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INTERNATIONAL RENAISSANCE FOUNDATION

ATLAS NETWORK

INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

“Spring Spirit: Are the clouds gathering for rain?”

Main economic trends in April 2023

according to the results of The New Monthly Enterprises Survey, #NRES

Oksana Kuziakiv, Executive Director at the IER

Yevhen Anhel, Senior Research Fellow at the IER

Iryna Fedets, Senior Research Fellow at the IER

Anastasia Gulik, Research Fellow at the IER

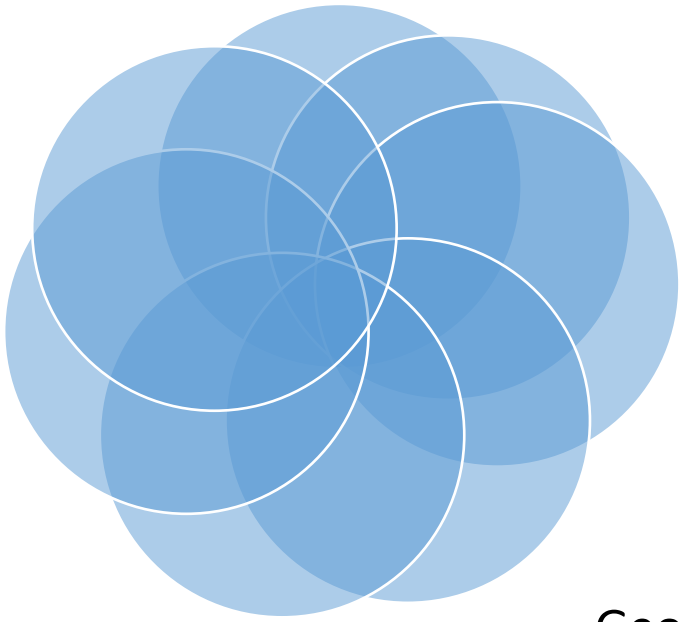
Kyiv, May 12, 2023

ABOUT THE NEW RAPID ENTERPRISES SURVEY

Monthly survey

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

12 surveys have already been conducted (since May 2022)



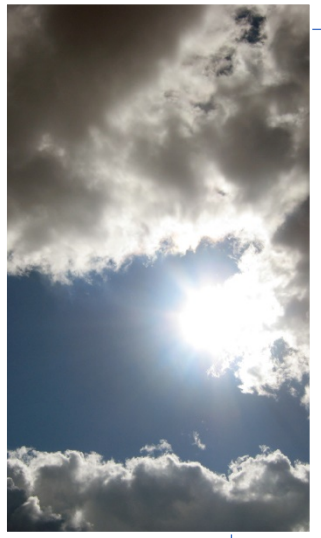
SAMPLE: 560 **enterprises** were surveyed in April

Enterprises of all sizes

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

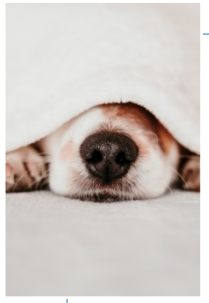
Geography: **21 out of 27** regions of Ukraine

Main results 1



Performance is good, and expectations are optimistic, but with less optimism than it was in previous month

Main results 2



Assessments of the current situation in the country and at the enterprise **continue to increase slowly** while **expectations worsened** a bit.

The enterprises' **performance keeps growing,** in contrast, **expectations** for the next 3 months while **being positive**, slightly **worsened.**

Uncertainty in the 6- and 3-month perspective continues to **decrease**, but the **long-term** remains **high** and **without significant changes**

In April, **enterprises continued the recovering of production**. % of enterprises operating at almost full and at full capacity is **the highest in the last 12 months**

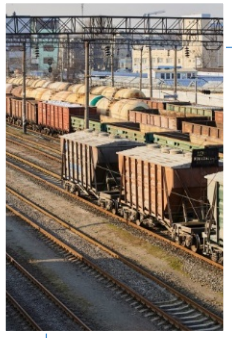
The economic situation at enterprises in April 2023 compared to April 2022 significantly **improved.**

Plans for the **next two years** remain **moderately positive and without changes.**

Main results 3

Interruptions in electricity is no more significant obstacle. The average loss of working time decreased to 2%

The importance of **“it is dangerous to work"** as an obstacle to doing business continues **to decline** *(the wave of the survey was before russia activated missile attacks again)*



Export activity remains **without significant changes, expectations** slightly **worsened**

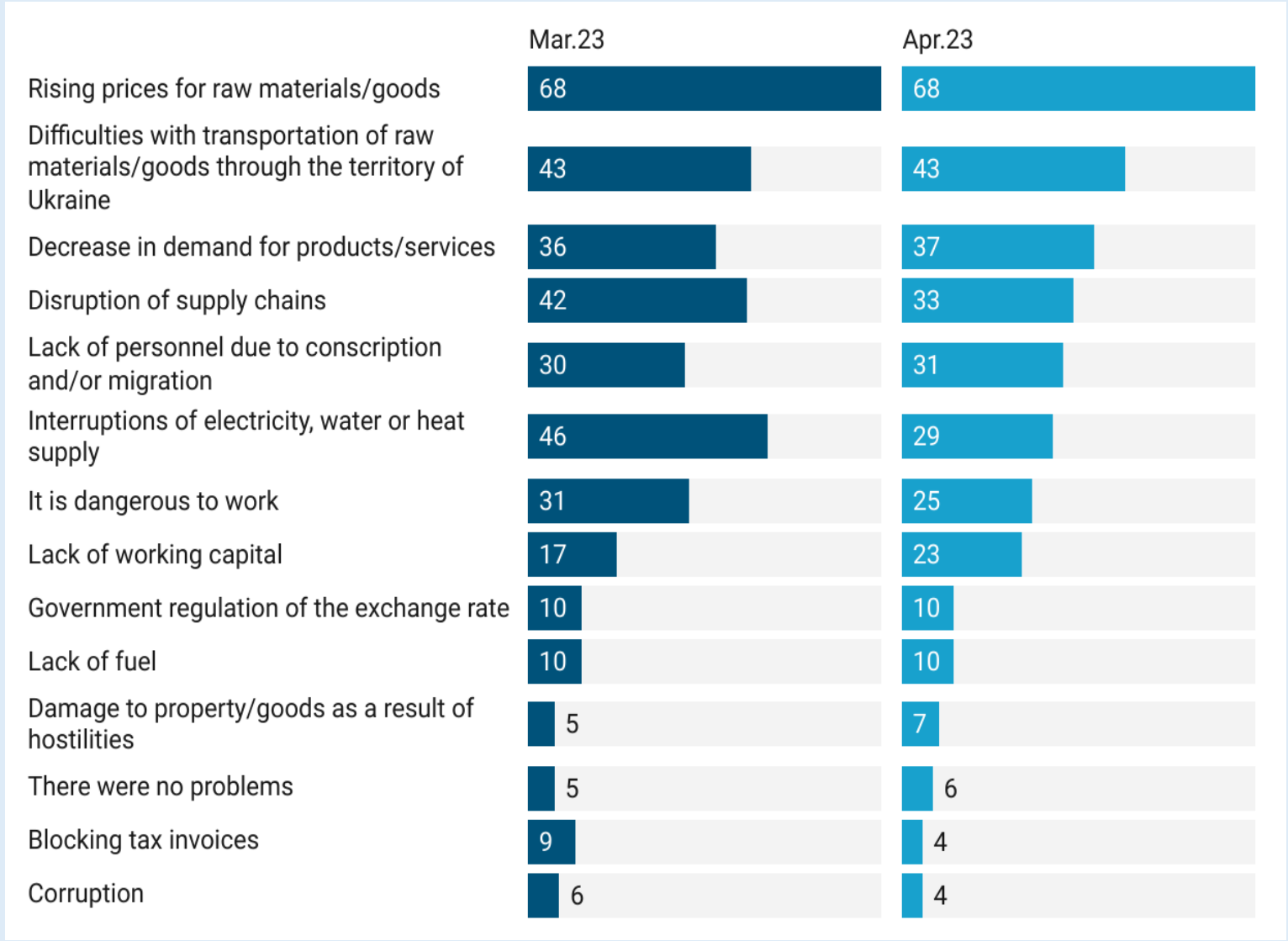
Assessments of **economic policy** still positive, but lowering

Impediments to doing business in wartimes

New Monthly Enterprises Survey, #12, (04/2023)

The main obstacles to doing business in wartime, % respondents

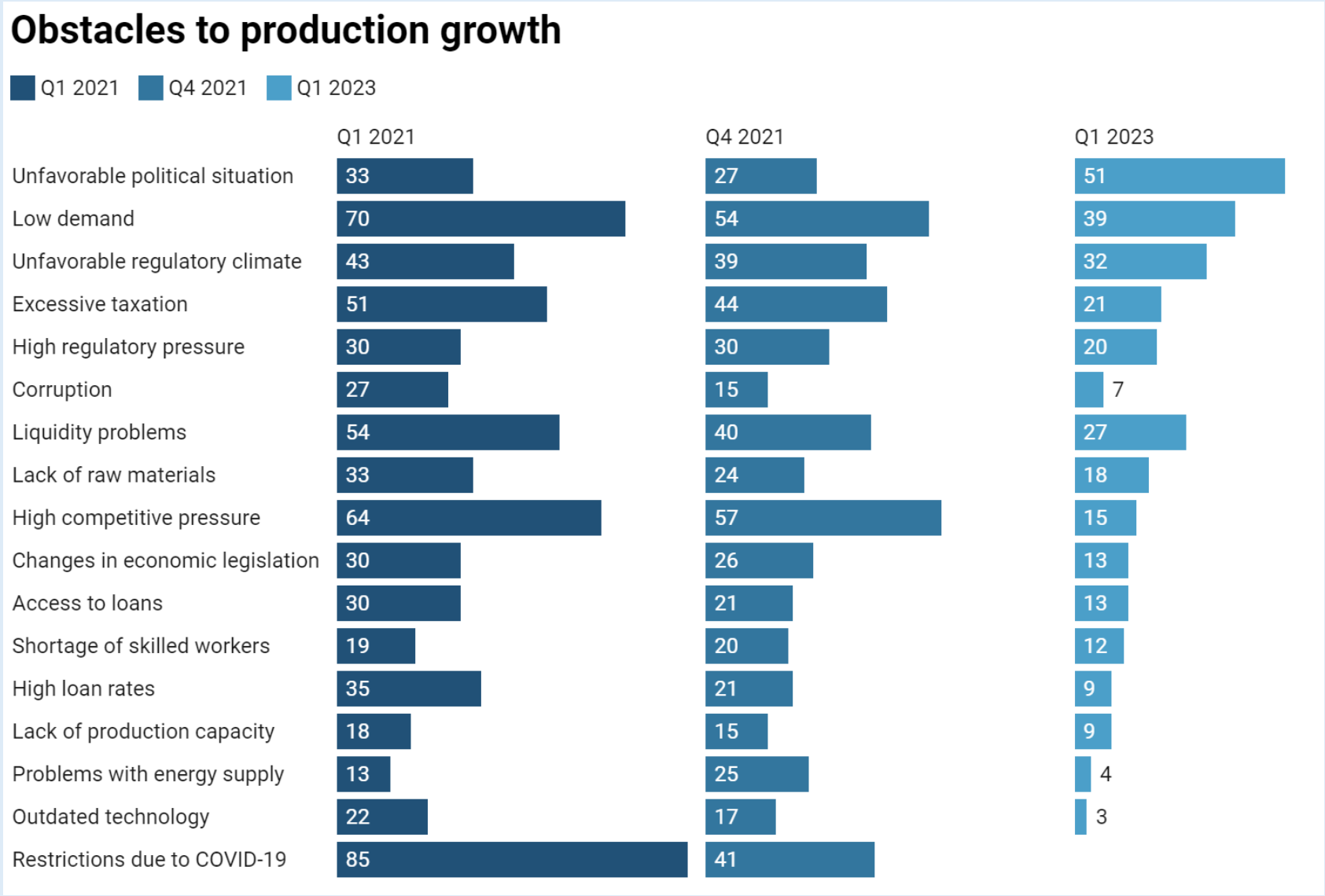
- **Rising prices for raw materials and goods** remains in the leading position
- The importance of the **interruptions of electricity, water or heat supply** as an obstacle further decreased in April and moved **from the second to the sixth place** in the list
- **Difficulties with transportation of raw materials** moved up to the second place, although the absolute value of this obstacle remains the same
- It was somewhat less dangerous to work in April: the percentage of the respondents who said that **it was dangerous** continued to decrease (this wave of the survey was over before russia activated missile attacks)
- **Lack of personnel** remains without significant change
- **Corruption** and **blocking of tax invoices** are rarely reported

