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INTERNATIONAL RENAISSANCE FOUNDATION

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«Weathering the Storm. Year 3»

Main economic trends in January 2025, based on the results of the New Rapid 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
Vlad Baskov, Junior Research Fellow at the IER
Daria Shapovalova, Junior Research Fellow at the IER

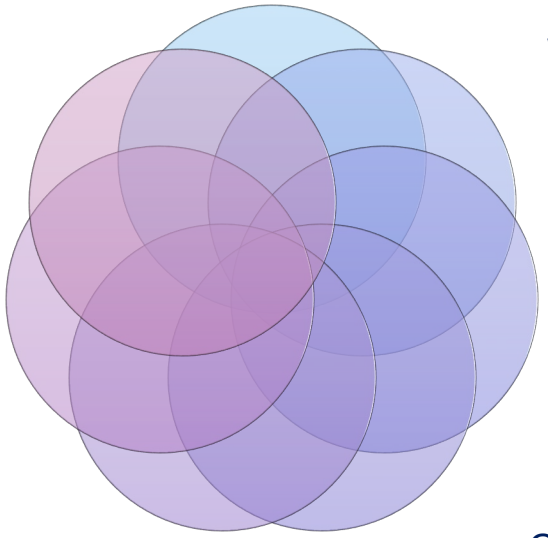
Kyiv, February 11, 2025

ABOUT THE NEW RAPID ENTERPRISES SURVEY

Monthly survey

The recent data were collected on January **17 – 31, 2025**

SAMPLE: **478 enterprises were surveyed in January**



33 surveys have already been conducted (since May 2022)

Enterprises of all sizes

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

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

THE KEY MESSAGES OF JANUARY 2025

Picture is created with AI

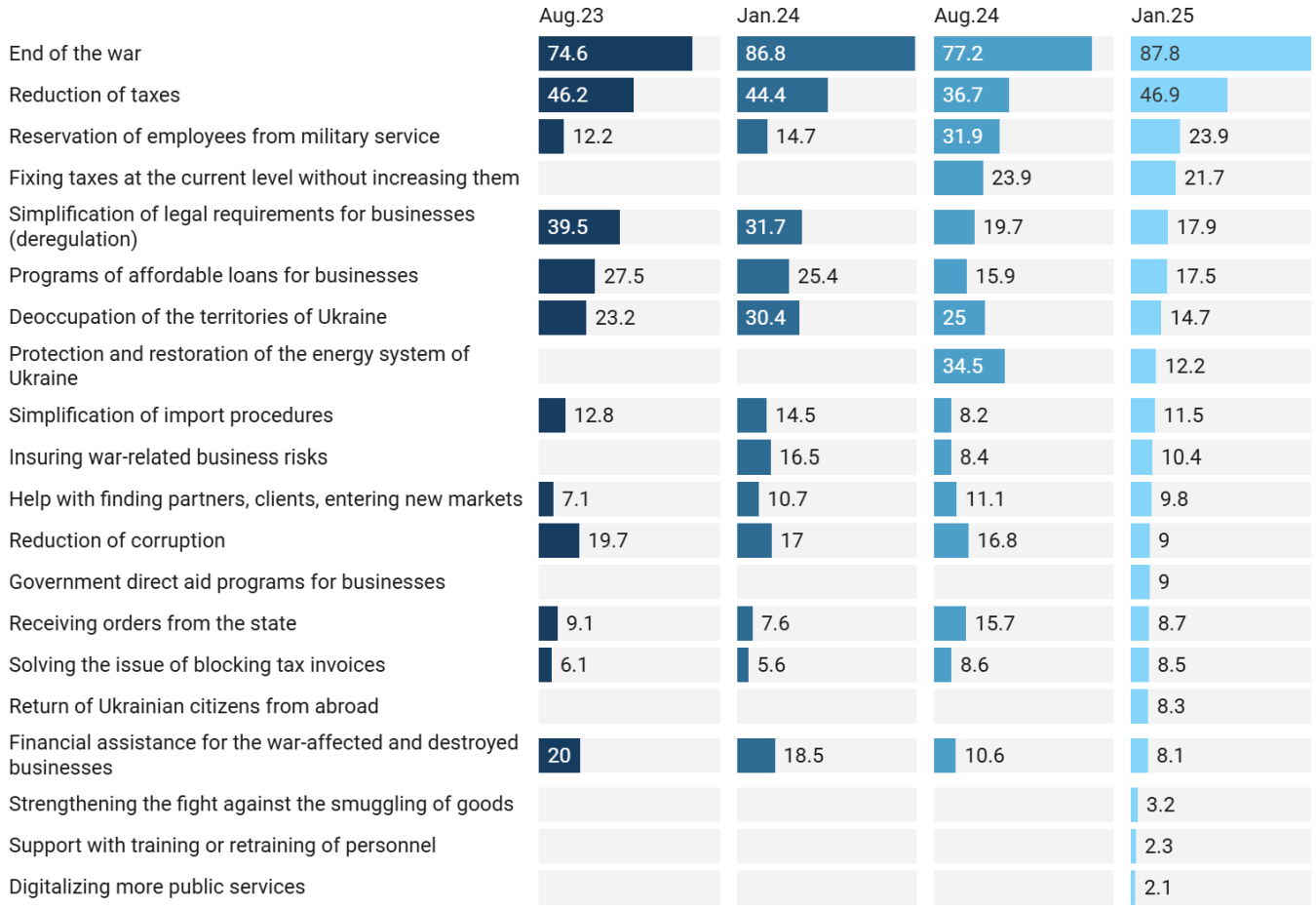
1. **There is no significant positive or negative movement in the manufacturing sector**. The level of long term **uncertainty** is **still high**; the **long-term plans** are a bit worse, but also still positive. **Production indicators** have deteriorated compared to previous months, but **3 months' expectations have improved.**

2. **Labor shortages and security issues due to the war remains** key business **challenges**.

3. **The end of war, taxes reduction, employee exemptions** from military service, and the **de-occupation of Ukrainian territories** are the **key expected measures** for **improving business climate** in the country

Key events or changes that would most improve business conditions: end of war and taxes reduction

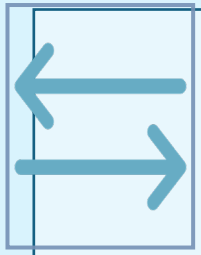
- **The end of the war** remains the most anticipated event (87,8%) for improving business conditions, with expectations rising again since summer 2024.
- Expectations towards **reduction of taxes** increased to almost 47% of the sample putting this event on the 2nd place among the expected changes
- **Reservation of employees from military service** ranks 3rd among the expected measures with almost 24% of businesses looking forward to it. This reflects the challenges of retaining personnel during the war
- Share of the businesses that prioritize **deoccupation of the territories of Ukraine** dropped to the lowest level over the last three years: 14.7%



Main results 1.

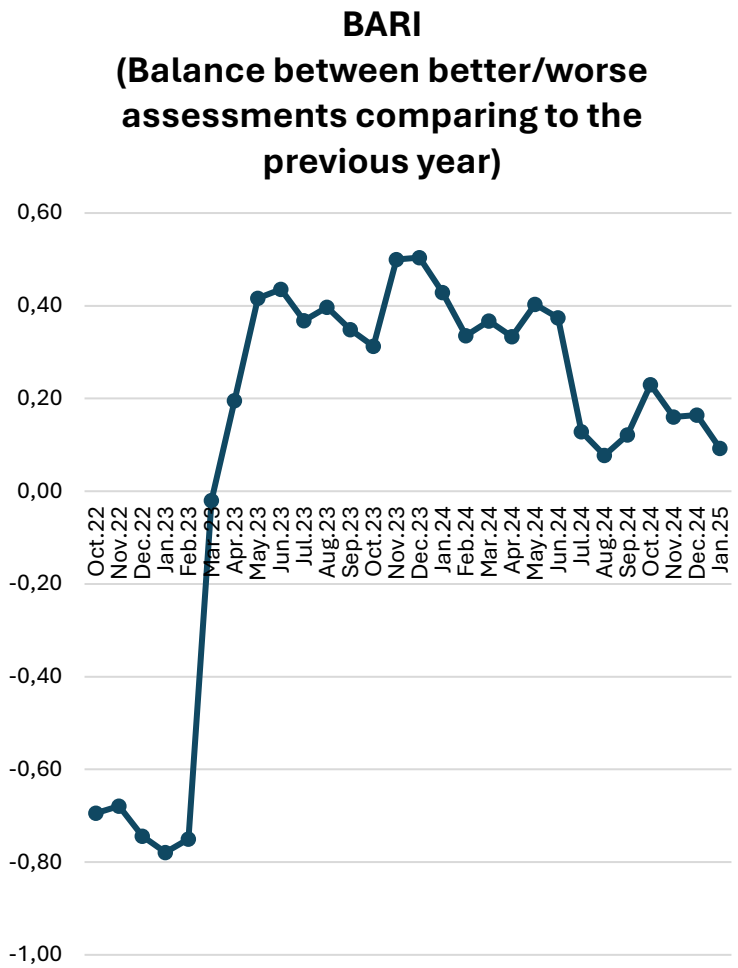
The Business Activity Recovery Index (BARI) deteriorated significantly, decreasing from 0.16 to 0.09

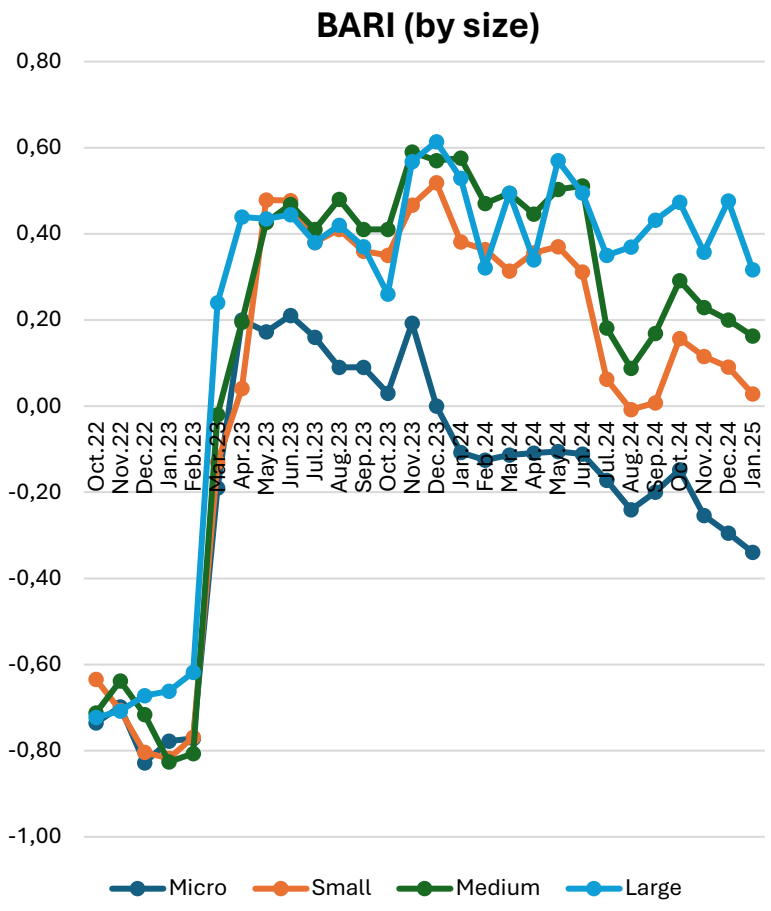
The % of enterprises operating almost at full capacity has increased and the % of enterprises with a workload of 50-74% has decreased



The Industrial Confidence Indicator (ICI) does not change significantly

The Business Activity Recovery Index (BARI)* significantly deteriorated





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

In January 2025, compared to December 2024, the **Business Activity Recovery Index** (BARI) **deteriorated significantly**, decreasing from 0.16 to 0.09 (scale from -1 to +1)

<u>The fluctuations in the percentage distribution of responses is the following:</u>

- % of businesses **that reported that their business activity is better than last year decreased**, from 32.6% in December to 27.8% in January
- % of enterprises **that reported that their business activity is worse, compared to last year, slightly increased**, from 16.2% to 18.5%

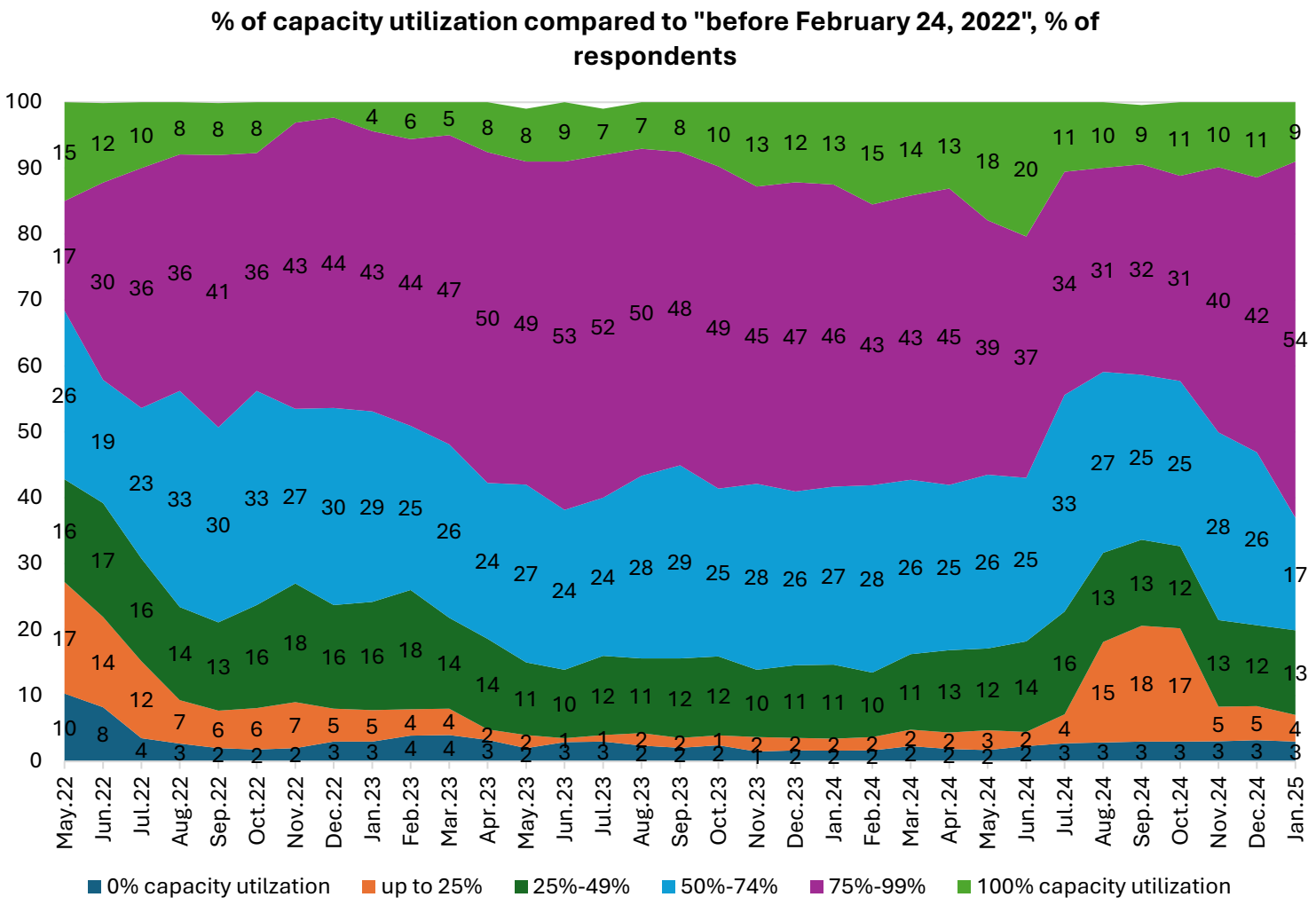
<u>At the same time:</u>

- The share of those who **did not feel changes compared to last year insignificantly, but increased** (from 51.1% in December to 53.7% in January)

