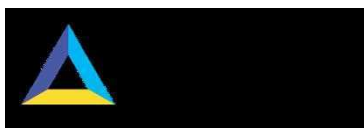


New Monthly Enterprises Survey

Issue 27. (07.2024)
Ukrainian Business in Wartime

Project implementation:



Institute for Economic Research and Policy Consulting

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ABOUT THE NEW MONTHLY ENTERPRISES SURVEY “UKRAINIAN BUSINESS IN WARTIME”

Dear ladies and gentlemen, we present you with the **twenty-seventh 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 and forecasting economic trends for the future. The BTS methodology is used around the world to assess the economic situation from the "basic level" - the judgments and expectations of the main economic agents - managers of enterprises and entrepreneurs. The result of tendency surveys is a short, "compressed" picture of the economy or a separate sector, economic trends in the short- and medium-term horizon, and future "turning" points of the cycle of economic activity.

The monthly survey “Ukrainian Business in Wartime” consists of two parts. In the first one the 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, prices, 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 second 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 results are presented in different dimensions (by the number of workers, industries, and regions of Ukraine).

The monthly enterprise survey "Ukrainian Business in Wartime" was launched by IER in early 2022 as a response to the challenges to economic governance due to Russia's full-scale war against Ukraine. The implementation of this initiative became possible thanks to changes in the implementation plan of the project "For Fair and Transparent Customs", funded by the European Union and co-financed by the International Renaissance Foundation and the ATLAS Network charitable foundation (USA) and took place under the auspices of this project from May 2022 to December 2023. From January to April 2024, research has been carried out within the framework of the project "Emergency Support to Civil Society and Media in Response to the War in Ukraine," implemented with the financial support of the European Union.

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

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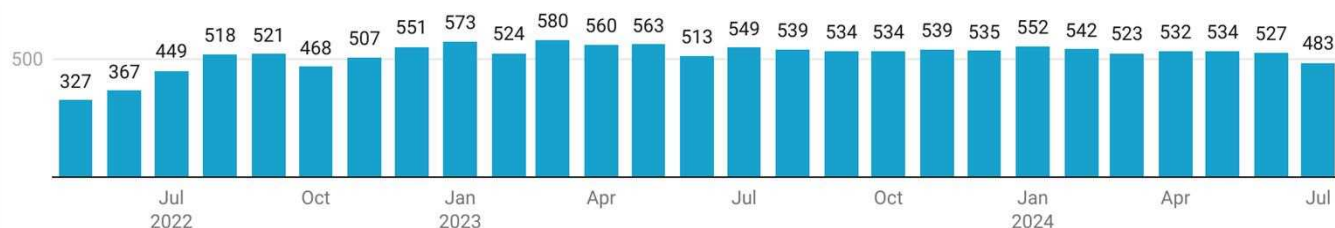
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PRACTICAL QUESTIONS AND ANSWERS TO HELP TO READ THIS REPORT

Who do we survey? This survey uses a panel sample; that means we survey the same business entities. During the twenty-seventh wave of the survey, the answers of 483 respondents were received.

Fig. 1 Number of enterprises surveyed



They include mainly industrial enterprises (89%) 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, Kharkiv, Khmelnytsky, Cherkasy, Chernivtsi, Chernihiv 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



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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 seventh wave lasted from July 16 to 31, 2024. The enterprises' managers compared the results of work in July 2024 with June 2024, assessed the state of the indicators at the time of the survey (July 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) or with the same period of the previous year. Respondents gave forecasts for the next three months of work.

MAIN RESULTS

Against the background of problems with electricity in July 2024, a sharp slowdown in the recovery rate and a significant deterioration in business expectations for six months (although they remain positive) were recorded. Instead, the rate of decline in short-term optimism has stopped, and long-term business plans have even improved somewhat. The Business Activity Recovery Index decreased three times, while the Industrial Confidence Indicator did not change significantly. Production indicators continue the trend of gradual deterioration, and expectations remain unchanged. The rate of reduction in the number of workers has slowed down, while at the same time, the difficulties in finding workers with the necessary qualifications have sharply increased again. Expectations regarding changes in the prices of raw materials and finished goods continue to grow. "Power outages" remained in the first place in the list of obstacles with a significant increase in importance, and "unsafe to work" retained the second place in the list of barriers to doing business. At the same time, with increasing significance, "labor shortage" closes the top three obstacles. Neutral assessments of the Government's economic policy have significantly increased, and uncertainty of assessments has decreased. The average loss of working hours due to power outages was 14% in June 2024.

OVERALL INDICATORS OF BUSINESS CLIMATE AND ECONOMIC ENVIRONMENT

- The BUSINESS ACTIVITY RECOVERY INDEX in July 2024 tripled, from 0.37 to 0.13.
- The INDEX OF CURRENT BUSINESS ACTIVITY AT THE ENTERPRISE, after increasing for two months, decreased from 0.13 to 0.07 in July.
- Expectations of enterprises regarding changes in the business activity in the six-month perspective have halved, and the INDEX OF EXPECTED CHANGES IN THE BUSINESS ACTIVITY AT THE ENTERPRISE is 0.22 (it was 0.55).
- The OVERALL ECONOMIC ENVIRONMENT INDEX decreased from 0.09 in June to 0.03 in July.
- Expectations regarding changes in the overall economic environment after half a year also worsened, and the INDEX OF EXPECTED CHANGES IN THE OVERALL ECONOMIC ENVIRONMENT HALVED, from 0.54 to 0.24.
- Two-year expectations regarding the prospects for expansion of business activity improved slightly and the value increased from 0.09 to 0.13.
- The level of uncertainty in the two-year horizon has not changed significantly for the third month in a row. At the same time, the uncertainty in the six-month and three-month perspective has increased significantly.

PRODUCTION

- The trend toward a gradual slowdown in production growth continues: the PRODUCTION INDEX decreased from 0.18 to 0.16, due to a further decrease in the share of those who increased production volumes.
- Business expectations for the next three months remain optimistic, and they have not changed significantly after a decrease last month. The value of the INDEX OF EXPECTED CHANGES IN PRODUCTION is 0.37 (it was 0.38).
- The value of the INDUSTRIAL CONFIDENCE INDICATOR did not change significantly compared to last month. In July, the value was 0.11 (it was 0.12).

DEMAND AND SALES

- Sales growth slowed somewhat, while new orders remained unchanged. The value of the SALES INDEX decreased from 0.17 to 0.14, while the value of the NEW ORDERS INDEX is the same as last month at 0.14.
- The enterprises' expectations regarding demand for the next three months have not changed significantly. The value of the INDEX OF THE EXPECTED CHANGES IN THE SALES is 0.37 (it was 0.38), and the value of the INDEX OF THE EXPECTED CHANGES IN THE NEW ORDERS is 0.38 as last month.

PRICES

- The PURCHASE PRICE INDEX has not changed for the third month in a row and is 0.18. The INDEX OF EXPECTED CHANGES IN PURCHASE PRICE has been growing for the second month in a row and its value has increased from 0.20 to 0.38.
- The DOMESTIC SALES PRICE INDEX decreased from 0.18 to 0.12. The INDEX OF EXPECTED CHANGES IN DOMESTIC SALES PRICE increased significantly, from 0.21 to 0.38.

DEBTS

- In July, compared to June, indicators of debt accumulation significantly worsened. The receivables indicator increased from -0.17 to -0.11, and the payables indicator increased one and a half times, from -0.23 to -0.14. The indicator of tax arrears also increased significantly, from -0.26 to -0.17.
- From a three-month perspective, a further increase in accumulations for all types of debts is expected. The INDEX OF EXPECTED CHANGES IN ACCOUNTS RECEIVABLE increased from -0.30 to -0.17. The indicator of expectations for accounts payable increased from -0.32 to -0.17. The INDEX OF EXPECTED CHANGES IN TAX ARREARS increased from -0.35 to -0.20.

EMPLOYMENT

- The trend to slow down the reduction rate in the number of workers is maintained. The NUMBER OF WORKERS INDEX does not change significantly for the third month in a row and the indicator is -0.09 (it was -0.10).
- The INDEX OF EXPECTED CHANGES IN THE NUMBER OF WORKERS is gradually increasing for the second month in a row, and is -0.07 (it was -0.09).
- The INDEX OF THE NUMBER OF WORKERS ON FORCED LEAVE increased for the third month in a row, and in June the indicator increased again, from -0.08 to 0.02, changing its sign to positive. The INDEX OF THE EXPECTED CHANGES rose sharply, increasing from -0.22 to zero.
- In June, difficulties in finding workers with the necessary qualifications increased significantly again. The INDEX OF DIFFICULTIES IN FINDING UNSKILLED WORKERS increased from 0.25 to 0.34. The INDEX OF DIFFICULTIES IN FINDING SKILLED WORKERS increased from 0.28 to 0.49.

AVAILABILITY OF ORDERS

- In July 2024, the portfolio of orders among surveyed enterprises increased compared to June: the average term of new orders was four months. It is the highest value for the previous year and significantly more than in June when the term of new orders was 3.4 months.
- The share of enterprises that have orders for no more than two months was 49%, which was the lowest level in the last year. Back in June, it was 55%.

OBSTACLES TO DOING BUSINESS IN WARTIME

- Power outages have significantly increased in significance among obstacles to doing business, increasing from 65% to 78% and remaining in the 1st place in the ranking of obstacles.
- The work hazards caused by a full-scale Russian invasion also increased in importance (from 54% to 58%) and retained 2nd place in the rating of obstacles to business.
- The increase in prices for raw materials and goods significantly decreased in value (from 46% to 32%) and dropped from 3rd to 4th place, which this obstacle shared with the decreasing demand (which in turn increased from 28% to 32% and rose from the 5th place).
- Labor shortage increased from 42% to 47% and rose from 4th to 3rd place.

OBSTACLES TO DOING BUSINESS BEFORE THE WAR AND NOW

- Every quarter, we use a list of obstacles to production growth from the long-term quarterly enterprise survey "Business Opinion."
- In July 2024, war and an unfavorable security situation were most often cited as obstacles to production growth.
- The 2nd, 3rd, and 4th places were respectively occupied by low demand, problems with energy supply (their value increased in July) and lack of qualified workers.
- Unfavorable regulatory climate took the 8th position in this ranking, significantly decreasing compared to the 1st quarter of 2024.

GOVERNMENT POLICY

- The share of positive assessments of the government's business support policy amounted to 6% and has not changed significantly for about a year.
- The share of neutral assessments of this policy increased significantly from 59% to 66%, while the share of negative assessments increased slightly: from 18% to 21%.

PRODUCTION CAPACITIES DURING THE WAR PERIOD

- In July 2024, only 11% of businesses reported operating at full capacity (100% or more). It is the lowest indicator for all survey waves since October 2023, which may reflect a summer production slowdown due to power outages.
- In July, 23% of enterprises worked at less than half their capacity or did not work compared to pre-war times. It is also the highest figure since the autumn of 2022 and winter of 2022-2023 when there were problems with the energy supply.
- Reduction in capacity utilization significantly affected the SME sector, while only minor changes were recorded among large enterprises.
- The medium-sized business was the leader in the production capacity utilization however in July, only 55% of medium-sized enterprises worked at almost full and full capacity, compared to the pre-war period, while in June, the figure was 69%.
- Capacity utilization decreased only slightly for large businesses to 56% in July 2024 (57% in June). As a result, for the first time since January 2023, a large business took first place in terms of production capacity utilization level.
- The food sector remains the leader in the recovery of the processing industry but has shown a significant reduction in the utilization of production capacities. In July 2024, 55% of food industry enterprises were operating at near full and full capacity (up from 70% in June).
- The lowest level of production capacity utilization in metallurgy and metalworking was only 9% in July (it was 38

POWER OUTAGES EFFECT

- The majority (83%) of enterprises were temporarily suspended work due to power outages in June 2024.
- 39% of enterprises ceased operations for only 1-10% of working time, and 31% stopped work for 11-25% of working time.
- In June 2024, businesses lost 14% of total working hours due to power outages.
- Micro and small enterprises have suffered more losses so far (on average 21% and 15% of working time).
- Construction materials production (21%), metallurgy and metalworking (20%), and woodworking (20% of working time) have the largest losses of time among the industries.

EXPORTING ENTERPRISES

- In July 2024, 67% of respondents reported exporting before the war, continuing to export during the war, or starting to export during the war for the first time.
- Most businesses managed to establish exports in wartime conditions. In July 2024, 84% of respondents indicated that they exported before the war, and also continued to export during the last 12 months (83% in June).
- Some businesses cannot overcome new challenges for export activities. As of July 2024, 14% of enterprises exported before the war, but were unable to resume exports during the last 12 months. Similar results during the last year confirm the stagnation of the export activity recovery.

ENTERPRISE PERFORMANCE INDICATORS AND SHORT-TERM EXPECTATIONS

BUSINESS ACTIVITY RECOVERY INDEX

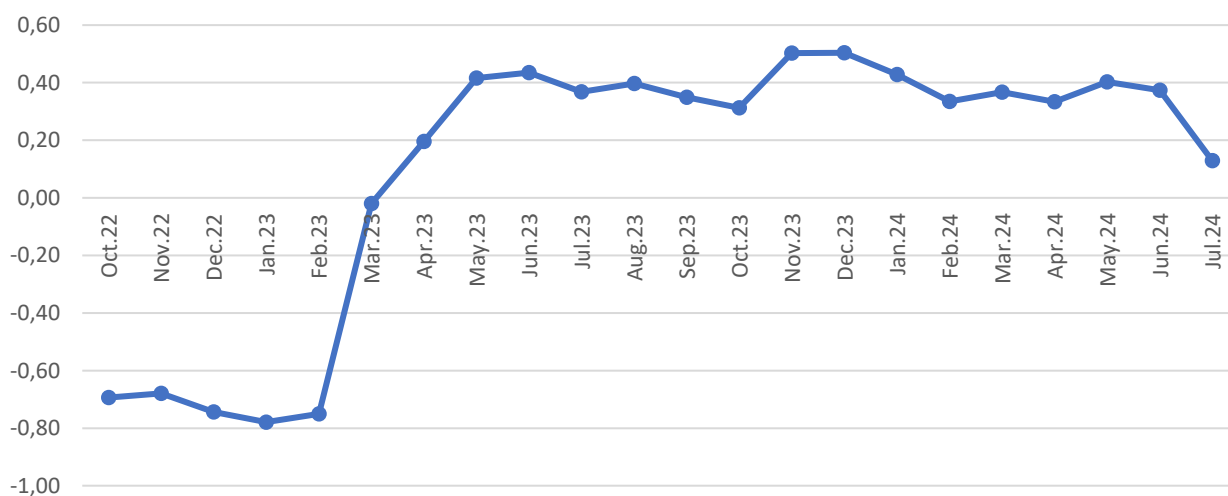
The rate of business activity recovery slowed down sharply. The BUSINESS ACTIVITY RECOVERY INDEX (YEAR TO YEAR) decreased by three times, from 0.37 to 0.13. The share of respondents who indicated that the situation had worsened slightly increased (from 13.3% to 15.3%), while the share of those who said it was better than a year ago decreased significantly (from 50.7% to 28.2%). The share of those who believe nothing has changed compared to last year has increased from 36.0% to 56.4%.

Size. The recovery of business activity significantly depends on the size of the enterprise, and the indicator decreased for all enterprises. Compared to last year, large enterprises feel the best, with an indicator of 0.35. The indicator of small enterprises is significantly lower (0.18). The indicator of small enterprises is 0.06. Microenterprises have the lowest and negative value of the indicator (-0.17).

Region Cherkasy (0.70), Vinnytsya (0.68), and Zaporizhzhya (0.65) regions have the highest rate. Volyn (-0.37), Kyiv (-0.29), and Sumy (-0.25) regions have the lowest indicators.

Sector. The highest value of the index was recorded for engineering (0.31), chemical (0.22) and food (0.20) industries. The woodworking industry has the lowest indicator (-0.11).

Fig.3. Business Activity Recovery Index



INDICATORS AND EXPECTATIONS FOR THE HALF-YEAR PERIOD

BUSINESS ACTIVITY AT THE ENTERPRISE

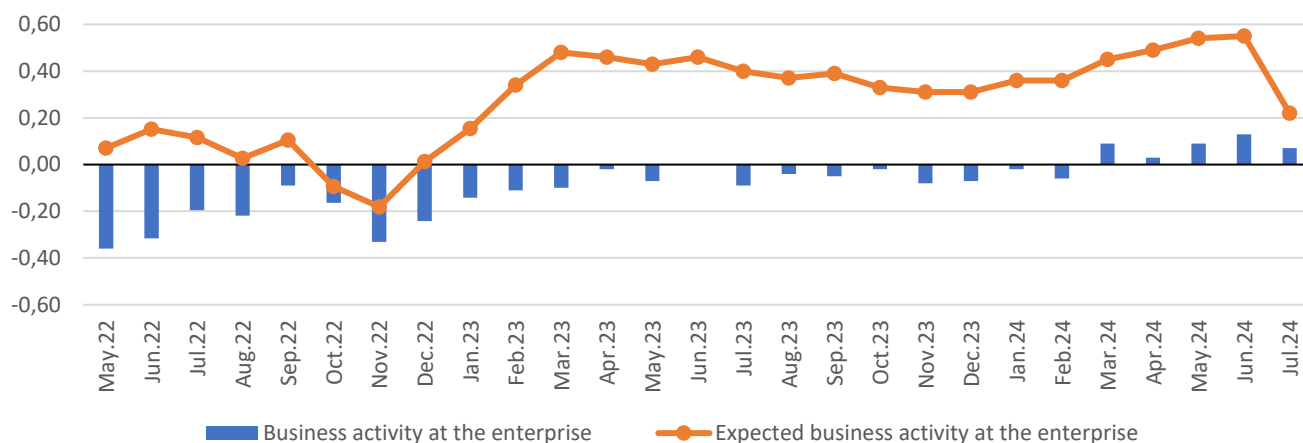
Assessments of the business activity for six months worsened after a gradual two-month growth. The CURRENT BUSINESS ACTIVITY INDEX decreased from 0.13 to 0.07. The share of those who assess the business activity at the enterprise as good has decreased (from 17.7% to 14.3%). At the same time, the share of respondents giving negative assessments increased from 9.4% to 12.6%. The share of those who consider the business activity at the enterprise to be satisfactory has not changed significantly and amounts to 73.1% (it was 72.9%).

Expectations for the future have significantly worsened over the past six months, although they remain positive. The value of THE INDEX OF THE EXPECTED CHANGES IN BUSINESS ACTIVITY almost halved, from 0.55 to 0.22. The share of

"optimists" decreased (from 58% to 29%), while the share of those who expect deterioration increased slightly, from 4.6% to 9.6%. The share of those who do not expect any changes increased from 37.4% to 61.4%.

