

TRADE, SME'S AND DEVELOPMENT IN UKRAINE



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ECONOMIC SLOWDOWN FACTORS IN 2012-2013

- economic depression in developed countries
- deterioration of economic relations with Custom Union (Russia, Belarus, Kazakhstan)
- deterioration of entrepreneurial climate - growing fiscal pressure and systemic corruption
- slowdown of investment processes

SYSTEMIC CONSEQUENCES OF 2014 POLITICAL CRISIS:

- reduction of investment attractiveness
- distrust to national currency and devaluation
- distrust to banking system, deposits outflow
- Government capacity reduction causing reforms suspension and anti-crisis measures weaknesses

THE MACROECONOMIC RESULTS OF 2014

GDP – 6,9 %

Industry - 10,1 %

Construction - 21,7 %

Capital investment - 24,1 %

Export - 13,5 %

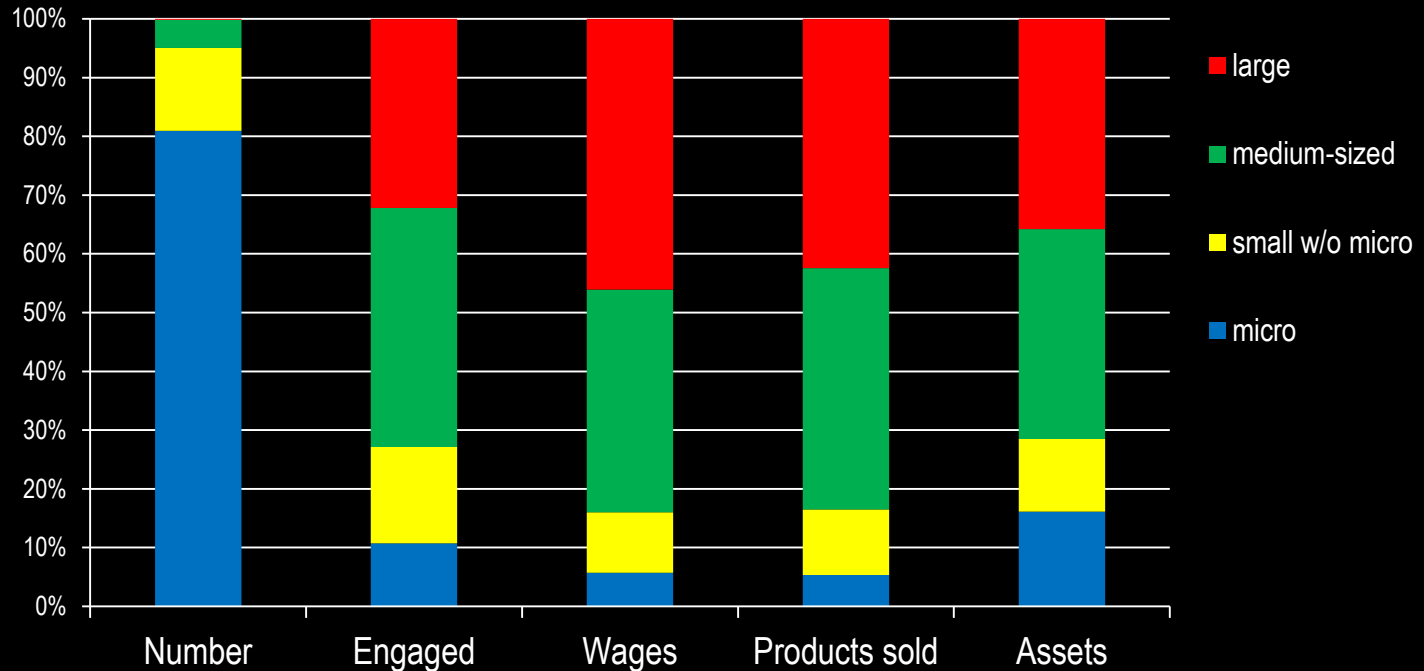
Inflation (CPI) 24,9 %

Devaluation 97 %

Banks deposits in UAH - 23 %

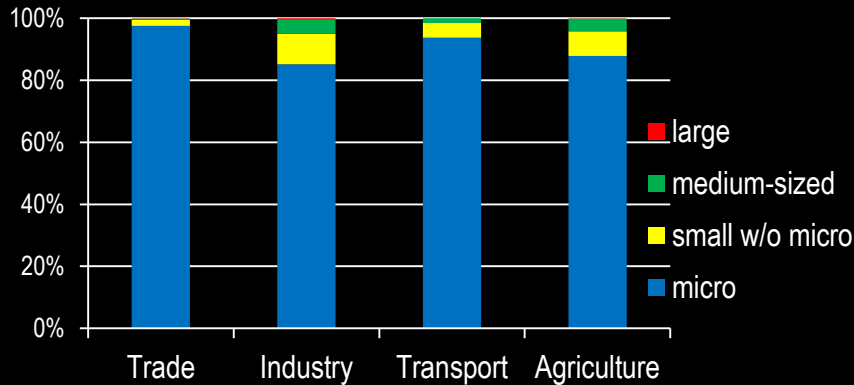
Banks deposits in USD - 40,3 %

MAIN ACTIVITY INDICATORS BY SIZE OF BUSINESS ENTITIES, 2013

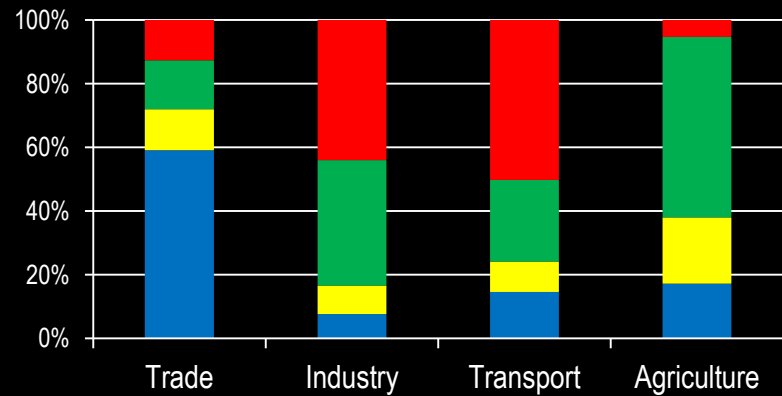


BUSINESSES DISTRIBUTION BY SIZE (2013)

