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**TRENDS OF THE INVESTMENT MARKET
DEVELOPMENT IN CONDITIONS OF ECONOMIC
INSTABILITY IN UKRAINE**

Introduction. In recent years, Ukraine's economy is in a difficult situation, while maintaining its tendency to deteriorate. That is why investments in the creation of favorable conditions for its development play an important role. The attracted investments are the basis for the development of the Ukrainian economy, ensuring the possibility of its integration into the European socio-economic space, increasing the competitiveness of domestic enterprises, thereby reducing the level of dependence on imports and developing export potential.

Aim and tasks. The purpose of the article is to conduct a comprehensive analysis of the current state of the Ukrainian investment market, identify key issues that impede the attraction of additional capital investments and the future prospects of investment in the economy of the country in accordance with current economic and political realities.

Research results. The article reveals the role of investments in the further development of the Ukrainian economy. The complex analysis of the current state of the investment market of the country is carried out. In carrying out the analysis of the investment market, methods of statistical analysis, system generalization, qualitative and quantitative comparison were used. The main factors that negatively influence on this market are determined, restraining the development of investment activity and reducing the competitiveness of the Ukrainian economy. The main directions of increase of investment attractiveness, the realization of which will contribute to the growth of capital investments, are offered.

Conclusion. On the basis of the analysis of the Ukrainian investment market, it was found that foreign investors are extremely cautious with the injection of additional flows into the Ukrainian economy. It is proved that this process is due to gaps in the economy and investment market of the country. At the same time, Ukraine belongs to countries with huge potential for attraction of investments due to the rich natural resources, scientific and technical potential, skilled labor, and favorable infrastructure. The key objectives of investment policy should be to implement a comprehensive solution to the country's economic, social and political problems. Effective reforms are needed to improve the situation in the country, which will stimulate business development, increase the living standards of the population and the economy of the country.

Keywords: investment, investment activity, directs foreign investments, capital investments.

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ТЕНДЕНЦІЇ РОЗВИТКУ ІНВЕСТИЦІЙНОГО РИНКУ УКРАЇНИ В УМОВАХ ЕКОНОМІЧНОЇ НЕСТАБІЛЬНОСТІ

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Проблема. В останні роки економіка України перебуває у складній ситуації, зберігаючи тенденції до погіршення. Саме тому Важливу роль у створенні сприятливих умов для її розвитку відіграють інвестиції. Залучені інвестиції є основою для розвитку економіки України, забезпечуючи можливість її інтеграції в європейський соціально-економічний простір, підвищуючи конкурентоспроможності вітчизняних підприємств, тим самим знижуючи рівень залежності від імпорту та розвиваючи експортний потенціал.

Мета та завдання. Метою статті є проведення комплексного аналізу поточного стану інвестиційного ринку України, визначення ключових проблем, які стримують залучення додаткових капітальних вкладень та подальших перспектив надходження інвестицій в економіку країни відповідно до сучасних економічних та політичних реалій.

Результати. У статті розкрито роль інвестицій у подальшому розвитку економіки України. Проведено комплексний аналіз сучасного стану інвестиційного ринку країни. При проведенні аналізу інвестиційного ринку використовувались методи статистичного аналізу, системного узагальнення, якісного і кількісного порівняння. Визначено основні чинники, які негативно впливають на цей ринок, стримуючи розвиток інвестиційної діяльності та знижуючи конкурентоспроможність економіки України. Запропоновано основні напрями підвищення інвестиційної привабливості, реалізація яких сприятиме зростанню обсягів капітальних вкладень.

Висновки. На основі аналізу інвестиційного ринку України виявлено, що іноземні інвестори є вкрай обережними з вливанням додаткових потоків в економіку України. Доведено, що даний процес зумовлений прогалинами в економіці та інвестиційному ринку країни. Водночас Україна належить до країн, які володіють величезним потенціалом для залучення інвестицій завдяки багатим природним ресурсам, науково-технічному потенціалу, кваліфікованій робочій силі, вигідній інфраструктурі. Ключовими завданнями інвестиційної політики має бути запровадження комплексного вирішення економічних, соціальних та політичних проблем країни. Необхідно проведення дієвих реформ для поліпшення ситуації в країні, що стимулюватиме розвиток бізнесу, підвищення рівня життя населення і економіки країни в цілому.

