



“Frozen, but alive... optimism’23”

Main economic trends in December 2023

based on the results of the New Monthly Enterprises Survey,
#NRES

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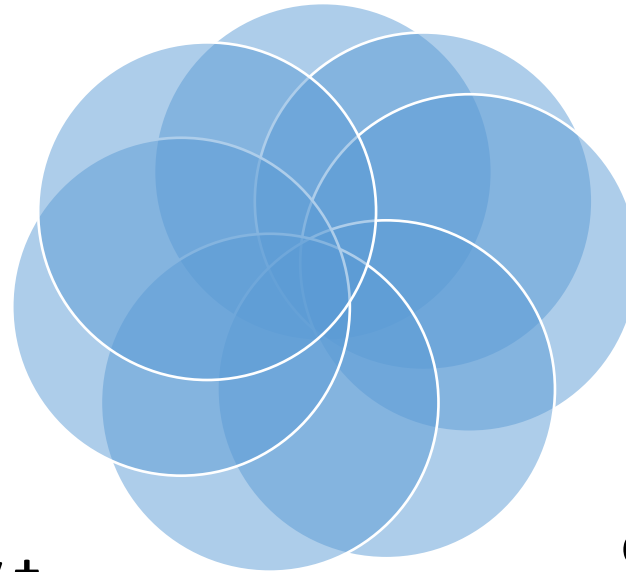
ABOUT THE NEW RAPID ENTERPRISES SURVEY

Monthly survey

The recent data were collected on **December 13 - 31, 2023**

20 surveys have already been conducted (since May 2022)

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



SAMPLE: **535 enterprises** were surveyed in **December**

Enterprises of **all sizes**

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

Important finding

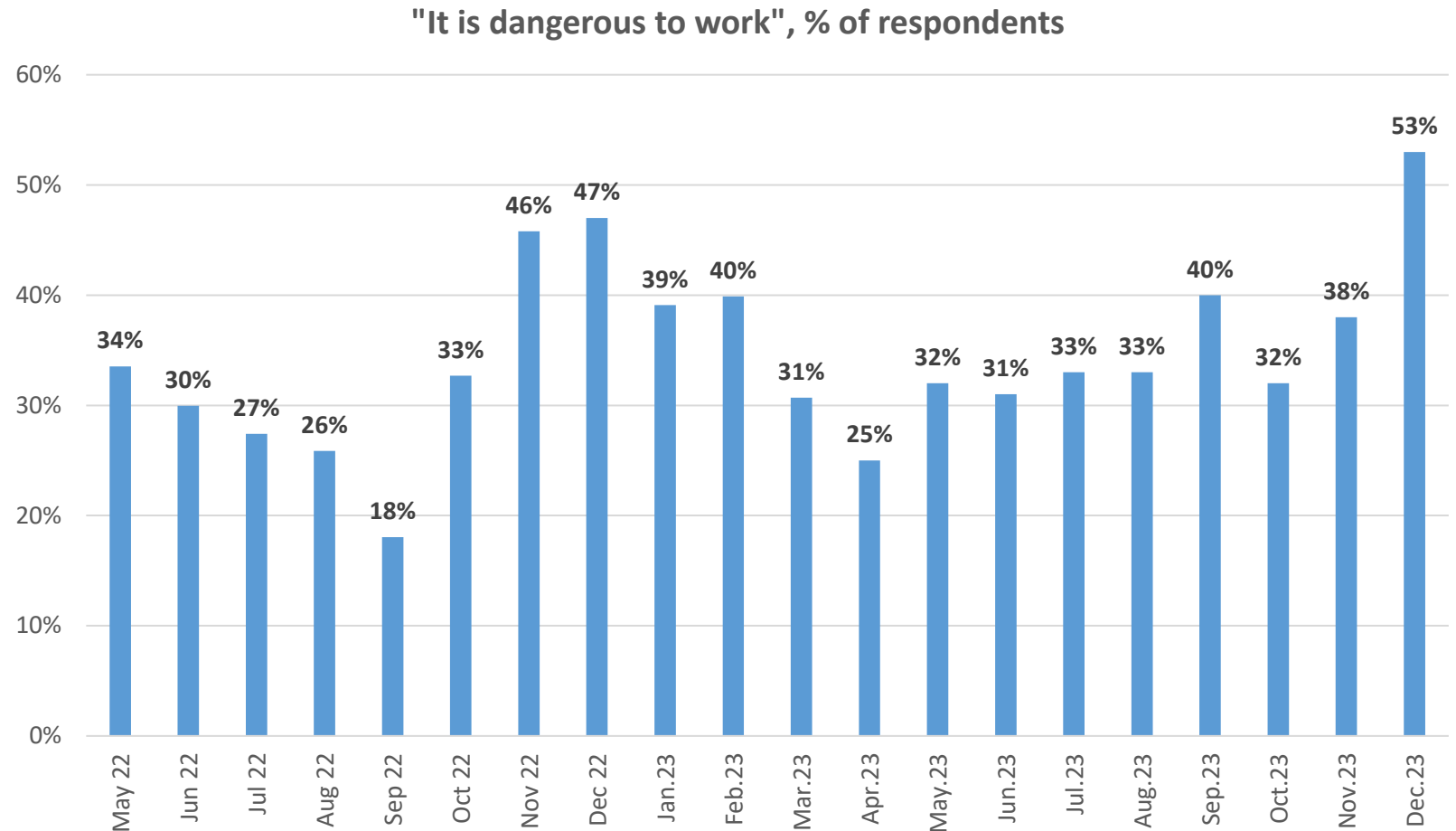


The security situation has deteriorated:

% of respondents who chose “work in current conditions is dangerous” among impediments to production increased from 38% to 53% (!) and moved to the 1st place in the list of impediments

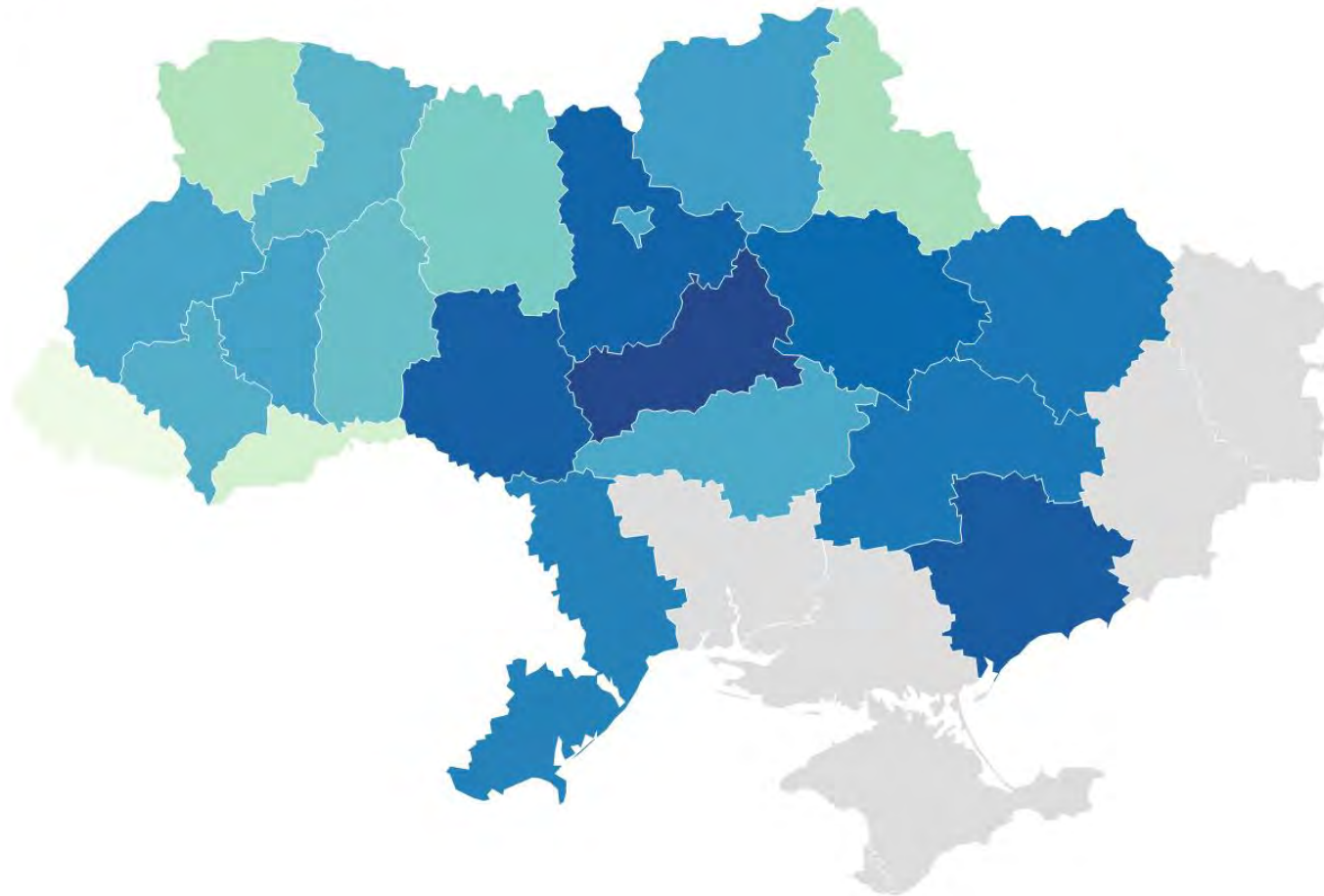
“It is dangerous to work” reached the highest value

- In December 2023, the share of enterprises that reported that **it was dangerous to work** increased from 38% to 53% and it is **the highest result for all period of Survey**
- In the list of obstacles, “it is dangerous to work” **moved up from the 2nd to the 1st place**



