

# COVID-19: New challenges for the Ukrainian economy

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**Abstract:** The article analyzes the works of economists who deal with the impact of COVID-19 on the economic development of European countries. The COVID-19 pandemic has already inflicted severe damage on the Ukrainian economy despite relatively mild public health implications so far. The authors analyzed the impact of COVID-19 on the activities of certain sectors of the Ukrainian economy, namely: catering, real estate, the judiciary and more. The direct impact of the pandemic on the economy has been channelled through stopped domestic economic activity in sectors affected by the shutdown, as well as lower demand for Ukrainian exports and lower remittances from abroad. Travel restrictions almost completely stopped local and international tourism. Second round effects stem from reduced household income, redirection of government spending and disruption of investment plans of companies, resulting in lower demand for a wide range of goods and service. For example, reduced electricity demand caused disruptions in energy system balance and lower demand for coal. “Forecast for 2020–2021” has been proposed, developed by experts on the basis of generalized consensus assumptions obtained from the results of the survey. The position of the Union of Ukrainian Entrepreneurs on reducing the tax burden on Ukrainian enterprises during the COVID-19 pandemic and the need to implement radical measures to support business has been revealed. The author has identified short- and medium-term measures that can improve the financial situation of the business after their release from quarantine. Several scenarios for overcoming the post-crisis period for the Ukrainian economy have been proposed.

**Keywords:** COVID-19, impact on the economic development, Ukrainian economy, sectors of the Ukrainian economy, Union of Ukrainian Entrepreneurs, financial situation

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## 1. Introduction

To understand how COVID-19 has affected Ukrainian exports and imports, it is necessary to turn to the gravitational model of international trade, which states that trade between two countries is directly proportional to the exporting country's production capacity and market size, and inversely proportional to trade costs necessary for the movement of goods between countries. That is why the COVID-19 pandemic has a negative impact on all three factors.

Production capacity in Ukraine has declined significantly during the quarantine period as people are becoming ill, isolating themselves at home as a precaution or at the government's request to shut down bars, restaurants, theatres, sport and music venues.

It should also be noted that further impacts on production are due to disruptions in global supply chains and shortages of intermediate products from countries affected by the pandemic. For example, between January and March 2020 many manufacturers using components from China in their production chains experienced a shortage of raw materials and supplies due to China's travel restrictions, which significantly reduced production capacity. As a result of the negative shock for supply chains, exports of goods and services are declining.

The size of the market is also affected by negative consumer expectations about future jobs and business income. Consumers are reducing and postponing the purchase of non-essential goods. Demand for luxury goods, cars, and air tickets is declining significantly, which also reduces imports of goods and services.

Trade costs are also changing as governments take measures to restrict the free movement of goods and people, including banning the export of medical equipment and restricting travel (Shepotilo, 2020).

Today, the question of the impact of COVID-19 on the economic development of entrepreneurship in the world, and in Ukraine in particular, is studied by many economists and analysts, including Gene Marx, Nuriel Rubini, Andrei Bezpyatov, Sergei Fursa, Anders Oslund, Yaroslav Zhalilo, Vasily Furman, Anatoly Amelin, and many others. However, this issue requires a comprehensive analysis and daily monitoring of the situation, which determines the relevance of the chosen topic.

For example, the economic and social consequences of COVID-19 are being studied by scientists from various aspects. In particular, R. Maistro and D. Nazarenko paid attention to Ukraine's anti-crisis strategy to overcome the negative economic consequences of quarantine. The authors note the need to develop domestic demand for domestic products, support the real sector of the economy, prevent destabilization in the financial and foreign exchange markets.

A. Oleshko, O. Rovnyagin analyzed the impact of the spread of COVID-19 on the social and economic situation in the world, summarized the measures of anti-crisis policy and provided proposals for state support for business, the population, the financial sector.

O. Moroz, studying the development of investment activity in Ukraine in the economic crisis of 2020, notes that overcoming the global economic crisis in 2020 will be carried out by countries, based on national approaches (own way), with maximum use of available resources, and protectionist and anti-globalization trends will be the opposite of the trends associated with overcoming the economic crises that occurred in previous years.