The share of those who could not give a forecast for the next six months increased from 15.4% to 21.9%.

Fig.4. Business activity at the enterprise, indices



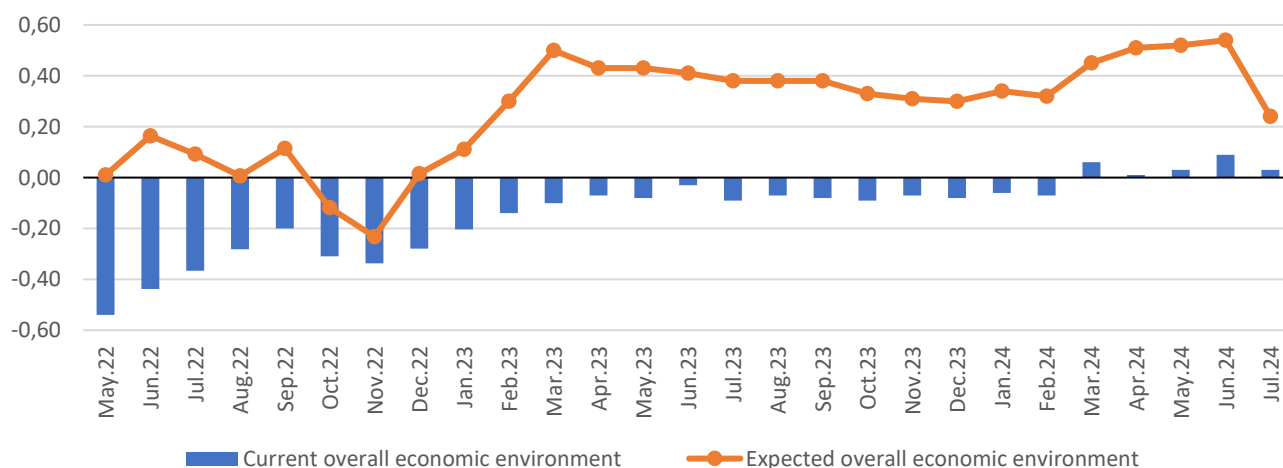
OVERALL ECONOMIC ENVIRONMENT

Assessments of the overall economic environment have slightly deteriorated after two months of gradual growth. The value of the corresponding INDEX in July decreased from 0.09 to 0.03. The share of those who assess the overall economic environment as bad increased from 14.3% to 18.9%, while the share of those who give positive assessments did not change significantly and is 16% (it was 17.5%). The share of those who consider the overall economic environment satisfactory decreased slightly, from 68.2% to 65.1%.

Enterprises forecasts regarding changes in the overall economic environment for the next six months have significantly worsened although they remain positive: the INDEX OF EXPECTED CHANGES IN THE OVERALL ECONOMIC ENVIRONMENT decreased from 0.54 to 0.24. The share of "optimists" regarding changes in the overall economic environment decreased from 57.9% to 31.1%. At the same time, the share of "pessimists" increased slightly, from 7.2% to 10.8%. The share of those who believe the overall economic environment will not change significantly over the next six months increased from 34.9% to 58.1%.

The share of those who could not give forecasts regarding the overall economic environment increased significantly, from 16.5% to 28.0%.

Fig.5. Overall economic environment, indices

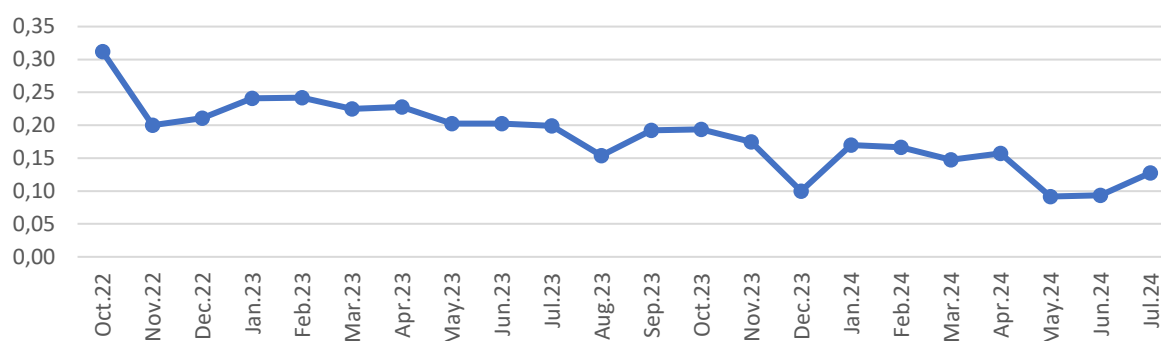


EXPANSION PLANS FOR THE NEXT TWO YEARS

Expectations for business activity for the next two years have slightly increased. The INDEX OF THE EXPECTED CHANGES IN BUSINESS ACTIVITY is 0.13 (two months in a row, it was 0.09). The share of those who plan to expand their activities has increased slightly, from 13.3% to 15.3%, while the share of those who plan to reduce their activities has not changed significantly and is 2.6% (it was 3.9%). The share of those who plan to stay at the current level has hardly changed and is 82.1% (it was 82.8%).

The percentage of those who could not give a forecast for such a distant perspective remained unchanged at 30% (it was 29.6%).

Fig.6. Expectations regarding business activity for two years, indices



Size. Micro-enterprises have the most optimistic plans for the future, with an indicator of 0.29. The indicator of large (0.13) and small (0.12) enterprises is approximately the same. The indicator of medium-sized enterprises is slightly lower and is 0.08.

Region. Significant regional differences were registered. Enterprises from Chernihiv (0.57) and Khmelnytsky (0.56) regions have the highest expectations. Sumy region has the lowest and only negative indicator (-0.07).

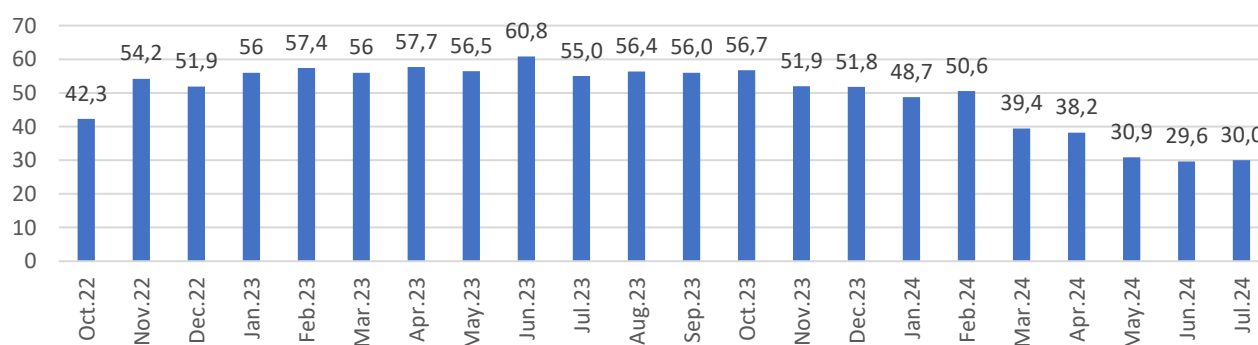
Sector. Expectations vary by industry. The light (0.21) industry has the highest value. Indicators of the chemical industry and machine building (0.04 for each sector) are the lowest.

UNCERTAINTY

Two-year expectations

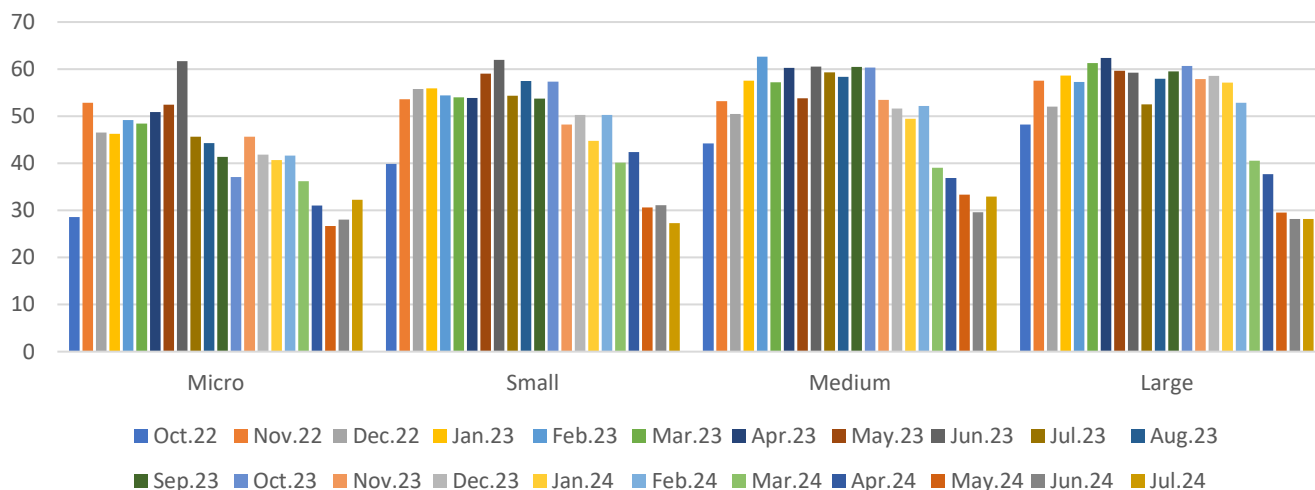
The level of uncertainty regarding the enterprises' plans for the next two years has not changed significantly for the third month in a row. 30% of respondents (29.6% in June) could not answer about the prospects for the next two years in July.

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 indicator for micro-enterprises increased slightly (from 28% to 32%), as did the uncertainty indicator for medium-sized enterprises (from 30% to 33%). At the same time, the indicator of small enterprises decreased slightly (from 31% to 27%). Uncertainty about two-year plans for large companies remained unchanged at 28%, the same as last month.

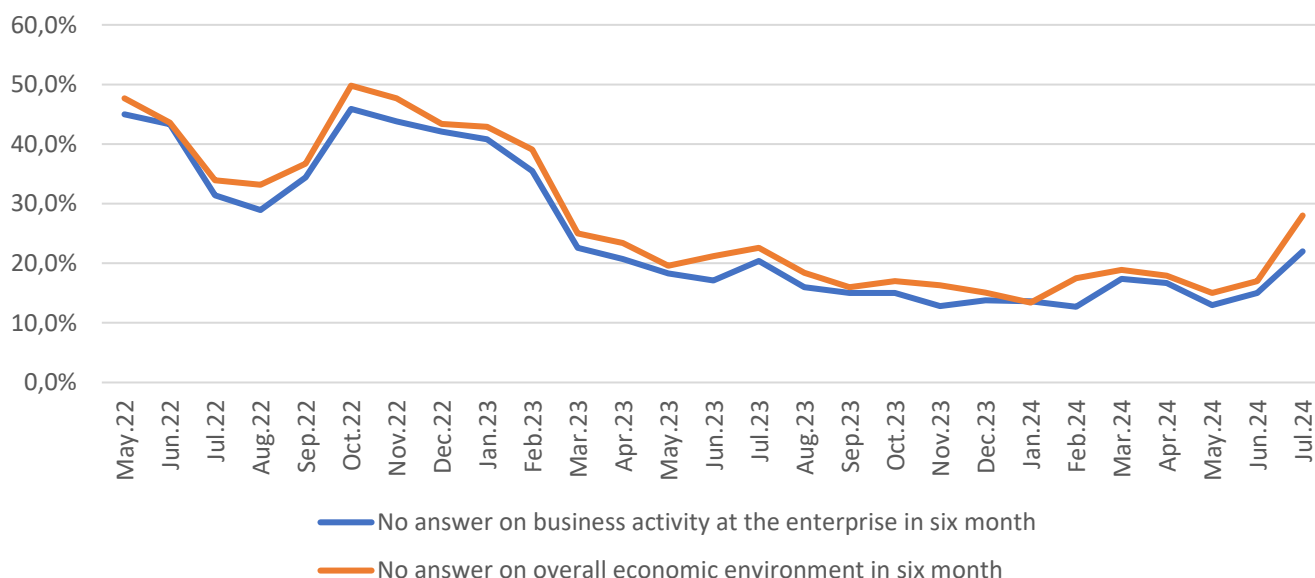
Fig.8. The share of respondents who could not answer the question about the changes for the next two years, by size of the enterprise



Half-year expectations

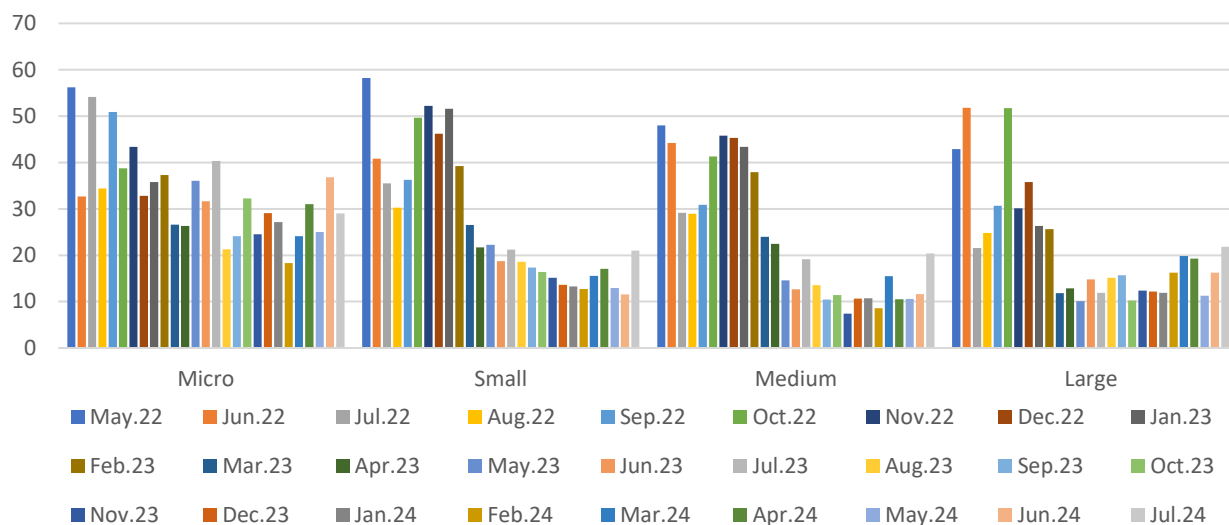
The level of uncertainty in the forecasts for the six months has increased significantly. Uncertainty for the business activity increased from 15% to 22%. The share of respondents who could not give a forecast regarding changes in the overall economic environment increased from 17% to 28%.

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



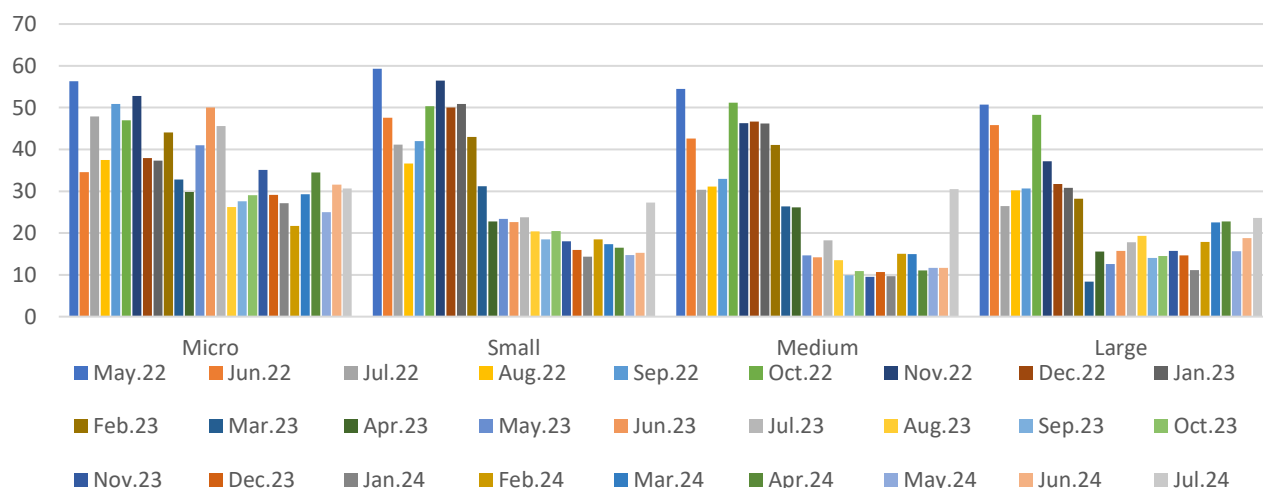
The level of uncertainty regarding the business activity at the enterprise and its dynamics depends on the size of the enterprise. Even though the uncertainty for micro-enterprises decreased from 37% to 29%, their indicator remains the highest among all enterprises by size. Uncertainty for large enterprises increased by 16% to 22%. The uncertainty index, for small and medium enterprises in June was the same and amounted to 12%, and in July it increased to 21% and 20%, 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 has not changed significantly and is 31% (it was 32%). At the same time, the uncertainty regarding the overall economic environment increased for other enterprises by size for six months. The level of uncertainty for small businesses increased from 15% to 27%. For medium-sized enterprises, the indicator increased from 12% to 31%. For large enterprises, the level of uncertainty increased from 19% to 24%.

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 July 2024, the indicator of uncertainty in the short-term perspective increased significantly for almost all production indicators. The highest level of uncertainty remained for the prices of raw materials and supplies, and the value increased from 10.4% to 18.6%. Also, the level of uncertainty in the short term has significantly increased for prices of finished goods (from 9.9% to 16.4%), new orders (from 6.3% to 12%), exports (from 6.5% to 11.8%), and stocks of finished goods (from 3% to 8.3%). The level of uncertainty did not change significantly for the number of workers and the number of workers on forced leave, where the value is 6.8% for each item (it was 6.6% and 6.1%, respectively).