Ключові слова: інвестування, інвестиційна діяльність, прямі іноземні інвестиції, капітальні інвестиції.

Introduction. Improving the efficiency and stabilization of the Ukrainian economy is a key task of the state. The economic growth of any country requires attracting and efficient use of investment resources. The development of domestic business entities requires updating of fixed assets, advanced technologies and production organization, which requires significant financial revenues. That is why the role of investments has increased in recent years. An increase in the inflow of investment in the Ukrainian economy is possible from domestic and foreign investors. This process is possible only with the existence of a perfect investment market, characterized by the effective attraction and use of financial resources. Analysis of the main problems of the investment market provides a definition of the main ways of improving it. That is why the domestic scientists set themselves the task of substantiating and researching the best ways of attracting investments into the country's economy and neutralizing factors that inhibit investment income. In modern conditions, it is foreign investments that are the most important means of ensuring the conditions for the exit from the economic crisis, structural changes in the national economy, the growth of technical progress, and the improvement of quality indicators of economic activity. That is why the issue of foreign investment in Ukraine is very relevant.

Analysis of recent researches and publications. The study challenges the investment market Ukraine is investigated and discussed by many domestic and foreign scientists. To date, issues related to problems of attracting foreign investment in Ukraine, exploring many scholars, including such as L.Ye. Simkiv [1], L.S. Kozak [2], K.V. Palivoda [3], L.M. Alekseenko [4], O.M. Gribinenko [5] and others. A number of regulatory and investment laws have also been adopted. This is the Law of Ukraine "On Stimulation of Investment Activities in Priority Areas of the Economy with a view to Creating New Jobs", the Law of Ukraine "On Investment Activity", the Law of Ukraine "On Innovation Activity".

Previously unsettled problem constituent. In economic literature devoted much attention to assessing the effectiveness of investment, but practically no comprehensive approach to this issue. That is why the article is devoted to a comprehensive analysis of the current state of investments in the economy of Ukraine, the development of directions for improving the investment climate and the search for new modern approaches for creating a favorable investment environment.

Main purpose of the article. The purpose of this research is to conduct a comprehensive analysis of the state of investment in the Ukrainian economy. To determine the factors of negative influence on the investment process and future prospects of the receipt of investments in accordance with economic and political realities.

Results and discussions. The current state of Ukraine's economy requires significant changes, and one of the key issues is the lack of investment resources and their effective use in the future. Improvement of the country's economy is impossible without strengthening investment activity and finding reliable investors.

Ukraine's socio-economic development was significantly influenced by the crisis, which came under pressure of not only external factors and adverse macroeconomic trends, but mainly because of the military conflict on the east, the political crisis and the negative effects of the restructuring of industrial enterprises. That is why an important prerequisite for the restoration and growth of the country's economy is to increase investment by creating a favorable investment climate in the middle of the country, which will facilitate business development. However, the economic and political situation that has been developed today in the country significantly complicates investment activity and adversely affects the behavior of both foreign and domestic investors. The investment process in Ukraine is characterized by a lack of stability and significantly depends on the volume of capital investments, external and internal factors [1].

The investment attractiveness of the country is one of the key criteria, when analyzing the state of the country's economic development. The dynamics of capital investment in Ukraine in recent years cannot be

estimated positively (Fig. 1). If you review the dynamics of capital investment for 2013-2017 years, you can see that the largest decline was in 2014, then every year we can see the dynamics to investment increase.

