Main economic trends in December 2022

based to the results of the IER New Monthly Enterprises Survey, #NRES

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ABOUT THE NEW MONTHLY SURVEY

Monthly survey

The recent data were collected on **December 13-26, 2022**

Sample: **551 enterprises** were surveyed in December

8 surveys have already been conducted (since May 2022)

Enterprises of all sizes

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

Geography: **21 out of 27 r**egions of Ukraine

Main results 1

The business continues to **feel the impact of russian** missile **terror but is adapting to work** in such conditions.

Main results 2

The tendency to worsen **half-year expectations** of the **overall economic** situation and **situation at the firm** level <u>stopped</u>.

The level of **uncertainty** for the **six**-month and **three-months** perspectives is gradually <u>decreasing.</u>

Production expectations in the short term has <u>improved</u>.

Exports expectations in the short term have <u>significantly increased</u>

Main results 3

Business plans for the next **two years** remain <u>optimistic</u>

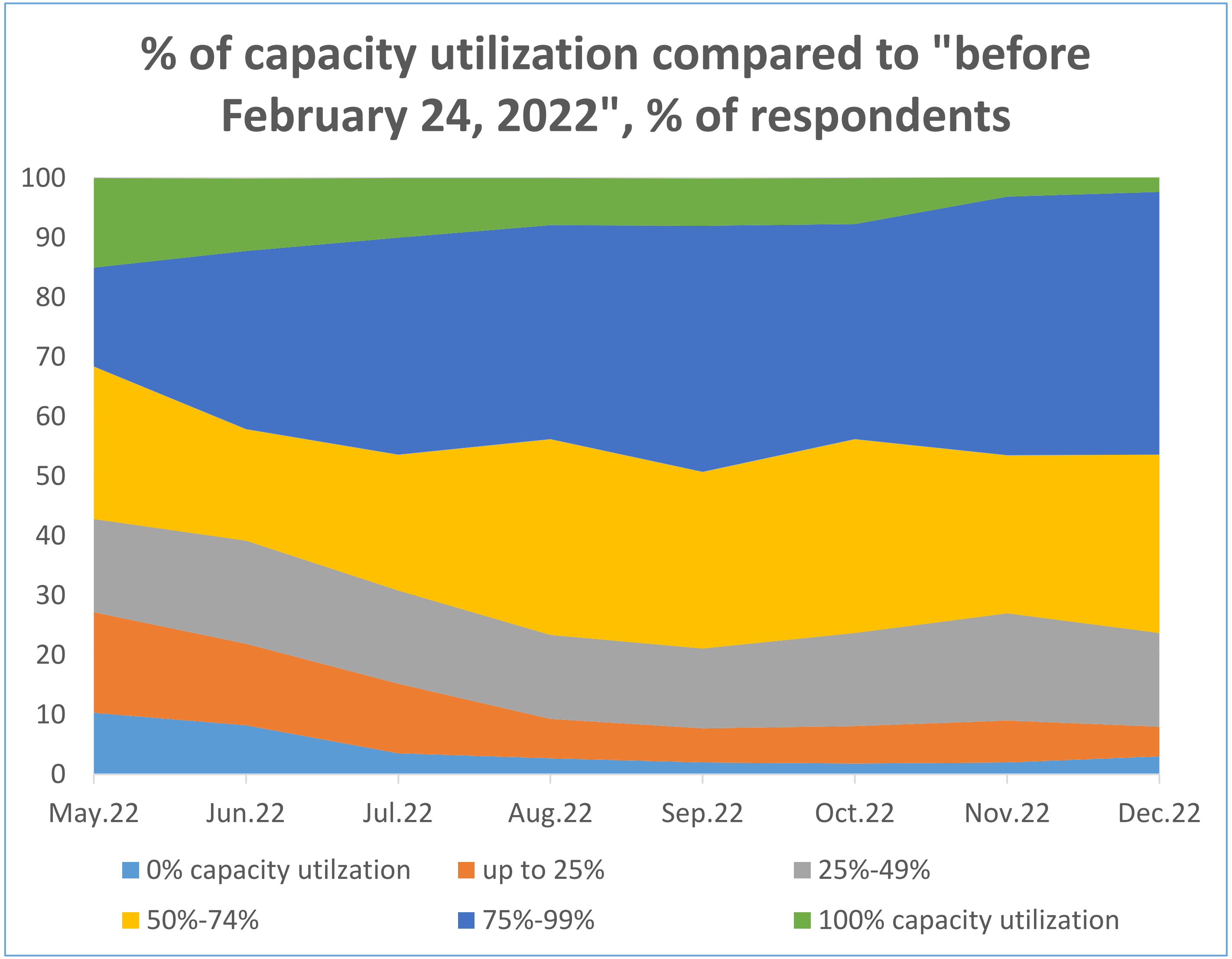
Interruptions in electricity, water, and heat supply are the <u>number one</u> problem.

Time **losses due to power cuts** are <u>21% of working time</u> in November.

Assessments of **state economic policy are** <u>neutral</u>

Business stabilized despite russian missiles' terror

Capacity utilization stabilized despite Russian missiles' terror



Positive:

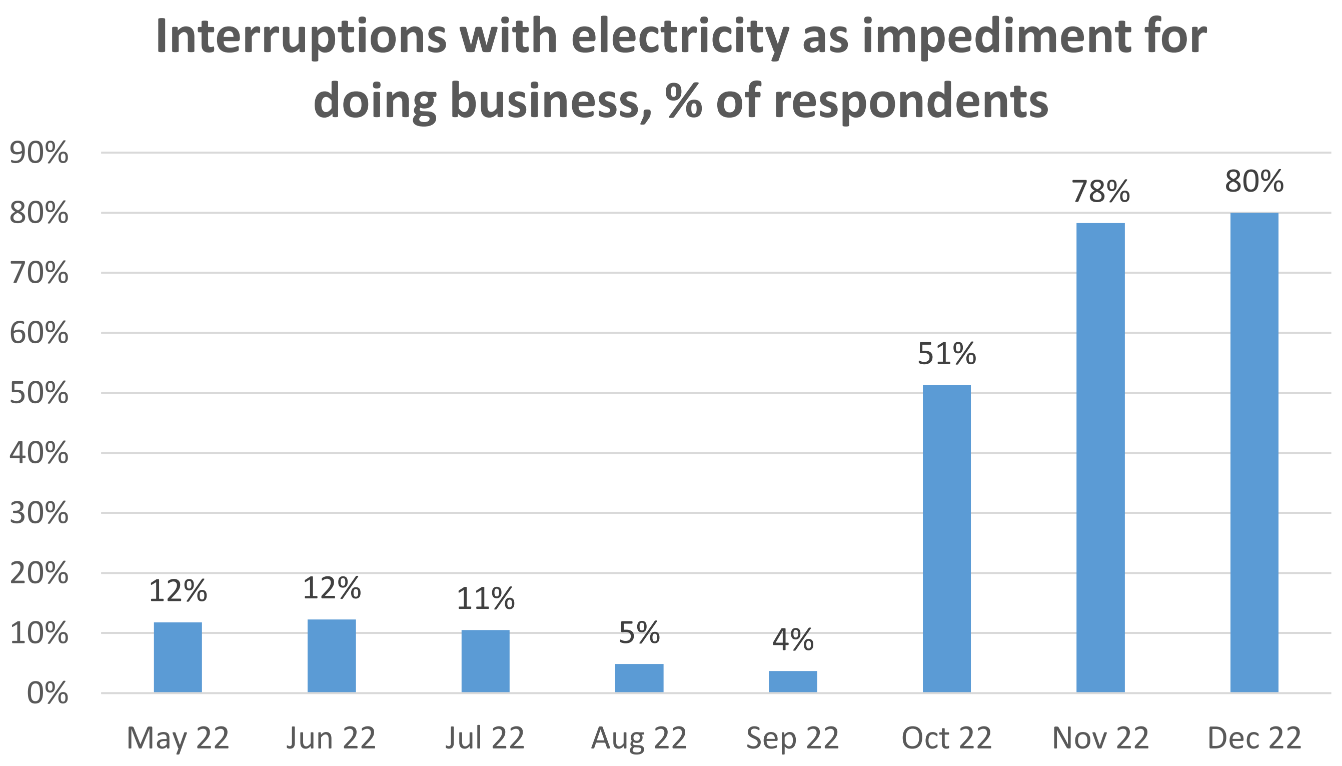
- In December, **businesses remained resilient** to the Russian terrorist attacks, and the **situation stabilized**
- **Only 3%** of surveyed enterprises **do not operate** (2% in November) and **only 5%** of enterprises operate **at less than 25% of capacity** (7% in November).
- The share of enterprises **operating almost at full capacity** (75%-99%) **remained** on the same level (44% in December vs 43% in November)

Negative:

- % of enterprises operating at full capacity (100% and more) remained at 3% (also 3% in November)

The impact of russian missile terror: interruptions with electricity top the list of obstacles for the second month in a row

- In December 2022, **interruptions with electricity topped** the list of impediments to doing business for the second month in a row
- % of respondents who reported **interruptions with electricity** as an impediment to doing business increased slightly from **78%** in November to **80%** in December 2022

