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ANALYSIS OF THE FINANCIAL CRISIS IN UKRAINE

АНАЛІЗ ФІНАНСОВОЇ КРИЗИ В УКРАЇНІ

The article considers the main aspects of the impact of the financial crisis on the national economy. The causes of the financial crisis are studied, which include: political instability and military aggression by Russia, devaluation of the hryvnia and inflation, a decrease in investment and capital outflow, a fall in GDP and an increase in unemployment, foreign debt and budget deficit. The authors thoroughly analyzed the consequences of the financial crisis in Ukraine, provided statistical data of the main macroeconomic indicators, namely: inflation, nominal GDP of Ukraine, national debt, volume of international reserves, wages, pensions, budget deficit, unemployment. Directions for eliminating the consequences of crisis phenomena are proposed. Ukraine has the potential to overcome the crisis and build a prosperous economy.

Keywords: financial crisis, diagnosis, economic growth, financial risks, macroeconomic indicators, financial assistance.

У статті розглядаються основні аспекти впливу фінансової кризи на національну економіку. Досліджено причини фінансової кризи, до яких варто віднести: політичну нестабільність та військову агресію з боку Росії, знецінення гривні та інфляція, зменшення інвестицій та відтік капіталу, падіння ВВП та зростання безробіття, зовнішній борг та дефіцит бюджету. Авторами ґрунтовно проаналізовані наслідки фінансової кризи в Україні, наведені статистичні дані основних макроекономічних показників, а саме: інфляція, номінальний ВВП України, державний борг, обсяг міжнародних резервів, заробітна плата, пенсії, бюджетний дефіцит, безробіття. Визначено, що нестабільна економічна ситуація та військові дії на території країни негативно впливають на бізнес-клімат, спостерігається деградація інфраструктури. Запропоновано напрямки щодо ліквідації наслідків кризових явищ. Доведено, що найважливішим та найголовнішим кроком до стабілізації політичної та економічної ситуації в Україні є припинення військових дій на території нашої країни. Це допоможе відновити мирне життя, розпочати відбудову зруйнованих територій та стимулювати економічне зростання. Боротьба з корупцією, захист прав власності та забезпечення неупередженої судової системи можуть підвищити довіру до уряду та сприяти залученню інвестицій. Відновлення економічного зростання шляхом стимулювання інвестицій, підтримки малих і середніх підприємств та розвитку експорту; надання податкових пільг інвесторам, малому та середньому бізнесу, а також експорто-орієнтованим підприємствам; посилення контролю за дотриманням податкового законодавства та впровадження жорсткіших санкцій за ухилення від сплати податків може збільшити надходження до бюджету. Соціальна підтримка населення через збільшення соціальних виплат, створення робочих місць і поліпшення доступу до освіти та охорони здоров'я. Залучення підтримки з боку міжнародної спільноти у формі фінансової допомоги, інвестицій, технічної допомоги та експертних консультацій. Україна має потенціал для подолання кризи та побудови процвітаючої економіки.

Ключові слова: фінансова криза, діагностика, економічне зростання, фінансові ризики, макроекономічні показники, фінансова допомога.

Problem statement. In recent years, Ukraine has been experiencing a deep financial crisis caused by a number of factors, including political instability, the full-scale invasion of the aggressor country Russia on the territory of our state, the devaluation of the hryvnia, inflation, capital outflow, and a drop in GDP. This crisis had a significant nega-

tive impact on the lives of Ukrainians, leading to a decline in living standards, an increase in unemployment, poverty and inequality.

Analysis of recent research and publications. At the current stage of the development of scientific thought, there is a significant volume of scientific and practical works on

the interpretation of global financial crises as a negative socio-economic phenomenon depending on the direction of research and the nature of crisis phenomena, among them the studies of: A. Benerdzh, M. Bordo, O. Baranovskiy, P. Buryak, S. Vain, V. Heyts, Sh. Heffernan, V. Hryshchenko, K. Kindleberger, I. Larionov, I. Lyuty, S. Tulchynska, O. Arefieva, and others.

Formulating the purposes of the article. Consider the causes and consequences of the financial crisis in Ukraine, as well as the measures taken to overcome it; analyze the role of the government, business, civil society and the international community in overcoming the crisis and outline future prospects.

