Main economic tendencies/business expectations in October 2022

(based on the results of the New monthly enterprise survey)

Specially prepared for the meeting on November 12, 2022

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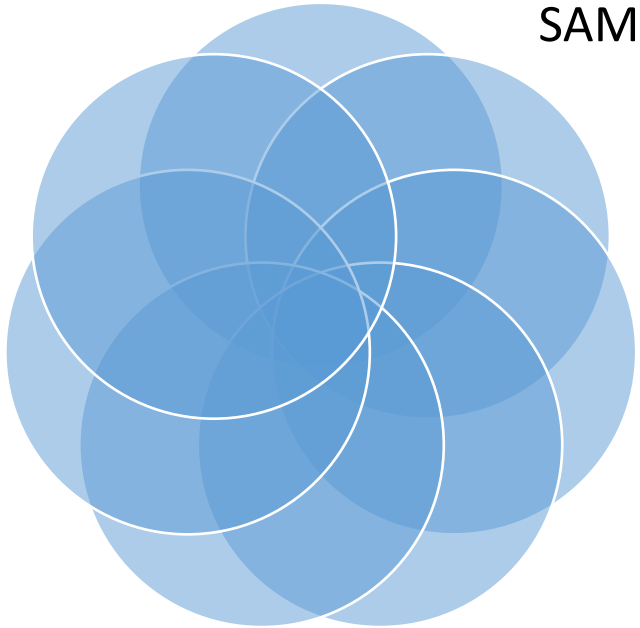
Kyiv, November 12, 2022

ABOUT THE NEW MONTHLY SURVEY

Monthly survey

The field stage of the survey is **October 17-28,2022**

SAMPLE: **468 e**nterprises were surveyed in October 2022



6 monthly surveys have been conducted (since May 2022)

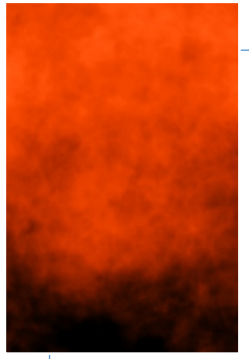
Enterprises of all sizes

Sectors: Industry +

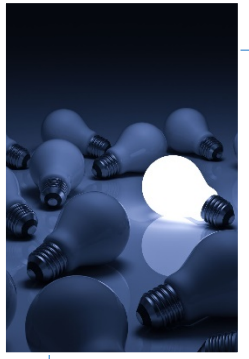
(Retail, Agro)

Geography: 21 out of 27 regions of Ukraine

Main results 1: terror, uncertainty, blackout



In October 2022, the **overall economic conditions** were significantly **impacted** by **russian** rockets **terror**.

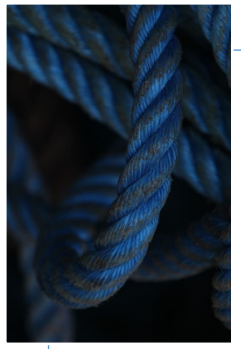


The importance of **the problems** with **electricity** as an impediment has **increased 13 times** (!) and holds 2nd position in the rating of impediments

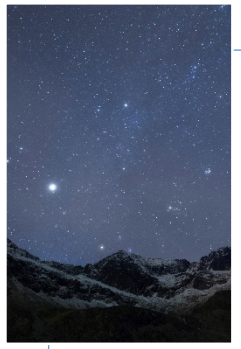
The **increased importance** of **rising prices** as an impediment of doing business gives a signal about the expected high inflation rate.

Uncertainty has **increased** in both the 6 month and 3 months perspectives

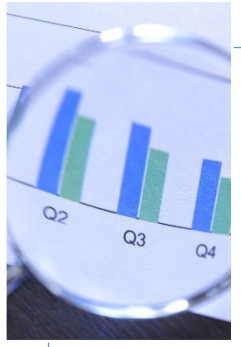
Main results 2: Deterioration and worsening



Business assessment of the current state of the both — **economic situation at the enterprises level** and **overall economic conditions** have deteriorated.



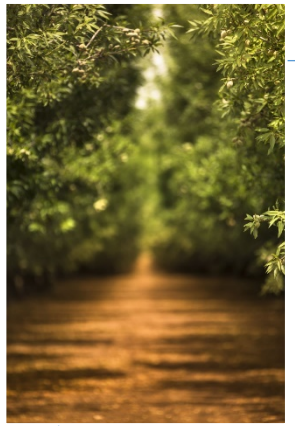
6 months' expectations of the business became worse than a month ago



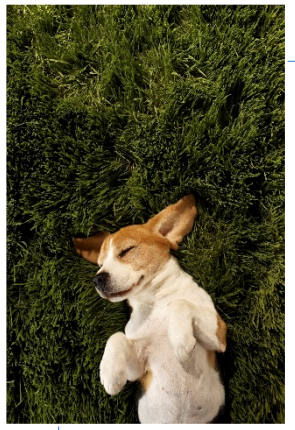
Enterprises informed about worse **performance** comparing the previous month for all indicators with exception of export.

Production **plans and expectations** on all performance of the enterprises for **3 months** have deteriorated.

Main results 3: Optimism



In the background of the russian terroristic attack on energy infrastructure in October 2022, Ukrainian businesses have a positive **expectation** toward **two years perspective**



Trust is increasing — the share of positive assessments of the government's economic policy has grown

