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INTERNATIONAL RENAISSANCE FOUNDATION

IER

STEADY HOPES

Main economic trends in September 2024, based on the results of the New Rapid Enterprises Survey, #NRES

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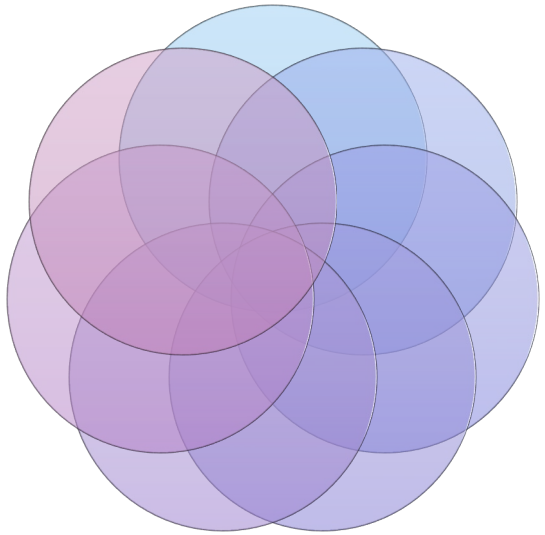
Kyiv, October 14, 2024

ABOUT THE NEW RAPID ENTERPRISES SURVEY

Monthly survey

The recent data were collected on **September 16 – 30, 2024**

SAMPLE: **473 enterprises were surveyed in September**



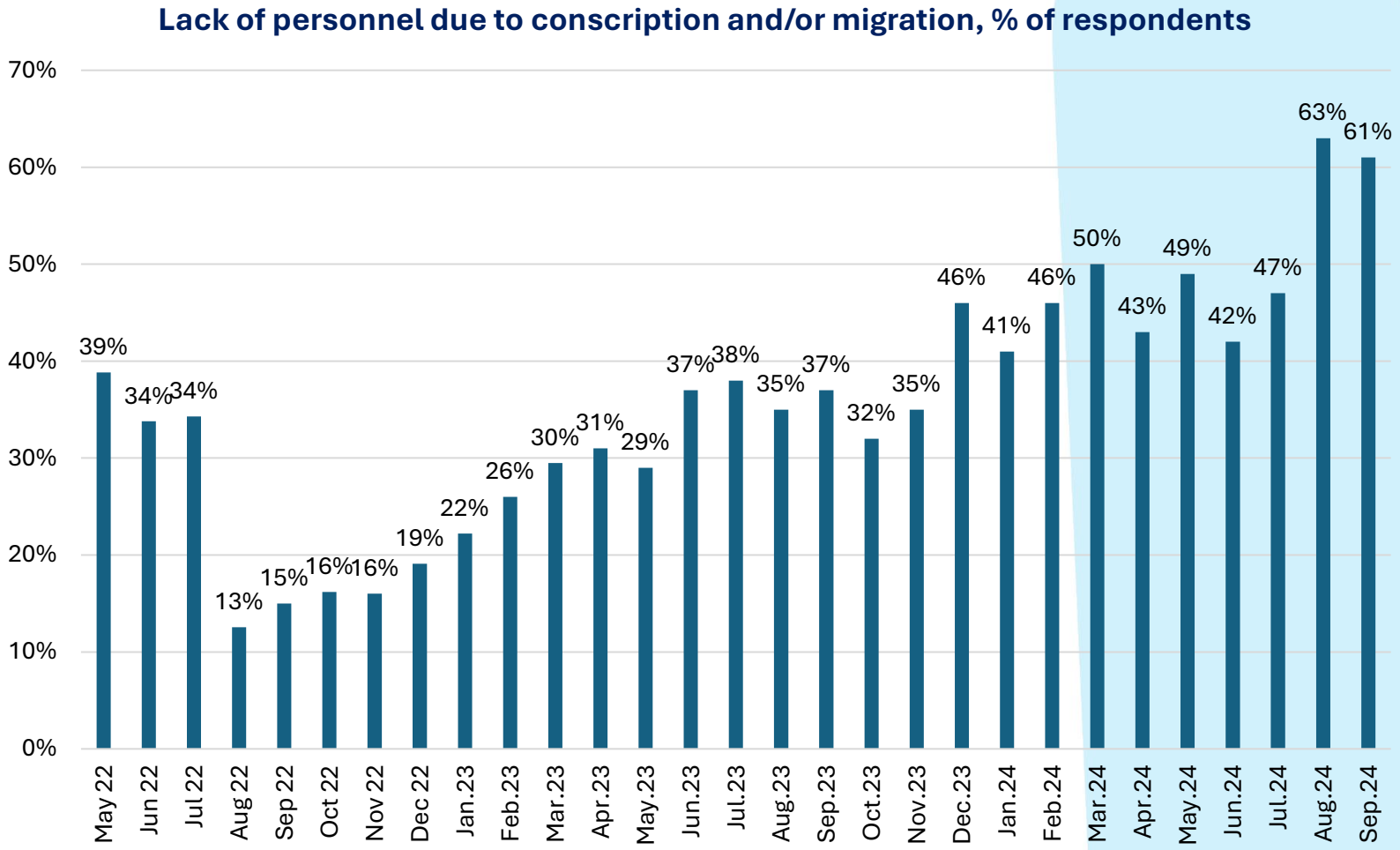
29 surveys have already been conducted (since May 2022)

Enterprises of all sizes

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

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

Lack of workers is the issue



In September 2024
“Lack of personnel” became the No. 1 impediment to doing business

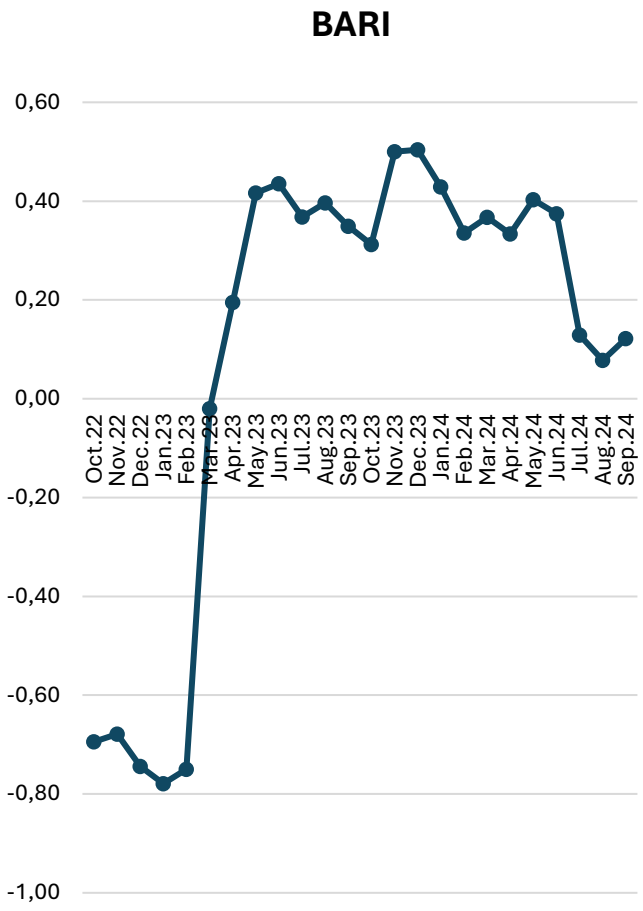
Main results 1.

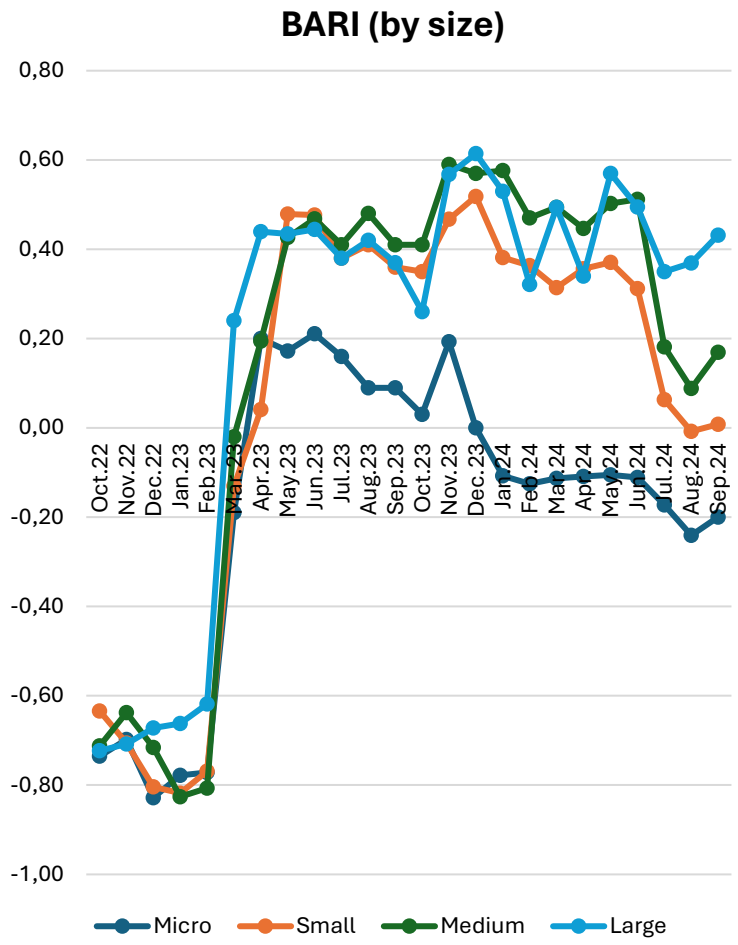
The Business Activity Recovery Index (BARI) **improved,** increasing from 0.08 to 0.12

% of enterprises operating at full capacity does not change, while the **% of enterprises operating at less than 25% capacity continues to increase**

Industrial Confidence Indicator (ICI) **has remained unchanged** for four months in a row

The Business Activity Recovery Index (BARI)*improved





*BARI is based on question when managers make a comparison of "how it is now" vs. "how it was a year ago"

In September 2024, compared to July, the **Business Recovery Index (BARI) improved**, increasing from 0.08 to 0.12 (scale from -1 to +1)

<u>Fluctuations in the percentage distribution of responses are the following:</u>

- % of companies that **reported that their business activity is better than last year, slightly increased**, from 28.3% in August to 30%
- % of companies that **reported that their business activity is worse, compared to last year, decreased** from 20.6% to 18%

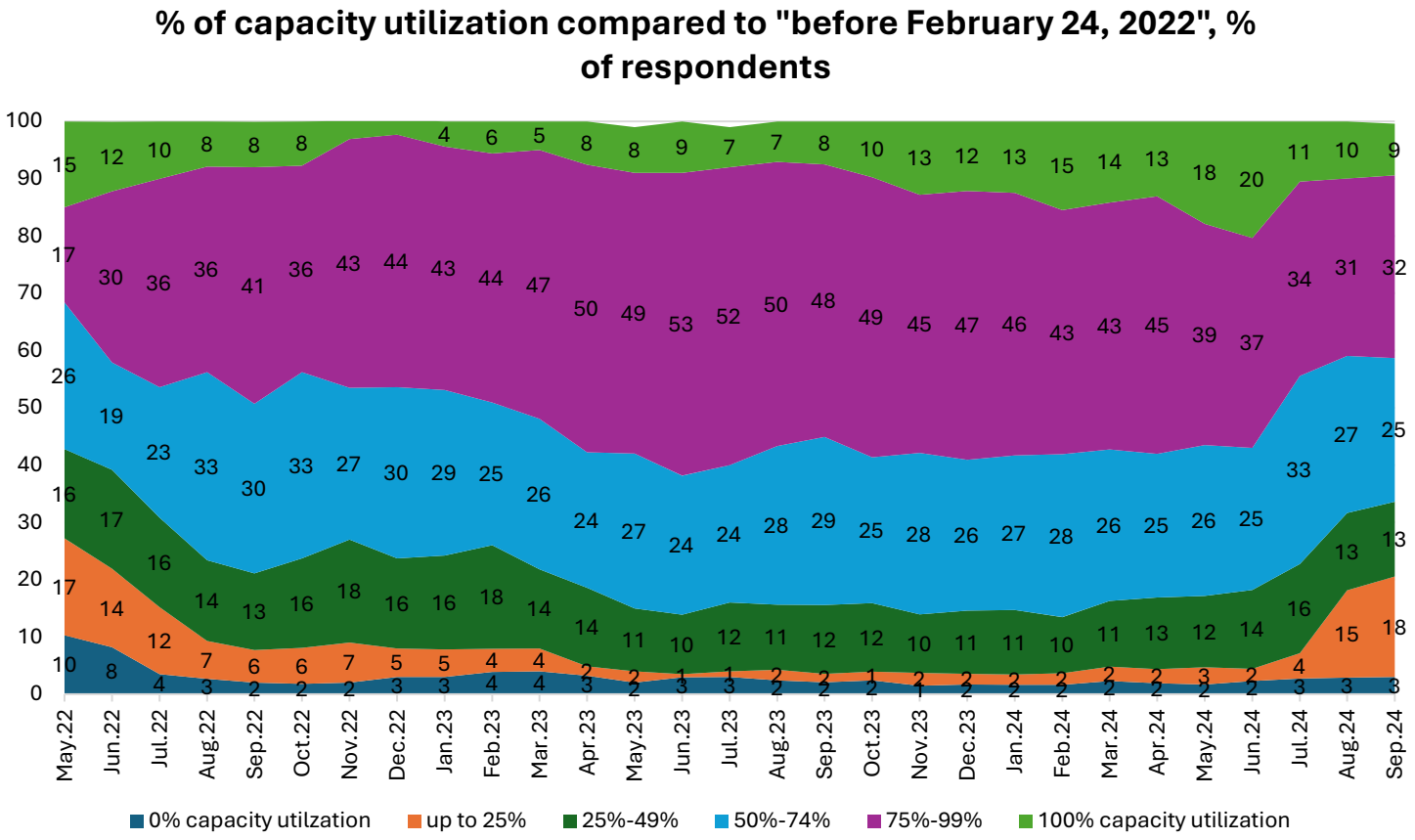
<u>At the same time:</u>

- The share of those **who did not feel any changes** compared to last year **has not changed significantly** (51.1% in August and 52% in September)

