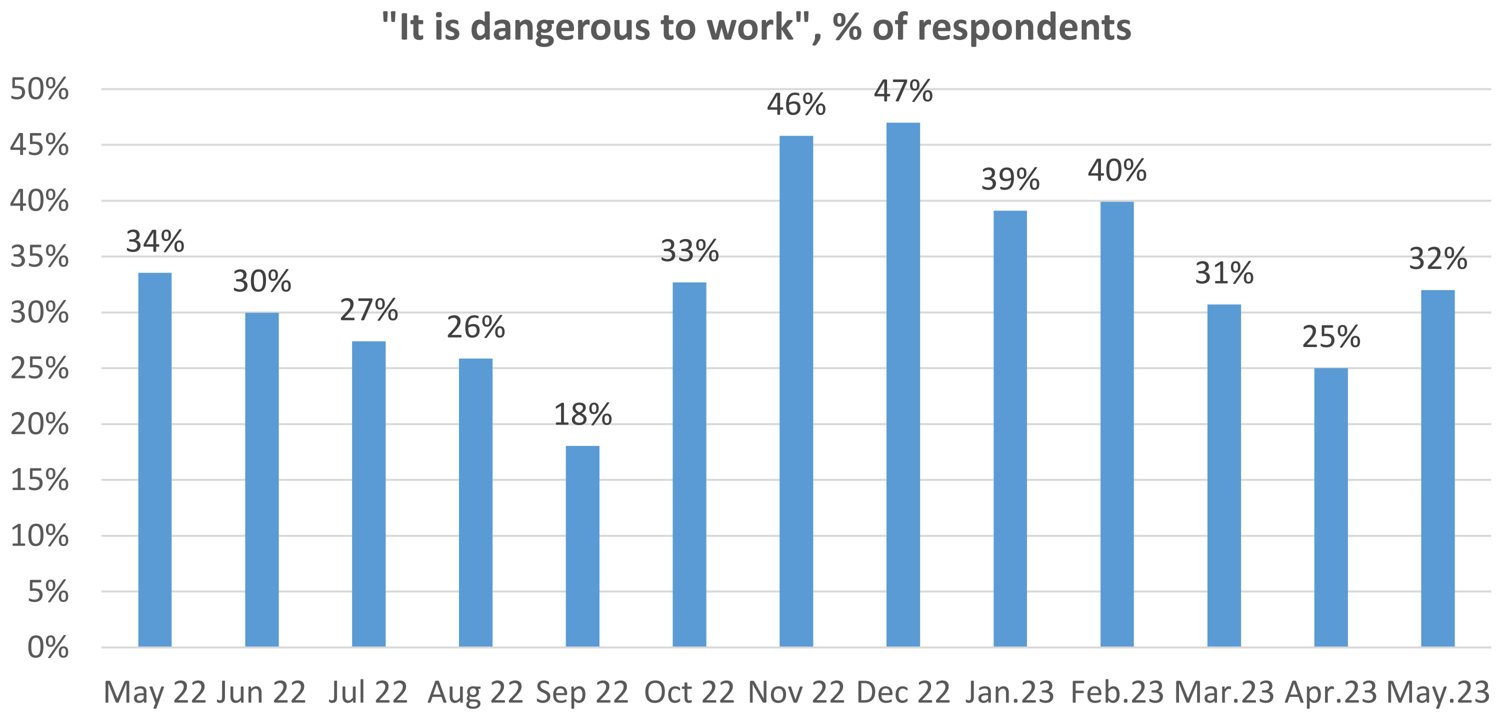
Interruptions with electricity as impediment for doing business, % of respondents



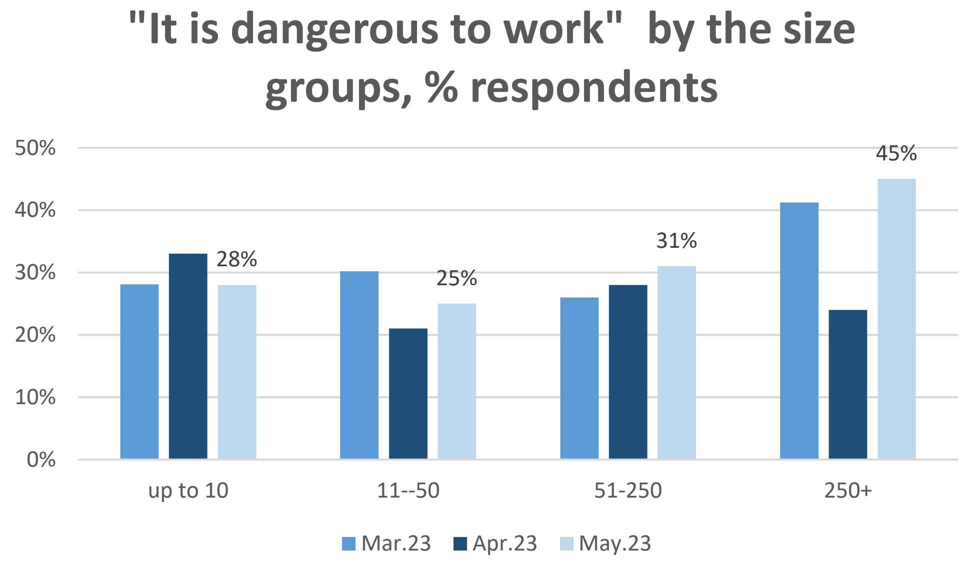
“It is dangerous to work” became a more pressing problem again

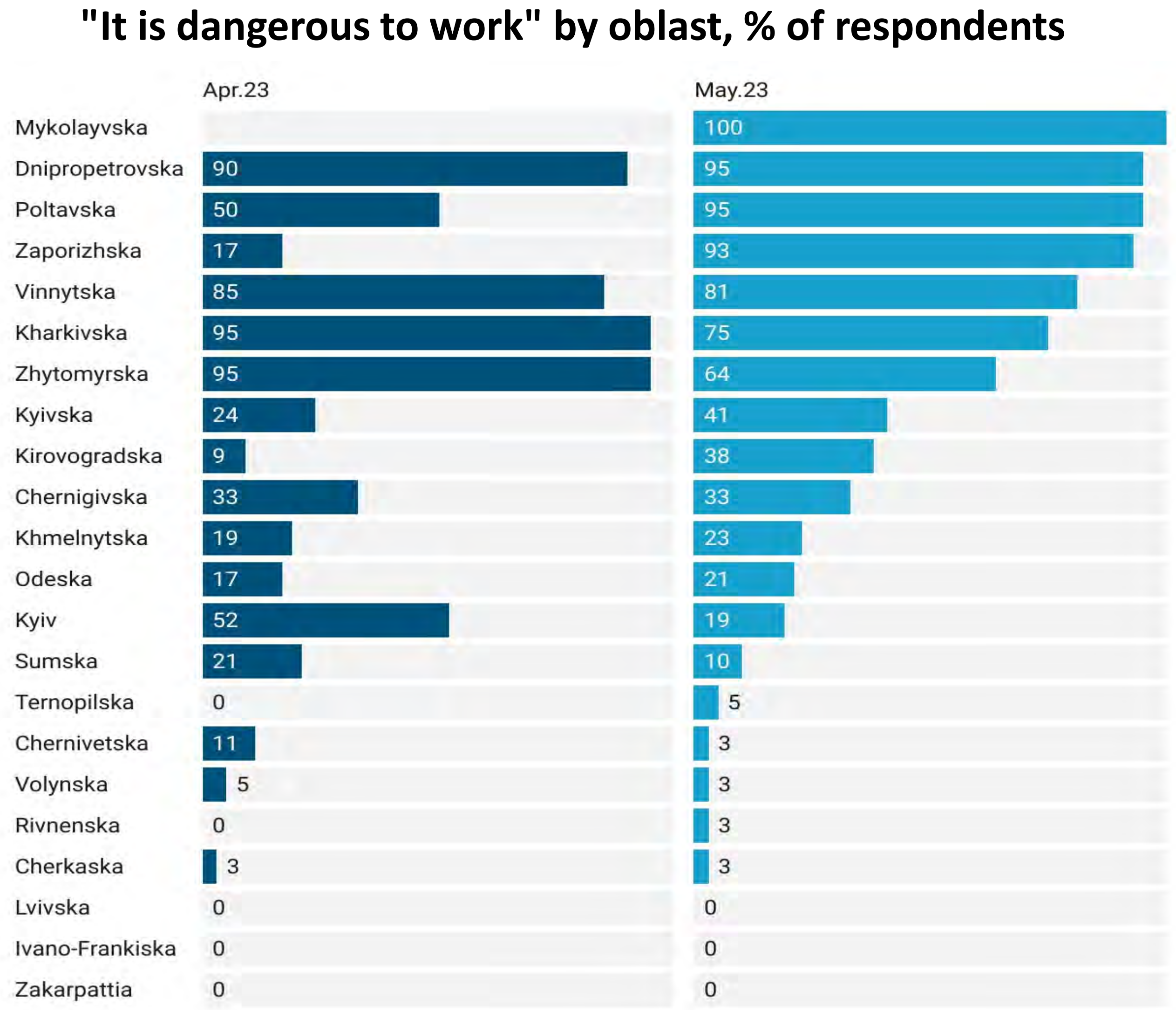
The importance of “it is dangerous to work” increased