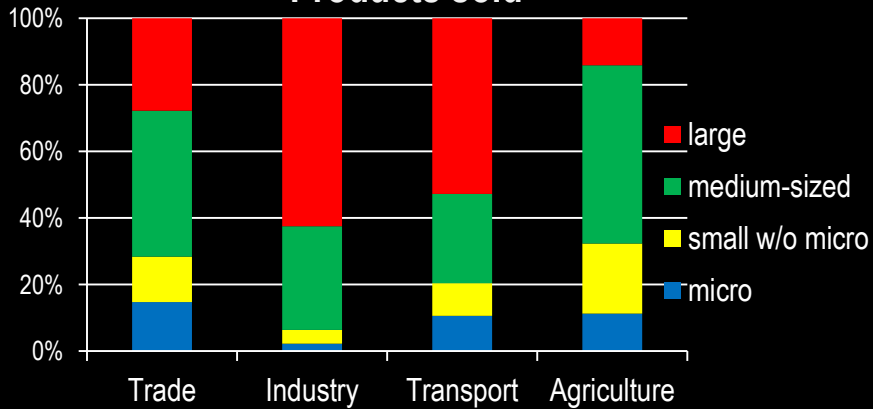
Quantity total



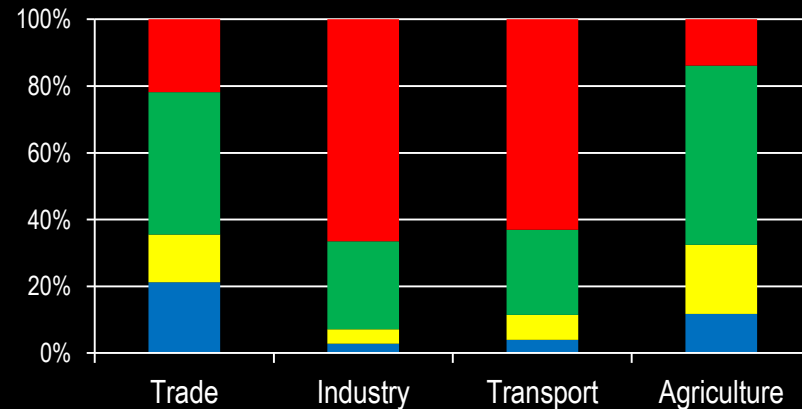
Engaged persons



Products sold

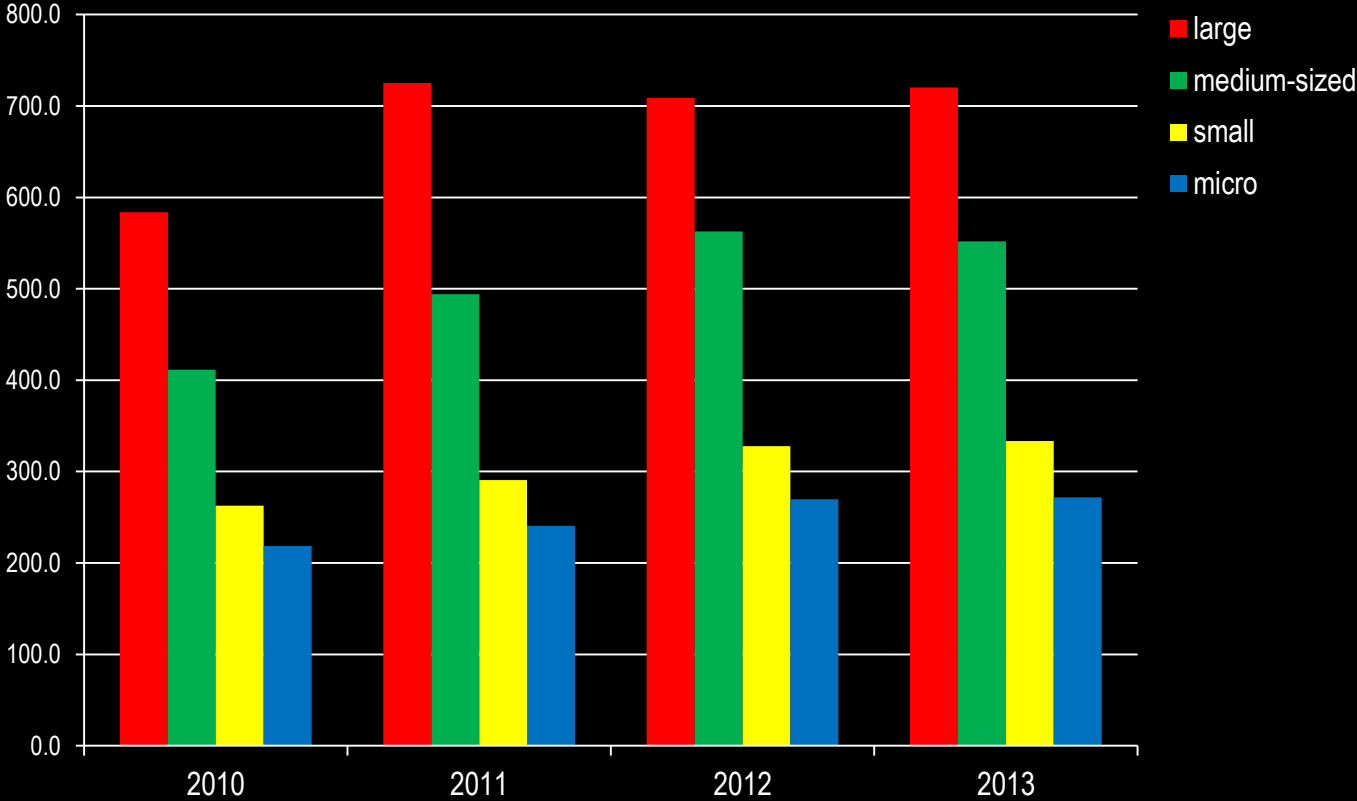


Assets (Enterprises only)



