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CONTEMPORARY TRENDS IN THE BUSINESS ENVIRONMENT IN UKRAINE

The article examines the impact of external and internal factors on the macroeconomic situation and business environment in Ukraine. It discusses the peculiarities of the business environment's reaction to unstable conditions, including the presence of financial reserves in companies, cost optimization, and management strategies. The influence of war on the demand and supply of services, changes in the economic structure, and new requirements for businesses are analyzed in detail. The size and basic characteristics of economic sectors are studied, and factors affecting business efficiency in Ukraine are identified. The article focuses on determining the interrelations between the development of the business environment and economic processes in Ukraine. It reviews the specificities of Ukraine's macroeconomic situation during wartime and the impact of external and internal factors on economic development. Moreover, key macroeconomic indicators are analyzed based on statistical data, and a detailed study is conducted on how full-scale war affects Ukraine's economy. The reaction of the business environment to unstable conditions, including the availability of financial reserves in companies, cost optimization, and management strategies, is also analyzed. Special attention is paid to the impact of war on demand and supply. The segments of the economy most affected by the war are examined, as well as changes in the economic structure. The size and basic characteristics of the economy are analyzed, and trends in development and factors influencing its efficiency are identified. Various methods are used in the study, including analysis of statistical data, expert surveys, and comparative analysis with macroeconomic indicators. In particular, the research is oriented towards determining the interrelations between the influence of external factors and economic processes in Ukraine. Based on the obtained data, regularities of economic development in Ukraine are formed, and a forecast for the economy's development in 2024 is constructed. The conclusions of the study may be useful for professionals interested in Ukraine's macroeconomic processes, as well as for businesses and government structures involved in strategic planning.

Keywords*: business environment, financial reserves, cost optimization, management strategies, economic structure, economic sectors, economic development trends, economic efficiency, macroeconomic indicators.*

Problem statement. Over the past few years, Ukraine has been facing complex and unpredictable challenges, which include both global (such as the coronavirus pandemic, rapid technological advancements that are deepening the gap between highly technologically developed countries and less developed ones, and the extraordinary growth of information) and internal factors (full-scale war). These challenges significantly complicate the conditions for business operations, applying devastating blows to individual businesses. According to some estimates, in just one month of war, domestic businesses have lost more than in two years of the pandemic. This raises a necessity for an innovative approach to making well-founded, sometimes unconventional management decisions. Unfortunately, the war continues, and Ukrainian businesses need to address a range of completely new issues they were not prepared for before. Specifically, how to find ways and tools for survival during the war, during growing resource deficits and possible loss of key assets, and even achieving success in extremely challenging conditions.

In this context, a critical need for a thorough analysis of the key macroeconomic indicators is risen to identify the main trends in the transformation of the country's economy and uncover the primary factors influencing domestic businesses, which are constantly changing.

Analysis of recent research and publications. Studies on the analysis of the socio-economic situation and macroeconomic indicators of Ukraine and their impact on business development have been the focus of works of domestic scholars, including: Samoiluk M. [1], Kalenska V.P. [5], Zolotova O., Ivanova V., Simak D., Kudinov O., Slavuta O. [12] and many others. In particular, researchers such as Dlyhach A. [9], and Yarosh-Dmytrenko L. [7] have dedicated their works to studying the risks and threats faced by enterprises in times of turbulence, including full-scale aggression against Ukraine. These issues have also been the subject of research by various international and domestic institutions.

Identification of previously unresolved parts of the general problem. While acknowledging the contributions of existing research, it should be noted that there is relatively little research in Ukrainian scientific literature analyzing the socio-economic situation of Ukraine during wartime and its impact on the development of Ukrainian businesses. However, it is important to consider that there are no universal approaches in times of war, thus the importance of addressing threats and exploring qualitatively new opportunities for transforming the market business environment is an emphasis. Therefore, this topic remains relevant and requires further development. The need for in-depth research on these issues underscores the relevance of this article.

Article objective. The aim of the research is to illuminate contemporary macroeconomic trends in Ukraine, particularly analyzing the factors influencing business operations in time of modern challenges.

