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“Spring awakening”

Main economic trends in March 2024

based on the results of the New Monthly Enterprises Survey,

#NRES

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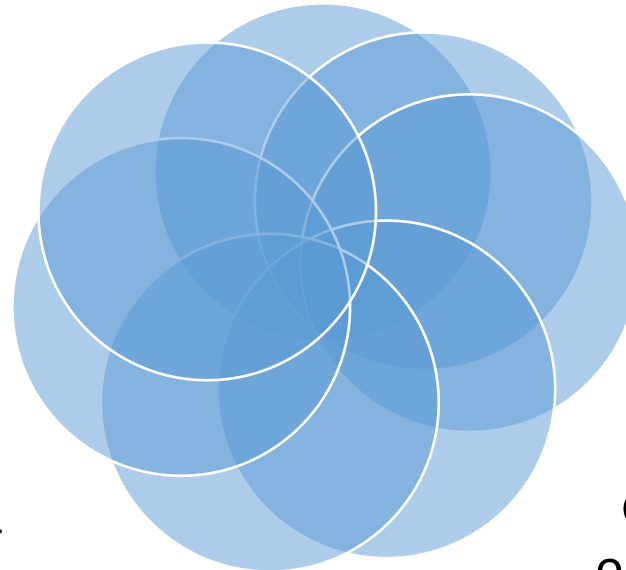
ABOUT THE NEW RAPID ENTERPRISES SURVEY

Monthly survey

The recent data were collected on **March 18 - 29, 2024**

23 surveys have already been conducted (since May 2022)

Sectors: Industry + (Retail, Agro)



SAMPLE: 523 enterprises were surveyed in **March**

Enterprises of **all sizes**

Geography: 21 out of 27 regions of Ukraine

Key messages



Two-year uncertainty is currently at its **lowest point** in two years, with improved **near-term manufacturing expectations**, yet **short-** and **medium-term** uncertainties have risen.

Main results 1



The Business Activity Recovery Index (BARI) **increased on 2 p.p.** after declining for two months in a row



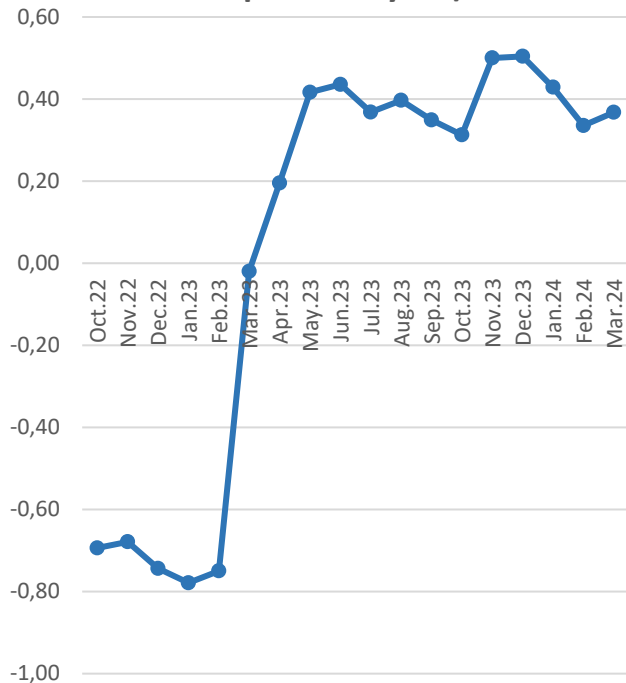
The share of enterprises operating at **full capacity** remains **unchanged**



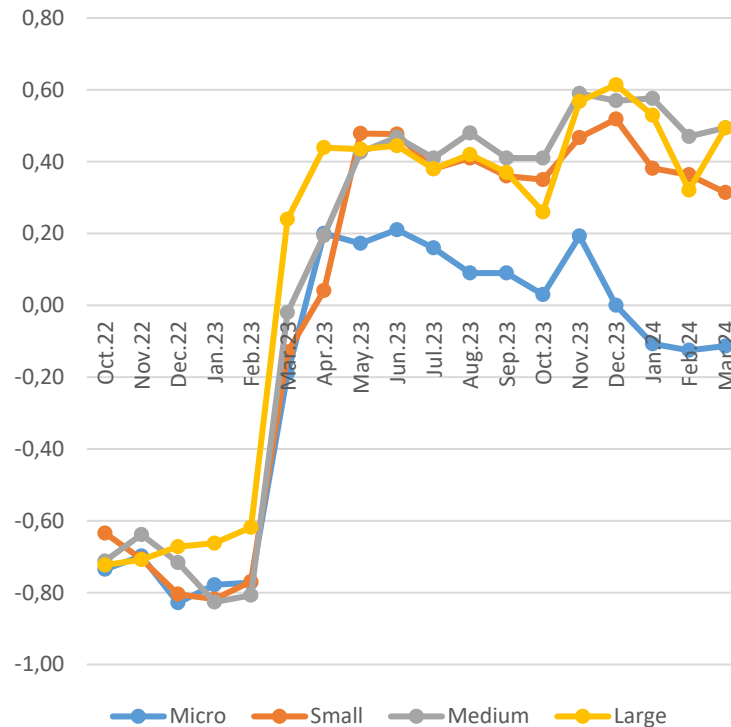
The Industrial Confidence Indicator **rises** for the second month in a row

The Business Activity Recovery Index (BARI)* increased slightly

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



Business Activity Recovery Index (by size)



In March 2024, compared to February, the Business Activity Recovery Index (BARI) **increased from 0.34 to 0.37** (on a scale from -1 to +1)

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

- % of enterprises, reported that **their business activity is better than in the previous year increased**, from 44.8% in February to 47.4% in March
- % of enterprises for whom **nothing has changed lowered** from 44.0% to 42.0%

At the same time:

- % of enterprises for whom **the situation has become worse than it was a year ago has remained unchanged for several months in a row** (11.2% in February and 10.6% in March)

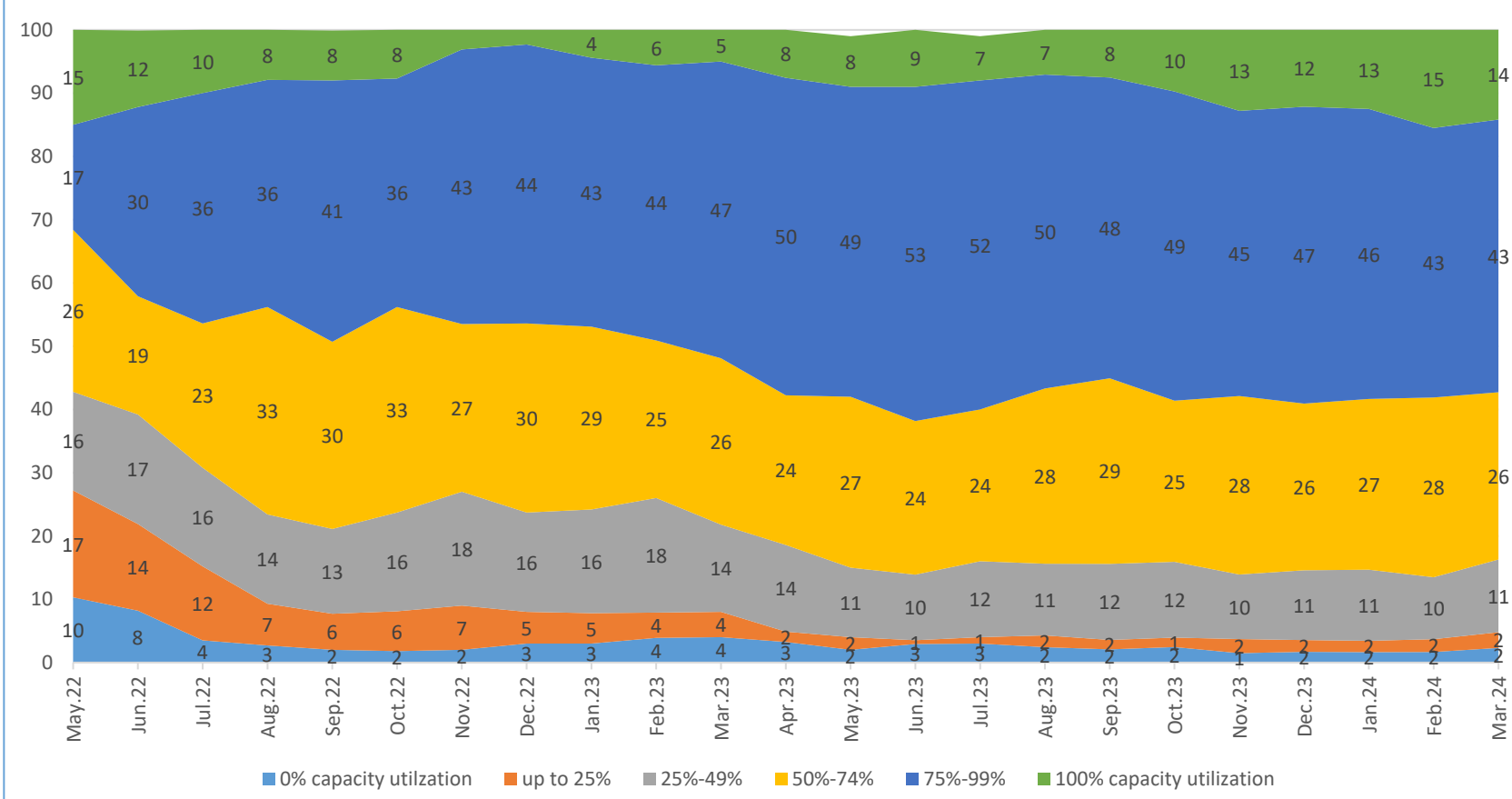
BUT there are significant differences depending on the size of enterprises.

In March, the value of the BARI **did not change significantly and is the lowest for micro-enterprises and gradually decreasing for small ones. At the same time, the indicator for medium and large enterprises increased**

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

“Now” vs. “before February 24, 2022”: again ‘frozen’ recovery?

