“Keeping Future Hopes?”

Main economic trends in June 2024

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

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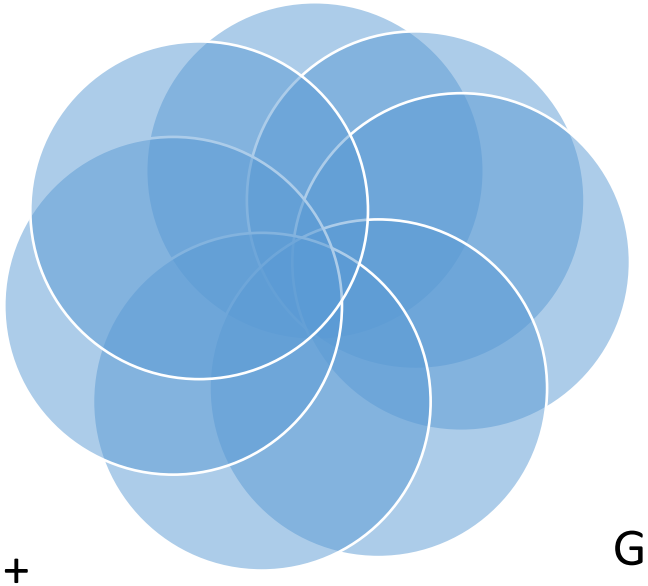
ABOUT THE NEW RAPID ENTERPRISES SURVEY

Monthly survey

The recent data were collected on **June 17 – 28, 2024**

26 surveys have already been conducted (since May 2022)



SAMPLE: 527 **enterprises** were surveyed **in June**

Enterprises of **all sizes**

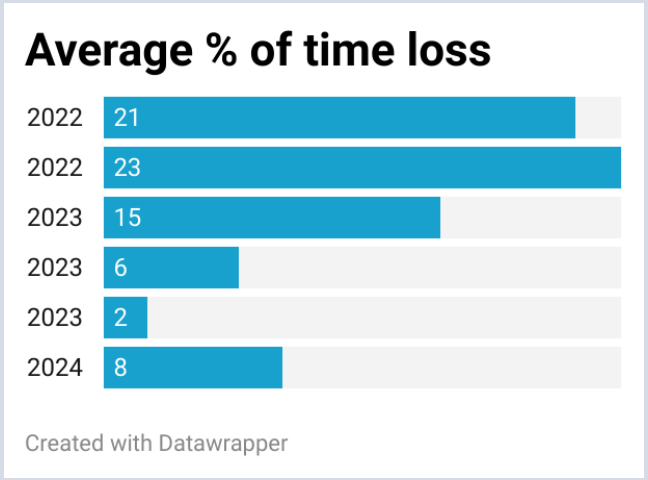
Sectors: Industry + (Retail, Agro)

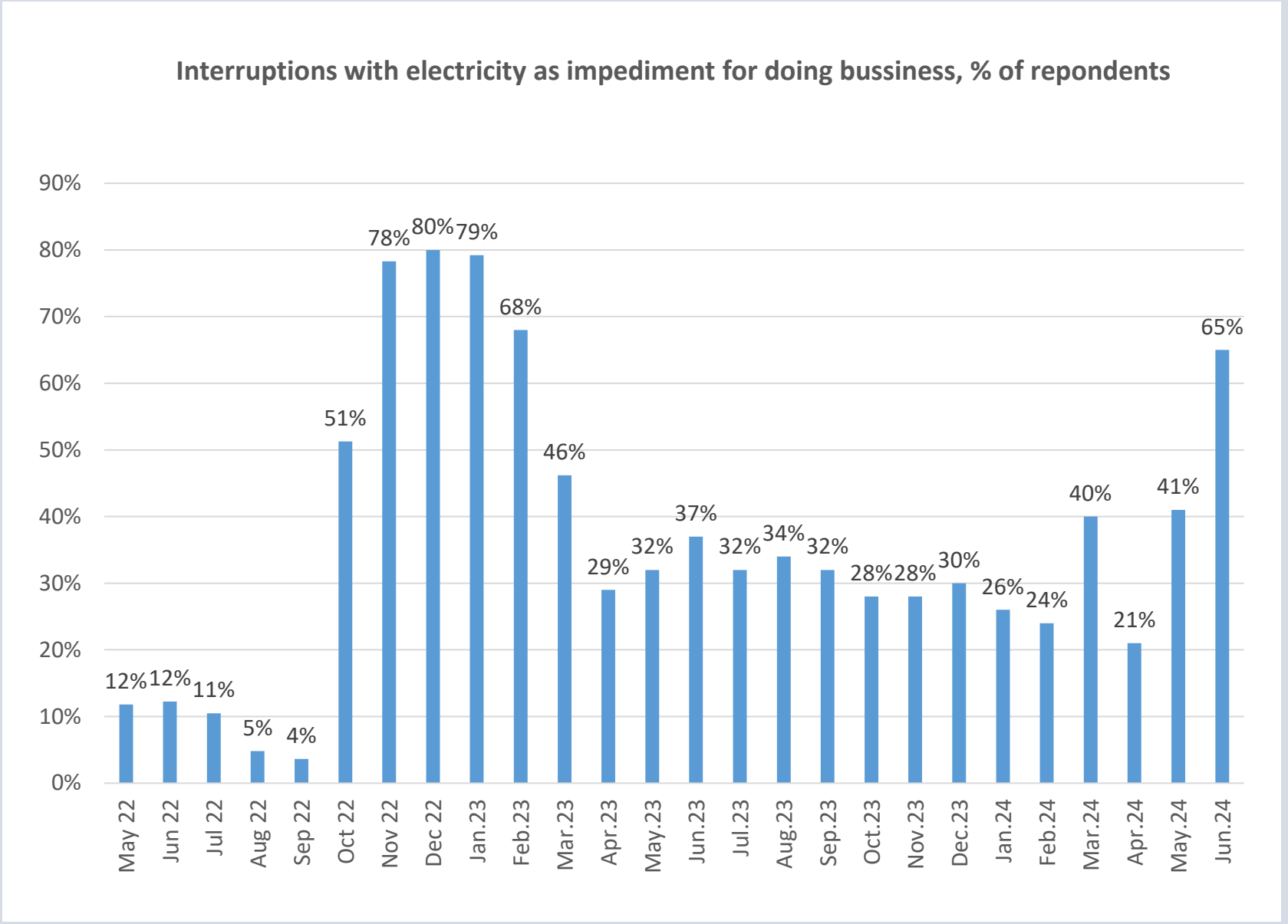
Geography: **21 out of 27** regions of Ukraine

Main message

Amid power outages, which have become the **main impediment** to doing business, **displacing danger** from the top spot, the growth rate of **production indicators has slowed**, and **short-term expectations** have worsened (though they **remain positive**). However, expectations for the next **six months remain high**

Interruptions with electricity is the No. 1 impediment to doing business, but so far situation is better than in 2022





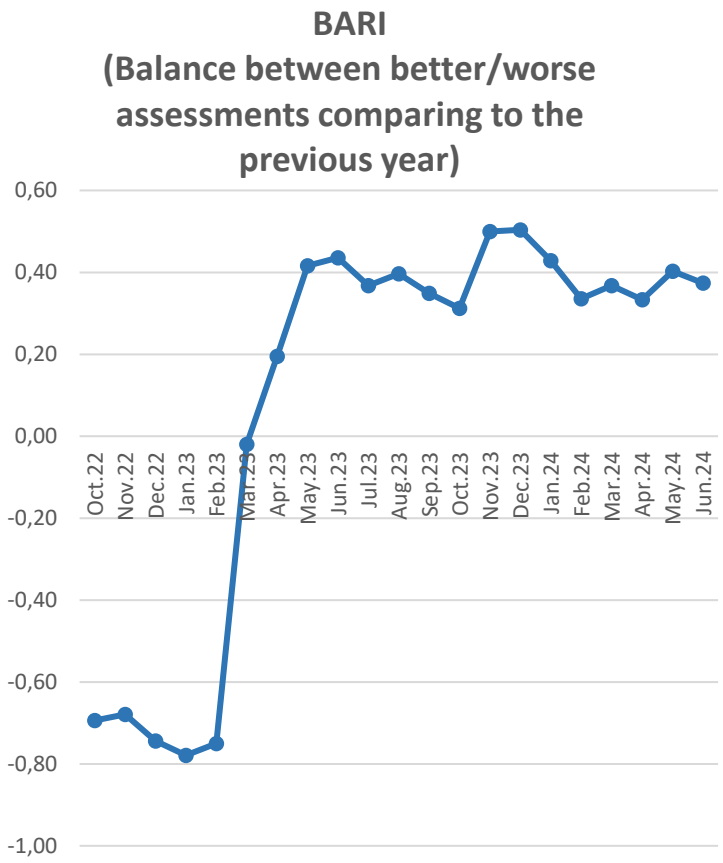
Main results 1

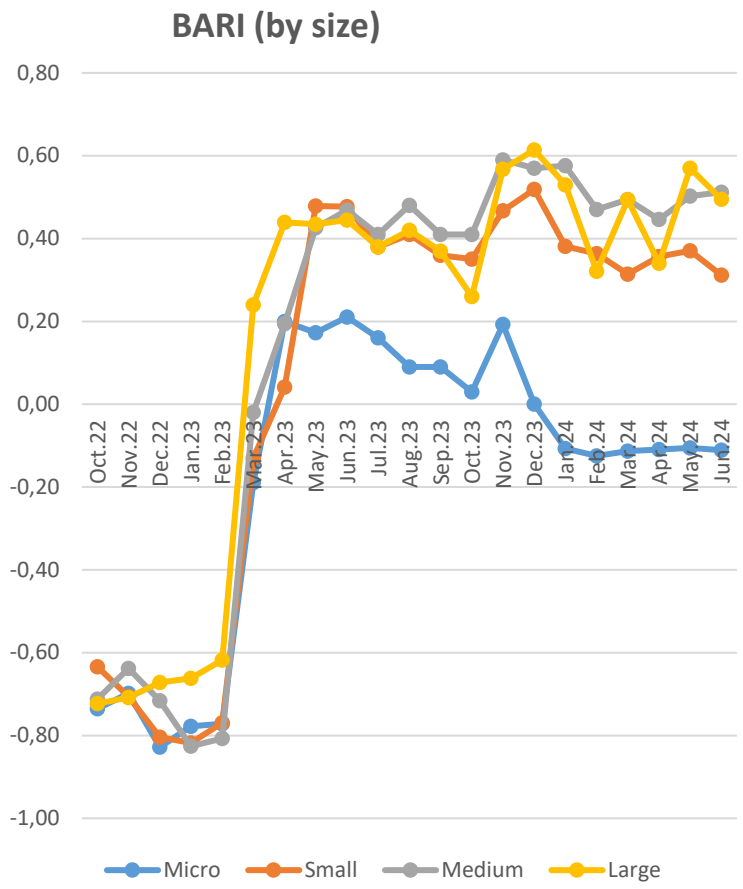
The **Business Activity Recovery Index (BARI**) has fluctuated slightly, decreasing from 0.40 to 0.37.

% of enterprises **operating at full capacity is growing** for the second month in a row

The Industrial Confidence Indicator (ICI) has slightly decreased from 0,14 to 0.12, keeping downward trend

The Business Activity Recovery Index (BARI)* decreased slightly





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

In June 2024, compared to May, **the Business Activity Recovery Index** (BARI) **decreased slightly**, from 0.40 to 0.37 (scale from -1 to +1)

<u>This happened due to changes in % better/worse responses:</u>

- **%** of companies **reported that their business activity is better than last year decreasing** from 55.4% in May to 50.7% in June
- **%** of companies **reported that their business activity is worse, compared to last year, also decreased slightly**, from 15.1% to 13.3%

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

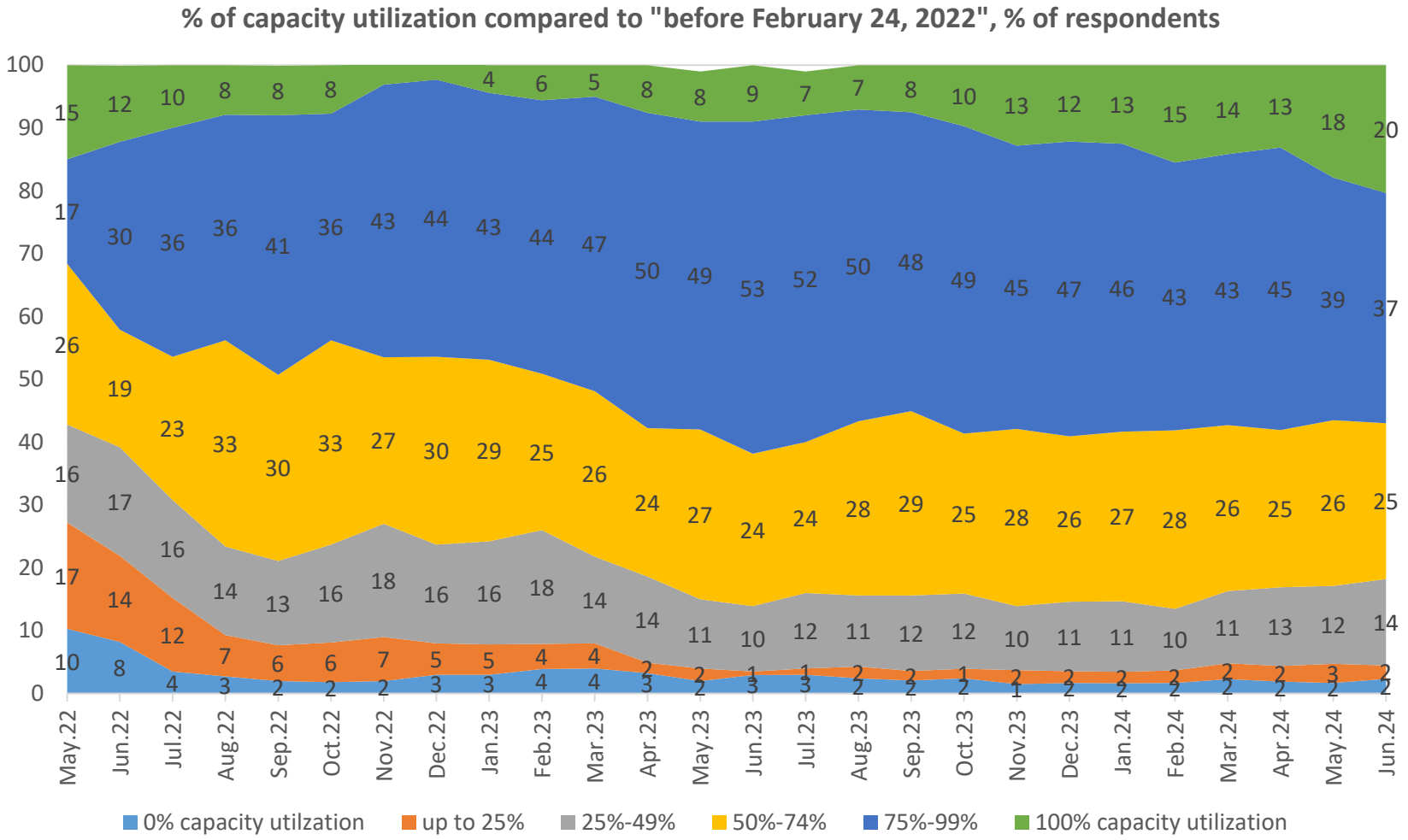
- % of those **for whom nothing has changed has increased significantly**, from 29.4% to 36.0%

BUT there are significant differences depending on the size of enterprises

The BARI value **has not changed and is the lowest** (with a negative value) **for micro-enterprises**

The indicator **decreased for small and large enterprises** and **did not change significantly for medium-sized enterprises**