- In May 2023, the share of enterprises that reported that **it was dangerous to work** increased from 25% to 32%
- In the list of obstacles, “it is dangerous to work“ **rose from the 7th to the 4th place**



“It is dangerous to work” in different dimensions

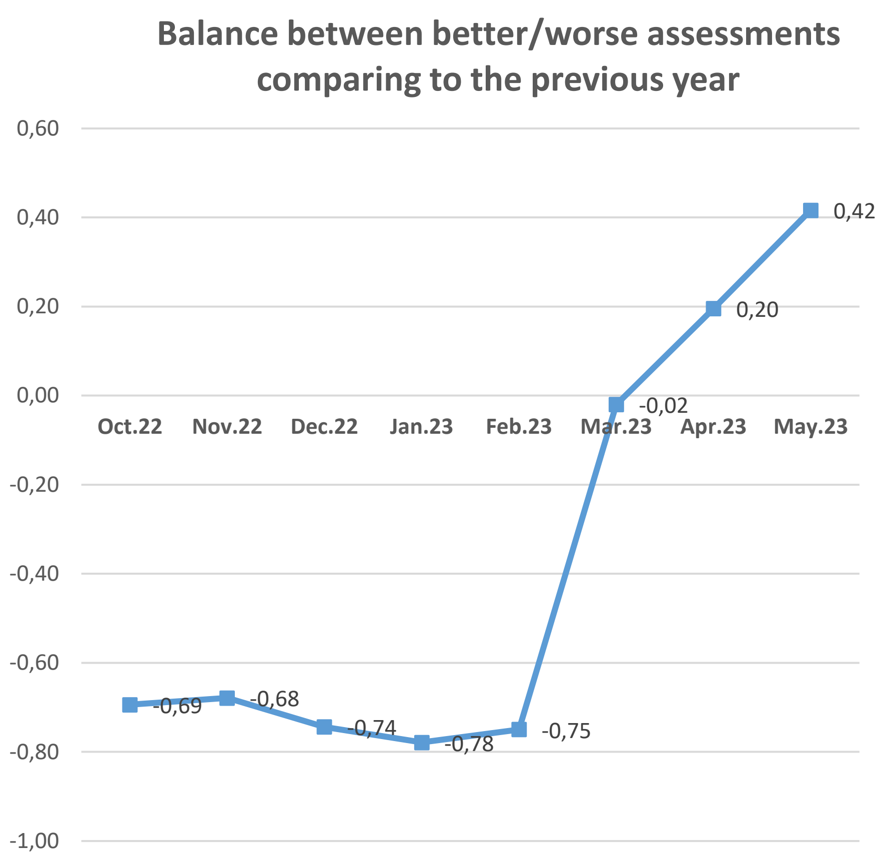


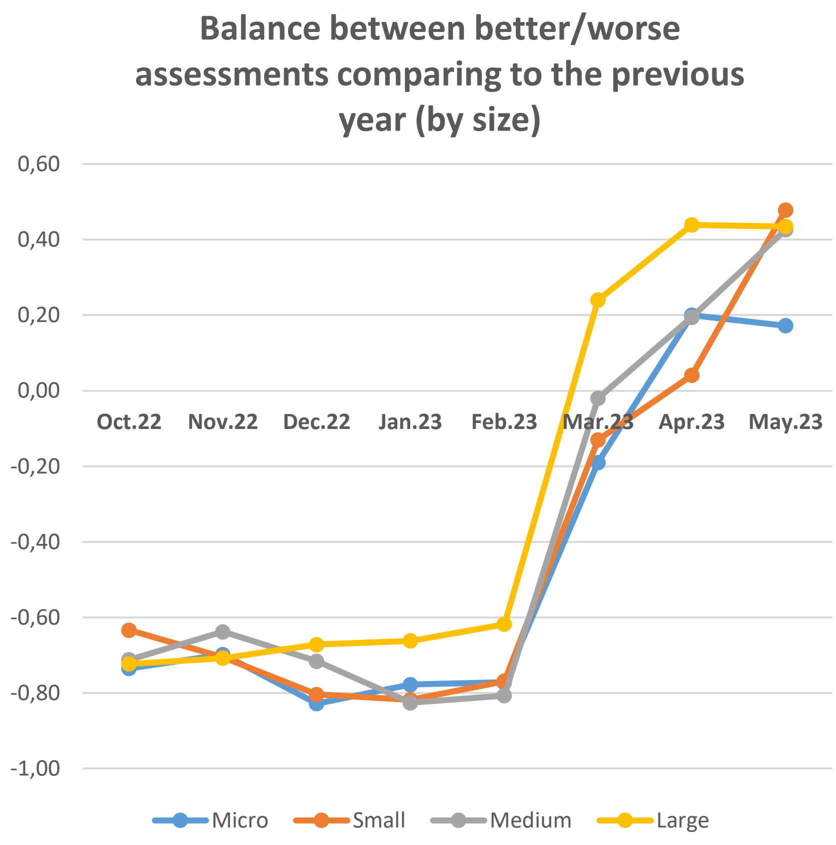


- % of enterprises large enterprises that chose **“it is dangerous to work“** significantly increased
- 90+% of respondents in Zaporizhska, Poltavska, Dnipropetrovska and Mykolayvska oblast consider insecure conditions as an impediment

May to May: changes over the past year

Business activity at enterprises compared to “how it was year ago"





Business activity at the enterprises compared to **“how it was a year ago"** increased twice

- % of those **who consider the situation better almost unchanged (**50% in April and 53% in May)

at the same time

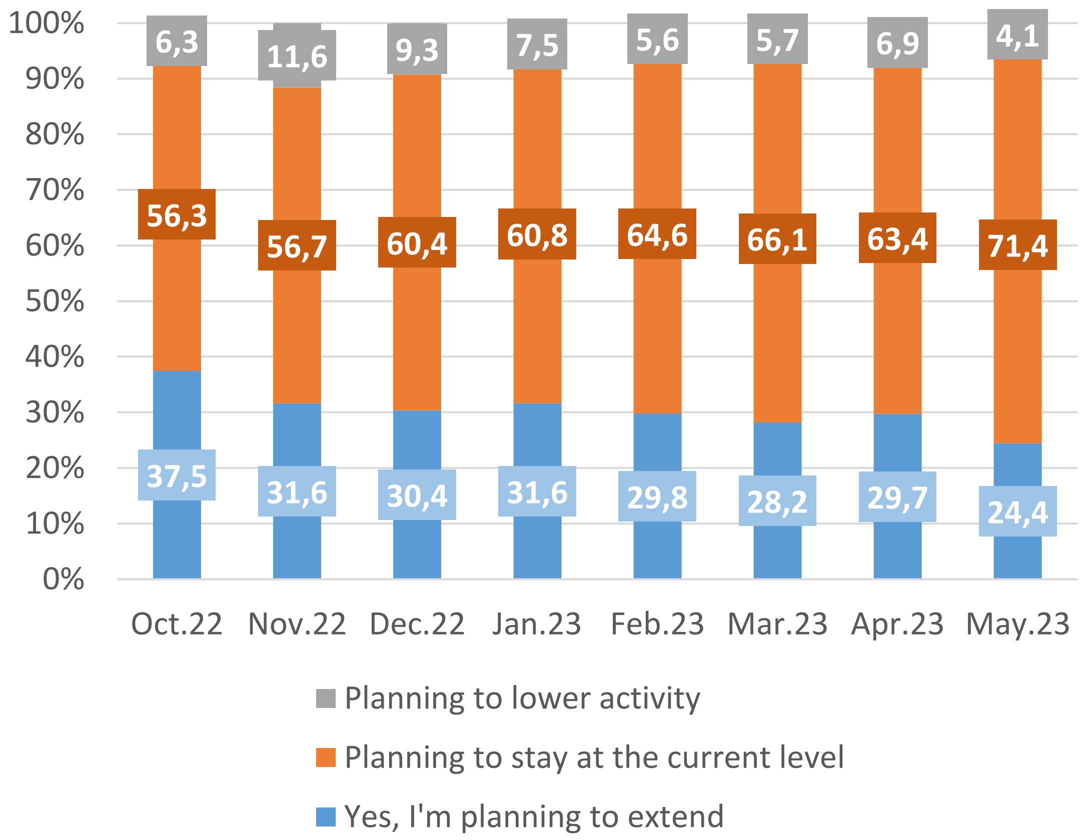
- % of those **for whom the situation is worse significantly decreased** from 30% to 11%
- % of those for whom **"nothing has changed" significantly increased** from 21% to 36%

