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## **ECONOMIC SAFETY OF UKRAINE**

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The macro economy is stable, with the hyperinflation of earlier in the decade having been tamed. Ukraine's currency, the hryvna, was introduced in September 1996, and has remained fairly stable. The economy started growing in 2000, and growth has continued. GDP in 2000 showed strong export-based growth of 6% - the first growth since independence - and industrial production grew 12.9%. The economy continued to expand in 2001 as the real GDP rose 9% and industrial output grew by over 14%. Growth of 4.6% in 2002 was more moderate, in part a reflection of faltering growth in the developed world. In general, growth has been under girded by strong domestic demand, low inflation, and solid consumer and investor confidence. Growth was a sturdy 9.3% in 2003 and a remarkable 12% in 2004, despite a loss of momentum in needed economic reforms.

Ukraine encourages foreign trade and investment. The Parliament of Ukraine has approved a foreign investment law allowing Westerners to purchase businesses and property, to repatriate revenue and profits, and to receive compensation if the property is nationalized by a future government. However, complex laws and regulations, poor corporate governance, weak enforcement of contract law by courts, and corruption all continue to stymie direct large-scale foreign investment in Ukraine. While there is a functioning stock market, the lack of protection for shareholders' rights severely restricts portfolio investment activities. Total foreign direct investment in Ukraine is approximately \$17.4 billion (17.4 G\$) in April 2006, which, at \$371 per capita. Much reform is still needed, in order to stabilize the investment climate.

Most of Ukrainian trade is conducted with Russia and the European Union. An overcrowded world steel market threatens prospects for Ukraine's principal exports of non-agricultural goods such as ferrous metals and other steel products.

A political crisis in the middle of 2006 was feared as a threat to economic and investment stability, however, despite the forecasts; the political situation has not scared investors. The GDP has shown a good growth rate of 7% in 2007, compared to the previous year.