ISSUE NO. 154 | AUGUST 2021

NEWSLETTER

German Economic Team

UKRAINE

Tracking economic activity during the pandemic

The COVID-19 pandemic suddenly created new economic conditions across the globe. The speed of those changes created an urgent need for real-time observation of the population's behaviour and economic reaction to the pandemic and for assessing preventive policies aimed at its combating (i.e. lockdowns). Textbook economic indicators are usually released with lags and thus do not timely provide an understanding of real-time economic activity. Therefore, the Centre for Economic Strategy (CES) recently established an activity tracker for Ukraine based on non-textbook, real-time and high-frequent economic indicators to provide insights into the development of real-time economic activity in the country. Such trackers are new tools that can be used by policymakers for predictions and policy decisions, by businesses for planning their economic activity, and by consumers for a better understanding of the economic state in the country.

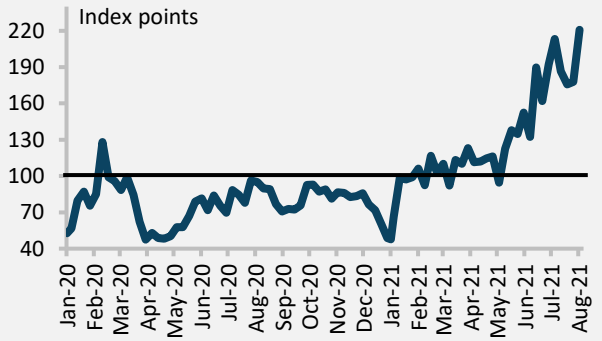
Background and methodology

During the pandemic, trackers of economic activity became wide-spread in many countries around the world. Most of them focus on non-textbook and high-frequent indicators to create a regular pulse of the economic development. One of such trackers was established in 2020 in Ukraine by the Centre for Economic Strategy (CES), one of the leading think tanks in the country and a partner of the German Economic Team (GET). The illustrated activity tracker for Ukraine relies on an analytical approach developed to observe the most relevant economic indicators and to provide early insights into economic activity across key sectors. While sectors included can vary country-wise, the relevant indicators for Ukraine consider the development of the labour market, several key industries, bank payments and a vaccination tracker to provide an outlook on the future economic effects of the pandemic. The data used have to be high-frequent, accurate and must come from a reliable data source. Moreover, the tracker aims to observe the distance of the current economic state to the pre-pandemic level as a benchmark, which means our time series covers the pre-crisis period. In addition, the broad use of new technologies in the population (e.g. Google mobility based on smartphone use) allows to receive estimations of movements and their related economic activities (e.g. commuting to work). Our approach does not consider an aggregated composite tracker but rather highlights different indicators of economic activity. In the following sections, we will highlight some of them.

Recovery of the labour market

The pandemic has had a significant effect on the labour market. The data provided by the biggest local job posting websites gives a general understanding of the labour market reaction. In the spring of last year, many businesses did not manage to adapt to working during pandemic times, and had to lay off employees. It also led to businesses closures and an extreme decline in the number of open vacancies on the market. Unemployed people started taking jobs they were overqualified for.

Number of new vacancies



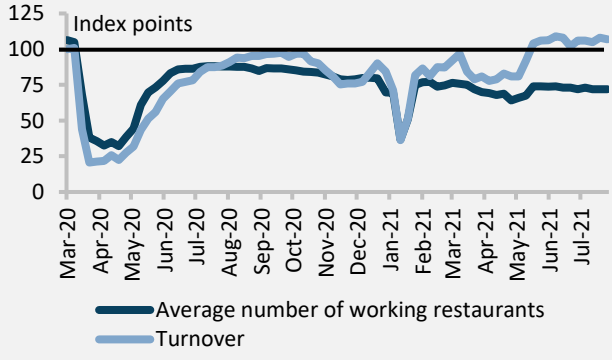
Sources: rabota.ua, Jooble data, average of 2019 = 100, CES calculations

As of now, the labour market has recovered, and since spring 2021, the number of new vacancies has risen above the average of 2019 indicatong that businesses have implemented changes that allow them to work more effectively during the COVID-19 restrictions.

