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INTERNATIONAL RENAISSANCE FOUNDATION

ATLAS NETWORK

INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

Main economic trends in September 2022

(according to the results of a new monthly enterprise survey)

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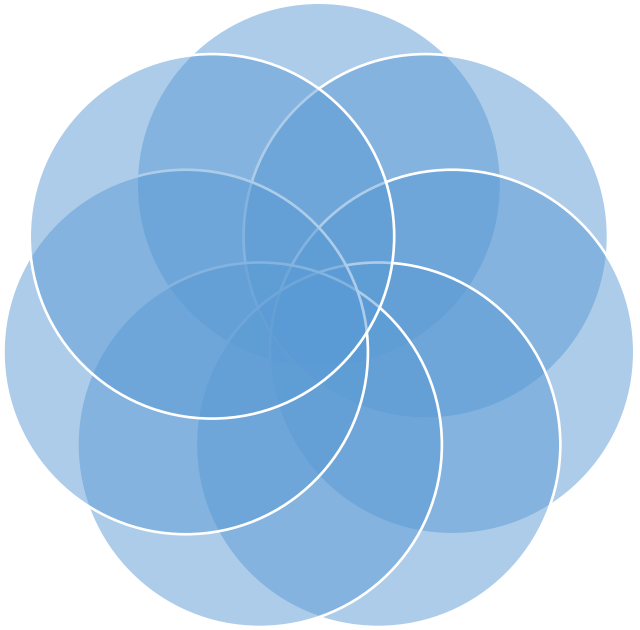
Kyiv, October 13, 2022

ABOUT THE NEW MONTHLY SURVEY

Survey every month

The most recent data was collected from September 8 to September 22, 2022

SAMPLE: 521 enterprises were surveyed in September



Five surveys have already been conducted

Businesses of all sizes

Sectors: Industry + (Retail, Agro)

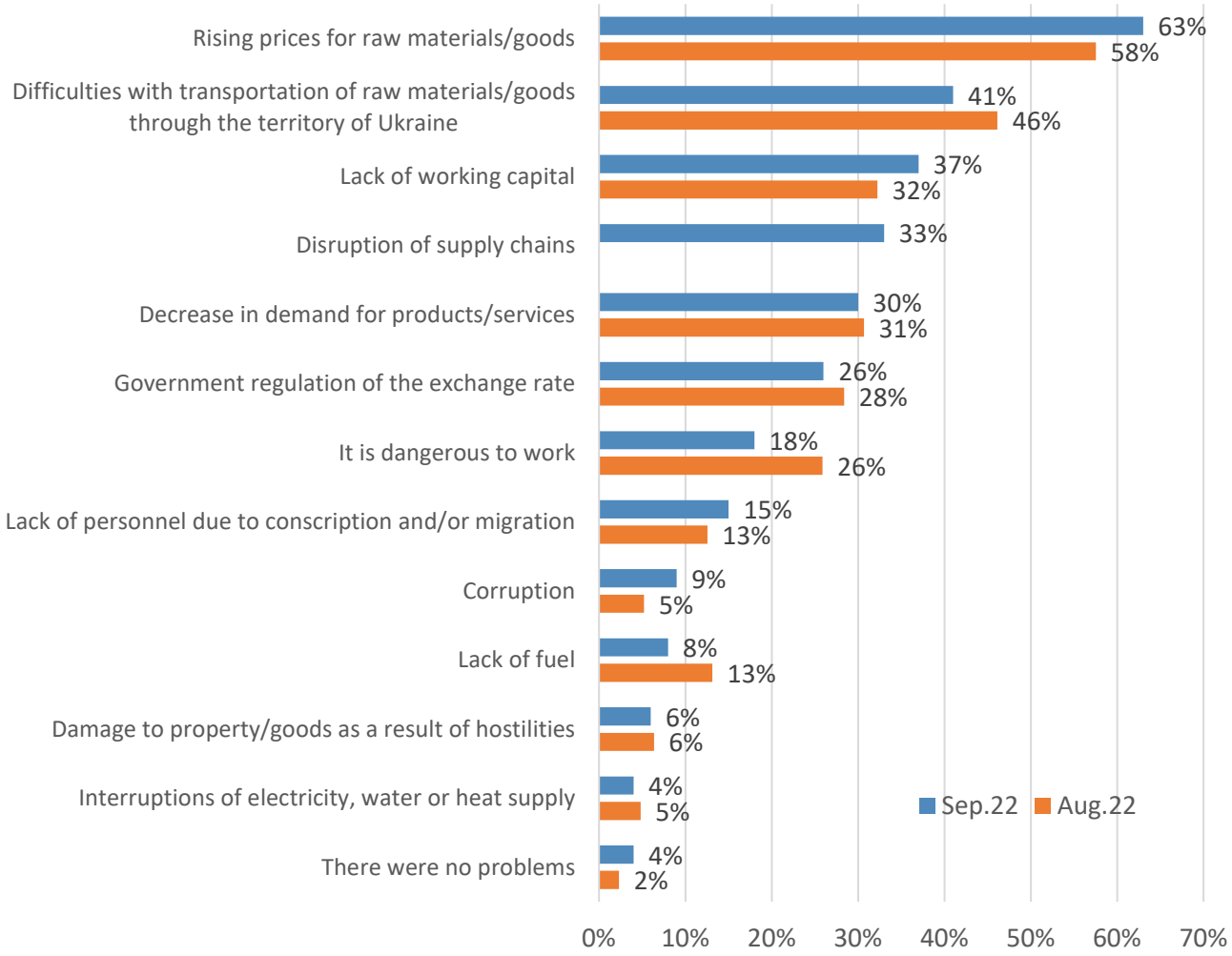
Geography: 21 out of 27 regions of Ukraine

Main results

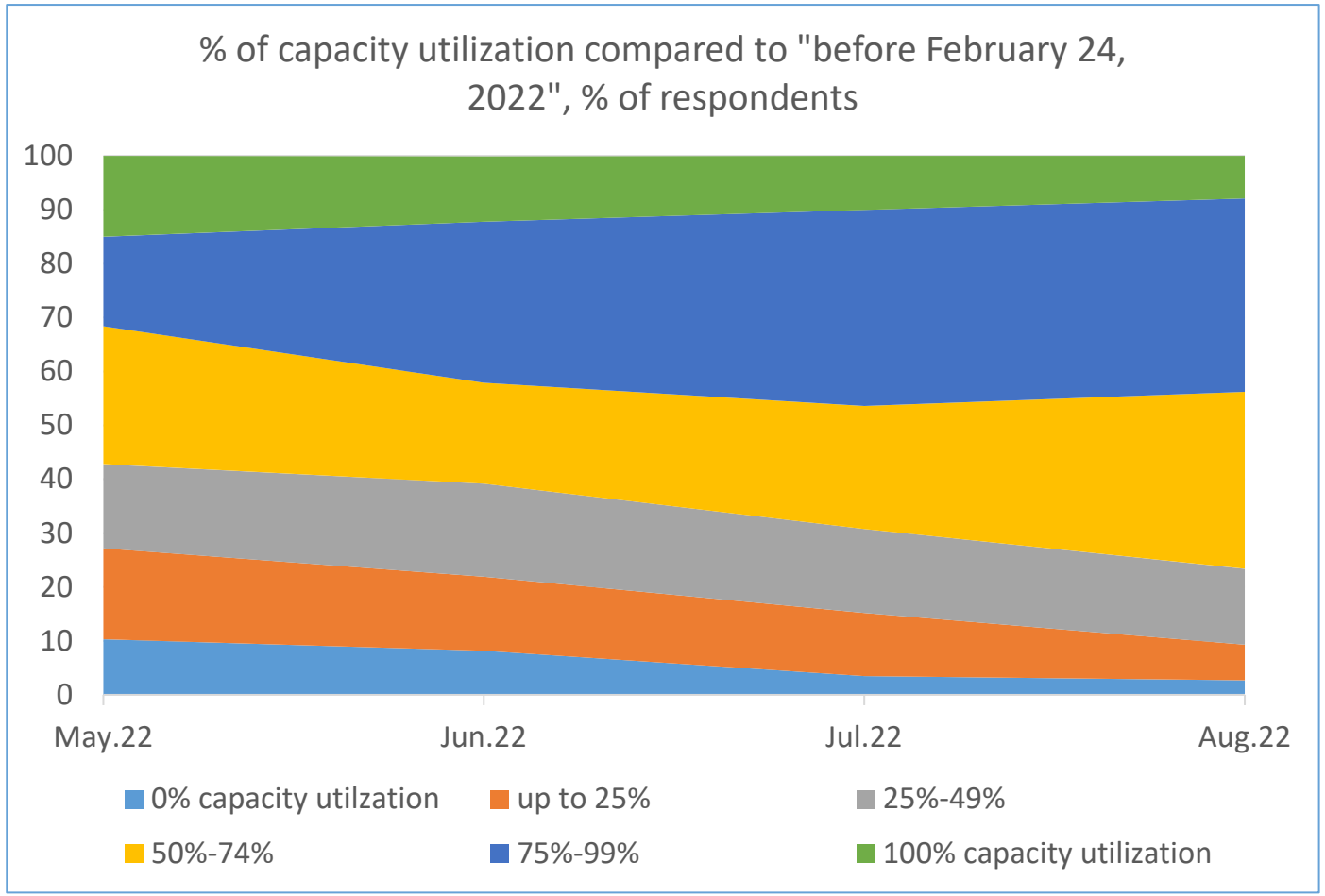
- In September 2022, a significant improvement in expectations and assessments of the economic situation and business climate was recorded.
- Long-term uncertainty increased and short-term uncertainty decreased - it became easier for entrepreneurs to forecast their activities in the three-month.
- Enterprises continue to restore production volumes to pre-war levels.
- Production expectations for three months have improved significantly. But the business is showing caution in its forecasts for an increase in the employees' number.
- Rising prices for raw materials and supplies, difficulties transporting raw materials or goods across Ukraine's territory, and lack of working capital continue to top the list of obstacles to doing business.
- Export activity is recovering against the background of growing optimism about exports.
- The main problems for exporters were queues at the western borders of Ukraine, the impossibility of exporting by sea, and complex customs formalities.
- Micro-business: worse results, but higher expectations.
- Only a small part of enterprises positively evaluates the state policy regarding business support, but negative evaluations have decreased.

