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“Silver Linings in the Storm”

Main economic trends in April 2024

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

Oksana Kuziakiv, Executive Director at the IER

Yevhen Anhel, Senior Research Fellow at the IER

Iryna Fedets, Senior Research Fellow at the IER

Anastasia Gulik, Research Fellow at the IER

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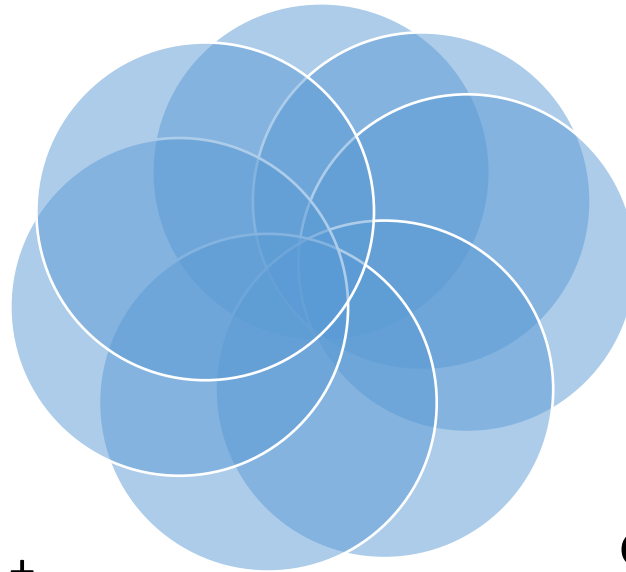
ABOUT THE NEW RAPID ENTERPRISES SURVEY

Monthly survey

The recent data were collected on April **15 – 30, 2024**

24 surveys have already been conducted (since May 2022)

Sectors: Industry + (Retail, Agro)



SAMPLE: **532 enterprises** were surveyed in **April**

Enterprises of **all sizes**

Geography: 21 out of 27 regions of Ukraine

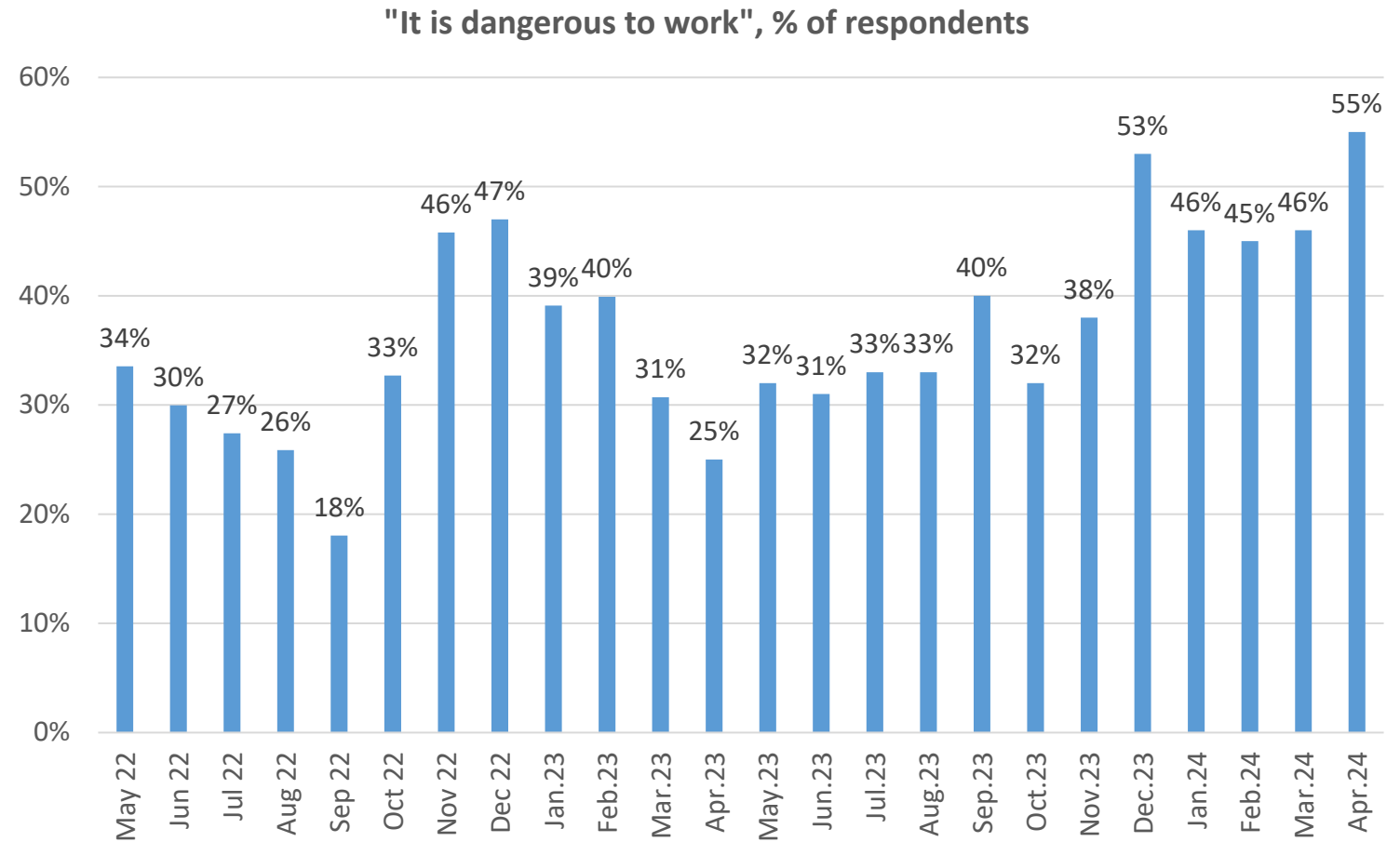


Key message

- On the background of **growing insecurity** as an impediment to doing business, enterprises' **long-term plans remain positive**, and **expectations for the medium and short term are optimistic**.

“It is dangerous to work” tops the list of impediments again

- The share of companies reported that **“it is dangerous to work”** increased significantly in value (from 46% to 55%, which is the highest figure for the entire period of the research)
- In the list of impediments **“it is dangerous to work”** moved from 3rd to 1st place



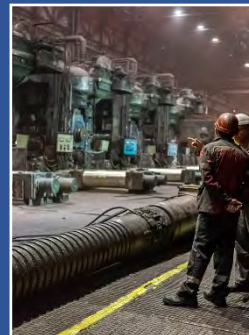
Main results 1: Still optimistic



The Business Activity Recovery Index (BARI) decreased by 4p. after last month's growth and reached 0.34.



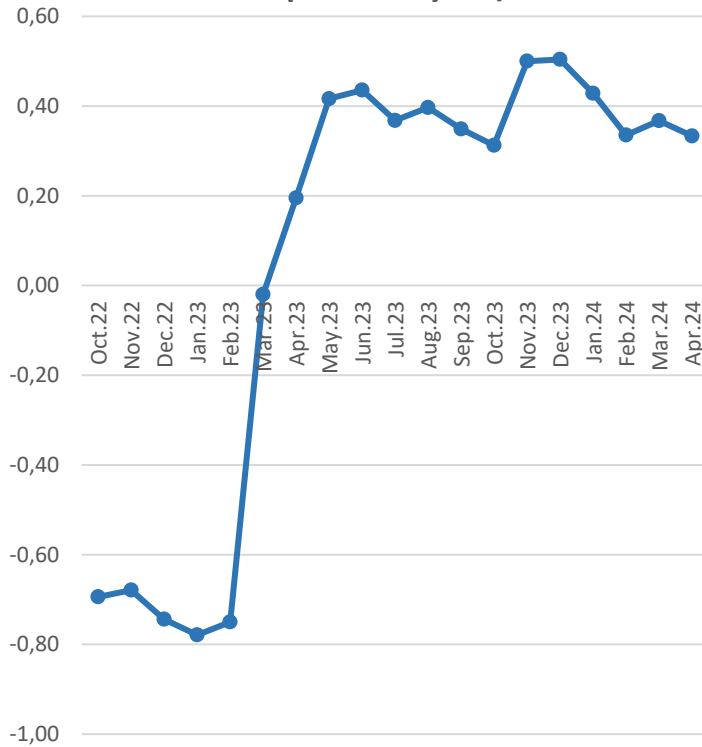
% of enterprises operating at full capacity does not change significantly



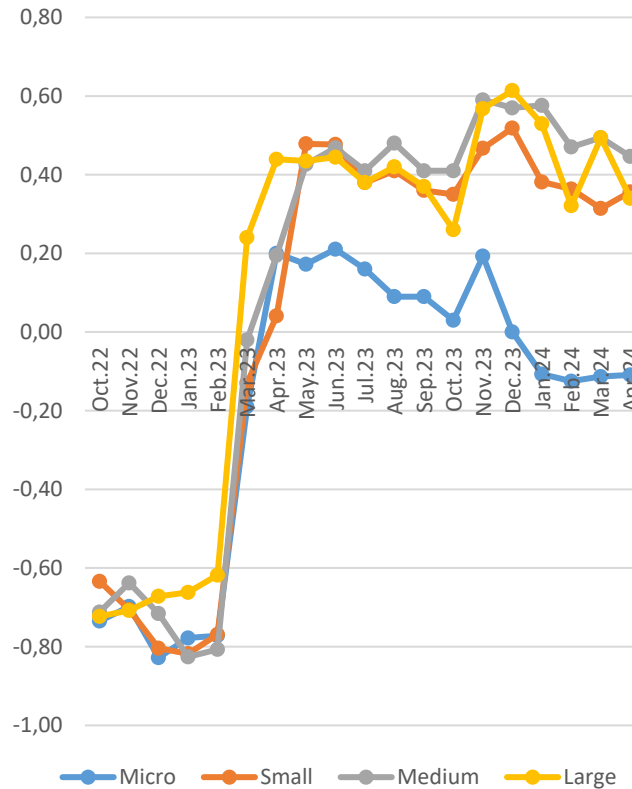
The Industrial Confidence Indicator remain unchanged and is 0.15

The Business Activity Recovery Index (BARI)* decreased slightly

BARI(Balance between better/worse assessments comparing to the previous year)



BARI (by size)



In April 2024, compared to March, the Business Activity Recovery Index (BARI) decreased from 0.37 to 0.33 (on a scale from -1 to +1)

This was due to changes in % better/worse responses:

- % of companies reported that **their business activity is better** than in the previous year **decreased slightly**, from 47.4% in March to 45.3% in April
- % of companies reported that **their business activity is worse** than in the previous year, **increased slightly**, from 10.6% to 12.0%

At the same time:

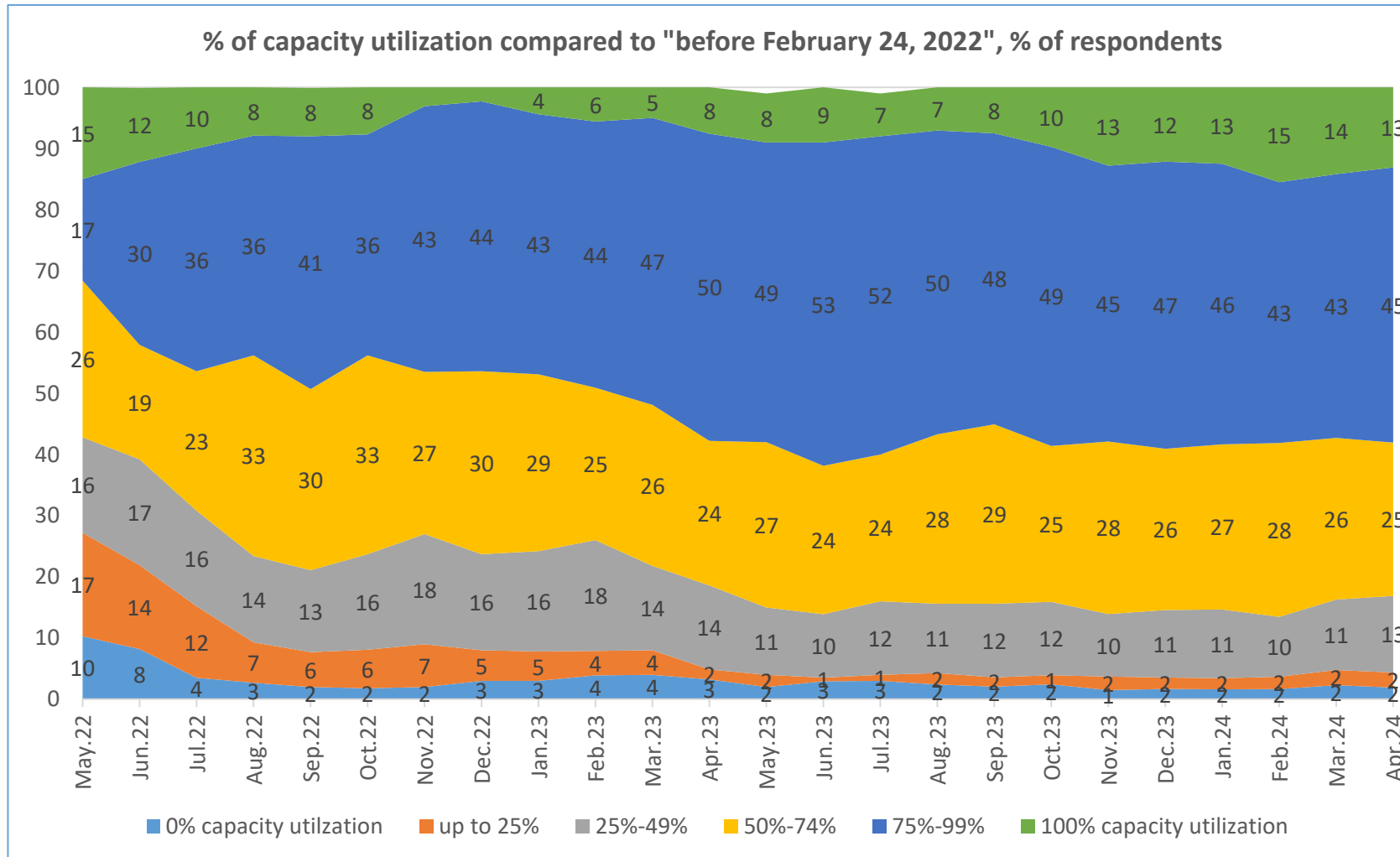
- The share of those for whom **nothing has changed** is 42.7% (was 42.0% in March)