- The situation for **micro and large enterprises** remains **at the same level**; at the same time, it became **much better for small and medium ones**

Future and Uncertainty

The share of enterprises that do not plan changes in the next two years has slightly increased

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 answers

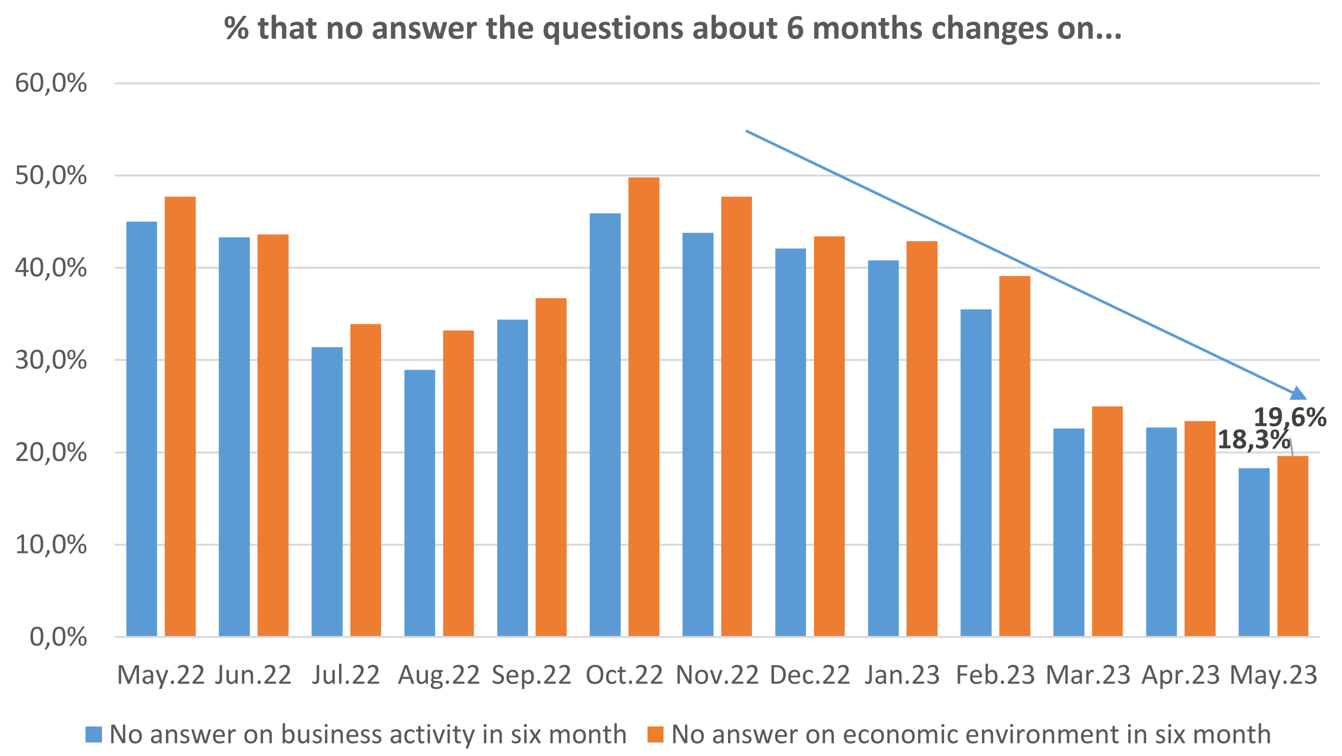
	Oct.22	Nov.22	Dec.22	Jan.23	Feb.23	Mar.23	Apr.23	May.23
It's hard to predict	42.3	54.2	51.9	56.0	57.4	56.0	57.7	56.5

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

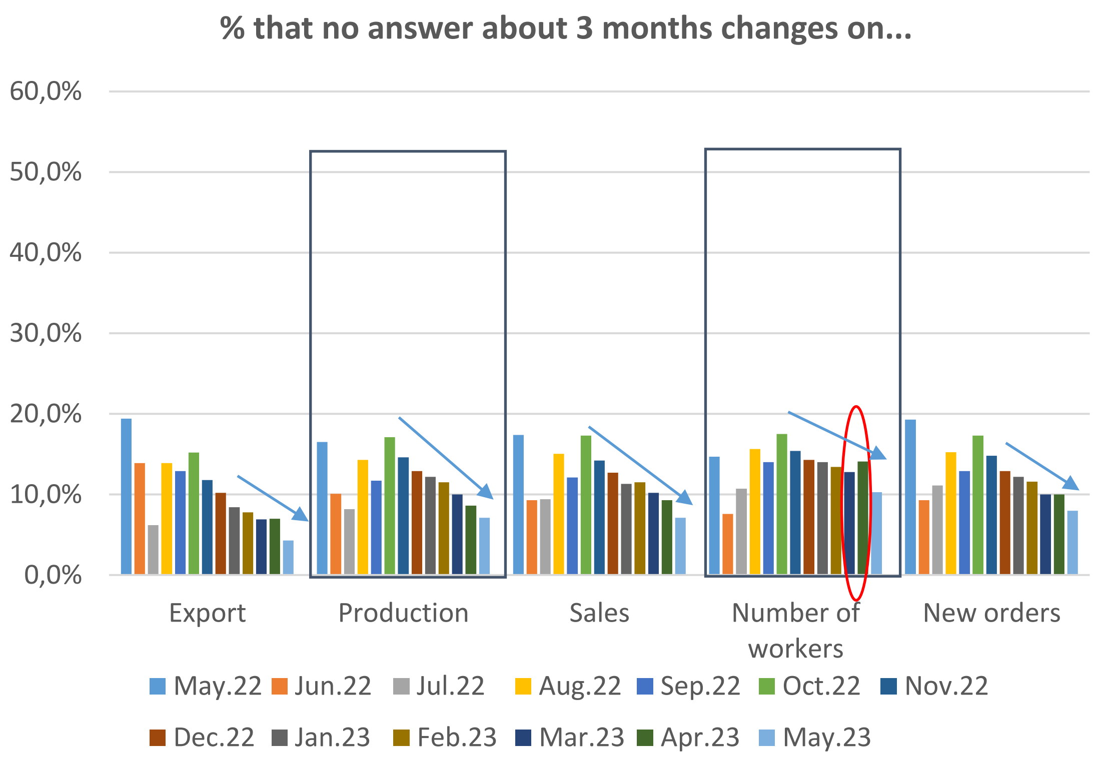
	Oct.22	Nov.22	Dec.22	Jan.23	Feb.23	Mar.23	Apr.23	May.23
Micro	28.6	52.8	46.6	46.3	49.2	48.4	50.9	52.5
Small	39.9	53.6	55.8	55.9	54.4	54.0	53.9	59.1
Medium	44.2	53.2	50.5	57.5	62.6	57.2	60.3	53.8
Large	48.2	57.5	52.0	58.6	57.3	61.3	62.4	59.7