The main obstacles

- Rising prices, logistical problems, and lack of working capital continue to top the list of obstacles to doing business.
- The "new" obstacle, disruption of supply chains, immediately took the fourth place.
- % of respondents who reported the obstacles "it is not safe to work" and "lack of fuel" in September was the lowest for the entire 2022 (note that the frequency of the "it is not safe to work" obstacle depends on the region).
- The labor shortage problem continues to be at a relatively low level for the businesses.



Production recovery continued in September



Positive:

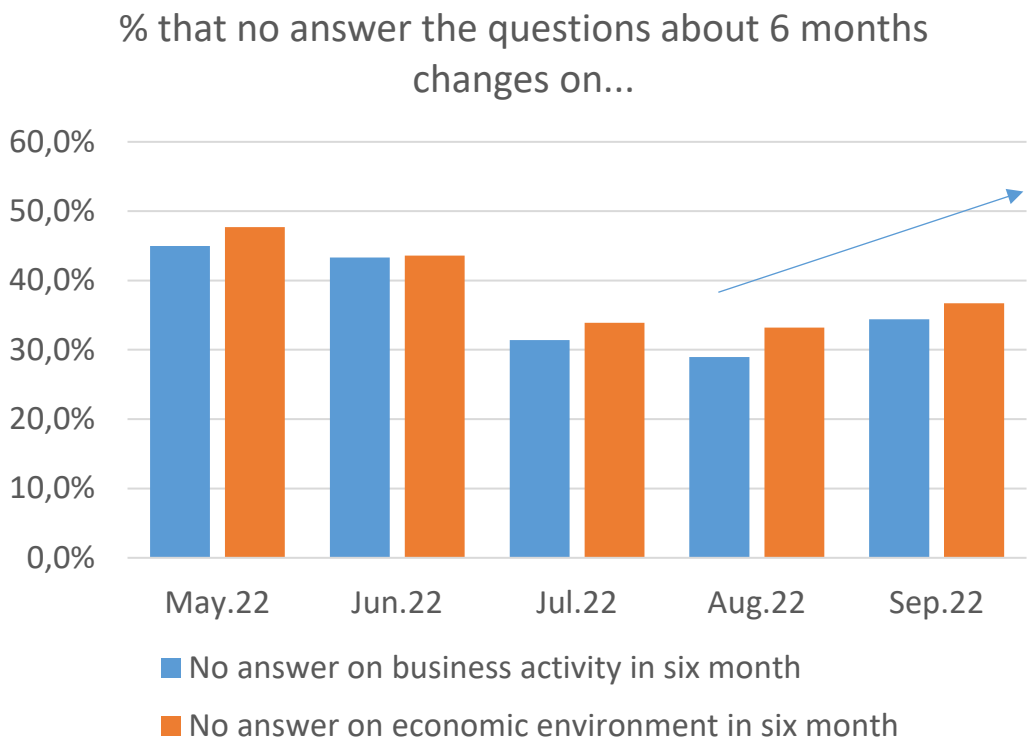
- The share of enterprises operating at 75-99% of the pre-war capacity increased - from 36% in August to 41% in September.
- Only 2% of enterprises surveyed do not operate (3% in August), and only 6% of enterprises work less than 25% of capacity (7% in August).

Mixed:

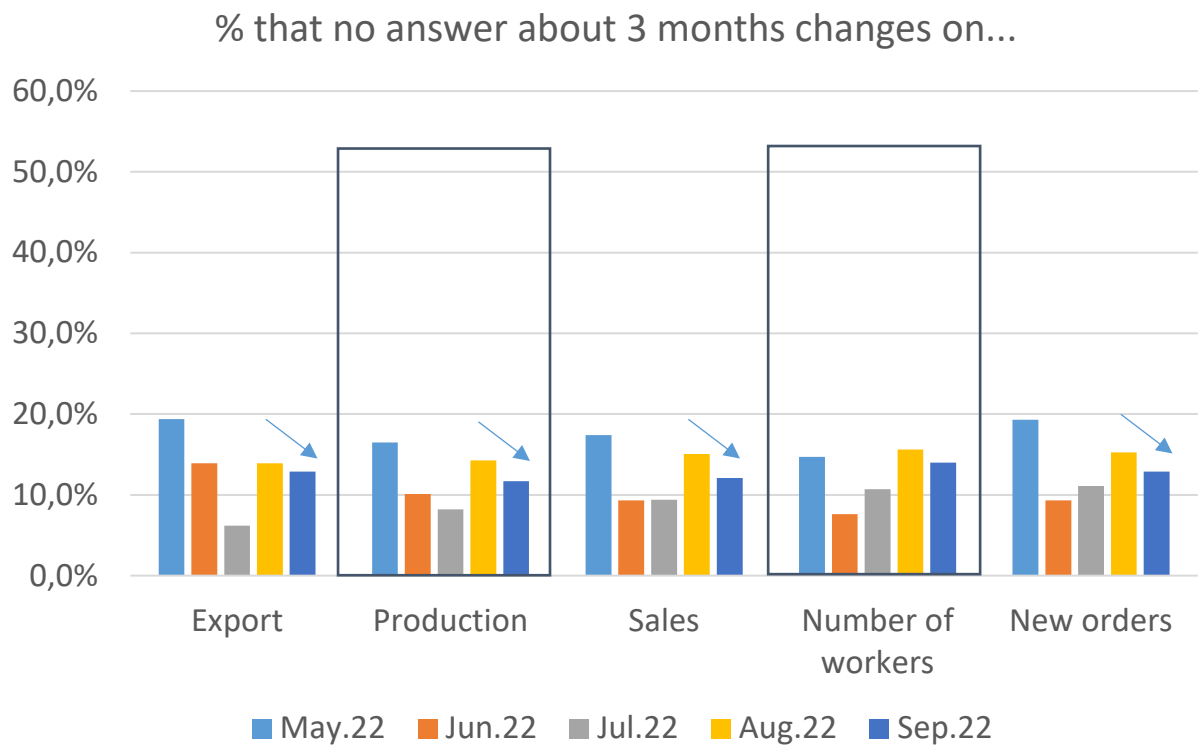
- The share of enterprises that worked at full capacity remains low - only 8% in September (for comparison, 15% in May, 12% in June, 10% in July, and 8% in August).