However, the research conducted by scientists, as well as ours, identifies the first problematic issues that arise in the development of the crisis caused by COVID-19.

The purpose of the research is to comprehensively analyze the sectors of the Ukrainian economy and their impact on the COVID-19; development of recommendations for mitigating the negative impact of the pandemic on economic life and development of the state.

## 2. Materials and methods

As a result of the coronavirus pandemic and the introduction of quarantine measures, the fall in Ukrainian GDP, according to the Ministry of Economic Development, Trade and Agriculture in the first half of 2020 was 6.5%.

According to the forecast of the National Bank of Ukraine (NBU), the fall in GDP in 2020 may be at least 6%.

At the same time, according to the IMF, the Ukrainian economy will shrink by 8.2% in 2020.

Quarantine has eroded consumer sentiment, almost halting several industries—retail, hotel and restaurant business, air transportation. The number of budget revenues decreased. As a result of the quarantine, Ukrainian companies froze investments and production chains.

Given the above negative trends, we conducted an in-depth study of the impact of COVID-19 on the economic development of Ukraine.

When writing the article, the method of analysis was used to study the impact of COVID-19 on the activities of certain sectors of the Ukrainian economy, namely: catering, the real estate market, the judicial system, etc. This made it possible to comprehensively investigate this issue in all its aspects.

Thus, the use of this method has led to the conclusion that sectors where quarantine restrictions are relaxed and which are related to consumer demand—are recovering rapidly, especially retail and services. The situation is worse with industry and investment demand.

The use of induction and deduction methods made it possible to identify short- and medium-term measures that can improve the financial situation of businesses after their quarantine and restructure, defer debts and loans from partners and financial institutions, transfer the maximum number of employees to a simplified tax system to reduce the tax burden.

The method of generalization gives a clear idea of the directions of probable changes in the development of the domestic economy under the influence of the COVID-19 epidemic. In particular, there is every reason to expect a reduction in spending on both consumption and investment in Ukraine. This will reduce the volume of construction, wholesale and retail trade, catering, passenger air transport, business areas such as tourism, hotel business and, entertainment.

Using the method of research as a synthesis makes it possible to combine the abstract aspects of the subject and reflect it as a concrete whole. In our study, this is done by presenting a forecast for 2020–2021, developed by experts based on generalized consensus assumptions. According to it, the consensus forecast envisages a reduction in consumption by 3%, imports—by 12.2%, exports—by 7.9%, industrial production—by 6.1%, agricultural—by 1.1%.

## 3. Results and discussion

For young economies such as Ukraine, there are additional challenges posed by financial difficulties in the global market and increased pressure on the Ukrainian hryvnia as global investors withdraw their resources in search of a safe haven. In most cases, these are government bonds of the US government and other developed countries.

It should be mentioned that Ukraine is an exporter of primary goods such as metals, and their price is likely to fall significantly due to falling demand in world markets. During the month of February 2020, the price of copper fell by 16%. Iron and steel prices have the same downward trend.

The crisis of 2009, when the fall in metal prices reached 40%, led to a decrease in Ukraine's GDP by 15%. However, COVID-19 should be expected to have a smaller impact, as lower prices for other commodities, such as food and agricultural products, are expected to be smaller, and a sharp drop in oil prices will have a positive impact on the competitiveness of Ukrainian export.

In our view, it is necessary to consider the impact of falling production and demand by 5–10% in Ukraine and its trading partners, along with an increase in trade costs by 5–10%. According to the gravitational model, this will lead to a fall in exports and imports by 15–25%, which means a decrease in exports by 7.5–12.5 billion US dollars and imports by 9–15 billion US dollars in 2020.

To prevent the negative scenario described above, governments are announcing aid packages to support financial markets, businesses, and individuals. Ukraine should include both monetary and fiscal instruments in the aid package. Unlike most countries, the National Bank of Ukraine has the opportunity to reduce the discount rate, which is currently 10%. The government must support the economy with all its might, even by increasing Ukraine's national debt. The immediate priority, of course, is adequate funding for the health care system to be prepared for this unprecedented challenge. The sooner the virus is overcome, the lesser its impact on the economy will be. The government should also consider financial incentives to support vulnerable people and businesses with temporary financial problems. An obvious source of this kind of incentive is borrowing from international financial institutions.