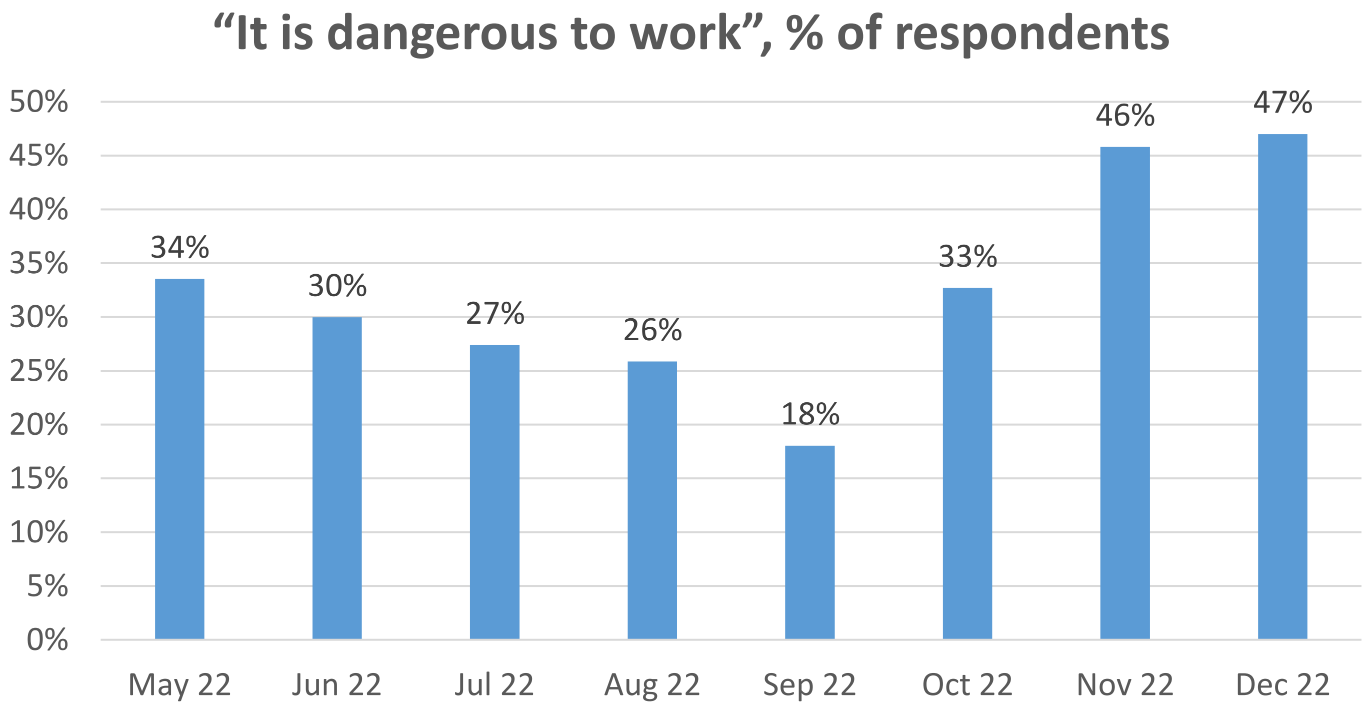


Source: #NRES, IER, 2022

The impact of russian missile terror: “it is dangerous to work” remains in the 3rd place of obstacles, but no further growth

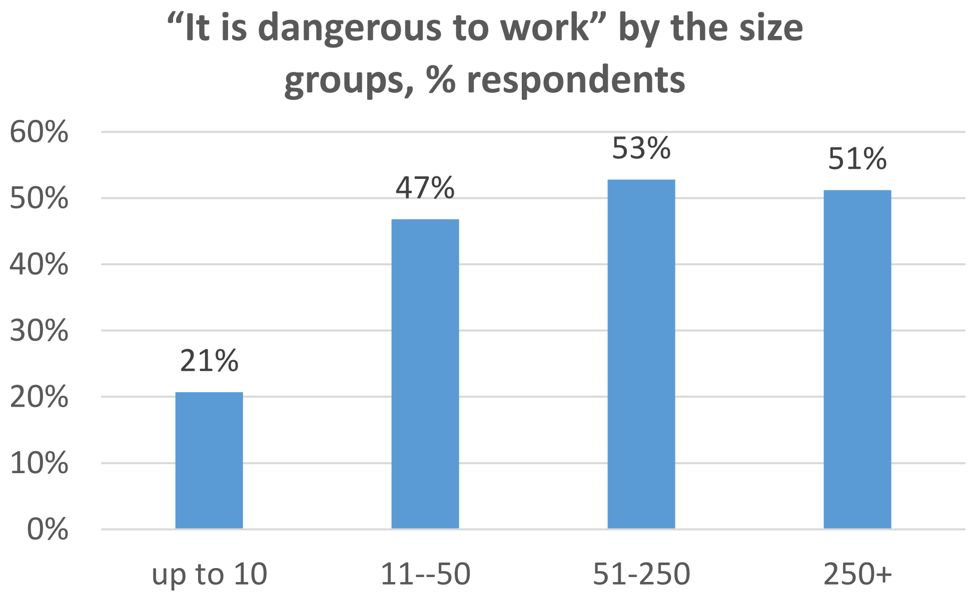
- In December, the share of enterprises reported that it was **dangerous to work remains** without significant changes compared to November, which **was 47%.**

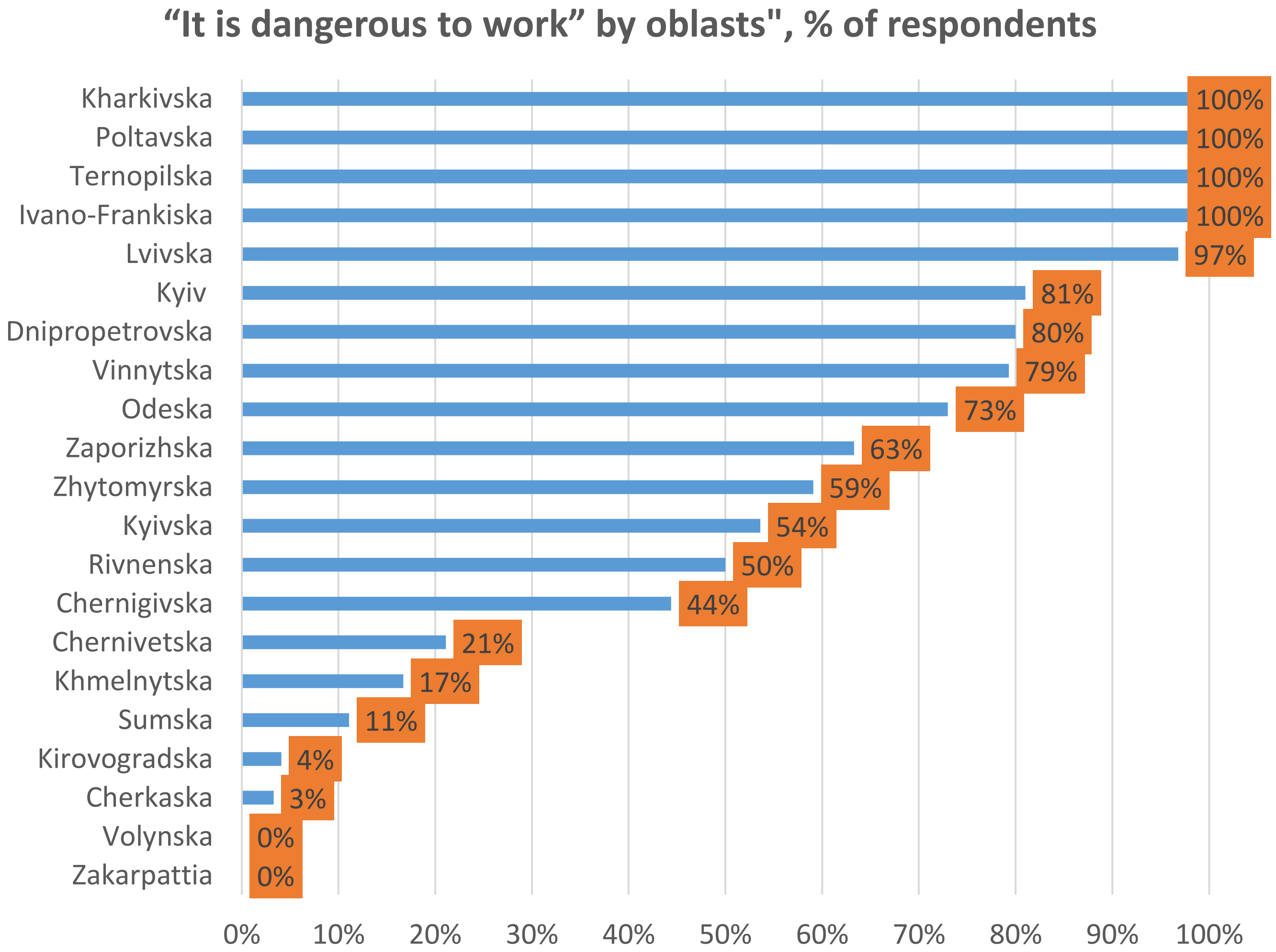
- The **values of impediment** “it is dangerous to work” in November and December 2022, **were the highest over** the entire survey **period**



