Main economic trends in August 2022

(according to the results of the New Monthly Enterprise Survey)

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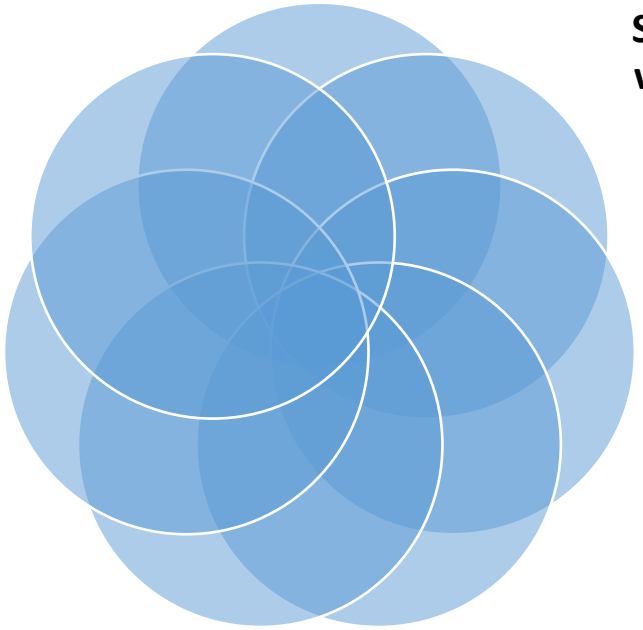
Kyiv, September 5, 2022

ABOUT THE NEW MONTHLY ENTERPRISES SURVEY

Survey every month

The most recent data were collected from August 5 to 17, 2022

SAMPLE: 518 enterprises were surveyed in August



Four surveys have already been conducted

Enterprises of all sizes

Sectors: Manufacturing + (Retail, Agriculture)

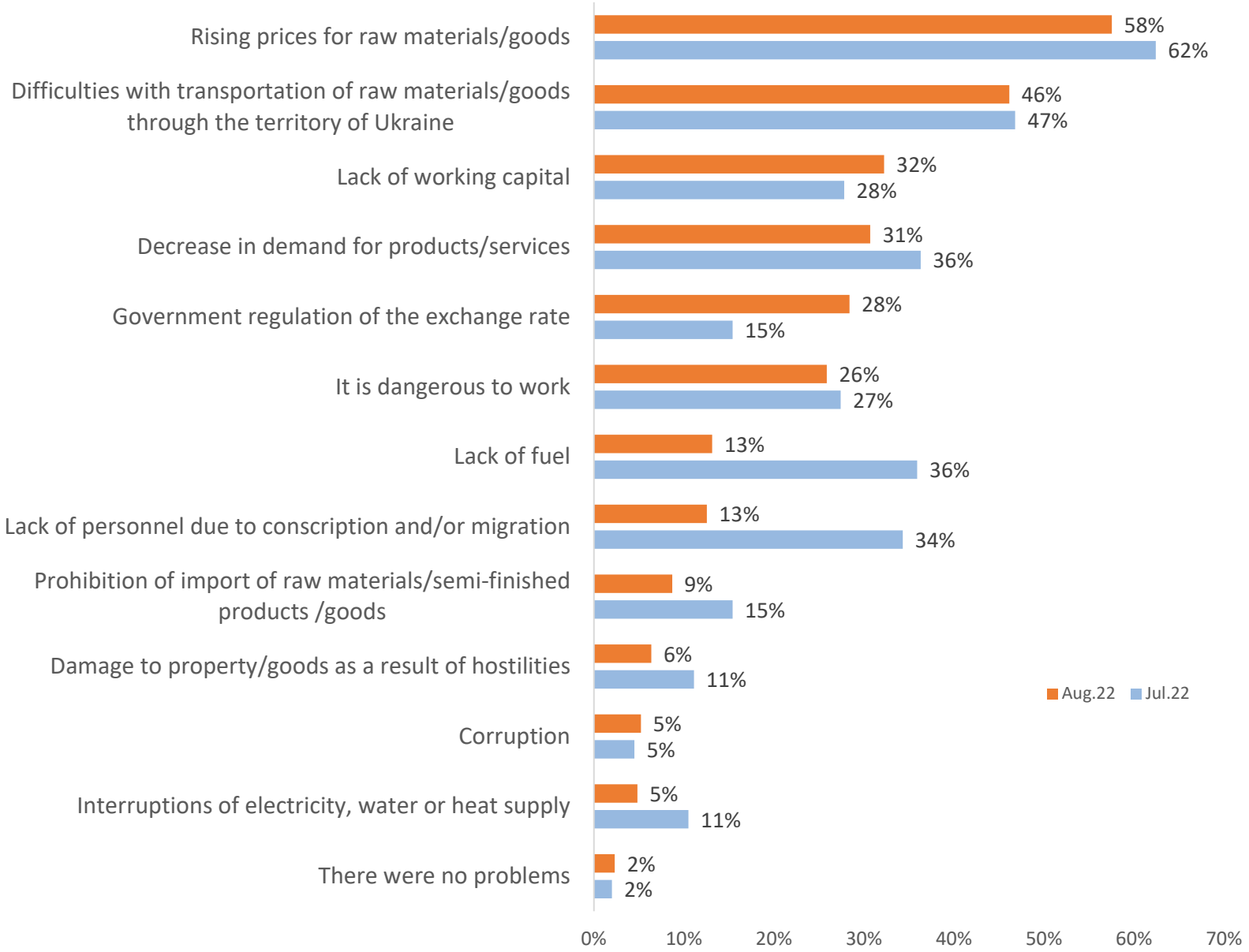
Geography: 21 out of 27 regions of Ukraine

Main results

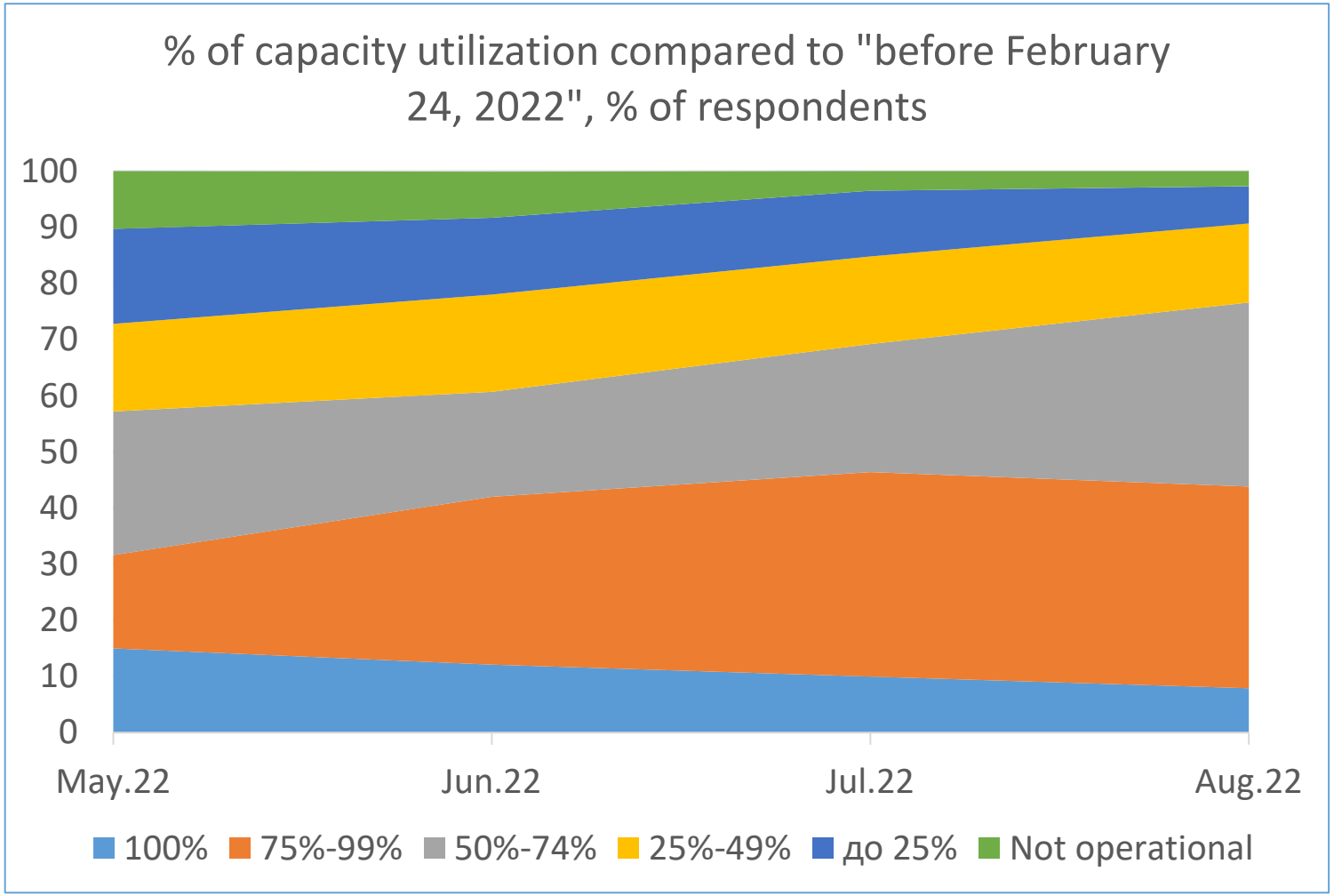
- In August, the production recovery continued, but the dynamics of the economic environment indicators indicate a slowing down of the trend of economic activity recovery in the industry.
- The rate of business optimism growth has significantly decreased (however, the share of "optimists" exceeds "pessimists", which is an encouraging fact).
- The reduction of uncertainty has stopped but is increasing in the short term horizon.
- Production expectations for three months remain positive, although there is also a trend to slow growth.
- Enterprises in industries that provide basic human needs are best able to overcome difficulties.
- Rising prices, logistical problems, and lack of working capital top the list of obstacles to doing business.
- In August, the hryvnia devaluation was added to the most expected events for business, which, like two months ago, are the end of the war and the de-occupation of Ukraine’s territories.

