GLOBALIZATION AND INTEGRATION PROCESSES

The study substantiates the reason for the destabilization of the regional development processes in Ukraine after the armed attack of the Russian federation. The problems faced by Ukraine’s economy during the invasion are identified. Losses and expenses incurred by business, financial and economic activities of economic entities during the studied period of the full-scale invasion of the Russian federation are analyzed and illustrated. Ways to restore the activities of economic entities are suggested.

Keywords: economy, business entities, financial and economic activity, negative influence, losses, martial law, economic activity of business, economic recovery.

Introduction. Today Ukraine as an independent country made after the USSR split, suffers from military invasion by the Russian federation. It encroaches on territorial integrity, independence, the right of the Ukrainian nation to exist as the one that has its own language and cultural heritage, as well as on the freedom of the Ukrainian people and the significant number of human rights and fundamental freedoms enshrined in the Convention for the Protection of Human Rights. The outlined problem is of a very serious nature because the degree of suffering of Ukraine’s economy due to the reduction or termination of the financial and economic activity of domestic enterprises will, in the end, have a negative impact not only on the social sphere of Ukraine but also on neighboring countries that consume our products.

Literature review. A number of domestic scientists and experts have devoted their publications to the economic problems that arose from the beginning of the Russian-Ukrainian war. V. Borschchevsky, I. Kuropas, O. Bilots, O. Bilotserkivets, V. Blyznyuk, V. Geets, Y. Zhalilo, S. Korablin, L. Kuznetsova, L. Matrosova, M. Orest, V. Datsenko, A. Reun, etc have contributed much to the issue.

The purpose of the study is to provide generalized information on the analysis of the economic situation in Ukraine under martial law during the research period as well as identify negative effects on the financial and economic activity of domestic economic entities and determine the main directions for its recovery.

Results and discussion. The destabilization of regional development processes was caused by the war unleashed by the Russian federation back on Ukrainian territories in 2014, such as the occupation of Crimea, and hostilities in certain regions of Donbas and Luhansk oblast. It was then that the economic decline began due to the loss of control over the part of the territory and its economic potential. Over the past eight years, Ukraine’s economy and its society in general have become accustomed to the hybrid
warfare. It has become a significant factor in changes in the spatial development model of Ukraine resulting in increased deindustrialization and aggregation of production and exports (in particular due to low-margin agricultural products), loss of technological and innovative potential of the regions of Ukraine [1]. Moreover, there was a clear territorial shift of the processes of economic and investment activity in our country to the western borders. Regions that used to concentrate industrial potential and fill about a third of the country’s GDP found themselves on the sidelines of the competition. Donets’k and Luhans’k regions lost a significant part of the territory during the russian armed aggression. Dnipro, Kharkiv and Zaporizhzhia oblast gradually lost competitiveness in the industry and were unable to create a favourable business environment and effective financial and economic functioning of business entities. At the same time, there have been minor positive dynamics in recent years. In particular, new regional leaders in terms of growth rates of economic potential have appeared – Zhytomyr oblast (+30% over the last decade), Vinnytsia oblast (29%), Kirovohrad oblast (21%), Ternopil oblast (19%), the increase of which is due to the development and effective activity of business entities in the agro-industrial complex [5].

The open military attack of the russian federation with the support of the Republic of Belarus on February 24, 2022 poses significant challenges, threats and problems for the existence of Ukraine as an independent state, and the lack of positive and effective financial and economic activity of business entities in all sectors that have already suffered the following losses [4]:

– significant losses of human potential: on the one hand, we are talking about civilian casualties; on the other hand, military casualties. We cannot but mention refugees including those who are working age. More than 4 million able-bodied people were forced to flee their homes seeking safety. From 1.5 to 3 million people have the opportunity not to return to their homeland due to EU special programs. About 6.5 million people were forced to displace internally;

– termination of financial activities of economic entities among small and medium businesses and closure of large enterprises, destruction of critical infrastructure and housing;

– reduction in the volumes of key export positions caused by the closure of a number of business entities that are strategic for domestic exports, and a significant reduction in production;

– continuing threat to energy and food security in Ukraine;

– decrease in economic activity of most business entities causing fiscal and budget deficits, as well as extremely high risks that reduce the probability of private investment to zero in the coming years;

– loss of tax revenues of the state and local budgets inevitably leading to budget imbalances, reduction or loss of incomes of employees of the budget sector.