BUT there are significant differences depending on the size of enterprises

The value of BARI decreased for all enterprises, regardless of size. The indicator of microenterprises is the lowest, has a negative value and has been decreasing for the third month in a row

“Now” vs. “before February 24”: recovery of capacities



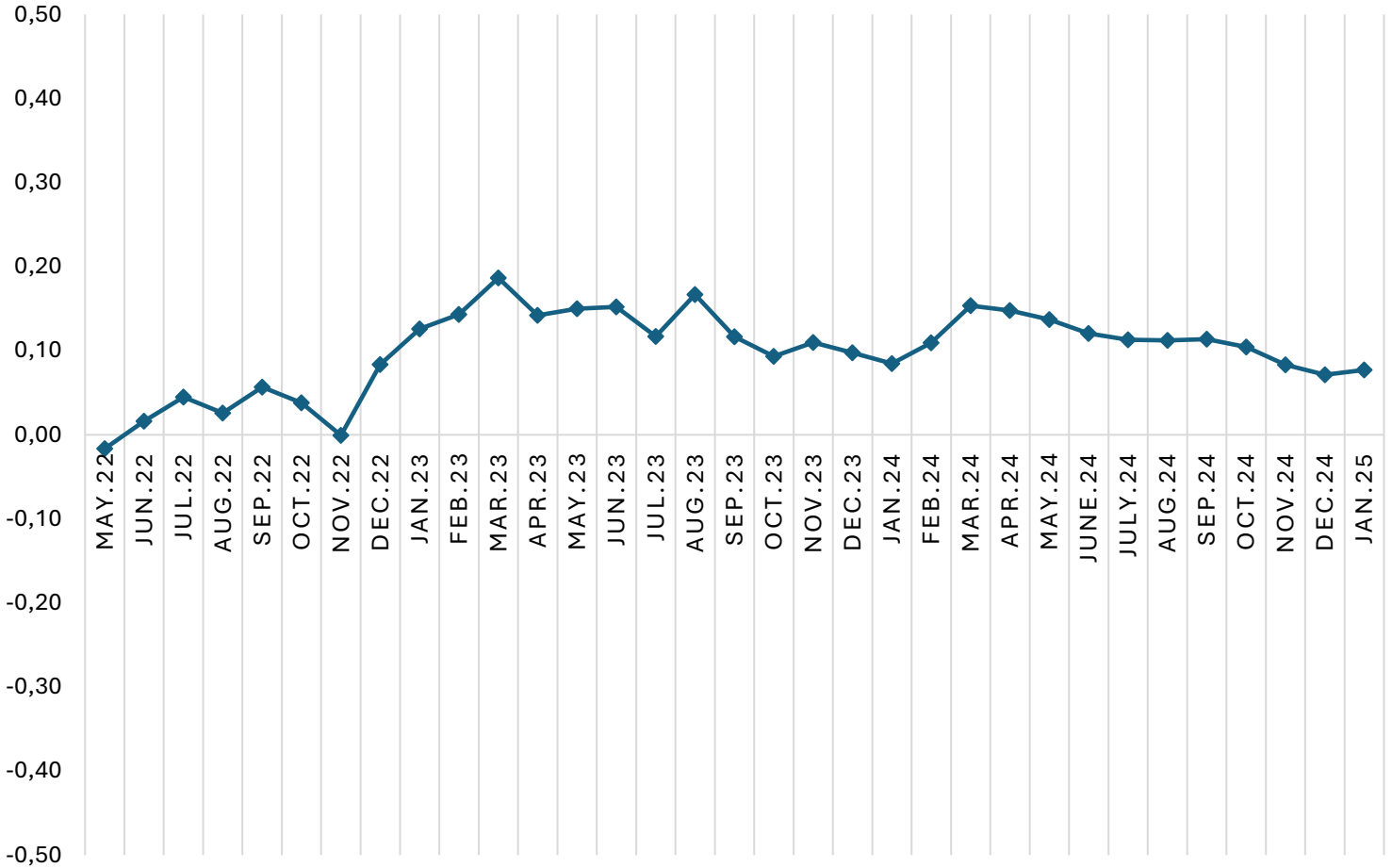
In January, compared to December, there were some changes:

- The share of enterprises **operating at almost full capacity increased significantly** (from 42% in December to 54% in January)
- The share of enterprises **operating at 50-74% decreased from 26% to 17%** in January

At the same time:

- The share of enterprises **operating at 100% capacity in January compared to December without significant changes** (11% in December vs 9% in January)
- The share of enterprises, **operating with a workload of up to 25% also without significant changes** (4% in January vs 5% in December)
- % of enterprises that **do not work at all has not changed significantly since summer 2022**

Industrial Confidence Indicator (ICI)*



The ICI did not change significantly in January 2025 (0.08) compared to December 2024 (was 0.07)

In January compared to December, the fluctuations in the components of the ICI are the following:

- **Production expectations** (PE) **have improved**, and in January the indicator increased from 0.28 to 0.34
- The component **stocks of finished products** (SFG) **increased significantly**, and is -0.02 (-0.05 in December and November)
- Component **volume of new orders** (VNO) **without significant changes**, and is -0.13 (was -0.12)

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

Main results 2. Uncertainty

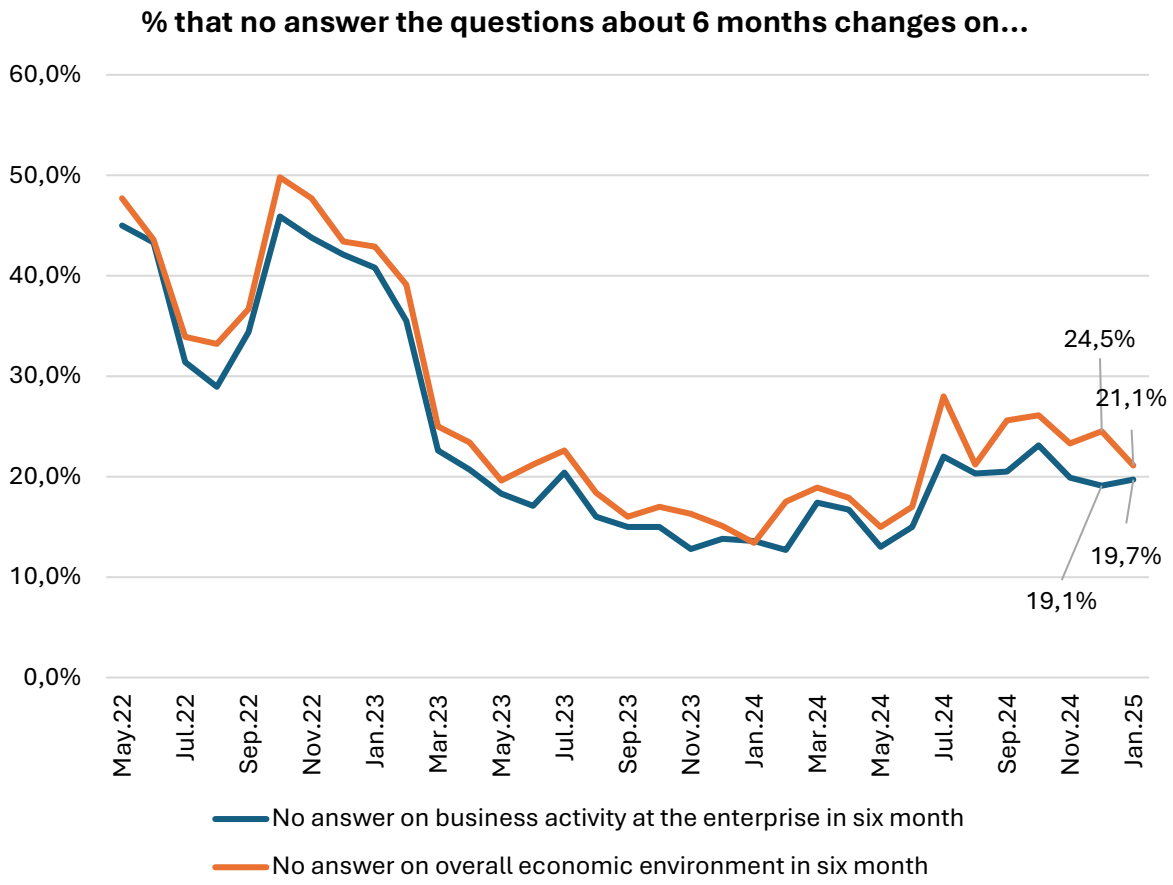
Uncertainty in the 6-month perspective without significant changes for the business activity at the enterprise **and slightly decreased for** the overall economic environment in the country

3 months uncertainty is without significant changes for almost all indicators

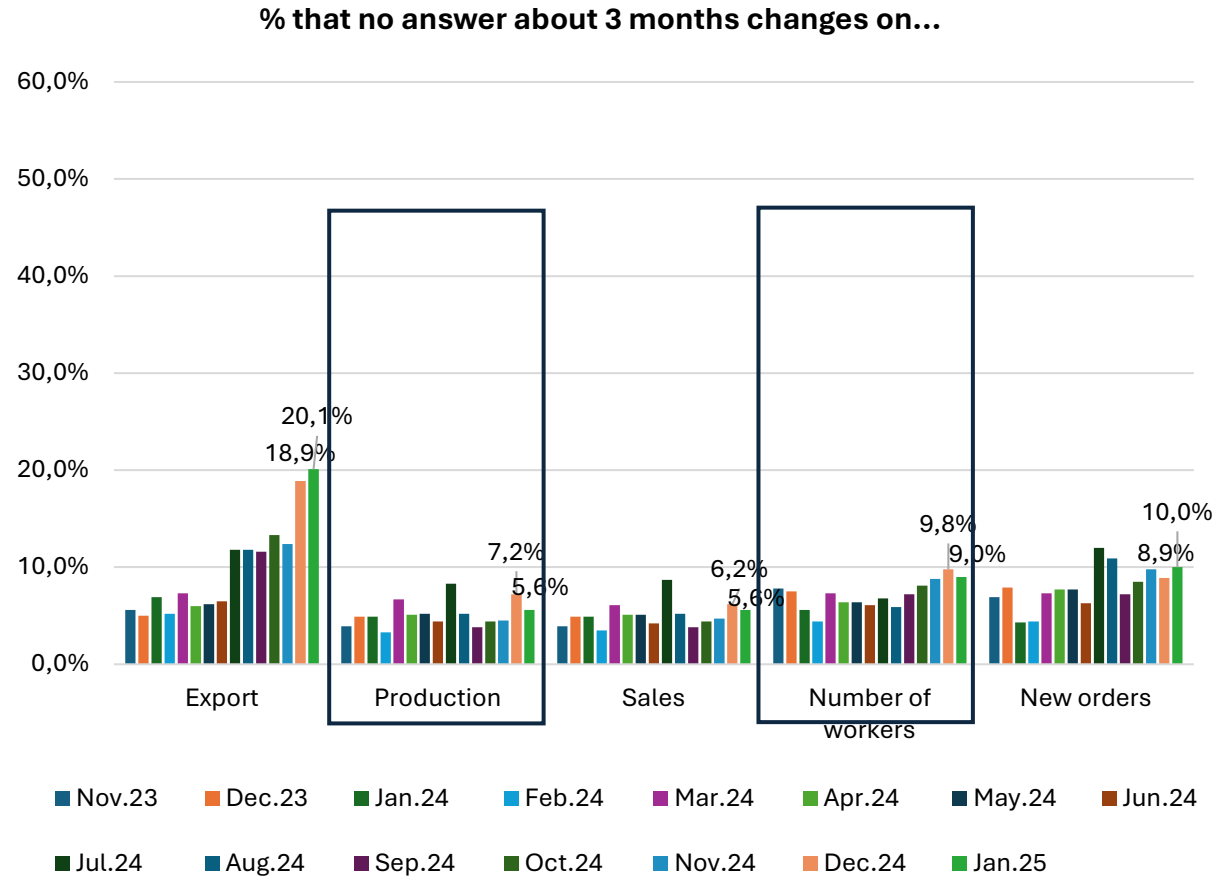
Uncertainty in the 2-year perspective does not change significantly

Uncertainty in the medium and short term without significant changes

Half-year horizon:

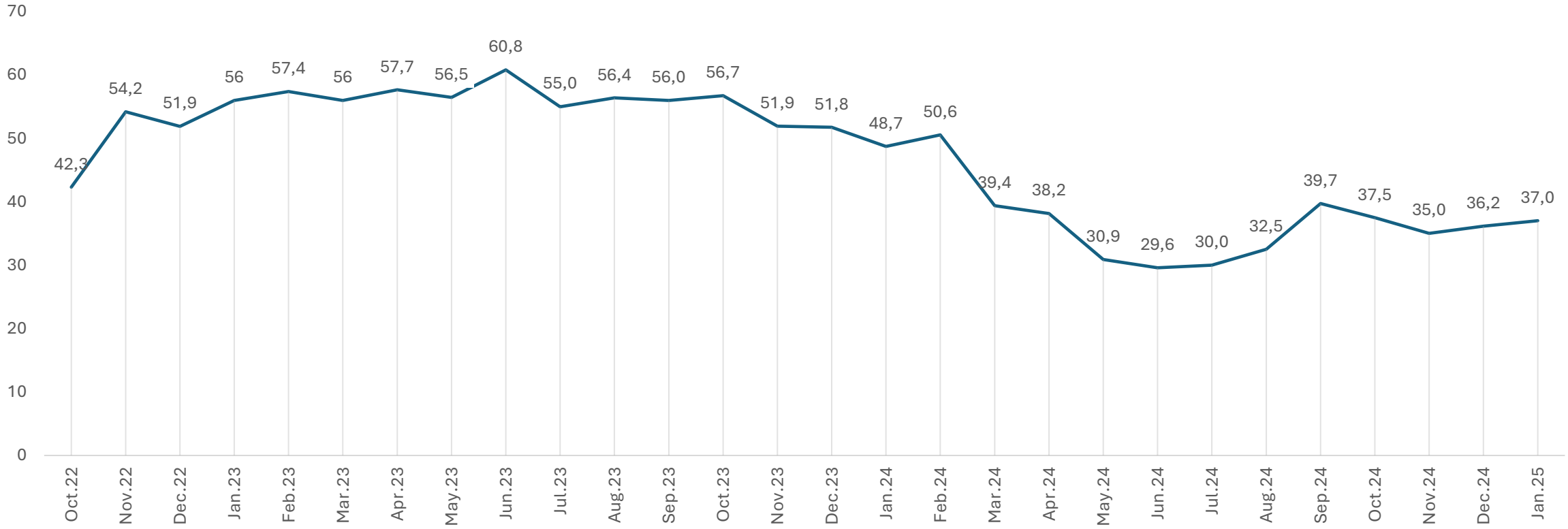


Three-month horizon



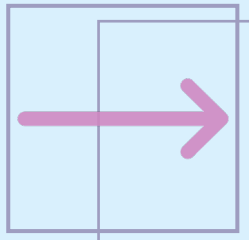
Uncertainty in the long run does not change significantly

