



Funded by
the European Union

erim
Equal Rights
& Independent
Media

 INTERNATIONAL
RENAISSANCE
FOUNDATION

 ATLAS
NETWORK

 INSTITUTE
FOR ECONOMIC RESEARCH
AND POLICY CONSULTING

“Hope springs eternal”

Main economic trends in February 2024

based on the results of the New Monthly Enterprises Survey,

#NRES

Oksana Kuziakiv, Executive Director at the IER

Yevhen Anhel, Senior Research Fellow at the IER

Iryna Fedets, Senior Research Fellow at the IER

Anastasia Gulik, Research Fellow at the IER

Kyiv, 11 March 2024

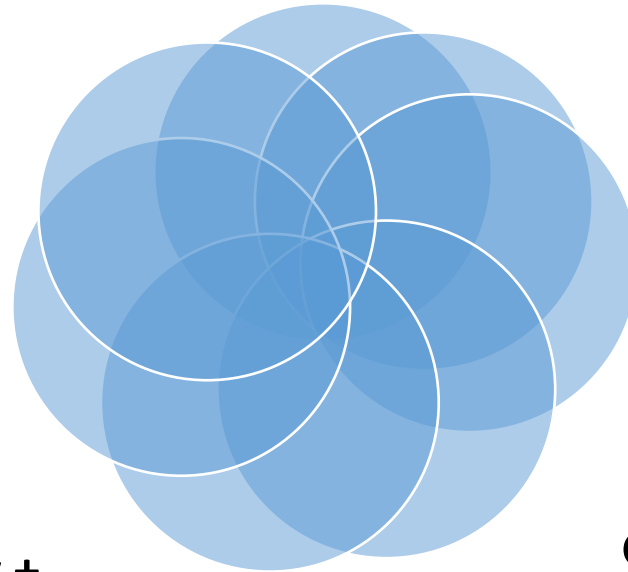
ABOUT THE NEW RAPID ENTERPRISES SURVEY

Monthly survey

The recent data were collected on **February 19 – 29, 2024**

22 surveys have already been conducted (since May 2022)

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

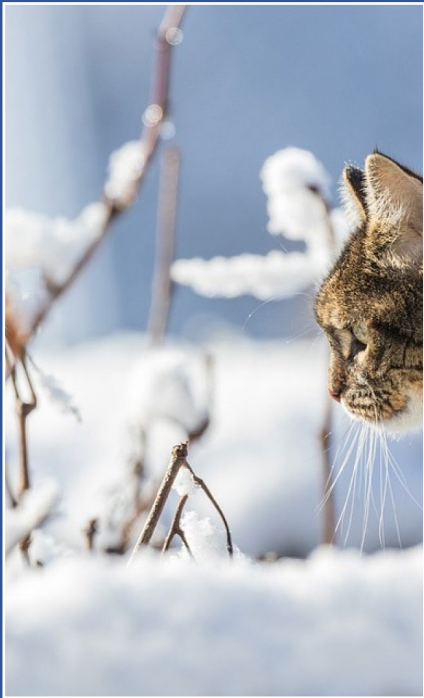


SAMPLE: **542 enterprises** were surveyed in **February**

Enterprises of **all sizes**

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

Key messages



Against a backdrop of **improved short-term expectations** and a traditionally **high level of two-year uncertainty**, the **shortage of workers** emerged as one of the key **obstacles** to business development.

Main results 1



The Business Activity Recovery Index (BARI) is still **positive** but **decreasing** for the second month in a row.



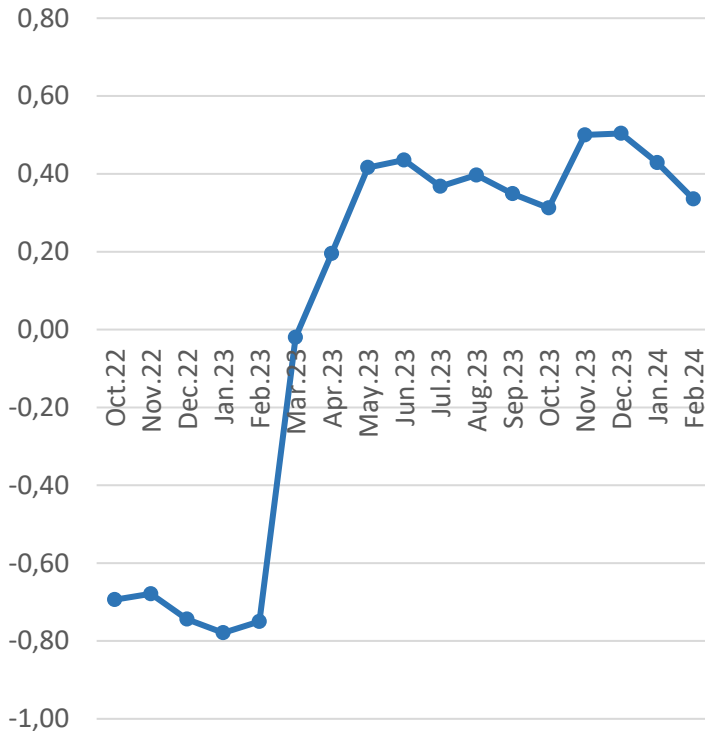
The share of enterprises operating at **full capacity** increased slightly



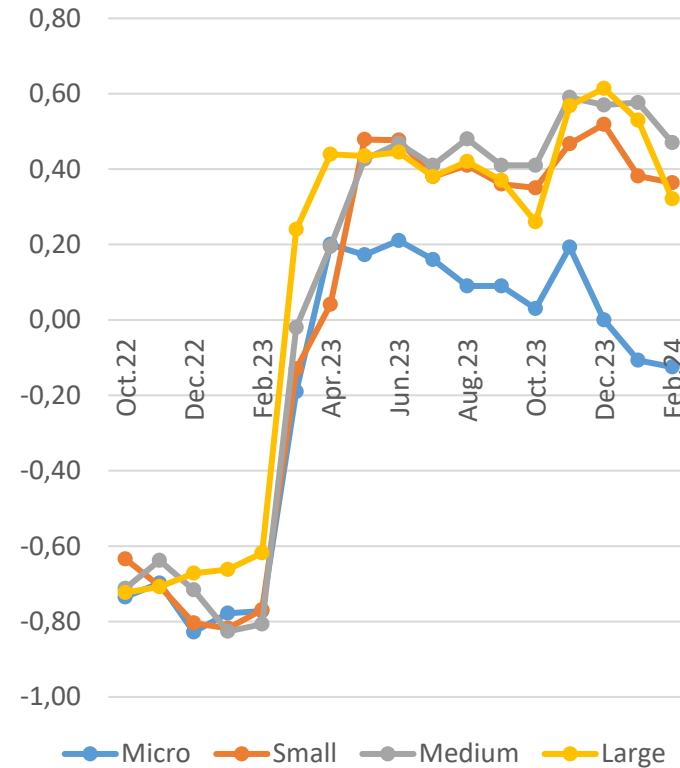
The Industrial Confidence Indicator **rose** after a two-month **drop**.

The Business Activity Recovery Index (BARI)* continues to deteriorate

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



Business Activity Recovery Index
(by size)



In February 2024, compared to January, the Business Activity Recovery Index (BARI) decreased from **0.43** to **0.34** (on a scale from -1 to +1)

This happened due to changes in % better/no change in responses:

- % of enterprises that reported that **their business activity is better** than it was in the previous year, **decreased** from **56.0%** in January to **44.8%** in February
- The share of those who for whom **nothing has increased** from 30.9% to 44.0%
- % enterprises that report **worsening** the **situation** have **no significant changes** for several months in a row (13.1% in January and 11.2% in February)

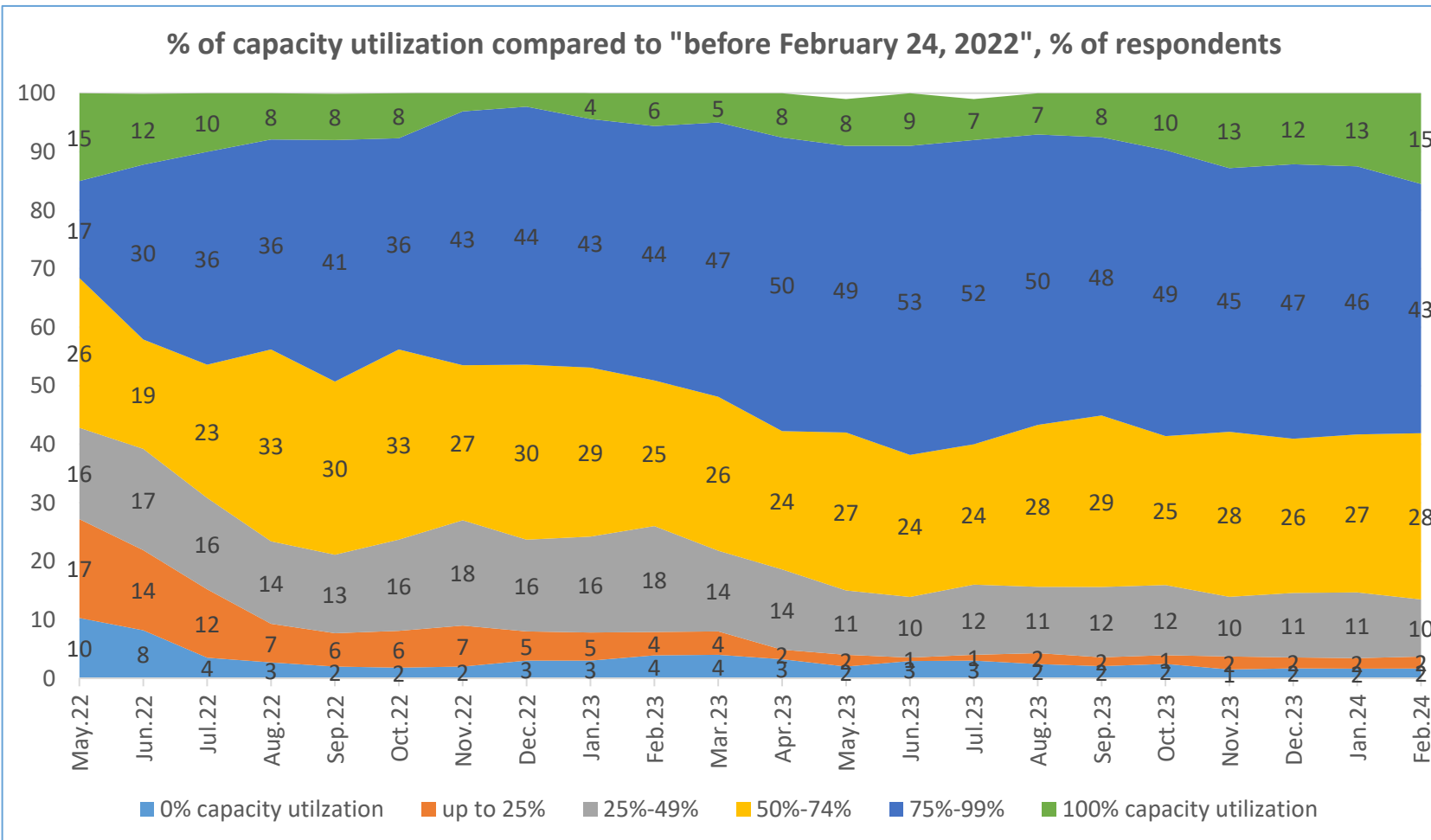
BUT there are significant differences depending on the size of enterprises

BARI for **micro-enterprises is the worst** comparing other size groups, it remains negative and continues to decline.