The full-scale war unleashed by the russian federation against Ukraine caused a significant crisis in the activities of most domestic economic entities. In the first months of the war, more than 40% of enterprises did not work, thousands of people lost their sources of income. In general, due to the invasion of russia, Ukraine has lost from 5 to 7 million jobs. The military aggression of the rf has destroyed the infrastructure of Ukraine dramatically, and thus caused a catastrophic drop in production in almost all types of economic activity. According to the results of the first quarter of 2022, industry reduced production by 34%, construction – by 47%, mining and metallurgical complex – by 53%. The GDP is minus 15.1%, and the projected drop by the end of 2022 is expected to reach 35%. Many industrial facilities have been damaged by missile attacks and lost part of their assets, while some are completely destroyed. The list of industrial facilities that lost their assets as of April 2022 is presented in Table 1.

According to the Ministry of Economy of Ukraine, only in the first month of the war, the losses of domestic enterprises are estimated at 80 billion USD. According to the data of the National Bank of Ukraine, in the period of war, the economy of our country loses more than 1.7 billion US dollars or 50 billion hryvnias per each week of hostilities. Advanter Group analysts estimate the direct current losses of small and medium-sized businesses in the first two weeks of the war at 30-60 billion USD.

The table shows that the Mariupol Metallurgical Plant, the oldest enterprise that came under massive shelling by the russian army, incurred the biggest losses. The enterprise was the largest producer of galvanized cold-rolled sheet in Ukraine, which is used in construction and the automotive industry, and its capacity allowed the production of convertible steel and agglomerate. The plant was an important Ukrainian exporter; its products were supplied to the USA, Italy, Poland and Turkey.
Table 1 – Industrial facilities that had lost their assets as of April 2022 [4]

<table>
<thead>
<tr>
<th>Entity</th>
<th>Location</th>
<th>Industry Sector</th>
<th>Assets, million USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illich Iron &amp; Steel Works</td>
<td>Mariupol (Donetsk oblast)</td>
<td>Metallurgy</td>
<td>1893</td>
</tr>
<tr>
<td>Azovstal</td>
<td>Mariupol (Donetsk oblast)</td>
<td>Metallurgy</td>
<td>1444</td>
</tr>
<tr>
<td>Ukrainian Energy Machines</td>
<td>Kharkiv</td>
<td>Heavy industry</td>
<td>417</td>
</tr>
<tr>
<td>Kremenchuk Oil Refinery</td>
<td>Kremenchuk (Poltava oblast)</td>
<td>Oil Refinery</td>
<td>374</td>
</tr>
<tr>
<td>Odesa Oil Refinery</td>
<td>Odesa</td>
<td>Oil Refinery</td>
<td>171</td>
</tr>
<tr>
<td>Zorya Mashproekt</td>
<td>Mykolaiv</td>
<td>Heavy industry</td>
<td>137</td>
</tr>
<tr>
<td>Malyshev Factory</td>
<td>Kharkiv</td>
<td>Defence industry</td>
<td>101</td>
</tr>
</tbody>
</table>

It provided with agglomerate the other largest enterprise, which was also affected by the attacks of the Russian army—Azovstal. It is one of the largest steel and cast iron enterprises in Europe, as well as the only producer of wide railway tracks and rail fasteners in Ukraine. From the very beginning of the war, the enterprise was in the mode of hot conservation. More than 20,000 people lost their jobs because the financial and economic activity of these two large enterprises were stopped. In general, all the listed enterprises suffered in the first month and a half of the war. Therefore, as a result of a decrease in business activity in all areas of business, the reduction of domestic GDP by the end of 2022 may amount to 21% [6].