BUT there are significant differences depending on the size of enterprises

The value of the BARI has **increased for all enterprises regardless of size**, at the same time, despite the growth, the **indicator of micro-enterprises remains the lowest with a negative value.**

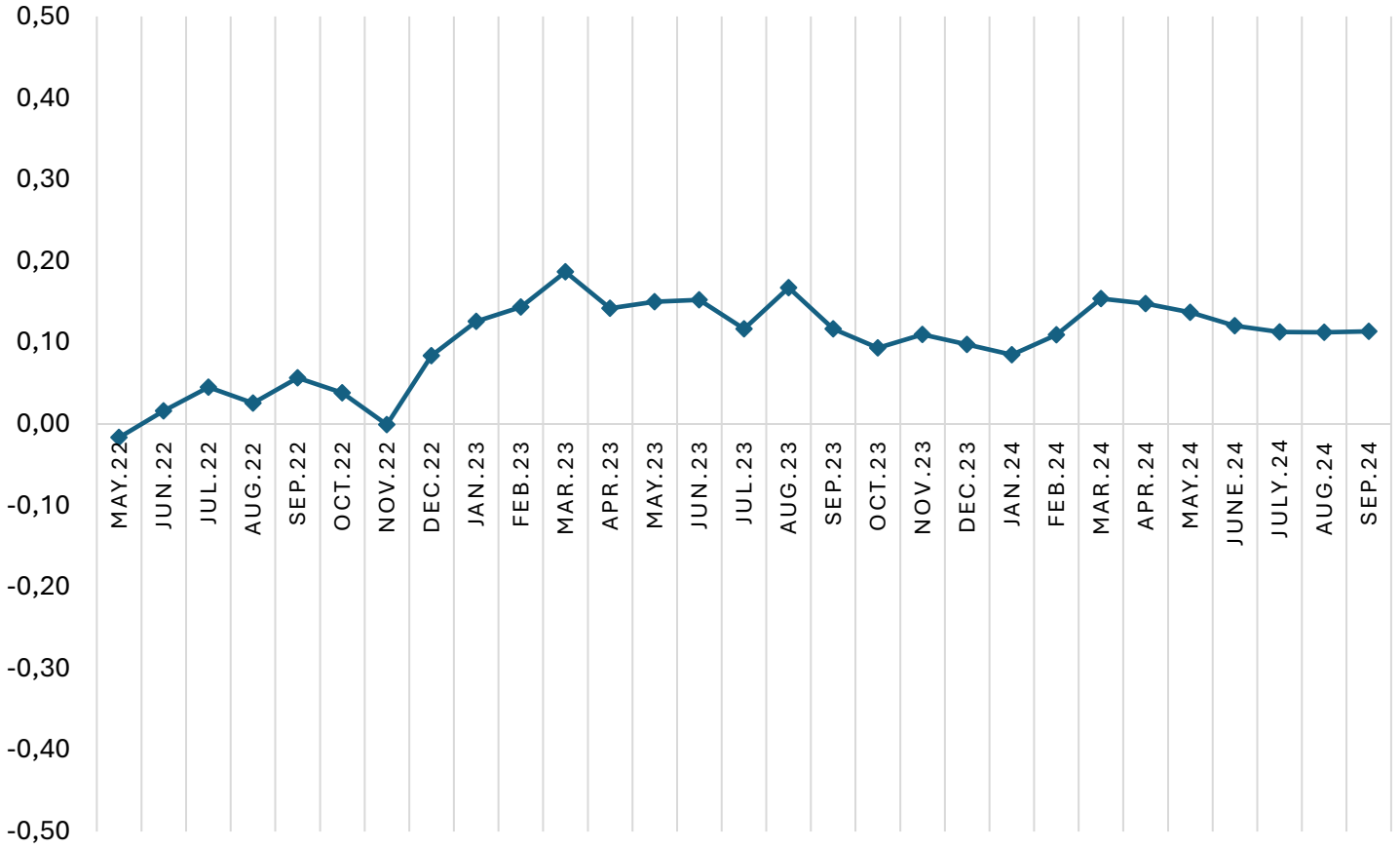
“Now” vs. “before February 24”: Continues downward trend in capacity utilization



The results continue to deteriorate gradually:

- The share of enterprises operating **at 100% capacity did not change significantly** in September compared to August (9% vs 10%)
- The share of enterprises operating at **almost full capacity also did not change significantly** (31% in August and 32% in September)
- The share of enterprises operating with a capacity utilization of **up to 25% of capacity continues to grow** (4% in July, 15% in August and 18% in September)
- **% of enterprises that don't work at all, doesn't change significantly**

Industrial Confidence Indicator (ICI)*



In September 2024, compared to August, ICI has not changed and for three months in a row the value is 0.11

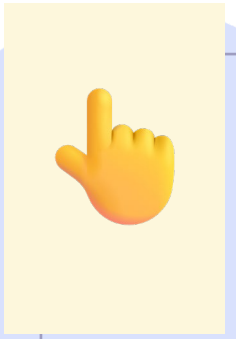
the fluctuations in the components of the ICI are the following:

- **Production expectations** (PE) **did not change significantly** (0.38 in September vs 0.39 in August)
- The component **Stocks of finished goods** (SFG) **also did not change significantly** and is -0.01 (for three months in a row, the value was 0.01)
- The component **volume of new orders** (VNO) is -0.05 **as in the previous month**

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

Main results 2. Uncertainty

Uncertainty in the 6-month perspective for the business activity at the enterprise **has not changed** and **has increased** for the overall economic environment in the country

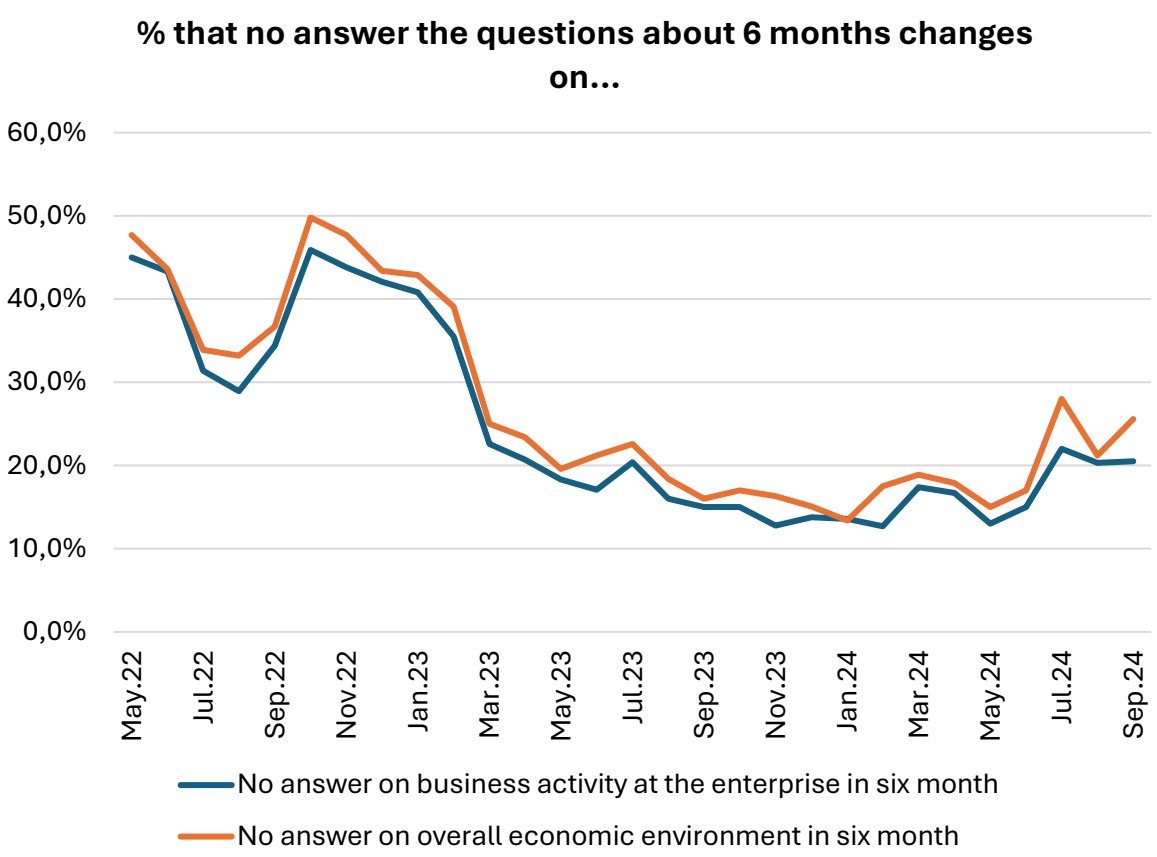


Uncertainty over the next 3 months has decreased

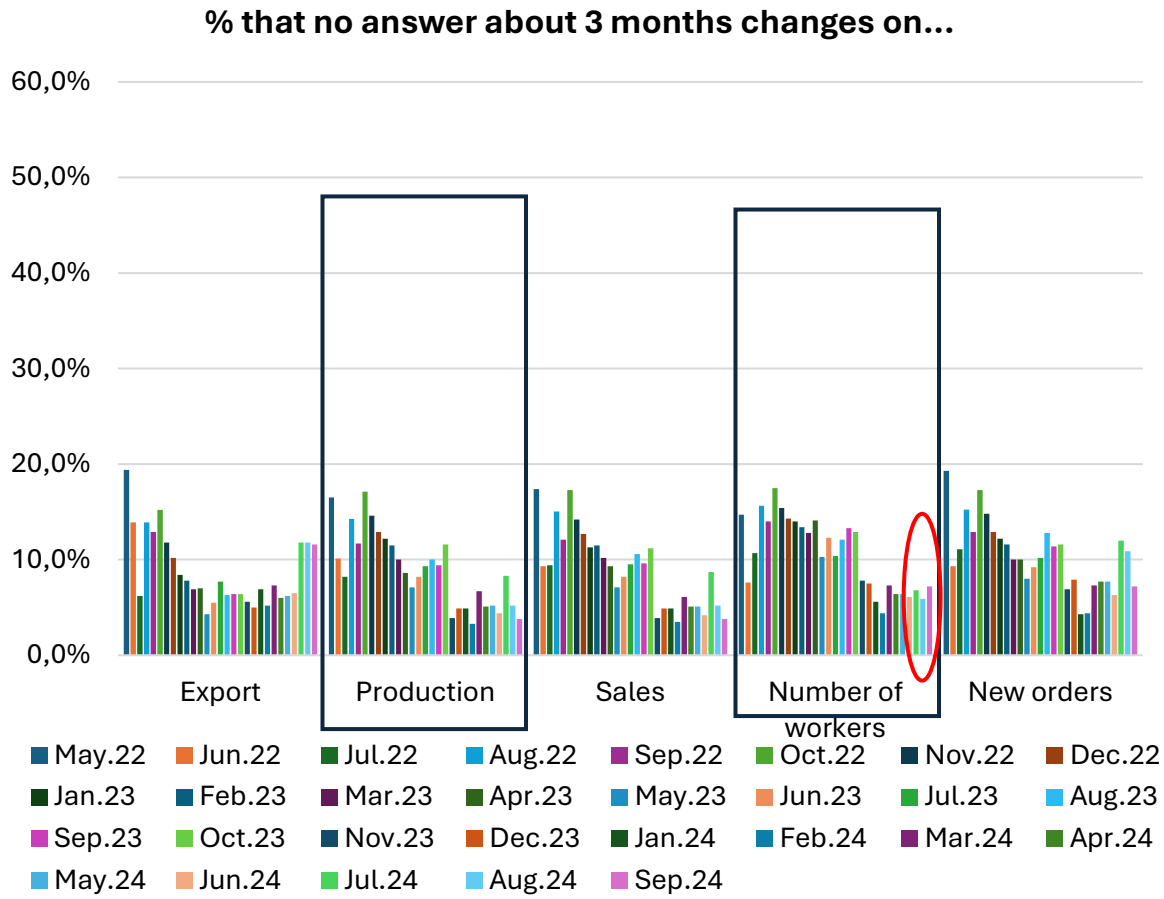
Uncertainty in the 2-year perspective has increased significantly

Uncertainty has increased for the general economic environment and decreased for most production indicators