Research methodology. To achieve the stated objectives, the following methods are employed in the work: analysis and synthesis - this method is utilized for analyzing statistical data, reports from consulting firms, conducting interviews with industry experts, etc., gathering and synthesizing information about the macroeconomic situation, economic volume, structure, dynamics, and key indicators; comparison - this method is employed to identify differences in economic development during the period of full-scale war and before it; forecasting - this involves forming forecasts for the further development of macroeconomic indicators in 2024.

Research results. Over the past years, Ukraine has tirelessly defended its independence and territorial integrity, bearing unprecedented losses. Moreover, the losses incurred as a result of the war are not limited to direct material losses. They also include losses of income and opportunities, restrictions on development and prospects [1], as well as social, political, and environmental losses, etc.

In addition to the obvious direct financial losses, further military actions could lead to deep economic recession, inflation growth, and worsening of the overall financial situation in the country. Instability in the domestic market undermines investor and consumer confidence, disrupts supply chains, and negatively impacts the long-term productivity of businesses and the country as a whole, business investment attractiveness, tourism, and tax revenues.

The armed aggression has deepened threats and challenges to Ukraine's economic sovereignty: violation of its economic and customs space, expropriation of property, destruction of national critical infrastructure, and the use of economic dependency for political influence, thus creating barriers to sustainable development. It is difficult to assess the losses from this military aggression, as not all of them can be evaluated solely in monetary terms.

The war has significantly "undermined" Ukraine's economy. Nearly a third of its territory has become temporarily occupied, radically altering the country's economic geography. Almost 20% of Ukrainian companies have faced the necessity of relocation: some have relocated employees (especially in the IT sector), while others have moved production or individual departments.

In the beginning of the full-scale invasion, it was expected that Ukraine would lose half of its GDP. However, due to unprecedented financial assistance from allied countries, increased government spending, and the liberation of certain territories, the decline in GDP was reduced from the expected -50% to "only" -29% [2].

In addition to the direct combat actions and traditional Ukrainian business environment issues, three new obstacles have emerged in the path of Ukrainian economy recovery:

– logistic blockade. The blockade of Ukrainian sea ports has led to a 35% reduction in export volumes. Ukraine will need over $5 billion of investments to expand export routes and prepare and adapt infrastructure to at least restore previous export volumes.

– negative demographic trend (reduction in employed population due to forced migration). According to official data, over 5 million Ukrainians have become forced migrants due to the war. The actual numbers may be even higher. This constitutes a loss of workforce, experienced and skilled personnel that are a must for business operation and development, as well as for the recovery and growth of Ukraine's economy.

– destruction of the energy system, which has significantly affected the course of business processes.

In aggregate, the aforementioned factors have led to a decrease in domestic consumption, which is a significant factor for GDP in modern economies, and through currency operations of migrants, an additional pressure has been created for the exchange rate of the national currency.

Understanding and forecasting business development trends critically depend on understanding the macroeconomic situation. In this context, it should be noted that in 2022, Ukraine's GDP declined by 30.3% (Fig. 1). In 2023, the Ukrainian economy remained critically dependent on international financial assistance, receiving over $32 billion in international aid, of which over $14 billion were grants. Thanks to this, it was possible to finance a significant portion

of the consolidated budget deficit (over 27% of GDP excluding grants), and by the end of the year, international reserves had increased to $28.5 billion [2].

At the end of 2022, inflation in Ukraine remained lower than official forecasts - 26.6% (calculated December 2022 to December of the previous year) and 20.2% on average for 2022 (calculated 2022 to 2021) (Fig. 2). The main factors contributing to inflation in 2022 were the impacts of rapid and unexpected supply shocks due to physical destruction, as well as migration and consequent labor force reduction. Anti-inflationary factors included shock-induced reduced demand due to migration processes, adaptive reactions of entities at the micro level, swift countermeasures of the Government to support supply of essential goods and services, and maintaining relatively stable exchange rates by the National Bank of Ukraine [2].