Presentation of the main research material. First, it is worth determining the causes of the financial crisis, which include:

1. Political instability and military aggression by Russia.

The armed conflict in Donbas that began in 2014, followed by a full-scale invasion in 2022, resulted in significant human and economic losses. The military actions damaged or destroyed industrial enterprises (According to UN estimates, as of 2023, the war damaged or destroyed more than 100,000 enterprises in Ukraine [1]), infrastructure, residential buildings, which negatively affected the country's GDP, investment climate and general economic activity.

Political instability, frequent changes of government and corruption have caused mistrust of the authorities on the part of investors and the population. This led to the outflow of capital, a decrease in investment attractiveness and a general deterioration of the economic environment.

2. Devaluation of the hryvnia and inflation.

In 2014-2015, the exchange rate of the hryvnia against the US dollar fell sharply, which led to a significant depreciation of the national currency.

In fig. 1. the dynamics of changes in the exchange rate of the US dollar to the hryvnia according to the NBU data for 2007-2024 are presented [2].

This led to inflation, an increase in prices for goods and services, a decrease in the purchasing power of the population, and a deterioration in the well-being of Ukrainians.

High inflation has a negative impact on the economy, as it devalues savings, reduces investment attractiveness, and complicates business planning and management. In recent years, inflation in Ukraine has been significantly higher than in most developed countries.

1. *Decrease in investment and capital outflow.*

Political instability, war and corruption have led to a loss of confidence in Ukraine on the part of foreign and domestic investors. This led to a significant reduction in investment in the Ukrainian economy, which negatively affected economic growth and job creation.

Negative economic conditions also stimulated the outflow of capital from Ukraine. Ukrainians and foreign investors withdrew their funds from the country, placing them in more stable and predictable economies.

2. *Falling GDP and rising unemployment.*

The financial crisis led to an economic downturn in Ukraine. The country's GDP has decreased significantly in recent years, which indicates a general worsening of the economic situation. A decrease in economic activity led to an increase in unemployment. Many people have lost their jobs due to business closures or downsizing. The appearance of social problems, poverty and a decrease in the standard of living as a result

3. *External debts and budget deficit.*

Ukraine has a significant amount of foreign debt, which has been constantly growing in recent years. Servicing these debts requires significant budgetary resources, which limits the government's ability to finance other important expenditures.

In recent years, the budget of Ukraine has had a significant deficit, which is covered by borrowing. This led to an increase in public debt and increased the country's financial dependence on external creditors.

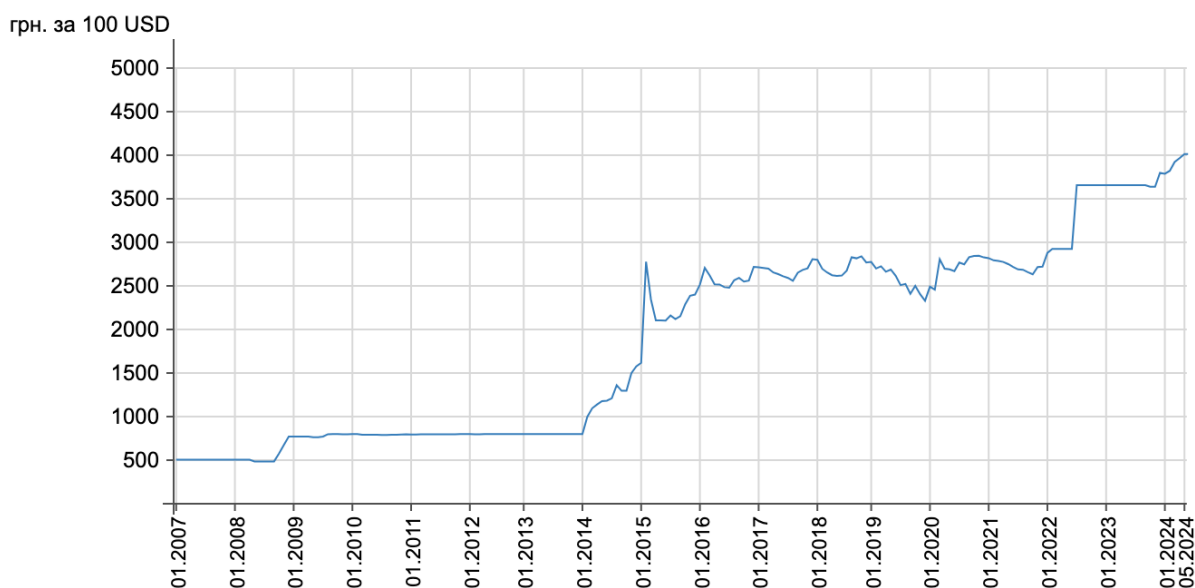


Figure 1. The dynamics of the exchange rate of the US dollar against the hryvnia according to the data of the National Bank of Ukraine in 2007-2024.

