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New Monthly Enterprises Survey

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Ukrainian Business in Wartime

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THE NEW MONTHLY ENTERPRISES SURVEY “UKRAINIAN BUSINESS IN WARTIME”

Dear ladies and gentlemen, we present you with the **fifteenth issue** of the business managers’ monthly survey “Ukrainian Business in Wartime.”

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 regularly answer questions on the changes in key activity indicators and short-term forecasts for future changes in the same indicators. This entails the dynamics of output (production), sales, exports, debt, new orders, employment, etc. We also focus on estimates and expectations of the changes in the business climate and business activity at the enterprise in the next six months. This part of the survey applies the business tendency survey methodology, harmonized according to the Joint Harmonized EU Program of Business and Consumer Surveys (BCS) requirements. Where applicable, we use comparisons with the data from the quarterly business survey “Business Opinion” that have been conducted since 1998.

The special part of the monthly enterprise survey is devoted to the war's impact on the production activity of enterprises and exports and the assessment of government policy on business support. The industry dimension in data analysis is used in the issue. In this issue, a new section of the special part is devoted to raising salaries at enterprises in 2023.

The monthly survey of business managers is a part of a change in the activities of the project “For Fair and Transparent Customs”, funded by the European Union and co-financed by the International Renaissance Foundation, and the ATLAS Network (USA). Monthly trends will be presented in reports such as this one. Quarterly trends will continue to be published in the “Business Survey: Industry” reports, which have been published by the IER since July 2002.

We are grateful to the analytical system YouControl (<https://youcontrol.com.ua/>) for the opportunity to use the data to form a panel sample.

Content

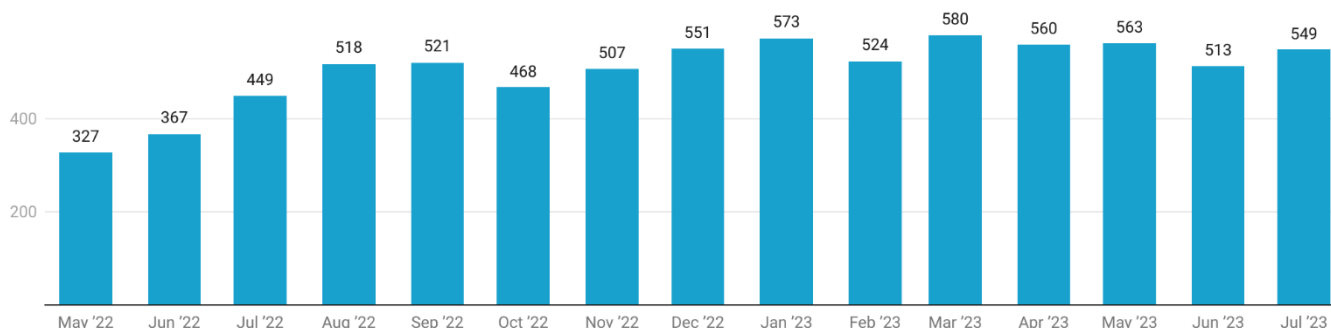
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PRACTICAL QUESTIONS AND ANSWERS TO HELP TO READ THIS REPORT

Who do we survey? This survey uses a panel sample; that means we survey the same business entities. Building such a sample takes time. During the fifteenth wave of the survey, the answers of 549 respondents were received.

Fig. 1 Number of enterprises surveyed



They include mainly industrial enterprises (94%) located in 21 of the 27 regions of Ukraine: Vinnytsya, Volyn, Dnipropetrovsk, Zhytomyr, Zakarpattia, Zaporizhzhya, Ivano-Frankivsk, Kyiv, Kirovohrad, Lviv, Odesa, Poltava, Rivne, Sumy, Ternopil, Khmelnytsky, Cherkasy, Chernivtsi, Chernihiv and Kharkiv regions and in the Kyiv city. Enterprises of all sizes in terms of the number of workers are represented among the respondents.

Fig. 2 Number of enterprises surveyed, by size

	Jul.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
Micro	50	64	55	49	53	58	67	59	64	57	61	60	57
Small	128	142	138	133	138	156	161	158	189	180	171	155	160
Medium	169	183	191	172	203	214	212	190	208	214	212	190	214
Large	102	129	137	114	113	123	133	117	119	109	119	108	118

How do we collect data? Data was collected using a combination of several data collection methods: telephone interviews of business representatives filling out their responses into an online check-list, and, in some cases, self-completion of the online check-list by representatives of enterprises who expressed their desire during the previous telephone contact to enter data into the online check-list themselves.

How are our indices calculated? All indices are calculated according to a single methodology. We count responses as +1 when the company responds that the rate has increased, 0 if it has not changed, and -1 if it has decreased. For example, if out of 100 respondents, 20 indicated an increase in production, 50 respondents reported its reduction, and 30 said that everything remained unchanged, the corresponding value of the index will be -0.30. A positive (negative) index value means that the share of enterprises where production has increased is larger (smaller) than the number of those where production has decreased. Each index bigger than +0.05 or less than -0.05 is statistically significant, and different from zero with a 5% error probability.

How to "read" our indicators? Our indicators are called "indices," which is a synonym of the term "balance index" or "balance indicator." All indices are the difference between the shares of respondents who reported a decrease and those who reported an increase in the indicator. The bigger the index value, the bigger the rate of indicator growth; the smaller the index value, the bigger the rate of indicator decline. For most indicators, a higher value of the index means a positive trend, except for indicators of debts, the number of workers on forced leave, and difficulties in finding personnel. Everything is the opposite here. The larger the index, the greater the rate of debt growth or the increase in the number of people on forced leave and hardships (this is bad), the smaller the index, the greater the rate of debt reduction, the decrease in the number of people on forced leave or hardships (this is good).

When the survey was conducted? The field stage of the fourteenth wave lasted from July 17 to 31, 2023. The enterprises' managers compared the results of work in July 2023 with June 2023, assessed the state of the indicators at the time of the survey (July 2023), and gave forecasts for the next two, three, or six months, depending on the question. For some questions (where it was indicated), the results of the work were compared to ones in the pre-war period (before February 24, 2022). Respondents gave forecasts for the next three months of work.

MAIN RESULTS

In July 2023, for the first time in the last three months, uncertainty in the long term decreased; instead, entrepreneurs became more cautious about the short and medium-term plans, where uncertainty gradually increased for the second month in a row. Estimates of the current business activity at the enterprise and the overall economic environment have slightly deteriorated, while expectations remain high. Compared to the previous months, production indicators slightly worsened, and expectations for three months, while remaining highly positive, tend to stagnate. Despite a slight decrease, the share of enterprises operating at full and near full capacity remains dominant. The importance of obstacles "unsafe to work" and "power supply cuts" remains significant for every third surveyed enterprise. Export activity has slowed, although companies have positive expectations for the next three months. Only a third of enterprises were able to increase the workers' salaries from the beginning of 2023, on average, by 12%. The trend towards deterioration of economic policy assessments continues; positive assessment of the government's economic policy has decreased, while the number of those who hesitate to answer has increased.

OVERALL INDICATORS OF BUSINESS CLIMATE AND ECONOMIC ENVIRONMENT

- In July 2023, compared to June, the index of the CURRENT BUSINESS ACTIVITY AT THE ENTERPRISE significantly deteriorated, decreasing from zero to -0.09.
- The enterprises' expectations regarding changes in the business activity in the six-month horizon remain optimistic, although the value has decreased from 0.46 to 0.40.
- In July, the value of the OVERALL ECONOMIC ENVIRONMENT INDEX also decreased from -0.03 to -0.09, equaling the estimates of the business activity.
- Expectations regarding changes in the overall economic environment six months from now also remain high; the INDEX OF EXPECTED CHANGES IN THE OVERALL ECONOMIC ENVIRONMENT decreased slightly, from 0.41 to 0.38.
- Two-year expectations regarding the prospects for the business activity expansion have not changed significantly. The value of the INDEX OF EXPECTED CHANGES IN BUSINESS ACTIVITY in two years in July is 0.20 (it was 0.19 in June).
- The level of uncertainty in the two-year horizon decreased for the first time in several months, while for the three-month and half-year, a gradual increase in values was recorded for the second month in a row.

PRODUCTION

- In July 2023, the PRODUCTION INDEX decreased from 0.20 to 0.13. In the percentage distribution, the share of enterprises that plan to reduce production volume increased due to the decrease of those that plan to increase it.
- The enterprises' expectations for the next three months remain high, and the value of the INDEX OF EXPECTED CHANGES IN PRODUCTION has not changed significantly and is 0.43 (it was 0.44).
- The value of the aggregate indicator of industry prospects is positive but decreased from 0.15 in June to 0.12 in July.

DEMAND AND SALES

- The sales growth rate and the increase in the number of new orders decreased. Both the SALES INDEX (from 0.18 in June to 0.12 in July) and the NEW ORDER INDEX decreased, although less significantly (from 0.14 to 0.12).
- Enterprises' expectations regarding demand for the next three months remain unchanged. The value of the EXPECTED CHANGES IN THE SALES INDEX is 0.44 (it was 0.43), and the VALUE OF THE EXPECTED CHANGES IN THE NEW ORDERS INDEX is 0.41 (it was 0.42).

DEBTS

- In July compared to June 2023, the indicators of all three debts worsened. Accounts receivable increased from -0.27 to -0.18, and accounts payable increased from -0.30 to -0.23. The indicator of tax arrears increased not so significantly, from -0.32 to -0.28.

- In the three-month horizon, a further slight deterioration of the indicators of receivables and payables is expected. The INDEX OF EXPECTED CHANGES IN RECEIVABLES increased from -0.35 to -0.33, and the INDEX OF EXPECTED CHANGES IN PAYABLES increased from -0.37 to -0.35. The indicator of expectations for tax arrears is -0.33 (it was -0.34).

EMPLOYMENT

- The employment reduction rate at enterprises slowed down, and the NUMBER OF WORKERS INDEX increased from -0.07 to -0.05 due to a decrease in the percentage of enterprises that reduced the number of employees.
- In the next three months, enterprises expect a further increase in the indicator; the INDEX OF EXPECTED CHANGES increased from zero to 0.03.
- The reduction rate in the number of workers on forced leave has significantly slowed down due to a significant increase in the share of enterprises that have increased the number of such workers. The index grew from -0.26 to -0.08; in three months, further deterioration of the indicator is expected; the index of expected changes increased from -0.28 to -0.22.
- In July, difficulties in finding unskilled workers remained without significant changes. The INDEX is 0.16 (it was 0.17). At the same time, the INDEX OF DIFFICULTIES IN FINDING SKILLED WORKERS has been growing for the second month in a row and is 0.27 (It was 0.23 in June).

AVAILABILITY OF ORDERS

- In July, the order book for surveyed enterprises remained at the level of 2 months (median), which was also the same in May and June 2023 after decreasing from three months in January-April 2023.
- 51% of enterprises have orders for up to two months. This share has not changed compared to June.

OBSTACLES TO DOING BUSINESS IN WARTIME

- In July 2023, rising prices for raw materials and goods remained the main obstacle. At the same time, the absolute value of this obstacle decreased.
- Logistical problems continue to occupy the 2nd place in the rating of obstacles.
- Lack of labor rose from the 4th to the 3rd place in the ranking of obstacles, maintaining the absolute value.
- The problem of power outages dropped from 4th to 7th place in the rating of obstacles.
- The obstacle "unsafe to work" kept the 6th place in the rating without significant changes in absolute value.

OBSTACLES TO DOING BUSINESS BEFORE THE WAR AND NOW

- Every quarter, we use the list of obstacles to production growth from the long-term quarterly enterprise survey "Business Opinion."
- In July 2023, war and an unfavorable security situation were most often cited as obstacles to production growth.
- The 2nd, 3rd, 4th, and 5th places were taken by low demand, unfavorable political situation**, excessive taxation (significant increase in July to April 2023), and unfavorable regulatory climate (decrease in July to April).

PRODUCTION CAPACITIES DURING THE WAR PERIOD

- In July 2023, the capacity utilization rate decreased slightly from June but remains one of the highest for all survey waves. The total share of enterprises operating at near full and full capacity was 59% (62% in June and 57% in May).
- Despite the challenges of the war, only 3% of surveyed enterprises reported that they stopped their activities during the war. Also, only 1% of enterprises operate at less than 25% of pre-war production volumes.

- In July, only 16% of enterprises worked at less than half capacity, compared to pre-war times (14% in June).
- Medium-sized businesses are the best supporter of production: businesses are operating at nearly full and full capacity compared to the pre-war period at 71% in July (69% in June, 68% in April and May), the highest since the survey began. However, the indicator for large businesses decreased from 68% in June to 58% in July.
- The food industry remains the leader in industrial recovery. In July, 72% of food industry enterprises were operating at almost full and full capacity (78% in June, 73% in April and May). However, in the food industry, as in most other sectors (except for construction material production and woodworking), a slight capacity utilization reduction was recorded.
- A difficult situation remains in metallurgy and metalworking, in which only 26% of enterprises were operating at almost full and full capacity in July (27% in June).

EXPORTING ENTERPRISES

- In July, 63% of respondents reported that they were exporters before the war, continued exporting during the war, or started exporting during the war for the first time.
- Most businesses managed to establish exports in wartime conditions. In July, 85% of respondents indicated that they exported before the war and continued to export during the last 12 months (84% in June).
- Some businesses cannot overcome new challenges for export activities. 14% of enterprises were exporting before the war started but could not resume exports during the last 12 months. Such results indicate the stagnation of the export activity recovery.

SALARY DURING THE WAR

- Only every third enterprise (34%) increased the workers' salaries (nominal salary or salary that the worker receives in hand) in 2023. At the same time, the salary was reduced by 7% in enterprises.
- Most often, medium-sized (41%) and large (46%) enterprises had the ability to increase salaries in 2023. Enterprises in the light and printing industries increased salaries more often than other industrial sectors (41% and 45%, respectively).
- Since the beginning of 2023, the salary has increased by 12% on average at the enterprises where the increase was carried out. However, the growth rate is almost the same for enterprises of different sizes.
- Companies that cut salaries most often reduced bonuses, percentages of revenue for workers (59% of companies), had downtime (57%), transferred employees to part-time work (54%).
- Only 14% of all surveyed enterprises plan to raise salary by the end of 2023. On average, companies expect a salary increase of 10%.

GOVERNMENT POLICY

- In July 2023, positive assessments of government policy regarding business support decreased from 16% to 10%, and the share of negative assessments increased for the second month in a row.
- As before, the business mostly neutrally assessed the government policy regarding business support. At the same time, this percentage is decreasing for the third month in a row.

INDICATORS AND EXPECTATIONS FOR THE HALF-YEAR PERIOD

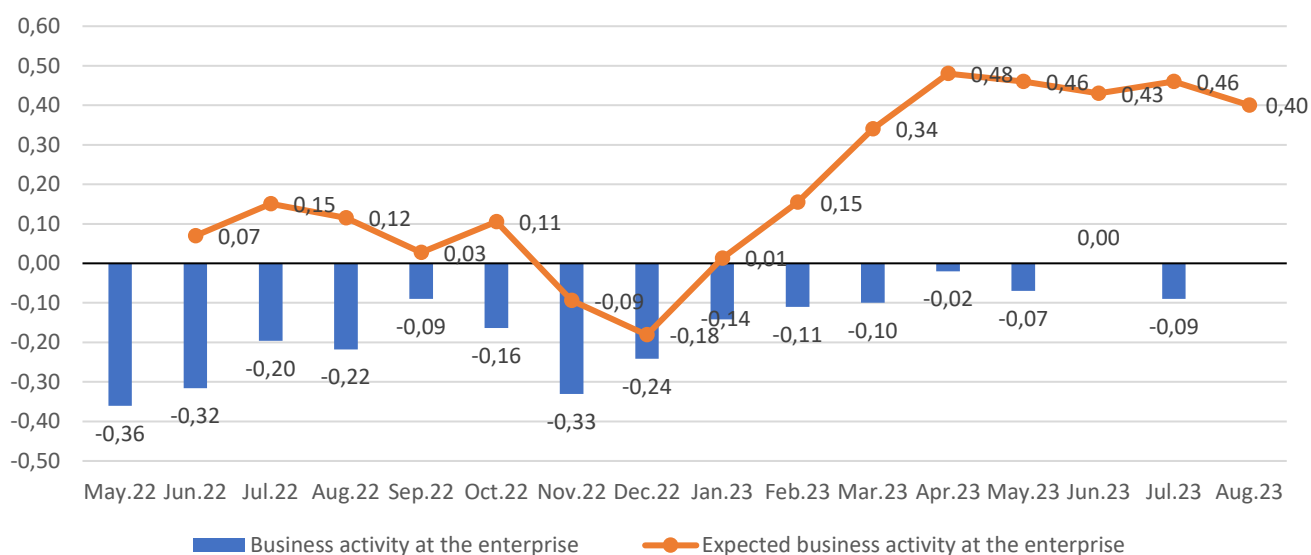
BUSINESS ACTIVITY AT THE ENTERPRISE

After assessments improved in June, the situation worsened again in July. The value of the CURRENT BUSINESS ACTIVITY INDEX decreased from zero to -0.09. The share of respondents who assess the current business activity at the enterprise as bad increased from 14.2% to 17.6%. At the same time, the share of those who positively assess the business activity at the enterprise has almost halved from 11.5% to 6.7%. The share of those who consider the business activity at the enterprise to be satisfactory decreased from 77.4% to 75.8%.

Expectations for the future within six months remain optimistic despite a slight deterioration in the indicator. The value of the expected changes in the business activity index decreased from 0.46 to 0.40. Changes in the share of "pessimists" remain insignificant (from 3.1% to 4.8%), and the share of "optimists" decreased from 47.7% to 44.4%. The share of those who do not expect any changes has not changed significantly and is 50.85 (it was 49.2%).

For the first time in several months, the share of respondents who could not give a forecast regarding changes in the business activity at the enterprise for the six months increased from 17.2% to 20.4%.

Fig.3. Business activity at the enterprise, indices



BUSINESS ACTIVITY AT THE ENTERPRISE COMPARED TO A SIMILAR PERIOD OF THE LAST YEAR

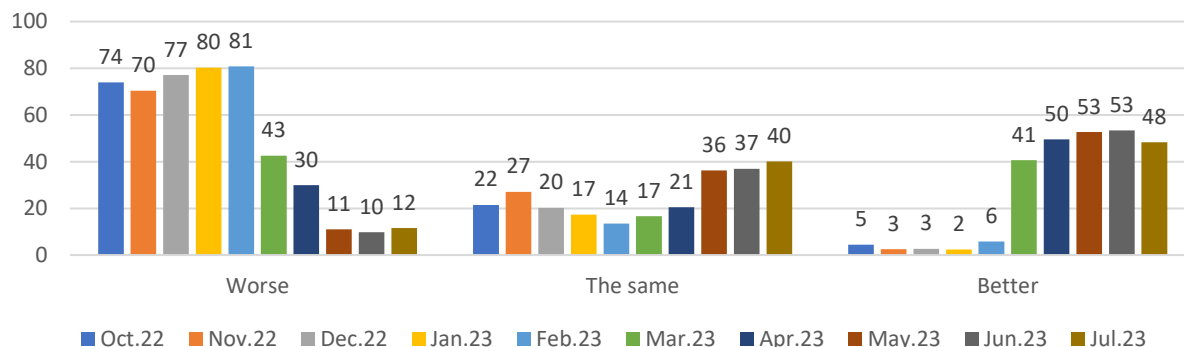
Compared to the same period last year, business activity still remains high, despite the decrease in indicators. The value of the current business activity index (year to year) decreased from 0.45 to 0.39. The share of respondents who indicated the worsening of the situation increased from 9.8% to 11.5%. At the same time, the share of respondents whose business activity improved decreased from 53.3% to 48.3%. The share of those who believe nothing has changed compared to last year increased from 36.8% to 40.1%.

Size. The assessments of the business activity depend on the size of the enterprise. Medium (0.41) enterprises feel the best compared to last year. The indicator of large and small enterprises is the same and is 0.38. The indicator of micro-enterprises is the worst (0.16).