Uncertainty about the near future continues to decrease

Half-year horizon

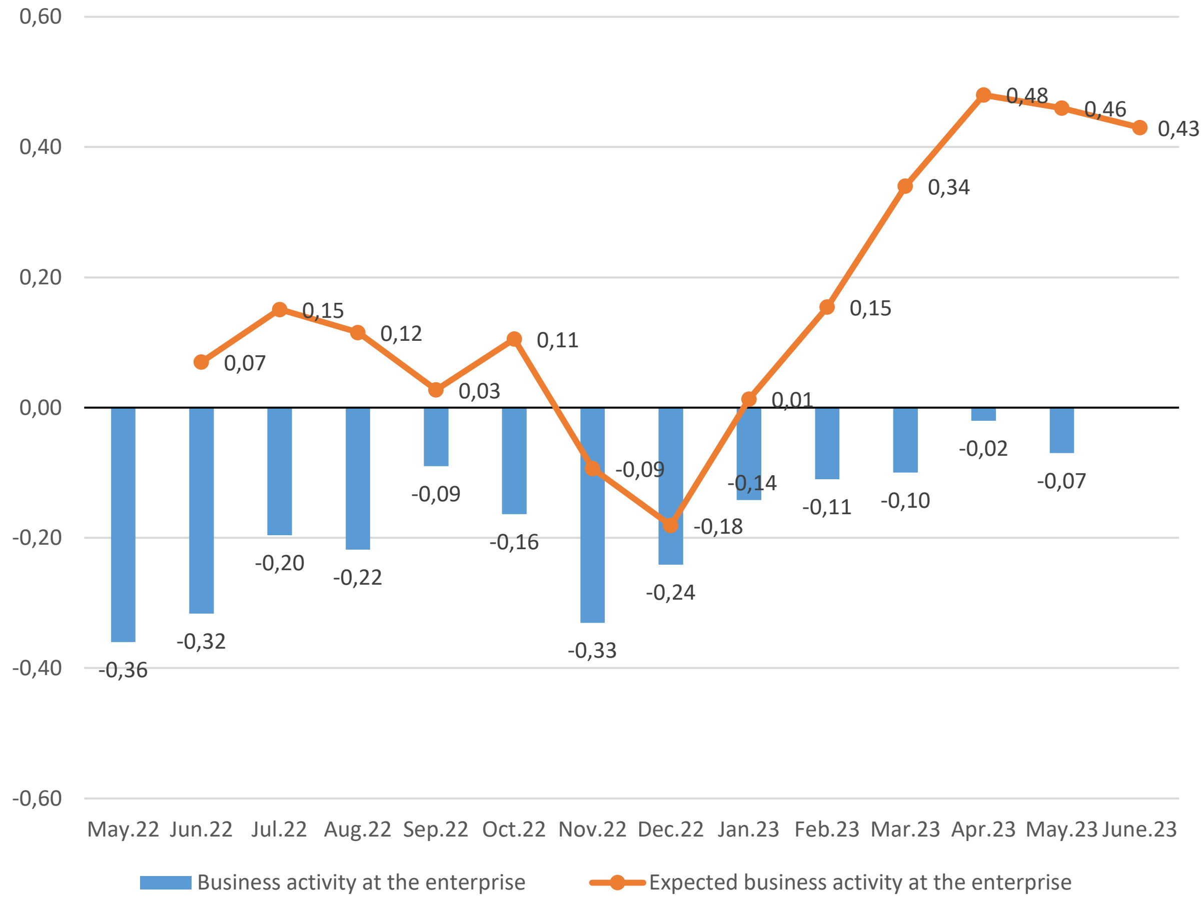


Three-month horizon

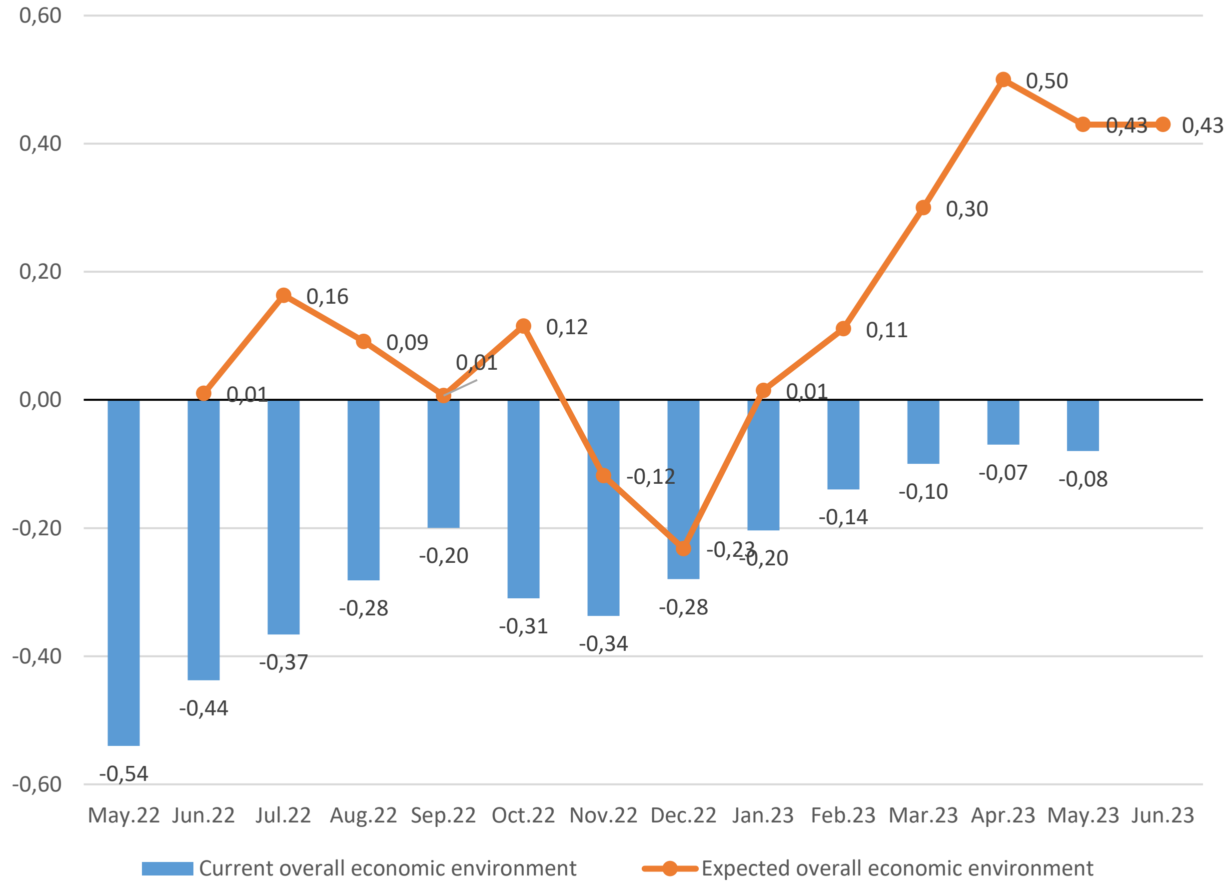


Half-year expectations: without significant change

Business activity at the enterprise

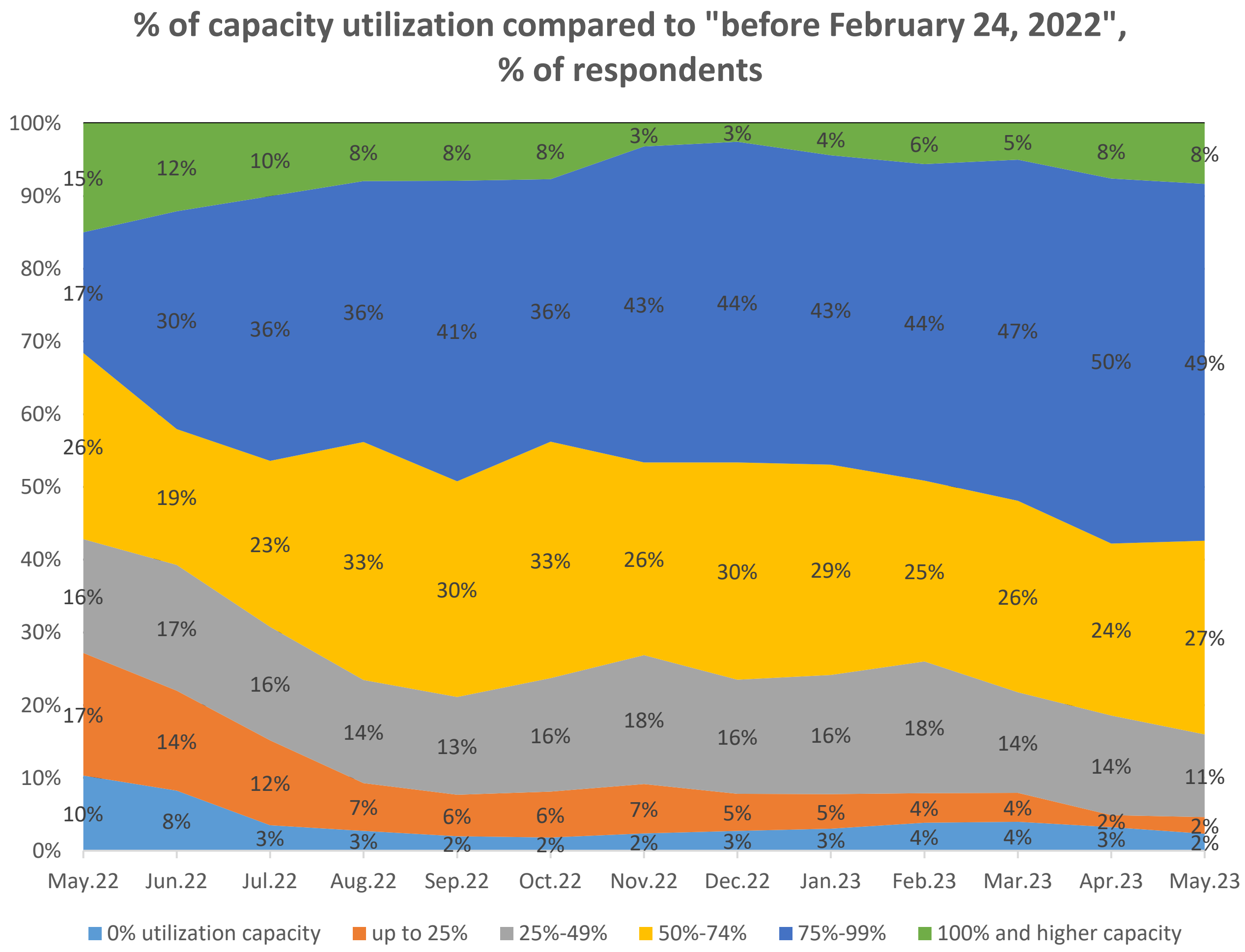


Overall economic environment in the country



Enterprises’ past performances and expectations

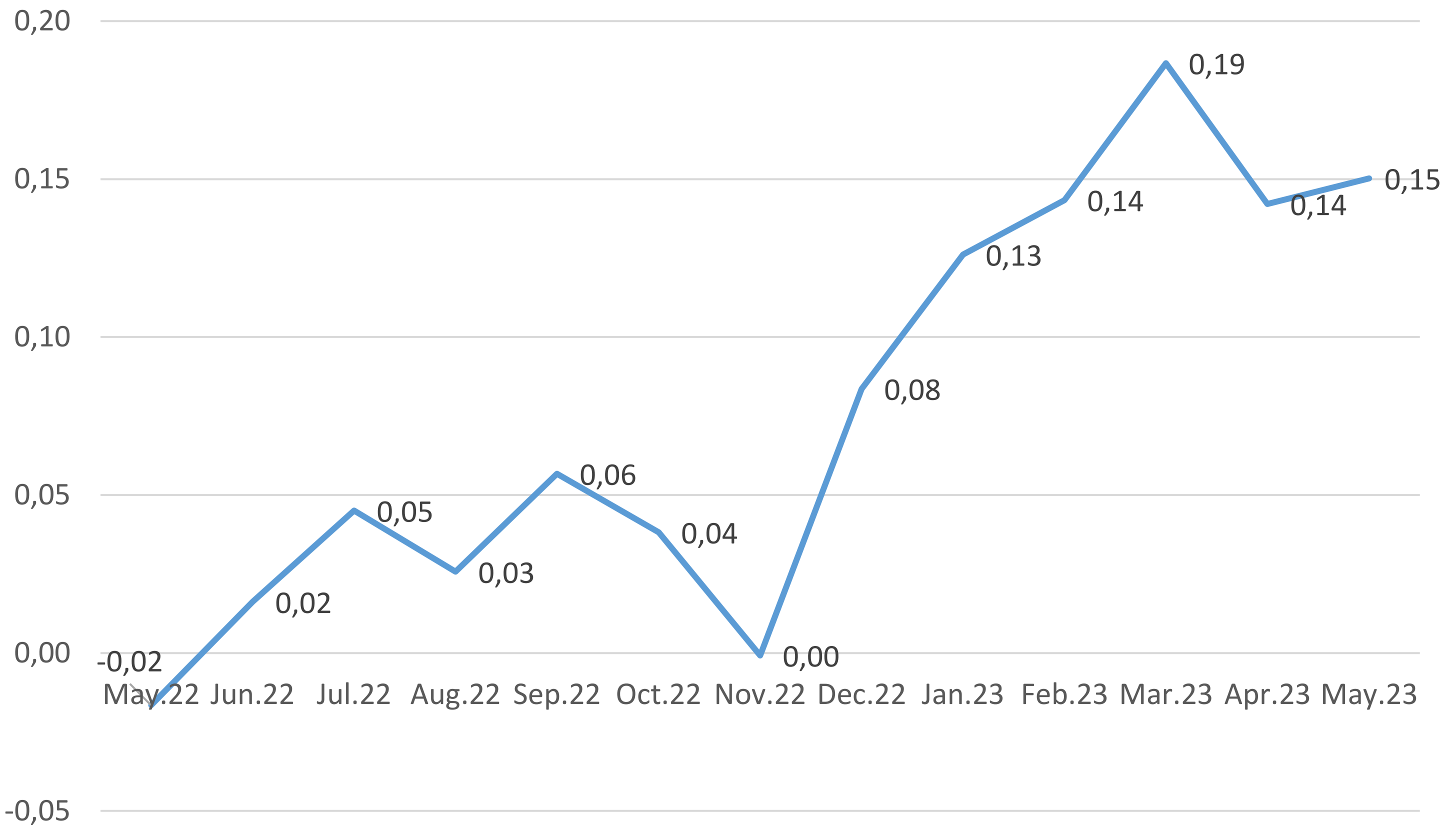
Lack of major changes in recovery of production



In May, there are no significant changes in recovery of production

