

New Monthly Enterprises Survey

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Ukrainian Business in Wartime

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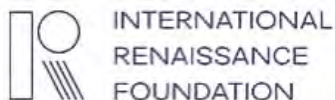


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ABOUT THE NEW MONTHLY ENTERPRISES SURVEY “UKRAINIAN BUSINESS IN WARTIME”

Dear ladies and gentlemen, we present you with the **eighteenth 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.

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.

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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 eighteenth wave of the survey, the answers of 534 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	Aug.23	Sep.23	Oct.23
Micro	50	64	55	49	53	58	67	59	64	57	61	60	57	61	58	62
Small	128	142	138	133	138	156	161	158	189	180	171	155	160	167	173	171
Medium	169	183	191	172	203	214	212	190	208	214	212	190	214	192	182	184
Large	102	129	137	114	113	123	133	117	119	109	119	108	118	119	121	117

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 seventeenth wave lasted from October 16 to 31, 2023. The enterprises' managers compared the results of work in October 2023 with September 2023, assessed the

state of the indicators at the time of the survey (October 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

The recovery rate is slowing down, although business optimism for the three- and six-month outlook is high, but has stopped growing in recent months. "Unsafe to work" remains among the top 3 obstacles to doing business. Uncertainty in the six-month and two-year horizon remains high, and uncertainty in the three-month horizon is increasing. The recovery rate of business activity compared to last year remains strong, although the trend to slow down continues. The previous month's trend of reduction in production growth rates continued. At the same time, the share of enterprises operating near full and at full capacity increased after three months of decline, and export indicators improved compared to the previous month.

OVERALL INDICATORS OF BUSINESS CLIMATE AND ECONOMIC ENVIRONMENT

- In October 2023, compared to September, the CURRENT BUSINESS ACTIVITY AT THE ENTERPRISE INDEX increased from -0.05 to -0.02.
- The enterprises' expectations regarding changes in the business activity in the six month worsened, decreasing from 0.39 to 0.33.
- The value of the OVERALL ECONOMIC ENVIRONMENT INDEX remains almost unchanged for the fourth month in a row and is -0.09 in October (it was -0.08 in September).
- Expectations regarding changes in the overall economic environment after six months have worsened; the INDEX OF EXPECTED CHANGES IN THE OVERALL ECONOMIC ENVIRONMENT is 0.33 (for three months in a row, it was 0.38).
- Two-year expectations regarding prospects for business activity expansion remain unchanged. The value of THE INDEX OF EXPECTED CHANGES IN BUSINESS ACTIVITY in two years for the second month in a row is 0.20.
- The level of uncertainty in the two-year horizon remains high and without significant changes. In the short-term horizon, it has slightly increased for some indicators (in particular, production and sales), and the indicators in the six-month horizon have not changed significantly.

PRODUCTION

- In October 2023, the PRODUCTION INDEX decreased from 0.21 to 0.18. It happened due to an increase in the share of those who reduced production volumes at the expense of those who increased them.
- Business expectations for the next three months are deteriorating. The value of the INDEX OF EXPECTED CHANGES IN PRODUCTION decreases for the second month in a row and is 0.36 (it was 0.41).
- The value of the aggregate indicator of industry prospects decreased from 0.12 in September to 0.09 in October due to the deterioration of the value of one of the three components of the indicator.

DEMAND AND SALES

- The growth rate of sales and the increase in the number of new orders decreased. The value of the SALES INDEX decreased (from 0.19 in September to 0.15), as well as the value of the NEW ORDERS INDEX (from 0.15 in September to 0.12 in October).
- Enterprises' expectations regarding demand for the next three months have worsened for the second month in a row. The value of the EXPECTED CHANGES IN THE SALES INDEX decreased from 0.40 to 0.36, and the value of the EXPECTED CHANGES IN THE NEW ORDERS INDEX decreased from 0.39 to 0.36.

PRICES

- The PURCHASE PRICE INDEX in October decreased from 0.44 to 0.36 due to the transition of the share of those for whom prices increased to those who did not experience changes. The INDEX OF EXPECTED CHANGES IN PURCHASE PRICE increased from 0.16 to 0.19 due to an increase in the share of those expecting a rise in prices.
- The DOMESTIC PRICES INDEX also decreased from 0.38 to 0.27 due to a significant increase in the share of those who did not experience changes compared to the previous month. The INDEX OF EXPECTED CHANGES IN

DOMESTIC SALES PRICE decreased from 0.18 to 0.13 due to a slight increase in the share of those who expect a decrease in prices.

DEBTS

- In October, compared to September, the indicators of receivables decreased, while the indicators of account payables and tax arrears did not change significantly. The value of account receivables decreased from -0.18 to -0.24, and the tax arrears indicator was -0.32 (two months in a row, the value was -0.31). The payables indicator is -0.26 (it was -0.25).
- In the three-month perspective, a slight decrease in the indicators of account receivables and tax arrears is expected, while the indicators of expectations of account payables remain unchanged. The INDEX OF EXPECTED CHANGES IN ACCOUNT RECEIVABLES decreased from -0.31 to -0.33, and THE INDEX OF EXPECTED CHANGES IN TAX ARREARS decreased from -0.32 to -0.34. The indicator of expectations for accounts payable has not changed significantly and is -0.34 (it was -0.35).

EMPLOYMENT

- The employment reduction rate at enterprises has not changed significantly. The NUMBER OF WORKERS INDEX changed little, decreasing from -0.04 to -0.06.
- For the next three months, the heads of enterprises do not expect any changes; the INDEX OF EXPECTED CHANGES IN NUMBER OF WORKERS is zero for the second month in a row.
- The reduction rate in the number of workers on forced leave also remains unchanged. The INDEX slightly increased, from -0.22 to -0.20. At the same time, no sharp changes are expected in three months; the INDEX OF EXPECTED CHANGES IN THE NUMBER OF WORKERS ON FORCED LEAVE is -0.23 (it was -0.25).
- In October, the INDEX OF DIFFICULTIES IN FINDING UNSKILLED WORKERS did not change significantly after a gradual three-month decline and is 0.13 (was 0.12). The INDEX OF DIFFICULTIES IN FINDING SKILLED WORKERS did not change and is 0.24, the same as last month.

AVAILABILITY OF ORDERS

- In October, the new order book for surveyed companies remained at the level of two months (median) after declining from three months in January-April 2023.
- At the same time, the share of enterprises with orders for up to two months increased to 58% from the level of 51%-53%, at which it remained from May to September 2023.

OBSTACLES TO DOING BUSINESS IN WARTIME

- Rising prices for raw materials or supplies remains the main obstacle. In October, the importance of this obstacle somewhat increased.
- The problem of decreasing demand rose from 5th to 2nd place in the ranking of obstacles. At the same time, its value did not change compared to the previous month.
- The work hazards posed by a full-scale Russian invasion decreased from 40% to 32% and moved from 2nd to 3rd. It shared this place with labor shortage, which remained in 3rd place in October.
- Power outages, despite their importance decrease from 32% to 28%, remain in 6th place.

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 survey of enterprises "Business Opinion."
- In October 2023, war and an unfavorable security situation were most often cited as obstacles to production growth.
- The 2nd, 3rd, 4th, and 5th places were obtained, respectively, by low demand, excessive taxation (which increased even more compared to April and July), an unfavorable political environment, and an unfavorable regulatory climate (due to slightly increased mentions of high regulatory pressure and corruption in October).

PRODUCTION CAPACITIES DURING THE WAR PERIOD

- In October 2023, the capacity utilization rate slightly improved compared to September. In general, the share of enterprises operating at almost full and full capacity was 59% (in July – 59%, August – 57%, September – 55%).
- Despite the challenges of the war, only 2% of surveyed enterprises reported that they stopped their activities during the war, and only 2% of enterprises are operating at less than 25% of pre-war production capacity.
- In October, only 16% of enterprises worked at less than half the capacity compared to the pre-war period (also 16% in July - September).
- Medium-sized businesses are coping best with the challenges: 72% of medium-sized businesses are operating at near full and full capacity in October compared to the pre-war period, which is the highest for medium-sized businesses in all survey waves (65% in September). The corresponding indicator also slightly increased for large businesses, from 60% in September to 62% in October.
- The food industry continues to lead the recovery, with 76% of food industry businesses operating near full and full capacity in October, the second-highest for the industry over the entire survey period (up from 78% in June).
- Light industry traditionally remains in the top three, although there was a slight reduction from 61% in September to 57% in October.
- Production capacity utilization also increased in the chemical industry, woodworking, metallurgy, and metalworking. At the same time, the situation remains most difficult in metallurgy and metalworking, as only 16% of enterprises worked at almost full and full capacity.

EXPORTING ENTERPRISES

- In October, 62% 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 October, 82% of respondents indicated that they exported before the war and continued to export during the last 12 months (84% in October).
- Some businesses cannot overcome new challenges for export activities. As of October, 16% of enterprises exported before the start of the war but could not resume exports during the last 12 months. Such results indicate the stagnation of the export activity recovery.

GOVERNMENT POLICY

- In October 2023, the share of positive assessments of government policy on business support remained at 8% for the third month in a row.
- The share of neutral assessments of the policy was 57%, and the share of undecided respondents was 19%.

INDICATORS AND EXPECTATIONS FOR THE HALF-YEAR PERIOD

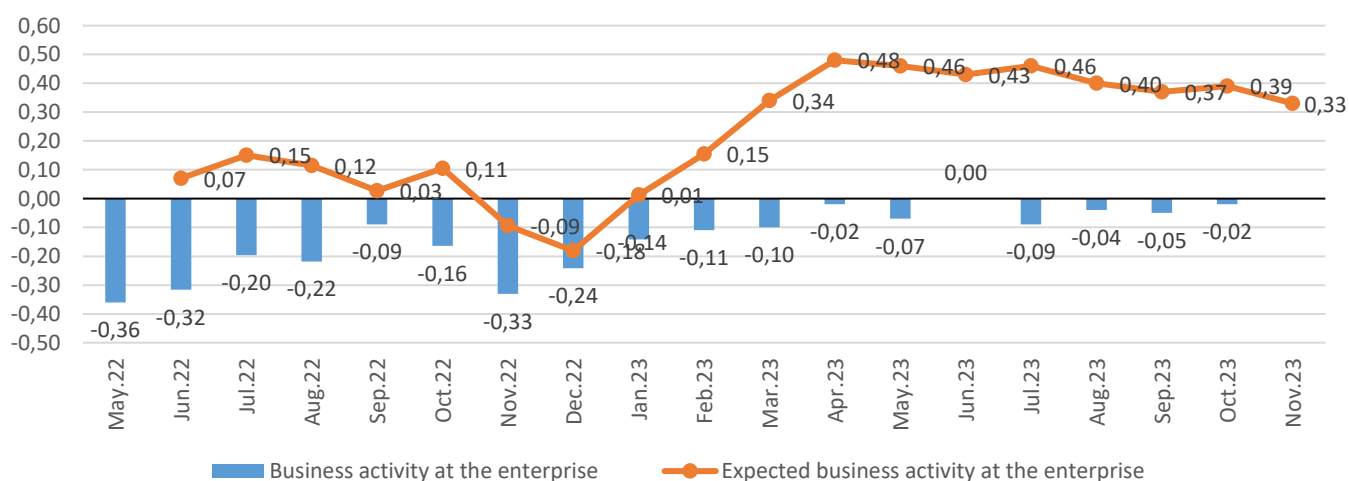
BUSINESS ACTIVITY AT THE ENTERPRISE

In October 2023, compared to September, the current estimates of the financial and economic situation slightly improved. The CURRENT BUSINESS ACTIVITY INDEX slightly increased from -0.05 to -0.02. The share of respondents who assess the current business activity at the enterprise as bad has not changed significantly and amounts to 14.0% (it was 14.3%). At the same time, the share of those who positively assess the situation at the enterprise increased slightly, from 7.8% to 8.2%. The share of those who consider the business activity at the enterprise to be satisfactory has not changed significantly and amounts to 77.8% (it was 77.9%).

Expectations for the future within six months have significantly worsened. The value of the EXPECTED CHANGES IN THE BUSINESS ACTIVITY INDEX decreased from 0.39 to 0.33. It happened due to the transition of the share of "optimists" to the ranks of those who do not expect changes. The share of "pessimists" has not changed significantly and is 4.6% (it was 4.8%). At the same time, the share of "optimists" decreased from 42.6% to 37.1%. The share of those who do not expect any changes increased from 52.5% to 58.4%.

The share of respondents who could not give a forecast about business activity at the enterprise for the six month did not change significantly and is 15.2% (it was 15.4%).

Fig.3. Business activity at the enterprise, indices



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

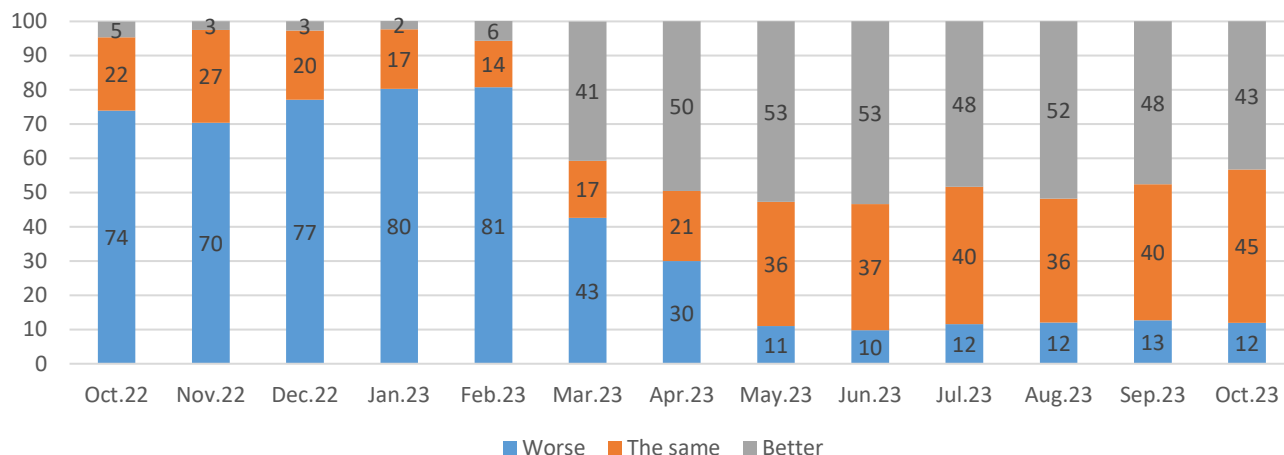
Compared to the same period last year, business activity is still high, although the indicators compared to the previous month are decreasing for the second month in a row. The value of the CURRENT BUSINESS ACTIVITY INDEX (YEAR TO YEAR) decreased from 0.37 to 0.34. The share of respondents who indicated that the situation has worsened has hardly changed and amounts to 12.7% (it was 12.0%). And the share of those for whom the situation has improved has decreased more significantly, from 47.6% to 43.2%. The share of those who believe nothing has changed compared to last year increased from 39.8% to 44.8%.

Size. Assessments of the business activity depend on the size of the enterprise. Medium (0.41) and small (0.35) enterprises feel the best compared to last year. The indicator of large enterprises is 0.26. The indicator of micro-enterprises is the worst (0.03).

Region. Lviv, Ivano-Frankivsk, and Ternopil regions have the highest indicators (1.00 for each). The lowest indicators are in Kirovohrad (-0.18) and Dnipropetrovsk (-0.15) regions.

Sector. The highest index value was recorded for the printing (0.54) and food (0.41) industries. Metalworking has the lowest and only negative indicator (-0.04).

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

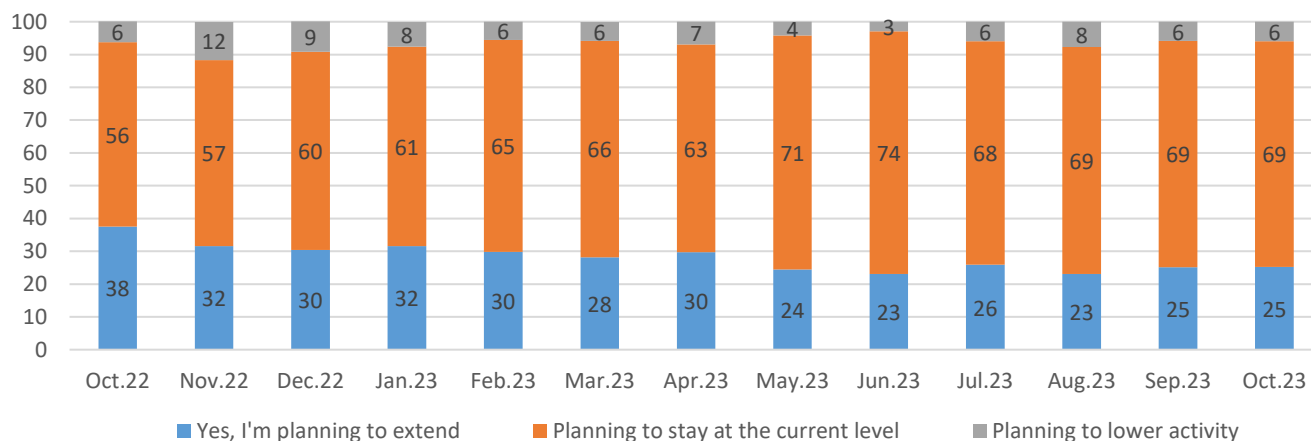


EXPANSION PLANS FOR THE NEXT TWO YEARS

Expectations regarding business activity for the next two years have not changed. The INDEX OF EXPECTED CHANGES IN BUSINESS ACTIVITY in two years is 0.20 for the second month in a row. Accordingly, there were no significant changes in the percentage distribution. The percentage of those who plan to expand their activities in the next two years is 25.3% (it was 25.1%), and the percentage of those who plan to reduce their activities, as of last month, is 5.9%. The share of those who plan to stay at the current level is 68.8% (69.0%).

The percentage of those who could not give a forecast for such a distant perspective has remained almost unchanged for several months at 56.7% (it was 56.0%).

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 (0.33) and micro-enterprises (0.28) are most optimistic about the future. The indicator of small (0.15) and medium (0.12) enterprises is significantly lower and approximately the same.