Region. Lviv, Ivano-Frankivsk, Ternopil and Poltava regions have the highest rate (1.00 for each). The indicator of Zakarpattya region is zero. The lowest are the indicators of Zhytomyr (-0.09), Kirovohrad and Volyn (-0.12 each) regions and the indicator of Dnipropetrovsk region (-0.35).

Sector. The highest index value was recorded for printing (0.64) and food (0.47) industries. The metal processing (-0.04) has the worst and only negative indicator.

Fig.4. How do you assess the business activity at the enterprise compared to last year?, % of respondents

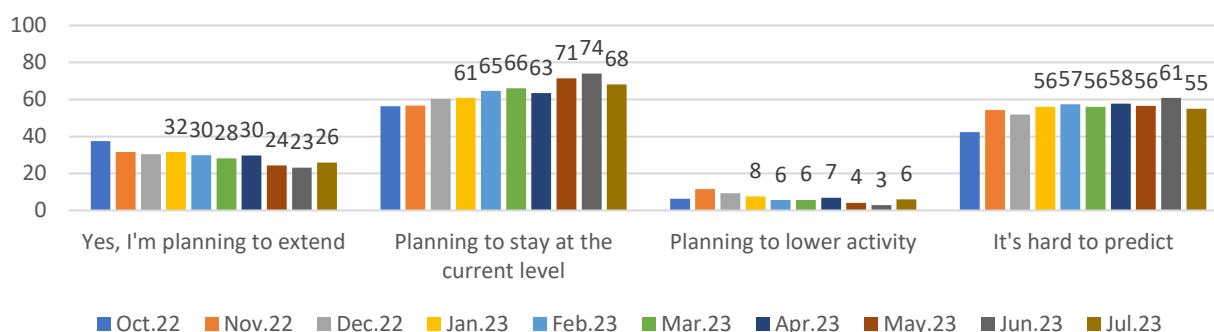


EXPANSION PLANS FOR THE NEXT TWO YEARS

Expectations regarding business activity for the next two years remain unchanged. The INDEX OF EXPECTED CHANGES IN BUSINESS ACTIVITY in two years in July is 0.20 (it was 0.19 in June). In percentage distribution, both the percentage those who plan to expand their activities in the next two years (from 23.1% to 25.9%) and the percentage of those who plan to reduce their activities (from 2.9% to 6.0 %) increased. At the same time, the share of those who plan to stay at the current level has significantly decreased from 74% to 68.2%.

It is important to note that the percentage of those who could not give a forecast for such a distant period decreased from 60.8% to 55.0%.

Fig.5. Do you plan to expand the company's activities in the next two years?, % of respondents



Size. Among enterprises of all sizes, large (0.34) and micro-enterprises (0.30) are the most optimistic about the future. The indicator of small enterprises is 0.19. The worst is the indicator of medium-sized enterprises, which is 0.08.

Region. Significant regional differences were registered. Enterprises from Zakarpattya and Zaporizhzhya have the highest indicators of expectations (1.00 each). The indicator of the Dnipropetrovsk region has a single negative value and is -0.20.

Sector. Expectations depend on industry. Printing (0.67) and woodworking (0.50) industries have the highest value. Indicators for machine building (-0.06) and construction materials production (-0.09) are the lowest and have negative values.

OVERALL ECONOMIC ENVIRONMENT

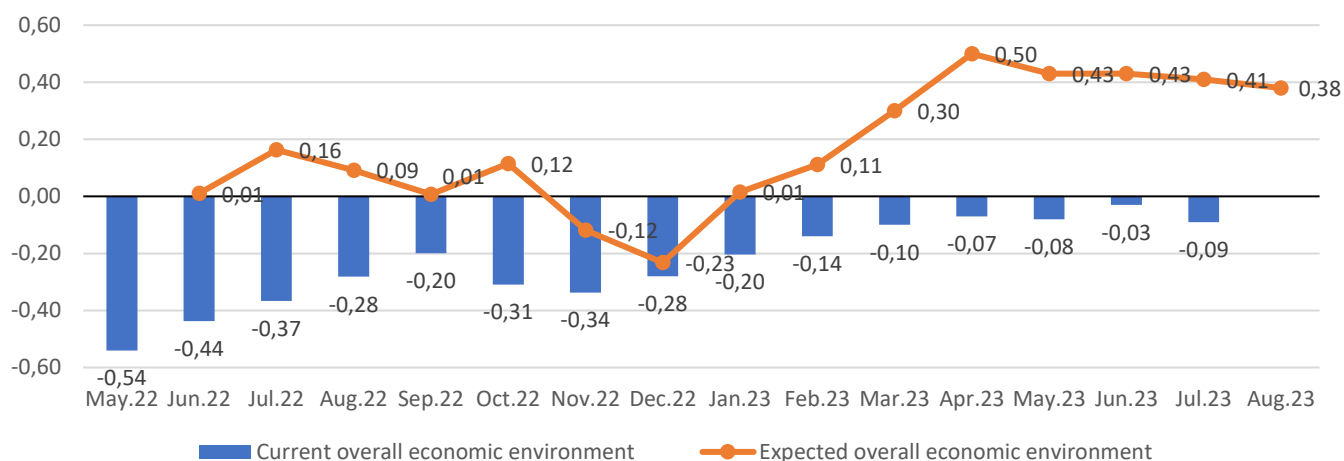
The assessment of the overall economic environment has worsened. The value of the corresponding INDEX in July decreased from -0.03 to -0.09. In percentage distribution, the share of those who assess the overall economic environment as bad has not changed significantly and is 19.6% (it was 18.8% in June). At the same time, the share

of those who give positive assessments has decreased (from 10.8% to 7.9%). The share of those who consider the overall economic environment to be satisfactory increased from 70.5% to 72.5%.

Enterprises' forecasts regarding changes in the overall economic environment for the next six months slightly worsened after three months of stability: the value of the INDEX OF EXPECTED CHANGES IN THE OVERALL ECONOMIC ENVIRONMENT slightly decreased, from 0.41 to 0.38. In percentage distribution, the share of "optimists" regarding changes in the overall economic environment decreased from 46.7% to 44.0%. At the same time, the share of "pessimists" almost did not change and amounted to 6.4% (it was 6.3%). The share of those who believe the overall economic environment will not change during the next six months increased from 47.0% to 49.6%.

The share of those who could not give forecasts regarding the overall economic environment increased for the second month in a row, from 21.2% to 22.6%.

Fig.6. Overall economic environment, indices

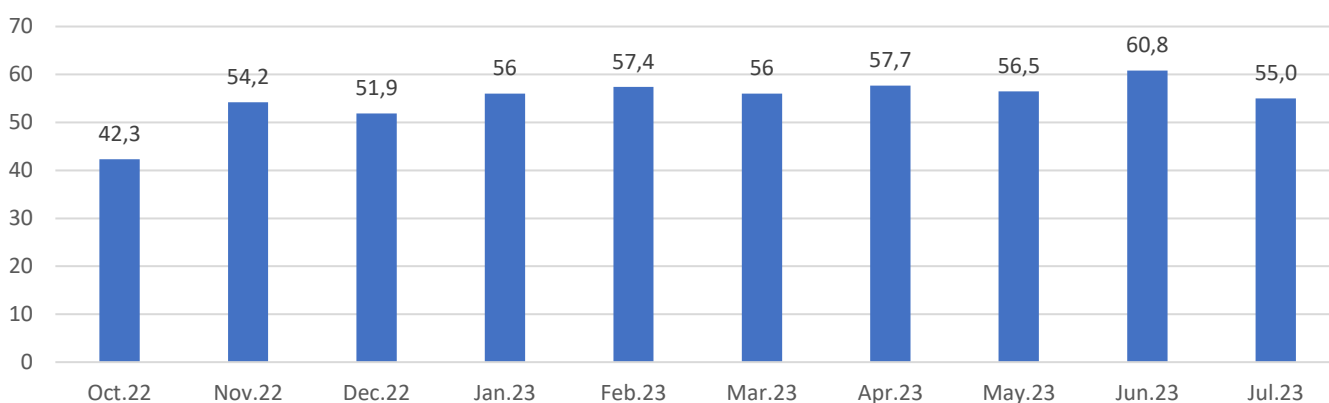


UNCERTAINTY

Two-year expectations

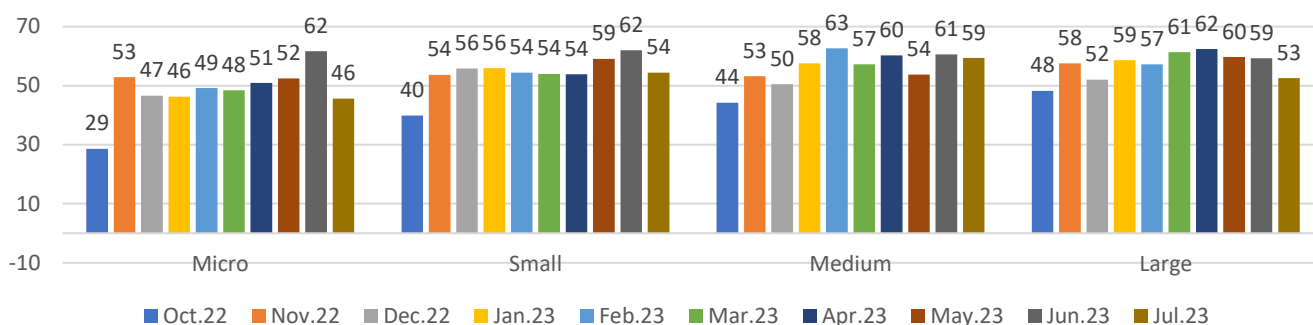
The level of uncertainty regarding the enterprises' plans for the next two years decreased from 60.8% to 55% in July, returning to previous values after a significant increase in June.

Fig.7. The level of uncertainty regarding the company's activities in the two-year horizon, % of respondents



The level of uncertainty regarding plans for the two-year horizon depends on the size of the enterprise. The index of uncertainty of micro-enterprises in July compared to June decreased the most (from 61.7% to 45.6%) and is the lowest. There are also significant changes in the indicator for small enterprises, where the value decreased from 61.9% to 54.4%. The indicator of large enterprises decreased from 59.3% to 52.5%. At the same time, no significant changes are observed for medium-sized enterprises (the indicator decreased from 60.5% to 59.3%).

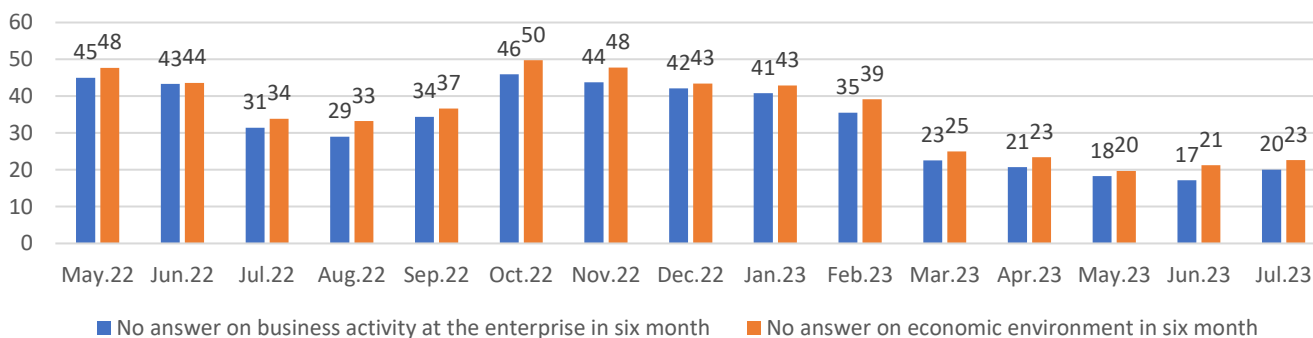
Fig.8. The share of respondents who could not answer the question about the change for the next two years, by size of the enterprise



Half-year expectations

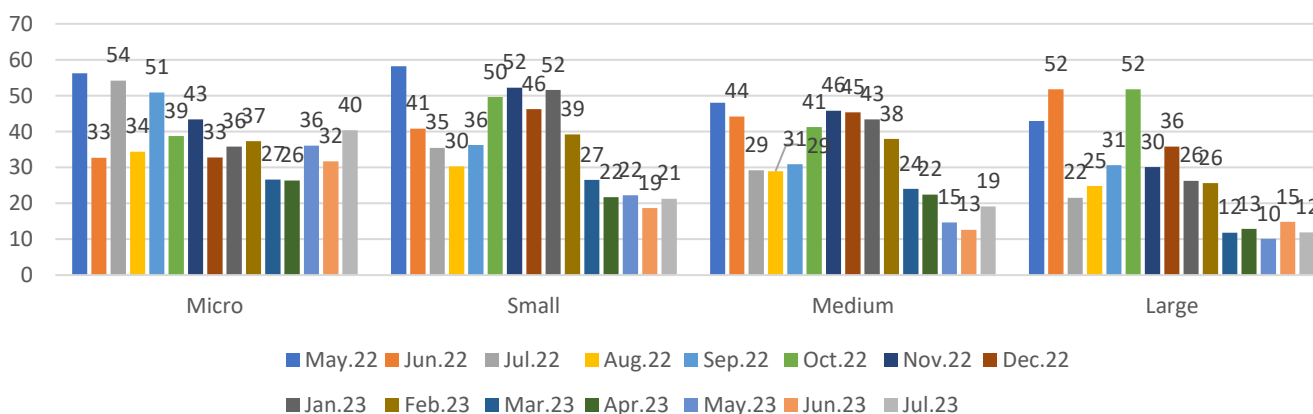
The level of uncertainty in the forecasts of the six-month horizon has increased. For the first time in several months, uncertainty about the business activity increased from 17% to 20%. And the share of respondents who could not give a forecast regarding changes in the overall economic environment in the country has increased for the second month in a row and is 23% (it was 20%).

Fig.9. The level of uncertainty of the business activity and the overall economic environment, % of respondents



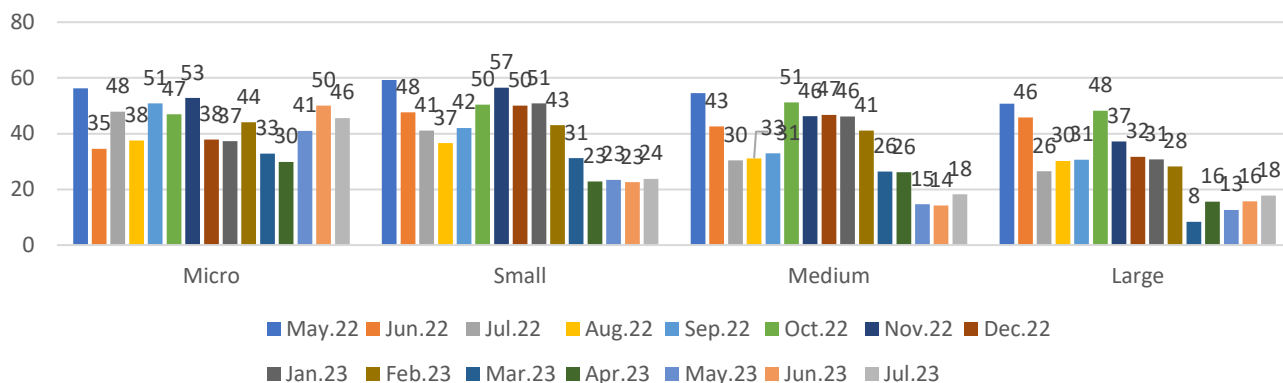
The level of uncertainty regarding the business activity at the enterprise and its dynamics depend on the size of the enterprise. The index value is the highest and has significantly increased for micro-enterprises (from 32% to 40%). At the same time, the increase in the uncertainty for small (from 19% to 21%) and medium companies (from 13% to 19%) is not so significant. Large enterprises are the only ones where a decrease in the indicator was recorded (from 15% to 12%).

Fig.10. The share of respondents unable to answer the question about the change in the business activity in six months



Uncertainty about the overall economic environment, as in the case of business activity, **depends on the size of the enterprise**. The indicator of uncertainty of micro-enterprises, while remaining the highest, decreased from 50% to 46%. And the indicator of uncertainty for small enterprises has remained unchanged for the third month in a row and is 24%. At the same time, the indicator of medium-sized enterprises increased slightly (from 14% to 18%). But for large enterprises, it increased (from 16% to 18%).

Fig.11. The share of respondents unable to answer the question regarding the change in the overall economic environment in the six months



Three-month expectations

For the second month in a row, there is a slight increase in the level of uncertainty for almost all production indicators. Uncertainty is the highest for accounts receivable, despite a slight decrease in the indicator from 14.6% to 14.0%. And also, the percentage decreased from 15.0% to 13.7% for the number of workers on forced leave. At the same time, the uncertainty index for production (from 8.2% to 9.3%), sales (from 8.2% to 9.5%), and new orders (from 9.2% to 10.2%) increased. The level of uncertainty in the three months for exports remains the lowest, although the indicator has increased most significantly, from 5.5% to 7.7%.

Fig.12. The share of enterprises unable to forecast the change of the indicator in three months, % of respondents

	May.22	Jun.22	Jul.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
Accounts receivable	27.8	15.8	11.4	16.6	14.4	25.9	37.5	35	23.7	24.4	17.4	16.4	13.1	14.6	14
Workers on forced leave	21.1	9.8	10	13.7	11.1	17.7	14	15.6	15	17.2	15.3	15.9	13.1	15	13.7
Accounts payable	26.6	15	11.4	16.2	14.2	25.9	36.9	35.4	23.2	23.9	16.7	16.3	13.7	13.8	13.5
Tax arrears	0	13.6	12.7	14.5	12.5	24.6	35.7	33	22.9	21.8	15.2	15.2	12.3	12.3	12.6
Number of workers	14.7	7.6	10.7	15.6	12.9	17.5	15.4	14.3	14	13.4	12.8	14.1	10.3	12.3	10.4
New orders	19.3	9.3	11.1	15.3	14	17.3	14.8	13.6	12.2	11.6	10	10	8	9.2	10.2
Stocks of finished goods	25.7	11.4	10.2	13.5	12.7	23.1	13.8	13.6	13.4	11.3	10	10.4	8	9.2	9.7
Sales	17.4	9.3	9.4	15.1	12.1	17.3	14.2	13.6	11.3	11.5	10.2	9.3	7.1	8.2	9.5
Production	16.5	10.1	8.2	14.3	11.7	17.1	14.6	13.6	12.2	11.5	10	8.6	7.1	8.2	9.3
Stocks of raw materials	21.4	10.6	10.9	14.1	12.7	16	14.4	13.6	12.4	11.6	10.5	9.8	8.3	9.4	8.6
Export	19.4	13.9	6.2	13.9	12.9	15.2	11.8	13.6	8.4	7.8	6.9	7	4.3	5.5	7.7

Created with Datawrapper

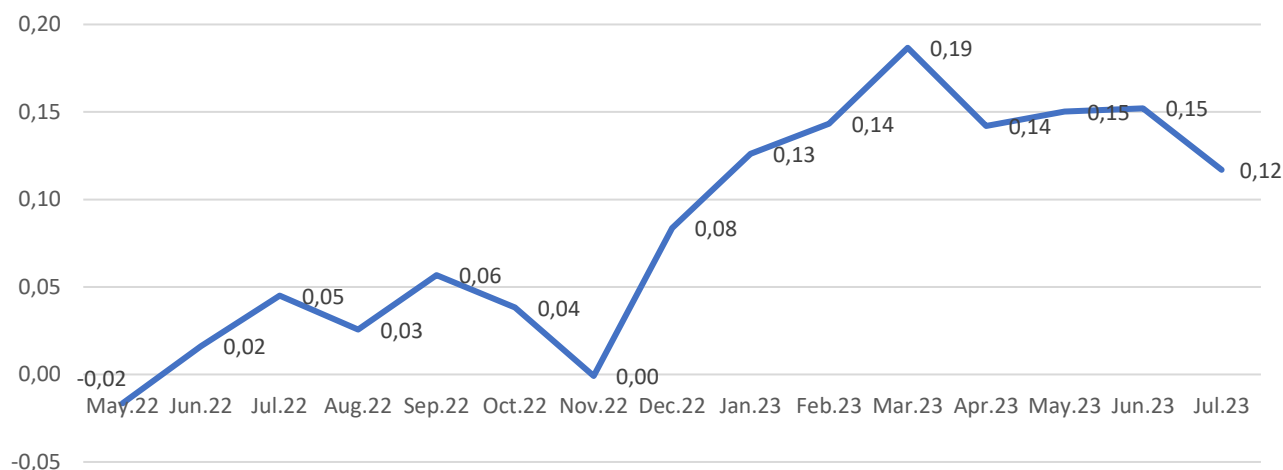
ENTERPRISE PERFORMANCE INDICATORS AND SHORT-TERM EXPECTATIONS

INDUSTRIAL CONFIDENCE INDICATOR¹

The value of the Industrial Confidence Indicator (ICI) in July compared to June 2023 slightly decreased and is 0.12 (two months in a row, it was 0.15).