BUT there are significant differences depending on the size of enterprises

- The BARI value remained **unchanged** and is the **lowest** (with a negative value) for **micro-enterprises**
- The indicator **increased** for **small** and **decreased** for **medium and large enterprises**

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

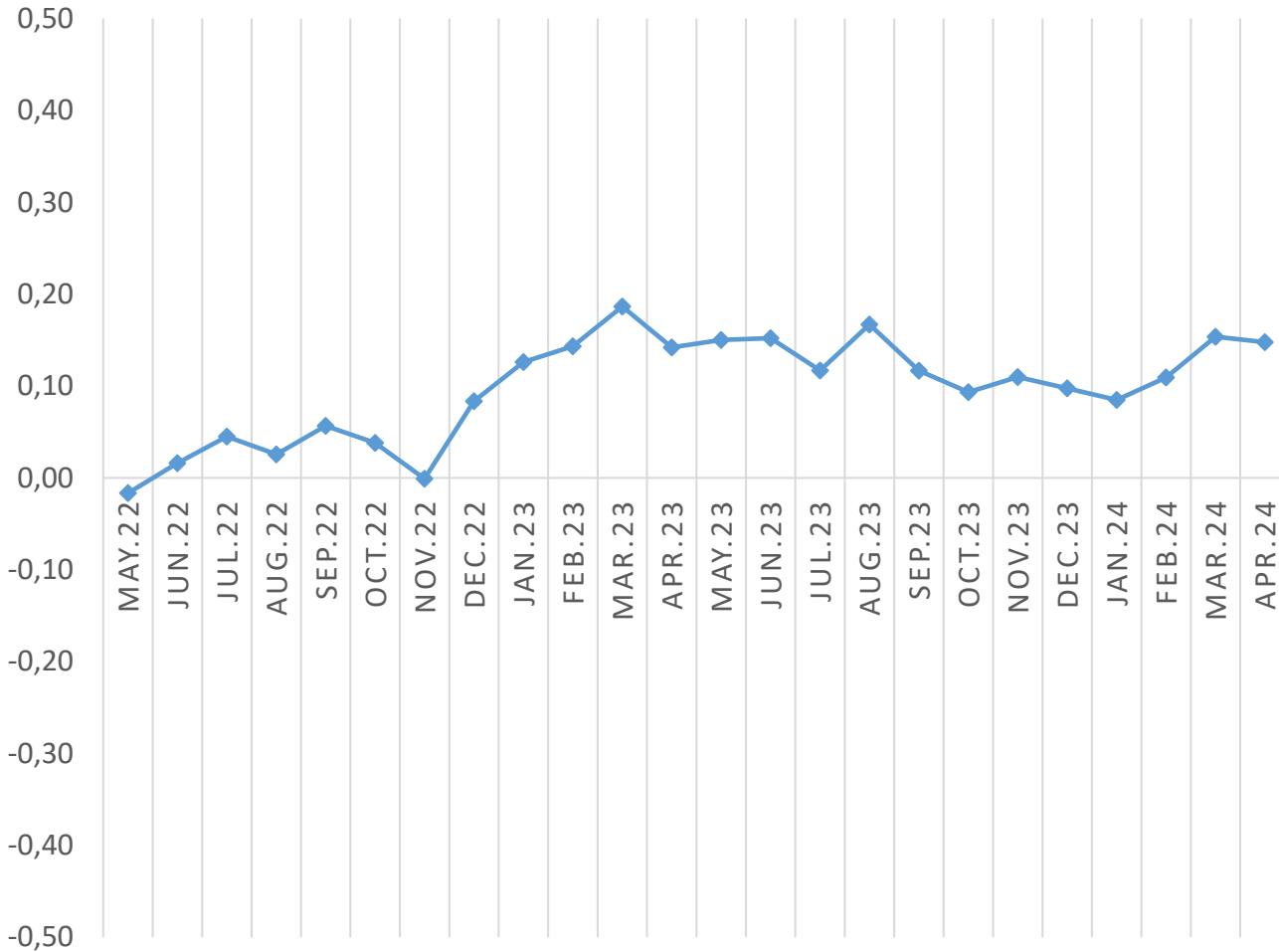
“Now” vs. “before February 24 : stagnation of recovery?”



The results with minor changes to the previous month:

- The share of enterprises **operating at 100% capacity is 13% in April 2024** (14% in March)
- The share of enterprises operating at **almost full capacity is a bit higher in April (45%)** than in March (43%)
- % of enterprises that do **not operate at all have not exceeded 2%** for more than six months

Industrial Confidence Indicator (ICI)*



The ICI remained the same (0.15, the same as in March)

In April 2024, compared to March, the fluctuations in the components of the APPP are the following:

- **Production expectations (PE) decreased slightly**, from 0.53 to 0.51
- The component **Stocks of finished goods (SFG) also decreased slightly** (from 0.02 in March to -0.01 in April)
- Component **Volume of new orders (VNO) decreased** (from -0.05 to -0.07)

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

Main results 2. Uncertainty



Uncertainty in the **6-month perspective** for the business activity at the enterprise and the overall economic environment remained **unchanged**



Uncertainty in the **3-month perspective** has **slightly decreased** for all production indicators

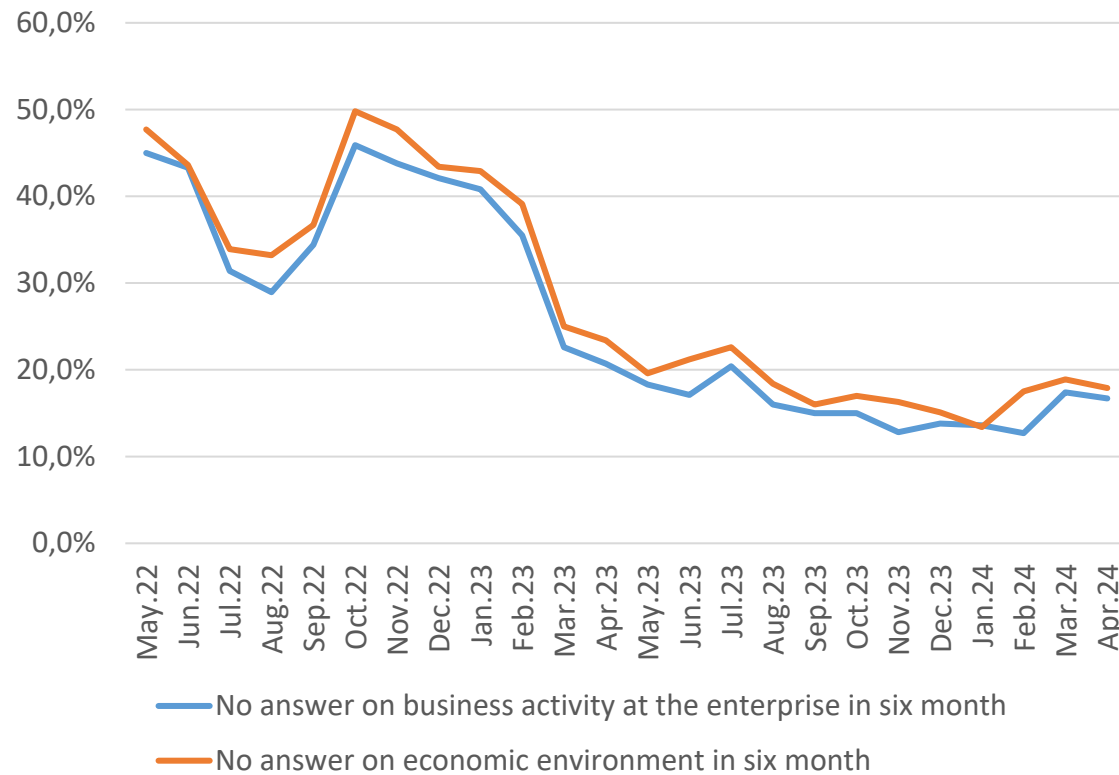


Uncertainty in a **2-year perspective** remains **low** after a significant decline in March

Uncertainty in the six-month unchanged and slightly decrease for three-month perspectives