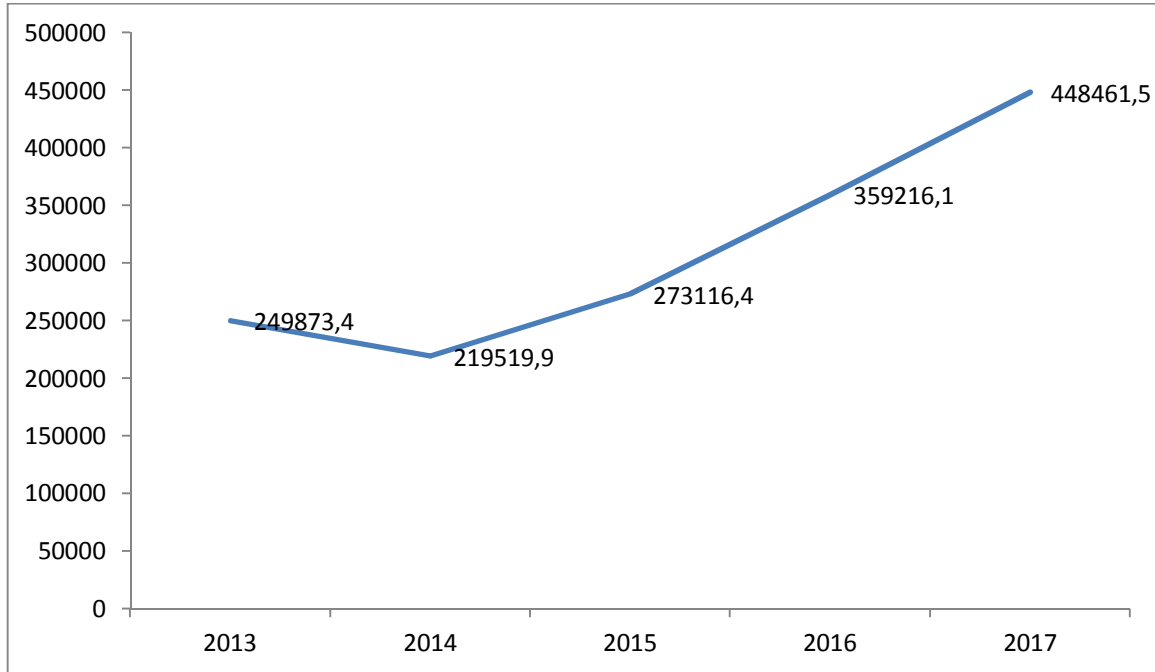


Fig. 1. Dynamics of capital investments into the economy of Ukraine for 2013-2017 years, mln.UAH.

Source: formed on a basis [2].

In 2017, the volume of capital investments increased by UAH 89245.4 million. or 24.4% compared to the previous year. The main sources of capital investments in 2017, as in previous years, are the own funds of enterprises and organizations, which in 2017 increased by 61292.3 million UAH. and at the expense of which mastered 69,1% of the total investment of the country (Table 1). Thus, the structure of the sources indicates a high level of this share in the total investment, which indicates the closed nature of economic reproduction and the high dependence of the state of investment in the country on the profits of enterprises and organizations, which needs government support and credit resources.

At the expense of the state and local budgets, 56860.7 million hryvnias were used or 12.7% of total investment. The increase in this share of investment was primarily due to the

nationwide decentralization policy associated with the transfer of powers and financial resources to the regions

The population's investment in housing construction in 2017 amounted to 7.3% in comparison with other sources of financing, including the purchase of securities in the stock market - 2.9%; these things indicate a low level of public trust in the stock market and the banking system, and the predominant investing in real estate as a relatively reliable and highly liquid economy.

Regarding borrowed funds, namely funds from foreign investors and bank loans and other loans, they make up only 8% (6206.4 and 29588.9 million hryvnias, respectively). Most of the borrowed funds are used to meet the current needs of business entities, rather than investing in new projects.

Table 1. Capital investment by sources of financing for 2013-2017 years, mln. UAH.

	2013	2014	2015	2016	2017
Total	249873,4	219419,9	273116,4	359216,1	448461,5
incl. at the expense of					
the state budget funds	6174,9	2738,7	6919,5	9264,1	15295,2
funds of local budgets	6796,8	5918,2	14260,0	26817,1	41565,5
own funds of enterprises and organizations	165786,7	154629,5	184351,3	248769,4	310061,7
bank loans and other loans	34734,7	21739,3	20740,1	27106,0	29588,9
funds of foreign investors	4271,3	5639,8	8185,4	9831,4	6206,4
funds of the population for housing construction	24072,3	22064,2	31985,4	29932,6	32802,5
Other	8036,7	6690,2	6674,7	7495,5	12941,3

Source: formed on a basis [6].