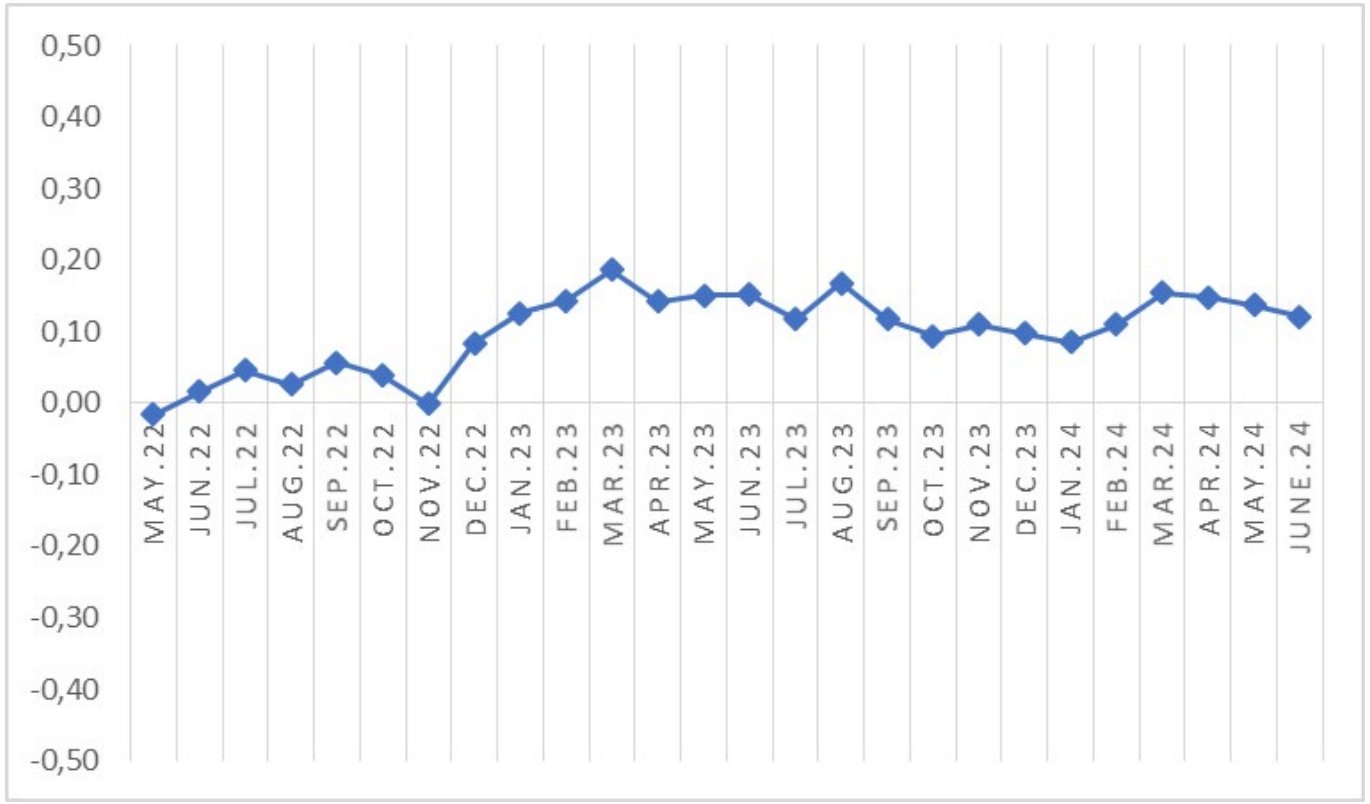
“Now” vs. “before February 24”: Capacity utilization is increasing



Results improved compared to the previous month:

- % of enterprises operating **at 100% capacity increased** from 18% in May to 20% in June 2024
- % of enterprises **operating at almost full capacity is lower** in June (37%) than in May (39%)
- % of enterprises **that do not operate at all have not exceeded 2%** for several months in a row

Industrial Confidence Indicator (ICI)*



In June 2024, compared to May, **the ICI has not changed significantly** and is 0.12 in June (was 0.14 in May)

<u>the fluctuations in the components of the ICI are the following:</u>

- **Production expectations** (PE) **decreased**, from 0.47 to 0.38
- The component **stocks of finished goods** (SFG) **did not change significantly**, (0.02 in May and 0.01 in June)
- The component **volume of new orders increased slightly** (from -0.05 to -0.01)

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

Main results 2. Uncertainty

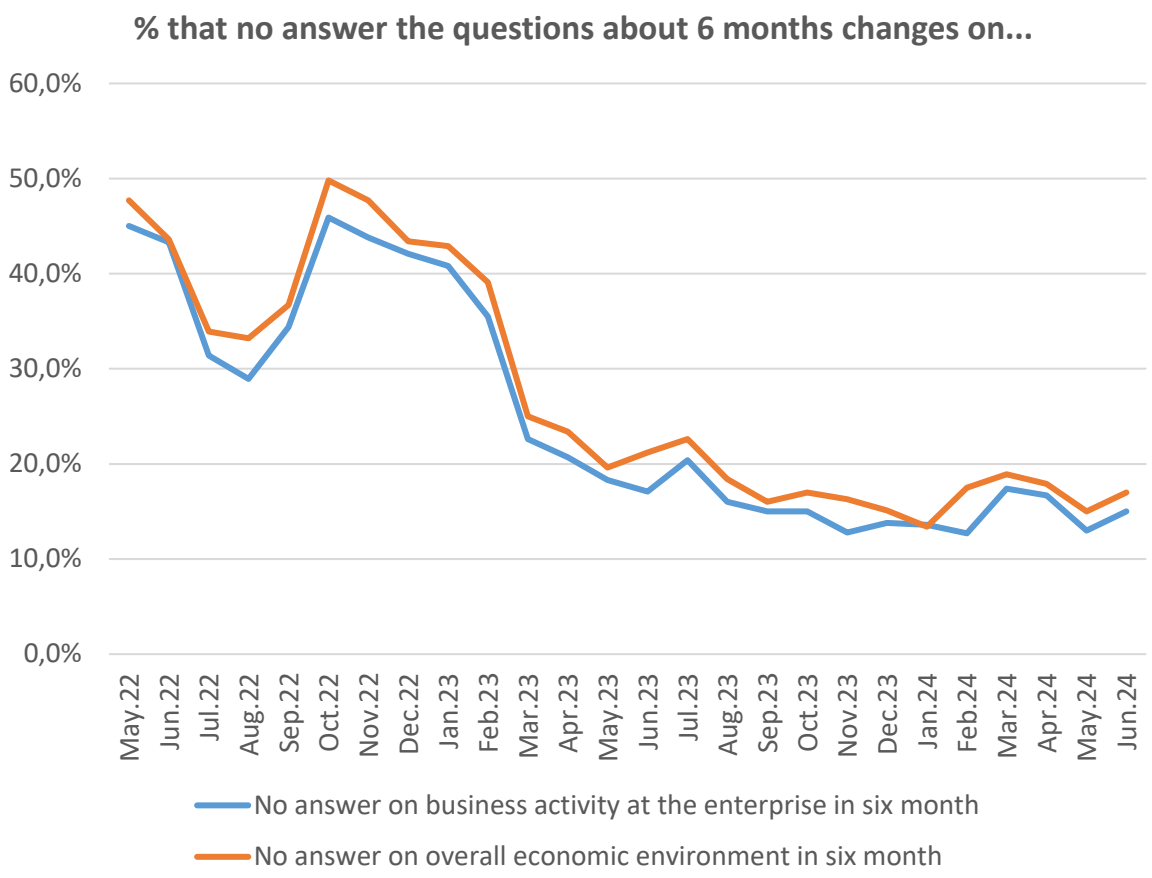
Uncertainty in the **6-month perspective** for the business activity at the enterprise and the overall economic environment **has increased slightly**

The uncertainty **in the 3-month perspective does not change significantly** for production indicators

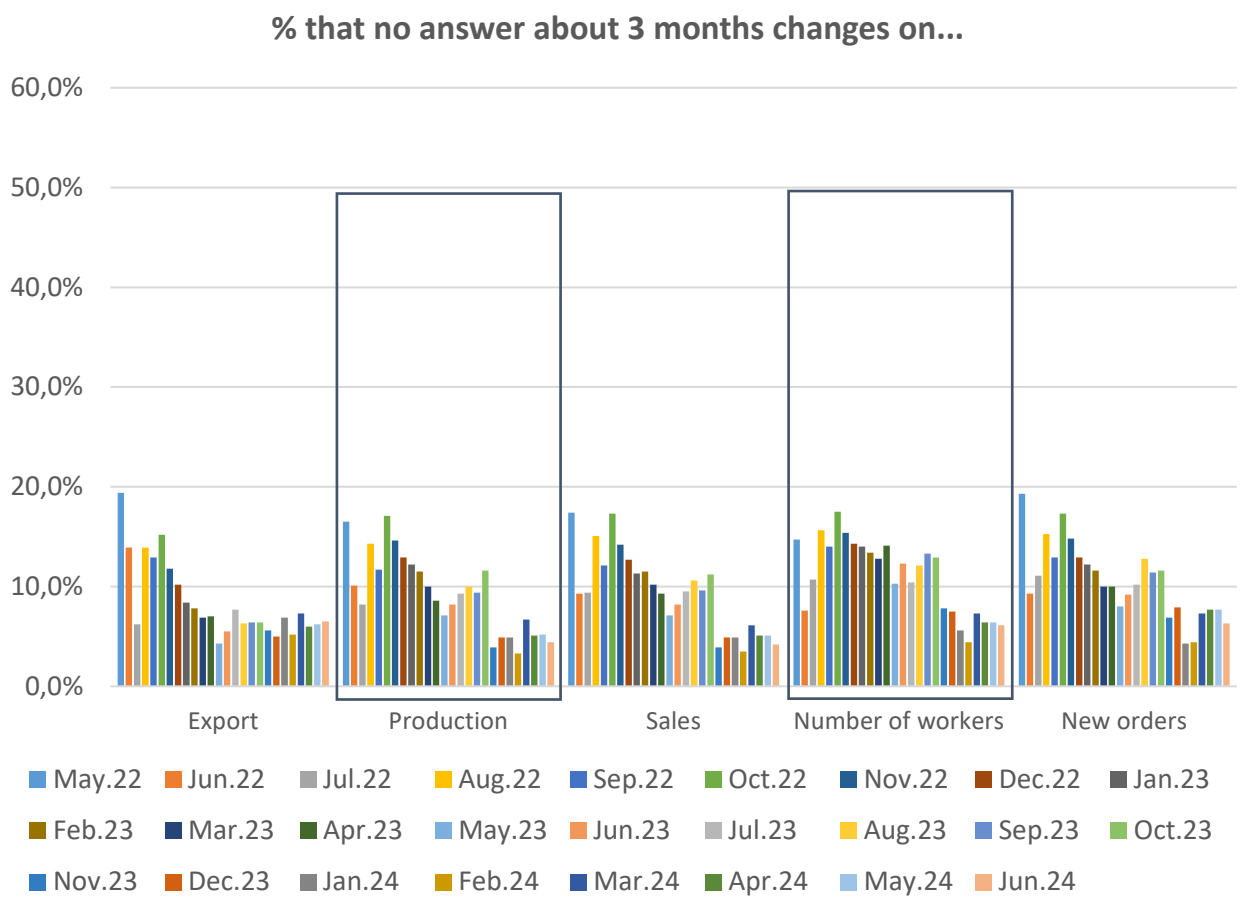
Uncertainty **in a 2-year perspective has not changed significantly** after a significant decline last month

Uncertainty in the 6-month perspective has increased slightly and does not change significantly in the 3-month perspective

Half-year horizon



Three-month horizon

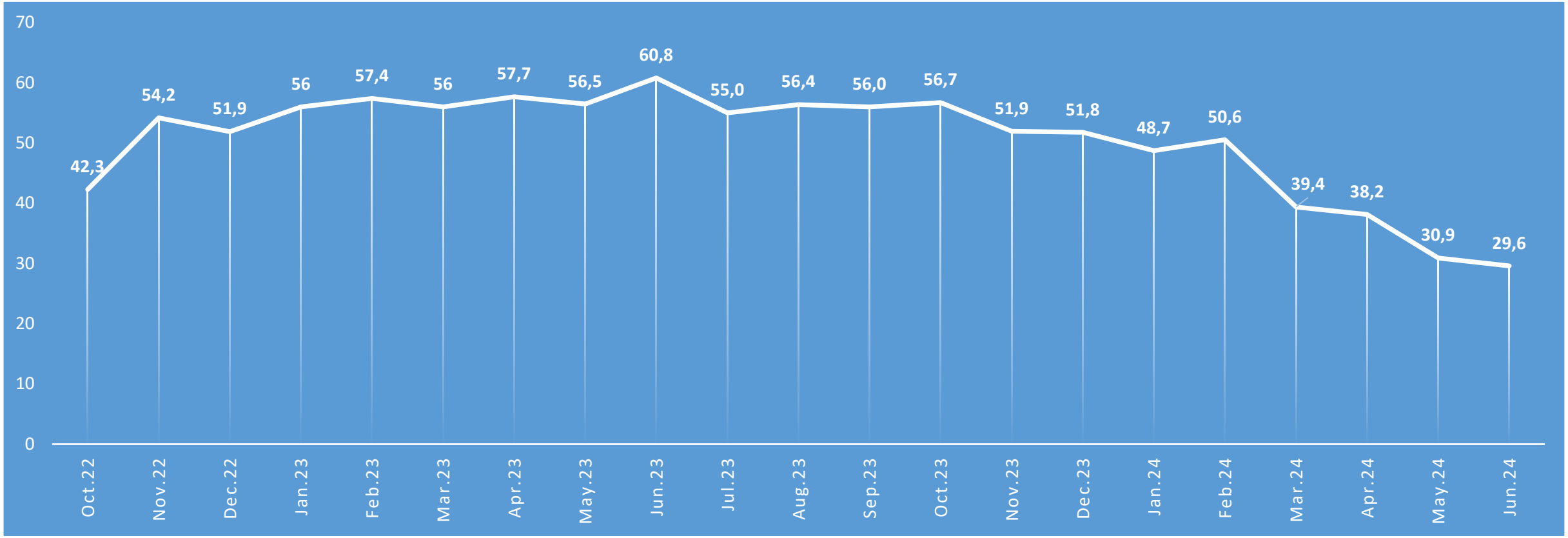


Uncertainty in the 2-year perspective has not changed significantly

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 companies that have no idea about their plans for 2 years has not changed significantly (31% in May and 30% in June) and remains the lowest for the entire survey period