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



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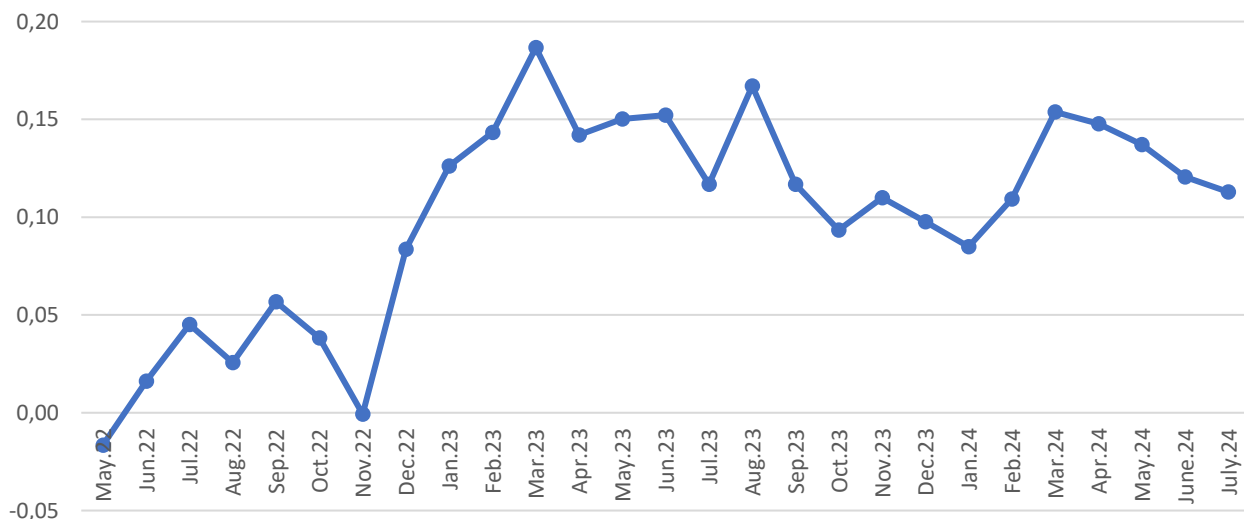
ENTERPRISE PERFORMANCE INDICATORS AND SHORT-TERM EXPECTATIONS

INDUSTRIAL CONFIDENCE INDICATOR

The value of the Industrial Confidence Indicator (ICI) has not changed significantly compared to June. In July, the indicator is 0.11 (it was 0.12).

It became possible due to the absence of significant changes in the value of the components of the indicator: (1) *production expectations* for the next 3-4 months have not changed significantly and the value is 0.37 (it was 0.38). (2) *new order portfolio* estimates were also almost unchanged at -0.02 (was -0.01), and (3) *estimates of finished goods stocks* were unchanged from last month at 0.01.

Fig.13. Industrial Confidence Indicator



PRODUCTION

Changes compared to the previous month

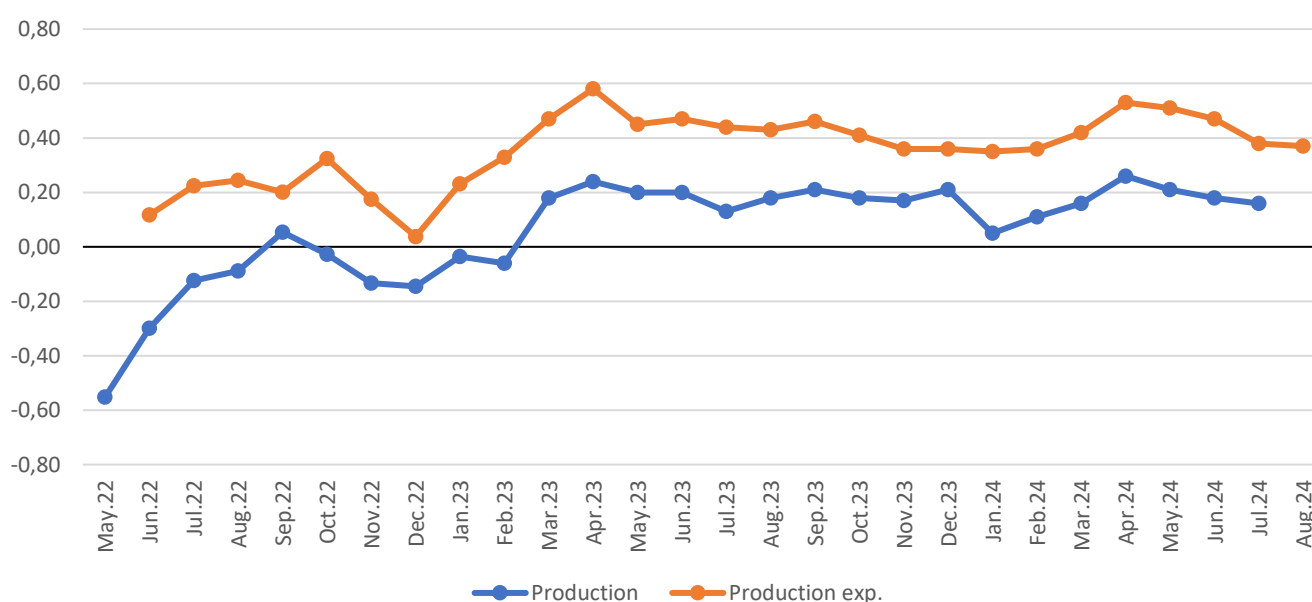
The trend towards a gradual reduction in production volume continues for the third month in a row. The PRODUCTION INDEX decreased from 0.18 to 0.16. The share of enterprises that reduced production volumes increased slightly, from 12.7% to 15.9%. At the same time, the share of enterprises that increased production volumes did not change significantly and was 24.1% (it was 25.2%). The share of enterprises where there were no changes slightly decreased, from 62% to 60%.

Size. Among enterprises of different sizes, the best results are obtained by large (0.28) and medium (0.17) enterprises. The indicator of small enterprises is -0.06. The indicator of micro-enterprises is the lowest: -0.18.

Region. Regional differences are very significant (the largest value is 0.79, and the smallest is -0.43). The best results were obtained by enterprises of Poltava (0.79), Odesa (0.43), and Zakarpattya (0.30) regions. The lowest index values were recorded for enterprises in Lviv (-0.43), Kharkiv (-0.35), and Chernivtsi (-0.31) regions.

Sector. Index values vary across sectors and industries. The best situation was in the chemical (0.23) and food (0.17) industries. Metal processing has the lowest and negative value of the indicator (-0.05).

Fig.14. Production indices



Expected changes in production

Expectations regarding the growth of production volumes have not changed significantly compared to the previous month. The INDEX OF EXPECTED CHANGES IN PRODUCTION stands at 0.37 (was 0.38). The share of enterprises where production growth was planned decreased from 39.7% to 35.7%. The share of those who do not expect changes increased from 55.4% to 59.8%. The share of enterprises planning to reduce production has not changed significantly and was 4.5% (it was 5%).

Size. Production expectations depend on the size of the enterprises. The most optimistic is the indicator of large (0.52) and medium (0.32) enterprises. The indicator of small (0.19) and micro enterprises (0.20) is lower and about the same.

Region. Enterprise plans depend significantly on the region of location. Poltava (1.00), Khmelnytsky (0.53), and Volyn (0.52) regions have the most optimistic plans for production growth. Kharkiv (-0.15), Chernivtsi (-0.08), Lviv (-0.07) and Sumy (-0.05) regions have the lowest and negative value of the indicator.

Sector. Production expectations for three months depend on the industry. The highest indicators of expectations are for engineering (0.42) and food (0.38) industries. Metal processing has the lowest value of the indicator (0.09).

SALES

Changes compared to the previous month

The sales growth rate continued its downward trend. The SALES INDEX decreased from 0.17 to 0.14. In percentage distribution, the share of those who reduced production volumes increased from 13.7% to 16.8%. The share of enterprises where there were no changes did not change significantly and is 59.2% (it was 60.8%). The share of enterprises that increased sales also did not change significantly and amounted to 24% (it was 25.5%).

Size. The SALES INDEX of large (0.25) and medium (0.16) enterprises is higher and has a positive value. The value for small (-0.07) and micro-enterprises (-0.16) is significantly lower and negative.

Region. The highest SALES INDEX was recorded for Poltava (0.79), Odesa (0.43), and Zakarpattya (0.33) regions. Lviv (-0.43), Kharkiv (-0.35), and Chernivtsi (-0.31) regions have the lowest indicator.

Sector. Food (0.16) and light (0.14) industries have the highest SALES INDEX. Metal processing has the lowest and negative value of the indicator (-0.05).

Expected changes in sales

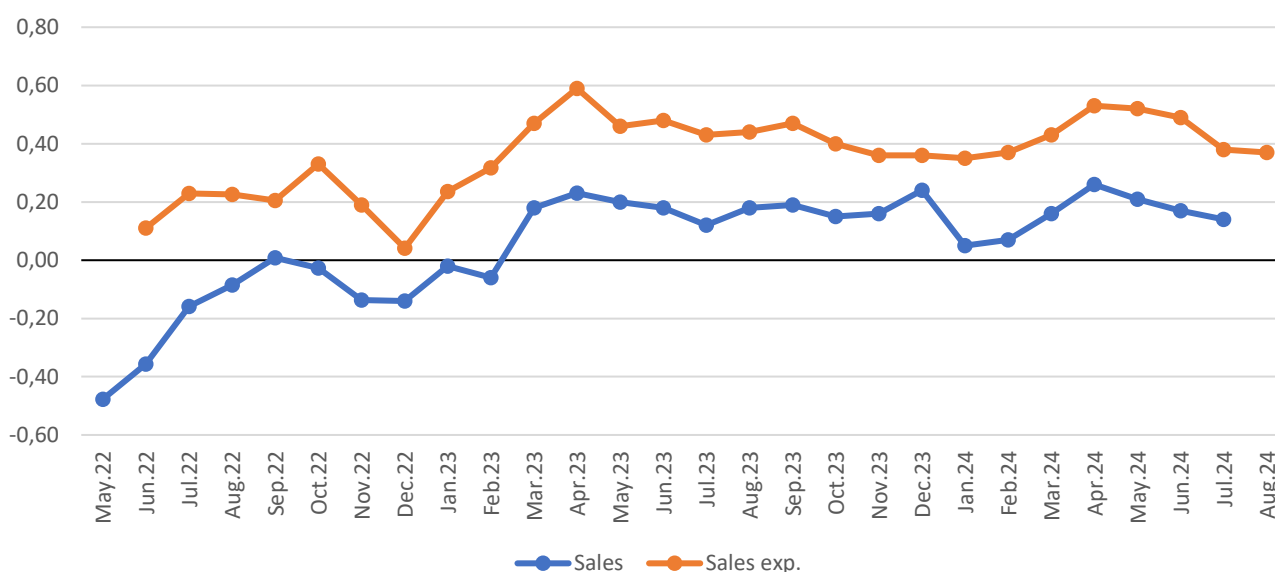
Expectations regarding sales volumes have not changed significantly. The INDEX OF EXPECTED CHANGES IN SALES is 0.37 (it was 0.38). The share of those who plan to reduce sales has not changed significantly and is 4.8% (it was 5%), and the share of those who plan to increase sales has decreased from 39.9% to 35.9%. The percentage of respondents who believe nothing will change has increased from 55.2% to 59.3%.

Size. The indicator of expectations for large (0.51) and medium (0.33) enterprises is the highest. The indicator of small (0.20) and micro enterprises (0.19) is about the same.

Region. In terms of regions, the best expectations were recorded in Poltava (1.00), Khmelnytsky (0.57), and Volyn (0.55) regions. The indicator of expectations for Kharkiv (-0.15), Chernivtsi, and Sumy (-0.11 for each) and Lviv (-0.07) regions is the lowest with a negative value.

Sector. Machine building (0.41) and food (0.40) industries have the highest sales expectations. The sales growth indicator for metalworking (0.09) is the lowest.

Fig.15. Sales indices



EXPORT

Changes compared to the previous month

Export growth rates have remained unchanged for the fourth month in a row. The EXPORT INDEX is 0.12 (it was 0.11). In terms of percentage distribution, the share of respondents whose export volumes decreased slightly increased (from 14.7% to 16.2%), and the share of enterprises that increased exports did not change significantly and amounted to 21.6% (it was 21.9%). The share of enterprises whose export volumes remained unchanged also did not change significantly and amounts to 62.2% (it was 63.4%).

Size. The EXPORT INDEX is higher and approximately the same for large (0.19) and medium (0.13) enterprises. The indicator of small enterprises is -0.13. The indicator for micro-enterprises, which is -0.38, is significantly worse and the lowest.

Region. The highest indicators are in Poltava (0.79) and Zakarpattya (0.37) regions. Kyiv city (-0.77) and Sumy (-0.75) region have the lowest indicators.

Sector. The light (0.19) industry and metalworking (0.18) have positive values of the EXPORT INDEX. The woodworking (-0.08) industry and construction materials production (-0.43) have the lowest and negative value of the indicator.

Expected changes in export

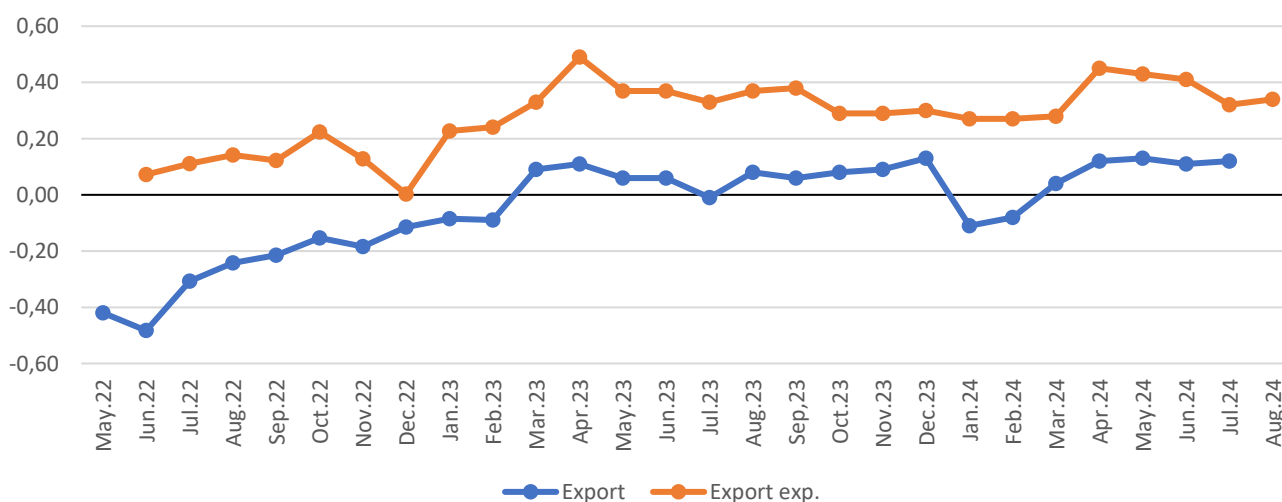
Entrepreneurs do not expect significant changes in the indicator for the next three months. The INDEX OF THE EXPECTED CHANGES IN EXPORTS was 0.34 (it was 0.32). The share of those planning to increase exports decreased from 35.1% to 32.3%. The share companies who plan to reduce it has not changed significantly for several months in a row and is 6.9% (it was 6.4%). The share of those who do not expect changes increased slightly, from 58.4% to 60.8%.

Size. The large companies have the highest index of expectations regarding exports (0.48). The indicator of medium-sized enterprises is 0.27, and the indicator of small ones, although it is significantly lower, remains positive and is 0.09. Microenterprises have the lowest export expectations, with an indicator of -0.12 and a single negative value.

Region. The highest INDEX OF EXPECTED CHANGES IN EXPORTS WAS recorded for enterprises of Poltava (91.00), Volyn (0.46), and Rivne (0.44) regions. The expectations of business representatives of Sumy (-0.75) and Kharkiv and Chernihiv (-0.11 for each) regions are the worst.

Sector. Food (0.36) and light (0.27) industries have the highest value of the index of expected changes in exports. The construction materials production (-0.37) has lowest value of the indicator.

Fig.16. Export indices



STOCKS OF RAW MATERIALS

Changes compared to the previous month

The rate of reduction of raw material stocks has slowed down. The value of the INDEX OF STOCKS OF RAW MATERIALS in July slightly increased, from 0.12 to 0.15. The share of respondents who reported on the accumulation of raw material stocks over the past month (from 20.5% to 22.8%) and the share of respondents who indicated their reduction (from 9.8% to 11.7%) increased slightly. The share of entrepreneurs for whom nothing has changed compared to last month decreased from 69.7% to 65.5%.

Size. The INDEX OF STOCKS OF RAW MATERIALS is the highest for large enterprises (0.26). The indicator of medium (0.13) and micro-enterprises is twice as low and approximately the same. The indicator of small enterprises is the lowest and has the only negative value (-0.02).

Region. Most often, the accumulation of raw materials is reported in the Poltava (0.87), Khmelnytsky (0.39) and Zakarpattia (0.31) regions. The indicators of Kyiv (-0.43), Chernihiv (-0.33), and Kharkiv (-0.15) regions are the lowest.

Sector. The chemical (0.29) and light (0.14) industries have the highest positive value. Indicators of construction materials production (-0.12) and woodworking (-0.11) industry are the lowest.

Expected changes in stocks of raw material

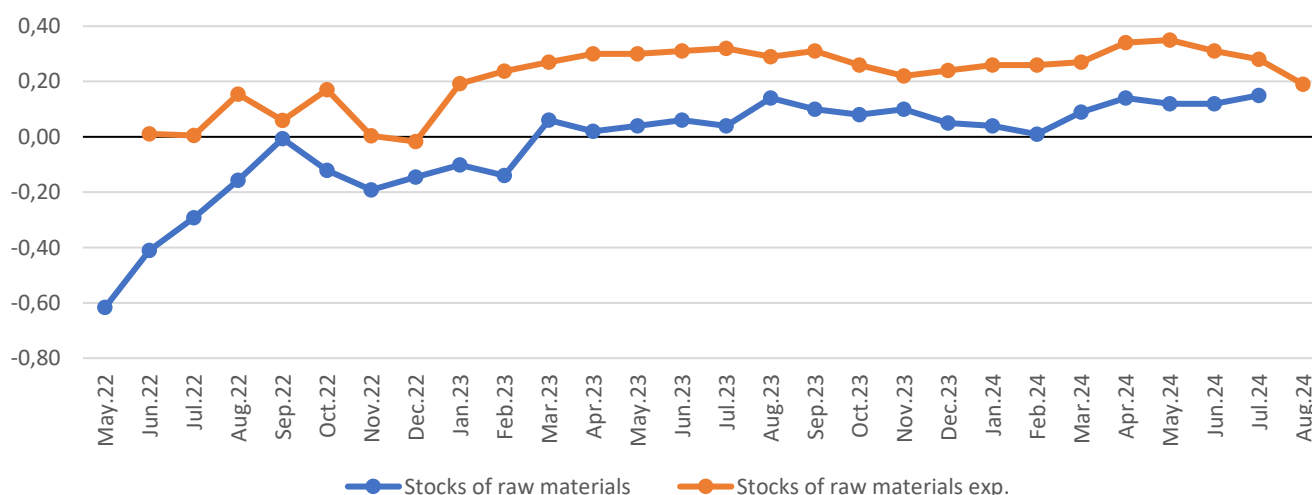
For the next three months, entrepreneurs expect a significant decrease in the indicator: the INDEX OF EXPECTED CHANGES IN STOCKS OF RAW MATERIALS has decreased significantly, from 0.28 to 0.19. The share of respondents who expect the accumulation of raw material stocks decreased slightly, from 32.7% to 23.2%; at the same time, the share of those who believe that raw material stocks will decrease has not changed significantly and is 9.3% (was 8.1%). The share of those who do not expect changes increased from 59.1% to 67.4%.

