

ANALYSIS OF THE MAIN MACROECONOMIC INDICATORS OF UKRAINE AFTER THE FULL-SCALE INVASION (2022-2023)

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Russia's full-scale invasion of Ukraine on 24 February 2022 led to an economic collapse, and foreign partners suspended cooperation with Ukraine due to increased risks. The relevance of this study is the need to assess the dynamics of macroeconomic indicators in order to further maintain economic balance.

A number of scientific works of domestic scholars (A. Broiaka [1], O. Zolotova, V. Ivanova, D. Simak, O. Kudinov, O. Slavuta [2], A. Solop [6]) are devoted to the study of macroeconomic indicators, the study of problems of socio-economic development of Ukraine, in particular during the period of martial law.

The analysis of Ukraine's macroeconomic indicators after the full-scale invasion of Russia becomes extremely important for the country and its citizens for a number of reasons. First, such analysis allows us to understand the real consequences of military aggression for the Ukrainian economy. It helps to assess changes in economic indicators such as GDP, inflation, unemployment, external debt, etc., which allows the government and other stakeholders to develop strategies for economic recovery and reform.

Secondly, the analysis of macroeconomic indicators helps to identify and take into account possible risks and challenges faced by the country after the conflict. These may include such aspects as a deteriorating investment climate, increased military spending, reduced consumer activity, etc. A thorough analysis helps to identify ways to overcome these risks and ensure sustainable economic development.

In addition, monitoring macroeconomic indicators provides an opportunity to assess the effectiveness of government measures and programmes for economic recovery and social development after the conflict. This helps to make policy adjustments necessary to ensure sustainable economic growth and maintain social stability in the country after traumatic events.

Key results. According to the Ministry of Economy of Ukraine, the destruction of energy infrastructure will have a limited and temporary impact on GDP, which is confirmed by the statistics of the rapid recovery of electricity production and consumption after the 10-11 October 2022 strikes, and is also explained by the change

in the structure of GDP in favour of less energy-intensive industries.

Taking into account the State Statistics Service of Ukraine's (SSSU) operational GDP estimate [3-5] of a 15.1% drop in real GDP in the first quarter and 37.2% in the second quarter, and an estimate of a 35% drop in the third quarter and 37% in the fourth quarter, the annual forecast for real GDP decline in 2022 was adjusted to 32% (Fig. 1).

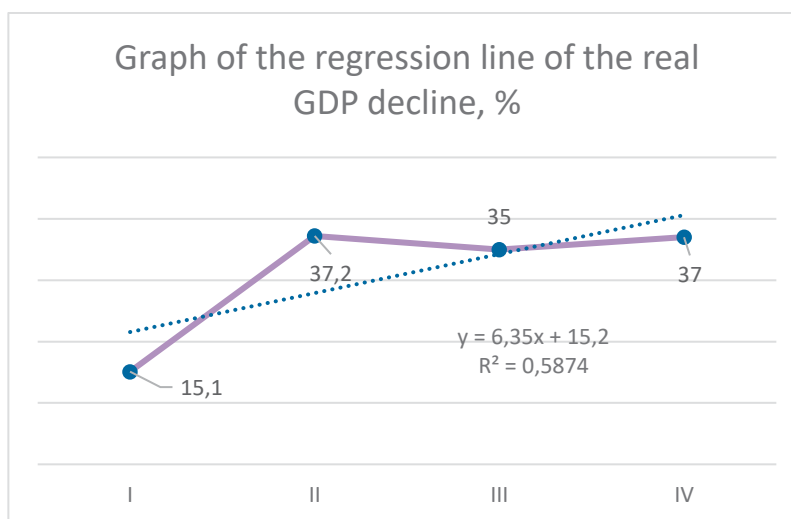


Figure 1. Graph of the regression line of the real GDP decline.

Taking into account the latest data, the NBU slightly revised downward its forecasts for consumer price growth in 2022, from 30.1% to 29.3% year-on-year, and upward its forecasts for producer prices from 32.8% to 38.3%. Over the first nine months of the year, according to the Ministry of Economy, producer prices for industrial products increased by 25.8%, and by 51.5% year-on-year. The current price increase is primarily due to the impact of the war: the temporary occupation of the territory and physical destruction of mining companies resulted in an outstripping growth in the cost of their products, which are the raw materials for most manufacturing industries. Production costs were also affected by the cost of transportation, relocation costs, and high price pressure from global prices (especially for energy). In the fourth quarter, the main factor of influence is expected to be the pressure on producer prices due to energy costs, which will result in a price increase of up to 10% during the quarter (Fig. 2).

As a result of the revision of the expected real GDP and price indices, the nominal GDP for 2022 was adjusted to UAH 4,727.6 billion, which is UAH 47.4 billion higher than the forecast of the State Budget of Ukraine for 2023 for the first reading. The revision of the nominal GDP resulted in a slight adjustment of its components, including the profit of profitable enterprises and the wage bill.