Having considered the causes of the financial crisis, it is worth proceeding to the analysis of their consequences, which are terrible and impressive for our country.

1. A decrease in the standard of living of the population

Devaluation of the hryvnia and inflation led to a significant increase in the prices of goods and services.

According to the National Bank of Ukraine, annual inflation at the end of 2021 was 10%, and in February 2022 it accelerated to 10.7%. In December 2022, the indicator in annual terms reached 26.6% and began to slow down – in May of this year, inflation was 15.3% after 17.9% in April 2023.

According to the results of 2021, the nominal GDP of Ukraine amounted to 5 trillion 460 billion UAH, and at the end of 2022 – 4 trillion 825 billion UAH.

The national debt at the end of December 2021 amounted to UAH 2,362.49 billion, at the end of 2022 it was UAH 4,072.45 billion. As of the end of May 2023, the figure was UAH 4,597.43 billion.

This year, the amount of international reserves reached a record level for the entire history of Ukraine's independence – 38,999.5 million dollars. USA as of the beginning of July 2023, as in June it increased by 4.5% from the previous value. At the beginning of 2022, the figure was 30,940.9 million dollars. USA. [3]

This led to a decrease in the real income of the population, a deterioration in purchasing power and a general decrease in the standard of living.

Also, in recent years, real wages have decreased in many sectors of the economy. This has negatively affected people's well-being, increasing poverty and limiting access to basic needs.

After all, the average salary as of February 2022 was UAH 14,133.18, the average value for 2022 was UAH 13,376.21. As of March 2023, the average salary is UAH 13,423.28.

The level of the minimum wage during the full-scale invasion also increased. From October 1, 2022, it will be UAH 6,700 after UAH 6,500.

Pensions continue to be indexed: the minimum pension is UAH 2,093 after UAH 2,027. In general, for 2022, the amount of the pension increased by 8.2% (from UAH 1,934).

In June 2023, the number of officially registered unemployed people reached a historical low of 119,200 people. For the most part, this is related to the mobilization, resettlement of Ukrainians, and the stay of Ukrainian citizens in the temporarily occupied territories. As of February 2022, the number of unemployed was more than 315,000 [3].

Another consequence was that the government was forced to cut some social benefits and welfare programs to reduce the budget deficit. This had a negative impact on the most vulnerable sections of the population, such as pensioners, the disabled and large families.

The economic downturn led to an increase in unemployment. Many people have lost their jobs due to business closures or downsizing. This caused social problems, poverty and a decline in living standards.

According to official statistics, as of January 1, 2023, 186,500 people were unemployed, with 21,200 job vacancies. Accordingly, almost nine officially registered job seekers applied for one vacant position.

At the same time, the number of officially registered unemployed people decreased as a result of the deregistra-

tion of those who migrated abroad and were mobilized into the ranks of the Armed Forces. The given statistics also do not take into account persons who are in the temporarily occupied territories. In addition, not all unemployed are registered with the state employment service.

According to the estimates of the Ministry of Economy, at the beginning of 2023, the number of unemployed people was 2.6 million people, and according to the estimates of the NBU – about 4.2 – 4.8 million people [4].

Another consequence is that declining living standards and social instability can lead to an increase in crime. People who have lost their jobs or do not have sufficient income may resort to illegal means of earning.

Falling living standards and falling incomes have led to an increase in poverty. More and more people are unable to meet their basic needs, such as food, shelter and clothing. The financial crisis has deepened the inequality in society. The rich people became even richer, and the poor – even poorer. This led to social injustice and increased social tension.

The unstable economic situation and military operations in the country have a negative impact on the business climate. Entrepreneurs are faced with high interest rates, inflation, currency volatility, the threat of business decline, and other problems that make it difficult to do business. The government can resort to increased regulation and bureaucratization of the economy to try to bring the situation under control. This can make it even more difficult for entrepreneurs to do business.

