"There's No Time Like The Present"

Main economic trends in August 2023

based on 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 **August 15 - 31, 2023**

SAMPLE: 539 **enterprises** were surveyed in August

16 surveys have already been conducted (since May 2022)

Enterprises of all sizes

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

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

Main results 1

Despite the **high level of long-term uncertainty** and an **increase** in **short-term uncertainty,** the enterprises' **performance** improved, **and** business **expectations are** still **high** and **growing** again

Main results 2: Uncertainty

Uncertainty in the **6-month** perspective **decreased**

Uncertainty in the 3-month perspective has been **slightly increasing already for the third month in a row**

Uncertainty in the **2-year** perspective remains high

Main results 3: business activity, production, export indicators

Current assessments of the enterprises' business activity and overall economic environment **improved** while **expectations gradually decreased** but **remained high.**

The share of enterprises operating **at almost full and at full capacity** remains **without** significant **changes** (57% vs 59% in July)

Production performance vs previous months **improved, and 3-month expectations are growing** again

Export past performance and expectations are **improved**

Main results 4: impediments, policy, expected events

% of respondents that consider that it is **dangerous to work** remained with changes (33%)

The importance of interruptions **in electricity** as an impediment remained at the same level (30%)

% of **uncertainty** in assessments of the **government's economic policy** sharply **increased**

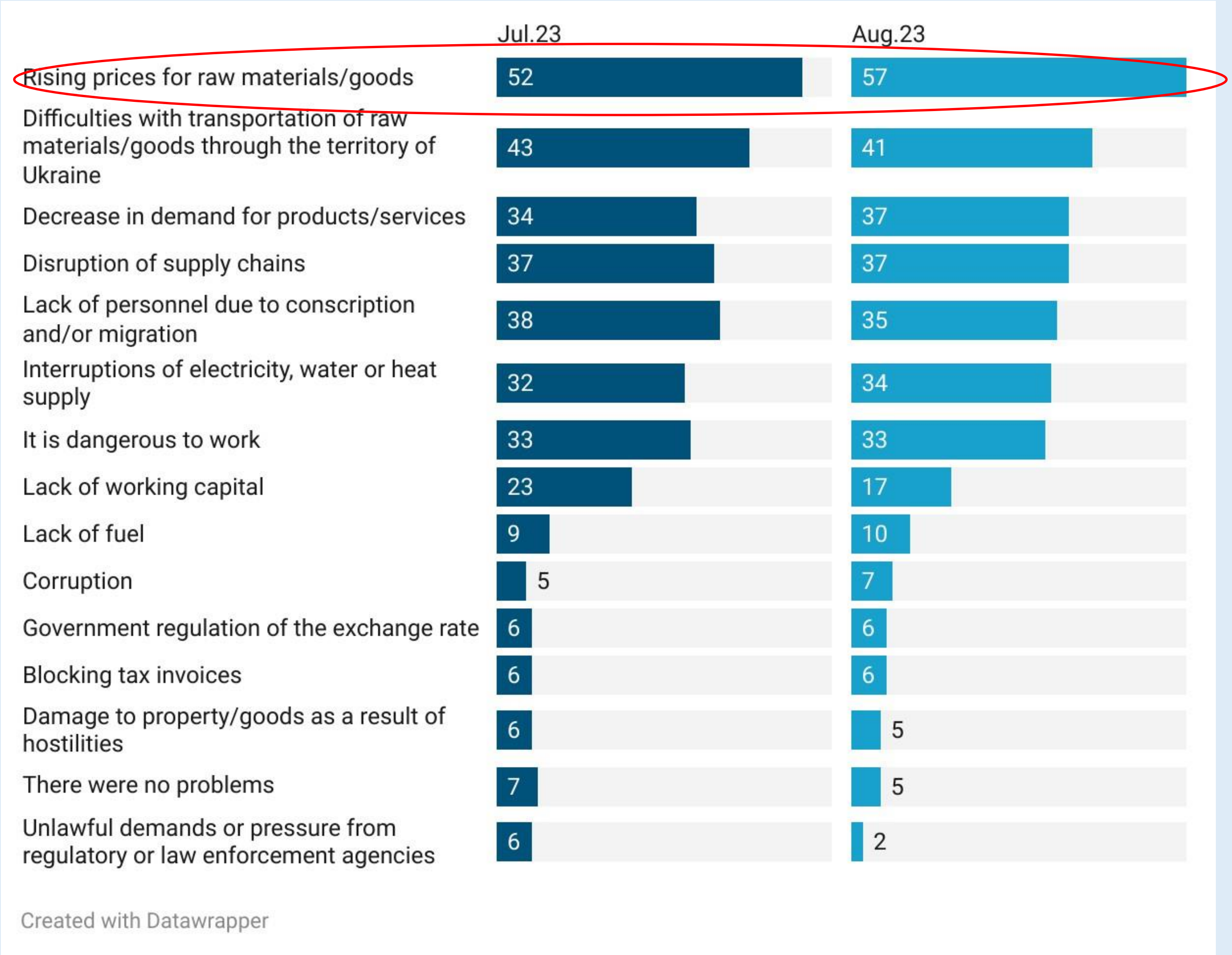
NEW. **"End of war"** and **"good business climate"** are the main expected events by **businesses**.

Impediments to doing business in wartime

The main impediments to doing business in wartime, % respondents

There were no significant changes for most of the impediments in August vs. July 2023

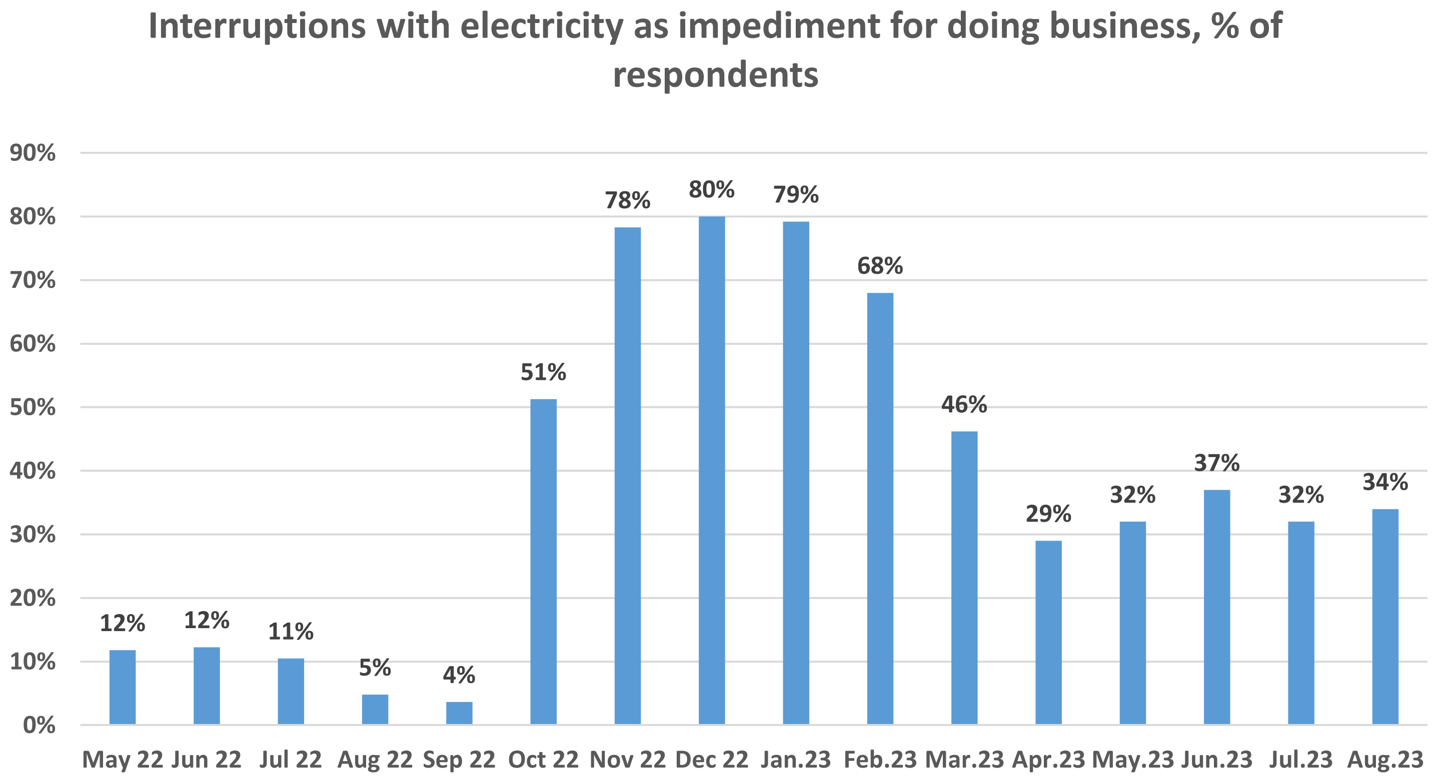
- **Rising prices for raw materials and goods** have remained in the leading position for several months in a row, in August their importance increased
- **Logistical problems** also holds the 2nd place in the list of obstacles
- **"Electricity interruptions"**, despite the slight increase of absolute value from 32% to 34%, **moved up from the 7th to the 5th place**
- **Lack of personnel** after decrease of its absolute value **moved from the 3rd to the 4th place**
- At the same time, the obstacle **"it is dangerous to work" remains unchanged in value and at the 6th place** in the ranking
- **Corruption** and **pressure from law enforcement agencies still** is not a significant problem



Interruptions of electricity is still a problem

"Electricity" remains an impediment to doing business

- In August 2023, the percentage of respondents who indicated **electricity and water supply as impediment to doing business slightly increased**
- In the list of obstacles, **interruptions in electricity moved from 7th to 5th place**

