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AND POLICY CONSULTING

New Monthly Enterprises Survey

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THE NEW MONTHLY ENTERPRISES SURVEY “UKRAINIAN BUSINESS IN WARTIME”

Dear ladies and gentlemen, we present you with the **twenty-first 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.

This publication has been produced within the framework of the project 'Emergency Support to Civil Society and Media in Response to the War in Ukraine' with the assistance of the European Union. Monthly trends will be presented in reports such as this one. Quarterly trends will continue to be published in the “Business Survey: Industry” reports, which have been published by the IER since July 2002.

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

Content

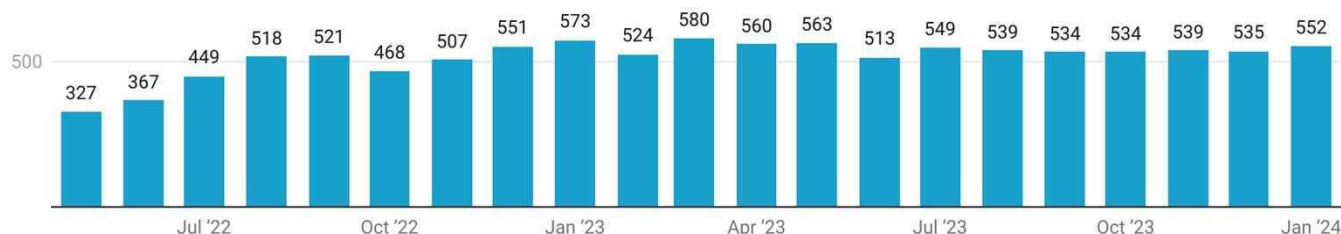
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PRACTICAL QUESTIONS AND ANSWERS TO HELP TO READ THIS REPORT

Who do we survey? This survey uses a panel sample; that means we survey the same business entities. Building such a sample takes time. During the twenty-first wave of the survey, the answers of 552 respondents were received.

Fig. 1 Number of enterprises surveyed



They include mainly industrial enterprises (93%) 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

	Jan.23	Feb.23	Mar.23	Apr.23	May.23	Jun.23	Jul.23	Aug.23	Sep.23	Oct.23	Nov.23	Dec.23	Jan.24
Micro	67	59	64	57	61	60	57	61	58	62	57	55	59
Small	161	158	189	180	171	155	160	167	173	171	172	169	181
Medium	212	190	208	214	212	190	214	192	182	184	189	188	186
Large	133	117	119	109	119	108	118	119	121	117	121	123	126

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 twenty first wave lasted from January 16 to 31, 2024. The enterprises' managers compared the results of work in January 2024 with December 2023, assessed the state of the indicators at the time of the survey (January 2024), and gave forecasts for the next two, three, or six months, depending on the question. For some questions (where it was indicated), the results of the work were compared to ones in the pre-war period (before February 24, 2022). Respondents gave forecasts for the next three months of work.

MAIN RESULTS

In January 2024, long-term expectations are improving, and uncertainty is easing, but the "here and now" recovery is stagnating amid business concerns about security, labor shortages, and demand issues. The Business Activity Recovery Index is positive but lower than a month ago. The Industrial Confidence Indicator is also positive, but the downward trend continues for the second month in a row. Uncertainty in the 2-year perspective has decreased. Uncertainty in the six-month perspective for the business activity continued to decrease gradually and remained unchanged for the overall economic environment. Uncertainty in the 3-month perspective is decreasing (or not increasing) for core expectations, excluding exports. Production indicators in January significantly worsened compared to December. At the same time, expectations regarding production in the three months horizon have not changed for the fourth month. Employment indicators are declining, and businesses are having trouble finding skilled workers. The enterprises' export results have worsened, but the expected changes in the short term remain positive. The share of enterprises operating at full capacity has remained unchanged for the third month in a row. The first place in the list of obstacles is shared by "unsafe to work" and "rising prices." The main events that businesses are waiting for are the end of the war and the reduction of taxes. More than half of the respondents have a neutral assessment of the Government's economic policy.

OVERALL INDICATORS OF BUSINESS CLIMATE AND ECONOMIC ENVIRONMENT

- In January 2024, the BUSINESS ACTIVITY RECOVERY INDEX worsened compared to December and is 0.43 (two months in a row, it was 0.50).
- In January, compared to December, the INDEX OF CURRENT BUSINESS ACTIVITY improved, increasing from -0.07 to -0.02.
- Expectations of enterprises regarding changes in business activity in the six months have slightly improved, and the INDEX OF EXPECTED CHANGES IN BUSINESS ACTIVITY at the enterprise is 0.36 (two months in a row, it was 0.31).
- The value of the OVERALL ECONOMIC ENVIRONMENT INDEX did not change significantly. The indicator increased only slightly, from -0.08 to -0.06.
- Expectations regarding changes in the overall economic environment after half a year improved slightly, and the INDEX OF EXPECTED CHANGES IN THE OVERALL ECONOMIC ENVIRONMENT increased from 0.30 to 0.34.
- Two-year expectations regarding prospects for expansion of business activity have improved. The INDEX OF EXPECTED CHANGES IN BUSINESS ACTIVITY returned to November's value after a decline in December, and the indicator increased from 0.10 to 0.17.
- The level of uncertainty in the two-year horizon has decreased. In the six-month perspective, the uncertainty decreased for the overall economic environment and did not change for the business activity at the enterprise. Uncertainty in the three-month perspective decreased or increased not too significantly.

PRODUCTION

- In January 2024, the PRODUCTION INDEX deteriorated significantly, decreasing from 0.21 to 0.05. It happened due to a simultaneous decrease in the share of those who increased production volumes and an increase in the share of those who reduced them.
- The enterprises' expectations for the next three months remain optimistic, while without significant changes for several months in a row, the value of the INDEX OF EXPECTED CHANGES IN PRODUCTION is 0.36 (it was 0.35 in the previous month).
- The value of the INDUSTRIAL CONFIDENCE INDICATOR remained unchanged compared to the previous month but gradually decreased for the second month in a row.

DEMAND AND SALES

- The sales growth rate and increase in the number of new orders have slowed down significantly. The SALES INDEX value decreased from 0.24 to 0.05, as did the NEW ORDERS INDEX value, which decreased from 0.23 to 0.02.

- At the same time, the enterprises' expectations regarding the demand for the next three months remain almost unchanged for the fourth month in a row. The EXPECTED CHANGES IN THE SALES INDEX value is 0.37 (was 0.35), and the EXPECTED CHANGES IN THE NEW ORDERS INDEX value is 0.36 (was 0.35 last month).

PRICES

- The price growth rate has slowed down significantly. The PURCHASE PRICE INDEX in January decreased from 0.44 to 0.30 due to a significant decrease in the share of those who reported an increase in prices and their transition to those who believe there were no changes compared to the previous month. The INDEX OF EXPECTED CHANGES IN PURCHASE PRICE did not change significantly and is 0.20 (it was 0.22).
- The DOMESTIC SALES PRICE INDEX also decreased significantly, from 0.40 to 0.30. The INDEX OF EXPECTED CHANGES IN DOMESTIC SALES PRICE is 0.20, as in the previous month.

DEBTS

- Indicators of accumulation of receivables and payables significantly improved in January compared to December. The accounts receivable indicator halved from -0.10 to -0.20, and the accounts payable indicator decreased from -0.13 to -0.21. The tax arrears indicator did not change significantly for the third month in a row and amounted to 0.23 in January (it was -0.24 for two consecutive months).
- In the three-month perspective, no significant changes are expected for all types of debts. The index of expected changes in accounts receivable, as last month, is -0.26. The indicator of expectations for accounts payable is -0.28 (was -0.27). The INDEX OF EXPECTED CHANGES IN TAX ARREARS slightly increased, from -0.33 to -0.31.

EMPLOYMENT

- The employment reduction rate at enterprises continues to accelerate gradually. The number of workers index Th decreased from -0.11 to -0.14.
- The index of the number of workers is -0.10 (two months in a row, it was -0.03).
- The INDEX OF THE NUMBER OF WORKERS ON FORCED LEAVE decreased from -0.13 to -0.20. In three months, no significant changes are expected; the INDEX OF EXPECTED CHANGES has slightly increased, from -0.26 to -0.24.
- Difficulties in finding skilled workers continued to increase in January, while the indicator for unskilled workers did not change significantly. The INDEX OF DIFFICULTIES IN FINDING UNSKILLED WORKERS is 0.23 (it was 0.22 in December). The INDEX OF DIFFICULTIES IN FINDING SKILLED WORKERS increased from 0.29 to 0.31.

AVAILABILITY OF ORDERS

- In January 2024, the average term of new orders remained at two months (median) after declining from three months in January-April 2023.
- The share of enterprises having orders for no more than two months remained almost at the same level as in December 2023 (57%).

OBSTACLES TO DOING BUSINESS IN WARTIME

- The work hazards caused by a full-scale Russian invasion, despite a decrease in value from 53% to 46%, remained in the 1st rank among obstacles.
- The rise in the prices of raw materials and goods, after increasing from 43% to 46%, moved from the 3rd place on the list and again found itself in the 1st place.
- Labor shortage decreased from 46% to 41% and moved from 2nd to 3rd place.
- Power outages decreased from 30% to 26% and moved from 5th to 7th 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 enterprise survey "Business Opinion."
- In January 2024, war and an unfavorable security situation were most often cited as obstacles to production growth. At the same time, this obstacle was talked about more often than before.

- 2nd, 3rd, 4th, and 5th places were taken, respectively, by low demand, a shortage of skilled workers (which increased in January), an unfavorable regulatory climate (due to a decrease in the frequency of mentions of high regulatory pressure), and unfavorable the political situation (the importance of which has also decreased).

PRODUCTION CAPACITIES DURING THE WAR PERIOD

- In January 2024, the average utilization of production capacities remained at the level of December. The share of enterprises operating at full and near full capacity was 58% (59% in October, 58% in November and 59% in December).
- Despite the challenges of the war, only 2% of surveyed enterprises reported they had ceased operations during the war, and only 2% of enterprises were operating at less than 25% of pre-war production levels.
- In January, only 15% of enterprises worked at less than half capacity or did not work compared to pre-war times (15% in December).
- Medium-sized businesses are the best responders: in January 2024, 68% of medium-sized businesses were operating at near full and full capacity, which remains roughly at the level of previous months (for example, it was 69% in November and 70% in December).
- The food industry remains the leader of the recovery: in January, 73% of food industry enterprises were operating at near full and full capacity (73% in December).
- On the last rung is metallurgy and metalworking, in which only 24% of surveyed enterprises operate at full or almost full capacity.

EXPORTING ENTERPRISES

- In January 2024, 63% of respondents reported 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 January, 83% of respondents indicated they exported before the war and continued to export during the last 12 months (83% in December).
- Some businesses cannot overcome new challenges for export activities. As of January 2024, 15% of enterprises exported before the start of the war but failed to resume exports during the last 12 months. Such results indicate the stagnation of the export activity recovery.

GOVERNMENT POLICY

- In January 2024, the share of positive assessments of the government's business policy amounted to 8% and remained unchanged for six months in a row.
- The share of negative assessments of the policy was 18%, and neutral - 58%. These shares are practically unchanged compared to December 2023.
- The most expected events and changes for business in January 2024 are the end of the war, the reduction of taxes, and the simplification of legal requirements for business.

BUSINESS ACTIVITY RECOVERY INDEX

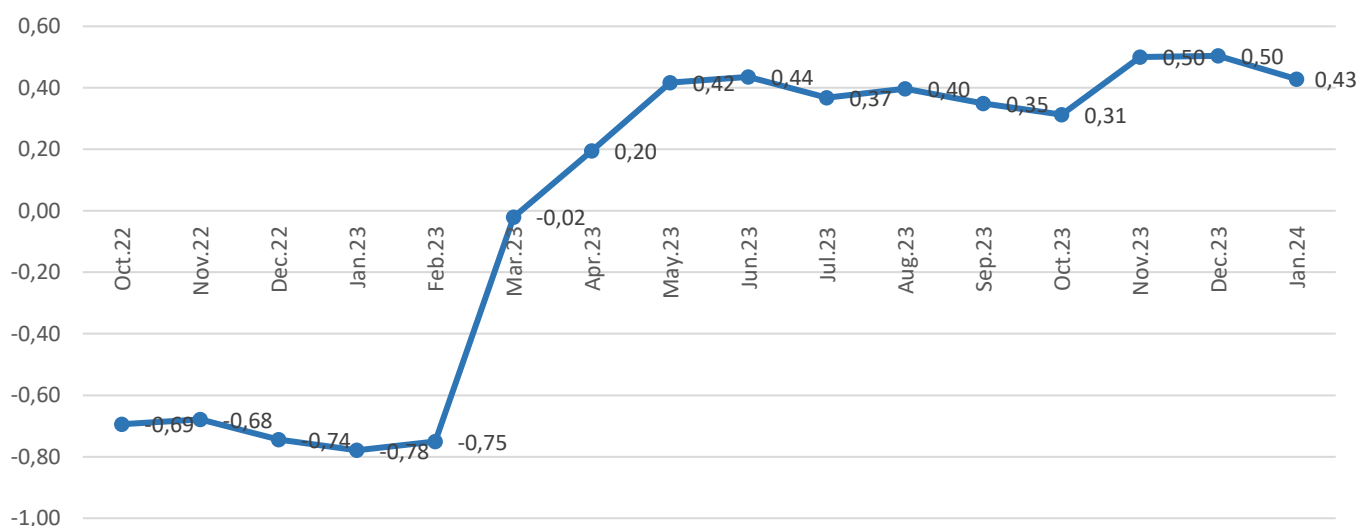
The rate of business activity recovery slowed down compared to last year. The value of the BUSINESS ACTIVITY RECOVERY INDEX (YEAR TO YEAR) decreased and is 0.43 (two months in a row, it was 0.50). It was due to changes in the percentage distribution for those who did not change compared to last year and those who improved. The share of respondents who indicated the worsening of the situation has remained almost unchanged for more than six months and is 13.1% (it was 13.2% in December). The share of those whose situation improved decreased from 63.6% to 56.0%. The share of those who believe nothing has changed compared to last year has increased from 23.2% to 30.9%.

Size. Estimates of the financial and economic situation depend on the size of the enterprise. Compared to last year, large (0.53) and medium (0.58) enterprises feel the best. The indicator of small enterprises is 0.38. The micro-enterprise indicator has the lowest negative value, which is -0.11.

Region. Lviv, Ivano-Frankivsk, and Ternopil regions have the highest rate (1.00 for each). The indicator of the Zhytomyr region is zero. Dnipropetrovsk (-0.55), Khmelnytskyi (-0.39), and Volyn (-0.32) regions, the value of which is negative, have the lowest indicators.

Sector. The highest value of the index was recorded for the printing (0.71) and food (0.56) industries). Metal processing, the indicator of which has a single negative value and is -0.10, has the lowest indicator.

Fig.3. Business Activity Recovery Index



INDICATORS AND EXPECTATIONS FOR THE HALF-YEAR PERIOD

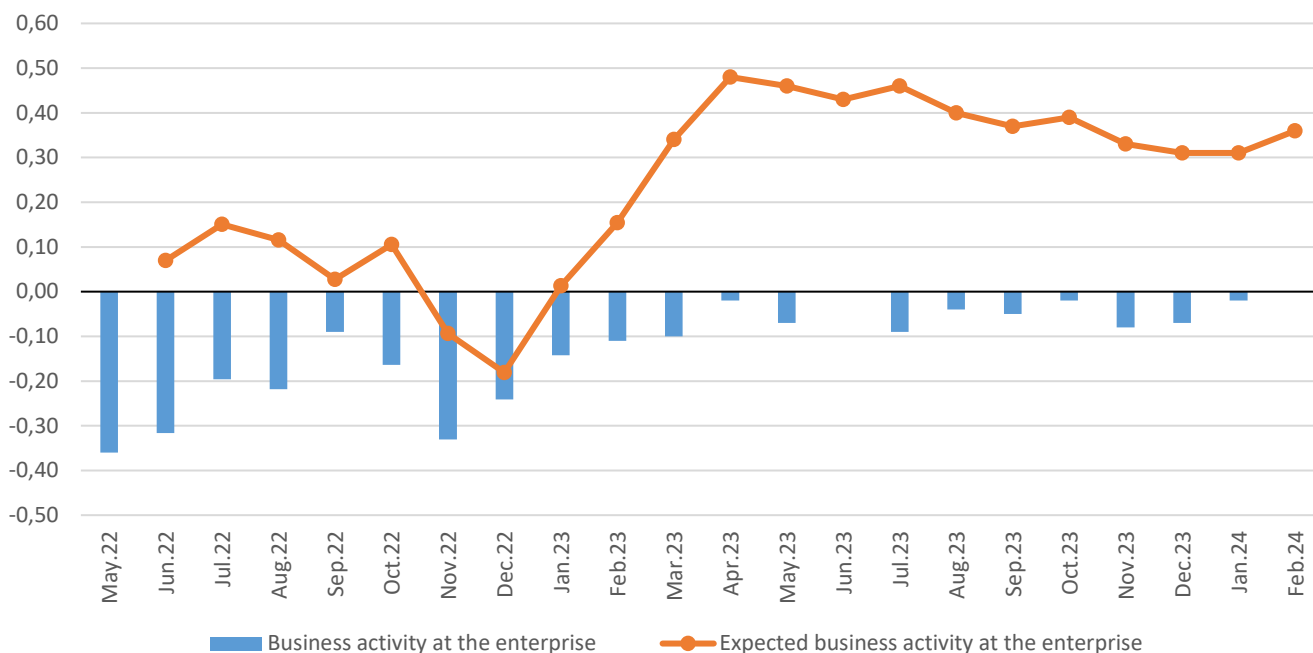
BUSINESS ACTIVITY AT THE ENTERPRISE

In January 2024, current estimates of the business activity improved. The CURRENT BUSINESS ACTIVITY INDEX increased from -0.07 to -0.02. The share of respondents assessing the current business activity at the enterprise as bad decreased from 19.0% to 11.2%. At the same time, the share of those who positively assess the situation at the enterprise has not changed significantly and amounts to 6.8% (it was 7.7%). The share of those who consider the business activity at the enterprise to be satisfactory increased from 73.3% to 82.0%.

Expectations for the six-month have also improved. The value of the INDEX OF THE EXPECTED CHANGES IN BUSINESS ACTIVITY IS 0.36 (0.31 for two months in a row). The share of those who do not expect any changes has not changed significantly and is 57.0% (it was 56.6%). The share of "optimists" increased from 36.6% to 39.8%. At the same time, the share of "pessimists" decreased from 6.8% to 3.2%.

The share of those who could not give a forecast for the next six months did not change significantly for the third month in a row and amounted to 13.6% in January (it was 12.8% in December).

