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INTERNATIONAL RENAISSANCE FOUNDATION

ATLAS NETWORK

INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

“If winter comes, can spring be far behind?”

Main economic trends in November 2023

based on the results of the New Monthly Enterprises Survey, #NRES

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Key message

The **rate of economic recovery** has once again **accelerated** amidst the cessation of the **downward** trend in **short-term optimism** and **lowering uncertainty**

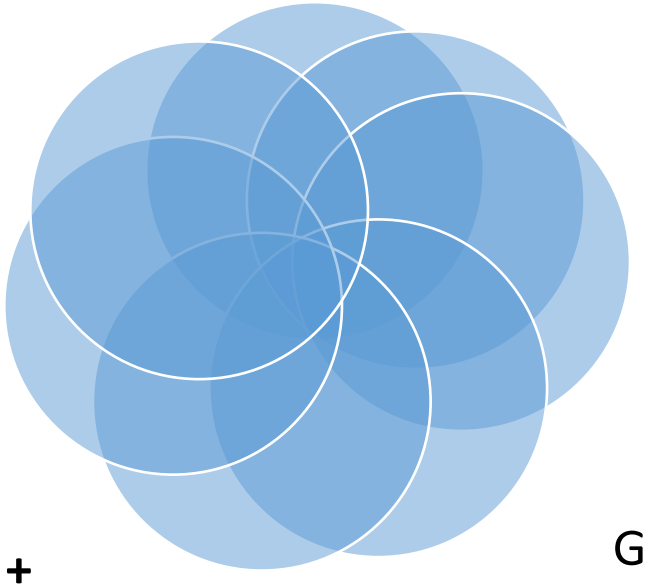
ABOUT THE NEW RAPID ENTERPRISES SURVEY

Monthly survey

The recent data were collected on **November 17 - 30, 2023**

SAMPLE: **539 enterprises** were surveyed **in November**

19 surveys have already been conducted (since May 2022)



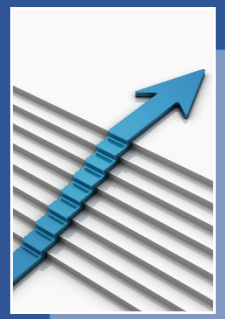
Enterprises of **all sizes**

Sectors: **Industry +** (Retail, Agro)

Geography: **21 out of 27** regions of Ukraine

Main result 1. Recovery's returns

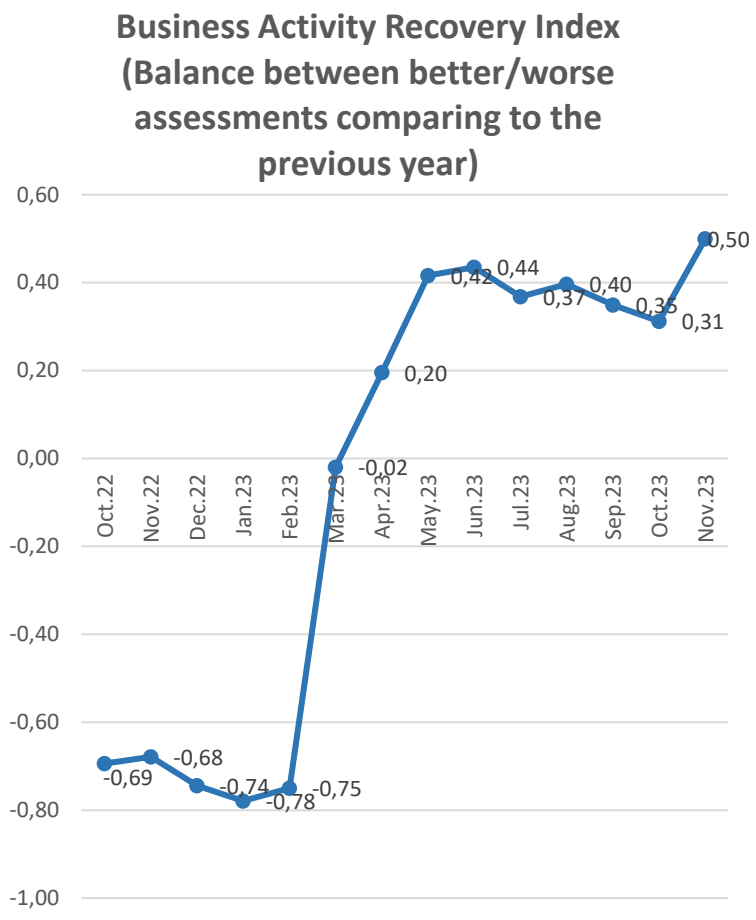
The share of enterprises operating **at full capacity has increased** (13% vs 10% in October)

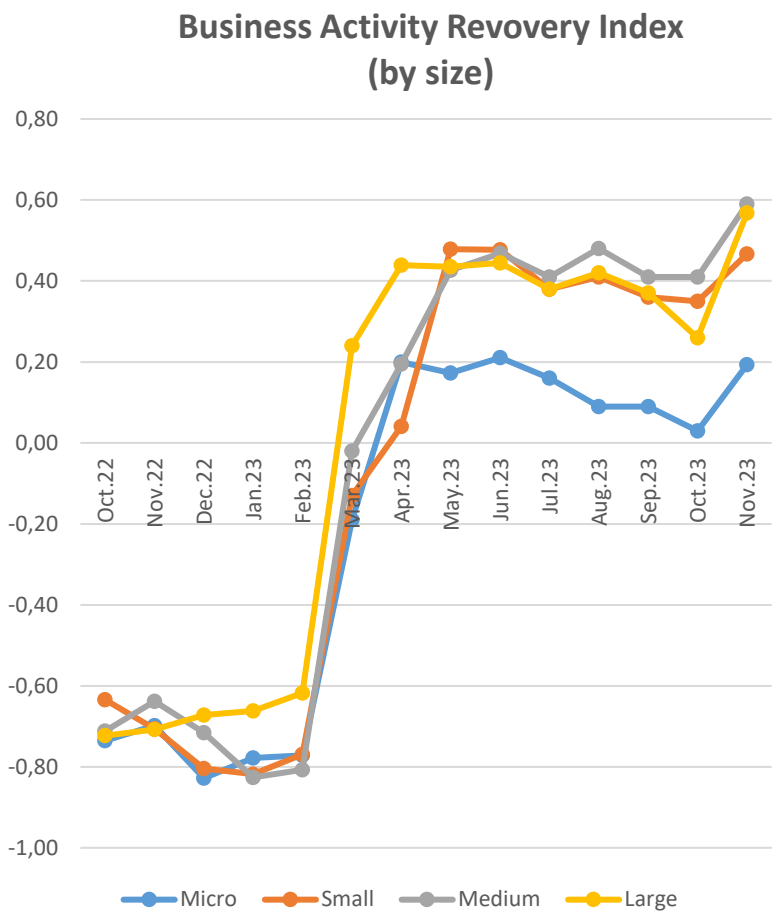


BARI (Business Activity Recovery Index) is **high comparing to the previous year** and **increase** in 2 times

Industrial Confidence Indicator has increased

Business Activity Recovery Index (compassion of “now” vs “how it was a year ago“)





In November 2023, the **Business Activity Recovery Index** (BARI) is the highest for all period of survey