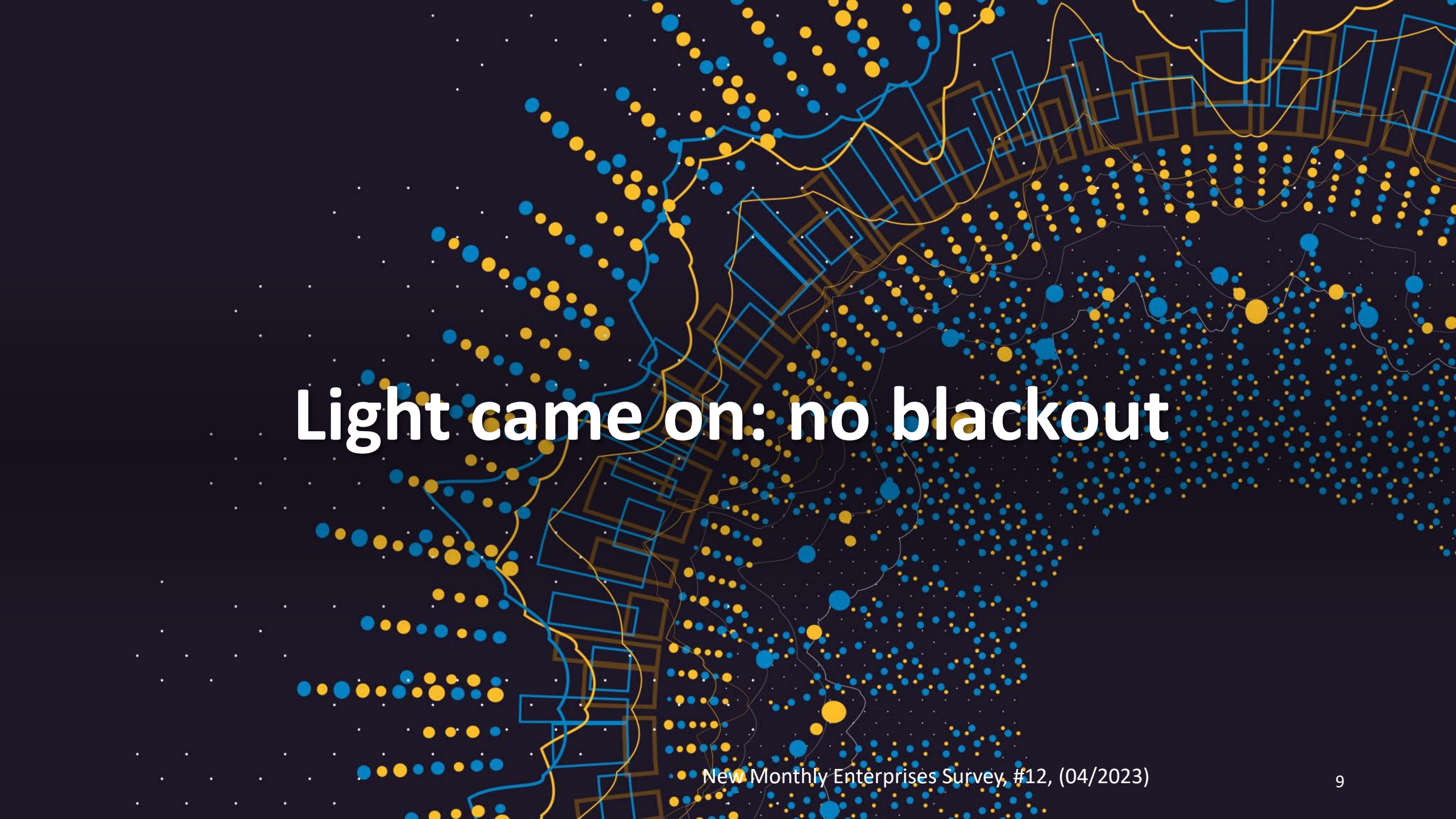


Obstacles to production growth: pre-war context

- We used the list of **obstacles to production growth** of the long-running Business Tendency Survey, where COVID-related issues were the most pressing problem before the full-scale russian invasion of Ukraine
- **Unfavorable political situation** was reported most of all among the obstacles to production growth in April 2023
- **Unfavorable regulatory climate** has become a lesser problem due to decreased reporting of all the three components:
  - high regulatory pressure;
  - taxation;
  - and corruption.

Source: QES 2002-2022, NRES

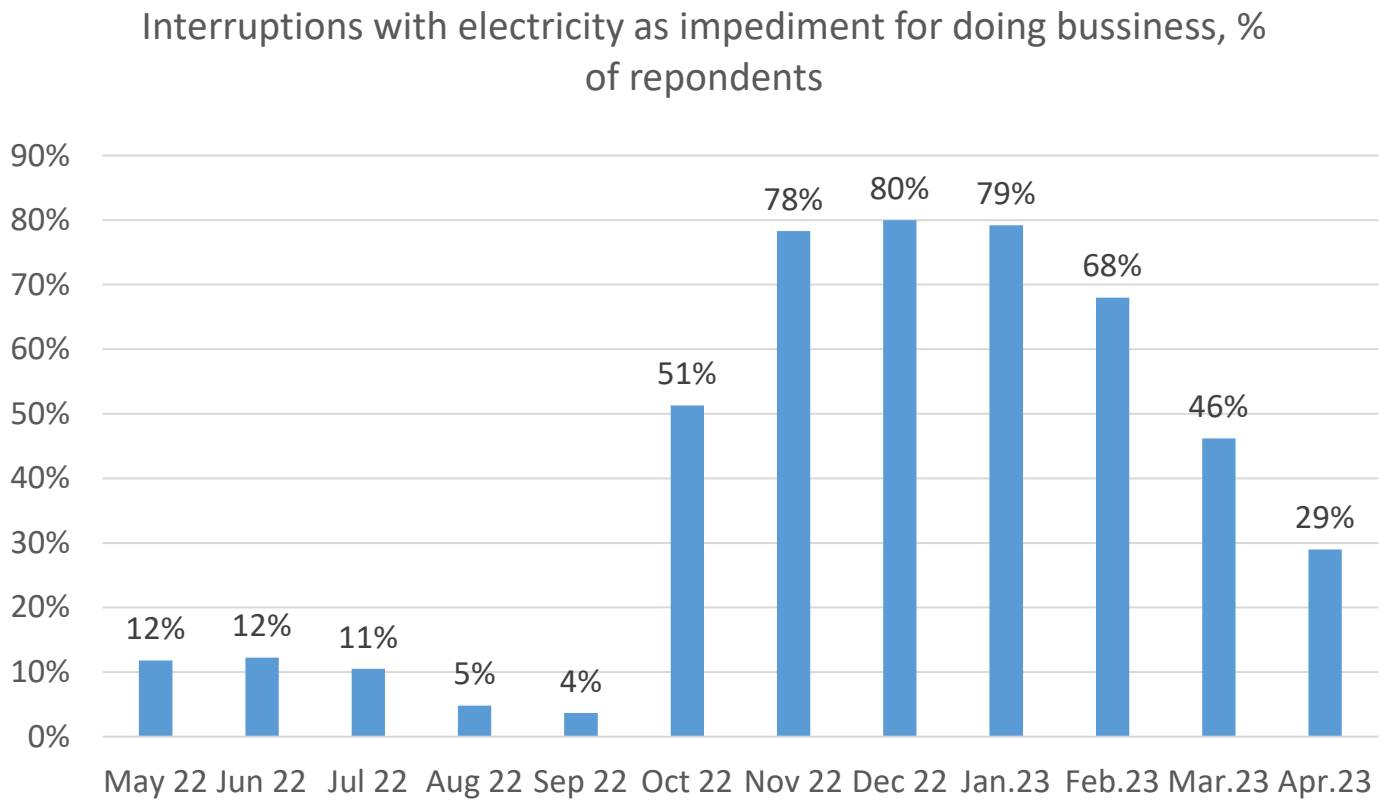




New Monthly Enterprises Survey, #12, (04/2023)

”Electricity” is not a big problem anymore

- In April 2023, the % of respondents who reported **interruptions in electricity supply** as an obstacle to doing business decreased for already third month in a row
- In the list of obstacles, **interruptions in electricity** lowered **from the second to the sixth place**

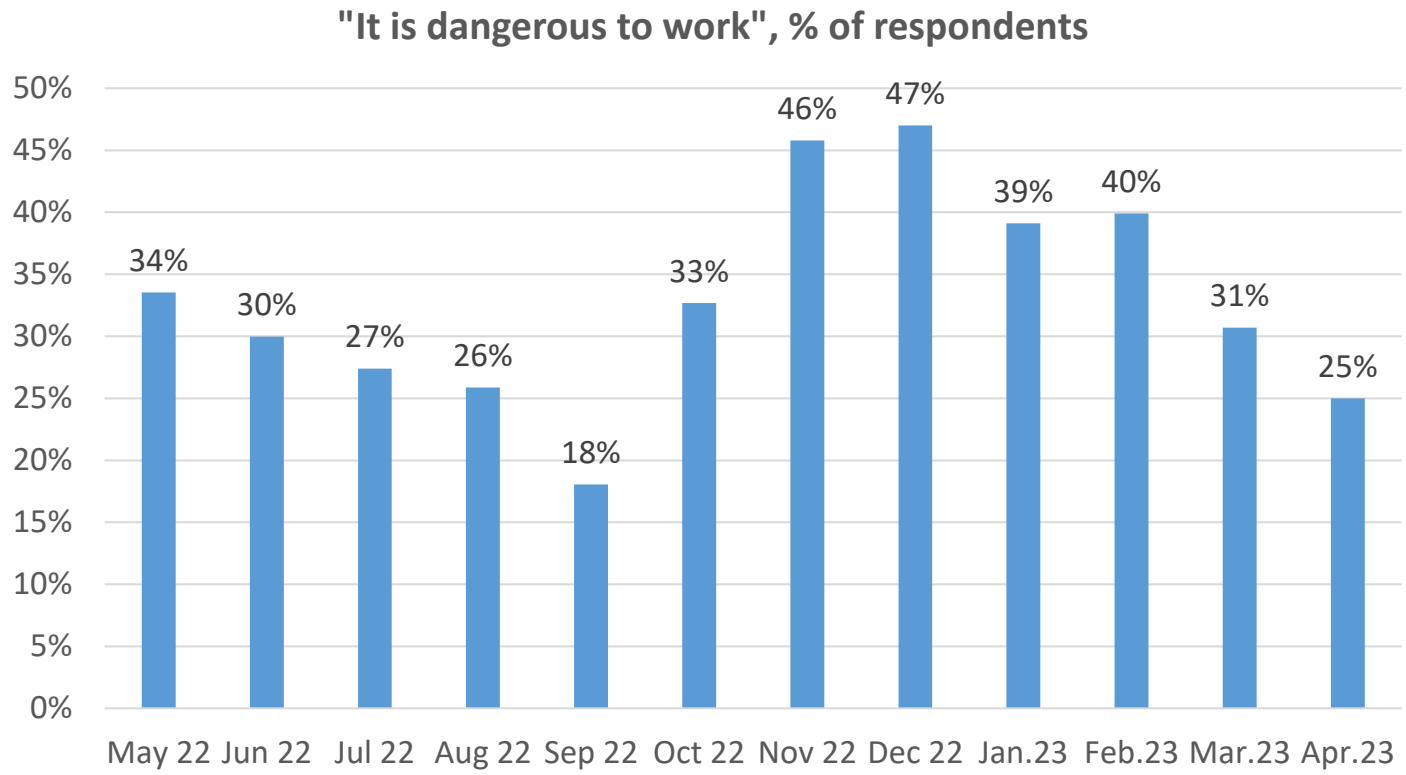


“It is dangerous to work” is no more such dangerous

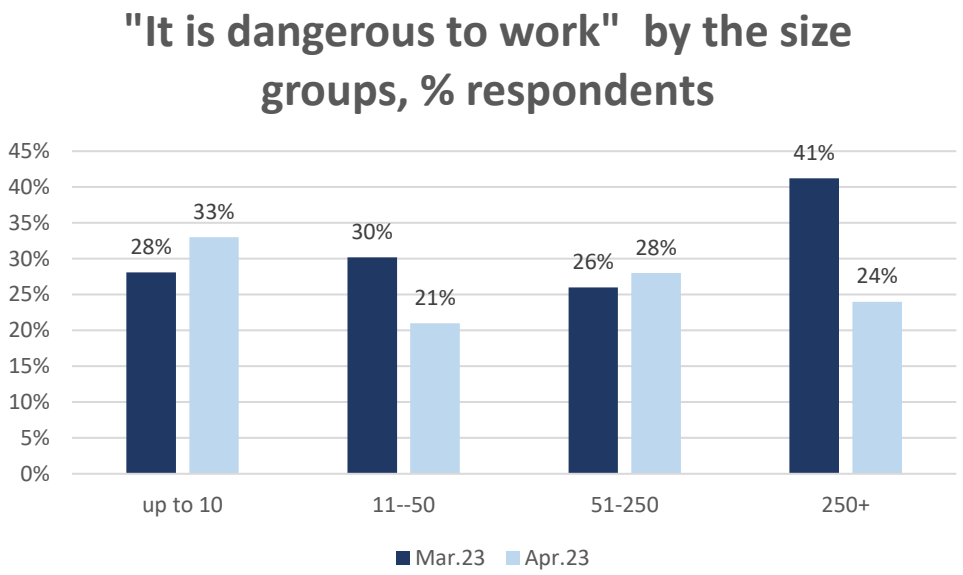
New Monthly Enterprises Survey, #12, (04/2023)

