ECONOMIC SLOWDOWN FACTORS IN 2012-2013

- Economic depression in developed countries
- Deterioration of economic relations with the 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

- Number
- Engaged
- Wages
- Products sold
- Assets

Legend:
- large
- medium-sized
- small w/o micro
- micro
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

Total quantity
- Trade: 51.7%
- Industry: 23.6%
- Transport: 7.2%
- Agriculture: 9.4%
- Professional activities: 4.5%
- Operations with real estates: 3.7%
- Accommodation and food service: 3.5%
- Construction: 3.1%
- Information: 5.0%
- Others: 9.7%

Number of engaged persons
- Trade: 30.0%
- Industry: 23.6%
- Transport: 7.2%
- Professional activities: 4.5%
- Agriculture: 9.4%
- Operations with real estates: 3.7%
- Accommodation and food service: 3.5%
- Administrative services: 4.5%
- Others: 10.6%

Products sold
- Trade: 49.2%
- Industry: 21.4%
- Agriculture: 5.5%
- Professional activities: 3.3%
- Transport: 4.1%
- Information: 2.1%
- Operations with real estates: 2.3%
- Others: 12.2%
GROUPS OF SME’S IN UKRAINE

(Berlin Economics GMBH)

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

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)

<table>
<thead>
<tr>
<th></th>
<th>Ukraine total</th>
<th>Small</th>
<th>Medium-sized</th>
<th>Large</th>
<th>Some benchmarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of firms exporting</td>
<td>17,0</td>
<td>11,8</td>
<td>20,0</td>
<td>47,5</td>
<td>25,4</td>
</tr>
<tr>
<td>Total sales exported (%)</td>
<td>6,4</td>
<td>4,1</td>
<td>8,4</td>
<td>18,1</td>
<td>8,3</td>
</tr>
<tr>
<td>% of manufacturing firms using imported inputs</td>
<td>48,2</td>
<td>46,6</td>
<td>52,7</td>
<td>43,4</td>
<td>55,2</td>
</tr>
<tr>
<td>Total inputs imported (%)</td>
<td>24,6</td>
<td>21,7</td>
<td>31,9</td>
<td>17,6</td>
<td>24,6</td>
</tr>
</tbody>
</table>

Some benchmarks:
- Poland
- Hungary
- Slovak Republic

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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