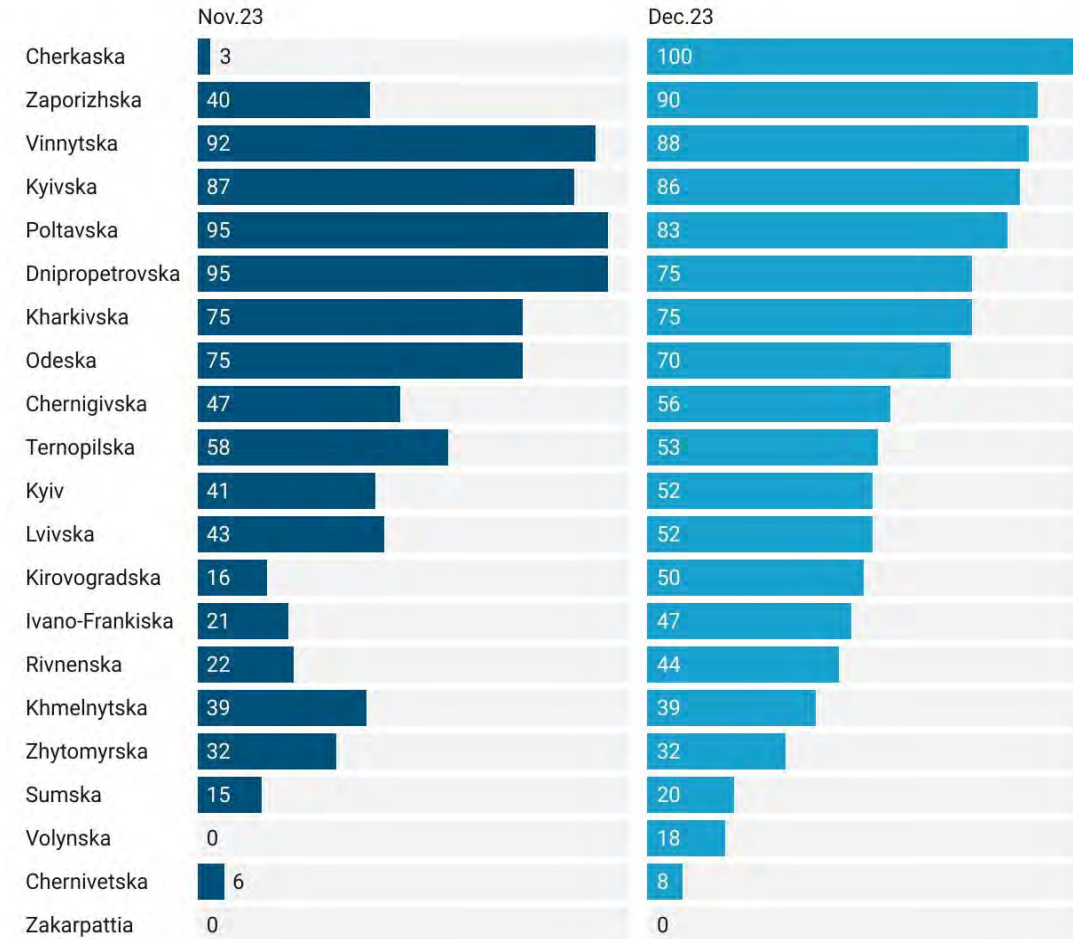
"It is dangerous to work"

value, % of respondents



Source: #nres, ier, 12/2023 • Created with Datawrapper

"It is dangerous" in regional dimensions



Created with Datawrapper

Key messages



Despite the deteriorating security situation and high uncertainty that impact the deterioration of long-term plans, businesses are showing resilience by concentrating on finding solutions for the present and the immediate future

Main result 1. “Frozen” recovery



BARI (Business Activity Recovery Index) **remains high, but no changes** comparing to the previous month



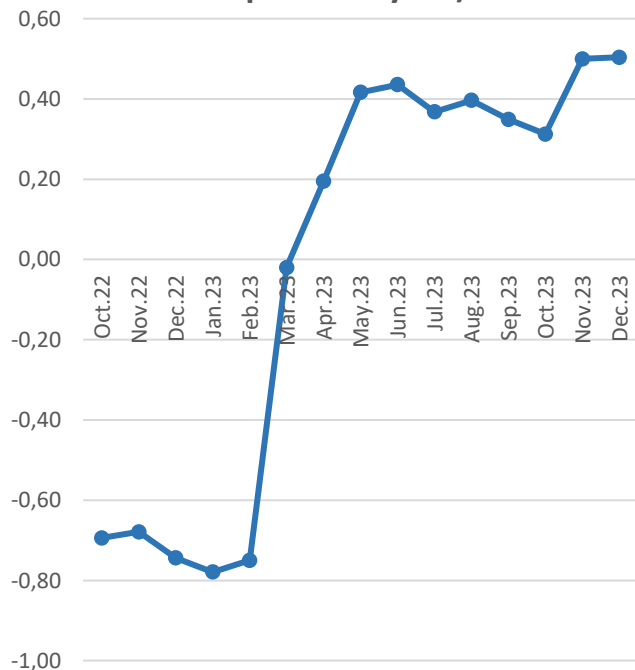
The share of enterprises operating **at total capacity remained without significant changes**(12% vs 13% in November)



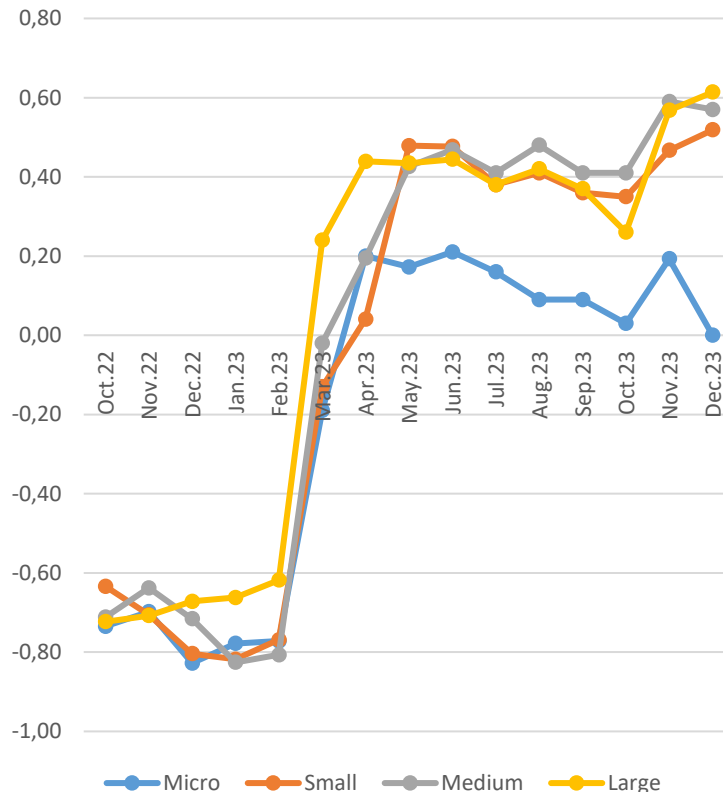
Industrial Confidence Indicator is without significant changes

Business Activity Recovery Index (BARI)* is high but not for all

Business Activity Recovery Index (balance between better/worse assessments comparing to the previous year)



Business Activity Recovery Index (by size)



*BARI is based on question when managers make a comparison of “how it is now” vs. “how it was a year ago

In December compared to November 2023, the **Business Activity Recovery Index (BARI)** is high but has no changes (keeps+ 0.50 at the scale from -1 till +1)

This happened due no changes in the % of positive and negative answers:

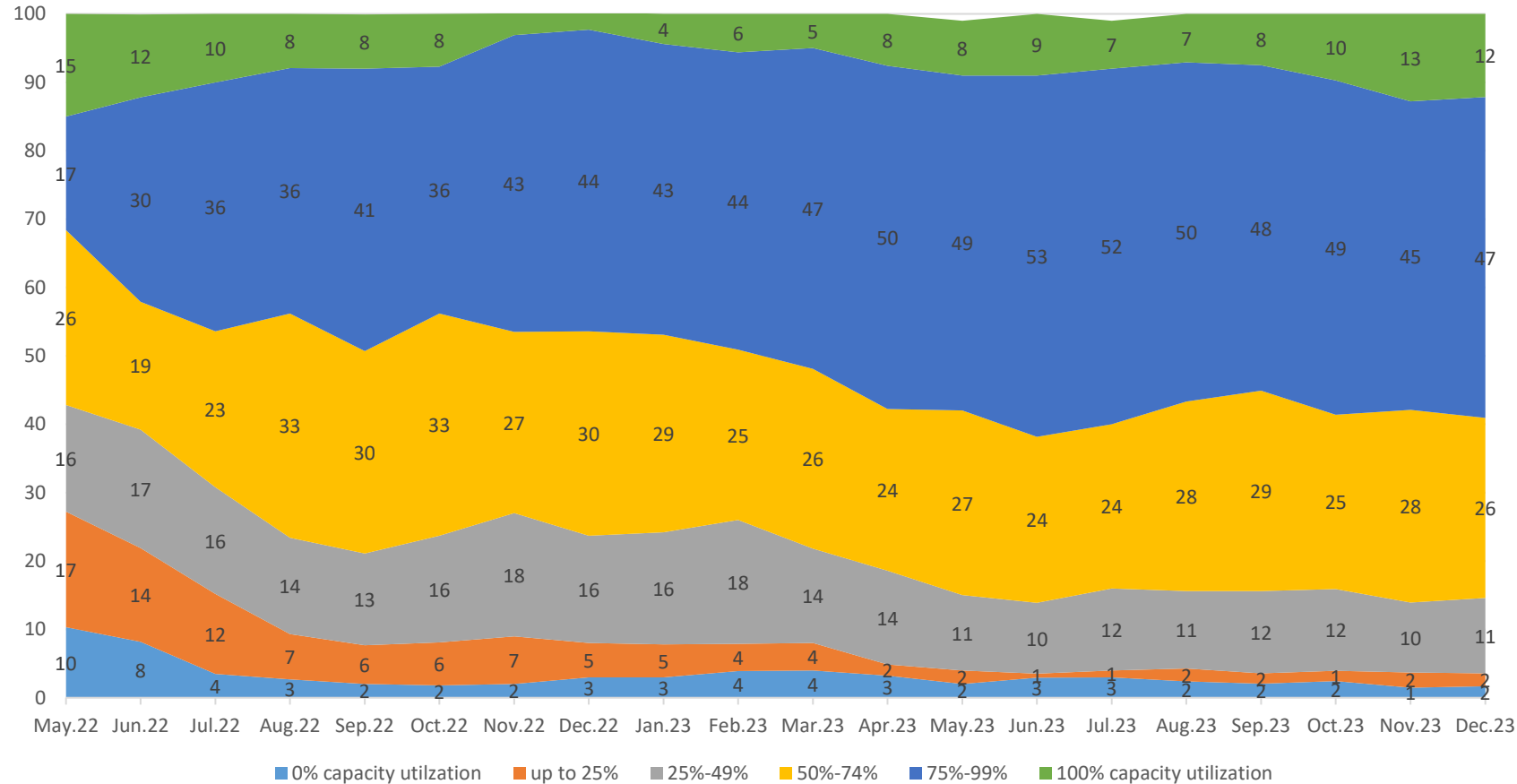
- The share of enterprises reported that **their business activity is better than it was the previous year** is 63.6% (62.9% in November)
- **The share of those for whom nothing has changed** constitutes 23.2% vs 24.6% in the previous month
- **Their share of those for whom the situation is worse** also has **no significant changes** (13.2% in vs 12.6% in November)

BUT there are significant differences between size groups.