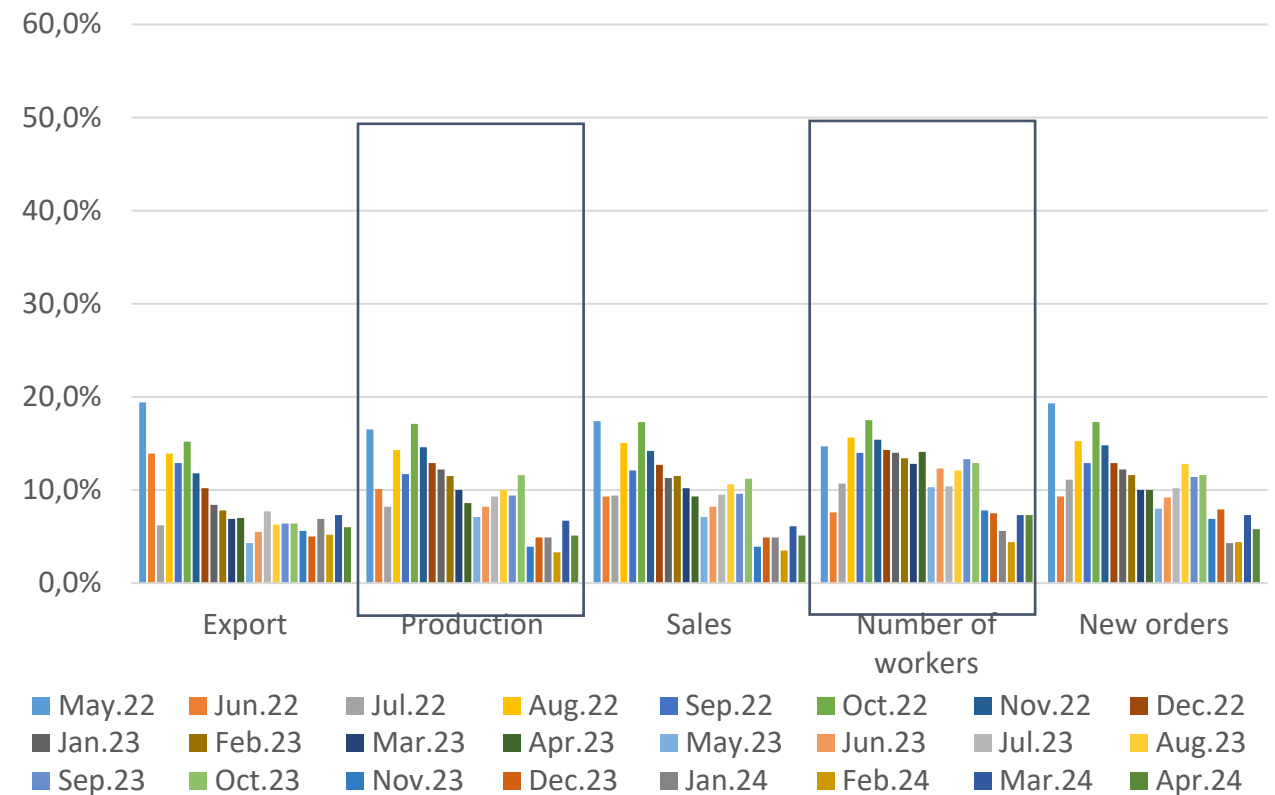
Half-year horizon

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



Three-month horizon

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

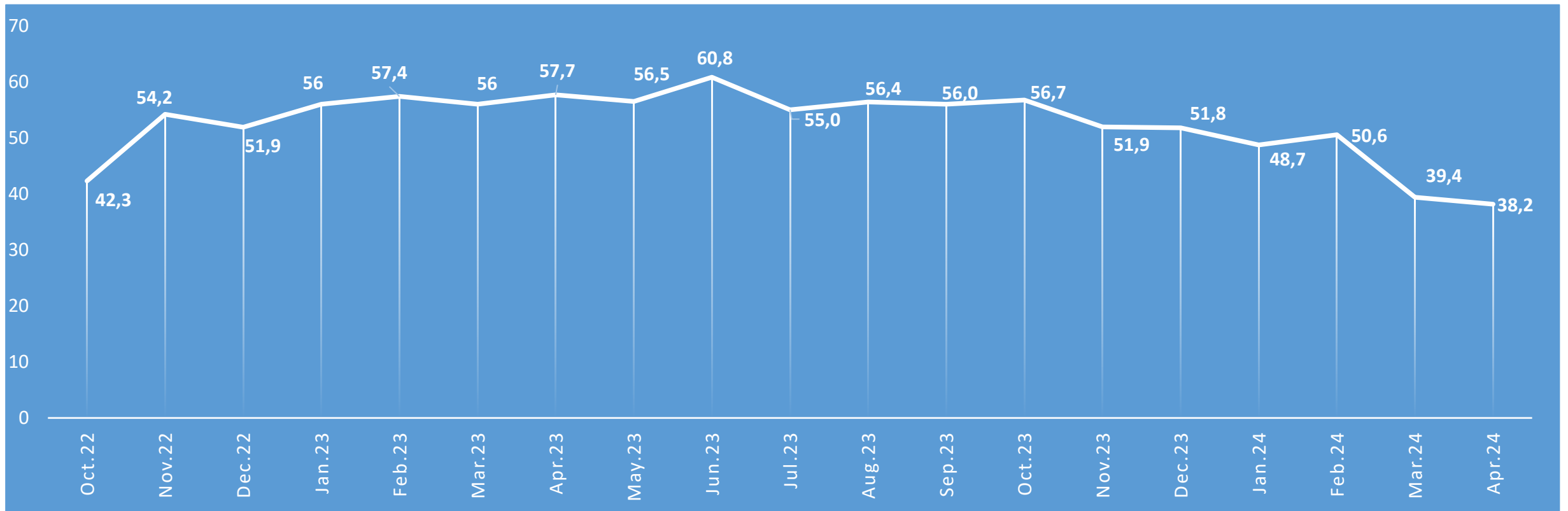


Long-term uncertainty remains low

Uncertainty in the two-year perspective

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

% of companies that have no idea about their plans for 2 years – has not changed significantly after a significant decrease last month and is 38% (was 39% in March)



Main results 3. Medium-term expectations are improving, while long-term expectations are unchanged



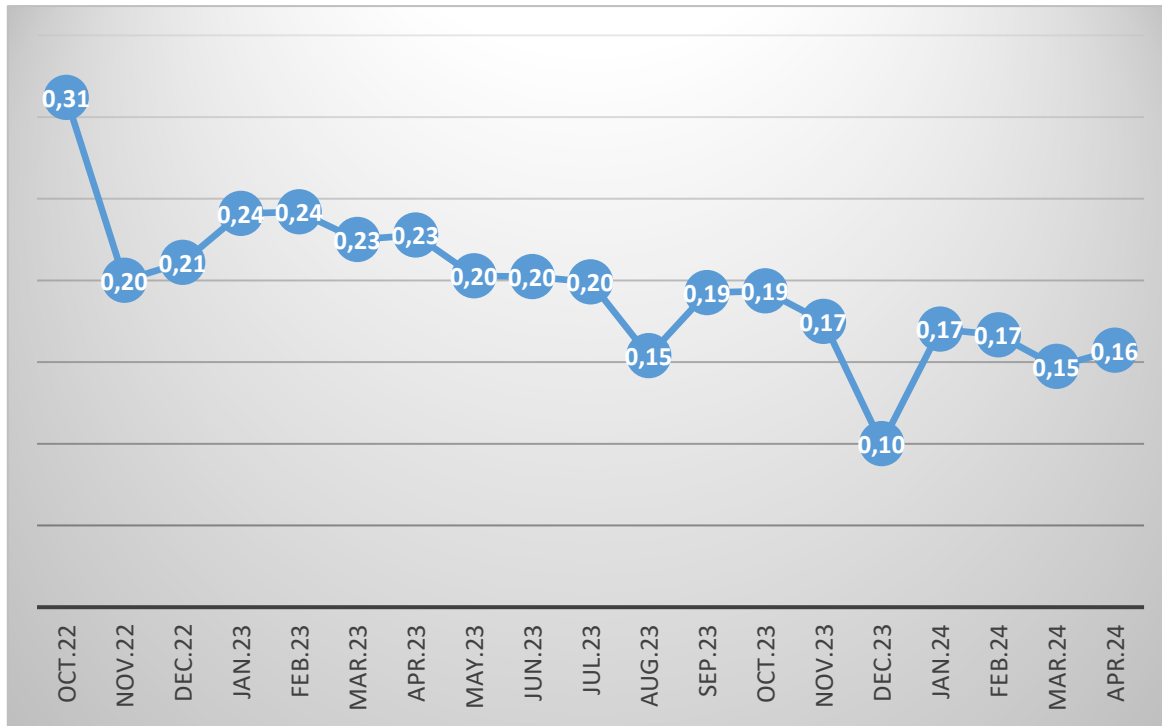
Forecasts for the **two-year perspective** are almost the same as in previous month



6-month expectations for the business activity of enterprises and the overall economic environment are the **highest** for the entire period of the survey

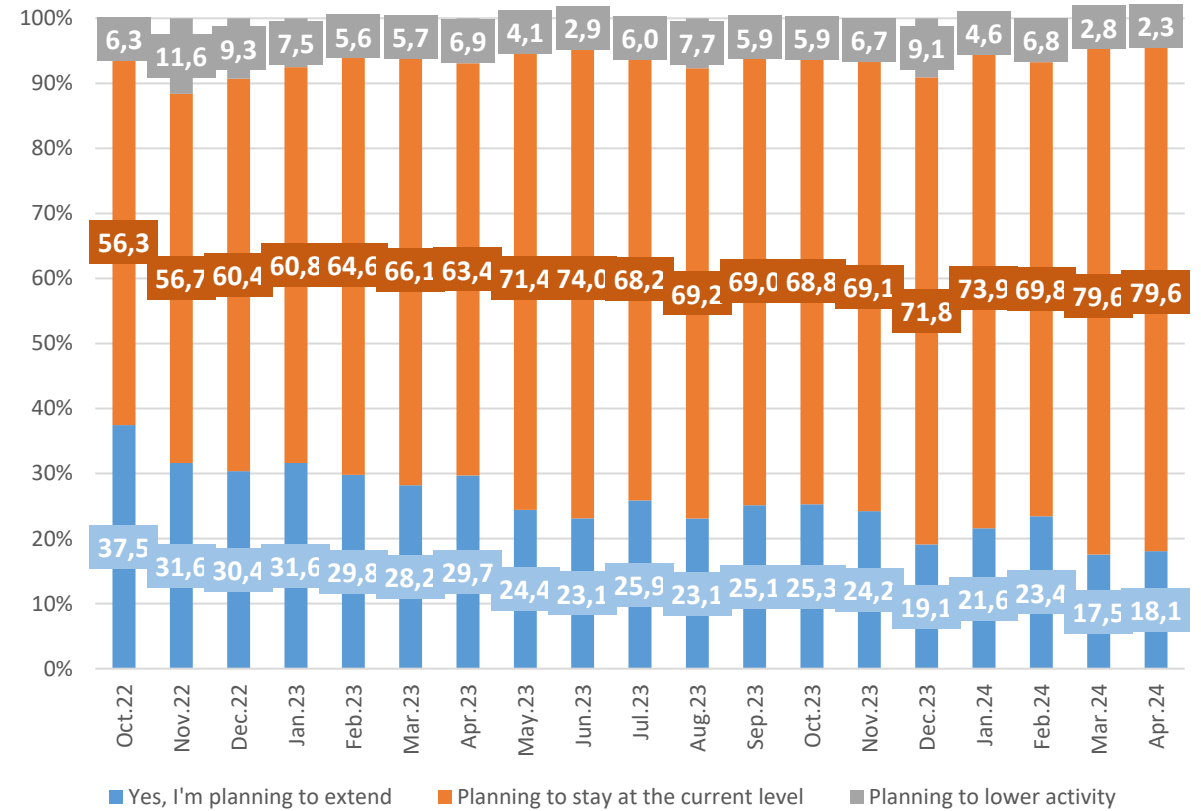
Long-term expectations remain unchanged

Index of expected changes in business activity



- The index of expected changes in the 2-year perspective in April is 0.16 (was 0.15 in March)
- Scale from -1 (bad) to +1 (good)

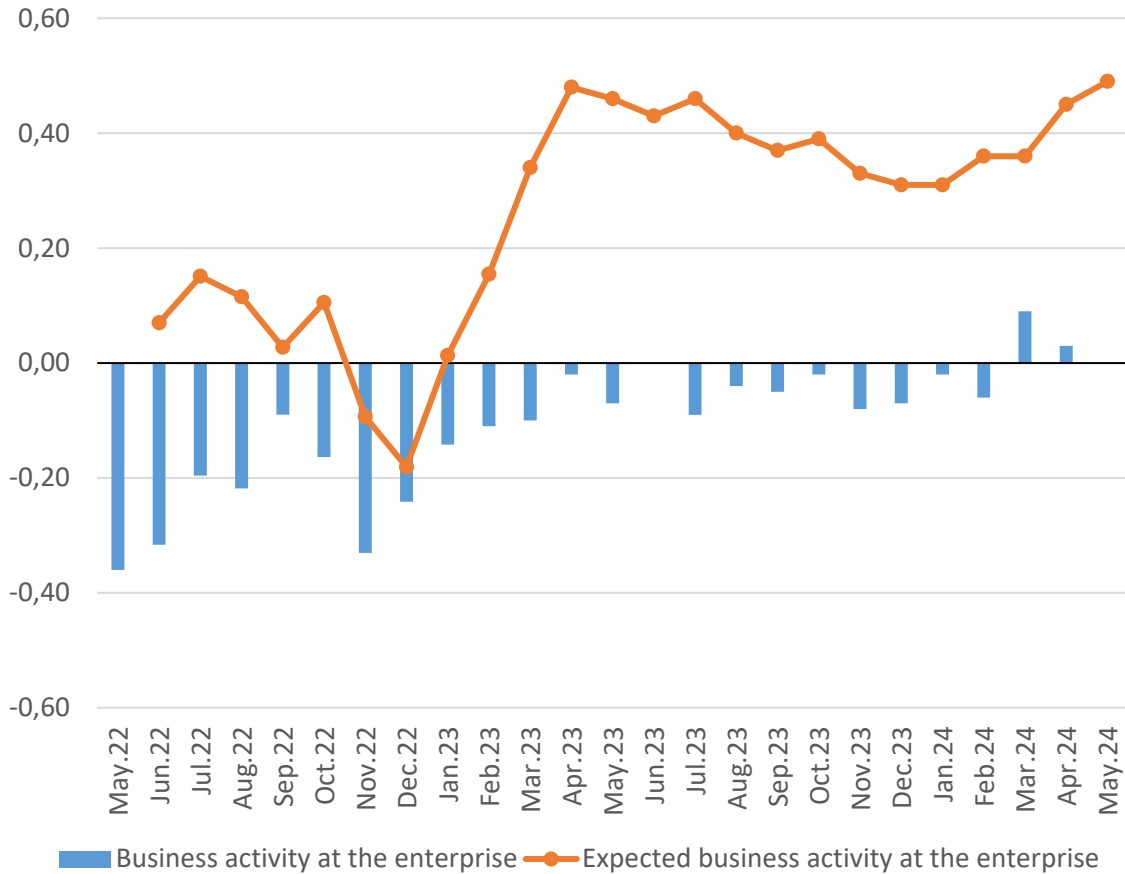
Expectations in the two-year perspective



