

Research on the Current State of Businesses in Ukraine

January, 2023

Center for
Innovations
Development

ОФІС З РОЗВИТКУ
ПІДПРИЄМНИЦТВА
ТА ЕКСПОРТУ
ДЕ РОЗВИТКУ УСЛУГ

Дія Бізнес

Advanter

Міністерство
цифрової трансформації
України

МІНІСТЕРСТВО
ЕКОНОМІКИ
УКРАЇНИ

МІНІСТЕРСТВО
ФІНАНСІВ
УКРАЇНИ

MINISTRY
OF ECONOMIC AFFAIRS
AND COMMERCIAL DEVELOPMENT

Technical information and methodological notes

This publication was prepared by the Center for Innovations Development, Export and Entrepreneurship Promotion Office, and Diia.Business national project jointly with Advanter Group, with the support of the European Union, Ministry of Digital Transformation, Ministry of Economy, Ministry of Finance, Ministry of Communities and Territories Development, the Coalition of Business Communities for the Modernization of Ukraine.

This publication reflects the position of the authors and does not necessarily reflect the opinion of the European Union.

The research was carried out within the framework of the Initiative for economic recovery, business development and export of Ukraine.

Methodology and analytics: Advanter Group, advanter.ua

Method: online survey of business owners and CEOs.

Survey periods and sample size :

Survey period : 25.01 – 02.02.2023 p.

A total of 535 respondents took part in the survey.

The entrepreneurs interviewed represent all regions of Ukraine and various industries (slide 74 –passport block).

An analysis was carried out on some issues in the following aspects :

- macro regions
- industries
- size of business (pre-war)
- data from previous waves of business research (Advanter) and the Initiative for economic recovery (CID, EEPO, Diia.Business)

Generalizations are made based on the State Statistics Service data for 2020 and 2021.

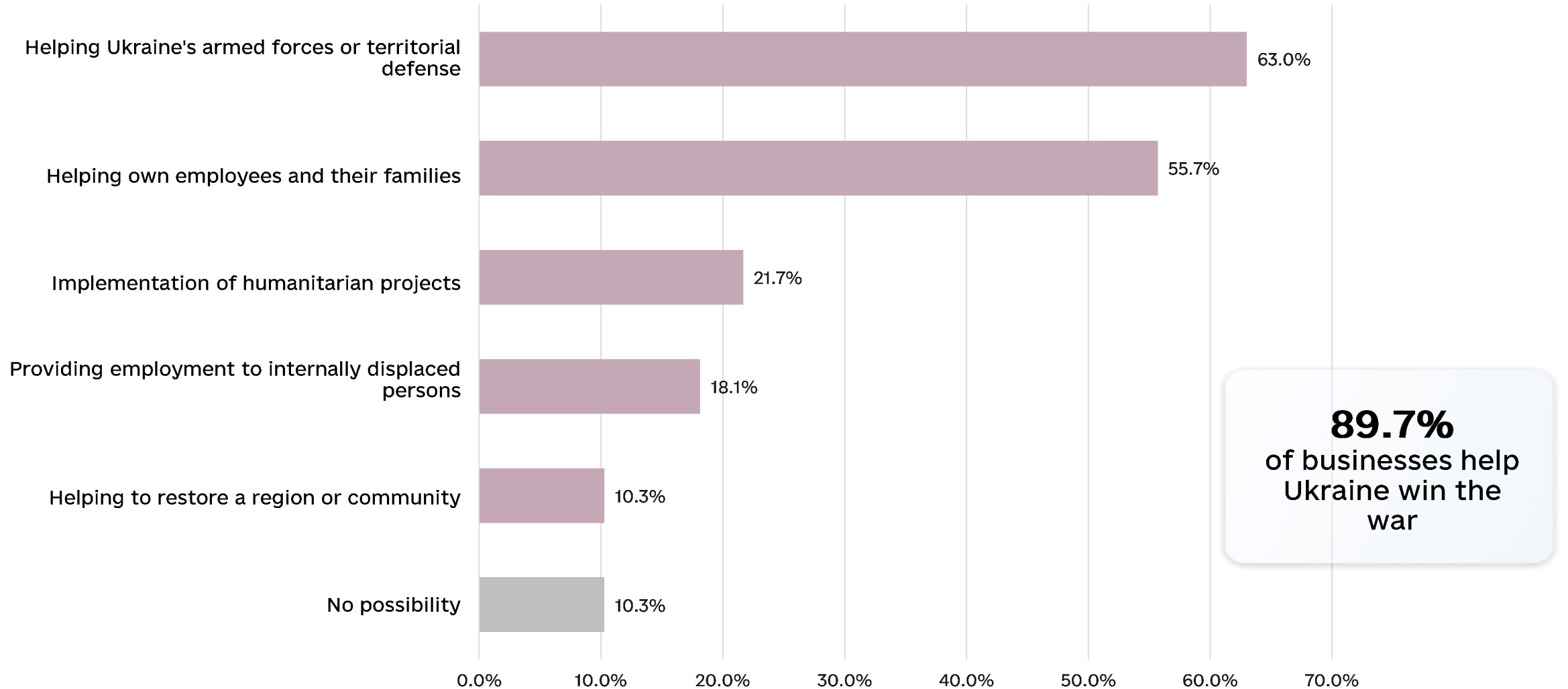
The Business Activity Index UBI has been calculated since 2020. The Index is unified for manufacturing and service businesses.

Contact details : info@advanter.ua | info@cid.center | analytic@epo.org.ua

Current state of business

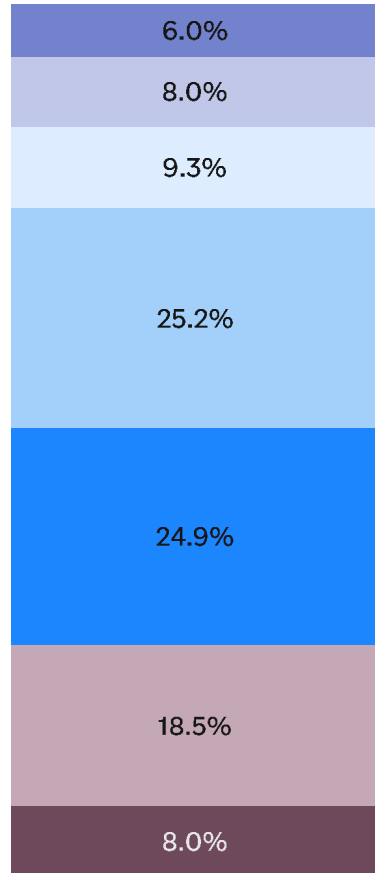
Help of business in the war

How is your business helping to win the war?



Business results in 2022

Business results in 2022 compared to 2021

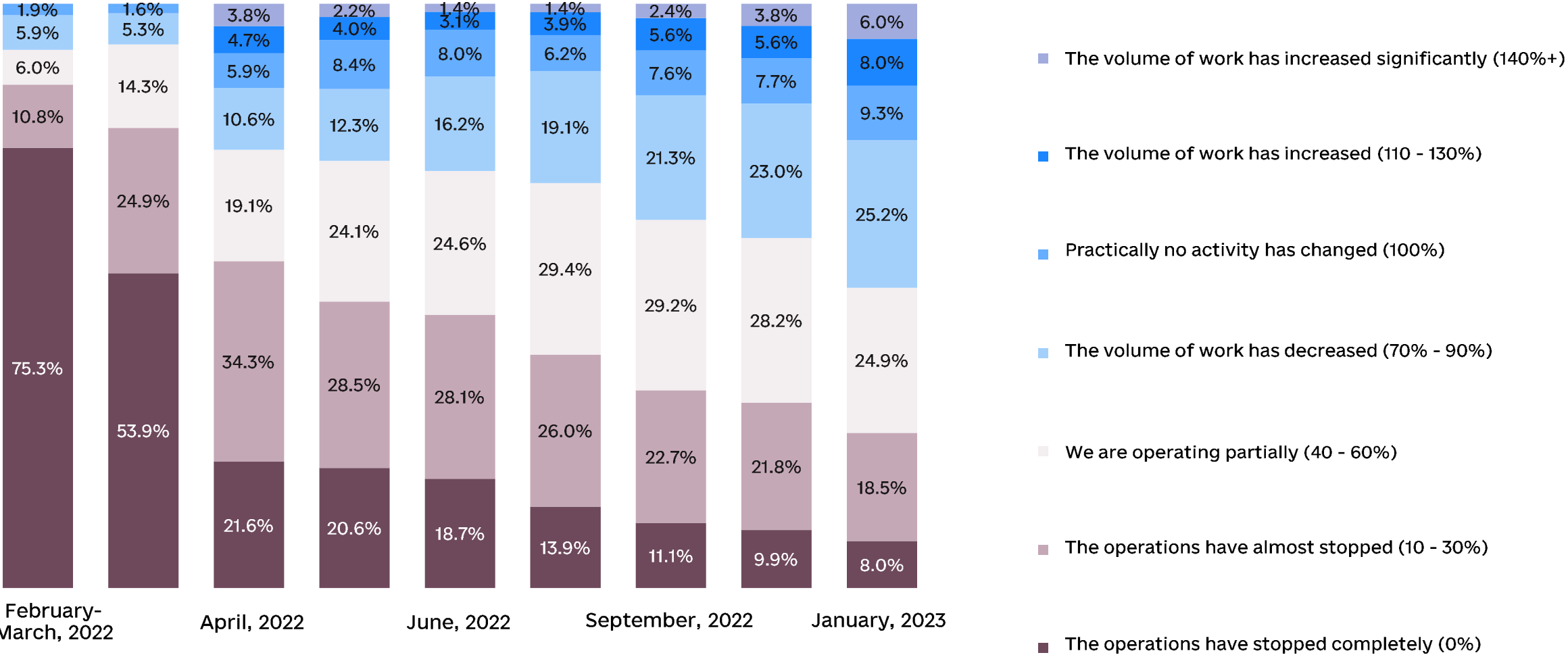


January, 2023

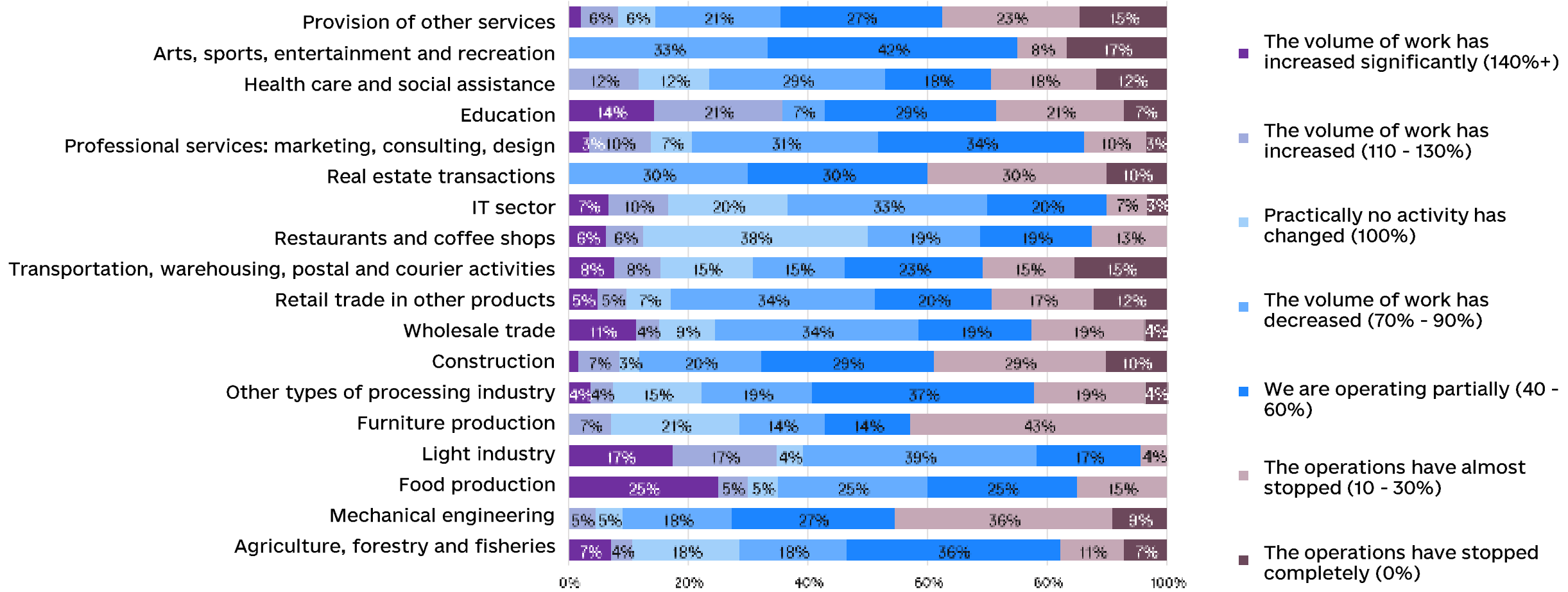
- The volume of work has increased significantly (140%+)
- The volume of work has increased (110 - 130%)
- Practically no activity has changed (100%)
- The volume of work has decreased (70% - 90%)
- We are operating partially (40 - 60%)
- The operations have almost stopped (10 - 30%)
- The operations have stopped completely (0%)

The weighted average of the volume of work in 2022:
63.7%

State of the business in 2022

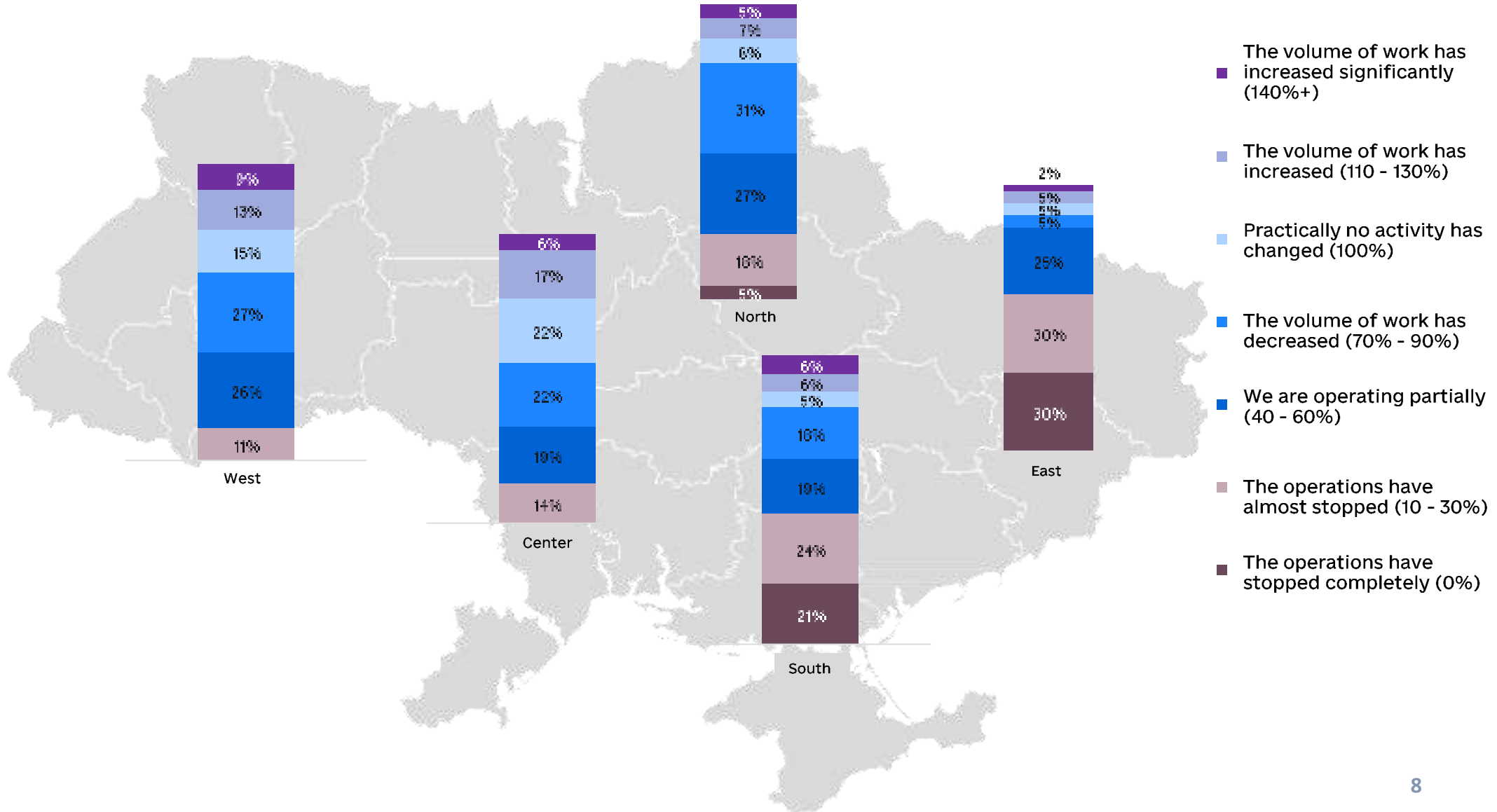


State of the business in 2022



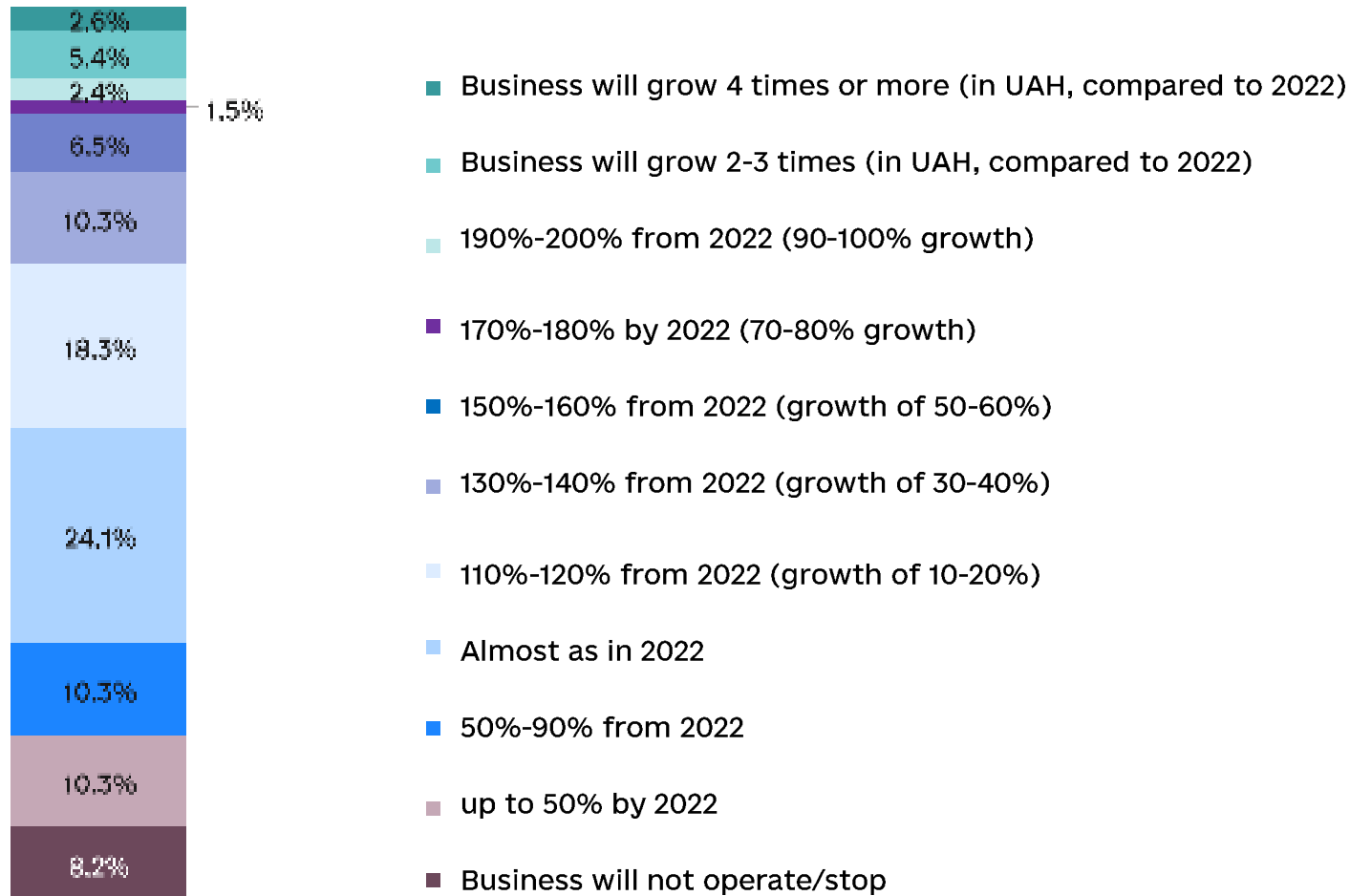
State of the business in 2022

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Volyn region
Zakarpattia region
Ivano-Frankivsk region
Lviv region
Rivne region
Ternopil region
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Chernivtsi region
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Luhansk region
Kharkiv region
Center
Vinnitsia region
Kirovohrad region
Poltava region
Cherkasy region



Business turnover forecast for 2023

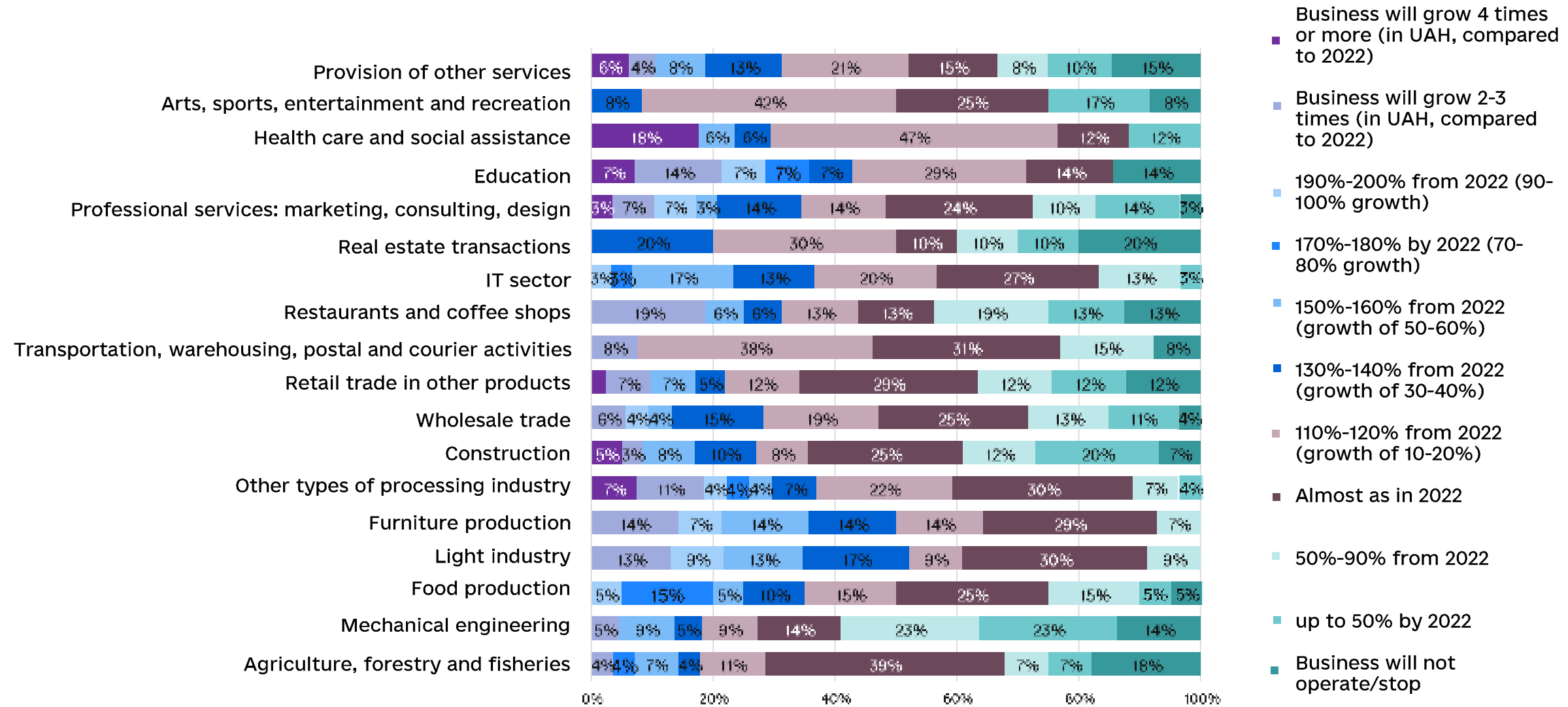
Your 2023 forecasts for your business turnover – compared to 2022



