



співпраця з
німеччиною
DEUTSCHE ZUSAMMENARBEIT

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THE UKRAINIAN CHAMBER
OF COMMERCE AND INDUSTRY



BUSINESS BAROMETER

Monthly Ukrainian Business Survey

Hot Issue: **"Is it time for a military leavy for FOPs
(individual entrepreneurs)"**

March, 2024

Issues #6

(Survey March 07-18, 2024)

The results presented solely represent the opinions of the respondents and should not be interpreted as forecasts or evaluations by the Ukrainian Chamber of Commerce and Industry

Issue #6 | March 2024

- In March 2024, the overall Business Barometer Index reached **45.8**, showing an increase of **↑+2.1** points compared to February 2024. However, the Business Barometer Index still remains below the critical 50 points, indicating prevailing negative expectations.
- All sectors, except the services sector, anticipate a relative improvement in business conditions, although the services sector itself records the highest index value. The sectoral Barometer indices are as follows: manufacturing at **45.7** **↑+4.0**, construction at **41.4** **↑+4.4**, services at **47.5** **↓-0.4**, and trade at **42.1** **↑+0.4**
- Exporters have eased their negative expectations, with an increase in the index by **↑+1.1** points to **45.0** points.
- Micro, small, and medium enterprises also show a weakening of negative expectations. The increase in the Barometer index is respectively **↑+2.2**, **↑+5.1**, and **↑+1.5**, but the values remain below **50** points.
- Large enterprises, after a sharp strengthening of positive expectations in February, have reversed their position to align with smaller-sized businesses. The Barometer value is **45.6**.
- **The topic of "Introducing a Military Levy for FOPs"** revealed varied business perspectives. Over half of the respondents (52%) do not support or are categorically against the introduction of a military levy for sole proprietors. Nearly a third (36%) hold the position that it should be implemented with certain compensatory mechanisms for small businesses.

A Business Barometer value of 50 indicates no change in expectations. A value above 50 suggests that businesses expect economic conditions to improve compared to the previous month; a value below 50 indicates negative expectations regarding changes compared to the previous month.

Globally, under favorable business conditions, the index value typically reaches 60 or higher.

BUSINESS BAROMETER



- the index value is over 55 points
- the index value is from 45 to 55 points ($\pm 10\%$ of 50 points)
- the index value is below 45 points

	October <small>ISEP</small> 2023	November <small>ISEP</small> 2023	December 2023	January 2024	February 2024	March <small>ISEP</small> 2024
Overall	●	●	●	●	●	●
Manufacturing	●	●	●	●	●	●
Services	●	●	●	●	●	●
Trade	●	●	●	●	●	●
Construction	●	●	●	●	●	●
Micro enterprises	●	●	●	●	●	●
Small enterprises	●	●	●	●	●	●
Medium enterprises	●	●	●	●	●	●
Large enterprises	●	●	●	●	●	●
Exporters	●	●	●	●	●	●