The main obstacles

- The lack of working capital is one of the top three obstacles.
- A significant reduction in the importance of labor shortages and fuel shortages was recorded.
- 26% of enterprises choose “it is dangerous to work”, which is less than in May (34% of respondents).



Production recovery continued in August



Positive:

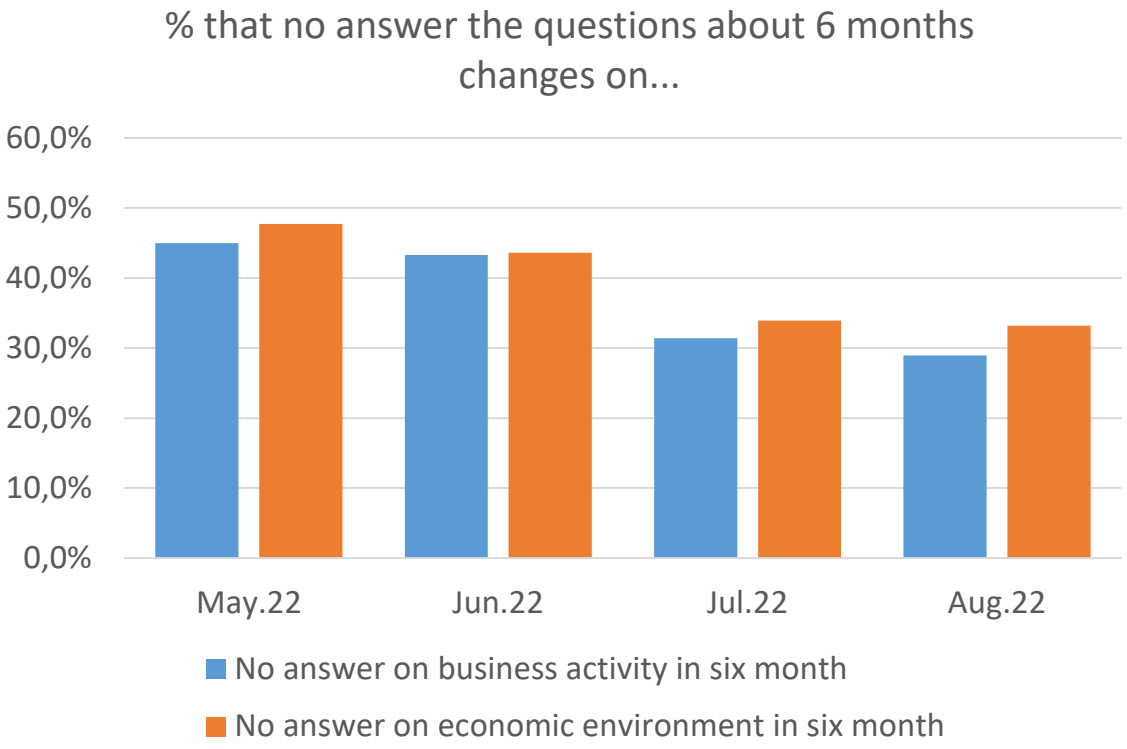
- The share of enterprises that do not work or work less than 25% of capacity is decreasing.
- The share of enterprises operating at 50-74% increased by one and a half times: from 23% in July to 33% in August.

Mixed:

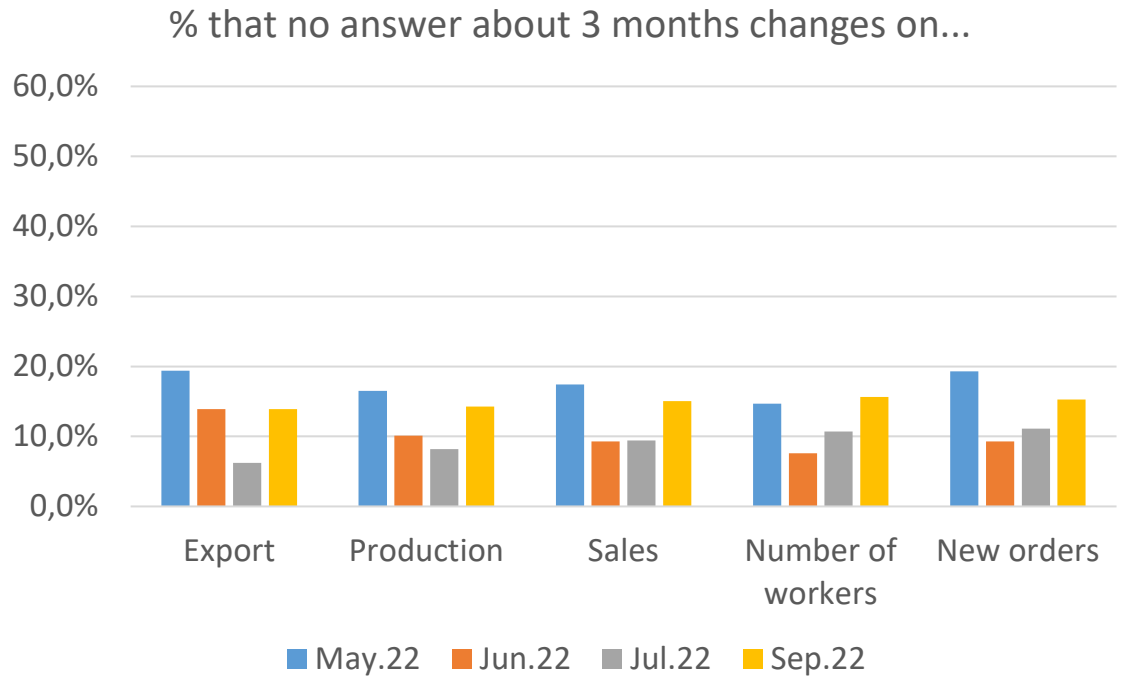
the share of respondents who worked at full capacity continues to decrease, from 15% in May to 12% in June and 10% in July, and further to 8% in August.