<u>This happened:</u>

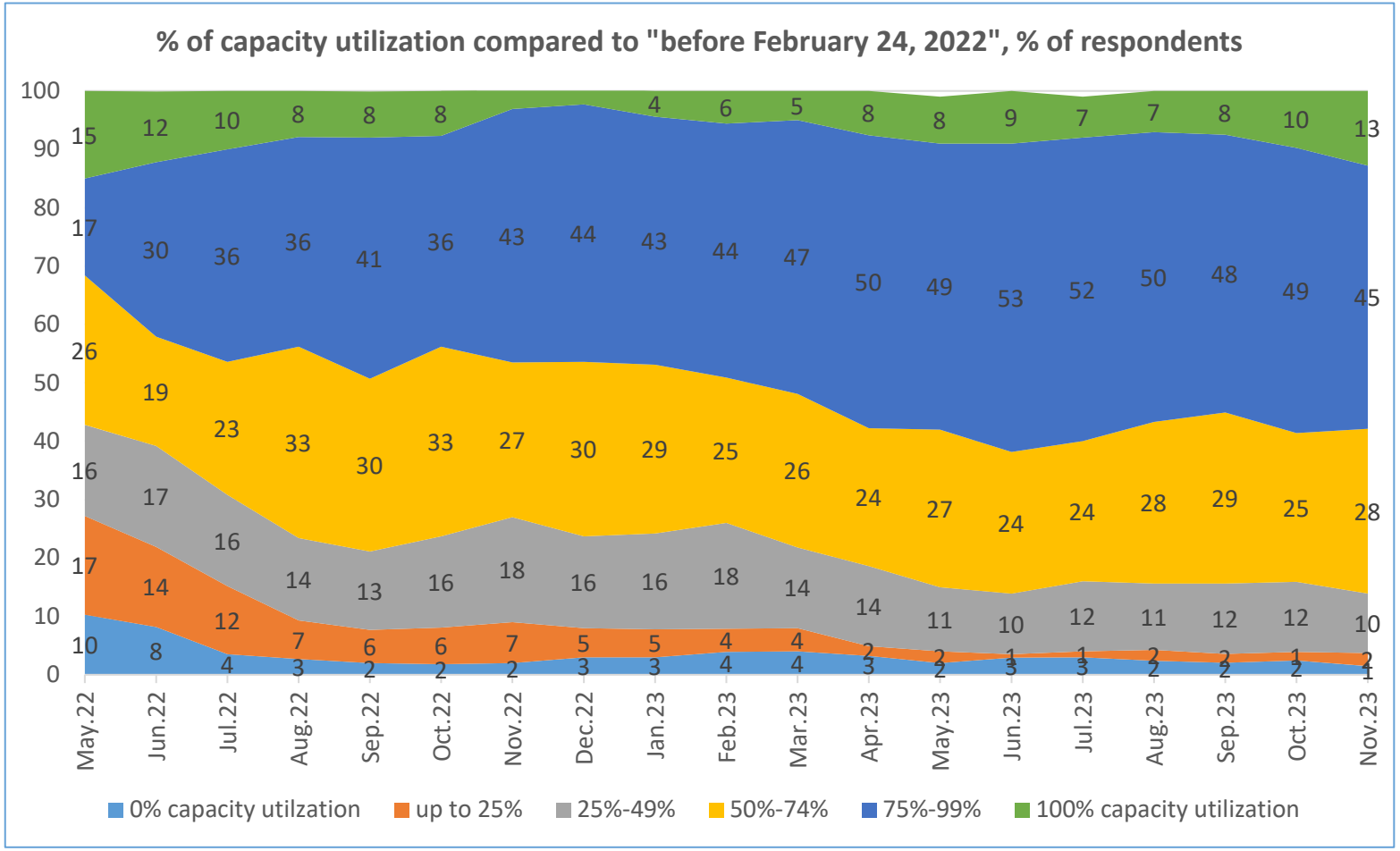
- Due to the **increase** in the share of enterprises reported that their business activity is better than it was previous year (from 43% to 63%)
- **The share of those for whom nothing has changed has decreased** (from 45% to 25%)

<u>At the same time:</u>

- **There** share of those **for whom situation is worse remained without significant changes** (13% vs 12% in October)

SIZE: In November, the value of the **BARI increased for all size group however remains the lowest for micro business**

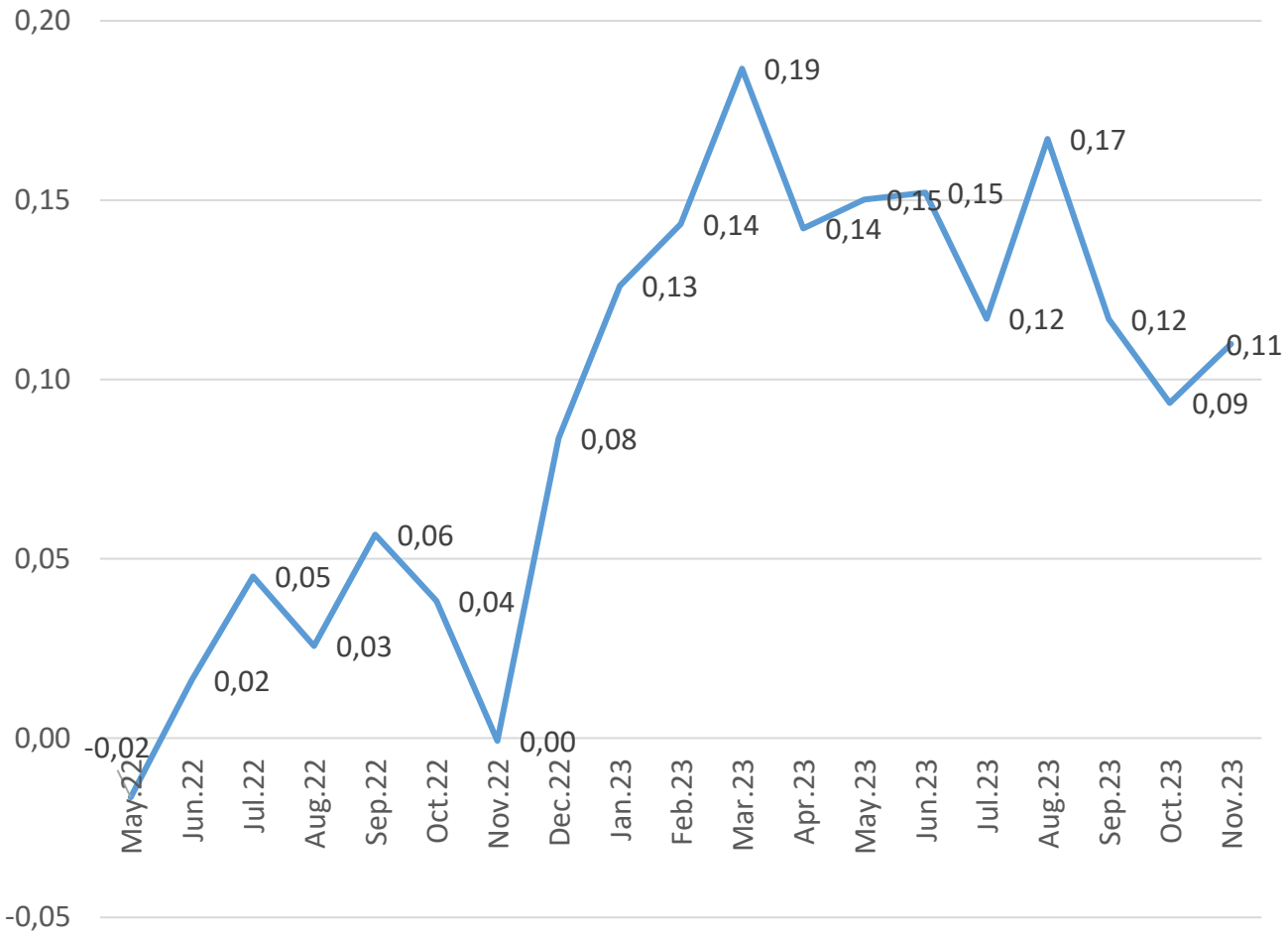
“Now” vs. “before February 24, 2022”: the signals of recovery



In November 2023, results prove that production recovery is continuing

- The share of enterprises working **at almost full capacity has increased from 10% to 13%**
- % of enterprises that **do not operate at all** remains almost without changes already several months in a row (1% in November 2023 vs 2% in August-September 2023)
- Only 14% of enterprises operate at lower than 50% capacity

Industrial Confidence Indicator (ICI)*



ICI increased a bit after two months of lowering

<u>Fluctuations of the index components are the following:</u>

- **The production expectation (PI) is** 0.36, **the** same as in previous months
- Component **stocks of finished goods (SFG) lowered** (from -0.09 in October to -0.12 in November)
- Component **volume of new orders (VNO) increased a bit** (from -0.17 in October to -0.15 in November)

**ICI= PI+VNO+(-SFG)/3*

Main result 2. Uncertainty has decreased

Uncertainty in the **6-month lowered a bit** for business activity at the enterprise