Size. The INDEX OF EXPECTED CHANGES IN STOCKS OF RAW MATERIALS is higher for large enterprises and is 0.32. The indicator of medium-sized enterprises is 0.18. The value of the indicator for small (0.01) and micro enterprises (0.04) is the lowest and about the same.

Region. The highest INDEX OF EXPECTED CHANGES IN STOCKS OF RAW MATERIALS is for Poltava (0.67), Rivne (0.32), and Dnipropetrovsk (0.30) regions. The lowest value of the index is for Kyiv city (-0.52) and Kharkiv region (-0.15).

Sector. The food industry (0.19) has the highest indicator of expectations regarding changes in raw material stocks. The woodworking industry has the lowest and negative value of the indicator (-0.06).

Fig.17. Stocks of raw material indices



STOCKS OF FINISHED GOODS

Changes compared to the previous month

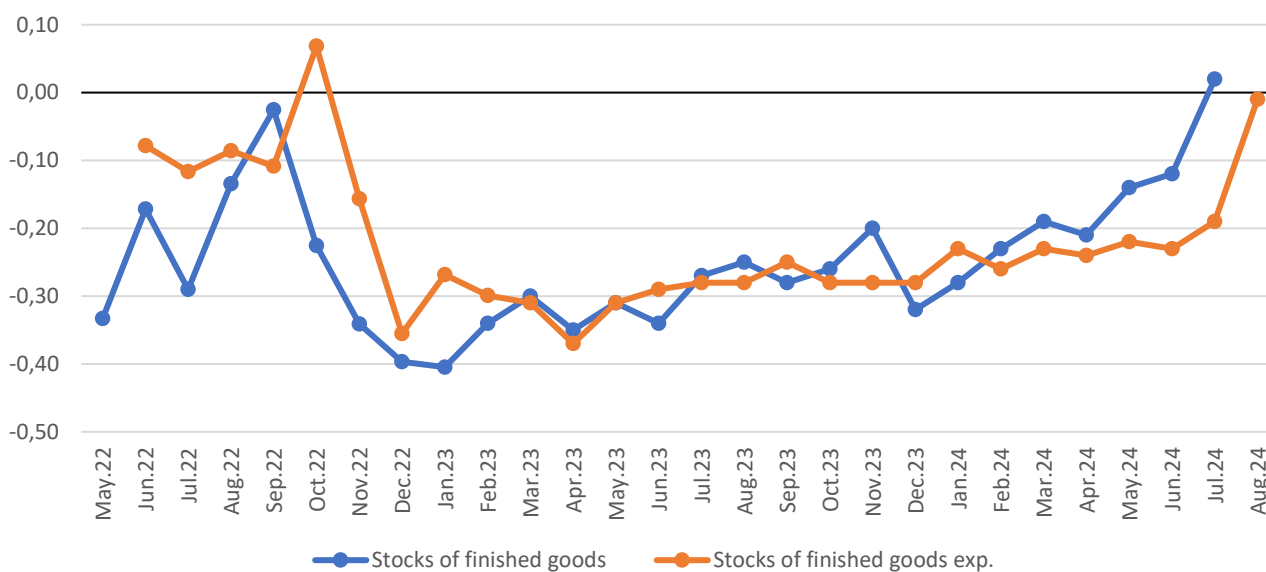
The rate of reduction of stocks of finished goods slowed down. The value of the corresponding index increased sharply, from -0.12 to 0.02, changing its sign to positive. The share of respondents who reported a decrease in stocks of finished goods decreased from 20.1% to 15.6%, while the share of respondents who reported an increase in stocks doubled from 7.5% to 14.5%. The share of respondents who did not feel any changes at all decreased from 72.4% to 69.9%.

Size. The value of the index, depending on the size of the enterprise, is the lowest for micro-enterprises (-0.11); the indicator of small (-0.05) and medium-sized enterprises (-0.01) is slightly higher but still has a negative value. The indicator of large enterprises (0.08) is the highest.

Region. The value of the index depends on the region. Accumulation of stocks of finished goods is most often mentioned at enterprises of Zakarpattya (0.30), Cherkasy (0.27), and Zaporizhzhya (0.21) regions. The lowest index is for Zhytomyr (-0.73), Dnipropetrovsk (-0.60), Kharkiv, and Vinnytsya (-0.15 each) regions.

Sector. The lowest indicators are for the construction materials production (-0.29) and food (-0.10) sectors. The light industry (0.15) has the highest value.

Fig.18. Stocks of finished goods indices



Expected changes in stocks of finished goods

In the future, the heads of enterprises for further growth of the indicator. THE INDEX OF EXPECTED CHANGES IN STOCKS OF FINISHED GOODS increased significantly, from -0.19 to -0.01. In terms of percentage distribution, the share of respondents who believe that stocks of finished goods will decrease in the next three months decreased from 29.3% to 16.4%, while the share of those who expect them to accumulate increased slightly, from 8.3% to 11.8%. The percentage of those who believe nothing will change has increased from 62.4% to 71.8%.

Size. The value of the indicator depends on the size of the enterprise. The value of the index is the lowest for micro-enterprises (-0.19). The indicator of medium (-0.05) and small companies (-0.07) is higher and approximately the same. The indicator of large enterprises (0.07) is the highest and has the only positive value.

Region. Zakarpattya, Cherkasy, and Zaporizhzhya regions (0.24 each) have the highest indicator value. The lowest indicator is for Dnipropetrovsk (-0.60) and Zhytomyr (-0.41) regions.

Sector. The value of the index for machine building is the highest and the only positive (0.14). The lowest value is for metalworking (-0.14) and light (-0.10) industries.

NEW ORDERS

Changes compared to the previous month

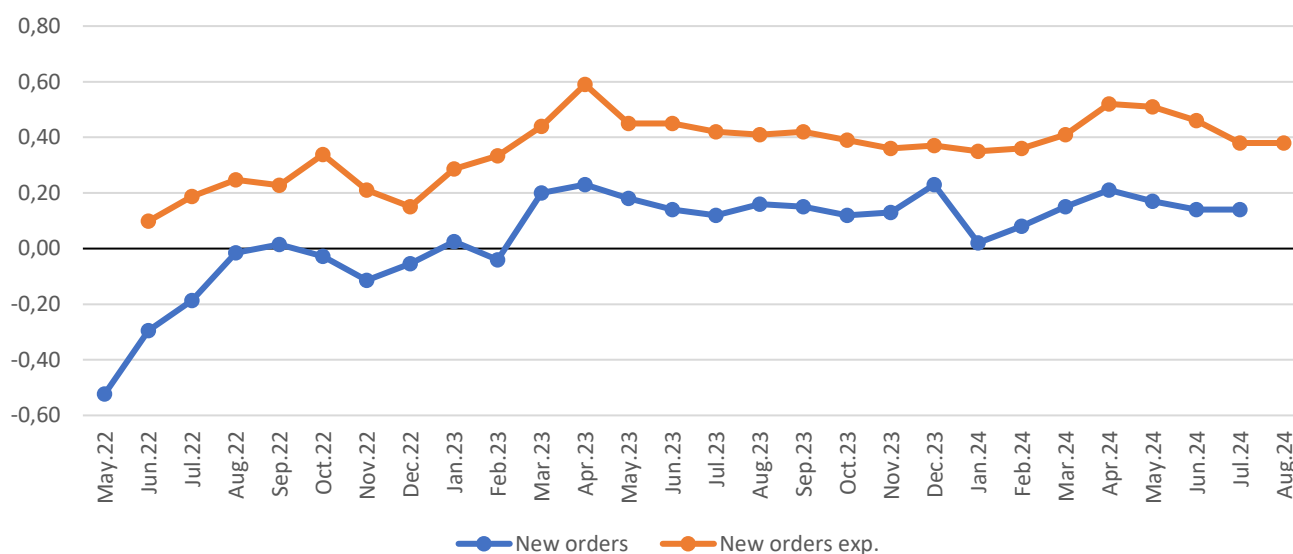
The growth rate of new orders has slowed down. The NEW ORDERS INDEX in July compared to June did not change and is 0.14. In the percentage distribution, the share of those with an increase in the volume of orders (from 21.7% to 23.3%) and the share of those with a decrease in the volume of orders (from 12.7% to 15.2%) increased slightly. The share of those who felt no change decreased from 65.6% to 61.5%.

Size. The increase in orders is reported more in large (0.23) and medium (0.14) enterprises. The indicator of small enterprises is -0.01. Microenterprises have the lowest value of the indicator (-0.13).

Region. The new orders grew the most in Poltava (0.88) and Zakarpattya (0.40) regions, while the volume of new orders in Lviv (-0.43), Kharkiv, and Sumy (-0.30 each) regions was shrinking.

Sector. The situation with new orders was best for the chemical (0.23) and light (0.22) industries in the previous month. Metal processing (-0.04) and construction materials production (-0.06) have the lowest and negative value of the indicator.

Fig.19. New orders indices



Expected changes in new orders

In the next three months, entrepreneurs do not expect changes in the indicator. The value of the INDEX OF EXPECTED CHANGES IN THE NEW ORDERS is 0.38, the same as last month. In the percentage distribution, the share of respondents expecting an increase in new orders slightly decreased, from 39.8% to 37.2%, at the same time, the share of respondents expecting a decrease in the volume of new orders almost did not change and amounted to 5.2% (it was 5.1%). The share of those who do not expect changes in the next three months increased slightly, from 55.2% to 57.6%.

Size. The indicator of expectations is about the same and lower for small (0.23) and micro enterprises (0.22). The indicator of medium-sized enterprises is 0.30. Large enterprises have the highest expectation index (0.51).

Region. Index values have significant regional differences. In Poltava (0.87) and Zaporizhzhya (0.70) regions, businesses expect an increase in new orders to a greater extent than in other ones. However, the indicators of Kharkiv (-0.15) and Chernivtsi (-0.11) regions have the lowest value.

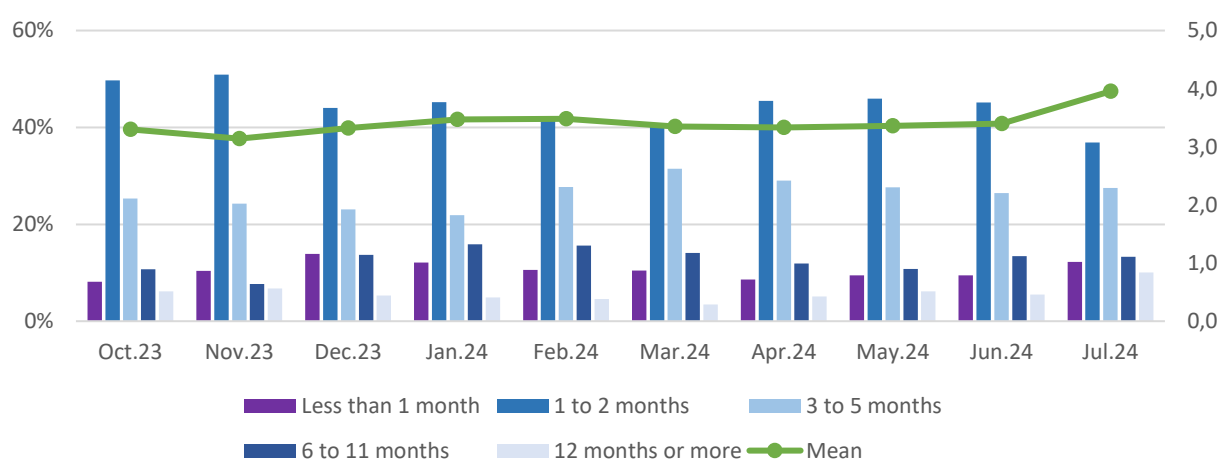
Sector. The chemical (0.50) and light (0.39) industries have the best expectations for new orders. The indicator of construction materials production is the lowest and amounts to 0.12.

Availability of orders

In July 2024, for the first time in the previous year, the average term new orders availability for the surveyed enterprises showed significant positive dynamics. It averaged four months, while from August 2023 to June 2024, it ranged from 3.1 to 3.5 months.

For example, the share of enterprises having orders for no more than two months has decreased. It was 49%, and it was the lowest level in the last year. Back in June 2024, it was 55%.

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 1.6 months (average value), while small businesses - for 2.9 months, medium - for 4.7 months, and large - for 5.4 months.

71% of micro and 61% of small enterprises have orders for only up to two months. At the same time, 34% of large enterprises and 28% of medium enterprises have orders for 6 months or more.

Sector. In July 2024, the relatively longest average terms of new orders were recorded in the food industry (4.2 months), machine building (3.8 months) and in the chemical industry (3.3 months)¹.

The shortest average term of new orders is observed in the construction materials industry (1.4 months). 86% of enterprises in this industry reported orders for only up to two months.

Region. There are differences in the supply of orders between enterprises in different regions². The average term of new orders availability is the longest for enterprises of the Rivne region, where it was 13.3 months on average. Also, the terms of existing orders are relatively long for enterprises in Odesa, Kyiv, Poltava, and Volyn regions (four months or more).

¹ Median values are given. 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." Enterprises in the printing industry are also not considered due to the insufficient sample in this industry for the analysis.

² Regions in which no enterprises were surveyed are not included in the comparison (for more details, see the "Sample" section) and Ivano-Frankivsk and Ternopil regions, where the number of respondents was insufficient for a comparative analysis.

On the other hand, the smallest average period of orders - up to two months - was recorded in Lviv, Chernivtsi, Kharkiv, Chernihiv, Dnipropetrovsk, and Zhytomyr regions.

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 has not changed for the third month in a row and is 0.18. There were no significant changes in the percentage distribution. The share of enterprise managers who indicated an increase in prices in June did not change significantly and amounts to 19.8% (it was 21.6%). The share of those who believe that prices did not change compared to the previous month is 77.2% (it was 76.3%). The share of those who speak about a decrease in prices for raw materials and supplies has not changed significantly and is 3.0% (it was 2.1%).

Size. Depending on the size of the enterprise, managers of micro (0.20) and large (0.19) enterprises often talk about an increase in the prices of raw materials and supplies. At the same time, the indicators of small (0.17) and medium companies (0.15) are not too different from them.

Region. Significant regional differences were recorded. The value of the index is higher for Poltava (0.92) and Sumy (0.80) regions. Lviv (-0.07), Chernivtsi (-0.08), and Kharkiv (-0.18) regions have a negative value of the indicator.

Sector. The PURCHASE PRICE INDEX is the highest in the machine building (0.27) and light (0.26) industry. The lowest value of the index is in the production of construction materials (-0.06).

Expected changes in the purchase prices

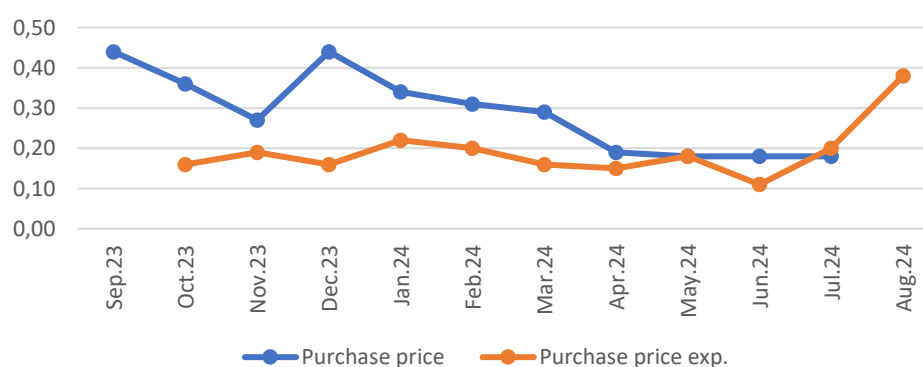
In the short term, business expects a sharp increase in the indicator for the second month in a row. The INDEX OF EXPECTED CHANGES IN THE PURCHASE PRICE increased from 0.20 to 0.38. In percentage distribution, the share of respondents who believe that there will be no changes has significantly decreased, from 76.4% to 58.9%. The share of those expecting a price increase increased from 21.8% to 38.6%. The share of those who believe that the prices of raw materials and materials will decrease in the next three months has not changed significantly and is 2.6% (it was 1.7%).

Size. The indicator of expectations for medium enterprises (0.39) is the highest. The indicator for small (0.36) and large companies (0.34) is slightly lower. Microenterprises have the lowest value of the indicator (0.28).

Region. The most talk about a possible increase in prices for raw materials and supplies is in Poltava (0.96), Dnipropetrovsk (0.80), and Sumy (0.75) regions. The indicator of the Rivne region is the lowest and is equal to zero.

Sector. Machine building has the highest value of the index (0.64). Construction materials production has the lowest indicator (0.13).

Fig.21. Purchase prices indices



DOMESTIC SALES PRICES

Changes compared to the previous month

The rate of growth of prices for finished goods slowed down. The DOMESTIC SALES PRICE INDEX decreased from 0.18 to 0.12. The share of company managers who indicated a price increase in July decreased from 20.2% to 14.3%. The share of those who believe prices did not change compared to the previous month increased from 77.7% to 82.7%. The share of respondents who talk about price reductions has not changed significantly and is 3.0% (it was 2.1%).

Size. The distribution by enterprise size is approximately in the same range. The indicator of small enterprises is 0.13. The indicator of micro and medium-sized enterprises is the same and amounts to 0.11. The indicator of large enterprises is 0.10.

Region. Significant regional differences were recorded. The value of the index is higher for the Sumy region (0.90). The indicators of Lviv (-0.07), Chernivtsi (-0.08), and Kharkiv (-0.15) regions have the lowest indicators.

Sector. The DOMESTIC SALES PRICE INDEX is the highest for engineering (0.15), chemical (0.14), metalworking (0.13) and food (0.09) industries. Construction materials production has the lowest index (-0.06).