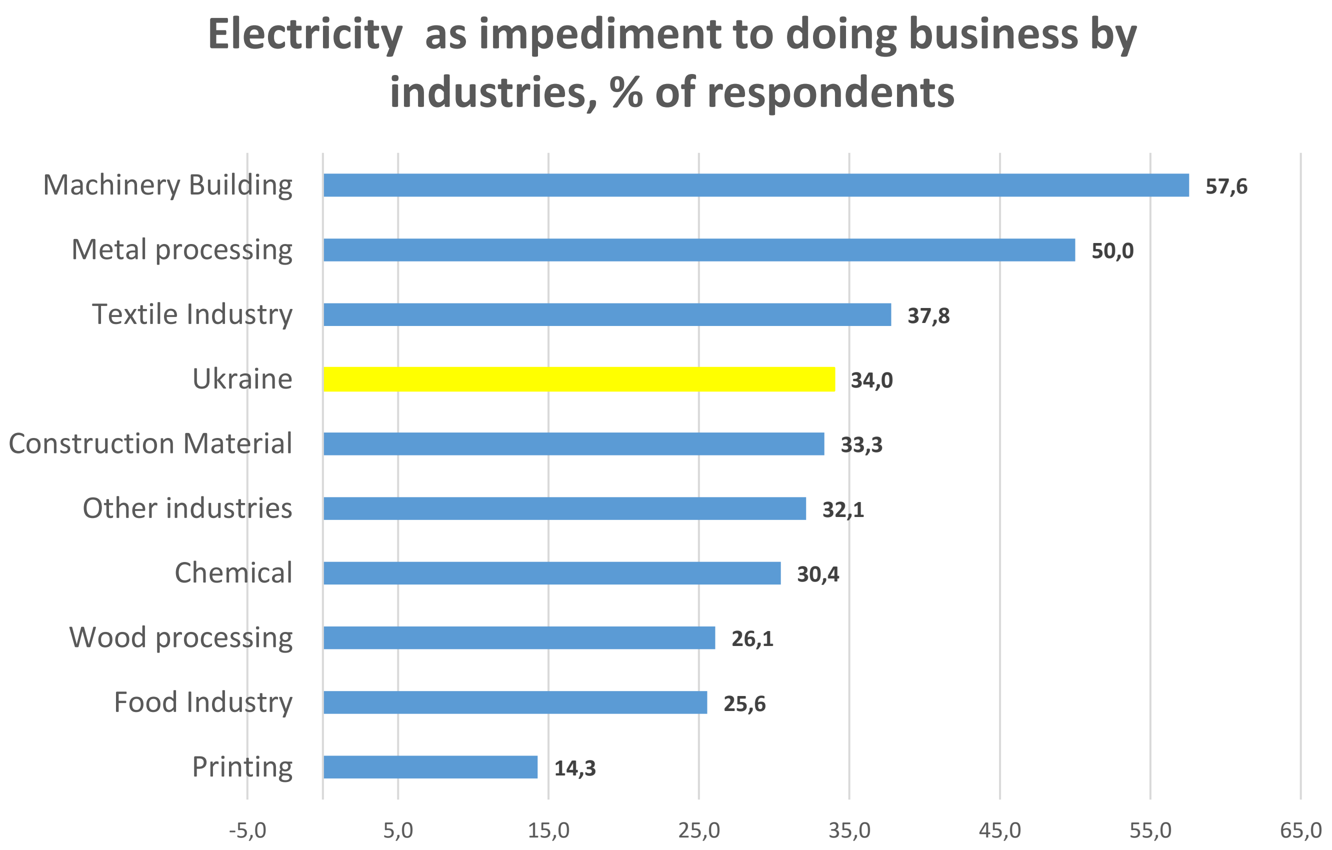


”Electricity” as an impediment to doing business varies for industries

There are **two industries** where the share of respondents who believe that access to **electricity is a problem for their business exceeds 50%** (which is one and a half times more than the average). This is **machinery building** and **metal processing**.

Among enterprises of **the food industry**, which was a leader in adapting to work in wartime conditions, a **quarter** of respondents consider access to electricity a problem (**this is less than the average)**

Printing companies (less than 15%) complained about the lack of electricity the least often.

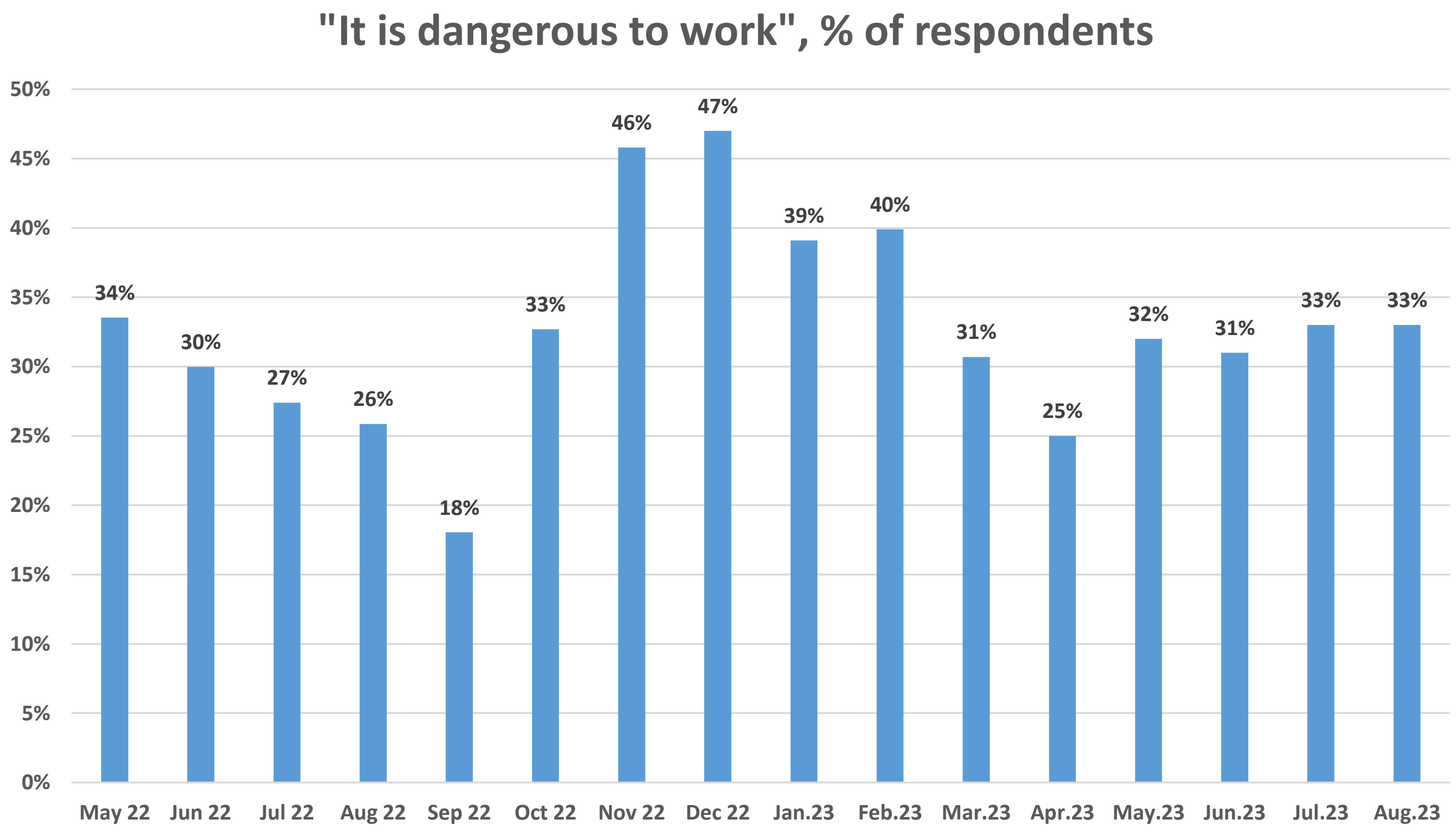


It is still dangerous to work

The importance of “it is dangerous to work” as an impediment to doing business did not change

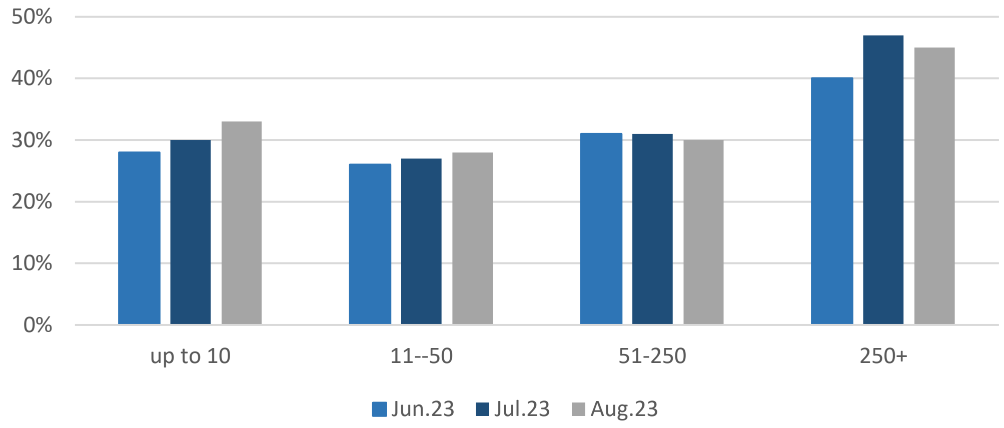
- In August 2023, the share of enterprises that reported that **it was dangerous to work** is 33% (as it was in July)

- In the list of obstacles, “it is dangerous to work“ **remains at the 6th place**



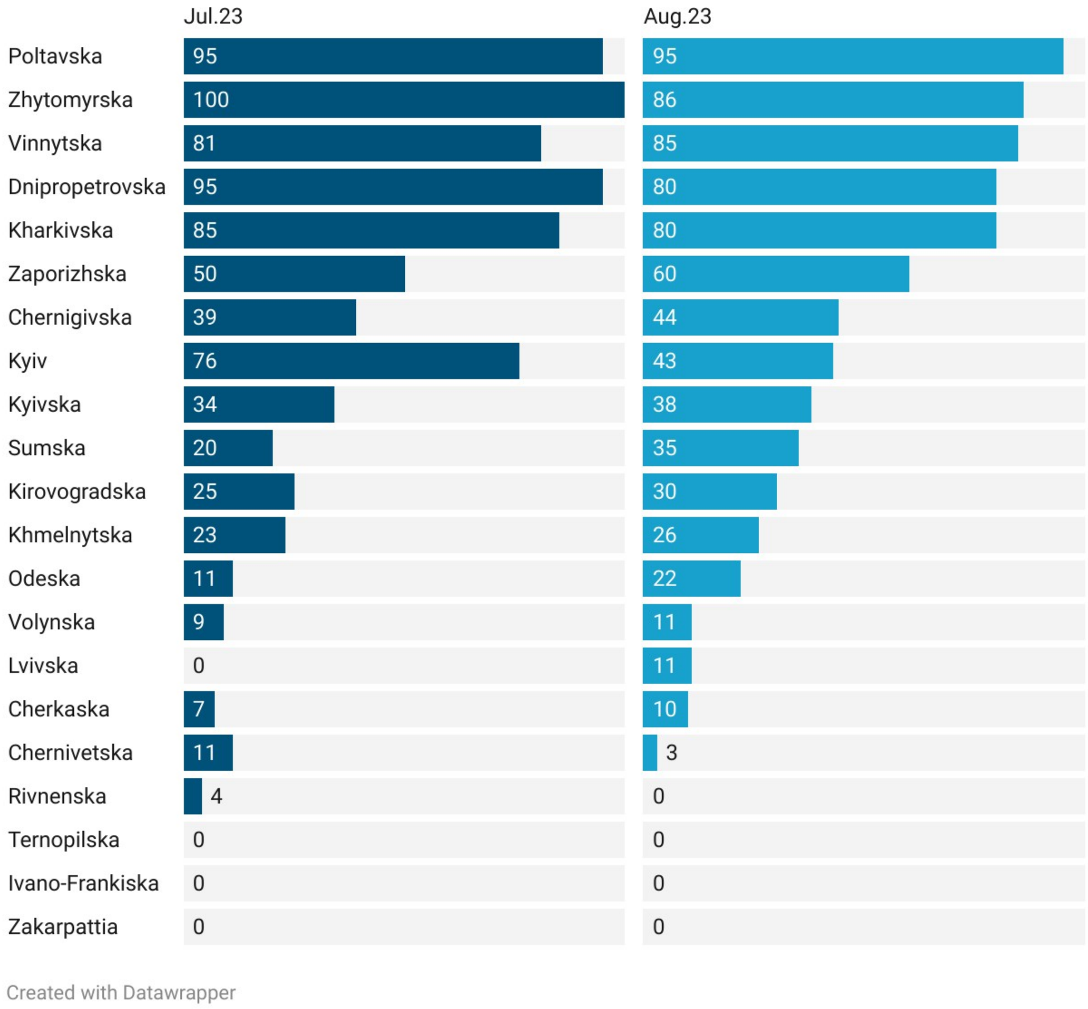
“It is dangerous to work” in different dimensions