- The share of enterprises operating at almost full and at full capacity almost without changes is at the level of the previous month:
  - **8%** of enterprises are working **at full capacity** (100% or more), which is the same as in April
  - The share of enterprises **working at almost full capacity** (75%-99%) **is 49% (in April it was 50%)**
- The share of enterprises that **do not operate at all** remains without significant changes since last summer (2% in May and 3% in April)

Industrial Confidence Indicator



ICI= PI+VNO+(-SFG)/3

ICI is positive

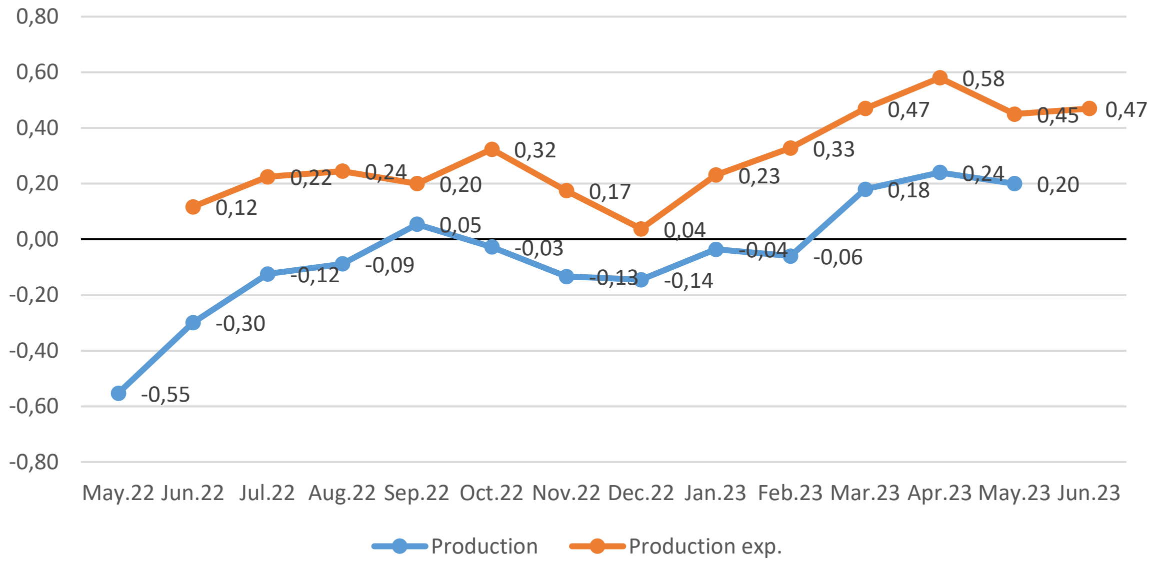
In May the value of the ICI is 0.15, in April, it was 0.14.