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

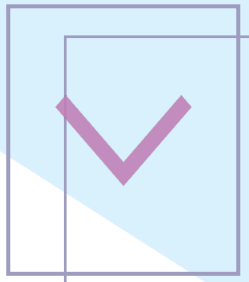


% of enterprises that have no idea about their plans for 2 years remained **without significant changes** (36.2% in December vs 37% in January)

Main results 3. Long-term expectations



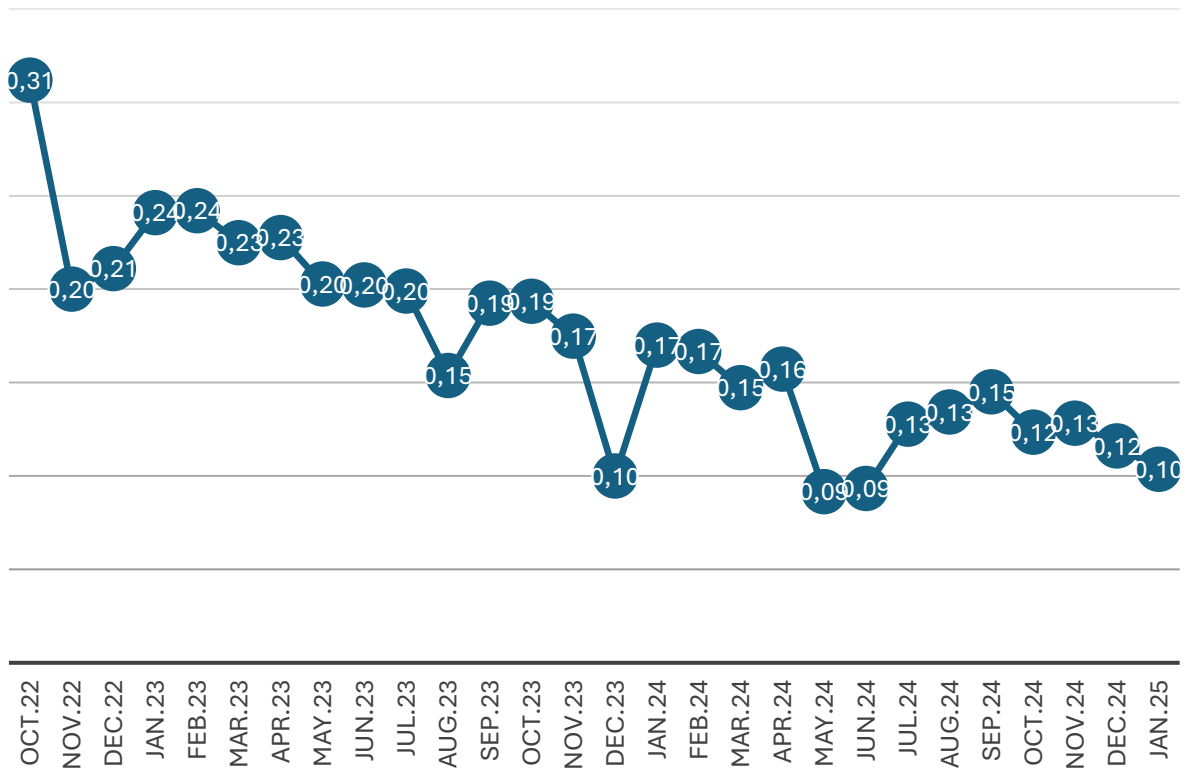
Expectations for the two-year perspective remain without significant changes



6-month expectations regarding the business activity at the enterprise and for the overall economic environment **remain positive and have not changed significantly**

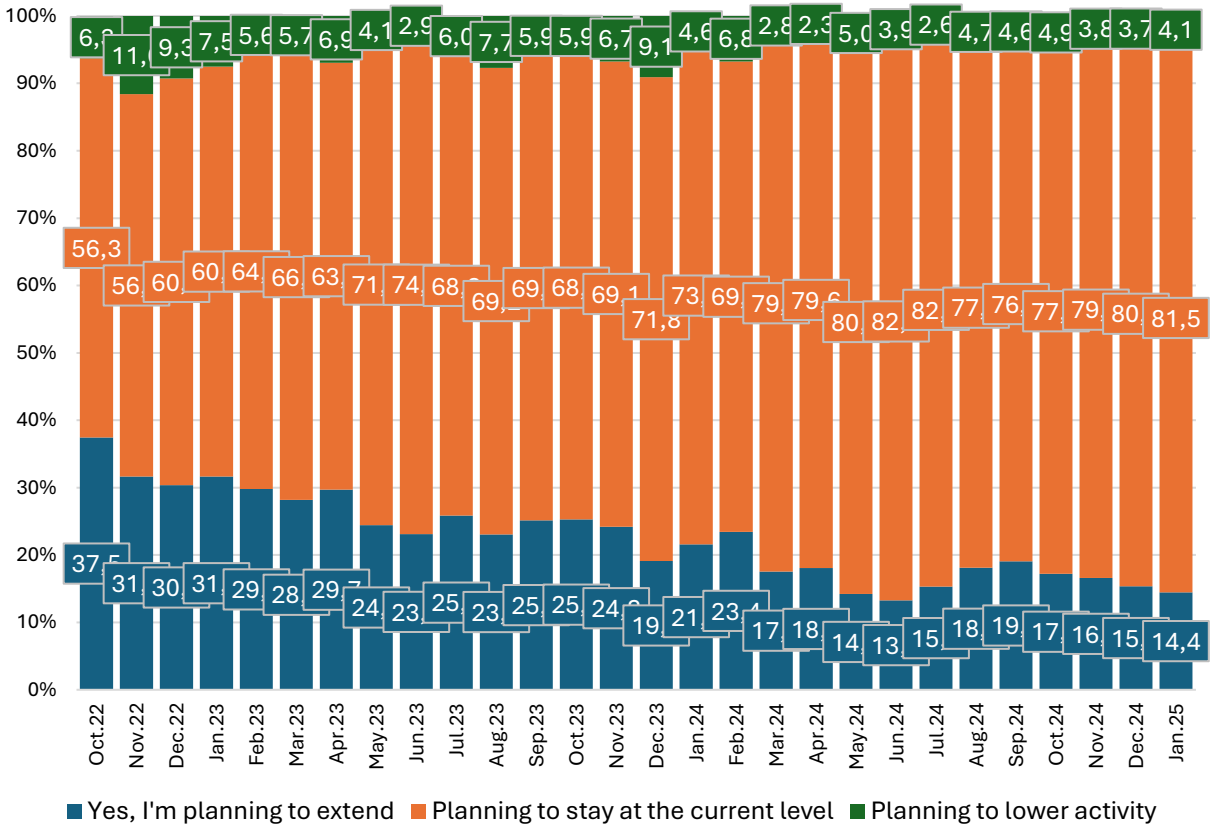
Expectations in the long term do not change significantly

Index of expected changes in business activity (2 years)



- **The index of expected changes in the perspective for 2 years did not change significantly** (0.10 in January vs 0.12 in December)
- Scale from -1 (bad) to +1 (good)

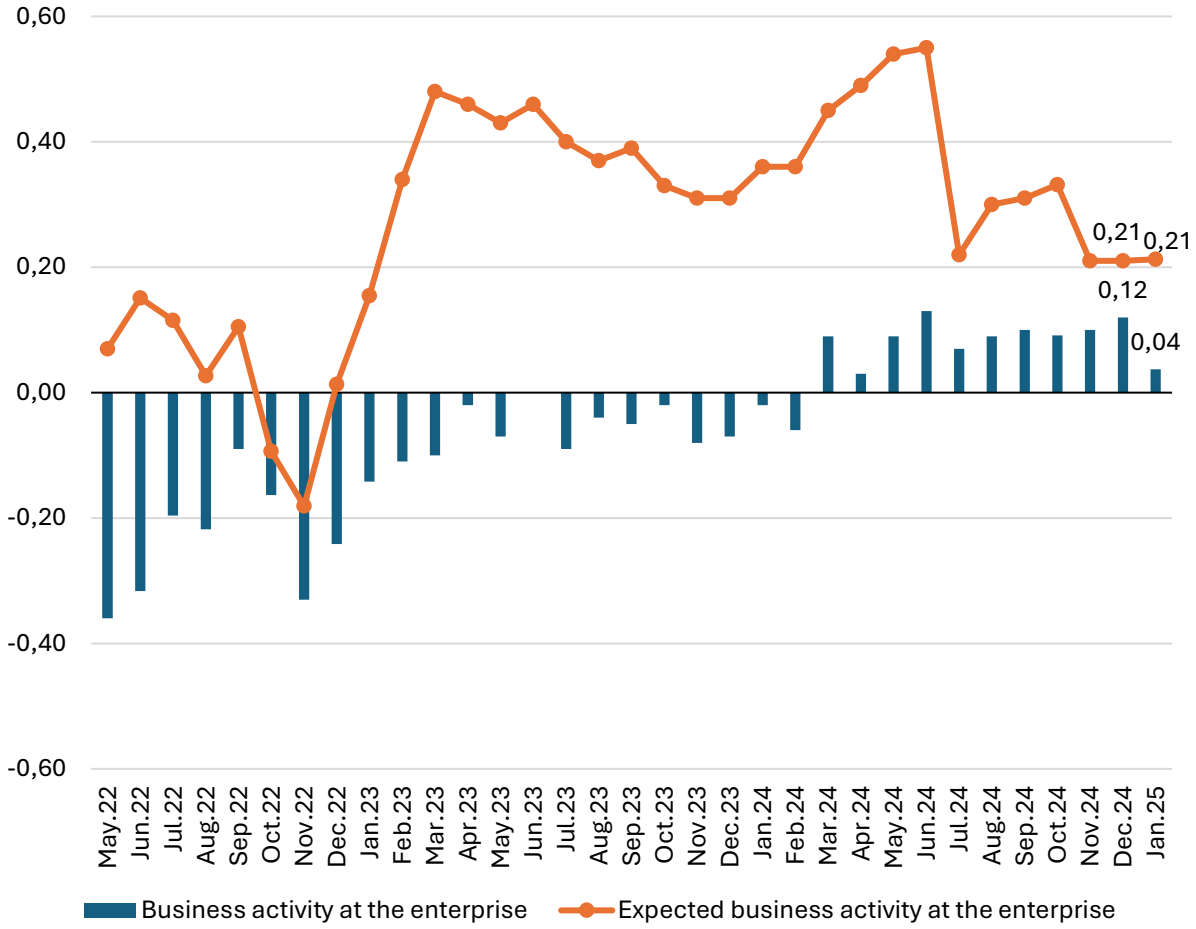
Expectations in the two-year perspective



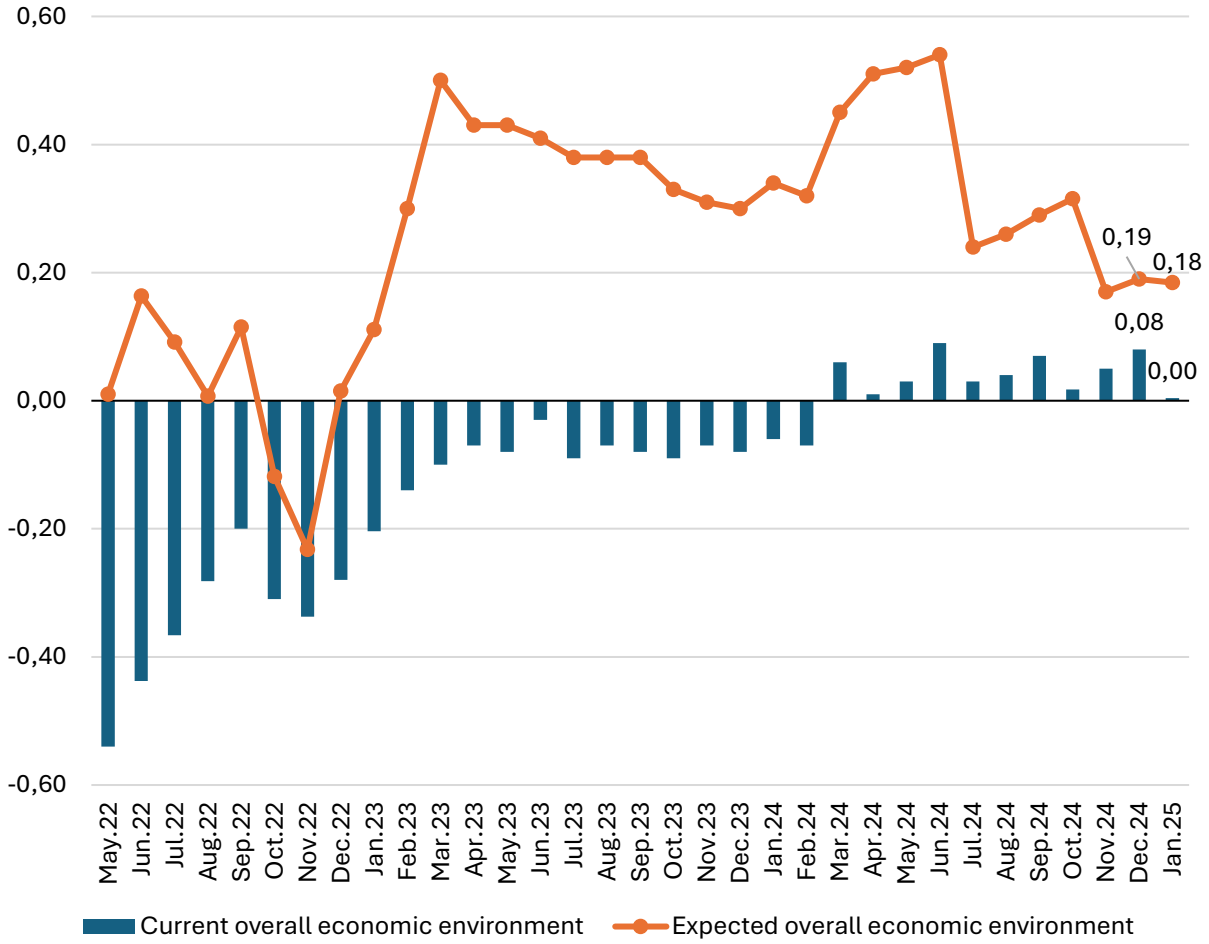
- **There were no significant changes in the percentage distribution in January compared to December**

