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MACROECONOMIC DISPOSITION OF UKRAINIAN ECONOMY WITH RESPECT TO EMERGING ECONOMIES IN GLOBAL FINANCIAL SPACE

Summary. The article analyzes the relative disposition of Ukraine and emerging economies at global financial space. The main attention is paid to the determinants of foreign investments and associated changes in investment flows. The hypothesis of relative similarity of Ukraine and emerging economies as investment-recipients was confirmed.

Keywords: emerging economies, high-income countries, international capital flows, macroeconomic indicators.

Problem setup. In modern global economy dialectical nature of participation in the globalization processes is becoming more apparent. The deepening of international cooperation, which is a necessary prerequisite for further economic development, is closely linked to competition among countries for limited resources.

The countries most affected by the crisis are now trying to reach the levels of previous economic growth. Although the global nature of the crisis complicates the achievement of this goal, thus economies could not recover by expanding foreign consumer markets, as the pace of their recovery is quite low, while in those countries where the latter are high, competition is to tough achieve long-term goals. In this context, the only solution for the task is to increase domestic production using funds received from the countries that managed to preserve the excess of free capital.

Analysis of the economic disposition of Ukraine in relation to other countries that are international players in the investment space, analysis of major investment partners of Ukraine, including emerging economies as potentially important financial actors on the world stage Ukraine is trying to approach, will help to get an objective picture of the international investment subspace Ukraine and the role it plays in it, to identify the main competitive strengths and weaknesses with respect to investment partners of the country.

It should be noted that emerging economies are of particular interest in terms of their participation in international investment processes, both as importers and exporters of capital. Another important issue is to study the role of emerging economies with respect

to Ukraine, and to investigate differences between Ukraine and the emerging economies.

The main body. Appropriate analysis should begin with a review of key macroeconomic indicators and factors promoting cross-border investment cooperation, that depicts economic situation in Ukraine and emerging economies- Ukraine's partners in the process.

Thus, while beginning to analyze participation of Ukraine and emerging economies in international capital flows we should keep in mind that the volume, the dynamics and structure of such flows is the result of several groups of factors. It was defined that a special role among them is occupied by macro-factors related to donor country and country-recipient of capital. In the former case, factors determine the volume of investments, while in the latter – direction of their movement, the choice of objects of investment (assets), forms investments, changes in these flows.

Nowadays, both countries with emerging economies and Ukraine are net importers of investments [1] as comparing to more developed economies, therefore the volume of net flows of investments is largely dependent on economic development of these countries.

The notion of "global liquidity" is another important component that encourages investments to these countries. The corresponding rate can be measured by real interest rates in the countries exporting capital that pushes the appropriate resource from a country, and the growth rate of money supply as an indicator of monetary expansion, which proceeded into the growth of available investment funds. It should be noted that periods of 1979-1981, 1990-1997 and 2002-2008 were characterized by growth in investments inflows to emerging economies - these periods were associated with decreased U.S. interest rates followed by increase in investments to emerging Latin America faced economic crisis and vice versa during these periods an increase in the money supply in G3 was observed (Picture 1).

Considering the factors of investment associated to countries-recipients of capital, emerging economies become active participants in international capital flows, pushing foreign capital outwards during periods of savings exceeding investments (Picture 2).