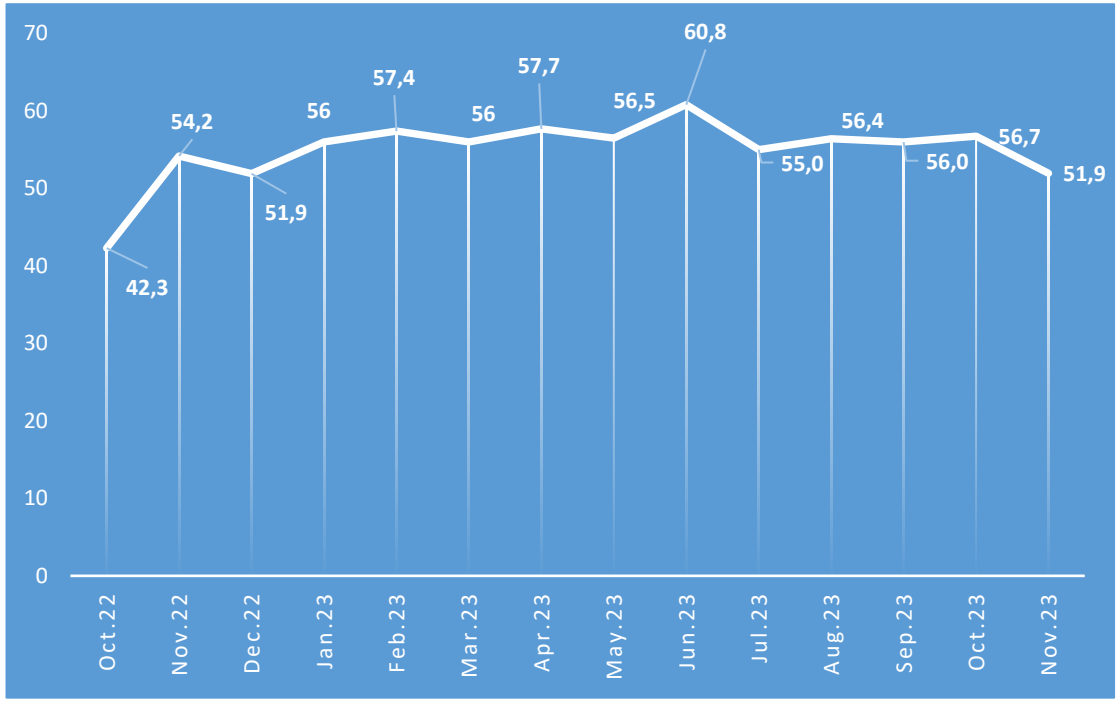
Uncertainty in the 3-month perspective **significantly decreased**

Uncertainty in the **2-year** perspective **slightly decreased** although remains high

Long-term uncertainty decreased

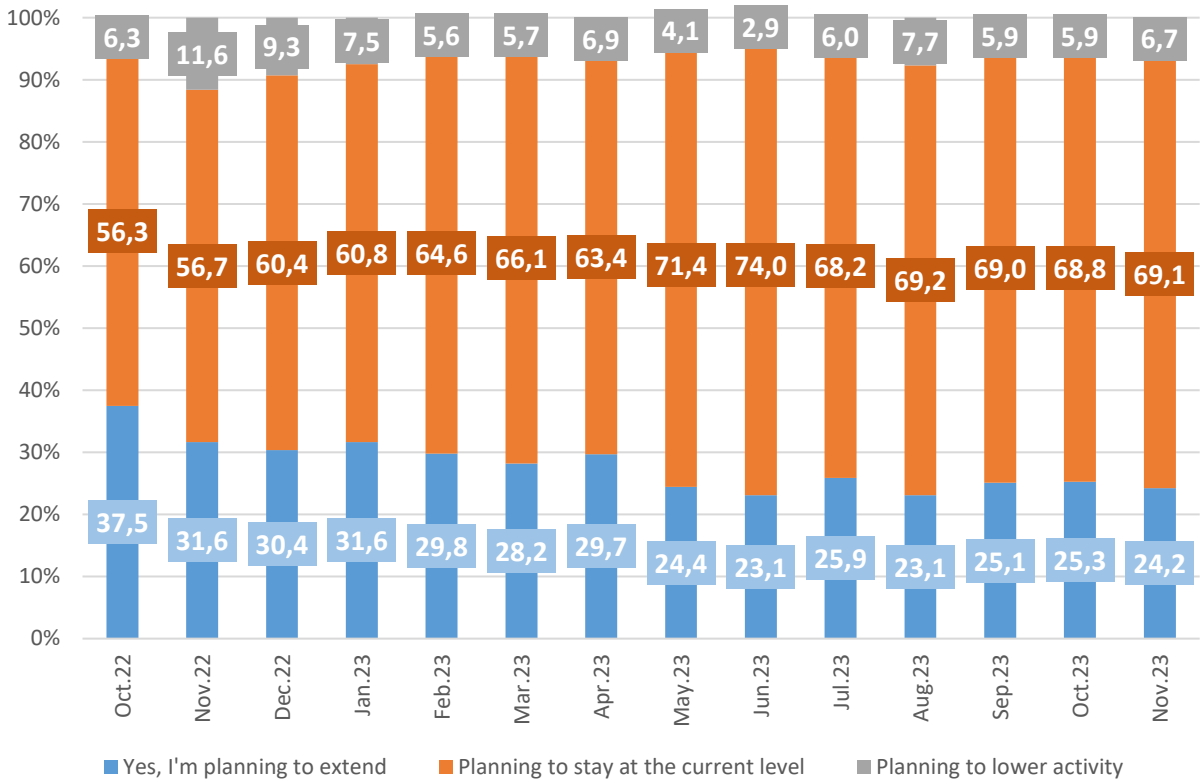
Uncertainty in the two-year perspective

"It is hard to predict what will be with the activities of our enterprise in 2 years", % of answers



% of enterprises that have no idea about their plans for 2 years decreased from 57% to 52%

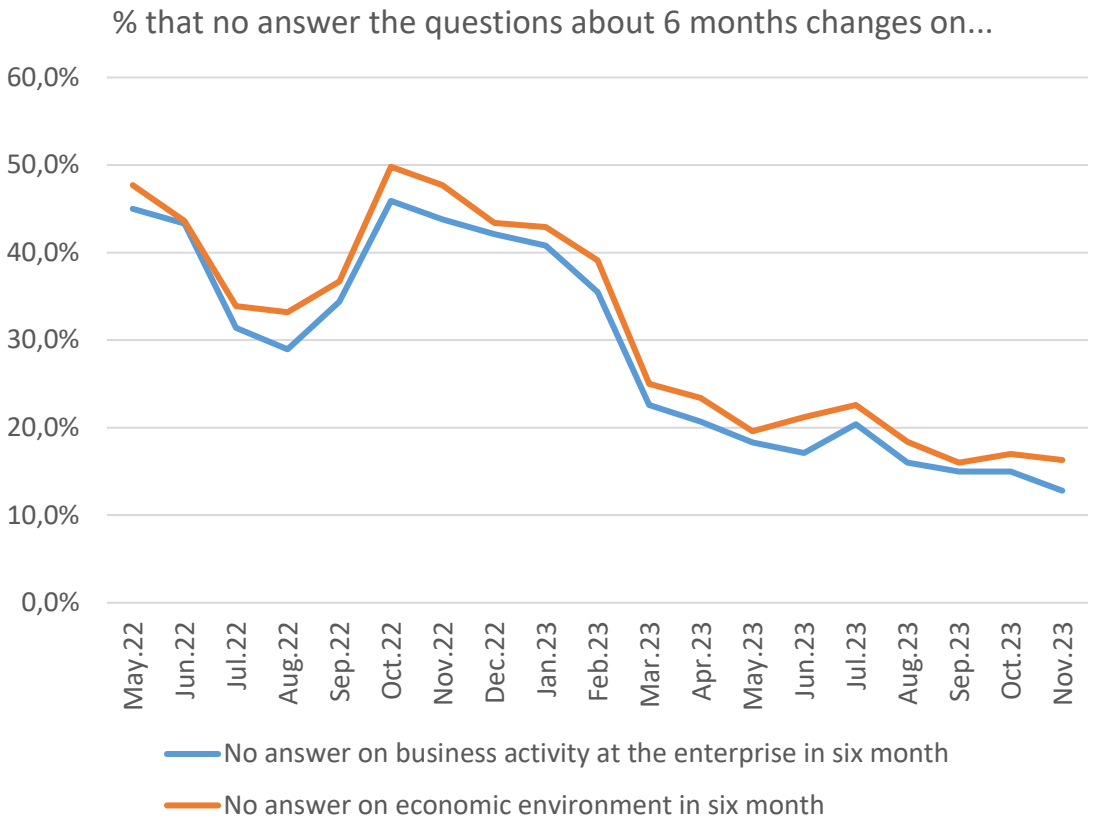
Expectations in the two-year perspective