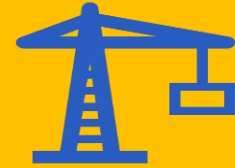
45,8 $\uparrow +2,1$

BUSINESS BAROMETER
OVERALL



MANUFACTURING

45,7 $\uparrow +4,0$



CONSTRUCTION

41,4 $\uparrow +4,4$



SERVICES

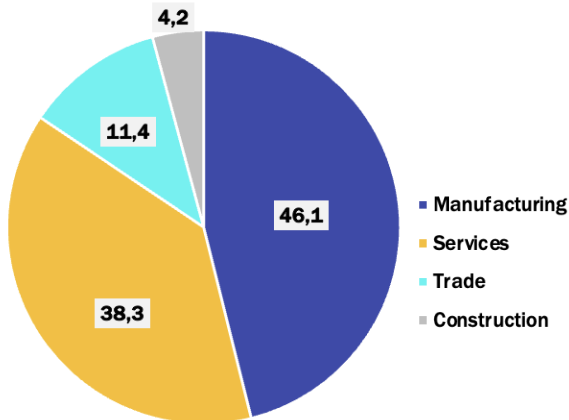
47,5 $\downarrow -0,4$



TRADE

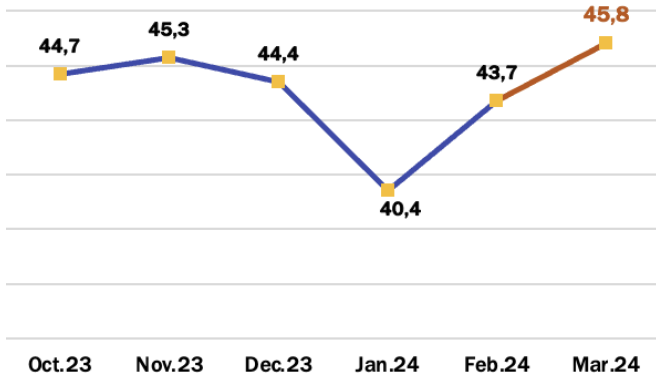
42,1 $\uparrow +0,4$

Distribution of respondents by sector
Share of respondents, %



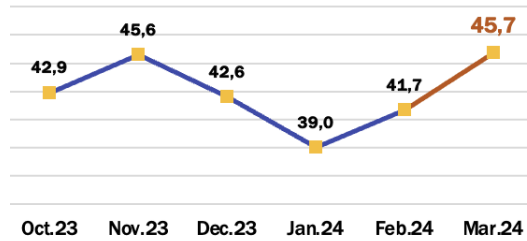
45,8 $\uparrow +2,1$

BUSINESS BAROMETER OVERALL



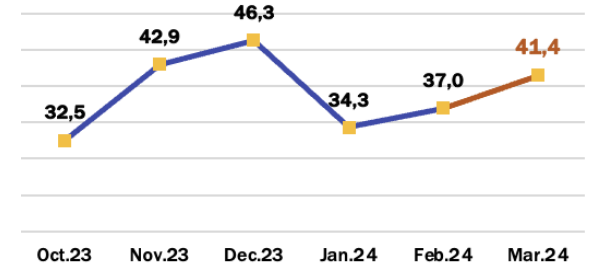
MANUFACTURING

45,7 $\uparrow +4,0$



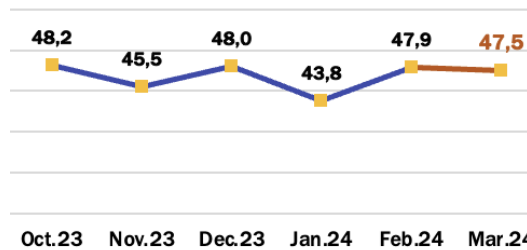
CONSTRUCTION

41,4 $\uparrow +4,4$



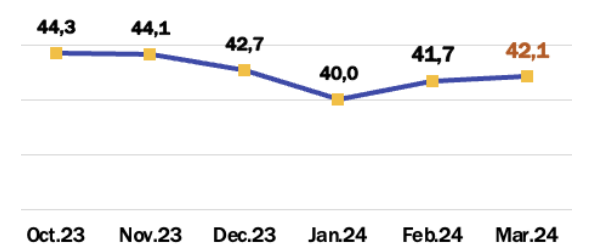
SERVICES

47,5 $\downarrow -0,4$



TRADE

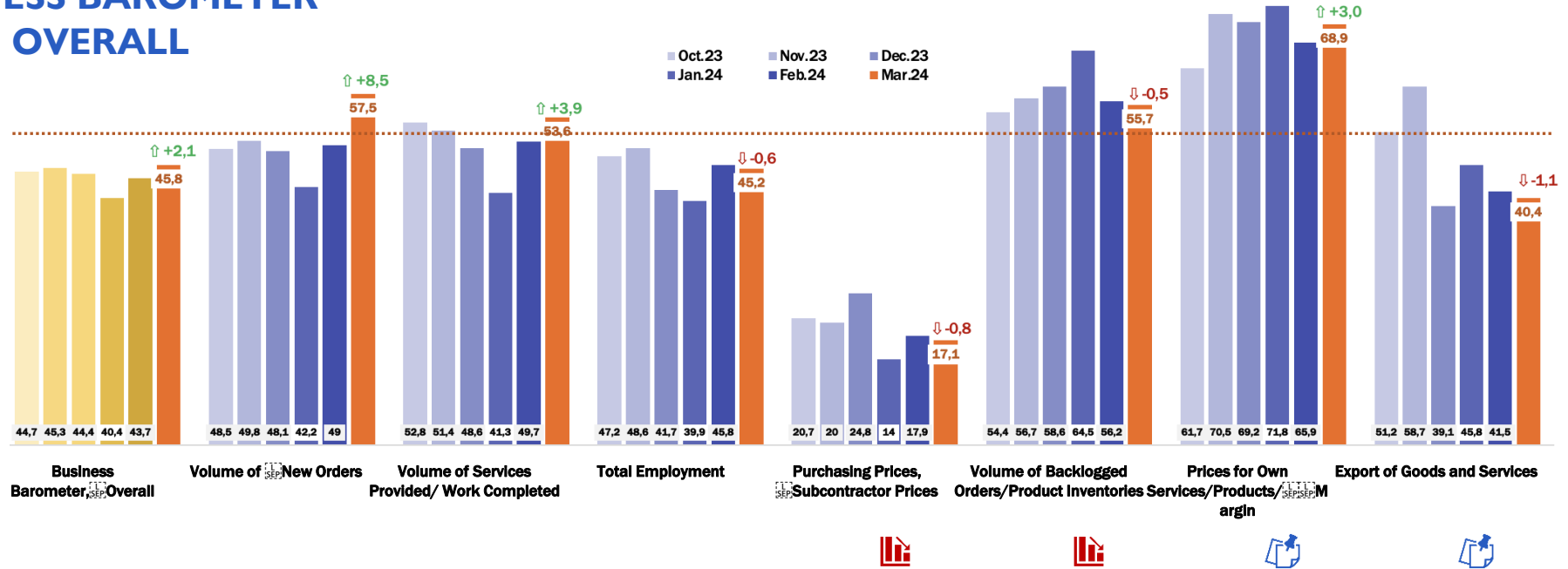
42,1 $\uparrow +0,4$



45,8 $\uparrow +2,1$

BUSINESS BAROMETER OVERALL

Comparison of Business Barometer Indices by Indicator for March 2024 compared to February 2024



In March 2024, there was an increase in the overall Business Barometer Index by 2.1 points, reaching a value of 45.8, which is the highest result in six months of observation. However, the Business Barometer Index remains below the critical 50-point threshold, indicating prevailing negative expectations.