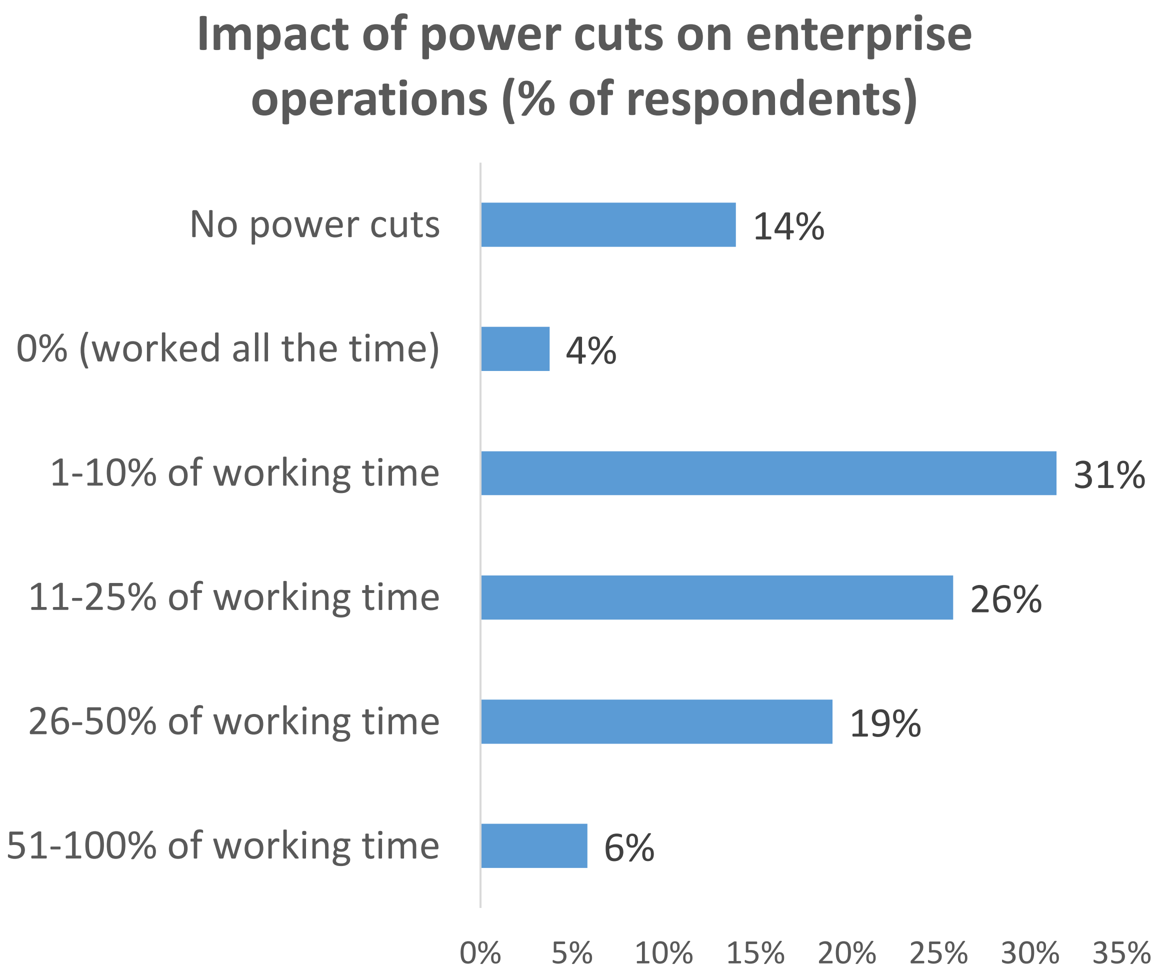
Source: #NRES, IER, 2022

The impact of russian missile terror: “it is dangerous to work” in different dimensions





Most enterprises suspended operations temporarily due to power cuts

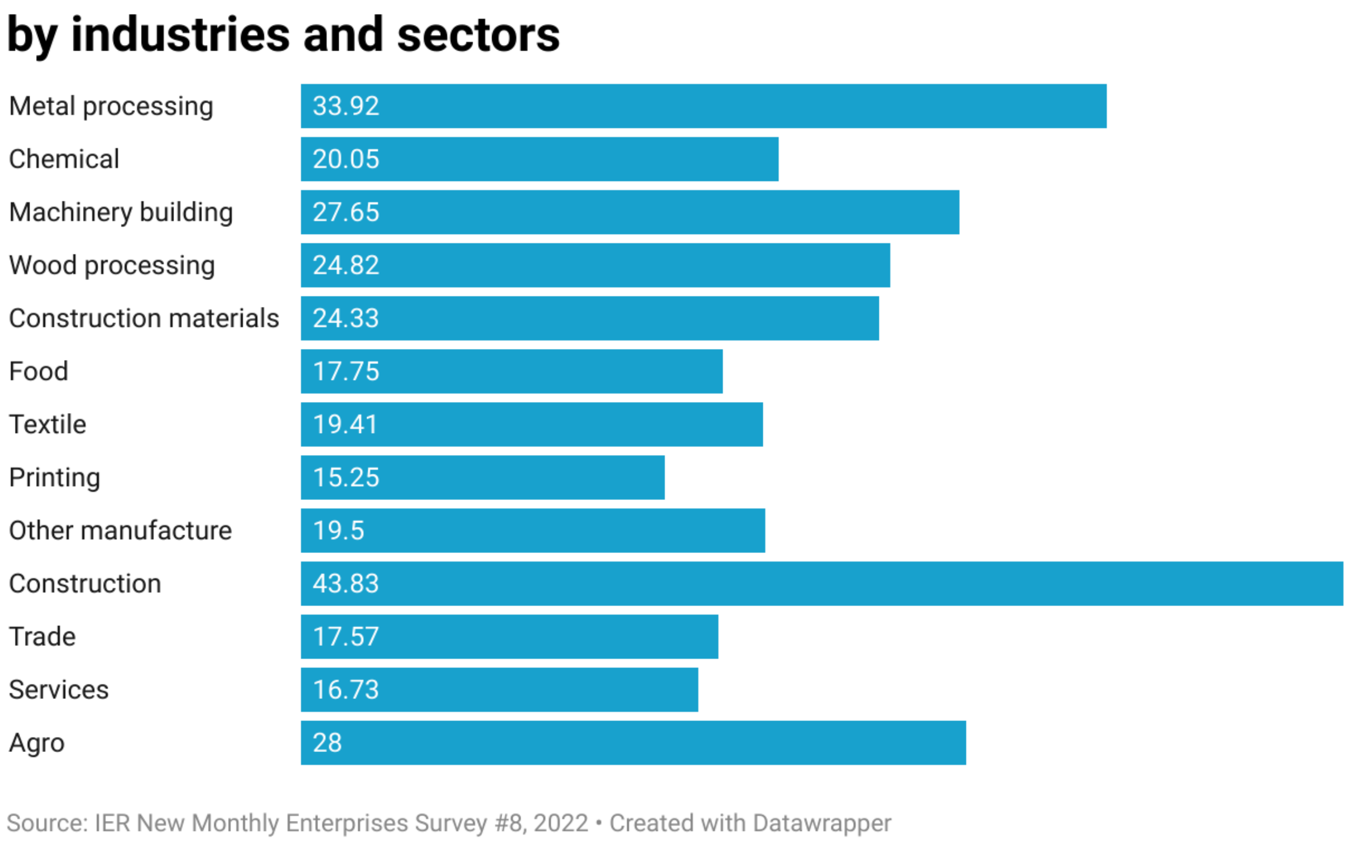


86% of enterprises suspended operations temporarily due to power cuts, only 14% – did not experience power cuts

- Only 4% of enterprises worked all the time during power cuts
- 31% of businesses stopped operations only for 1-10% of working time and 26% stopped for 11-25% of working time
- Only 6% of enterprises were not operational more than a half (51-100%) of working time
- Printing, food, and light industries are the most resilient to power cuts
- Micro business is less resilient to power cuts than other enterprises

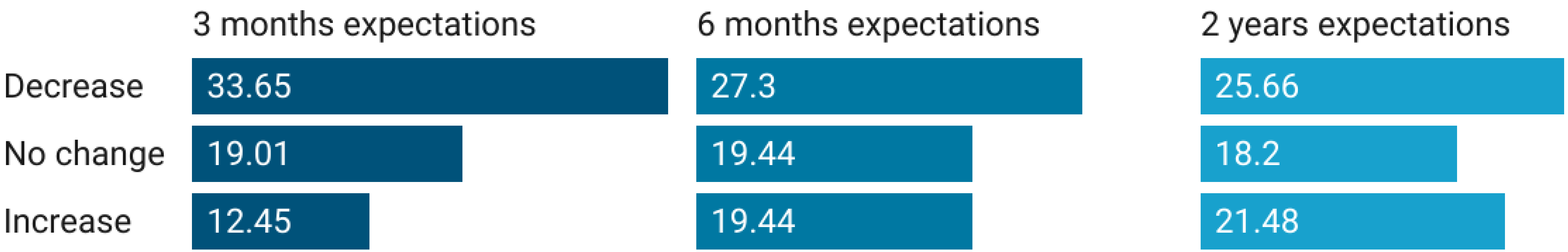
An average time of suspending work due to power cuts

- The enterprises lost 21 **% of total time in a month** was by due to power cuts
- There are differences between sectors and industries



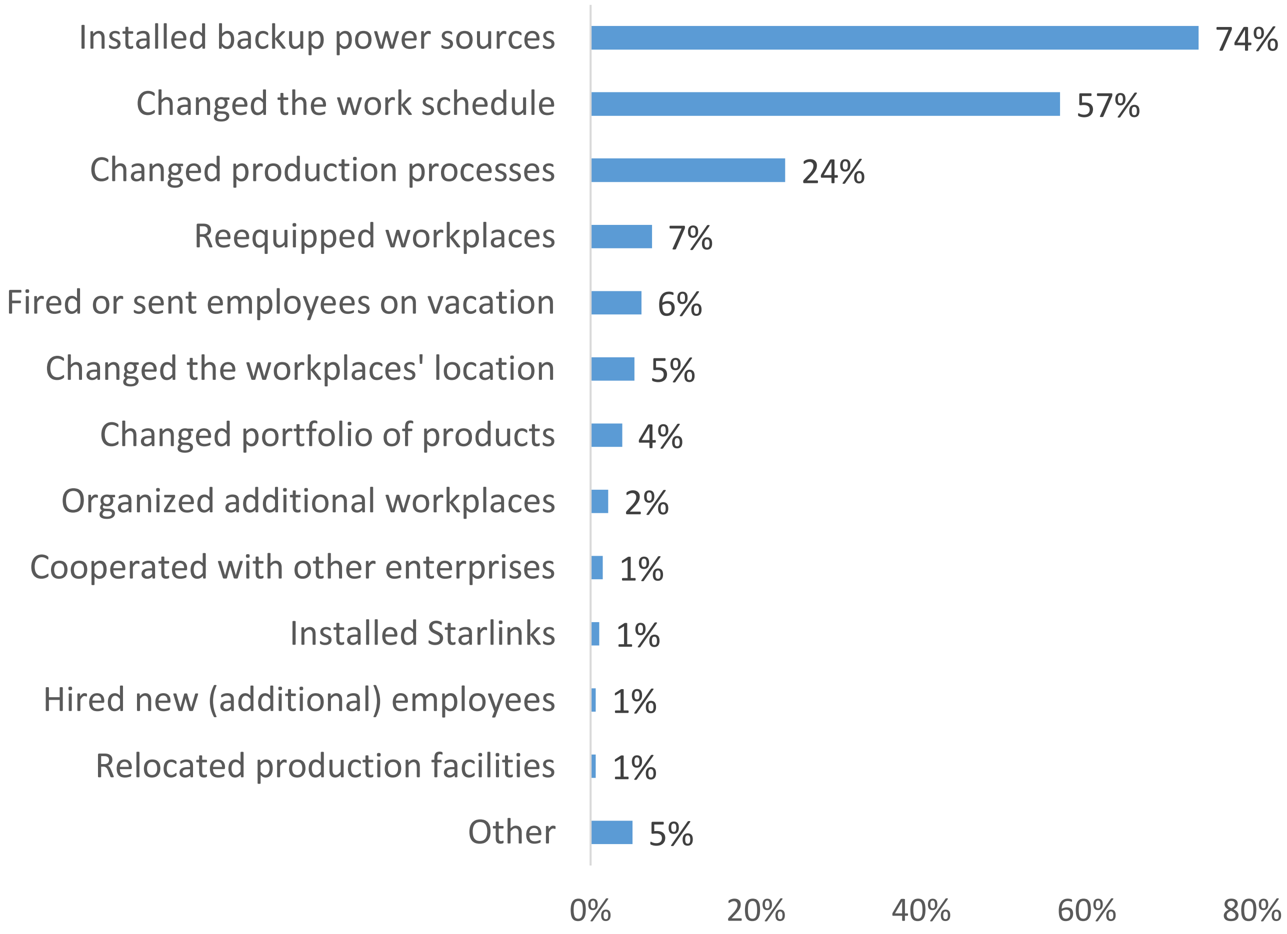
Time losses due to power cuts correlate to short time expectations