Expected changes in the domestic sales prices

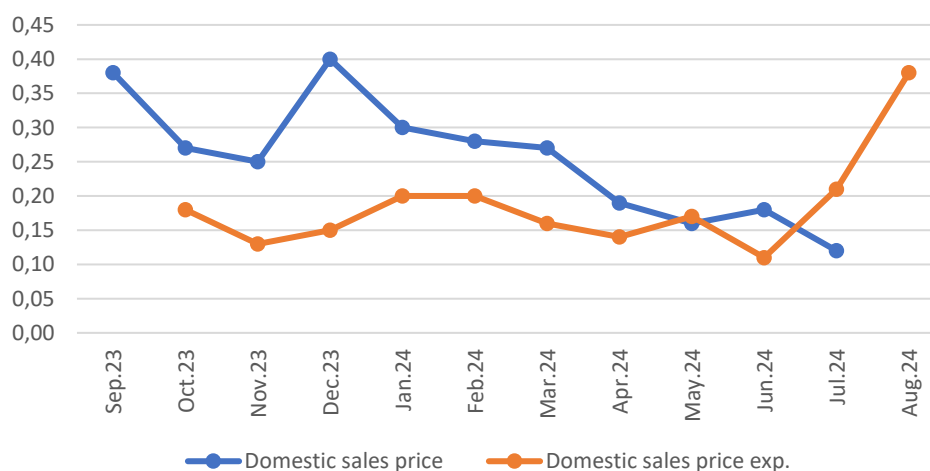
In the near future, company managers expect a sharp increase in the indicator. The INDEX OF EXPECTED CHANGES IN DOMESTIC SALES PRICES increased from 0.21 to 0.38. The share of respondents not planning changes decreased from 76.7% to 59.2%. The share of respondents planning to raise prices in the next three months increased from 21.8% to 38.3%. The share of those who believe that the prices will decrease in the next three months has not changed significantly and is 2.5% (it was 1.5%).

Size. Medium-sized (0.40) and small (0.37) enterprises expect an increase in prices for finished goods the most. The indicator of large (0.31) and micro enterprises (0.29) is lower and about the same.

Region. Most talk about a possible increase in domestic sales prices is in Sumy (0.84), Dnipropetrovsk (0.80), and Poltava (0.79) regions. The indicator of the Rivne region is the lowest and is equal to zero.

Sector. Engineering (0.48) and light (0.39) industries have the highest index. The lowest indicator of expectations is in construction materials production (0.19).

Fig.22. Domestic sales prices indices



ACCOUNT RECEIVABLES

Changes compared to the previous month

The rate of receivables reduction has slowed down. The value of the ACCOUNT RECEIVABLES INDEX increased from -0.17 to -0.11 in July. The share of those who reported debt reduction slightly decreased, from 27.5% to 24%, while the share of those who accumulated debt did not change significantly and is 11.8% (it was 10.4%). The share of those for whom nothing has changed slightly increased, from 62.1% to 64.2%.

Size. The situation with receivables is better for small enterprises (-0.17). The indicator of medium (-0.12) and large (-0.11) enterprises is approximately the same. Micro-enterprises (-0.03) have the highest indicator of receivables.

Region. Significant regional differences in the values of this indicator were recorded. The highest positive value of the indicator was recorded in Kyiv city (0.38), Vinnytsya, and Kyiv regions (0.20 each). At the same time, in the Sumy region (-1.00), the indicator of receivables decreased the most.

Sector. Metal processing (0.15) has the highest indicator of receivables. The lowest indicator is in the construction materials production (-0.44).

Expected changes in account receivables

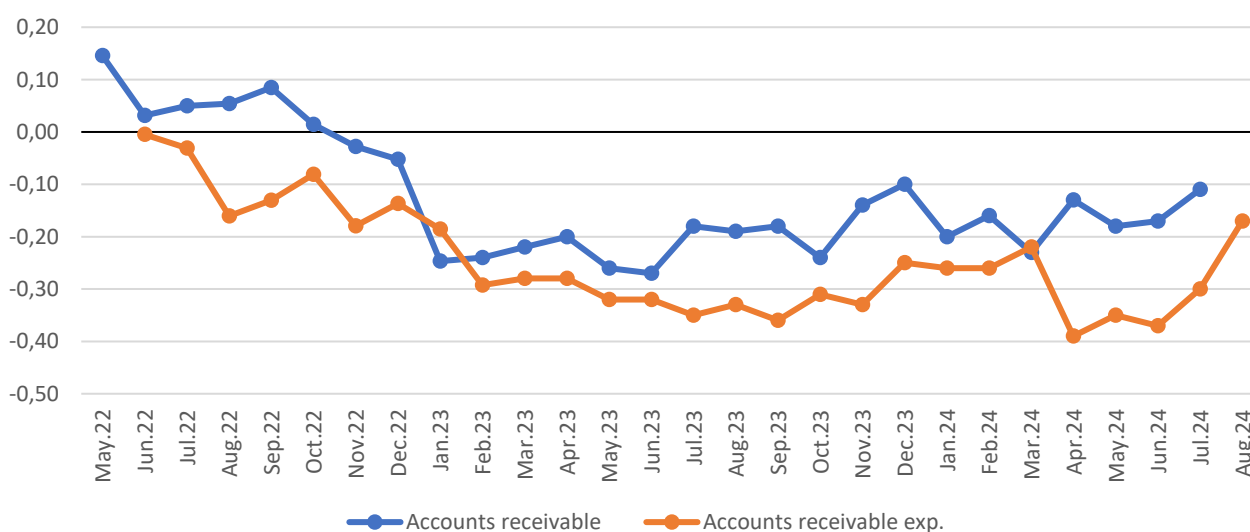
In three months, entrepreneurs expect further deterioration of the indicator. The INDEX OF EXPECTED CHANGES IN ACCOUNTS RECEIVABLE increased from -0.30 to -0.11. The share of respondents expecting to accumulate debt increased slightly, from 3.5% to 5.3%. At the same time, the share of those expecting it to decrease significantly decreased, from 34% to 24.1%. The share of those who believe that nothing will change has increased from 62.5% to 70.6%.

Size. Small (-0.23), medium (-0.22), and micro-enterprises (-0.21) have better and approximately the same value of the indicator. Significantly worse is the indicator of expectations for large enterprises, which is -0.06.

Region. Kyiv city (0.14) and Vinnytsya (0.13) region have the largest values which are above zero. The lowest indicator is the Sumy region (-1.00).

Sector. The highest expectations for the accumulation of receivables are for machine building, whose indicator is -0.05. Construction materials production has the lowest indicator (-0.50).

Fig.23. Account receivables indices



ACCOUNT PAYABLES

Changes compared to the previous month

In July 2024, the indicator of payables deteriorated significantly. The ACCOUNT PAYABLES INDEX almost doubled, from -0.23 to -0.14. The share of respondents who reported accumulating debt increased slightly, from 5.1% to 7.4%. The share of those for whom accounts payable decreased dropped from 28.2% to 23.3%. The share of those for whom nothing has changed over the past month has slightly increased, from 66.7% to 69.3%.

Size. The indicator of payables for small enterprises (-0.25) is the lowest. The indicator of microenterprises is -0.15. The worst and the same indicator of accumulation of accounts payable is for medium and large enterprises and is -0.10.

Region. Significant regional differences were recorded. The situation with the accumulation of payables is worse in Vinnytsya (0.16) region, Kyiv city (0.14), and Kyiv (0.10) region. The best situation is in the Sumy (-0.80) and Zhytomyr (-0.64) regions.

Sector. The debt indicator is the highest in the woodworking industry (0.10) and machine building (0.04). The chemical industry (-0.40) and construction materials production (-0.44) have the lowest indicator.

Expected changes in account payables

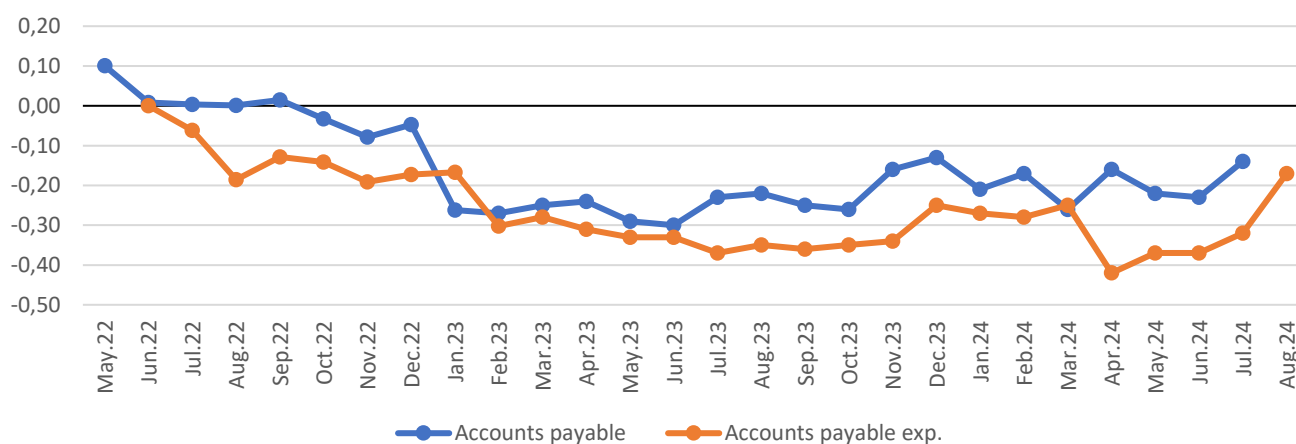
For the next three months, entrepreneurs expect further deterioration of the indicator. The INDEX OF THE EXPECTED CHANGES IN ACCOUNT PAYABLES increased from -0.32 to -0.37. The share of those who expect a reduction in accounts payable decreased from 34.1% to 22.6%. The share of those who expect to accumulate it has not changed significantly and is 3.7% (it was 2.9%). The share of respondents who believe that nothing will change has increased from 63% to 73.7%.

Size. The indicator of expectations of small (-0.22) and medium-sized (-0.24) enterprises is the best. The indicator of micro-enterprises is somewhat higher (-0.18). The indicator of expectations regarding changes in payables of large enterprises is the worst and is -0.06.

Region. The indicator of expectations regarding changes in payables is positive for Vinnytsya (0.13) region, Kyiv city (0.05), and Poltava (0.04) region. Sumy (-0.90), Dnipropetrovsk (-0.80), and Zhytomyr (-0.73) regions have the lowest indicator of expectations.

Sector. The machine building indicator is the highest (-0.05). The construction materials production (-0.50) and the chemical (-0.60) industry have the lowest values.

Fig.24. Account payables indices



TAX ARREARS

Changes compared to the previous month

The indicator of the accumulation of tax arrears worsened. The TAX ARREARS INDEX increased insignificantly from -0.26 to -0.17 in June. The share of enterprises that reported a reduction in tax arrears for the past month decreased from 29.2% to 22.0%. The share of respondents who indicated an increase in tax arrears did not change significantly and is 2.1% (it was 1.7%). The share of those who believe that no changes have taken place has increased from 69.1% to 75.8%.

Size. Tax arrears indicators are better for small enterprises (-0.30). The indicator of medium (-0.21) and micro-enterprises (-0.16) is somewhat higher. The worst is the indicator of large enterprises (-0.06).

Region. There are significant differences in the value of this indicator by region. The indicator of Volyn, Kyiv, Odesa, Rivne, Chernihiv regions, and Kyiv city is zero. The lowest is the indicator of Sumy (-0.81) and Dnipropetrovsk (-0.45) regions.

Sector. Machine building and light (-0.10 for each) industries have the highest indicator of tax arrears. The indicator for the chemical (-0.29) and food (-0.25) industries is the lowest.

Expected changes in tax arrears

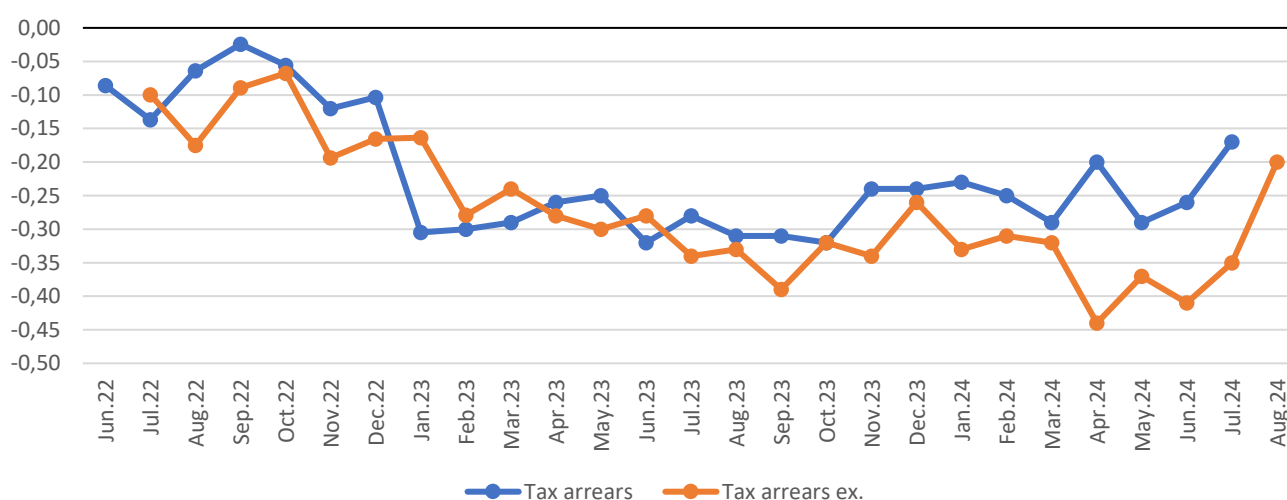
For the next three months, entrepreneurs expect further deterioration of the indicator values. The INDEX OF THE EXPECTED CHANGES IN TAX ARREARS increased from -0.35 to -0.20. The share of those who predict a reduction in tax arrears decreased from 37.7% to 23.3%, while the share of those who expect it to increase has not changed significantly and is 0.04% (it was 1.3%). The share of those who do not expect changes increased from 61% to 76.4%.

Size. Indicators of tax arrears expectations are better for small enterprises (-0.31). The indicator of medium (-0.20) and micro-enterprises (-0.22) is approximately the same. Large enterprises have a somewhat higher and worse indicator of expectations (-0.15).

Region. Kyiv, Odesa, Rivne, Chernihiv, and Kirovohrad regions have the highest index of expectations regarding the accumulation of tax arrears, the value for which is zero. The indicator of Sumy region (-0.94) is the lowest.

Sector. The highest indicator of expectations of tax arrears is for metalworking (-0.11). The lowest is the indicator for construction materials production (-0.47) and the chemical (-0.57) industry.

Fig.25. Tax arrears indices



NUMBER OF WORKERS

Changes compared to the previous month

The rate of reduction of the number of workers slowed down. The NUMBER OF WORKERS INDEX has not changed significantly and is -0.09 (it was -0.10 in June). There were no significant changes in percentage distribution. The proportion of respondents who reported the reduction of workers is 11.7% (it was 10.6%). The share of those who pointed to their increase did not change significantly and is 2.1% (it was 1.1%). The share of those for whom nothing has changed decreased slightly, from 88.2% to 86.2%.

Size. Small (-0.08) enterprises spoke the least about reducing the number of workers. The indicator of large companies and micro-enterprises is the same and amounts to -0.10. The average enterprise is -0.11.

Region. Higher than zero is the value for the Sumy region, which is 0.15. Zhytomyr (-0.55) and Dnipropetrovsk (-0,60) regions have the lowest indicator.

Sector. The chemical (-0.06) industry and machine building (-0.07) have the highest indicator. Construction materials production has the lowest indicator (-0,29).

Expected changes in the number of workers

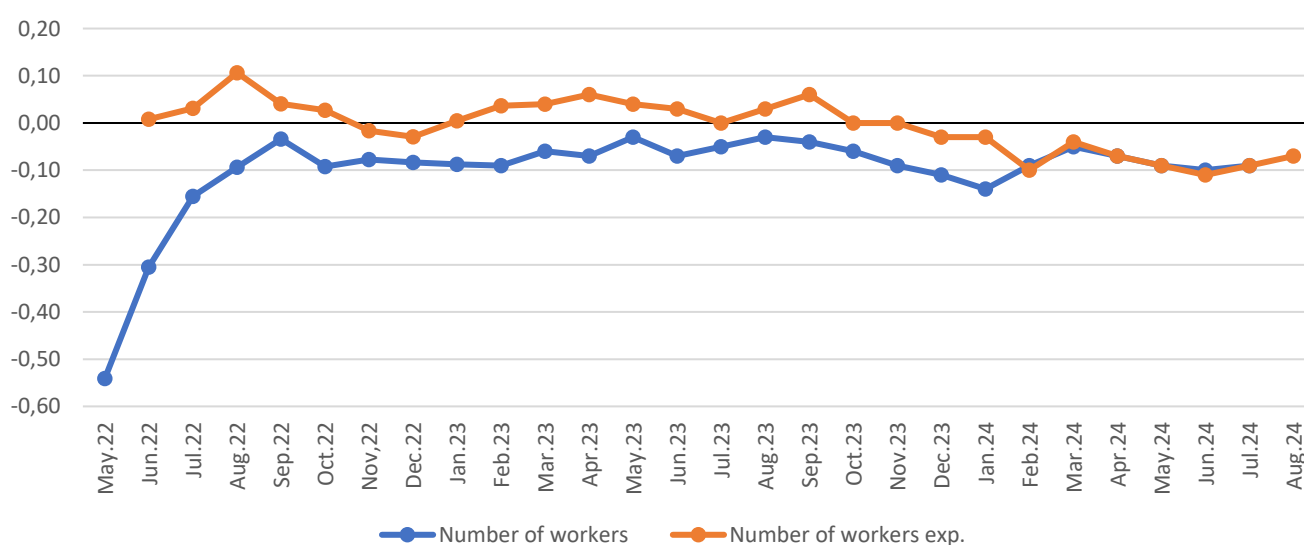
In the next three months, the enterprises' managers are waiting for a further gradual slowdown in the rate of reduction of the number of workers: the INDEX OF EXPECTED CHANGES IN THE NUMBER OF WORKERS increased from -0.09 to -0.07. The share of respondents who plan to increase the number of workers has increased slightly, from 2.4% to 4%, while the proportion of those who expect to reduce the number of workers has not changed significantly and is 10.5% (it was 9.1%). The share of those who do not plan changes has decreased slightly from 88.5% to 85.5%.

Size. The least about the further reduction in the number of workers is spoken at micro-enterprises (0.06). The indicator of large enterprises is -0.06. The indicator for small and medium-sized enterprises is the same and is -0.09.

Region. The value of the index of expected changes in the number of workers depends significantly on the region of the enterprise. The highest positive value of the indicator is in Khmelnytsky (0.16) and Volyn (0.11) regions. Zhytomyr (-0.73) and Dnipropetrovsk (-0,75) regions have the lowest indicator.

Sector. The highest expectation index is for the light (0.02) industry, and the indicator of the woodworking industry is zero. The expectations index for construction materials production (-0,29) is the lowest.

