“Keep your chin up”

Main economic trends in June 2023

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

Oksana Kuziakiv, Executive Director at the IER

Yevhen Anhel, Senior Research Fellow at the IER

Iryna Fedets, Senior Research Fellow at the IER

Anastasia Gulik, Research Fellow at the IER

Kyiv, July 7, 2023

ABOUT THE NEW RAPID ENTERPRISES SURVEY

Monthly survey

The recent data were collected on **June 16 - 30, 2023**

14 surveys have already been conducted (since May 2022)

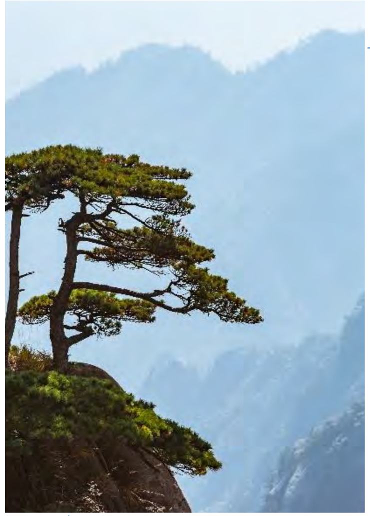
Sectors: **Industry +** (Retail, Agro)

SAMPLE: 513 **enterprises** were surveyed in June

Enterprises of all sizes

Geography: **21 out of 27** regions of Ukraine

Main results 1



In the short-and medium- perspective business **remains optimistic**, although **refraining from concrete forecasts for the distant future,** as long tern uncertainty **increased.**

Main results 2: uncertainty

Uncertainty on overall in the **6-month** perspective slightly increased

Uncertainty in 3-months perspective **slightly increases** for the first time in several month.

Uncertainty in the **2 years** perspective are increasing

Main results 3: production and business activity

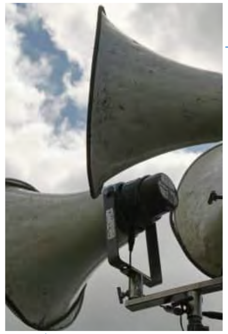
Assessments of the current business activity at the enterprise and overall economic environment **improved**

The **expectations for 6 months** for the are very optimistic

The share of **enterprises operating at almost full and at full capacity** is **the highest** since the beginning of the war (**62%**)

Production performance vs previous months **are very good , 3 months expectations** are optimistic, but the **optimism "stagnations"** are observed for three months in row

Main results 4: impediments, export, policy



The importance of the obstacle **"it is dangerous to work"** remain unchanged

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

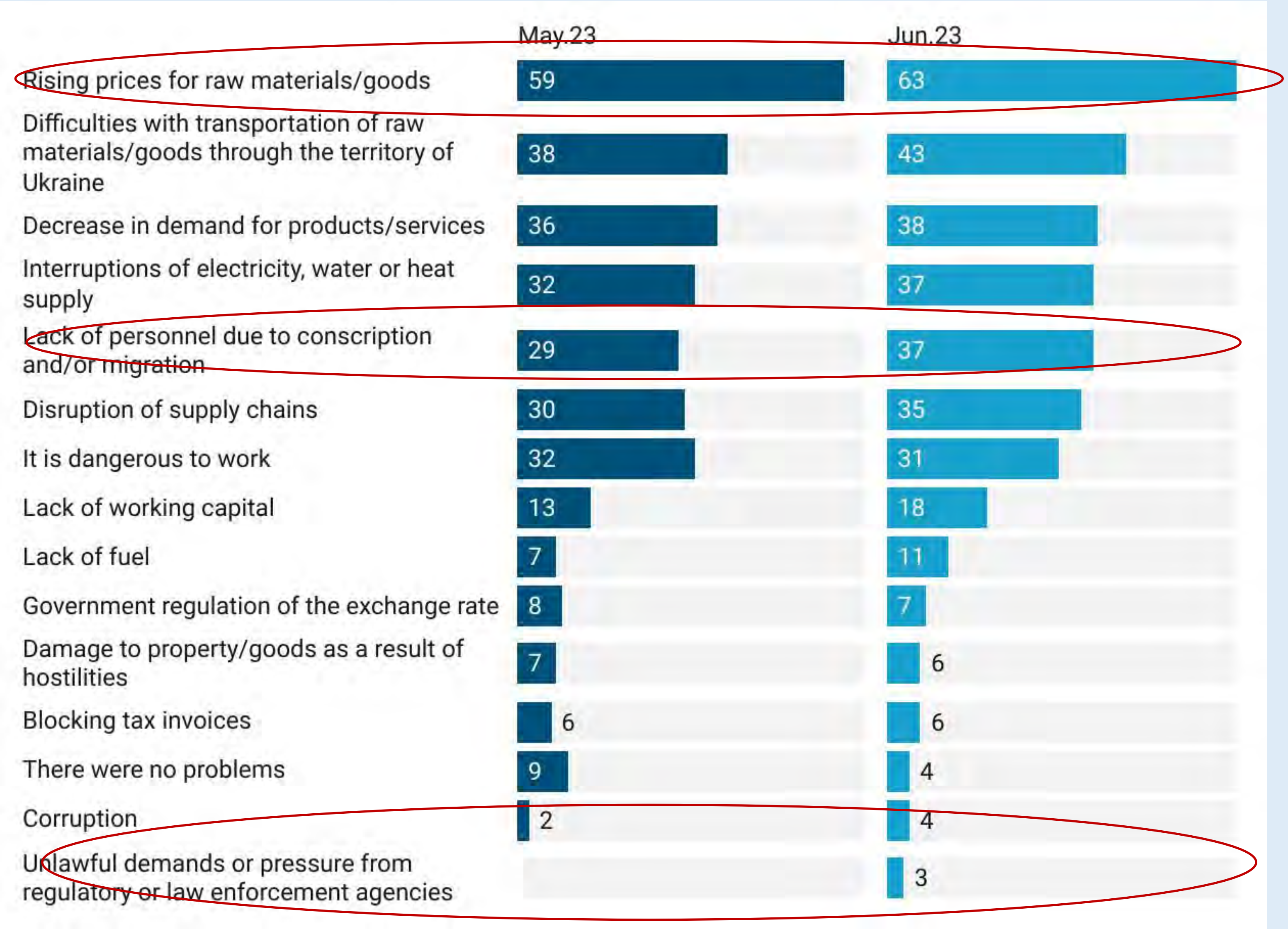
Export activity remains **without** significant changes

Neutral assessments of the state policy of business support **still prevail**, but the percentage of **negative assessments has slightly increased**

Impediments to doing business in wartime

The main impediments to doing business in wartime, % respondents

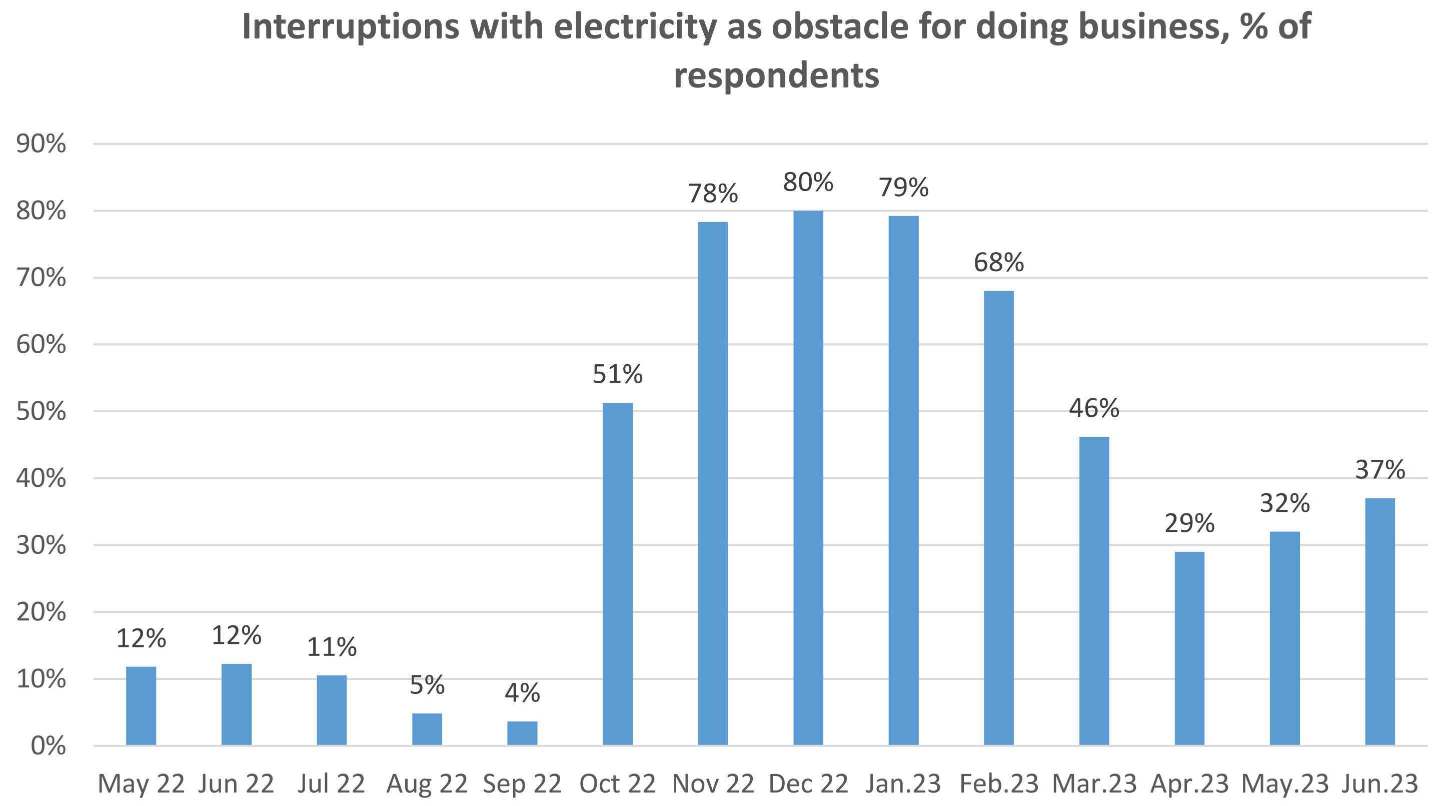
- **Rising prices for raw materials and goods** remained in the leading position and increased the value
- **Logistical problems** still hold the **2nd** place, with the increasing absolute value
- The importance of **“electricity interruptions” remains at the 4th place in the ranking and increases the value**.
- Lack of personnel after increasing the absolute value moves from **6th to 4th place**
- At the same time, the obstacle **“it is dangerous to work” remains unchanged in value but moves from the 4th to 6th place** in the ranking
- **Corruption** and **pressure from law enforcement agencies** is not a significant problem, according to the survey results



