INSTITUTE
FOR ECONOMIC RESEARCH
AND POLICY CONSULTING

“Amidst Tempered Optimism”

Main economic trends in May 2024

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

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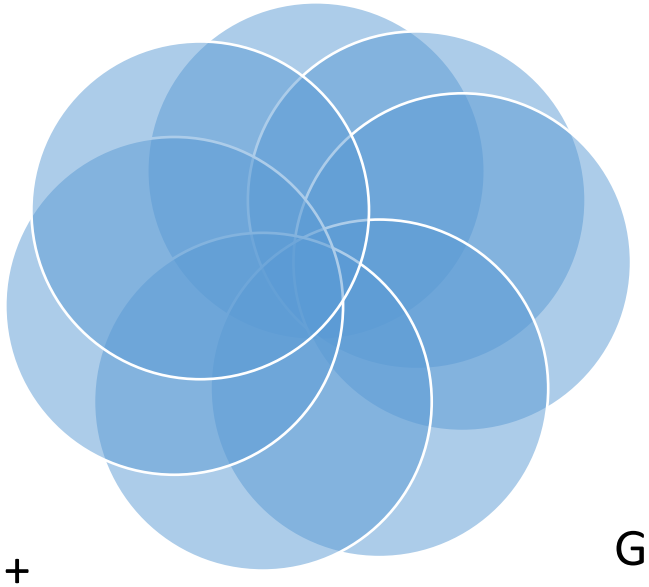
ABOUT THE NEW RAPID ENTERPRISES SURVEY

Monthly survey

The recent data were collected on **May 20 – 31, 2024**

25 surveys have already been conducted (since May 2022)



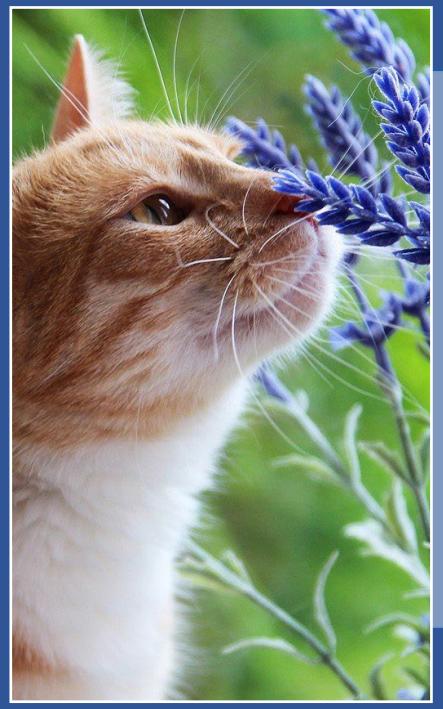
SAMPLE: **534 enterprises** were surveyed **in May**

Enterprises of **all sizes**

Sectors: Industry + (Retail, Agro)

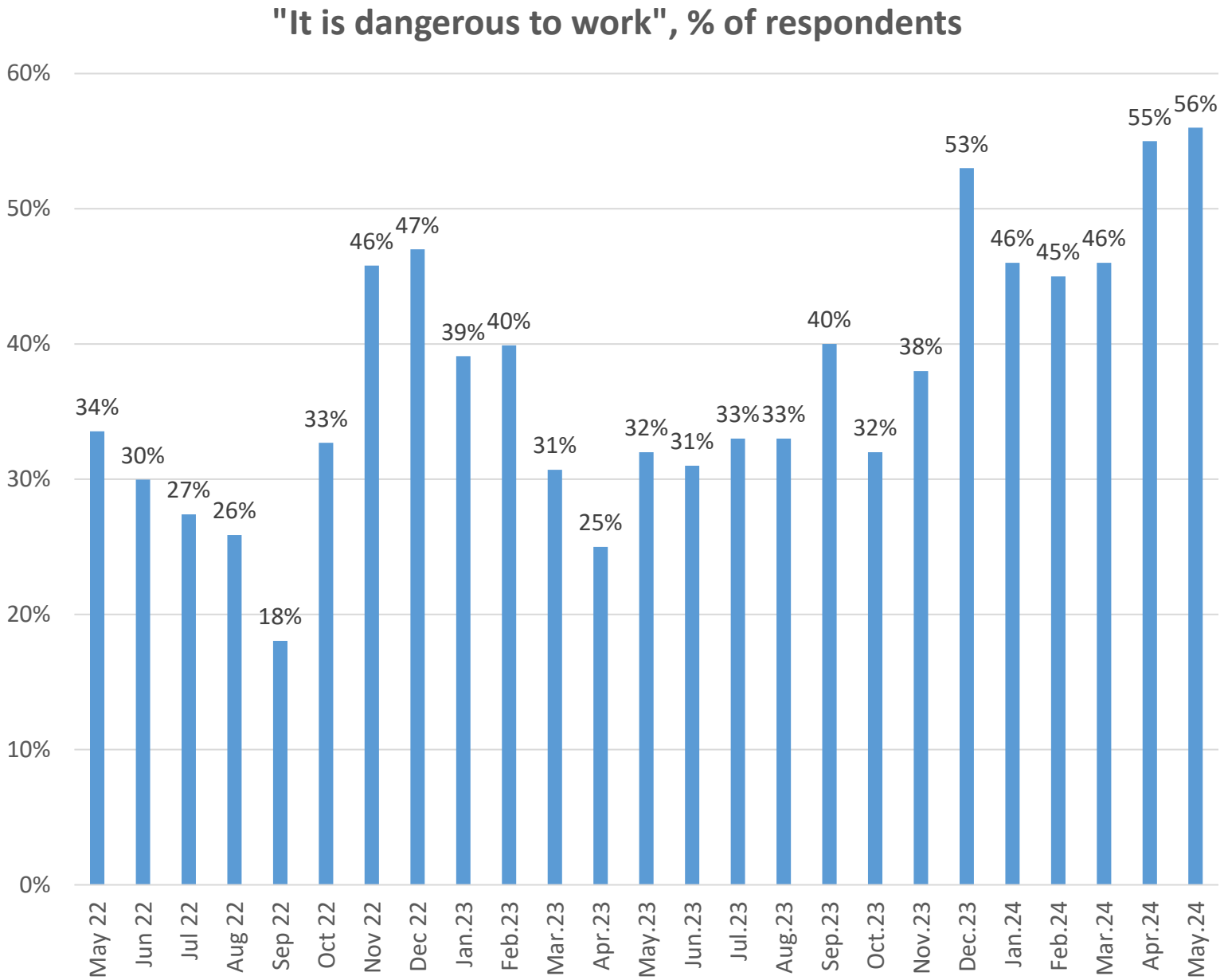
Geography: **21 out of 27** regions of Ukraine

Main result

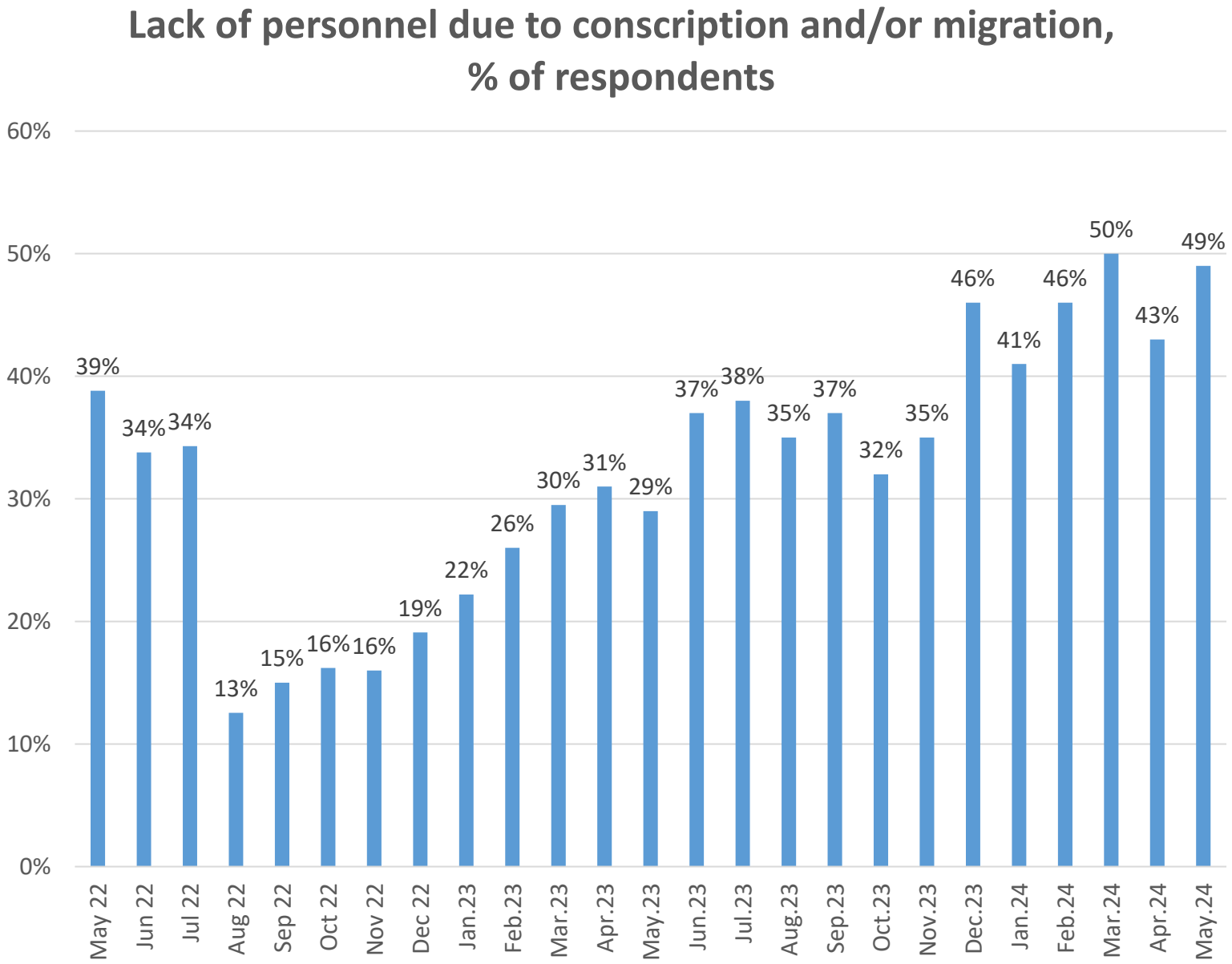


Against the background of **reduced uncertainty in the long-term perspective** and **optimistic plans** for the **six-month** period, the **plans for the two-year** perspective nevertheless **worsened**. **Security** and **labor shortages** are major **barriers** to doing **business**

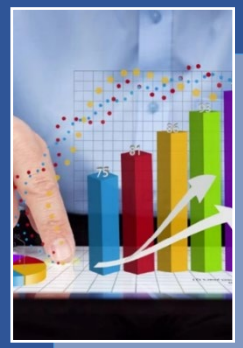
“It is dangerous to work” remains at the top impediment of the list



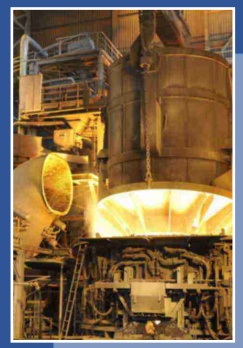
The importance of "lack of personnel" as an impediment has increased (moved from 3rd to 2nd place in the List)