A positive trend is the expected increase in the volume of new orders (+8.5 points) and completed works/services (+3.9 points), with the Barometer Index stabilizing above 50 points. The most significant issue remains related to the rise in purchasing prices or contractor prices, with the Barometer Index staying at an extremely low level (17.1 points).

In the export of goods sector, there is a slight intensification of negative expectations (-1.1 points).



Deterrent indicators are considered in the opposite sense when calculating the Business Barometer indices.

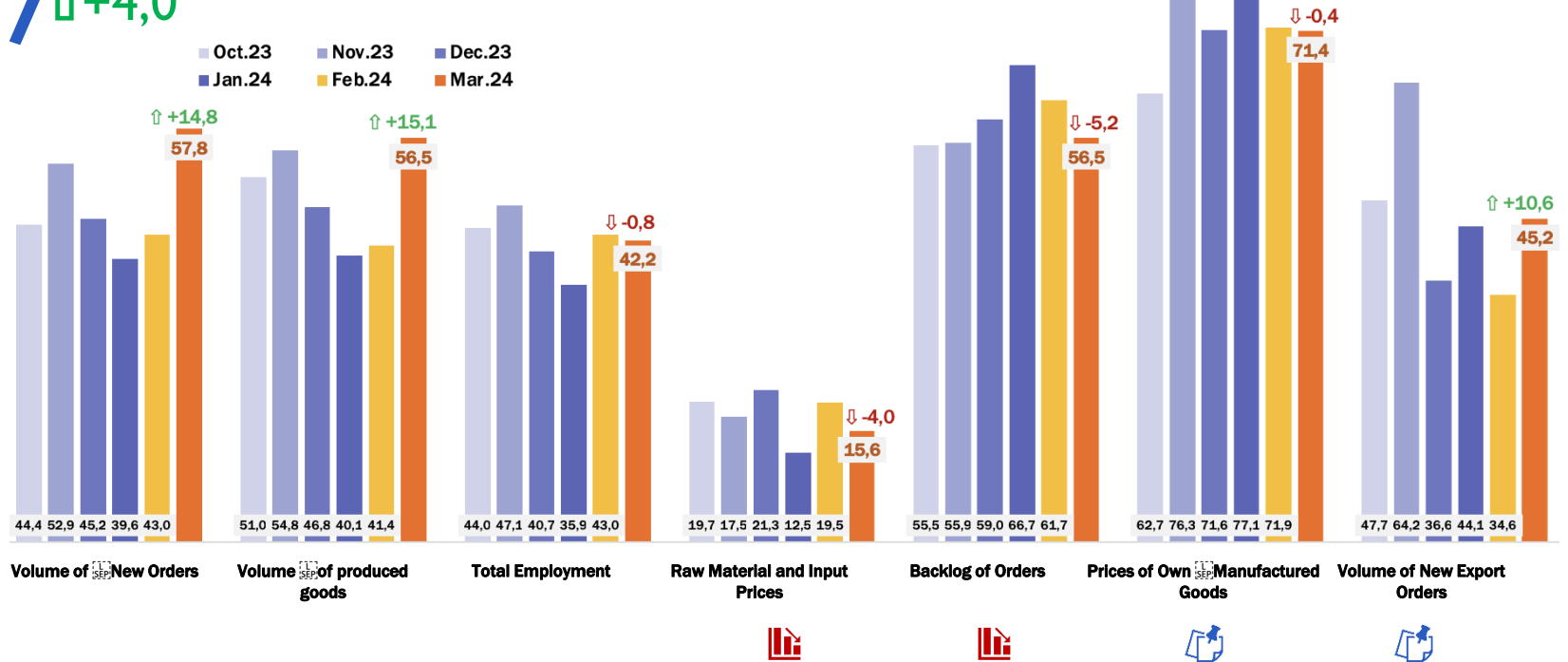


These indicators provide additional insight into market conditions and are not considered in the calculation of the Business Barometer.

MANUFACTURING

 **45,7** ↑+4,0

Manufacturing Sector Business Expectations in March 2024 compared to February 2024



In March 2024, manufacturing firms demonstrated further easing of their pessimistic outlook for the future (+4 points).

The main drivers were: (1) the expectation of an increase in new orders (+14.8 points) and (2) the volume of production output (+15.1 points).

The area that traditionally remains most problematic is the business expectation of rising prices for raw materials and supplies. The Barometer Index value is at 15.6 points (-4 points).

A moderate reduction in total employment is also expected, with the Barometer Index at 42.2 points (-0.8 points).

A positive trend is anticipated regarding a reduction in the volume of unfulfilled orders (Barometer Index value of 56.5 points), although the number of business representatives sharing this opinion is decreasing (-0.8 points). Additionally, businesses traditionally expect to be able to increase the prices of their own manufactured products (Barometer Index value of 71.4 points).