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



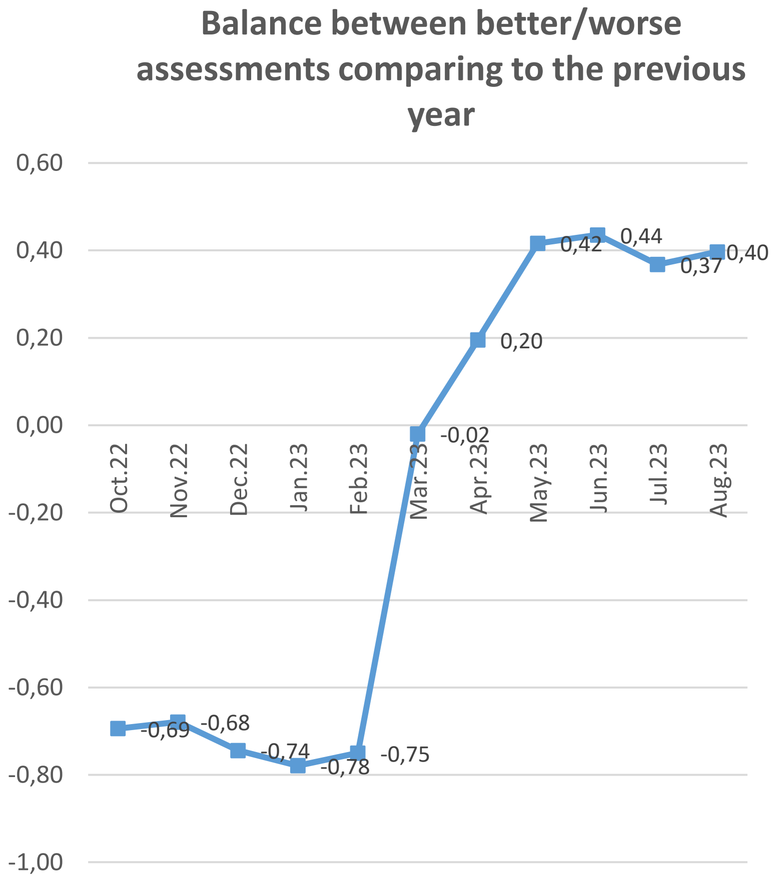
- % of enterprises large enterprises that chose **“it is dangerous to work“** slightly decreased, while % for micro enterprises increased
- 85+% of respondents in Poltavska, Zhytomyrska and Vinnytska oblast consider insecure conditions as an impediment

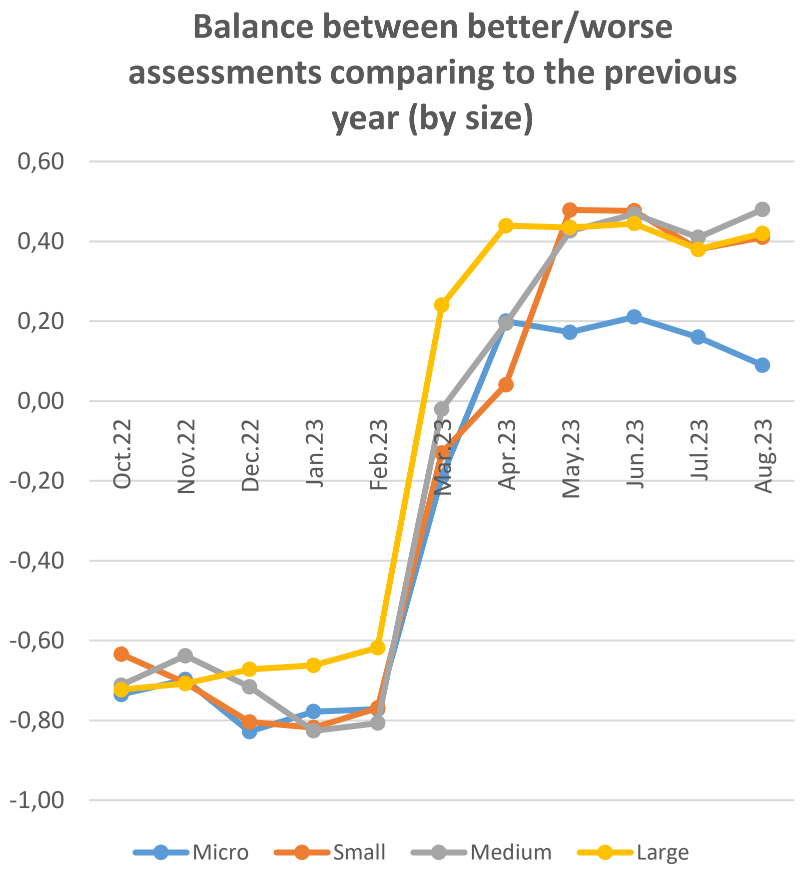
"It is dangerous to work" by oblast, % of respondents



August to August: 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" grew after slightly decreasing**

- 51.7% consider the situation better than it was a year ago
- 36.2% say that “nothing has changed”
- 12.1% say that the situation is worse

In August vs. July, the absolute value of the indicator for **micro business** significantly **worsened**, while for the **medium enterprises improved**.

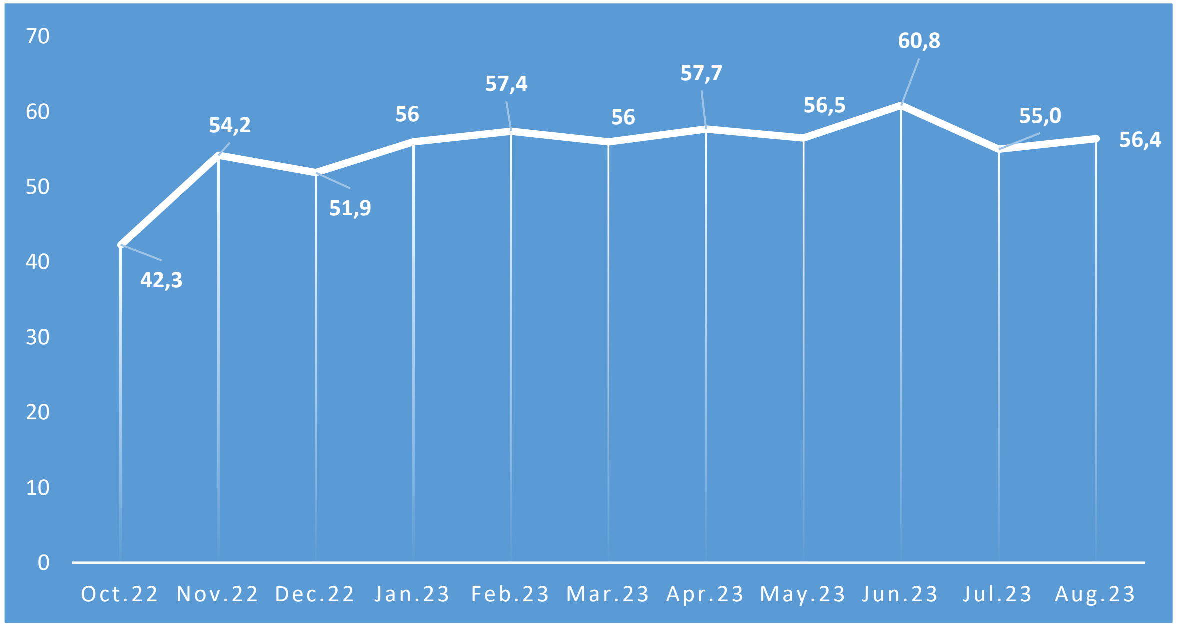
Small and **large** enterprises remain **without** significant **changes**

Future and Uncertainty

Long-term uncertainty remains without significant changes

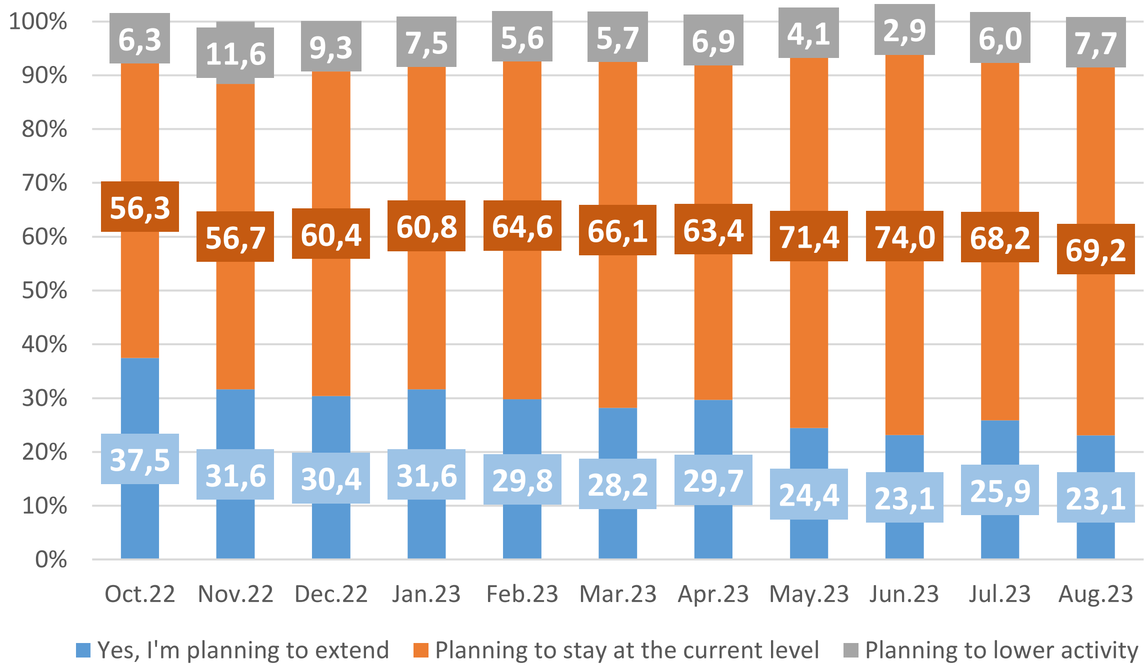
Uncertainty in the two-year perspective

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



% of enterprises that have no idea about their plans for 2 years didn't change significantly