% of working time losses for the different types of enterprises' plans for further development, % of time in month



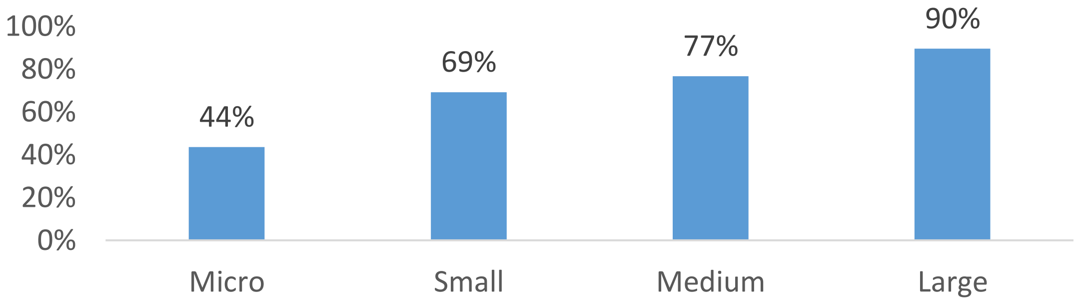
How are enterprises coping with the power cuts?

Measures to power cuts coping, % of enterprises



- **Most businesses** (74%) **installed** additional sources of power supplies (**generators, batteries, etc.**)
- **Every second** enterprise **changed** the **work** schedule
- **Every fourth** enterprise changed **production processes**
- **Large and medium enterprises** are **more likely** than micro and small enterprises to **install additional** sources of **power supply**

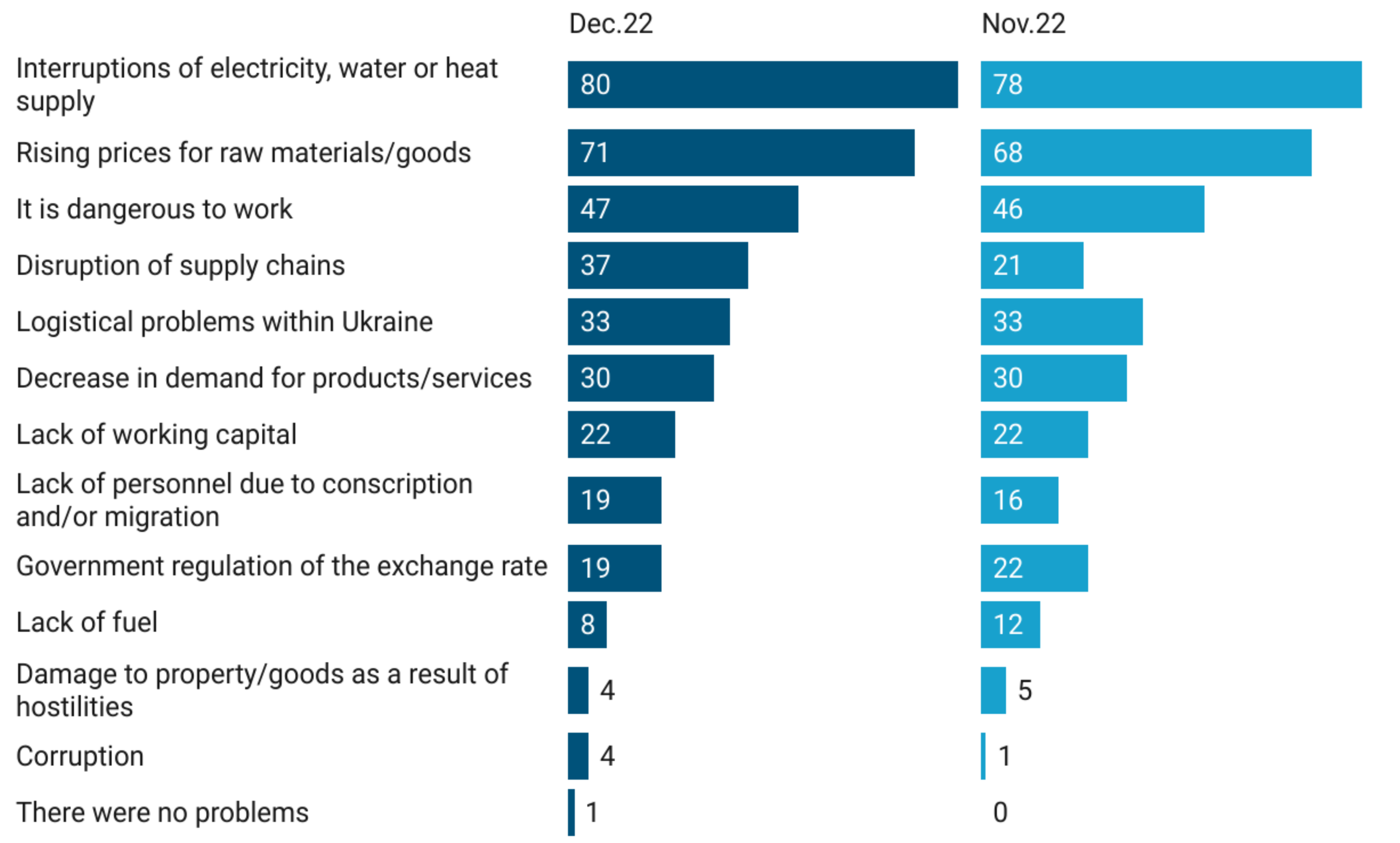
Installed backup power sources (by enterprise size)< % of enterprises



Past tendencies, expectations and impediments

The main impediments to doing business in wartimes

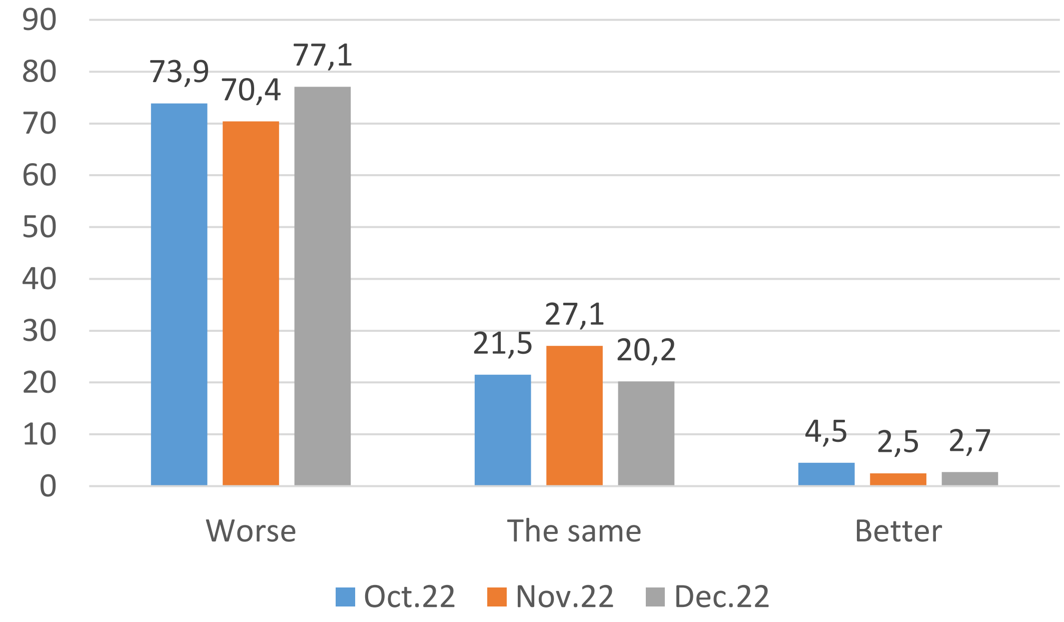
- In December 2022, the top **3 problems** for business remained the same: **interruptions with electricity**, **rising prices** and the fact that it is **dangerous to work**
- The trend of the decrease in the importance of the problem "**Disruption of supply chains**" observed from September to November 2022 **has ended** (4th place in the list, 37% of enterprises reported in December compared vs. 21% in November)
- **Corruption** is still at the **bottom** of the list of **impediments**