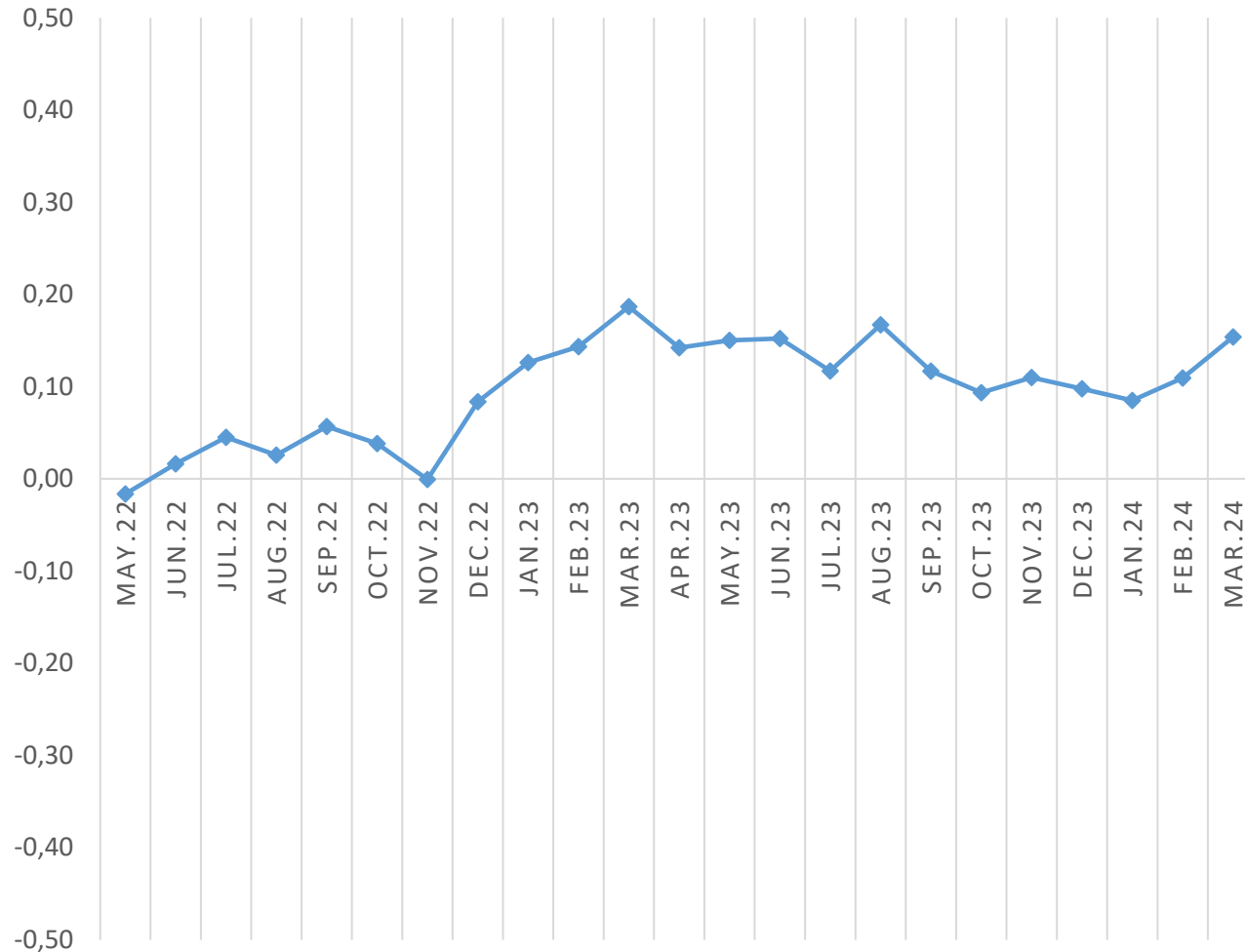
% of capacity utilization compared to "before February 24, 2022", % of respondents



The results remain almost unchanged compared to the previous month:

- The share of enterprises **operating at 100% capacity is 14% in March 2024** (15% in February)
- % of enterprises that do **not operate at all** have **not exceeded 2%** for more than six months

Industrial Confidence Indicator (ICI)*



ICI has been growing for the second month in a row (from 0.11 in February to 0.15 in March)

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

- **Production expectations (PE)** increased from 0.42 to 0.53
- The component **stocks of finished goods (SFG)** also increased (from -0.10 in February to 0.02 in March)
- The component **volume of new orders (VNO)** increased (from -0.19 to -0.05)

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

Main results 2. Uncertainty



Uncertainty in the **6-month perspective** for the business activity at the enterprise **has increased**



Uncertainty in the **6-month perspective** for the overall economic environment remained **unchanged** after last month's increase.



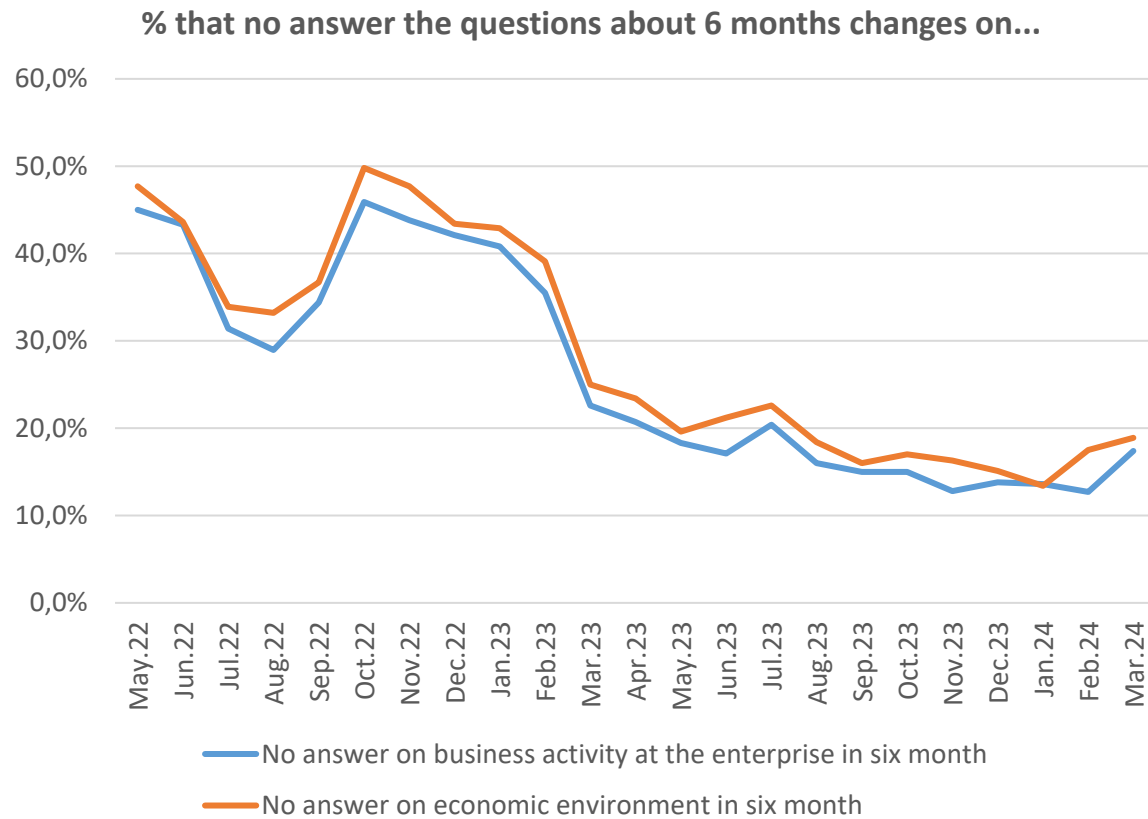
Uncertainty in the **3-month perspective** has **increased** for all production indicators



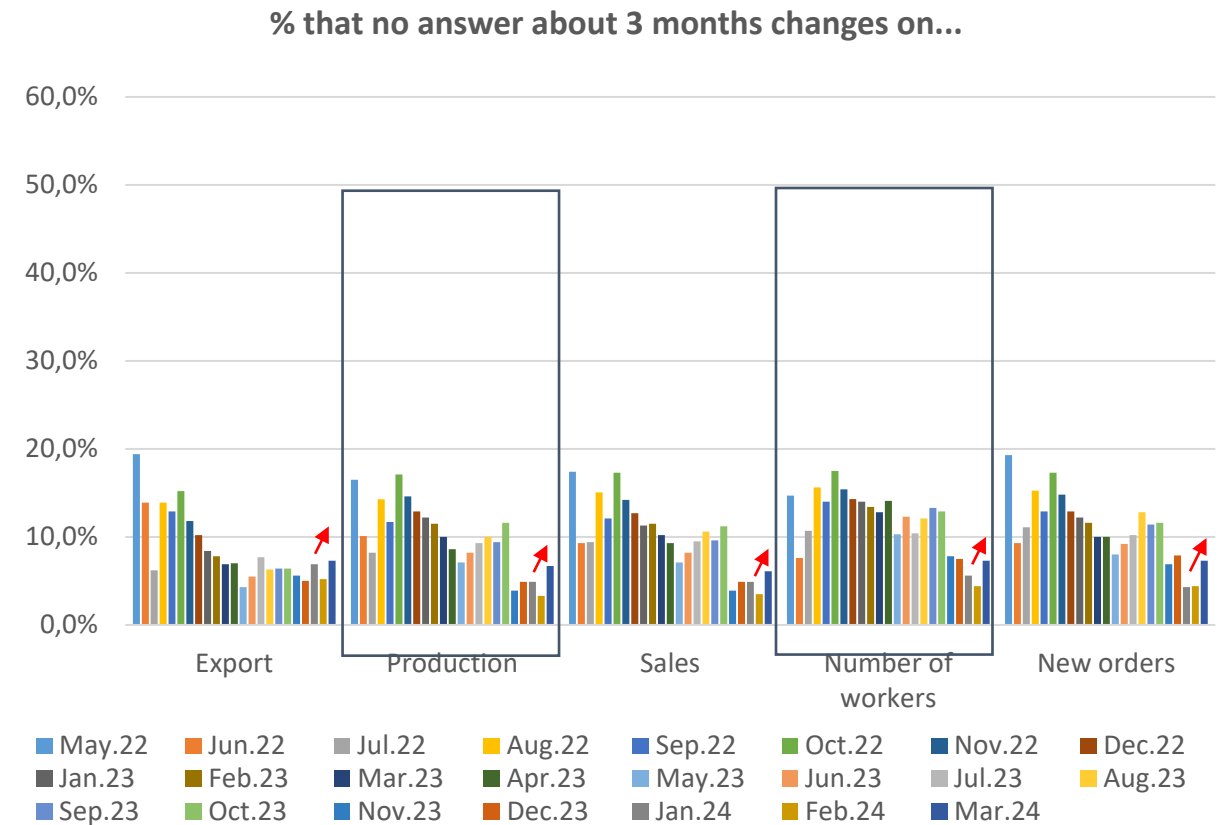
Uncertainty in the **2-year perspective** has **significantly decreased** and has the **lowest** level for the entire period of the survey