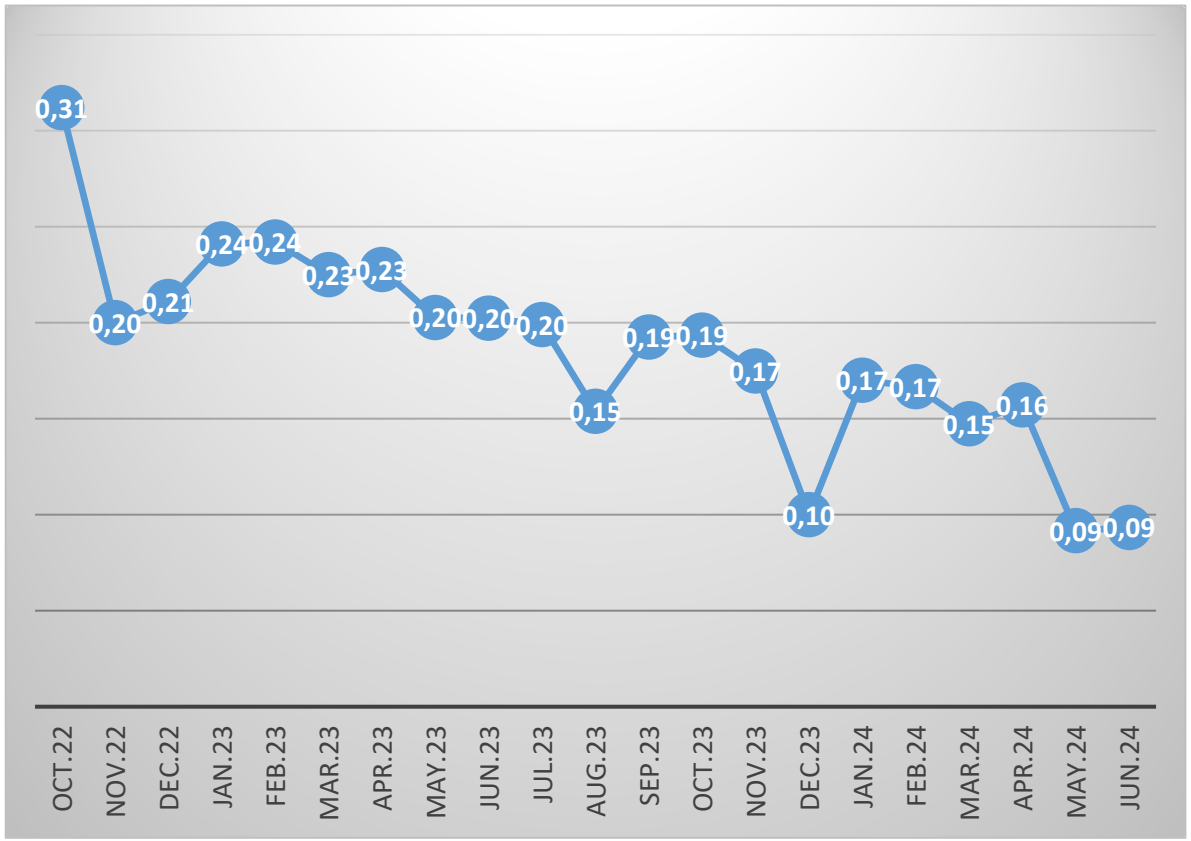
Main results 3. Medium- and long-term expectations without significant changes

Expectations in the two-year perspective unchanged after a significant deterioration last month

6-month expectations for the business activity at the enterprise and for the overall economic environment **have not changed significantly and are still high**

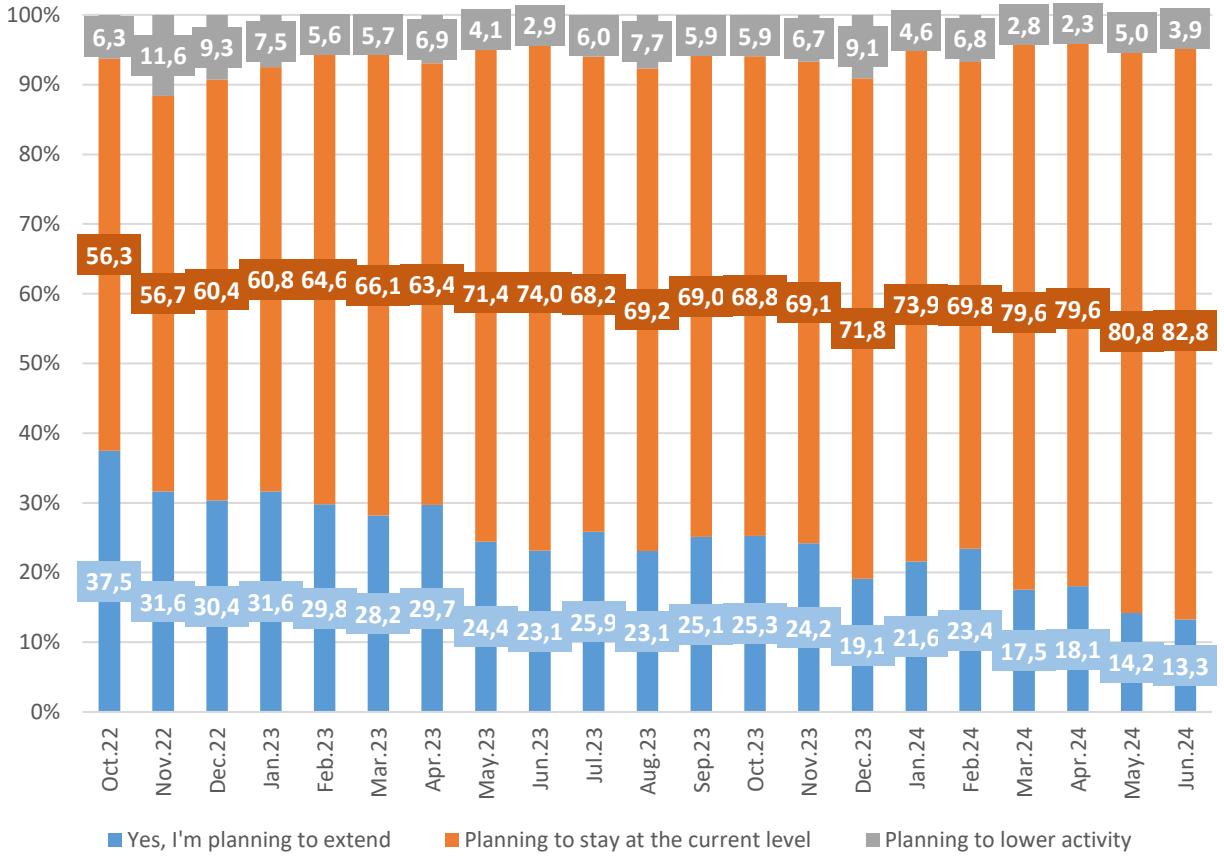
Long-term expectations remain unchanged

Index of expected changes in business activity



- **The index of expected changes in the 2-year perspective** in June compared to May **has not changed** and is 0.09
- Scale from -1 (bad) to +1 (good)

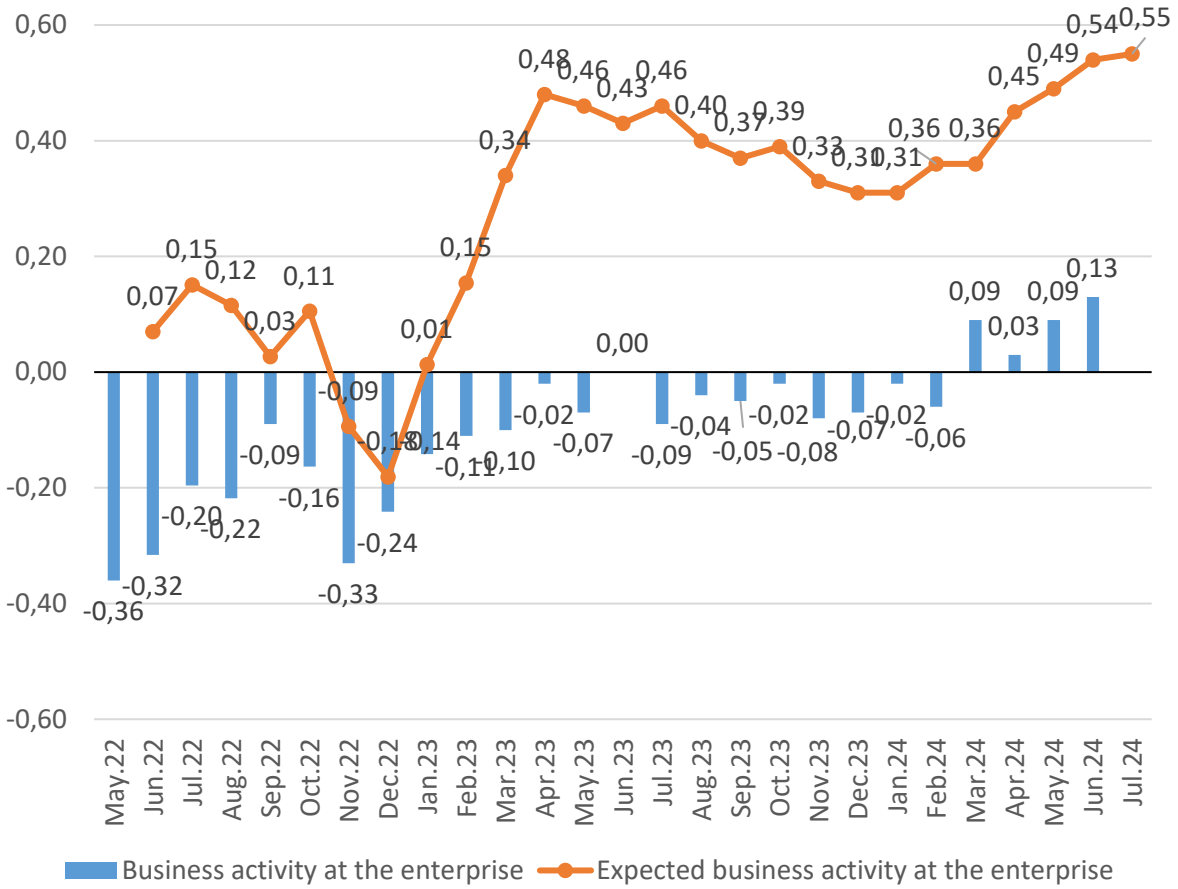
Expectations in the two-year perspective



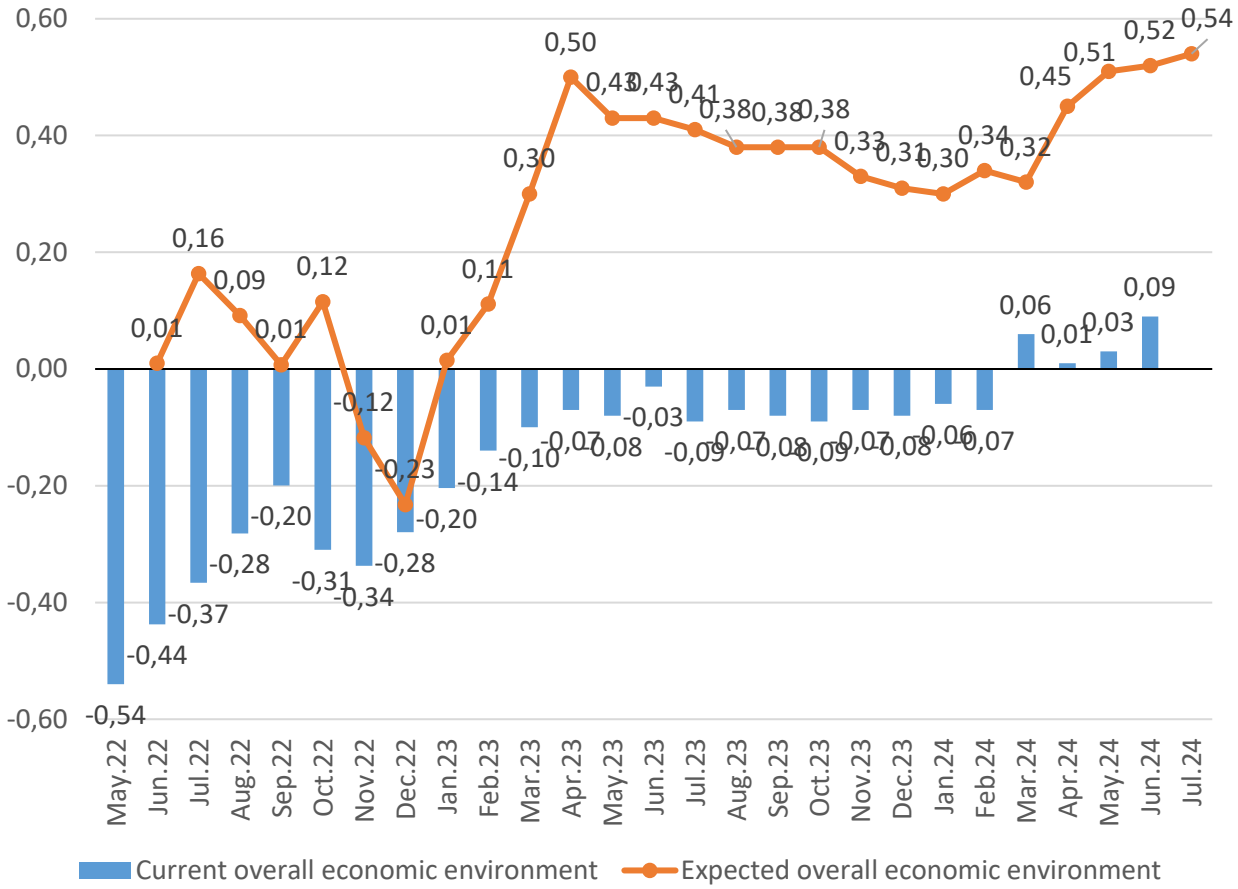
- *In June, compared to May, there were no significant changes in the percentage distribution of responses*

6-month perspective: sustainable optimism

Business activity at the enterprise



Overall economic environment in the country



Main results 4: Results and expectations

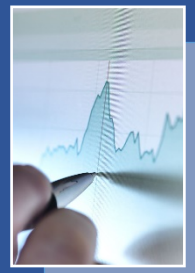
The index of change in production (month vs the previous) **is positive, while the trend for downward** is still on

Production expectations for 3-months **deteriorated**

The **downsizing trend for current employment at the enterprises is slowing down**,

Problems **in finding employees** of the need qualifications **have decreased**

The index of change in **export** are positive without **change**, **expectations** in the 3-month perspective **deteriorated**



Expectations for raw materials and finished goods **prices rose for the first time**

Production: gradual deterioration of results and expectations

Past performance (June to May)

- % of companies that **increased production volumes decreased slightly** (from 29.6% to 25.2%)
- % of companies **that reduced production volumes did not change significantly** (13.7% in May and 12.7% in June)

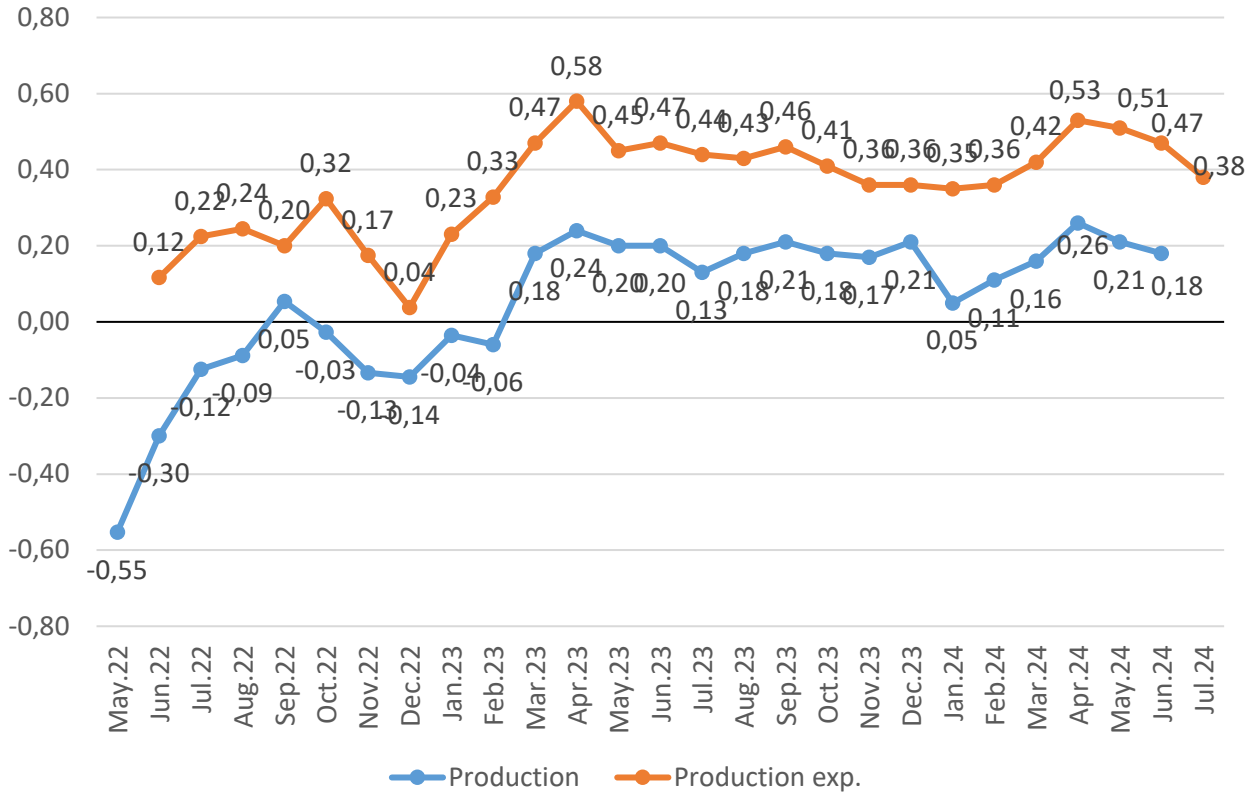
The index of change decreased from 0.21 to 0.18