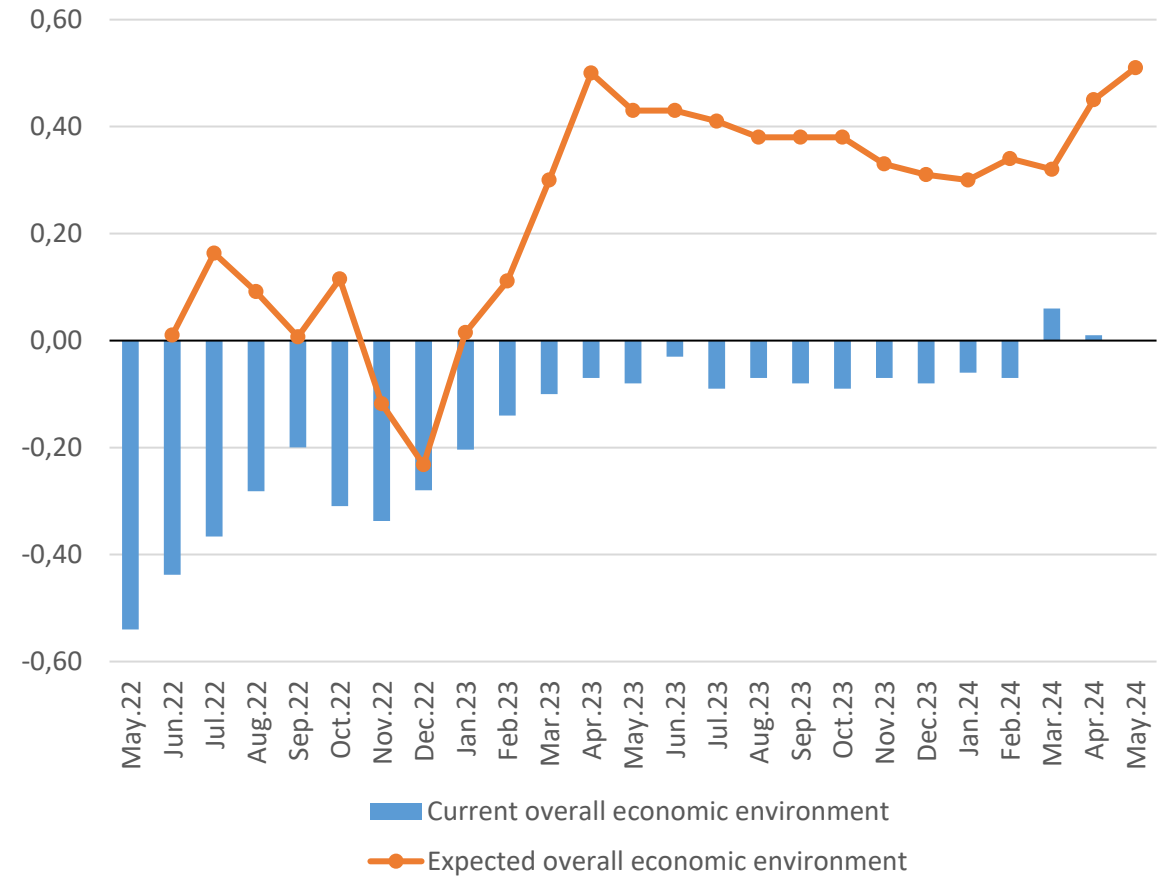
- **In April, compared to March, there were no significant changes in the percentage distribution of responses**

6-month perspective: optimism is growing

Business activity at the enterprise



Overall economic environment in the country



Main results 4: Results and expectations



Production indicators improve for the third month in a row



Production expectations for the 3-month perspective **do not change significantly**



The trend towards a **decrease in employment** continues, and difficulties in finding personnel are increasing



Export performance improved and expectations for the next three months **without significant changes**

Past performance (April vs March)

- % of companies that **increased production volumes increased significantly** (from 24.8% to 32.6% in April)
- % of companies that **reduced production volumes slightly decreased**, from 12.1% to 10.7%

The index of change increased from 0.16 to 0.26

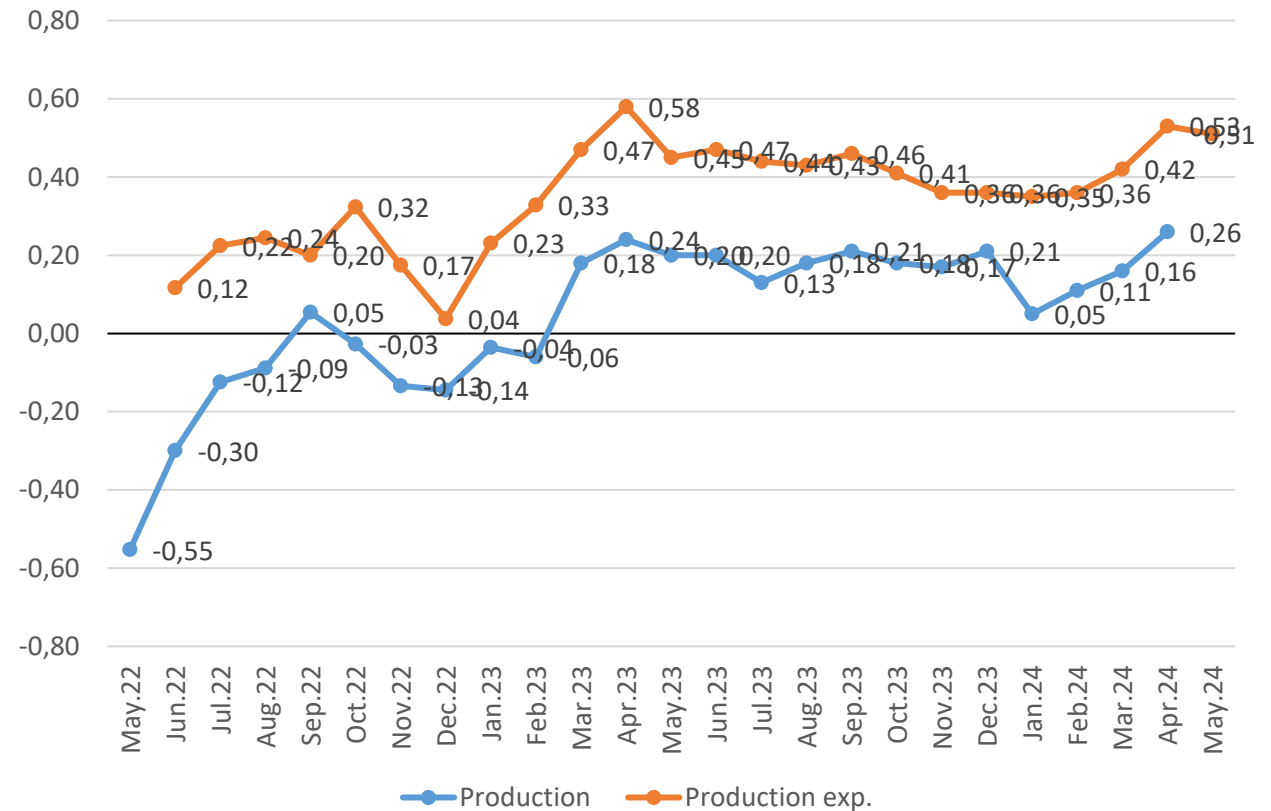
Expectations for 3 months

- % of companies **planning production growth in the next 3-4 months decreased** from 54.4% to 50.5%
- % of companies **expecting a reduction in production volumes did not change significantly** (4.1% in March and 3.4% in April)

The **index of expected changes** is still **high** (0.53 in March and 0.51 in April)

Production: improving results, and expectations without significant changes

Production, balance indicators



Past performance (April vs March)

- % of companies reporting about increase in export increased (from 16.8% in March to 21.2% in April)
- % of companies reporting a decrease in export lowered (from 16.1% to 13.2%)

The index of change increased from 0.04 to 0.12

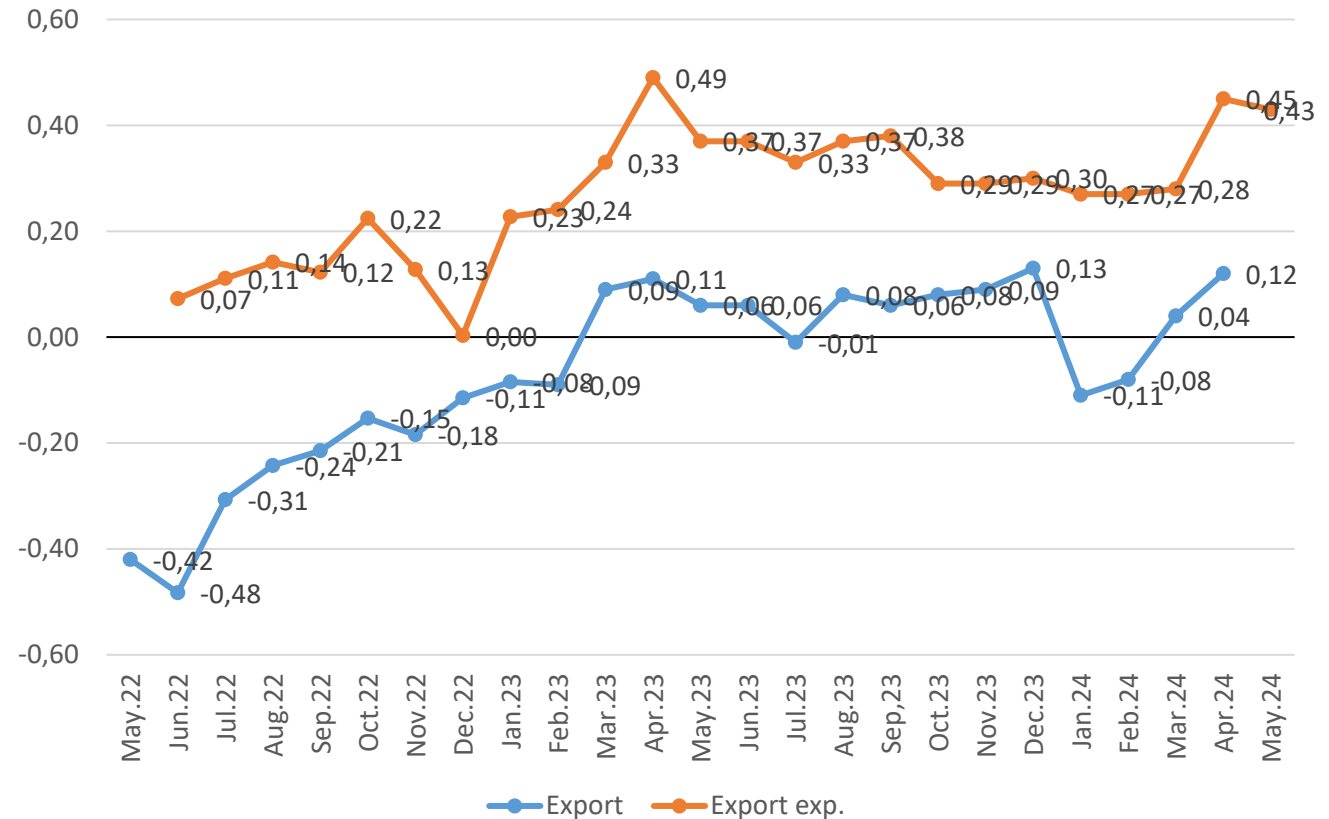
Expectations for 3 months

- % of companies expecting export growth decreased slightly (from 45.0% to 42.9%)
- % of companies that plan to reduce exports remained without significant changes (4.5% in March and 4.4% in April)

The index of expected changes decreased slightly, from 0.45 to 0.43

Export: results improved, expectations don't change significantly

Export, balance indicators



Past performance (April vs March)

- % of companies reported price increasing decreased (from 32.3% in March to 23.2% in April)
- % of companies for whom the purchase price decreased remains unchanged (2.8% in March and 2.7% in April)
- % without changes increased from 65.6% to 74.1%

The index of changes decreased from 0.29 to 0.19

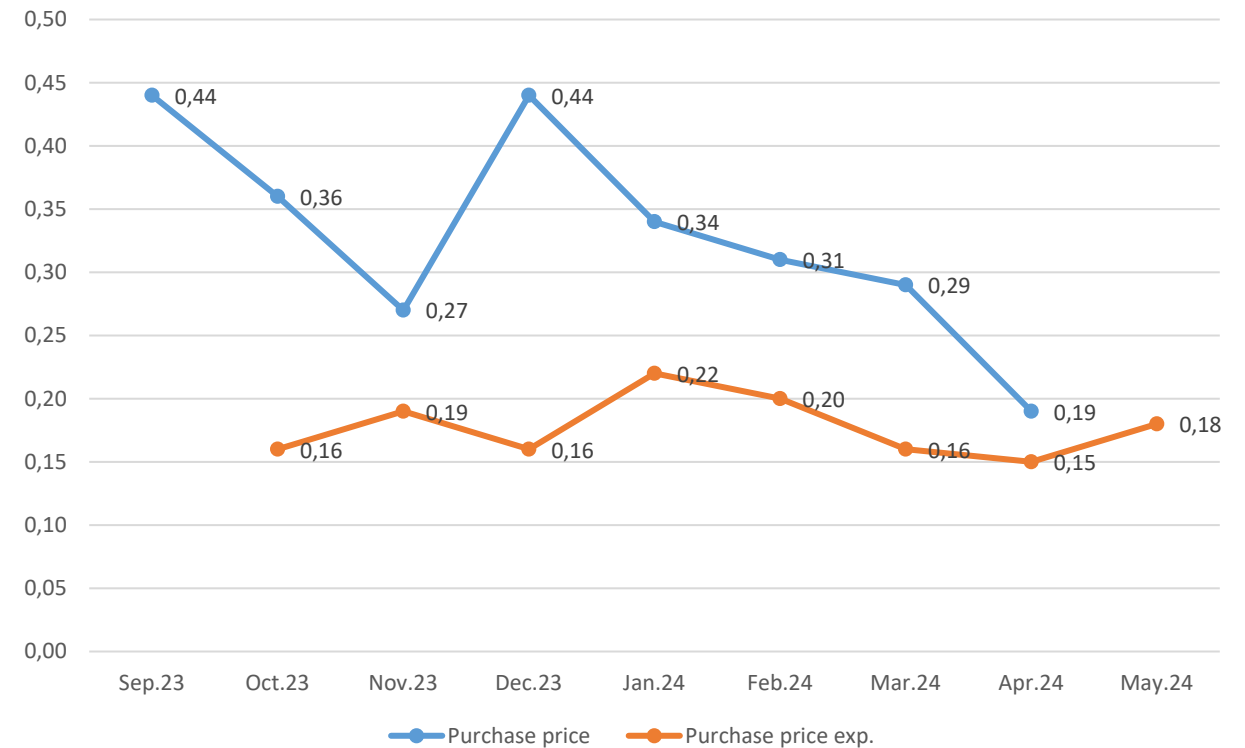
Expectations for 3 months

- % of companies expecting price increases unchanged (18.1% in March and 18.9% in April)
- % of companies expecting prices to decrease are also almost unchanged (3.2% in March and 2.3% in April)
- % without changes is 78.8% (was 78.7%)