Problem with electricity is growing again

The importance the "Electricity" as an impediment to doing business has increased again

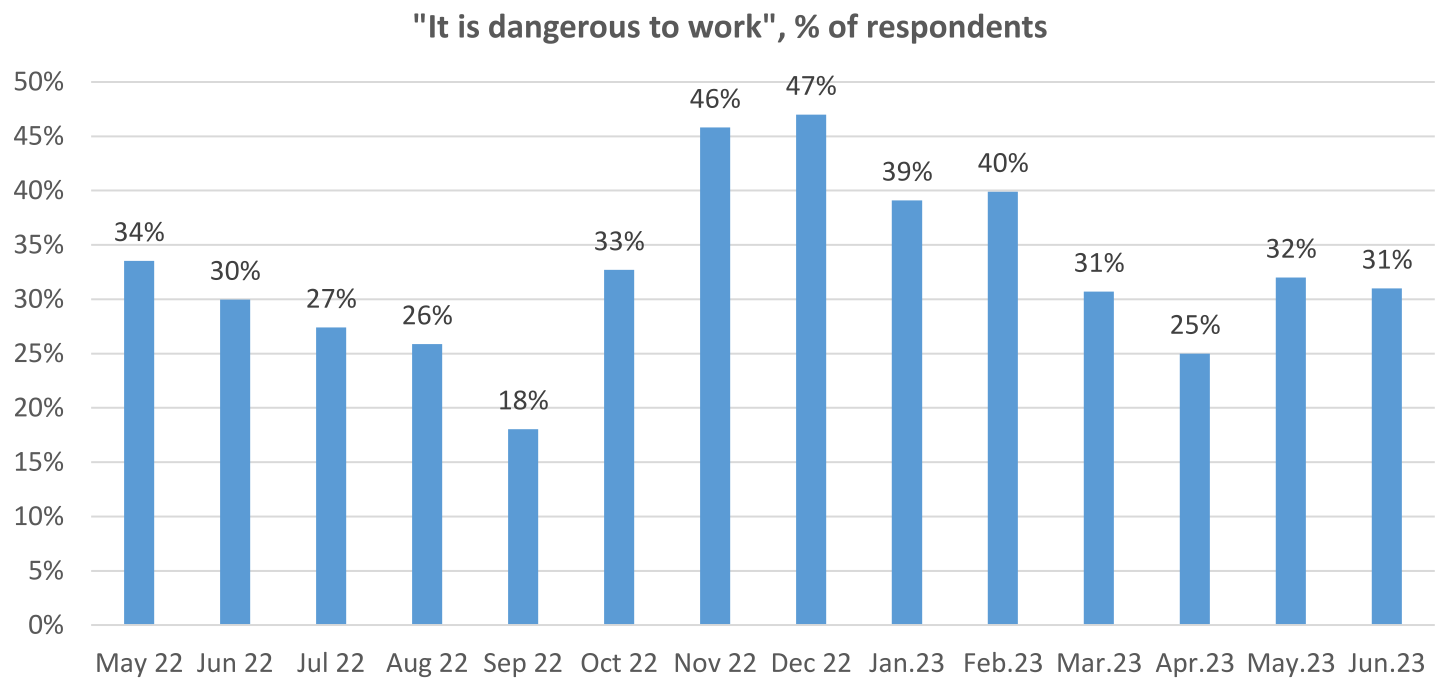
- In June 2023, the percentage of respondents who indicated **electricity and water supply as obstacle to doing business increased**
- At the same time, in the list of obstacles, **interruptions in electricity remain at the 4th place**



It is still “dangerous to work”

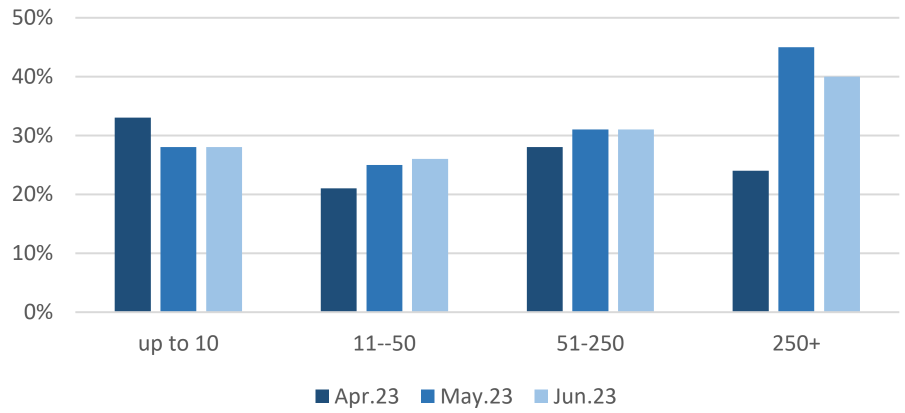
“it is dangerous to work” remains important as an impediment to doing business

- In June 2023, the share of enterprises that reported that **it was dangerous to work** is 31% (in May it was 32%)
- In the list of obstacles, “it is dangerous to work“ **moves from the 4th to 6th place**