LABOR PRODUCTIVITY BY ENTITIES SIZE

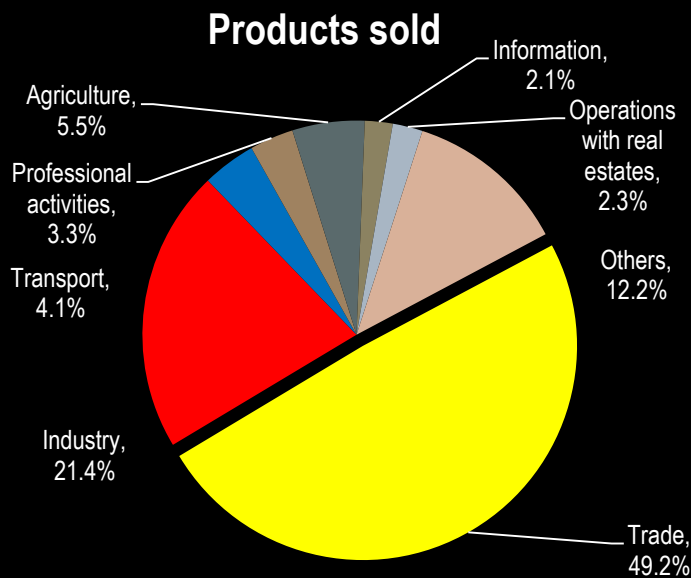
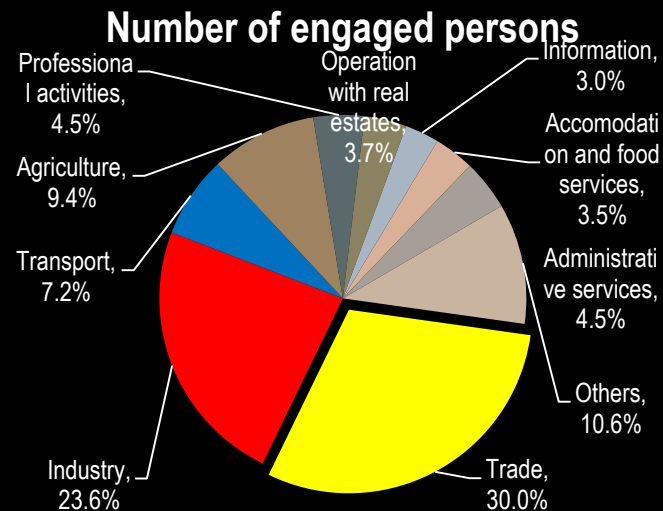
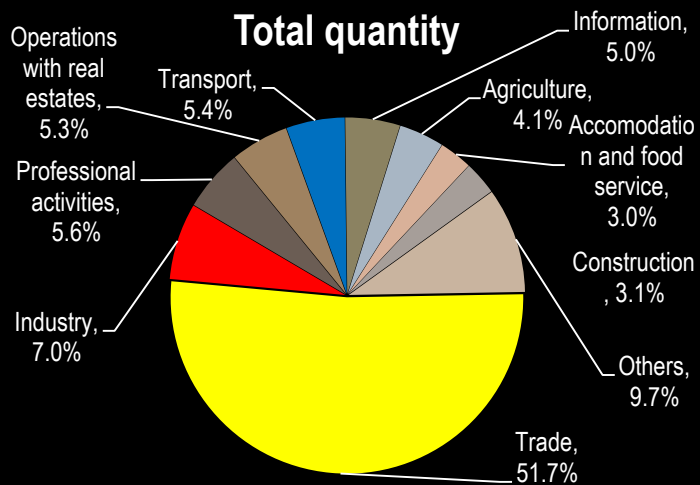
(Products sold per 1 engaged person, UAH1000)



SME'S SECTOR SHOWS A LOW EFFICIENCY BECAUSE OF:

- insufficient quality on management
- concentration of low-quality assets within the schemes of profits “privatization”
- insufficient quality of productive assets