The index of expected changes is 0.18 (was 0.15)

Purchase price: growth slows down

Purchase price, balance indicators



Past performance (April vs March)

- % of companies **reporting an increase in prices decreased** (from 29.0% in March to 22.1% in April)
- % of companies **reported about lowering prices is 2.5%** (was 1.9%)
- % **without changes increased** from 69.1% to 75.5%

The index of changes decreased from 0.27 to 0.19

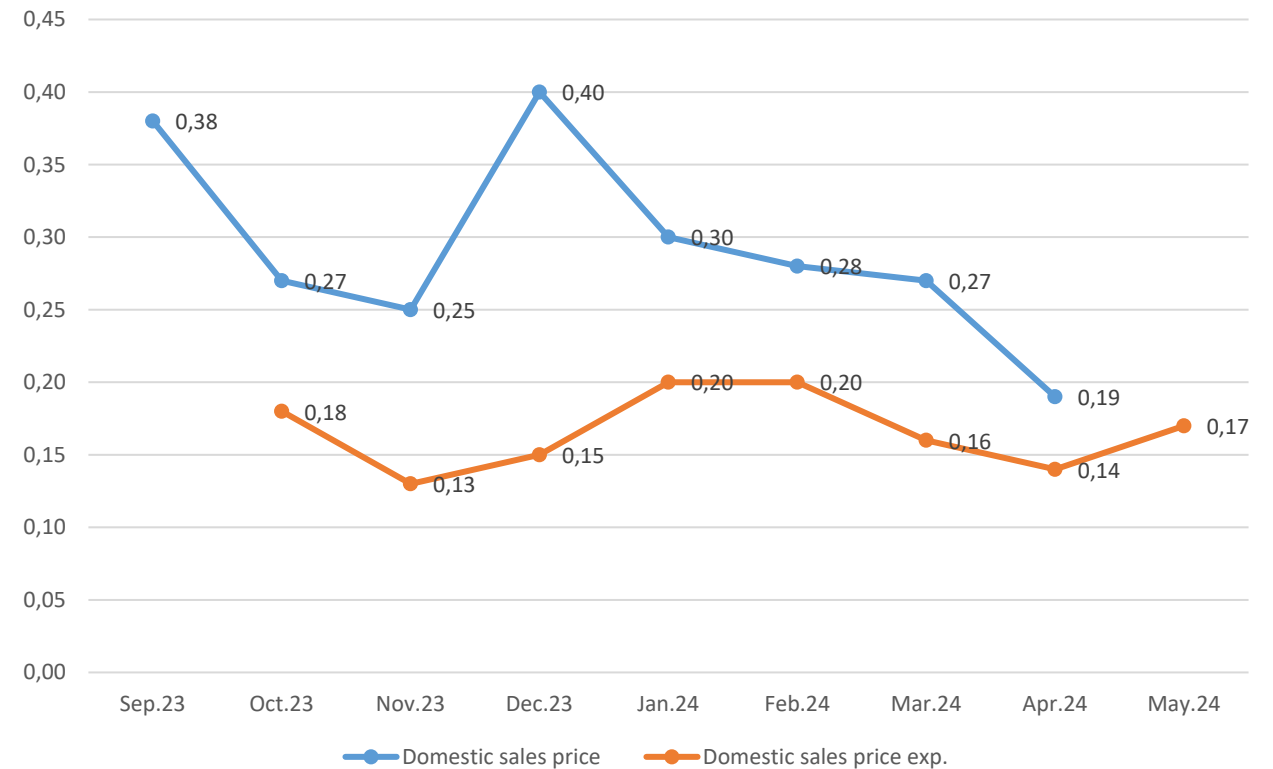
Expectations for 3 months

- % of companies **expecting price increasing unchanged** (17.1% in March and 18.1% in April)
- % of companies **expecting prices to decrease is also almost unchanged** (3.4% in March and 2.5% in April)
- % **without changes is 79.4%** (was 80.5%)

The index of expected changes is 0.17 (was 0.14)

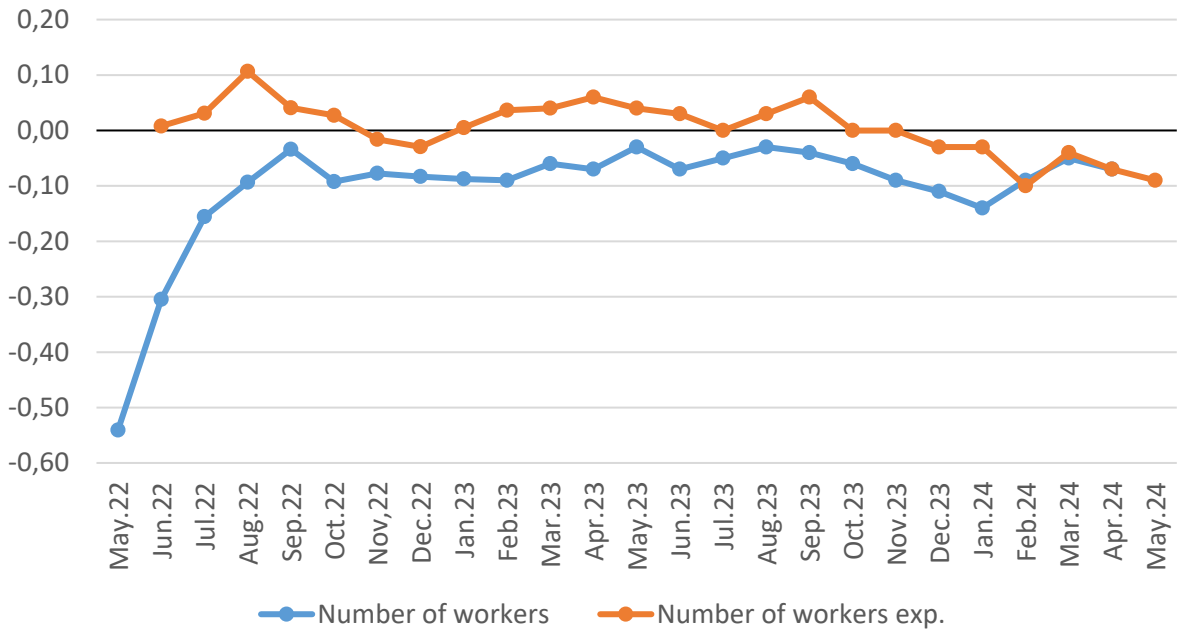
Domestic sales price growth rates are slowing down

Domestic sales price, balance indicators

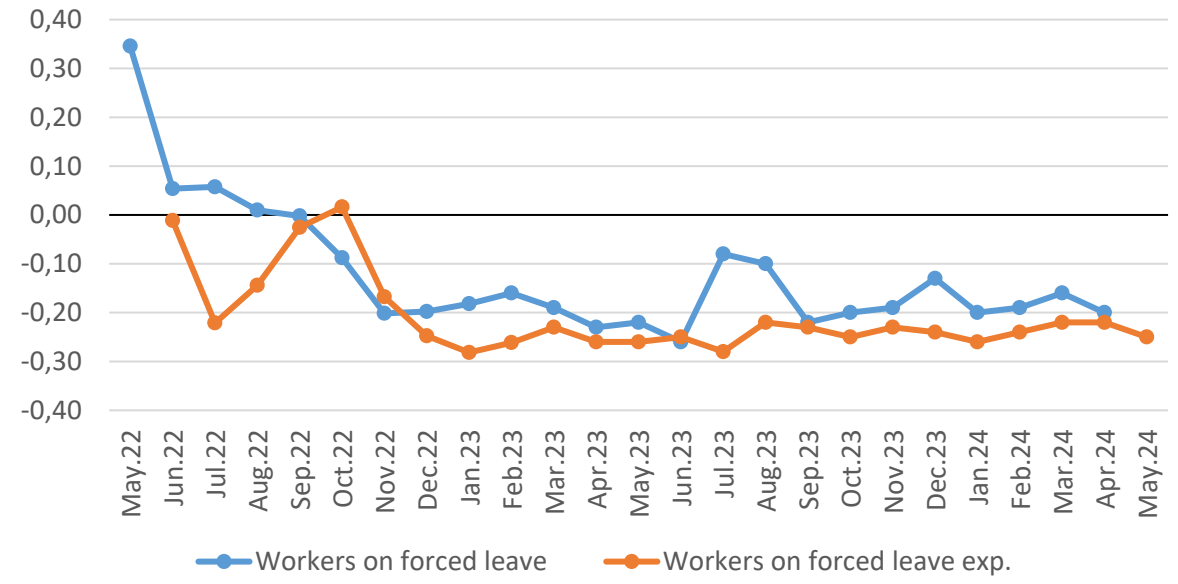


Employment: the number of workers has slightly decreased again

Number of workers



Number of workers on forced leave



Expectations for 3 months

- % of companies **planning employment growth** in the next 3-4 months **does not change significantly** (3.3% in March and 3.4% in April)
- % of companies **intending to reduce the number of employees increased** from 8.3% in March to 10.2% in April
- % of companies that **are not expected changes in employment decreased** from 88.4% to 86.4%

Index is -0,09

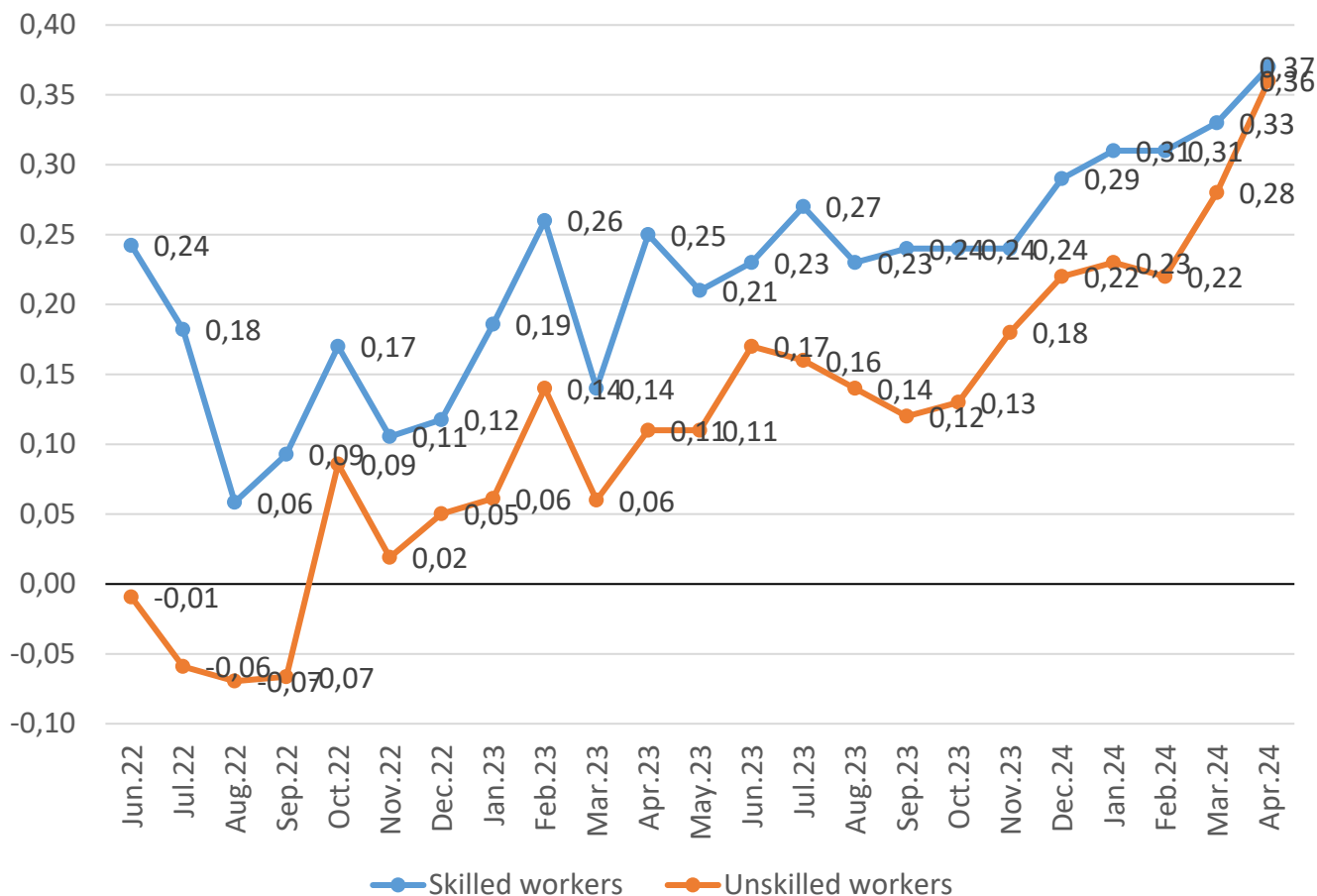
Expectations for 3 months

- % of companies that **planning to increase the number of employees on forced leave is almost unchanged** (1.4% in March and 1.2% in April)
- % of companies that **plan to reduce employees on forced leave increased slightly** (from 23.9% to 26.1%)
- % of companies **are not expected changes decreased** from 74.7% to 72.7%