Uncertainty in the six-month and three-month perspectives has increased

Half-year horizon



Three-month horizon

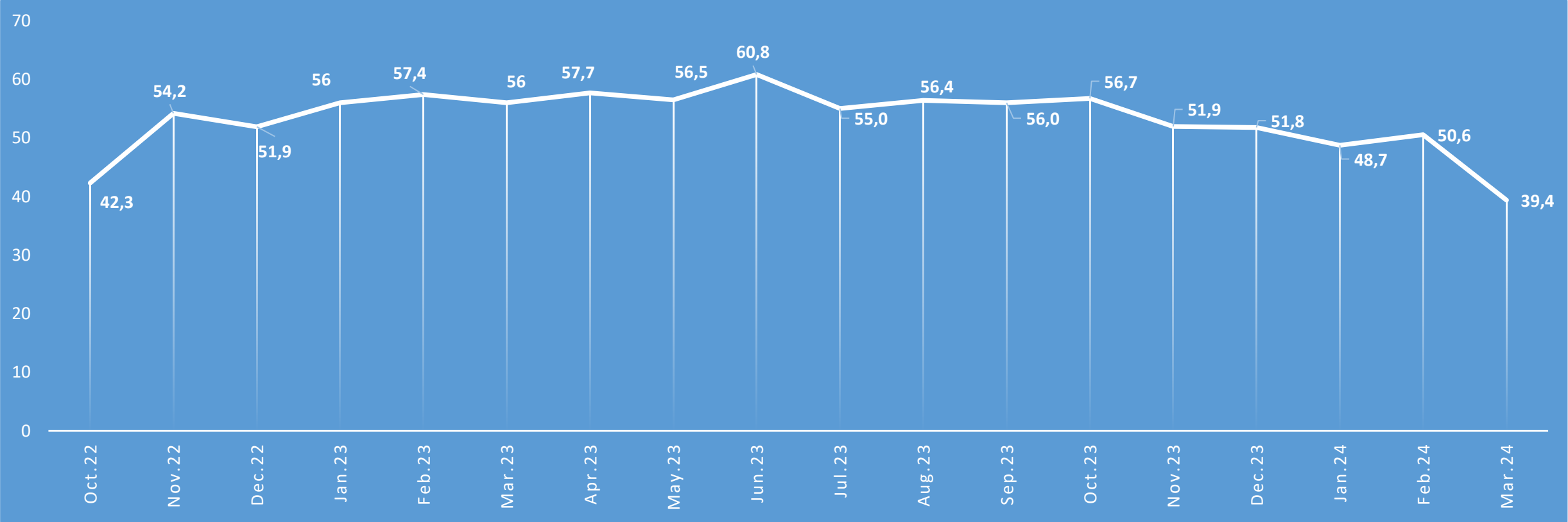


Long-term uncertainty perspective has significantly decreased

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 decreased from 51% to 39% in March, which is the lowest figure for the entire survey period



Main results 3. Medium-term expectations have improved, while long-term expectations significantly does not change



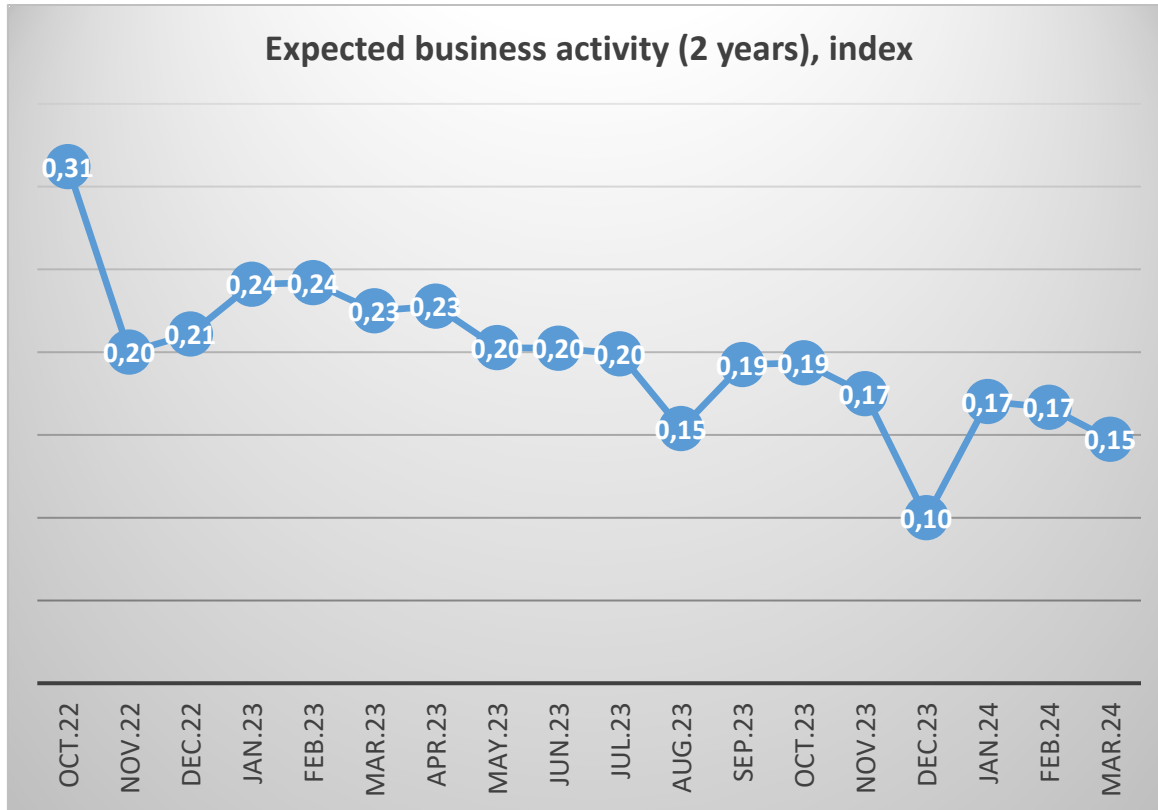
Both the % of **optimists** and the % of **pessimists** about the future after **2 years** have **decreased**



6-month expectations for business activity of enterprises and the overall economic environment **improved**

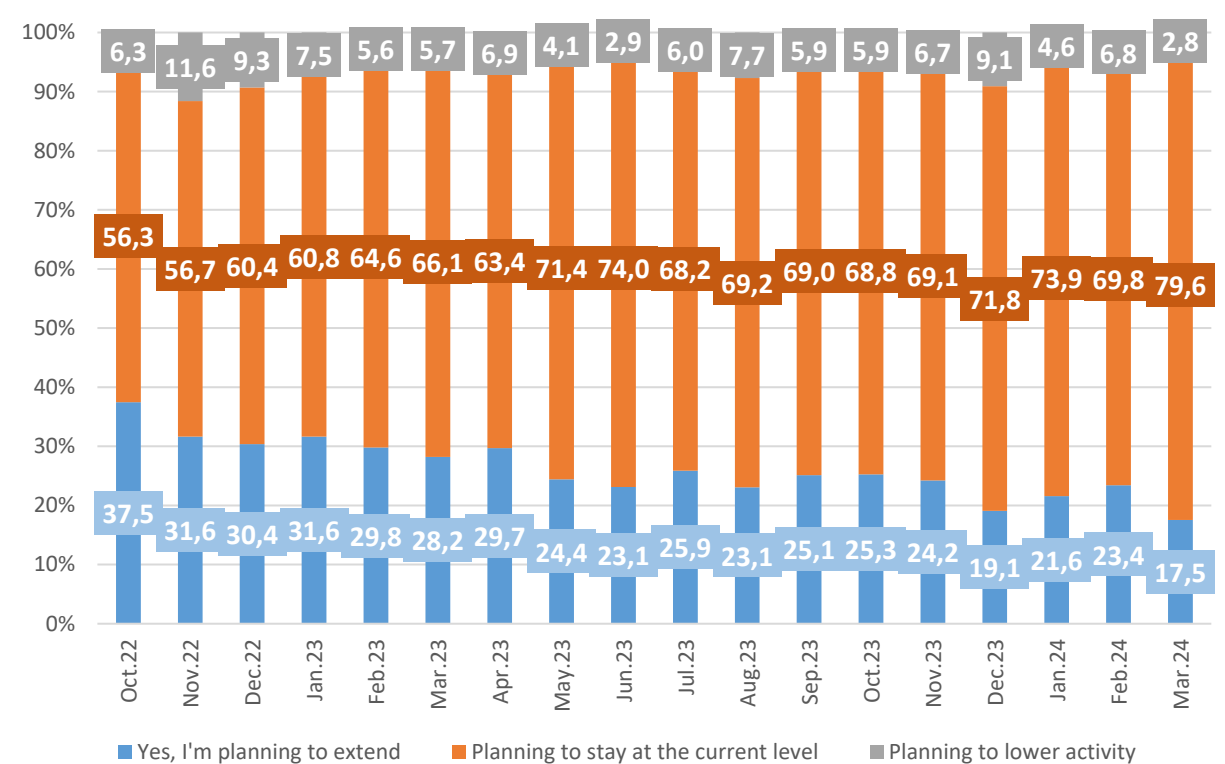
Long-term expectations remain without significant changes