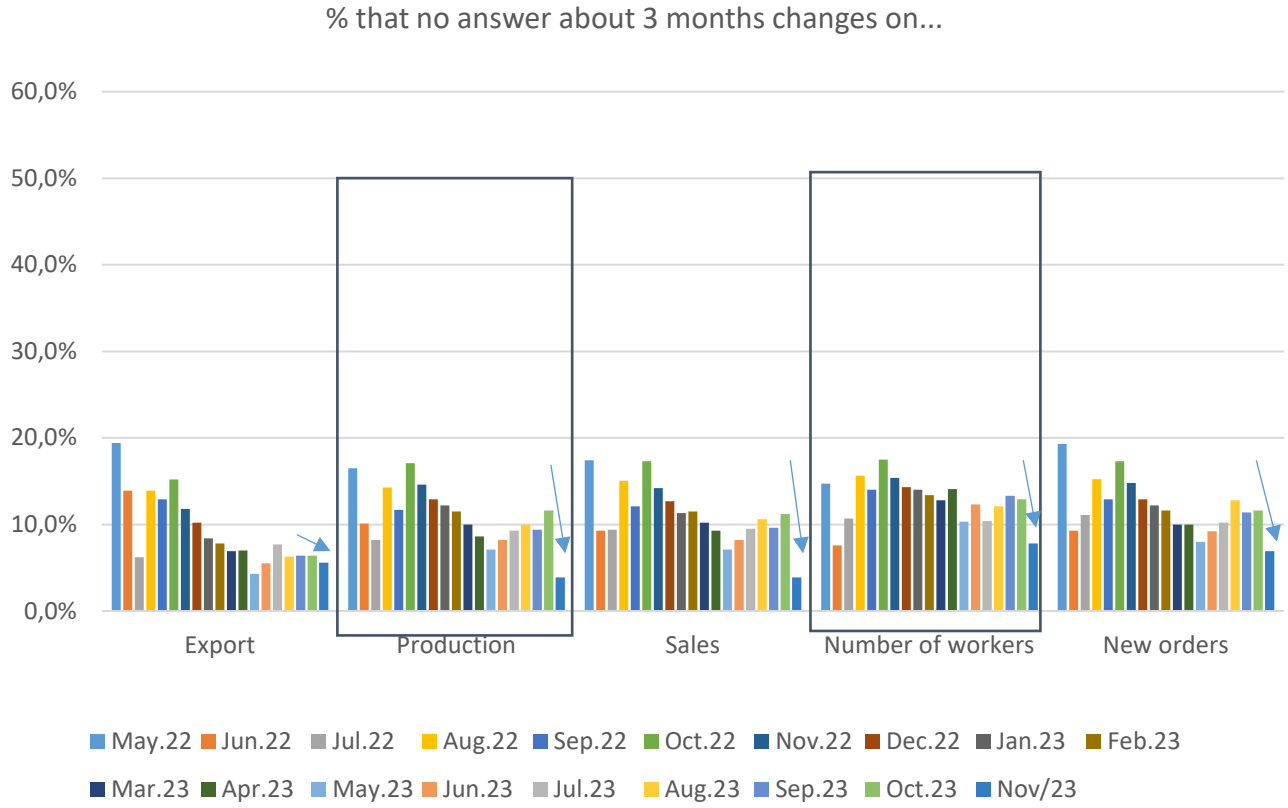
- *Plans of enterprises for distant future remained without significant changes*

Uncertainty for 6-month perspective slightly decreased, and significantly decrease for 3-month perspective

Half-year horizon



Three-month horizon



Main result 3: Past performance and expectations

6-month expectations regarding enterprises' business activity and the overall economic environment **has deteriorated**

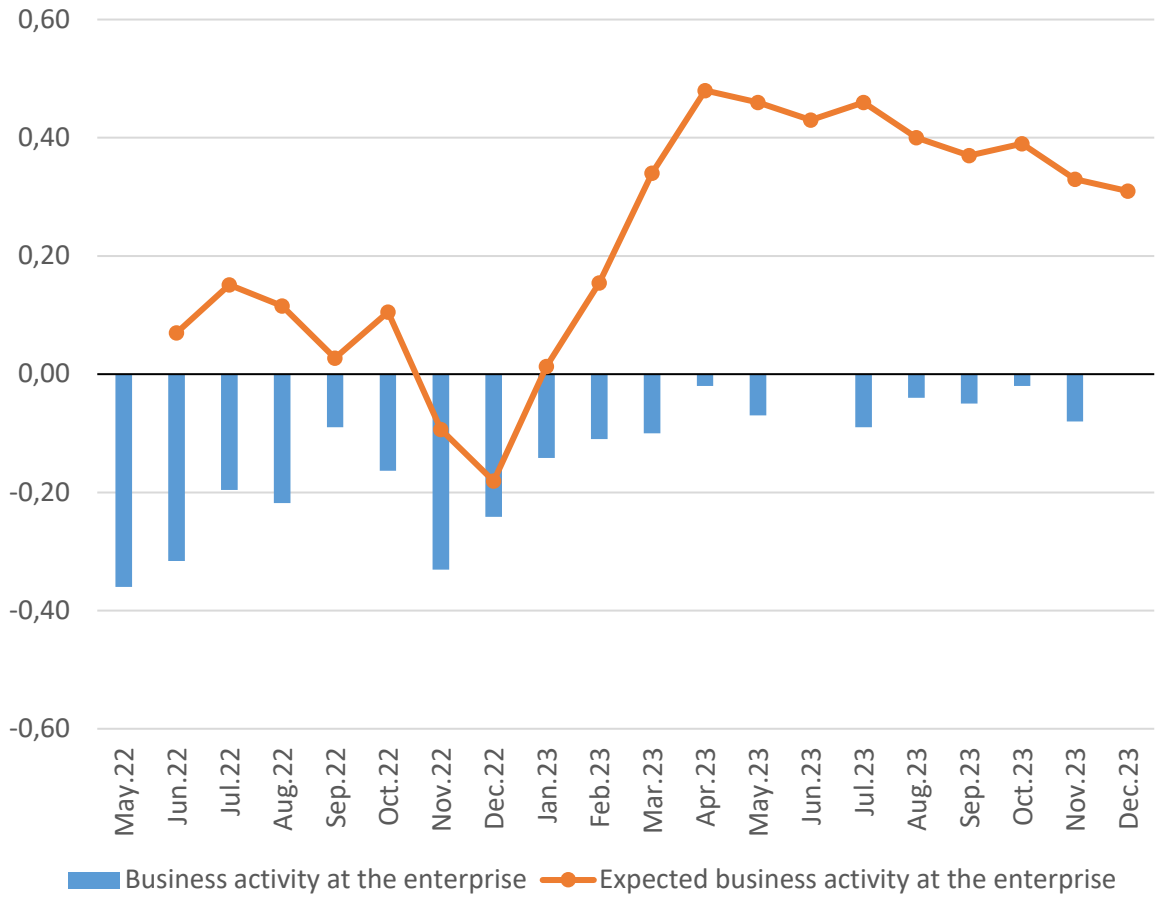
Production performance vs previous months and **3-months expectations** remained **optimistic**

Employment indicators suggested a seasonal **deceleration** while the **labor market** experienced a **shortage** of **unskilled** workers.

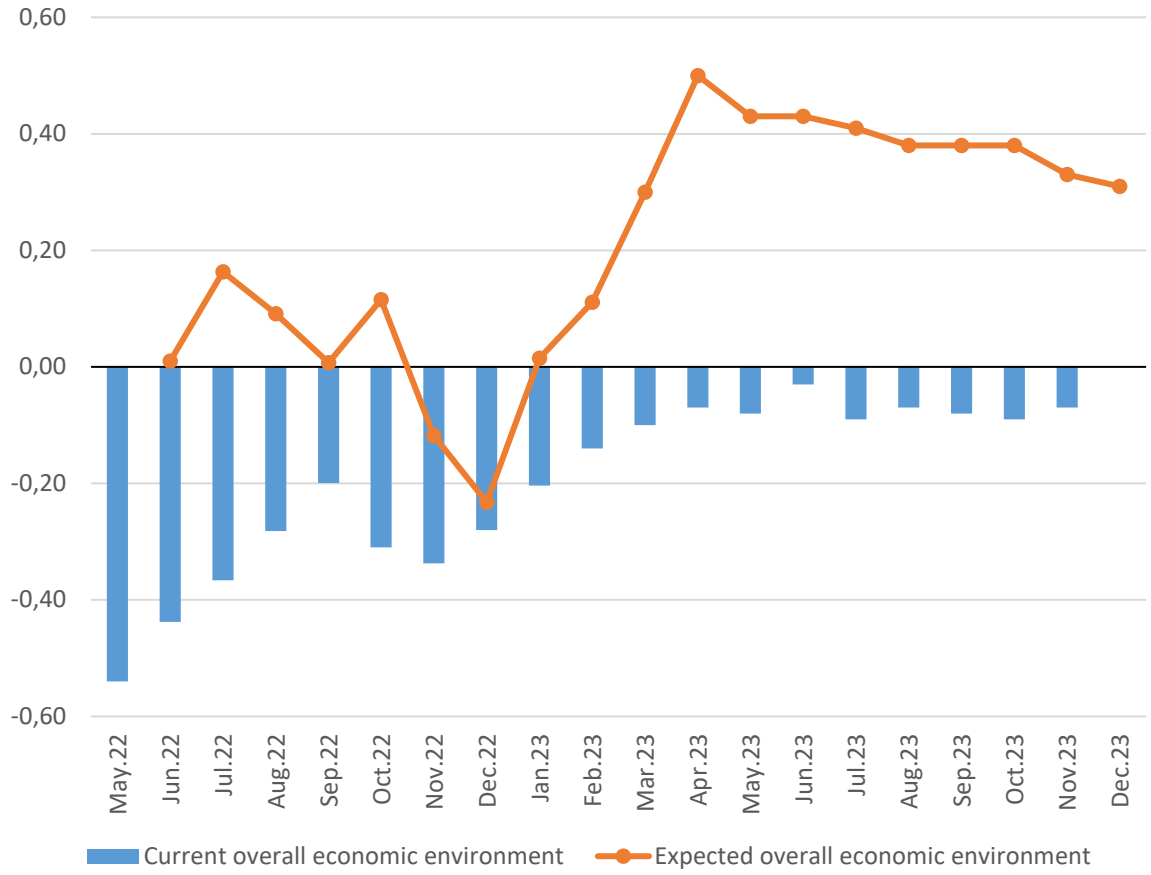
Export performance and expectations continue to display **positivity**