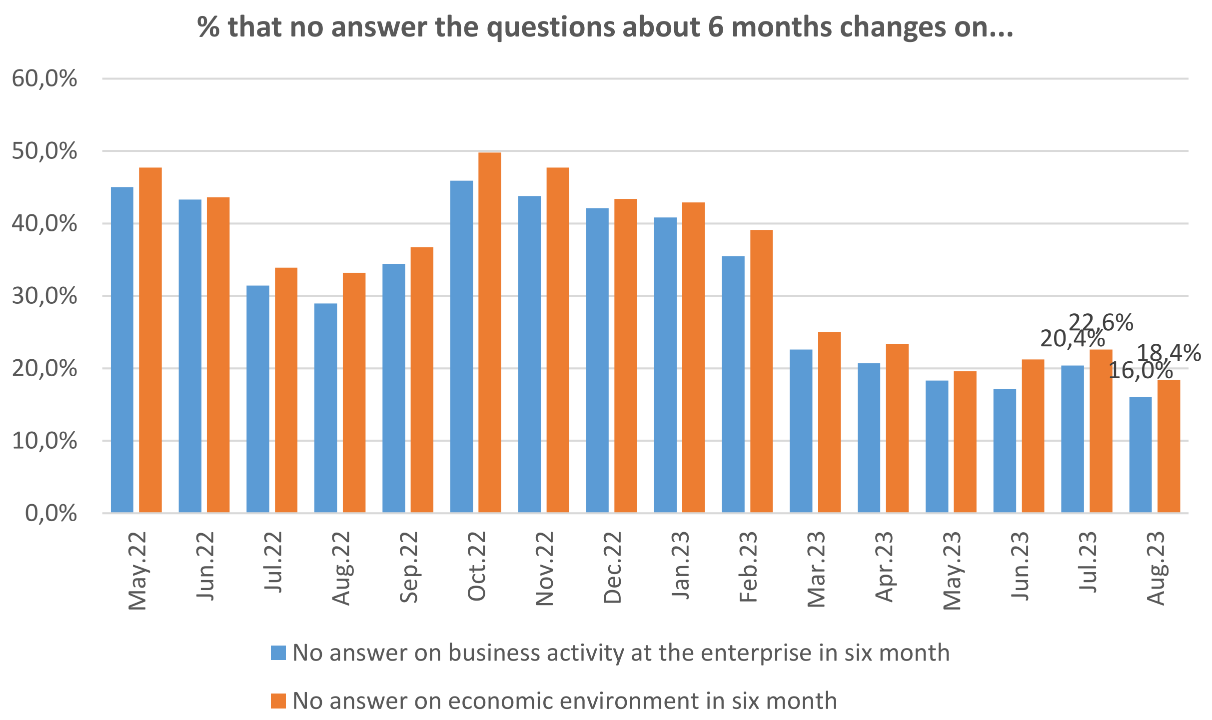
Expectations in the two-year perspective



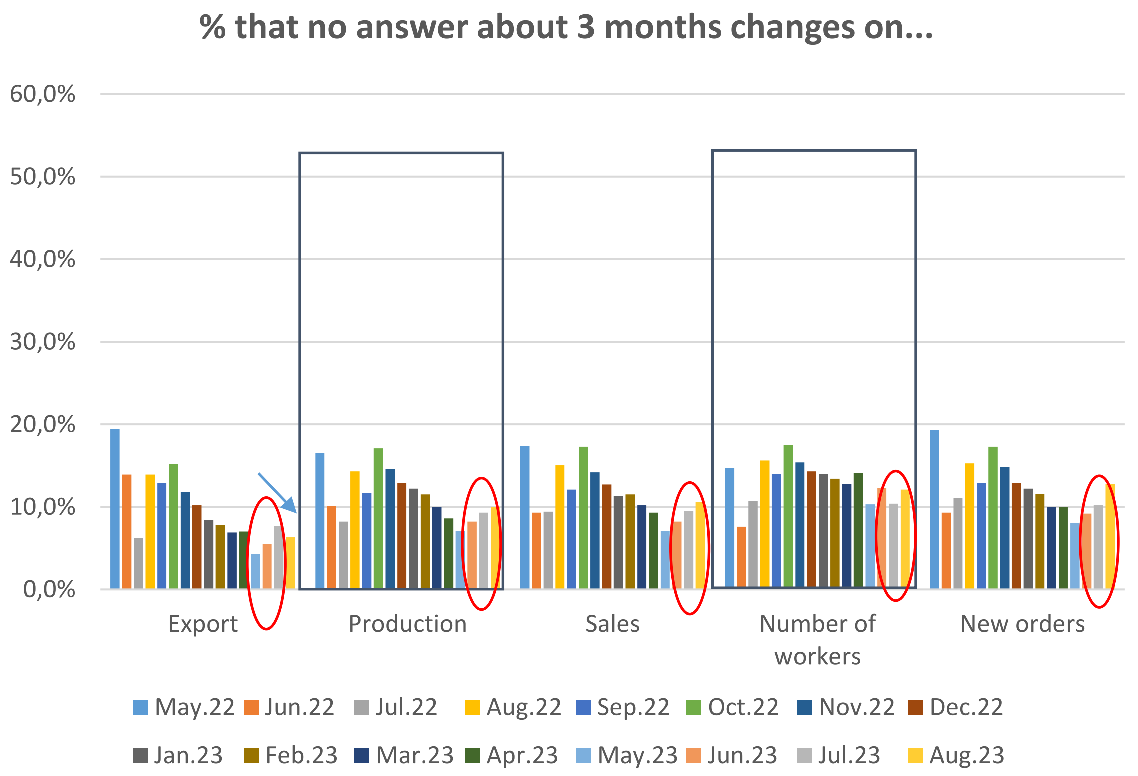
The share of enterprises planning to extend activity in 2 years decreased

Uncertainty in 6-months perspective decreased, while 3-month continues to increase