Index of expected changes in business activity



- The index of expected business activity in the 2-year perspective in March is 0.15 (0.17 for two months in a row)
- Scale from -1 (bad) to +1 (good)

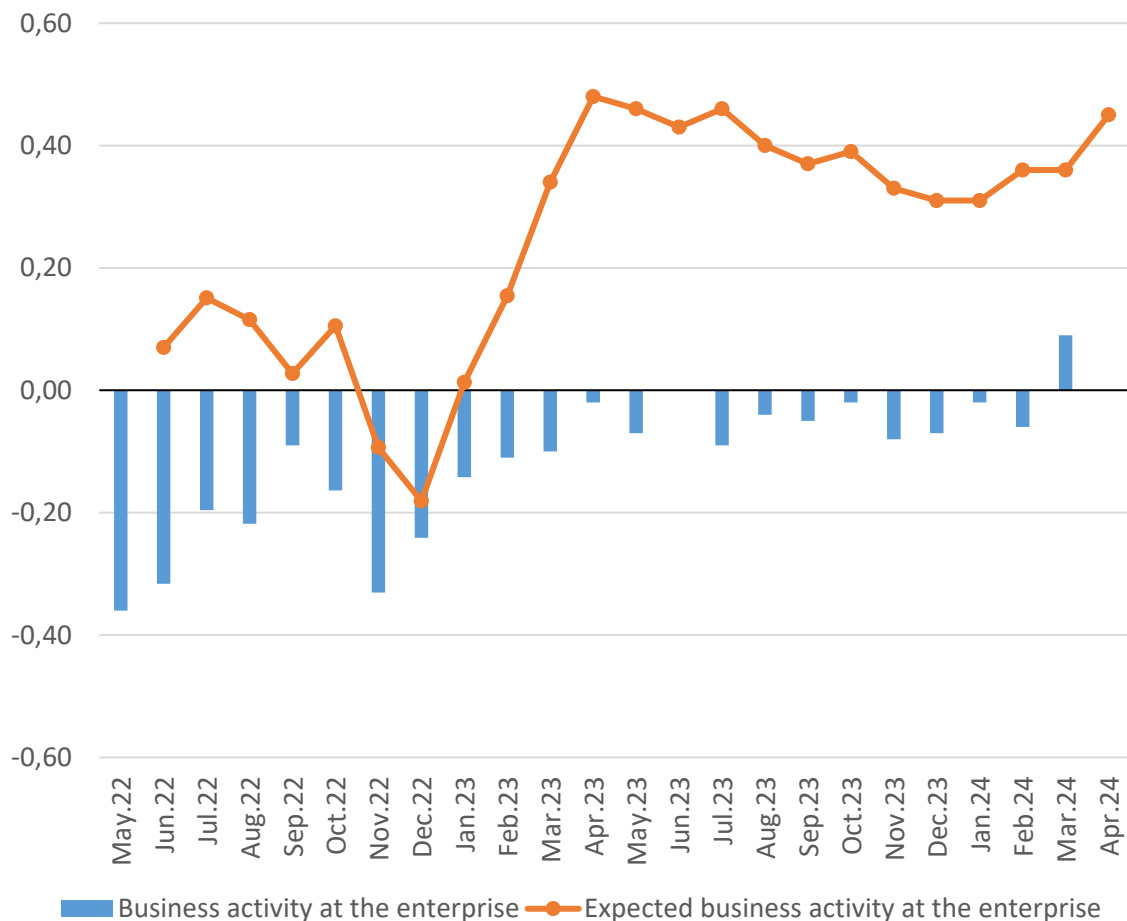
Expectations in the two-year perspective



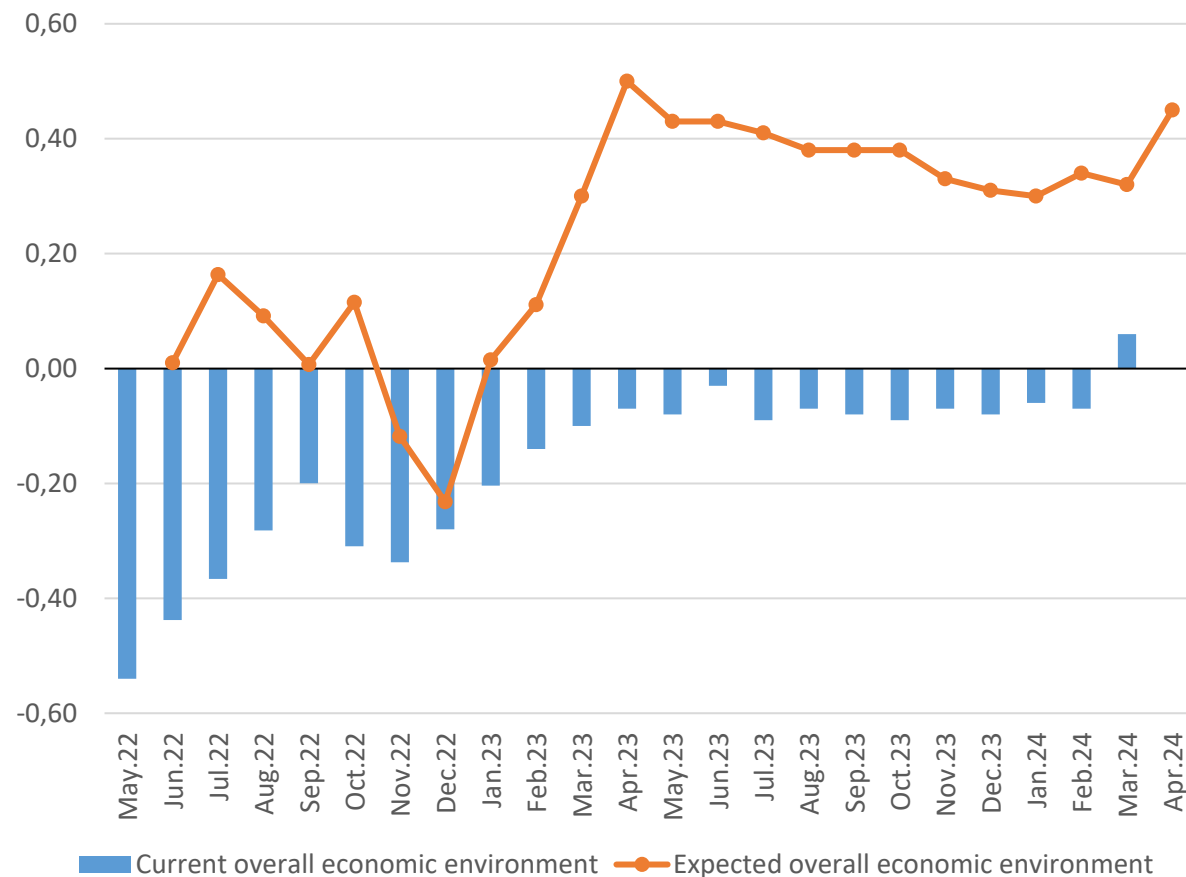
- % of companies **planning to grow or decrease in business activity decreased**
- In March, the % of companies **that have no plans for long-term prospects increased** (from 69.8% to 79.6%)

6-month perspective: optimism has increased

Business activity at the enterprise



Overall economic environment in the country



Main results 4: Results and expectations



Production indicators are improving for the second month in a row



Production expectations for the 3-month perspective **have improved**



The number of workers in enterprises continues to grow, along with the **growing difficulties in finding employees** of the necessary qualifications



Export performance and expectations for the 3-month perspective **have improved**

Past performance (March vs February)

- % of companies that **increased production volumes did not change significantly** (24.3% in February and 24.8% in March)
- % of companies that **reduced production decreased** from 16.7% to 12.1%

The index of change increased from 0.11 to 0.16

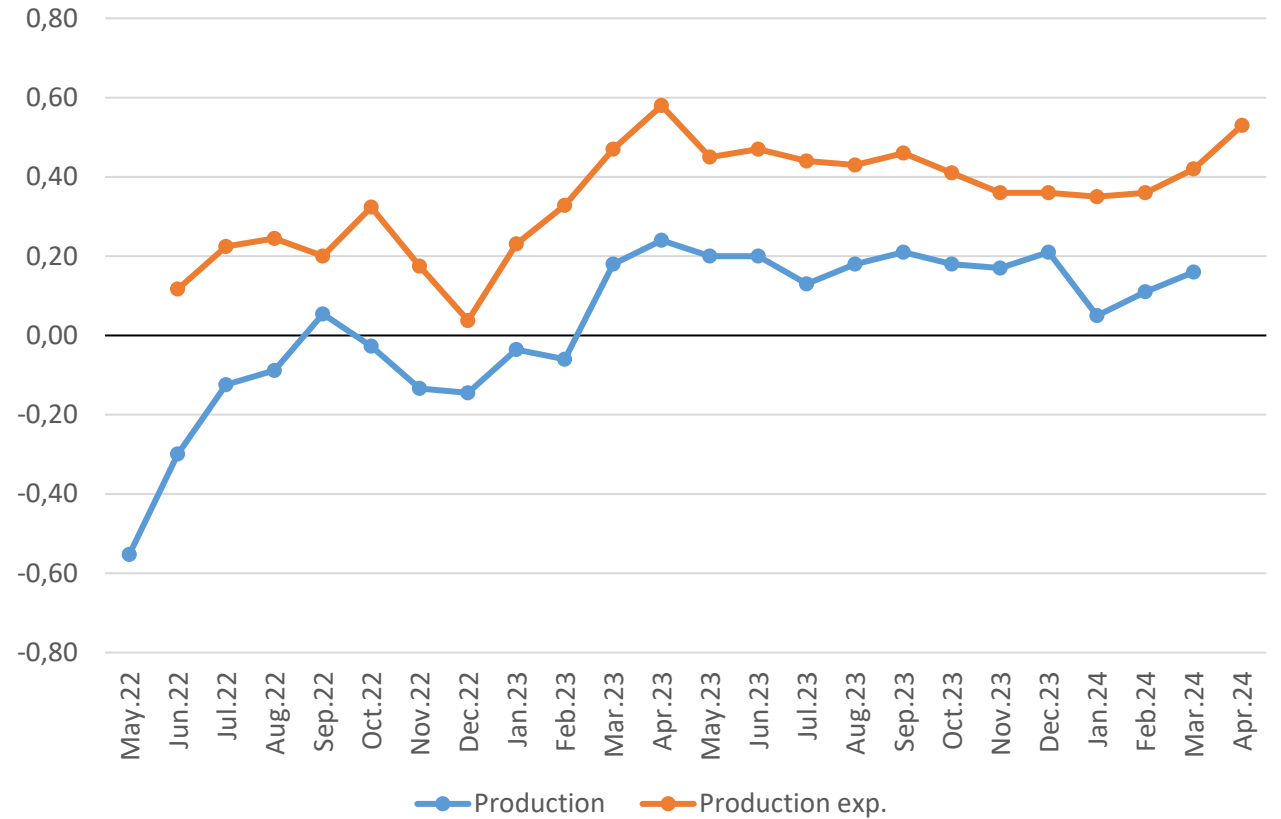
Expectations for 3 months

- % of companies **planning production growth in the next 3-4 months increased** from 43.8% to 54.4%
- % of companies **expecting a decrease in volumes increased** from 2.5% to 4.1%