Fig.4. Business activity at the enterprise, indices

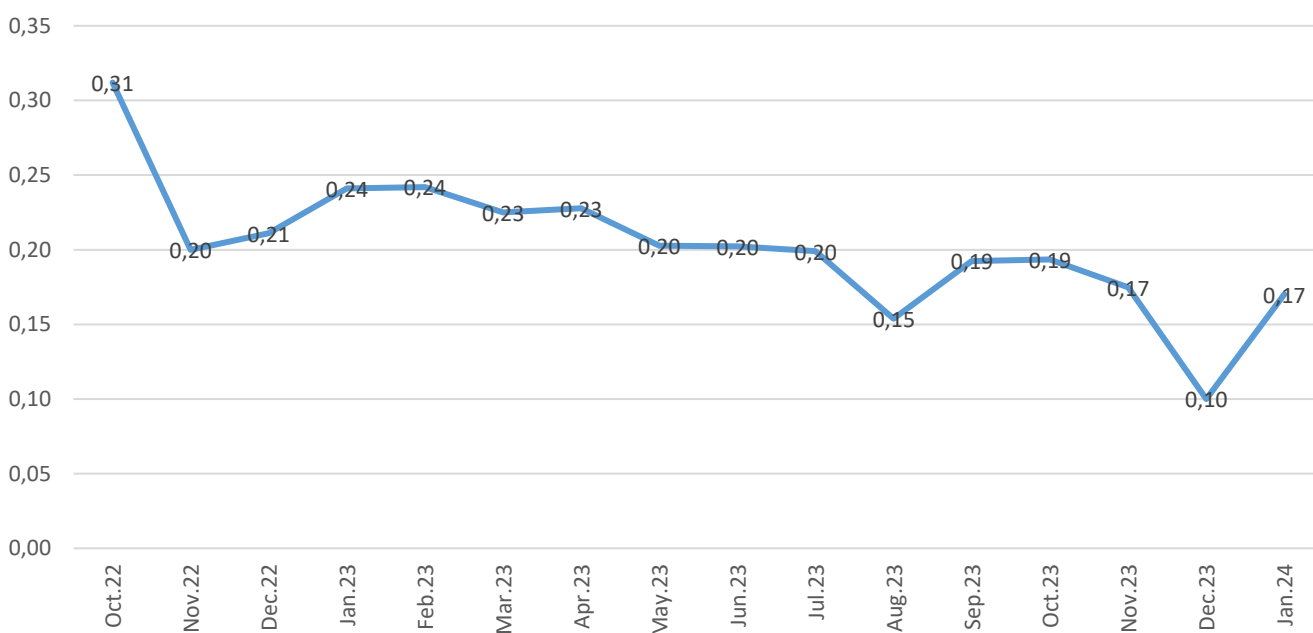


EXPANSION PLANS FOR THE NEXT TWO YEARS

Expectations for business activity for the next two years have improved. THE INDEX OF THE EXPECTED CHANGES IN BUSINESS ACTIVITY returned to November values after a significant decrease in December and is 0.17 (was 0.10). The percentage of those planning to expand their activities in the next two years increased from 19.1% to 21.6%, and the share of those who planned to reduce their activities decreased from 9.1% to 4.6%. The share of those who plan to stay at the current level increased from 71.8% to 73.9%.

The percentage of those who could not give a forecast for such a distant perspective in January was 49% (two months in a row, it was 52%).

Fig.5. Expectations regarding business activity for 2 years, index



Size. Among enterprises of all sizes, micro (0.30) and large (0.24) enterprises have the most optimistic plans for the future. The indicator of small (0.14) and medium (0.10) enterprises is lower.

Region. Significant regional differences were registered. The enterprises of Zakarpattya and Zaporizhzhya regions (1.00 for each) have the highest indicators of expectations. Indicators of Kyiv, Lviv, Ivano-Frankivsk, Rivne, Ternopil, Vinnytsya, Odesa, Zhytomyr and Kharkiv regions are zero. Dnipropetrovsk region has the lowest and negative value of the indicator (-0.06).

Sector. Expectations vary by industry. Printing (0.40), metalworking (0.36), and light (0.32) industries have the highest value. The construction materials production indicator is the lowest and has the only negative value; it is -0.17.

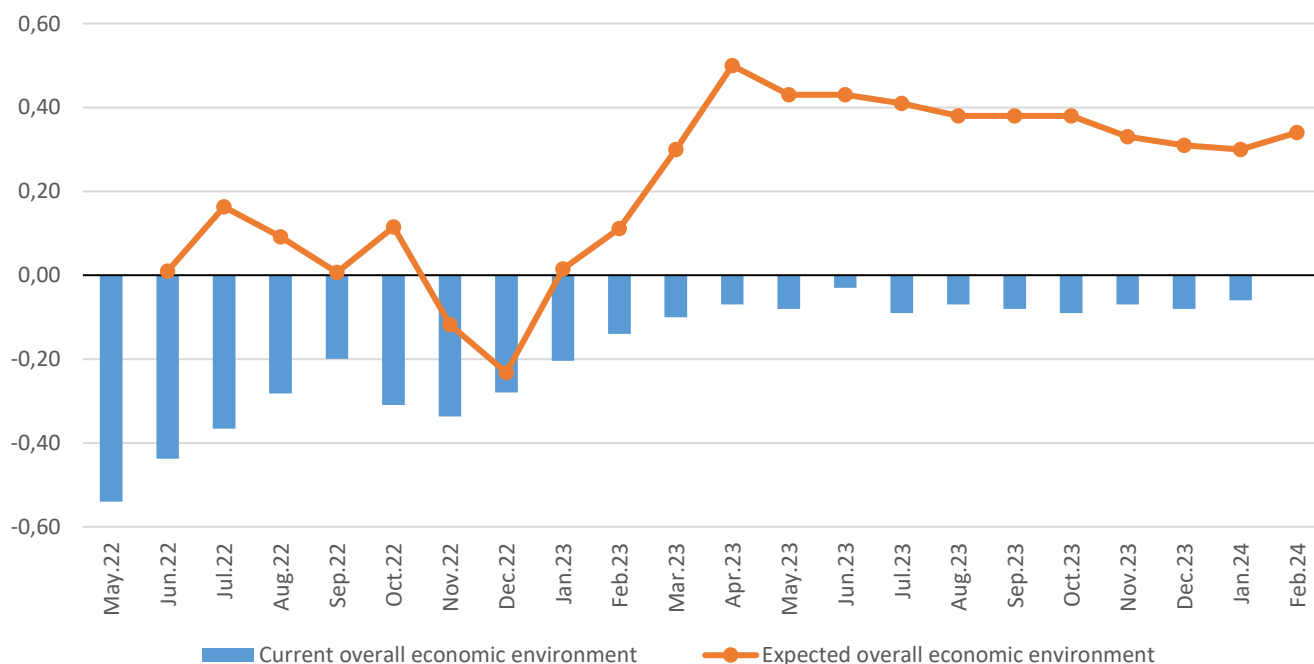
OVERALL ECONOMIC ENVIRONMENT

Estimates of the overall economic environment did not change significantly; the indicator increased only slightly. The value of the corresponding index in January increased from -0.08 to -0.06. The share of those who rate the overall economic environment as bad decreased from 21.2% to 18.0%. At the same time, the share of those who gave positive assessments did not change significantly for the third month in a row and amounted to 8.3% in January (it was 8.7% in December). The share of those who consider the overall economic environment to be satisfactory increased slightly, from 70.1% to 73.7%.

Forecasts of enterprises regarding changes in the overall economic environment for the next six months improved slightly: the value of the INDEX OF EXPECTED CHANGES IN THE OVERALL ECONOMIC ENVIRONMENT increased from 0.30 to 0.34. The share of "optimists" regarding changes in the overall economic environment increased from 35.1% to 37.5%, while the share of "pessimists" decreased from 7.3% to 4.9%. The share of those who believe that the overall economic environment will not change significantly in the next six months, as it did last month, is 57.6%.

The share of those who could not give forecasts regarding the overall economic environment decreased slightly, from 15.1% to 13.4%.

Fig.6. Overall economic environment, indices

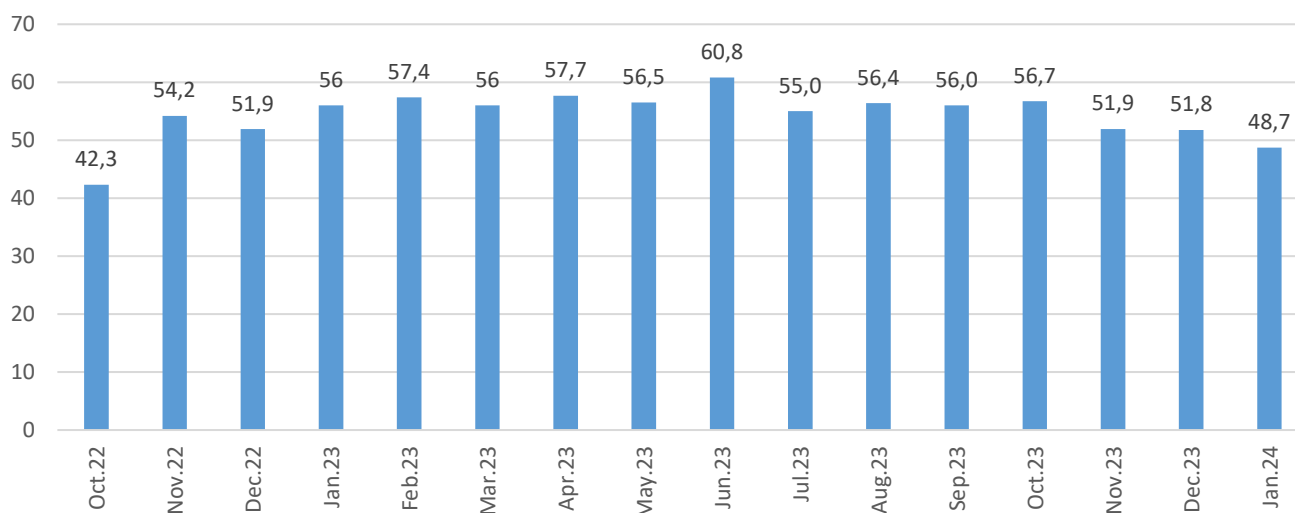


UNCERTAINTY

Two-year expectations

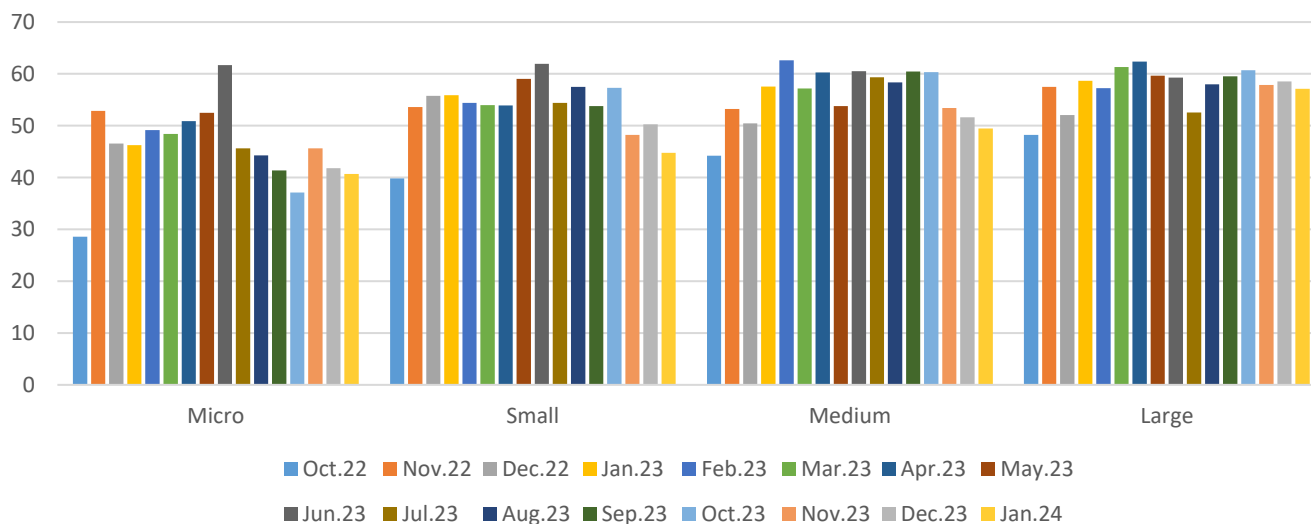
The level of uncertainty regarding the enterprises' plans for the next two years decreased in January. 49% cannot give an answer regarding the prospects for the next two years (for two months in a row, it was 52%).

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 is still highest for large enterprises, while the value has decreased slightly, from 59% to 57%. The level of uncertainty also decreased for medium-sized (from 52% to 49%) and small enterprises (from 50% to 45%). Micro-enterprises have the lowest level of uncertainty for a long-term period, while the value is almost unchanged at 41% (it was 42%).

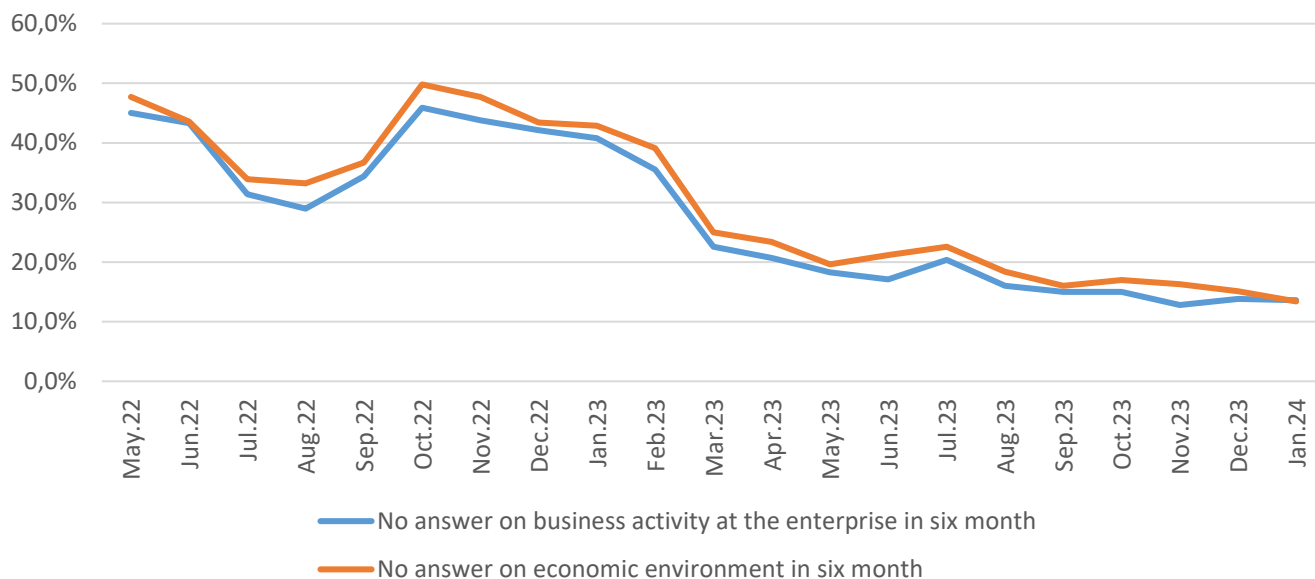
Fig.8. The share of respondents who could not answer the question about the changes for the next two years, by size of the enterprise



Half-year expectations

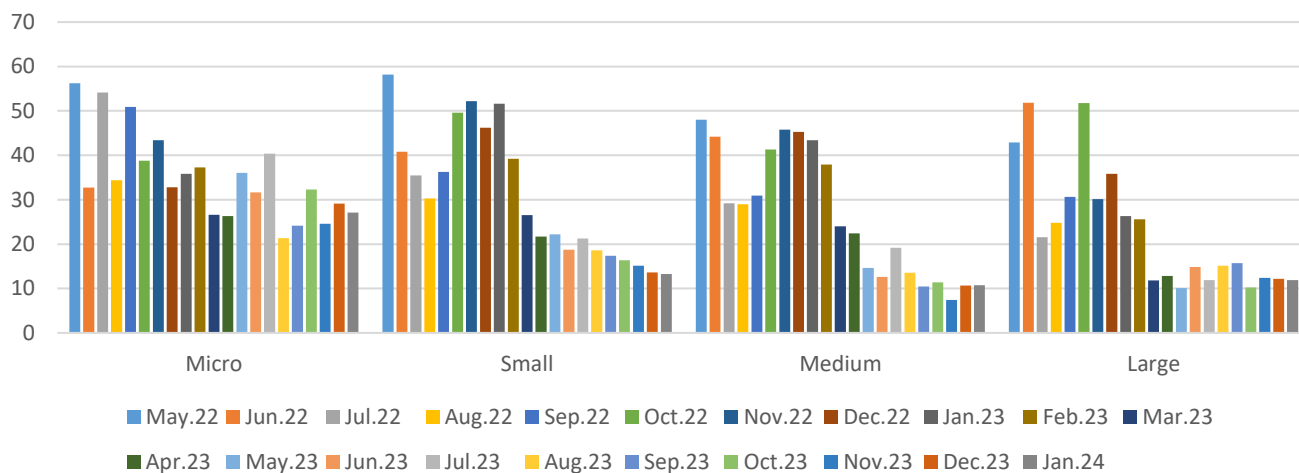
The level of uncertainty in the forecasts of the half-year horizon for the business activity at the enterprise has not changed significantly for the third month in a row and is gradually decreasing for the overall economic environment. Uncertainty for the business activity, as last month, is 14%. The share of respondents who could not give a forecast about changes in the overall economic environment in the country decreased from 15% to 13% in January.

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



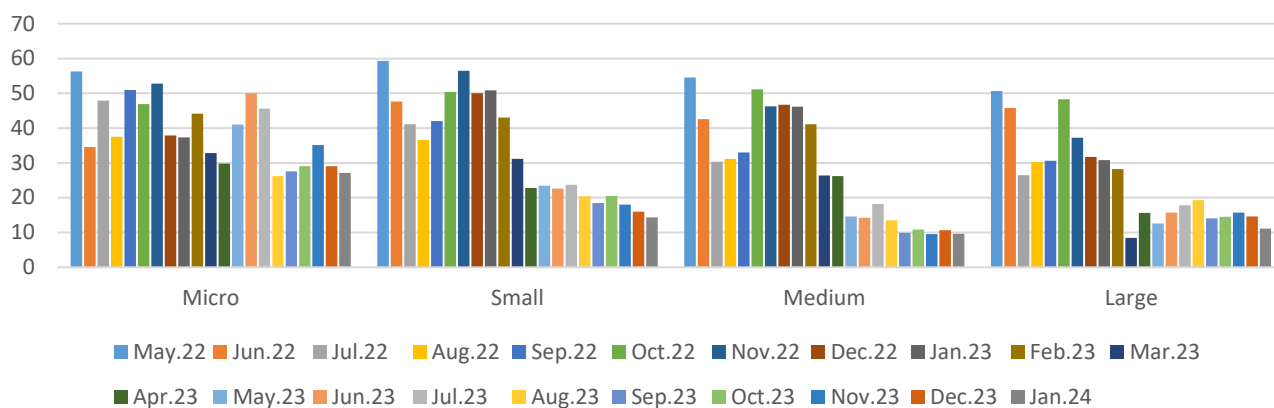
The level of uncertainty regarding the business activity at the enterprise and its dynamics depends on the size of the enterprise. The uncertainty indicator for micro-enterprises remains the highest despite the decrease in value from 29% to 27%. The level of uncertainty for small enterprises has not changed significantly compared to December and is 13% (it was 14%). In January, the uncertainty regarding the business activity at the enterprise for medium and large enterprises did not change compared to December and is 11% and 12%, respectively.

Fig.10. The share of respondents unable to answer the question about the changes 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 highest despite the decrease in value from 29% to 27%. The uncertainty indicator of small businesses decreased slightly, from 16% to 14%. The indicator of medium-sized enterprises has not changed significantly for the fifth month in a row and is 10% in January (it was 11% in February). The uncertainty indicator for large enterprises decreased from 15% to 11%.

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



Three-month expectations

In January 2024, the percentage of uncertainty gradually decreases or does not change for almost all indicators except for exports and debts. The highest level of uncertainty is for payables (the percentage increased from 6.2% to 9.4%) and receivables (the percentage increased from 6.0% to 9.1%). The indicator of uncertainty of tax arrears increased from 5.6% to 8.2%. Also, the level of uncertainty in the short-term perspective slightly increased for exports, from 5.0% to 6.9%. The uncertainty indicator for new orders decreased the most, from 7.9% to 4.3%. The lowest level of uncertainty is for stocks of raw materials and supplies, where the indicator has not changed significantly and is 3.4% (it was 4.1%), as well as for stocks of finished goods, where the value has also not changed significantly and is 3.3% (it was 4.7% in December).

