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RECENT FACTORS OF THE INVESTMENT CLIMATE IN UKRAINE

The Russia's military aggression in Ukraine have changed not only the conditions of doing business but also led to the transformations in the investment climate of Ukraine. It is obvious that with the beginning of full-scale military operations throughout the territory of Ukraine, its investment attractiveness has significantly decreased for both domestic and foreign investors – the growing risks for business entities under aggressive destruction of infrastructure, high currency volatility, complicated logistics, deficit of the state budget and forced reorientation of the economy to meet military needs led to a drastic decrease in the inflow of the capital investments into the country's economy.

Ukraine's investment climate has always been characterized by a high degree of risk, compared to other CEE countries. However, the dynamics, character and democratic way of reforming not only the economy, but also all spheres of social security created attractive conditions for conducting business activities by both domestic and foreign entities: the riskiness of capital investments was compensated by the capacious domestic market, the possibility to implement the innovative management strategies, to apply the progressive business models for the development of entrepreneurial activity, and promoting the attraction of foreign investments in the Ukrainian economy.

Of course, the full-scale war became a new factor affecting the business activity and the investment climate in Ukraine: according to the results of the survey of investors (1H 2022), the war is admitted as the main negative factor, moreover 87% of investors consider Ukraine's investment climate as unfavorable and not attractive for new investors to enter in. In addition, the other negative factors of the investment climate include a decrease in purchasing power and problems with logistics [1].

Among above named factors that led to a decrease in investment activity were [2–5]:

– a low level of investments in infrastructure modernization caused by inefficient tariff formation, non-targeted use of port fees and irrational redistribution of received funds;

– a total reduction in the size of the economy by 16% due to a decrease in the rate of economic growth as a result of the impact of the global recession of 2008–2009, the economic crisis and the military conflict of 2014;

– a low ratio of capital investments to GDP;

– the COVID-19 pandemic and quarantine measures, which blocked the implementation of investment projects and led to the emergence of new trends in investment strategies of transnational corporations;

– a political and economic measures taken by the government since 2014;

– financing current needs of the economy through bond issuance;

– the growth of risks associated with the servicing of Ukraine's public debt as a result of Russia's invasion;

– a significant increase in the state debt and an increase in the probability of its restructuring;

– obstacles to Ukraine's access to servicing financing of commercial debt;

– a considerable duration of war and an uncertain time of its end;

– the high level of external liquidity risks;

– a reduction in economic growth rates (the decrease in GDP in more than 30%);

– a decrease in financial stability;

– a reduction of state budget revenues;

– a weakening of the administrative capabilities of government influence.

Another indicator that should be taken into account when evaluating the investment climate is the Index of Investment: according to it Ukraine was in 151st place in the world in the 2020 report and in 149th place (out of 175) in the 2022 report. Despite progress, non-performing loans continue to hamper the banking system, underdeveloped capital markets limit financing opportunities, and bureaucratic and corruption problems are constraining factors for ensuring the necessary level of private investment growth [6; 7].

Taking into account the recent factors that influence the development of Ukraine's investment attractiveness, we can argue convincingly that the issues of not only identifying the available opportunities for attracting investments to our country's economy, but also finding ways to improve the investment climate in general are extremely important.

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