Region. Significant regional differences were registered. Enterprises of Zakarpattya and Zaporizhzhya regions have the highest expectations (1.00 for each). The indicators of Lviv, Ivano-Frankivsk, Rivne, Odesa, Poltava, and Zhytomyr regions are equal to zero. The Dnipropetrovsk region has the only indicator with a negative value (-0.17).

Sector. Expectations vary by industry. Printing (0.50) and woodworking (0.31) industries have the highest value. The indicator of production of building materials and metalworking is zero and is the lowest.

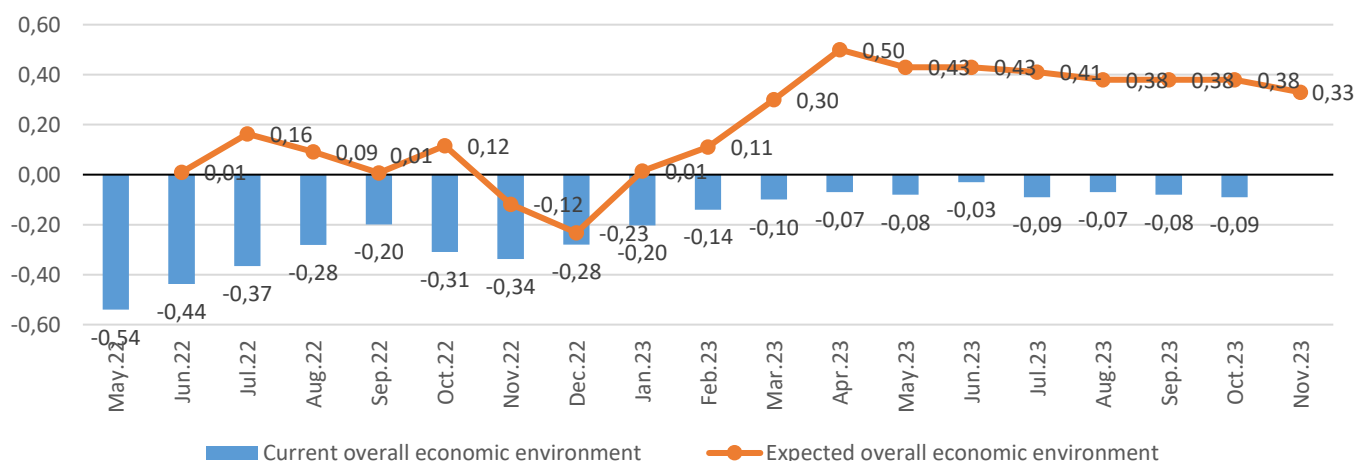
OVERALL ECONOMIC ENVIRONMENT

Assessments of the overall economic environment have remained unchanged for several months in a row. The value of the corresponding INDEX in October is -0.09 (It was -0.08). The share of those who assess the overall economic environment as bad increased from 18.2% to 20.0%. At the same time, the share of those who give positive assessments almost did not change and is 7.4% (it was 7.5%). The share of those who consider the overall economic environment satisfactory decreased from 74.3% to 72.5%.

Enterprises forecasts regarding changes in the overall economic environment for the next six months have significantly worsened: the value of the INDEX OF EXPECTED CHANGES IN THE OVERALL ECONOMIC ENVIRONMENT is 0.33 (for three months in a row, it was 0.38). The percentage distribution of "optimists" regarding changes in the overall economic environment has significantly decreased (from 42.9% to 36.7%), while the share of "pessimists" has not changed significantly and is 5.8% (it was 5.1%). The share of those who believe that the overall economic environment will not change significantly over the next six months increased from 51.3% to 58.2%.

The share of those who could not give forecasts regarding the state of the general economic environment changed slightly and amounted to 16.9% (it was 15.5%).

Fig.6. Overall economic environment, indices

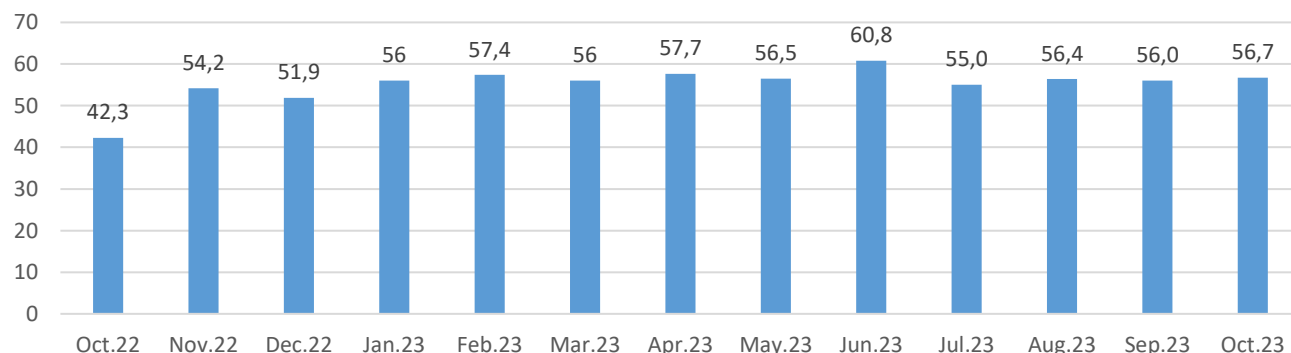


UNCERTAINTY

Two-year expectations

The level of uncertainty regarding the enterprises' plans for the next two years in September remains high and does not change significantly for the fourth month in a row and is 56.7% in October (it was 56.0%).

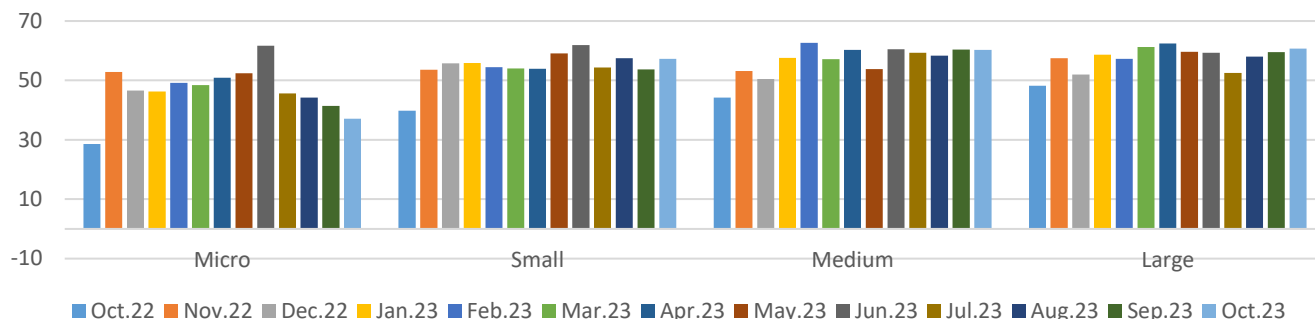
Fig.7. The level of uncertainty regarding the company's activities in the two-year horizon, % of respondents



The level of uncertainty regarding plans for the two years depends on the size of the enterprise. The uncertainty indicator remained unchanged for medium-sized enterprises at 60%, the same as last month. The

indicator for large enterprises was almost unchanged (61% in October and 60% in September). At the same time, the indicator of small enterprises increased slightly (from 54% to 57%). The lowest indicator remains for micro-enterprises, and the value decreased from 41% to 37%.

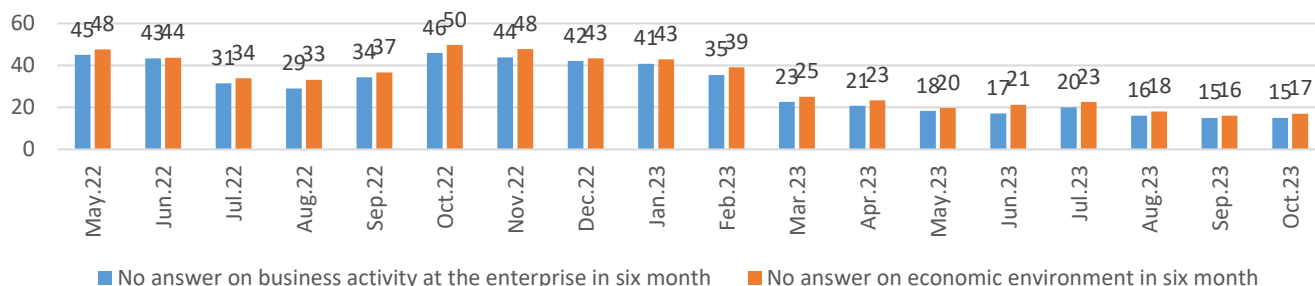
Fig.8. The share of respondents who could not answer the question about the changes for the next two years, by size of the enterprise



Half-year expectations

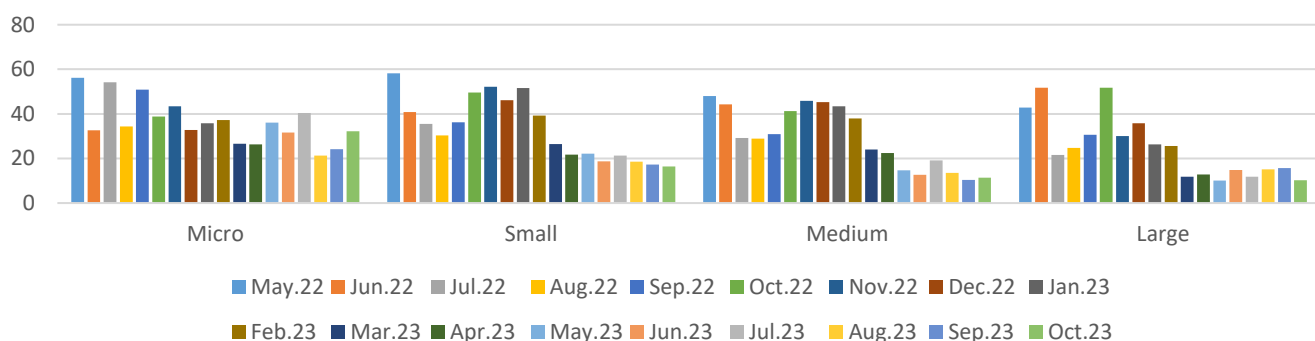
The level of uncertainty in the forecasts for the half year has not changed significantly. Uncertainty for the business activity as of last month is 15%. The share of respondents who could not give a forecast regarding changes in the overall economic environment in the country was 17% in October (it was 16% in September).

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



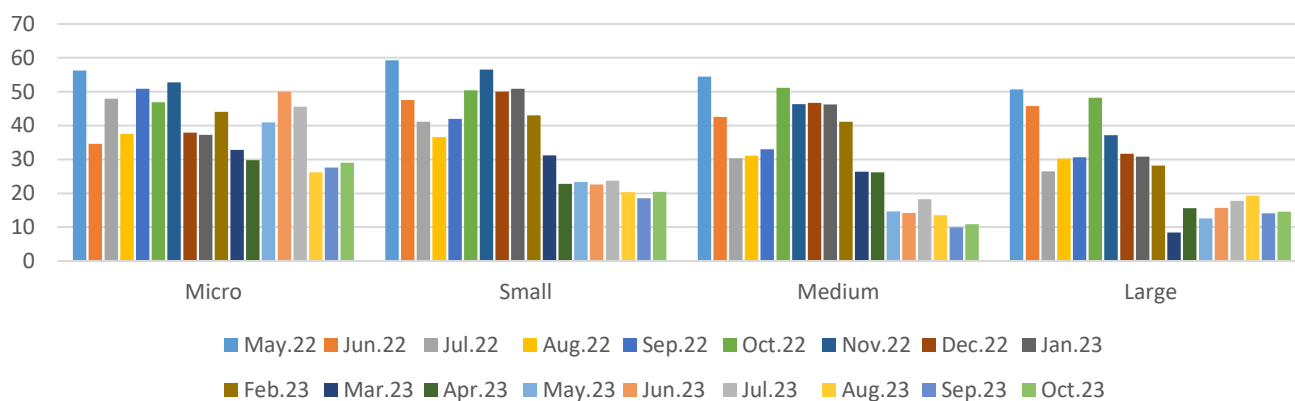
The level of uncertainty regarding the business activity at the enterprise and its dynamics depends on the size of the enterprise. For the second month in a row, there is an increase in the percentage for micro-enterprises, and the value is the highest (the percentage increased from 24% to 32%). At the same time, the indicator of uncertainty regarding the overall economic environment has hardly changed for small (17% in September versus 16% in October) and medium-sized (10% versus 11%) enterprises. The uncertainty indicator for large enterprises is the lowest, decreasing from 16% to 10% in October 2023.

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 the business activity, **depends on the size of the enterprise**. The indicator of uncertainty of micro-enterprises remains the only one with the highest value, while the percentage has not changed significantly and is 29% (it was 28%). The value of small enterprises increased slightly, from 18% to 20%. The uncertainty index of medium (10% in September versus 11% in October) and large businesses (14% in September versus 15% in October) did not change significantly.

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

In October 2023, the uncertainty percentage decreased for most cases while the value increased for production and sales. For some indicators, the level of uncertainty has not changed significantly in the three-month horizon. Uncertainty about the number of workers on forced leave remains the highest despite the decrease in value (from 15.2% to 13.1%). The uncertainty indicator for production increased from 9.4% to 11.6% and for sales from 9.6% to 11.2%. The lowest level of uncertainty remains for exports, and the value almost did not change (6.4% in September and 6.6% in October).

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	Aug.23	Sep.23	Oct.23	
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	16.1	15.2	13.1	
Purchase price																		15	13.1
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	12.1	13.3	12.9	
Domestic sale price																		14.2	12.7
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	14.5	13.1	12.5	
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	12.8	11.4	11.6	
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	10	9.4	11.6	
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	12.8	11.8	11.4	
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	10.6	9.6	11.2	
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	14.1	13.1	11	
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	11.1	9.9	9.4	
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	10.6	8.8	9.2	
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	6.3	6.4	6.6	

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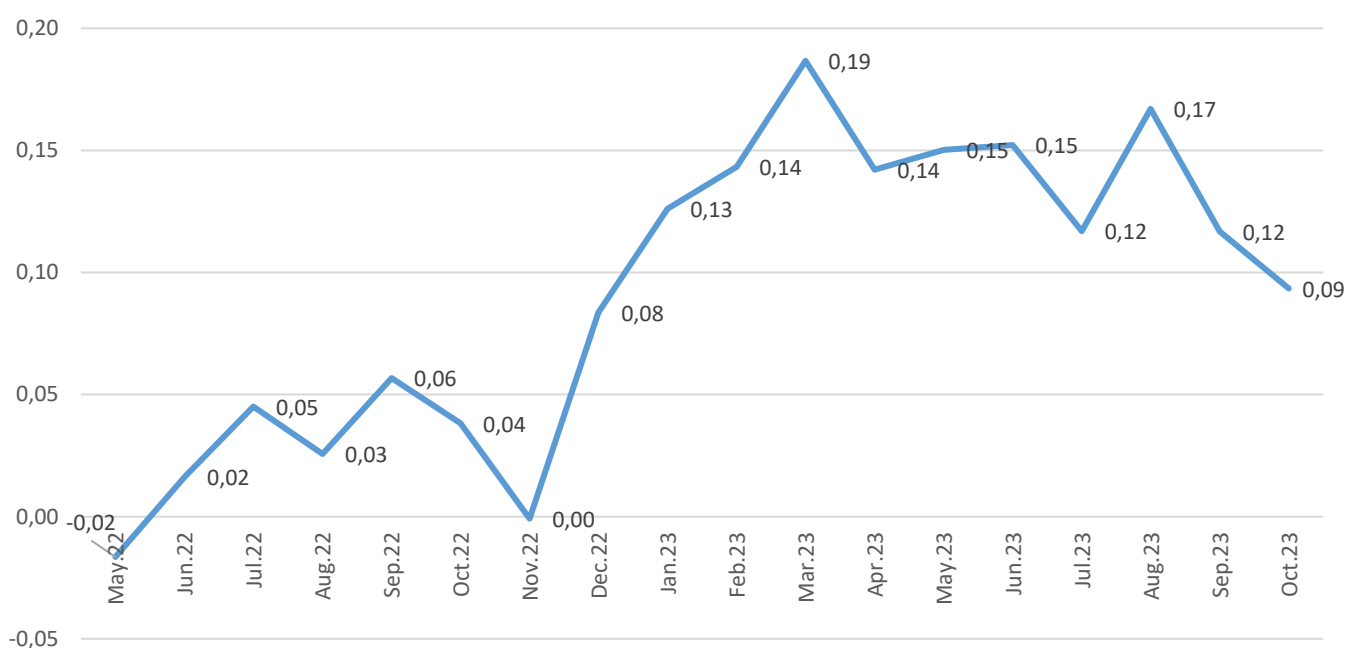
ENTERPRISE PERFORMANCE INDICATORS AND SHORT-TERM EXPECTATIONS

INDUSTRIAL CONFIDENCE INDICATOR

The value of the Industrial Confidence Indicator (ICI) is decreasing for the second month in a row and is 0.09 in October 2023.

At the same time, negative changes are observed in the ICI in the value of one of its three components: (1) *production expectations* for the next 3-4 months decreased from 0.41 to 0.36. At the same time, two other components did not change significantly: (2) *estimates of the new orders portfolio* are -0.17 (was -0.16), and (3) *estimates of finished goods stocks* are -0.09 (was -0.10).