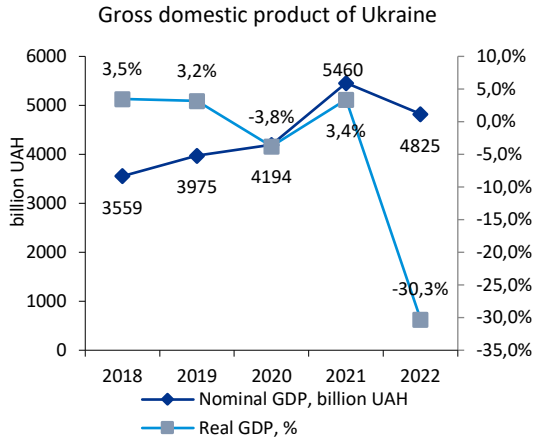


Fig. 1. Gross domestic product of Ukraine during 2018–2022

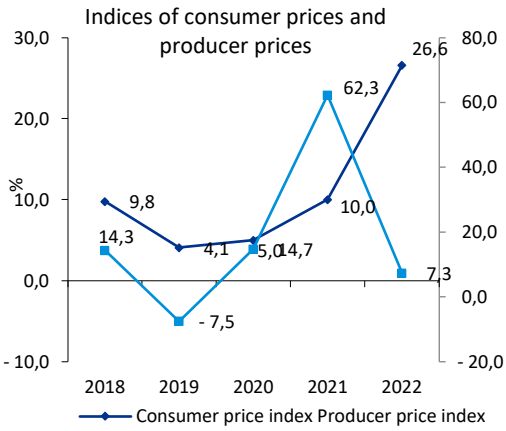


Fig. 2. Indices of consumer prices and producer prices of Ukraine during 2018-2022

Source: developed by the authors based on [2]

In 2022, the export of goods amounted to $44,148.8 million, or 64.9% compared to 2021, and import amounted to $55,273.5 million, or 75.9%. The growth (decline) rates of goods export during 2021-2022 are shown in Figure 3. The negative balance was $11,124.7 million (in 2021 it was negative as well - $4,770.8 million). The export-to-import coverage ratio was 0.80 (in 2021 - 0.93). The growth (decline) rates of goods import during 2021-2022 are shown in Figure 4. Foreign trade operations were conducted with partners from 233 countries worldwide [3].

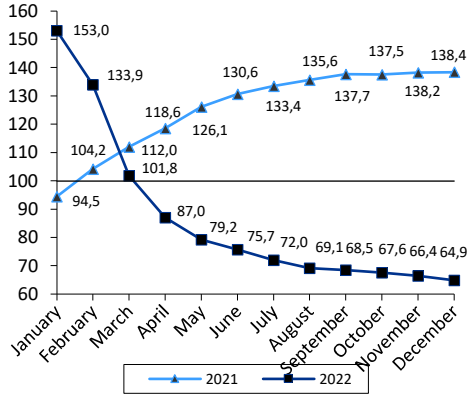


Fig. 3. The rate of growth (decrease) in the export of goods, $ bn

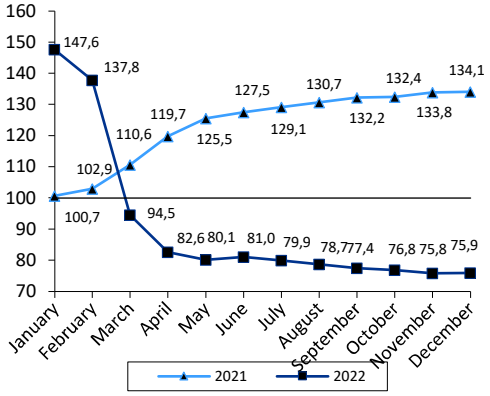


Fig. 4. Rates of growth (decrease) in the import of goods, %

Source: developed by the authors based on [3]

With the aim of returning inflation to a trajectory of stable decline, as well as maintaining

exchange rate and macrofinancial stability in conditions of high uncertainty, since June 2022, the National Bank of Ukraine (NBU) kept the discount rate at 25% (Fig. 6). The decrease in export volumes led to the forced adjustment of the fixed exchange rate of the national currency against the US dollar by 25% to 36.57 UAH/USD (Fig. 5) [3].