Slow recovery of service activities

Tracking activities in the most relevant sectors helps us to broadly understand which sectors have most heavily been impacted by lockdowns and how well they have been recovering. The (service) sectors with the biggest losses are hospitality, food services, travel, wholesale and retail trade.

Restaurants



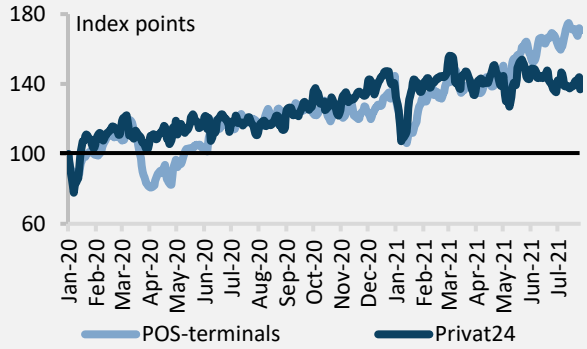
Source: Poster data, weekly turnover of restaurants; March 15, 2020 = 100, weekly average

Data shows that it took a while for companies to recover after the first lockdown, but later they learned how to react to new restrictions more quickly and effectively. For instance, after the strict lockdown in spring 2020, 27% of cafes and restaurants in Ukraine did not open their doors for visitors. For those who managed to survive, it took a few months to increase their turnover (primarily by setting up delivery and "to go" options). From that time, the turnover remains high (except for the decrease during the lockdown in January 2021, but it took only a week then for turnover to recover).

Bank payments illustrate the lockdown effect

As with businesses, consumers got slowly used to living in the pandemic reality. An excellent indicator to prove that is bank payments (transactions via both POS terminals and online apps).

Bank payments



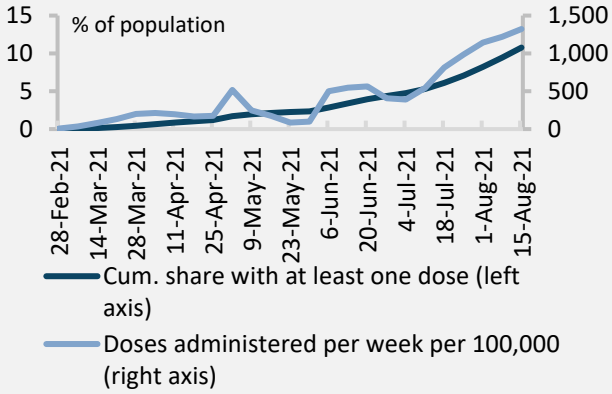
Source: PrivatBank data, 7-day moving average, first week of 2020 = 100, CES calculations

This summer, both card payments via POS-terminals and transactions via the Privat24 online payment system are higher than last year. During the strict lockdown in April 2020, the number of POS-terminal payments was at 90% of the pre-pandemic level, illustrating the lockdown impact and the reduction of consumption activity. A similar fall was observed during the partial lockdown in the first two months of 2021.

Vaccination pace is not fast enough

To bring the pandemic to an end, countries need to reach herd immunity to the virus, which is achievable only with high vaccination rates. Talking about Ukraine, the rate of COVID-19 vaccinations has recently grown, but since the start of the vaccination campaign in February 2021, just 11% of the population have been vaccinated at least once. While in the EU, 63% have received at least one dose. Therefore, there is a long way to go before any kind of herd immunity can be achieved and thus further negative economic effects of the pandemic are likely to be seen in the coming months.

COVID-19 vaccinations



Source: Ministry of Health data, CES calculations

Conclusion and outlook

The illustrated activity tracker allows us to compare Ukraine' real-time economic activity during the pandemic to its pre-crisis levels and show how the country adapts to a new normal. Using high-frequency data in real-time gives an up-to-date understanding of the current economic state, helps to discover trends and to use them to take relevant data-driven policy decisions. As the region and the global economy are currently still slowly and unevenly recovering, establishing a similar tracker for other countries in Eastern Europe and Central Asia could be a useful instrument.

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This newsletter is based on the Technical Note 02/2021

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