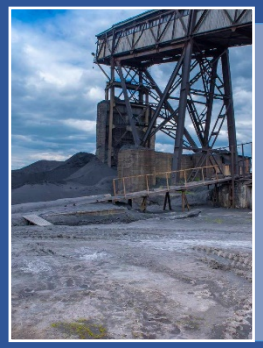
Main results 1



The Business Activity Recovery Index (BARI) **increased** from 0.33 to 0.40

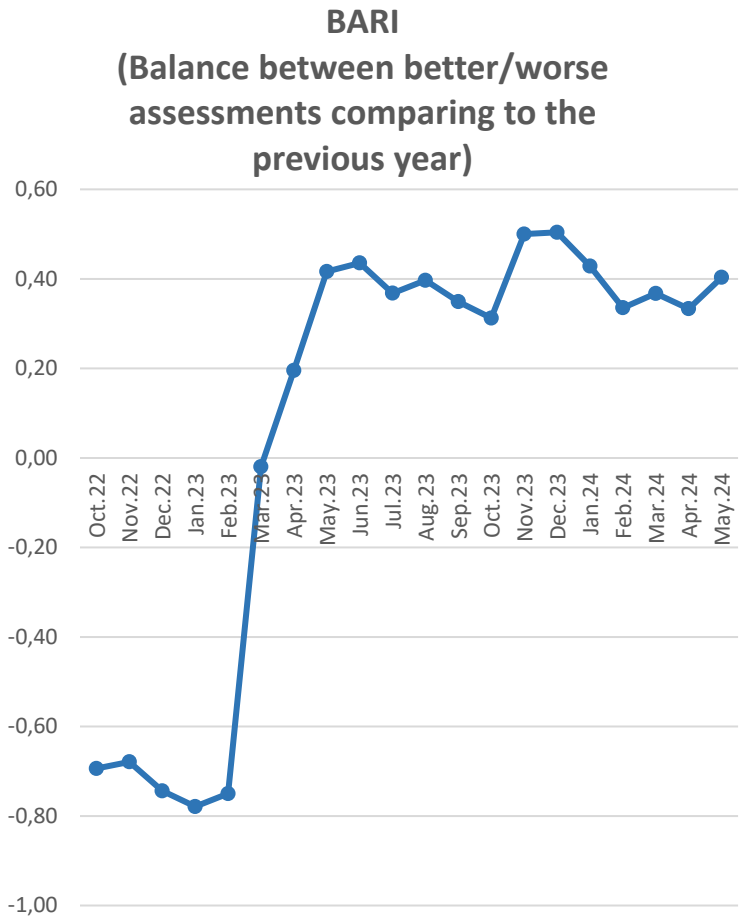


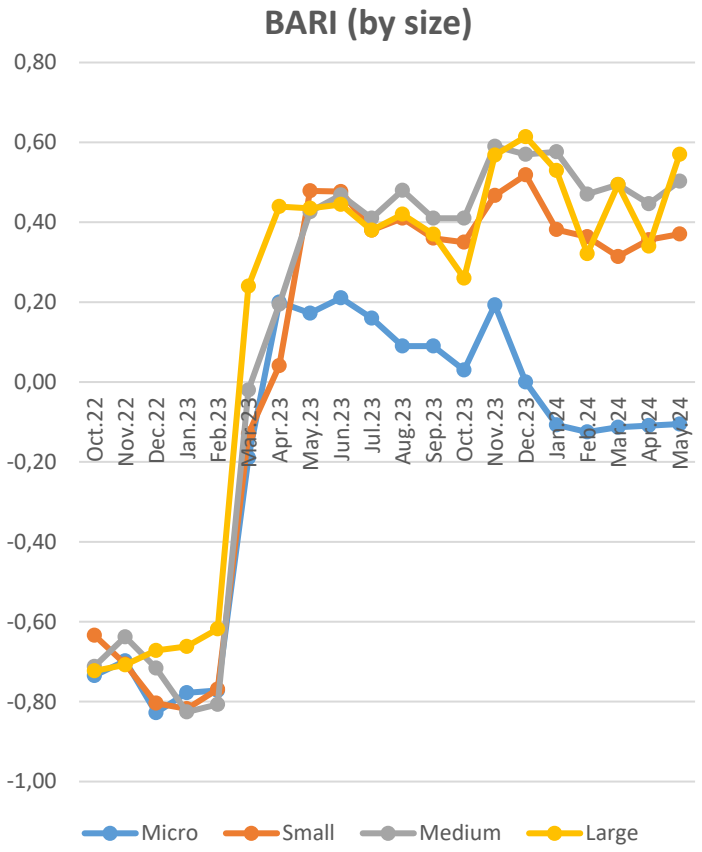
% of enterprises **operating at full capacity increased**



For the **third month in a row, the Industrial Confidence Indicator** (ICI) **remained unchanged,** is 0.14 (was 0.15)

The Business Activity Recovery Index (BARI)* has increased





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

In May 2024, compared to April, **the Business Activity Recovery Index (BARI) increased** from 0.33 to 0.40 (on a scale from -1 to +1)

This was due to changes in % better/worse responses:

- % of companies, reported **that their business activity is better than last year increased significantly**, from 45.3% in April to 55.4% in May
- % of companies reported **that their business activity is worse, compared to last year, also increased, but less significantly**, from 12.0% to 15.1%

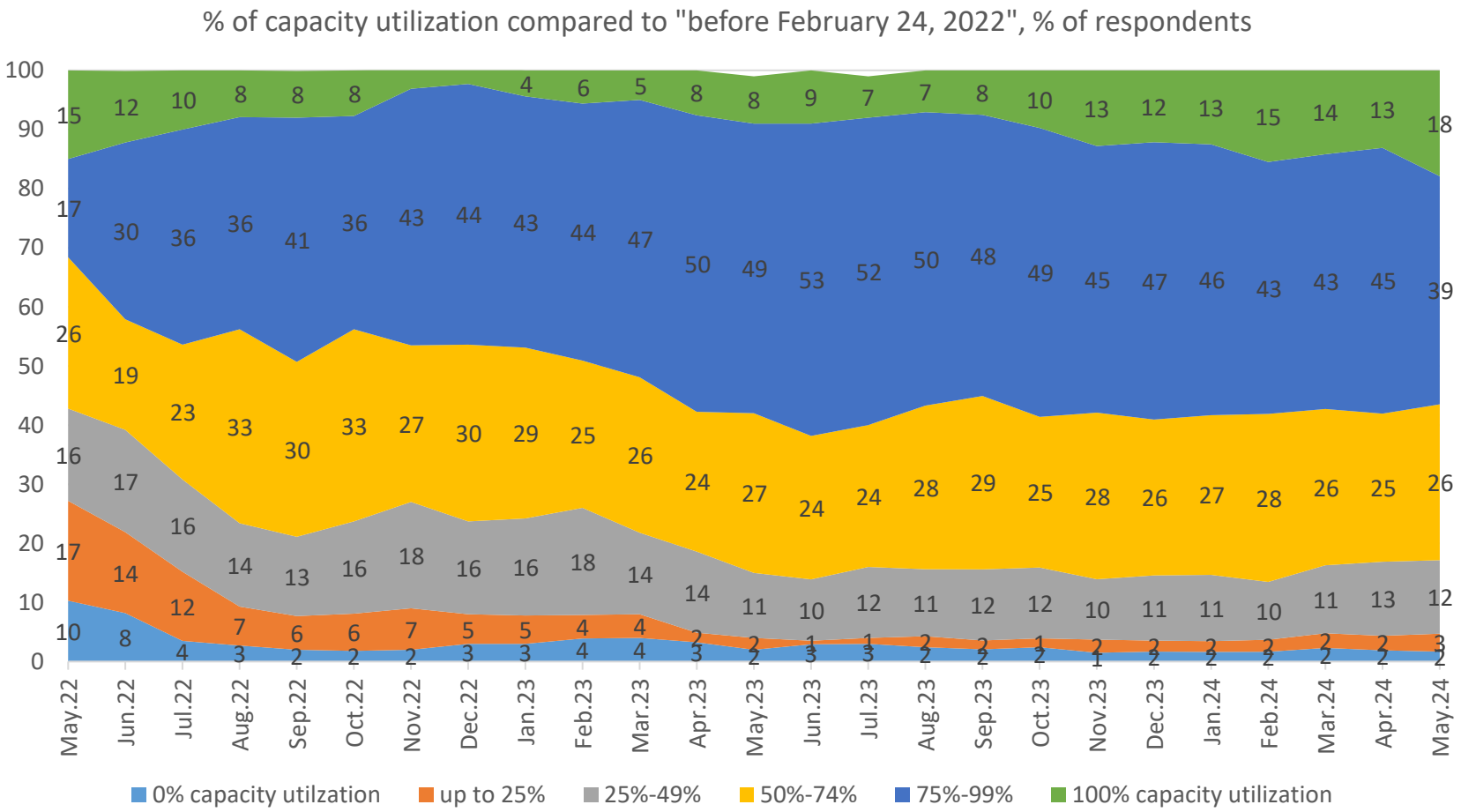
At the same time:

- The share of those for **whom nothing has changed decreased** from 42.7% to 29.4%

BUT there are significant differences depending on the size of enterprises

- The BARI value has **remains unchanged for several months in a row and is the lowest** (with a negative value) **for micro-enterprises**
- The indicator **increased for large and medium-sized enterprises** and **did not change significantly for small enterprises**

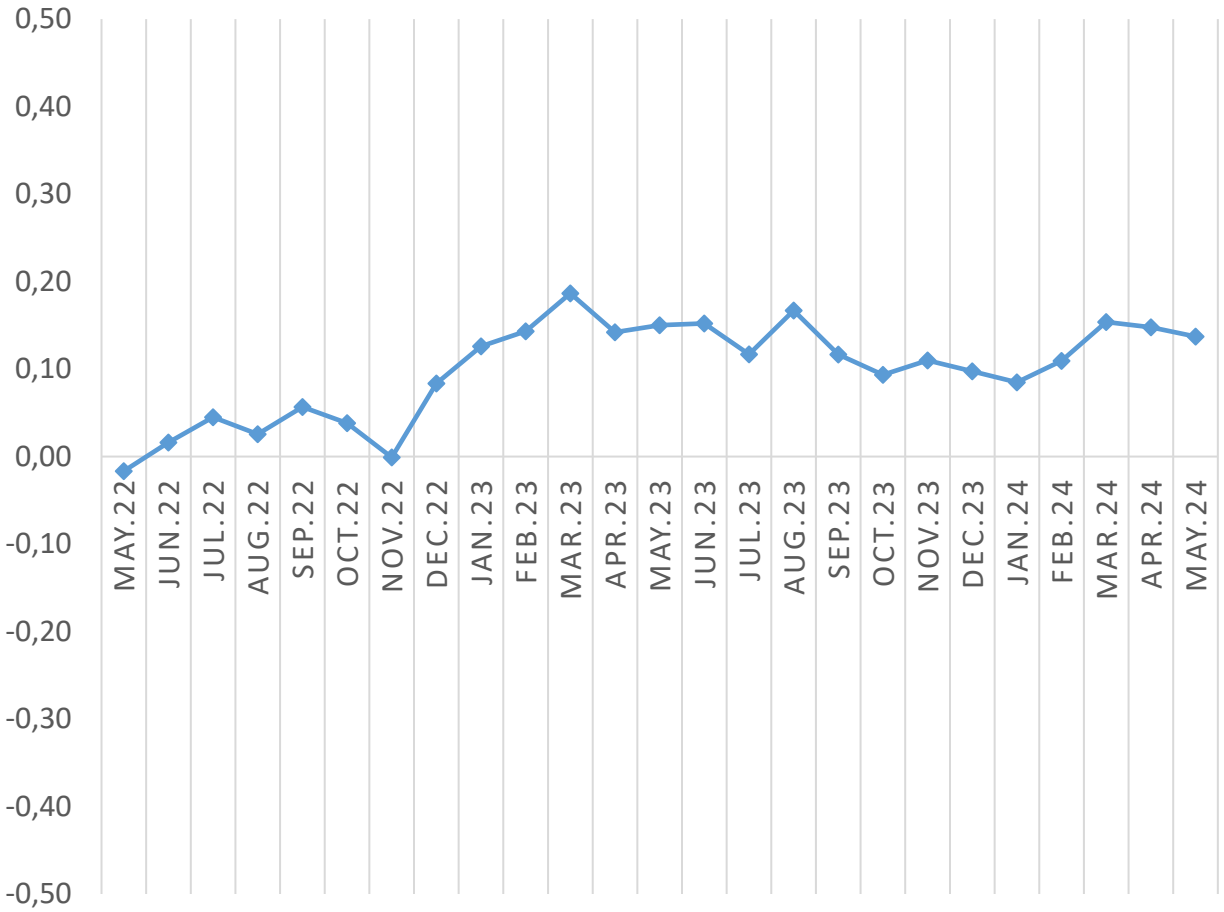
“Now” vs. “before February 24”: Capacity utilization has increased



