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SOCIO-ECONOMIC AND MANAGEMENT CONCEPTS



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*Socio-economic and
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Collective monograph

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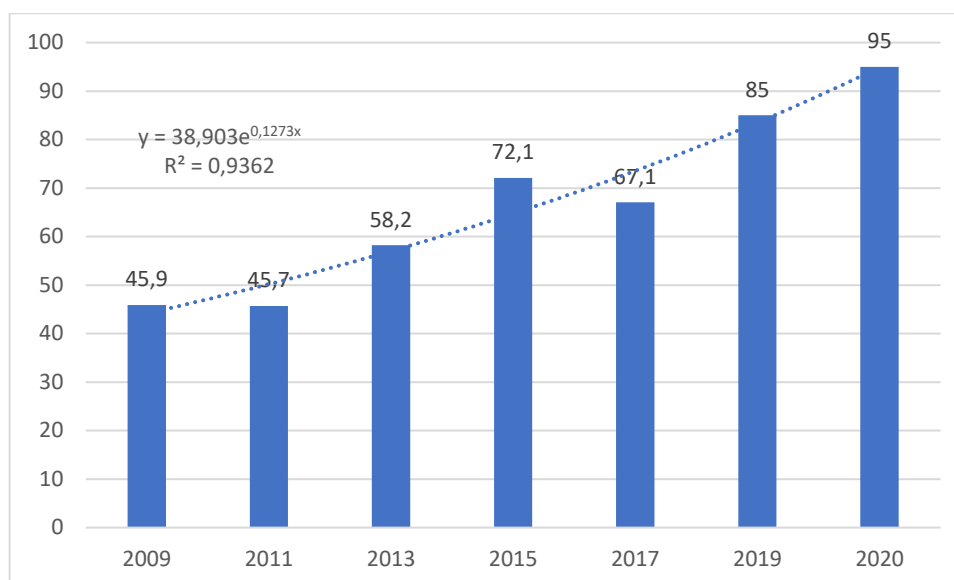
7.2 Ukraine's position on the world financial market

The degree of integration into world global processes determines the level of development of the national economy and the well-being of its subjects. This is facilitated by the unification of rules, procedures, instruments and methods of conducting both trade and financial transactions. Numerous risks also become common to all market participants. Nevertheless, the current vector of development of the world financial space is determined by the processes of globalization. The dependence of financial systems among themselves determines the development trends of the world currency market, debt instruments, shares, as well as the financial services market.

The main trends and factors that have determined the current state of the global financial market include the following points:

- consolidation of regional communities and structures;
- strengthening the influence of supranational structures on the debt and capital markets;
- active development of regional markets in the system of international finance;
- appearance and implementation of financial innovations as a tool for smoothing financial risks;
- improving the technical capabilities of conducting transactions on global financial markets;
- financial liberalization, which led to increased access to the global financial markets.

The general trend of our time remains the intensification of activity in the world financial markets, which ensures the circulation of liquid funds and the redistribution of capital to the most potentially profitable projects and industries (pic. 1).