This happens because of

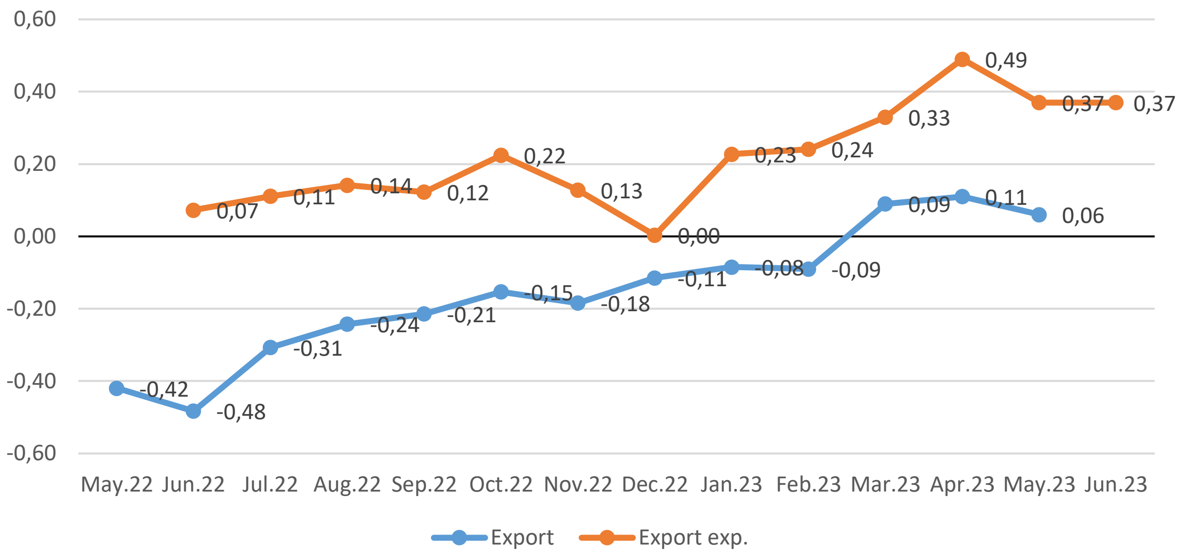
- **The production expectation (PI)** slightly increase from 0.45 to 0.47
- Component **volume of new orders (VNO)** improved from -0.19 to -0.17
- Component **stocks of finished goods(SFG)** increased from -0.17 to -0.15

Production and export without significant changes

Production



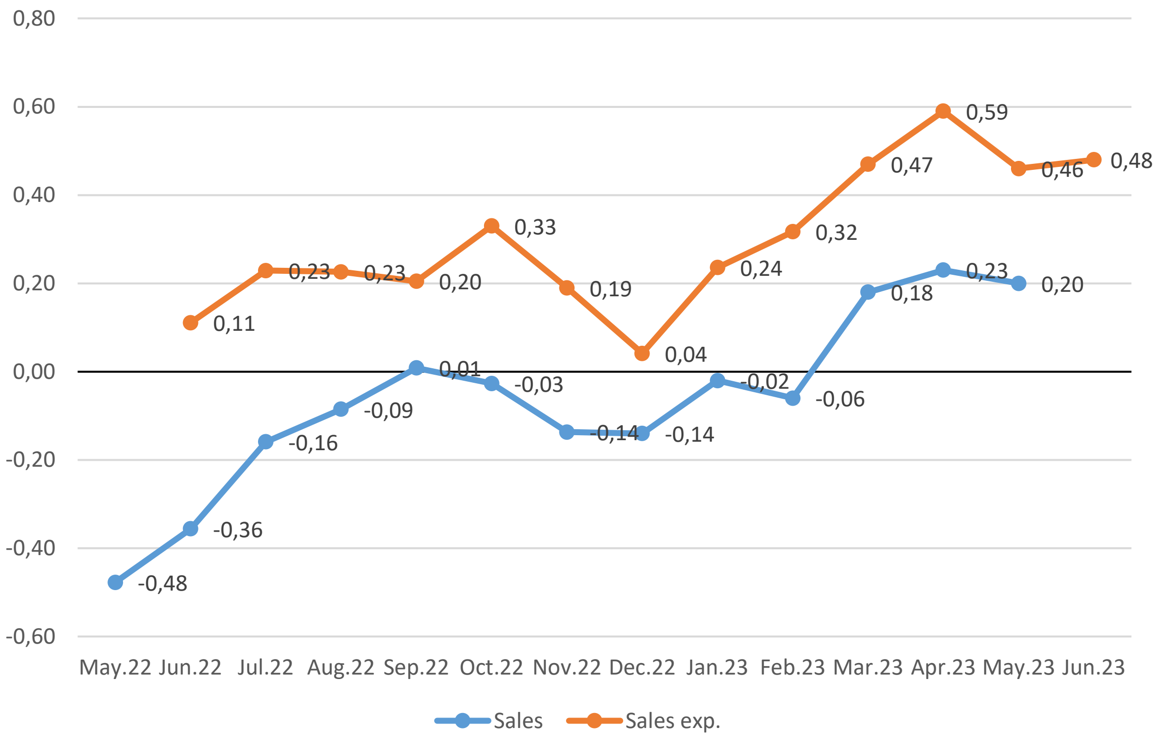
Export



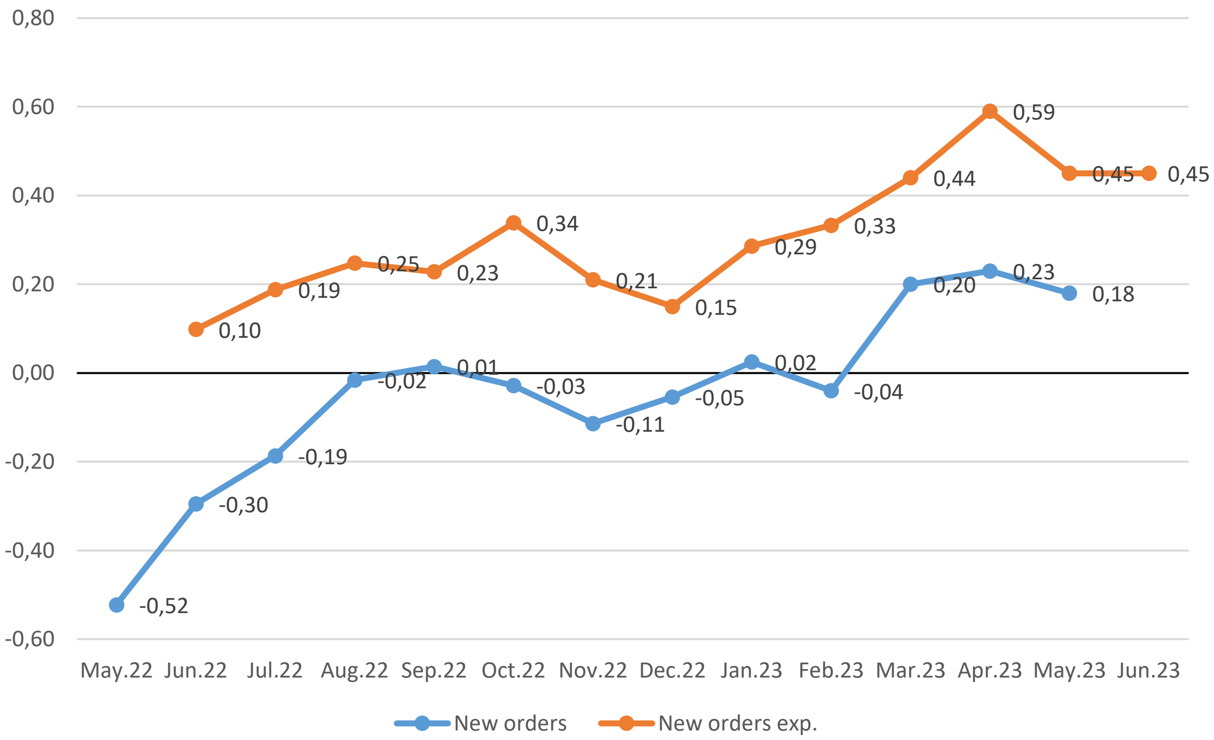
- In May compared to April, **the share of enterprises that planned production growth** in the next 3-4 months **decreased** from 50.2% to 48.9%
- The share of enterprises **that planned to reduce production decrease** from 6.1% in April to 4.0% in May
- The share of enterprises that **plan to maintain production volumes in the coming months** at the previous level **increased** from 43.8% to 47.0%