Uncertainty increased in the long term and decreased in the short-term horizon

Half-year horizon

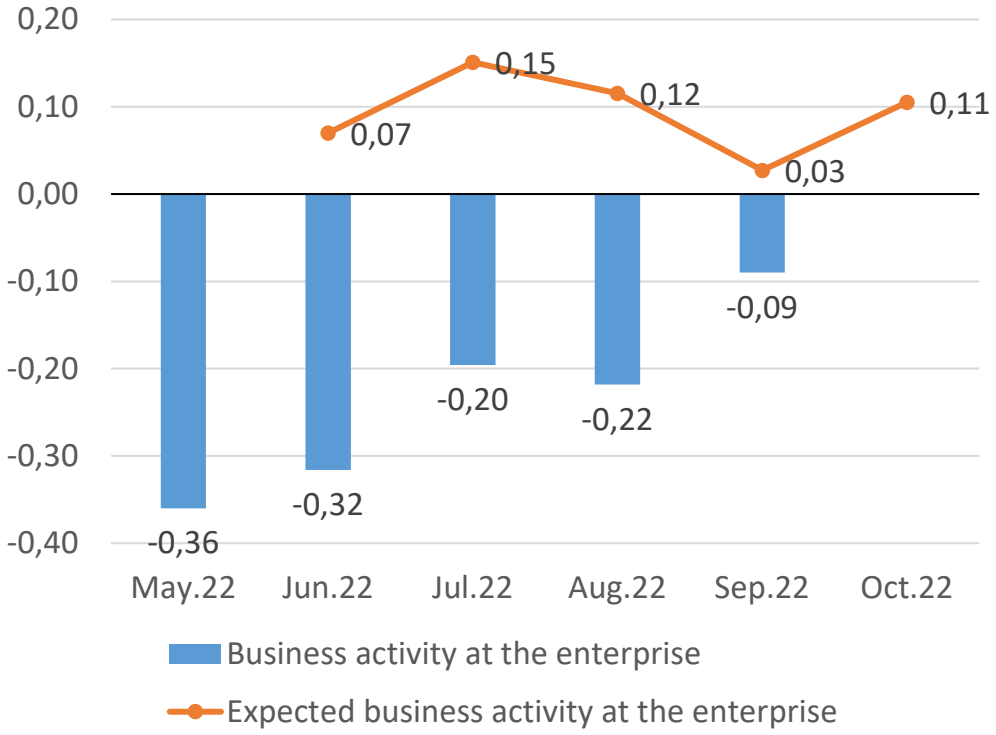


Three-month horizon

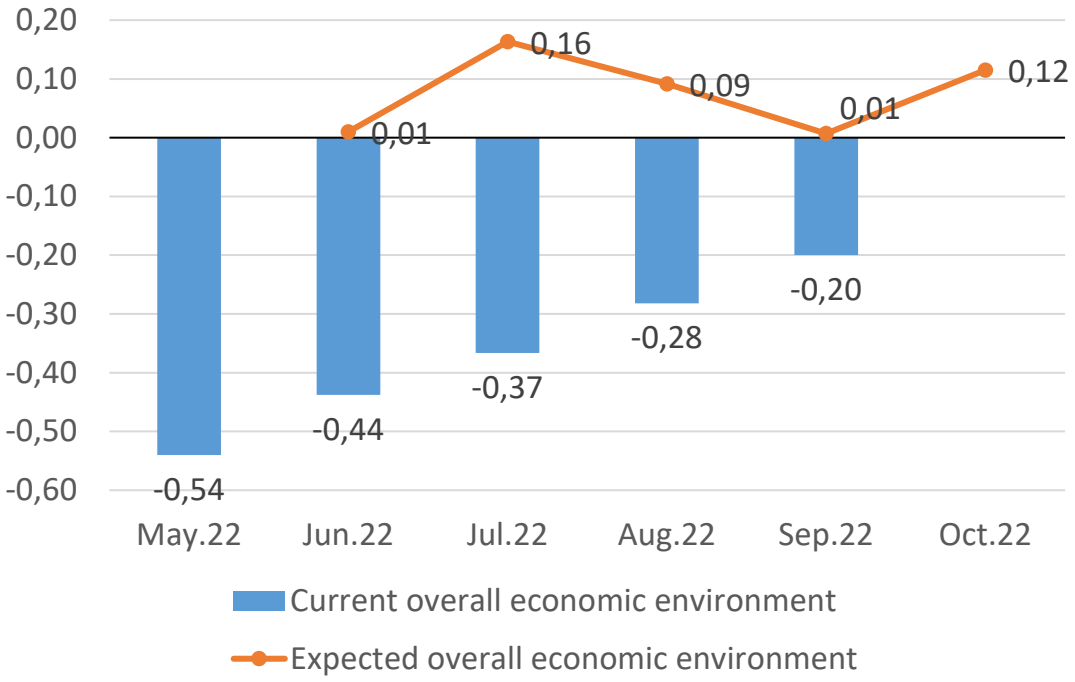


Half-yearly expectations have improved

Business activity at the enterprise



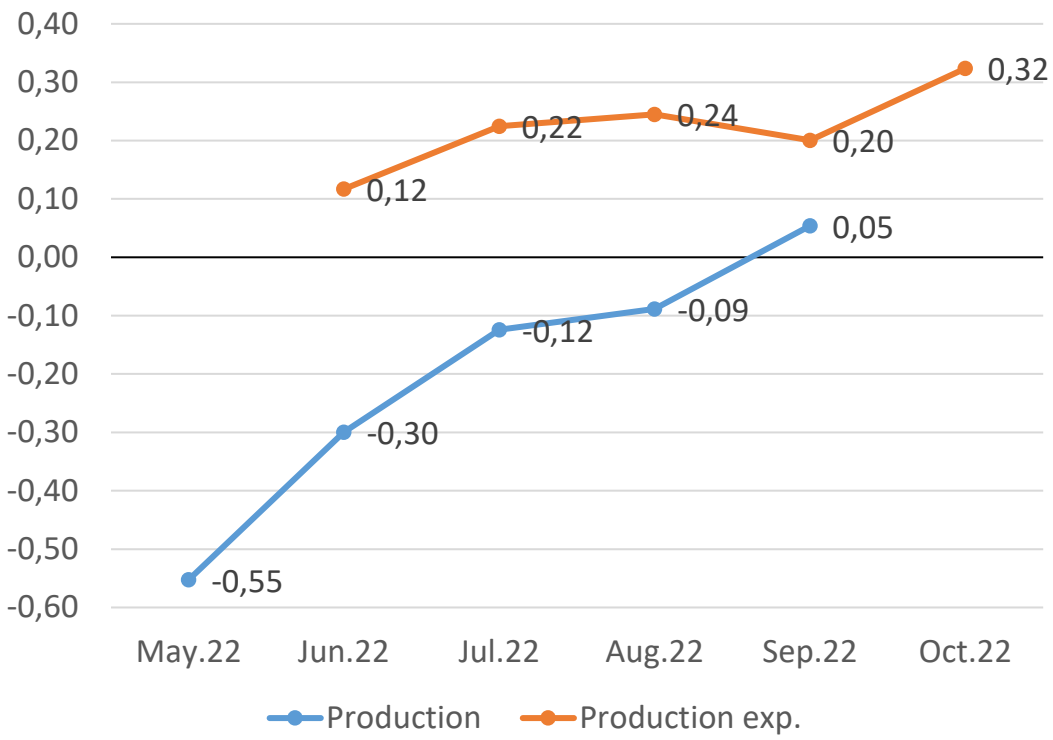
The overall economic situation in the country



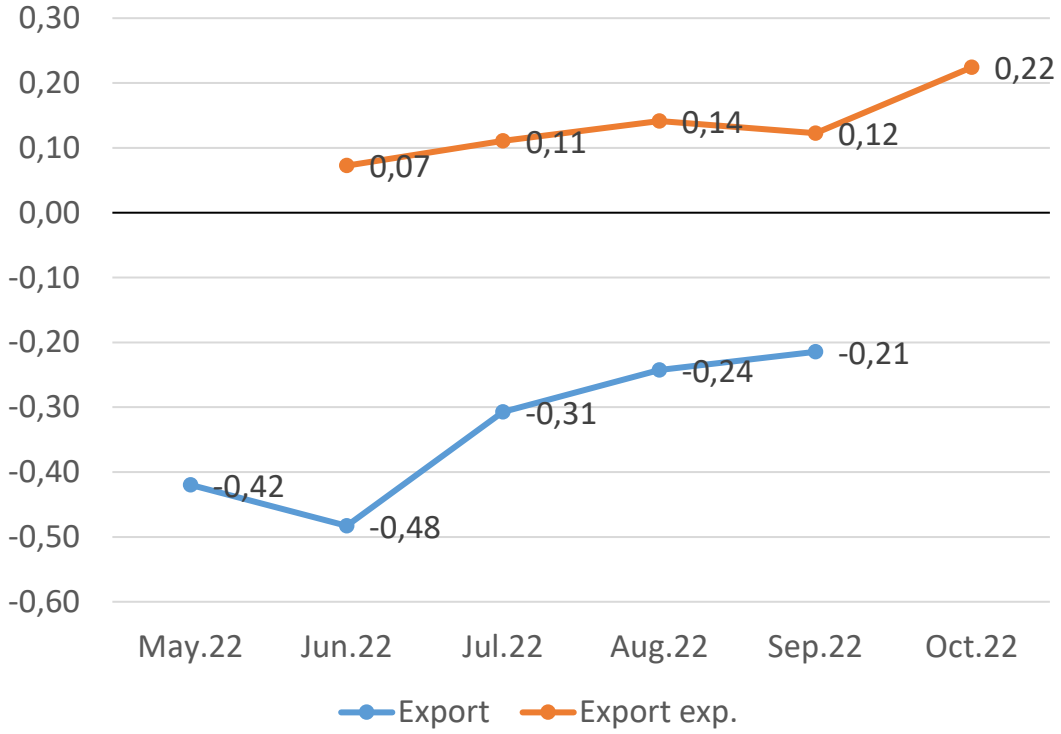
NB! The share of "pessimists" regarding the general economic situation in the country decreased significantly (from 22.6% to 14.0%). Some of them became "optimists" (the share of "optimists" increased only from 22.3% to 27.4%), and some do not expect any changes (% of such respondents increased from 55.1% to 58.6%).