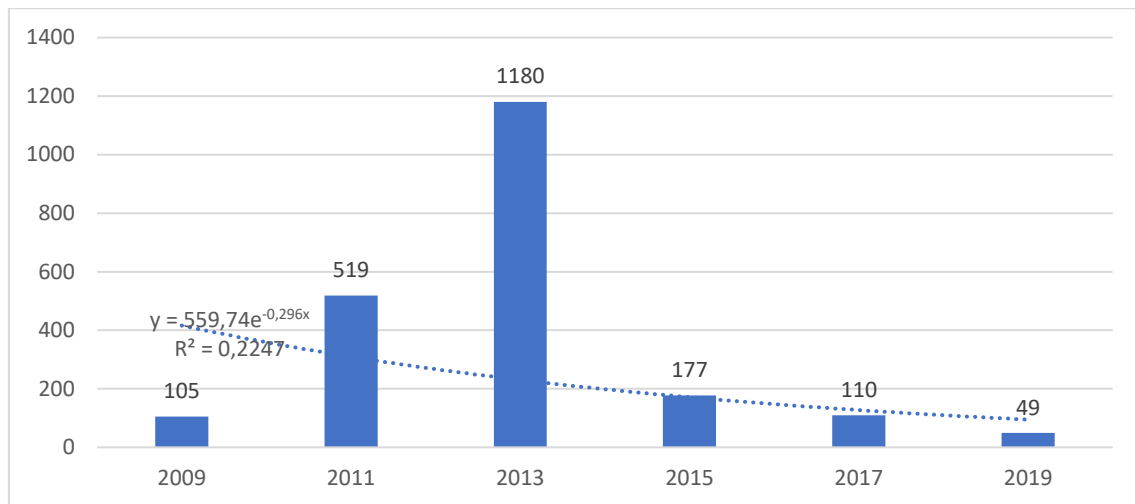


Pic. 1. Capitalization of the world stock market, trillion US dollars*

* - source: built by the authors on the basis of [367].

The capitalization of the global financial market is increasing and, as of early 2021, has already exceeded global GDP. Even the global pandemic and the slowdown in economies in the first half of 2020 did not become an obstacle to the acceleration of growth, which has not yet fully realized its potential. The reasons for this phenomenon were the stable trust of market entities in the leading issuers of securities, which, after a short-term recession, resume their activities. On the other hand, excess liquidity has appeared in the global financial environment due to the large-scale emission of foreign exchange funds by central banks. Having no alternative, funds are invested in the financial market, and the subjects of the financial services market are ready to provide funds to borrowers.

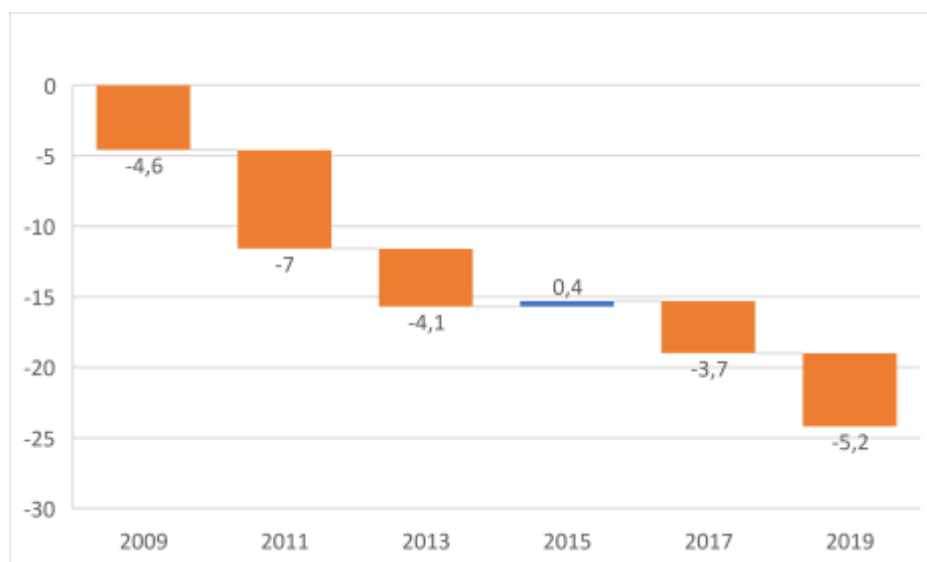
Global trends in the world financial market have an impact on the financial system of Ukraine, the assets of which for the most part have low investment attractiveness. The downtrend of international portfolio investment in stocks [pic. 2] speaks of distrust and low potential for profit of the overwhelming number of issuers from Ukraine. Note that the outflow of equity investments has a long-term downtrend.



Pic. 2. Net inflow of portfolio investments in shares, USD million*

* - source: built by the authors on the basis of [367].