Analyzing capital investment by sources of funding, it is clear that investments are mainly due to the company's own funds. In conditions of an unstable economic and political situation in the country, an increase in unemployment, a conflict in the east of the country investment is extremely insufficient in this field. That is why the state needs to be more involved in the investment process and encourage private investment to overcome these problems.

The basis of investment attractiveness is determined by the volume of direct foreign investment and investment in fixed assets. Foreign investments have a number of direct advantages over foreign loans: the target character of investment, the investor's interest in improving the efficiency of the economy (mainly economic), the interest in increasing production, as well as in the return of funds. All this makes it possible to talk about the highest economic and social efficiency, the usefulness for Ukraine of foreign investment in comparison with foreign loans.

All this makes it possible to talk about the highest economic and social efficiency, the usefulness for Ukraine of foreign investment in comparison with foreign loans. The most important thing is that foreign direct investment can be a source of not only necessary capital, but also of new technology, management skills

and marketing system. These resources are stimulating competition, innovation, accumulation of capital and are creating jobs and economic growth. There are following positive effects from attraction of foreign investments:

- modernization - attracting with the help of foreign investments world models of production technologies and labor organization, which as a result can be used at domestic enterprises;

- an increase in production volumes is a key factor in the current economic crisis;

- positive impact on the balance of payments; - increase in the level of market competition [2].

The attraction of foreign investment enables the recipient country to obtain a number of benefits, the main of which is the improvement of the balance of payments; transfer of the latest technologies and know-how; complex use of resources; development of export potential and reduction of dependence on imports; achievement of socio-economic effect (increase of employment level, development of social infrastructure, etc.) [3].

According to the State Statistics Service in 2017, 1,730.4 million dollars were invested in the economy of Ukraine by foreign investors from 76 countries of the world. US direct investment (Fig. 2).