Results improved compared to the previous month:

- The share of enterprises operating **at 100% capacity increased** from 13% in April to 18% in May 2024
- The share of enterprises operating **at almost full capacity in May is lower** (39%) than in April (45%)
- % of enterprises **that do not operate at all have not exceeded 2%** for several months in a row

Industrial Confidence Indicator (ICI)*



The ICI remains unchanged for the third month in a row and is 0.14 in May (was 0.15 in March and April)

<u>In May 2024, compared to April, the fluctuations in the components of the ICI are the following:</u>

- **Production expectations (PE) decreased** from 0.51 to 0.47
- The component **Stocks of finished goods (SFG) increased slightly** (from -0.01 in April to 0.02 in May)
- Component **Volumes of New Orders (VNO) increased slightly** (from -0.07 to -0.05)

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

Main results 2. Uncertainty

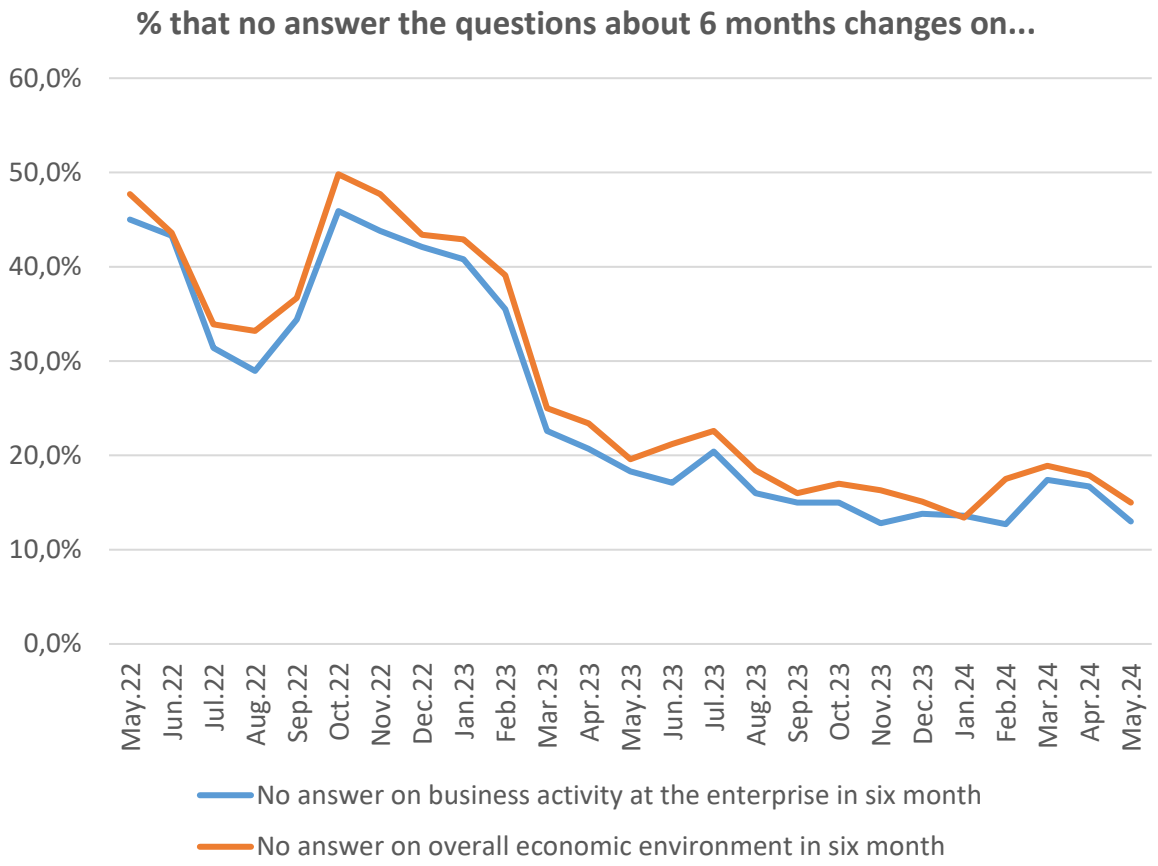
Uncertainty in the 6-month perspective for the business activity at the enterprise and the overall economic environment **has decreased**

Uncertainty **in the 3-month period has not changed significantly** for production indicators

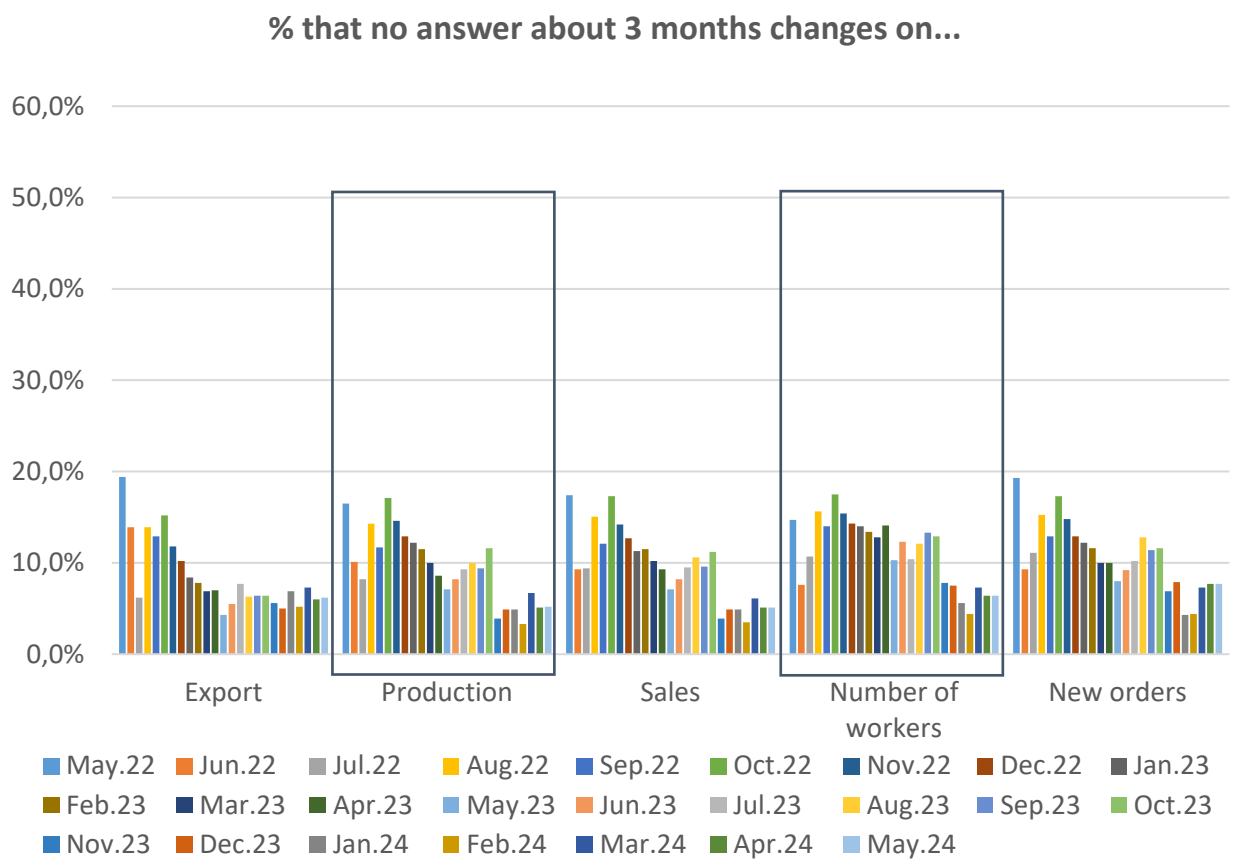
Uncertainty **in the 2-year perspective has significantly decreased** and **again shows the lowest indicators** for the entire period of the survey

Uncertainty in the six-month perspective has decreased and without significant changes in the three-month perspective

Half-year horizon



Three-month horizon

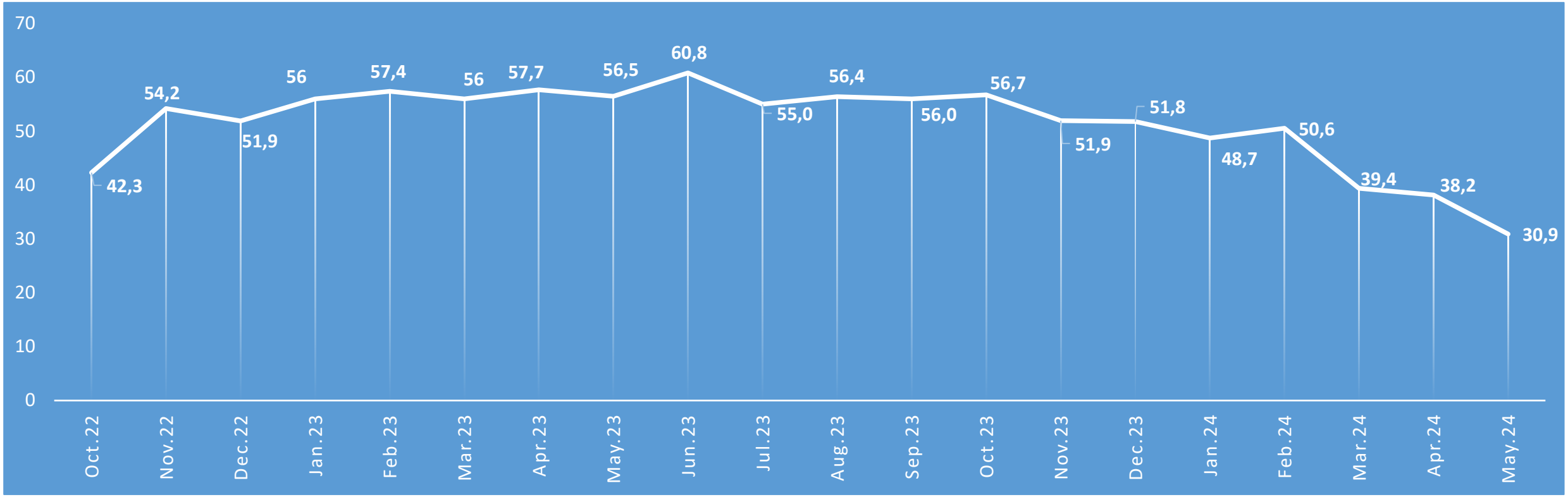


Uncertainty in the long-term perspective lowered again

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 decreased significantly (from 38% to 31%), which again became the lowest figure for the entire survey period