6-months perspective: keep trend to worsening optimism

Business activity at the enterprise



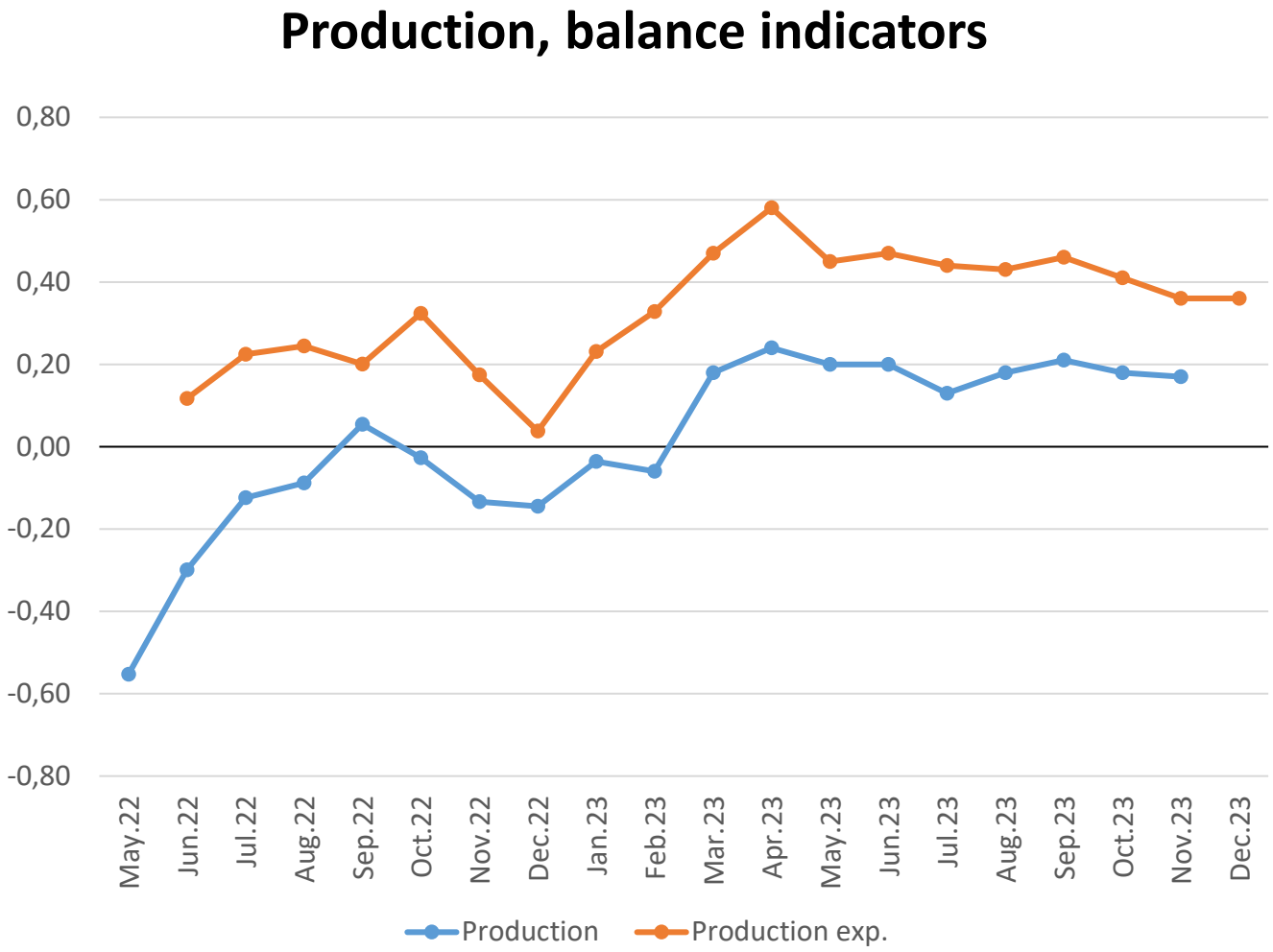
Overall economic environment in the country



Optimism on production plans remains

In November vs. October (expectations)

- The share of enterprises **planning growth of production** in the next 3-4 months in November **is 40.2%** (40.5% in October)
- The share of enterprises that **planning decrease** in production **is 6.4%** (5.3% in October)
- The share of enterprises that **planning to have no change in production** during the next three months **without significant changes** (54.2% in October and 53.5% in November)