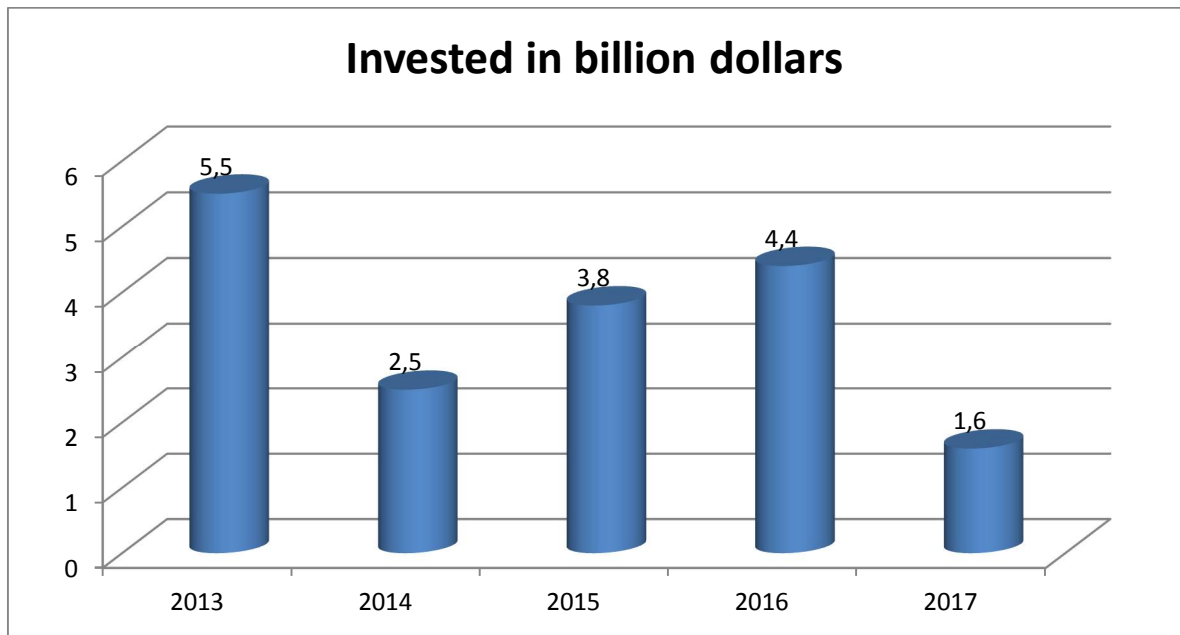


Fig. 2. Dynamics of direct foreign investments for 2013-2017 years

Source: formed on a basis [6].

Dynamics of foreign direct investment shows a significant decrease in 2017. Reducing the volume of direct foreign investment revenues is due to the restructuring of large companies in the Ukrainian market. Over the past year and a half, a number of foreign companies either have phased out a large part of their business in the country, or have completely left Ukraine [7].

The volume of investments attracted from the beginning of the investment of foreign direct investment (share capital) in the economy of Ukraine as of December 31, 2017 amounted to 39144,0 mln. USA. The insignificant amount of funds of foreign investors also does not significantly affect the general state of investment in Ukraine.

Investments are diverted into already developed areas of economic activity. The main investor countries include Cyprus - 25.6%, the Netherlands - 16.1%, the Russian Federation - 11.7%, the United Kingdom - 5.5%, Germany - 4.6%, the Virgin Islands (Brit.) - 4.1%, and Switzerland - 3.9% (Fig. 3).

The largest volumes of direct investment revenues were sent to institutions and organizations engaged in financial and insurance activities - 26.1% and industrial enterprises - 27.3% [6].

Analyzing the dynamics of foreign direct investment in Ukraine, it is necessary to focus on world investment flows. In 2017, foreign direct investment declined by 18% to 1,411 trillion USD. This happened due to the decline in the reconstruction of companies.

Investment in the countries of the Organization for Economic Cooperation and Development in 2017 fell by 37% (to 760 billion US dollars), most from the UK and the USA. Receipts to G20 non-OECD countries increased by 3%, in particular, due to an increase in five times of the Indonesian index (up to \$ 23 billion). At the same time, foreign investment of these countries has fallen by 33%, due to the fact that China has reduced its investments abroad for the first time since 2005 (by 1%, to \$ 168 billion).

The volume of direct foreign investment in Russia last year fell by 32% reaching \$ 25 billion, while Russian investment abroad jumped up on 34% reaching \$ 36 billion.

The United States in 2017 remains the main source of foreign direct investment (\$ 363 billion), followed by Japan (\$ 160 billion), Great Britain (\$ 100 billion), Germany (\$ 77.5 billion), and Canada (\$ 77 billion).

The main recipients of investments last year were the United States (\$ 287 billion), China (\$ 168 billion), Brazil (\$ 63 billion), the Netherlands (\$ 58 billion), France (\$ 50 billion).

Considering the situation in the world in attracting foreign direct investment, Ukraine has to become an important source of financial revenues to overcome the economic crisis [7].