Index is -0,25

Problems with finding workers continue to grow

Problems with finding workers



In April, problems in finding workers increased

Skilled workers:

- % of those who reported that such workers were **more difficult to find increased** (from 38.9% in March to 43.0% in April)
- % of those who find it easier to find skilled workers remained without significant changes (4.2% in March and 5.2% in April)

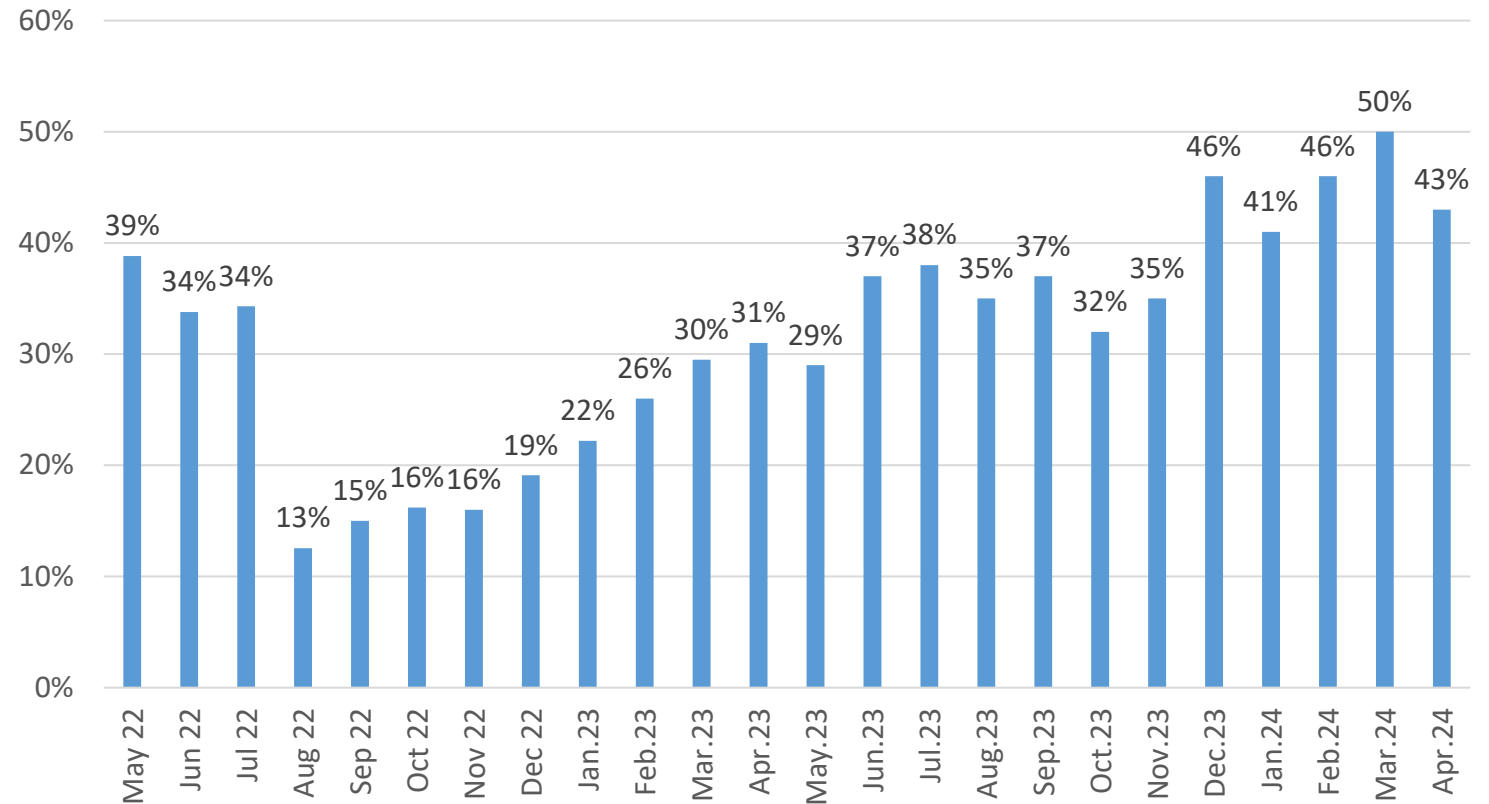
Unskilled workers:

- % of those who found this more difficult increased (from 31.7% in March to 36.6% in April)
- % of those who reported that it is easy to find such workers remained unchanged (4.2% in March and 3.5% in March)

“Lack of personnel” closes the top three impediments to doing business

- **The share of companies that pointed to “lack of personnel” as an impediment decreased from 50% to 43%**
- **In the list of obstacles, “labor shortage” lowered from 2nd to 3rd place**

Lack of personnel due to conscription and/or migration, % of respondents



Main results 5: Impediments, economic policy



Having significantly increased "it is dangerous to work", again takes 1st place in the list of impediments (55%)



"Rising prices" and "lack of personnel" remain in the top three, but moved to 2nd and 3rd place, respectively, in the list of obstacles



The number of **negative assessments** of the Government's economic policy has **increased slightly**

Impediments to production growth: the pre-war context

Quarterly, the list of impediments that had been used in the Quarterly Enterprise Survey (QES) is employed to show the long-term trends**

In April 2024, the war and unfavorable security situation was mentioned most often among the obstacles to production growth

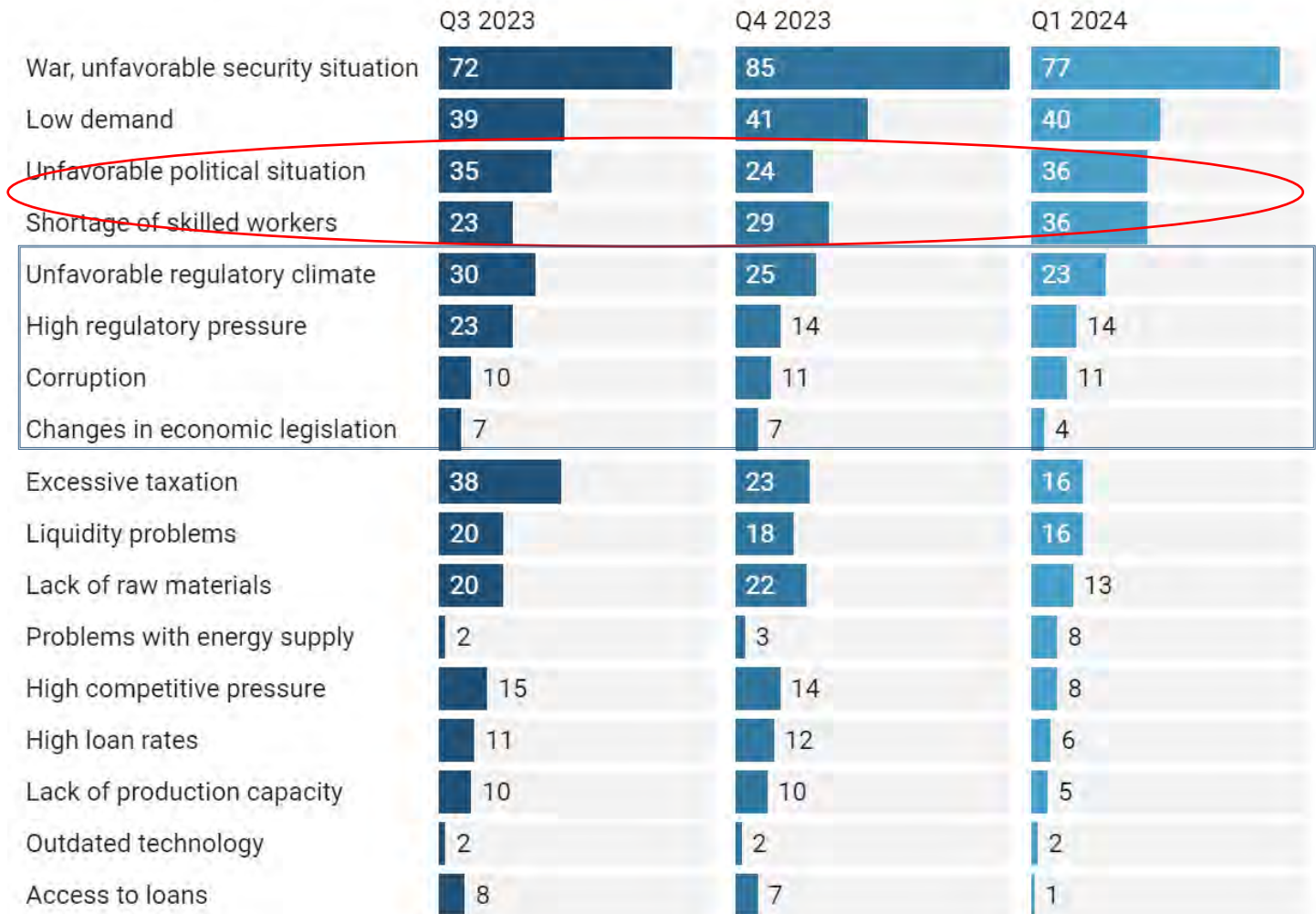
The 2nd, 3rd and the 4th positions were taken by low demand, unfavorable political situation (increased in April), and shortage of skilled workers (increased in April)

Unfavorable regulatory climate** occupies the 5th position in this ranking with no significant changes compared to Q4'2023

* The last wave of the Business Tendency Survey of Enterprises before the full-scale russian invasion was conducted in February 2022

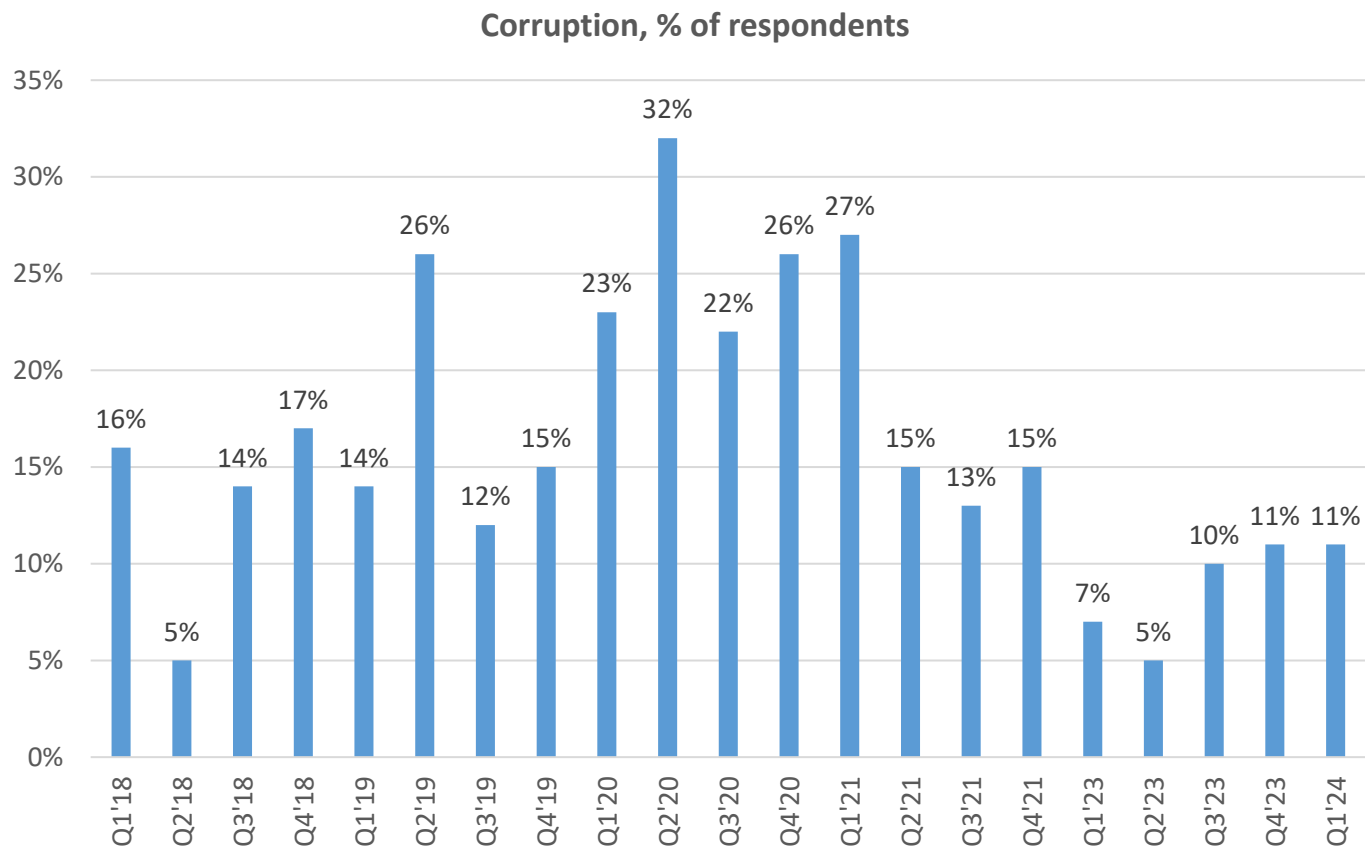
**The regulatory climate is a combined indicator consisting of "high regulatory pressure", "changes in legislation", and "corruption"