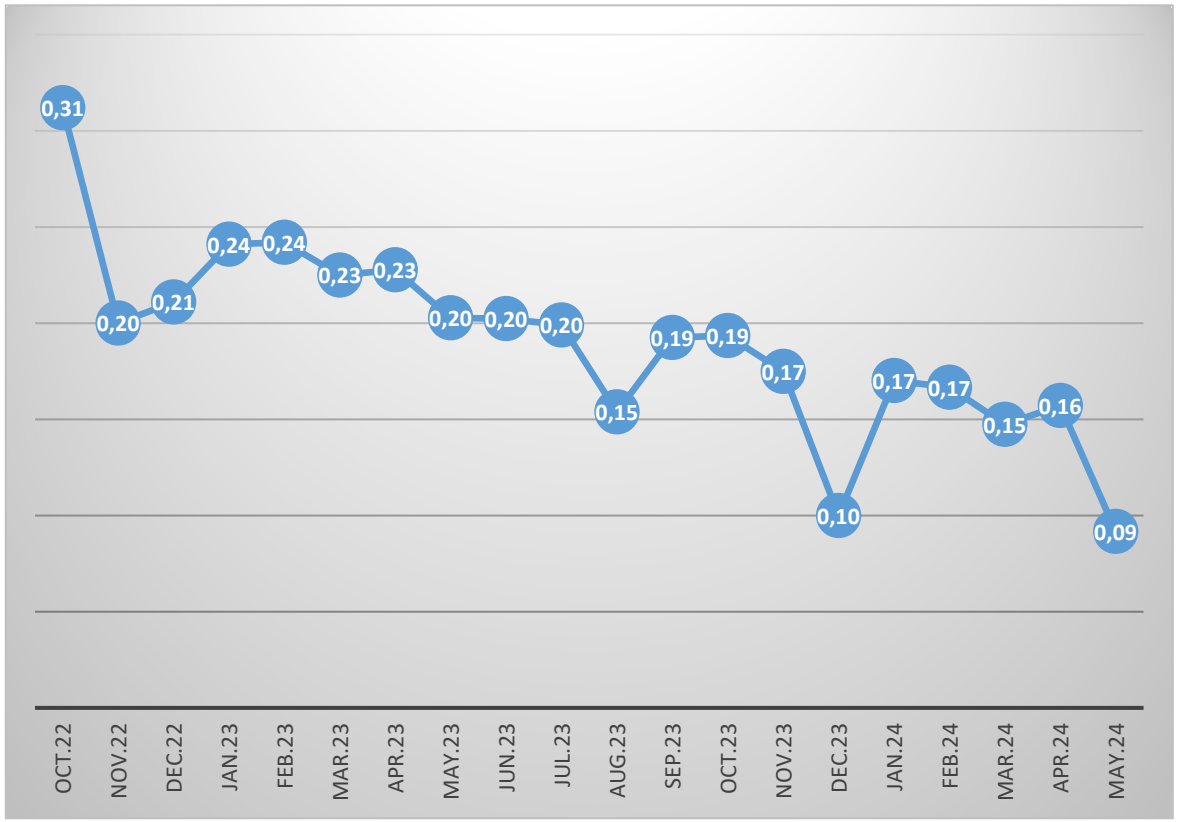
Main results 3. Medium-term expectations are improving, long-term perspectives deteriorate

Expectations in **the two-year perspective have deteriorated**

6-month expectations for the business activity at the enterprises **are growing**, but for the overall economic environment **have not changed significantly**

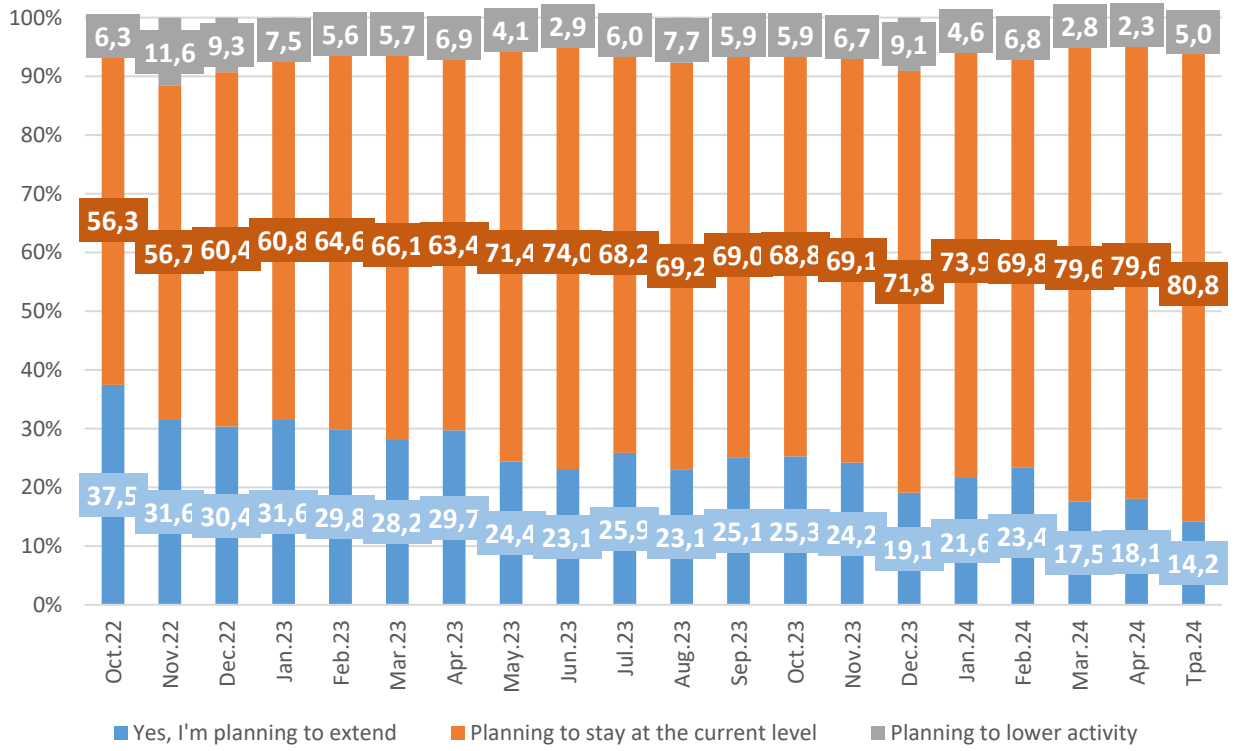
Long-term expectations have deteriorated

Index of expected changes in business activity



- **The index of expected changes in the 2-year perspective decreased significantly** in May, from 0.16 to 0.09
- Scale from -1 (bad) to +1 (good)

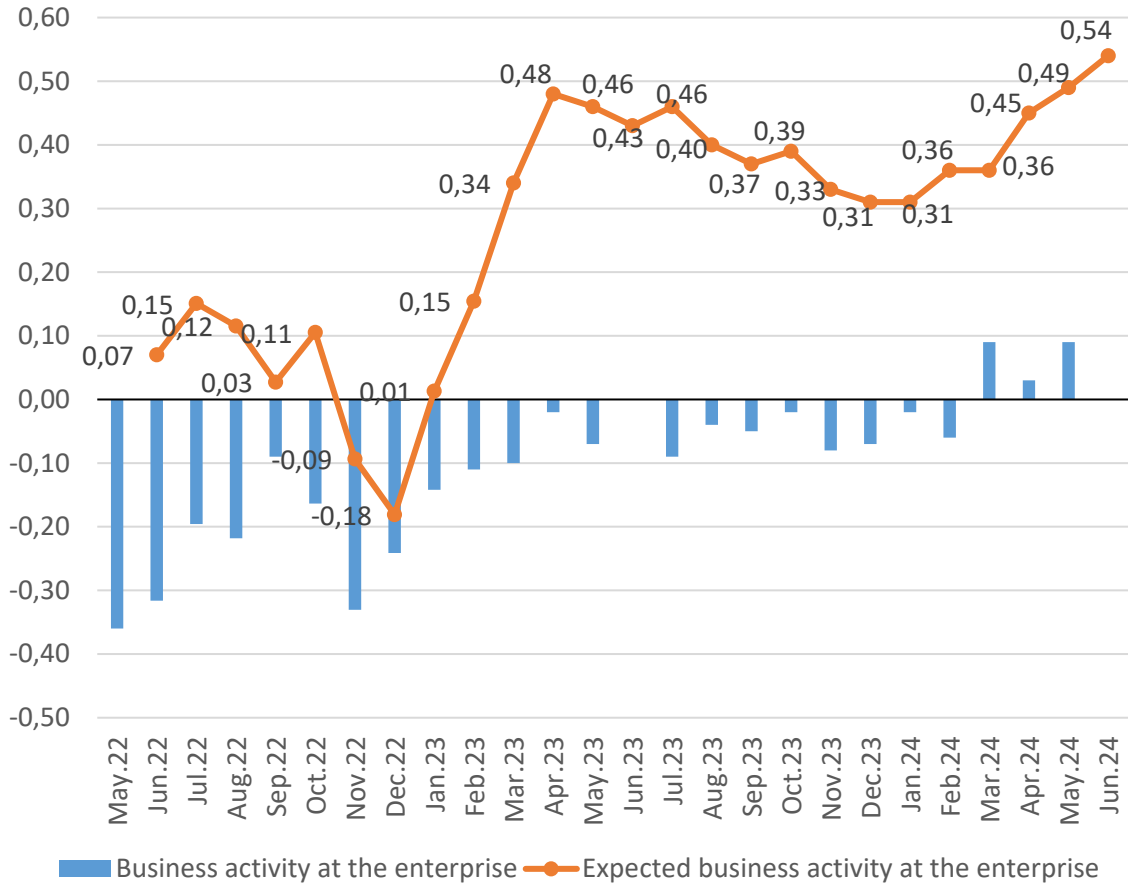
Expectations in the two-year perspective



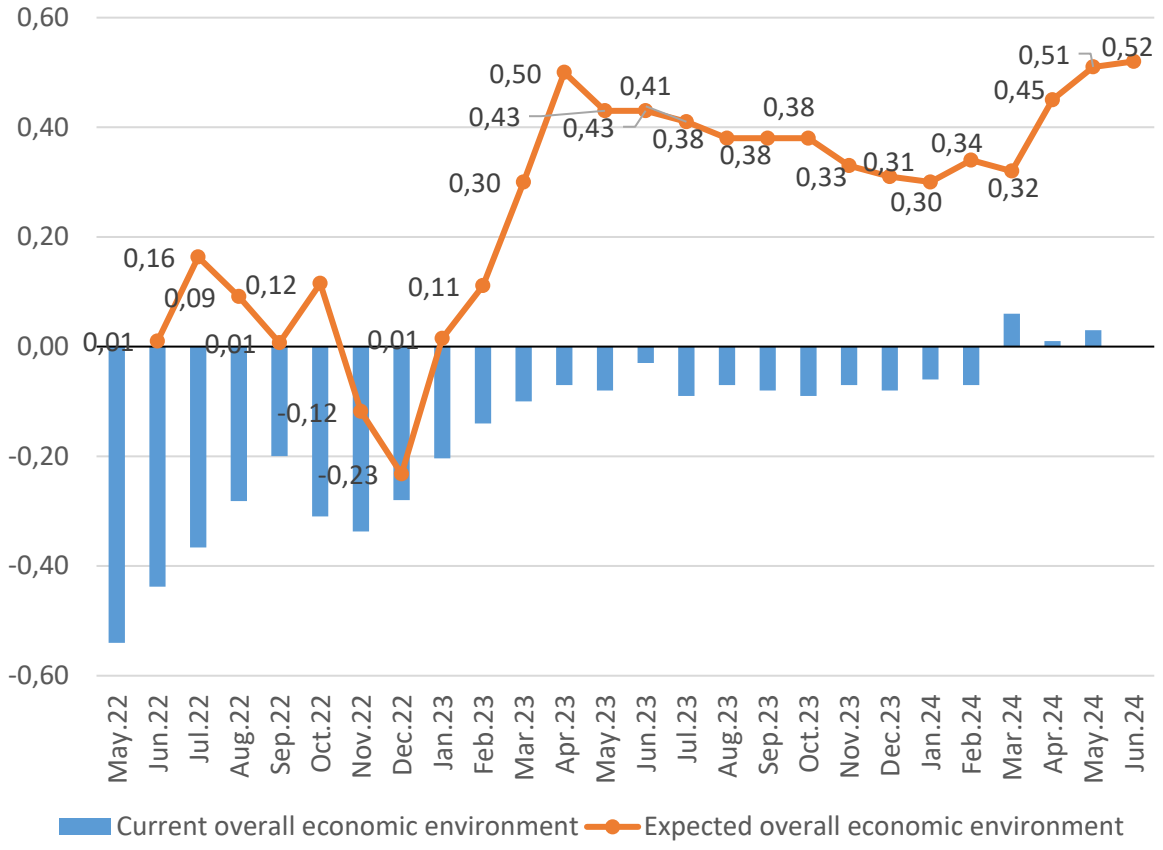
- *In May, compared to April, the **% of companies planning to extend their activities decreased** from 18% to 14%*
- *At the same time, the **% of those who plan to lower their activities increased slightly** from 2% to 5%*