Changes in the value of two of its three components are observed in ICI: (1) *production expectations* in the next 3-4 months have not changed significantly, and the indicator is 0.43 (it was 0.44), at the same time (2) estimates of the *new order portfolio* significantly worsened, decreasing to -0.24 (two months in a row the value was -0.17). *Assessment of stocks of finished goods* also decreased (3) — from -0.15 to -0.19.

Fig.13. Industrial confidence indicator, index



PRODUCTION

Changes compared to the previous month

In July, compared to June, indicators of production results worsened. The PRODUCTION INDEX decreased to 0.13 (two months in a row, the value was 0.20). The share of enterprises that reduced production increased from 14.3% to 16.0%, and the share of enterprises that increased production decreased from 30.7% to 27.1%. The share of those industries where there were no changes did not change significantly and is 56.8% (it was 55.1%).

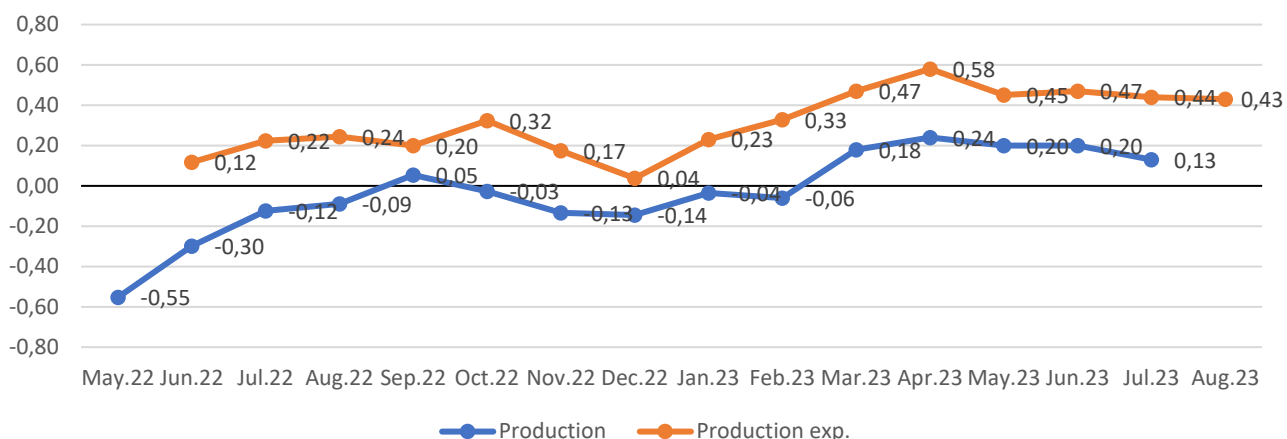
Size. Among enterprises of different sizes, the best results were shown by large and medium-sized enterprises, whose indicator is the same at 0.14. The indicator of small enterprises is somewhat lower (0.12). The micro-enterprises have the worst indicators; their index is negative -0.09.

Region. Regional differences are significant (the largest value is 1.00, and the smallest is -0.33). The best results were obtained by enterprises of Poltava (1.00), Ternopil (0.47), and Odesa (0.44) regions and the city of Kyiv (0.43). The lowest index values were recorded for enterprises in Kharkiv (-0.25), Volyn (-0.26), and Cherkasy (-0.330) regions.

Sector. Index values vary among sectors and industries. The best situation is in the construction materials production (0.29), chemical (0.17), and food (0.14) industries. The metalworking (-0.09) and woodworking (-0.10) industries have the lowest negative index.

¹ The **industrial confidence indicator** is calculated as the arithmetic mean of the indices of expected changes in production, estimates of the volume of new orders, and estimates of stocks of finished products (the latter with a minus sign).

Fig.14. Production indices



Expected changes in production

The indicator of production plans has remained without significant changes for several months in a row. The INDEX OF EXPECTED CHANGES IN PRODUCTION stands at 0.43 (0.44). It means that there are no significant shifts in the percentage distribution. The share of enterprises at which production growth is planned is 44.2% (it was 44.8%), and the share of those who do not expect changes is 51.8% (it was 52.0%). The share of enterprises that plan to reduce production volumes also remained unchanged and amounts to 4.0% (it was 3.2% in June).

Size. Production expectations depend on the size of the enterprises. The highest indicator of expectations is for medium enterprises (0.47). The indicator of large and small enterprises is the same and is 0.41. The worst and significantly lower indicator of expectations regarding production volumes is for micro-enterprises (0.002).

Region. Enterprise plans depend significantly on the region of location. Poltava, Ternopil, and Ivano-Frankivsk regions (1.00 for each), and Lviv (0.93) and Odesa (0.89) regions have the most optimistic plans for production growth. The indicator of expectations of Zakarpattya, Dnipropetrovsk, and Zhytomyr regions is the lowest and is equal to zero.

Sector. Production expectations for three months depend on the industry. Food (0.57), printing (0.40), and light (0.30) industries have the highest indicators of expectations. Construction materials production has the lowest indicator, which is equal to zero.

SALES

Changes compared to the previous month

In July, the sales REDUCTION rate accelerated. The SALES INDEX decreased from 0.18 to 0.12. In percentage distribution, the share of enterprises that reduced sales increased from 14.7% to 16.6%, and the share of enterprises that increased sales decreased from 29.5% to 27.1%. The share of enterprises in which there were no changes did not change significantly in July and amounted to 56.3% (it was 55.8%).

Size. The INDEX of medium enterprises (0.15) is the highest. The indicator of small (0.11) and large (0.10) companies is approximately the same. Micro-enterprises have the lowest and only negative value of the index - -0.09.

Region. The highest value of the SALES INDEX was recorded for Poltava (1.00), Ternopil (0.47), Odesa regions (0.44), and Kyiv city (0.43). The indicators of Cherkasy (-0.33), Kharkiv, and Volyn regions (-0.26 each) have the lowest values.

Sector. The construction materials production (0.26) and the food industry (0.15) have the highest SALES INDEX. The chemical (-0.04) and woodworking (-0.05), and metalworking (-0.09) industries have the lowest and negative indicators.

Expected changes in sales

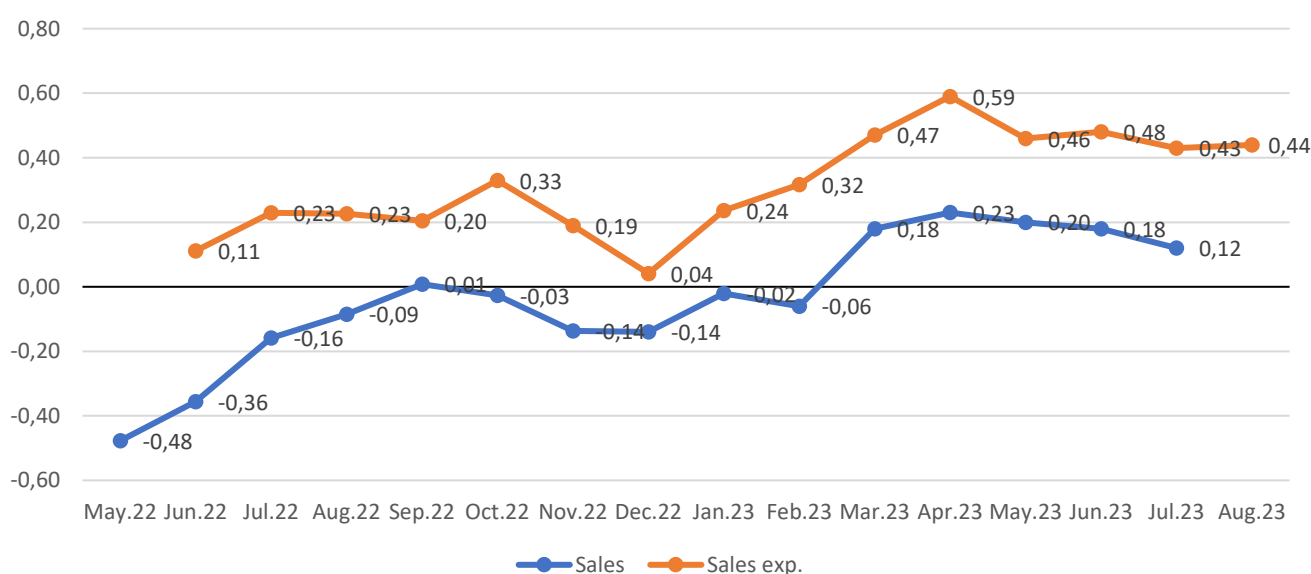
The expectations regarding sales volumes have not changed significantly. The INDEX OF EXPECTED CHANGES IN SALES is 0.44 (it was 0.43). The share of respondents who plan to increase sales volumes in the next three months has hardly changed and amounts to 45.4% (it was 45.1%), and the share of those who expect them to decrease is 3.8% (it was 4,7%). The percentage of respondents who believe nothing will change has increased from 45.1% to 50.8%.

Size. Expectation rates for medium (0.47), large (0.44), and small (0.43) enterprises are higher and about the same. The indicator of micro-enterprises is the lowest and is 0.05.

Region. The best expectations were recorded in Poltava, Ternopil, and Ivano-Frankivsk regions (1.00 for each) and in Lviv (0.93), Odesa (0.89), and Rivne (0.84) regions. The indicator of expectations for Zakarpattia, Dnipropetrovsk, and Zhytomyr regions is the lowest and is equal to zero.

Sector. Food (0.58), printing (0.40), and woodworking (0.35) industries have the highest sales expectations. The metalworking has the lowest indicator of expectations; it is equal to zero.

Fig.15. Sales indices



EXPORT

Changes compared to the previous month

In July, compared to May, the export indicators decreased significantly, and the value became negative for the first time in several months. The value of the EXPORT INDEX decreased from 0.06 to -0.01, which means that the share of those who reduced exports prevailed over those who increased them in the percentage distribution. The share of respondents whose exports decreased in July is 23.2 % (it was 22.0%). The share of enterprises that increased exports decreased from 24.0% to 20.5%. The share of enterprises whose export volumes did not change increased from 54.0% to 56.3%.

Size. Medium enterprises have the highest and only positive EXPORT INDEX value (0.06). The indicator of large enterprises is -0.03, and of small enterprises (-0.16). The lowest value is for micro-enterprises (-0.27).

Region. Poltava (1.00), Ternopil (0.67) and Ivano-Frankivsk (0.57) regions have the highest indicators. Sumy 9-0.75), Kirovohrad (-0.43), and Cherkasy (-0.40) regions have the lowest index value.

Sector. The EXPORT INDEX is the highest for the printing (0.25) and food (0.04) industries. The machine building (-0.23) and woodworking (-0.27) industries have the lowest values.

Expected changes in export

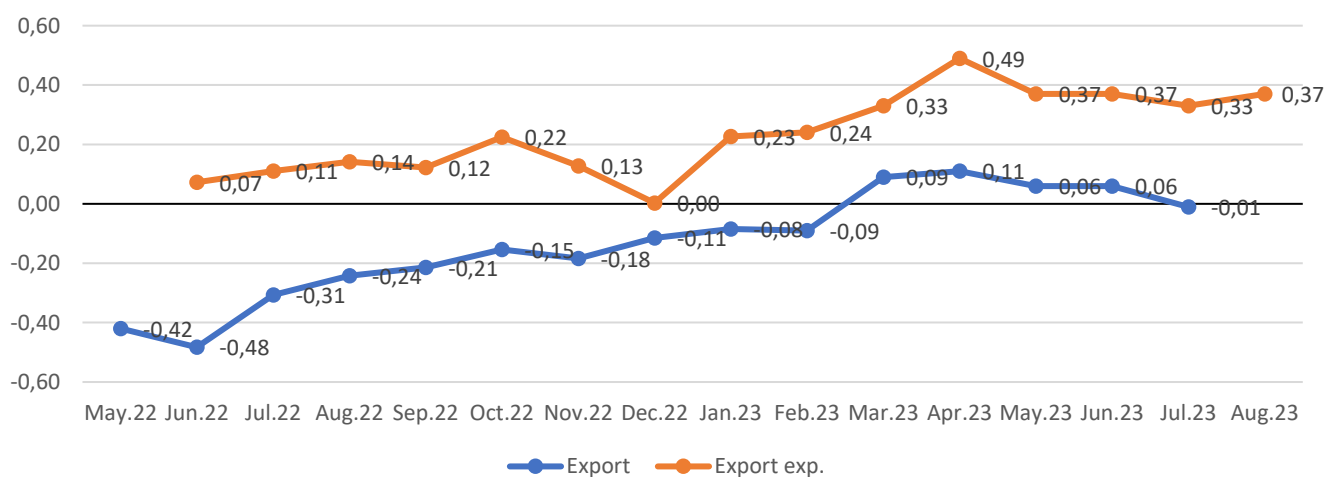
A slight improvement in the indicator is expected for the next three months. The INDEX OF THE EXPECTED CHANGES IN EXPORT increased from 0.33 to 0.37. The share of those who plan to increase exports almost did not change and is 37.4% (it was 37.0%), while the share of those who plan to reduce export volumes decreased from 8.5% to 4.7%. The share of those who do not expect any changes increased from 54.5% to 57.9%.

Size. Large (0.420) and medium (0.41) enterprises have the highest export expectations index. Small enterprises have an indicator of 0.12. The lowest and only negative expectation index is for micro-enterprises; their value is zero.

Region. The enterprises of Poltava, Lviv, Ternopil, and Ivano-Frankivsk regions (1.00 for each) have the highest value of the INDEX OF THE EXPECTED CHANGES IN EXPORT. The worst are the expectations of business representatives of the Sumy and Khmelnytsky regions (-1.00 for each) and Kyiv city (-0.23).

Sector. Food (0.41) and woodworking (0.33) industries have the highest value of the index of expected changes in exports. Machine building has the lowest value; its indicator is zero.

Fig.16. Export indices



STOCKS OF RAW MATERIALS

Changes compared to the previous month

The reduction rate of raw material stocks has remained unchanged for several months in a row. The value of the INDEX OF RAW MATERIALS STOCKS was 0.04 in July (in June, it was 0.06). The share of respondents who reported an increase in raw material stocks over the past month increased slightly, from 19.4% to 20.0%. At the same time, the share of respondents who pointed to its reduction slightly increased, from 15.7% to 17.5%. The share of entrepreneurs for whom nothing has changed compared to last month decreased from 64.9% to 62.5%.

Size. The INDEX OF RAW MATERIALS STOCKS is higher for large enterprises (0.09). The indicator of medium (0.03) and small (0.01) enterprises is approximately the same. The indicator of micro-enterprises with a negative value is the lowest (-0.12).

Region. Poltava (1.00), Ternopil (0.58) and Ivano-Frankivsk (0.53) regions have the highest indicators. The indicators of Kyiv (-0.67), Cherkasy (-0.33), and Kharkiv (-0.31) regions are the lowest.

Sector. Food (0.12) and light (0.05) industry, as well as construction materials production (0.03), have a positive value. The indicators of the woodworking (-0.29) industry and machine building (-0.26) are the lowest.

Expected changes in raw material stocks

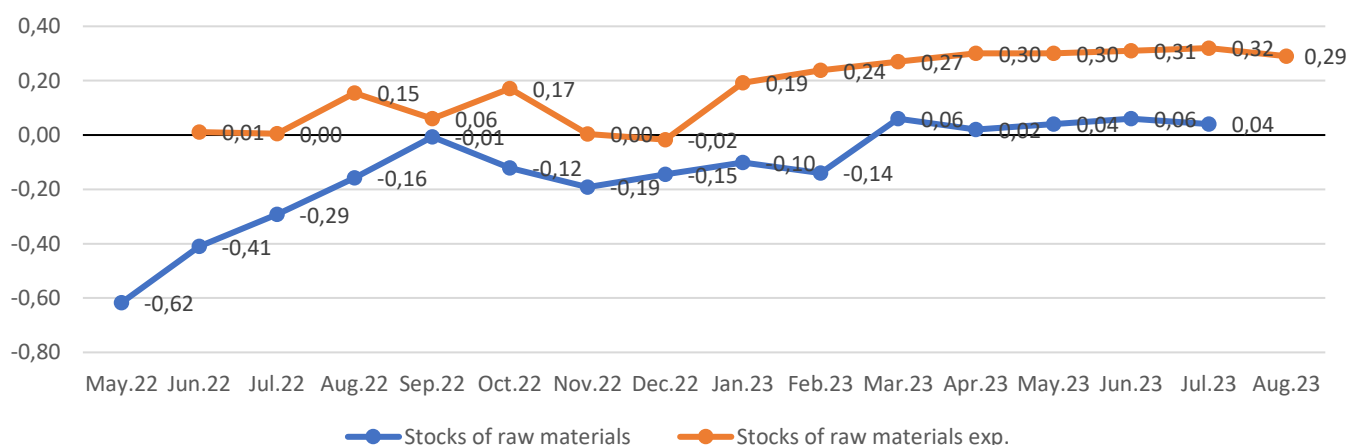
For the next three months, entrepreneurs also do not expect significant changes in the indicator: THE INDEX OF EXPECTED CHANGES IN RAW MATERIALS STOCKS is 0.29 (it was 0.32). The number of respondents who expect the accumulation of raw material stocks decreased slightly, from 36.6% to 34.9%, and the share of those who believe that raw material stocks will decrease slightly increased, from 7.2% to 8.7%. The share of those who believe that the situation will not change is 56.4% (it was 56.2%).

Size. The INDEX OF EXPECTED CHANGES IN RAW MATERIALS STOCKS is higher for medium (0.33), large (0.29), and small (0.25) enterprises. Microenterprises have the lowest value of the indicator (-0.12).

Region. Ternopil and Ivano-Frankivsk regions (1.00 for each) have the highest INDEX OF EXPECTED CHANGES IN RAW MATERIALS STOCKS. Kyiv city (-0.81), as well as Chernihiv (-0.23) and Kharkiv (-0.16) regions, have the lowest value of the index.

Sector. Food (0.45) and light (0.23) industries have the highest indicator of expectations regarding changes in raw material stocks. The machine building (-0.23) and woodworking (-0.17) industries have the lowest and negative value of the index.

Fig.17. Stocks of raw material indices



STOCKS OF FINISHED GOODS

Changes compared to the previous month

The index of stocks of finished goods increased. The value of the corresponding index in July is -0.27 (it was -0.34). In the percentage distribution, the share of respondents who reported a reduction in stocks of finished goods decreased significantly, from 40.2% to 33.6%, and the share of respondents whose stocks increased did not change significantly and amounted to 5.6% (it was 4.2%). The share of respondents who did not feel any changes increased from 55.6% to 60.8%.

Size. The value of the index, depending on the size of the enterprise, is approximately in the same range. The indicator of large enterprises (-0.25) is somewhat higher. The index of medium (-0.28) and small (-0.29) companies is approximately the same. Micro-enterprises (-0.32) have the lowest value of the index.

Region. The value of the index depends on the region. For enterprises of the Sumy region, the value of the index is 0.15, and the indicator of the Chernihiv and Poltava regions is zero. The indicators of all other regions have a negative value, but the indices of Ternopil (-0.95), Ivano-Frankivsk (-0.76), and Lviv (-0.75) regions are the lowest.

Sector. The chemical industry indicator (0.05) is the highest and has the only positive value. The indicators of the printing (-0.83), food (-0.42), and woodworking (-0.41) industries have the lowest values.