On the other hand, in times of crisis, international investors are fleeing emerging markets, creating a balance of payments crisis and pressure on the local currency. Ukraine should negotiate further cooperation with the IMF to stabilize its foreign exchange market and create comfortable foreign exchange reserves to be prepared for any emergencies that may arise with the evolving crisis (Shepotilo, 2020).

As noted above, a number of European countries have shown a willingness to support business, as there have long been government programmes in which the employer can save both its own financial resources and jobs by obtaining temporary unemployment funding.

As for Ukraine, in accordance with the decision of the Verkhovna Rada, which adopted the Law on Amendments to Certain Legislative Acts Aimed at Providing Social and Economic Guarantees in Connection with the Spread of Coronavirus Disease (COVID-2019):

- the employer will be paid partial unemployment benefits for workers whose working hours have been reduced as a result of quarantine. The payment provides for compensation two-thirds of the employee's salary in case of reduction or cessation of production. In this case, the amount of such assistance may not exceed the amount of the minimum wage;
- increased annual limits for individual entrepreneurs;
- temporarily, for the period of quarantine (and until the end of the month in which the quarantine ends), VAT transactions are not spread on import, supply to the territory of Ukraine of goods necessary for the implementation of measures aimed at preventing COVID-19 (medicines, medical devices, medical equipment);

- tax rebates have been introduced for some taxpayers.
- Also, parliamentarians have amended the Tax Code, according to which:
- penalties are not applied for violations of tax legislation committed in the period from 1 March to 30 April 2020;
  - a moratorium on documentary and factual inspections was established from 18 March to 18 May 2020;
  - the deadline for submitting the annual declaration of property and income has been extended until 1 July 2020;
  - it is not accrued and paid in the period from 1 March to 30 April 2020.

Thus, the Ukrainian government has eased external pressure on business by providing some benefits and discounts, as well as minimum wage compensation for employers, but this will certainly not be enough to support the viability of small and medium-sized businesses in Ukraine.

All these measures should somewhat reduce the burden on Ukrainian business, but, in our opinion, this will not significantly affect the overall decline in business activity and will not compensate for the significant loss of profits.

With the beginning of quarantine, small and medium-sized businesses in Ukraine, especially those involved in services, entertainment, and food, had to close. Some companies have still been able to move to other forms of work, but such restructuring has required significant staff reductions. At the same time, the obligations of companies to employees remain—they are obliged to pay salaries, employees cannot be fired, and it's almost unbearable to afford a vacation at their own expense—many people will live on credits and a month or two without salary may lead to losing property (Table 1).

Table 1. COVID-19 has affected the activities of certain sectors of the Ukrainian economy

Type of business activity	Influence of COVID-19 on activity
Catering	According to Poster Restaurant Automation, 2,500 Ukrainian establishments have stopped working after two weeks of the quarantine. This is 63% of all the company's customers in Ukraine. Thus, we can assume that currently there are about 30,000 such institutions in the country. Sales of catering establishments in Ukraine from March 23 to 29 decreased on average by 73% compared to the same period before quarantine. Sales have fallen sharply not only in the capital (by 78%) but also in all major regional centres. Thus, in Lviv the indicator has fallen on average by 78%, in Kharkiv—73%, in Dnipro—65%, in Odesa—60%. More than 160,000 people lost their jobs in the restaurant business. Poster themselves do not currently have 13,000 employees.
Real estate market	According to the Dobovo daily rental service, real estate rental prices have fallen about three times.
Taxi service	The number of orders for the large Bond taxi service, which operates in Kyiv and Odesa, has dropped almost threefold, according to its founder, Petro Obukhov.
Judiciary	During the quarantine in Ukraine, more than 5,000 courts were transferred. The law providing additional social and economic guarantees in connection with the spread of coronavirus provides for online meetings. However, so far the mechanics of the introduction of this practice hasn't been prescribed in detail. Now part of the court hearings are postponed indefinitely, and some cases are proposed to be considered without the participation of the parties.