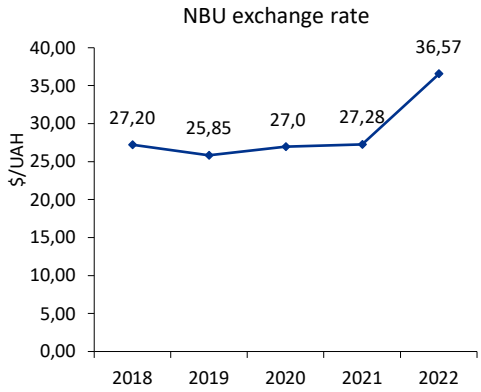


Fig. 5. NBU exchange rate during 2018-2022

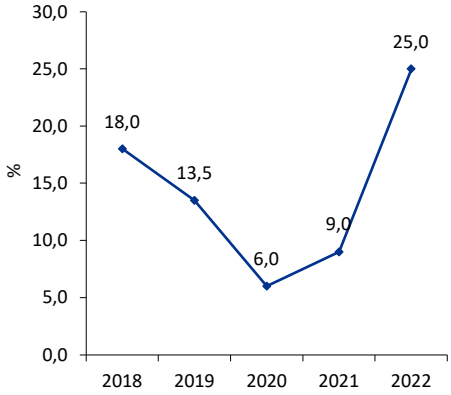


Fig. 6. The accounting rate of the NBU during 2018-2022

Source: developed by the authors based on [3]

As it is known, one of the most significant factors influencing the overall macroeconomic situation is human capital [4]. Before the full-scale invasion, the number of economically active population in Ukraine was 17.4 million people, including 8.3 million women and 9.1 million men of working age. However, the situation changed dramatically starting from 2022: almost 1 million people were mobilized to defend the country [5].

Furthermore, at the beginning of 2023, there were 4.6 million Ukrainians residing abroad, among which 3.2 million were women of working age. Additionally, 3 million people were living in temporarily occupied territories, approximately 1.3 million of whom were of working age. Therefore, with the onset of full-scale invasion, Ukraine lost access to 5.5 million working-age individuals, which represents over 30% of the total workforce [6].

The complex situation in Ukraine has been exacerbated by the change in the territorial distribution of the workforce. Out of 5.3 million internally displaced persons, 3 million are of working age [6]. According to recent data, the number of internally displaced individuals may reach 7 million, with approximately 4 million of working age. Most of them may not be able to return to their homes due to damage or destruction. However, the provided data are characterized by a significant probability due to lack of information on internal and external migration. Therefore, we can conclude that the war has radically changed the conditions and principles of the labor market, turning it into one of the most uncertain spheres.

It is also necessary to note that before the full-scale war, the labor market was steadily developing, and there was a significant balance between the number of vacancies and resumes. For instance, the average number of candidates per vacancy ranged from 1.3 to 1.6, indicating that almost everyone looking for a job could find one [7].

However, once the full-scale invasion began, the number of vacancies in all sectors of the Ukrainian economy sharply decreased to 7% of the previous level (Fig. 7). At the same time, the number of applicants per vacancy increased ten times to an average of 14.4.

The competition among job seekers reached its peak in April 2022 when the average

number of applicants per vacancy was 24.3.

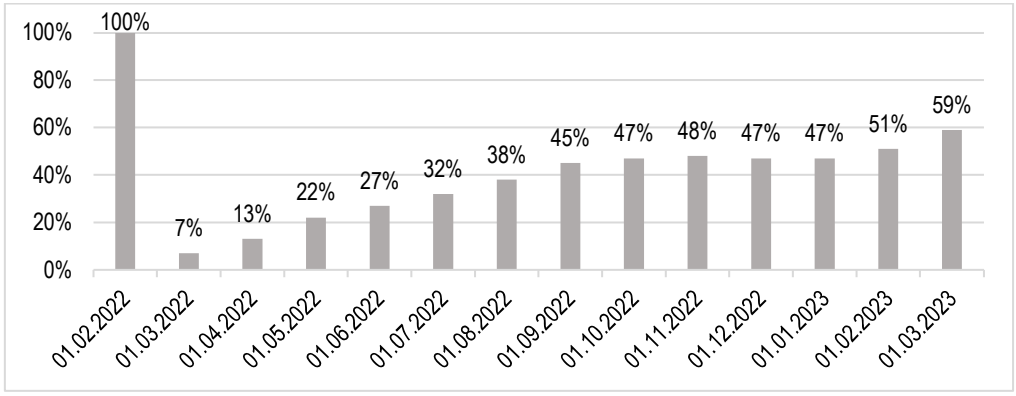


Fig. 7. The number of job vacancies in the Ukrainian market

Source: developed by the authors based on [8]

However, starting from April 2022, the labor market in Ukraine began to show signs of recovery. By the end of March 2023, the number of job vacancies had recovered by 59%. Consequently, the number of applicants per vacancy decreased to 12.6 by the end of April 2023. In early summer 2022, there were approximately 8 candidates per vacancy, and by January 2023, this number had decreased to 5.2 (Fig. 8).