Expectations for 3 months

- % of companies **planning production growth in the next 3-4 months decreased significantly**, from 47.6% to 39.7%
- % of companies **expecting a reduction in production volumes did not change significantly** (4.0% in May and 5.8% in June)

The index of expected changes in production decreased significantly, from 0.47 to 0.38

Production, balance indicators



Exports: results without significant changes, expectations gradually deteriorate

Past performance (June to May)

- % of companies **reported about increase in export decreased slightly** (from 24.5% to 21.9%)
- % of companies **reported about decrease in exports also decreased slightly** (from 17% to 14.7%)

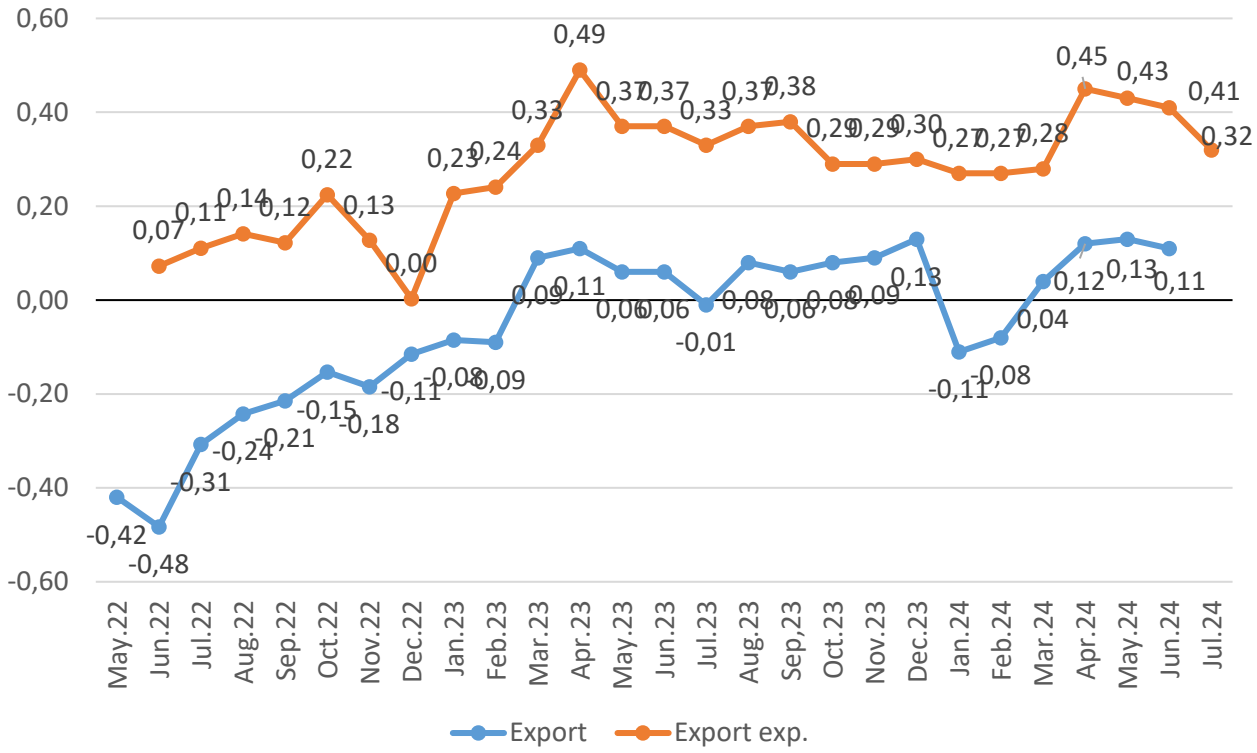
The index of change is 0.11 (was 0.13 in May)

Expectations for 3 months

- % of companies **expecting export growth decrease** (from 41.5% in May to 35.1% in June)
- % of companies that **plan to reduce exports unchanged** (5.3% in May and 6.4% in June)

The index of expected changes in export decreased, from 0.41 to 0.32

Export, balance indicators



Purchase price: significant growth is expected

Past performance (June to May)

- % of companies **reporting about price increasing increased slightly** (from 19.4% to 21.6%)
- % of companies **who said that purchase price lowered do not change significantly** (1.5% in May and 2.1% in June)
- **% without changes decreased** from 79.1% to 76.3%

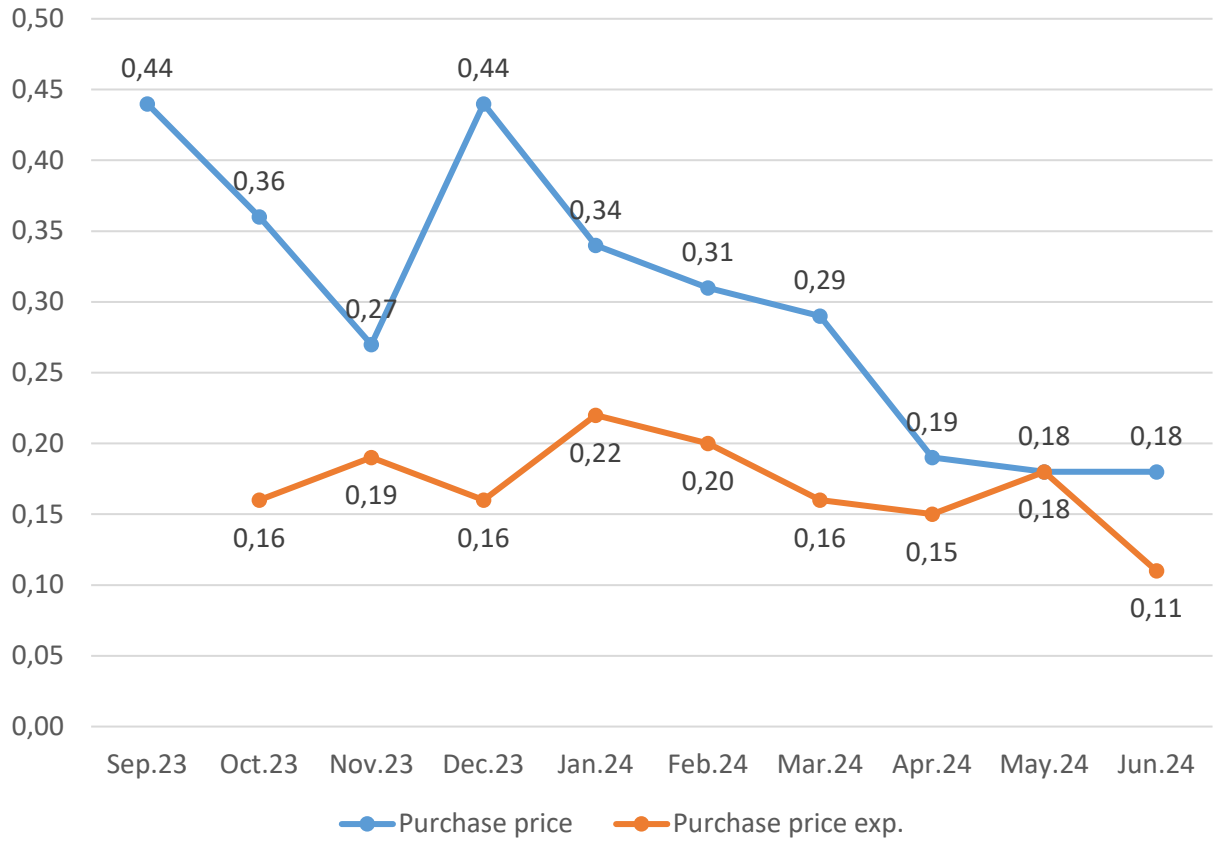
The index of change is unchanged - 0.18, the same as previous month

Expectations for 3 months

- % of companies **expecting purchase price will increase increased significantly** (from 13.2% to 21.8%)
- % of companies **expecting prices to decrease remained unchanged** (1.7%, same as in May)
- % without changes decreased from 85.1% to 76.4%

The index of expected changes in purchase price almost doubled, from 0.11 to 0.20

Purchase price, balance indicators



Domestic sales price: significant growth is expected

Past performance (June to May)

- % of companies **reported about increase in domestic sales price increased slightly** (from 17.9% to 20.2%)
- % of companies **who said that prices have decreased unchanged** (2.1%, same as in May)
- **% without changes decreased**, from 80.0% to 77.7%

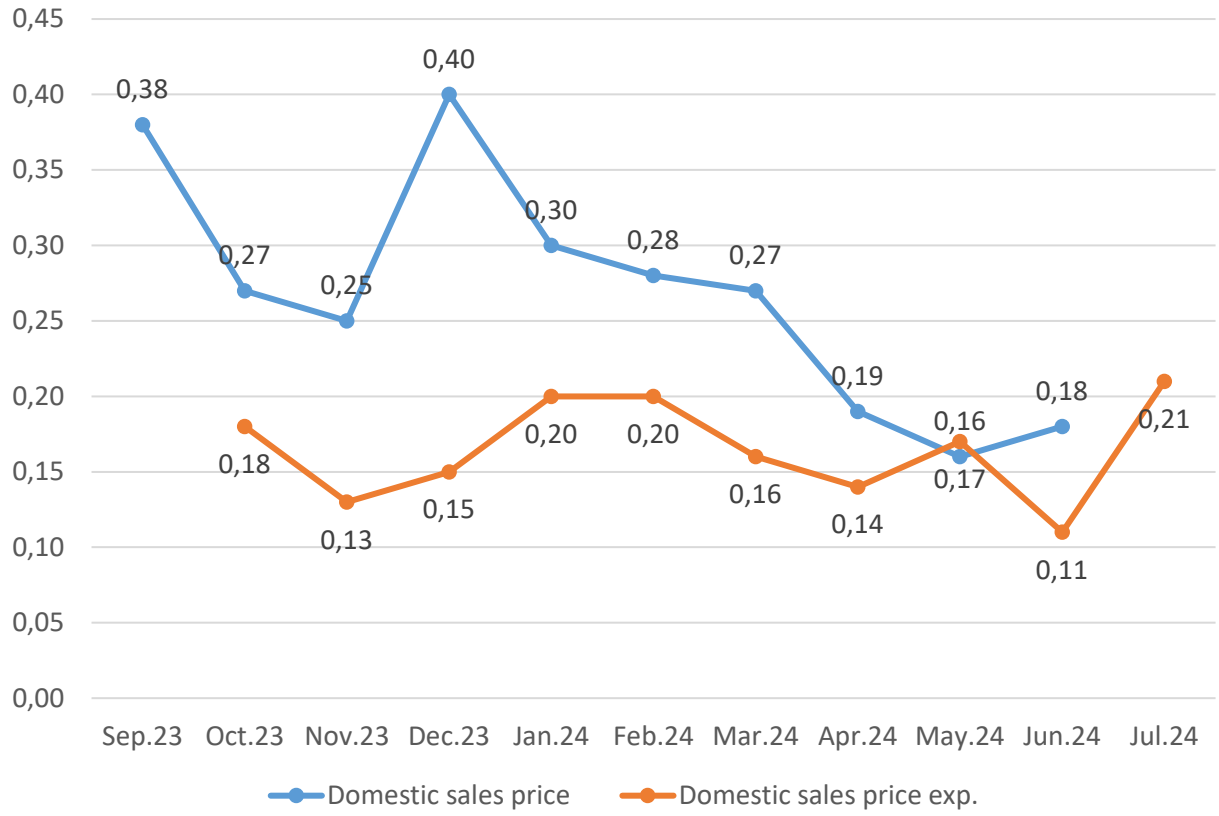
The index of changes in prices for finished products increased slightly, from 0.16 to 0.18

Expectations for 3 months

- % of companies **expecting price growth increased** (from 13.1% to 21.8%)
- % of companies **expecting prices to decrease remained almost unchanged** at 1.5% (was 2.3%)
- **% without changes decreased** from 84.4% to 76.7%

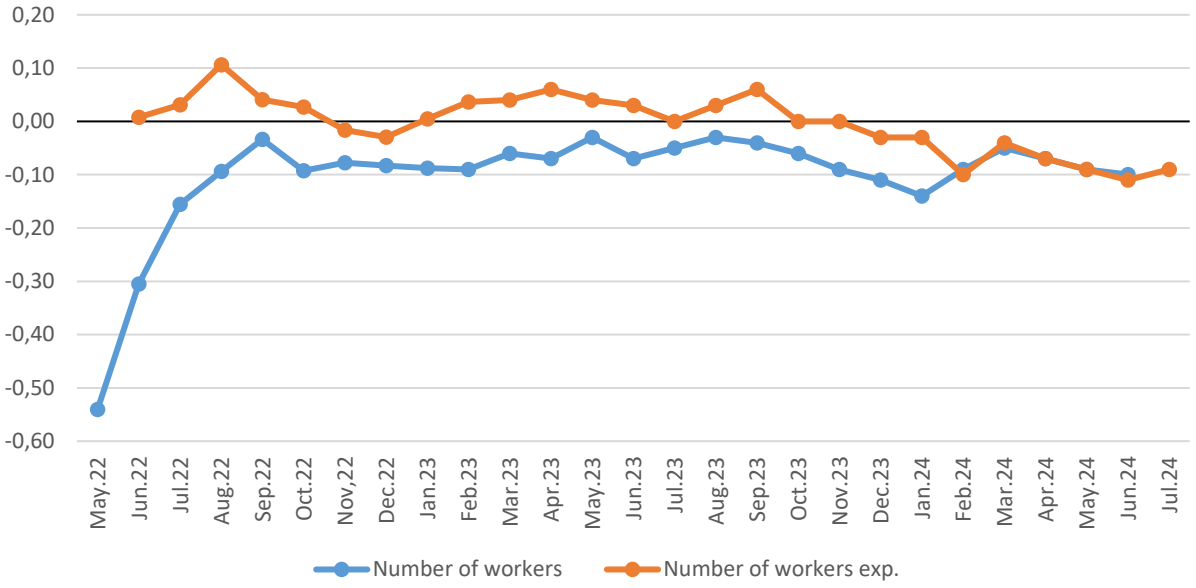
The index of expected changes in domestic sales price increased from 0.11 to 0.21