According to a survey by the Union of Ukrainian Entrepreneurs (SUP), in April 2020 almost 60% of business owners continue to operate during restrictions (mostly large and medium-sized businesses), another 29% have stopped working (typical of micro business). At the same time, 51% of enterprises can last only 1 month, and every fourth business will withstand 2 or 3 months of work in quarantine and not go bankrupt; 6% of entrepreneurs completely closed their business, mainly micro and small businesses fell into this category. Only 3% of respondents indicate that their business will be able to work for a long time under the necessary conditions (rental vacation, remote access for employees, review of the business model).

One-third of business owners (mostly micro) report a 90–100% drop in income since the start of quarantine. The same entrepreneurs have already laid off up to 50% of the staff.

Small and medium-sized business owners say that incomes have decreased by 25–50% compared to the pre-quarantine period and have already laid off 10 to 25% of employees. Losses of profits of large enterprises are 10–25%, there is a reduction in staff by 25% by the end of restrictive measures (Slovovidilo official website, 2020).

Noteworthy is a survey conducted by the European Business Association among small businesses, according to which, due to the economic consequences of the coronavirus pandemic, 18% of entrepreneurs are considering closing their own business. 78% of respondents report losses of up to 75% of income and only 4% confirm an increase in profits.

Due to the pandemic, 31% of enterprises will have to reduce the number of employees, 21% have not yet decided. At the same time, almost half—48% of surveyed entrepreneurs—do not plan any layoffs.

At the same time, if the quarantine is extended indefinitely, 47% will look for new development opportunities. At the same time, 22% of respondents will be forced to close their businesses. However, according to the EBA, due to the unpredictability of the situation in business, everything may still change (Martyniuk, 2020).

In 2020, one of the main factors influencing economic processes was the spread of the COVID-19 pandemic. In response to the COVID-19 pandemic, there have been significant changes in the lives of many countries around the world, including Ukraine.

According to the results of the first quarter, the seasonally adjusted decline in GDP to the previous quarter amounted to 0.7%, and the fall in the quarter to the corresponding quarter—1.3%. But the biggest losses the domestic economy suffered in the second quarter. According to preliminary estimates of the Ministry of Economy, the fall in GDP by the second quarter of 2019 was 11% (against the projected 14%).

According to the NBU, the index of business activity expectations in June 2020 was 45.5 points compared to 29.9 points in April 2020 (a record low) and 45.8 points in March 2020. In May we have a decrease in the depth of decline of most economic activities.

In general, during January–June among the main sectors of the economy, there was an increase in only the volume of retail trade turnover—by 3.0% (an increase of 10.5% in January–June 2019).

At the same time, other types of economic activity showed a decrease: agriculture by 18.7% (an increase of 5.8% in January–June 2019); volume of cargo turnover by 19.6% (increase by 3.4%, respectively), volume of passenger turnover by 55.9% (increase by 3.0%, respectively),

wholesale turnover by 0.5% (decrease by 0.2 %, respectively), industrial production by 8.3% (growth by 1.3%, respectively), construction by 5.5% (an increase of 25.3% in January–June 2019). As a result, the fall in GDP for the first half of the year, according to the Ministry of Economy, is 6.5% (projected at 8.1%).

The dynamics of domestic prices in 2020, despite a period of uncertainty in the mood of business entities related to quarantine, is generally lower than in recent years. Temporary decline in demand due to quarantine restrictions on economic activity (especially in trade) while maintaining the supply potential of goods and services that need relatively rapid sales mainly limited the growth of consumer prices, excluding point positions in food.

Entrepreneurs expect financial support from the state authorities in the first place. 29% of business owners believe that it should be carried out in the form of temporary exemption from taxes or at least in their significant reduction (tax holidays, temporary abolition of single social contributions, personal income tax).

At the same time, the recently adopted “anti-crisis” laws to support the economy no. 3275 and the signed no. 533-IX did not take into account the relevant business proposals.