Sources: QES 2002-2022, NRES 2022-2024



Impediments to production growth

Quarterly, the list of impediments that had been used in the Quarterly Enterprise Survey (QES) is employed to show the long-term trends*



Sources: QES 2002-2022, NRES 2022-2024

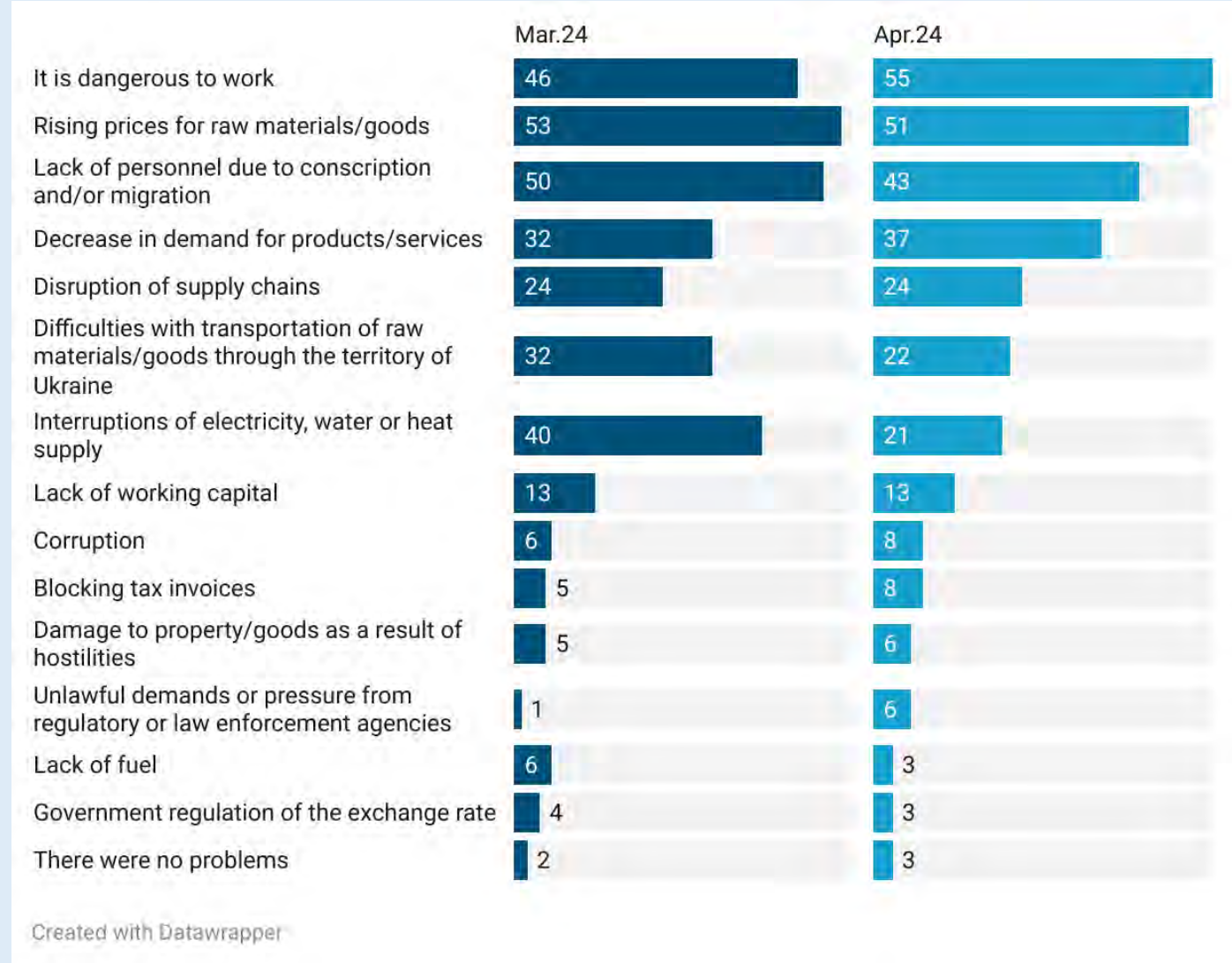
Enterprises see corruption as a barrier less frequently in 2023 and 2024:

- In 2021, the **percentage of the enterprises that view corruption as a barrier to growth notably decreased**
- With the beginning of the full-scale russian invasion in Ukraine, **this share dropped to some of the lowest shares** of the enterprises reporting this barrier (7 and 5 percent)
- Later on, these shares increased, but **have not exceeded 10-11 percent** over the last three quarters

The main impediments to doing business in wartime, % respondents

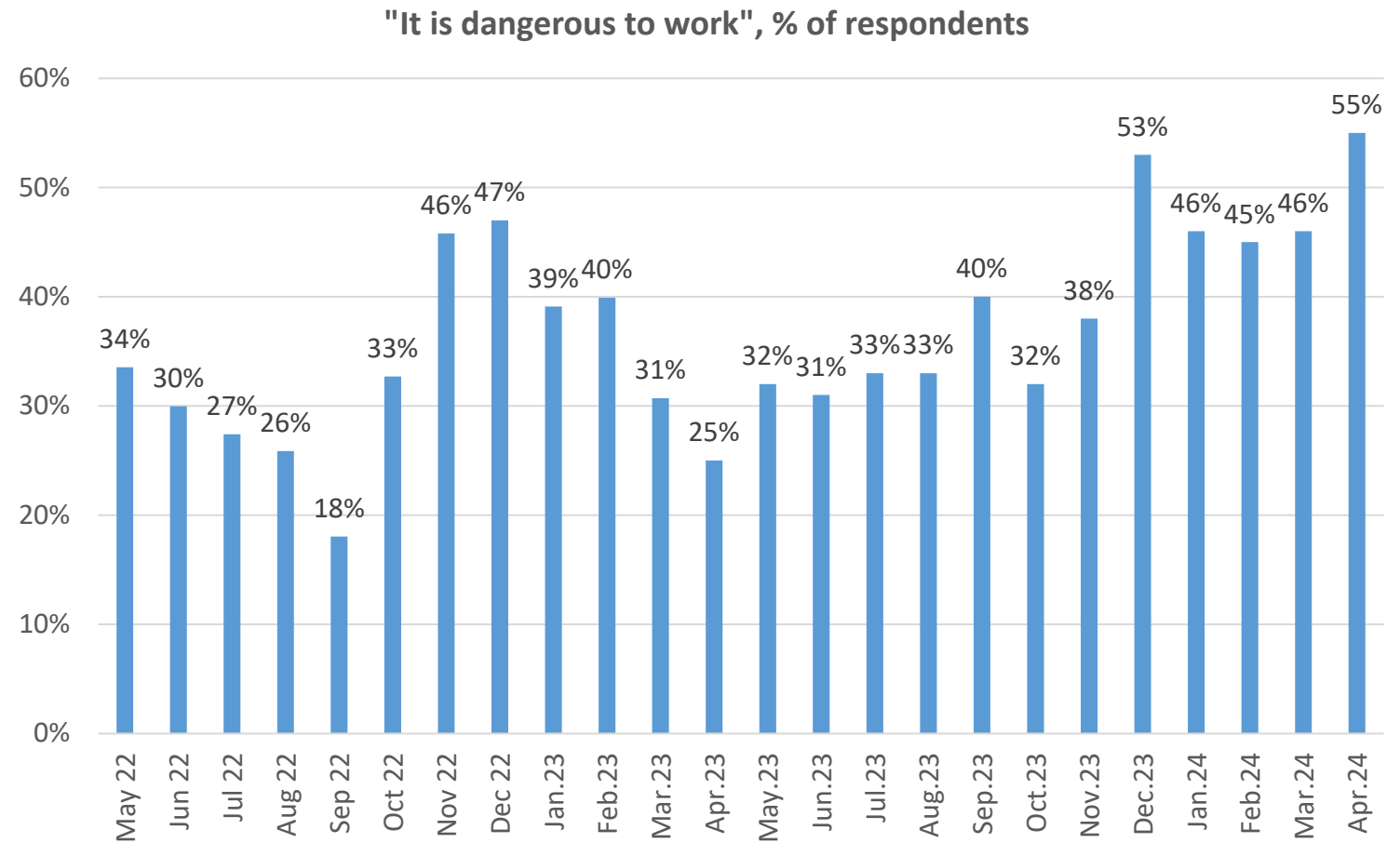
In April 2024, the top three impediments to doing business remained the same, although the percentage of businesses reporting each impediment changed

- The “it is dangerous to work” impediment increased significantly in value (from 46% to 55%, which is the highest share for the entire period of this survey) and moved from the 3rd to the 1st place in the list
- The impediment “rising prices for raw materials and goods” slightly decreased in value (from 53% to 51%) and lowered from the 1st to the 2nd place
- “Lack of personnel” also decreased in value from 50% to 43% and moved down from the 2nd to the 3rd place
- “Interruptions of electricity” lowered in value from 40% to 21% and the impediment returned to the 7th place again
- Corruption and pressure from law enforcement agencies are not significant problems



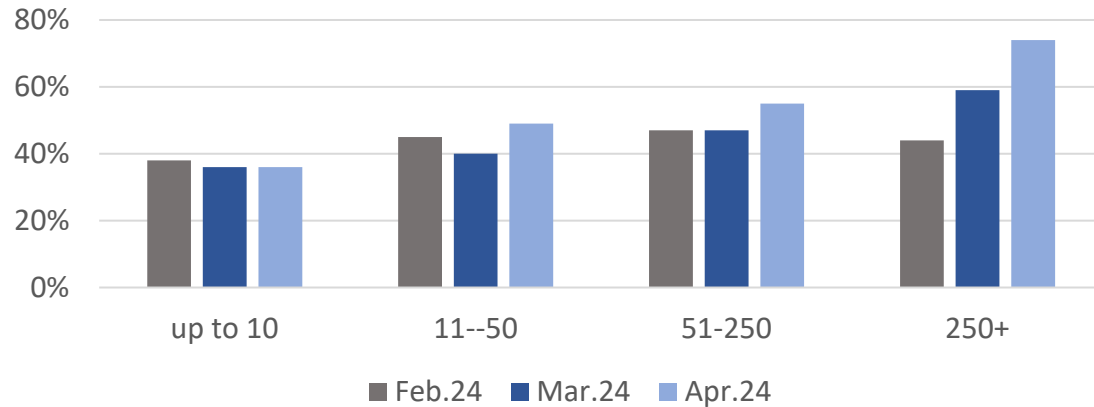
“It is dangerous to work” tops the list of impediments again

- The share of companies reported that **“it is dangerous to work”** increased significantly in value (from 46% to 55%, which is the highest figure for the entire period of the research)
- In the list of impediments “it is dangerous to work” moved from 3rd to 1st place



