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MACROECONOMIC TRANSFORMATIONS IN UKRAINE IN THE FACE OF GLOBAL CHANGES

In a war time, the importance of economic policy is crucial for achieving stability and recovery of the country, while the economic sphere is a key factor in the progress of society, determining its strength and ability to withstand the challenges of a period of military conflict. The challenges faced by the Ukrainian economy are unprecedented and require detailed research and analysis to identify effective solutions and management methods that will lead to positive results, as well as to identify problems that need to be addressed and have prospects for development.

The Ukrainian economy has suffered significant losses. The unprecedented military situation has forced most domestic enterprises to look for new mechanisms for organizing their activities. However, even if organizations have gradually adapted to the requirements of martial law, they have not been able to maintain the desired dynamics of business activity. In view of this, the government and business representatives should now prioritize the development of a concept, strategy and tactics for post-war economic recovery.

There was no single approach to determining the level of GDP decline in 2022. For example, the World Bank Group, in its World Economic Outlook, predicted a 45 % drop in Ukraine's GDP in 2022. The International Monetary Fund (IMF) – by 35 %, the Government of Ukraine – by 30–50 %, and the Ukrainian investment company Dragon Capital – by 30 % if the war continues until the end of the year [1].

Each of the above-mentioned organizations used its own forecasting methodology, which is why the results are so different. According to the January 2023 Inflation Report, inflation in Ukraine accelerated as expected, mainly due to supply-side factors. In 2024–2025, the economy may begin to recover due to reduced security risks and, as a result, improved consumer and business sentiment, increased consumer and investment activity, improved production and logistics processes, and the continued and projected positive impact of significant fiscal stimulus measures. However, real GDP will remain significantly below its potential level due to significant losses in production and human capital: according to the NBU, the economy will grow by another 4.1 % in 2024 and 6.4 % in 2025 [2]. Among the main challenges facing the Ukrainian economy is the macroeconomic crisis, in particular, those in the production, foreign trade, investment and innovation sectors.

The reasons for this situation are a reduction in the number of labor force due to foreign migration, civilian casualties as a result of the war and an increase in the number of internally displaced persons. Today, there is a significant decline in industrial production, a decline in the competitiveness of domestic producers in domestic and foreign markets, accelerated deindustrialisation of the economy, and an increase in the share of raw materials and low-tech products in industrial production. This is compounded by significant losses in Ukraine's export potential due to the destruction and damage to production facilities, reduced public investment, and restrictions on innovation.

New governance reforms could include simplifying procedures and responding more quickly to changes in budgetary allocations, such as allocating additional resources for defense and humanitarian aid. Domestic factors play an important role in shaping fiscal sustainability and governance in Ukraine under martial law. Domestic factors include the economic structure, the level of corruption, and fiscal discipline. For example, low levels of corruption and stronger fiscal discipline can contribute to the efficient use of budget funds and ensure the sustainability of the fiscal system even under martial law. According to the IMF report, after the outbreak of the war, the Ukrainian authorities took measures to adjust monetary, exchange rate and fiscal policies as soon as possible to maintain stability in the financial and foreign exchange sectors. One of the most important decisions taken in the country was the devaluation of the exchange rate to compensate for the significant loss of international reserves that Ukraine had suffered. This measure stabilized foreign exchange reserves and supported overall macroeconomic and fiscal stability. The fiscal strategy focuses on priority spending on defense, social and humanitarian needs, and the restoration of critical infrastructure [3].

Recovery and development will only be possible through effective fiscal, investment and financial policies that take into account the physical, geographical, economic, environmental and social characteristics of each region. Promoting economic growth and fiscal stability should be the priority of monetary policy. The government should strengthen the role of state-owned banks in the implementation of government support programmes. Another area is the development of investment policy. Attracting investment is the key to dynamic economic development.

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