The importance of “it is dangerous to work" as an obstacle to work is declining for the third month in a row

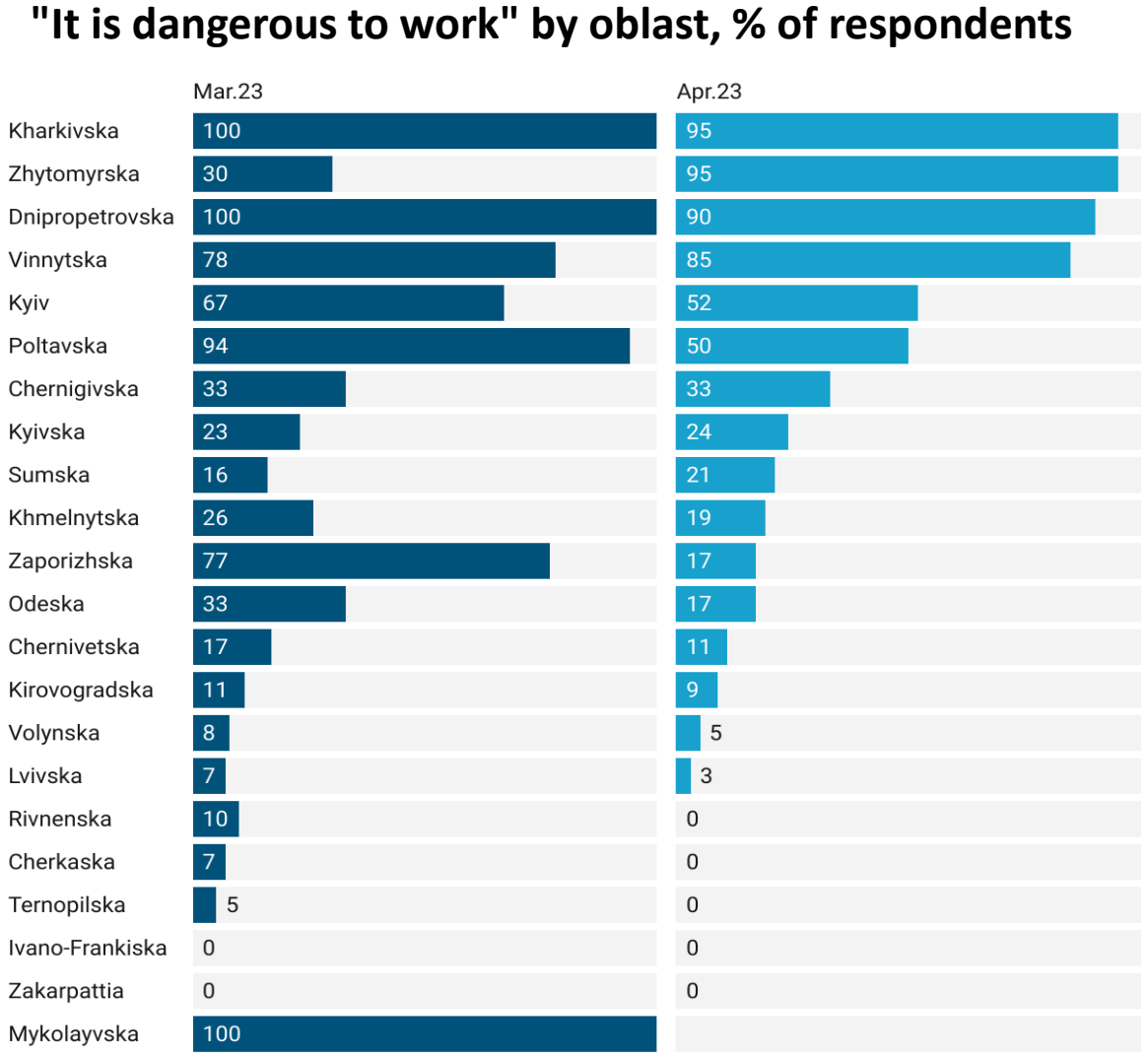
- In April 2023, the share of enterprises that reported that **it was dangerous to work** decreased from 31% to 25%
- In the list of obstacles, “it is dangerous to work“ **lowered from the sixth to the seventh place**



“It is dangerous to work” in different dimensions



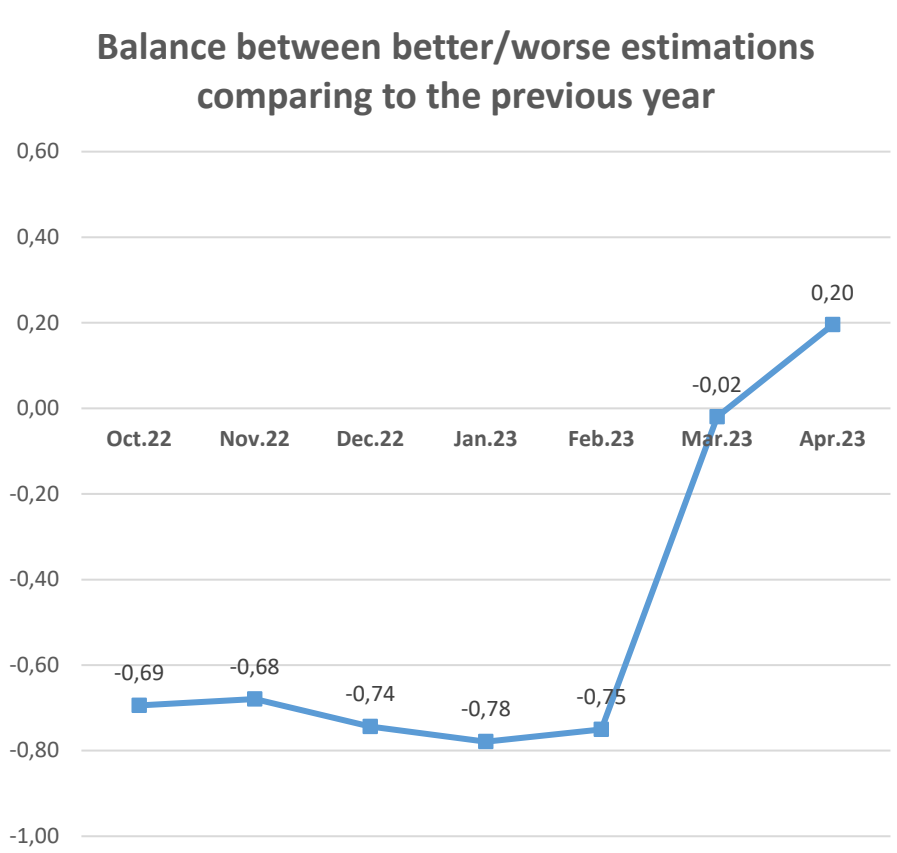
- % of enterprises large enterprises that chose **“it is dangerous to work“** has decreased almost by twice
- 85+% of respondents in Kharkivska, Zhytomyrska, Dnipropetrovska and Vinnytska consider insecure condition as an impediment

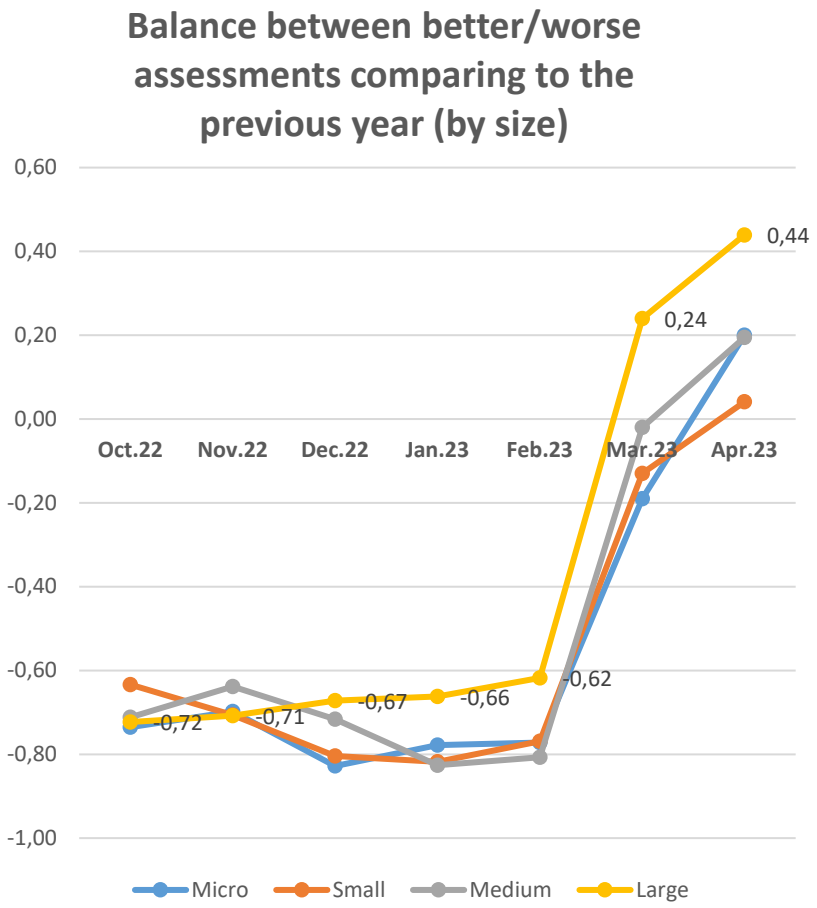


April to April: changes over the past year

New Monthly Enterprises Survey, #12, (04/2023)

Business activity at enterprises compared to “how it was year ago"



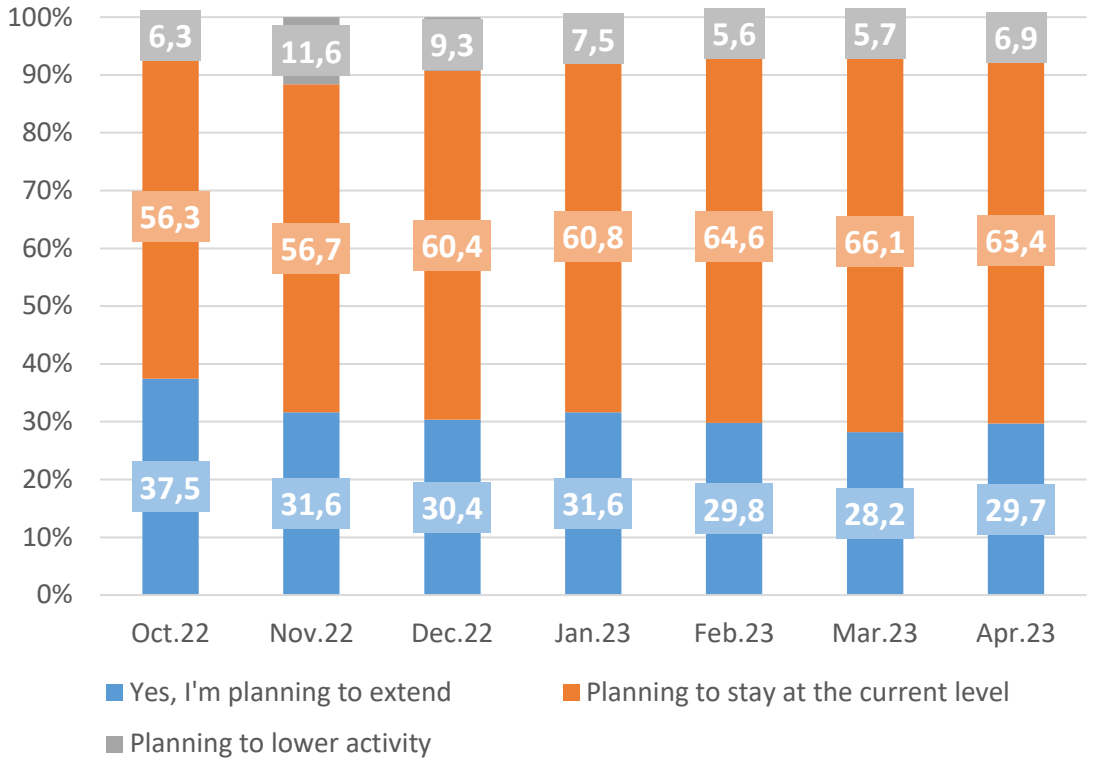


- **Business activity at the enterprise** compared to **“how was year ago"** has improved for the second month in a row
  - % of those **who consider the situation better increased** from 41% to 50%, at the same time
  - % of those **for whom the situation is worse decreased** from 43% to 30%
  - % of those for whom **"nothing has changed" slightly increased** from 17% to 21%
- **Large enterprises** feel significantly better than others