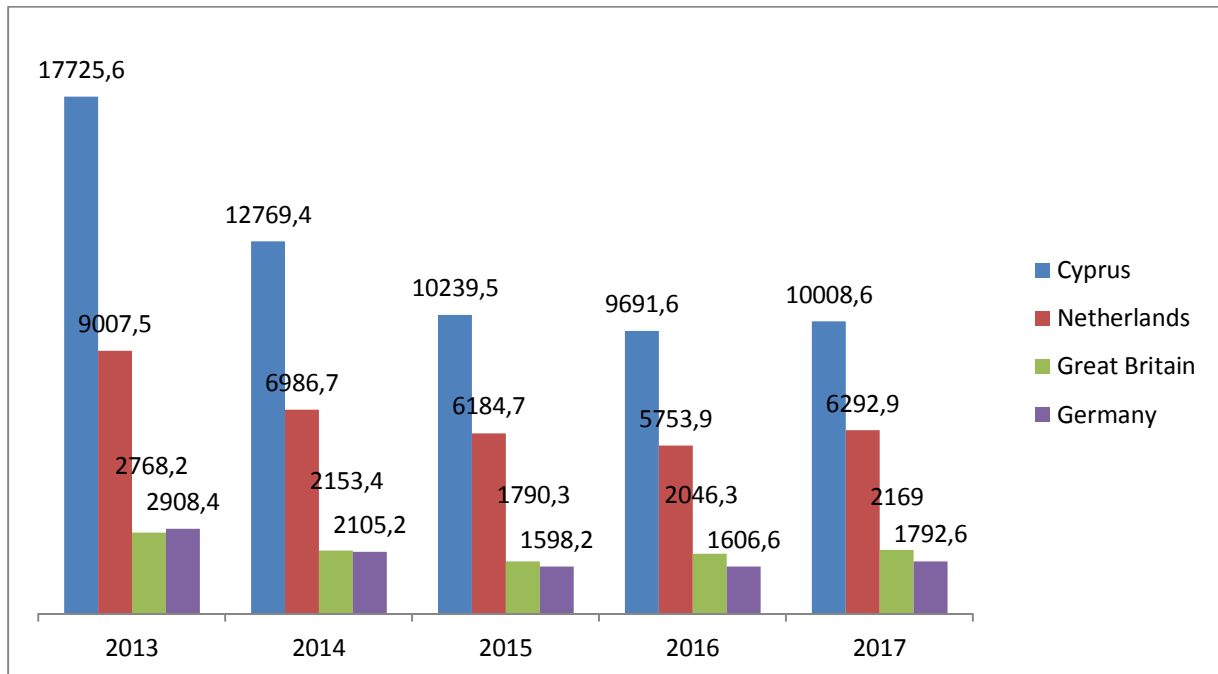


Fig. 3 Dynamics of direct foreign investments of the main countries-investors in Ukraine for 2013-2017 years

Source: formed on a basis [6].

According to experts' forecasts, the growth rate of the Ukrainian economy is related on extraction and export of low value added products. With such a pace, we will never become a strong and developed economy, and in reports, or ratings of international organizations, we will remain in the group of "developing countries" for a long time.

Among the main reasons for the low level of investment activity, it is necessary to distinguish:

- the presence of risks of destabilization in the foreign exchange market;
- Preservation of a complex situation in the banking sphere, in particular, the lack of long-term lending to the domestic economy;
- limited access to financial resources both in the domestic and foreign markets;

- unsatisfactory conditions of the external market by traditional commodity groups of Ukrainian exports;

- decrease of profitability of Ukrainian enterprises;

- a narrow spectrum of investment areas by industry for medium-sized investors;

- burdensome regulatory procedures, in particular: the complexity of tax administration, the number and complexity of obtaining permits, technical regulation (certification and standardization); inspections of public oversight bodies [4].

In order to improve the investment climate in the country, it is necessary to implement a number of priority measures for the successive depoliticization of the economy, the formation of common strategic goals and the sequence of economic reforms, ensuring the

unchanged investor's market rights and freedoms and guaranteeing the protection.

The said measures are intended to help to improve the investment image of Ukraine and increase the volume of attraction of foreign investments and capital investments into the state economy. Some changes are currently taking place, namely, the law "The National Strategy for Promoting the Development of Civil Society in Ukraine for 2016-2020" [5].

According to the calculations of the ISER, in order to reach the level of the current development of the neighboring countries, in the ten-year perspective, it is necessary to double GDP each year by 2025. This requires an increase in the volume of investments on 2 times annually average. Obviously, it is necessary to implement the structural restructuring of the economy, to focus on the production of products with high added value. However, as we see, due to the lack of funds in the budgets of central and regional authorities, the state practically stands aside from investment processes. Non-state investors also have limited funds. Additionally, it is necessary to note the insufficient level of available domestic savings, and the possibilities for a reliable investment of these funds, especially for the regular consumption of the economy, are limited.