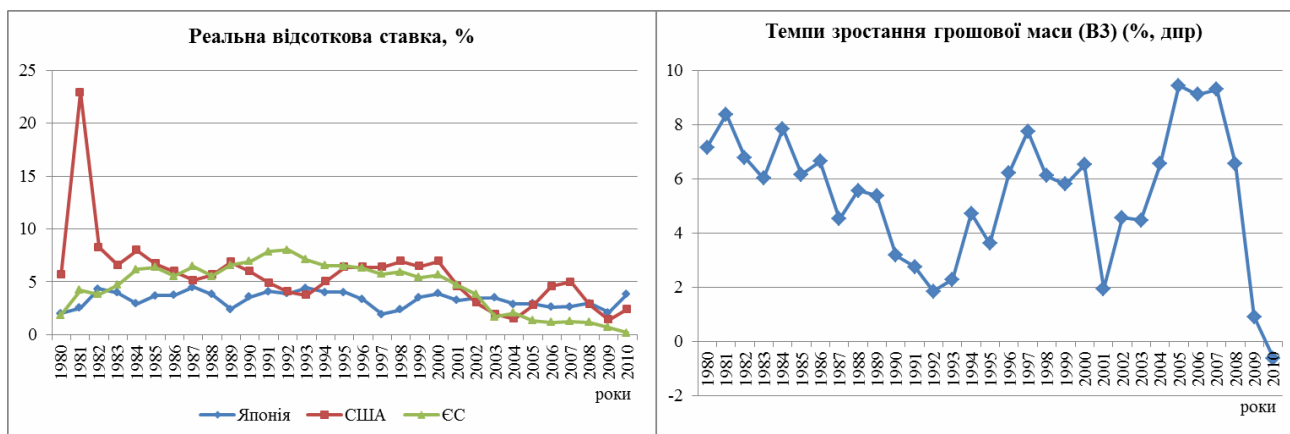


Рис.1. Key indicators of global liquidity G3*

Source: compiled by the author based on data from WDI [2]

* G3 – Great Three

** Money supply growth – the average level of real GDP.

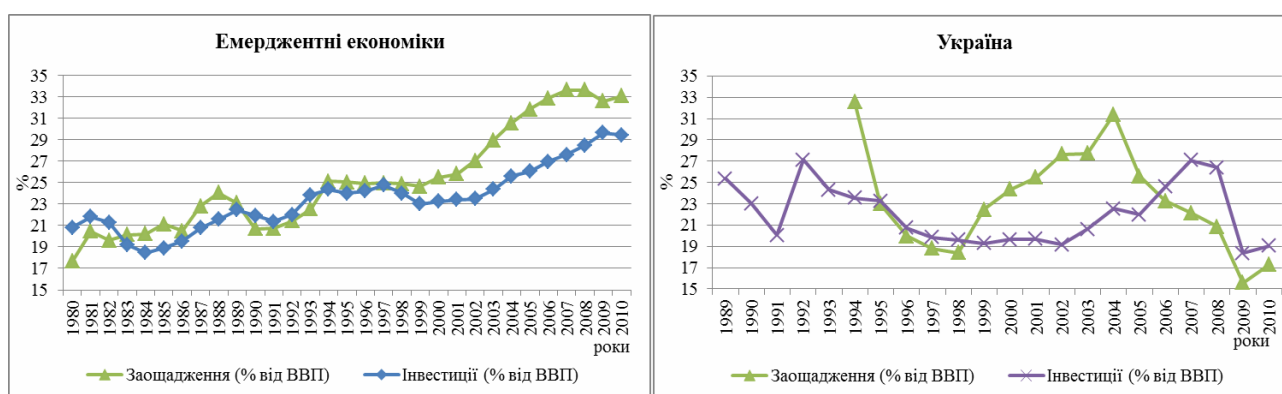


Рис. 2. The dynamics of capital accumulation and internal investments

Source: compiled by the author based on data from WDI and the State Statistics Committee of Ukraine [2;3]

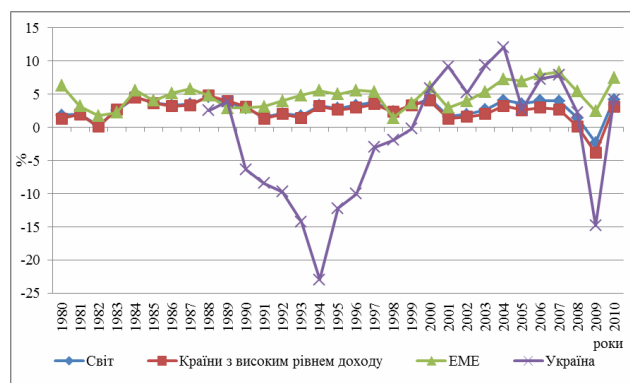


Рис. 3. GDP growth rates

Source: compiled by the author based on data from WDI and the State Statistics Committee of Ukraine [2;3]