Impediments to business: impacted by russian rockets' terror and price growing

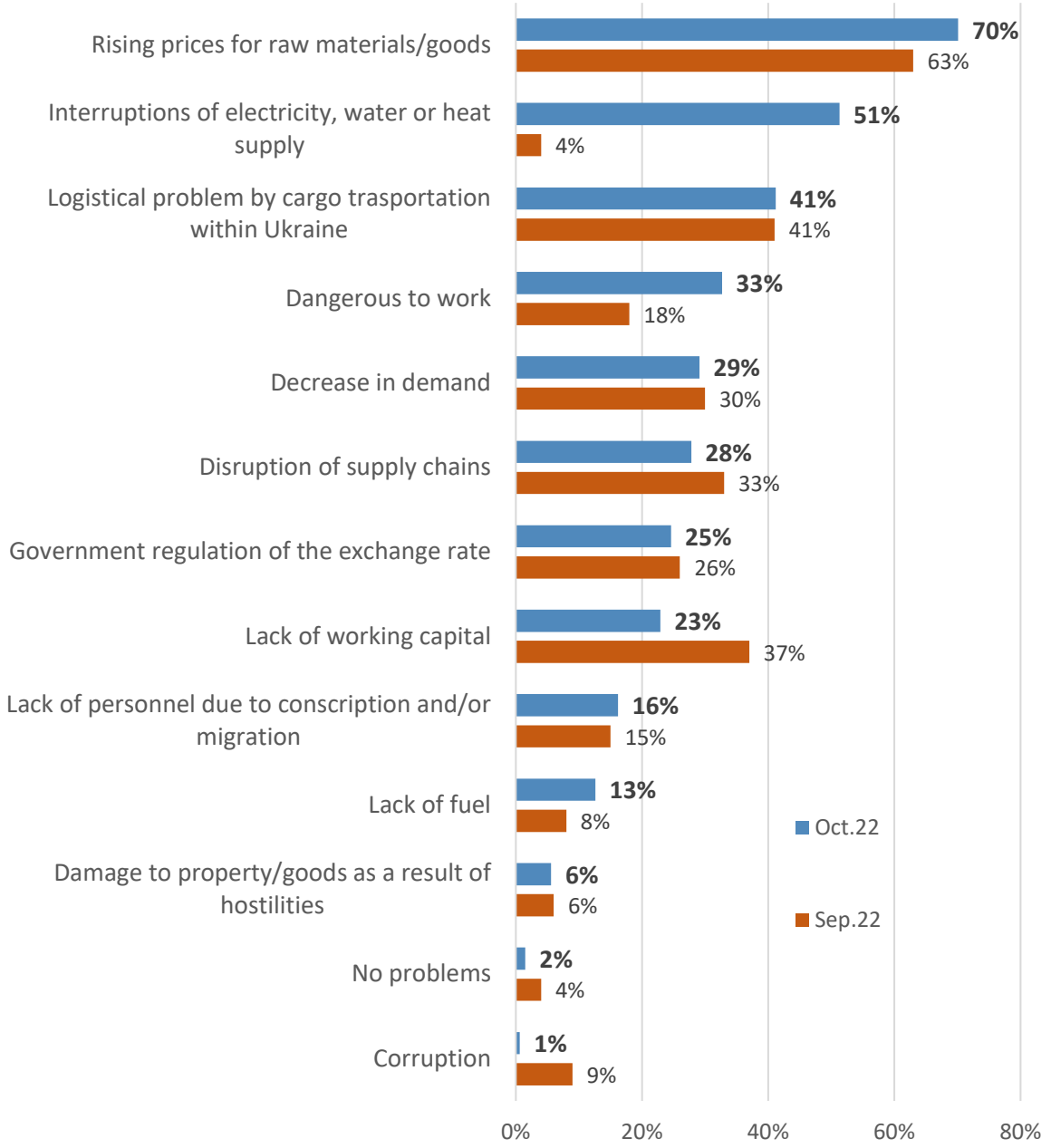
Inflation will probably be high because the problem of rising prices for raw materials or goods continues to top the list of obstacles (the highest share over the entire survey period)

In almost 13 times (!!) increased importance of obstacles "interruptions of electricity, water or heat supply" and it brings the obstacle in 2nd place (51% of respondents)

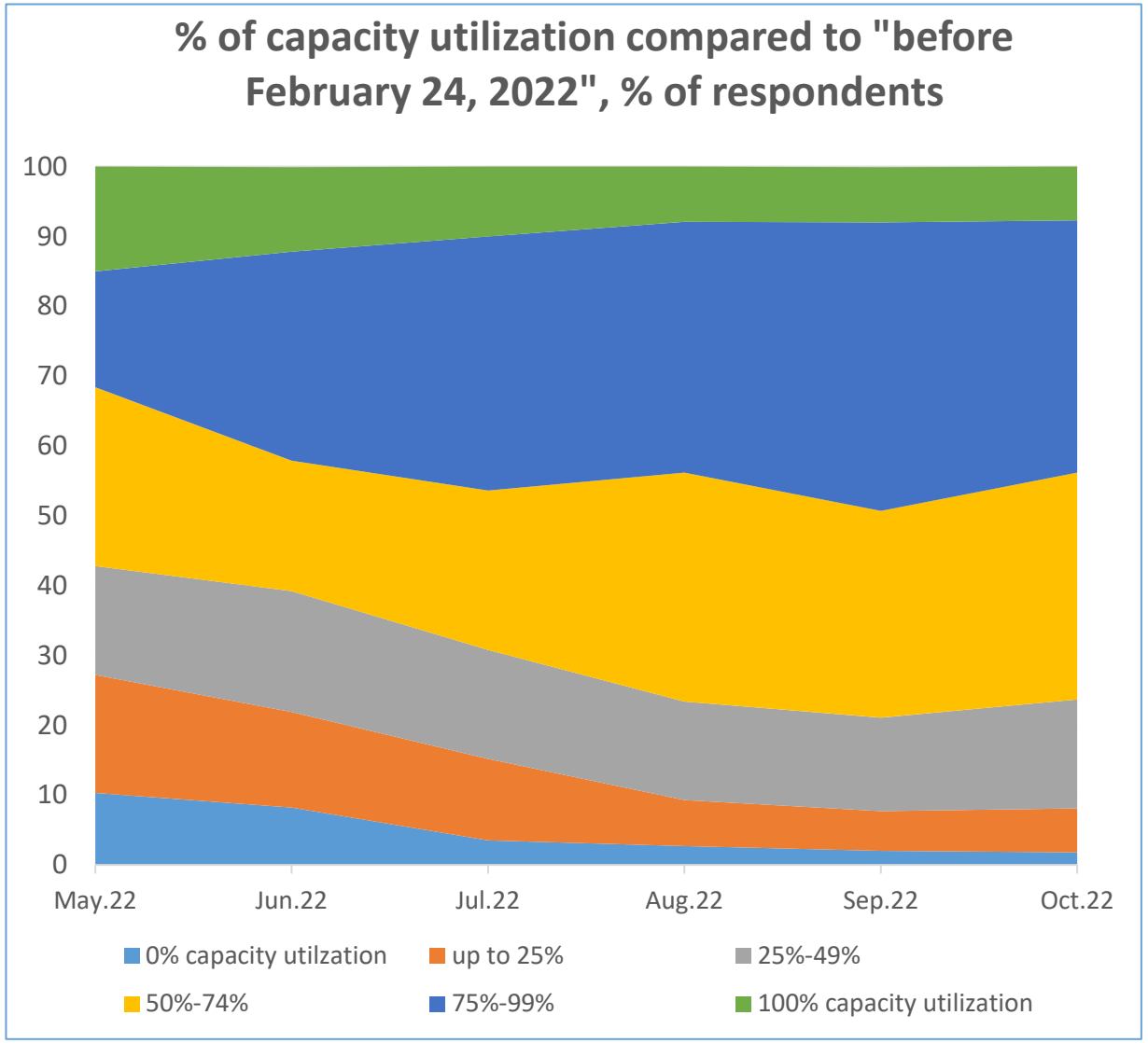
Logistical problems within Ukraine remain at the 3rd position in the rating

Enterprises felt less secure themselves in October (from 18% till 33% increase % of answer "it is dangerous to work"), this imped took 4th position

The problem of lack of personnel became less important at the background of October events



In October, the recovery of production slowed down



Positive:

- Only 2% of surveyed enterprises do not operate (2% in September), and only 6% of enterprises are loaded by less than 25% (as was in September).