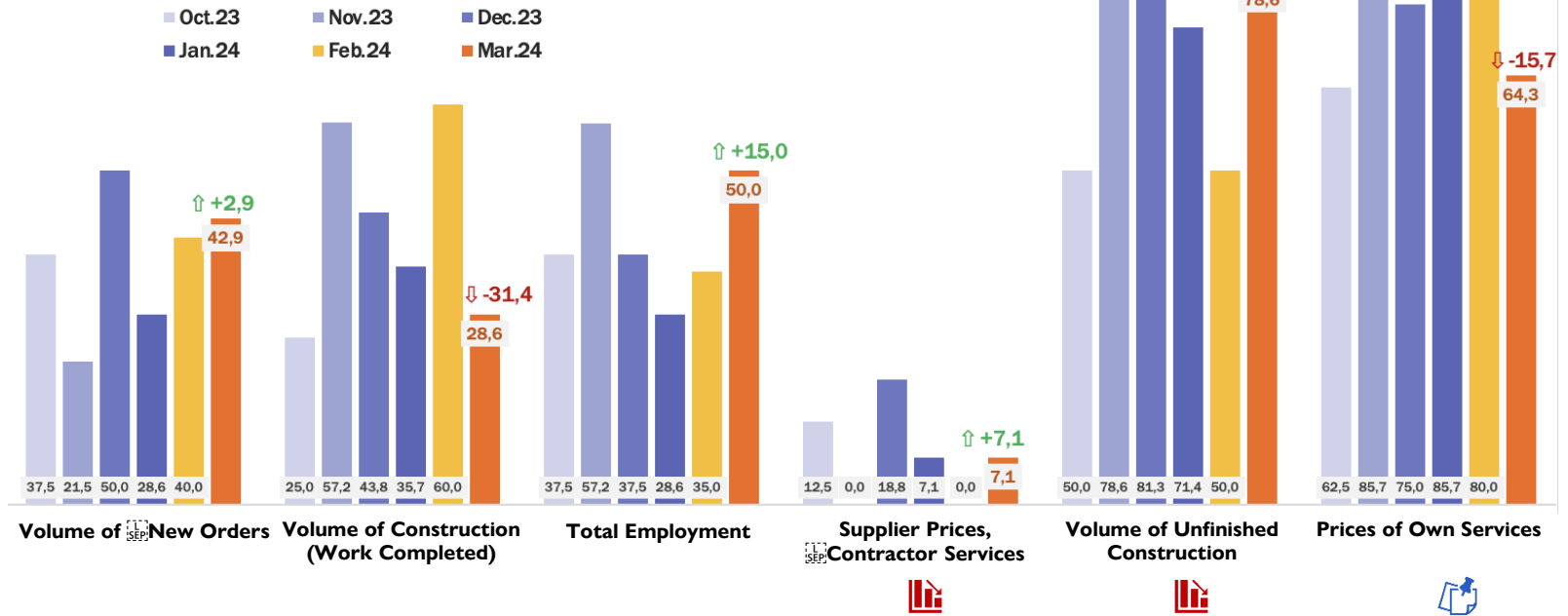
The outlook for the growth of new export orders is more optimistic than last month (+10.6 points), although the value remains below 50 points.

CONSTRUCTION



41,4 ↑ +4,4

Construction Sector Business Expectations in March 2024 compared to February 2024



In March 2024, the construction and manufacturing sectors demonstrated a weakening of their pessimistic outlook (+4.4 points). The main drivers were: (1) expectations of a reduction in the volume of unfinished construction (+28.6 points to 78.6) and (2) maintenance of employment levels (+15 points to 50). Traditionally, in construction the most problematic area remains the expectation of rising supplier prices (Barometer Index value of 7.1 points). A reduction in construction volumes is also forecasted (Barometer Index value of 28.6 points, a decrease of 31.4 points compared to the previous period). It is expected that the volume of new orders will moderately decrease (Barometer Index value of 42.9 points), despite some improvement in business assessments (+2.9 points). Prices for own services are expected to rise (Barometer Index value of 64.3 points), although the number of construction sector representatives who share this position is decreasing (-15.7 points).