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

	Aug.23	Sep.23	Oct.23	Nov.23	Dec.23	Jan.24
Accounts payable	14.1	13.1	11	8.2	6.2	9.4
Accounts receivable	14.5	13.1	12.5	7.4	6	9.1
Purchase price		15	13.1	10.4	10.3	8.2
Tax arrears	12.8	11.8	11.4	7.8	5.6	8.2
Workers on forced leave	16.1	15.2	13.1	7.8	9.7	7.1
Export	6.3	6.4	6.6	5.6	5	6.9
Domestic sale price		14.2	12.7	8.9	9.3	6.5
Number of workers	12.1	13.3	12.9	7.8	7.5	5.6
Sales	10.6	9.6	11.2	3.9	4.9	4.9
Production	10	9.4	11.6	3.9	4.9	4.9
New orders	12.8	11.4	11.6	6.9	7.9	4.3
Stocks of raw materials	10.6	8.8	9.2	4.3	4.1	3.4
Stocks of finished goods	11.1	9.9	9.4	4.8	4.7	3.3

Created with Datawrapper

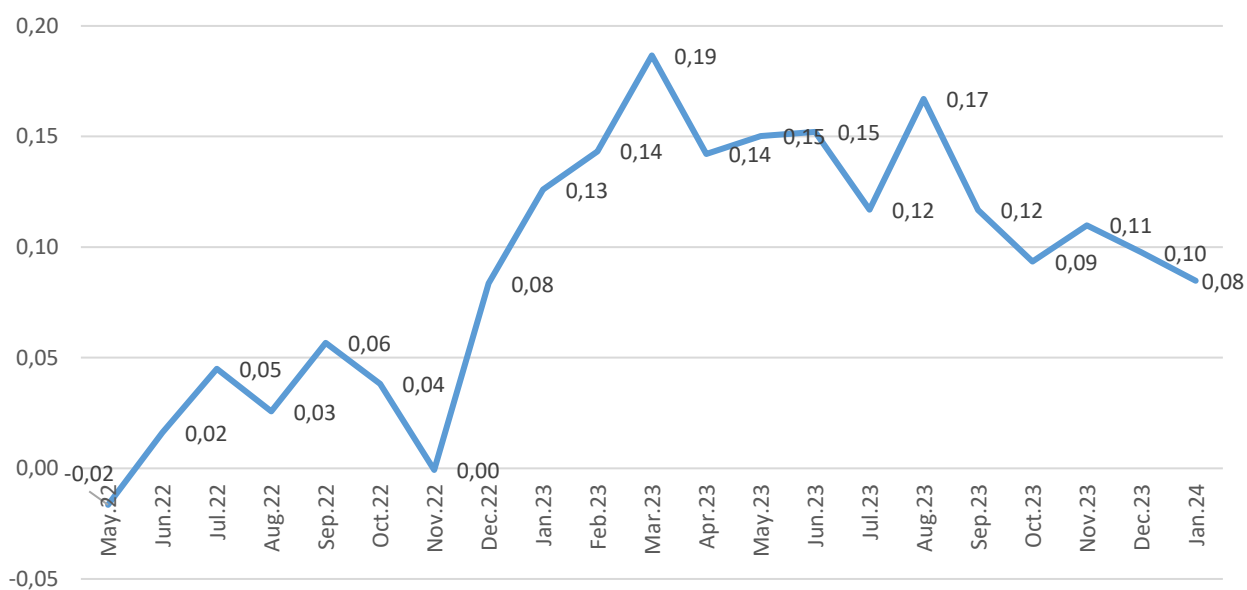
ENTERPRISE PERFORMANCE INDICATORS AND SHORT-TERM EXPECTATIONS

INDUSTRIAL CONFIDENCE INDICATOR

The value of the Industrial Confidence Indicator (ICI) did not change significantly compared to last month at the same time, there is a trend towards a gradual deterioration of the value. The indicator is 0.08 (it was 0.10 in December).

Changes in the value of two of its three components are observed in the ICI: (1) *production expectations* for the next 3-4 months remain without significant changes for the fourth month in a row, and the value is 0.36 (it was 0.35). At the same time, (2) *estimates of the new order portfolio* decreased slightly, from -0.20 to -0.22, and (3) *estimates of stocks of finished goods* slightly increased, from -0.14 to -0.11.

Fig.13. Industrial confidence indicator



PRODUCTION

Changes compared to the previous month

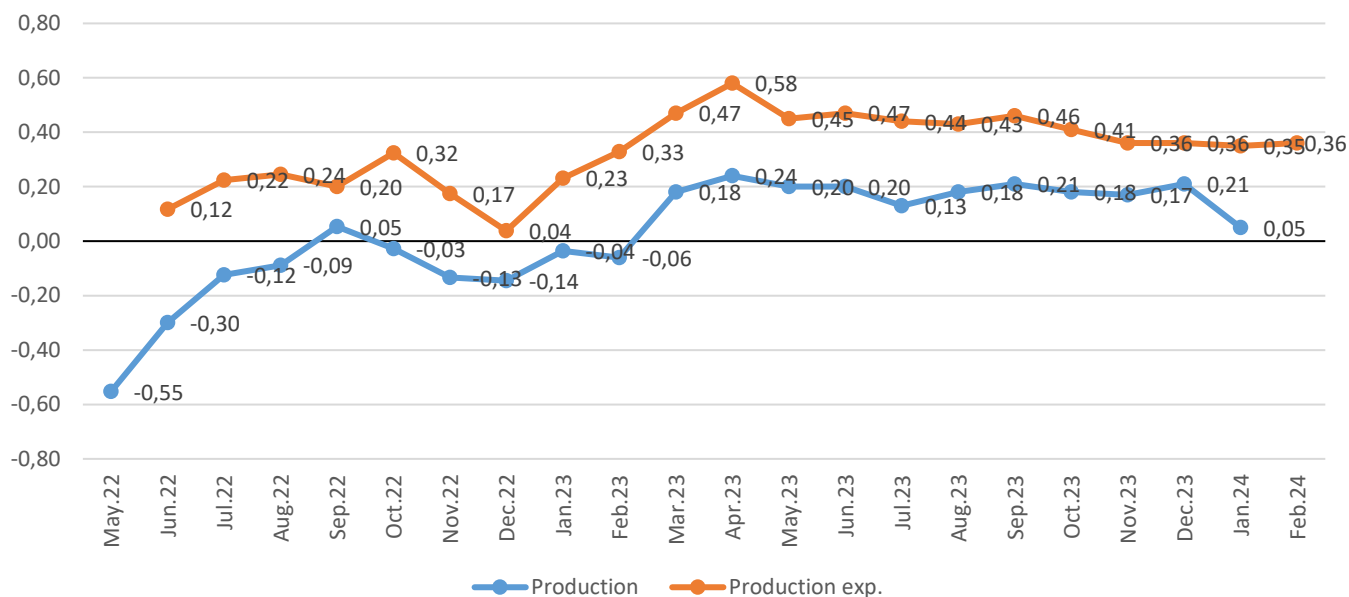
In January, compared to December, production results significantly worsened. The PRODUCTION INDEX decreased from 0.21 to 0.05. The share of enterprises that reduced production increased from 16.8% to 23.2%. At the same time, the share of enterprises that increased production volumes decreased from 34.4% to 23.2%. The share of industries with no changes increased from 48.8% to 53.5%.

Size. Among enterprises of different sizes, the best results are obtained by large enterprises (0.16). The indicator of medium-sized enterprises is 0.06. Small (-0.07) and micro-enterprises (-0.31) have significantly worse indicators with negative values.

Region. Regional differences are significant (the largest value is 1.00, and the smallest is -0.41). The best results were obtained by enterprises of Poltava (1.00), Ivano-Frankivsk, and Rivne (0.33 each) regions. The lowest index values were recorded for enterprises in Cherkasy (-0.47), Kirovohrad (-0.39), and Zakarpattya (-0.37) regions.

Sector. Index values vary across sectors and industries. The best situation is in machine building (0.06), food (0.05), and chemical (0.04) industries. The construction materials production (-0.16), woodworking, and light (-0.08 each) industries have the lowest and negative indicators.

Fig.14. Production indices



Expected changes in production

Optimism regarding production expectations remains unchanged for the fourth month in a row. The index of expected changes in production stands at 0.36 (was 0.35). It means only minor changes in the percentage distribution of responses. The share of enterprises at which production growth is planned is 39.2% (it was 38.5%). The share of those who do not expect changes has almost not changed and is 56.0% (it was 56.2%). The share of enterprises that plan to reduce production has also not changed significantly and is 4.8% (it was 5.3%).

Size. Production expectations depend on the size of the enterprises. The value is about the same for small (0.41), medium (0.38), and large (0.35) enterprises. The indicator of expectations for micro-enterprises (0.02) is the lowest.

Region. Enterprise plans depend significantly on the region of location. Poltava, Ivano-Frankivsk, Lviv, and Ternopil regions have the most optimistic plans for production growth (1.00 for each). The indicator of the Kyiv, Kharkiv, Zakarpattya, Zaporizhzhya, and Cherkasy regions is zero. The Volyn (-0.07) and Dnipropetrovsk (-0.05) regions have expectation indicators with the lowest and negative values.

Sector. Production expectations for three months depend on the industry. The highest indicators of expectations are the food industry (0.43) and construction materials production (0.34). The metalworking and printing industries have the lowest value of the indicator (0.14 each).

SALES

Changes compared to the previous month

In January, the sales results deteriorated significantly. The SALES INDEX decreased from 0.24 to 0.05. At the same time, there were some changes in the percentage distribution. The share of enterprises that increased sales volumes decreased significantly (from 37.0% to 24.3%). The share of those who reduced them increased from 16.1% to 24.3%. The share of enterprises with no changes also increased from 46.9% to 51.4%.

Size. THE SALES INDEX of large (0.16) and medium (0.06) enterprises is higher and has a positive value. The indicator of small (-0.08) and micro-enterprises (-0.29) is negative.

Region. The highest value of the SALES INDEX was recorded for Poltava (1.00), Kyiv (0.35), Ivano-Frankivsk, and Rivne (0.33 each) regions. Sumy (-0.50) and Cherkasy (-0.43) regions have the lowest values.

Sector. The chemical (0.14) and food (0.08) industries have the highest sales index. The printing industry's index is zero. The construction materials have the lowest indicators (-0.16).

Expected changes in sales

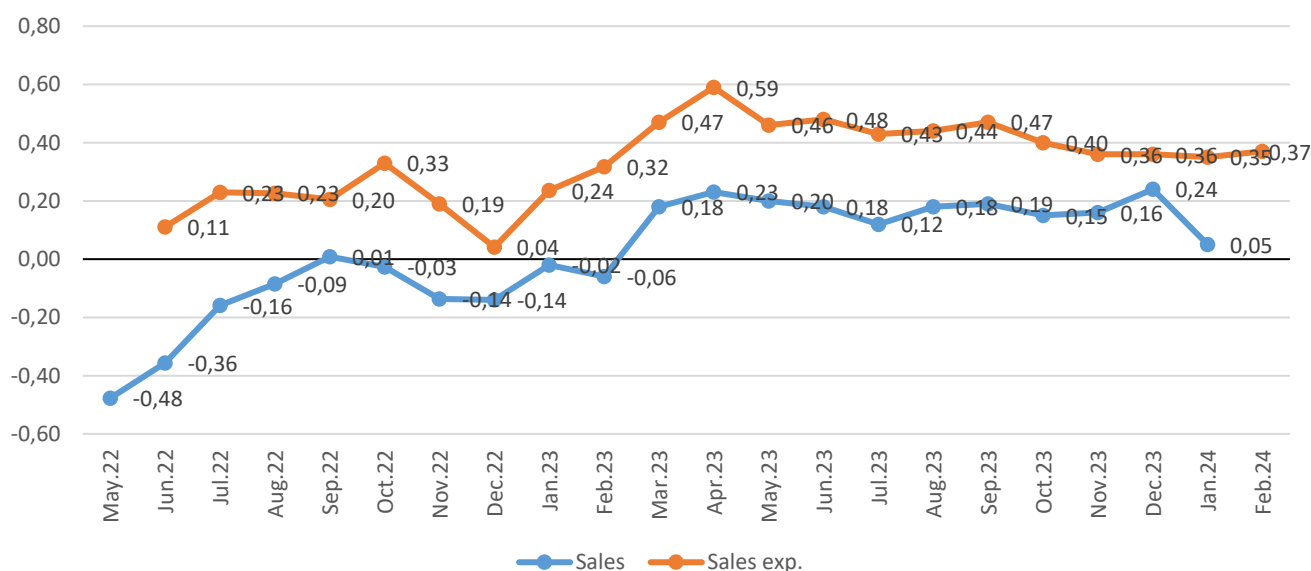
Expectations regarding sales volume increased slightly. The index of expected changes in sales is 0.37 (it was 0.35). It means no drastic changes in the percentage distribution. The share of those who plan to reduce sales is 5.0% (it was 6.5%), and the share of those who plan to increase them is 39.4% (it was 39.2%). The percentage of respondents who believe that nothing will change has also not changed significantly and is 55.6% (it was 54.3%).

Size. The indicator of expectations for small enterprises (0.42) is the highest. The indicator of expectations for medium (0.37) and large (0.36) enterprises is approximately the same. The indicator of micro-enterprises is the lowest and is equal to zero.

Region. The best expectations were recorded in Poltava, Lviv, Ternopil, and Ivano-Frankivsk regions (1.00 for each). The indicator of expectations for Volyn (-0.03) and Dnipropetrovsk (-0.05) regions is the lowest and negative.

Sector. The food industry (0.45) and construction materials production (0.31) have the highest sales expectations. The indicators of expectations of the printing industry and metalworking (0.14 each) are the lowest.

Fig.15. Sales indices



EXPORT

Changes compared to the previous month

The export growth rate decreased sharply. The value of the EXPORT INDEX decreased from 0.13 to -0.11, changing its sign to negative, which means that the share of those who reduced the volume of exports prevailed. The share of respondents whose export volume decreased increased from 20.1% to 34.2%. At the same time, the share of enterprises increasing exports decreased (from 31.1% to 18.9%). At the same time, the share of those enterprises whose export volumes did not change did not change significantly and amounted to 47.0% (it was 48.9%).

Size. The value of the EXPORT INDEX is higher for large (-0.03) and medium (-0.12) enterprises. The value for small (-0.32) and micro-enterprises (-0.47) is significantly lower.

Region. Poltava (0.97), Lviv (0.40), Odesa, and Zhytomyr (0.17 each) regions have the highest indicators. The lowest value is for the Sumy region (-1.00).

Sector. The EXPORT INDEX has the highest value for metalworking (0.08). Printing and construction materials production have the lowest values (-0.50 each).

Expected changes in export

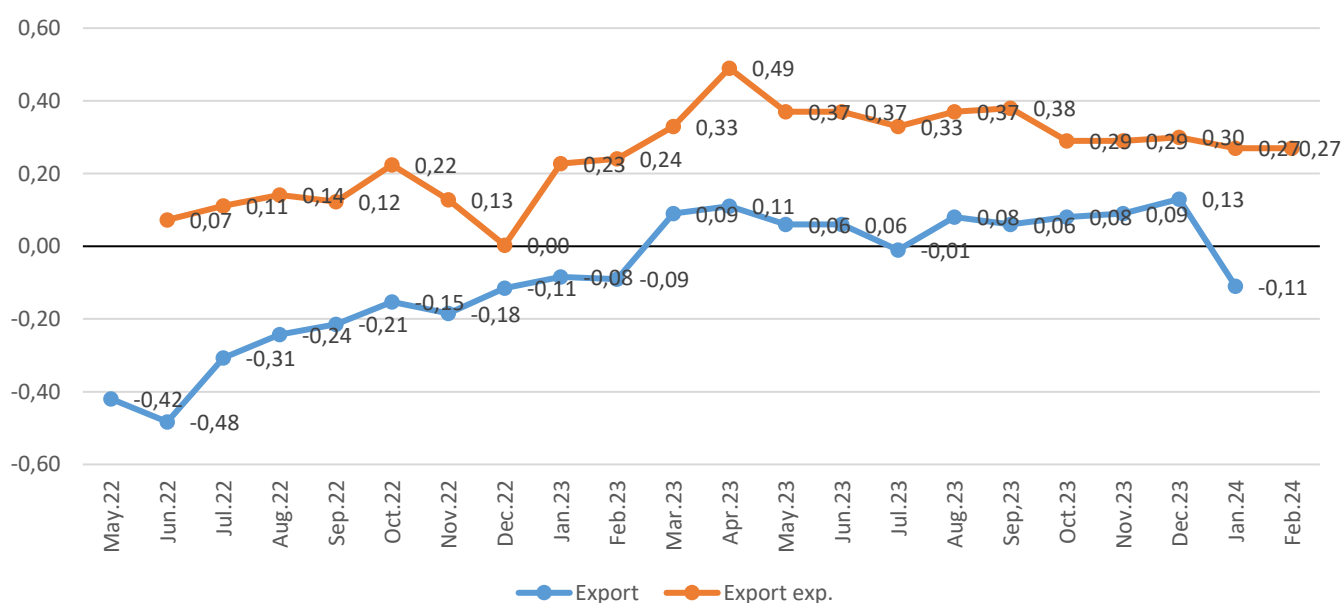
No changes in the indicator are expected for the next three months. The value of the INDEX OF THE EXPECTED CHANGES IN EXPORTS is 0.27 for the second month in a row, which means that there are no significant changes in the percentage distribution. The share of those planning to increase exports decreased slightly (from 31.2% to 28.9%). At the same time, the share of those who plan to reduce it has not changed significantly and is 5.0% (it was 6.5%). The share of those who do not expect any changes increased from 62.4% to 66.1%.

Size. Large (0.32) and medium (0.27) enterprises have the highest and approximately the same indicator of export expectations. The indicator of small enterprises is 0.14. Micro-enterprises with zero export expectations have the lowest expectations.

Region. The highest value of the index of the expected changes in exports was recorded for enterprises of Lviv, Ivano-Frankivsk, and Ternopil regions (1.00 for each). The expectations of business representatives of Chernihiv region (-0.20) and Kyiv city (-0.38) are the worst.

Sector. Food (0.38) and light (0.24) industries have the highest value of the index of expected changes in exports. Machine building (-0.09) and printing (-0.14) industries have the lowest and negative values of the indicator.

Fig.16. Export indices



STOCKS OF RAW MATERIALS

Changes compared to the previous month

The reduction rate of raw material stocks has slowed down. The VALUE OF THE INDEX OF STOCKS OF RAW MATERIALS in January compared to December did not change significantly and is 0.04 (it was 0.05). The share of respondents who reported accumulation of raw materials for the past month decreased slightly, from 21.5% to 19.6%. The share of respondents who pointed to their reduction did not change and is 18.5%, the same as last month. The share of entrepreneurs for whom nothing has changed compared to last month is 61.9% (it was 60.0%).

Size. THE INDEX OF STOCKS OF RAW MATERIALS is the highest for large enterprises (0.10). The value is the same for small and medium enterprises (0.02 each). The indicator of micro-enterprises is the lowest and has the only negative value (-0.25).

Region. Most often, the accumulation of raw materials is reported in Poltava (1.00), Ternopil (0.42), and Ivano-Frankivsk (0.39) regions. The indicators of Kyiv city (-0.57) and Kharkiv (-0.39) region are the lowest.

Sector. The chemical (0.11), food, and light (0.07 each) industries have a positive value. The index of metalworking (-0.19) is the lowest.