Half-year horizon

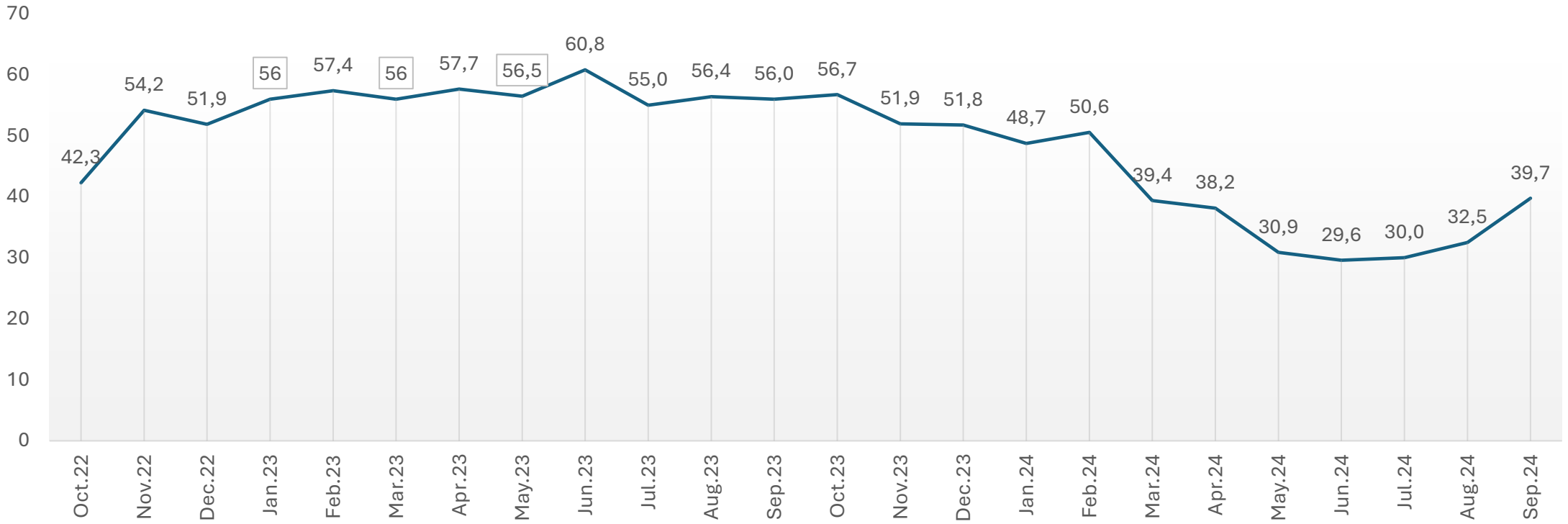


Three-month horizon



Uncertainty in the long term has increased significantly

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



% of companies that **have no idea about their plans for 2 years increased significantly** (from 32.5% in August to 39.7%)

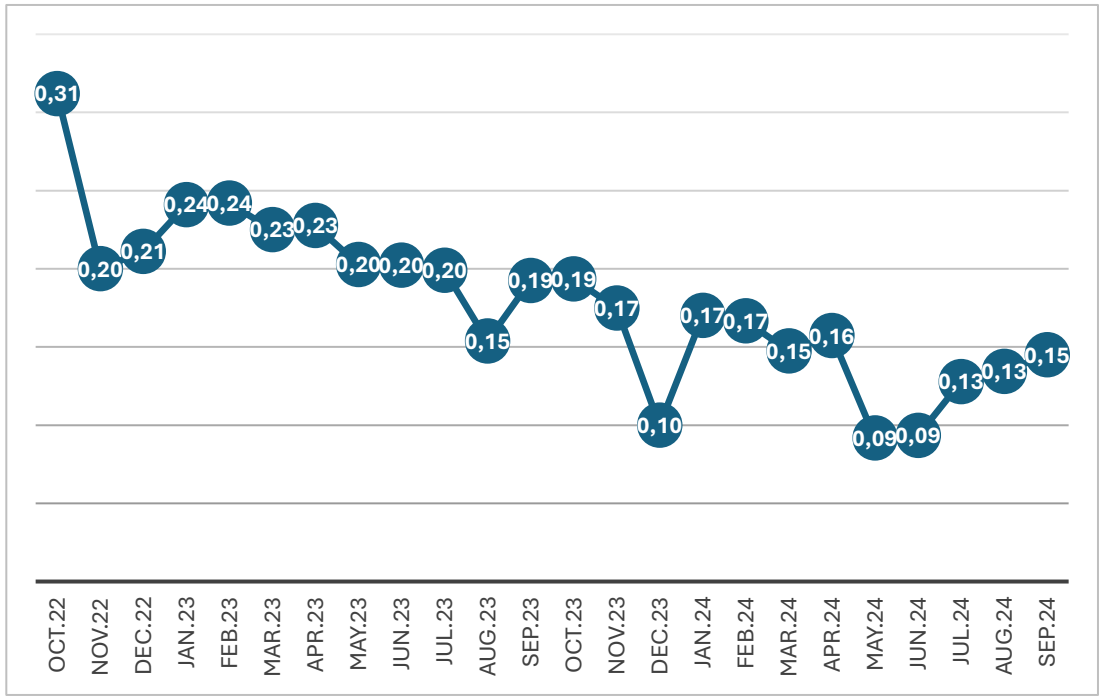
Main results 3. Expectations

Expectations for the two-year perspective increased slightly, from 0.13 to 0.15

6-month expectations for the business activity at the enterprise **remained positive,** and for the overall economic environment**, positive expectations even slightly improved**

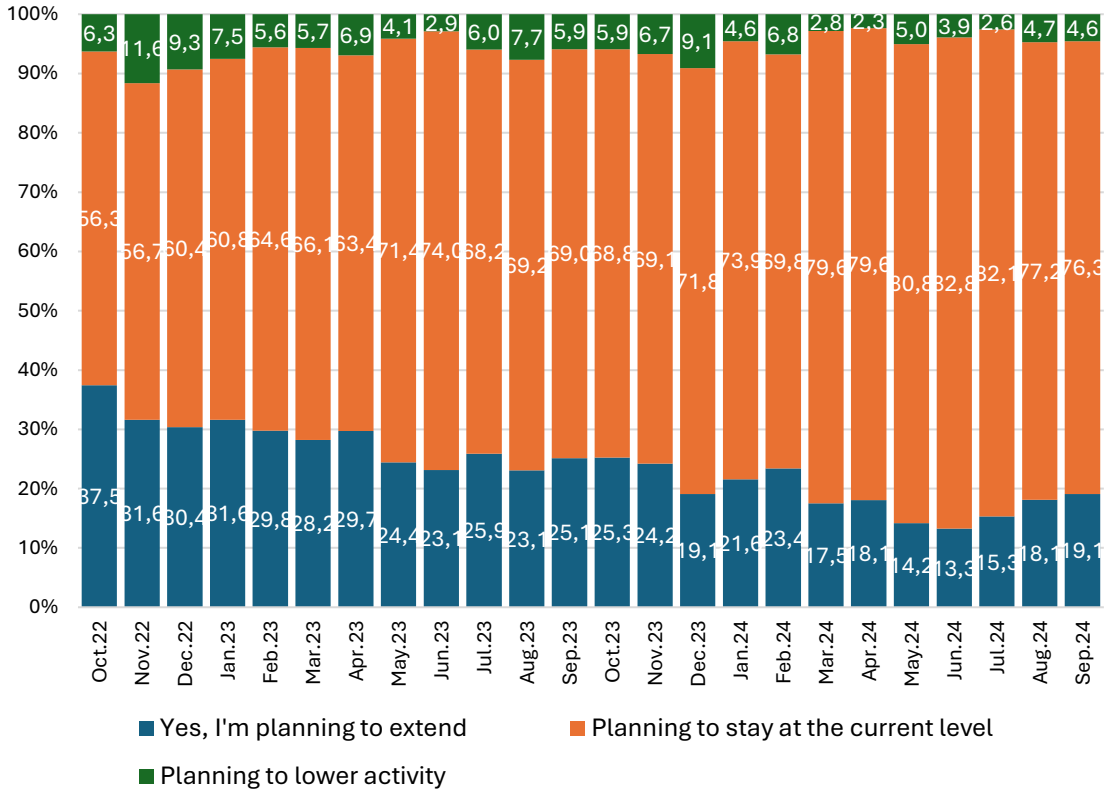
Long-term expectations have increased slightly

Index of expected changes in business activity (2 years)



- The **index of expected changes in the 2-year perspective** in September, compared to August, **increased slightly**, from 0.13 to 0.15
- Scale from -1 (bad) to +1 (good)

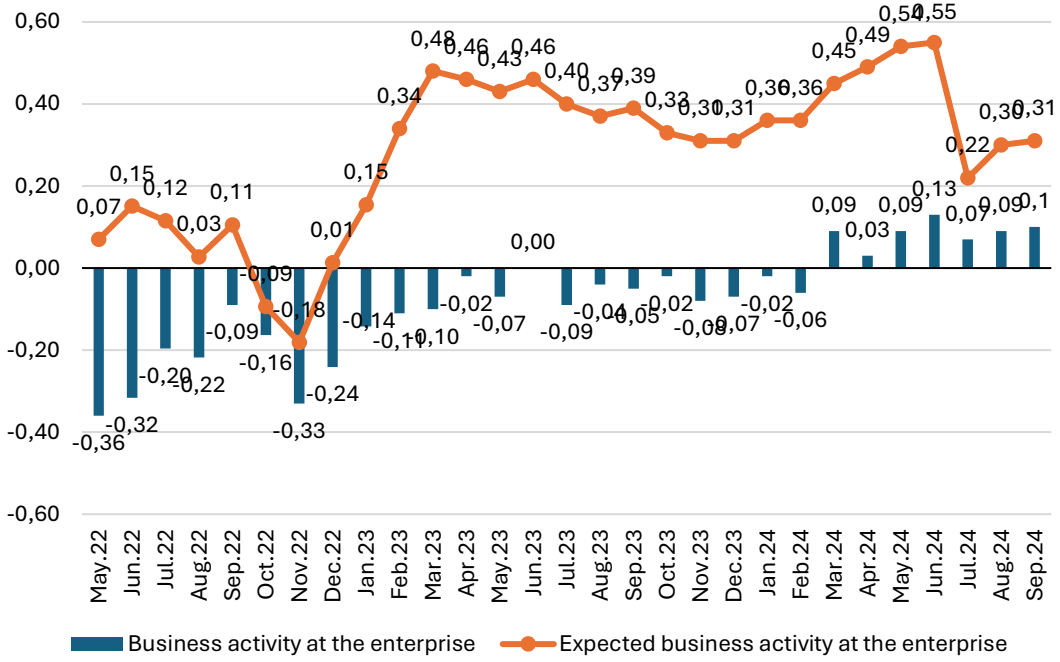
Expectations in the two-year perspective



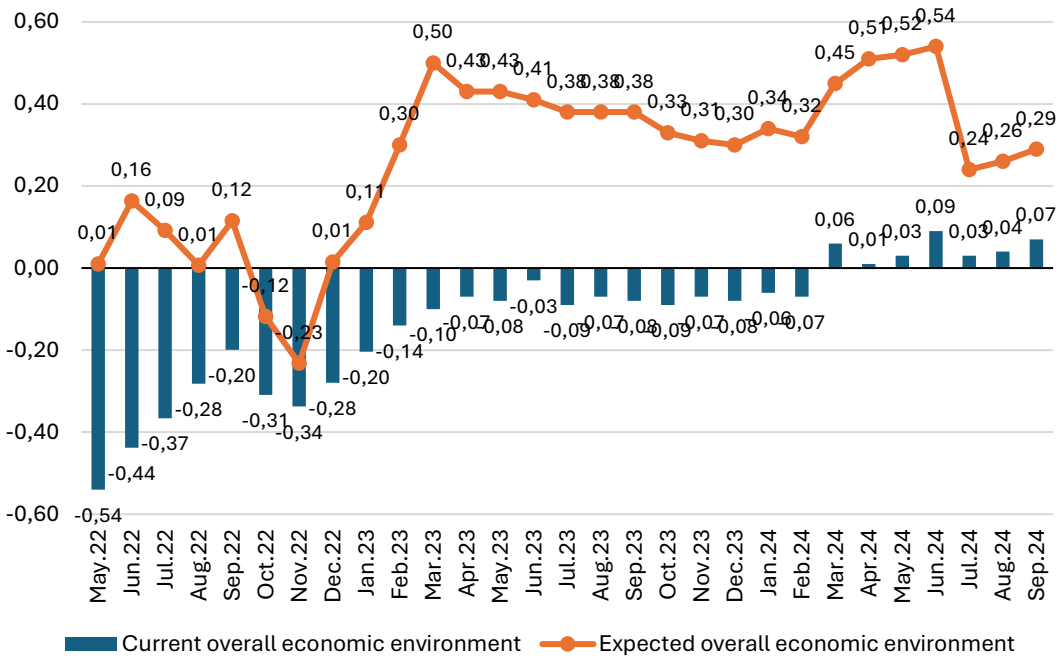
- In September, compared to August, **the share of those who plan to narrow their activities** as well as **the share of those who plan to expand it did not change significantly**

6-month perspective: Optimism+

Business activity at the enterprise



Overall economic environment in the country



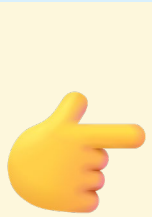
- **Assessments of the business activity at the enterprise have not changed** and the indicator is 0.10 (was 0.09)
- **The expected changes in the business activity at the enterprise also remain unchanged** and the indicator is 0.31 (was 0.30)

- **Assessments of the overall economic environment** in the country **improved slightly** and the indicator increased from 0.04 to 0.07
- **The expected changes in the overall economic environment also increased slightly**, from 0.26 to 0.29

Main results 4: September vs. August and short-term expectations)

In **production** indicators, the **downward trend** of results was **interrupted**, while **expectations did not change** significantly

Employment expectations have **slightly worsened**, with companies anticipating a **more active increase in the number of employees on forced leave** compared to previous months



The Index of Changes in **export improved** slightly, and **three-month expectations did not change** significantly.