According to the research data of Advanter Group consulting company, in Ukraine as of August 13, 2022 p. almost 86.5% of small and medium-sized enterprises were non-functional, 5.8% of enterprises worked partially, 5.85% of enterprises reduced their turnover, and only at 1.9% of the enterprises the volume of business practically did not change. Research conducted by the same company over a month of combat operations confirmed the activation of the adaptation process of small and the medium-sized business before the war. The number of non-functioning enterprises had decreased up to almost 56%; however, the total number of enterprises partially restoring their functioning had increased more than 3 times (up to 19.1%), a part of enterprises had increased the scope of work – 8.5% (3.8% of them by more than +40%) (Fig. 1) [7].

![Figure 1](image_url)  
*Figure 1 – The state of business activity in Ukraine during the period of hostilities as of August 13, 2022 and September 13, 2022

The assessment of the losses of Ukraine’s economy as of September 5, 2022 is that the total amount of direct losses incurred by Ukraine as of this date had amounted to 114.5 billion dollars, with respect to indirect losses – 130.4 billion dollars. Today, the figures of the losses have already exceeded these...
data. Negative trends have continued to be observed in economy since October 2022. According to the agency’s estimates, widespread power outages caused by Russia’s missile attacks are the main reason why production in October went down by another 39% (after a 35% decline in August-September). Power outages that continue in November-December will add up to 1-2% of the total additional losses of the economy. GDP, which may lead to a shift in the estimate of GDP reduction in 2022 from about 1/3 to 35%. According to the Government’s estimates, at present the total amount of money for economic recovery and modernization is 750 billion dollars.

Unfortunately, Ukraine does not have such financial resources to satisfy this need quickly, especially since the terms for recovery are very short and with each day and each subsequent destruction by the aggressor country, this amount will increase. Therefore, to solve this challenge, Ukraine still relies on international technical and financial assistance.

As of today, in the conditions of the ongoing war, Ukraine receives multilateral support from the G7 countries and the EU, in terms of finance and security. Thus, the total volume of bilateral commitments of multilateral support and EU-level support provided to Ukraine by the governments of the EU and G7 countries amounts to tens of billions of dollars, which help support the economy and social obligations of the state. The share of the USA accounts for more than 43% of the total amount, as well as the EU countries and the European Commission have allocated tens of billions (not all funds have been deposited to Ukraine's accounts yet according to the data reported in the media). Multilateral support, the total volume of which is 4.32 billion euro, was also provided to Ukraine by Canada, Great Britain and Japan [8].

Official data presented by the government of Ukraine indicate that the Ukrainian economy has almost been destroyed, but in the vast majority this applies to the war zone and the cities located near them, in particular: Kherson, Kharkiv, Dnipro, Kryvyi Rih, Donetsk, Luhansk etc. However, domestic economy is gradually recovering by changing production cities, transporting equipment to safe territories. The export of agricultural products also has an important impact on stabilizing the exchange rate and preserving jobs (plus food security).

The main indicator of the economy is the drop in exports and imports, which affects the already destroyed economy of our country, lack of production of a significant majority of economic entities that form GDP. The change of the export and import of goods in Ukraine over the last 9 months of 2022 compared to 2021 is shown in Figures 2 and 3 [10].

![Figure 2 – Foreign trade in goods as of January-September 2022 (Export, USD). *built by the author based on State Statistics Committee data [10].](image-url)
Over 9 months of 2022 export of goods has amounted to 33,065.5 million USD, or 68.6% compared to 9 months of 2021, import – 38,484.2 million dollars, or 76.3%. The negative balance has amounted to 5,418.7 million dollars (over 9 months of 2021, it is also negative – 2,264.0 million dollars). The export-import coverage ratio was 0.86 (over 9 months of 2021 – 0.96).

Figure 3 – Foreign trade in goods as of January-September 2022 (Import, USD)

*built by the author based on State Statistics Committee data [10].