Expected changes in stocks of finished goods

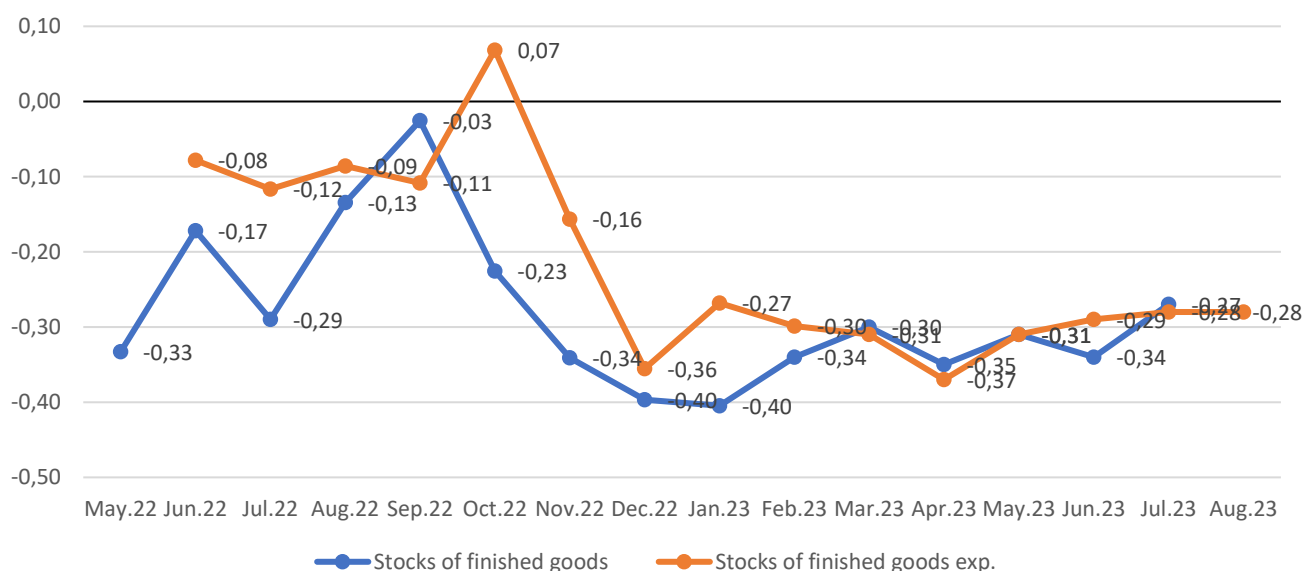
In the future, entrepreneurs do not expect significant changes in the indicator. THE INDEX OF EXPECTED CHANGES IN FINISHED GOODS STOCKS IS -0.28 for the second month in a row. The share of respondents who believe that the stocks of finished goods will decrease in the next three months increased slightly (from 32.0% to 33.5%), while the share of those who expect them to increase slightly decreased from 3.2% to 2.9%. The percentage of those who believe that nothing will change decreased from 64.9% to 63.6%.

Size. The value of the indicator depends on the size of the enterprise. Large enterprises (-0.15) have the highest index value. The indicator of medium (-0.30) and micro-enterprises (-0.26) is approximately the same. The small enterprises (-0.47) have the lowest value of the index.

Region. Cherkasy (0.10), Kirovohrad (0.08), and Zaporizhya (0.04) regions have the highest indicator of expectations. The indicator of expectations is the lowest for Ivano-Frankivsk (-1.00), Lviv (-0.96), and Ternopil (-0.95) regions.

Sector. The index value is the highest for the chemical industry (-0.14) and metalworking (-0.15). The indicators of the printing (-0.44) and light (-0.46) industries are the lowest.

Fig.18. Stocks of finished goods indices



NEW ORDERS

Changes compared to the previous month

The growth dynamics of new orders did not change significantly. The NEW ORDER INDEX decreased slightly in July compared to June. There were no drastic changes in the percentage distribution. The share of respondents whose number of new orders increased is 25.8% (it was 26.1%), and the share of those who reported a decrease in their number almost did not change and is 15.4% (it was 14.1%). The share of those who did not experience changes is 58.9% (it was 59.8%).

Size. The value of the index is the same for small and medium-sized enterprises and amounts to 0.14. The indicator of large enterprises is 0.09, and the indicator of micro-enterprises is the lowest and only negative: -0.07.

Region. The new orders grew the most in Poltava (1.00), Ternopil (0.63), and Ivano-Frankivsk (0.53) regions, while in Zhytomyr (-0.55), Cherkasy (-0.23), and Kharkiv (-0.20) regions there was the largest drop in new orders.

Sector. The situation with new orders was the best in the previous month for the construction materials production (0.33), food (0.14) industry, and machine building (0.13). The metalworking (-0.13) and woodworking (-0.05) industries have the lowest indicators.

Expected changes in new orders

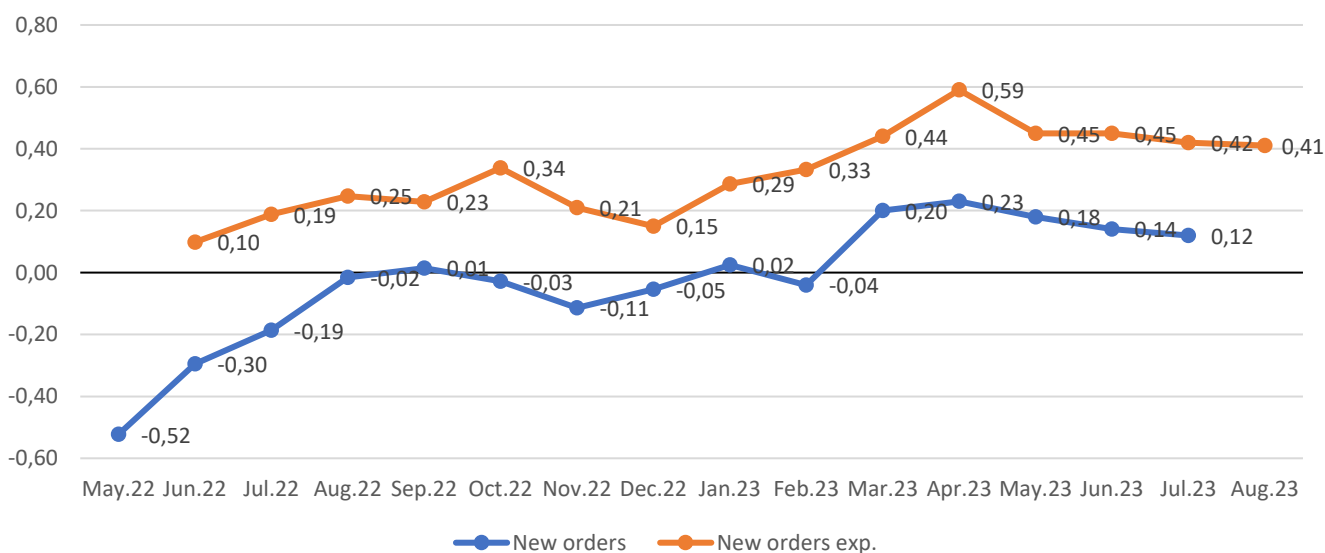
In the next three months, entrepreneurs do not expect significant changes in the indicator. The value of the index of expected changes in new orders is 0.41 (it was 0.42). The share of respondents who expect an increase in new orders slightly decreased, from 43.5% to 42.7%. At the same time, the share of those who do not expect any changes in the next three months increased from 52.6% to 53.3%. The share of respondents expecting a reduction in the volume of new orders also increased slightly, from 3.9% to 4.1%.

Size. The indicator of expectations is approximately the same for large (0.44) and small (0.45) enterprises. The indicator of medium-sized enterprises is 0.39. The indicator of expectations of micro-enterprises is the lowest and amounts to zero.

Region. Index values have significant regional differences. In Poltava, Ternopil, and Ivano-Frankivsk (1.00 for each) regions, the business expects an increase in new orders to a greater extent than in others. However, the indicators of Zhytomyr (-0.05) and Dnipropetrovsk (-0.10) regions are the lowest and the only ones with a negative value.

Sector. Food (0.52), printing, and light (0.40 each) industries have the best expectations for new orders. The index of metalworking (0.09) is the lowest.

Fig.19. New orders indices

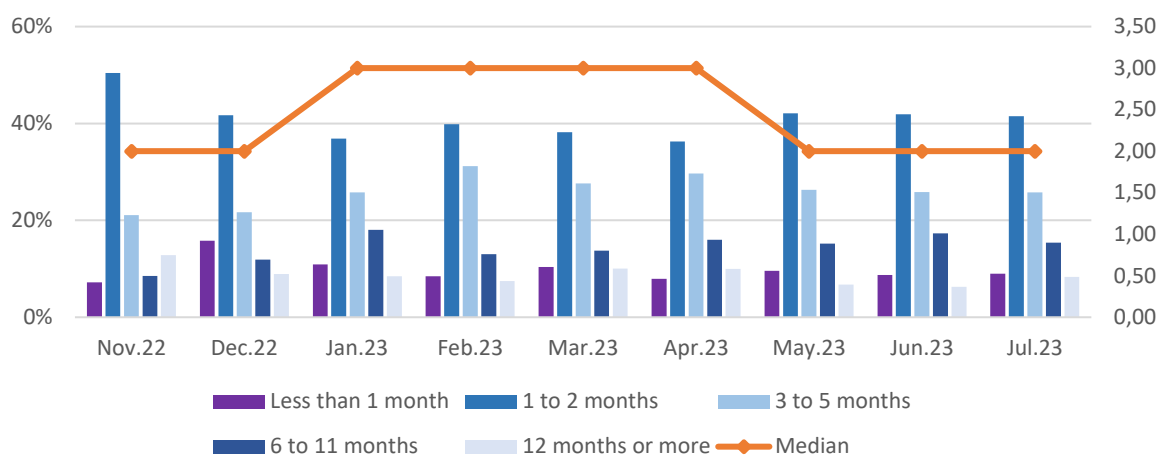


Availability of orders

In July 2023, the average term of new order availability for surveyed enterprises remained at the previous level of 2 months, which was in May and June 2023. Before that, in January-April 2023, this term was longer; it was three months.

In July, 51% of enterprises reported that they have orders for up to 2 months. This share has not changed compared to June. These are, in particular, enterprises with orders for less than one month (9%) and those with orders for 1-2 months (42%).

Fig.20. Period for which enterprises are provided with orders (% of respondents)



Size. Availability of orders increases with the increase in the size of enterprises. Thus, on average, micro-enterprises are provided with new orders for only one month (median value), while small businesses - for two, medium - for three, and large - for four months.

More than 60% of small and more than 70% of micro-enterprises have orders for up to two months only. At the same time, 31% of medium-sized enterprises and 37% of large enterprises have orders for six months or more.

Sector. In July 2023, the longest average term of new orders was recorded in the chemical industry: an average of three months (median). In machine building and printing, this period was three months.

All other industries represented in this survey had two months of orders in July. It is also worth noting that more than 60% of enterprises in construction materials production and the food industry have orders with a term of only up to two months. These shares are larger than among other sectors.

Region. There are significant differences in order availability among enterprises in different regions². The average term of securing orders is the longest for enterprises in the Kyiv region, where, on average, it was 12 months (median value).

Also, these terms are relatively long for enterprises of the Volyn (6 months), Poltava (6 months), and Vinnytsia (5 months) regions. On the other hand, the smallest average period of orders - only one month - was recorded in Dnipropetrovsk, Zhytomyr, Kharkiv, Khmelnytsky, Chernivtsi, and Chernihiv regions.

ACCOUNT RECEIVABLES

Changes compared to the previous month

The indicator of receivables has deteriorated significantly. The value of the ACCOUNT RECEIVABLES INDEX increased from -0.27 to -0.18. The share of those who reported reducing debt decreased from 37.0% to 33.5%, while the share of those who accumulated debt increased from 9.8% to 13.7%. The share of those for whom nothing has changed has not changed significantly and is 52.8% (it was 53.2%).

Size. The situation with account receivables is about the same and much better for small (-0.29) and medium (-0.25) enterprises. The indicator of microenterprises is -0.14. The indicator of large enterprises is the highest and is -0.03.

Region. Significant regional differences in the values of this indicator were recorded. The largest increase in account receivables was recorded in the city of Kyiv (0.52), Zaporizhzhya (0.40), and Vinnytsya (0.27) regions. At

² Regions in which no enterprises were surveyed are not included in the comparison. For more details, see the "Sample" section.

the same time, in Lviv (-0.96), Ternopil, and Ivano-Frankivsk regions (-1.00 each), the account receivables indicator decreased the most.

Sector. Machine building (0.14) and construction materials production (0.03) have the highest and positive value. The food (-0.29) and chemical (-0.27) industries have the lowest indicators.

Expected changes in account receivables

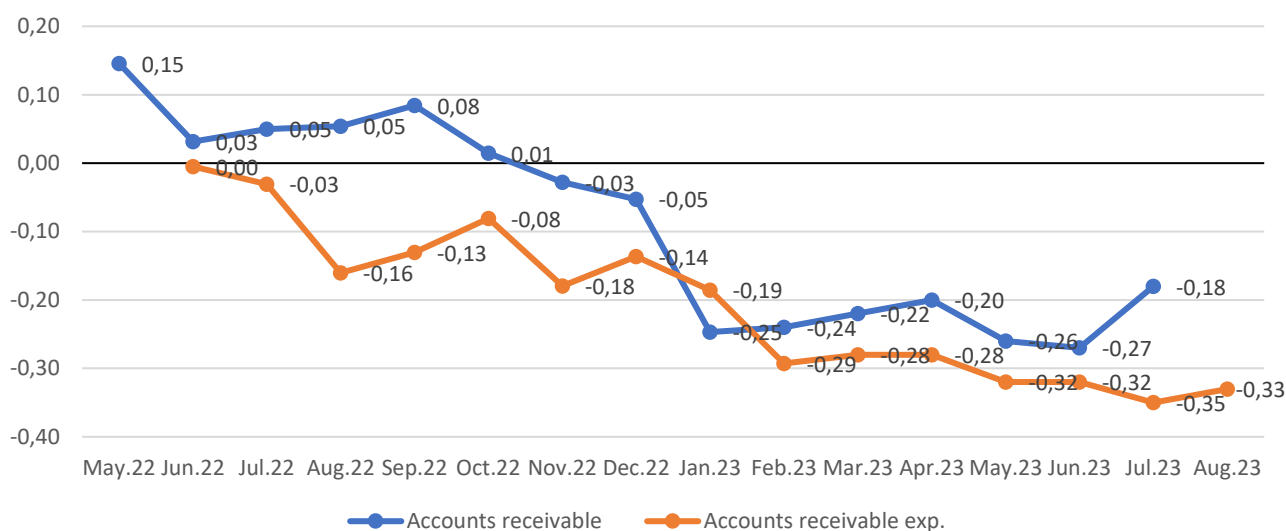
In three months, entrepreneurs expect a further slight deterioration of the indicator. The index of expected changes in accounts receivable increased slightly, from -0.35 to -0.33. The share of respondents who expect the accumulation of debt decreased from 4.2% to 2.8%, but the share of those who expect it to decrease also decreased, from 40.5% to 36.6%. The share of those who believe that nothing will change has increased from 55.3% to 60.6%.

Size. Small (-0.39) and medium (-0.38) enterprises have lower and approximately the same value of the indicator. The indicator of microenterprises is -0.30. Large enterprises (-0.22) have the highest value.

Region. Vinnytsia region (0.38), Kyiv city (0.20), and Kirovohrad (0.03) region have the largest, and positive values are the indicators; their indicators are higher than zero. The indicators of the Sumy, Lviv, and Ternopil regions are the lowest (-1.00 for each).

Sector. Machine building (-0.09) has the highest indicator of expectations for an increase in receivables, and the food industry (-0.39) has the lowest indicator.

Fig.21. Account receivables indices



ACCOUNT PAYABLES

Changes compared to the previous month

In July, compared to June, the indicator of payables also worsened. The account payables index increased from -0.30 to -0.23. The share of respondents who reported an increase in debt increased (from 5.6% to 7.8%), while the share of those for whom account payables decreased shortened from 36.4% to 33.3%. The share of those for whom nothing has changed over the past month has not changed significantly and is 58.9% (it was 58.0%).

Size. The indicator of small enterprises (-0.36) is the lowest and significantly better. The indicator of medium-sized enterprises is -0.30, and the value of small enterprises (-0.20) is higher. The indicator of large enterprises (-0.06) is the worst.

Region. Significant regional differences were recorded. The situation with the accumulation of account payables is the worst in Zaporizhzhya (0.23), Kirovohrad (0.14), and Zakarpattya (0.13) regions. The best situation is in the Sumy, Ivano-Frankivsk, and Ternopil regions (-1.00 for each).

Sector. The highest is the indicator for the construction materials production, whose value is equal to zero. The food (-0.37) and printing (-0.30) industries have the lowest value.

Expected changes in account payables

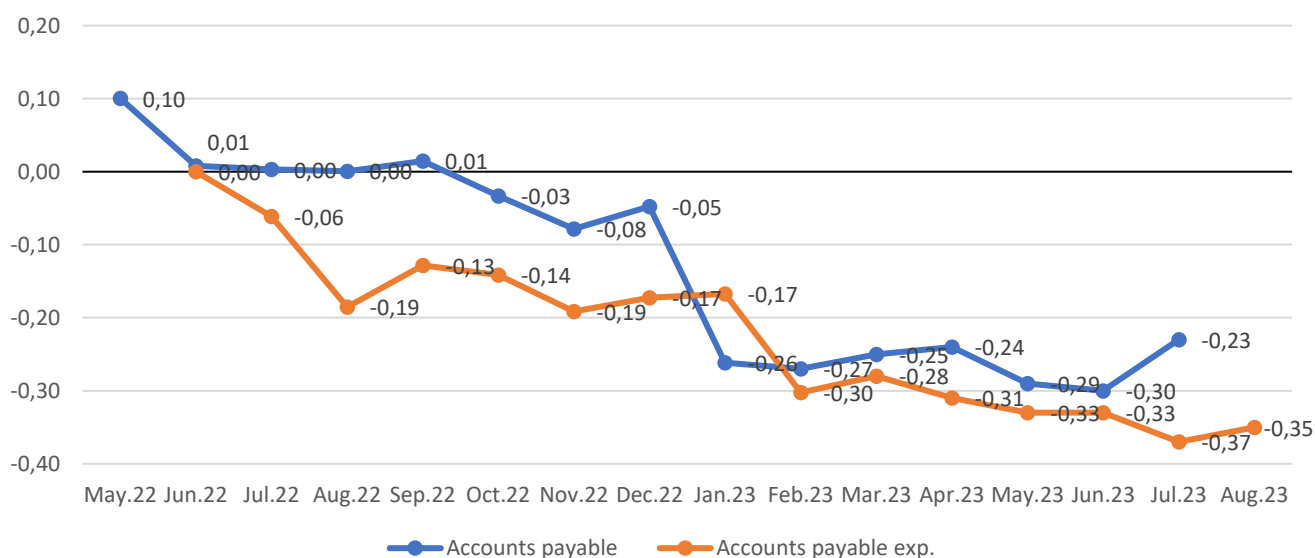
For the next three months, entrepreneurs expect a further slight debt accumulation. The index of the expected changes in account payables slightly increased, from -0.37 to -0.35. The share of those who expect the accounts payable to decrease (from 39.7% to 36.2%) and the share of those who expect it to accumulate (from 2.3% to 0.7%) also decreased. The share of respondents who believe nothing will change increased from 57.9% to 63.1%.

Size. The indicator of expected payables for large (-0.25) and micro-enterprises (-0.21) is worse. The indicator of medium (-0.41) and small (-0.40) enterprises is lower and significantly better.

Region. The indicator of expectations for payables is positive and higher than zero for the Vinnytsya region (0.25). Lviv, Sumy, and Ternopil regions (-1.00 for each) have the lowest indicators.

Sector. The highest are machine building indicators (0.17). Food (-0.42) and chemical (-0.33) industries have the lowest values.

Fig.22. Account payables indices



TAX ARREARS

Changes compared to the previous month

The tax arrears reduction rate has slowed considerably. The TAX ARREARS INDEX in July compared to June decreased from -0.32 to -0.28. The share of enterprises that reported a reduction in tax arrears over the past month decreased from 34.3% to 30.8%, while the share of respondents who indicated an increase in tax arrears did not change significantly and is 1.3% (it was 1.1%). The share of those who believe no changes have taken place has increased from 64.6% to 67.9%.