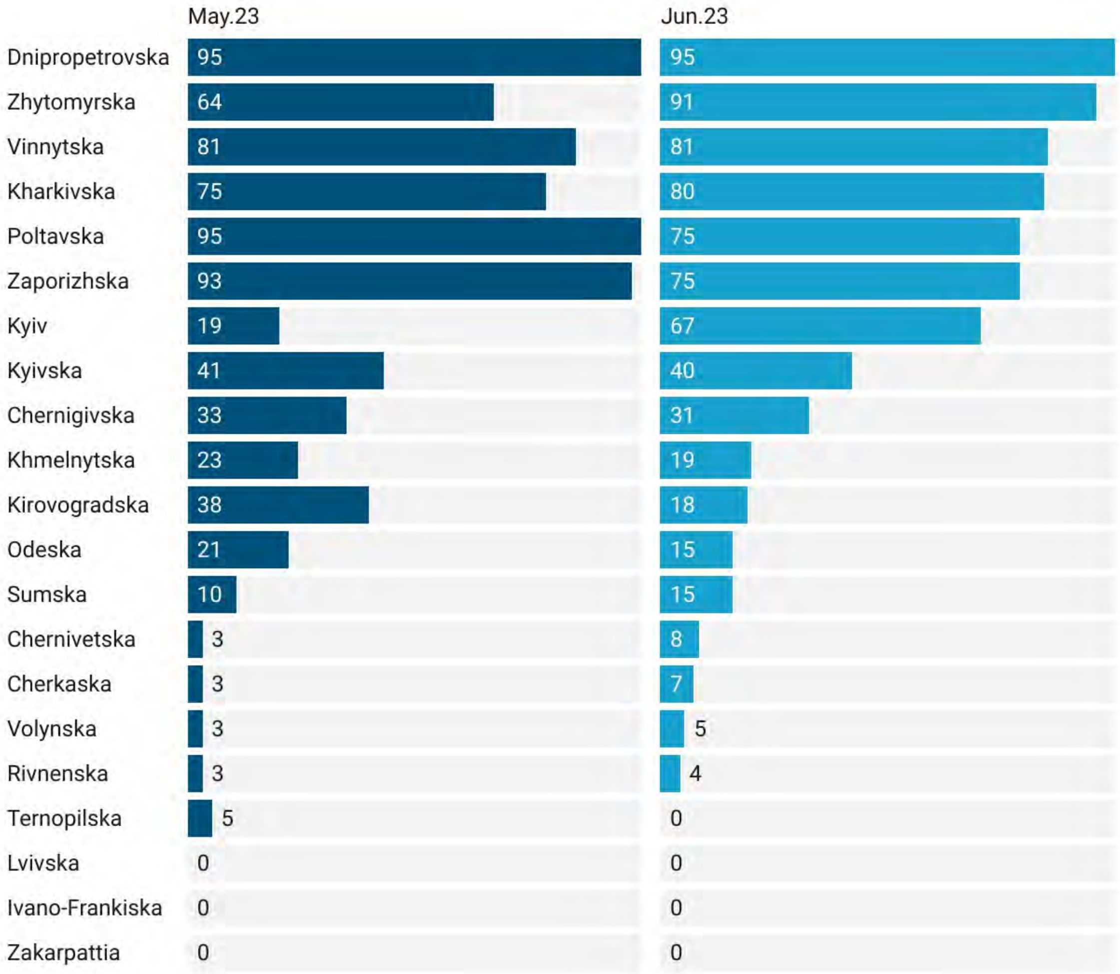


“It is dangerous to work” in different dimensions

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



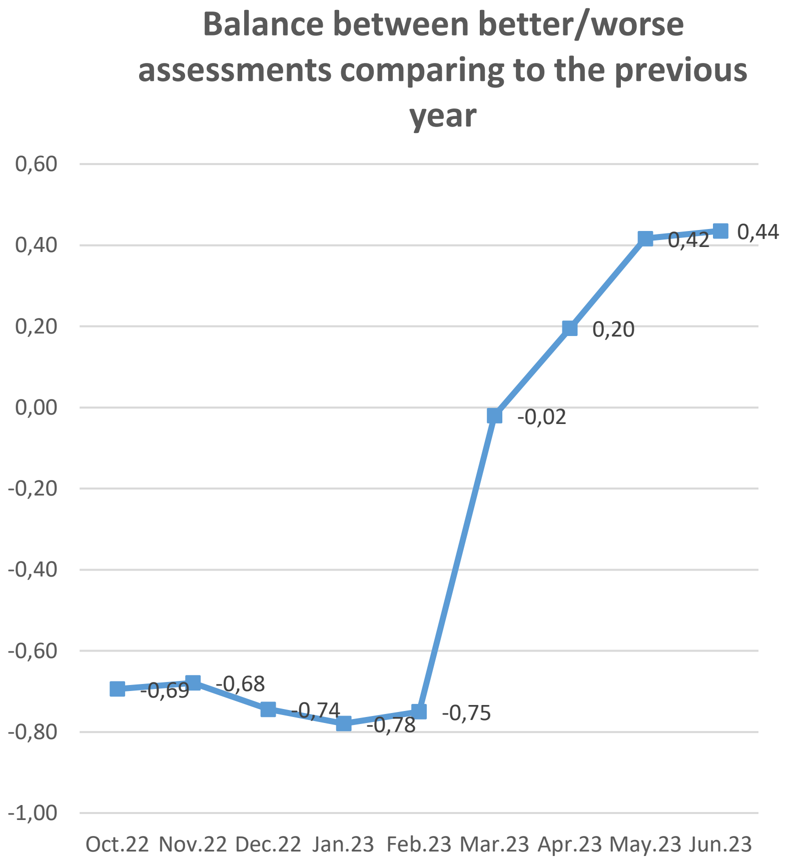
"It is dangerous to work" by oblast, % of respondents

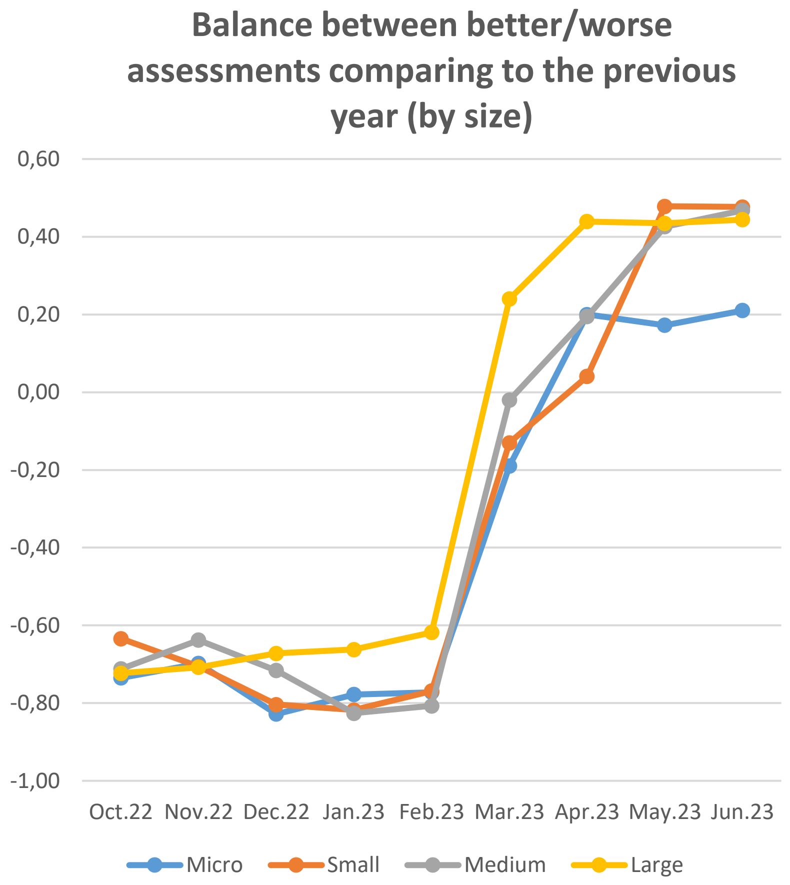


- % of enterprises large enterprises that chose **“it is dangerous to work“** slightly decreased
- 90+% of respondents in Dnipropetrovska and Zhytomyrska oblast consider insecure conditions as an impediment

June to June: changes over the past year

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





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

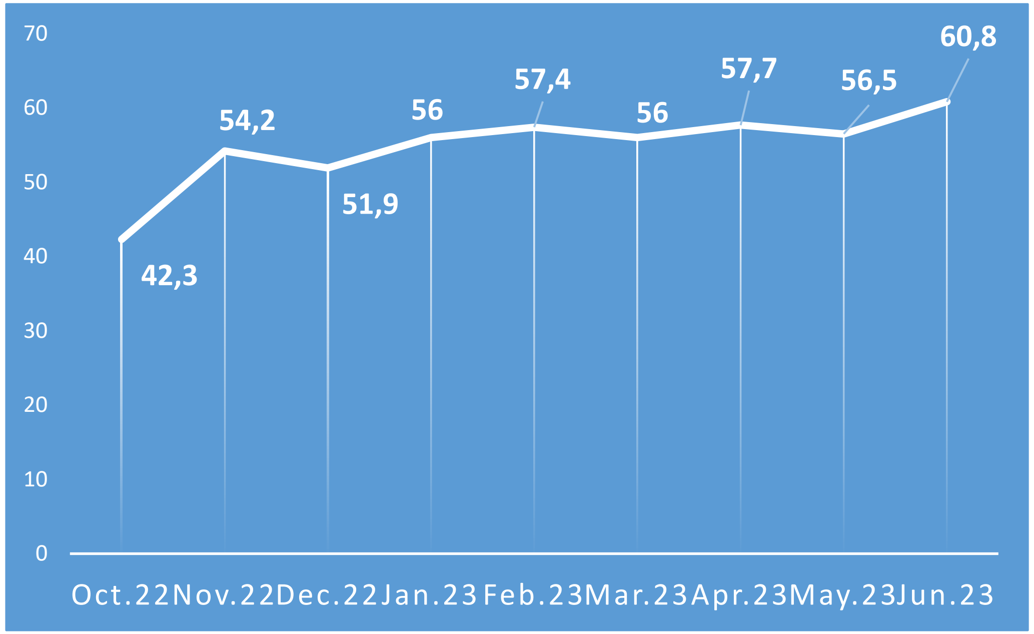
- 53.3% consider the situation better than it was year ago
- 36.9% say that "nothing has changed
- 9.8% inform that the situation is worse
- There are **no significant differences between dynamics** in June vs. May for different sizes, but the **absolute values of indicators** by size show that **micro business has the worst** results

Future and Uncertainty

Long-term uncertainty is growing

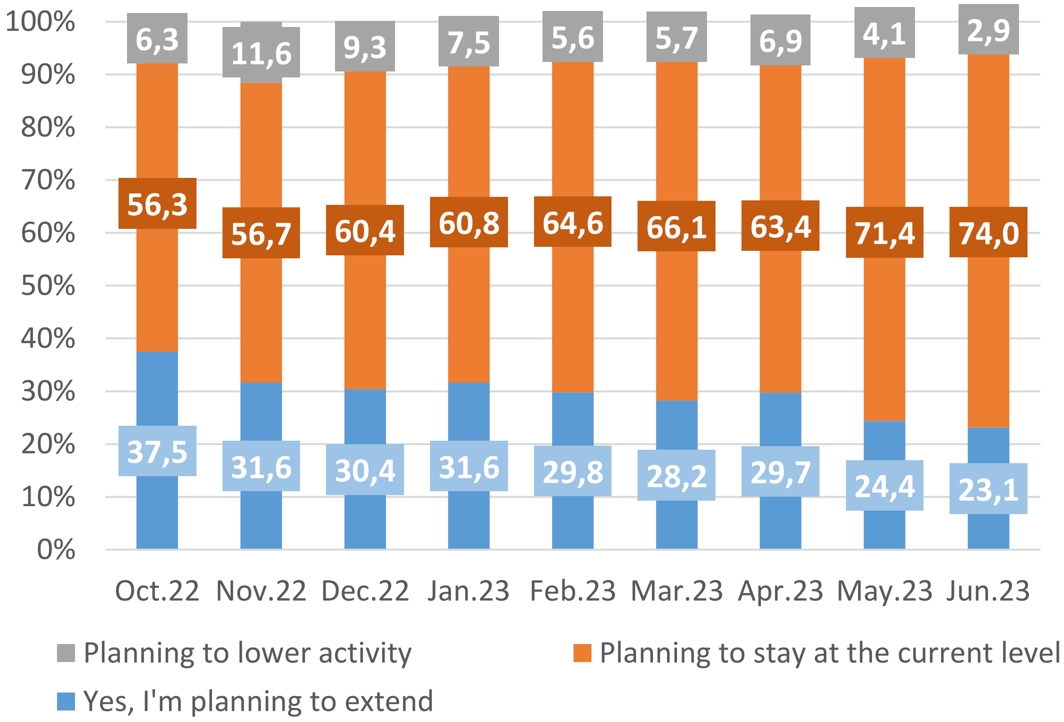
Uncertainty in the two-year perspective

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



% of enterprises that have had no idea about their plans for 2 years has increased.