The weighted average indicator of the forecast for 2023 (up to 2022):
+10.3%

Business turnover forecast for 2023

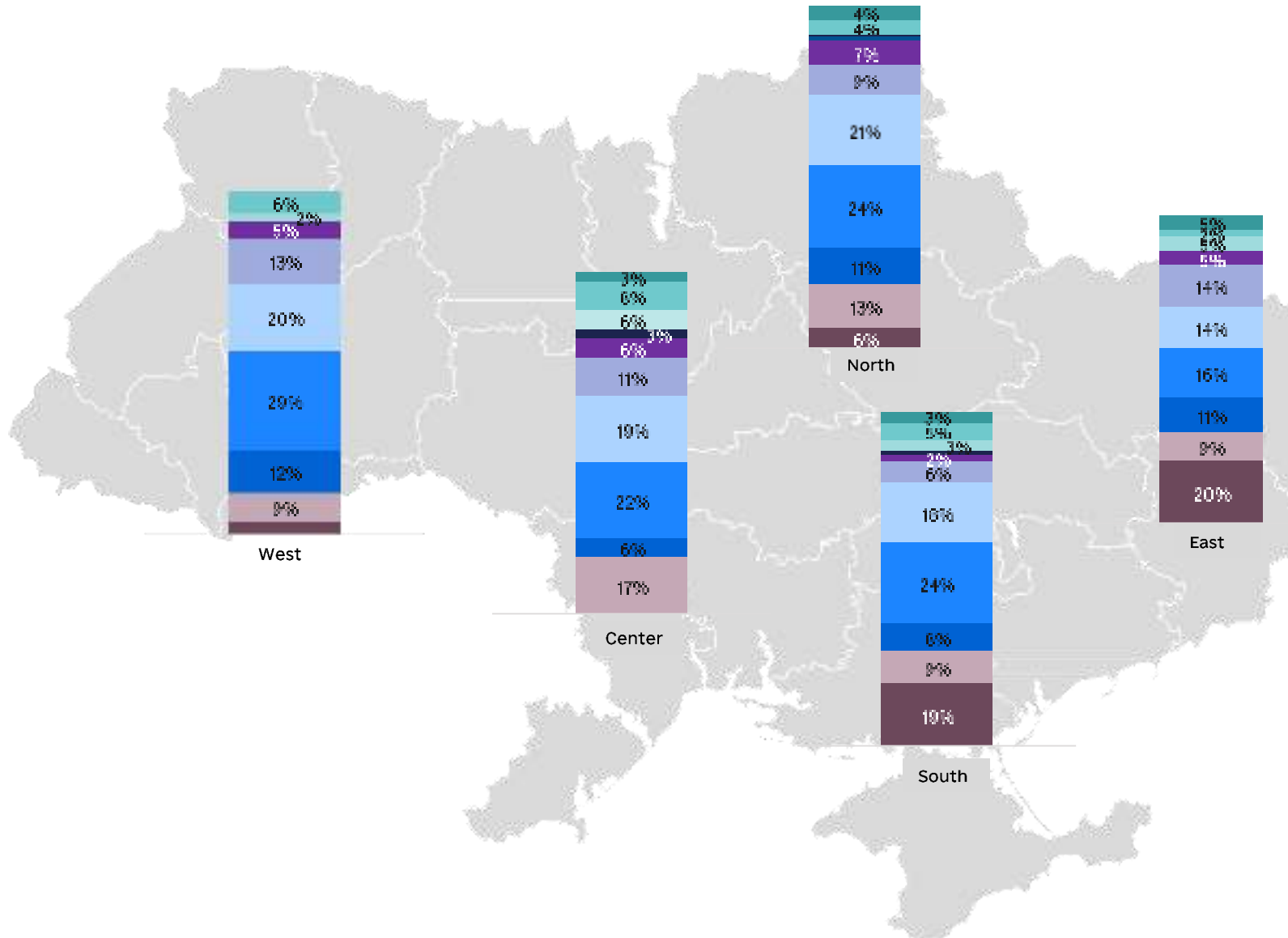
Your 2023 forecasts for your business turnover – compared to 2022



Business turnover forecast for 2023

Your 2023 forecasts for your business turnover – compared to 2022

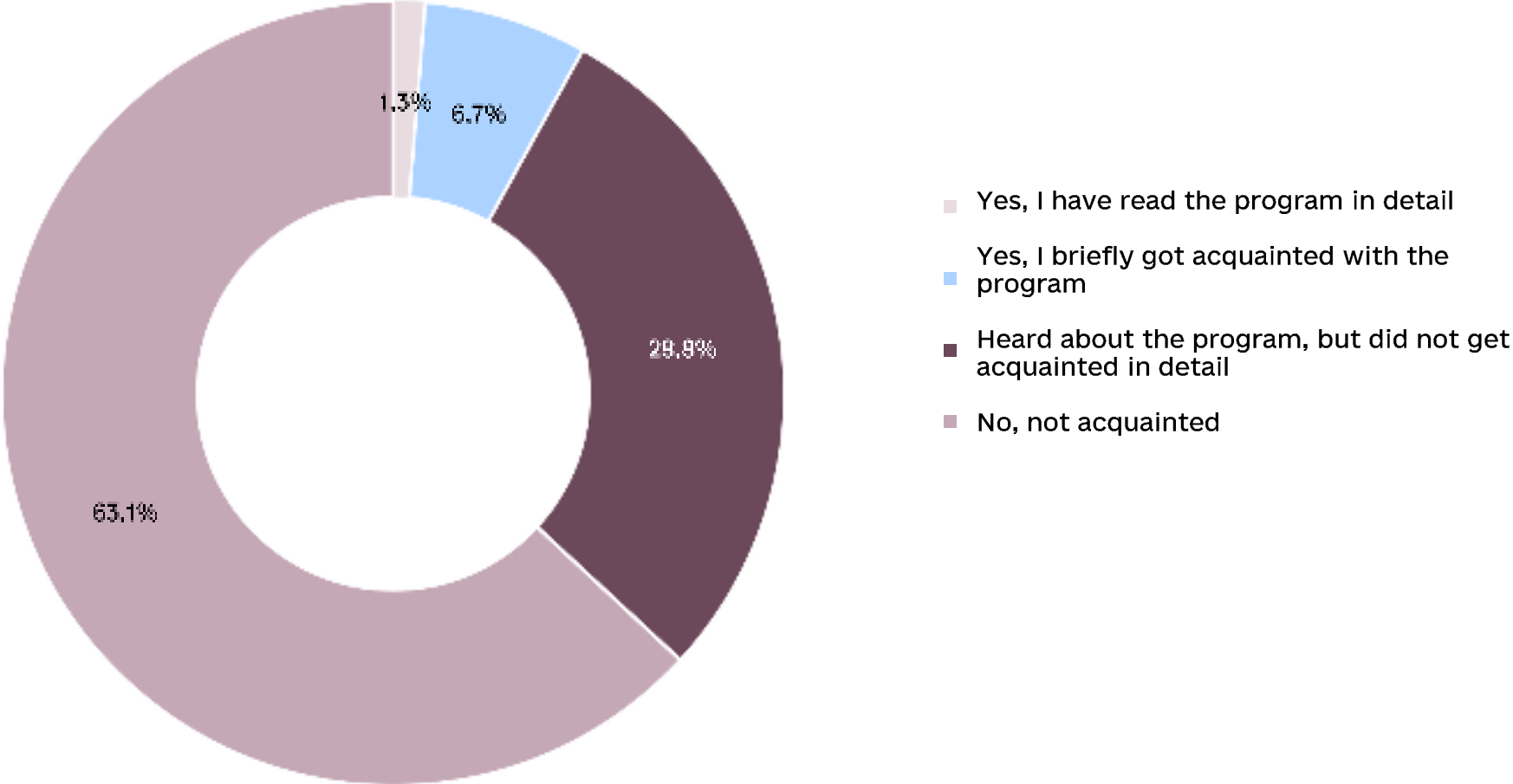
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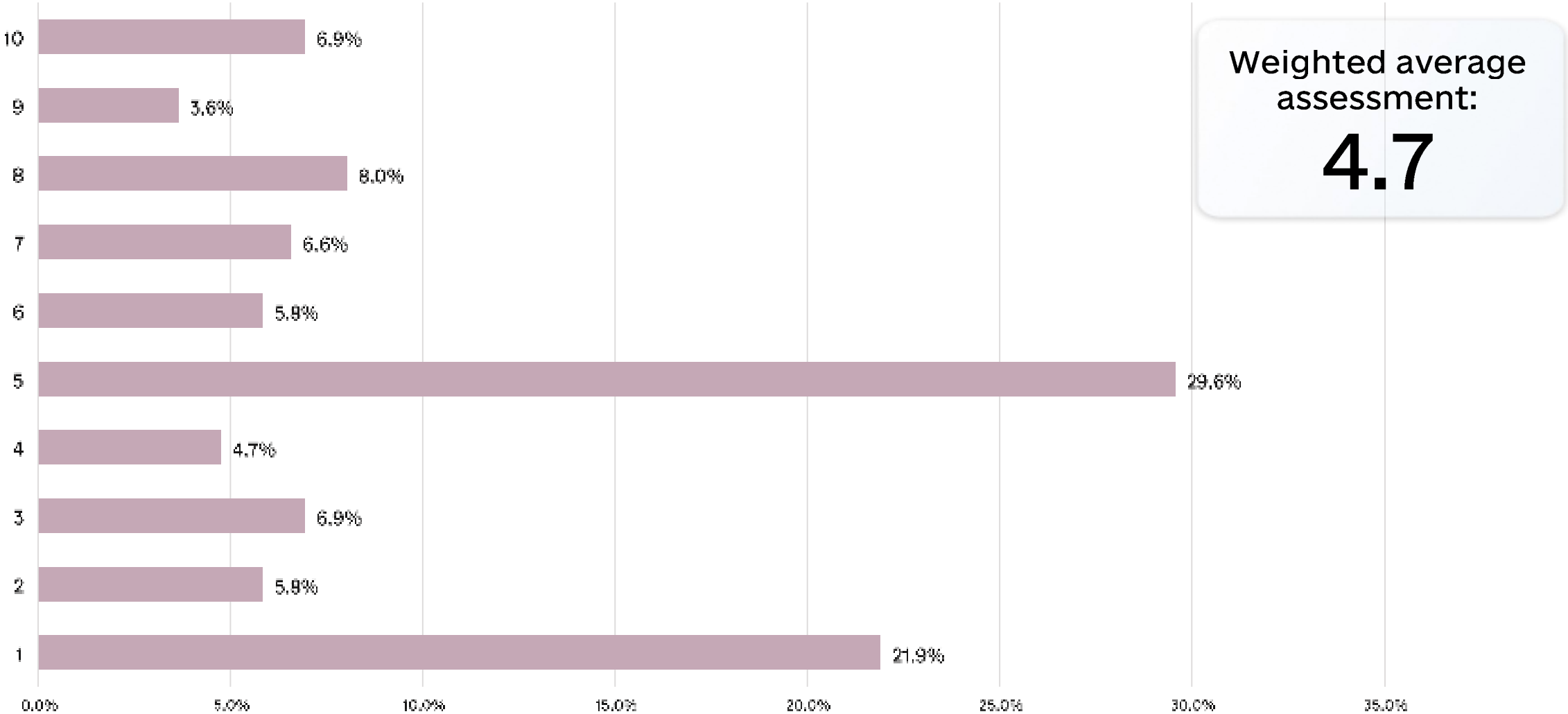
- Business will grow 4 times or more (in UAH, compared to 2022)
- Business will grow 2-3 times (in UAH, compared to 2022)
- 190%-200% from 2022 (90-100% growth)
- 170%-180% by 2022 (70-80% growth)
- 150%-160% from 2022 (growth of 50-60%)
- 130%-140% from 2022 (growth of 30-40%)
- 110%-120% from 2022 (growth of 10-20%)
- Almost as in 2022
- 50%-90% from 2022
- Up to 50% by 2022
- Business will not operate/stop

Ukraine's recovery program

Are you familiar with the Ukraine recovery program that was developed and presented at the Ukraine Recovery Conference in Lugano?



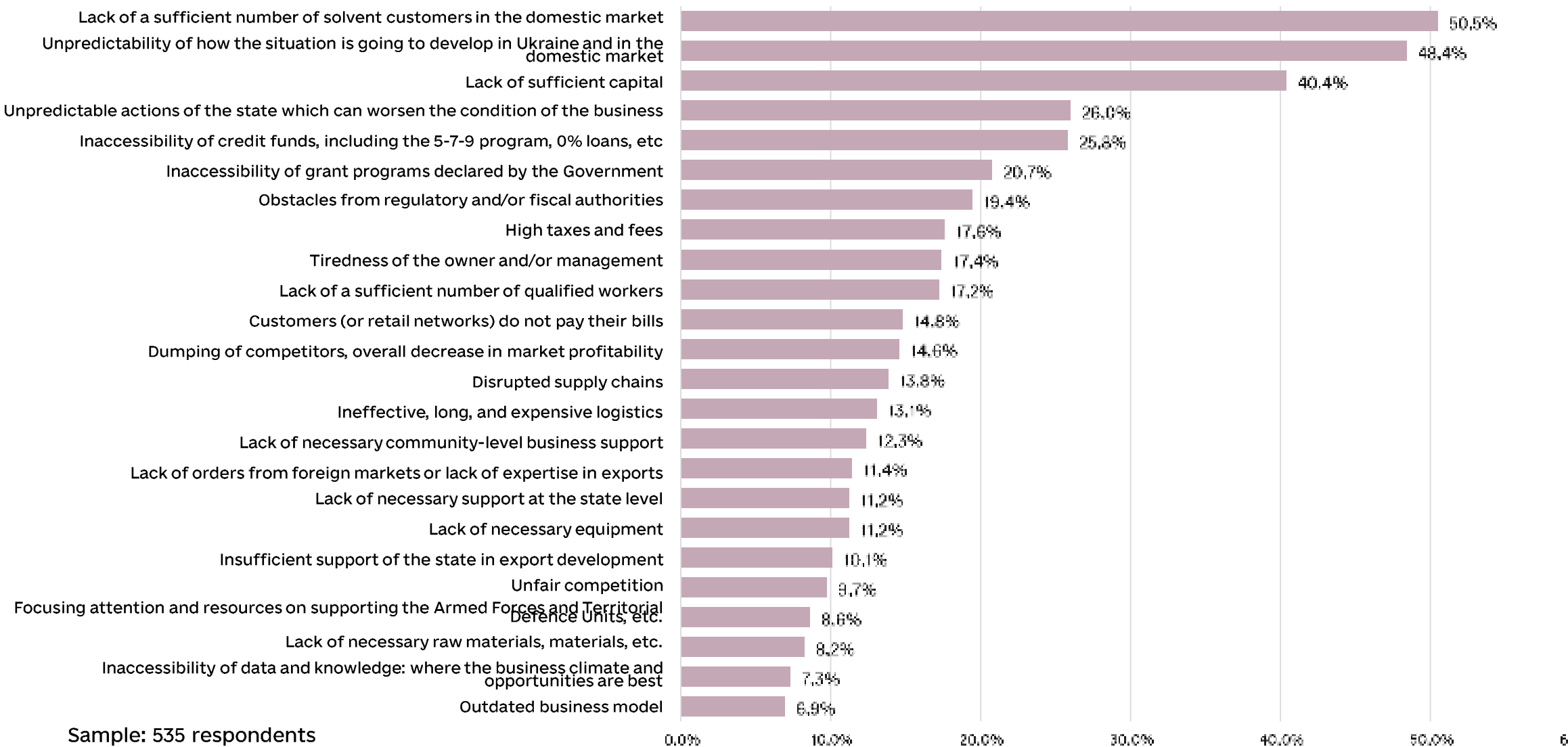
How do you assess the program for Ukraine's recovery that was presented at the Lugano conference?



Problems of business

Problems of business

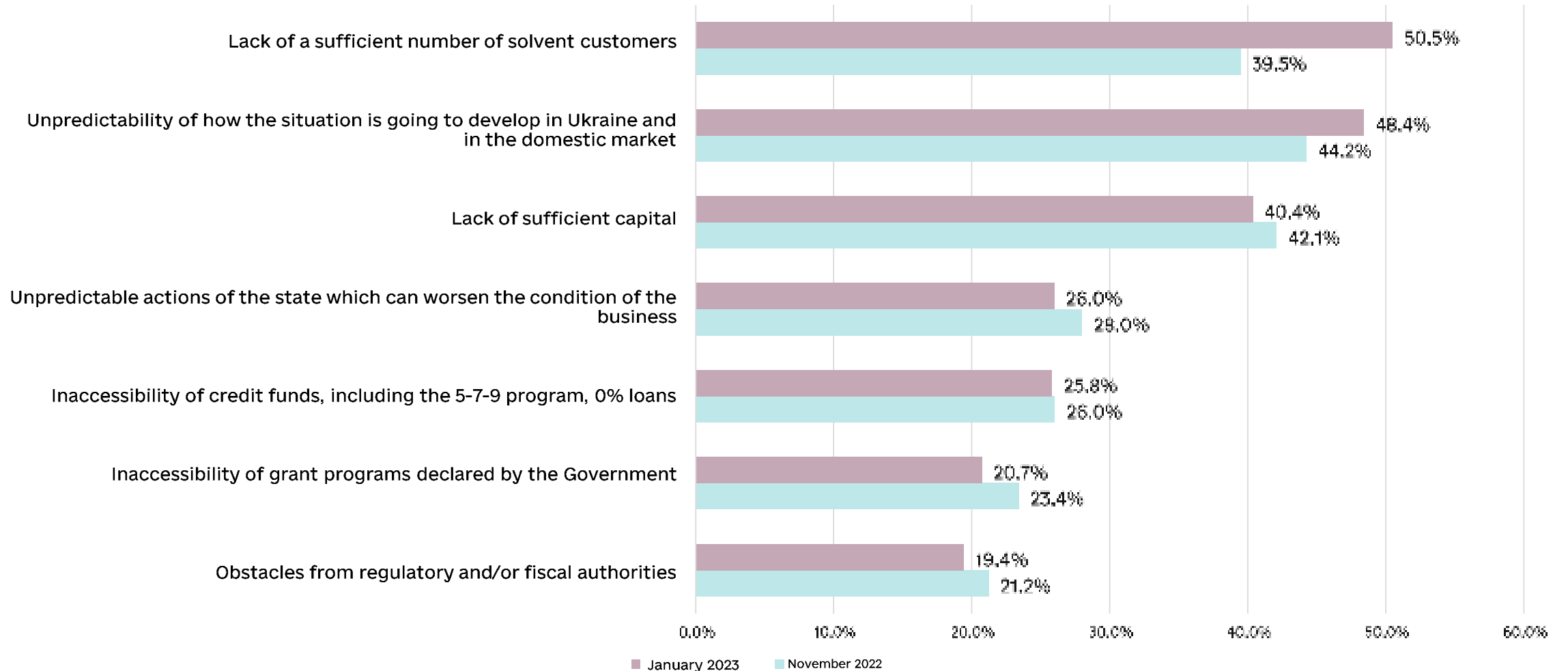
What prevents you from restoring and developing your business now? (up to 7 obstacles)



Sample: 535 respondents

Problems of business

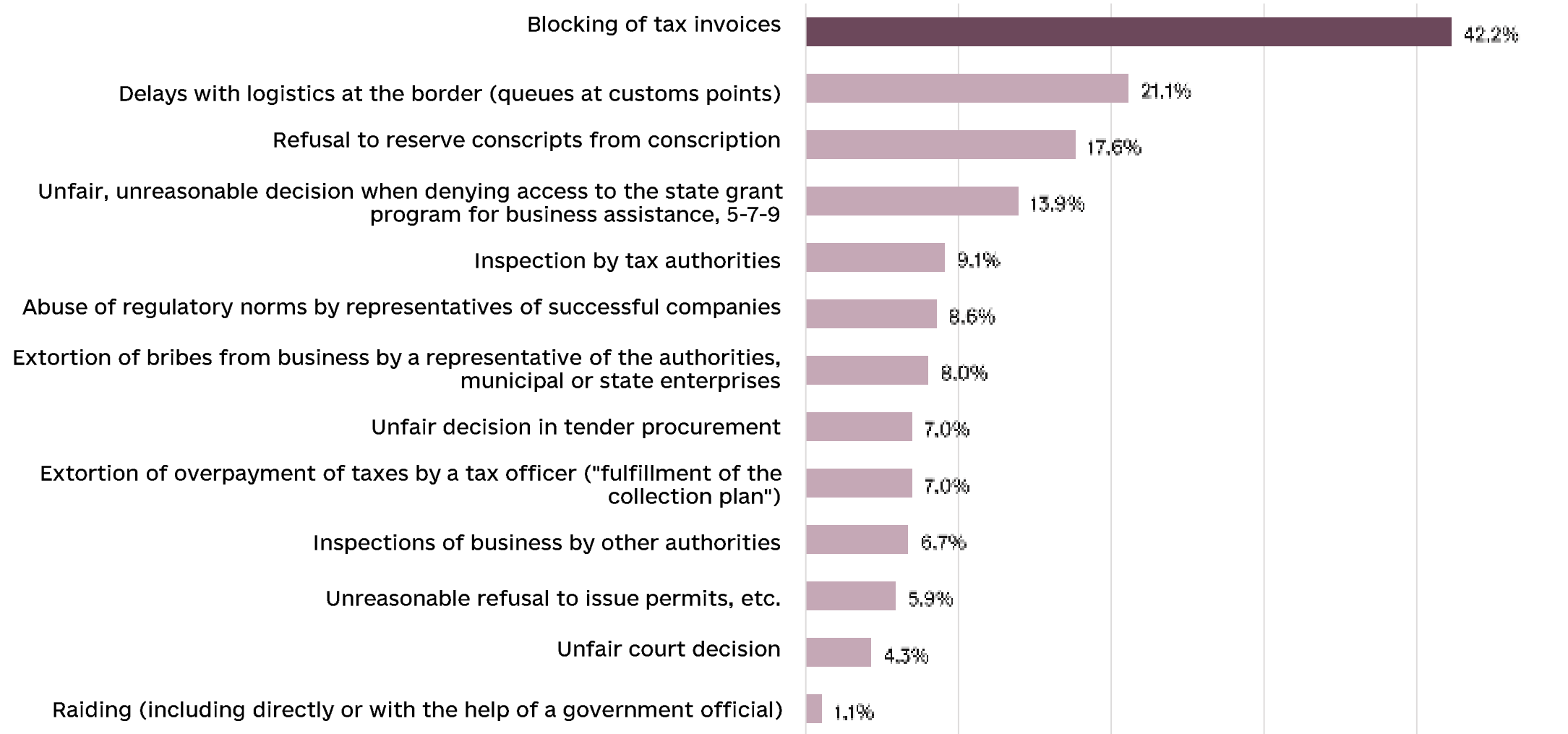
What prevents you from restoring and developing your business now? (Top 7)



Sample: 535 respondents

Problems in interacting with the authorities

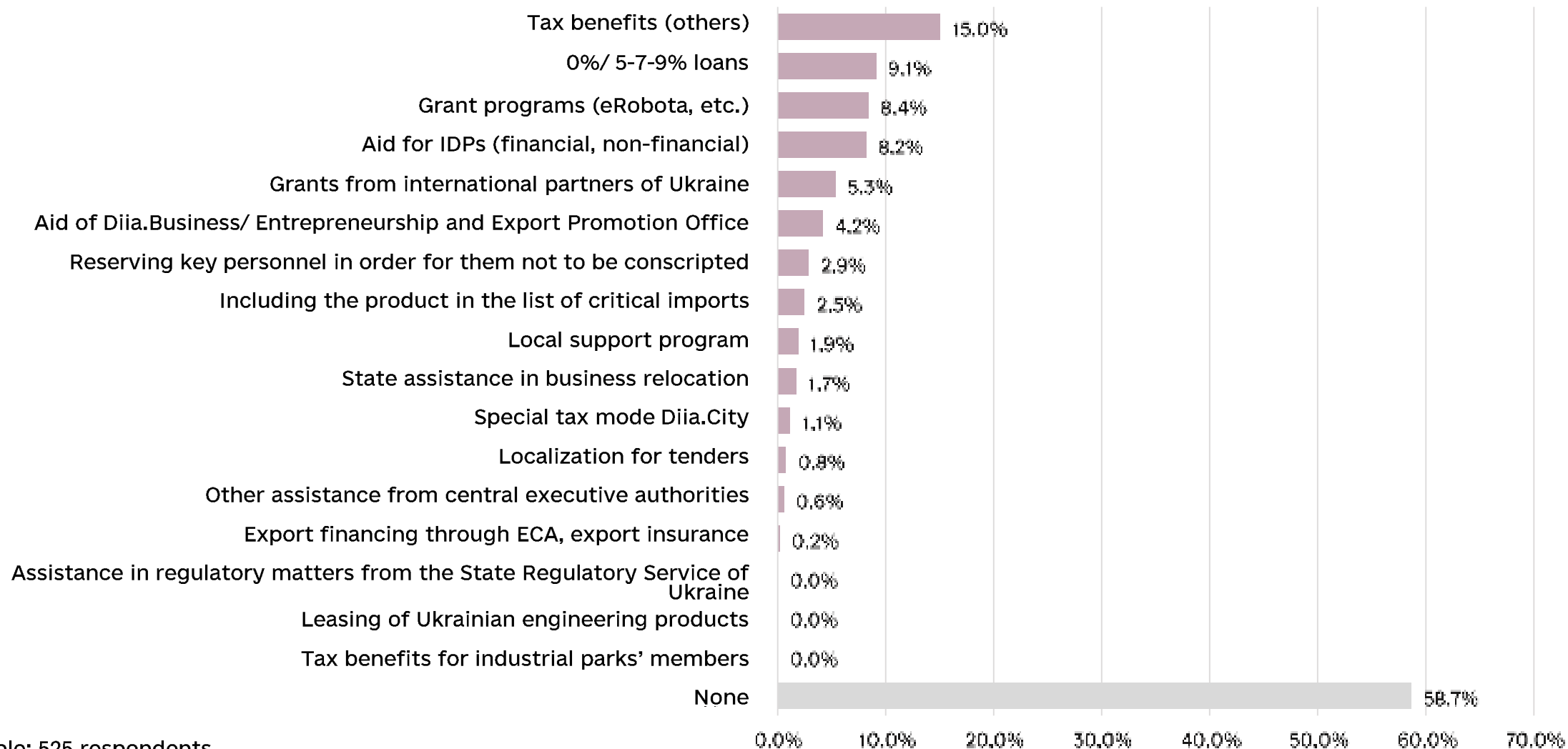
What problems in relations with the authorities did your business face in the last 2 months?