The reduction of uncertainty has stopped but is increasing in the short term horizon

Half-year horizon

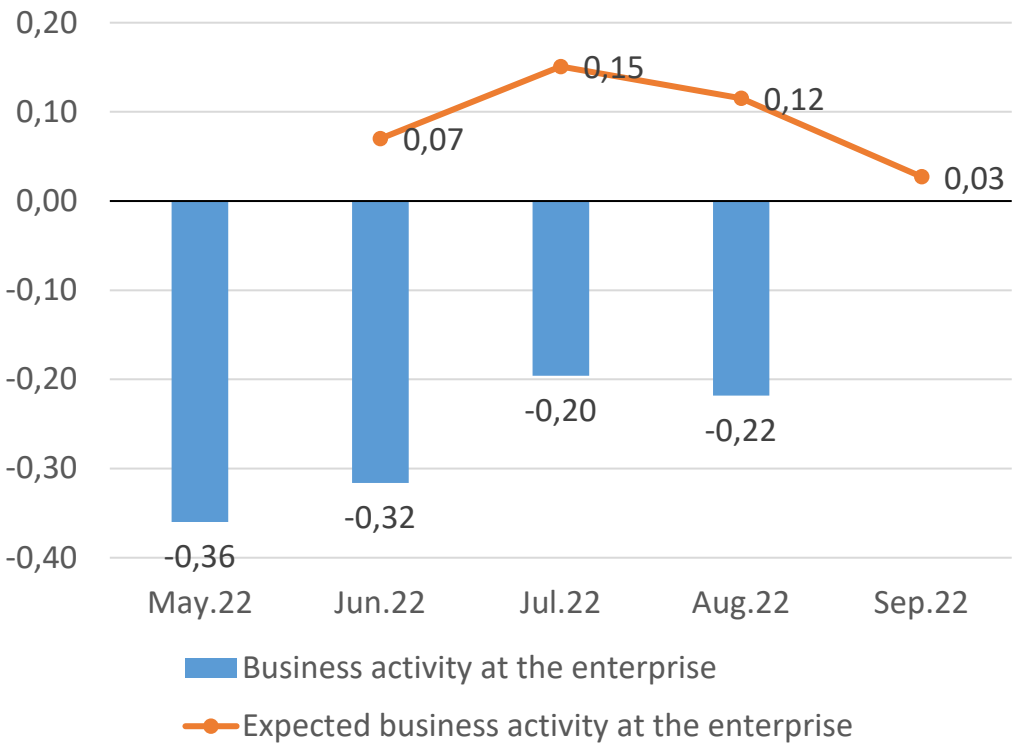


Three-month horizon

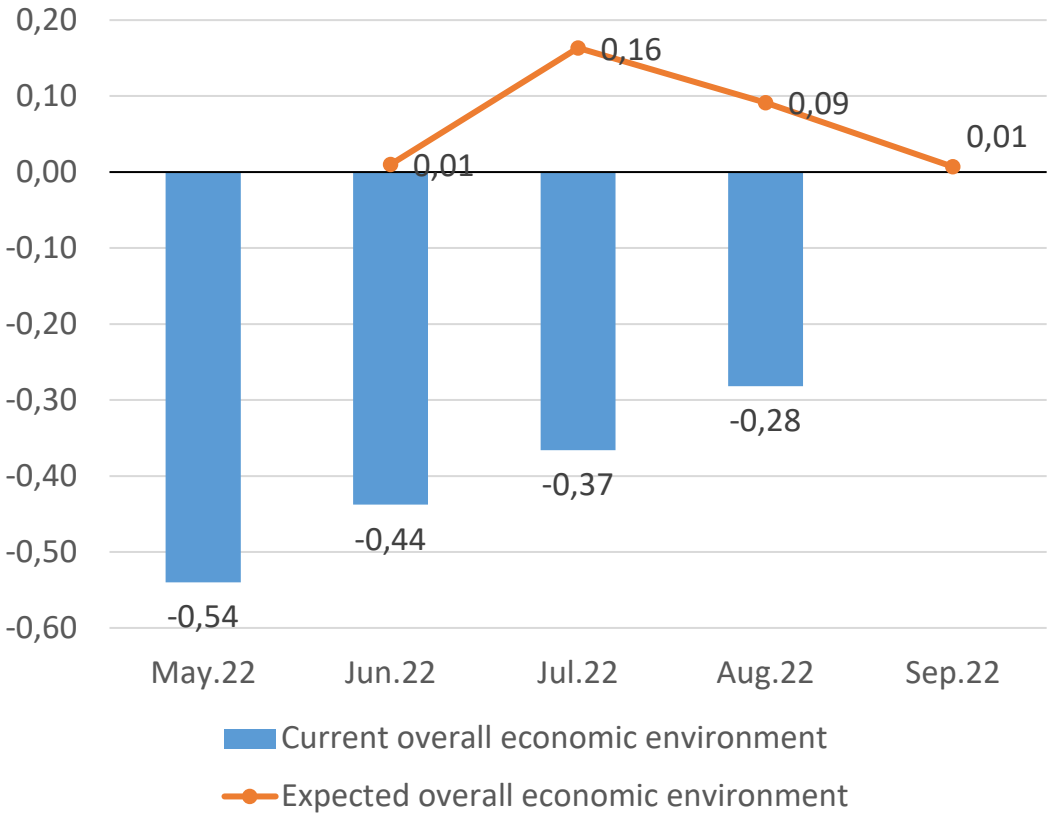


Half-yearly expectations are positive, but deteriorating

Business activity

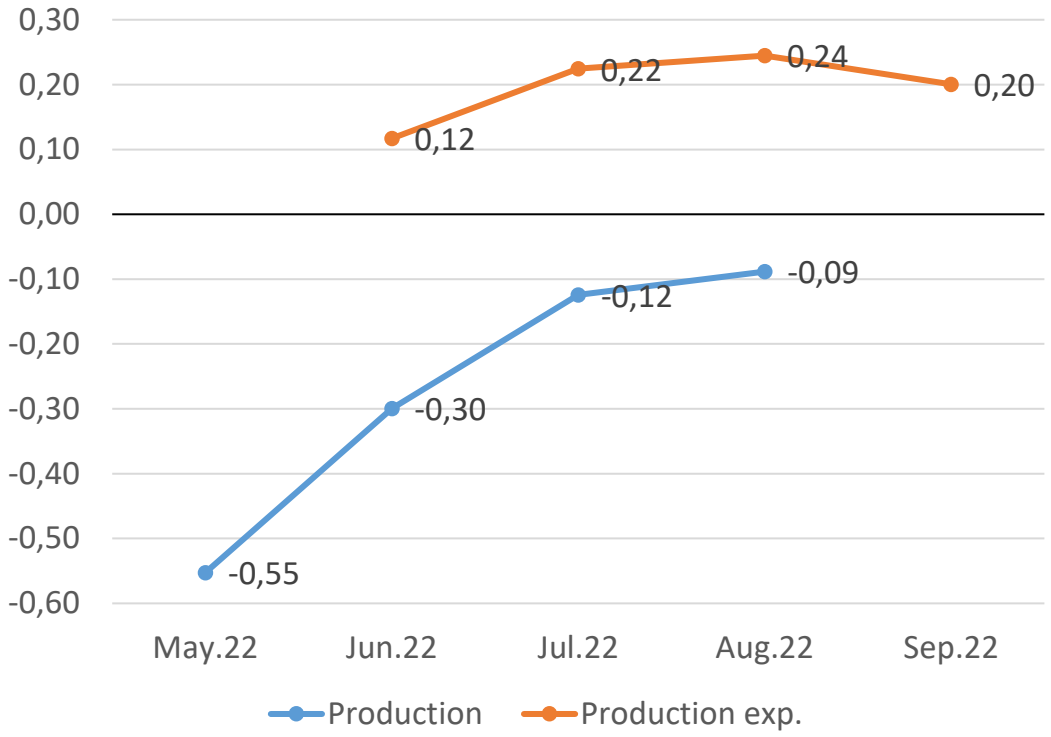


Overall economic environment in the country