Past changes and expectations for three months: the recovery trend continues, and expectations are also optimistic

Production



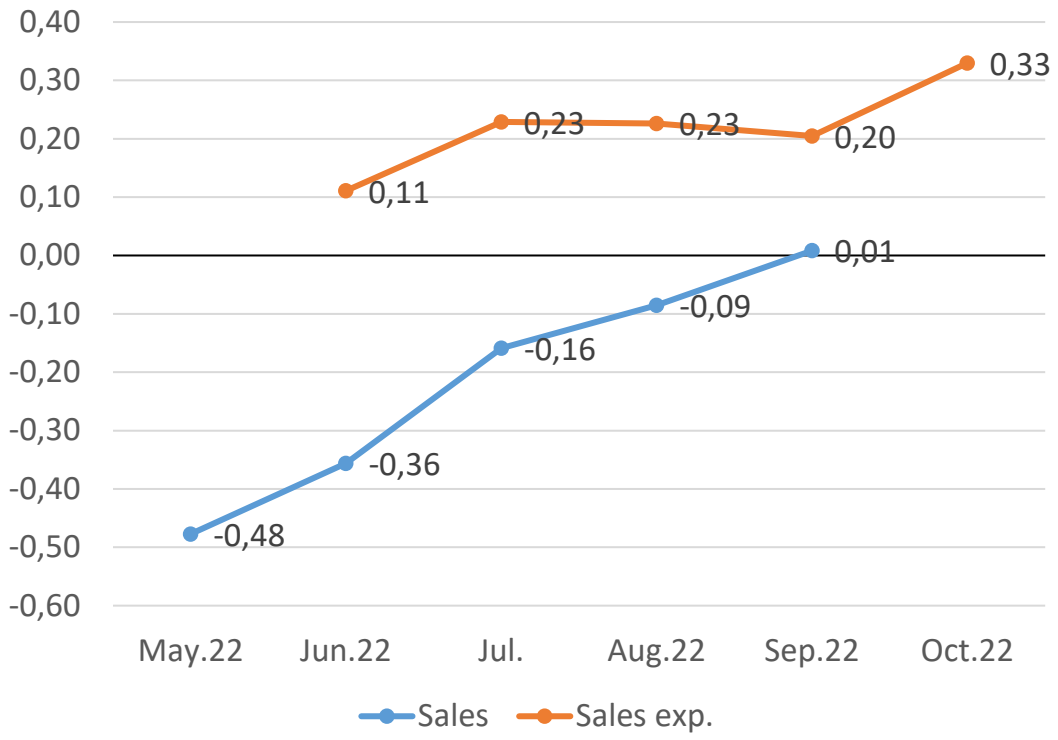
Export



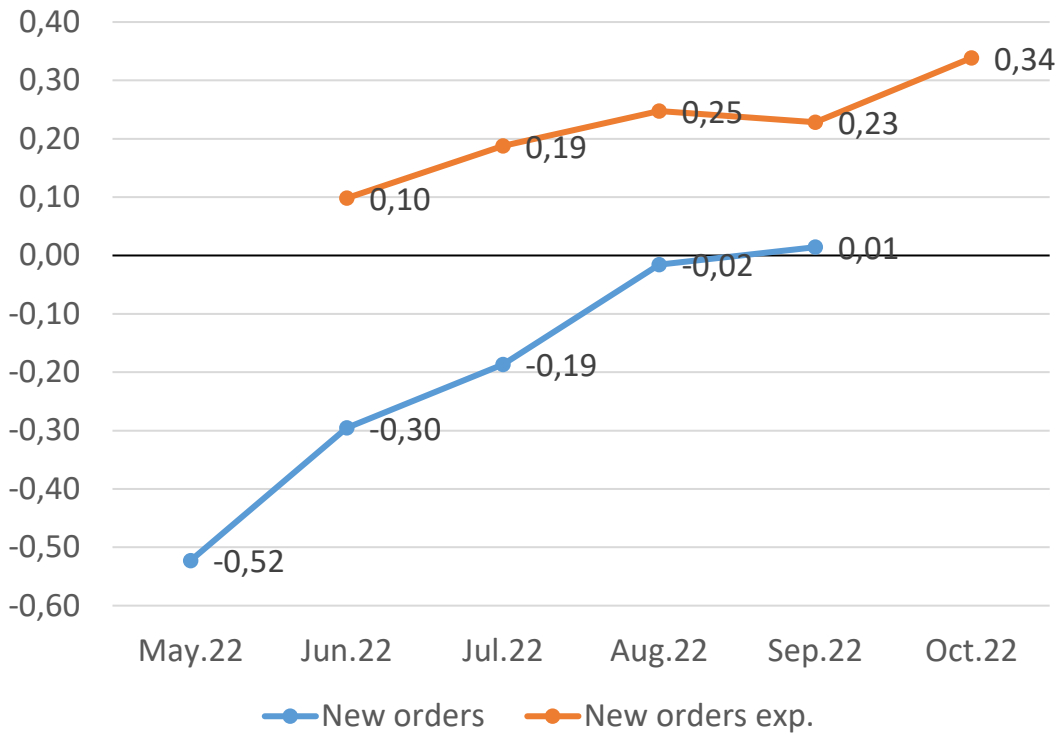
NB! The share of "optimists" increased from 26.5% in August to 40.0% in September, the share of "pessimists" did not change - 7.8% (was 7.7%), the share of those who do not expect changes decreased from 65, 8% to 52.2%.