Foreign direct investment in the country's economy is an important indicator, speaking of stability, high business activity and a favorable financial and investment climate. The current stage of development of the financial system of Ukraine indicates the opposite trend (pic. 3).

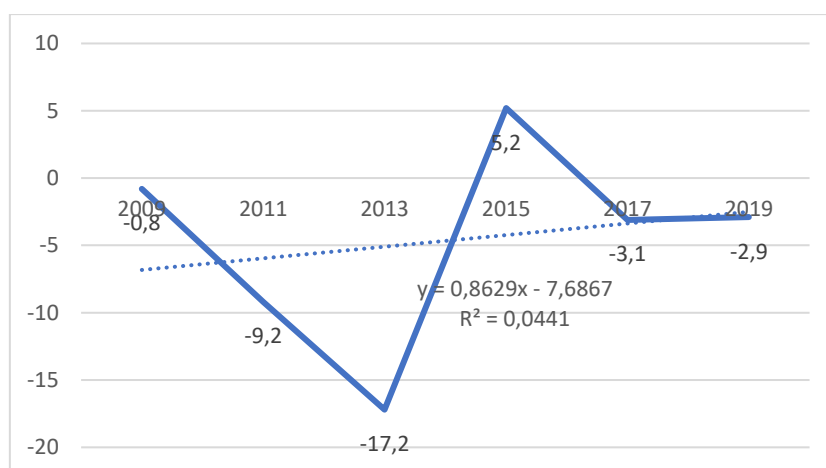


Pic. 3. Direct foreign investments in Ukraine, USD billion*

* - source: built by the authors on the basis of [367].

The low activity of financial transactions is also reflected in the state of the financial account (pic. 4). Financial account transactions reflect the receipt and

payment of loans and borrowings, the acquisition and use of foreign currency, the issue, redemption, sale or purchase of securities and others.

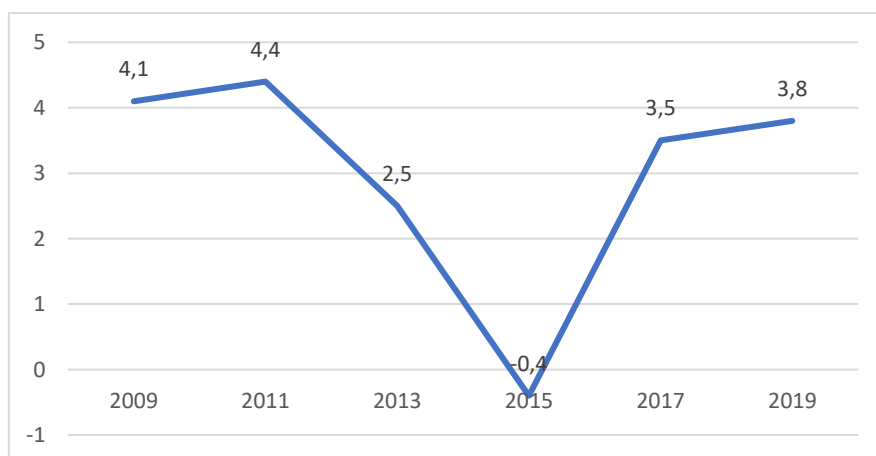


Pic. 4 The value of the financial account of Ukraine in current prices, billion USD*

* - source: built by the authors on the basis of [367].

A negative value of the financial account means a chronic outflow of capital and currency values from the Ukrainian economy. Nevertheless, in 2017-2019, there was a tendency to narrow the gap between the outflow and inflow of foreign exchange for conducting transactions in the financial market.

A low level of investment attractiveness is also demonstrated by an insignificant part of the GDP of foreign direct investment in the Ukrainian economy (pic. 5).



Pic. 5. Direct foreign investments from Ukraine, % to GDP*

* - source: built by the authors on the basis of [367].

Despite the positive trend that has emerged since 2016, the share of foreign investment in GDP remains insignificant. Ukraine remains an inactive participant in

the international financial market. At the same time, the national economy's need for liquid financial resources remains significant.

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