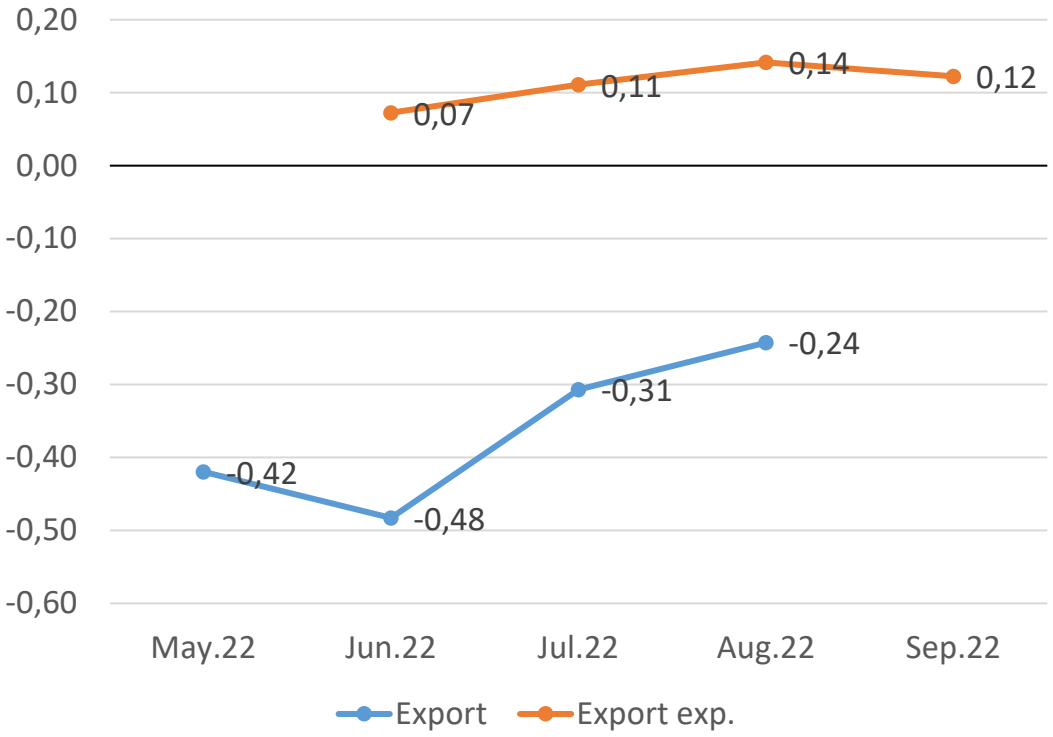


Past changes and three-month expectations: the recovery trend continues, although expectations are no longer so optimistic

Production

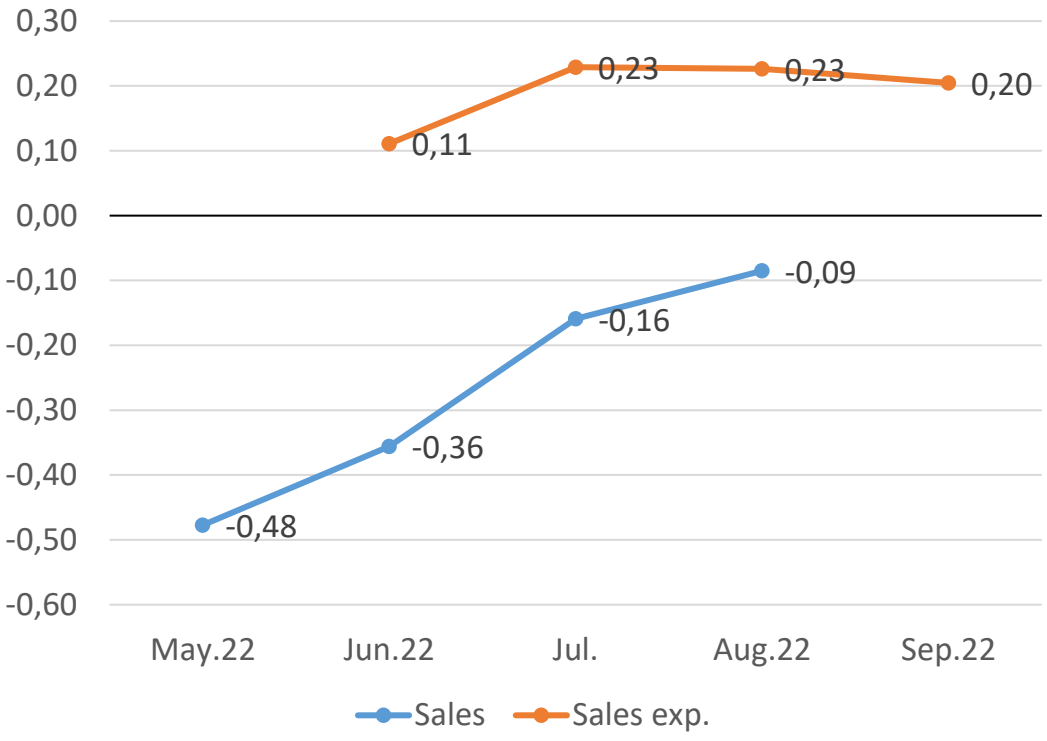


Export

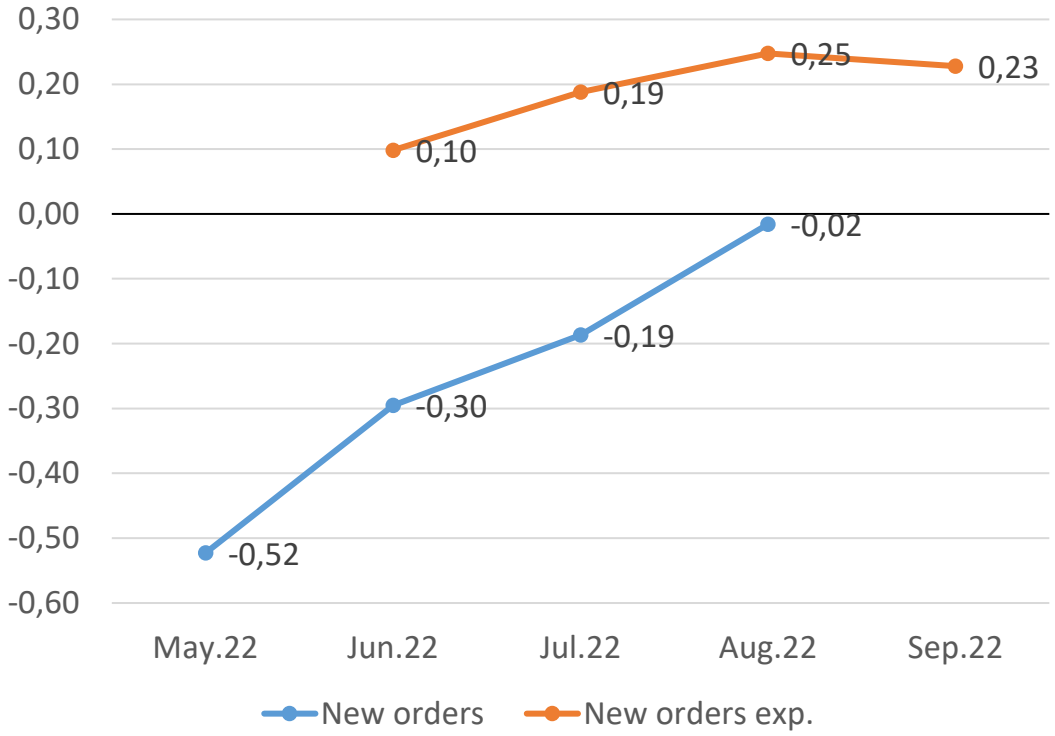


Past changes and three-month expectations: sales and new orders are expected to decline