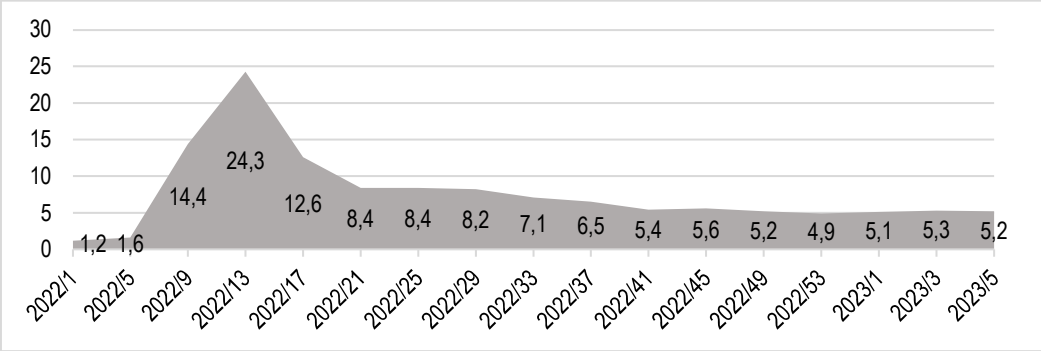


Fig. 8. The number of candidates per vacancy in the Ukrainian market weekly in 2022 and 2023

Source: developed by the authors based on [8]

All these factors significantly and contradictorily affected the functioning of Ukrainian businesses, their resources, including financial capabilities.

Medium-sized businesses suffered the most from the war. The share of such enterprises among businesses in the recovering regions and on the front lines is 52%. A large number of enterprises still remains in the combat zone or the near-front zone and cannot relocate, leading to a high risk of physical damage, labor shortages due to migration, and reduced demand in the region due to population outflow [9].

According to a survey conducted by the European Business Association in March 2022, 43% of companies had financial reserves for several months, 28% for 6 months, 17% for a year or more, while 6% reported that their financial reserves were depleted [8].

From the onset of the war, companies tried to maximize cost optimization, resorting to measures such as staff reductions, unpaid leave, suspension of labor relations under contracts, reduction in wage levels, and so on. According to a survey by the GRC.ua job portal, the number of individuals affected by reduced business activity and unemployment in Ukraine reached 52%. Respondents claim that they either receive minimum wage or have had their salaries reduced

by 30% or more [10].