BARI did **not change** significantly for **small** enterprises and **decreased** for large and medium-sized enterprises.

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

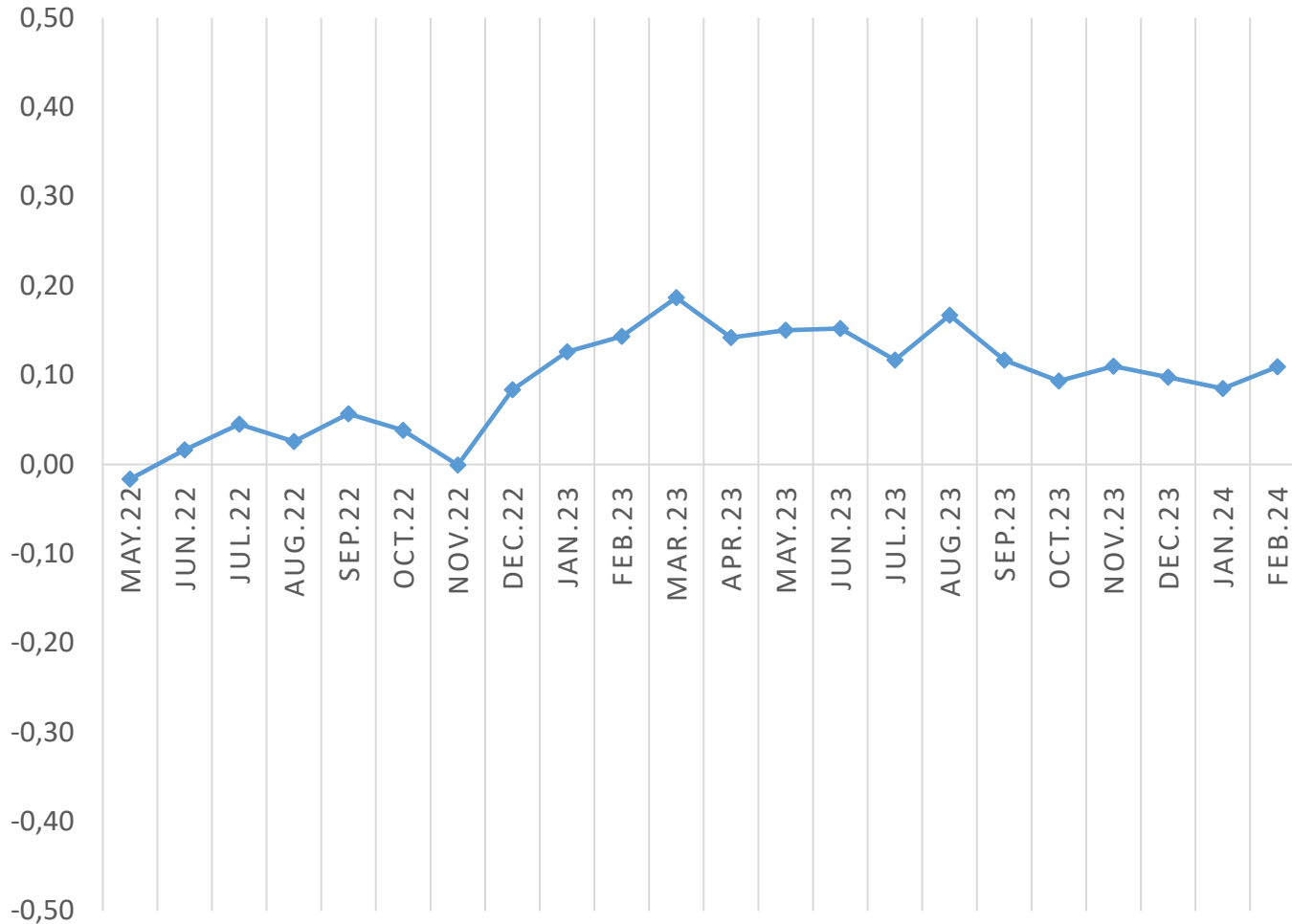
“Now” vs. “before February 24, 2022”: slight revival



The results remain without significant changes

- the share of enterprises operating at **100% capacity** has **increased slightly**, from 13% in January to 15% in February
- **% of enterprises that do not operate at all have not exceeded 2% for more than six months**

Industrial Confidence Indicator (ICI)*



ICI increased slightly (from 0.08 to 0.11)

In February 2024, compared to January, the fluctuations in the components of the ICI are the following:

- **Production expectations (PI) increased** from 0.36 to 0.42
- Component **stocks of finished goods (SFG) almost unchanged** (-0.10 in February vs -0.11 in January)
- Component: **volume of new orders (VNO) increased slightly** (from -0.22 to -0.19)

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

Main results 2. Uncertainty



Uncertainty in the 6-month perspective remains without significant changes for the business activity at the enterprise for 4 months in a row



Uncertainty in the 6-month perspective for expected changes in the overall economic environment has increased after three months of decline



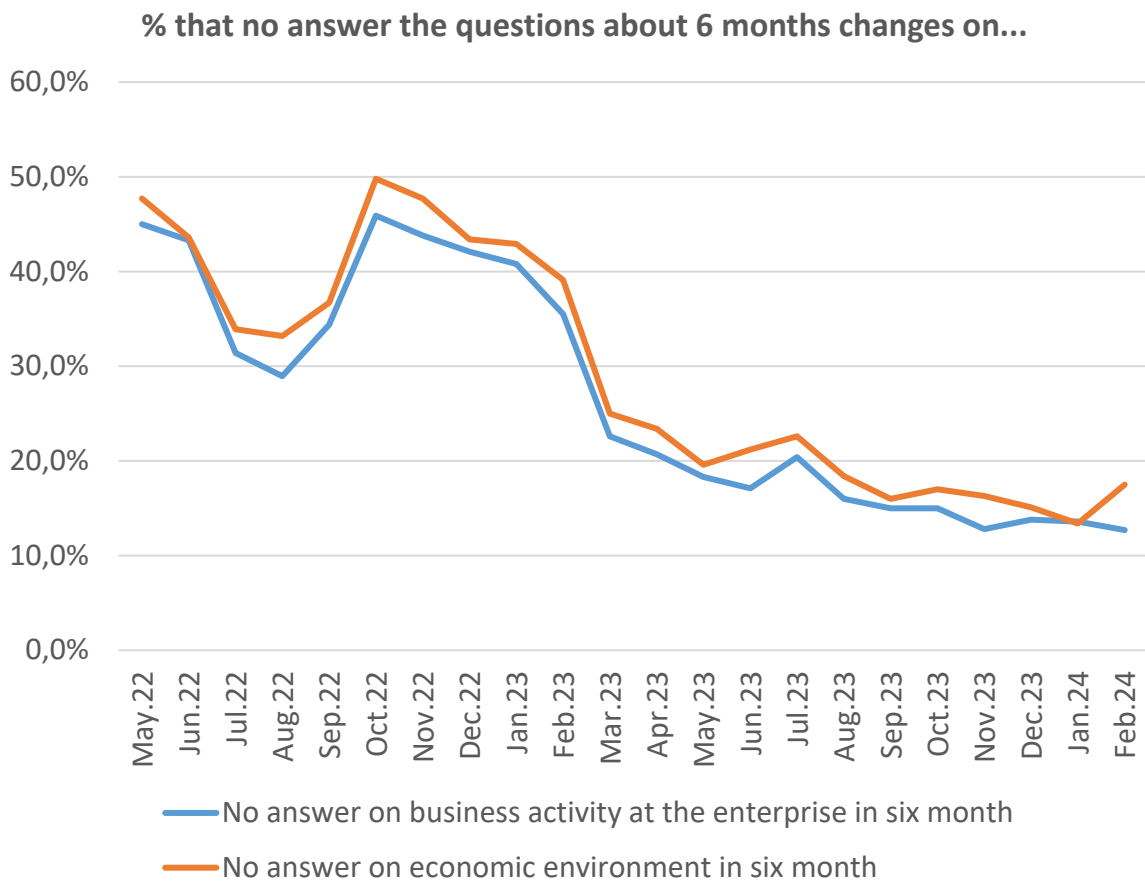
Uncertainty in the 3-month perspective has decreased for all production indicators and has not changed significantly for new orders



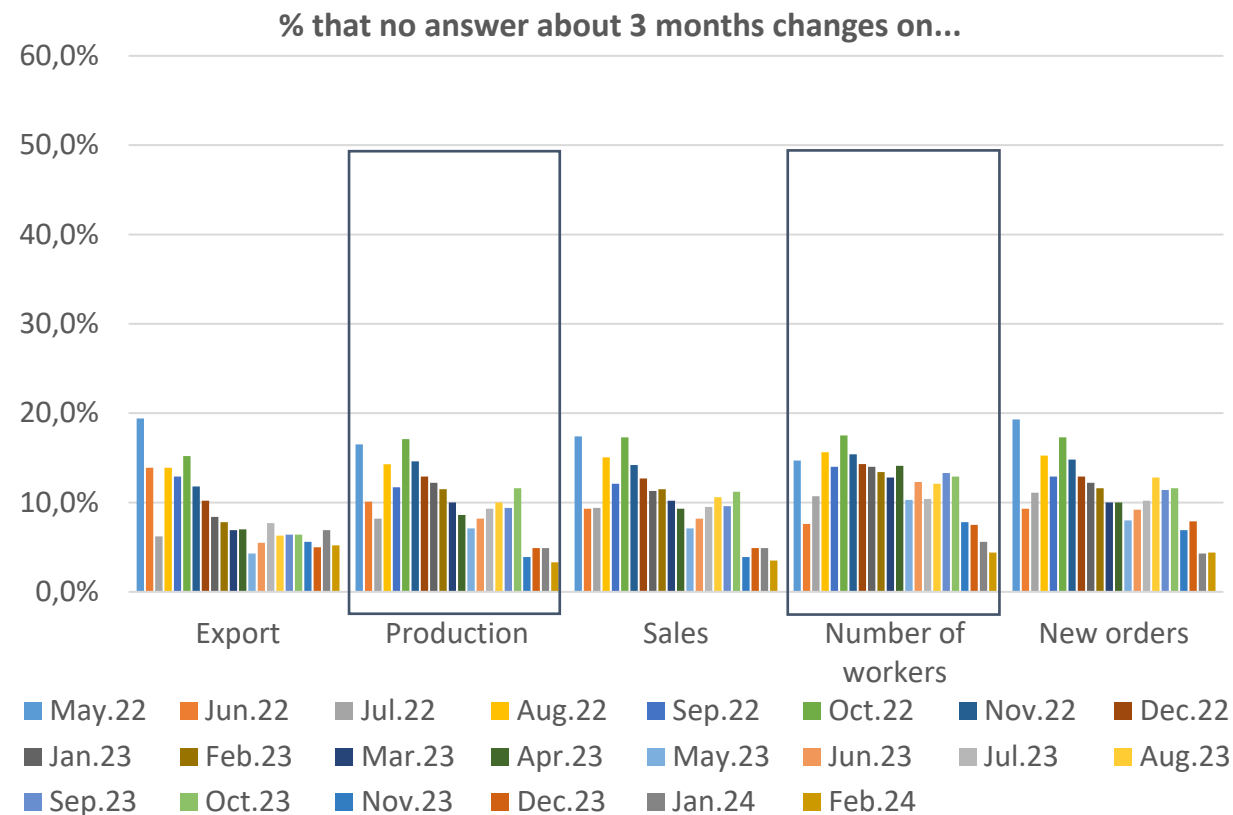
Uncertainty in the 2-year perspective remains unchanged