Half-year horizon

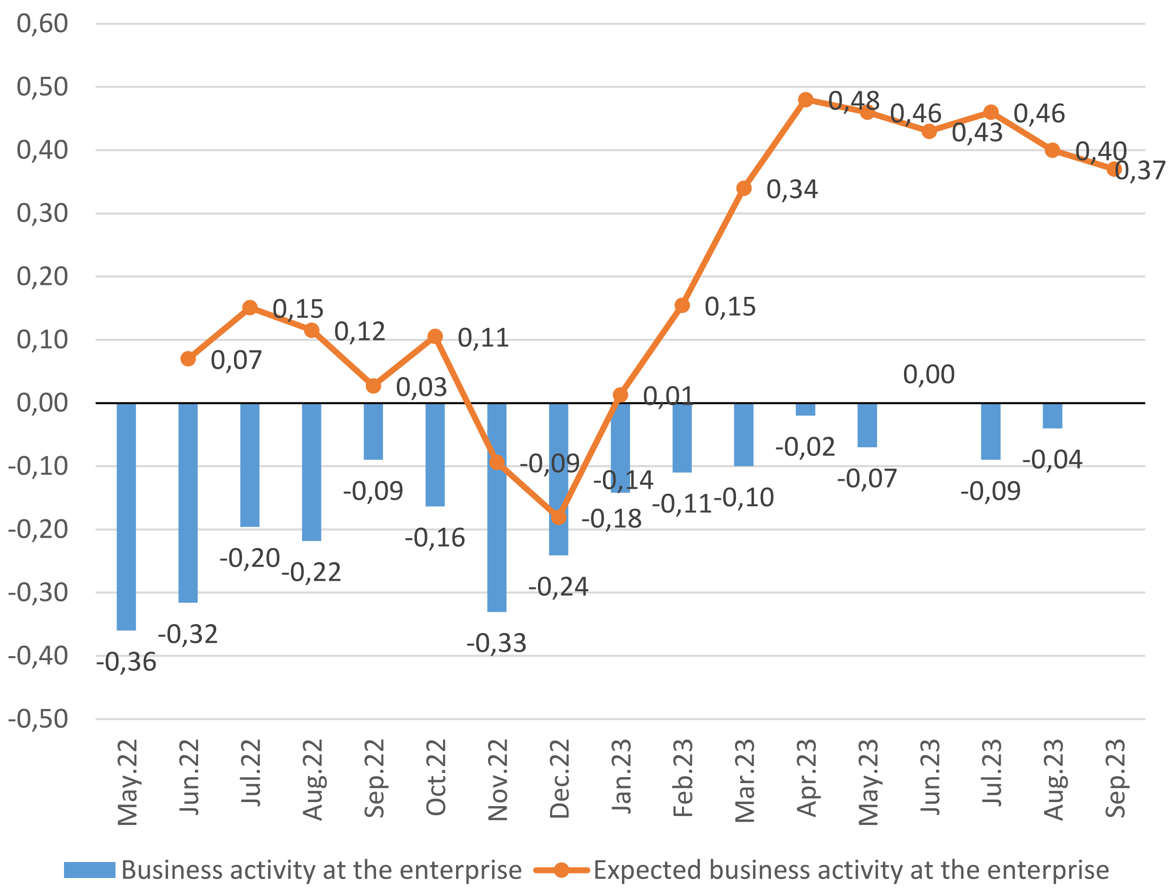


Three-month horizon

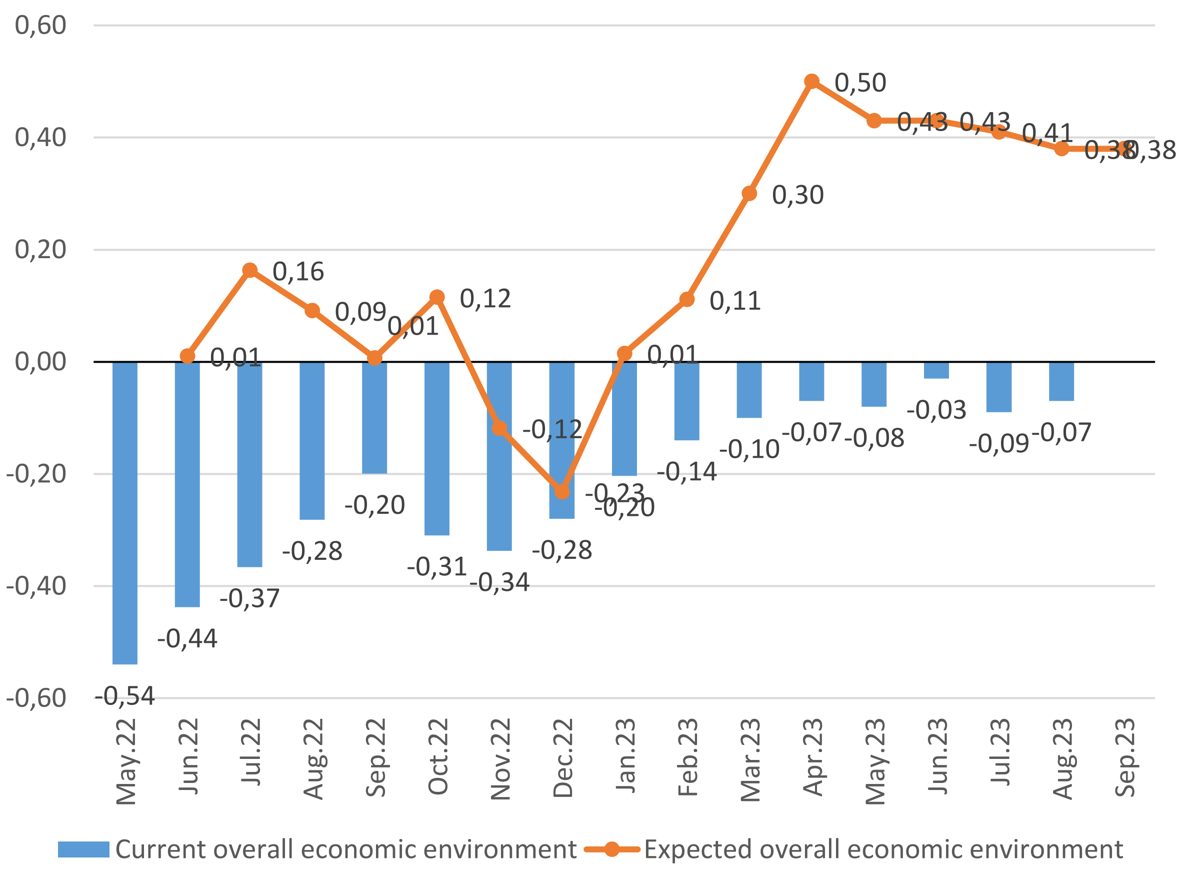


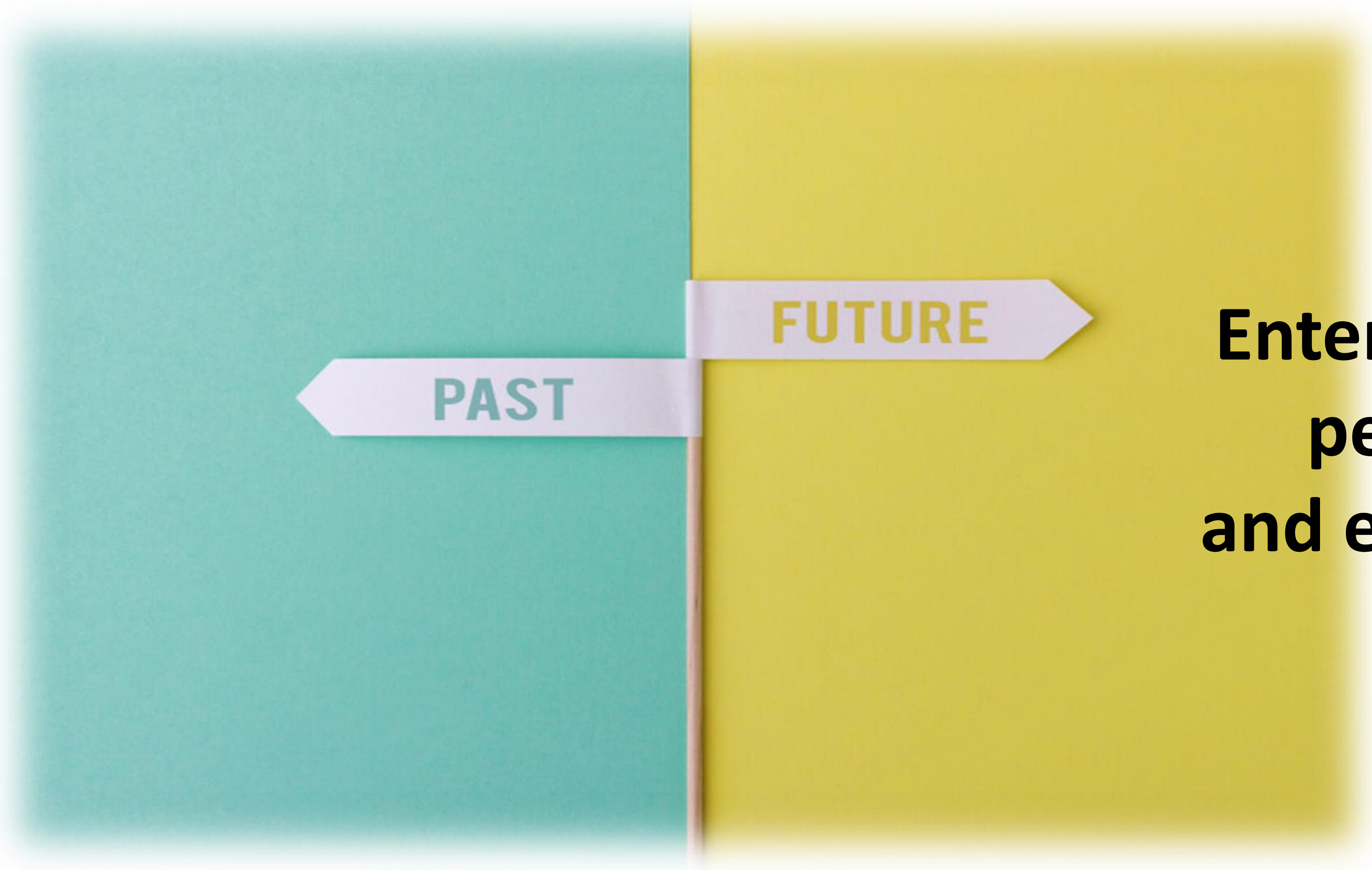
6 months perspective: current assessments improved again, expectations gradually decreasing

Business activity at the enterprise



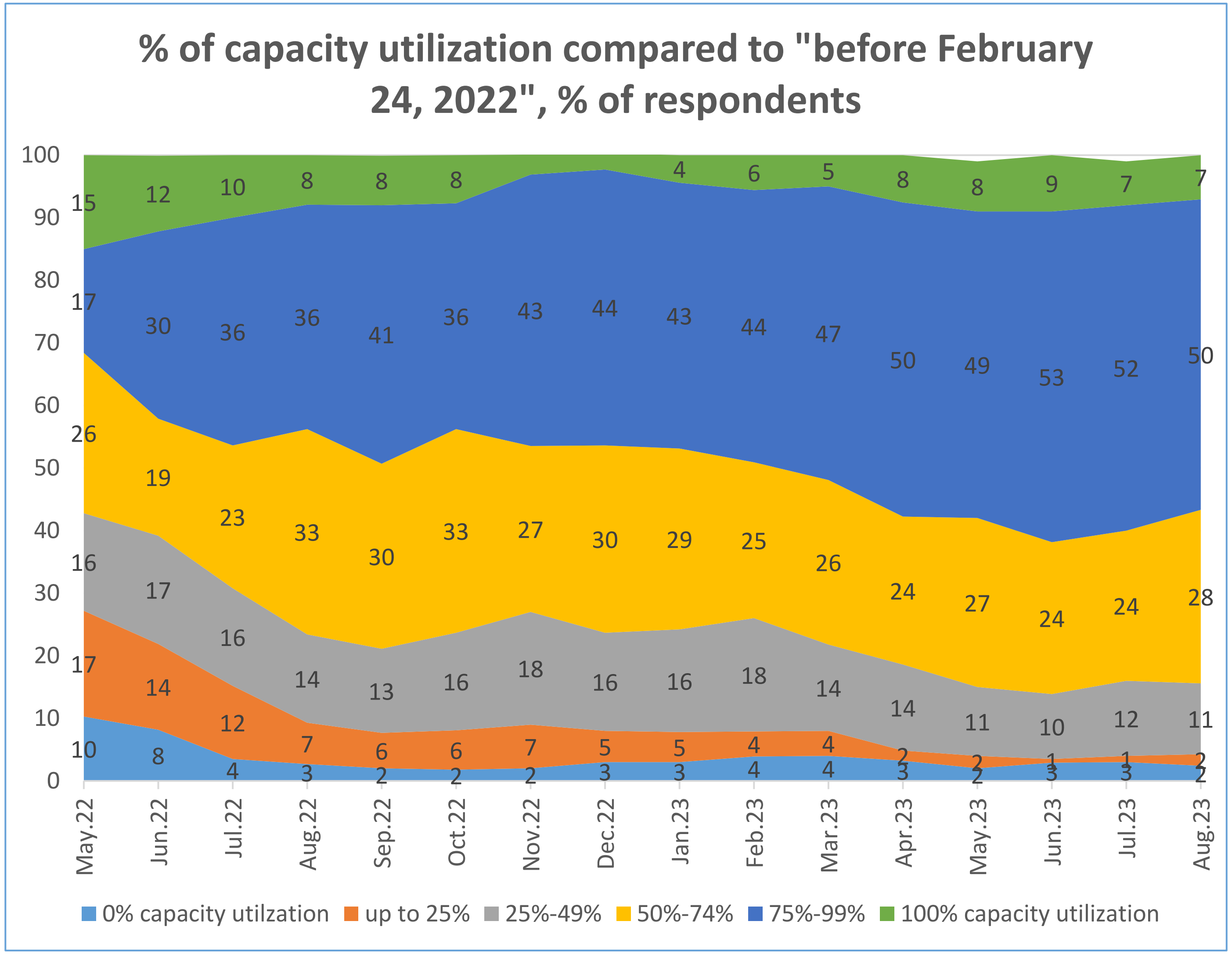
Overall economic environment in the country





Enterprises’ past performances and expectations

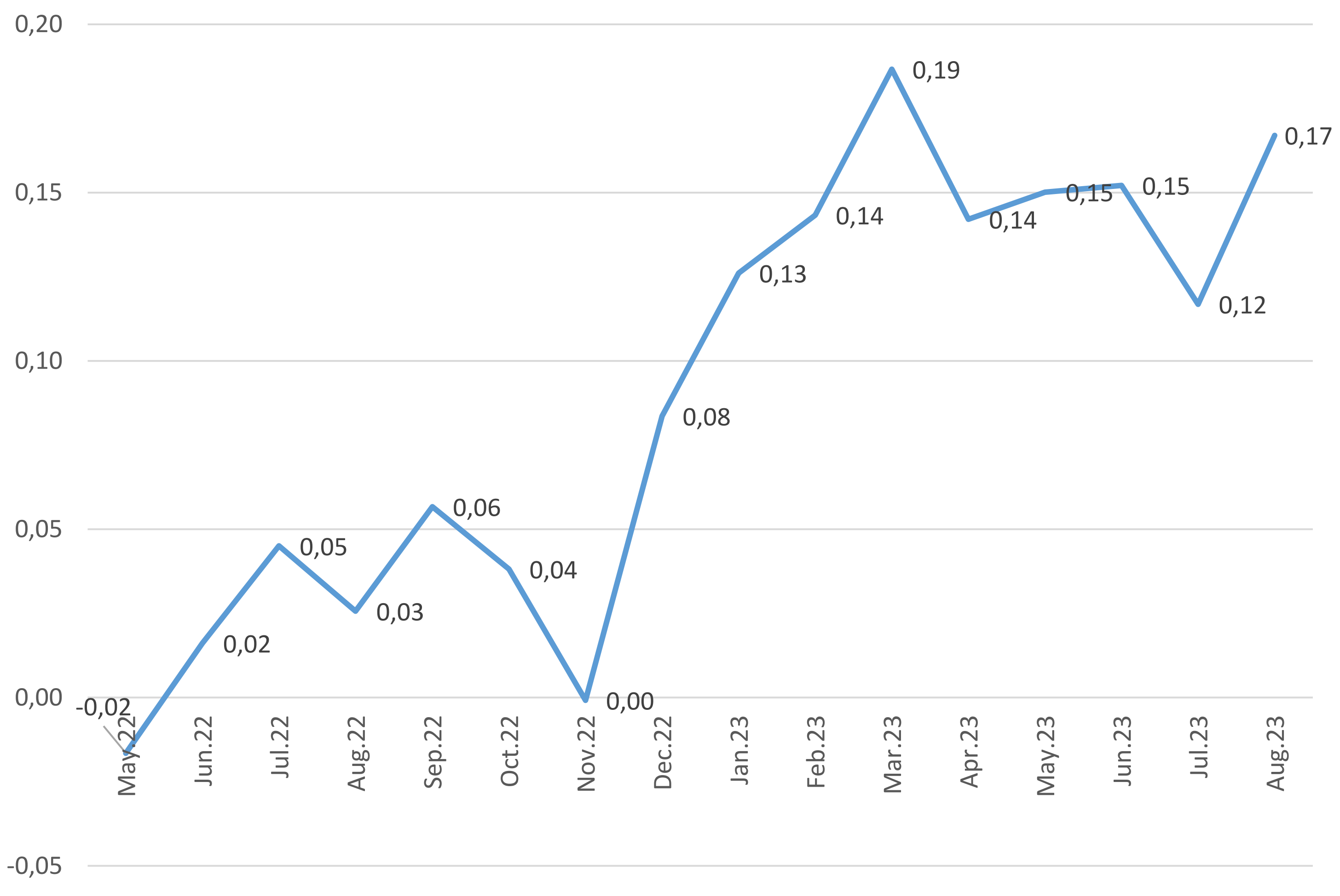
Is the recovery of production over?