In total, on February 24, the UN registered about 12 million border crossings from Ukraine. Poland has become the leader in receiving Ukrainian refugees in the EU. However, about 5 million of them have already returned home from EU countries. President of the European Commission Ursula von der Leyen announced this during a joint briefing with the President of Ukraine Volodymyr Zelenskyi in Kyiv [9].

If the energy situation does not deteriorate dramatically, such positive trends will continue. Of course, labor force movements also significantly affect economic processes in Ukraine, but they are stabilizing. It is necessary to note that the Ministry of Economy, based on the results of the first three quarters of 2022, has estimated a drop in Ukraine’s GDP at the level of 30%. Calculations were made using indirect calculation methods and modeling tools. This was reported in the press service of the Ministry of Ukraine [7].

Among the negative factors affecting economy in 2022, the weather and the actions of the occupiers stand out. Due to protracted rains in some regions in September, the rate of harvesting grain crops slowed down, which negatively affected the volume of harvested products.

In addition, the unstable operation and periodic disconnections of the occupied Zaporizhzhia Nuclear Power Plant from the Energy System of Ukraine made it necessary to redistribute the load among other participants in the system, which exerted significant pressure on the entire Ukrainian Energy System.

The aggressor purposefully continues to terrorize the population of Ukraine by destroying energy supply systems. Since the beginning of the full-scale invasion of the russian federation, the Ukrainian energy system has been subjected to massive shelling eight times. Regular and emergency power outages schedules are applied throughout Ukraine, which significantly affects the efficiency of business entities.

In addition, the enemy continues to shell Ukrainian territory, which puts pressure on the negative and pessimistic mood of business and logistics.
According to the estimates of the Ministry of Economy of Ukraine, the situation is still quite difficult and tense, but controlled, which is reflected in the behavior and activity of economic agents, who, with the support of the Government, continue to demonstrate high adaptability.

Since the strategic advantage in the war with the Russian Federation currently belongs to our country, Ukraine continues to make payments on the national debt in order to avoid, first of all, default. Therefore, the answer to all these negative factors destabilizing Ukraine’s economy is very simple – to make maximum efforts to restore the work of domestic business in all possible forms. We should not rely only on Western support, because everything depends on us. That is why, it is necessary to identify and form a clear state and civil position that will help launch the algorithm of effective stabilization and recovery of our economy.

Conclusions. Thus, the war on the territory of Ukraine, caused by military aggression on the part of the Russian Federation, entails considerable heavy losses, the Ukrainian society and the countries dependent on the Ukrainian production industry will feel their consequences. Recovery takes time, but it must be launched now. For example, ideas for rebuilding destroyed villages and towns should be developed, taking into account modern standards of energy efficiency and environmental friendliness. In addition, not to lose human capital, the temporarily displaced should be involved as much as possible in remote work at domestic enterprises. The solution of the vast majority of serious post-war problems of the citizens of our country should be mainly due to the stimulation of their self-employment, including the reduction of the tax burden on labor, and the introduction of an effective mechanism of public work. These factors will create prerequisites for the growth of citizens’ incomes, the reduction of their unemployment and employment in the legal sector of the economy. When restoring production, first of all, it is necessary to restore agricultural products and the extractive industry as quickly as possible to feed the population and have the opportunity to trade internationally with other countries as before, replenishing the budget for the rapid reconstruction of the destroyed infrastructure and the restoration of Ukraine’s GDP.

So, in the nearest future, Ukraine will face stabilization and recovery of its economy. However, today the government needs to make a managerial decision about what kind of economy to build after the war. The correct definition of the types of economic activity that will lead to improvements, and the choice of the most acceptable trajectory of their development are of vital importance.

It is quite difficult to determine further economic development at the moment, due to the uncertainty regarding the terms of the end of the war. The war continues, and with each passing day, infrastructure destructions worsen, increasing the need for time and money to restore it.