Uncertainty in the 6-month perspective has increased for the economic environment

Half-year horizon



Three-month horizon

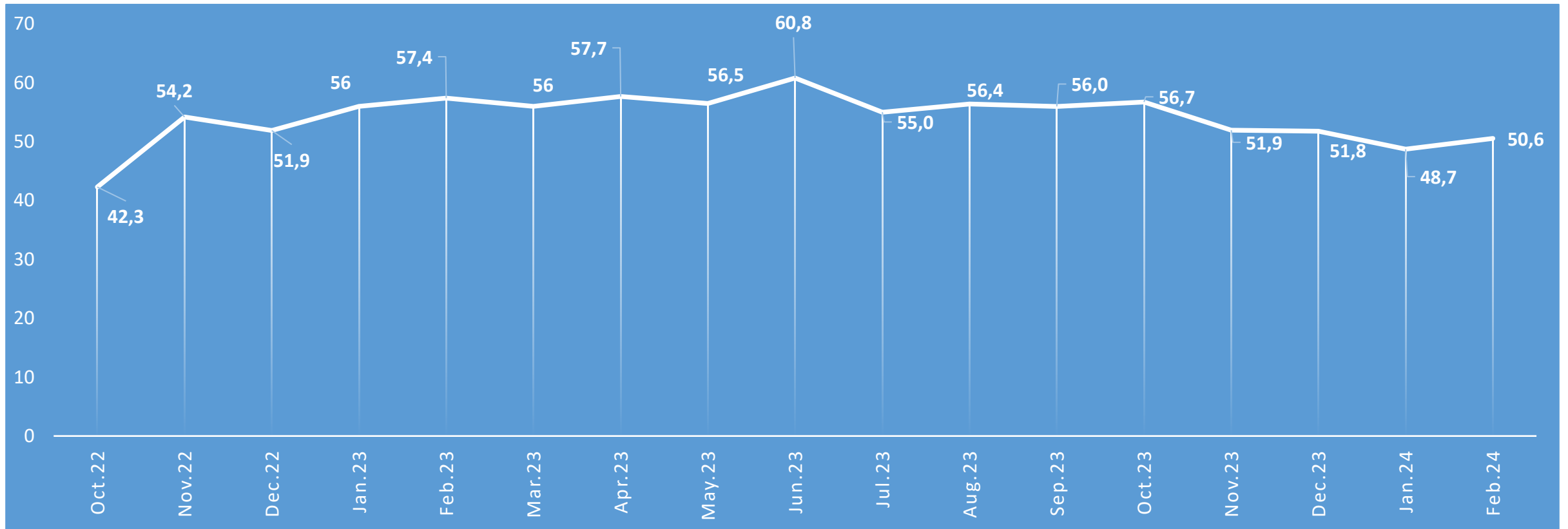


Long-term uncertainty without significant change

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 companies that have no idea about their plans for 2 years – 51% (49% in January)



Main results 3. Long- and medium-term expectations remain optimistic and unchanged



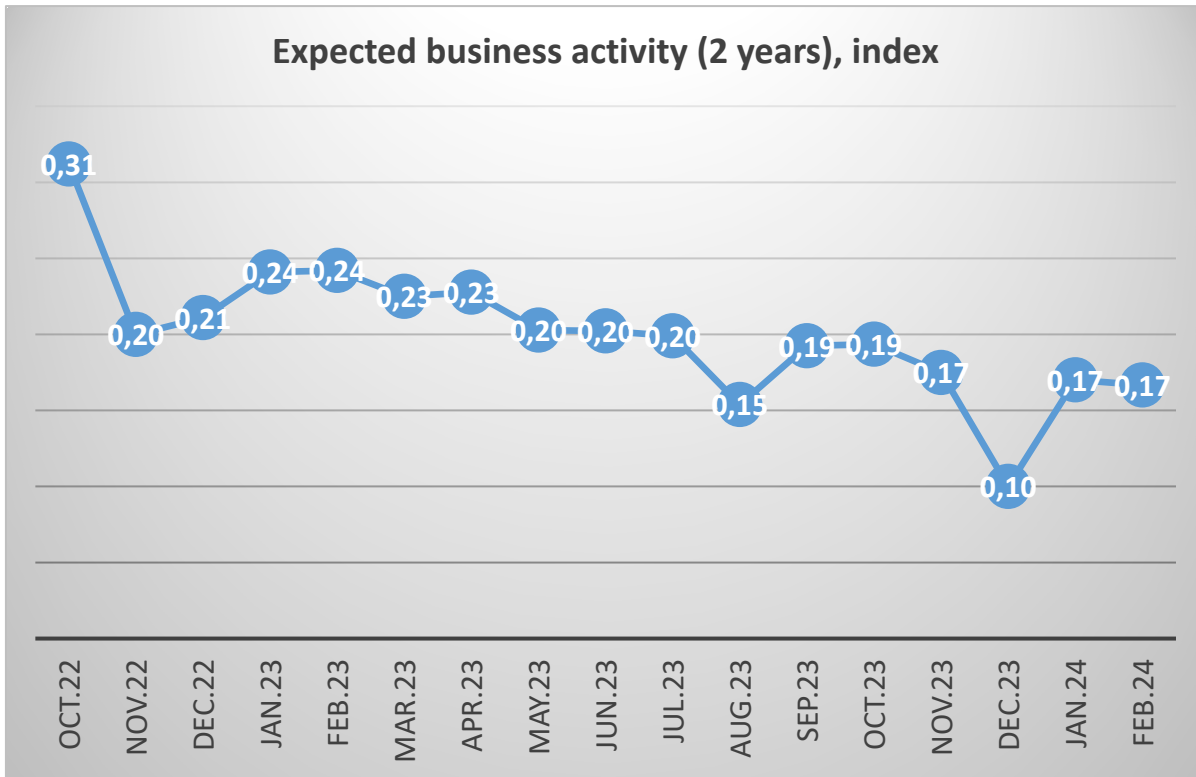
In February 2024, business expectations for the **two-year perspective remained unchanged** compared to January



6-month expectations for the business activity at the enterprise and the overall economic environment remain the same

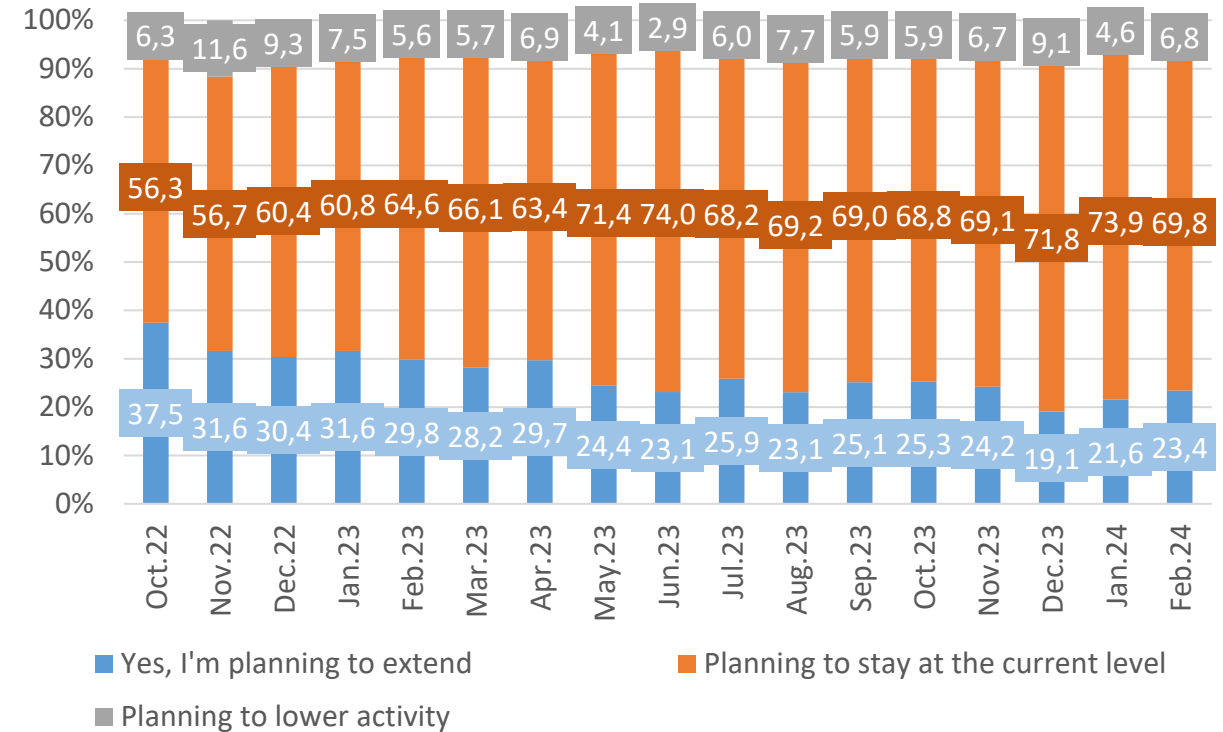
Long-term expectations remain unchanged

Index of expected changes in business activity



- The index of expected changes in 2 years perspective in February, as well as in January, is 0.17
- Scale from -1 (bad) to +1 (good)