In November, the value of the **BARI increased** for large and small enterprises **but decreased significantly** for micro

“Now” vs. “before February 24, 2022”: keeping frozen recovery

% of capacity utilization compared to "before February 24, 2022", % of respondents

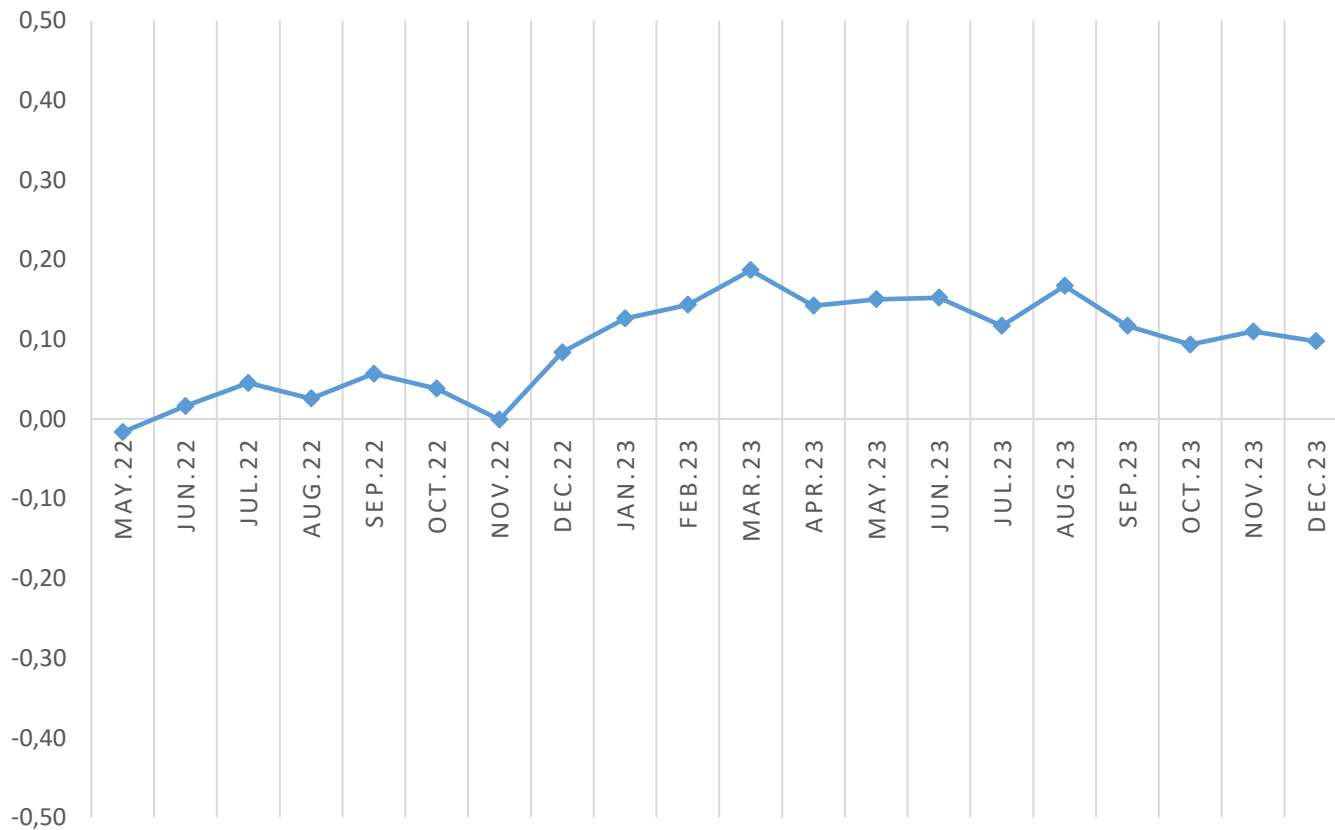


The results of December are close to November and previous months:

- In December, as in November, almost 2/3 of surveyed enterprises have 75+% of capacity utilization (compared to before Feb 2022)
- The share of enterprises working at **100% capacity** is **12%** (13% in November)
- % of enterprises that **do not operate at all** does not exceed 2% five months in a row

Industrial Confidence Indicator (ICI)*

INDUSTRIAL CONFIDENCE INDICATOR



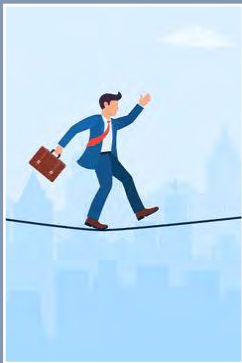
For three months in a row, the ICI remained without significant changes

In December compared to November 2023, the fluctuations of the components of ICI are the following:

- **The production expectation (PI) is 0.35** (0.36 in the previous month)
- Component **stocks of finished goods (SFG) lowered** (from -0.12 in November to -0.14 in December)
- Component **volume of new orders (VNO) also lowered** (from -0.15 in November to -0.20 in December)

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

Main result 2. Uncertainty is almost unchanged



Uncertainty in the **6-month perspective** **remained without significant changes** both for business activity at the enterprise and overall economic environment



Uncertainty in the **3-month** also **remained without significant changes** after a sharp decrease in November