Expected changes in stocks of raw material

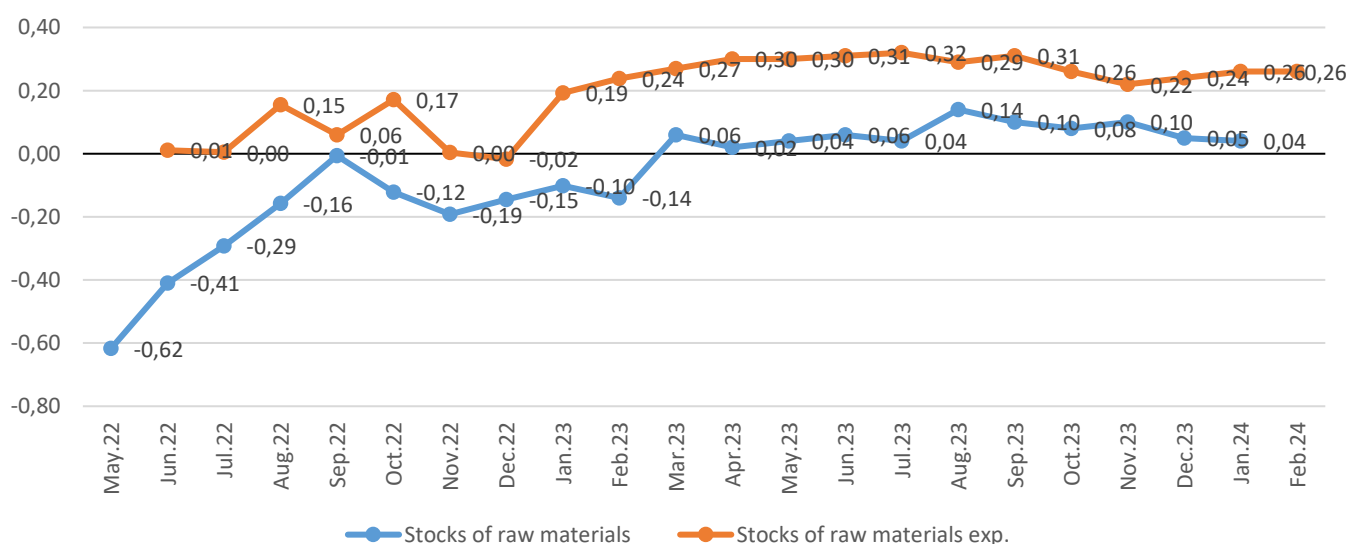
For the next three months, entrepreneurs do not expect changes in raw materials stocks: the INDEX OF EXPECTED CHANGES IN STOCKS OF RAW MATERIALS is 0.26 as last month. The share of respondents who expect the accumulation of raw material stocks is 32.9% (it was 32.5%); the share of those who believe that raw material stocks will decrease has also not changed significantly and is 8.1% (it was 8.4%). The share of those who believe the situation will not change, as it did last month, is 59.0%.

Size. THE INDEX OF EXPECTED CHANGES IN STOCKS OF RAW MATERIALS is higher and about the same for large (0.30), small (0.27), and medium (0.25) enterprises. Microenterprises have the lowest and negative value of the indicator (0.04).

Region. The Ivano-Frankivsk and Lviv regions (1.00 for each) have the highest INDEX OF EXPECTED CHANGES IN STOCKS OF RAW MATERIALS. Kyiv (-0.62) and Kyiv city, Sumy, and Dnipropetrovsk regions (-0.15 each) have the lowest value of the index.

Sector. The food (0.36) and light industry and construction materials production (0.28 each) have the highest indicators of expectations regarding changes in raw material stocks. Metalworking has the lowest and only negative value (-0.10).

Fig.17. Stocks of raw material indices



STOCKS OF FINISHED GOODS

Changes compared to the previous month

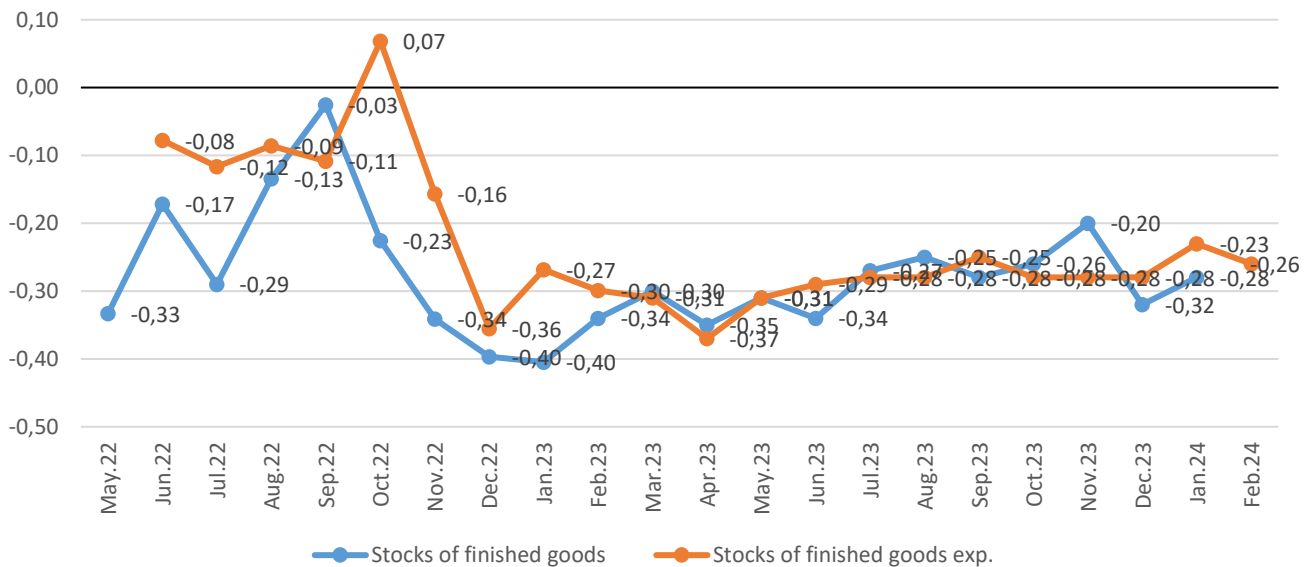
The reduction rate of stocks of finished goods slowed down. The value of the corresponding index in January compared to December increased from -0.32 to -0.28. It happened due to a decrease in the share of those who reduced goods stocks. The share of respondents who reported a reduction in stocks of finished goods decreased from 39.1% to 36.5%, while the share of respondents whose stocks increased remained almost unchanged and amounted to 8.0% (there were 7, 2%). The share of respondents who did not feel any changes increased slightly, from 53.7% to 55.6%.

Size. The value of the index, depending on the size of the enterprise, is lower for medium enterprises (-0.37). The indicator of small enterprises is -0.30. The indicator of large and micro enterprises is higher and the same and is -0.19.

Region. The value of the index depends on the region. The Khmelnytskyi (0.29) and Kyiv (0.06) regions' enterprises have the highest and positive value of the index. The indicator of the Poltava region is zero. The Ivano-Frankivsk (-0.94) and Ternopil (-0.89) regions have the lowest index.

Sector. Food (-0.38), light (-0.37), and printing (-0.60) industries have the lowest values. The woodworking industry has the highest value, the indicator of which is zero.

Fig.18. Stocks of finished goods indices



Expected changes in stocks of finished goods

In the future, the heads of enterprises expect an acceleration of the rate of reduction of stocks of finished goods. The INDEX OF EXPECTED CHANGES IN STOCKS OF FINISHED GOODS decreased from -0.23 to -0.26. The share of respondents who believe that the stocks of finished goods will decrease in the next three months increased from 27.2% to 30.3%, and the share of those who expect them to increase did not change significantly and is 3.6% (there were 3, 9%). The percentage of those who believe that nothing will change decreased from 68.9% to 66.1%.

Size. The value of the indicator depends on the size of the enterprise. The value of the index is lower for small (-0.35) and medium (-0.34) enterprises. The indicator of large and micro enterprises is higher and approximately the same (-0.12).

Region. The indicator of expectations is higher than zero for Khmelnytskyi (0.23), Poltava (0.03), and Kirovohrad (0.02) regions. The indicator of expectations for Zakarpattya, Cherkasy, Vinnytsya regions, and Kyiv city is zero. The indicators of other regions have a negative value, but the lowest are the indicators of Ternopil and Lviv (-1.00 for each) regions.

Sector. The index value is the highest for machine building (0.00). The food industry (-0.37) have the lowest indicator.

NEW ORDERS

Changes compared to the previous month

The growth dynamics of new orders slowed down. The NEW ORDERS INDEX decreased from 0.23 to 0.02 in January. The share of those with an increase in the number of new orders decreased (from 34.3% to 23.0%). At the same time, the share of those who reported a reduction in their number increased from 15.2% to 25.7%. The share of those who did not feel any changes did not change significantly and is 51.3% (it was 50.5%).

Size. The value of the index is higher for large (0.14) enterprises. The indicator of medium-sized enterprises is 0.04. The indicator of small enterprises is 0.10. Microenterprises have the lowest value (-0.38).

Region. The new orders grew the most in Poltava (1.00), Ternopil (0.37), and Ivano-Frankivsk (0.33) regions, while new orders fell the most in Cherkasy (-0.50) region.

Sector. The situation with new orders was the best for the food industry (0.05) in the previous month. Printing industry has the lowest indicators (-0.29).

Expected changes in new orders

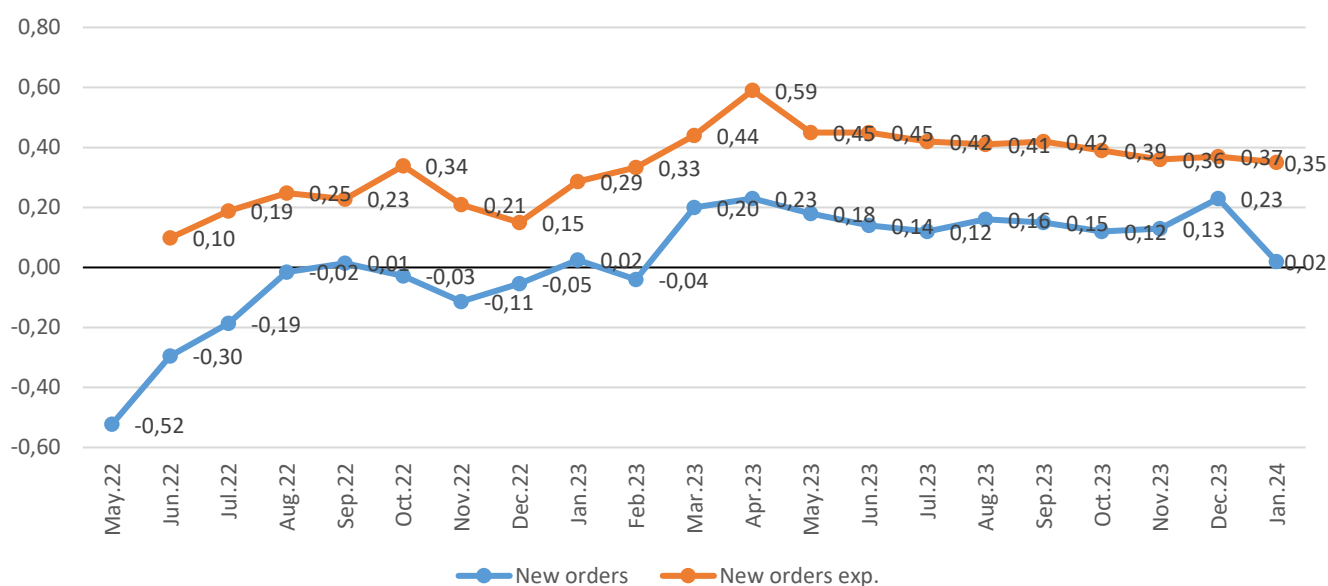
In the next three months, entrepreneurs do not expect significant changes in the indicator. The value has not changed significantly for the fourth month in a row. The value of the index of expected changes in the new orders is 0.36 (it was 0.35). The percentage distribution has not changed significantly and is 40.4% (it was 39.6%), as well as the share of respondents who expect a reduction in the volume of new orders, which is 5.1% (it was 6.9%). The share of those who do not expect any changes in the next three months is 54.5% (it was 53.5%).

Size. The indicator of expectations is the highest for small enterprises (0.46). The indicator of large (0.36) and medium (0.32) enterprises is approximately the same. The indicator of micro-enterprises is the lowest and is (0.13).

Region. Index values have significant regional differences. In Lviv and Ivano-Frankivsk (1.00 for each) regions, the business expects an increase in new orders to a greater extent than in other ones. However, the indicators of Cherkasy (-0.03) and Dnipropetrovsk (-0.10) regions have the lowest negative values.

Sector. The food industry (0.48) and construction materials production (0.38) have the best expectations for new orders. The index of metalworking is the lowest and is 0.10.

Fig.19. New orders indices

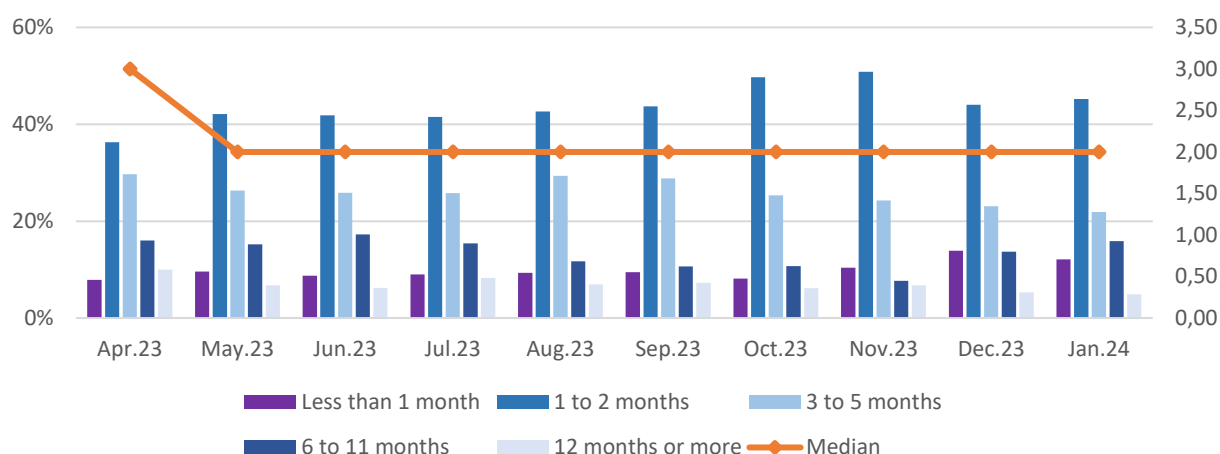


Availability of orders

In January 2024, 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.

The share of enterprises with orders for no more than two months has practically not changed compared to December 2023, when it was 58%. In January, such enterprises accounted for 57%. The share of enterprises with orders up to one month decreased slightly from 14% in December 2023 to 12% in January 2024.

Fig.20. Period for which enterprises are provided with orders



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 and medium-sized businesses for two months and large - for three.

81% of micro-enterprises and 73% of small enterprises have orders for only up to two months. And 41% of large and 23% of medium enterprises have orders for six months or more.

Sector. In January 2024, the relatively longest average term of new orders, which, however, was only three months (median value), was recorded in the chemical and printing industries¹. On the other hand, metallurgical enterprises were provided with orders for only one month on average.

More than 80% of construction materials producers and more than 70% of enterprises in the woodworking industry and textile, clothing, or footwear production have orders for only two months. These shares are larger than among other sectors.

Region. There are differences between enterprises in different regions in the availability of orders². The average term of securing orders is the longest for enterprises of the Kyiv region, where it was 10 months on average (median value). Also, the term of orders is relatively long for enterprises of the Poltava region (7 months).

On the other hand, the smallest average period of orders - only one month - was recorded in Dnipropetrovsk, Kharkiv, Khmelnytsky, Chernivtsi, and Chernihiv regions, and Kyiv city.

PURCHASE PRICES

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 0.34. It was mostly due to the shift of the share of those who believe prices have increased to those who believe there have been no changes compared to last month. The share of enterprise managers who indicated an increase in prices in January compared to December decreased from 43.5% to 34.0%. The share of those who believe prices did not change compared to the previous month increased from 54.8% to 63.8%. And the share of those who speak about a decrease in prices for raw materials and supplies has not changed significantly and is 2.2% (it was 1.7%).

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 of the enterprise, managers of large (0.46) enterprises often talk about increasing the prices of raw materials and supplies. The indicator of micro-enterprises (0.31), medium enterprises (0.28), and small enterprises (0.26) is about the same.

Region. Significant regional differences were recorded. The value of the index is higher for Poltava (1.00) and Sumy (0.74) regions and Kyiv city (0.70). The indicator of Chernivtsi (0.09), Ivano-Frankivsk, Ternopil, and Odesa (0.11 for each) regions is the lowest.

Sector. The value of the PURCHASE PRICE INDEX is the highest for machine building (0.51), metalworking (0.45), and chemical (0.41) industries. The woodworking industry (0.21) and construction materials production have the lowest value of the index.

Expected changes in purchase prices

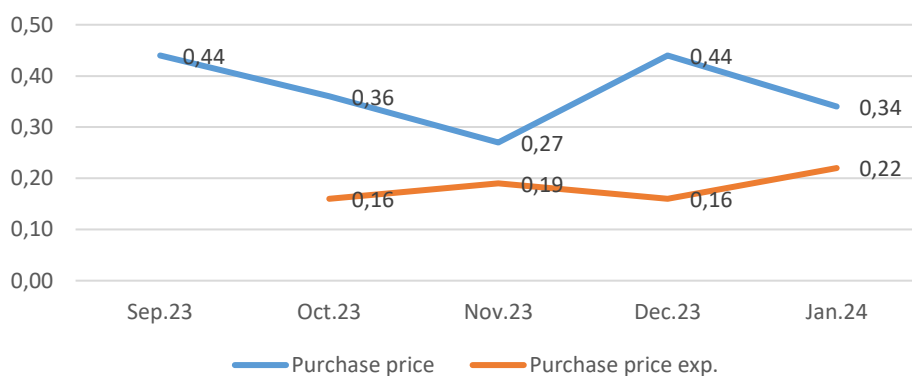
In the next three months, the business does not expect significant changes in the indicator. The INDEX OF EXPECTED CHANGES IN THE PURCHASE PRICE changed only slightly and is 0.20 (was 0.22). The share of respondents who believe that there will be no changes has not changed significantly and is 76.0% (it was 75.3%). The share of those expecting a price increase slightly decreased (from 23.1% to 21.8%). And the share of those who believe that the prices of raw materials and supplies will decrease in the next three months has hardly changed and is 2.2% (it was 1.7%).

Size. Depending on the size, the indicator of large enterprises and micro-enterprises is higher and the same and is 0.23. The value of the index of small (0.19) and medium (0.17) enterprises is somewhat lower.

Region. The most talk about a possible increase in prices for raw materials and supplies is in Poltava (1.00), Kyiv (0.76), and Sumy (0.75) regions. The indicator of Rivne and Odesa (-0.04 for each) regions is the lowest and has a negative value.

Sector. The machine building has the highest value of the index (0.48). Light industry and construction materials production have the lowest indicator (0.11 for each industry).

Fig.21. Purchase prices indices



DOMESTIC SALES PRICES

Changes compared to the previous month

The growth rate of prices for finished goods slowed down. The value of the DOMESTIC SALES PRICE INDEX increased from 0.40 to 0.30. As in the case of prices for raw materials and supplies, this happened due to a decrease in the share of those who expected a price increase and an increase in those who did not perceive a change compared to the previous month. The share of enterprise managers who indicated a price increase in January decreased from 39.3% to 29.1%. The share of those who believe prices did not change compared to the previous month increased from 59.2% to 68.9%. The share of respondents who talk about price reductions has not changed significantly and is 2.0% (it was 1.5%).