Both **purchase price** and **domestic sales price** expectations have **increased significantly** in September vs August

Production: Results improved, expectations unchanged

Results (September to August)

- % of companies **that increased production volumes did not change significantly** (25.8% in September vs 23.2% in August)
- % of companies **that reduced production decreased** (from 20.1% in August to 14.6% in September)

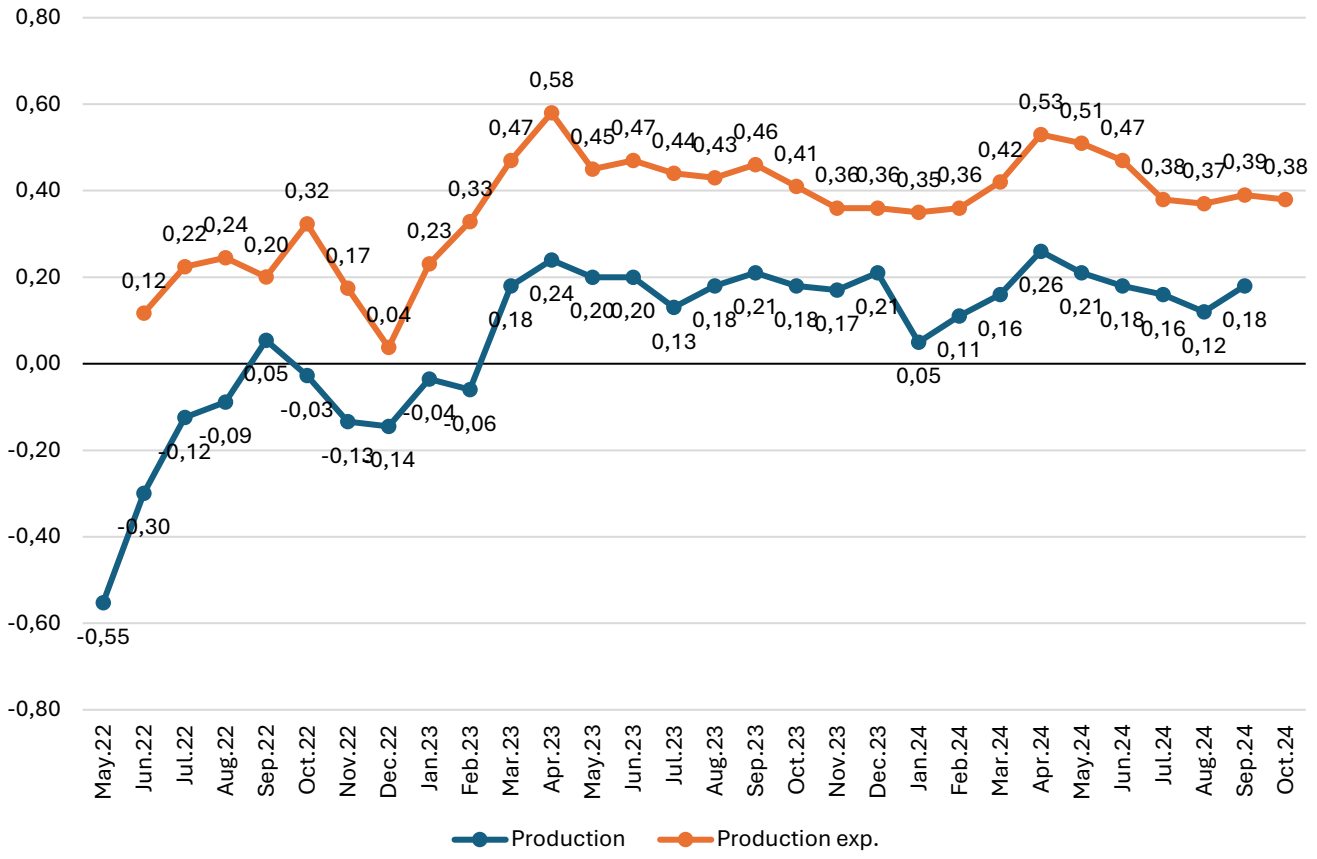
The change index increased from 0.12 to 0.18

Expectations for 3 months

- % of companies that **plan to increase production in the next 3-4 months did not change significantly** (38.2% in August and 38.5% in September)
- % of companies that **expect a decrease in production volumes also unchanged** (4.8% in August and 5.5% in September)

Index of expected changes in production unchanged, 0.38 (was 0.39)

Production, balance indicators



Export: Results and expectations remain unchanged

Results (September to August)

- % of companies **reporting export growth did not change significantly** (21% in August vs 22.6% in September)
- % of companies **reporting a decrease in exports were also almost unchanged** (16.2% in August and 15.8% in September)

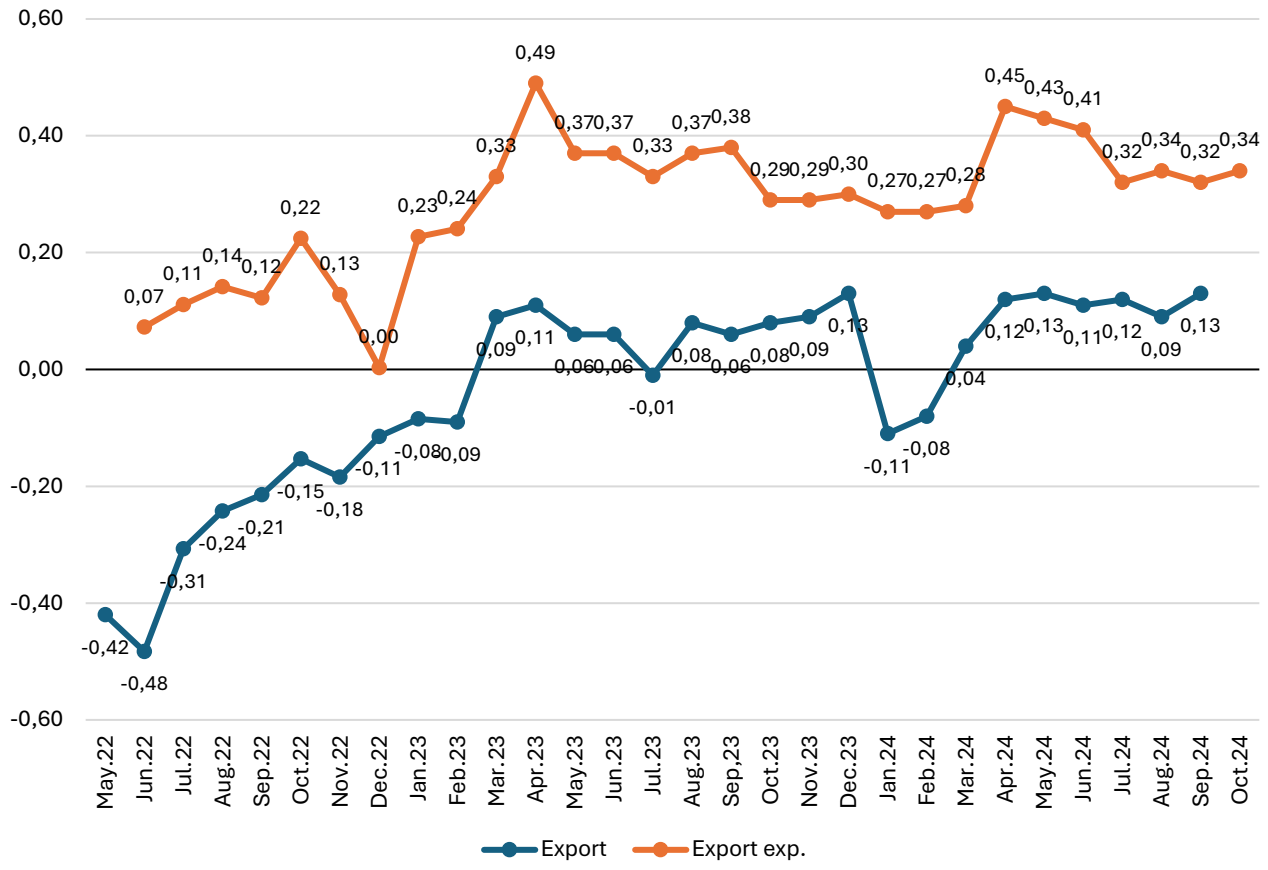
The Index of changes increased slightly to 0.13 (was 0.09)

Expectations for 3 months

- % of companies **expecting export growth increased** (from 31.8% in August to 37.9% in September)
- % of companies that **plan to reduce exports without significant changes** (7.9% in August and 8.2% in September)

The index of expected changes in export is 0.34 (was 0.32)

Export, balance indicators



Purchase price: Speed of growth is expected to accelerate significantly

Results (September to August)

- % of companies **reporting price increasing is unchanged** (30% in August and 29.4% in September)
- % of companies who said that **purchase price decreased also did not change significantly** (2.9% in August and 2.4% in September)

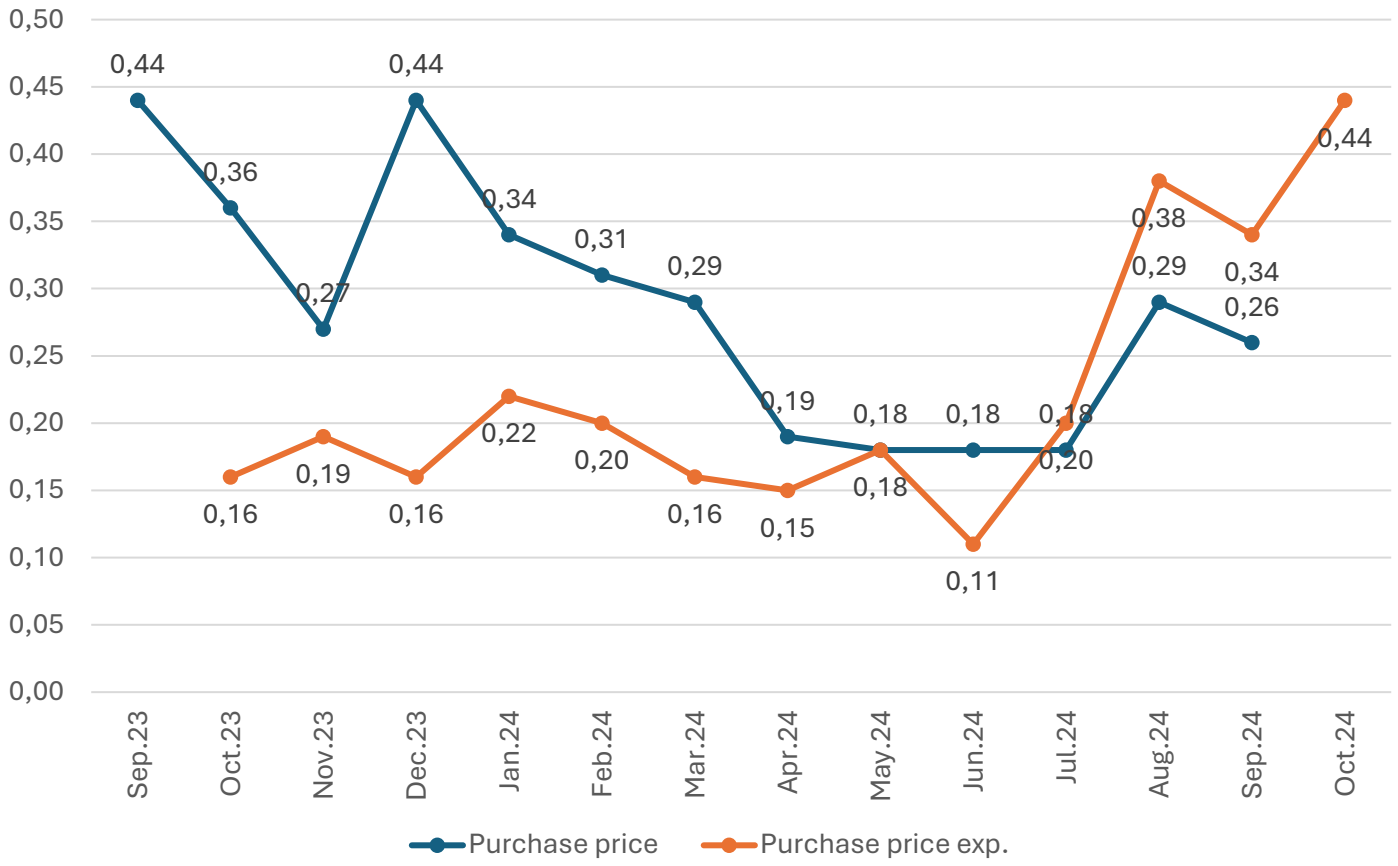
The index of changes in purchase price decreased slightly, from 0.29 to 0.26

Expectations for 3 months

- % of companies **expecting price increasing significantly increased** (from 36% to 43.8%)
- % of companies **expecting a decrease in prices remained unchanged** (3.6% in August and 2.1% in September)

The **index of expected changes in purchase price increased** from 0.34 to 0.44

The purchase price, balance indicators



Domestic sales price: Speed of growth is expected to accelerate significantly

Results (September to August)

- % of companies reporting an **increase in domestic sales price did not change significantly** (24.4% in August and 24.6% in September)
- % of companies reporting **a decrease domestic sales price decreased without significant changes** (2.9% in August and 1.9%)

