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**THE FUNDAMENTALS OF ECONOMIC STABILITY
AND SECURITY IN UKRAINE**

Annotation. The fundamentals of economic stability and security in Ukraine are considered. Ukraine's macroeconomic situation in November 2010 and March 2011 were analyzed.

Анотація. Розглянуто основи економічної стабільності й безпеки в Україні. Проаналізовано макроекономічну ситуацію в Україні у листопаді 2010 та березні 2011 років.

Аннотация. Рассмотрены основы экономической стабильности и безопасности в Украине. Проанализирована макроэкономическая ситуация в Украине в ноябре 2010 и марте 2011 годов.

Key words: GDP, economic growth, fiscal policy, monetary policy, economic stability and security, macroeconomic situation, inflation, consumer price index.

The article is devoted to the fundamentals of economic stability and security in Ukraine, its macroeconomic situation in November 2010 and March 2011. Therefore, the aim of the article is the analysis of the development of Ukraine's economy. To achieve this aim it is necessary to analyse the fundamentals of economic stability and security in Ukraine, to analyse and compare macroeconomic situation in Ukraine in November 2010 and April 2011.

Very variable economic environments have become a serious source of concern and instability in a number of countries, Ukraine included. These environments are marked by severe overall macroeconomic instability, a slow pace of reform, weak institutions, high domestic and international debt burdens, a dominant informal sector, and crime. Another common denominator is the absence of the rule of law, checks and balances, competition, and a social safety net. The outcome is hence very discouraging: decapitalisation of assets and human resources, increasing poverty and marginalisation, declining life expectancy, and mounting social tension. In other words, all the necessary fertilisers for insecurity and a loss of will for further reforms.

It should be noted that a role of the state, backed by civil pressure, assistance and public support, is to ensure that markets deliver efficiency and stability. This requires more than low inflation, it requires sound financial regulation and its enforcement, competition policy, and policies to facilitate investment in technology and human capital. It also requires that resources match policy objectives; otherwise the key objective of improving the quality of life (by comprehensive, sustainable, socially fair and democratic development) becomes divorced from the means to achieve it, such as GDP growth. GDP growth, monetary stability and functioning markets become meaningless if not

According to the analysis of macroeconomic situation in Ukraine, industrial production growth remained at a strong 10.2 % in October 2010, the same rate as in the previous month. However, metallurgy, machine-building and food processing (together accounting for about half of total industrial sales) showed weaker performance. In March 2011, Ukraine enjoyed solid economic growth as weaknesses in the industrial sector were compensated for by better performance of domestic trade, construction and non-financial services. Given the remarkable start of the Ukrainian economy in the first two months of the year, real GDP was estimated to grow by more than 5 % in the first quarter of 2011 [2].

The analysis of the Ukrainian fiscal policy shows that, according to the State Treasury of Ukraine, state budget revenue collections (excluding VAT refunds through the government issuance of VAT bonds, budget institutions' revenues and transfers from local budgets) rose by a nominal 25.4 % in January – October over the same period last year, up from a 25 % increase reported for the first nine months of 2010. According to Ministry of Finance data, Ukraine's state budget deficit stood at UAH 0.9 billion in the first quarter of 2011, or less than 0.1 % of full-year GDP. Favorable budget balance performance was achieved thanks to robust revenue growth and a moderate increase in expenditures over the period. However, despite good first quarter results, narrowing the broad budget deficit to the targeted 3.5 % of GDP in 2011 may be quite challenging [2].

Having considered the Ukrainian monetary policy one should point out that, after a two-month rally, consumer price growth pulled back in October, advancing by a surprisingly moderate 0.5 % month-over-month. In annual terms, price growth eased to 10.1 %, down from 10.5 % a month before. In April 2011, the consumer price index advanced by 1.3 % month-over month, bringing 4-month inflation to 4.7 %. In annual terms, inflation accelerated to 9.4 % in April, up from 7.7 % a month before, following faster price growth in the weightiest commodity groups – food, beverages and tobacco, utility services, fuel and transportation services [2].

In conclusion it should be emphasized that Ukraine is marked by severe overall macro-economic instability, a slow pace of reform, weak institutions, high domestic and international debt burdens, a dominant informal sector, and crime; and the absence of the rule of law, checks and balances, competition, and a social safety net. In order to overcome these serious problems Ukraine requires transparency. It should encourage the formal sector to become part of a modern and efficient registered economy when the institutional environment allows.

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