** Countries with high income are classified in accordance to World Bank methodology

Ukraine, to some extent, is similar to the emerging economies both in terms of exposure to changes in key indicators of largest world economies, and in terms of participation in international capital flows (Picture 3).

During periods when GDP growth in emerging economies and Ukraine exceeded the corresponding rates of developed countries, there was a decrease in FDI imports in formers (Pictures 3-4).

Periods of increase and contraction in volumes of investment are nearly identical for Ukraine and emerging economies except for 2008-2009, when Ukraine were more affected by the global financial crisis. Thus, we can conclude that foreign investors of Ukraine perceived a country as a such with characteristics defining emerging economies.

Confirmation of this conclusion may obtain from the data in the following table.

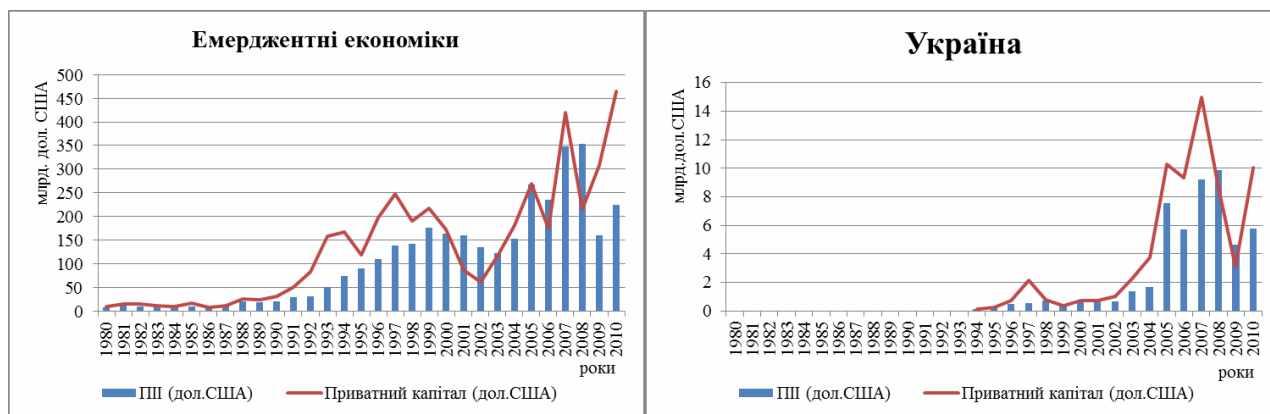


Fig. 4. FDI import in emerging economies and Ukraine

Source: compiled by the author based on data from WDI and the State Statistics Committee of Ukraine [2;3]

Table 1

Key macroeconomic indicators – factors of foreign investment

| | GDP growth rates (yoy, %)* | | | Savings (% of GDP)* | | | Investments (% of GDP)* | | |
|-----------------------|----------------------------|-----------|-----------|---------------------|-----------|-----------|-------------------------|-----------|-----------|
| | 1990-1999 | 2000-2005 | 2006-2010 | 1990-1999 | 2000-2005 | 2006-2010 | 1990-1999 | 2000-2005 | 2006-2010 |
| High-income countries | 2,6 | 1,7 | 1,0 | 21,0 | 20,2 | 19,0 | 21,2 | 20,4 | 19,5 |
| Ukraine | -8,9 | 4,7 | 1,4 | 22,5 | 27,0 | 19,8 | 22,1 | 20,6 | 23,1 |
| Emerging economies** | 4,2 | 5,7 | 6,3 | 23,5 | 28,3 | 33,1 | 23,3 | 24,3 | 28,4 |

Source : compiled by the author based on data from WDI [2]

* The average value for the period

Weighted average ** on the value of real GDP of countries constituting a sample

Note: The period of 1980-1989 is excluded from consideration due to the fact that the relevant macroeconomic indicators for Ukraine are available starting from 1991.