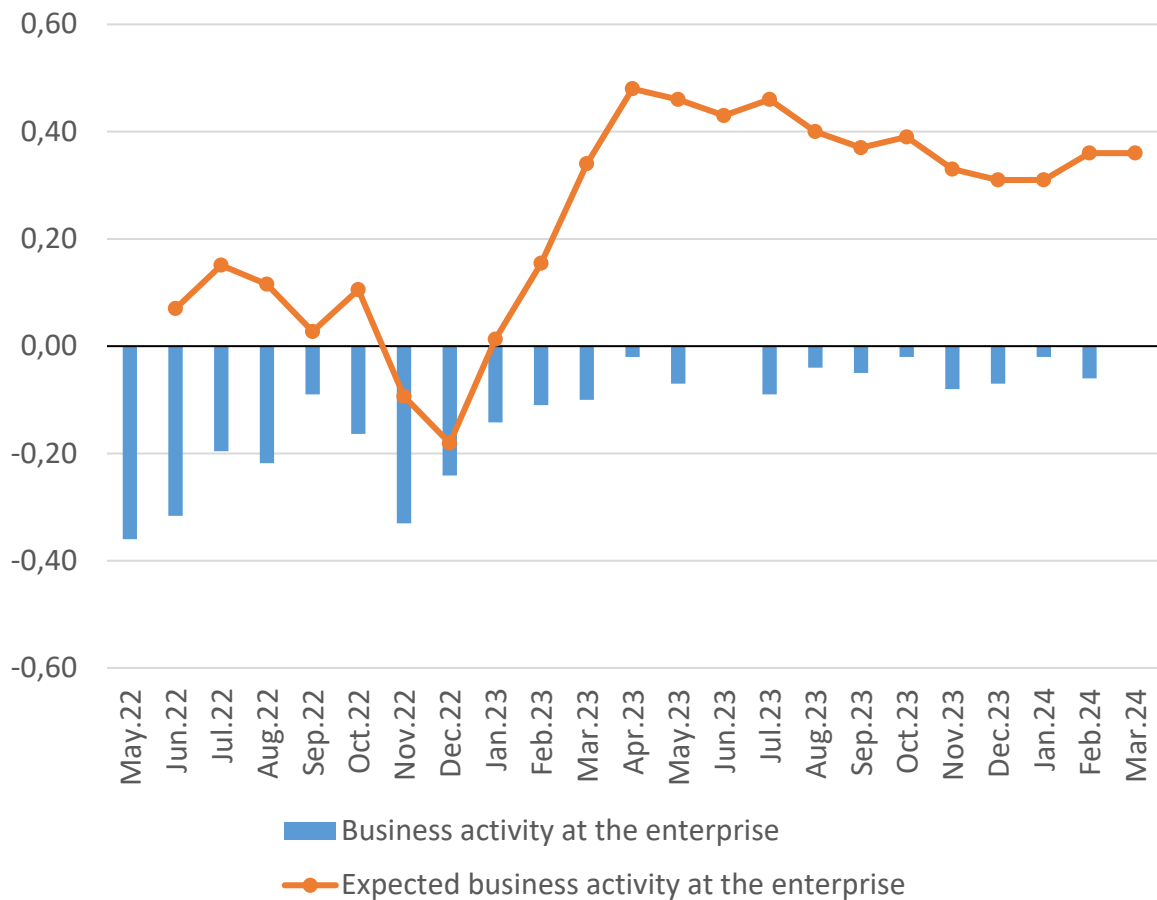
Expectations in the two-year perspective



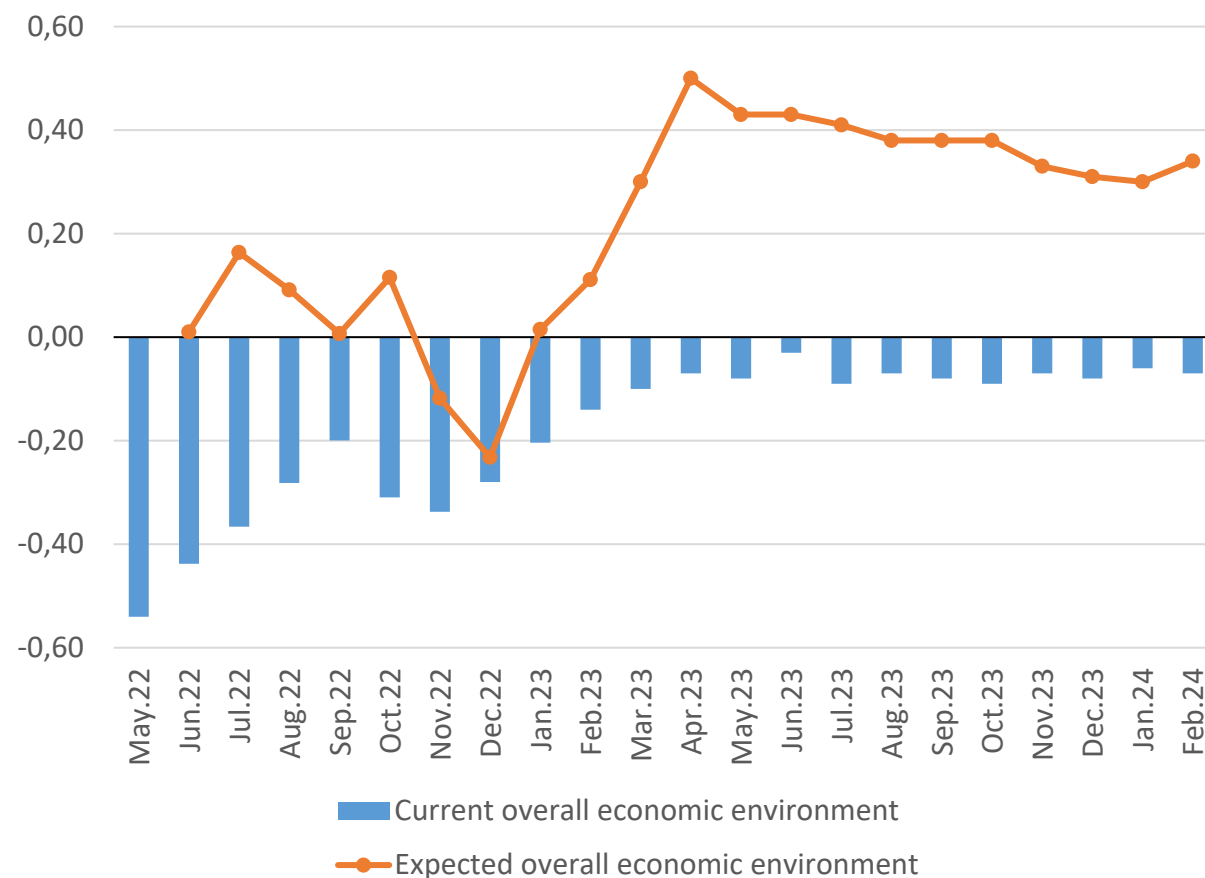
- % of companies planning to grow in 2 years increased from 21.6% to 23.4%
- In February, % of companies planning to reduce business activity increased from 4.6% to 6.8%

6-month perspective: no significant changes

Business activity at the enterprise



Overall economic environment in the country



Main results 4: Results and expectations



Production indicators in February **improved slightly** compared to January



Production expectations for a 3-month perspective have **improved** after several months of stagnation



The several-month-long **downward trend in the number of employees** has been **interrupted**, while the problems with finding employees of the required qualifications have remained unchanged



The **export performance of enterprises improved slightly**, while the **expected changes** in the short term perspective **remained unchanged**

Past performance (February vs January)

- % of companies that **increased production volumes did not change significantly** (24.3% in February and 23.2% in January)
- % of companies that **reduced production decreased** from 23.2% to 16.7%

The index of changes increased from 0.05 to 0.11

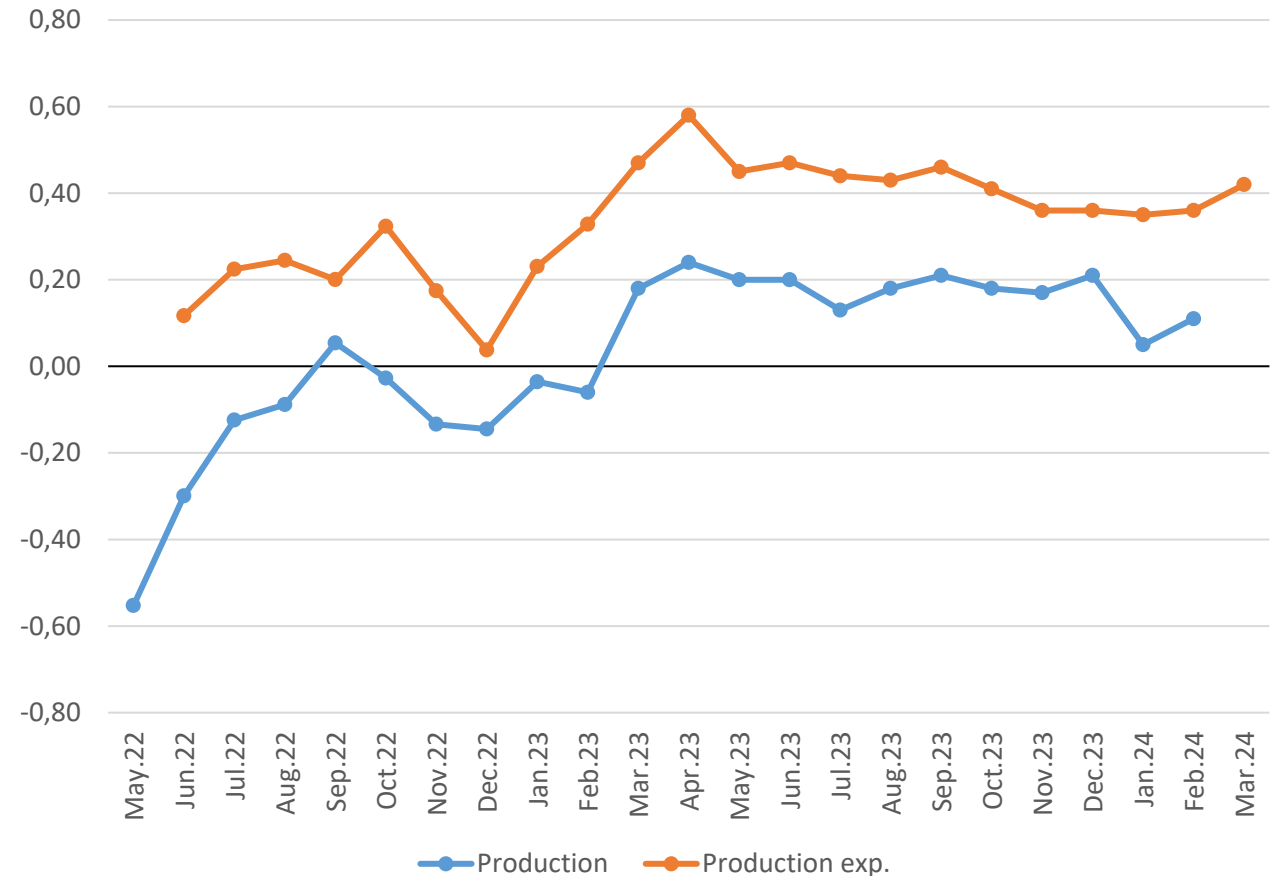
Expectations for 3 months

- % of companies **planning to increase production in the next 3-4 months increased** from 39.2% to 43.8%
- % of companies **expecting a decrease in volumes decreased** (from 4.8% to 2.5%)