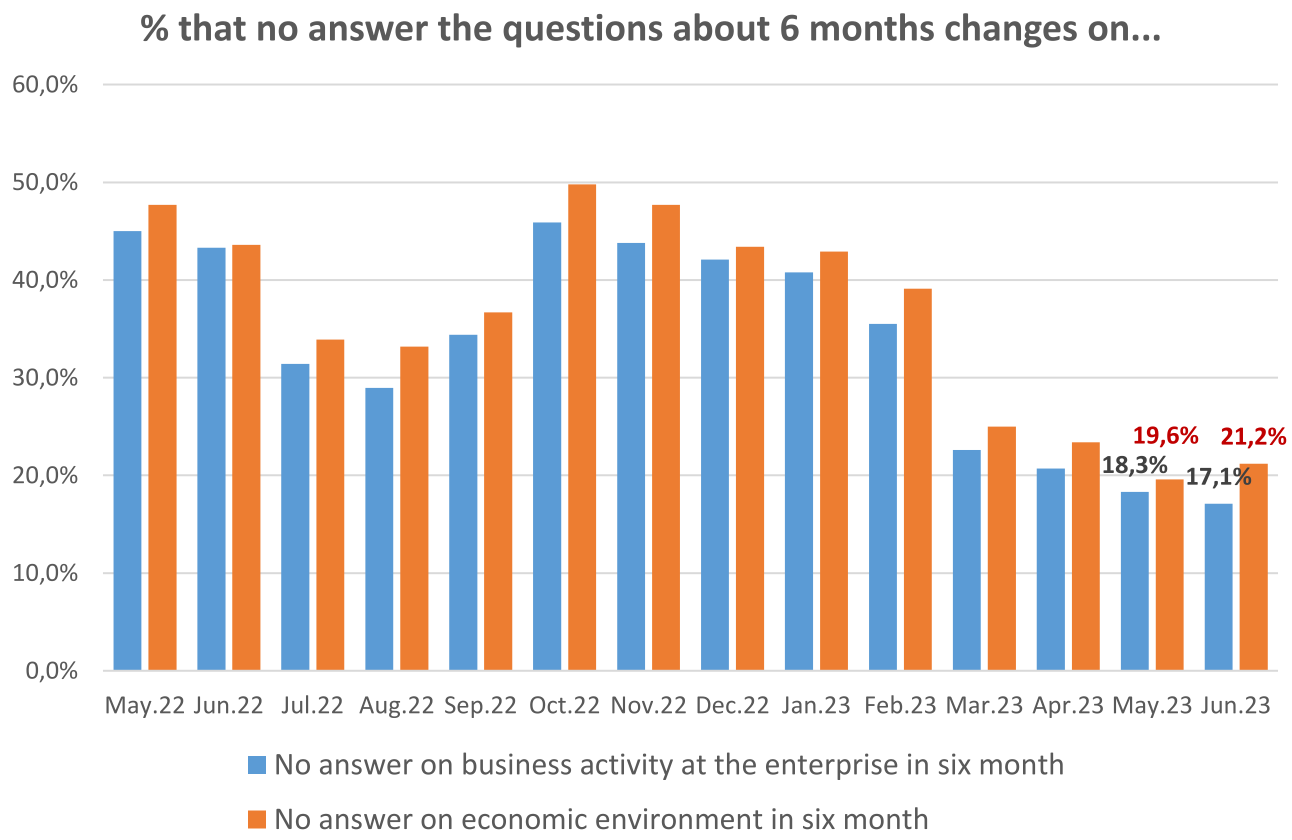
Expectations in the two-year perspective



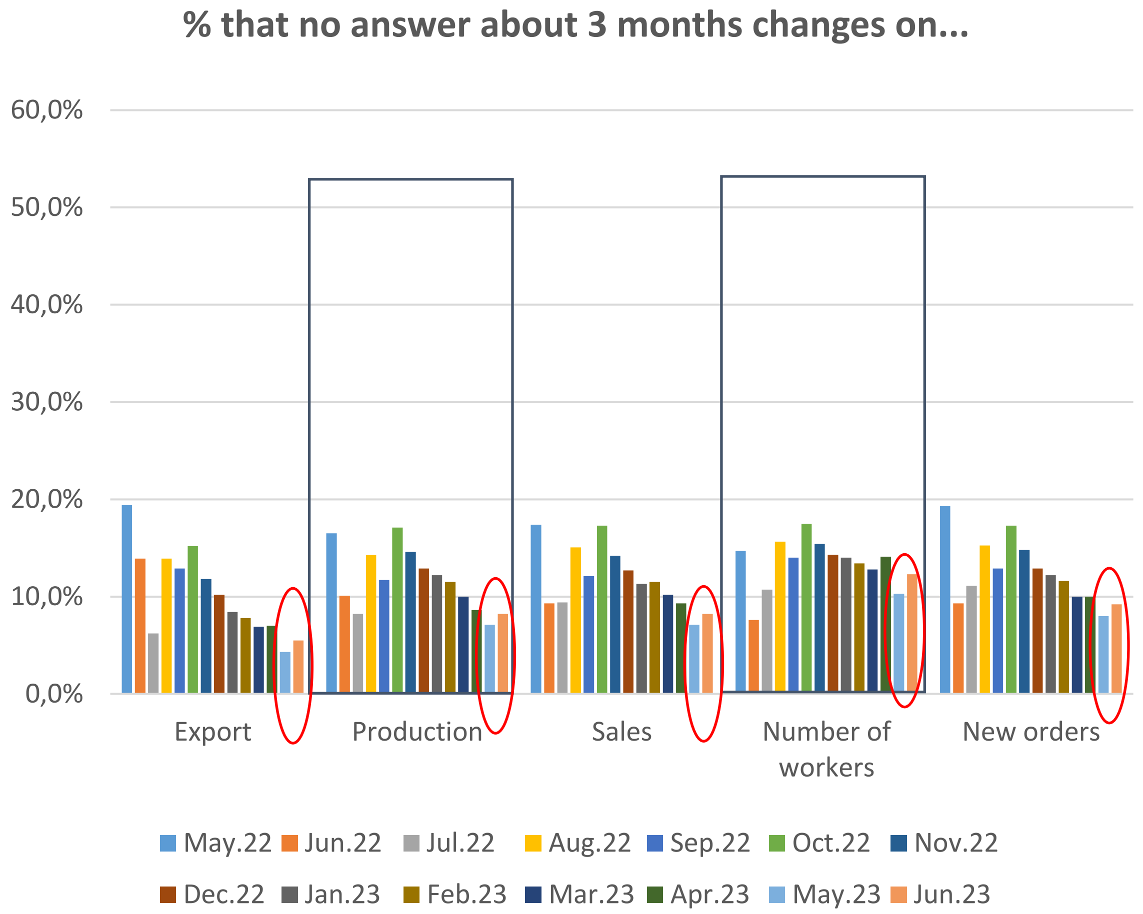
The share of enterprises planning to reduce activity in 2 years is decreasing, but the share of those planning growth remains without changes