Mix:

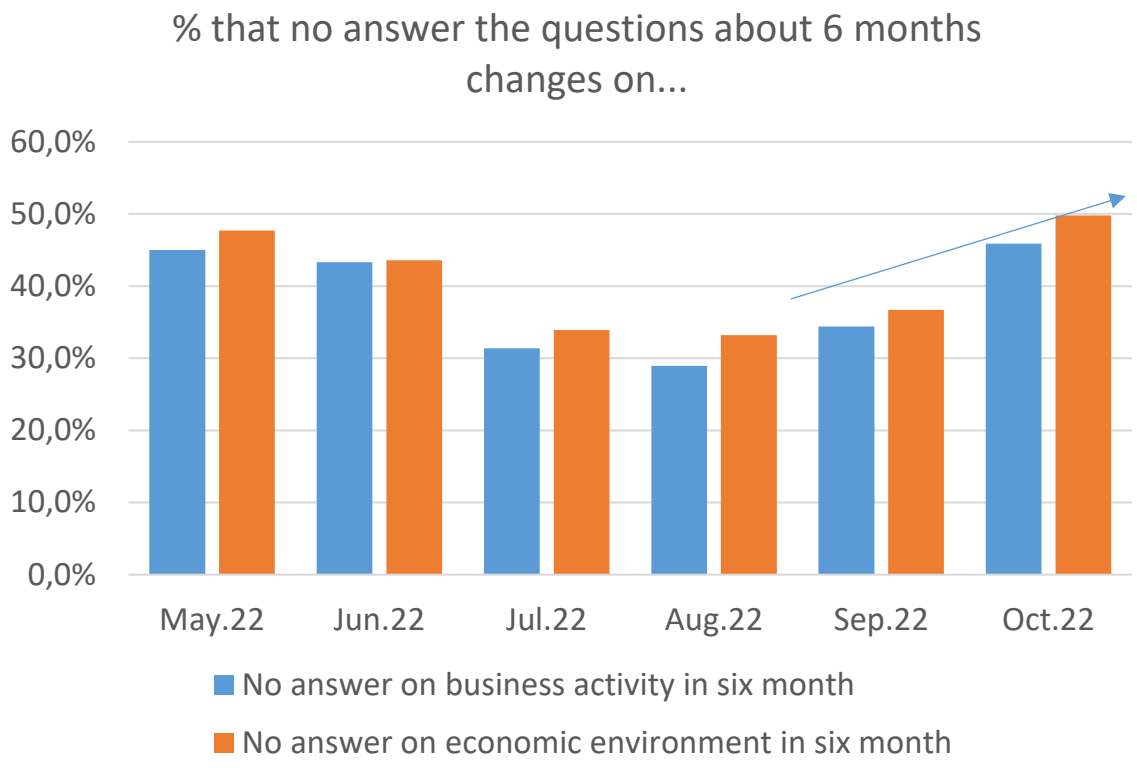
- While the share of enterprises that operated at full capacity is quite low, the deterioration of the indicator has stopped (8% recorded in 3 months in a row (October, September, and August in contrast 15% in May, 12% in June, 10% in July).

Negative:

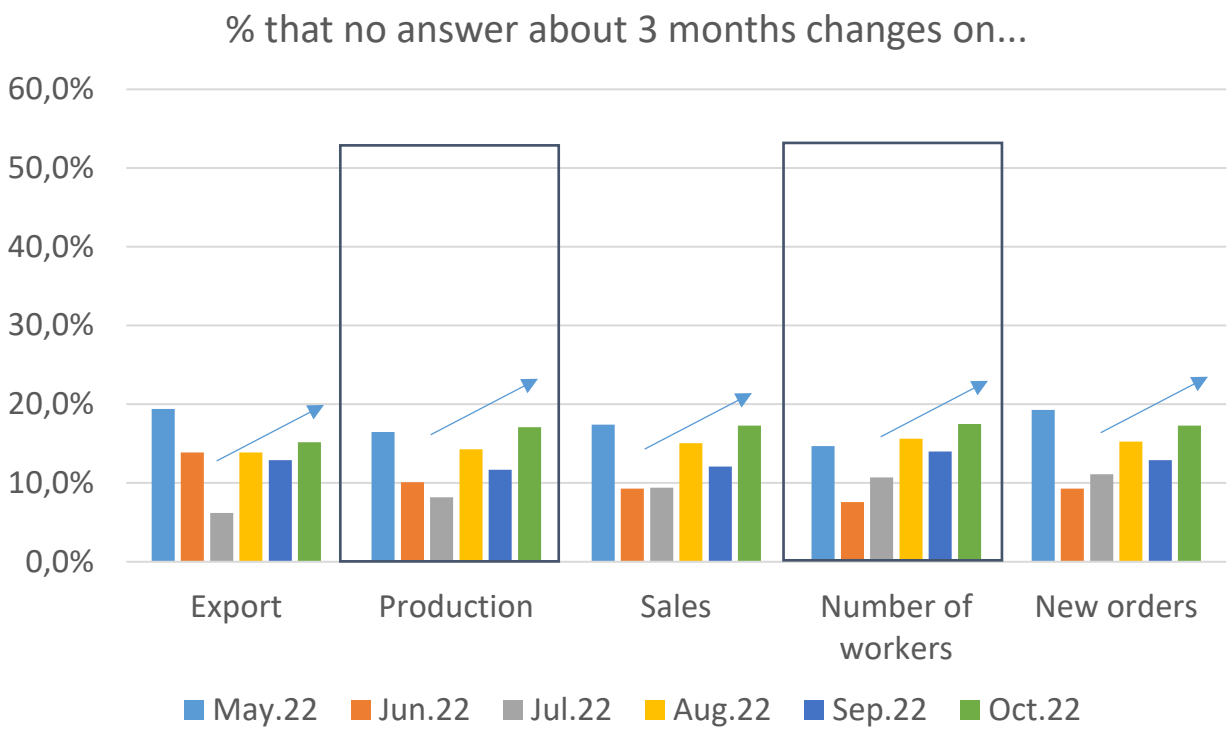
- The share of at enterprises operating at 75%-99% capacity decreased (from 41% in September to 36% in October).