The index of expected changes in production increased from 0.36 to 0.42

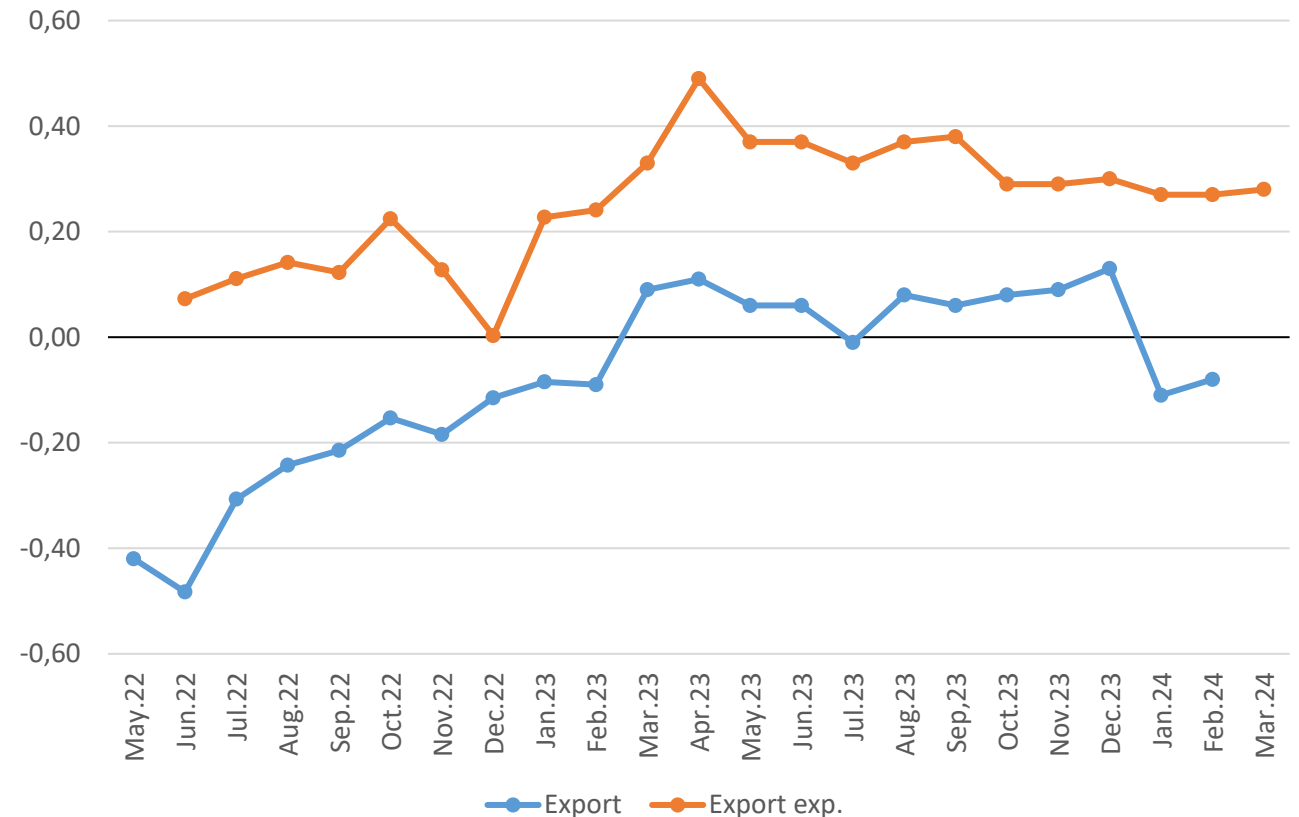
Production: past and future improved

Production, balance indicators



Exports: slight improvement in results, no change in expectations

Export, balance indicators



Past performance (February vs January)

- % of companies **reporting export growth remained unchanged** (18.9% in February and 18.8% in January)
- % of companies **reporting a decrease in exports decreased** from 34.2% in January to 29.3% in February

The index of changes increased from -0.11 to -0.08

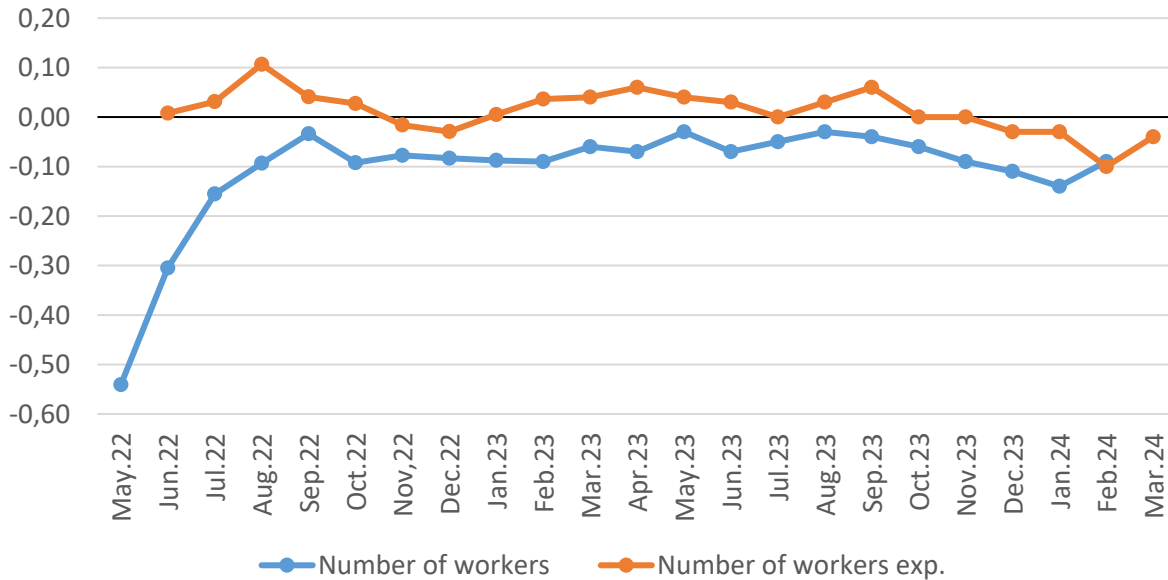
Expectations for 3 months

- % of companies **expecting export growth remained unchanged** (29.5% in February vs. 28.9% in January)
- % of companies that **plan to reduce exports also unchanged** (5.0% in January and 4.8% in February)

The index of expected changes in exports remained almost unchanged - 0.28 (was 0.27)

Employment: the number of workers has increased

Number of workers



Number of workers on forced leave



Expectations for 3 months

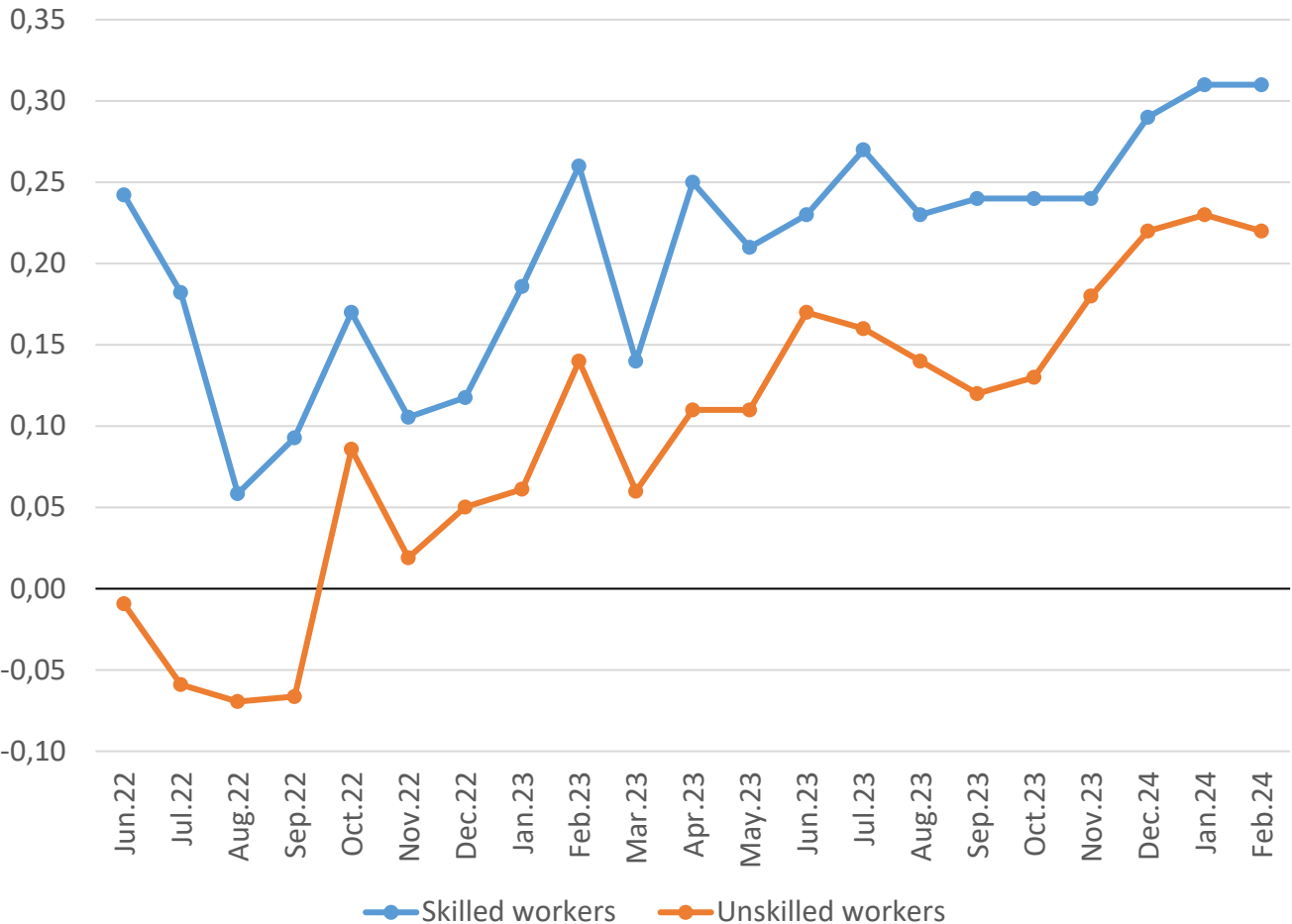
- % of companies planning employment growth in the next 3-4 months did not change significantly (2.5% in February and 2.7% in January)
- % of companies intending to reduce the number of employees decreased from 11.5% in January to 5.2% in February
- % of companies that are not expected to change in employment increased from 85.8% to 92.2%

Expectations for 3 months

- % of companies that plan to increase the number of employees on forced leave, almost unchanged (0.7% in February and 1.1% in January)
- % of companies that plan to reduce employees on forced leave decreased from 25.5% to 23.1%
- % of unchanged increased from 73.3% to 76.3%

Problems with finding employees remain

Problems with finding workers



In February, difficulties in finding employees remained unchanged

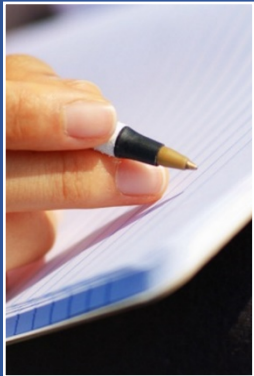
Skilled workers:

- % of those who reported that such workers **were more difficult to find almost unchanged** (32.4% in January and 31.0% in February)
- % of those **for whom it is easier to find skilled workers also did not change significantly** (1.2% in January and 0.2% in February)

Unskilled workers:

- % of those who reported that **for them it was easy to find such workers remained unchanged** (4.2% in January and 4.8% in February)
- % of those **who found it more difficult also remained almost unchanged** (27.6% in January and 26.5% in February)

Main results 5: Impediments, economic policy



The 1st place in the list of impediments remained for "price increase"



% of respondents for whom "it is dangerous to work" has not changed significantly in percentage terms, but in the ranking, the obstacle has dropped from 1st to 3rd place

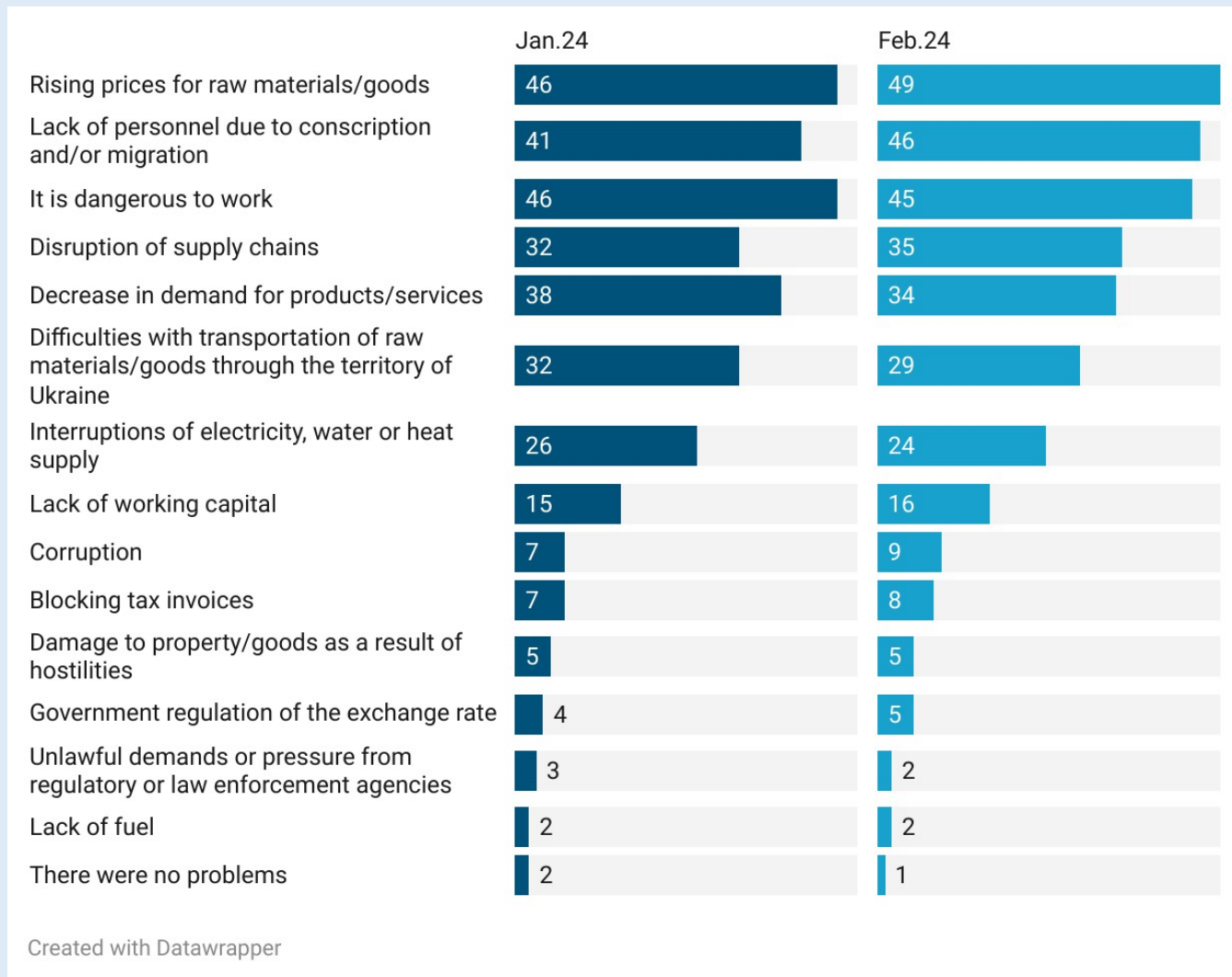


% of negative assessments of the Government's economic policy increased slightly due to a decrease in neutral assessments

The main impediments to doing business in wartime, % respondents

In February 2024, there were some changes in the list of obstacles

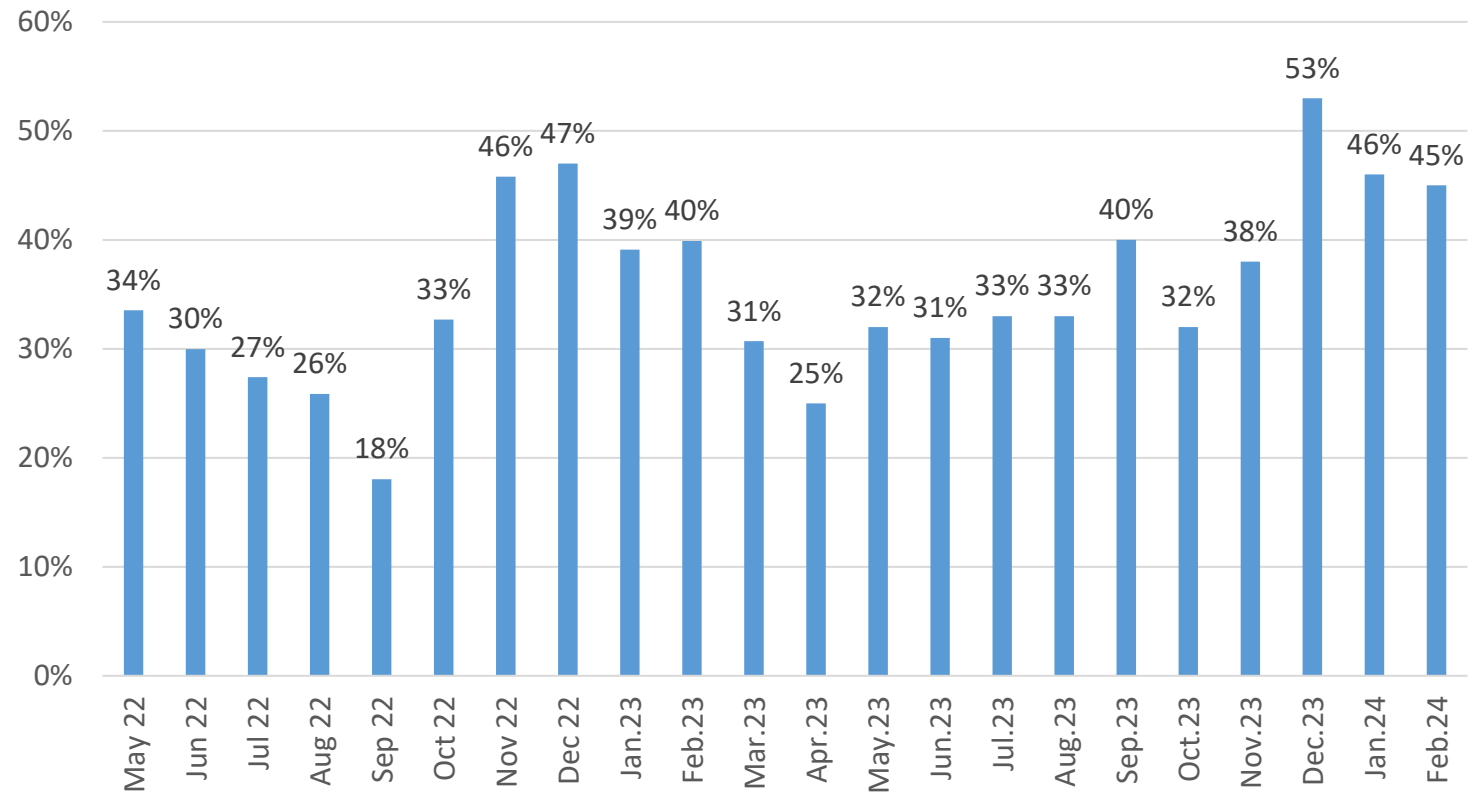
- The impediment **"rising prices for raw materials and goods"** with an increase in value from 46% to 49% remains in the 1st place
- **"Lack of personnel"** increased in value from 41% to 46% and rose from the 3rd to the 2nd place
- **"It is dangerous to work"** impediment moved down from the 1st to the 3rd place, although there were no significant changes in terms of percentage (46% in January vs 45% in February)
- **"Interruptions of electricity"** decreased value from 26% to 24%, but remained on the 7th place
- **Corruption and pressure from law enforcement agencies are not significant problems**



"It's Dangerous to Work" is still an important impediment to doing business

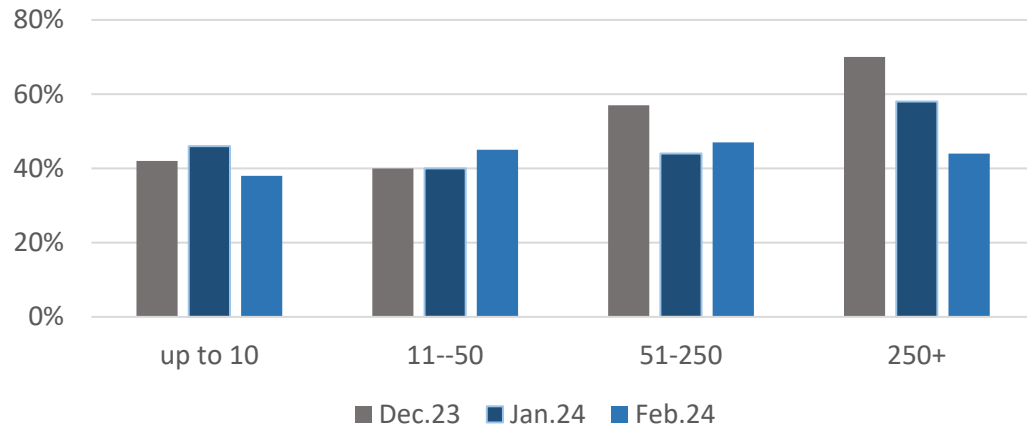
- In February 2024, the share of companies that reported that “it was dangerous to work” did not change significantly (45% in February and 46% in January)
- At the same time, in the list of impediments, "it is dangerous to work" lowered from 1st to 3rd place