The index of expected changes in production increased from 0.42 to 0.53

Production: improving results and expectations

Production, balance indicators



Exports: improved results, expectations increased

Past performance (March vs February)

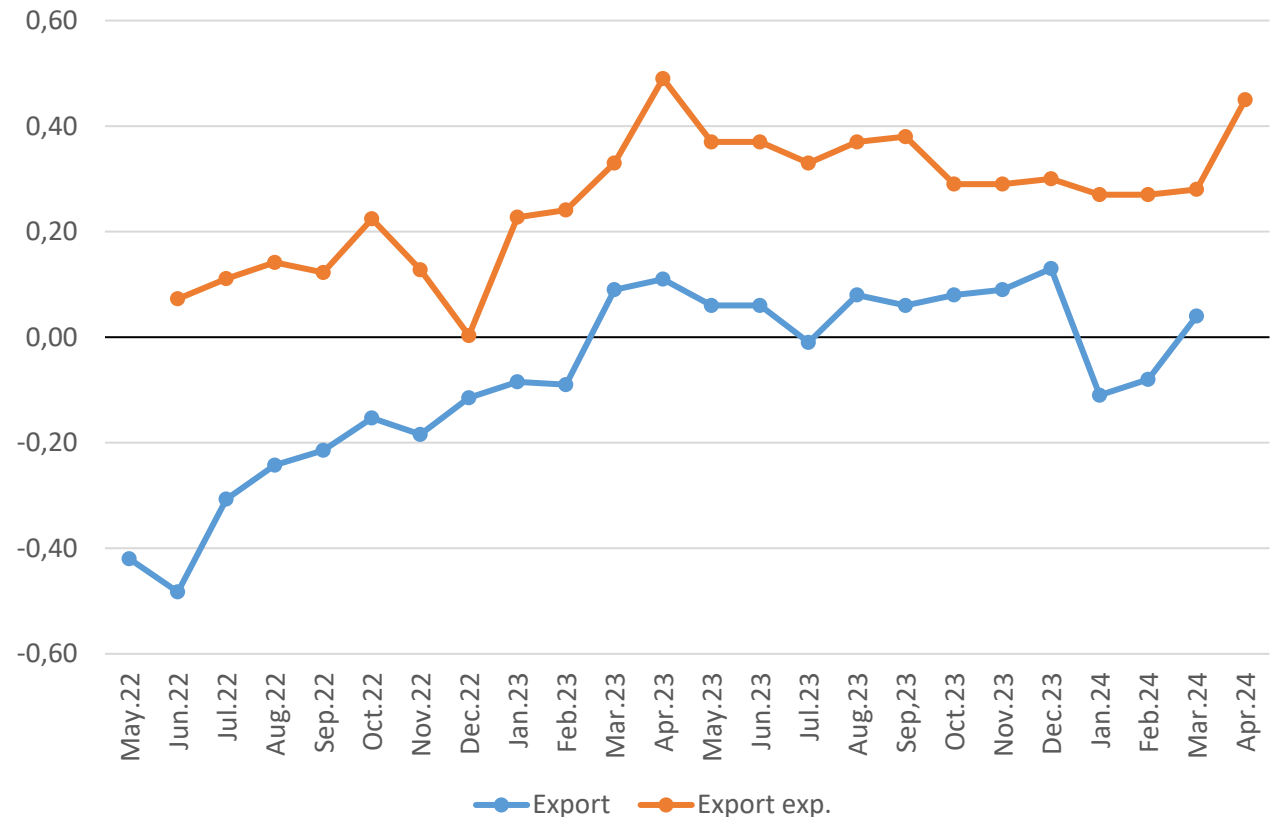
- % of companies reporting about export grow decreased slightly (18.9% in February and 16.8% in March)
- % of companies reporting a decrease in exports decreased from 29.3% in February to 16.1% in March
- The index of changes increased from -0.08 to 0.04

Expectations for 3 months

- % of companies expecting export growth increased significantly (from 29.5% in February to 45.0% in March)
- % of companies that plan to reduce exports is without significant changes (4.8% in February and 4.5% in March)

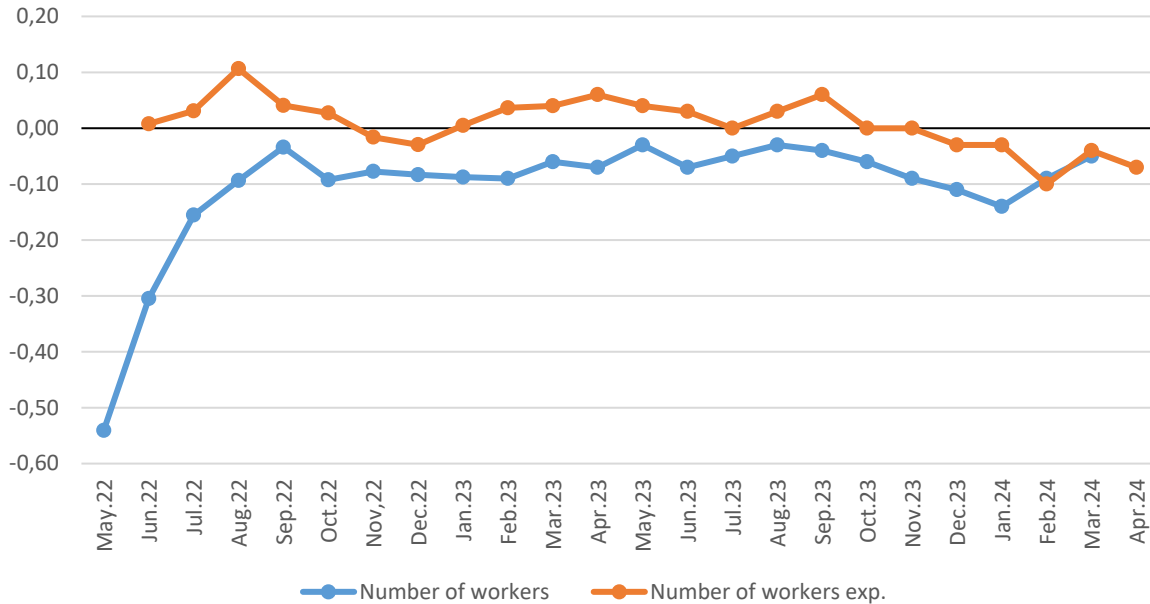
The index of expected changes in exports increased from 0.28 to 0.45