6-month perspective: expectations remain unchanged

Business activity at the enterprise



Overall economic environment in the country



Main results 4. January vs December and short-term expectations

The production indicators **have deteriorated,** but **remained positive, the expectations** have become **more optimistic**

In contract to other, **the export** indicator **deteriorated significantly**, **expectations** in a three-month perspective **increased** for the second month in a row

Employment expectations have **increased, forced leave expectations** have **decreased**

Expectations for both **purchase prices and domestic sales prices have increased**

Production: slight deterioration in results and improvement in expectations

Results (January vs December)

- % of enterprises **that increased production decreased** (from 25.2% in December to 21.3% in January)
- % of enterprises **that reduced production without significant changes** (16.5% in December vs 16.8% in January)

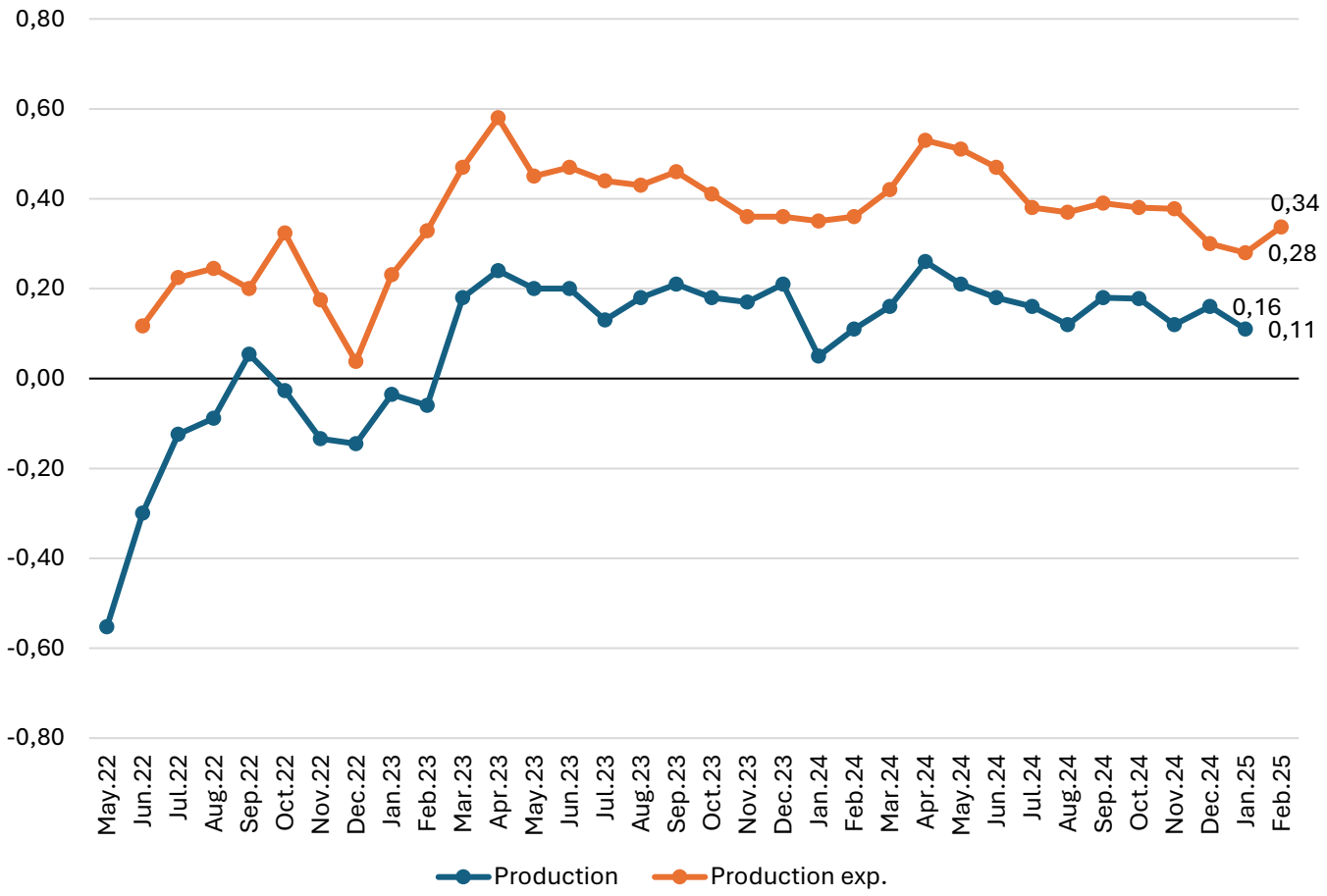
The index of changes decreased, from 0.16 to 0.11

Expectations for 3 months

- % of enterprises **planning to increase production volumes** in the next 3-4 months **increased slightly** (from 29.6% to 32.8%)
- % of enterprises **expecting a reduction in production volumes slightly decreased** (from 5.7% in December to 2.9% in January)

The index of expected changes in production increased, from 0.28 to 0.34

Production, balance indicators



Exports: deterioration of results, improvement of expectations

Results (January vs December)

- % of enterprises **reported about export growth decreased** (from 23.6% in December to 18% in January)
- % of enterprises **reported about decrease in exports increased** (from 13.5% in December to 18.4% in January)

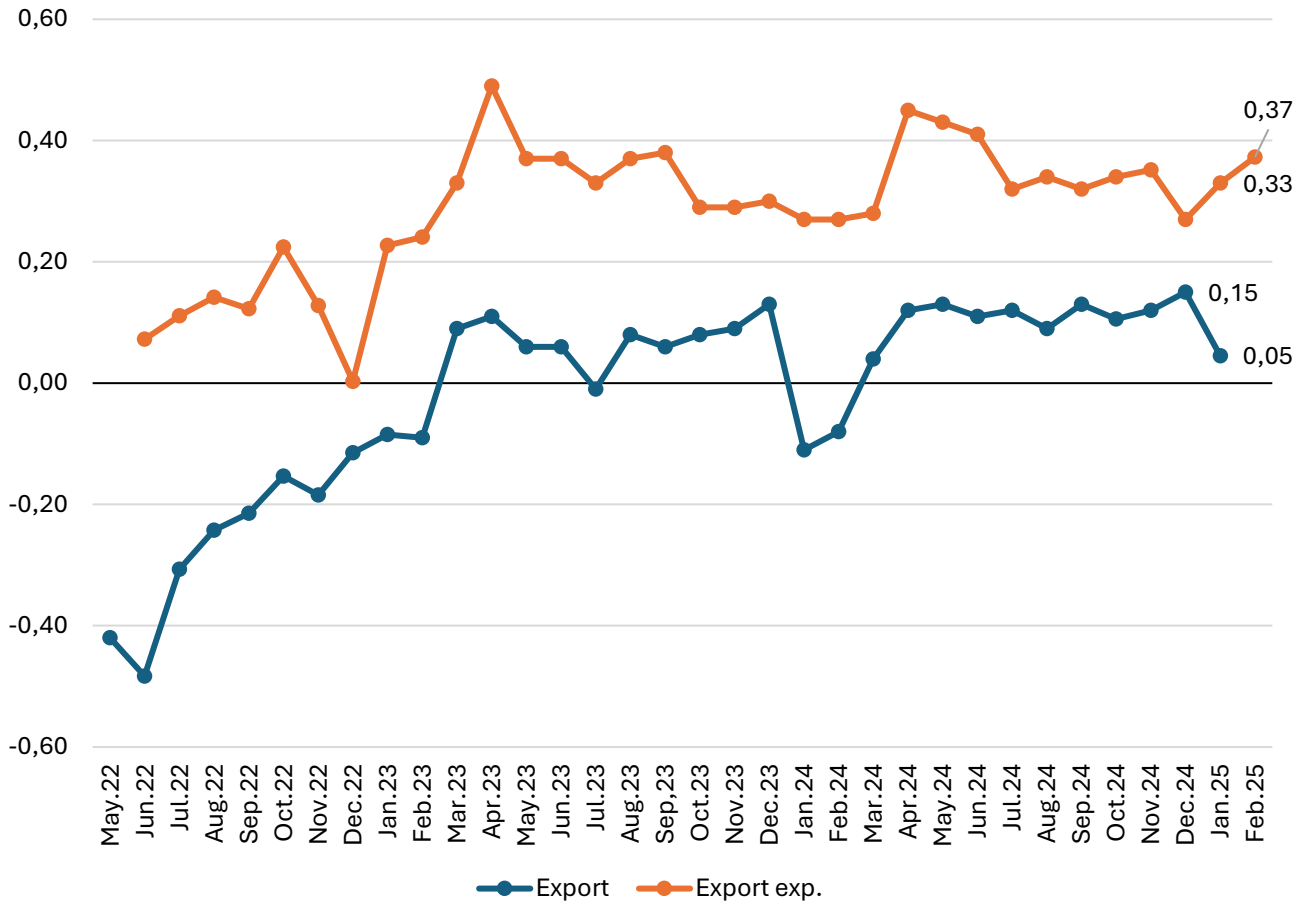
The index of change worsened: from 0.15 in December to 0.05 in January

Expectations for 3 months

- % of enterprises **expecting export growth increased** (from 35% in December to 39.4% in January)
- % of enterprises **planning to reduce export did not change significantly** (4.9% in December vs 3.6% in January)

The index of expected changes in export increased from 0.33 to 0.37

Export, balance indicators



Purchase price: is expected a sharp increase in prices

Results (January vs December)

- % of enterprises **reported about price increasing decreased** (from 33.8% in December to 30.3% in January)
- % of enterprises **said that purchase prices decreased remained without significant changes** (1.5% in December vs 2.2% in January)

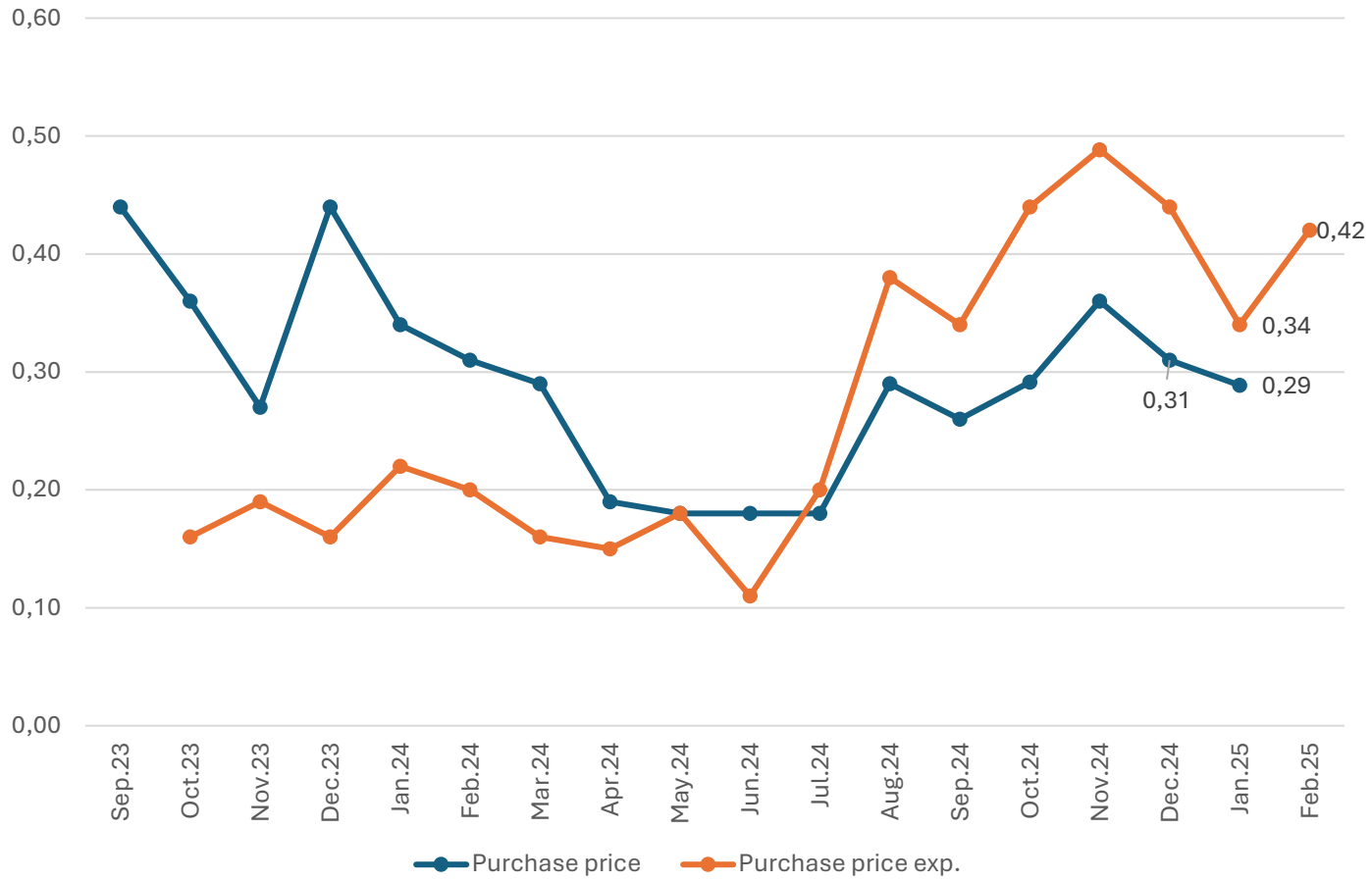
The index of changes in purchase prices decreased insignificantly, from 0.31 to 0.29

Expectations for 3 months

- % of enterprises **expecting price growth increased** (from 36.3% to 43.4%)
- % of enterprises **expecting a decrease in prices did not change** (0.5%, as in December)

The index of expected changes in purchase prices increased, from 0.34 to 0.42

Purchase price, balance indicators



Domestic sales price: is expecting price increasing

Results (January vs December)

- % of enterprises **reported about increase in domestic sales prices decreased** (from 32.2% to 27.8%)
- % of enterprises **said that domestic sales prices decreased, without significant changes** (1.1% in December vs 1.9% in January)