SERVICES



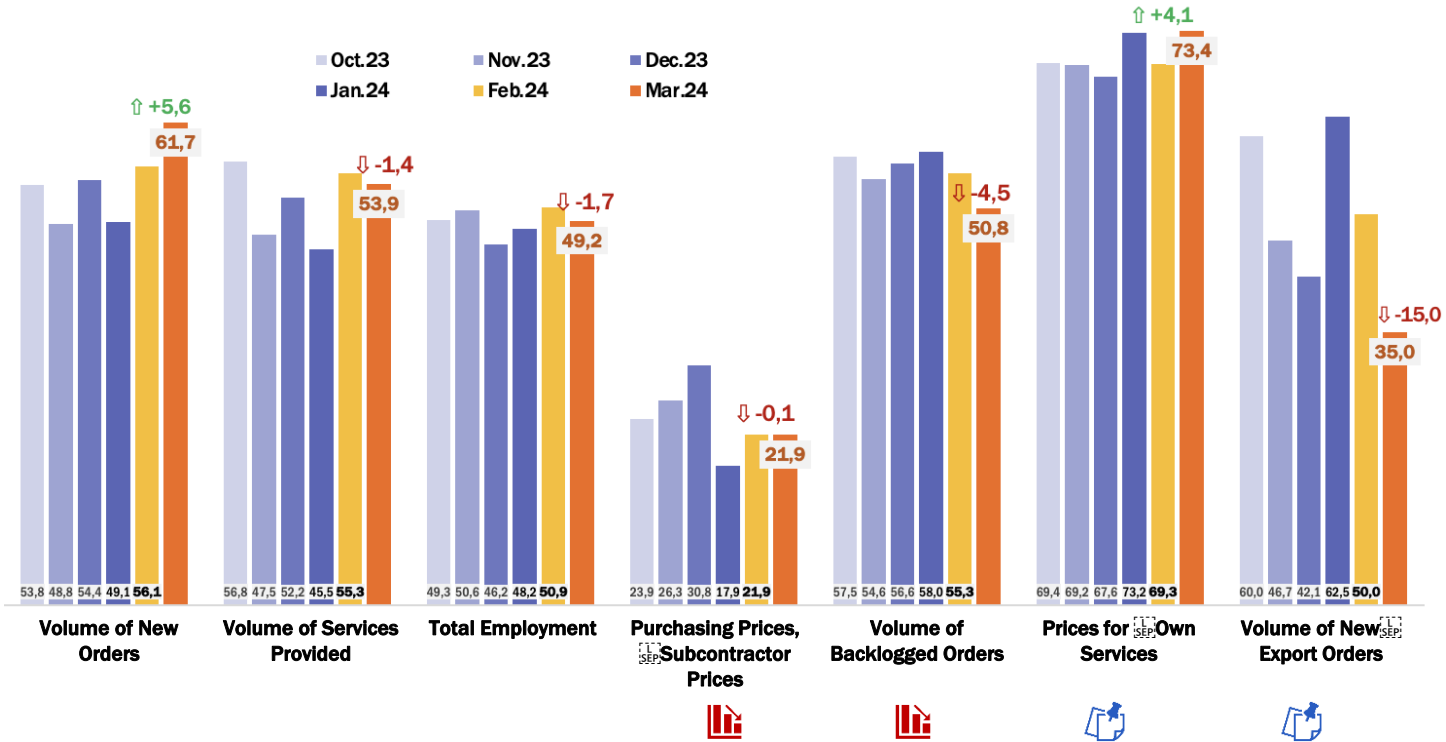
Services Sector Business Expectations in March 2024 compared to February 2024

The services sector feels more confident compared to other sectors, with a Business Barometer Index value of 47.5 points, but shows a slight decline in positive expectations (-0.4 points).

Four out of five sub-indices of the Barometer demonstrate decreases ranging from 0.1 to 4.5 points. An increase in positive expectations is only seen in the volume of new orders (+5.6 points).

The biggest challenges businesses anticipate in the rising prices of suppliers (Barometer Index value of 21.9 points). At the same time, an increase in prices (tariffs) for own services is forecasted (Barometer Index value of 73.4 points).

The volume of new export orders is expected to continue decreasing (Barometer Index value of 35.0 points, down 15 points).



TRADE

 **42,1** ↑+0,4

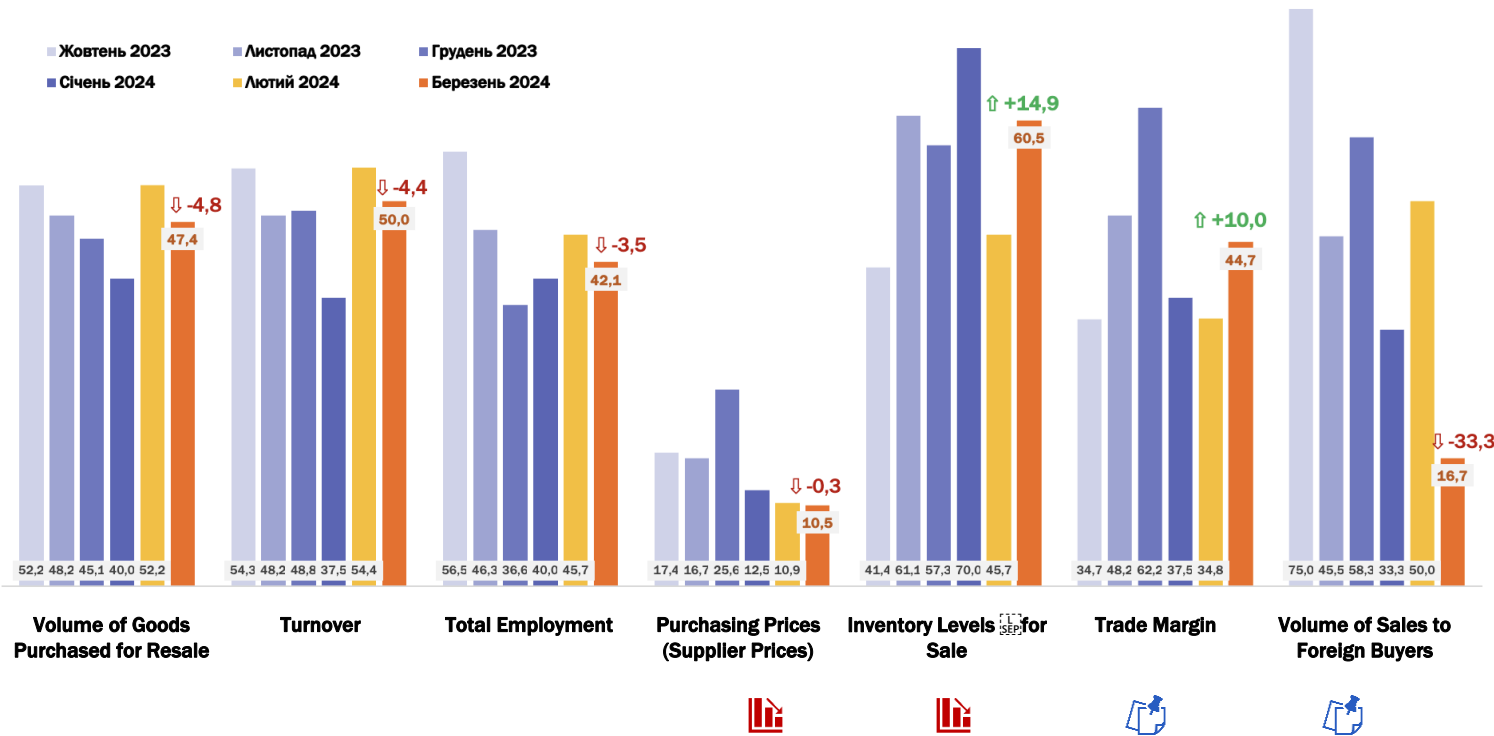
Trade Sector Business Expectations in March 2024 compared to February 2024

