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 THE UKRAINIAN CHAMBER
OF COMMERCE AND INDUSTRY



BUSINESS BAROMETER

Monthly Ukrainian Business Survey

Hot Issue:

**“Are you ready to join the ‘Voluntary Tax Compliance Club’
(Draft Law #11084)?”**

August 2024
Issue #11
(Survey August 13-18, 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 #11 | August 2024

- In August 2024, the overall Business Barometer Index increased to **40.8** points, showing a rise of **↑+0.8** compared to July this year.
- After four months of gradually intensifying negative expectations, the Business Barometer has recorded a halt in this trend. Improvement is forecasted in the construction sector, where the Business Barometer Index stands at **57.8** points, with a growing number of entrepreneurs expressing optimism (**↑+5.3**).
- A significant reduction in negative expectations has been observed in the trade sector (**47.0** points, **↑+12.2**). The manufacturing sector is characterized by a gradual easing of negative expectations (**38.5** points, **↑+1.7**).
- The most challenging conditions are projected in the services sector (**38.0** points, **↓-8.2**). Positive expectations are noted only among large enterprises (**52.9** points, **↑+4.2**). Micro, small, and medium-sized enterprises remain cautious about the future, as reflected in Barometer readings below **41** points for each of these business groups.
- Exporters' outlook on the future shows a slight easing of pessimistic expectations (**37.8** points, **↑+0.5**).
- In the survey results regarding joining the "Voluntary Tax Compliance Club" revealed that a significant portion of businesses (over 40%) are not familiar with the content of the draft law. Only 31% of respondents are ready or likely to join the "Voluntary Tax Compliance Club", while 27% hold the opposite view. Therefore, there is considerable potential for raising awareness about the benefits of this legislative initiative.

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



Business Barometer	2023			2024							
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Overall	●	●	●	●	●	●	●	●	●	●	●
Manufacturing	●	●	●	●	●	●	●	●	●	●	●
Services	●	●	●	●	●	●	●	●	●	●	●
Trade	●	●	●	●	●	●	●	●	●	●	●
Construction	●	●	●	●	●	●	●	●	●	●	●
Micro enterprises	●	●	●	●	●	●	●	●	●	●	●
Small enterprises	●	●	●	●	●	●	●	●	●	●	●
Medium enterprises	●	●	●	●	●	●	●	●	●	●	●
Large enterprises	●	●	●	●	●	●	●	●	●	●	●
Exporters	●	●	●	●	●	●	●	●	●	●	●

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



40,8 $\uparrow +0,8$

BUSINESS BAROMETER
OVERALL



MANUFACTURING

38,5 $\uparrow +1,7$



CONSTRUCTION

57,8 $\uparrow +5,3$



SERVICES

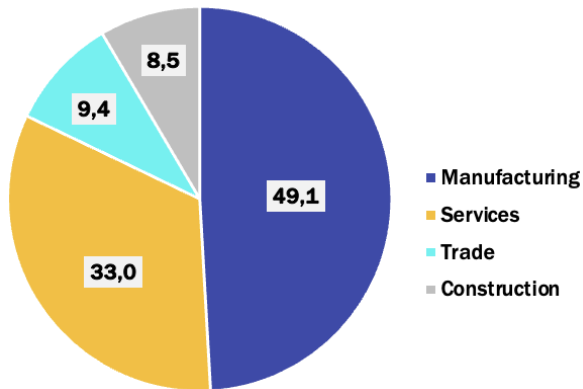
38,0 $\downarrow -8,2$



TRADE

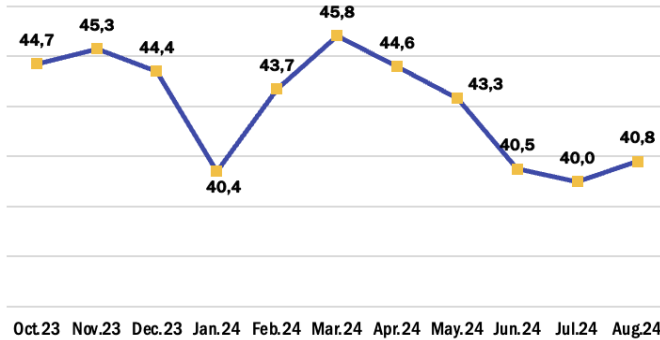
47,0 $\uparrow +12,2$

Distribution of respondents by sector
Share of respondents, %



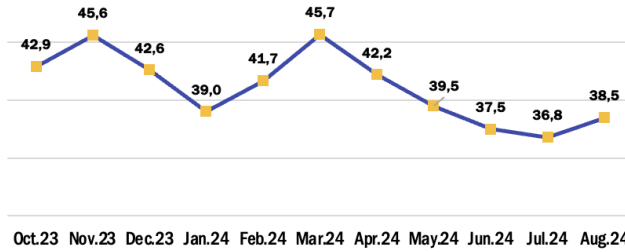
40,8 $\uparrow +0,8$

**BUSINESS BAROMETER
OVERALL**



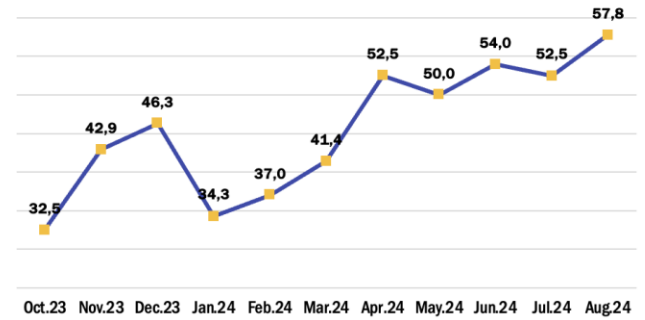
MANUFACTURING

38,5 $\uparrow +1,7$



CONSTRUCTION

57,8 $\uparrow +5,3$



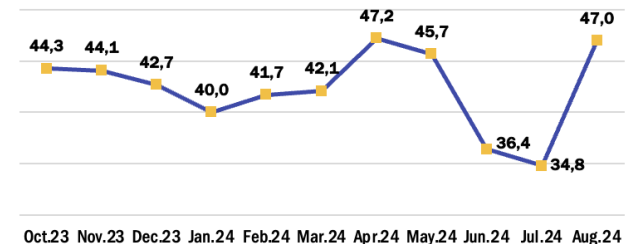
SERVICES

38,0 $\downarrow -8,2$



TRADE

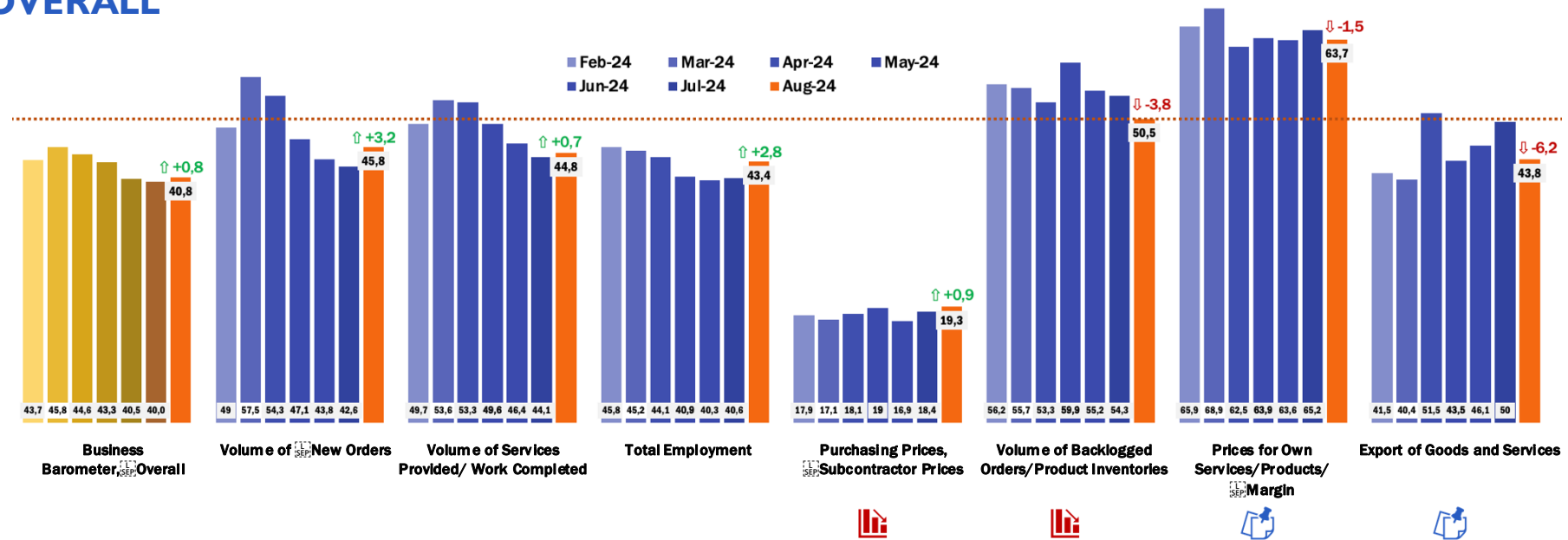
47,0 $\uparrow +12,2$



40,8 $\uparrow +0,8$

BUSINESS BAROMETER OVERALL

Comparison of Business Barometer Indices by Indicator for August 2024 compared to July 2024





In August 2024, the overall Business Barometer Index increased by 0.8 points, reaching 40.8 points.

Moderately positive business expectations concern the reduction of unfulfilled orders, though the trend remains negative (50.5 \downarrow -3.8). Entrepreneurs also predict that there is still potential for increasing prices on their services or products (63.7 \downarrow -1.5).

All other indicators are in the zone of negative expectations (below 50 points), but the overall trend is mostly positive, albeit with minor changes (up to 3.2 points). A significant deterioration is anticipated only in the export of goods and services (43.8 \downarrow -6.2).

The most problematic area for businesses remains the rise in procurement and contractor prices, although the trend is positive (19.3 \uparrow +0.9).

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

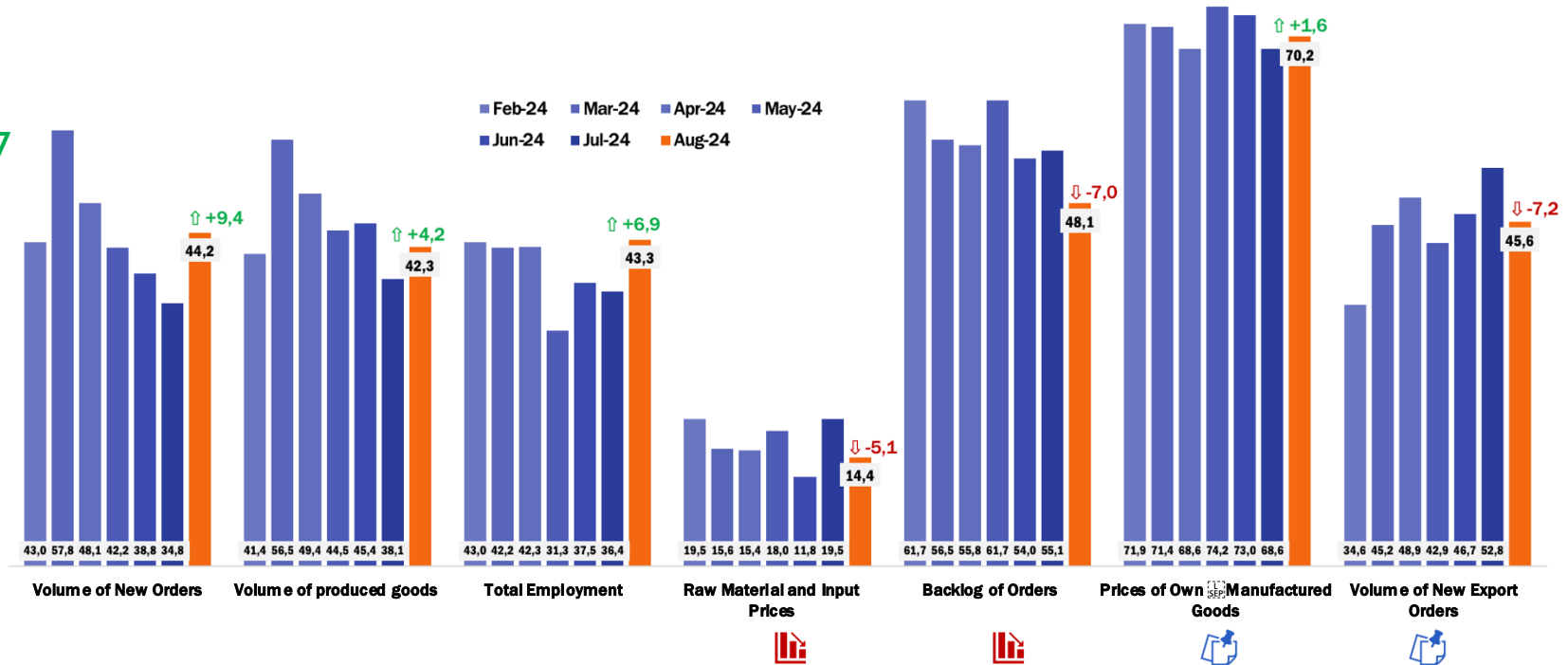
 These indicators provide additional insight into market conditions and are not considered in the calculation of the Business Barometer.

MANUFACTURING



38,5 $\uparrow +1,7$

Manufacturing Sector Business Expectations in August 2024 compared to July 2024



In August 2024, manufacturing enterprises are showing a decrease in pessimistic outlooks for the future (38.5 $\uparrow +1.7$).

Positive business expectations are focused solely on the increase in prices for their own manufactured products (70.2 $\uparrow +1.6$).

Other indicators remain in the zone of pessimistic expectations (Barometer readings below 50 points). However, three indicators show positive dynamics: the volume of new orders ($\uparrow +9.4$), the volume of manufactured products ($\uparrow +4.2$), and total employment ($\uparrow +6.9$). Conversely, three other indicators demonstrate negative dynamics: prices for raw materials and supplies ($\downarrow -5.1$), the volume of unfulfilled orders ($\downarrow -7.0$), and the volume of new export orders ($\downarrow -7.0$).

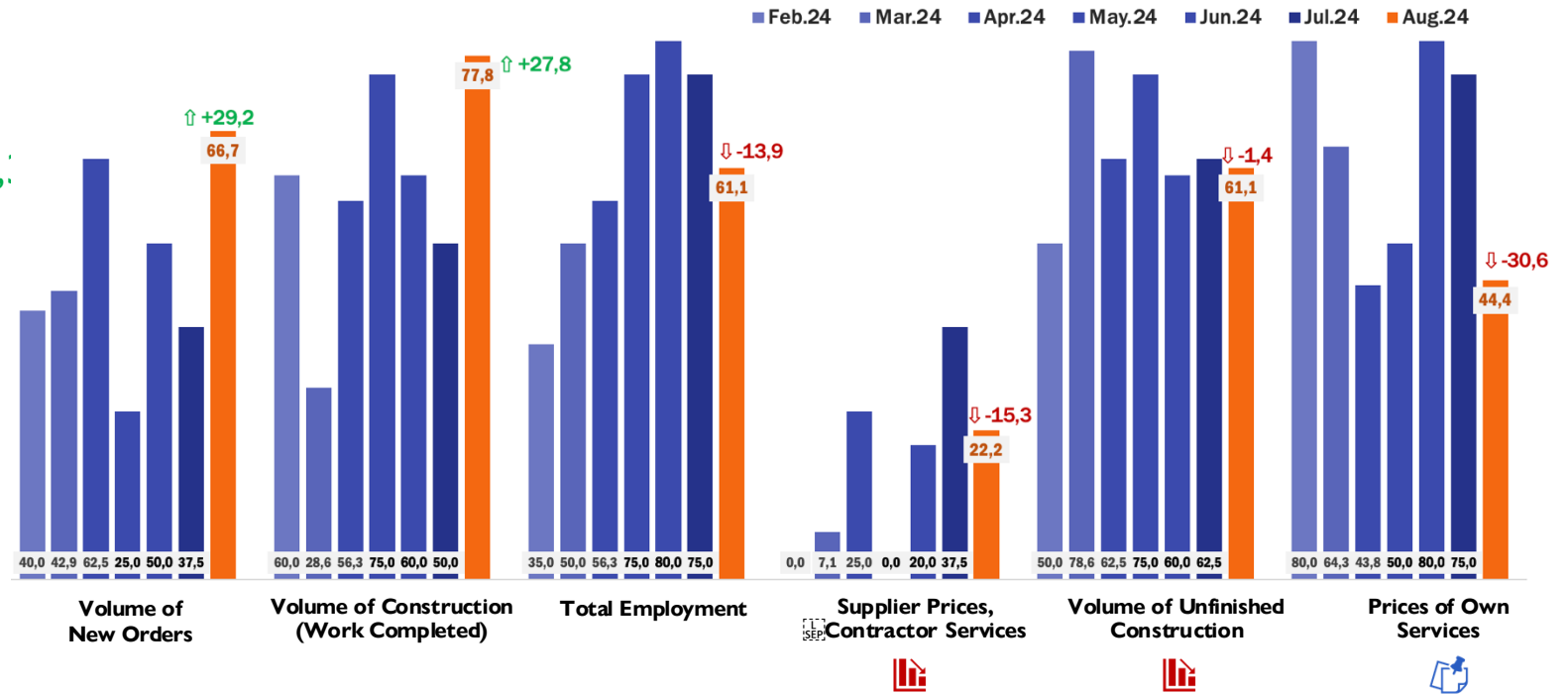
As in other sectors across all periods of observation, the most problematic area remains the rising procurement prices for raw materials and supplies (14.4 $\downarrow -5.1$), which businesses are attempting to offset by increasing prices for their own manufactured products.

CONSTRUCTION



57,8 $\uparrow +5,3$

Construction Sector Business Expectations in August 2024 compared to July 2024



In August 2024, the Construction Sector Barometer indicates a dominance of positive expectations, with a trend toward strengthening (57.8 \uparrow +5.3).

Most indicators reflect an optimistic business outlook for the future. A sharp increase in the volume of new orders (66.7 \uparrow +29.2) and construction volumes (77.8 \uparrow +27.8) is anticipated.

For the fifth consecutive month, expectations for an increase in total employment have dominated, though there has been a decline in the number of optimists (61.1 \downarrow -13.9). A reduction in the volume of unfinished construction is also forecasted (61.1 \downarrow -1.4).

According to entrepreneurs in the construction sector, a simultaneous increase in supplier prices (22.2 \downarrow -15.3) and a decrease in prices for their own services (44.4 \downarrow -30.6) are expected.

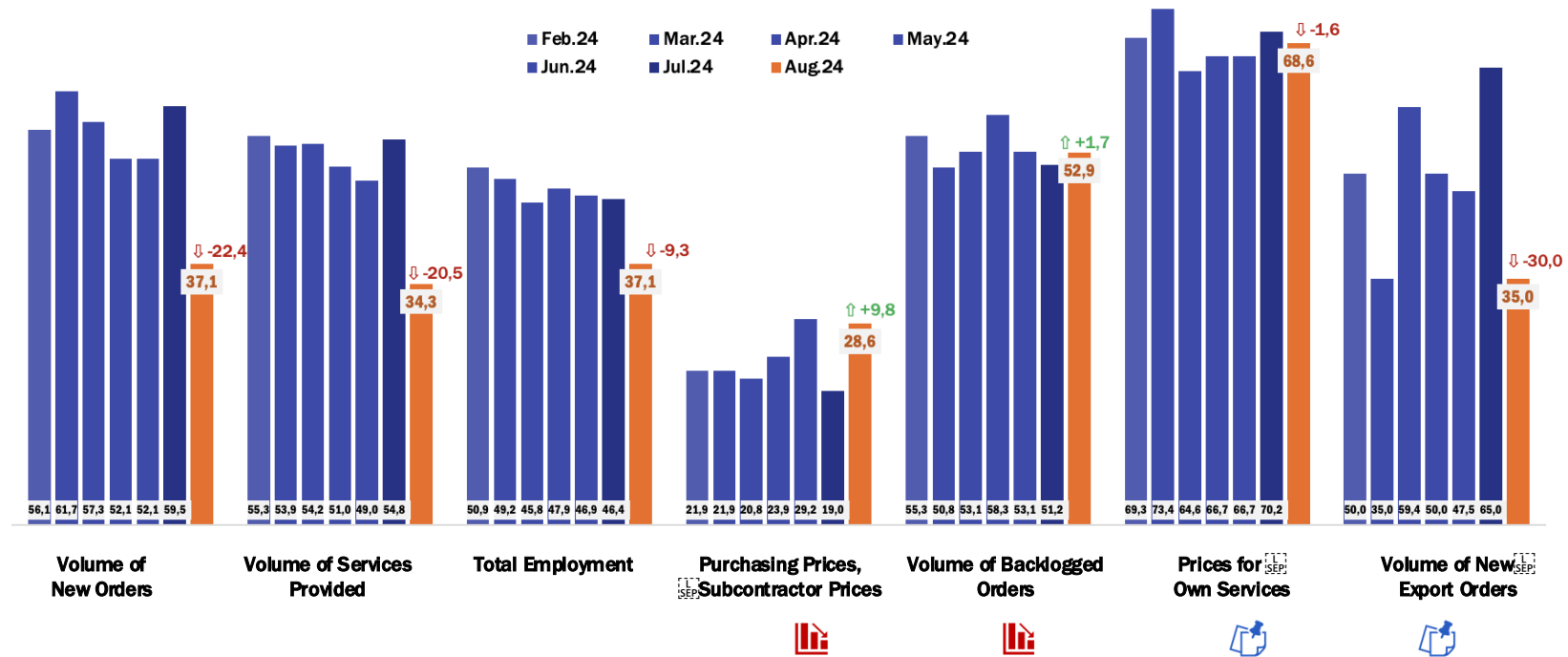


SERVICES



38,0 ↓-8,2

Service Sector Business Expectations in August 2024 compared to July 2024



In August 2024, enterprises of the Services Sector are showing a deepening of negative expectations (38.0↓-8.2).

Optimism is observed in the anticipated reduction of unfulfilled orders (52.9↑+1.7) and the potential for increasing prices for their own services (68.6↓-1.6).

However, expectations for other indicators are negative. A decrease is forecasted in the volume of new orders (37.1↓-22.4), the volume of services provided (34.3↓-20.5), total employment (37.1↓-9.3), and the volume of new export orders (35.0↓-30.0).

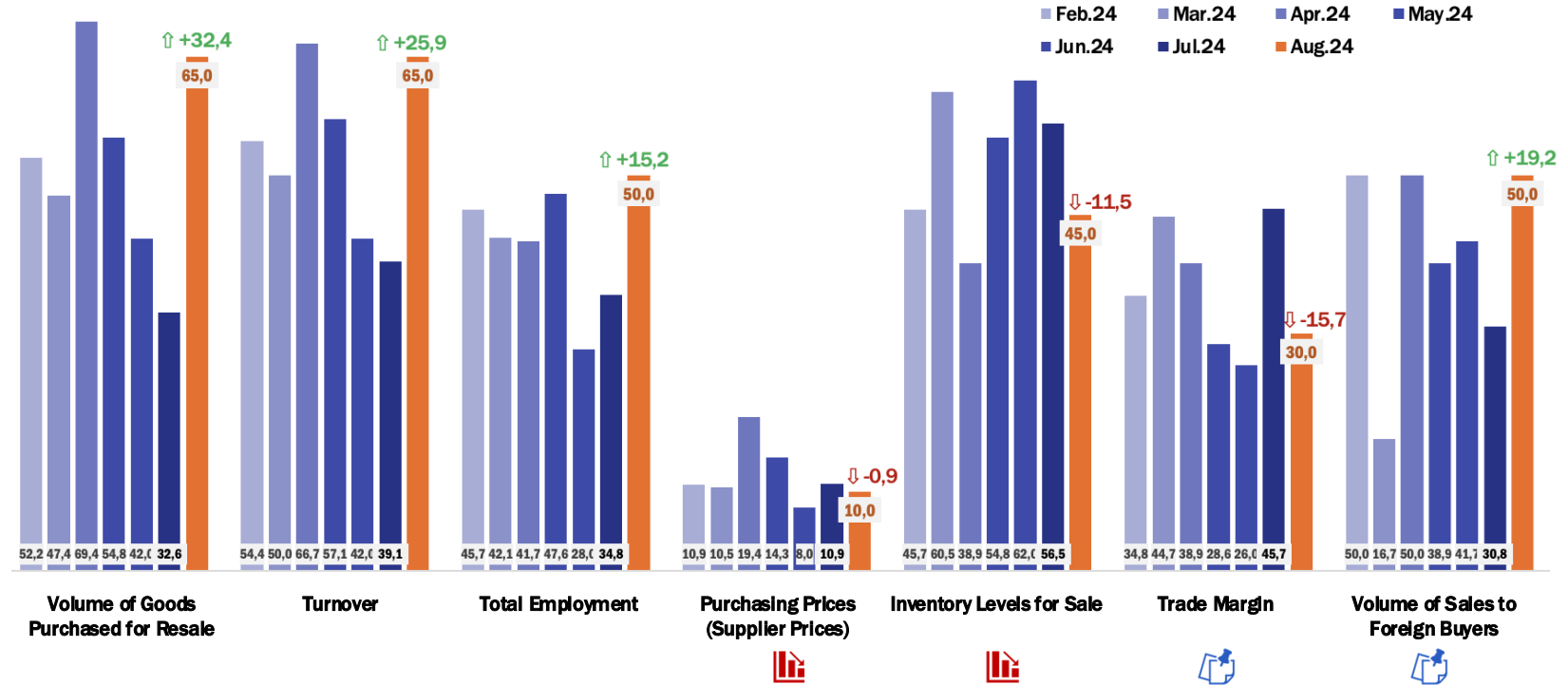
The lowest Barometer value, as in other sectors, relates to expectations of rising procurement prices, although the trend is positive (28.6↑+9.8).

TRADE



47,0 ↑+12,2

Trade Sector Business Expectations in August 2024 compared to Jul 2024



In August 2024, the Trade Sector Barometer Index showed significant growth, although it remained in the zone of negative expectations, falling just short of the neutral 50-point mark (47.0↑+12.2).

Half of the indicators used in calculating the Barometer Index are in the zone of prevailing optimism. A sharp increase is forecasted in the volume of goods purchased for sale (65.0↑+32.4) and in turnover (65.0↑+25.9).

Total employment is expected to remain unchanged (50.0↑+15.2).

Amid rising procurement prices (10.0↓-0.9), inventory levels of goods for sale are expected to accumulate (45.0↓-11.5), while the trade margin is projected to decline (30.0↓-15.7).

The volume of sales to foreign buyers is expected to remain unchanged (50.0↑+19.2).



40,8 $\uparrow +0,5$

**BUSINESS BAROMETER
OVERALL**

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

39,3 $\downarrow -4,3$

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

40,7 $\downarrow -0,1$



EXPORTERS

37,8 $\uparrow +0,5$

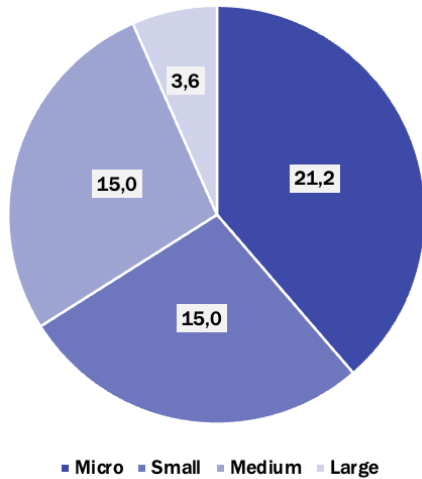
**Medium
enterprises**
(10-249 persons employed)

40,0 $\uparrow +7,4$

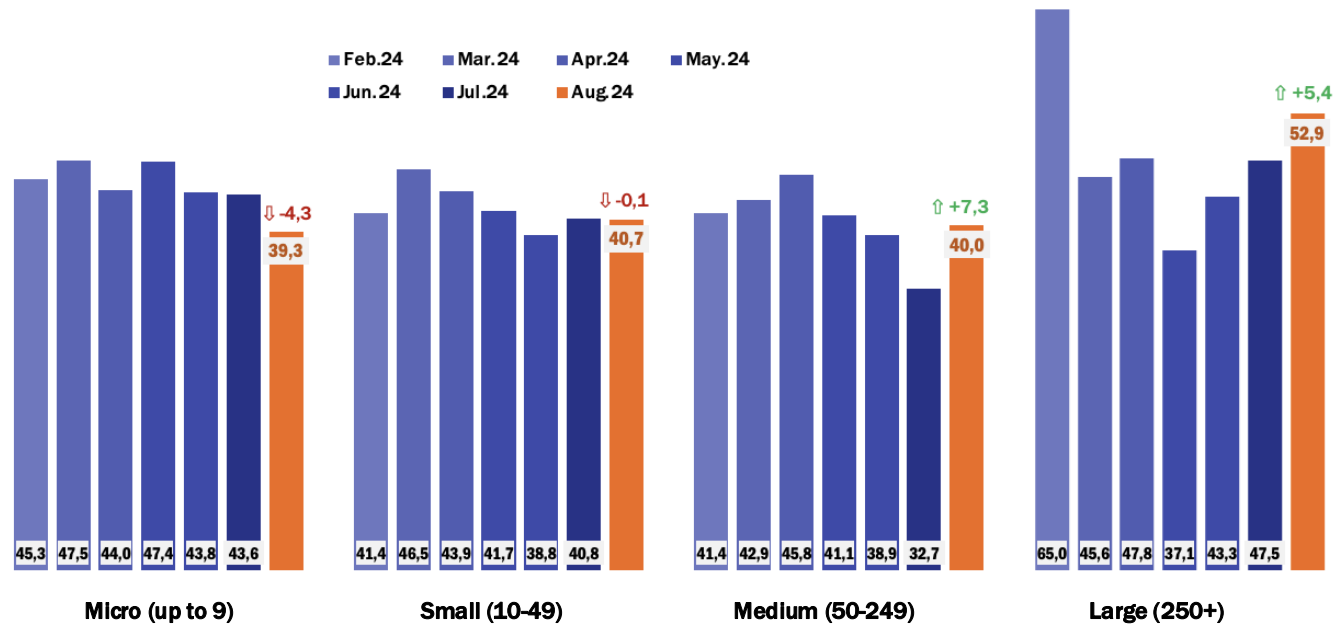
**Large
enterprises**
(250 or more persons)

52,9 $\uparrow +5,4$

Distribution of enterprises - respondents by company size, %



Business and Entrepreneur Expectations by Company Size in August 2024 Compared to July 2024



In August 2024, positive expectations outweigh negative ones only among large businesses (52.9 \uparrow +5.4).

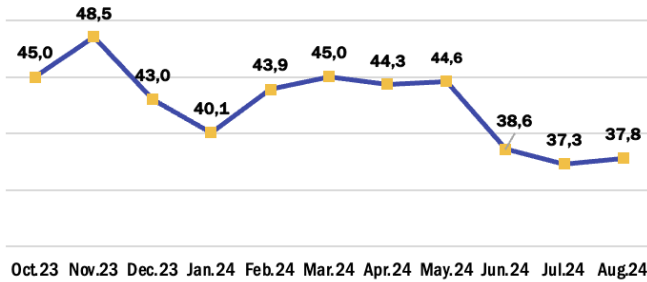
Micro, small, and medium-sized enterprises take a more cautious outlook on the future, with Barometer values for each of these business groups not exceeding 41 points.

However, positive dynamics are observed only among medium-sized businesses (\uparrow +7.3).



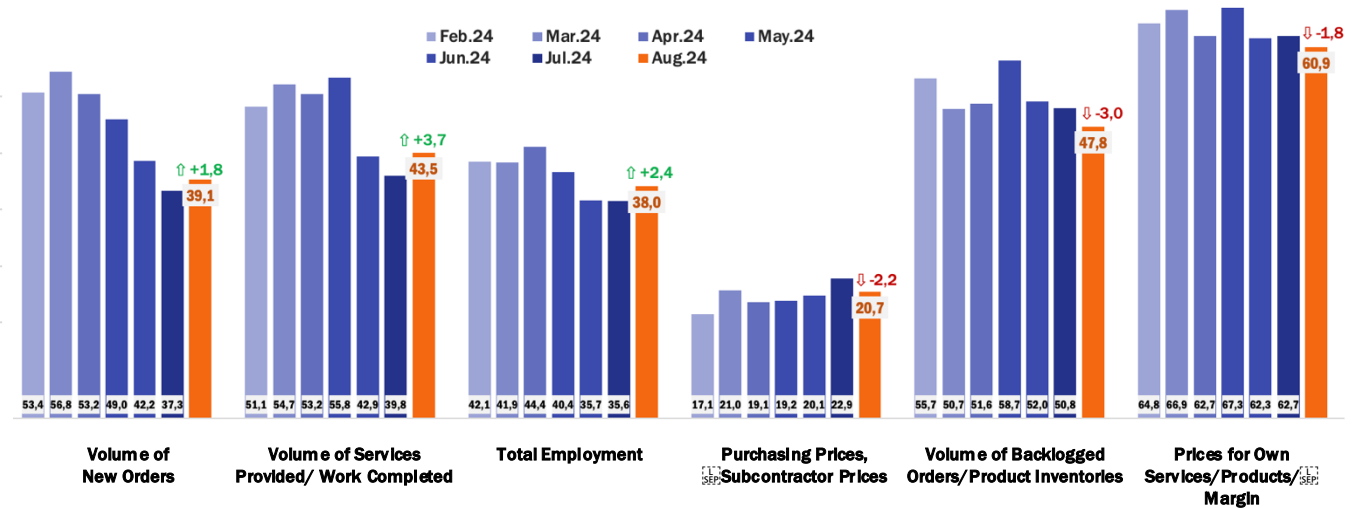
37,8 $\uparrow +0,5$

EXPORTERS
43,4% respondents



August 2024 Exporters' Expectations Across All Sectors Compared to July 2024

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



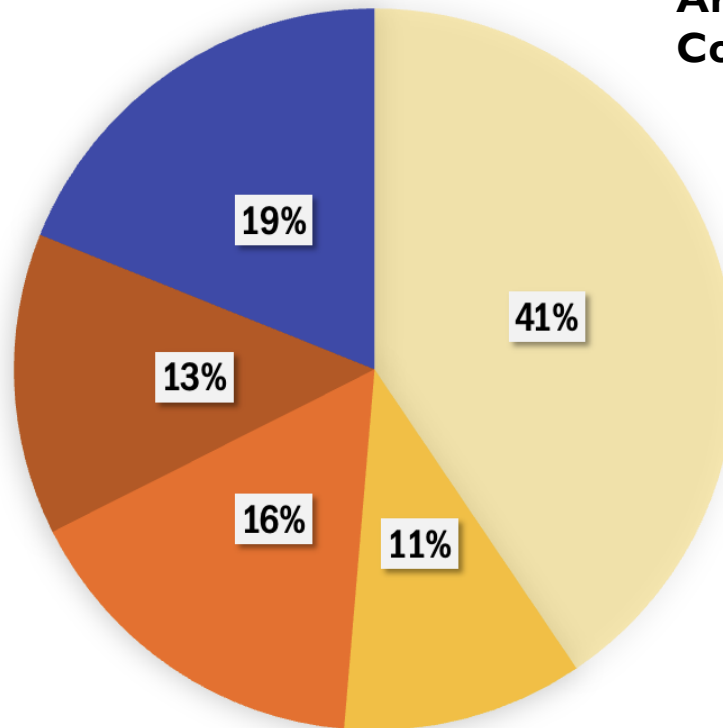
In August 2024, exporters slightly eased their negative expectations (37.8 \uparrow +0.5).

Despite the dominance of negative expectations across all key indicators, some show positive dynamics: the volume of new orders (39.1 \uparrow +1.8), the volume of services provided/work completed (43.5 \uparrow +3.7), and total employment (38.0 \uparrow +2.4).

The volume of unfulfilled orders/inventory is expected to moderately increase, albeit with negative dynamics (47.8 \downarrow -3.0).

According to exporters, there is an anticipated simultaneous increase in procurement prices (20.7 \downarrow -2.2) and prices for their own services (60.9 \downarrow -1.8).

FOR AUGUST 2024: HOT ISSUE SURVEY RESULTS



Are you ready to join the 'Voluntary Tax Compliance Club' (Draft Law #11084)?

- I am not familiar with the details of Draft Law #11084
- No, I believe it's better to ensure equal conditions for everyone
- Probably not, as the 'club' seems to be designed for a select group
- Probably yes, but it depends on the criteria for joining the 'club'
- Yes, the advantages of being in the 'club' are significant

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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