Size. Indicators of tax arrears are higher for large (-0.16) enterprises. The indicator for medium-sized (-0.29) and micro-enterprises (-0.32) is approximately the same. The lowest value is for small enterprises (-0.41).

Region. There are significant differences in the value of this indicator by region. The Cherkasy region (0.03) has the highest positive value of the indicator. The indicators of Sumy, Ivano-Frankivsk, and Ternopil regions are the lowest (-1.00 for each).

Sector. Metalworking has the highest value of tax arrears indicator - -0.06. The values of the printing (-0.37) and food (-0.39) industries are the lowest.

Expected changes in tax arrears

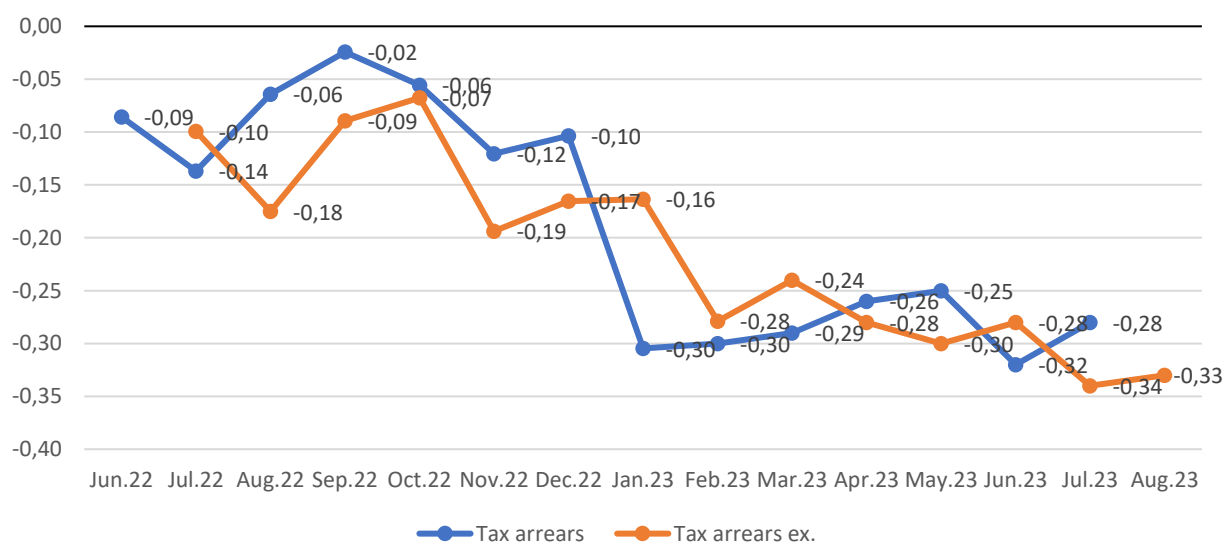
For the next three months, entrepreneurs do not expect significant changes in the indicator. THE INDEX OF THE EXPECTED CHANGES IN TAX ARREARS IS -0.33 (it was -0.34). The share of those who predict a reduction in tax arrears (from 37.0% to 34.7%) and the share of those who expect it to increase (from 1.7% to 0.3%) also decreased. The share of those who do not expect changes increased from 61.3% to 65.1%.

Size. Indicators of expectations regarding tax arrears are worse for large (-0.21) and micro-enterprises (-0.26). The indicator of medium-sized enterprises is -0.38. The indicator of small enterprises (-0.44) is the lowest and better than others.

Region. The indicator of expectations of the Kirovohrad region (0.03) is the highest and positive. The indicator of Lviv, Sumy, and Ternopil regions is the lowest (-1.00 for each).

Sector. The metalworking has the highest indicator of tax arrears expectations: -0.06. The lowest are the indicators for the printing (-0.37) and food (-0.41) industries.

Fig.23. Tax arrears indices



NUMBER OF WORKERS

Changes compared to the previous month

The employment reduction rate has slowed down. THE NUMBER OF WORKERS INDEX in July compared to June increased from -0.07 to -0.05. The share of respondents reporting a reduction in the number of workers involved in all enterprise operations decreased from 10.1% to 8.4%, while the share of those who indicated an increase in them changed only slightly, increasing from 2.4% to 2.6%. The share of those for whom nothing has changed increased from 86.7% to 89.0%.

Size. The indicator is the highest for medium-sized enterprises and is -0.01. The indicator of small (-0.07) and large (-0.05) enterprises is approximately the same. For micro-enterprises, the value is the lowest and is -0.21.

Region. The indicators of Sumy (0.05) and Zakarpattya (0.03) regions are higher than zero. Kharkiv (-0.44), Zhytomyr (-0.18), and Chernivtsi (-0.17) regions have the lowest values.

Sector. The indicators of the metalworking and printing industry are equal to zero and are the highest. The indicators of machine building (-0.16) and construction materials production (-0.16) are the lowest.

Expected changes in the number of workers

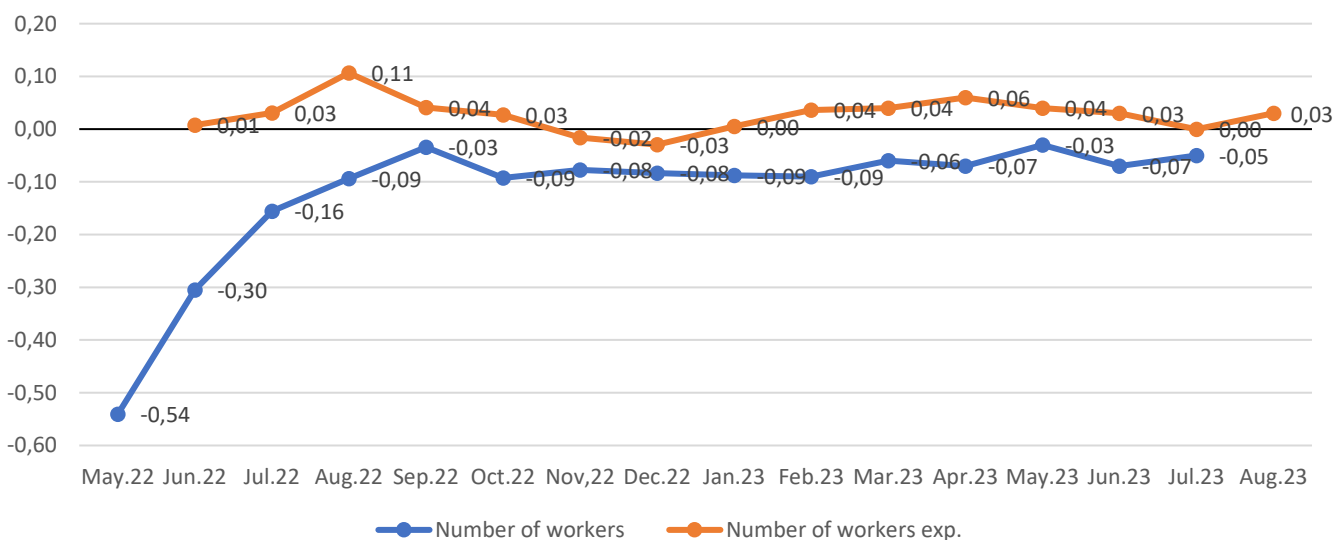
In the next three months, entrepreneurs expect a further slight increase in the number of workers: the INDEX OF THE EXPECTED CHANGES IN THE NUMBER OF WORKERS increased from zero to 0.03. In percentage distribution, the share of respondents who believe that the number of workers at the enterprise will increase grew (from 4.9% in June to 6.6%). At the same time, the share of those who expect a reduction in the number of workers decreased from 5.6% to 4.3%. The share of those who believe nothing will change is 89.1% (it was 89.5%).

Size. The indicator of medium (0.05) and large (0.06) enterprises is higher and positive. Expectations for small (-0.03) and micro-enterprises (-0.05) are significantly better.

Region. The value of the index of expected changes in the number of workers significantly depends on the region of the enterprise's location. The highest indicator of expectations was recorded for Kyiv (0.31), Odesa (0.19), and Volyn (0.13) regions which are the highest. Khmelnytsky (-0.27) and Dnipropetrovsk (-0.15) regions and Kyiv city (-0.14) have the lowest and negative values of the indicator.

Sector. The light (0.03) and food (0.02) industries have the highest expectations index. Construction materials production (-0.14) and machine building (-0.17) have the lowest and negative indicators.

Fig.24. Number of workers indices



WORKERS ON FORCED LEAVE

Changes compared to the previous month

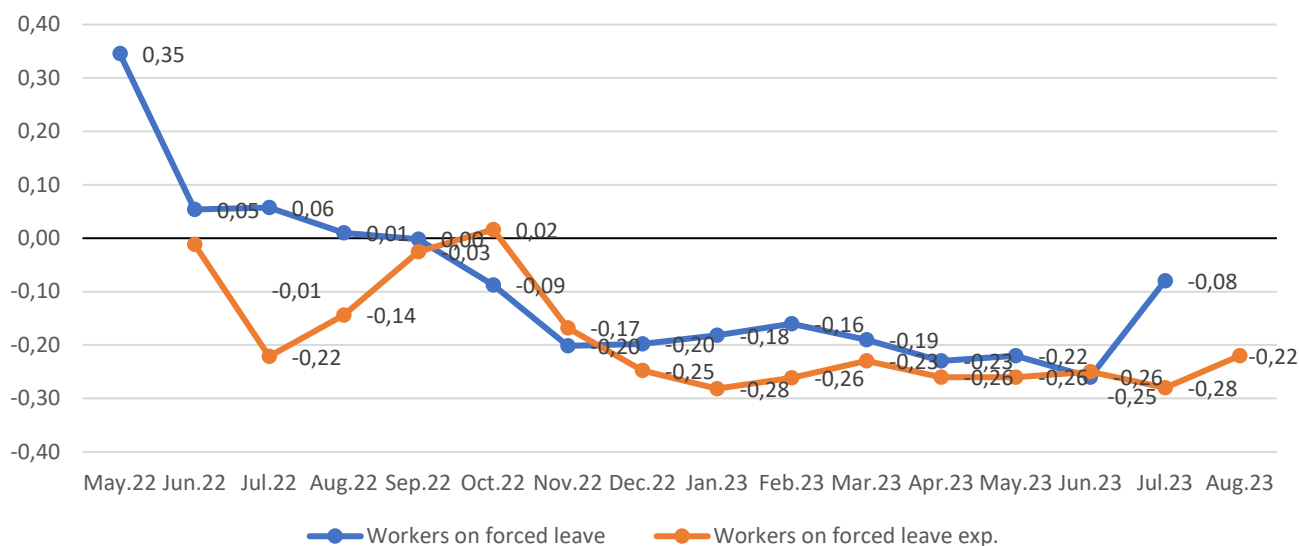
There is a significant increase in the number of workers on forced leave. The NUMBER OF WORKERS ON FORCED LEAVE INDEX increased from -0.26 to -0.08 in July compared to June. The share of respondents who reported an increase in such workers tripled from 3.2% to 9.9%. At the same time, the share of those who indicated their reduction decreased significantly, from 28.9% to 18.5%. The share of those for whom the situation has not changed over the past month has increased from 68.0% to 71.6%.

Size. The indicator of large (-0.04) and medium-sized companies (-0.08) is higher and about the same, while the indicators of small (-0.12) and micro enterprises (-0.11) are slightly lower.

Region. Among the various regions, the growth of the indicator is observed to the greatest extent for enterprises in the Rivne (0.48) and Odesa (0.26) regions, and the decrease in the number of workers on forced leave is most often reported in Ivano-Frankivsk, Lviv, and Ternopil (-1.00 for each) regions.

Sector. The woodworking (0.07), metalworking (0.06), and machine building (0.04) industries have the worst indicators of the number of workers on forced leave. The indicators of printing (-0.33), food and chemical industries (-0.11 for each) are the lowest.

Fig.25. Number of workers on forced leave indices



Expected change in the number of workers on forced leave

Enterprises having workers on forced leave expect a further increase in their number in the next three months.

THE INDEX OF EXPECTED CHANGES IN THE NUMBER OF WORKERS ON FORCED LEAVE increased from -0.28 to -0.22. The share of enterprises at which the number of workers on forced leave is expected to increase grew from 0.5% to 2.2%. At the same time, the share of those who believe that the number of such workers at their company will decrease decreased from 29.4% to 25.7%. The share of those who believe there will be no changes has increased from 70.1% to 72.1%.

Size. Indicators of micro (-0.16) and large (-0.13) enterprises are higher. The indicator of medium-sized enterprises is -0.25. The indicator of small enterprises (-0.32) is lowest.

Region. The indicator of Kyiv city (0.06) and Poltava region (0.05) are the only ones with a positive value. The indicators of Ternopil and Ivano-Frankivsk (-1.00 for each) regions are the lowest.

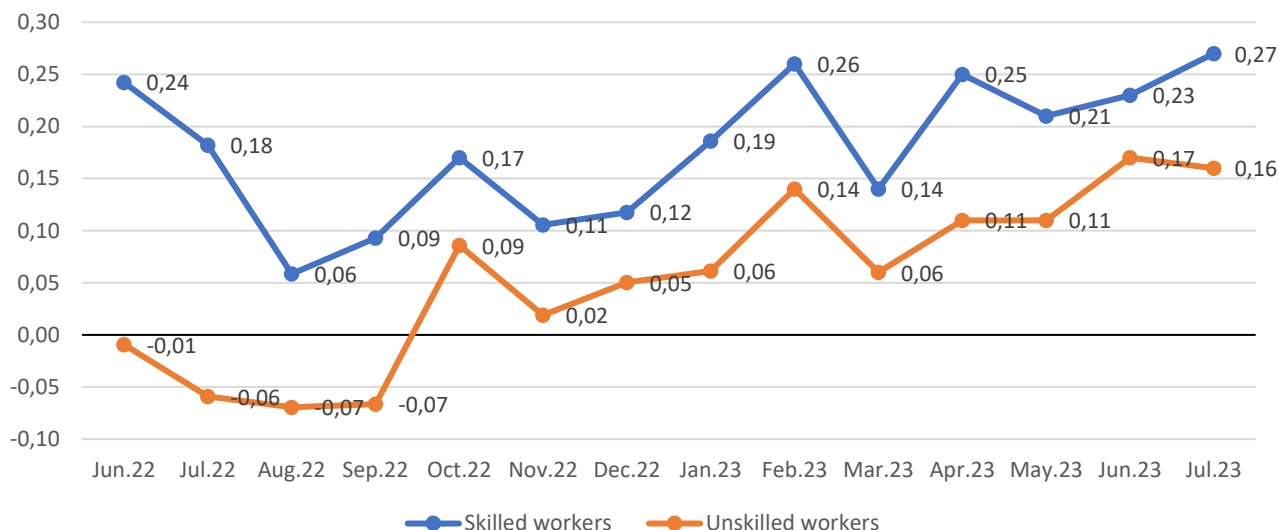
Sector. Machine building (-0.06) has the highest indicator of expectations regarding the number of workers on forced leave. The food (-0.34) and printing (-0.33) industries have the lowest indicator.

SKILLED AND UNSKILLED WORKERS

The indicator of difficulties in finding skilled workers increased for the second month in a row, while the indicators for unskilled workers did not change significantly. The value of the INDEX OF FINDING SKILLED WORKERS increased from 0.23 to 0.27. The value of the INDEX OF FINDING UNSKILLED WORKERS is 0.16 (it was 0.17).

The share of company managers who indicated that it is more difficult to find skilled workers increased from 25.4% to 27.5%. At the same time, the share of those who find it more difficult to find unskilled workers has slightly decreased (from 19.6% to 18.7%). The percentage of those who find it easier to find skilled workers decreased slightly, from 2.8% to 1.5%, while the share of those who find it easier to find unskilled workers increased slightly, from 4.5% to 5.2%. At the same time, the share of those who do not feel any changes in the search for skilled workers is 71.0% (it was 71.8%), and for unskilled workers, the percentage increased from 75.9% to 76.2%.

Fig.26. Skilled and unskilled workers indices



Skilled workers

Size. Depending on the size of the enterprise, the indicator is lower and the same for micro- and medium-sized (0.22 for each) enterprises. The indicator of small enterprises is 0.26. It is most difficult to find skilled workers for large enterprises, whose indicator is the highest and is 0.35.

Region. Significant regional differences in the labor market were recorded. It is easiest to look for skilled workers in the Rivne region, whose indicator has a single negative value and is -0.05. The indicator of Lviv, Kharkiv, and Cherkasy regions is zero. Chernihiv and Zhytomyr regions (1.00 each) and Poltava region (0.95) have the most difficulty finding skilled workers.

Sector. The printing industry, whose index is zero, has less difficulty finding skilled workers. It is more difficult to find skilled workers for the metalworking (0.56) and light (0.45) industries.

Unskilled workers

Size. Small (0.05) and micro-enterprises (0.07) find it easiest to find unskilled workers. The indicator of medium-sized enterprises is 0.11. Large enterprises have the greatest difficulties in finding unskilled workers, whose indicator is 0.28.

Region. It is easiest to find unskilled workers in Odesa (-0.05), Chernivtsi (-0.12), and Sumy (-0.50), whose indicators have a negative value. The biggest difficulties with finding unskilled workers are in Poltava (0.89), Dnipropetrovsk (0.80), and Zhytomyr regions.

Sector. The worst indicators for finding unskilled workers are observed in the metalworking (0.35) and food (0.24) industries; the lowest value is for printing, whose indicator is equal to zero.

MONTHLY ENTERPRISE SURVEY

THE IMPACT OF WAR ON ENTERPRISES

Challenges for businesses in wartime

The main problem for businesses associated with a full-scale Russian invasion in July 2023 was **the increase in prices for raw materials and supplies**. This problem comes out on top for the fifth month in a row in 2023: from March to June, it was the most common issue for businesses surveyed in July 2023. At the same time, in July, the absolute value of this obstacle significantly decreased compared to the previous year: it was faced by 52% of surveyed enterprises, while from August, 2022, this share was 58% or more.

Difficulties transporting raw materials or goods through the territory of Ukraine took second place in the rating of obstacles. As in June, this problem affected 43% of surveyed enterprises.

For the first time in the entire survey period (since May 2022), the problem of labor shortage **due to conscription and migration of workers** rose to third place in the rating of obstacles. In July, 38% of surveyed enterprises encountered it. At the same time, this share practically does not differ from the previous month's results: in June, 37% of surveyed businesses said they lacked employees.

With a minimal difference, the **supply chain disruption** took the fourth place in the rating of obstacles in July. This problem was relevant for 37% of enterprises; it is slightly more than in June (35%).

The relevance of the problem of **decreasing demand for products or services** remains at the level of the previous months of 2023. In July, 34% of surveyed enterprises indicated this problem, while in January-June 2023, 32% to 38% of respondents faced it. In July, the problem of reduced demand ranked fifth on the list of obstacles caused by a full-scale Russian invasion.

In July, a third of surveyed businesses (33%) said it was unsafe to work. This share has remained relatively stable over the past three months. In 2023, it reached its lowest level in April: 25%. The work hazards problem was in sixth place in the rating of obstacles.