Size. The increase in price for finished goods is most often discussed at large (0.42) enterprises. The indicator of medium (0.25) and micro enterprises (0.27) is approximately the same. The small enterprises have the lowest value of the indicator (0.19).

Region. Significant regional differences were recorded. The value of the index is higher for Poltava (1.00) and Sumy (0.74) regions. The indicator of Chernivtsi (0.09), Zakarpattya (0.07), and Volyn (0.06) regions is the lowest.

Sector. The value of the DOMESTIC SALES PRICE INDEX is the highest for the metalworking (0.50) and chemical (0.41) industries. The woodworking industry (0.08) has the lowest value of the index.

Expected changes in the domestic sales prices

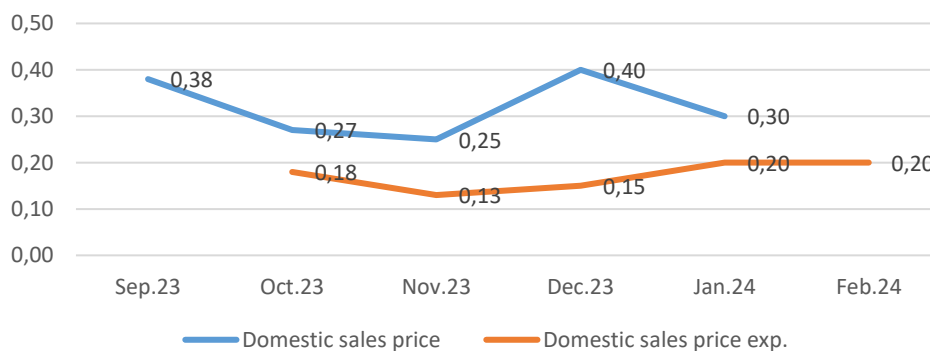
Company managers do not expect changes in the indicator for the next three months. The INDEX OF EXPECTED CHANGES IN DOMESTIC SALES PRICES is 0.20, as in the previous month. The share of respondents who do not plan to change has almost not changed compared to last month and is 77.1% (it was 77.3%). The share of respondents planning to raise prices in the next three months is 21.4% (it was 21.3%). The share of those who believe that the prices of raw materials and supplies will decrease in the next three months has also not changed significantly and is 1.6% (it was 1.4%).

Size. Depending on the size, the indicator of large (0.25), micro (0.23), and small (0.20) enterprises is approximately the same. The indicator of expectations of medium-sized enterprises is the lowest: 0.15.

Region. Most businesses talk about a possible increase in sales prices in Poltava (1.00) and Sumy (0.86) regions. The indicator of Rivne and Odesa (-0.04 for each) regions has the lowest and negative value.

Sector. Machine building has the highest value of the index (0.35). The printing industry has the lowest indicator of expectations (0.07).

Fig.22. Domestic sales prices indices



ACCOUNT RECEIVABLES

Changes compared to the previous month

The indicator of receivables has improved significantly. The value of the ACCOUNT RECEIVABLES INDEX halved in January, from -0.10 to -0.20. The share of those who reported debt reduction increased from 22.8% to 26.5%. And the share of those with accumulated debt decreased from 10.5% to 5.5%. The share of those for whom nothing has changed slightly increased, from 66.7% to 68.0%.

Size. The situation with receivables is better for small and micro enterprises (-0.26 for each). The indicator of medium-sized enterprises is -0.19. Large enterprises have the highest indicator of receivables (0.16).

Region. Significant regional differences in the values of this indicator were recorded. The largest increase in receivables was recorded in Kyiv (0.35) and Poltava (0.03) regions, whose indicators are positive and the only ones

above zero. At the same time, the indicator of receivables decreased the most in Sumy (-0.80) and Zhytomyr (-0.71) regions.

Sector. The printing industry has the highest and positive indicator of receivables (0.08). The lowest indicator is in the production of building materials (-0.38).

Expected changes in account receivables

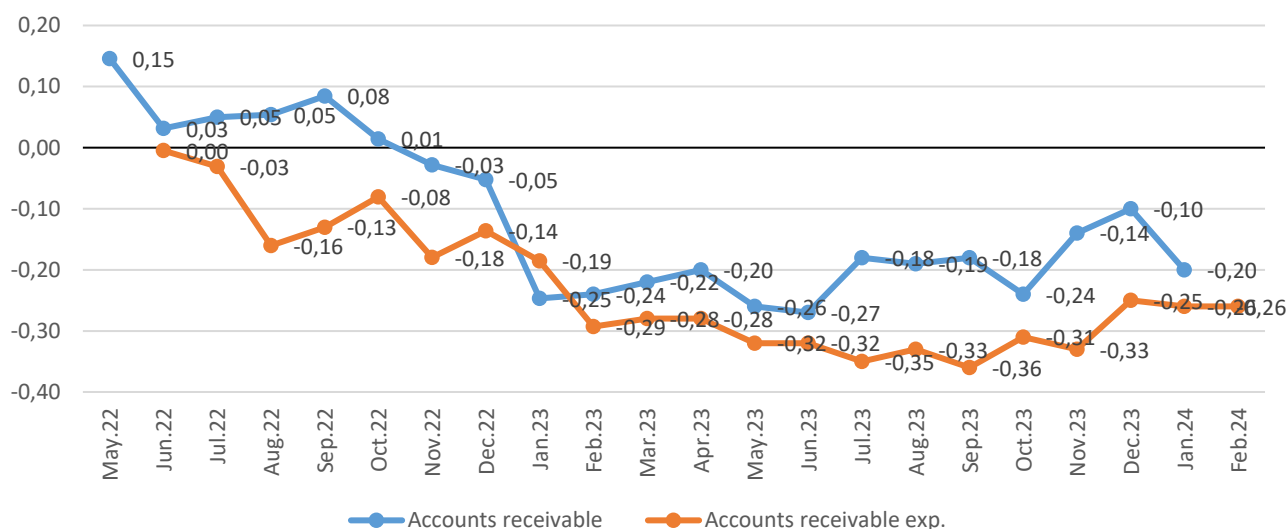
In three months, entrepreneurs do not expect changes in the indicator. The INDEX OF EXPECTED CHANGES IN ACCOUNTS RECEIVABLE has not changed and is -0.26, the same as last month. The share of respondents who expect the accumulation of debt has not changed significantly and is 2.4% (it was 2.2%). And the share of those who expect its reduction is 29.8% (it was 28.4%). The share of those who believe nothing will change has slightly decreased, from 69.4% to 67.7%.

Size. Small (-0.36) and medium (-0.31) enterprises have the best value of the indicator. The indicator of expectations for large enterprises is -0.15. The micro-enterprises, whose indicator is -0.13, have the worst expectations.

Region. Kyiv city (0.10), Kirovohrad (0.09), and Vinnytsya (0.07) regions have the highest values above zero. Sumy (-0.93), Ivano-Frankivsk (-0.94), and Lviv (-0.96) regions have the lowest indicators.

Sector. The highest is the indicator of expectations for an increase in receivables for the printing sector (-0.08). Food, light industry, and construction materials production have the lowest index (-0.30 for each industry).

Fig.23. Account receivables indices



ACCOUNT PAYABLES

Changes compared to the previous month

In January, the indicator of payables improved significantly. The ACCOUNT PAYABLES INDEX decreased from -0.13 to -0.21. The share of respondents who reported accumulating debt decreased from 6.5% to 3.3%, while the share of those for whom account payables decreased increased from 22.1% to 25.0%. The share of those for whom nothing has changed over the past month has hardly changed and is 71.7% (it was 71.5%).

Size. The indicator of payables for small enterprises (-0.30) is the lowest. The index of micro-enterprises (-0.20) and medium-sized enterprises (-0.19) is significantly higher. Large enterprises have the worst index of payables (-0.16).

Region. Significant regional differences were recorded. The situation with the accumulation of payables is the worst in Kyiv (0.05) and Poltava (0.03) regions. The indicator of the Cherkasy and Zakarpattya regions is zero. The best situation is in Sumy (-1.00) region.

Sector. The highest is the debt indicator for the printing industry, which is zero. The construction materials production (-0.35) and light (-0.27) industries have the lowest indicator.

Expected changes in account payables

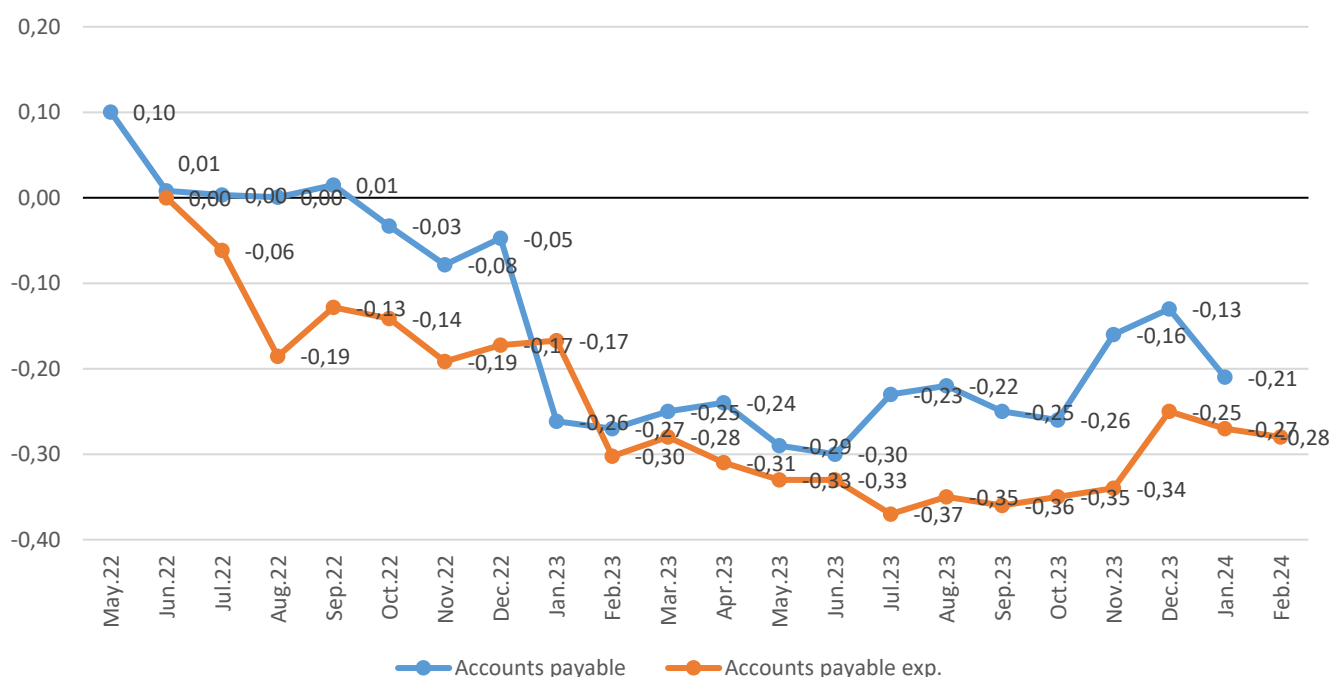
Entrepreneurs do not expect significant changes in the indicator for the next three months. The INDEX OF THE EXPECTED CHANGES IN ACCOUNT PAYABLES is -0.28 (it was -0.27). The share of those who expect a reduction in accounts payable amounts to 29.0% (it was 29.1% in December). The share of those who expect to accumulate it has not changed significantly and is 0.6% (it was 1.0% last month). The share of respondents who believe that nothing will change is 070.4% (it was 69.9%).

Size. The indicator of small (-0.36) and medium-sized (-0.33) enterprises is much better. The debt indicator of large enterprises is -0.17. The worst expectations regarding payables are micro-enterprises, whose indicator is -0.12.

Region. The expectation indicator of the Vinnytsya region has the only positive value and is 0.07. The indicator of Poltava, Cherkasy, Zaporizhzhya, Zakarpattya, Kirovohrad, and Chernihiv regions is zero. The indicator of expectations of the Sumy region is the lowest (-1.00).

Sector. The printing sector has the highest index (-0.15). The light (-0.32) and food (-0.33) industries have the lowest values.

Fig.24. Account payables indices



TAX ARREARS

Changes compared to the previous month

The indicator of tax arrears has remained unchanged for the third month in a row. The TAX ARREARS INDEX is -0.23 (-0.24 two months in a row). The share of enterprises that reported tax arrears reduction for the past month decreased from 25.6% to 22.7%. In January, there was no share of respondents who indicated an increase in tax arrears (last month, it was 0.7%). The share of those who believe there were no changes has increased from 73.7% to 77.3%.

Size. The indicators of tax arrears are better and approximately the same for small (-0.26) and medium (-0.25) enterprises. The indicator of large enterprises is -0.20. The highest value of the indicator is for micro-enterprises - -0.12.

Region. There are significant differences in the value of this indicator by region. The indicator of Kyiv city, Kyiv, Khmelnytskyi, Cherkasy, Chernihiv, Zakarpattia and Zaporizhzhia regions is zero. The lowest indicator is the Sumy region (-1.00).

Sector. Printing, the value of which is zero, has the highest rate of tax arrears. The values for the machine building (-0.31) and light (-0.32) industry are the lowest.

Expected changes in tax arrears

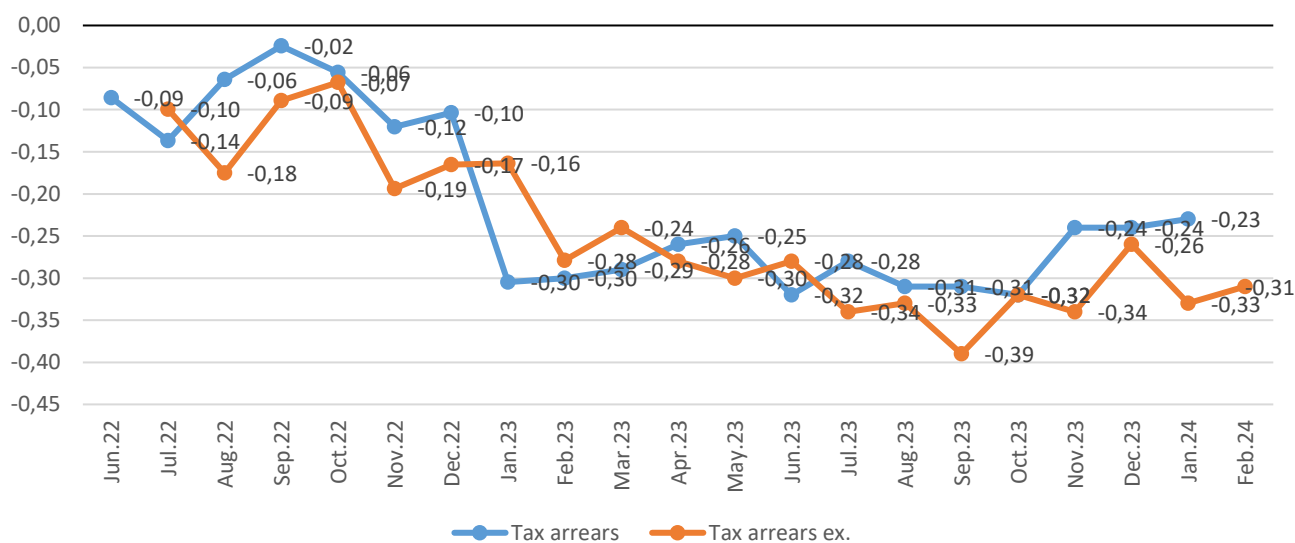
Entrepreneurs do not expect sharp changes in the indicator for the next three months. The INDEX OF THE EXPECTED CHANGES IN TAX ARREARS increased only slightly, from -0.33 to -0.31. The share of those who predict a reduction in tax arrears is 31.0% (it was 32.7%); the share of those who expect it to increase has also not changed significantly and is 0.2% (it was 0.7%). The share of those who do not expect changes increased slightly, from 66.7% to 68.8%.

Size. Indicators of tax arrears expectations are better for small (-0.39) and medium (-0.35) enterprises. The indicator of large enterprises is -0.20. Microenterprises have the worst indicator (-0.09).

Region. The indicator of expectations of Cherkasy, Chernihiv, Zakarpattia, Zaporizhzhya, Kirovohrad, and Vinnytsya regions is zero. The indicator of the Sumy region (-1.00) is the lowest.

Sector. The woodworking industry has the highest indicator of tax arrears expectations (-0.19). The food industry has the lowest indicator (-0.36).

Fig.25. Tax arrears indices



NUMBER OF WORKERS

Changes compared to the previous month

Enterprises continue to reduce the number of workers. The NUMBER OF WORKERS INDEX decreased from -0.11 to -0.14 in January. The share of respondents reporting a reduction in the number of workers involved in all operations increased from 12.5% to 14.6%, while the share of those who indicated an increase did not change significantly and is 1.6% (there were 2.3%). The share of those for whom nothing has changed decreased from 85.3% to 83.7%.

Size. The indicator is somewhat higher and approximately the same for large and small (-0.14 for each) enterprises and for medium-sized (-0.13) enterprises. The indicator of micro-enterprises is twice as high and is -0.07.

Region. The value for Sumy (0.21) and Zakarpattia (0.03) regions is higher than zero. Dnipropetrovsk (-0.95) and Zhytomyr (-0.82) regions have the lowest values.

Sector. The indicator of the printing and light industry (-0.07 for each industry) is the highest. The lowest indicator is for the production of construction materials (-0.29).

Expected changes in the number of workers

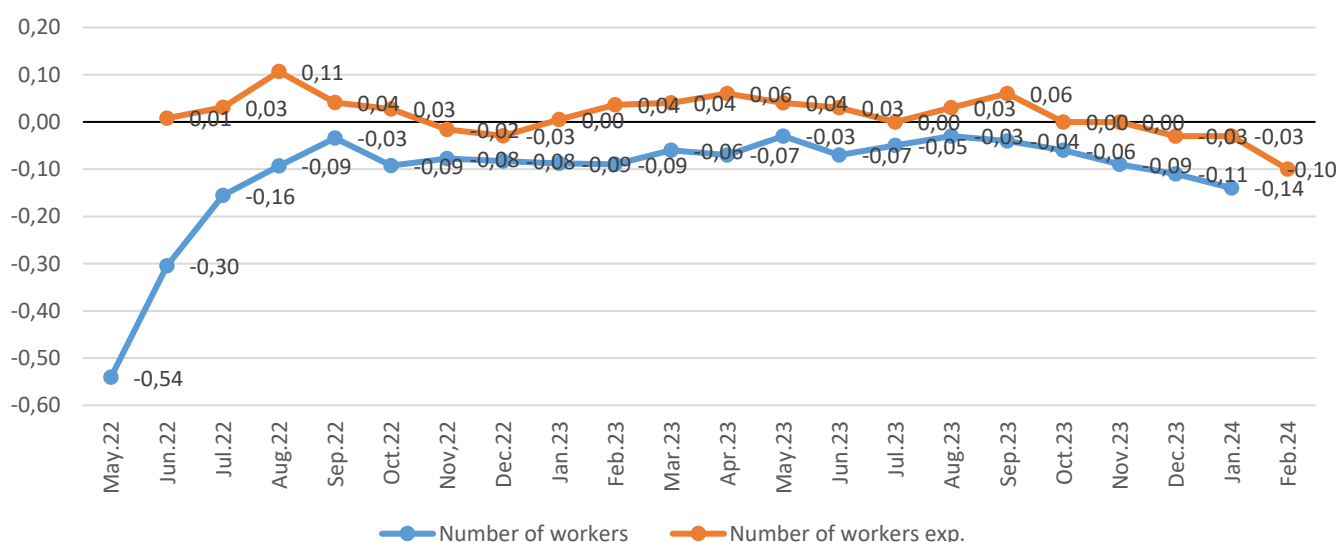
In the next three months, the surveyed heads of enterprises plan to further reduce the number of workers: the INDEX OF THE EXPECTED CHANGES IN THE NUMBER OF WORKERS is -0.10 (two months in a row, it was -0.03). The share of respondents who plan to increase the number of workers decreased from 5.1% to 2.7%, while the share of those who expect to reduce the number of employees increased from 6.7% to 11.5%. The share of those who do not plan to change has decreased from 88.3% to 85.8%.