Uncertainty has increased in both the long and short term

Half-year horizon

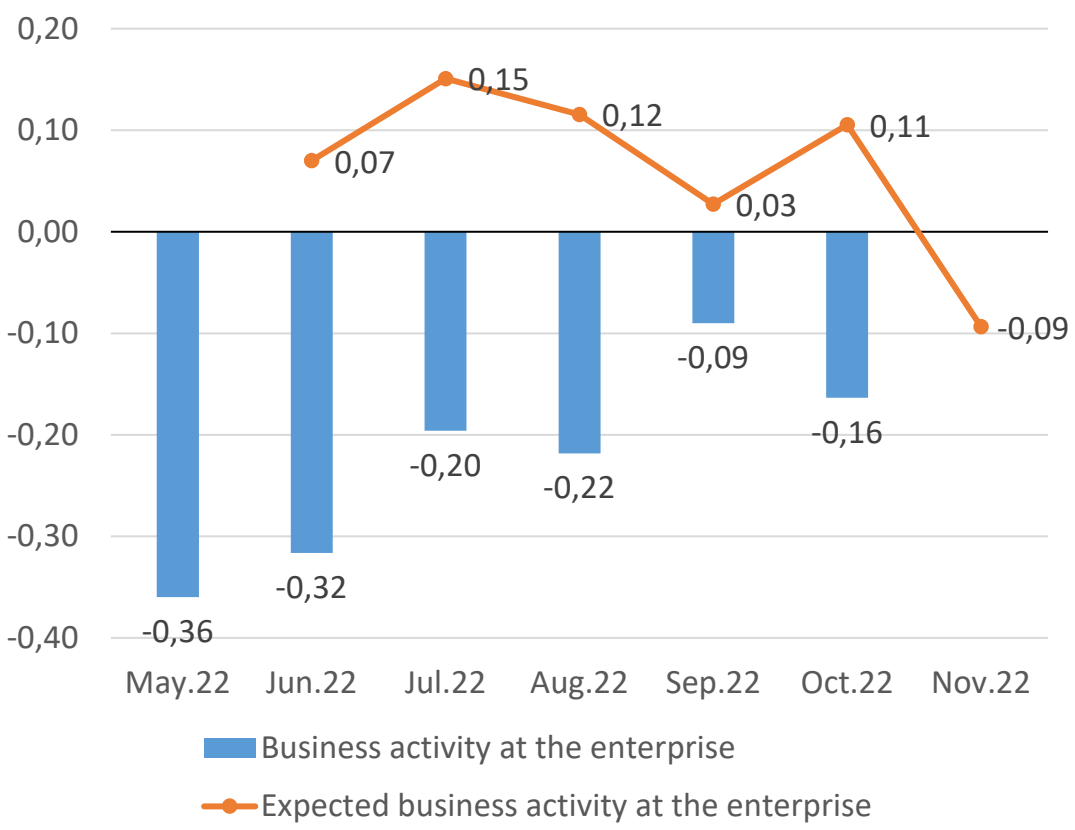


Three-month horizon

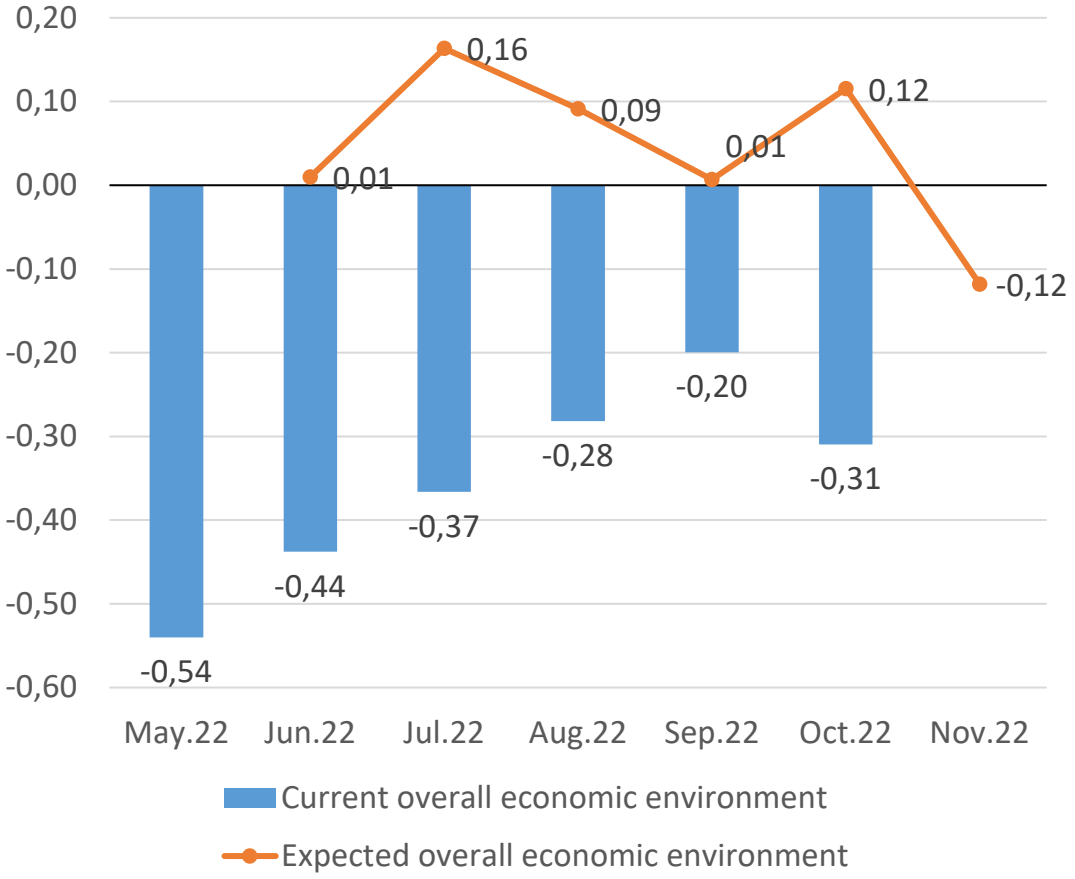


Half-year expectations worsened

Business activity at the enterprise

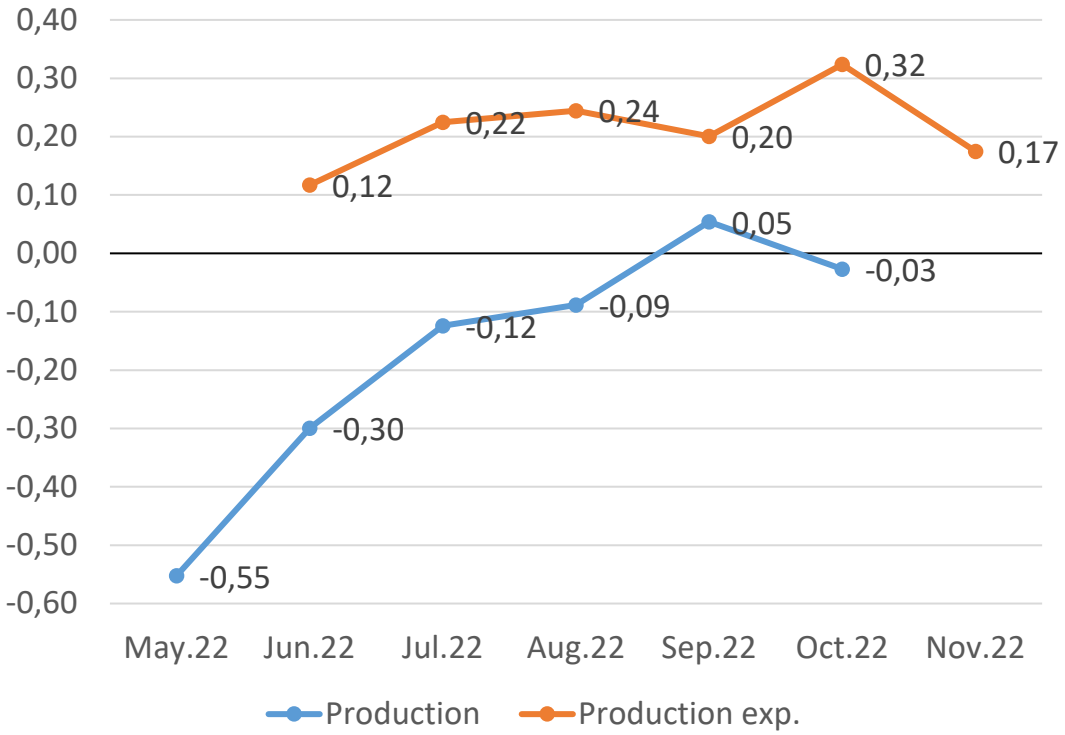


The overall economic situation in the country