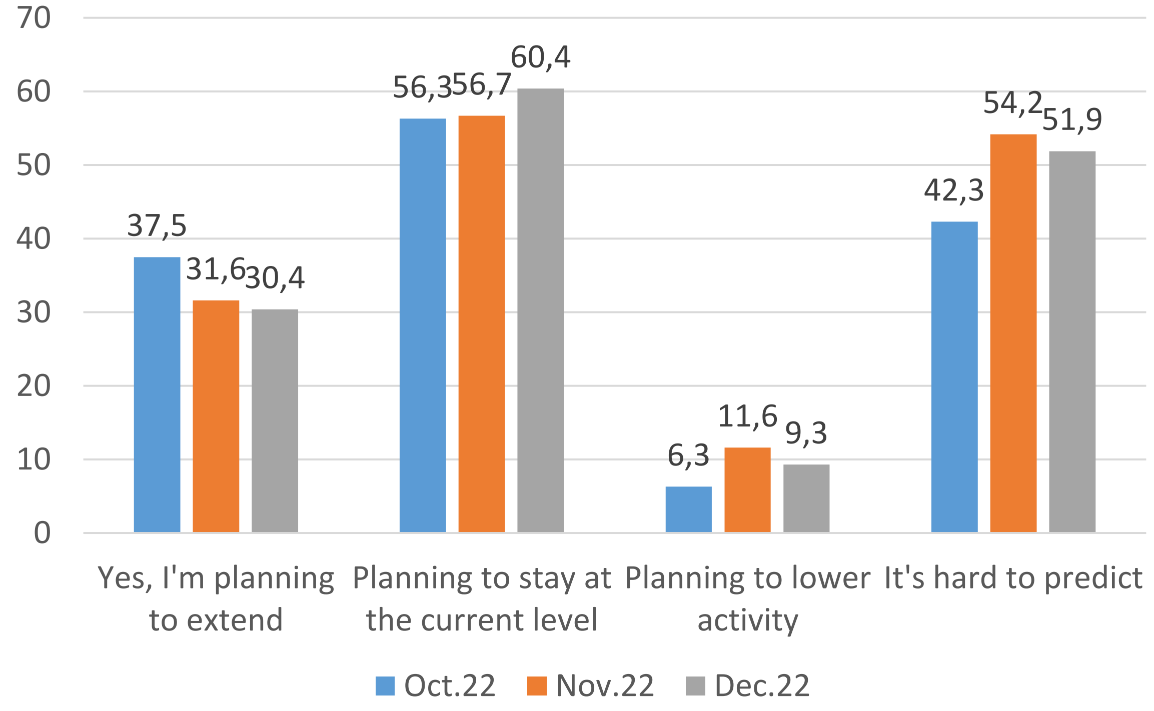
Source: IER New Monthly Enterprises Survey #8, 2022 • Created with Datawrapper

2 years expectations: remain optimistic with slightly reduced uncertainty

Assessment of financial condition of the company “now” comparing to the analogical period of the next year, % of enterprises

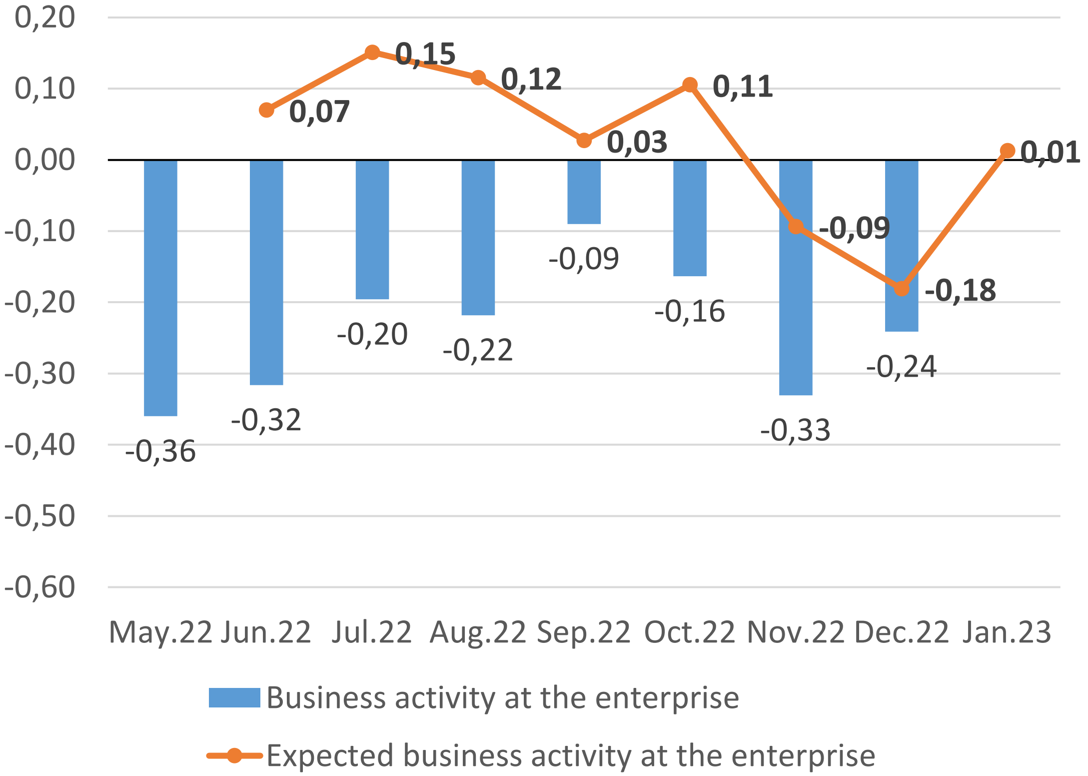


Expectation to about business activity in the nearest two years, % of the enterprises