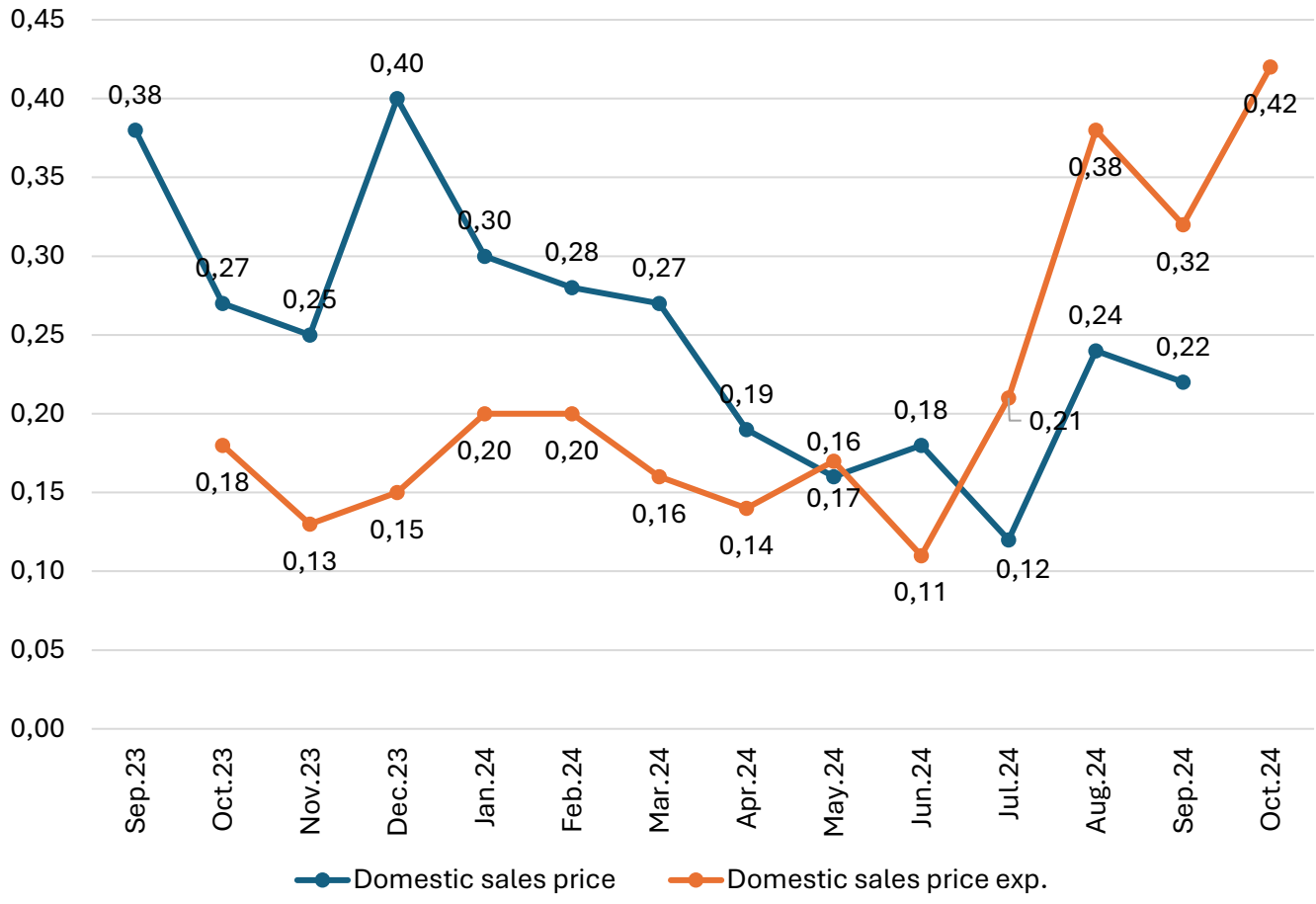
The index of changes in domestic sales price decreased slightly, from 0.24 to 0.22

Expectations for 3 months

- % of companies **expecting a price increase increased significantly** (from 34.6% to 41.3%)
- % of companies **expecting a decrease in prices decreased slightly**, from 4.2% to 2.1%

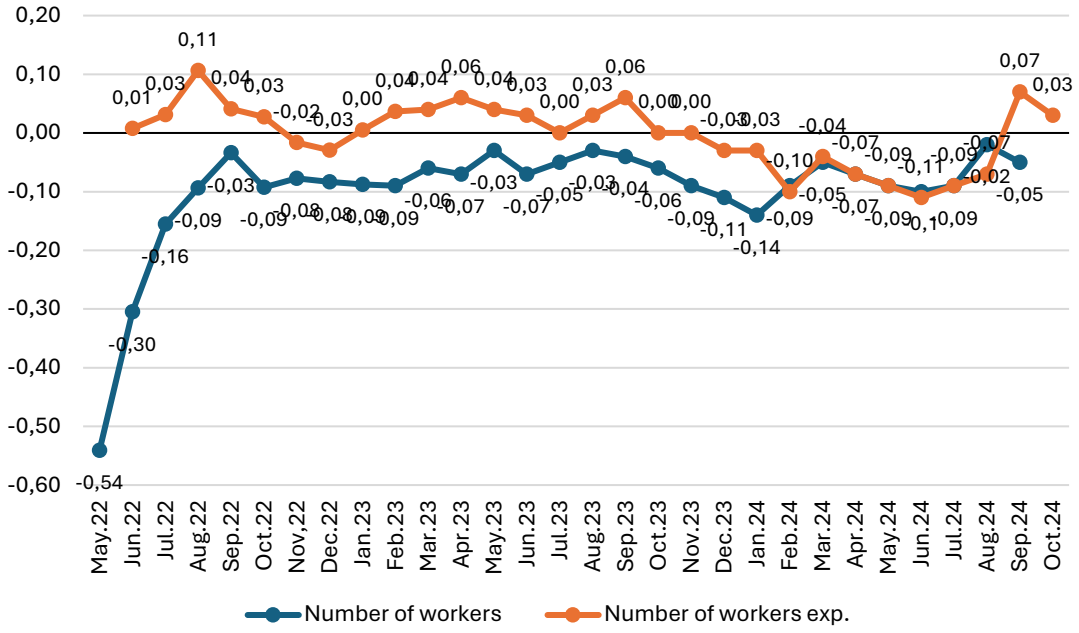
The index of expected changes in domestic sales price increased from 0.32 to 0.42

Domestic sales price, balance indicators

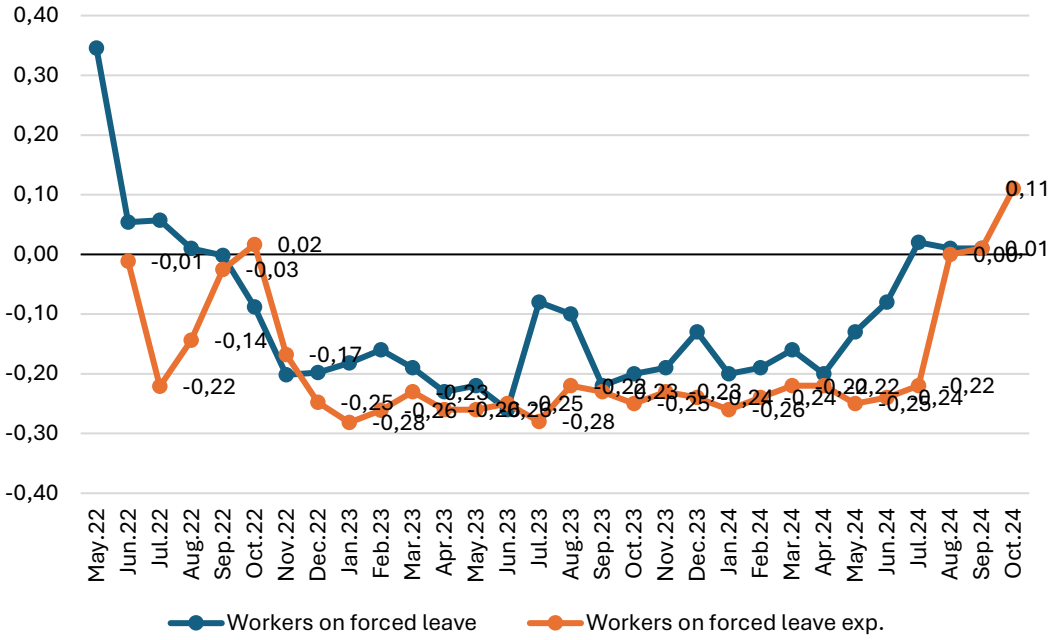


Employment: expectations have decreased slightly

Number of workers



Number of workers on forced leave



Expectations for 3 months

- % of companies **planning employment growth in the next 3-4 months decreased slightly** (from 14.6% in August to 12.1% in September)
- % of companies **intending to reduce the number of workers did not change significantly** (8% in August and 9.8% in September)

The index of expected changes decreased from 0.07 to 0.03

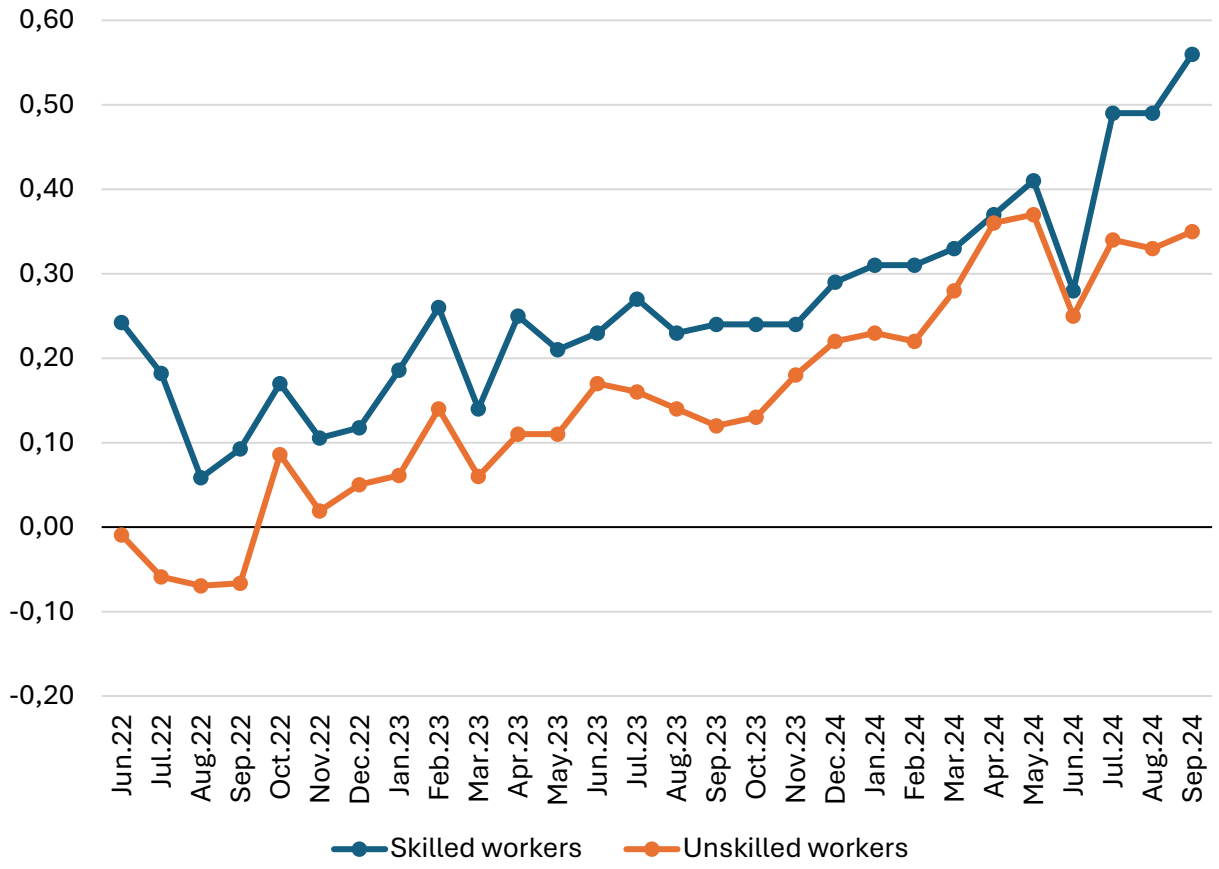
Expectations for 3 months

- % of companies that **plan to increase the number of workers on forced leave increased significantly** (from 3.8% in August to 13.9% in September)
- % of companies that **plan to reduce workers on forced leave** decreased slightly (from 4.7% in August to 2.9% in September)

The index of expected changes increased from 0.01 to 0.11

Problems with finding skilled workers have increased

Problems with finding workers



<u>In September, difficulties in finding skilled workers increased</u>

Skilled workers:

- % of those who reported that such workers were **more difficult to find increased slightly** (from 52.6% to 55.1%)
- % of those who said that skilled workers **have become easier to find decreased slightly** (from 3.1% to 0.7%)

The index increased to 0.56 (it was 0.49 for two months in a row)

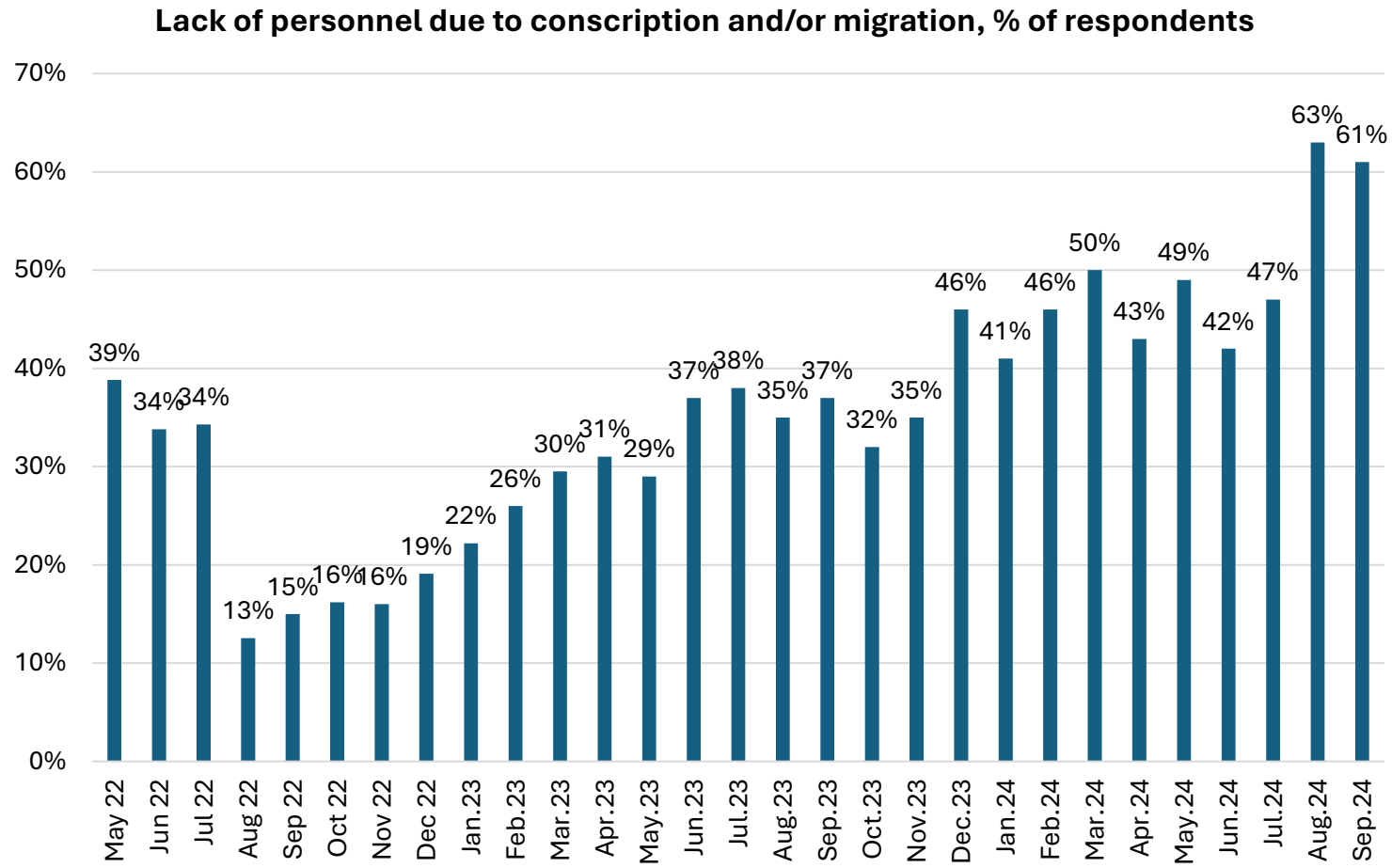
Unskilled workers:

- % of those who find it **more difficult to find them did not change significantly** (39.7% in August and 39.2% in September)
- % of those who reported that they **were easy to find, also without significant changes** (6.6% in August and 5.9% in)

The index has not changed significantly and is 0.35 (was 0.33 in August and 0.34 in July)

“Lack of personnel” tops the list of obstacles

- The share of companies that **indicated “lack of personnel" as an impediment did not change significantly** and is 61% in September (was 63% in August)
- At the same time, **in the list of impediments, “lack of personnel" rose from 2nd to 1st place**



Main results 5: Impediments, economic policy

“It is dangerous to work" rose from 3rd to 2nd place with an increase in value (from 46% to 58%)

“Interruptions of electricity" with a significant decrease in value **lowered from 1st to 3rd place and share the position with "price increasing",** where the value has not changed significantly

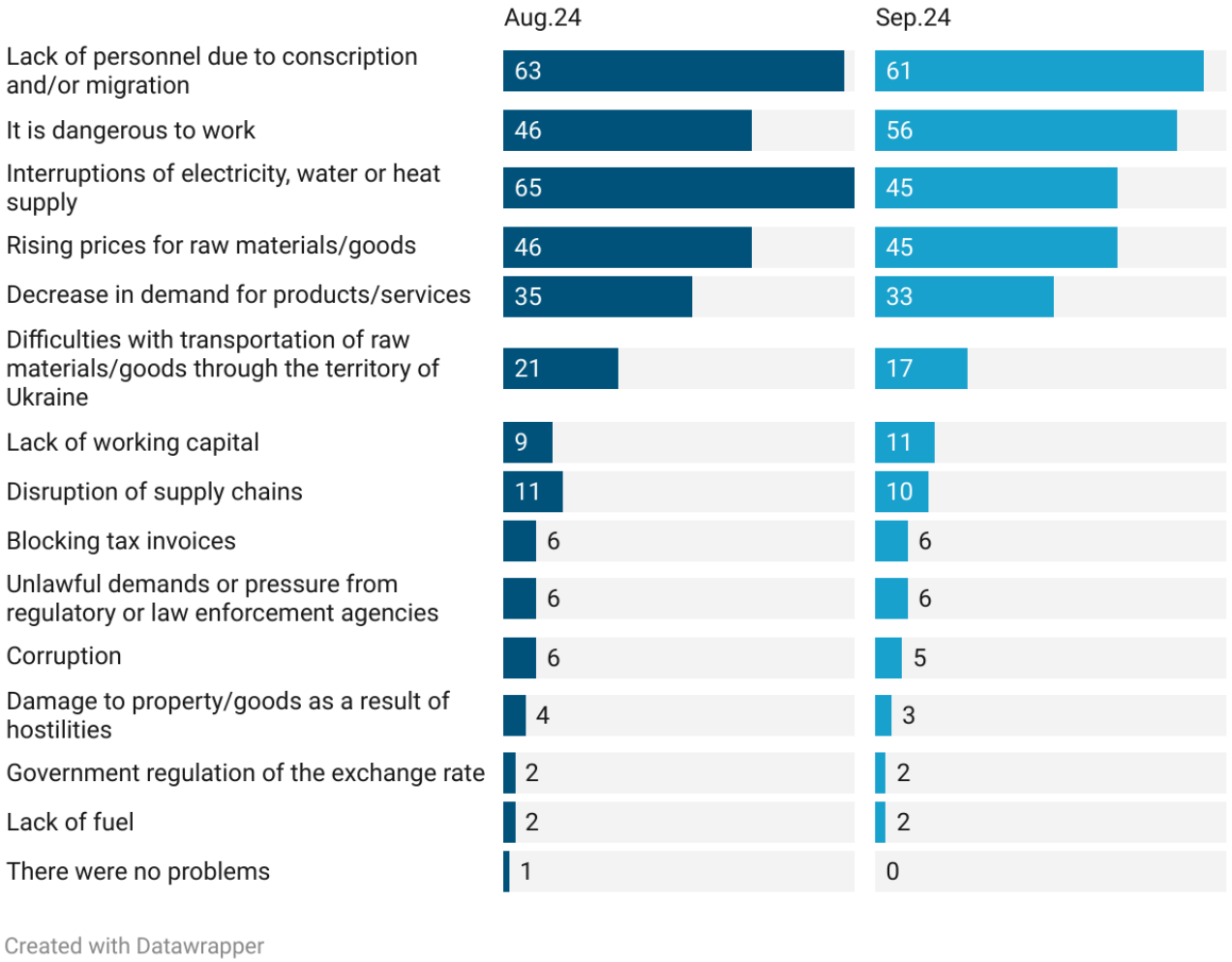
“Lack of personnel" has risen from 2nd to 1st place, while in percentage terms the value has not changed significantly and is 61% (was 63%)

Negative assessments of the Government's economic policy have decreased, while neutral assessments have increased.

The main impediments to doing business in wartime, % respondents

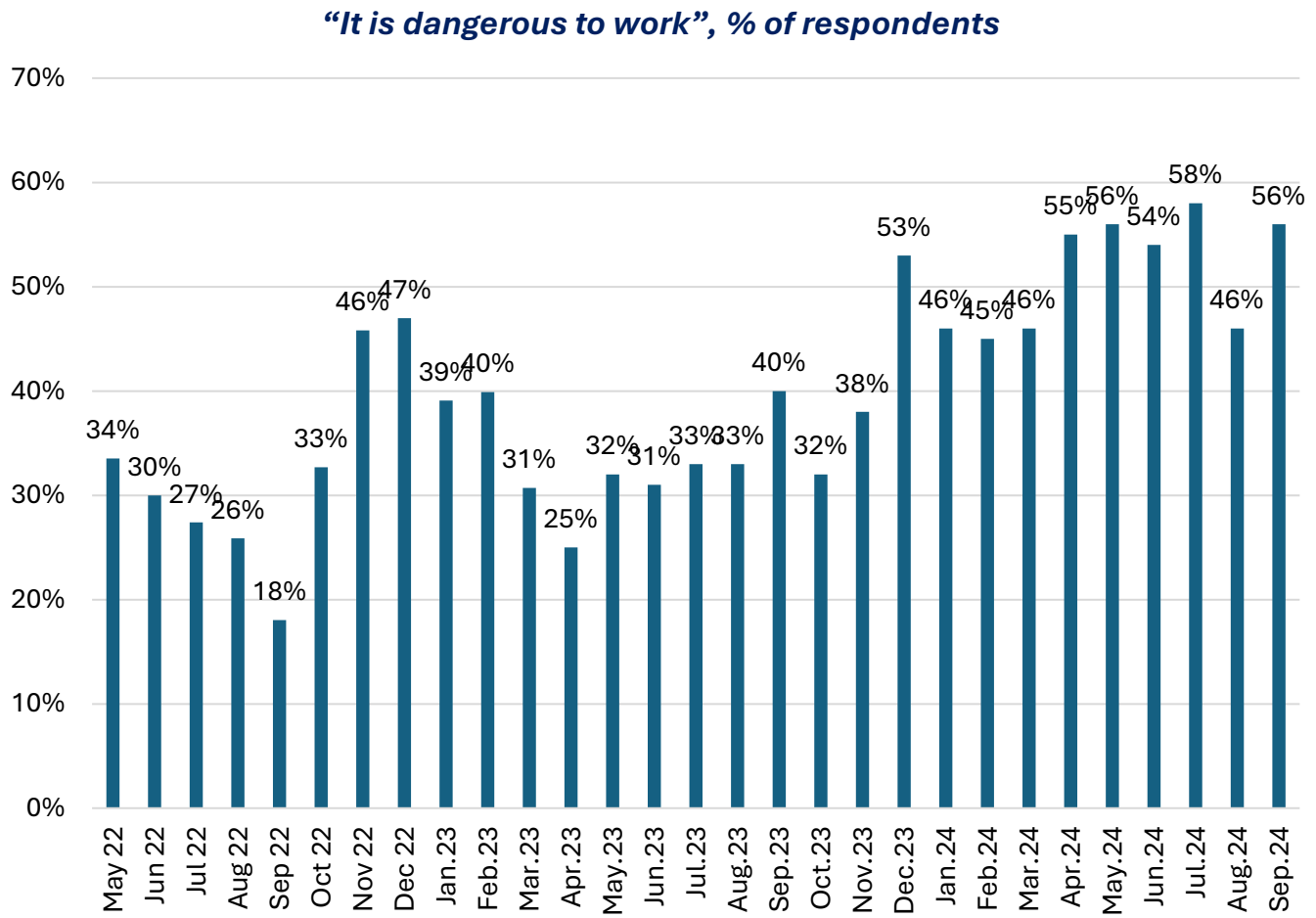
In September 2024, there are some changes in the top three impediments

- **“Interruptions of electricity”**, with a significant decrease in value (from 65% to 45%), **lowered from the 1st to the 3rd place** in the list of impediments
- **“Lack of personnel” did not change significantly in value** (63% in August and 61% in September), **but in the list rose from the 2nd to the 1st place**
- **“It is dangerous to work”**, with an increase in value (from 46% to 58%), **rose from the 3rd to the 2nd place**
- The impediment **“rising prices for raw materials and goods" did not change in value** (46% in August and 45% in September) **and remains in the 3rd place**, sharing it with the “interruptions of electricity"
- **Corruption and pressure from law enforcement agencies are still not significant problems**



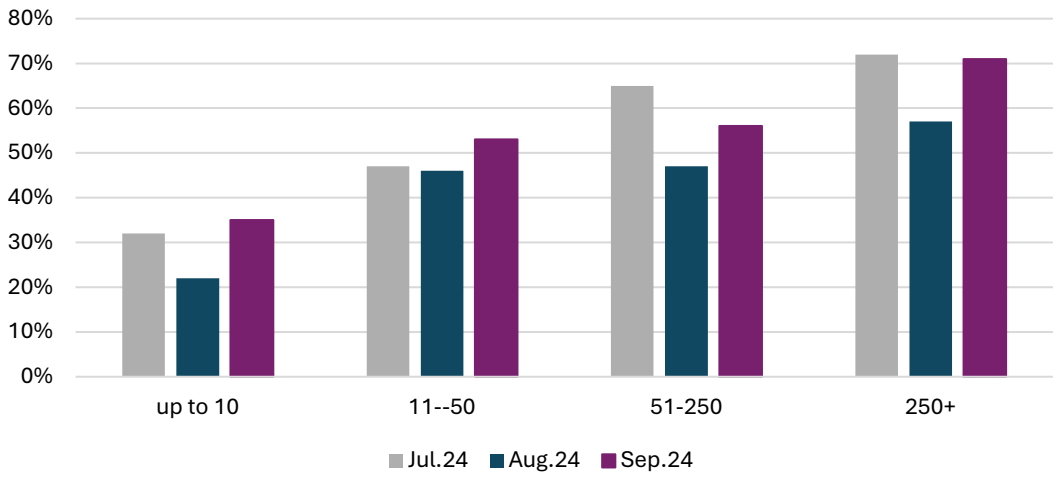
“It is dangerous to work” occupies the second position in the impediments ranking

- The share of companies that **reported that it was dangerous to work increased** from 46% to 56%
- In the list of impediments, “it dangerous to work” moved down from the 3rd to the 2nd place