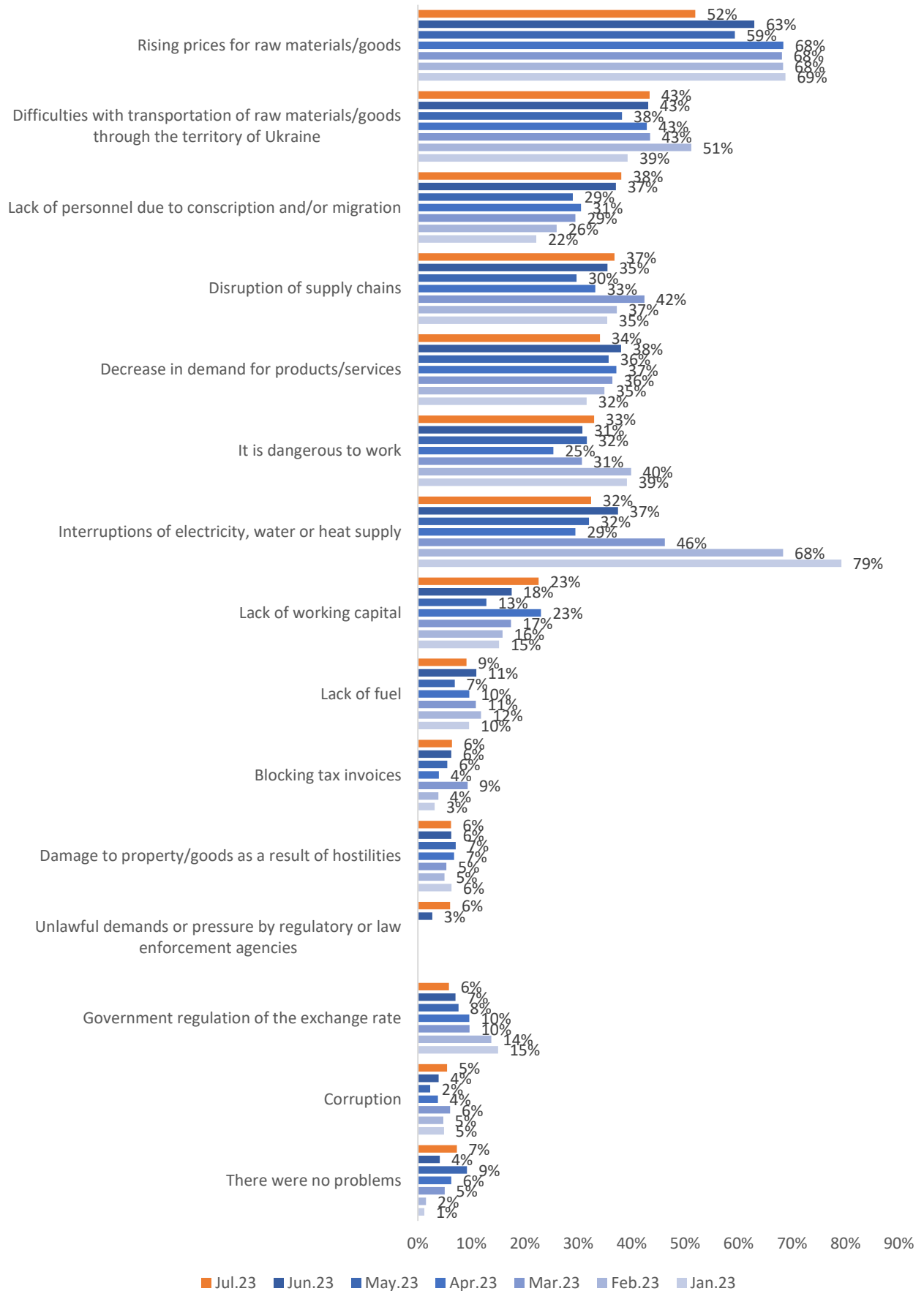
The seventh place in the rating was obtained by **electricity, water, or heat supply outages** problem. In July, it hindered the activity of 32% of enterprises, which is slightly less than in June (37%).

The lack of working capital, which became a problem for 23% of respondents, took the eighth place in this rating, and the **lack of fuel**, which 9% complained about, took the ninth place. At the same time, the importance of the lack of working capital has increased compared to June, when 18% of enterprises reported this problem.

The tenth place in the rating of obstacles to business was shared by four problems: **blocking of tax invoices, damage to property or goods due to military actions and unlawful demands or pressure from regulatory or law enforcement agencies, and government regulation of exchange rates**. Each of them was called an obstacle to their activity by 6% of the surveyed enterprises.

5% of enterprises indicated the problem of **corruption**. Additionally, 7% of businesses surveyed in July 2023 said they did not experience any problems.

Fig.27. The most important problems for the surveyed businesses



Challenges for businesses by size. The smaller the size of the enterprises, the more often they report obstacles such as rising prices for raw materials or supplies. Thus, the share of businesses that faced an increase in price for raw materials or supplies in July increased from 45% among large enterprises to 60% among micro-businesses.

On the other hand, as the size of the business increases, issues such as labor shortages (from 18% of micro-enterprises to 51% of large ones) and supply chain disruption (from 26% of micro-enterprises to 45% of large ones) become more relevant.

Additionally, large businesses more often than smaller enterprises say that it is unsafe to work (47% of respondents), while micro-enterprises more often than larger businesses complain about a decrease in demand (47%) and electricity, water, or heating supply cuts (68%).

Challenges for businesses by sector. In the printing industry, more often than in others, the most acute problem for the surveyed business in July 2023 is indicated: rising prices for raw materials or supplies (73% of enterprises)³.

More than half of the representatives of machine building, the woodworking industry, construction materials production, and the food industry complain about difficulties transporting raw materials or goods through the territory of Ukraine. It is a larger share than in the rest of the industry.

The labor shortage is most felt in woodworking (52%), construction materials production (50%), and metallurgy (48%), while supply chain disruption is felt in the chemical industry (74%).

Challenges for businesses by region. The surveyed businesses of Vinnytsya, Dnipropetrovsk, Zhytomyr, Sumy and Ternopil regions most often complain about rising prices for raw materials or supplies. In these regions, 80% or more of the respondents reported this problem⁴.

Difficulties with the transportation of raw materials or goods through the territory of Ukraine were the most significant problem for businesses in the Vinnytsya, Zaporizhzhya, Ivano-Frankivsk, and Lviv regions (more than 70%).

Vinnytsya and Chernivtsi regions recorded the highest shares of businesses that faced a labor shortage due to the full-scale war (81% each). Disruption of supply chains is most felt by surveyed enterprises in Zaporizhzhya (80%), Ternopil (79%) and Vinnytsya (77%) regions.

Obstacles to production growth

Before the full-scale Russian invasion, the Institute for Economic Research and Policy Consulting conducted quarterly surveys of industrial enterprises as part of the project "Business Opinion Survey: Industry."⁵ It was quarterly monitoring of the assessments and expectations of the heads of industrial enterprises regarding changes in the business environment in general and the performance indicators of enterprises, which also included their assessment of obstacles to production growth. Every quarter, enterprises were asked to choose from a defined list of obstacles that were most relevant to them.

In July 2023, for the second time, we invited enterprises to name obstacles from this list in order to compare how much they changed for Ukrainian industry during a full-scale war.

This survey was last conducted in February 2022, before the full-scale Russian invasion, with results for the fourth quarter of 2021, expectations for the first quarter of 2022, and estimates for February 2022 (through February 24). At that time, the main problem for the interviewed business was the restrictions related to the coronavirus

³ This analysis does not consider enterprises in the sector of agriculture, construction, trade and services, and enterprises included in the "Other production" category.

⁴ Regions in which no enterprises were surveyed are not included in the comparison. For more details, see the "Sample" section.

⁵ See more about the "Business Opinion Survey: Industry project and read the survey reports on the IER website: http://www.ier.com.ua/ua/publications/regular_products/business_idea_industry

epidemic. Here we compare the results of the February 2022 survey with the previous survey conducted in April 2023.

In July 2023, a separate option “**war, adverse security situation**”, was added to the list of existing obstacles used until the beginning of 2022. It was chosen by the largest share of enterprises surveyed in July (75%).

The second place among these obstacles in July was **low demand**, which was named as an obstacle by 41% of respondents. It has practically not changed over the previous three months: in April, such respondents were 39%.

In April 2023, surveyed enterprises most often named the **unfavorable political situation** an obstacle (51%), by which they probably also understood the war. Before that, at the beginning of 2022, significantly fewer respondents pointed to this obstacle: 27%. Despite the war being singled out as a separate option in the July survey, the influence of the negative political situation was reported by a high proportion of respondents - 35% - and this problem took the third place in the corresponding list of obstacles. It indicates that a third of Ukrainian businesses feel the negative impact of political factors in addition to the war.

Excessive taxation was the fourth most important obstacle on this list. The share of enterprises complaining about this problem increased significantly from 21% in April to 30% in July.

An unfavorable regulatory climate took the fifth place in the ranking of obstacles. It is a composite indicator calculated as the proportion of those who chose at least one of the three obstacles, such as high **regulatory pressure, frequent changes in economic legislation, and corruption**.

In July, 28% of enterprises reported an unfavorable regulatory climate, which is slightly lower than in the spring of 2023 (in April, this share was 32%). Among the components of this indicator, the value of frequent changes in economic legislation changed most noticeably over the previous three months: it decreased from 13% in April to 9% in July.

Table1. Obstacles to production growth

	February 2022	April 2023	July 2023
War, adverse security situation	-	-	75%
Low demand	54%	39%	41%
Unfavorable political situation	27%	51%	35%
Excessive taxation	44%	21%	30%
Unfavorable regulatory climate	39%	32%	28%
<i>High regulatory pressure</i>	30%	20%	20%
<i>Changes in economic legislation</i>	26%	13%	9%
<i>Corruption</i>	15%	7%	5%
Liquidity problems	40%	27%	24%
Skilled workers shortage	20%	12%	22%
Lack of raw materials	24%	18%	20%
High competitive pressure	57%	15%	16%
High loan rates	21%	9%	12%
Availability of loans	21%	13%	9%
Problems with power supply	25%	4%	4%
Lack of production capacity	15%	9%	4%
Outdated technologies	17%	3%	2%
Restrictions due to COVID-19	41%	-	-

Size. The larger the size of the enterprises, the more often they say that the unfavorable political situation and excessive taxation hinder their production growth. The corresponding shares of respondents increased from 19%

of micro-enterprises to 40% of large ones when assessing the impact of an unfavorable political situation and from 18% of micro-enterprises to 35% of large ones in the case of excessive taxation.

Also, small, medium, and large enterprises more often complain about an unfavorable regulatory climate (from 29% to 31% of respondents in these categories) than micro-businesses, where 14% of respondents indicated this obstacle.

In terms of demand, the situation is the most difficult for micro-businesses. Thus, 49% of micro-enterprises report low demand, while among small, medium, and large enterprises, the respective shares do not exceed 41%.

Sector. In all industries, companies cite war and the adverse security situation as the main obstacle to production growth. The second most important problem - low demand - is most often called an obstacle by representatives of the woodworking industry and construction materials production (more than 50%). In July, the largest share of enterprises that indicated an unfavorable political situation (44%) was also recorded in the construction materials production sector.

Excessive taxation most hinders the growth of construction materials production (50%), and chemical industry (48%), and the unfavorable regulatory climate - food industry (38%). In the food industry, more often than in other sectors, companies complain about high regulatory pressure (30%).

Region. More than 90% of surveyed businesses in Dnipropetrovsk, Zhytomyr, Zaporizhzhya, Kirovohrad, Poltava, and Kharkiv regions, and Kyiv city, named the war and adverse security situation an obstacle to growth. It is more than in other regions covered by this survey.

Low demand as an obstacle to growth is most often reported in Poltava (79%), Chernivtsi (78%), and Sumy (70%) regions. The unfavorable political situation is most often cited as an obstacle by respondents in Cherkasy (90%), Vinnytsya (85%), and Ternopil (74%) regions.

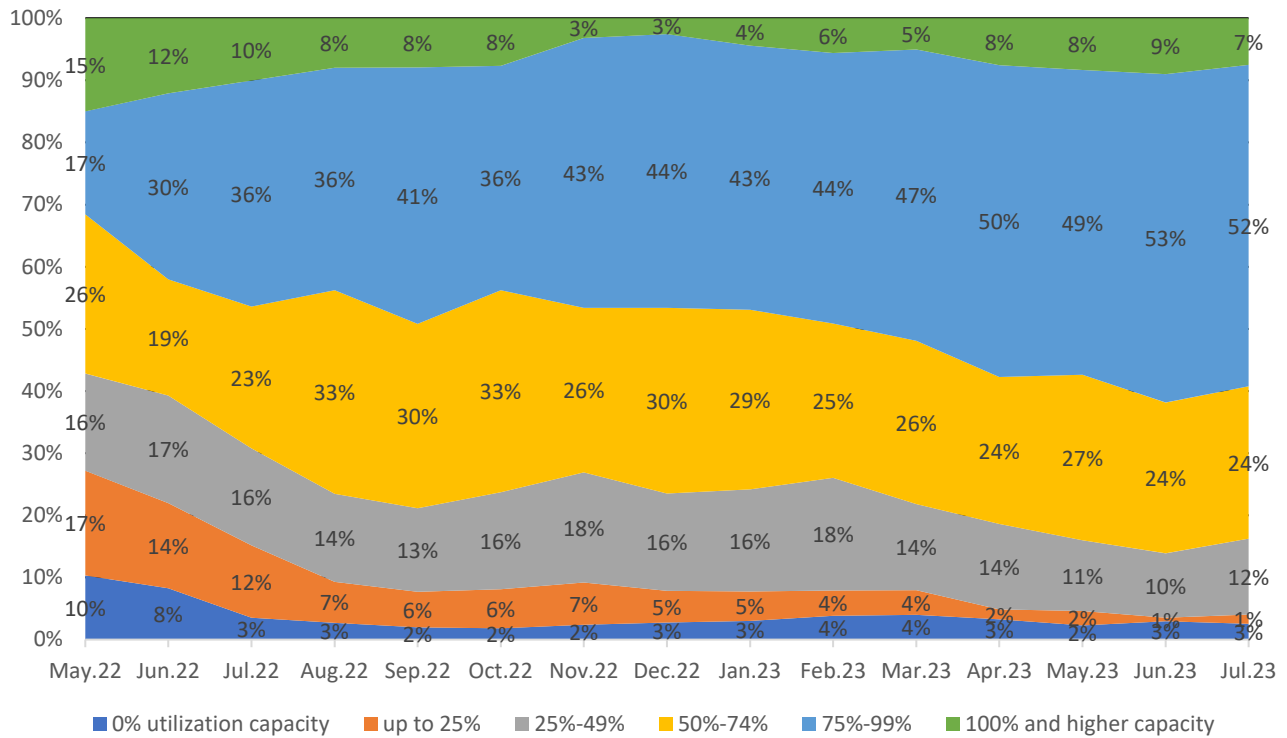
Zakarpattia and Cherkasy regions are distinguished by the highest shares of businesses that speak of excessive taxation (90% and 87% of respondents, respectively). And the largest number of enterprises hindered by an unfavorable regulatory climate is in Ternopil (74%), Ivano-Frankivsk, and Lviv regions, and Kyiv city (50% and above).

The war impact on capacity/production volumes

In July 2023, the capacity utilization rate decreased slightly from June but remains one of the highest for all survey waves. In July, 7% of enterprises reported they were operating at full capacity (100% or more), which is slightly lower than the previous month (9%). At the same time, the share of enterprises operating at almost full capacity (75% - 99%) was 52% (it was 49% in May and 53% in June). As a result, **the combined share of enterprises operating at near full and full capacity was 59%, the second highest figure for all survey waves.** For comparison, the corresponding indicator was the highest for all waves of the survey in June - 62%.

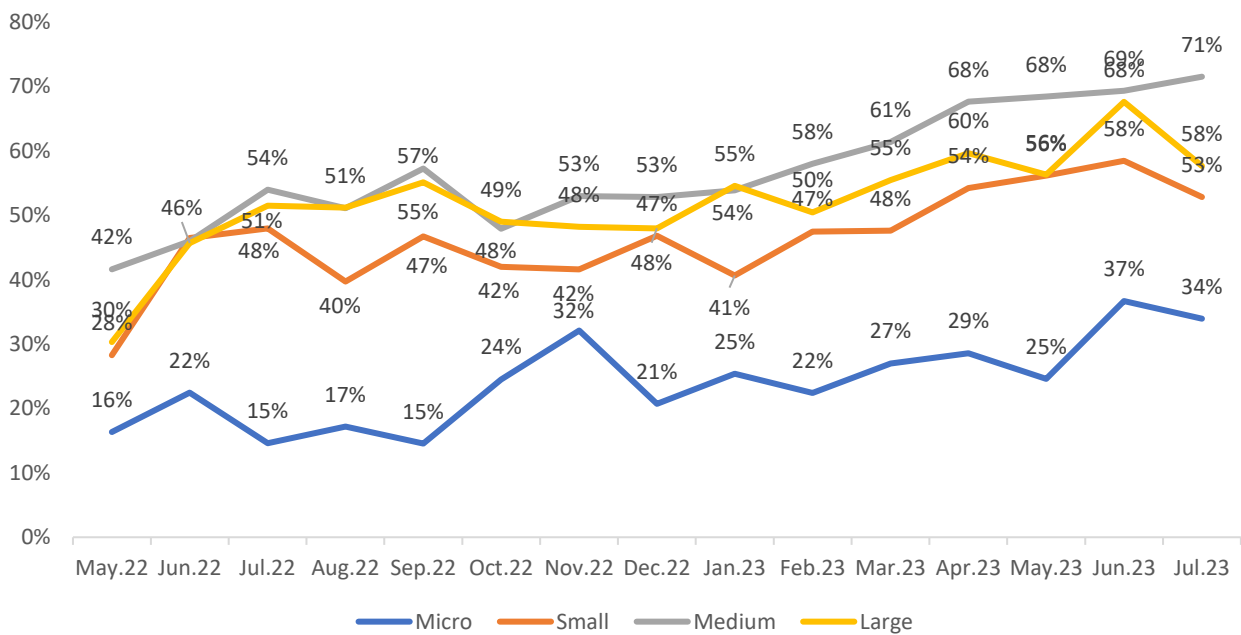
In July, 3% of surveyed enterprises reported they stopped their activities during the war. This indicator remains low from July 2022, in the range of 2% - 4%. Also, the share of enterprises operating at less than 25% of pre-war capacity remains low - only 1% in July (1% in June). Additionally, 12% of enterprises worked in July at 25% - 49% of pre-war production capacities (10% in June). **As a result, in July, only 16% of enterprises worked at less than half their capacity, compared to pre-war times.**

Fig.28.The impact of the war on the work of enterprises (% of respondents)



Results for businesses by size. Medium-sized businesses continue to show the best production recovery rate. Compared to the pre-war period, 71% of medium-sized enterprises worked at almost full and full capacity in July. It is the highest figure since the beginning of the survey (69% in June). At the same time, the corresponding indicator decreased for large businesses - 58% in July against 68% in June. Also, the share of small enterprises that worked at almost full and full capacity decreased from 58% in June to 53% in July. For micro-businesses, the indicator remains low – 34% in July (37% in June).

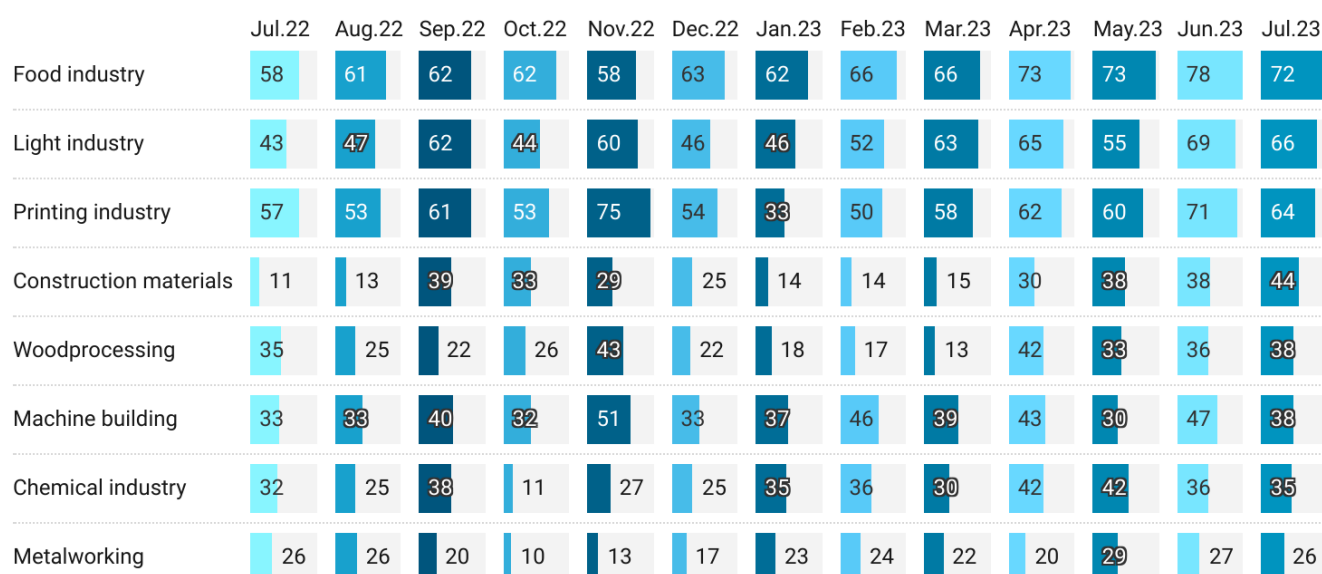
Fig.29.The share of enterprises operating almost at full and full capacity (75 - 99%, 100%, and more) compared to the pre-war period (by enterprise size, %)



As of July 2023, 16% of micro-business representatives were unemployed (17% in June and 15% in May). For comparison, large and medium-sized businesses have fully resumed work (only 1% and 0% of respondents were not working in July, respectively). Among small enterprises, 2% of respondents did not resume work. Thus, **micro-business still remains more sensitive to the challenges of wartime.**

Results for businesses by sector. The food industry remains the leader in the recovery of the processing industry. In July, 72% of food industry enterprises worked almost at full and full capacity, which is slightly lower than the result of the previous months (78% in June, 73% in April and May). The light industry enterprises' capacity is 66% (in June - 69%), and they are in second place. The printing industry capacity also decreased - from 71% in June to 64% in July. At the same time, capacity utilization in construction materials production increased from 38% in June to 44% in July. The most difficult situation remains in metallurgy and metalworking, in which only 26% of enterprises worked at almost full and full capacity (27% in June).