If we display high-income countries, Ukraine and emerging economies on a conventional "map", Ukraine seems to be situated precisely near emerging economies, though somewhat inferior to them. There are also some important differences. The analysis can be summarized as follows:

First, the average rates of development in Ukraine slowed down in 2006-2010, as in developed economies they do, which only highlights the high degree of dependence of the Ukrainian economy on the situation in developed countries.

Second, while in developed economies savings rates in most cases were slightly lower than investment ones, in Ukraine and emerging economies the situation was the opposite (if we compare absolute values of comparable indicators), except for 2006-2010 year when savings rate in Ukraine was below investment ones. The latter, however, was attributed to the slower pace of economic development.

Third, the emerging economies savings rates and investment rates were increasing throughout the period of observation in contrast to developed countries. The situation in Ukraine is deployed on a

scenario similar to the emerging economies, although crisis resulted in a reduction of all indicators due to sensitivity of the Ukrainian economy to external shocks related to its high dependency on developed countries development.

Besides absolute indicators characterizing the level of economic development and the overall investment climate in exporting countries (high-income ones) and capital-importers (emerging economies and Ukraine), another indicators are also widely used. Most popular are characterizing the level of volatility of key indicators, they can be used as a measure of risk for foreign investors [5], as well as those factors that "attract" investment in the country (pull-factors).

The following table shows the relevant calculations for main economic partners of Ukraine in international investment activity. Relevant countries are divided into "blocks" – developed economies and countries with emerging economy – Ukraine exchanges capital with. GDP growth rates, CPI and currency fluctuations were chosen as appropriate indicators.

The volatility of main macroeconomic indicators *

| | GDP growth rate (yoy, in constant prices) | | | | CPI (2005=100) | | | | Official exchange rate of local currency to USD | | | |
|----------------|--|-----------|-----------|-----------|----------------|-----------|-----------|-----------|---|-----------|-----------|-----------|
| | 1980-1989 | 1990-1999 | 2000-2005 | 2006-2011 | 1980-1989 | 1990-1999 | 2000-2005 | 2006-2011 | 1980-1989 | 1990-1999 | 2000-2005 | 2006-2011 |
| Austria | 1,2 | 1,1 | 1,2 | 3,1 | 6,2 | 5,8 | 3,9 | 3,2 | 3,1 | 0,7 | | |
| Denmark | 2,2 | 1,5 | 1,4 | 3,6 | 9,7 | 4,8 | 3,9 | 3,7 | 1,6 | 0,4 | 1,1 | 0,3 |
| France | 1,2 | 1,2 | 1,0 | 2,2 | 11,0 | 4,4 | 4,0 | 2,5 | 1,5 | 0,3 | | |
| Italy | 1,3 | 1,0 | 1,2 | 3,0 | 11,2 | 8,7 | 4,8 | 3,2 | 297,7 | 213,2 | | |
| Netherlands | 1,8 | 1,1 | 1,4 | 3,0 | 5,5 | 5,6 | 4,5 | 2,8 | 0,5 | 0,1 | | |
| Sweden | 1,3 | 2,5 | 1,2 | 4,4 | 10,3 | 6,0 | 2,9 | 2,8 | 1,4 | 0,9 | 1,2 | 0,4 |
| Switzerland | 1,7 | 1,4 | 1,5 | 2,3 | 5,8 | 5,0 | 1,8 | 1,6 | 0,3 | 0,1 | 0,2 | 0,1 |
| Grate Britain | 2,4 | 2,2 | 0,8 | 3,2 | 2,4 | 6,7 | 3,3 | 4,8 | 0,1 | 0,0 | 0,1 | 0,1 |
| USA | 2,6 | 1,6 | 1,1 | 2,7 | 5,8 | 7,1 | 4,3 | 3,5 | - | - | - | - |
| Bulgaria | 3,7 | 5,5 | 1,0 | 5,4 | 0,0 | 31,0 | 10,3 | 12,9 | 0,0 | 0,8 | 0,3 | 0,1 |
| Croatia | | 9,9 | 0,7 | 4,7 | 0,0 | 36,0 | 5,1 | 5,8 | | 2,2 | 1,1 | 0,3 |
| Hungary | 1,5 | 4,8 | 0,4 | 4,0 | 1,6 | 19,9 | 10,2 | 10,2 | 8,2 | 61,9 | 37,3 | 16,7 |
| Romania | 3,7 | 6,4 | 2,2 | 7,3 | | 10,2 | 22,9 | 11,5 | 0,0 | 0,5 | 0,4 | 0,3 |
| Czech Republic | | 4,9 | 1,8 | 4,4 | | 12,3 | 4,3 | 5,4 | | 2,9 | 6,6 | 2,0 |
| Ukraine | 0,9 | 6,7 | 3,1 | 9,3 | | 21,1 | 14,5 | 36,3 | | 1,4 | 0,1 | 1,5 |