6-month perspective: optimism remains high

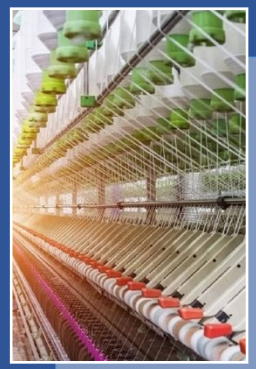
Business activity at the enterprise



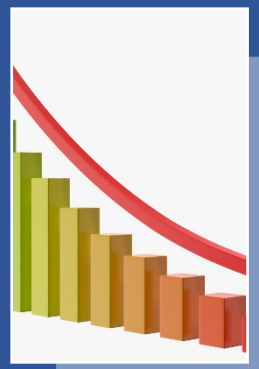
Overall economic environment in the country



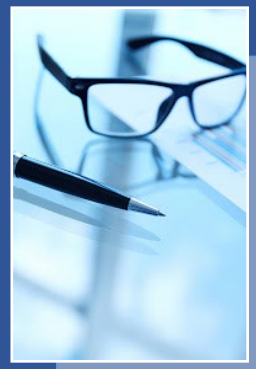
Main results 4: Results and expectations



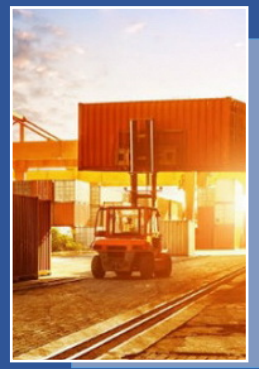
The results of the work (month vs the previous one) **have deteriorated a bit**



Production **expectations for the 3-month** perspective **are high, despite gradual slowing down**



The **downward trend in the number of employees continues**, and **difficulties in finding workers are increasing**



The **export results and expectations** in the three-month perspective **without significant changes**

Production: positive trends remains despite a slight slowdown

Past performance (May to April)

- % of companies that **increased production decreased slightly** (from 32.6% to 29.6% in May)
- % of companies that **reduced production volumes slightly increased** from 10.7% to 13.7%

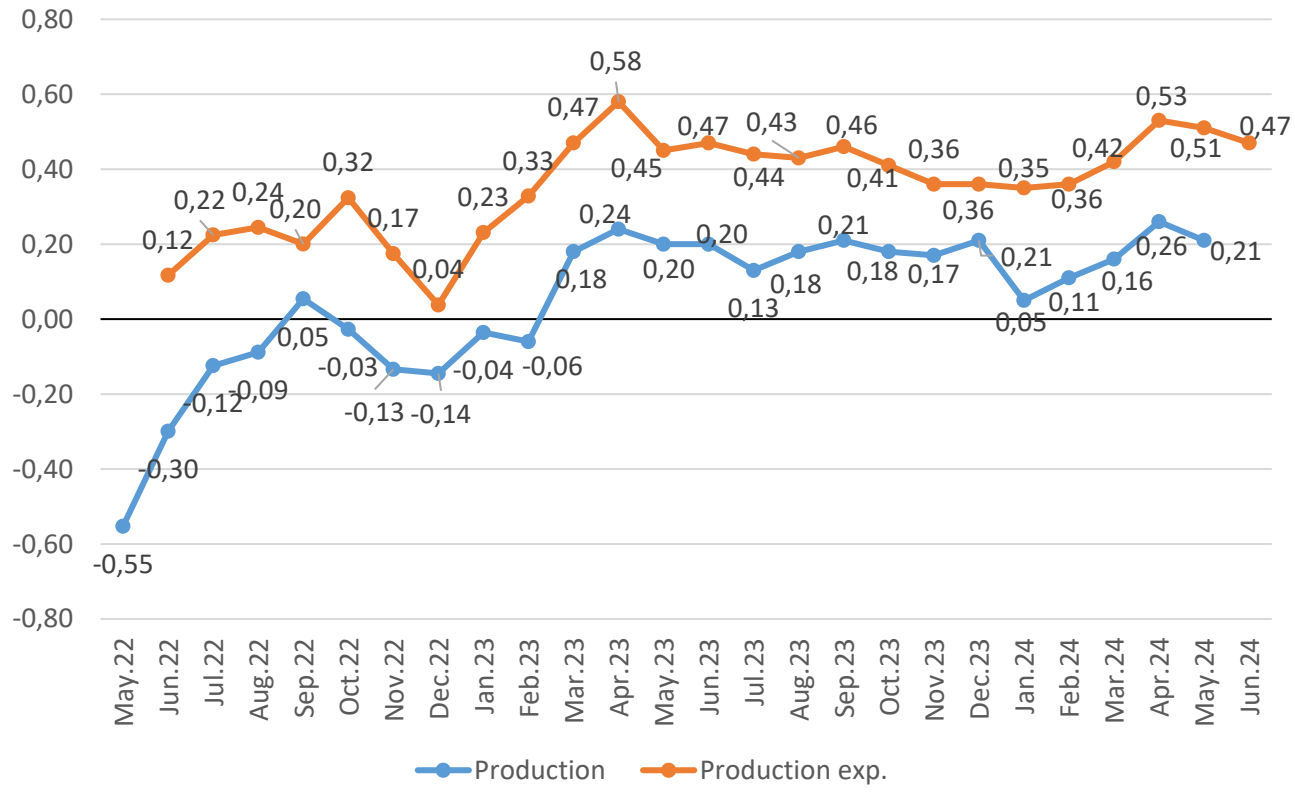
The index of change decreased from 0.26 to 0.21

Expectations for 3 months

- % of companies **planning production growth in the next 3-4 months decreased slightly**, from 50.5% to 47.6%
- % of companies **expecting a decrease in production volumes did not change significantly** (3.4% in April and 4.0% in May)

The **index of expected changes in production decreased slightly**, from 0.51 to 0.47

Production, balance indicators



Export: results and expectations without significant changes

Past performance (May to April)

- % of companies **reporting about export growth increased** (from 21.2% in April to 24.5% in May)
- % of companies **reporting about decrease in export also increased** (from 13.2% to 17%)

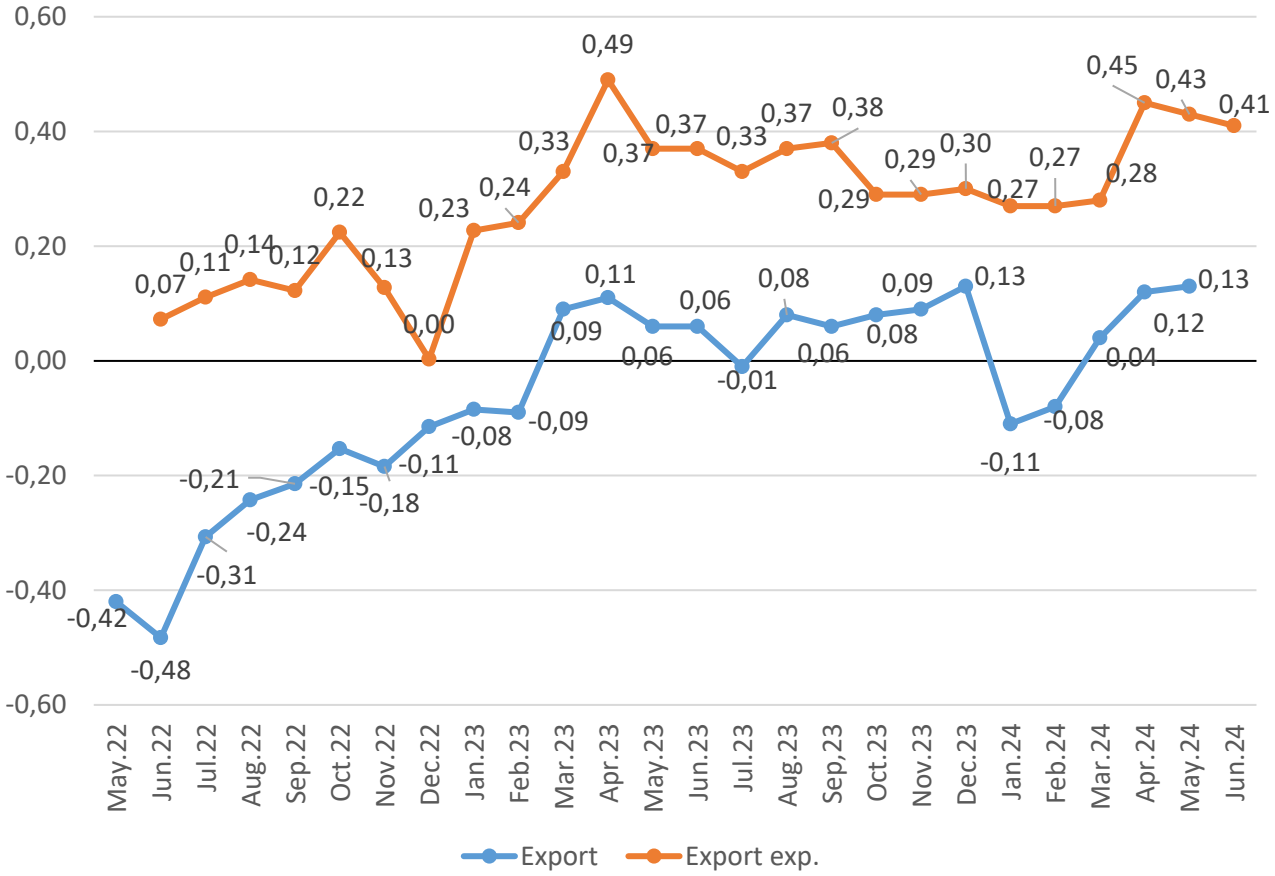
The index of change is 0.13 (was 0.12 in April)

Expectations for 3 months

- % of companies **expecting export growth almost unchanged** (42.9% in April and 41.5% in May)
- % of companies that **plan to reduce exports also without significant changes** (4.4% in April and 5.3% in May)

The **index of expected changes in export decreased slightly**, from 0.43 to 0.41

Export, balance indicators



Purchase price: growth slowed down

Past performance (May to April)

- % of companies **reporting about increasing of purchase price decreased** (from 23.2% in April to 19.4% in May)
- % of companies for whom **purchase prices lowered remain unchanged** (2.7% in April and 1.5% in May)
- % for whom **nothing has changed increased** from 74.1% to 79.1%