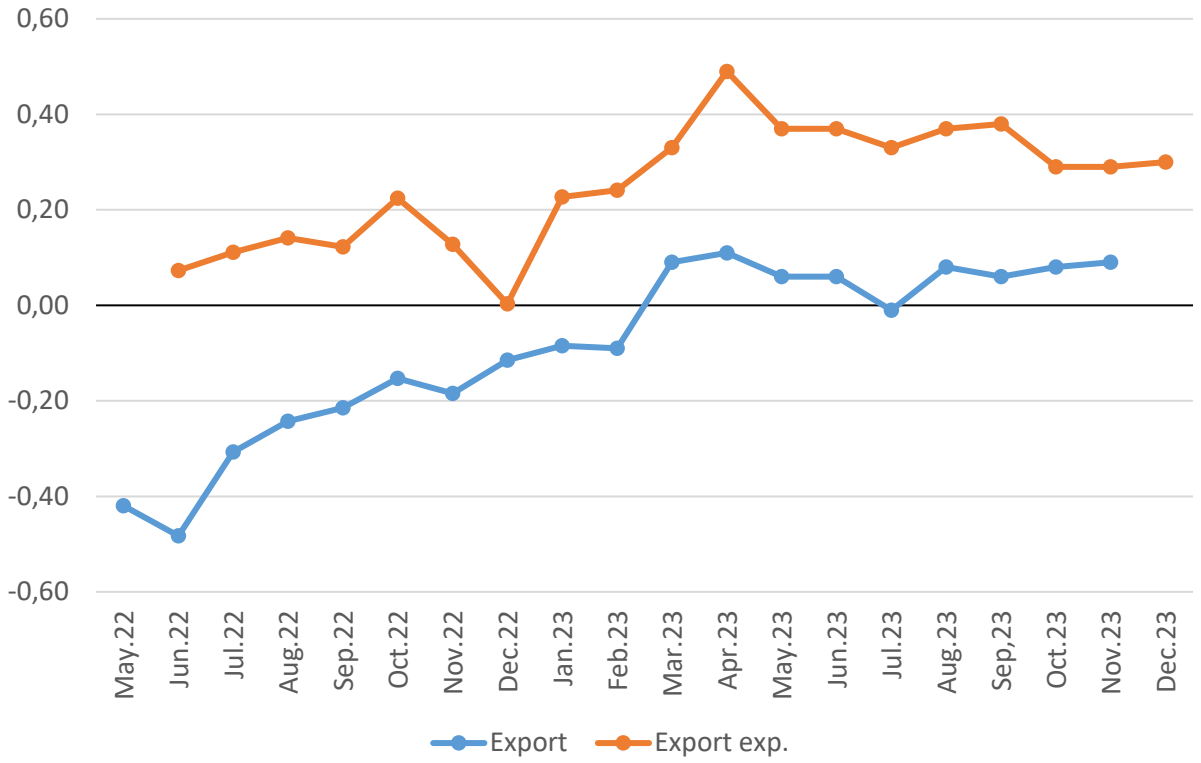


Export remained without significant changes

<u>In November vs. October (past performance)</u>

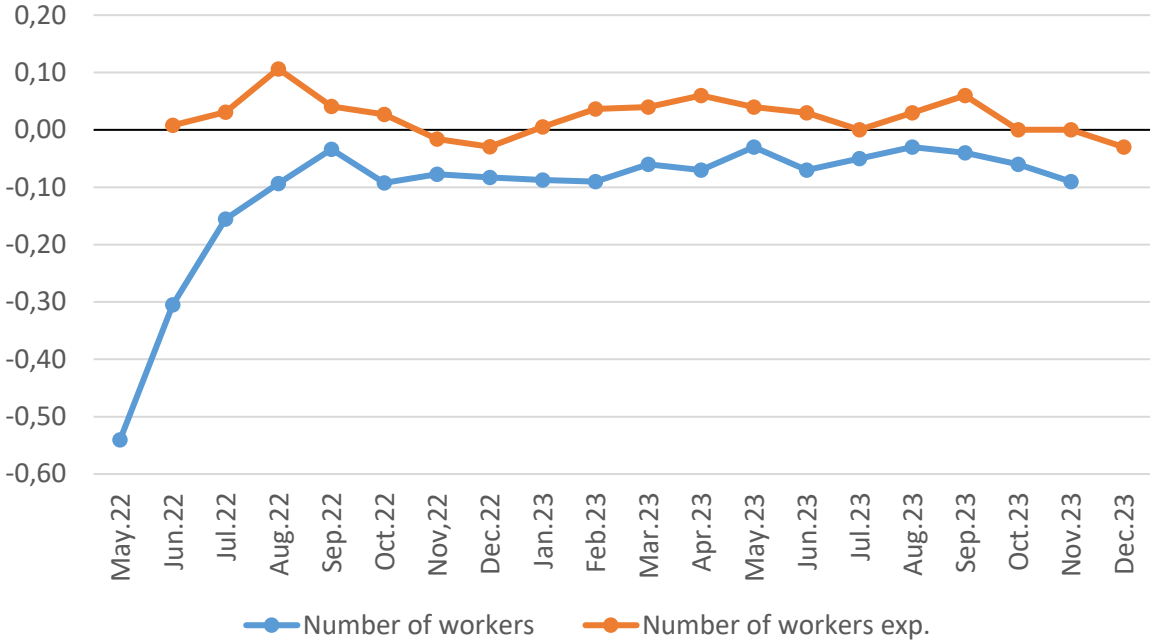
- The share of enterprises reporting **growth of export increased from** 21.2% to 24.2%
- The share of enterprises informing **reducing export also increased** (from 17.9% in October to 19.0% in November)
- The share of enterprises that have no change in **export volumes** within past three months **decreased** from 60.9% to 56.9%

Export, balance indicators

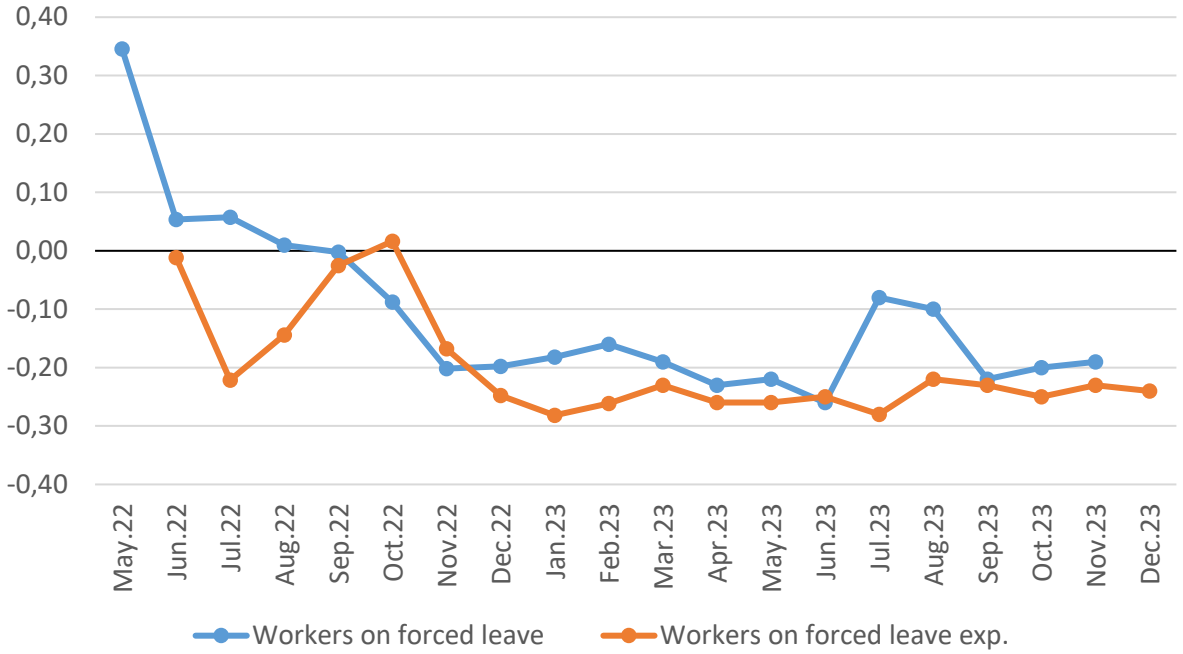


Employment: business lowered a bit the number of workers

Number of workers



Number of workers on forced leave

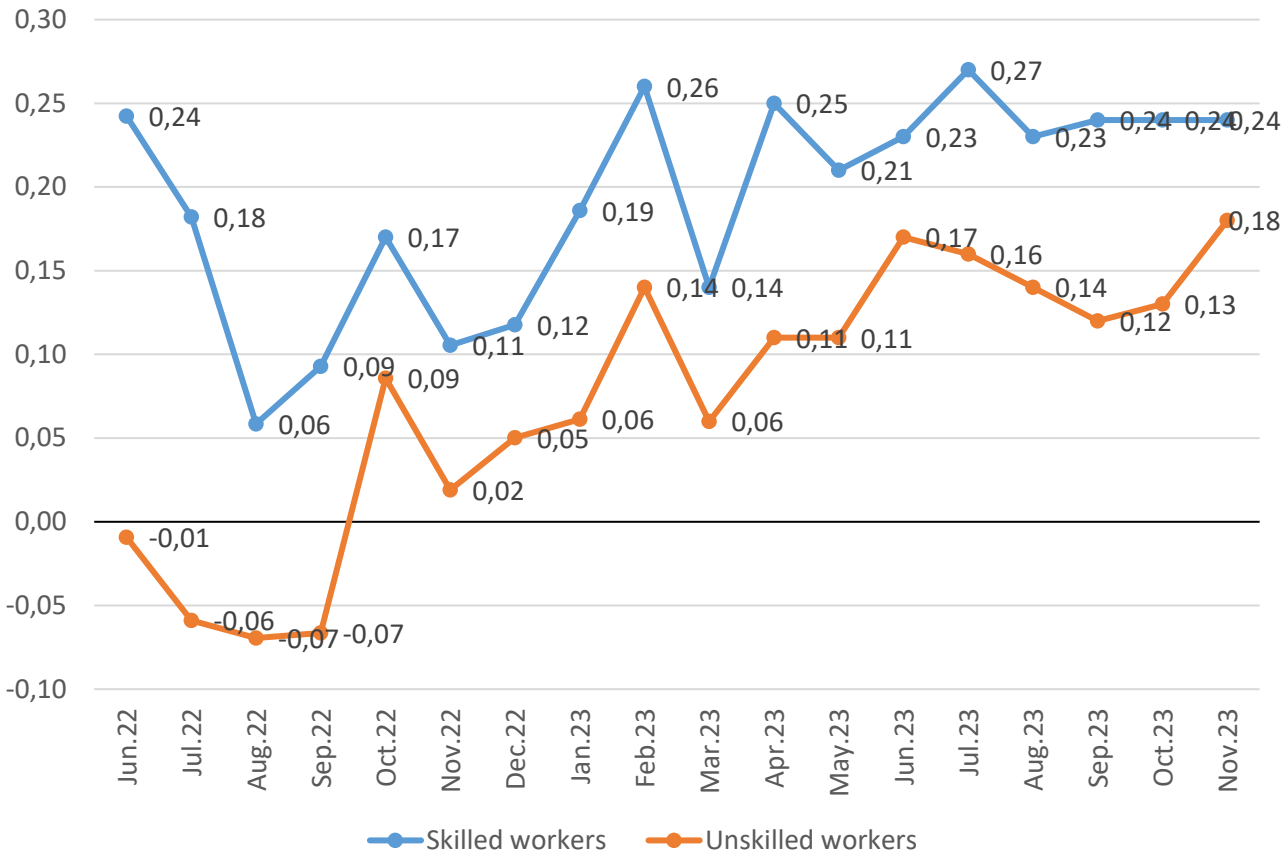


- % of enterprises **planning employment growth** in the next 3-4 month **is 2.8%** (3.9% October)
- % of enterprises **intending to reduce** the number of employees **increase a bit** (from 4.1% in October to 6.0% in November)
- % of enterprises at which **no changes in employment are expected is 91% (**92.0% in October)