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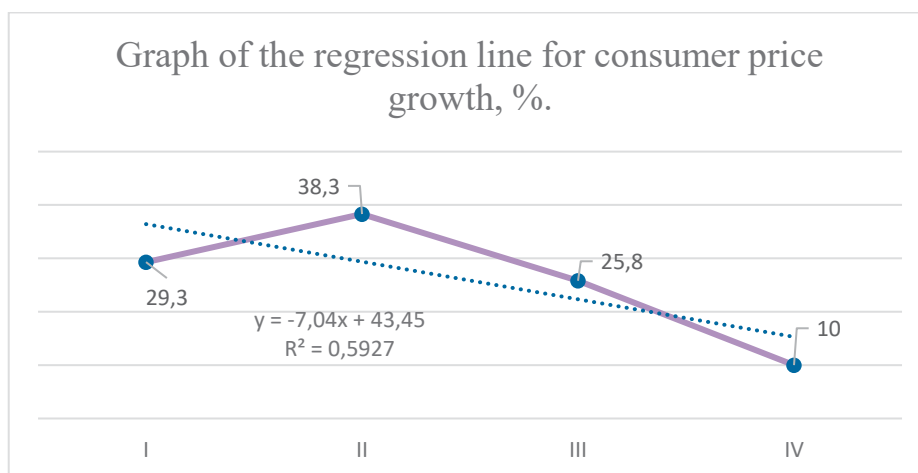


Figure 2. Graph of the regression line for consumer price growth.

The expected level of the average monthly wage for 2023 remained unchanged in nominal terms (UAH 14,025), with a slight adjustment to the real figure (+0.5%) due to the revised inflation forecast.

The forecast for real GDP growth in 2023 was adjusted to reflect more conservative assumptions (compared to the previous forecast) about the pace of GDP recovery in the second half of the year, taking into account the persistence of high security risks, as well as the risks of continued attacks on Ukraine's energy system and other critical infrastructure facilities. Thus, the forecast for real GDP growth was adjusted to 3.2%.

According to the end-use method, domestic demand will remain the main driver of GDP growth in 2024, although the growth in gross fixed capital formation will be constrained by security risks, to which investment activity is most sensitive. The NBU maintained its forecast for growth in final household consumption expenditures, which will be supported by the return of citizens from abroad (assumptions about net

According to the end-use method, domestic demand will remain the main driver of GDP growth in 2024, although the growth in gross fixed capital formation will be constrained by security risks, to which investment activity is most sensitive. The NBU has maintained its forecast for growth in final household consumption expenditures, which will be supported by the return of citizens from abroad (the NBU assumes that 1.8 million citizens will return from abroad in 2023, after a negative migration balance of 9.43 million in 2022). At the same time, external demand will have a negative impact on GDP growth in 2024, as real import growth will be high, driven by high consumption and limited domestic production. At the same time, the possibility of a recovery in exports will be constrained by existing logistical constraints and the physical destruction of fixed assets at some exporting companies.

The NBU also used a more conservative approach to assessing inflationary processes in the revised forecast, given the slower pace of economic recovery. Thus, the forecast for consumer price growth in 2023 has been reduced from 30% to 28% (December to December), and producer price growth has been reduced from 35.7% to 32.2% (December to December).

As a result of the refinement of the 2022 base, revisions to the forecasts of real GDP and inflation, the nominal GDP forecast for 2023 was adjusted by UAH 119.7

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billion to UAH 6,279.3 billion (Table 1).

Table 1. Analysis of macroeconomic indicators for 2022-2023

Indicator		2022	2023
Gross domestic product	nominal	4727.6 billion UAH	6279,3 billion UAH
	percentage	-32%	3,2%
Consumer price index	on average to the previous year, %	120,5	128,4
	December to December of the previous year, %	129,3	128,0
Producer price index for industrial products, %		138,3	132,2
Average monthly salary of employees, gross	nominal, UAH	14025	18261
	nominal, %	-16,9	-1,4
Export of goods and services	million US dollars	51187	61319
	percentage	-29,8	7,2
Import of goods and services	million US dollars	75852	76612
	percentage	-9,9	1,0
UAH/USD exchange rate	on average	32,3	42,2
	period end	36,6	45,8

The revision of the nominal GDP forecast made it necessary to refine the income-based GDP components (profits of profitable enterprises and the wage bill). At the same time, profits of profitable enterprises will increase in 2024 compared to 2023, driven by economic growth, higher producer prices, hryvnia devaluation, the implementation of programmes to relocate businesses to safe areas, the development of alternative logistics routes, and a recovery in consumer demand.

Given the slower economic recovery, the revised forecast takes into account a slightly lower nominal growth in average monthly wages (to UAH 18,261, or 30.2%,

compared to 32% in the previous forecast), although in real terms growth will accelerate by 0.4% compared to the previous forecast due to an improved inflation forecast.

More optimistic expectations of financial support from international partners that will help support the balance of payments led to an adjustment of the hryvnia/US dollar exchange rate assumption for the end of the year from UAH 50 to USD 1 in the previous forecast to UAH 45.8. USD in the previous forecast to UAH 45.8 per USD. The assumption on the average annual exchange rate remained unchanged (UAH 42.2 per USD).

Conclusions. After full-scale conflicts or wars, economies usually face serious challenges. Declining production, increased government spending on defence and reconstruction, reduced investment, a decline in consumer activity and rising unemployment are all possible trends.

However, some positive changes may also be observed in the aftermath of crises. For example, international aid and investment from international organisations and other countries can help to restore the economy. In addition, after a crisis, governments often launch stimulus programmes and reforms aimed at improving the business climate and attracting investment.

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