"It is dangerous to work", % of respondents



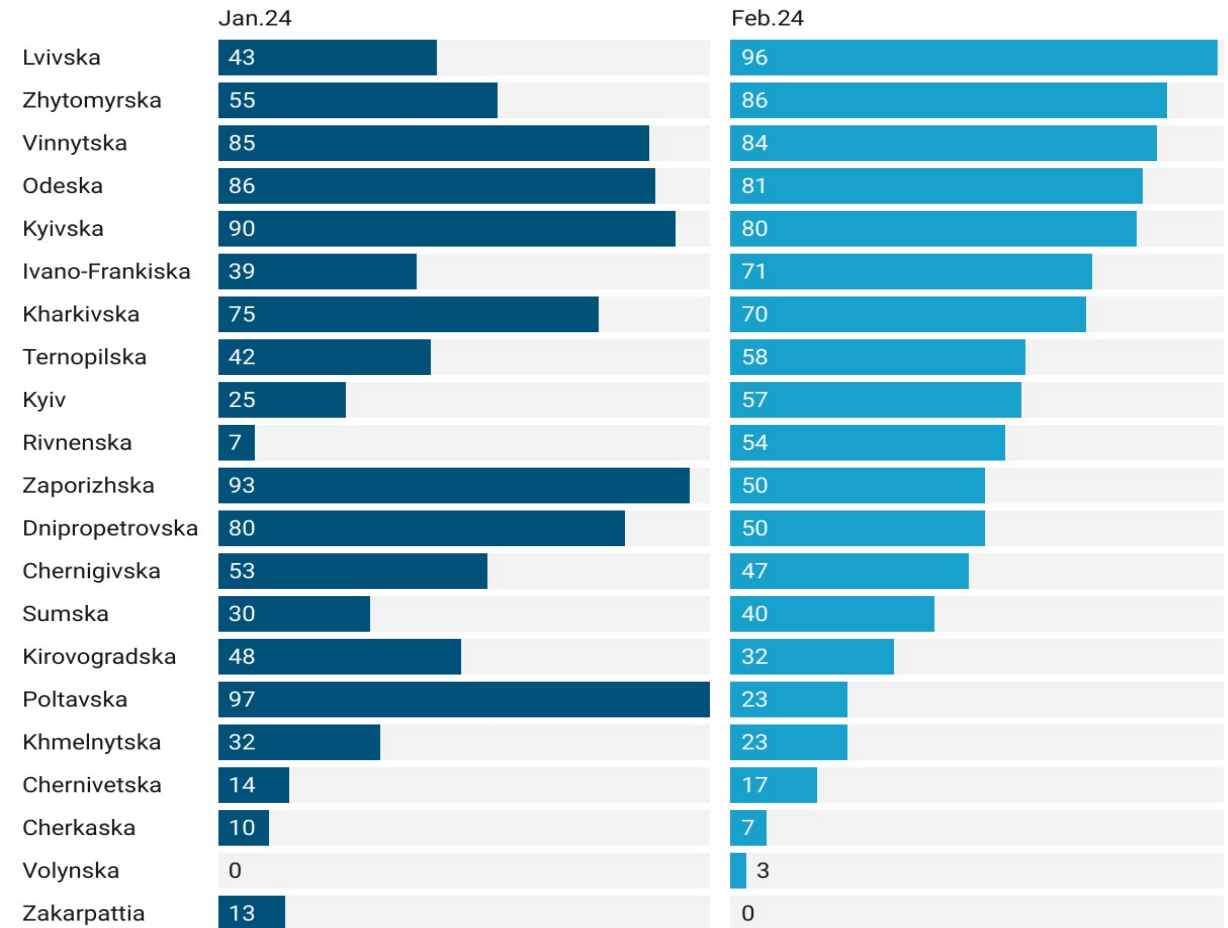
"It is dangerous to work" in different dimensions

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



- % of businesses that chose "it is dangerous to work" decreased for large and micro business.
- 80+% of respondents in Kyivska, Odeska, Vinnytska, Zhytomyrska and Lvivska regions consider dangerous conditions as an impediment

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



Created with Datawrapper

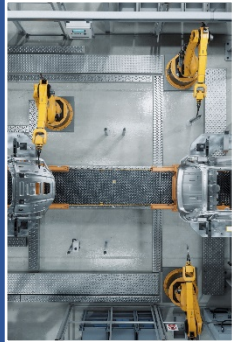
The share of neutral assessments of the Government's economic policy has decreased



Created with Datawrapper

- **The share of positive assessments of the Government's business support policy is too small (8%) and has remained unchanged for more than six months**
- **The share of neutral assessments of the Government's business support policy decreased from 58% to 55%**
- **The share of negative assessments increased slightly, from 16% to 18%**

Main results 6: Investments



58% of enterprises believe that today is a **bad time to invest** and **42%** — think that time is **appropriate**



In 2023, **45%** of businesses made investments. Most businesses have invested in the repair of worn-out or obsolete equipment

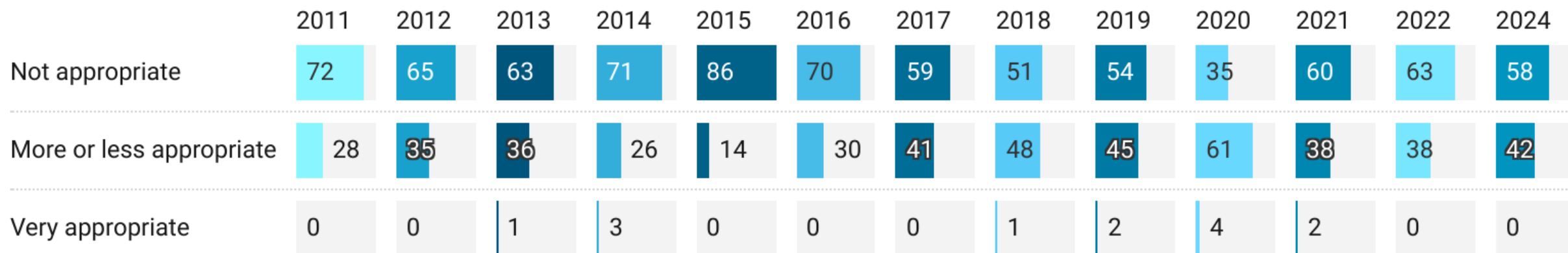


Less than half of enterprises (**44%**) are going to invest in 2024



Top 3 impediments to investment in 2024 are **economic uncertainty** (48%), **political instability** (45%), and **insufficient profits** (35%)

Is it an appropriate time for investments now?



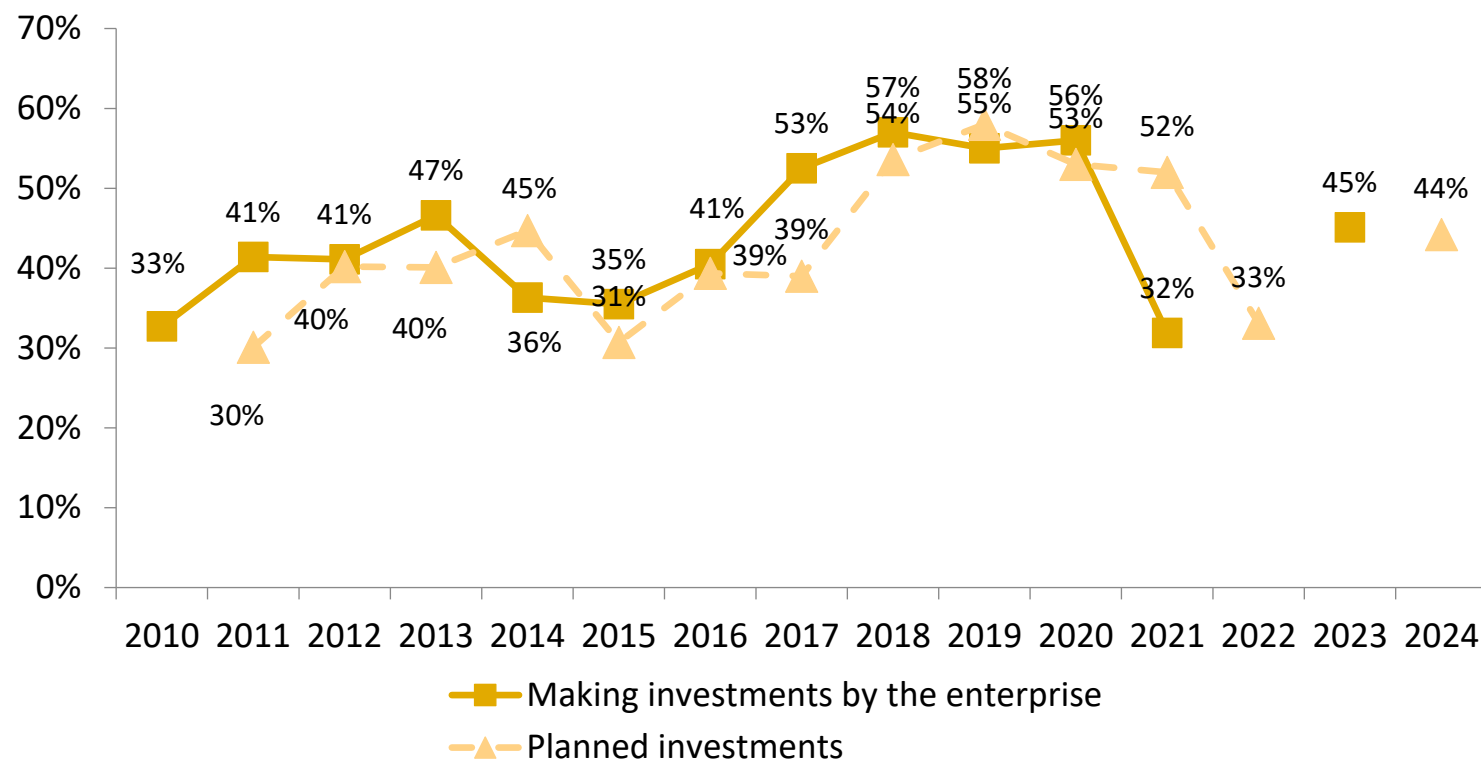
- **More than a half** of the respondents (among those who were able to answer the question) believe that today (February 2024) it is an **unfavorable time** to buy equipment
- **42%** of respondents give more neutral assessments – the time is **more or less appropriate** for investment in equipment
- **Only 2** respondents (about **0%**) indicate that the time is **very favorable** for investment
- The **2024 assessment** of conditions for investment **reminds** the situation at the **beginning of 2021** and **2022**, when results were affected by the **pandemic**, yet the assessment is more than one and a half times worse compared to the beginning of 2020
- A quarter of those surveyed (**25%**) were **unable** to provide an **assessment** reflecting a high level of **long-term uncertainty**

NB: This question has been usually offered to respondents at the beginning of each year when the investment survey was usually conducted. However, the investment questions were not included in the questionnaire in 2023.