- % of enterprises that **will increase the number of employees on forced leave almost unchanged (**1.7% vs 1.2% in October)
- % of enterprises that **are going to reduce** employees on forced leave **is 25.5%** (25.1% in October)
- **% unchanged is 72.9%** (73.7% in October)

Business have problems in finding unskilled workers

Problems with finding workers



In November problems with finding **skilled workers remained the same** for the third month in a row, while problems with **unskilled workers increased**

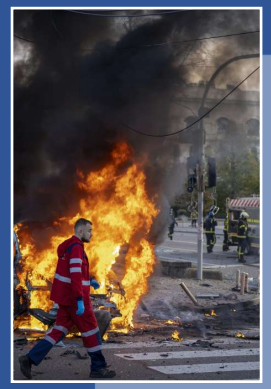
Skilled workers:

- **%** of those who reported that it is **more difficult** to find such workers **without significant changes** (27.7% in October vs 26.3% in November).
- % of those to whom it is **easier** to search for skilled workers **also almost unchanged** (1.9% in October and 0.8% in November)

Unskilled workers:

- % of those who report that it **is easy** to find them is **without significant changes** (5.3% in October and 4.7% in November) while % of those to whom this is **harder increased** (from 18.8% in October to 22.6% in November)

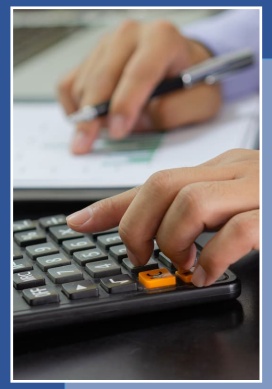
Main results 4: Impediments, economic policy



In November, the impediment "**dangerous of work"** occupied the 2nd position on the list of obstacles after being at 2nd in October

Interruptions **in electricity remain at the 6th position** on the List of impediments to doing business **already several month in a row**

Assessments on the government's economic policy have deteriorated

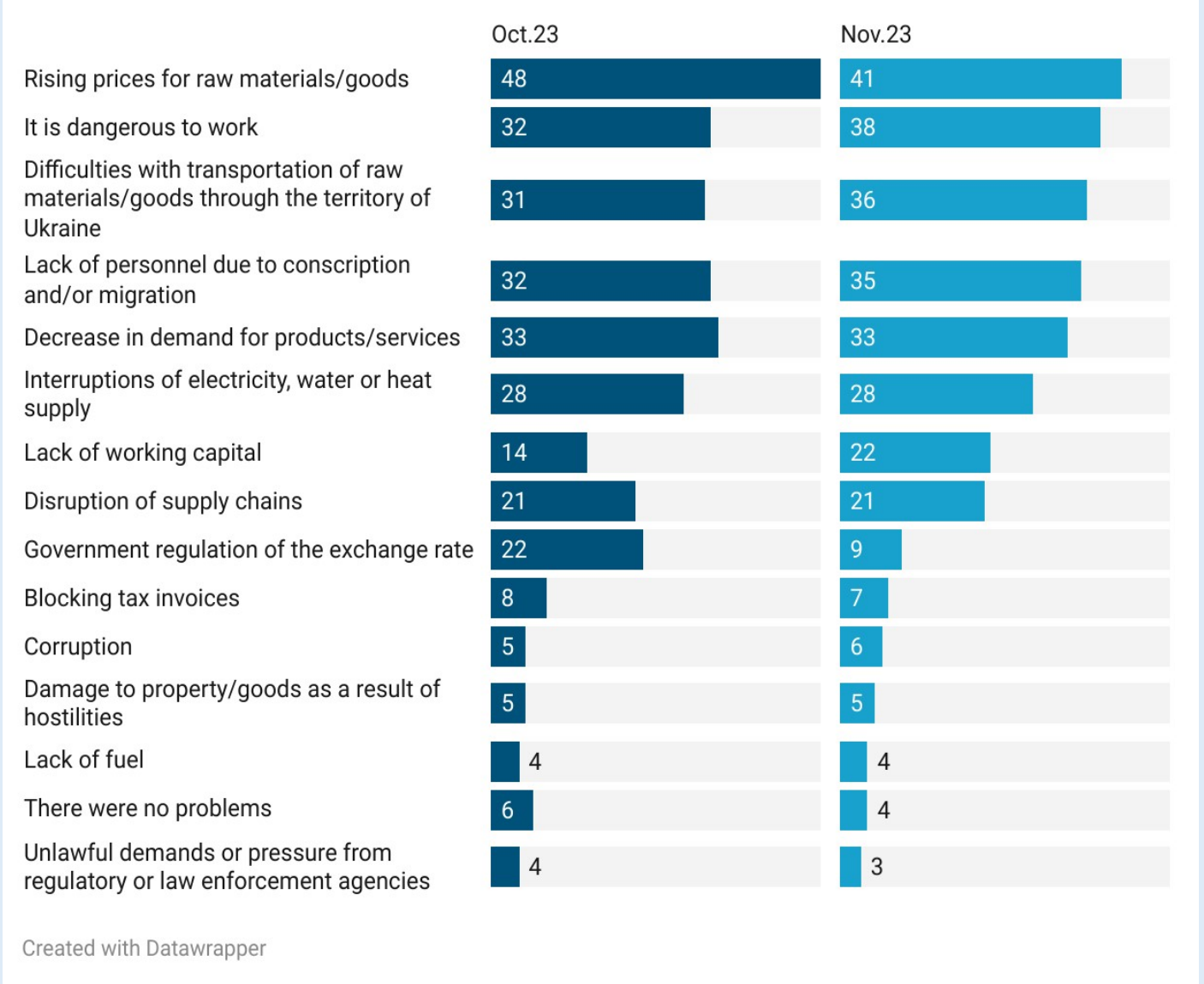


NEW! Our respondents` opinion: the key goal of government policy should be the mobilization of recourse for victory **(73%)**

The main impediments to doing business in wartime, % respondents

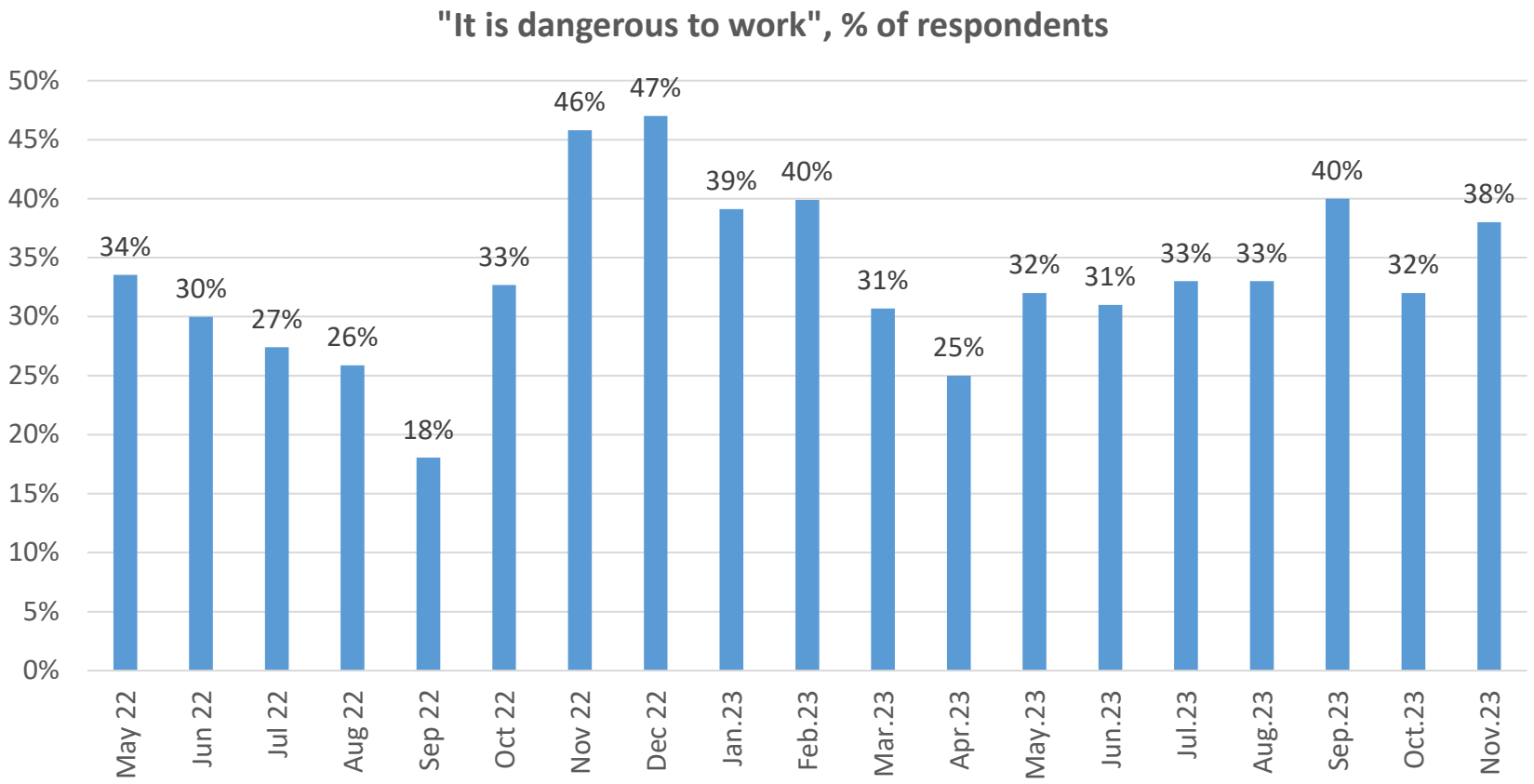
There are several changes in the list of impediments in November compared to October 2023