Sales

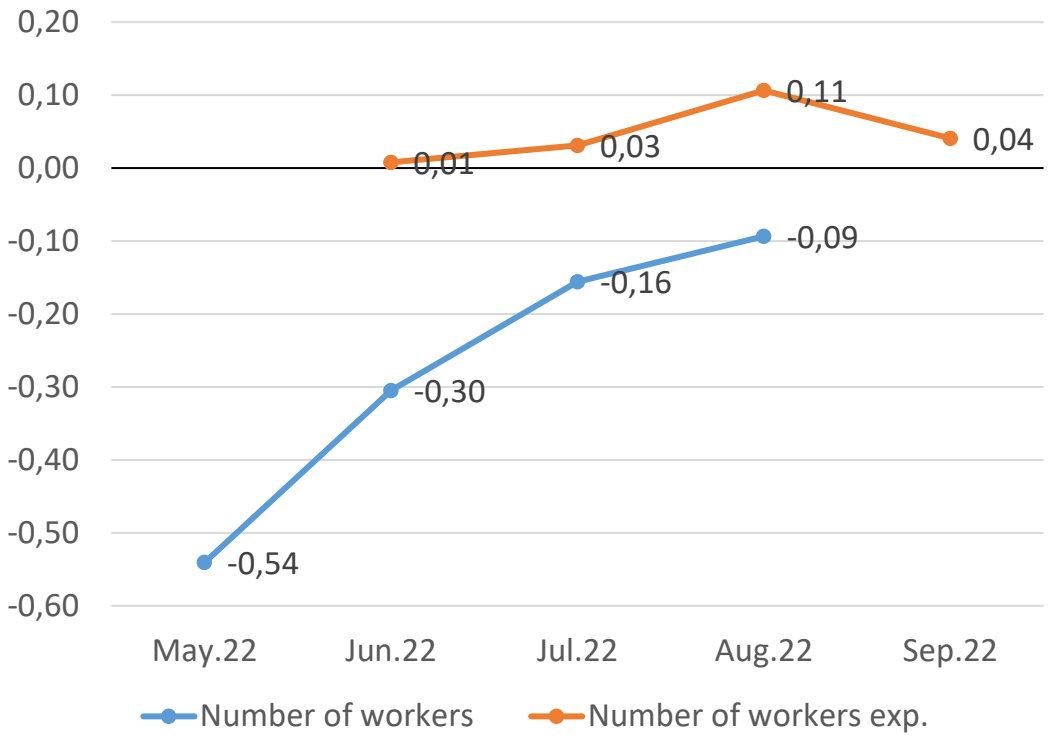


New orders

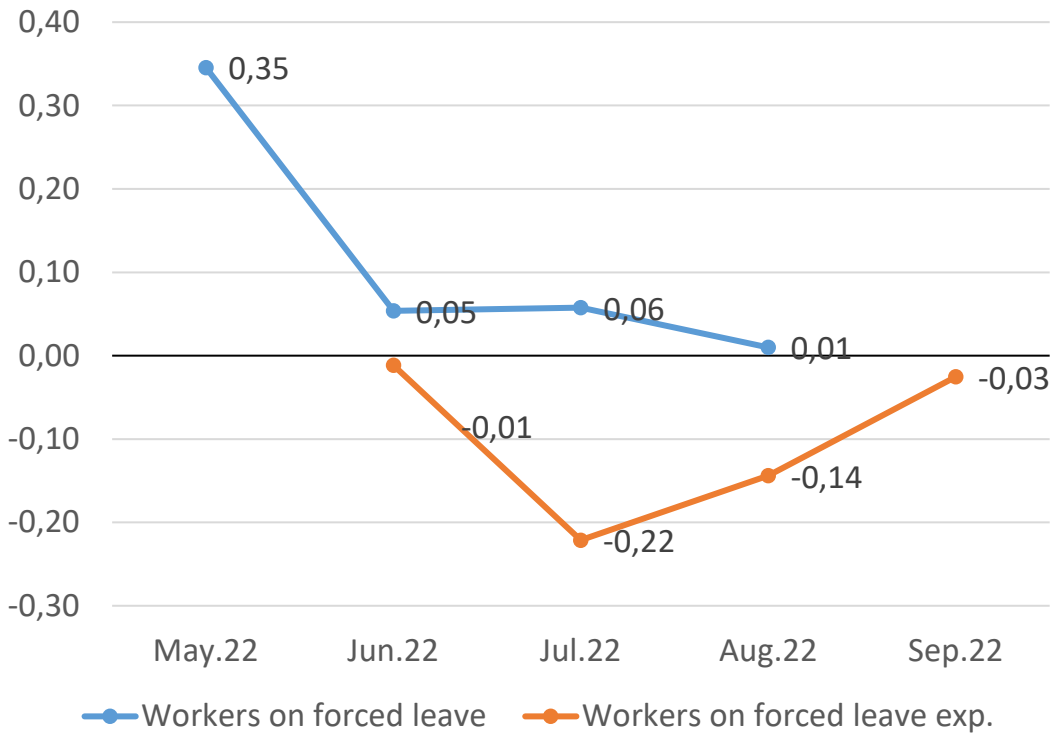


Past changes and three-month expectations: challenges in finding workers with the required skills are reducing