Past changes and three-month expectations: increase in sales and new orders

Sales

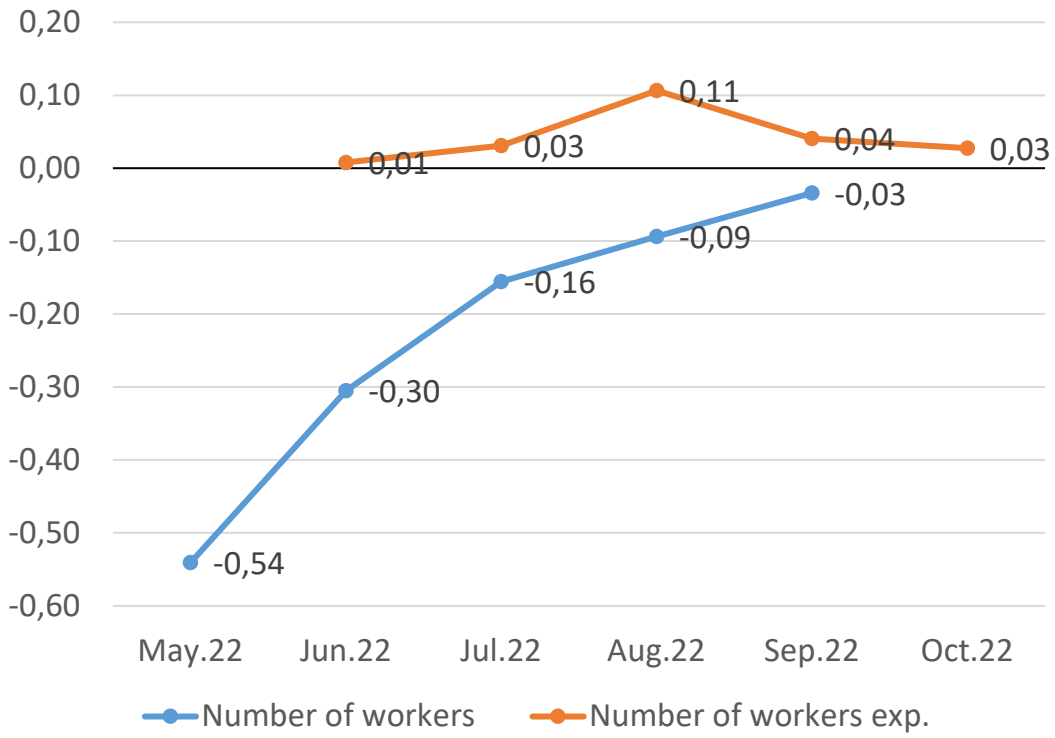


New orders

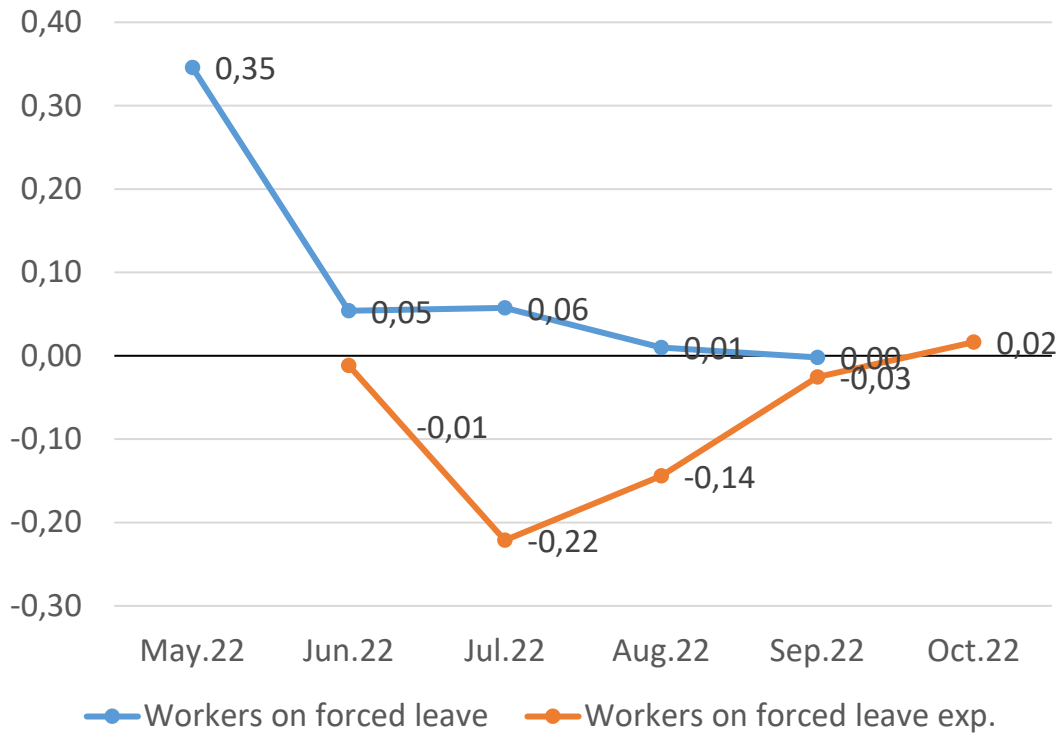


Businesses do not expect to increase employment, but they do not plan to cut jobs either

The number of workers

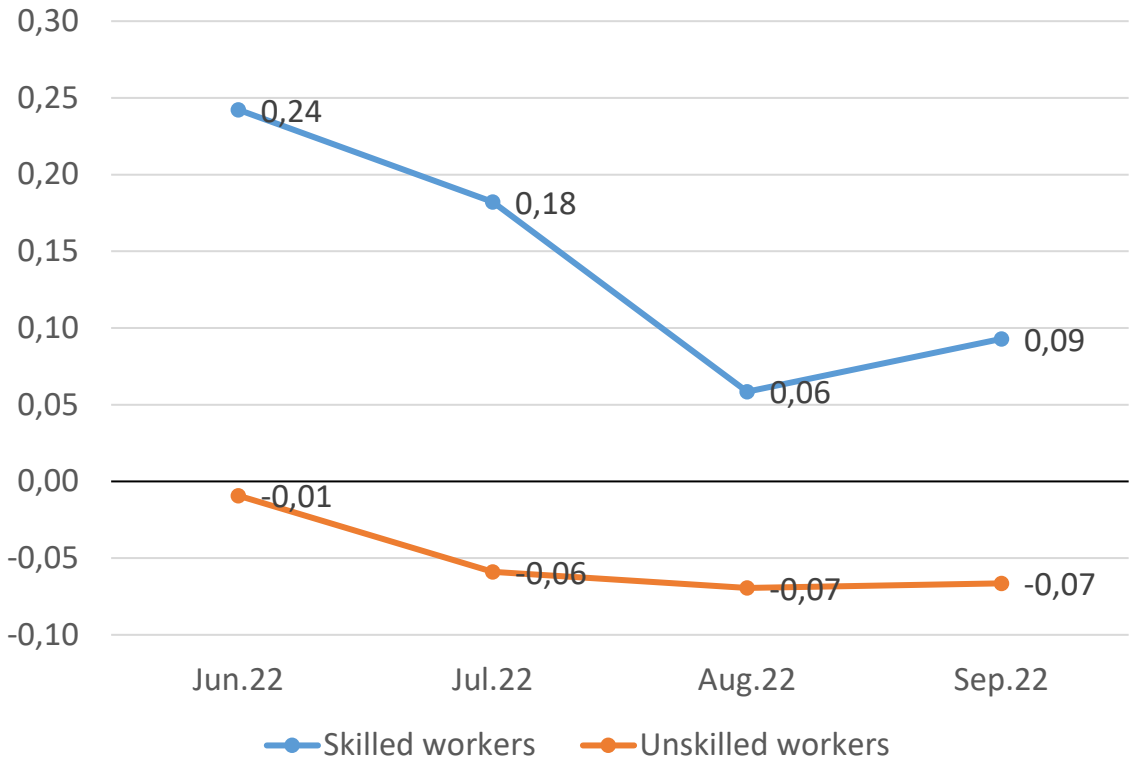


The number of workers on forced leave



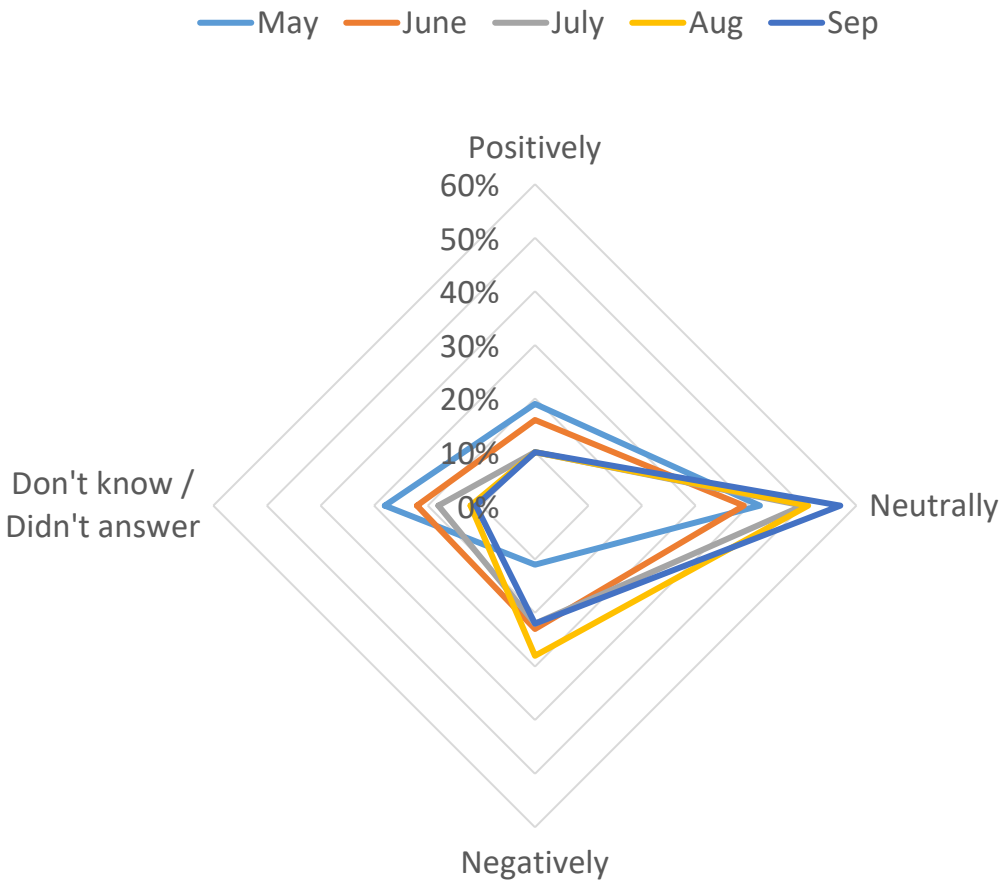
So far, everything is calm in the labor market

Challenges in finding workers



- Difficulties in finding skilled workers increased in September, while indicators for unskilled workers remained unchanged for the third month in a row.
- *The index of difficulties in finding skilled workers* has a positive value, which increased from 0.06 to 0.09. *The index of difficulties in finding unskilled workers*, where the value is negative, remained unchanged and is -0.07.

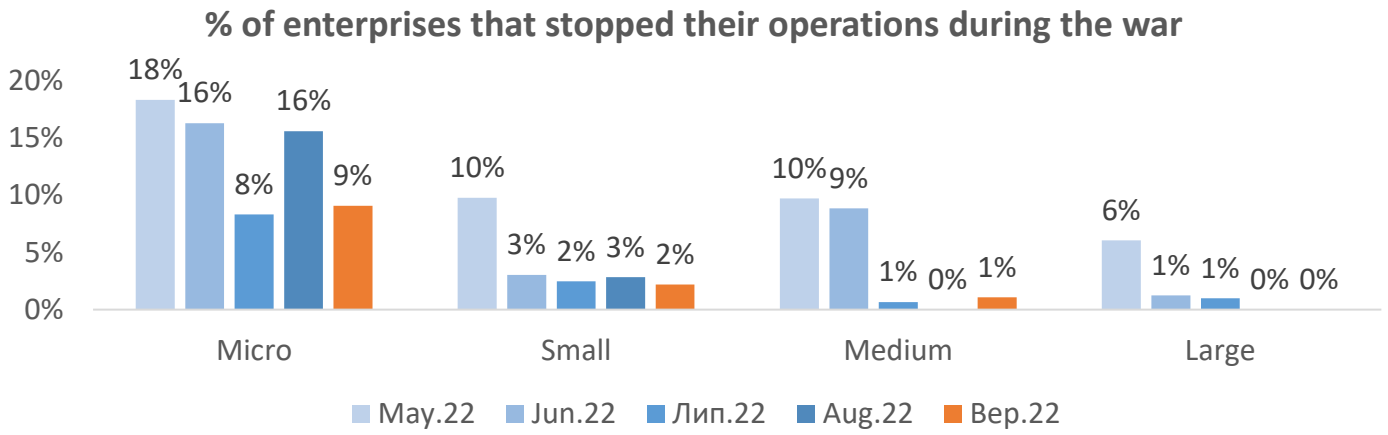
Negative assessments of state policy have decreased