Future and Uncertainty

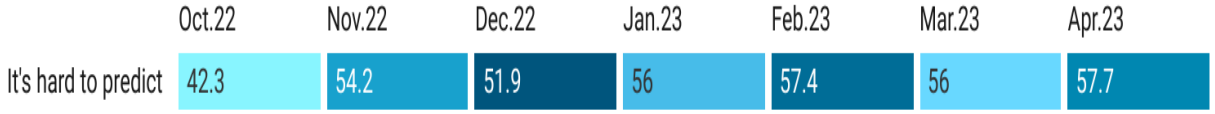
Perspective of two years without changes

Expectations in the two-year perspective

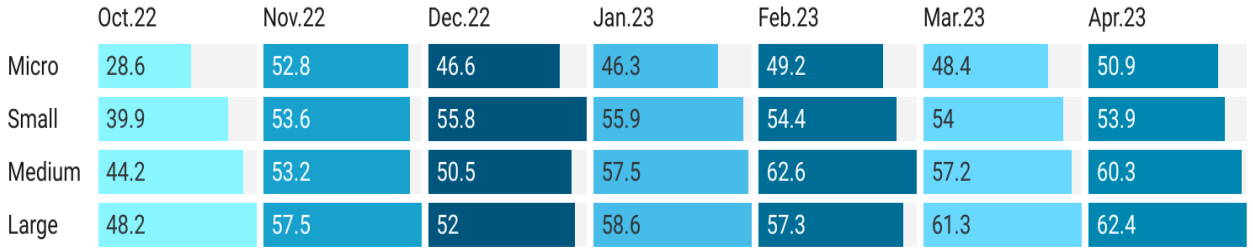


Uncertainty in the two-year perspective

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

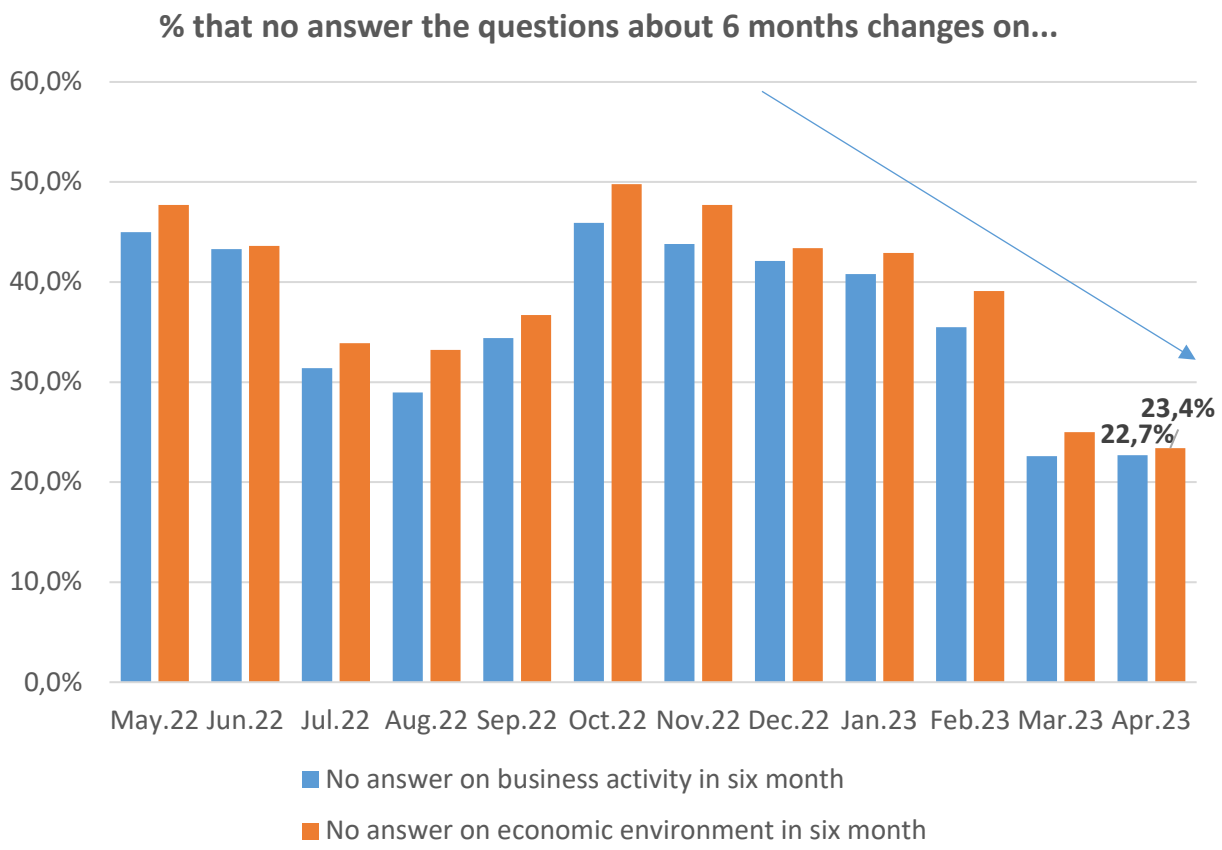


“It is hard to predict what will be with activities of our enterprise in 2 years" by size of enterprises, % of answers