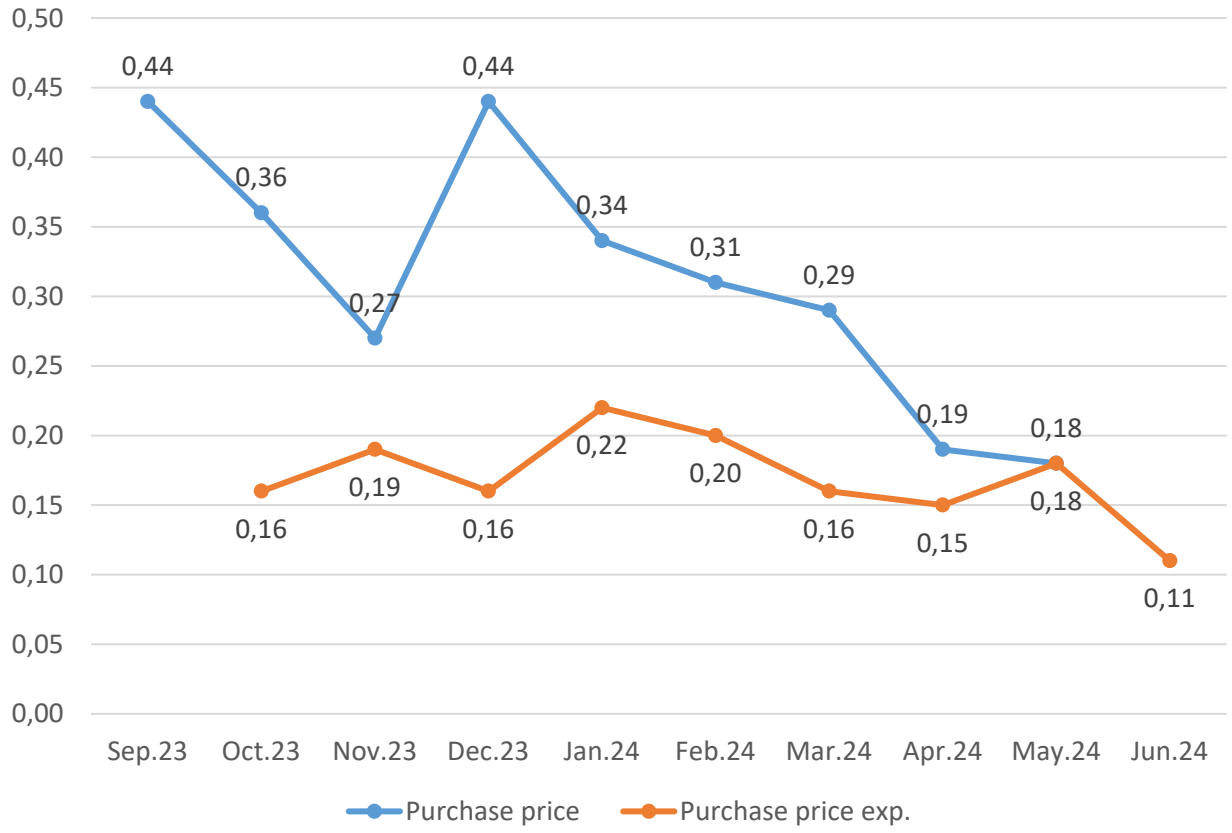
The **index of changes in purchase prices did not change significantly** and is 0.18 (was 0.19)

Expectations for 3 months

- % of companies **expecting increasing of purchase price increases** (from 18.9% to 13.2%)
- % of companies **expecting purchase prices to decrease almost unchanged** (2.3% in April and 1.7% in May)
- % **for whom nothing has changed increased** from 78.8% to 85.1%

The **index of expected changes in purchase prices for raw materials decreased** from 0.18 to 0.11

Purchase price, balance indicators



Domestic sales price: growth slowed down

Past performance (May to April)

- % of companies **reporting about increasing in domestic sales prices decreased** from 22.1% in April to 17.9% in May
- % of companies **for whom domestic sales prices decreased did not change significantly** (2.5% in April and 2.1% in May)
- % for whom **nothing has change increased** from 75.5% to 80.0%

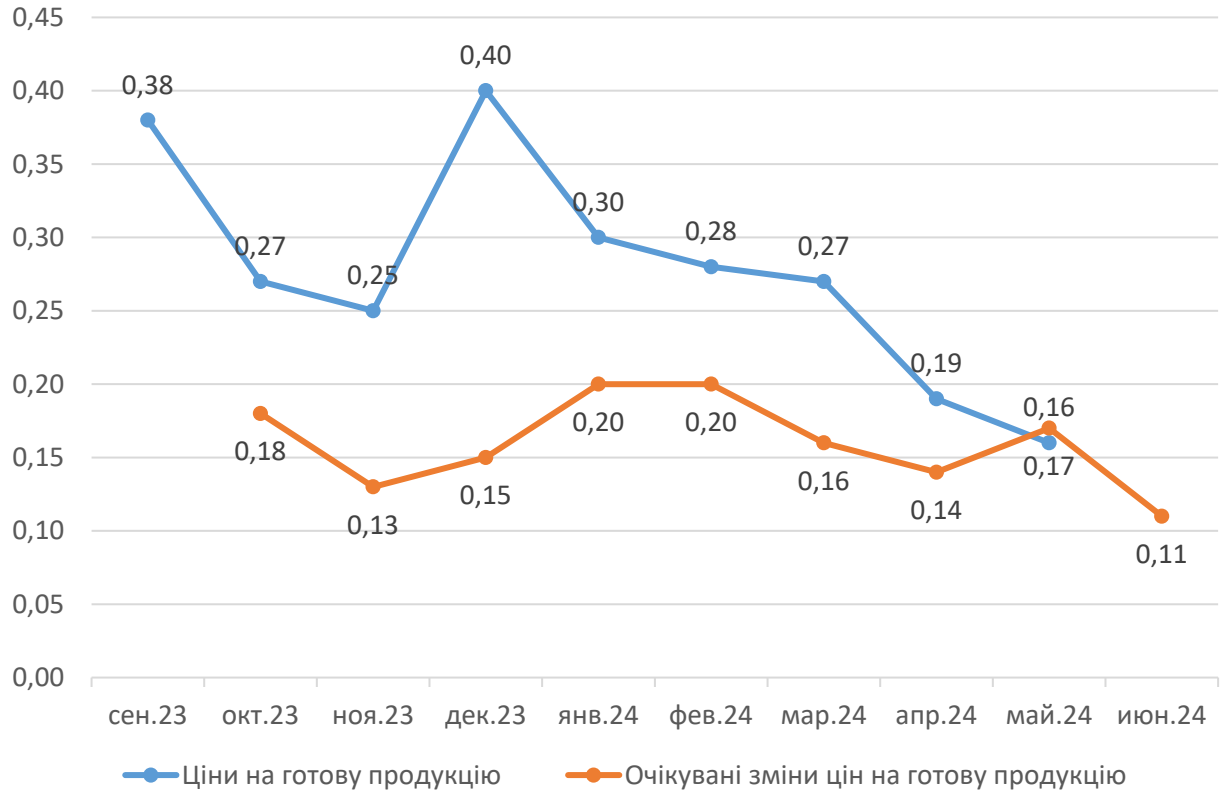
The index of changes decreased slightly from 0.19 to 0.16

Expectations for 3 months

- % of companies **expecting increasing of domestic sales price decreased** (from 18.1% to 13.1%)
- % of companies **expecting domestic sales prices to decrease remained unchanged** at 2.3% (was 2.5%)
- % who says **that nothing has change increased** 79.4% to 84.4%

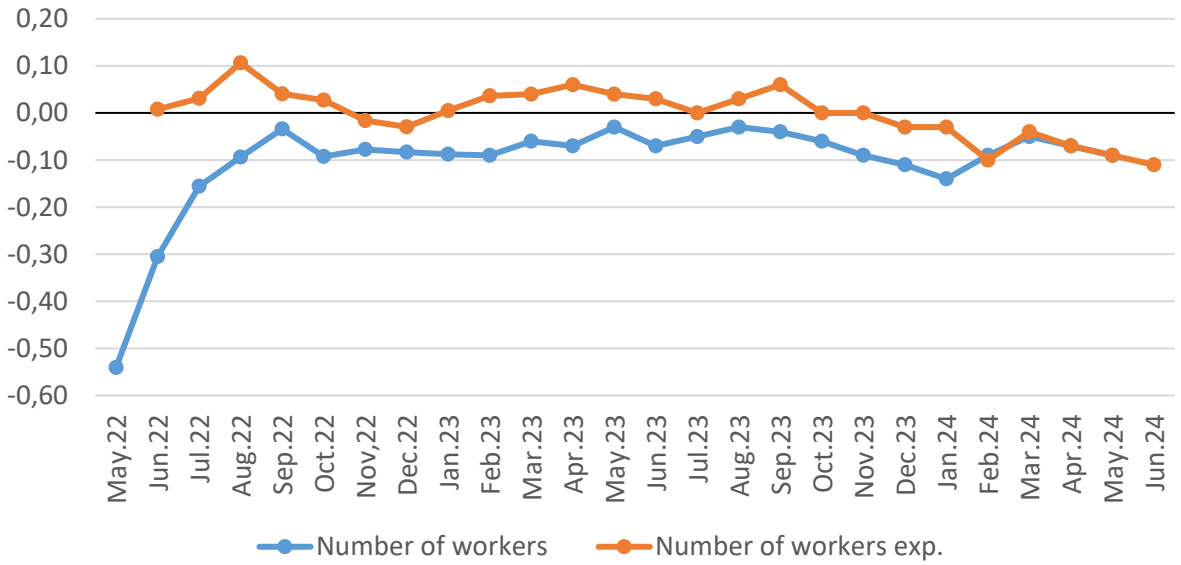
The index of expected changes in domestic sales price decreased from 0.17 to 0.11

Domestic sales price, balance indicators

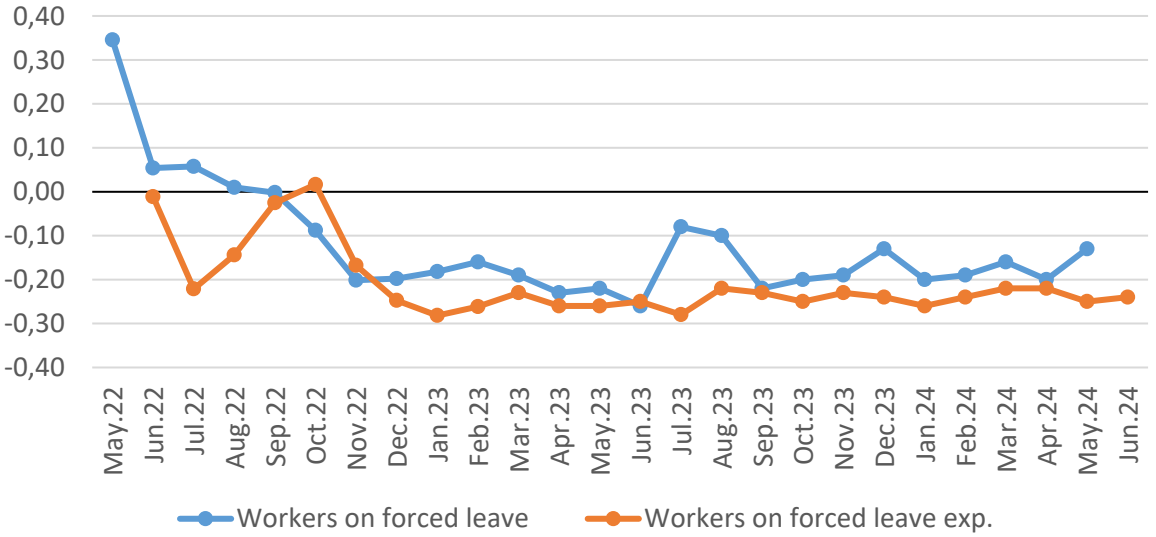


Employment: continues the trend to reduction of number of workers

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** (3.4% in April and 3.0% in May)
- % of companies **intending to reduce the number of employees increased** from 10.2% to 12.5%
- % of companies that **do not expect changes in employment decreased** from 86.4% to 84.5%