Export, balance indicators

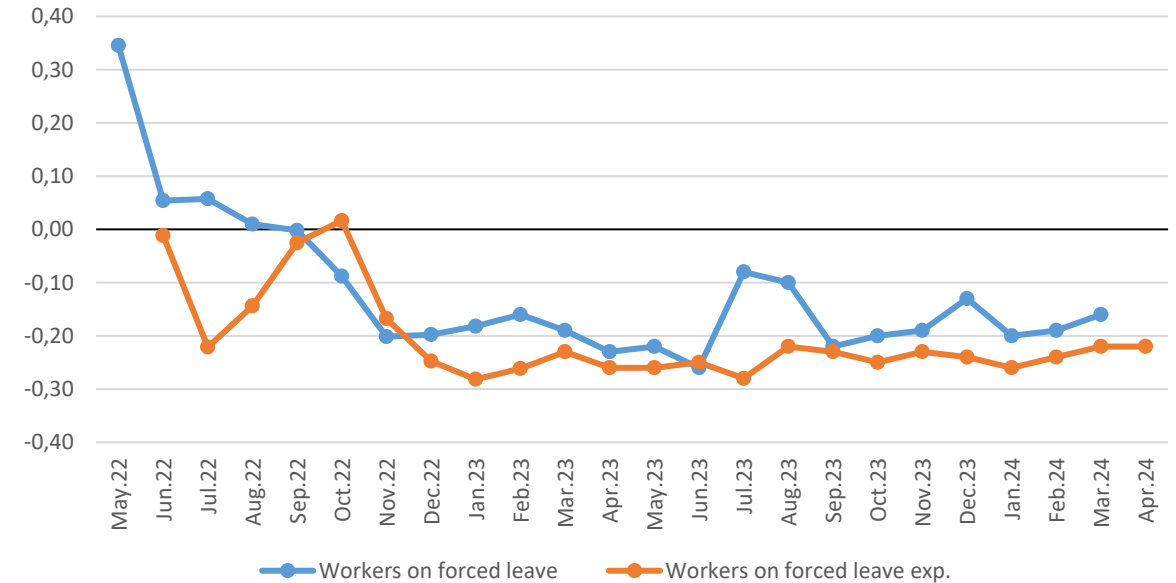


Employment: the number of workers is increasing

Number of workers



Number of workers on forced leave



Expectations for 3 months

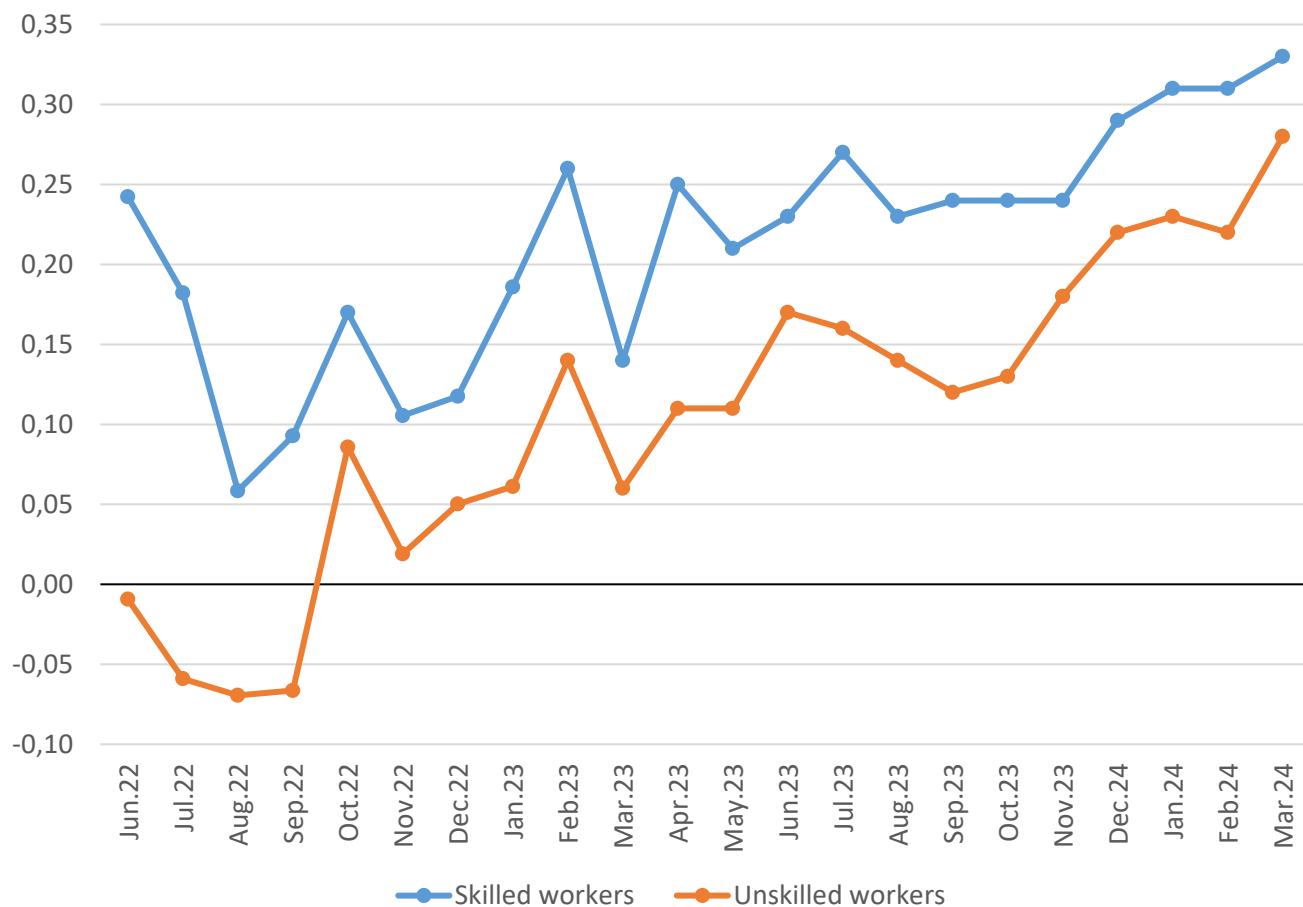
- % of companies **planning employment growth** in the next 3-4 months **does not change significantly** (2.5% in February and 3.3% in March)
- % of companies that **intend to reduce the number of employees increased** from 5.2% in February to 8.3% in March
- % of enterprises that **are not expected to change in employment decreased** from 92.2% to 88.4%

Expectations for 3 months

- % of companies that **plan to increase the number of workers on forced leave is almost unchanged** (0.7% in February and 1.4% in March)
- % of companies that **plan to reduce employees on forced leave also remain unchanged** (23.1% in February and 23.9% in March)
- % of **unchanged decreased** from 76.3% to 74.7%

Problems with finding employees are growing

Problems with finding workers



In March, difficulties in finding workers increased

Skilled workers:

- the % of those who reported that **such workers were more difficult to find increased** (from 31.0% in February to 38.9% in March).
- The % of those who find it **easier to find skilled workers also increased** (from 0.2% in February to 4.2% in March)

Unskilled workers:

- % of those who reported that **they were easy to find remained unchanged** (4.8% in February and 4.2% in March)
- % of those **who found it more difficult increased significantly** (from 26.5% in February to 31.7% in March)

Main results 5: Impediments, economic policy



The **1st place** in the list of impediments remains for **“rising prices”**



% of respondents for whom **“it is dangerous to work”** does not change **significantly** for the third month in a row and in March the impediment **remained in 3rd place**