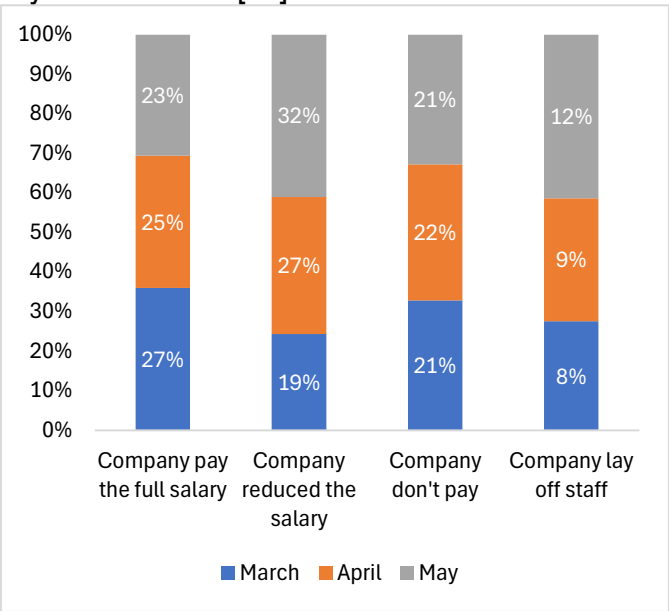


Fig. 9. Statistics of wage payments in 2022

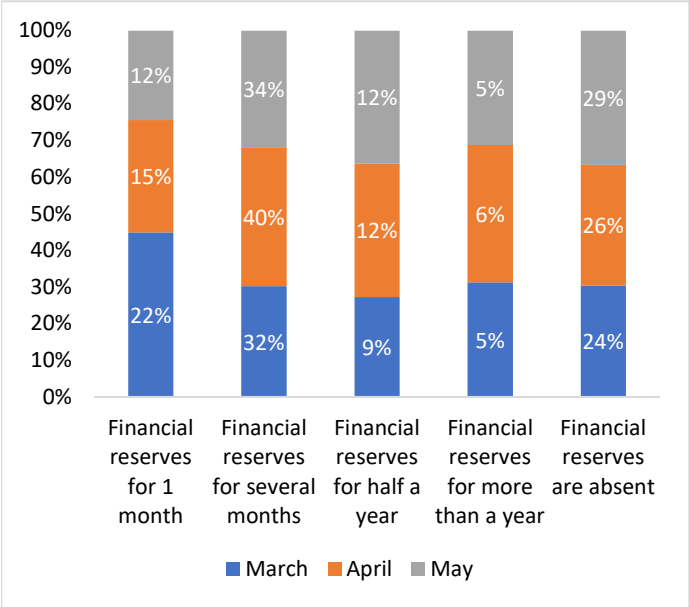


Fig. 10. Financial stability of the business throughout 2022

Source: developed by the authors based on [8]

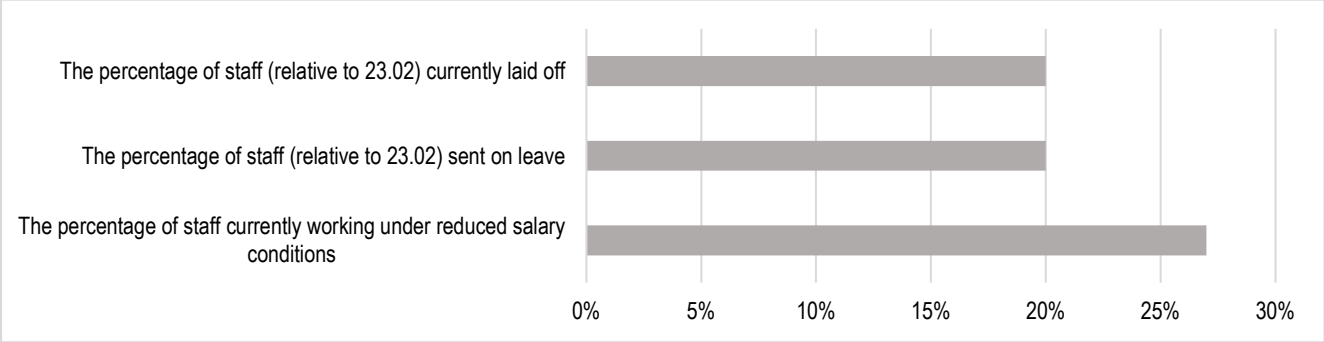


Fig. 11. The situation with personnel in the Ukrainian market in 2022.

Source: developed by the authors based on [8]

The report of the National Bank of Ukraine confirms the exhaustion of the financial capabilities of businesses, indicating that small businesses are decreasing their ability to financially support their personnel. According to the macroeconomic and monetary review of the NBU for July 2023, small and medium-sized businesses in Ukraine have reduced their workforce by 1.07 million employees. It is also noted that since the beginning of the war, the following changes have occurred in the labor market: 27% of staff are working under reduced wages, 20% have been placed on forced leave, and 20% have been laid off [11].

Thus, among the main factors that influenced the economy of Ukraine in 2022-2023, the following can be highlighted:

– temporary occupation of significant territory with significant resource and industrial potential;

– extensive level of infrastructure destruction (including energy), logistics, and production, leading to higher raw material costs, the necessity of rebuilding new trade connections and supply chains;

– increase in the cost of energy resources, transition to alternative sources of uninterrupted energy supply;

– changes in work schedules; increased attention to occupational safety, all of which lead to increased production costs;

– population migration - a significant part of the population was forced to leave their homes, including internal migration creating huge shifts in the territorial placement and structure of the labor resources' correspondence to available job positions;

– huge budget expenditures on defense and social security.