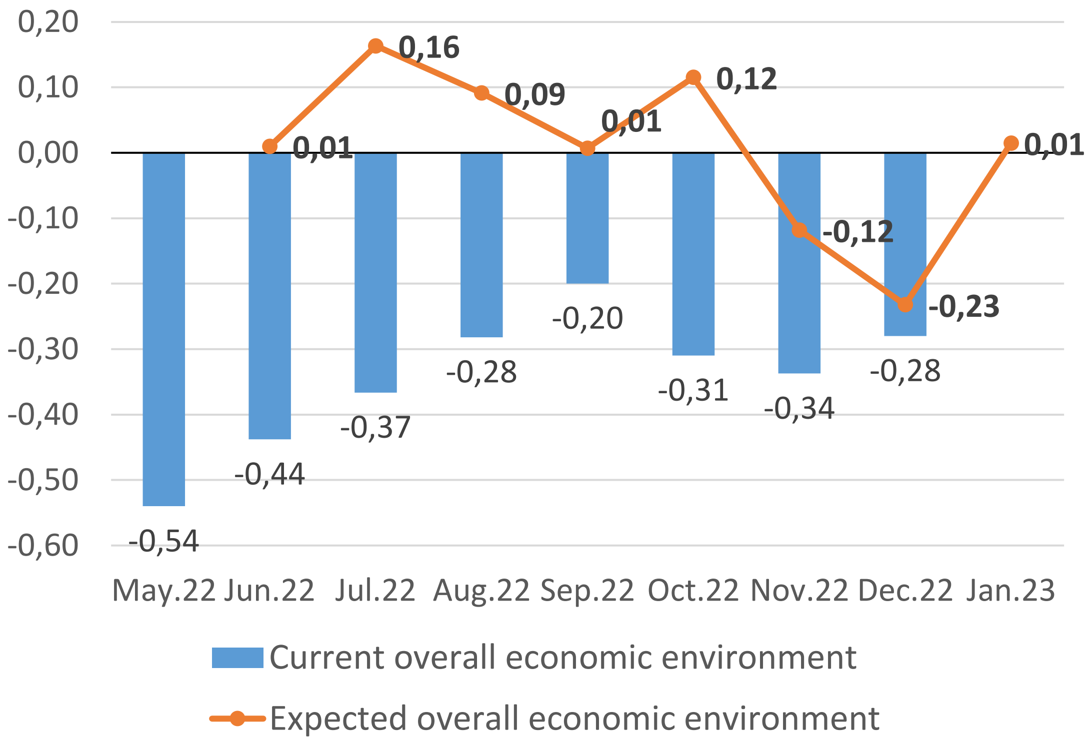


Half-yearly expectations improved significantly

Business activity at the enterprise

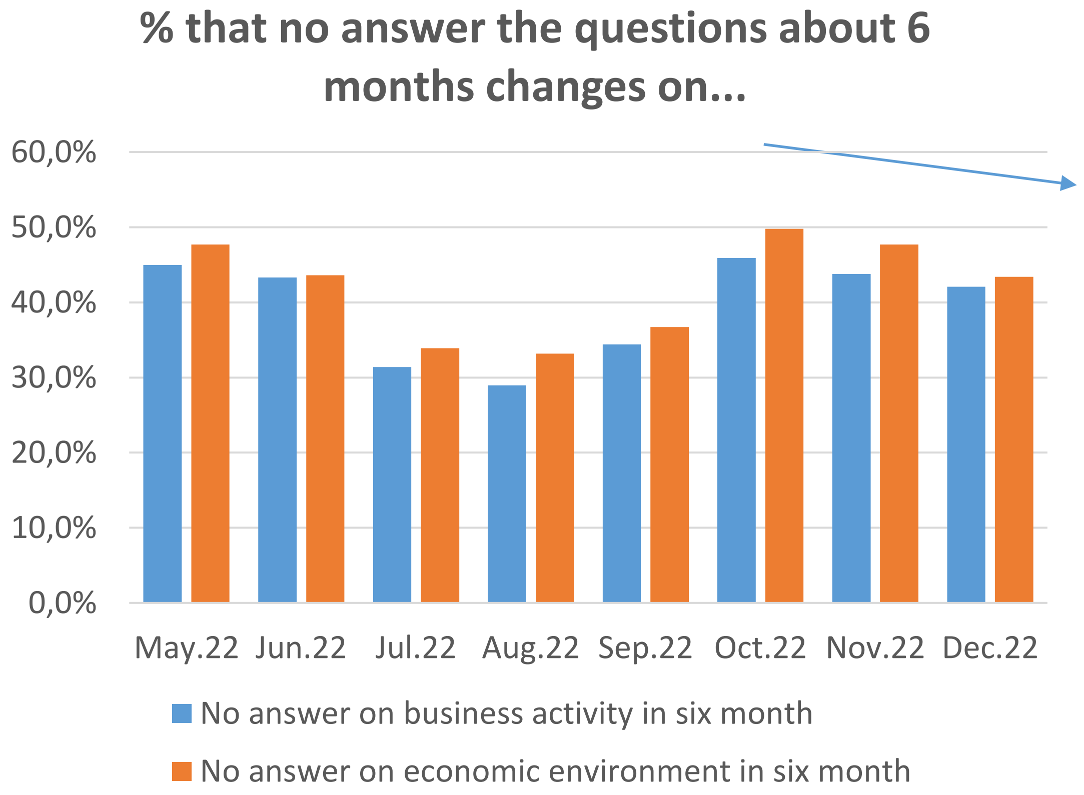


Overall economic situation in the country

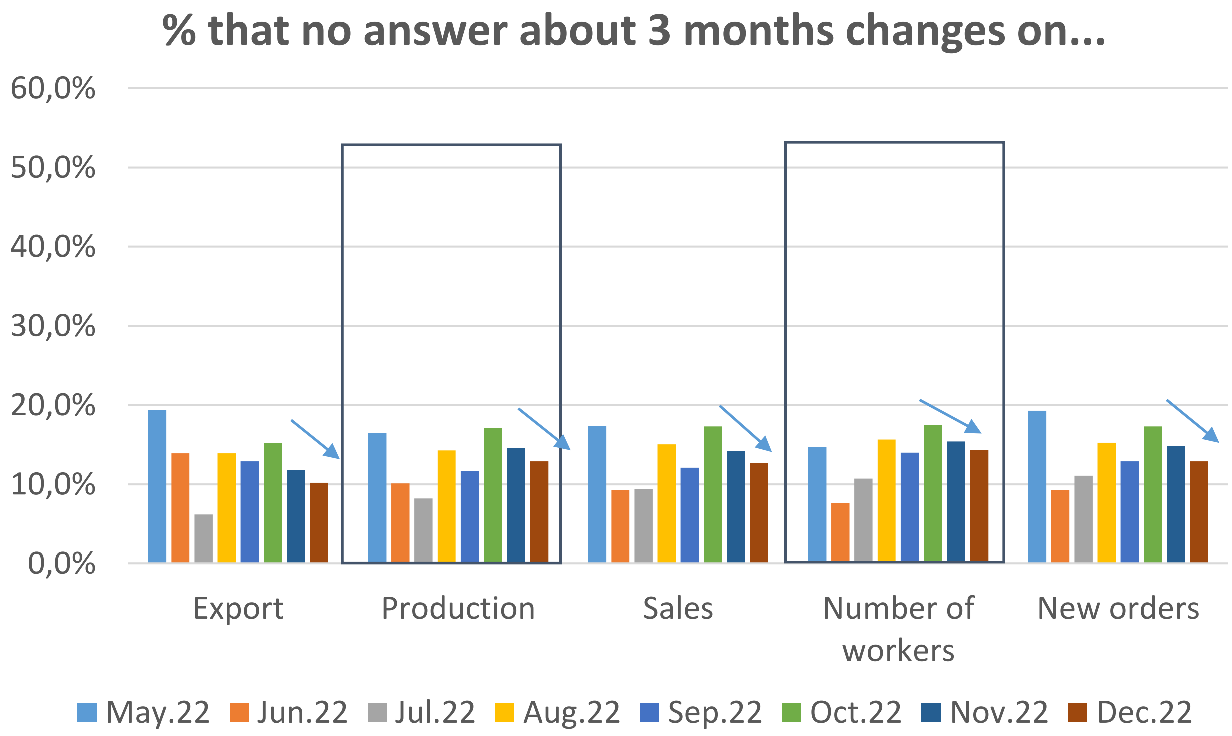


Uncertainty is decreasing little by little for the second month in a row

Half-year horizon

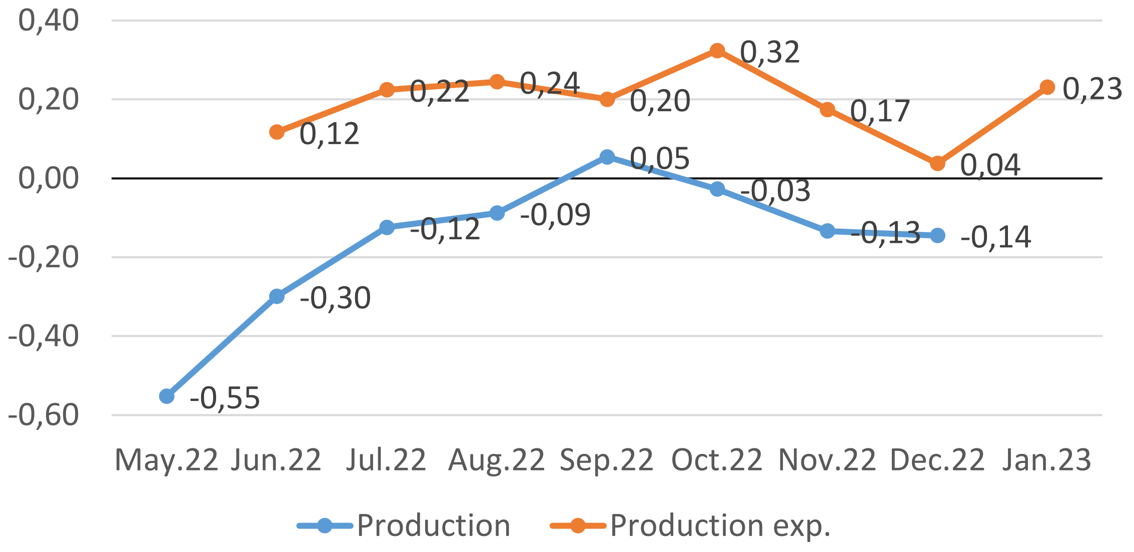


Three-month horizon

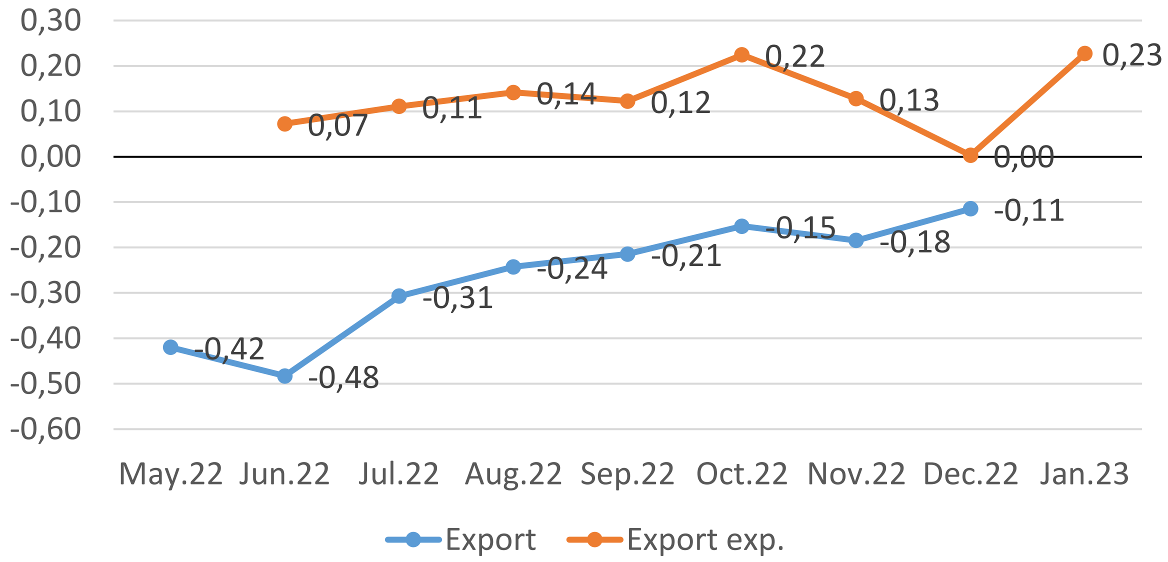


Production and export expectations improved

Production



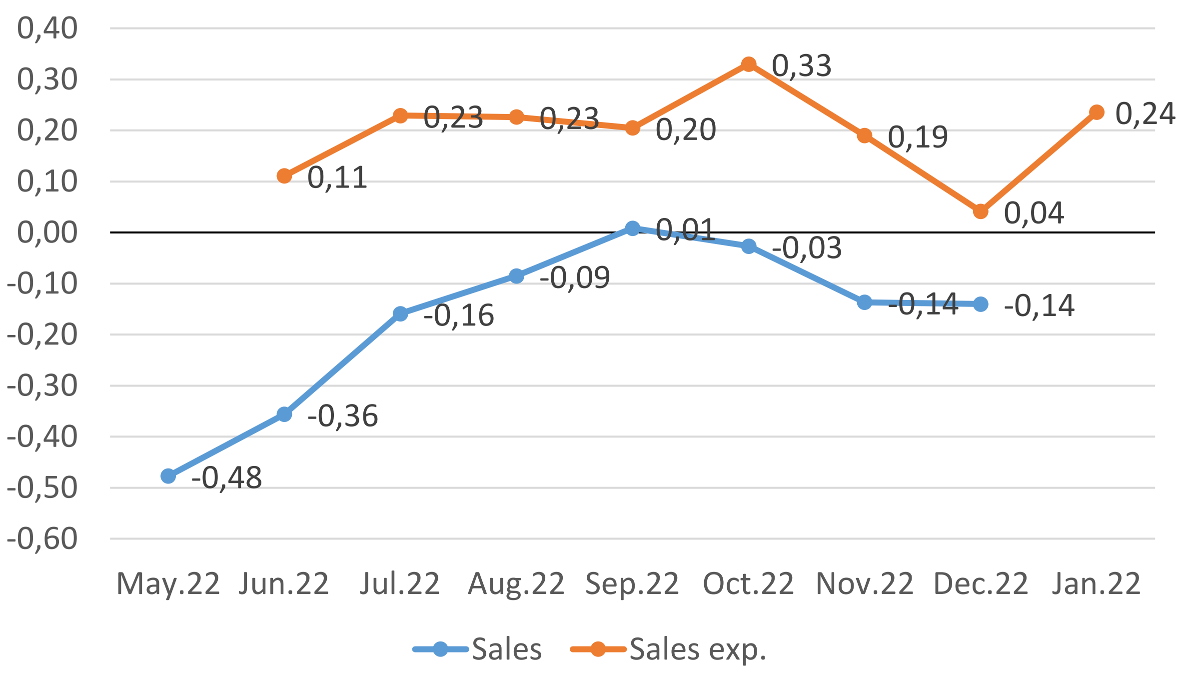
Export



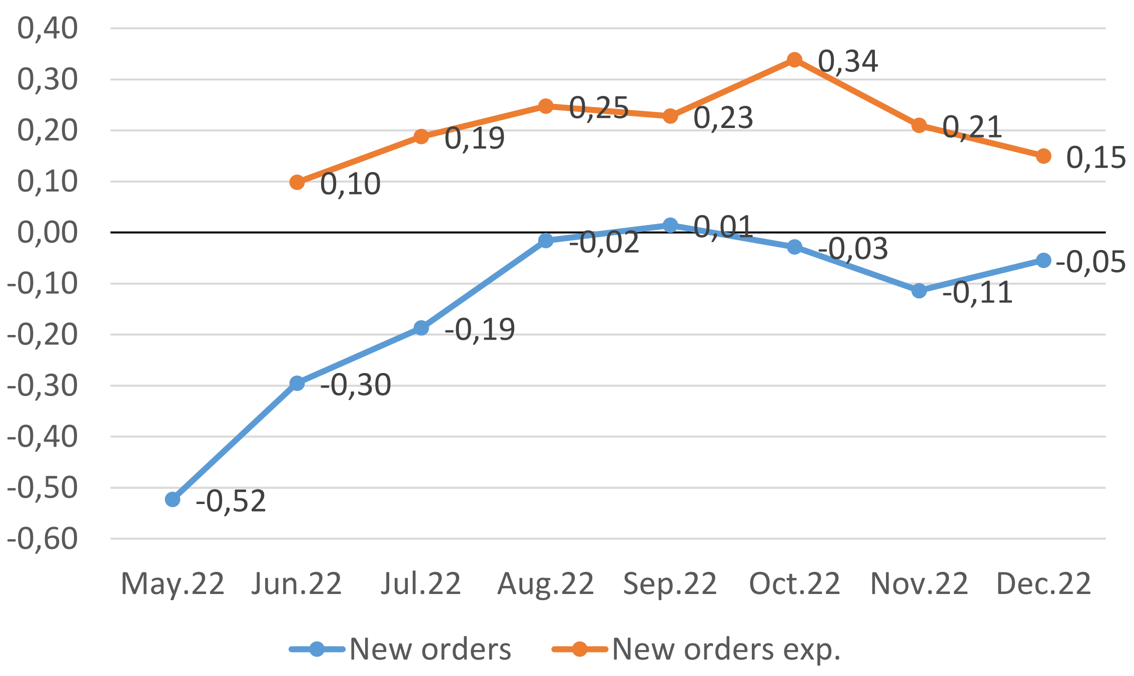