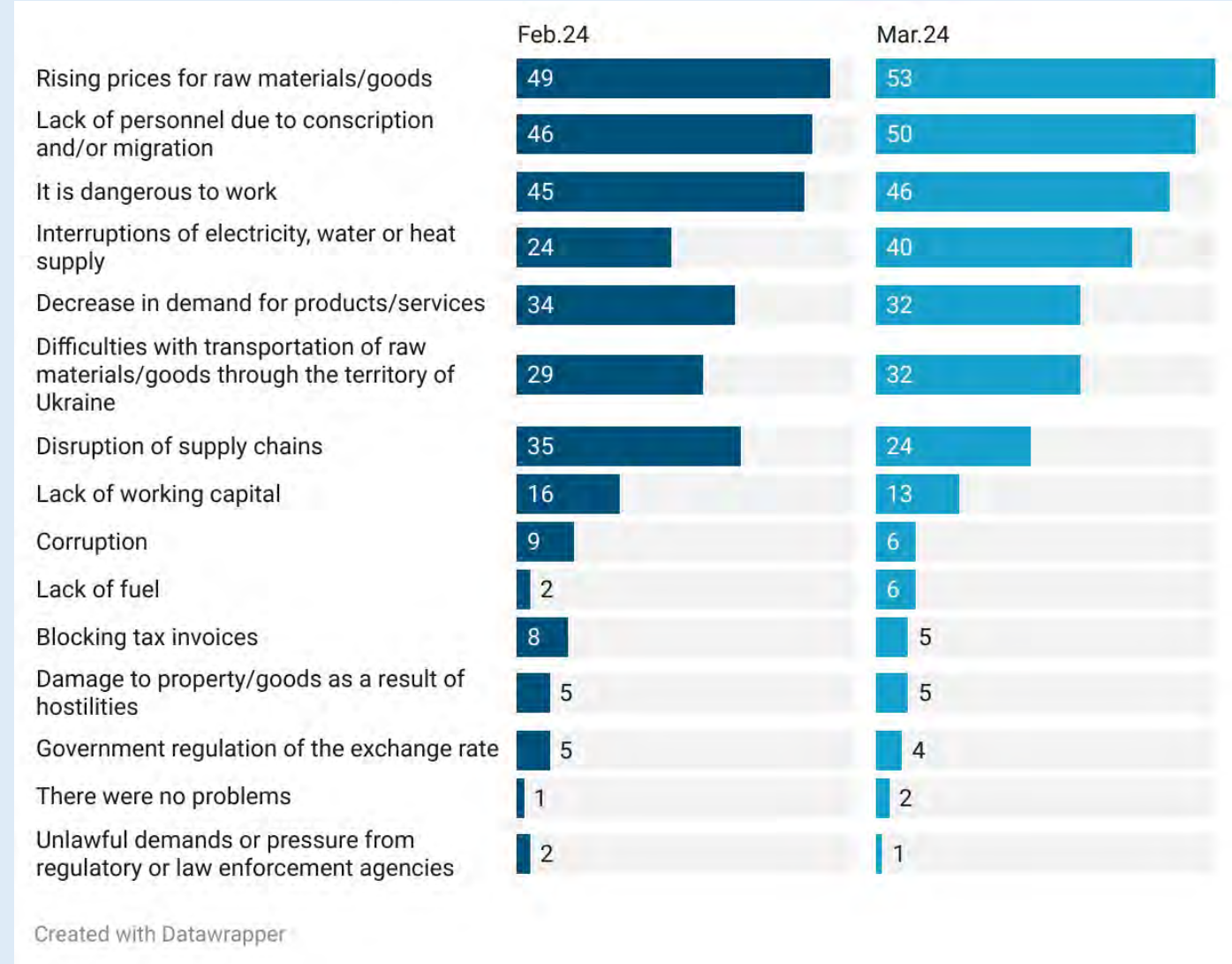


Assessments of the Government's economic policy remain mostly neutral

The main impediments to doing business in wartime, % respondents

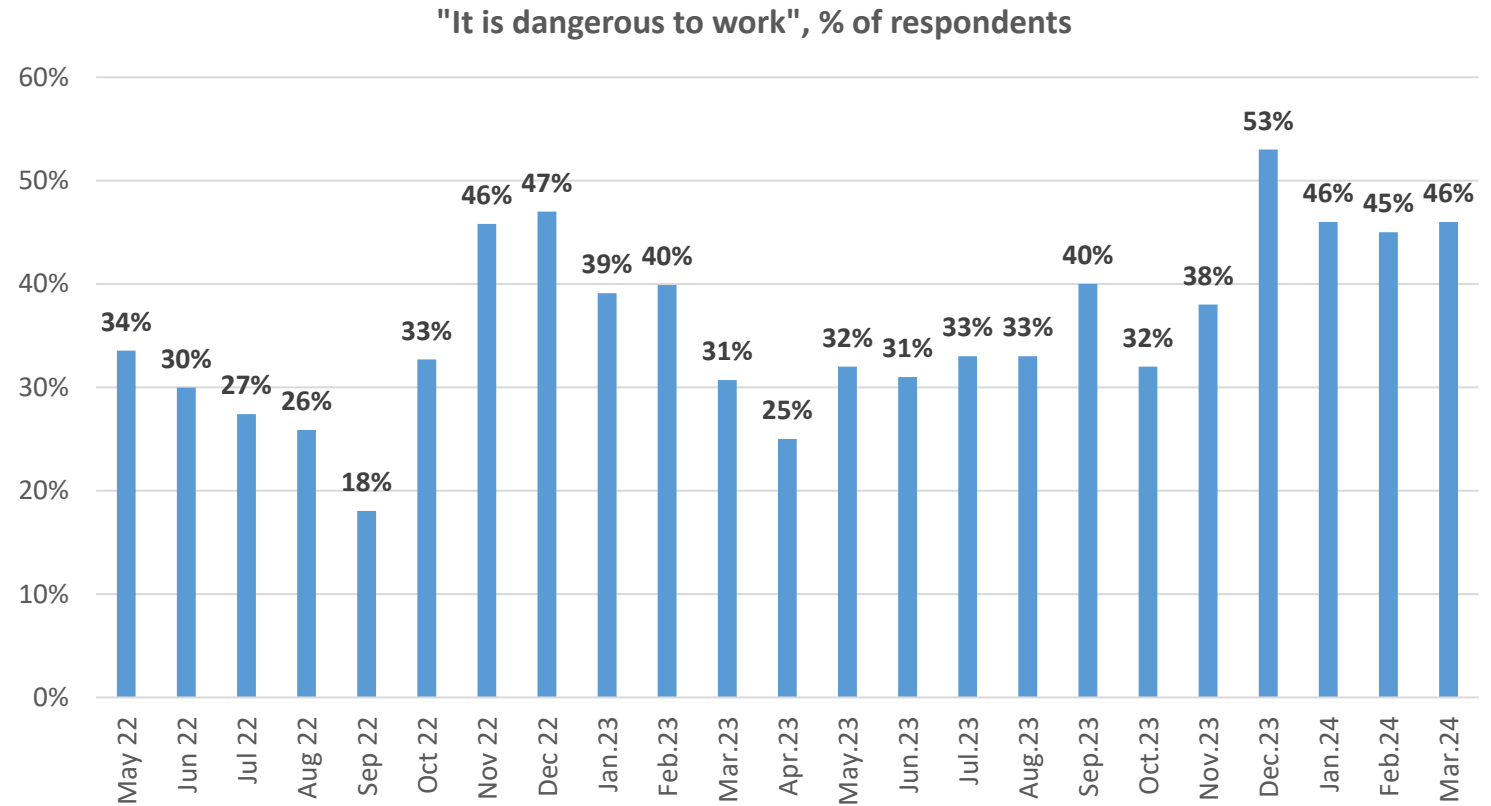
In March 2024, the top three impediments to doing business remained unchanged

- The impediment "rising prices for raw materials and goods" continues to increase in value (from 49% in February to 53% in March) and remains in the 1st place
- "Lack of personnel" also increased in value from 46% to 50% and remained in the 2nd place
- The impediment "it is dangerous to work" did not change significantly in percentage terms (45% in February and 46% in March) and remained in the 3rd place on the list
- "Interruptions of electricity" increased in value due to damage after russian missile attacks from 24% to 40% and this impediment rose from the 7th to the 4th place
- Corruption and pressure from law enforcement agencies are not significant problems



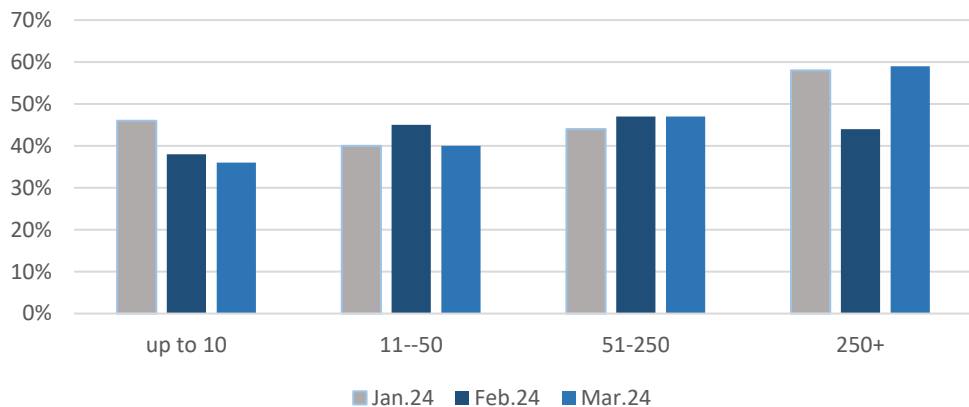
“It is dangerous to work” closes the top three impediments to doing business

- The share of companies that reported that it is dangerous to work **has not changed significantly for the third month in a row**
- In the list of impediments "it is dangerous to work" **remained in 3rd place**



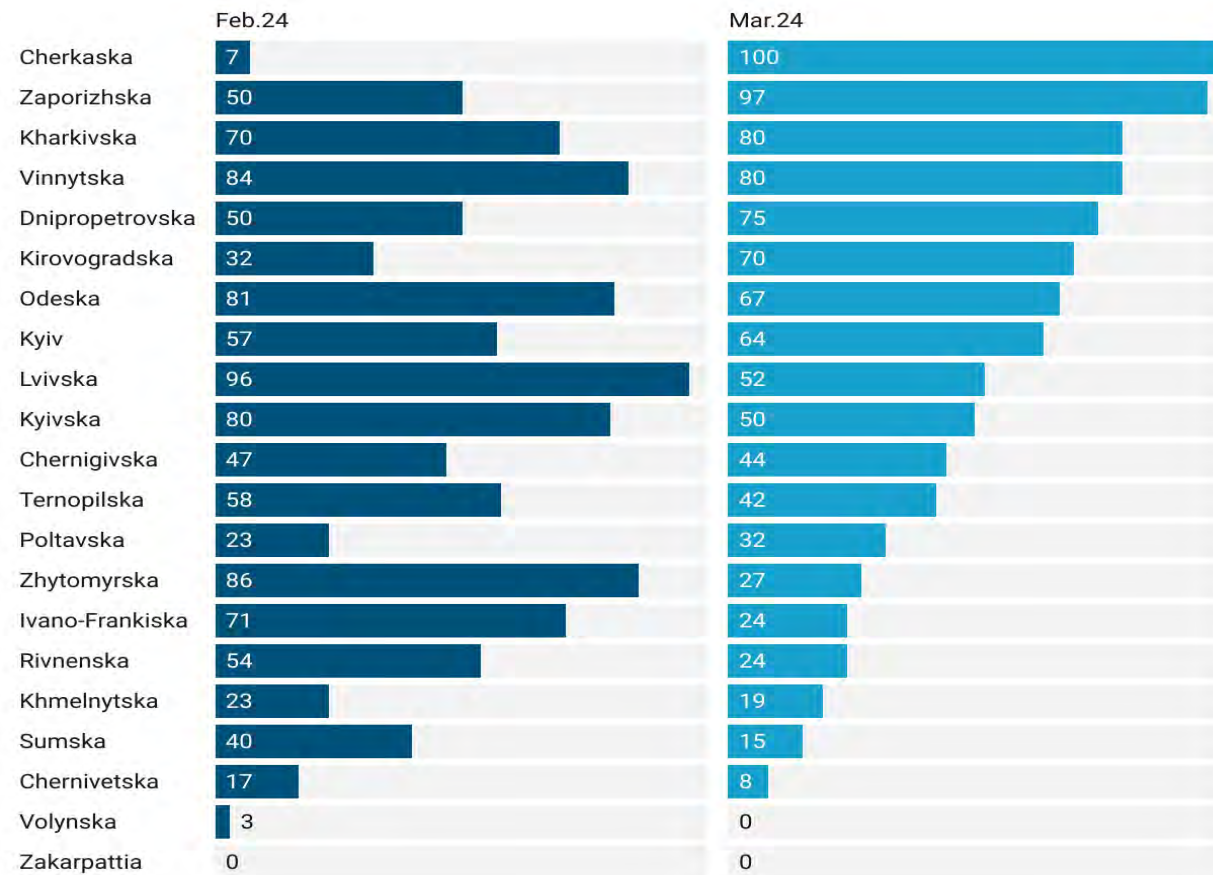
"It is dangerous to work" in different dimensions

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



- The % of companies that have chosen **"it is dangerous to work"** is decreasing for small and micro businesses and has increased significantly for large.
- 80+% of respondents in Cherkasska, Zaporizhska, Vinnytska, and Kharkivska oblast consider unsafe conditions to be an obstacle to doing business