Fig.13. Industrial confidence indicator



PRODUCTION

Changes compared to the previous month

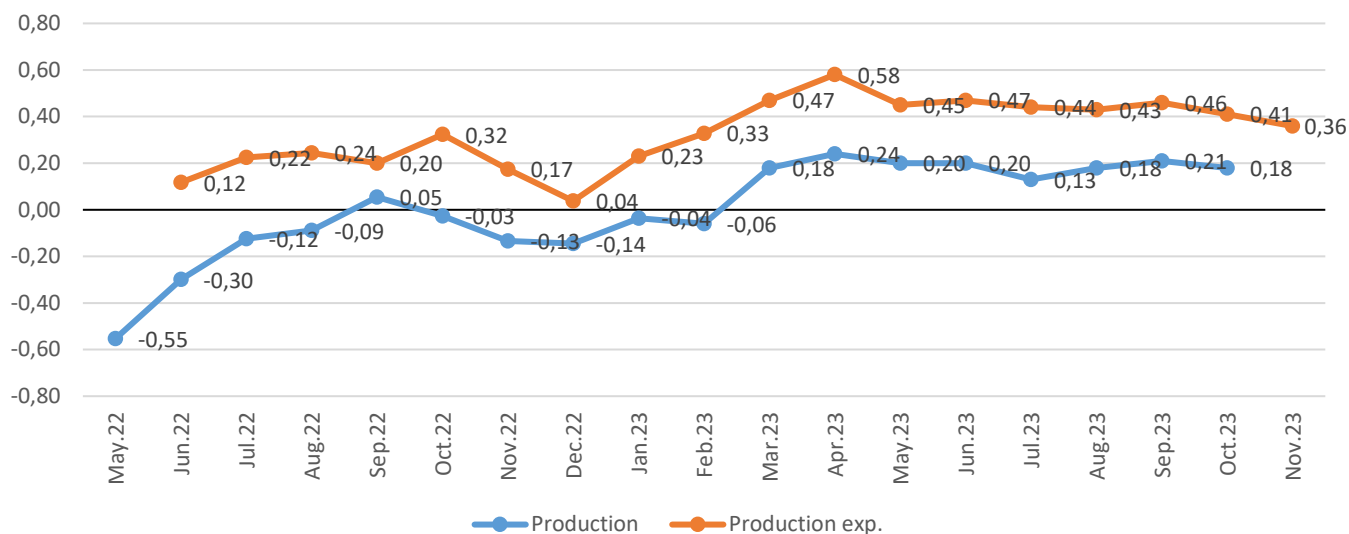
In October, compared to September 2023, the current production results slightly worsened. The PRODUCTION INDEX decreased from 0.21 to 0.18, mainly due to an increase in the share of those who cut production. The share of enterprises that reduced production volumes increased from 11.5% to 14.1%, and the share of enterprises that increased production volumes decreased from 29.5% to 26.8%. The share of industries where there were no changes remained almost unchanged and amounted to 59.1% (it was 59.0%).

Size. Among enterprises of different sizes, the best results were shown by large (0.28) companies, the indicator of which is the highest. The indicator of medium-sized enterprises is 0.17, and small enterprises - 0.09. The micro-enterprises, whose indicator is the only negative and is -0.20, show worst results.

Region. Regional differences are significant (the highest value is 1.00, and the smallest is -0.30). The best results were obtained by enterprises of Poltava (1.00), Kyiv (0.36), Rivne (0.33), and Odesa (0.32) regions. The lowest index values were recorded for enterprises in Sumy (-0.30) and Kharkiv (-0.20) regions.

Sector. Index values vary across sectors and industries. The best situation is in the light (0.43) and food (0.22) industries. Construction materials production (-0.13) and metalworking (-0.16) have the lowest and negative indicators.

Fig.14. Production indices



Expected changes in production

The indicator of production expectations has deteriorated for the second month in a row. The INDEX OF EXPECTED CHANGES IN PRODUCTION decreased from 0.41 to 0.36. The share of enterprises where production growth is planned has slightly decreased from 41.7% to 40.5%, as has the share of those who do not expect changes, from 55.4% to 54.2%. At the same time, the share of enterprises planning to reduce production increased slightly, from 2.9% to 5.3%.

Size. Production expectations depend on the size of the enterprises. The medium-sized enterprises have the highest indicator of expectations (0.45). The indicator of large (0.33) and medium (0.29) enterprises is lower and approximately the same. The indicator of production expectations for micro-enterprises is the lowest (0.24).

Region. Enterprise plans depend significantly on the region of location. Poltava, Ternopil, and Lviv regions (1.00 for each) have the most optimistic plans for production growth. Sumy (-0.12), Zakarpattya (-0.03), and Kirovohrad (-0.02) regions have the lowest and negative expectations for the indicator.

Sector. Production expectations for three months depend on the industry. The food (0.50) and printing (0.36) industries have the highest indicators. Metalworking has the lowest and only negative indicator (-0.14).

SALES

Changes compared to the previous month

In October, the sales reduction rate accelerated. The SALES INDEX decreased from 0.19 to 0.15. The share of enterprises that increased sales volume decreased (from 28.4% to 26.1%). At the same time, the share of those who reduced sales volumes increased (from 12.0 to 15.6%). The share of enterprises in which there were no changes in October remained without significant changes and amounted to 58.3% (it was 59.6%).

Size. The SALES INDEX of large (0.23) and medium (0.16) enterprises is the highest. The indicator of small enterprises is 0.07. Micro-enterprises have the lowest and only negative value of the index: -0.21.

Region. The highest value of the SALES INDEX was recorded for Poltava (1.00), Rivne (0.38), and Odesa (0.32) regions. The indicators of Sumy and Kharkiv (-0.20 each) and Chernivtsi (-0.17) regions have the lowest value.

Size. Light (0.35) and food (0.16) industries have the highest SALES INDEX. Metal processing (-0.16) and construction materials production (-0.13) have the lowest and negative indicators.

Expected changes in sales

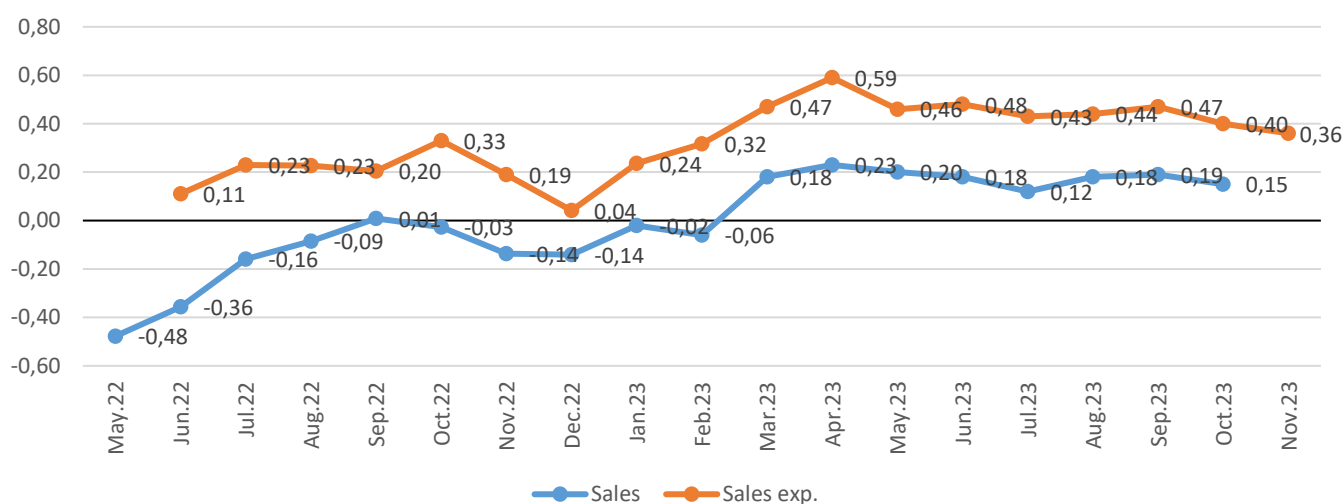
Sales expectations have worsened for the second month in a row. The INDEX OF EXPECTED CHANGES IN SALES decreased from 0.40 to 0.36. At the same time, the share of those planning to reduce sales doubled, from 3.1% to 6.1%, while the share of those planning to increase sales remained unchanged at 41.0%. The percentage of respondents who believe nothing will change decreased from 55.9% to 52.9%.

Size. Indicators of expectations for medium enterprises (0.45) are the highest. The indicator of large (0.32) and small (0.30) enterprises is lower and about the same. The indicator of micro-enterprises is the lowest and is 0.19.

Region. The best expectations were recorded in Poltava, Ternopil, and Lviv (1.00 for each) regions, as well as Ivano-Frankivsk (0.94) and Rivne and Odesa (0.83 each) regions. The indicator of expectations for Sumy (-0.28), Kirovohrad (-0.08), and Zakarpattya (-0.03) regions is the lowest and negative.

Sector. Food (0.49) and printing (0.45) industries have the highest sales expectations. The indicator of metalworking expectations is the lowest and the only negative (-0.14).

Fig.15. Sales indices



EXPORT

Changes compared to the previous month

In October, compared to September, the export growth rate did not change significantly. The value of the EXPORT INDEX increased slightly from 0.06 to 0.08. The share of respondents whose export volumes shortened decreased from 19.9% to 17.9%, and the share of enterprises that increased exports also fell from 23.9% to 21.2%. At the same time, the share of enterprises whose export volumes did not change increased from 56.2% to 60.9%.

Size. The EXPORT INDEX value is higher and approximately the same for large (0.16) and medium (0.10) enterprises. The indicator of micro (-0.29) and small (-0.20) enterprises is significantly worse and negative.

Region. Poltava (0.95) and Lviv (0.40) regions have the highest indicators. The Sumy region have the lowest index value(-1.00).

Sector. The export index has the highest value in light industry (0.36). The printing industry (-0.33) has the lowest and negative value.

Expected changes in export

No changes are expected for the next three months. The INDEX OF THE EXPECTED CHANGES IN EXPORT remained unchanged at 0.29. There were no significant changes in the percentage distribution. The share of those who plan

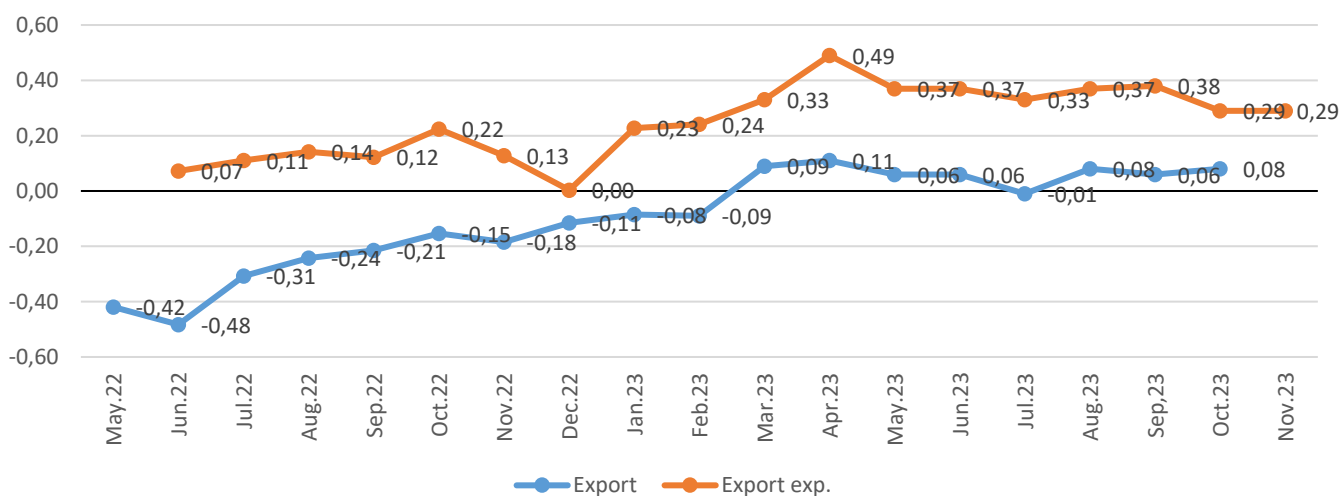
to increase exports is 32.0% (it was 31.6%), and the share of those who plan to reduce volumes is 4.6% (it was 4.0%). The share of those who do not expect any changes is 63.4% (it was 64.4%).

Size. Medium enterprises have the highest and approximately the same indicator of export expectations (0.38), and the indicator of large enterprises is 0.29. The indicator of small (0.11) and micro enterprises (0.17) is significantly lower.

Region. The HIGHEST VALUE OF THE INDEX OF THE EXPECTED EXPORT CHANGES was recorded for enterprises of Poltava, Lviv, and Ternopil regions (1.00 for each). The worst are the expectations of business representatives of Sumy (-0.50), Kyiv (-0.07), and Kirovohrad (-0.06) regions.

Sector. Food industry (0.37) and light industry (0.31) have the highest value of the index of expected changes in exports. The printing industry (-0.17) has the lowest and negative value.

Fig.16. Export indices



STOCKS OF RAW MATERIALS

Changes compared to the previous month

The rate of stock of raw materials reduction is accelerating. The value of the INDEX OF STOCKS OF RAW MATERIALS has decreased for the second month in a row and is 0.08 (it was 0.10). The share of respondents who reported an increase in stocks of raw material over the past month decreased from 21.3% to 18.2%, as did the share of respondents who indicated a decrease (from 14.3% to 12.2%). The share of entrepreneurs for whom nothing has changed compared to last month increased from 64.5% to 69.6%.

Size. The INDEX OF STOCKS OF RAW MATERIALS is the highest for large (0.15) and medium (0.09) enterprises. The indicator of small enterprises is 0.01. The indicator of micro-enterprises is the lowest and negative (-0.07).

Region. Most often, the accumulation of raw materials is reported in the Poltava (1.00), Odesa (0.32) and Ternopil (0.28) regions. The indicators of Kyiv (-0.68) and Kharkiv (-0.22) regions are the lowest.

Sector. The food (0.22) and light (0.10) industries have a positive value. The indicators of the woodworking industry (-0.24) and machine building and metalworking (0.20 each) are the lowest.

Expected changes in stocks of raw material

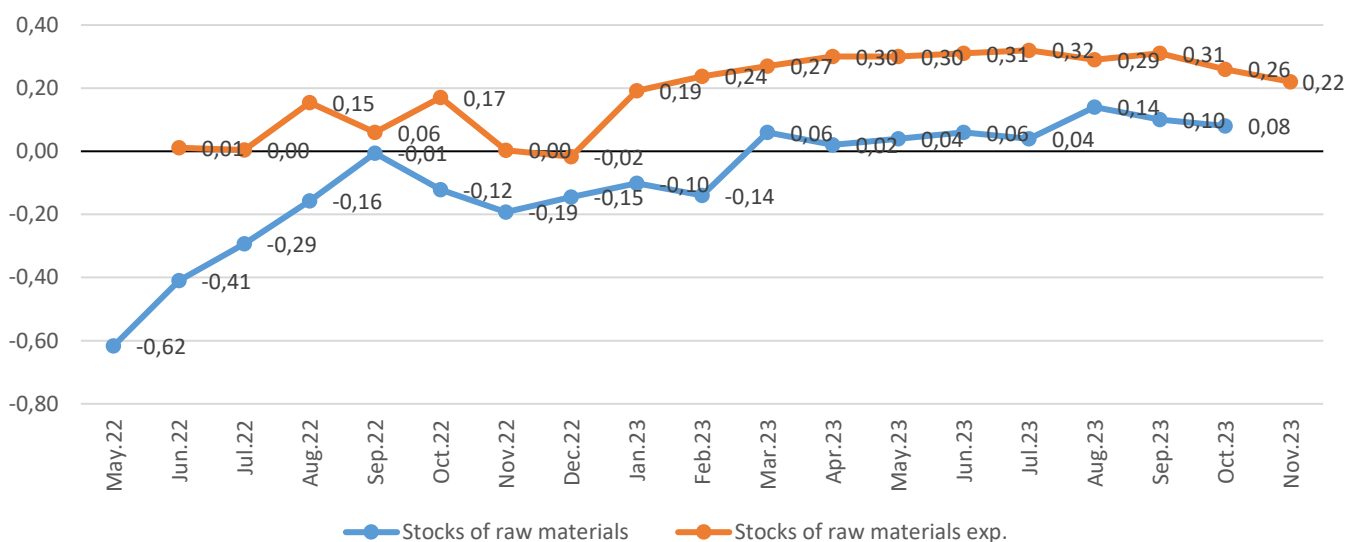
For the next three months, entrepreneurs expect a further acceleration of the reduction rate of raw materials stocks: the INDEX OF EXPECTED CHANGES IN STOCKS OF RAW MATERIALS decreased from 0.26 to 0.22. The share of respondents who expect stocks of raw material to accumulate decreased from 31.0% to 28.0%, while the share of those who believe that stocks of raw material will decrease did not change significantly and is 8.1% (there were 7.1%). The share of those believing the situation will not change increased from 61.9% to 63.9%.

Size. The INDEX OF EXPECTED CHANGES IN STOCKS OF RAW MATERIALS is higher and about the same for medium (0.26) and large (0.24) enterprises. The indicator of small enterprises is much lower and is 0.17. Microenterprises have the lowest value, which is zero.

Region. Poltava and Ternopil regions (1.00 for each) have the highest index of expected changes in stocks of raw materials. Kyiv city (-0.55) and Vinnytsia (-0.50) region have the lowest value of the index.

Sector. The food (0.36) and light (0.18) industries have the highest rate of expectations regarding changes in raw material stocks. The lowest value of the index is for metalworking (-0.09).

Fig.17. Stocks of raw material indices



STOCKS OF FINISHED GOODS

Changes compared to the previous month

The rate of accumulation of stocks of finished goods has not changed significantly. The values of the corresponding INDEX in October compared to September slightly increased, from -0.28 to -0.26. The share of respondents who reported a reduction in stocks of finished goods did not change significantly and amounted to 35.2% (it was 34.9%). At the same time, the share of respondents whose stocks increased slightly grew from 6.7% to 8.0%. The share of respondents who did not feel any changes decreased from 58.4% to 56.9%.

Size. The value of the index, depending on the size of the enterprise, is lower for small enterprises (-0.36) and the same for medium and micro enterprises (-0.27 each). The highest value is for large enterprises (-0.16).

Region. The value of the index depends on the region. The enterprises in Kyiv (0.14), Cherkasy, and Kirovohrad (0.12 each) regions have the highest and positive value of the index. Ivano-Frankivsk (-1.00), Lviv (-0.86), and Ternopil (-0.83) regions have the lowest indices.

Sector. The printing (-0.60) and light (-0.47) industries have the lowest index value. The chemical industry (-0.05) and machine building (-0.04) have the highest value.