The number of workers

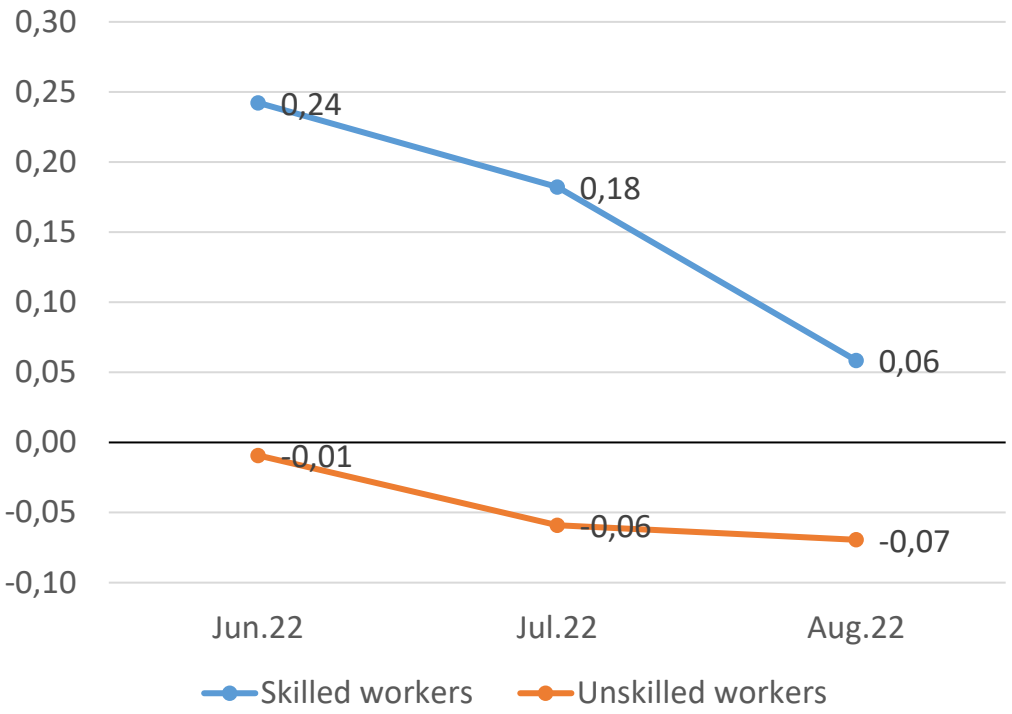


The number of workers on forced leave



The labor market signals changes

Challenges in finding employees



Challenges in finding workers with the required skills are reducing

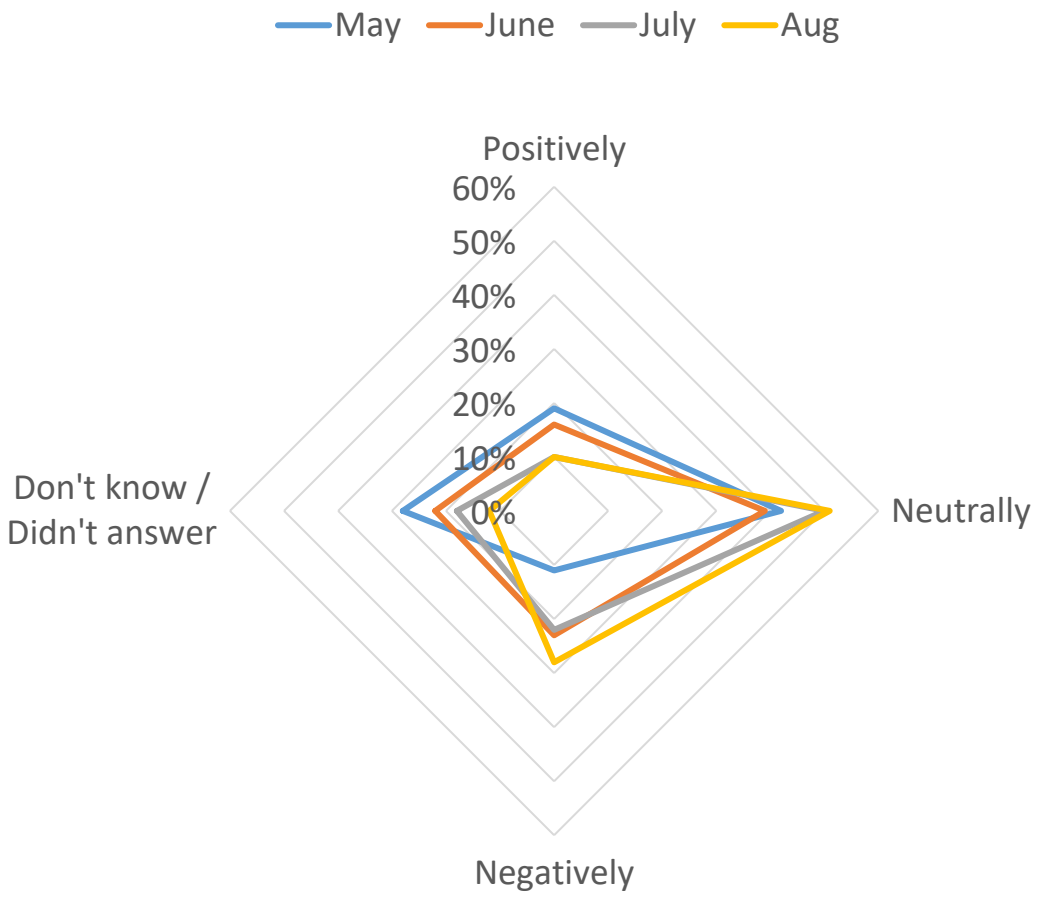
This indicates either

- on reducing the enterprises' demand for labor,

or

- increase in labor supply against the background of a low level of economic activity.

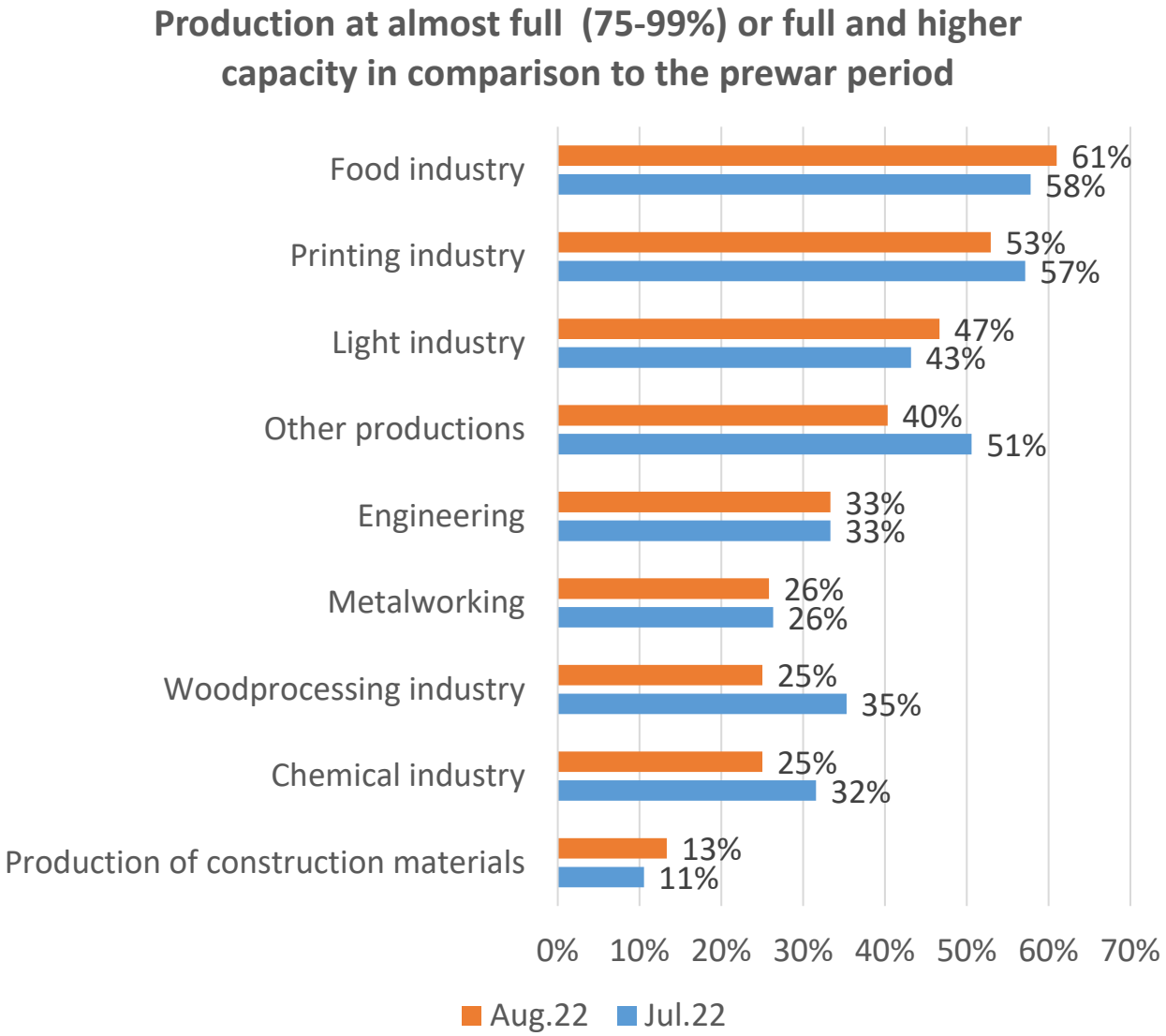
Assessments of the Government's economic policy have worsened for the second month in a row



- The share of respondents who assessed the Government's economic policy negatively has increased (from 22% to 28%).
- The share of positive assessments has not changed (about 10%).
- The share of those who could not answer the question decreased to 12%.

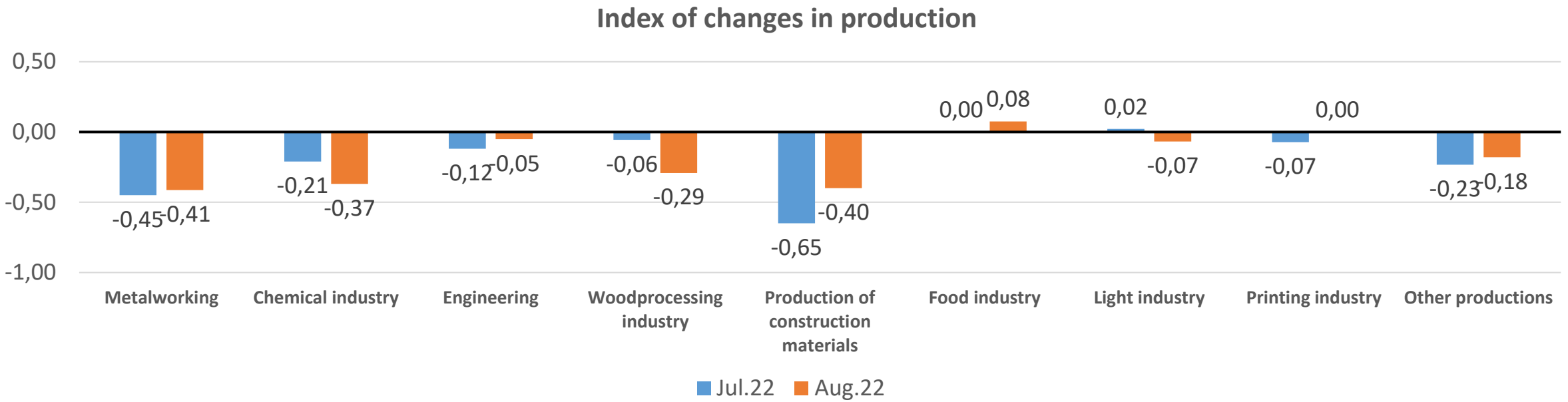
Is the recovery of manufacturing slowing down?