Domestic sales price, balance indicators

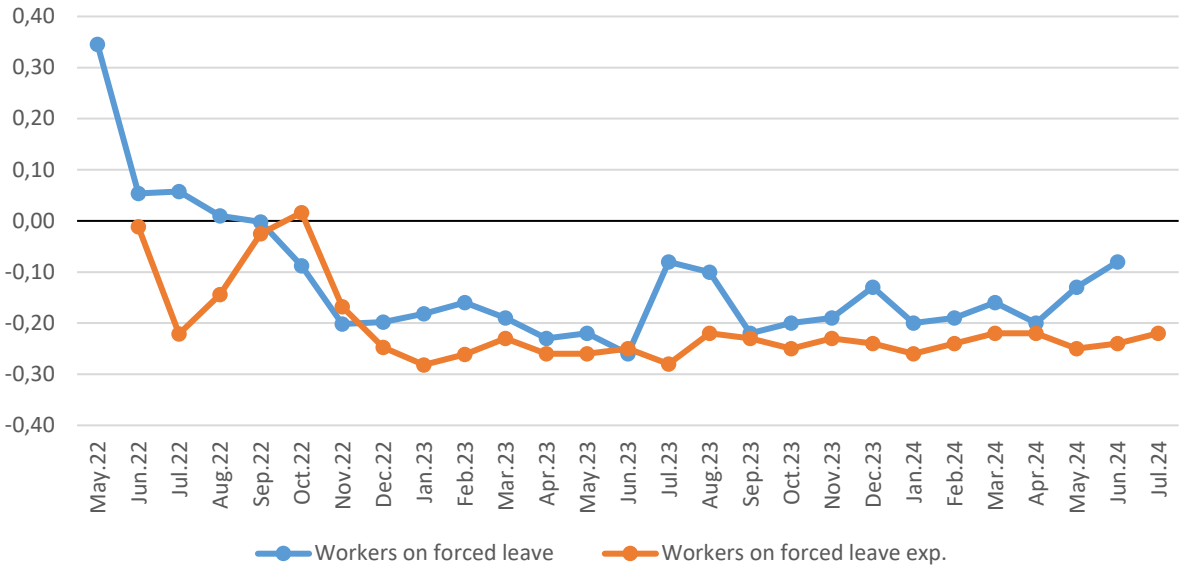


Employment: the downsizing trend is slowing down

Number of workers



Number of workers on forced leave



Expectations for 3 months

- % of companies **planning employment growth in the next 3-4 months does not change significantly** (3.0% in May and 2.4% in June)
- % of companies **intending to reduce the number of employees decreased** from 12.5% to 9.1%
- % of companies that are **not expected to change in employment increased** from 84.5% to 88.5%

The index of expected changes increased slightly, from -0.11 to -0.09

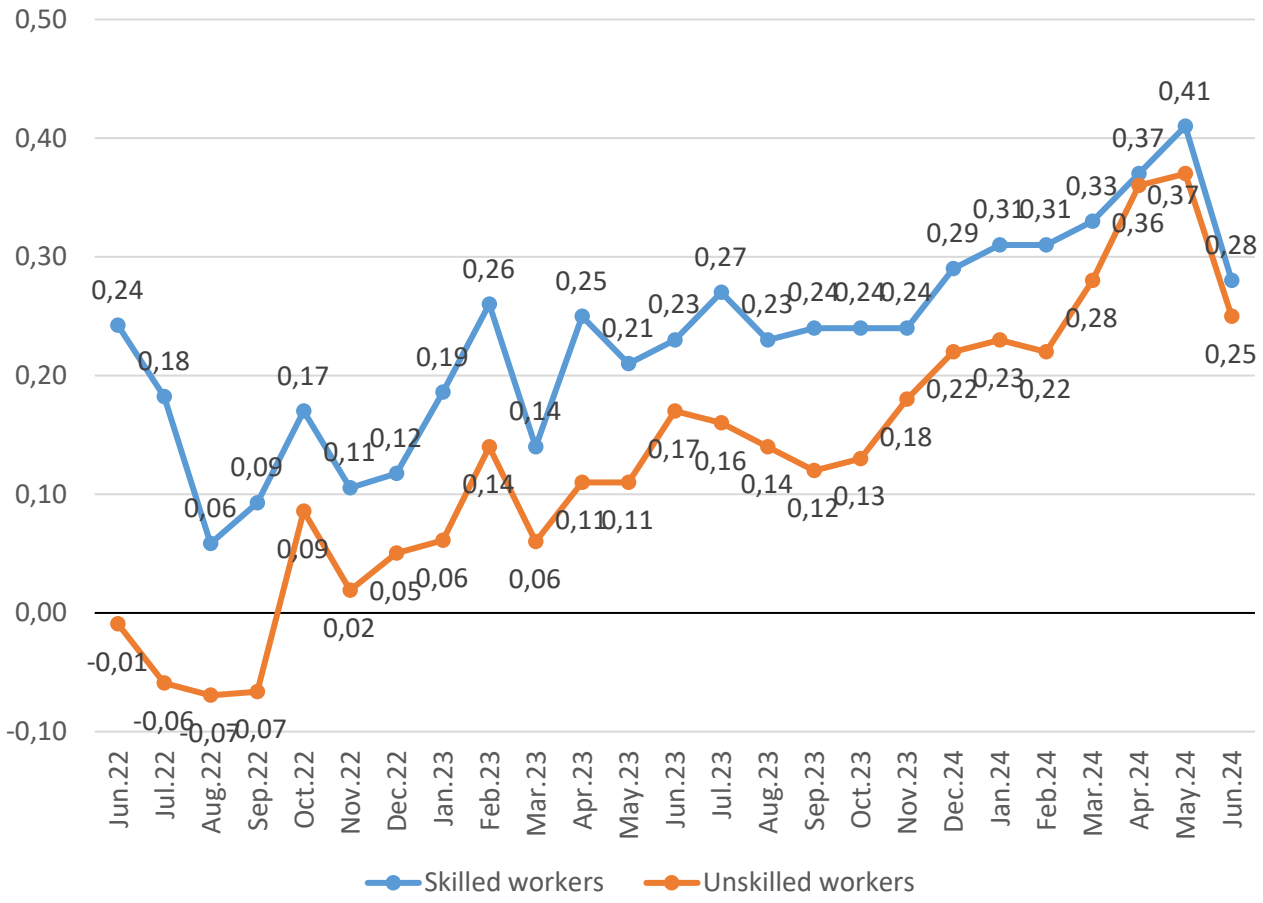
Expectations for 3 months

- % of companies **planning to increase the number of workers on forced leave are almost unchanged** (0.7% in May and 1.4% in June)
- % of companies planning to reduce workers on forced leave are also almost unchanged (24.8% in May and 23.5% in June)
- **% without changes** is 75.1% (was 74.5%)

The index of expected changes is 0.22 (was -0.24)

Problems with finding employees have decreased

Problems with finding workers



In June, difficulties in finding employees decreased significantly

Skilled workers:

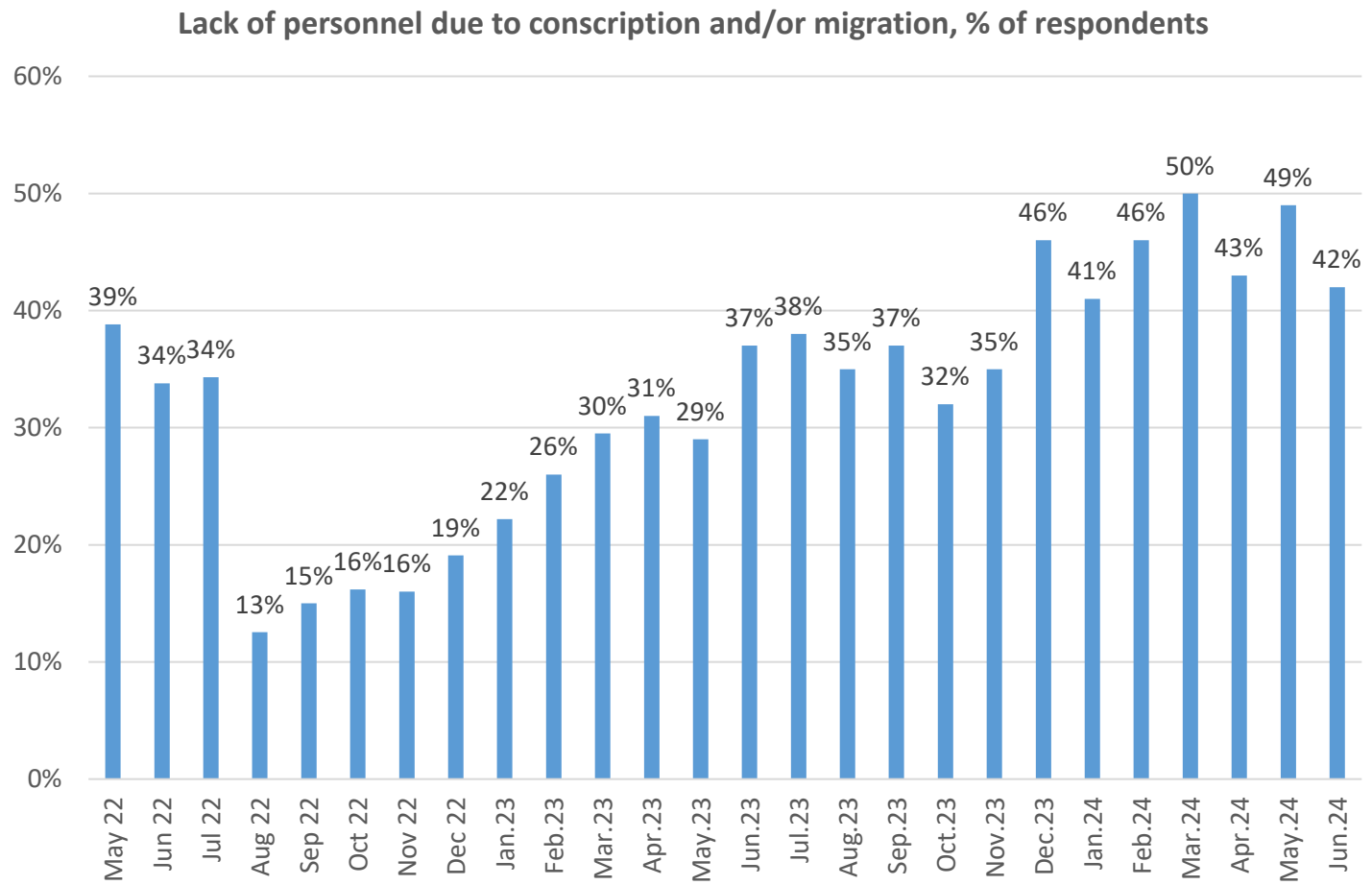
- % of those who reported that such employees **were more difficult to find decreased significantly** (from 41.1% to 34.6%).
- % of those who said that skilled workers **have become easier to find increased** (from 1.7% to 5.4%)
- **% without changes increased** from 57.2% to 60%

Unskilled workers:

- % of those who said that it is **more difficult to find them decreased** (from 38.9% to 28.7%)
- % of those who said that they **were easy to find remained unchanged** (4.7% in May and 4.8% in June)
- % **without changes increased** from 56.4% to 66.4%

The significance of “lack of personnel” as an impediment has diminished

- The share of **companies that pointed to “lack of personnel” as an impediment decreased** from 49% to 42%
- **In the list of obstacles, “lack of personnel” moved from 2nd to 4th place**

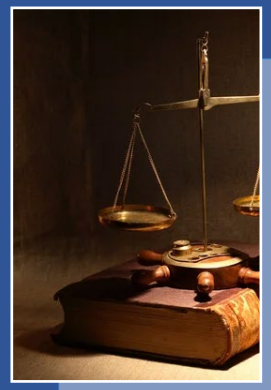


Main results 5: Impediments, economic policy

“It is dangerous to work“ appeared in the **2nd place in the list**, with **an almost unchanged percentage** (56% in May and 54% in June)

“Interruptions with electricity" appeared at the 1st place in the rating, rising from the 4th

Neutral assessments of the Government's economic policy **increased again**

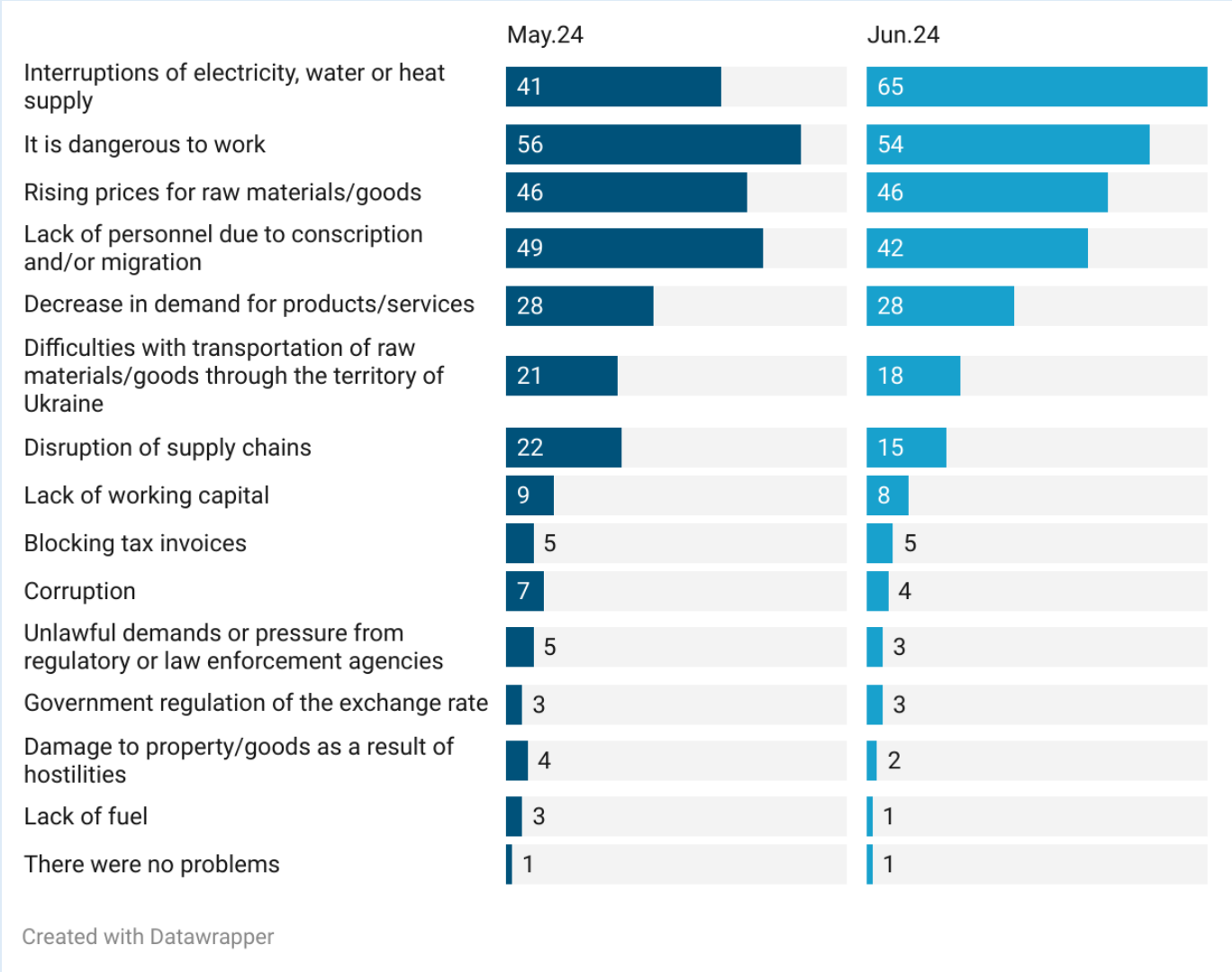


The % of those who consider the **state to be a regulator is gradually increasing**, and the % of those who consider **the state a partner or friend has decreased**