Fig.26. Number of workers indices



WORKERS ON FORCED LEAVE

Changes compared to the previous month

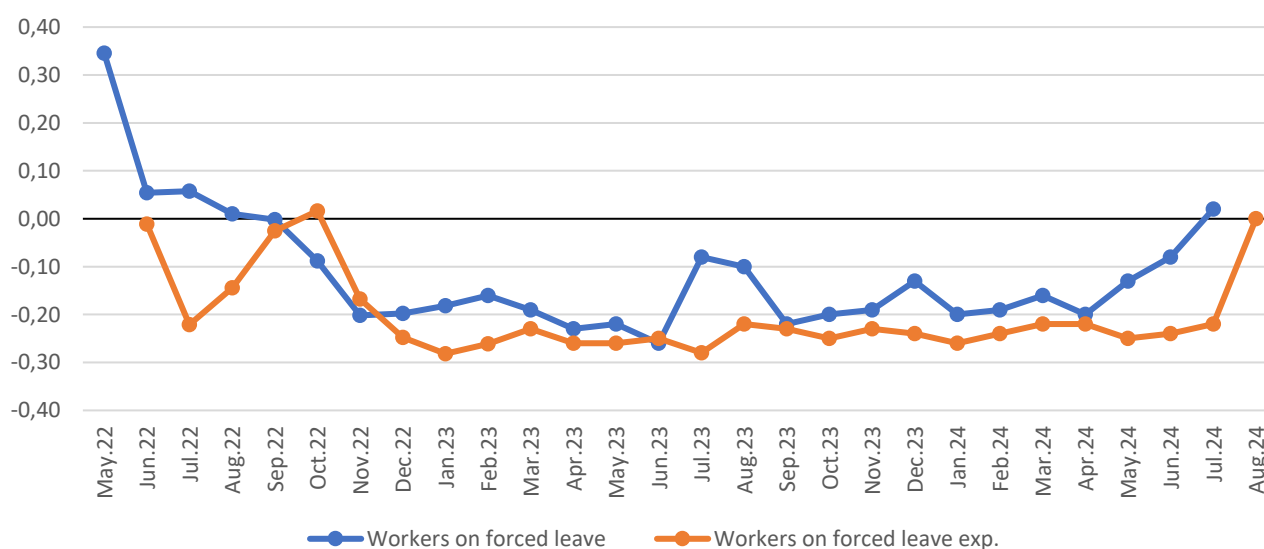
The rate of reduction of the number of workers on forced leave significantly slowed down. The NUMBER OF WORKERS ON THE FORCED LEAVE INDEX increased from -0.08 to 0.02 and the value became positive. The share of those who reported the increase in such workers decreased from 8.7% to 4.1%. The share of those who pointed to their reduction has also decreased from 16.7% to 3.8%. The number of those for whom nothing has changed over the past month has increased from 74.6% to 92.1%.

Size. The micro-enterprises (-0,10) index is the lowest. The indicator of small enterprises is -0.01. The medium (0.02) and large (0.03) enterprises have the highest indicator.

Region. The growth of the indicator is most observed among the enterprises of Sumy (0.11), Vinnytsya (0.08), Kirovograd, and Khmelnytsky (0.07 for each) regions, and most often reduction in the number of workers on forced leave are reported in Kharkiv (-0,20) and Chernivtsi (-0,13) regions.

Sector. Higher indicators of the number of workers on forced leave (0.08) are in engineering and woodworking (0.06). The light (-0.03) industry and construction materials production (-0.17) have the lowest indicators.

Fig. 27. Number of workers on forced leave indices



Expected changes in the number of workers on forced leave

Businesses with workers on forced leave are expected to increase the number of such employees in the next three months. The INDEX OF EXPECTED CHANGES IN THE NUMBER OF WORKERS ON FORCED LEAVE increased from -0.22 to zero. The share of enterprises that expected to increase the number of workers on forced leave has not changed significantly and is 2.4% (it was 1.4%). The share of those who think that the number of such employees at their enterprise will decrease shortened almost six times, from 23.5% to 4.2%. The share of those who believe there will be no changes increased from 75.1% to 93.5%.

Size. The indicator of micro (-0.08) and small companies (-0.05) is the lowest and has a negative value. The indicator of medium and large enterprises is the same and significantly higher amounts to 0.01.

Region. Indicators of expectations of Vinnytsya (0.06), Kirovohrad, and Volyn (0.05 for each) regions have the highest and positive value. The indicators of Kharkiv (-0.17) and Chernivtsi (-0.11) regions are the lowest.

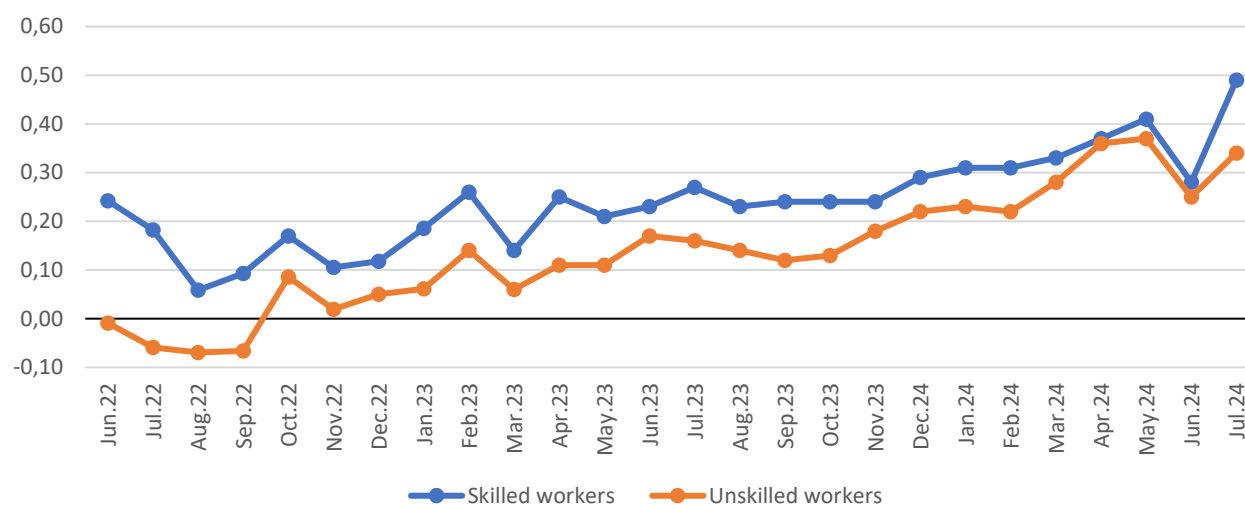
Sector. The highest expectation for the number of workers on forced leave is for woodworking, food industry, and metalworking, which indicator is zero. Construction materials production has the lowest indicator (-0.09).

SKILLED AND UNSKILLED WORKERS

In July 2024, difficulties in finding workers with appropriate qualifications have increased significantly. The value of the INDEX OF FINDING SKILLED WORKERS increased from 0.28 to 0.49. The value of the INDEX OF FINDING UNSKILLED WORKERS increased from 0.25 to 0.34.

The share of enterprise managers who indicated that it is more difficult to find skilled workers (from 34.6% to 50.8%) and the share of those who find it harder to find unskilled workers (from 28.7% to 37.8%) increased. The percentage of those who find it easier to find skilled workers decreased from 5.4% to 1.1%. The share of those who find it easier to find unskilled workers has not changed significantly for several months in a row and is 3.9% (it was 4.8%). At the same time, the share of those who do not feel any changes in the search for skilled workers decreased from 60% to 48.1%, and for unskilled workers, this percentage increased from 66.4% to 58.3%.

Fig.28. Skilled and unskilled workers indices



Skilled workers

Size. It is most difficult to find skilled workers for micro-enterprises, whose indicator is the highest and amounts to 0.61. The indicator of small enterprises is 0.50. The indicator of medium and large enterprises is slightly lower and the same and is 0.48.

Regions. Significant regional differences in the labor market were recorded. It is most difficult to find skilled workers in the Dnipropetrovsk and Zhytomyr regions (1.00 for each). It is easiest to find skilled workers in the Rivne region, the indicator of which has a single negative value (-0.08).

Sector. Chemical (0.30) and woodworking (0.31) industries have fewer difficulties finding skilled workers. It is more difficult to find skilled workers for construction materials production (0.69) and light industry (0.66).

Unskilled workers

Size. It is more difficult to find unskilled workers for medium-sized (0.38) and micro-enterprises (0.37). The indicator for large enterprises is 0.32, and the indicator for small enterprises is the lowest (0.29).

Region. It is most difficult to find unskilled workers in Dnipropetrovsk, Zhytomyr, Poltava, and Chernihiv regions (1.00 for each). The Sumy region has the lowest and negative indicator (-0.65).

Sector. The worst indicators for finding unskilled workers are observed in the construction materials production (0.54) and light (0.46) industry. The chemical industry has the lowest value of the indicator (0.17).

SPECIAL PART OF THE SURVEY

THE IMPACT OF WAR ON ENTERPRISES

Challenges for businesses in wartime

In July 2024, the most acute obstacle to business caused by the full-scale Russian invasion for the second month was the **electricity, water, or heat supply outages**. The percentage of businesses that indicated this obstacle was 78%; it was the highest value for this obstacle in 2024 and one of the highest for the entire survey period including 2022 and 2023. In addition, the share of enterprises reporting electricity, water, or heat supply outages has significantly increased compared to May and June of this year, when 41% and 65% of respondents faced them, respectively. This was preceded by mass shelling by Russia of the energy system of Ukraine in the spring and summer of 2024.

The value of the **work hazards** caused by a full-scale Russian invasion has remained at a high level for the past four months. In July, this obstacle was indicated by 58% of enterprises, as a result, it took second place in the challenges rating. This is close to the value of this issue during April-June 2024 when it was 54%-55%. At the same time, this is more than at the beginning of the year, when 45%-46% of surveyed businesses said that it was unsafe to work. In July, massive Russian attacks on the entire territory of Ukraine and combat operations along the front line continued, while the advance of Russian troops continued in the Donetsk region.

Lack of labor due to conscription or worker migration came in third place among the obstacles for the surveyed business. 47% of enterprises encountered this problem, which is more than in June, when 42% of respondents indicated it. Over the past six months, the share of businesses reporting understaffing has ranged from 42% to 50%, suggesting that this issue remains a significant issue for a significant share of businesses.

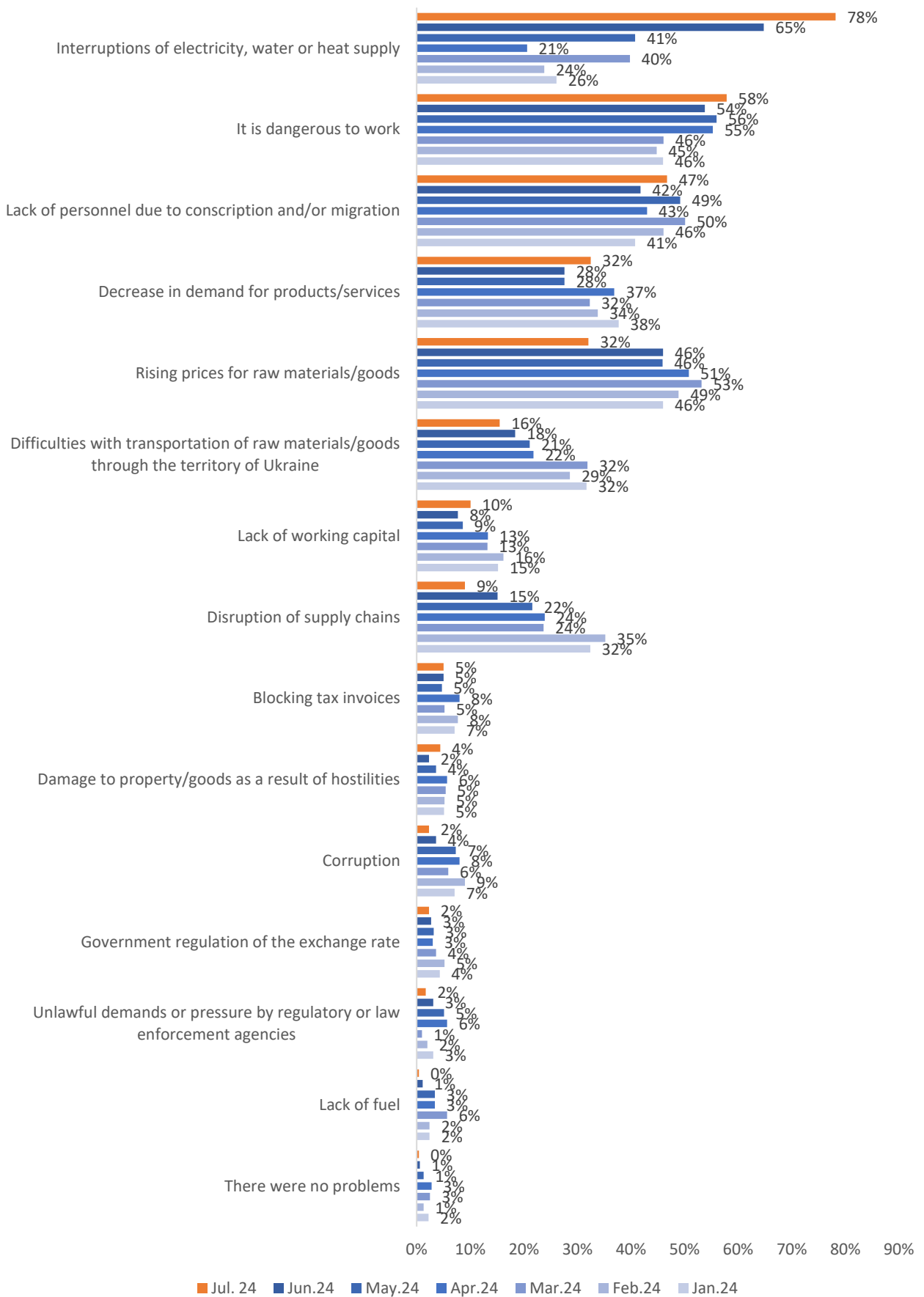
Fourth place in the rating of obstacles for business was shared by a **decrease in demand for enterprise products or services** and **rising prices for raw materials and supplies**. 32% of enterprises indicated these obstacles in July. At the same time, the negative impact of one of them decreased, and the other - on the contrary, somewhat increased.

Thus, price increases were discussed less often in July than in June, when this problem was relevant for 46% of enterprises. It indicates that, as of July, additional costs for alternative sources of electricity, caused by power outages due to Russian shelling, were not significantly reflected in the cost of raw materials and supplies for enterprises. It also corresponds to the general trend in Ukraine - according to the NBU, monthly prices in July did not change compared to June. Instead, more enterprises felt the decrease in demand: in June, there were 28% of such enterprises.

Difficulty transporting raw materials or goods through the territory of Ukraine were reported by 16% of respondents, as a result of which this obstacle took the sixth place in the ranking of obstacles. The share of enterprises facing this problem continues to decrease: at the beginning of 2024, about a third of enterprises reported such difficulties.

The problem of **lack of working capital** became the seventh most important obstacle for business - it was indicated by 10% of enterprises (8% in June). The eighth place in this rating was occupied by **disruption of supply chains**, which was reported by 9% of enterprises. Its significance has decreased compared to June, when it was reported by 15% of enterprises, and it has also more than tripled compared to the beginning of 2024: in January and February, more than 30% of respondents indicated this problem.

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



The ninth and tenth places in the rating of obstacles in July were occupied by the **blocking of tax invoices** and **damage to property or goods due to military actions** (5% and 4%). 2% or less of enterprises reported **corruption, state regulation of currency exchange rates, illegal requirements or pressure from supervisory or law enforcement agencies, and lack of fuel.**

In addition, less than 1% of businesses surveyed in July 2024 said they had not experienced any problems.

Challenges for businesses by size. Micro-enterprises talk more often than larger enterprises about the negative impact of electricity, water, or heat supply outages (86% of them indicated this problem).

The larger the size of the businesses, the more likely they are to report work hazards associated with a full-scale Russian invasion. This share rises from 34% of micro-enterprises to 48% of small and 65% of medium-sized enterprises and is highest among large enterprises: 72% of them said it was unsafe to work.

Also, as the size of enterprises increases, complaints about the lack of labor force due to mobilization or worker migration become more frequent: the share of enterprises facing this obstacle was 31% among micro-businesses and increases to 53% among large ones. Small enterprises are characterized by a larger share of those who face a lack of demand (40%) compared to micro-, medium-, and large-sized businesses.

Challenges for businesses by sector. The negative impact of electricity, water, or heat supply outages on their activities in July was most often reported by enterprises in the chemical industry, food industry, textile, clothing, or footwear production, and construction materials production (more than 80%)³.

Businesses working in the chemical industry (68%), metallurgy, and the food industry (65% each) said it is unsafe to work. In metallurgy, labor shortages due to mobilization or worker migration were reported much more often than among other industrial enterprises (74%). This problem is also acutely felt in the construction materials industry (59%). In addition, manufacturers of construction materials complain more often than other enterprises about the decrease in demand and the increase in prices for raw materials and supplies (53% of these enterprises each).

Challenges for businesses by region. Electricity, water, or heat supply outages in July were a particularly acute problem for businesses in Zakarpattia, Zaporizhzhya, Kirovohrad, Lviv, Poltava, Kharkiv, Khmelnytsky, Cherkasy and Chernivtsi regions (more than 80% of respondents)⁴.

Enterprises in the Vinnytsya, Zakarpattia, Zaporizhzhya, Kyiv, Poltava, and Cherkasy regions (more than 80%) said that it is unsafe to work.

The surveyed enterprises of Lviv (100%) and Chernivtsi (97%) regions, as well as businesses of Vinnytsya, Dnipropetrovsk, Kharkiv, and Chernihiv regions (more than 60%) most often complain about the lack of labor due to the full-scale war.

The highest shares of businesses that reported a decrease in demand were recorded in Lviv and Chernivtsi regions (more than 70%), and those that faced an increase in prices for raw materials and supplies - in Dnipropetrovsk, Zhytomyr, Lviv, Sumy, and Chernivtsi regions, as well as in Kyiv (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

³ This analysis does not consider enterprises in the sectors of agriculture, construction, trade, and services, and enterprises included in the category "Other production." Enterprises in the printing industry are also not considered due to the insufficient sample in this sector for the analysis.

⁴ Regions in which no enterprises were surveyed are not included in the comparison (for more details, see the "Sample" section) and Ivano-Frankivsk and Ternopil regions, where the number of respondents was insufficient for a comparative analysis.

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

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.

In April 2024, for the fifth 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 survey in July 2024 and compare them with the results of the two previous waves when this question was asked: in April and January 2024.

According to the results of the survey in July, the biggest obstacle in this rating was **the war and the unfavorable security situation**. It was indicated by 88% of enterprises, which is more than in April (when this indicator was 77%), but more than at the beginning of 2024, when 85% of surveyed enterprises spoke about the impact of the war⁶.