- In December, compared to November, **the share of enterprises that planned production growth** in the next 3-4 months increased from 17% to 32%.
- The share of enterprises that **planned to reduce production** decreased from 13.4% in November to 11.7% in December.
- From 69.7% to 56.3% decreased the share of entrepreneurs who **plan to keep production volumes in the coming months** at the same level

Sales and new expectations for 3 months are positive, but the expected new order flows downing

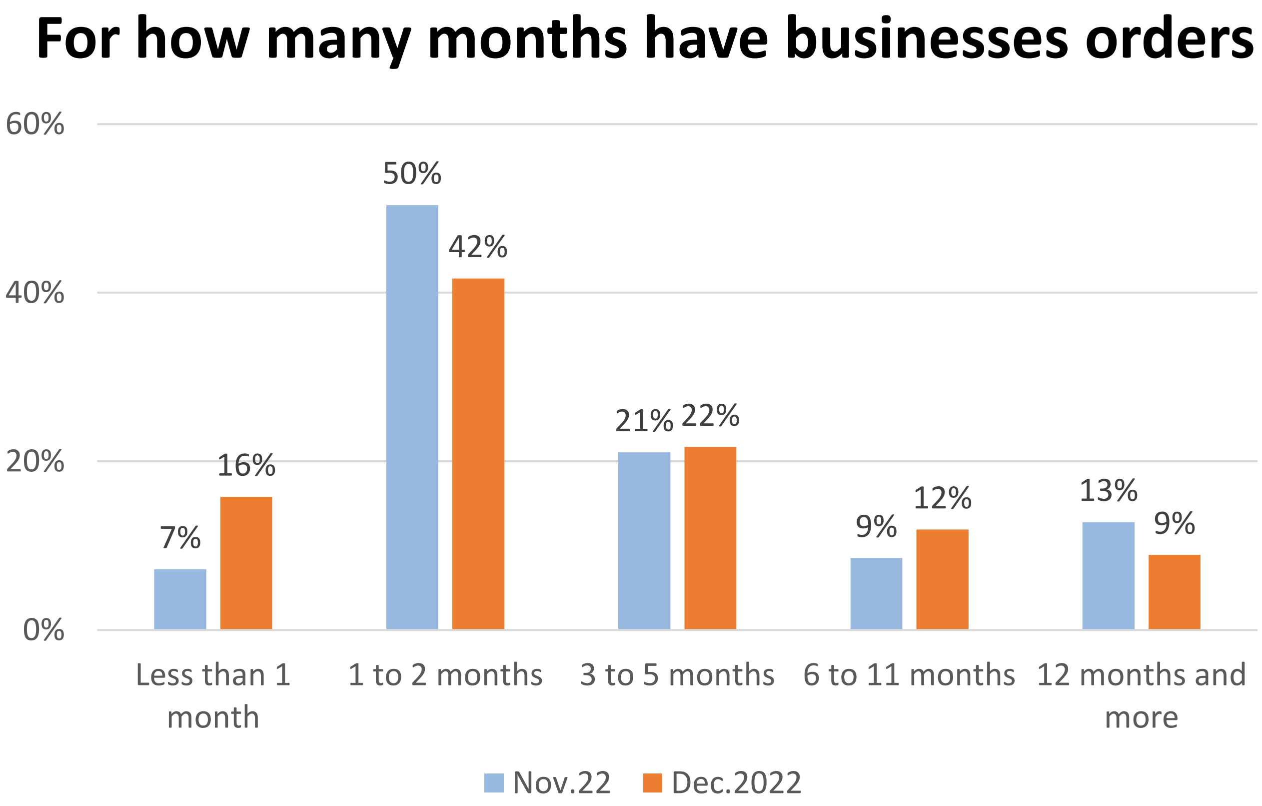
Sales



New orders



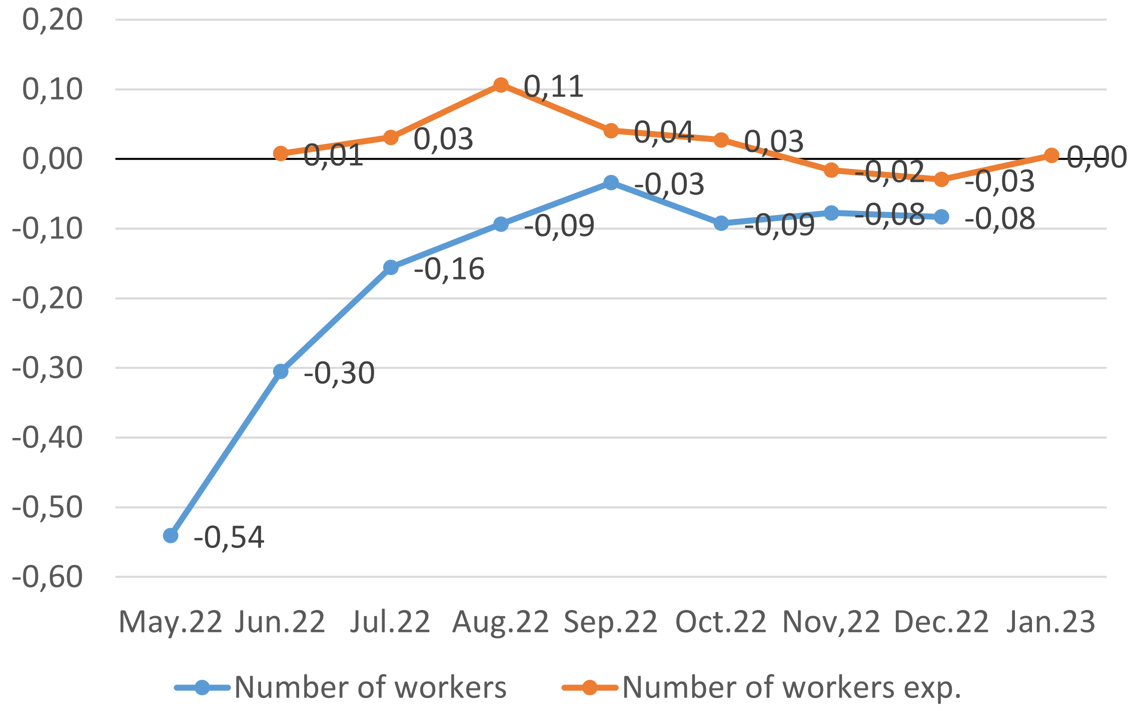
Enterprises have orders for an average of 2 months