SECTORAL STRUCTURE OF SME'S



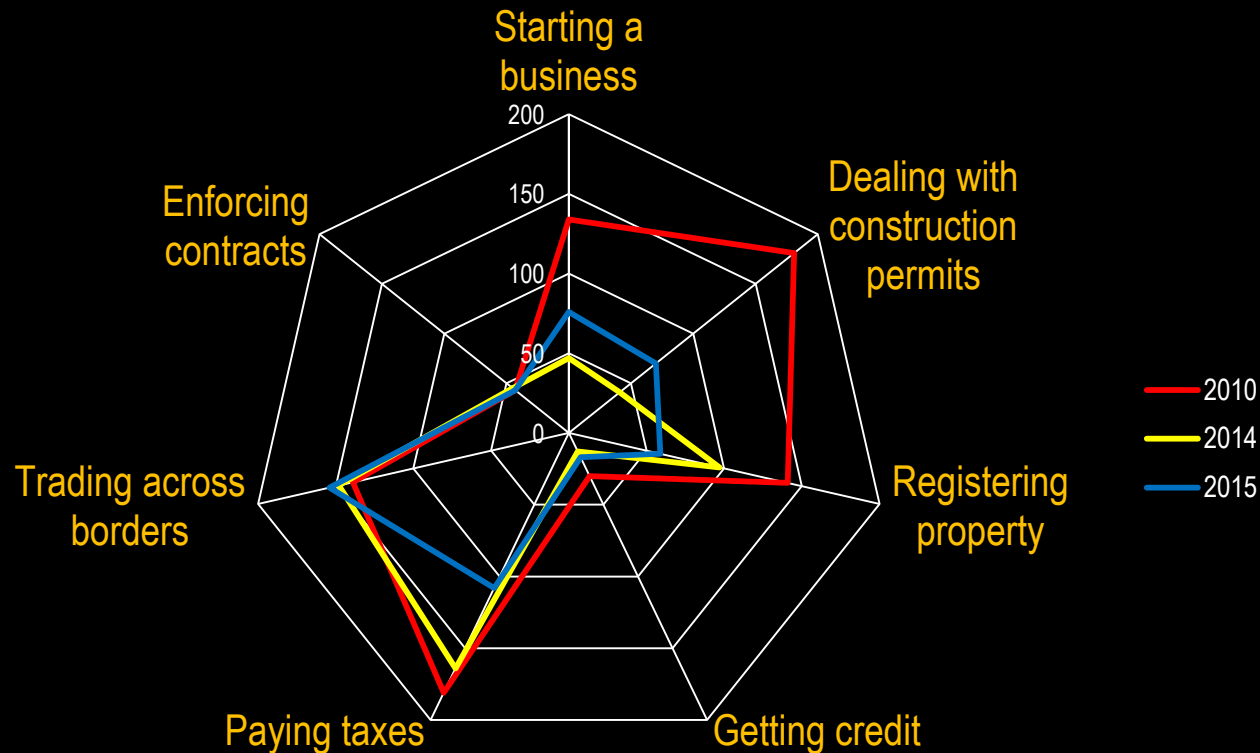
GROUPS OF SME'S IN UKRAINE

(Berlin Economics GMBH)

- Subsistence businesses
- Freelancers
- Stuck-in-the middle companies
- Pseudo self-employed
- Innovative growing companies

http://www.ukraine.fnst.org/files/1185/2014_11_03_SME_in_Ukraine_final.pdf

UKRAINE'S RATINGS BY DOING BUSINESS IN 2010-2015



BOTTLENECKS FOR ENTREPRENEURSHIP DEVELOPMENT IN UKRAINE

Institutional:

- overload of commercial activity by procedures
- insufficient protection of property rights
- high corruption
- unbalanced mechanisms of disputes settling
- insufficient level of entrepreneurial culture and managerial knowledge

BOTTLENECKS FOR ENTREPRENEURSHIP DEVELOPMENT IN UKRAINE

Macroeconomic:

- limited capacity of domestic market
- markets monopolization
- problems of financing

BOTTLENECKS FOR ENTREPRENEURSHIP DEVELOPMENT IN UKRAINE

Internationalization-specific:

- language barriers
- poor knowledge of international legislation
- lack of information concerning the situation at appropriate markets
- markets access barriers
- exchange rate factor

SOME INDICATORS OF TRADE INTERNATIONALIZATION OF UKRAINIAN ENTERPRISES (2013)

	Ukraine total	Small	Medium- sized	Large	Some benchmarks		
					Poland	Hungary	Slovak Republic
% of firms exporting	17,0	11,8	20,0	47,5	25,4	23,0	38,8
Total sales exported (%)	6,4	4,1	8,4	18,1	8,3	9,0	15,8
% of manufacturing firms using imported inputs	48,2	46,6	52,7	43,4	55,2	59,2	63,4
Total inputs imported (%)	24,6	21,7	31,9	17,6	24,6	24,6	34,0

<http://www.enterprisesurveys.org/data/exploreconomies/2013/ukraine>