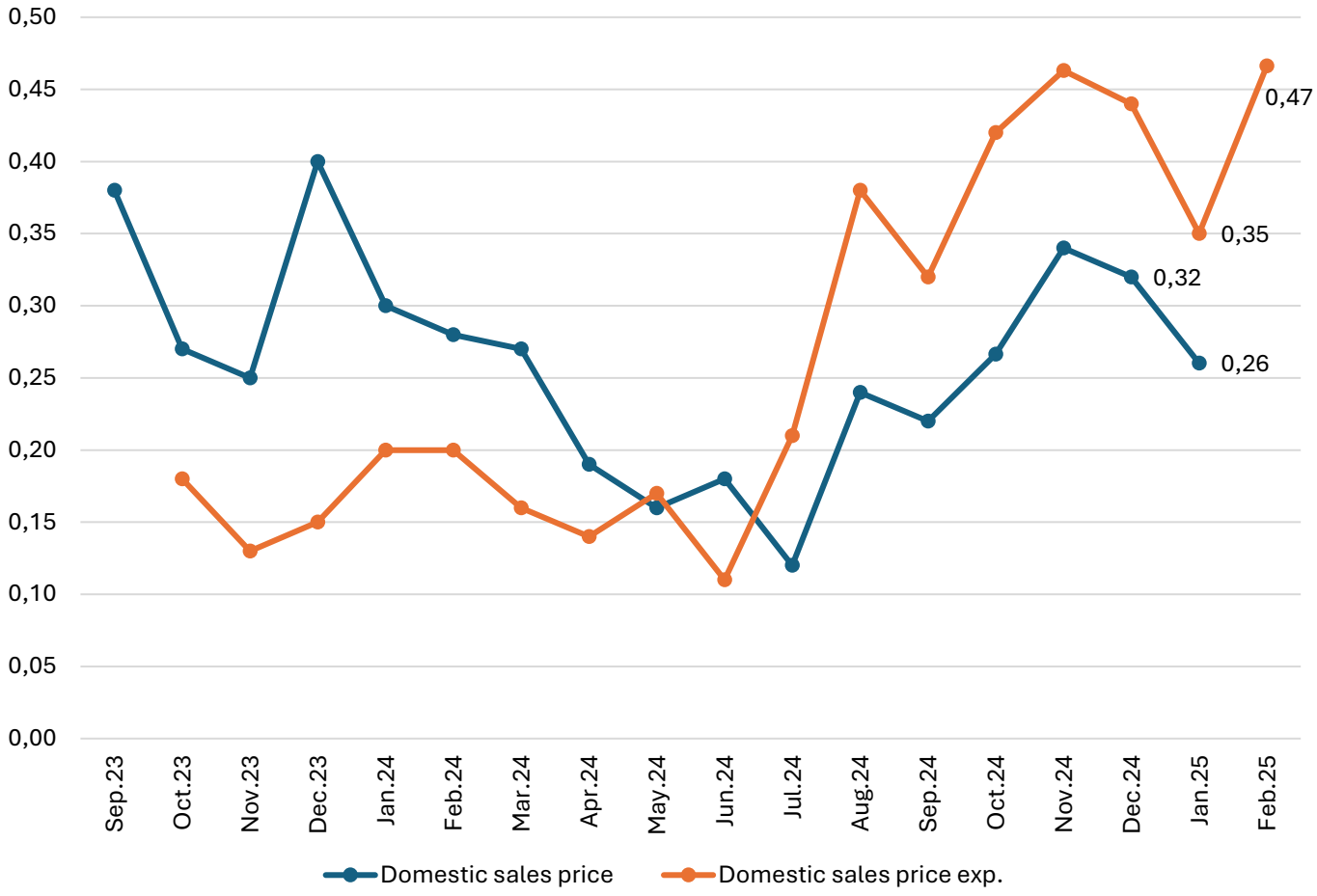
The index of changes in domestic sales prices decreased, from 0.32 to 0.26

Expectations for 3 months

- % of enterprises **expecting price increasing increased** (from 36.2% to 46.8%)
- % of enterprises **expecting a decrease in prices is absent** (was 0.7% in December)

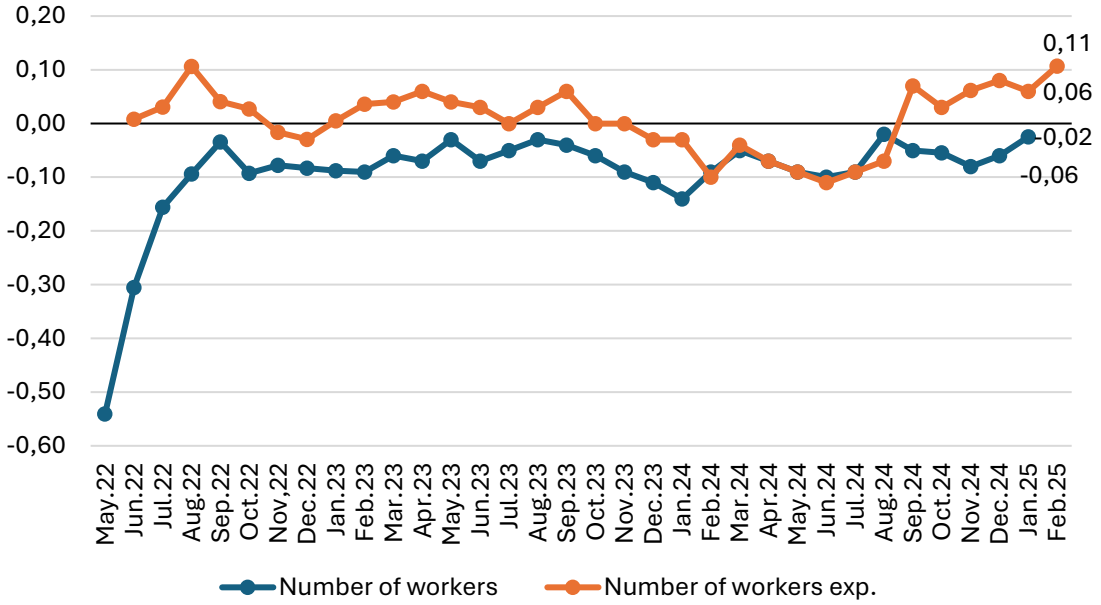
The index of expected changes in domestic sales prices increased, from 0.35 to 0.47

Domestic sales price, balance indicators

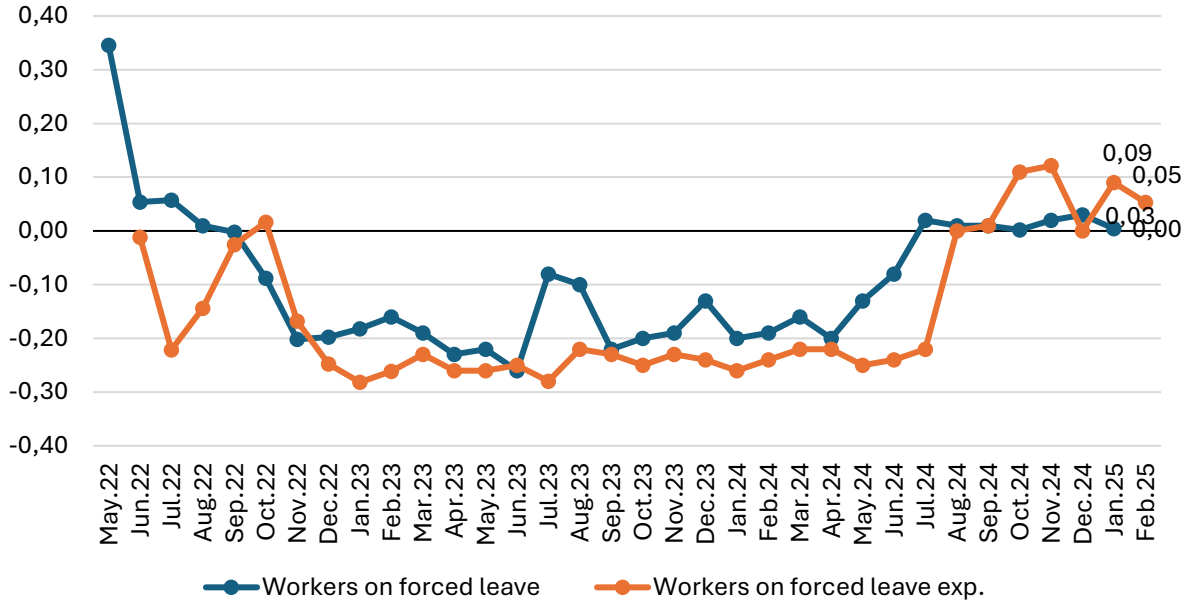


Employment: is expected an increase in the number of employees

Number of workers



Number of workers on forced leave



Expectations for 3 months

- % of enterprises **planning employment growth** in the next 3-4 months **increased** (from 11.8% to 15.7%)
- % of enterprises that **intend to reduce the number of employees without significant changes** (5.4% in December vs 4.6% in January)

The index of expected changes increased from 0.06 to 0.11

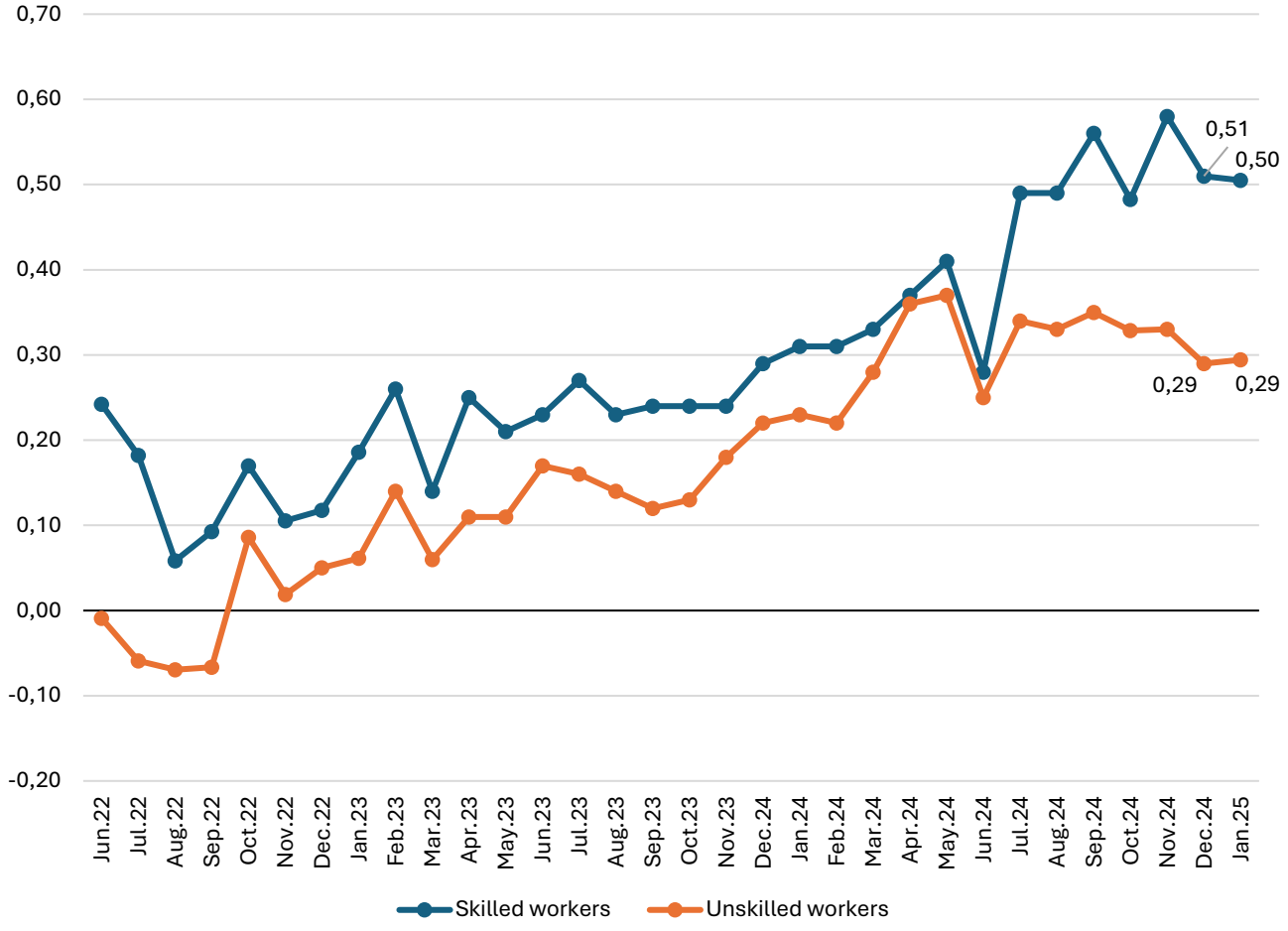
Expectations for 3 months

- % of enterprises **planning to increase the number of workers on forced leave decreased slightly** (from 10.3% to 8.3%)
- % of enterprises **planning to reduce workers on forced leave increased slightly** (from 0.8% to 2.4%)

The index of expected changes decreased from 0.09 to 0.05

Problems with finding workers remain without significant changes

Problems with finding workers



In January, difficulties in finding employees with appropriate qualifications did not change significantly

Skilled workers:

- % of those who reported that **it was more difficult to find such workers decreased slightly** (from 51.6% to 49.9%)
- % of those who said that it **has become easier to find skilled workers has not changed significantly** (1.6% in December vs 1.1% in January)

The difficulty index remains without significant changes and is 0.50 (was 0.51)