Sales and new orders: results and expectations remains without significant changes

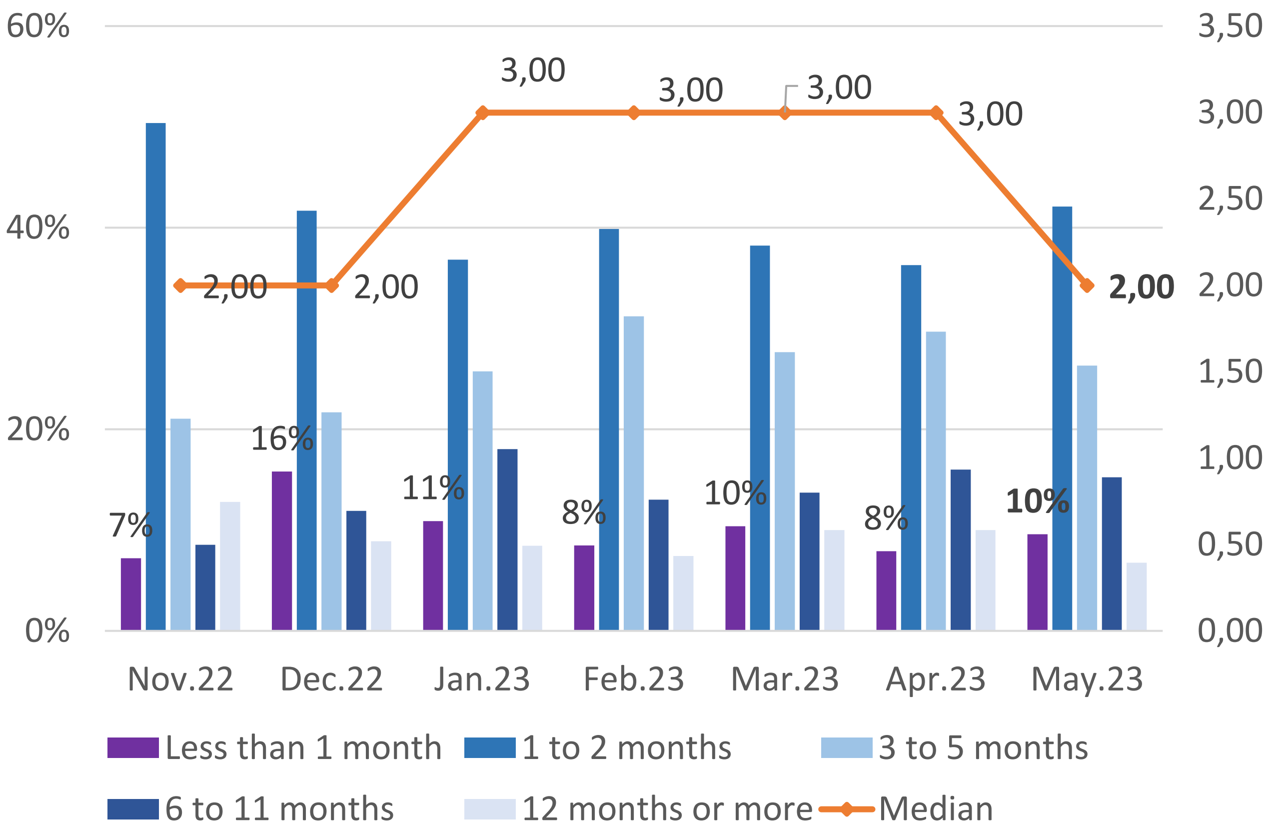
Sales



New orders



The order book decreased for the first time in 2023



In May 2023, **the order book** for the surveyed enterprises **decreased**:

- For the first time in the 5 months of 2023, the average order book decreased to **2 months** (median)
- % of the enterprises that have orders for **up to 2 months** increased from 44% in April to 52% in May

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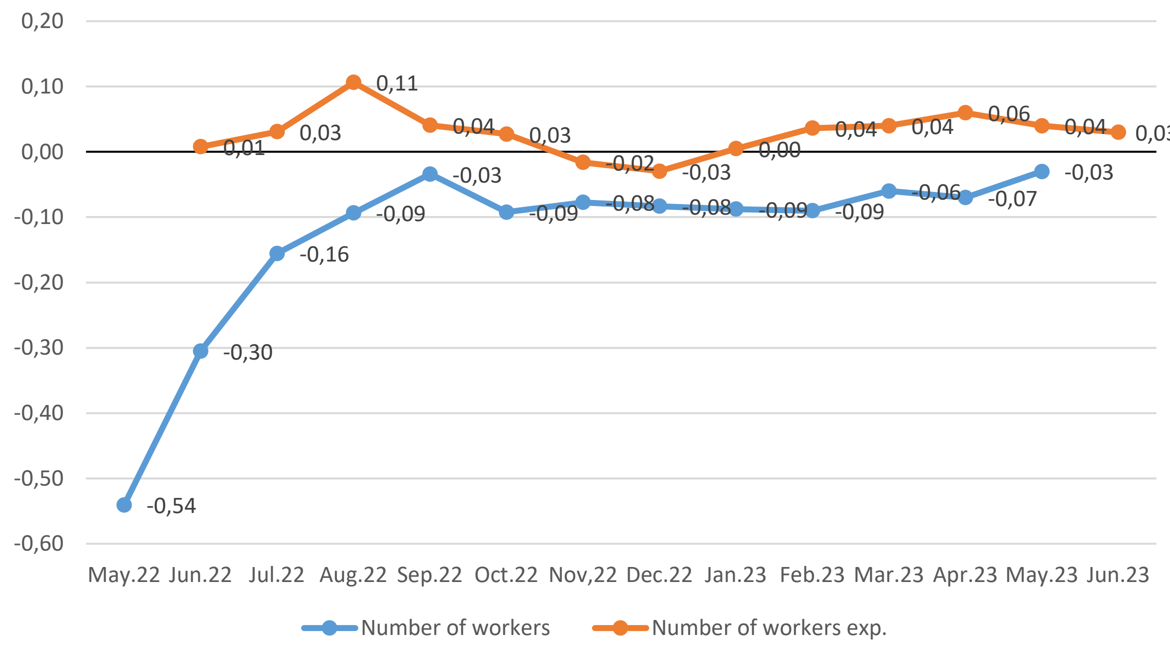
Employment and labor market

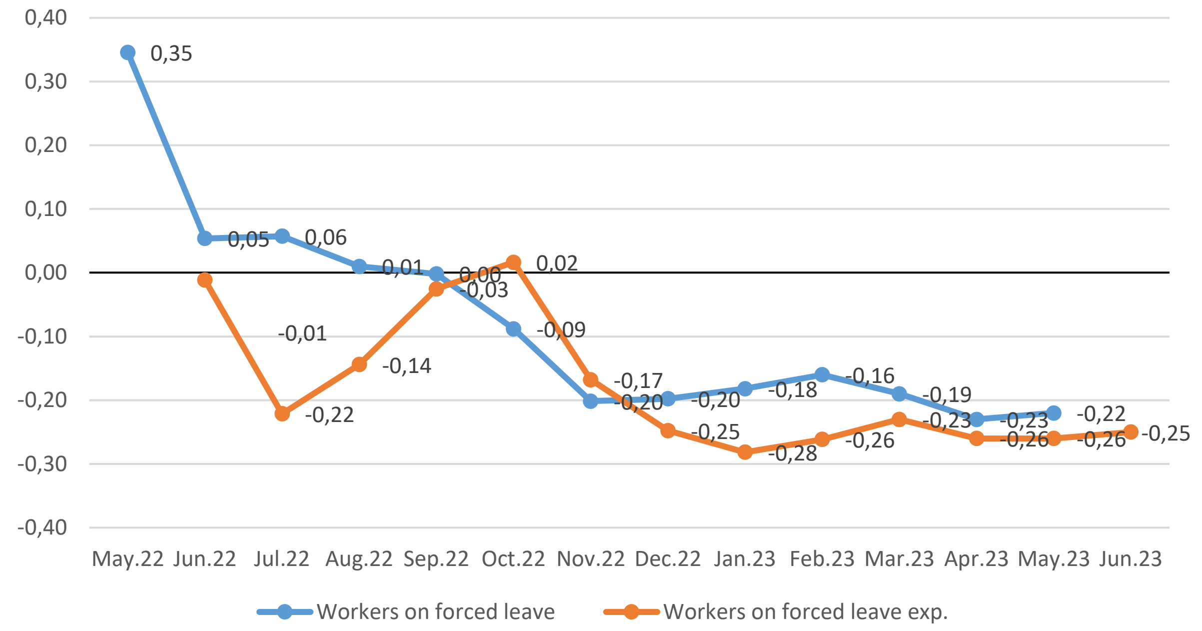
Employment: without changes several month in a row

