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## **THE PROSPECTS OF THE DEVELOPMENT OF THE ECONOMY OF UKRAINE**

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### **ПЕРСПЕКТИВИ РОЗВИТКУ ЕКОНОМІКИ УКРАЇНИ**

*The article deals with the problems and prospects of the development of Ukraine during the political, social and economic changes and transformations. The publication focuses on the ways to achieve positive trends in the growth and economic recovery of Ukraine.*

*Стаття присвячена проблемам та перспективам розвитку України в період політичних, соціальних та економічних перетворень та трансформацій. Видання фокусується на шляхах досягнення позитивних тенденцій зростання та піднесення економіки України.*

**Keywords:** *economic development, prospects, reformation, transformation processes, investment.*

**Ключові слова:** *економічний розвиток, перспективи, реформування, трансформаційні процеси, інвестиційні.*

**Problem definition.** At the beginning XXI of the century transformation processes in a world economy substantially developed and purchased global character that shows up, first of all, in deepening of processes of internationalization of production and exchange, increase of level of co-operation and interdependence of national economies, expansion and diversification of foreign economic activity of subjects of menage, unitization and standardization of international business-activity with the gradual forming of institutes of world economic management. Thus a key motive force of the processes of globalization is investment activity of subjects of the international economic system due to that effective transnationalization of national economies is provided, their connecting to the productive networks of TNC, an international scientifically-technological transfer comes true and new quality of reproductive processes is arrived at international level.

Thus Ukraine is not taking active part in all the transformations that are mentioned above and analyzed by developed countries as the passive member in the processes of globalization. That's why it is very important to come up with the prospects of economic development of Ukraine in the long term.

**Analysis of recent research and publications.** In analyzing problems of establishment and development of economy of Ukraine should note the work of domestic and foreign scientists, such as Ashvorz D. Yu Bayrachniy, L. Barbone, J. Berger I. Burakovsky I. Blahun, N. Vdovichenko, M. Wysocki, I. Volkov, M. Hrydchyna, M. Carlin, J. Kozak, P. Lindert, D. Lukyanenko, S. Lutsyshyn, John. Mackie-Mason, J. Makogon, N. Stukalo A. Tolkushkin and others. Despite the considerable numbers of scientific papers on the subject of the prospects of future development of economy of Ukraine in the period of political, economic and social transformation are very important at the beginning of the XXI century.

**The aim.** The aim of this article is the analyze of the economic situation in Ukraine and coming up with the possible perspectives of its development.

**Scientific results.** The theme of economic development of Ukraine is exceptionally broad. It deals with all kinds of useful activities for the community of people - not only economic, but also non-economic - both directly related to the economy, and spaced away from it. In fact, the author is talking about the comprehensive development of society on the basis of the most diverse in content and nature of innovation. Therefore, a comprehensive discussion of the innovation process in the community, and even in the international and national aspects - a task complicated and beyond the scope of the object of economic science. All other sciences and activities can find and identify specific angles of their interests in this area.

Socio-economic transformations that take place in Ukraine over last twenty years, force methods of transition from the centralized planning to market brought a country over to the system crisis, overcoming of that at the beginning of the XXI century remains the task of national scale, the decision of which depends, first of all, on the quality of state

administration an economy. By a key object national tax system, that requires reformation in the context of providing of dynamic macroeconomic increase, diversification of international activity of domestic enterprises, decline of level of shadow of economy, and also bringing in the country of scale of foreign investments.

To date among international economic organizations in possibility of the economy growing the World Bank specialists envisages that the one percentage height of GDP of Ukraine are expected in Ukraine during future 2 years (2017-2019 years). However, it should be reminded, that before the World Bank predicted a height in size of 3,5%, but later considered necessary to moderate optimism of the expectations.

It is important to mention an authoritative public accountant company "Ernst & Young" that gives the positive prognosis of height of GDP of Ukraine in size of 1,1% during the year of 2016. Although, similarly as well as the World bank, before it predicted more optimistic results - 2,4%. Eventually, the analysts of influential rating agency of "Standard & Poor's" plan in 2017-2019 bring down the sovereign rating of country, if a miracle will not happen[1, p. 23-28].

Two key creditor of Ukraine – the World Bank and the European Bank for reconstruction and development also during the year has revised its forecast for Ukraine's GDP to the downside. Hence, the Bank replaced the original 5% drop 7.5%, and then stood at 9%. In turn, the World Bank remains of the opinion that the volume of the Ukrainian economy this year will decrease by the year of 2018 by 7.5%, while in January appeared the figure of 2.3%. However, the likelihood that this forecast will be revised again in the near future is quite high.

Disappointing sums up all these assumptions for us and one of the largest international rating agencies Fitch, which also predicts the fall of Ukraine's GDP this year to 5%. Thus, the Agency's analysts estimated and devaluation of the hryvnia, which by the end of the year may reach 9%.

Longer forecasts on Ukraine international experts do not give. The reasons are all the same: the war in the East, the lack of real reforms, the threat of default. As it turns out is actually and what will happen to the Ukrainian economy in the coming years, time will tell.

Above all the existing articles and publications concerning the prospects of the development of the economy of Ukraine the author would like to pay attention on the most important one. It is necessary to mention[2,p.44-48]:

*The economy of Ukraine is waiting for a prolonged recession in 2017-2018* therefor a lot of turmoil in the economy is obvious. This year, GDP is expected to fall by 6.5% (compared with projected in April this year, a decrease of 4.3%). The recession will worsen in 2017, when real GDP will fall by 1.5% compared with the previous year. In 2018 are forecast to increase to 3%.