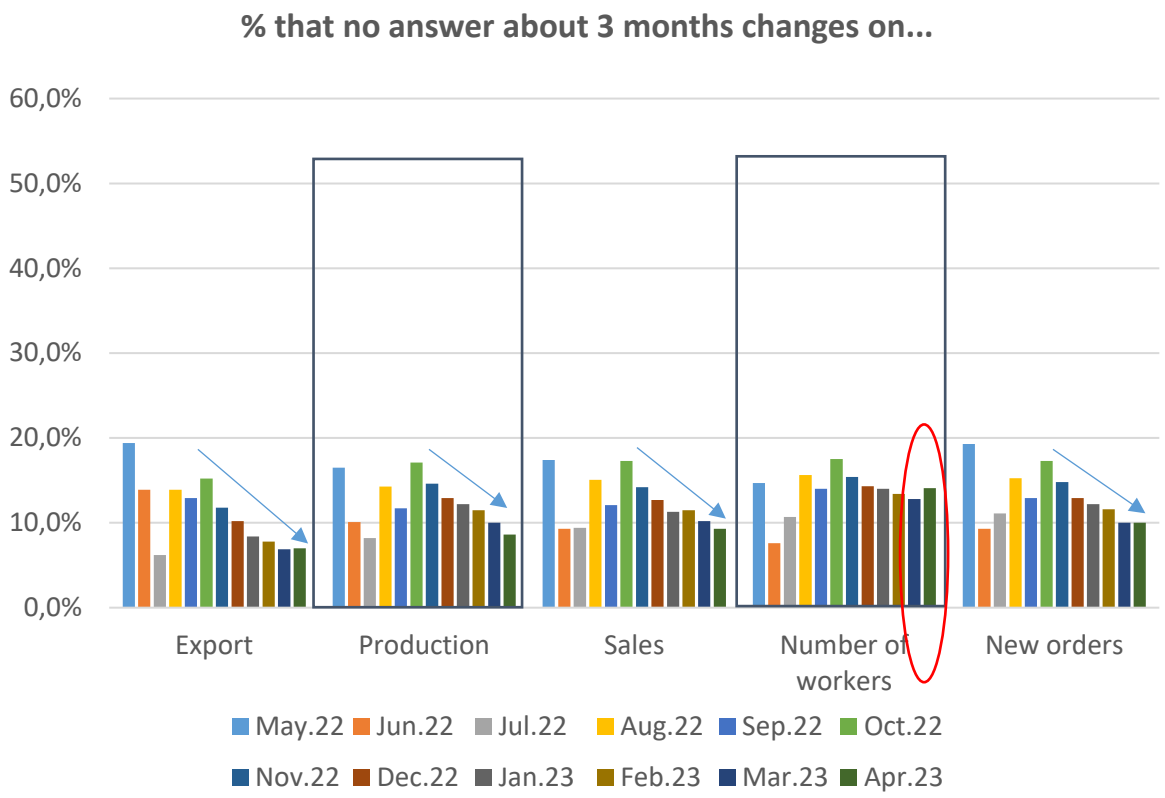


Uncertainty about the near future continues to decrease

Half-year horizon

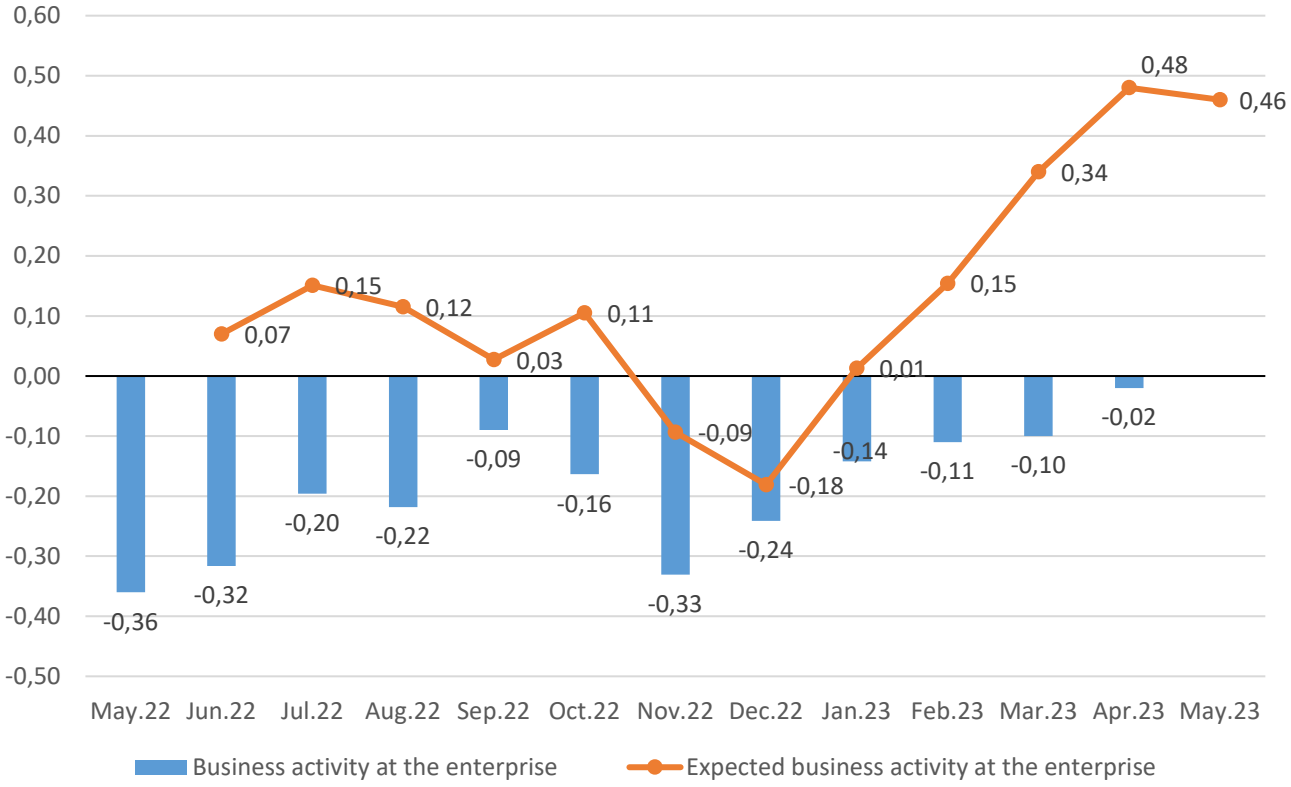


Three-month horizon

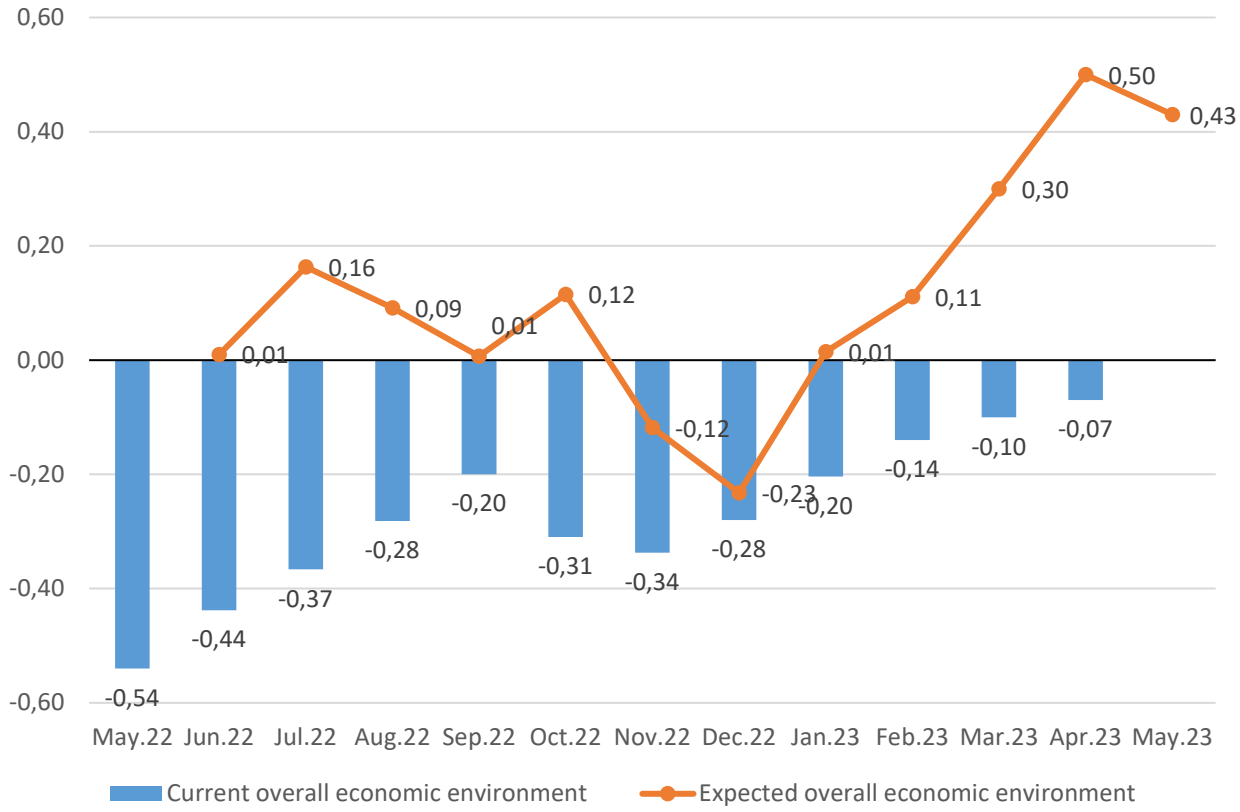


Half-year expectations: a bit less high optimism

Business activity at the enterprise

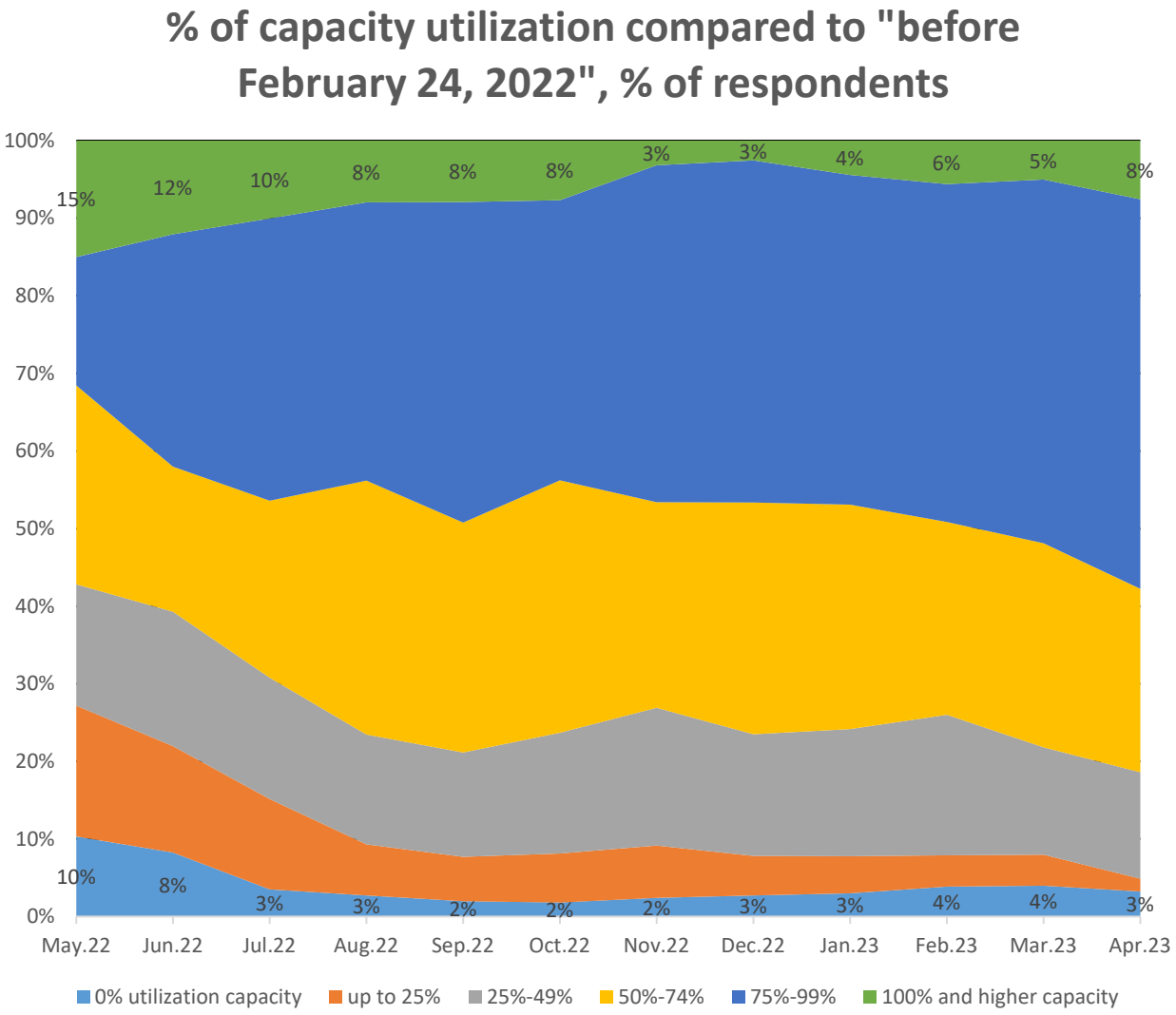


Overall economic situation in the country



Enterprises’ past performances and expectations for the future

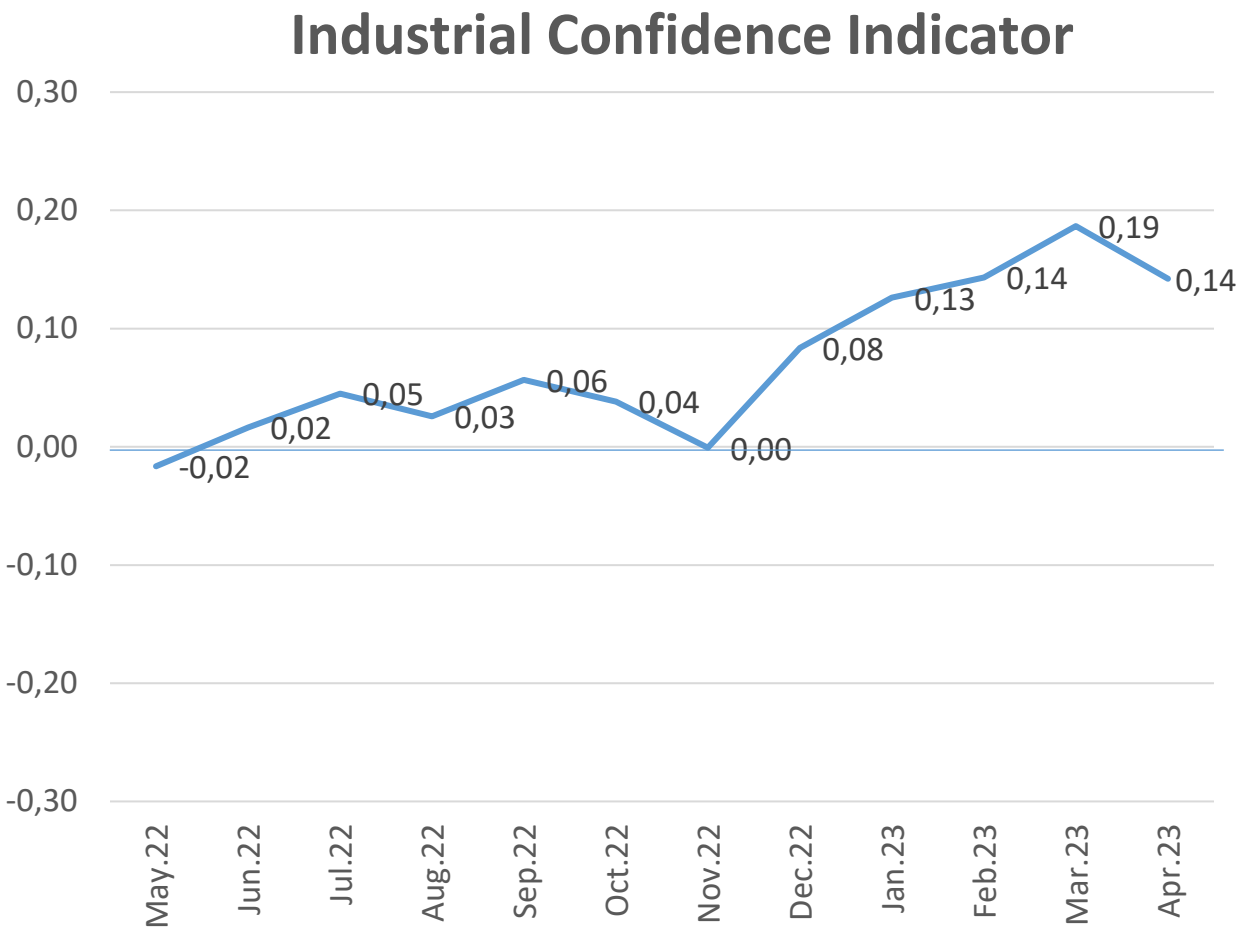
Recovery in manufacturing is speeded on in "no blackout conditions"



In April, enterprises sped on recovering

- The share of enterprises operating at almost full and at full capacity is the highest in the last year:
  - **8%** of enterprises are working **at full capacity** (100% or more), which is somewhat more than in the previous month (5%)
  - The share of enterprises **working at almost full capacity** (75%-99%) **increased from 47% to 50%**
- The share of enterprises that **do not operate at all** remains without significant changes since last summer (3% in April)

Industrial Confidence Indicator



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

- ICI is positive
- The trend for growth was on for 4 months in a row

BUT

- in April compared to March, **it decreased slightly**: from 0,19 to 0,14.