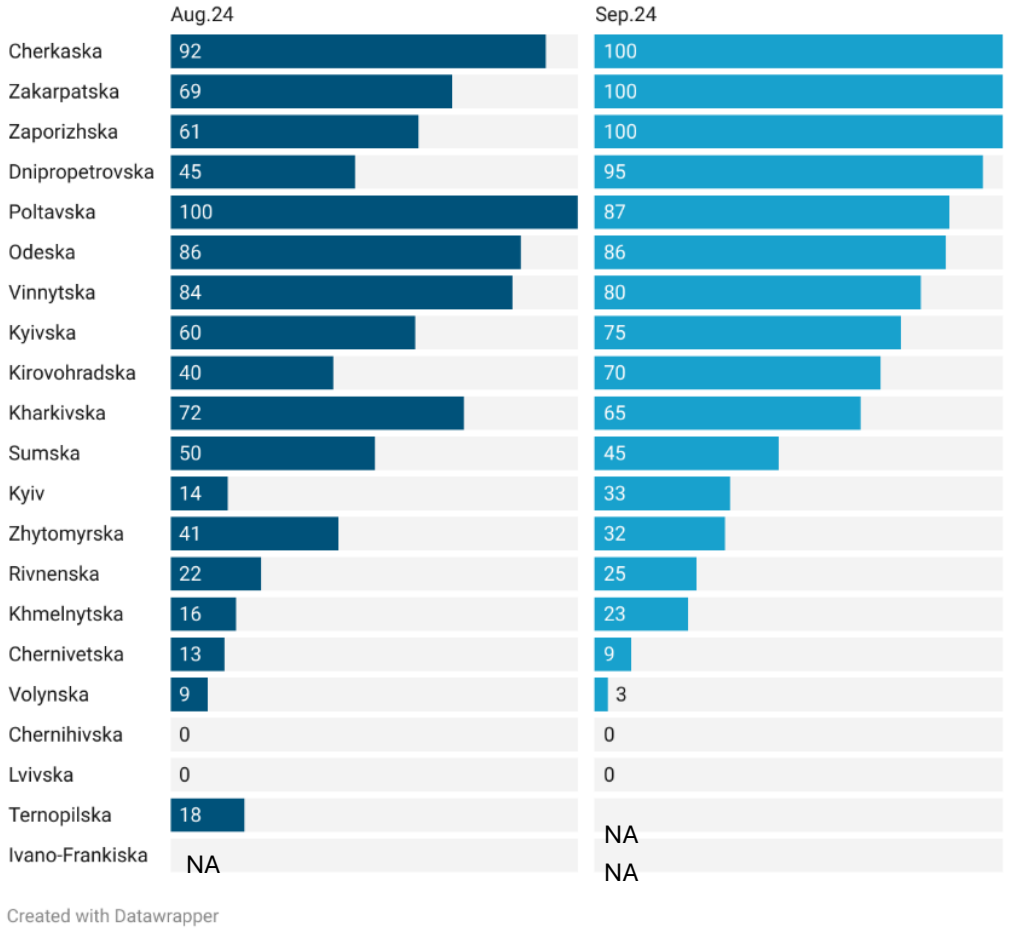
“It is dangerous to work” in different dimensions

“It is dangerous to work” by the size groups, % respondents



- % of companies that chose “it is dangerous to work" has **increased significantly for all enterprises**, regardless of size, while **the highest value is for large enterprises**
- 80+% of respondents in Vinnytska, Odeska, Poltavska, Dnipropetrovska, Zaporizhska, Zakarpatska and Cherkaska regions consider that it is dangerous to work

“It is dangerous to work” by oblast, % of respondents

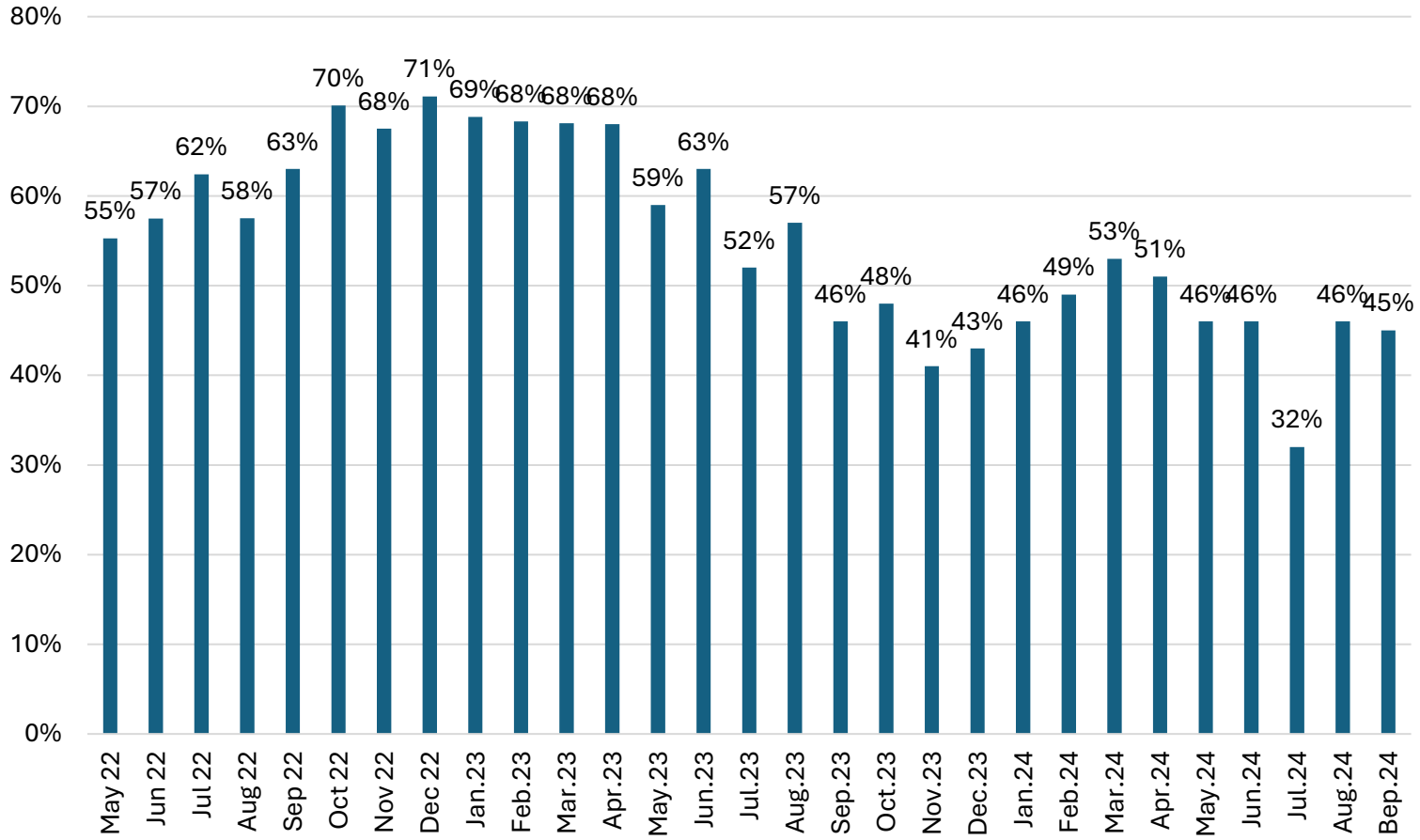


Note. The number of respondents in Ivano-Frankivsk and Ternopil oblasts was insufficient for a comparative analysis of this issue

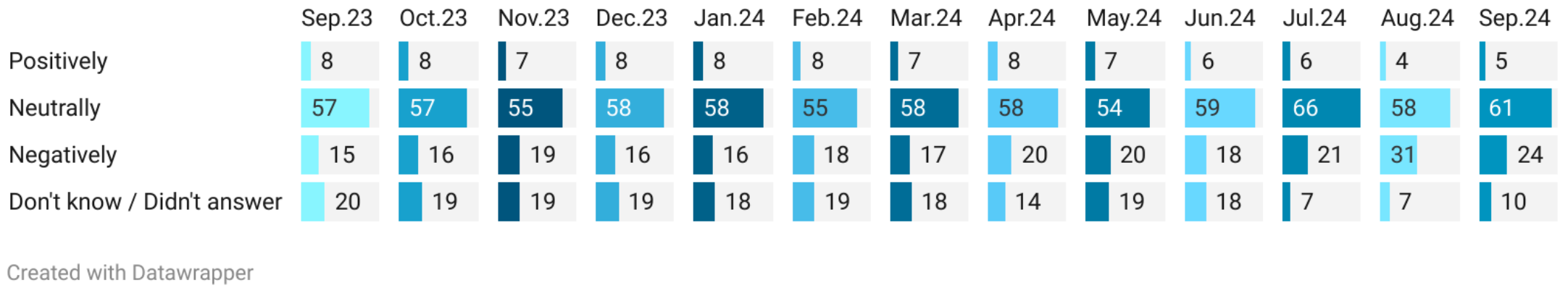
For the second month in a row, “rising prices” come third among the impediments to doing business

- **The share of companies for which "rising prices for raw materials" is an impediment has not changed significantly** (46% in August and 45% in September)
- In the list of impediments, **"price increase" remains in 3rd place**

Rising prices for raw materials/goods, % of respondents



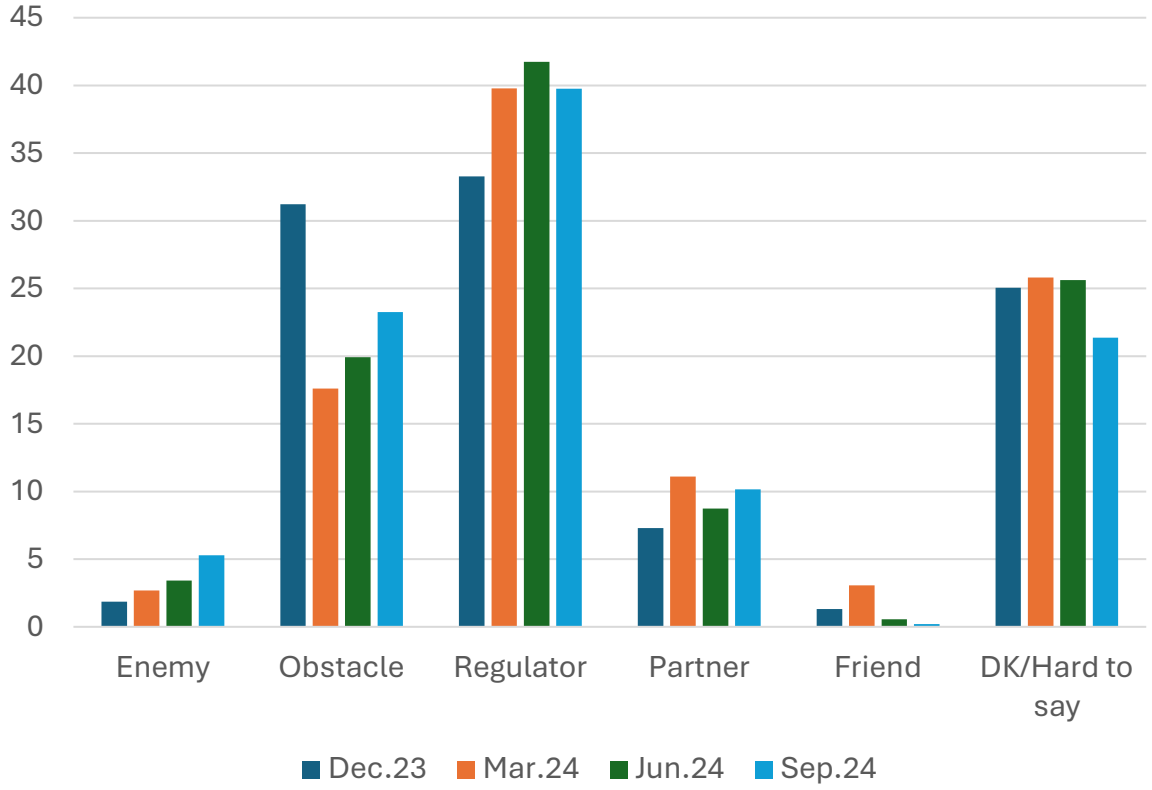
Negative assessments of the Government's economic policy have decreased



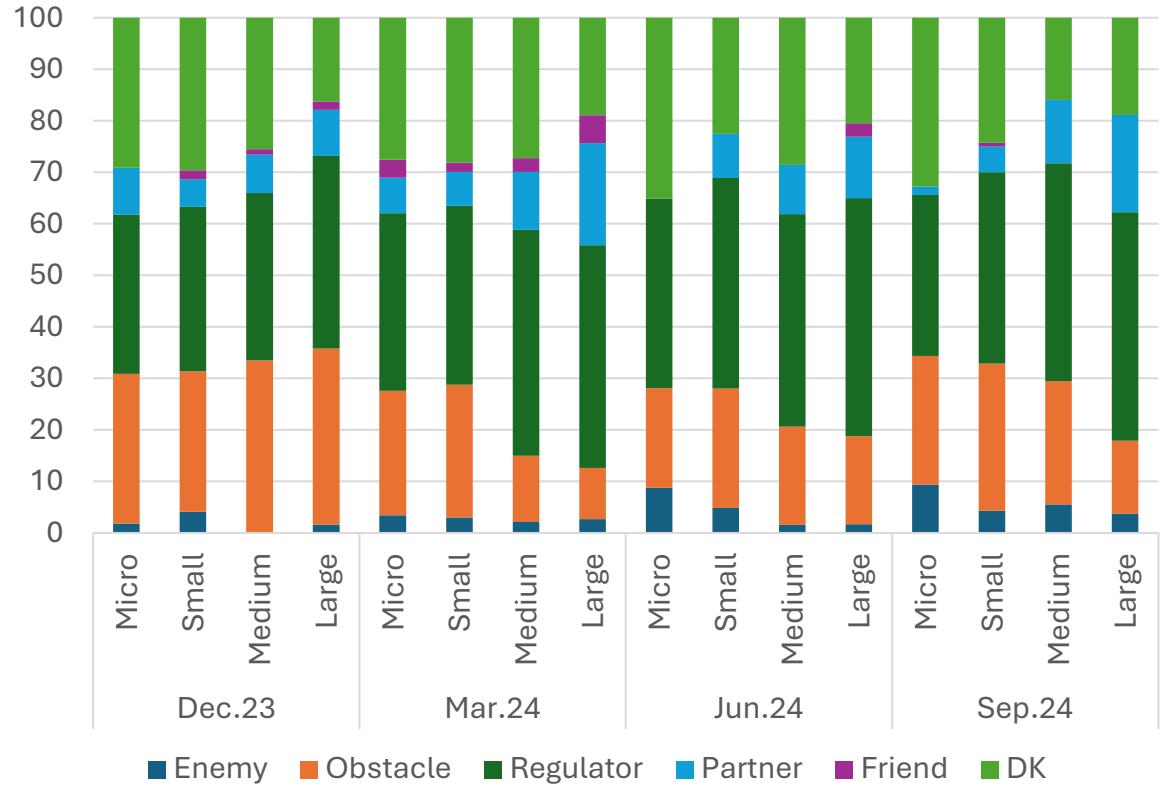
- The share of **positive assessments** of the Government's policy on business support **has not changed significantly** and is 5% (was 4% in August)
- The share of **neutral assessments** of the Government's policy on business support **increased slightly in September** (from 58% to 61%)
- The share of **negative** assessments has **significantly decreased** (from 31% to 24%)
- The share of those who have **not decided** on the answer **has slightly increased** and is 10% (it was 7% for two months in a row)

Today for businesses in Ukraine, the government is...