For the further development of Ukraine’s economy, at least two directions can be identified, the difference mainly depends on the term of the end of the war. The war could end in the early summer of 2023, or it could last until the end of 2023. These differences will determine the amount of reconstruction work and the timing of the start of full-scale projects.

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АНАЛІЗ ЕКОНОМІЧНОЇ СИТУАЦІЇ ПІД ЧАС ВІЙСЬКОВОГО СТАНУ УКРАЇНИ ТА ВІПЛИВ ФАКТОРІВ НА ФІНАНСОВУ ДІЯЛЬНІСТЬ СУБ’ЄКТІВ ГОСПОДАРЮВАНЯ

Проблема. Україна потерпала від військових посягань з боку російської федерації на територіальну цілісність, незалежність, та право існування української нації, руйнує річну інфраструктуру країни та завдає великих збитків економіці України. Окрема проблема носить вельми вагомий характер, адже ступінь потрощення української економіки через зменшення чи припинення фінансового - господарської діяльності вітчизняних суб’єктів господарювання, в кінці кінців негативно впливатиме не лише на соціальну сферу безпосередньо самої України, а й на країн-сусідів, які є споживачами нашої продукції.

Метою статті є аналіз економічної ситуації під час війни в Україні за досліджувальний період, виявлення негативних впливів на фінансово-господарську діяльність вітчизняних суб’єктів господарювання та визначення основних напрямів її відновлення.

Результати. У дослідженні обґрунтовано причину дестабілізації процесів регіонального розвитку України після збройного нападу російської федерації. Виявлені проблеми з якими зткнулася економіка України під час вторгнення на її територію іншої країни. Проаналізовано та показано яких збитків та витрат поніс бізнес та фінансово-господарська діяльність суб’єктів господарювання за досліджувані часи новонамащабного вторгнення російської федерації. Запропоновано шляхи для відновлення діяльності суб’єктів господарювання при цій негативній ситуації в країні.

Наукова новизна. Зупинка чи збої в роботі більшості підприємств (суб’єктів господарювання) продовж активних бойових дій на території більшості міст, через пошкодження або знищення цілих заводів та об’єктів інфраструктури створили величезний дефіцит в українському бюджеті. Це, напевно, перший раз від отримання статусу суверенної держави Україна стикається з таким різким та швидким дефіцитом свого бюджету в насиплі розв’язаної війни. З огляду на це новизна наукового опрацювання даної проблематики базується на важливості дослідження широкого спектру завдань, що постають перед Україною у повоєнний час, оскільки війна все ще триває, та по її завершенню.

Висновки. З’ясовано, що ситуація, яка була спричинена військовою агресією проти України, тягне за собою необхідні тяжкі втрати в економіці, наслідки від яких відчуваються як українським суспільством так і залежними від української виробничої галузі іншими країнами. Україні потрібен час, але починати щось робити для відновлення цього становища необхідно вже зараз. Тобто мають розроблятись ідеї відбудови зруйнованої інфраструктури країні, з урахуванням сучасних стандартів енергоефективності та екологічності. Окрім того, потрібно залучати внутрішньо-переміщених осіб до дистанційної роботи на вітчизняних підприємствах щоб відновити людський капітал України. Вирішення більшості тяжких післявоєнних проблем громадян нашої держави має відбуватися за рахунок стимулювання їх самозайнятості, та впровадження дієвого механізму громадських робіт. Встановлено, що в першу чергу потрібно чим швидше відновити виробництво сільськогосподарської продукції задля недопущення голоду серед населення та можливість знову в нормальному темпі вести торгівлю з іншими країнами задля поповнення бюджету нашої країни, а також чим швидше відновити всі зруйновані об’єкти промисловості для стабілізації ВВП.

Ключові слова: економіка, суб’єкти господарювання, фінансово - господарська діяльність, негативний вплив, втрати, збитки, військовий стан, економічна активність бізнесу, відновлення економіки.

Одержано редакцією: 12.10.2022
Прийнято до публікації: 12.12.2022