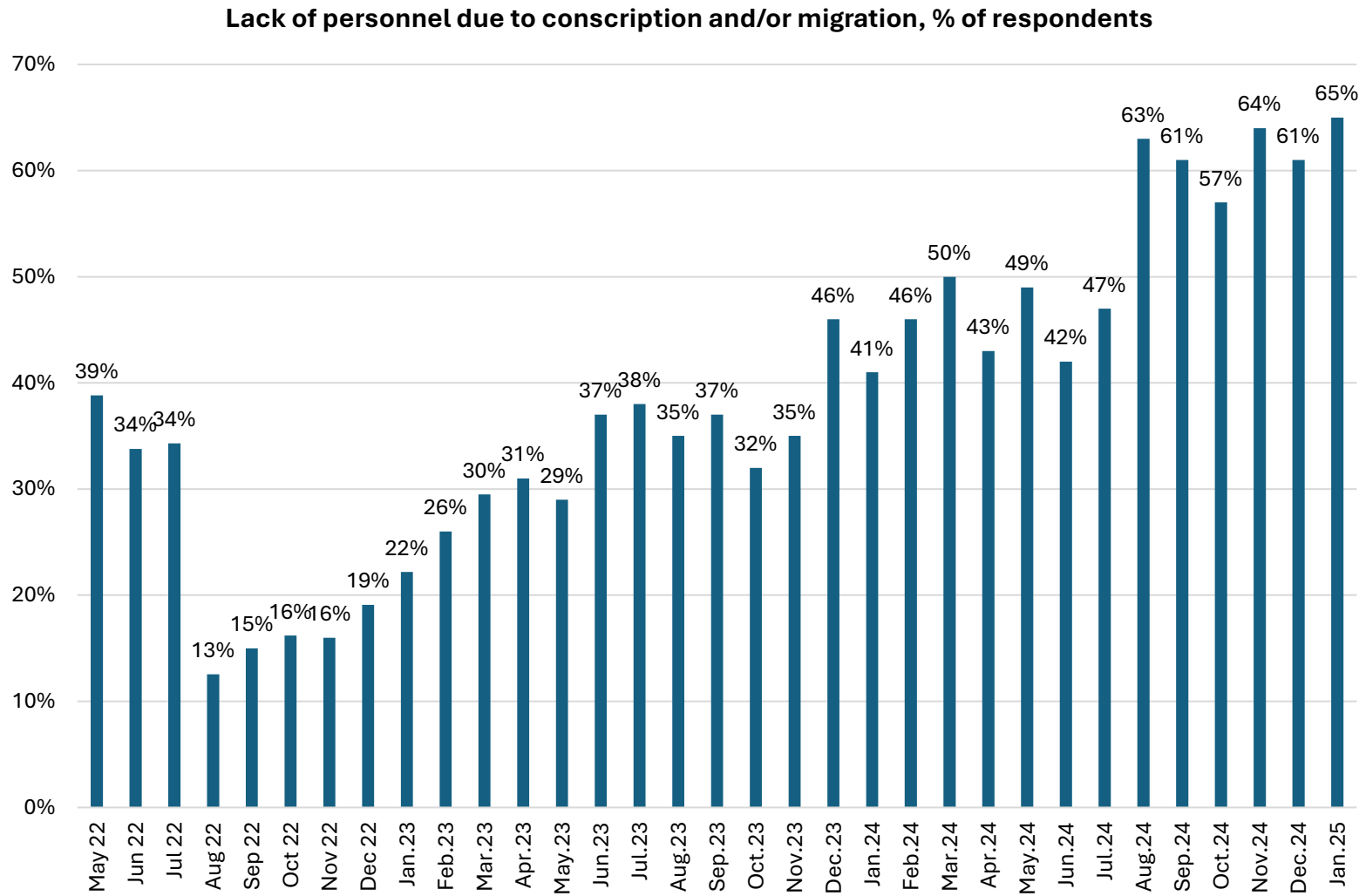
Unskilled workers:

- % of those who said **it was more difficult to find them did not change significantly** (34.8% in December vs 34.2% in January)
- % of those who **said that it was easier to find them also did not change significantly** (from 7.8% in December vs 6.2% in January)

The difficulty index did not change, and is 0.29, the same as in December

“Lack of personnel” tops the list of impediments

- The share of enterprises that **pointed to the “lack of personnel" as an impediment increased slightly**, from 61% to 65%
- In the list of impediments, the “lack of personnel" **remains in the 1st place**



Main results 5: Impediments, economic policy

“it is dangerous to work" with a slight decrease in value **retains the 2nd position** in the list of impediments

“Interruptions with electricity" have significantly decreased in value **and lower from 3rd to 5th place**

Assessments of the Government's economic policy remain mostly neutral.

“Lack of personnel" maintains leadership in the list of impediments

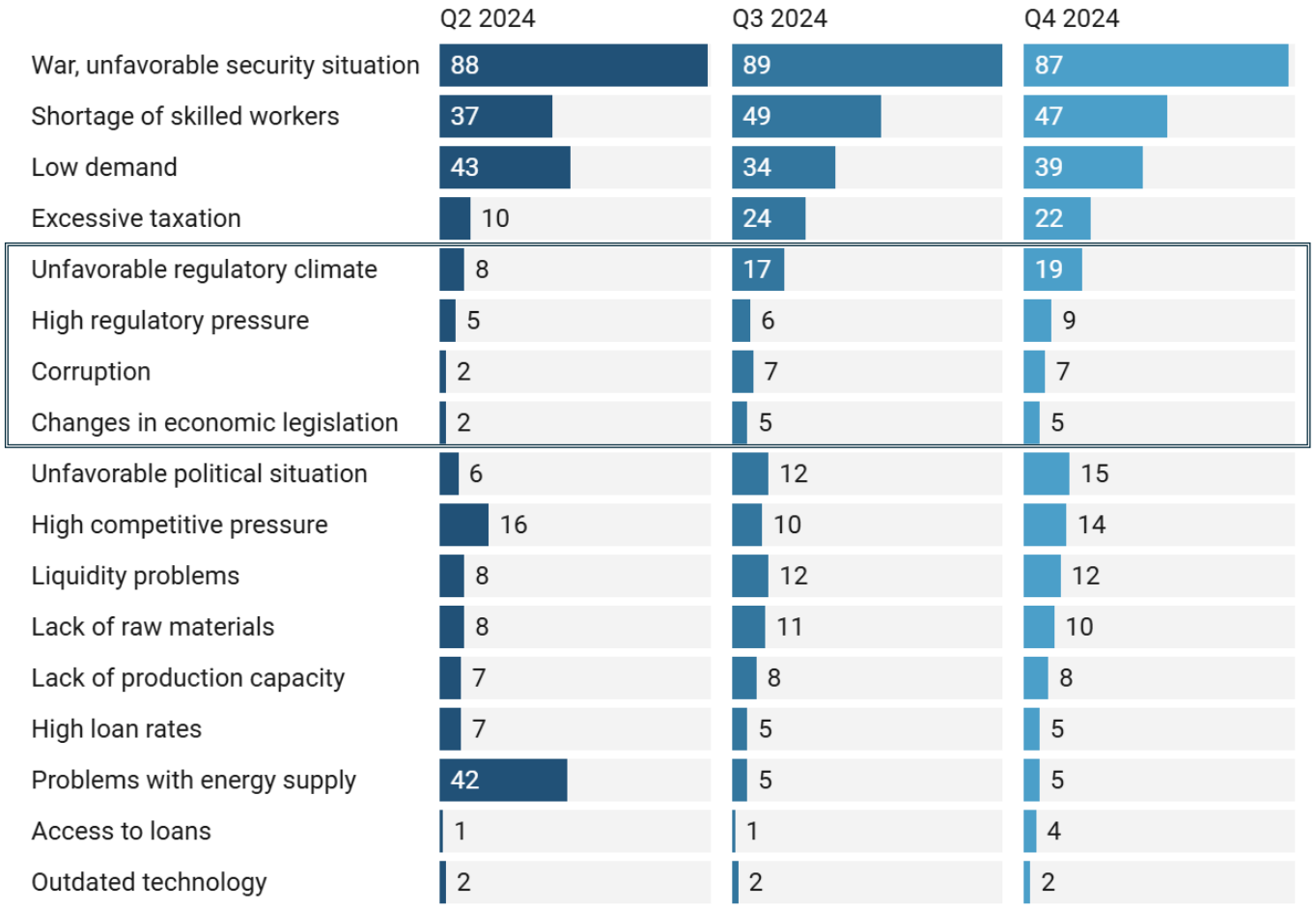
Impediments to production growth: the pre-war context

Quarterly, we use the list of impediments to production growth from the long-term *Business Tendency Survey**

- In January 2025, **the war and unfavorable security situation** was mentioned most often among the impediments to production growth
- The 2nd, 3rd, and the 4th positions were taken by **shortage of skilled workers**, **low demand** (increased in January), and **excessive taxation**
- **Unfavorable regulatory climate**** occupies the 5th position in this ranking having slightly increased compared to Q3'2024 due to a marginal increase in the reports of high regulatory pressure

* The last wave of the Business Tendency Survey of Enterprises before the full-scale russian invasion was conducted in February 2022

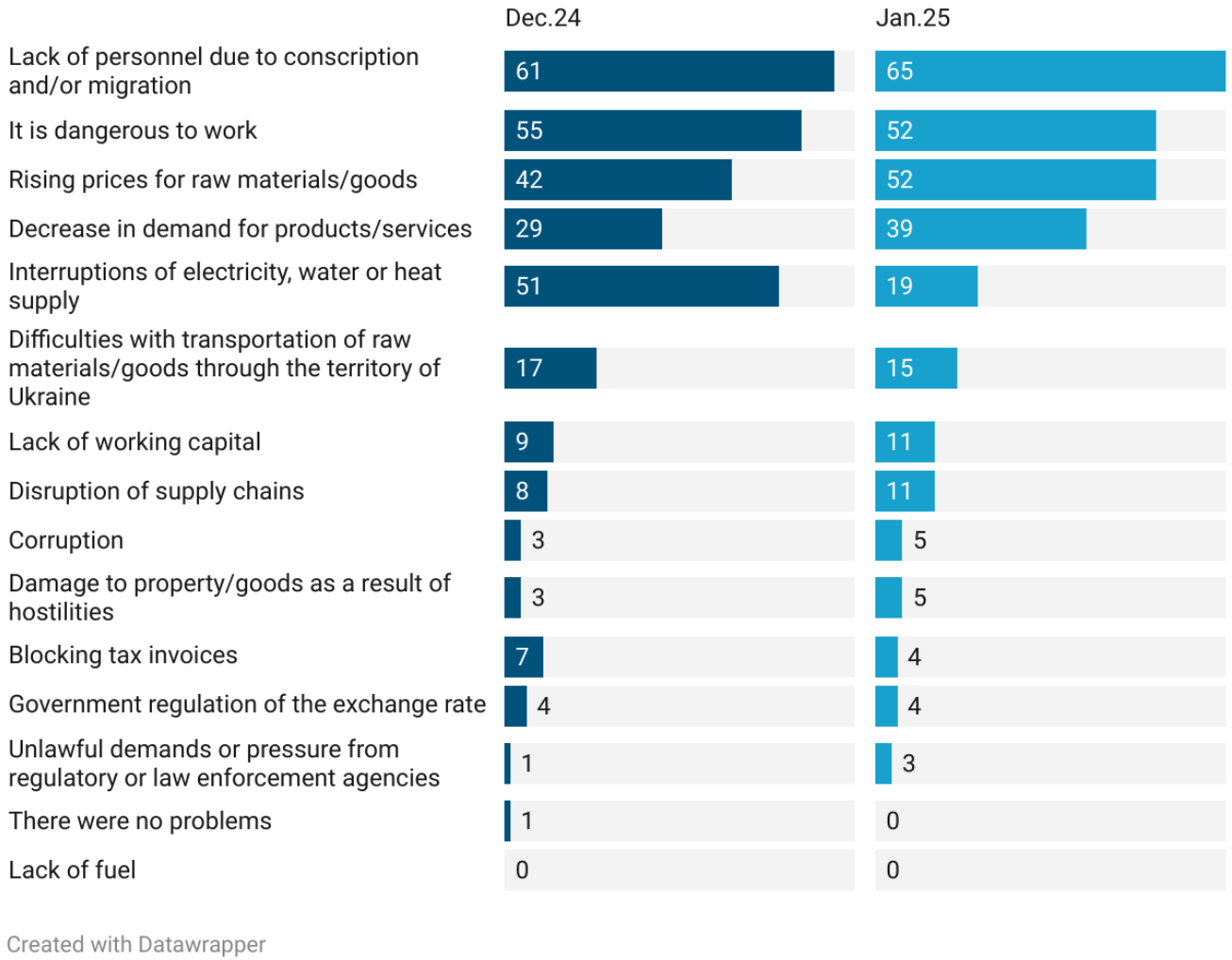
** Regulatory climate is a combined indicator consisting of "high regulatory pressure", "changes in legislation", and "corruption"



The main impediments to doing business in wartime, % respondents

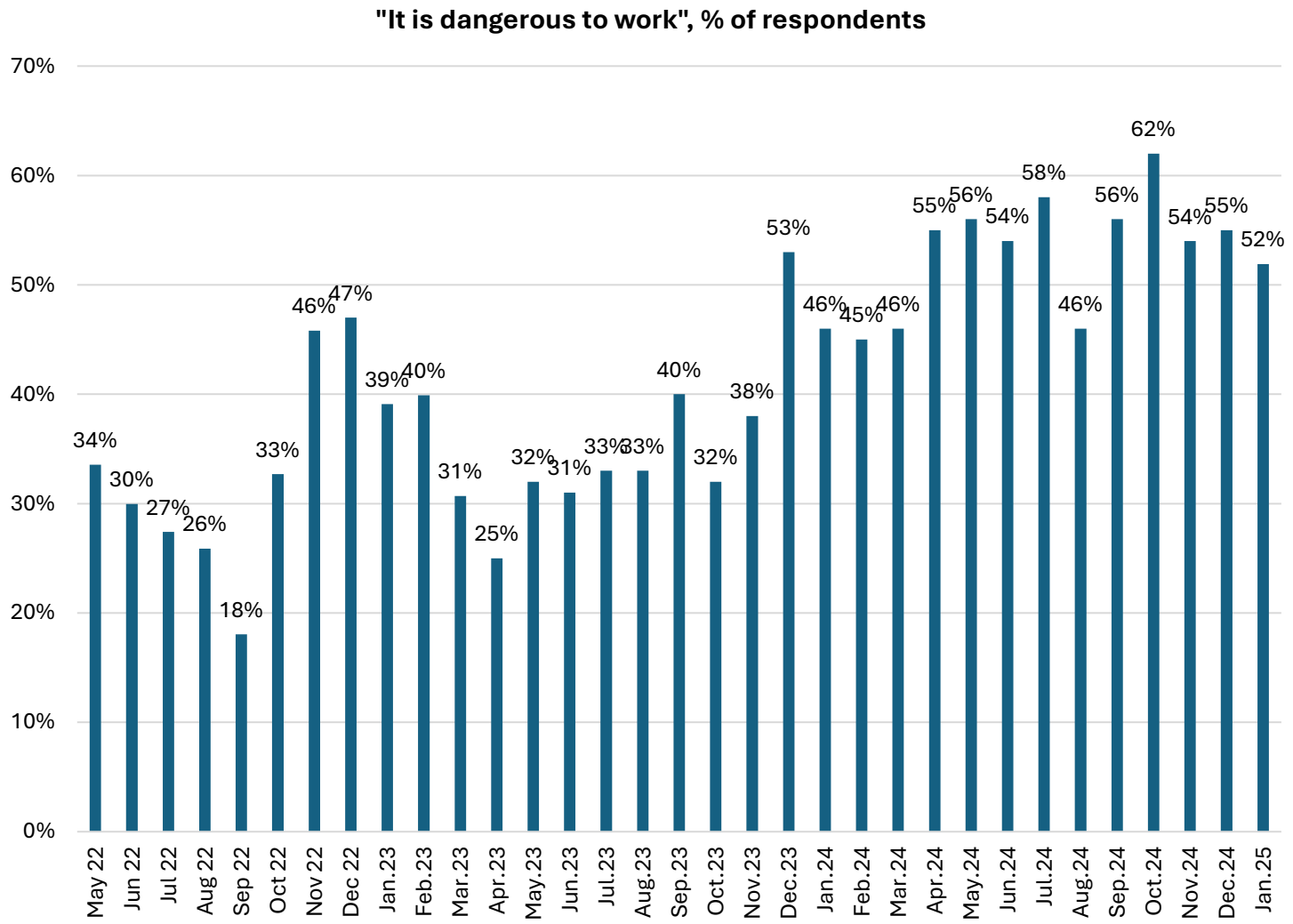
In January 2025, there were some changes in the top war-related impediments