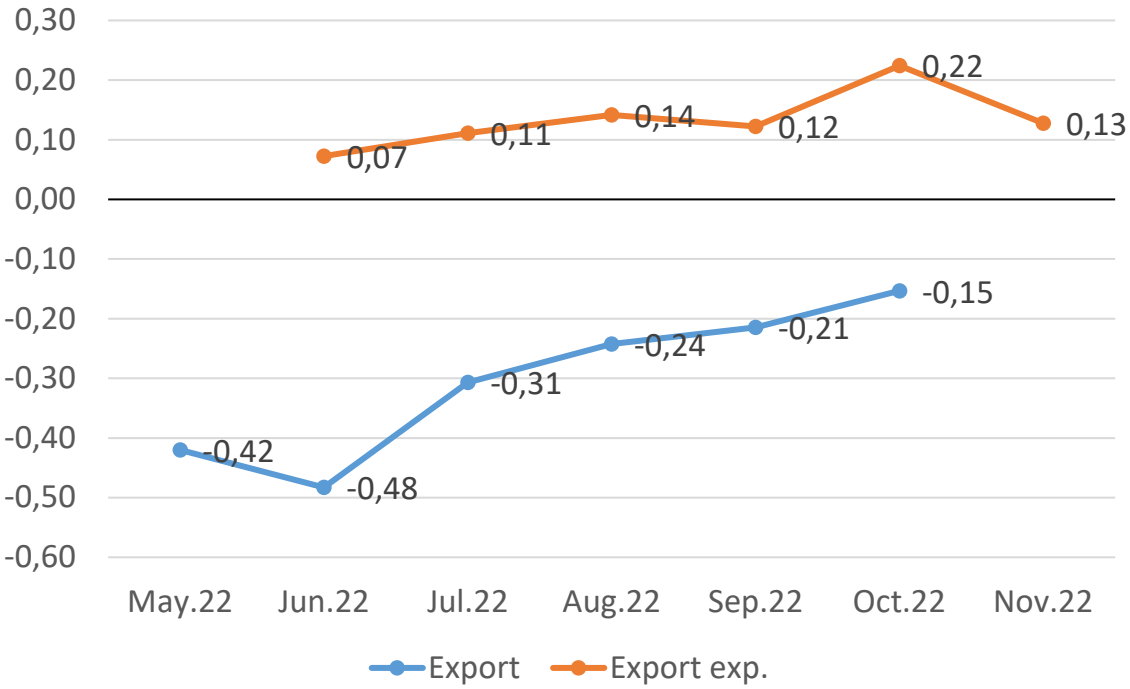


Past changes and expectations for three months: the current performance in production has worsened, but for exports, it has improved

Production

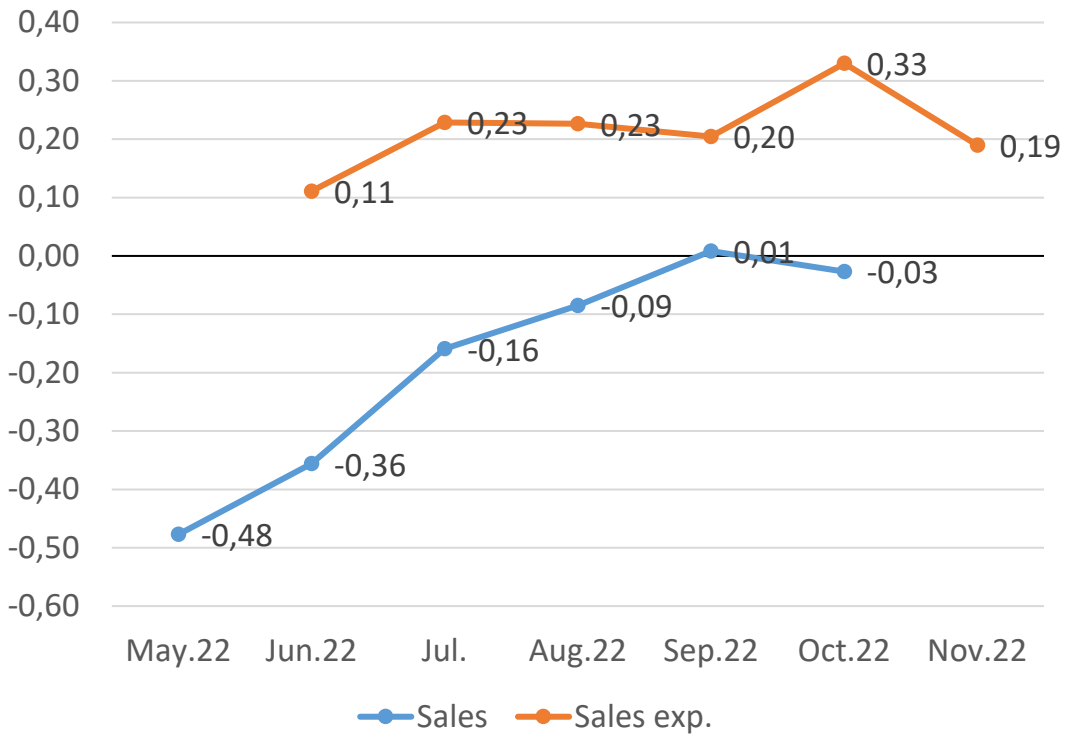


Export

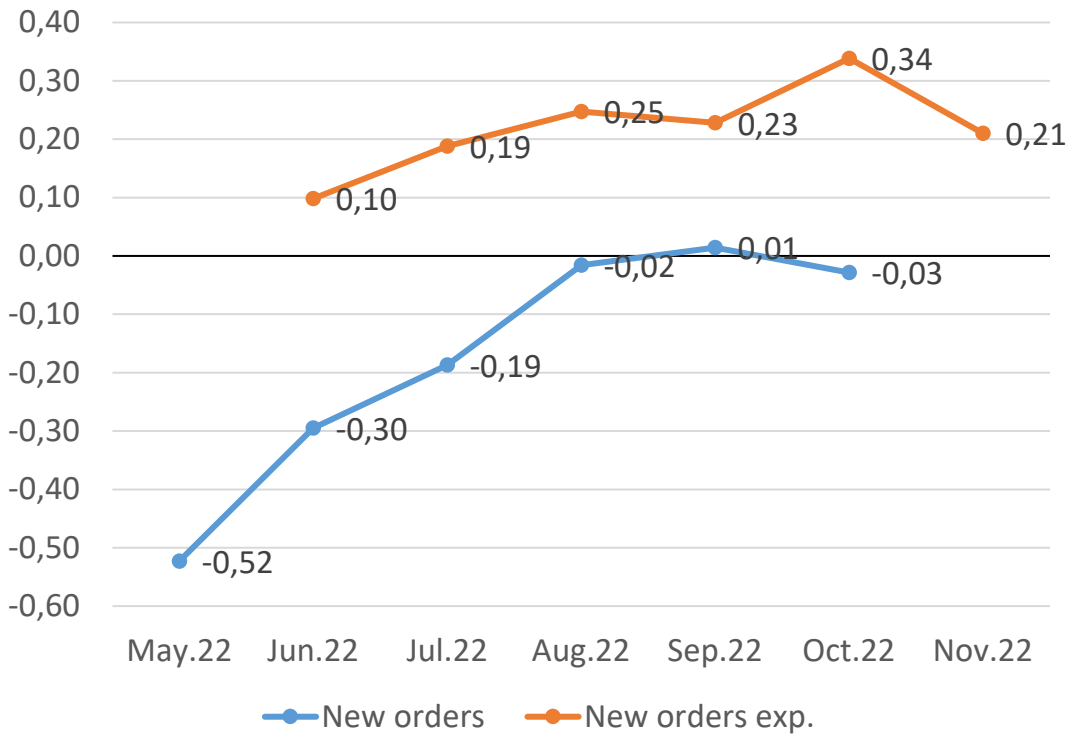


Past changes and expectations for three months: a decrease in sales and new orders