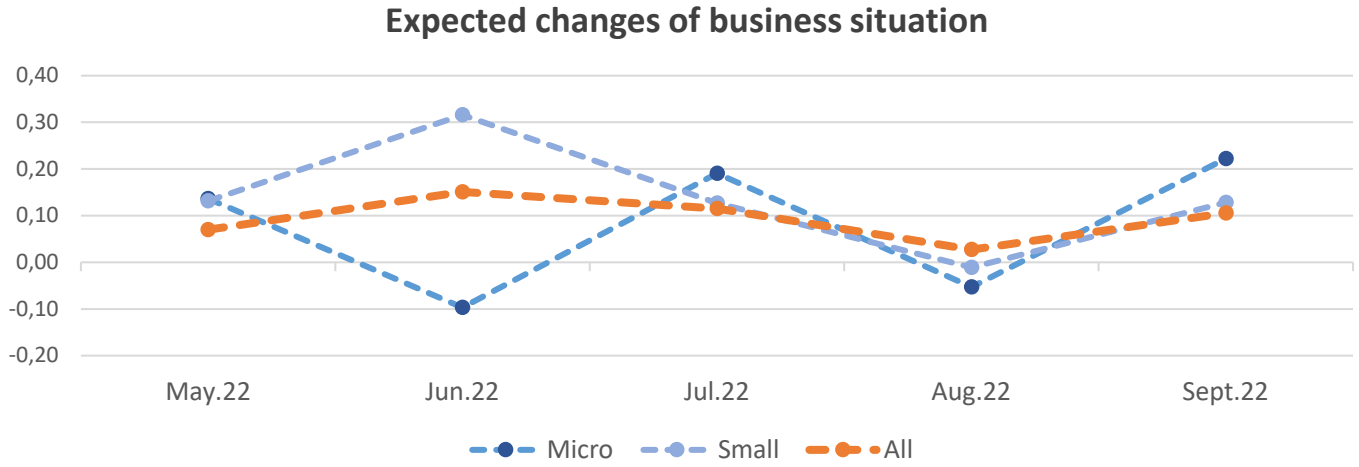


- In September 2022, the share of positive assessments of government policy on business support did not change and remained low (10%).
- The balance of positive/negative assessments has improved due to the decrease in the share of the enterprises that negatively assess government policy (from 28% to 22%).
- The share of neutral assessments increased from 51% to 57%.

Situation and expectations of micro and small businesses

The situation for micro and small business





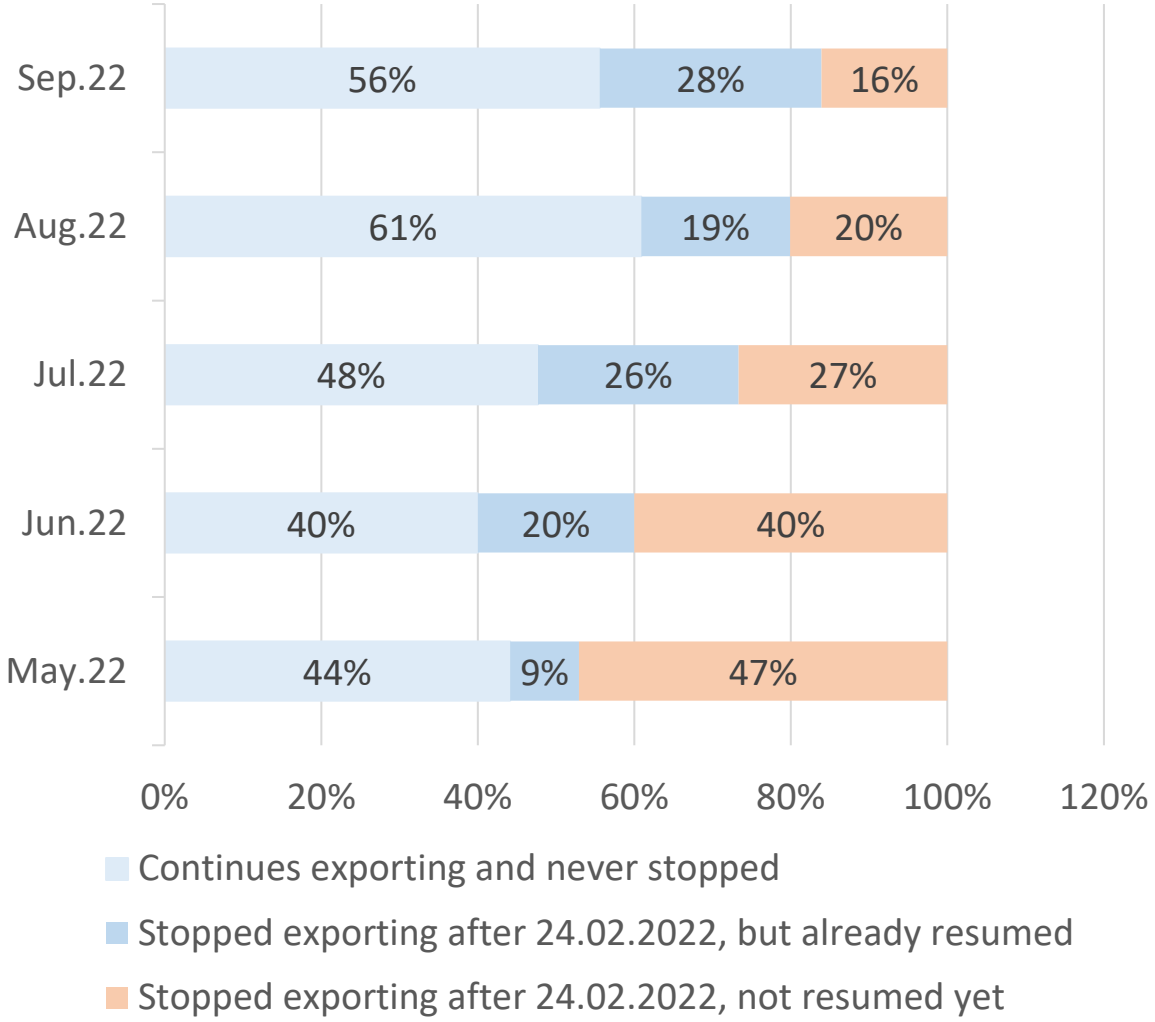
Micro-enterprises are characterized by different behavior than enterprises of other sizes:

- In September 2022, 9% of the surveyed micro-enterprises did not resume their work, which is a higher share than among larger enterprises
- At the same time, micro-enterprises have better expectations regarding changes in their business situation during the next six months (index in September is +0.22)
- It is a change compared to August when micro-enterprises had worse expectations than the rest of the business (the index was -0.05)

Export recovery

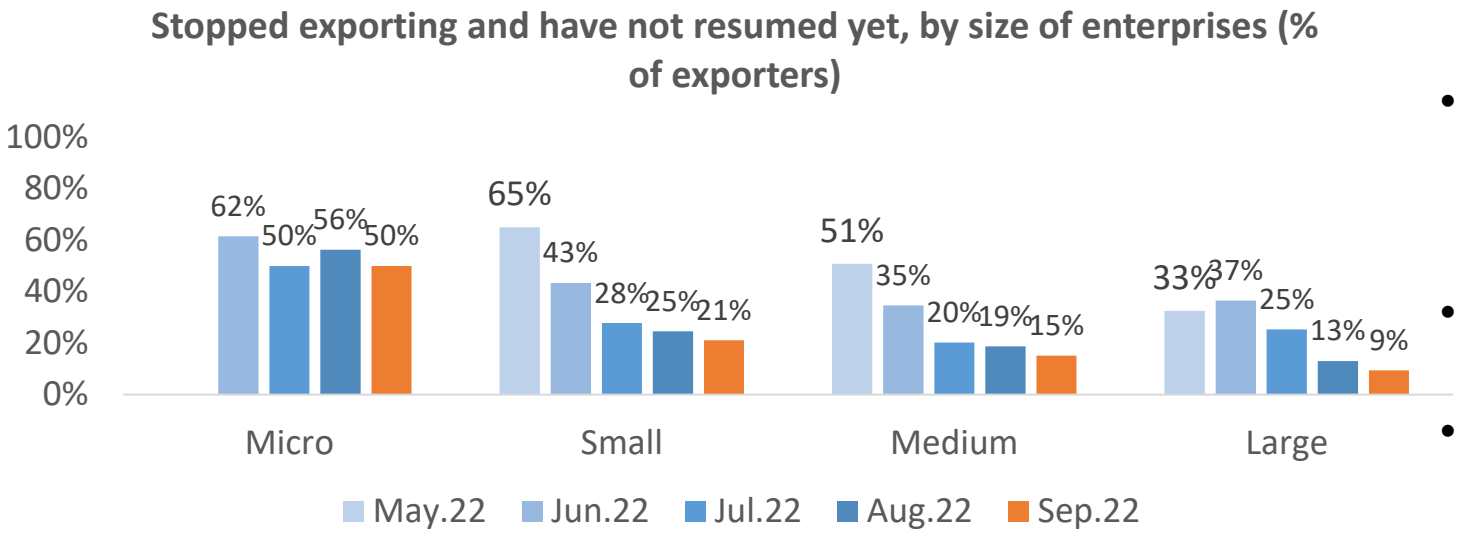
(based on survey results)