The Union of Ukrainian Entrepreneurs called on the authorities to exempt from paying SSC and PIT by the end of the year all businesses that do not reduce staff in terms of downtime. The purpose of this initiative is not to save on the payroll, but to enable employers to keep jobs during the current crisis.

According to the survey results, Ukrainian entrepreneurs find themselves in difficult living conditions—the multiplier effect of the spread of the virus in the country under different scenarios will lead to a 4–9% drop in GDP this year due to business closures and significant staff reductions.

In this regard, in addition to the temporary abolition of SSC and PIT, the Union continues to emphasize the need for radical measures to support business:

First, it is necessary to exempt from income tax the most affected areas: cultural institutions (cinemas, etc.), tourism enterprises.

Secondly, it is necessary to allow all employers to receive partial assistance for their employees, if their time and workload are reduced, in order to prevent the spread of the pandemic.

Third, a moratorium should be introduced on all business inspections until the end of the year, so that entrepreneurs have the opportunity to recover economically from the crisis, rather than to administer (Epravda official website, 2020).

It should be noted that any crisis is an opportunity for business transformation and development. During the crisis, consumer preferences and demand will change and new niches for business will emerge. It is important not to miss such opportunities for Ukrainian entrepreneurs.

Therefore, the reaction and actions of business during the crisis must be rapid. Any plans and strategies should be constantly reviewed depending on changes in the situation. Such actions must be coordinated through the leadership of the owners or managers of the companies.

In our opinion, it is necessary to identify short- and medium-term measures that can improve the financial situation of the business after their release from quarantine.

Thus, short-term measures should include:

- reviewing the terms of payment of real estate rent by asking for a significant discount or deferral;
- reducing or sending on unpaid temporary leave non-critical staff, but at the same time guaranteeing the company's critical staff that they will be protected during the crisis. Instead of downsizing, if possible, staff can be transferred to other types of work (for example, developing new services and products in demand during the crisis or planning and preparing for the resumption of the company after the crisis) or even temporarily lending to other companies, even at a discount;
- limiting the hiring of new staff. Soon market salaries for certain professions will likely fall and many free professionals will appear on the market (SME official website, 2020);
- compensating for the cost of work of consultants who help the company to find a new business model and not to close;
- supporting for businesses that have gone online (benefits, direct assistance).

The medium-term should include the following:

- restructuring and deferring debts and loans from partners and financial institutions;
- transferring the maximum number of employees to a simplified taxation system to reduce the tax burden;
- stimulating the national localization of public procurement by making appropriate amendments to the Law of the country “On Public Procurement”;
- viewing the list of objects of large and medium privatization. In times of crisis, the state does not receive an attractive price for them, it is better to repurpose them or raise funds through a concession;
- business incentives cannot be transferred exclusively to local budgets (abolition of local taxes, the abolition of excise revenues from fuel at 13.44%, etc.);
- providing a system of state guarantees for a part of the loan amount (about 80%) on loans to enterprises, limiting the concentration in “one hand” by groups;
- introducing tax holidays for small businesses to pay a single tax of 6 months;
- strengthening the control of antitrust authorities to reduce energy prices (fuel) in connection with the global fall in prices;
- stimulating the creation of industrial parks by identifying promising areas in each region and providing suitable infrastructure for state and municipal funds;
- temporarily reducing the rates of customs duties on goods that are not produced in Ukraine with an increase in real control at customs. We have to receive revenue from customs while encouraging our entrepreneurs to replace certain groups of goods;
- stimulating the transition from the export of raw materials to the export of goods with high added value—increasing foreign exchange earnings and jobs. Such measures can be implemented through tax holidays for new processing plants and government guarantees for lending to such projects;
- reducing port dues by at least 25%, open inland waterways (without additional charges) to reduce the cost of export logistics and focus on the development of logistics infrastructure;
- preserving the structure of the current state budget as much as possible and not to completely cancel development expenditures (infrastructure, entrepreneurship, etc.). In



case of the introduction of manual “stabilization” funds, their funding should be minimal. Situational use of the budget will lead to unpredictable consequences, both in terms of economic effect and in terms of corruption risks (Pavlychenko, 2020).