Size. Depending on the size of the enterprise, the indicator of medium (-0.11), large (-0.10), and small (-0.09) enterprises is lower and approximately the same. Microenterprises have the highest value of the indicator, the indicator of which is -0.02.

Region. The value of the index of expected changes in the number of workers significantly depends on the region where the enterprise is located. Sumy (0.22) and Volyn (0.10) regions have the highest indicators. Zhytomyr region has the lowest values of the indicator (-0.91).

Sector. The printing and light industries (-0.07 for each) have the highest index of expectations. The index for metalworking (-0.21) is the lowest.

Fig.26. Number of workers indices



WORKERS ON FORCED LEAVE

Changes compared to the previous month

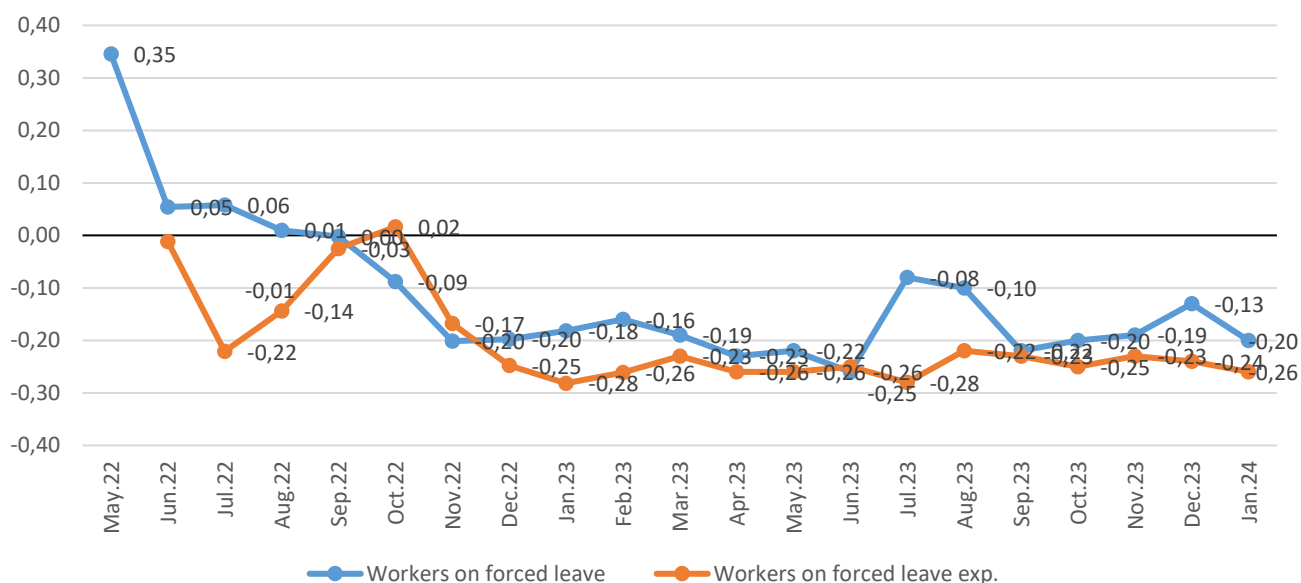
The reduction rate in the number of workers on forced leave has accelerated. The NUMBER OF WORKERS ON THE FORCED LEAVE INDEX decreased from -0.13 to -0.20. The share of those who reported an increase in such workers decreased from 8.5% to -4.1%. At the same time, the share of those who indicated their reduction increased from 21.1% to 24.2%. The share of those for whom nothing has changed over the past month has not changed significantly and is 71.7% (it was 69.8%).

Size. The indicator of micro-enterprises is the highest and is equal to zero. The indicator of large enterprises is -0.08. The value is much lower and approximately the same for medium (-0.27) and small (-0.28) enterprises.

Region. Among the various regions, the highest increase in the indicator is observed for enterprises in Vinnytsia (0.15), Kirovohrad (0.09), and Chernihiv (0.08) regions, and most often, the decrease in the number of workers on forced leave is reported in Lviv and Ivano-Frankivsk (-1.00 for each) regions.

Sector. Metalworking (0.13) has the worst indicators regarding the number of workers on forced vacations, and the indicator of machine building is zero. Printing (-0.25), light (-0.26), and food (-0.29) industries have the lowest values.

Fig.27. Number of workers on forced leave indices



Expected change in the number of workers on forced leave

Enterprises having workers on forced leave expect a slight increase in the indicator in the next three months. The INDEX OF EXPECTED CHANGES IN THE NUMBER OF WORKERS ON FORCED LEAVE changed slightly, increasing from -0.26 to -0.24. The share of enterprises at which an increase in the number of workers on forced leave is expected has not changed significantly and is 1.1% (it was 0.5%). The share of those who believe that the number of such workers at their company will decrease decreased from 27.0% to 25.5%. The share of those who believe there will be no changes has almost not changed and is 73.3% (there were 72.5%).

Size. The indicator of micro-enterprises is -0.05 and is the highest. The value is somewhat lower for large enterprises (-0.11). Indicators of medium (-0.32) and small (-0.33) enterprises are significantly lower and approximately the same.

Region. Indicators of expectations for Vinnytsya (0.07), Kyiv (0.05), and Kirovohrad (0.03) regions are higher. The indicators of Lviv, Ternopil, and Ivano-Frankivsk regions (-1.00 for each) are the lowest.

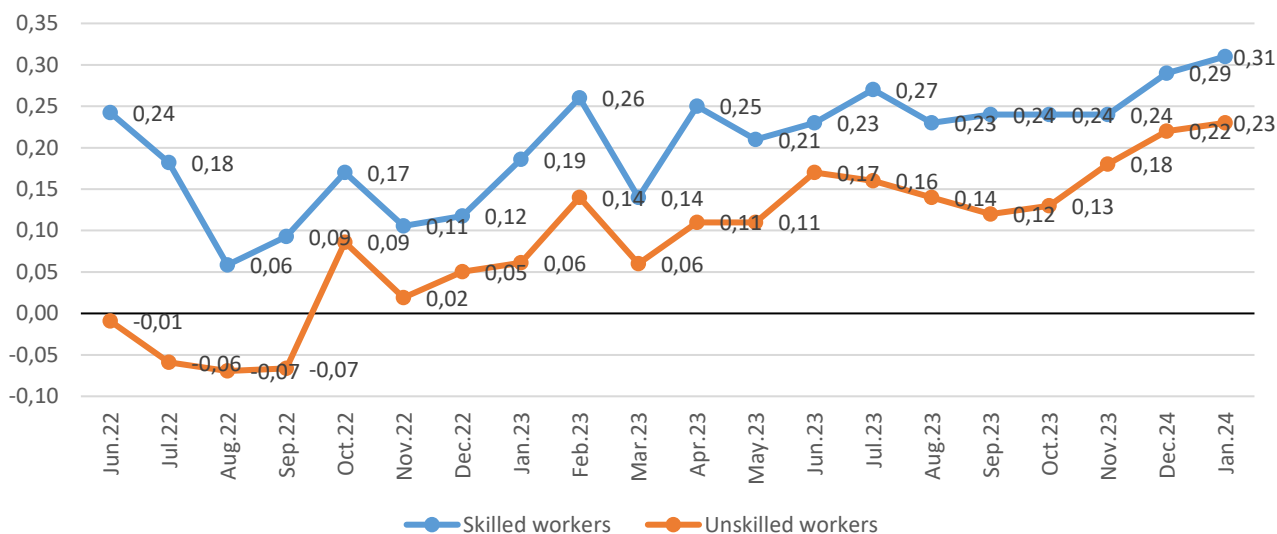
Sector. The highest indicator of expectations regarding the number of workers on forced leave is for metalworking (-0.07). The lowest indicator is for the food industry (-0.34).

SKILLED AND UNSKILLED WORKERS

In January 2024, the difficulty in finding skilled workers continued to increase, while the value for unskilled workers did not change significantly. The VALUE OF THE INDEX OF FINDING SKILLED WORKERS increased from 0.29 to 0.31. The value of THE INDEX OF FINDING UNSKILLED WORKERS is 0.23 (it was 0.22).

The share of company managers who indicated that skilled workers are more difficult to find increased from 29.1% to 32.4%. The share of those who find it more difficult to find unskilled workers also increased, from 25.0% in December to 27.6% in January. The percentage of those who find it easier to find skilled workers has not changed significantly and is 1.2% (was 1.8%), as is the share of those who find it easier to find unskilled workers, which is 4.2% (was 5.2%). The share of those who do not feel any changes in the search for skilled workers decreased from 69.1% to 66.4%, and for unskilled workers, the percentage did not change significantly and is 68.3% (it was 69.8%).

Fig.28. Skilled and unskilled workers indices



Skilled workers

Size. Depending on the size of the enterprise, the indicator is higher for micro-enterprises (0.37). The indicator of small (0.34) and large (0.33) enterprises is slightly lower and approximately the same. It is easiest to find skilled workers for medium-sized enterprises, the indicator of which is 0.26.

Region. Significant regional differences in the labor market were recorded. It is most difficult to find skilled workers in Khmelnytsky, Dnipropetrovsk, and Poltava (1.00 for each) regions. It is easiest to find skilled workers in Chernivtsi (-0.03), Kharkiv (-0.06), and Rivne (-0.13) regions.

Sector. Construction materials production (0.27) and the printing industry (0.25) have fewer difficulties with finding skilled workers. It is more difficult to find skilled workers for metalworking (0.56) and machine building (0.48).

Unskilled workers

Size. It is more difficult to find unskilled workers for micro-enterprises, whose indicator is 0.32. The indicator of small (0.24) and large (0.25) enterprises is approximately the same. It is easiest to find unskilled workers for medium-sized enterprises, whose indicator is 0.20.

Region. It is easiest to find unskilled workers in Kharkiv (-0.07), Rivne (-0.10), Chernivtsi (-0.20) and Sumy (-0.65) regions. The biggest difficulties with finding skilled workers are in Dnipropetrovsk (1.00), Khmelnytsky (0.97) and Poltava (0.93) regions.

Sector. The worst indicators regarding the search for unskilled workers are observed for metalworking (0.50); the lowest values are for the chemical industry (0.14) and the production of construction materials (0.19).

SPECIAL PART OF THE SURVEY

THE IMPACT OF WAR ON ENTERPRISES

Challenges for businesses in wartime

Work hazards caused by a full-scale Russian invasion and **rising prices for raw materials** became the main obstacles to business in January 2024. These two issues share the top spot in the list of business obstacles associated with full-scale war. They were indicated by 46% of surveyed enterprises.

At the same time, if the share of enterprises that reported price increases in January increased slightly compared to December 2023, when it was 43%, the frequency of reports of work hazards decreased. Thus, in December 2023, against the background of a sharp increase in the frequency and scale of Russian missile strikes on the territory of Ukraine, 53% of enterprises said that it was unsafe to work, which was the largest share for the entire period of this survey.

In January, 41% of surveyed enterprises reported labor shortage due to **conscription or migration of workers**, which made this problem the third in the ranking of obstacles. It is one of the highest percentages of businesses reporting this problem over the entire survey period, but it is down from December 2023, when 46% of respondents complained about staff shortages.

On the other hand, the **decrease in demand for products or services of enterprises** was discussed more often than in the previous month. The share of businesses that faced this problem increased from 30% in December to 38% in January and ranked fourth in the ranking of obstacles to business caused by a full-scale Russian invasion.

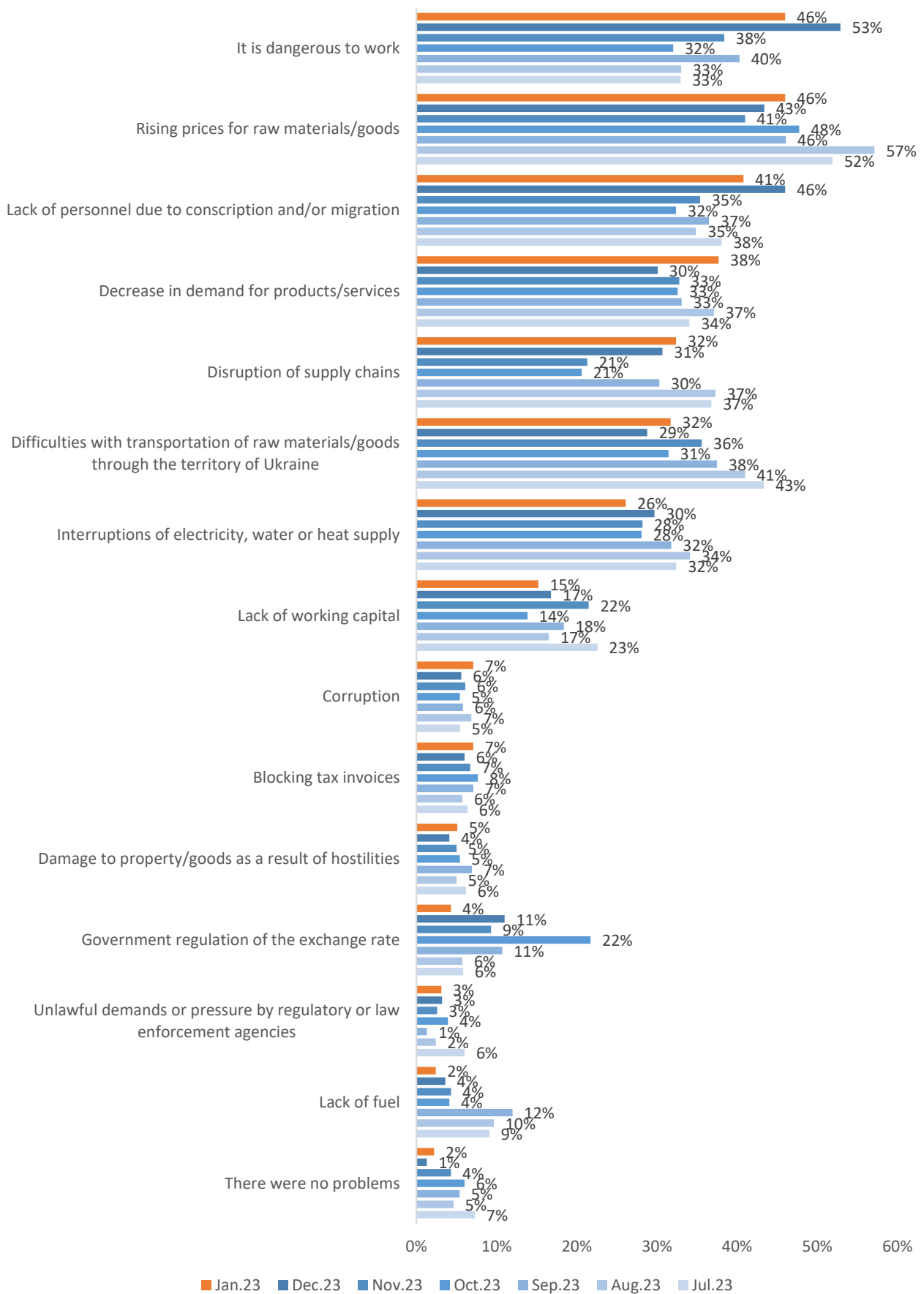
The fifth and sixth places in this rating in January 2024 were shared by such **obstacles as difficulties with the transportation of raw materials or goods through the territory of Ukraine and the disruption of supply chains**. It indicates that the war had a significant impact on logistics and supply chain processes, and its impact continues to hamper business operations.

The importance of the problem of **electricity, water, or heat supply outages** has decreased compared to December. In January, this problem took seventh place in the rating of obstacles, becoming relevant for 26% of enterprises, while in December, it was 30%. It is the lowest level of reported power, water, or heat outages since October 2022, when Russia launched massive missile attacks on Ukraine's energy infrastructure.

The problem of **lack of working capital** became the eighth most important problem for business in January. 15% of respondents encountered it, which is less than in the previous month (17%). The ninth place in this rating was shared by the problems of **corruption and the blocking of tax invoices**: 7% of enterprises complained about each of them.

About 5% or less of enterprises reported such obstacles as **damage to property or goods as a result of military actions, state regulation of currency exchange rates, unlawful demands or pressure from regulatory or law enforcement agencies, and lack of fuel**. Additionally, only 2% of businesses surveyed in November 2023 said they did not experience any problems.

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



Challenges for businesses by size. The top concerns for business in January - work hazards from a full-scale Russian invasion and rising prices - were felt differently by businesses of different sizes. Thus, while large enterprises (58%) spoke most often about the fact that it is unsafe to work, micro-businesses (51%) spoke about the rising prices.

Also, large enterprises feel the negative impact of labor shortages due to the mobilization or departure of workers more acutely than smaller businesses. This problem was reported by 48% of large business representatives in December, while among micro, small, and medium-sized enterprises, this share was between 36% and 41%.

On the other hand, micro and small enterprises faced a decrease in demand more often than medium and large enterprises: this problem was indicated by 47% of micro-enterprises and 41% of small enterprises, while among large and medium enterprises these shares were 31% and 36%, respectively.

Challenges for businesses by sector. In January 2024, companies in the printing industry spoke particularly often about both the fact that it is unsafe to work and the rising prices for raw materials or materials: 57% of them pointed to each of these problems³. Rising prices also became a particularly acute problem for the woodworking industry (54%) and metallurgy (52%).

In these two industries, businesses experience labor shortages due to the mobilization or departure of workers more than in others: 58% of surveyed enterprises in the woodworking industry and 57% in metallurgy indicated this problem.

Disruption of supply chains became a particularly acute problem for the chemical industry (50%) and difficulties with the transportation of raw materials or goods through the territory of Ukraine - for the chemical industry and the construction materials industry (50% each).

Challenges for businesses by region. In January, the work hazards were most often mentioned in the Vinnytsya, Dnipropetrovsk, Zaporizhzhya, Kyiv, Odesa, Poltava, and Kharkiv regions (more than 70% of respondents)⁴.

In Zhytomyr, Poltava, and Sumy regions, as well as in Kyiv city, the highest shares of businesses faced rising prices for raw materials or supplies (more than 70%).

The surveyed enterprises of the Dnipropetrovsk, Zhytomyr, Poltava, and Chernivtsi regions most often complain about the lack of labor due to the full-scale war (more than 70%).

The decrease in demand worries the surveyed enterprises in the Vinnytsya, Kirovohrad, Poltava, and Chernivtsi regions and Kyiv city (more than 60%).

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 January 2024, for the fourth 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 January 2024 survey and compare them to the results of the two previous waves when this question was asked in July and October 2023.

According to the survey results in January, the biggest obstacle in this rating was the **war and the unfavorable security situation**. 85% of enterprises pointed to it, which is more than in July and October 2023, when no more than 75% of surveyed enterprises spoke about the impact of the war⁶.

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

The negative impact of labor shortages has increased. In January, 29% of enterprises reported they **did not have enough skilled workers**, which is more than in October (23%). This problem became the third most significant obstacle on this list.

Unfavorable regulatory climate took the fourth 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 January, 25% of enterprises reported an unfavorable regulatory climate. It is less than in autumn 2023 (in October, this share was 30%). Among the components of this indicator, the value of high regulatory pressure changed most noticeably over the previous three months: in January, it was reported by 14% of enterprises, which is less than in the previous survey, when there were 23% of such enterprises.