Expected changes in stocks of finished goods

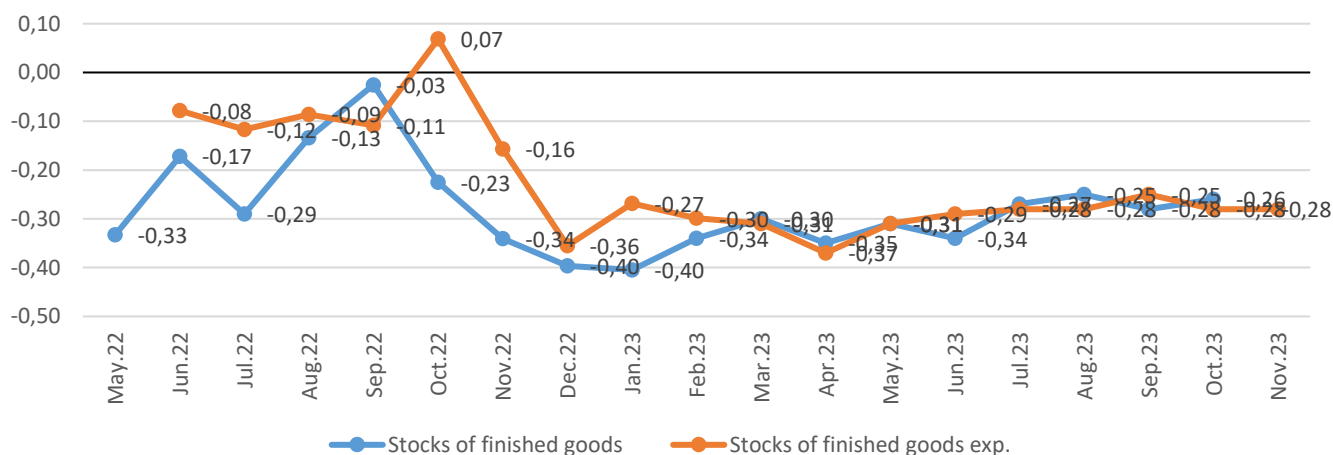
Company managers do not expect any changes in the future. The INDEX OF EXPECTED CHANGES IN STOCKS OF FINISHED GOODS, as last month, is -0.28. The share of respondents who believe that the stocks of finished goods will decrease in the next three months increased slightly, from 28.6% to 30.6%, and the share of those who expect them to increase is 2.0% (it was 1.7%). The percentage of those who believe that nothing will change has decreased from 69.7% to 67.5%.

Size. The value of the indicator depends on the size of the enterprise. Micro- (-0.15) and large (-0.18) enterprises have the highest and approximately the same index value. The indicator of medium (-0.30) and small (-0.40) enterprises is significantly lower.

Region. The indicator of expectations is higher than zero for the Khmelnytsky region (0.25). The indicator of expectations for Chernihiv, Poltava, Zaporizhzhya, and Kharkiv regions is zero. Other regions' indicators have a negative value; the lowest are the indicators of the Ternopil and Ivano-Frankivsk regions (-1.00 for each).

Sector. The value of the index is the highest for machine building (-0.08). The lowest are the indicators of printing (-0.33) and food (-0.39) industries.

Fig.18. Stocks of finished goods indices



NEW ORDERS

Changes compared to the previous month

The growth dynamics of new orders have slightly deteriorated. The NEW ORDER INDEX decreased from 0.15 to 0.12 in October. The share of those reporting an increase in new orders decreased from 25.8% to 22.7%, while the share of those reporting a decrease increased from 12.2% to 14.7%. The share of those who did not experience changes did not change significantly and is 62.6% (it was 62.0%).

Size. The value of the index is higher and about the same for large (0.20) and medium (0.14) enterprises. The indicator of small enterprises is 0.02. The indicator of micro-enterprises is the lowest and has a negative value of -0.16.

Region. The new orders grew the most in Poltava (1.00), Rivne (0.33) and Odesa (0.32) regions, while Sumy (-0.35) and Dnipropetrovsk (-0.20) regions had the highest decrease in new orders.

Sector. The best situation with new orders in the previous month was for the food (0.16) and light (0.35) industries. Metal processing (-0.20) and construction materials production (-0.20) have the lowest indicators.

Expected changes in new orders

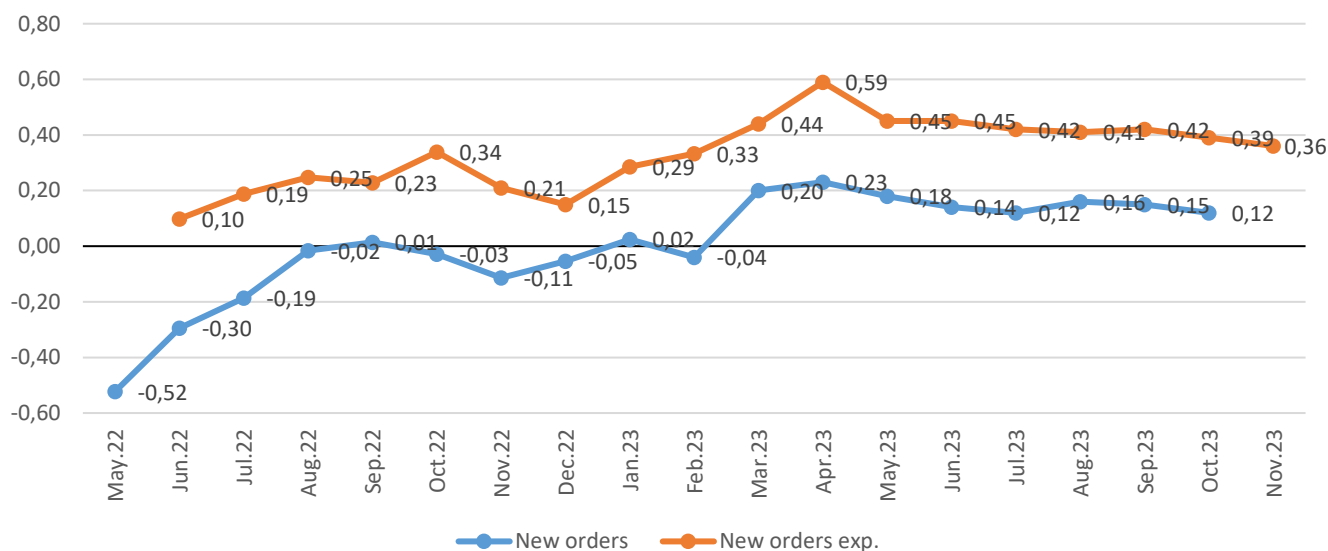
In the next three months, entrepreneurs expect further deterioration of the indicator. The value of the INDEX OF EXPECTED CHANGES IN NEW ORDERS has decreased for the second month in a row and is 0.36 (it was 0.39). The share of those expecting an increase in new orders decreased from 41.3% to 39.1%. At the same time, the share of those who do not expect any changes in the next three months has not changed and is 55.3%. The share of respondents expecting a reduction in the volume of new orders increased slightly, from 3.4% to 4.9%.

Size. The indicator of expectations is approximately the same for medium (0.38), large (0.35), and small (0.36) enterprises. The indicator of micro-enterprises is significantly lower (0.18).

Region. Index values have significant regional differences. In the Poltava (1.00), Ternopil (0.94), and Ivano-Frankivsk (0.88) regions, businesses expect an increase in new orders to a greater extent than in other ones. However, the indicators of Sumy (-0.14) and Kirovohrad (-0.03) regions have negative values.

Sector. Food (0.47) and light (0.38) industries have the best expectations for new orders. The index of metalworking is the lowest and negative (-0.10).

Fig.19. New orders indices



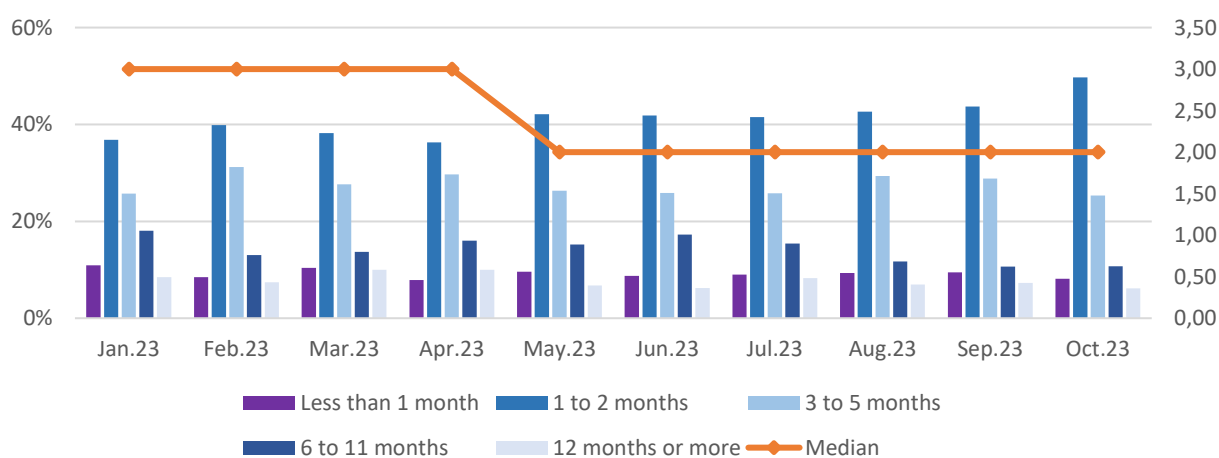
NEW ORDERS

Availability of orders

In October 2023, the average term of new order availability for surveyed enterprises remained at the level of two months (median), which it has been at since May 2023. Before that, in January-April 2023, this term was longer: three months.

At the same time, the share of enterprises with orders for up to two months increased to 58% from the level of 51%-53%, which was from May to September 2023. In particular, in October, 8% of enterprises had orders for less than one month, and 50% - for 1-2 months.

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 2 months, medium for 2.5 months, and large for 3 months.

82% of micro-enterprises and 70% of small ones have orders for only up to two months. At the same time, 34% of large enterprises and 18% of medium ones have orders for six months or more.

Sector. In October 2023, the comparatively longest average term of new orders, which, however, amounted to only three months (median value), was recorded in the printing industry¹. Almost all other industries represented in this survey had 2 months of orders in October. An exception among the rest of the industries was metallurgy, where enterprises had new orders for only 1 month on average.

It is also worth noting that more than 70% of enterprises in construction materials production have orders for only up to two months. This share is larger than among other industries.

Region. There are differences between enterprises in different regions in the availability of orders². The average term of average term of order availability is the longest for enterprises in the Kyiv region, where, on average, it was 12 months (median value). Also, the term of orders is relatively long for enterprises of the Poltava Region (7 months).

On the other hand, the shortest average period of orders - only one month - was recorded in the Kharkiv, Khmelnytsky, Chernivtsi, and Chernihiv regions and only 1.5 months in Zhytomyr region.

PURCHASE PRICE

Changes compared to the previous month

The growth rate of prices for raw materials and supplies has slowed down. The value of THE PURCHASE PRICE INDEX decreased from 0.44 to 0.36. The share of enterprise managers who indicated an increase in prices in October compared to September decreased from 46.4% to 39.1%. At the same time, the share of those who believe that prices did not change compared to the previous month increased from 50.4% to 57.3%. The share of those who speak about a decrease in prices for raw materials and supplies compared to the previous month has not changed significantly and amounts to 3.6% (it was 3.3%).

Size. Depending on the size of the enterprise, managers of large (0.46) enterprises often talk about increasing the prices of raw materials and supplies. The indicator of small (0.39) and micro enterprises (0.33) is about the same. Managers of medium-sized enterprises say the least about the increase in prices for raw materials and supplies (0.27).

Region. Significant regional differences were recorded. The value of the index is higher for Poltava (1.00) and Sumy (0.70) regions. The indicator of the Rivne region is the lowest and is 0.08.

Sector. The value of the index of raw materials and supplies price is the highest for the machine building (0.51) and light (0.49) industries. The chemical industry has the lowest value of the index (0.17).

Expected changes in purchase prices

The majority of respondents expect a slight increase in the prices of raw materials and supplies in the next three months. The INDEX OF EXPECTED CHANGES IN THE PURCHASE PRICES increased from 0.16 to 0.19. The share of respondents who believe there will be no changes decreased from 79.3% to 75.1%. At the same time, the share of those expecting a price rise increased from 18.9% to 22.1%. The share of respondents who believe that the prices of raw materials and supplies will decrease in the next three months has not changed significantly and is 2.8% (it was 1.8%).

¹ This analysis does not consider enterprises in the sectors of agriculture, construction, trade, and services, as well as enterprises included in the category "Other production."

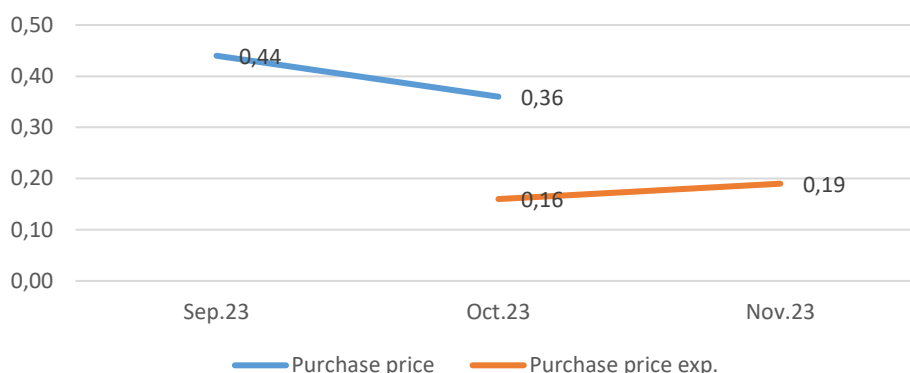
² Regions in which no enterprises were surveyed are not included in the comparison. For more details, see the "Sample" section.

Size. Depending on the size, the indicator of micro-enterprises (0.33) is the highest. The value of the index for large (0.22), small (0.19), and medium (0.15) enterprises is significantly lower and approximately the same.

Region. The most talk about a possible increase in prices for raw materials and supplies is in Poltava (0.95), Kharkiv (0.94), Sumy, and Chernivtsi (0.71 each) regions. Indicators of Rivne (-0.04), Ivano-Frankivsk (-0.06), and Kyiv (-0.08) regions have a negative value.

Sector. Machine building has the highest value of the index (0.44). The lowest expectation is in the printing industry, which has a value of zero.

Fig.21. Purchase price indices



DOMESTIC SALES PRICE

Changes compared to the previous month

The value of the DOMESTIC SALES PRICE INDEX decreased from 0.38 to 0.27. The share of enterprise managers who indicated price increases in October decreased from 41.2% to 31.1%. At the same time, the share of respondents who talk about price reductions has not changed and is 3.2%, the same as last month. The share of those who believe prices did not change compared to the previous month increased from 55.5% to 65.7%.

Size. Depending on the size of the enterprise, small (0.34) enterprises often talk about increasing prices for finished goods. The indicators of large (0.28), micro (0.27), and medium (0.22) enterprises are approximately the same.

Region. Significant regional differences were recorded. The value of the index is higher in Sumy (0.84), Khmelnytsky (0.55), and Kyiv (0.50) regions. The indicator of the Poltava region is the lowest and is equal to zero.

Sector. The value of the PRICES FOR THE FINISHED GOODS INDEX is the highest for light industry (0.42). The chemical industry has the lowest value of the index (0.22).

Expected changes in the domestic sales price

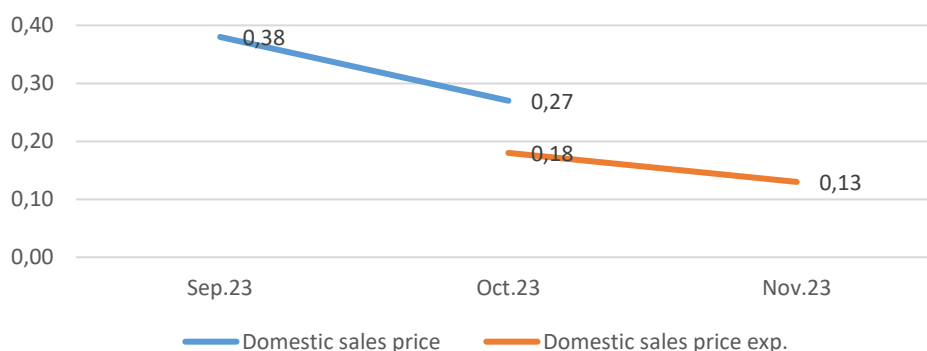
For the next three months, the heads of enterprises expect a decrease in prices. The INDEX OF EXPECTED CHANGES IN DOMESTIC SALES PRICE decreased from 0.18 to 0.13. The share of respondents who do not expect changes has not changed significantly and is 79.1% (it was 79.6%). The share of respondents expecting price increases in the next three months decreased slightly, from 19.5% to 18.4%. The share of those who believe that the prices for raw materials and supplies will decrease in the next three months has increased from 0.9% to 2.6%.

Size. Depending on the size, the indicator of micro-enterprises (0.36) is the highest. The value of the index for small enterprises is 0.20. The lowest and approximately the same indicator is for medium (0.12) and large (0.08) enterprises.

Region. The business talks the most about a possible increase in release prices in Kharkiv (0.94), Sumy (0.82), and Chernivtsi (0.71) regions. Indicators of Rivne (9-0.04), Ivano-Frankivsk (-0.06), and Kyiv (-0.12) regions have the lowest and negative values.

Sector. Machine building has the highest value of the index (0.41). The lowest indicator of expectations is in the printing industry, which has a value of zero.

Fig.22. Domestic sales price indices



ACCOUNT RECEIVABLES

Changes compared to the previous month

The accounts receivable indicator improved significantly in October compared to September. The value of the ACCOUNT RECEIVABLES INDEX decreased from -0.18 to -0.24. The share of those who reported reducing their debt increased only slightly, from 34.0% to 35.0%, while the share of those who accumulated debt decreased from 13.2% to 9.6%. The share of those for whom nothing has changed increased from 52.8% to 55.3%.

Size. The situation with account receivables is approximately the same and significantly better for medium (-0.31) and small (-0.36) enterprises. The indicator of large (-0.09) and micro-enterprises (-0.08) is significantly higher and worse.