It should be noted that Ukrainian entrepreneurs offer their recovery strategy and “survival” tactics for small and medium-sized businesses, which includes:

- total cost optimization in everything;
- negotiations on withdrawal/ reduction of rent, deferral of loans for the quarantine period;
- retaining key employees/ teams through business reorientation and grants from one’s own pockets;
- only forced partial dismissal or salary reduction;
- reorientation/ adaptation of business in new conditions (for example, catering establishments for delivery and self-pickup; event industry—online events);
- transfer of a business to online formats: management, communication with clients, advertising (Shtogrin, 2020).

Thus, it should be noted that the consequences of the coronavirus pandemic will significantly affect the economic development of the country, because the slowdown in the world economy may lead to the decline of business activity in Ukraine, which will automatically mean rising unemployment.

Among the long-term effects of the crisis on the Ukrainian economy, the National Bank of Ukraine calls for reduction in exports and reduction in the attractiveness of government debt securities. Besides, the situation will worsen with debt obligations. And in the complex—all these factors will definitely affect the depreciation of the hryvnia. The exact depth of the devaluation of the national currency can not be predicted, however, obviously, another devaluation will cause prices to rise.

The rating agency S&P Global Ratings has already reacted to the events and lowered the forecast of Ukraine’s GDP growth in 2020 from 3 to 2.5%. Bank of America believes that the economy of our country in 2020 will grow by no more than 1.2%. Although in the previous forecast of BofA there was a figure of 3.5% (Ukrinform official website, 2020).

The World Bank has announced its vision of Ukraine’s economic development prospects for 2020. In particular, according to his forecast, in the spring of 2020, dedicated to the coronavirus pandemic in the world, Ukraine’s GDP is expected to fall by 3.5% this year. Also, World Bank experts predict an increase in inflation in Ukraine this year to 8.9% with a state budget deficit of 4.9% of GDP, a current account deficit of 2.7% of GDP, and an increase in public debt to 59% of GDP, while in 2019 this figure was 51% of GDP. These World Bank estimates are based on assumptions that the coronavirus pandemic will decline in the second half of 2020 (Kulitsky, 2020).

In turn, the IMF submits its disappointing forecasts for Ukraine, namely: in 2020, the economy is projected to fall by 7.7%. The inflation rate in 2020 in Ukraine is projected at 4.5%—with further growth to 7.2% in 2021 (Lazur, 2020).

Small and medium-sized businesses suffer large losses. First of all, the tourism industry, services, and transportation will suffer. Besides, the government has already recorded a short-fall for February–March 2020, about 20% of the planned funds from customs.

In our opinion, the most realistic forecast for the development of the Ukrainian economy is submitted by the Ministry of Economic Development, which has drawn up its consensus forecast.

It is calculated on the basis of materials provided by experts from the Ministry of Economy, NBU, institutes of NASU, Derzhzovnishinform, International Center for Policy Studies, Dragon Capital, ICU, VoxUkraine, UkrSibbank, and others.

Experts predict that Ukraine's GDP will fall more sharply than the world—by 4.2%. At the same time, the spread of estimates is very large—from a decline of 6.6% to an increase of 1.4%. But in 2021 a gradual recovery will begin. The median forecast of experts is 2.4% (spread from 1.5% to 4.4%).

The consensus forecast envisages a reduction in consumption by 3%, imports—by 12.2%, exports—by 7.9%, industrial production—by 6.1%, agricultural—by 1.1%.

Experts forecast inflation at 7% in 2020 and 5.9% in 2021.

The average annual exchange rate is projected at 28.85 UAH vs 1 USD in 2020 and 30.00 UAH vs 1 USD in 2021 (Table 2) (LB official website, 2020).