The overall Trade Sector Barometer Index remained virtually unchanged over the month, with only a slight increase of 0.4 points, and continues to be significantly below the neutral 50-point mark.

Most sub-indices show a negative trend (deterioration ranging from 0.3 to 4.8 points).

Positive expectations relate to a reduction in inventory/surplus goods for sale (index value of 60.5 points, an increase of 14.9 points). However, a persistent issue for businesses remains to be the expectation of rising purchasing prices (index value of 10.5 points, a decline of 0.3 points).

On average, businesses expect a decrease in trading margin (index value of 44.7 points), but the number of optimists is increasing (+10 points). Significant challenges are anticipated in the export sector (index value of only 16.7 points, a decline of 33.3 points).





45,8 $\uparrow +2,1$

**BUSINESS BAROMETER
OVERALL**

**Micro-
enterprises**
(0-9 persons employed)

47,5 $\uparrow +2,2$

**Small
enterprises**
(up to 50 persons employed)

46,5 $\uparrow +5,1$



EXPORTERS

45,0 $\uparrow +1,1$

**Medium
enterprises**
(10-249 persons employed)

42,9 $\uparrow +1,5$

**Large
enterprises**
(250 or more persons)

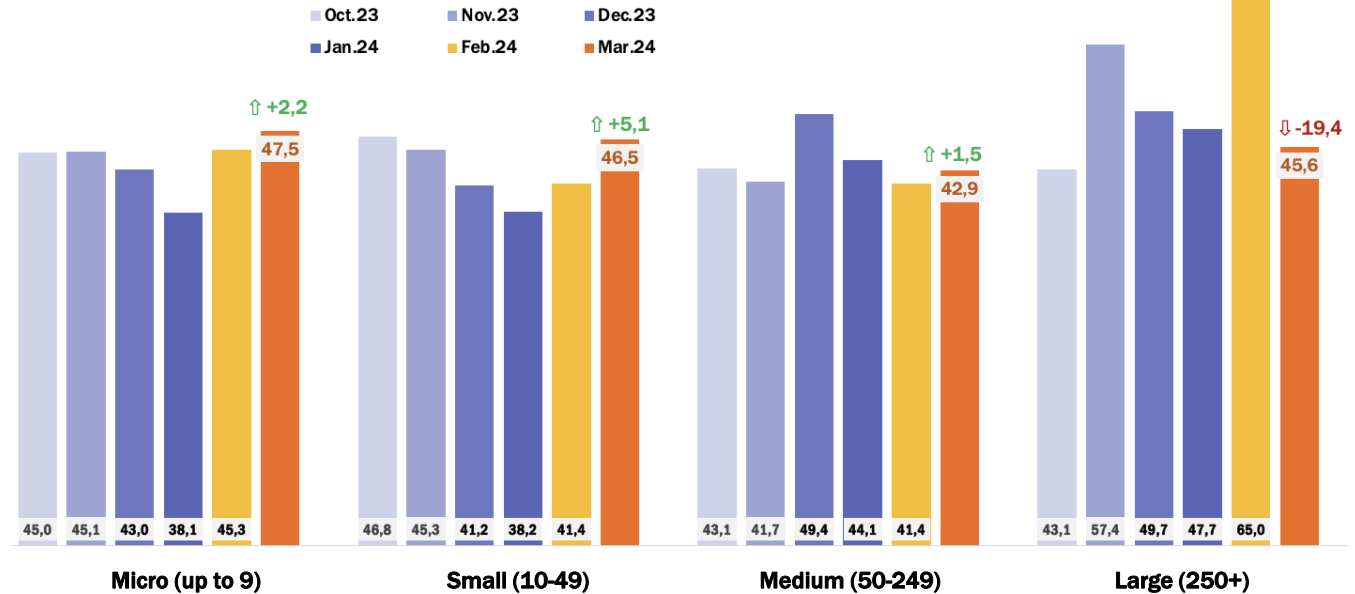
45,6 $\downarrow -19,4$