Region. Significant regional differences in the values of this indicator were recorded. The highest increase in account receivables was recorded in Kyiv city (0.55). At the same time, in Lviv, Ternopil, and Ivano-Frankivsk regions (-1.00 for each), the indicator of receivables decreased the most.

Sector. Machine building has the highest value, which is zero. The food (-0.40) and light (-0.28) industries have the lowest indicators.

Expected changes in account receivables

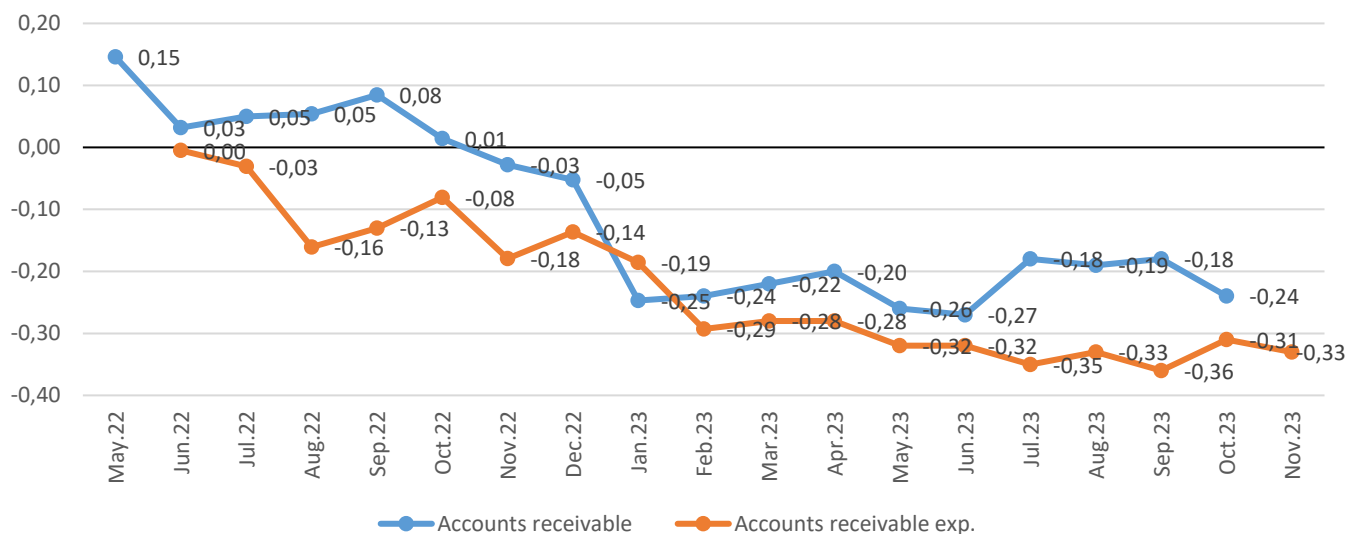
In three months, entrepreneurs expect a further decrease in the indicator. The INDEX OF EXPECTED CHANGES IN ACCOUNT RECEIVABLES decreased slightly, from -0.31 to -0.33. The share of respondents who expect the accumulation of debt has slightly decreased, from 3.7% to 2.4%, while the share of those who expect its reduction has not changed significantly and is 34.4% (it was 36.5%). The share of those who believe nothing will change has increased slightly, from 59.8% to 61.2%.

Size. Large (-0.22) and micro-enterprises (-0.14) have higher values of the indicator. Medium (-0.40) and small (-0.42) enterprises have the lowest value of the index.

Region. Vinnytsia (0.25) region, Kyiv city (0.10), and Poltava (0.05) region have the largest and higher values than zero. Lviv, Ivano-Frankivsk, and Ternopil regions have the lowest indicators (-1.00 for each).

Sector. The woodworking industry (-0.14) has the highest indicator of expectations for an increase in receivables, and the food industry has the lowest indicator (-0.44).

Fig.23. Account receivables indices



ACCOUNT PAYABLES

Changes compared to the previous month

In October, compared to September, the indicator of payables did not change significantly. The ACCOUNT PAYABLES INDEX is -0.26 (was -0.25). The share of respondents who reported accumulating debt decreased slightly, from 8.1% to 6.4%, while the share of those for whom payables decreased remained almost unchanged at 34.1% (it was 34.3%). The share of those for whom nothing has changed over the past month increased from 57.6% to 59.5%.

Size. The indicator of small (-0.37) and medium-sized (-0.33) enterprises is significantly better and approximately the same. At the same time, the indicator of micro (-0.11) and large (-0.14) enterprises is significantly higher.

Region. Significant regional differences were recorded. The situation with the accumulation of payables is the worst in the Volyn region (0.31) and Kyiv city (0.25). The best situation is in Lviv, Ivano-Frankivsk, and Ternopil regions (-1.00 for each).

Sector. The highest is the indicator for machine building (-0.03) and metalworking (-0.05). The lowest value is for the food industry (-0.41).

Expected changes in account payables

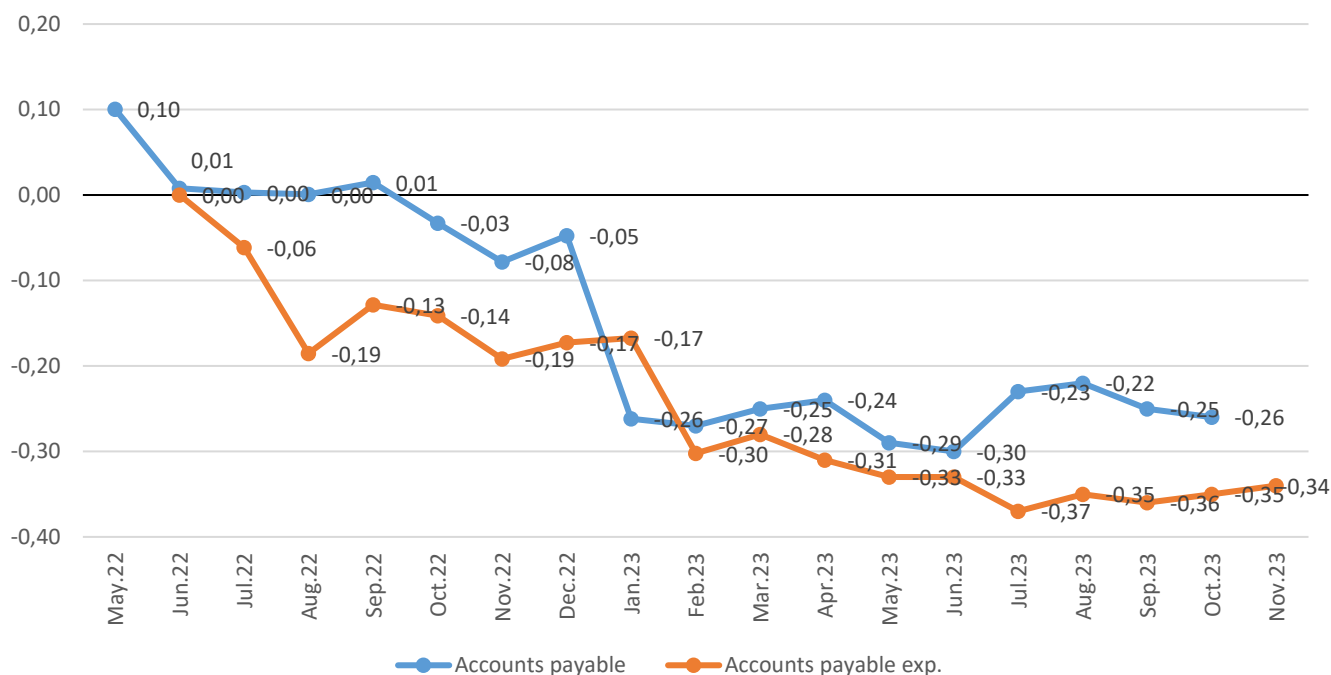
Entrepreneurs do not expect significant changes in the indicator for the next three months. The INDEX OF THE EXPECTED CHANGES IN ACCOUNT PAYABLES is -0.34 (it was -0.35). The share of those who expect a reduction in accounts payable remained almost unchanged (36.1% in September and 35.9% in October), the share of those who expect its accumulation increased slightly, from 0.07% to 1.6%. The share of respondents who believe nothing will change has slightly decreased, from 63.2% to 62.6%.

Size. The indicator of small (-0.44) and medium-sized (-0.39) enterprises is much better. The value is somewhat higher for large enterprises (0.22). The indicator of payables is twice as high and the worst for micro-enterprises (-0.11).

Region. The indicator of expectations for account payables is positive and higher than zero in the Vinnytsia region (0.25) and Kyiv city (0.05). The lowest indicators are in Lviv, Ivano-Frankivsk, Sumy, and Ternopil regions (-1.00 for each).

Sector. Metalworking and woodworking (-0.19 each) industries have the highest indicators. The food industry (-0.44) has the lowest index value.

Fig.24. Account payables indices



TAX ARREARS

Changes compared to the previous month

The tax arrears reduction rate has slowed down. The TAX ARREARS INDEX is almost unchanged for the third month in a row and is -0.32 in October (two months in a row, the value was -0.31). The share of enterprises reporting a reduction in tax arrears for the past month is 33.6% (it was 33.2%), while the share of respondents who indicated an increase in tax arrears decreased slightly, from 1.0% to zero. The share of those who believe no changes have taken place has slightly increased, from 65.8% to 66.4%.

Size. Tax arrears indicators are higher and approximately the same for large (-0.16) and micro-enterprises (-0.18). The index value of medium (-0.37) and small companies (-0.48) is significantly lower and better.

Region. There are significant differences in the value of this indicator by region. The value for Kyiv city, Kyiv, Vinnytsya, Cherkasy, Chernihiv, Volyn, Zakarpattia, and Zaporizhzhya regions is zero. Lviv, Ivano-Frankivsk, and Ternopil regions have the lowest indicators (-1.00 for each).

Sector. The indicator of tax arrears is the highest value for metalworking (-0.11) and machine building (-0.15). The values of the printing (-0.37) and food (-0.45 each) industries are the lowest.

Expected changes in tax arrears

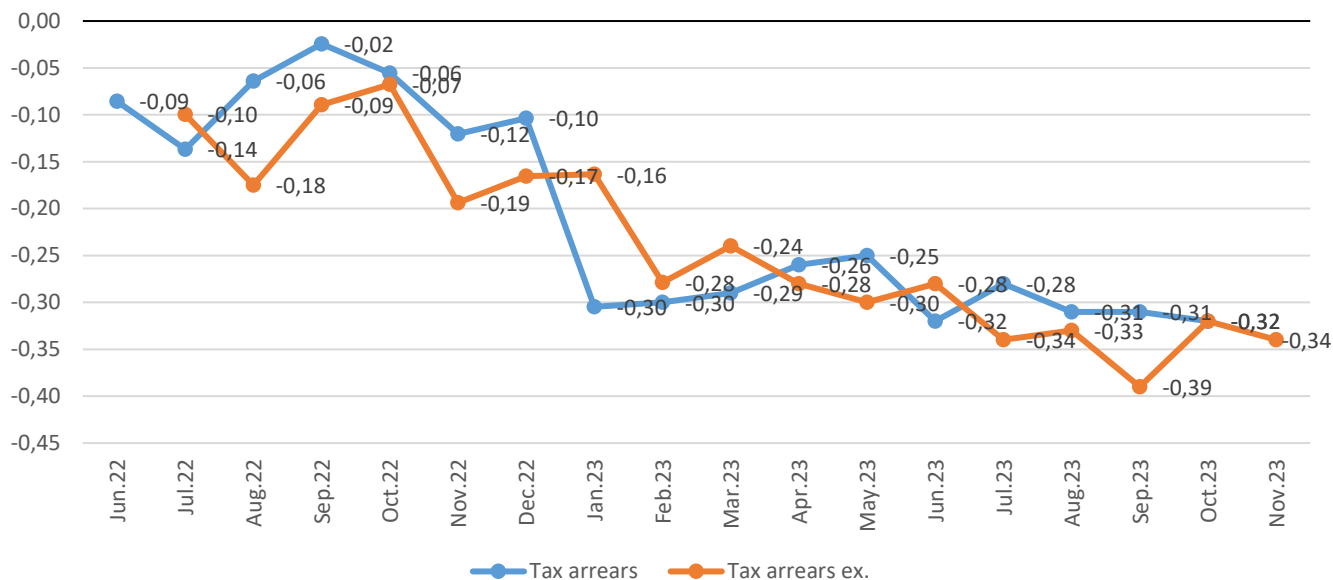
For the next three months, entrepreneurs expect a slight improvement in the indicator. The INDEX OF THE EXPECTED CHANGES IN TAX ARREARS decreased from -0.32 to -0.34. At the same time, there were no significant changes in the percentage distribution. The share of those who predict a reduction in tax arrears is 34.5% (it was 33.4%), and the share of those who expect it to increase is 0.2% (it was 0.8%). The share of those who do not expect changes has also almost not changed and is 65.3%; it was 65.8%.

Size. The indicator of expectations regarding tax arrears is worse for micro-enterprises (-0.14). The indicator of large enterprises is 0.23. Indicators of small (-0.47) and medium (-0.36) enterprises are significantly better.

Region. The Vinnytsya region expectations indicator is the only one with a positive value (0.25). The indicator of Lviv, Ivano-Frankivsk and Ternopil regions is the lowest (-1.00 for each).

Sector. The highest rate of tax arrears expectations is higher for the chemical (-0.12) and woodworking (-0.17) industries. The lowest is the indicator for the food industry (-0.43).

Fig.25. Tax arrears indices



NUMBER OF WORKERS

Changes compared to the previous month

The employment reduction rate has not changed significantly compared to September, although the indicator has been gradually decreasing for the second month in a row. The NUMBER OF WORKERS INDEX decreased from -0.04 to -0.06 in October. The share of respondents reporting a reduction in the number of workers involved in all operations slightly increased, from 6.1% to 7.7%. At the same time, the share of those who indicated an increase did not change significantly and is 1.3% (it was 1.9%). The share of those for whom nothing has changed decreased from 92.0% to 90.9%.

Size. The indicator is higher and approximately the same for medium (-0.03) and large (-0.05) enterprises. At the same time, the indicator of small (-0.09) and micro-enterprises (-0.11) is somewhat lower.

Region. The indicator is higher than zero in Poltava (0.05) and Volyn (0.03) regions. Dnipropetrovsk (-0.50) and Sumy (-0.03) regions have the lowest index values.

Sector. The indicator of the printing industry is zero. Other industries have a negative index value, and the lowest are the indicators of machine building (-0.23) and metalworking (-0.23).

Expected changes in the number of workers

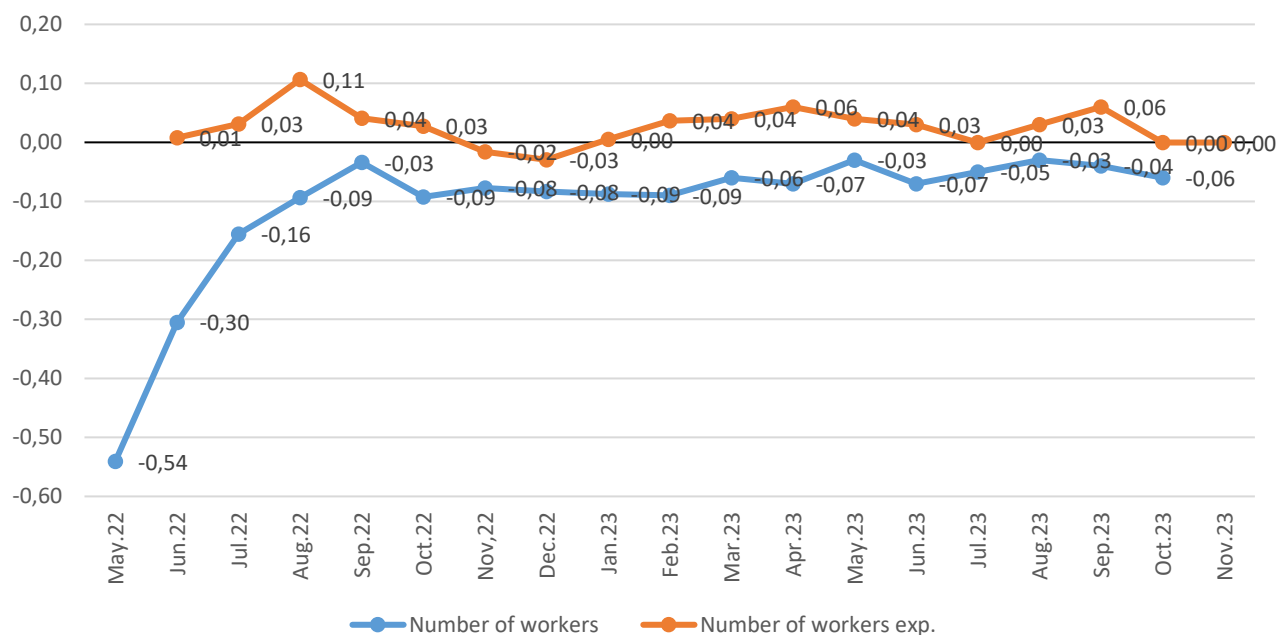
In the next three months, the surveyed enterprise managers do not expect changes in the number of workers: the INDEX OF THE EXPECTED CHANGES IN THE NUMBER OF WORKERS is zero for the second month in a row. The share of respondents who plan to increase the number of employees increased slightly, from 3.0% to 4.1%, while the share of those who expect to reduce the number of workers did not change significantly (3.0% in September and 3.0% in 9% in October). The share of those who do not plan changes has decreased from 94.0% to 92.0%.

Size. Depending on the size of the enterprise, the indicator of micro-enterprises is the highest and is 0.05. The indicator of medium-sized enterprises is 0.02, and the indicator of large enterprises is zero. The indicator of small enterprises is the only one with a negative value.

Region. The value of the index of expected changes in the number of workers significantly depends on the region of enterprise location. The highest indicator of expectations was recorded for Kharkiv (0.28) and Volyn (0.08) regions. Kyiv (-0.09), Dnipropetrovsk (-0.20), and Sumy (-0.21) regions have the lowest and negative values of the indicator.