The second place among these obstacles in July was occupied by **low demand**, which was named as an obstacle by 43% of respondents. This share did not practically change over the previous year: from April 2023 to January 2024, such respondents were from 39% to 41%.

Almost as many respondents (42%) reported that the growth of production at their enterprises is hindered by problems with **energy supply**, which is why this problem took third place in the rating of obstacles. This share increased sharply in the summer of 2024 due to the Russian mass shelling of energy infrastructure. For the previous year, from April 2023 to April 2024, it did not exceed 8%.

The negative impact of the lack of personnel on production growth continues to remain at a high level. In July, 37% of enterprises reported they **did not have enough skilled workers**. This share has practically not changed compared to April when 36% of respondents spoke about this obstacle to growth. According to the results of the July survey, this problem was ranked fourth in the ranking of obstacles to production growth.

The influence of the **high competitive pressure** was reported by 16% of respondents, and this obstacle became the fifth in the rating. After a significant decrease to 8% in the spring of 2024, this share returned to the level of the beginning of the year (14%).

Excessive taxation and lack of raw materials took the sixth and seventh places in the ranking of obstacles. The shares of businesses reporting both of these obstacles have decreased since the beginning of the year: from 23% in January to 10% in July for excessive taxation, and from 22% in January to 8% in July for lack of raw materials.

The **unfavorable regulatory climate** took eighth place in this ranking. It is a composite indicator calculated as the share of those who chose at least one of the three obstacles, such as **high regulatory pressure, frequent changes in economic legislation, and corruption**.

In July, 8% reported an **unfavorable regulatory climate**, which is significantly less than in January and April of this year, when the corresponding share of enterprises exceeded 20%. The value of all components of this indicator decreased over the previous three months. The share of enterprises complaining about high regulatory pressure and those who call corruption an obstacle has dropped from 14% to 5% and 11% to 2%, respectively.

Table 1. Obstacles to production growth

	Q4 2023	Q1 2024	Q2 2024
War, unfavorable security situation	85%	77%	88%
Law demand	41%	40%	43%

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

	Q4 2023	Q1 2024	Q2 2024
Problems with energy supply	3%	8%	42%
Lack of skilled workers	29%	36%	37%
High competitive pressure	14%	8%	16%
Excessive taxation	23%	16%	10%
Lack of raw materials	22%	13%	8%
Unfavorable regulatory climate	25%	23%	8%
<i>High regulatory pressure</i>	14%	14%	5%
<i>Corruption</i>	11%	11%	2%
<i>Changes in economic legislation</i>	7%	4%	2%
Liquidity problems	18%	16%	8%
High loan rates	12%	6%	7%
Lack of production capacity	10%	5%	7%
Unfavorable political situation	24%	36%	6%
Outdated technologies	2%	2%	2%
Loans availability	7%	1%	1%

Size. Large enterprises are more likely than smaller enterprises to cite war and adverse security as obstacles to business growth. 93% of them indicated these obstacles, while among micro, small, and medium-sized enterprises, the respective shares were between 81% and 89%.

Micro businesses are more likely than larger businesses to report low demand (57% compared to less than 45% of larger businesses). On the other hand, these businesses are less likely than others to cite energy supply problems as an obstacle to growth. For example, this obstacle was indicated by 35% of micro-enterprises, while among small, medium, and large-sized businesses, the respective shares amounted to more than 40%.

It is also worth noting that while in general, few enterprises in the sample cited an unfavorable regulatory climate as an obstacle to growth (8%), among micro-businesses this share is higher than among larger enterprises: 17%.

Sector. Surveyed enterprises of all industries name the war and the unfavorable security situation as the main obstacle to production growth⁷. Between 85% and 96% of businesses in each industry cited this obstacle.

The second most important problem - low demand - is the most often cited obstacle by representatives of the metallurgy industry (57%). Energy supply problems most hindered the increase in production volumes at enterprises of the chemical industry (65%), metallurgy (61%), and woodworking industry (58%).

And while among all enterprises, the unfavorable regulatory climate became an obstacle for 8% of respondents, among manufacturers of construction materials, this problem affected a higher share of enterprises. 24% of the industry report at least one factor among those forming this indicator.

Region. More than 80% of surveyed businesses in Vinnytsya, Dnipropetrovsk, Zhytomyr, Zakarpattya, Kyiv, Kirovohrad, Lviv, Odesa, Poltava, Rivne, Kharkiv, Cherkasy, Chernivtsi, and Kyiv city named 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.

⁷ This analysis does not consider enterprises in the sectors of agriculture, construction, trade, and services, and enterprises included in the category "Other production." Enterprises in the printing industry are also not considered due to the insufficient sample in this sector for the analysis.

⁸ Regions in which no enterprises were surveyed are not included in the comparison (for more details, see the "Sample" section) and Ivano-Frankivsk and Ternopil regions, where the number of respondents was insufficient for a comparative analysis.

Low demand as an obstacle to growth is most often reported in Lviv, Kharkiv, and Chernivtsi regions (more than 80% of respondents), and problems with energy supply are reported in Zakarpattya, Zaporizhzhya and Cherkasy regions.

Business representatives in the Lviv, Poltava, Kharkiv, and Chernivtsi regions complain the most about the lack of skilled workers (more than 80%). In addition, against the background of the overall low level of complaints about the unfavorable regulatory climate, more than 20% of enterprises in the Volyn and Sumy regions and Kyiv city called it an obstacle to growth.

The war impact on capacity/production volumes

In July 2024, only 11% of businesses reported operating at full capacity (100% or more). It is the lowest indicator for all waves of the survey since October 2023, which may reflect a summer production slowdown due to power outages. At the same time, the share of enterprises operating at almost full capacity (75% - 99%) was 34% (37% in June). As a result, **the total share of enterprises operating at near full and full capacity was only 44%** (56% in May and 57% in June). **It is the lowest result since autumn 2022, when Ukraine was also under attack by an aggressor country against energy infrastructure, and there were problems with the electricity supply.** For comparison, the corresponding indicator was the highest for all waves of the survey in June 2023 - 62%.

In July, 3% of surveyed enterprises reported they had stopped their activities during the war. This rate has remained low since July 2022, in the 2% - 4% range. Also, the share of enterprises operating less than 25% of pre-war production capacity remains low, only 4% in July (2% in June). In addition, 16% of enterprises worked in July at 25% - 49% of pre-war production capacities (14% in June). **As a result, in July, 23% of enterprises worked at less than half their capacity or did not work compared to pre-war times. It is also the highest figure since autumn 2022 and winter 2022-2023 when there were energy problems after the Russian attacks.**

Results for business by size. The reduction in capacity utilization significantly affected the SME sector, while only minor changes were recorded among large enterprises. Medium-sized businesses were usually the leaders in production capacity utilization, but in July, compared to the pre-war period, only 55% of medium-sized enterprises worked at near full and full capacity, while in June, the figure was 69%. The corresponding figure also decreased for small businesses (from 53% in June to 34% in July) and micro-businesses (from 26% to 22%). Capacity utilization decreased slightly for large businesses to 56% in July 2024 (57% in June). As a result, for the first time since January 2023, a large business took first place in terms of production capacity utilization.

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

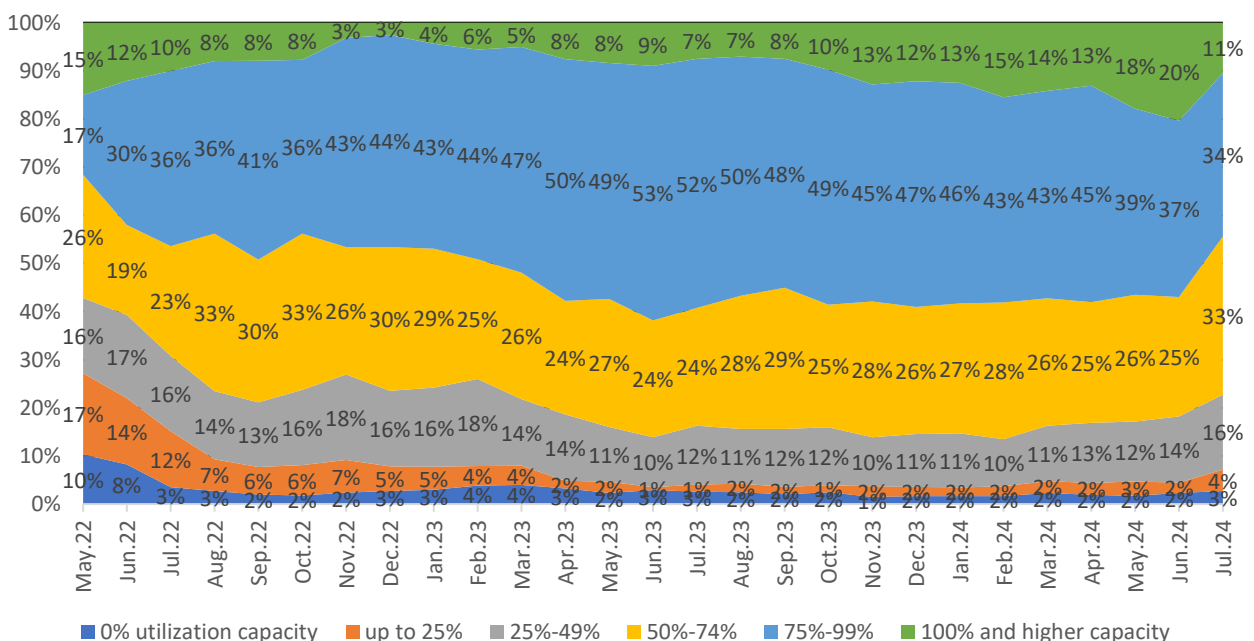
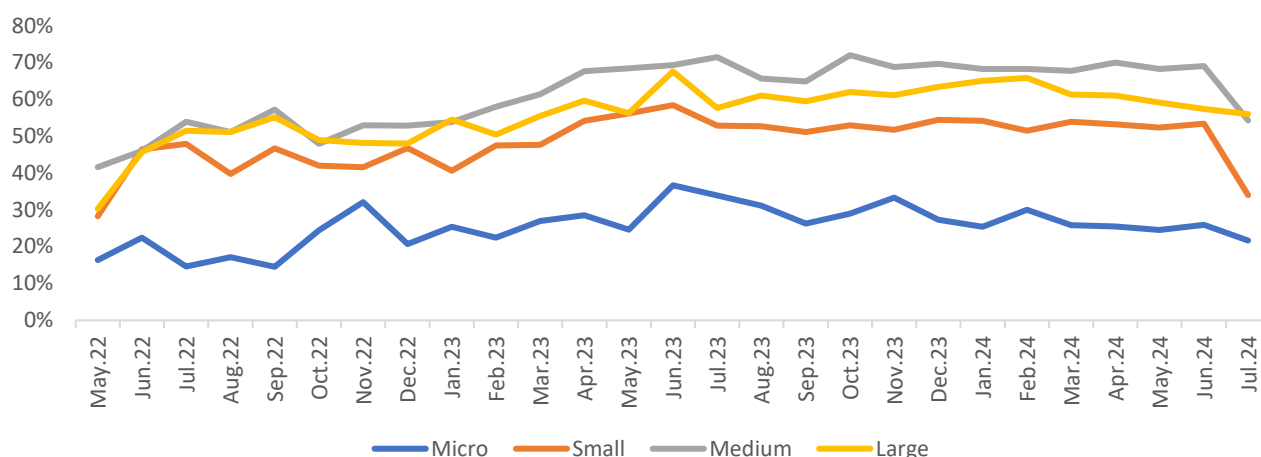


Fig.31. The share of enterprises operating almost at full and full capacity (75 - 99%, 100%, and more) compared to the pre-war period (by enterprise size, %)



As of July 2024, 12% of microbusiness representatives did not work, which is higher than in June (11%). Among small enterprises, 4% of respondents did not work, and among medium enterprises - 1%. At the same time, all large enterprises were working. Thus, **microbusinesses remained more sensitive to wartime challenges throughout all survey waves.**

Results for business by sector. The food sector remains the leader in the recovery of the processing industry but has shown a significant reduction in the utilization of production capacities. In July 2024, 55% of food industry enterprises were operating at near full and full capacity (up from 70% in June). The light industry, which traditionally remains in the top three, is on the second rung. However, the corresponding indicator of light industry decreased from 63% in June to 49% in July. Construction materials production, where the corresponding indicator increased from 37% in June to 47% in July, is on the third rung. Construction materials production was the only industry where capacity utilization increased, while in the other sectors, it decreased. At the same time, the lowest production capacity utilization is in metallurgy and metalworking - only 9% worked at almost full and full capacity in July (it was 38% in June).

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 ⁹

	Jul.23	Aug.23	Sep.23	Oct.23	Nov.23	Dec.23	Jan.24	Feb.24	Mar.24	Apr.24	May.24	Jun.24	Jul.24
Food industry	72	72	73	76	72	73	73	73	71	70	69	70	55
Light industry	66	64	61	57	60	62	61	61	67	61	55	63	49
Construction materials	44	41	31	27	31	28	31	28	26	46	52	37	47
Machine building	38	39	32	43	52	44	46	48	50	46	39	51	39
Chemical industry	35	43	35	39	39	38	43	41	42	45	35	31	29
Woodprocessing	38	30	26	36	29	41	38	39	45	42	37	22	22
Metalworking	26	10	10	16	32	28	24	27	35	29	26	38	9
Printing industry	64	57	43	62	46	46	57	54	45	40		50	

Created with Datawrapper

⁹ In July 2024, results for the printing industry are not available due to insufficient subsample size.

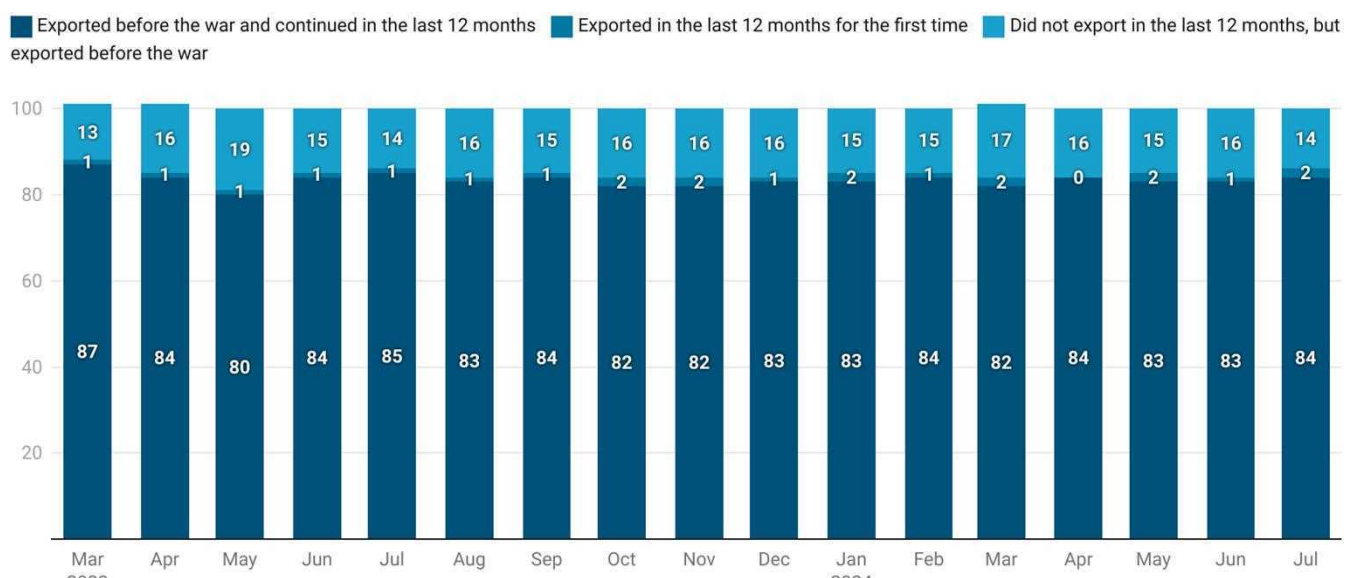
Results by region. In July, the reduction of production capacity utilization took place in most of the surveyed regions. All or almost all enterprises continued to work at almost full and full capacity in July only in Poltava, (100%), Rivne (100%), and Vinnytsia (96%) regions. The situation remains the most difficult in the front-line Zaporizhzhya and Kharkiv regions, in which, respectively, 0% and 5% of enterprises worked at a high level of capacity utilization. In the rest of the regions, almost full or full capacity loading is mostly less than 40% - 50% of the respondents.

THE WAR IMPACT ON THE ENTERPRISES' EXPORT ACTIVITIES

As part of the twenty-seventh wave of the survey, **67% of respondents (among those who were able to answer) were or are exporters.** At the same time, 30% of enterprises have never exported, and 3% could not answer the question.

As of July 2024, among exporters, **84% 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 (during the last 12 months). At the same time, 14% of enterprises exported before the war but had no exports during the last 12 months. That is, in July 2024, the share of active exporters remains approximately at the level of previous months (82% - 84%). Ukrainian businesses have reached a certain level of export activity recovery because some companies cannot overcome new challenges for export recovery.

Fig.33. The impact of the war on export activity (% of the exporters surveyed)



Results for business by size. According to the results of July 2024, regularity was again recorded regarding the state of export activity depending on the size of the enterprise. Among micro-businesses, 37% of enterprises exported before the war but had no export activity during the last 12 months. There is also a high share of enterprises that cannot resume exports among small businesses - 21%. The situation is somewhat better among medium-sized exporters: 11% of respondents have not exported in the last 12 months. The situation the best was 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. 56% of the industry's enterprises indicated that they exported before the war but had no exports during the last 12 months. The situation in metallurgy is also difficult (the corresponding indicator is 39%). In contrast, the best situation is in the chemical industry, where only 5% of respondents had no exports in the last 12 months. In the food industry, which is the leader in the recovery, the corresponding figure is 13%.

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 conclude clear regional patterns due to insufficient subsamples in certain regions. However, in some regions, all enterprises (among those who were able to respond) resumed exports, in particular in the Vinnytsya, Kyiv, Odesa, Poltava, Rivne, and Chernihiv regions. The most difficult situation remains in the Dnipropetrovsk and Zhytomyr regions, where respectively 71% and 50% had no exports during the last 12 months, although they had them before the war.

IMPACT OF POWER OUTAGES

In the twenty-seventh wave of the survey, industrial enterprises were again asked to assess the impact of power supply problems on their operations. In June 2024¹⁰, power outages again became a more pressing concern for businesses compared to May 2024. In particular, in June, the majority (83%) of enterprises temporarily suspended work due to power outages (for comparison, 52% in May). At the same time, only 2% of enterprises had no power cuts at all (23% in May). In addition, 14% of businesses worked all the time, even during power outages. There are also almost no enterprises with the most critical losses (more than half of the working time) - only 2% of enterprises.