The influence of the **unfavorable political situation** was reported by 24% of the respondents, due to which this problem took the fifth place in the rating of obstacles. This share also decreased significantly at the beginning of 2024: in July and October 2023, it remained at the level of 35%.

Complaints about **excessive taxation** also decreased: in October 2023, this problem was relevant for 38% of surveyed enterprises, and three months later, it was reported by 23%.

Table 1. Obstacles to production growth

	July 2023	October 2023	January 2024
War, unfavorable security situation	75%	72%	85%
Low demand	41%	39%	41%
Lack of skilled workers	22%	23%	29%
Unfavorable regulatory climate	28%	30%	25%
<i>High regulatory pressure</i>	20%	23%	14%
<i>Corruption</i>	5%	10%	11%
<i>Changes in economic legislation</i>	9%	7%	7%
Unfavorable political situation	35%	35%	24%
Excessive taxation	30%	38%	23%
Lack of raw materials	20%	20%	22%
Liquidity problems	24%	20%	18%
High competitive pressure	16%	15%	14%
High loan rates	12%	11%	12%
Lack of production capacity	4%	10%	10%

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

	July 2023	October 2023	January 2024
Loans availability	9%	8%	7%
Problems with energy supply	4%	2%	3%
Outdated technologies	2%	2%	2%

Size. The larger the size of the enterprises, the more often they mention the war and the unfavorable security situation as an obstacle to business growth. If among micro-enterprises, the corresponding share of respondents was 76%, then for small and medium-sized enterprises, it exceeds 80%, and for large ones, it rises to 91%.

In addition, micro-businesses are more likely than larger businesses to report low demand (55% compared to less than 45% of larger ones). On the other hand, these companies are less likely than others to cite the unfavorable political situation as an obstacle to growth. This obstacle was indicated by 12% of micro-enterprises, while among small, medium, and large-sized businesses, the respective shares amounted to more than 20%.

It is also worth noting that large enterprises, more often than smaller businesses, talk about the lack of skilled workers (40%), while medium-sized businesses, to a greater extent than the rest of the size categories of enterprises, complain about the unfavorable regulatory climate (30%).

Sector. Surveyed enterprises of all industries name the war and the unfavorable security situation as the main obstacle to production growth⁷. The second most important problem - low demand - is most often mentioned by representatives of the construction materials production and chemical industry (more than 50%).

In metallurgy (52%) and machine building (40%), the largest shares of enterprises indicated a lack of personnel, and in the food industry and the textile, clothing, and footwear production, enterprises complained about the unfavorable political situation (more than 30%).

An unfavorable regulatory climate hinders business growth in the printing industry (36%) and construction materials production (34%) more than businesses in other sectors. More than 20% of surveyed enterprises report high regulatory pressure in these industries.

Region. More than 80% of surveyed businesses in Vinnytsya, Dnipropetrovsk, Zhytomyr, Zaporizhzhya, Kyiv, Kirovohrad, Odesa, Poltava, Ternopil, Kharkiv, Khmelnytsky, Chernivtsi and Chernihiv, and Kyiv city, called the war and an unfavorable security situation an obstacle to growth. It is more than in the rest of the regions covered by this survey⁸.

Low demand as an obstacle to growth is most often reported in the Chernivtsi region (90% of respondents) and Poltava and Kharkiv regions (70% each). Also, in the Kharkiv region, all surveyed businesses (100%) complain about the lack of workers. The problem of lack of personnel is also particularly acute for surveyed enterprises of Poltava (87%), Zhytomyr (64%), and Chernivtsi (64%) regions.

The largest number of enterprises hindered by an unfavorable regulatory climate is in Ternopil Oblast (53%), while Ivano-Frankivsk, Lviv, and Ternopil regions have the highest shares of businesses that speak of an unfavorable political situation (more than 60% of respondents).

The war impact on capacity/production volumes

In January 2024, the indicator production capacity utilization remained almost at the level of December. In January, 13% of enterprises reported they were operating at full capacity (100% or more), which was slightly higher than the previous month (12%). The indicator has remained at a similar level for three months. At the same time, the share of enterprises operating almost at full capacity (75% - 99%) was 46% (45% in November and 47% in

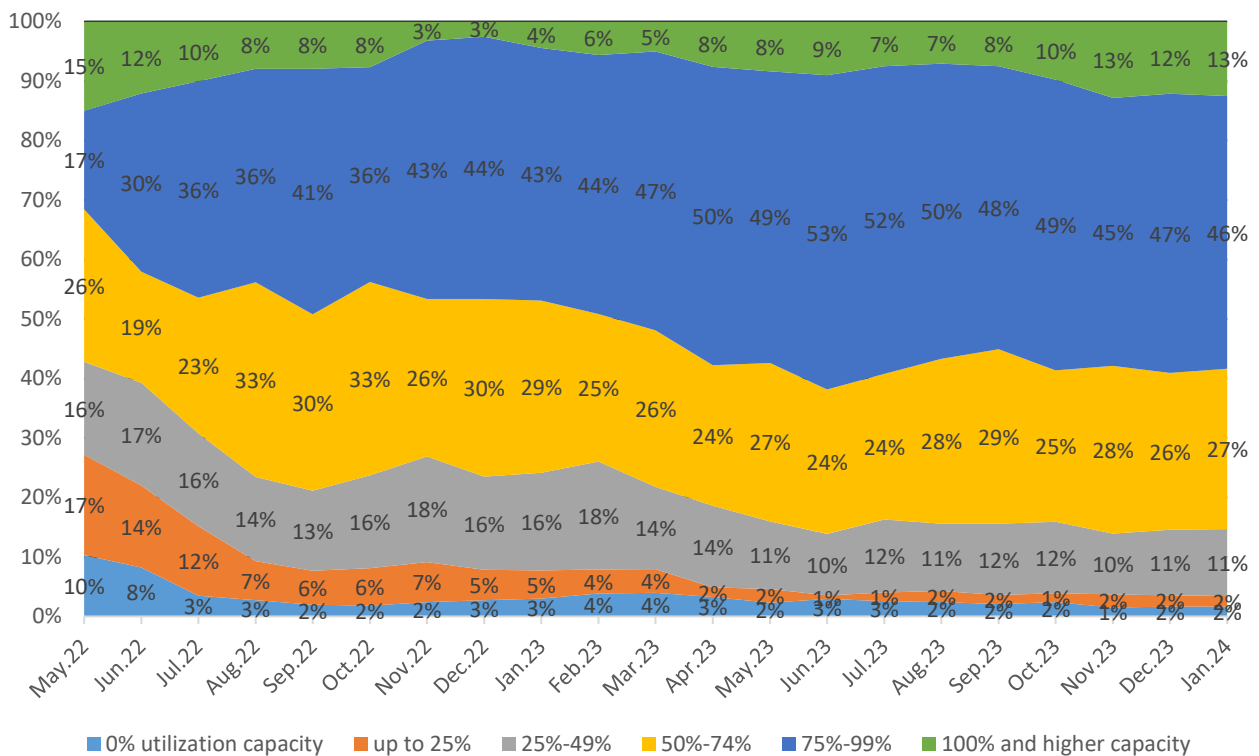
⁷ This analysis does not consider enterprises in the sectors of agriculture, construction, trade, and services, and enterprises included in the category "Other production."

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

December). **As a result, the total share of enterprises operating near full and full capacity was 58%** (59% in October, 58% in November and 59% in December). For comparison, the corresponding indicator was the highest for all waves of the survey in June - 62%. **Thus, the situation is almost at the level of previous months, which may indicate a "frozen" recovery.**

In January, 2% of surveyed enterprises reported they had stopped their activities during the war. This indicator 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 2% in January (2% in December). In addition, 11% of enterprises worked in January at 25% - 49% of pre-war production capacity (11% in December). **As a result, in January, only 15% of enterprises worked at less than half their capacity or did not work compared to pre-war times.**

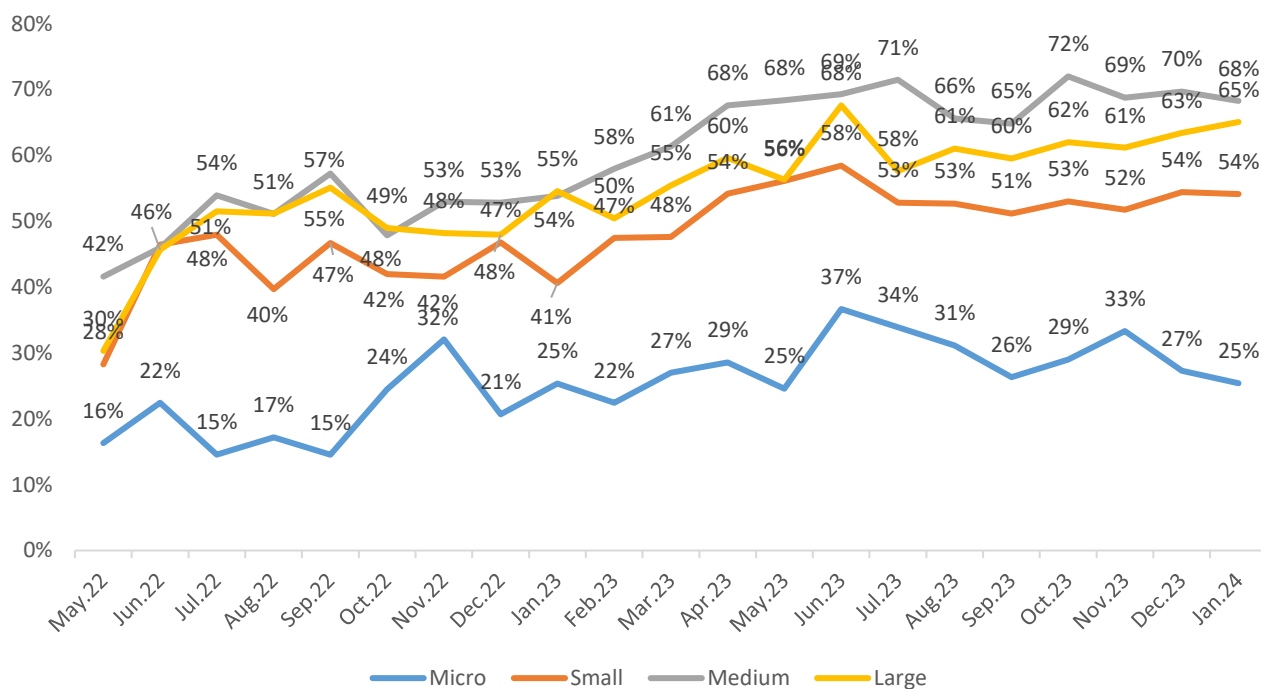
Fig.30.The impact of the war on the work of enterprises (% of respondents)



Results for businesses by size. Medium-sized businesses continue to show the best pace of production recovery. Compared to the pre-war period, 68% of medium-sized enterprises worked at almost full and full capacity in January, which remains approximately at the level of previous months (for example, it was 69% in November and 70% in December). At the same time, the corresponding indicator slightly increased for large businesses from 61% in November and 63% in December 2023 to 65% in January 2024. The share of small enterprises that worked almost at full and full capacity, as the previous month, was 54%. For micro-businesses, the indicator decreased after several months of growth and remains low. If in December, the indicator of micro-enterprises was 27%, then in January, it dropped to 25%.

As of January 2024, 8% of microbusiness representatives were unemployed, which is almost at the level of December (7%). By comparison, large and medium-sized businesses have fully resumed work. Among small enterprises, 2% of respondents did not resume work. Thus, **micro-businesses remain more sensitive to the challenges of wartime.**

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, %)



Results for business by sector. The food industry remains a leader in the recovery of the processing industry. In January, 73% of food industry enterprises worked almost at full and full capacity (73% in December). The capacity of the light industry, which traditionally remains in the top three, is in second place: 61% in January (62% in December). The printing industry remains in third place, and the corresponding indicator is cut from 46% in December to 57% in January. The machine-building industry is in fourth place: 46% of respondents were working almost at full capacity in December. Metallurgy and metalworking is in last place; only 24% of surveyed enterprises operate at full or almost 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

	Jan.23	Feb.23	Mar.23	Apr.23	May.23	Jun.23	Jul.23	Aug.23	Sep.23	Oct.23	Nov.23	Dec.23	Jan.24
Food industry	62	66	66	73	73	78	72	72	73	76	72	73	73
Light industry	46	52	63	65	55	69	66	64	61	57	60	62	61
Printing industry	33	50	58	62	60	71	64	57	43	62	46	46	57
Machine building	37	46	39	43	30	47	38	39	32	43	52	44	46
Chemical industry	35	36	30	42	42	36	35	43	35	39	39	38	43
Woodprocessing	18	17	13	42	33	36	38	30	26	36	29	41	38
Construction materials	14	14	15	30	38	38	44	41	31	27	31	28	31
Metalworking	23	24	22	20	29	27	26	10	10	16	32	28	24

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%), Rivne (100%), Ternopil (100%) and Vinnytsia (92%) regions continue to work at almost full and full capacity in December.

At the same time, the situation remains the most difficult in the front-line Zaporizhzhya and Kharkiv regions, in which, respectively, 0% and 15% of enterprises worked at a high capacity. The enterprises of Kirovohrad (32%), Sumy (35%), Cherkasy (37%), Khmelnytsky (35%) regions, and Kyiv city (19%) work at low capacity. Thus, recovery challenges depend not only on a business's geographic location and proximity to the front lines but also on logistical, energy, and other challenges varying somewhat by region.

THE WAR IMPACT ON THE ENTERPRISES' EXPORT ACTIVITIES

Within the twenty-first wave of the survey, **63% of respondents (among those able to answer)** were or are exporters. At the same time, almost 37% of enterprises have never exported, and less than 1% (only two respondents) could not answer the question.

As of January 2024, among exporters, **83% 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 (the last 12 months). At the same time, 15% of enterprises exported before the start of the war but had no exports during the last 12 months. That is, there are almost no changes in January 2024 compared to December 2023. Ukrainian businesses have reached a certain level of export activity recovery because part of the business cannot overcome new challenges for the recovery of 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 January 2024, a regularity was again recorded regarding the state of export activity depending on the size of the enterprise. Among micro-businesses, 29% of enterprises exported before the war but had no export activity during the last 12 months. The situation among micro-businesses improved compared to December; the indicator decreased from 38% to 29%. There is also a high share of enterprises that cannot resume exports among small businesses - 28%. The situation is somewhat better among medium exporters - 11% of respondents did not export in the last 12 months. The best situation is among large businesses where the corresponding figure was only 7%. 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 obtained data indicate that until now, the most difficult situation with the recovery of exports remains in construction materials production. For example, 58% of the industry's enterprises exported before the war but had no exports during the last 12 months. The situation slightly worsened compared to December (57%). The situation is also difficult in metallurgy (the corresponding indicator is 33%) and machine building (24%). In contrast, the best situation is in the chemical industry, in which only 9% of enterprises had no

exports during the last 12 months, although they exported before the war. In the food industry, the indicator remains approximately at the level of previous months - 15%.

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 areas, all enterprises (among those who were able to respond) resumed exports, in particular in the Vinnytsya, Ivano-Frankivsk, Kyiv, Lviv, Odesa, Poltava, Rivne, Ternopil, and Chernihiv regions. The most difficult situation remains in the Dnipropetrovsk and Zhytomyr regions, where 72% and 57%, respectively, had no exports during the last 12 months, although they had them before the war.

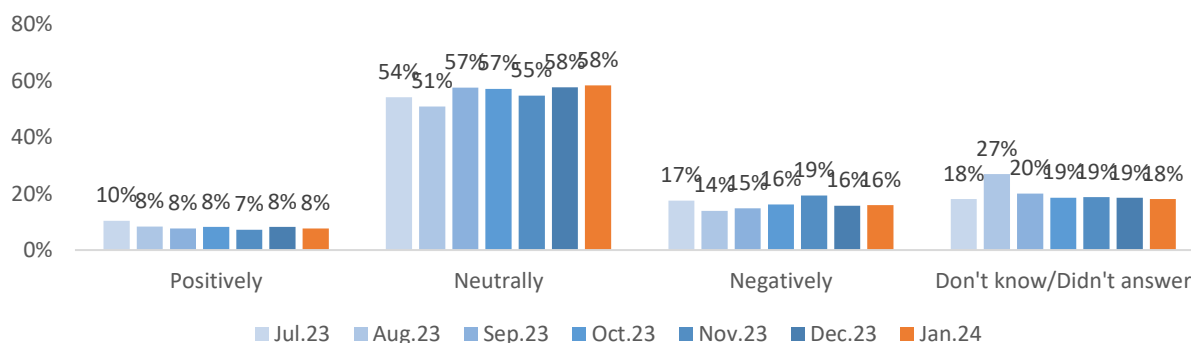
GOVERNMENT POLICY

Assessment of government policy to support business

In January 2024, the share of positive assessments of the government's business policies was 8%, which does not differ from the corresponding share in December 2024. The level of positive assessments of this policy has been the lowest for six months in a row for the entire period of this survey, the first wave of which was conducted in May 2022.

The shares of negative and neutral assessments of this policy also remained unchanged: as in December 2023, in January 2024, 16% of respondents evaluated the government business support policy negatively, and 58% - neutrally. The share of respondents who could not assess the government business support policy amounted to 18%, which is practically the same as in December 2023.

Fig.36. Assessment of government policy to support business



Assessment of government policy to support business by business size. Against the background of the low level of positive assessments of the government policy on business support in general, a lower share of such assessment was among representatives of micro and small enterprises (3% and 4% of these enterprises, respectively) than representatives of medium and large businesses (among them, positive evaluations were from 10 % and 11% respectively).

The smaller the size of the enterprises, the more often the respondents from among them negatively assess the government policy on business support. For example, among representatives of large enterprises, the share of negative assessments of this policy is 10% and increases to 25% among representatives of micro-businesses.

Assessment of government policy to support business by sector. Most often, representatives of the printing industry (21%) and construction materials production (19%) give positive assessments to the government policy on business support⁹.

On the other hand, the highest share of negative assessments was recorded among representatives of machine building (26%) and metallurgy (24%).

Assessment of government policy to support business by region. The highest level of positive assessments of the state business support policy in January 2024 was recorded in the Zaporizhzhya, Rivne, and Cherkasy regions (from 20% or more respondents)¹⁰.

At the same time, the largest shares of negative assessments are among businesses in Vinnytsya, Dnipropetrovsk, and Sumy regions, as well as Kyiv city (30% or more of respondents).

What will improve the business situation? Expected measures and changes

In January 2024, we again asked business representatives about what changes and measures would improve the situation for their business. As in previous surveys, when this question was asked (in 2022 and 2023), the most expected event for survey participants was the **end of the war**.

It is expected by 87% of surveyed businesses, which is more than in the summer of 2023 (75%) and closer to the level of January 2023, when this share was 82%.

The reduction of taxes is in second place among the desired changes. It was expected by 44% of enterprises in January 2024, which practically does not differ from the level of 2023, when this share was 45%-46% (note that in previous surveys, this option was formulated as "reduction of taxes and excises").

The share of enterprises that consider it necessary to **simplify the legal conditions for business** decreased again to 32%. This share was at the same level in August 2022 and January 2023, but in August 2023, it temporarily increased to 40%, which indicated the return of business climate issues to the agenda for enterprises.

Instead, companies spoke more often about the need to **de-occupy the territories of Ukraine**. In January 2024, the share of businesses expecting this increased to 30% from 23% in the previous survey.

Business demand for **affordable business loans programs** remains unchanged over the past six months: 25% supported this option in January compared to 27% in January.