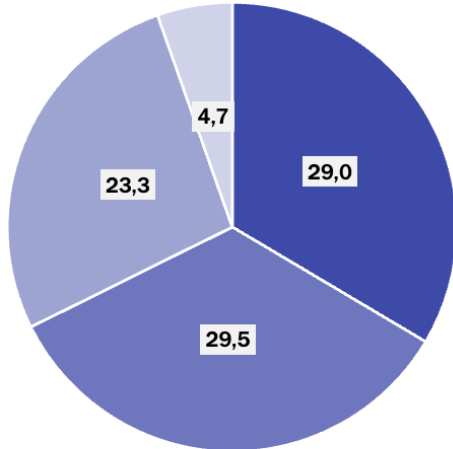
Regardless of company size, businesses exhibit moderately negative expectations, with Barometer index values ranging from 42.9 to 47.5 points. In the SME sector, the index has risen by 1.5 to 5.1 points.

Following last month's increase in positive sentiment, there has been a correction (down 19.4 to 45.6 points) in the expectations of large businesses.

Business and Entrepreneur Expectations by Company Size in March 2024 Compared to February 2024



Distribution of enterprises - respondents by company size, %



■ Micro ■ Small ■ Medium ■ Large

45,0 ↑+1,1

EXPORTERS
44% respondents

March 2024 Exporters' Expectations Across All Sectors Compared to February 2024

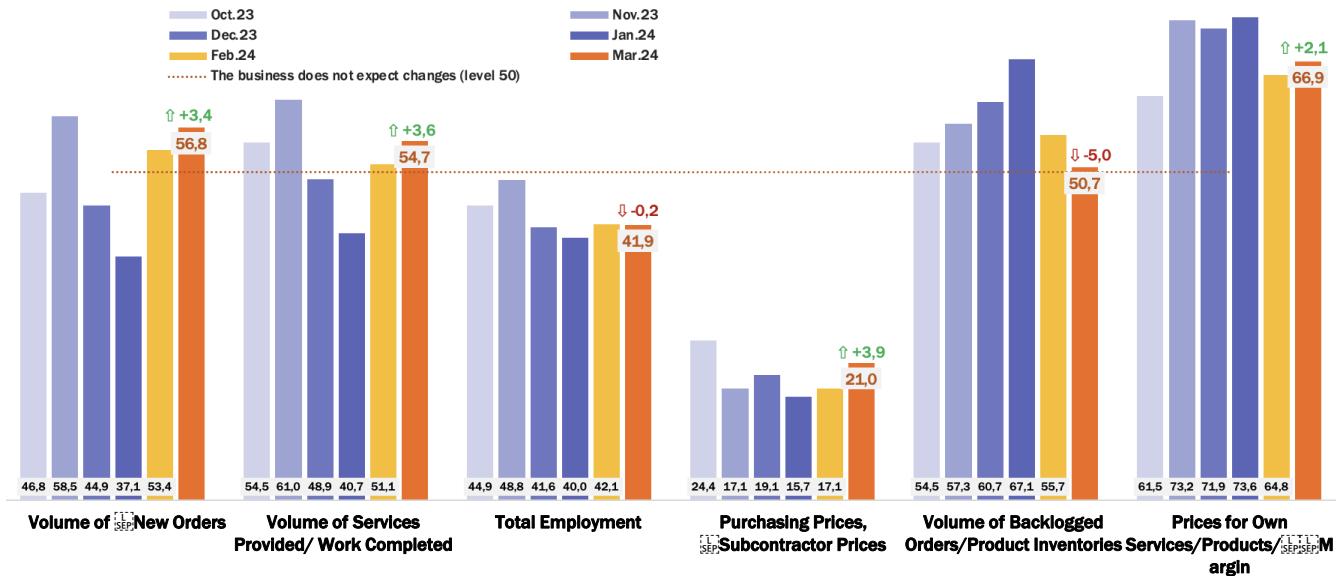
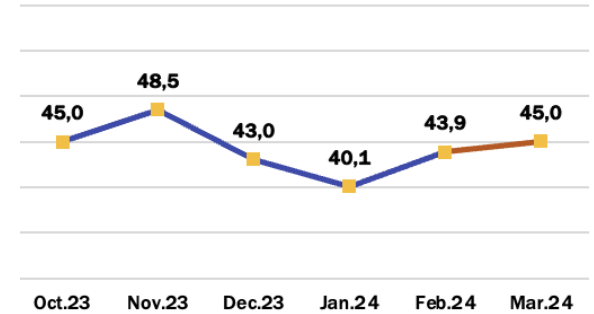
Provides an additional assessment of market conditions, not included in the Business Barometer

In March 2024, the Business Barometer indicates a weakening of pessimistic sentiments among exporters (+1.1 points to 45.0 points). There is an expected increase in the volumes of both new and already completed orders (+3.4 and +3.6 points to 56.8 and 54.7 points, respectively). Exporters anticipate a moderate reduction in the number of employees, as indicated by an index value of 41.9 points.