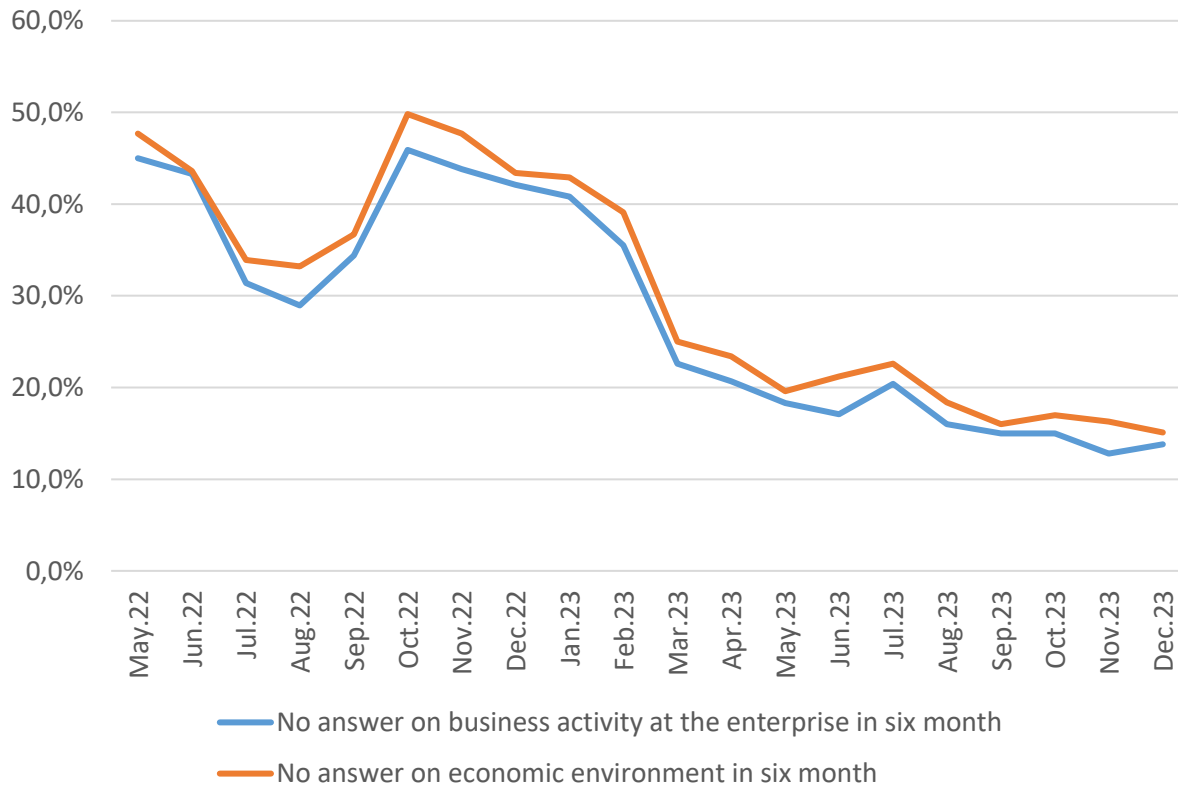


Uncertainty in the **2-year** perspective **remained high and without changed**

Uncertainty for 6-month and 3-month perspective without significant changes

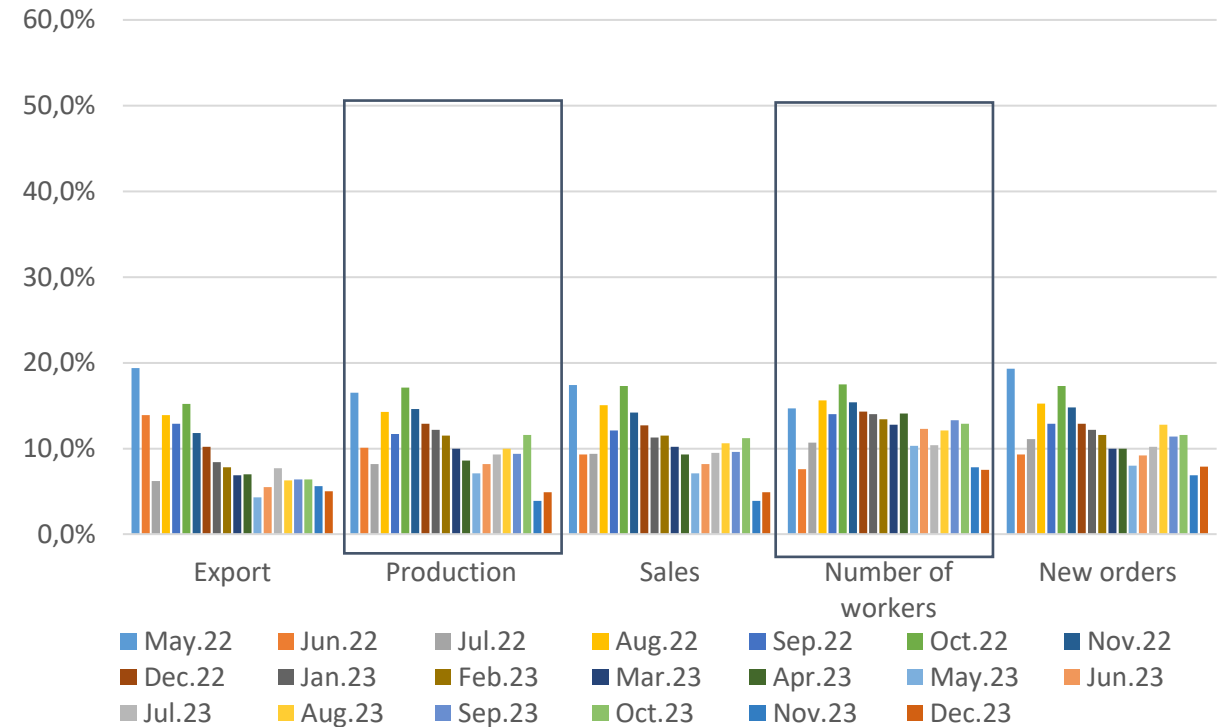
Half-year horizon

% that no answer the questions about 6 months changes on...



Three-month horizon

% that no answer about 3 months changes on...

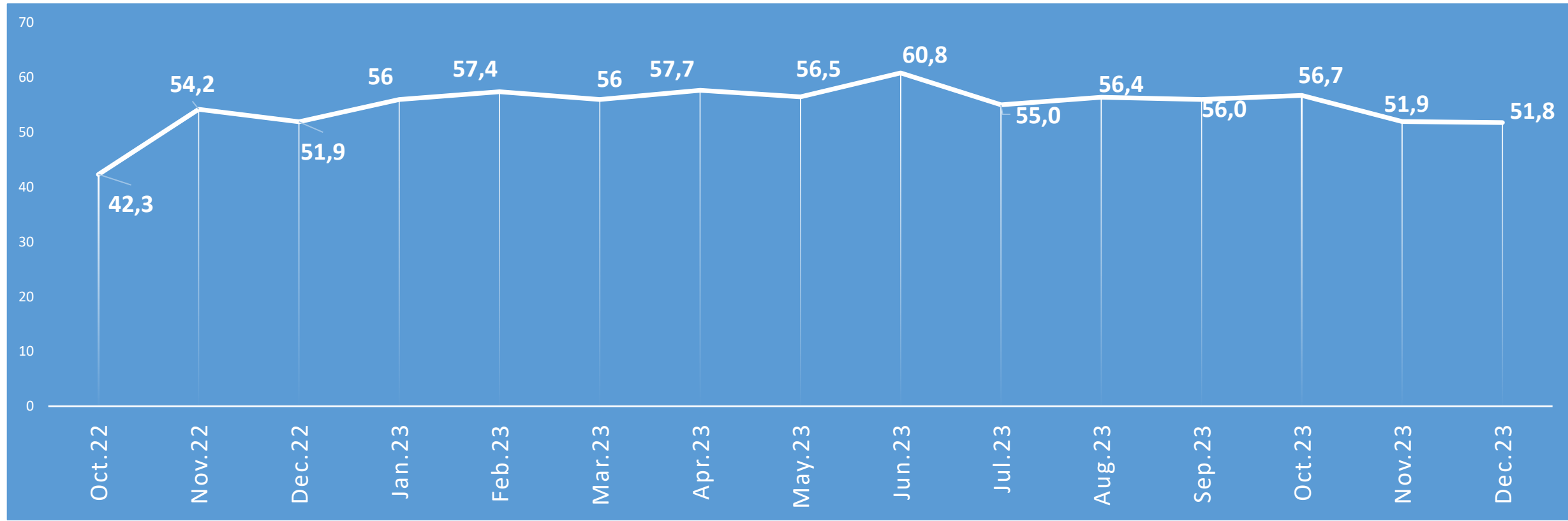


Long-term uncertainty doesn't change

Uncertainty in the two-year perspective

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

% of enterprises that have no idea about their plans for 2 years is 52% as it was in previous month



Main result 3. Do long- and medium expectations tend to go down?



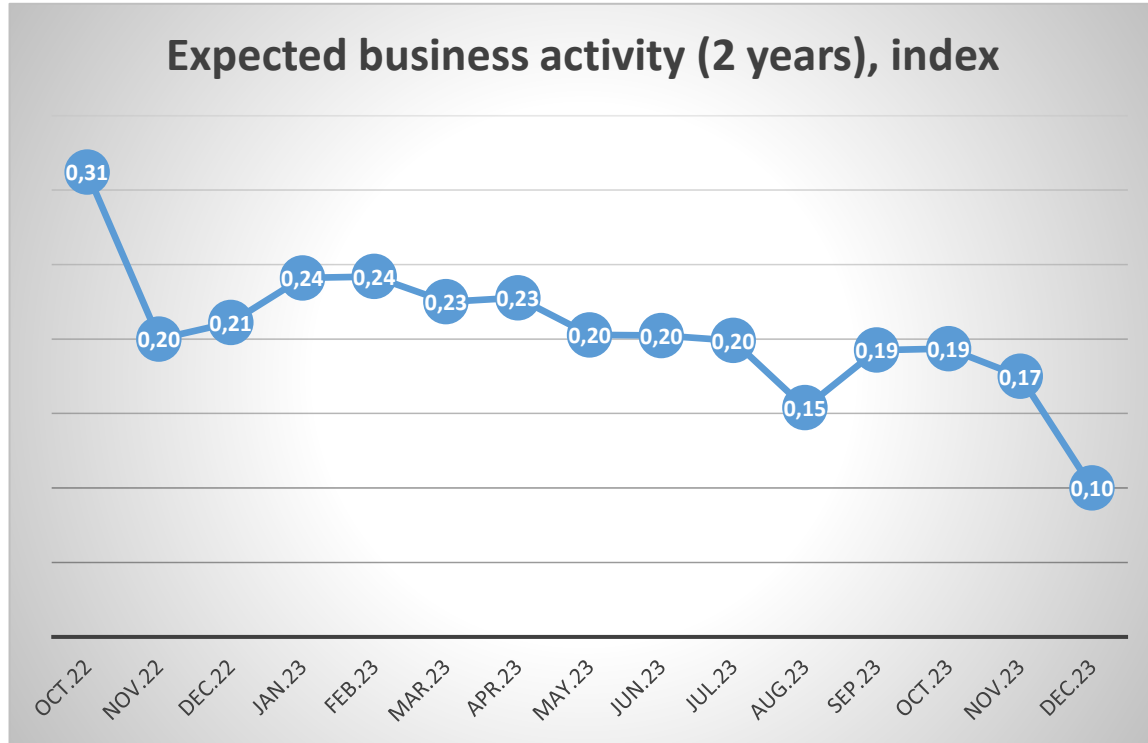
In December, for the first time in recent months, the business expectations for the next **two years** have **deteriorated**, but the “**optimists**” still **exceed** the “**pessimists**”



6-month expectations regarding enterprises’ business activity and the overall economic environment **have no change** compared to November, but **the annual trend decreased**.