The main impediments to doing business in wartime, % respondents

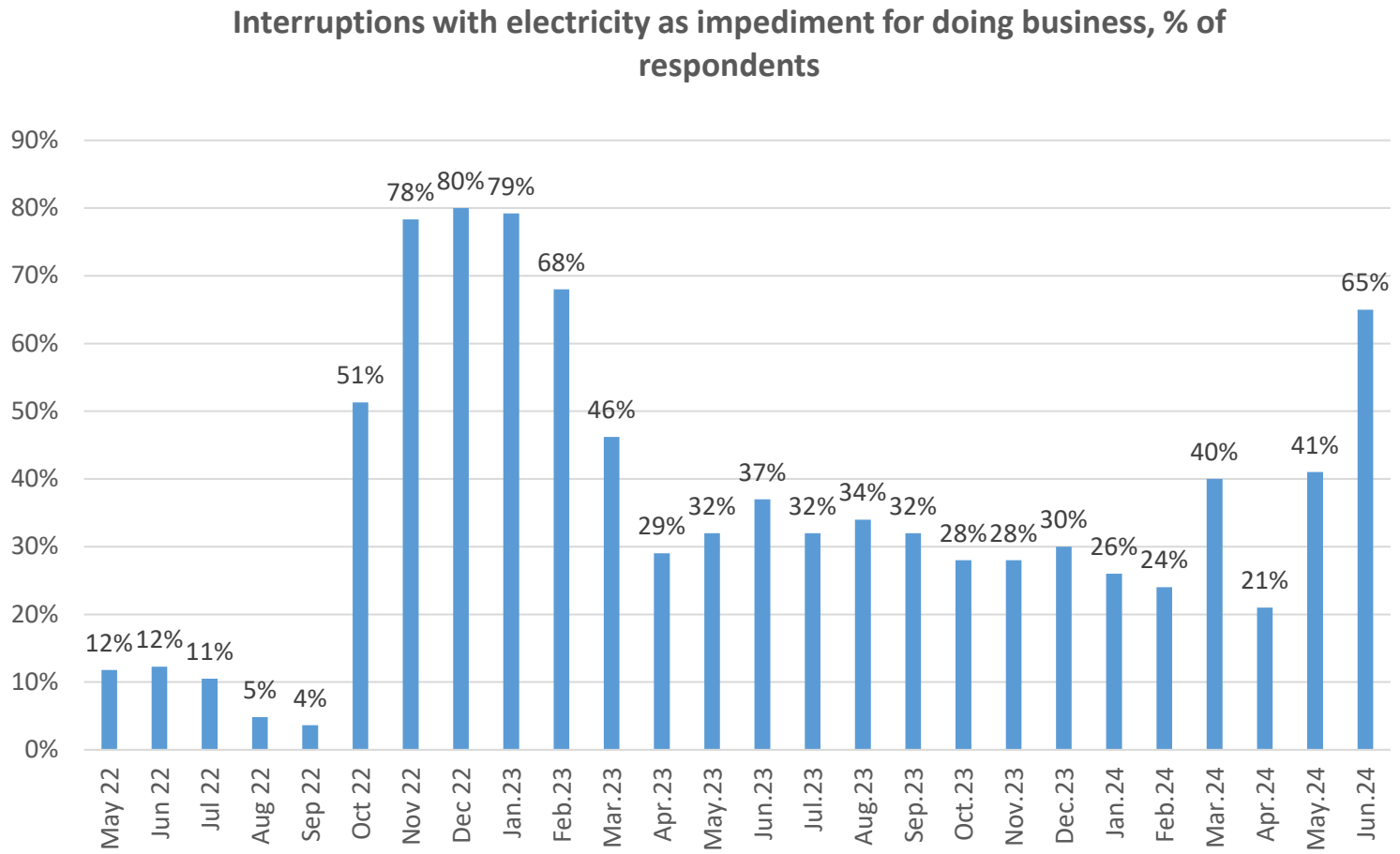
In June 2024, there were significant changes in the top three impediments

- "Interruptions with electricity" **significantly increased in value**, increasing from 41% to 65% **and the obstacle rose from the 4th to the 1st place**
- Despite the fact that the obstacle **"it is dangerous to work" did not change significantly in value** (56% vs 54%), it still **decreased from the 1st to the 2nd place** in the list
- The impediment **"rising prices for raw materials and goods" remained on the 3rd place with the same percentage value** (46%, as it was in May)
- **"Lack of personnel" decreased in value** from 49% to 42% and **moved down from the 2nd to the 4th place**
- Corruption and pressure from law enforcement agencies are not significant problems



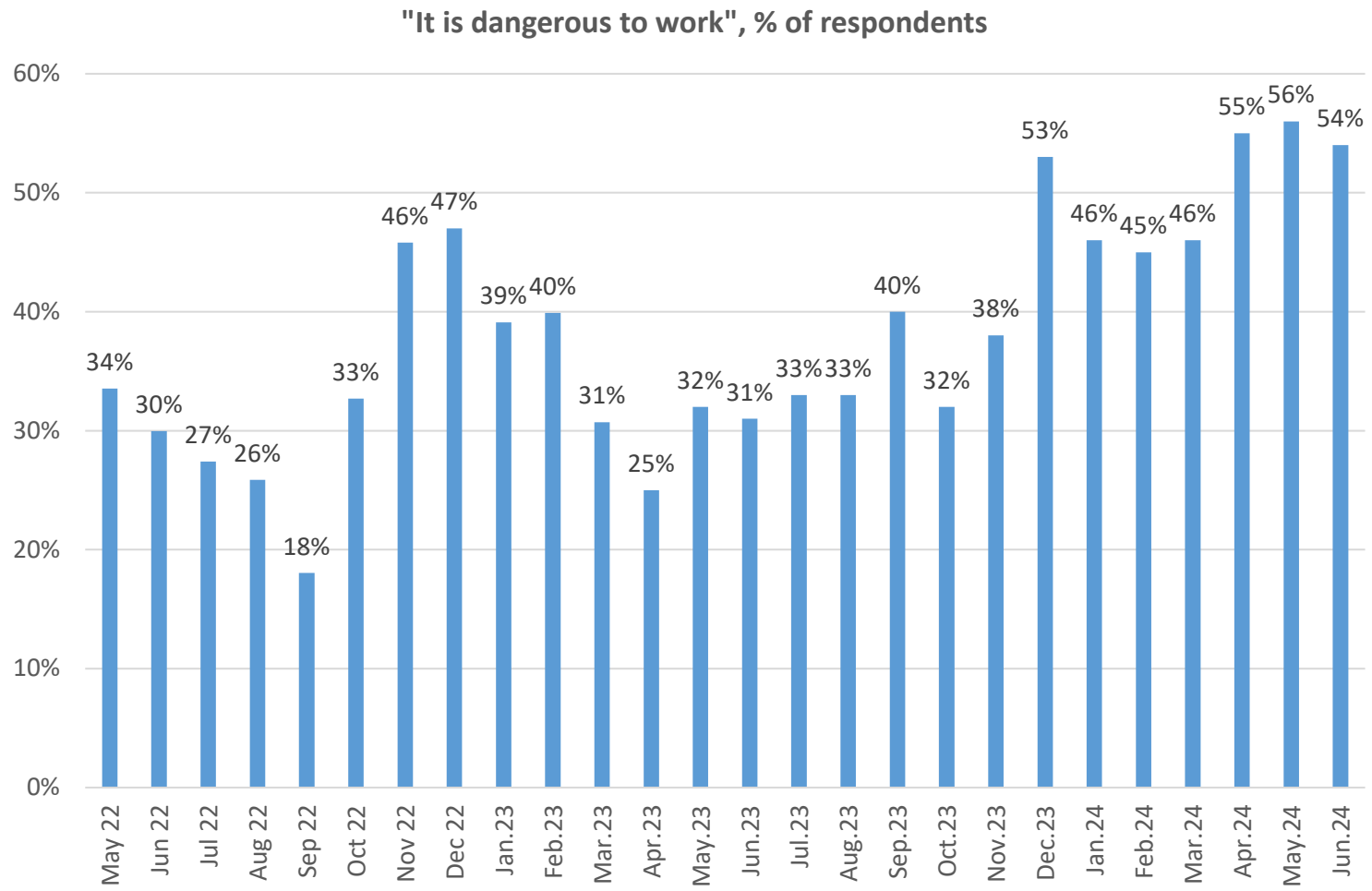
There are more and more problems with electricity

- The share of companies **reported about problems with electricity increased** from 41% in May to 65% in June
- In the list of impediments, “interruptions with electricity" **rose from 4th to 1st place**

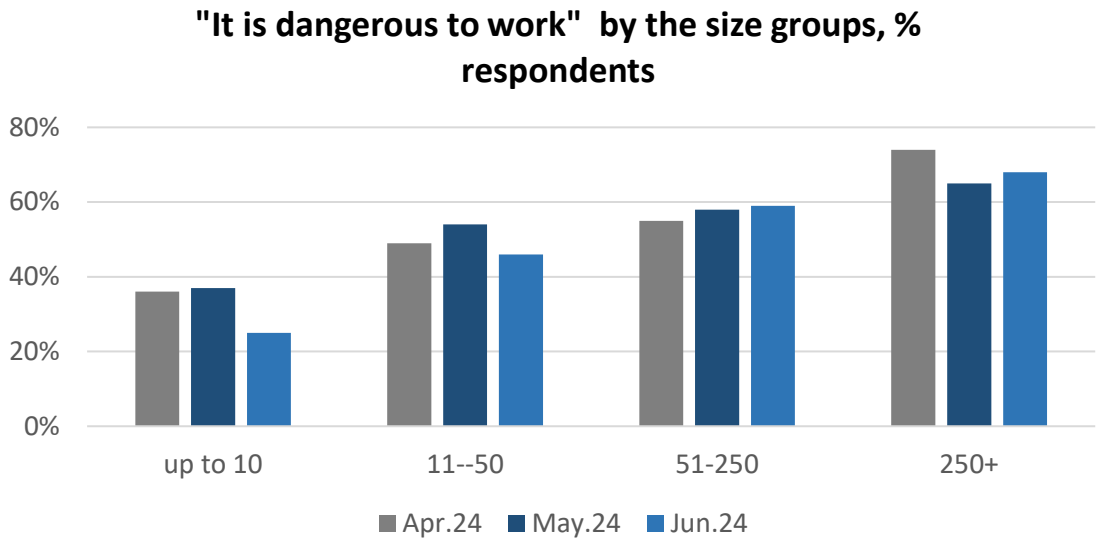


"It's dangerous to work" loses its lead in the list

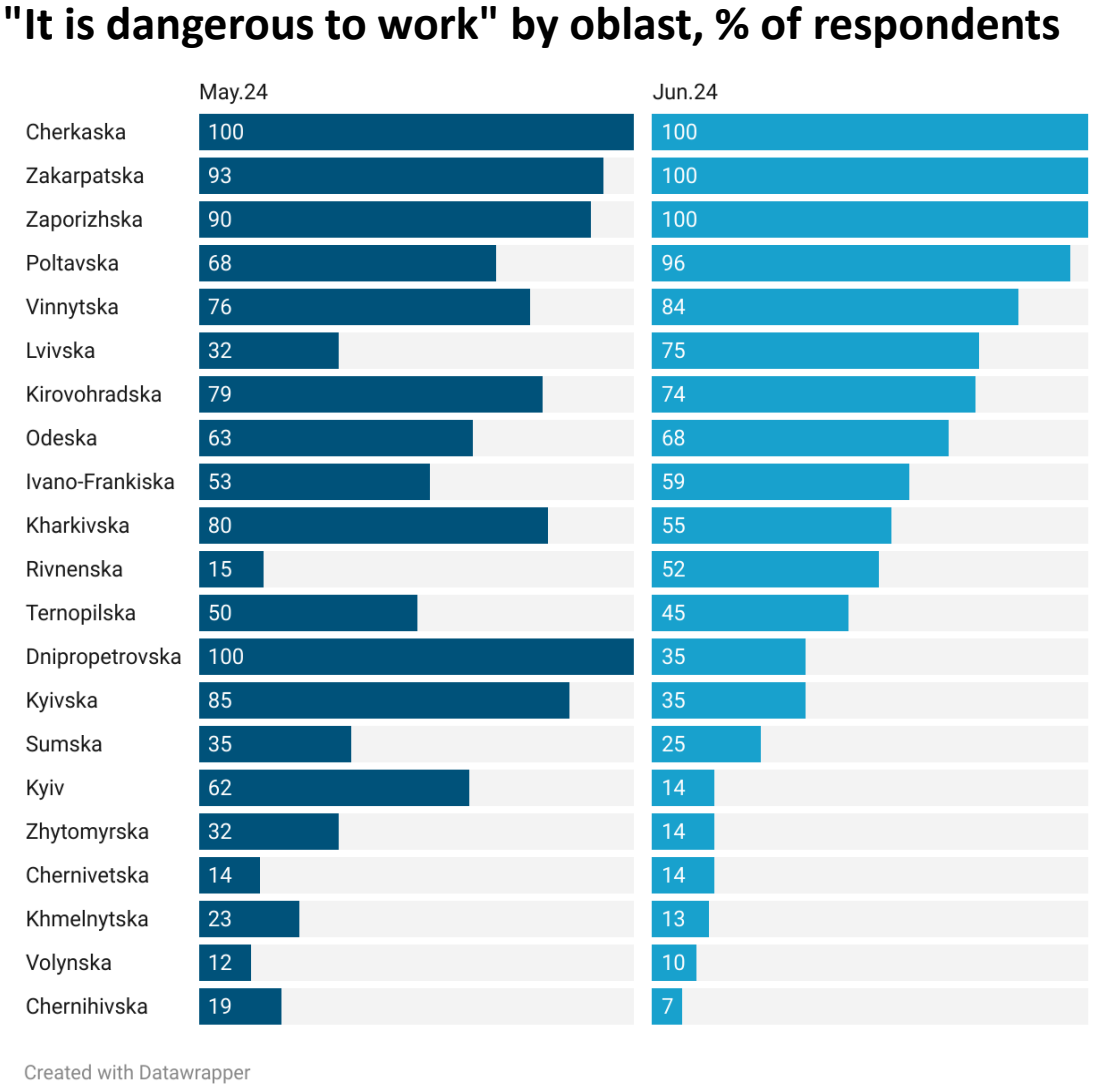
- The share of companies that **reported that it was dangerous to work has not changed significantly for three months** in a row and is 54% (it was 56% in May)
- In the list of obstacles, "it is dangerous to work" **lowered from 1st to 2nd place**