Sector. The light (0.05) and food (0.02) industries have the highest expectations index. Metalworking has the lowest indicator (-0.19).

Fig.26. Number of workers indices



WORKERS ON FORCED LEAVE

Changes compared to the previous month

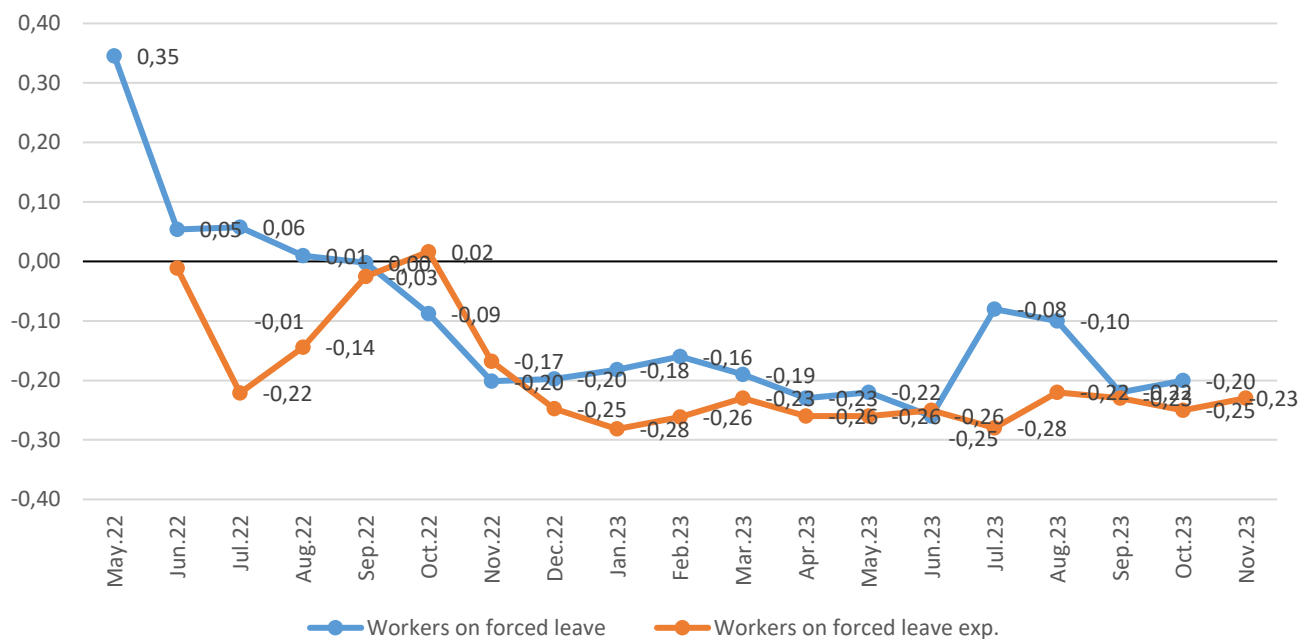
The reduction rate in the number of workers on forced leave has slowed down. THE NUMBER OF WORKERS ON FORCED LEAVE INDEX increased slightly, from -0.22 to -0.20. The share of those who reported an increase in such workers did not change significantly and is 2.9% (it was 3.1%). At the same time, the share of those who indicated their reduction decreased slightly, from 25.8% to 24.1%. The share of those for whom the situation has not changed over the past month has increased from 71.0% to 73.1%.

Size. The indicator of micro and large enterprises is higher and the same (-0.05 each), while the indicator of medium (-0.27) and small companies (-0.31) is significantly lower.

Region. Among the various regions, the highest increase in the indicator is observed for enterprises in the Sumy (0.36) and Vinnytsya (0.08) regions, and the decrease in the number of workers on forced leave is most often reported in the Lviv, Ivano-Frankivsk, and Ternopil regions (-1.00 each).

Sector. Machine building (0.03), whose indicator is positive, has worse indicators regarding the number of workers on forced leave. The indicators of the printing (-0.36) and food (-0.33) industries are the lowest.

Fig.27. Number of workers on forced leave indices



Expected change in the number of workers on forced leave

Enterprises that have workers on forced leave expect an increase in their number. The INDEX OF EXPECTED CHANGES IN THE NUMBER OF WORKERS ON FORCED LEAVE increased slightly, from -0.25 to -0.23. The share of enterprises where the number of workers on forced leave is expected to increase slightly grew from 0.7% to 1.2%. At the same time, the share of those who believe that the number of such workers at their company will decrease has not changed significantly and amounts to 25.1% (it was 26.9%). The share of those who believe there will be no change has slightly increased, from 72.3% to 73.7%.

Size. The indicator of micro-enterprises is zero and is the highest. The value is somewhat lower for large enterprises (-0.12). Indicators of medium (-0.27) and small (-0.35) enterprises are significantly lower.

Region. Indicators of expectations for Sumy (0.30) and Volyn (0.03) regions are higher and positive. The indicators of Lviv, Ivano-Frankivsk, and Ternopil regions (-1.00 each) are the lowest.

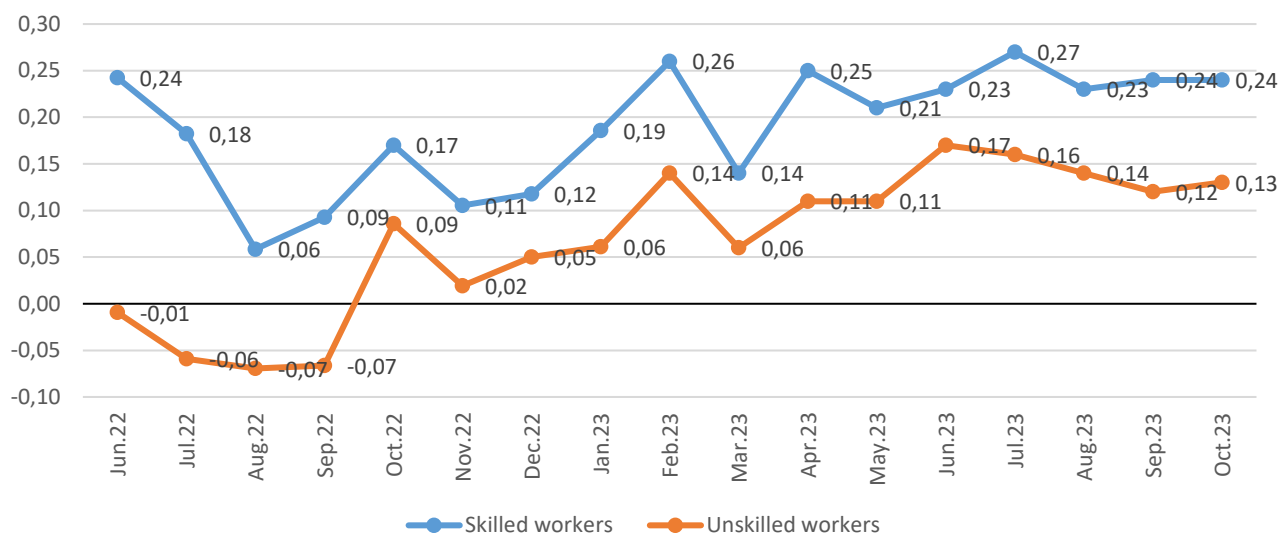
Sector. The chemical industry has the highest expectation for the number of workers on forced leave, which is zero. The lowest is the indicator for the food (-0.34) and printing (-0.36) industries.

SKILLED AND UNSKILLED WORKERS

In October 2023, difficulties in finding both skilled and unskilled workers have not changed significantly. The VALUE OF THE INDEX OF FINDING SKILLED WORKERS is 0.24, the same as last month. The value of the INDEX OF FINDING UNSKILLED WORKERS almost did not change after a three-month gradual decrease and is 0.13 (was 0.12).

The share of company managers who indicated that it is more difficult to find skilled workers increased slightly, from 25.7% to 27.7%. At the same time, the share of those who find it more difficult to find unskilled workers has hardly changed (18.0% in September and 18.8% in October). The percentage of those who find it easier to find skilled workers has not changed significantly and is 1.9% (was 1.5%), as well as the share of those who find it easier to find unskilled workers, which is 5.3% (was 5.7%). The share of those who do not feel any changes in the search for skilled workers decreased from 72.8% to 70.5%, and for unskilled workers, the percentage did not change and is 75.9% (it was 76.3%).

Fig.28. Skilled and unskilled workers indices



Skilled workers

Size. Depending on the enterprise size the indicator is lower and about the same for small (0.28) and medium (0.22) companies. The indicator of large enterprises is 0.20. It is most difficult for micro-enterprises to find skilled workers; their indicator is the highest and is equal to 0.49.

Region. Significant regional differences in the labor market were recorded. It is easiest to find skilled workers in the Lviv, Rivne, Odesa, Cherkasy, and Zakarpattya regions, whose indicator is the lowest and is equal to zero. Chernihiv (1.00), Khmelnytsky (0.96), Dnipropetrovsk, and Poltava (0.95 for each) regions have the greatest difficulty in finding skilled workers.

Sector. The woodworking (0.20) industry has fewer difficulties with finding skilled workers. It is more difficult to find skilled workers for the metalworking (0.47) and machine building (0.40) sectors.

Unskilled workers

Size. It is easiest for large (0.09) and small (0.10) enterprises to find unskilled workers. The index of difficulty in finding unskilled workers for medium-sized enterprises is 0.15. It is most difficult to find unskilled workers for micro-enterprises, whose index is 0.31.

Region. It is easiest to find unskilled workers in Sumy (-0.71), Chernivtsi (-0.17), and Kharkiv (-0.06) regions. The biggest difficulties with finding unskilled workers are in Chernihiv (1.00), Khmelnytsky (0.91) and Dnipropetrovsk (0.85) regions.

Sector. The worst indicators for finding unskilled workers are observed for metalworking (0.26) and light (0.20) industry; the lowest index values are for chemical (0.09) and woodworking (0.05) industries.

SPECIAL PART OF THE SURVEY

THE IMPACT OF WAR ON ENTERPRISES

Challenges for businesses in wartime

The main obstacle to business associated with a full-scale Russian invasion in October 2023 was **the increase in prices for raw materials**. This issue comes out on top for the eighth month in a row in 2023: as it did from March to August 2023, it was the most common obstacle for businesses surveyed in October. However, in the last two months, the absolute value of this obstacle was lower than in the previous waves of this survey. In September and October, 46% and 48% of enterprises complained about price increases, respectively. And in August, this share was 57%.

The second place in the rating of obstacles in October was obtained by the **problem of decreasing demand for enterprises' products or services**. It was indicated by 33% of survey participants; it is the same number as in September.

Work hazards and labor shortages due to conscription and migration of workers shared third place in the ranking of obstacles caused by a full-scale Russian invasion. These two obstacles were indicated by 32% of respondents. At the same time, the share of enterprises that said it is dangerous to work decreased from 40% in September. The share of enterprises facing labor shortages also decreased: in September, they were 37%.

The difficulties transporting raw materials or goods throughout Ukraine in October became the fifth most important problem caused by a full-scale war. The share of enterprises that reported these difficulties was 31% in October, which is less than in the previous month (38%).

The sixth place in the rating of obstacles caused by a full-scale Russian invasion in October 2023 was taken by **electricity, water, and heat supply outages** indicated by 28% of enterprises. This share has slightly decreased compared to previous months: from May to September 2023, it was more than 30%.

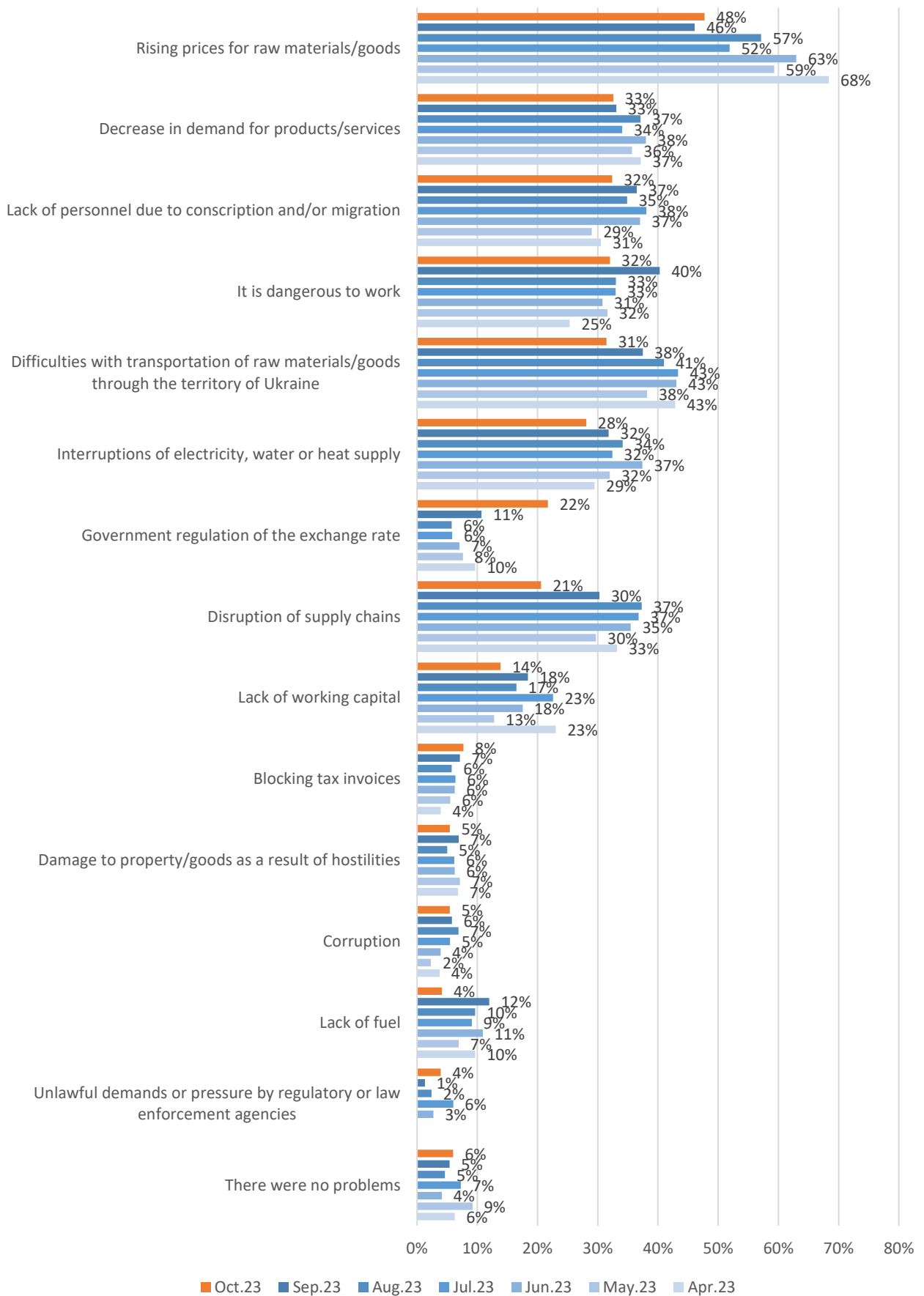
With a slight difference, the seventh and eighth places were obtained by the **problems of state regulation of the exchange rate** and **disruption of supply chains**, which were reported by 22% and 21% of respondents in October, respectively.

It should be noted that the share of enterprises complaining about problems with exchange rate regulation has reached its highest value in the last 11 months - since November 2022. It may be related to a change in the exchange rate on the market or to business concerns about the consequences of the transition of the National Bank of Ukraine to managed flexibility of the exchange rate announced at the end of September 2023. In contrast, the percentage of businesses reporting supply chain issues decreased compared to September.

The **lack of working capital** issue affected 14% of surveyed enterprises and ranked ninth in the ranking of obstacles. Blockage of tax invoices was the tenth most important problem for businesses in October, with 8% of businesses citing it.

Obstacles such as **damage to property or goods as a result of military actions, corruption, lack of fuel, and undue demands or pressure from regulatory or law enforcement agencies** were reported by 5% or less of enterprises. In addition, 6% of businesses surveyed in October 2023 said they did not experience any problems.

Fig.29. The most important problems for the surveyed businesses



Challenges for businesses by size. The main issue for business in October - rising prices for raw materials or supplies - affects micro-enterprises the most. 57% of them reported this obstacle; among larger businesses, there were no more than 51% of such enterprises.

Also, as the size of the business decreases, the impact of the demand problem increases. Most often, the decrease in demand is reported by micro-enterprises (47%), while among small enterprises, this share decreases to 36%, and for medium and large enterprises - to 27% and 28%, respectively. The percentage of businesses that faced problems due to power outages in October is also the highest among micro-enterprises (57%).

On the other hand, large enterprises talk more about work hazards (45%). For comparison, the share of micro, small, and medium-sized enterprises that said it is unsafe to work was between 26% and 31%.

Challenges for businesses by sector. In the woodworking industry, more often than in others, the most acute problem for the surveyed business in October 2023 was indicated: the increase in prices for raw materials or supplies (76% of enterprises)³. Also, this problem was more acute compared to other industries for businesses in the textile, clothing, or footwear production sector (61%).

The representatives of the machine building (51%), woodworking (48%), and construction materials (47%) industries spoke most often about the decrease in demand in October. Also, labor shortages due to conscription and worker migration were reported more often in the woodworking industry than in others (52%). The problem of work hazards was most acute for metallurgy (40%), machine building (40%), and printing (39%), and difficulties transporting raw materials or goods across the territory of Ukraine most affected the chemical industry (57%).

Challenges for businesses by region. The surveyed businesses of the Zhytomyr region (100% of enterprises), as well as Sumy, and Khmelnytsky regions and Kyiv city (more than 70%) often complain about the increase in prices for raw materials or supplies⁴.

The decrease in demand for products or services is the biggest concern of surveyed enterprises in Vinnytsia and Poltava regions (79%).

In the Dnipropetrovsk, Zhytomyr, Poltava, and Chernivtsi regions, the highest shares of businesses faced a labor shortage due to the full-scale war (more than 60%) were recorded.

In October, work hazards were most often discussed in Vinnytsia (100%) and Dnipropetrovsk (95%) regions and in Poltava and Kharkiv regions (80% and more enterprises).