Fig.30. The share of industrial enterprises operating almost at full and full capacity (75 - 99%, 100% and more) compared to the prewar period, % of respondents by sector



Results by region. As in the previous waves of the survey, all or almost all enterprises in Ivano-Frankivsk (100%), Lviv (100%), Odesa (100%), Poltava (100%), Ternopil (100%), Rivne (96%) and Vinnytsia (88%) regions continue to work at almost full and full capacity in July.

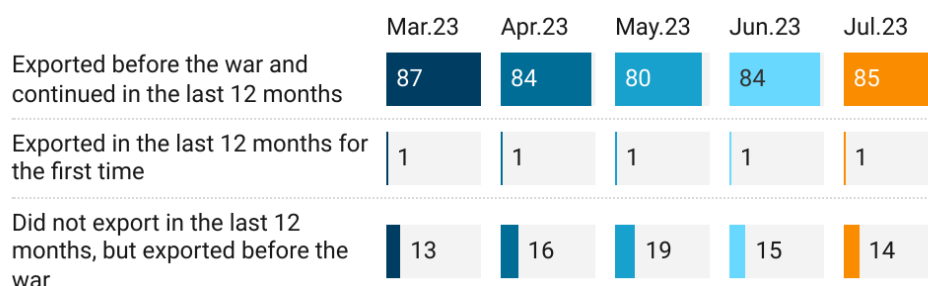
At the same time, the situation remains the most difficult in the front-line Zaporizhya and Kharkiv regions, where 3% and 10% of enterprises, respectively, worked at high capacity utilization. The enterprises of Kirovohrad (34%), Sumy (35%), Cherkasy (37%) regions, and Kyiv city (29%) also operate at low capacity. Thus, recovery challenges depend not only on a business's geographic location and proximity to the front lines but also on logistical, energy, and other challenges that vary somewhat by region.

THE WAR IMPACT ON THE ENTERPRISES' EXPORT ACTIVITIES

Within the fifteenth wave of the survey, **63% of respondents (among those who were able to answer) were or are exporters.** At the same time, 37% of enterprises have never exported, and about 0% (only two respondents) could not answer the question.

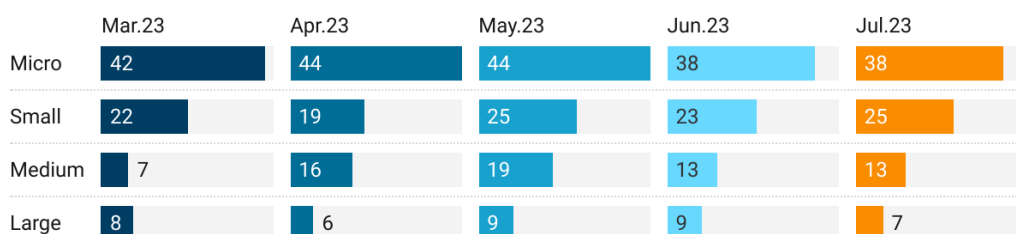
As of July 2023, among exporters, **85% of respondents indicated that they exported before the war and continued to export during the last 12 months.** Another 1% of enterprises started exporting for the first time precisely during the war (during the last 12 months). At the same time, 14% of enterprises exported before the war began but had no exports during the last 12 months. Thus, the trend of recent months continues: some businesses cannot overcome new challenges for export activities and resume exports.

Fig.31. The impact of the war on export activity (% of the exporters surveyed)



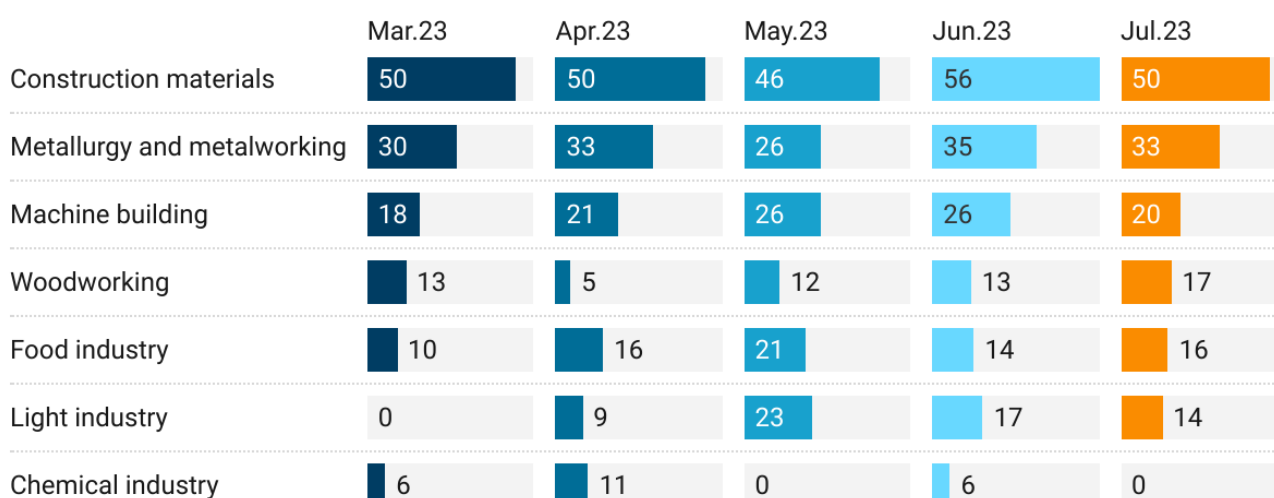
Results for business by size. According to the results of July, regularity was again recorded regarding the state of export activity depending on the size of the enterprise. Among micro-businesses, 38% of enterprises exported before the war but had no export activity during the last 12 months. There is also a high share of enterprises that cannot resume exports among small businesses - 25%. The situation among average exporters is somewhat better - 13% of respondents did not export in the last 12 months. The best situation was among large businesses, where the corresponding indicator was 7%. Thus, large business is traditionally the leader in the export activity recovery.

Fig.32. Share of exporters who did not export during the last 12 months, by size of enterprises (% of exporters surveyed)⁶



Results for business by sector. The obtained data indicate that until now, the most difficult situation with the export recovery remains in construction materials production. Thus, 50% of the industry's enterprises exported before the war but had no exports during the last 12 months (56% in June). The situation is also difficult in metallurgy and machine building, where the corresponding indicator is 33%. In contrast, the best situation is in the chemical industry, where 0% had no exports in the last 12 months. In the light industry, only 14% of enterprises had no exports during the last 12 months, although they exported before the war. And in the food industry, this number is 16%.

Fig.33. Share of exporters who did not export during the last 12 months, by industry (% of surveyed exporters)



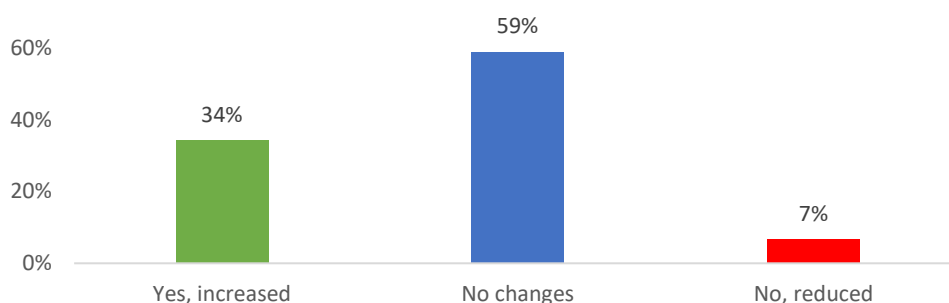
⁶ Data for May are not available for micro-enterprises due to insufficient sub-sample size.

Results by region. Throughout all waves of the monthly survey, the available data do not allow us to draw conclusions about clear regional patterns due to insufficient subsamples in certain regions. However, in some regions, all enterprises (among those who were able to respond) resumed exports, in particular in the Vinnytsya, Ivano-Frankivsk, Kyiv, Lviv, Odesa, Poltava, Rivne, Ternopil, and Chernihiv regions. The most difficult situation is in the Dnipropetrovsk and Zhytomyr regions, where 72% and 63%, respectively, had no exports during the last 12 months, although they had them before the war.

SALARY INCREASE DURING THE WAR

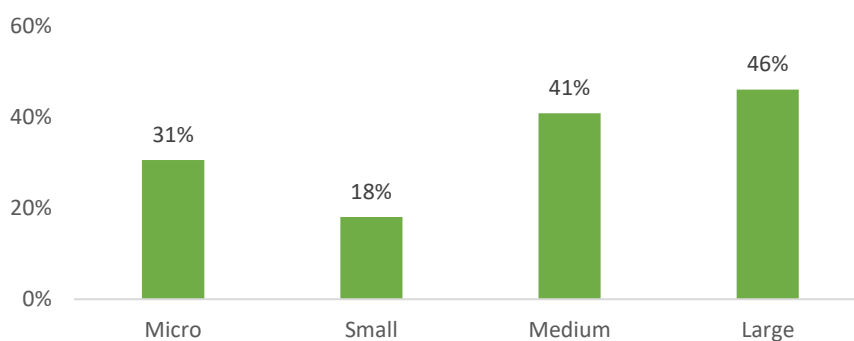
Within the fifteenth wave of the survey, respondents were, for the first time, asked a question about salary increases. According to the results, **only every third enterprise (34%) was able to increase the workers' salary (nominal salary or the salary that the worker receives in his hands) in 2023**. More than half of the enterprises left salaries unchanged (59% of respondents). At the same time, salaries were reduced by **7% of enterprises**.

Fig.34. Did salary increase at your company? % of respondents



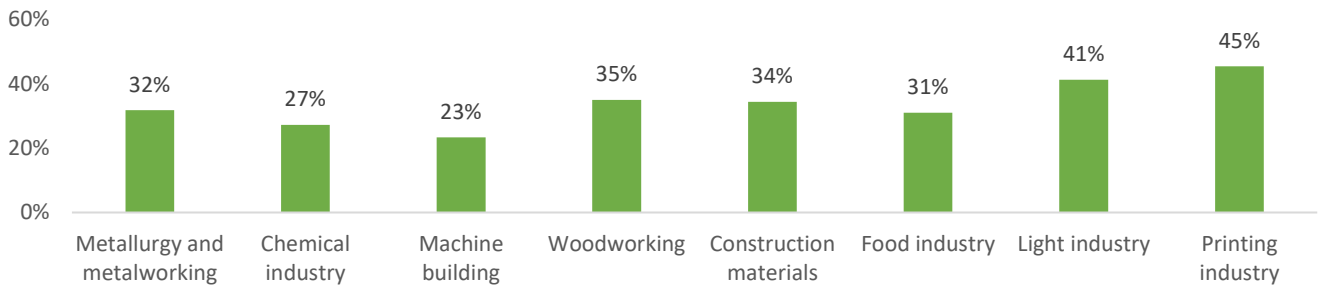
Results for business by size. Most often, medium-sized (41%) and large (46%) enterprises had the ability to increase salaries in 2023. It confirms the greater resilience of larger businesses, especially during the challenges of wartime. Similarly, among medium-sized and large enterprises, the lowest share of enterprises reduced salaries (4% and 3%, respectively). In contrast, most often, the salary decreased in micro (14%) and small (12%) enterprises. Also, only 31% of micro and 18% of small enterprises increased wages.

Fig.35. Has the salary increased at your company? % of surveyed enterprises by size



Results for business by sector. Enterprises in the light and printing industries increased salaries more often than other industrial sectors (41% and 45%, respectively). At the same time, the printing industry is the only one where salary decrease has not been recorded. In contrast, salaries were cut the least often in machine building (23% of enterprises in the industry) and the chemical industry (27%). Most often, the salary decrease was recorded in machine building and woodworking (23% and 20%, respectively).

Fig. 36. Did salaries increase at your company? % of respondents by industry



Results by region. The obtained results indicate the absence of certain regional specificity in salary increases. The salary increase depends primarily on the size and industry of the enterprise. However, wages were most often raised by enterprises in Kyiv (74% of respondents) and Poltava (74%) regions. At the same time, there are no enterprises that would raise salaries in the Ivano-Frankivsk region.

The average rate of salary growth

Since the beginning of 2023, on average, the salary has increased by 12% at the enterprises where the increase was carried out. However, the growth rate is almost the same for businesses of different sizes (11% for small businesses and 12% for all others). The highest salary growth was recorded in woodworking and machine building (15%), and the lowest one was in the printing industry (5%). Among the regions for which the results are available, the highest salary growth is in Zhytomyr and Chernihiv regions (15%), and the lowest - in Zakarpattya region (7%).

Fig.37. Average rate of salary growth by enterprise size (in %)

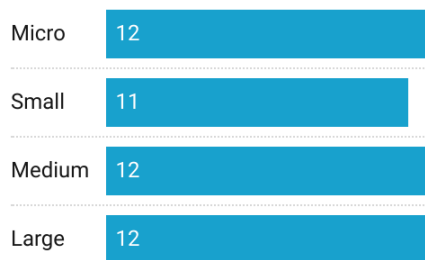
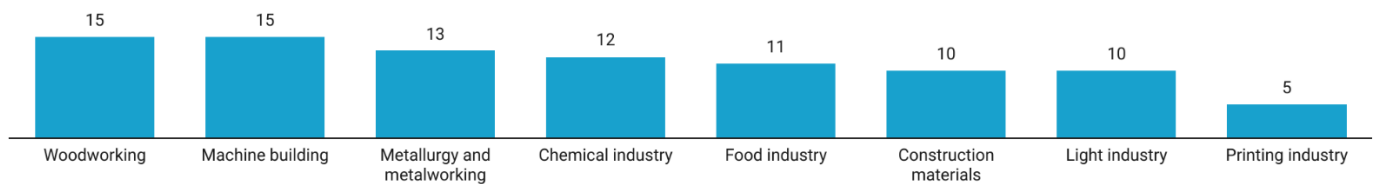


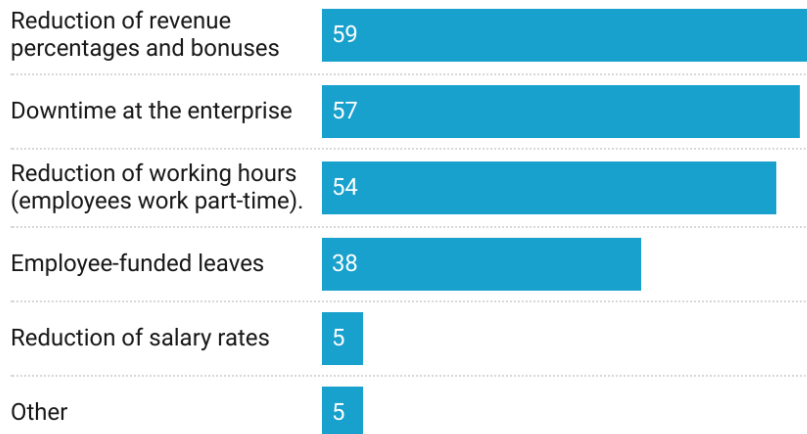
Fig.38. Average rate of salary growth by industry (in %)



Methods of reducing salary

Respondents were asked to share how salaries were cut at enterprises. **Enterprises most often reduced bonuses and percentages of revenue for workers (59% of enterprises).** Almost at the same level (57%) is the share of enterprises that had downtime. Also, more than half (54%) of the enterprises transferred workers to part-time work. And only 5% of enterprises reduced workers' salary rates.

Fig.39. Why did the salary decrease occur? % of respondents

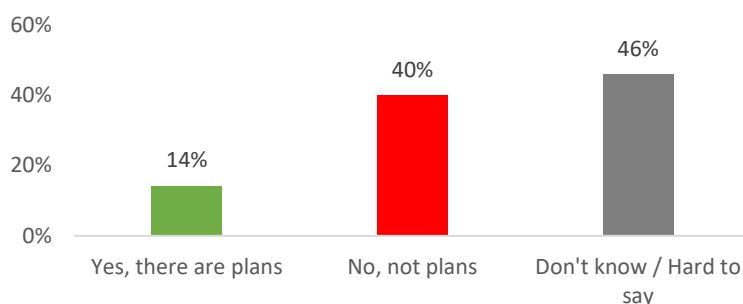


Expectations of salary growth by the end of 2023

Only 14% of all surveyed enterprises plan to raise salaries by the end of 2023. The share of enterprises that do not plan to increase it is several times higher. A high level of uncertainty is recorded: almost half of the enterprises cannot answer this question, which may confirm the high level of long-term uncertainty. Enterprises cannot yet decide on a salary increase because of the uncertainty regarding possible power cuts in winter, the development of a counteroffensive, etc.

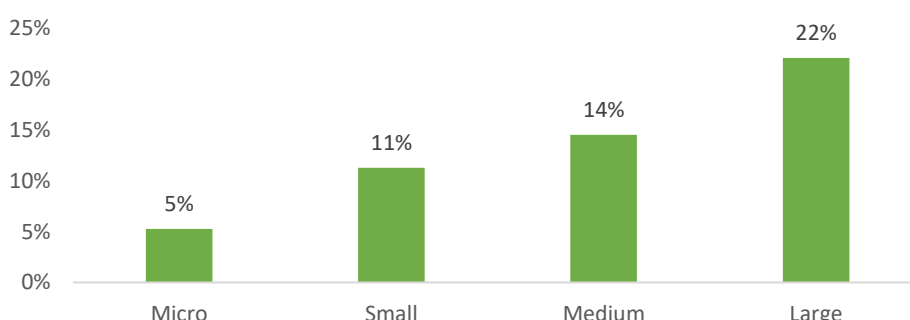
On average, companies expect a salary increase of 10%. At the same time, the results are almost the same for enterprises of different sizes.

Fig.40. Does the company plan to increase salaries until the end of 2023? % of respondents



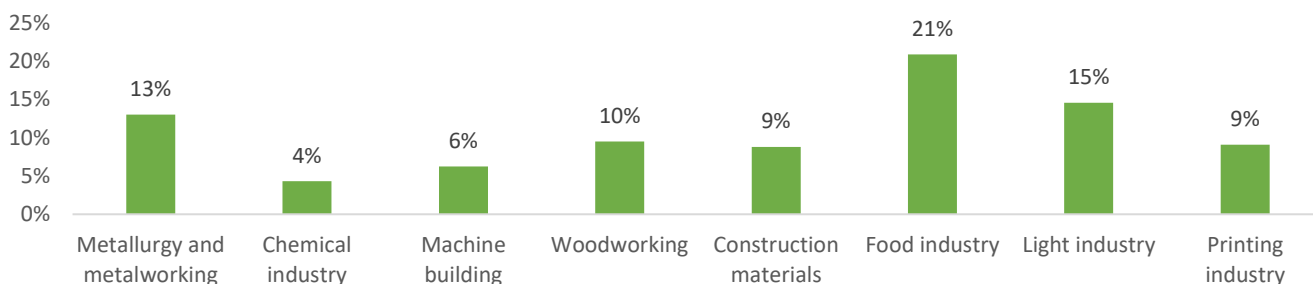
Results for business by size. As the size of the enterprise increases, the probability of salary growth increases. Only 5% of micro-enterprises and 11% of small enterprises plan to raise wages, and 14% of medium-sized enterprises and 22% of large ones plan to do this. It confirms the greater resilience of larger businesses, especially during the challenges of wartime. At the same time, the highest level of uncertainty is among micro-businesses: 53% of micro-enterprises could not answer the question.