Uncertainty in 6- and 3- months perspective a bit increased

Half-year horizon

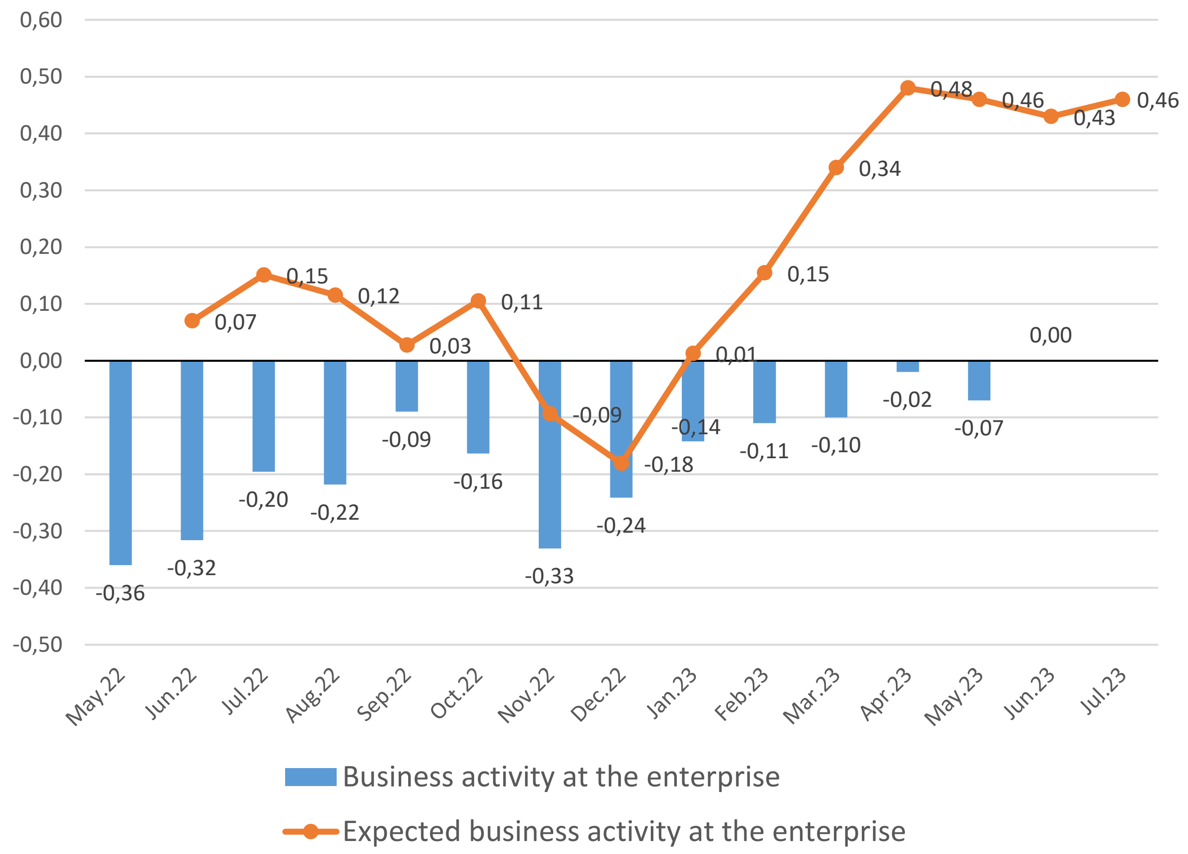


Three-month horizon

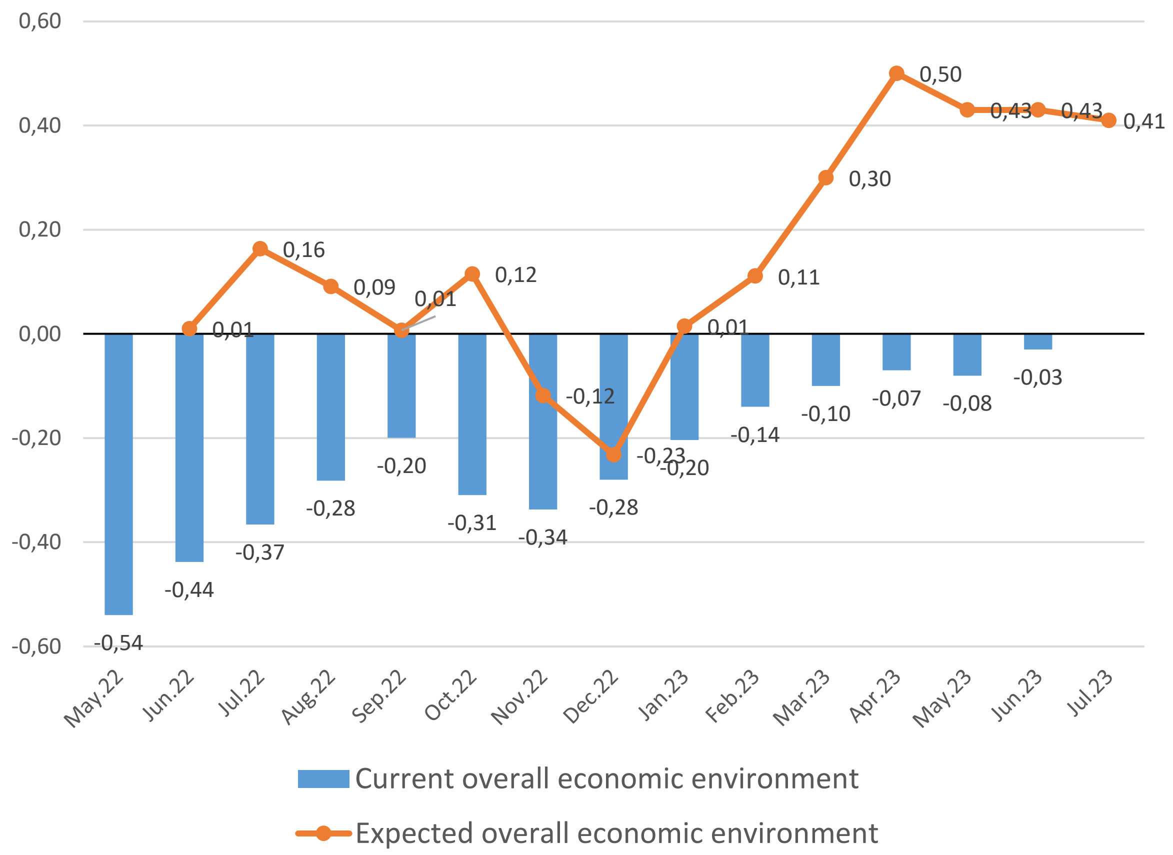


6 months perspective: current assessments are improved, expectations are quite high

Business activity at the enterprise

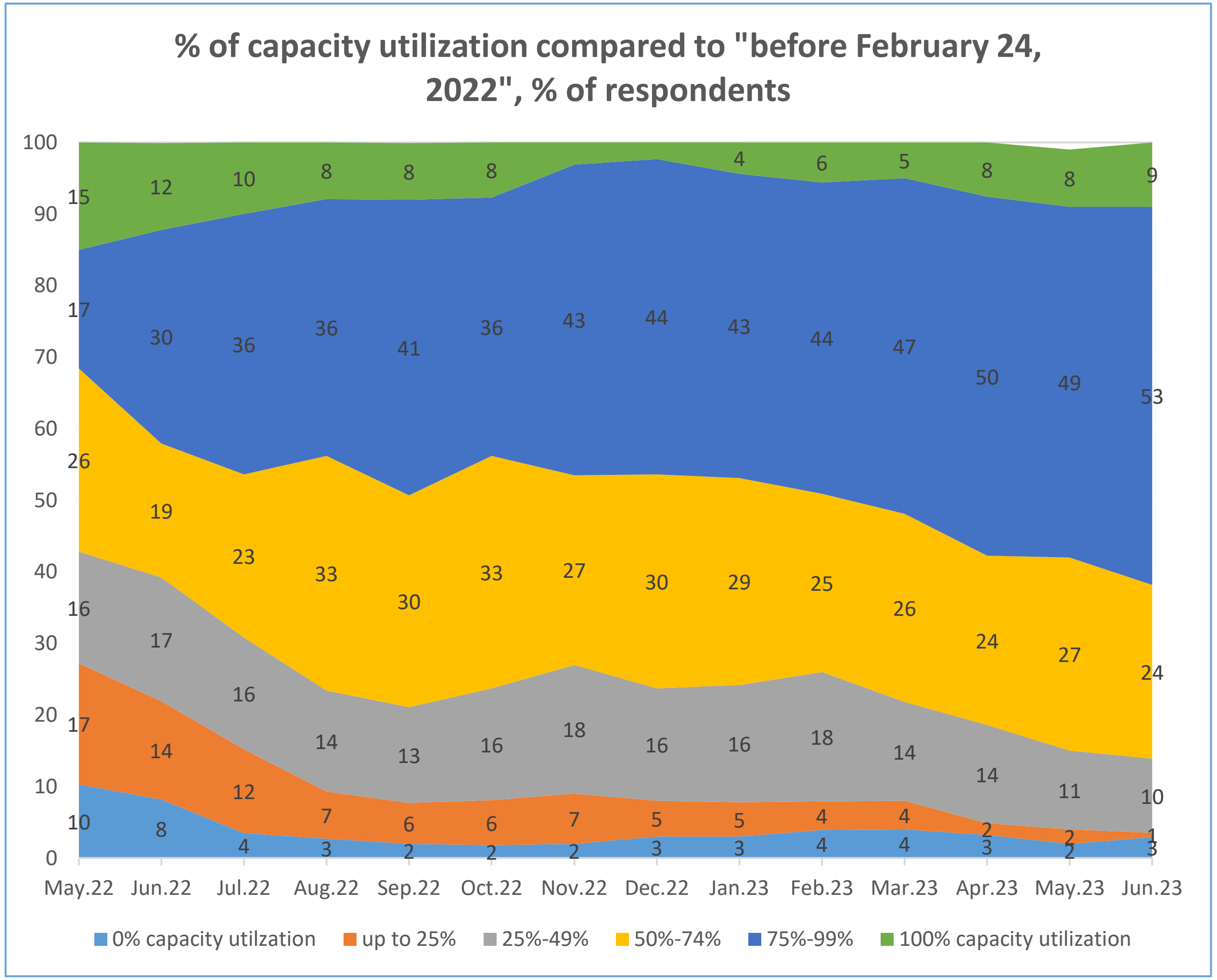


Overall economic environment in the country



Enterprises' past performances and expectations

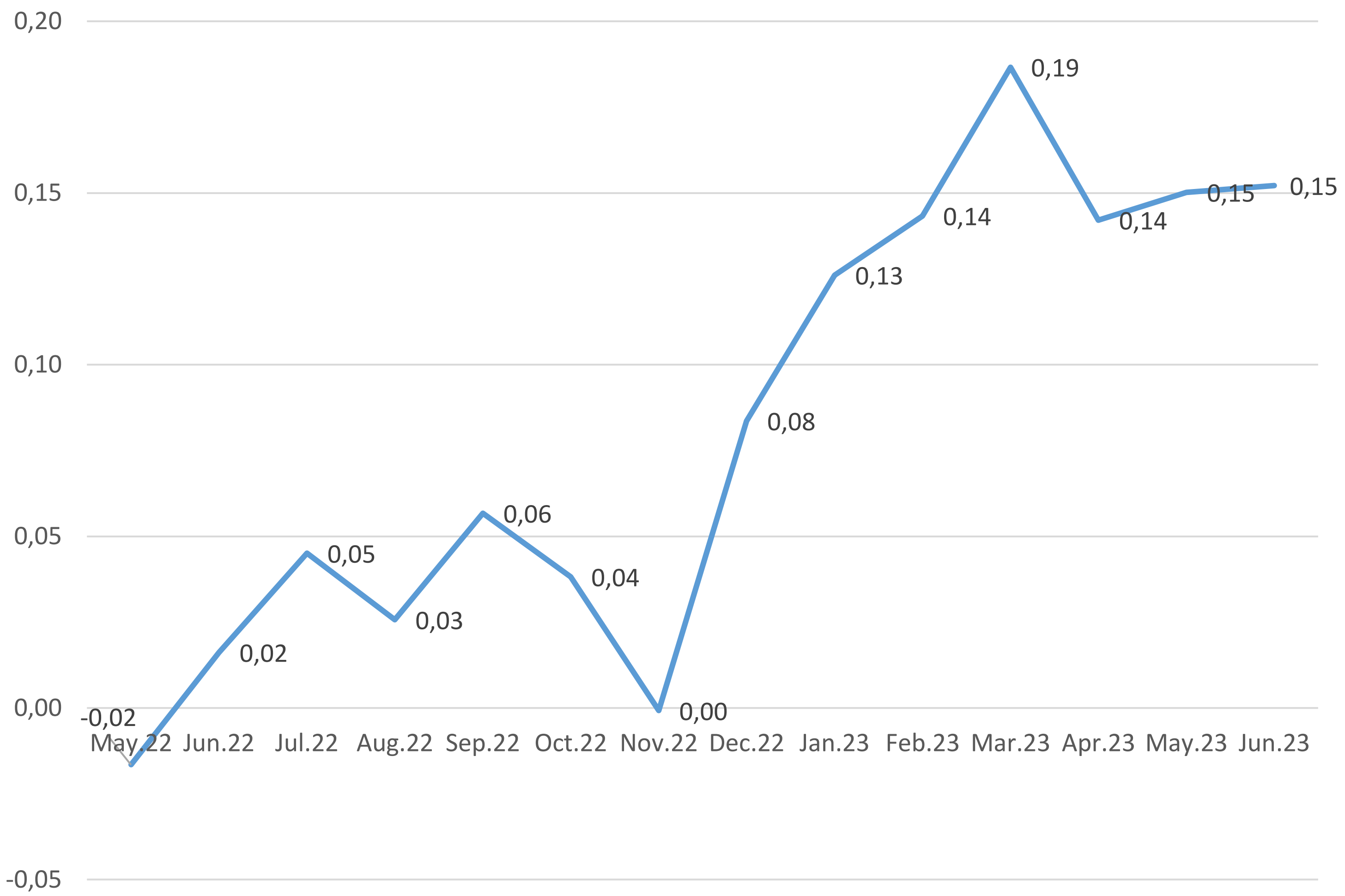
Positive changes in recovery of production