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 managers of industrial enterprises regarding changes in the business environment and the performance indicators of enterprises, which also included their assessment of obstacles to production growth. Every quarter, enterprises were asked to choose obstacles that were the most relevant to them from a defined obstacle list.

This survey was last conducted in February 2022, before the full-scale Russian invasion, with results for Q4 2021, expectations for Q1 2022, and estimates for February 2022 (before February 24). At that time, the main problem for the surveyed business was the restrictions related to the coronavirus epidemic.

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

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 survey reports on the IER website: http://www.ier.com.ua/ua/publications/regular_products/business_idea_industry

In October 2023, for the third time since the start of the full-scale Russian invasion, we asked businesses to name obstacles from this list to compare how much they have changed for Ukrainian industry during a full-scale war. Here, we present the results of the October 2023 survey and compare them to the results of the two previous waves when this question was asked in April and July 2023.

According to the survey results in October, the biggest obstacle in this rating was the war and the unfavorable security situation. It was indicated by 72% of enterprises, which is slightly less than in July (75%)⁶.

Low demand ranked second among these obstacles in October, which was named as an obstacle by 39% of respondents. It has practically not changed over the previous three months: in July, there were 41% of such respondents.

Excessive taxation became the third most important obstacle on this list. The share of enterprises complaining about this problem has almost doubled over the past six months: from 21% in April to 30% in July and to 38% in October 2023.

The effect of the **unfavorable political situation** was reported by 35% of respondents; that is why this problem took fourth place in the rating of obstacles. This share has not changed since July but is significantly smaller than in April when it was indicated by 51% of respondents - probably due to the fact that the separate obstacle "war and unfavorable security situation" was not yet highlighted in the list of options and the respondents could understand a negative political situation also as military and security situation.

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 October, 30% of enterprises reported an unfavorable regulatory climate, which is slightly more than in the summer of 2023 (in July, this share was 28%). Among the components of this indicator, the value of corruption has changed most noticeably over the previous three months: it increased from 5% in July to 10% in October. Reports of high regulatory pressure also increased (from 20% to 23%).

Table 1. Obstacles to production growth

	April 2023	July 2023	October 2023
War, adverse security situation	-	75%	72%
Low demand	39%	41%	39%
Excessive taxation	21%	30%	38%
Unfavorable political situation	51%	35%	35%
Unfavorable regulatory climate	32%	28%	30%
<i>High regulatory pressure</i>	20%	20%	23%
<i>Corruption</i>	7%	5%	10%
<i>Changes in economic legislation</i>	13%	9%	7%
Lack of skilled workers	12%	22%	23%
Liquidity problems	27%	24%	20%
Lack of raw materials	18%	20%	20%
High competitive pressure	15%	16%	15%
High loan rates	9%	12%	11%
Lack of production capacity	9%	4%	10%
Loans availability	13%	9%	8%

⁶ The April survey did not separate the war as a separate obstacle.

	April 2023	July 2023	October 2023
Problems with energy supply	4%	4%	2%
Outdated technologies	3%	2%	2%

Size. Micro-enterprises more often than larger businesses report such obstacles to business growth as an unfavorable political situation (85%) and low demand (49%).

On the other hand, these businesses are less likely than others to cite excessive taxation and an unfavorable political situation as obstacles to growth. Thus, 16% of micro-enterprises cited excessive taxation as such an obstacle and 13% cited the unfavorable political situation as such an obstacle.

It is worth noting that the unfavorable regulatory climate is most often indicated by small and medium-sized enterprises (34% and 35%). In particular, small enterprises talk more often than others about high regulatory pressure (29%), and medium enterprises - about corruption (15%).

Sector. In all industries, companies cite war and the unfavorable security situation as the main obstacle to production growth. The second most important issue - low demand - is most often cited as an obstacle by representatives of the chemical industry, machine building, and construction materials production (more than 50%).

The chemical (52%) and food (44%) industries recorded the largest share of enterprises that pointed to an unfavorable political situation. An unfavorable regulatory climate most hinders the growth of the food industry (36%), the chemical industry (35%), and the construction materials production industry (33%). In particular, in these three industries, companies report high regulatory pressure more often than in others.

Region. More than 90% of surveyed businesses in Vinnytsia, Dnipropetrovsk, Zhytomyr, Kharkiv, Chernivtsi, and Chernihiv regions named the war and the unfavorable 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 the Poltava region (100% of respondents) and in Vinnytsia, Kharkiv, and Chernivtsi regions (60% and more). In Zakarpattya and Cherkasy regions, all surveyed businesses (100%) complain about excessive taxation.

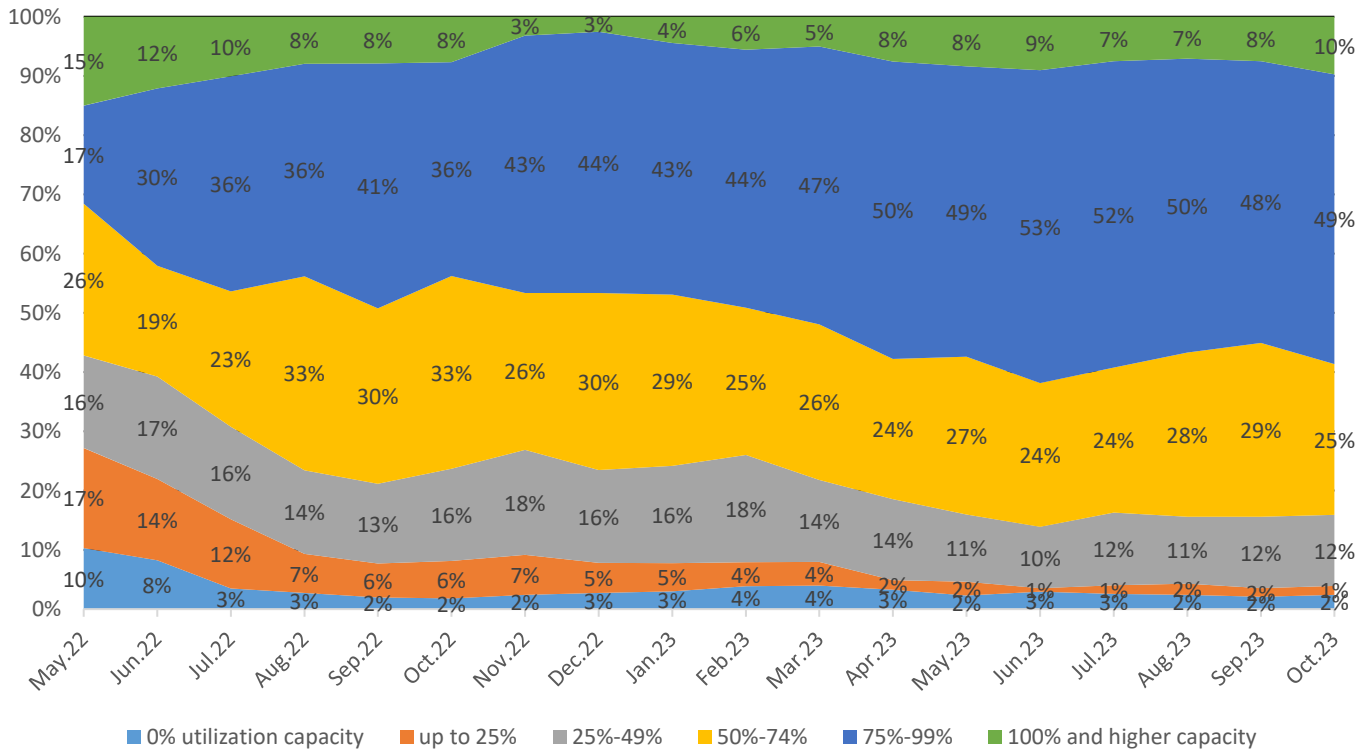
Vinnytsia and Lviv regions have the highest shares of businesses that speak of an unfavorable political situation (88% and 75% of respondents, respectively). The largest number of enterprises hindered by an unfavorable regulatory climate are in Ternopil (83%) and Lviv (71%) regions and in Ivano-Frankivsk and Cherkasy (53% each).

The war impact on capacity/production volumes

In October 2023, the capacity utilization index increased slightly compared to September. In October, 10% of enterprises reported they were operating at full capacity (100% or more), which was slightly higher than the previous month (8%). At the same time, the share of enterprises operating at almost full capacity (75% - 99%) was 49% (52% in July, 50% in August and 48% in October). As a result, **the total share of enterprises operating almost at full and full capacity was 59%** (in July – 59%, August – 57%, September – 55%). **Thus, the three-month trend of slowing production recovery has been interrupted.** For comparison, the corresponding indicator was the highest for all survey waves in June - 62%.

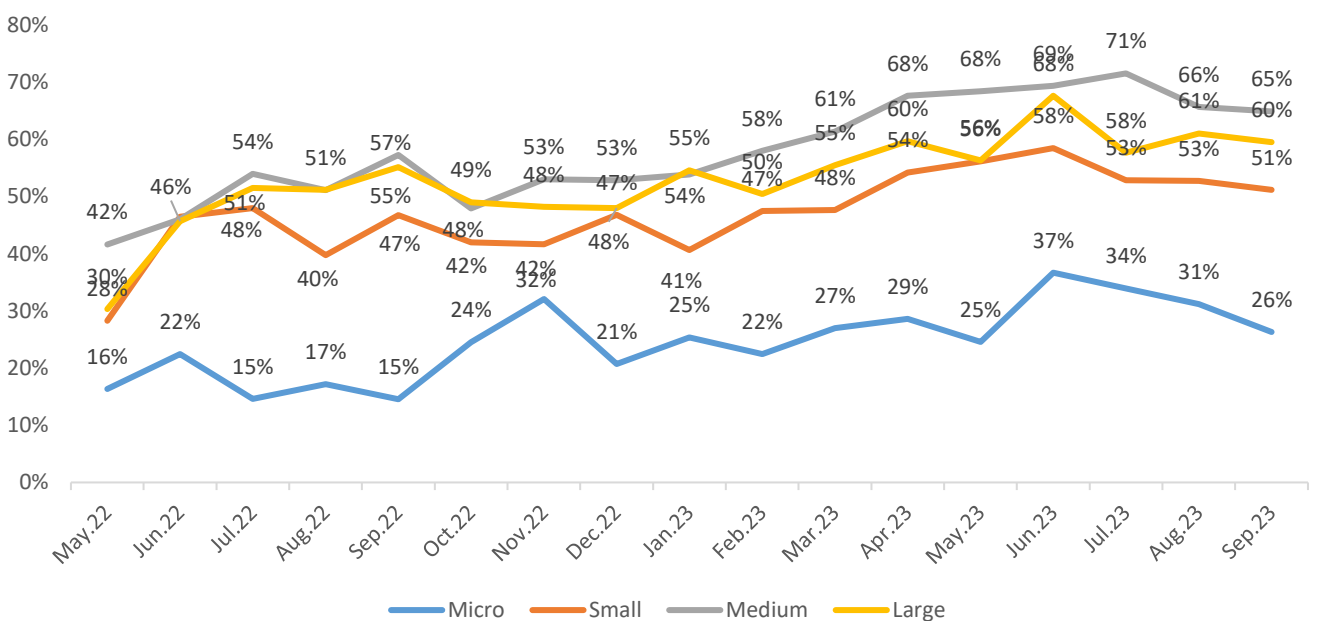
In October, 2% of surveyed enterprises reported they stopped their activities during the war. This rate has remained low since July 2022, in the 2% - 4% range. Also, the share of enterprises operating at less than 25% of pre-war production capacity remains low - only 1% in October (2% in September).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

Fig.30. 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. In October, 72% of medium-sized enterprises were operating at almost full and full capacity compared to the pre-war period, which is the highest figure for medium-sized businesses in all waves of the survey (for example, it was 65% in September). At the same time, the corresponding indicator also slightly increased for large businesses, from 60% in September to 62% in October. The share of small enterprises working almost at full and full capacity also slightly increased from 51% in September to 53% in October. The indicator remains low for micro-businesses: 29% in October (26% in September).

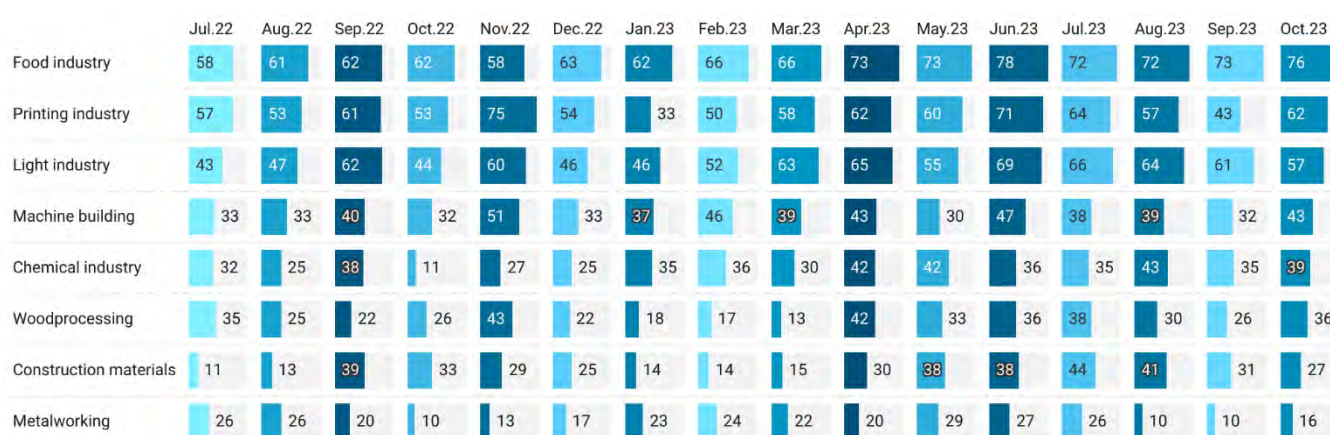
Fig.31. The share of enterprises operating almost at full and full capacity (75 - 99%, 100%, and more) compared to the pre-war period (by enterprise size, %)



As of October 2023, 15% of micro-business representatives were unemployed (12% in September). For comparison, large and medium-sized businesses have fully resumed work - 0% of respondents did not work in October. Among small enterprises, 2% of respondents did not resume work. **Thus, micro-businesses remain more sensitive to the challenges of wartime.**

Results for businesses by sector. The food industry remains a leader in the recovery of the processing industry. In October, 76% of food industry enterprises worked almost at full and full capacity (73% in September). It is the second-highest rate for the industry over the entire period of the survey (it was 78% in June 2023). The printing industry's capacity is in second place, which recovered in October after a three-month contraction; it was 71% in June, 64% in July, 57% in August, and 43% in September, but increased to 62% in October. The light industry traditionally remains in the top three, although there was a slight reduction from 61% in September to 57% in October. Capacity utilization increased in machine building from 32% in September to 43% in October. Capacity utilization also increased in the chemical industry, woodworking, metallurgy, and metalworking. At the same time, the situation remains the most difficult in metallurgy and metalworking, as only 16% of enterprises worked at almost full and full capacity.

Fig.32. 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 during 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 (96%) regions continue to work at almost full and full capacity in October.

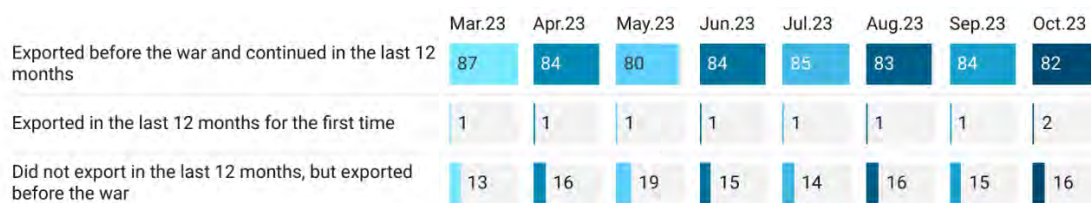
At the same time, the situation remains the most difficult in the front-line Zaporizhya and Kharkiv regions, in which, respectively, 0% and 25% of enterprises worked at a high level of capacity utilization. The capacity is also low at the enterprises of Kirovohrad (36%), Sumy (35%), Cherkasy (37%), Khmelnytsky (32%) regions, and Kyiv city (23%). 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 eighteenth wave of the survey, **62% of respondents (among those who were able to answer) were or are exporters.** At the same time, 38% of enterprises have never exported, and about 1% (only three respondents) could not answer the question.

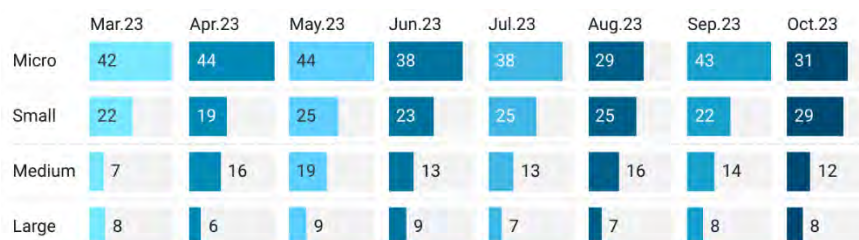
As of October 2023, among exporters, **82% of respondents indicated that they exported before the war and continued to export during the last 12 months.** Another 2% of enterprises started exporting for the first time during the war (during the last 12 months). At the same time, 16% of enterprises exported before the war but had no exports during the last 12 months. Thus, the trend of recent months continues: some businesses cannot overcome new challenges for export activity and resume exports.

Fig.33. The impact of the war on export activity (% of the exporters surveyed)



Results for business by size. According to the results of October, regularity was again recorded regarding the state of export activity depending on the size of the enterprise. Among micro-businesses, 31% of enterprises exported before the war but had no export activity during the last 12 months. At the same time, the situation among micro-businesses improved compared to September - the indicator decreased from 43% to 31%. There is also a high share of enterprises that cannot resume exports among small businesses - 29%. The situation is somewhat better among medium-sized exporters - 12% of respondents did not export in the last 12 months. The best situation is among large businesses, where the corresponding indicator was 8%. Thus, large business is traditionally the leader in the export activity recovery.