In August 2023, there were no changes in % capacity utilization structure compared to "before February 2022."

- % of enterprises operating at **almost full and at full capacity** is still relatively **high**:
  - **7%** of enterprises are working **at full capacity** (100% or more), the same as in July
  - The share of enterprises **working at almost full capacity** (75%-99%) **is 50% (in July it was 52%)**
- % of enterprises that **do not operate at all** remains without significant changes since last autumn (2% in August and 3% in July)

Industrial Confidence Indicator



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

ICI is quite positive

In August compared to July, the value of the ICI increased from 0.12 to 0.17

Fluctuations of index component are the following:

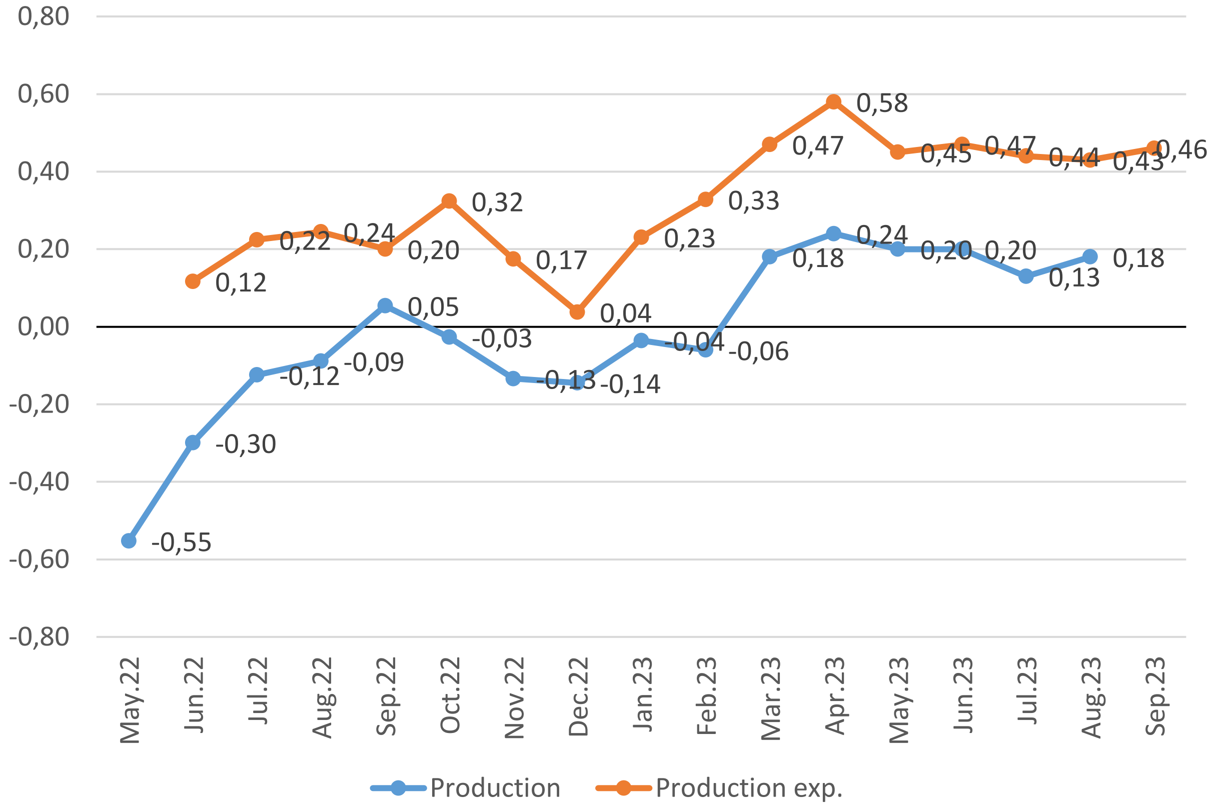
- **The production expectation (PI) slightly increased** from 0.43 to 0.46
- Component **stocks of finished goods (SFG) decreased** from -0.16 to -0.18
- Component **volume of new orders (VNO) increased** almost twice, from -0.24 to -0.14

Production optimism is growing

In August vs. July (expectations)

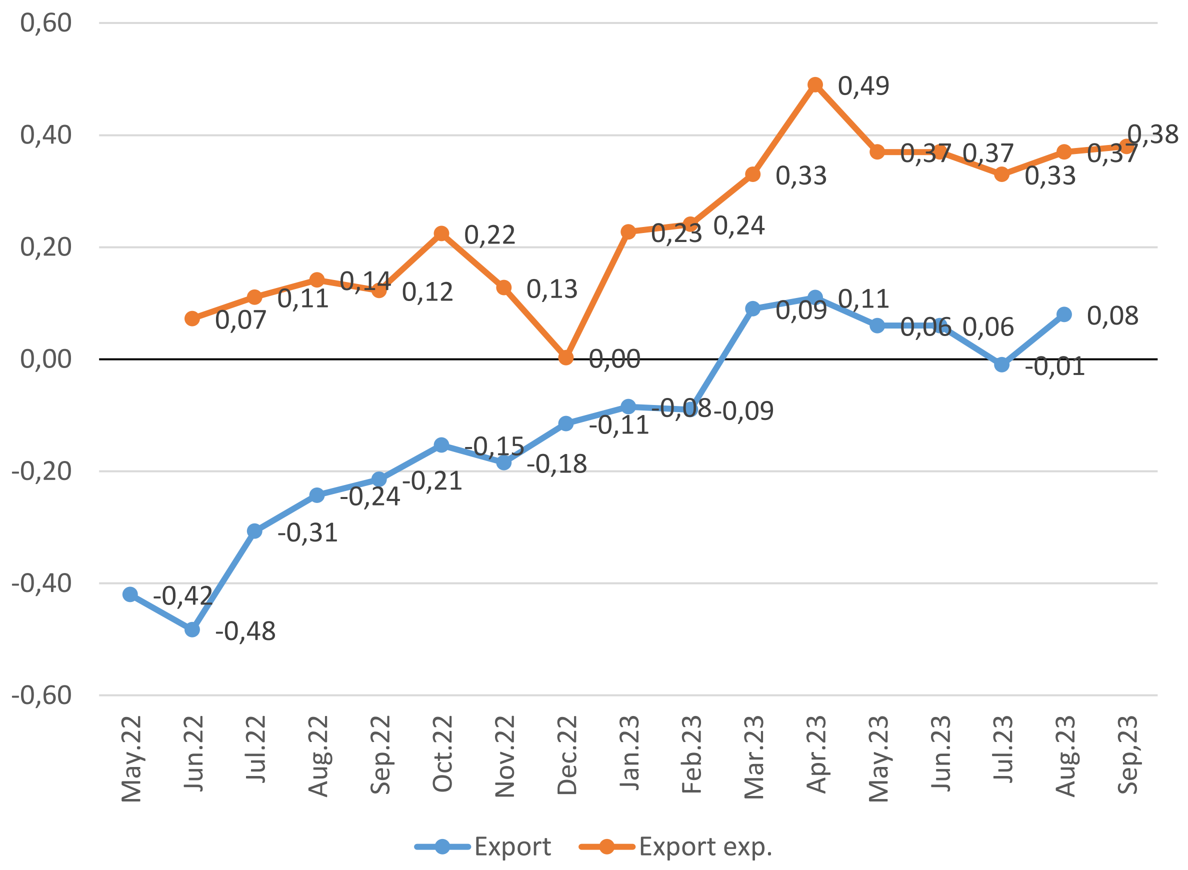
- The share of enterprises that **planned growth of production** in the next 3-4 months **increased** (from 44,2% in July to 47,6% in August)
- The share of enterprises that **planned decrease** in production **reminded without changes** (4.0% to 3,9%
- The share of enterprises that **plan to have no change in production** during the next three months **decreased** from 51.8% to 48.5%

Production, balance indicators



Export: improved (a bit) past performance and expectations

Export, balance indicators

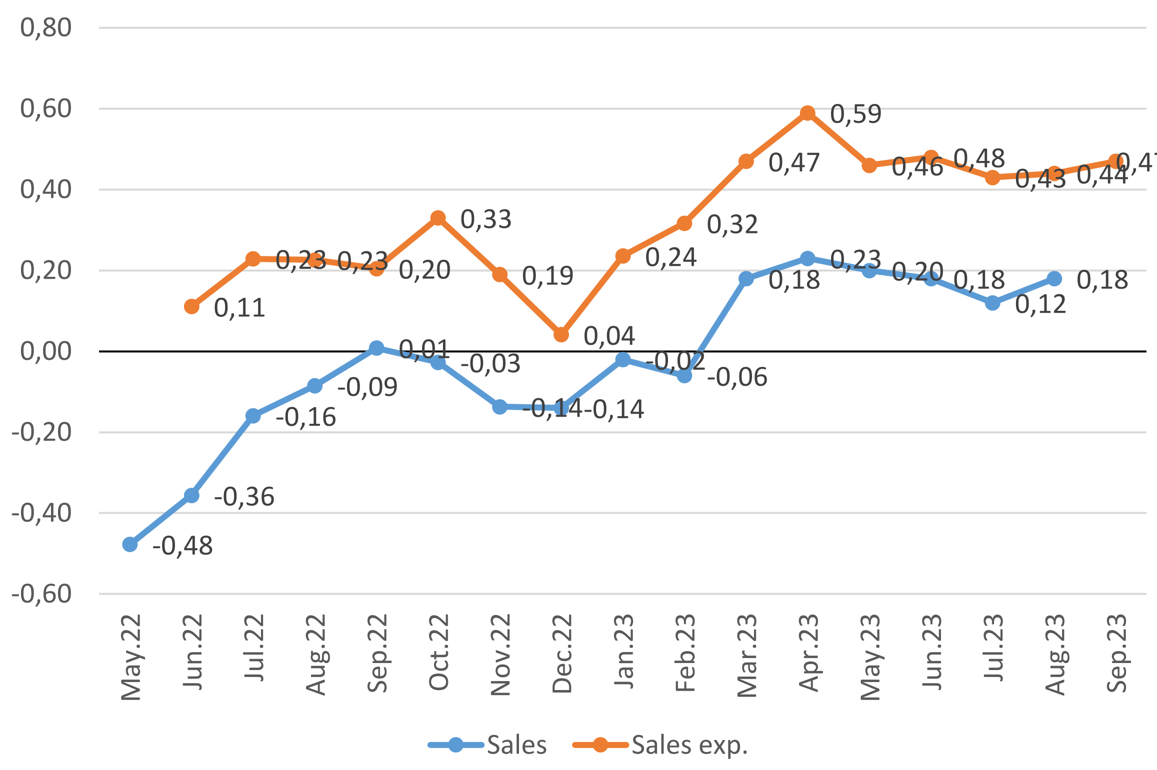


In August vs. July (past performance)