Table 2. Forecast for 2020–2021, developed by experts on the basis of generalized consensus assumptions obtained from the results of the survey

Indicator \ Period	Questionnaire (1)		Consensus forecast (2)		Government forecast (3)		IMF forecast (4)	
	2020	2021	2020	2021	2020	2021	2020	2021
<b>GDP% real change</b>	-4.4	2.3	-4.2	2.4	-4.8	x	-7.7	3.6
<b>Consumer price index</b>	-	-						
<b>Average per year</b>	107.1	108.6	105.8	107.7	106.8	x	104.5	107.2
<b>December to December of previous year</b>	110.0	107.5	107.0	105.9	111.6	x	107.7	105.9
<b>Average exchange rate, UAH vs USD</b>								
<b>Average</b>	28.5	29.0	28.85	30.0	30.0	x	x	x
<b>At the end of the period</b>	30.0	30.0	29.5	30.75	29.5	x	x	x
<b>Unemployment level in % related to workforce aged 15–70</b>	9.7	9.1	9.4	9.1	9.4	x	10.1	9.3
1—the average value of several key forecast indicators estimated by experts based on common assumptions and a single consensus scenario of economic development								
2—the average value of the main forecast indicators of economic development of Ukraine, which are calculated as the median based on their assumptions and their scenario of economic development provided by respondents								
3—indicators are given in the resolution of the Cabinet of Ministers of Ukraine dated by 29 March 2020 no. 253								
4— <a href="https://www.imf.org/en/Publications/WEO/issues/2020/04/14/weo-april-2020">https://www.imf.org/en/Publications/WEO/issues/2020/04/14/weo-april-2020</a>								

Source: LB official website, 2020.

Many other experts are pessimistic about the long-term dynamics of the Ukrainian economy. A. Ivanets, director of marketing and communications at Kreston GCG, Bank of America, said that this year's fall in Ukraine's GDP, according to his estimates, is expected at 5.6%. Analysts of Ukrainian banks are also confident that we will feel the fall in GDP in the first quarter. And although all forecasts differ from each other, in the most pessimistic scenario they come to one mark—"minus" 10% on an annualized basis. According to the American Chamber of Commerce and Industry's Economic Impact of COVID-19 on Ukraine, 65% of Ukrainian companies will not be able to meet their annual business plans (Kulitsky, 2020).

However, it is worth noting the optimistic forecast of Anders Oslund, a senior researcher at the Atlantic Council in the United States, who notes that Ukraine will be easier than most other countries to get out of the crisis. In particular, because agriculture suffers the least, and it is the main export product. Like iron ore, it sells well, but steel sells poorly. These are the three main products that Ukraine exports. Tourism in the world has stopped, but for Ukraine it is not the main thing. Ukraine quickly and early began to take measures against the spread of coronavirus—and rightly so. The country had to be closed and the situation taken under control. But there is a downside. This is finance. Ukraine is very much dependent on international funding. IMF financing is particularly important. And now, probably, there will be a cooperation agreement with the IMF, because the Verkhovna Rada has passed a "banking" law. This will mean that it will be easier for Ukraine to get out of the crisis (Lazur, 2020).

We share the opinion of Serhiy Fursa, an investment banker, a specialist in Dragon Capital's debt securities sales department, regarding two possible scenarios: an optimistic and a pessimistic one. The optimistic one implies cooperation with the IMF, however, the pessimistic says that it will not happen. These are the key differences on which everything depends. The optimistic scenario also assumes a downturn in the economy, but moderate inflation. At the same time, this scenario assumes that the economy will begin a rapid recovery in the fall. When quarantine is lifted, both the world economy and the Ukrainian economy can begin to recover in September. As a result, we get a fall in the economy somewhere at 4.5% and the hryvnia exchange rate somewhere around 30 UAH for 1 USD at the end of the year and next year, then the economy will return to growth.

If we consider the scenario without cooperation with the IMF, it assumes a much deeper economic downturn, which will not provide for recovery in the fall. Refusal to cooperate with the IMF means either default, or the same consequences as default, without the word "default", implies a deep devaluation, panic among the population, outflow of investment and very cautious attitude of all economic agents to Ukraine's prospects in the next few years (Lazur, 2020).

#### 4. Conclusions

Thus, the presented marketing research in combination with the above information gives a clear idea of the directions of probable changes in this year's development of the domestic economy under the influence of the epidemic COVID-19.