- **“Lack of personnel”** slightly increased in value, from 61% to 65%, and **maintains a leading position in the rating of impediments**
- **“It is dangerous to work”** with a slight decrease in value (from 55% to 52%) **remains at the 2nd place**
- The impediment **“rising prices for raw materials and goods”** with a significant increase in value (from 42% to 52%) **rose from the 4th to the 2nd place**, which it shares with “it is dangerous to work"
- **“Decrease in demand”** with an increase in value (from 29% to 39%) **rose from the 5th to the 4th place**
- **“Interruptions with electricity”** in January significantly decreased in value (from 51% to 19%) **dropping out of the top three position down to the 5th place**
- **Corruption and pressure from law enforcement agencies still are not significant problems**



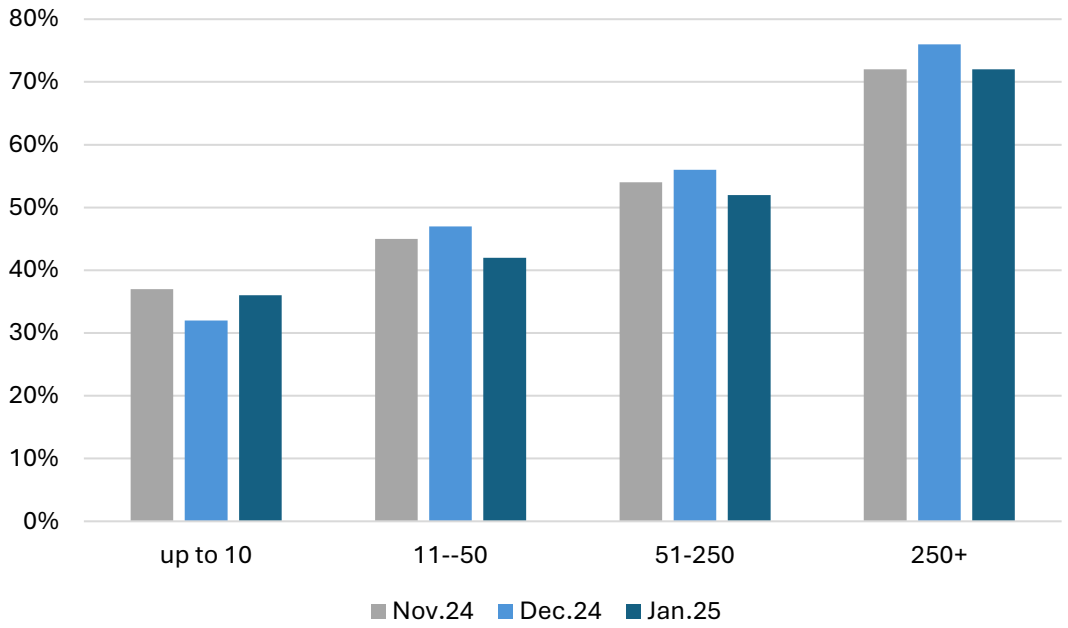
“It is dangerous to work” remains relevant

- **The share of enterprises** that reported that it is dangerous to work **has slightly decreased in value** (from 55% in December to 52% in January)
- In the list of impediments, “it is dangerous to work” **remains in the 2nd place**

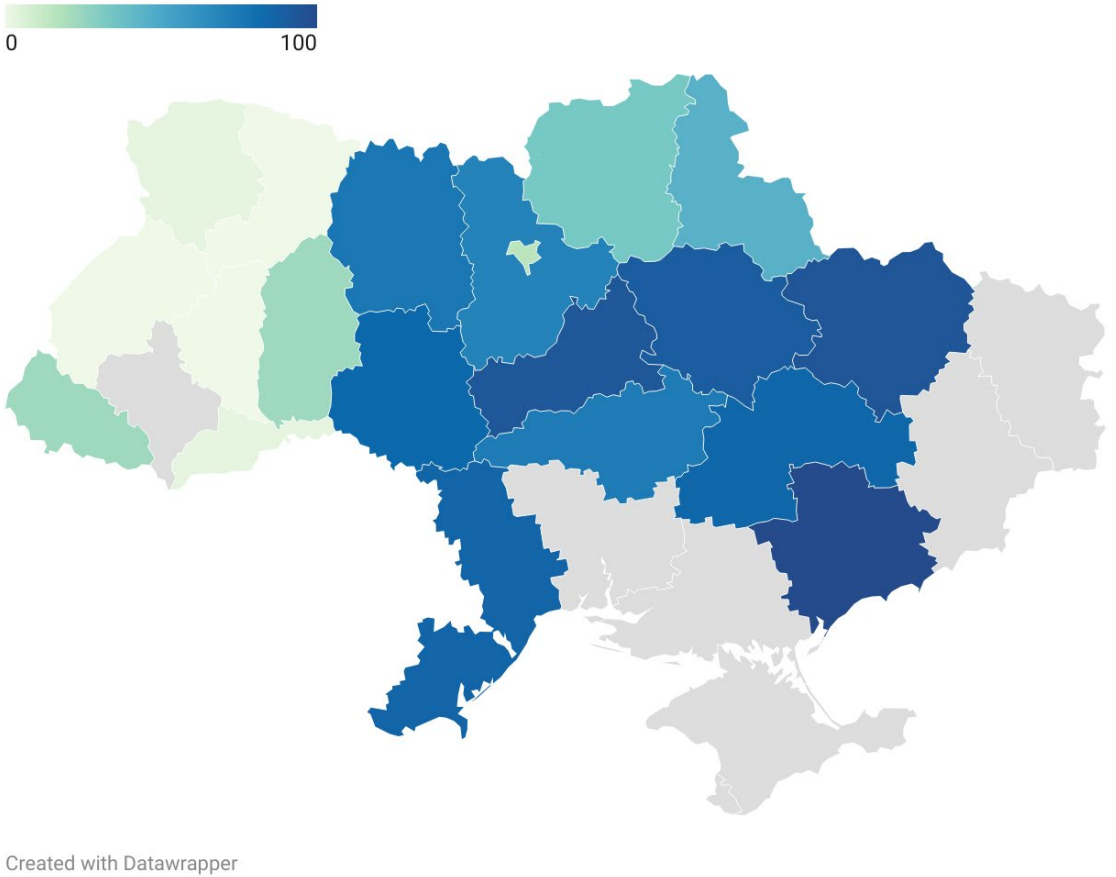


“It is dangerous to work” in different dimensions

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



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

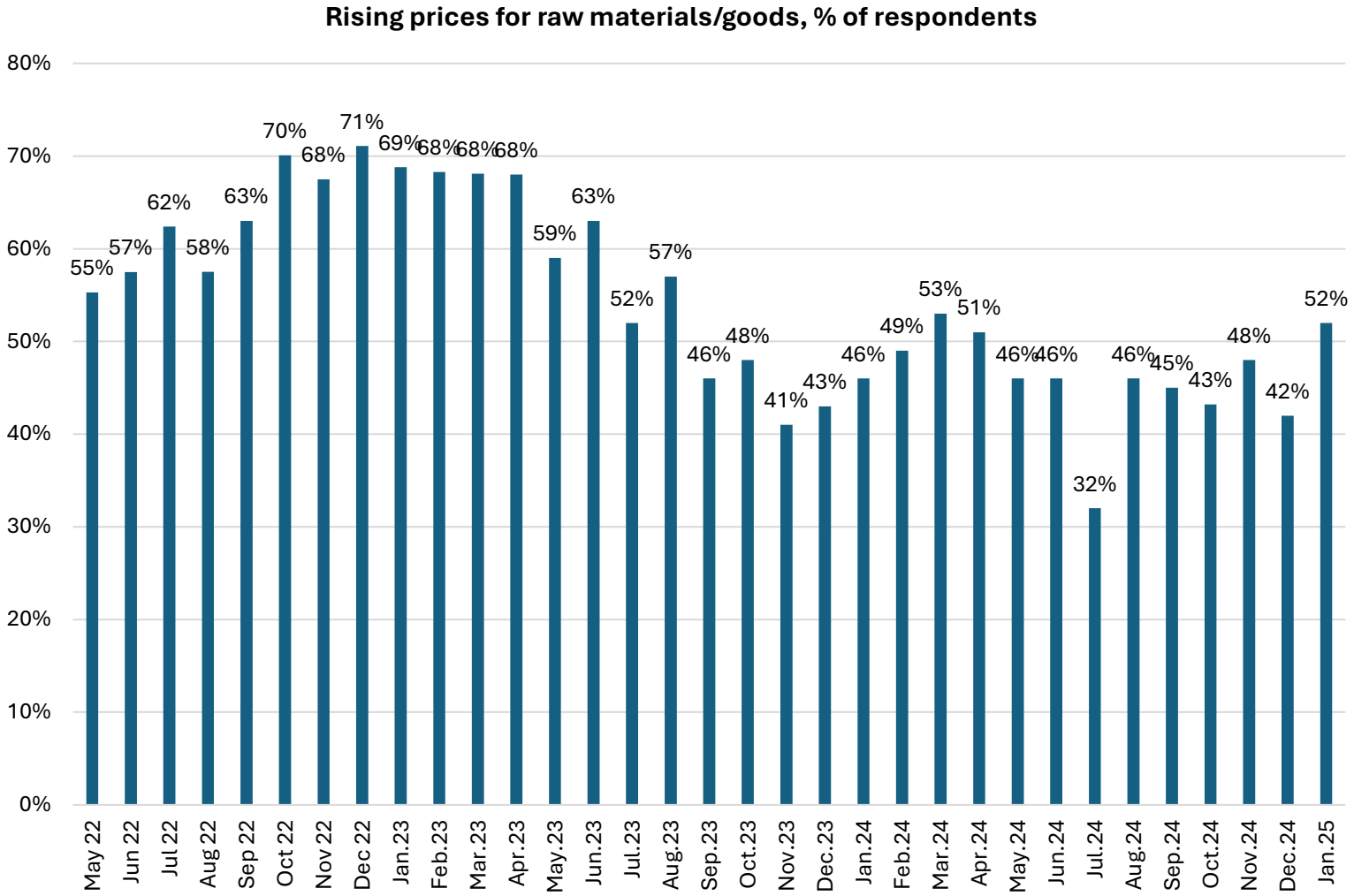


- The % of enterprises that chose to “it is dangerous to work” increased slightly for small businesses, while their value remains the lowest, depending on the size
- 80+% of respondents in Vinnytsia, Dnipropetrovsk, Odesa, Poltava, Cherkasy, Kharkiv and Zaporizhzhia regions consider dangerous conditions an impediment to doing business

Note. The number of respondents in Ivano-Frankivsk region was insufficient to analyze this issue

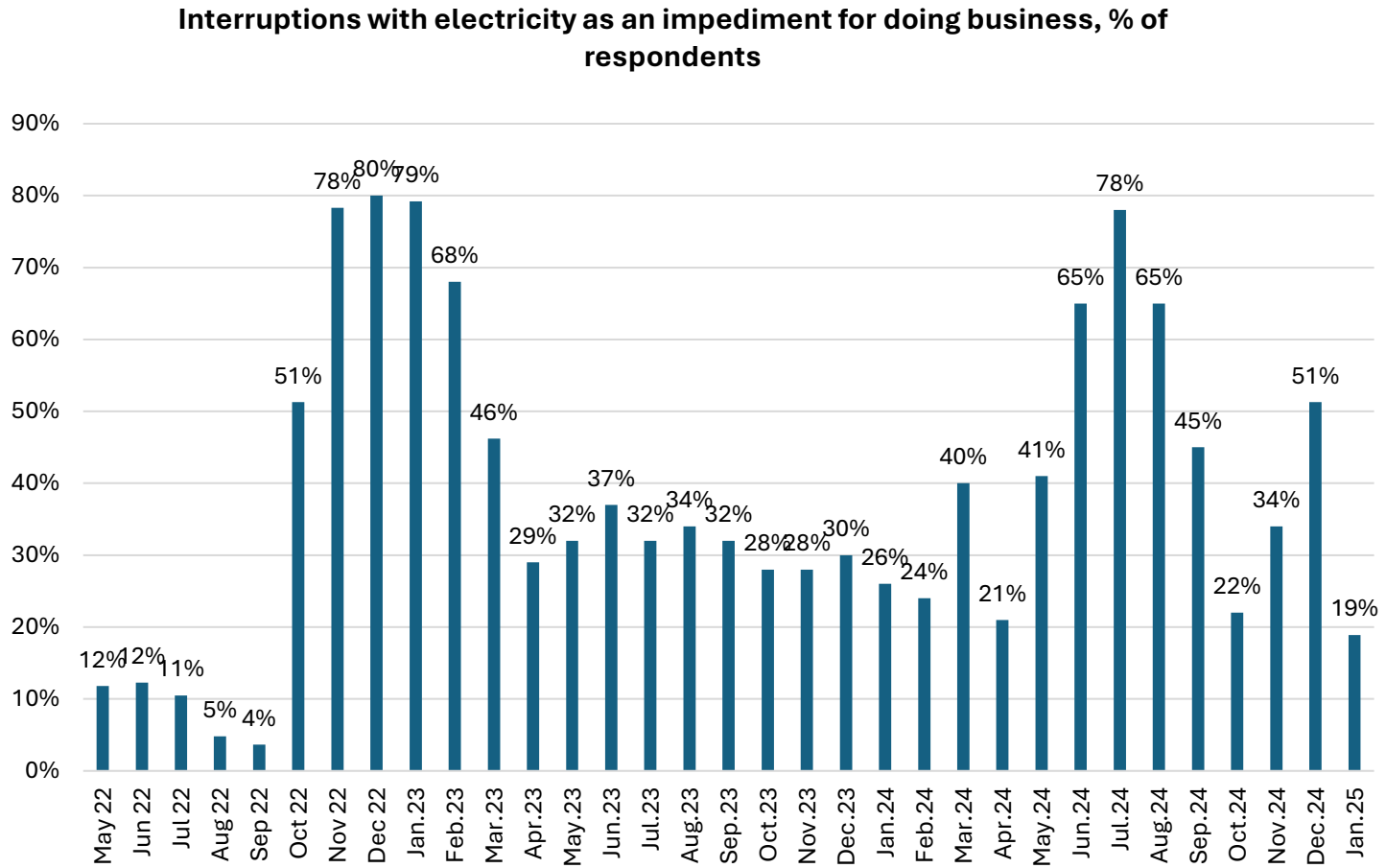
“Rising prices” increased in value

- **The share of enterprises** for which the “rising prices for raw materials and materials" **has significantly increased in value** (from 42% to 52%)
- In the list of impediments, “rising prices" **returns to the top three**, rising from the 4th place **and shares the 2nd place with “it is dangerous to work"**