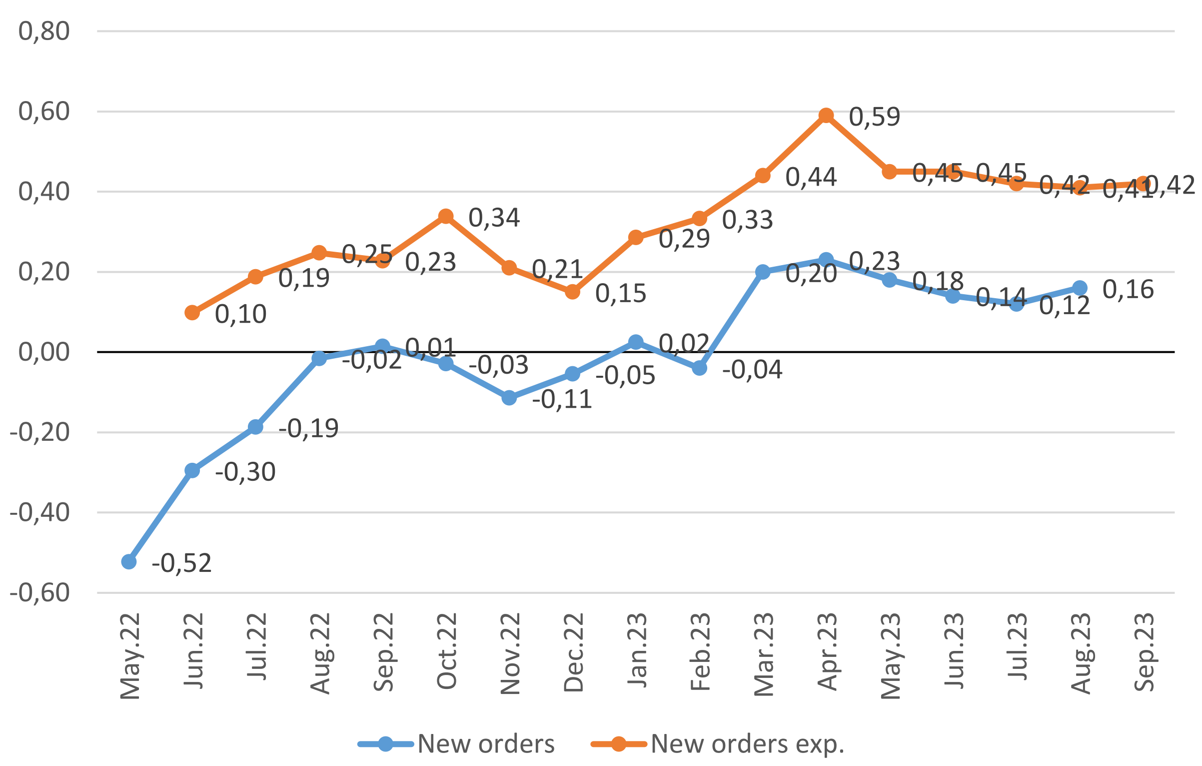
- The share of enterprises reporting **growth of export increased** from 20.5% to 26.1%
- The share of enterprises informing **reducing export** was almost unchanged (23,2% in July and 21,0 % in August)
- The share of enterprises that have no change in **export volumes** during the next three months **decreased** from 56.3% to 52.9%

Sales and new orders: Optimism is growing?

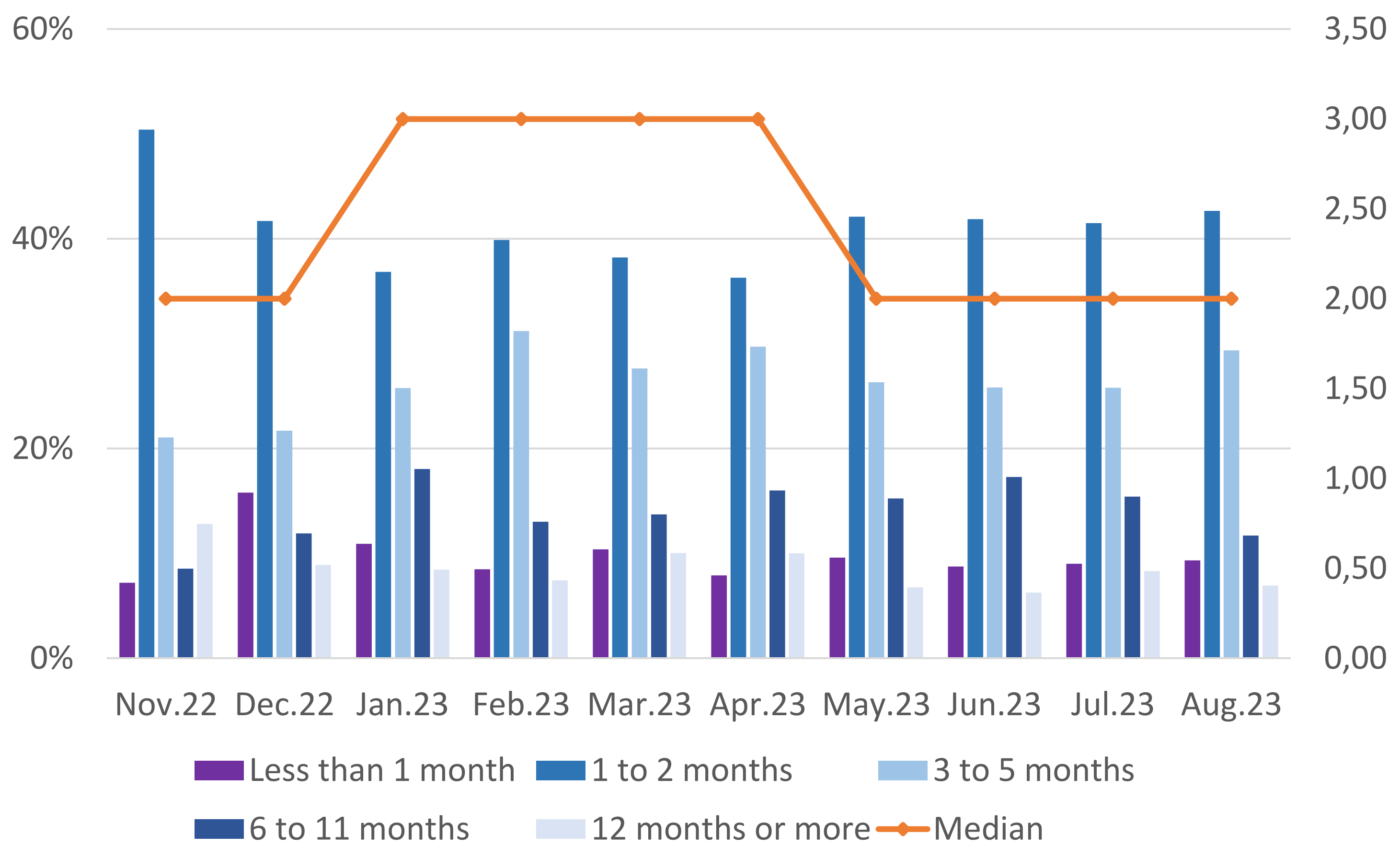
Sales



New orders



The order book has not changed



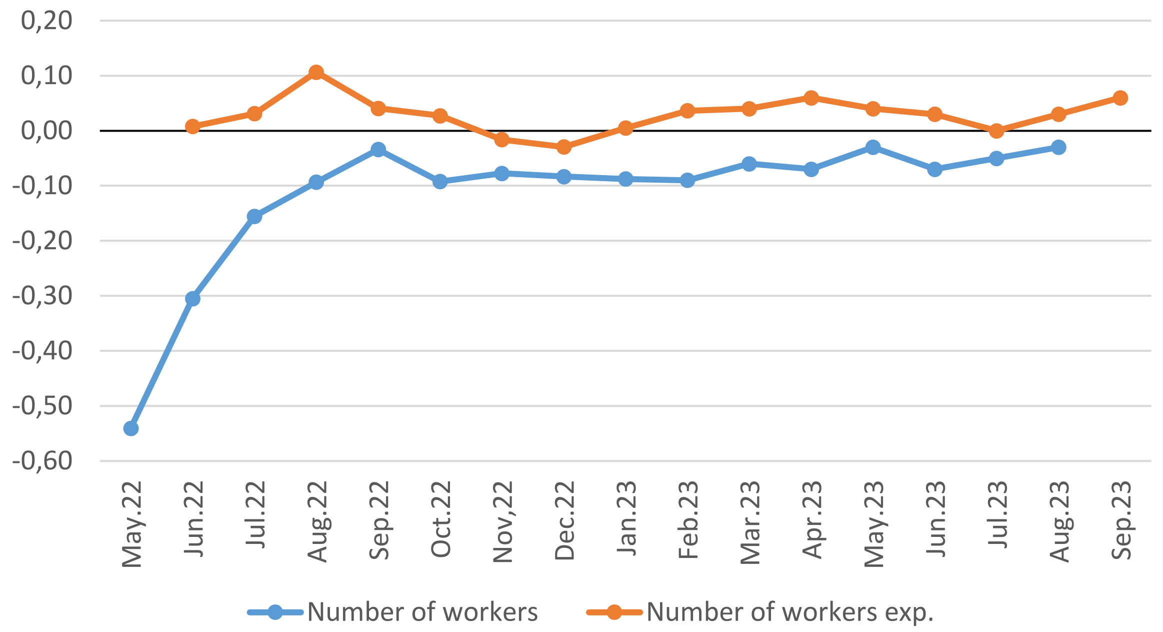
In August 2023, the order book for the surveyed enterprises **remained at the previous level**

- **The average term for new orders remains at 2 months** (median) after declining from three months in January-April 2023
- **52% of enterprises have orders for up to 2 months.** This share has remained almost without changes since May 2023