The war impact on export activity

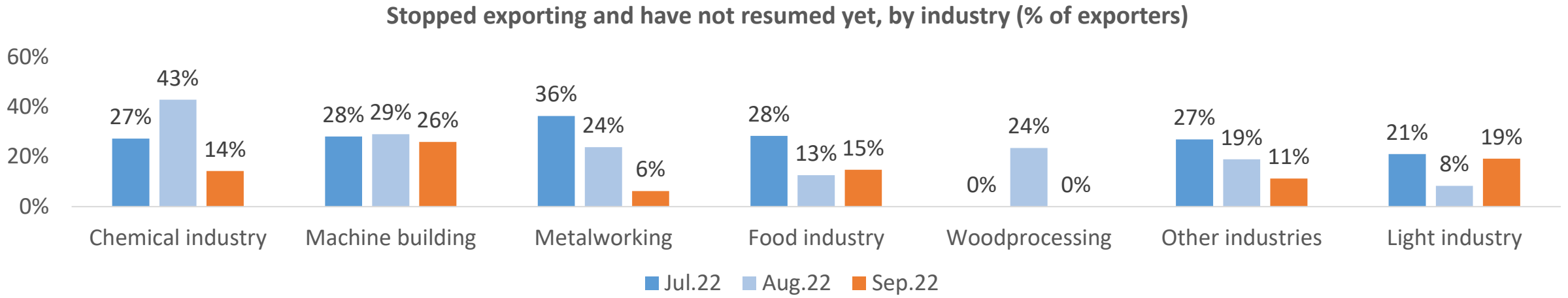


- 55% of respondents were exporters as of the beginning of 2022
- Exports continue to steadily recover in the manufacturing sector as a whole
- For five months in a row, the share of enterprises that stopped exporting after February 24 and could not resume it continues to decrease
- The share of enterprises that want to start exporting for the first time remains low - only 2% of respondents (7% in May)

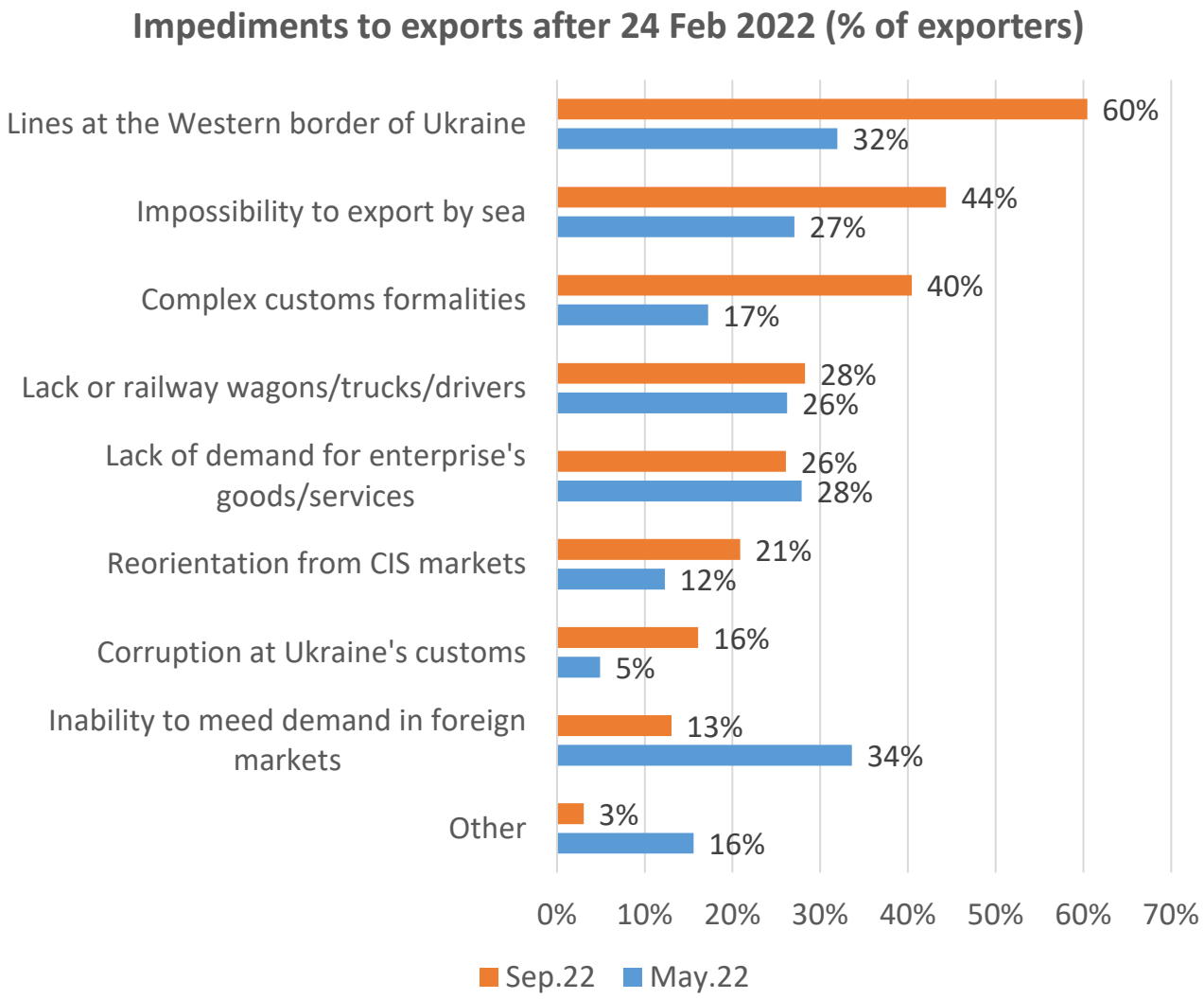
The war impact on export activity (by size and industries)



- The ability to resume exports increases with the increase in the size of the enterprise
- The best situation is in the woodworking industry, where again (as in July) there are no enterprises that stopped exporting and could not resume it
- Export recovery in the chemical industry and metallurgy intensified
- The worst situation is in machine building, where 26% of respondents have not resumed exports