“It is dangerous to work” in different dimensions

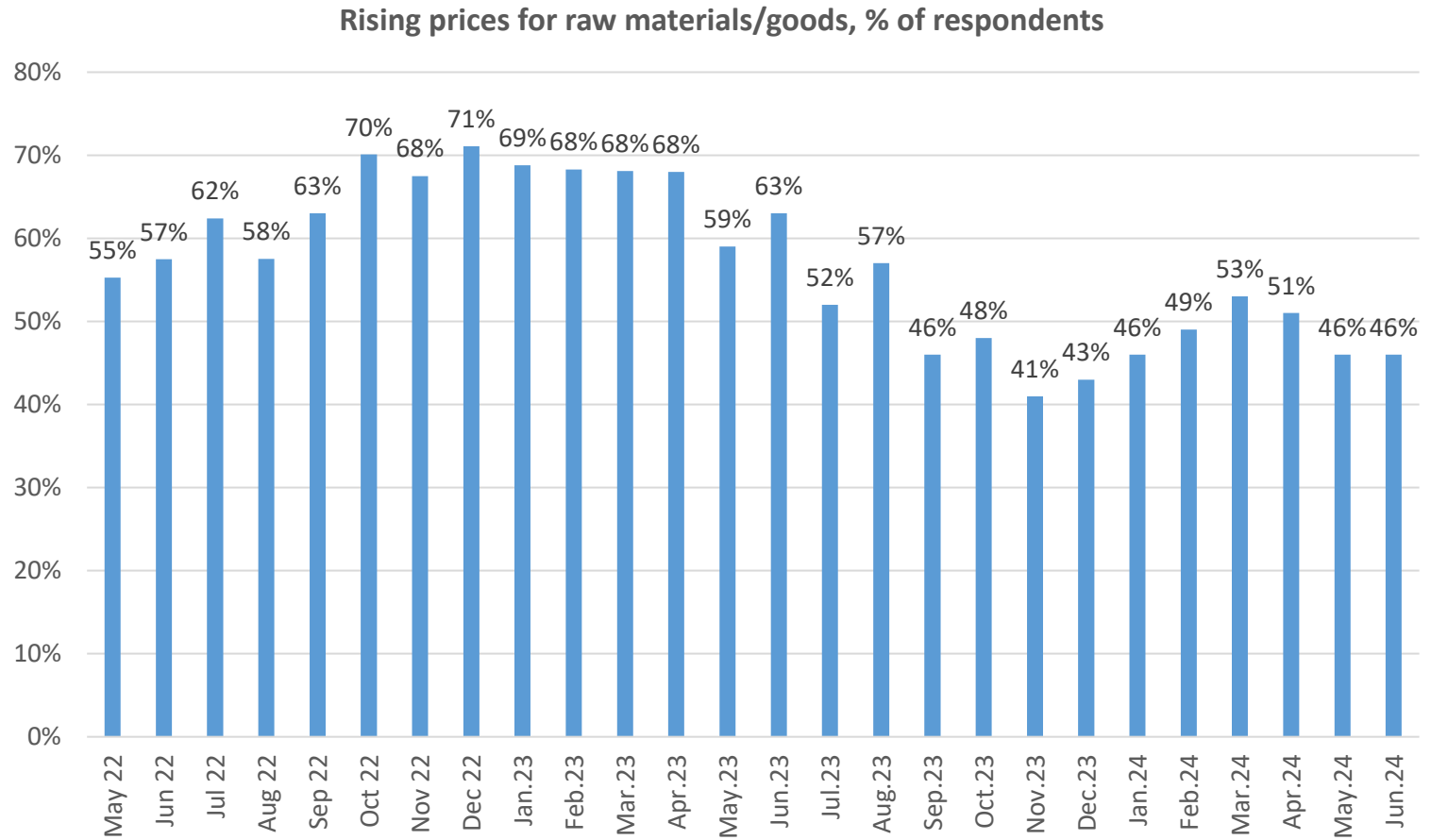


- % of companies that chose “it is dangerous to work" **decreased for micro and small businesses**, and **did not change significantly for large and medium-sized business**
- **80+%** of respondents **in Vinnytska, Poltavska, Zaporizhska, Zakarpatska and Cherkaska oblasts** consider unsafe conditions as impediment



"Rising prices" retains at its place in the list of impediments

- The share of enterprises for which **"rising prices for raw materials" is an impediment, is 46%, as last month**
- In the list of obstacles, “rising prices" **remained in 3rd place**



Interruptions of electricity supply

Main results 6: electricity outages

"**Power outages**" rose **from 4th to 1st place** in the list of **impediments** (the figure increased from 41% in May to 65% in June)

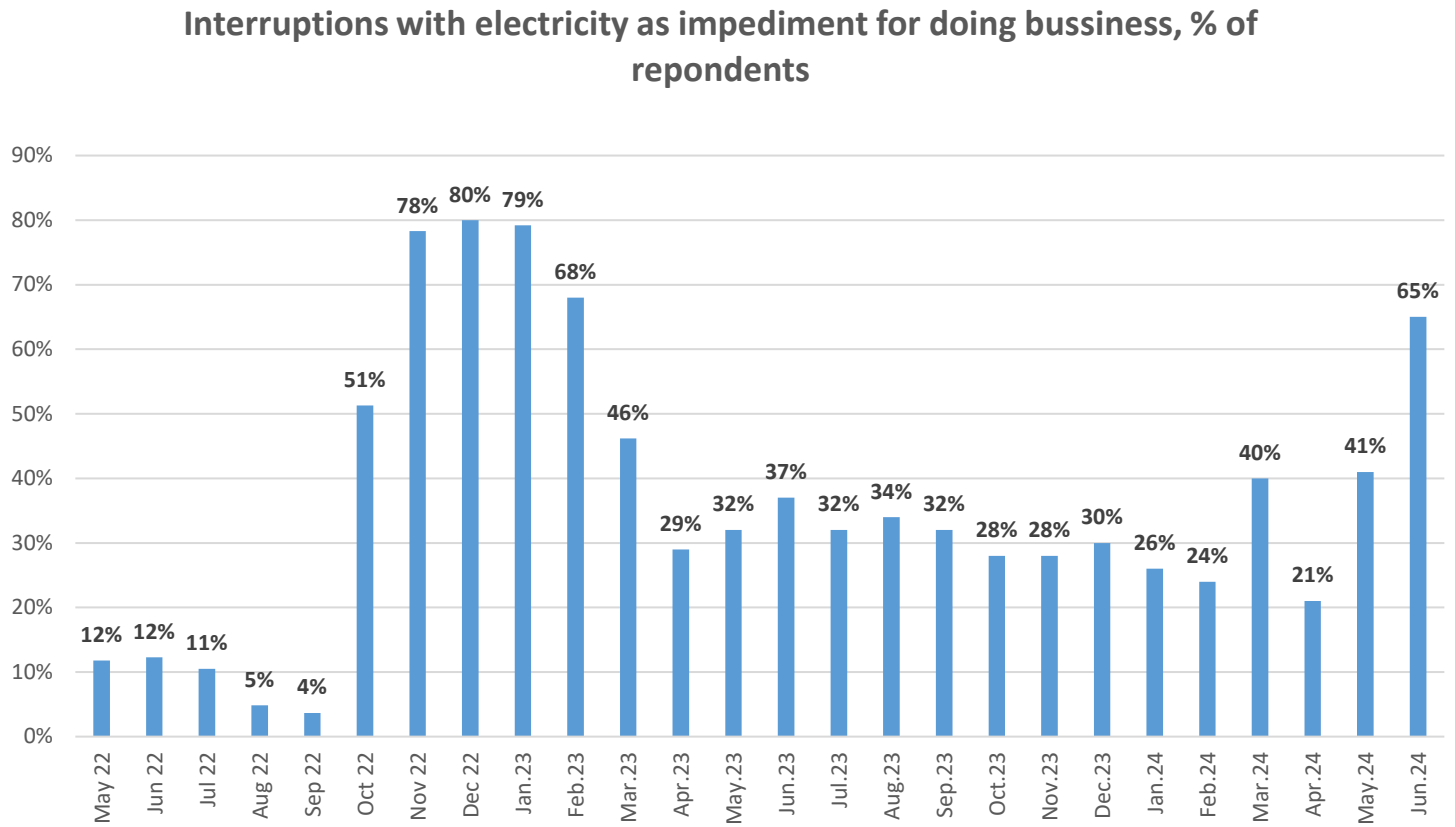
More than a half (52%) of businesses **temporarily suspended operations** due to power outages in May 2024

In May 2024, due to power outages, **businesses lost 8%** of their total **working time**

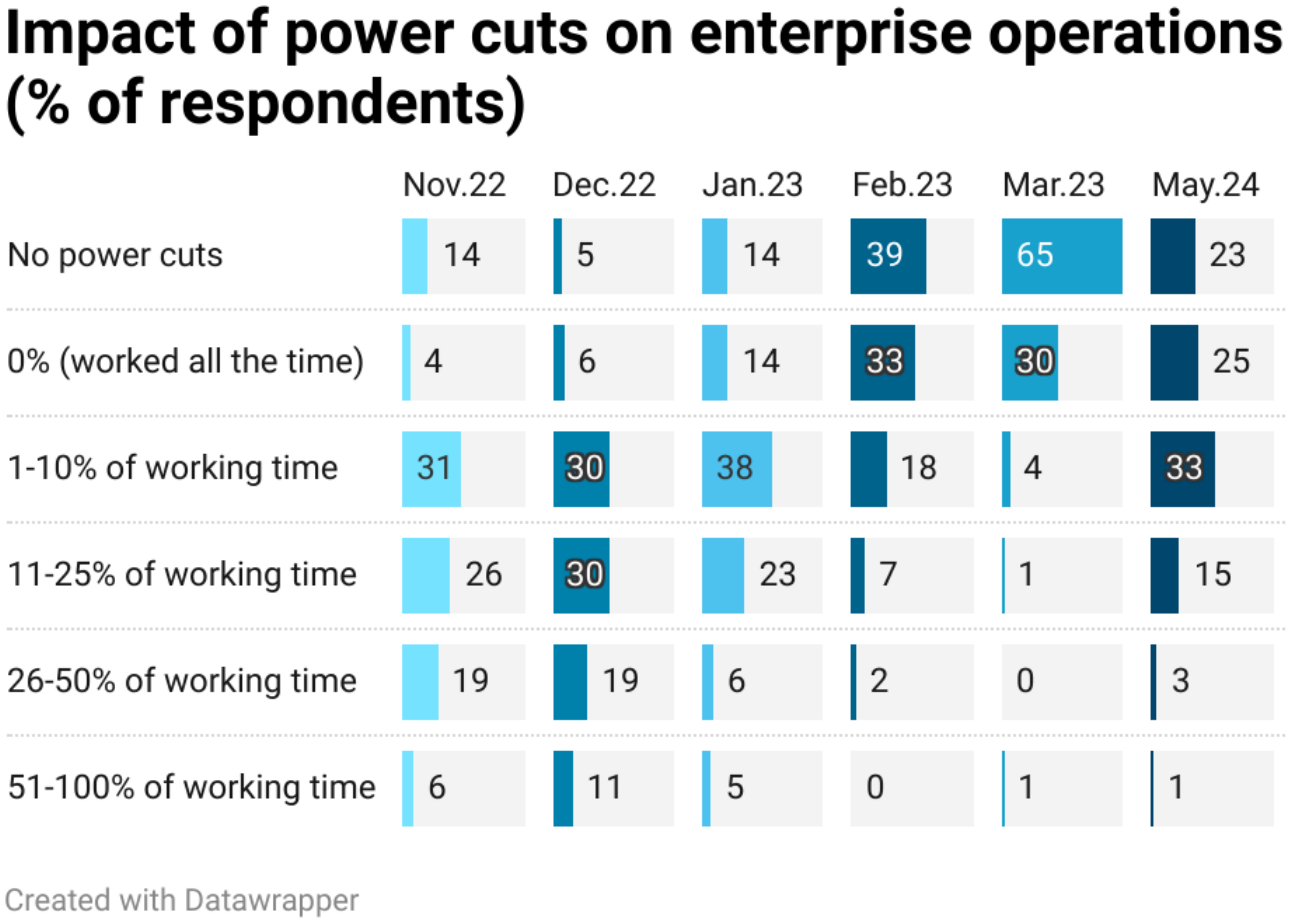
Micro and **small enterprises** suffer **more losses**. Among the industries, the greatest time losses are in **woodworking**, manufacturing of construction materials, and **printing**

There are more and more problems with electricity

- The share of companies that reported power outages as an impediment increased from 41% in May to 65%
- In the list of obstacles, "power outages" rose from 4th to 1st place



More than half of the enterprises stopped working due to power outages

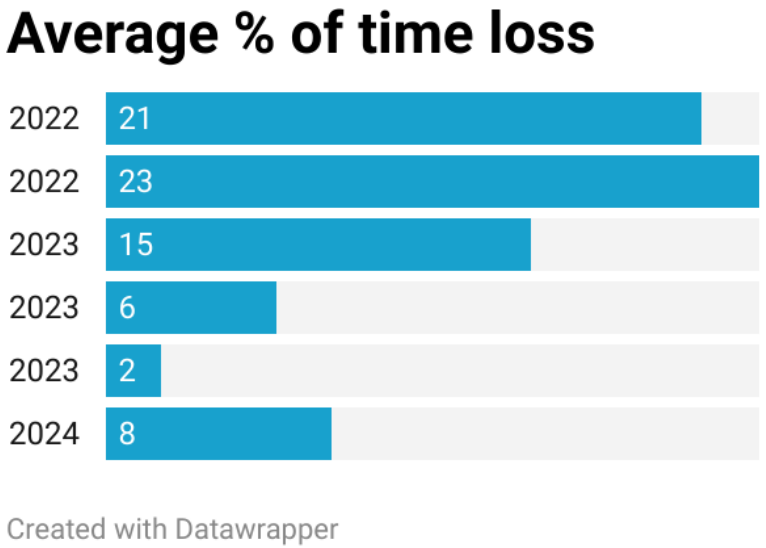


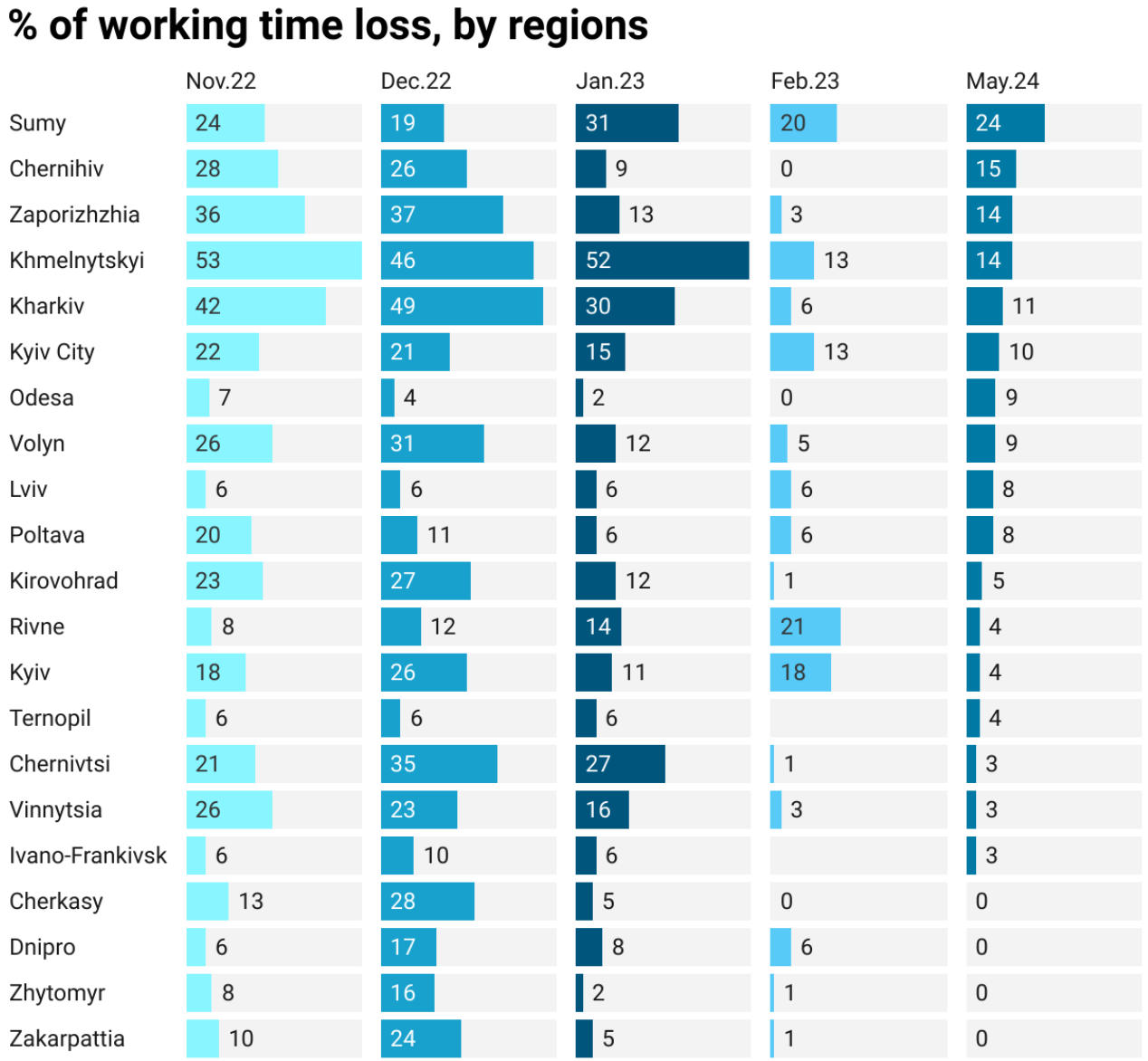
More than a half (52%) of businesses temporarily suspended operations due to power outages in May 2024:

- 33% of enterprises stopped operations at only 1-10% of working hours, and 15% stopped at 11-25% of working hours
- In May, **only** about **1%** of enterprises did not work more than half of the working time (51-100%)
- However, **25% of businesses** have been **operating** continuously **despite the power cuts**
- **23%** of enterprises did **not have power cuts**

Loss of working time due to power outages

- In May 2024, due to power outages, businesses lost 8% of their total working time
- The greatest loss of time due to power outages was experienced by enterprises in Sumy, Chernihiv and Zaporizhia regions

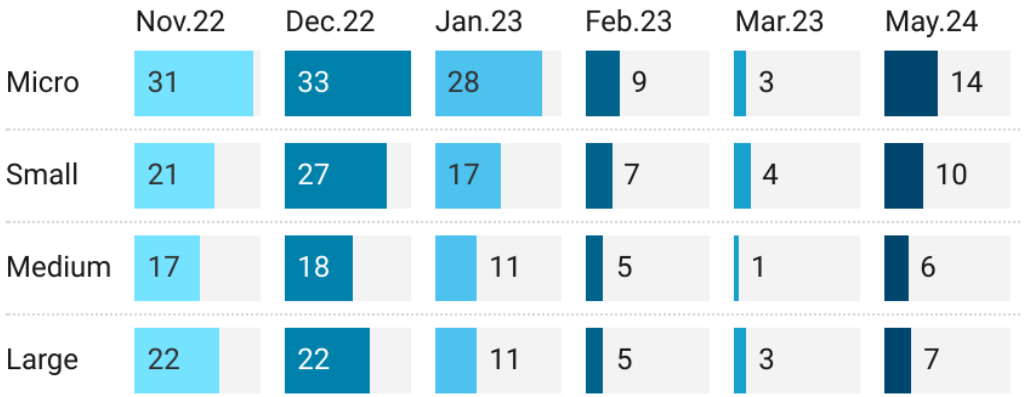




Micro and small businesses are more affected by blackouts

- Micro and small enterprises are still suffering more losses
- Among the industries, the greatest losses of time are in woodworking, the manufacture of building materials, and printing

% of working time loss, by enterprise size



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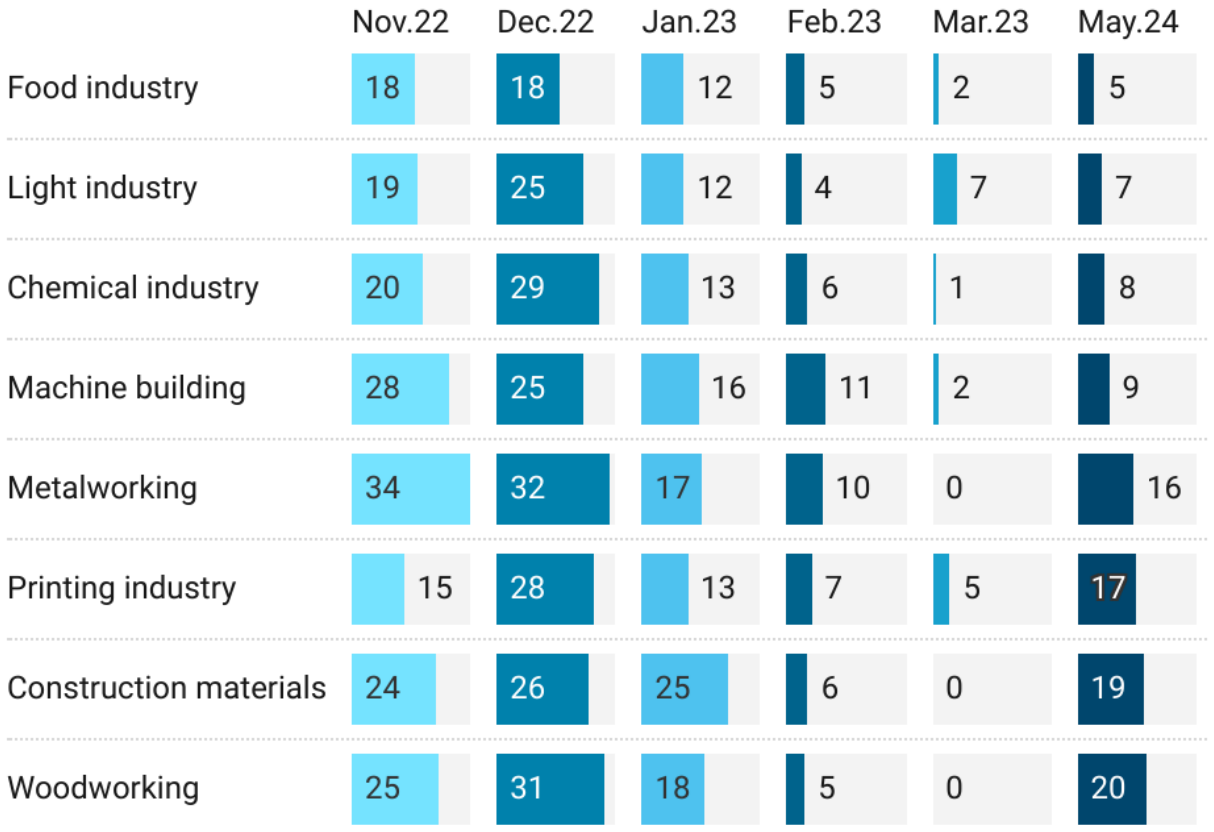
% of working time loss, by industry



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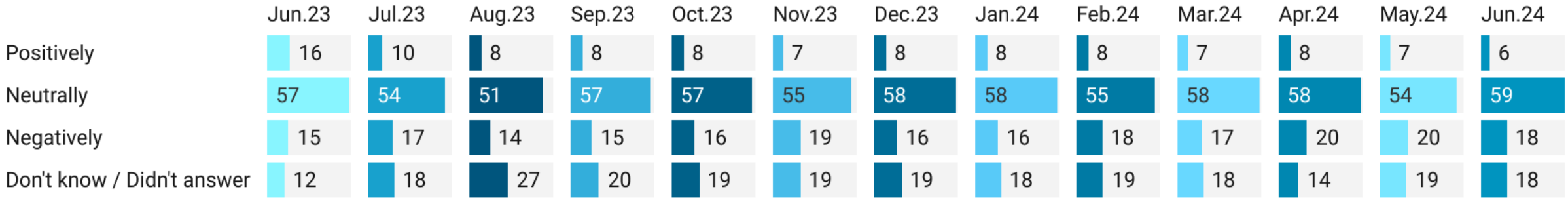
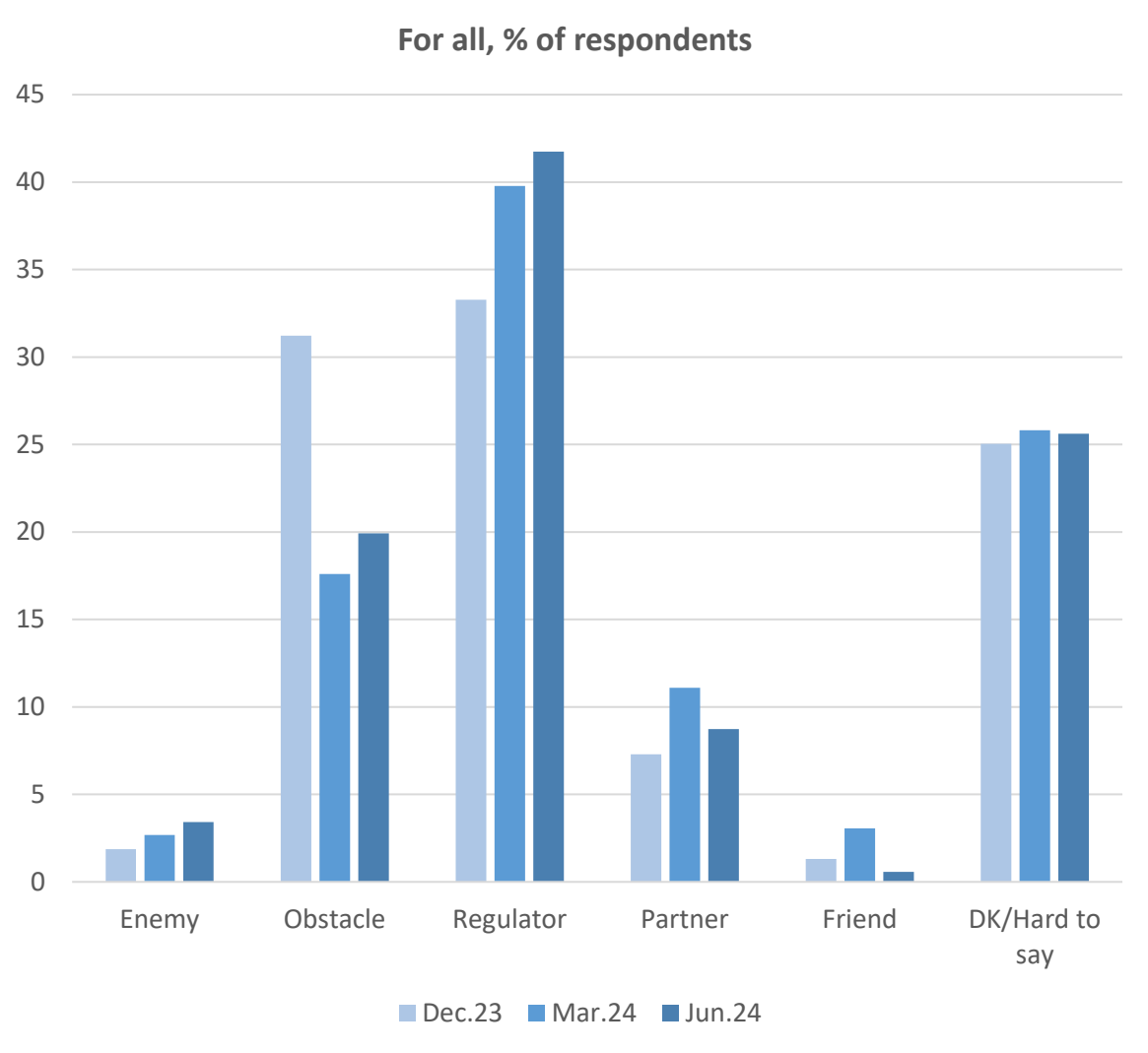
Economic policy

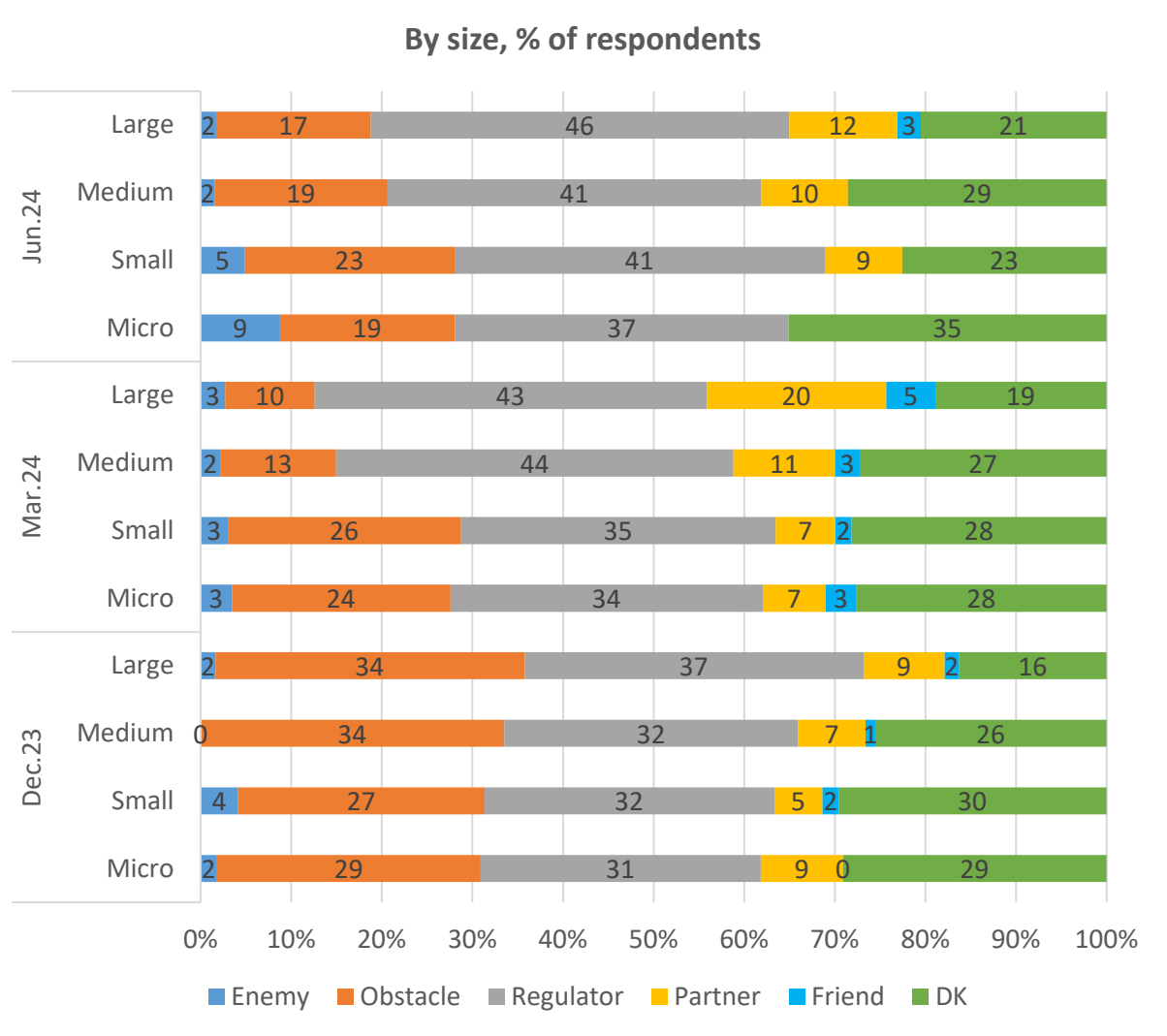
The number of neutral assessments of the Government's economic policy has increased again



- The share of **positive assessments** of the Government's business support policy **is 6% and has not changed significantly for more than a year**
- The share of **neutral assessments** of the Government's business support policy **increased** from 54% to 59% in June
- The share of **negative assessments decreased slightly**, from 20% to 18%
- The share of those **who have not decided on the answer has not changed significantly** and is 18% (it was 19% in May)

Today, in Ukraine, the state for business is...





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.

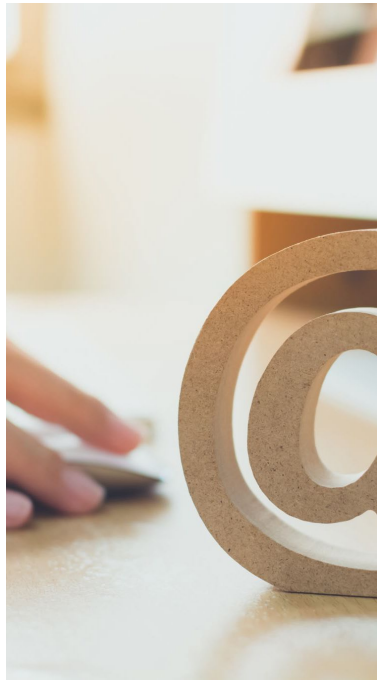
The special part of the Monthly survey provides information on specific topics. A special part examines the enterprises' problems, the war's impact on production volumes, export activity, basic business needs, and the assessment of government policy.

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 25-th wave lasted from May 20 to May 31, 2024. The enterprise managers compared the work results in May 2024 with April, assessed the indicators at the time of the survey (May 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.

Our contacts



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