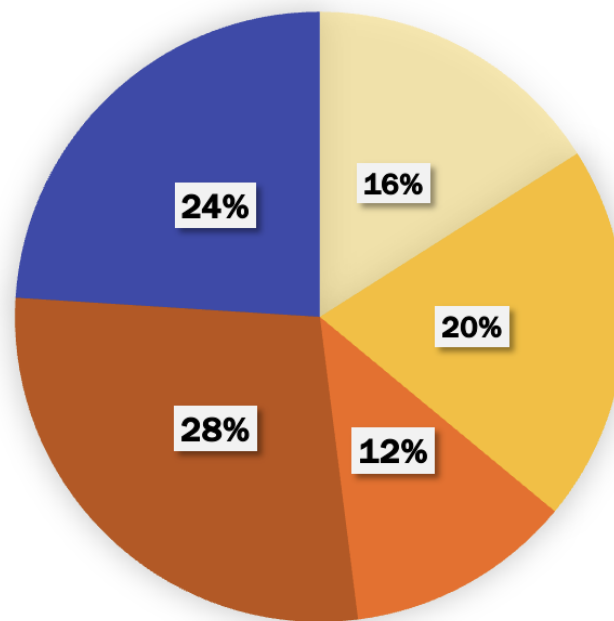
Purchasing prices are expected to continue rising (index value of 21 points, positive dynamics: +3.9 points). The majority of businesses expect no changes regarding unfulfilled orders or inventory levels (index value of 50.7 points, negative dynamics: -5 points).

Exporters anticipate an increase in the prices of their own services (index value of 66.9 points, positive dynamics: +2.1 points).

Business Barometer, Exporters



FOR MARCH 2024: HOT ISSUE SURVEY RESULTS

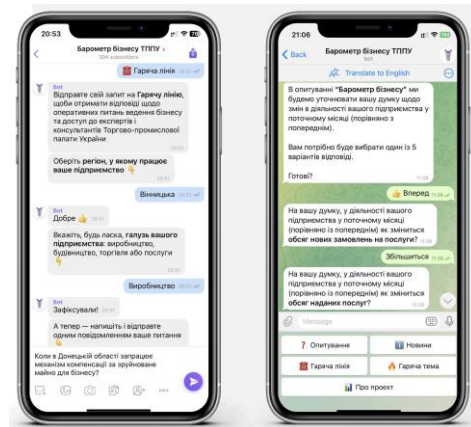


"What is your stance on imposing military duty on FOPs (individual entrepreneurs) which are currently exempt from this tax?"

- I fully support - it is necessary to increase the defense resources of the country
- I support - on the condition of new benefits or reduced rates for small businesses
- Undecided - need more information about rates
- I do not support it - additional fees suppress small businesses
- Categorically against - it will cause the FOP to go into the shadows

Chatbots VIBER & TELEGRAM

- Monthly regular survey
- The "hot" issue of the month
- "Hotline" of the Ukrainian CCI system



The Business Barometer from the Ukrainian Chamber of Commerce and Industry (UCCI) represents the perspectives of enterprises and entrepreneurs who are members and partners of the UCCI. It reflects expectations for changes in the business environment in the coming month compared to the previous one.

Based on a survey that considers the status of indicators (or "sub-indices") of the respondents' activities across four sectors (manufacturing, construction, trade, services), the Business Barometer is tailored to meet the needs of the members and partners of the Ukrainian Chamber of Commerce and Industry. A distinctive feature of the Business Barometer is the inclusion of specialized industry questions and an analysis of export conditions, which provides additional insights into market conditions.

The survey covers questions regarding:

- Volume of new orders/purchase of goods;
- Production volumes/turnover;
- Total employment;
- Purchasing prices/contractor prices;
- Unfulfilled order volume/inventory levels;
- Prices of own production/trade margin*;
- Exports*

* - *Extra questions that are not considered in the calculation of the Business Barometer.*

METHODOLOGY



The Business Barometer is calculated using the PMI methodology (Purchasing Manager Index):

$$\text{PMI} = (\text{P1} * 1) + (\text{P2} * 0,5) + (\text{P3} * 0)$$

where:

P1 = % of responses indicating an improvement

P2 = % of responses indicating no change

P3 = % of responses indicating a deterioration

- A value **above 50** signifies growth or expansion in the economic sector compared to the previous month.
- A value **below 50** indicates a contraction.
- A value of **50** indicates that there is no change compared to the previous month.



Attention! The indicators "**Purchasing Prices**" and "**Unfulfilled Order Volume/Inventory Levels**" are considered deterrents and are interpreted inversely in the calculation.

To detail the provided responses, a 5-point scale is used (will decrease – likely to decrease – no change – likely to increase – will increase).

For calculating the Business Barometer indicator, a 3-point scale is applied, and responses are summed up as follows:

- will decrease and likely to decrease;
- no change;
- likely to increase and will increase.

FOR the SUPPORT



Implemented by:



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