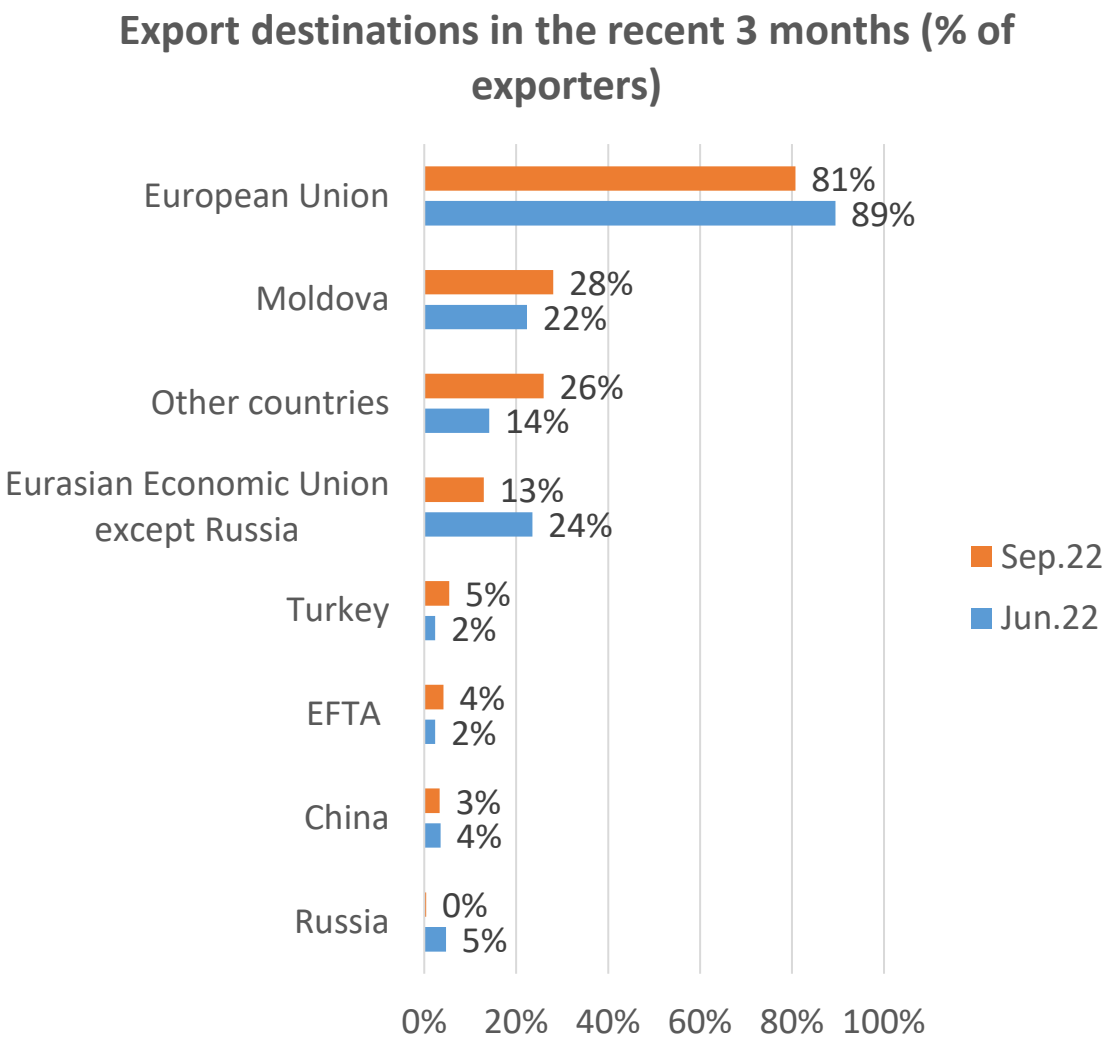


The war impact on export activity (impediments to exports)



- Logistics issues predominate among the main obstacles for exporters: lines at the western borders, a sea blockade, and a lack of railway wagons/trucks/drivers
- The problem of lines has become twice as urgent compared to May
- Compared to May, businesses experience problems related to customs work several times more often: complex customs formalities and corruption
- Thanks to the recovery of production, the business is less likely to experience the problem of meeting demand in foreign markets

The war impact on export activity (geography of exports)



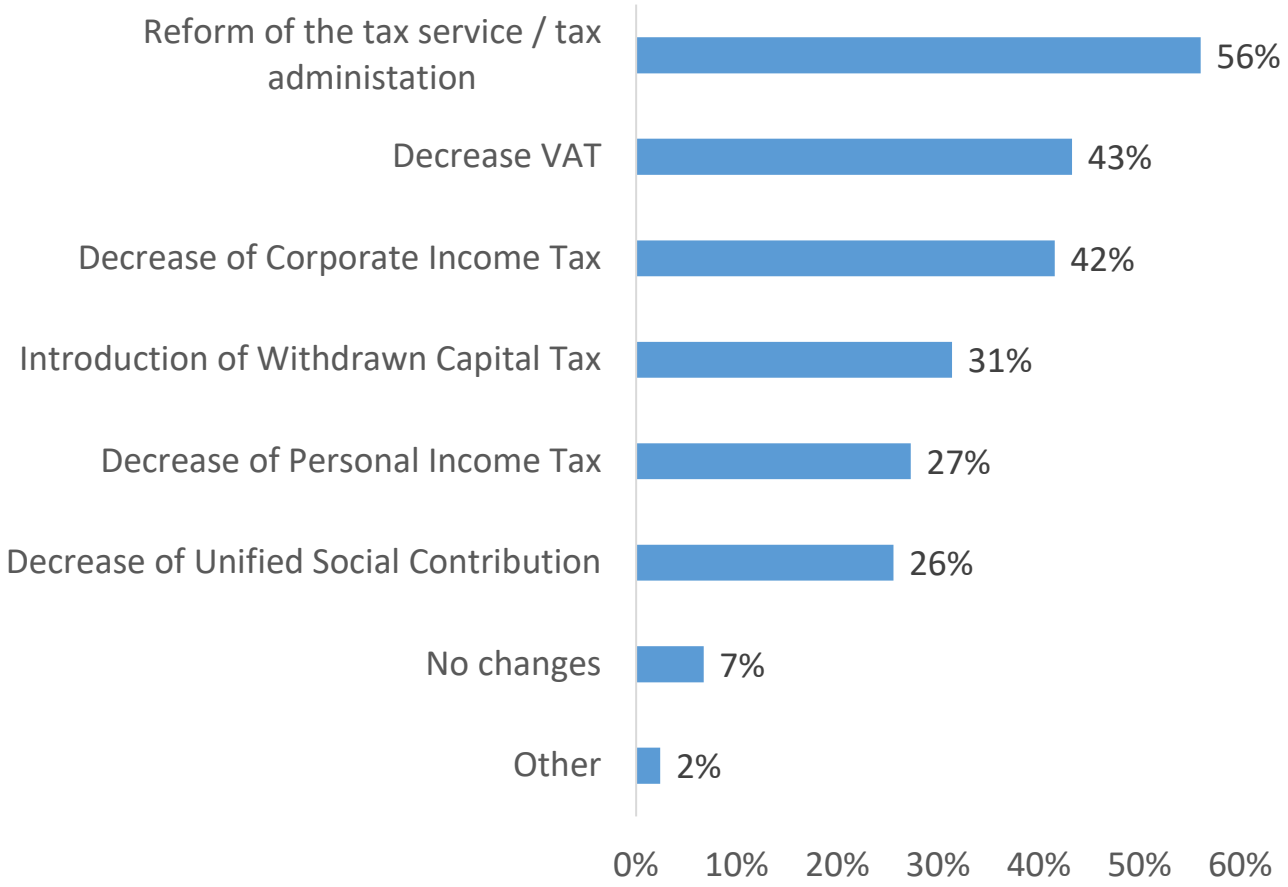
- The European Union remains the main export destination for Ukrainian business (81% of respondents in September)
- The importance of other destinations is also increasing, in particular, Turkey (5%) and Moldova (28%)
- Trade with the countries of the Eurasian Economic Union is decreasing (24% in June and 13% in September)
- More exporters have "narrow" export geography. Every second company exports to 2-5 countries, and every fourth company exports to only one

What tax reform is needed?

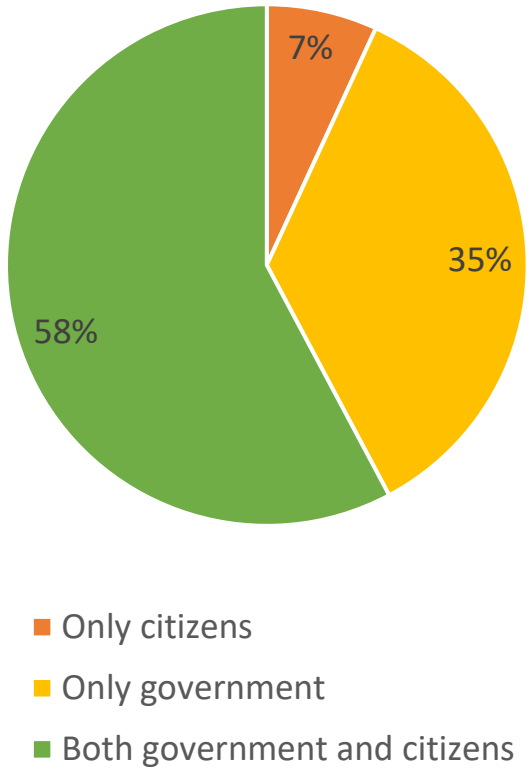
(based on survey results)

About taxes and expenses

Which changes of the tax system are the most urgent (% of respondents)



Who should pay for education, health care, and social welfare system? (% of respondents)



New monthly survey of enterprises. 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.

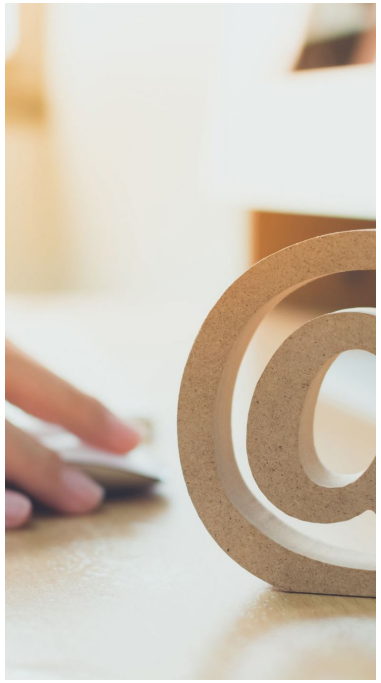
The monthly survey consists of two parts: the regular one and the special one. Respondents will regularly answer questions on the changes in key activity indicators and short-term forecasts for future changes in the same indicators: output (production), sales, exports, debt, new orders, employment, etc. 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 fifth wave lasted from September 8 to September 22, 2022. The enterprises' managers compared the results of work in August 2022 with July 2022, assessed the state of indicators at the time of the survey (September 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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