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

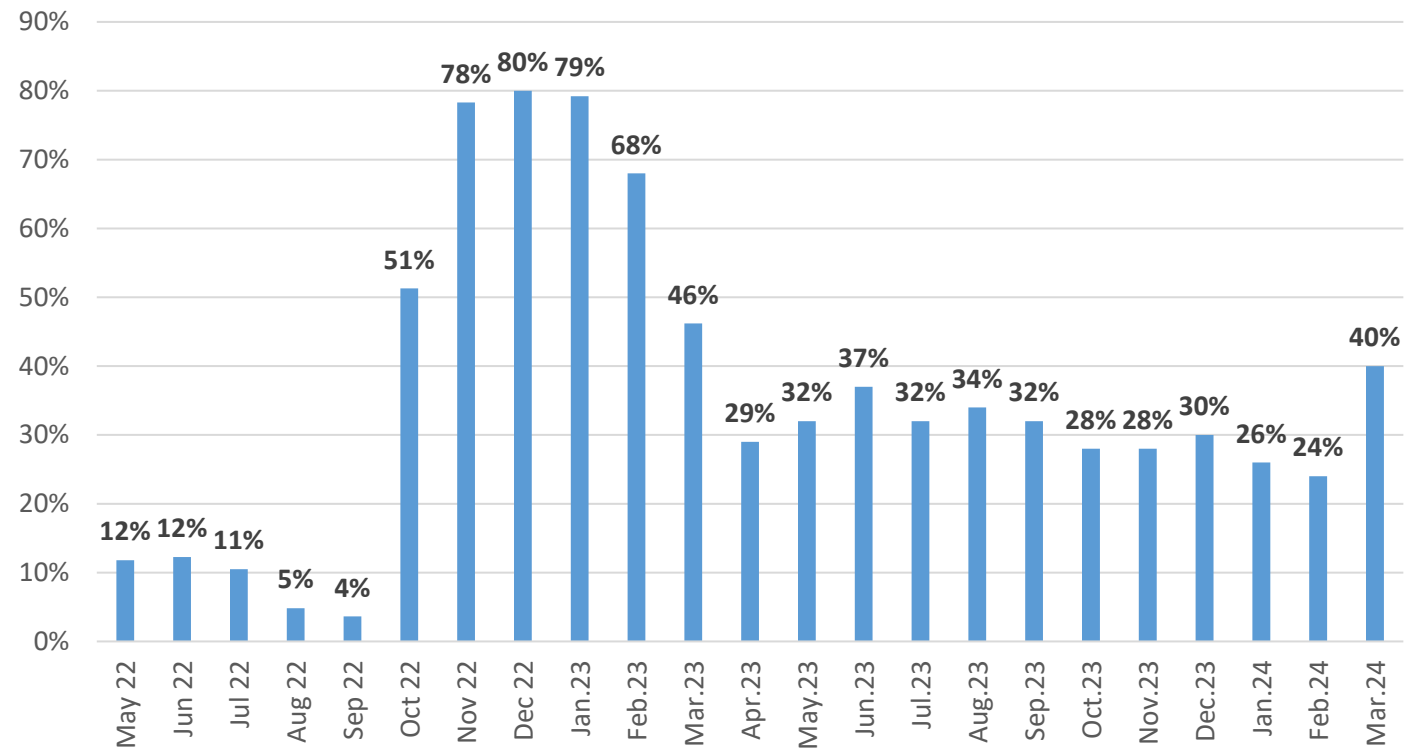


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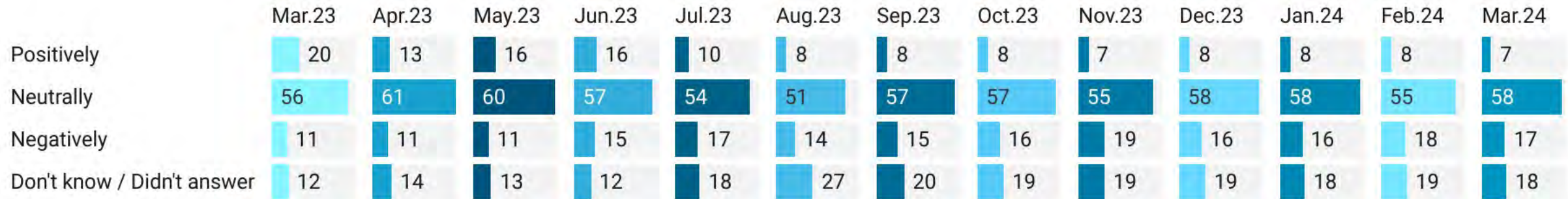
Problems with electricity again increased

- The share of businesses reporting about interruptions with electricity **increased** from 24% in February to 40% in March
- In the list of impediments, "interruptions with electricity" **rose from 7th to 4th place**

Interruptions with electricity as impediment for doing business, % of respondents



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

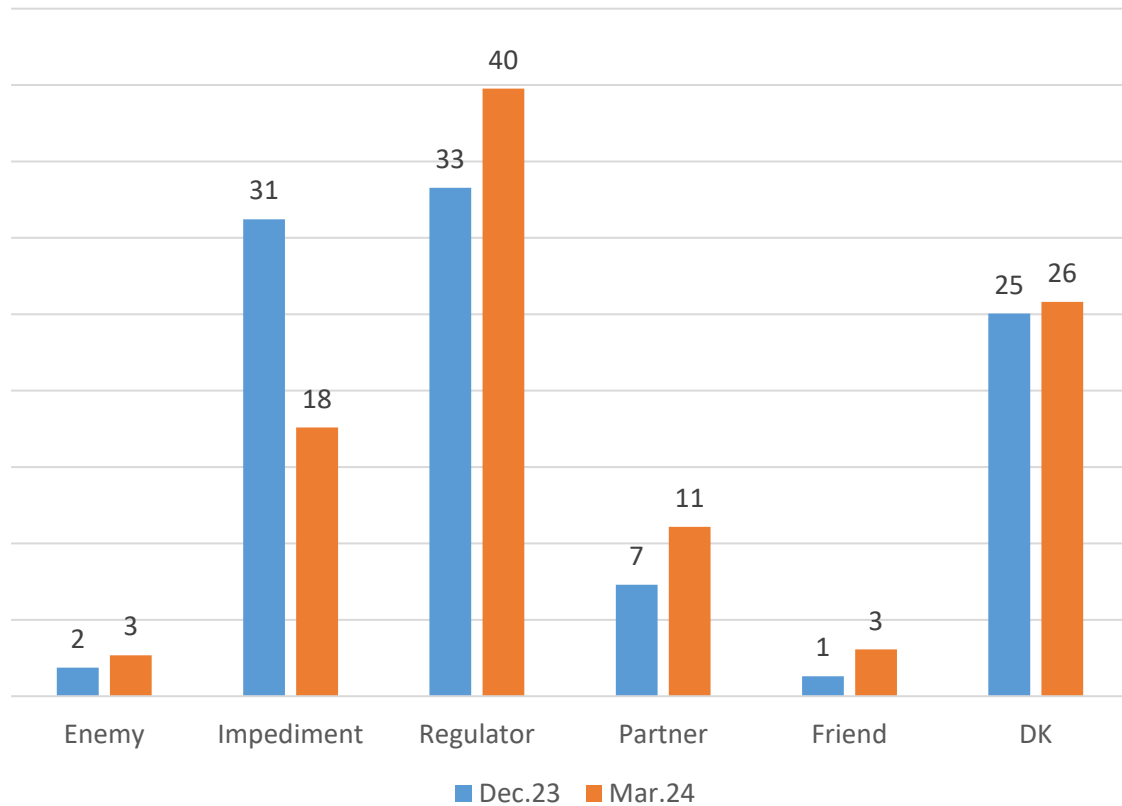


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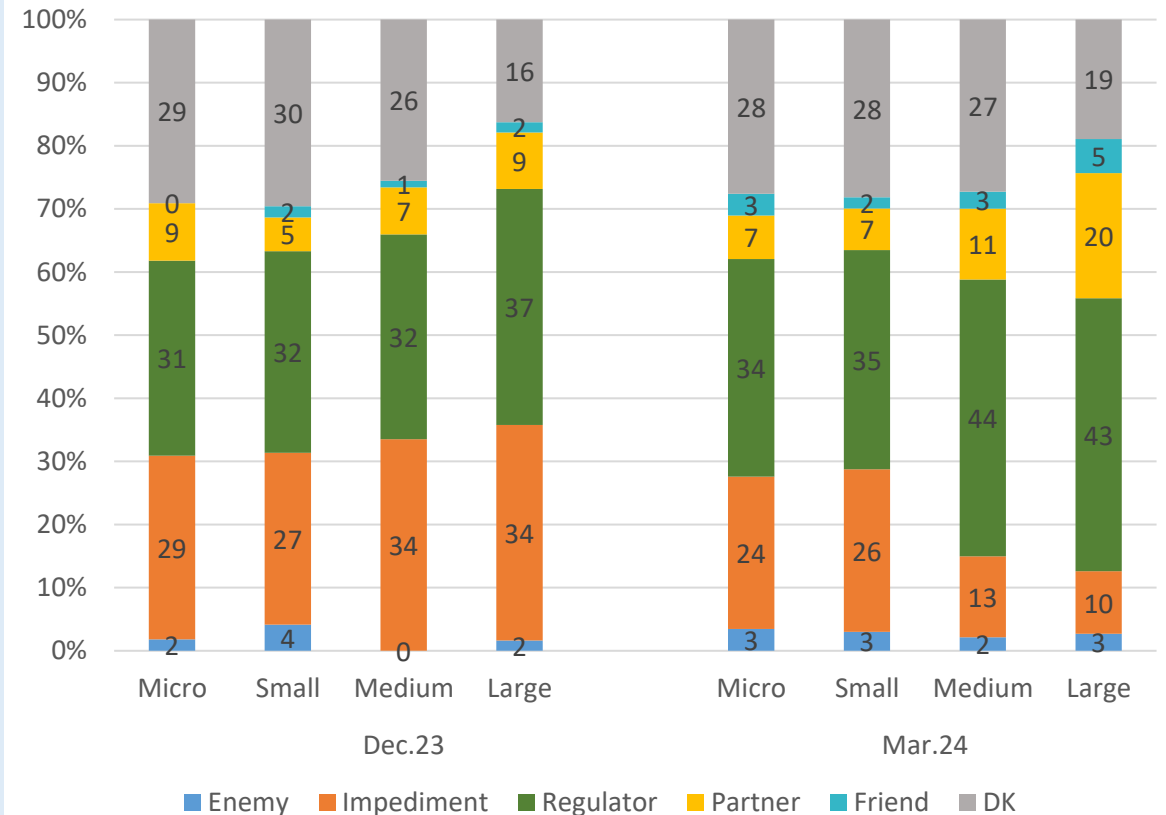
- **The share of positive assessments** of the Government's business support policy is 8% and **remains without significant changes**
- **The share of neutral assessments** of the Government's business support policy **increased** again to 58% in March after decreasing to 55% in February
- **The share of negative assessments remains without significant changes** (18% in February and 17% in March)

Today, in Ukraine, the state for business is...

% of all enterprises



% of enterprises by size



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 23-th wave lasted from March 18 to March 29, 2024. The enterprise managers compared the work results in March 2024 with February, assessed the indicators at the time of the survey (February 2024), and gave forecasts for the next two, three, or six months, depending on the question. In certain issues (where indicated), the work results were compared with the pre-war period (before February 24, 2022).

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