Index of expected changes decreased from -0.09 to -0.11

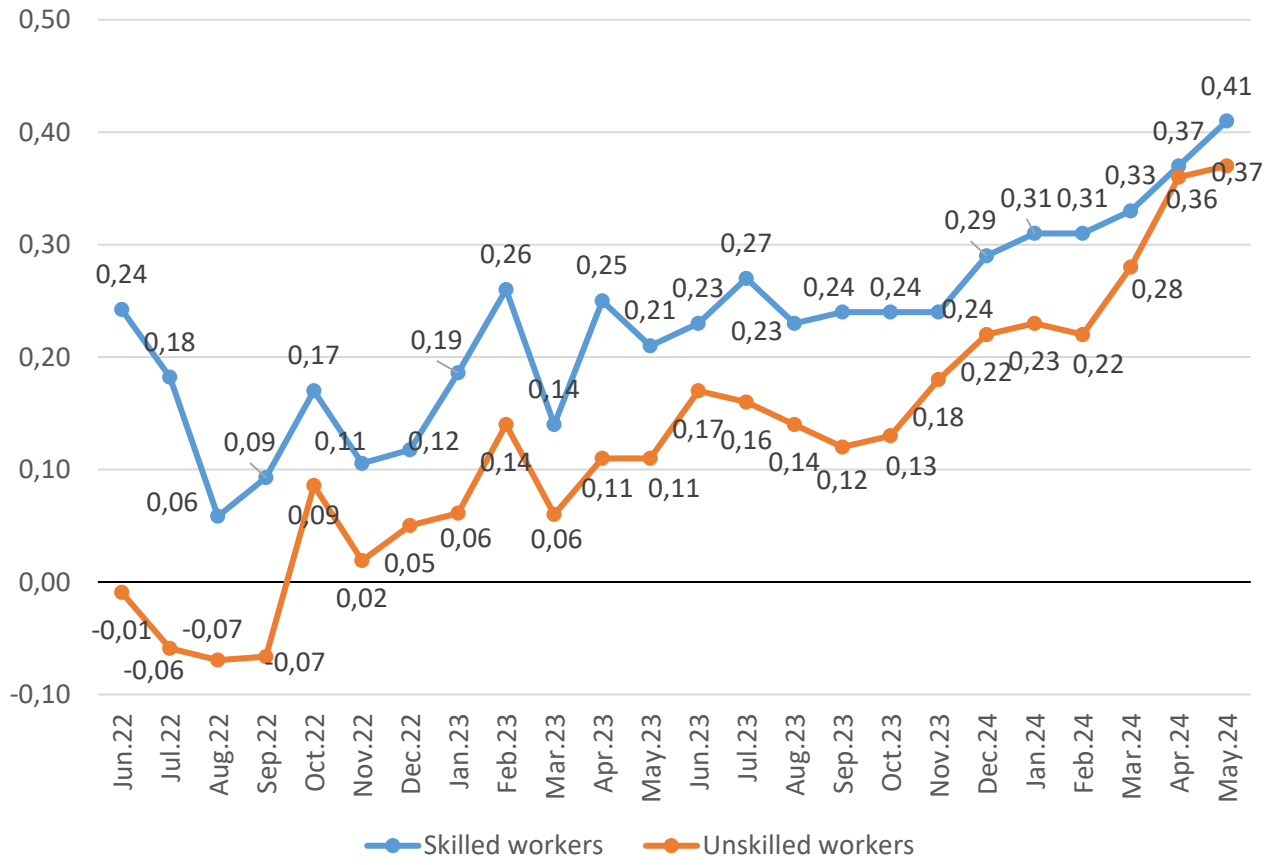
Expectations for 3 months

- % of companies **planning to increase the number of employees on forced leave, almost unchanged** (1.2% in April and 0.7% in May)
- % of companies **planning to reduce employees on forced leave decreased slightly** (from 26.1% to 24.8%)
- % that **do not expect changes increased** from 72.7% to 74.5%

Index of expected changes is -0.24 (was -0.25)

Problems with finding skilled workers are growing

Problems with finding workers



In April, difficulties in finding skilled workers increased again

Skilled workers:

- % of those **who reported that such workers are more difficult to find decreased slightly** (from 43.0% in April to 41.1% in May).
- **Only 1.7%** of respondents says **that skilled workers have become easier to find** (5.2% in April)

Unskilled workers:

- % of those for **whom is more difficult to find them increased slightly** (from 36.6% in April to 38.9% in May)
- % of those **who reported that they were easy to find remained unchanged** (3.5% in April and 4.7% in May)

Main results 5: Impediments, economic policy

“It is dangerous to work” remains at 1st place in the list of impediments **(56%)**

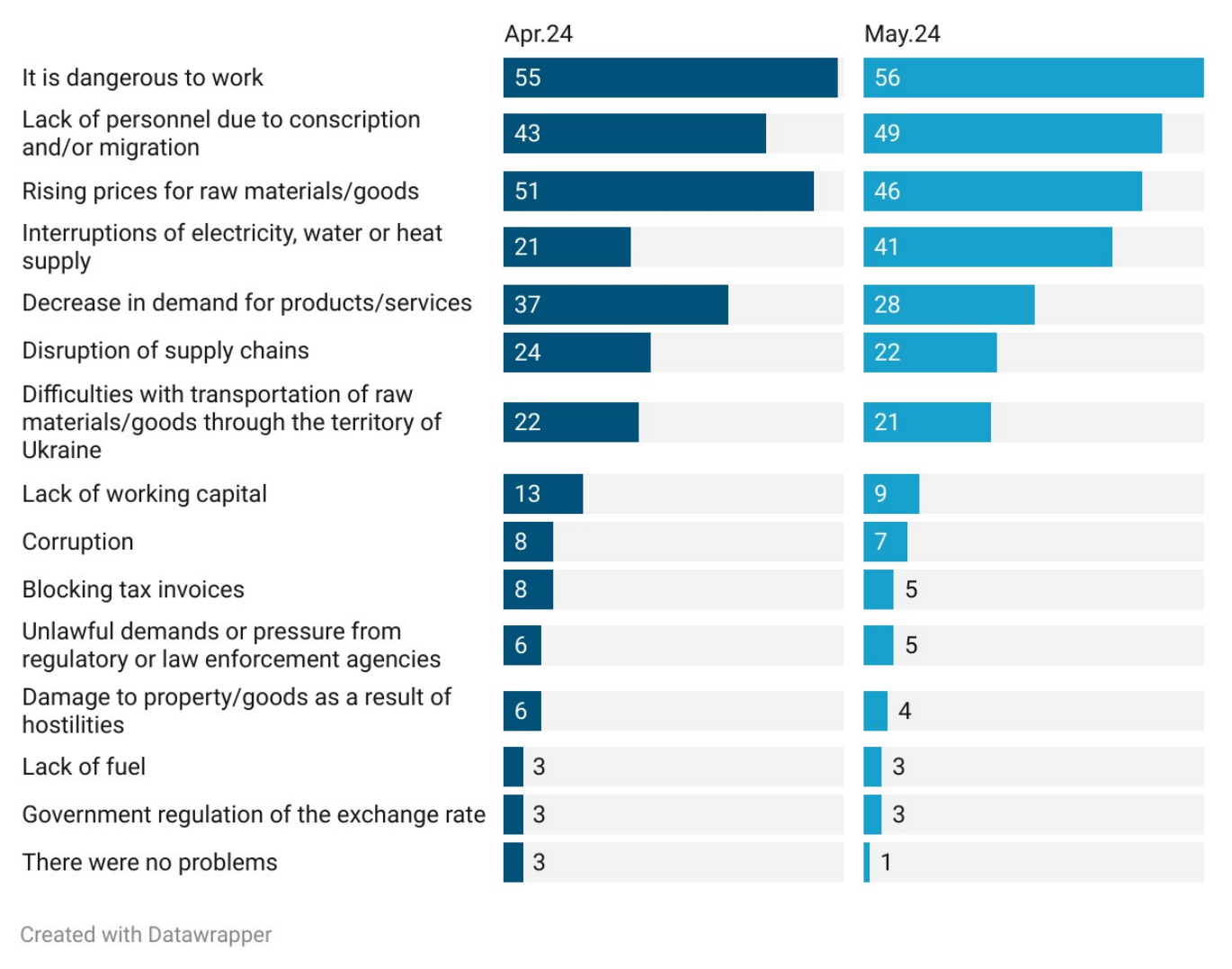
“Lack of personnel" has moved "rising prices” down in the top three impediments to doing business

Uncertainty in the Government's economic policy assessments has **increased**

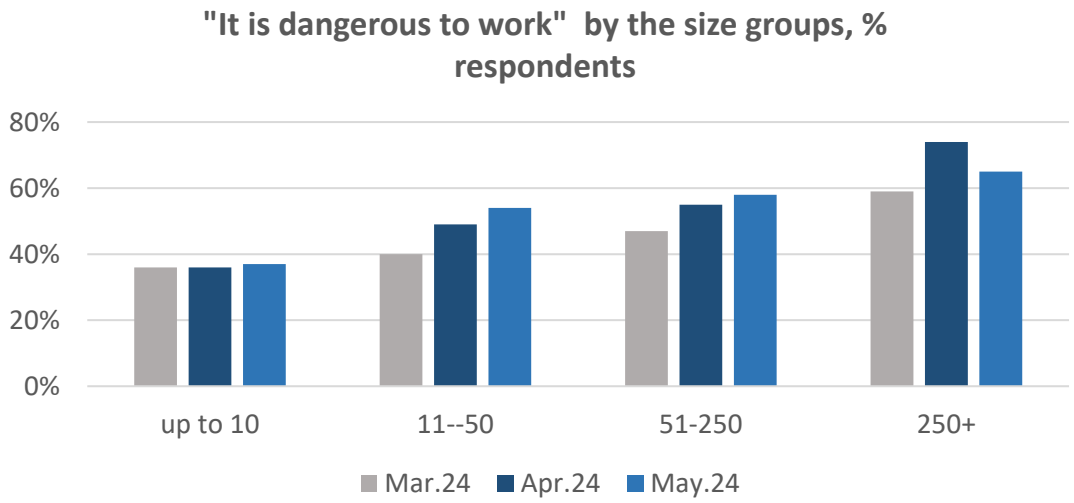
The main impediments to doing business in wartime, % respondents

In May 2024, the list of the top three remains unchanged, although with slightly changed priorities

- The **"it is dangerous to work"** impediment has not changed in value (56% vs 55%) and **remains at the 1st place in the list**
- The impediment **"rising prices for raw materials and goods" decreased in value** (from 51% to 46%) and **lowered from 2nd to 3rd place**
- **"Lack of personnel" increased in value** from 43% to 49% and **rose from the 3rd to the 2nd place**
- **"Interruptions of electricity" again significantly increased in value**, increasing from 21% to 41%; **this impediment rose from the 7th to the 4th place**
- **Corruption and pressure from law enforcement agencies are still not significant problems**



“It is dangerous to work” in different dimensions



- % of companies that chose “it is dangerous to work" **did not change significantly for micro businesses**, **decreased for large**, and **slightly increased for small and medium-sized** enterprises
- **80+%** of respondents **in Kharkivska, Kyivska, Zaporizska, Zakarpattia, Cherkaska and Dnipropetrovska regions** consider dangerous conditions to do business