REASONS OF LOW EXPORT ORIENTATION OF UKRAINIAN SME'S

- “standard” barriers
- insufficient competitiveness
- specific technological structure of export
- excessive domestic regulations and corruption
- lack of motivation for export activity

GROWTH FACTORS OF INTERNATIONALIZATION LEVEL OF UKRAINIAN BUSINESSES

- modern communicational technologies
- widening of communications with European partners
- development of transborder co-operation
- prospective FDI inflow
- advancing knowledge, practices, personnel for international co-operation
- further self-organization of business community
- realization of Diaspora potential

CLUSTERIZATION POINTS IN UKRAINE

- “universal” concentration points (usually, touristic and agrarian spheres)
- local structural specific advantages of the regions
- innovational sphere
- external factors

BARRIERS FOR CLUSTER MODEL DISSEMINATION IN UKRAINE

- lack of confidence and conflicts of interest
- “shadow” side of SMEs activity
- development of alternative network structures
- insufficient knowledge of existent practices, possibilities and advantages of co-operation

PROSPECTIVE FOR CLUSTER NETWORK DEVELOPMENT IN UKRAINE

- SMEs network widening and diversification
- progress in modern technologies
- changes in competition characteristics
- diversification, specialization of products, increase of complementarity
- activization of entrepreneurial NGOs
- regional strateging and increase in role of local powers in cluster models establishment

THANKS FOR YOUR ATTENTION !

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