*The state budget expects a further increase in the deficit.* Revision indicators of 2016 downwards gives grounds to speak about further increase in the nominal size of the budget deficit. Now it is 100 billion USD or 6.4% of GDP (previous forecast: 90 billion USD, 6.1% of GDP). The participation of the National Bank of Ukraine in support of public finances will be even stronger this year than last. Since the second half of this year the deficit will be higher than in the first half, there is a risk of over effect from the expected activity of the national Bank for inflation[3,p.14-17].

*The banking sector expects stress testing.* The banking system is in crisis. Of capital deficit for the system is estimated at 40-50 billion USD. Currently, the authorities show a reluctance to spend taxpayers "money to recapitalize private banks". The official procedure of the stress test continues. Therefore, the process of recapitalization could pass by the end of this year. Not surprisingly, banks will fight for the return of deposits that customers have taken in the second half of 2015. In addition, there is a risk that deposit outflows will continue in the first half of the year of 2016[4,p.4].

*Foreign trade balance provided the loans.* At the end of the year of 2015 predicted a reduction of currency reserves of 2.8 billion dollars. But hopefully in 2016 the reserves will be restored. Overall, the trade balance and capital inflows during the three year period 2016-18, will bring about\$ 1 billion of additional growth of currency reserves. It completely corresponds to the expectations of the International Monetary Fund and other official creditors.

*Hryvnia will fall further.* The reason is the underestimation by the authorities of the factor of high inflation. Other factors weakening the national currency against the US dollar: the forecasted strengthening of the dollar against major world currencies and the desire of the Ukrainian authorities to the growth of the economy. ICU expects the stabilization of hryvnia to the dollar at the level of 30 during the first half of 2016.

After analyzing all the information mentioned above it is necessary to admit that at the beginning of the third millennium one of key forms of display of processes of economic globalization is the dinamization and substantial increase of volumes of the direct foreign investing in Ukraine. World experience testifies that in the last decades it grew into the ponderable exogenous sourcing of national economies practically entire countries of the world, as due to him not only there is connecting of pertaining to national economy complexes of the states to the transnational productive networks but also an international scientifically-technological exchange will be realized and new quality of public recreation is provided on global[5, p. 456].

And taking into account a circumstance, that a dynamics and sectorial orientation of economic development of countries and regions are objectively conditioned by the recurrence of reproductive processes, and consequently - consolidated round international investment activity that on the modern stage of agricultural development is examined in the wide context of development of global reproduction mechanisms of international capital flow.

Tendencies of formation and growth of innovative-investment potential of industry in most countries are increasing their commercial competitiveness through innovation, development of high-tech products, the creation of which is impossible without formation and activation of innovative-investment potential of the economy.

As noted in the "Strategy of innovation development of Ukraine for 2015-2020 under globalization challenges", modern achievements of Ukraine in the international dimension of competitiveness of the economy, level

of development and especially the efficiency of the national innovation system are insufficient to ensure sustainable development of the national economy, guaranteed national security, the release in the short term at the expense of economic growth to the European living standards of Ukrainian citizens[6,p.36-41].

Therefore, the basis of innovation policy of Ukraine should be changes in state policy on creation of scientific-technological centers, techno parks, scientific parks and research universities, centers of technology commercialization and innovation. Directions of optimization of investment opportunities industry a key factor of industrial growth within the modern historical stage of development of economic system of a country is the effective use of all resources and targeted application of the investment of effort towards ensuring high efficiency of the real sector of the economy and ecological balance. To implement the priorities of development of industry must highlight the strategic direction of investments of industry (the concentration of investment capital).

At the beginning of the fourth stage in a national economy, advantage for the international investing gets to fishing industries. Raw material and fuel and energy industries of industry concentrate almost the half of volumes of investments in the fixed assets of Ukraine, and other half - in fishing industries. Part of capital investments is in this sector of industry on the 6-11 increase stake of producing of industrial products. In fishing industry of 85 capital imposes heads for a reconstruction and technical retooling of enterprises, in fact international investments are needed for complex modernization of operating and creation of new productive funds on the base of modern technique and progressive technologies, specific cost of fuel and energy cutting in a national economy on the basis of passing to energy keeping technologies, decline of negative influence of metallurgical and petrochemical complexes on an environment on the basis of application ecologically of clean technological processes in a production, transporting and spheres of consumption.

Concordantly data of Group of the World Bank, made on January in 2015, Ukraine though worsened the positions from 112 to a 189 place, but at the same time the increase of rating happened on such categories, as "opening of business", "receipt of permissions on building" and "overcoming of insolvency". At the same time, on September, 6 in 2015 Verkhovna Rada of Ukraine accepted three legislative acts that entered considerable privileges for companies in "priority industries of economy".

Concluding all above-mentioned it is necessary to mark that in the context of imperative of providing of the economy growing and acceleration of rates of macroeconomic increase in Ukraine of the special value for today implementation of the accumulated experience of the use of reforms acquires with the aim of providing of stable economic development. However, taking into account substantial differences in the levels of socio-economic development of countries-members of EU and Ukraine and considerable disparity of national economy to the indexes and requirements of EU, to our opinion, important a receipt of status of member[7,p. 190-196]

**The research conclusions and recommendations.** The global competition is encouraged to advancing "breakthrough" in the development of those sectors of the Ukraine economy, which determine its specialization in the world economy. This, in turn, leads to the need to implement immediately the four strategies of economic development:

- firstly, the use of global competitive advantages of Ukraine in the fields of energy, transport and agricultural sector;
- secondly, the development of a strong scientific and technological complex, providing the global high-tech specialized in the Ukrainian market;
- thirdly, structural diversification of the national economy;
- fourthly, the development of market economy, democracy and the protection of the rights and freedoms of entrepreneurship.

However, implementation of these strategies will take place in conditions of maintaining the long-term high growth global economics, the progressive development of globalization and its regional component.

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