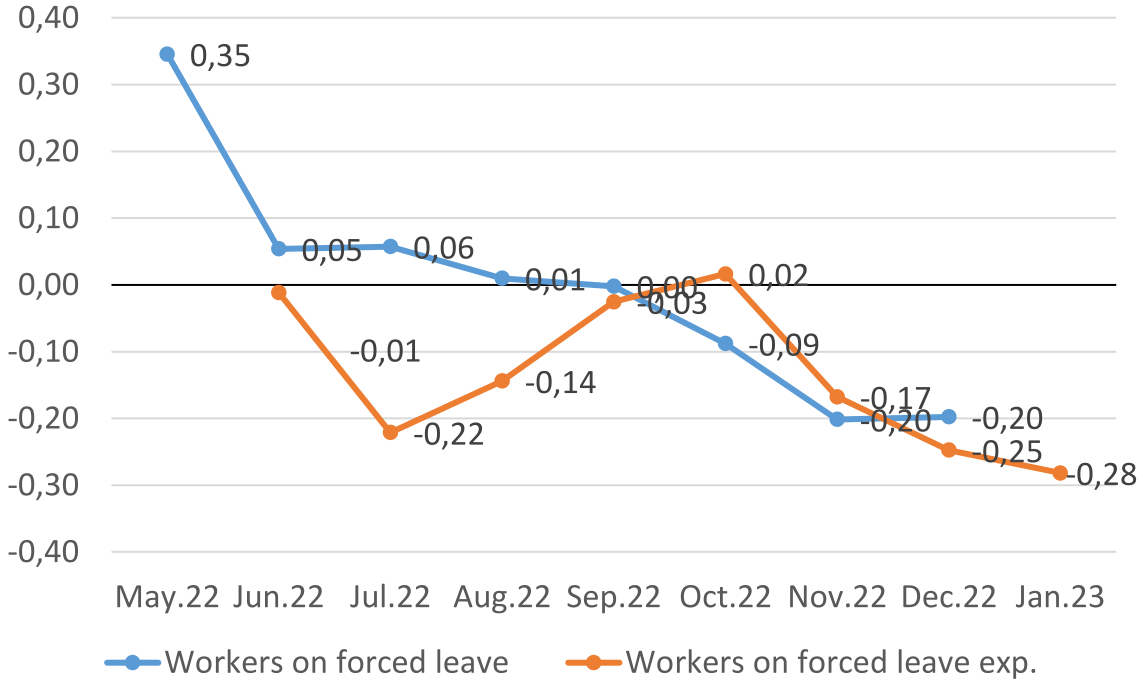
- As in **November**, in **December**, enterprises had orders for the average period of **2 months**
- In **December**, more than **half of the enterprises** had orders for a period of up to **2 months**
- % of businesses with **orders for less than a month** has **increased**, while the share of those with orders for **1-2 months** has **decreased**

Labor force: no news is good news

Number of workers



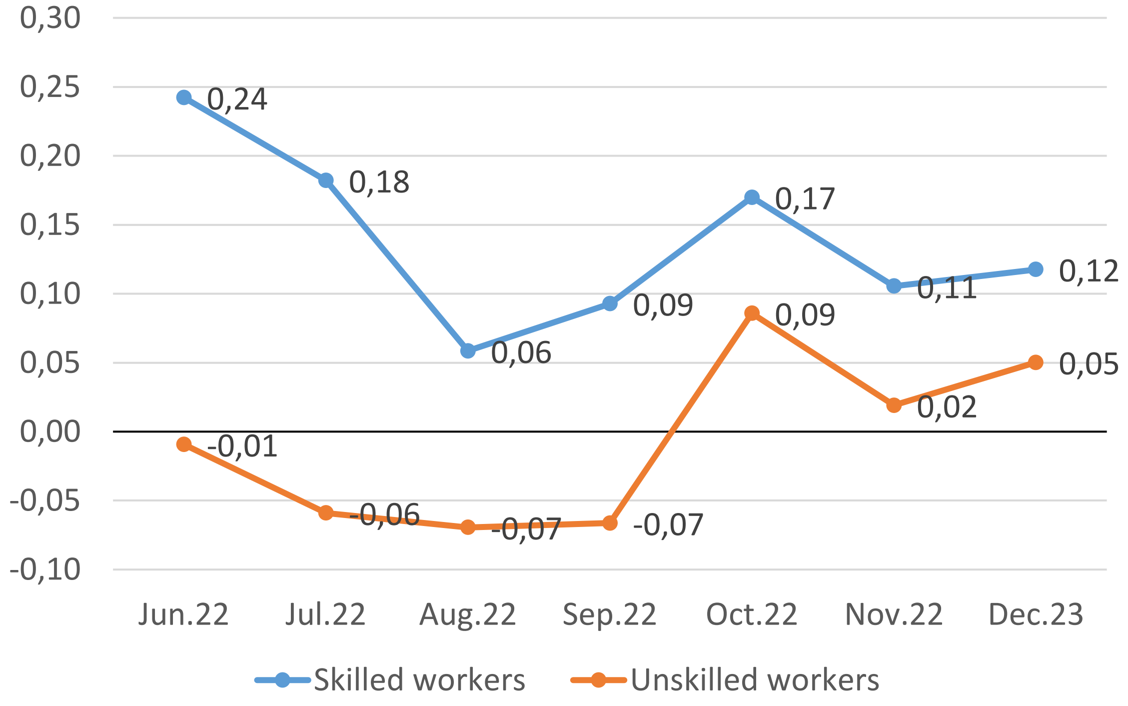
Number of workers on forced leave



- Enterprises plan to continue **reducing** the number of **workers on forced leave**, but **no significant changes** in the **number of workers** are expected

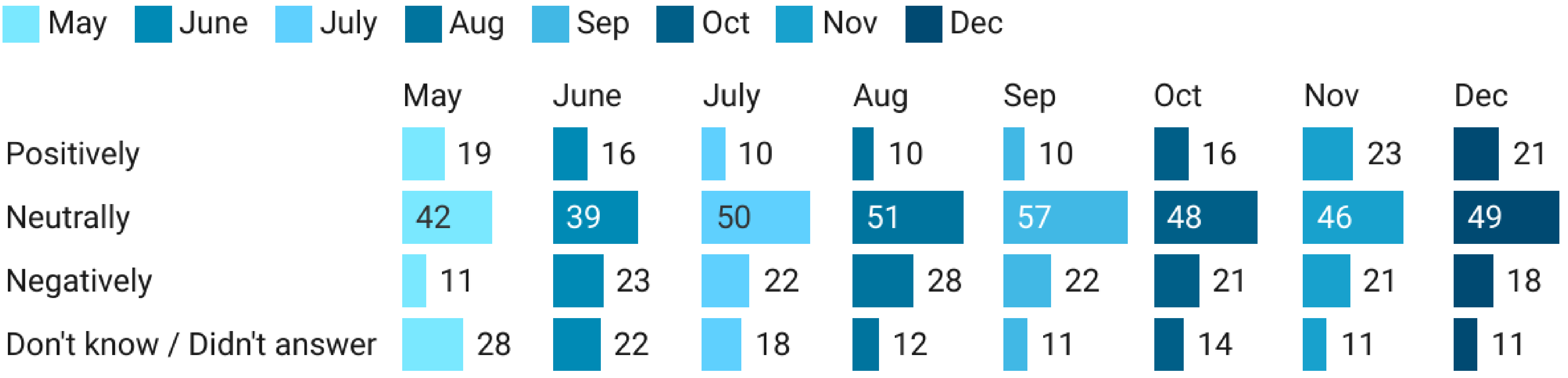
The situation on the labor market: there are no significant problems

Problems in finding workers



- The **labor market** keeps being **in balance**
- In December compared to November the indicators of difficulties in finding both skilled and unskilled workers remain almost **unchanged**

Assessments of government policy on business support remain mostly neutral



Source: IER New Monthly Enterprises Survey #8, 2022 • Created with Datawrapper

- In December, the **majority** of enterprises **neutrally assessed** the state policy on business support policies
- % of the enterprise that both **negatively** and **positively** assessed has a bit **decreased**

Methodology of a new monthly enterprise survey #nres

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.

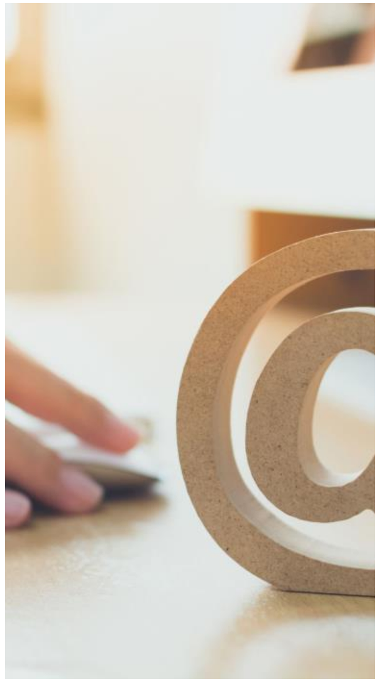
The monthly survey consists of two parts: the regular one and the special one. Respondents will regularly answer questions on the changes in key activity indicators and short-term forecasts for future changes in the same indicators: output (production), sales, exports, debt, new orders, employment, etc. 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, Zaporizhzhya, 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 eight wave lasted from December 13 to 26, 2022. The enterprise managers compared the work results in December 2022 with November 2022, assessed the indicators at the time of the survey (December 2022), and gave forecasts for the next two, three, or six months, depending on the question. In certain issues (where indicated), the work results were compared with the pre-war period (before February 24, 2022).

OUR CONTACTS



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