Fig.34. Share of exporters who did not export during the last 12 months, by size of enterprises (% of exporters surveyed)



Results for business by sector. The data obtained indicate that until now the most difficult situation with the export recovery remains in construction materials production. In particular, 55% of the industry's enterprises exported before the war but had no exports during the last 12 months. The situation has significantly improved compared to August (73%) and September (67%), which may indicate a certain recovery of the industry's exports. The situation in metallurgy is also difficult; the corresponding indicator is 33% (however, the situation is improving). In contrast, the best situation is in the chemical and light industries, where only 12% of enterprises had no exports during the last 12 months, although they exported before the war. In the food industry, the indicator remains at the level of previous months - 16%.

Fig.35. Share of exporters who did not export during the last 12 months, by industry (% of surveyed exporters)



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 Ivano-Frankivsk, Lviv, Odesa, Poltava, Rivne, Ternopil and Chernihiv regions. The situation is the most difficult in the Dnipropetrovsk and Zhytomyr regions, where 68% and 60%, respectively, had no exports during the last 12 months, although they had them before the war.

GOVERNMENT POLICY

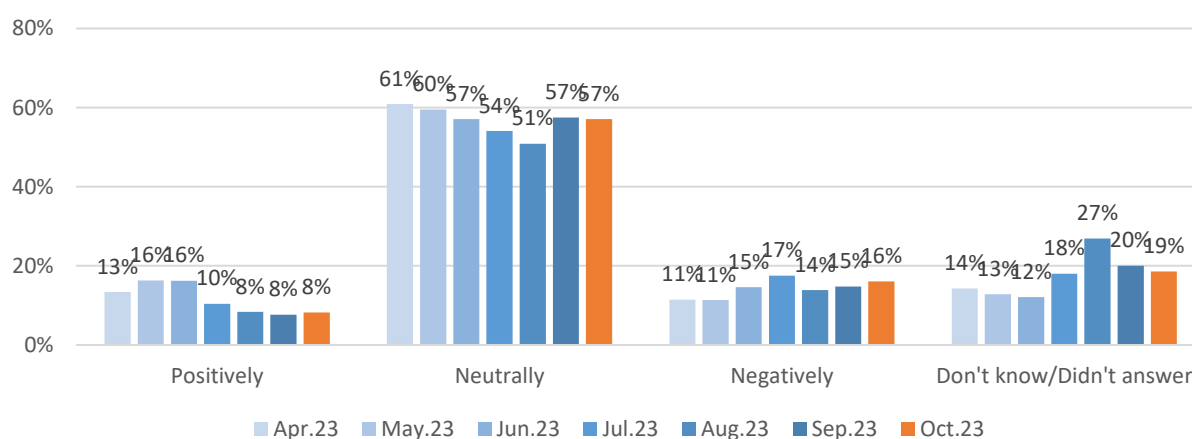
Assessment of government policy to support business

In October 2023, the share of positive assessments of state policy regarding business support remained at 8%. The level of positive evaluations of the policy has been the lowest for three months in a row for the entire period of this survey, the first wave of which was conducted in May 2022.

The share of negative evaluations in October was 16%. It practically did not change compared to September, when there were 15% of such estimates. As before, the surveyed business mostly neutrally evaluated the state policy regarding business support. After a gradual decrease from 61% in April to 51% in August 2023, the percentage of neutral assessments increased to 57% in September, where it remained in October.

The share of respondents who could not rate the state business support policy was 19%. It is almost the same as in the previous month (20%) but significantly lower than the peak of this indicator recorded in August 2023 (27%).

Fig.36. Assessment of government policy to support business



Assessment of government policy to support business by business size. Among the representatives of medium-sized and large enterprises, there is a relatively large number of those who gave a positive assessment of the state business support policy (10% and 11%, respectively). This share is the smallest among representatives of small enterprises (4%).

On the other hand, in small businesses, government policy on business support is evaluated negatively more often than in other size groups. Here, the corresponding share of respondents was 25%. Representatives of micro-enterprises more often than others could not evaluate this policy (36%).

Assessment of government policy to support business by sector. Most often, representatives of the construction materials industry (23%) give positive assessments to the state policy on business support⁷.

On the other hand, the highest share of negative evaluations of the policy was recorded among representatives of machine building (46%). Negative evaluations are quite common in printing (23%) and woodworking (20%).

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

Assessment of government policy to support business by region. The highest level of positive evaluations of the state business support policy in October 2023 was recorded in the Odesa region (32%). In the Zaporizhzhya, Kirovohrad, Rivne, and Cherkasy regions, this policy was also quite often rated positively (from 16% to 20%)⁸.

At the same time, the largest shares of negative assessments are among businesses in Vinnytsia (67%) and Sumy (50%) regions. Volyn and Dnipropetrovsk regions and Kyiv city (from 30% to 32%) are characterized by a high level of negative assessments of state support for business.

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 eighteenth 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 October 16 to 31, 2023.

SAMPLE

A total of 534 enterprises were surveyed in the eighteenth 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 16 to 44 enterprises were surveyed⁹.

The majority of the sample consisted of industrial enterprises – 500 enterprises or 94% of the sample. Among them, the food industry, light industry, and machine building, prevail. Eight enterprises belong to the agricultural sector (1.5% of the sample) and 16 to trade (3% of the sample). Seven enterprises, or 1.3% of the sample, work in the service sector. And three enterprises (0.6%) 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) – 62 or 12% of the sample, small (from 11 to 50 workers) – 171 or 32% of the sample, medium-sized (from 51 to 250 workers) – 184 or 34% of the sample, and large (more than 250 workers) – 117 or 22% 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-	62	12%
Small	171	32%
Middle	184	34%
Large	117	22%
TOTAL	536	100%

Sector/ industry

	Number	Share of sample
Agriculture	8	1,5%
Metal production and metalworking	25	5%
Chemical industry	23	4%
Machine building	35	7%
Woodworking industry	25	5%
Construction materials production	30	6%
Food industry	176	33%
Light industry	46	9%
Printing industry	13	2%
Other industries	127	24%
Construction	3	0,6%
Trade	16	3%
Services	7	1,3%
TOTAL	534	100%

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

	Total	Micro	Small	Middle	Large
Production	0,18	-0,20	0,09	0,17	0,28
Expected changes in production	0,36	0,24	0,29	0,45	0,33
Sales	0,15	-0,21	0,07	0,16	0,23
Expected sales changes	0,36	0,19	0,30	0,45	0,32
Export	0,08	-0,29	-0,20	0,10	0,16
Expected changes in exports	0,29	0,17	0,11	0,38	0,29
Account receivables	-0,24	-0,08	-0,36	-0,31	-0,09
Expected changes in account receivables	-0,33	-0,14	-0,42	-0,40	-0,22
Account payables	-0,26	-0,11	-0,37	-0,33	-0,14
Expected changes in accounts payable	-0,34	-0,11	-0,44	-0,39	-0,22
Tax arrears	-0,32	-0,18	-0,48	-0,37	-0,16
Expected changes in tax arrears	-0,34	-0,14	-0,47	-0,36	-0,23
Stocks of raw materials	0,08	-0,07	0,01	0,09	0,15
Expected changes in stocks of raw material	0,22	0,00	0,14	0,26	0,24
Stocks of finished goods	-0,26	-0,27	-0,36	-0,27	-0,16
Expected changes in stocks of finished goods	-0,28	-0,15	-0,40	-0,30	-0,18

	Total	Micro	Small	Middle	Large
New orders	0,12	-0,16	0,02	0,14	0,20
Expected changes in new orders	0,36	0,18	0,36	0,38	0,35
Prices for raw materials and supplies	0,36	0,33	0,39	0,27	0,46
Prices for raw materials and supplies: expectations	0,19	0,31	0,19	0,15	0,22
Prices for finished products (release prices)	0,27	0,27	0,34	0,22	0,28
Prices for finished goods (release prices) expectations	0,13	0,36	0,20	0,12	0,08
Number of workers	-0,06	-0,11	-0,09	-0,03	-0,05
Expected changes in the number of workers	0,00	0,05	-0,03	0,02	0,00
Number of workers on forced leave	-0,20	-0,05	-0,31	-0,27	-0,05
Expected changes in the number of workers on forced leave	-0,23	0,00	-0,35	-0,27	-0,12
Skilled workers	0,24	0,49	0,28	0,22	0,20
Unskilled workers	0,13	0,31	0,10	0,15	0,09
Business activity assessment	-0,02	-0,28	-0,14	0,01	0,07
Expected changes in business activity	0,33	0,21	0,34	0,36	0,29
Assessment of the business environment	-0,09	-0,38	-0,22	-0,01	-0,05
Expected changes in the business environment	0,33	-0,03	0,35	0,38	0,28
Do you plan to expand your company's activities in the next two years	0,20	0,28	0,15	0,12	0,33
How do you assess your company's business activity in the current month, compared to the same period last year in 2022?	0,34	0,03	0,35	0,41	0,26

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

	Total	Metal production and metalworking	Chemical Industry	Machine building	Woodworking industry
Production	0,18	-0,16	0,17	0,09	-0,08
Expected changes in production	0,36	-0,14	0,09	0,17	0,24
Sales	0,15	-0,16	0,09	-0,03	-0,04
Expected sales changes	0,36	-0,14	0,09	0,21	0,24
Export	0,08	0,17	-0,06	-0,26	-0,13
Expected changes in exports	0,29	0,00	0,00	0,05	0,20
Account receivables	-0,24	-0,05	-0,19	0,00	-0,18
Expected changes in account receivables	-0,33	-0,19	-0,33	-0,29	-0,14
Account payables	-0,26	-0,05	-0,30	-0,03	-0,23
Expected changes in accounts payable	-0,34	-0,19	-0,20	-0,29	-0,19
Tax arrears	-0,32	-0,11	-0,18	-0,15	-0,17
Expected changes in tax arrears	-0,34	-0,25	-0,12	-0,22	-0,17
Stocks of raw materials	0,08	-0,20	0,00	-0,12	-0,24
Expected changes in stocks of raw material	0,22	-0,09	0,09	-0,03	0,00
Stocks of finished goods	-0,26	-0,26	-0,05	-0,04	-0,36
Expected changes in stocks of finished goods	-0,28	-0,09	-0,23	-0,08	-0,25
New orders	0,12	-0,20	0,00	-0,03	-0,04

	Total	Metal producti on and metalwo rking	Chemical Industry	Machine building	Woodwor king industry
Expected changes in new orders	0,36	-0,10	0,05	0,22	0,17
Prices for raw materials and supplies	0,36	0,28	0,17	0,51	0,28
Prices for raw materials and supplies: expectations	0,19	0,05	0,29	0,44	0,23
Prices for finished products (release prices)	0,27	0,24	0,22	0,34	0,24
Prices for finished goods (release prices) expectations	0,13	0,05	0,24	0,41	0,14
Number of workers	-0,06	-0,20	-0,17	-0,23	-0,04
Expected changes in the number of workers	0,00	-0,19	-0,14	-0,04	0,00
Number of workers on forced leave	-0,20	-0,05	0,00	0,03	-0,11
Expected changes in the number of workers on forced leave	-0,23	-0,07	0,00	-0,10	-0,11
Skilled workers	0,24	0,47	0,26	0,40	0,20
Unskilled workers	0,13	0,26	0,09	0,15	0,05
Business activity assessment	-0,02	-0,48	-0,17	-0,17	-0,08
Expected changes in business activity	0,33	-0,22	0,05	0,23	0,18
Assessment of the business environment	-0,09	-0,40	-0,17	-0,34	-0,28
Expected changes in the business environment	0,33	-0,20	0,11	0,32	0,19
Do you plan to expand your company's activities in the next two years	0,20	0,00	0,25	0,24	0,31
How do you assess your company's business activity in the current month, compared to the same period last year in 2022?	0,34	-0,04	0,14	0,09	0,12

	Total	Construction materials productions	Food Industry	Light industry	Printing industry
Production	0,18	-0,13	0,22	0,43	-0,08
Expected changes in production	0,36	0,04	0,50	0,32	0,36
Sales	0,15	-0,13	0,19	0,35	-0,08
Expected sales changes	0,36	0,00	0,49	0,35	0,45
Export	0,08	-0,20	0,10	0,36	-0,33
Expected changes in exports	0,29	0,00	0,37	0,31	-0,17
Account receivables	-0,24	-0,27	-0,40	-0,28	-0,18
Expected changes in account receivables	-0,33	-0,25	-0,44	-0,30	-0,27
Account payables	-0,26	-0,31	-0,41	-0,23	-0,18
Expected changes in accounts payable	-0,34	-0,36	-0,44	-0,26	-0,27
Tax arrears	-0,32	-0,36	-0,45	-0,30	-0,37
Expected changes in tax arrears	-0,34	-0,33	-0,43	-0,25	-0,37
Stocks of raw materials	0,08	-0,12	0,22	0,10	-0,20
Expected changes in stocks of raw material	0,22	-0,07	0,36	0,18	0,00
Stocks of finished goods	-0,26	-0,38	-0,31	-0,47	-0,60
Expected changes in stocks of finished goods	-0,28	-0,18	-0,39	-0,32	-0,33
New orders	0,12	-0,17	0,16	0,35	0,00
Expected changes in new orders	0,36	0,13	0,47	0,38	0,25

	Total	Construction materials productions	Food Industry	Light industry	Printing industry
Prices for raw materials and supplies	0,36	0,23	0,38	0,49	0,23
Prices for raw materials and supplies: expectations	0,19	0,21	0,17	0,19	0,00
Prices for finished products (release prices)	0,27	0,28	0,25	0,42	0,23
Prices for finished goods (release prices) expectations	0,13	0,21	0,11	0,18	0,00
Number of workers	-0,06	-0,10	-0,04	-0,02	0,00
Expected changes in the number of workers	0,00	-0,12	0,02	0,05	0,00
Number of workers on forced leave	-0,20	-0,15	-0,33	-0,25	-0,36
Expected changes in the number of workers on forced leave	-0,23	-0,22	-0,34	-0,22	-0,36
Skilled workers	0,24	0,35	0,24	0,38	0,27
Unskilled workers	0,13	0,17	0,19	0,20	0,11
Business activity assessment	-0,02	-0,21	0,08	-0,11	-0,08
Expected changes in business activity	0,33	0,17	0,46	0,24	0,36
Assessment of the business environment	-0,09	-0,20	-0,01	-0,20	-0,23
Expected changes in the business environment	0,33	0,23	0,48	0,22	0,42
Do you plan to expand your company's activities in the next two years	0,20	0,00	0,11	0,25	0,50
How do you assess your company's business activity in the current month, compared to the same period last year in 2022?	0,34	0,28	0,41	0,34	0,54

The impact of war

Challenges faced by business in wartime

Challenges faced by the business during wartime, by business size

	Total	Micro	Small	Middle	Large
Rising prices for raw materials/supplies/goods	48%	57%	48%	42%	51%
Decrease in demand for products/services	33%	47%	36%	27%	28%
Labor shortage due to conscription and/or migration	32%	34%	35%	32%	29%
Unsafe to work	32%	26%	26%	31%	45%
Difficulties transporting raw materials /goods throughout Ukraine	31%	19%	35%	31%	34%
Electricity, water or heat supply outages	28%	57%	28%	20%	27%

Challenges facing business in wartime, by sector

	Metal production and metalworking	Chemical Industry	Machine building	Woodworking industry
Rising prices for raw	36%	39%	49%	76%

	Metal production and metalworking	Chemical Industry	Machine building	Woodworking industry
materials/supplies/goods				
Decrease in demand for products/services	12%	35%	51%	48%
Labor shortage due to conscription and/or migration	24%	22%	34%	52%
Unsafe to work	40%	17%	40%	8%
Difficulties transporting raw materials /goods throughout Ukraine	36%	57%	31%	32%
Electricity, water or heat supply outages	32%	26%	49%	16%

Challenges facing business in wartime, by sector (continued)

	Construction materials production	Food industry	Light industry	Printing industry
Rising prices for raw materials/supplies/goods	53%	48%	61%	38%
Decrease in demand for products/services	47%	32%	26%	31%
Labor shortage due to conscription and/or migration	43%	30%	28%	15%
Unsafe to work	30%	34%	24%	39%
Difficulties transporting raw materials /goods throughout Ukraine	33%	30%	43%	31%
Electricity, water or heat supply outages	33%	24%	30%	15%

Assessment of the government policy on business support

Assessment of the government policy on business support, by business size

	Total	Micro	Small	Middle	Large
Positive	8%	8%	4%	10%	11%
Neutral	57%	37%	53%	63%	66%
Negative	16%	19%	25%	10%	12%
Don't know / Didn't answer	19%	36%	19%	17%	11%

Assessment of the government policy on business support, by sector

	Metal production and metalworking	Chemical Industry	Machine building	Woodworking industry
Positive	4%	4%	9%	8%
Neutral	56%	78%	43%	44%
Negative	16%	13%	46%	20%
Don't know / Didn't answer	24%	4%	3%	28%

Assessment of the government policy on business support, by sector (continued)

	Construction materials production	Food industry	Light industry	Printing industry
Positive	23%	6%	4%	15%
Neutral	47%	63%	59%	54%
Negative	17%	11%	15%	23%
Don't know / Didn't answer	13%	20%	22%	8%

Availability of orders

Availability of orders, by size

	Total	Micro	Small	Middle	Large
Less than 1 month	8%	29%	9%	4%	4%
1-2 months	50%	53%	61%	46%	39%
3-5 months	25%	10%	24%	32%	24%
6-11 months	11%	8%	3%	12%	21%
12 months or more	6%	0%	3%	7%	13%

Availability of orders, by sector

	Metal production and metalworking	Chemical Industry	Machine building	Woodworking industry
Less than 1 month	19%	5%	7%	4%
1-2 months	38%	48%	45%	58%
3-5 months	14%	43%	29%	25%
6-11 months	29%	5%	19%	13%
12 months or more	0%	0%	0%	0%

Availability of orders, by sector (continued)

	Construction materials production	Food industry	Light industry	Printing industry
Less than 1 month	12%	9%	7%	0%
1-2 months	60%	50%	58%	46%
3-5 months	28%	28%	35%	46%
6-11 months	0%	9%	0%	8%
12 months or more	0%	4%	0%	0%