"It is dangerous to work" by oblast, % of respondents

	Apr.24	May.24
Cherkaska	100	100
Dnipropetrovska	100	100
Zakarpattia	0	93
Zaporizhska	86	90
Kyivska	85	85
Kharkivska	85	80
Kirovogradska	72	79
Vinnytska	76	76
Poltavska	100	68
Odeska	85	63
Kyiv	33	62
Ivano-Frankiska	47	53
Ternopilska	40	50
Sumska	55	35
Zhytomyrska	86	32
Lvivska	50	32
Khmelnytska	23	23
Chernigivska	38	19
Rivnenska	30	15
Chernivetska	6	14
Volynska	6	12

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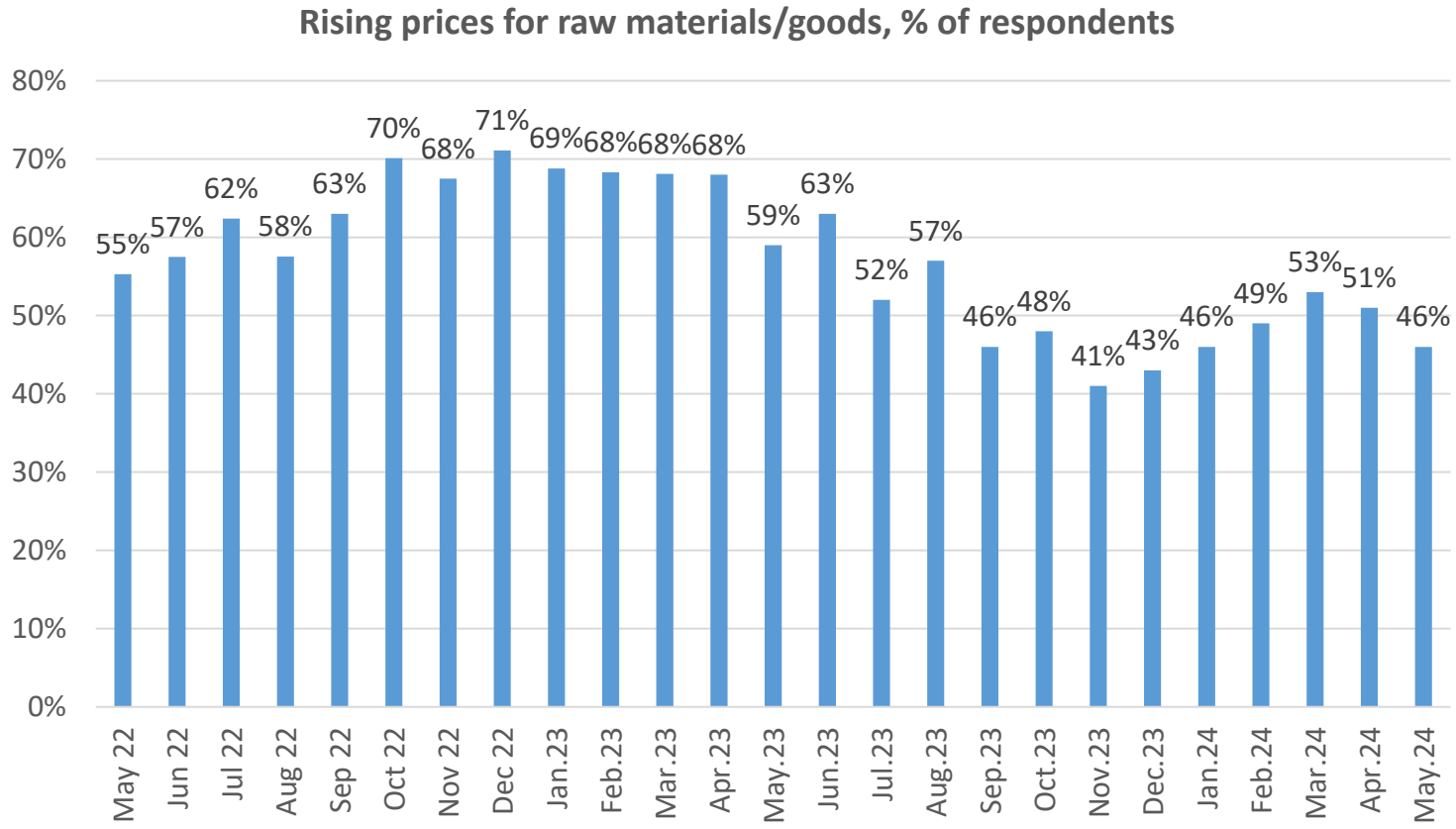
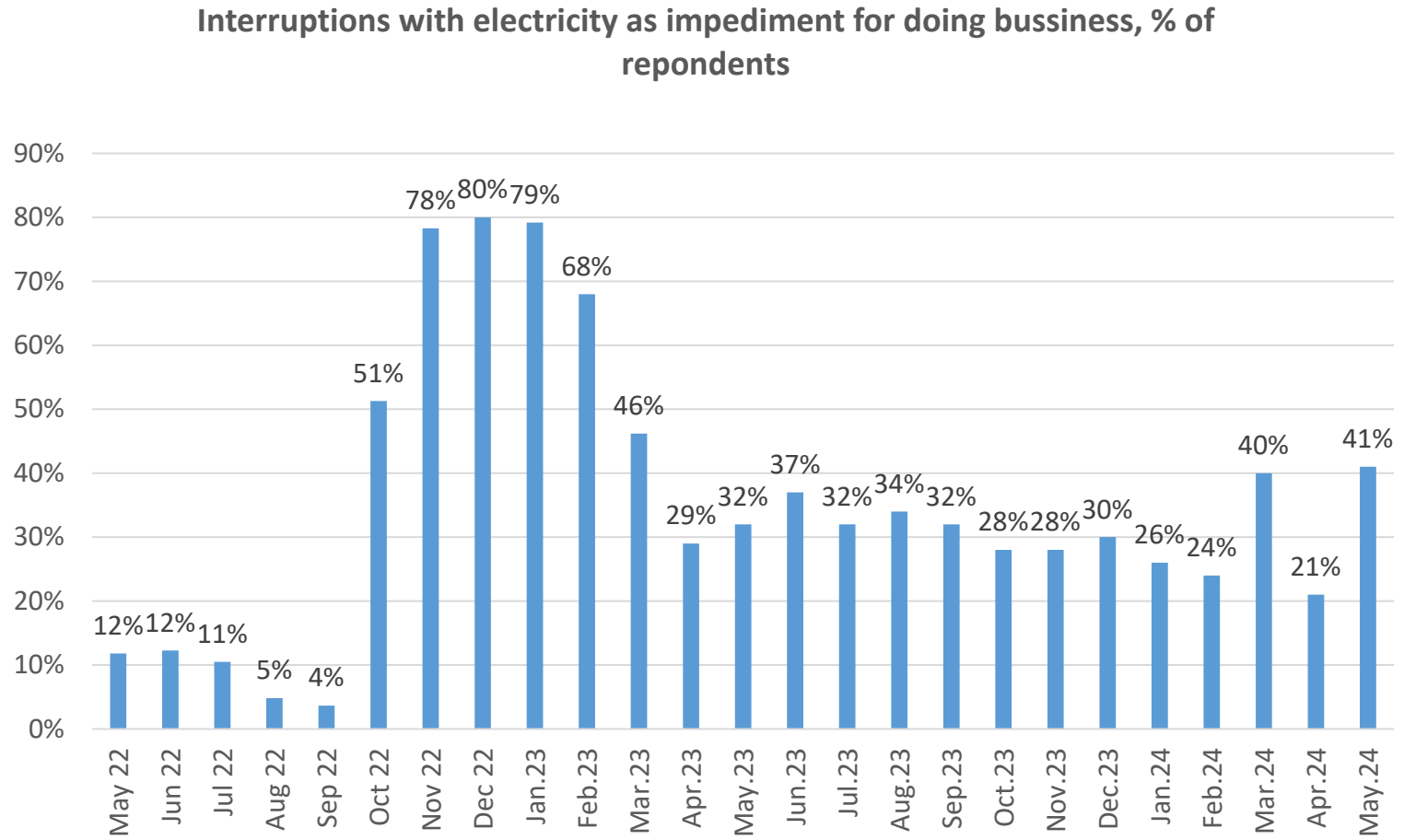
"Rising prices" closes the top three obstacles to doing business

- The share of enterprises for **whom "rising prices for raw materials" is an obstacle decreased** from 51% to 46%
- In the list of obstacles, "price increasing" **moved from 2nd to 3rd place**

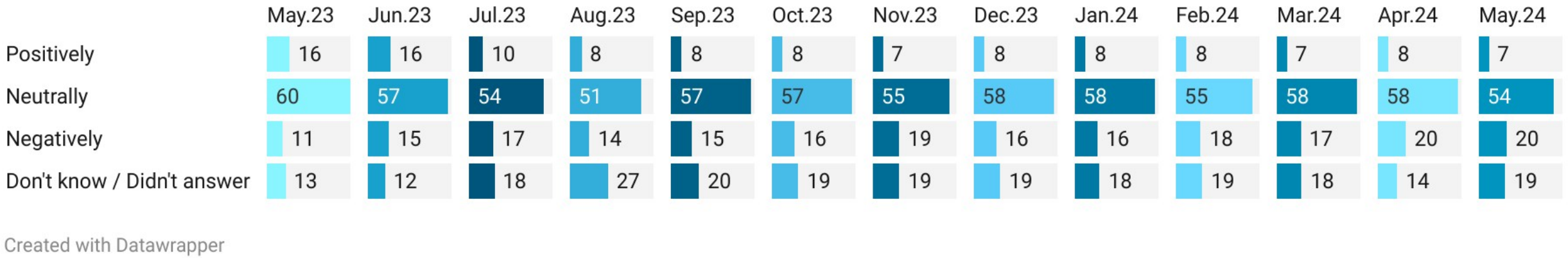


Problems with electricity increased again

- The share of **enterprises reporting about interruptions with electricity increased** from 21% in April to 41% in May
- In the list of obstacles, “interruptions with electricity" **rose from 7th to 4th place**



Uncertainty in the Government's economic policy assessments has increased



- **The share of positive** assessments of the Government's business support policy **is 7% and has not changed significantly for almost a year**
- **The share of neutral assessments** of the Government's business support policy **decreased** from 58% to 54% in May
- **The share of negative** assessments **has not changed** and is 20%, the same as in April
- **The share of those who have not decided on the answer increased** from 14% to 19% in May

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.

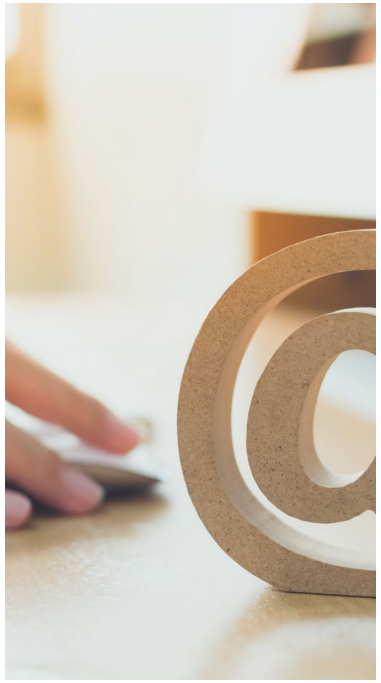
The special part of the Monthly survey provides information on specific topics. A special part examines the enterprises' problems, the war's impact on production volumes, export activity, basic business needs, and the assessment of government policy.

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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