<u>This happens because of</u>

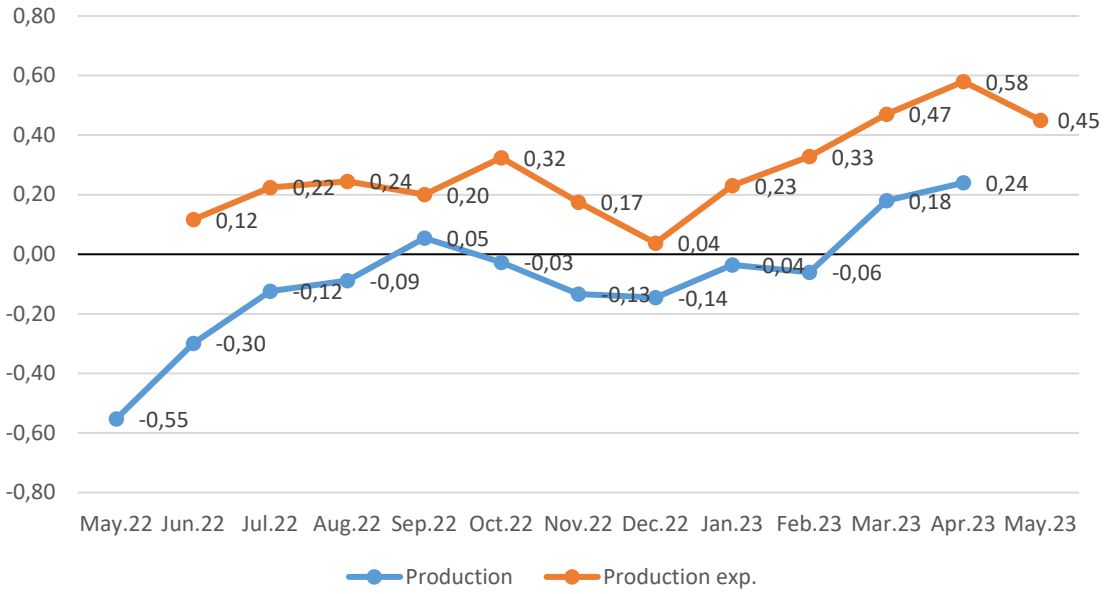
The production expectation (PI)a but decreased from 0,58 to 0,45

<u>At the same time</u>

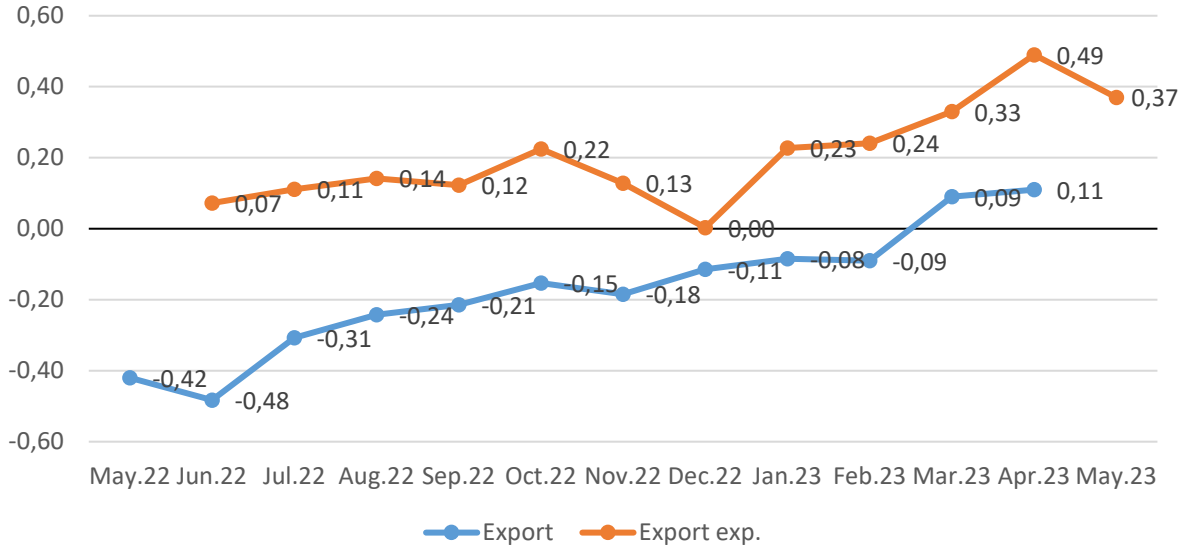
- Component **volume of new orders (VNO)** improved from -0,23 to -0,19
- Component **stocks of finished goods(SFG)** increased from -0,21 to -0,17

Production: improved performance, but less optimistic expectations

Production



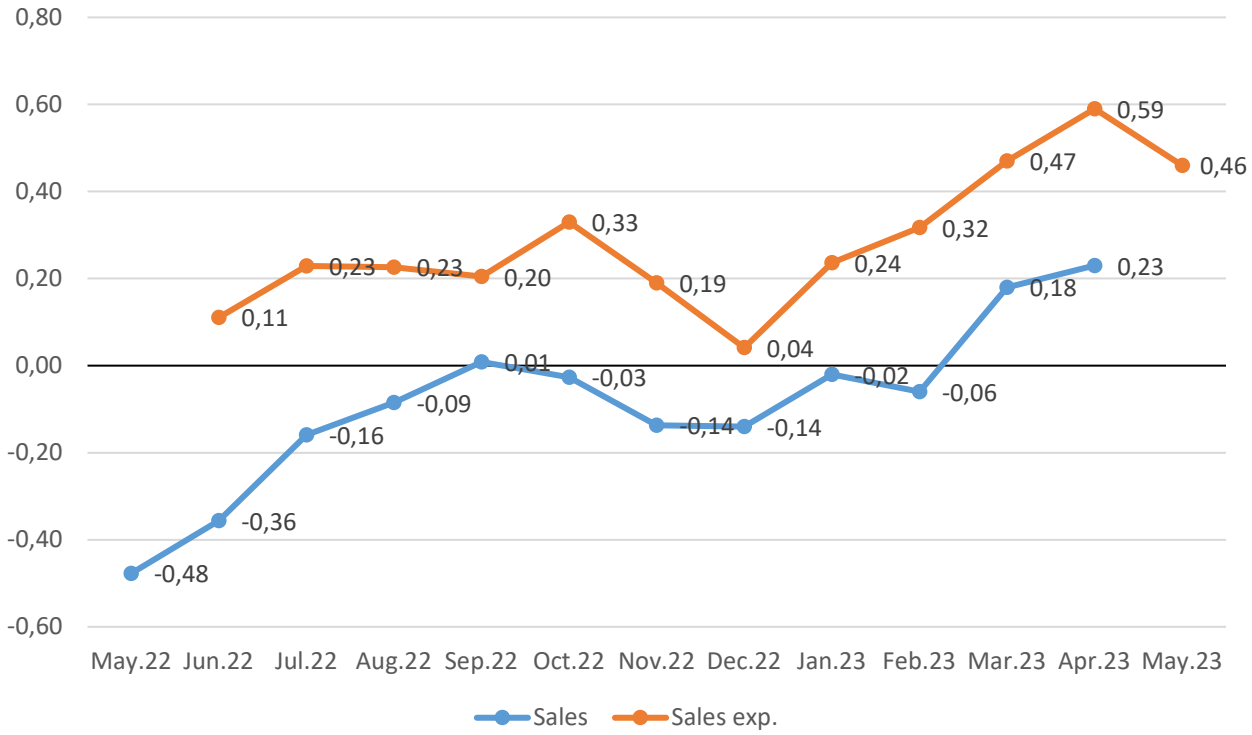
Export



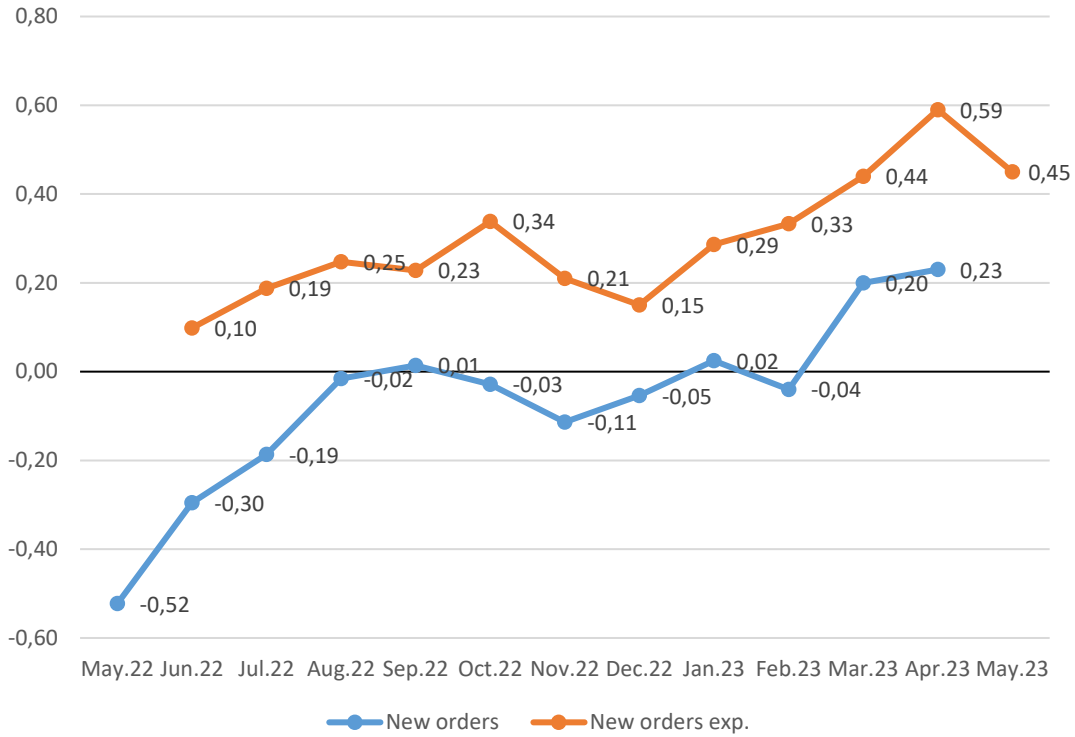
- In April compared to March, **the share of enterprises that planned production growth** in the next 3-4 months **decreased** from 60.1% to 50.2%
- The share of enterprises **that planned to reduce production increase** from 3.8% in March to 6.1% in April
- The share of enterprises that **plan to maintain production volumes in the coming months** at the previous level **decreased** from 36.1% to 43.8%