A decrease in investment in infrastructure led to its degradation. Roads, bridges, buildings and other infrastructure facilities need repair and renewal.

The government does not have enough funds to finance infrastructure projects. This leads to the deterioration of infrastructure and negatively affects people's lives. But the most destruction of infrastructure is caused by the aggressor country, which since 2022 has been steadily causing significant damage to both critical and private facilities.

Regarding the measures to eliminate the financial crisis in our country, we will highlight the following points:

Stabilization of the political and economic situation. The most important and most important step towards the stabilization of the political and economic situation in Ukraine is the cessation of hostilities outside the territory of our country. This will help to restore peaceful life, start reconstruction of destroyed areas and stimulate economic growth.

The next step is the implementation of reforms and the fight against corruption. To stimulate economic growth and improve the investment climate in Ukraine, it is necessary to carry out a number of economic reforms. For example, simplifying the tax system and reducing the number will make doing business more transparent and attractive. Providing tax incentives to investors, small and medium-sized businesses, as well as export-oriented enterprises can stimulate economic growth and job creation. Strengthening control over compliance with tax legislation and introducing tougher sanctions for tax evasion can increase revenues to the budget.

Simplifying procedures for obtaining permits and licenses, as well as reducing bureaucratic barriers to doing business, can stimulate private initiative and investment activity. Reducing the influence of monopolies on the market can lead to lower prices, higher quality of goods and services, and stimulation of competition. Privatization of

inefficient state-owned enterprises can improve their productivity and make them more competitive. Fighting corruption, protecting property rights and ensuring an impartial judiciary can increase trust in government and attract investment.

Restoration of economic growth. Ensuring the rule of law, fighting corruption, protecting property rights and creating a favourable business environment can stimulate investment in the Ukrainian economy.

Providing tax benefits to investors who invest in priority sectors of the economy will stimulate the development of these sectors and the creation of new jobs.

Conducting transparent and competitive privatization of state-owned enterprises can attract private investment and increase the efficiency of these enterprises.

Providing small and medium-sized enterprises with loans and grants on favorable terms can help them develop their business and create new jobs.

Social support of the population. Raising the minimum living wage to a level that allows people to meet their basic needs can help reduce poverty and inequality. Currently, starting in 2024, it amounts to UAH 3,028 for able-bodied persons, UAH 2,563 for children under the age of six, UAH 3,196 for children aged six to eighteen, and UAH 2,361 for persons who have lost their ability to work.

Equally important is the increase in pensions, because pensioners are one of the most vulnerable segments of the population. From January 1, 2024, the minimum pension in Ukraine increased from UAH 2,093 to UAH 2,361, the maximum – from UAH 20,930 to UAH 23,610.

Also, providing free and quality education to all children can help them gain the knowledge and skills they need to succeed in life.

Improving access to health care for all people, regardless of their income, can help them stay healthy and productive.

Providing help and support to people with disabilities can help them live full lives and participate in society. At

a minimum, create conditions for the availability of buildings, transport and other infrastructure facilities. In addition, provide opportunities for people with disabilities to communicate with other people, for example, using sign language interpreters or special software.

Conclusions. Overcoming the financial crisis in Ukraine will take time and considerable effort. There are no quick and easy solutions, and the recovery process will be complex and long.

It is important that all stakeholders – government, business and civil society – work together to achieve a common goal. The state should create a favorable investment climate, implement economic reforms and fight corruption. Business must invest in the economy and create new jobs. Civil society must control the government and promote democratic values.

Despite the challenges, Ukraine has the potential to overcome the crisis and build a prosperous economy. The country has a skilled workforce, rich natural resources and an advantageous geographical location. If the right political and economic decisions are made, Ukraine can become one of the fastest growing economies in the world.

So, from all of the above, in order to overcome the financial crisis in Ukraine, it is necessary to: Stabilize the political and economic situation: this includes ending the war in the country, carrying out reforms and fighting corruption; Restore economic growth: this can be achieved by stimulating investment, supporting small and medium-sized enterprises and developing exports; Improve social support of the population: this includes increasing social benefits, creating jobs and improving access to education and health care; Attract support from the international community: it can be provided in the form of financial assistance, investment, technical assistance and expert advice.

Overcoming the financial crisis is not easy, but it is possible. Thanks to the joint efforts of the government, business and civil society, Ukraine can overcome this crisis and build a better future for its citizens.

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