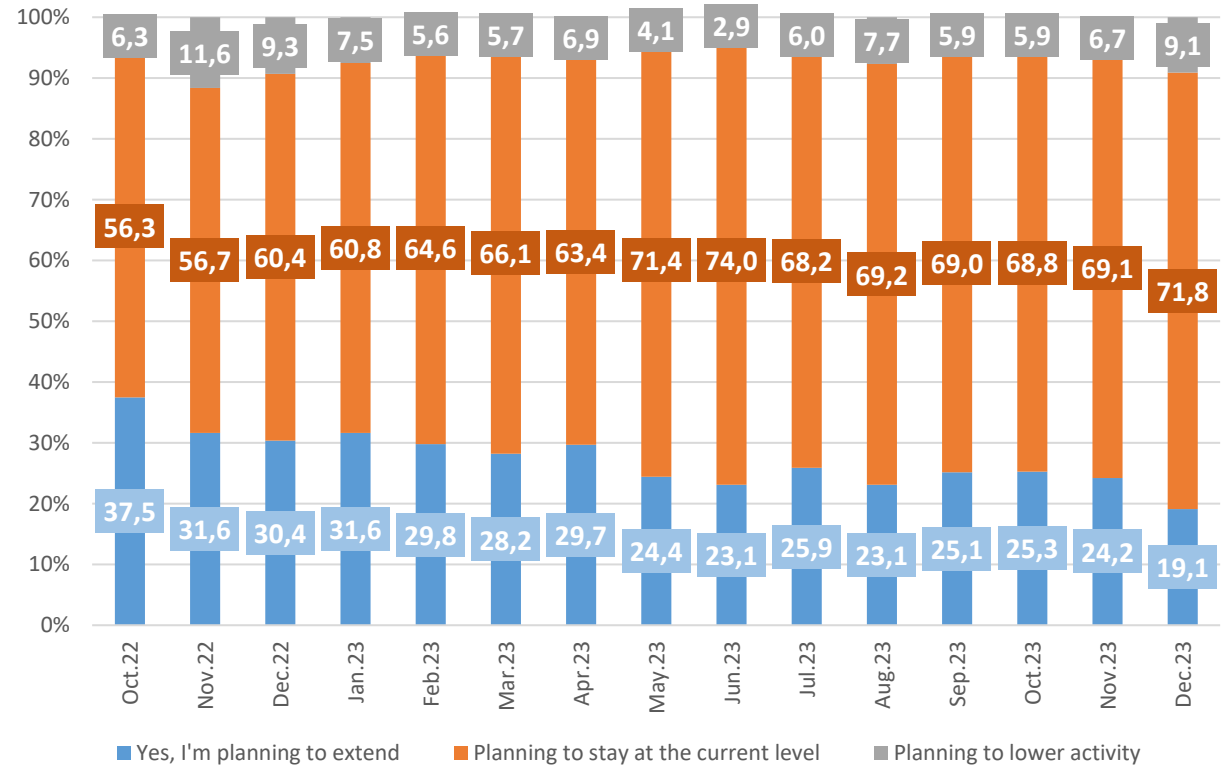
Long-term expectation has deteriorated

Index of expected changes in business activity



- The index of expected changes in 2 years perspective is positive, but it has decreased from 0,17 to 0,10 in December
- Scale from -1 (bad) till +1 (good)

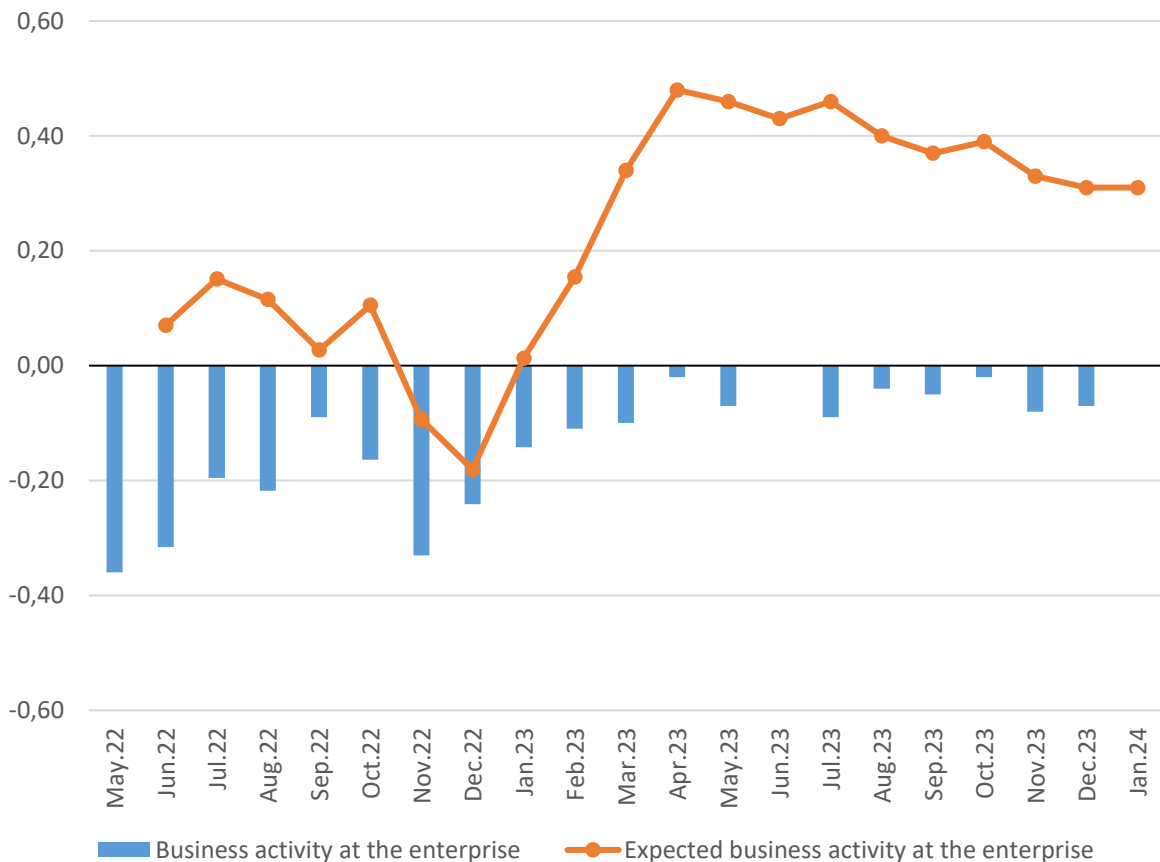
Expectations in the two-year perspective



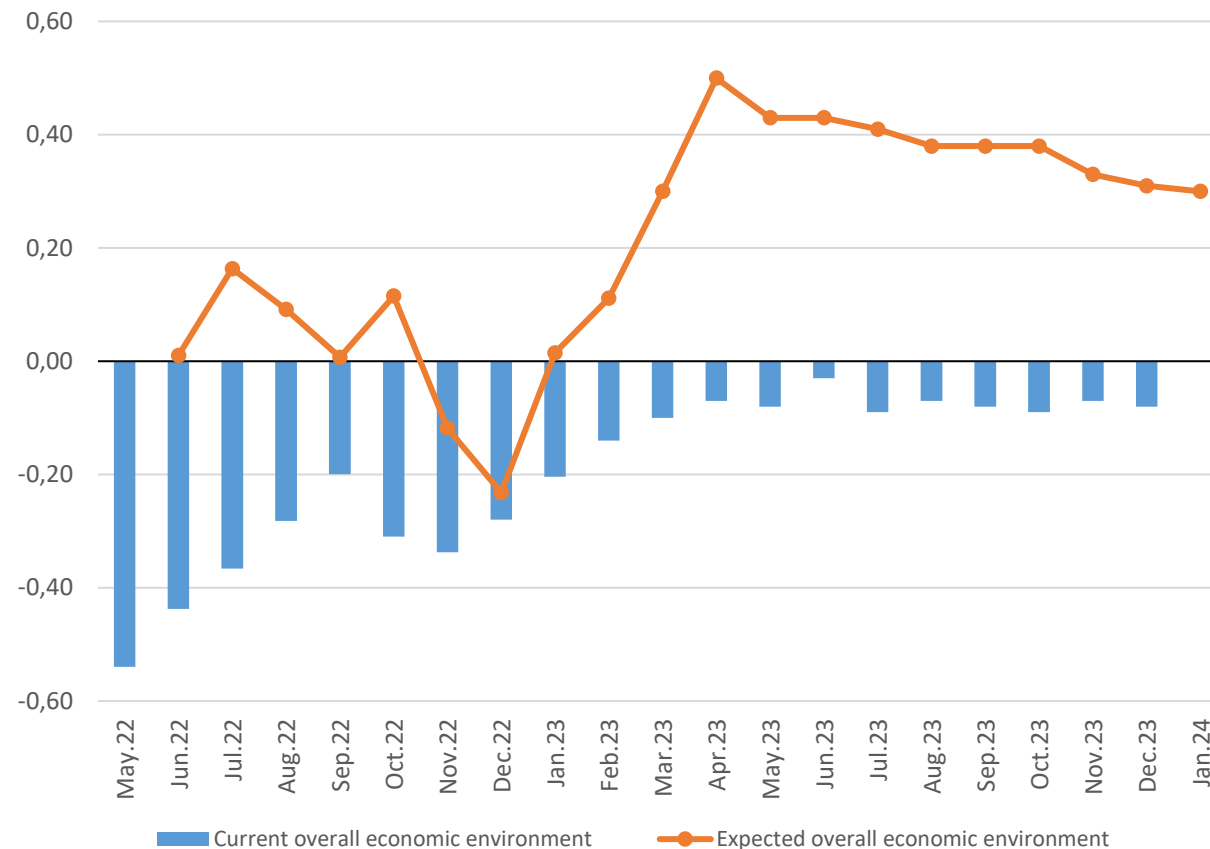
- % of enterprises that **plan to grow in 2 years** has **decreased** from 24,2% in November till 19,1% in December
- % of enterprises planning to **lower business activity** **increased** from 7% to 9%

6-months perspective: tendency to worsening of optimism slowed down

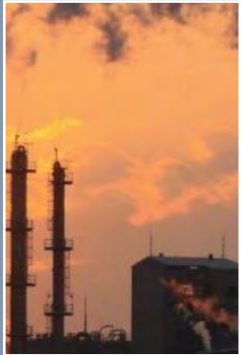
Business activity at the enterprise



Overall economic environment in the country



Main result 4: Past performance and expectations



Production performance in December vs November improved



3 months perspective **production** expectations are positive but do not grow



Employment indicators keep trending on a seasonal **deceleration** while the **labor market** experienced a **shortage** of **unskilled** workers.