Sample: 374 respondents

State aid to business

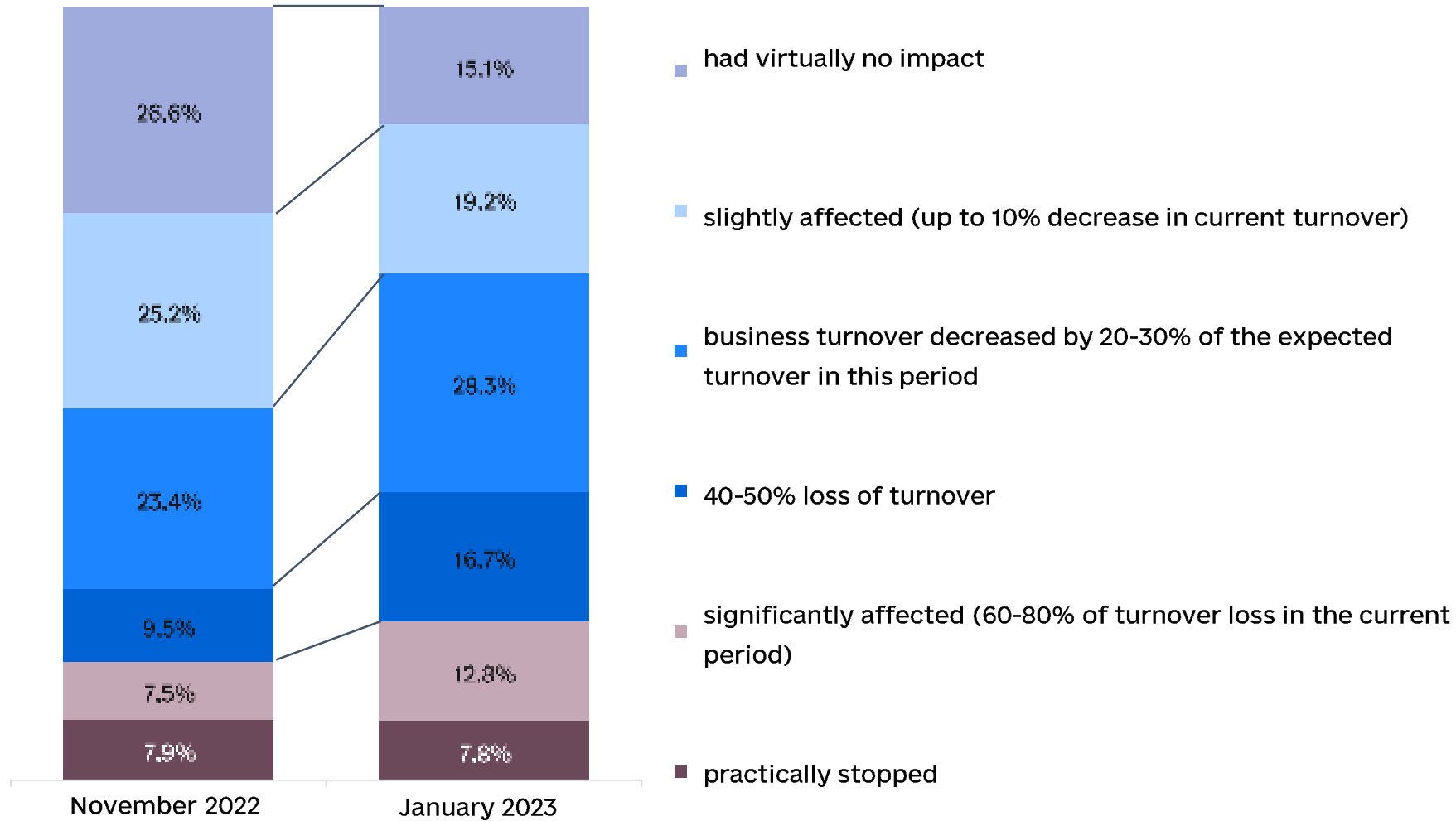
What types of government assistance have you used since 24.02?



Sample: 525 respondents

The situation with power outages is getting worse

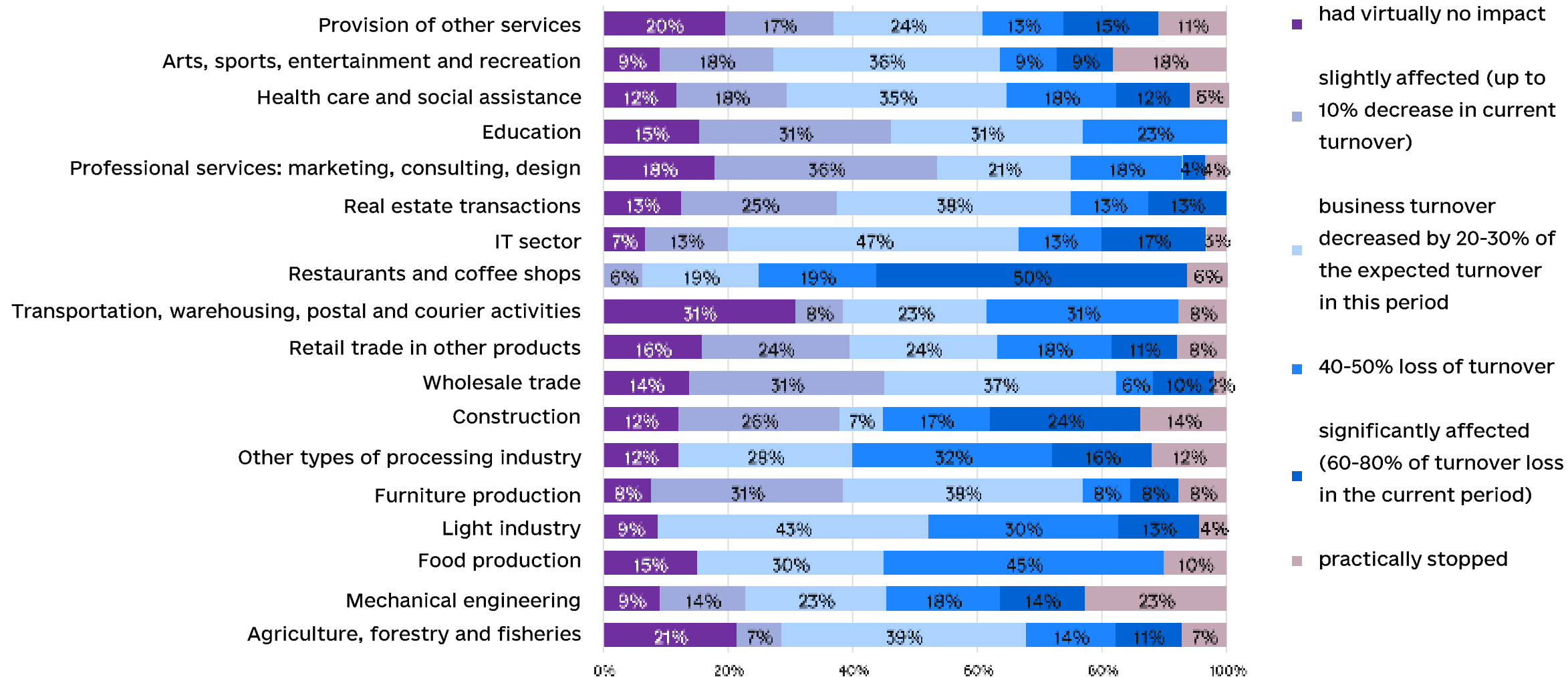
How has the current power outage affected your business?



The weighted average of companies' turnover losses:
32.5%

The situation with power outages is getting worse

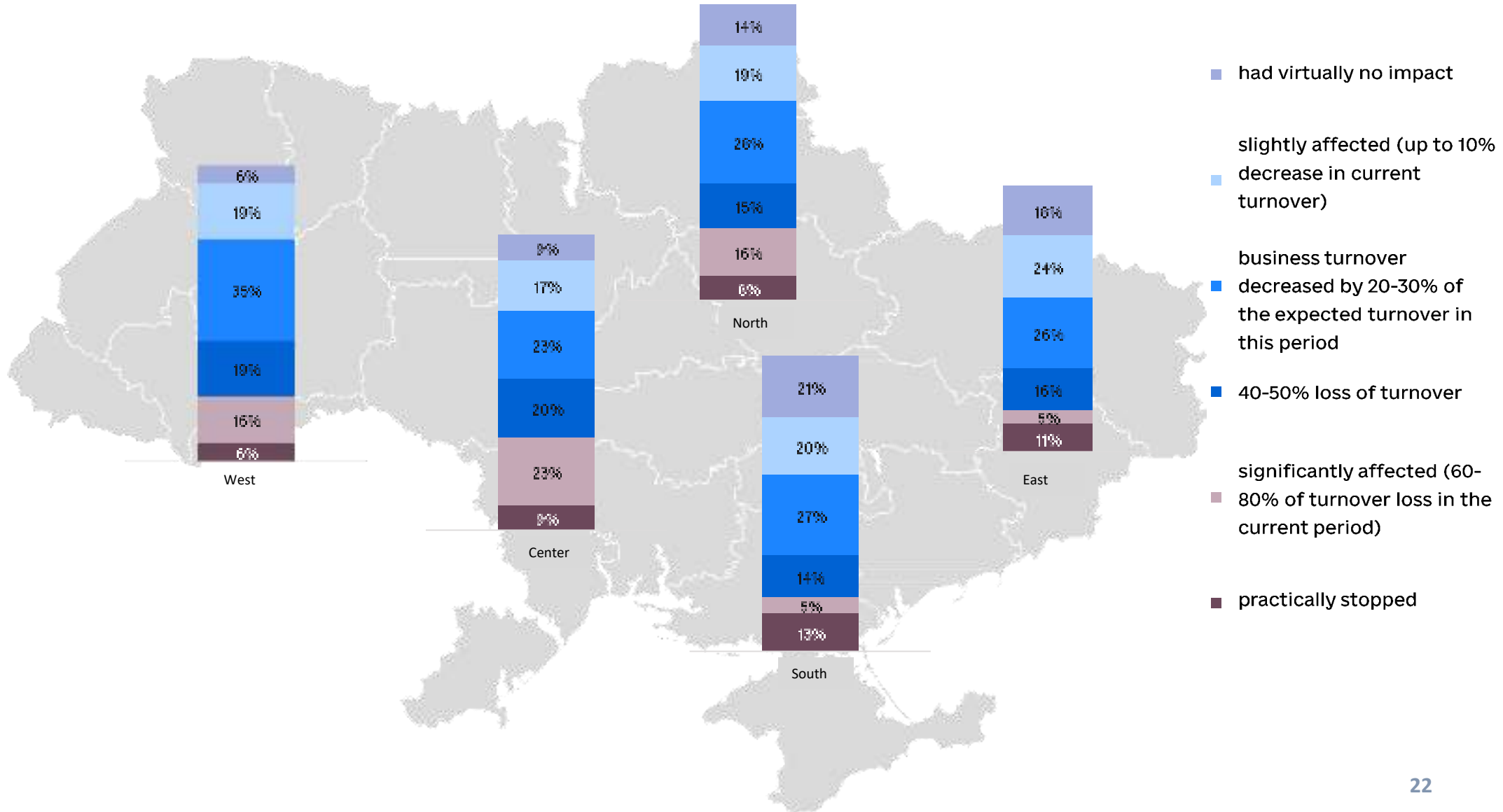
How has the current power outage affected your business?



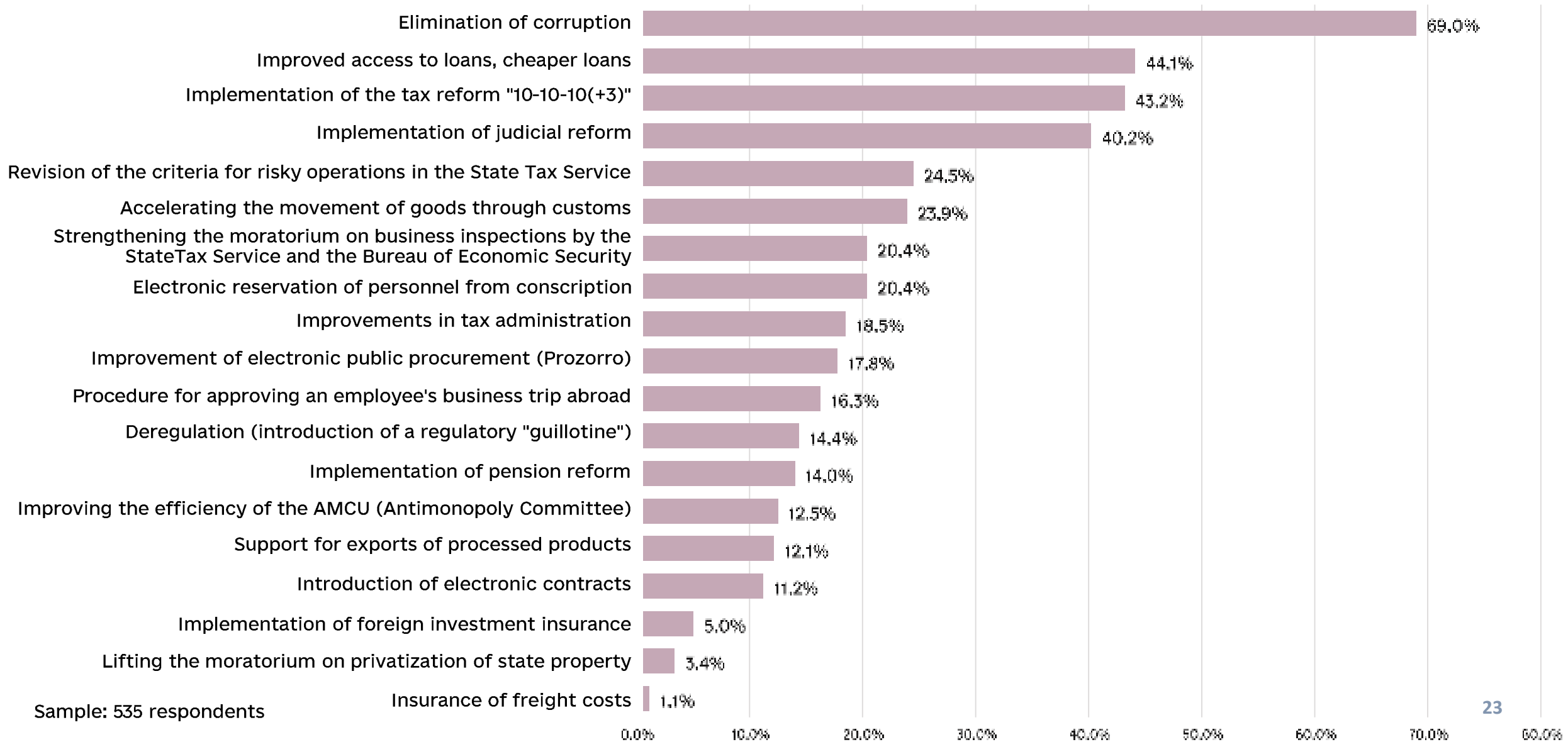
The situation with power outages is getting worse

How has the current power outage affected your business?

- West
- Volyn region
- Zakarpattia region
- Ivano-Frankivsk region
- Lviv region
- Rivne region
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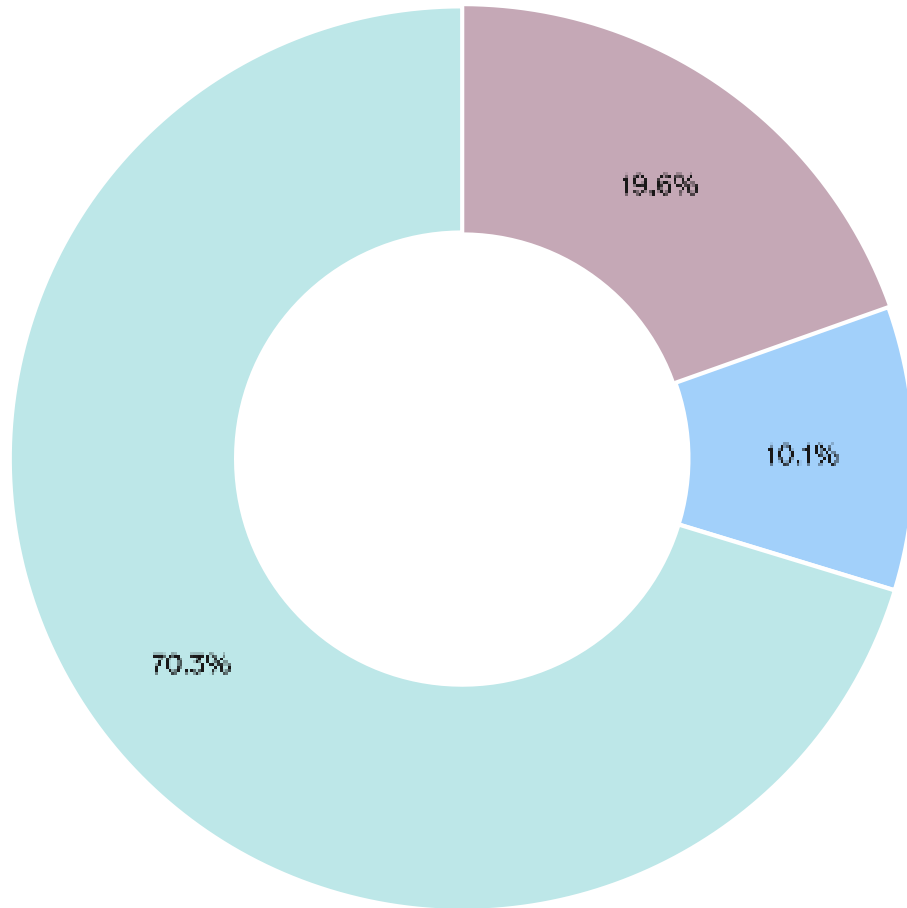
Which of these tasks are the most important to be solved and implemented by the economic bloc of the government (TOP-5)



Problems with payment from retailers

Have you experienced any problems with delays in receiving payments from Ukrainian retailers after 24.02?

29.7%
had
problems

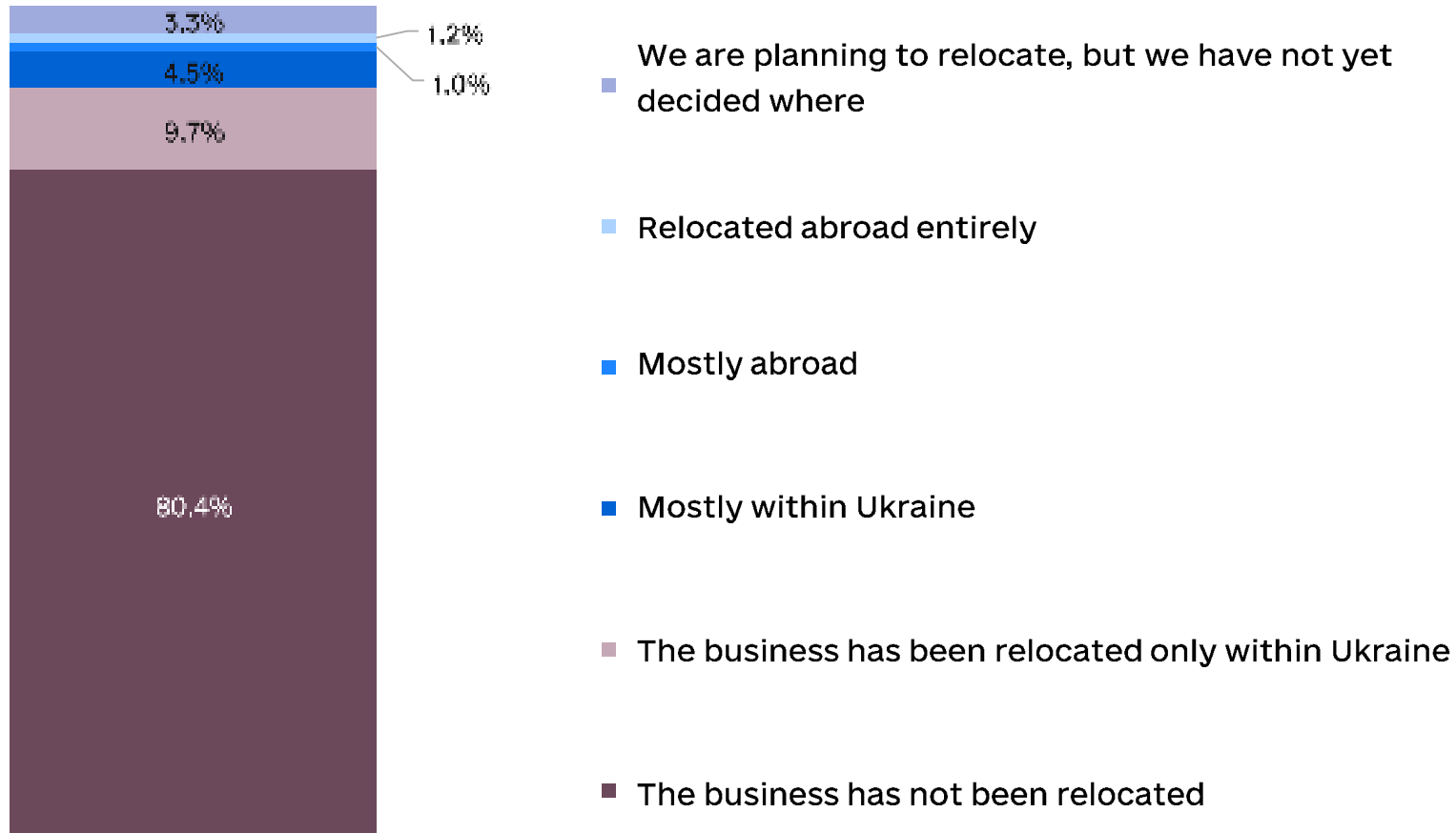


- Yes, more than 60 days from the agreed date
- Yes, less than 60 days from the agreed date
- No

Relocation

Business relocation

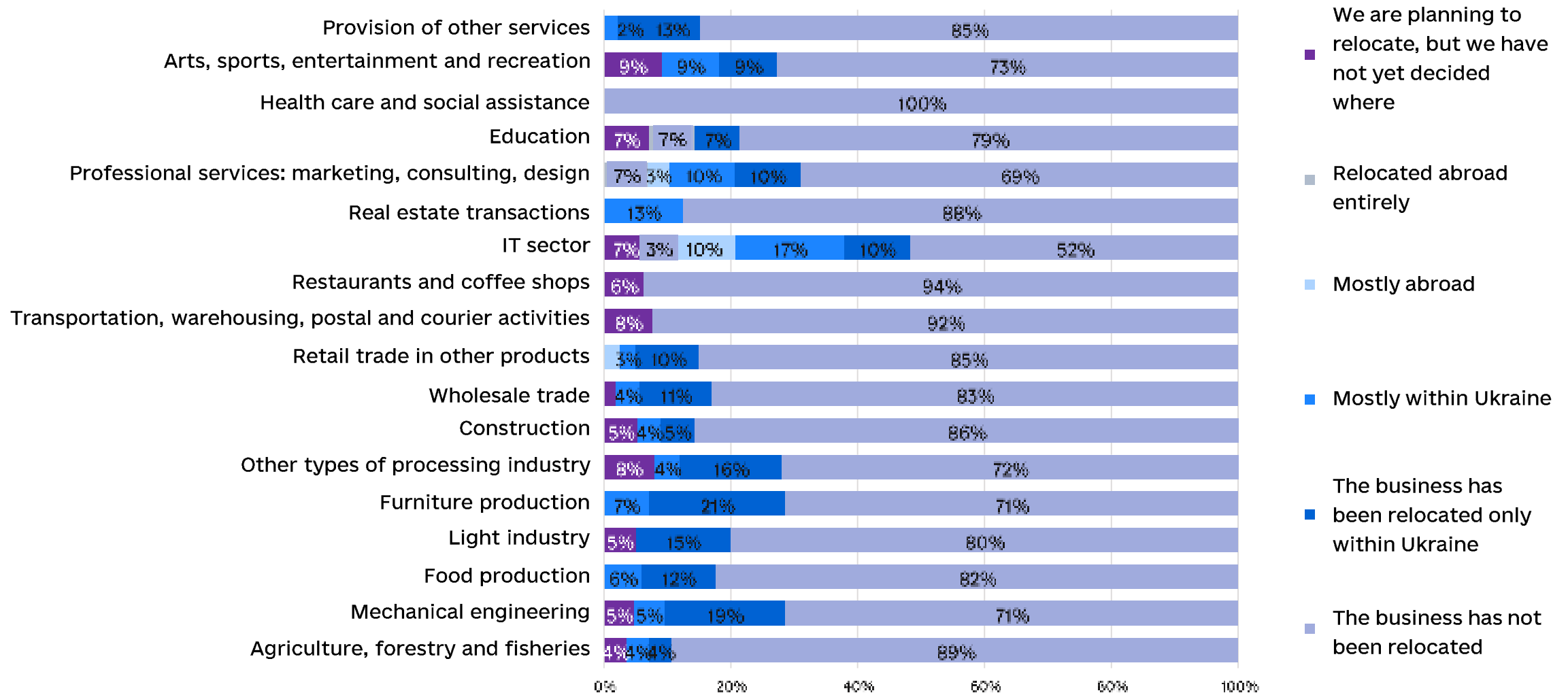
How did your business relocation go?



January 2023

Business relocation

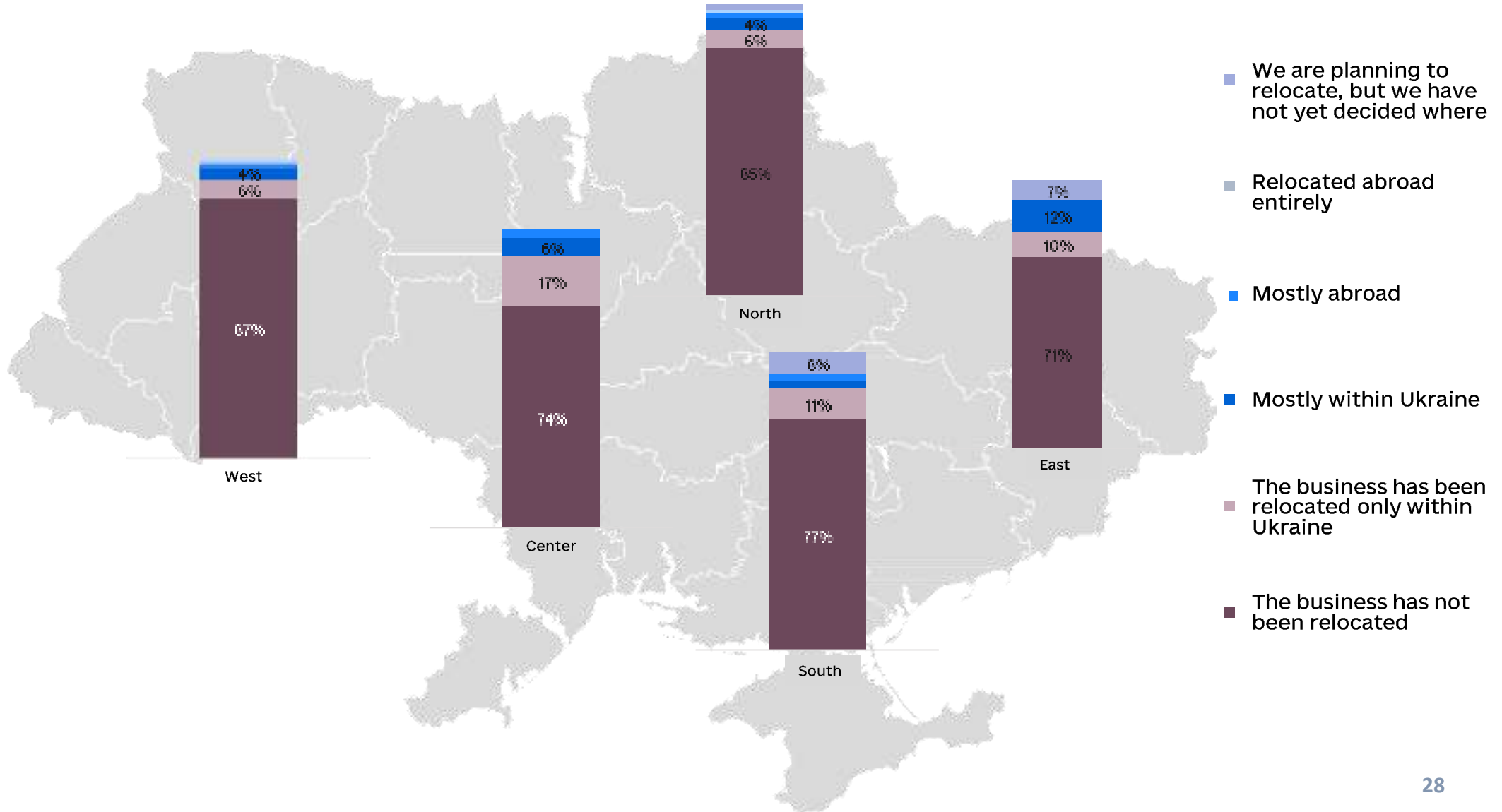
How did your business relocation go?



Business relocation

How did your business relocation go?

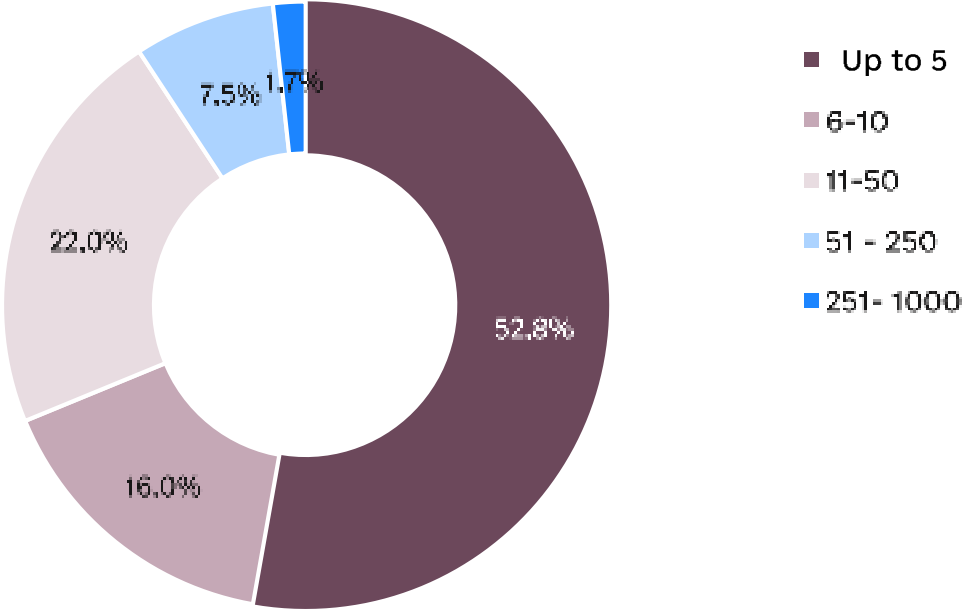
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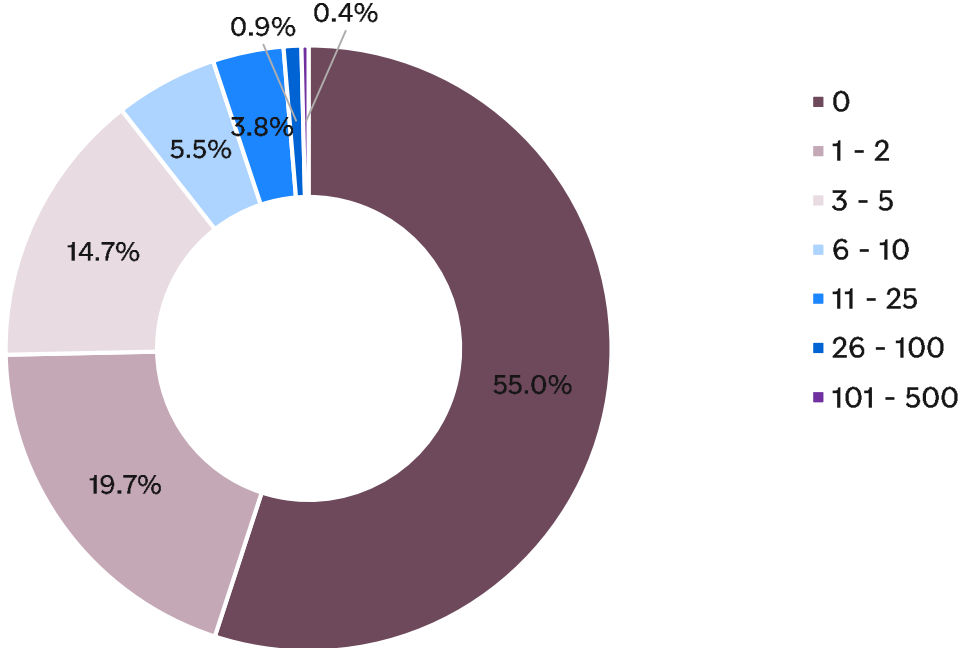
Situation with staffing

Situation with staffing

How many employees are currently working in your business?



How many new employees have you hired since 24.02.2022?

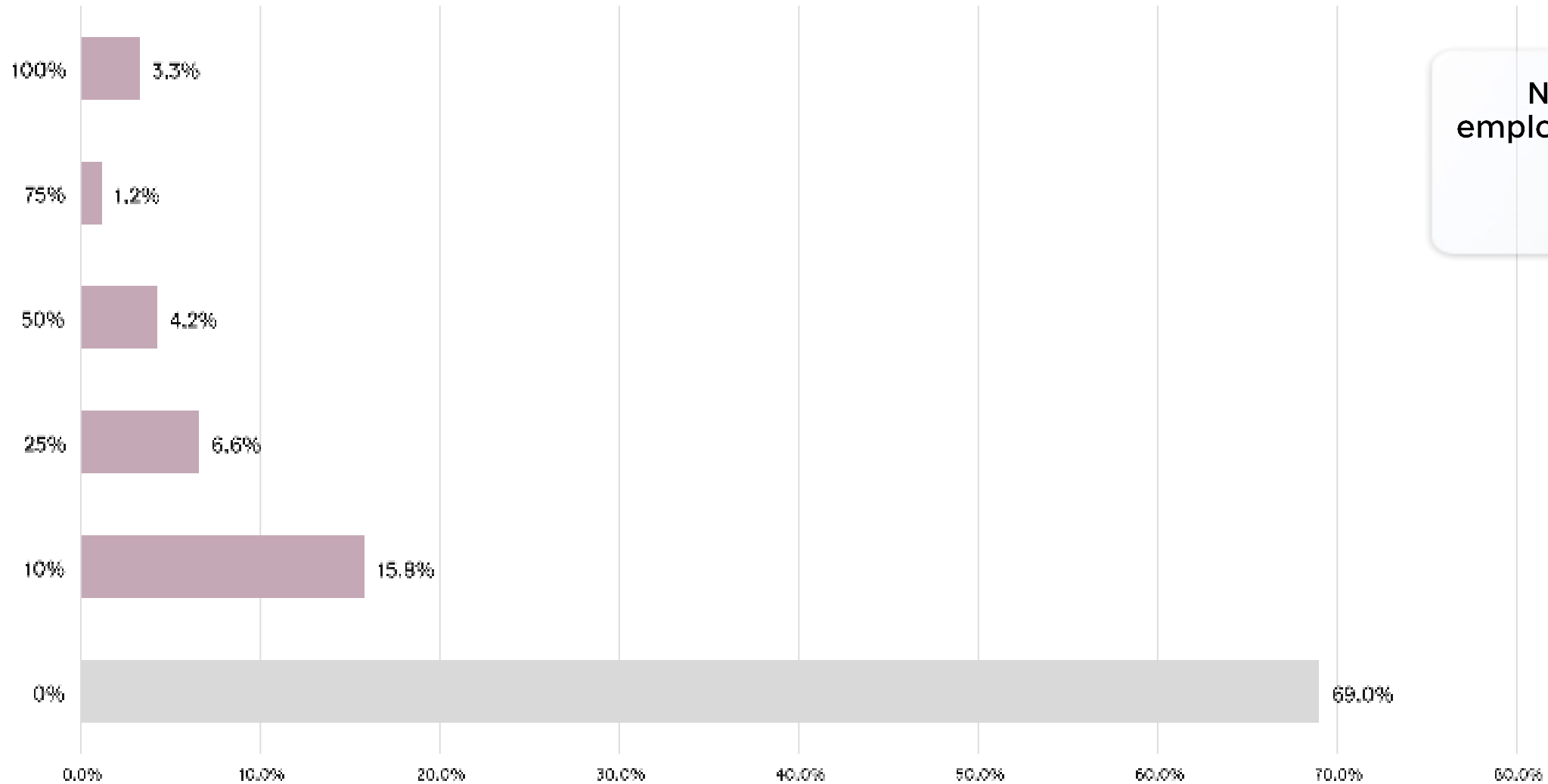


Situation with staffing

	10.06.2022	31.07	19.09	17.11	25.01.2023
Share of staff currently working under conditions of salary reduction	27%	26%	22%	22,1%	18,5%
Share of staff (in relation to 23.02), sent on vacation	20%	18%	18%	14,1%	11,1%
The share of staff (in relation to 23.02), which is currently downsized	20%	24%	28%	24,5%	21,2%

Number of employees with IDP status

What is the share of employees (out of those hired since the beginning of the full-scale invasion) with IDP status?



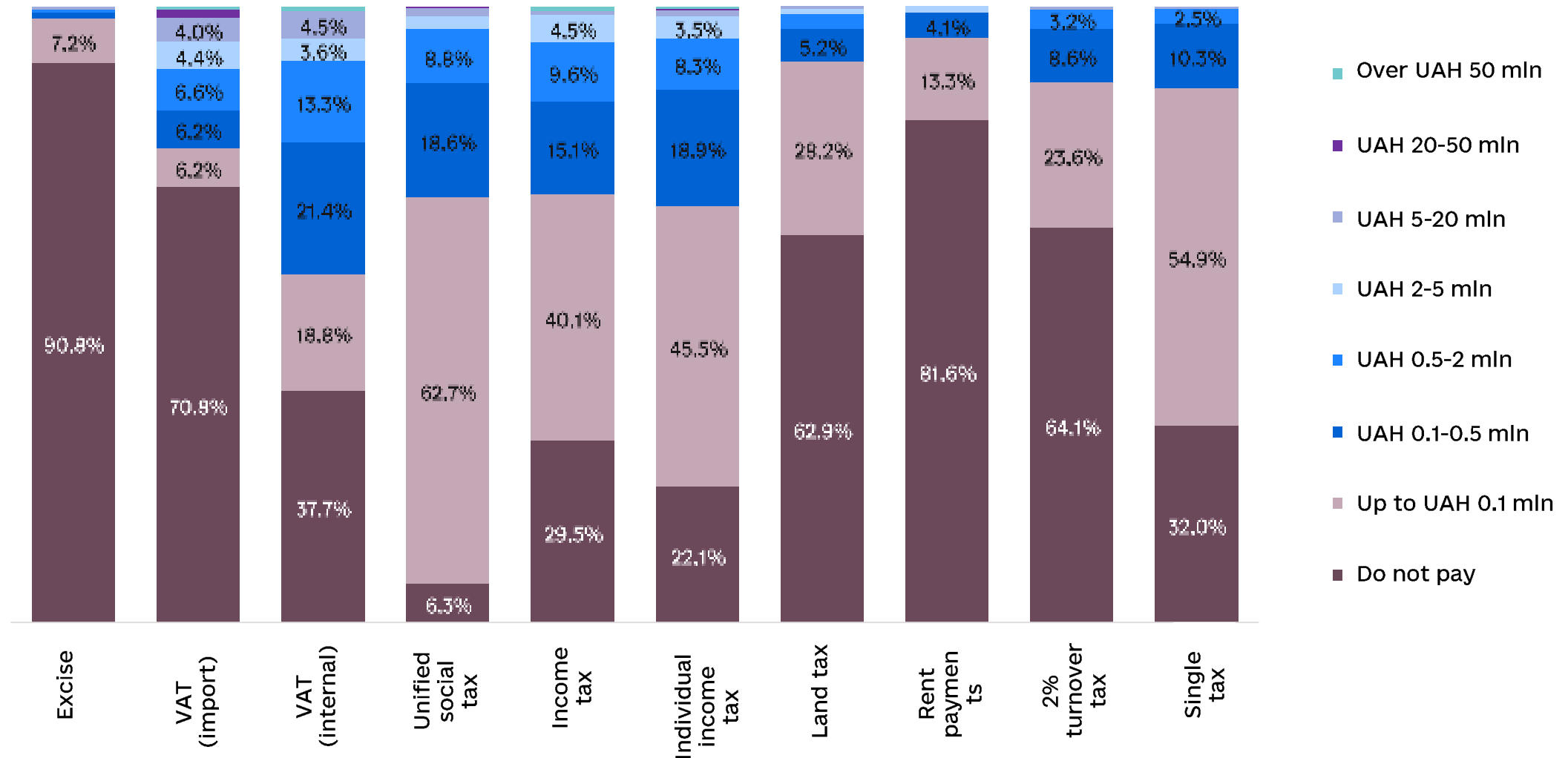
Number of employees with IDP status
9.5%

Taxes

How much tax did you pay in 2022?

	Excise	VAT (import)	VAT (internal)	Unified social tax	Income tax	Individual income tax	Land tax	Rent payments	2% turnover tax	Single tax
Do not pay	90,8%	70,8%	37,7%	6,3%	29,5%	22,1%	62,9%	81,6%	64,1%	32,0%
Up to UAH 0.1 mln	7,2%	6,2%	18,8%	62,7%	40,1%	45,5%	28,2%	13,3%	23,6%	54,9%
UAH 0.1-0.5 mln	1,0%	6,2%	21,4%	18,6%	15,1%	18,9%	5,2%	4,1%	8,6%	10,3%
UAH 0.5-2 mln	0,5%	6,6%	13,3%	8,8%	9,6%	8,3%	2,4%	0,0%	3,2%	2,5%
UAH 2-5 mln	0,0%	4,4%	3,6%	2,0%	4,5%	3,5%	0,8%	1,0%	0,0%	0,0%
UAH 5-20 mln	0,5%	4,0%	4,5%	1,4%	0,6%	1,0%	0,4%	0,0%	0,5%	0,3%
UAH 20-50 mln	0,0%	1,3%	0,0%	0,2%	0,0%	0,3%	0,0%	0,0%	0,0%	0,0%
Over UAH 50 mln	0,0%	0,4%	0,6%	0,0%	0,6%	0,3%	0,0%	0,0%	0,0%	0,0%

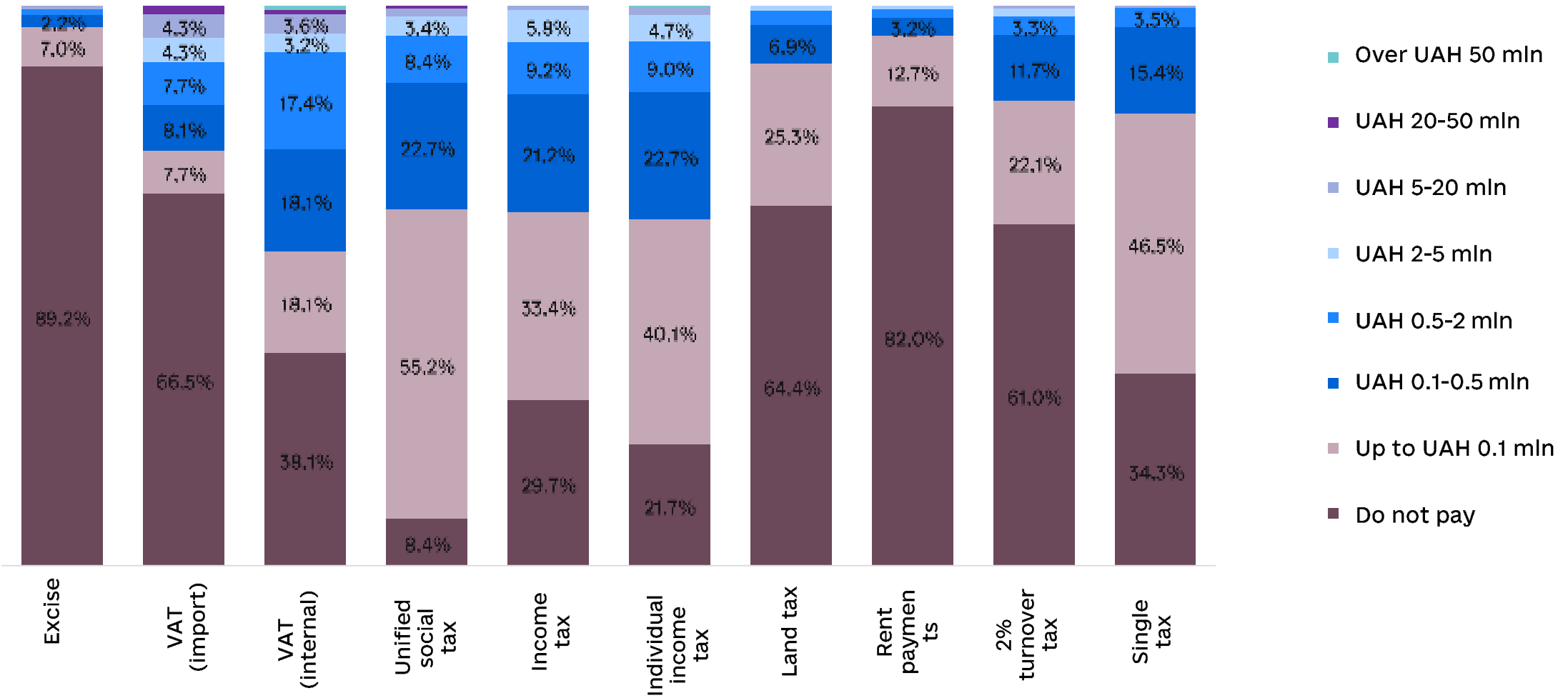
How much tax did you pay in 2022?



How much tax do you intend to pay in 2023?

	Excise	VAT (import)	VAT (internal)	Unified social tax	Income tax	Individual income tax	Land tax	Rent payments	2% turnover tax	Single tax
Do not pay	89,2%	66,5%	38,1%	8,4%	29,7%	21,7%	64,4%	82,0%	61,0%	34,3%
Up to UAH 0.1 mln	7,0%	7,7%	18,1%	55,2%	33,4%	40,1%	25,3%	12,7%	22,1%	46,5%
UAH 0.1-0.5 mln	2,2%	8,1%	18,1%	22,7%	21,2%	22,7%	6,9%	3,2%	11,7%	15,4%
UAH 0.5-2 mln	1,1%	7,7%	17,4%	8,4%	9,2%	9,0%	2,6%	1,6%	3,3%	3,5%
UAH 2-5 mln	0,0%	4,3%	3,2%	3,4%	5,8%	4,7%	0,9%	0,5%	1,4%	0,0%
UAH 5-20 mln	0,5%	4,3%	3,6%	1,4%	0,7%	1,3%	0,0%	0,0%	0,5%	0,3%
UAH 20-50 mln	0,0%	1,4%	0,7%	0,5%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Over UAH 50 mln	0,0%	0,0%	0,7%	0,0%	0,0%	0,3%	0,0%	0,0%	0,0%	0,0%

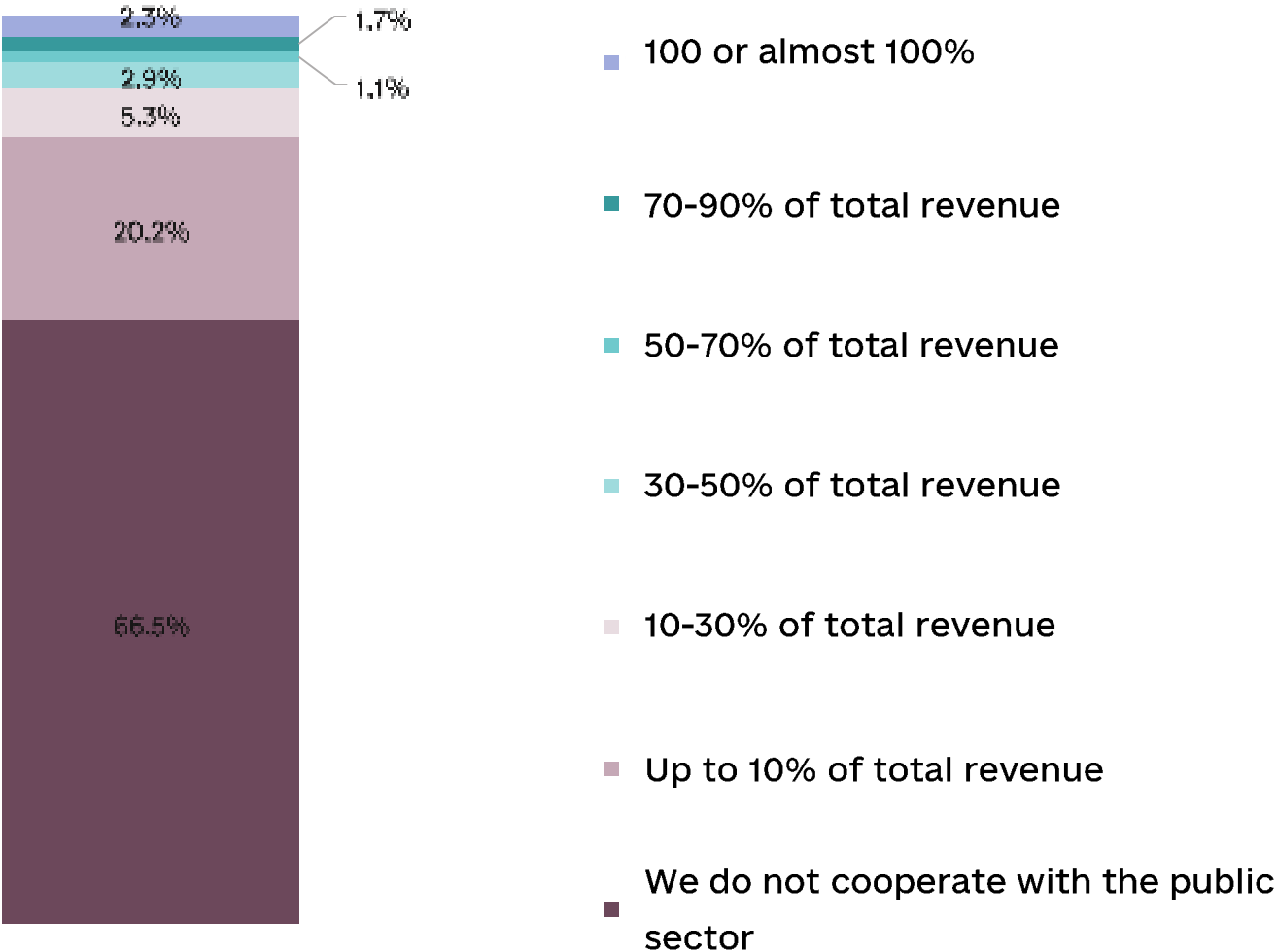
How much tax do you intend to pay in 2023?



Cooperation with the public sector

Share of revenue from cooperation with state-owned companies

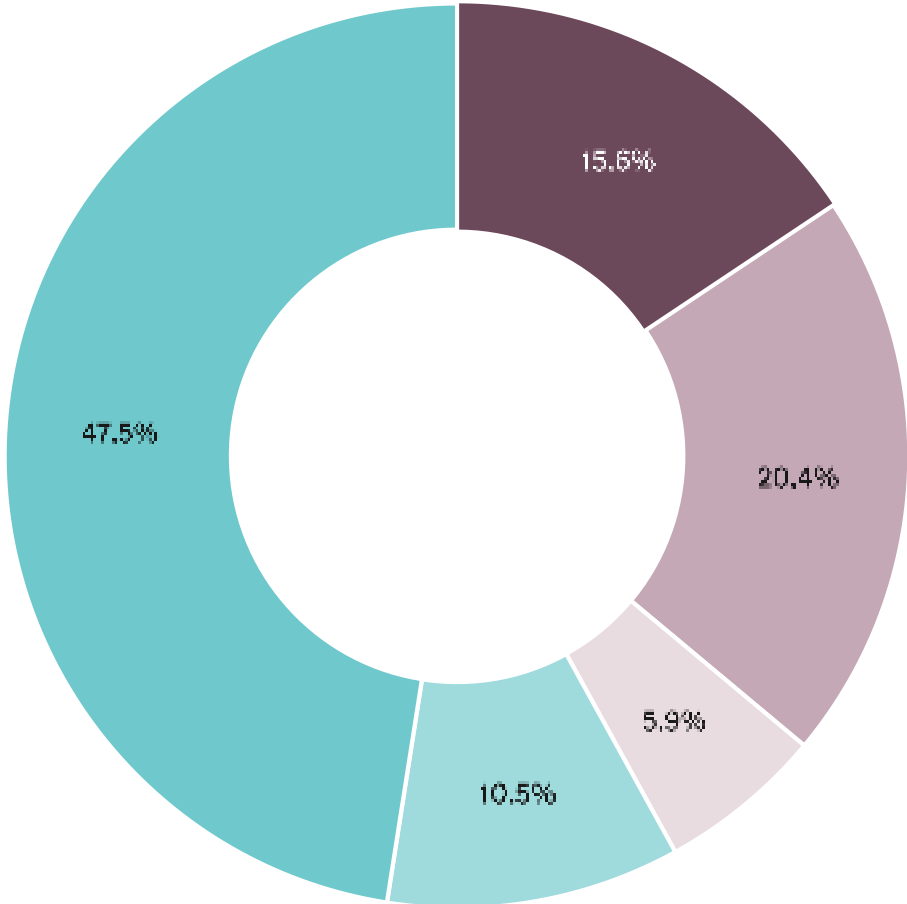
What is the share of the company's total revenue from contracts with state-owned companies?



Share of revenue generated through cooperation with state-owned companies:
8.6%

Participation in public procurement

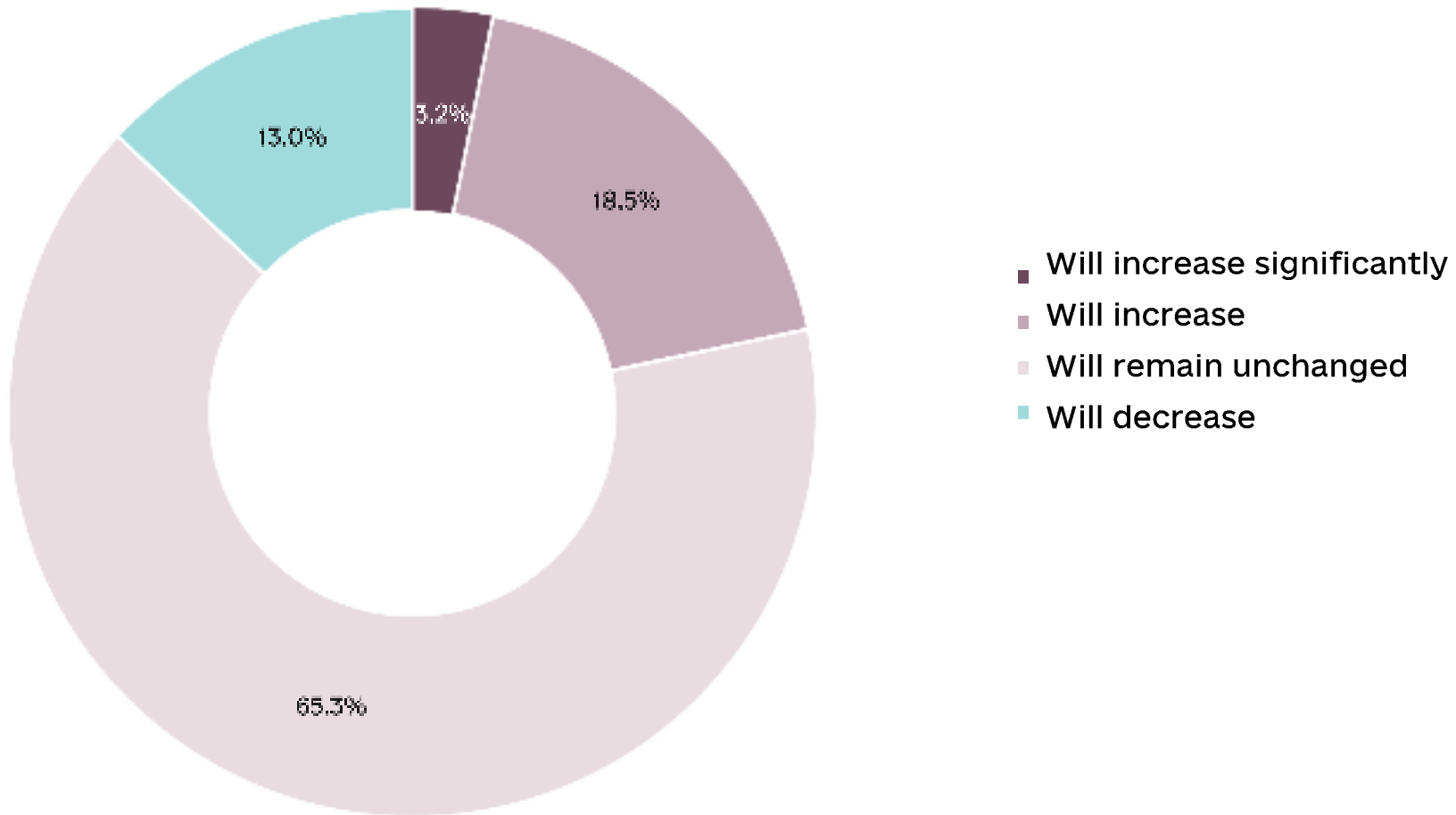
Do you plan to participate in public procurement on the Prozorro online platform this year?



- Yes, we constantly participate in public procurement
- Yes, we will try to participate in public procurement for the first time in 2023
- No, although we participated last year
- No, we will not participate in public procurement until the end of the war
- No, do not participate and do not intend to participate in public procurement in 2023

Revenue dynamics from cooperation with state-owned companies

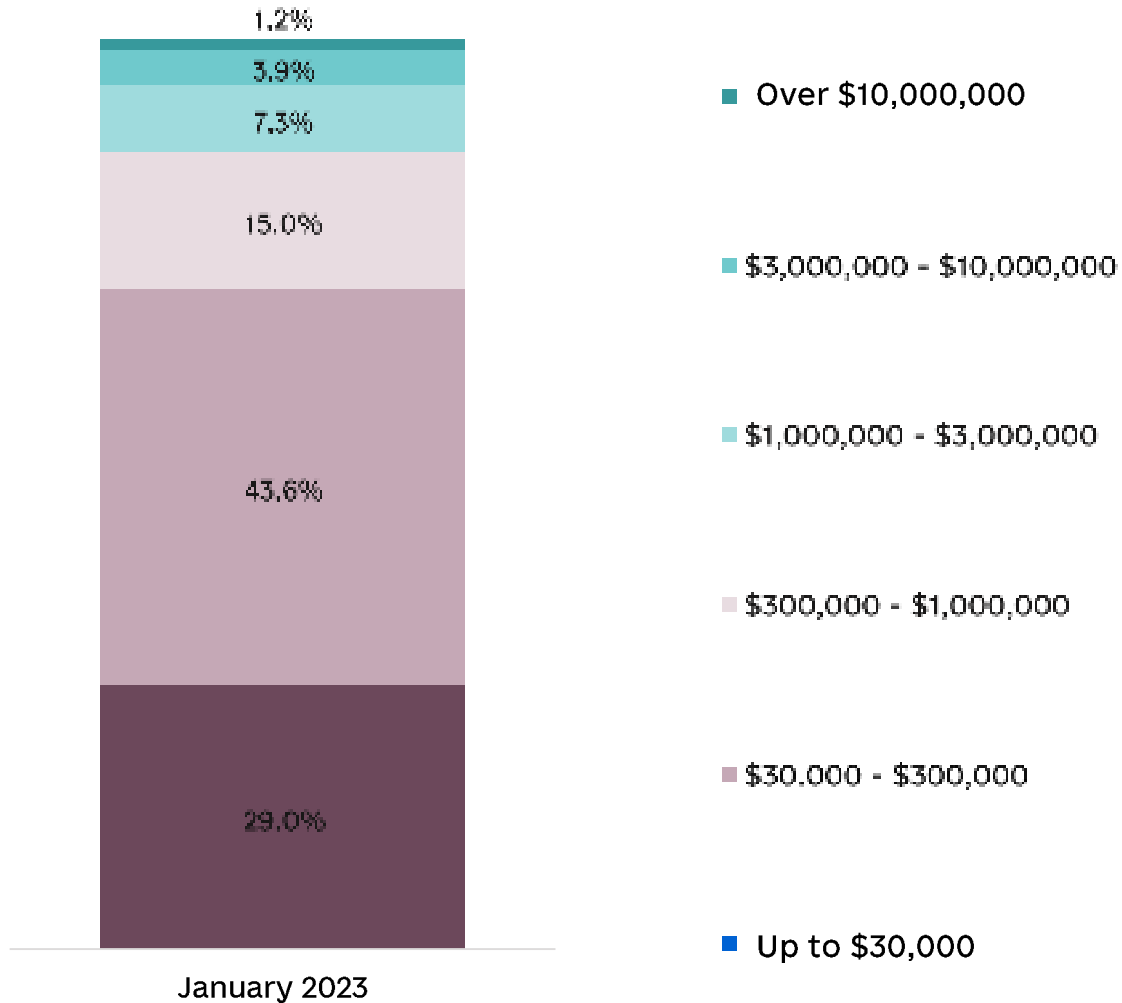
How will the share of the company's total revenue from contracts with state-owned companies change?



Business needs for financing

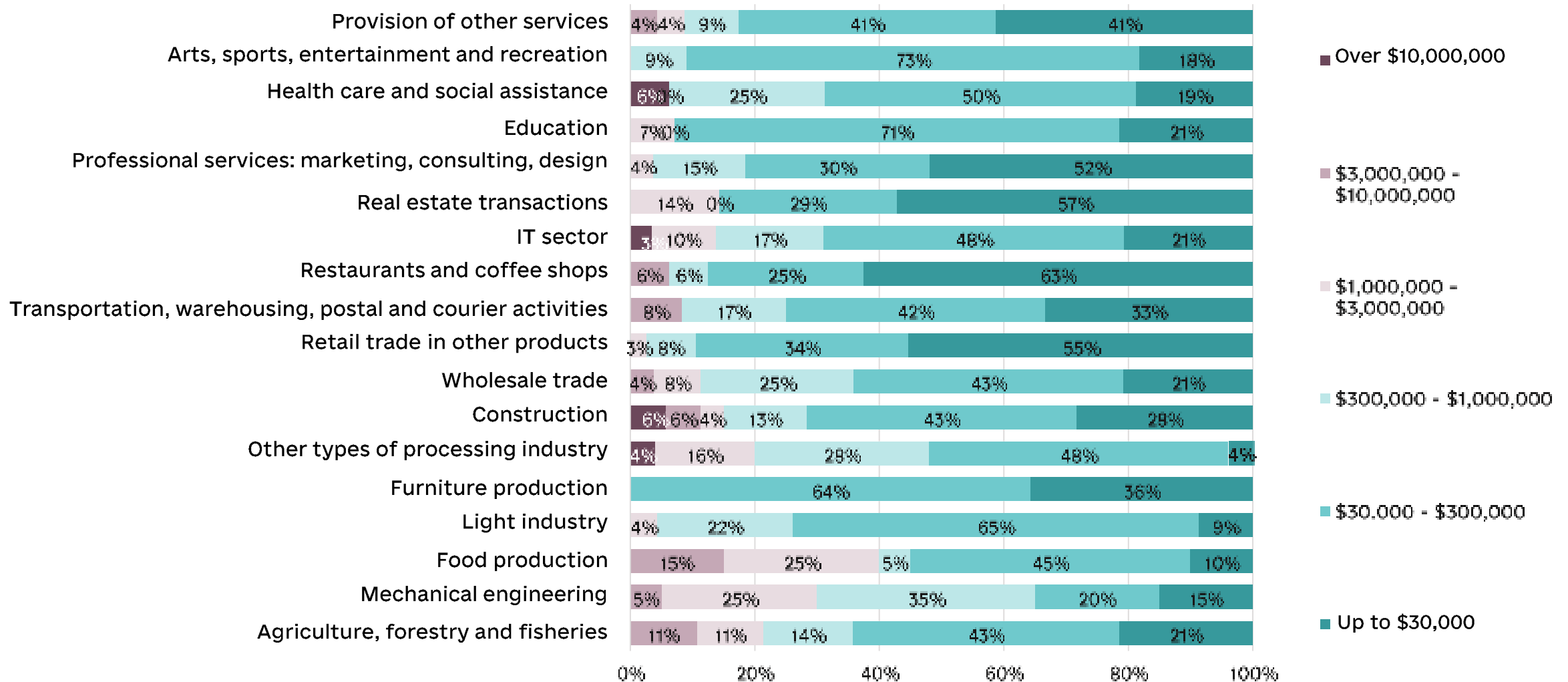
Need for additional financing

How much additional financial resources does your business need (in addition to your existing resources) to implement your business development strategy over the next 3 years?



Need for additional financing

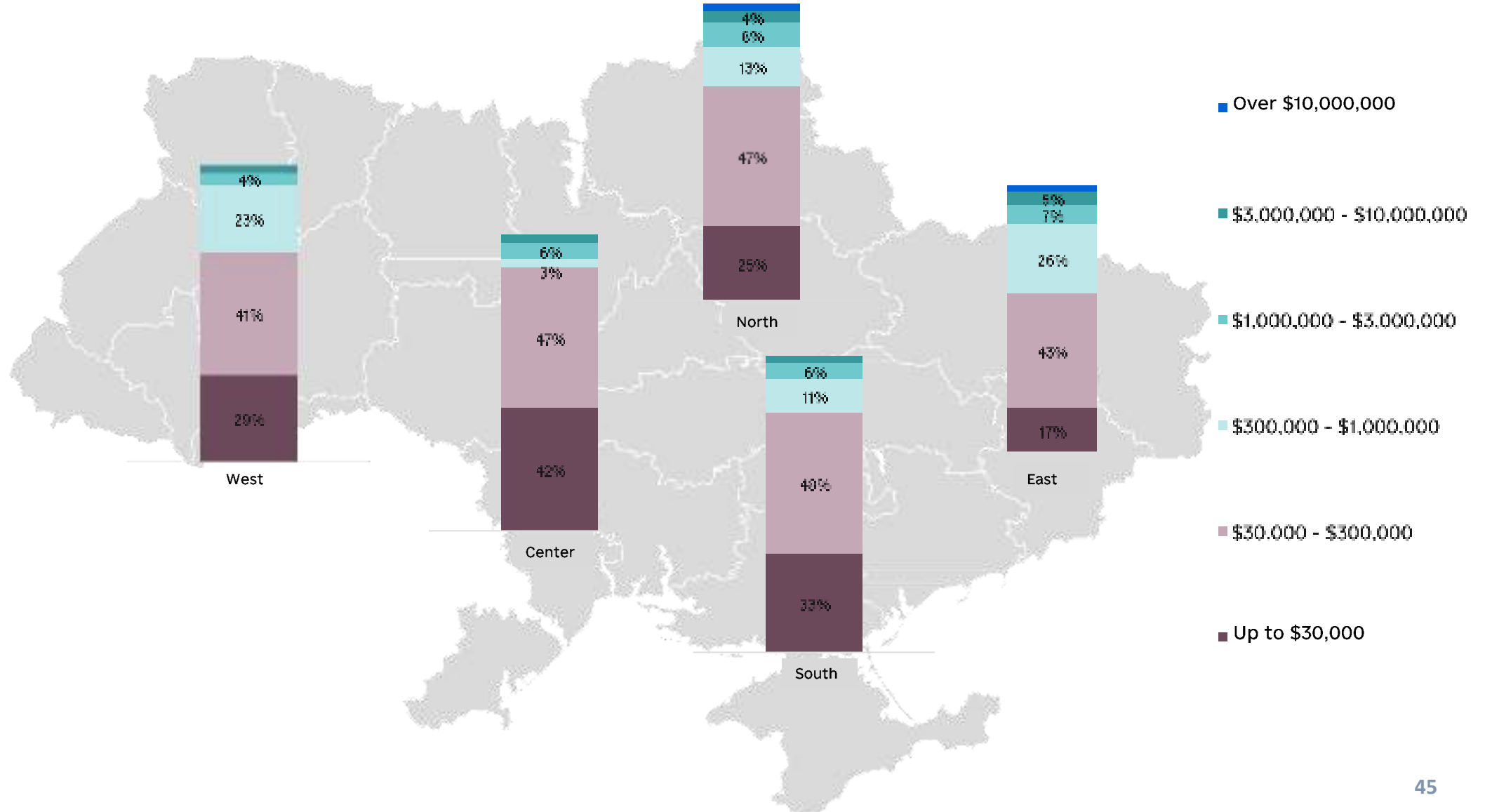
How much additional financial resources does your business need (in addition to your existing resources) to implement your business development strategy over the next 3 years?



Need for additional financing

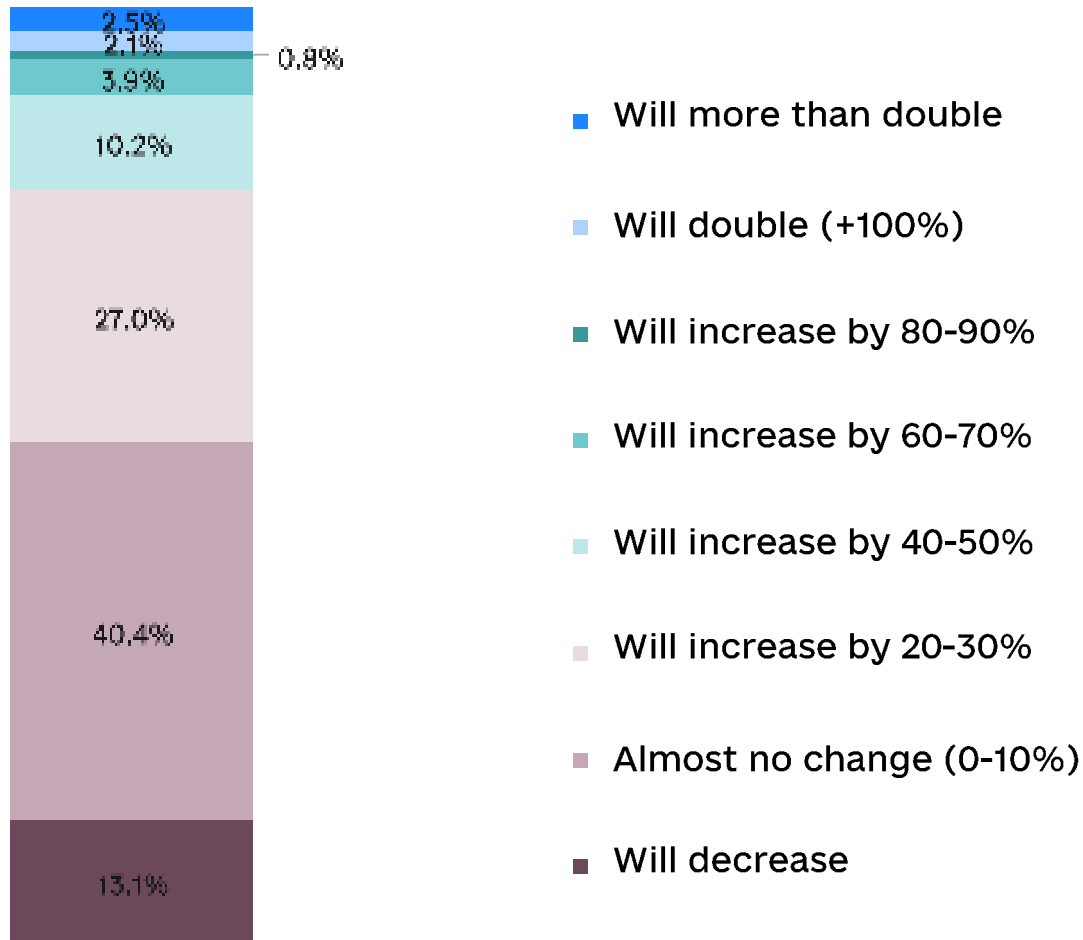
How much additional financial resources does your business need (in addition to your existing resources) to implement your business development strategy over the next 3 years?

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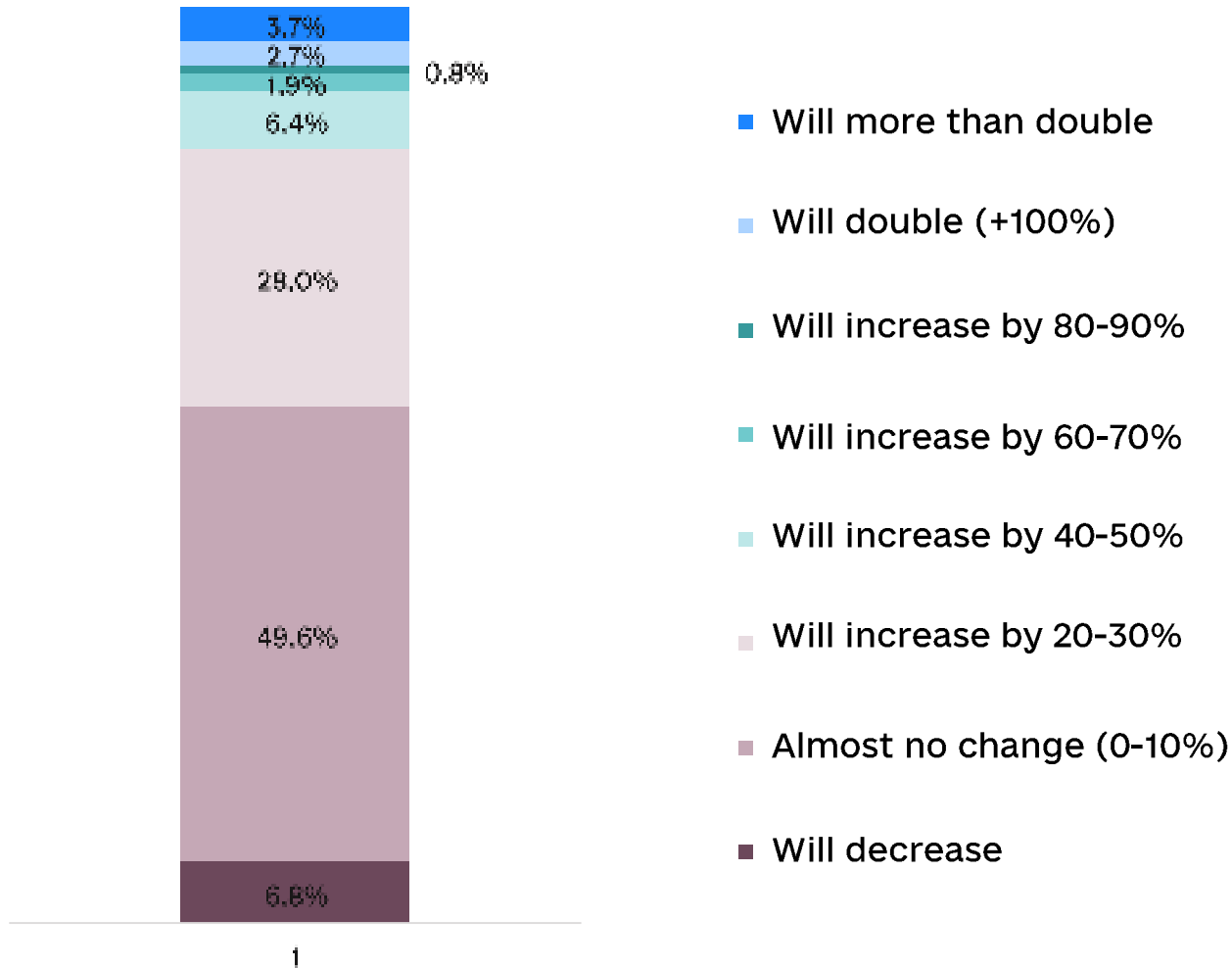
Tax reform

How will the turnover (sales revenue) of your business change (compared to what is expected for 2023) if the liberal tax reform 10-10-10+3 (10% VAT - 10% Income Tax - 13% Individual Income Tax + Unified Social Tax + Military Tax) is implemented from 01.07.2023 (without adjusting for inflation)



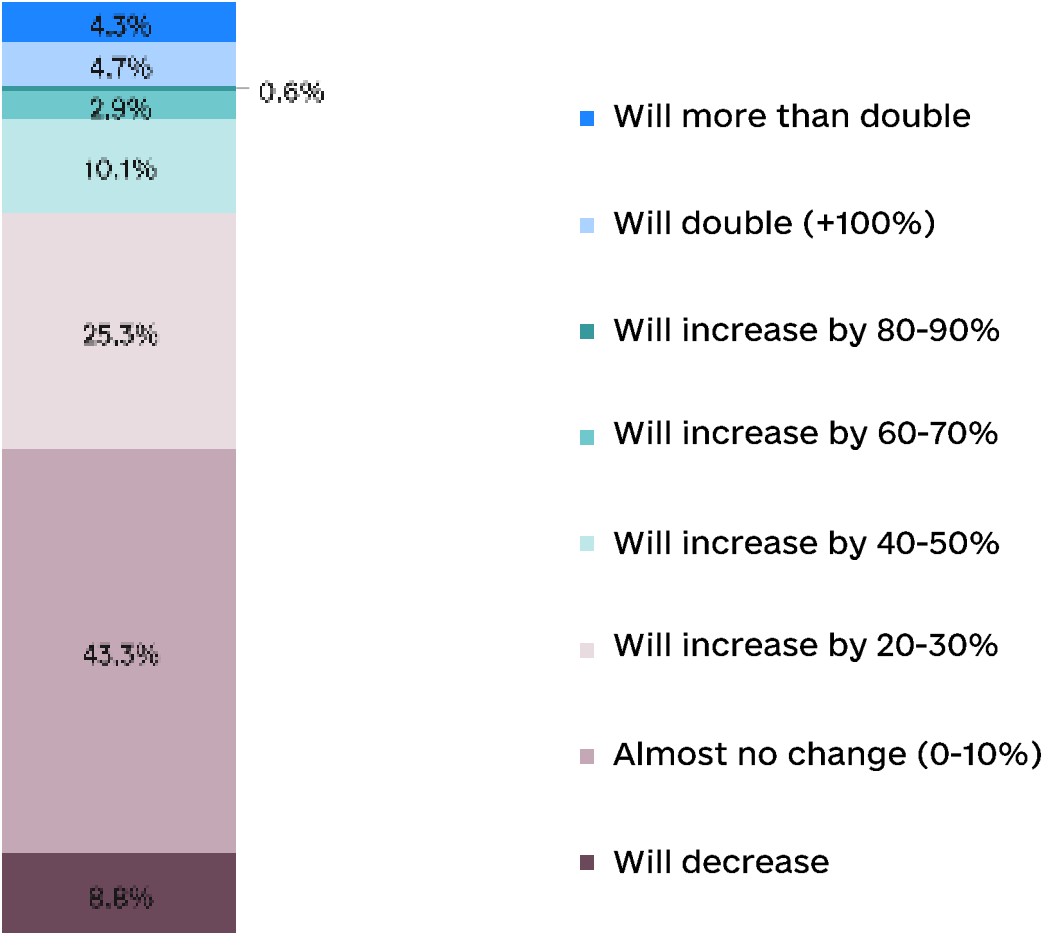
Weighted average growth rate of turnover:
18.5%

How will the number of jobs in your business change if the liberal tax reform 10-10-10+3 (10% VAT - 10% Income Tax -13% Individual Income Tax + Unified Social Tax + Military Tax) is implemented from 01.07.2023 (without adjusting for inflation)



Weighted average
job growth rate:
20.2%

How will your investments in Ukraine change if the liberal tax reform 10-10-10+3 (10% VAT - 10% Income Tax -13% Individual Income Tax + Unified Social Tax + Military Tax) is implemented from 01.07.2023

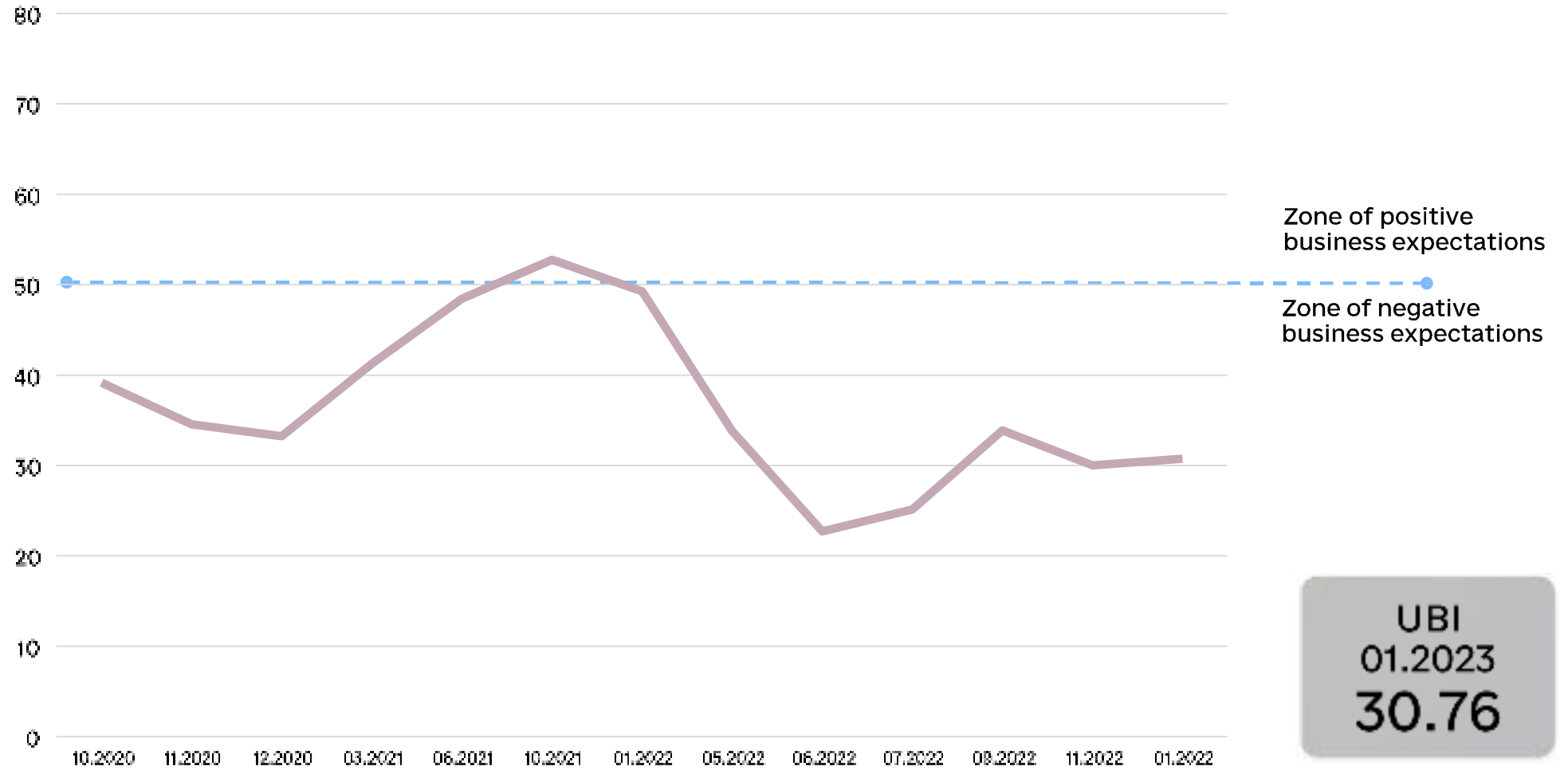


Weighted average investment growth rate:
24.4%

UBI – Ukrainian Business Index

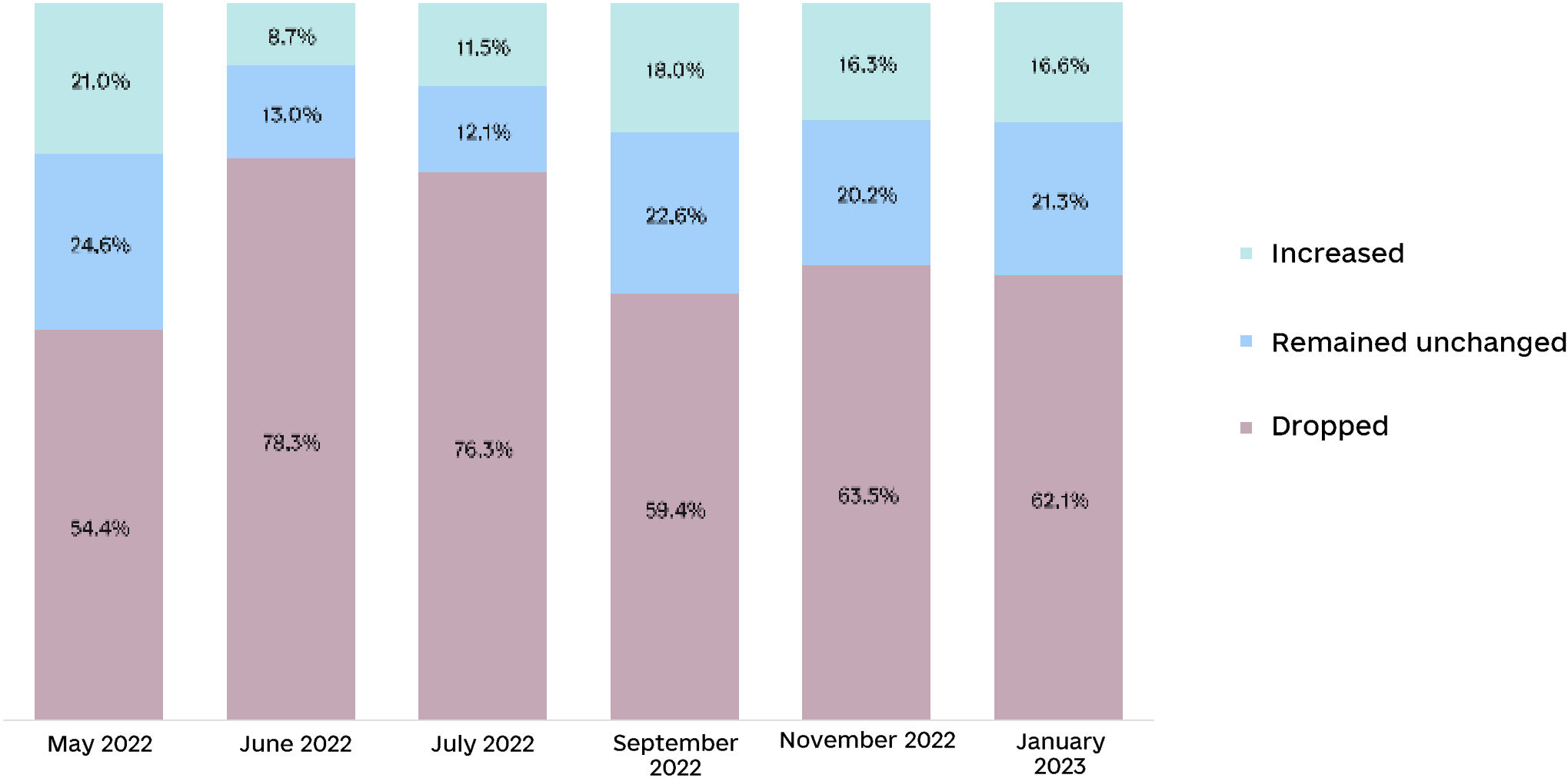
UBI – Ukrainian Business Index

Maximum possible value:
100

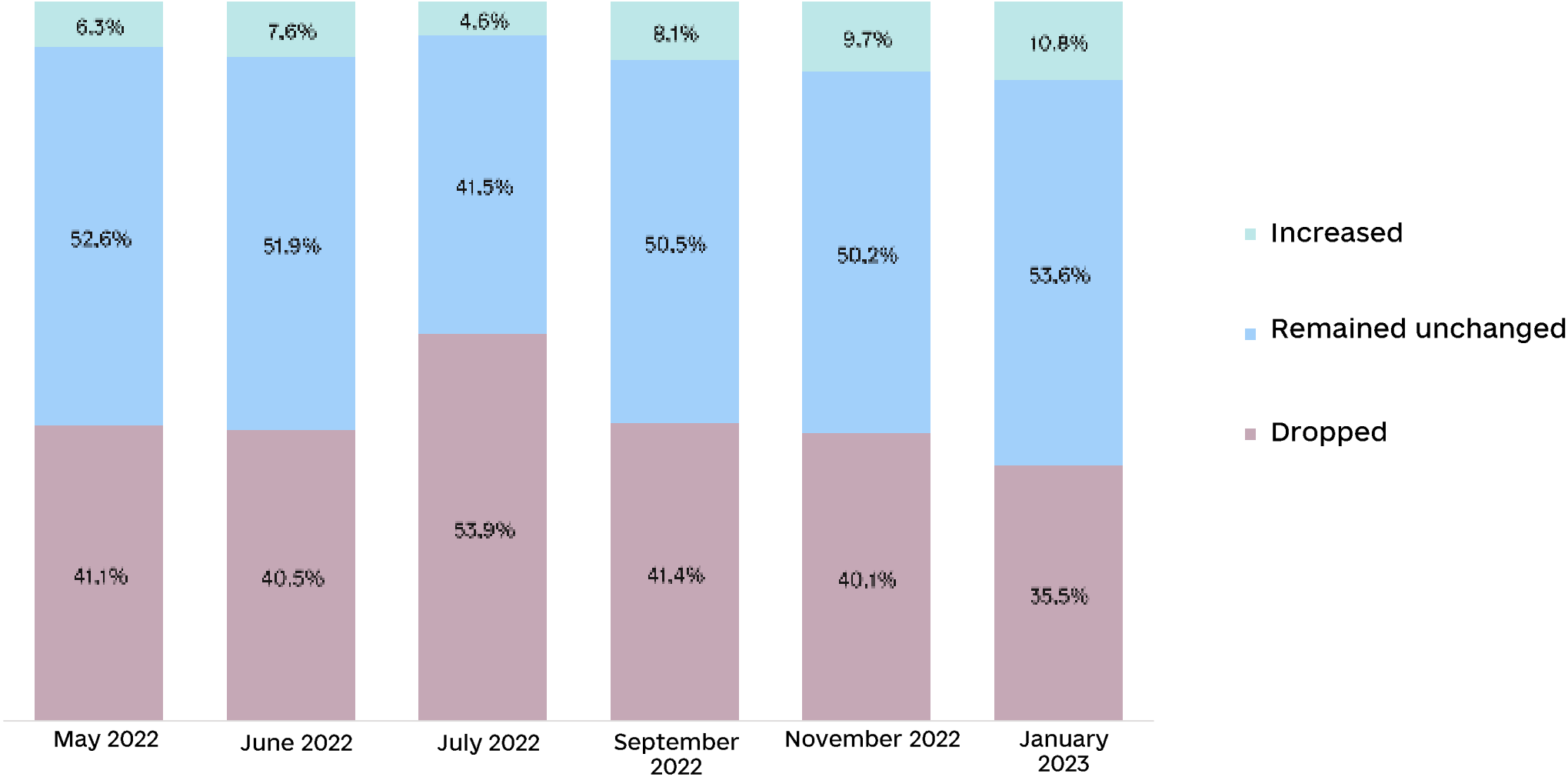


UBI
01.2023
30.76

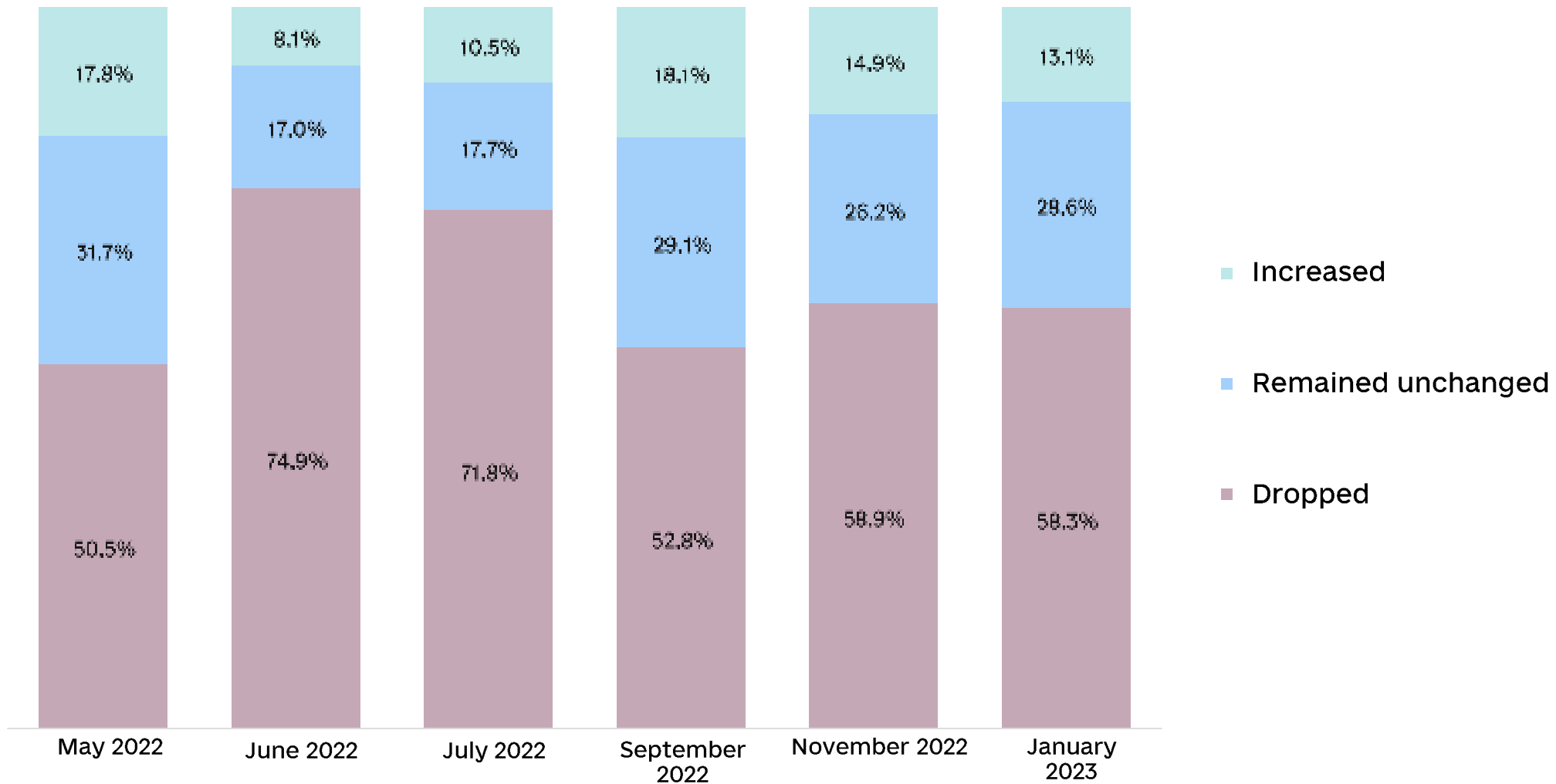
How has the number of orders from customers changed over the past month?



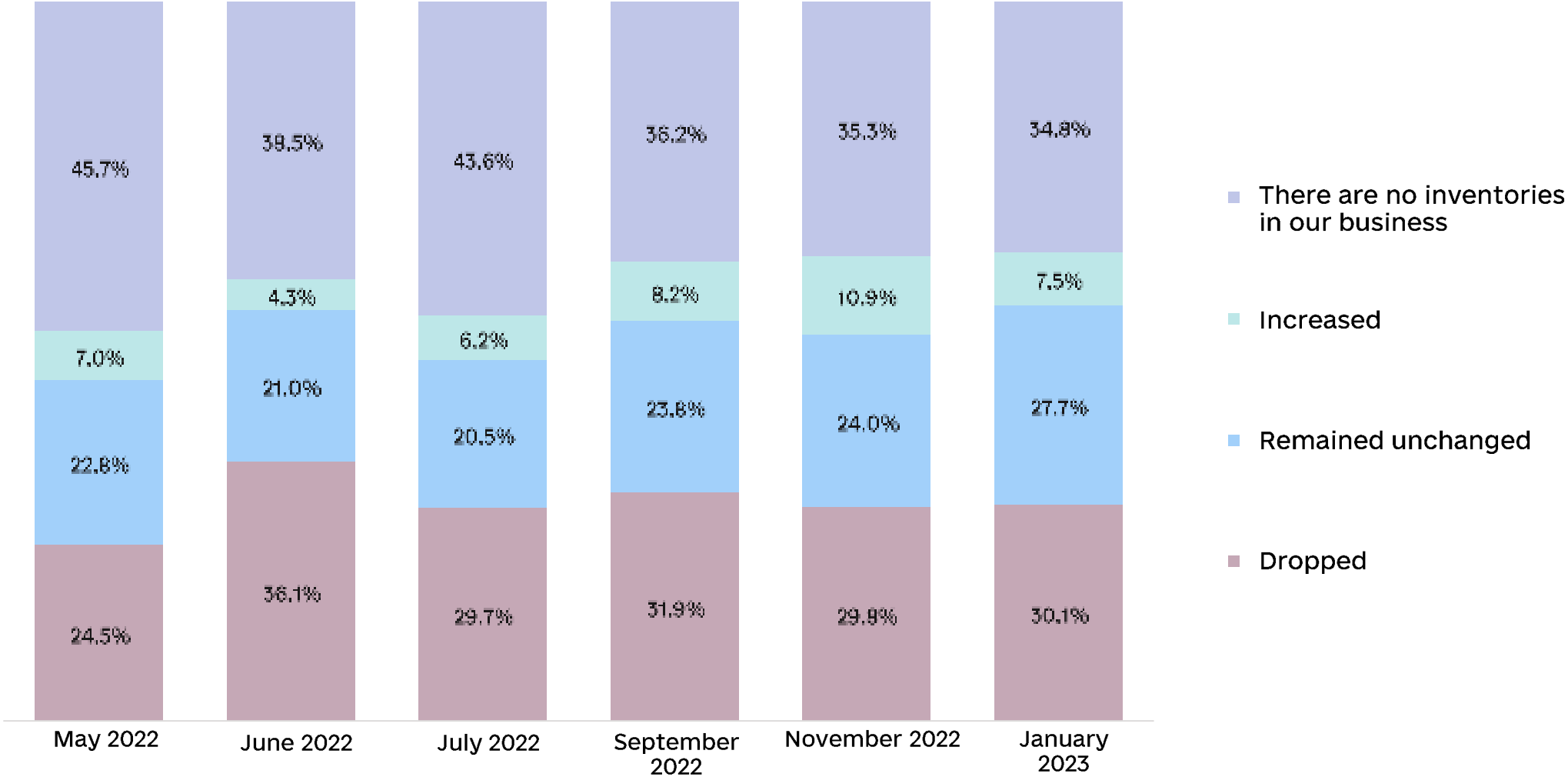
How has the number of employees (full and part-time) changed over the past month?



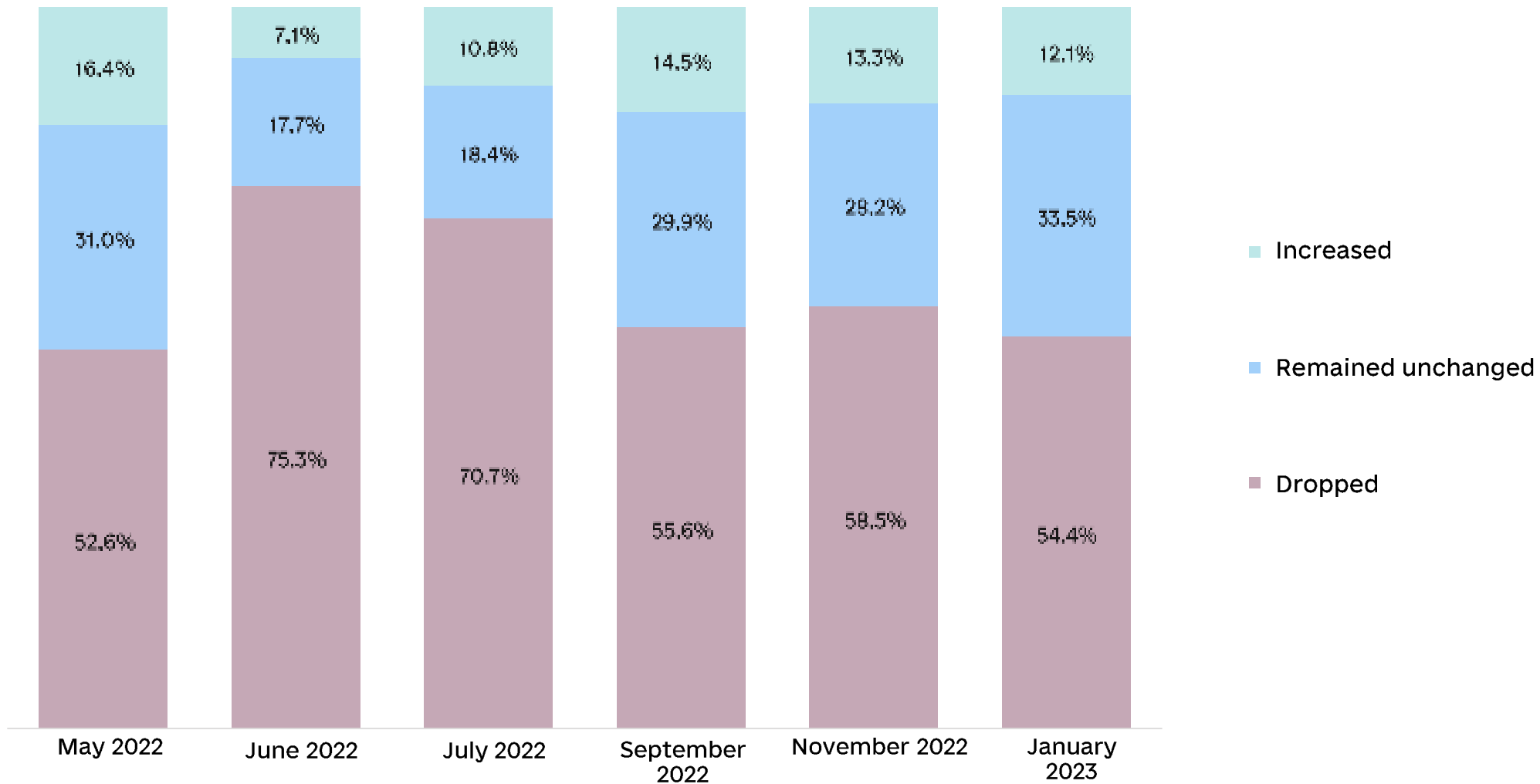
How has the volume of products/services provided changed over the past month?



How has the overall level of inventory changed over the past month?



How has the number of your orders to your suppliers changed over the past month?

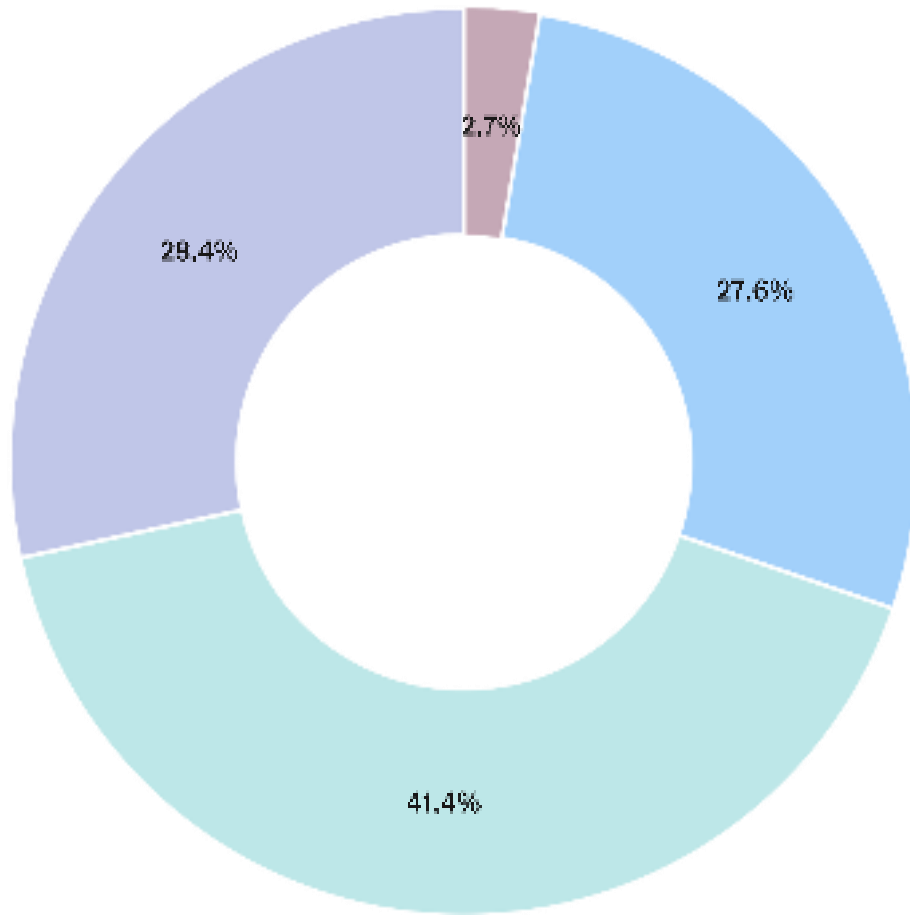


Deregulation of business activities

Positive legislative changes

Are there any positive legislative (regulatory) changes for business?

30.3%
note positive
changes

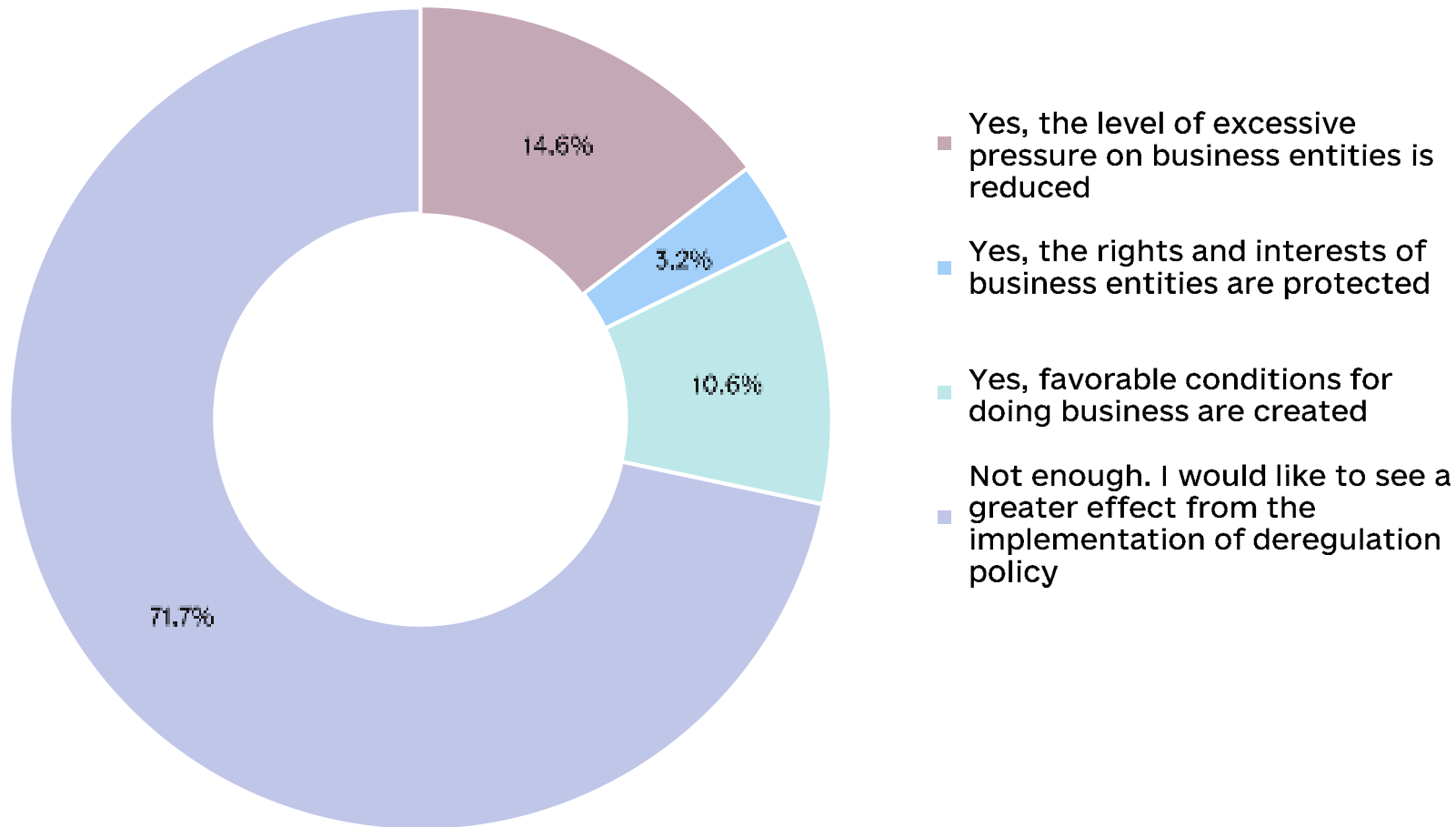


- We are directly involved in these changes
- Yes, there are positive changes in the regulatory environment
- I observe stagnation in the regulatory environment
- No, there are negative changes in the regulatory environment

Assessment of measures to deregulate business activities

In your opinion, has the state taken sufficient measures to deregulate business activities during martial law?

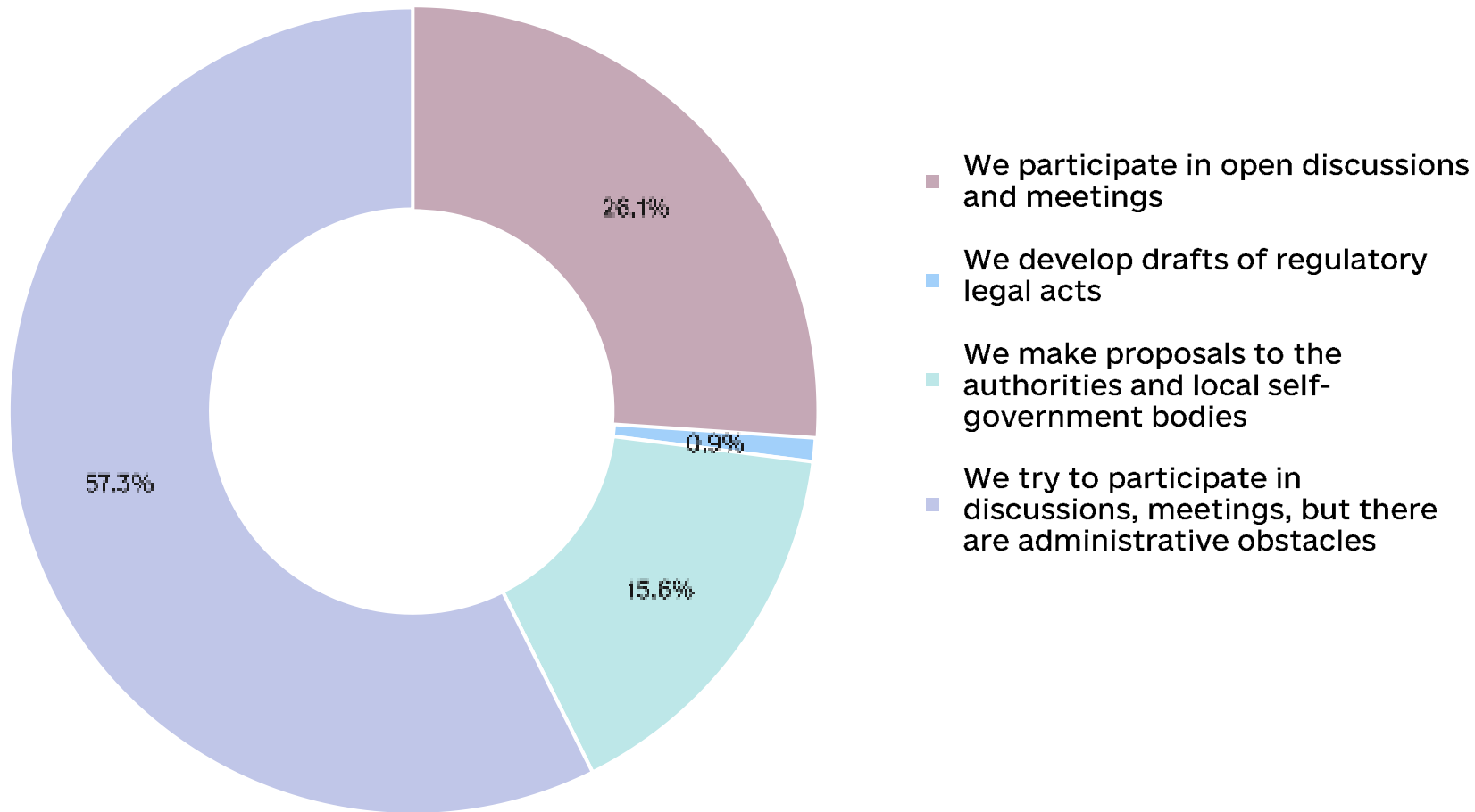
Positive assessment of deregulation:
28.4%



Business participation in the development of policy on deregulation of economic activity

Are you involved in the work aimed at implementing the state policy on deregulation of economic activity? If yes, in what way?

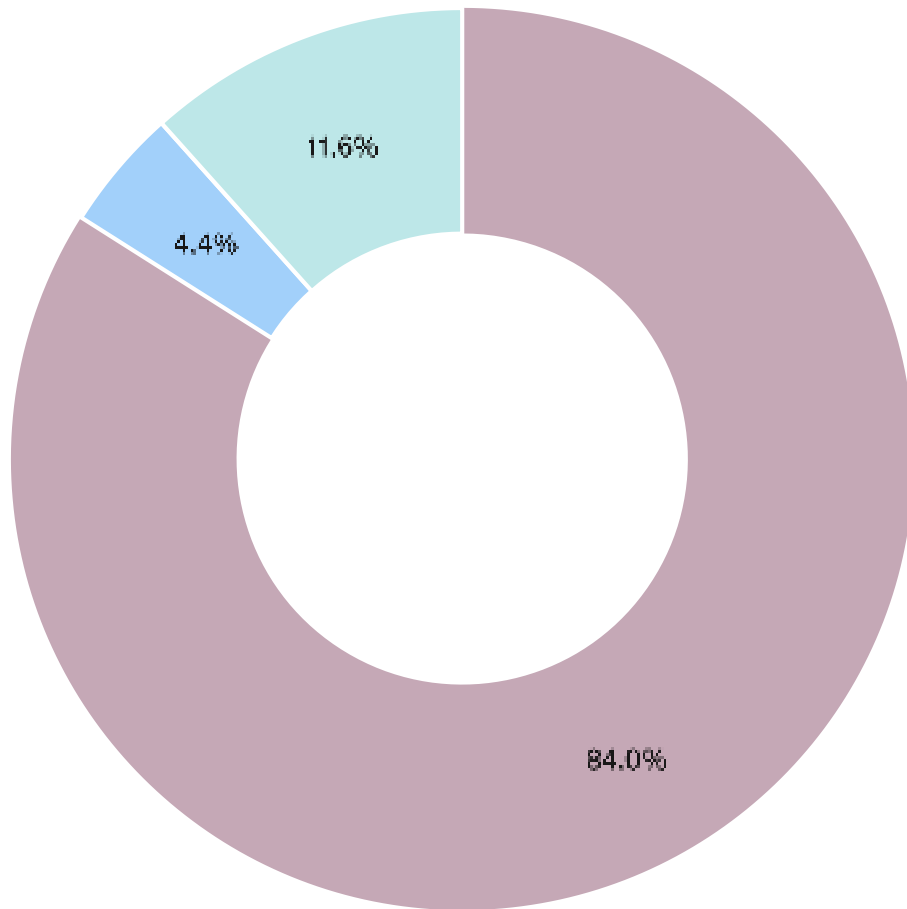
42.7%
participate in
policy
development



Problems due to lack of open access to information in license registers

What problems do business entities face in the absence of open access to information in the license registers of licensing authorities during martial law?

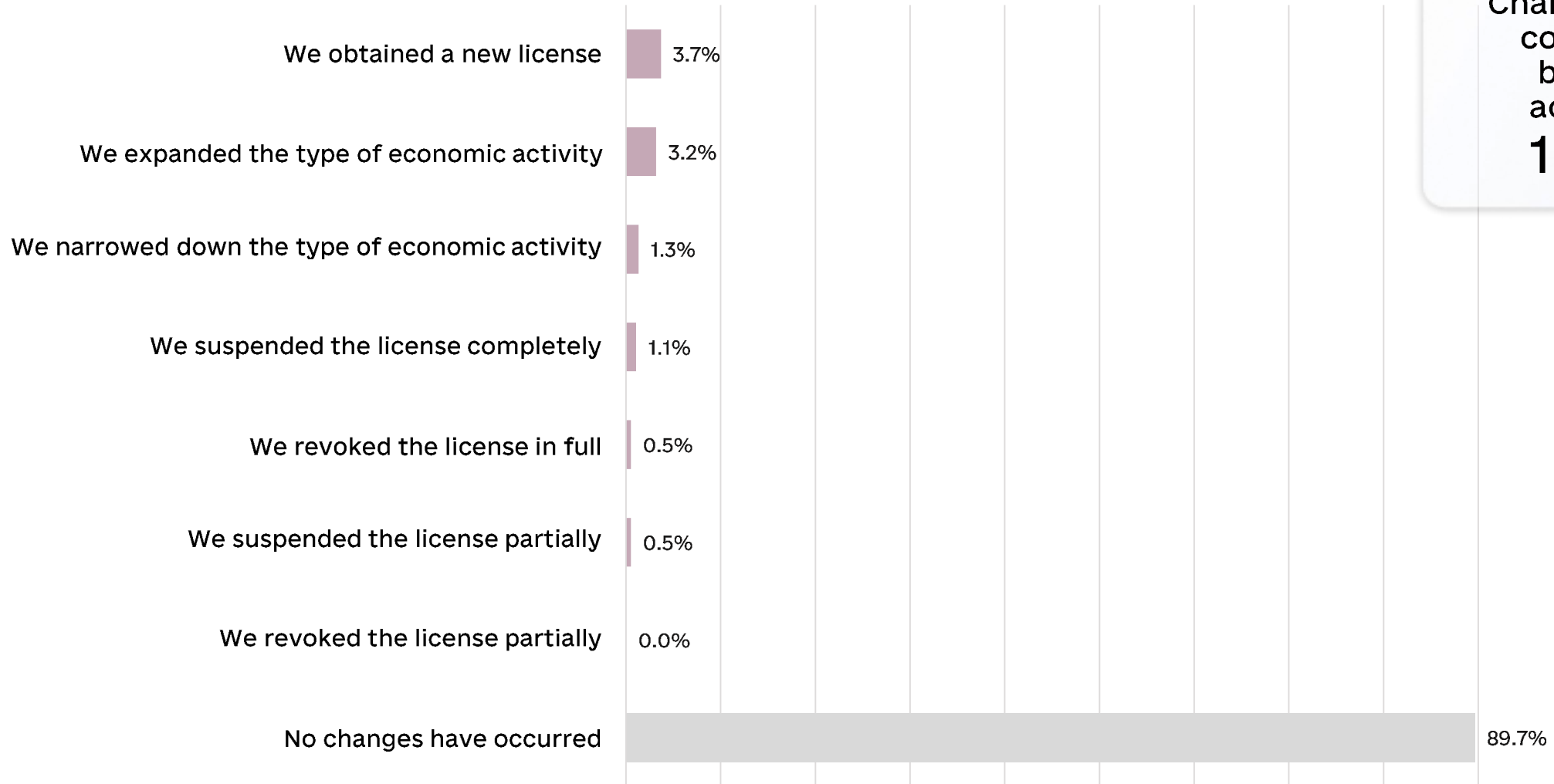
16%
face problems
due to lack of
access to
registries



- Not encountered
- Impossibility to confirm inclusion in the license file by notification of changes in the licensee's data
- No possibility to check the availability of a license for counterparties

Changes in the conduct of business activities

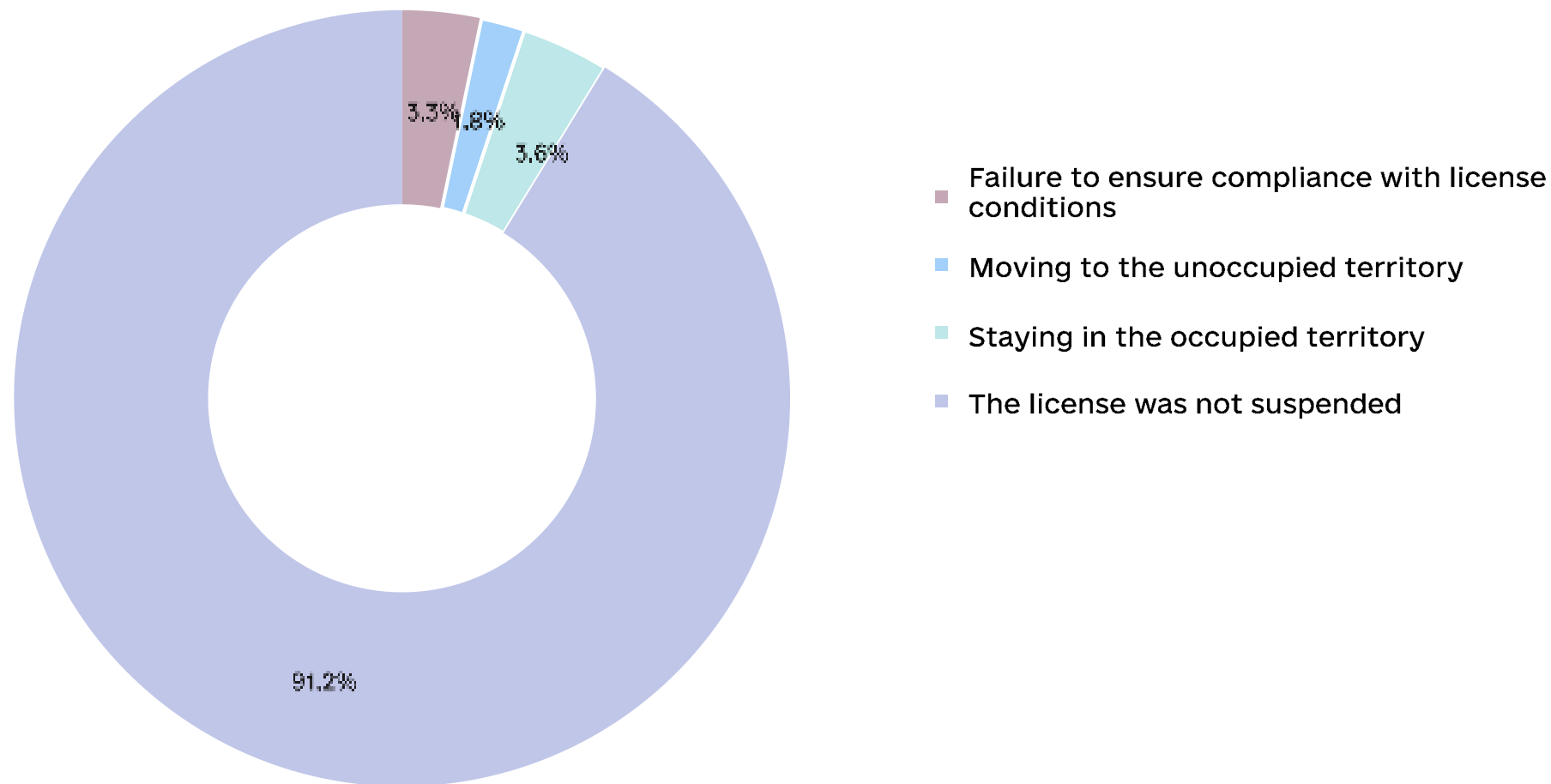
Have you experienced any changes in your licenseable business activities during the period of martial law?



Changes in the conduct of business activities: **10.3%**

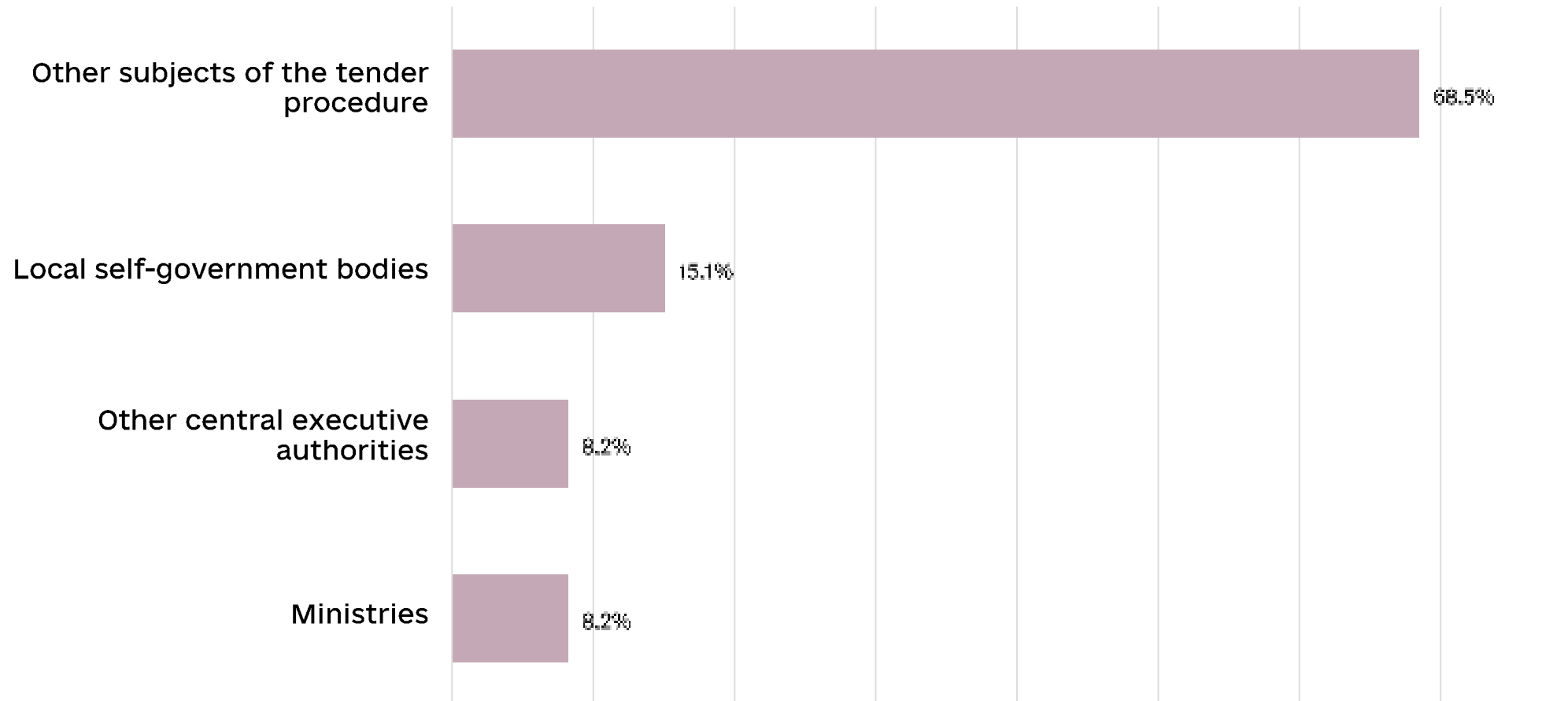
Reasons for suspension of economic activity

What were the reasons for the suspension of licensable business activities during the period of martial law?



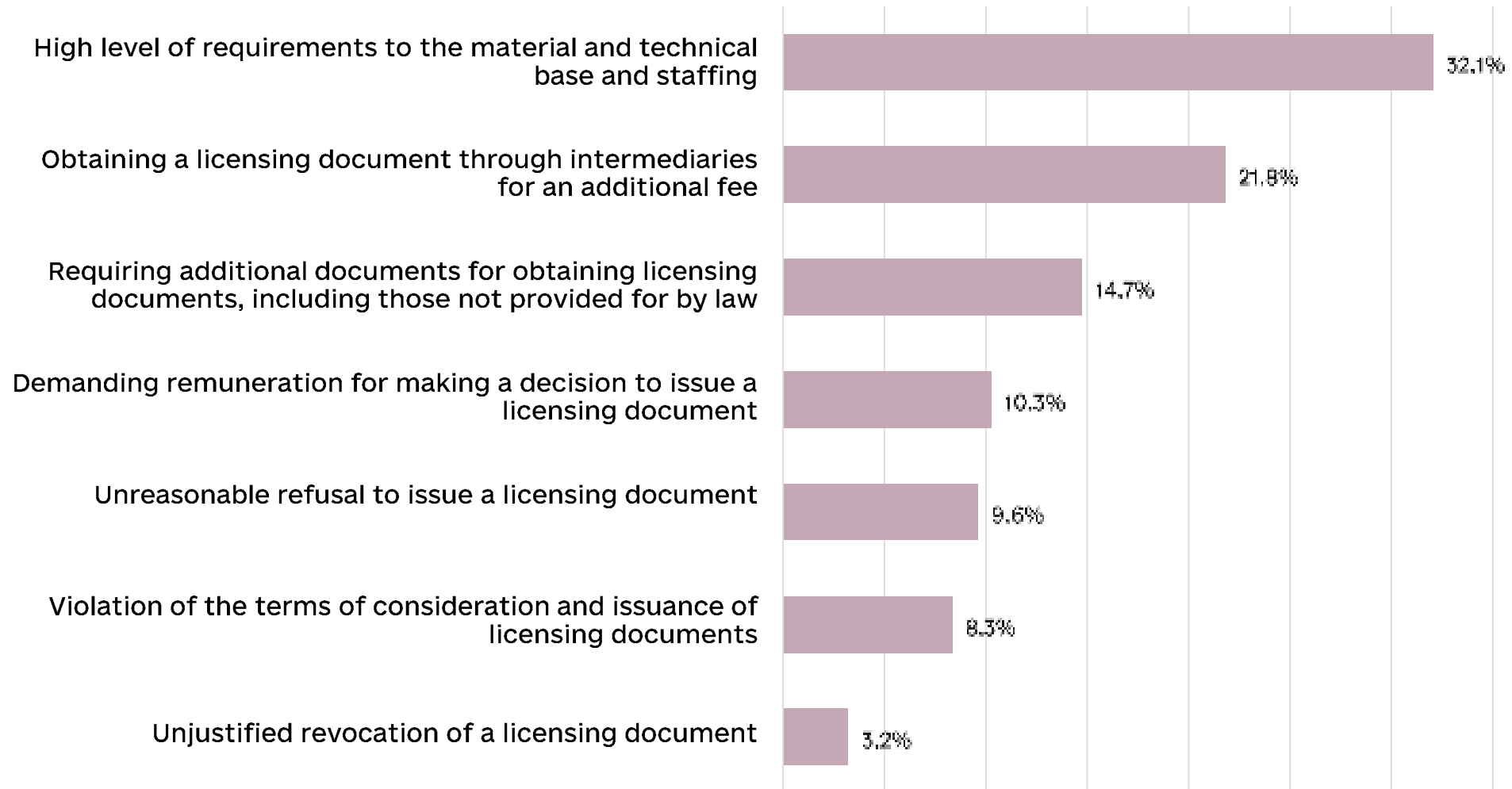
Requirement of a license instead of a declaration of economic activity

Which authorities required the submission of a license instead of a declaration of economic activity, as provided for by the Resolution of the Cabinet of Ministers of Ukraine No. 314 of March 18, 2022, to participate in tenders:

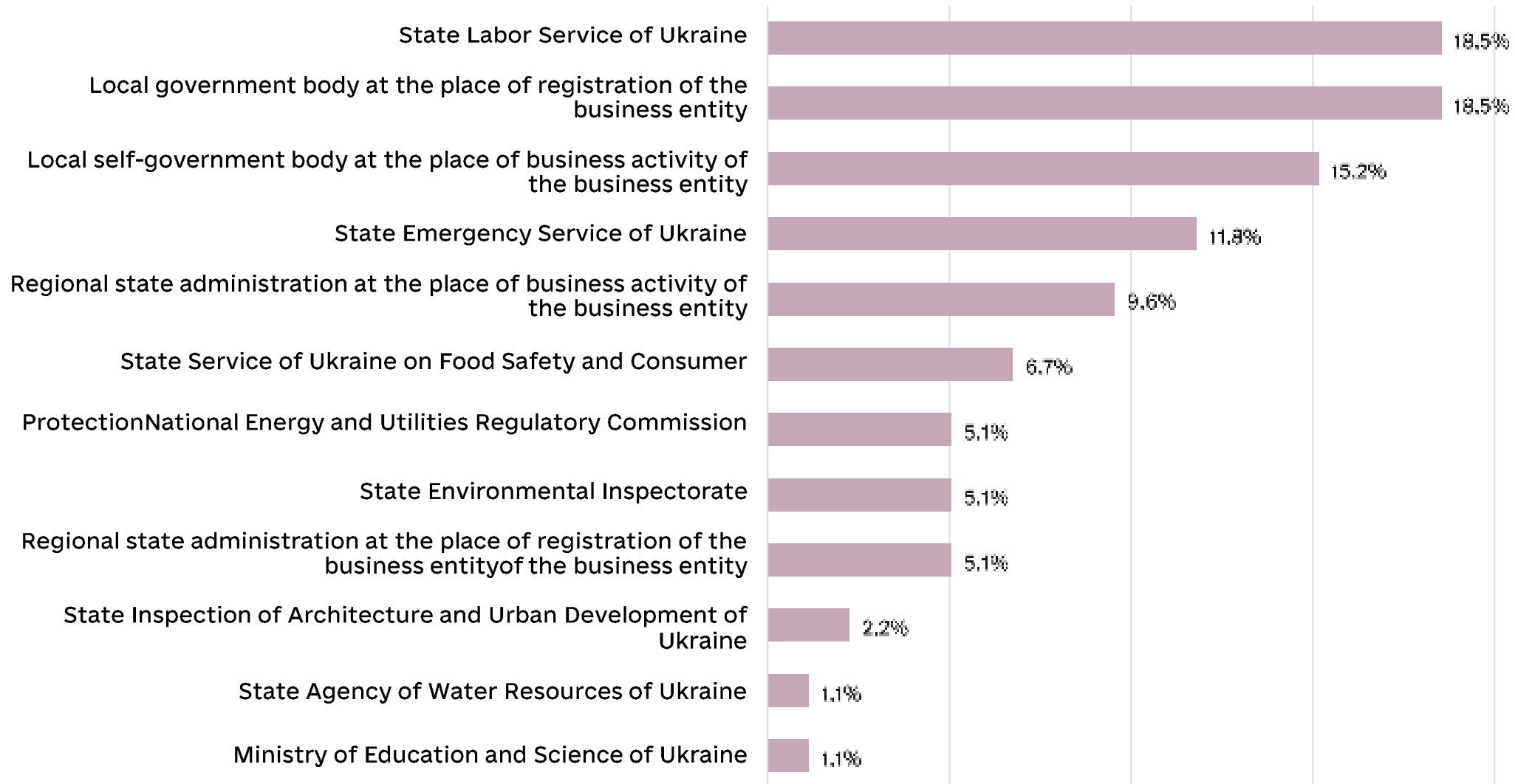


Problems in the field of the licensing system

What problems do business entities face in the licensing system, in particular during martial law?

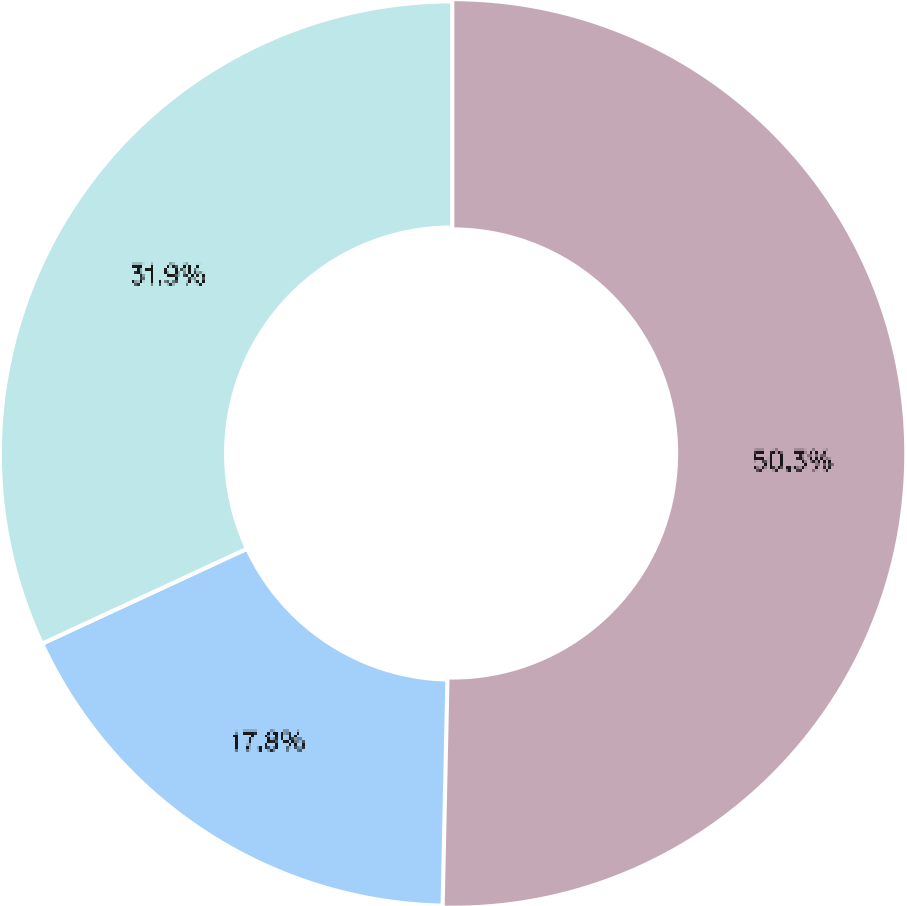


Which authorities most often violate the law during business inspections, including the rules on the termination of state supervision (control) under martial law?



Remote inspections for business

Do you support the introduction of remote business inspections (conducted without the inspectors visiting the business entity) by regulatory authorities as the main type of inspection?



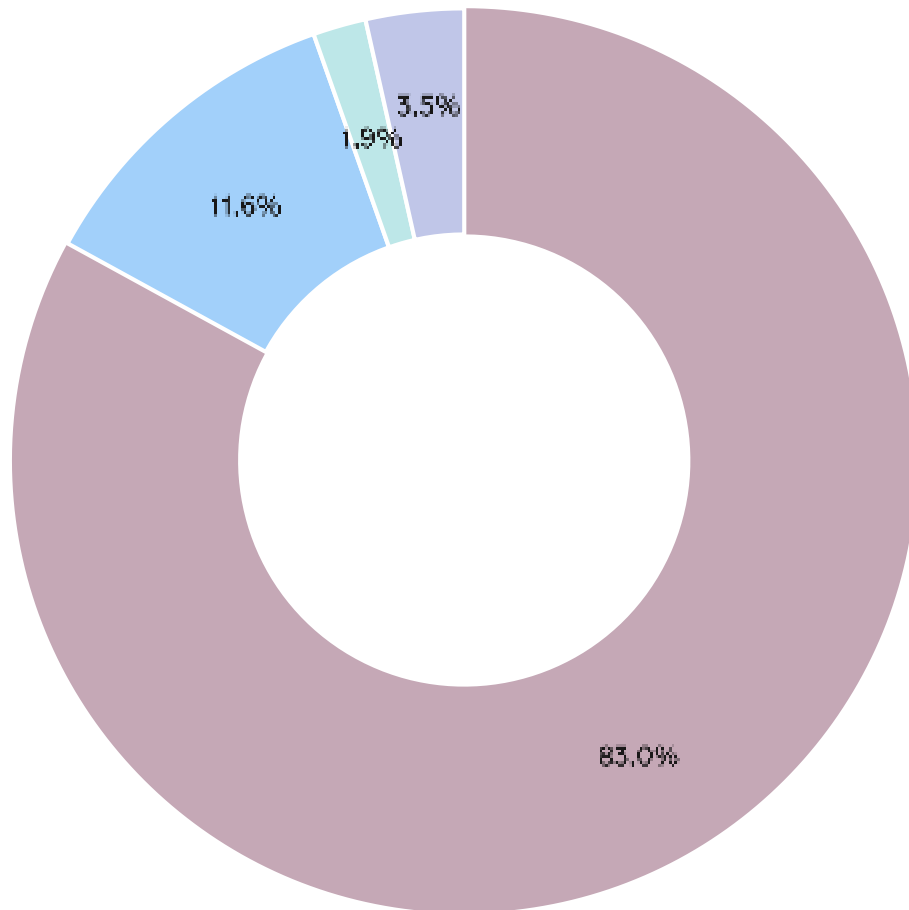
- Support
- Do not support
- Support, except for certain areas of control work

82.2%
support,
including
including with
some conditions

Problems of foreign economic activity

Problems with payment from international counterparties

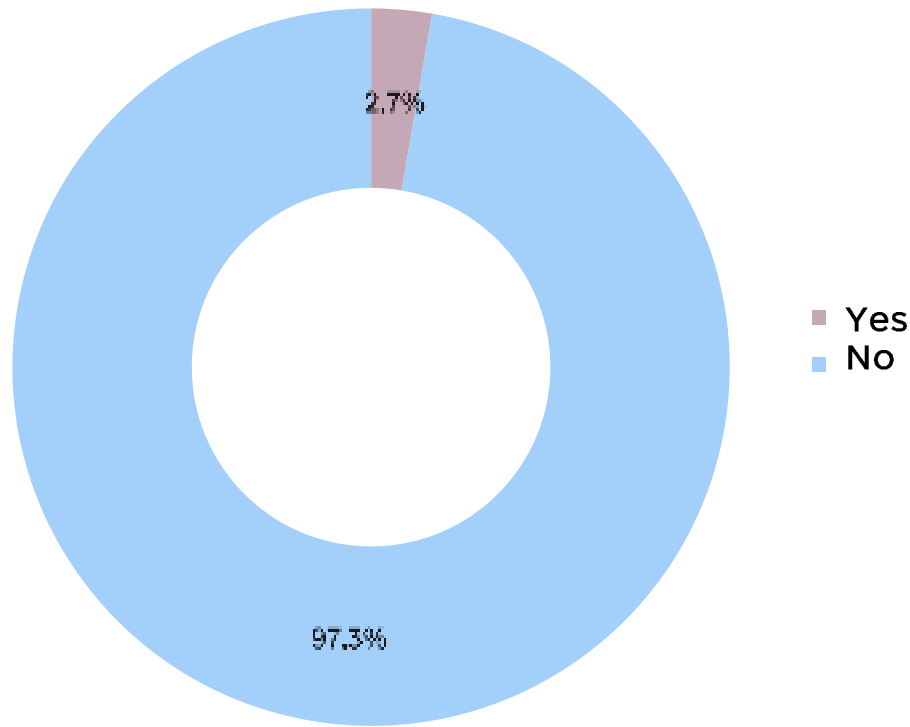
Have you had any problems with receiving payments from international counterparties under foreign trade contracts?



- No
- Yes, there is a delay in receiving payments
- Yes, a foreign bank blocks the transfer of funds due to the company's registration in the temporarily occupied territories
- Yes, return of payments to an international counterparty

17.0%
had
problems

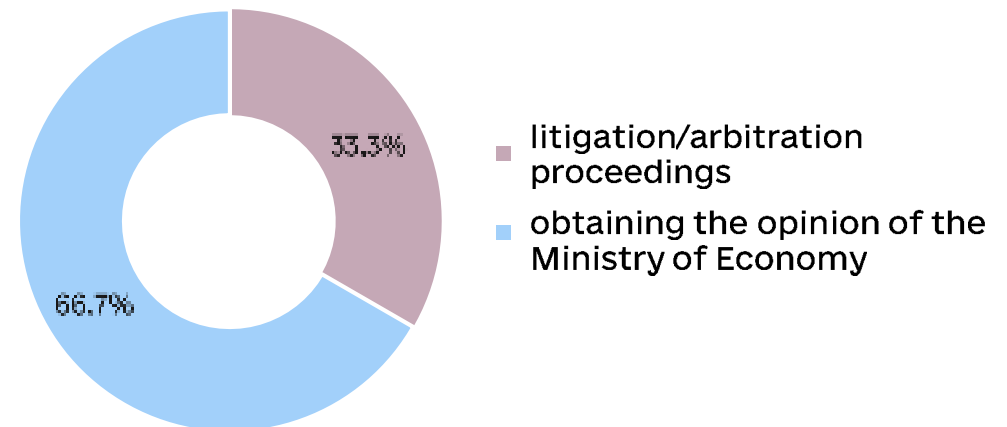
Do you have any foreign economic contracts with residents of the Republic of Belarus concluded before February 24, 2022, which violate the deadlines for settlements under the law?



If so, were you charged any fines?

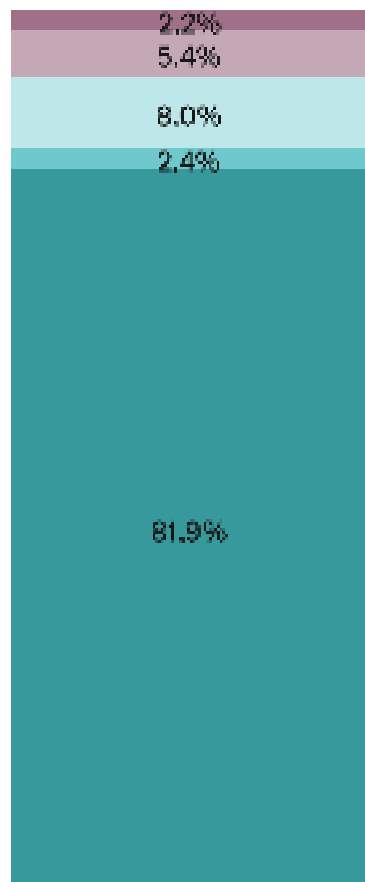
“No” – 100%

Have you taken any measures to prevent the charging of such fines?



Interaction with representatives of the regional state administration (Regional Military Administration)

How do you assess the experience of interacting with representatives of the RSA (RMA) and territorial communities to restore entrepreneurship development in the territorial community/region?

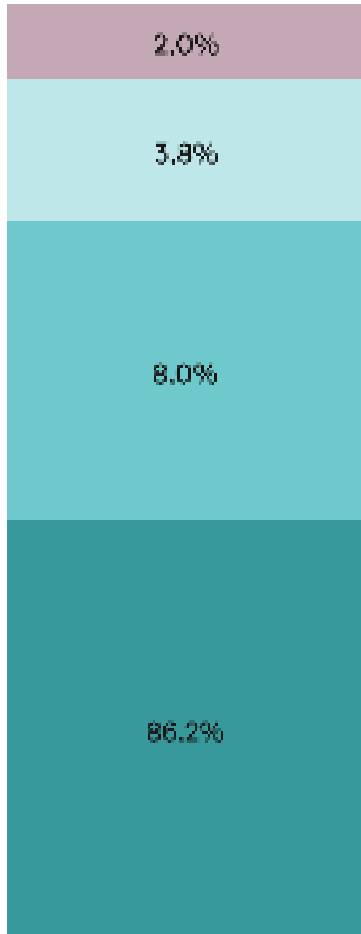


- We regularly interact in various formats (e.g., events, research, consultations, working groups, etc.) and have already achieved practical business results
- We regularly interact in various formats (e.g., events, studies, consultations, working groups, etc.), but have not yet achieved practical results
- We interact only during official events conducted by the territorial community and/or the RSA (RMA), and are not part of any working group
- We do not interact, but we receive invitations to participate in relevant events
- We do not interact

15.7%
interact with
representatives
of the RSA (RMA)

Participation in entrepreneurship support programs

Do you participate in entrepreneurship support programs offered by local communities or RSA (RMA)?

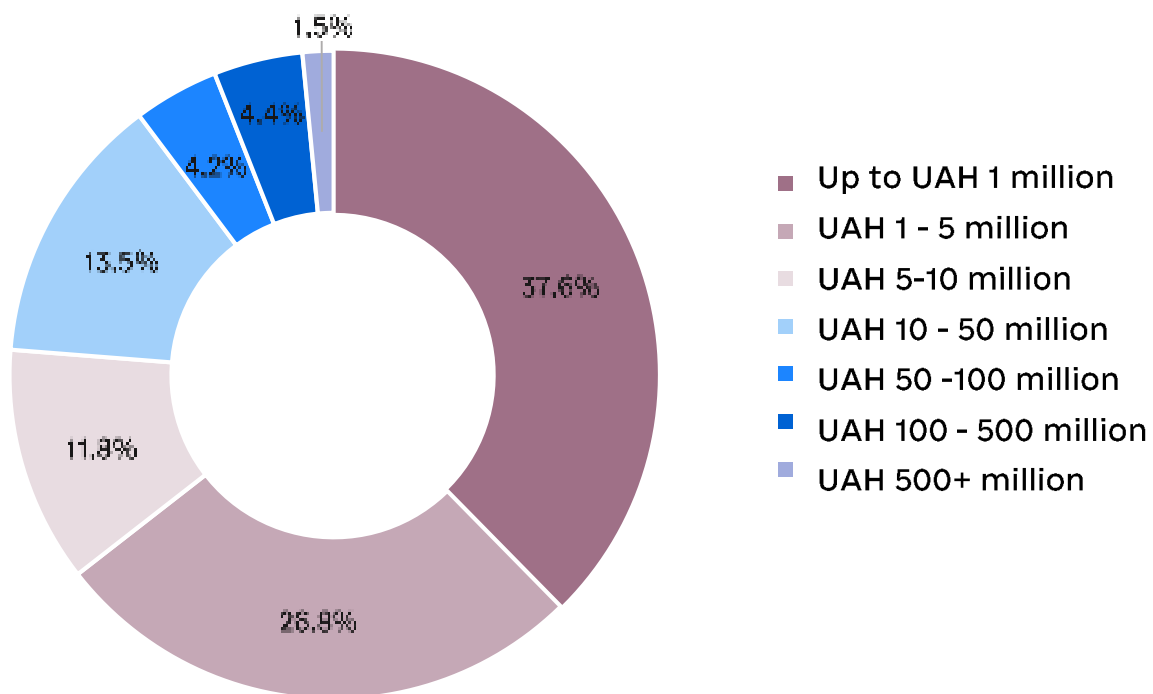


- Yes. I participate and have already received practical results
- Yes. I participate, but have not yet received a practical result to restore and/or develop my business
- No. Although I know (have heard) about programs to support entrepreneurship in the local community/region
- No. I do not know about any entrepreneurship support programs in my community/region

5.8%
participate in
entrepreneurship
support programs

Passport block

Business turnover in 2022

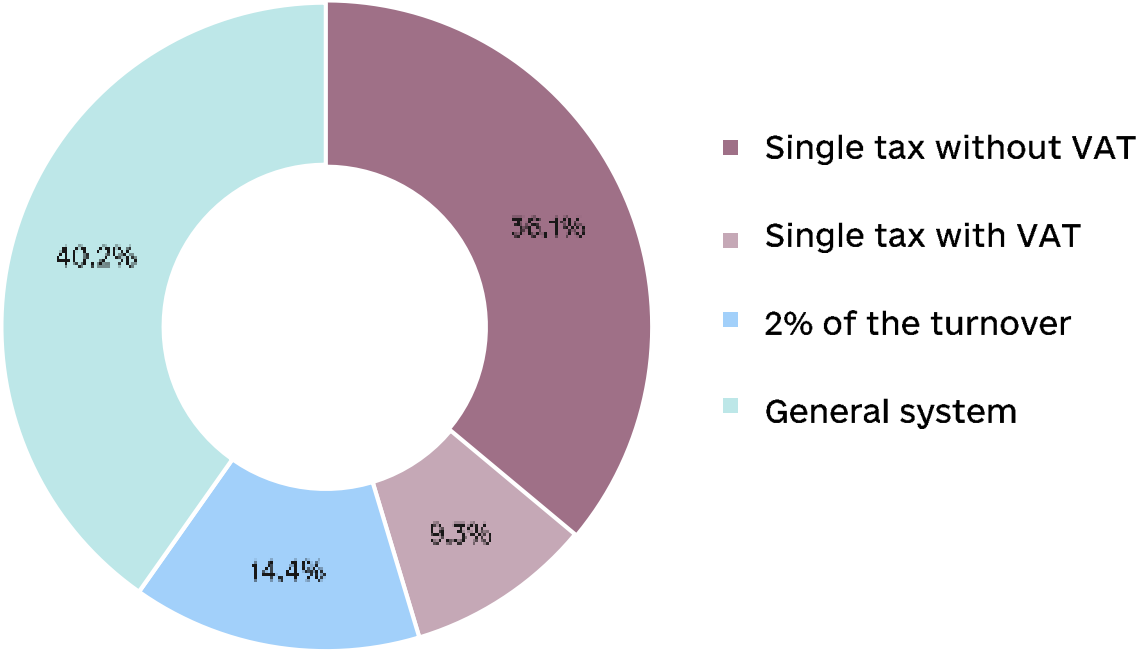


Geography of the survey. Wave 10. Region of the main business activity

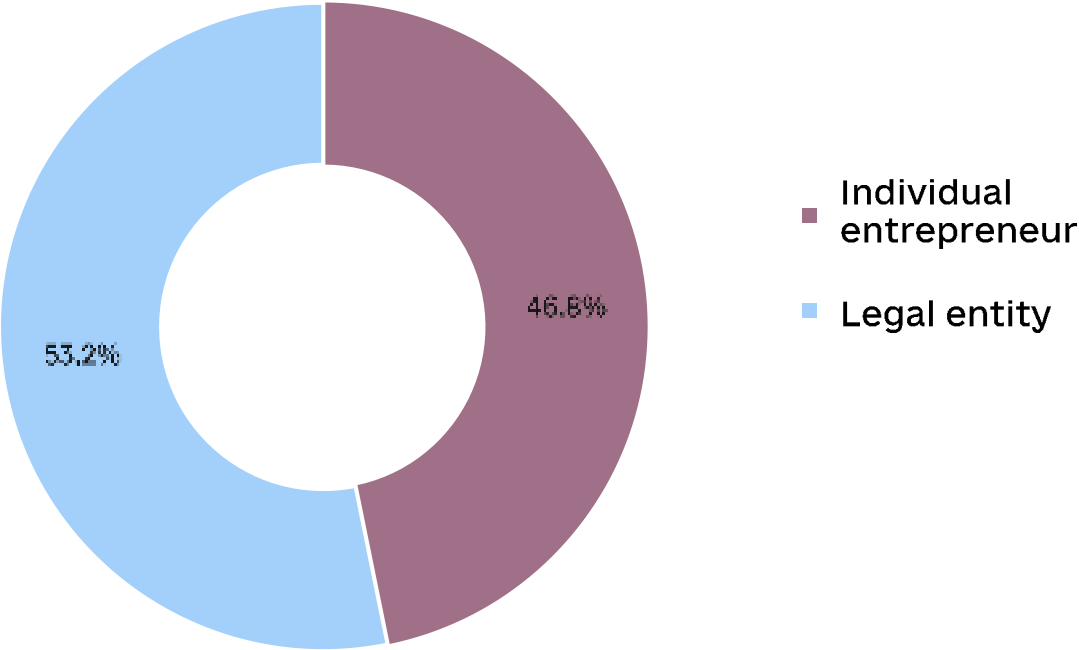
All Ukraine	19,7%
Vinnytsia region	2,8%
Volyn region	1,1%
Dnipropetrovsk region	5,1%
Donetsk region	2,3%
Zhytomyr region	2,3%
Zakarpattia region	1,5%
Zaporizhzhia region	4,5%
Ivano-Frankivsk region	1,3%
Kyiv region	7,9%
Kyiv	17,7%
Kirovohrad region	0,8%
Luhansk region	0,2%
Lviv region	5,5%
Mykolaiv region	2,1%
Odesa region	4,5%
Poltava region	2,3%
Rivne region	1,5%
Sumy region	1,1%
Ternopil region	0,9%
Kharkiv region	5,8%
Kherson region	1,7%
Khmelnyskyi region	2,1%
Cherkasy region	0,9%
Chernivtsi region	1,5%
Chernihiv region	3,0%
AR Crimea	0,0%

Organizational form

Which form of tax payment is the main one in your your business



Organizational form of your business

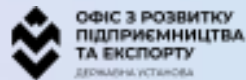


Respondents' industries

Agriculture, forestry and fisheries	5,2%
Mechanical engineering	4,1%
Food production	3,7%
Light industry	4,3%
Furniture production	2,6%
Other types of processing industry	5,0%
Construction	11,0%
Wholesale trade	9,9%
Retail trade in food products	1,7%
Retail trade in other products	7,7%
Transportation, warehousing, postal and courier activities	2,4%
Restaurants and coffee shops	3,0%
Hotel business	1,1%
IT sector	5,6%
Telecommunications	1,7%
Financial and insurance activities	1,7%
Real estate transactions	1,9%
Professional, scientific and technical activities	1,5%
Professional services: marketing, consulting, design	5,4%
Repair of motor vehicles	1,7%
Education	2,6%
Health care and social assistance	3,2%
Arts, sports, entertainment and recreation	2,2%
Other types of services	9,0%

Sampling by research waves

Wave 1	Survey period: 02.03-03.03.2022	Sample:207
Wave 2	Survey period: 11.03-13.03.2022	Sample:245
Wave 3	Survey period: 21.03-23.03.2022	Sample: 260
Wave 4	Survey period: 11.04-13.04.2022	Sample: 276
Wave 5	Survey period: 04.05-07.05.2022	Sample: 934
Wave 6	Survey period: 25.05-10.06.2022	Sample: 877
Wave 7	Survey period: 20.07-31.07.2022	Sample: 842
Wave 8	Survey period: 09.09-19.09.2022	Sample: 863
Wave 9	Survey period: 09.11-17.11.2022	Sample: 504
Wave 10	Survey period: 25.01-03.02.2023	Sample: 535



Бізнес



Міністерство
цифрової трансформації
України



МІНІСТЕРСТВО
ЕКОНОМІКИ
УКРАЇНИ



МІНІСТЕРСТВО
ФІНАНСІВ
УКРАЇНИ



ДЕРЖАВНА
РЕГУЛЯТОРНА
СПЕЦІАЛІЗАЦІЯ
УКРАЇНИ