Fig.41. Plans to increase salaries until the end of 2023, according to the size of enterprises (% of respondents)



Results for business by sector. Most often, business plans to raise salaries in the food industry - 21% of respondents. The least likely to expect a salary increase by the end of the year in the chemical industry (4% of respondents) and machine building (6%). At the same time, the highest level of uncertainty regarding salaries is in light (56% of respondents) and printing industries (55%) and the lowest level of uncertainty is in machine building (34%).

Fig.42. Plans to increase salaries until the end of 2023, by industry (% of respondents)



Results by region. The obtained results indicate the absence of regional specificity in salary increases. The expected salary increase depends primarily on the size and industry of the enterprise. At the same time, the highest level of uncertainty regarding the potential salary increase was recorded in the Zaporizhzhya region (70%) and the lowest one (0%) in the Poltava region.

Most often, companies in the Poltava region plan to increase salaries (100%). However, in some regions, there are no respondents planning to raise wages by the end of the year. They include the Zaporizhzhya, Ivano-Frankivsk, Lviv, Ternopil, and Kharkiv regions.

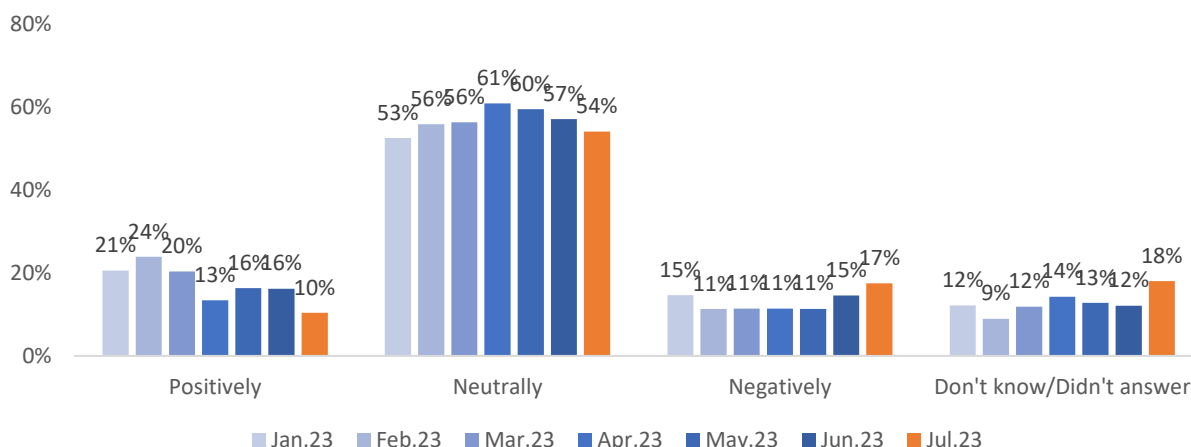
GOVERNMENT POLICY

Assessment of government policy to support business

In July 2023, positive assessments of government policies to support business decreased to 10% from 16% in June, while the share of negative assessments increased for the second month in a row. If, from February to May 2023, approximately one in ten enterprises (11%) evaluated this policy negatively, then in June, this share increased to 15%, and in July - to 17%.

As before, the surveyed business mostly neutrally evaluated the government policy regarding business support. At the same time, this percentage is decreasing for the third month in a row. In July, it was 54%. And 18% of the respondents could not give an assessment of the government policy for business support, which is significantly higher than in previous months. Since the beginning of 2023, this indicator has ranged from 9% to 14%.

Fig.43. Assessment of government policy to support business



Assessment of government policy to support business by business size. Among micro-enterprise representatives, the lowest share of respondents positively assessed the government policy on business support (2%). For comparison, the corresponding shares are from 8% to 13% among larger business groups. Also, among micro-enterprises, there is the largest share of respondents with negative evaluations of this policy (30%) and the largest share of those who could not evaluate it (32%).

Assessment of government policy to support business by sector. Most often, representatives of the construction materials production and food industry (12% and 11%, respectively) give positive assessments of the government business support policy.⁷ At the same time, respondents from the metallurgy industry (52%) have the largest share of negative evaluations.

Assessment of government policy to support business by region. The highest level of positive assessment of government business support policy in July 2023 was recorded in Kyiv, Odesa, and Rivne regions (more than 30%)⁸. At the same time, the largest shares of negative assessments are among businesses in Dnipropetrovsk (60%) and Vinnytsya (46%) regions.

⁷ This analysis does not consider enterprises in agriculture, construction, trade, and services, as well as enterprises included in the "Other production" category.

⁸ Regions in which no enterprises were surveyed are not included in the comparison. For more details, see the "Sample" section.

SURVEY METHODOLOGY

This report presents the results of the fifteenth New Monthly Survey “Ukrainian Business in the Wartime”. The data was collected using a combination of several methods of data collection: a telephone interview of business representatives filling their responses into the online checklist by the interviewers, and in a small number of cases, self-completion of the checklist by representatives of enterprises who, during the previous telephone contact, expressed a desire to independently enter data in the online checklist. All responses (filled by the respondents themselves and provided to the interviewers) were collected in one database. After the survey, IER experts monitored and cleaned up the data and analyzed the responses.

In this survey, we continue examining the indicators of the business climate and conditions studied by the IER in the quarterly surveys of industrial enterprises within the project “Business Survey”. It includes indices that in numerical terms show monthly changes in such important business indicators as production and sales, exports, raw materials and supplies stocks, the new orders number, etc., and business expectations for their changes for the next three- and six-month periods.

These indices are calculated according to a single methodology. We count responses as +1 when the company responds that the rate has increased, 0 if it has not changed, and -1 if it has decreased. For example, if out of 100 respondents, 20 indicated an increase in production, 50 respondents its reduction, and 30 said that everything remained unchanged, the corresponding value of the index will be -0.30. A positive (negative) index value means that the share of enterprises where production has increased is larger (smaller) than the number of those where production has decreased. For a more accurate measurement at the micro-data level, each answer is weighted, taking into account the enterprise size by the number of workers.

Such indices help control the dynamics of changes in these indicators, compare them over time and quickly assess the general direction of changes in business conditions and the situation at the enterprises.

The field phase of the survey lasted from July 17 to July 31, 2023.

SAMPLE

A total of 549 enterprises were surveyed in the fifteenth wave. The companies are located in Vinnytsya, Volyn, Dnipropetrovsk, Zakarpattia, Zaporizhzhya, Zhytomyr, Ivano-Frankivsk, Kyiv, Kirovohrad, Lviv, Odesa, Poltava, Rivne, Sumy, Ternopil, Kharkiv, Khmelnytsky, Cherkasy, Chernivtsi and Chernihiv regions and in Kyiv city. In each of these regions, from 17 to 44 enterprises were surveyed⁹.

The majority of the sample consisted of industrial enterprises – 513 enterprises or 93% of the sample. Among them, the food industry, light industry, construction materials production and machine building, prevail. Seven enterprises belong to the agricultural sector (1.3% of the sample) and 17 to trade (3.1% of the sample). Nine enterprises, or 1.6% of the sample, work in the service sector. And three enterprises (0.5%) belong to the construction sector.

These are companies of various sizes, determined by the number of workers among the enterprises surveyed. Among them: micro-enterprises (up to 10 workers) – 57 or 10% of the sample, small (from 11 to 50 workers) – 160 or 29% of the sample, medium-sized (from 51 to 250 workers) – 214 or 39% of the sample, and large (more than 250 workers) – 118 or 21% of the sample.

⁹ The survey indicated the region in which the enterprise was located at the time of the survey.

APPENDIX 1. Survey results in figures

Sample

Enterprises' size

	Number	Share of sample
Micro-Small	57	10%
Middle	214	39%
Large	118	21%
TOTAL	549	100%

Sector/ industry

	Number	Share of sample
Agriculture	7	1,3%
Metal production and metalworking	23	4%
Chemical industry	23	4%
Machine building	32	6%
Woodworking industry	21	4%
Construction materials production	34	6%
Food industry	177	32%
Light industry	48	9%
Printing industry	11	2%
Other industries	144	26%
Construction	3	0,5%
Trade	17	3,1%
Services	9	1,6%
TOTAL	549	100%

Performance indicators of enterprises and business environment by size, indices of change (July 2023)

	Total	Micro	Small	Middle	Large
Production	0,13	-0,09	0,12	0,14	0,14
Expected changes in production	0,43	0,02	0,41	0,47	0,41
Sales	0,12	-0,09	0,11	0,15	0,10
Expected sales changes	0,44	0,05	0,43	0,47	0,44
Export	-0,01	-0,27	-0,16	0,06	-0,03
Expected changes in exports	0,37	0,00	0,12	0,41	0,42
Account receivables	-0,18	-0,14	-0,29	-0,25	-0,03
Expected changes in account receivables	-0,33	-0,30	-0,39	-0,38	-0,22
Account payables	-0,23	-0,20	-0,36	-0,30	-0,06
Expected changes in accounts payable	-0,35	-0,21	-0,40	-0,41	-0,25
Tax arrears	-0,28	-0,32	-0,41	-0,29	-0,16
Expected changes in tax arrears	-0,33	-0,26	-0,44	-0,38	-0,21
Stocks of raw materials	0,04	-0,12	0,01	0,03	0,09
Expected changes in stocks of raw material	0,29	-0,12	0,25	0,33	0,29
Stocks of finished goods	-0,27	-0,32	-0,29	-0,28	-0,25
Expected changes in stocks of finished goods	-0,28	-0,26	-0,47	-0,30	-0,15

	Total	Micro	Small	Middle	Large
New orders	0,12	-0,07	0,14	0,14	0,09
Expected changes in new orders	0,41	0,00	0,45	0,39	0,44
Number of workers	-0,05	-0,21	-0,07	-0,01	-0,05
Expected changes in the number of workers	0,03	-0,05	-0,03	0,05	0,06
Number of workers on forced leave	-0,08	-0,11	-0,12	-0,08	-0,04
Expected changes in the number of workers on forced leave	-0,22	-0,16	-0,32	-0,25	-0,13
Skilled workers	0,27	0,22	0,26	0,22	0,35
Unskilled workers	0,16	0,07	0,05	0,11	0,28
Business activity assessment	-0,09	-0,29	-0,18	-0,05	-0,04
Expected changes in business activity	0,40	0,24	0,45	0,40	0,38
Assessment of the business environment	-0,09	-0,39	-0,16	-0,05	-0,05
Expected changes in the business environment	0,38	0,13	0,44	0,39	0,34
Do you plan to expand your company's activities in the next two years	0,20	0,30	0,19	0,08	0,34
How do you assess your company's business activity in the current month, compared to the same period last year in 2022?	0,39	0,16	0,38	0,41	0,38

Performance indicators of enterprises and business environment by sector, indices of change (July 2023)

	Total	Metal production and metalworking	Chemical Industry	Machine building	Woodworking industry
Production	0,13	-0,09	0,17	0,09	-0,10
Expected changes in production	0,43	0,00	0,15	0,19	0,24
Sales	0,12	-0,09	-0,04	0,03	-0,05
Expected sales changes	0,44	0,00	0,25	0,12	0,35
Export	-0,01	-0,08	-0,11	-0,23	-0,27
Expected changes in exports	0,37	0,15	0,21	0,00	0,33
Account receivables	-0,18	-0,14	-0,27	0,14	-0,06
Expected changes in account receivables	-0,33	-0,20	-0,33	-0,09	-0,14
Account payables	-0,23	-0,15	-0,18	-0,03	-0,12
Expected changes in accounts payable	-0,35	-0,20	-0,33	-0,17	-0,20
Tax arrears	-0,28	-0,06	-0,22	-0,21	-0,08
Expected changes in tax arrears	-0,33	-0,06	-0,24	-0,20	-0,09
Stocks of raw materials	0,04	-0,04	-0,04	-0,26	-0,29
Expected changes in stocks of raw material	0,29	0,09	0,14	-0,23	-0,17
Stocks of finished goods	-0,27	-0,14	0,05	-0,29	-0,41
Expected changes in stocks of finished goods	-0,28	-0,15	-0,14	-0,27	-0,27
New orders	0,12	-0,13	0,05	0,13	-0,05
Expected changes in new orders	0,41	0,09	0,14	0,31	0,22
Number of workers	-0,05	0,00	-0,04	-0,16	-0,05
Expected changes in the number of workers	0,03	0,00	0,00	-0,17	0,00
Number of workers on forced leave	-0,08	0,06	-0,11	0,04	0,07
Expected changes in the number of workers on	-0,22	-0,07	-0,18	-0,06	-0,08

	Total	Metal production and metalworking	Chemical Industry	Machine building	Woodworking industry
forced leave					
Skilled workers	0,27	0,56	0,13	0,39	0,41
Unskilled workers	0,16	0,35	0,09	0,17	0,06
Business activity assessment	-0,09	-0,52	-0,17	-0,28	-0,29
Expected changes in business activity	0,40	0,00	0,11	0,26	0,20
Assessment of the business environment	-0,09	-0,52	-0,22	-0,37	-0,32
Expected changes in the business environment	0,38	-0,12	0,13	0,00	0,20
Do you plan to expand your company's activities in the next two years	0,20	0,31	0,43	-0,06	0,50
How do you assess your company's business activity in the current month, compared to the same period last year in 2022?	0,39	-0,04	0,32	0,06	0,29

	Total	Construction materials productions	Food Industry	Light industry	Printing industry
Production	0,13	0,29	0,14	0,06	0,00
Expected changes in production	0,43	0,24	0,57	0,30	0,40
Sales	0,12	0,26	0,15	0,06	0,00
Expected sales changes	0,44	0,25	0,58	0,32	0,40
Export	-0,01	0,00	0,04	0,00	0,25
Expected changes in exports	0,37	0,18	0,41	0,19	0,20
Account receivables	-0,18	0,03	-0,29	-0,21	0,00
Expected changes in account receivables	-0,33	-0,25	-0,39	-0,28	-0,30
Account payables	-0,23	0,00	-0,37	-0,26	-0,30
Expected changes in accounts payable	-0,35	-0,25	-0,42	-0,32	-0,30
Tax arrears	-0,28	-0,32	-0,39	-0,23	-0,37
Expected changes in tax arrears	-0,33	-0,32	-0,41	-0,29	-0,37
Stocks of raw materials	0,04	0,03	0,12	0,05	0,00
Expected changes in stocks of raw material	0,29	0,14	0,45	0,23	0,11
Stocks of finished goods	-0,27	-0,30	-0,42	-0,23	-0,83
Expected changes in stocks of finished goods	-0,28	-0,29	-0,32	-0,46	-0,44
New orders	0,12	0,33	0,14	-0,02	0,00
Expected changes in new orders	0,41	0,21	0,52	0,40	0,40
Number of workers	-0,05	-0,12	-0,03	-0,10	0,00
Expected changes in the number of workers	0,03	-0,14	0,02	0,03	0,00
Number of workers on forced leave	-0,08	0,00	-0,11	-0,08	-0,33
Expected changes in the number of workers on forced leave	-0,22	-0,18	-0,34	-0,16	-0,33
Skilled workers	0,27	0,30	0,30	0,45	0,00
Unskilled workers	0,16	0,10	0,24	0,18	0,00
Business activity assessment	-0,09	-0,32	0,01	-0,11	-0,09
Expected changes in business activity	0,40	0,26	0,53	0,42	0,40
Assessment of the business environment	-0,09	-0,26	0,03	-0,15	-0,36
Expected changes in the business	0,38	0,28	0,49	0,44	0,40

	Total	Construction materials productions	Food Industry	Light industry	Printing industry
environment					
Do you plan to expand your company's activities in the next two years	0,20	-0,09	0,11	0,10	0,67
How do you assess your company's business activity in the current month, compared to the same period last year in 2022?	0,39	0,30	0,47	0,34	0,64

The impact of war

Challenges faced by business in wartime

Challenges faced by the business during wartime, by business size (July 2023), % of respondents by group

	Total	Micro	Small	Middle	Large
Rising prices for raw materials/supplies/goods	52%	60%	59%	49%	45%
Difficulties transporting raw materials or finished goods throughout Ukraine	43%	28%	47%	39%	54%
Labor shortage due to conscription and/or migration	38%	18%	33%	41%	51%
Disruption of supply chains	37%	26%	38%	35%	45%
Decrease in demand for products/services	34%	47%	37%	28%	36%
Unsafe to work	33%	30%	27%	31%	47%
Electricity, water or heat supply outages	32%	68%	34%	22%	31%

Challenges facing business in wartime, by sector (July 2023), % of respondents by group

	Metal production and metalworking	Chemical Industry	Machine building	Woodworking industry
Rising prices for raw materials/supplies/goods	52%	48%	53%	62%
Difficulties transporting raw materials or finished goods throughout Ukraine	35%	39%	50%	52%
Labor shortage due to conscription and/or migration	48%	17%	41%	52%
Disruption of supply chains	48%	74%	31%	52%
Decrease in demand for products/services	43%	17%	41%	62%
Unsafe to work	43%	35%	63%	24%
Electricity, water or heat supply outages	39%	13%	53%	33%

Challenges facing business in wartime, by sector (July 2023), (continued) % of respondents by group

	Construction materials production	Food industry	Light industry	Printing industry
Rising prices for raw materials/supplies/goods	50%	59%	58%	73%
Difficulties transporting raw materials or finished goods throughout Ukraine	53%	54%	33%	9%
Labor shortage due to conscription and/or migration	50%	42%	35%	9%
Disruption of supply chains	38%	34%	29%	27%
Decrease in demand for products/services	50%	36%	29%	36%
Unsafe to work	32%	33%	35%	18%
Electricity, water or heat supply outages	35%	28%	38%	18%

Assessment of the government policy on business support

Assessment of the government policy on business support by business size (July 2023), % of respondents

	Total	Micro	Small	Middle	Large
Positive	10%	2%	13%	12%	8%
Neutral	54%	37%	49%	58%	64%
Negative	17%	30%	16%	15%	17%
Don't know / Didn't answer	18%	32%	22%	15%	12%

Assessment of the government policy on business support by sector (July 2023), % of respondents by group

	Metal production and metalworking	Chemical Industry	Machine building	Woodworking industry
Positive	9%	4%	6%	5%
Neutral	17%	70%	50%	29%
Negative	52%	13%	28%	33%
Don't know / Didn't answer	22%	13%	16%	33%

Assessment of the government policy on business support by sector (July 2023), (continued) % of respondents by group

	Construction materials production	Food industry	Light industry	Printing industry
Positive	12%	11%	6%	9%
Neutral	50%	54%	58%	55%
Negative	24%	17%	15%	27%
Don't know / Didn't answer	15%	18%	21%	9%

Availability of orders

Availability of orders, by size (July 2023), % of respondents by group

	Total	Micro	Small	Middle	Large
Less than 1 month	9%	33%	12%	5%	3%
1-2 months	42%	41%	52%	39%	32%
3-5 months	26%	15%	30%	24%	28%
6-11 months	15%	11%	4%	18%	28%
12 months or more	8%	0%	2%	14%	10%

Availability of orders, by sector (July 2023), % of respondents by group

	Metal production and metalworking	Chemical Industry	Machine building	Woodworking industry
Less than 1 month	15%	0%	17%	5%
1-2 months	40%	33%	24%	50%
3-5 months	10%	38%	35%	20%
6-11 months	30%	24%	21%	20%
12 months or more	5%	5%	3%	5%

Availability of orders, by sector (July 2023) (continued), % of respondents by group

	Construction materials production	Food industry	Light industry	Printing industry
Less than 1 month	10%	10%	9%	0%
1-2 months	52%	50%	46%	36%
3-5 months	38%	25%	34%	36%
6-11 months	0%	11%	11%	27%
12 months or more	0%	3%	0%	0%