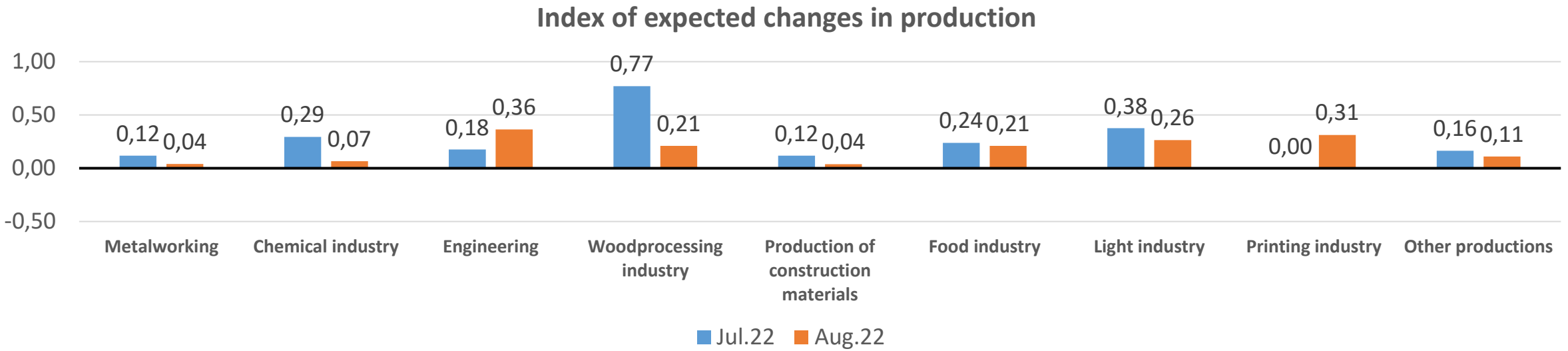
The war impact on production volumes



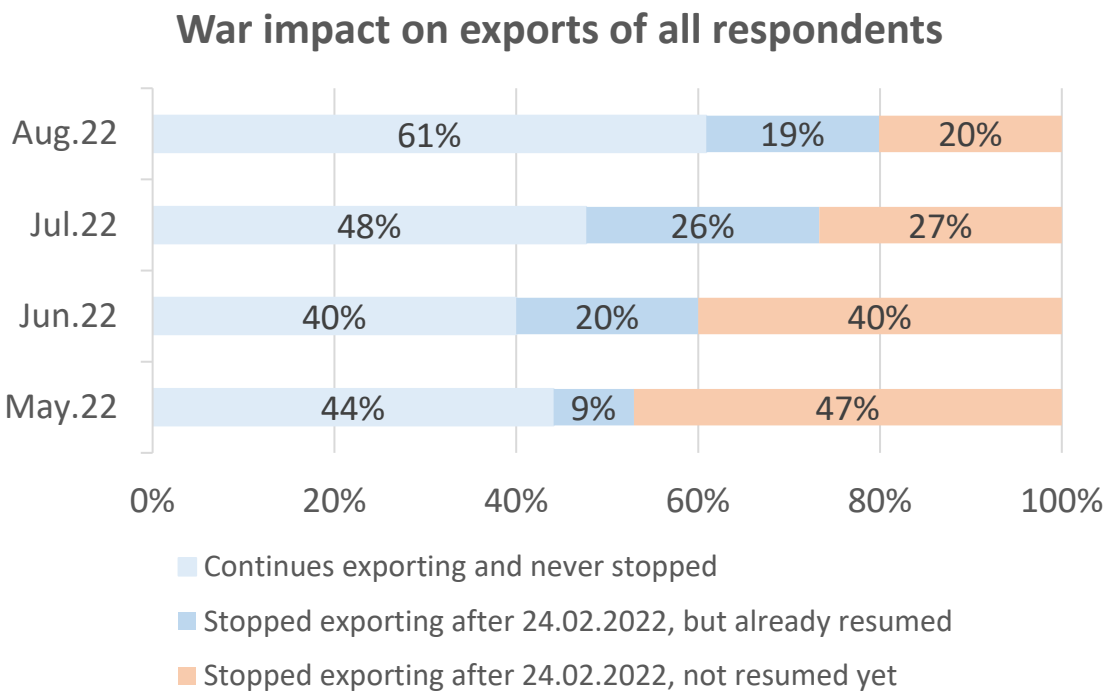
- Industries providing basic human needs (food, clothes, and footwear) become first to preserve/restore production.
- The highest level of production facilities capacity is in the food industry (17% of respondents work at 100% or more, another 44% - at more than 75%).
- In August, the recovery of production in the chemical and woodworking industries worsened.
- The construction materials production during the war period experienced the largest drop: only 13% are operating by more than 75% compared to the pre-war period, 0% by 100% or more.

Production by industry (indexes)

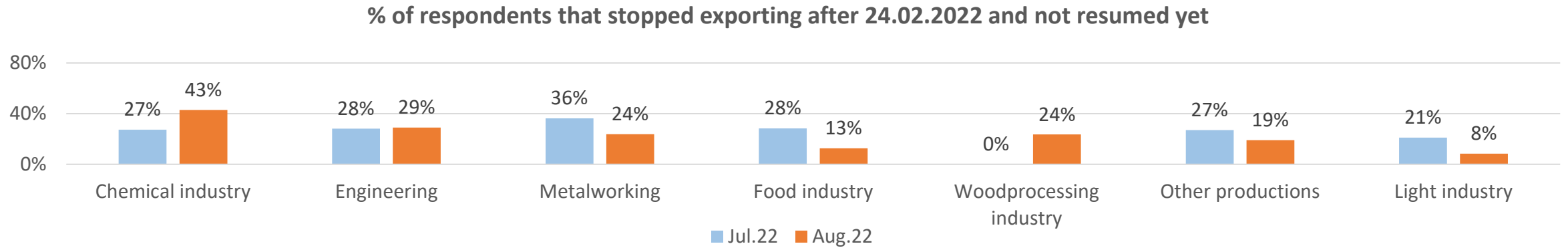




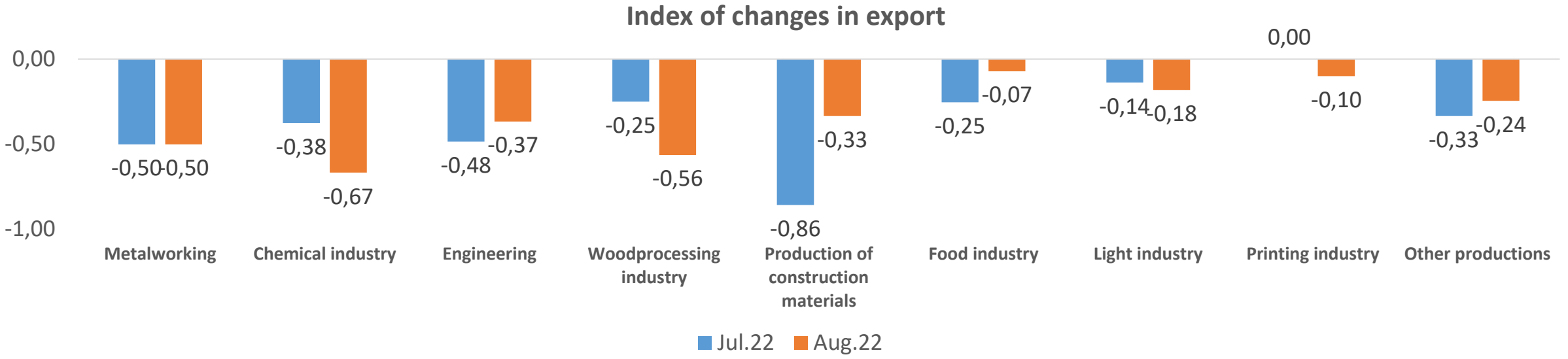
The war impact on export activity by industries