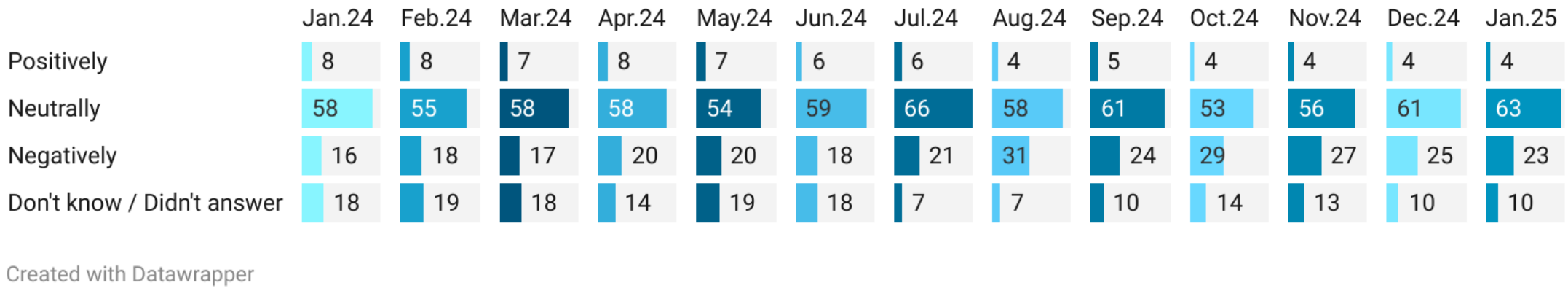


“Interruptions with electricity” have lost their relevance

- **The share of companies** for which “interruptions with electricity” is an impediment **decreased** almost threefold (from 51% in December to 19% in January)
- In the list of impediments, “power outages” **decreased from the 3rd to the 5th place**



Assessments of the Government's economic policy remain mostly neutral



- **The share of positive assessments** of the Government's policy on business support **has not changed** and for the fourth month in a row is 4%
- **The share of neutral assessments** of the Government's policy on business support **increase significantly** in January (from 61% to 63%)
- **The share of negative assessments has been gradually decreasing for the third month in a row** (and in January compared to December it decreased from 25% to 23%)
- **The share of those who have not decided on the answer, unchanged** (10%, as in December)

MAIN RESULTS 6: INTERRUPTIONS WITH ELECTRICITY

“Interruptions with electricity" have significantly decreased in value (from 51% to 19%), **the impediment lower from 3rd to 5th place in the list**

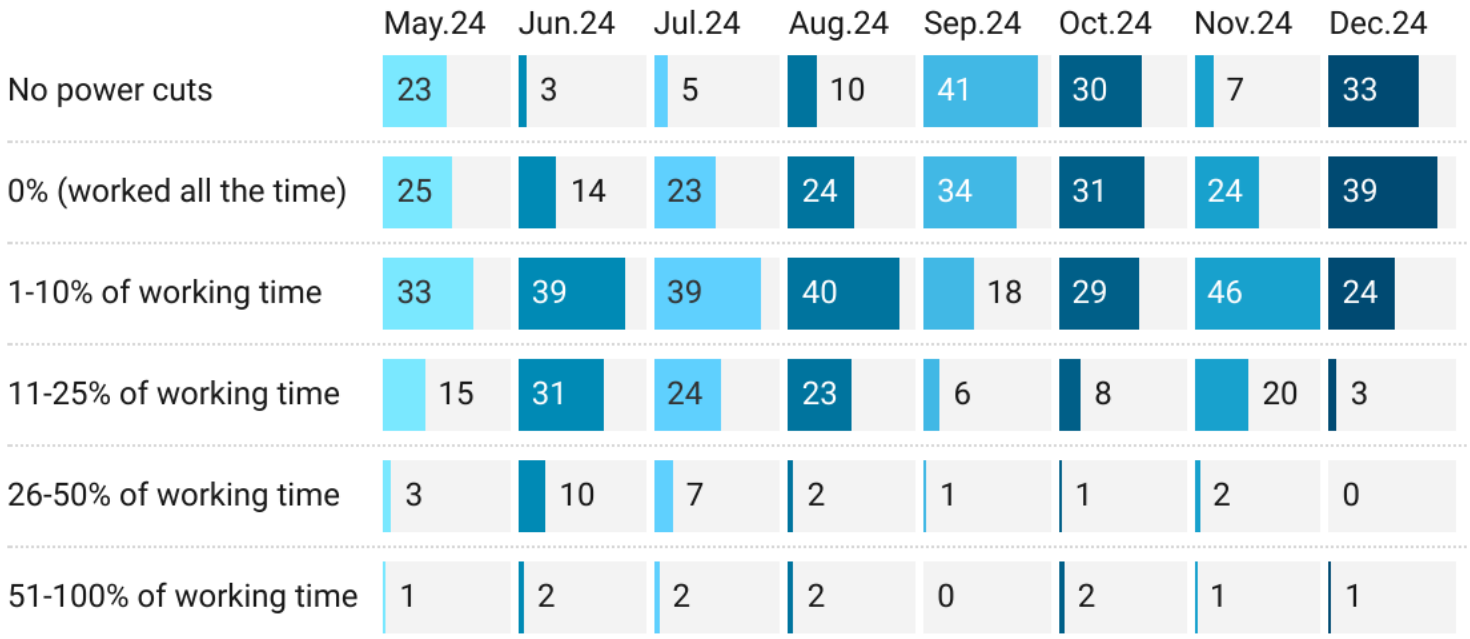
28% of businesses had to **temporarily suspend operations** due to power outages in December 2024

In December 2024, due to power outages, **businesses lost 4%** of their total **working time**

Small businesses suffer **more losses**. Among the industries, the highest time losses are in **metalworking, light industry, and machine building**

Less businesses stopped to work due to power outages

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



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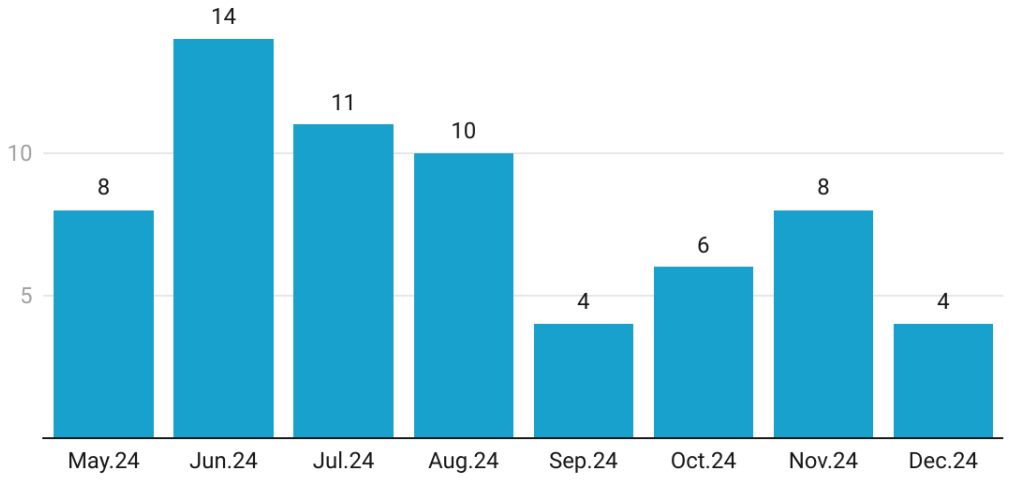
28% of businesses had to temporarily suspend operations due to power outages in December 2024 (68% in November):

- 24% of enterprises stopped operations at only 1-10% of working hours, and 3% stopped at 11-25% of working hours
- Only 1% of enterprises did not operate more than half of the working time (51-100%)
- 33% of businesses did not have power cuts
- 39% of businesses were operating continuously despite the power cuts

Loss of working time from outages

- In December 2024, due to power outages, **businesses lost 4%** 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, Khmelnytskyi, Sumy, and Cherkasy regions**

Average % of time loss



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% of working time loss, by regions

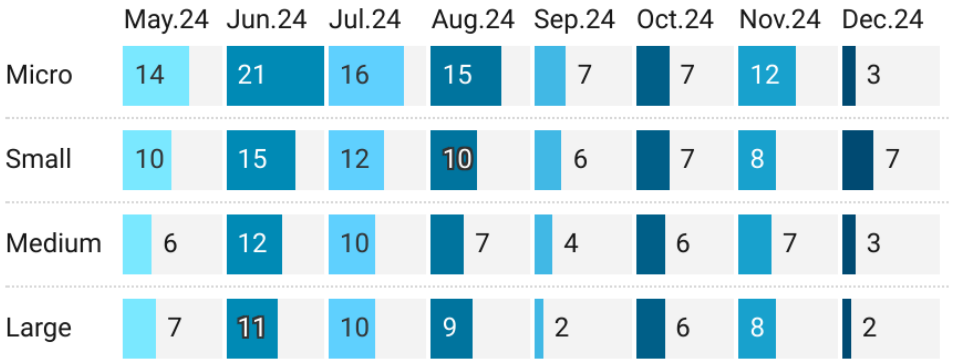
	May.24	Jun.24	Jul.24	Aug.24	Sep.24	Oct.24	Nov.24	Dec.24
Sumy	24	22	17	21	9	15	14	9
Khmelnytskyi	14	23	19	14	2	11	19	6
Cherkasy	0	8	20	18		2	9	6
Zakarpattia	0	6	8	6		2	4	5
Dnipro	0	25	6	6	2	15	18	4
Poltava	8	5	5	9	2	6	5	4
Kyiv City	10	10	14	6		1	10	2
Volyn	9	11	9	9	10	9	9	2
Odesa	9	6	5	5	0	2	3	2
Kirovohrad	5	18	16	8	2	7	5	1
Kyiv	4	7	4	3	2	0	5	1
Rivne	4	2	2	0		9	10	0
Zhytomyr	0	18	6	3	0	6	6	0
Kharkiv	11	22	8	15	10	13	4	0
Chernivtsi	3	19	12	12	1	6	3	0
Ternopil	4		14	9	8			0
Zaporizhzhia	14	18	24	14	4	0	13	
Chernihiv	15	18	6	9		0	11	
Lviv	8	22	11	1	8	1	3	
Vinnytsia	3	3	1			25	0	
Ivano-Frankivsk	3					0		

New Monthly Enterprises Survey, #33, (01/2025)

Small business suffers the most from blackouts

- **Small enterprises** are suffering **more losses**
- Among the industries, the **greatest losses** of time are in **metalworking, light industry, and machine building**

% of working time loss, by enterprise size



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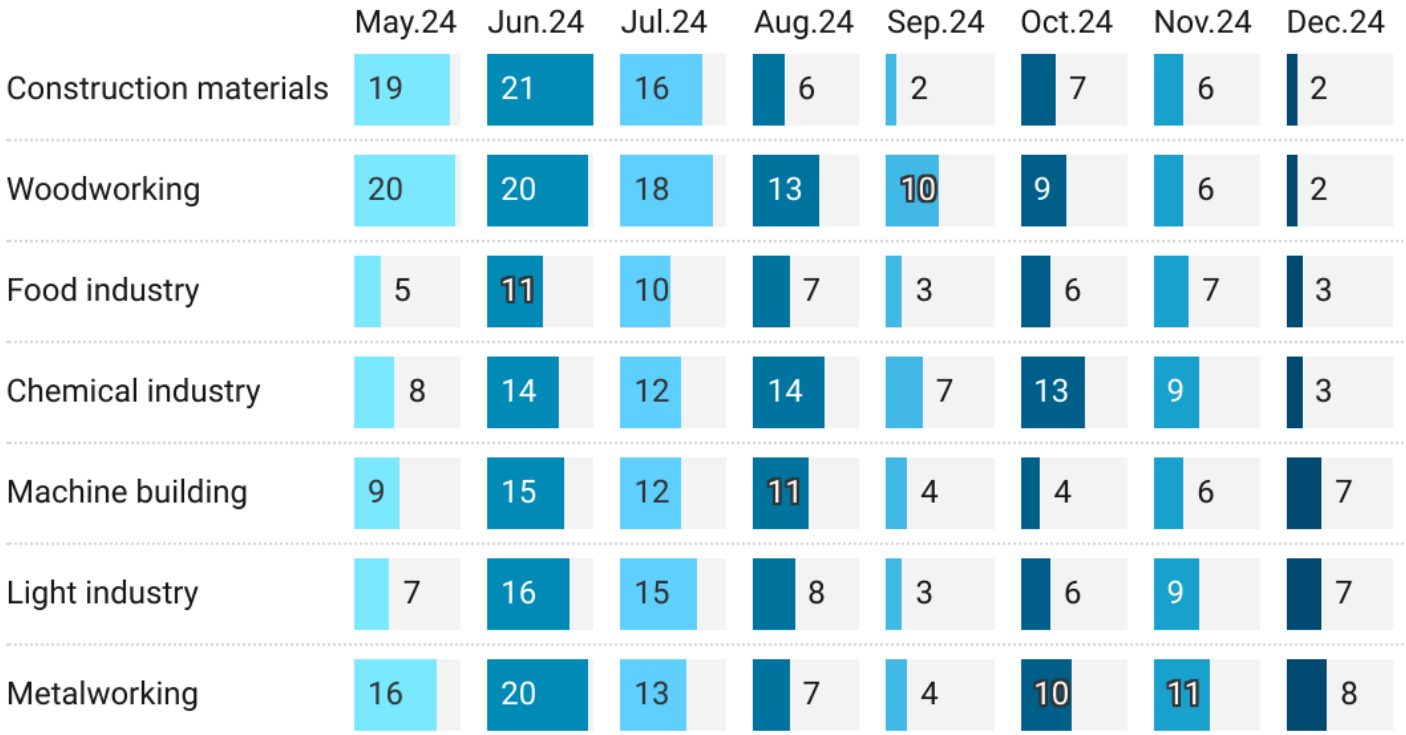
% of working time loss, by industry



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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.

У 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 33-th wave lasted from January 17- 31, 2025. The enterprise managers compared the work results in January 2025 with December 2024, assessed the indicators at the time of the survey (January 2025), 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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OUR CONTACTS

Website: ier.com.ua

Email: rubanik@ier.kyiv.ua, kuziakiv@ier.kyiv.ua

Instagram https://www.instagram.com/ier_kyiv/

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

Telegram: https://t.me/ukreconomic

Twitter: https://x.com/IER_Kyiv