One-fifth of respondents (21%) reported that the **ending of blocking the border** by Poland and other countries would help their business. In January, this option was added to the list of options to answer this question for the first time due to the blocking of Ukraine's western borders by neighboring countries.

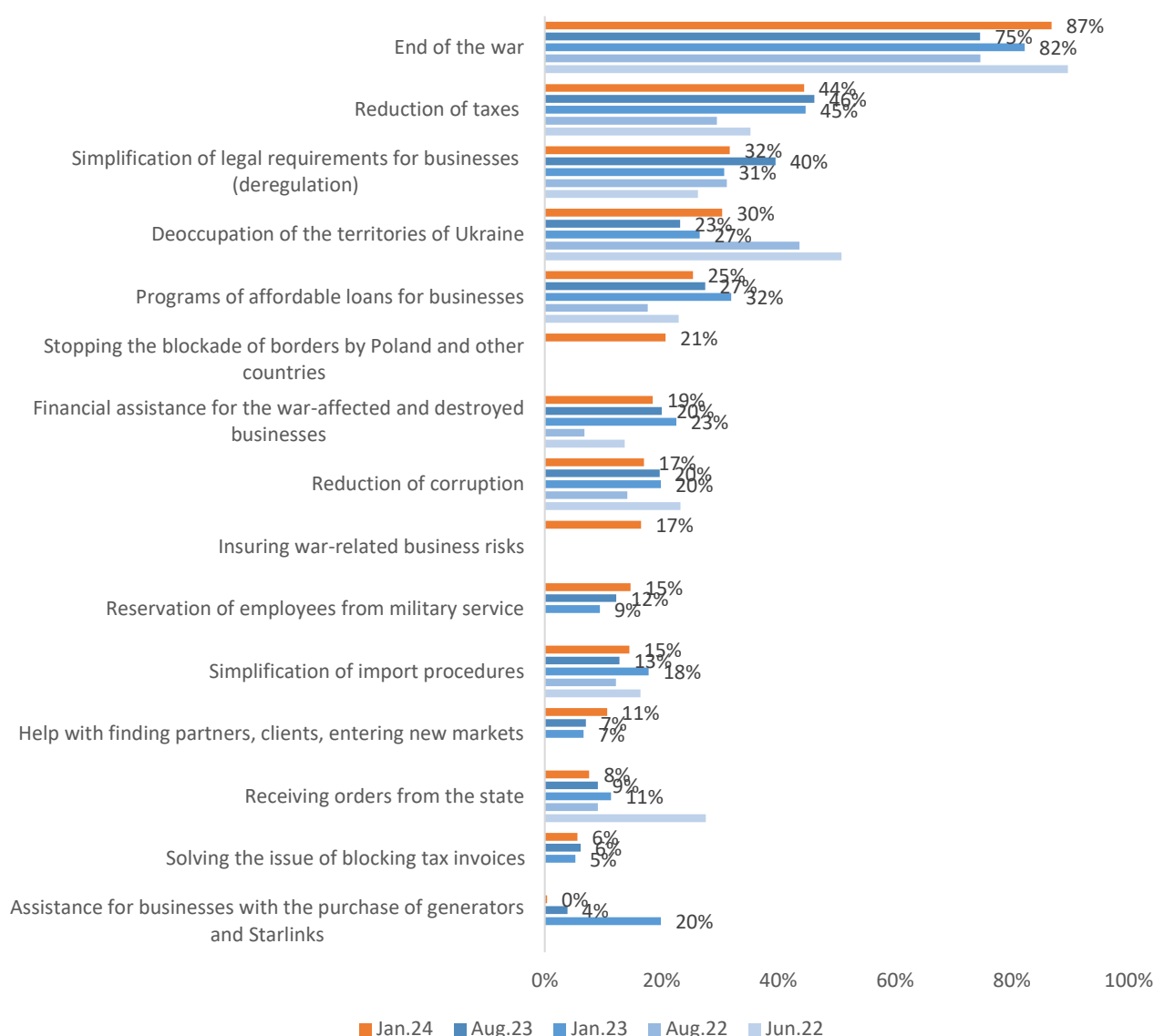
19% of enterprises spoke about the need for **financial assistance to affected and destroyed businesses**, and 17% of companies spoke about the **importance of reducing corruption** and **ensuring war-related business risks**. The

⁹ This analysis does not consider enterprises in the sectors of agriculture, construction, trade, and services, and enterprises included in the category "Other production."

¹⁰ Regions in which no enterprises were surveyed are not included in the comparison. For more details, see the "Sample" section.

last of these options – **war-related business risk insurance** – was added to the possible response options for the first time in January 2024.

Fig. 37. Expected measures and changes that, according to the respondents, will improve the situation for their business



Expected measures and changes by the size of enterprises. Ending war is a top priority for businesses of all sizes. The other most anticipated change, tax reduction, also received about the same level of support among businesses of all sizes, from 48% of large to 41% of small businesses.

Such a step as simplifying legal requirements for business is a higher priority for micro, small, and medium-sized enterprises (more than 30%) than for large businesses, among which 24% of enterprises spoke for it. Instead, large enterprises emphasize the importance of the de-occupation of the territories of Ukraine more often than smaller businesses: 49%.

Expected measures and changes by sector. The end of the war is also the main anticipated event for surveyed businesses from all industries¹¹. Companies in the printing (57%) and chemical (54%) industries spoke most often about the need to reduce taxes.

¹¹ The size of the subsample in the agriculture and trade sectors is too small for statistical comparison.

Simplification of legislative requirements for business is most supported in the chemical and printing industries (43% each). And in the metallurgy, to a greater extent than in other sectors, they speak of the need to de-occupy the territories of Ukraine (52%).

Expected measures and changes by region. In most regions, 70% or more of the surveyed local businesses named the end of the war among the events and changes that would help them the most. It is especially expected by representatives of enterprises in Vinnytsya, Zaporizhzhya, Kyiv, Kirovohrad, Odesa, Sumy, Kharkiv, Khmelnytskyi, Cherkasy, Chernivtsi, and Chernihiv regions. Here, the end of the war became an important priority for 80% or more of the respondents.

In Poltava and Sumy regions, as well as in Kyiv city, tax reduction is most strongly supported (80% or more of respondents). Simplification of legislative requirements for business is most often mentioned among the expected measures by enterprises of Ivano-Frankivsk, Cherkasy, and Chernivtsi regions, and Kyiv city (more than 50%), and businesses of Zaporizhzhya and Cherkasy regions particularly strongly emphasize the need to de-occupy the territories of Ukraine (more than 90%).

SURVEY METHODOLOGY

This report presents the results of the 21st 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 January 16 to 31, 2024.

SAMPLE

A total of 552 enterprises were surveyed in the 21st wave. They 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 15 to 44 enterprises were surveyed¹².

The majority of the sample consisted of industrial enterprises – 511 enterprises or 93% of the sample. Among them, the food industry and light industry, prevail. Eight enterprises belong to the agricultural sector (1.4 % of the sample) and 21 to trade (3.8% of the sample). Nine enterprises, or 1.6% of the sample, work in the service sector. And three enterprises (0.5%) belong to the construction sector.

These are companies of various sizes, determined by the number of workers among the enterprises surveyed. Among them: micro-enterprises (up to 10 workers) – 59 or 11% of the sample, small (from 11 to 50 workers) – 181 or 33% of the sample, medium-sized (from 51 to 250 workers) – 186 or 34% of the sample, and large (more than 250 workers) – 126 or 23% of the sample.

¹² 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-	59	11%
Small	181	33%
Middle	186	34%
Large	126	23%
TOTAL	552	100%

Sector/ industry

	Number	Share of sample
Agriculture	8	1,4%
Metal production and metalworking	21	3,8%
Chemical industry	28	5%
Machine building	35	6%
Woodworking industry	24	4%
Construction materials production	32	6%
Food industry	186	34%
Light industry	49	9%
Printing industry	14	2,5%
Other industries	122	22%
Construction	3	0,5%
Trade	21	3,8%
Services	9	1,6%
TOTAL	552	100%

Performance indicators of enterprises and business environment by size, indices (January 2024)

	Total	Micro	Small	Middle	Large
Production	0,05	-0,31	-0,07	0,06	0,16
Expected changes in production	0,36	0,02	0,41	0,38	0,35
Sales	0,05	-0,29	-0,08	0,06	0,16
Expected sales changes	0,37	0,00	0,42	0,37	0,36
Export	-0,11	-0,47	-0,32	-0,12	-0,03
Expected changes in exports	0,27	0,00	0,14	0,27	0,32
Account receivables	-0,20	-0,26	-0,26	-0,19	-0,16
Expected changes in account receivables	-0,26	-0,13	-0,36	-0,31	-0,15
Account payables	-0,21	-0,20	-0,30	-0,19	-0,16
Expected changes in accounts payable	-0,28	-0,12	-0,36	-0,33	-0,17
Tax arrears	-0,23	-0,12	-0,26	-0,25	-0,20

	Total	Micro	Small	Middle	Large
Expected changes in tax arrears	-0,31	-0,09	-0,39	-0,35	-0,24
Stocks of raw materials	0,04	-0,25	0,02	0,02	0,10
Expected changes in stocks of raw material	0,26	0,04	0,27	0,25	0,30
Stocks of finished goods	-0,28	-0,19	-0,30	-0,37	-0,19
Expected changes in stocks of finished goods	-0,26	-0,12	-0,35	-0,34	-0,12
New orders	0,02	-0,38	-0,09	0,04	0,14
Expected changes in new orders	0,36	0,13	0,46	0,32	0,36
Purchase prices	0,34	0,31	0,26	0,28	0,46
Expected changes in purchase prices	0,20	0,23	0,19	0,17	0,23
Domestic sales prices	0,30	0,27	0,19	0,25	0,42
Changes in the domestic sales prices	0,20	0,23	0,20	0,15	0,25
Number of workers	-0,14	-0,07	-0,14	-0,13	-0,14
Expected changes in the number of workers	-0,10	-0,02	-0,09	-0,11	-0,10
Number of workers on forced leave	-0,20	0,00	-0,28	-0,27	-0,08
Expected changes in the number of workers on forced leave	-0,24	-0,05	-0,33	-0,32	-0,11
Skilled workers	0,31	0,37	0,34	0,26	0,33
Unskilled workers	0,23	0,32	0,24	0,20	0,25
Business activity assessment	-0,02	-0,23	-0,09	0,02	0,02
Expected changes in business activity	0,36	0,28	0,41	0,37	0,34
Assessment of the business environment	-0,06	-0,40	-0,14	-0,04	0,02
Expected changes in the business environment	0,34	0,13	0,33	0,36	0,34
Do you plan to expand your company's activities in the next two years	0,17	0,30	0,14	0,10	0,24
How do you assess your company's business activity in the current month, compared to the same period last year in 2022?	0,48	-0,11	0,38	0,58	0,53

Performance indicators of enterprises and business environment by sector, indices (January 2024)

	Total	Metal production and metalworking	Chemical Industry	Machine building	Woodworking industry
Production	0,05	0,00	0,04	0,06	-0,08
Expected changes in production	0,36	0,14	0,18	0,27	0,21
Sales	0,05	-0,10	0,14	-0,03	-0,04

	Total	Metal producti on and metalw orking	Chemical Industry	Machine building	Woodwor king industry
Expected sales changes	0,37	0,14	0,18	0,26	0,21
Export	-0,11	0,08	-0,15	-0,40	-0,25
Expected changes in exports	0,27	0,00	0,23	-0,09	0,09
Account receivables	-0,20	-0,19	-0,20	-0,24	-0,09
Expected changes in account receivables	-0,26	-0,24	-0,25	-0,16	-0,23
Account payables	-0,21	-0,10	-0,17	-0,21	-0,18
Expected changes in accounts payable	-0,28	-0,25	-0,22	-0,20	-0,23
Tax arrears	-0,23	-0,15	-0,19	-0,30	-0,10
Expected changes in tax arrears	-0,31	-0,20	-0,24	-0,31	-0,19
Stocks of raw materials	0,04	-0,19	0,11	-0,11	-0,12
Expected changes in stocks of raw material	0,26	-0,10	0,18	0,00	0,13
Stocks of finished goods	-0,28	-0,24	-0,12	-0,17	0,00
Expected changes in stocks of finished goods	-0,26	-0,14	-0,25	0,00	-0,14
New orders	0,02	-0,14	-0,08	-0,06	-0,13
Expected changes in new orders	0,36	0,10	0,15	0,25	0,21
Purchase prices	0,34	0,45	0,41	0,51	0,21
Expected changes in purchase prices	0,20	0,17	0,30	0,48	0,21
Domestic sales prices	0,30	0,50	0,41	0,34	0,08
Changes in the domestic sales prices	0,20	0,17	0,30	0,35	0,29
Number of workers	-0,14	-0,38	-0,15	-0,17	-0,21
Expected changes in the number of workers	-0,10	-0,21	-0,15	-0,09	-0,09
Number of workers on forced leave	-0,20	0,13	-0,14	0,00	-0,06
Expected changes in the number of workers on forced leave	-0,24	-0,07	-0,09	-0,12	-0,18
Skilled workers	0,31	0,56	0,32	0,48	0,45
Unskilled workers	0,23	0,50	0,14	0,35	0,30
Business activity assessment	-0,02	-0,24	-0,11	-0,09	-0,08
Expected changes in business activity	0,36	0,10	0,08	0,36	0,33
Assessment of the business environment	-0,06	-0,33	-0,18	-0,21	-0,09
Expected changes in the business environment	0,34	0,00	0,13	0,21	0,32
Do you plan to expand your company's activities in the next two years	0,17	0,36	0,08	0,09	0,19
How do you assess your company's business activity in the current month, compared to the same period last year in 2022?	0,48	-0,10	0,39	0,21	0,42

	Total	Construction materials productions	Food Industry	Light industry	Printing industry
Production	0,05	-0,16	0,05	-0,08	0,00
Expected changes in production	0,36	0,34	0,43	0,24	0,14
Sales	0,05	-0,16	0,08	-0,06	0,00
Expected sales changes	0,37	0,31	0,45	0,24	0,14
Export	-0,11	-0,50	-0,07	-0,29	-0,50
Expected changes in exports	0,27	0,00	0,38	0,24	-0,14
Account receivables	-0,20	-0,38	-0,20	-0,28	0,08
Expected changes in account receivables	-0,26	-0,30	-0,30	-0,30	-0,08
Account payables	-0,21	-0,35	-0,22	-0,27	0,00
Expected changes in accounts payable	-0,28	-0,30	-0,33	-0,32	-0,15
Tax arrears	-0,23	-0,22	-0,24	-0,31	0,00
Expected changes in tax arrears	-0,31	-0,30	-0,36	-0,32	-0,20
Stocks of raw materials	0,04	-0,07	0,07	0,07	-0,11
Expected changes in stocks of raw material	0,26	0,28	0,36	0,28	0,08
Stocks of finished goods	-0,28	-0,35	-0,38	-0,37	-0,60
Expected changes in stocks of finished goods	-0,26	-0,28	-0,37	-0,27	-0,20
New orders	0,02	-0,13	0,05	-0,02	-0,29
Expected changes in new orders	0,36	0,38	0,48	0,27	0,14
Purchase prices	0,34	0,20	0,29	0,31	0,36
Expected changes in purchase prices	0,20	0,11	0,18	0,11	0,15
Domestic sales prices	0,30	0,13	0,26	0,23	0,36
Changes in the domestic sales prices	0,20	0,11	0,18	0,18	0,07
Number of workers	-0,14	-0,13	-0,14	-0,10	-0,07
Expected changes in the number of workers	-0,10	-0,18	-0,13	-0,07	-0,07
Number of workers on forced leave	-0,20	-0,18	-0,29	-0,26	-0,25
Expected changes in the number of workers on forced leave	-0,24	-0,16	-0,34	-0,29	-0,25
Skilled workers	0,31	0,27	0,33	0,42	0,25
Unskilled workers	0,23	0,19	0,29	0,33	0,27
Business activity assessment	-0,02	-0,26	0,02	-0,04	-0,07
Expected changes in business activity	0,36	0,38	0,45	0,30	0,29
Assessment of the business environment	-0,06	-0,29	0,01	-0,10	-0,14

	Total	Construction materials productions	Food Industry	Light industry	Printing industry
Expected changes in the business environment	0,34	0,25	0,45	0,28	0,14
Do you plan to expand your company's activities in the next two years	0,17	-0,17	0,11	0,32	0,40
How do you assess your company's business activity in the current month, compared to the same period last year in 2022?	0,48	0,41	0,56	0,39	0,71

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
Unsafe to work	46%	46%	40%	44%	58%
Rising prices for raw materials/supplies/goods	46%	51%	44%	46%	47%
Labor shortage due to conscription and/or migration	41%	37%	41%	36%	48%
Decrease in demand for products/services	38%	47%	43%	31%	36%
Disruption of supply chains	32%	19%	30%	36%	37%
Difficulties transporting raw materials/goods through the territory of Ukraine	32%	36%	29%	32%	33%

Challenges facing business in wartime, by sector

	Metal production and metalworking	Chemical Industry	Machine building	Woodworking industry
Unsafe to work	43%	50%	54%	29%
Rising prices for raw materials/supplies/goods	52%	46%	46%	54%
Labor shortage due to conscription and/or migration	57%	32%	51%	58%
Decrease in demand for products/services	29%	32%	54%	50%
Disruption of supply chains	29%	50%	20%	17%
Difficulties transporting raw materials/goods through the territory of Ukraine	38%	50%	26%	42%

Challenges facing business in wartime, by sector (continued)

	Construction materials production	Food industry	Light industry	Printing industry
Unsafe to work	25%	49%	39%	57%
Rising prices for raw materials/supplies/goods	44%	49%	49%	57%
Labor shortage due to conscription and/or migration	53%	35%	43%	7%
Decrease in demand for products/services	63%	34%	22%	36%
Disruption of supply chains	41%	32%	45%	29%
Difficulties transporting raw materials/goods through the territory of Ukraine	50%	32%	27%	21%

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%	3%	4%	10%	11%
Neutral	58%	51%	53%	58%	71%
Negative	16%	25%	19%	13%	10%
Don't know / Didn't answer	18%	20%	23%	19%	8%

Assessment of the government policy on business support, by sector

	Metal production and metalworking	Chemical Industry	Machine building	Woodworking industry
Positive	5%	7%	11%	8%
Neutral	57%	71%	57%	58%
Negative	24%	14%	26%	17%
Don't know / Didn't answer	14%	7%	6%	17%

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

	Construction materials production	Food industry	Light industry	Printing industry
Positive	19%	5%	8%	21%
Neutral	50%	57%	59%	50%
Negative	16%	16%	12%	14%
Don't know / Didn't answer	16%	22%	20%	14%

Availability of orders

Availability of orders, by business size

	Total	Micro	Small	Middle	Large
Less than 1 month	12%	47%	14%	5%	4%
1-2 months	45%	34%	59%	47%	29%
3-5 months	22%	11%	19%	25%	26%
6-11 months	16%	8%	7%	16%	31%

	Total	Micro	Small	Middle	Large
12 months or more	5%	0%	1%	7%	10%

Availability of orders, by sector

	Metal production and metalworking	Chemical Industry	Machine building	Woodworking industry
Less than 1 month	16%	4%	16%	8%
1-2 months	47%	37%	42%	63%
3-5 months	11%	33%	13%	17%
6-11 months	16%	26%	26%	8%
12 months or more	11%	0%	3%	4%

Availability of orders, by sector (continued)

	Construction materials production	Food industry	Light industry	Printing industry
Less than 1 month	17%	12%	17%	0%
1-2 months	67%	42%	58%	43%
3-5 months	17%	29%	21%	43%
6-11 months	0%	14%	4%	14%
12 months or more	0%	3%	0%	0%