Sales

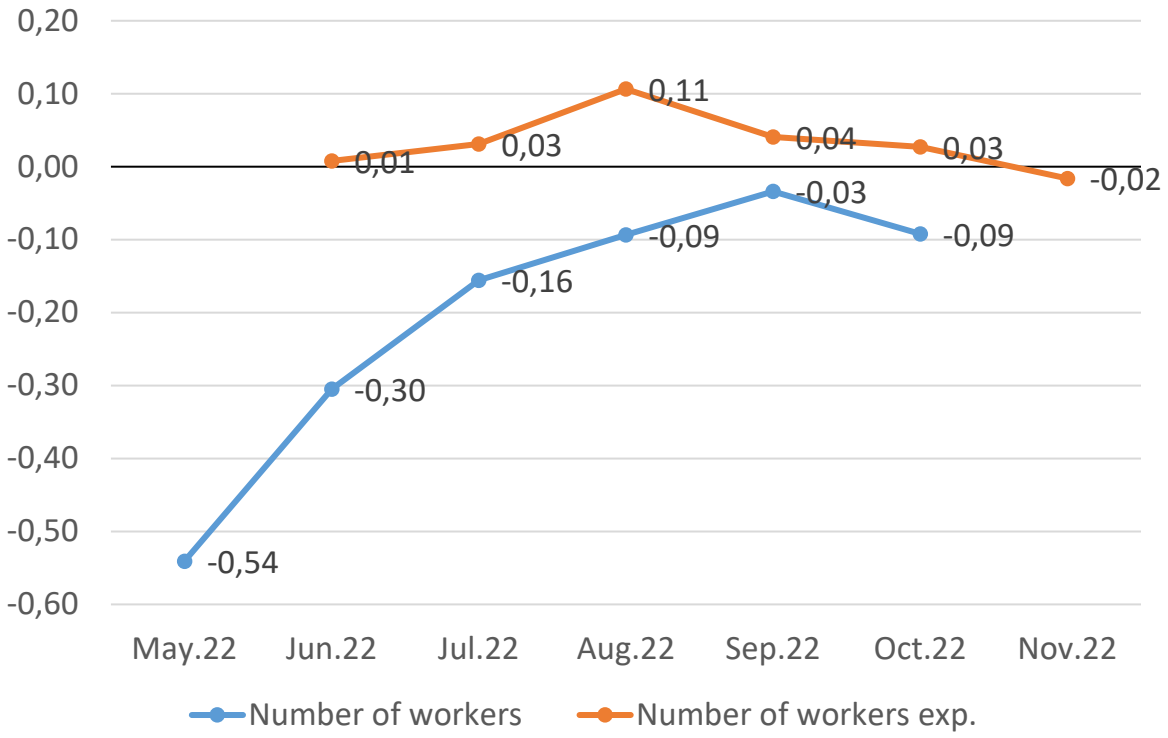


New orders

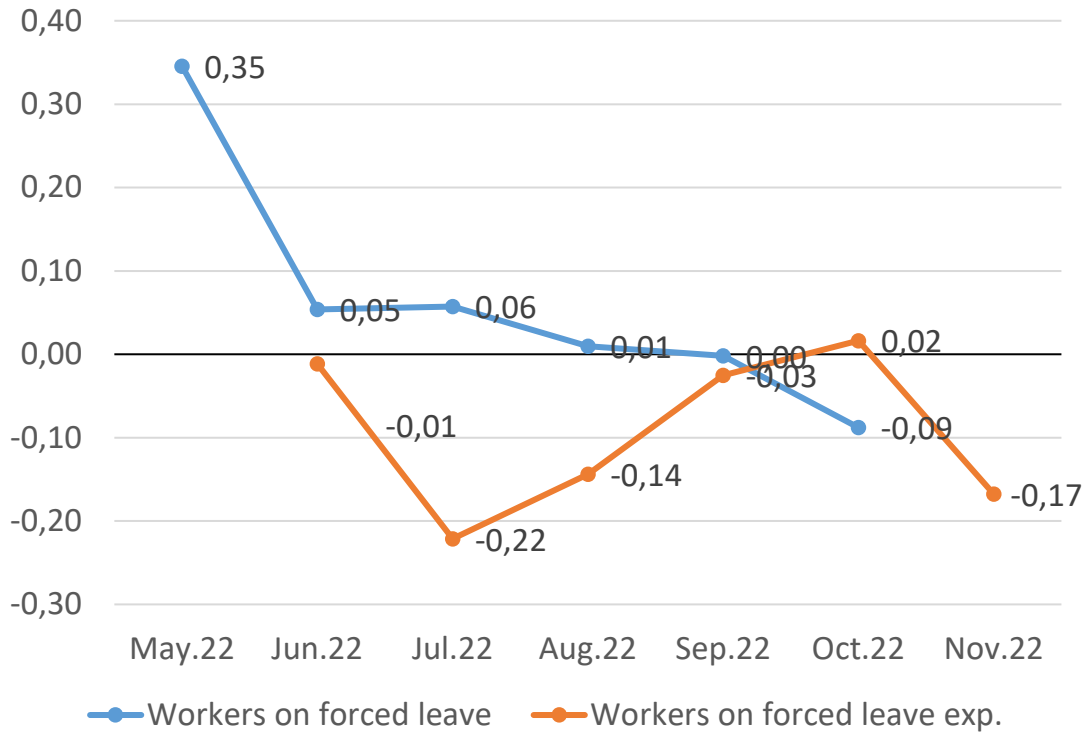


Enterprises do not plan to increase employment, while reductions in layoffs are expected