In June 2023, there are some positive changes in recovery of production

- The share of enterprises operating at almost full and at full capacity is the highest since the beginning of the war:
  - **9%** of enterprises are working **at full capacity** (100% or more), but in May it was 8%
  - The share of enterprises **working at almost full capacity** (75%-99%) **is 53% (in May it was 49%)**
- The share of enterprises that **do not operate at all** remains without significant changes since last summer (3% in June and 2% in May)

Industrial Confidence Indicator



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

ICI still positive

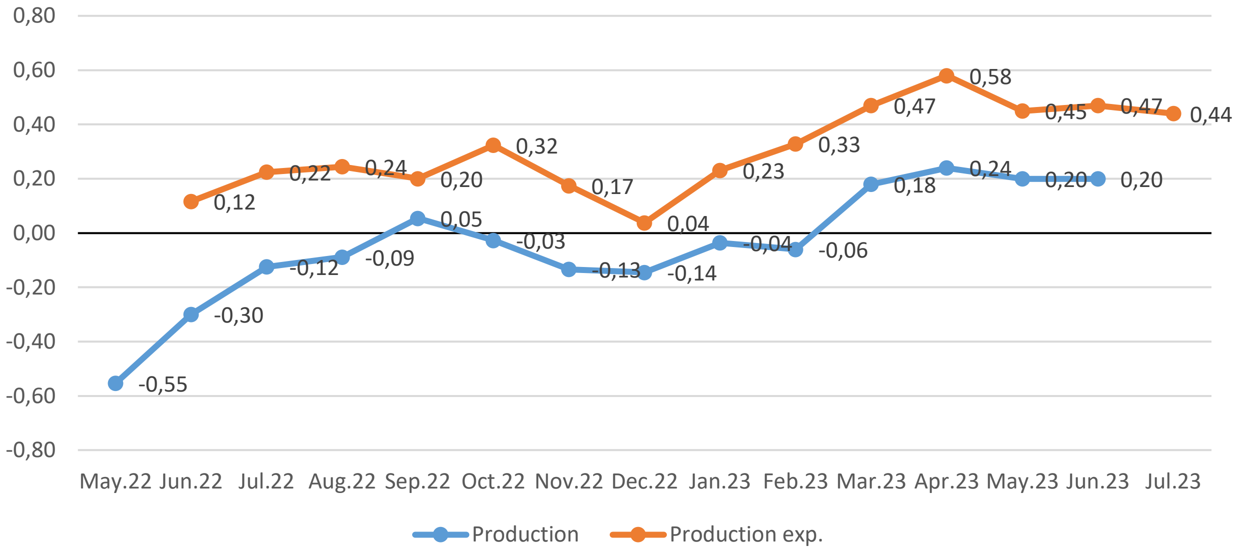
In June compering May, the value of the ICI remains without change at 0.15 level

Fluctuations of index component are the following:

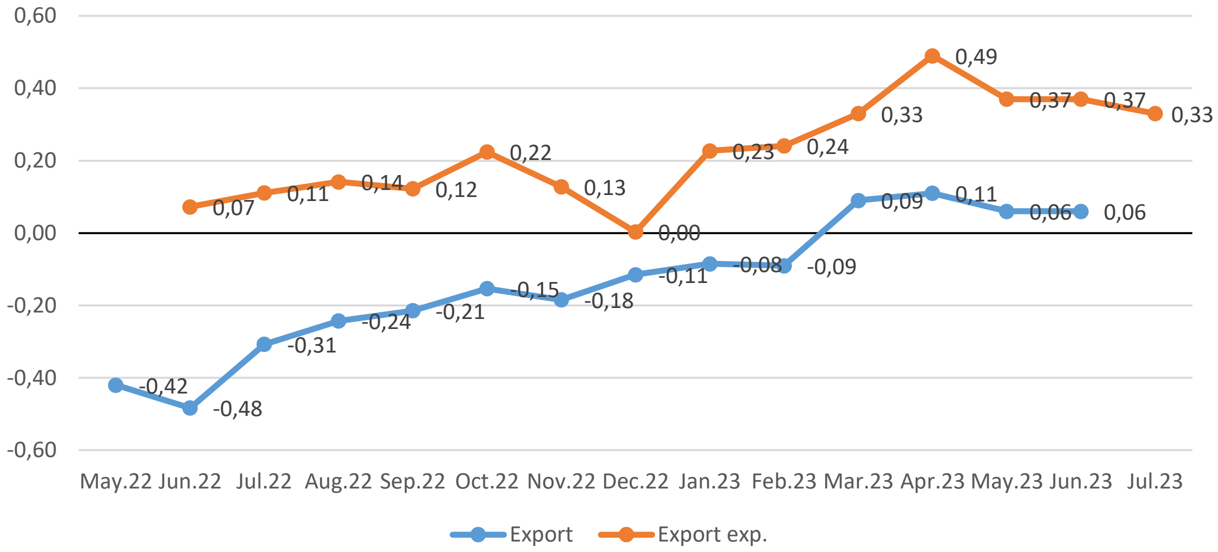
- **The production expectation (PI)** slightly decreased from 0.47 to 0.44
- Component **volume of new orders (VNO)** remains -0.17, as it was in May
- Component **stocks of finished goods (SFG)** decreased from -0.15 to -0.19

Production /export expectations: stagnation of optimism 3 months in row

Production



Export

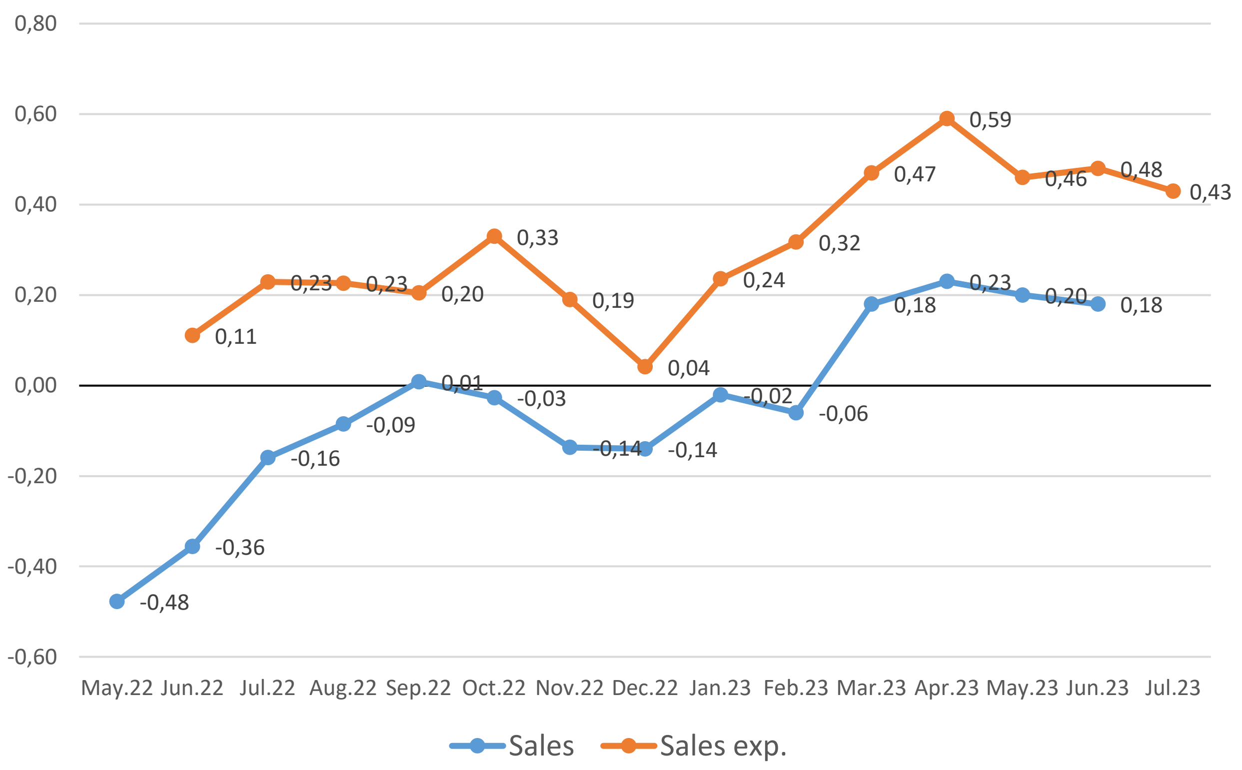


Expectations are optimistic, but the optimism “stagnations” are observed for three months in row