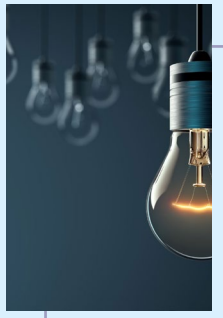
Today for businesses in Ukraine, the government is..., % of respondents



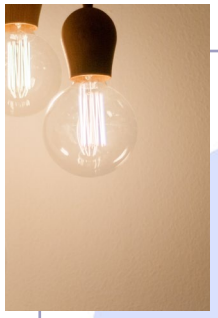
Today for business in Ukraine, the government is..., by size



Main results 6: Interruptions with electricity



“Interruptions of electricity" with a significant decrease in value **lowered from 1st to 3rd place (from 65% in August to 45% in September)**



Two thirds(66%) of businesses had to **temporarily suspend operations** due to power outages in August 2024

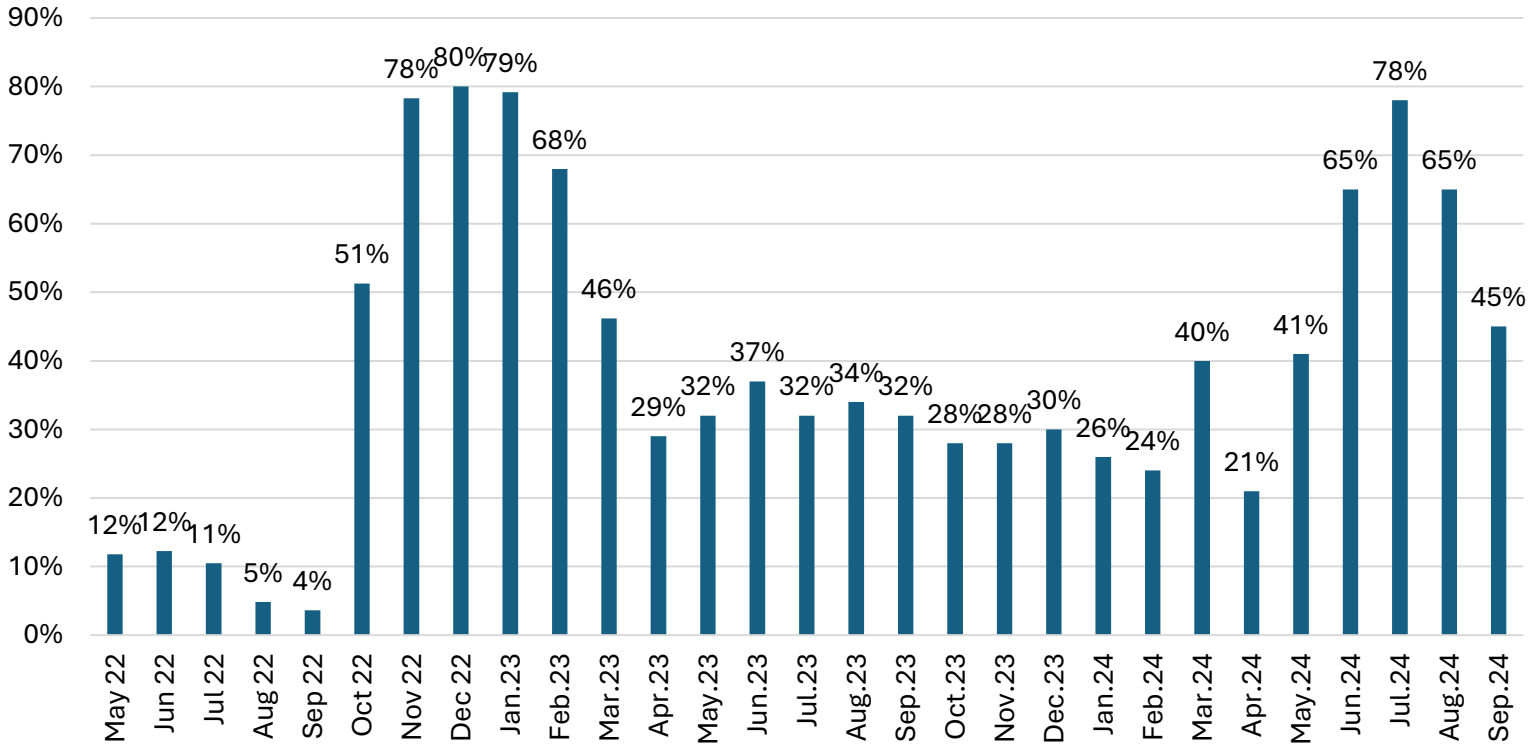
In August 2024, due to power outages, **businesses lost 10%** of their total **working time**

Micro enterprises suffer **more losses**. Among the industries, the greatest time losses are in **chemical industry** and **woodworking**

“Interruptions of electricity” loses its urgency

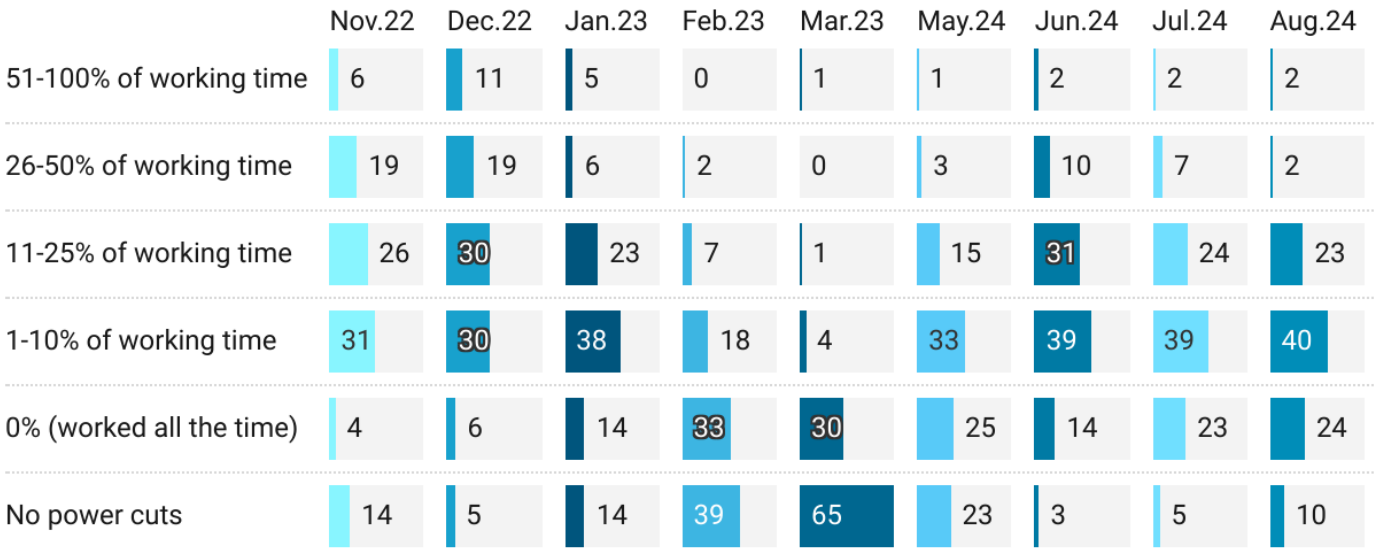
- The share of companies for which **“interruptions of electricity" is an impediment significantly decrease** (from 65% in August to 45% in September)
- **In the list of impediments,** “interruptions of electricity" **lowered from 1st to 3rd place** and shares it with “price increasing”

Interruptions of electricity as impediment for doing business, % of respondents



Most businesses were stopping work due to power outages

Impact of power cuts on enterprises operations (% of respondents)



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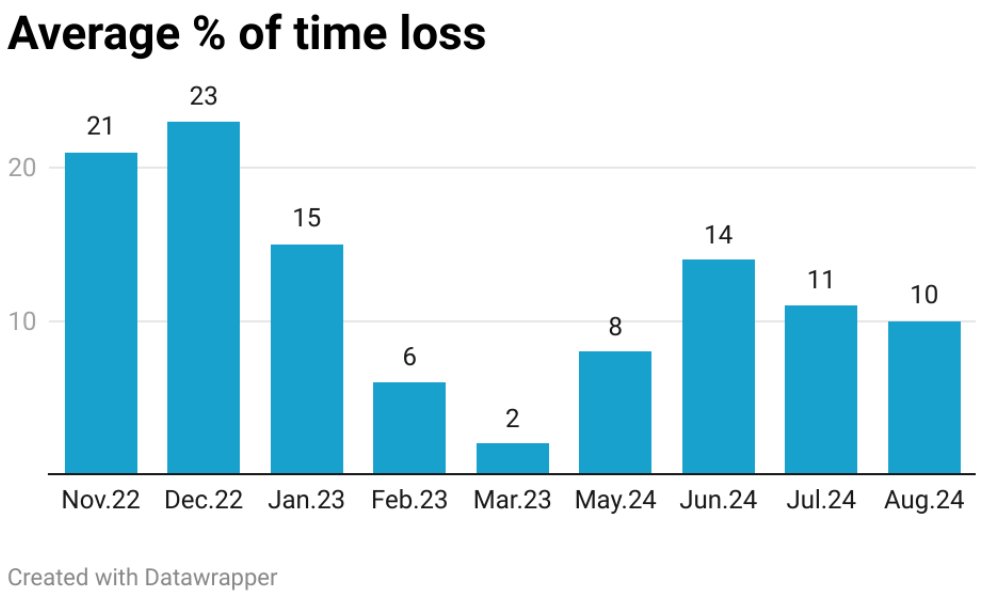
Two thirds (66%) of businesses temporarily suspended operations due to power outages in August 2024 (73% in July):

- 40% of enterprises stopped operations at only 1-10% of working hours, and 23% stopped at 11-25% of working hours
- About 2% of enterprises did not work more than half of the working time (51-100%)
- However, 24% of businesses were operating continuously despite the power cuts
- 10% of businesses did not have power cuts

Loss of working time from outages

- In August 2024, due to power outages, **businesses lost 10%** of their total **working time**
- Differences between industries and regions have been recorded
- The **greatest loss** of time due to power outages was experienced by enterprises in **Sumy** and **Cherkasy regions**



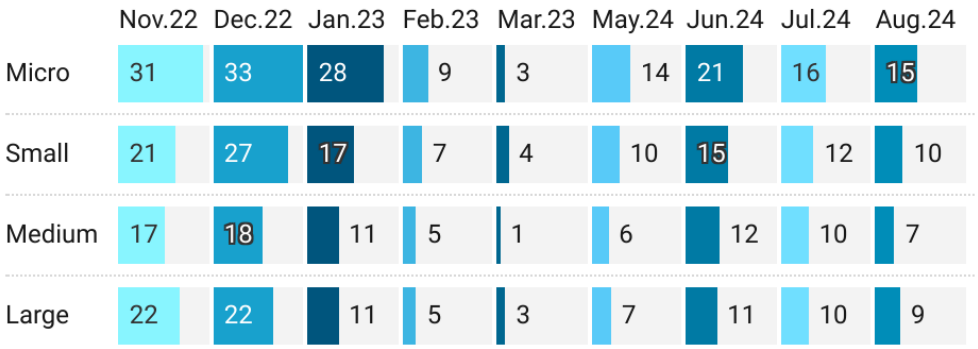
% of working time loss, by region

	Nov.22	Dec.22	Jan.23	Feb.23	May.24	Jun.24	Jul.24	Aug.24
Sumy	24	19	31	20	24	22	17	21
Cherkasy	13	28	5	0	0	8	20	18
Kharkiv	42	49	30	6	11	22	8	15
Zaporizhzhia	36	37	13	3	14	18	24	14
Khmelnytskyi	53	46	52	13	14	23	19	14
Chernivtsi	21	35	27	1	3	19	12	12
Chernihiv	28	26	9	0	15	18	6	9
Ternopil	6	6	6		4		14	9
Poltava	20	11	6	6	8	5	5	9
Volyn	26	31	12	5	9	11	9	9
Kirovohrad	23	27	12	1	5	18	16	8
Dnipro	6	17	8	6	0	25	6	6
Kyiv City	22	21	15	13	10	10	14	6
Zakarpattia	10	24	5	1	0	6	8	6
Odesa	7	4	2	0	9	6	5	5
Kyiv	18	26	11	18	4	7	4	3
Zhytomyr	8	16	2	1	0	18	6	3
Lviv	6	6	6	6	8	22	11	1
Rivne	8	12	14	21	4	2	2	0
Vinnytsia	26	23	16	3	3	3	1	
Ivano-Frankivsk	6	10	6		3			

Microbusinesses suffer the most from blackouts

- **Micro enterprises** are suffering significantly **more losses**
- Among the industries, the **greatest losses** of time are in **chemical industry and woodworking**

% of working time loss, by enterprise size



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% of working time loss, by industry

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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 29-th wave lasted from September 16 - 30, 2024. The enterprise managers compared the work results in September 2024 with August, assessed the indicators at the time of the survey (September 2024), 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).

The research was made possible due to changes of the project "For Fair and Transparent Customs," which was funded by the European Union and co-funded by the International Renaissance Foundation and the ATLAS Network charitable foundation (USA). This took place under the auspices of this project from May 2022 to December 2023. From January to April 2024, the research was conducted within the framework of the project "Emergency Support to Civil Society and Media in Response to the War in Ukraine," which was implemented with the financial support of the European Union.

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