Full-scale military operations have impacted all sectors of the economy without exception. However, even in the face of active combat and daily challenges, the Ukrainian economy has already begun to show signs of recovery [12].

Given the contradictory development of the macroeconomic situation in Ukraine, we conducted a forecast modeling of key macroeconomic indicators for the results of 2024 based on the forecast values of leading analytical companies worldwide. Based on the data from leading analytical companies all over the world, the average forecast indicator was determined (table 1).

Table 1.

Forecasting the nominal growth of the consulting services market in Ukraine for 2024

Source	Real GDP, %	Nominal GDP, $ billion	Average annual exchange rate UAH/USD	NBU reserves, $ billion	Deficit of funds, $ billion
Concorde Capital	-3,0%	157,00	36,60	30,80	51,80
Dragon Capital	-0,5%	155,00	43,00	28,00	48,80
Oxford Economics	-4,6%	152,00	39,00	28,00	57,00
IER/GET	1,7%	153,00	42,00	33,00	49,80
Morgan Stanley	-1,8%	161,00	45,00	n/a	54,60
Sense Bank	5,5%	154,00	43,00	26,30	n/a
ICU	2,0%	154,00	40,20	30,60	44,80
The average forecast	**-0,1%**	**155,14**	**41,26**	**29,45**	**51,13**

Source: developed by the authors

However, it is worth noting that this is only a forecast, and actual results may vary depending on various factors that will influence the economic situation in the country, as well as global factors.

Conclusions. Based on the research findings, it can be concluded that the macroeconomic environment in Ukraine is characterized by a number of problems that require immediate attention. The modern economy of Ukraine is experiencing a crisis period caused by the war on its territory. The dynamics of GDP changes show two deep crisis periods over the past decade: 2014-2015 and 2022, marked by inflationary processes and production decline. In 2022, the Ukrainian economy suffered a loss of 30.3% of GDP, which is the highest indicator during the period under review. This led to a decrease in purchasing power and the quality of living.

The gradual growth of the economy during inter-crisis periods occurred slowly, indicating a negative trend in the volume of goods and services production in the country and did not reach the level of development of previous years.

Future research prospects include studying the issue of supporting and restoring the Ukrainian economy in the modern stage of its development.

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СУЧАСНІ ТЕНДЕНЦІЇ СЕРЕДОВИЩА БІЗНЕСУ В УКРАЇНІ

У статті досліджено вплив зовнішніх та внутрішніх макроекономічних чинників на бізнес-середовище в Україні. Розглянуті особливості реакції бізнес-середовища на нестабільні умови, включаючи наявність фінансових резервів у компаній, оптимізацію витрат та стратегії управління. Детально проаналізовано вплив війни на попит та пропозицію послуг, зміни в економічній структурі та нові вимоги до бізнесу. Досліджено розмір та основні характеристики секторів економіки, виявлено фактори, що впливають на ефективність бізнесу в Україні. Стаття орієнтована на визначення взаємозв'язків між розвитком бізнес-середовища та економічними процесами в Україні. У статті розглянуті особливості макроекономічного стану України в умовах війни. Авторами на основі статистичних даних проаналізовано ключові макроекономічні показники та здійснено детальне дослідження того, як повномасштабна війна впливає на економіку України. Досліджено, які сегменти економіки найбільше постраждали внаслідок війни, як змінилася економічна структура. Проаналізовано розмір економіки та основні її характеристики. Особлива увага приділяється оцінці тенденцій розвитку економіки, а також виявленню факторів, які впливають на її ефективність. У дослідженні використано різноманітні методи, включаючи аналіз статистичних даних, аналіз експертних опитувань та порівняльний аналіз з макроекономічними показниками. Зокрема, дослідження орієнтоване на визначення

взаємозв'язків між впливом зовнішніх факторів та економічними процесами в Україні. На основі отриманих даних сформовано закономірності економічного розвитку України, а також побудовано прогноз розвитку економіки на 2024 рік. Висновки дослідження можуть бути корисними для фахівців, які цікавляться макроекономічними процесами Україні, а також для бізнесу та урядових структур, що займаються стратегічним плануванням.

***Ключові слова**: середовище бізнесу, фінансові резерви, оптимізація витрат, стратегії управління, економічна структура, сегменти економіки, тенденції розвитку економіки, ефективність економіки, макроекономічні показники.*

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