The number of workers

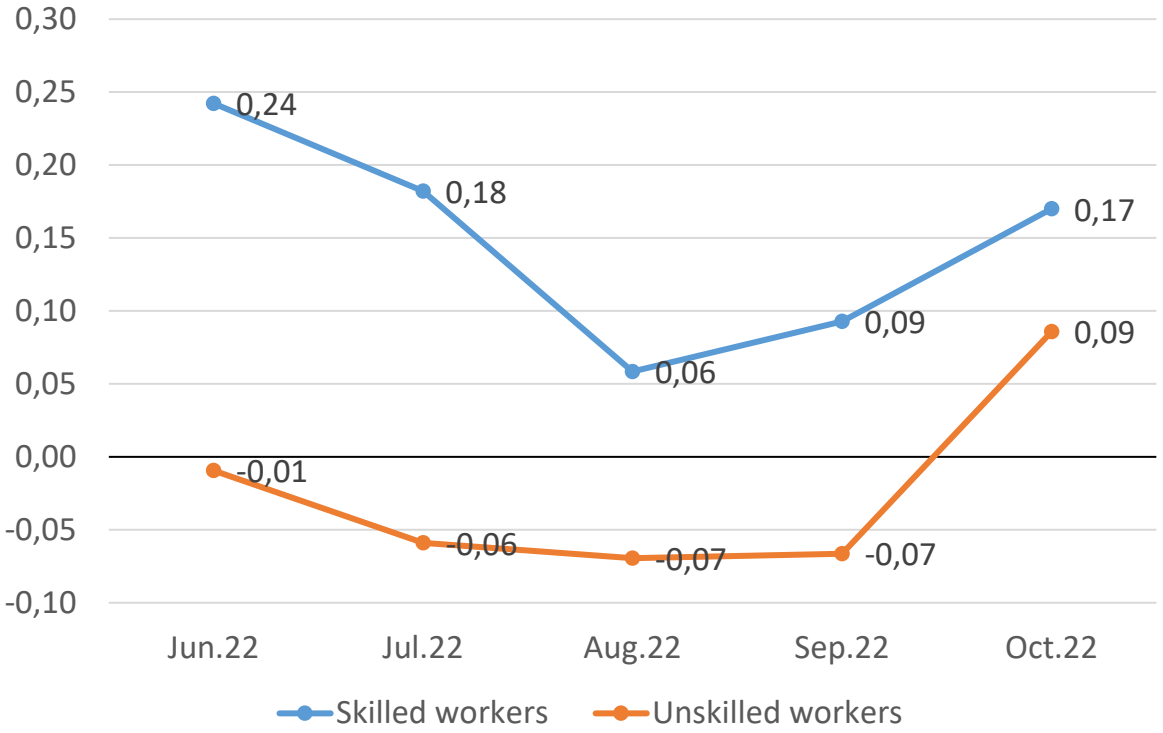


The number of workers on forced leave



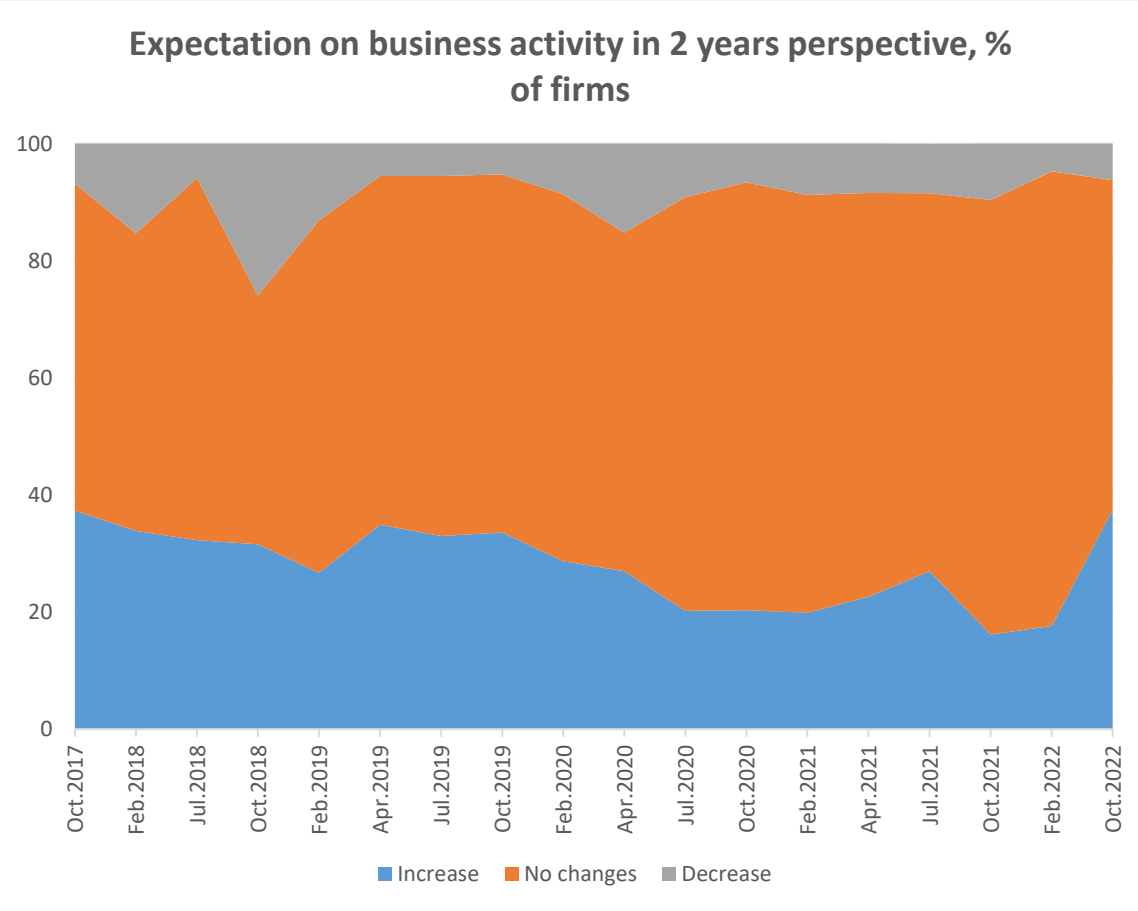
The situation on the labor market has changed