Export results improved, expectations remained without significant changes

Optimism on production plans with no change three months in a row

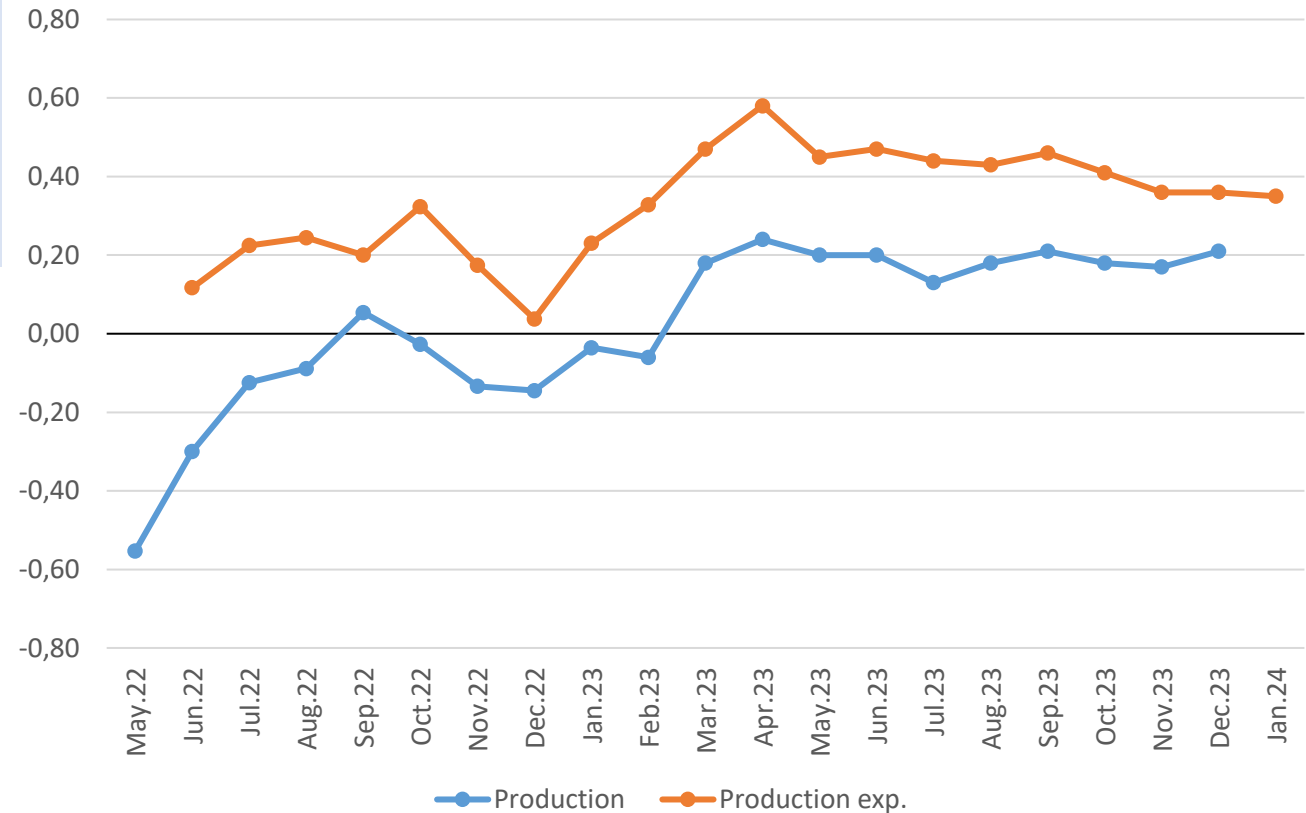
Past performance (December vs. November)

- % of enterprises **increased** in production raised from 29,6% in November to 34.4% in December
- % of enterprises **decreased** in production has **dropped** from 6,4 to 5.3%
- **Index of change** has increased from 0,17 to 0,21

Expectations for 3 months

- % of enterprises planning a **production growth** in the next 3-4 months slightly **decreased** from 40.2% in November to 38.5% in December.
- % of enterprises that **expected a decrease** in production **also decreased** from 6,4% in November to 5.3% in December.
- **Index of expected production** remained unchanged (0,36 and 0,35, respectively).

Production, balance indicators



Export: improved performance, but deteriorated expectation

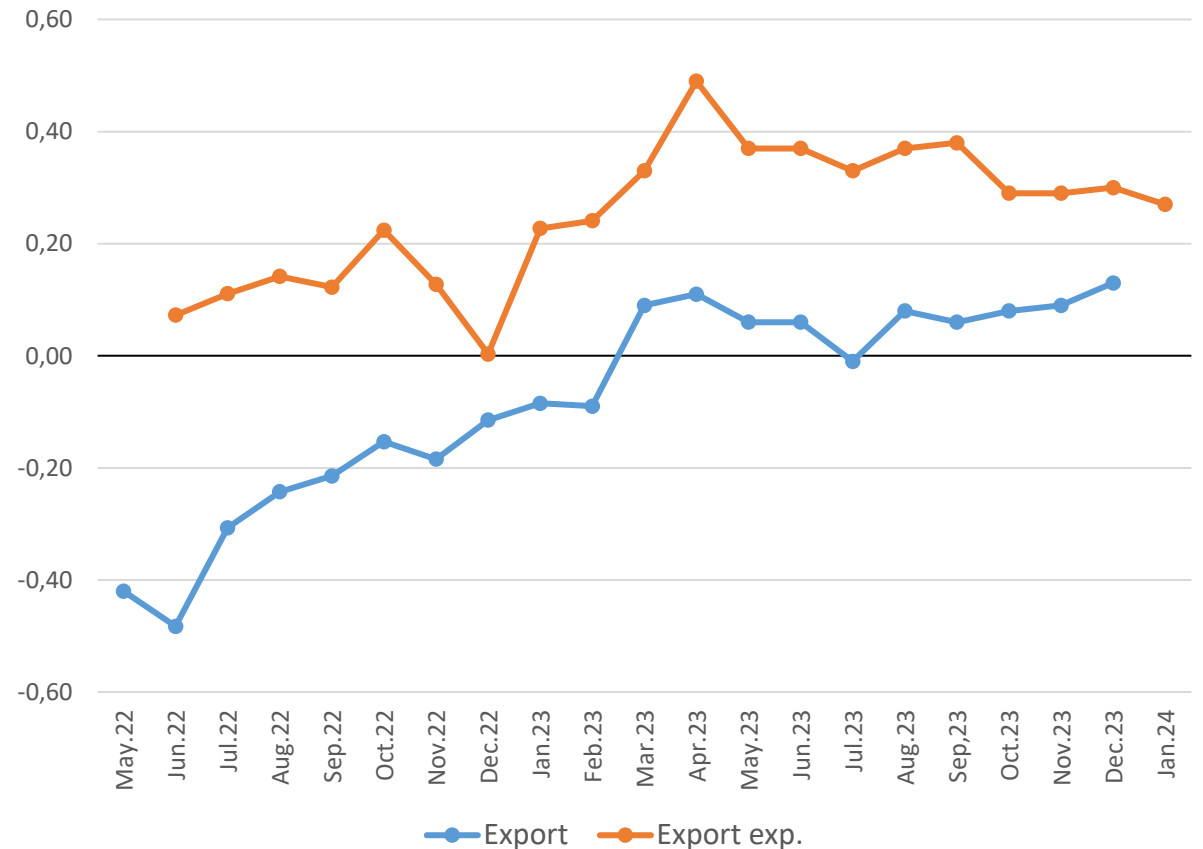
Past performance (December vs November)

- % of enterprises reporting **growth of export increased** from 24.2% in November to 31.1% in December
- % of enterprises informing **reducing export** has not **changed** (20.1% in December, 19.0% in November)
- Index of changes has increased from 0,09 to 0,13

Expectations for 3 months:

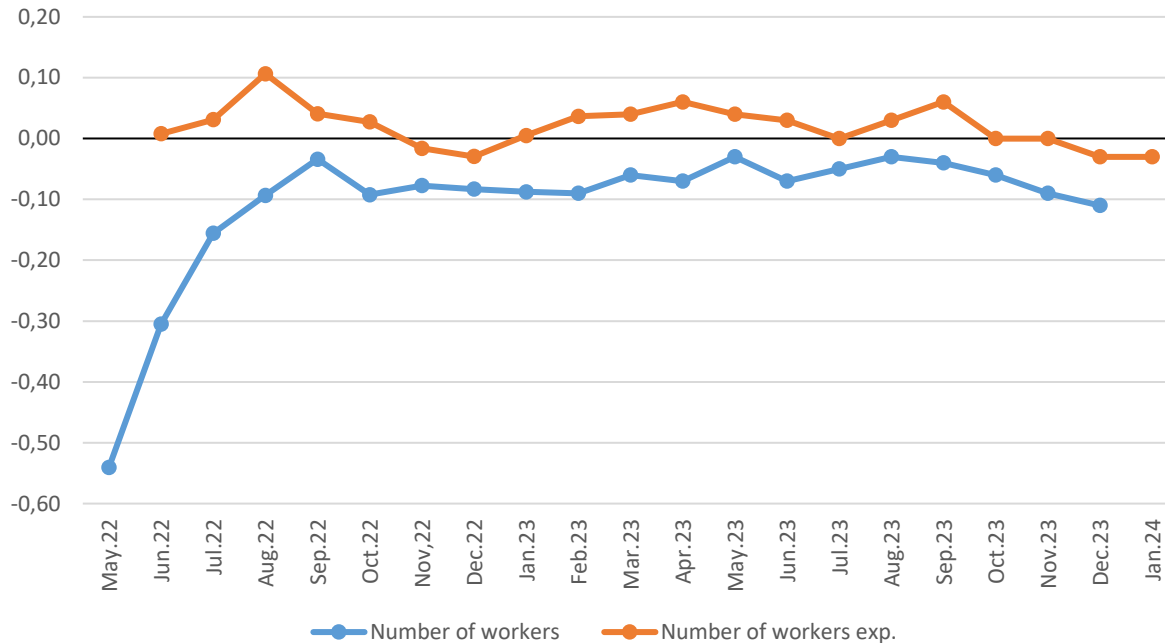
- % of enterprises expecting **growth of export decreased** from 35,0% in November to 31,2% in December
- % of enterprises planning **to reduce export** has not **changed** (6,5 % in December, 6,8% in November)
- The index of expected export has **decreased** from 0,30 in November to 0,27 in December