In such circumstances, the state regulation of investment activity should be directed to direct management of investments, as well as - to control the legality of investment activities by all parties and investors. The state should become a reliable assistant, and sometimes, for example, in a public-private partnership to become a partner. Another important component is the attracted funds. The state-supported banking system should ensure the inflow of financial resources into the economy. In this aspect, issues of insurance and investment guarantee are relevant, and the state in this market should establish clear rules of the game [8].

In the Doing Business 2018 rating, Ukraine has risen by +4 points and took 76th place from 190 countries of the world. Ukraine has shown the greatest progress in the

following ranking ratings: +105 points (140th for 35th place) for the component "obtaining construction permits" - due to reduction of share participation in Kyiv from 10 to 2% and reduction of the cost of technical services; + 41 point on "payment of taxes" for reduction and unification of the rate of SSC.

According to the World Economic Forum Competitiveness Index, Ukraine has risen to 81st out of 85th position in 2017. Moody's Investors Service reported in August that risk-mitigating investor-related risks were highlighted, with emphasis on successful structural reforms [9]. In the rating of Moody's Investors Service, Ukraine has improved its credit rating in the international economic list. It has changed from CAA3 to CAA2, which means changing the forecast from "stable" to "positive". Thus, the improvement of the indicators was influenced by the implementation of structural reforms in Ukraine, which helped the country to cope with the debt burden and improve its position on foreign markets.

In spite of all the "achievements" that took place last year, one should not forget about the current political and military instability, which added the risks of investing. As a result, the current situation differs significantly from what was ten years ago, when Ukraine could offer them participation in mega-projects, such as large-scale privatization or infrastructure development, in order to attract investment. The number of mega-projects that investors would be able to offer now is less. Prospects for large privatization do not cause much optimism.

In order to improve the situation, a number of reforms aimed at improving the investment climate are needed. Unlike large projects, such reforms may not be attractive from the point of view of political ratings, but they are necessary. Eliminating corruption and protecting property rights are the keys to creating a supportive business environment. These challenges, historically inherent in Ukraine, were accompanied by new challenges that arose during the 2014 instability. In particular, new investor's fears have led to

restrictions on the repatriation of dividends that were imposed in September 2014. Even after the full resolution of this issue, the fact that Ukraine imposes such restrictions adds another risk to business [7].

Ukraine remains attractive for investment, at the same time it is not away from to the world's processes, it is sufficiently integrated into the world economy and the violation of macro stability in foreign markets has its echo in Ukraine.

Conclusions and further researches directions. The real economic situation in the country requires investment attraction. The current stage of development of the national economy of Ukraine attracts investors to invest in traditional branches of the economy: metallurgy, machine building, food and chemical industries. But besides, more and more investors are attracted by such industries as wind energy, biofuel production, consumer electronics, high technologies. But foreign investors are extremely cautious with the injection of additional flows into the Ukrainian economy. This is due to gaps in the economy and investment market of the country.

The reasons for this situation are the small productivity of the national economy, the ineffective activities of the NBU in ensuring the stability of the national currency, the tax burden, lack of confidence of small investors in financial institutions, high level of corruption, low level of development of market infrastructure. These negative factors affect the attraction of additional capital investments. At the same time, Ukraine, with its rich natural

resources, skilled labor, scientific and technical potential, a strong production base and infrastructure, can potentially be one of the leading countries in the world for attracting investment.

That is why the key objectives of investment policy should be the implementation of a comprehensive solution of the country's economic, social and political problems. Within the framework of the National Investment Plan, it is necessary to allocate effective reforms to improve the situation in the country. It is necessary to ensure free import and export of currency from the country, dividends in the framework of realization of investment projects, favorable customs regime of foreign direct investment, guarantees of their protection and protection of property rights of investors. Another area for attracting capital investments is the introduction of a system of preferential taxation of foreign direct investment and investments in projects of development of priority sectors of the economy.

Improving effective state regulation, protecting the property rights of foreign investors and creating the appropriate conditions for an attractive investment climate in the country will create a favorable environment for doing business, stimulating the development of small and medium-sized businesses, increasing the number of jobs and the efficiency of the labor market, and, as a consequence, raising the standard of living population and economy of the country.

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