- The impediment **"rising prices for raw materials and goods"** remains at the 1st place but loses it value already second month in a row
- **"Decrease in demand" moved down from the 2nd place to the 3rd, in spite of increasing its value** compared to the previous month
- **The "It is dangerous to work" impediment** increased its value from 32% to 38% and moved up from the 3rd to the 2nd place
- In November, "**lack of personnel"** appears at the **4th** place moving down from the **3rd** place in spite of increasing its value from 32% to 35%
- **"Electricity interruptions"**, with unchanged value **have remained at the 6th place**
- **Corruption** and **pressure from law enforcement agencies** are not significant problems



“It is dangerous to work” appeared at the second place in the list of impediments to doing business

- In November 2023, the share of enterprises that reported that **it was dangerous to work** increased from 32% to 38%
- **In the list** of obstacles, “it is dangerous to work“ **moved up from the 3rd to the 2nd place**

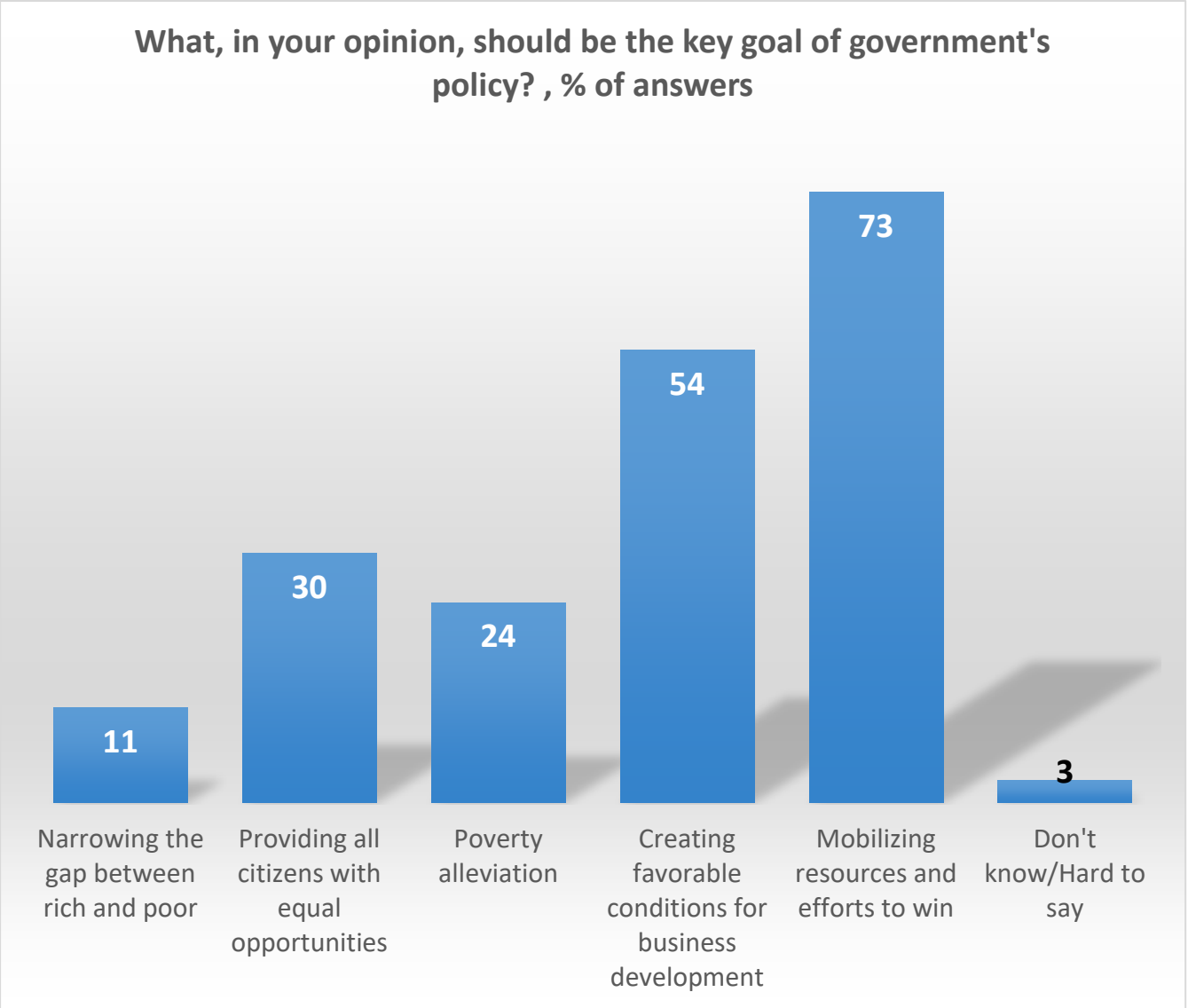


Assessments of the Government's economic policy deteriorated

- In November 2023, the share of **positive assessments** of government policy on business support **remains without significant changes and still is the lowest over all the period of the survey**
- **The share of neutral assessments** of the government policy on business support **slightly decrease** from 57% to 55% in November
- **The share of negative assessments increased** from 16% to 19%
- **The share of the undecided respondents remains unchanged** (19% as it was in October)

Key goals of Government's policy from the business point of view

- 73% — to mobilize resources and efforts for victory and
- 54% —to create favorable conditions for business development
- 30% — provide with equals opportunities



New monthly enterprise survey. Methodology

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

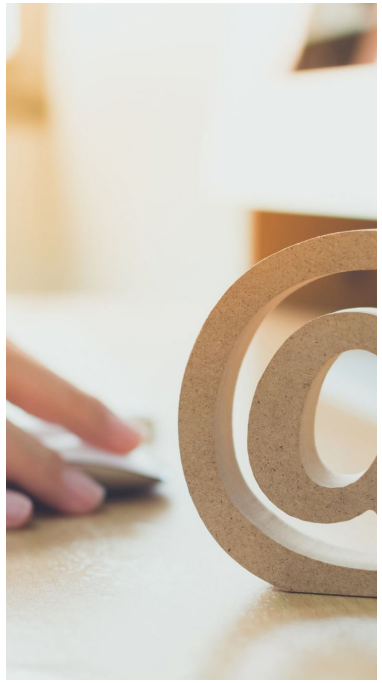
The monthly survey consists of two parts: the regular one and the special one. Respondents will regularly answer questions on the changes in key activity indicators and short-term forecasts for future changes in the same indicators: output (production), sales, exports, debt, new orders, employment, etc.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

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

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

The field stage of the 19-th wave lasted from November 17 to November 30, 2023. The enterprise managers compared the work results in November 2023 with October 2023, assessed the indicators at the time of the survey (November 2023), and gave forecasts for the next two, three, or six months, depending on the question. In certain issues (where indicated), the work results were compared with the pre-war period (before February 24, 2022).

Our contacts



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