Investment activity of enterprises

- In 2023, 45% of the surveyed companies made investments. The indicator is higher compared to the COVID-affected year of 2021, but lower than in 2017-2020
- As the size of the **enterprise grows**, so does the **investment** is observed **frequently** (16% of micro-enterprises and 31% of small enterprises versus 48% of medium and 78% of large enterprises)
- **Most often**, investments were made in **machine building** (60%), the **chemical industry** (59%) and the **printing industry** (54%)
- **44%** of respondents **plan to invest** in **2024**

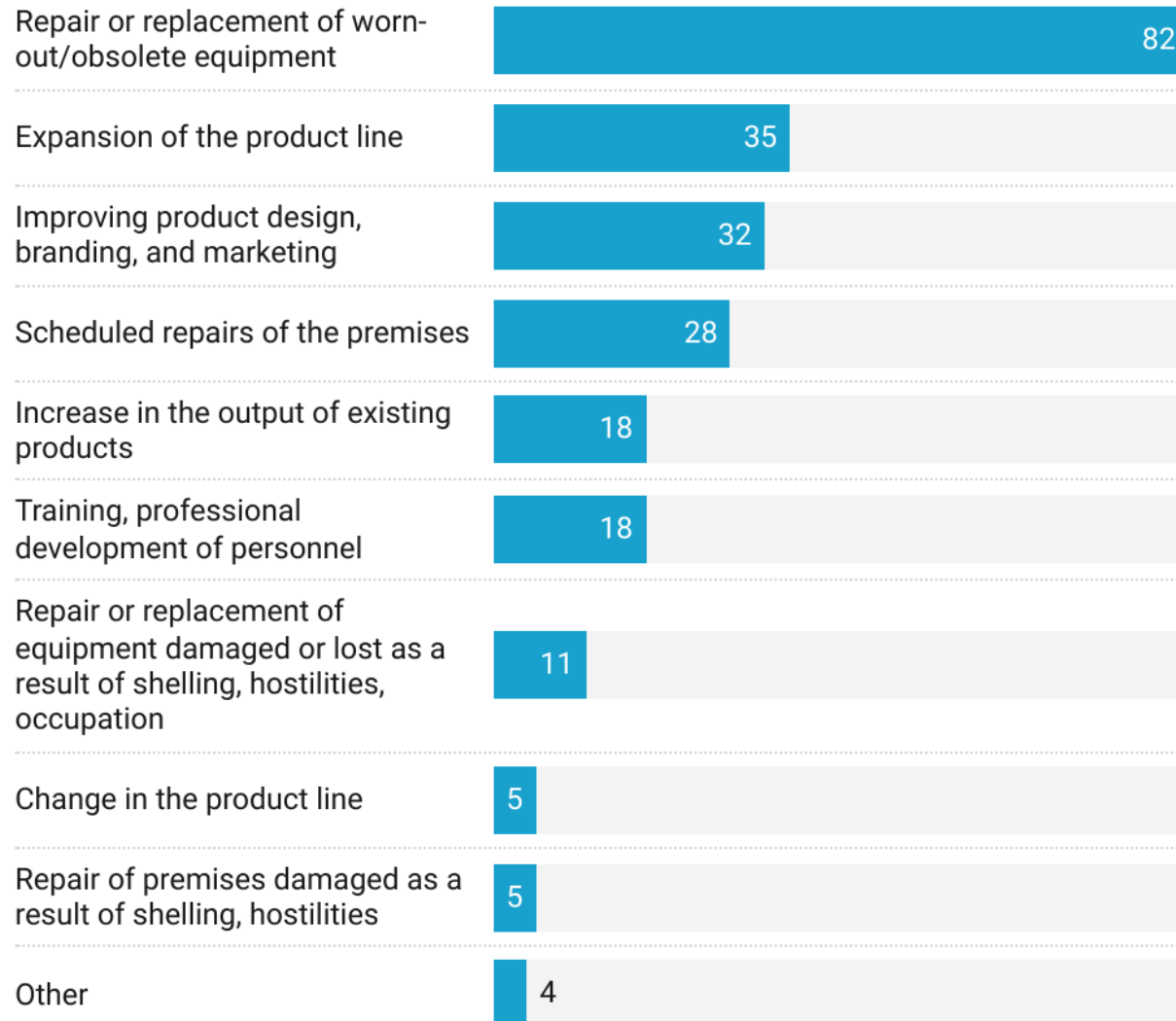
Investment activity, by years (% of respondents)



Note: At the beginning of 2023, the investment survey was not conducted, so there is no data on investments in 2022 and plans for 2023

Fields of investment

Fields of investment, % of respondents

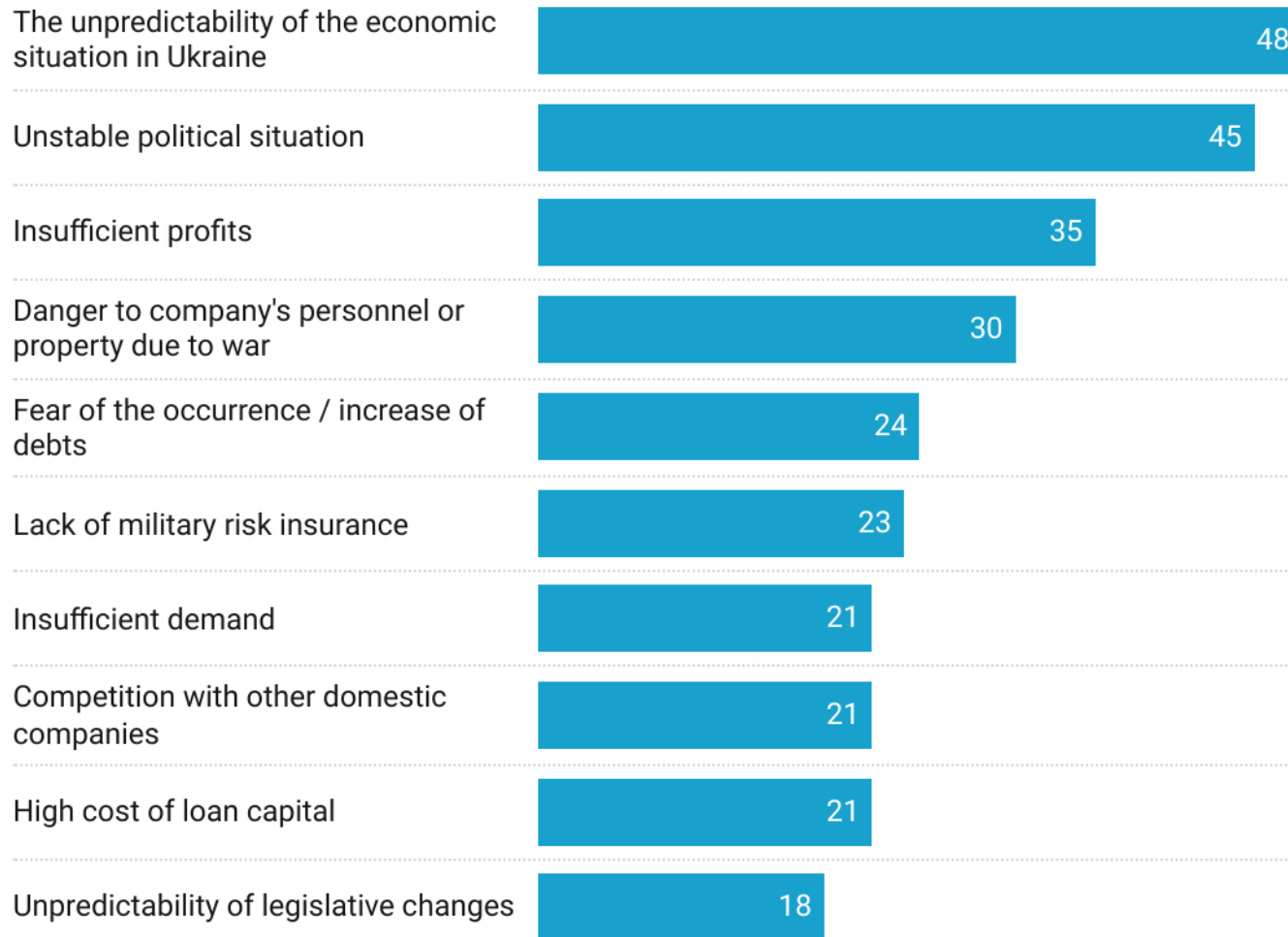


In 2023, 45% of the surveyed enterprises made investments.

- The vast majority of respondents invested in repairing worn or morally outdated cladding.
- Next, with a significant margin in the **2nd and 3rd positions**, are measures to expand the assortment (35%) and improve product design, branding, and marketing (32%).
- **Planned repair of premises** occupies the **4th position**.
- Part of the investments are related to the liquidation of the consequences of the war: 11% repaired equipment, and 5% - premises - this is small (7th and 9th position in the list of investment directions).

Impediments to investment

Top 10 impediments to investment in 2024, % of respondents



- **Top 3 impediments** to investment in 2024 are **economic uncertainty** (48%), **political instability** (45%), and **insufficient profits** (35%)
- Companies are concerned about **danger to their personnel or property** during the war (30% and 4th position)
- The **lack of war risk insurance** is an impediment to investment for **23%** of respondents (top 6 impediment)
- Among the impediment are also **traditional impediments to doing business** for Ukrainian business, such as **insufficient demand** (21%), **expensive loan capital** (21%), and **unpredictability of changes in legislation** (18%)
- **Only 7%** of businesses experience **no impediments** deterring investment in 2024

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.

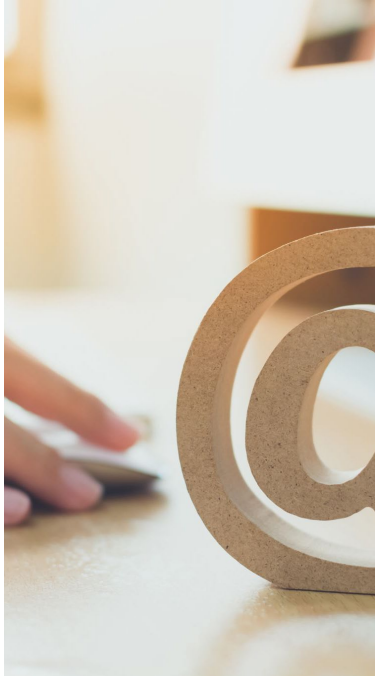
The monthly survey consists of two parts: the regular one and the special one. Respondents will regularly answer questions on the changes in key activity indicators and short-term forecasts for future changes in the same indicators: output (production), sales, exports, debt, new orders, employment, etc. 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 22-th wave lasted from February 19 to February 29, 2024. The enterprise managers compared the work results in February 2024 with January, assessed the indicators at the time of the survey (February 2024), and gave forecasts for the next two, three, or six months, depending on the question. In certain issues (where indicated), the work results were compared with the pre-war period (before February 24, 2022).

Our contacts



website: www.ier.com.ua

e-mail: rubanik@ier.kyiv.ua
kuziakiv@ier.kyiv.ua

Facebook: <https://www.facebook.com/IER.Kyiv/>

Twitter (in English only): https://twitter.com/IER_Kyiv



**Funded by
the European Union**



INTERNATIONAL
RENAISSANCE
FOUNDATION



ATLAS
NETWORK



INSTITUTE
FOR ECONOMIC RESEARCH
AND POLICY CONSULTING