Employment and labor market

Employment: an increase in number of workers are observed

Number of workers



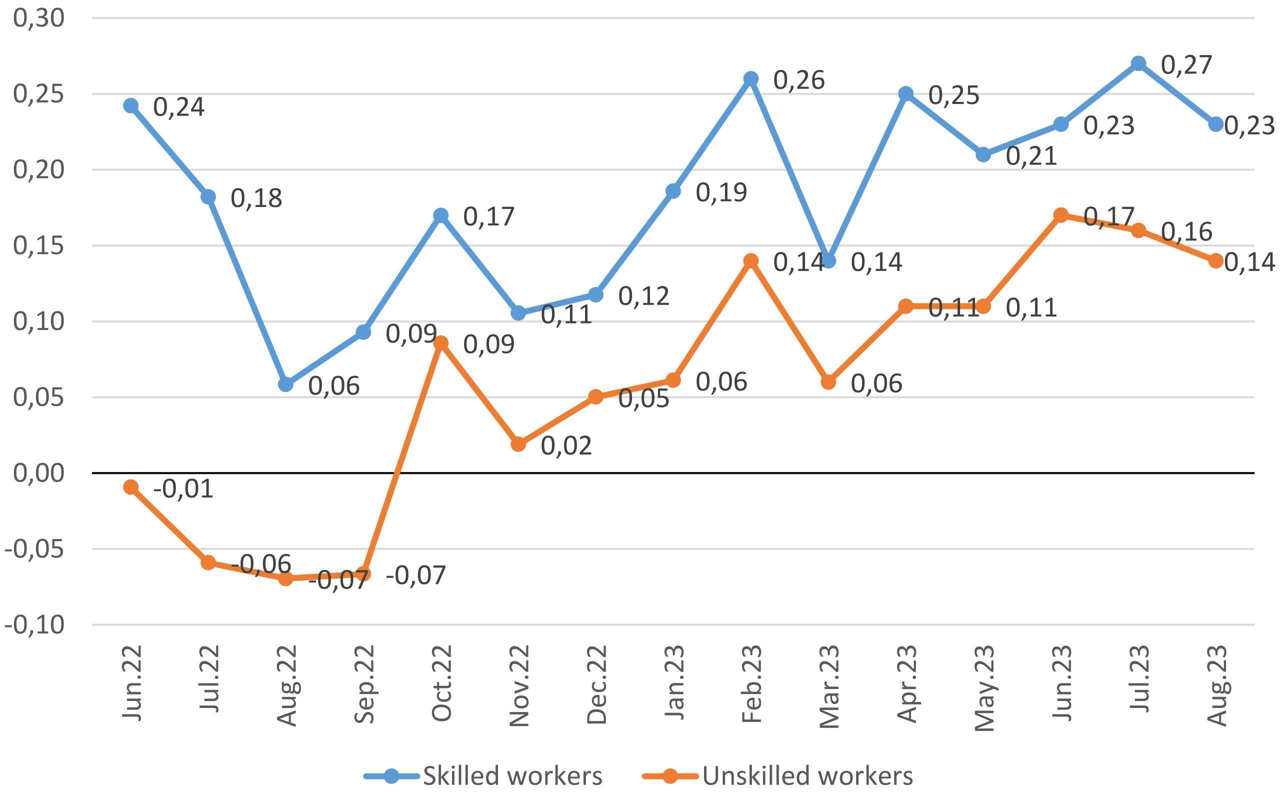
Number of workers on forced leave

- % of enterprises **planning employment growth almost don't change** (6.6% in July and 7.0% in August)
- % of enterprises **intending to reduce** the number of employees **decrease** from 4.3% to 2.3%
- % of enterprises at which **no changes in employment are expected almost don't change (89.1% in July and 90.7% in August)**

- % of enterprises that **will increase the number of employees on forced leave slightly decrease** from 2.2% to 1.3%
- % of enterprises that **are going to reduce** employees on forced leave **almost don't change** (25.7% in July and 24.6% in August)
- **% unchanged slightly increased** (from 72.1% to 73.6%)

Problems in finding workers decreased?

Problems with finding workers



In August, **the problems with finding** both **skilled** and **unskilled** workers decreased

Skilled workers:

- **%** of those who reported that it is **more difficult** to find such workers **decreased** (from 27.5% to 25.4%). At the same time % of those to whom it is **easier** to search for skilled workers remains **almost without changes** (1.5% in July and 1.2% in August)

Unskilled workers:

- % of those who report that it **is easy** to find them **decreased a bit** (5.2% in July and 4.4% in August) **as well as** % of those to whom this is **harder decreased a bit** (from 18.7% in July to 17.6% in August)

Assessments of government’s economic policy and expected policy actions (reforms)

% of uncertainty in assessments of government's economic policy increased

	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	Jun.23	Jul.23	Aug.23
Positively	19	16	10	10	10	16	23	21	21	24	20	13	16	16	10	8
Neutrally	42	39	50	51	57	48	46	49	53	56	56	61	60	57	54	51
Negatively	11	23	22	28	22	21	21	18	15	11	11	11	11	15	17	14
Don't know / Didn't answer	28	22	18	12	11	14	11	11	12	9	12	14	13	12	18	27

Created with Datawrapper

- In August 2023, the share of **positive assessments** of government policy on business support **continued to decrease (from 10% in July to 8%) and is at the lowest level since the beginning of this survey**
- **Businesses still mostly neutrally assess** the government policy on business support: at the same time, this % has been decreasing for the forth month in a row
- The share of the undecided respondents sharply increased from 18% in July to 27% in August

Expected events : “end of the war”, “better business climate”

- **End of the war** is the main expectation of the surveyed businesses
- **Simplification of legal requirements for businesses** has increased in importance,

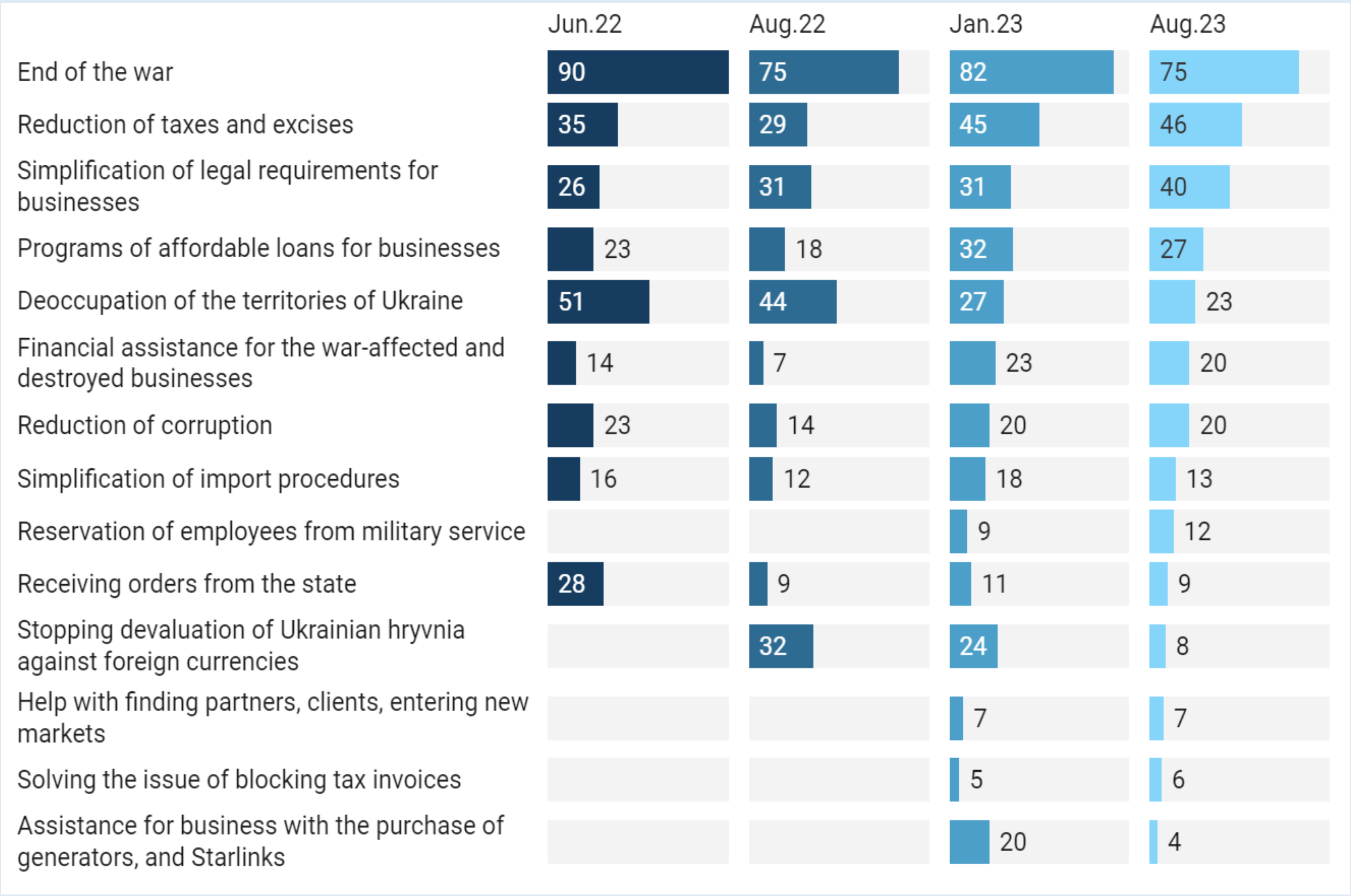
it implies that adaptation to wartime conditions (among others) puts unresolved “before-war”, and “traditional” problems of the business environment on the agenda.

- **Deoccupation of the territories of Ukraine** is expected **less often** –

possibly indicating the adaptation of businesses to new market conditions

- **Fewer** businesses expect **hryvnia devaluation to stop**,

which reflects more stable foreign currency exchange rate in Ukraine in mid-2023



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.

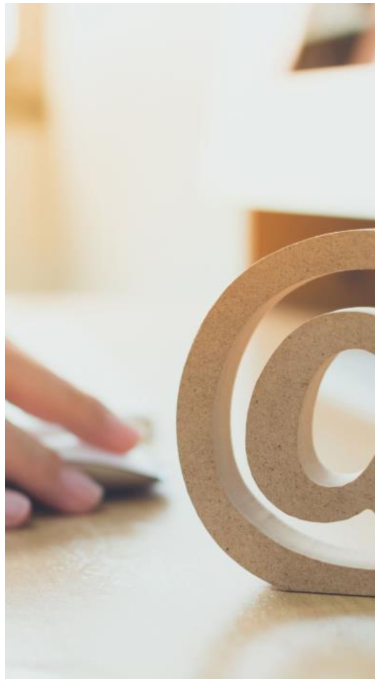
The monthly survey consists of two parts: the regular one and the special one. Respondents will regularly answer questions on the changes in key activity indicators and short-term forecasts for future changes in the same indicators: output (production), sales, exports, debt, new orders, employment, etc. 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 16-th wave lasted from August 15 to August 31, 2023. The enterprise managers compared the work results in August 2023 with July 2023, assessed the indicators at the time of the survey (August 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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