Export, balance indicators

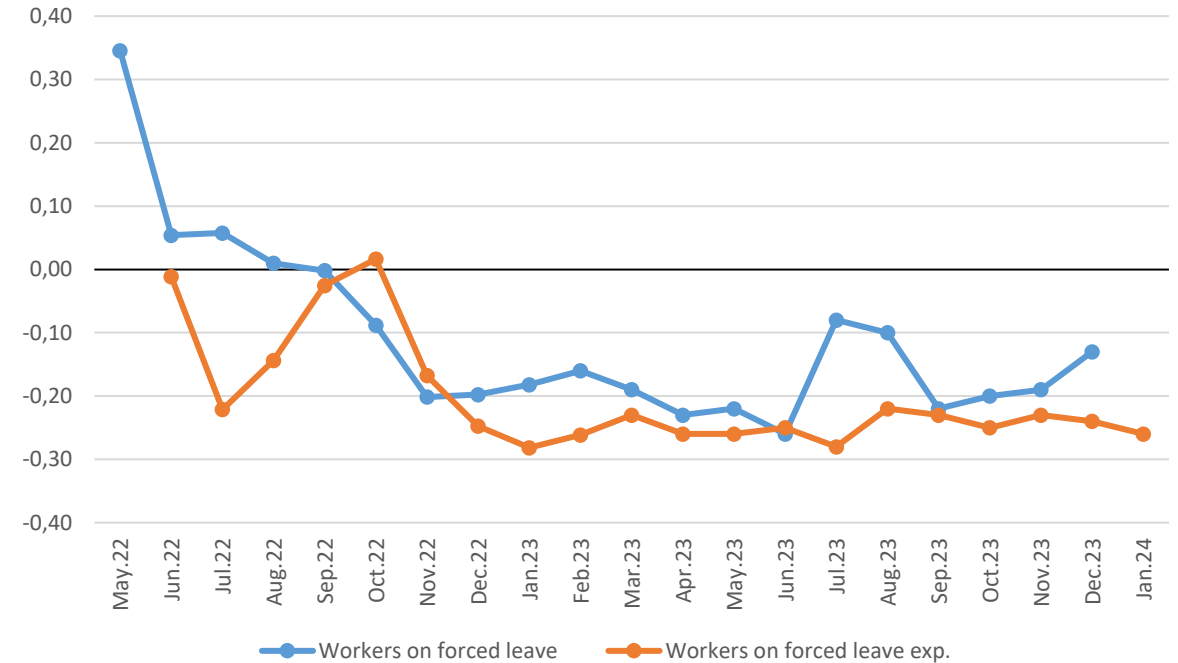


Employment: business continue to decrease number of workers

Number of workers



Number of workers on forced leave

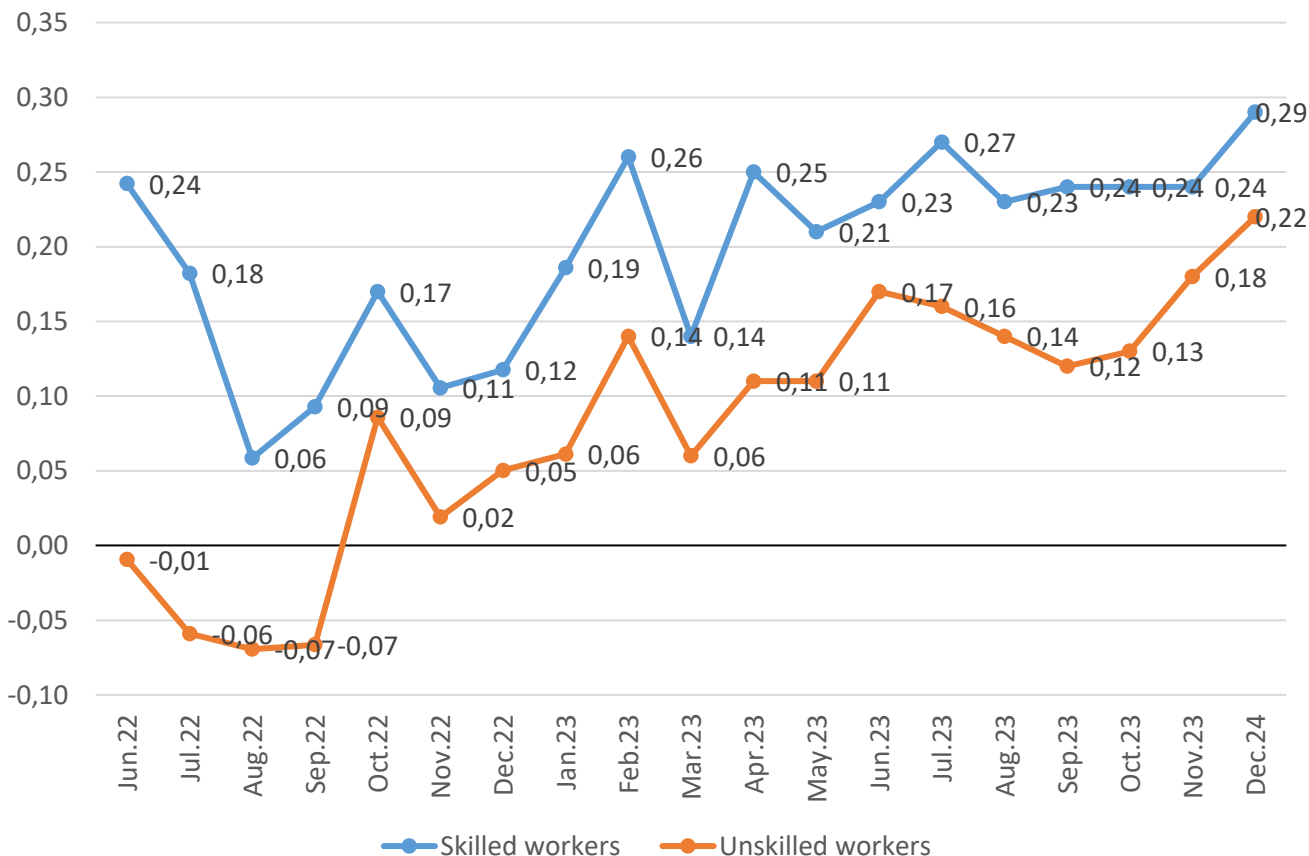


- % of enterprises **planning employment growth** in the next 3-4 month **increased** from 2.8% to 5.1%
- % of enterprises **intending to reduce** the number of employees **remained without significant changes** (6.7% in December vs 6.0% in November)
- % of enterprises at which **no changes in employment are expected decreased** from 91% to 88.3%

- % of enterprises that **will increase the number of employees on forced leave slightly decrease** (0.5% vs 1.7% in November)
- % of enterprises that **are going to reduce employees on forced leave increased from 25.5% to 27.0%**
- % **unchanged is 72.5%** (72.9% in November)

Problems with finding workers increased

Problems with finding workers



In December business reported on with finding both skilled and unskilled workers

Skilled workers:

- % of those who reported that it is **more difficult** to find such workers **increased** (from 26.3% in November to 29.1% in December).
- % of those to whom it is **easier** to search for skilled workers **almost unchanged** (1.8% in December vs 0.8% in November)

Unskilled workers:

- % of those who report that it is **easy** to find them is **without significant changes** (4.7% in November and 5.2% in December)
- % of those to whom this is **harder** increased (from 22.6% in November to 25.0% in December)

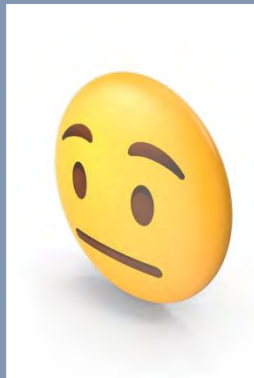
Main results 5: Impediments, economic policy



In December, the list of impediments significantly changed; **security issues** and **“lack of personnel”** took the **1st** and **2nd** places, shifting **“rise in price”** on the **3rd** place



% of respondents who identified **“working in current conditions is dangerous”** as an impediment to production **has risen significantly, from 38% to 50%**, and it now maintains its position as **the top-ranked impediment.**