Sales and new orders: improving results and worsening expectations

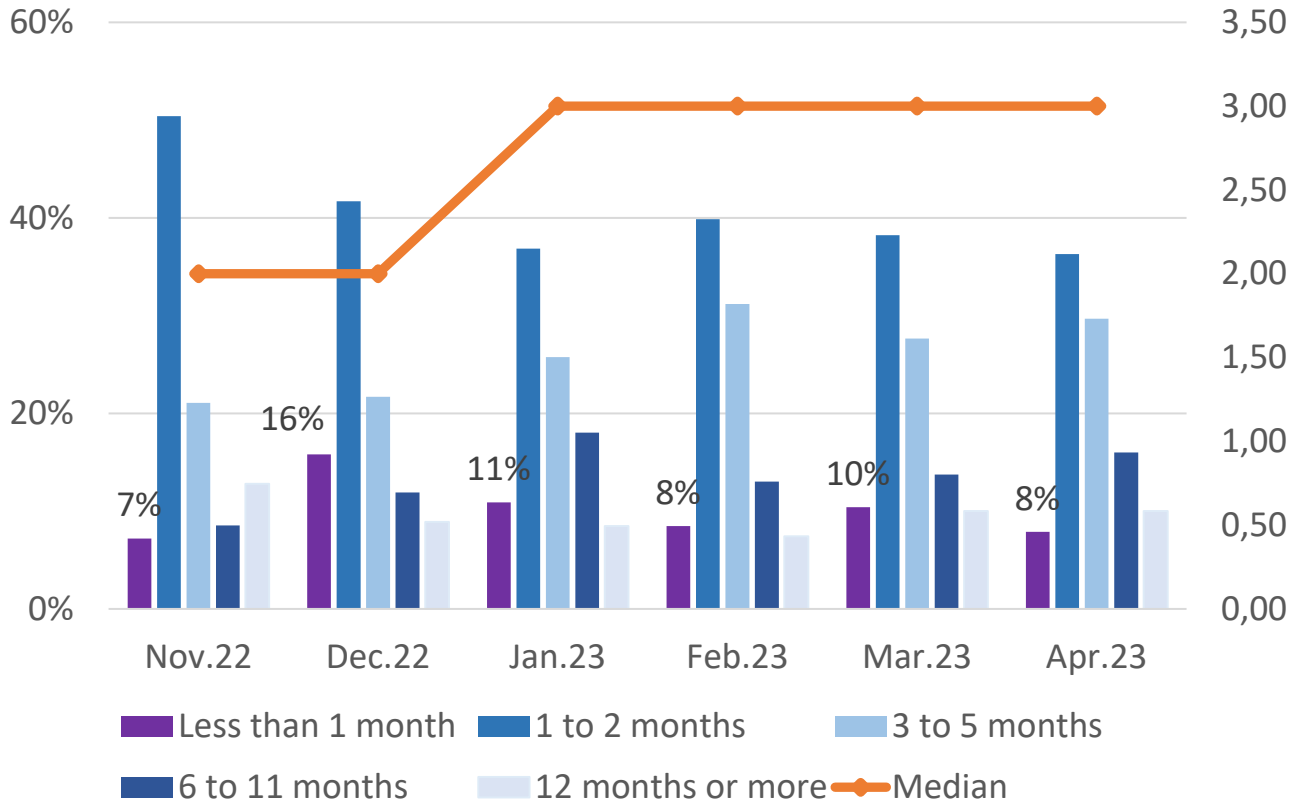
Sales



New orders



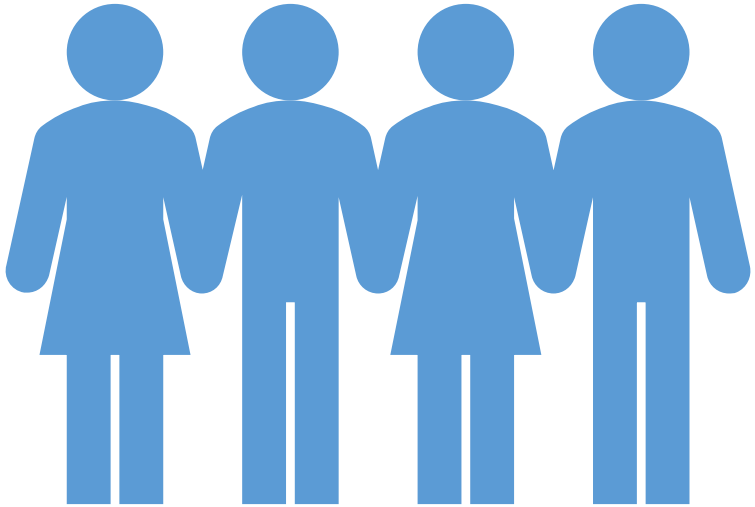
The order book has remained at 3 months level



In April 2023, enterprises **had no significant change in the orders book:**

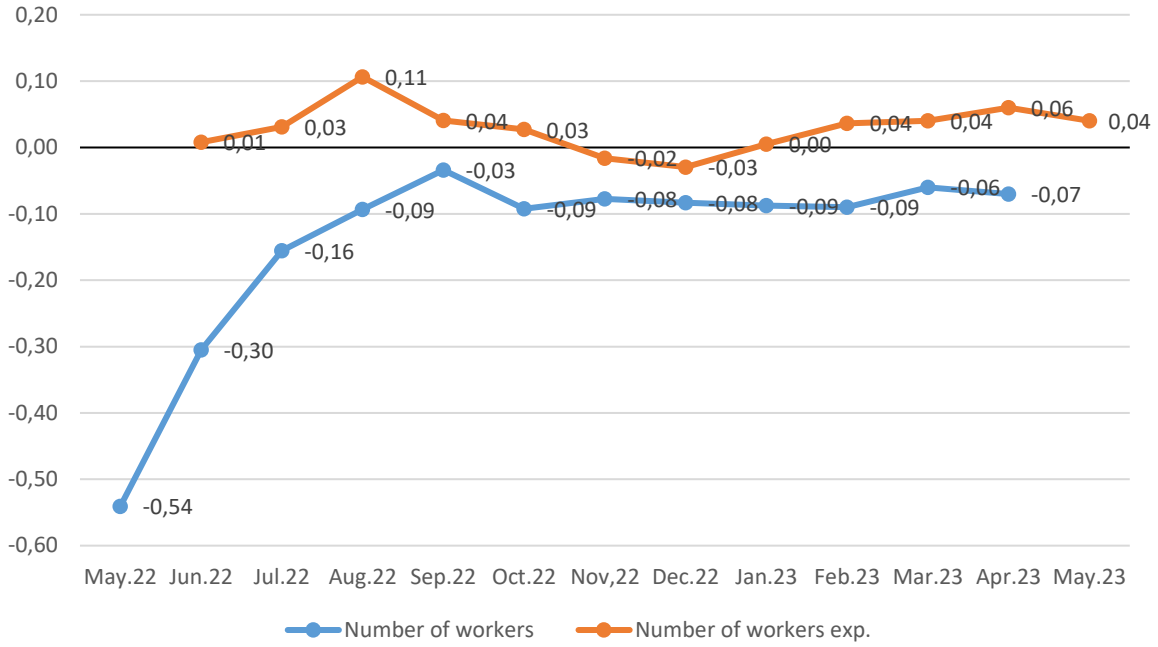
- Since January 2023, enterprises had orders for an average of **3 months** (median)
- % of those who have had no order book for more than 1 month is slightly decreased (from 10% in March to 8% in April)

Employment and labor market

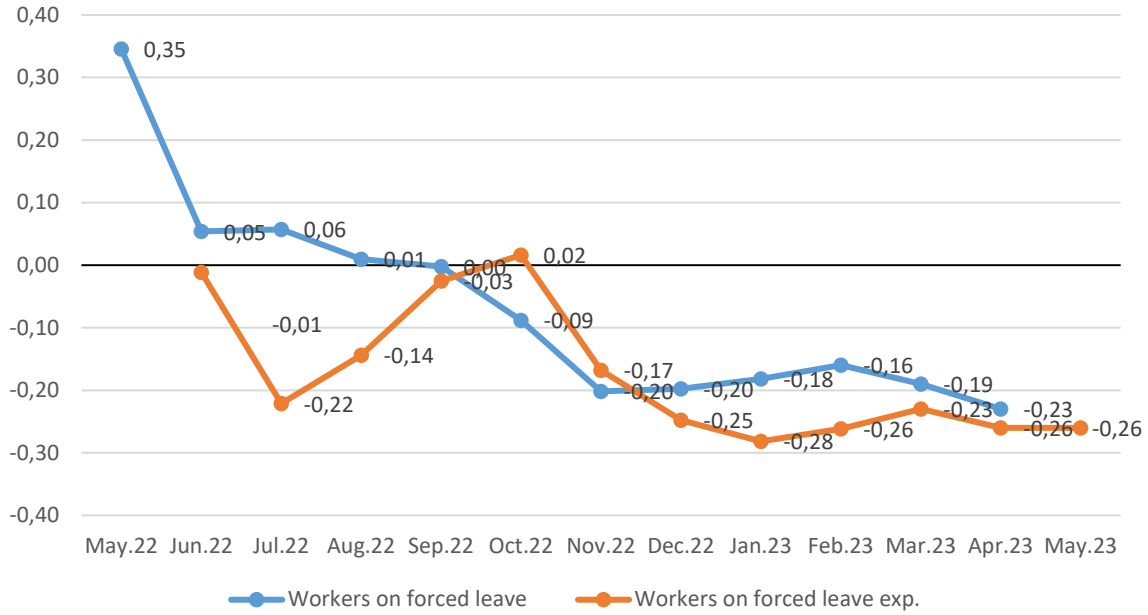


Employment expectations: without changes

Number of workers



Number of workers on forced leave

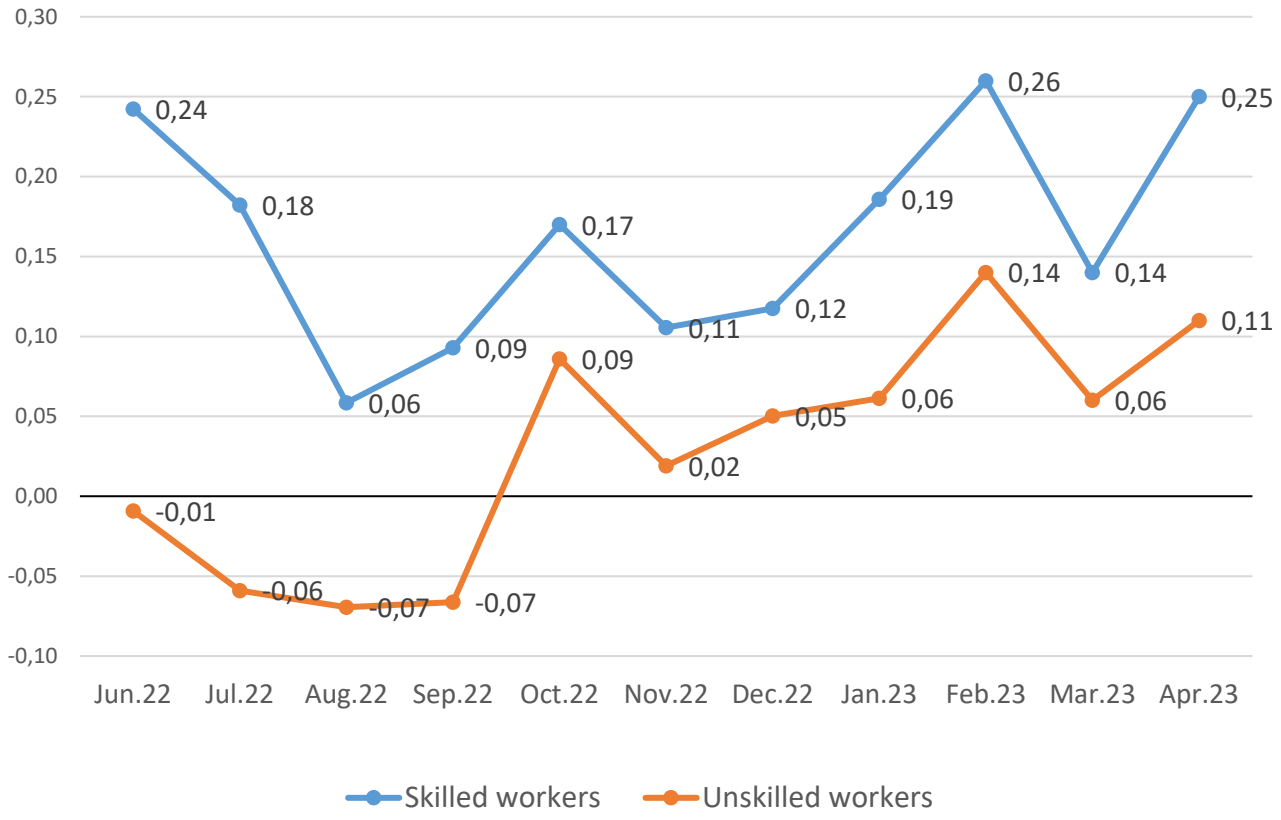


- % of enterprises **planning employment growth decreased** 8.3% to 5.6%
- % of enterprises **intending to reduce** the number of employees **is without significant changes (**3.4% in March and 3.1% in April)
- % of enterprises at which **no changes in employment are expected increased** from 88.3% to 91.2%

- % of enterprises that **will increase the number of employees on forced leave almost unchanged** (0.9% in March and 0.5% in April)
- % of enterprises that **are going to reduce** employees on forced leave **almost unchanged** (27.3% in March and 27.1% in April)
- **% unchanged also is without significant changes** (71.8% in March and 72.4% in April)