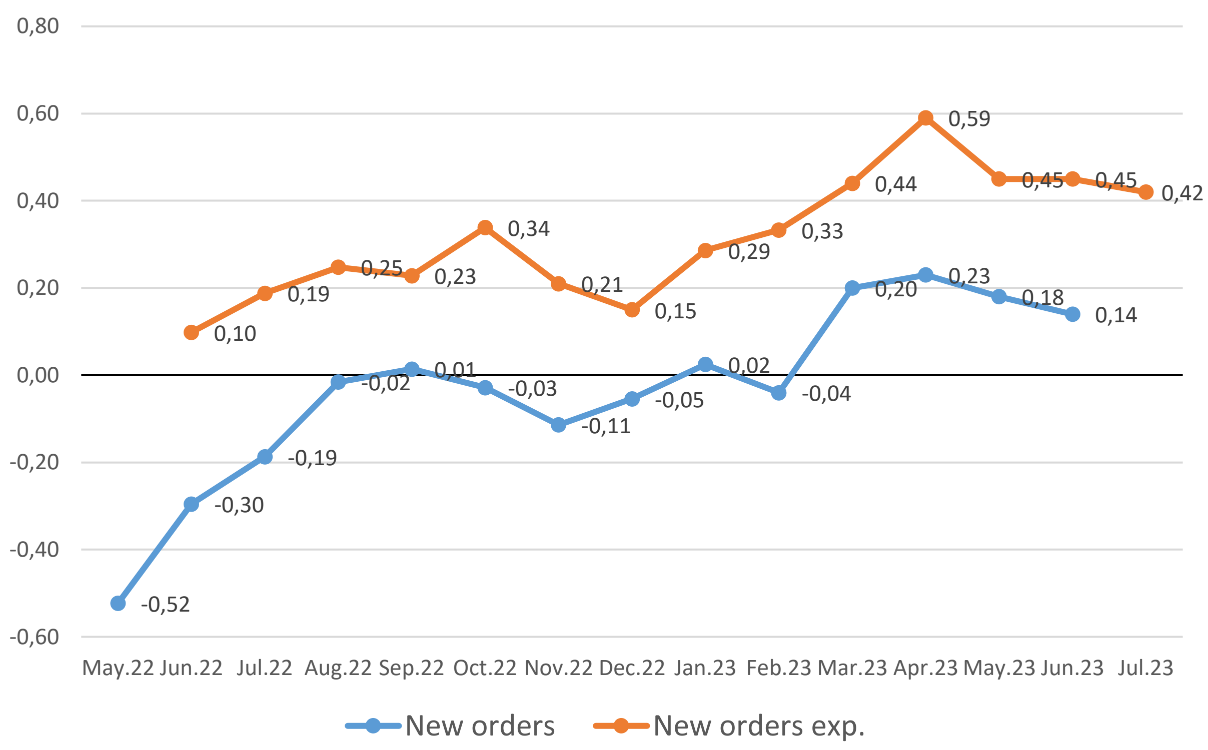
- In June, compared to May, **the share of enterprises that planned production growth** in the next 3-4 months **decreased** from 48.9% to 44.8%
- The share of enterprises **that planned to reduce production decrease is** almost unchanged (4.0% in May and 3.2% in June)
- The share of enterprises that **plan to have no change in production volumes during next 3 months increased** from 47.0% to 52%

Sales and new orders: stagnation/deterioration of optimism

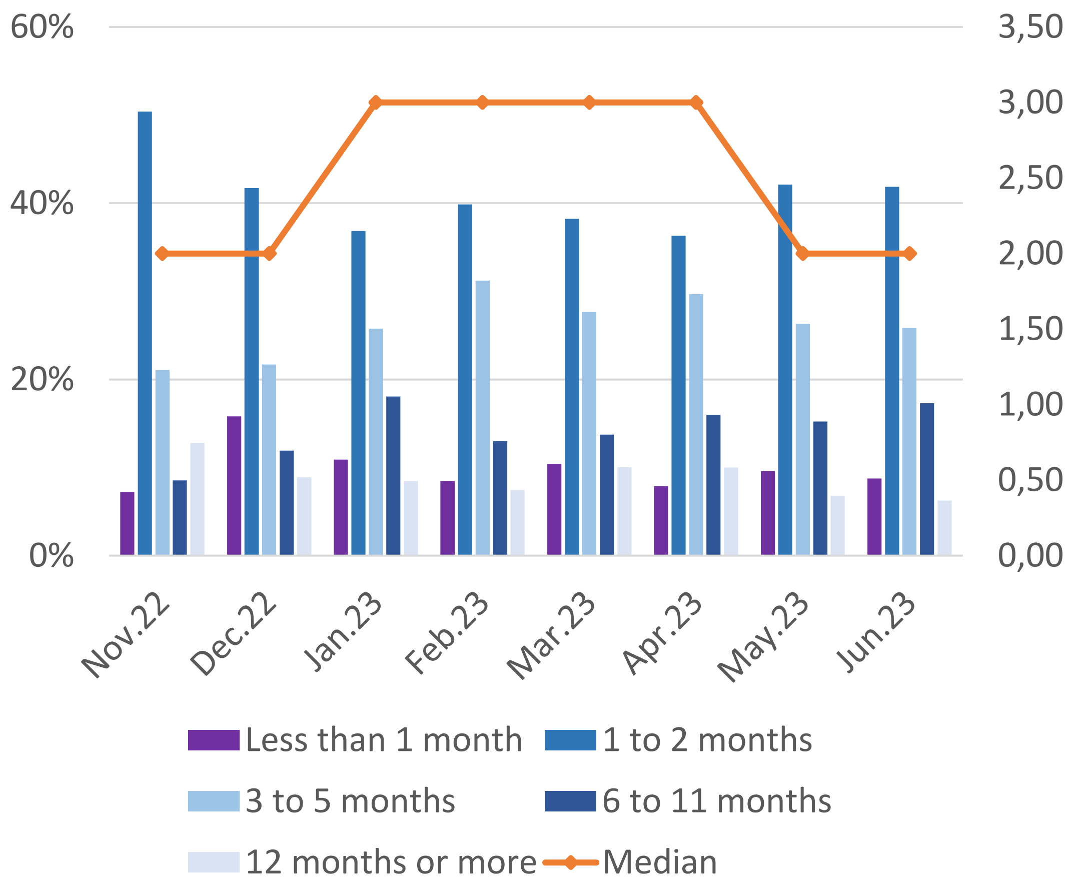
Sales



New orders



The order book remains quite low



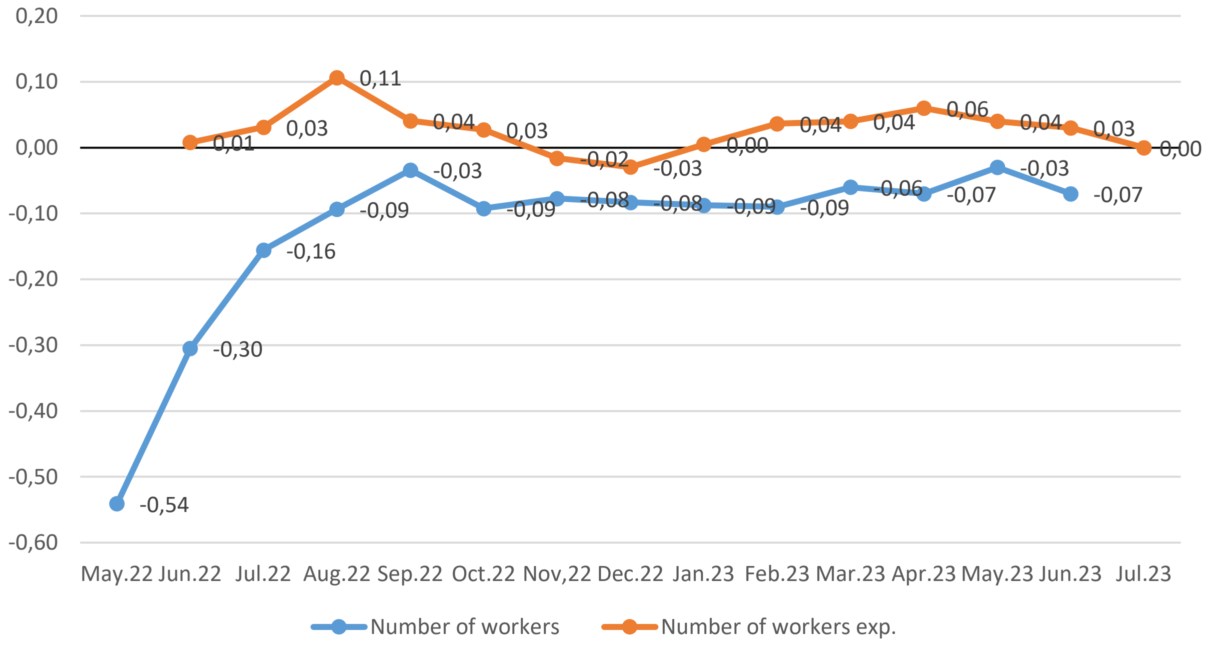
In June 2023, **the order book** for the surveyed enterprises **remained at the same level** after it decreased in May 2023:

- The average order book has remained at **2 months** (median) after decreasing from 3 months in January-April 2023
- 51% of the enterprises have orders for **up to 2 months**. This share almost has not changed since May

Employment and labor market

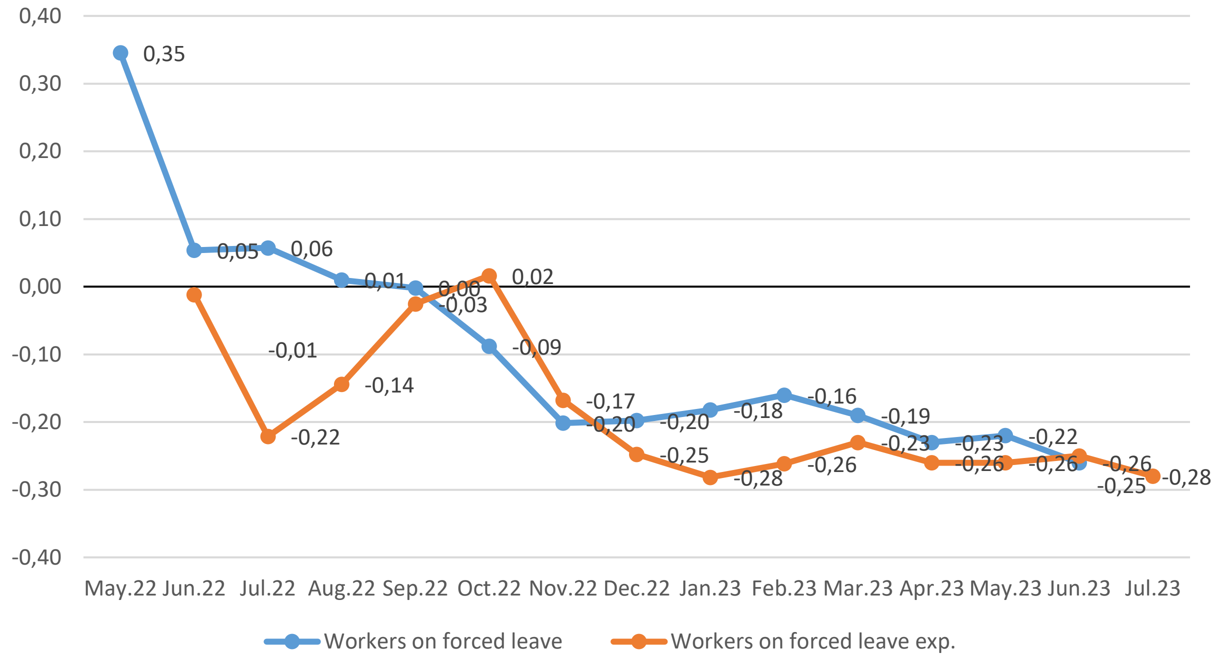
Employment: deteriorated expectations

Number of workers



- % of enterprises **planning employment growth** is 4.9% (in May it was 5.2%)
- % of enterprises **intending to reduce** the number of employees slightly increase from 3.6% in May to 5.6% in June
- % of enterprises at which **no changes in employment are expected decrease from** 91.2% to 89.5%

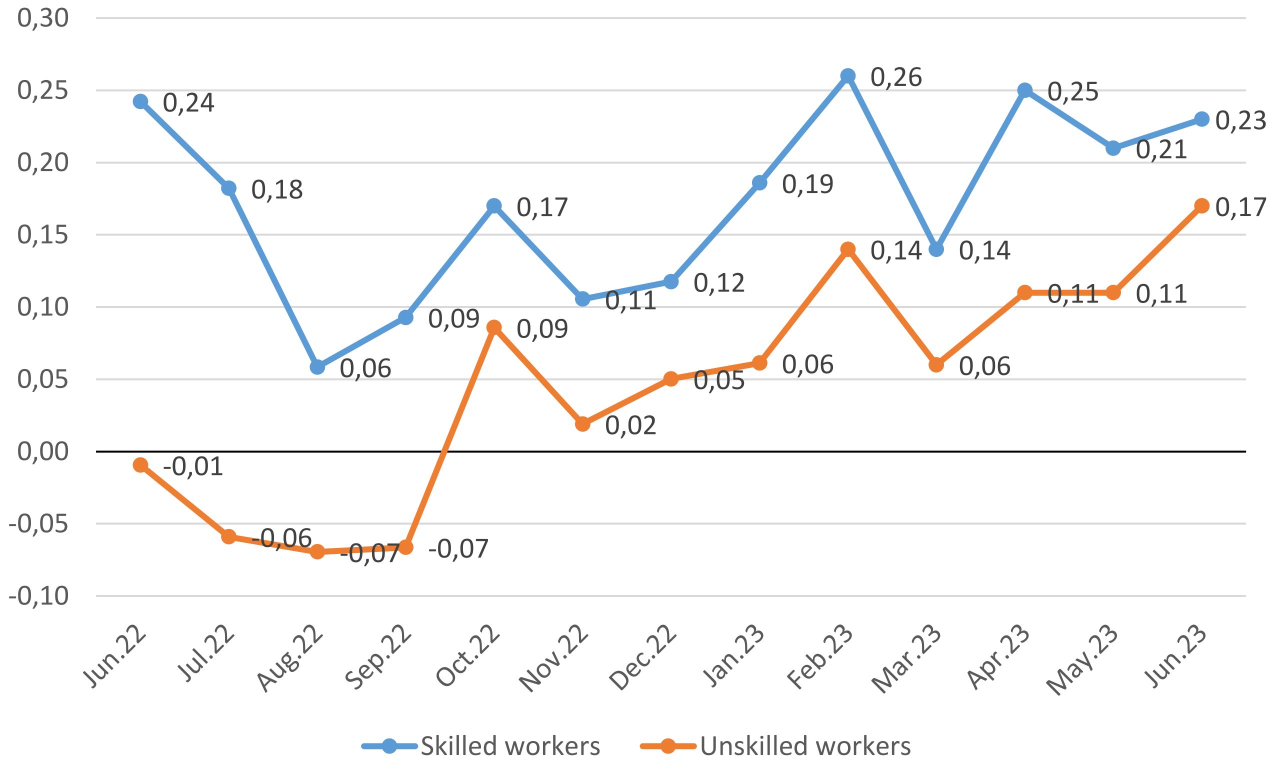
Number of workers on forced leave



- % of enterprises that **will increase the number of employees on forced leave almost unchanged** (0.9% in May and 0.5% in June)
- % of enterprises that **are going to reduce** employees on forced leave **slightly increase from** 27.3% in May to 29.4% in June
- **% unchanged also slightly decrease from** 71.8% in May to 70.1% in June

Problems in finding unskilled workers increased?

Problems with finding workers



In June, **the problems with finding** both skilled and **unskilled** workers have **increased**

Skilled workers:

- **%** of those who reported that it is **more difficult** to find such workers slightly **increased** (from 24.0% to 25.4%). At the same time % of those to whom it is **easier** to search for skilled workers remains **slightly decreased** (from 3.1% in May to 2.8% in June)

Unskilled workers:

- % of those who report that it **is easy** to find them **decreased a bit** (5.6% in May and 4.5% in June) **at the same time** % of those to whom this is **harder increased** (from 14.3% in May to 19.6% in June)

Assessments of government's economic policy

Negative assessments of economic policy slightly increased

- In June 2023, **positive assessments** of government policy on business support **unchanged, while the % of negative assessments increased from 11% to 15%**
- As before, **businesses mostly neutrally assess** the government policy on business support: at the same time, this % decreased from 60% to 57%
- The share of the undecided respondents in June is 12% (in May it was 13%)

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.

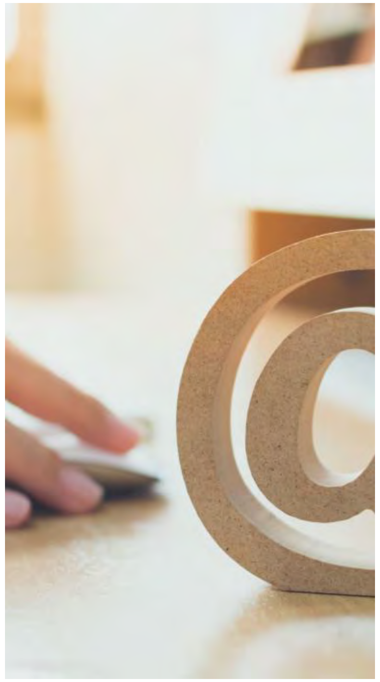
The monthly survey consists of two parts: the regular one and the special one. Respondents will regularly answer questions on the changes in key activity indicators and short-term forecasts for future changes in the same indicators: output (production), sales, exports, debt, new orders, employment, etc. 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 21 of 27 regions of Ukraine**, including Vinnytsya, Volyn, Dnipropetrovsk, Zhytomyr, Zakarpattya, Zaporizhzhia, Ivano-Frankivsk, Kyiv, Kirovohrad, Lviv, Odesa, Poltava, Rivne, Sumy, Ternopil, Kharkiv, Khmelnytskyy, Cherkasy, Chernivtsi and Chernihiv regions and the Kyiv city.

The field stage of the 14-th wave lasted from June 16 to June 30, 2023. The enterprise managers compared the work results in June 2023 with May 2023, assessed the indicators at the time of the survey (June 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



website:	www.ier.com.ua
e-mail:	rubanik@ier.kyiv.ua kuziakiv@ier.kyiv.ua
Facebook:	https://www.facebook.com/IER.Kyiv/
Twitter (in English only):	https://twitter.com/IER_Kyiv

MOVING FORWARD TOGETHER

INTERNATIONAL RENAISSANCE FOUNDATION

ATLAS NETWORK

INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING