



Security and Business Behavior

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Aim of the study

- To analyze **economic trends and business expectations**,
- To examine changes in **business priorities when assessing impediments to doing business**
- To explore the **relationship between missile and drone attacks on Ukrainian cities' civilian infrastructure and business assessments and expectations.**
- To explore the **uncertainty**
- To analyze the influence of **labor force availability on business expectations and behavior.**



The working hypotheses

1. High adaptability of business to unfortunate conditions
2. Increasing the security/insecurity factor as an essential factor of the environment for doing Business in Ukraine since 2023
3. The existence of a correlation between security issues, business behavior, and expectations
4. The existence of a correlation between lack of labor force and the business expectations.



The need for comprehensive information on the economic situation is crucial for economic policy in wartime

- In case of the absence of regular statistical data collection (that was observed during the first half of 2022) or uncomplexity (as it is now)
- The Business Tendency Survey approach is devoted to quickly collecting information on the current economic situation and expected changes based on the judgments and expectations of key economic agents are the second-best solution.

The basic definitions used in the article

- “Indexes of change” or “balance indicators” are typical business tendency survey indicators, which imply the difference between the proportion of respondents who reported a decrease and those who reported an increase in the indicator.
- Uncertainty -- refers to the inability of survey respondents to give a forecast for a particular indicator for a certain future. We have long-term (2 years expectations), medium-term (6 months excitations) and short-term uncertainty (3 months).
- Impediment of doing business –predefined before, the problems that can limit business activity in wartimes
- We have “traditional” impediments for BTS and local and time-related impediments defined based on the focus group discussions with experts and businesses in the spring of 2022. The list of impediments is subject of change

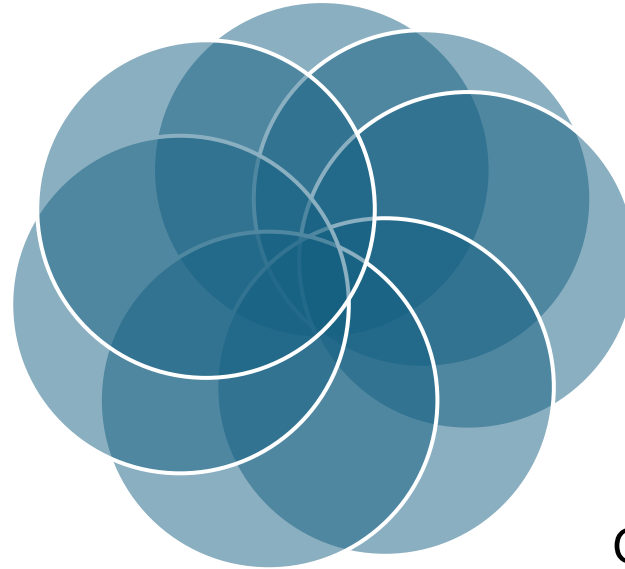
About the data set

Data is collected between
15 and 30 day of the month

28 surveys have
already been
conducted (since
May 2022)

Sectors:
Manufacturing
Industries

**IER New Rapid
Enterprise Survey
(monthly
conducted)**

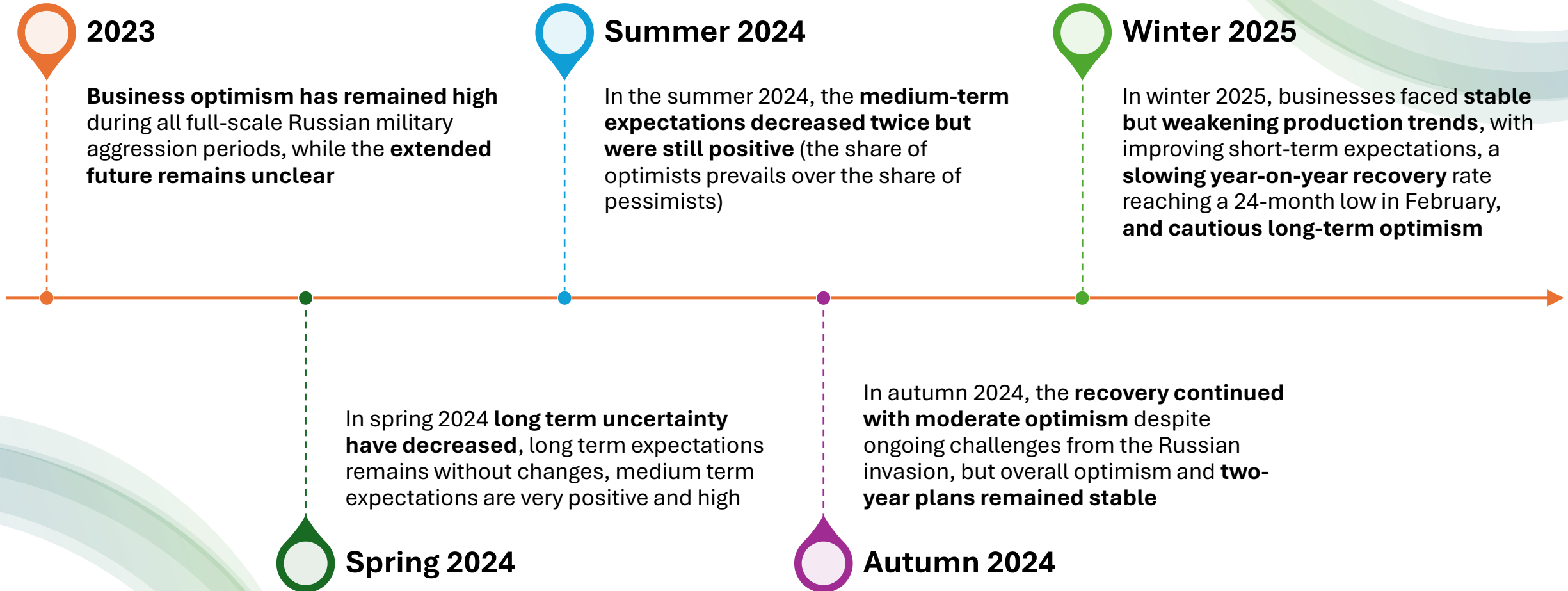


**SAMPLE: 500+
enterprises**

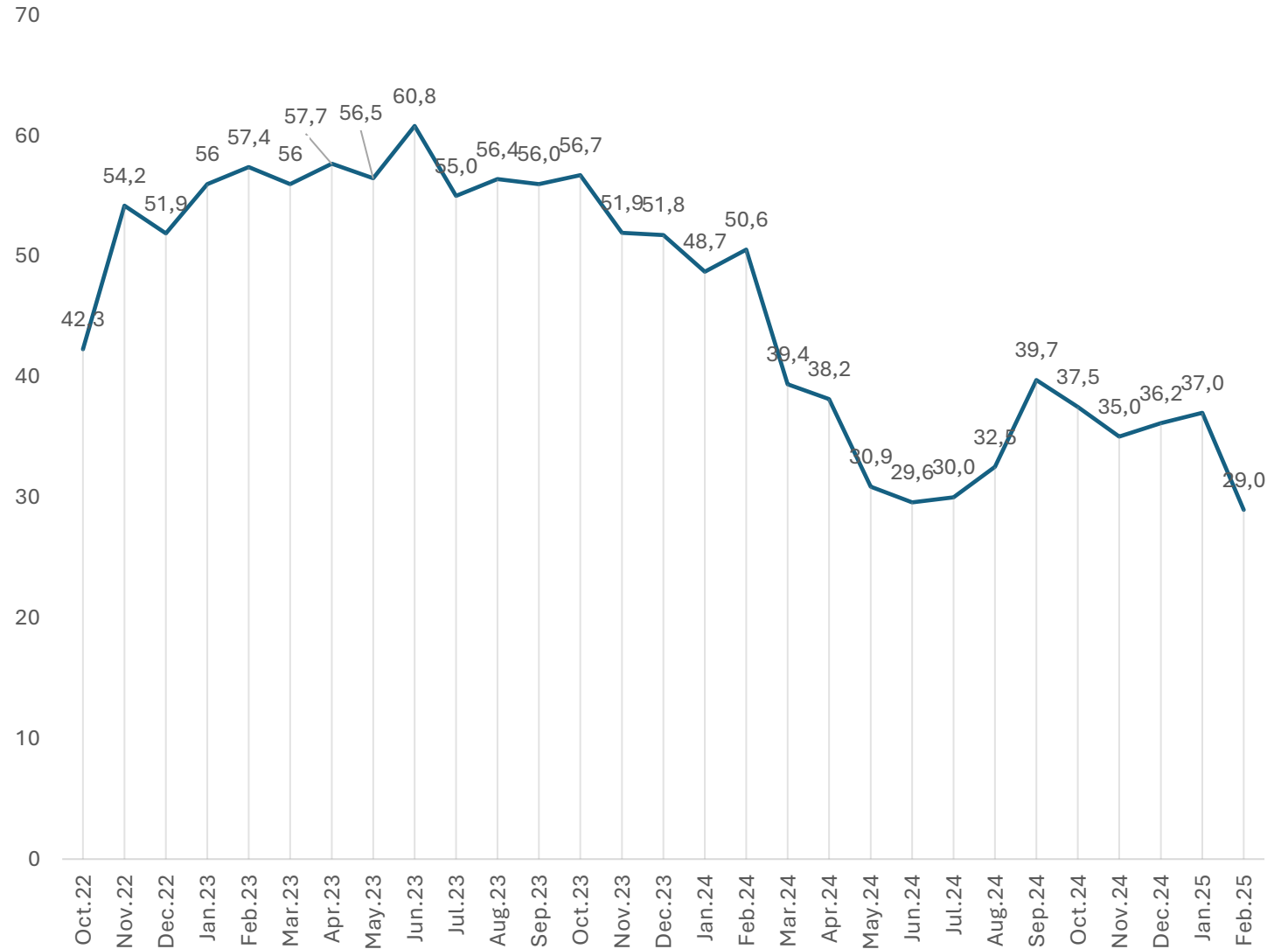
Enterprises of
all sizes

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

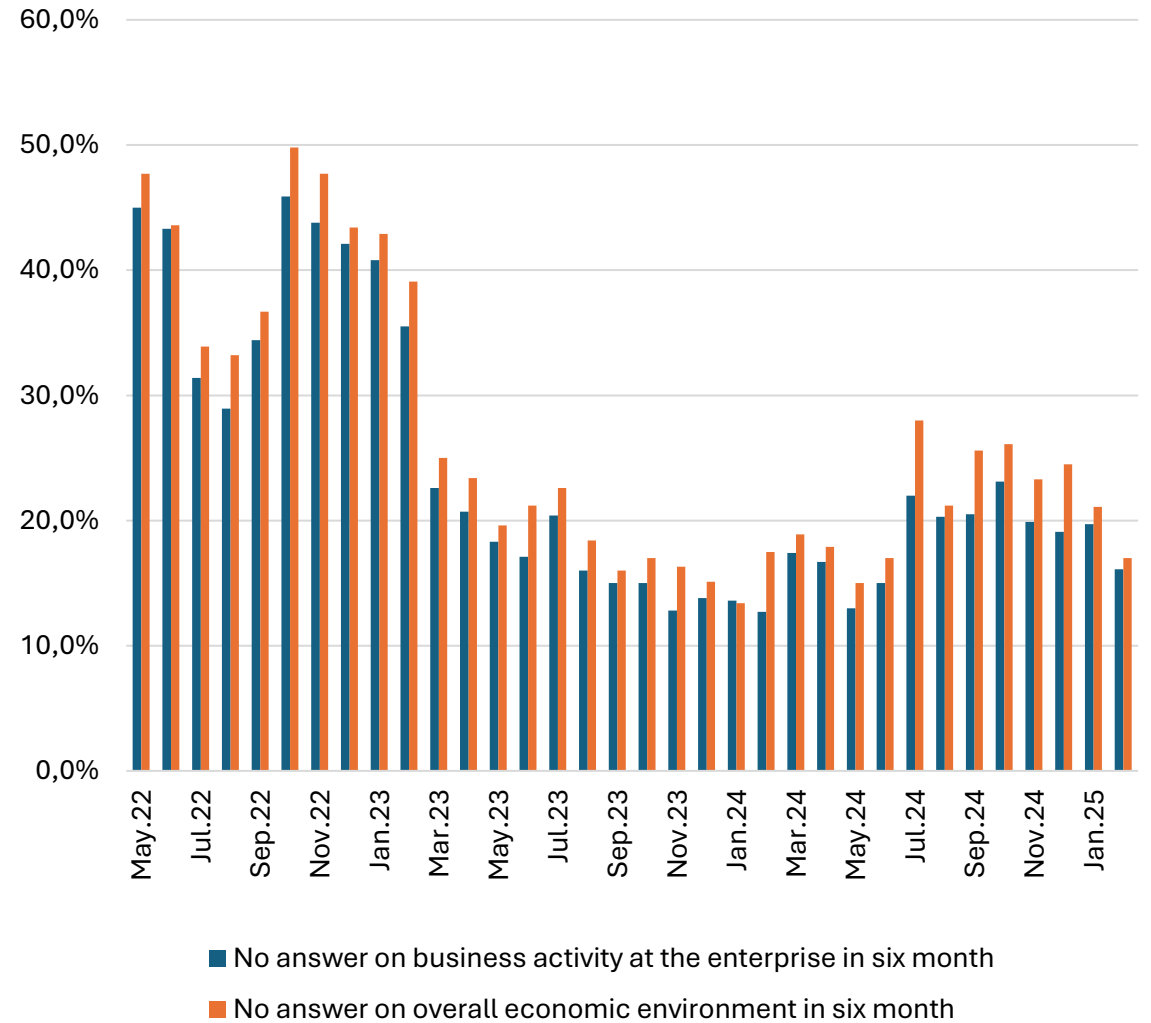
Annual trends in 2023-2024-winter 2025



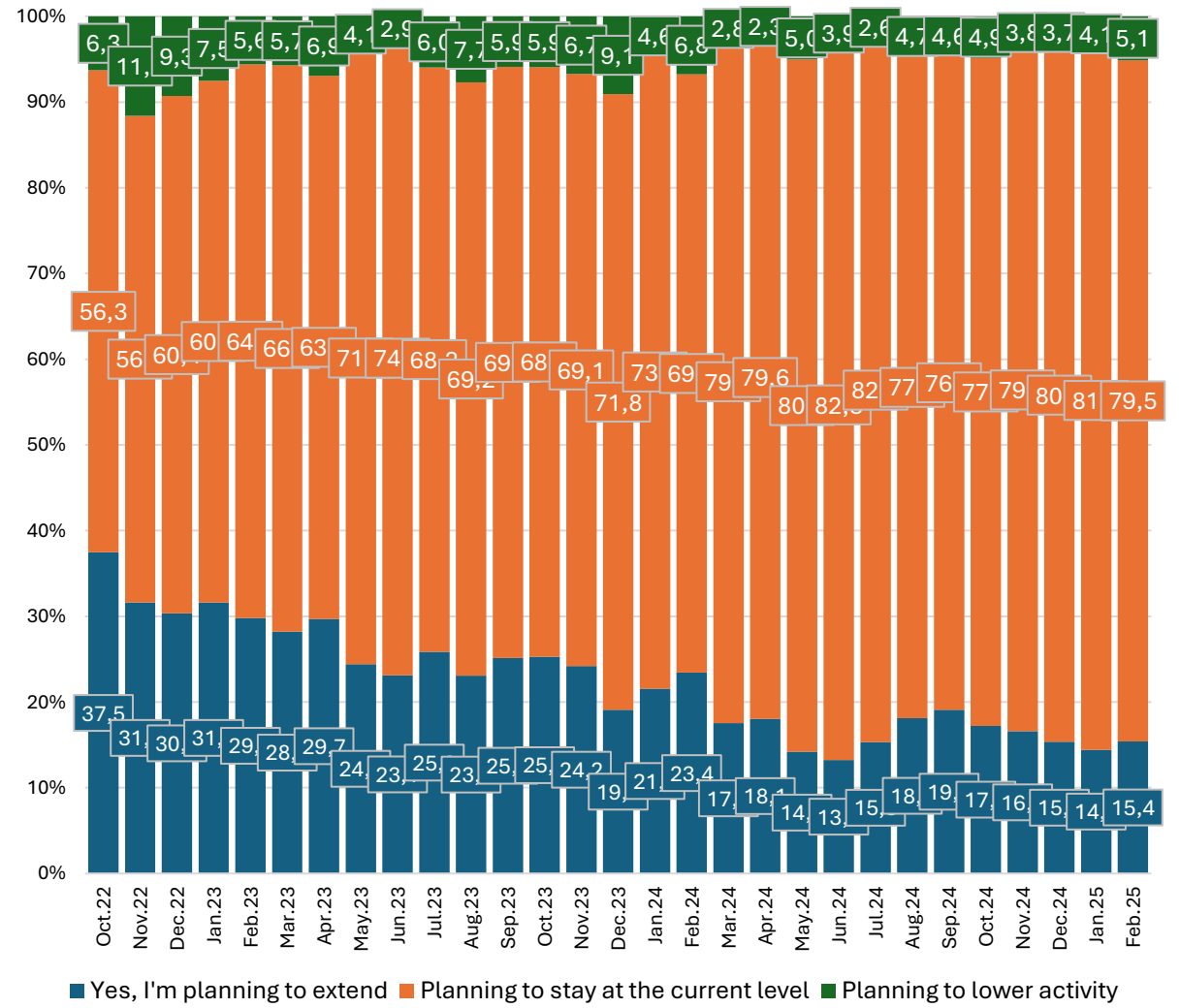
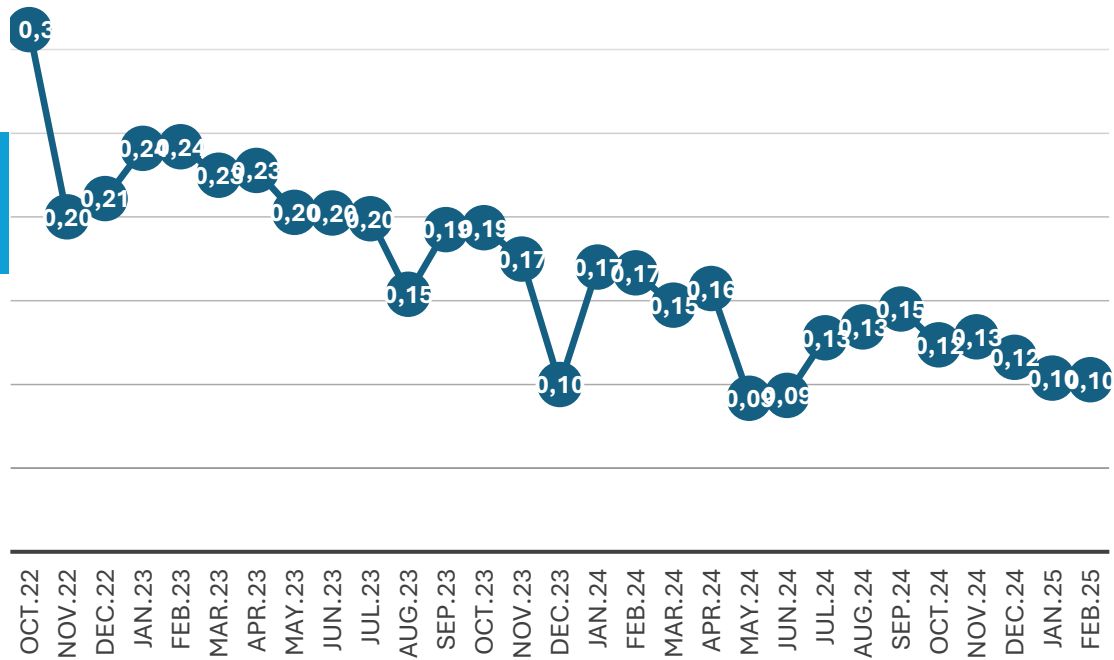
Uncertainty in 2 years perspective



Uncertainty in the medium run

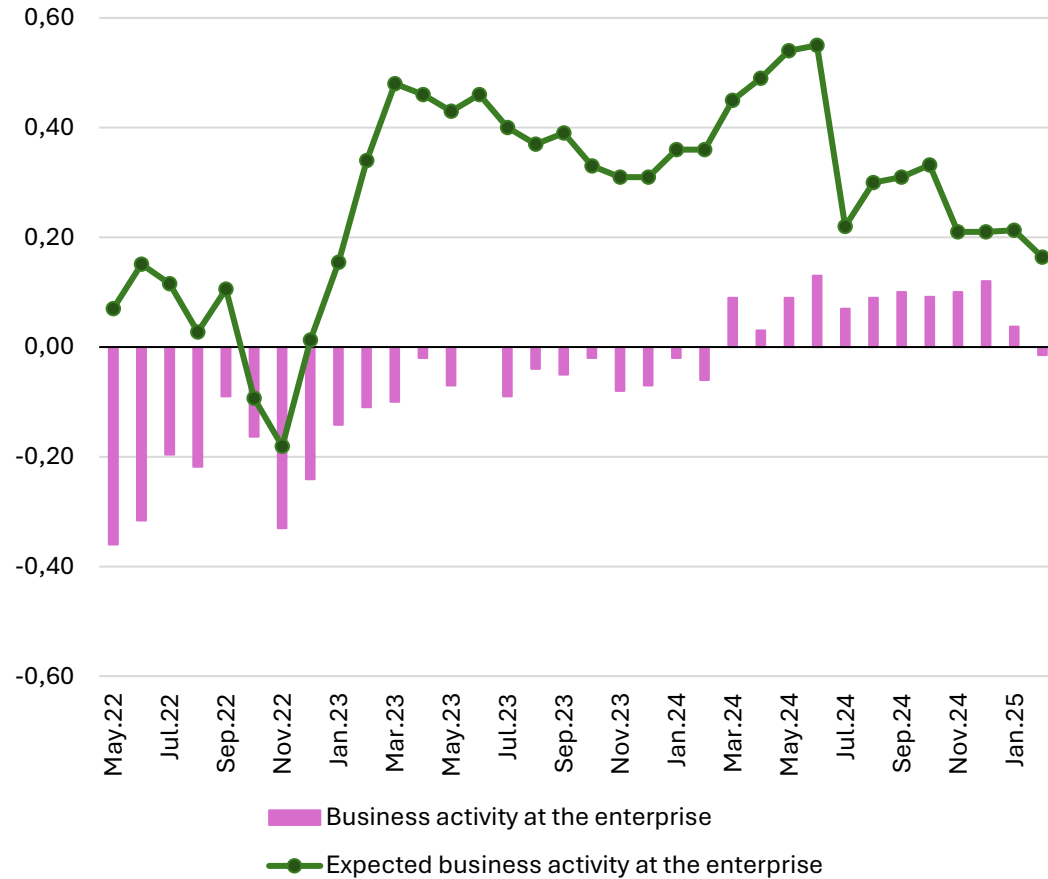


2 years perspective expectations

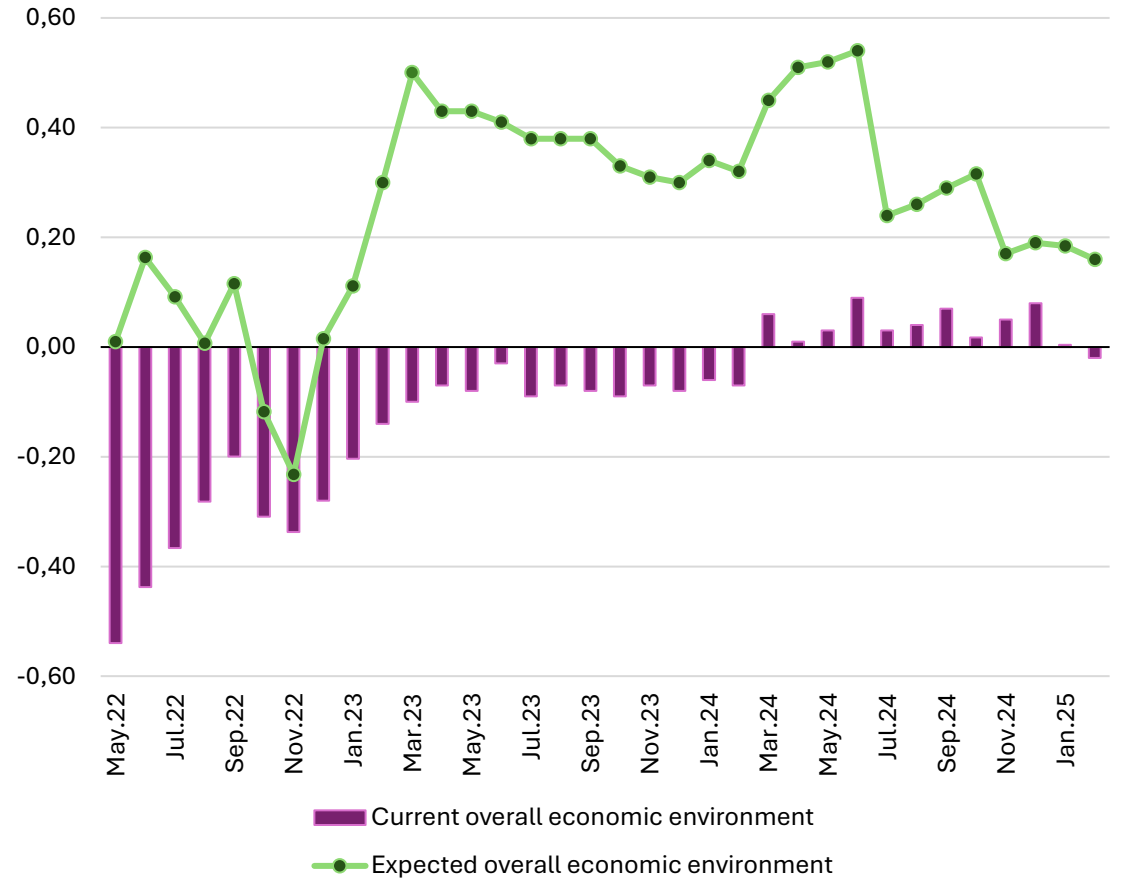


6-month perspective expectations

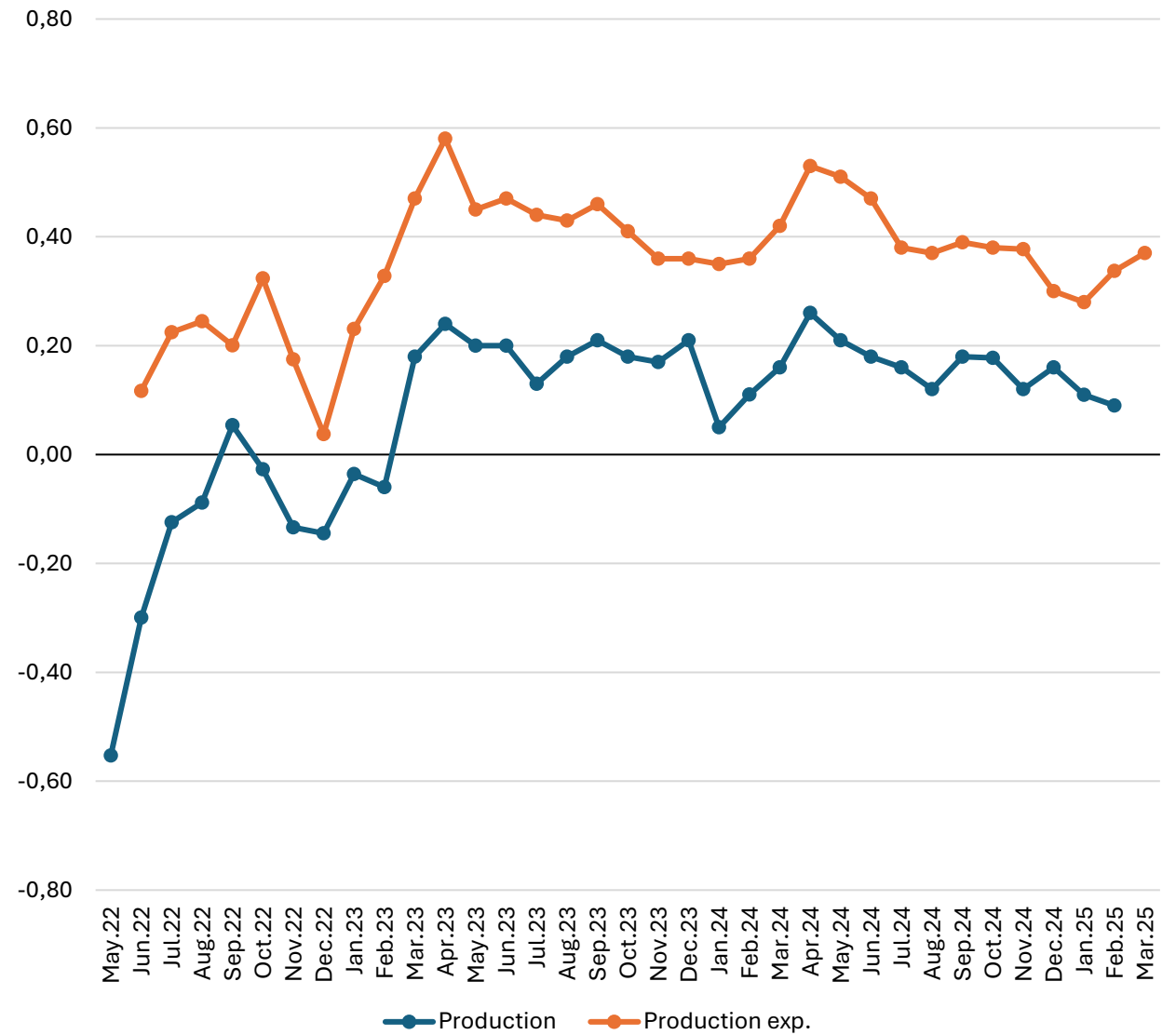
Business activity at the enterprise



Overall economic environment in the country

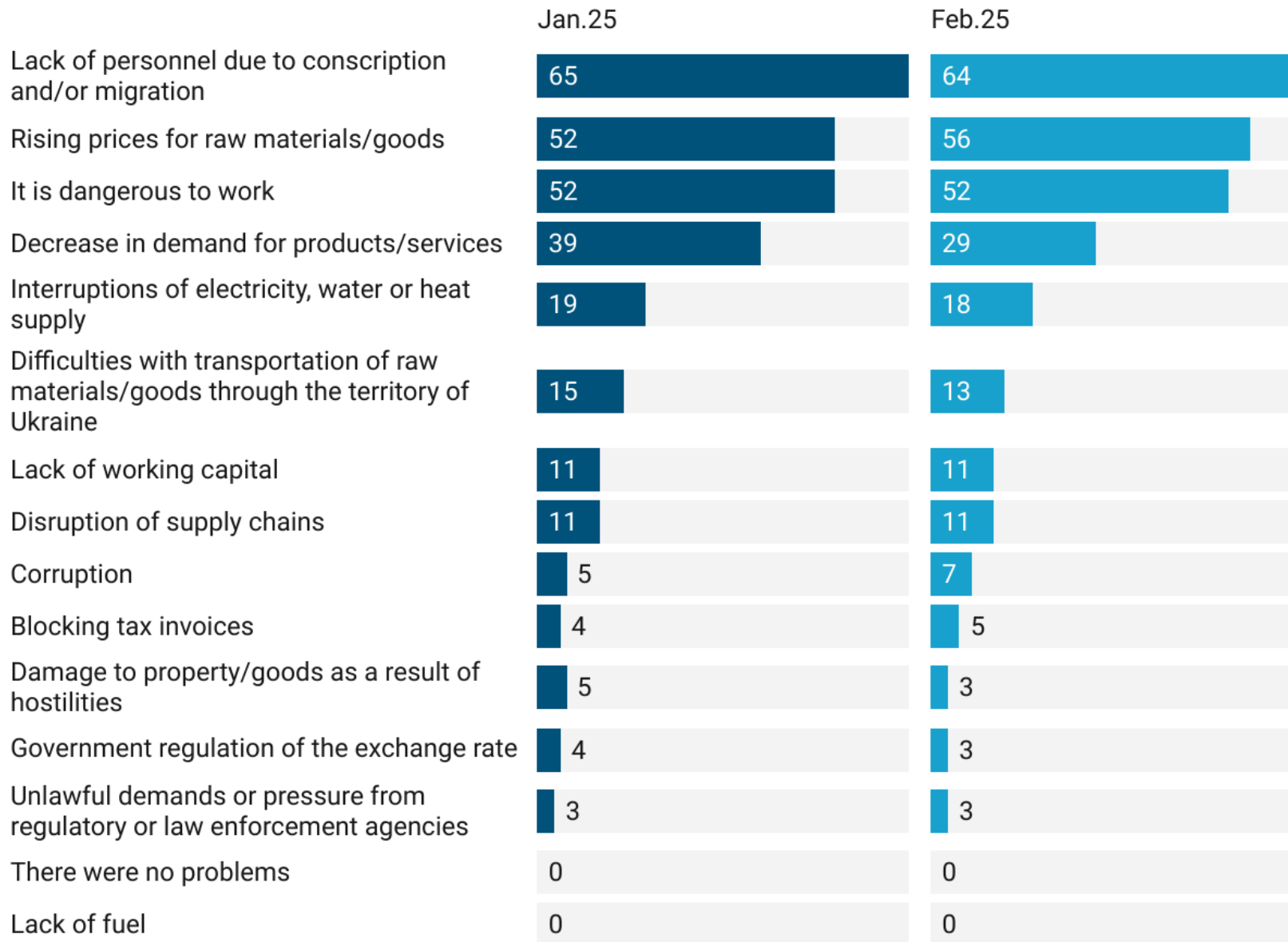


Production *ex-past* and *ex-ante*



New priorities for the problems of the business environment

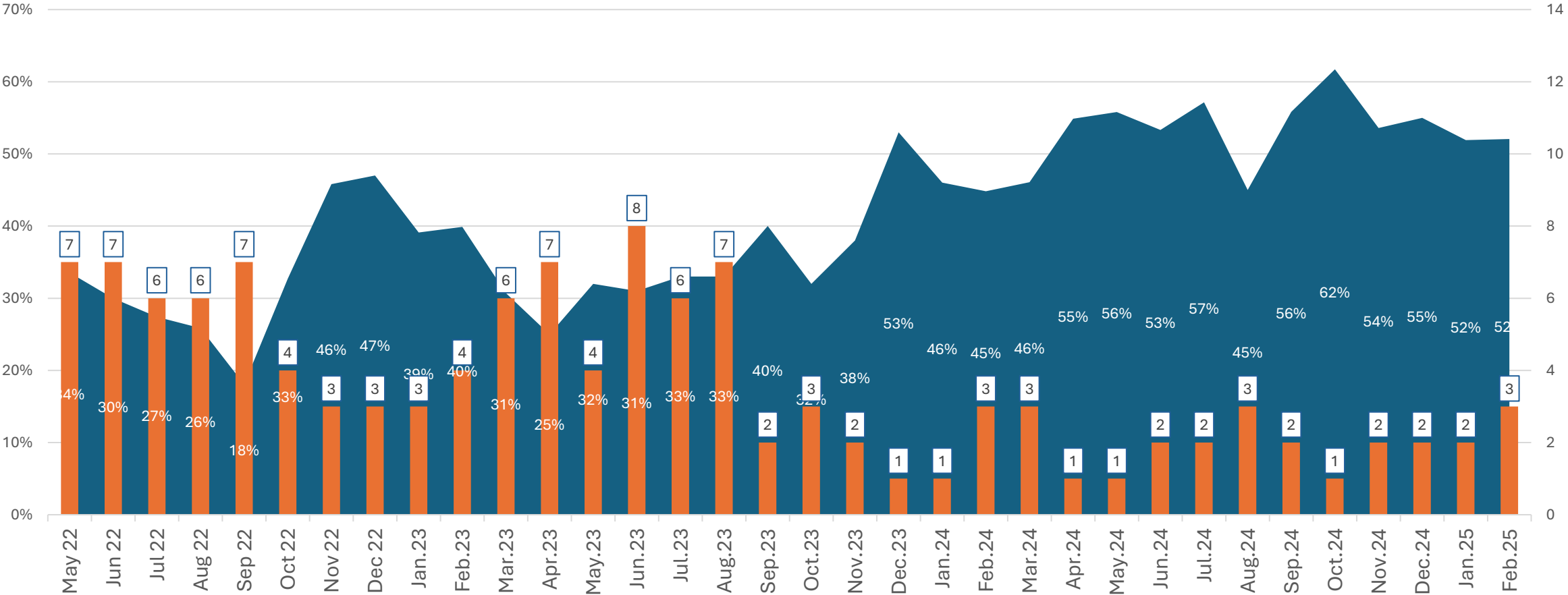
- The businesses pay less attention to indicators that **characterize the institutional environment**
- and more attention has been paid to **indicators related to the physical impact** on the existence of the business.



The impediments to doing business in wartime, % respondents

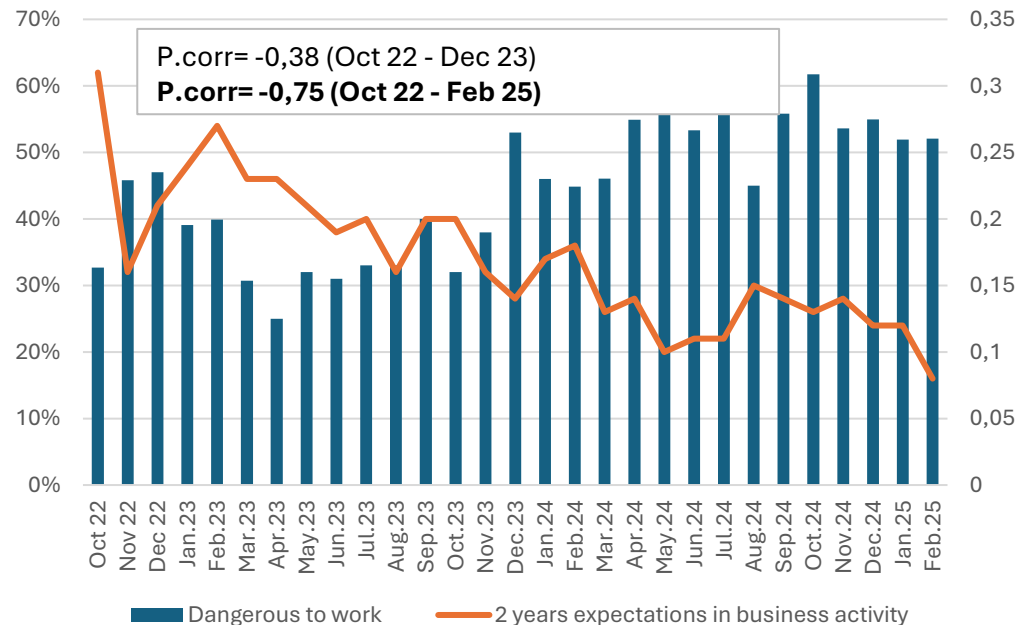
Security is an important factor in the business environment in Ukraine

It is dangerous to work, % of repondents (left scale), rank in rating of impediments (right scale)

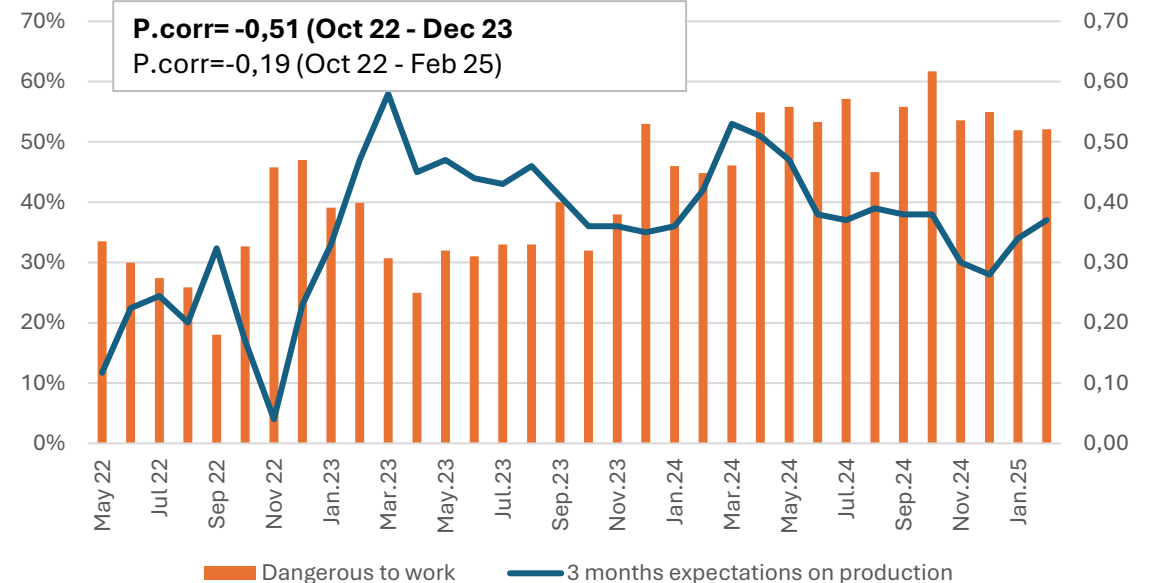


Pearson's correlation between “dangerous to work” and short- and long- expectations

2 years expectations



3 months expectations



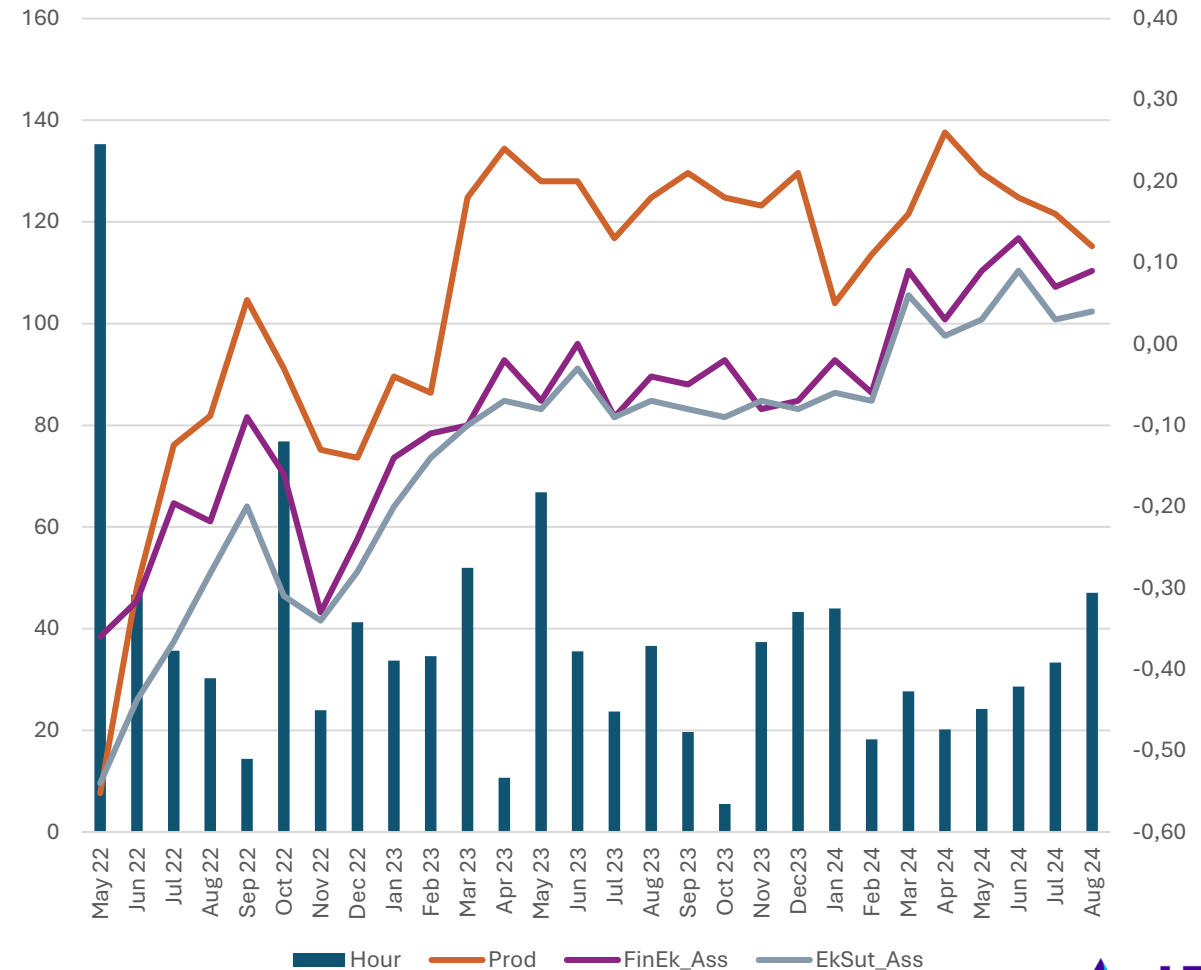
The average duration of air alerts in Kyiv and selected indicators of business attitudes

Correlation between average duration of air alert in Kyiv and

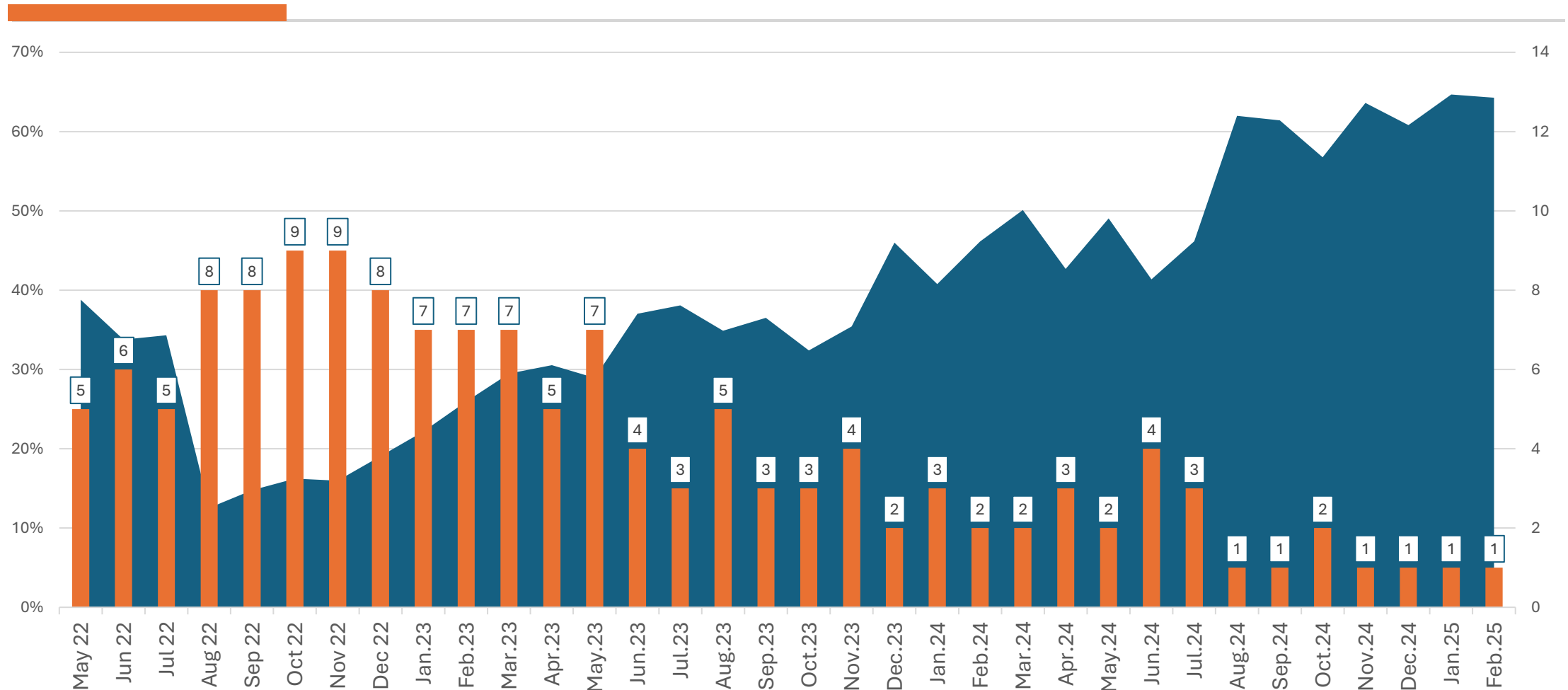
(1) index of change in production (-0,62) (orange)

(2) assessment of the economic situation in the country (-0,55), (dark blue)

(3) assessment economic situation at the enterprise (-0,45) (violet)

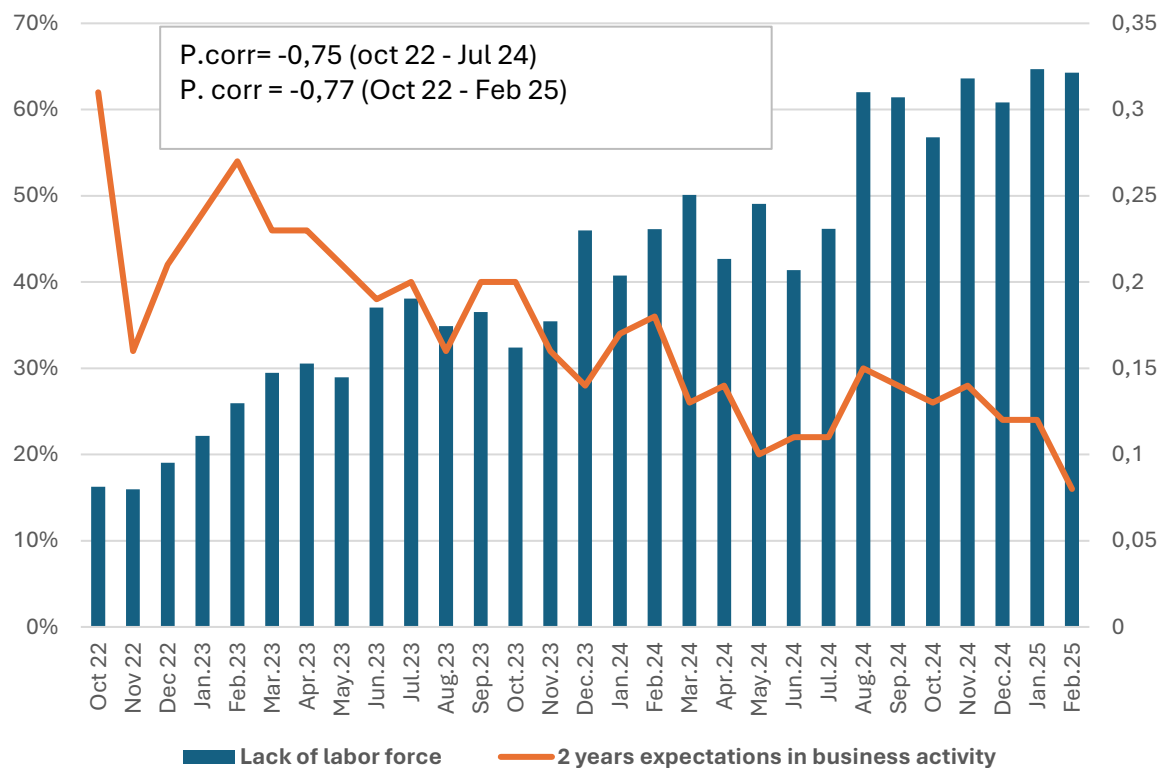


“Lack of labor force», % of respondents (left scale) and rank in a rating of impediments (right scale)

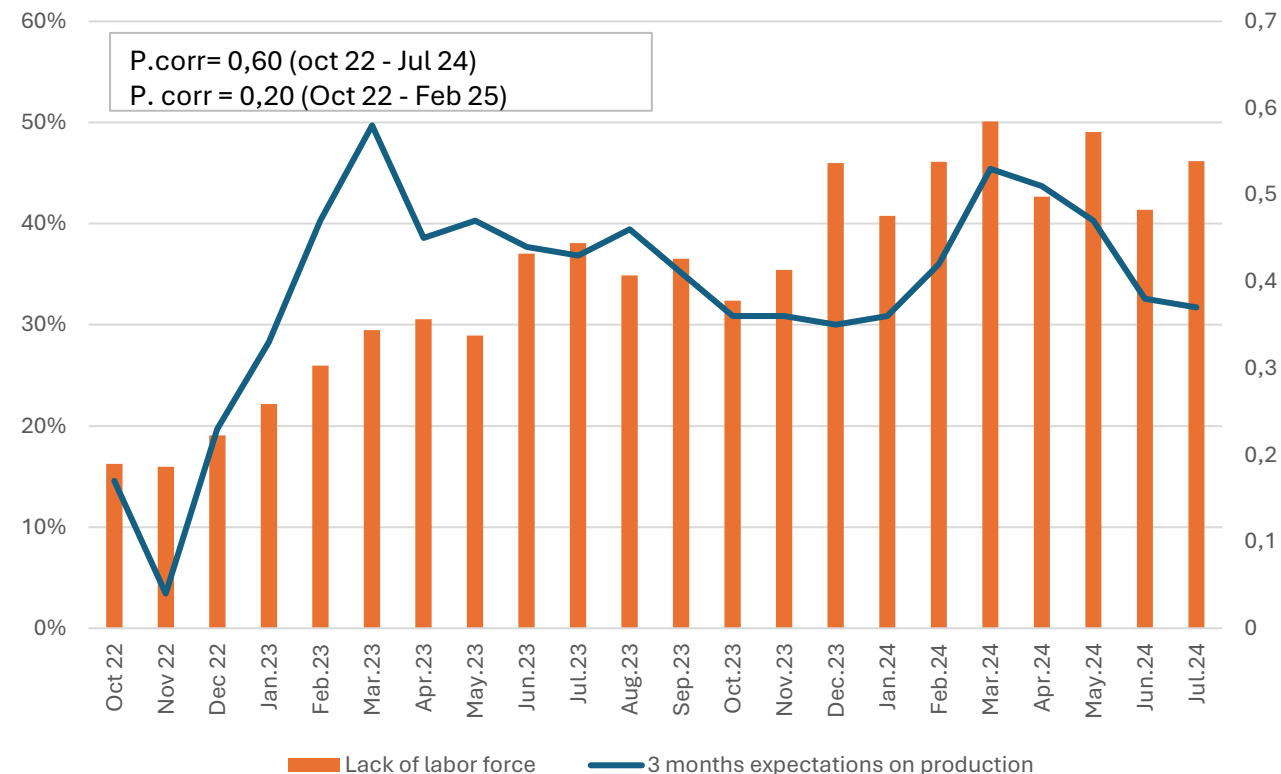


Lack of labor force, correlation with expectations

2 years expectations



3 months expectations



Conclusion



1. **The business landscape from 2023 to winter 2025 was marked by fluctuating optimism**, evolving challenges, and persistent uncertainty driven by the wartime environment. High long-term uncertainty and moderate short-term uncertainty were prevalent, with **wartime obstacles differing significantly from normal business conditions**.
 2. **Since October 2022, when Russia began shelling Ukraine's civil infrastructure, security has become a key element of the business climate**. Despite these severe challenges, businesses continue to adapt to the evolving threats.
 3. The massive shelling in the spring of 2024, which destroyed much of Ukraine's maneuverable power generation, led to electricity restrictions and heightened uncertainty, significantly affecting business expectations. **Business confidence grows as Ukraine improves its defense against air attacks**.
 4. **There was a notable link between the shortage of skilled workers and both short- and long-term business outlooks**, suggesting that today's workforce challenges may influence future business strategies till mid of 2024, then we **observed weaker correlations in the short run but the same correlation in the long run expectation**, meaning the labor shortage will be a **significant problem for future business development**
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