Source: compiled by the author based on data from WDI [129]

* Calculated as the standard deviation during the period, %

According to calculations, Ukraine in many respects is similar to the countries with emerging economies of Central and Eastern Europe (CEE) if we consider the degree of uncertainty in the macroeconomic indicators. The corresponding structural changes, strengthening of financial control, institutional reforms have stimulated the reduction of volatility benchmarks in the pre-crisis period. When developed world was declining further, the Ukraine and CEE emerging economies' relevant indicators rose in absolute terms. Moreover, Ukraine's indicators are is higher, indicating a greater degree of uncertainty in the results of potential investments. Taking this into account, Ukraine concedes emerging economies of CEE in the struggle for investment.

Conclusions. Ukraine can be seen and is currently considered by foreign investors as the country with similar to emerging economies characteristics. This is confirmed by observation of dynamics of main macroeconomic indicators of Ukraine and their

changes in response to the changes in developed economies and emerging economies. Therefore, the experience of managing the foreign investments flows used by emerging economies can be used as a basis for decision-making in Ukraine. The latter issue could be developed in the subsequent researches.

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Кобилянська А. В. Макроекономічна диспозиція української економіки по відношенню до емерджентних економік в глобальному фінансовому просторі.

Анотація. В статі проаналізовано відносну позицію України та країн з ринками, що формуються, в глобальному фінансовому просторі. Основна увага приділена детермінантам іноземного інвестування та відповідним змінам в інвестиційних потоках. Була підтверджена гіпотеза щодо відносної схожості української економіки до економіки країн з ринками, що формуються, як імпортерів іноземних інвестицій.

Ключові слова: країни з ринками, що формуються; країни з високим рівнем доходу; міжнародні потоки капіталу; макро-економічні показники.

Кобылянская А. В. Макроэкономическая диспозиция украинской экономики по отношению к эмерджентным экономикам в глобальном финансовом пространстве

Аннотация. В статье проанализирована относительная позиция Украины и стран с формирующимися рынками в глобальном финансовом пространстве. Основное внимание уделено детерминантам иностранного инвестирования и соответствующим изменениям в инвестиционных потоках. Была подтверждена гипотеза об относительной схожести украинской экономики и экономик стран с формирующимися рынками как импортеров иностранных инвестиций.

Ключевые слова: страны с формирующимися рынками; страны с высоким уровнем дохода; международные потоки капитала; макро-экономические показатели.