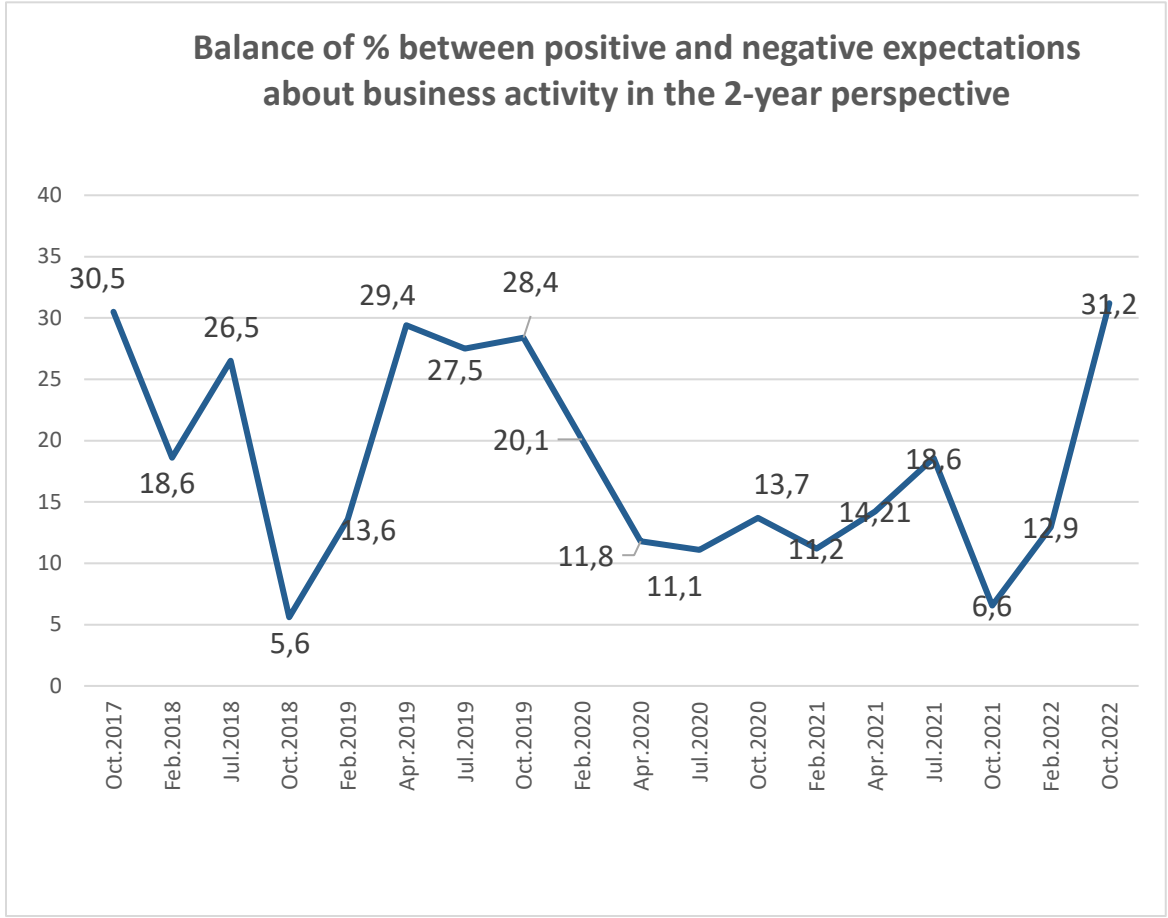
Problems in finding workers



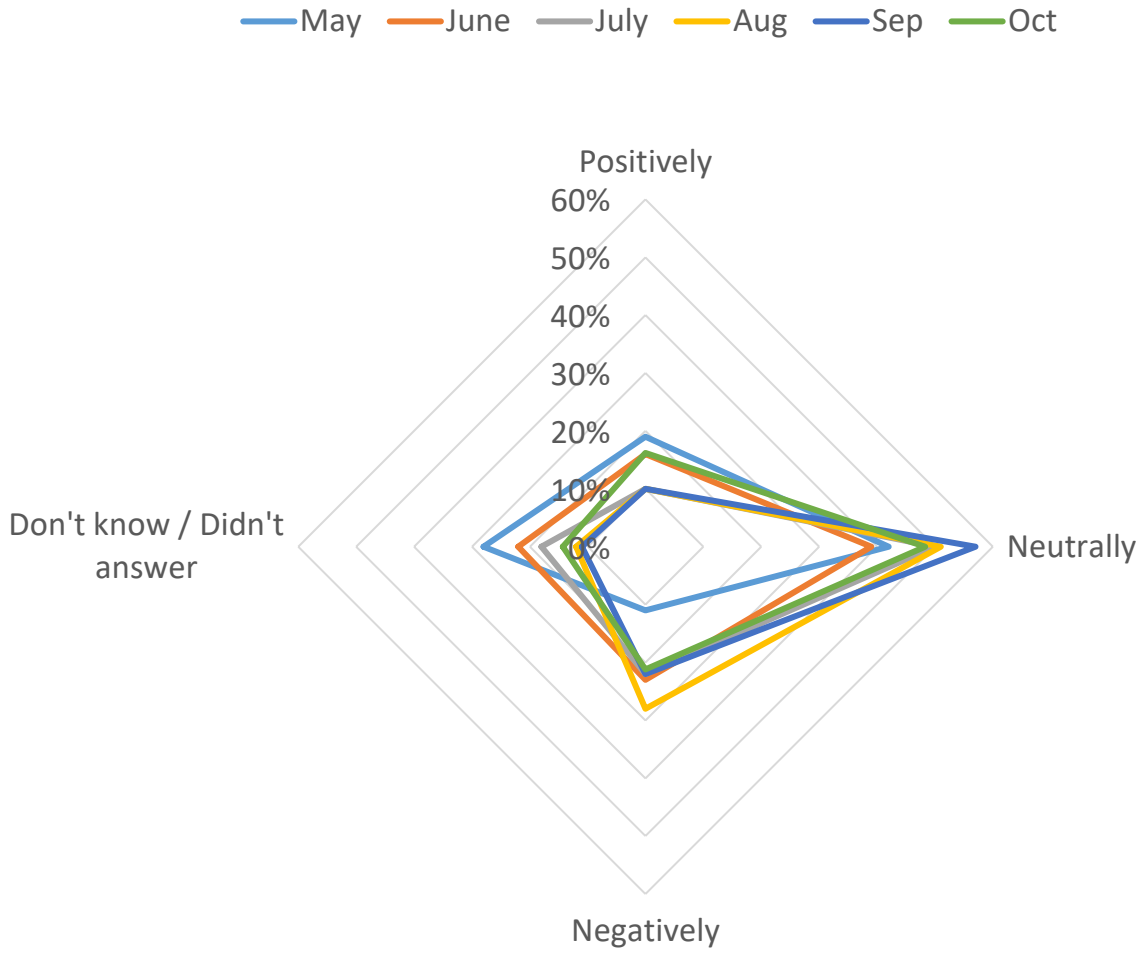
Against the background of the expected slowdown in production, the problems in finding both skilled and unskilled workers increased.

Long-term expectations: despite terror business are VERY optimistic





% of positive assessments of state policy increased



- In October 2022, the share of positive assessments of state policy of business support increased from 10% to 16%.
- As before, neutral assessments prevail, but their share decreased from 57% in September to 48% in October.
- The share of negative assessments remained almost unchanged at 21%.

New monthly enterprises survey. Methodology

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

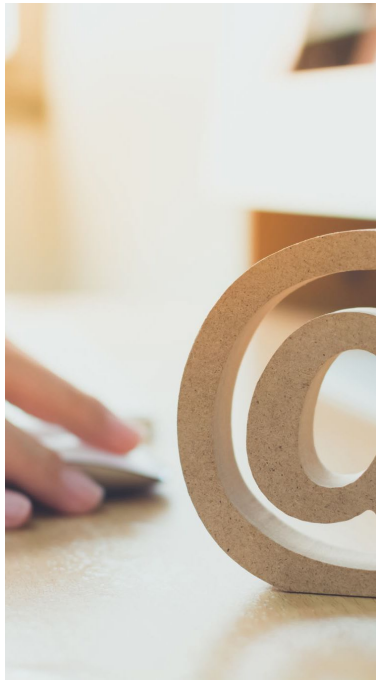
The monthly survey consists of two parts: the regular one and the special one. Respondents will regularly answer questions on the changes in key activity indicators and short-term forecasts for future changes in the same indicators: output (production), sales, exports, debt, new orders, employment, etc.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

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

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

The field stage of the sixth wave lasted from October 17 to October 28, 2022. The enterprises' managers compared the results of work in October 2022 with September 2022, assessed the state of indicators at the time of the survey (October 2022), and gave forecasts for the next two, three, or six months depending on the question. For some questions (where it was mentioned) the work results were compared to ones in the pre-war period (before February 24, 2022). Respondents gave forecasts for the next three months of work.

Contacts



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