Volatility in the labor market

Problems with finding workers



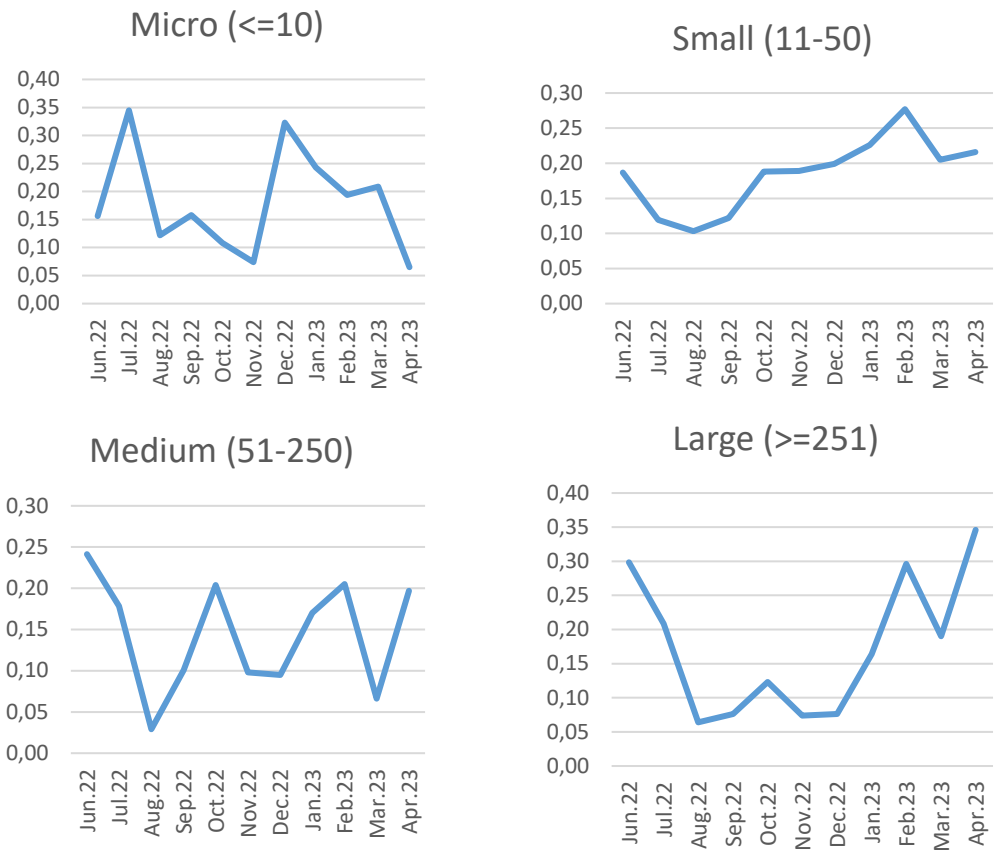
After the last month's drop, the enterprises again report **increased problems** with **hiring staff** (both skilled and unskilled). But it is happened due to different reasons:

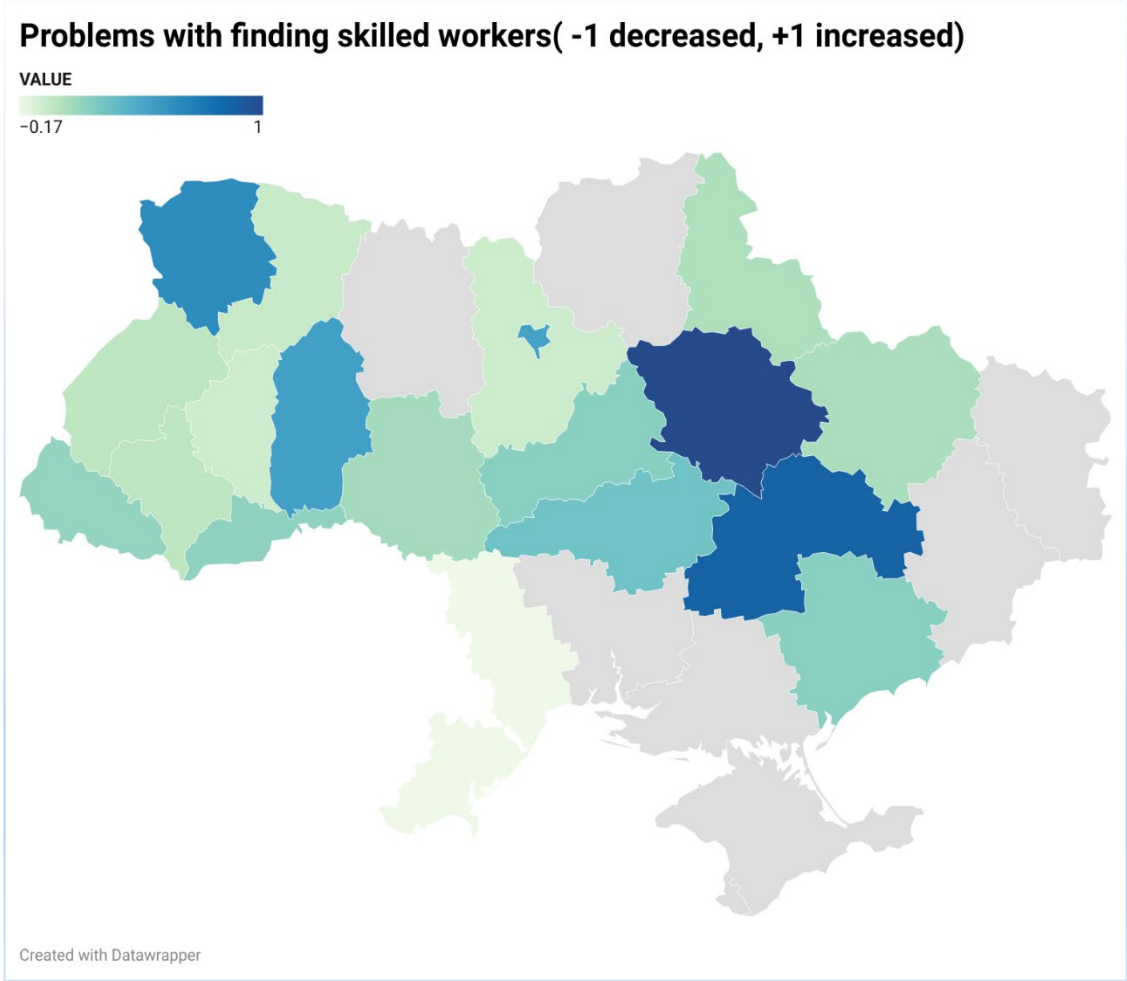
- **Skilled workers**: due to an **increased of** % of those who reported that it is **more difficult** to find skilled workers (from 19.9% to 26.9%)
- **Unskilled workers**: due to **decreased** % of those who report that it **is easy** to find (from 4.9% to)s 7.0%)

Volatility in the labor market: skilled workers

- large companies face more problems
- regional disproportion

Problems of finding skilled workers by size

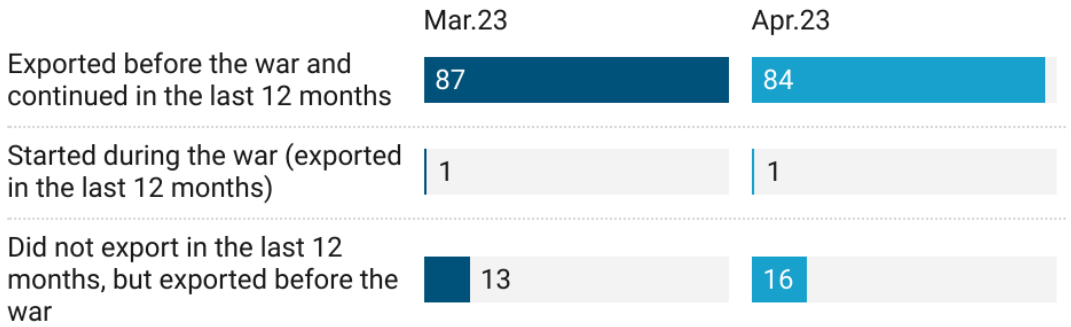




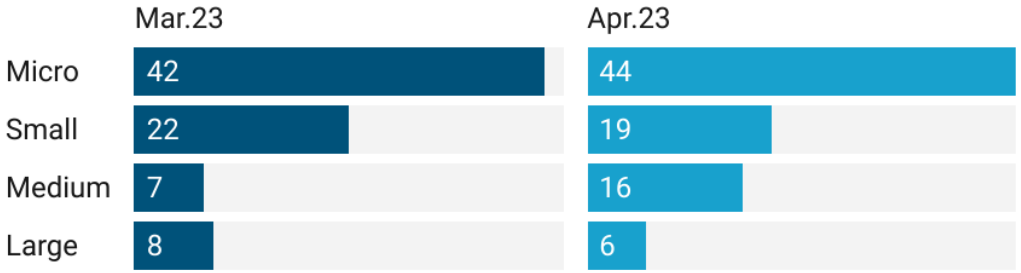
Export

Export: some businesses are still unable to resume export activities

War impact on export activities, % of exporters



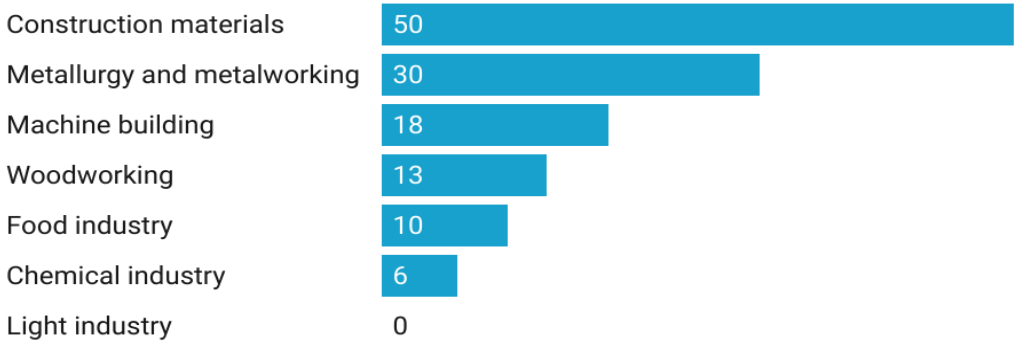
Did not export in the last 12 months, % of exporters



64% of respondents were exporters before the war or started exporting during the war

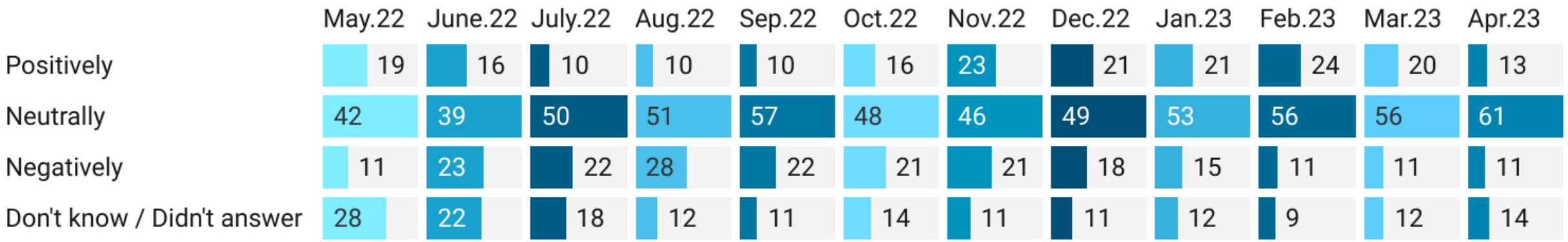
- **16% of exporters did not export** in the last 12 months, but exported before the war (13 in March)
- **Micro-business** still face **more challenges** - 42% of micro-enterprises have not exported in the last 12 months
- Exporters-manufacturers of construction materials and metallurgical enterprises suffered the most, and light industry was the least suffered

Did not export in the last 12 months, % of exporters by industry



Assessments of government's policy

Positive assessments of economic policy transform to neutral



- In April 2023, **positive assessments** of government policy on business support **lowered for the second month in a row, while the % of negative assessments did not change**
- As before, **business mostly neutrally assess** the government policy on business support: 61% of the respondents
- The share of the undecided respondents increased from 12% in March 2023 to 14% in April

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.

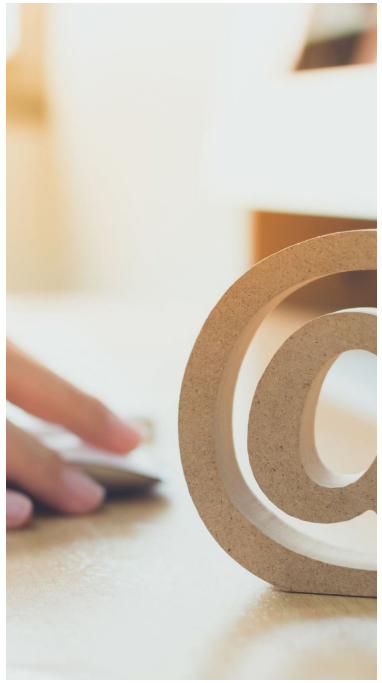
The monthly survey consists of two parts: the regular one and the special one. Respondents will regularly answer questions on the changes in key activity indicators and short-term forecasts for future changes in the same indicators: output (production), sales, exports, debt, new orders, employment, etc. 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 12-th wave lasted from April 17 to April 30, 2023. The enterprise managers compared the work results in April 2023 with March 2023, assessed the indicators at the time of the survey (April 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



website: www.ier.com.ua

e-mail: rubanik@ier.kyiv.ua
kuziakiv@ier.kyiv.ua

Facebook: https://www.facebook.com/IER.Kyiv/

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