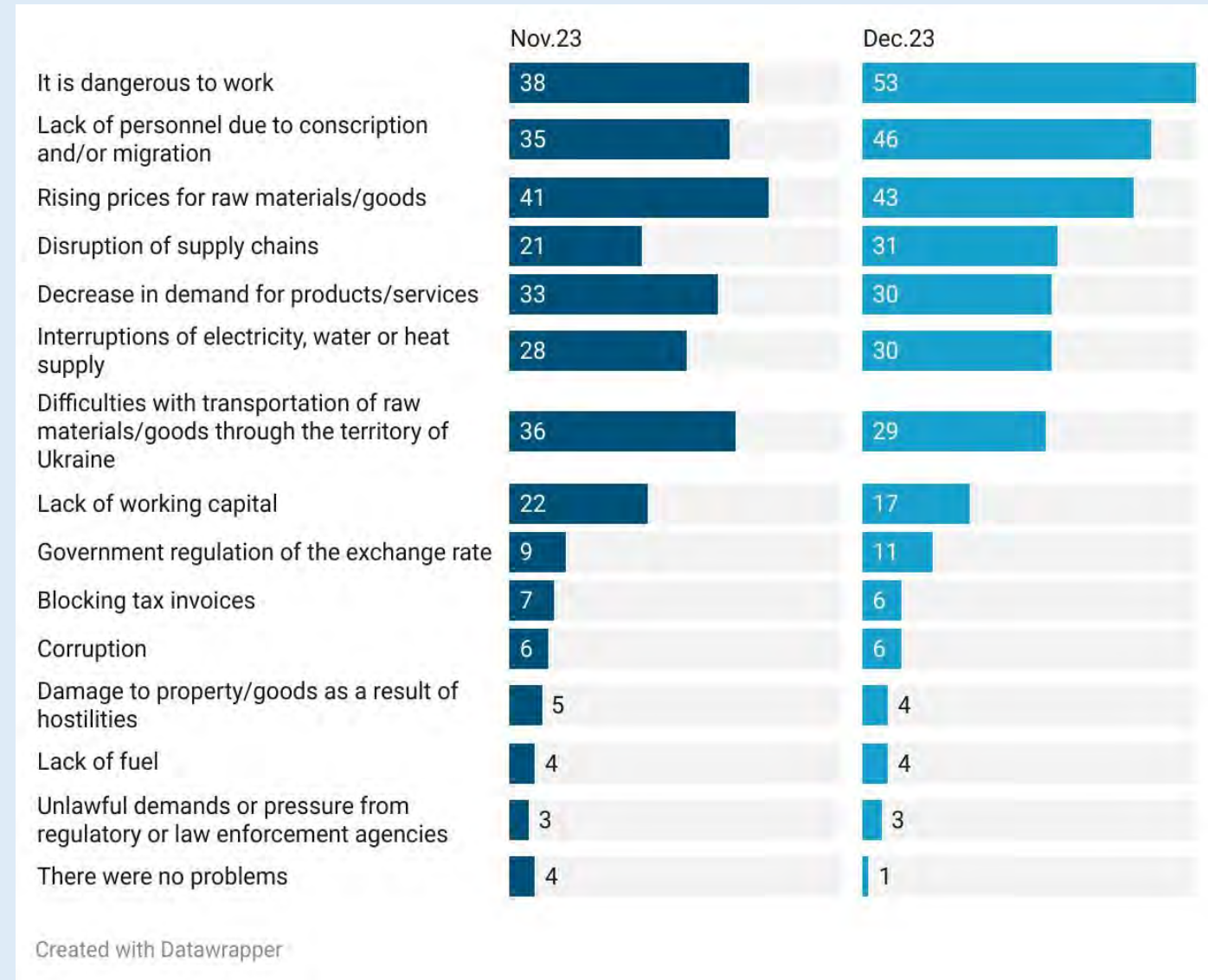


Negative assessments of the government’s economic policy have decreased, while neutral assessments have **increased.**

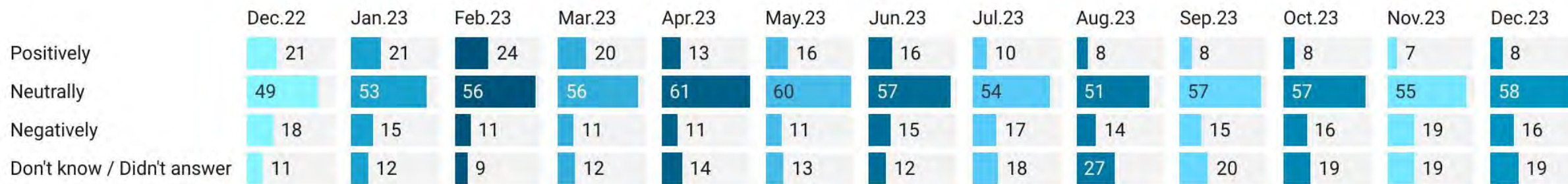
The main impediments to doing business in wartime, % respondents

There are several significant changes in the list of impediments in December compared to November 2023

- The **“it is dangerous to work”** impediment increased its value from 38% to 53% and moved up from the 2nd place to the 1st
- **“Lack of personnel”** moved from 4th place to 2nd place after increasing its value from 35% to 46%
- **Disruption of supply changes** moved to 3rd place.
- The impediment **“rising prices for raw materials and goods”** despite a slight increase of value moved to the 3rd place in the list after leading the ranking several months in a row
- **“Decrease in demand”** remained at the 5th place, although its value decrease a bit
- **“Electricity interruptions”**, after increasing its value from 28% to 30%, shares 5th place with decrease in demand.
- **Corruption** and **pressure from law enforcement agencies** are not significant problems



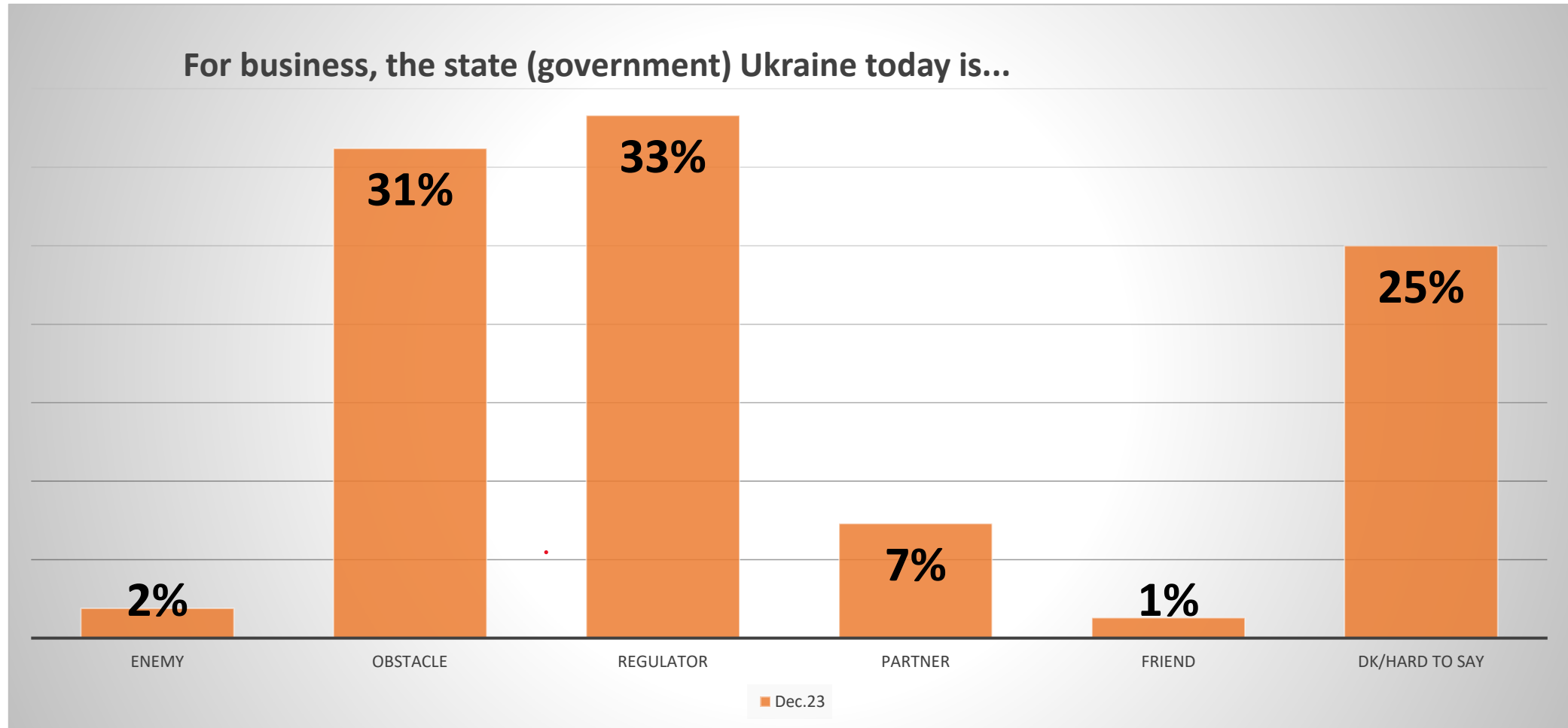
2/3 of surveyed enterprises have neither positive nor negative assessment towards the Government's economic policy



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- The share of **positive assessments** of the government's policy on business is 8% and it **remained without significant changes** for the fifth month in a row
- The share of **neutral assessments** of the government's policy on business support **increased** from 55% in November to 58% in December
- The share of **negative assessments** **decreased** from 19% to 16%

Today State Ukraine (Government) for business is:



New monthly enterprise survey. Methodology

The need for comprehensive information on the economic situation is crucial for economic policy in wartime. The Institute for Economic Research and Policy Consulting conducts a monthly enterprise survey using the **Business Tendency Survey** approach to quickly collect information on the current economic state at the enterprise level. The methodology is designed to assess the situation from the “base level”: the judgments and expectations of key economic agents such as entrepreneurs and business managers.

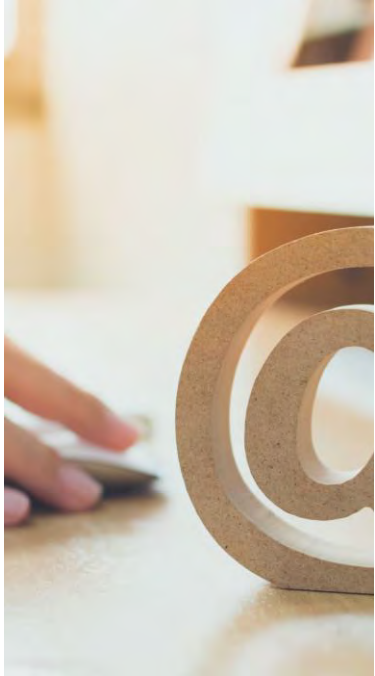
The monthly survey consists of two parts: the regular one and the special one. Respondents will regularly answer questions on the changes in key activity indicators and short-term forecasts for future changes in the same indicators: output (production), sales, exports, debt, new orders, employment, etc. We will also focus on estimates and expectations of the changes in the business climate and business activity at the enterprise in the next six months.

The special part of the Monthly survey provides information on specific topics. A special part examines the enterprises' problems, the war's impact on production volumes, export activity, basic business needs, and the assessment of government policy.

This survey uses a panel sample that includes **500+ enterprises located in 21 of 27 regions of Ukraine**, including Vinnytsya, Volyn, Dnipropetrovsk, Zhytomyr, Zakarpattia, Zaporizhzhia, Ivano-Frankivsk, Kyiv, Kirovohrad, Lviv, Odesa, Poltava, Rivne, Sumy, Ternopil, Kharkiv, Khmelnytsky, Cherkasy, Chernivtsi and Chernihiv regions and the Kyiv city.

The field stage of the 20-th wave lasted from December 13 to December 31, 2023. The enterprise managers compared the work results in December 2023 with November, assessed the indicators at the time of the survey (December 2023), and gave forecasts for the next two, three, or six months, depending on the question. In certain issues (where indicated), the work results were compared with the pre-war period (before February 24, 2022).

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