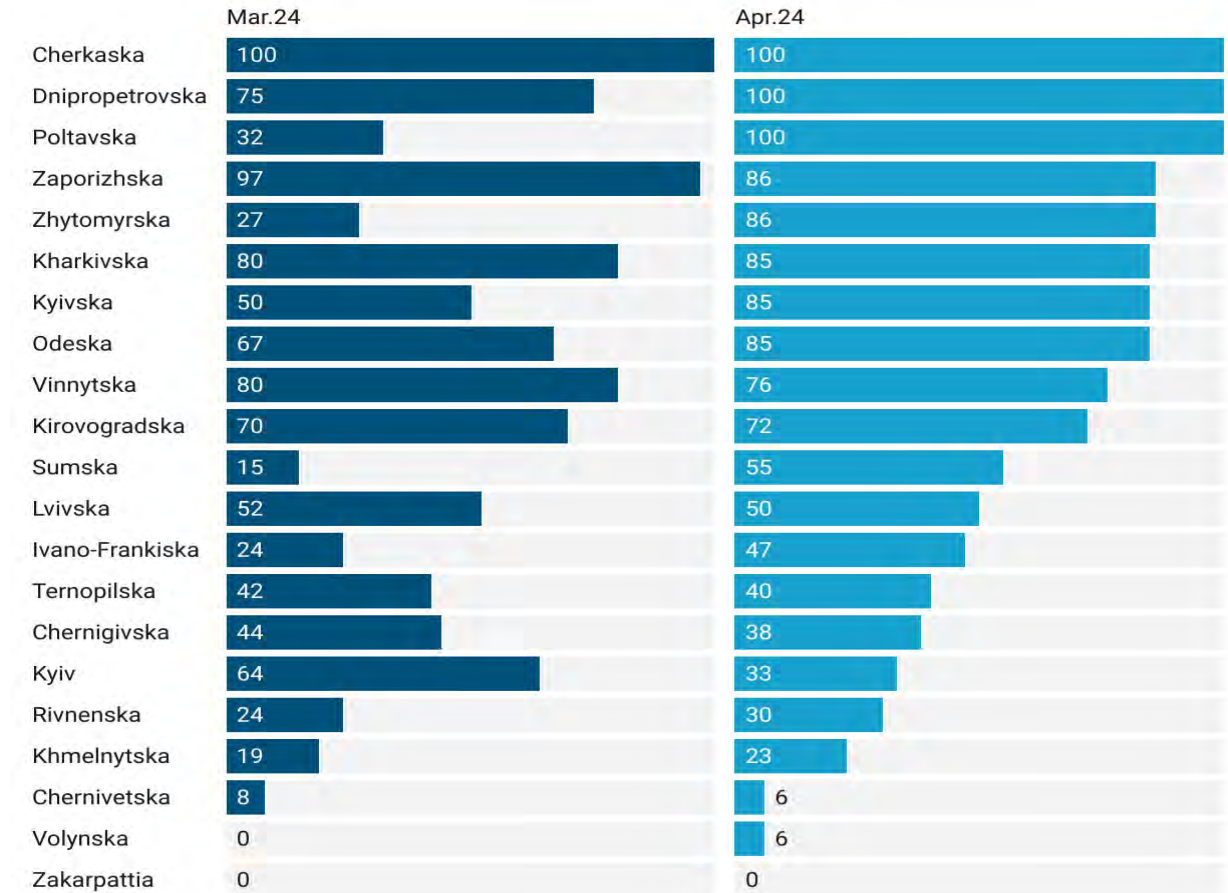
“It is dangerous to work” in different dimensions

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



- % of companies that chose “it is dangerous to work” did not change for small and increased significantly for large enterprises.
- 80+% of respondents in Kharkivska, Odeska, Kyivska, Zaporizhska, Zhytomyrska, Cherkaska, Poltavska and Dnipropetrovska regions consider dangerous conditions to be an impediment to doing business

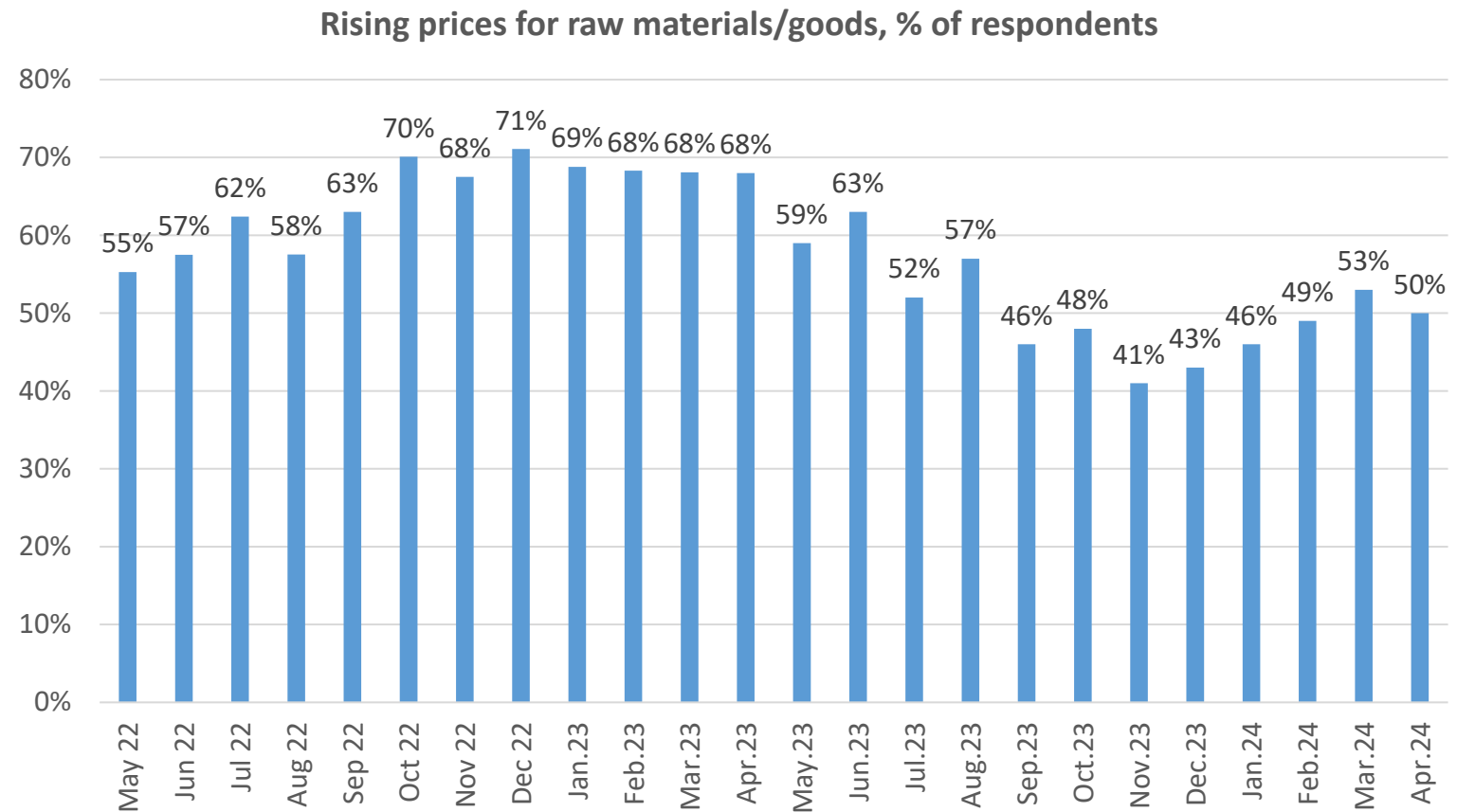
“It is dangerous to work” by oblast, % of respondents



Created with Datawrapper

"Rising prices" remains in the top three impediments to doing business

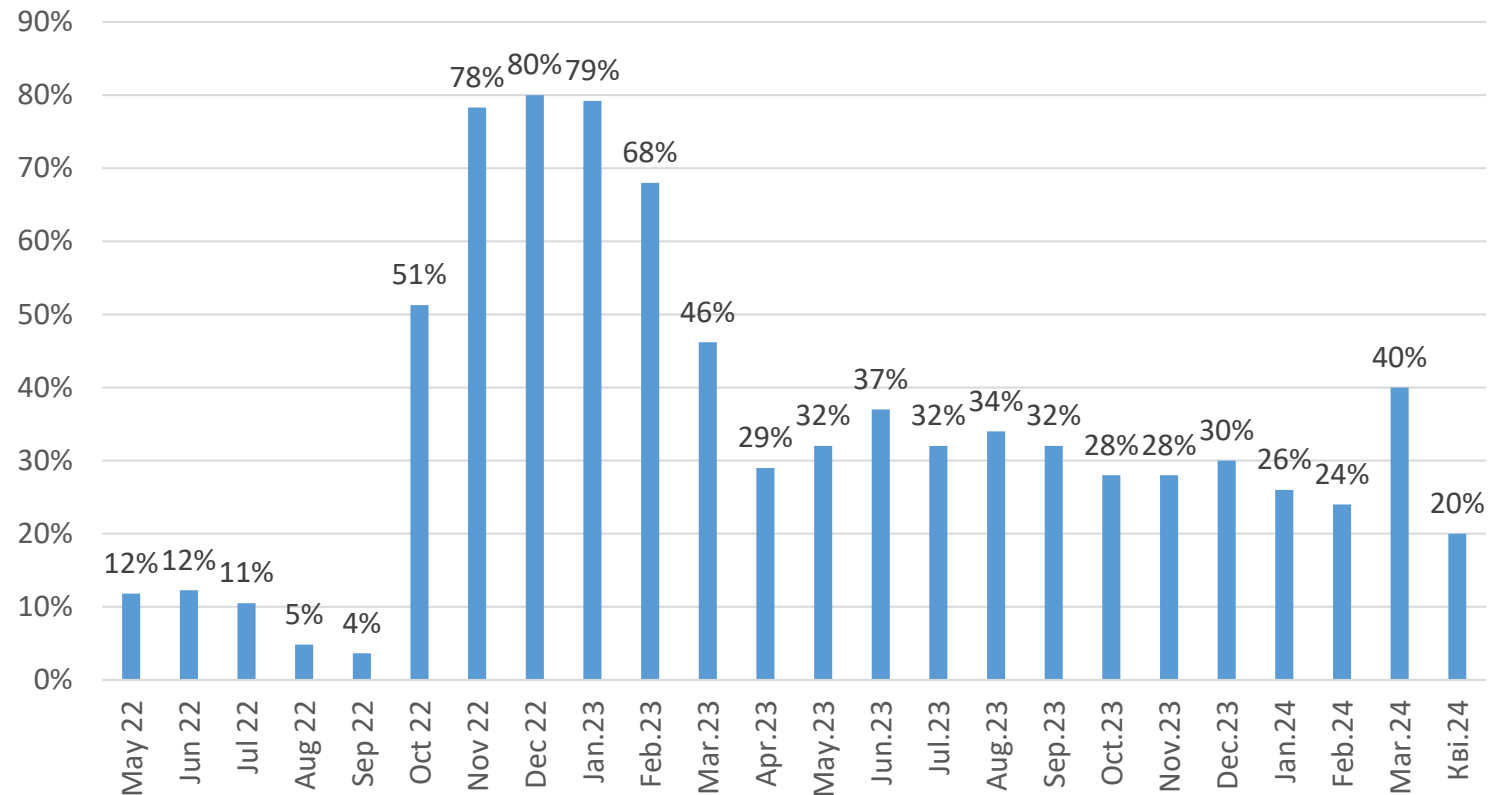
- The share of enterprises for which **"rising prices for raw materials"** is an impediment **decreased** from 53% to 50%
- **In the list of impediments, "rising prices" moved from 1st to 2nd place**



Problems with electricity became less

- **The share of companies** for whom “interruptions with electricity” is an impediment **decreased** from 40% in March to 20% in April
- **In the list of obstacles**, “interruptions with electricity” **lowered from 4th to 7th place**, where it was for several months in a row

Interruptions with electricity as impediment for doing bussiness, % of repondents



The share of negative assessments of the Government's economic policy has slightly increased



Created with Datawrapper

- **The share of positive assessments** of the Government's business support policy is 8% and has remained unchanged for almost a year
- **The share of neutral assessments** of the Government's business support policy remained unchanged and is 58%, the same as in March
- **The share of negative assessments** has slightly increased (from 17% to 20%)

New monthly enterprise survey. Methodology

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

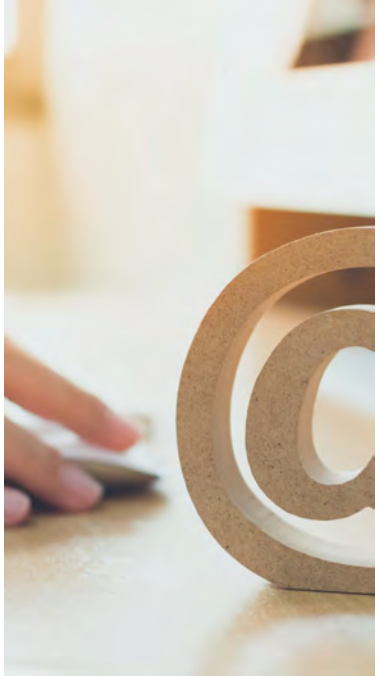
The monthly survey consists of two parts: the regular one and the special one. Respondents will regularly answer questions on the changes in key activity indicators and short-term forecasts for future changes in the same indicators: output (production), sales, exports, debt, new orders, employment, etc.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

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

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

The field stage of the 24-th wave lasted from April 15 to April 30, 2024. The enterprise managers compared the work results in April 2024 with March, assessed the indicators at the time of the survey (April 2024), and gave forecasts for the next two, three, or six months, depending on the question. In certain issues (where indicated), the work results were compared with the pre-war period (before February 24, 2022).

Our contacts



website: www.ier.com.ua

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

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

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



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