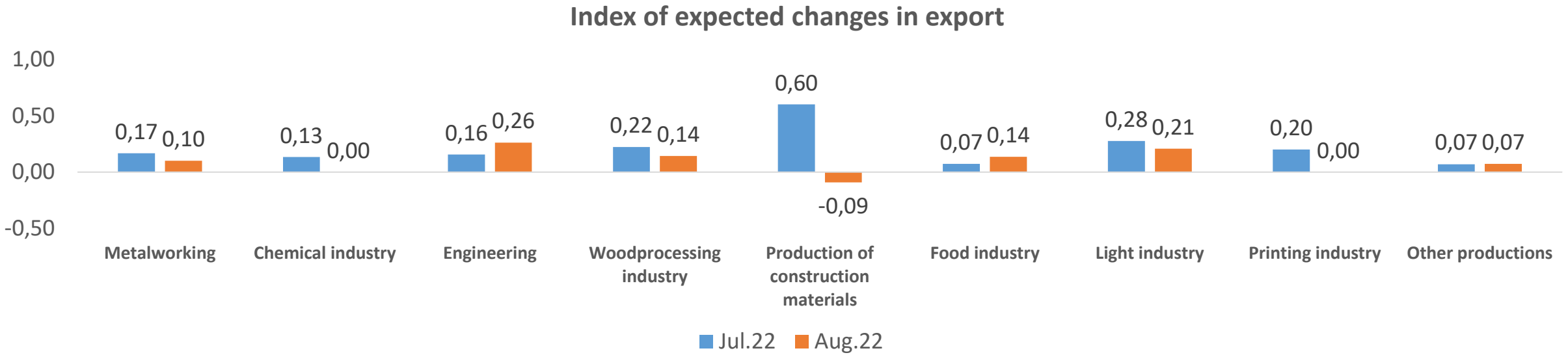


- Exports continue to recover generally in the manufacturing sector.
- Food and light industries are recovering best (only 13% and 8%, respectively, have not yet recovered exports).
- The recovery of exports in the chemical and woodworking industries is slowing down.
- The chemical industry, mechanical engineering, metal production, metalworking, and woodworking industry were the most affected by the war, where 43%, 29%, 24%, and 24% did not resume exports, respectively.



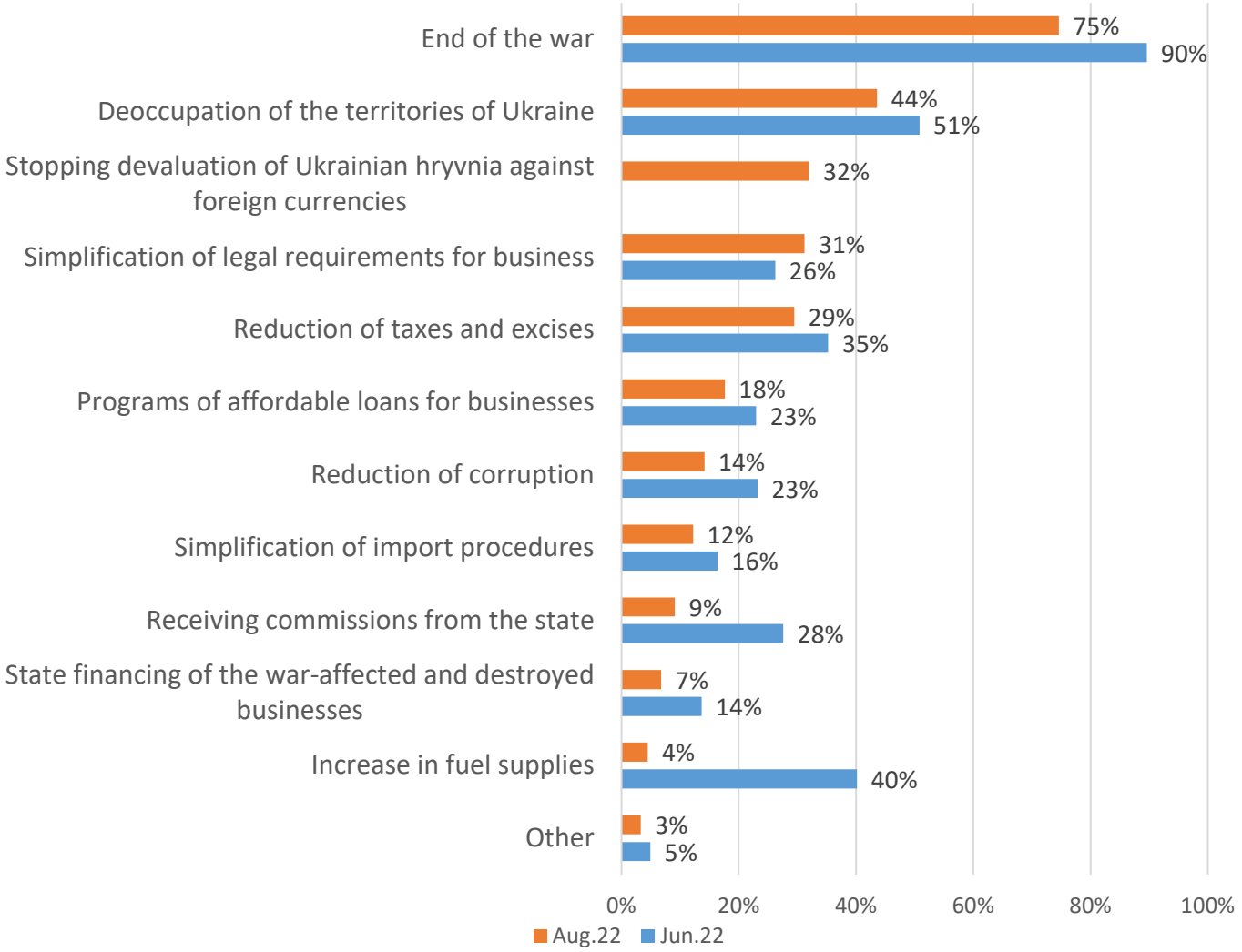
Exports by industries (indices)





Businesses expect Ukraine’s victory

Expected measures and changes: August 2022



- The ending of the war and the de-occupying of Ukraine's territories continue to lead in the rating of the most anticipated changes for businesses.
- Stopping hryvnia devaluation came in the 3rd place in August, which indicates the significant impact of the weakening of the hryvnia exchange rate on businesses.
- Deregulation and reduction of the tax burden are also in the top 5 expectations.
- The larger the size of the enterprises, the more they expect de-occupation, deregulation, and lower taxes.
- Stopping the devaluation of the hryvnia is most expected by the chemical and woodworking industry, available loans, by the clothing industry, and state commissions, by mechanical engineering.

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.

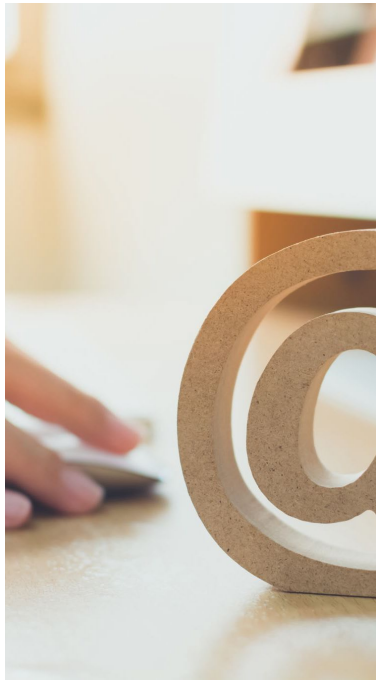
The monthly survey consists of two parts: the regular one and the special one. Respondents will regularly answer questions on the changes in key activity indicators and short-term forecasts for future changes in the same indicators: output (production), sales, exports, debt, new orders, employment, etc. 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 City of Kyiv.

The field stage of the survey took place in August 2022. Enterprises compared the situation according to the results of August 2022 and July 2022 (where it was separately indicated) with the pre-war period (the period before February 24, 2022). The respondents gave a forecast for the next three and six months of the enterprise work.

CONTACTS



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