Number of workers



- % of enterprises **planning employment growth** is 5.2% (in April it was 5.6%)
- % of enterprises **intending to reduce** the number of employees **is without significant changes (**3.1% in April and 3.6% in May)
- % of enterprises at which **no changes in employment are expected increased** is 91.2% (the same as it was in April)

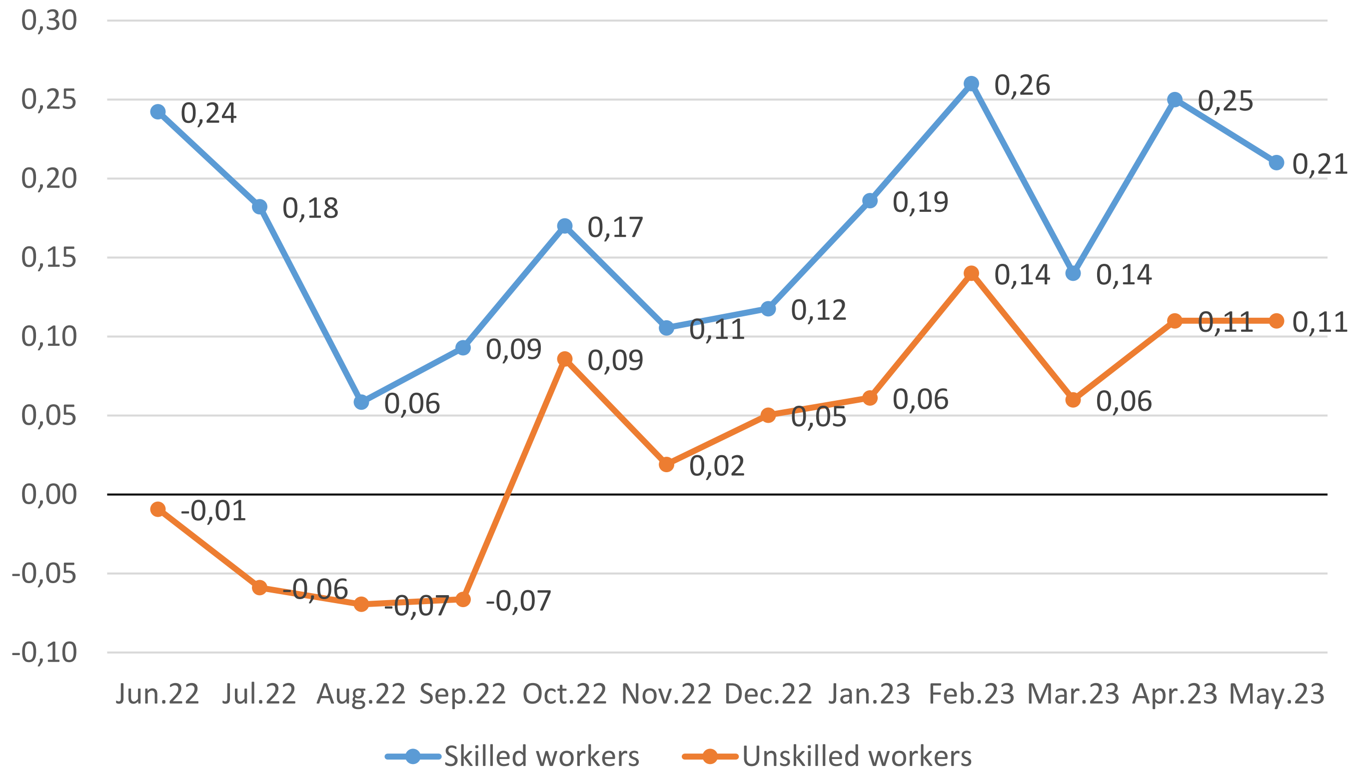
Number of workers on forced leave



- % of enterprises that **will increase the number of employees on forced leave almost unchanged** (0.5% in April and 0.9% in May)
- % of enterprises that **are going to reduce** employees on forced leave **also almost unchanged** (27.1% in April and 27.3% in May)
- **% unchanged also is without significant changes –** 71.8% in May (in April it was 72.4%)

Problems in finding skilled workers became less

Problems with finding workers



In May the enterprises reported decrease in problems of finding skilled workers, while the situation with unskilled workers remains the same

- **Skilled workers**: **%** of those who reported that it is **more difficult** to find such workers slightly **decreased** (from 26.9% to 24.0%). At the same time % of those to whom it is **easier** to search for skilled workers remains **almost unchanged** (4.3% in April and 3.1% in May)

- **Unskilled workers**: % of those who report that it **is easy** to find them **almost did not change** (4.9% in April and 5.6% in May) **as well as** % of those to whom this is **harder** (13,7% in April and 14.3% in May)

Assessments of government's economic policy

Assessments of economic policy remains mostly neutral

	May.22	June.22	July.22	Aug.22	Sep.22	Oct.22	Nov.22	Dec.22	Jan.23	Feb.23	Mar.23	Apr.23	May.23
Positively	19.0	16.0	10.0	10.0	10.0	16.0	23.0	21.0	21.0	24.0	20.0	13.0	16.0
Neutrally	42.0	39.0	50.0	51.0	57.0	48.0	46.0	49.0	53.0	56.0	56.0	61.0	60.0
Negatively	11.0	23.0	22.0	28.0	22.0	21.0	21.0	18.0	15.0	11.0	11.0	11.0	11.0
Don't know / Didn't answer	28.0	22.0	18.0	12.0	11.0	14.0	11.0	11.0	12.0	9.0	12.0	14.0	13.0

- In May 2023, **positive assessments** of government policy on business support **slightly increased, while the % of negative assessments did not change**
- As before, **businesses mostly neutrally assess** the government policy on business support: 60% of the respondents
- The share of the undecided respondents in May is 13% (in April it was 14%)

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.

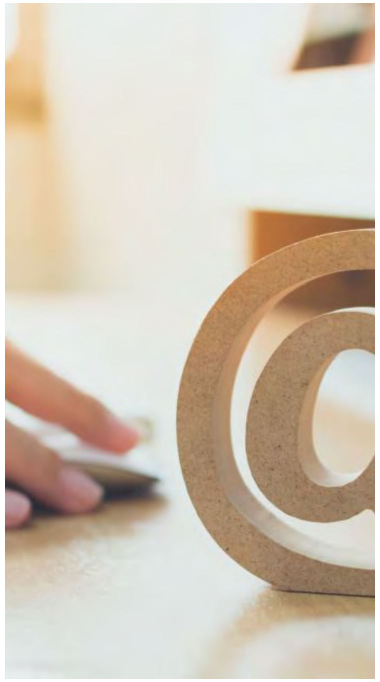
The monthly survey consists of two parts: the regular one and the special one. Respondents will regularly answer questions on the changes in key activity indicators and short-term forecasts for future changes in the same indicators: output (production), sales, exports, debt, new orders, employment, etc. 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, Mykolaiv, Odesa, Poltava, Rivne, Sumy, Ternopil, Kharkiv, Khmelnytskyy, Cherkasy, Chernivtsi and Chernihiv regions and the Kyiv city.

The field stage of the 13-th wave lasted from May 16 to May 31, 2023. The enterprise managers compared the work results in May 2023 with April 2023, assessed the indicators at the time of the survey (May 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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