In particular, there is every reason to expect a reduction in spending on both consumption and investment in Ukraine. This will reduce the volume of construction, wholesale and retail trade, catering, passenger air transport, business areas such as tourism, hotel business, and entertainment. Moreover, the mentioned reduction of consumer and industrial consumption will negatively affect not only the production of goods and services in Ukraine but also lead to a reduction in imports of goods and services to Ukraine, which, incidentally, is reflected in the above-mentioned government macroeconomic forecast changes to the State Budget for 2020 (Kulitsky, 2020; Ukrinform official website, 2020).

So, summarizing the information above, it should be noted that the main task of any domestic enterprise is to ensure effective and efficient management decisions and delegation of authority remotely. And in this context, a business with a strong online component will benefit those who are conservative and used to working offline.

So, today's situation, caused by the COVID-19 pandemic, is the time for a turnaround that will not only survive the crisis but also gain an advantage over competitors in the long run.

## 5. Limitations and suggestions for future research

In our opinion, the most realistic forecast for the development of the Ukrainian economy was voiced by the participants of the online round table in Ukrinform "Economic impact of the COVID-19 pandemic on Ukraine", based on a study by the Institute for Economic Research and Policy Consulting in cooperation with the German Economic Team, that took place on 28 May 2020. They developed three baseline scenarios of coronavirus exposure: optimistic—with a 6% drop in the economy, baseline—7%, and pessimistic—11%. Vitaliy Kravchuk, a senior fellow at the Institute for Economic Research and Policy Consulting, said that given the timely lifting of quarantine restrictions, the forecast is moving closer to an optimistic fall scenario. According to him, the biggest losses were in the transport, retail, and industry, while agriculture suffered the least.

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## COVID-19: nowe wyzwania dla ukraińskiej gospodarki

**Abstrakt:** Artykuł analizuje prace ekonomistów zajmujących się wpływem COVID-19 na rozwój gospodarczy krajów europejskich. Pandemia COVID-19 już wyrządziła poważne szkody ukraińskiej gospodarce, pomimo stosunkowo łagodnych skutków dla zdrowia publicznego. Autorzy przeanalizowali wpływ COVID-19 na działalność niektórych sektorów ukraińskiej gospodarki, a mianowicie: gastronomii, nieruchomości, sądownictwa i innych. Bezpośredni wpływ pandemii na gospodarkę miał miejsce poprzez wstrzymanie krajowej aktywności gospodarczej w sektorach dotkniętych zamknięciem, a także niższy popyt na ukraiński eksport i niższe przekazy z zagranicy. Ograniczenia w podróżowaniu prawie całkowicie zatrzymały turystykę lokalną i międzynarodową. Efekty drugiej rundy wynikają z obniżenia dochodów gospodarstw domowych, przekierowania wydatków rządowych i zakłócenia pla-

nów inwestycyjnych przedsiębiorstw, co skutkuje niższym popytem na szeroką gamę towarów i usług. Na przykład zmniejszone zapotrzebowanie na energię elektryczną spowodowało zakłócenia w bilansie systemu energetycznego i mniejsze zapotrzebowanie na węgiel. Zaproponowano „Prognozę na lata 2020–2021”, opracowaną przez ekspertów na podstawie uogólnionych zgodnych założeń uzyskanych po wypełnieniu ankiety. Ujawniono stanowisko Związku Ukraińskich Przedsiębiorców w sprawie zmniejszenia obciążeń podatkowych ukraińskich przedsiębiorstw w czasie pandemii COVID-19 i konieczności podjęcia radykalnych działań wspierających biznes. Autorzy zidentyfikowali krótko- i średnioterminowe działania, które mogą poprawić sytuację finansową firmy po zwolnieniu z kwarentanny. Zaproponowano kilka scenariuszy wyjścia z okresu pokryzysowego dla ukraińskiej gospodarki.

**Słowa kluczowe:** COVID-19, wpływ na rozwój gospodarczy, gospodarka Ukrainy, sektory gospodarki ukraińskiej, Związek Ukraińskich Przedsiębiorców, sytuacja finansowa