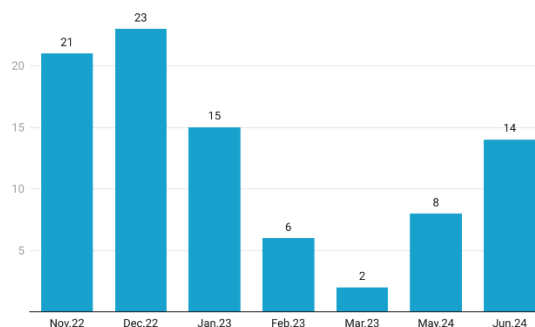
¹⁰ As part of the survey, the question about lost working time is asked about the previous month that has already ended. That is, in July, respondents were asked about the loss of working time in June.

Fig. 36. Impact of power outages on the enterprise work, % of respondents



As a result, on average, businesses lost 14% of total working hours due to power outages in June 2024 (compared to 8% in May 2024, 15% in January 2023, 23% in December and 21% in November 2022). At the same time, the situation is somewhat different depending on the size of the business, industry, and region.

Fig. 37. Average % of time losses due to power outages, by month



Business results by size. The situation has almost leveled off for enterprises of different sizes. For example, there were no power outages in 4% of micro, 4% small, 3% medium and 3% large enterprises. At the same time, 11% of micro, 9% of small, 16% of medium, and 20% of large enterprises continued to work even during power outages. Microbusiness continues to suffer the highest losses from Russia's terrorist attacks on the energy infrastructure. **Micro-enterprises in June 2024, on average, lost 21% of working hours.** The losses of medium-sized and large enterprises are almost twice as low (12% and 11%, respectively).

Fig. 38. Average % of enterprises' time losses (by size), % of respondents



Business results by sector. The lowest average losses of working time due to power outages were recorded in the food industry (11%), chemical industry (14%), and machine building (15%). However, the situation is significantly

worse in certain industries. In particular, in the woodworking industry and metallurgy and metalworking, the average time losses amounted to 20%, and in the construction materials production - 21%.

Fig. 39. Average % of enterprises' time losses (by sector), % of respondents



Business results by region. The results of the survey once again confirm a certain regional specificity of the negative impact of power supply outages. The highest average time loss was recorded in the Dnipropetrovsk region: 25% of working time. Also, there are high losses in Khmelnytsky (23%), Sumy (22%), Lviv (22%), and Kharkiv (22%) regions. Average losses are lower than 10% in only a few regions: Rivne, Vinnytsya, Poltava, Odesa, Zakarpattya, Kyiv, and Cherkasy regions.

GOVERNMENT POLICY

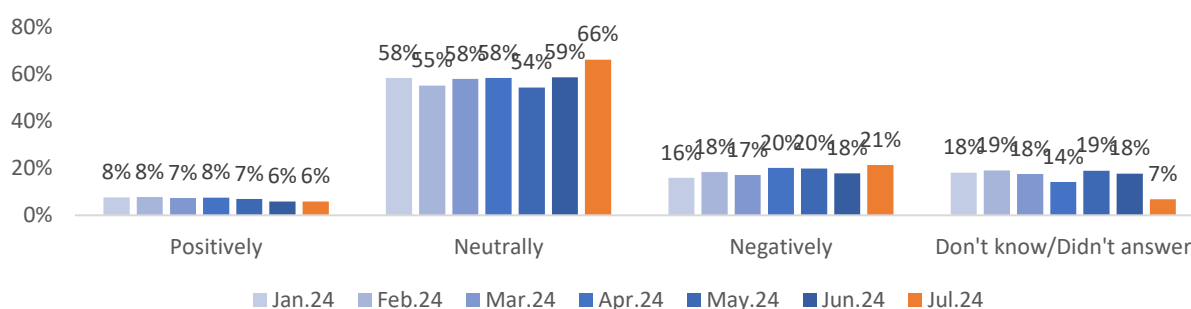
Assessment of government policy to support business

In July 2024, the share of positive assessments of the government's business support policy was 6%. It has not changed compared to the previous month when the same number of surveyed enterprises positively evaluated this policy. The level of positive assessments of the policy has not exceeded 8% for about a year, and the 6% shares recorded in June and July were the lowest indicators for the entire period of this survey, the first wave of which was conducted in May 2022.

The share of neutral assessments of the policy increased from 59% to 66%. There were also slightly more negative assessments: this is how 21% of enterprises evaluated the government business support policy compared to 18% in June.

On the other hand, the share of respondents who could not assess the policy significantly decreased. In July, they were only 7%, while during the six previous months, the corresponding share did not fall below 14%.

Fig.40. 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, the evaluations slightly improve with the growth of the size of enterprises, although the difference between them is insignificant. Thus, among large enterprises, 10% of respondents positively evaluated this policy, while among micro-businesses, not a single enterprise evaluated it positively.

In addition, representatives of small enterprises more often negatively assess the government policy on business support than representatives of the rest of the business. In particular, 31% of these respondents assessed the policy negatively, while among respondents representing micro, medium, and large businesses, the corresponding share does not exceed 21%.

Assessment of government policy on business support by sector. Most often, representatives of the machine building industry (15%) give positive assessments to the government policy on business support¹¹.

At the same time, one of the highest percentages of negative assessments of the policy (37%) was recorded among enterprises in the engineering industry. And most often the policy is negatively evaluated by representatives of metallurgy (39%).

Assessment of government policy to support business by region. The highest level of positive assessments of government business support policy in July 2024 was recorded in Cherkasy (23% of respondents), Zaporizhzhya, and Kirovohrad regions (21% each)¹².

At the same time, the highest shares of negative assessments are among businesses in the Vinnytsya, Dnipropetrovsk, Zhytomyr, and Sumy regions, and Kyiv city (more than 40%).

¹¹ This analysis does not consider enterprises in the sectors of agriculture, construction, trade, and services, and enterprises included in the category "Other production." Enterprises in the printing industry are also not considered due to the insufficient sample in this sector for the analysis.

¹² Regions in which no enterprises were surveyed are not included in the comparison (for more details, see the "Sample" section) as well as Ivano-Frankivsk and Ternopil regions, where the number of respondents was insufficient for a comparative analysis.

SURVEY METHODOLOGY

This report presents the results of the 27th 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 July 16 to 31, 2024.

SAMPLE

A total of 483 enterprises were surveyed in the 27th 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 1 to 43 enterprises were surveyed¹³.

The majority of the sample consisted of industrial enterprises – 432 enterprises or 89% of the sample. Among them, the food industry and light industry, and engineering prevail. Nine enterprises belong to the agricultural sector (1.9 % of the sample) and 27 to trade (6% of the sample). 13 enterprises, or 2.7% of the sample, work in the service sector. And two enterprises (0.4%) 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) – 62 or 13% of the sample, small (from 11 to 50 workers) – 143 or 30% of the sample, medium-sized (from 51 to 250 workers) – 167 or 35% of the sample, and large (more than 250 workers) – 111 or 23% of the sample.

¹³ 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-	62	13%
Small	143	30%
Middle	167	35%
Large	111	23%
TOTAL	483	100%

Sector/ industry

	Number	Share of sample
Agriculture	9	1,9%
Metal production and metalworking	23	5%
Chemical industry	31	6%
Machine building	41	8%
Woodworking industry	19	4%
Construction materials production	17	4%
Food industry	150	31%
Light industry	45	9%
Printing industry	7	1,4%
Other industries	99	20%
Construction	2	0,4%
Trade	27	6%
Services	13	2,7%
TOTAL	483	100%

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

	Total	Micro	Small	Middle	Large
Production	0,16	-0,18	-0,06	0,17	0,28
Expected changes in production	0,37	0,20	0,19	0,32	0,52
Sales	0,14	-0,16	-0,07	0,16	0,25
Expected sales changes	0,37	0,19	0,20	0,33	0,51
Export	0,12	-0,38	-0,13	0,13	0,19
Expected changes in exports	0,34	-0,12	0,09	0,27	0,48
Account receivables	-0,11	-0,03	-0,17	-0,12	-0,11
Expected changes in account receivables	-0,17	-0,21	-0,23	-0,22	-0,06
Account payables	-0,14	-0,15	-0,26	-0,10	-0,10
Expected changes in accounts payable	-0,17	-0,18	-0,22	-0,24	-0,06
Tax arrears	-0,17	-0,16	-0,30	-0,21	-0,06
Expected changes in tax arrears	-0,20	-0,22	-0,31	-0,20	-0,15
Stocks of raw materials	0,15	0,11	-0,02	0,13	0,26
Expected changes in stocks of raw material	0,19	0,04	0,01	0,18	0,32
Stocks of finished goods	0,02	-0,11	-0,05	-0,01	0,08

	Total	Micro	Small	Middle	Large
Expected changes in stocks of finished goods	-0,01	-0,19	-0,07	-0,05	0,07
New orders	0,14	-0,13	-0,01	0,14	0,23
Expected changes in new orders	0,38	0,22	0,23	0,30	0,51
Purchase prices	0,18	0,20	0,17	0,15	0,19
Expected changes in purchase prices	0,38	0,28	0,36	0,39	0,34
Domestic sales prices	0,12	0,11	0,13	0,11	0,10
Changes in the domestic sales prices	0,38	0,29	0,37	0,40	0,31
Number of workers	-0,09	-0,10	-0,08	-0,11	-0,10
Expected changes in the number of workers	-0,07	0,06	-0,09	-0,09	-0,06
Number of workers on forced leave	0,02	-0,10	-0,01	0,02	0,03
Expected changes in the number of workers on forced leave	0,00	-0,08	-0,05	0,01	0,01
Skilled workers	0,49	0,61	0,50	0,48	0,48
Unskilled workers	0,34	0,37	0,29	0,38	0,32
Business activity assessment	0,07	-0,24	-0,08	0,09	0,18
Expected changes in business activity	0,22	0,00	0,15	0,19	0,35
Assessment of the business environment	0,03	-0,29	-0,14	0,05	0,14
Expected changes in the business environment	0,24	0,03	0,11	0,25	0,34
Do you plan to expand your company's activities in the next two years	0,11	0,29	0,12	0,08	0,13
How do you assess your company's business activity in the current month, compared to the same period last year in 2023?	0,20	-0,17	0,06	0,18	0,35

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

	Total	Metal production and metalworking	Chemical Industry	Machine building	Woodworking industry
Production	0,16	-0,05	0,23	0,02	0,05
Expected changes in production	0,37	0,09	0,15	0,42	0,12
Sales	0,14	-0,05	0,10	0,00	0,05
Expected sales changes	0,37	0,09	0,22	0,41	0,12
Export	0,12	0,18	0,10	0,04	-0,08
Expected changes in exports	0,34	0,10	0,00	0,21	0,10
Account receivables	-0,11	0,15	-0,27	-0,07	-0,11
Expected changes in account receivables	-0,17	-0,46	-0,30	-0,05	-0,18
Account payables	-0,14	0,00	-0,40	0,04	0,10
Expected changes in accounts payable	-0,17	-0,20	-0,60	-0,05	-0,25
Tax arrears	-0,17	-0,20	-0,29	-0,10	-0,11
Expected changes in tax arrears	-0,20	-0,11	-0,57	-0,25	-0,20
Stocks of raw materials	0,15	-0,04	0,29	0,12	-0,11
Expected changes in stocks of raw material	0,19	0,05	0,12	0,15	-0,06
Stocks of finished goods	0,02	-0,04	0,10	0,05	0,06
Expected changes in stocks of finished goods	-0,01	-0,14	-0,05	0,14	0,00
New orders	0,14	-0,04	0,23	0,02	0,11
Expected changes in new orders	0,38	0,20	0,50	0,35	0,27

	Total	Metal product ion and metalw orking	Chemical Industry	Machine building	Woodwo rking industry
Purchase prices	0,18	0,13	0,13	0,27	0,11
Expected changes in purchase prices	0,38	0,40	0,39	0,64	0,38
Domestic sales prices	0,12	0,13	0,14	0,15	0,00
Changes in the domestic sales prices	0,38	0,35	0,35	0,48	0,38
Number of workers	-0,09	-0,17	-0,06	-0,07	-0,17
Expected changes in the number of workers	-0,07	-0,14	-0,07	-0,09	0,00
Number of workers on forced leave	0,02	0,00	0,00	0,08	0,06
Expected changes in the number of workers on forced leave	0,00	0,00	-0,04	-0,06	0,00
Skilled workers	0,49	0,52	0,30	0,53	0,31
Unskilled workers	0,34	0,30	0,17	0,39	0,31
Business activity assessment	0,07	-0,20	0,13	0,00	-0,11
Expected changes in business activity	0,22	0,00	0,36	0,00	0,18
Assessment of the business environment	0,03	-0,19	0,10	-0,08	0,00
Expected changes in the business environment	0,24	-0,06	0,43	0,00	0,29
Do you plan to expand your company's activities in the next two years	0,11	0,10	0,04	0,04	0,13
How do you assess your company's business activity in the current month, compared to the same period last year in 2023?	0,20	0,06	0,22	0,31	-0,11

	Total	Constru ction material s producti ons	Food Industry	Light industry	Printing industry
Production	0,16	0,00	0,17	0,09	-0,29
Expected changes in production	0,37	0,24	0,38	0,36	0,33
Sales	0,14	0,00	0,16	0,14	-0,29
Expected sales changes	0,37	0,18	0,40	0,34	0,33
Export	0,12	-0,43	0,14	0,19	0,00
Expected changes in exports	0,34	-0,37	0,36	0,27	0,25
Account receivables	-0,11	-0,44	-0,15	0,00	-0,20
Expected changes in account receivables	-0,17	-0,50	-0,18	-0,12	-0,20
Account payables	-0,14	-0,44	-0,17	-0,18	0,00
Expected changes in accounts payable	-0,17	-0,50	-0,21	-0,27	0,00
Tax arrears	-0,17	-0,20	-0,25	-0,10	0,00
Expected changes in tax arrears	-0,20	-0,47	-0,22	-0,28	0,00
Stocks of raw materials	0,15	-0,12	0,13	0,14	0,17
Expected changes in stocks of raw material	0,19	0,12	0,19	0,05	-0,20
Stocks of finished goods	0,02	-0,29	-0,10	0,15	0,25
Expected changes in stocks of finished goods	-0,01	-0,06	-0,09	-0,10	-0,25
New orders	0,14	-0,06	0,13	0,22	-0,14
Expected changes in new orders	0,38	0,12	0,33	0,39	0,40
Purchase prices	0,18	-0,06	0,16	0,26	0,43

	Total	Construction materials productions	Food Industry	Light industry	Printing industry
Expected changes in purchase prices	0,38	0,13	0,37	0,39	0,67
Domestic sales prices	0,12	-0,06	0,12	0,09	0,43
Changes in the domestic sales prices	0,38	0,19	0,37	0,39	0,67
Number of workers	-0,09	-0,29	-0,11	-0,11	-0,14
Expected changes in the number of workers	-0,07	-0,29	-0,09	0,02	-0,29
Number of workers on forced leave	0,02	-0,17	0,04	-0,03	0,17
Expected changes in the number of workers on forced leave	0,00	-0,09	0,00	-0,03	0,17
Skilled workers	0,49	0,69	0,53	0,66	0,60
Unskilled workers	0,34	0,54	0,42	0,46	0,60
Business activity assessment	0,07	-0,13	0,09	0,16	-0,29
Expected changes in business activity	0,22	0,18	0,32	0,13	0,00
Assessment of the business environment	0,03	-0,13	0,05	0,09	-0,57
Expected changes in the business environment	0,24	-0,12	0,32	0,16	0,00
Do you plan to expand your company's activities in the next two years	0,11	0,11	0,11	0,21	0,17
How do you assess your company's business activity in the current month, compared to the same period last year in 2023?	0,20	0,07	0,20	0,10	-0,14

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
Power, water, or heat supply outages	78%	86%	76%	76%	80%
Unsafe to work	58%	34%	48%	65%	72%
Labor shortage due to conscription and/or migration	47%	31%	46%	49%	53%
Decrease in demand for products/services	32%	29%	40%	33%	24%
Rising prices for raw materials/supplies/goods	32%	37%	39%	31%	23%

Challenges facing business in wartime, by sector

	Metal production and metalworking	Chemical Industry	Machine building	Woodworking industry
Power, water, or heat supply outages	78%	87%	70%	74%
Unsafe to work	65%	68%	55%	42%

	Metal production and metalworking	Chemical Industry	Machine building	Woodworking industry
Labor shortage due to conscription and/or migration	74%	36%	50%	47%
Decrease in demand for products/services	35%	29%	28%	32%
Rising prices for raw materials/supplies/goods	30%	26%	33%	42%

Challenges facing business in wartime, by sector(continued)

	Construction materials production	Food industry	Light industry
Power, water, or heat supply outages	82%	84%	86%
Unsafe to work	12%	65%	55%
Labor shortage due to conscription and/or migration	59%	45%	34%
Decrease in demand for products/services	53%	29%	27%
Rising prices for raw materials/supplies/goods	53%	31%	48%

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	6%	0%	6%	5%	10%
Neutral	66%	63%	55%	71%	74%
Negative	21%	21%	31%	19%	13%
Don't know / Didn't answer	7%	16%	8%	4%	4%

Assessment of the government policy on business support, by sector

	Metal production and metalworking	Chemical Industry	Machine building	Woodworking industry
Positive	4%	7%	15%	5%
Neutral	57%	74%	49%	58%
Negative	39%	19%	37%	21%
Don't know / Didn't answer	0%	0%	0%	16%

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

	Construction materials production	Food industry	Light industry
Positive	6%	4%	4%
Neutral	59%	73%	62%
Negative	24%	19%	20%
Don't know / Didn't answer	12%	3%	13%

Availability of orders

Availability of orders, by business size

	Total	Micro	Small	Middle	Large
Less than 1 month	12%	35%	14%	9%	5%
1-2 months	37%	36%	47%	34%	29%
3-5 months	28%	24%	24%	29%	32%
6-11 months	13%	6%	13%	14%	17%
12 months or more	10%	0%	3%	14%	18%

Availability of orders, by sector

	Metal production and metalworking	Chemical Industry	Machine building	Woodworking industry
Less than 1 month	14%	0%	5%	17%
1-2 months	55%	45%	32%	56%
3-5 months	23%	38%	41%	17%
6-11 months	9%	17%	16%	11%
12 months or more	0%	0%	5%	0%

Availability of orders, by sector (continued)

	Construction materials production	Food industry	Light industry
Less than 1 month	29%	13%	14%
1-2 months	57%	31%	52%
3-5 months	14%	30%	32%
6-11 months	0%	15%	2%
12 months or more	0%	11%	0%